



Annual Report 2022

March 1, 2023

Statement by Royal Unibrew's CEO Lars Jensen:

"Royal Unibrew generated healthy top line growth in 2022 despite the headwind faced from unexpected inflation and supply chain uncertainty stemming from the war. Clearly, the inflation and especially the high energy prices, impact our earnings in the short-term, but we are confident that Royal Unibrew is on the right path. Our strategy of being THE PREFERRED CHOICE together with our multi-beverage and multi-niche business models continue to work and pave the way for building our business even stronger.

We continue to expand our platform by organic growth while at the same time growing our business through new and expanded partnerships as well as acquisitions that fit Royal Unibrew strategically and support our ambition of being THE PREFERRED CHOICE. Our top line has almost doubled since 2020, and we are in strong shape and confident about the future.

We continued our sustainability journey in a very busy 2022. At this present moment, we are finalizing the construction of our solar panel park in Denmark as well as a biogas plant in Finland. In Denmark, the solar panel park will reduce our electricity consumption significantly whereas the biogas plant will make Royal Unibrew independent of fossil fuel in our production in Finland. Hence, 2023 will mark an important milestone in our pursuit of a fossil free future. Finally, I am proud that we toward the end of 2022 submitted our ambitious emissions reduction targets to the Science Based Target initiative for official validation, and we expect approval during 2023."

FY 2022 financial review

Volume for 2022 increased by 9% compared to 2021 and amounted to 13.4 million hectoliters. Organic volume growth was 1% with the difference of approximately 900 thousand hectoliters explained by the acquisitions of Hansa Borg and Amsterdam Brewery. Net revenue growth in 2022 amounted to 31% (organic: 11%) compared to 2021 and reached DKK 11,487 million.

Production costs increased by DKK 2.1 billion in 2022 corresponding to an increase of 47%. As a result, gross profit increased by 14% resulting in a gross profit margin of 42.4%, which is 6.3 percentage points lower than in 2021. The decline is primarily caused by the time lag between inflation in COGS and sales price increases, but also a result of a negative channel and product mix as well as dilutive acquisitions.

Sales and distribution costs increased by 34% in 2022 and increased as a percentage of net revenue from 25.0% in 2021 to 25.5% in 2022. This was primarily the result of high freight and distribution costs.

Earnings before interest and tax (EBIT) declined by DKK 136 million compared to 2021 and amounted to DKK 1,516 million (2021: DKK 1,652 million). The reported EBIT margin declined by 5.7 percentage points compared to 2021. Acquisitions diluted the EBIT margin by 1.4 percentage points in 2022 compared to the year before.

Free cash flow amounted to DKK 577 million in 2022 compared to DKK 1,296 million in 2021. The development is negatively impacted by an increase in working capital of DKK 585 million driven by higher inventories and an increase in receivables that is larger than the development in payables.

Selected financial highlights and ratios

mDKK	2022	2021
Volumes (million hectoliters)	13.4	12.3
Net revenue	11,487	8,746
EBITDA	1,997	2,020
EBITDA margin (%)	17.4	23.1
Earnings before interest and tax (EBIT)	1,516	1,652
EBIT margin (%)	13.2	18.9
Profit before tax	1,785	1,647
Net profit for the year	1,491	1,298

mDKK	2022	2021
Net interest-bearing debt (NIBD)	4,460	3,536
NIBD/EBITDA (x)	2.2	1.7
Equity ratio (%)	36	31

Outlook for 2023

We expect an EBIT in the range of DKK 1,550-1,750 million in 2023 based on net revenue of DKK 13-14 billion.

Revenue

The guided revenue is substantially higher than in 2022. Roughly DKK 0.5 billion comes from acquisitions and the remainder comes from extensions of partnerships and price/mix increases to mitigate the impact from cost increases.

The beverage category is expected to be resilient in a consumer environment characterised by high inflation and pressure on the discretionary spending amongst consumers. We expect affordability to remain a key focus for consumers during 2023 and consequently our channel mix to be slightly negative as well as we expect private label and discount brands to gain share in the overall market.

Profitability

Our focus in 2023 is to safeguard our profitability on a per hectoliter basis, which will have a margin dilutive effect in 2023. The additional revenue coming from extensions of partnerships and acquisitions has a lower margin than the group average.

The destocking we have seen in Italy continue into the beginning of 2023 and we expect the business to return to normal during early springtime.

Profitability will be slightly backend loaded in 2023 compared to normal seasonality as price increases will take effect during the year, and as the de-stocking during the second half of 2022 in Italy had a negative one-off effect during the period.

Significant cost increases are expected during 2023 primarily stemming from raw and packaging materials, but also due to the general inflationary pressure. The guidance is based on hedged commodity prices at the end of February and forward pricing on the non-hedged part.

Top and bottom end of range

The macro setting is highly uncertain due to geopolitical uncertainty, inflation and pressure on consumers discretionary spending power. The main factors impacting profitability are:

- Commodity price development and the supply situation
- Consumer behaviour and impact on channel mix
- Customers reaction to price increases

Financial assumptions

- Acquisitions of Hansa Borg and Amsterdam to add around DKK 0.5 billion in incremental net revenue with single-digit EBIT margin
- The guidance is built on normal summer weather and travelling activities
- In 2023, our capex is expected to be around 5-6% of net revenue. We will increase our investments in CSR and in expansion of capacity to support future growth
- Corporate income tax rate is expected to amount to around 21%

Outlook for 2023

	Outlook	Actual 2022	Actual 2021
Net revenue (DKKbn)	13-14	11.5	8.7
EBIT (DKKkm)	1,550-1,750	1,516	1,652

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

For further information on this announcement:

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There will be a conference call on Thursday March 2, 2023, at 9:00am CET where the annual results will be presented. Registration is needed:

<https://register.vevent.com/register/BI20464eac5bf6492891179de6c3d67318>

Attachments

- [RU_AR-2022_UK_WEB](#)
- [ROYAL-2022-12-31](#)