



Presentation of Q1 results 2023/24

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*This presentation is translated from the Icelandic version which was published on June 28th, 2023. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Overview

Highlights from operations

Financial statements

Status and prospects

Quarter in a nutshell : Key figures

Q1 2023/24 (changes from Q1 2022/23)

41.5 b.ISK.

sales

▲ 8,6%

2.5 b.ISK.

EBITDA

▼ 5,5%

0.7 b.ISK.

profit

▼ 29,5%

19.5%

gross margin

▼ 0,3%points

13.8%

salaries- and cost ratio

▲ 0,5%points

37.4%

equity ratio

▼ 2,8%points

What stands out in the quarter

- **Hagar's operations progressed well in the quarter**, especially in groceries and non-food section of the Group
- **Continued increased activity in groceries**, with an increase in visits and units sold - total **fuel litre sales similar to last year**
- **Continued increases in supplies prices, operating costs and interest rates** - success in a challenging operating environment
- **As before, a special emphasis was placed on efficiency in purchasing and operations** in order to counteract price increases
- **The margin in ISK increases between years**, but the Group's margin ratio decreases slightly
- **Phases that reinforce Hagar's services and strengthen operations were achieved during the quarter** - new solutions that save customers time and effort, new stores, improved service centres, etc.



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Bananar

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Stores and warehouses: Increased activity and improved revenue

Income Statement Q1 2023/24 (m.ISK.)

- **Income** from groceries, non - food specialty products and warehouses **increased by just over 18% between the years and amounted to 29.3 b.ISK**
- **Profit stronger** where **EBITDA was just over 2.2 b.ISK (7.6%)** and grew by 19% compared to Q1 2022/23
- **Sold units** and **customers visits** to stores continues to grow
- **Extensive demand in Eldum rétt online sales during the spring months** - „ Unique dishes “ in stores supporting the sales
- **Continuing price escalations from wholesalers and producers**, a.o. due to the war in Ukraine
- **Groceries inflation starting to decrease** – still low compared to European countries

	Q1 '23/24	Q1 '22/23	Δ	%Δ
Income	29.263	24.788	4.475	+18,1%
Expenses	-27.041	-22.920	-4.121	+18,0%
EBITDA	2.222	1.868	354	+19,0%
<i>EBITDA %</i>	<i>7,6%</i>	<i>7,5%</i>	<i>+0,1%</i>	<i>+0,8%</i>
EBIT	1.311	1.060	251	+23,7%
<i>EBIT %</i>	<i>4,5%</i>	<i>4,3%</i>	<i>+0,2%</i>	<i>+4,8%</i>



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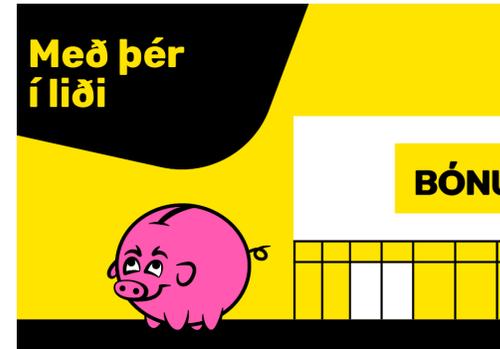
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Bónus: Strong revenue growth, brilliant scanning solution and new stores

- **Sales in Q1 amounted to just over 20.3 b.ISK** and **grew by 17%** from the previous year - profit improves between years
- **Activity continues to increase - the number of customers and sold units rising considerably** between the years
- **Continued strong approval with Bónus** after positive changes in recent seasons, **such as to store renovations and extended opening hours**
- Bónus as before **most often offering the lowest price** according to ASÍ surveys - **the most economically attractive grocery basket** for the customers under the current economic situation
- **The self-service solution "Gripið & Greitt"** implemented at **Smártorg** the first store - **very well received** by customers
- **A new store opened recently at Norðlingabraut** and has evolved well - **New store in Holtagarðar opens this summer**, and planned to **open a store at Miðhraun in Garðabær** the coming autumn months



Hagkaup: Improved revenue and party dishes in online store

- **Sales in Q1 amounted to just over 5,8 b.ISK** and grew by 6% from the previous year - profit improves between the years
- **Sold units decrease** slightly but **customer visits growing**
- **Hagkaup online store has gained a good foothold - Hagkaup's party dishes** are now available in the online store with the option of home delivery
- **The renovations of Hagkaup's stores are mostly complete** - Hagkaup will be the first 100% carbon refrigeration operated store chain in the country
- **Continued high attendance at Hagkaup's offer and theme days**, such as "Tax Free" and "Danskir dagar"
- **Hagkaup will celebrate its 64th anniversary** these days by an new advertisement campaign - **When I'm Sixty Four**

HAGKAUP



Olís: Sales as planned but profit decreases



Income Statement Q1 2023/24 (m.ISK.)

- **Income in Q1 amounted to 12.7 b.ISK** and decreased by 8% between the years - lower world fuel market price tints the results of the quarter
- **EBITDA amounted to 299 m.ISK** (2.4%) and declines between the years - compared to exceptionally strong quarter last year
- **Lower profit compared to previous year due to falling world market prices in the quarter** - leading to a lower margin from sales to bulk users
- **Overall activity in line with plans and little change in sold fuel** - continued strong sales in the retail market and to bulk users, despite less activity in the fishing industry
- **Renovation of service centres according to changed focus** has proceeded a long way - a new service centre opened in Fitjar in Reykjanesbær and Lemon is a hit countrywide
- **A new financial system put into operation after 2 years of preparation** - basis for developing digital solutions and customer service

	Q1 '23/24	Q1 '22/23	Δ	%Δ
Income	12.719	13.876	-1.157	-8,3%
Expenses	-12.420	-13.076	656	-5,0%
EBITDA	299	800	-501	-62,6%
<i>EBITDA %</i>	<i>2,4%</i>	<i>5,8%</i>	<i>-3,4%</i>	<i>-59,2%</i>
EBIT	121	631	-510	-80,8%
<i>EBIT %</i>	<i>1,0%</i>	<i>4,5%</i>	<i>-3,6%</i>	<i>-79,1%</i>



***Klasi*: Potential in Klasi ownership - about 300.000 m² being developed and there of up to 1,500 apartments**

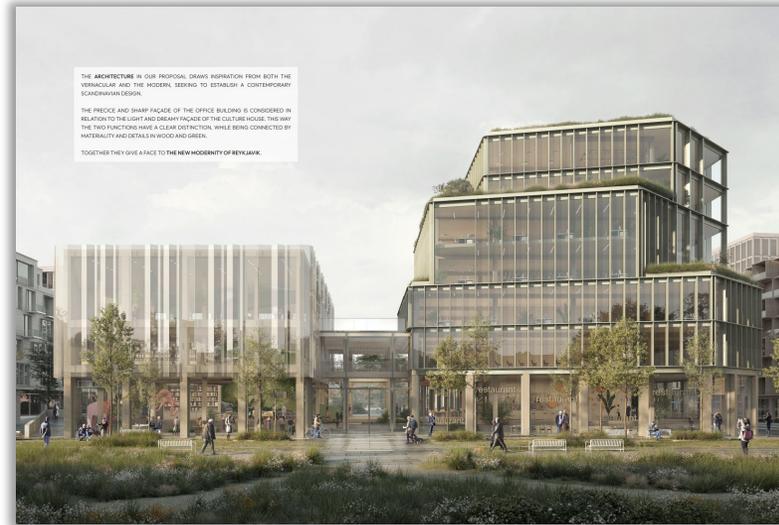
- **Last year, Hagar's development and property projects were successfully launched at Klasi**, in which Hagar now owns a third part
- **The objective was and is to accelerate value generation** based on the group's development assets, **create new opportunities** related to Klasi's other assets and **enable Hagar's management to focus foremost on core operations** in grocery and fuel
- **Klasi's work is progressing well** and there are **many exciting projects ahead in the development and construction** of Klasi's assets
- **The scope is considerable**, but **the expected building volume** of the present projects **is more than 300,000 m²**, of which up to **1,500 apartments** - significant interests for Hagar



***Examples of projects* : Borgarhöfði - size: 32.564 sq. m. (1/2)**



Examples of projects : Borgarhöfði - size: 32.564 sq. m. (2/2)



Examples of projects: Mjódd - size: 23.234 sq. m.



***Examples of projects* : Silfursmári - size: 7.695 sq. m.**



***Examples of projects* : Álþheimar - size: 5.539 sq. m.**



***Examples of projects* : Egilsgata - size: 2.094 sq. m.**



***Examples of projects* : Klettagarðar – size: 14.057 sq. m.**



Properties: Other property related topics

- **Álfabakki:** Hagar will move certain production activities to a new building at Álfabakki when the development is completed in 2025 - will house offices and production of **Ferskar Kjöttvörur** and offices, kitchen and processing space of **Eldum rétt** - interesting opportunities to strengthen Hagar's production capacity in more field
- **Norðlingabraut 2:** Hagar have opened an elegant Bónus store at Norðlingabraut in Norðlingaholt - the premises, owned by Hagar, will **house added services to the inhabitants of Norðlingaholt** but more detailed information on other tenants will be presented in the coming weeks
- **Future stores:** Hagar plans is to open two new Bónus stores in the coming quarters - this summer a **new store will open in Holtagarðar**, but an older store in Holtagarðar will close instead - in the second half of the year the aim is to open a **Bónus store at Miðhraun in Garðabær**



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Good operations in the first quarter

Income Statement Q1 2023/24 (m.ISK.)

- **Sales in Q1 grew** by 8.6% between the years or by 3.3 b.ISK - partly generated by extensive inflation
- **Gross profit in ISK increased** by 6.7% or by 508 m.ISK
- **Margin ratio** decreased from 19.8% to 19.5% - decrease in both the grocery and fuel sections of the Group
- **Salaries costs increased** by 14.2% between the years and **other operational costs grew** by 9.5%
- **EBITDA amounted to 2,5 b.ISK and decreased** by 5.5% between the years - caused by a decline in Olís' profits
- **Profit** amounted to 653 m.ISK or 1.6% of sales

	Q1 '23/24	Q1 '22/23	Δ	%Δ
Sales	41.490	38.213	3.277	+8,6%
Gross profit	8.072	7.564	508	+6,7%
Other operating income	194	202	-8	-4,0%
Salaries	-3.932	-3.443	-489	+14,2%
Other operating expenses	-1.813	-1.655	-158	+9,5%
EBITDA	2.521	2.668	-147	-5,5%
Depreciation	-1.129	-1.021	-108	+10,6%
Net finance expense	-626	-544	-82	+15,1%
Profit for the period	653	926	-273	-29,5%

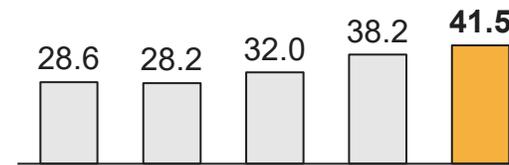
Increased sales but margin ratio has decreased in last years

Operational key factors (3M 2019/20 – 3M 2023/24)

- **Good sales growth in the recent years** but at the same time the **margin ratio has been decreasing**
- **Salaries and costs ratios** have improved in recent years but declined though slightly in the quarter
- **Salaries ratio** 9.5% and **other operating cost ratio** 4.4%
- **EBITDA ratio** 6.1% in the quarter compared to 7,0% in the previous year
- **Profit ratio in Q1** 1.6% compared to 2.4% in the last year

Sales and gross margin

Sales (b.ISK)

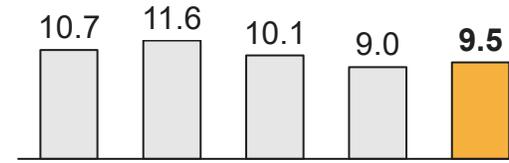


Gross margin (%)

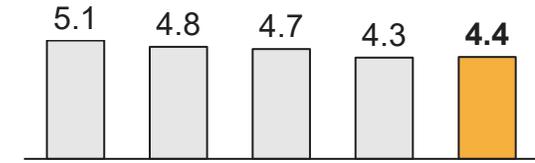


Operating costs

Salaries (%)

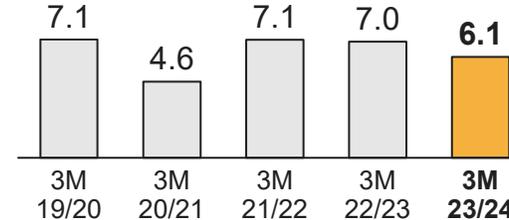


Other operating cost (%)

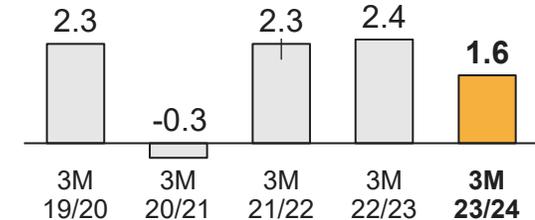


Profit

EBITDA (%)



Profit (%)



Cash from operations about 3.3 b.ISK in the quarter

Cash Flow Statement 3M 2023/24 (m.ISK)

- **Change in current assets** amounted to 360 m.ISK or just under 2.0 b.ISK from previous year - **inventoried decrease** between the years
- **Cash from operations** in the period amounted to 3.3 b.ISK compared to 2.0 b.ISK the previous year
- **Investment activities** amounted to 2.4 b.ISK compared to 504 m.ISK last year
- **Investment in a property** at Norðlingabraut amounted to 1.2 b.ISK in the quarter - also **invested in a new Bónus store** in the building
- **Cash increased** slightly in the quarter and amounted to just under 3.0 b.ISK at the end of the period

	3M 2023/24	3M 2022/23	Change
Profit for the period	653	926	-273
Adjustments	1,800	1,674	126
Working capital	2,453	2,600	-147
Change in current assets	360	-1,600	1,960
Change in current liabilities	1,184	1,459	-275
Interest and taxes paid	-662	-489	-173
Cash prov. by operating activities	3,335	1,970	1,365
Investment activities	-2,350	-504	-1,846
Financing activities	-898	-1,036	138
Change in cash	87	430	-343
Net cash at the end of the period	2,956	1,213	1,743

Strong balance sheet at the end of the period

Balance Sheet 31st May 2023 (m.ISK)

- **Non-current assets grew** by 2.6 b.ISK from the end of the year 2022/23 - the increase can be attributed to **investments in operating assets** as well as higher **leasing properties** due to new leasing agreements
- **Current assets decreased** by 270 m.ISK from the end of the year 2022/23
- **Inventory decreased** by 1.2 b.ISK from the end of the year 2022/23 and is 694 m.ISK less than for the same time the previous year
- **The inventory turnover rate** is 11.3 compared to 10.6 for the previous year
- **Receivables grow** by 819 m.ISK - **the credit period** is now 11.3 days compared to 11.5 days in the last year
- **Equity** amounted to 27.8 b.ISK at the end of the period and the company held 26.2 million **own shares** at the end of Q1

	31. 5. 2023	28. 2. 2023	%Δ		31. 5. 2023	28. 2. 2023	%Δ
Property, plant and equipment	22.368	21.236	+5%	Borrowings	11.924	11.829	+1%
Intangible assets	12.635	12.430	+2%	Lease liabilities	7.703	7.056	+9%
Other non-current assets	18.059	16.836	+7%	Income tax	2.362	2.216	+7%
Non-current assets	53.062	50.502	+5%	Non-current liabilities	21.989	21.101	+4%
Inventories	11.541	12.717	-	Borrowings	3.814	3.325	+15%
Trade receivables	6.738	5.919	+14%	Lease liabilities	2.108	2.012	+5%
Cash	2.956	2.869	+3%	Trade payables	18.635	17.638	+6%
Current assets	21.235	21.505	-1%	Current liabilities	24.557	22.975	+7%
Total assets	74.297	72.007	+3%	Total liabilities	46.546	44.076	+6%
Liabilities and equity	74.297	72.007	+3%	Total equity	27.751	27.931	-1%

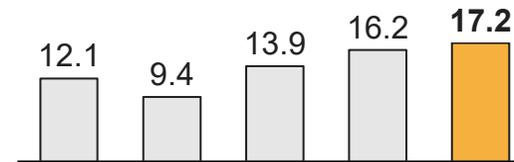
Equity ratio 37,4% at the end of the quarter

Economic key factors (3M 2019/20 – 3M 2023/24)

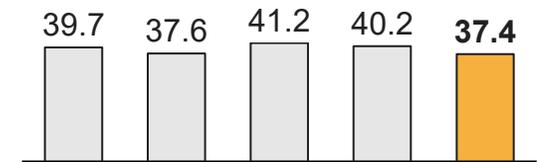
- **Return on equity 17.2%** the last 12 months
- **The equity ratio** at the end of Q1 was 37.4% compared to 40.2% at the end of Q1 for the previous year - The equity ratio was 38.8% at the end of the year 2022/23
- **Net interest-bearing debt** at the end of Q1, including leasing liabilities, amounted to 25.5 b.ISK or 1.9 x 12 months EBITDA
- **The current ratio** at the end of Q1 was 0.86 compared to 1.18 at the end of Q1 the previous year
- **The cash conversion cycle** was 12.0 days compared to 14.2 days the year before
- **The assets turnover ratio** was 2.3 at the end of Q1 compared to 2.2 at the end of Q1 the previous year

Shareholders return

Return on equity (%)

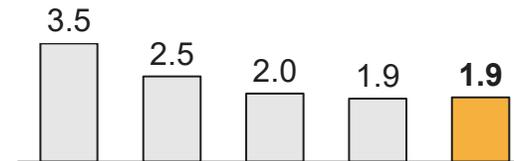


Equity ratio (%)

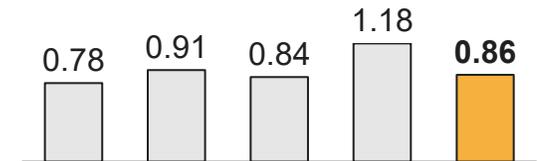


Risk in operations

Net debt /EBITDA¹

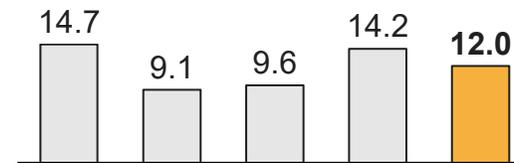


Current ratio²

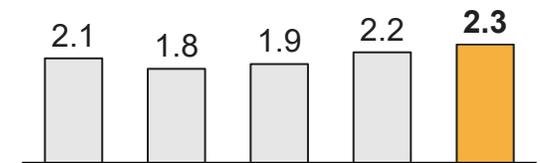


Efficiency of assets

Cash conversion cycle (# of days)



Assets turnover ratio⁴



1) Net interest bearing debt (including leasing liabilities) / 12 months EBITDA 2) Current assets/ current liabilities
 3) Cash conversion cycle = number of inventory days + number of days for accounts receivables – number of days for accounts payable 4) Sale / assets

Overview

Highlights from operations

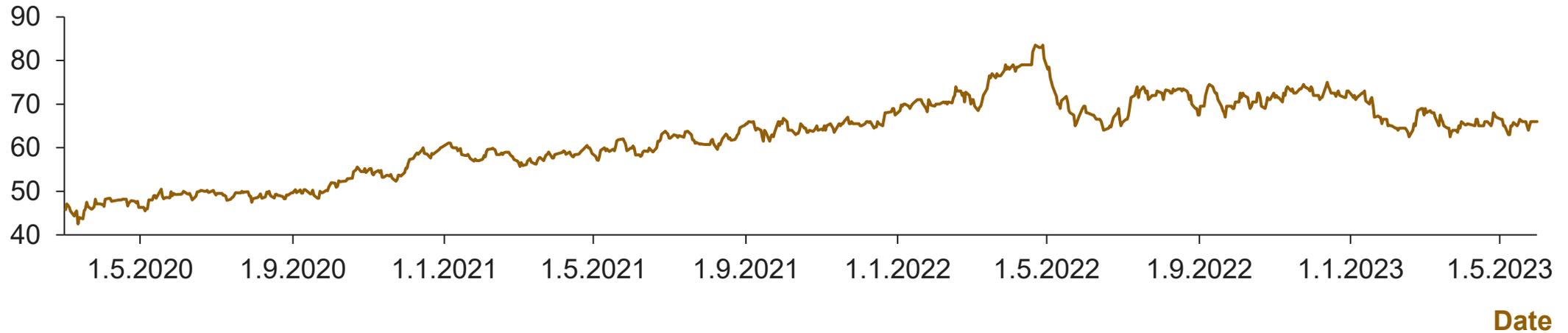
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Market price and largest shareholders

Market price

Closing price on 31.05.2023: 66,0 ISK / share



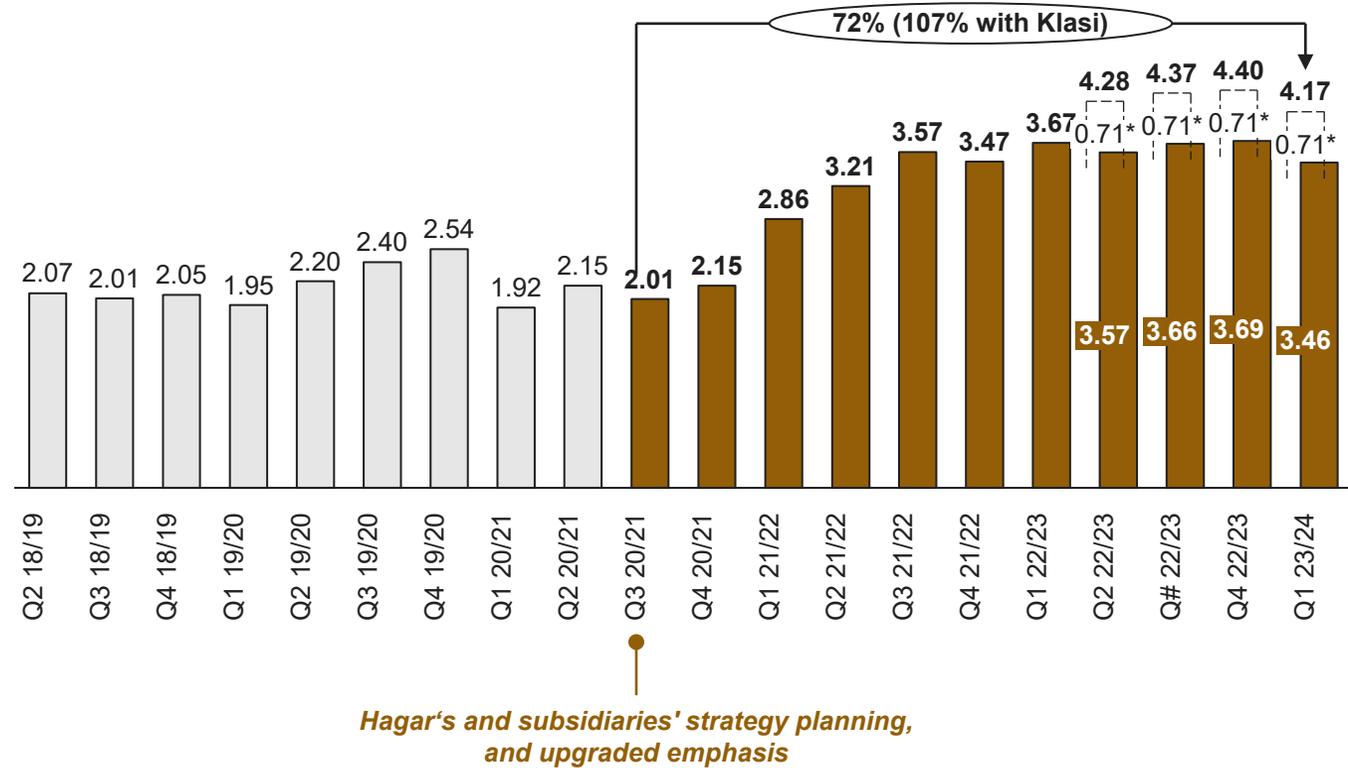
Largest shareholders, shares held at end of 31.05.2023

1. Gildi - Pension fund	19.4%	6. Kaldbakur Ltd.	4.5%
2. The pen. fund A for state employees	10.9%	7. Festa - Pension fund	4.2%
3. The Pension fund of commerce	10.5%	8. Stapi Pension fund	3.6%
4. Birta Pension fund	8.3%	9. SL Pension fund	2.9%
5. Brú pen. fund, municipalities employees	8.1%	10. Icelandic securities - accounts	2.7%

Earnings per share increased in last quarters

Accumulated basic earnings per share in the last 12 months (ISK. per share)

- **Earnings per share increased** in last quarters, and accumulated earnings are now **3.46 ISK per share** for the last 12 months, but **4.17 ISK per share if the Klasi transactions are included**
- **Benefits from actions** related to strategic planning and optimisation have continued **to be realised in the last quarters**
- **Continuing focus on projects** that **influence short-term operations**, but also on larger **projects which will have an impact in the medium- and long-term**



* Impact due to the Klasi transactions

Status and prospects



- **Operations returning to more regular state** after prolonged period of plagues and wars disrupting supply chains and commodity markets
- **Continued uncertainty about prices** - supplies, operational costs, interests and fuel - but **price escalations** from manufactures and retailers in groceries **have slowed down slightly**
- **Operational prospects good** and diverse factors supporting Hagar's operations: **customer numbers growing, most economical groceries options, new operational pillars, ongoing optimisation emphasis**, etc.
- **The Group's financial status is strong**, and short- and long-time **funding secured**
- **The management's guidance** for the operating year 2023/24 assumes for EBITDA to be in the range of **11,000 - 11,500 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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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 line is grey on the left and transitions to orange on the right. The bottom line is grey on the left and transitions to orange on the right, mirroring the top line's color scheme.