



Presentation of results for 3rd quarter 2022/23

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*This presentation is translated from the Icelandic version which was published on January 13th, 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

Q3 2022/23 (changes from Q3 2021/22)

40.2 b.ISK

sales

▲ 19.9%

2.6 b.ISK

EBITDA

▲ 2.5%

0.9 b.ISK

profit

▲ 8.2%

18.2%

margin ratio

▼ 2.5%pt.

13.2%

salaries- and costs ratio

▼ 0.3%pt.

37.8%

equity ratio

▼ 2.5%pt.

This stands out in the quarter

- **Hagar's operations excellent during the quarter** with continued turnover growth compared to the same period last year - results improve due to one-off-items
- **Activity in grocery retail continues to increase**, measured in units sold and number of customers - sales in **fuel litres decrease slightly**
- **Margin in ISK increases** between the years, but **the Group's margin ratio decreases** - higher world fuel market price compared to the previous year, but the margin ratio of grocery products has also decreased
- **Continued significant increases in supply prices from wholesalers and manufacturers**, a.o. due to declining exchange rate and increased production costs - a special focus on purchasing efficiency and operations to counteract price increases
- **Labour agreements affect operations in the 3rd quarter due to retroactivity** to November 1st - the impact on Hagar's operations is somewhat greater than in SA's cost estimate
- Hagar **took over the operation of Eldum rétt on November 1st**, and will observe the effects of the merger in the group's operations and finances from that time on.



HAGKAUP

olis

AÐFÖNG

Bananar

STÓRKAUP |

ELDUM  RÉTT

ZARA



Stores and warehouses : Increased activity but revenue decreases

Income statement Q3 2022/23 (m.ISK)

- **Revenue** from groceries, specialty articles and warehouses **increased just over 13% between the years and amounted to 26.2 b.ISK** - **EBITDA** was almost **1.8 b.ISK (6.7%)**
- **EBITDA decreases by 8%** compared to Q3 2021/22
- **Continued price escalations from wholesalers and producers** - rising production costs and weakening of the exchange rate put pressure on margin
- **Noticeable change in shopping patterns in grocery retail** - customers shift their purchases to cheaper options
- **Sold items** in grocery retail **increases by 7%** and **customers visits by 15%**
- **Considerable revenue growth at Bananar and Aðföng** - improvements in fresh food procurement and quality control bringing increased quality to stores
- **Revenue growth and improved results at ZARA** and the development of **Stórkaup** proceeding as planned
- **Extensive demand** for food packages from **Eldum rétt**

	Q3 '22/23	Q3 '21/22	Δ	%Δ
Income	26.217	23.168	3.049	+13,2%
Expenses	-24.459	-21.259	-3.200	+15,1%
EBITDA	1.758	1.909	-151	-7,9%
<i>EBITDA %</i>	<i>6,7%</i>	<i>8,2%</i>	<i>-1,5%</i>	<i>-18,6%</i>
EBIT	882	1.088	-206	-18,9%
<i>EBIT %</i>	<i>3,4%</i>	<i>4,7%</i>	<i>-1,3%</i>	<i>-28,4%</i>



HAGKAUP



Bananar

STÓRKAUP

ELDUM  **RÉTT**

ZARA

Bónus: Customers have confidence in Bónus - new stores this summer

- **Sales in Q3 amounted to just under 18.1 b.ISK** and grew by 19% from the previous year
- **Number of customers and sold units still increases considerably between the years** - reflects the confidence customer have in Bónus to offer the most economical option in food articles
- Bónus **makes it easier for customers to choose cheaper alternatives in each product category** - switching from well-known brands to cheaper
- Bónus, as before, **most often with the lowest price**, according to surveys
- **Two new stores** open in the coming summer months, at **Norðlingaholt** and **Holtagarðar**
- **Christmas sales excellent - record number of customers** in the year 2022 (January to December)



Hagkaup: Improved online store and new exciting business partners

- Sales in Q3 amounted to just over 5.6 b.ISK, compared to last year
- Sold units decrease slightly between the years but visits increase - pleasant in the light of more extensive travel of nationals abroad
- Upgrading of stores in progress - Skeifan with a new look and all refrigeration in Garðabær is environmentally friendly
- The 17 Sortir opening in Hagkaup at Smáralind was well received by customers - a new and elegant department for "party merchandises" in collaboration with Confetti Sisters
- Continued development of Hagkaup's online store, but cosmetics, toys and selected specialty products have already arrived - extensive activity in the weeks before Christmas
- Lemon has opened new restaurant in Hagkaup Garðabær, Skeifa and Smáralind - Kringlan next
- Hagkaup's glazed ham rack sold out before Christmas - the most popular Christmas dish.

HAGKAUP



Olís: Revenue increase and continuing alteration work



Income statement Q3 2022/23 (m.ISK)

- **Revenue in Q3 amounted to 14.8 b.ISK** and grew by 35% between the years - **EBITDA amounted to 840 m.ISK (5.7%)**, slightly above the previous year
- **The results of the quarter and comparison to Q3 2021/22 are tinted by positive one-off-items** - taking these into account, the results decreased
- **Fuel sales on the retail market increased**, as did sales of dry products, but **the activity of bulk users decreased** - total sales of fuel litres **decreased by 2.6%**
- **Three Olís service stations converted into ÓB self-service stations** - cooperation with new operators at the locations in question
- **Construction has begun on a new Olís service station in Reykjanesbær** - station renovations continue and even **more service stations have received the new Olís look**
- **A new supporting agreement signed between Olís and Landsbjörg association for search, rescue & injury prevention** - Olís has been one of the main sponsors of the activity for the past decade

	Q3 '22/23	Q3 '21/22	Δ	%Δ
Income	14.833	10.993	3.840	+34,9%
Expenses	-13.993	-10.367	-3.626	+35,0%
EBITDA	840	626	214	+34,2%
<i>EBITDA %</i>	<i>5,7%</i>	<i>5,7%</i>	<i>-0,0%</i>	<i>-0,6%</i>
EBIT	665	365	300	+82,2%
<i>EBIT %</i>	<i>4,5%</i>	<i>3,3%</i>	<i>+1,2%</i>	<i>+35,0%</i>



The Group: Changed organisation of Hagar - new fundamentals in operation

- During the past year, work was done on **changes to the composition of Hagar in accordance with the formulated strategy**
- **New supports in Hagar's operations** which can especially be mentioned are:
 - **Klasi:** One-third share purchased in Klasi to place development assets in a defined channel where development receives the undivided attention of professionals
 - **Eldum rétt:** Eldum rétt purchased to increase offered service by Hagar, both in the capital area and in the countryside
 - **Stórkaup:** Stórkaup established to make use of the infrastructure even better and offer operating, healthcare and food products to the ever-growing market of bulk users
 - **Online store:** Online store with cosmetics, toys and selected specialty products at Hagkaup for increased service, coverage and efficiency
- It is expected that the above units will deliver **operational benefits** in the next quarters



Labour agreements: Rising operational costs - emphasis on efficiency

- **The recently signed labour agreements** will have **a significant impact on the labour costs** of companies within the Hagar Group
- The labour agreements **affected operations in the 3rd quarter** as they were **retroactive to November 1st**
- **The impact on Hagar's operation is somewhat greater than in the SA's original cost estimate**, a.o. where **quite a large part of the employees are on hourly rates**, but the increase there is higher due to changes in wage tables
- **Hagar will continue** to focus on **increasing operational efficiency**, a.o. through automation and review of service offered and service levels



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Sales grew in Q3 but margin ratio decreases

Income statement Q3 2022/23 (m.ISK)

- **Sales in Q3 grew** by 19.9% between the years or by 6.7 b.ISK
- **Margin in ISK grew** by 385 m.ISK or by 5.6% but **margin ratio** decreased by 2.5%-points, from 20.6% to 18.2%
- **One-off-item** amounting to 451 m.ISK booked with other operating income
- **Effects of labour agreements** observed in Q3 due to retroactivity to November 1st - **impact slightly above the average percentage increases** as stated in the contracts
- **EBITDA** grew by 2.5% and **profit** by 8.2% between the years
- **EBITDA without the one-off-items** amounted to 2,147 m.ISK and decreased by 15.3% between the years

	Q3 '22/23	Q3 '21/22	Δ	%Δ
Sales	40.220	33.551	6.669	+19,9%
Gross profit	7.301	6.916	385	+5,6%
Other operating income	587	125	462	+369,6%
Salaries	-3.578	-3.132	-446	+14,2%
Other operating expenses	-1.712	-1.374	-338	+24,6%
EBITDA	2.598	2.535	63	+2,5%
Depreciation	-1.085	-1.105	20	-1,8%
Net finance expense	-414	-373	-41	+11,0%
Profit for the period	910	841	69	+8,2%

Good results effected by one-off-items

Income statement 9M 2022/23 (m.ISK)

- **Sales 9M grew** by 21.3% between the years or by 21.4 b.ISK
- The number of **sold units** in grocery retail grew by 4.9% in the first 9M and **customers visits** increased by 12.6%
- Increased quantity in **sold fuel litres** at Olís amounted to 3.6% in the first 9M of the year
- **Margin** increased by 9.9% but **the margin ratio** decreased by 2.0%-points
- **One-off-items have considerable influence** on the 9M results and amount to just over 1.4 b. ISK. **One-off-items for the previous year** amount to 349 m.ISK
- **EBITDA excluding one-off-items** grew by 6.4% between the years and **total profit** by 1.1%.

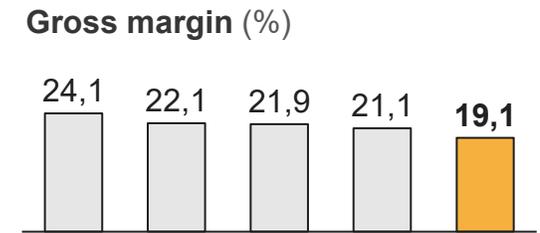
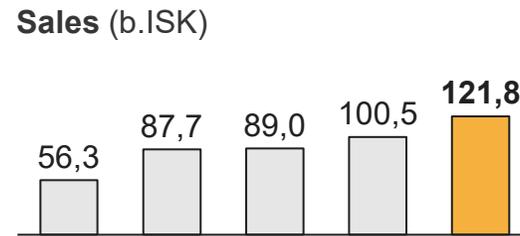
	9M '22/23	9M '21/22	Δ	%Δ
Sales	121.832	100.470	21.362	+21,3%
Gross profit	23.248	21.149	2.099	+9,9%
Other operating income	1.818	703	1.115	+158,6%
Salaries	-10.459	-9.564	-895	+9,4%
Other operating expenses	-4.972	-4.212	-760	+18,0%
EBITDA	9.635	8.076	1.559	+19,3%
Depreciation	-3.205	-3.007	-198	+6,6%
Net finance expense	-1.384	-1.104	-280	+25,4%
Profit for the period	4.214	3.277	937	+28,6%

Extensive sales increase but decreasing margin ratio characteristic for the development

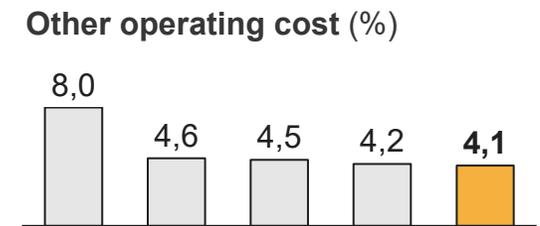
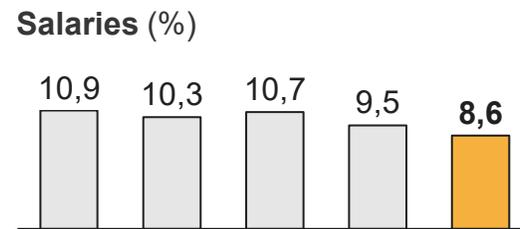
Operational key factors (9M 2018/19 – 9M 2022/23)

- **Sales** has increased significantly in recent years but **the margin ratio** has been decreasing the same time
- **Salaries and cost ratios** continue to improve with increased sales, despite rising salary and operating costs in recent quarters
- The implementation of the **IFRS16 leasing standards** explains the change in the costs and EBITDA ratio for the operating year 2019/20
- **EBITDA ratio** 7.9% in 9M 22/23 and **margin ratio** 3.5%
- **EBITDA ratio excluding one-off-items** decreases from 7.7% to 6.7% between the years

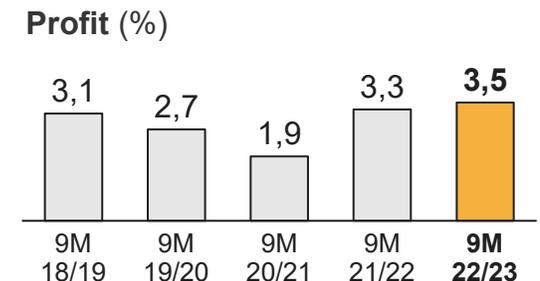
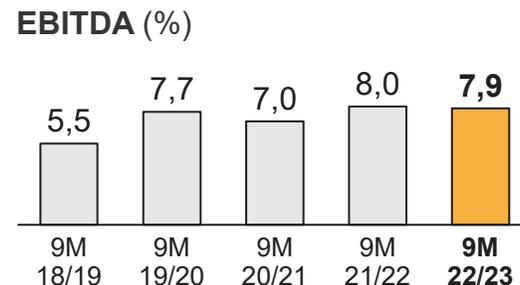
Sales and gross margin



Operating costs



Profit



Cash increases in the period

Consolidated cash flow 9M 2022/23 (m.ISK)

- **Cash from operations** in the period amounted to just under 6.6 b.ISK and decreased compared to previous year by 472 m.ISK
- Extensive changes in **current assets and liabilities** mainly due to higher inventories and more activity at Olís
- **Investment in operating assets** amounted to 1,455 m.ISK in 9M, **investment in intangible assets** amounted to 386 m.ISK and **investment in a subsidiary** amounted to 1,305 .ISK
- **Buy-back of own shares** during the period amounted to 1,500 m.ISK and **dividend payment** was 2,265 m.ISK
- **Cash grew** by 535 m.ISK in the period and amounted to just over 1.3 b ISK at the end of November

	9M 2022/23	9M 2021/22	Change
Profit for the period	4.214	3.277	937
Adjustments	4.432	4.680	-248
Working capital	8.646	7.957	689
Change in current assets	-3.635	-2.754	-881
Change in current liabilities	3.433	3.169	264
Interest and taxes paid	-1.881	-1.337	-544
Cash from operations	6.563	7.035	-472
Investment activities	-2.752	-1.221	-1.531
Financing activities	-3.276	-4.146	870
Change in cash	535	1.668	-1.133
Net cash at the end of the period	1.318	2.056	-738

Strong financial standing at the end of the period

Consolidated balance sheet 30th November 2022 (m.ISK)

- **Non-current assets increased** by 5.0 b.ISK from the end of the year 2021/22 - mostly due to Hagar's purchase of a shares in Klasi and Eldum rétt
- **Current assets** increased by 1.7 b.ISK from the end of the year 2021/22
- **Inventory grew** by just under 3.6 b.ISK from end of the year 2021/22, a.o. due to rising fuel prices between the years and Christmas sales inventory growth - **Inventory turnover rate** 10.1 compared to 10.2 in the previous year
- **The credit period** (collection time) is now 10.4 days compared to 10.2 days last year
- **Credit line** used by just under 2.2 b.ISK at the end of the period
- **Equity** amounted to 27.2 b.ISK at the end of the period and the company owned 13.9 millions **own shares** at the end of 9M

	30. 11. 2022	28. 2. 2022	%Δ		30. 11. 2022	28. 2. 2022	%Δ
Property, plant and equipment	21.076	21.215	-1%	Borrowings	11.855	11.720	+1%
Intangible assets	12.194	10.723	+14%	Lease liabilities	7.192	6.918	+4%
Other non-current assets	16.788	13.126	+28%	Income tax	3.372	2.312	+46%
Non-current assets	50.058	45.064	+11%	Non-current liabilities	22.419	20.950	+7%
Assets held for sale	0	2.388	-	Borrowings	2.593	451	+475%
Inventories	14.258	10.707	+33%	Lease liabilities	2.041	1.966	+4%
Trade receivables	6.266	6.250	+0%	Trade payables	16.410	14.329	+15%
Cash	1.318	783	+68%	Taxes payable	1.241	770	+61%
Current assets	21.842	20.128	+9%	Current liabilities	22.285	17.516	+27%
Total assets	71.900	65.192	+10%	Total liabilities	44.704	38.466	+16%
Liabilities and equity	71.900	65.192	+10%	Total equity	27.196	26.726	+2%

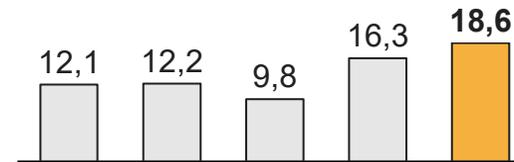
Return on equity increased in recent years

Economic key factors (9M 2018/19 – 9M 2022/23)

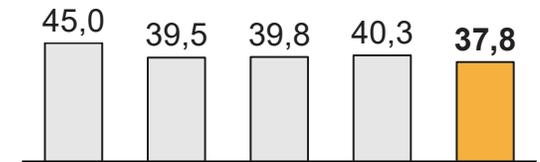
- **Return on equity 18.6%** for the last 12 months compared to 16.3% at the previous year
- **Equity ratio** at the end of 9M was 37.8% compared to 40.3% at the end of 9M last year
- **Net interest-bearing debt** at the end of 9M, including leasing liabilities, were 22.4 b. ISK or 1,9 x 12 months EBITDA
- **Net interest-bearing debt** at the end of 9M, excluding leasing liabilities, were 13.1 b.ISK or 1,1 x 12 months EBITDA
- **The current ratio** at the end of 9M was 0.98 compared to 1.17 at the end of 9M of the previous year
- **The cash conversion cycle** was 16.2 days compared to 13.0 days of the previous year
- **The assets turnover ratio** was 2.3 at the end of 9M compared to 2.0 in previous year

Shareholders return

Return on equity (%)

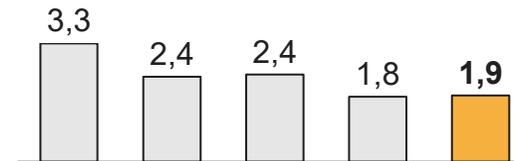


Equity ratio (%)

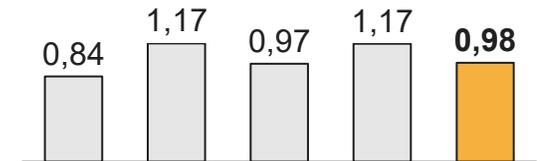


Risk in operations

Net debt/EBITDA¹

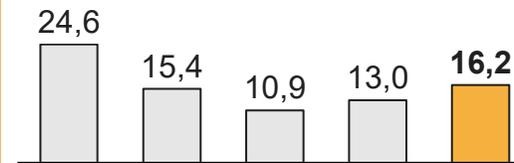


Current ratio²

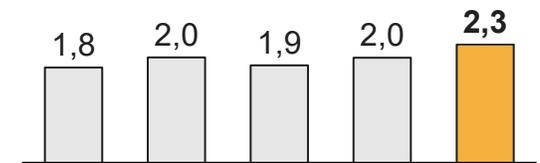


Efficiency of assets

Cash conversion cycle (# of days)³



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

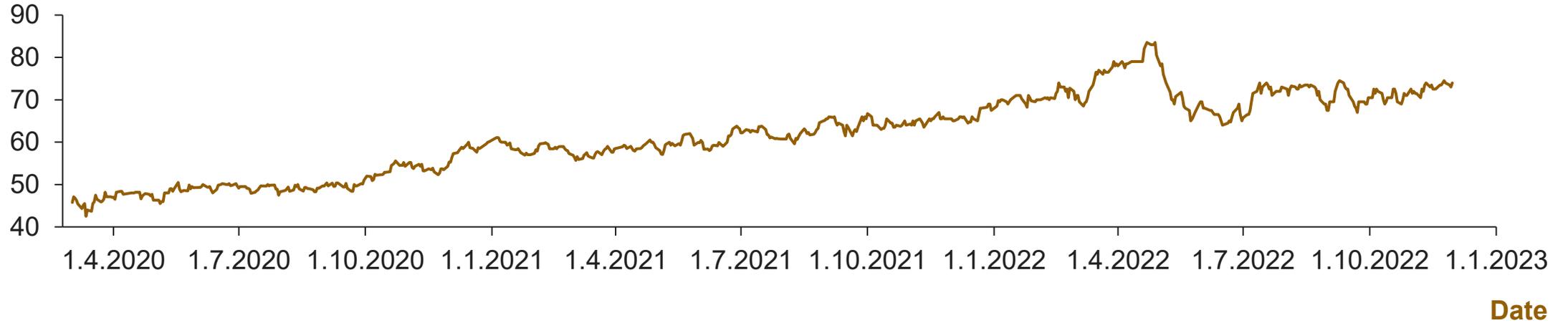
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Market share price and largest shareholders

Share price

Closing price 30.11.2022: 74,0 kr. / share



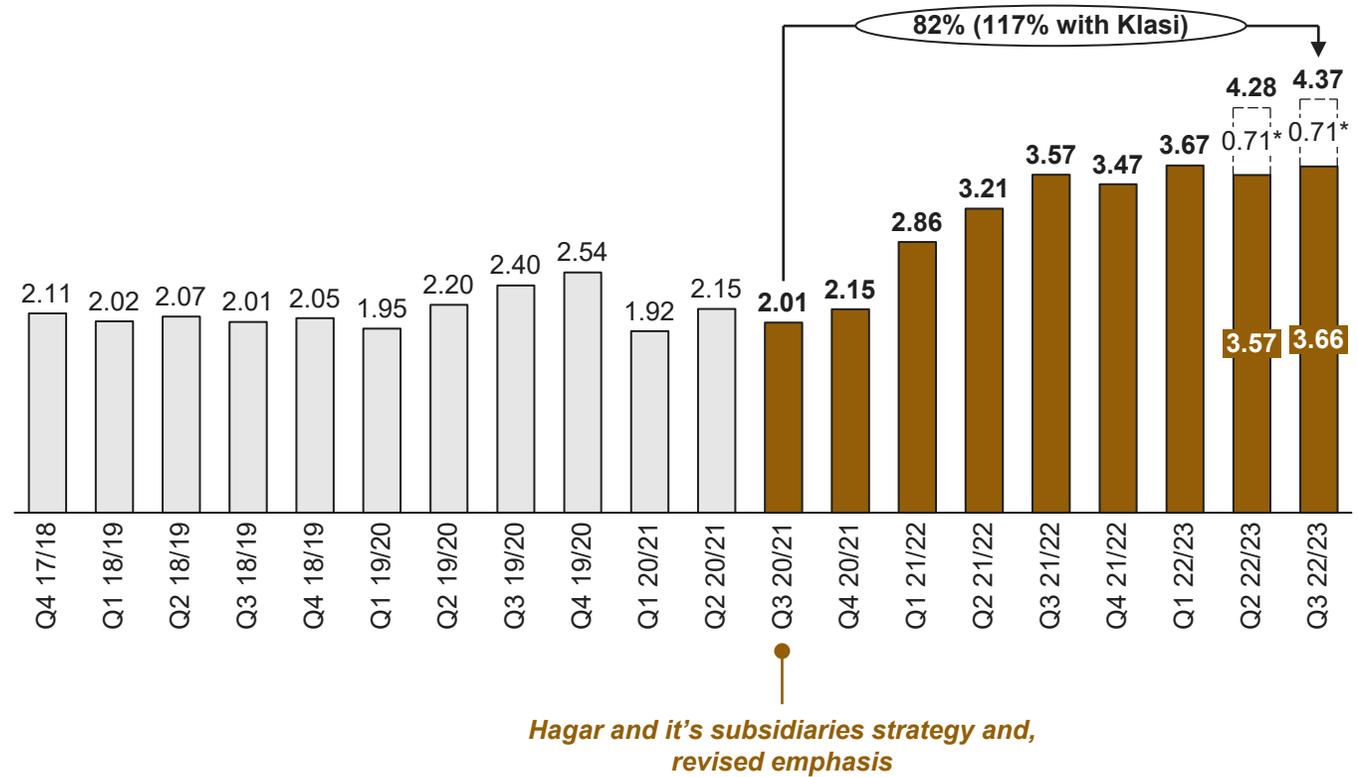
Largest shareholders, ownership at end of 30.11.2022

1. Gildi - pension fund	19.4%	6. Kaldbakur ehf.	4.5%
2. The pension fund A for state employees	11.5%	7. Stapi pension fund	4.5%
3. Live - The Pension fund of commerce	10.9%	8. Festa - pension fund	4.2%
4. Birta pension fund	8.1%	9. SL Pesion fund	2.9%
5. Brú pen. fund, municipalities employees	7.4%	10. Icelandic securities - accounts	2.7%

Earnings per share have grown in recent quarters

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

- **Earnings per share have increased** in recent quarters, and the accumulated profit is now **3.66 ISK per share** for the last 12 months, but **4.37 ISK per share if the Klasi transaction is included**
- **The benefits of actions** related to strategy planning and optimisation have been **realised in recent quarters**
- Continued focus on **projects that affect operations in the short term**, but also on **larger projects that have an impact in the medium and long term**



* Effects due to the Klasi transactions

Status and prospects



- **Operation has returned to a more normal state** compared to the last two years, as **the effects of COVID have faded** - a significant increase in tourists and traveling of nationals
- **Continued turmoil in the raw material and energy markets** - increased production costs and weaker exchange rate cause price increases and inflation - **turnaround still not in sight**
- Hagar **seek for all possible means to guarantee customers the most economical price** - special emphasis on supply purchase and operational efficiency
- **The impact of the new labour agreements** on wage costs, as foreseen, will exceed the SA's cost estimate - counteracting measures to **increase automation and review service offered.**
- **The operational outlook is good** - increasing number of customers, new supports in operations, continued optimisation, Hagar's financial strength
- **Management guidance** for the operating year 2022/23 unchanged - EBITDA in the range of **10,200-10,700 m.ISK**, excluding one-off-items
- Hagar's board has **approved a buy-back programme** to the amount of **500 m.ISK**.





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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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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.