

**BONUS**

**BÓNUS ALLRA  
LANDSMANNA**

Kassi 2

Kassi 3

Kassi 4

Kassi 5

Kassi 6

Kassi 7

Kassi 8

Takki fyrir komu á  
**BONUS**

Takki fyrir komu á  
**BONUS**

**hagar**

# Investor Presentation

8<sup>th</sup> March 2019

\*This presentation is translated from the Icelandic investor presentation. Should there be discrepancies

# Merger of Hagar and Olís

- Integration is well underway
- Changed company
- Strong balance sheet and reliable operations
- Many opportunities
- This presentation takes into account that Olís balance sheet is part of the Consolidated Financial Statements for the first 9 months of the operating year, while Olís operations will be included in the consolidated accounts as of 1 December 2018.
- This presentation will highlight the main projects and priorities

# Consolidated Highlights

- for the nine months ended 30 November 2018

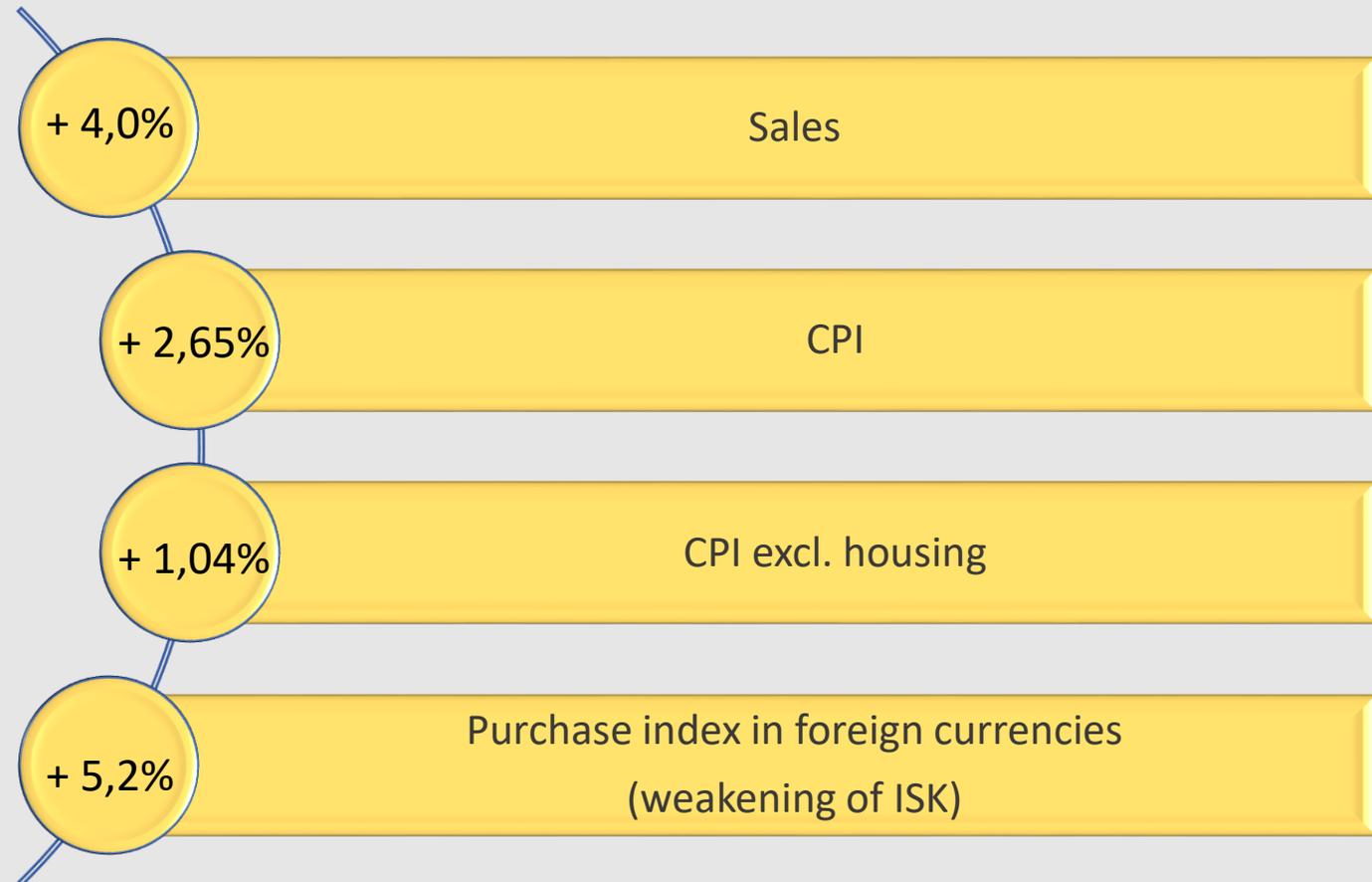
- Comprehensive income for the period ISK 1.764 m or 3,1% of sales
- Earnings per share ISK 1,60
- Sales for the period ISK 56.255 m
- Gross profit for the period 24,1%.
- EBITDA for the period 3.110 m
- Total assets 52.737 m at the end of the period
- Cash and cash equivalents 773 m at the end of the period
- Equity 23.726 m at the end of the period
- Equity ratio 45,0% at the end of the period

### Statement of Comprehensive Income

|   | Q3 2018/19<br>01.09-30.11 | Q3 2017/18<br>01.09-30.11 | 2018/19<br>01.03-30.11 | 2017/18<br>01.03-30.11 |
|---|---------------------------|---------------------------|------------------------|------------------------|
| Sales   | 18.521                    | 16.915                    | 56.255                 | 54.084                 |
| Cost of goods sold  | (14.124)                  | (12.719)                  | (42.703)               | (40.691)               |
| <b>Gross profit</b>   | <b>4.397</b>              | <b>4.196</b>              | <b>13.552</b>          | <b>13.393</b>          |
| Other operating income  | 55                        | 141                       | 161                    | 244                    |
| Salaries and related expenses   | (2.107)                   | (2.014)                   | (6.112)                | (6.012)                |
| Other operating expenses  | (1.428)                   | (1.425)                   | (4.255)                | (4.327)                |
| Non-recurring expenses relating to<br>business combination                                | (183)                     | (4)                       | (236)                  | (26)                   |
| <b>Profit from operating activities before<br/>depreciation and amortisation (EBITDA)</b> | <b>734</b>                | <b>894</b>                | <b>3.110</b>           | <b>3.272</b>           |
| Depreciation and amortisation   | (265)                     | (366)                     | (770)                  | (822)                  |
| <b>Profit from operating activities (EBIT)</b>  | <b>469</b>                | <b>528</b>                | <b>2.340</b>           | <b>2.450</b>           |
| Net finance expense   | (44)                      | (27)                      | (120)                  | (54)                   |
| Share of profit of associates   | --                        | --                        | --                     | 20                     |
| <b>Profit before income tax</b>   | <b>425</b>                | <b>501</b>                | <b>2.220</b>           | <b>2.416</b>           |
| Income tax  | (97)                      | (100)                     | (456)                  | (483)                  |
| <b>Comprehensive income for the period</b>  | <b>328</b>                | <b>401</b>                | <b>1.764</b>           | <b>1.933</b>           |

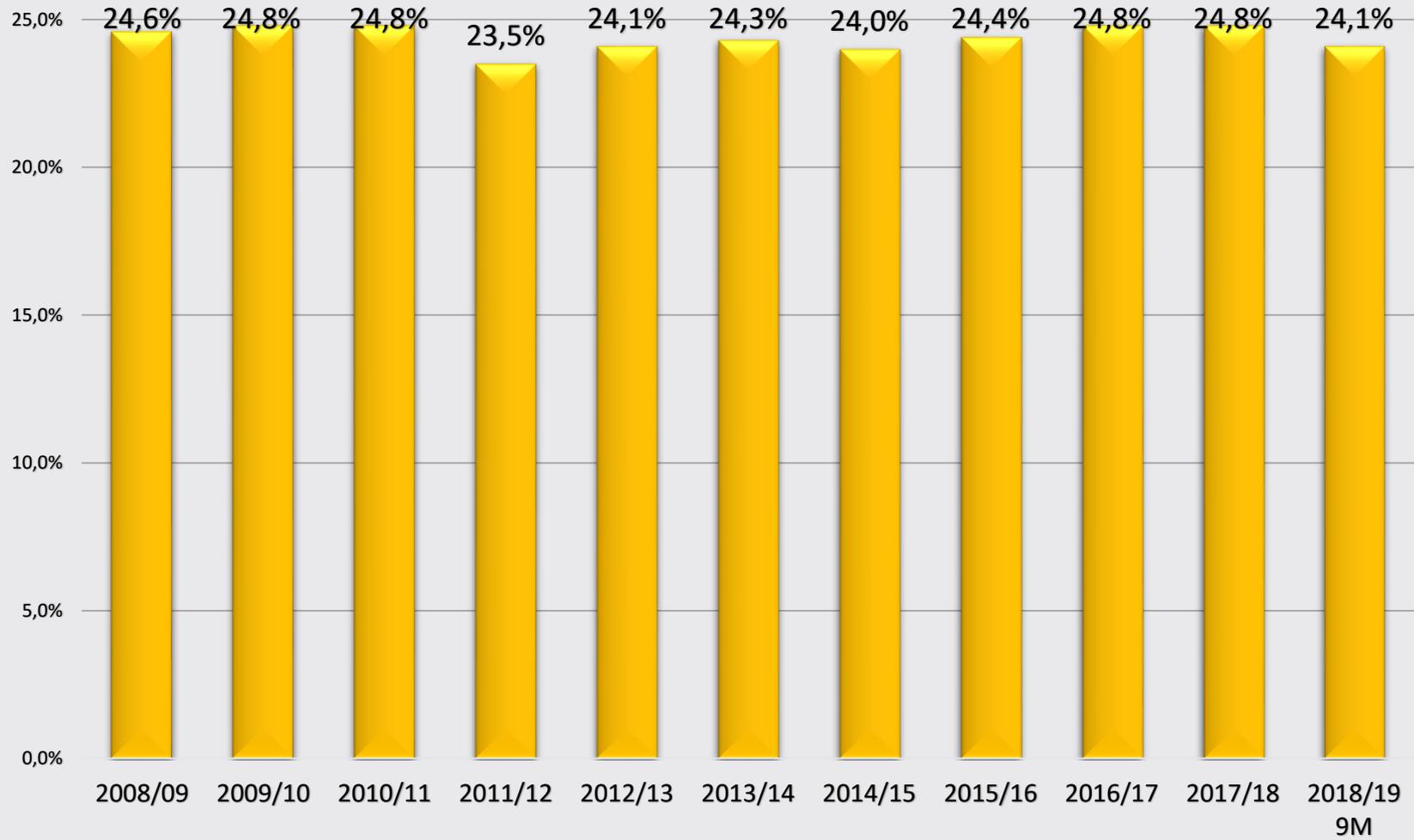
# Impact Factors for the first nine months

- Average change in prices and exchange rates



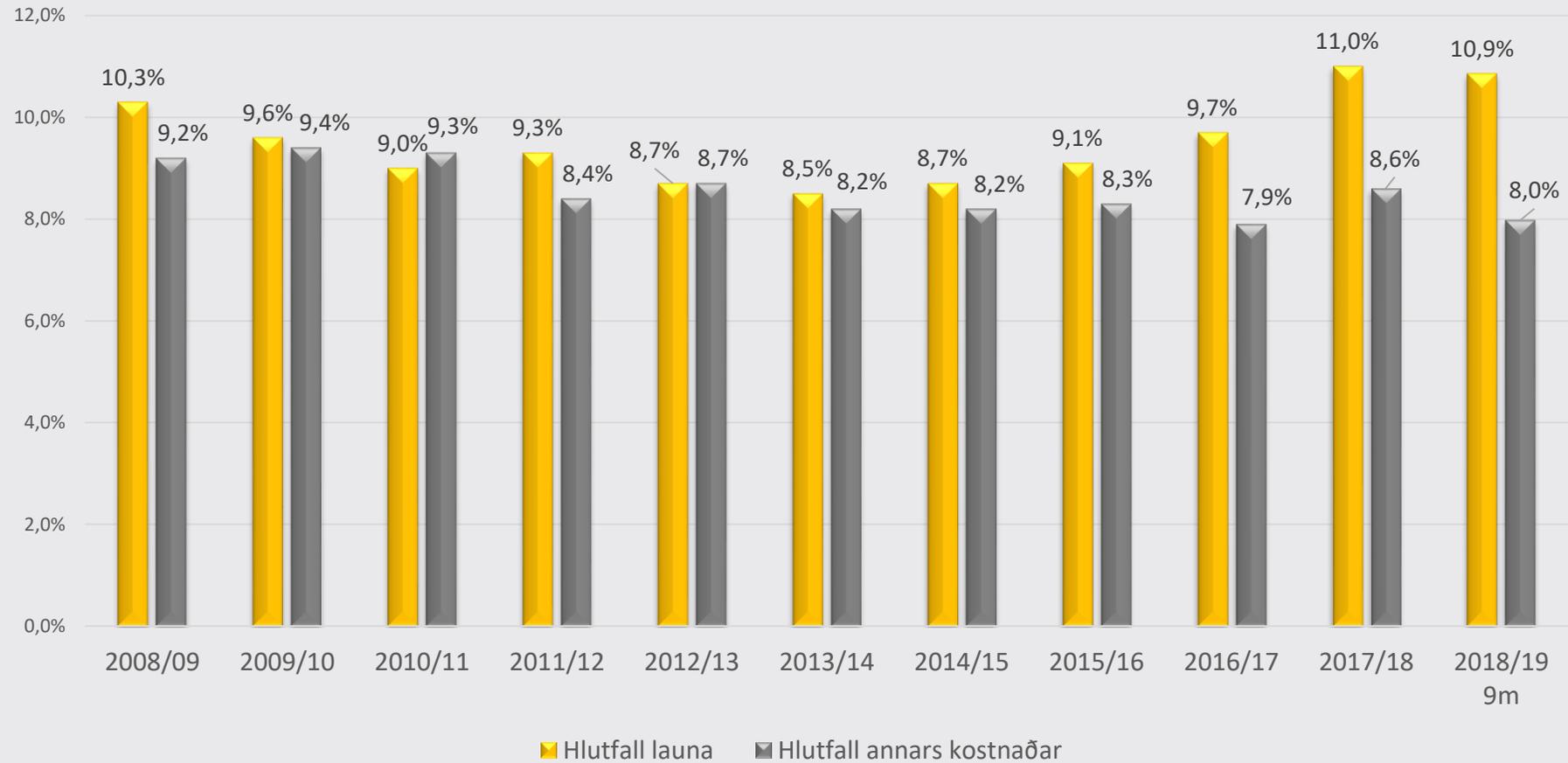
| <b>Grocery stores</b>  | <b>Qty</b> | <b>Number of customers</b> |
|------------------------|------------|----------------------------|
| Change between years % | +1,0%      | +1,6%                      |

# Gross Profit %



# Cost Ratios

## Salaries & Other operating expenses



## **Balance Sheet**

|                                     | <u>30.11.2018</u> | <u>28.02.2018</u> |
|-------------------------------------|-------------------|-------------------|
| <b>Assets</b>                       |                   |                   |
| Non-current assets                  | 34.279            | 20.364            |
| Current assts                       | 18.458            | 9.020             |
| <b>Total assets</b>                 | <b>52.737</b>     | <b>29.384</b>     |
| <b>Equity and liabilities</b>       |                   |                   |
| Share capital                       | 1.213             | 1.103             |
| Other equity                        | 22.513            | 16.854            |
| <b>Total equity</b>                 | <b>23.726</b>     | <b>17.957</b>     |
| Non-current liabilities             | 7.137             | 2.935             |
| Current loans and borrowings        | 8.890             | 771               |
| Other payables                      | 12.984            | 7.721             |
| <b>Total liabilities</b>            | <b>29.011</b>     | <b>11.427</b>     |
| <b>Total equity and liabilities</b> | <b>52.737</b>     | <b>29.384</b>     |

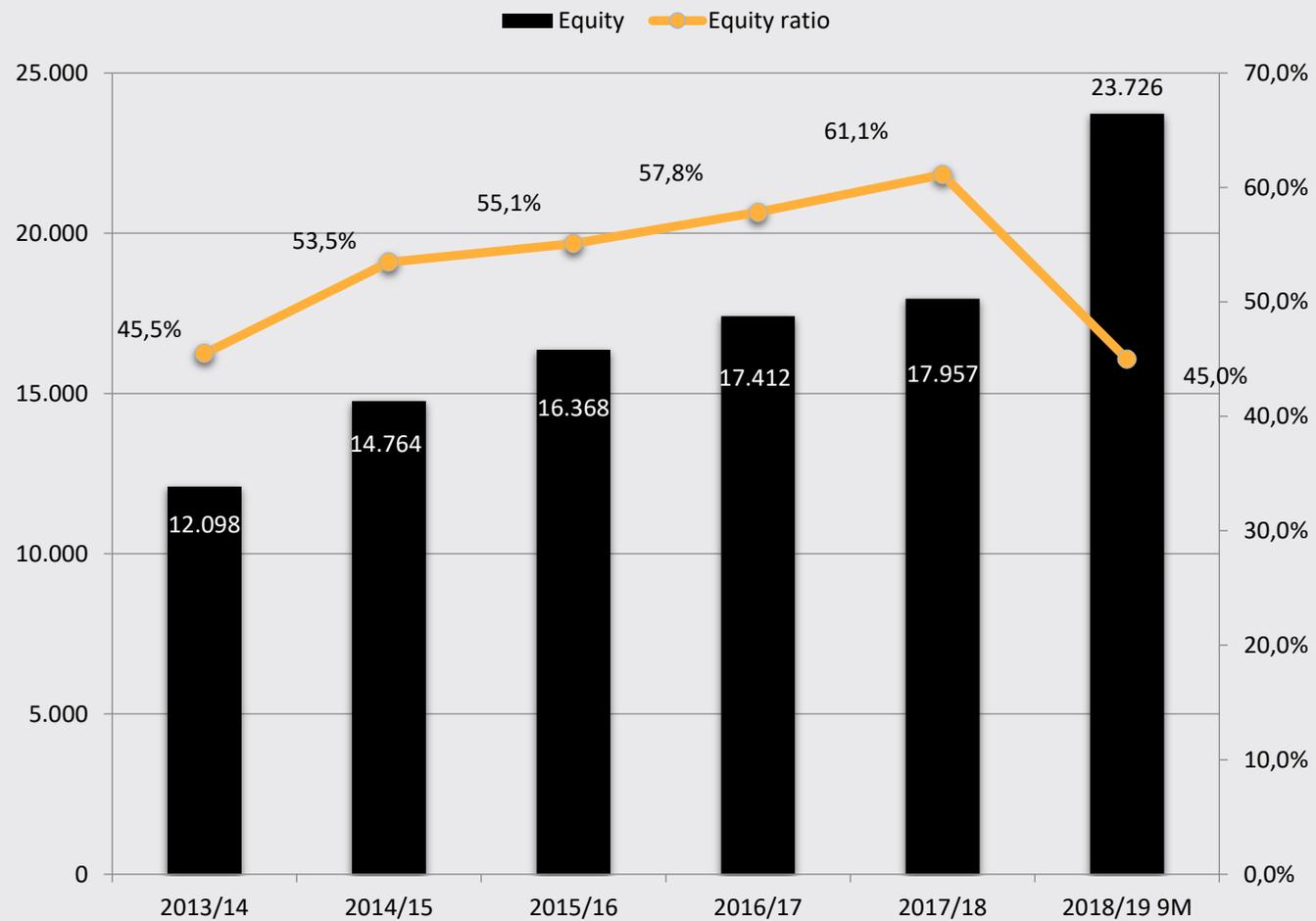
## Cash Flows

|  | <b>Q3 2018/19</b>  | <b>Q3 2017/18</b>  | <b>2018/19</b>     | <b>2017/18</b>     |
|--|--------------------|--------------------|--------------------|--------------------|
|  | <b>01.09-30.11</b> | <b>01.09-30.11</b> | <b>01.03-30.11</b> | <b>01.03-30.11</b> |
| Net cash provided by operating activities                          | 753                | 157                | 1.676              | 1.453              |
| Net cash used in investing activities                              | (5.407)            | (1.284)            | (5.784)            | (2.185)            |
| Net cash used in financing activities                              | 5.073              | (829)              | 4.659              | (1.510)            |
| <b><i>Net increase (decrease) in cash and cash equivalents</i></b> | <b>419</b>         | <b>(1.956)</b>     | <b>551</b>         | <b>(2.242)</b>     |
| Cash and cash equivalents at beginning of the period               | 354                | 2.188              | 222                | 2.474              |
| <b><i>Cash and cash equivalents at 30 November</i></b>             | <b>773</b>         | <b>232</b>         | <b>773</b>         | <b>232</b>         |

## Changes in Equity

|   | Share capital | Share premium | Legal reserve | Restricted reserve | Retained earnings | Total equity |
|---|---------------|---------------|---------------|--------------------|-------------------|--------------|
| <b>Equity at 1 March 2018</b>                                     | 1.103         | --            | 239           | 3.664              | 12.951            | 17.957       |
| Comprehensive income for the period                               |               |               |               |                    | 1.764             | 1.764        |
| Transferred to legal reserve                                      |               |               | 64            |                    | (64)              | --           |
| Dividends paid, 1.024 ISK per share                               |               |               |               |                    | (1.129)           | (1.129)      |
| Issue of ordinary share as consideration for business combination | 42            | 1.901         |               |                    |                   | 1.943        |
| Own shares granted as consideration for business combination      | 69            | 3.122         |               |                    |                   | 3.191        |
| Transferred to restricted reserves                                |               |               |               | (3)                | 3                 | --           |
| <b>Equity at 30 November 2018</b>                                 | 1.213         | 5.023         | 303           | 3.661              | 13.526            | 23.726       |

## Equity - ISK million -



# Sold Assets – Conditions of Settlement with ICA

| Location         | Operation            |
|------------------|----------------------|
| Faxafen          | Bónus store          |
| Hallveigarstígur | Bónus store          |
| Smiðjuvegur      | Bónus store          |
| Háaleitisbraut   | Service station Olís |
| Vallargrund 3    | Service station Olís |
| Starengi         | ÓB station           |
| Kirkjustétt      | ÓB station           |
| Knarrarvogur     | ÓB station           |
| Stykkishólmur    | Olís store           |

- All assets sold. Sales proceeds ISK 660 million.
- Two Bónus stores already been closed and delivered to new owners. Sales proceeds for all Bónus assets already been paid.
- Olís stations and the last Bónus store will be delivered to new owners in few weeks.
- Olís assets will be paid on delivery.

# Key Projects

- New Bónus store opened in Skeifan 11 on 1 December 2018. The store has been well received.
- New Bónus store will open in Garðatorg, Garðabæ, in few weeks.
- Bónus in Mosfellsbær will move to a new and better location before the end of Q2.
- New ÓB station will open in Vík í Mýrdal in the spring.



# Integration Projects

- Estimated synergy ISK 600 million
- Financing
- Olís headquarters move to Skútuvogur 5
- Restructuring of warehouse operations
- Streamlining and synergy in core business and support service departments
- Development projects
- Purchasing
- Distribution
- Agreement regarding credit card fees
- Operational factors and services

# Olís Brands



Vinur við veginn



# Emphasis on Core Business

- Warehouse operations strengthened and streamlined
- More emphasis in core business
- More emphasis in the wholesale market through Stórkaup og Rekstrarland
- Less emphasis in Hagkaup on clothing
  - Borgarnes closes in April
  - Clothing departments scaled down or closed
  - Core departments strengthened and expanded
- Útilíf. Operations are doing well. Investors are interested. Will be considered.

# Warehouse Operations - Highlights

- Aðföng operation in Skútuvogur 5, 7 and 9
- Olís inventory and distribution brought under operation of Aðföng, excl. fuels
- Olís inventory in Súðarvogur 2(4.200 m<sup>2</sup>) and Vatnagörðum 10 (1.100 m<sup>2</sup>) brought under operation of Aðföng
- Olís cost of warehousing mostly reduced
- Hýsing merges with Aðföng, warehousing in clothing scaled down

# Warehouse Operations - Highlights

- More efficient purchasing

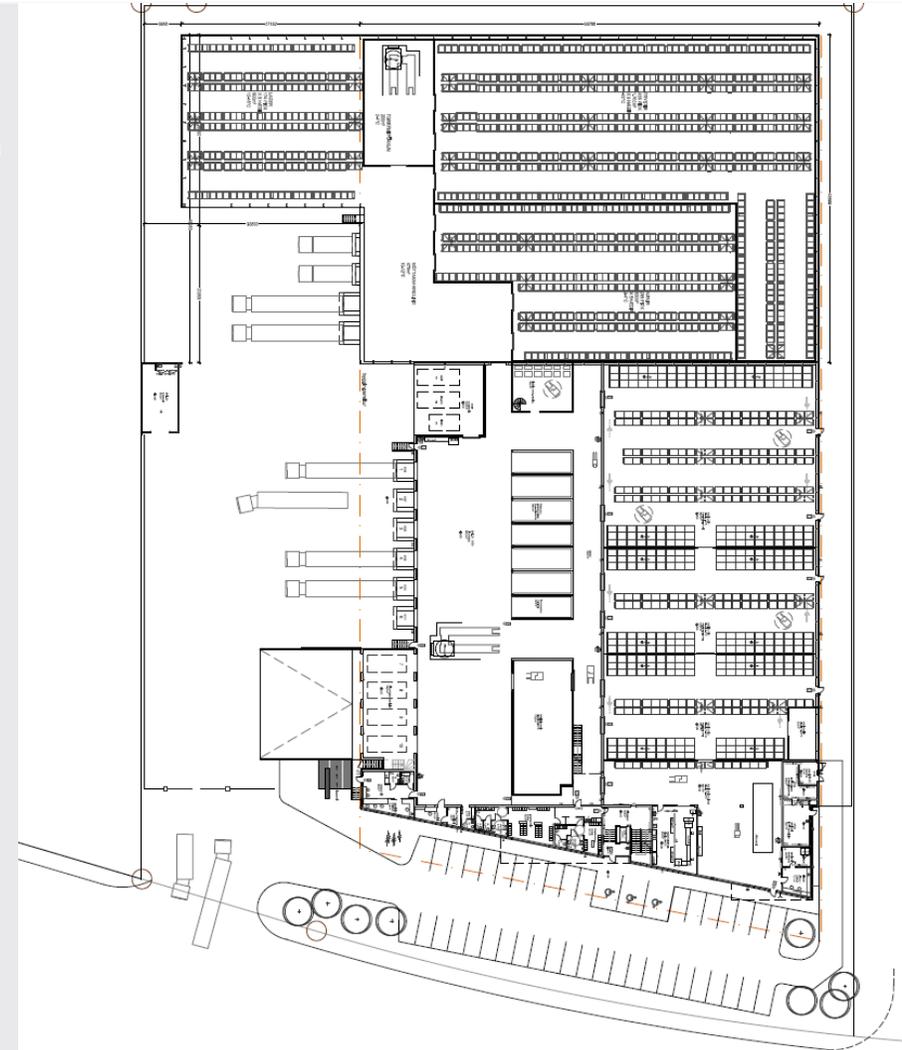
- More efficient distribution

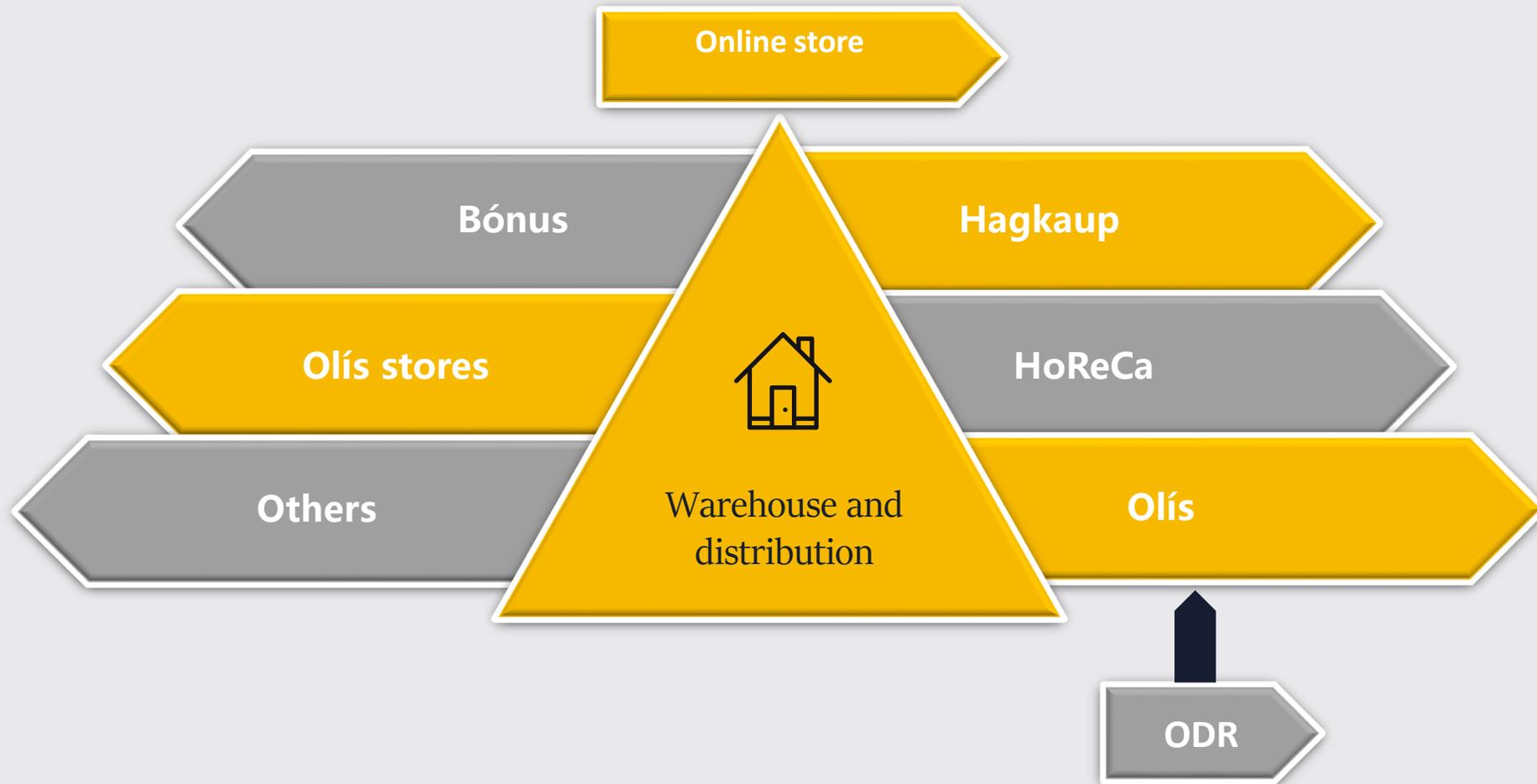
- More efficient operations

- Streamlined operations

# Warehouse Operations

- New 4.100 m<sup>2</sup> warehouse for refrigerated and frozen goods in Korngarðar
- Estimated building cost ISK 1.500-1.600 million
- The land in Korngarðar is owned by Hagar





# Refinancing

- All long-term debt of Hagar and subsidiaries is being refinanced
- Meetings have been held where ideas have been presented by Hagar regarding the loan composition
- Comparison of offers will be submitted to the Board of Hagar
- The current interest-bearing debt of Hagar is refinanced, in addition to which the refinancing entails increased authorizations in the form of credit lines to meet seasonal fluctuations in working capital, real estate development projects and other investment opportunities.
- Total scope of the refinancing amounts ISK 20 billion  
thereof ISK 13 billion net interest-bearing debt on 30 November 2018

# Agreement on Daily Settlement of Credit Cards

- Negotiations on a new agreement for Hagar and subsidiaries in the final stages
  - Debit and credit cards
- The arrangement will be coordinated for Hagar and subsidiaries and the settlement of credit cards will occur daily
- The agreement provides more favorable terms on transaction handling
- The daily settlement will reduce financial commitment in working capital by over ISK 3 billion on average

# Property and Land owned by Hagar

|             | M <sup>2</sup> in property | Capital Area | Rural Area | Property valuation 2019 |
|-------------|----------------------------|--------------|------------|-------------------------|
| Hagar       | 27.939                     | 21.117       | 6.822      | 4,9 ma                  |
| Olís og DGV | 16.046                     | 5.290        | 10.755     | 3,4 ma                  |
| Total       | 43.985                     | 26.407       | 17.577     | 8,3 ma                  |

# Property and Land owned by Hagar

|             | Size of land in m <sup>2</sup> |
|-------------|--------------------------------|
| Hagar       | 97.793                         |
| Olís og DGV | 235.505                        |
| Total       | 333.298                        |

- Opportunities, cf.
- Development projects, Stekkjarbakki etc.
- Klettagarðar, 14.000 m<sup>2</sup> land, 22.000 m<sup>2</sup> construction rights

# Development Projects

- Stekkjarbakki, Reykjavík
- Lundur, Kópavogur
- Sæbraut, Reykjavík
- Fjallkonuvegur, Reykjavík
- Ánanaust, Reykjavík

# Stekkjarmakki

- Conversation with the City council
- Fully owned by Hagar
- Location near the BRT network
- Development ideas
- Bónus store
- ÓB station
- Up to 400 apartments
- Composition of apartments according to Reykjavík policy regarding compact neighbourhood development



# Self-service registers

- Pleased costumers
- Increased performance
- Efficient during peak time
- Usage 34%-52% of total number of sales
- Already set up in 7 Bónus stores and 2 Hagkaup stores
- Increased by 5 Bónus stores and 4 Hagkaups stores this year



# Reykjavík Pharmacy

- Hagar has signed a contract for the purchase of 90% of shares in Reykjavík Pharmacy
- The agreement is subject to the approval of the Icelandic Competition Authority





**20/30**

# KETORÉTTUR

UNNIÐ Í SAMSTARFI VIÐ GUNNAR MÁ  
HÖFUND KETO BÓKARINNAR

**KJÚKLINGARÉTTUR**  
Keto Kjúklingaréttur  
með þráskaki, þykkju, kúrbít,  
fennel, chili, grammu pasta og  
chili mayo

**20/30** **ELDKLÁRT**

EINFALT AÐ ELDA ALLT NIÐUR SKORIÐ ÞÚ ELÐAR Á 20-30 MÍN. ENGIN MATARSÓUN FLJÓTLEGT MATUR FYRIR TVÖ FERSKT

**HAGKAUP BÓNUS**



20 30 been successful

# Key points

- Labor markets are creating uncertainty and turbulence
- Dividend policy unchanged
- Effect of lease agreements on the balance sheet, IFRS 16, will be published in Q4
- A bill has been proposed that authorizes the sale of non-prescription medicine in stores



Thanks for your audience