

HAGAR: HAGAR 'S ANNUAL STATEMENTS 2023/24 AND STATEMENTS FOR Q4

Strong operating year with increased revenue and improved profit

The consolidated financial statements of Hagar plc. for the operating year 2023/24 was approved by the company's board of directors and CEO at a board meeting on April 23rd 2024. The statements cover the period March 1st 2023 to February 29th 2024. The consolidated financial statements include the consolidated financial statements of the company and its subsidiaries and are prepared according to International Financial Reporting Standards (IFRS). The company's auditors, PricewaterhouseCoopers Ltd., have audited the statements and signed it without notice.

Key figures

- **Sales** in Q4 amounted to 42,788 m.ISK (6.5% growth from Q4 2022/23). Sales 12M amounted to 173,270 m.ISK (7.0% growth from 12M 2022/23). [Q4 2022/23: 40,160 m.ISK, 12M 2022/23: 161,992 m.ISK.]
- **Gross margin** in Q4 amounted to 8,952 m.ISK (20.9%) and 35,989 m.ISK (20.8%) for 12M. [Q4 2022/23: 7,739 m.ISK (19.3%), 12M 2022/23: 30,987 m.ISK (19.1%)]
- **Profit before depreciation, interest, and taxes (EBITDA)** in Q4 amounted to 2,840 m.ISK or 6.6% of sales. EBITDA 12M amounted to 13,063 m.ISK or 7.5% of sales. [Q4 2022/23: 2,406 m.ISK (6.0%), 12M 2022/23: 12,041 m.ISK (7.4%)]
- **Profit** in Q4 amounted to 1,191 m.ISK or 2.8% of sales. Profit 12M amounted to 5,044 m.ISK or 2.9% of sales. [Q4 2022/23: 735 m.ISK (1.8%), 12M 2022/23: 4,949 m.ISK (3.1%)]
- **Basic earnings per share** in Q4 was 1.09 ISK and 4.59 ISK for 12M. [Q4 2022/23: 0.66 ISK, 12M 2022/23: 4.40 ISK]. **Diluted earnings per share** in Q4 was 1.08 ISK and 4.51 ISK for 12M. [Q4 2022/23: 0.65 ISK, 12M 2022/23: 4.32 ISK]
- **Equity** amounted to 28,188 m.ISK at the end of the year and the **equity ratio** was 36.5%. [End of year 2022/23: 27,931 m.ISK and 38.8%]
- **Management's guidance** for the operating year 2023/24 assumed that the EBITDA would be 12.900-13.400 m.ISK.

Operational highlights

- **Operations in Q4 proceeded excellently** with continuing sales growth and increased revenue. Christmas sales exceeded plans.
- **Sales increased by 6.5% in Q4** but **sold units in groceries grew** by 3.3% between the years and **customers visits increased** also, or by 10.1% in the quarter. **Sold fuel litres decreased** by 1.4% in the quarter, primarily due to collapsed capelin catch.
- **Gross margin in ISK increases** by 15.7% year-on-year and the **margin ratio amounts to 20.9%** or a growth by 1.7%-points year-on-year. Margin growth for the previous year is linked to Olís' functions and fluctuations in the world market fuel price, but the margin ratio in groceries remains unchanged year-on-year.
- At the end of last year, changes of **managing directors** in two of Hagar's largest operational sections, Bónus and Olís, took place.
- **The management's guidance** for the operating year 2024/25 assumes the EBITDA will be in the range of 13,800-14,300 m.ISK and the **investment plan** amounts to 4,500-4,800 m.ISK.
- **Benefits from properties development** began returning revenues to Hagar's shareholders through ownership in the property development company Klasi.
- In last April it was announced that Hagar, including with its partners, **had decided to commence preparations to sell** its shares in Olíudreifing, EAK and EBK.

Finnur Oddsson, CEO:

Hagar's operations in the last quarter of the 2023/24 operating year progressed well. The Group's sales amounted to 42,788 m.ISK which is a 7% increase compared to the same period the previous year. Gross margin in ISK increased by 16% and improved also as a percentage of sales. The EBITDA amounted to 2,840 m.ISK and profit to 1,191 m.ISK, both of which are a substantial growth from the previous year, on the one hand due to improved operations and on the other due to the performance of associated companies.

The results for the quarter mark the end of a good year for the Hagar Group, where operations of all major sections were improved. Sales increased by 7% and exceeding 173 b.ISK, the EBITDA for the year was 13,063 m.ISK or 7.5% of sales and profit was 5,044 m.ISK. Taking into account the one-off items observed in the previous year, the results have strengthened considerably. We are therefore satisfied with the operation in this year, especially when one considers that the operating environment has been challenging, i.a. due to constant increases in the price of groceries and fluctuations in the fuel markets.

The revenue of *stores and warehouses* increased by 12% in Q4 and was 32,165 m.ISK. Apart from the consequence of inflation, i.e. price increases from wholesalers and manufacturers, the real growth was considerable, the result of an increase in customer numbers and sold units in daily sections, Stórkaup, Zara and Eldum rétt. This increased demand then returns improved results to *stores and warehouses* compared to previous year

The Bónus activity has increased every quarter for the past few years, with an increase in customer numbers and an increase in sold quantity. It is clear that customers have welcomed new stores that were opened during the year, the extended opening hours, the renovations of older stores and new service systems such as Gripið & Greitt scanning solution. These improvements are aimed at facilitating customers access, save time and boost convenience during shopping visits. Though mainly by taking care of to the utmost effectiveness, as it is clear that the „saga“ of the most economical grocery basket throughout the country, is gaining grounds, especially in times of inflation such as have been. Christmas sales at Hagkaup was higher as in recent years and Eldum rétt has managed to establish itself as a simple and convenient solution for more and more families and individuals. The operations of the Hagar's, Aðföng's and Bananar's warehouses proceeded well during the peak months at the holidays, but the growth of the warehouses and intensified use of technology have simplified procedures and increased efficiency.

Olís' revenue amounted to 11,051 m.ISK during the quarter and decreased by more than 7% year-on-year. This decline is explained on the one hand by a drop in the world market fuel price from the previous year and on the other hand by a slight decrease in the total number of litres sold during the period. The major difference is the decline in sales to bulk users, which may be blamed on the collapse of capelin catching this year compared to the excellent fishing season the year before. Fuel sales on the retail market was similar between the years, but the improved image and service offered by Olís stations has resulted in increased sales of dry goods and new revenue, i.a. due to package deliveries and electricity sales. Profits decreased compared to the same quarter a year ago. However, it does not alter the fact that the recent operating year was, overall, one of the strongest in Olís' history.

Projects organised by the property development company Klasi, in which Hagar has a 1/3 share, proceeded well the last year. The company continued the development of suitable building sites, prepared its own construction projects and worked on the sale of prepared sites to constructors. Today, Klasi's development projects include a building volume of more than 300,000 m², the majority of which can be ready for constructors within a year or are suitable for construction today. As can be seen from Hagar's share in Klasi's profits last year, our objective of accelerating value creation based on the group's development assets have already been achieved. It is though only a small part, as it is likely that there will be considerable demand for prepared building sites from Klasi in the coming months



and quarters. We expect that Klasi will continue to have a positive effect on Hagar's profits in the coming years.

The development and operation of the Hagar Group in the quarter and operating year 2023/24 reflects that the strategic priorities of the past years and measures to strengthen the company have proved successful. In the short term, one of our most important tasks will be to continue to counteract price increases in grocery products, as there is still considerable upward pressure on the supply side. In recent weeks, we have had a good conversation with many of our main partners, wholesalers and manufacturers, who share this project with us and many of whom have put a considerable effort into maintaining moderation and reducing the announced price increases. Consensus on price stability is the basis for achieving the objectives of the newly settled labour agreements, which is in everyone's interest.

The operations of the Hagar Group have been improving and overall successful in recent years, with an emphasis on increasing the operational efficiency and strengthening the main sections. We will not depart from these priorities in the coming quarters, but as an addition, we will increasingly look for opportunities to build new revenue streams, both related to current activities in the food and fuel trade and new pillars in addition to our core activities today.

Hagar's financial standing is good, the main business sections are doing well, and the company has a sturdy group of workforces who have the ambition to serve customers by making shopping affordable, convenient and fun. Overall, the company's position is therefore strong and the outlook is excellent.

The management's guidance for the operating year 2024/25 assumes that the group's EBITDA will be between 13,800-14,300 m.ISK.

The Group's Consolidated Income Statement

in ISK million	Q4 2023/24		Q4 2022/23		12M 2023/24 12M 2022/23			
	01.12-29.02	01.12-28.02	Change	%	01.03-29.02	01.03-28.02	Change	%
Sales	42.788	40.160	2.628	6,5%	173.270	161.992	11.278	7,0%
Cost of goods sold	(33.836)	(32.421)	(1.415)	4,4%	(137.281)	(131.005)	(6.276)	4,8%
Gross profit	8.952	7.739	1.213	15,7%	35.989	30.987	5.002	16,1%
Gross profit %	20,9%	19,3%	-	1,7%	20,8%	19,1%	-	1,6%
Other operating income	139	179	(40)	-22,3%	682	1.031	(349)	-33,9%
Profit from sale of assets	--	--	--	-	--	966	(966)	-
Salaries and related expenses	(4.322)	(3.886)	(436)	11,2%	(16.229)	(14.345)	(1.884)	13,1%
Other operating expenses	(1.929)	(1.626)	(303)	18,6%	(7.379)	(6.598)	(781)	11,8%
Profit from operating activities before depreciation and amortisation (EBITDA)	2.840	2.406	434	18,0%	13.063	12.041	1.022	8,5%
EBITDA %	6,6%	6,0%	-	0,6%	7,5%	7,4%	-	0,1%
Depreciation and amortisation	(1.261)	(1.248)	(13)	1,0%	(5.028)	(4.453)	(575)	12,9%
Profit from operating activities (EBIT)	1.579	1.158	421	36,4%	8.035	7.588	447	5,9%
Net finance expense	(731)	(503)	(228)	45,3%	(2.621)	(1.887)	(734)	38,9%
Effect of results of associates	488	220	268	121,8%	697	392	305	77,8%
Profit before income tax	1.336	875	461	52,7%	6.111	6.093	18	0,3%
Income tax	(145)	(140)	(5)	3,6%	(1.067)	(1.144)	77	-6,7%
Comprehensive income for the period	1.191	735	456	62,0%	5.044	4.949	95	1,9%

Key figures in Q4 2023/24

Sales in Q4 amounted to 42,788 m.ISK and grew by 6.5% year-on-year. Increase in store and warehouse sales amounted to 12.3% but Olís' sales decreased by 7,5% year-on-year.

Sold units in groceries grew by 3.3% year-on-year and customers visits grew by 10.1% in Q4. Sold fuel litres decreased by 1.4% in the quarter, mainly due to collapsed capelin catching.

Gross margin in Q4 amounted to 8,952 m.ISK and grew by 15.7% year-on-year. The margin ratio was 20.9% and grew by 1.7%-points from the previous year. The increase in the margin ratio can be attributed to Olís' functions and fluctuations in the world fuel market prices, but the margin ratio in groceries remains the same year-on year, and is low considering the past history.

Salaries in Q4 grew by 11.2% and the salaries cost ratio grew from 9.7% to 10.1% year-on-year. Effects of new labour agreements impact the quarter, but due to retroactivity from February 1, expenses were booked during the period. Other operational expenses grew by 18.6% but the cost ratio increases between years from 4.0% to 4.5%.

EBITDA in Q4 amounted to 2,840 m.ISK and increased by 18.0% year-on year. The EBITDA ratio was 6.6% compared to 6.0% for the previous year.

Influence of associated companies in Q4 amounted to 488 m.ISK, thereof 418 m.ISK because of Klasi.

Profit in Q4 amounted to 1.191 m.ISK and increases by 62.0% between the years. The profit ratio was 2.8% compared to 1.8% for the previous year.

Operations for the year 2023/24

The annual sales amounted to 173,270 m.ISK, compared to 161,992 m.ISK the year before or 7.0% increase between the years. Increase in stores and warehouses sales was 15.1% but 8.7% reduction was observed at Olís. Sold units in groceries grew in the year and customers visited stores more often. Sold fuel litres remained similar between the years.

The years gross margin was 35,989 m.ISK, compared to 30,987 m.ISK the year before, or an increase amounting to 16.1%. The margin ratio was 20.8% and grew by 1.6%-points from the previous year. The margin increase is attributed primarily due to the fuel section of the Group, mainly in the field of bulk users, but in groceries the margin ratio grew slightly.

In the comparison year 2022/23, the effects of the Klasi transactions, and more one-off transactions, amounting to 1,417 m.ISK were booked with other operating income.

Salaries increased by 13.1% between the years and the salaries cost ratio grew from 8.9% to 9.4%. Other operating expenses grew by 11.8% and the cost ratio grew from 4.1% to 4.3%.

EBITDA amounted to 13,063 m.ISK, compared to 12,041 m.ISK the year before or an 8.5% increase. EBITDA-ratio was 7.5%, compared to 7.4% the previous year. EBITDA, without one-off items from previous year, grew by 23.0% between the years.

Total profit for the year amounted to 5,044 m.ISK, equalising 2.9% of sales but the total profit for the year before was 4,949 m.ISK or 3.1% of sales (3,815 m.ISK and 2.4% without one-off items).

The Group's Consolidated Balance Sheet

in ISK million	29.02.2024	28.02.2023	Change	%
Assets				
Non-current assets	56.085	50.502	5.583	11,1%
Current assets	21.129	21.505	(376)	-1,7%
Total assets	77.214	72.007	5.207	7,2%
Equity and liabilities				
Share capital	1.084	1.119	(35)	-3,1%
Other equity	27.104	26.812	292	1,1%
Equity total	28.188	27.931	257	0,9%
Non-current liabilities	23.139	21.101	2.038	9,7%
Current borrowings	5.818	3.325	2.493	75,0%
Other payables	20.069	19.650	419	2,1%
Total liabilities	49.026	44.076	4.950	11,2%
Total equity and liabilities	77.214	72.007	5.207	7,2%

Financial key figures 29.02.2024

- The Group's total assets at the end of the operating year amounted to 77,214 m.ISK and grew by 5,207 m.ISK from the previous year.
- Non-current assets were 56,085 m.ISK and increased by 5,583 m.ISK through the year. The increase can primarily be attributed to higher operating assets and an increase in leasing properties due to new and revised leasing agreements.
- Current assets were 21,129 m.ISK and decreased by 376 m.ISK from the end of the year 2022/23.
- Inventories are the largest part of current assets and amounted to 13,068 m.ISK at end of the year in comparison to 12,717 m.ISK in the previous year. Grocery inventories and specialty products have risen between the years, mainly due to effects of inflation and growing number of Bónus stores. Then fuel inventories have decreased by 960 m.ISK between the years, both due to lower unit prices and inventory decrease measured in litres. Inventory turnover is now 10.6 compared to 11.2 for the last year.
- Accounts receivable and other short-term receivables amounted to 6,234 m.ISK and grew by 315 m.ISK in the year. The credit period for trade receivables is now 10.2 days compared to 11.1 days in the last year.
- The current ratio was 0,82 and the liquidity ratio 0,31 at the end of the year. Access to short-term financing in the form of credit lines in the amount of 6,2 b.ISK from commercial bank is secured but in addition the company uses short term financing by issuing promissory notes
- Equity at the end of the operating year amounted to 28,188 m.ISK and equity ratio of 36.5%. Return on equity was 18.1%. The equity ratio at the end of the last operating year was 38.8% and return on equity was 18.5%. The company held own shares of nominal value of 22.1 m.ISK at the end of the operating year.
- The Group's total liabilities at the end of the operating year amounted to 49,026 m.ISK but of which interest-bearing debts were amounted to 17,104 m.ISK and leasing liabilities to 12,239 m.ISK. Net interest-bearing debts, including leasing liabilities, at the end of the operating year were, 27,517 m.ISK or 2,1 x 12 months EBITDA.
- Interest-bearing short-term liabilities amounted to 5,818 m.ISK but there off promissory notes amounted to 2,880 m.ISK. Credit lines were unused at the end of the year.

The Group's Consolidated Cash Flow Statement

in ISK million	Q4 2023/24		Q4 2022/23		12M 2023/24		12M 2022/23	
	01.12-29.02	01.12-28.02	Change	%	01.03-29.02	01.03-28.02	Change	%
Net cash provided by operating activities	1.660	2.575	(915)	-35,5%	8.690	9.138	(448)	-4,9%
Net cash used in investing activities	(818)	(1.210)	392	-32,4%	(4.825)	(3.962)	(863)	21,8%
Net cash used in financing activities	(898)	186	(1.084)	-582,8%	(4.907)	(3.090)	(1.817)	58,8%
Net increase in cash and cash equivalents	(56)	1.551	(1.607)	-103,6%	(1.042)	2.086	(3.128)	-150,0%
Cash and cash equivalents at beginning of the period	1.883	1.318	565	42,9%	2.869	783	2.086	266,4%
Cash and cash equivalents at the end of the period	1.827	2.869	(1.042)	-36,3%	1.827	2.869	(1.042)	-36,3%

Cash Flows for the operating year 2023/24

- Cash from operating activities amounted to 8,690 m.ISK, compared to 9,138 m.ISK in the previous year.
- Investing activities for the year amounted to 4,825 m.ISK, compared to 3,962 m.ISK in the previous year. Investment in properties amounted to 1,549 m.ISK mainly due to the property at Norðlingabraut in Reykjavík. In addition, investment in three new Bónus store was made, i.e. at Norðlingabraut, in Holtagarðar and at Miðhraun in Garðabær. Then a new Olís service station at Fitjar in Reykjanesbær, additionally investing in digital development, information technology and important sustainable related projects such as carbonation of cooling systems.
- Financing activities for the year amounted to 4.907 m.ISK, compared to 3,090 m.ISK the year before. Buy back of own shares amounted to 2,333 m.ISK and dividends payment in June 2023 amounted to 2.475 m.ISK. New bond series were issued in September in the amount of 2,000 m.ISK.
- Cash at the end of the operating year amounted to 1,827 m.ISK, compared to 2.869 m.ISK at the end of previous year.

Status and future prospects

The management's guidance for the now passed operating year assumed that the operating profit before depreciation (EBITDA) would be in the range of 12,900-13,400 m.ISK and the operating profit before depreciation is therefore within the published guidance. The guidance was elevated in December 2023, and it was the second time since the original management's guidance was issued together with the publication of the 2022/23 annual results. The year's operations proceeded well overall, and the profits exceeding initial forecast can be attributed to increased activity at all of Hagar's operational sections, as well as stronger profits at Olís than originally expected. There was good attendance to all the Group's stores during the year, and especially in the grocery section of the Group, where both the number of items sold and the number of customer visits increased significantly. There was also strong demand in the Group's fuel section.

In September and October 2023, changes to the Group's management were announced, effective from January 1st, 2024. Then Björgvin Víkingsson took over the position of manager of Bónus from Guðmundur Marteinnsson and Ingunn Svala Leifsdóttir took over the position of manager of Olís from Frosti Ólafsson. In March 2024, Magnús Magnússon took over the position of deputy CEO of Hagar, but this is a new role within the Group. Magnús has held the position of Director of Strategy and Operations since early 2021 and will continue to carry out that role, along with the role of Deputy CEO.

On December 1st, 2023, it was announced that Olís, a subsidiary of Hagar, and Festi had jointly hired Íslandsbanki Corporate Management Service to advise on strategy and future possibilities regarding the companies' holdings in Olíudreifing Ltd., the fuel handling facility at Eldsneytisafgreiðsla in Keflavíkurlflugvöllur Ltd. (EAK) and EBK Ltd. As a continuation of this work, Olís and Festi have reached an agreement to commence preparing for the sale of the holdings. Olís owns a 40% share in Olíudreifing, a 33.33% share in EAK and a 25% share in EBK, and the book value is 1,295 m.ISK at the end of the year.

The management's guidance for the operating year 2024/25, which has now just begun, assumes that the operating profit before depreciation (EBITDA) will be in the range of 13,800-14,300 m.ISK. The criteria of the guidance assumed a 6.7% increase in prices and that the effect of labour agreements would be a 5% wage increase between years. The major trading currencies were expected to strengthen as the year progresses. The investment plan for the year 2024/25 amounts to 4,500-4,800 m.ISK.

The financial position of the Hagar Group is strong and the company is well equipped to deal with the situations that may arise in the Icelandic economy. The group's financing is secured for the long term and there is access to short-term financing in the form of credit line amounting to 4.5 b.ISK and a USD 12.5 million is further secured. Also, the company has recently 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 issuing framework approved by the company's board of directors. It can be assumed that the company will increasingly look to market financing in the coming seasons.

Share capital and shareholders

- Hagar's market value at the end of the operating year amounted to 84.1 b.ISK and the closing price on February 29th 2024 was 76,0 ISK/share.
- Hagar's registered capital at the end of the operating year amounted to 1.106 m.ISK and the company held own shares of nominal value 22,1 m.ISK. Outstanding shares were therefore 1,084 m.ISK.
- On June 1st, 2023, the General Meeting agreed to reduce the company's share capital to the cancellation of its own shares in the nominal value of 26.2 m.ISK. The cancellation was implemented on June 28th, 2023, and thus reduced Hagar's share capital from 1,133 m.ISK at a nominal value to 1,106 m.ISK at nominal value, which is the registered share capital at the end of the operating year.
- The General Meeting also decided 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.
- The total buy back of own shares during the operating year amounted to 35.3 million shares for a total of 2,333 m.ISK. The buy back was carried out through a reverse tender arrangement in three parts. A part of own shares purchased at the beginning of the operating year was cancelled for the reduction of own shares after the 2023 Annual General Meeting, cf. discussion above.
- Hagar's board will propose at the company's General Meeting on May 30th that a dividend will be paid to shareholders amounting to 50.0% of the year's total profit, a total of 2,522 m.ISK or about 2.3 ISK dividend per share of outstanding capital.
- There were 1,055 shareholders at the beginning of the operating year and 968 at the end. The company's 10 largest shareholders held 78.8% in the company at the end of the operating year.

Presentation meeting Wednesday, April 24th 2024

Presentation meeting for market participants and shareholders will be held at Nauthóll, Nauthólsvegi 106 in Reykjavík, Wednesday April 24th at 08:30. There Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and results, as well as answer questions.

The meeting will as well be cast over the internet and registration for the online streaming is: <https://www.hagar.is/skraning>

Presentation papers will be available at Hagar's webpage, www.hagar.is, at the commencement of the meeting.

Financial calendar 2024/25

Financial information will be published after the market.

Accounting period	Weekday	Publication day
Q1 - March 1 st - May 31 st	Friday	July 28 th 2024
Q2 - March 1 st - August 31 st	Thursday	October 17 th 2024
Q3 - March 1 st - November 30 th	Thursday	January 9 th 2025
Q4 - March 1 st to February 28 th	Tuesday	April 15 th 2025
Annual Meeting 2025	Wednesday	May 21 st 2025

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

This press release is translated from the Icelandic version which was published on April 24th, 2024. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
