



Presentation of Q3 2020/21 results

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Quarter in a nutshell: Key figures

Q3 2020/21 (changes from Q3 2019/20)

29.8_{b.ISK.}

sales

▲ 5,5%

1.9_{b.ISK.}

EBITDA

▼ 12%

448_{m.ISK.}

profit

▼ 29%

21.5%

gross margin

▼ 0,7%pt.

15.3%

salaries- and cost ratio

▲ 0,5%pt.

39.8%

equity ratio

▲ 0,3%pt.



Stable operations under pandemic's shadow

- **Stable operations** of Hagar Group and **acceptable revenues** in view of circumstances.
- **Period of increased infection control** in all operational fields. Constant adaptation of operations to changing circumstances/rules has been successful.
- **COVID-19 has substantial impact on the Group's operations**, but differently on revenues by fields. In general a significant increase in the cost of infection control.
- **Effect of weaker ISK exchange rate is perceived in operations**, margins below expectations.
- **Christmas shopping** started early, a significant increase in revenues in December and good results.
- New **strategic emphases and objectives ready** and execution is proceeding according to plan. Sales process of specialty products, recruitment to the team, internal processes, etc.



Stores and warehouses

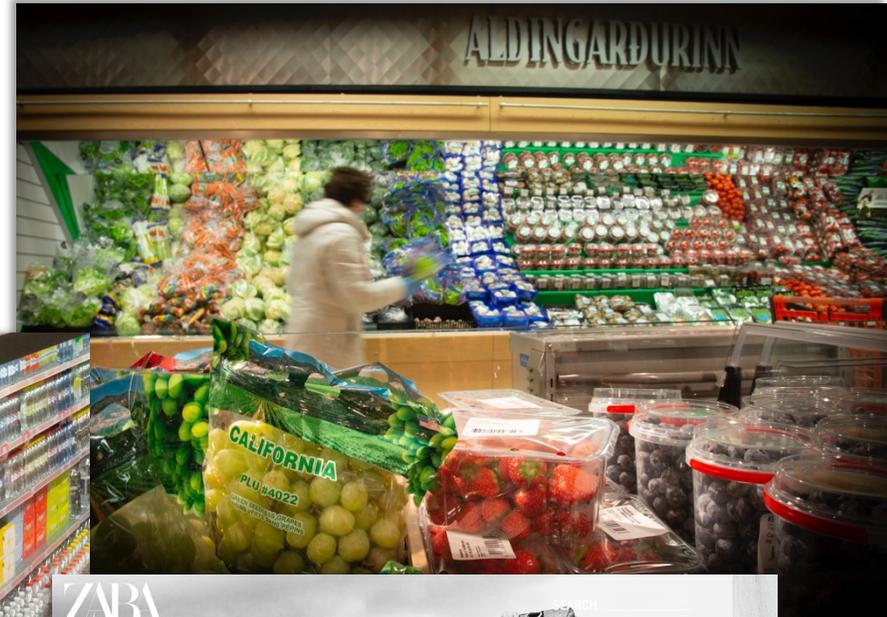
- **Revenue growth in the quarter was over 15%**, both in grocery stores and specialty products.
- Similar **increase at Aðföng** and to Hagar stores from Bananar. Bananar's revenues from sales to 3rd parties decrease slightly.
- Increased **efficiency in operation of both Aðföng and Bananar**, operating costs increase proportionally less than quantity.
- **Aðföng's new cold storage** at Korngarðar was taken into use in November. Facilitation of Aðföng's warehouse operations and distribution with Bananar.
- The largest agreement in Icelandic history for sale of lamb meat **reflects excellent cooperation with farmers and Icelandic producers**.
- **Online sales were successful**, especially with outdoor clothing at Útilíf and fashion clothing from Zara.

AÐFÖNG

Bananar

ÚTILÍF

ZARA



As before, the most cost-effective option on the grocery market

- **Sales in Q3 amounted to over 15 b.ISK.** and was considerably higher than planned and in last year.
- **Margins at pain levels.** Weak exchange rates, higher production costs, international competition for products raises prices from suppliers. Excessive competition in the market.
- Bónus **usually with the lowest price** according to ASÍ price surveys.
- Restrictions on gatherings inside stores and considerable **costs for access and infection control.**
- **Store renovations:** Nýbýlavegur, Ögurharf, Egilsstaðir, Hólagarður and Stykkishólmur.
- Leader in **new self-service solutions: camera analysis** speeds up service, reduces contact and reduces infection risks.
- **Reduced environmental footprint** with eco friendly refrigerants and minimizing shrinkage / food waste.



Operating criteria changed extensively with COVID-19

- **Sales in Q3 amounted to well over 7.6 b.ISK.** and decreases by 16% between years.
- **EBITDA outcome in Q3 positive** but decreases by half between years.
- **Radically changed operating criteria**, in short term due to COVID-19 and lower oil prices and in long term with changed consumption patterns, more fuel-efficient vehicles and new energy sources.
- **Measures have been taken to permanently streamline Olís' operations**, by simplifying service range and reducing the number of employees.
- **Integration with Hagar's infrastructure about completed** with the relocation of central warehouse to Skútuvogur 5.
- **Carbon offsets for customers** in collaboration with Landgræðslan.



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Sales growth between years and operating cost increases

Consolidated financial statement Q3 2020/21 (b. ISK.)

- **Sales increase** by 5% between years or by 1.5 b.ISK.
- **Gross profit** increases by 2% but the **margin ratio decreases** from 22.2% to 21.5%.
- **Bónus's and Hagkaup's margin ratio** below expectations, but Olís increases between years.
- **Operating expenses** increase somewhat between periods, mostly due to COVID.
- **EBITDA** decrease by 12% from the previous year. **EBITDA-ratio** now 6.5% but was 7.8% last year.
- **Total profit** decreases by 29% between years.

	Q3 '20/21	Q3 '19/20	Δ	%Δ
Sales	29,8	28,2	1,5	+5%
Gross profit	6,4	6,3	+0,1	+2%
Other operating income	0,1	0,1	0,0	-21%
Salaries	-3,2	-3,0	-0,2	+7%
Other operating expenses	-1,3	-1,2	-0,2	+13%
EBITDA	1,9	2,2	-0,3	-12%
Depreciation	-1,0	-1,0	0,0	+2%
Net finance expense	-0,4	-0,4	0,1	-13%
Profit for the period	0,4	0,6	-0,2	-29%

Margin increases but profits decrease somewhat between years

Consolidated financial statement 9M 2020/21 (b. ISK.)

- **Sales and margins increase by 1%** between years in the first nine months of the operating year.
- **The margin ratio** is 21.9%, decreases by 0.2%-pt. from the last year.
- **Salaries cost** increase by 5.8%, which can be partly attributed to severance payments and arrangement of contractual severance payments, in addition to COVID-related salaries costs.
- **Other operating expenses remain virtually unchanged** between periods, despite increased costs due to COVID.
- **EBITDA** is 7% lower than last year and **profit** decreases by 29%.

	9M '20/21	9M '19/20	Δ	%Δ
Sales	89,0	87,7	1,2	+1%
Gross profit	19,5	19,4	+0,1	+1%
Other operating income	0,3	0,4	-0,1	-28%
Salaries	-9,5	-9,0	-0,5	+6%
Other operating expenses	-4,0	-4,0	0,0	-1%
EBITDA	6,3	6,7	-0,5	-7%
Depreciation	-3,1	-2,9	-0,2	+9%
Net finance expense	-1,2	-1,1	-0,2	+17%
Profit for the period	1,7	2,3	-0,7	-29%

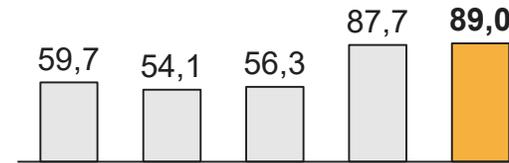
Sales increased in recent years but margin has decreased

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

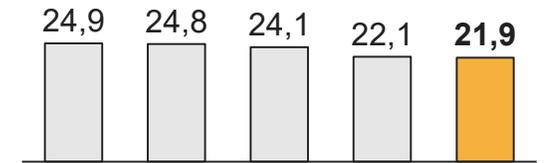
- **The margin ratio** has been declining in recent years, partly due to the company's changed structure.
- **Cost ratios** are historically satisfactory despite major challenges associated with COVID-19.
- **EBITDA ratio** was 7.0% compared to 7.7% in the previous year.
- **The effect of leasing** standard IFRS 16 on EBITDA and cost ratio appear in the 9 month financial statements 2019/20 .
- **The profit margin** was 1.9% compared to 2.7% for the same period last year.

Sales and gross margin

Sales (billion ISK)

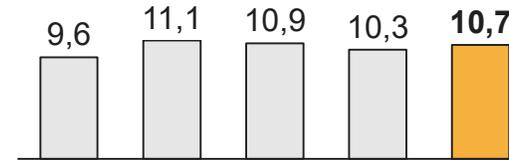


Gross margin (%)

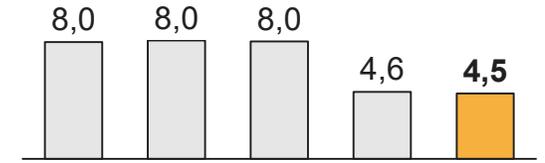


Operating cost

Salaries (%)

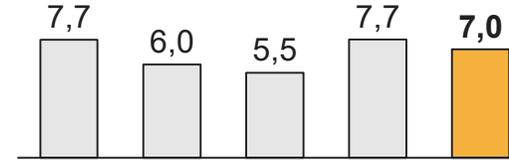


Other operating cost (%)

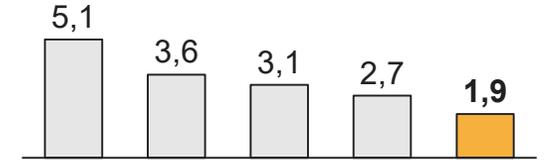


Profit

EBITDA (%)



Profit (%)



Completely different effects of pandemic on the Group's operations

Segmental overview 9M (b. ISK.)

		9M '20/21	9M '19/20	Δ	%Δ
Stores and Warehouses	Sales	65,6	58,5	+7,1	+12%
	<i>Growth</i>	<i>12,0%</i>	<i>4,1%</i>	<i>+8,0%</i>	<i>+196%</i>
	EBITDA	5,4	5,0	+0,4	+9%
	<i>EBITDA %</i>	<i>8,2%</i>	<i>8,5%</i>	<i>-0,2%</i>	<i>-3%</i>
	EBIT	3,1	2,7	+0,4	+13%
	<i>EBIT %</i>	<i>4,7%</i>	<i>4,7%</i>	<i>+0,0%</i>	<i>+1%</i>
Olís	Sales	23,6	29,4	-5,8	-20%
	<i>Growth</i>	<i>-19,8%</i>	<i>-</i>	<i>-</i>	<i>-</i>
	EBITDA	0,9	1,8	-0,9	-52%
	<i>EBITDA %</i>	<i>3,6%</i>	<i>6,0%</i>	<i>-2,4%</i>	<i>-40%</i>
	EBIT	0,2	1,2	-1,0	-83%
	<i>EBIT %</i>	<i>0,9%</i>	<i>4,2%</i>	<i>-3,3%</i>	<i>-79%</i>

- **The sales of stores and warehouses increases** by 12% and EBITDA by 9% compared to previous year.
- **EBITDA ratio of stores and warehouses** decreases from 8.5% to 8.2%.
- **Olís' sales decreased** by 20% and EBITDA by 52%.
- **Olís' EBITDA ratio** decreases from 6.0% to 3.6%.
- **The Group's lower results** in the first nine months of the year is explained by the **negative impact of COVID on Olís' operations.**

Cash decreases in the first nine months of the operating year

Cash flow 9M (b. ISK.)

- **The change in operating assets** in the previous year can be traced to changes in April 2019 due to the settlement method of payment cards.
- **Cash from operations decreased** by 2.7 b.ISK. compared to the previous year for that reason.
- **Property investments** 1.7 b. ISK. during the period and investment in **fixtures and equipment** 1.4 b. ISK.
- **Dividends not paid** to shareholders for the last operating year, but for the previous year the dividends amounted to almost ISK 1.2 b. ISK.
- **Purchased own shares** for 920 m.ISK. during the period, 500 m.ISK. in the quarter.
- **Cash decreases** by 859 m.ISK. during the period.

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

Strong economy and good liquidity

Balance sheet 30 November 2020 (b. ISK.)

- **Fixed assets grew by 1.4 b.ISK.**, due to investments in properties and renovation of shops.
- **Inventory at the end of the period was 9.4 b. ISK.** and inventory turnover ratio 10.2. Inventory levels peak at the Christmas season.
- **Trade receivables grew by 300 m.ISK.** and the credit period of claims is now 9.9 days, compared to 14.7 days in the same period last year.
- **USD credit line** amounting to 1.3 b.ISK. paid up during the period.
- **Trade payable increase** among others due to stockpiling for the Christmas season.

	30. 11. 2020	29. 2. 2020	%Δ		30. 11. 2020	29. 2. 2020	%Δ
Property, plant and equipment	23,4	22,0	+6%	Borrowings	12,0	12,2	-1%
Intangible assets	10,5	10,5	+0%	Lease liabilities	7,3	8,0	-9%
Other non-current assets	14,2	15,0	-6%	Income tax	3,0	2,2	+35%
Non-current assets	48,1	47,6	+1%	Non-current liabilities	22,3	22,4	-0%
Inventories	9,4	8,4	+12%	Borrowings	0,5	1,7	-73%
Trade receivables	4,8	4,5	+6%	Trade payables	13,1	11,1	+17%
Cash	1,4	2,2	-38%	Other	2,6	2,9	-11%
Current assets	15,6	15,2	+3%	Current liabilities	16,1	15,8	+2%
Total assets	63,7	62,7	+2%	Total liabilities	38,4	38,1	+1%
Liabilities and equity	63,7	62,7	+2%	Total equity	25,3	24,6	+3%

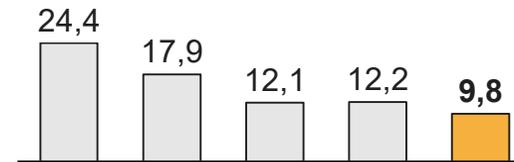
Profitability less than comparative periods but risk limited

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

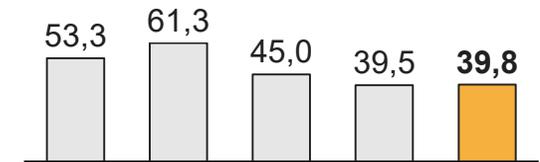
- **Return on equity** 9.8% over the past 12 months.
- **The equity ratio** at the end of the period was 39.8%, compared to 39.5% at the end of the same period last year.
- **Net interest-bearing debt** at the end of the period was ISK 20.5 b. ISK. or 2.4 x 12 months EBITDA.
- **Current ratio** at the end of the period was 0.97. The company has available 6.2 b. ISK. credit lines in ISK and USD.
- **The cash conversion cycle** during the period is 10.9 days, compared to 15.4 days in the same period last year.
- **The asset turnover ratio** was 1.9 at the end of the period but was 2.0 in the same period last year.

Shareholder return

Return on equity (%)

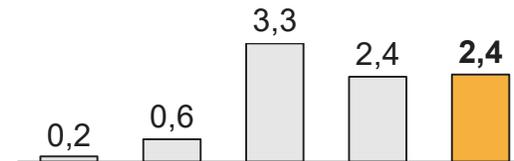


Equity ratio (%)

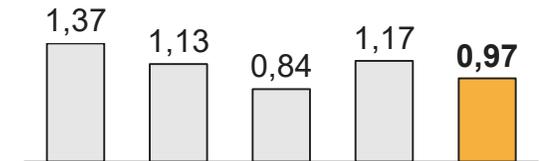


Risk in operations

Net debt/EBITDA¹

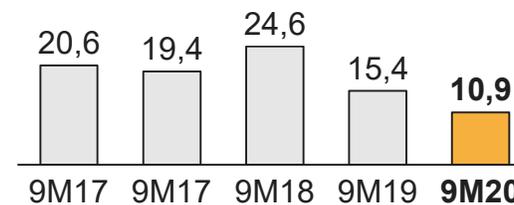


Current ratio²

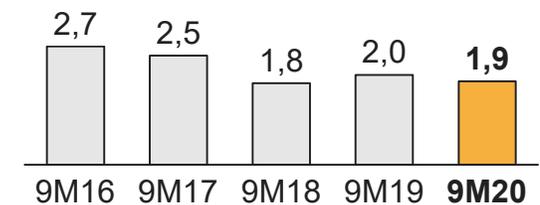


Efficiency of assets

Cash conversion cycle (days)³



Asset turnover ratio⁴



1) Net interest bearing 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

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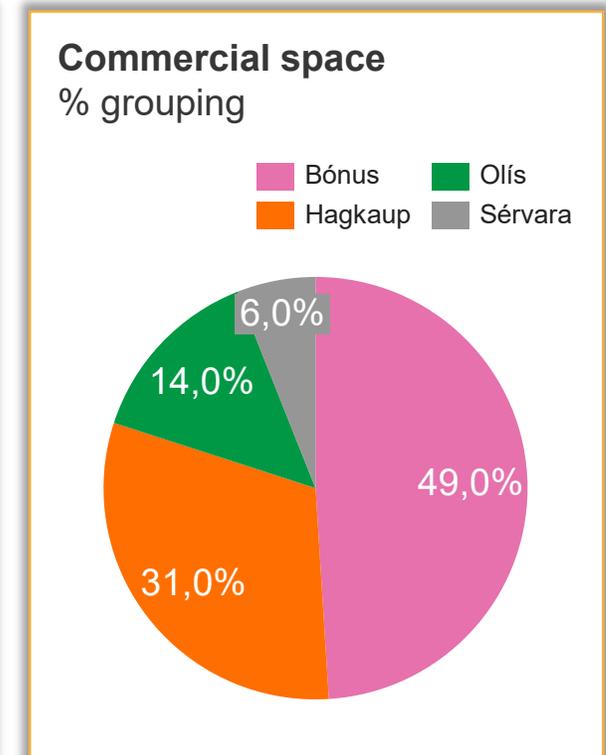
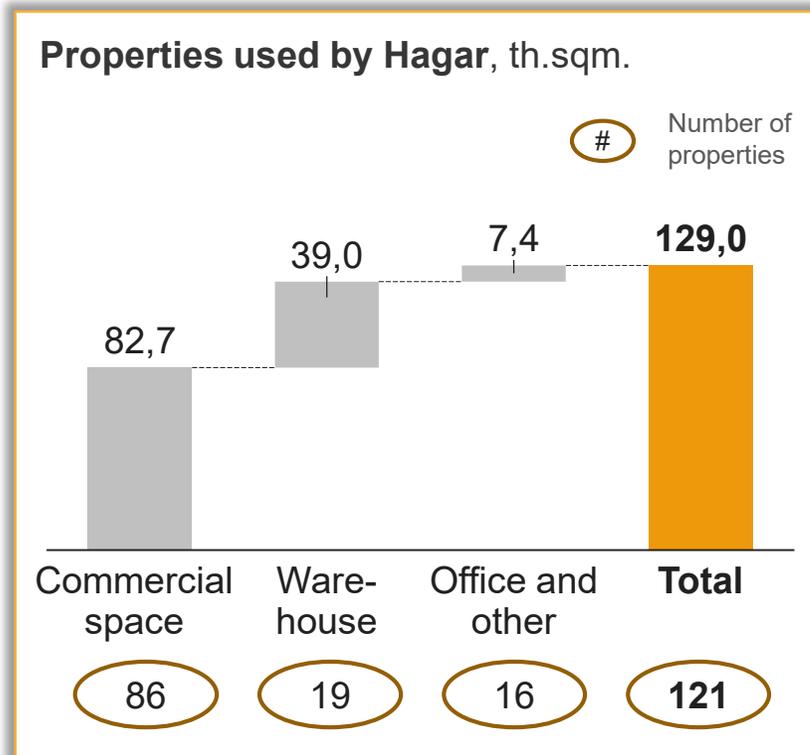
Financial statement

Properties overview

Properties overview



- The Hagar Group uses a total of about **129,000 sq.m. in properties** for its operations. Covered and open parking spaces related to fuel sales are not included in this figure.
- Hagar operates **shops and service centres in 86 properties**, a total of 82,700 sq.m. in size. This number includes retail space and local storage space.
- Bónus makes the most use of this retail space, or about 49%, Hagkaup about 31%, Olís about 14% and the specialty brands about 6%.
- Hagar owns about **third of the properties square metres** the company utilises in its operations.
- The company considers existing lease contracts to be generally **competitive**.



Ownership, % of total

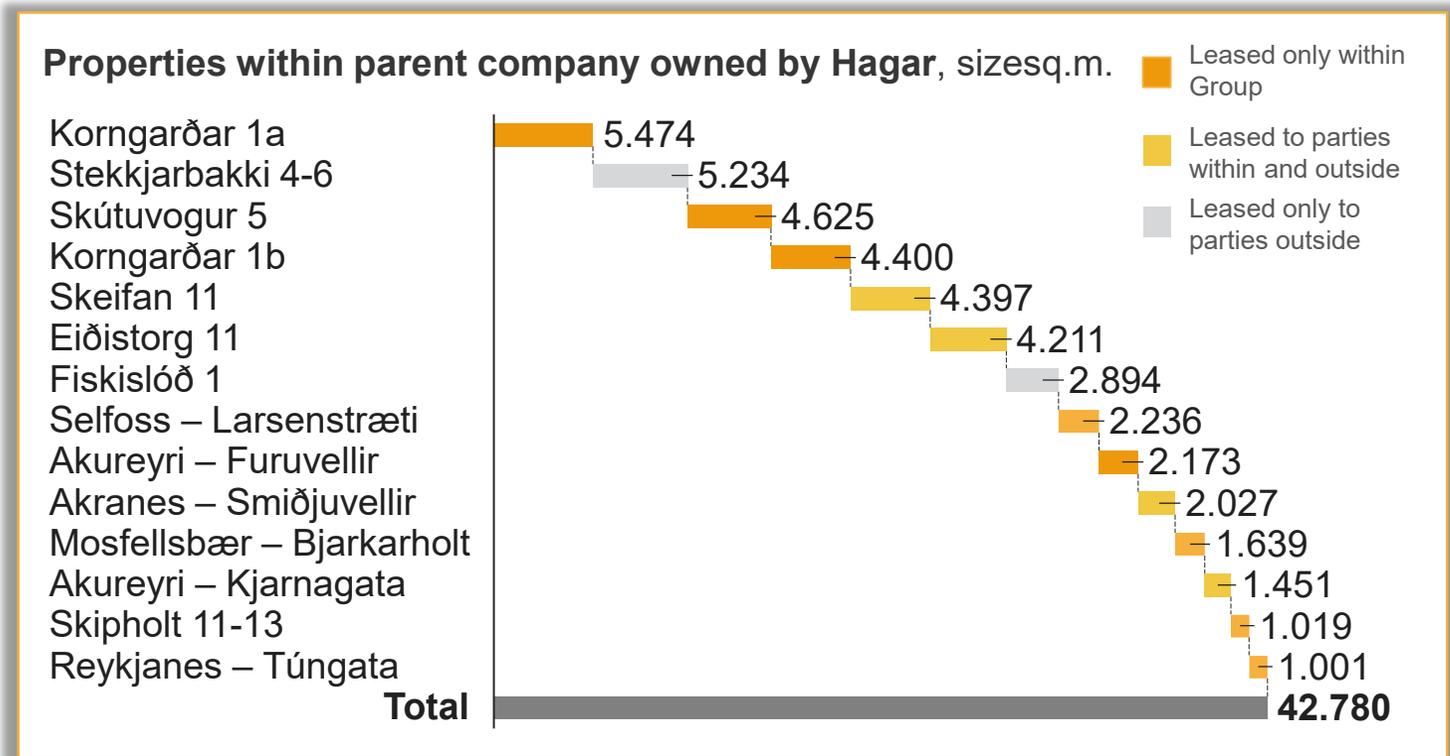
	Shops	Warehouse	Other	Total
Own	29%	41%	36%	33%
Leased	71%	59%	64%	67%

Average rent per sqm
= **2.300 ISK per mth.**

Ave. length leasing contracts
= **5,1 years**

Properties owned by Hagar

- The parent company Hagar owns **14 properties, a total of 42,780 sq.m. in size**, which are leased to parties within and outside the Group.
- Companies **within the Group use about 29,100 sq. m.**, or 68% of the total size of the properties in question.
- Almost all additional square metres are leased out to external parties at leasing prices that **return good profit**.
- The utilisation ratio of the properties and leasing revenues per sq. m. are therefore **in line with best practice**.
- **The book value of the properties is prudent** and the properties return from leasing income is therefore relatively high.



Leasing revenues*
 Annual total leasing rev. **~1,1 b.ISK.**
 Leasing per sq.m. **= 2.150 ISK per m.**

Value
 Book value** = **10,5 b.ISK.**
 BV per sq.m. = **246 th.ISK.**
 Official value** = **8,5 b.ISK.**

Properties return
 Gross vs. BV **= 10,4%**
 Net*** vs. BV **~8%**

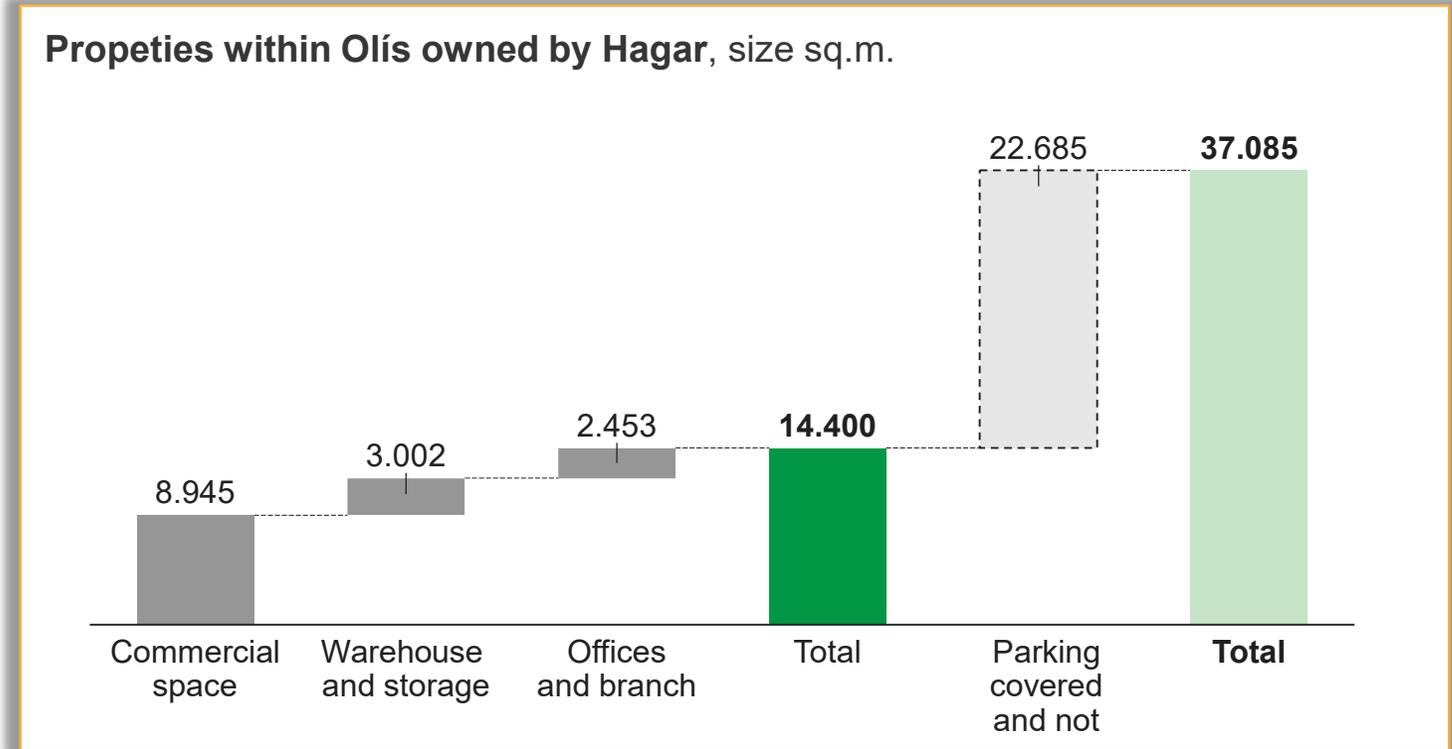
* Leasing revenues calculated on annual basis with regard to present contracts.

** Book value 31.8.2020. Official state valuation 2021.

*** Excluding property taxation, insurance and 1% annual maintenance costs.

Properties within Olís

- Olís' properties and other infrastructure are **mostly owned by the Group**, a total of about 14,400 sq.m. of housing and about 22,700 sq.m. of pump site and covered spaces.
- About 8,900 sq.m. of retail space is used for service stations all over the country, or **about 320 sq.m. on average per service station**.
- In total, there are fuel stations in about **60 independent locations**, either service stations, ÓB stations or both*.
- A large part of the book value consists of the **constructions and investments** accompanying fuel pumps and associated facilities.



Service stations
 # 28 stations
 Av. BV per station**
= 181 m.ISK.

Self-service stations
 # 32 independ. stations
 Av. BV per station**
= 97 m.ISK.

Property valuation
 Book value*** = **8 b.ISK.**
 Under developem.= **1.1 b.ISK.**
 Official value*** = **3.7 b.ISK.**

- *Total number of stations based on definition.
- **Book value of stations including interior furnishing and equipment.
- ***Properties book value within Olís 29.2.2020. Official state valuation 2021.

Hagar's development properties and sites



- Hagar's development assets offer a variety of **opportunities for value expansion**.
- These opportunities include both the development of **new key properties** for the company's units as well as the **development and sale of properties** that are not directly related to Hagar's operations. Certain assets of the company also offer value growth through **redesign and renovation**.
- It is expected that larger projects will be carried out in **cooperation with a property development company**.
- The company is also in constant dialog with official planning authorities and development companies about **other new locations** for the company's retail operations.



Klettagarðar 27, 104 Reykjavík

- 14.000 sq.m. corner site at Sundahöfn business area
- Present building-rights up to 22,500 sq.m.
- According to site leasing agreement, multiple business allowed on the premises, i.e. retail, warehouses and offices



Stekkjarkakki 4-6, 109 Reykjavík

- Existing draft agreement with the planning authorities for the development of commercial and residential housing
Development plans assume that the site under the Olís service station in Álfabakki 7 to be merged with existing site



Tjarnarvellir, Hella, Lundur og Suðurhella

- Hagar owns a number of other interesting sites that offer development of commercial and commercial housing
Particular attention is paid to the possibility of commercial properties and fuel self-service stations

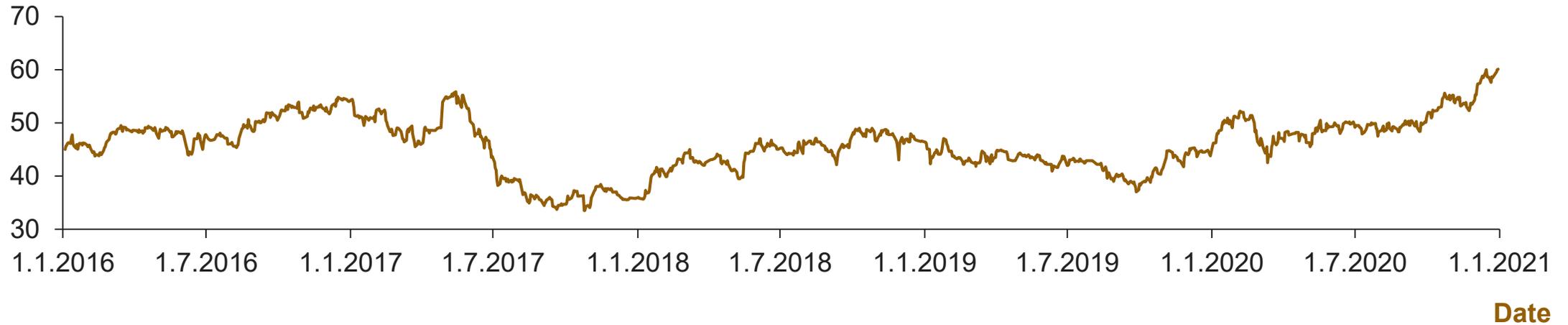


Remodelling of fuel stations

- Diverse fuel stations within Olís are located on valuable development sites, especially within Reykjavík. Negotiations are underway with the city authorities on the implementation of those projects

Market price and largest shareholders

Market price



Largest shareholders (1-5), ownership at end of 30.11.2020

▪ Gildi - Pension fund	17.0%
▪ The Pension Fund of Commerce	11.1%
▪ The pen. fund A for state employees	9.8%
▪ Birta Pension fund	6.6%
▪ Stapi Pension fund	5.6%

Largest shareholders (6-10), ownership at end of 30.11.2020

▪ Samherji hf.	4.3%
▪ Festa - Pension fund	4.2%
▪ Íslensk verðbréf - safnreikningur	3.9%
▪ Söfnunarsjóður lífeyrisréttinda Pension f.	2.8%
▪ Frjálsi lífeyrissjóðurinn Pension fund	2.4%

Status and prospects

- Management's unchanged earnings forecast with **EBITDA 8.1 to 8.6 b. ISK.** for the current operating year, compared to ISK 8.9 b. ISK. last year.
- Decided to **repurchase company's own shares** amounting to ISK 500 m.ISK. from week 3.
- It is assumed that the **impact of COVID-19 pandemic could continue until mid-2021 and that the impact on Hagar's operations will be similar** to what it has been, i.e. growth in grocery sales but a decline in fuel sales.
- **Considerable uncertainty about the development of tourism** to and from Iceland and other market variables after the pandemic.
- Negative **effect due to economic contraction and wage increases** according to labour agreements
- **Strong position of Hagar and its subsidiaries in dealing with pandemic challenges** and changing customer needs.
- **Opportunities** in line with new emphases and policies.





Reservations

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.