



# Presentation of Q4 and annual results 2021/22

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\*This presentation is translated from the Icelandic version which was published on April 29<sup>th</sup>, 2022. 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

Q4 2021/22 (changes from Q4 2020/21)

**35.3** b.ISK

sales

▲ 15.2%

**2.4** b.ISK

EBITDA

▼ 3.9%

**0.7** b.ISK

profit

▼ 14.4%

**20.7%**

gross margin

▼ 2,3%pt.

**14.2%**

salaries- and costs ratio

▼ 0.9%pt.

**41.0%**

equity ratio

▼ 0.1%pt.

## Year in a nutshell: Key figures

12M 2021/22 (changes from 12M 2020/21)

**135.8** b.ISK

sales

▲ 13.5%

**10.5** b.ISK

EBITDA

▲ 19.5%

**4.0** b.ISK

profit

▲ 58.8%

**20.9%**

gross margin

▼ 1,2%pt.

**13.8%**

salaries- and costs ratio

▼ 1,3%pt.

**41.0%**

equity ratio

▼ 0,1%pt.

# Excellent end of a strong operating year

- **Operations in Q4 were successful** and sales increased by 15.2% between years - Christmas shopping exceeded expectations - **slightly lower than last year, but slightly higher when taking into account one-off items**
- **Gross margin in ISK increases** between years **but the margin ratio decreases somewhat**, a.o. due to rising world market prices and increased sales to bulk users
- **Bónus extended opening hours** has returned **growing number of customers and increased sales** – changes well received
- **The prices of supplies rose considerably** in recent quarters due to production and supply chain complications, both **due to the COVID aftermath and due to consequences of the war in Ukraine**
- **Hagar signed in March a contract for the purchase of all shares in Eldum rétt ehf.**, and the purchase is subject on the CA approval - the CA reaction on the purchase of 1/3 of shares in Klasi ehf. is pending



HAGKAUP



# Stores and warehouses : Good operational progress

Income Statement Q4 2021/22 (m.ISK)

- Revenues from groceries, specialty products and warehouses **decreased by 2% between years and amounted to 25.4 b.ISK** - EBITDA was 2.2 b.ISK (87%)
- With reference to **discontinued/sold operations revenue increase was to 3%** between years (Hagkaup Selfoss, Bónus Korputorg, Útilíf and Reykjavíkur Apótek)
- Visits to stores increasing** continuously between years and **sold units grew** also slightly in the quarter - average basket size similar
- Increased operational cooperation between Aðföng and Bananar** creates long-term benefits
- Warehouse and store staff deserves compliments for **ensuring supply of groceries and full shelves**, a.o. due to COVID effects
- Continuing **increased sales and strong results at ZARA**

	Q4 '21/22	Q4 '20/21	Δ	%Δ
Income	25.355	25.903	-548	-2,1%
Expenses	-23.148	-23.794	646	-2,7%
<b>EBITDA</b>	<b>2.207</b>	<b>2.109</b>	<b>98</b>	<b>+4,6%</b>
<i>EBITDA %</i>	<i>8,7%</i>	<i>8,1%</i>	<i>+0,6%</i>	<i>+6,9%</i>
<b>EBIT</b>	<b>1.272</b>	<b>1.281</b>	<b>-9</b>	<b>-0,7%</b>
<i>EBIT %</i>	<i>5,0%</i>	<i>4,9%</i>	<i>+0,1%</i>	<i>+1,4%</i>



**HAGKAUP**



**ZARA**



**mjöll frigg**

# **Bónus:** Extended opening hours and new stores

- **Sales in Q4 amounted to just over 17 b.ISK** exceeding plans and about 8% revenue growth from previous year – 11% growth when taking into account discontinued operations
- **Bónus stores with extended opening hours have increased** steadily and now total 17 – new opening hours have been well received, **increasing visits and raising sale**
- **An impressive Bónus store opens in May at Norðurtorg at Akureyri** - Norðurtorg is a new robust shopping center that serves Akureyri and the surrounding area
- Hagar purchases Norðlingabraut 2 - **Bónus opens in Norðlingaholt by mid year 2023**
- **Bónus most often with lowest price** according to ASÍ's last survey, and as before the most cost-effective shopping basket
- **Bónus customers took an exceptional interest in fundraising for war victims in Ukraine** – in total, Hagar and customers of Bónus, Hagkaup and Olís donated around 35 m.ISK to the Red Cross



# Hagkaup: Sales increase and a new online store

- Sale in Q4 amounted to 6.2 b.ISK, which exceeds plans and the past year - gross margin as planned and sales lightly higher
- A very strong operating year in historic context
- Number of customers grows in spite of increased travels of Icelanders abroad – Christmas sale exceeded expectations and continued demand in Hagkaup's cosmetics store
- New and elegant Hagkaup store opened online – Hagkaup cosmetics store now also accessible online, well received by customers
- Lemon opens a new restaurant at Hagkaup in Garðabær in the coming weeks – enjoyable addition for the customers searching for healthy and good dish

## HAGKAUP





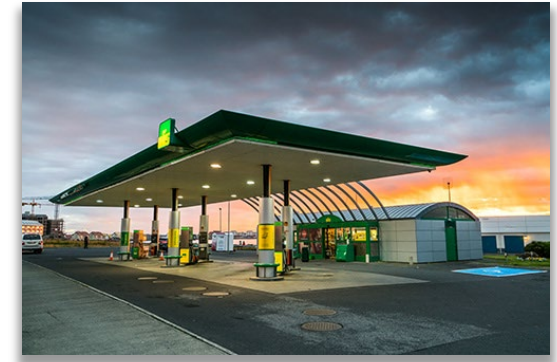
# Olís: Extensive increase in activities and changes in operations



Income Statement Q4 2021/22 (m.ISK.)

- **Sale in Q4 amounted to 10.6 b.ISK** and increased by 54% between years- **EBITDA amounted to 235 m.ISK** (2.2%) and decreased from the year before
- Extensive **increase in sold fuel litres** between years (52%) – proportionally higher for bulk users
- **EBITDA differences between years are due to one-off items** that had negative impact on Q4 but positive impact in the last year
- **Streamlining** which were undertaken in the **retail sector are still reflected** in operating expenses – further alteration ahead, the appearance and product range at service stations
- Continuing work on the **restructuring of Olís' company section** during the quarter, but **selected product categories will be transferred to a new company within Hagar, Stórkaup**, at the beginning of May
- **Customers welcomed Lemon in Norðlingaholt**, and a similar **restaurant will be opened at Olís Gullinbrú** in the coming weeks

	Q4 '21/22	Q4 '20/21	Δ	%Δ
Income	10.568	6.845	3.723	+54,4%
Expenses	-10.333	-6.412	-3.921	+61,2%
<b>EBITDA</b>	<b>235</b>	<b>433</b>	<b>-198</b>	<b>-45,7%</b>
<i>EBITDA %</i>	<i>2,2%</i>	<i>6,3%</i>	<i>-4,1%</i>	<i>-64,8%</i>
<b>EBIT</b>	<b>1</b>	<b>108</b>	<b>-107</b>	<b>-99,1%</b>
<i>EBIT %</i>	<i>0,0%</i>	<i>1,6%</i>	<i>-1,6%</i>	<i>-99,4%</i>



## ***Progress in the last quarters*** : Examples of purchase, sale, openings and closures

- **Sale of operating units Útilíf and Reykjavíkur Apótek** to increase focus on core activities
- **Closure of less profitable units** to improve operations, i.e. **Stórkaup food store and Quiznos**
- **The Klasi transaction** to develop properties and sites, without building a special team within the company\*
- **Purchase of Eldum rétt** to meet better the changing customers needs and consumption behaviour\*
- **Purchase of a share in Lemon** to offer a healthier and fresher option for customers
- **Opening of a new operating unit, Stórkaup**, prepared to improve services to bulk users and more efficient operations



*\* The transactions are subject to the Competitive Authorities approval*

## *Progress in the last quarters:* Examples of operational emphases

- **Streamlining the Olis' retail and corporate divisions** for increased efficiency, e.g. with a significant reduction of staff
- **Changes of selected Olís service stations to ÓB self-service stations** for improved operations
- **New store locations prepared**, e.g. at Norðurtorg at Akureyri, to increase customer service
- **Bónus extended opening hours** to meet customer needs and increase coverage
- **Opening of Hagkaup online cosmetic store** to meet changing consumption habits and underpin digital development
- **Continuing emphasis on self-service and automation of internal processes** for increased convenience, efficiency and cost-effectiveness, such as automation in inventory management and order groundwork



## *Progress in the last quarters* : Examples of Hagar's other issues

- **Brand work within all Hagar's major units** – Bónus has updated the logo, shops and services, and a similar implementation in the coming future at Olís and Hagkaup
- **Increased support for entrepreneurs** for development and innovation in food production with the establishment of the innovation fund Uppsprettan
- **Continued increased emphasis on sustainability, social and environmental issues** at all Hagar units - significant results about to be achieved, as can be seen in community reports published in the preparation of Hagar's Annual General Meeting in June
- **Active approach to grants for social issues and projects**, such as sports, relief work, humanitarian affairs and more - recently Hagar, subsidiaries and customers donated 35 m.ISK for the Red Cross collection for war-torn in Ukraine



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# Powerful sales increase in Q4 and Christmas sale exceeding expectations

Income Statement Q4 2021/22 (m.ISK)

- **Sales in Q4 increased** by 15.2% between years or about 4.7 b.ISK. - **Christmas sale exceeded expectations** slightly
- **Sold units** at grocery stores increased by 6.9% in Q4 and **increased quantity in fuel litres** at Olís was over 52% between years
- **Gross profit increased** in ISK of about 3.8% but **margin ratio** fell from 22.9% to 20.7%
- **Lower gross margin ratio in Q4** is explained by the fuel portion of the group and is caused by **increased world market price and changed configuration of customers**
- **Strong quarter behind** - a good final advance to the operating year

	Q4 '21/22	Q4 '20/21	Δ	%Δ
Sales	35.288	30.630	4.658	+15,2%
<b>Gross profit</b>	<b>7.292</b>	<b>7.024</b>	<b>268</b>	<b>+3,8%</b>
Other operating income	171	130	41	+31,5%
Salaries	-3.428	-3.275	-153	+4,7%
Other operating expenses	-1.593	-1.337	-256	+19,1%
<b>EBITDA</b>	<b>2.442</b>	<b>2.542</b>	<b>-100</b>	<b>-3,9%</b>
Depreciation	-1.234	-1.128	-106	+9,4%
Net finance expense	-399	-322	-77	+23,9%
<b>Profit for the period</b>	<b>724</b>	<b>846</b>	<b>-122</b>	<b>-14,4%</b>

# Excellent operating year behind with sales increase and improved profit

## Income Statement 12M 2021/22 (m.ISK)

- **Sales increased** by 13.5% between years, of about 16.2 b.ISK.
- **Gross profit increased** by 7.3% but **margin ratio** decreased between years of about 1.3%-points due to lower margin ratio at Olís
- **Profit from sale of operating units** amounting to 349 m.ISK booked in the year
- **The number of full-time equivalents at the Group has decreased** by 38 between years, excluding the decrease due to the sale of business units
- **Operating costs increases** by 9.4% between years, a.o. due to work on strategy planning, brand updating, index-linked costs, etc.
- **EBITDA increases** by 19.5% between years and **profit increases** by 58.8%

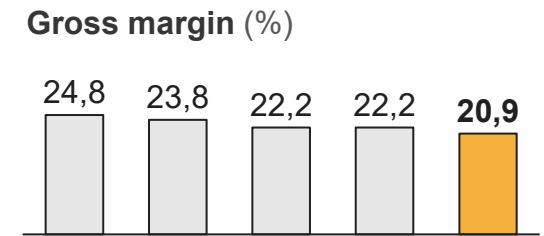
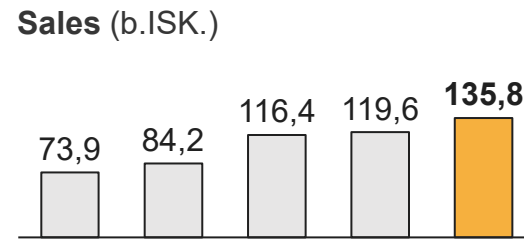
	12M '21/22	12M '20/21	Δ	%Δ
Sales	135.758	119.582	16.176	+13,5%
<b>Gross profit</b>	<b>28.441</b>	<b>26.515</b>	<b>1.926</b>	<b>+7,3%</b>
Other operating income	874	409	465	+113,7%
Salaries	-12.992	-12.812	-180	+1,4%
Other operating expenses	-5.805	-5.307	-498	+9,4%
<b>EBITDA</b>	<b>10.518</b>	<b>8.805</b>	<b>1.713</b>	<b>+19,5%</b>
Depreciation	-4.241	-4.258	17	-0,4%
Net finance expense	-1.503	-1.553	50	-3,2%
<b>Profit for the period</b>	<b>4.001</b>	<b>2.519</b>	<b>1.482</b>	<b>+58,8%</b>

# Operational key factors improve in comparison with former periods

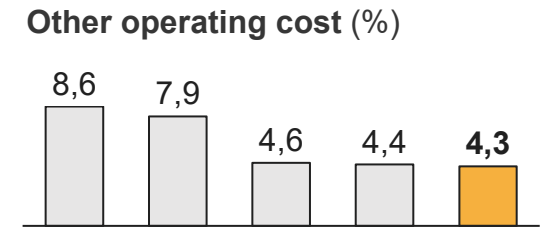
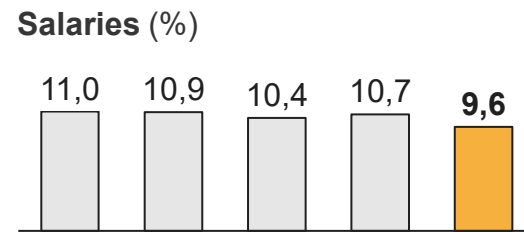
Operational key factors (12M 2017/18 – 12M 2021/22)

- **Good sales increase between years** - Olís became a part of the Hagar Group in December 2018
- **Gross margin ratio** has been declining in recent years, a.o. due to the change in the company's composition with the merger of Olís and a declining specialty retail
- **Salaries and cost ratios** continue to improve despite demanding circumstances
- Implementation of the **IFRS16 lease standard** explains the changes cost and EBITDA ratio for the 2019/20 operating year
- **EBITDA and profit ratios are improving** in comparison to previous years with increased sales and more efficient operations

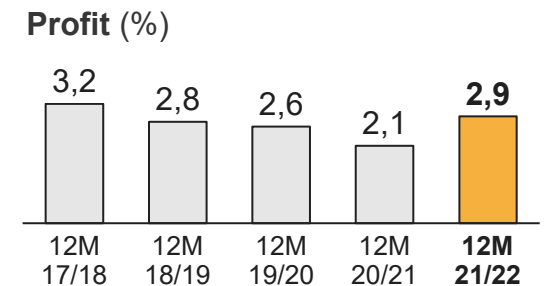
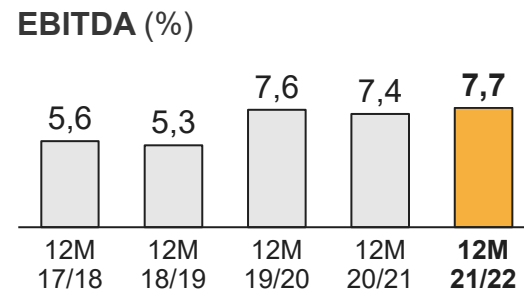
Sales and gross margin



Operating costs



Profit





# Strong cash flow and cash increases between years

## Consolidated Cash Flow 12M 2021/22 (m.ISK)

- **Cash from operations** in the year amounted to 7.4 b.ISK and increased in comparison to last year by 784 m.ISK
- **Investment activities** in the year amounted to 1.9 b.ISK and are 1.7 b.ISK lower than in previous year, which is explained by lower investments in properties by the company
- **Investment in fixtures and equipment** amounted to 1.7 b.ISK, mostly due to the renovation of Bónus and Hagkaup stores
- **Financing activities** amounted to 5.2 b.ISK during the year, of which dividends were 1.5 b.ISK paid last June - no dividend was paid during the comparison year
- **Cash increased** by 395 m.ISK in the operating year and amounted to 783 m.ISK at the end of the year

	12M 2021/22	12M 2020/21	Change
Profit for the period	4.001	2.519	1.482
Adjustments	6.382	6.272	110
<b>Working capital</b>	<b>10.383</b>	<b>8.791</b>	<b>1.592</b>
Change in current assets	-3.678	-513	-3.165
Change in current liabilities	2.389	68	2.321
Interest and taxes paid	-1.683	-1.719	36
<b>Cash provided by operating activities</b>	<b>7.411</b>	<b>6.627</b>	<b>784</b>
Investment activities	-1.864	-3.591	1.727
Financing activities	-5.152	-4.880	-272
<b>Change in cash</b>	<b>395</b>	<b>-1.844</b>	<b>2.239</b>
<b>Net cash at the end of the year</b>	<b>783</b>	<b>388</b>	<b>395</b>

# Strong financial position at the end of the operating year

Consolidated Balance Sheet 28<sup>th</sup> February 2022 (m.ISK)

- **Non-current assets decreased** by 2.8 b.ISK in the year, a.o. due to **re-classification of properties** which will be handed over to Klasi as payment for share capital in the company
- **Inventories increase by 1.9 b.ISK between years** due to higher safety stocks in food and higher fuel stocks - **inventory turnover ratio** in the year was 11.0 in comparison to 10.8 in previous year
- **Trade receivables increase** slightly due to increase in Olís sale to bulk users - **credit period** is now 11.7 days compared to 10.3 days last year
- **Non-indexed bond series** HAGA181024 amounting to 2.5 b.ISK issued to refinance HAGA181021
- **Accounts payable increase** due to increased turnover and increased inventory

	28. 2. 2022	28. 2. 2021	%Δ		28. 2. 2022	28. 2. 2021	%Δ
Property, plant and equipment	21.215	23.444	-10%	Borrowings	11.720	9.368	+25%
Intangible assets	10.723	10.547	+2%	Lease liabilities	6.918	7.010	-1%
Other non-current assets	13.126	13.825	-5%	Income tax	2.312	2.214	+4%
<b>Non-current assets</b>	<b>45.064</b>	<b>47.816</b>	<b>-6%</b>	<b>Non-current liabilities</b>	<b>20.950</b>	<b>18.592</b>	<b>+13%</b>
Assets held for sale	2.388	0	-	Borrowings	451	3.558	-87%
Inventories	10.707	8.791	+22%	Lease liabilities	1.966	2.019	-3%
Trade receivables	6.250	4.653	+34%	Trade payables	14.329	11.821	+21%
Cash	783	388	+102%	Other	770	471	+63%
<b>Current assets</b>	<b>20.128</b>	<b>13.832</b>	<b>+46%</b>	<b>Current liabilities</b>	<b>17.516</b>	<b>17.869</b>	<b>-2%</b>
<b>Total assets</b>	<b>65.192</b>	<b>61.648</b>	<b>+6%</b>	<b>Total liabilities</b>	<b>38.466</b>	<b>36.461</b>	<b>+5%</b>
<b>Liabilities and equity</b>	<b>65.192</b>	<b>61.648</b>	<b>+6%</b>	<b>Total equity</b>	<b>26.726</b>	<b>25.187</b>	<b>+6%</b>

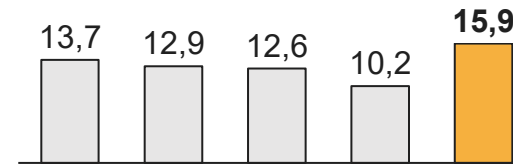
# Increased return on equity

Economic key factors (12M 2017/18 – 12M 2021/22)

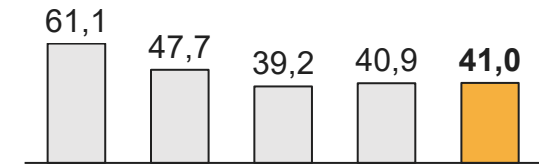
- **Return on equity 15.9%** last 12 months
- **Equity ratio** at the end of the year amounted to 41.0% compared to 40.9% at the end of last year
- **Net interest bearing debt** at the end of the year, including leasing liabilities, were 20.3 b.ISK or 1,9 x EBITDA
- **Net interest bearing debt** at the end of the year, excluding leasing liabilities, were 1,1 x EBITDA
- **Current ratio** at the end of the year was 1.15 compared to 0.77 at the end of previous year
- **Cash conversion cycle** was 15.4 days compared to 14.0 days last year
- **Assets turnover ratio** 2.1 at the end of the year compared to 1.9 at the end of the previous year

Shareholders return

Return on equity (%)

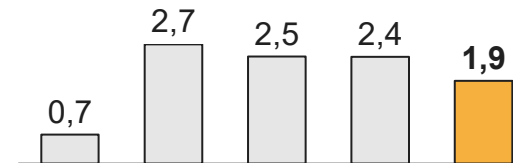


Equity ratio (%)

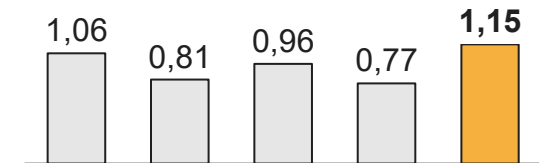


Risk in operations

Net debt/EBITDA<sup>1</sup>

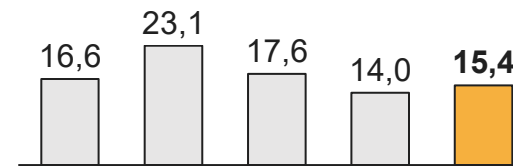


Current ratio<sup>2</sup>

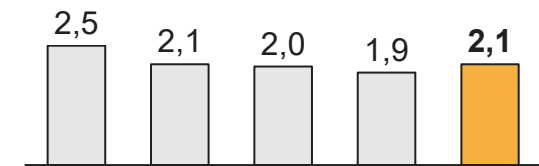


Efficiency of assets

Cash conversion cycle (# of days)<sup>3</sup>



Assets turnover ratio<sup>4</sup>



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

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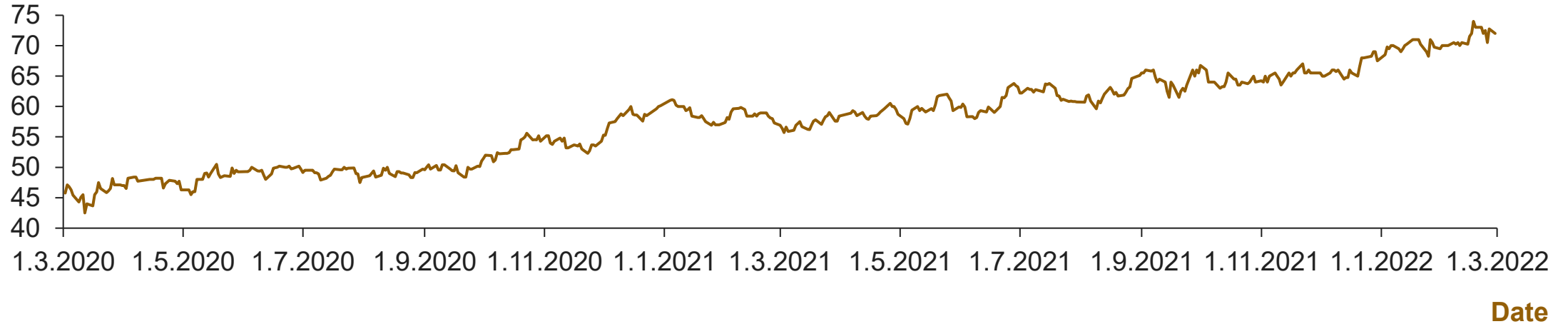
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# Market price and largest shareholder

## Market price

Closing price 28.02.2022: 72.0 ISK / share



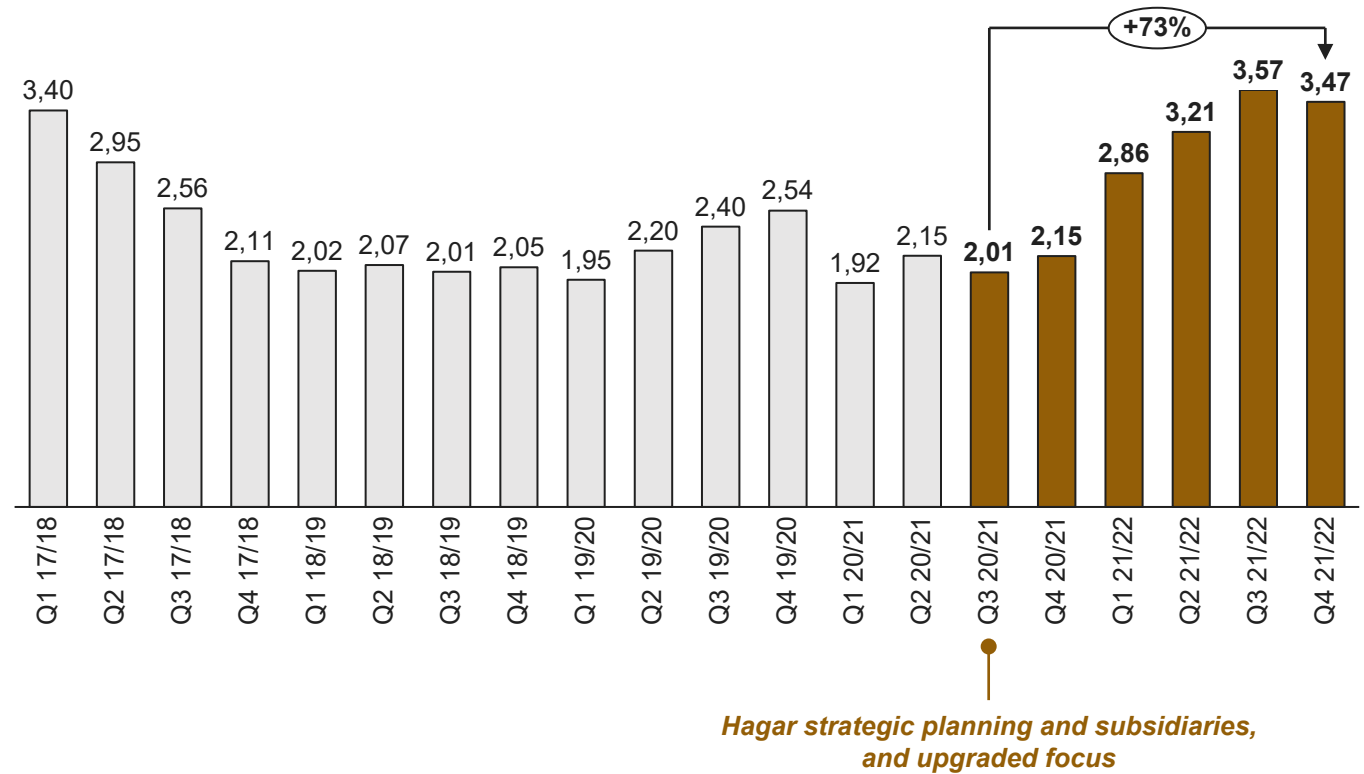
## Largest shareholders, shares held at end of 28.02.2022

1. Gildi - Pension fund	18.7%	6. Stapi Pension fund	4.6%
2. The pen. fund A for state employees	10.7%	7. Samherji hf.	4.4%
3. The Pension fund of commerce	10.4%	8. Festa - Pension fund	4.1%
4. Birta Pension fund	7.9%	9. SL Pension fund	2.9%
5. Brú pen. fund, municipalities employees	6.1%	10. Icelandic securities - accounts	2.6%

# Earning per share has grown in the last quarters

Accumulated earnings per share last 12 months (ISK per share)

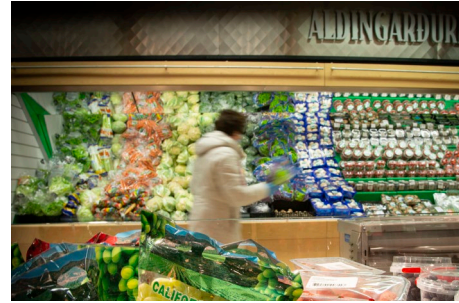
- **Earnings per share have been rising** in last quarters and the accumulated profit now is **3.47 ISK per share** for the last 12 months
- **The benefits of the first actions** related to strategic policy work and streamlining have **materialized in recent quarters**
- Continued focus on **projects that affect short-term operations**, but also on **larger projects that affect the medium and long-term operations**



# Status and prospects



- Problems in production and supply chains **causing price rise in imported goods in recent quarters**, especially in recent months - **continued increases expected**, due to the remaining COVID and the war in Ukraine
- **Rising food prices and other necessities are a global problem** that manufacturers, wholesalers and retailers need to work together **to solve responsibly**
- **The impact on Hagar's operations will primarily be related to changes in demand** for groceries and fuel due to a possible consumption changes that will lead to higher prices.
- Great **turmoil in world market fuel prices**
- Probability of a good tourist summer and **an increased number of tourists to Iceland**
- **The outlook for Hagar's operations is good - the financial position is strong** and the company is well placed to follow the changed emphasis in operations and related projects.
- **Management's guidance** for the operating year 2022/23 assumes **EBITDA in the range of 9.9 to 10.4 b.ISK** - Investment plan amounts to 4.0 b. ISK







# Disclaimer

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*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.*

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**hagar**

The logo for Hagar features the word "hagar" in a bold, lowercase, sans-serif font. The text is centered within a stylized, horizontal oval shape. The top and bottom curves of this oval are composed of two segments: a grey segment on the left and an orange segment on the right. The orange segment is slightly thicker than the grey one. The entire logo is positioned in the lower right quadrant of the page.