

# Fourth quarter results 2019

Kenneth Hamnes, Group CEO  
Sigmund Toth, CFO

13 February 2020

*Arcus*

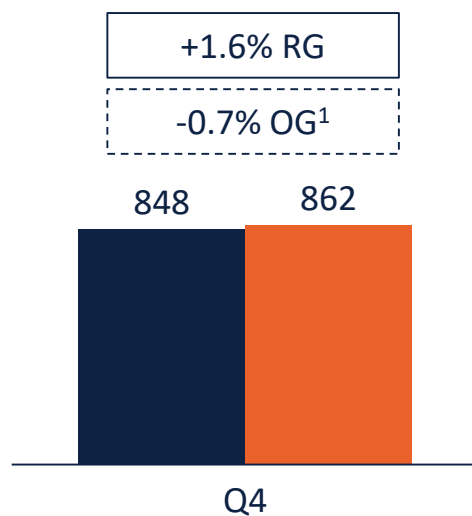


# Q4: Revenue growth in two of three business segments

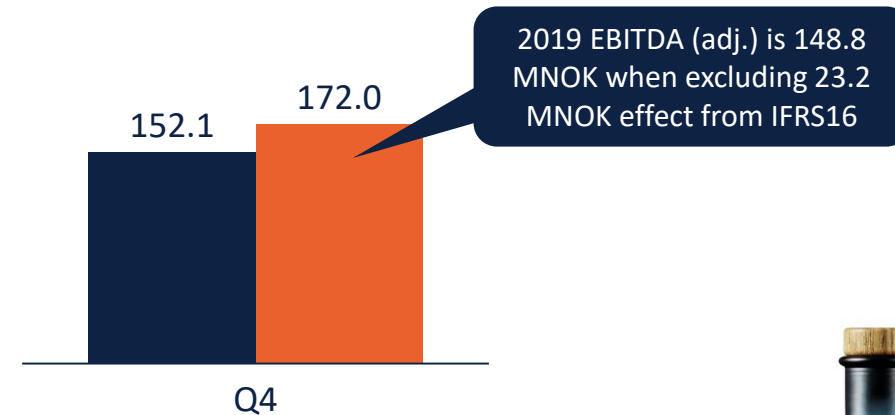
Amounts in NOK million

2018 2019

## Operating Revenues



## EBITDA (adj.)



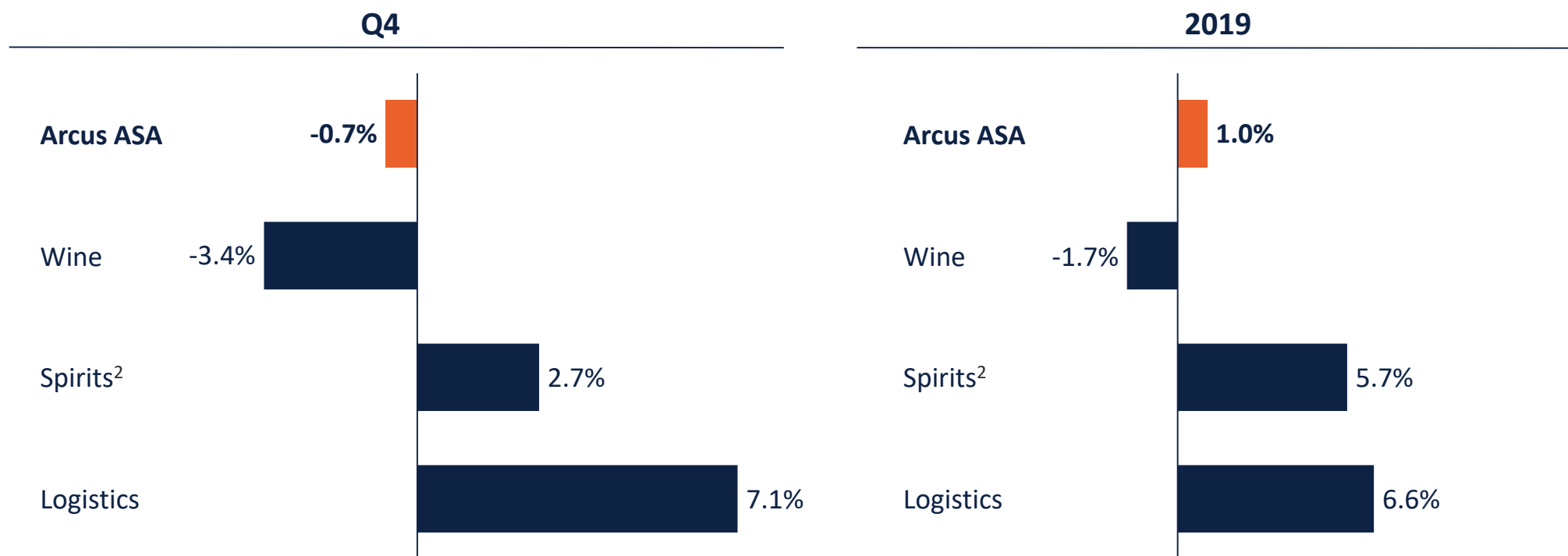
- **Wine:** Continued market share growth in Norway. Reduced market share in Sweden due to loss of wine producers
- **Spirits:** Strong growth in Sweden due to new agency products. Sales growth in Norway, but negative mix
- **Logistics:** Revenue growth, mainly driven by new agencies won by existing customers
- **Dividend:** Board of Directors suggest 2019 dividend at 1.66 NOK per share (1.66 NOK)

<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes



# Q4: Organic growth reduced after loss of wine producers spring 2019

## Organic growth<sup>1</sup> overall and by reporting segment Percent



<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes

<sup>2</sup>Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only

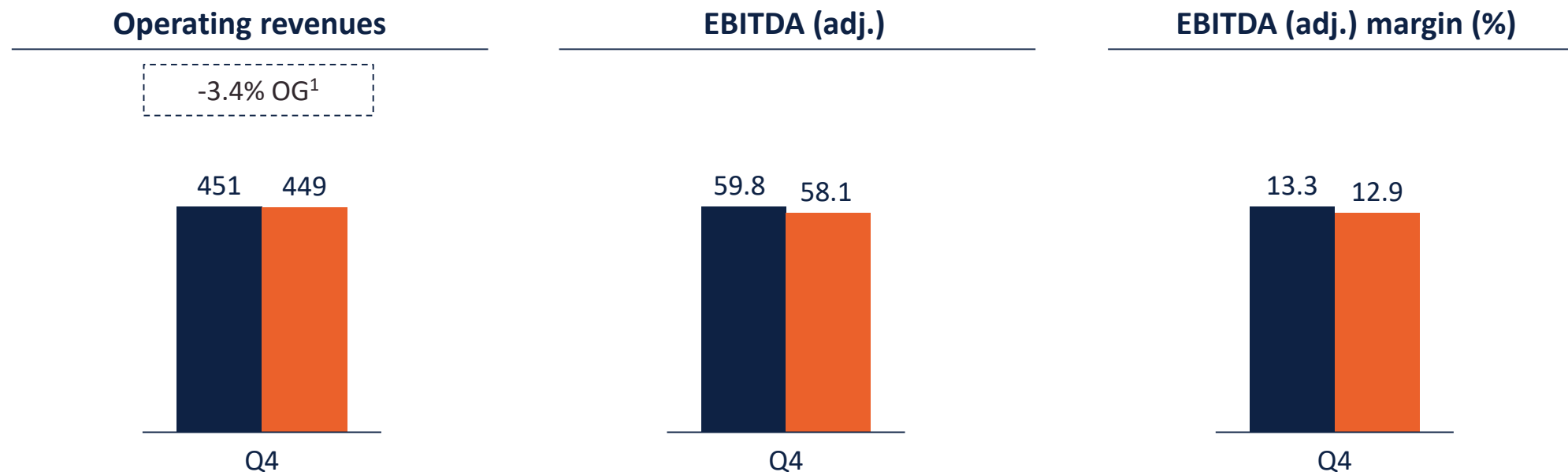


# Q4 Wine: Continued strong performance in Norway



Amounts in NOK million

2018 2019



- **Norway:** Increased market share. Volume of agency business grew three times faster than the market
- **Sweden:** Sales down due to loss of producers spring 2019, otherwise strong growth
- **Finland:** Slight decrease in market share, main reason loss of producers at the end of 2018

<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes

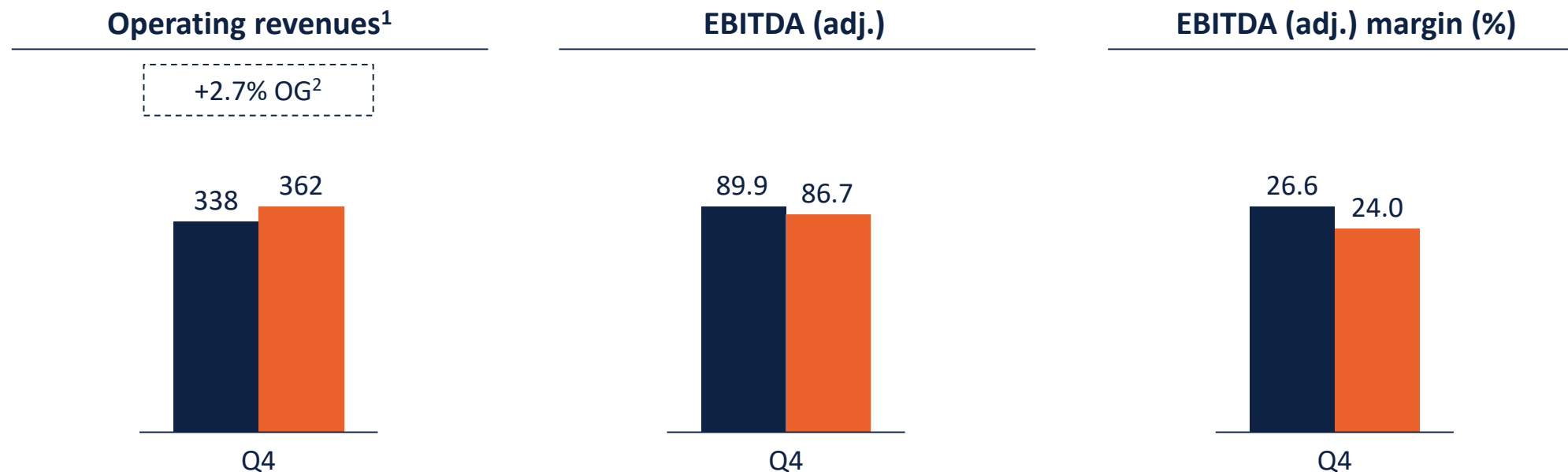




# Q4 Spirits: Increased sales in Sweden and Finland

Amounts in NOK million

2018 2019



- **Norway:** Slightly increased revenue, negative effects from product-mix
- **Denmark:** Revenue flat, but increased market share by introduction of new products and larger agency portfolio
- **Sweden, Finland:** Strong revenue growth driven by sale of agency products

<sup>1</sup>Operating revenues includes both external spirits sales and other revenue (internal and external bottling)

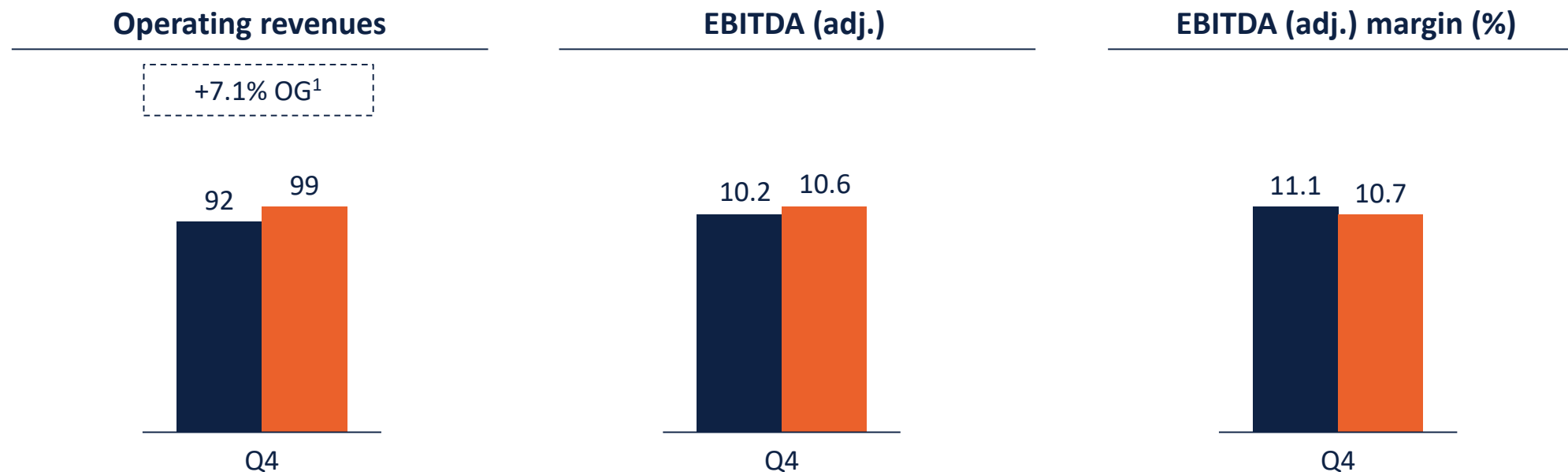
<sup>2</sup>Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



# Q4 Logistics: Continued growth in volume and revenue

Amounts in NOK million

2018 2019



- Volume increased by 4.4 % vs Q4 last year. In comparison, Vinmonopolet's total volume was up 2.7 %
- Increased revenue mainly due to new agencies won by existing customers
- Breakdown of a critical automated pallet wrapper during peak delivery led to need for extra personnel

<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes



## Financial performance

Sigmund Toth, CFO



# Q4 Group P&L: EBITDA slightly below last year when adjusting for IFRS 16 and other income and expenses



Amounts in NOK million

Profit and Loss	This quarter				Year-to-date	
	2019 as reported	IFRS 16 restatement	2019 restated <sup>1</sup>	2018	2019 restated <sup>1</sup>	2018
Operating revenues	861.8	0	861.8	848.1	2762.8	2 723.2
EBITDA (adj.)	172.0	23.2	148.8	152.1	304.2	312.6
Depreciation, Amortization and Write-downs	-30.1	-17.1	-13.0	-12.7	-50.9	-50.0
EBIT (adj.)	141.9	6.0	135.9	139.5	253.3	262.6
Other income and expenses	-4.8	0	-4.8	-3.5	-19.7	-5.3
EBIT	137.1	6.0	131.1	136.0	233.5	257.3
Net financials and other	-20.5	-11.1	-9.5	-5.3	-40.4	-36.1
Pre-tax profit	116.6	-5.1	121.7	130.7	193.1	221.2
Tax	-27.1	1.1	-28.2	-33.8	-43.7	-56.8
Profit/loss for the year	89.5	-3.9	93.4	96.9	149.4	164.4
EPS (NOK)	1.28		1.34	1.39	2.11	2.33

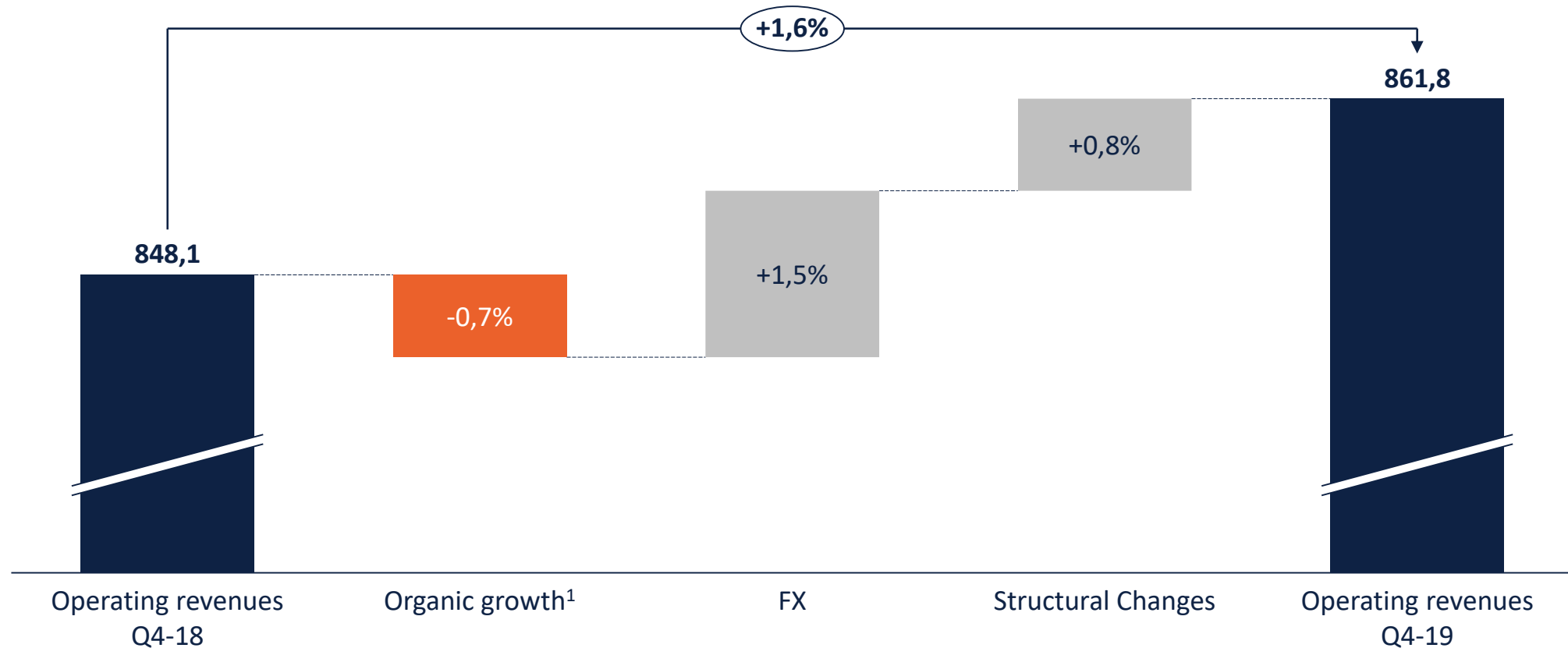
<sup>1</sup>Old IAS 17 Standard. See Quarterly Report Q4 2019 Note 1 for further details



# Negative organic growth offset by positive FX-effect and structural changes

## Q4-19 Operating revenue growth

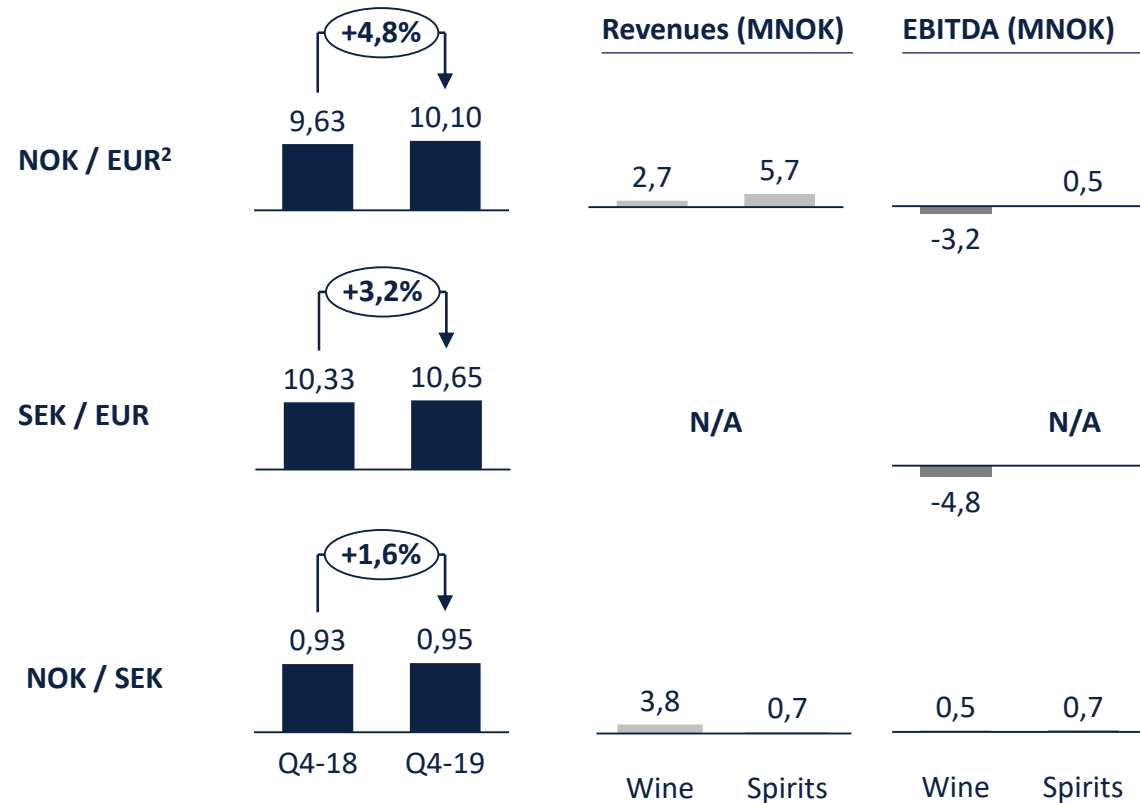
Percent; NOK million



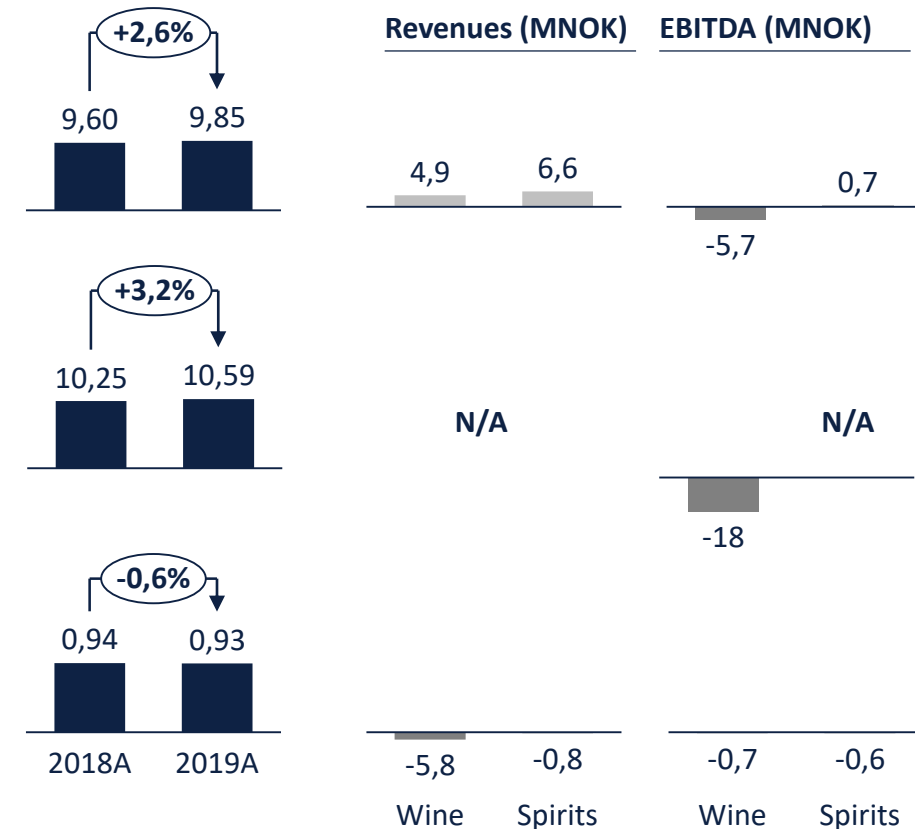
<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes (such as acquisitions or divestitures)

# Currently stronger SEK/EUR vs NOK give positive FX-effect on revenues, but still negative FX effects on EBITDA with weak NOK/SEK vs EUR

Currency rate effects<sup>1</sup> (Q4 2019 actuals vs. Q4 2018 actuals)



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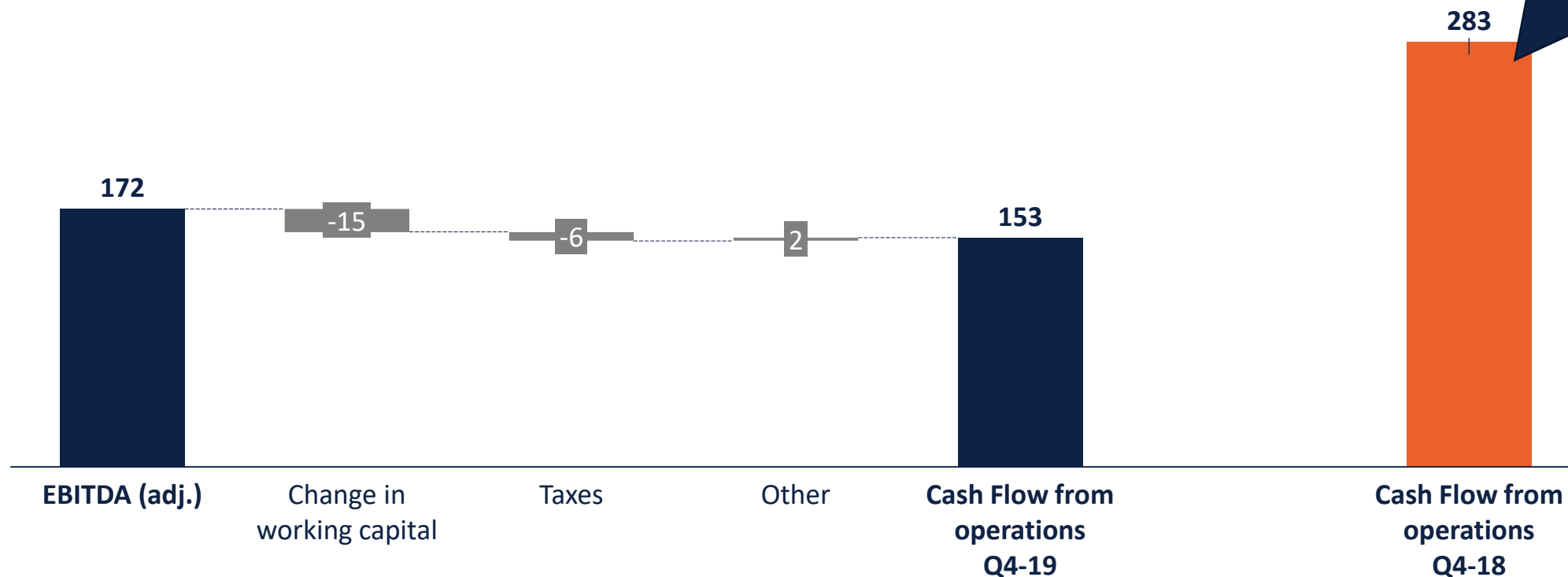


1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include (N)SEK / USD (Revenues & COGS) and (N)SEK/ GBP (COGS on traded goods/agency products). On the Wine business, the general pricing strategy is to off-set adverse foreign exchange movements through increased prices, though this adjustment might take time. Here effects are shown before any corrective pricing. 2) NOK / EUR includes costs and revenues in DKK as DKK moves within narrow band to the EUR.

# Cash flow lower than last year due to high comparables

## Q4-19 Cash Flow from Operations<sup>1</sup>

Amounts in NOK million

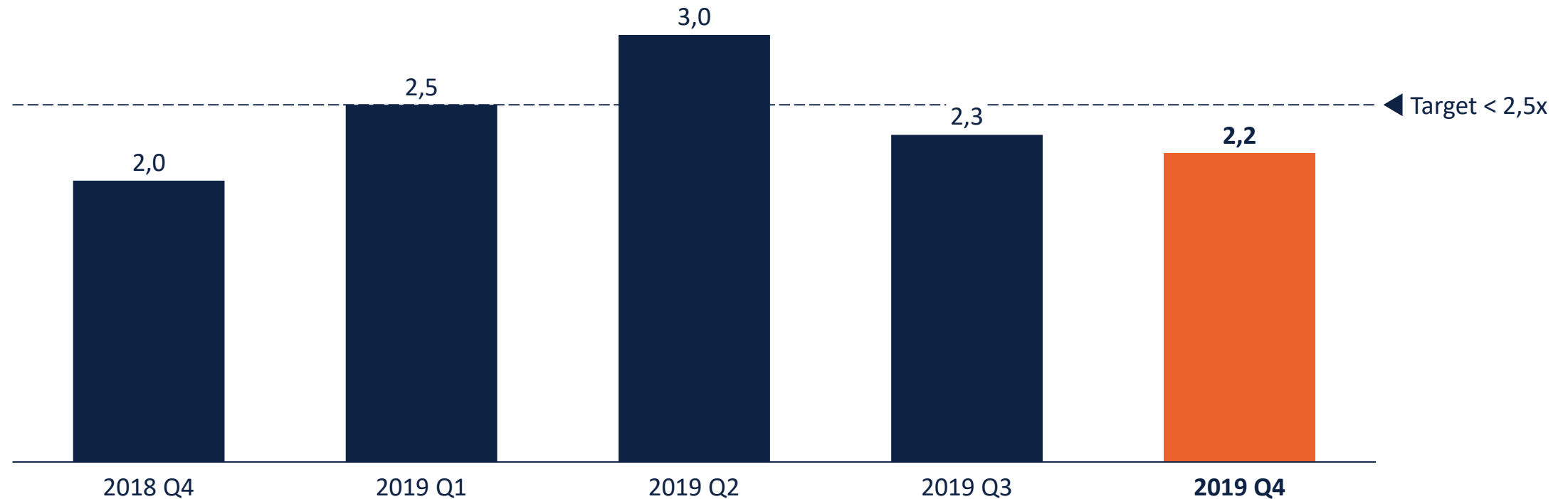


Last year, the positive impact from reduction in net working capital was larger than normal because the receivables in beginning of the quarter were inflated when month-end fell on a Sunday, resulting in two days of invoices were received on the first banking day of Q4 2018.

<sup>1</sup>The total cashflow has not been affected by the implementation of IFRS 16, but it has boosted cash flow from operations with 23.2 MNOK, with a corresponding decrease in the cash flow from financing activities.

# Gearing below target at the end of Q4

**Net Interest Bearing Debt (NIBD) / R12M Adjusted EBITDA by quarter**  
(Excluding IFRS16 effects)





Kenneth Hamnes, Group CEO



# Wine: The Wongraven brand is ready for new markets

- Musician and winemaker Sigurd Wongraven has created and built Wongraven Wines over the last 10 years, collaborating with excellent wine producers in Piemonte, Pfalz and Champagne
- Wongraven is now Norway's #10 wine brand overall, and was the second-fastest growing brand in 2019
- Vingruppen and Sigurd Wongraven have signed a long-term partnership for continued brand development, and international launch
- The brand was launched in Duty Free Travel Retail late 2019, and a launch in Sweden is planned for April 2020. More markets to follow
- As part of the partnership, Vingruppen purchased 90 % of the shares in Wongraven Wines AS in December 2019





# Wine: Own brands in Denmark complete Nordic footprint

- In **Denmark** Ruby Zin, Falling Feather and Zanni Soave will be sold in Spar and Meny, potentially 246 stores, from late February. Campaigns throughout 2020
- In **Sweden** Falling Feather and Ruby Zin sold >1.7 million litres during 2019, and Arcus Wine Brands was established in Stockholm to improve focus
- In **Norway** Falling Feather has been the best-selling wine at Vinmonopolet 2016-2019. Available in bottle and Bag in Box, and also in pouch from March 2020
- In **Finland** Arcus' Tausenhügel Riesling is among the top 20 brands. Ruby Zin, launched August 2019, is already available in 55 Alko outlets and growing
- In **Iceland** Falling Feather is among top five most popular wines, and distributed in all 35 Vinbudír monopoly stores
- In **Duty Free Travel Retail** Arcus has achieved listings on our best sellers, Falling Feather, Ruby Zin and Zanni Valpolicella



# Spirits: Strong focus on Skagerrak Nordic Dry Gin in 2020

- Arcus launched Skagerrak Nordic Dry Gin in 2019, and the target is for Skagerrak to be the #1 Nordic premium gin
- Skagerrak was developed in collaboration with six expert bartenders from Norway, Sweden and Denmark
- Skagerrak stands as the first Nordic Dry Gin, with the Nordic signature of botanicals found at the shores of Skagerrak.
- The product has a distinct Nordic design with one star for each country and the deep blue colour symbolizing the ocean
- Denmark and Travel Retail will be the front-runners in the strengthened roll-out plan, Sweden and Norway to follow
- Arcus is partner with SAS for Tokyo 2020, and SAS will get its own unique LINIE Aquavit for Business Class. Skagerrak Nordic Dry Gin will be available on all flights!





## Financial calendar, 2020

21 April	Annual General Meeting, Gjelleråsen
15 May	Quarterly report Q1
18 August	Quarterly report Q2
6 November	Quarterly report Q3



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# Condensed statement of income

MNOK	Note	Fourth quarter		Full Year	
		2019	2018	2019	2018
Sales	2,9	843.2	832.8	2 710.4	2 672.6
Other revenue	2	18.6	15.3	52.4	50.6
<b>Total operating revenue</b>	2,9	<b>861.8</b>	<b>848.1</b>	<b>2 762.8</b>	<b>2 723.2</b>
Cost of goods		-483.0	-479.1	-1 601.1	-1 577.3
<b>Gross Profit</b>		<b>378.8</b>	<b>369.0</b>	<b>1 161.7</b>	<b>1 145.9</b>
Gain on sale of fixed assets		0.0	0.1	0.0	0.4
Salaries and personnel cost		-120.3	-117.8	-439.2	-426.6
Advertising & Promotion expenses (A&P)		-32.7	-28.9	-116.0	-122.5
Other operating expenses		-57.8	-74.2	-213.5	-286.8
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		4.1	3.9	4.1	2.3
Other income and expenses	3	-4.8	-3.5	-19.7	-5.3
<b>EBITDA</b>		<b>167.2</b>	<b>148.7</b>	<b>377.3</b>	<b>307.3</b>
Depreciation	5,6	-28.1	-10.7	-111.8	-42.3
Amortisations	5,6	-2.0	-1.9	-7.7	-7.7
<b>Operating profit (EBIT)</b>		<b>137.1</b>	<b>136.0</b>	<b>257.8</b>	<b>257.3</b>
Financial income	12	9.6	10.3	25.9	14.5
Financial expenses	7,10,12	-30.2	-15.6	-111.2	-50.6
<b>Pre-tax profit</b>		<b>116.6</b>	<b>130.7</b>	<b>172.5</b>	<b>221.2</b>
Tax		-27.1	-33.8	-39.2	-56.8
<b>Profit/loss for the year</b>		<b>89.5</b>	<b>96.9</b>	<b>133.3</b>	<b>164.4</b>
Profit/loss for the year attributable to parent company shareholders		87.4	94.6	127.7	158.5
Profit/loss for the year attributable to non-controlling interests		2.1	2.2	5.5	6.0
Earnings per share, continued operations		1.28	1.39	1.88	2.33
Diluted earnings per share, continued operations		1.22	1.34	1.79	2.25

<sup>1)</sup> Associated Companies, <sup>2)</sup> Jointly Controlled Entities

# Condensed statement of financial position

MNOK	Fourth quarter		
	Note	31.12.2019	31.12.2018
Intangible assets	6	1 923.2	1 883.9
Tangible assets	5	1 431.2	315.8
Deferred tax asset		86.1	110.2
Financial assets		65.3	63.1
<b>Total fixed assets</b>		<b>3 505.8</b>	<b>2 373.0</b>
Inventories		486.6	441.1
Accounts receivables and other receivables		1 392.5	1 340.7
Cash and cash equivalents		205.0	282.6
<b>Total current assets</b>		<b>2 084.1</b>	<b>2 064.4</b>
<b>Total assets</b>		<b>5 589.9</b>	<b>4 437.4</b>
Paid-in equity		772.1	772.1
Retained earnings		886.2	879.0
Non-controlling interests		3.9	3.0
<b>Total equity</b>		<b>1 662.2</b>	<b>1 654.0</b>
Non-current liabilities to financial institutions	8	703.8	723.5
Non-current liabilities at fair value through profit or loss	7,10	69.3	74.2
Non-current lease liabilities	8	1 151.0	151.4
Pension obligations		23.7	21.1
Deferred tax liability		101.3	101.8
Other non-current liabilities		0.5	0.7
<b>Total non-current liabilities</b>		<b>2 049.6</b>	<b>1 072.8</b>
Current finance lease liabilities	8	154.2	18.1
Tax payable		5.0	0.0
Accounts payable and other payables		1 718.8	1 692.5
<b>Total current liabilities</b>		<b>1 878.0</b>	<b>1 710.6</b>
<b>Total equity and liabilities</b>		<b>5 589.9</b>	<b>4 437.4</b>



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