



# Presentation of Q3 results 2023/24

Increased attendance to Hagar's stores and for services

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January 11<sup>th</sup>, 2024

\*This presentation is translated from the Icelandic version which was published on January 11<sup>th</sup>, 2024. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

# Overview

## Highlights from operations

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Status and prospects

## Quarter in a nutshell: Key figures

Q3 2023/24 (changes from Q3 2022/23)

**43.7** b.ISK.

sales

▲ 8.6%

**3.2** b.ISK.

EBITDA\*

▲ 24.3%

**1.1** b.ISK.

profit\*

▲ 22.6%

**20.7%**

gross margin

▲ 2.6%points

**13.7%**

labour and cost ratio

▲ 0.5%points

**35.3%**

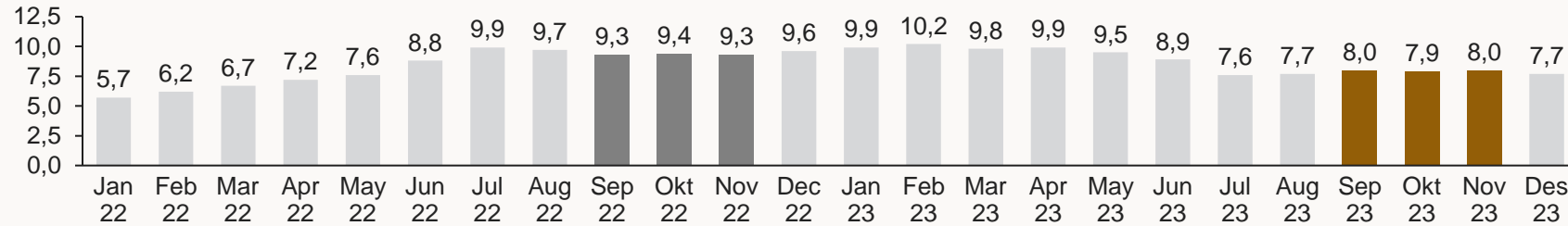
equity ratio

▼ 2.5%points

\* Effect of one-off items on Q3 2022/23 regarding repayment from the government transport fuel equalisation fund: EBITDA 451 m.ISK and profit 361 m.ISK.

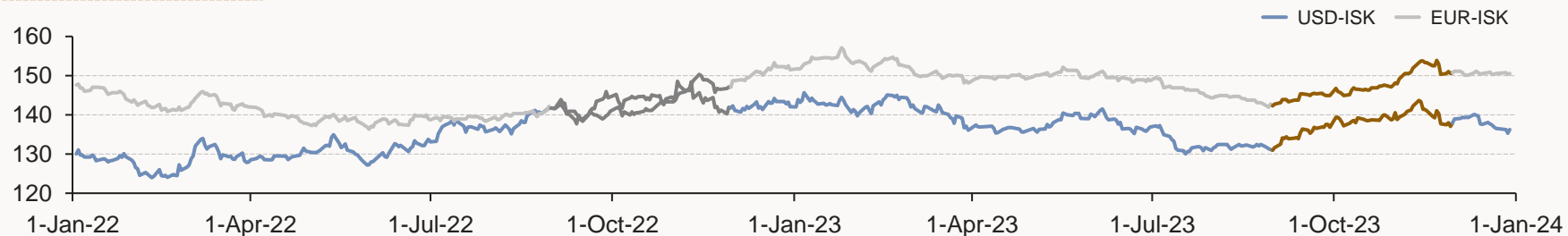
# External factors: Weakening exchange rate and falling fuel price in Q3

Consumer Price Index, annual change, %



- **Inflation rather stable around 8%** in the period – then decreased slightly following the quarter's end or in December 2023

Exchange rate, ISK



- **The exchange rate of the Icelandic króna weakened considerably** toward the main currencies in the period, i.e. US\$ and €

Development of ULSD (Diesel), USD / mt



- **World fuel price fell considerably in the period**, and for comparison see ULSD (Diesel) development at the side

# This stands out in the quarter

- **Operations in Q3 proceeded well in all sections and earnings were satisfactory - the management's guidance** was revised as **rising** in December
- **Continued good revenue growth**, due to inflation and volume increase - **sold units in grocery stores and fuel litres increase**
- **Better results due to increased visits to Hagar's stores**, and continuing **strong demand for fuel** at Olís
- **Gross margin rate strengthens between the years - drop in world fuel prices** and comparison with **historically low margin proportion in grocery**
- **Continuing costs escalations**, in grocery supplies, operating costs and interest - **focus on optimisation and procurement to** reduce the need for price rise
- An analysis of **Olíudreifing's strategy and future possibilities** has begun



HAGKAUP

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Bananar

STÓRKAUP |

ELDUM  RÉTT

ZARA



# Stores and warehouses: Increased activities and better revenue

Income Statement Q3 2023/24 (m.ISK)

- **Income** from groceries, specialty products and warehouses **grew by 15.5% between the years** and amounted to **30.3 b.ISK**
- **Stronger results where EBITDA was 2.4 b.ISK** or 7.9% of sales
- **Sold units in groceries grew** by just under 4% between the years - **Customers visits grew** by just about 9% in the quarter
- **First year of Eldum rétt** as a part of Hagar turned out excellently - **enlargement of production spaces necessary**
- **Aðföng and Bananar** have advanced well in supporting increased volume in Hagar's stores - **Stórkaup accelerates grocery sales** to bulk users
- Although price rises from wholesalers and manufacturers have decreased, these are still **persistent** - higher rise on domestic products
- Emphasis on procurement and **cooperation with suppliers to counteract price increases** and support the criteria of labour agreements

	Q3 '23/24	Q3 '22/23	Δ	%Δ
Income	30.271	26.217	4.054	+15,5%
Expenses	-27.890	-24.459	-3.431	+14,0%
<b>EBITDA</b>	<b>2.381</b>	<b>1.758</b>	<b>623</b>	<b>+35,4%</b>
<i>EBITDA %</i>	<i>7,9%</i>	<i>6,7%</i>	<i>+1,2%</i>	<i>+17,3%</i>
<b>EBIT</b>	<b>1.434</b>	<b>882</b>	<b>552</b>	<b>+62,6%</b>
<i>EBIT %</i>	<i>4,7%</i>	<i>3,4%</i>	<i>+1,4%</i>	<i>+40,8%</i>



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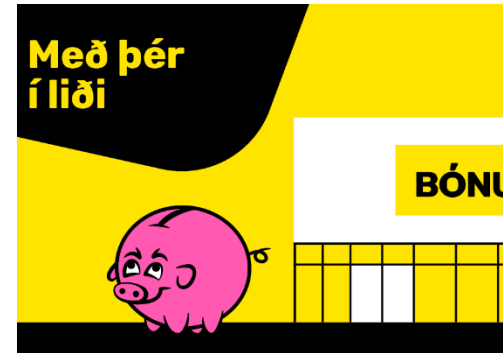
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**ZARA**

# Bónus: Operations strengthening with more visits than ever

- Sales in Q3 amounted to just about 21 b.ISK and grew by just over 15% from previous year - results getting proportionally stronger between the years
- Continuing increased activity - customers visits and sold units rising considerably between the years
- More customers visiting Bónus stores than before - positive effects from extended opening hours, better stores and new services
- Bónus, again and again, most often with the lowest price according to the ASÍ survey - the most cost economical choice being desirable in the current economic environment
- Bónus helping customers to find the most cost economical selection in each product category - possibility to lower the grocery basket by choosing cheaper brands
- A new Bónus store in Miðhraun opened at the end of November and became a „destination“ over the holidays - a certain end of an investment phase with increasing efficiency as a priority
- „Gripið & Greitt“ in five stores - reception / usage better than expected



# Hagkaup: Continuing rise in visits and operations getting stronger

- **Sales in Q3 amounted to just over 6 b.ISK** and grew by just about 8% from the previous year - **operations getting stronger between the years**
- **Use of operational technology and automation successful** - automatic orders and electronic shelf labels facilitated Christmas shopping extensively
- **Well attended special offer days and events during the quarter**, e.g. singles' day, health days, 100-year anniversary presentation in Pálmi's memory, Christmas market, etc.
- **November and December are the major months of the year** at Hagkaup - **Christmas shopping proceeded well** (more details in the coming report for Q4)
- **Hagkaup makes a good impression** - Bleika Slaufan (the pink bow tie) i.a. sponsored by Hagkaup and customers by **2 m.ISK**

## HAGKAUP





# Olís: Continuing strong operations with increased demand



Income Statement Q3 2023/24 (m.ISK)

- **Income in Q3 amounted to 13.8 b.ISK** and decreased by 7% between the years - world fuel market price lower than in the last year
- Some **increase in sold litres, especially to bulk users** but the retail market is similar between the years
- **EBITDA amounted to 849 m.ISK** (6,1%) and remains unchanged between the years - excellent increase considering one-off items last year
- **Revenue slightly exceeding plans** - explained a.o. by **excellent demand, efficient basic operations** and **effective inventory control**
- **Structural changes have resulted in efficient operating costs** - operating costs are increasing slightly despite wage increases and last year's inflation
- **ÓB station at Egilsgata closed at the end of the year** according to the agreement with the City of Reykjavík due to the reduction policy for fuel stations - **the site has been put to another use**

	Q3 '23/24	Q3 '22/23	Δ	%Δ
Income	13.839	14.833	-994	-6,7%
Expenses	-12.990	-13.993	1.003	-7,2%
<b>EBITDA</b>	<b>849</b>	<b>840</b>	<b>9</b>	<b>+1,1%</b>
<i>EBITDA %</i>	<i>6,1%</i>	<i>5,7%</i>	<i>+0,5%</i>	<i>+8,3%</i>
<b>EBIT</b>	<b>571</b>	<b>665</b>	<b>-94</b>	<b>-14,1%</b>
<i>EBIT %</i>	<i>4,1%</i>	<i>4,5%</i>	<i>-0,4%</i>	<i>-8,0%</i>



## **Executive positions : Björgvin and Ingunn Svala employed at Bónus and Olís**



- **Björgvin Víkingsson** took over as the CEO of **Bónus** on January 1<sup>st</sup>
- **Ingunn Svala Leifsdóttir** took over as the CEO of **Olís** on January 1<sup>st</sup>
- **Ingunn Svala** previously worked as a **manager of operations at Dohop** and before that as a manager at the **Reykjavík University** - Ingunn Svala has also extensive experience in management and moreover worked previously for **Kaupping, Kaupping's creditors committee** and **Actavis Group PTC**
- **Ingunn Svala** holds a **B.Sc. degree in economics and Cand. Oecon from the University of Iceland**, and she has as well completed an **AMP** programme from **IESE Business School in New York** in 2018



# **Eldum rétt:** Extensive volume increase and excellent operation in the first year

- **Hagar acquired Eldum rétt operations in November 2022**, but the integration of Eldum rétt into Hagar has been successful
- Eldum rétt is an imposing addition to Hagar's operations, increased variety for customers and **an extensive step for Hagar into the market of online food sales**
- **Operations exceeded expectations during the year** and makes an important contribution to Hagar - a relatively small unit, but growing **rapidly and delivering excellent results**
- **Volume increase during the year has been significant** and new products have arrived in stores - it is clear that the service and product range of **Eldum rétt helps the locals to simplify and improve cooking at home**
- **The expansion and improvement of the production facilities** was recently completed to increase the efficiency and economy of operations - **increased capability to handle demand**
- **The managers of Eldum rétt and Hagar see splendid opportunity for further growth** in the coming months and quarters



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# Results exceeding plans in Q3

## Income statement Q3 2023/24 (m.ISK)

- **Sales in Q3 amounted to 43.7 b.ISK and grew** by 8.6% between the years or by 3.5 b. ISK
- **Gross margin in ISK** totalled 9.1 b.ISK and **increased by 24.1% between the years**
- **The gross margin was 20.7% and rose** by 2.6%, which can be mainly **attributed to Olís' activities** - the margin in grocery has improved slightly, but last year it was historically low
- In **Q3 of the comparison year, a one-off refund to Olís amounted to 451 m.ISK** due to the governmental transport equalisation fund - booked under other operating income
- **EBITDA increased by 24.3% in Q3** - if one-off effects of the previous year are excluded the **EBITDA increased by 50.4% between the years**
- **Profit** amounted to 1.1 b.ISK **and increased by 22.6%** from the previous year

	Q3 '23/24	Q3 '22/23	Δ	%Δ
Sales	43.683	40.220	3.463	+8,6%
<b>Gross profit</b>	<b>9.062</b>	<b>7.301</b>	<b>1.761</b>	<b>+24,1%</b>
Other operating income	139	587	-448	-76,3%
Salaries	-4.094	-3.578	-516	+14,4%
Other operating expenses	-1.877	-1.712	-165	+9,6%
<b>EBITDA</b>	<b>3.230</b>	<b>2.598</b>	<b>632</b>	<b>+24,3%</b>
Depreciation	-1.285	-1.085	-200	+18,4%
Net finance expense	-625	-414	-211	+51,0%
<b>Profit for the period</b>	<b>1.116</b>	<b>910</b>	<b>206</b>	<b>+22,6%</b>

# Excellent operation in the first nine months of the operational year

## Income statement 9M 2023/24 (m.ISK)

- **Sales 9M grew** by 7.1% between the years or by 8.7 b.ISK
- **Stores and warehouses sales increase** amounted to 16.2%, while the **decline at Olís** amounted to 9.0%
- **The gross margin** was 20.7% and increased by 1.6% from the previous year - **this originates from the fuel part of the Group**, but in groceries, the gross margin has increased slightly
- **EBITDA of stores and warehouses** increased by 18.6%, while **Olís' EBITDA** decreased by 16.4%, mainly due to one-off items from the previous year
- **EBITDA increased** by 6.1% year on year - **increase without one-off items** amounted to 24.4%
- **Profit 9M** amounted to 3.9 b.ISK or 8.6% lower than the previous year

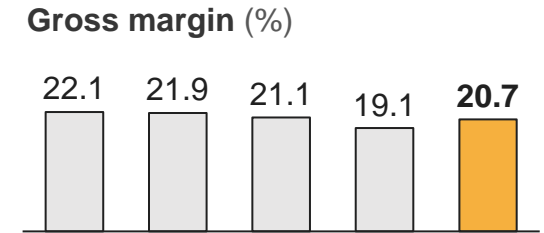
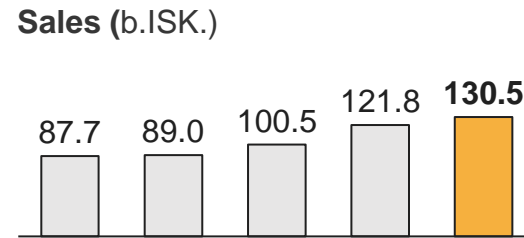
	9M '23/24	9M '22/23	Δ	%Δ
Sales	130.482	121.832	8.650	+7,1%
<b>Gross profit</b>	<b>27.037</b>	<b>23.248</b>	<b>3.789</b>	<b>+16,3%</b>
Other operating income	543	1.818	-1.275	-70,1%
Salaries	-11.907	-10.459	-1.448	+13,8%
Other operating expenses	-5.450	-4.972	-478	+9,6%
<b>EBITDA</b>	<b>10.223</b>	<b>9.635</b>	<b>588</b>	<b>+6,1%</b>
Depreciation	-3.767	-3.205	-562	+17,5%
Net finance expense	-1.890	-1.384	-506	+36,6%
<b>Profit for the period</b>	<b>3.853</b>	<b>4.214</b>	<b>-361</b>	<b>-8,6%</b>

# Good sales increase characterise the last years

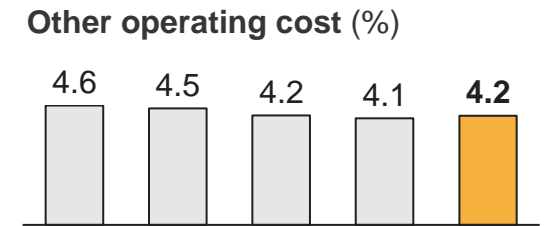
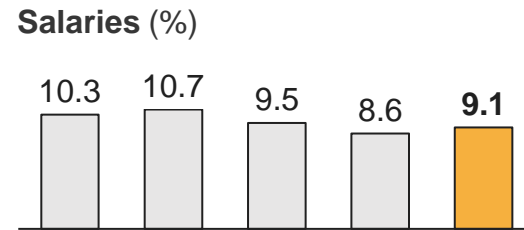
Operational key factors (9M 2019/20 – 9M 2023/24)

- **Continued good increase in sales between the years** - driven by increased activity in operations and the impact from inflation
- **The gross margin increased**, year on year, now for the first time since 2019/20 - an effect of stronger operations at Olís and due to the consequence of the **world fuel market price**
- **Salaries and cost ratios** give away compared to last year - i.a as **the result of large salary and cost increases** in recent quarters
- **EBITDA ratio** of 7.8% in the period and **profit ratio** of 3.0% - the effect of one-off items of the previous year distort fairly comparisons between years

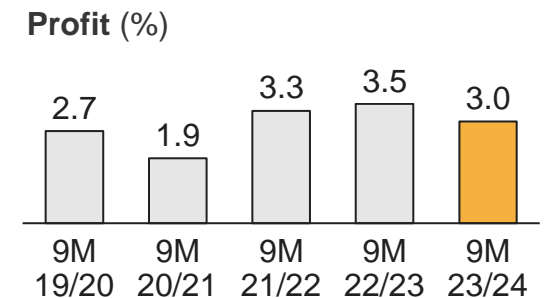
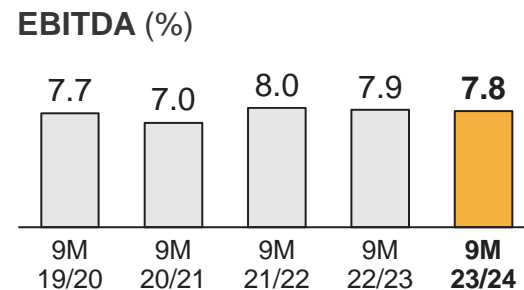
Sales and gross margin



Operating cost



Profit



# Strong cash flow the first nine months of the operational year

Cash flow statement 9M 2023/24 (m.ISK)

- **Cash from operations** in the period amounted to 7.0 b.ISK and increased compared to previous year by 467 m.ISK
- **Investment in properties** amounted to 1.5 b.ISK for the period - mainly due to Norðlingabraut in Reykjavík
- Investment in opening of **three new Bónus stores**, new **Olís service station** at Fitjar, **sustainable projects, digital development and information technology**
- **Buy-back** of own shares in the first 9M of the year amounted to 2.3 b.ISK and **paid dividends** were 2.5 b.ISK
- **Cash decreased** by 986 m.ISK in the first 9M and amounted to 1.9 b.ISK at the end of the period

	9M 2023/24	9M 2022/23	Change
Profit for the period	3,853	4,214	-361
Adjustments	6,257	4,432	1,825
<b>Working capital</b>	<b>10,110</b>	<b>8,646</b>	<b>1,464</b>
Change in current assets	-1,779	-3,635	1,856
Change in current liabilities	1,107	3,433	-2,326
Interest and taxes paid	-2,408	-1,881	-527
<b>Cash prov. by operating activities</b>	<b>7,030</b>	<b>6,563</b>	<b>467</b>
Investment activities	-4,007	-2,752	-1,255
Financing activities	-4,009	-3,276	-733
<b>Change in cash</b>	<b>-986</b>	<b>535</b>	<b>-1,521</b>
<b>Net cash at the end of the period</b>	<b>1,883</b>	<b>1,318</b>	<b>565</b>



# Assets increase to a reasonable extent in the period

Balance sheet 30<sup>th</sup> November 2023 (m.ISK)

- **Non-current assets grew** by 3.7 b.ISK from the end of the year 2022/23 – mainly due to investments in properties, operating assets and a rising leasing properties
- **Current assets** amounted to 22.3 b.ISK and **grew by** 821 m.ISK from the end of the year 2022/23
- **Inventory increased** by 212 m.ISK from the end of the year 2022/23 but have decreased by 1.3 b.ISK since the end of Q3 last year - **inventory turnover rate** 10.0
- **Trade receivable have increased and the credit period of receivables** is now 11.9 days compared to 10.4 days last year
- **Equity** amounted to 27.0 b.ISK at the end of the period and the company had **own shares with** a nominal value of 22.1 m.ISK

	30. 11. 2023	28. 2. 2023	%Δ		30. 11. 2023	28. 2. 2023	%Δ
Property, plant and equipment	22.426	21.236	+6%	Borrowings	11.357	11.829	-4%
Intangible assets	12.783	12.430	+3%	Lease liabilities	8.232	7.056	+17%
Other non-current assets	18.980	16.836	+13%	Income tax	3.119	2.216	+41%
<b>Non-current assets</b>	<b>54.189</b>	<b>50.502</b>	<b>+7%</b>	<b>Non-current liabilities</b>	<b>22.708</b>	<b>21.101</b>	<b>+8%</b>
Inventories	12.929	12.717	-	Borrowings	6.318	3.325	+90%
Trade receivables	7.514	5.919	+27%	Lease liabilities	2.484	2.012	+23%
Cash	1.883	2.869	-34%	Trade payables	18.008	17.638	+2%
<b>Current assets</b>	<b>22.326</b>	<b>21.505</b>	<b>+4%</b>	<b>Current liabilities</b>	<b>26.810</b>	<b>22.975</b>	<b>+17%</b>
<b>Total assets</b>	<b>76.515</b>	<b>72.007</b>	<b>+6%</b>	<b>Total liabilities</b>	<b>49.518</b>	<b>44.076</b>	<b>+12%</b>
<b>Liabilities and equity</b>	<b>76.515</b>	<b>72.007</b>	<b>+6%</b>	<b>Total equity</b>	<b>26.997</b>	<b>27.931</b>	<b>-3%</b>

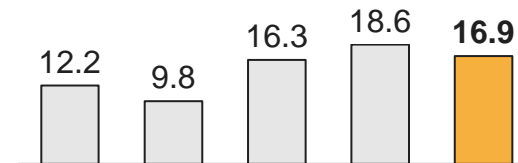
# The Board's objective for equity ratio realised

Economic key factors (9M 2019/20 – 9M 2023/24)

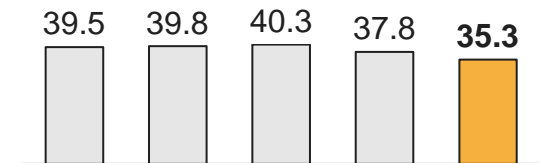
- **Return on equity 16.9%** over the last 12 months
- **The equity ratio** at the end of Q3 was 35.3%, **but the board's target** is a ratio of 35%
- **Net interest-bearing debt** at the end of Q3, including leasing liabilities, were 26.5 b.ISK or 2.1 x 12-month EBITDA
- **The current ratio** at the end of Q3 was 0.83 compared to 0.98 at the end of Q3 the previous year
- **The cash conversion cycle** was 16.3 days compared to 16.2 days in the previous year
- **The assets turnover ratio** was 2.3 at the end of Q3 as in the previous year

Shareholders return

Return on equity (%)

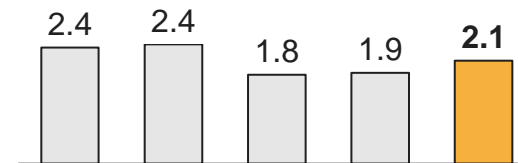


Equity ratio (%)

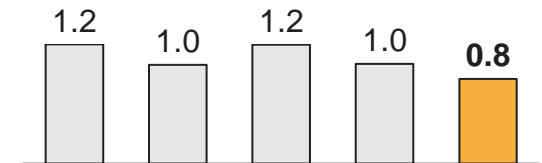


Risk in operations

Net debt/EBITDA<sup>1</sup>

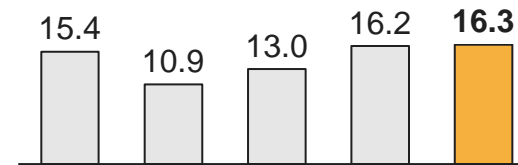


Current ratio<sup>2</sup>

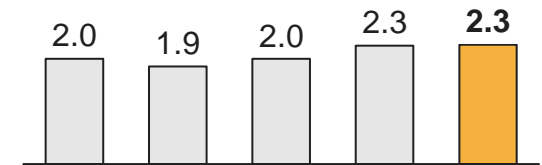


Efficiency of assets

Cash conversion cycle (days)<sup>3</sup>



Assets turnover ratio<sup>4</sup>



1) Net interest bearing liabilities (including leasing liabilities) / 12 months EBITDA 2) Current assets/ current liabilities  
 3) Cash conversion cycle = number of inventory days + number of days for accounts receivables – number of days for accounts payable 4) Sale / assets

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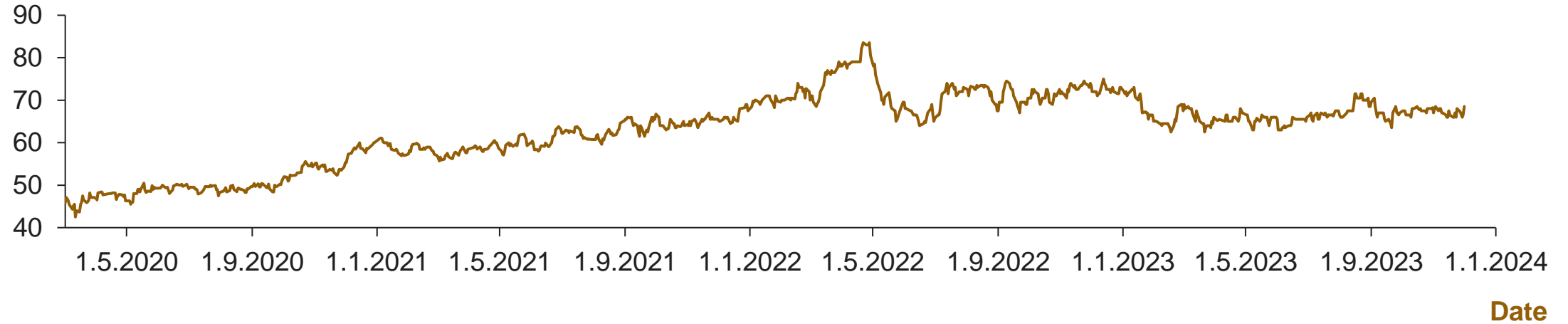
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# Market price and largest shareholders

## Market price

Closing price 30.11.2023: 66.5 ISK / share



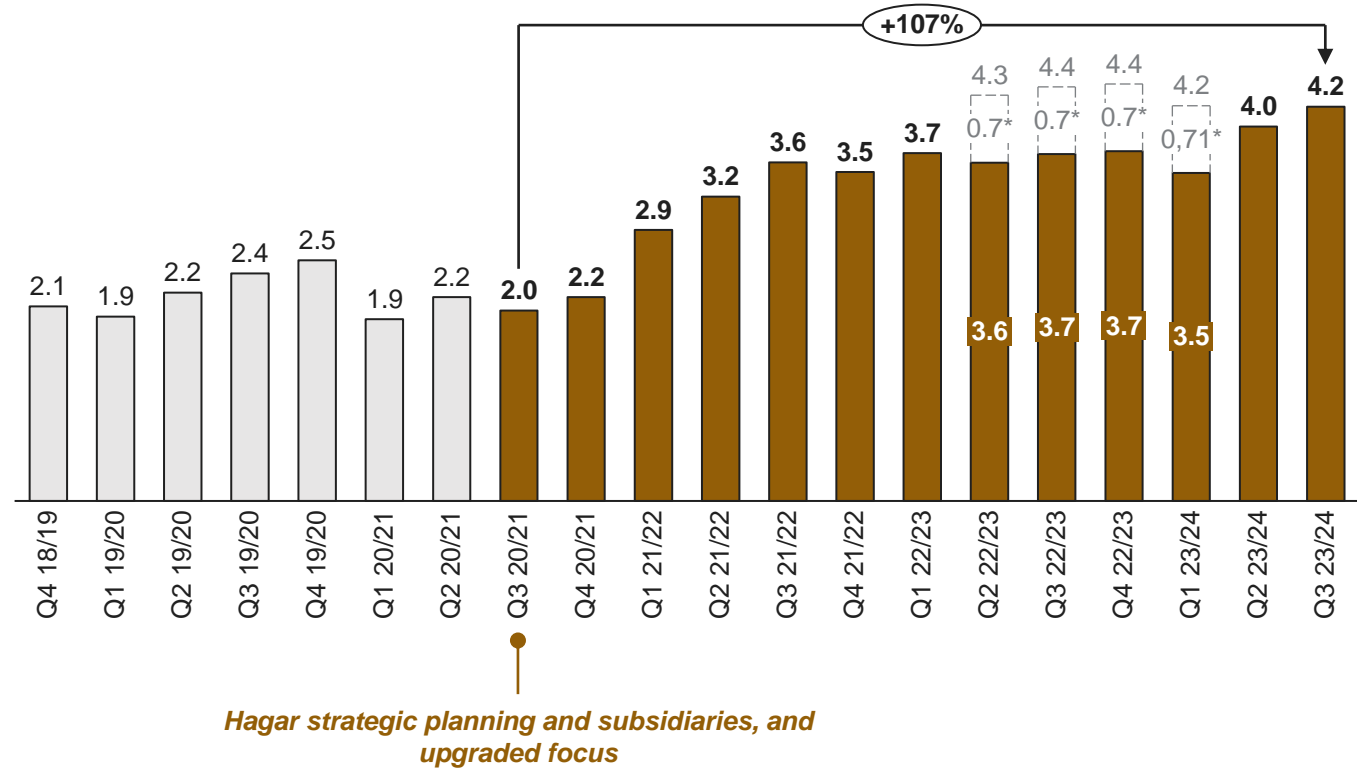
## Largest shareholders, shares held at end of 30.11.2023

1. Gildi - Pension fund	18.5%	6. Kaldbakur Ltd.	7.4%
2. The Pen.fund for state employees, A div.	11.3%	7. Festa - Pension fund	4.5%
3. The Pension fund of commerce	10.4%	8. Stapi Pension fund	3.6%
4. Brú pen.fund, municipalities employees	8.6%	9. SL Pension fund	3.0%
5. Birta Pension fund	7.8%	10. The Pen.fund for state employees, B div.	2.2%

# Earning per share continue to grow

Accumulated earnings per share last 12 months (ISK per share)

- **Earnings per share continue to grow** - accumulated profit now **4.16 ISK per share** for the last 12 months, which is a 107% increase from Q3 2020/21
- **Hagar's improved revenue** in the last quarter is based on a general **streamlining of operations, strategic decisions** that have proven to be successful, **new sections and increased activity** in the main operating sections
- Continued focus on **projects that affect short-term operations**, but also on **larger projects that affect the medium and long-term operations**



\* Effect of Klasi transaction

# Status and prospects (1/2)



- **Operations have strengthened** alongside with **increased volume sold** in groceries and fuel, and due to **streamlining and new business sections**
- **Prospects continue** to be **excellent**
  - **Operational units with excellent standing** - general demand increase
  - **The most economical food basket** has rarely been more appropriate
  - **Equilibrium** (hopefully) to be achieved in **the grocery prices**
  - Prospects for **better economical balance** of the country
- **The management's guidance** for the operating year 2023/24 assumes that EBITDA will be between **12,900 - 13,400 m.ISK**
- Traditional **uncertainties** will affect operations and revenue, e.g. **world fuel prices, exchange rates, inflation, interest rates** and **labour agreements**



# Status and prospects (2/2)



- **Labour agreements** that promote **price stability** have the utmost importance for homes and businesses - the most vital task today
  - Hagar's special emphasis **on procurement strives against price increases of supplies** for shops and **supports the criteria for labour agreements**
  - Price changes in stores **are mostly driven by price changes from wholesalers and producers**, many of whom **have announced price rises** around the beginning of the year.
  - Recent dialog of parties on the labour market **promote hopes for optimism** about **long-term labour agreements** that contribute to **lower inflation**
  - **Conditions have therefore changed greatly** since the wholesalers and manufacturers made their **plans for 2024** in the autumn months - should affect the previous decisions about their price increases
  - **In Hagar's discussion with suppliers** in the past few days, **an understanding of the changed situation** and the importance of consensus as basis of labour agreements has been shown - **many partners have already withdrawn or reduced plans for rises**
  - **Hagar's stores will take a clear stand against price increases that are considered to be in excess of what can be supported**
  - **In good cooperation** between store, wholesalers and manufacturers, it is possible **to contribute to a decrease in inflation of food**







# Companies within the Hagar Group



Bónus is a chain of discount stores that, from its founding, has offered the customers the lowest possible food price in Iceland. There are in total 33 stores but the product range covers all the primary household needs.



Hagkaup is a leading retail company which emphasises on excellent service and a wide range of products. There are 7 stores, plus an online store, but the main product categories are food, cosmetics and toys.



Olís specialises in the sale and service of fuel and other oil products, as well as fast food, various essential products for car owners, products for outdoor activities and travel as well as multi-faceted services for e.g. fishing, contracting and transport enterprises throughout the country.



Eldum rétt offers its customers food packages through an online and Hagkaup's stores, with recipes and ingredients in the right amount to cook healthy and tasty meals, with as little effort as possible.



Aðföng is a purchasing and logistics centre for the retail and bulk consumer market, but the company's activities consist of purchases, inventory management and distribution for Bónus, Hagkaup, Olís and Stórkaup stores.



Bananas is the largest importer and distributor of fresh vegetables, fruits and berries in Iceland and also one of the largest import companies in the country. Bananas are also the largest buyer and distributor of domestic vegetable and berry products.



Stórkaup is a wholesaler servicing bulk users with supplies on a broad basis, with operational guiding principles in efficiency, modern level of service and a simple sales organisation and distribution. The main product categories are operational supplies, health products and food products.



Zara is one of the world's largest fashion store chains selling clothing for adults as well as children at decent prices. Hagar manages the elegant Zara store in Smáralind.



## ASSOCIATES WITHIN THE GROUP



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*On behalf of Hagar, attention is drawn to that the statements and information in this presentation are based on, as appropriate, the plans and estimates of the company's directors, but not on facts that may be verified at the publication of the presentation or by any discussion by the company of the presentation. For these reasons, the said statements and information constitute a degree of uncertainty.*

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The logo for 'hagar' features the word in a bold, lowercase, sans-serif font. It is enclosed within a stylized, horizontal oval shape composed of two thick, curved lines. The top-left and bottom-left portions of these lines are grey, while the top-right and bottom-right portions are orange. The lines are slightly offset from each other, creating a sense of motion or a dynamic frame around the text.