



Interim Report for 1 January-30 June 2022 (H1)

August 17, 2022

Company Announcement No 41/2022 – 17 August 2022

H1 2022 Interim Report

Strong topline momentum in Q2 – full-year outlook maintained

- The organic development in the topline was very satisfactory in Q2 2022, despite being up against relatively tough comparable numbers from last year. This year, societies were without COVID-19 restrictions during the second quarter resulting in an organic volume growth of 5% (H1 2022: 2%).
- The price increases implemented during the first quarter of the year had full effect in Q2 2022 leading to an organic net revenue growth of 15% (H1 2022: 15%). Reported net revenue increased by 40% in Q2 2022 (H1 2022: 38%) due to the acquisitions made during the past 12 months.
- The second wave of input price increases, resulting from the war in Ukraine, continued investments in the organization and higher sales and marketing costs resulted in an organic EBIT decline of 13% (H1 2022: -13%) to DKK 511 million (H1 2022: DKK 720 million). Reported EBIT only declined by 2%, as acquisitions contributed by almost DKK 60 million in the quarter.
- Free cash flow was DKK 669 million (Q2 2021: DKK 785 million), resulting in a first half-year free cash flow of DKK 310 million (H1 2021: DKK 683 million).
- The outlook for full-year 2022 net revenue of DKK 10,700-11,700 million and EBIT of DKK 1,700-1,850 million is maintained.

CEO Lars Jensen comments: *“We delivered strong growth in the first half of the year driven by a very strong re-opening of the On-Trade. A solid double-digit price/mix effect was supported by higher sales and marketing costs compared to last year, as well as group capability building investments.*

We are gaining market shares in most markets, and we have been able to increase our EBITDA, despite strong headwind from input cost increases. The timelag between cost inflation and our ability to increase prices creates a backlog of positive effects, which in H2 together with relatively lower discretionary spending will impact H2 performance positively.

We continue our path towards decarbonization. We are committed to SBTi and are on track of implementing our roadmap to be scope 1 and 2 carbon emission free by 2025 as well as reducing scope 1,2 and 3 carbon emissions by 50% by 2030. Installation of additional heat pumps in Faxe, cutting at least 30% of the gas consumption and reducing CO₂ emissions by 25% is an example.

Our recent agreement to acquire production capacity in North America is another example of how we significantly reduce the CO₂ contribution from transportation. Changes in the geopolitical situation and post-pandemic challenges support and even accelerate our efforts to decarbonize,” Lars Jensen continues.

SELECTED FINANCIAL HIGHLIGHTS AND KEY RATIOS

mDKK	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Volume (thousand hl)	3,840	3,421	6,500	5,957	12,332
Organic volume growth (%)	5	11	2	13	9
Net revenue	3,211	2,300	5,373	3,905	8,746
Organic net revenue growth (%)	15	16	15	13	12
EBITDA	623	609	940	927	2,020
EBITDA margin (%)	19.4	26.5	17.5	23.7	23.1
EBIT	511	521	720	750	1,652
Organic EBIT growth	-13	0	-13	13	6
EBIT margin (%)	15.9	22.7	13.4	19.2	18.9
Profit before tax	851	526	1,046	749	1,647
Net profit for the period	772	417	926	594	1,298
Free cash flow	669	785	310	683	1,296
Net interest-bearing debt			4,416	2,618	3,536
NIBD/EBITDA (times)*			2.2	1.3	1.7

ROIC incl. goodwill (%)*			15	21	19
ROIC excl. goodwill (%)*			24	34	32
Equity ratio (%)			31	32	31
Earnings per share (EPS)	15.6	8.6	19.2	12.3	26.5

* Running 12 months

Financial highlights

The organic volume growth of 5% to 3.8 million hectolitres in Q2 2022 was driven by Western Europe and International, whereas Northern Europe's volumes declined organically by 2%. Italy grew significantly as we continued to perform very strong in all three categories where we are present. The On-Trade channel increased significantly across all geographies as there were no restrictions in the second quarter as opposed to last year. As consumers moved back into On-Trade, the Off-Trade declined in all markets, Italy excluded as Off-Trade volumes here increased by double-digit percentages. For H1 2022, volumes increased to 6.5 million hectolitres corresponding to 9% growth, of which 2% are from organic growth and around 7% from acquisitions.

Net revenue for Q2 2022 amounted to DKK 3,211 million compared to DKK 2,300 million for Q2 2021. This corresponds to an organic growth of 15% driven by the higher sales, implemented price increases and a positive channel-mix. The reported growth of 40% includes a significant effect from acquisitions contributing around 25% with the majority coming from the Norwegian acquisitions of Solera (included since 17 September 2021) and Hansa Borg (included since 25 May 2022). Net revenue for H1 2022 amounted to DKK 5,373 million (H1 2021: DKK 3,905 million), corresponding to an organic growth of 15%.

Earnings before interest and tax (EBIT) for Q2 2022 was DKK 10 million lower than in Q2 2021, amounting to DKK 511 million (Q2 2021: DKK 521 million). The EBIT margin declined by 6.8 percentage points to 15.9%. Mix changes contributed positively in the quarter, while acquisitions diluted the margin by around 1.2 percentage points. The majority of the remaining margin decline is explained by the timelag between input price inflation and our sales price increases. Higher sales and marketing costs as well as higher discretionary costs also diluted the margin as we continued with already planned and booked sales supporting activities in Q2.

In H1 2022, EBIT was DKK 30 million lower than in H1 2021 and amounted to DKK 720 million (H1 2021: DKK 750 million). The organic decline was 13%, whereas the reported decline was only 4% supported by a positive impact from the acquisitions completed in the past year. The reported EBIT margin declined by 5.8 percentage points, whereof around 1.2 percentage points was due to acquisitions. The majority of the remaining margin decline is explained by the timelag between input inflation and price increases. Higher sales and marketing costs together with higher discretionary spending also impacted the margin negatively.

The free cash flow for H1 2022 amounted to DKK 310 million compared to DKK 683 million for H1 2021 and was impacted by a negative development in working capital and higher capex.

In H1 2022, net interest-bearing debt increased by DKK 880 million (H1 2021: DKK 425 million) compared to year-end 2021. The increase is primarily explained by the payment of dividend to shareholders and share buy-backs of DKK 300 million. Calculated on a 12-months basis, NIBD/EBITDA was 2.2 (H1 2021: 1.3) and ROIC excluding goodwill was 24% (H1 2021: 34%).

Acquisitions

On 7 January 2022, Royal Unibrew agreed to acquire the remaining 75% of Hansa Borg Bryggerier. On 13 May 2022, the transaction was approved by the Norwegian Competition Authorities and the deal was closed on 25 May 2022. The transaction is based on an enterprise value of around NOK 2.6 billion (DKK 1.9 billion) for 100% of the company on a debt free basis, and 10% of the transaction value was paid in cash whereas the remainder of the transaction was paid in shares. The already owned 25% of Hansa Borg was revalued in connection with the transaction, resulting in an extraordinary non-cash tax-free profit of DKK 360 million, which is booked as part of financial items. Hansa Borg Bryggerier is expected to generate normalized full-year revenue in 2022 of around NOK 1.4 billion with a normalized EBITDA of around NOK 210 million. We expect the acquisition to contribute around DKK 50 million to Royal Unibrew's 2022 full-year EBIT result (seven months of ownership), including integration and restructuring costs.

On 15 July 2022, Royal Unibrew announced the agreement to acquire 100% of the Toronto-based company Amsterdam Brewery Co. Ltd. Closing is subject to customary preparations and is expected to close in Q3 2022. The acquisition is based on an enterprise value of CAD 44 million (around DKK 250 million) on a debt free basis. Amsterdam Brewery has normalized revenue of around CAD 34 million (around DKK 200 million) and a normalized annual EBITDA of around CAD 5 million (around DKK 28 million).

The announced acquisition of Aqua d'Or is still awaiting approval from the Danish Competition Authorities, which is now expected in Q4 this year. Aqua d'Or has normalized net revenue of around DKK 180 million, which is not included in the current outlook for the year.

Full-year outlook

We maintain our full-year outlook for revenue of DKK 10,700-11,700 million and EBIT of DKK 1,700-1,850 million as set out in company announcement no. 28/2022 of 25 May 2022.

The announced acquisitions of Aqua d'Or and Amsterdam Brewery are not included in the outlook for 2022.

The price increases we implemented into most of our markets during Q1 2022 were set out to neutralize the input price inflation experienced during 2021 - Russia's invasion of Ukraine started another wave of input price increases impacting our cost base by an additional approx. DKK 300 million. As these cost increases came after the annual negotiations with our customers were completed, we have implemented a second round of price increases that will become effective during Q3 2022. Additional costs will be carried by us until we are able to increase prices towards our customers.

Input costs continue to increase and in particular the energy prices have continued to move up in Q3, which at current levels will lead to further sales price increases in Q4. The timelag between cost inflation and sales price increases towards customers has a negative impact of around DKK 200 million on 2022 EBIT, of which DKK 100 million was known at the time of the initial outlook. Our sales price increases are targeting a constant earnings per liter sold once implemented.

In total, our input costs, on a 12-month rolling basis, has now increased by around DKK 0.8 billion compared to the beginning of 2021.

The summer weather in the Nordic countries has been more wet and less sunny than a normal year, and more people than last year decided to travel in their holiday. We estimate this will have a negative effect on EBIT in 2022 of around DKK 50 million.

We have seen the first signs of consumers shifting to discount retail outlets where our assortment of premium products is more narrow, and the lower end of the market has relative more shelf space. We still see consumers going for branded beverages, and we do not expect a significant negative effect from downtrading, as unemployment rates continue to be very low and economies strong in our key markets.

The high level of macro economic uncertainty and the potential resulting impact on consumer behavior means that we are taking actions to minimize discretionary spending in H2 2022. We have not included any COVID-19 related restrictions on the On-Trade for the remainder of the year. Consequently, the profit in Q4 2022 is expected to be higher than in Q4 2021, which was significantly impacted by strict restrictions and actual lockdowns in our main markets. We continue to expect capex for 2022 to be around 5% of net revenue and tax around 21% of profit before tax, excluding result after tax from investments in associates.

The H1 2022 Interim Results has been published via Nasdaq Copenhagen A/S and is enclosed with this announcement. The H1 2022 Interim Results are also available on www.royalunibrew.com.

For further information on this announcement:

Investor and Media Relations: Jonas Guldborg Hansen, tel. +45 20 10 12 45

Financial Calendar for 2020

8 November 2022

Trading statement for the period 1 January - 30 September 2022

Forward-looking statements:

This Trading Statement 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

- [Interim Report H1 2022 Royal Unibrew FINAL](#)