



Q3 2021 Trading Statement

November 17, 2021

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Q3 2021 Trading Statement

5% organic EBIT growth in the first 9 months of 2021 – outlook maintained

Statement by Royal Unibrew's CEO, Lars Jensen: "It has been a busy quarter with substantially higher commercial investments and support to the re-opening of On-Trade. We have had to balance a continued strong underlying momentum in the business stemming from strong demand for our products across geographies against selected capacity constraints, a challenged supply-chain and increasing raw material prices. I am therefore very pleased that our strategy and multi-beverage business model delivered an EBIT on par with Q3 last year and 21% above EBIT in Q3 2019 primarily driven by organic growth."

"We delivered solid organic growth in the quarter and we also completed three acquisitions in the third quarter. At the beginning of the quarter, we acquired MC Energy, the French Crazy Tiger energy drinks business, as well as announced the acquisition of Solera Beverage Group, a pan-Nordic trading and distribution business. The acquisition of Solera Beverage Group was finalized on 17 September 2021. In September, we acquired the Estonian craft beer brewery Tanker, which will strengthen our footprint in the Estonian market through an authentic local beer brand. Integration of all three acquisitions, as well as of Fuglsang, which was acquired in April 2021, are progressing as planned," Lars Jensen continues.

We maintain our full-year EBIT guidance of DKK 1,625-1,700 million. We continue to invest in our brands and in the growth opportunities we see across markets to secure the best possible momentum going into 2022, which is expected to be a very demanding year, as we need to fend off the significant price increases in raw materials and freight costs," says Lars Jensen.

Key highlights of the quarter:

- Organic volume growth of 4% (Q1-Q3 2021: 9%)
- Positive price/mix primarily from better channel mix
- Organic revenue growth of 6% (Q1-Q3 2021: 10%)
- Higher investments in our brands than last year
- Building organizational capabilities
- EBIT margin negatively impacted by raw material price increases, higher freight costs, product mix and M&A

Financial highlights Q3-2021

Volume for Q3 2021 increased by 7% compared to Q3 2020 and amounted to 3.4 million hectoliters. Organic volume growth amounted to 4% with the difference explained by acquisitions. For Q1-Q3, the volume is up by 11%, corresponding to 9% organic growth. In Q3, net revenue increased by 11% (organic: 6%) and amounted to DKK 2,434 million. Net revenue growth in Q1-Q3 was 12% (organic: 10%) compared to the same period in 2020 and amounted to DKK 6,339 million.

Earnings before interest and tax (EBIT) for Q3 was DKK 4 million lower than in 2020 and amounted to DKK 596 million (2020: DKK 600 million). In Q1-Q3, EBIT increased by DKK 83 million compared to 2020 and amounted to DKK 1,346 million (Q1-Q3 2020: DKK 1,263 million). The EBIT margin decreased by 1.1 percentage point to 21.2% in the period Q1-Q3 as a consequence of higher sales and marketing costs, higher input costs and a negative impact from acquisitions.

Free cash flow amounted to DKK 551 million in Q3 2021 compared to DKK 889 in Q3 2020, whereas free cash flow for the first nine months of 2021 was DKK 1,234 million compared to DKK 1,479 million in Q1-Q3 2020. The development is as expected. Last year was extraordinary strong because of the Finnish beer campaign and extended payment terms for VAT and employee tax.

Outlook

The full-year EBIT outlook of DKK 1,625-1,700 million is maintained.

SELECTED FINANCIAL HIGHLIGHTS AND KEY RATIOS

mDKK	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Volume (thousand hl)	3,402	3,177	9,359	8,446
Net revenue	2,434	2,200	6,339	5,658
EBITDA	697	699	1,624	1,532
EBITDA margin (%)	28.6	31.8	25.6	27.1
EBIT	596	600	1,346	1,263
EBIT margin (%)	24.5	27.3	21.2	22.3
Profit before tax	600	603	1,349	1,251
Net profit for the period	474	475	1,068	980
Free cash flow	551	889	1,234	1,479
Net interest-bearing debt			3,398	1,837

NIBD/EBITDA (times)*	1.7	1.0
Equity ratio (%)	30	41

* Running 12 months

In Q3 2021, the business developed commercially as planned with continued re-opening of On-Trade across markets, albeit the On-Trade channel in Finland was continuously restricted throughout most of the quarter. The investments into topline activities were increased as planned.

Raw material prices

Most raw material prices and other input costs have continued to increase through Q3 and into Q4 and are putting significant pressure on the cost base going into 2022. Our hedging will delay the impact on our cost base, but eventually higher costs will feed through, and we will need to introduce mitigating measures. It is still our ambition to off-set the impact on an EBIT per hl basis through price increases and other efforts, including value management (price/pack, price/mix etc.).

Acquisitions

We have acquired three companies during the third quarter of 2021. MC Energy, which owns the French energy drinks brand Crazy Tiger, was acquired in the beginning of July. Crazy Tiger has a 10% market share of the French energy drinks market, which is the fastest growing category in France. The company is being integrated according to plan, and sales performance has been solid in the quarter gaining market share as a result.

The acquisition of Solera Beverage Group was announced early July and closed on 17 September 2021. Solera Beverage Group is the leading pan-Nordic importer and distributor of a portfolio of strong international wines, beers, soft drinks and other beverages. The company is present in Norway, Sweden and Finland, and therefore adds Norway and Sweden to Royal Unibrew's geographic footprint as well as it strengthens the offering in Finland. The company has only a limited impact on the Q3 results, as it was only part of the Royal Unibrew family for around two weeks of the quarter.

In September, we also acquired the Estonian craft beer brewery Tanker. The acquisition is expected to support Royal Unibrew's growth in the Baltic region through its authentic local beer brand, with which we will address the growth trend within the premium beer segment and expand our portfolio with craft and niche products in both Off-Trade and On-Trade.

On 16 November, we announced that we have agreed to acquire 100% of Aqua d'Or – a leading Scandinavian producer of mineral water, from Danone. The transaction is subject to approval from the Danish Competition Authorities, which we expect to receive during the first half of 2022.

In total, the acquisitions have contributed with around DKK 125 million in revenue and with limited effect on the result as the generated profit is at the same level as the acquisition cost.

Net debt

Net interest-bearing debt by the end of Q3 amounted to DKK 3,398 million which is an increase of DKK 1,205 million compared to year-end 2020. Calculated on a running 12-months basis NIBD/EBITDA was 1.7 times by end of Q3 2020 (year-end 2020: 1.2). The increase in net interest-bearing debt is partly explained by share buy-backs, dividends and the acquisitions carried out in 2021, of which Solera Beverage Group (enterprise value of around DKK 770 million) and MC Energy (enterprise value of around DKK 610 million) have had the largest impacts.

Full-year outlook

The full-year outlook for 2021 is maintained:

- EBIT: DKK 1,625-1,700 million

The guidance continues to assume a normalization of markets, including an open On-Trade channel throughout the year. We continue to increase our sales and marketing costs to more normal levels and behind growth opportunities.

Raw material and freight costs have continued to increase through Q3 2021 and full-year EBIT will be negatively affected by approx DKK 90 million (included in guidance and increased from approx DKK 75 million as announced in connection with the H1 2021 results), assuming that current spot prices are unchanged for the rest of the year.

The Q3 Trading Statement has been published via Nasdaq Copenhagen A/S and is enclosed with this announcement. The Q3 2021 Trading Statement is also available on www.royalunibrew.com.

For further information on this announcement:

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Financial Calendar for 2022

1 March 2022	Annual Report 2021
28 April 2022	Trading Statement for the period 1 January – 31 March 2022
28 April 2022	Annual General Meeting 2022
17 August 2022	Interim Report for the period 1 January – 30 June 2022
8 November 2022	Trading Statement for the period 1 January – 30 September 2022

It will be possible for investors and analysts to follow Royal Unibrew's presentation of the Trading Statement on Thursday, 18 November 2021, at 9.00 am CET by audiocast at the following telephone numbers:

Participants from Denmark: +45 35 44 55 77

Participants from the UK: +44 (0) 3333 000804

Participants from the USA: +1 631 91 31 422

Confirmation code: 93891491#

The presentation may also be followed at Royal Unibrew's website www.royalunibrew.com.

Forward-looking statements:

This Interim Report contains forward-looking statements, including statements about the Group's sales, revenue, earnings, spending, margins, cash flows, inventories, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the following words or phrases "believe, anticipate, expect, estimate, intend, plan, project, will be, will continue, likely to result, could, may, might", or any variations of such words or other words with similar meanings. Any such statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause the Group's actual results, performance or industry results to differ materially from the results expressed or implied in such forward looking statements. Royal Unibrew assumes no obligation to update or adjust any such forward-looking statements (except for as required under the disclosure requirements for listed companies) to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Some important risk factors that may have direct bearing on the Group's actual results include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, development in the demand for the Group's products, introduction of and demand for new products, changes in the competitive environment and the industry in which the Group operates, changes in consumer preferences, increasing industry consolidation, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, determination of fair value in the opening balance sheet of acquired entities, litigation, pandemic, environmental issues and other unforeseen factors.

New risk factors may emerge in the future, which the Group cannot predict. Furthermore, the Group cannot assess the impact of each factor on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

Attachment

- [Royal Unibrew Q3 2021 Trading Statement final](#)