



Royal Unibrew – Annual Report 2019

Conference call

1 January – 31 December 2019

11 March 2020



ROYAL
UNIBREW

Consistent execution building sustainable growth

- **Our strategy and consistent execution building sustainable growth**
- **Financial highlights**
 - EBIT margin target increased from 18-19% to a range of 19-20%
 - Dividend proposed to increase by 13% to DKK 12.20 per share
 - EPS up 12% compared to 2018
 - Revenue growth of 5%
- **Market trends**
 - Health and well-being
 - Low/non alcohol beer and non-sugar soft drinks
 - Uncertainty from COVID-19
- **M&A activities**
 - Bec.Con acquisition closed 1 March 2019
 - Bev.Con ApS and CULT A/S have been merged with Royal Unibrew A/S
 - In August 2019, we acquired 100% of the share capital of the Bruce Ashley Group Inc. in Canada
 - In the beginning of November, we acquired the Latvian craft brewery SIA Bauskas Alus
- **Managing Corporate Social Responsibility (CSR)**
 - Ambition target short term target for 2020 and 2022
 - Long term Sustainable strategy ready in 2020



Balanced execution and acquisitions drive solid earnings growth

- Revenue improvement by 5%
- Market shares slightly improved
- Both EBITDA margin and EBIT margin increased
- Earnings per share up from DKK 20.6 to DKK 23.0 (+12%)
- Expected distribution to shareholders of DKK 1,010 million (2018: 950 million)
 - Dividend of DKK 12.20 per share (2018: DKK 10.80)
 - New share buy-back program of DKK 400 million (2018: DKK 400 million).
- Strong free cash flow (+23%)
- We maintain our strategic flexibility



UN Global Compact and SDGs commitments

SDGs commitments

In 2019, we defined which of the 17 UN SDGs (Sustainability Development Goals) to focus on, based on the materiality assessment conducted in 2018 and also taking into account the composition and nature of our business.

UN Global Compact

As planned, we also decided to sign up to UN Global Compact to further emphasize that we take responsibility and are committed to CSR (Corporate Social Responsibility) – and continuously strive to improve our efforts in accordance with the 10 principles of the UN Global Compact regarding: Human Rights, Labor Rights, Environment and Anti-corruption.

UN SUSTAINABLE DEVELOPMENT GOALS

We apply the 17 SDGs as a framework for defining our targets and measuring on our progress with a special focus on the following goals:



SDG 3: Good health and well-being

SDG 6: Clean water and sanitation

SDG 7: Affordable and clean energy

SDG 8: Decent work and economic growth

SDG 12: Responsible consumption and production

SDG 13: Climate action

SDG 16: Peace, justice and strong institutions

Short term CSR targets

We have set ambitious targets for the coming years

TARGETS FOR 2020

Packaging material (minimum level - average)

- >50% recycled paper labels per unit
- >70% recycled carton/corrugated cardboard per volume
- >15% recycled PET per volume

Test of electricity-based transportation vehicles: Trucks, cars and vans, forklifts, etc.

15% CO₂ reduction (Green House Gas Protocol, Scope 1 and 2) per hl compared to 2015

Reduction of potential packaging waste in Americas, Africa and Asia

- Reduce plastic usage

TARGETS FOR 2022

Packaging material (minimum level - average)

- >90% recycled paper labels per unit
- >90% recycled carton/corrugated cardboard per volume
- >30% recycled PET per volume

Implementation of prioritized electricity-based transportation vehicles

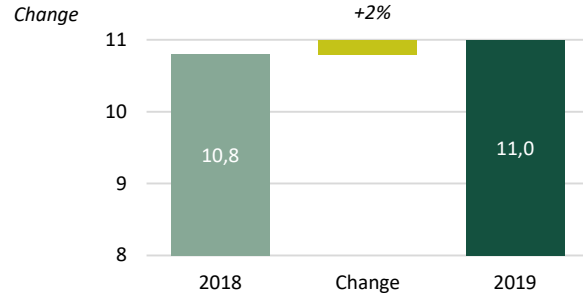
30% CO₂ reduction (Green House Gas Protocol, Scope 1 and 2) per hl compared to 2015

Reduce potential packaging waste in Americas, Africa and Asia

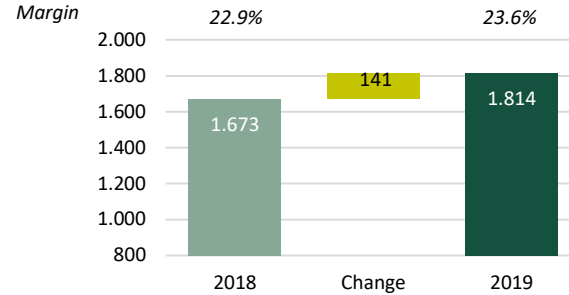
- Documented reduction

Positive development on all parameters

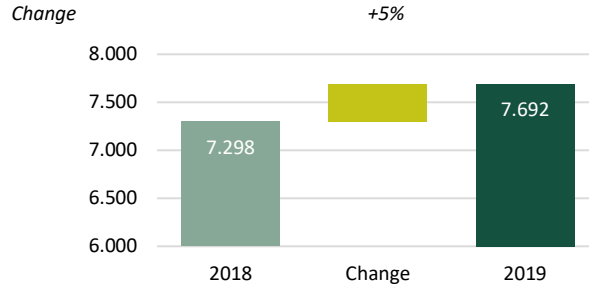
Volume million hl



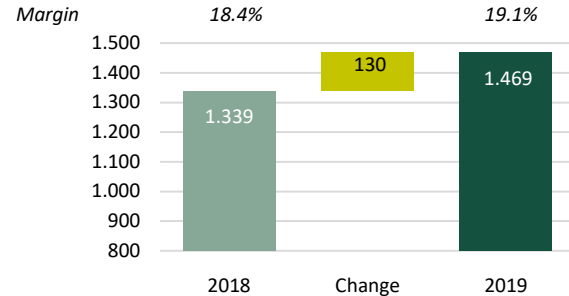
EBITDA DKKm



Net revenue DKKm



EBIT DKKm



Financial performance

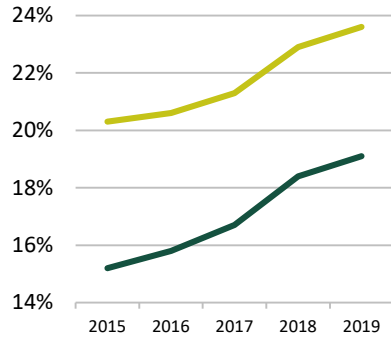
mDKK	FY2019	FY2018	Change
P&L ITEMS			
Net revenue	7,692	7,298	394
Gross margin	53.0%	52.4%	0.6pp
EBITDA	1,814	1,673	141
EBITDA margin	23.6%	22.9%	0.7pp
EBIT	1,469	1,339	130
EBIT margin	19.1%	18.4%	0.7pp
Profit before tax	1,458	1,328	130
Net profit	1,140	1,040	100

mDKK	FY2019	FY2018	Change
BALANCE SHEET ITEMS			
Net interest bearing debt	2,705	2,522	-183
Net working capital	-671	-748	-77
Total assets	8,493	8,062	431
Equity	3,106	2,908	198
Equity ratio	37%	36%	1pp
Invested capital	6,211	5,835	376
ROIC ex. goodwill*	30%	33%	-3pp
ROIC incl. goodwill*	19%	21%	-2pp

* Running 12 months – EBIT not full year for acquisitions

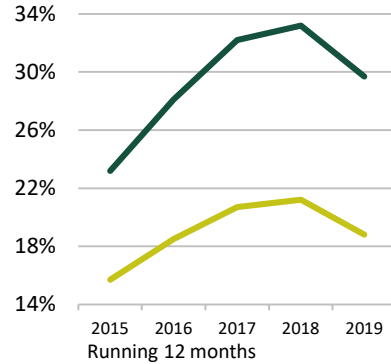
Key figure performance

Profit margins



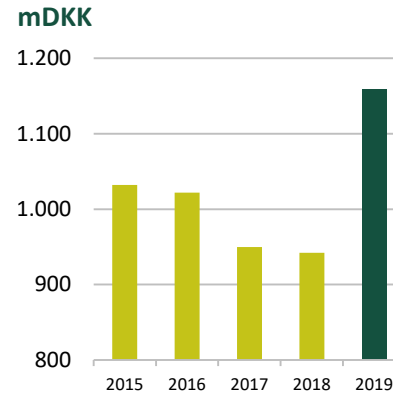
— EBITDA margin (reported)
— EBIT margin (reported)

ROIC

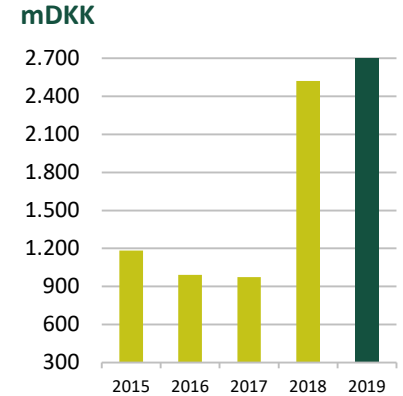


— ROIC incl. goodwill
— ROIC ex. goodwill

Free Cash Flow



NIBD



Development in segments

Western Europe

- Volume +6%, Revenue +9%, EBIT growth +12%
- Denmark & Germany
 - Increased market share across categories
 - The positive development of the organic and low/no-alcohol and low/no sugar portfolio continues
 - Acquisition of the Danish energy drink and RTD company CULT
- Southern Europe
 - The organic growth was 6% in net revenue compared to last year
 - Integration of the Lorina business in France is progressing as planned

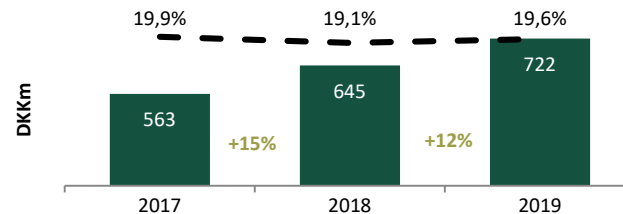
Baltic Sea

- Volume -3%, Revenue -1%, EBIT growth +9%
- Finland
 - No extraordinary beer campaign in 2019 affects volumes and net revenue negatively compared to last year
 - Increased market share and positive product mix development
- Baltics
 - Market started to recover in 2019, supported by low/non-alcohol products
 - The Latvian craft brewery Bauskas Alus was acquired in the beginning of November 2019

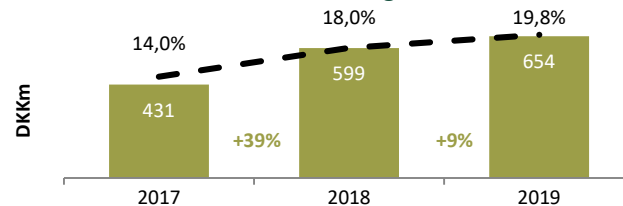
International

- Volume +14%, Revenue +19%, EBIT growth +4%
- Sales out trending MID-single digit
- EBIT negatively impacted by an impairment of DKK 7 million
- Strong performance of the Faxe brand. Crodo products launched in a number of markets

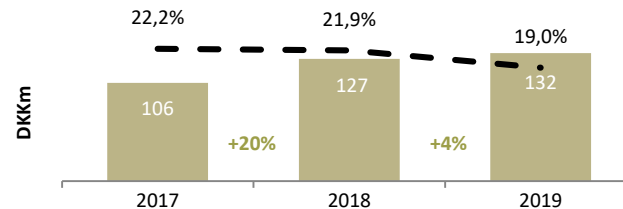
Western Europe EBIT and EBIT margin



Baltic Sea EBIT and EBIT margin



International EBIT and EBIT margin



Outlook 2020

In spite of the current circumstances, we expect to deliver an EBIT around 2019

mDKK	Actual 2019	Actual 2018
Net revenue	7,692	7,298
EBIT	1,469	1,339

Assumptions

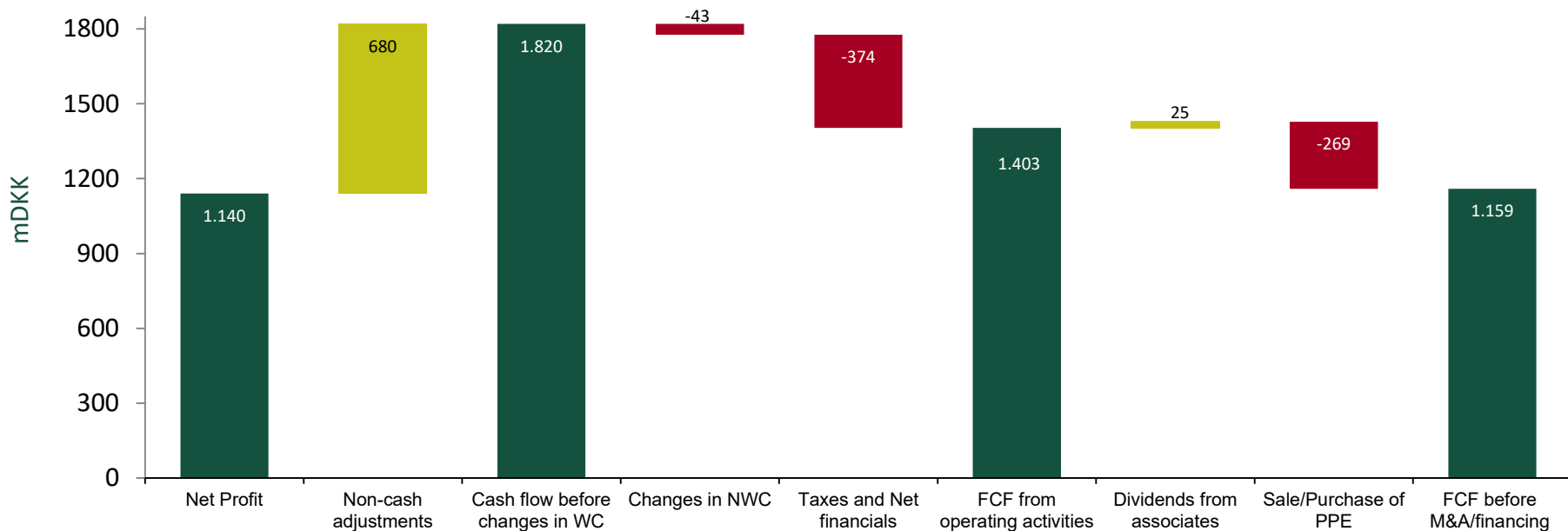
- We expect as in 2019 a normal summer
- Net selling prices are assumed to be slightly increasing during 2020
- COVID-19 is assumed to have limited impact on our Off-Trade business and we expect it to have less impact on the On-Trade business from June and onwards
- Focus on high flexibility to safeguard the financial performance
- EBIT to be improved by approx. DKK 16 million from the 2019 acquisitions
- Costs are expected to follow inflation in 2020
- Net investments, including operating leases are expected to stay just below 5% of net revenue

APPENDIX



Strong cash flow generation

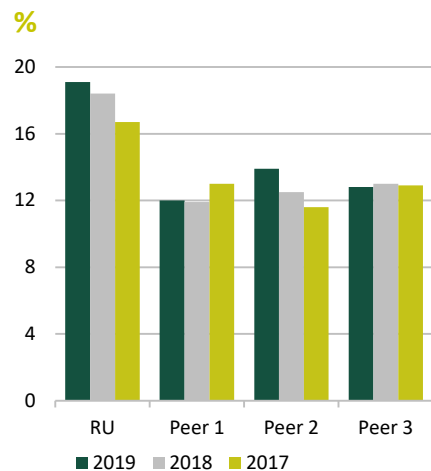
Cash flow FY 2019



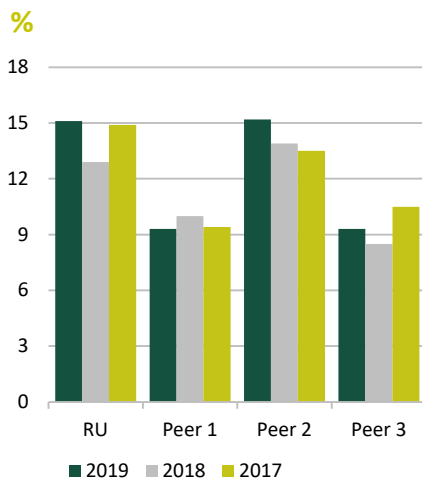
2018:	1,040	641	1,681	-185	-282	1,214	21	-293	942
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Performance to peers 2019

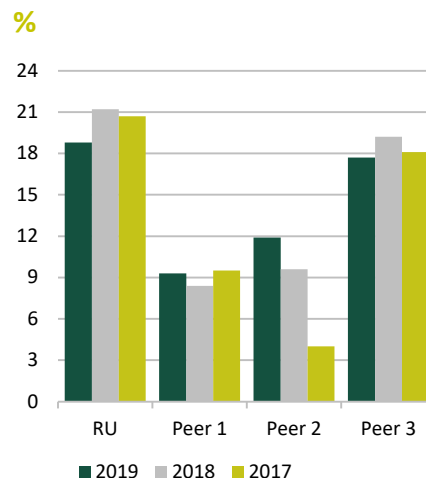
**EBIT margin
(comparable region)**



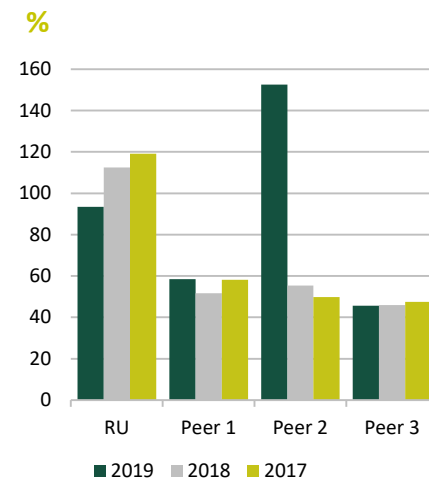
**Free cash flow
% of revenue**



**Return on invested
capital***



**Cash return to
shareholders****



* Based on average invested capital

** Percentage of net profit the year before

Shareholder distribution

Dividend for 2018 of DKK 538 million paid to shareholders

- Dividend DKK 10,80 per share

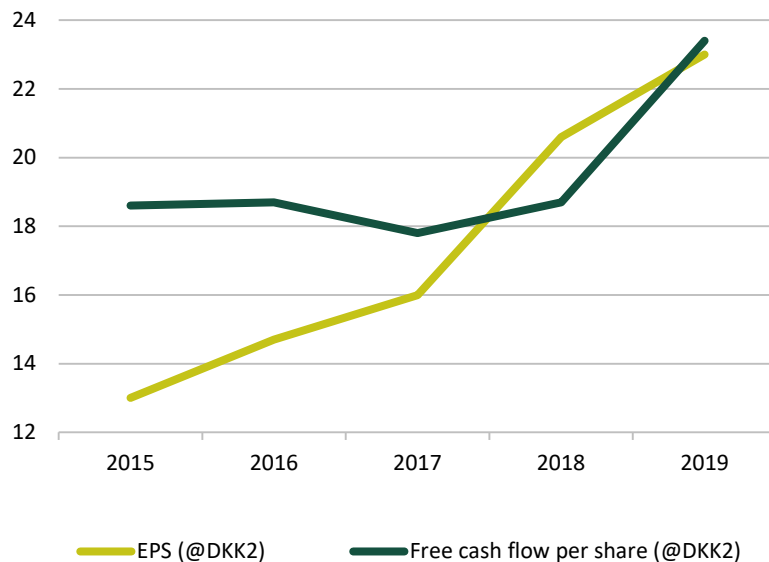
DKK 400m share buy-back initiated in March 2019

- Safe Harbour program
- The program completed 31 October 2019
- 790,000 shares

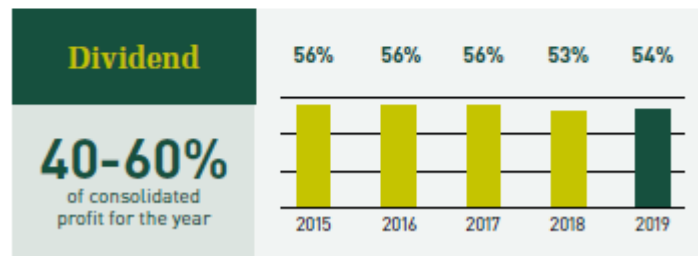
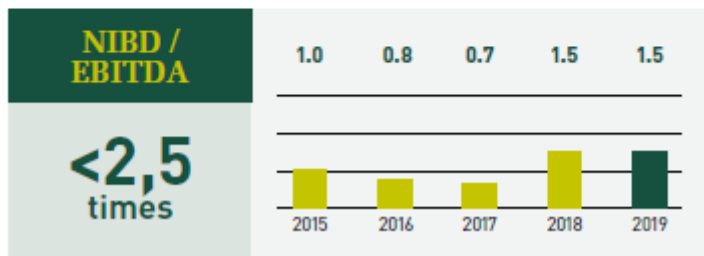
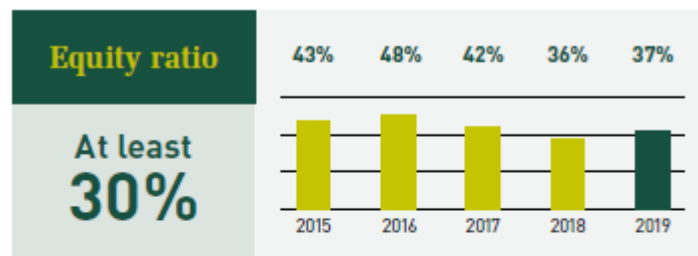
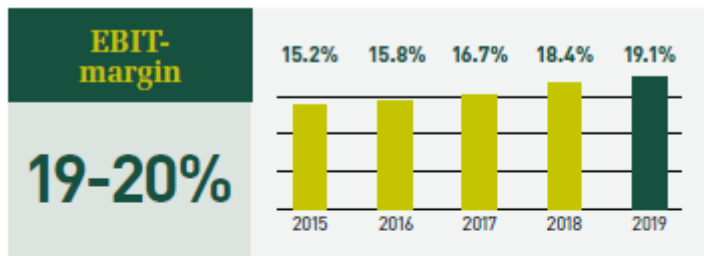
Share buy-back program 2019
(existing and previous program)

- 860.112 shares bought at a total value of DKK 433 million

EPS and free cash flow per share



Financial targets



Share buy-back is used to adjust the capital structure