



BONUS

hagar

Hagar hf.

- Finnur Árnason – October 30, 2019

Hagar hf.



First Half Results 2019/2020
Investor Presentation

Consolidated Highlights

- Comprehensive income for the period ISK 1.721 m or 2,9% of sales
- Earnings per share ISK 1,42
- Sales for the period ISK 59.504 m
- Gross profit for the period 22,0%.
- EBITDA for the period ISK 4.523 m
- Total assets ISK 60.031 m at the end of the period
- Cash and cash equivalents ISK 2.759 m at the end of the period
- Equity ISK 23.824 m at the end of the period
- Equity ratio 39,7% at the end of the period

Income Statement and Balance Sheet



Statement of Comprehensive Income

	Q2 2019/20		Q2 2018/19		6M 2019/20		6M 2018/19	
	01.06-31.08	01.06-31.08	Change	%	01.03-31.08	01.03-31.08	Change	%
Sales	30.914	19.142	11.772	61,5%	59.504	37.734	21.770	57,7%
Cost of goods sold	(24.244)	(14.579)	(9.665)	66,3%	(46.402)	(28.579)	(17.823)	62,4%
Gross profit	6.670	4.563	2.107	46,2%	13.102	9.155	3.947	43,1%
Gross profit %	21,6%	23,8%	-	-2,3%	22,0%	24,3%	-	-2,2%
Other operating income	156	50	106	212,0%	264	106	158	149,1%
Salaries and related expenses	(2.965)	(1.951)	(1.014)	52,0%	(6.023)	(4.005)	(2.018)	50,4%
Other operating expenses	(1.372)	(1.479)	107	-7,2%	(2.820)	(2.880)	60	-2,1%
Profit from operating activities before depreciation and amortisation (EBITDA)	2.489	1.183	1.306	110,4%	4.523	2.376	2.147	90,4%
EBITDA %	8,1%	6,2%	-	1,9%	7,6%	6,3%	-	1,3%
Depreciation and amortisation	(936)	(256)	(680)	265,6%	(1.869)	(505)	(1.364)	270,1%
Profit from operating activities (EBIT)	1.553	927	626	67,5%	2.654	1.871	783	41,8%
Net finance expense	(317)	(42)	(275)	654,8%	(615)	(76)	(539)	709,2%
Effect of results of associates	67	--	67	--	90	--	90	--
Profit before income tax	1.303	885	418	47,2%	2.129	1.795	334	18,6%
Income tax	(247)	(177)	(70)	39,5%	(408)	(359)	(49)	13,6%
Comprehensive income for the period	1.056	708	348	49,2%	1.721	1.436	285	19,9%

Operating Segments

First half 2019/20	Retail chains and warehouses	Olís	Elimination entries	Application of IFRS 16	Total
Sales	39.212	20.326	(34)	--	59.504
Other operating income	231	33	--	--	264
Total segment revenue	39.443	20.359	(34)	--	59.768
Total segment operating expenses	(37.167)	(19.148)	34	1.036	(55.245)
Segment EBITDA	2.276	1.211	--	1.036	4.523
Depreciation and amortisation	(699)	(393)	--	(777)	(1.869)
Effect of results of associates	--	90	--	--	90
Profit from operating activities (EBIT)	1.577	908	--	259	2.744
Net finance expense	(255)	(124)	--	(236)	(615)
Income tax					(408)
Profit for the period					1.721

Balance Sheet

	31.08.2019	28.02.2019	Change	%
Assets				
Non-current assets	44.640	34.896	9.744	27,9%
Current assets	15.391	15.955	(564)	-3,5%
Total assets	60.031	50.851	9.180	18,1%
Equity and liabilities				
Share capital	1.202	1.213	(11)	-0,9%
Other equity	22.622	23.066	(444)	-1,9%
Total equity	23.824	24.279	(455)	-1,9%
Non-current liabilities	15.704	6.877	8.827	128,4%
Current borrowings	7.037	8.431	(1.394)	-16,5%
Other payables	13.466	11.264	2.202	19,5%
Total liabilities	36.207	26.572	9.635	36,3%
Total equity and liabilities	60.031	50.851	9.180	18,1%



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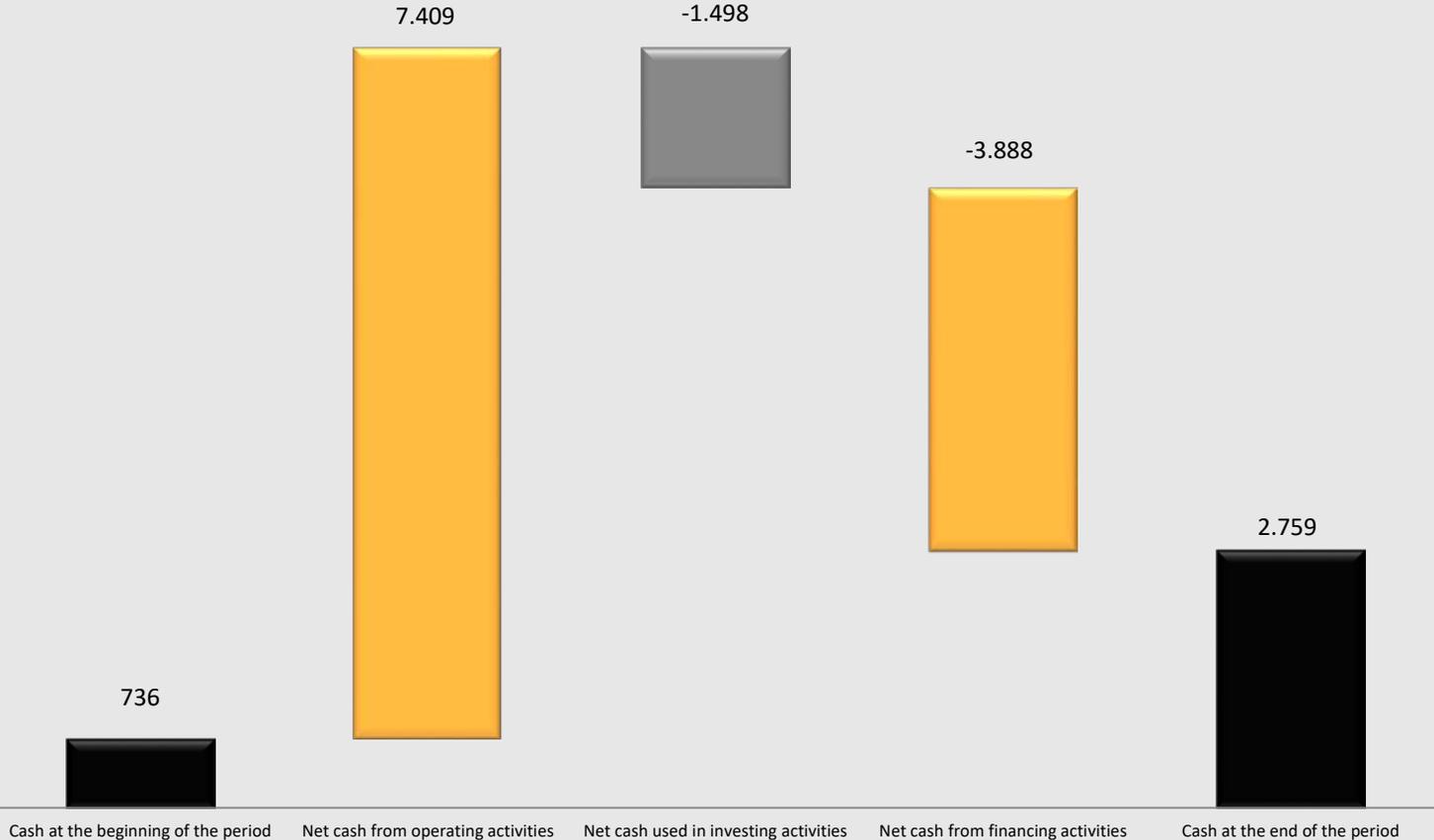
Cash Flows and Equity

Cash Flows

	Q2 2019/20		Q2 2018/19		6M 2019/20		6M 2018/19	
	01.06-31.08	01.06-31.08	Change	%	01.03-31.08	01.03-31.08	Change	%
Net cash provided by operating activities	2.442	1.473	969	65,8%	7.409	2.023	5.386	266,2%
Net cash used in investing activities	(688)	(170)	(518)	304,7%	(1.498)	(377)	(1.121)	297,3%
Net cash used in financing activities	(2.709)	(1.322)	(1.387)	104,9%	(3.888)	(1.514)	(2.374)	156,8%
Net increase (decrease) in cash and cash equivalents	(955)	(19)	(936)	4926,3%	2.023	132	1.891	1432,6%
Cash and cash equivalents at beginning of the period	3.714	373	3.341	895,7%	736	222	514	231,5%
Cash and cash equivalents at the end of the period	2.759	354	2.405	679,4%	2.759	354	2.405	679,4%

Cash Flows 6M 2019

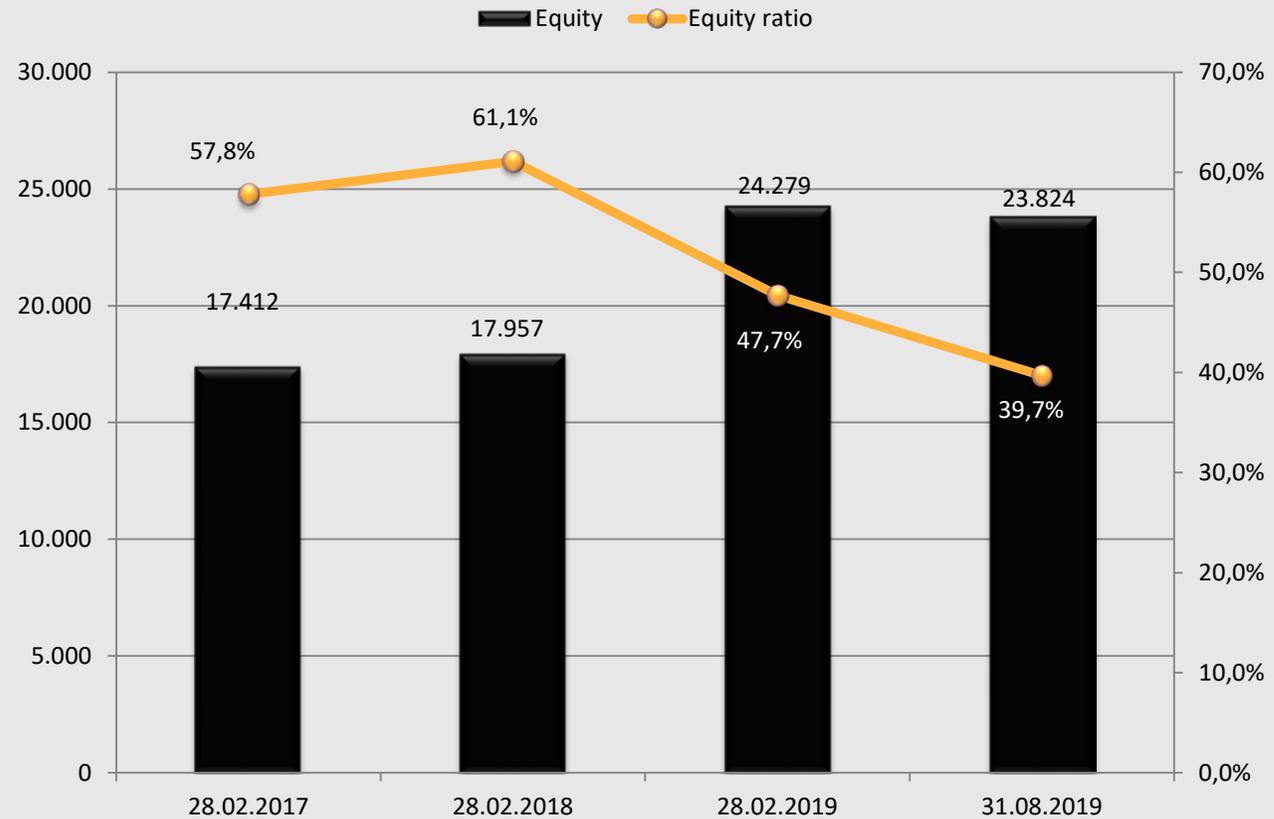
- ISK million -



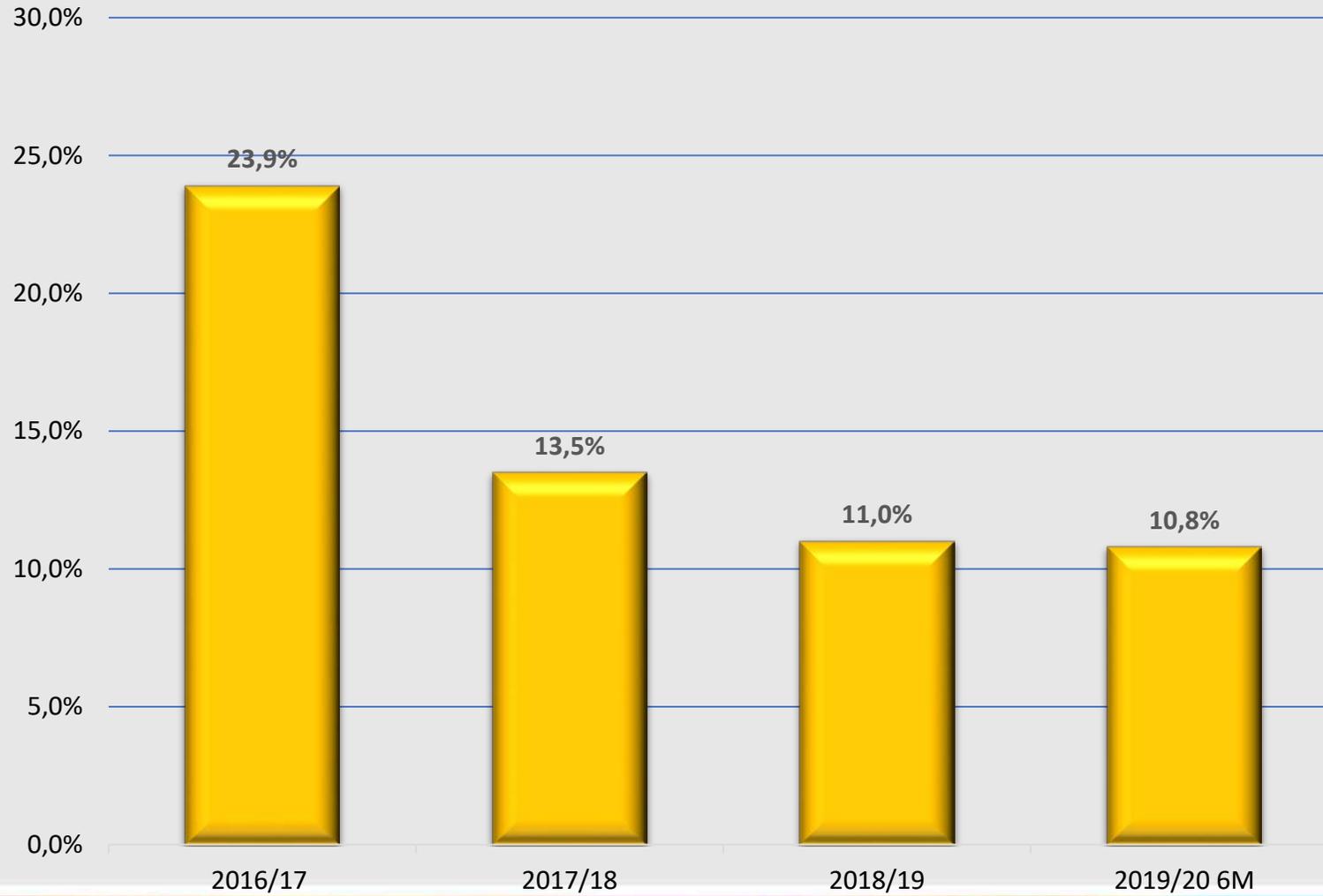
Changes in Equity

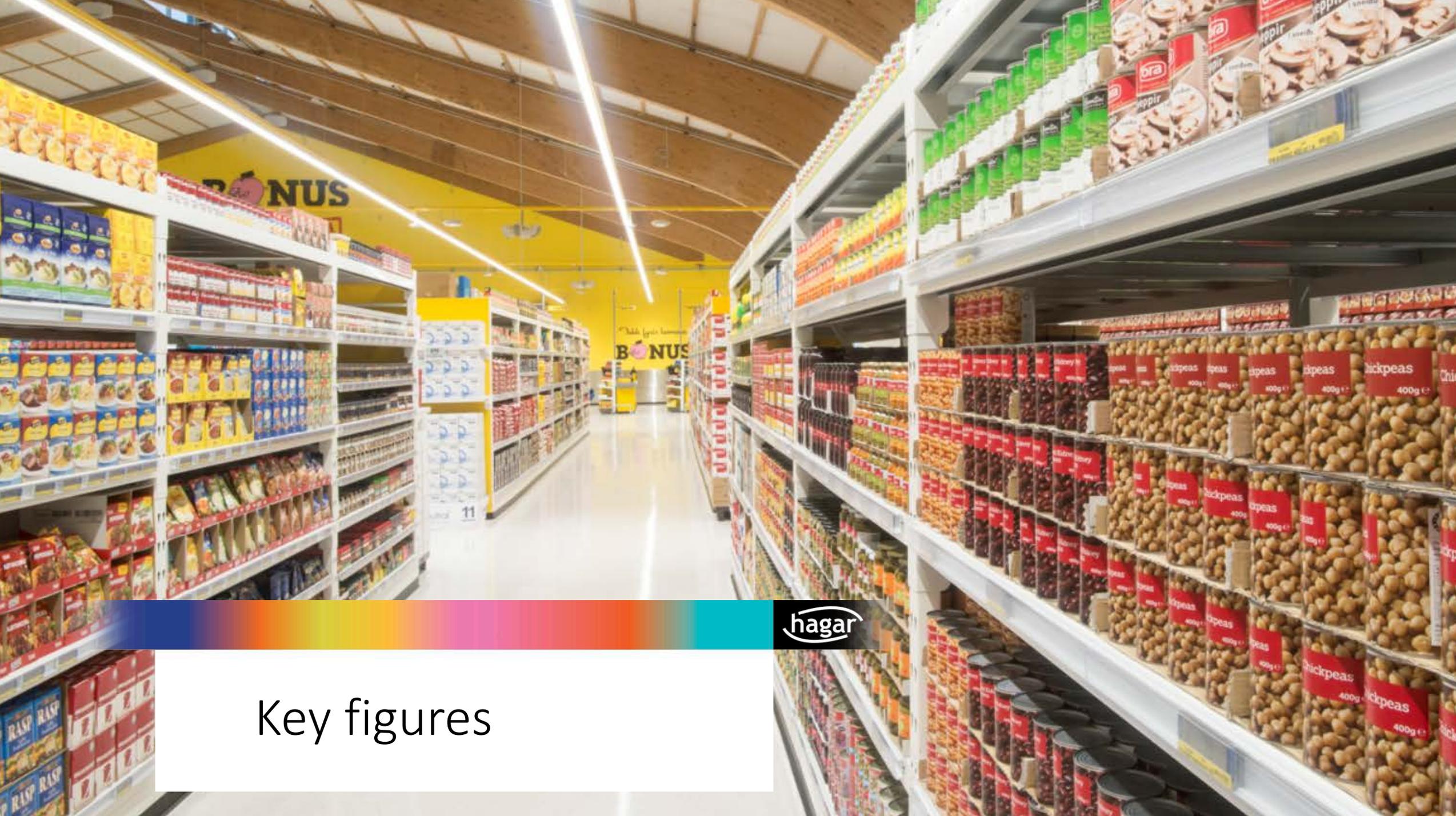
	Share capital	Share premium	Legal reserve	Restricted reserve	Retained earnings	Total equity
Equity at 1 March 2019	1.213	5.023	303	5.092	12.648	24.279
IFRS 16, effects of implementation					(554)	(554)
Purchased own share	(11)	(453)				(464)
Comprehensive income for the period					1.721	1.721
Transferred to legal reserve			(2)		2	--
Dividends paid, 0.955 ISK per share					(1.159)	(1.159)
Transferred to restricted reserves				(473)	473	--
Equity at 31 August 2019	1.202	4.570	301	4.619	13.132	23.824

Equity - ISK million -



ROE - Return on Equity

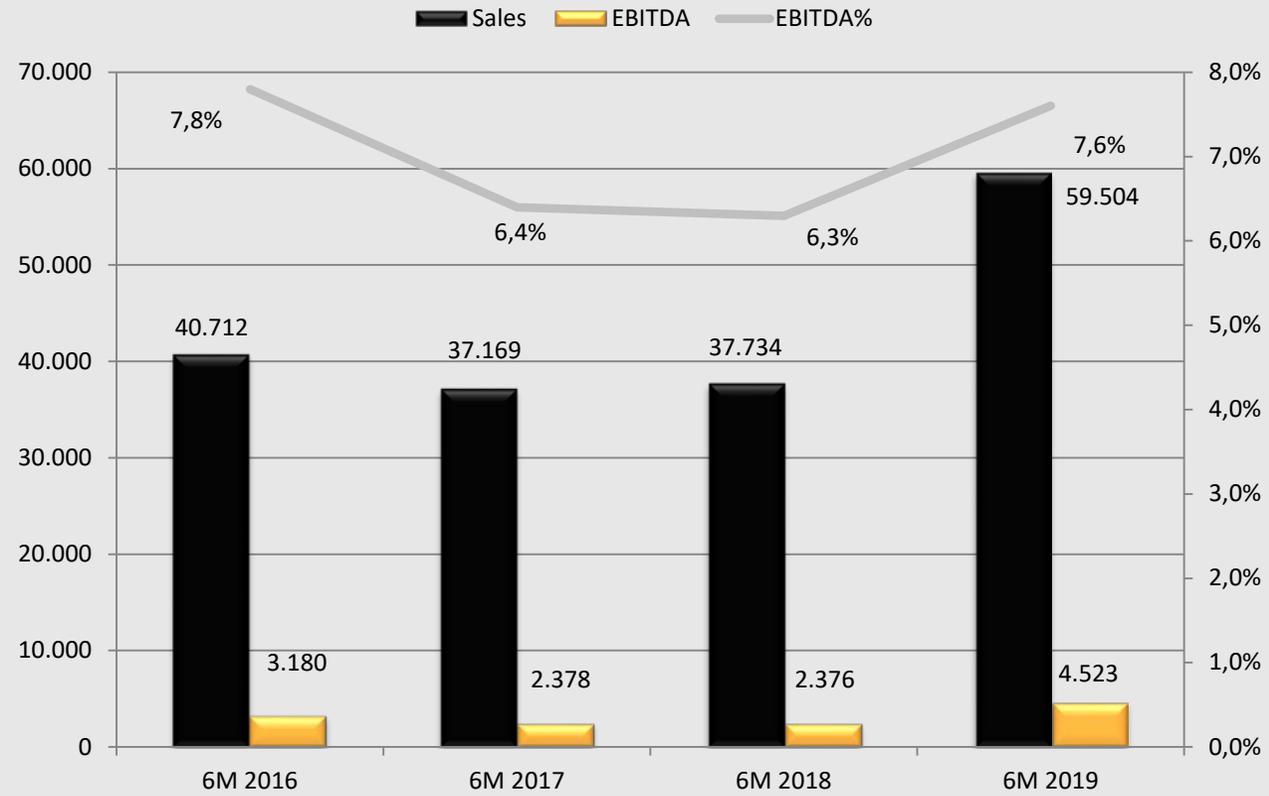




Key figures

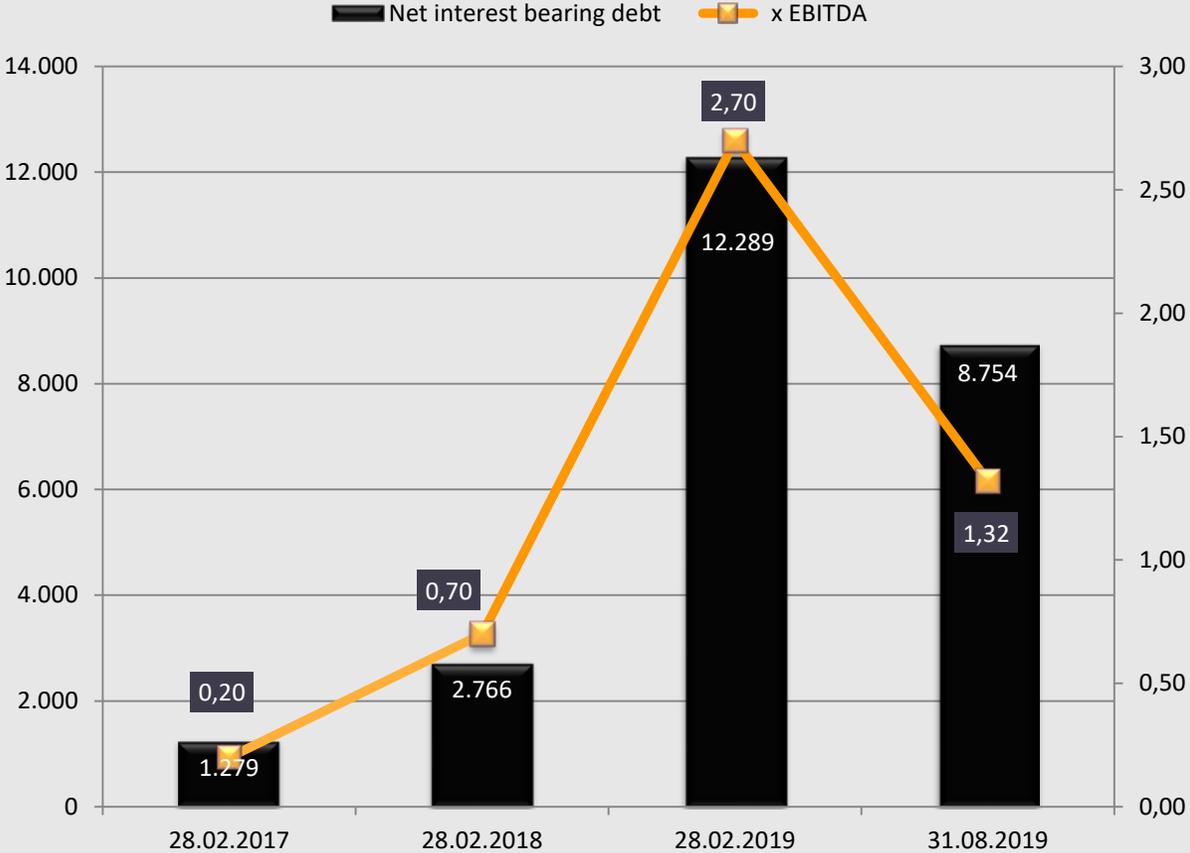
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Sales and EBITDA - ISK million -

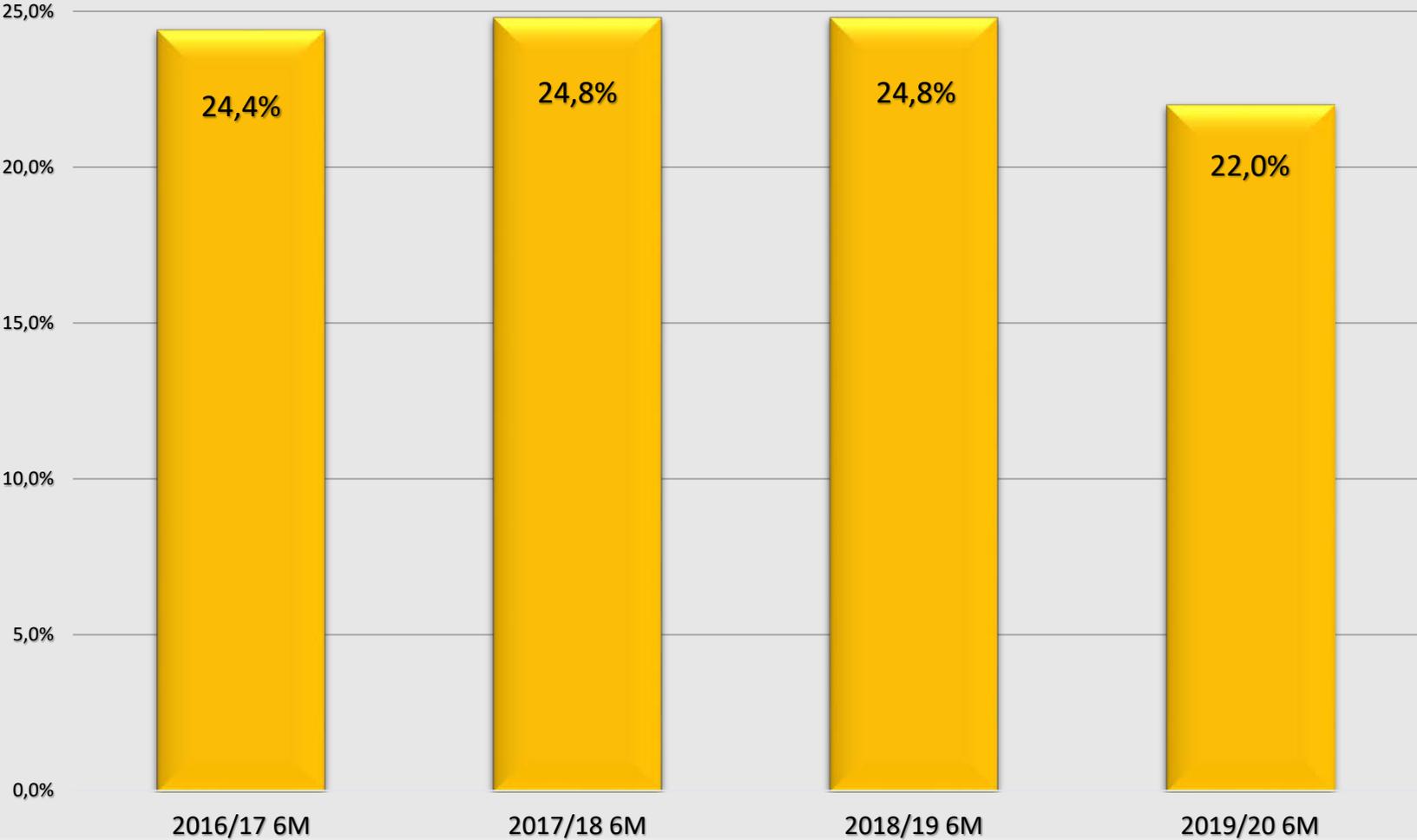


Borrowings

- ISK million -

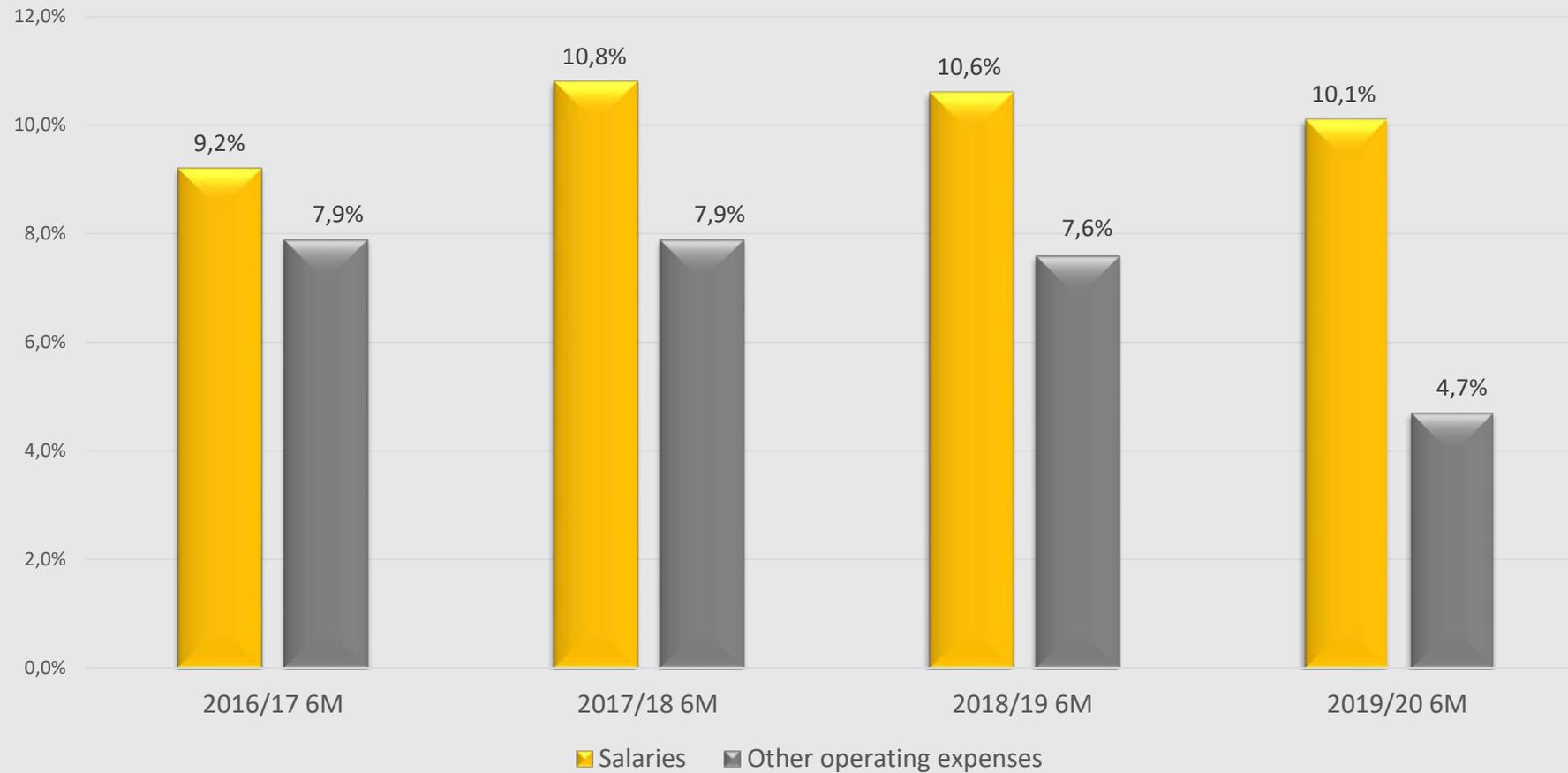


Gross Profit %



Cost Ratios

Salaries & other operating expenses



Number of stores

Specialty stores



ÓB stations



Olís stations



Grocery stores



0 5 10 15 20 25 30 35 40 45





Mjóddin

Verslun

Reykjanesbrautin

Stekjarbaki



Investments and Development
Projects

The Goal is to increase the value of assets

- In June, the company submitted fully-blown proposals to the negotiating committee of Reykjavik on the company's priorities for changing land use - First of all companies
- The proposals are fully in accordance with the city's policy of decreasing the number of gas stations, the compact neighbourhood development and "the merchant on the corner"
- The proposals take into account commercial, residential and energy sales / gas pumps on the sites that the company has prioritized

Proposal to the city of Reykjavik - Stekkjarbakki

- Up to 720 apartments
- Shops and services, 3.500 m²
- Hagar operation:
 - Bónus store
 - Olís energy sales



Proposal to the city of Reykjavik – Fjallkonuvegur in Grafarvogur

- Store that falls under the city's policy of "The Merchant on the Corner"
- Compact neighbourhood development, up to 12 apartments
- Hagar operation:
 - Bónus store
 - Olís energy sales



Proposal to the city of Reykjavik – Skúlagata

- Store that falls under the city's policy of "The Merchant on the Corner"
- Demand for Bónus store in the city center
- Hagar operation:
 - Bónus store
 - Olís energy sales



Proposal to the city of Reykjavik – Egilsgata - Snorrabraut

- Store that falls under the city's policy of "The Merchant on the Corner"
- Compact neighbourhood development, up to 40 apartments
- Hagar operation:
 - Bónus store



Warehouse for Refrigerated and Frozen Goods in Korngarðar

- 4.100 m²
- Estimated building cost ISK 1.600 m
- Put into operation in November 2020





Refinancing Steingrímur H. Pétursson

Refinancing

- The company has fully completed its refinancing.
 - Liabilities of the parent company in the amount of ISK 6.811 m on August 31, 2019 were fully paid up in early October.
- Two bond series issued and sold.
 - **HAGA021029 – ISK 5.500 m**
 - CPI-linked bond series with 10-year maturity, quarterly payments follow a 30 year payback process.
 - Secured with key property of Hagar.
 - The bond series is expandable to ISK 15.000 m.
 - Fixed nominal rate of 2,8%.
 - **HAGA181021 – ISK 2.500 m**
 - Non-indexed bond series with 2-year maturity, quarterly interest payments with one principal payment at the end.
 - Fixed nominal rate of 4,65%.
 - Secured with development property of Hagar.
- Credit line agreements signed for the next two years. Line of credit was unused at the end of August.
 - ISK 4.500 m
 - USD 12,5 m

Bond issue – Financial Covenants

- Both bond series are subject to the same financial covenants
 - Interest cover > 2
 - Equity ratio $\geq 25\%$
- Calculation and confirmation of financial covenants shall be made at the time of publication of financial statements at year end and 6 months statements.
- When calculating financial covenants balance-sheet items are based on the settlement date and operating items are based on trailing 12 months.
- The results of the calculation of financial covenants in the financial statements at August 31, 2019 are as follows:
 - Interest cover 6,51
 - Equity ratio 39,7%

Bond Issue – Proforma Balance Sheet

Balance Sheet

	31.08.2019	Refinance	Balance Sheet after refinancing
Assets			
Non-current assets	44.640	--	44.640
Current assets	15.391	1.189	16.580
Total assets	60.031	1.189	61.220
Equity and liabilities			
Share capital	1.202	--	1.202
Other equity	22.622	--	22.623
Total equity	23.824	--	23.825
Non-current liabilities	15.704	7.817	23.520
Current borrowings	7.037	(6.628)	409
Other payables	13.466	--	13.466
Total liabilities	36.207	1.189	37.395
Total equity and liabilities	60.031	1.189	61.220
Equity ratio	39,7%		38,9%
Current ratio	0,75		1,19

Loans and Borrowings after refinancing*

	With lease liabilities	Without lease liabilities
Bank loans	4.702.389	4.702.389
Bond issue	8.000.000	8.000.000
Lease liabilities	9.825.000	--
Total	22.527.389	12.702.389
Cash and cash equivalents	(3.948.033)	(3.948.033)
Net interest bearing debt	18.579.356	8.754.356

*Based on August 31, 2019

Loans and Borrowings after Refinancing

<u>Loans and Borrowings</u>	<u>At August 31, 2019</u>	<u>Refinancing</u>	<u>Total</u>	<u>Maturity</u>
Bank loans	11.513.356	(6.810.967)	4.702.389	4,5 - 17 years
CPI-linked bond issue - HAGA021029	--	5.500.000	5.500.000	10 years
Non-indexed bond issue - HAGA181021	--	2.500.000	2.500.000	2 years
Total loans and borrowings	11.513.356	1.189.033	12.702.389	
Current loans and borrowings	(7.036.892)	6.627.634	(409.258)	
Non-current loans and borrowings	4.476.464	7.816.667	12.293.131	
 Credit lines				
ISK			4.500.000	2 years
USD 12,5 M			1.550.000	2 years
Total credit lines			6.050.000	
 Totals loans and credit lines			18.752.389	

The bond series HAGA021029 is expandable to ISK 15.000 m



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Integration Projects

Integration Projects - Summary

	Goal	Status
Projects regarding personnel and structure		
Projects regarding housing and structure		
Daily settlement of credit cards		
Purchasing and distribution		
Other items		
Total	600.000	513.500
In process		86.500
Investments to achieve synergy	600.000	273.000

- Largest amounts related to structural changes and housing
- Begins to count mostly from October 1, 2019
- Olis and Hagkaup offices moved to Skútuvogur 5 from October 1, 2019.
- Aðföng take over warehouse operations of Olis, transfer completes in the fall of 2020
- In the fall of 2020 a new warehouse for refrigerated and frozen goods will be put into operation
- IT-department has been reorganized into one central department
- Preparation of bidding of insurances and IT-services of Hagar

For further information

OLÍS



RAFMAGN

1 DC
10kW

2 DC
10kW

OLÍS



RAFMAGN

Changes in revenue units between years

- Bónus stores in Faxafen, Hallveigarstígur and Smiðjuvegur were sold
- Bónus stores opened in Skeifan and Garðatorg
- Bónus stores decreased by one between years
- Bónus store in Mosfellsbær moved to a new location in September
- Olís service stations at Háaleitisbraut and Vallargrund were sold, as well as the retail operation in Stykkishólmur
- ÓB stations at Starengi, Kirkjustétt and Knarrarvogur were sold
- Olís and ÓB stations decreased by five between years
- ÓB station in Vík í Mýrdal opened in Q3
- ÓB station in Akureyri opens in Q4
- Hagkaup in Borgarnes was closed

Statement of Comprehensive Income

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Income tax	(247)	(177)	(70)	39,5%	(408)	(359)	(49)	13,6%
Comprehensive income for the period	1.056	708	348	49,2%	1.721	1.436	285	19,9%
Adjusted for IFRS 16:								
Other operating expenses	(1.897)	(1.479)	(418)	28,2%	(3.856)	(2.880)	(976)	33,9%
EBITDA	1.964	1.183	781	66,0%	3.487	2.376	1.111	46,8%
Depreciation and amortisation	(547)	(256)	(291)	113,7%	(1.092)	(505)	(587)	116,3%
Net finance expense	(202)	(42)	(160)	379,9%	(379)	(76)	(303)	398,1%
Comprehensive income for the period	1.054	708	346	48,8%	1.699	1.436	263	18,3%



Thank you