



Annual Report 2023

February 28, 2024 at 7:08 PM CET

COMPANY ANNOUNCEMENT NO 05/2024 - February 28, 2024

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."

FY 2023 financial review

Volumes for 2023 show an aggregated sale of 14.1 million hectoliters of beverages, equaling a growth over 2022 of 5% of which -3% was organic growth. Net revenue for 2023 increased by 13% and amounted to DKK 12,927 million compared to DKK 11,487 million in 2022. Organic revenue growth amounted to 4% in 2023 compared to 11% in 2022.

Gross profit increased DKK 525 million, up 11%, compared to 2022 and amounted to DKK 5,394 million. The gross margin of 42% was on par with 2022.

Sales and distribution expenses in 2023 was DKK 232 million higher than the 2022 figure and amounted to DKK 3,158 million compared to DKK 2,926 million in 2022. Administrative expenses for 2023 showed a DKK 201 million increase compared to 2022 and amounted to DKK 628 million compared to DKK 427 million in 2022. The increase is primarily driven by central organizational capacity increases, particularly the group functions IT, finance and procurements. Additionally, the increase also stems from acquisitions made in 2022 which in 2023 had full year impact as well as impact from acquisitions made in 2023.

Earnings before interest, tax, depreciation and amortization (EBITDA) for 2023 showed a DKK 211 million increase and amounted to DKK 2,208 million compared to DKK 1,997 million in 2022. EBIT for 2023 amounted to DKK 1,638 million, DKK 122 million higher than the 2022 figure. The positive development in both EBITDA and EBIT were primarily driven by strong execution in our mature multi-beverage markets, price initiatives across our Group, and secondly by acquisitions. The EBIT margin for 2023 was 12.7% compared to 13.2% in 2022.

The free cash flow in 2023 amounted to DKK 1,143 million, which was an increase of DKK 566 million compared to 2022. Cash flows from operating activities showed a DKK 642 million increase compared to the 2022 figures, and cash used in investing activities showed a DKK 54 million increase. Further repayment on lease facilities increased by DKK 22 million.

Selected financial highlights and ratios

mDKK	2023	2022
Volumes (million hectoliters)	14.1	13.4
Net revenue	12,927	11,487
EBITDA	2,208	1,997
EBITDA margin (%)	17.1	17.4
Earnings before interest and tax (EBIT)	1,638	1,516
EBIT margin (%)	12.7	13.2
Profit before tax	1,406	1,785
Net profit for the year	1,095	1,491

mDKK	2023	2022
Net interest-bearing debt (NIBD)	6,426	4,460
NIBD/EBITDA (x)	2.9	2.2
Equity ratio (%)	32	36

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

The annual report 2023 has been published via Nasdaq Copenhagen A/S and is enclosed with this announcement. The annual report 2023 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 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

Attachments

- [RU_AR-2023_UK_FINAL](#)
- [ROYAL-2023-12-31-en](#)