

HAGAR: HAGAR'S RESULTS IN THE 1ST QUARTER 2024/25

Operations proceeded well in the quarter and profits stronger between the years

The Hagar's consolidated interim financial statements for the first quarter 2024/25 was approved by the company's board of directors and CEO at a board meeting on June 28th, 2024. The statements cover the period from March 1st 2024 to May 31st 2024. The consolidated interim financial statements include the consolidated financial statements of the company and its subsidiaries and are prepared according to International Financial Reporting Standards (IFRS). The statements have neither been reviewed nor audited by the company's auditors, PricewaterhouseCoopers Ltd.

Key figures

- **Sales** in Q1 amounted to 44,067 m.ISK (6.2% growth from Q1 2023/24). [Q1 2023/24: 41,490 m.ISK]
- **Gross margin** in Q1 amounted to 9,537 m.ISK (21.6%). [Q1 2023/24: 8,072 m.ISK (19.5%)]
- **Earnings before depreciation, interest, and taxes (EBITDA)** in Q1 amounted 3,214 m.ISK or 7.3% of sales. [Q1 2023/24: 2,521 m.ISK (6.1%)]
- **Profit** in Q1 amounted 850 m.ISK or 1.9% of sales. [Q1 2023/24: 653 m.ISK (1.6%)]
- **Basic earnings per share** in Q1 was 0.78 ISK [Q1 2023/24: 0.59 ISK]. **Diluted earnings per share** in Q1 was 0.77 ISK [Q1 2023/24: 0.58 ISK]
- **Equity** amounted to 29,038 m.ISK at the end of the period and **equity ratio** is 35.6%. [End of year 2023/24: 28,188 m.ISK and 36.5%]
- **Management's guidance** for the operating year 2024/25 assumes EBITDA to be 13,800-14,300 m.ISK.

Operational highlights

- **Operation in the first quarter was successful** and was in line with plans. **Good sales growth** in the period but **sales increased by 6.2%** year on year.
- **Sold units in groceries grew** between the years by 1.1% and **customers visits grew** as well by 5.3%. **Increase in sold fuel litres** year on year amounted to 0.7%.
- **Margin in ISK increased** by 18.1% year on year and **the margin ratio increases** by 2.2%-points. **The margin ratio increases both in grocery and the fuel sections** of the Group but the margin ratio reached a historical low point in the comparison period.
- Work in progress with the company's suppliers to **minimise and/or to reduce the product prices increase**. Inflation in food and beverage has decreased considerably in the year.
- The **Bónus store at Ísafjörður** was **enlarged and improved** in the period - Gripið & Greitt implemented in more stores.

Finnur Oddsson, CEO:

The operating year 2024/25 at Hagar took off in a good start. In the first quarter, product sales increased by more than 6% and amounted to 44.1 b.ISK, the margin strengthened, and profits improved considerably compared to the same quarter last year. EBITDA amounted to 3,214 m.ISK and profit to 850 m.ISK.

Operations proceeded well in all sections, but the major reason for improved performance is attributed to Olís' stronger operations during the quarter. Income from fuel sales was more than 13 b.ISK and the revenue exceeded expectations. Sold litres exceeded the last year, i.a. due to strong retail demand and occasional transactions to foreign parties. Sales of dry goods and refreshments at service stations increased year on year, but increased and improved products offered at service stations, a new partnership with Wolt and package delivery services have generally contributed to increased activity. The preparation of sale proceedings of ODR has been started.

As before, the operation of stores and warehouses is proceeding well, as income increased by more than 7% during the quarter and the profits improved, compared to the same quarter last year. Overall, the number of sold units in grocery and the number of customer visits has increased. As before, Bónus pulls the wagon, but cheap grocery baskets and innovations such as Gripið & Greitt and affordable prepared-dinner offers have proved successful and made customers' life easier. Income increased slightly at Hagkaup and operations strengthened between the years. Customers have received the operational innovations very well, from Skálinn, a new self-service Skyr-bar, to banquet services that did not meet the demand during the peak load, at confirmations and graduation, in the spring months. Eldum rétt celebrated the company's 10th anniversary in April and thanked customers for their confidence with an amusing travel game. Sales continue to increase and with new production spaces and equipment it has been possible to simplify processes and increase efficiency in production. The operations of other sections, warehouses, Stórkaup and Zara proceeded in line with plans.

We are happy with Hagar's operation in the first months of the operating year, but the results affirm that the strategic planning and measures to strengthen our subsidiary companies have absolutely succeeded. After several challenging years, the operating environment in our sector has developed for the better, i.a. with unusually moderate labour agreements and increased predictability of wage trends, falling inflation, both the consumer price index and particularly with regard to food prices. In the short term, we are still concerned about the development of food prices, but rely on continued good cooperation and responsible approach of wholesalers and manufacturers to exercise moderation in price escalations, show solidarity and thus ensure price stability. Therein lie the common interests of all citizens.

Hagar's position and operational prospects are positive as before. The finances are sound, the operation of main sections is proceeding well and the company is well positioned to follow up on exciting opportunities and develop new revenue streams. One of the most important operating quarters of the year is ahead, the summer, with increased travel by natives and foreign tourists. Last but not least, it is worth mentioning that Hagar has an excellent workforce who strive to make grocery and fuel shopping affordable, convenient and enjoyable.

The Group's Consolidated Income Statement

in ISK million	Q1 2024/25	Q1 2023/24	Change	%
	01.03-31.05	01.03-31.05		
Sales	44.067	41.490	2.577	6,2%
Cost of goods sold	(34.530)	(33.418)	(1.112)	3,3%
Gross profit	9.537	8.072	1.465	18,1%
Gross profit %	21,6%	19,5%	-	2,2%
Other operating income	142	194	(52)	-26,8%
Salaries and related expenses	(4.377)	(3.932)	(445)	11,3%
Other operating expenses	(2.088)	(1.813)	(275)	15,2%
Profit from operating activities before depreciation and amortisation (EBITDA)	3.214	2.521	693	27,5%
EBITDA %	7,3%	6,1%	-	1,2%
Depreciation and amortisation	(1.381)	(1.129)	(252)	22,3%
Profit from operating activities (EBIT)	1.833	1.392	441	31,7%
Net finance expense	(789)	(626)	(163)	26,0%
Effect of results of associates	25	40	(15)	-37,5%
Profit before income tax	1.069	806	263	32,6%
Income tax	(219)	(153)	(66)	43,1%
Comprehensive income for the period	850	653	197	30,2%

Operation in the first quarter 2024/25

Sales in Q1 amounted to 44,067 m.ISK, compared to 41,490 m.ISK in the previous year. Year on year sales increase amounted to 6.2%. The sales increase of stores and warehouses amounted to 7.6%, while the sales increase at Olís amounted to 2.8% between the years.

The number of sold units in grocery stores increased by 1.1% during the quarter. The number of customer visits also increased, or by 5.3%. Fuel litres sold at Olís increased by 0.7% during the quarter.

The Group's gross margin in Q1 was 9,537 m.ISK, compared to 8,072 m.ISK the previous year, or an increase of 18.1%. The gross margin ratio increased and was 21.6% compared to 19.5% in the previous year. The margin ratio has increased in both the grocery and fuel sections of the Group, but in the comparison period the margin ratio of the Group reached a historical low.

Salaries amounted to 4,377 m.ISK and grew by 11.3% year on year, mainly due to the impact of labour agreements and the increase in the number of Bónus stores. The salaries cost ratio increases from 9.5% to 9.9% during the quarter.

Other operating expenses increased by 15.2% between the years and the cost ratio is now 4.7% compared to 4.4% the previous year.

Earnings before depreciation, interest, amortisation, and taxes (EBITDA) amounted to 3,214 m.ISK, compared to 2,521 m.ISK the previous year. The EBITDA ratio was 7.3%, compared to 6.1% in the previous year. The EBITDA of stores and warehouses increased by 10.1% year-on-year, and Olís' EBITDA increased from 299 m.ISK to 767 m.ISK or about 156.5%.

The total profit for the period amounted to 850 m.ISK, which is equivalent to 1.9% of sales, while the total profit in the previous year was 653 m.ISK or 1.6% of sales.

The Group's Consolidated Balance Sheet

in ISK million	31.05.2024	29.02.2024	Change	%
Assets				
Non-current assets	56.837	56.085	752	1,3%
Current assets	24.704	21.129	3.575	16,9%
Total assets	81.541	77.214	4.327	5,6%
Equity and liabilities				
Share capital	1.084	1.084	--	0,0%
Other equity	27.954	27.104	850	3,1%
Equity total	29.038	28.188	850	3,0%
Non-current liabilities	24.412	23.139	1.273	5,5%
Current borrowings	5.825	5.818	7	0,1%
Other payables	22.266	20.069	2.197	10,9%
Total liabilities	52.503	49.026	3.477	7,1%
Total equity and liabilities	81.541	77.214	4.327	5,6%

Financial key figures 31.05.2024

- The Group's total assets at the end of the period amounted to 81,541 m.ISK and grew by 4.327 m.ISK from the end of the year 2023/24.
- Non-current assets were 56,837 m.ISK and increased by 752 m.ISK from the end of the year 2023/24. The increase can mostly be attributed to leasing properties.
- Current assets amounted to 24,704 m.ISK and grew by 3,575 m.ISK from the end of the year 2023/24.
- Inventories at the end of the quarter were 12,798 m.ISK and inventory turnover rate 11.4. Inventories have increased by 1,257 m.ISK from the end of Q1 2023/24 and decreased by about 270 m.ISK from the end of the year 2023/24. The inventory turnover rate last year was 10.6.
- Accounts receivable and other short-term receivables increase by 1,098 m.ISK during the period and the credit period for trade receivables is now 11.4 days compared to 11.3 days last year.
- The current ratio is 0,88 and the liquidity ratio 0,42 at the end of the quarter. Access to short-term financing in the form of credit lines in the amount of 6.2 b.ISK at a commercial bank is secured but in addition, the company is utilising short term financing by issuing promissory notes.
- Equity at the end of the period was 29,038 m.ISK and equity ratio 35.6%. Return on equity was 18.9%. The equity ratio at the end of the last operating year was 36.5% and the return on equity was 18.1%. The company held 22,1 million own shares at the end of the period.
- The Group's total liabilities at the end of the first quarter were 52,503 m.ISK of which interest-bearing debts were 17,155 m.ISK and leasing liabilities 13,278 m.ISK. Net interest-bearing debt, including leasing liabilities, at the end of the period were 25,859 m.ISK or 1.9 x 12 months EBITDA.
- Interest bearing short term liabilities amounted to 5,825 m.ISK whereof promissory notes amounted 2,880 m.ISK. Then the bond series HAGA181024 amounting to 2.500 m.ISK is due in the coming October. Credit line was not utilised at the end of the period.

The Group's Consolidated Cash Flow Statement

in ISK million	Q1 2024/25	Q1 2023/24	Change	%
	01.03-31.05	01.03-31.05		
Net cash provided by operating activities	3.890	3.335	555	16,6%
Net cash used in investing activities	(684)	(2.350)	1.666	-70,9%
Net cash used in financing activities	(459)	(898)	439	-48,9%
Net increase in cash and cash equivalents	2.747	87	2.660	3057,5%
Cash and cash equivalents at beginning of the period	1.827	2.869	(1.042)	-36,3%
Cash and cash equivalents at the end of the period	4.574	2.956	1.618	54,7%

Cash flow the first three months of the operating year 2024/25

- Cash from operating activities in the first quarter amounted to 3,890 m.ISK, compared to 3,335 m.ISK in the previous year.
- Investing activities for the period were 684 m.ISK, compared to 2,350 m.ISK in the previous year. In particular, investments were made in equipment and furnishings during the period, i.a. expansion and renovation of the Bónus store at Ísafjörður. The previous year, an investment was made in property at Norðlingabraut in Reykjavík, along with the opening of a new Bónus store in the building.
- Financing activities for the period were 459 m.ISK, compared to 898 m.ISK in the previous year.
- Cash increased by 2,747 m.ISK during the period and at the end of the quarter amounted to 4,574 m.ISK, compared to 2,956 m.ISK at the end of the first quarter last year.

Status and future prospects

Operations in the first quarter of 2024/25 proceeded well and were in line with plans. Sales increased by 6.2% from the previous year and the gross margin increased in ISK by 18.1%. Operating costs rose by 12.5% between the years and the EBITDA for the period strengthened by 27.5% from the previous year. The adequate result of the quarter can largely be attributed to the better operating results of the Olís section, while the stores and warehouses sections also strengthened between the years. The group's finance expense grew by 26% between years. Interest rates and inflation are still historically high, and interest expense due to leasing liabilities have risen somewhat between periods.

The management's guidance for the operating year 2024/25 assumes that the operating profit before depreciation (EBITDA) will be between 13,800-14,300 m.ISK. The Group's financial position is strong and financing is guaranteed for the medium term. Access to short-term financing in the form of credit lines, in the amount of 4.5 b.ISK and USD 12.5 million is secured, but the company has also recently used short-term financing in the form of promissory notes. The issue of the promissory notes is in accordance with the basic description of the 10 b.ISK issuing framework approved by the company's board of directors. It can be assumed that the company will continue to use market financing in the coming quarters.

Share capital and shareholders

- Hagar's market value at the end of the period amounted to 85.7 b.ISK. and closing price on May 31st 2024 was 77.5 ISK/share.
- Hagar's registered share capital at the end of the period amounted to 1,106 m.ISK. The company held 22.1 million own shares at the end of the period, and the outstanding share capital is therefore ISK 1,084 m.



- On May 30th 2024 the Annual General Meeting decided to pay dividends to shareholders amounting to 50% of last year's profit or the total of 2,522 m.ISK. The total dividend therefore amounted to 2.33. ISK per share of the outstanding share capital. The dividend was paid on June 7th, 2024.
- There were 968 shareholders at the beginning of the period and 956 at the end. The company's 10 largest shareholders had a 77.55% stake in the company at the end of the first quarter.

Online presentation Friday June 28th, 2024

An online presentation for market participants and shareholders will be held on Friday, June 28th 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 through the webcast by 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 commencement of the meeting.

Financial calendar 2024/25

Financial information will be published after the market closing. Please note that the publication day for the Q3 quarter has changed from previous announcement, i.e. publication is now January 16th instead of January 9th.

Accounting period	Weekday	Publication day
Q2 - March 1 st to August 31 st	Thursday	October 17 th 2024
Q3 - March 1 st to November 30 th	Thursday	January 16 th 2025
Q4 - March 1 st to February 28 th	Tuesday	April 15 th 2025
Annual General 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), by phone 530-5500 or by eMail.

This press release is translated from the Icelandic version which was published on June 28th, 2024. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
