



Presentation of Q3 2021/22 results

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*This presentation is translated from the Icelandic version which was published on January 12th, 2022. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

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Quarter in a nutshell: Key figures

Q3 2021/22 (changes from Q3 2020/21)

33.6^{b.ISK.}

sales

▲ 12.6%

2.5^{b.ISK.}

EBITDA

▲ 30.2%

0.8^{b.ISK.}

profit

▲ 87.7%

20.6%

gross margin

▼ 0.9%pt.

13.4%

salaries- and cost ratio

▼ 1.9%pt.

40.3%

equity ratio

▼ 0.5%pt.

Increased sales and improved profits

- **Operations in Q3 successful** with gross turnover and profits **exceeding plans and last year** - basic KPI's stronger
- **Gross margin in ISK grows** both for the group's grocery and fuel sections but margin ratio decreases slightly
- **New 2.5 b.ISK. non-indexed 3 year bond series** issued in October
- **Cooperation with Grænvangur** in line with the increased emphasis on sustainability and social issues
- **Effects of COVID-19** extended into **next operational year**



HAGKAUP



Stores and warehouses: Activity and profit increased between years

Income Statement Q3 2021/22 (b. ISK.)

- Revenues from groceries, specialty products and warehouses **increased between years and amounted to 23.2 b.ISK** - EBITDA was 1.9 b.ISK. (8.2%)
- Revenues from specialty products decrease** due to sale of Útilíf and Reykjavíkur Apótek in the first half of the year
- Reduction of two stores in Q3** - Bónus Korputorg and Hagkaup Selfoss closed in August
- Customer's visits have grown** to some extent but **average basket size slightly smaller** - changed purchasing behaviour
- Warehouse operations successful**
- Continuing **increased turnover and strong operation at ZARA**

	Q3 '21/22	Q3 '20/21	Δ	%Δ
Income	23,2	22,8	+0,4	1,8%
Expenses	-21,3	-21,1	-0,2	0,9%
EBITDA	1,9	1,7	+0,2	12,9%
<i>EBITDA %</i>	<i>8,2%</i>	<i>7,4%</i>	<i>+0,8%</i>	<i>10,9%</i>
EBIT	1,1	0,9	+0,2	18,6%
<i>EBIT %</i>	<i>4,7%</i>	<i>4,0%</i>	<i>+0,7%</i>	<i>16,6%</i>



HAGKAUP



Bónus: New piglet, extended opening hours and still most cost-effective shopping

- **Sale in Q3 amounted to just over 15 b.ISK.** exceeding plans and last year
- **Gross margin in the quarter continue to strengthen** but remains under equilibrium in the long run – recent **purchase price increases** and further increases in food prices inevitable
- **Bónus most often with the lowest price** according to the latest ASÍ survey, and as before the most cost-effective shopping basket
- **New Bónus brand displayed and extending opening hours** - well received by customers
- Bónus is important **sponsor for entrepreneurs in production for the Icelandic grocery market** - soaps from Baða draw attention



Hagkaup: Strong quarter and online world opens

- **Sales in Q3 amounted to 5.7 b.ISK.**, which is exceeding plans and last year - margins in line with plans and **profit slightly higher**
- **Customers visits** and sold units grow
- **Continuing successful sales in cosmetics and toys** - Icelanders continue to shop at Hagkaup despite increased travel
- **Theme days** such as Tax Free and American days continue to **enjoy great popularity**
- **Renovation of stores in Akureyri and Eiðistorg completed** – led lighting and carbon dioxide for cooling systems
- **New Hagkaup store** in the coming weeks when the country's most outstanding cosmetics **online** store opens

HAGKAUP



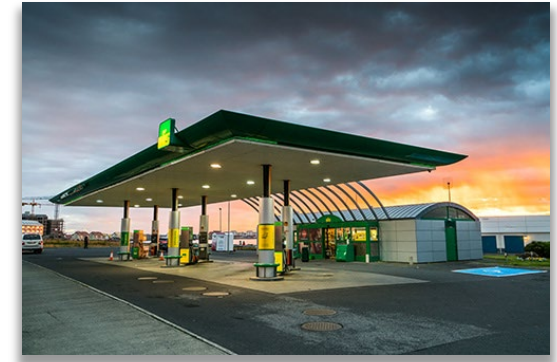
Olís: Increased revenues and improved operations



Income Statement Q3 2021/22 (b.ISK.)

- **Sales in Q3 amounted to 11.0 b.ISK.** and increased by 44% between years - **EBITDA amounted to just over 0.6 b.ISK.** (5.7%) and increases considerably from previous year
- Significant **increase in sold fuel litres** between the years (19%) - proportionally higher at **bulk users**
- **Margins in ISK from fuel sales grow** but due to **world market prices** rise and increased sale to **bulk users the margin ration decreases**
- Modification of fuel stations products and services offered has **returned persistent benefits - operational costs decrease** from same period last year

	Q3 '21/22	Q3 '20/21	Δ	%Δ
Income	11,0	7,7	+3,3	43,5%
Expenses	-10,4	-7,4	-3,0	40,1%
EBITDA	0,6	0,3	+0,4	144,5%
<i>EBITDA %</i>	<i>5,7%</i>	<i>3,3%</i>	<i>+2,4%</i>	<i>70,3%</i>
EBIT	0,4	0,0	+0,3	2047,1%
<i>EBIT %</i>	<i>3,3%</i>	<i>0,2%</i>	<i>+3,1%</i>	<i>1395,7%</i>



Highlights from operations : Further changes of emphasis within Olís

- **Further strategic changes to increase cost-effectiveness and to meet changing external circumstances** as due to energy changeover
- The work also includes **strengthening brand images**, to increase **focus and organisational flexibility**, to ensure **sustainability in segmental revenues**, and further to utilise **synergy and collaboration opportunities** created by Hagar
- **Business division** reorganised, with emphasis on simplification of **supply and sales structure of Olís** with regard to bulk users:
 - **Branch network reorganised**
 - Stores in rural regions **changed to warehouses and sales offices**
 - **Services reinforced** by direct sales functions and online sales
 - Sale of operating, hygiene and health products moved to **a new sales division at Hagar** which is based on the strong purchasing and warehouse infrastructure that already exists
- In the **retail division**, preparations have begun for **updating Olís brands** with changes to the external and internal appearance of fuel stations and **modifications of the product and service range**



Highlight from operations: Hagkaup's online cosmetic store opens soon

- **The development of the Hagar group** in the medium and long term, **and the response to customers' requests** for increased accessibility, efficiency, information and services, will to **a large extent be based on digital solutions**.
- **The first phase** in the development of Hagar and its subsidiaries' online store **will soon end** when **Hagkaup's new cosmetics store opens**.
- The online store will **contain an impressive selection** of all major cosmetics, and customers can choose between **home delivery** or **pick-up at selected delivery points**.
- The design and construction of a new online store **serves as a foundation for other digital projects** that have already been commenced and will benefit customers later this year.



Highlight from operations : Brand and store upgrading

- In recent months the **Hagar's brand specialties in the consumer market have been reviewed and defined**, with special emphasis on internal and external image, products offered and services
- The first results of this work were circulated in November when **the Bónus brand, the piglet, was modernised and the opening hours extended**
- **Perceptions were lively** and the changes **were well received**, as can be seen by **increased number of customers** in the period
- In the coming months **Bónus stores will be upgraded to a new look**, externally as internally, additionally **to similar work for offered services and the appearance of Hagkaup and Olís** that will come into view
- In that context **the Lemon opened** the first location on Hagar's premises, i.e. at Olís in **Norðlingaholt**, the **reaction has been good** and the number of **locations will increase during the year**



Highlight from operations : Structure and operation of a property development company

- At the beginning of December **agreements were signed*** for the Hagar's **purchase of new shares in the property development company Klasi ehf.** including cooperation of Hagar, Reginn hf. and KLS eignarhaldsfélag ehf. for the operation and further structuring of the company
- Hagar **pays for the shares with development properties**, including properties at Stekkjarbakki, Álfabakki, Klettagarðar, Álfheimar and Egilsgata
- **Hagar's contribution** is evaluated just over **3.9 b.ISK.** and the share will be **1/3 of issued shares in Klasi - Klasi's equity evaluation** after the transaction will be about **14.8 b.ISK.** and **the initial company's equity ratio will be 79%**
- **The total volume of Klasi's development properties is close to 280 thousand square metres** including over dozens of leased properties intended for sale or further development
- The important step is to **start work on Hagar's valuable development properties quickly and surely**, for the shareholders benefit
- **The estimated effect on profit** due to realised sale profit is **940 m.ISK. on EBITDA** and 750 m.ISK. on after tax profit



** The transactions is subject to the approval of the Competition Authority*

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Good sales growth in á Q3 and profit 841 m.ISK.

Consolidated Financial Statement Q3 2021/22 (b.ISK.)

- **Sales increased** by 12.6% between years or about 3,8 b.ISK.
- **Gross profit grew** measured in ISK of about 8.1% but **margin ratio** decreased from 21.5% to 20,6%
- **The decrease of margin ratio** is mainly caused by rise in oil global market price and changed composition of Olís customers
- **Salaries decreased**, a.o due to Olís' optimisation measures - **cost ratios improve** considerably
- **EBITDA increased** by 30.2% from previous year and **profit grew** by 87.7%

	Q3 '21/22	Q3 '20/21	Δ	%Δ
Sales	33,55	29,79	3,76	12,6%
Gross profit	6,92	6,40	0,52	8,1%
Other operating income	0,13	0,10	0,03	30,2%
Salaries	-3,13	-3,20	0,06	-2,0%
Other operating expenses	-1,37	-1,35	-0,03	2,0%
EBITDA	2,54	1,95	0,59	30,2%
Depreciation	-1,11	-1,04	-0,07	6,5%
Net finance expense	-0,37	-0,38	0,01	-2,1%
Profit for the period	0,84	0,45	0,39	87,7%

Margins rise and profits improve considerably between years

Consolidated Financial Statement 9M 2021/22 (b.ISK.)

- **Sales increased** by 12.9% between years or by 11.5 b. SK.
- **Gross profit grew** by 8.5% but **margin ratio** decreased between years by 0.9%-points
- **Profit from the sale of Reykjavíkur Apótek** and **profit from the sale of Útilíf** is booked in Q1 and Q2
- **Salaries have been maintained steady**, in spite of demanding circumstances and one-off items
- **Salaries and cost ratio decreases** from 15.2% to 13,7% in the period
- **EBITDA grows** about 28.9% between years and **profit is nearly doubled**

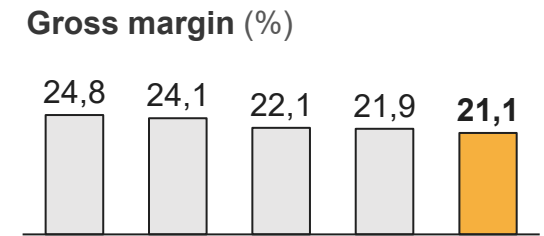
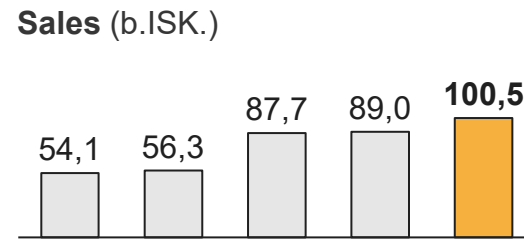
	9M '21/22	9M '20/21	Δ	%Δ
Sales	100,47	88,95	11,52	12,9%
Gross profit	21,15	19,49	1,66	8,5%
Other operating income	0,70	0,28	0,42	152,0%
Salaries	-9,56	-9,54	-0,03	0,3%
Other operating expenses	-4,21	-3,97	-0,24	6,1%
EBITDA	8,08	6,26	1,81	28,9%
Depreciation	-3,01	-3,13	0,12	-3,9%
Net finance expense	-1,10	-1,23	0,13	-10,3%
Profit for the period	3,28	1,67	1,60	95,9%

Cost and revenue ratios improve compared to previous periods

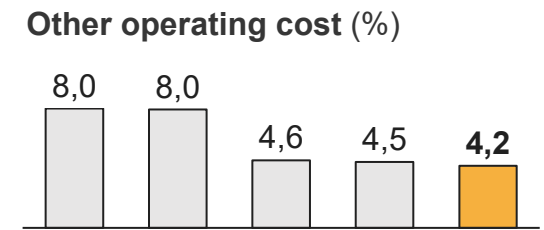
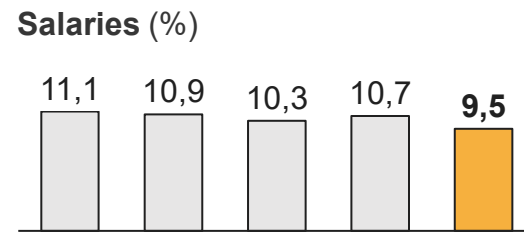
Operational key factors (9M 2017/18 – 9M 2021/22)

- **Good sales increase in comparison with last years** - Olís becomes part of Hagar group in December 2018
- **Gross margin ratio** has been **declining** in recent years, partly due to changed structure of the company
- **Salaries and cost ratios** have improved in recent quarters in spite of demanding circumstances
- Implementation of **IFRS16 lease standard** explains changes in cost ratio 2019/20
- **EBITDA- and profit ratios improve** compared to previous periods with increased sales and more efficient operations

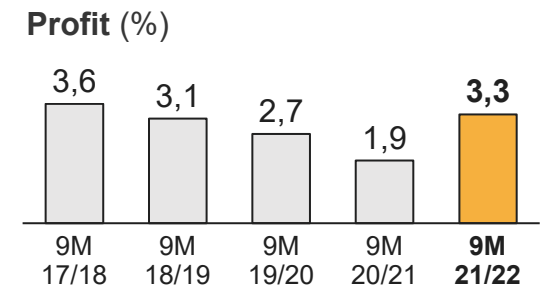
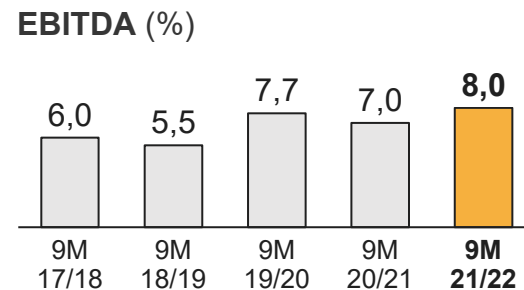
Sales and gross margin



Operating costs



Profit



Cash increases considerably in the first 9 months of the year

Consolidated Cash Flow 9M 2021/22 (b.ISK.)

- **Cash from operations** at the end of the period amounted to 7.0 b.ISK. and grew in comparison with previous year of about 1,1 b.ISK.
- **Investment activities** for the period amounted to 1.2 b. ISK. and are 1.7 b.ISK. lower than last year when **investment in properties** amounted to 1.7 b.ISK.
- **Largest investments of the period** were Bónus' and Hagkaup's store renovation, warehouse modifications at Skútuvogur and equipment purchase
- **Financing activities** amounted to 4.1 b.ISK. in the period but there off were dividends 1.5 b.ISK. paid in last June
- **Cash increased** by 1.7 b.ISK. in the first nine months of the year and amounted to 2.1 b.ISK. at the end of the period

	9M 2021/22	9M 2020/21	Change
Profit for the period	3.3	1.7	1.6
Adjustments	4.7	4.6	0.1
Working capital	8.0	6.3	1.7
Change in current assets	-2.8	-1.3	-1.4
Change in current liabilities	3.2	2.4	0.8
Interest and taxes paid	-1.3	-1.4	0.1
Cash provided by operating activities	7.0	5.9	1.1
Investment activities	-1.2	-2.9	1.7
Financing activities	-4.1	-3.9	-0.2
Change in cash	1.7	-0.9	2.6
Net cash at the end of the period	2.1	1.4	0,7

Strong balance sheet at the end of the period

Consolidated Balance Sheet November 30th 2021 (b.ISK.)

- **Non-current assets decreased** by 2.5 b.ISK. from the end of the year, a.o. due to **property reclassification** to be handed over to Klasi - properties now booked among current assets
- **Inventories at the end of the period** were 10.8 b.ISK. and **inventory turnover ratio** 10.2 - inventories at the end of Q3 last year amounted to 9.4 b.ISK. and turnover ratio 10.2
- **Trade receivables rise** considerably due to sales increase at Olís to bulk users - **credit period** now 10.2 days compared to 9.9 days last year
- **Non-indexed bond series** HAGA181024 at nominal value of 2,5 b.ISK. issued to refinance HAGA181021
- **Accounts payable rise** due to increased sales and more inventories before Christmas

	30. 11. 2021	28. 2. 2021	%Δ
Property, plant and equipment	21,3	23,4	-9%
Intangible assets	10,7	10,5	+2%
Other non-current assets	13,3	13,8	-4%
Non-current assets	45,3	47,8	-5%
Assets held for sale	2,4	0,0	-
Inventories	10,8	8,8	+23%
Trade receivables	5,3	4,7	+13%
Cash	2,1	0,4	+430%
Current assets	20,5	13,8	+48%
Total assets	65,8	61,6	+7%
Liabilities and equity	65,8	61,6	+7%

	30. 11. 2021	28. 2. 2021	%Δ
Borrowings	11,8	9,4	+26%
Lease liabilities	7,1	7,0	+1%
Income tax	2,9	2,2	+29%
Non-current liabilities	21,7	18,6	+17%
Borrowings	0,5	3,6	-87%
Lease liabilities	2,0	2,0	-3%
Trade payables	14,2	11,8	+20%
Other	0,9	0,5	+97%
Current liabilities	17,5	17,9	-2%
Total liabilities	39,3	36,5	+8%
Total equity	26,5	25,2	+5%

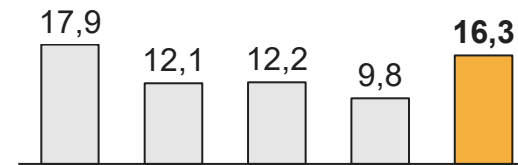
Increased return on equity - reduced operational risk

Economical key factors (9M 2017/18 – 9M 2021/22)

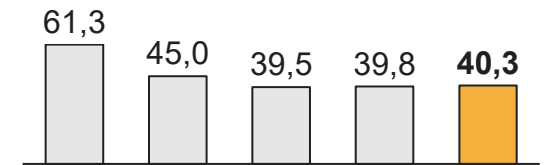
- **Return on equity 16.3%** last 12 months
- **Equity ratio** at the end of Q3 amounted to 40.3% compared to 39.8% at the end of Q3 last year
- **Net interest-bearing debts** at the end of Q3, including leasing liabilities, were 21.3 b.ISK. or 1.8 x 12 months EBITDA
- **Net interest-bearing debts** at the end of Q3, excluding leasing liabilities, were 1.0 x 12 months EBITDA
- **Current ratio** at the end of Q3 was 1.17 compared to 0.97 at the end of Q3 last year
- **Cash conversion cycle** was 13.0 days compared to 10.9 days last year
- **Asset turnover ratio** 2.0 at the end of Q3, compared to 1.9 at the end of Q3 last year

Shareholders return

Return on equity (%)

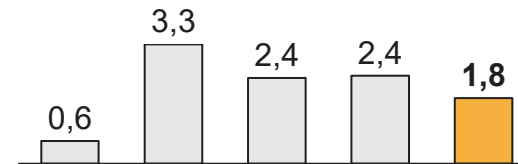


Equity ratio (%)

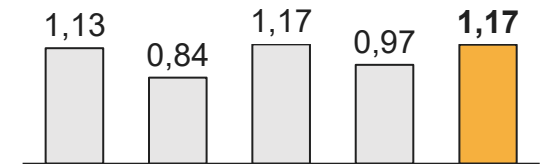


Risk in operations

Net debt/EBITDA¹

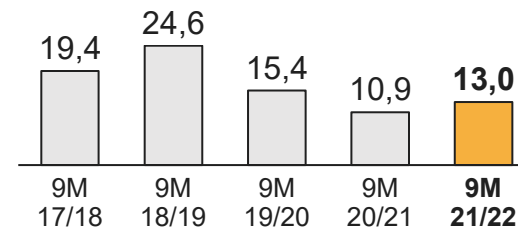


Current ratio ²

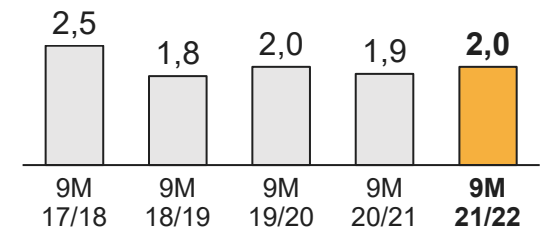


Efficiency of assets

Cash conversion cycle (days)³



Asset turnover ratio



1) 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 receivable – number of days for accounts payable

4) Sales / assets

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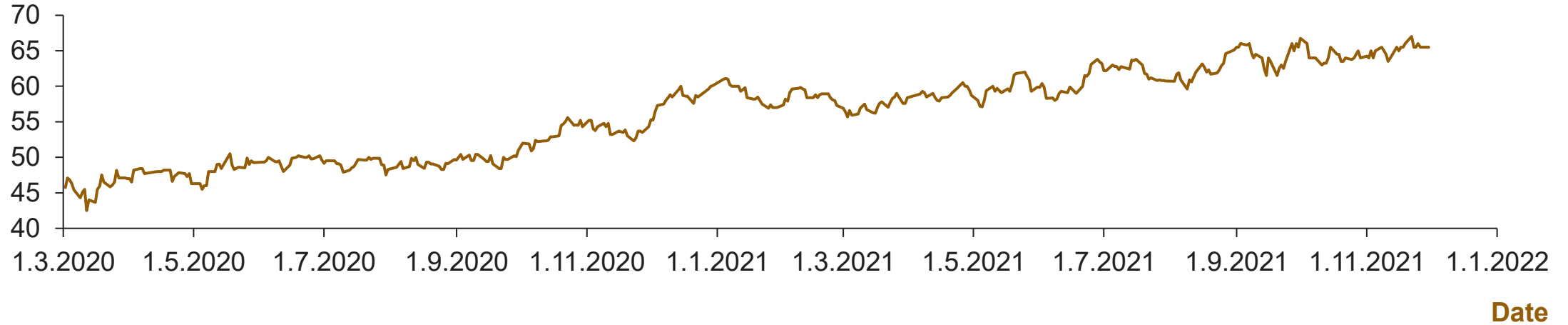
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Market price and largest shareholders

Market price

Closing price 30.11.2021: 65,5 ISK. / share



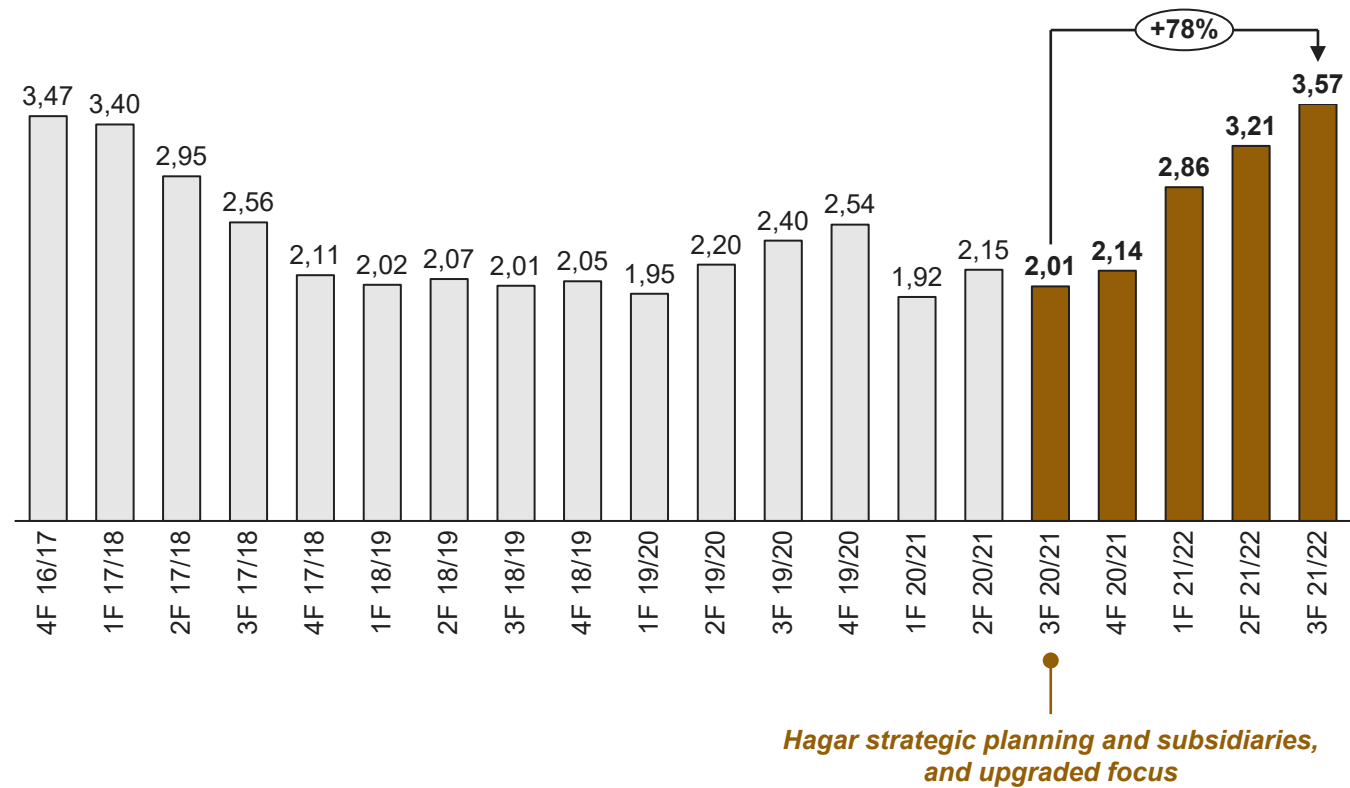
Largest shareholders, shares held at end of 30.11.2021

1. Gildi - Pension fund	18.7%	6. Stapi Pension fund	4,6%
2. The pen. fund A for state employees	11.5%	7. Samherji hf.	4,4%
3. The Pension Fund of Commerce	10.7%	8. Festa - Pension fund	4,1%
1. Birta Pension fund	7.9%	9. SL Pension fund	2,9%
2. Brú Pension fund munic.pal. employees	5.9%	10. The pen. fund B for state employees	2,9%

Earnings per share moving upward the last four quarters

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

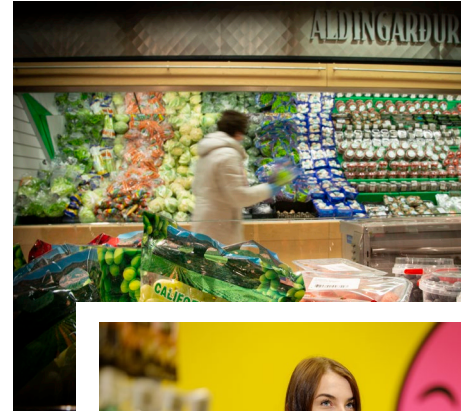
- **Earning per share has been growing** last four quarters, and accumulated earnings is now **3.57 ISK. per share** for the last 12 months
- **The benefits of the first actions** related to strategic policy work and streamlining have **materialised in recent quarters**
- Continued focus on **projects that affect short-term operations**, but also on **larger projects that have medium- and long-term effects**



Status and prospects



- It can be assumed that the **impact of the COVID-19** pandemic could affect the Group's operations **into the next operating year**
- **Continued global price escalations** for commodities and consumer goods due to supply chain crises and increased demand in the global economy
- Other **cost escalations ahead**, a.o. due to labour agreements and disease control measures
- **Financial position strong** and the company **well prepared to deal with special circumstances** in the Icelandic economy
- **The management's guidance** for the operating year assumes **EBITDA** in the range of **10.0 to 10.5 b.ISK.**
- Hagar's Board of Directors has approved a **buy-back plan** in the amount of **500 m.ISK.**





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.

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