



Presentation of Q2 2021/22 results

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*This presentation is translated from the Icelandic version which was published on October 19th, 2021. 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

Q2 2021/22 (changes from Q2 2020/21)

34.9 b.ISK.

sales

▲ 12.8%

3.3 b.ISK.

EBITDA

▲ 8.1%

1.7 b.ISK.

Profit

▲ 29.4%

21.2%

gross margin

▼ 2.3%pt.

12.9%

salaries- and cost ratio

▼ 1.1%pt.

40.7%

equity ratio

▼ 0.1%pt.

Solid operations with increased sales

- **Excellent quarter** behind with **increased sales** but gross margin little under expectations
- **Effects of the COVID-19 pandemic** on the group's operations declining now as Icelanders have started travelling again and more tourists are visiting the country
- **Settlement due to the sale of Útilíf's assets completed** and the company was handed over at the end of Q2 - sales profit shown in the Q2 income statement is about 273 m.ISK
- **Reservations for Hagar purchase of Djús ehf. lifted** and the financial effect of the company's operations appear, in the form of share or profit from associates, as of July 2nd 2021
- In accordance with the approval of the Annual General Meeting, **agreements on stock options were completed** with the company's key employees. The options enclosed a total of 11.8 m. shares or about 1.0% of the company's shares
- Last June, Hagar and Olís **signed an agreement with the City of Reykjavík for the reduction of fuel stations**, as well as future development of the sites in the Mjódd
- **Two new directors** commenced work in September, Jóhanna Jónsdóttir at Bananar and Frosti Ólafsson at Olís

BONUS

HAGKAUP

olís

AÐFÖNG

Bananar

mjöll frigg

ZARA

ÚTILÍF



Stores and warehouses: Operations and profit increase between years

Income statement Q2 2021/22 (b.ISK.)

- Income from groceries, specialty products and warehouses **increased by 13% between years and amounting to 24.6 b.ISK** - EBITDA was 2.5 b. ISK (10.1%)
- Performance in grocery retail continues to increase** exceeding expectations
- Customers visits have increased** slightly and the average basket size has grown
- Increased sales at **Aðföng and Bananar** in line with retail sales growth - sales of Bananar to **third parties have grown** considerably as the effects of COVID-19 declines
- Continuing **sales growth and improved revenues** at **ZARA**, but Zara's and Útilíf's sales is as before a small part of Hagar's total sales - Útilíf handed over at the end of Q2

	Q2 '21/22	Q2 '20/21	Δ	%Δ
Income	24,6	21,9	+2,7	+13%
Expenses	-22,1	-19,7	-2,4	+12%
EBITDA	2,5	2,2	+0,3	+16%
<i>EBITDA %</i>	<i>10,1%</i>	<i>9,8%</i>	<i>+0,3%</i>	<i>+3%</i>
EBIT	1,8	1,4	+0,5	+34%
<i>EBIT %</i>	<i>7,4%</i>	<i>6,2%</i>	<i>+1,2%</i>	<i>+19%</i>



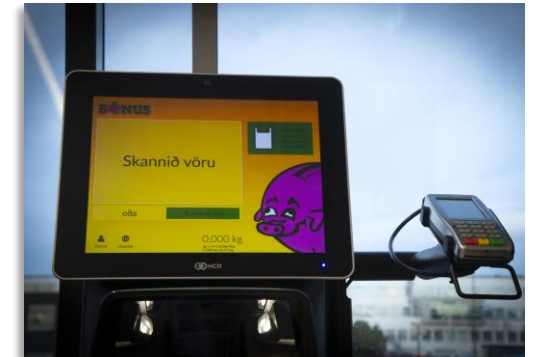






Bónus: Solid operation and customers trust

- **Sales in Q2 amounted to nearly 16 b.ISK** which is exceeding plans and former years
- **Margin growth in the quarter** but is a little under long-term objectives - recent **cost price increases** and further increases likely
- **Fierce price competition** on the market - **Bónus most often with the lowest price** according to the latest ASÍ survey, and as before the most cost-effective shopping basket
- **New store will open at Norðurtorg** in Akureyri next year - store at **Korputorg closed** last August
- **Emphasis on sustainability and environmental aspects** continues to be effective, a.o. in improved sorting
- Emphasis on **reducing food waste** with **cost-effective procurement** and maximizing inventory turnover
- Special **emphasis on sale of national products** - good co-operation with Icelandic manufacturers of vegetables and meat



Hagkaup: More customers and increased sales

- **Sales in Q2 amounted to 5,3 b.ISK**, which exceeds expectations and last year - gross margin ratio as planned, and **good profits** and exceeding expectations
- Increased emphasis **on solutions facilitating the food preparation**, i.e. ready made meals, extensive selection of vegetarian dishes, sushi, side dishes and other fast food
- Active **collaboration with entrepreneurs in the food industry**, i.e. Ketó Kompaní, Junkyard vegan dishes and sales of the first garlic harvest in Iceland
- Continued **excessive sales in cosmetics and toys**
- **Investment in store infrastructures**, a.o. at Akureyri and Eiðistorg - planned changes at Skeifan and Spöngin
- Changed stores and **new emphasis well accepted by customers** - more visit Hagkaup than before
- Christmas preparations in full swing ...**best to secure Hagkaup's smoked rack of pork** as soon as possible

HAGKAUP



Olís: Increased sales and results of streamlining measures



Income statement Q2 2021/22 (b.ISK.)

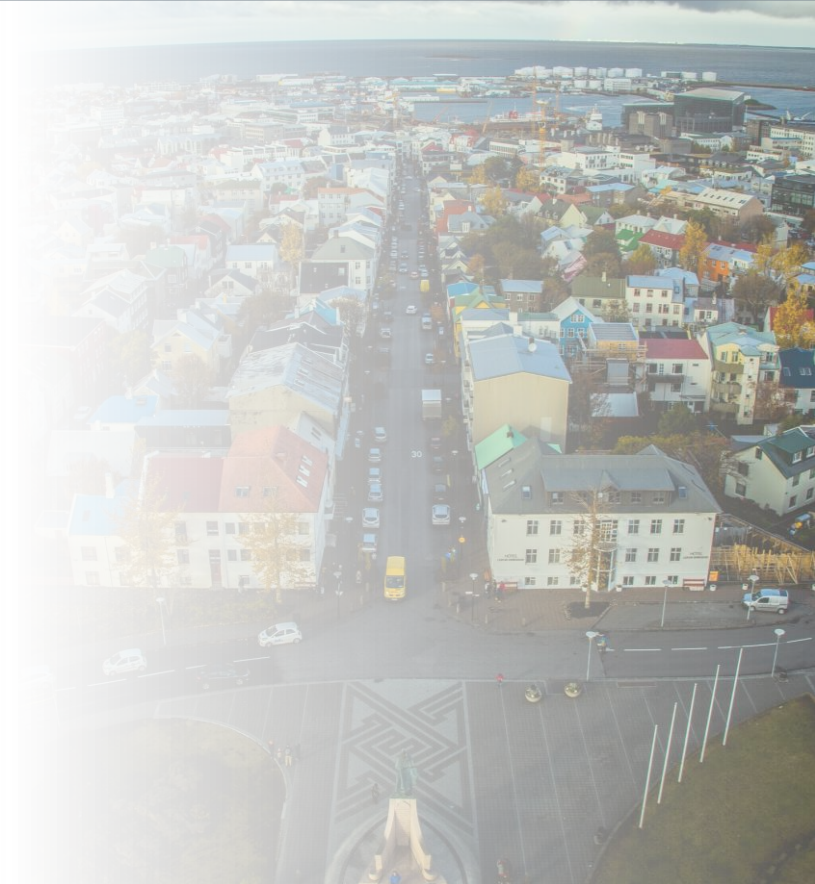
- **Sales in Q2 amounted to 11.7 b.ISK** and increased by 28% between years - **EBITDA amounted to nearly 0,8 b.ISK** (6.6%), decreases slightly from last year
- **Gross margin ratio considerably lower** from previous year but is **closer to what it was before COVID** – the ratio at the same time last year was unusually high
- **Increase in sold fuel litres between years**, and especially significant increase in **large users activity**
- **Streamlining measures** delivering **visible results** in the quarter, just as in Q1, and especially when it comes to **salaries costs**
- Preparatory work in progress for **upgrading service stations**
- **A new managing director**, Frosti Ólafsson, joined the company in September

	Q2 '21/22	Q2 '20/21	Δ	%Δ
Income	11,7	9,2	+2,5	+28%
Expenses	-11,0	-8,4	-2,6	+31%
EBITDA	0,8	0,9	-0,1	-11%
<i>EBITDA %</i>	<i>6,6%</i>	<i>9,4%</i>	<i>-2,9%</i>	<i>-30%</i>
EBIT	0,6	0,7	-0,0	-7%
<i>EBIT %</i>	<i>5,5%</i>	<i>7,5%</i>	<i>-2,0%</i>	<i>-27%</i>



***Operational news:* Structure and operation of a property development company**

- Many **opportunities for further value creation** in Hagar's portfolio, which is **best in co-operation with an entity that has specialised experience and knowledge** in the field of planning and property development
- Letter of intent signed for the **structure and operation of a robust property development company** together with Klasi and Reginn
- According to the letter of intent, it is anticipated **that each owner's share** will be **about 1/3 of the issued share capital**
- Hagar **pays for the shares with development assets**, and incl. development zone in Mjódd (Álfabakki 7, Stekkjarbakki 4-6), and with a zone by Sundahöfn (Klettagarðar 27)
- **The estimated value** of the underlying investment assets in the new company after the proposed transaction will be around **15 b.ISK.**, where the equity ratio will be around 70%
- The proposed transactions are made a.o. **subject to** the results of due diligence and the **approval of the Competition Authority**



Operational news: Increased emphasis on digital motivation at Hagar

- **Hagar's customers needs are constantly developing and changing**, and one of the things that customers have been calling for with a greater extent is **access to Hagar's products and services in a more efficient, convenient and enjoyable way**
- Work on the **formation of Hagar and its subsidiaries' online store has now begun** and is progressing well, with a regard to development over a longer period of time
- Simultaneously, a **foundation will be laid for further utilisation of information technology in decision-making**, and to improve **customer service**
- Hagar's digital route is therefore **not only about offering selected products in online stores**, but also about **refining how work is done** within the group and subsidiaries, and about Hagar's communication with customers



Operational news: First products related to Uppsprettan on the market

- Hagar founded the **innovation fund Uppsprettan** earlier this year, which is intended **to support entrepreneurs in the development and innovation of Icelandic food production**
- The first formal **allocation took place in July when 8 entrepreneurial companies received grants** totaling 11 m.ISK
- The first **products from the entrepreneurs have arrived in Hagar's stores**, where you can a.o. refer to **Icelandic garlic**, which Icelanders bought up in just 2 days, and soaps that a.o. are made from fruits that are not in a saleable condition
- **More products** are expected **in the coming weeks and months**, and it will be exciting to see all these remarkable ideas come true one after the other



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The margin ratio decreases slightly between years but results are good

Consolidated Financial Statement Q2 2021/22 (b.ISK.)

- **Sale increased** by 12.8% between years or about 4.0 b.ISK
- **Gross profit grew** by 1.6% but **margin ration** dropped from 23.5% to 21.2%
- **Sale profit of Útílf's assets** was booked at the end of Q2 and amounted to 273 m.ISK
- **Salaries and operational costs rise** but cost ratios improve in the period
- **EBITDA** increased by 8.1% from previous year
- **Extensive turnaround regarding total profit** that rose by 29.4% between years

	Q2 '21/22	Q2 '20/21	Δ	%Δ
Sales	34,9	30,9	4,0	+13%
Gross profit	7,4	7,3	+0,1	+2%
Other operating income	0,4	0,1	0,3	+364%
Salaries	-3,2	-3,1	-0,1	+4%
Other operating expenses	-1,3	-1,3	-0,1	+5%
EBITDA	3,3	3,0	+0,2	+8%
Depreciation	-0,9	-1,1	0,2	-16%
Net finance expense	-0,3	-0,4	0,1	-19%
Profit for the period	1,7	1,3	+0,4	+29%

Increased sales and improved results between years

Consolidated Financial Statement 6M 2021/22 (b.ISK.)

- **Sales increased** by 13.1% between years or about 7.8 b.ISK
- **Gross profit rose** by 8.7% but **margin ratio** declined between years of about 0,9%-points
- **Reykjavíkur Apótek's sale profit** and **sale profit of Útilíf's assets** booked in the period
- **Salaries cost increased only by 1.5%**, despite about 6% wage increase due to labour agreements - **non-recurring items** 108.9 m.ISK in the period compared to 86.4 m.ISK in the previous year
- **Significant improvement in results between years**, partly due to the **COVID-19** pandemic difficulties in Q1 last year

	6M '21/22	6M '20/21	Δ	%Δ
Sales	66,9	59,2	7,8	+13%
Gross profit	14,2	13,1	+1,1	+9%
Other operating income	0,6	0,2	0,4	+216%
Salaries	-6,4	-6,3	-0,1	+1%
Other operating expenses	-2,8	-2,6	-0,2	+8%
EBITDA	5,5	4,3	+1,2	+28%
Depreciation	-1,9	-2,1	0,2	-9%
Net finance expense	-0,7	-0,9	0,1	-14%
Profit for the period	2,4	1,2	+1,2	+99%

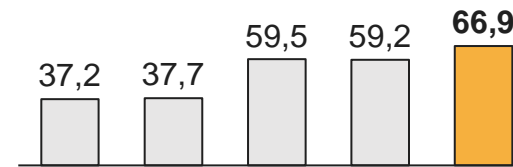
Cost and profit ratios improve compared to last years

Operational key factors (6M 2017/18 – 6M 2021/22)

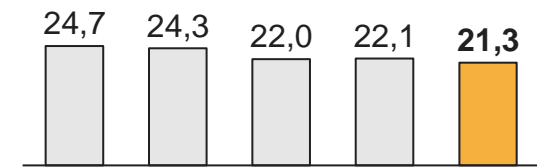
- **Good sales increase compared to last years** but Olís became a part of the group in Desember 2018
- **Gross margin ratio** has been **declining** in recent years, partly due to lower mark up and changed structure of the company
- Despite rising operating costs, **salaries and cost ratios** have improved in recent quarters
- The implementation of **IFRS16 lease standard** explains the change in the cost ratio 2019/20
- **EBITDA-ratio** at the end of the period was 8.3% compared to 7.3% last year
- **Profit ratio** was 3.6% compared to 2.1% last year

Sales and gross margin

Sales (b.ISK.)

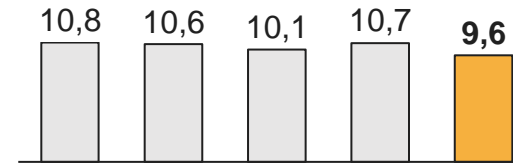


Gross margin (%)

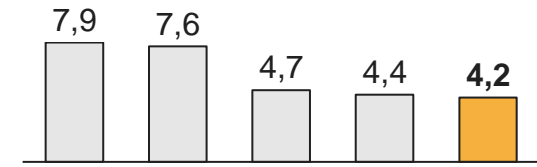


Operating costs

Salaries (%)

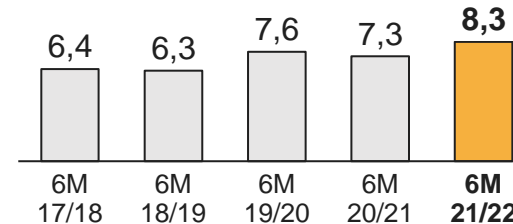


Other operating cost (%)

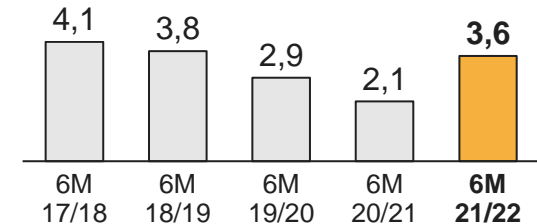


Profit

EBITDA (%)



Profit (%)



Net cash increases in the first six months

Cash Flow 6M 2021/22 (b.ISK)

- **Cash from operations** at the end of the period amounted to 4.6 b.ISK and increased by 954 m.ISK compared to the previous year
- **Investment activities** during the period amounted to ISK 854 m.ISK. **Investment in equipment and interior furnishing** also amounted to 854 m.ISK
- **The principal investments of the period** were the renovation of Bónus and Hagkaup stores, a change of warehouse at Skútuvogur and the purchase of machinery
- **Financing activities** amounted to 3.1 b. ISK during the period, of which dividends were 1.5 b.ISK paid last June
- **Net cash grew by** 563 m.ISK during the first half of the year and amounted to 951 m.ISK at the end of the period

	6M 2021/22	6M 2020/21	Change
Profit for the period	2.4	1.2	1.2
Adjustments	3.0	3.1	-0.1
Working Capital	5.4	4.3	1.1
Change in current assets	-2.0	-0.5	-1.5
Change in current liabilities	2.0	0.7	1.3
Interests and taxes paid	-0.9	-1.0	0.1
Cash provided by operating activities	4.6	3.6	1.0
Investment activities	-0.9	-2.1	1.3
Financing activities	-3.1	-2.8	-0.3
Change in cash	0.6	-1.3	1.9
Net cash at the end of the period	1.0	0.9	0.1

Financial status of Hagar is strong

Balance sheet 31st August 2021 (b.IK.)

- **Fixed assets increased** by 339 m.ISK from the end of the year, e.g. due to an increase in leased assets and a purchased shares in Djús ehf.
- **Inventories at the end of the period** were 9.8 b.ISK and **inventory turnover rate** 11.0 - inventories at the end of Q2 last year amounted to 8.4 b.ISK and the turnover turnover rate of 11.1
- **Trade receivables increased** by 774 m.ISK from the end of the year - **the credit period** is 11.4 days compared to 11.1 days in the same period last year
- **Non-indexed bond series** HAGA181021 in the amount of 2.5 b.ISK **refinanced** by issuing a new 3-year non-indexed series, HAGA181024

	31. 8. 2021	28. 2. 2021	%Δ		31. 8. 2021	28. 2. 2021	%Δ
Property, plant and equipment	23,0	23,4	-2%	Borrowings	9,3	9,4	-1%
Intangible assets	10,6	10,5	+1%	Lease liabilities	7,4	7,0	+5%
Other non-current assets	14,5	13,8	+5%	Income tax	2,7	2,2	+21%
Non-current assets	48,2	47,8	+1%	Non-current liabilities	19,4	18,6	+4%
Inventories	9,8	8,8	+12%	Borrowings	3,0	3,6	-17%
Trade receivables	5,4	4,7	+17%	Trade payables	13,2	11,8	+11%
Cash	1,0	0,4	+145%	Other	2,7	2,5	+8%
Current assets	16,2	13,8	+17%	Current liabilities	18,8	17,9	+5%
Total assets	64,4	61,6	+4%	Total liabilities	38,2	36,5	+5%
Liabilities and equity	64,4	61,6	+4%	Total equity	26,2	25,2	+4%

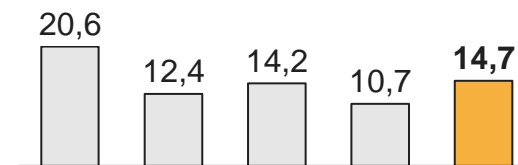
Return on equity grows between periods

Economical key factors (6M 2017/18 – 6M 2021/22)

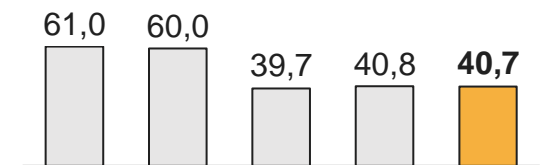
- **Return on equity 14.7%** last 12 months
- **Equity ratio** at end of Q2 was 40.7% compared to 40.8% at end of Q2 last year
- **Net interest-bearing debts** at end of Q2, including leasing debts, were 21.6 b.ISK or 2.1 x EBITDA
- **Net interest-bearing debts** at end of Q2, excluding leasing debts were 1.1 x EBITDA
- **Current ratio** at end of Q2 was 0,84 - the company has access to 6.2 b.ISK credit lines in ISK and USD
- **The cash conversion cycle** was 13.2 days compared to 10.9 days for the previous year
- **The assets turnover ratio** 2.0 at end of Q2 compared to 1.9 at end of Q2 last year

Shareholders return

Return on equity(%)

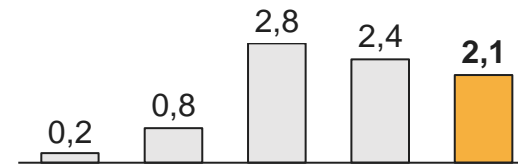


Equity ratio (%)

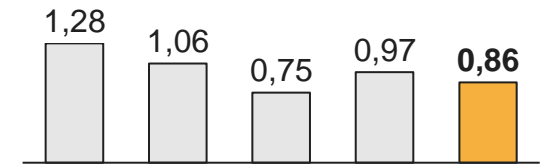


Risk in operations

Net debt/EBITDA¹

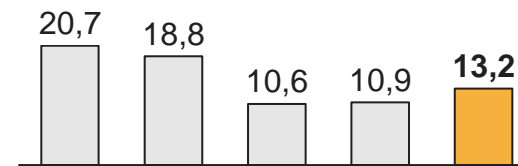


Current ratio²

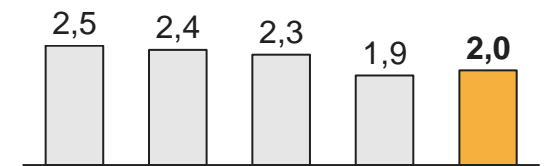


Efficiency of assets

Cash conversion cycle (days)³



Asset turnover ratio⁴



1) Net interest-bearing debt (including leasing debts)/ 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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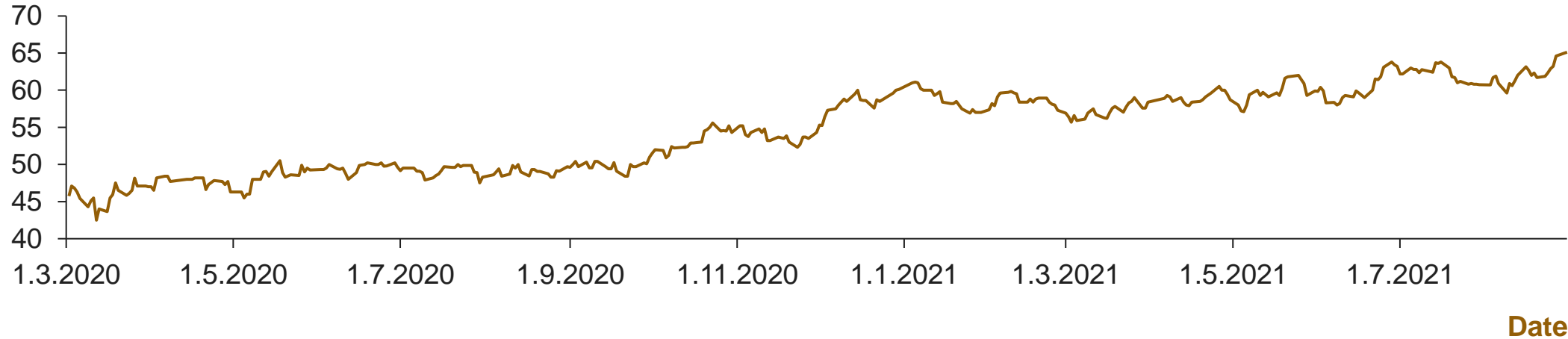
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Market price and largest shareholders

Market Price

Closing price on August 31st, 2021: 65.1 ISK./ share



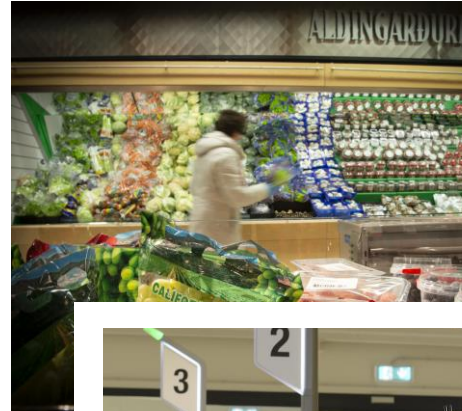
Largest shareholders, ownership at end of 31.8.2021

1. Gildi – Pension Fund	18.7%	6. Brú Pension Fund	5.0%
2. LV – Pension Fund of Commerce	12.0%	7. Samherji Ltd.	4.4%
3. LSR – Pension Fund A for State Employees	8.9%	8. Festa - Pension Fund	4.1%
4. Birta Pension Fund	7.7%	9. SL Pension Fund	2.9%
5. Stapi Pension Fund	5.7%	10. Icelandic Securities - accounts	2.6%

Status and prospects



- **The management's recently updated guidance** for the year assumes that **EBITDA** will be in the range of **9.3 to 9.8 b.ISK**
- The **negative impact of COVID-19** has reduced slightly and **demand in the fuel market** is expected to **continue to increase** with increased activity and growth of the tourist flow
- Most likely that Icelanders will **increasingly go abroad this winter**, which will have some effect on **grocery sales**, but **demand is expected to be fairly stable**
- **Price increases** for global commodities and consumer goods foreseen due to supply chain crises and increased demand in the world economy
- **The company is financially strong** and well-positioned to **follow new strategic emphases** and deal with challenging conditions in the Icelandic economy
- Hagar's Board of Directors has approved a **buy-back program** in the amount of **ISK 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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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 line is grey and the bottom line is orange, with a small gap between them at the ends. A solid orange horizontal line runs across the bottom of the page, partially overlapping the bottom of the logo's orange line.