



Financial review of Q4 2023 and FY 2023 results

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Statement by Royal Unibrew's CEO Lars Jensen: "Solid execution in 2023 ensured organic EBIT growth of 7%. Despite a challenging start to the year and poor summer weather, we managed to build increasing momentum throughout the year. Organic EBIT growth in Q4 reached a remarkable 29%, ensuring that we comfortably ended within our guided EBIT range.

Our business scope is significantly expanded during the past years, and with the acquisitions of Vrumona and San Giorgio in 2023, our net revenue has almost doubled over the past three years. Royal Unibrew is now a business with strong multi-beverage platforms in the Nordic region and a footprint in Western Europe with solid growth perspectives. We are confident that from where we are now, we have plenty of earnings potential to realize in the coming years from integrating, consolidating and growing these businesses, while our mature markets continue their solid and steady growth path.

2023 marked another milestone year in our sustainability journey. For the second year in a row, we were recognized as an 'ESG Industry Top Rated' company by Morningstar Sustainalytics. Additionally, we commenced electricity production from our solar park in Denmark, inaugurated a biogas plant in Finland, and received validation of our emissions reduction targets from the Science Based Targets initiative. The SBTi validation is a testament to our persistent efforts to mitigate our climate impact. However, there is still much to be done on the ESG agenda, and we remain committed to advancing our efforts to achieve our sustainability targets."

The start of the year was difficult as the cost base was negatively impacted by very high inflation and price increases were needed to offset the higher cost levels. The higher prices put slight pressure on volumes and volume growth was negative in 2023 as consumers were hit by higher general living costs. Clearly, gross profit margins came under pressure in the beginning of the year and continued to be so until price increases covered the inflation.

Poor weather, especially in the Nordics, put pressure on the business during the summer peak season. Towards the end of the year, performance improved as price increases were implemented. In our multi-beverage markets, strong market positions and solid customer relationships supported a very strong development.

Overall, volumes declined organically by 3% in 2023, while strong price/mix impact resulted in an organic net revenue growth of 4%. EBIT increased organically by 7%, resulting in an EBIT margin that declined by 50 basis points to 12.7% negatively impacted by acquisitional impacts of almost 1 percentage point.

Key highlights Q4:

- Organic volume growth of 2% (FY 2023: -3%)
- Positive price/mix from pricing initiatives and mix improvements
- Organic net revenue growth of 6% (FY 2023: 4%)
- EBIT increased organically by 29% (FY 2023: 7%)
- EBIT margin up by 1.3 percentage points to 12.2% (FY 2023: down 0.5 percentage point to 12.7%)

Financial highlights Q4 and FY 2023

In Q4 2023, volumes increased by 28% compared to Q4 2022, totalling 4.0 million hectoliters. The organic volume growth was 2%, with the difference of approximately 800 thousand hectoliters explained by the acquisitions of Vrumona and San Giorgio. For FY 2023, the volume saw a 6% increase, corresponding to an organic decline of 3% driven by poor weather in peak season and destocking in Italy. In Q4 2023, net revenue rose by 22% (organic: 6%), reaching DKK 3,444 million. The net revenue growth for FY 2023 was 13% (organic: 4%) compared to 2022, amounting to DKK 12,927 million.

Production costs in Q4 2023 increased by DKK 333 million, a 19% rise. Consequently, the gross profit increased by 28%, resulting in a gross profit margin of 38.9%, which is 1.8 percentage points higher than in 2022. This is a result of value management activities carried out during the past two years of input price inflation, including price initiatives across our business. For FY 2023, the gross profit margin declined by 0.7 percentage points to 41.7% compared to 2022.

Sales and distribution costs increased by 10% in Q4 2023 but decreased as a percentage of net revenue to 22.7% from 25.3% in Q4 2022. This was primarily due to lower freight and distribution costs, which was positively impacted by the reduction of freight rates compared to the same period the year before. In FY 2023, sales and distribution costs increased by 8%, falling from 25.5% of net revenue in 2022 to 24.4% in 2023.

The fourth quarter of 2023 marked the third consecutive quarter of organic EBIT growth, a result of highly effective execution in Northern Europe and Italy.

EBIT for Q4 was DKK 114 million higher than in 2022, amounting to DKK 421 million (2022: DKK 307 million) impacted positively by DKK 30 million from the long planned sale of a brewery site in Norway. For FY 2023, EBIT increased by DKK 122 million compared to 2022, totalling DKK 1,638 million (2022: DKK 1,516 million). The reported EBIT margin increased by 1.3 percentage points to 12.2% in Q4 2023 due to lower production

costs and lower freight and distribution costs. For FY 2023, the reported EBIT margin declined by 0.5 percentage points compared to 2022. In Q4 2023, acquisitions diluted the EBIT margin by 1.1 percentage point, whereas they diluted the EBIT margin by almost 1 percentage point in FY 2023 compared to the previous year.

Free cash flow amounted to DKK 388 million in Q4 2023 compared to DKK -37 million in Q4 2022, while the free cash flow for FY 2023 was DKK 1,143 million compared to DKK 577 million in 2022. This development is driven by higher earnings and a positive swing of DKK 535 million from a decrease in working capital.

Management's review

The strong top-line development in Q4 2023 was supported by robust commercial execution in the majority of our markets. Additionally, Italy had a significant positive impact on the top line, as 2022 figures were very weak due to de-stocking in the wholesale On-Trade beer business.

The annual negotiations have proceeded constructively with the vast majority of our customers, and the results will be implemented gradually throughout the first quarter of 2024. The focus has been on addressing the general inflation in society reflected in salaries, among other things. The integration of Vrumona in the Netherlands and San Gorgio in Italy is proceeding according to plan.

Net debt

Net debt by the end of 2023 amounted to DKK 6,426 million, which is an increase of DKK 1,966 million compared to year-end 2022. The increase in net debt is primarily driven by the acquisitions of Vrumona in the Netherlands and San Giorgio in Italy. Net interest-bearing debt/EBITDA increased from 2.2x to 2.9x over the same period.

Developments in activities for the period October 1 - December 31 broken into market segments

	Northern Europe		Western Europe		International		Group	
	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022
Volumes (million hectoliters)	2.6	2.5	1.1	0.2	0.3	0.4	4.0	3.1
Organic volume growth (%)	4		11		-16		2	
Net revenue (DKK million)	2,459	2,278	684	187	302	352	3,444	2,818
Organic net revenue growth (%)	7		27		-14		6	

In Northern Europe, there was a 4% organic increase in volumes in Q4 2023, leading to a 1% organic volume increase for FY 2023. Net revenue increased organically by 7% in Q4 2023 and organically by 8% in FY 2023. The positive development was driven by strong performance in our multi-beverage markets.

In Western Europe, volume growth was adversely affected by destocking in Italy in Q4 2022. Consequently, volumes increased organically by 11% in Q4 2023, and net revenue increased organically by 27% in the quarter due to a positive impact on price/mix from the more positive product mix. For FY 2023, volumes in Western Europe decreased organically by 14%, while net revenue decreased organically by 4%. This performance was caused by an exceptional good summer in Italy in 2022 making comparable numbers difficult to meet as well as the destocking in Italy, which impacted the first four months of 2023 negatively before normalizing for the remainder of the year.

The International segment continues to be under pressure as the high inflation makes it less competitive relative to local competition that is not affected by inflation to the same degree. Volumes declined by 16% in Q4 2023 leading to net revenue growth of -14% in the quarter compared to the same period the year before. For FY 2023, volumes decreased organically by 21%, whereas net revenue decreased organically by 14%.

At the Group level, this resulted in an organic volume increase of 2% in the last quarter of 2023, bringing the full-year development to a 3% organic volume decrease. Strong in-market execution and price initiatives across the Group supported a positive price/mix impact, resulting in an organic net revenue increase of 6% for Q4 2023 and 4% for FY 2023.

The negative impact from weaker Norwegian and Swedish kroner was around DKK 55 million on net revenue in the quarter. Adjusting for this, organic net revenue was 2 percentage points higher.

Developments in activities for the period July 1 - December 31 broken into market segments

	Northern Europe		Western Europe		International		Unallocated		Group	
	H2 2023	H2 2022	H2 2023	H2 2022	H2 2023	H2 2022	H2 2023	H2 2022	H2 2023	H2 2022
Volumes (million hectoliters)	5.4	5.5	1.5	0.7	0.6	0.7			7.5	6.9
Organic volume growth (%)	-1		-4		-17				-3	
Net revenue (DKK million)	5,092	4,891	1,083	591	605	631			6,781	6,114
Organic net revenue growth (%)	4		8		-12				2	
EBIT (DKK million)	807	709	76	28	50	61	-6	-3	928	796
Organic EBIT growth (%)	14		89		-29				13	
EBIT margin (%)	15.9	14.5	7.0	4.7	8.3	9.7			13.7	13.0

EBIT increased by DKK 114 million in Q4 2023, leading to an EBIT increase of DKK 132 million in H2 2023, corresponding to an organic increase of 13%. The International division continued to be negatively impacted by high costs, resulting in an organic EBIT decline of 29% in H2 2023. In Western Europe, the normalization of the Italian wholesale On-Trade beer market resulted in an organic EBIT increase of 89% in H2 2023, whereas it declined by 25% for FY 2023 because of the exceptional good summer in Italy in 2022. In Northern Europe, EBIT developed favorably in Q4 2022 due to strong execution across our multi-beverage markets, resulting in an organic EBIT increase of 14% in H2 2023 and 16% for FY 2023.

Developments in activities for the period January 1 - December 31 broken into market segments

	Northern Europe		Western Europe		International		Unallocated		Group	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Volumes (million hectoliters)	10.8	10.4	2.2	1.6	1.1	1.4			14.1	13.4
Organic volume growth (%)	1		-14		-21				-3	
Net revenue (DKK million)	10,023	8,943	1,738	1,353	1,166	1,191			12,927	11,487
Organic net revenue growth (%)	8		-4		-14				4	
EBIT (DKK million)	1,445	1,247	141	157	75	128	-23	-16	1,638	1,516
Organic EBIT growth (%)	16		-25		-40				7	
EBIT margin (%)	14.4	13.9	8.1	11.6	6.4	10.7			12.7	13.2

In Denmark, net revenue increased by 20% to DKK 939 million in Q4 2023, and for FY 2023, net revenue increased organically by 19%. In Finland, net revenue increased organically by 5% in Q4 2023, while net revenue grew by around 6% organically in FY 2023. Both markets were supported by price initiatives and strong commercial execution.

Net revenue (DKK million) - selected countries in Northern Europe

	Q4 2023	Q4 2022	% change	H2 2023	H2 2022	% change	FY 2023	FY 2022	% change
Denmark	939	781	20	1,957	1,674	17	3,786	3,169	19
Finland	735	700	5	1,569	1,554	1	3,151	2,958	6
Norway	437	482	-9	826	960	-14	1,602	1,495	7
Sweden	119	95	26	236	191	24	466	379	23
Baltic countries	229	221	4	505	512	-1	1,019	942	8

In Norway, net revenue amounted to DKK 437 million in Q4 2023, which corresponds to an organic decline of 9%. Adjusting for the weaker Norwegian kroner, net revenue increased organically by 1%. In FY 2023, net revenue decreased organically by 17% and adjusting for the weak currency development, the organic decline was 6%.

In Sweden, net revenue increased organically by 25% to DKK 119 million in Q4 2023 and adjusted for the weak currency 28%. In the Baltic countries, net revenue increased organically by 4% in Q4 2023 due to high price increases, whereas for FY 2023, the organic net revenue growth amounted to 8%.

Management review for the parent company

Net profit for the year was DKK 1,032 million compared to DKK 1,571 million in 2022. The decrease of DKK 539 million against last year was driven by increased net financial costs of DKK 95 million and by recognition of a gain on investments in associates of DKK 460 million in 2022.

In 2023, the equity increased by DKK 552 million from DKK 4,967 million to DKK 5,519 million, primarily driven by a profit for the year of DKK 1,032 million and a sale of shares for treasury of DKK 249 million offset by dividends paid to shareholders of DKK 720 million.

Outlook for 2024

We expect organic EBIT growth of 5-15% in 2024 (equivalent to a reported EBIT in the range of DKK 1.8-1.95 billion, including acquisitions) and net revenue of around DKK 15 billion.

Uncertainty regarding the macroeconomic development and consumer behavior remains unchanged. Total cost per hectoliter is not expected to organically decrease significantly in 2024.

Revenue

Due to the overall uncertainty on the macroeconomic development and consumer behavior, we have based our net revenue expectations on a flattish volume development and a positive price/mix leading to a low-to-mid-single digit percentage organic net revenue growth, as the M&A contribution from Vrumona and San Giorgio is expected to be around DKK 1.5 billion.

We have not monitored any significant changes to consumer behavior recently. Consumers still appear to be going out less frequently and spending less during their outings, particularly affecting the On-Trade sector negatively. Additionally, we anticipate consumers in the Off-Trade sector to continue to be seeking good deals.

Profitability

We expect organic EBIT growth of 5-15% in 2024 (equivalent to a reported EBIT in the range of DKK 1.8-1.95 billion, including acquisitions). We do see deflation in some input price categories, whereas inflation in other cost categories is increasing in 2024. We continue to expect that total cost per hectoliter will not organically decrease significantly in 2024.

Vrumona is expected to contribute in-organically to EBIT by around DKK 80 million in 2024, whereas the EBIT impact from San Giorgio will be non-material. We will do investments in Italy during 2024, which will neutralize the underlying earnings of the business, and the benefits, which will materialize in both Italy and International, is not expected to impact EBIT until 2025.

As a consequence, and supported by an expected positive value management impact, we do expect the EBIT margin to expand organically.

Outlook for 2024

mDKK	Outlook	Actual 2023	Actual 2022
Net revenue	Around DKK 15 bn	12,927	11,487
Organic EBIT growth	5%-15%	7%	-14%

Top and bottom end of range

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

- Consumer behavior and impact on channel mix
- High season weather

Financial assumptions

- Net financial expenses, excluding currency related losses or gains, of around DKK 350 million
- Corporate income tax rate of around 21%
- The guidance is built on normal summer weather and travelling activities
- Capex in the range of DKK 850-1,000 million

New long-term financial target

We have significantly enhanced our Nordic footprint through recent inorganic investments, transforming Royal Unibrew into a true Nordic multi-beverage company. At the same time, we have strengthened and expanded our presence in Western Europe, where we now have multiple platforms, each possessing several options for future growth opportunities. In other words, Royal Unibrew has transformed from being a mature, high-margin business into a growth-oriented company with substantial potential for organic EBIT growth.

Our net revenue has increased by approximately 70% through acquisitions since 2019. We are now in a position where we have the opportunity to drive significant organic profit growth by optimizing our current business, expanding in new markets and growing our partnerships.

We have strong confidence in our multi-beverage strategy with focus on categories that are growing faster than the overall beverage market and with higher margins. A focus on organic earnings growth ensures that we make the right decisions in our efforts to achieve our goal of maximizing value creation in the long run, and we want this to be reflected in our long-term financial target.

In light of this, our new long-term financial target is to grow EBIT organically by an average 6-8% per year. It remains our ambition to increase the EBIT margin. Given the current business composition and prevailing input prices, we expect to organically grow the EBIT margin in the same period.

For further information on this announcement:

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There will be a **conference call** on Thursday February 29, 2024, at 9:00am CET where the annual results will be presented. Registration is needed:

<https://register.vevent.com/register/Bld6667e5f4e19465fb56b6eb24d94d8db>

Capital Market Day:

Will be held on May 7, 2024, at Science Gallery London.

To sign up, please send an e-mail to:

investor.relations@royalunibrew.com

Attachment

- [Fond-RU-04-2024-uk-Financial review of Q4 2023 and FY 2023 results_FINAL](#)