



Presentation of Q4 and FY 2020/21 results

Finnur Oddsson, CEO

Guðrún Eva Gunnarsdóttir, CFO

11th May 2021

*This presentation is translated from the Icelandic version which was published on May 11th, 2021. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Overview

Highlights from operations

Financial statement

Status and prospects

Quarter in a nutshell: Key figures

Q4 2020/21 (changes from Q4 2019/20)

30.6 b.ISK.

sales

▲ 7.0%

2.5 b. ISK.

EBITDA

▲ 18%

846m.ISK.

profit

▲ 20%

22.9%

gross margin

▲ 0.4% points

15.1%

salaries- and costs ratio

▼ 0.2% points

40.9%

equity rsatio

▲ 1.7% points

Financial year in a nutshell: Key figures

FY 2020/21 (changes from FY 2019/20)

119.6 b.ISK.

sales

▲ 2.8%

8.8 b.ISK.

EBITDA

▼ 1.0%

2.5 b.ISK.

profit

▼ 17.5%

22.2%

gross margin

▲ 0,0% points

15.2%

salaries- and costs ratio

▲ 0,2%points

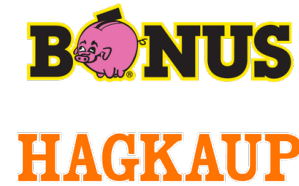
40.9%

equity ratio

▲ 1,7%points

Strong operations in pandemic

- **Strong operations in the quarter and good results for the operational year**, after weak results in the first quarter.
- **The COVID period and increased disease control** in all fields of operations. The constant adjustment of the operation went well thanks to **vigorous employees standing their shift** throughout the pandemic.
- **The COVID-19 has a significant impact on the Group's operations**, results vary by divisions. **Increased costs** across the Group, estimated between 300-350 m.ISK in the year.
- **Gross margin measured in ISK grows a little between the years** but the ratio is unchanged (22.2%).
- **Hagar's operations fully carbon offset** in the year.
- **Strategy implementation in progress** and on schedule, with clear objectives for the current operating year.



Recent examples: Sale of Útilíf and Reykjavík Apótek



Recent examples: Optimisation and changes at Olís

- In response to **the COVID negative impact** on Olís operations, **variety of actions have** been implemented in the last months, such as:
 - Changes at **service stations**, regarding service levels and opening hours
 - Service stations at **Hamraborg** and at **Klöpp** changed to self service stations
 - Work commenced on restructuring of Olís **branch network**
 - **Office** optimisation
 - **Quiznos** in Iceland closed
 - **Stórkaup** closed and part of the selection transferred to Hagkaup
- These changes have led to the **decrease of full-time equivalents at Olís of about 17,5% between the years, from 412 to 340.**



Recent examples: Hagar's innovation fund, Uppsprettan

- **Uppsprettan is a new innovation fund** on behalf of Hagar which was introduced at **Hagar's Innovation Day** in April.
- **The assignment of the fund** is to mobilise and support entrepreneurs in **innovation and development in Icelandic food production**.
- The fund emphasises support for producers who **respect sustainability and support domestic production**.
- **It is estimated that ten million will be allocated** by the this year, but the amount might **increase next time**.

Nýsköpunardagur Haga

Virkjum kraftinn!

Frá hugmynd á diskinn þinn



The image displays a promotional graphic for 'Nýsköpunardagur Haga' (Innovation Day Haga). The main title is 'Virkjum kraftinn!' (Let's use our strength!) and the subtitle is 'Frá hugmynd á diskinn þinn' (From idea to your plate). Below the text are six video thumbnails, each featuring a different person speaking against a yellow background. The thumbnails are arranged in two rows of three. Each thumbnail includes a play button, a progress bar, and a volume icon.

Retail and warehouses : Sales and activity never higher

Financial statement 12M 2020/21 (b.ISK.)

- **Strong quarter Q4** where sales from groceries, specialty goods and warehouses **increased by 17% between the years and amounted to 25.6 b.ISK.** EBITDA was 2.1 b.ISK. (8.2%).
- **Sales in the financial year increased by 13% and amounted to 91,7 b.ISK.** EBITDA amounted to 7.5 b.ISK. (8.2%)
- Similar **sales increase between years at Aðföng.**
- Increased **efficiency at Aðföng.** Operating costs increase, percentage wise, less than quantity.
- **Strong operational year at Bananar.** The percentage of sales from 3rd parties is lower due to COVID, but is gaining momentum.
- **Good results from specialty store operations** Útilíf and ZARA, and considerable sales increase. Little impact on Hagar's total sales.

	12M '20/21	12M '19/20	Δ	%Δ
Sales	91,7	80,8	+10,8	+13%
Growth	-84,2	-73,9	-10,3	+14%
EBITDA	7,5	6,9	+0,6	+8%
<i>EBITDA %</i>	<i>8,2%</i>	<i>8,6%</i>	<i>-0,4%</i>	<i>-4%</i>
EBIT	4,4	3,9	+0,4	+11%
<i>EBIT %</i>	<i>4,8%</i>	<i>4,8%</i>	<i>-0,1%</i>	<i>-2%</i>



HAGKAUP



ÚTILÍF



Largest operational year in Bónus' history

- **Sales in Q4 amounted to little less than 16 b.ISK.** which is considerably more than planned and former years. **Total sales in the operational year amounted to 61.5 b.ISK.**, also more than planned and former years.
- **Gross margin stronger in the quarter but still under long term objectives.** Weak exchange rate and increased production and transportation costs.
- **Increased price competition** in the market.
- As before **emphasis on efficiency** in operations and price.
- Extensive **costs due to COVID-19** in visitor's counting and **infection control.**
- **Outstanding results in environmental matters** and recycling, with environmentally friendly refrigerants, less plastic use, less food waste and increased sorting.
- Excellent cooperation with Icelandic producers. **90% of meat in Bónus is Icelandic product** from Icelandic meat producers.



Citizens rediscover Hagkaup

- **Sales in Q4 amounted to just over 6 b.ISK.** and was considerably higher than planned and in previous years. **Sales for the operating year as a whole amounted to 21 b.ISK.,** also in excess of estimates and previous years.
- Gross margin rate in line with plans, but **results better.**
- **Visitors' number restrictions** due to COVID-19 **had a major impact** over the holidays, with queues forming outside stores.
- **Changed emphasis in stores well received,** e.g. larger toy, cosmetics and household goods departments in all stores.
- **Theme days never more popular,** e.g. Tax Free, American and Danish days.
- **Continued emphasis on the development of semi-finished and prepared dishes.**
- **Strong year in Hagkaup's operations,** number of new customers.

HAGKAUP



Olíuverzlun Íslands: Operations strengthen at end of the year



Financial statement 12M 2020/21 (b. ISK.)

- **Sales at Q4 amounted to 6,8 b.ISK.** and decreases by 8% between years. **EBITDA amounted to just over 400 m.ISK.** (6,4%) and doubled between years.
- **Sales in the operational year amounted to 30,5 b.ISK.** and decreased by 17%. EBITDA amounted to 1.3 b.ISK. (4,2%) and is 34% less.
- Despite the decline in fuel sales **then other product sales remained unchanged.**
- **Changes in operational criteria for short and long term :** COVID-19, changed consumption pattern, more fuel-efficient vehicles and new energy sources.
- **Optimisation measures**, f.ex. simplified service levels and fewer employees, **returned operational improvements by the end of the year.**
- **Actions also prepare Olís for changed market conditions** in the coming years.
- **Analysis how to utilise Olís excess properties and sites** in the future. Negotiations with the City of Reykjavík for the reduction of petrol stations have progressed a long way.

	12M '20/21	12M '19/20	Δ	%Δ
Sales	30,5	36,9	-6,4	-17%
Growth	-29,3	-35,0	+5,7	-16%
EBITDA	1,3	2,0	-0,7	-34%
<i>EBITDA %</i>	<i>4,2%</i>	<i>5,3%</i>	<i>-1,1%</i>	<i>-20%</i>
EBIT	0,3	1,2	-0,9	-74%
<i>EBIT %</i>	<i>1,0%</i>	<i>3,2%</i>	<i>-2,2%</i>	<i>-68%</i>



Overview

Highlights from operations

Financial statement

Status and prospects

Q4 sales growth and improved profitability

Consolidated Financial Statement Q4 2020/21 (b.ISK.)

- **Sales increase** about 7% between years or of about 2,0 b. ISK.
- **Gross margin increases** about 9% and **margin ratio** increases from 22.5% to 22.9%.
- **Gross margin ratio** of Bónus and Hagkaup under expectations but Olís increases between years.
- **Salaries increase** due to contractual wage raise and increased labour costs due to COVID-19.
- **EBITDA results** increases about 18% from previous year. **EBITDA-ratio** now 8.3% but was 7.5% last year.
- **Total profit** increases of about 20% between years.

	Q4 '20/21	Q4 '19/20	Δ	%Δ
Sales	30,6	28,6	2,0	+7%
Gross profit	7,0	6,4	+0,6	+9%
Other operating income	0,1	0,1	0,0	+31%
Salaries	-3,3	-3,1	-0,2	+7%
Other operating expenses	-1,3	-1,3	0,0	+2%
EBITDA	2,5	2,2	+0,4	+18%
Depreciation	-1,1	-1,0	-0,1	+8%
Net finance expense	-0,3	-0,3	-0,1	+18%
Profit for the period	0,8	0,7	+0,1	+20%

A good year behind us despite the demanding operating conditions

Consolidated Financial Statement 12M 2020/21 (b.ISK.)

- **Increased sales** about 3% between years where sales increase of **retail and warehouses** is little more than 13.4% but sales reduction at **Olís** 17,5%.
- **Gross margin increases** about 3% between years and **margin ratio** stands unchanged at 22,2%.
- **Salaries increase** about 6% which can be partly attributed to severance pay and the cut-offs of contractual severance pay, contractual wage increases and increased wage costs due to COVID.
- **Other operational costs** are unchanged between years, despite the increased cost of COVID.
- **EBITDA results** are 1% lower from previous year and **profit** decreases about 18%.

	12M '20/21	12M '19/20	Δ	%Δ
Sales	119,6	116,4	3,2	+3%
Gross profit	26,5	25,8	+0,7	+3%
Other operating income	0,4	0,5	-0,1	-15%
Salaries	-12,8	-12,1	-0,7	+6%
Other operating expenses	-5,3	-5,3	0,0	-0%
EBITDA	8,8	8,9	-0,1	-1%
Depreciation	-4,3	-3,9	-0,3	+8%
Net finance expense	-1,6	-1,3	-0,2	+17%
Profit for the period	2,5	3,1	-0,5	-18%

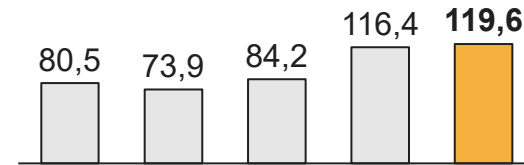
Sales increase in recent years, but the margin ratio is declining

Operational key factors (12M 2016/17 – 12M 2020/21)

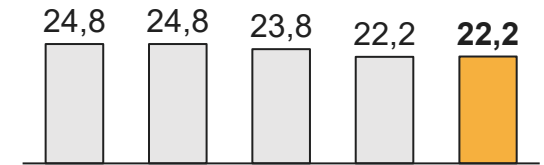
- **Effects of Olís on the Group's sales first appeared** in Q4 2018/19.
- **Gross margin** has **decreased** in recent years, partly due to the changed structure of the company.
- **Salaries and cost ratio** in order despite extensive challenges associated with COVID-19.
- **EBITDA ratio** was 7.4% compared to 7.6% in previous year.
- **Impact of IFRS16 Leases** on operational costs and EBITDA about 2.2 to 2.3 b.ISK annually but the impact of IFRS 16 appear first in 2019/20.
- **Profit ratio** was 2.1% compared to 2.6% in previous year.

Sales & gross margin

Sales (billion ISK)

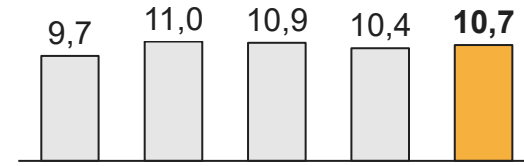


Gross margin (%)

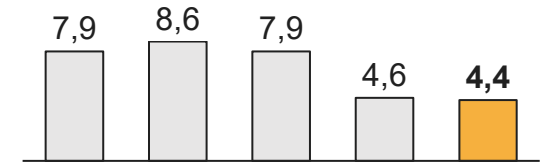


Operating cost

Salaries (%)

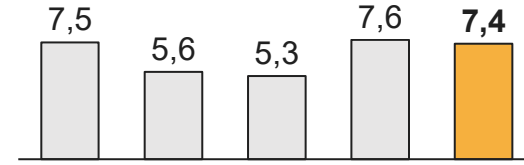


Other operating cost (%)

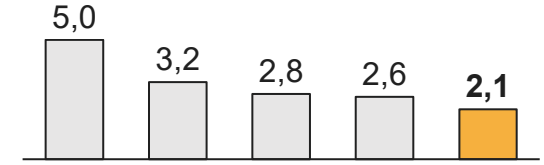


Profit

EBITDA (%)



Profit (%)



2016/17 2017/18 2018/19 2019/20 2020/21

2016/17 2017/18 2018/19 2019/20 2020/21

Net cash decreases slightly during the operating year

Cash flow overview 12M 2020/21 (b.ISK.)

- **Change in operating assets** in the previous year can be traced to changes in April 2019 due to the settlement method of credit cards.
- **Cash from operations decreases** therefore in comparison with previous year of about 3,2 b.ISK.
- **Investment in properties** 1,9 b.ISK. in the year and **investment in fixtures and equipment** 2,0 b.ISK.
- **Dividend not paid** to shareholders in the year, for the last operational year, but last year dividend amounted to just about 1,2 b.ISK.
- **Own shares purchased** for 1.9 b. ISK. in the operating year, whereof 1.5 b. ISK from the last Annual Meeting.
- **Net cash decreases** about 1.8 b.ISK in the operating year.

	12M 2020/21	12M 2019/20	Change
Profit for the period	2,5	3,1	-0,6
Adjustments	6,3	5,8	0,5
Working Capital	8,8	8,8	-
Change in current assets	-0,5	1,9	-2,4
Change in current liabilities	0,1	1,2	-1,1
Interest and taxes paid	-1,7	-2,1	0,4
Cash provided by operating activities	6,6	9,8	-3,2
Investing activities	-3,6	-5,2	1,6
Financing activities	-4,9	-3,1	-1,8
Change in cash	-1,8	1,5	-3,3

The company's financial position is strong

Balance sheet February 28, 2021 (b.ISK.)

- **Fixed assets increased by 1.4 b.ISK.** due to investments in properties and renovation of stores.
- **Inventory at the end of the period was 8,8 b. ISK** and inventory turnover rate 10.8. Inventory increase by 411 m.ISK. between years.
- **Trade receivables increase by 530 m.ISK.** and the credit period for claims is now 10.3 days, compared to 13.6 days last year.
- **Interest-bearing current liabilities increase** as the non-indexed bond series in the amount of 2.5 b.ISK is due next October.
- **Drawing on the credit line** 601 m.ISK. at the end of the year, while the USD credit line in the amount of 1.3 b.ISK. was repaid during the year.

	28. 2. 2021	29. 2. 2020	%Δ		28. 2. 2021	29. 2. 2020	%Δ
Property, plant and equipment	23,4	22,0	+7%	Borrowings	9,4	12,2	-23%
Intangible assets	10,5	10,5	+0%	Lease liabilities	7,0	8,0	-12%
Other non-current assets	13,8	15,0	-8%	Income tax	2,2	2,2	+1%
Non-current assets	47,8	47,6	+1%	Non-current liabilities	18,6	22,4	-17%
Inventories	8,8	8,4	+5%	Borrowings	3,6	1,7	+107%
Trade receivables	4,7	4,5	+2%	Trade payables	11,8	11,1	+6%
Cash	0,4	2,2	-83%	Other	2,5	2,9	-14%
Current assets	13,8	15,2	-9%	Current liabilities	17,9	15,8	+13%
Total assets	61,6	62,7	-2%	Total liabilities	36,5	38,1	-4%
Liabilities and equity	61,6	62,7	-2%	Total equity	25,2	24,6	+2%

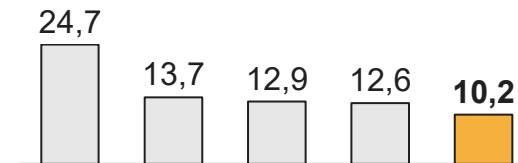
Profitability less than comparative periods but risk limited

Economical key factors (12M 2016/17 – 9M 2020/21)

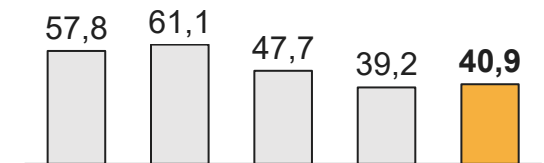
- **Return on equity 10,2%** last 12 months.
- **Equity ratio** at year end was 40.9% compared to 39.2% the end of last year.
- **Net interest-bearing debt** at year end, including leasing debts, was 21.6 b.ISK. or 2,4 x EBITDA.
- **Net interest-bearing debt** at year end, excluding leasing debts, was 1.4 x EBITDA.
- **Current ratio** at year end 0,77. The company has access to 6.2 b.ISK. credit lines in ISK and USD.
- **Cash conversion cycle** during the year 14.0 days compared to 17.6 days for the previous year.
- **Assets turnover ratio** 1.9 at year end compared to 2.0 at end of year 2019/20.

Shareholder return

Return on equity (%)

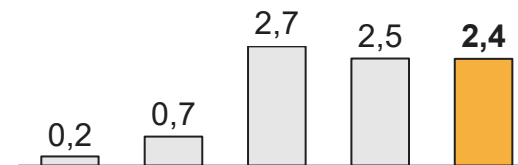


Equity ratio (%)

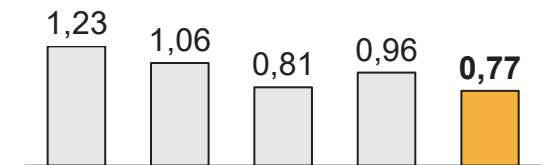


Risk in operations

Net debt/EBITDA¹

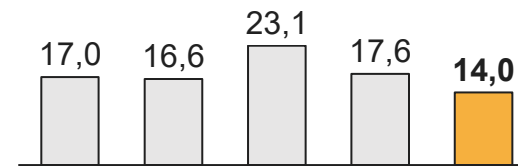


Current ratio²

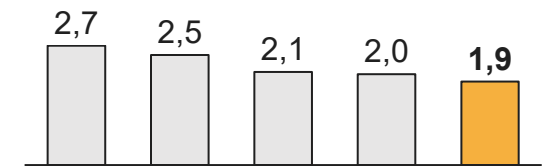


Efficiency of assets

Cash conversion cycle (days)³



Assets turnover ratio⁴



1) Net interest bearing liabilities / EBITDA 2) Current assets / current liabilities
 receivable - number of days for accounts payable 3) Turnover rate in operations = number of inventory days + number of days for accounts
 4) Sales / assets

Overview

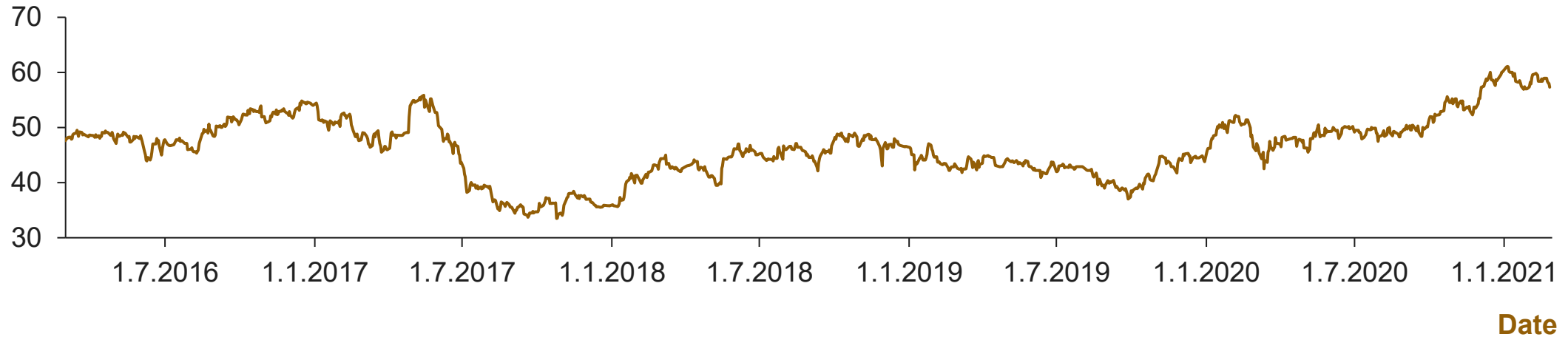
Highlights from operations

Financial statement

Status and prospects

Market price and largest shareholders

Market price



Largest shareholders (1-5), shared at closing 28.2.2021

▪ Gildi - Pension fund	17.0%
▪ LV – Pension Fund of Commerce	11.1%
▪ LSR – Pension Fund A for State Employees	9.8%
▪ Birta Pension Fund	7.0%
▪ Stapi Pension Fund	5.6%

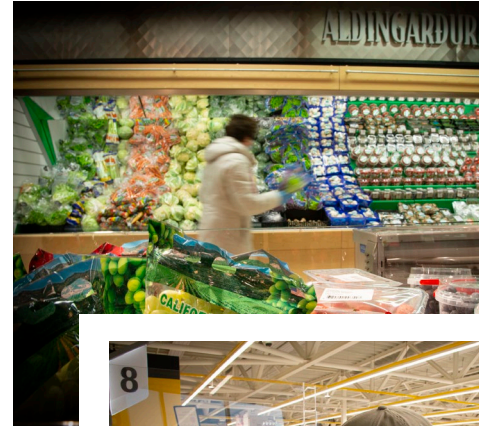
Largest shareholders (6-10), shared at closing 28.2.2021

▪ Samherji Ltd.	4.3%
▪ Festa - Pension Fund	4.2%
▪ Icelandic securities - accounts	3.4%
▪ Brú Pension Fund	3.2%
▪ SL Pension Fund	2.8%

Status and prospects



- The operational year 2021/22 commences with a good start. **The Management's guidance** for the year is that **EBITDA** will be between **8.6 to 9.1 b.ISK**.
- **Lines clearing up on the progress of COVID** in the coming months. It is estimated that **the operational impact of the pandemic will continue until the autumn** and will be in that way similar to recent months.
- **Expectations of a strong tourist summer** with countrymen in the focus, but **uncertainty about the development of tourism trade to and from Iceland in the autumn**.
- **Hagar's and subsidiaries strong standing to cope with the challenges** due to the pandemic and changed customers needs.
- **Continued follow-up to new strategic emphases**, a.o. Hagar's branding, operational efficiency and increased investment in technology solutions.





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.

hagar

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.