



# Presentation of Q2 results 2023/24

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October, 19<sup>th</sup>, 2023

\*This presentation is translated from the Icelandic version which was published on October 19<sup>th</sup>, 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

Q2 2023/24 (changes from Q2 2022/23)

**45.3** b.ISK.

sales

▲ 4,4%

**4,5** b.ISK.

EBITDA\*

▲ 2,4%

**2,1** b.ISK.

profit\*

▼ 12,4%

**21,9%**

gross margin

▲ 2,5%points

**12,5%**

salaries- and cost ratio

▲ 0,9%points

**36,3%**

equity ratio

▼ 1,9%points

\* One-off items regarding the Klasi transactions from LY: effect on EBITDA 966 m.ISK, effect on profit 773 m.ISK

# This stands out in the quarter

- **Hagar's operations proceeded well through the summer months**, both in groceries and fuel sections of the Group
- **Activities in groceries increase** measured in number of visits and sold units - total sale of **fuel litres increase slightly from last year**
- **Grocery supplies prices rise but fuel prices have decreased** between the years - changed pattern of price increases
- **Margin in ISK and as a percentage of turnover increases year-on-year** - world fuel market price causes rise in the margin ratio of the Group
- **Continued specific focus on efficiency in all operations and purchases** to reduce the need for stores price increases
- At the end of September, it was announced that the **manager of Bónus would retire at the end of the year** after more than 30 years with the company



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AÐFÖNG

Bananar

STÓRKAUP |

ELDUM  RÉTT

ZARA



## Stores and Warehouses: Revenue stronger and activities continue to increase

Income statement Q2 2023/24 (m.ISK)

- **Revenue** from groceries, specialty products and warehouses **increased by 14% between the years** and amounted to **30.8 b.ISK**
- **Revenue stronger as EBITDA amounted to 2.75 b.ISK** or 8.9% revenue - **just under 7% increase** between the years
- **Sold units in groceries increase** by 7% between the years - **customers visits increase** by 12.5% in the quarter
- **Extensive demand in Eldum rétt online store** and the quarter exceeding managements expectations - **enlargement of production space** completed
- **Prices increase from wholesalers and manufacturers are slower, but are still there** - significant **price increases in domestic production**
- **Warehouse operations, as before, proceeding well** at both Aðföng and Bananar

	Q2 '23/24	Q2 '22/23	Δ	%Δ
Income	30.775	26.989	3.786	+14,0%
Expenses	-28.025	-24.413	-3.612	+14,8%
<b>EBITDA</b>	<b>2.750</b>	<b>2.576</b>	<b>174</b>	<b>+6,8%</b>
<i>EBITDA %</i>	<i>8,9%</i>	<i>9,5%</i>	<i>-0,6%</i>	<i>-6,4%</i>
<b>EBIT</b>	<b>1.738</b>	<b>1.718</b>	<b>20</b>	<b>+1,2%</b>
<i>EBIT %</i>	<i>5,6%</i>	<i>6,4%</i>	<i>-0,7%</i>	<i>-11,3%</i>



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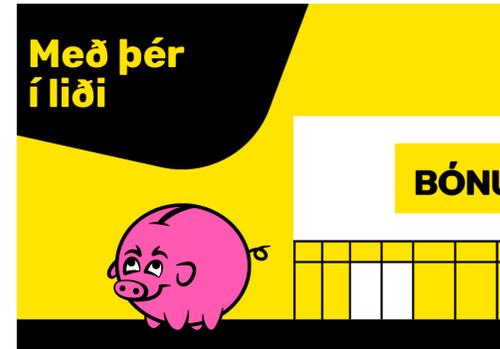
Bananar STÓRKAUP

ELDUM  RÉTT

ZARA

# **Bónus:** Extensive increase in visits and intensive revenue growth

- **Sales in Q2 amounted just over 22 b. ISK** and **rose by just under 19%** from the previous year - revenue also strengthens between the years
- **Activities continue to grow - number of customers and sold units increase** considerably between the years
- **Still tailwind with Bónus** following positive changes in the last quarters, **as of new and renovated stores, extended opening hours and new services**
- Bónus, again and again, **most often with the lowest price** according to ASÍ surveys
- **The self service solution „Gripið & Greitt“** received **very good receptions** and is now offered in **four storers**
- **New Bónus store in Holtagarðar** opened this **summer** instead of an older store that was closed - **considerable sales growth**
- **Construction of a new Bónus store at Miðhraun in Garðabær** proceeding well - planned to be opened in the coming weeks



## **Bónus:** Manager retires at the end of year...

- As announced at the end of September **Mr. Guðmundur Marteinnsson** will **retire from his post as Bónus Manager at the coming new year**
- **Guðmundur has worked at Bónus for over 30 years** but during this time he has **served almost all posts** at Bónus
- For the most part, though, of this time Guðmundur has **worked as the company's Manager, or from the year 1998**
- Guðmundur has **made profound imprint in the Icelandic retail history** and leaves, at the end of the year, Bónus as **a leading company in grocery retail in Iceland** - a company **respected and trusted by its customers** for offering from the beginning the most economical grocery basket in the country



## ***Bónus:*** Mr. Björgvin Víkingsson has been employed as Manager

- **Mr. Björgvin Víkingsson has been employed as Bónus Manager** from and including January 1<sup>st</sup> 2024
- **Björgvin has acquired a thorough knowledge of Bónus in the past months**, but from May 1<sup>st</sup> he has served as **assistant Manager and logistics manager at Bónus**
- **Björgvin's previous position was as Manager of Ríkiskaup** (Central Public Procurement) from the year 2020, but before he was employed a.o. at **international companies such as Maersk, Aasted, DT Group and Marel**
- **Björgvin has masters degree in logistics management from the ETH University in Zurich** and B.Sc. degree in environmental and construction engineering from the Icelandic University



# Hagkaup: Growing visits and continuing technical implementation

- Sales in Q2 amounted just over 5.6 b.ISK and grew by about 6% from the previous year - **revenue in line with plans and similar between the years**
- **Customers visits growing** between the years, but **sold units decrease** slightly
- **Emphasis on the use of technology and automation in operations** - implementation of **digital shelf labels in all stores** completed and **most of the orders for supplies to stores are automated**
- **Hagkaup's online store has gained good foothold** - **Hagkaup's party dishes** splendid addition and have had an excellent start
- Hagkaup is **the first national store chain where environmentally friendly refrigerants (carbon dioxide) are used for all coolers**
- **Extensive preparations are underway for the Christmas session**, but **November and December are the largest** months of the year at Hagkaup

## HAGKAUP



# Olís: Strong sales in retail and to bulk users - revenue improves



Income statement Q2 2023/24 (m.ISK)

- **Revenue in Q2 amounted to 15.1 b.ISK** and decreased by 17% between the years - World fuel market price lower than in the previous year
- **EBITDA amounted to 1,722 m.ISK (11.4%)** and decreases in ISK between the years - about **64% increase in EBITDA with regard to 745 m.ISK one-time items** related to Klasi last year
- **Robust fuel sales to bulk users but also on the retail market**, but the quarter was one of the largest in the history of Olís - extensive **increase in dry products** on retail and corporate markets
- **Margin and revenue exceeding plans** - explained a.o. by **increase of world fuel market price** in the summer months, **efficient inventory management and benefits from currency hedging**
- **Profitability due to organisational changes fully realised in operations** - operational costs unchanged despite considerable wage increases and inflation
- **Update of the new financial system and technical infrastructure mostly completed** - basis for digital development at Olís

	Q2 '23/24	Q2 '22/23	Δ	%Δ
Income	15.103	18.134	-3.031	-16,7%
Expenses	-13.381	-16.341	2.960	-18,1%
<b>EBITDA</b>	<b>1.722</b>	<b>1.793</b>	<b>-71</b>	<b>-4,0%</b>
<i>EBITDA %</i>	<i>11,4%</i>	<i>9,9%</i>	<i>+1,5%</i>	<i>+15,3%</i>
<b>EBIT</b>	<b>1.490</b>	<b>1.646</b>	<b>-156</b>	<b>-9,5%</b>
<i>EBIT %</i>	<i>9,9%</i>	<i>9,1%</i>	<i>+0,8%</i>	<i>+8,7%</i>



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# Increased activities and strong revenue in Q2

Income statement Q2 2023/24 (m.ISK)

- **Sales in Q2 grew** by 4.4% between the years or by 1.9 b.ISK
- **Margin in ISK** amounted to 9.9 b.ISK and **grew by 18.1% in Q2**
- **Margin ratio increased** by 2.5% points which largely **can be attributed to Olís' bulk users** - margin ratio for groceries remains unchanged
- **Profit from sale of assets last year** tints annual comparison due to the Klasi transactions amounting to 966 m.ISK
- **EBITDA increased by 2.4% in Q2** - if one-time items in the previous year are excluded **the EBITDA increased by 31.4% between the years**
- **Profit** amounted to 2.1 b.ISK and **decreased by 12.4%** from the previous year

	Q2 '23/24	Q2 '22/23	Δ	%Δ
Sales	45.309	43.399	1.910	+4,4%
<b>Gross profit</b>	<b>9.903</b>	<b>8.383</b>	<b>1.520</b>	<b>+18,1%</b>
Other operating income	210	1.029	-819	-79,6%
Salaries	-3.881	-3.438	-443	+12,9%
Other operating expenses	-1.760	-1.605	-155	+9,7%
<b>EBITDA</b>	<b>4.472</b>	<b>4.369</b>	<b>103</b>	<b>+2,4%</b>
Depreciation	-1.353	-1.099	-254	+23,1%
Net finance expense	-639	-426	-213	+50,0%
<b>Profit for the period</b>	<b>2.084</b>	<b>2.378</b>	<b>-294</b>	<b>-12,4%</b>

# Excellent first half year behind with margin improvements

## Income statement 6M 2023/24 (m.ISK)

- **Sales in 6M grew** by 6.4% between the years or by 5.2 b.ISK
- **Stores and warehouse sales increase** amounted to 16.5% but 11.4% **reduction observed at Olís**
- **The margin ratio** amounted to 20.7% and increased by 1.2% points from previous year - **sited in the fuel section of the Group** but in groceries the margin ratio has decreased slightly
- **EBITDA for stores and warehouses** grew by 11.9% but **Olís' EBITDA** declined by 22.1%, mainly due to one-time items from the previous year
- **Depreciations increase by 17.1% between the years**, a.o. due to stores renovations and alternations
- **Financial expenses grew** by 30.4% along with inflation and rising interest rates

	6M '23/24	6M '22/23	Δ	%Δ
Sales	86.799	81.612	5.187	+6,4%
<b>Gross profit</b>	<b>17.975</b>	<b>15.947</b>	<b>2.028</b>	<b>+12,7%</b>
Other operating income	404	1.231	-827	-67,2%
Salaries	-7.813	-6.881	-932	+13,5%
Other operating expenses	-3.573	-3.260	-313	+9,6%
<b>EBITDA</b>	<b>6.993</b>	<b>7.037</b>	<b>-44</b>	<b>-0,6%</b>
Depreciation	-2.482	-2.120	-362	+17,1%
Net finance expense	-1.265	-970	-295	+30,4%
<b>Profit for the period</b>	<b>2.737</b>	<b>3.304</b>	<b>-567</b>	<b>-17,2%</b>

# Margin ratios give in due to last years one-off items

Operational key factors (6M 2019/20 – 6M 2023/24)

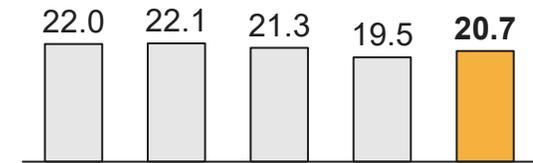
- **Continuing excellent turnover growth between the years** - propelled by increased activity and the effects of inflation
- **The margin ratio increases** now between the years for the first time since 2020/21, impact from stronger operations at Olís mainly due to the effect of **world fuel market price**
- **Labour and coast ratios** give in compared to last year - **impact from extensive wage and cost increases** in recent quarters
- **EBITDA ratio** 8.1% in Q2 and **profit percentage** 3.2% - impact from the Kvika transactions last year distorts comparison between the years

Sales and gross margin

Sales (b.ISK.)

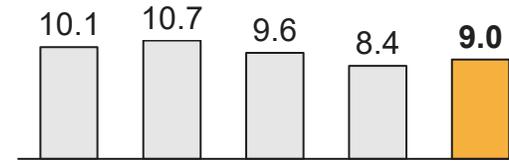


Gross margin (%)

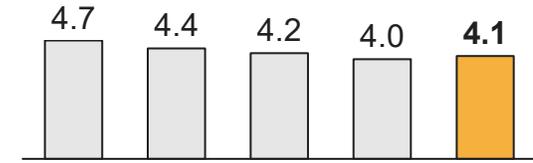


Operating cost

Salaries (%)

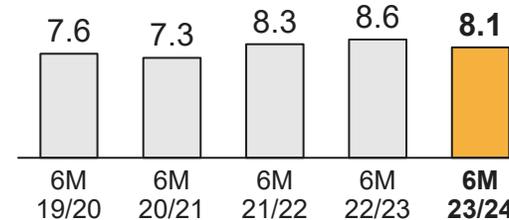


Other operating cost (%)

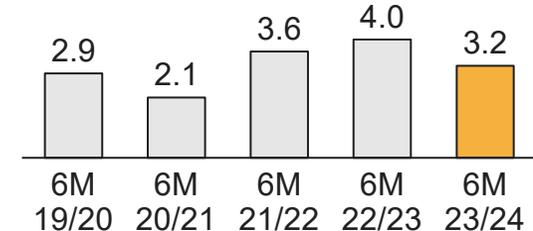


Profit

EBITDA (%)



Profit (%)



# Strong cash flow and cash 2.7 b.ISK at the end of the period

Cash flow statement 6M 2023/24 (m.ISK)

- **Cash from operations** for the period amounted to 5.8 b.ISK and grew compared to previous year by 1.0 b.ISK
- **Investment in properties** amounted to 1.4 b.ISK in the quarter - largest part due to Norðlingabraut in Reykjavík
- **Investment in opening of new Bónus stores** at Norðlingabraut and at Holtagarðar, **new Olís service station** at Fitjar including other projects
- **Repurchase of own shares** in the first half of the year amounted to 833 m.ISK and **dividend payment** to 2.5 b.ISK
- **Cash decreased** by 143 m.ISK in the first half year and amounted to 2.7 b.ISK at the end of the period

	6M 2023/24	6M 2022/23	Change
Profit for the period	2,737	3,304	-567
Adjustments	4,145	2,774	1,371
<b>Working capital</b>	<b>6,882</b>	<b>6,078</b>	<b>804</b>
Change in current assets	-1,123	-3,066	1,943
Change in current liabilities	1,448	2,732	-1,284
Interest and taxes paid	-1,421	-989	-432
<b>Cash prov. by operating activities</b>	<b>5,786</b>	<b>4,755</b>	<b>1,031</b>
Investment activities	-3,127	-857	-2,270
Financing activities	-2,802	-2,586	-216
<b>Change in cash</b>	<b>-143</b>	<b>1,312</b>	<b>-1,455</b>
<b>Net cash at the end of the period</b>	<b>2,726</b>	<b>2,095</b>	<b>631</b>

# Strong economy at the end of the period

Balance sheet 31<sup>st</sup> August 2023 (m.ISK)

- **Fixed assets increased** by 2.5 b.ISK from years end 2022/23
- **Current assets** amounted t. 22.5 b.ISK and **increased** by 966 m.ISK from years end 2022/23
- **Inventories decreased** by 697 m.ISK from years end 2022/23 due to lower inventory price of fuel - **inventory turnover** 11.0 compared to 10.8 in the last year
- **Credit period of trade receivables** is now 12.9 days compared to 12.0 days last year
- **Equity** amounted to 27.4 b.ISK at the end of the period and the company held no **own shares**
- **Interest-bearing short term liabilities** amounted to 5.0 b.ISK but there of a short time **credit line** amounted to 1.6 b.ISK and **promissory notes** to 2.9 b.ISK

	31. 8. 2023	28. 2. 2023	%Δ		31. 8. 2023	28. 2. 2023	%Δ
Property, plant and equipment	22.386	21.236	+5%	Borrowings	11.891	11.829	+1%
Intangible assets	12.693	12.430	+2%	Lease liabilities	7.530	7.056	+7%
Other non-current assets	17.937	16.836	+7%	Income tax	2.855	2.216	+29%
<b>Non-current assets</b>	<b>53.016</b>	<b>50.502</b>	<b>+5%</b>	<b>Non-current liabilities</b>	<b>22.276</b>	<b>21.101</b>	<b>+6%</b>
Inventories	12.020	12.717	-	Borrowings	4.966	3.325	+49%
Trade receivables	7.725	5.919	+31%	Lease liabilities	2.125	2.012	+6%
Cash	2.726	2.869	-5%	Trade payables	18.739	17.638	+6%
<b>Current assets</b>	<b>22.471</b>	<b>21.505</b>	<b>+4%</b>	<b>Current liabilities</b>	<b>25.830</b>	<b>22.975</b>	<b>+12%</b>
<b>Total assets</b>	<b>75.487</b>	<b>72.007</b>	<b>+5%</b>	<b>Total liabilities</b>	<b>48.106</b>	<b>44.076</b>	<b>+9%</b>
<b>Liabilities and equity</b>	<b>75.487</b>	<b>72.007</b>	<b>+5%</b>	<b>Total equity</b>	<b>27.381</b>	<b>27.931</b>	<b>-2%</b>

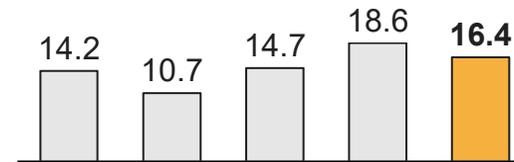
# Equity ratio approaching the board's objectives

Economic key factors (6M 2019/20 – 6M 2023/24)

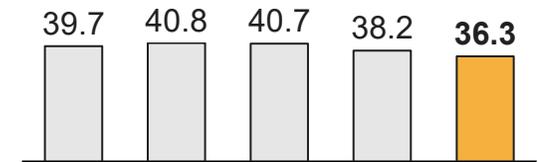
- **Return on equity 16.4%** the last 12 months
- **The equity ratio** at the end of Q2 was 36.3% and approaching the **objective of the Board**
- **Net interest bearing liabilities** at the end of Q2, including leasing liabilities, amounted to 23.8 b.ISK. or 2.0 x 12 months EBITDA
- **The current ratio** at the end of Q2 was 0.87 compared to 0.99 at the end of Q2 the previous year
- **The cash conversion cycle** was 13.0 days compared to 13.7 days the year before
- **The assets turnover ratio** was 2.3 at the end of Q2 compared to 2.2 at the end of Q2 the previous year

Shareholders return

Return on equity (%)

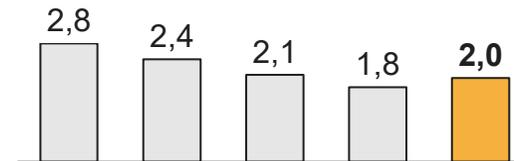


Equity ratio (%)

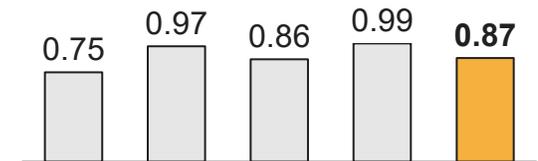


Risk in operations

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

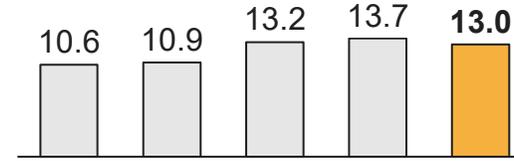


Current ratio<sup>2</sup>

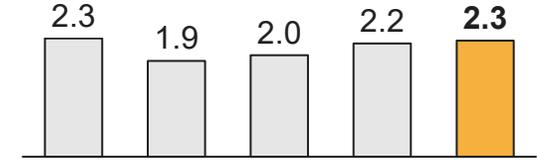


Efficiency of assets

Cash conversion cycle (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

# Overview

Highlights from operations

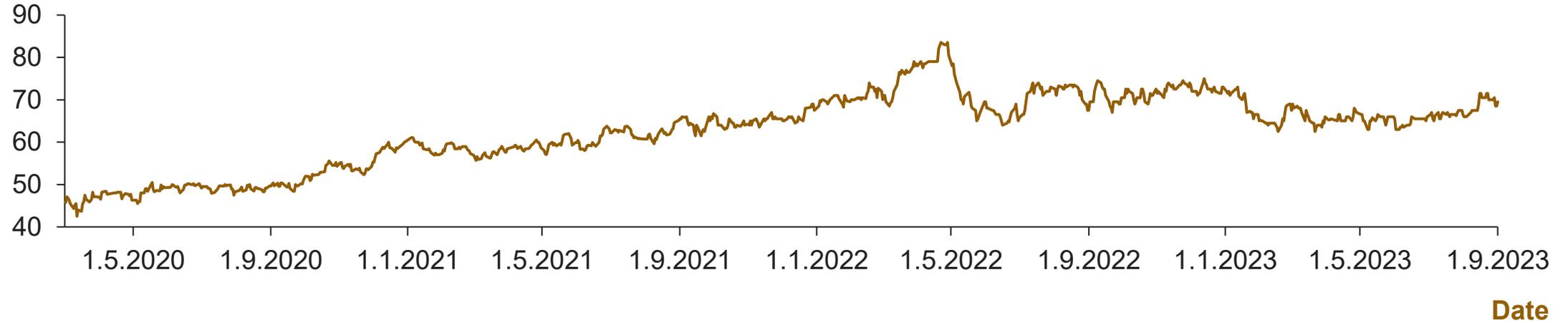
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# Market price and largest shareholders

## Market price

Closing price 31.08.2023: 68.5 ISK / share



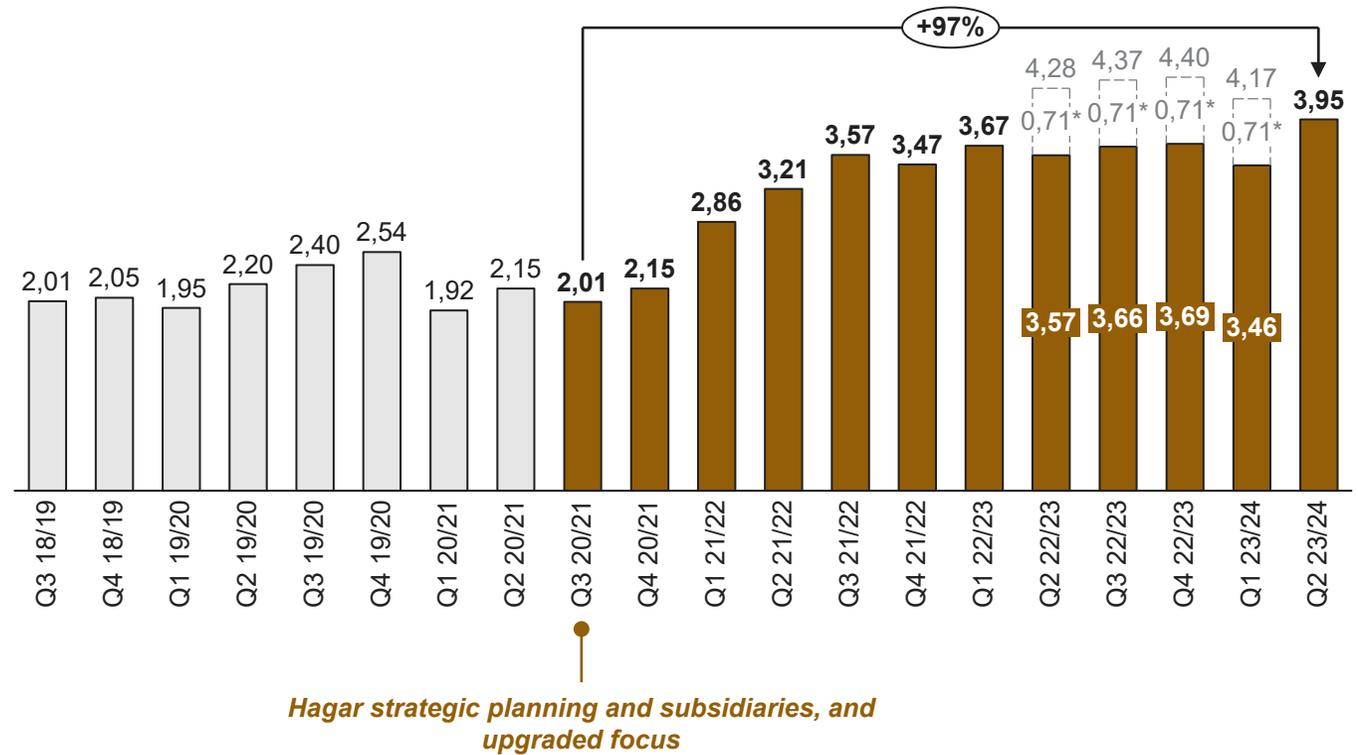
## Largest shareholders, shares held at end of 31.08.2023

1. Gildi – Pension fund	19,8%	6. Kaldbakur ehf.	4,6%
2. The Pen.fund for state employees	11,3%	7. Festa – Pension fund	4,5%
3. The Pension fund of commerce	10,7%	8. Stapi Pension fund	3,6%
4. Brú pen. fund, municipalities employees	8,3%	9. SL Pension fund	3,0%
5. Birta Pension fund	8,3%	10. Icelandic securities - accounts	2,8%

# 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 **3.95 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**



\* Effect of Klasi transaction

# Status and prospects



- **Operations have been successful** in the last few month and **future prospects are good** :
  - General growth in number of customers and sold units
  - Most economical grocery basket
  - New pillars in operations (e.g. Eldum rétt)
  - Continuation in optimising operations
- **The financial status of the Group is strong** and short and long time **financing is secured**
- **Mr. Björgvin Víkingsson** will replace **Mr. Guðmundur Marteinson** as **Bónus Manager** from next new year
- **Diverse factors will affect operations but how is uncertain**, a.o. price of supplies, raw materials markets, exchange rate, inflation and interests - **labour agreements are important undertakings**
- **Management's revenue forecast** for the operational year 2023/24 estimates the EBITDA to be in the range of **12,250 - 12,750 m.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 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.