

HAGAR.: HAGAR'S FINANCIAL STATEMENTS Q3 2023/24

Increased attendance for Hagar's stores and services

The Consolidated Interim Financial Statements of Hagar plc. for the third quarter of 2023/24 were approved by the company's board of directors and the CEO at a board meeting on January 11th, 2024. The statements cover the period from March 1st to November 30th, 2023. The consolidated interim financial statements include the consolidated financial statements of the company and its subsidiaries and are prepared in accordance with international standards (IFRS). The statements have neither been reviewed nor audited by the company's auditors, PricewaterhouseCoopers Ltd.

Key figures

- **Sales** in Q3 amounted to 43,683 m.ISK (8.6% growth from Q3 2022/23). Sales 9M amounted to 130,482 m.ISK (7.1% growth from 9M 2022/23). [Q3 2022/23: 40,220 m.ISK, 9M 2022/23: 121,832 m.ISK.]
- **Gross margin** in Q3 amounted to 9,062 m.ISK (20.7%) and 27,037 m.ISK (20.7%) for 9M. [Q3 2022/23: 7,301 m.ISK (18.2%), 9M 2022/23: 23,248 m.ISK (19.1%).]
- **Earnings before depreciation, interest, and taxes (EBITDA)** in Q3 was 3,230 m.ISK or 7.4% of sales. EBITDA 9M was 10,223 m.ISK or 7.8% of sales. [Q3 2022/23: 2,598 m.ISK (6.5%), 9M 2022/23: 9,635 m.ISK (7.9%)]
- **Profit** in Q3 amounted to 1,116 m.ISK. or 2.6% of sales. Profit in 9M amounted to 3,853 m.ISK or 3.0% of sales. [Q3 2022/23: 910 m.ISK (2.3%), 9M 2022/23: 4,214 m.ISK (3.5%)]
- **Basic earnings per share** in Q3 were 1.03 ISK and 3.50 ISK for 9M. [Q3 2022/23: 0.82 ISK, 9M 2022/23: 3.74 ISK]. **Diluted earnings per share** in Q3 were 1.01 ISK and 3.43 ISK for 9M. [Q3 2022/23: 0.82 ISK, 9M 2022/23: 3.67 ISK.]
- **Equity** amounted to 26,997 m.ISK at the end of the period and **equity ratio** was 35.3%. [End of year 2022/23: 27,931 m.ISK and 38.8%]
- **Management's guidance** for the operational year 2023/24 assumes that EBITDA will be 12,900-13,400 m.ISK.

Operational key points

- **Operations in Q3 progressed well** and the profit exceeding the company's plans. The management's guidance was reviewed and raised in the latter part of December.
- **Sales grew by 8.6% in Q3** but **sold units in groceries increased** by 3.6% year on year and **customers visits grew** also, or by 8.6% in the quarter. **Sold fuel litres grew** by 1.6% in the quarter.
- **Revenue exceeding plans can a.o. be traced to increased visitations to Hagkaup's stores**, especially to **the grocery section** of the Group, but also to a strong demand for the Group's **fuel section**.
- **Gross margin in ISK increased** by 24.1% between the years and **the margin ratio reached 20.7%** or a growth of 2.6%-points year on year. The underpinning of the margin from the previous year is mostly related to Olís' operations and fluctuations in the oil world market price, but the margin ratio in grocery products has also improved slightly.
- **In the previous year** one-off item was booked with other operational revenues **reimbursement due to the government transport fuel equalisation fund** amounting to 451 m.ISK.
- **Bónus opened** a new 2.200 m² grocery store at **Miðhraun in Garðabær** on the last 25th November. The number of Bónus stores is now totalling 33.
- On December 1st it was announced that Hagar jointly with partners has commenced work to **review the strategy and future possibilities for the ownership of Olíudreifing Ltd.**, presently about 40% is owned by Olís.

Finnur Oddsson, CEO:

Hagar's activities in the third quarter of the operational year 2023/24 progressed well. The Group's sales amounted to 43.7 b. ISK and increased by 8.6% compared to the same period the previous year. Profit improved during the quarter and exceeded the plans and the previous year, but EBITDA amounted to 3,230 m.ISK and profit to 1,116 m.ISK. Considering how challenging the grocery store operating environment has been, with the continued increase in the supply's prices and operating costs in the autumn months, we are satisfied with the company's operations during the quarter and the year to date.

Business continued to grow, and profit improved across the Hagar's Group. If we look at the operational segments, then as before, there is good growth in stores and warehouses revenues, i.e. Bonus, Hagkaup, Eldum rétt, Zara, Aðföng and Bananar. Income increased by almost 16%, partly due to the effect of price escalations from wholesalers and manufacturers that have been persistent since 2020. However, it is pleasing to see true income growth, which is the result of considerable increased attendance to Hagar's stores and Eldum rétt services, both in terms of the number of customers and units sold. The business division's performance continues to improve, both due to rising demand but also because of the strengthened margin since the fall of 2022 when it was historically low.

A new Bónus' store opened at Miðhraun, Garðabær, at the end of November and starts excellently, like other Bónus stores that were opened or renovated throughout the year. Income continued to grow, and more and more customers are visiting Bónus. The pledge to offer the country's most economical grocery basket is clearly relevant in times of inflation and high interest rates. In addition, the customers have welcomed innovations in Bónus' operations in recent quarters, such as extended opening hours, easier access and convenience, and time savings in shopping visits that can be achieved with a scanning solution such as Gripið & Greitt. Hagkaup and Zara had strong autumn months, and naturally the activity of Bananar and Aðföng has increased in line with the stores. In order to meet the progression, work is being implemented for the expansion of the Aðföng warehouses, but the first major phase of that work was completed in November.

The first full year of Eldum rétt as part of Hagar ended in October and advanced well, with a large increase in the number of sold food packages compared to the previous year. The company is an excellent addition to Hagar's offered service, and last year's success reflects customer satisfaction, and the fact that more and more people are using Eldum rétt to facilitate and improve cooking at home. To handle the demand, production spaces were enlarged last year, but we see significant opportunities for further growth of Eldum rétt in the coming months and quarters.

Olís' income during the quarter amounted to 13.8 b.ISK, which is a 7% decrease from the previous year, and is explained primarily by one-off items and a fall in the world oil market price between the periods. There was some increase in the total number of sold litres, due to good sales to bulk users, but the activity in the retail market was similar between the years. Sales of dry goods categories also increased year on year, in line with the customer's excellent response to the adapted and improved services and product offering at Olís service centres. Considering one-off items that had a considerable impact on Olís' performance in the same quarter a year ago, the performance of the business segment improves, a.o. due to the high activity of bulk users and due to organisational efficiency changes.

We are satisfied with the operation of the Group during the quarter and the development of the last quarters. The pillars of the company's operations have strengthened and is reflected in improved results. The most important factors in this are increased efficiency in Hagar's operations, higher activity level at all business divisions, new units, and the result of strategic decisions.

Our topics for the next few months remain unchanged, i.e., to work towards the continued strengthening of the company and in particular to counteract persistent price increases in grocery products and thus support the reduction of inflation. Related to that, there may still be unrest in the grocery markets, i.a. due to new war hostilities abroad, and many wholesalers and manufacturers have announced price rises around and beyond the beginning of the year. It is an improvement that it seems that the price increases for grocery stores have slowed down compared to last year, but there are hopes that this will continue. Hagar, in cooperation with suppliers, places great emphasis on preventing price increases and thus supports the conditions of collective agreements. We consider this to be one of our most important project today.

All in all, Hagar's standing is good, both financially and on the market, and the company has strong business sections and a strong staff team who work every day to make shopping comfortable, pleasant, and not least, profitable. Business prospects are generally good.

The Group's Consolidated Income Statement

in ISK million	Q3 2023/24		Q3 2022/23		9M 2023/24		9M 2022/23	
	01.09-30.11	01.09-30.11	Change	%	01.03-30.11	01.03-30.11	Change	%
Sales	43.683	40.220	3.463	8,6%	130.482	121.832	8.650	7,1%
Cost of goods sold	(34.621)	(32.919)	(1.702)	5,2%	(103.445)	(98.584)	(4.861)	4,9%
Gross profit	9.062	7.301	1.761	24,1%	27.037	23.248	3.789	16,3%
Gross profit %	20,7%	18,2%	-	2,6%	20,7%	19,1%	-	1,6%
Other operating income	139	587	(448)	-76,3%	543	936	(393)	-42,0%
Profit from sale of assets	--	--	--	-	--	882	(882)	-
Salaries and related expenses	(4.094)	(3.578)	(516)	14,4%	(11.907)	(10.459)	(1.448)	13,8%
Other operating expenses	(1.877)	(1.712)	(165)	9,6%	(5.450)	(4.972)	(478)	9,6%
Profit from operating activities before depreciation and amortisation (EBITDA)	3.230	2.598	632	24,3%	10.223	9.635	588	6,1%
EBITDA %	7,4%	6,5%	-	0,9%	7,8%	7,9%	-	-0,1%
Depreciation and amortisation	(1.285)	(1.085)	(200)	18,4%	(3.767)	(3.205)	(562)	17,5%
Profit from operating activities (EBIT)	1.945	1.513	432	28,6%	6.456	6.430	26	0,4%
Net finance expense	(625)	(414)	(211)	51,0%	(1.890)	(1.384)	(506)	36,6%
Effect of results of associates	60	34	26	76,5%	209	172	37	21,5%
Profit before income tax	1.380	1.133	247	21,8%	4.775	5.218	(443)	-8,5%
Income tax	(264)	(223)	(41)	18,4%	(922)	(1.004)	82	-8,2%
Comprehensive income for the period	1.116	910	206	22,6%	3.853	4.214	(361)	-8,6%

Key figures in Q3 2023/24

Sales in Q3 amounted to 43,683 m.ISK and grew by 8.6% between the years. The stores and warehouses sales growth amounted to 15.4%, but a decline in Olís'sales, amounting to 3.6% between the years.

Sold units in grocery stores grew by 3.6% year on year and customer visits grew by 8.6% during the quarter. Fuel litres sold at Olís increased by 1.6%.

The gross margin in Q3 amounted to 9,062 m.ISK and increased by 24.1% between the years. The margin ratio was 20.7% and increased by 2.6% from the previous year. The increase in the margin ratio can mostly be attributed to Olís' operations and fluctuations in the world fuel market price. The margin ratio in grocery strengthened slightly from last year when it was historically low after a period of exceptional price rise.

During Q3 of the previous year, a refund to Olís by the governmental transport equalisation fund in the amount of 451 m.ISK was booked together with other operating income.

Salaries in Q3 increased by 14.4% and the salary cost ratio rose from 8.9% to 9.4% between the years. Other operating costs rose by 9.6%, but the cost ratio remains unchanged year on year at 4.3%.

EBITDA in Q3 amounted to 3,230 m.ISK and increases by 24.3% between years. EBITDA increases by 50.4%, year on year, if the one-off revenue of previous year is excluded. The EBITDA ratio is 7.4% but was 6.5% last year (5.3% without one-off items).

Profit for the quarter amounted to 1,116 m.ISK and grew by 22.6% between the years.

Operations the first nine months of 2023/24

Sales for the period amounted to 130,482 m.ISK, compared to 121,832 m.ISK the previous year or an increase of 7.1% between the years. The sales growth of stores and warehouses amounted to 16.2%, but Olís' sales declined by 9.0%.

The Group's gross margin was 27,037 m.ISK, compared to 23,248 m.ISK the previous year, or a growth of 16.3%. The margin ratio was 20.7% and increased by 1.6 percentage points from the previous year. The increase in the margin ratio lies in the Group's fuel section, especially in bulk users, while the margin ratio has increased slightly in grocery section.

Salaries costs grew by 13.8% year on year, and the salary costs ratio increased from 8.6% to 9.1%. Other operating expenses rose by 9.6% and the cost ratio changes from 4.1% to 4.2%.

EBITDA amounted to 10,223 m.ISK, compared to 9,635 m.ISK the previous year or a 6.1% increase. The EBITDA ratio was 7.8%, compared to 7.9% in the previous year. EBITDA, excluding one-off revenue due to Klasi and the transport equalisation fund in the previous year, increased by 24.4% between the years.

Depreciation increased by 17.5% year on year and financial costs increased by 36.6%.

The total profit for the period amounted to 3,853 m.ISK, which is equivalent to 3.0% of sales, while the total profit in the previous year was 4,214 m.ISK or 3.5% of sales. Excluding one-off revenue, the total profit of the previous year amounted to 2.5% of sales.

The Group's financial statement

in ISK million	30.11.2023	28.02.2023	Change	%
Assets				
Non-current assets	54.189	50.502	3.687	7,3%
Current assets	22.326	21.505	821	3,8%
Total assets	76.515	72.007	4.508	6,3%
Equity and liabilities				
Share capital	1.084	1.119	(35)	-3,1%
Other equity	25.913	26.812	(899)	-3,4%
Equity total	26.997	27.931	(934)	-3,3%
Non-current liabilities	22.708	21.101	1.607	7,6%
Current borrowings	6.318	3.325	2.993	90,0%
Other payables	20.492	19.650	842	4,3%
Total liabilities	49.518	44.076	5.442	12,3%
Total equity and liabilities	76.515	72.007	4.508	6,3%

Financial key figures 30.11.2023

- The Group's total assets at the end of the period amounted to 76,515 m.ISK and grew by 4,508 m.ISK from the end of the year 2022/23.
- Non-current assets were 54,189 m.ISK and grew by 3,687 m.ISK from the end of the year 2022/23. The increase can mostly be attributed to investments in properties and other operating assets, but also an increase in leasing properties due to new leasing agreements.
- Current assets were 22,326 m.ISK and increased by 821 m.ISK from the end of the year 2022/23.
- Inventory is a major part of current assets and amounted to 12,929 m.ISK at the end of November. Inventory has decreased by 1,329 m.ISK from the end of Q3 2022/23 but has increased by 212 m.ISK from the end of the year 2022/23. The decrease between the years in inventory can be attributed to lower fuel inventory amounting to 2,519 m.ISK but grocery stocks have increased by 1,297 m.ISK at the same time. The increase in grocery stocks can primarily be attributed to higher unit prices because of inflation, but also due to the new Bónus stores. The inventory turnover rate is now 10.0, but it was 10.1 last year.
- Trade receivable and other short-term receivables amounted to 7,514 m.ISK and increased by 1,595 m.ISK during the period. Trade receivable, excluding other receivables, are 1,118 m.ISK higher than at the end of Q3 last year and the credit period for trade receivable is now 11.9 days compared to 10.4 days last year.
- The current ratio is 0.83 and the liquidity ratio is 0.35 at the end of November. Access to short-term financing in the form of credit lines in the amount of 6.2 b.ISK with a commercial bank is secured, but in addition the company uses short term financing by issuing promissory notes.
- Equity at the end of the period was 26,997 m.ISK and equity ratio of 35.3%. Return on equity was 16.9%. The equity ratio at the end of the last operating year was 38.8% and the return on equity was 18.5%. The company had own shares with a nominal value of 22.1 million ISK at the end of the period.
- The Group's total liabilities at the end of November amounted to 49,518 m.ISK of which interest-bearing debt were 17,675 m.ISK and leasing liabilities 10,716 m.ISK. Net interest-bearing debt, including leasing liabilities, at the end of the period was 26,508 m.ISK or 2.1 x 12-month EBITDA.
- Interest-bearing short-term liabilities amounted to 6,318 m.ISK of which promissory notes amounted to 3,380 m.ISK. Credit line was unused at the end of the period.

The Group's consolidated cash flow statement

in ISK million	Q3 2023/24		Q3 2022/23		9M 2023/24		9M 2022/23	
	01.09-30.11	01.09-30.11	Change	%	01.03-30.11	01.03-30.11	Change	%
Net cash provided by operating activities	1.244	1.808	(564)	-31,2%	7.030	6.563	467	7,1%
Net cash used in investing activities	(880)	(1.895)	1.015	-53,6%	(4.007)	(2.752)	(1.255)	45,6%
Net cash used in financing activities	(1.207)	(690)	(517)	74,9%	(4.009)	(3.276)	(733)	22,4%
Net increase in cash and cash equivalents	(843)	(777)	(66)	8,5%	(986)	535	(1.521)	-284,3%
Cash and cash equivalents at beginning of the period	2.726	2.095	631	30,1%	2.869	783	2.086	266,4%
Cash and cash equivalents at the end of the period	1.883	1.318	565	42,9%	1.883	1.318	565	42,9%

Cash flow the first nine months of 2023/24

- Cash from operating activities in the first nine months of the operating year amounted to 7,030 m.ISK, compared to 6,563 m.ISK in the previous year.
- Investing activities for the period were 4,007 m.ISK, compared to 2,752 m.ISK in the previous year. Investment in properties amounted to 1,506 m.ISK which is mostly in property at Norðlingabraut in Reykjavík. In addition, investments were made in the opening of three new Bónus stores, i.e., at Norðlingabraut, in Holtagarðar and at Miðhraun. A new Olís service centre at Fitjar in Reykjanesbær was also opened, in addition to investments in digital development, IT and important sustainability-related projects such as carbonate cooling systems.
- Financing activities for the period were 4,009 m.ISK, compared to 3,276 m.ISK for the previous year. Buy-back of own shares amounted to 2,333 m.ISK and dividend payment in June 2023 amounted to 2,475 m.ISK.
- Cash at the end of November 2023 amounted to 1,883 m.ISK, compared to 1,318 m.ISK at the end of November last year.

Status and future prospects

The third quarter's operations exceeded plans, and the company's profit forecast was revised and raised in the second half of December. Revenue exceeding plans can be attributed, among other things, to increased visits to Hagar's stores, especially in the grocery section of the Group, where both the number of items sold, and the number of customer visits are growing. There has also continued to be strong demand in the Group's fuel section, and the margin continues to exceed estimates.

Last September and October, changes in the Group's management were announced as of January 1, 2024. Then Björgvin Víkingsson took over as CEO of Bónus' from Guðmundur Marteinnsson and Ingunn Svala Leifsdóttir took over as Olís' CEO from Frosti Ólafsson.

The management's guidance for the operating year 2023/24 assumes that the operating profit before depreciation (EBITDA) will be in the range of 12,900-13,400 m.ISK. The Group's financial position is strong, and financing is guaranteed for the long term. There is also secured access to short-term financing in the form of credit lines, in the amount of 4.5 b.ISK and US\$ 12.5 m. Recently, the company has used short-term financing in the form of promissory notes, but the promissory notes are issued in accordance with the basic description of 10 b.ISK publishing framework approved by the company's board of directors. It can be expected that the company will look to market financing to a greater extent in the coming quarters, as demonstrated by the issue of a new bond class HAGA120926 1 last September.

Share capital and shareholders

- Hagar's market value at the end of the period amounted to 73.6 b.ISK and the closing price on November 30, 2023, was ISK 66.5/share.
- On June 1st, 2023, the Annual General Meeting agreed to reduce the company's share capital by the cancellation of its own shares with a nominal value of 26.2 m.ISK. The reduction was implemented on June 28, 2023, and thus reduced Hagar's share capital from 1,133 m.ISK at nominal value to 1,106 m.ISK at nominal value, which is registered share capital at the end of the period.
- The General Meeting also agreed that a dividend would be paid to shareholders for the past year, which amounted to 2.24 ISK per share or 2,475 m.ISK. The dividend was paid on June 13, 2023.
- Hagar's registered capital at the end of the period amounted to 1,106 m.ISK and the company had then own shares at a nominal value of 22.1 m.ISK.
- Shareholders were 1,055 at the beginning of the period and 983 at the end. The company's 10 largest shareholders owned 77.2% of the company at the end of the third quarter.

Online presentation, Thursday January 11th, 2024

An online presentation for market participants and shareholders will be held on Thursday, January 11th at 16:00, where Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and results as well as answer questions.

Questions related to the results will be accepted during the meeting on the e-mail address fjarfestakynning@hagar.is and will be answered as possible at the end of the meeting.

The meeting will be streamed and one can register for the meeting here: <https://www.hagar.is/skraning>.

Presentation materials will be available on Hagar's website, www.hagar.is, at the beginning of the meeting.

Financial calendar 2023/24

Financial information will be published after the market closes.

Accounting period	Weekday	Publication day
Q4 - March 1 st to February 29 th	Tuesday	April 23 rd 2024
General Meeting 2024	Thursday	May 30 th 2024

For further information, contact Finnur Oddsson, CEO (fo@hagar.is), and Guðrún Eva Gunnarsdóttir, CFO (geg@hagar.is), by phone 530-5500 or by e-mail.

This press release is translated from the Icelandic version which was published on January 11th, 2024. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
