



SALES IN Q1 INCREASED BY 19% AND PROFIT AMOUNTED TO 926 M.ISK

Hagar's results for the 1st quarter 2022/23

The Consolidated Interim Financial Statements of Hagar plc. for the first quarter of 2022/23 were approved by the company's board of directors and the CEO at a board meeting on June 30th 2022. The statements cover the period from March 1st to May 31st 2022. The consolidated interim financial statements include the consolidated financial statements of the company and its subsidiaries and are prepared in accordance to international standards (IFRS). The statements have neither been reviewed nor audited by the company's auditors, PricewaterhouseCoopers Ltd.

Key figures

- **Sales** in Q1 amounted to 38,213 m.ISK. (19.3% growth from Q1 2021/22). [Q1 2021/22: 32,034 m.ISK]
- **Gross margin** in Q1 amounted to 7,564 m.ISK (19.8%). [Q1 2021/22: 6,849 m.ISK (21.4%)]
- **Earnings before interest, taxes and depreciation (EBITDA)** in Q1 was 2,668 m.ISK or 7.0% of sales. [Q1 2021/22: 2.278 m.ISK. (7.1%)]
- **Profit** in Q1 amounted to 926 m.ISK or 2.4% of sales. [Q1 2021/22: 727 m.ISK (2.3%)]
- **Basic earnings per share** in Q1 was 0.82 ISK [Q1 2021/22: 0.63 ISK.]. **Diluted profit per share** in Q1 was 0.81 ISK [Q1 2021/22: 0.63 ISK]
- **Equity** amounted to 27,152 m.ISK at the end of the period and **equity ratio** 40.2%. [Year end 2021/22: 26,726 m.ISK and 41.0%]
- **Management's guidance** for the operating year 2022/23 was recently updated and assumes that EBITDA will be 10,200-10,700 m.ISK, excluding the effect due to the Klasi acquisition.

Operational key points

- **Operation in the first quarter was successful**, with a 19% increase in sales between the years and a total profit of 27% over the previous year.
- **Units sold in grocery stores rise** between the years and **customer visits also increased** as well by just over 10% during the quarter. **The volume increase in fuel litres** in Q1 is just over 17%.
- **Gross margin in ISK increases** by 10.4% between the years, but **the margin ratio decreases** by 1.6 percentage points, mainly due to increased fuel sales to bulk users and an increase in world market prices.
- **Extended opening hours in Bónus stores** continues to return growth in number of customers and increased sales.
- The impact of the COVID-19 has diminished, but **various setbacks in food production and the supply chain exists**, due to the consequences of the pandemic and the war in Ukraine - has led to **rising supply prices and increased the likelihood of goods shortages** in individual product categories.
- In March 2022, agreements were finalised on **Hagar's purchase of all shares in Eldum rétt Ltd.** The acquisition is subject to the CA's approval.
- In June 2022 **Hagar signed a settlement with the Competition Authority** due to the purchase of new shares in Klasi Ltd.



Finnur Oddsson, CEO:

Hagar's operations in the first quarter of the operating year 2022/23 proceeded well and is characterised by a.o. continued income growth and impressive results. Sales increased by 19% compared to the same period last year and amounted to 38.2 b.ISK, the EBITDA amounted to 2,668 m.ISK and profit was 926 m.ISK.

The residue of the COVID-19 and the war in Ukraine had slight effect on the operations and explain the rise in supply prices, both in groceries and fuel, and revenue growth to some extent. Hagar's improved performance between the quarters can largely be attributed to Olís' operations, which returned significantly better results than last year. There are real benefits due to several factors, i.e. streamlining of Olís' operations in recent quarters, a change of emphasis in operation of service stations, an increase in the number of foreign tourists and an extensive activity increase among bulk users, a.o. in fishery and service to tourism. Olís' product sales margin increased in ISK terms in line with increased volumes, but decreased as a percentage of revenue. The main factors are a sharp rise in world oil prices and a significant increase in sales to bulk users.

Revenue from the grocery sales in Bónus and Hagkaup increased by almost 6% during the quarter, the number of units sold increased slightly and customer visits increased considerably. The revenue increase can partly be attributed to an increase at Bónus and partly to higher goods prices, but the supply price from producers and suppliers continued to rise during the quarter, for the aforementioned reasons. The result in grocery sales was similar between years.

The work on changing the focus of Hagar's operations continued during the quarter and proceeded well. There can a.o. mention changes in Olís' brand and alteration of the retail section operations, simplification of Olís' corporate section and the establishment of a new business division, Stórkaup, in May. New emphases and extended opening hours at Bónus have also returned good results, involving more stores and are well reflected in a new and elegant store that opened in Akureyri in May. Hagar's acquisition of the share in Klasi was approved by the Competition Authority, but the acquisition is part of increased focus of Hagar's management on sales of groceries and fuel and at the same time strengthening the revenue on the basis of the company's development assets. Negotiations were concluded on Hagar's purchase of Eldum rétt Ltd., which are primarily intended to respond to changing consumption behaviour and increased emphasis on healthy and simple solutions for the customers. Work on digital projects is proceeding well, on the one hand to ensure improvement of basic operation of information systems and on the other hand to strengthen customer service, e.g. with the ongoing development of online stores for Hagkaup and Stórkaup.

We are pleased with Hagar's results in this first quarter of the operating year. Overall, these progressed well and, as in the last quarters, we now benefit from measures to increase operating efficiency. Due to rising supply prices resulting from, among other things, the war in Ukraine, it is clear that there are challenging times ahead in retail business. As before, our most important task will be to ensure the supply of necessities and to pay special attention to the efficiency of all our operations, especially to offset the price escalations in necessities that are currently taking place both in Iceland and abroad.

The recently updated revenue forecast assumes that the Group's EBITDA for the current operating year will be in the range of 10,200 - 10,700 m.ISK, excluding the effect due to Klasi transactions.

The Group's Consolidated Statement of Comprehensive Income

in ISK million	Q1 2022/23	Q1 2021/22	Change	%
	01.03-31.05	01.03-31.05		
Sales	38.213	32.034	6.179	19,3%
Cost of goods sold	(30.649)	(25.185)	(5.464)	21,7%
Gross profit	7.564	6.849	715	10,4%
Gross profit %	19,8%	21,4%	-	-1,6%
Other operating income	202	184	18	9,8%
Salaries and related expenses	(3.443)	(3.250)	(193)	5,9%
Other operating expenses	(1.655)	(1.505)	(150)	10,0%
Profit from operating activities before depreciation and amortisation (EBITDA)	2.668	2.278	390	17,1%
EBITDA %	7,0%	7,1%	-	-0,1%
Depreciation and amortisation	(1.021)	(1.005)	(16)	1,6%
Profit from operating activities (EBIT)	1.647	1.273	374	29,4%
Net finance expense	(544)	(390)	(154)	39,5%
Effect of results of associates	44	31	13	41,9%
Profit before income tax	1.147	914	233	25,5%
Income tax	(221)	(187)	(34)	18,2%
Comprehensive income for the period	926	727	199	27,4%
Total comprehensive income for the period is attributable				
Shareholders of Hagar hf.	926	717	209	29,1%
Non-controlling interest	--	10	(10)	-
	926	727	199	27,4%

Comprehensive income for Q1 2022/23

Sales in Q1 of the operating year amounted to 38,213 m.ISK, compared to 32,034 m.ISK the year before. Sales growth between years amounted to 19.3%. The growth in stores and warehouses sales was 5.7% and the growth in sales at Olís was 57.6%.

The number of units sold in grocery stores increased by 1.6% and customer visits rose by 10.3%. The volume growth in Q1 in fuel litres at Olís was 17.2%.

The Group's gross profit was 7,564 m.ISK, compared to 6,849 m.ISK the year before, or an increase amounting to 10.4%. The margin ratio decreased, however, to 19.8%, compared to 21.4% in the previous year. Margin in ISK in Q1 increases mainly due to volume growth of fuel sales to bulk users at Olís, which also explains the declining margin ratio.

Salaries expenses rose by 5.9% between the years, but the salary ratio decreased from 10.1% to 9.0% during the quarter.

Other operating expenses increased by 10.0% between the years, but the cost ratio is 4.3% compared to 4.7% the year before. The increased operating costs are mainly explained by work on updating Hagar's brands, a rise in fuel costs and index-related costs such as rent.

Earnings before interests, taxes and depreciation (EBITDA) amounted to 2,668 m.ISK, compared to 2,278 m.ISK the year before. The EBITDA ratio was 7.0%, compared to 7.1% in the previous year. EBITDA of stores and warehouses decreased by 5.8% between the years, while EBITDA Olís increased by 171.2%, or from 295 m.ISK to 800 m.ISK.

The total profit for the period amounted to ISK 926 million, which is equivalent to 2.4% of sales, while the total profit for the previous year was ISK 727 million or 2.3% of sales.

The Group's Consolidated Financial Statement

in ISK million	31.05.2022	28.02.2022	Change	%
Assets				
Non-current assets	45.539	45.064	475	1,1%
Current assets	19.657	17.740	1.917	10,8%
Assets held for sale	2.388	2.388	--	-
Total assets	67.584	65.192	2.392	3,7%
Equity and liabilities				
Share capital	1.133	1.139	(6)	-0,5%
Other equity	26.019	25.587	432	1,7%
Equity total	27.152	26.726	426	1,6%
Non-current liabilities	21.696	20.950	746	3,6%
Current borrowings	449	451	(2)	-0,4%
Other payables	18.287	17.065	1.222	7,2%
Total liabilities	40.432	38.466	1.966	5,1%
Total equity and liabilities	67.584	65.192	2.392	3,7%

Financial key figures 31.05.2022

- The Group's total assets at the end of the period amounted to 67,584 m.ISK and grew by 2,392 m.ISK from the end of 2021/22.
- Non-current assets amounted to 45,539 m.ISK and increased by 475 m.ISK from the end of 2021/22.
- Current assets, including assets held for sale, were 22,045 m.ISK and grew by 1,917 m.ISK from the end of 2021/22.
- Inventory at the end of the quarter was 12,235 m.ISK and inventory turnover 10.6. Inventory has grown by 3,245 m.ISK from the end of Q1 2021/22, but the increase in inventory can almost entirely be attributed to higher fuel inventory, which is caused by a sharp fuel price rise between years and increased activity. The inventory turnover last year was 11.2. Inventory has increased by 1,528 m.ISK from the end of 2021/22, for the same reason as outlined above.
- Receivables decrease by 41 m.ISK during the period and the credit period of receivables is now 11.5 days, compared to 10.8 days last year.
- The current ratio is 1.18 and the liquidity ratio 0.52 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.
- Equity at the end of the period was 27,152 m.ISK and the equity ratio 40.2%. Return on equity was 16.2%. The equity ratio at the end of the last operating year was 41.0% and return on equity was 15.9%. The company held 21.6 m.ISK in own shares at the end of the period.
- The Group's total liabilities at the end of the first quarter amounted to 40,432 m.ISK of which interest-bearing debt was 12,238 m.ISK and leasing liabilities 9,317 m.ISK. Net interest-bearing debts, including leasing liabilities, at the end of the period was 20,342 m.ISK or 1.9 x 12 months EBITDA. Net interest-bearing debt, excluding leasing liabilities, was 1.0 x 12 months EBITDA.



The Group's Consolidated Cash Flow Statement

in ISK million	Q1 2022/23	Q1 2021/22	Change	%
	01.03-31.05	01.03-31.05		
Net cash provided by operating activities	1.970	2.507	(537)	-21,4%
Net cash used in investing activities	(504)	(438)	(66)	15,1%
Net cash used in financing activities	(1.036)	(1.126)	90	-8,0%
Net increase in cash and cash equivalents	430	943	(513)	-54,4%
Cash and cash equivalents at beginning of the	783	388	395	101,8%
Cash and cash equivalents at the end of the	1.213	1.331	(118)	-8,9%

Cash flow the first three months of the operating year 2022/23

- Net cash from operations in the first quarter amounted to 1,970 m.ISK compared to 2,507 m.ISK in the previous year, but the decrease in cash between years can a.o. be attributed to rising inventory where fuel prices per litre have risen sharply in recent months.
- Investing activities for the period were 504 m.ISK compared to 438 m.ISK last year. Investment in equipment and interior furnishings amounted to 479 m.ISK during the quarter, which among others is due to the opening of a new Bónus store at Norðurtorg in Akureyri and the renovation of Olís service stations.
- Financing activities for the period were 1,036 m.ISK, compared to 1,126 m.ISK last year.

Status and future prospects

The impact of the COVID-19 pandemic on the Group's operations has changed and declined in the first quarter of 2022/23 compared to the last two operating years. The operation is beginning to approach normal season and is no longer affected by disease control measures. Travel of Icelanders abroad has increased and the number of foreign tourists in Iceland has grown, which affects demand in the markets for groceries and fuel. However, there are still some complications in food production and in the supply chain, both due to the consequences of the pandemic and the war in Ukraine that began in February 2022, which has led to an increase in the supply prices and a possible shortage of goods in individual product categories. Hagar will, as before, closely monitor the situation and seek all means to ensure its customers goods and services at the most efficient price.

The management's recently updated guidance for the operating year 2022/23 assumes that operating profit before depreciation (EBITDA) will be in the range of 10,200-10,700 m.ISK, excluding the effect due to the acquisition of Klasi. The Group's financial position is strong and long-term financing is secured. There is also access to short-term financing in the form of credit lines, in the amount of 4.5 b.ISK and 12.5 m.USD is secured.

On June 10th 2022, Hagar signed a settlement with the Competition Authority concerning the company's purchase of new shares in the property development company Klasi Ltd. The settlement includes three provisions that Hagar accepts to abide by. The merger will be implemented in the coming weeks. The financial effect of the transaction is expected to materialise in Q2 of 2022/23, but the estimated effect of realised sale profit on assets, less estimated selling costs, on EBITDA is 940 m.ISK and the estimated result on the company's after tax profit is around 750 m.ISK.



Share capital and shareholders

- Hagar's market value at the end of the period was 80.2 b.ISK and the closing price on May 31st 2022 was 69.5 ISK / share.
- Hagar's registered share capital at the end of the period amounted to 1,154 m.ISK. The company held 21.6 m.ISK own shares at the end of the period.
- On June 1st 2022, the Annual General Meeting decided to reduce the company's share capital by the annulment of own shares to the nominal value of 21.6 m.ISK. The reduction was implemented on June 23rd 2022, reducing Hagar's share capital from 1,154 m.ISK nominal value to 1,133 m. ISK nominal value.
- The Annual General Meeting also decided to pay dividends to shareholders for the previous year, which amounted to 2.00 ISK per share or 2,266 m.ISK. The dividend was paid on June 15th 2022.
- On the basis of the approval of the Annual General Meeting from June 1st 2022, Hagar's Board of Directors has decided to initiate a buy-back program in the amount of 500 m.ISK for the purpose of reducing the company's issued share capital. The implementation of the buy-back program will be announced in more detail in the next few days.
- The number of shareholders was 986 at the beginning of the period and 1,025 at the end. The company's 10 largest shareholders owned 73.1% of the company at the end of the quarter.

Online presentation July 1st 2022

An online presentation for market participants and shareholders will be held on Friday July 1st at 8:30. The meeting will be cast online, where Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and results as well as answer questions.

Questions referring to the statements will be accepted during the meeting to the e-mail address: fjarfestakynning@hagar.is and will be answered as possible at the end of the meeting.

The meeting will be streamed and registration for the meeting is here: <https://www.hagar.is/skraning>

Presentation papers will be available on Hagar's website, www.hagar.is, at the commencement of the meeting.

Financial calendar 2022/23

Financial information will be published after the market closes.

Accounting period	Weekday	Publication day
Q2 – March 1 st to August 31 st	Wednesday	October 19 th 2022
Q3 – March 1 st to November 30 th	Wednesday	January 11 th 2023
Q4 – March 1 st to February 28 th	Thursday	April 27 th 2023
Annual General Meeting 2023	Thursday	June 1 st 2023

For further information contact Finnur Oddsson, CEO (fo@hagar.is) and Guðrún Eva Gunnarsdóttir, CFO (geg@hagar.is), by telephone 530-5500 or email.

This press release is translated from the Icelandic version which was published on June 30th, 2022. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.