



Presentation of Q2 2022/23 results

Finnur Oddsson, CEO

Guðrún Eva Gunnarsdóttir, CFO

October 20th 2022

*This presentation is translated from the Icelandic version which was published on October 20th, 2022. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Contents

Highlights from operations

Financial statements

Status and prospects

Quarter in a nutshell: Key figures

Q2 2022/23 (changes from Q2 2021/22)

43,4^{b.ISK}

sales

▲ 24,4%

4,4^{b.ISK}

EBITDA

▲ 33,9%

2,4^{b.ISK}

profit

▲ 39,1%

19,3%

gross margin

▼ 1,9%pt.

11,6%

salaries- and cost ratio

▼ 1,3%pt.

38,2%

equity ratio

▼ 2,5%pt.

What stands out in the quarter

- **Hagar's operations excellent and revenues exceeding forecasts** - robust **sales increase in the quarter** and increased total profit, a.o. due to **Olís' improved revenue and effects from one-time items**
- **Increased activity in grocery stores**, where the number of customers and units sold increase - **sale of fuel litres unchanged**
- **Gross margin in ISK increases** year-on-year - **margin ratio decreases** on the other hand, mainly due to higher world fuel marked price
- **Hagar seeking to take action against rising commodity prices** to offer customers products and service at the most affordable prices - thus contributing to **restraining inflation**
- **Settlement with the CA for the purchase by Hagar of 1/3 shares in Klasi**, the transaction were implemented at the end of the 2nd quarter - **EBITDA effect in the quarter by 966 m.ISK.**
- **Mjöll-Frigg sold** from the group in August - effect from the transaction on EBITDA was negative by about 84 m.ISK.
- On October 17th **the CA accepted the purchase of all shares in Eldum rétt** - diverse opportunities in ER operations within the Hagar group



HAGKAUP

olís

A Ð F Ö N G

Bananar

STÓRKAUP |

mjöll frigg

ZARA



Stores and warehouses: Growing turnover and increased customers

Income Statement Q2 2022/23 (m.ISK.)

- **Revenues** from groceries, specialty products and warehouses **increased by just 10% year-on-year and amounted to 27 b. ISK** - **EBITDA** was just less than **2.6 b.ISK (9.5%)**
- **Comparison to Q2 2021/22 influenced by sales profit** due to Útilíf and Reykjavíkur Apótek last year and Klasi now - **results relatively comparable**
- **Extensive price rise from both national and foreign wholesalers and producers** so far this year - creating pressure on margins
- **Changed consumption behaviour apparent in all Hagar's stores** - customers shift purchases from well-known brands to more affordable options
- **Sold units** in groceries **grows by 6%** and **customers visits by 12%**
- **Extensive sales increase at Bananar** - improvements in purchasing and quality control are yielding results
- **Revenue of ZARA unchanged** and results under forecasts
- **Stórkaup's** revenues and results exceeding forecasts

	Q2 '22/23	Q2 '21/22	Δ	%Δ
Income	26.989	24.622	2.367	+9,6%
Expenses	-24.413	-22.127	-2.286	+10,3%
EBITDA	2.576	2.495	81	+3,2%
<i>EBITDA %</i>	<i>9,5%</i>	<i>10,1%</i>	<i>-0,6%</i>	<i>-5,8%</i>
EBIT	1.718	1.811	-93	-5,1%
<i>EBIT %</i>	<i>6,4%</i>	<i>7,4%</i>	<i>-1,0%</i>	<i>-13,5%</i>



HAGKAUP



Bananar

STÓRKAUP

mjöll frigg

ZARA

Bónus: Customers seek efficiency in food purchases

- **Sales in Q2 amounted to just under 18.6 b.ISK** and increased by 16% from previous year
- **Number of customers and sold units increase year-on-year** - more and more are reaching for the most economical option in the grocery market
- **Customers shift purchases to more affordable options within each product category** - product range and presentation make it easy for customers to choose the most economical product basket
- **Extended opening hours** of Bónus' stores well received as before reinforcing the **customers increase and growing sales** - 22 Bónus stores with extended opening hours
- 25 of 31 Bónus' stores upgraded to **new exterior look**
- **Bónus emphasizes to fulfil the promise to offer the most economical food basket** - most often by offering the lowest price as surveyed



Hagkaup: Increased availability in online store and feast for gourmets

- Sales in Q2 amounted just over 5.3 b.ISK that is comparable to the last year
- Enjoyable to see that **activity remains unchanged between years despite the fact that nationals travel "like never before."** - sold units decrease very slightly but the number of customers is unchanged year-on-year
- Work on **strengthening the brand name and service offered** on full power - implementation in stores commenced
- **Continuing development of Hagkaup's online store** - toys added to the product range, extended variety in near future
- **Sælkerabúðin** opened in Hagkaup Garðabær and Kringlan - more business partners expected
- **Lemon** opened a new shop at Hagkaup in Garðabær well received - more shops to come

HAGKAUP



Olís: Increased revenue and optimisation results in stronger operations



Income Statement Q2 2022/23 (m.ISK.)

- **Revenue in Q2 amounted to 18.1 b.ISK** and grew by 55% year-on-year - **EBITDA amounted to 1,793 m.ISK.** (9.9%) and increase by just over a billion from previous year
- **Margin in retail decreases**, but sale increases slightly to national and foreign **bulk users** - the quarter results affected by **positive one-time items**
- **Profit from the sale of properties** to Klasi amounted to about 745 m.ISK
- **Excellent results in „spot“ sales** to foreign bulk users
- **Increased world market price of oil** and active inventory control
- **Optimising Olís' operations over the last 2 years has resulted in a significant operational improvement** - labour costs decrease and operation of service stations is more economical
- **Olís and Ísorka** to cooperate for **ambitious development of fast charging stations** throughout the country
- **More service stations with the new Olís look** - increased service offered and improved facilities

	Q2 '22/23	Q2 '21/22	Δ	%Δ
Income	18.134	11.739	6.395	+54,5%
Expenses	-16.341	-10.971	-5.370	+48,9%
EBITDA	1.793	768	1.025	+133,5%
<i>EBITDA %</i>	<i>9,9%</i>	<i>6,5%</i>	<i>+3,3%</i>	<i>+51,1%</i>
EBIT	1.646	645	1.001	+155,2%
<i>EBIT %</i>	<i>9,1%</i>	<i>5,5%</i>	<i>+3,6%</i>	<i>+65,2%</i>



Eldum rétt: Hagar's purchase of all shares in Eldum rétt approved

- The Competition Authority has **approved the Hagar's purchase of all shares of Eldum rétt**
- **A powerful and grand addition for Hagar's customers**
 - Eldum rétt is specialised in preparing **food packages** that the customers can **order online**
 - Each week the customers can **choose between new recipes** and arrange the weekly menu for it to be **suitable for the whole family**
 - Food packages include **simple guidelines** which enable everyone to prepare **delicious meals from high-quality ingredients**
- **Hagar will maintain and strengthen the priorities** that have **made Eldum rétt's service as powerful as it actually is**
- **Extensive demand** by customers for products that **save people effort, simplify its life** and contain **healthy ingredients** - Eldum rétt's products and services fall well within Hagar's preferred focus, **i.e. to simplify cooking, make it more fun and reduce food waste**
- **The transactions** will be implemented at **the end of October**



Klasi: Hagar's purchase of 33% shares in Klasi Ltd. implemented

- On June 10th a settlement was signed between Hagar and the Competition Authority with conditions for Hagar's purchase of 33% of shares in Klasi Ltd.
- The transactions were implemented at the end of August, but financial results on EBITDA of the transaction were 966 m.ISK and 773 m.ISK on after tax profit
- The total book value of Klasi following the transaction is about 14.8 b.ISK where the equity ratio is around 79%
- The company's assets consist of income-generating properties and development sites in the capital area with planned building volume of about 280.000 square metres, such as at Borgarhöfði, by the Mjódd and in Álftheimar
- Hagar's objectives with the collaboration for investment in Klasi is to transfer Hagar's development properties to a defined channel where their administering gets exclusive attention by professionals with extensive experience in the field of property development
- With this, Hagar intends to ensure shareholders the maximisation of the development assets value, while Hagar focuses on core activities in the grocery and fuel markets.



Examples of projects: Mjódd - size: 23.234 sq. m.



***Examples of projects* : Borgarhöfði - size: 32.564 sq. m. (1/2)**



***Examples of projects* : Borgarhöfði - size: 32.564 sq. m. (2/2)**



***Examples of projects* : Silfursmári - size: 7.695 sq. m.**



***Examples of projects* : Álþheimar - size: 5.539 sq. m.**



***Examples of projects* : Egilsgata - size: 2.094 sq. m.**



***Examples of projects* : Klettagarðar – size: 14.057 sq. m.**



Contents

Highlights from operations

Financial statements

Status and prospects

Extensive sales increase in Q2 and margin increased by 13.5%

Income Statement Q2 2022/23 (m.ISK.)

- **Sales in Q2 increased** by 24.4% year-on-year is about 8.5 m.ISK
- **Margin in ISK increased** by 13.5% but **the margin ratio** decreased by 1.9%-points, from 21.2% to 19.3%
- **Profit from the assets sale** was 882 m.ISK, booked with other operational revenue - last year's profit from assets sale amounted to 269 m.ISK
- Realised **sales profit** of assets in the Klasi transaction, excluding sales costs, amounted to 966 m.ISK - **loss** due to the sale of Mjöll Frigg amounted to 84 m.ISK
- **EBITDA** increased by 33.9% and **profit** by 39.1% between the years
- **EBITDA excluding one-time sales profit** this year and in the previous year increased by 493 m.ISK or 16.5%

	Q2 '22/23	Q2 '21/22	Δ	%Δ
Sales	43.399	34.885	8.514	+24,4%
Gross profit	8.383	7.384	999	+13,5%
Other operating income	1.029	394	635	+161,2%
Salaries	-3.438	-3.182	-256	+8,0%
Other operating expenses	-1.605	-1.333	-272	+20,4%
EBITDA	4.369	3.263	1.106	+33,9%
Depreciation	-1.099	-897	-202	+22,5%
Net finance expense	-426	-341	-85	+24,9%
Profit for the period	2.378	1.709	669	+39,1%

Excellent first half year behind with extensive sales growth

Income Statement 6M 2022/23 (m.ISK.)

- **Sales 6M increased** by 22.0% year-on-year or about 14.7 b.ISK
- Number **of sold units** in groceries increased by 3.9% in the first 6M and **customers visits** increased by 11.3%
- Volume increase in **sold fuel litres** at Olís amounted to 6.8% in the first 6M of the year
- **Margin ratio** decreased from 21.3% to 19,5%, mainly due to rising world market price of oil and Olís' increased fuel sale to bulk users
- **Labour costs rose** by 7.0% year-on-year and **operational costs increased** by 14.9%
- Good revenue improvement where **EBITDA increased** by 27.0% and **profit grew** by 35.6% year-on-year, a.o. due to one-time items

	6M '22/23	6M '21/22	Δ	%Δ
Sales	81.612	66.919	14.693	+22,0%
Gross profit	15.947	14.233	1.714	+12,0%
Other operating income	1.231	578	653	+113,0%
Salaries	-6.881	-6.432	-449	+7,0%
Other operating expenses	-3.260	-2.838	-422	+14,9%
EBITDA	7.037	5.541	1.496	+27,0%
Depreciation	-2.120	-1.902	-218	+11,5%
Net finance expense	-970	-731	-239	+32,7%
Profit for the period	3.304	2.436	868	+35,6%

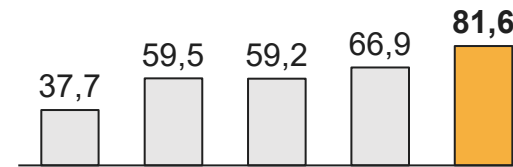
Cost and profitability ratios improved in recent years

Operational key factors (6M 2018/19 – 6M 2022/23)

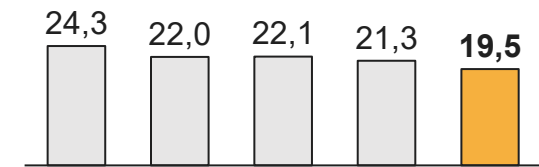
- **Extensive sales increase year-on-year** - Olís became a part of Hagar's group in 2019/20
- **Margin ratio** has decreased in the past years a.o. due to the changed structure of the company as of the merger with Olís and the shrinking specialty retail
- **Salaries and cost ratios** continue to improve with increased sales, despite rising salaries and operating costs in recent quarters
- Implementation of **IFRS16 leasing standards** explains a change in costs and EBITDA ratios for the operating year 2019/20
- **EBITDA ratio** 8.6% in 6M 22/23 and **profit ratio** 4.0%

Sales and gross margin

Sales (b.ISK)

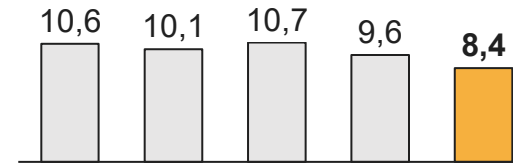


Gross margin (%)

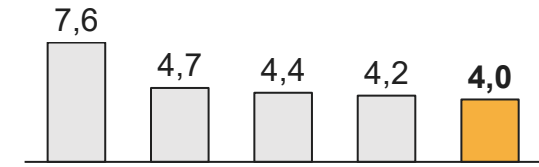


Operating costs

Salaries (%)

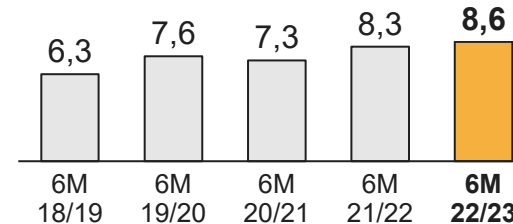


Other operating cost (%)

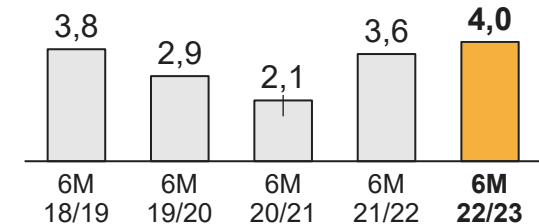


Profit

EBITDA (%)



Profit (%)



Cash increased during the period

Consolidated Cash Flow 6M 2022/23 (m.ISK.)

- **Cash from operations** in the period amounted to just under 4.8 b.ISK and increased compared to previous year by 198 m.ISK
- Extensive changes in **current assets and liabilities** mainly due to increase in inventories and more activity at Olís
- **Investment in equipment and interior furnishings** amounted to 992 m.ISK in the first half of the year a.o. due to **opening of a new Bónus store** at Norðurtorg in Akureyri and Bónus and Hagkaup stores **renewal**, including renovation of Olís' service stations
- **Buy-back of own shares** in the first half of the year amounted to 1.000 m.ISK and **dividend payment** amounted to 2.265 m.ISK
- **Cash increased** by 1.3 b.ISK in the half year and amounted to just under 2.1 b.ISK at the end of August

	6M 2022/23	6M 2021/22	Change
Profit for the period	3.304	2,436	868
Adjustments	2.774	2,986	-212
Working capital	6.078	5,422	656
Change in current assets	3,066	-1,974	-1,092
Change in current liabilities	2.732	2,028	704
Interest and taxes paid	-989	-919	-70
Cash from operations	4.755	4,557	198
Investment activities	-857	-854	-3
Financing activities	-2,586	-3,140	554
Change in cash	1.312	563	749
Net cash at the end of the period	2,095	951	1,144

The Groups equity amounts to 70 b.ISK at the end of the period

Consolidated Balance Sheet August 31st 2022 (m.ISK.)

- **Non-current assets grew** by 3.4 b.ISK from year end 2021/22 - ownership in Klasi booked at the end of August
- **Current assets increased** by 1.5 b.ISK from year end 2021/22
- **Inventory increased** by 1.7 b.ISK from year end 2021/22, a.o. due to rising fuel price between the years - **inventory turnover** 10.8 compared to 11.0 in the previous year
- **The credit period** (collection time) for receivables is now 12.0 days compared to 11.4 days last year
- **Equity** amounted to 26.8 b.ISK at the end of the period and the company held 7,0 m. in **own shares** at the end of August
- **Receivables payable increase** due to increased sales and increased inventory value

	31. 8. 2022	28. 2. 2022	%Δ		31. 8. 2022	28. 2. 2022	%Δ
Property, plant and equipment	20.981	21.215	-1%	Borrowings	11.879	11.720	+1%
Intangible assets	10.722	10.723	-0%	Lease liabilities	7.169	6.918	+4%
Other non-current assets	16.781	13.126	+28%	Income tax	2.495	2.312	+8%
Non-current assets	48.484	45.064	+8%	Non-current liabilities	21.543	20.950	+3%
Assets held for sale	0	2.388	-	Borrowings	2.194	451	+386%
Inventories	12.419	10.707	+16%	Lease liabilities	2.065	1.966	+5%
Trade receivables	7.083	6.250	+13%	Trade payables	16.186	14.329	+13%
Cash	2.095	783	+168%	Taxes payable	1.307	770	+70%
Current assets	21.597	20.128	+7%	Current liabilities	21.752	17.516	+24%
Total assets	70.081	65.192	+7%	Total liabilities	43.295	38.466	+13%
Liabilities and equity	70.081	65.192	+7%	Total equity	26.786	26.726	+0%

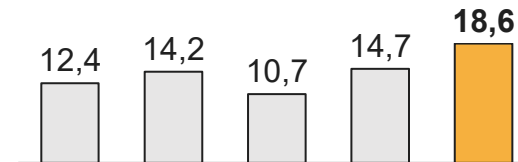
Equity ratio moving toward objectives

Economic key factors (6M 2018/19 – 6M 2022/23)

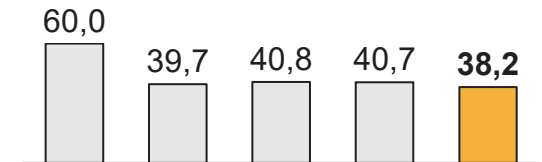
- **Return on equity 18.6%** last 12 months compared to 14.7% for the previous year
- **The equity ratio** at the end of 6M amounted to 38.2% compared to 40.7% at the end 6M the previous year
- **Net interest-bearing debt** at the end of 6M, including leasing liabilities, was 21.2 b.ISK or 1,8 x 12 months EBITDA
- **Net interest-bearing debt** at the end of 6M, excluding leasing liabilities, was 12,0 b. ISK or 1,0 x 12 months EBITDA
- **The current ratio** at the end of 6M was 0.99 compared to 0.86 at the end of 6M the previous year
- **The cash conversion cycle** was 13.7 days compared to 13.2 days last year
- **The assets turnover ratio** was 2.2 by the end of 6M compared to 2.0 at the end of 6M the previous year

Share-
holders
return

Return on equity (%)

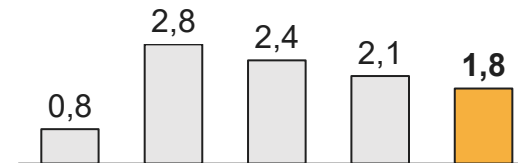


Equity ratio (%)

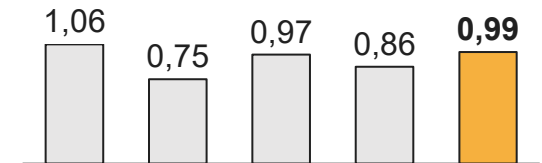


Risk in
operations

Net debt/EBITDA¹

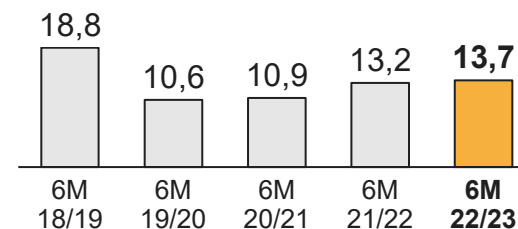


Current ratio²

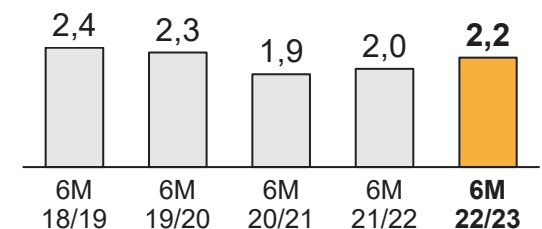


Efficiency
of assets

Cash conversion cycle (# of days)³



Assets turnover ratio⁴



11) Net interest bearing debt (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

Contents

Highlights from operations

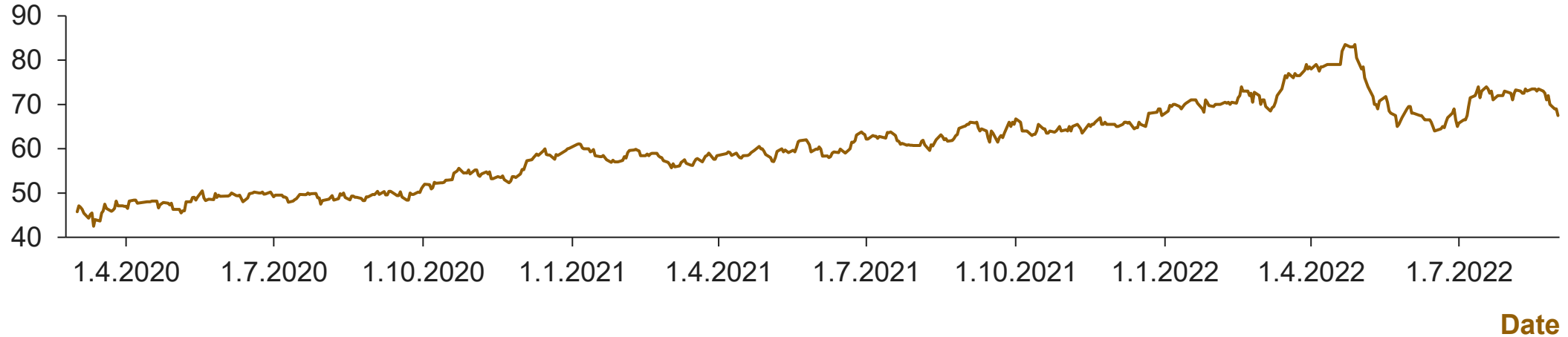
Financial statements

Status and prospects

Market price and largest shareholders

Market Price

Closing price on August 31st 2022: 67.5 ISK/share



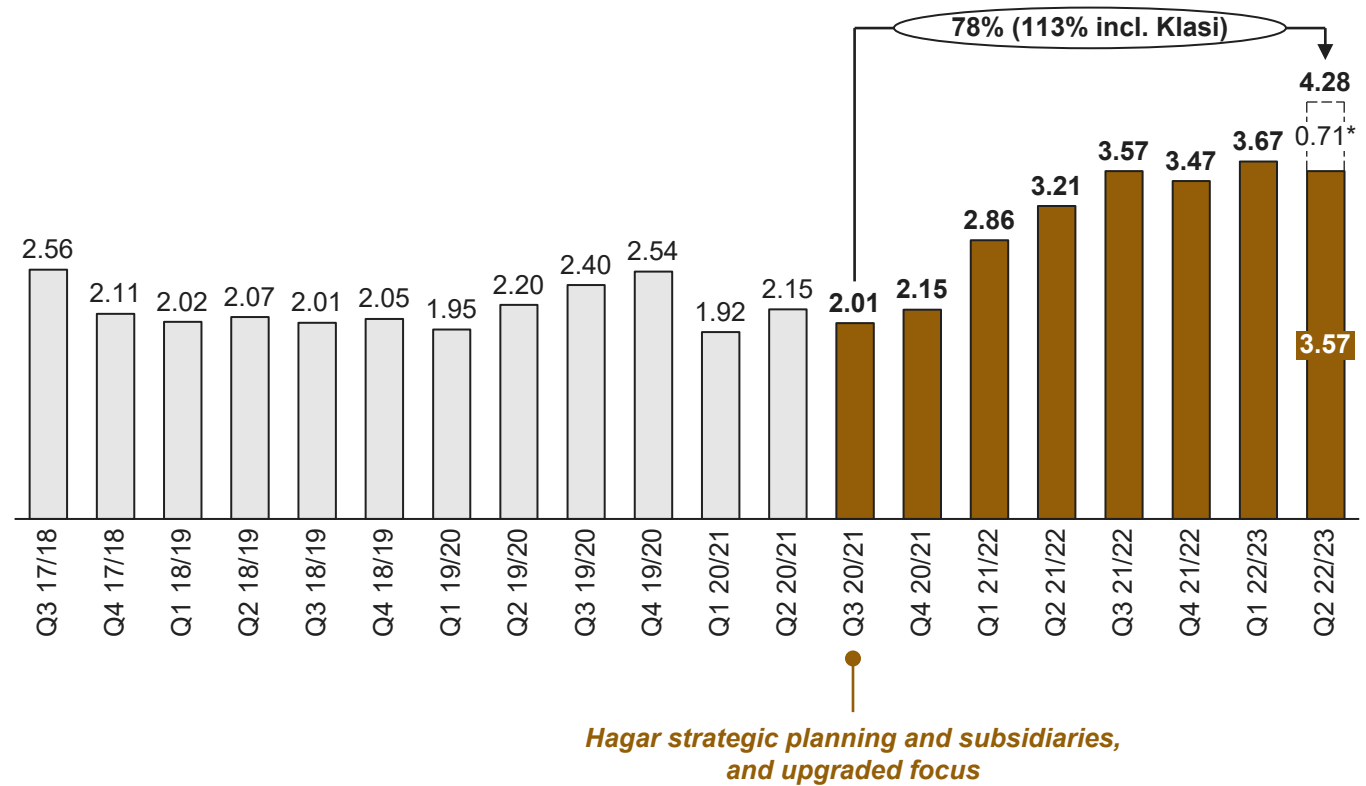
Largest shareholders, ownership at end of 31.8.2021

1. Gildi - Pension Fund	19,3%	6. Stapi Pension Fund	4,6%
2. LSR – Pension Fund A for State Employees	11,7%	7. Kaldbakur Ltd.	4,5%
3. LV – Pension Fund of Commerce	11,3%	8. Festa – Pension Fund	4,2%
4. Birta Pension Fund	8,2%	9. SL Pension Fund	2,9%
5. Brú Pension Fund	7,2%	10. LSR – Pension Fund B for State Employees	2,7%

Earning per share has grown in the last quarters

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

- **Earnings per share have increased** in the last quarters, and accumulated profit is now **3.57 ISK per share** for the last 12 months, but **4.28 ISK per share if the Klasi transactions are included**
- **The benefits of the first actions** related to strategy work and streamlining have **materialised in recent quarters**, but **the company's activities have also increased**, as with **extended opening hours in Bónus** and **increased demand in Olís**
- Continued focus on **projects that affect short-term operations**, but also on **larger projects that affect the medium and long term timeframe**



* Effects due to the Klasi transactions

Status and prospects

- **Operation has returned to a more normal state** compared to the last two years, as the **effects of COVID have faded** - and increase in tourists and nationals travelling
- **The turmoil in raw material and energy markets has led to price rise for consumer goods from manufacturers** - general cost increases due to transport and packaging also contribute to rising product prices
- Hagar pursues all possible ways to **ensure customers products and services at the most affordable prices**, and thus contribute to keeping inflation low.
- **The investment plan for the year revised from 4.0 to 3.0 b.ISK** - investment in Norðlingabraut 2 is carried over to next year
- **Labour agreements open at the end of next month** - extensive uncertainty about the conclusion
- **The outlook for Hagar's operations is good** - the financial position is strong and **the company is well prepared to follow up** on operational **priorities and deal with challenging** economic conditions
- The management's **revenue guidance** for the operating year 2022/23 assumes that **EBITDA** will be in the range of **10,200-10,700 m.ISK**, without the effect of Klasi transactions (966 m.ISK EBITDA effect)





Disclaimer

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.

Further the attention of investors is directed to the fact that many factors may have such effect that the operational environment and the performance of the company will turn out differently to what is stated in the presentation. The presentation will not be reviewed, revised, updated or changed to that effect by the company after its publication.

Statements and information in this presentation apply only up to the point in time when it was published and the importance of these are limited to what is stated in these reservations.

