

# Handelsbanken Nordic Mid/Small Cap Seminar 2017, Stockholm

Royal Unibrew A/S

By Lars Jensen, CFO

8 June 2017



# Facts about Royal Unibrew

- Royal Unibrew is the second biggest brewer in the Nordic and Baltic region
- Revenue in 2016 of DKK 6.340 billion
- EBITDA in 2016 of DKK 1,306 million
- Approximately 2,350 employees worldwide
- Export to approx. 85 countries worldwide
- 5 breweries and 2 soft drink/water facilities
- Market Cap end December 2016 of DKK 14.7 billion or EUR 2.0 billion
- Daily average liquidity last 12 months approx. DKK 29 million or EUR 3.9 million



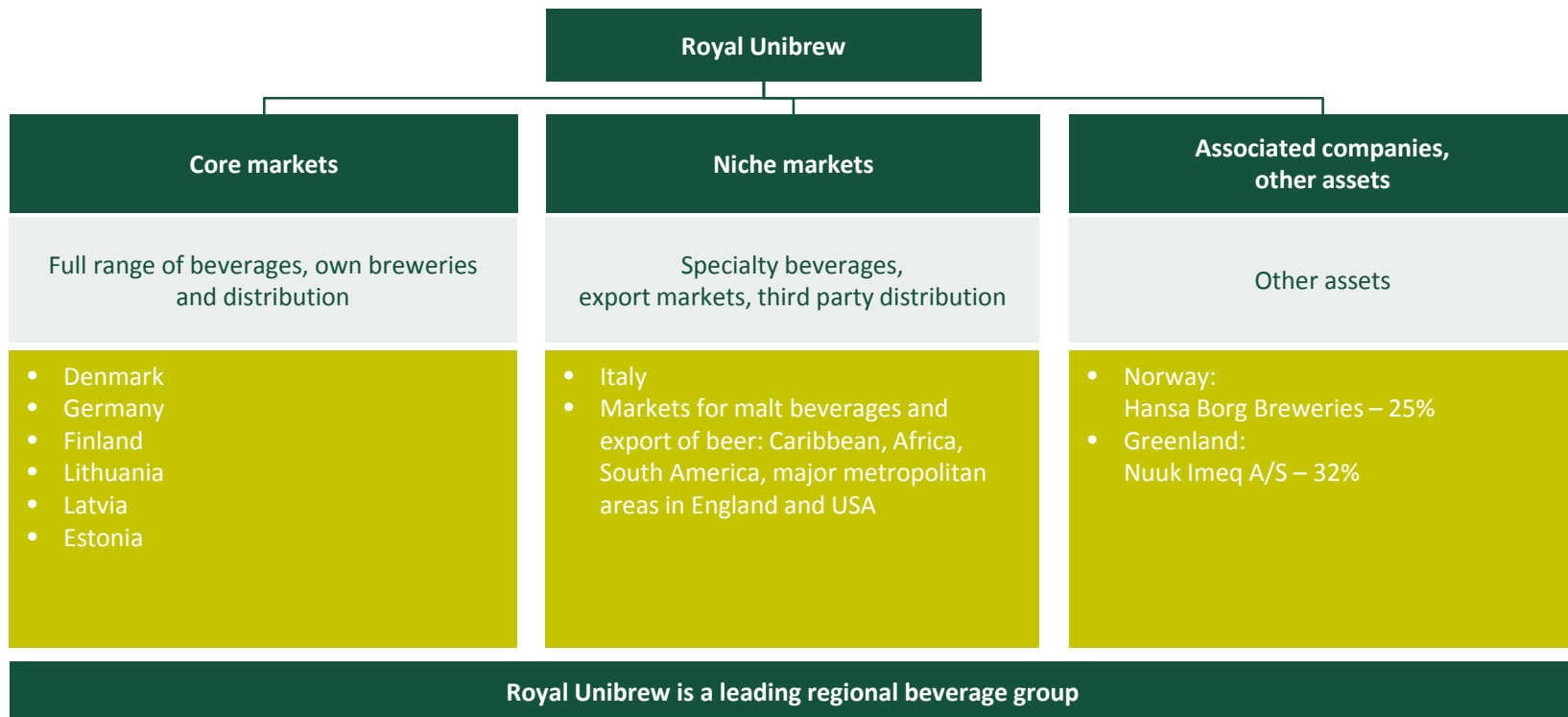
# Royal Unibrew's goal is to be an efficient regional beverage player



- Positions, mainstream and niche
- Category, brands and international partnerships
- Growth agenda
- Commercial agenda
- Efficiency agenda
- Financial, competitive and strategic flexibility – and capital structure
- Our Leadership DNA



# A Leading Regional Beverage Group



# Strategic priorities

## Innovation

Identifying trends for products, brands, packaging, preferences & moment of consumption



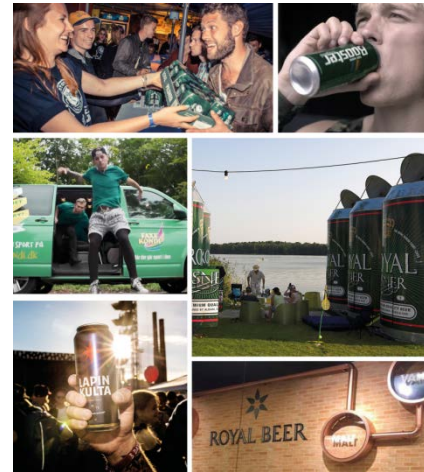
## Craft Beer

Tapping into craft value. Establishing a new craft brewery & craft brew organisation



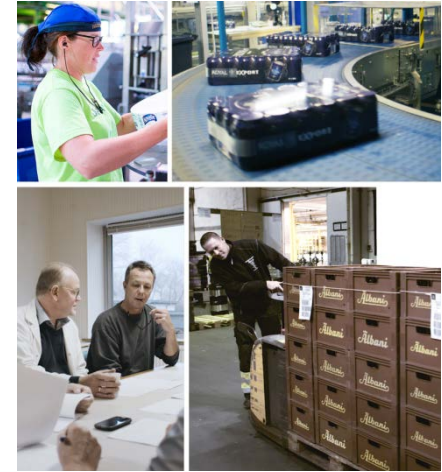
## Consumer Activation

Engaging the consumer on shared passions & common goals supportive of brand equity



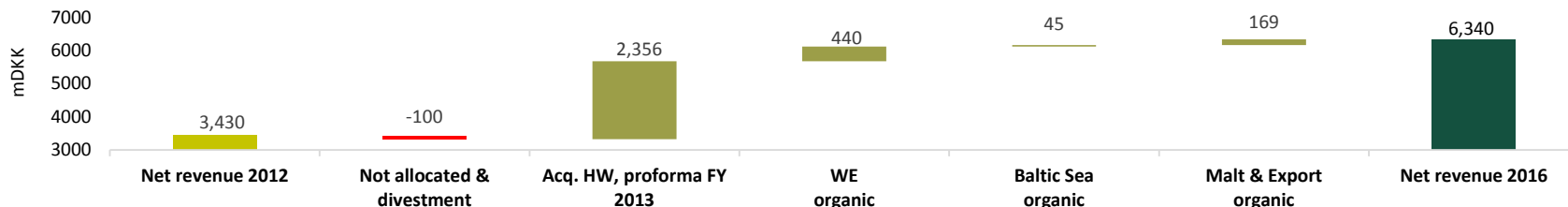
## Operational Efficiency

Continuous efficiency improvements

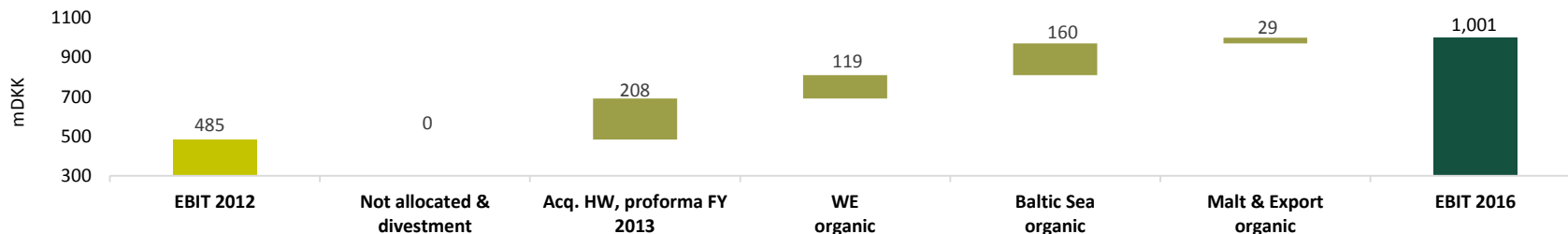


# Significant organic improvement 2012 to 2016

## Net revenue bridge 2012-2016

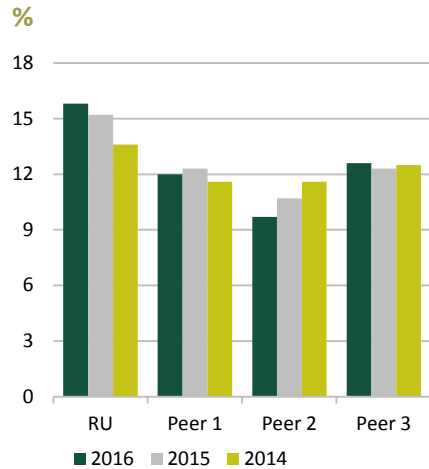


## EBIT bridge 2012-2016

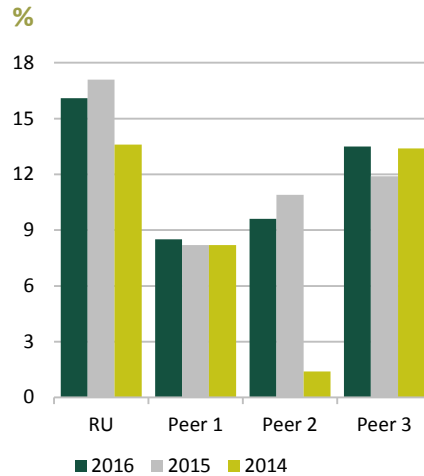


# Solid performance to peers 2016

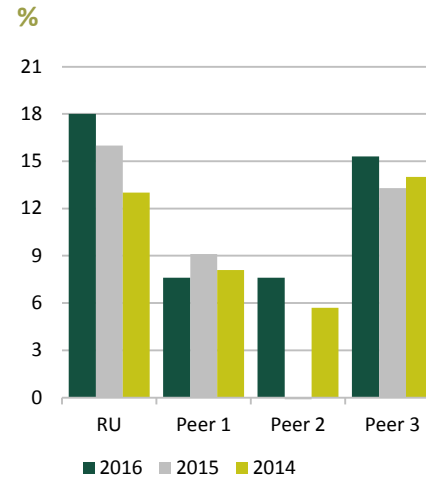
**EBIT margin  
(comparable region)**



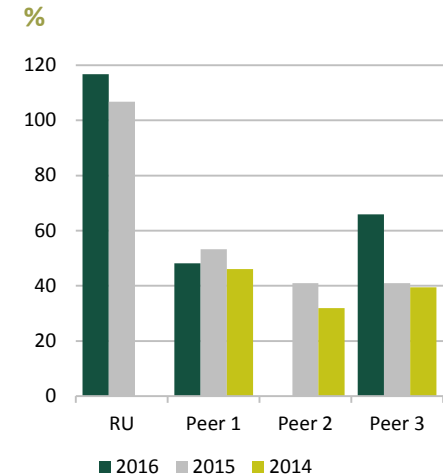
**Free cash flow  
- % of revenue**



**Return on invested  
capital\***



**Cash return to  
shareholders\*\***



\* Based on average invested capital

\*\* Percentage of net profit the year before

# Financial targets

	March 2017 revised target	November 2015 revised target	August 2014 revised target	Post Hartwall acquisition target*
Earnings	EBIT margin 16%	EBIT margin 15%	EBIT margin 14%	EBIT margin 13%
Equity ratio	Minimum 30%	Minimum 30%	Minimum 30%	Minimum 30%
NIBD/EBITDA	Maximum 2.5x	Maximum 2.5x	Maximum 2.5x	Maximum 2.5x

- Distribution policy:
  - Dividends 40-60% of net profit
  - Share buy-back to adjust capital structure

\* Amortization from the acquisition decreased EBIT-margin by approx. 50bp



# Shareholder distribution

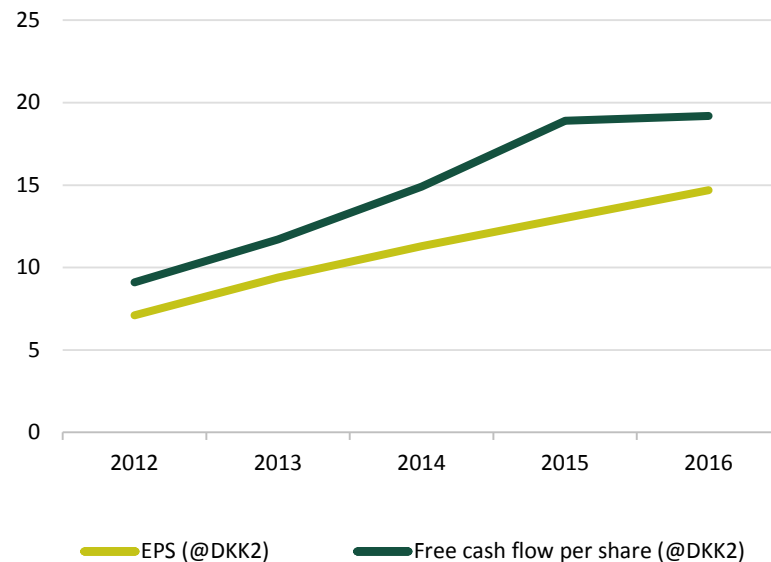
## Dividend of DKK 440m approved at the AGM

- Dividend of DKK 8.15 per share

## DKK 560m share buy-back initiated March 8

- Safe harbour program
- Maximum 12 month period

## EPS and free cash flow per share



# Performance improvements in line with expectations

- Overall market positions maintained
- Realized volumes of 2.1 mHL (1Q16 2.1 mHL)
- Net revenue basically unchanged at DKK 1.4bn in spite of late Easter
- EBIT increase of DKK 13m to DKK 151m
- EBIT-margin increase from 10.2% to 11.2%
- Free cash flow at DKK -54m compared to DKK 5m incl. Aarhus in 1Q16
- Outlook 2017 maintained

# Outlook 2017

mDKK	Outlook 2017	Realised 2016	Realised 2015
Net revenue	6,250-6,450	6,340	6,032
EBITDA	1,285-1,385	1,306	1,225
EBIT	980-1,080	1,001	917



# Selected 2017 outlook assumptions

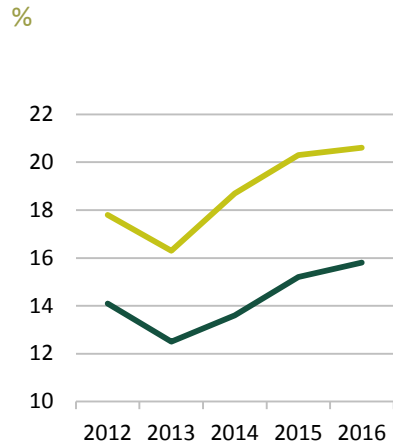
- Slight structural consumption decline in markets covered by full beverage portfolio. Increasing value of Danish consumption
- Stable malt beverages markets in Europe and Caribbean. Slightly increasing consumption of malt beverages and beer in Africa and Americas
- Unchanged net selling prices due to non-inflationary environment and due to competition
- Positive full year net revenue effect from increased co-operation with PepsiCo on soft drink and snacks
- Change in customer agreements reduces net revenue by 1% while unchanged EBITDA
- Cost level generally expected to develop in line with inflation
- Gross investments of DKK 245-265m
- Free cash flow to be negatively affected by DKK 160m as we assume the extraordinary Finnish beer campaign to run out by end of Q3 2017
- Tax rate at 22%

# Appendix



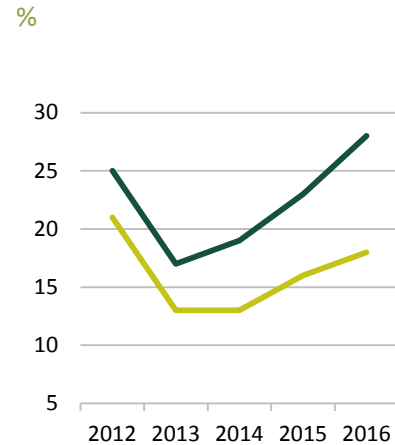
# Strong key figure performance

## Profit margins



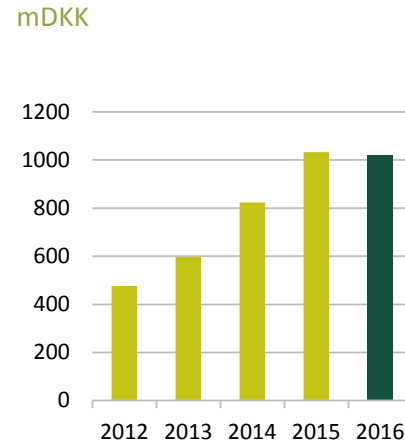
— EBITDA margin (reported)  
— EBIT margin (reported)

## ROIC

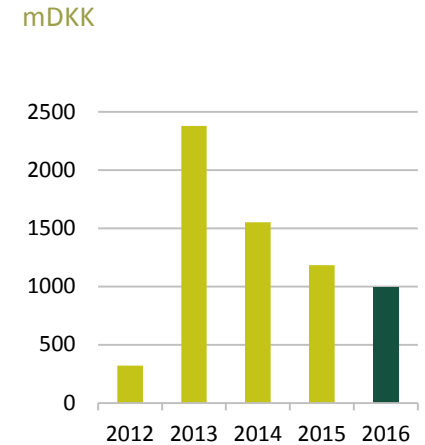


— ROIC  
— ROIC ex. Goodwill

## Free Cash Flow



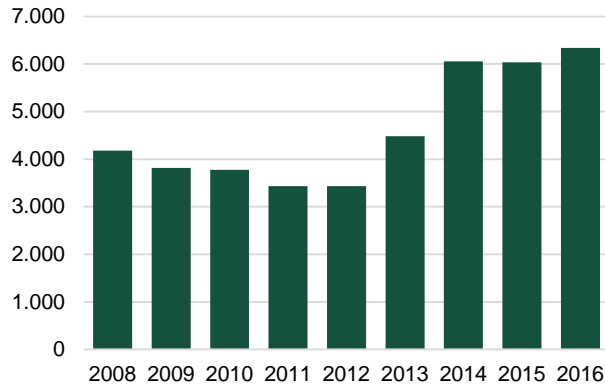
## NIBD



# Financial Performance 2008-2016

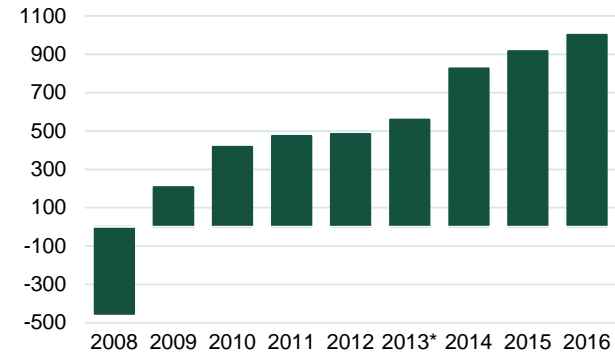
## Net revenue

DKKm



## EBIT

DKKm



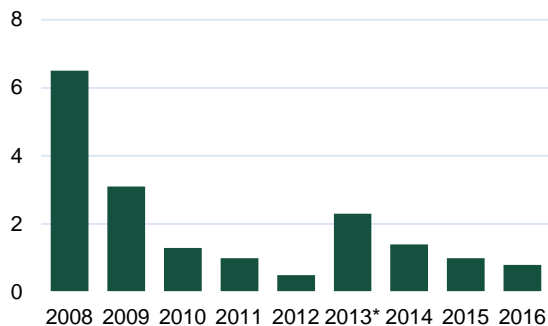
\* Hartwall contribution DKK 38m

# Financial Performance 2008-2016

Operating improvements and sale of non-core assets

## NIBD/EBITA

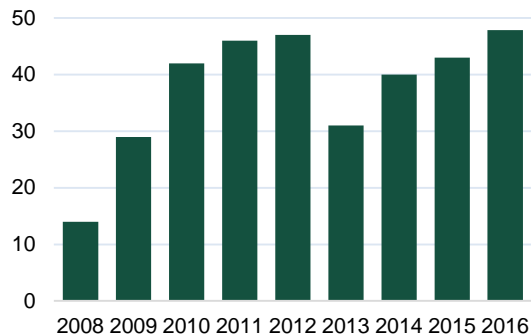
times



\* Calculated pro forma with Hartwall's realized full-year EBITDA

## Equity ratio

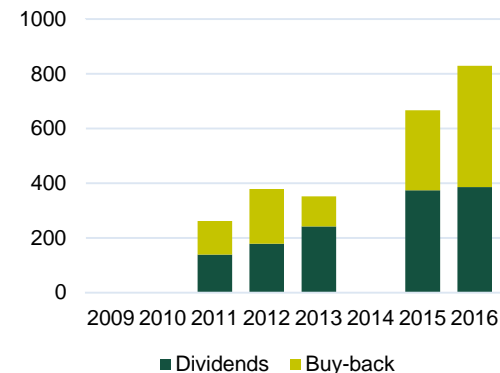
%



Creating shareholder value

## Distribution

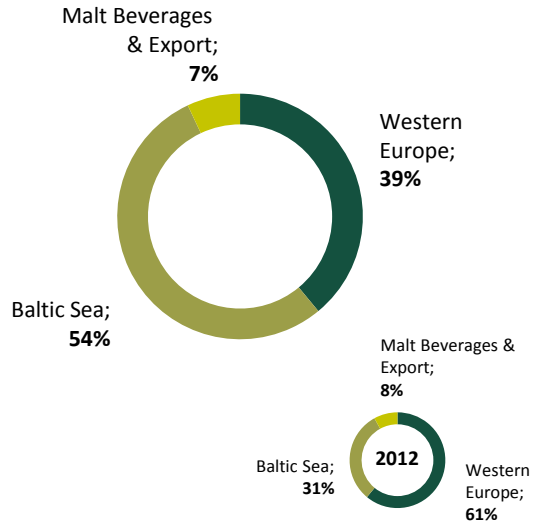
DKKm



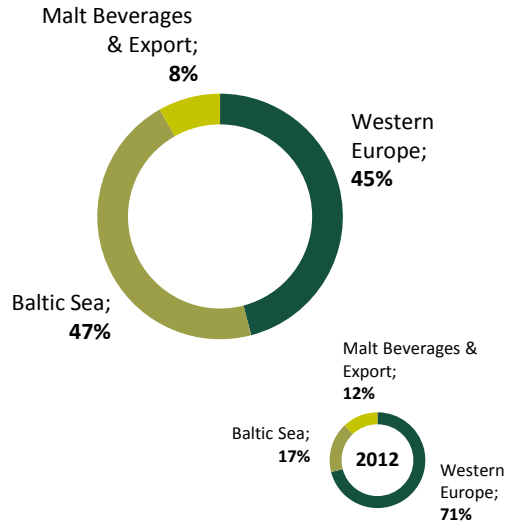


# Business segment overview, before and after Hartwall acquisition

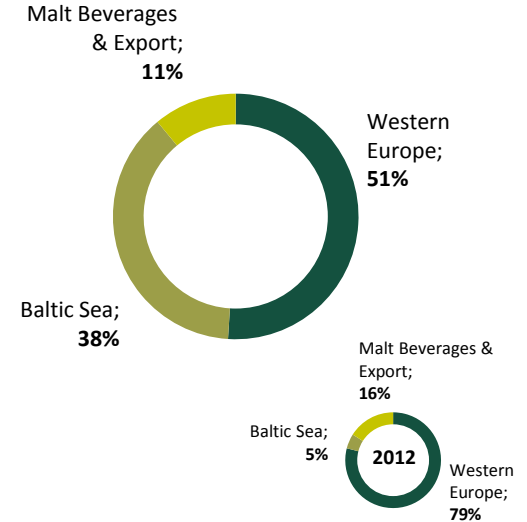
## 2016 Volume



## 2016 Net revenue

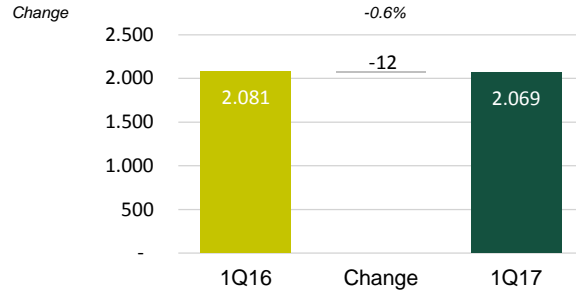


## 2016 EBIT

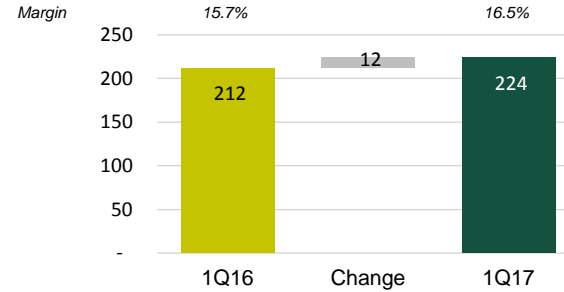


# Increasing first quarter results on unchanged net revenue

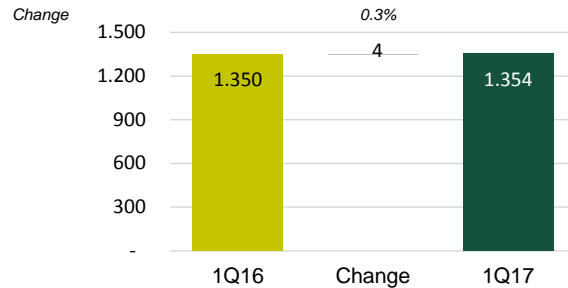
Volume '000 HL



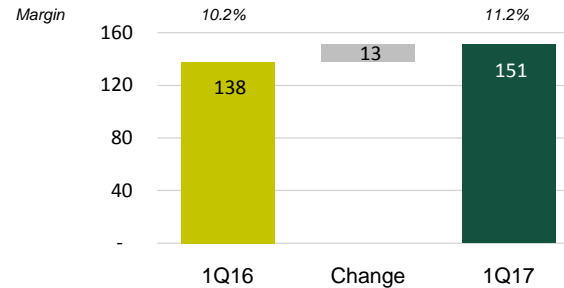
EBITDA mDKK



Net revenue mDKK



EBIT mDKK



# Earnings increase in Western Europe and Baltic Sea

## Western Europe

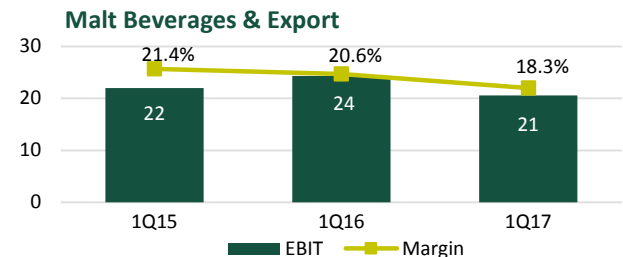
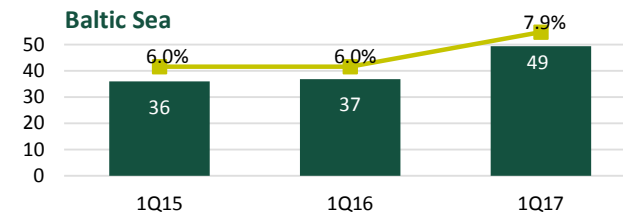
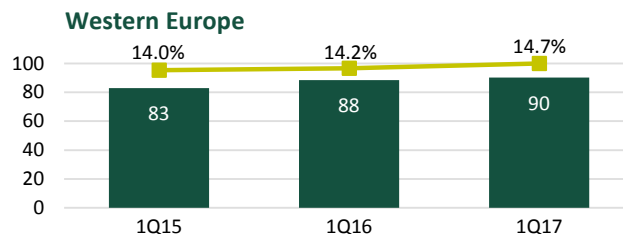
- Volume +5%, NR -1% incl. snacks, EBIT +2%
- Denmark & Germany – market positions strengthened. Positive product awareness from Royal Arena opening
- Easter adjusted Danish consumption unchanged
- PepsiCo snacks distribution in Denmark developing as planned
- Italy – market positions maintained

## Baltic Sea

- Volume -4%, NR +3%, EBIT +34%
- Finland – positive effect from value management. Market positions excl. the extraordinary campaign declining
- Baltics – excise increases for alcohol products leading to significantly increase in consumer prices and declining consumption
- PepsiCo soft drink business in Baltics developing as planned

## Malt Beverages & Export

- Volume -2%, NR -5%, EBIT -15%
- Difficult macroeconomics and FX in a number of markets
- Destocking at distributor level, sell-out progressing as expected
- Continued investment in the organization and market positions



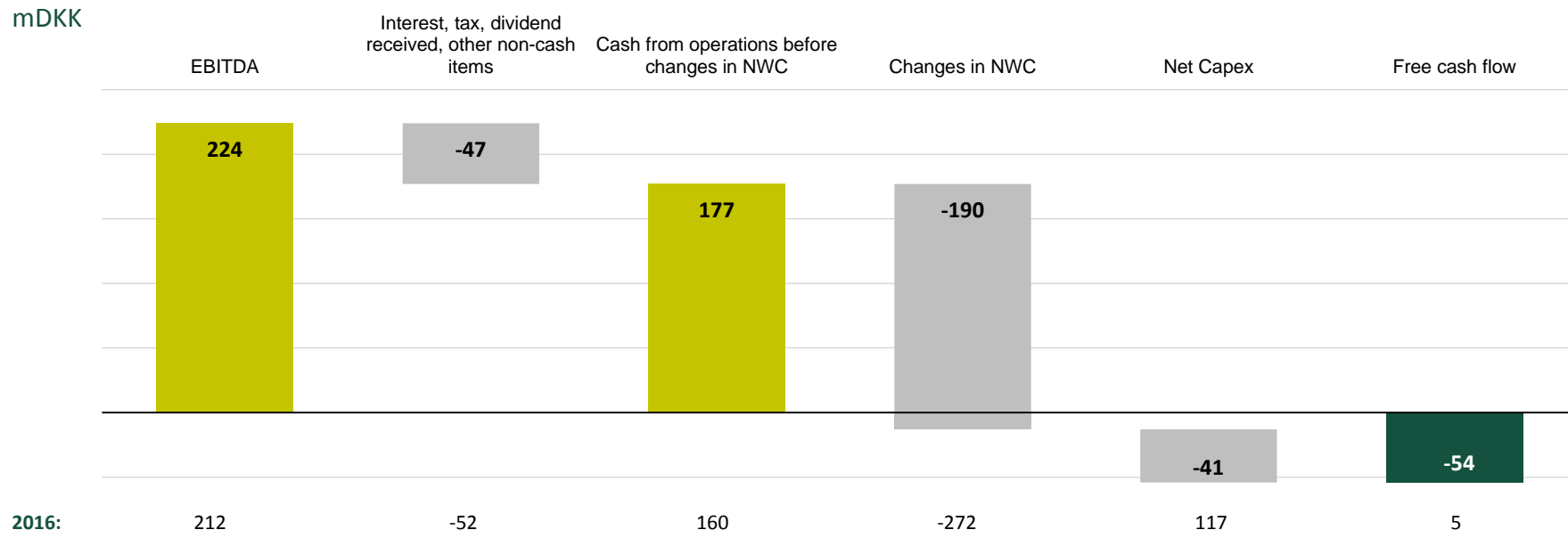
# Improved financial performance

mDKK	1Q2017	1Q2016	Change
<b>P&amp;L ITEMS</b>			
Net revenue	1,354	1,350	4
Gross margin	50.1%	50.9%	-0.8pp
EBITDA	224	212	12
EBITDA margin	16.5%	15.7%	0.8pp
EBIT	151	138	13
EBIT margin	11.2%	10.2%	1.0pp
Profit before tax	143	127	16
Net profit	110	99	11

mDKK	1Q2017	1Q2016	Change
<b>BALANCE SHEET ITEMS</b>			
Net interest bearing debt	1,142	1,269	-127
Net working capital	-690	-731	41
Total assets	6,294	6,506	-212
Equity	2,935	2,945	-10
Equity ratio	46.6%	45.3%	1.3pp
Invested capital	4,316	4,444	-128
ROIC ex. goodwill	27.0%	22.4%	4.6pp
ROIC incl. goodwill	18.0%	15.4%	2.6pp

# Cash flow in line with expectations

## Cash Flow



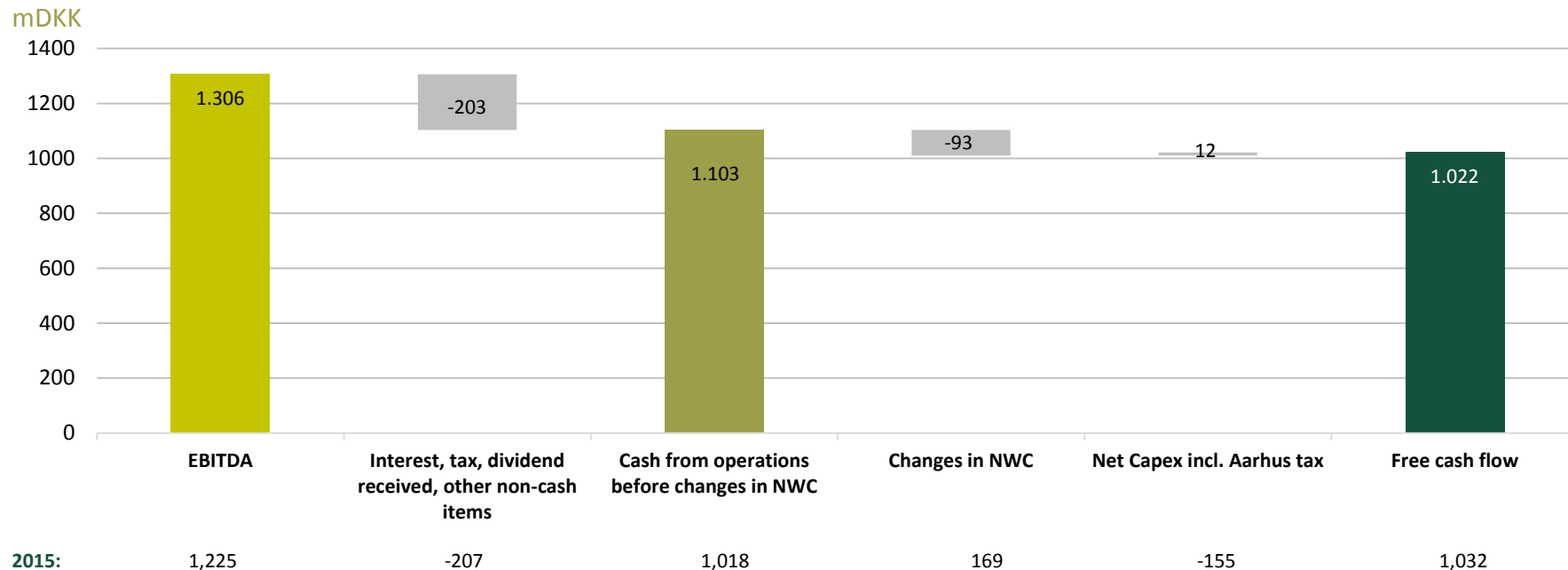
# Improved financial performance

mDKK	2016	2015	Change
<b>P&amp;L ITEMS</b>			
Net revenue	6,340	6,032	308
Gross margin	51.8%	52.5%	-0.7pp
EBITDA	1,306	1,225	81
EBITDA margin	20.6%	20.3%	0.3pp
EBIT	1,001	917	84
EBIT margin	15.8%	15.2%	0.6pp
Profit before tax	998	902	96
Net profit	784	711	73

mDKK	2016	2015	Change
<b>BALANCE SHEET ITEMS</b>			
Net interest bearing debt	991	1,184	-193
Net working capital	-881	-990	109
Total assets	6,076	6,748	-672
Equity	2,911	2,935	-24
Equity ratio	47.9%	43.5%	4.4pp
Invested capital	4,111	4,347	-236
ROIC ex. goodwill	28%	23%	5pp
ROIC incl. goodwill	18%	16%	2pp

# Strong cash flow on record high earnings

## Cash Flow

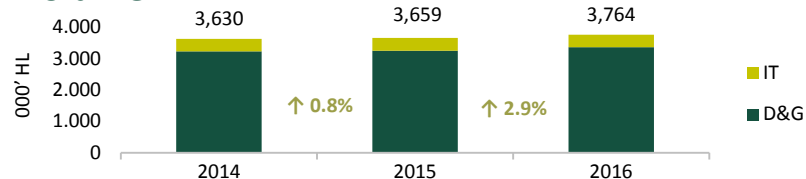


## Western Europe:

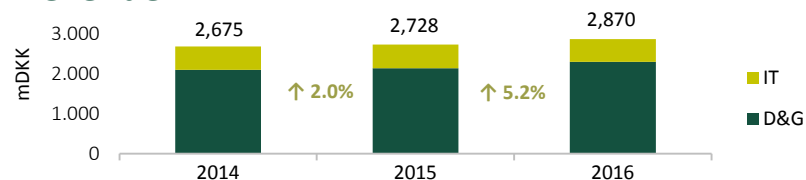
# Organic growth in topline and EBIT

- Volume +3%, NR 5% incl. snacks, EBIT +7%
- Denmark & Germany - market positions strengthened
- Danish consumption slightly increasing. Increasing interest in craft. Shift towards branded beverages
- PepsiCo snacks distribution in Denmark developing as planned
- Italy - market positions maintained

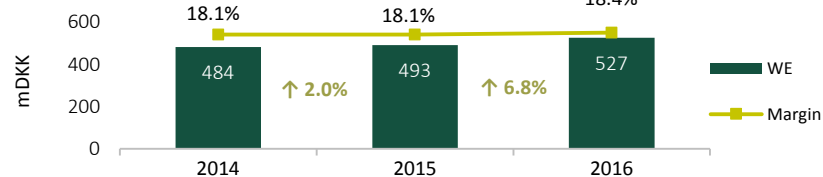
### Volume



### Revenue



### EBIT



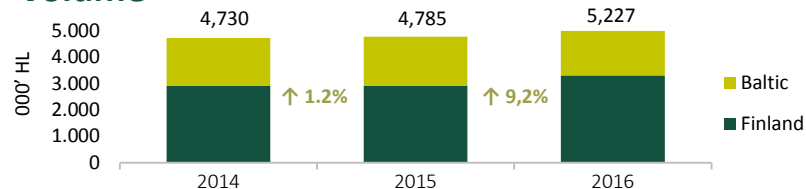


## Baltic Sea:

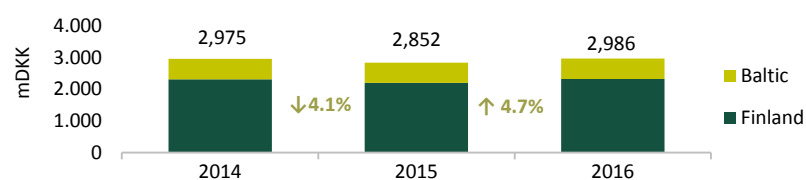
# Earnings increase on efficiencies & commercial focus

- Volume +9%, NR +5%, EBIT +11%
- Finland – positive effect from value management and efficiencies across the board. Market positions excl. the extraordinary beer campaign declining
- Baltics - excise, deposit & collection fee leading to significantly increase in consumer prices and declining consumption
- PepsiCo soft drink business in Baltics developing as planned

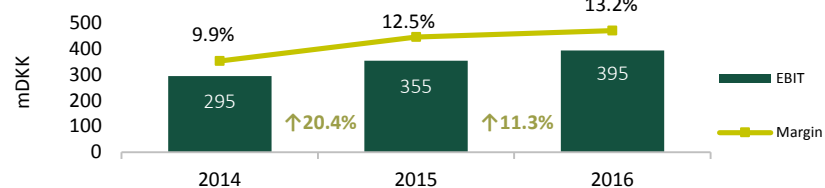
### Volume



### Revenue



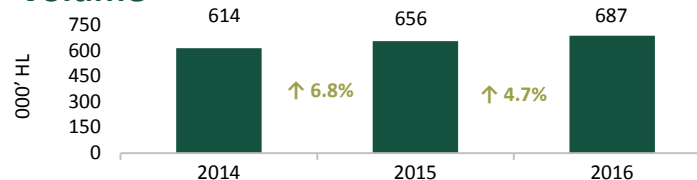
### EBIT



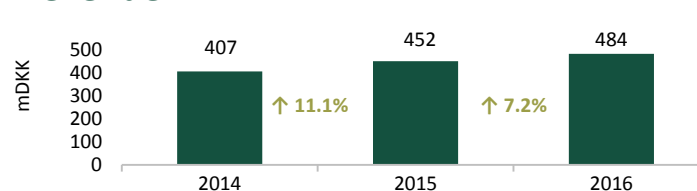
# Malt Beverages and Exports: Continued solid growth

- Volume +5%, NR +7%, EBIT +6%
- Difficult macroeconomics and FX in a number of markets
- Sell-out progressing as planned
- Positive market mix
- Continued investment in the organization and market positions

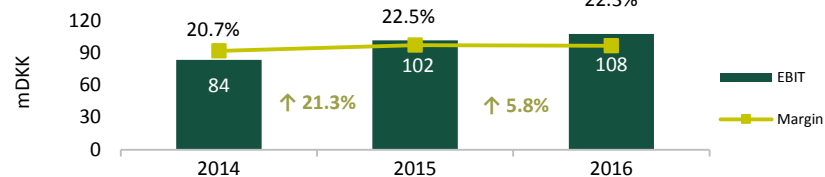
## Volume



## Revenue



## EBIT



# Management



## Jesper B. Jørgensen

### President & CEO

MSc Business Economics & Auditing, Copenhagen Business School, Denmark  
Bcom Financial & Management Accounting, Copenhagen Business School, Denmark

Joined as President & CEO on 1 April 2017

### Past experience

Knauf Danogips, General Director Northern Europe  
Carlsberg, various positions – latest as CEO Carlsberg Denmark



## Lars Jensen

### CFO

Diploma in Business Economics, Informatics and Management Accounting. Joined Royal Unibrew in 1993

Joined the Executive Board on 30 November 2011

### Past experience

Head of Finance, Royal Unibrew A/S



## Hans Savonije

### COO

BA Business administration

Joined the Executive Board on 29 September 2008

### Past experience

Beverage Partners Worldwide, Coca-Cola & Nestlé, CEO  
SVP Global Markets, Remy Cointreau Associés, CEO, France  
World Lotteries Association, CEO, Switzerland

# Disclaimer

This Presentation contains forward-looking statements, including statements about the Group's sales, revenues, earnings, spending, margins, cash flow, inventory, 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. The Group assumes no obligation to update any such forward-looking statements 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, 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, environmental issues and other unforeseen factors.

New risk factors can 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.