

# First quarter results 2017

Kenneth Hamnes, CEO  
Sigmund Toth, CFO

5 May 2017

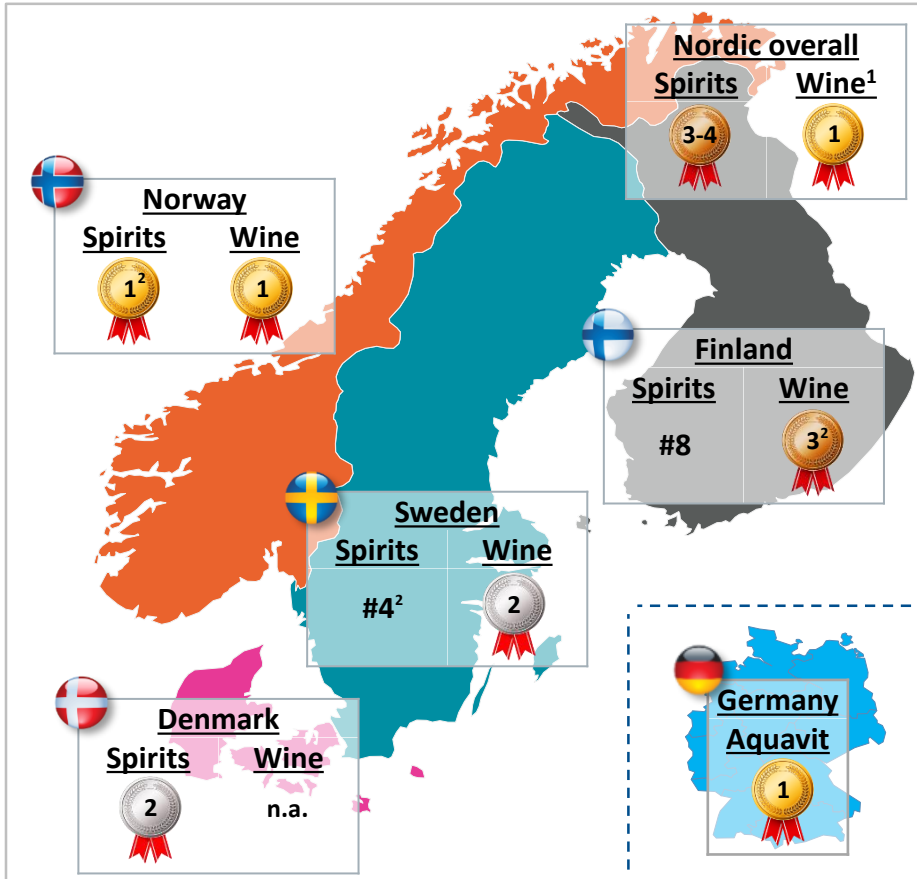


Arcus

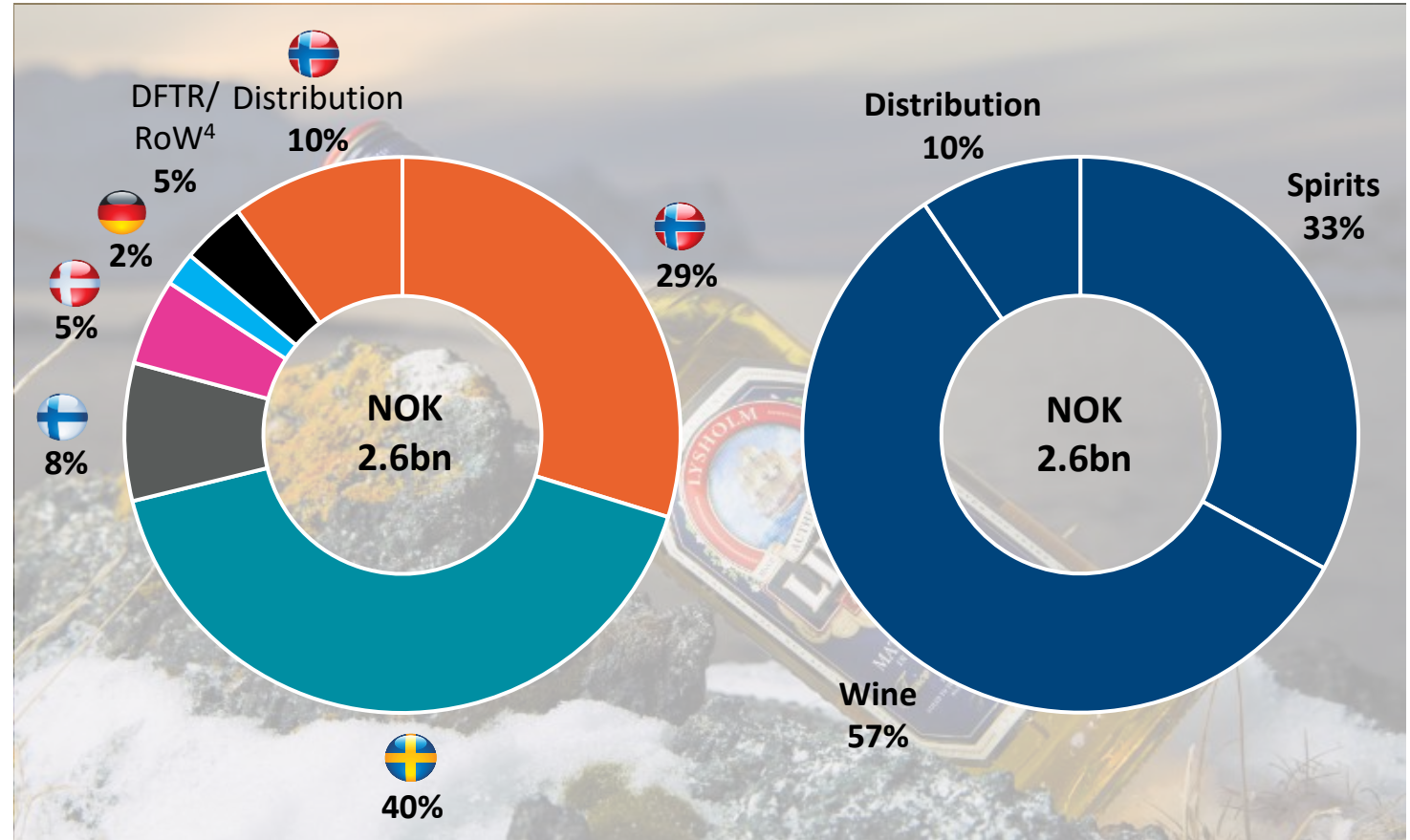
# A leading Nordic branded consumer goods company



## Solid footprint across the Nordic area and Germany



## Revenue split – 2016<sup>3</sup>



*“We bring the best of Nordic spirits to the world and the world’s best wines to the Nordics”*

1) Wine position excl. Denmark, a non-monopoly market, where Arcus is not present within wine. 2) Spirits Norway and Sweden pro forma incl. Dworek acquired Aug 2016. Wine Finland shared position. 3) Split before elim. of internal sales.  
 4) DFTR – “Duty free and travel retail”, RoW – “Rest of world”

# Q1 2017 highlights

## Revenue:

493.5 MNOK (-7.3 %)

Low overall sales, mainly due to shift of Easter sales to Q2, currency effects and probably increased tax-free sales.

## EBITDA (adj.):

21.3 MNOK (+0.5 %)

Increased EBITDA in Spirits and Distribution, compensating for decrease in Wine.

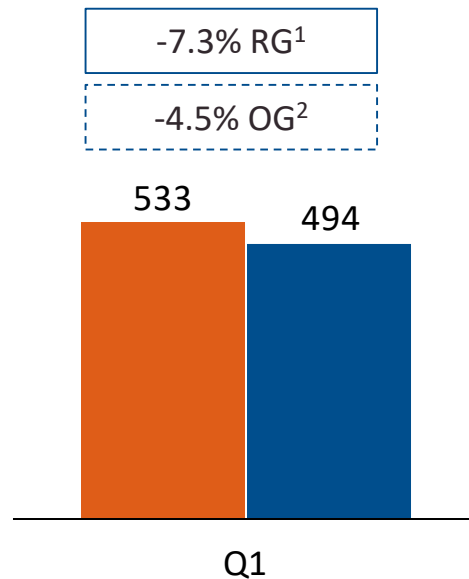


# Q1: Seasonal effects on sales, overall result stable

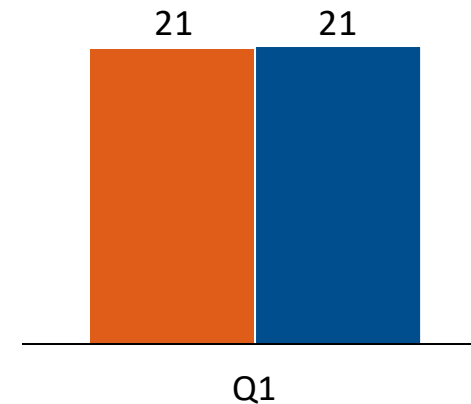
Amounts in NOK million

2016 2017

## Operating Revenues



## Adjusted EBITDA



- **Spirits:** Favourable effects of acquisitions
- **Wine:** Seasonal effects reduce sale of red wine
- **Distribution:** Increased revenue, good cost control



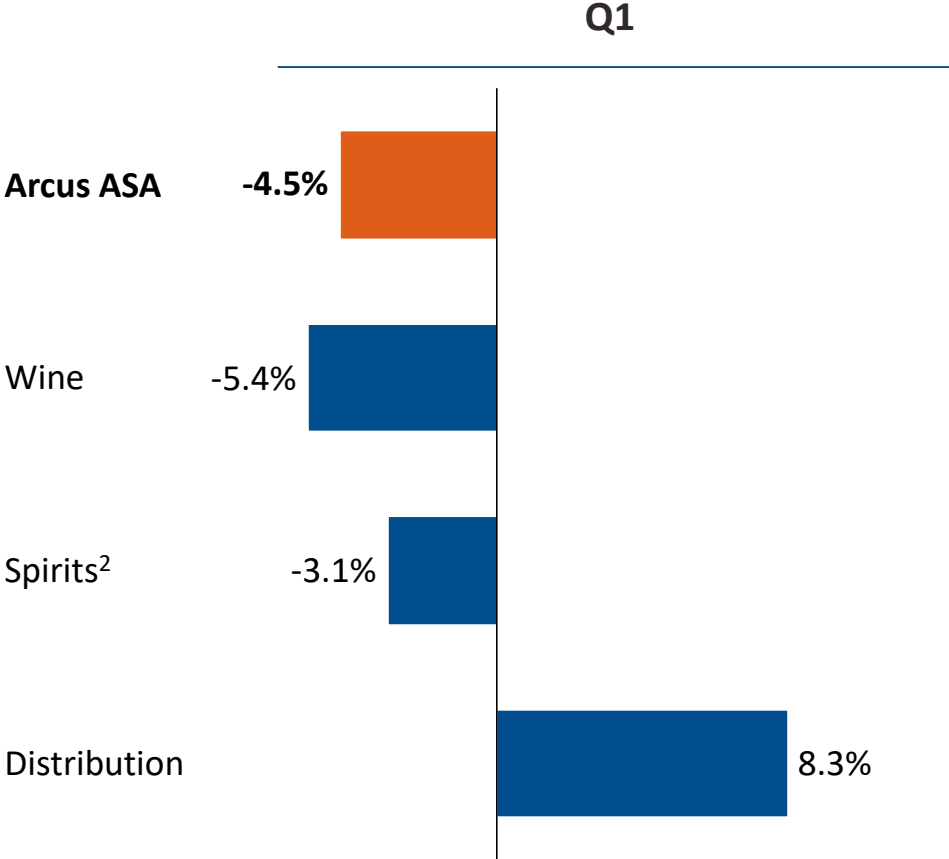
1) Reported growth

2) Reported growth adjusted for currency translation effects and structural changes

# Q1: Weak monopoly markets and Easter hit wine in particular



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



1) Reported growth adjusted for currency translation effects and structural changes  
2) Spirits adjusted for bottling services

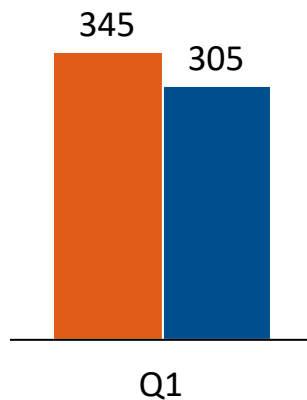
# Q1 Wine: Seasonal effects reduce sales of red wine

Amounts in NOK million

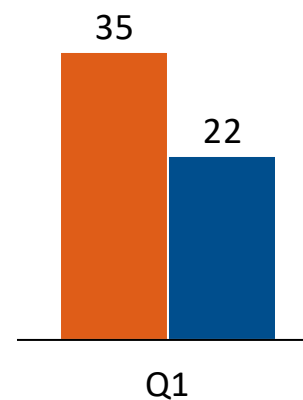
2016 2017

## Operating revenues

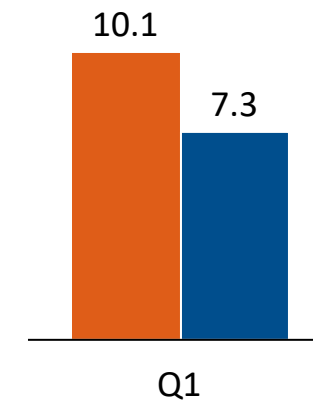
-5.4% OG<sup>1</sup>



## EBITDA (adj.)



## EBITDA (adj.) margin (%)



- Sales of wine at Vinmonopolet and Systembolaget were down ca 4 % and 2 %, respectively
- Sales of red wine decreased more than overall market, reducing sales of Arcus' own brands
- Organic growth -5,4 %, vs -11,6 % reported, mainly due to negative FX- effects



1) Reported growth adjusted for currency translation effects

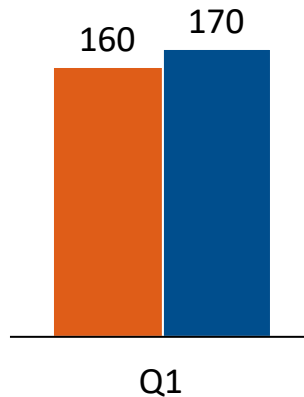
# Q1 Spirits: Favourable effects of acquisitions

Amounts in NOK million

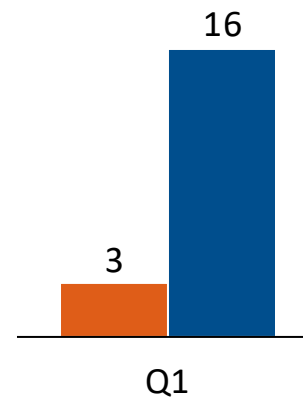
2016 2017

## Operating revenues

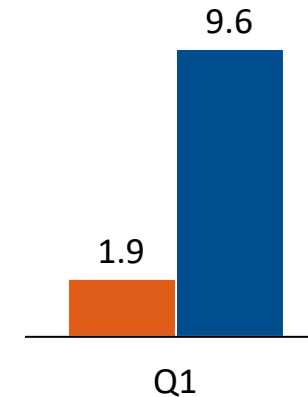
-3,1% OG<sup>1,2</sup>



## EBITDA (adj.)



## EBITDA (adj.) margin (%)



- Majority of Easter sales did not take place in Q1
- Sales- and margin-growth mainly due to acquisition of Dworek and remaining 50 % of DDSK
- Increased margin also improved by reduced and deferred costs



1) Reported growth adjusted for currency translation effects  
2) Spirits adjusted for bottling services

# Q1 Distribution: Increased HORECA sales

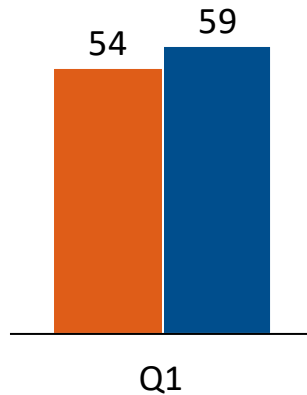


Amounts in NOK million

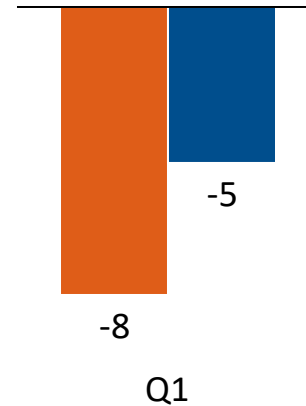
2016 2017

## Operating revenues

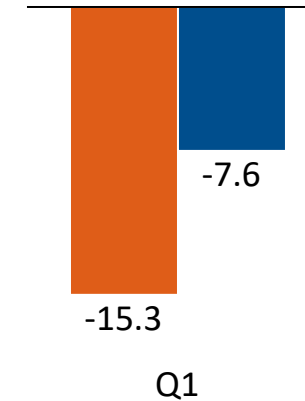
+8.3% OG<sup>1</sup>



## EBITDA (adj.)



## EBITDA (adj.) margin (%)



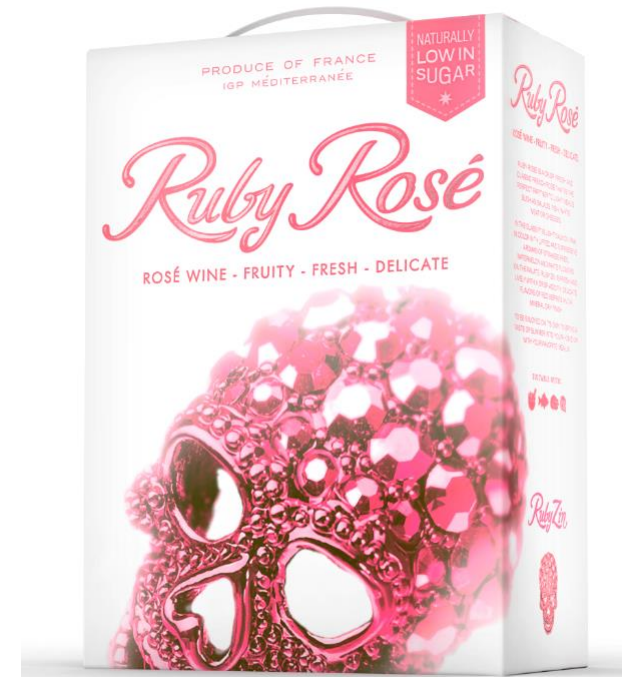
- Growth of 8.3%, mainly due to 4.7 % increase in contribution per litre
- Significantly higher revenues from HORECA, storage and other services
- More efficient processes have limited increase in operating costs per litre to 1.5 %



1) Reported growth adjusted for currency translation effects and structural changes



# Q2 launches: Innovations for new users and occasions



# Financial performance

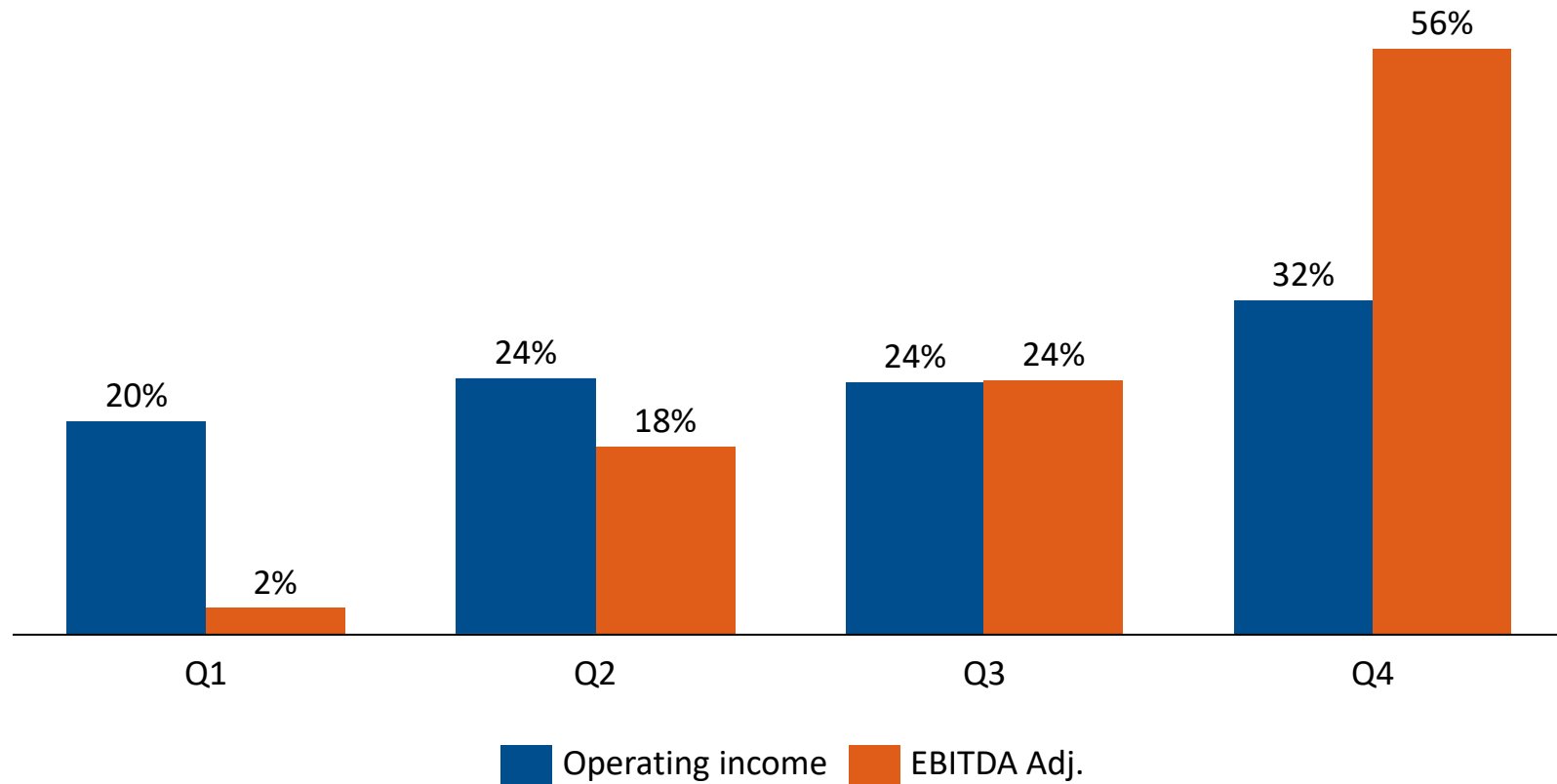
Sigmund Toth, CFO



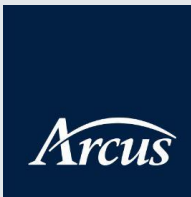
# Historic quarterly distribution of top-/bottom-line



2011-2016, average



# Q1 Group EBITDA (adj.): Overall EBITDA flat in spite of drop in revenues



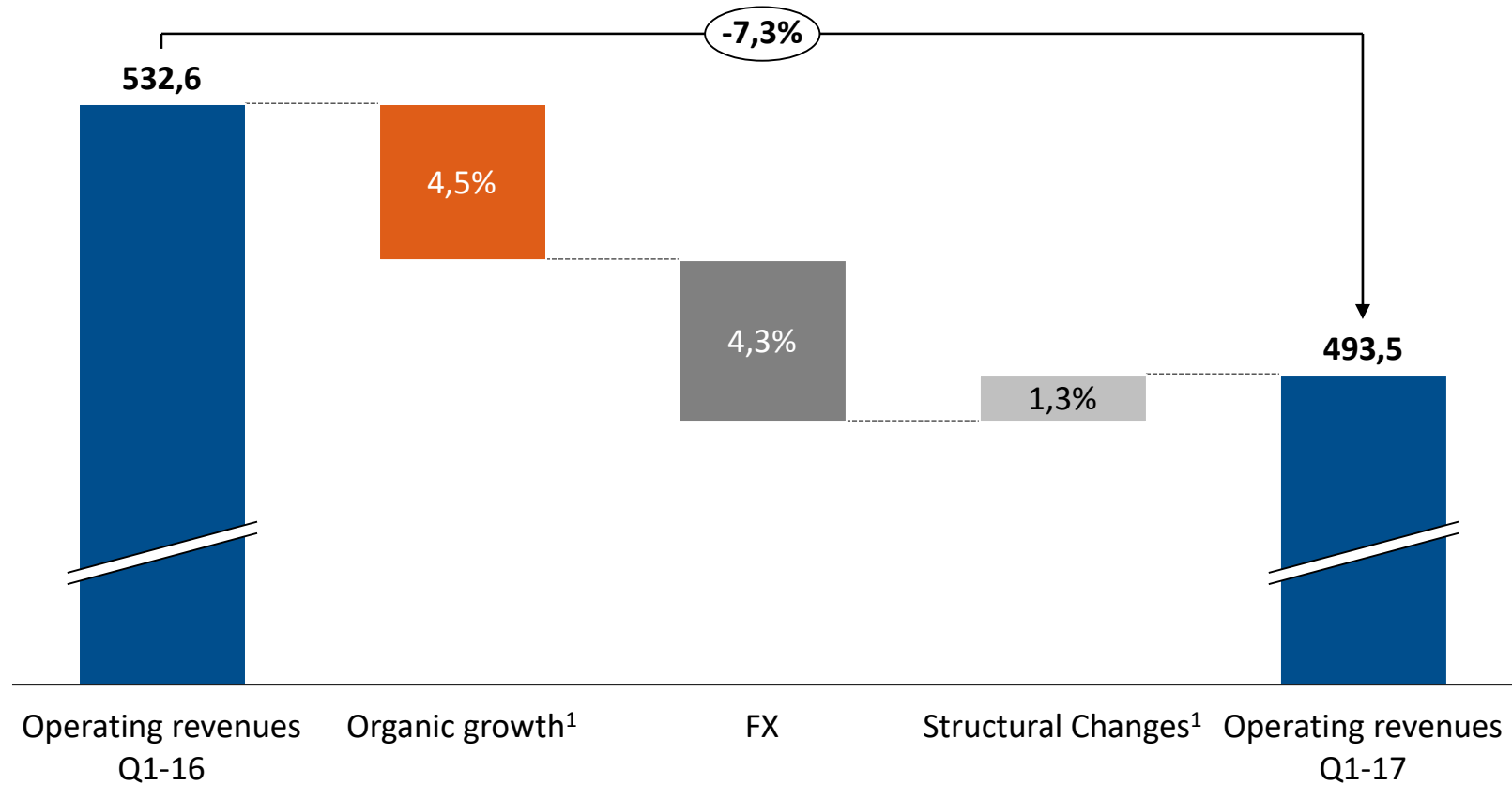
Amounts in NOK million

Profit and Loss	Q1-17	Q1-16	2016	2015
Operating revenues	493.5	532.6	2 582.4	2 470.6
EBITDA (adj.)	21.3	21.2	335.4	274.4
Depreciation, Amortization and Write-downs	-13.4	-12.7	-51.6	-55.5
EBIT (adj.)	7.9	8.5	283.7	218.8
Other income and expenses	-0.2	-0.3	-44.9	-16.5
EBIT	7.7	8.2	238.9	202.3
Net financials and other	-9.2	-23.2	-236.7	-100.6
Pre-tax profit	-1.4	-15.1	2.1	101.7
Tax	-0.1	5.5	-26.2	-17.3
Profit/loss for the year	-1.6	-9.6	-24.1	84.4
EPS (NOK)	-0.04	-0.25	-0.67	1.28

# Q1: Late Easter sales and negative FX reduce operating revenue



**Q1 17 Operating revenue growth**  
Percent; NOK Million

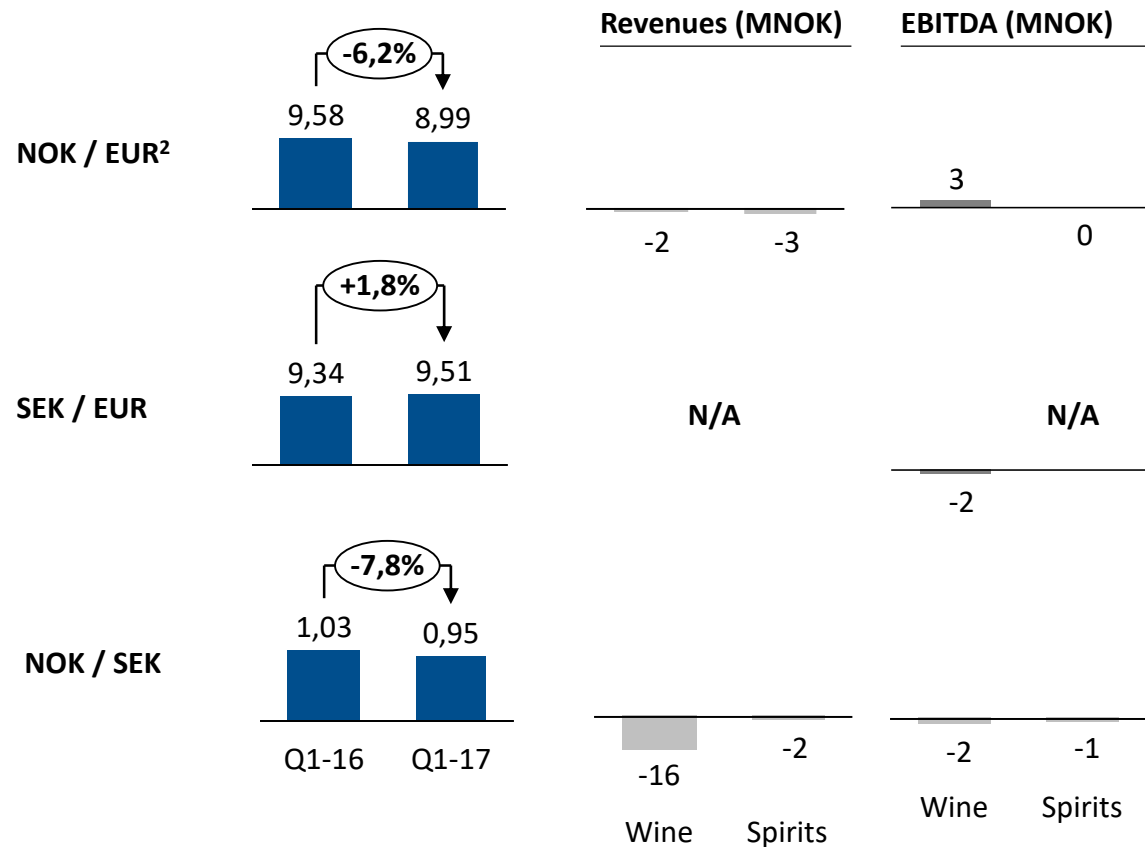


1) Reported growth adjusted for currency translation effects and structural changes (such as acquisitions and divestitures)

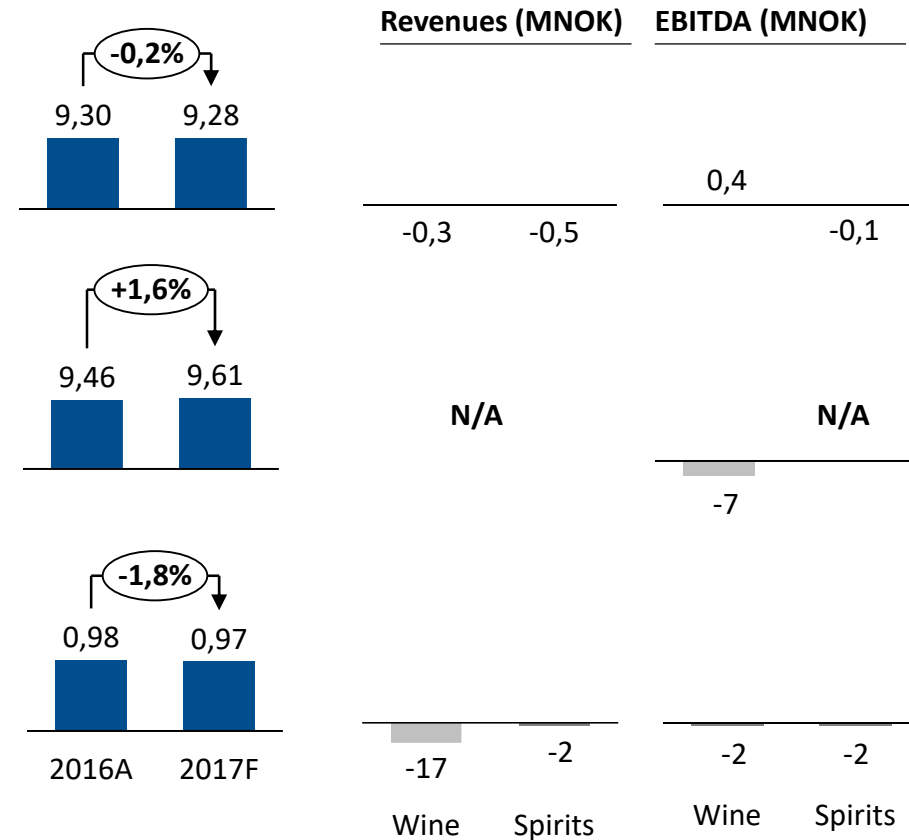
# Foreign exchange reduced reported revenues in Q1 compared to LY, but EBITDA less impacted. 2017 outlook more neutral



Currency rate effects<sup>1</sup> (Q1 2017 actuals vs. Q1 2016 actuals)



Currency rate effects<sup>1</sup> (2017F currency rate<sup>3</sup> vs. 2016 actuals)

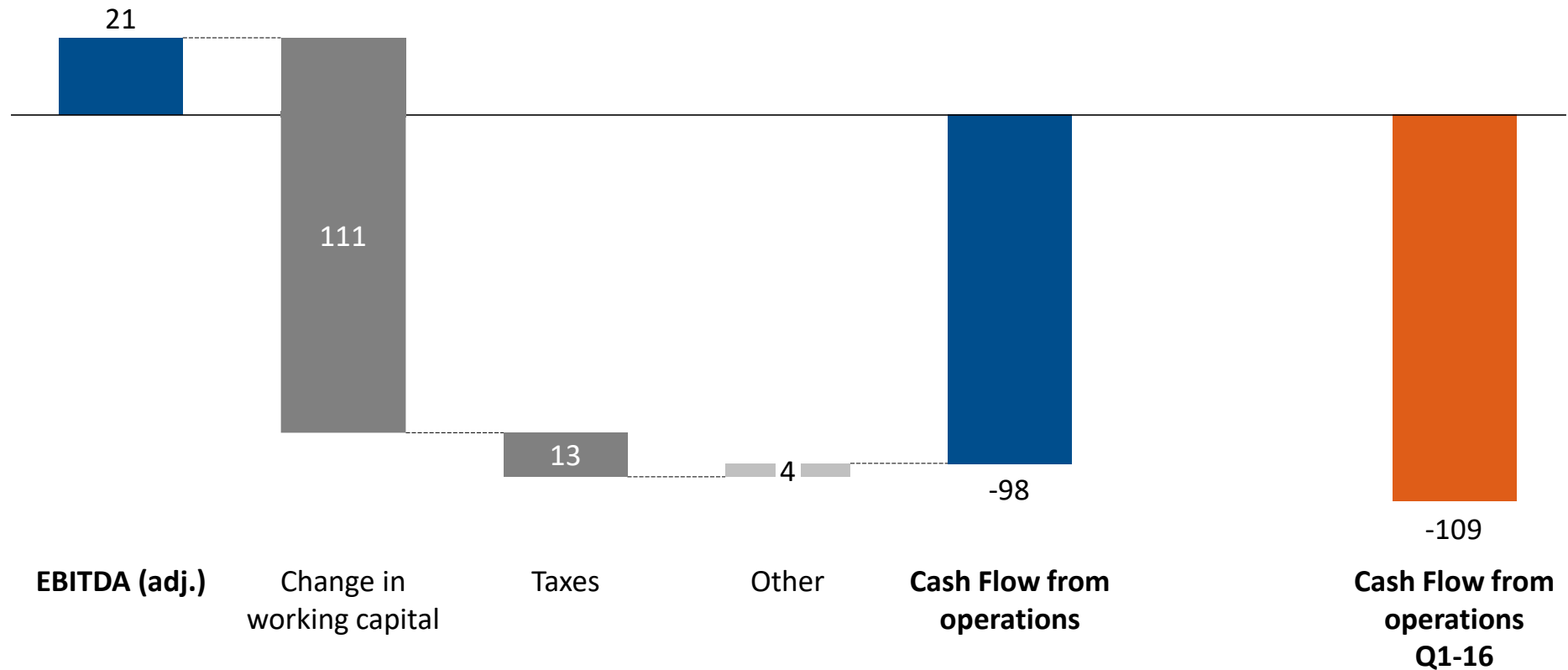


1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include NOK / USD (Revenues) and (N)SEK/ GBP (COGS on traded goods/agency products). On the Wine business, the general pricing strategy 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. 3) 2017F currency rate is estimated as weighted average of accumulated YTD average rate and current rate as of May 2th 2017

# Q1: Cash Flow from operations at same level as Q1 2016



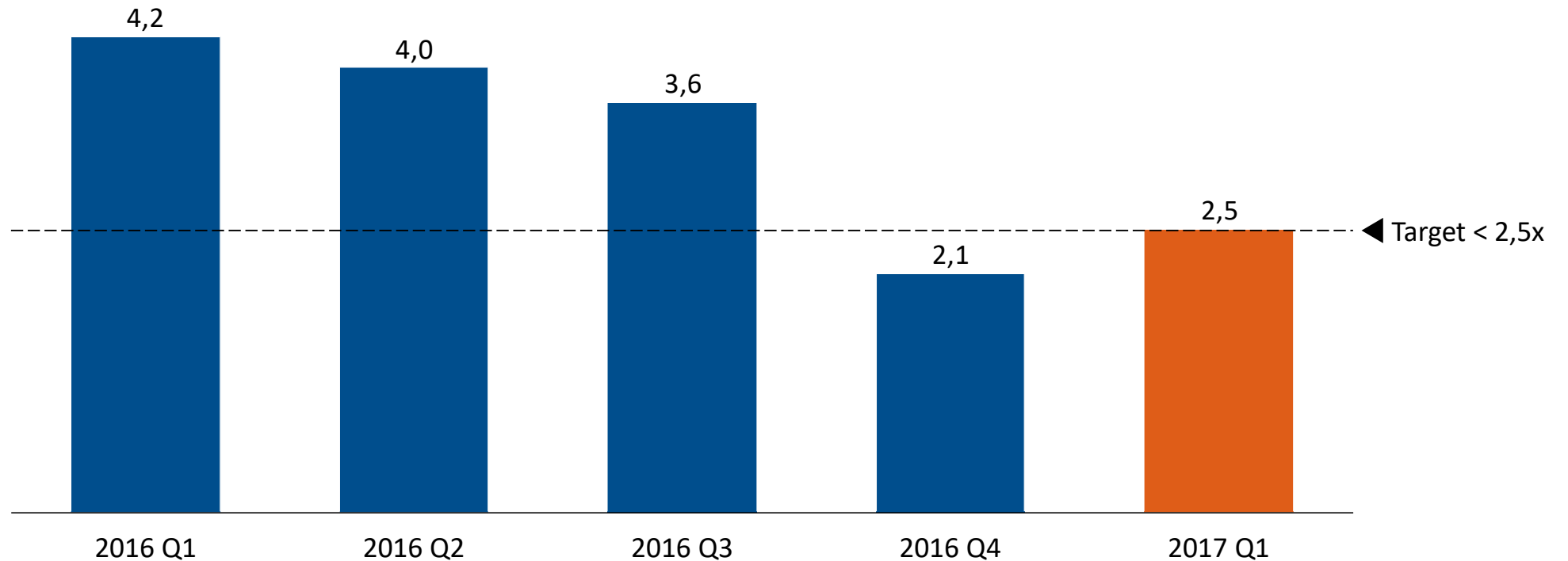
**Q1-17 Cash Flow from Operations**  
Amounts in NOK Million



# Gearing reduced through the IPO capital increase, and at target at the end of Q1



Net Interest Bearing Debt (NIBD) / R12M Adjusted EBITDA by quarter





# Strategy

Kenneth Hamnes, CEO



# Multiple and tangible sources for continued growth

## Spirits

- Grow core categories – Aquavit and Bitter
- Develop Nordics and revitalize Germany
- Accelerate Spirits innovation: Addressing new occasions, categories and consumer groups

## Wine

- Focus on winning monopoly tenders
- Focus on attracting complementing agencies
- Accelerate and roll-out own brand development
- Leverage our entrepreneurial model, get the right people for start-ups

## Distribution

- Continued focus on cost optimization
- Grow top line through winning new contracts

## M&A

- Well positioned for selective bolt-on acquisitions

# Q1 bolt on: Det Danske Spiritus Compagni A/S

- Pre 2013 the Karberg family was the Danish agent for Linie and Braastad
- DDSK A/S – a JV with the Karberg family – was preferred route-to-market in 2013 when the Danish brands were acquired from Pernod Ricard
- The IPO triggered negotiations and an agreement to acquire the remaining 50% was reached early January
- 100% ownership of DDSK provides more opportunities in the market

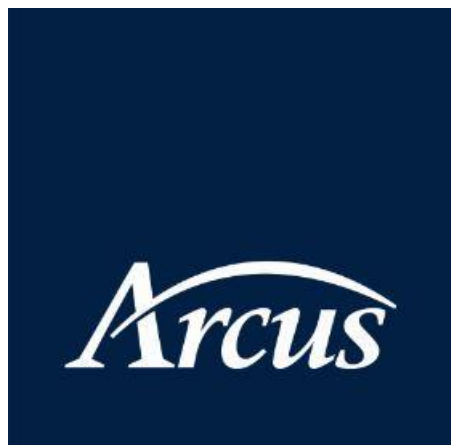


**Det Danske Spiritus Kompagni A/S**

# Q&A

Kenneth Hamnes, CEO  
Sigmund Toth, CFO

5 May 2017



# Condensed statement of income



MNOK	Note	First quarter		Year to date		Year end
		2017	2016	2017	2016	2016
Sales	9	482.9	516.3	482.9	516.3	2 521.8
Other revenue		10.6	16.3	10.6	16.3	60.6
<b>Total operating revenue</b>		<b>493.5</b>	<b>532.6</b>	<b>493.5</b>	<b>532.6</b>	<b>2 582.4</b>
Cost of goods		-268.6	-307.4	-268.6	-307.4	-1 467.9
<b>Gross Profit</b>		<b>224.9</b>	<b>225.2</b>	<b>224.9</b>	<b>225.2</b>	<b>1 114.5</b>
Gain on sale of fixed assets		0.0	0.0	0.0	0.0	0.1
Salaries and personnel cost		-105.2	-97.4	-105.2	-97.4	-392.5
Advertising & Promotion expenses (A&P)		-25.8	-32.2	-25.8	-32.2	-121.7
Other operating expenses		-72.7	-73.5	-72.7	-73.5	-270.8
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		0.1	-0.9	0.1	-0.9	5.8
Other income and expenses	2	-0.2	-0.3	-0.2	-0.3	-44.9
<b>EBITDA</b>		<b>21.1</b>	<b>20.9</b>	<b>21.1</b>	<b>20.9</b>	<b>290.5</b>
Depreciation	4, 5	-11.6	-11.3	-11.6	-11.3	-46.0
Amortisations	4, 5	-1.8	-1.4	-1.8	-1.4	-5.6
Write downs		0.0	0.0	0.0	0.0	0.0
<b>Operating profit (EBIT)</b>		<b>7.7</b>	<b>8.2</b>	<b>7.7</b>	<b>8.2</b>	<b>238.9</b>
Financial income	11	1.4	4.0	1.4	4.0	18.4
Financial expenses	6, 10, 11	-10.6	-27.2	-10.6	-27.2	-255.1
<b>Pre-tax profit</b>		<b>-1.4</b>	<b>-15.1</b>	<b>-1.4</b>	<b>-15.1</b>	<b>2.1</b>
Tax	12	-0.1	5.5	-0.1	5.5	-26.2
<b>Profit/loss for the year</b>		<b>-1.6</b>	<b>-9.6</b>	<b>-1.6</b>	<b>-9.6</b>	<b>-24.1</b>
Profit/loss for the year attributable to parent company shareholders		-2.5	-12.4	-2.5	-12.4	-34.6
Profit/loss for the year attributable to non-controlling interests		0.9	2.8	0.9	2.8	10.5
Earnings per share, continued operations		-0.04	-0.25	-0.04	-0.25	-0.67
Diluted earnings per share, continued operations		-0.04	-0.25	-0.04	-0.25	-0.67

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

# Condensed statement of financial position



MNOK	Note	First quarter		Year end
		2017	2016	2016
Intangible assets	5	1 734,0	1 720,1	1 710,1
Tangible assets	4	343,9	371,9	350,2
Deferred tax asset		177,2	169,5	172,1
Financial assets		49,5	55,0	58,2
<b>Total fixed assets</b>		<b>2 304,6</b>	<b>2 316,5</b>	<b>2 290,7</b>
Inventories		413,7	383,6	378,8
Accounts receivables and other receivables <sup>1)</sup>		944,3	721,9	1 426,0
Cash and cash equivalents		126,0	141,8	199,4
<b>Total current assets</b>		<b>1 484,1</b>	<b>1 247,2</b>	<b>2 004,2</b>
<b>Total assets</b>		<b>3 788,6</b>	<b>3 563,7</b>	<b>4 294,8</b>
Paid-in equity		772,1	1,8	772,1
Retained earnings		720,2	796,4	716,6
Non-controlling interests		13,3	26,3	13,9
<b>Total equity</b>		<b>1 505,6</b>	<b>824,5</b>	<b>1 502,6</b>
Non-current liabilities to financial institutions	8	712,4	891,6	703,3
Non-current liabilities at fair value through profit or loss	6, 10	0,0	77,3	0,0
Non-current finance lease liabilities	8	178,9	196,2	183,0
Pension obligations		34,2	36,4	34,1
Deferred tax liability		93,4	93,3	92,6
Other non-current provisions	7	0,6	1,0	0,6
<b>Total non-current liabilities</b>		<b>1 019,4</b>	<b>1 295,9</b>	<b>1 013,6</b>
Current liabilities to financial institutions	8	0,0	154,7	0,0
Bank Overdraft		51,8	100,5	0,0
Current liabilities at fair value through profit or loss	6, 10	13,8	0,0	24,1
Current finance lease liabilities		16,5	15,4	16,5
Tax payable		-0,1	0,0	0,0
Accounts payable and other payables	7	1 181,5	1 172,7	1 738,0
<b>Total current liabilities</b>		<b>1 263,6</b>	<b>1 443,3</b>	<b>1 778,6</b>
<b>Total equity and liabilities</b>		<b>3 788,6</b>	<b>3 563,7</b>	<b>4 294,8</b>

<sup>1)</sup> The balance of accounts receivables are significantly higher as of 31.03.2017 than 31.03.2016 due to the decision to stop using factoring. This led to a one-time increase in receivables of 225 MNOK.

# Condensed statement of cash flows



MNOK		First quarter		Year to date		Year end
	Note	2017	2016	2017	2016	2016
Pre-tax profit		-1.4	-15.1	-1.4	-15.1	2.1
Depreciation and amortisations		13.4	12.7	13.4	12.7	51.6
Received dividend from associated companies		7.4	0.0	7.4	0.0	2.9
Net interest in period		0.0	19.4	0.0	19.4	70.4
Other items without cash effect		6.1	-2.8	6.1	-2.8	138.2
Change in inventories		-35.0	4.6	-35.0	4.6	9.4
Change in receivables		533.5	383.6	533.5	383.6	-329.2
Change in payables		-609.3	-485.3	-609.3	-485.3	98.8
<b>Cash flow from operating activities before tax</b>		<b>-85.4</b>	<b>-82.9</b>	<b>-85.4</b>	<b>-82.9</b>	<b>44.4</b>
Tax paid		-12.7	-25.8	-12.7	-25.8	-46.7
<b>Cash flow from operating activities</b>		<b>-98.1</b>	<b>-108.7</b>	<b>-98.1</b>	<b>-108.7</b>	<b>-2.3</b>
Proceeds from sale of tangible & intangible fixed assets		0.0	0.8	0.0	0.8	1.1
Payments on acquisition of tangible & intangible fixed assets		-2.7	-4.6	-2.7	-4.6	-15.2
Payments on acquisition of Brands		-4.0	0.0	-4.0	0.0	-32.6
Payments on acquisition of operations		1.2	0.0	1.2	0.0	0.0
<b>Cash flows from investment activities</b>		<b>-5.5</b>	<b>-3.8</b>	<b>-5.5</b>	<b>-3.8</b>	<b>-46.7</b>
Proceeds - co-investment program	6, 10, 11	0.0	0.0	0.0	0.0	1.0
Payments - co-investment program	6, 10, 11	0.0	-1.6	0.0	-1.6	-157.9
Capital increase		0.0	0.0	0.0	0.0	768.9
New debt to financial institutions	8	0.0	99.5	0.0	99.5	802.6
Repayment debt to financial institutions	8	-4.1	-37.5	-4.1	-37.5	-1 093.9
Change other long term loans		0.0	-1.1	0.0	-1.1	-1.1
Interest paid in period		-7.4	-19.3	-7.4	-19.3	-70.2
Paid dividend and Group contributions		-1.4	-11.3	-1.4	-11.3	-28.3
Other financing payments		-13.2	-60.5	-13.2	-60.5	-146.3
<b>Cash flow from financing activities</b>		<b>-26.1</b>	<b>-31.8</b>	<b>-26.1</b>	<b>-31.8</b>	<b>74.9</b>
<b>Total cash flow</b>		<b>-129.6</b>	<b>-144.2</b>	<b>-129.6</b>	<b>-144.2</b>	<b>25.8</b>
Holdings of cash and cash equivalents at the beginning of period		199.4	190.4	199.4	190.4	190.4
Effect of exchange rate changes on cash and cash equivalents		4.5	-4.9	4.5	-4.9	-16.8
<b>Holdings of cash and cash equivalents at the end of period</b>		<b>74.2</b>	<b>41.3</b>	<b>74.2</b>	<b>41.3</b>	<b>199.4</b>
<b>Specification of cash and cash equivalents at the end of the period</b>						
Cash and cash equivalents at the end of the period		126.0	141.8	126.0	141.8	199.4
Overdraft cashpool system at the end of the period		-51.8	-100.5	-51.8	-100.5	0.0
<b>Holdings of cash and cash equivalents at the end of period</b>		<b>74.2</b>	<b>41.3</b>	<b>74.2</b>	<b>41.3</b>	<b>199.4</b>