

# Third quarter results 2017

Kenneth Hamnes, CEO  
Sigmund Toth, CFO

2 November 2017



# Q3-2017 highlights

## Revenue:

- 603.1 MNOK, same level as Q3 '16
- Organic growth for Wine and Distribution
- Overall organic growth -3.1 %

## EBITDA (adj.):

- 101.6 MNOK, +11.2 % vs Q3 '16
- Improvement for Wine and Distribution



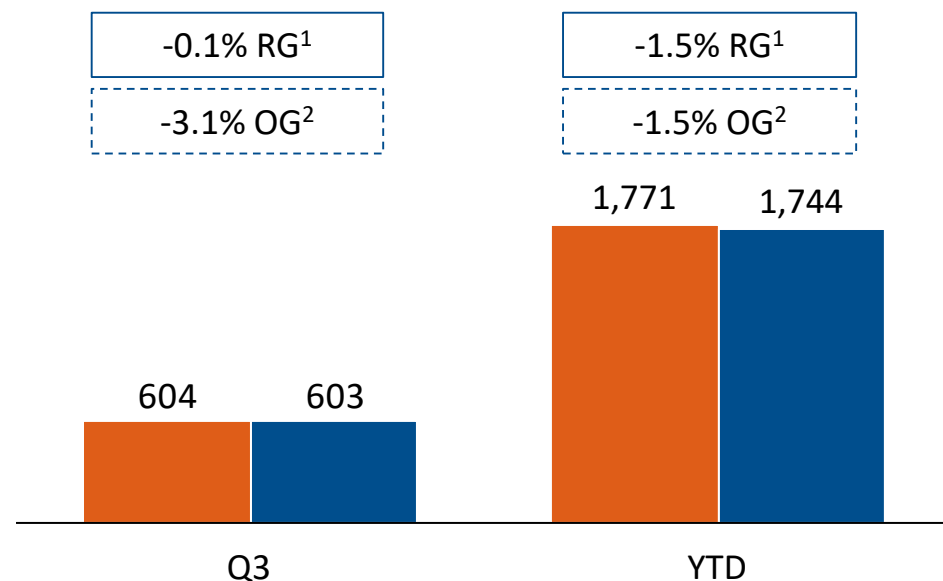
# Q3: Wine and Distribution did not offset low Spirits sales



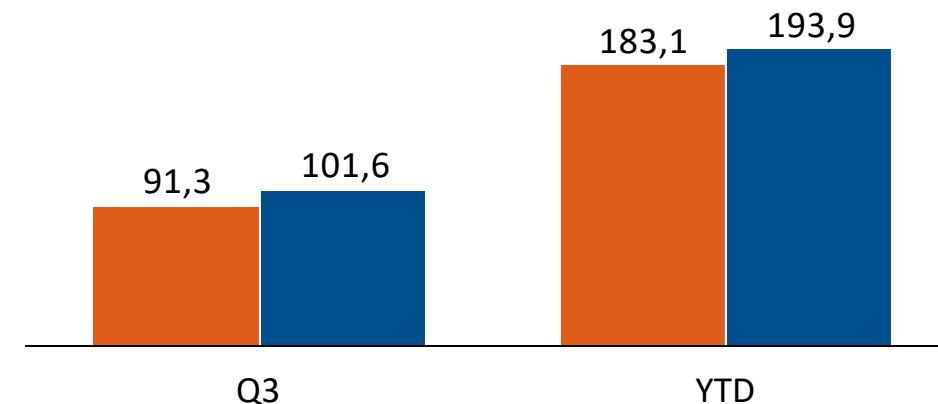
Amounts in NOK million

2016 2017

## Operating Revenues



## Adjusted EBITDA



- **Spirits:** Weak sales in non-monopoly markets, sales growth in Norway and Sweden
- **Wine:** Finland grows, Norway is in line with LY and Sweden has lower sales
- **Distribution:** Eight consecutive quarter with adj. EBITDA year-on-year growth

<sup>1</sup>Reported growth;

<sup>2</sup>Reported growth adjusted for currency translation effects and structural changes

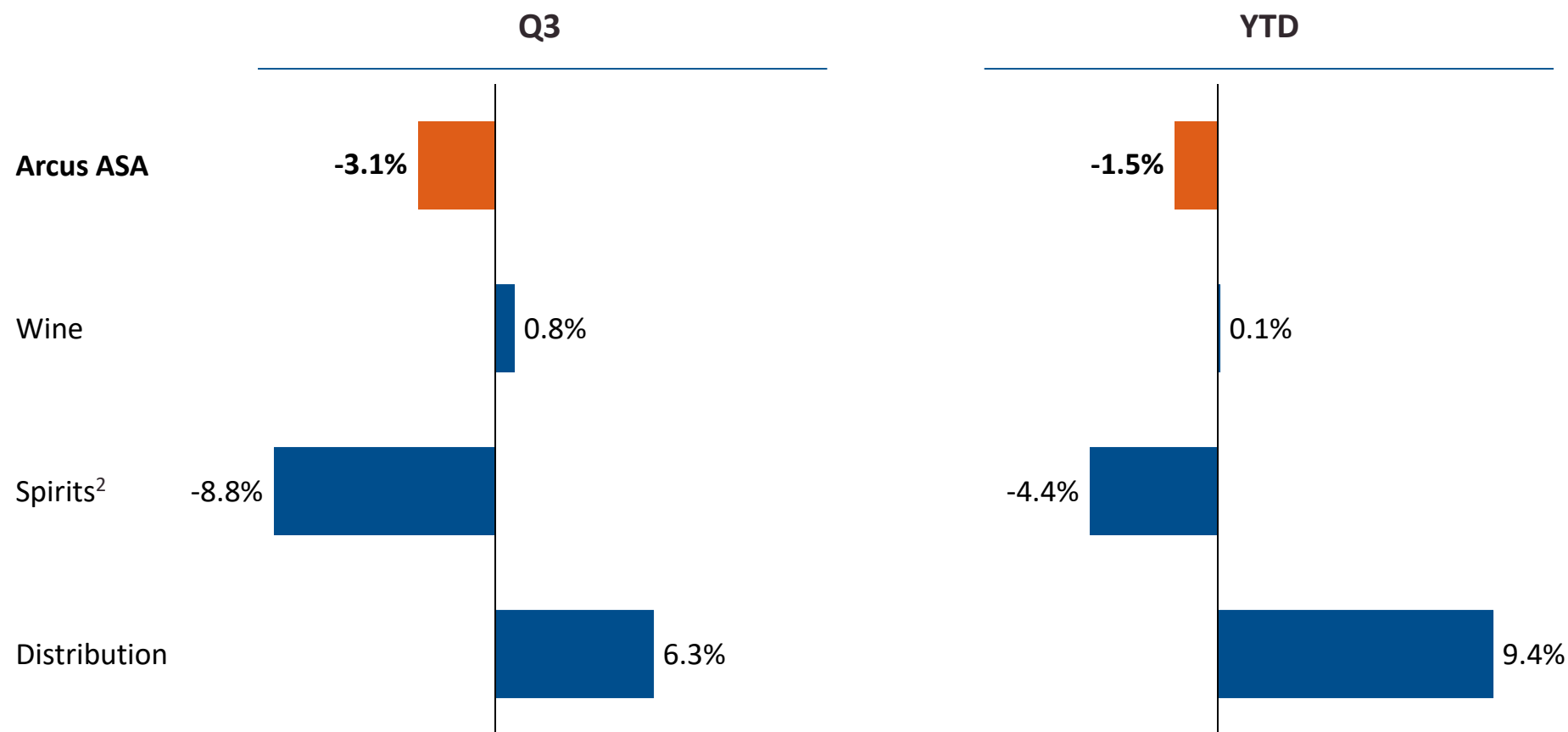


# Q3: Organic growth in two out of three segments



## 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

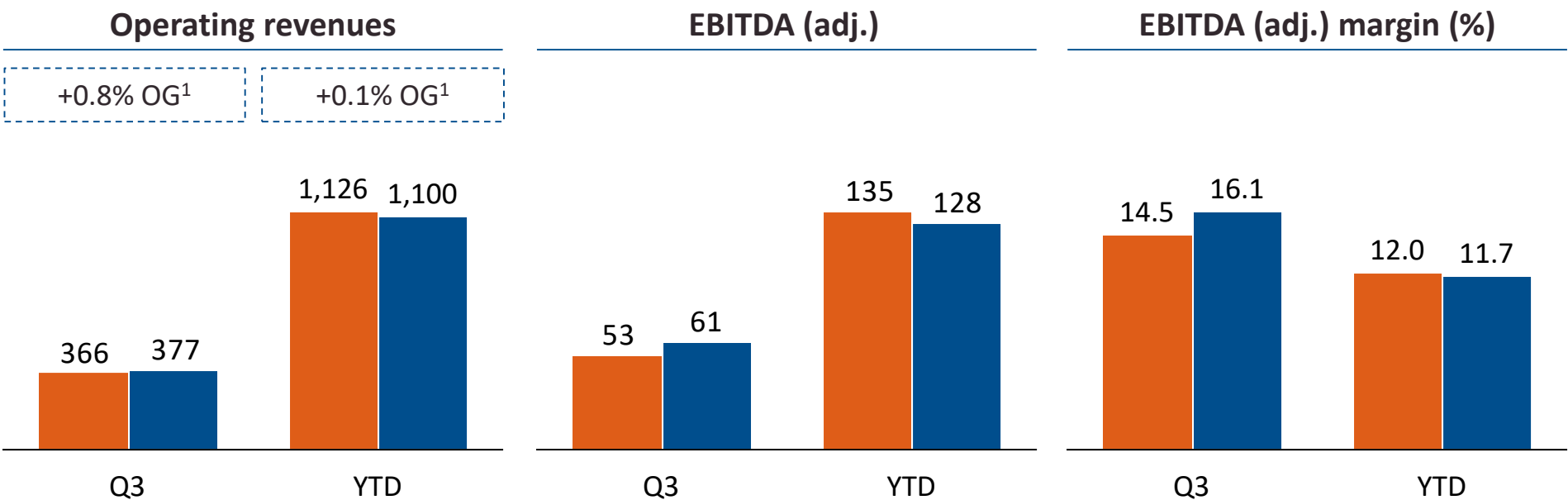


# Q3 Wine: Growth driven by Finland and DFTR



Amounts in NOK million

2016 2017



- **Sweden:** Lower sales of red wine best sellers, but strong horeca-growth
- **Norway:** Sales flat compared to last year, in line with sales out of Vinmonopolet
- **Finland:** Increased sales to Alko, strong horeca-growth

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

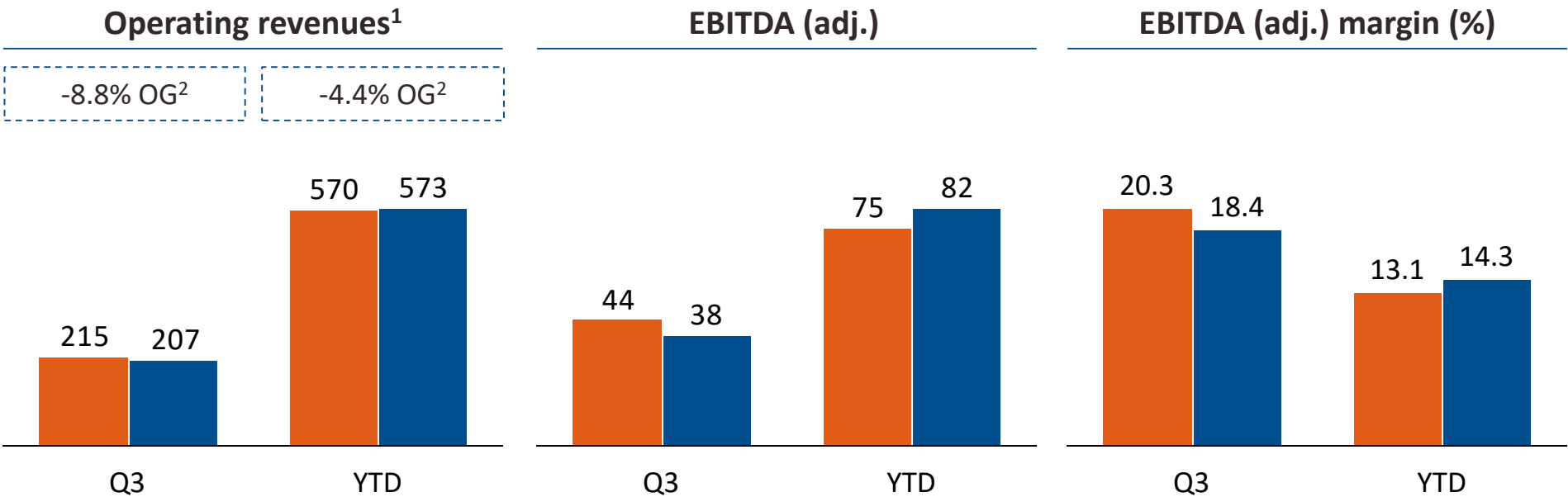


# Q3 Spirits: Low sales in non-monopoly markets



Amounts in NOK million

2016 2017



- Destocking in Denmark, and continued low Danish-German border sales due to strict immigration controls
- Weak sales to German importer, but depletion from importer to retailers flat vs last year.
- Increased sales in Norway and Sweden
- In Norway, aquavit sales increased vs last year, a category that continued to outperform spirits market

<sup>1</sup>Reported growth includes both external spirits sales and other revenue (internal and external bottling).

Reported sales of spirits decreased to 165 MNOK in Q3 '17 vs. 170 MNOK in Q3 '16

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



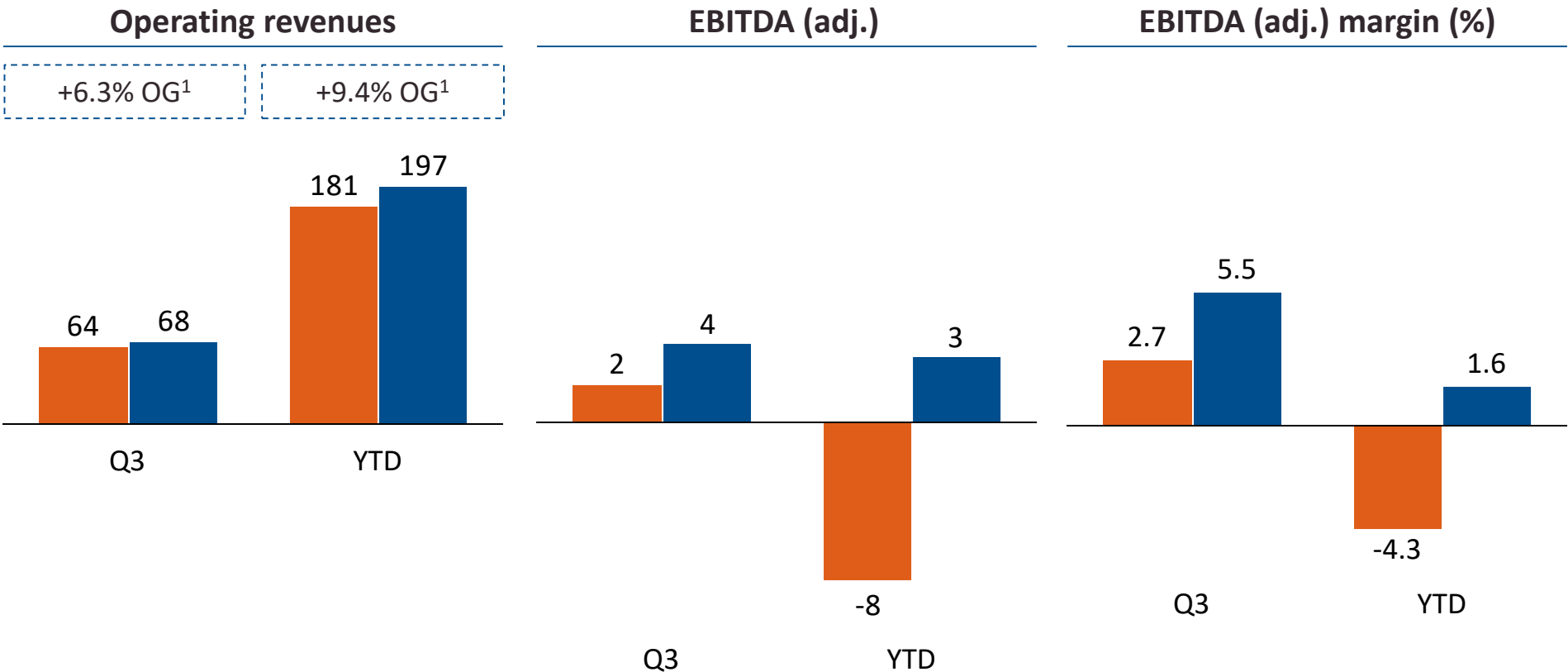


# Q3 Distribution: Continued profitable growth



Amounts in NOK million

2016 2017



- Full effect from a customer that won a major agency Q2 '17
- Increased revenue from increased storage and other services
- Increased sales to horeca

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



## Financial performance

Sigmund Toth, CFO





# Q3 Group EBITDA (adj.): Flat revenue, increased adj. EBITDA



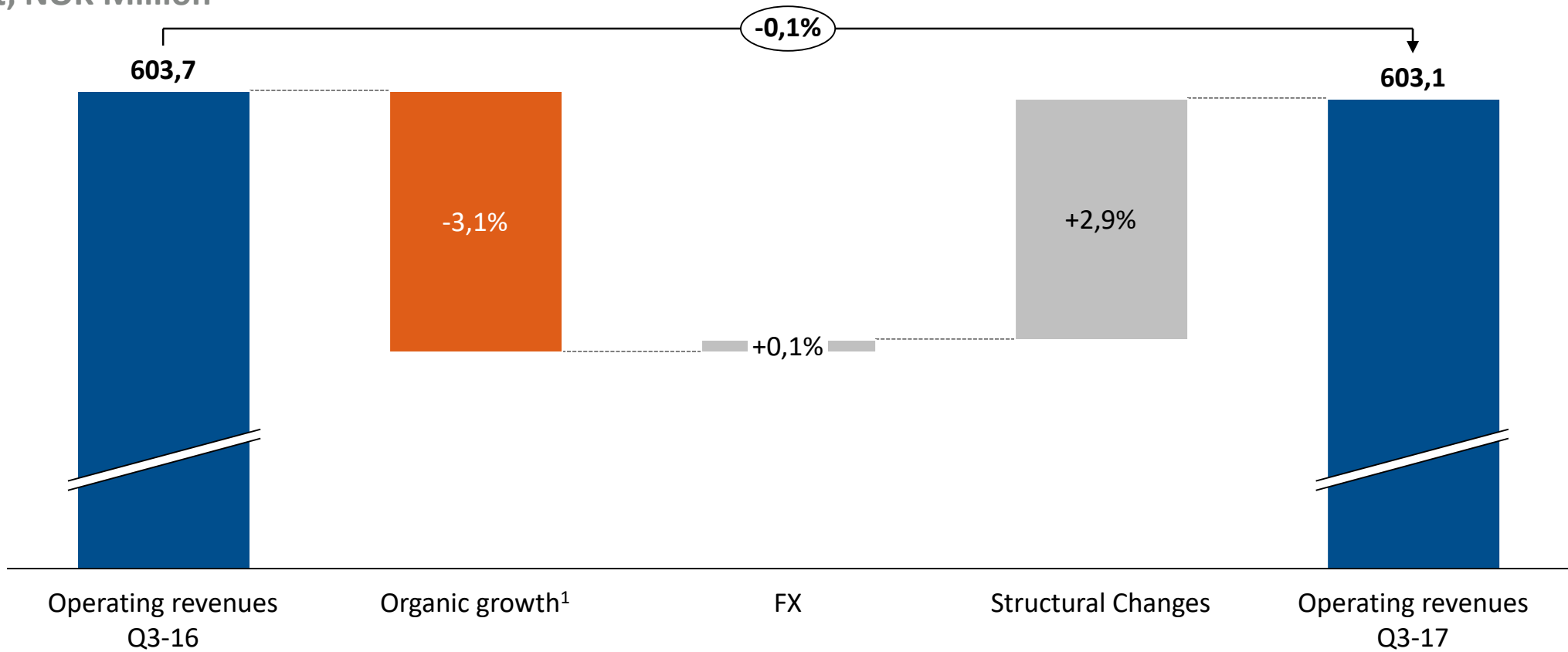
Amounts in NOK million

Profit and Loss	Q3-17	Q3-16	YTD-17	YTD-16
Operating revenues	603,1	603,7	1 743,9	1 771,0
EBITDA (adj.)	101,6	91,3	193,9	183,1
Depreciation, Amortization and Write-downs	-12,7	-12,9	-39,0	-38,5
EBIT (adj.)	88,8	78,4	155,0	144,5
Other income and expenses	-9,0	-5,9	-12,4	-8,5
EBIT	79,8	72,5	142,6	136,0
Net financials and other	-6,7	-94,4	-23,6	-143,8
Pre-tax profit	73,2	-21,9	119,0	-7,7
Tax	-16,2	1,8	-28,6	-1,8
Profit/loss for the year	57,0	-20,1	90,4	-9,6
EPS (NOK)	0,80	-0,45	1,26	-0,36

# Negative organic growth, off-set by structural changes



Q3 17 Operating revenue growth  
Percent; NOK Million

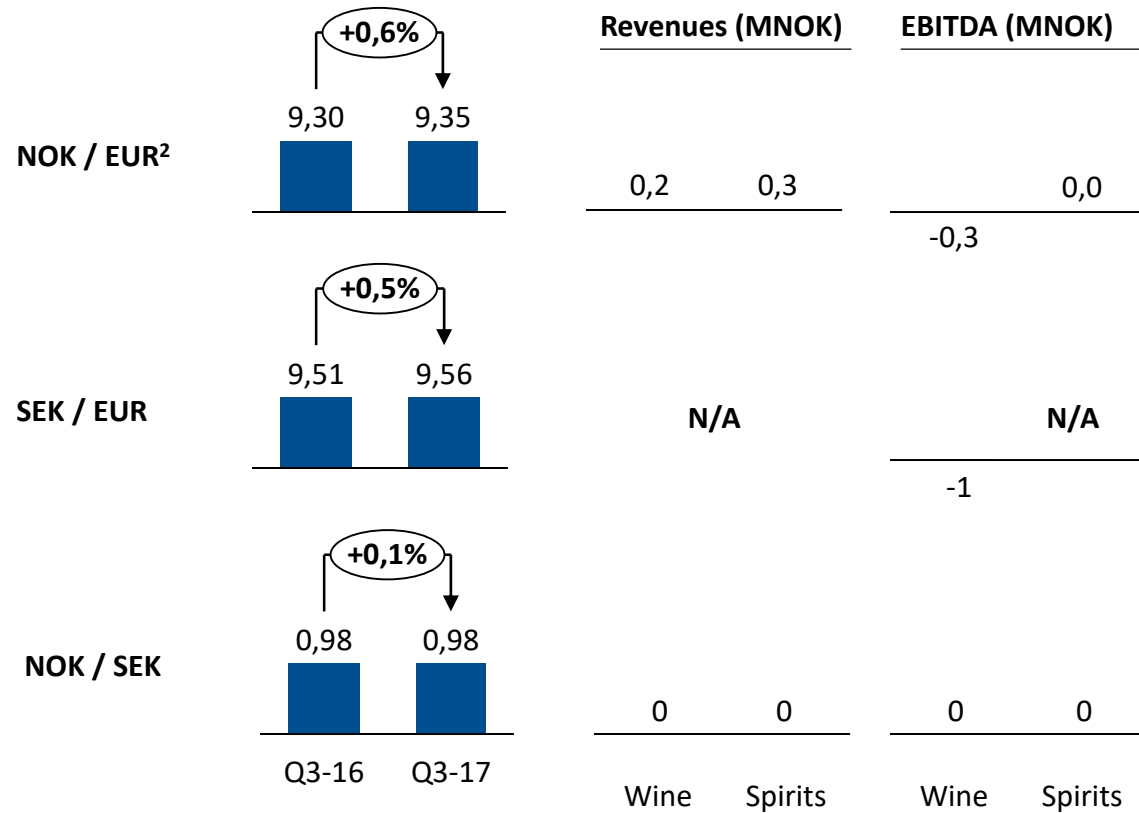


<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes (such as acquisitions or divestitures)

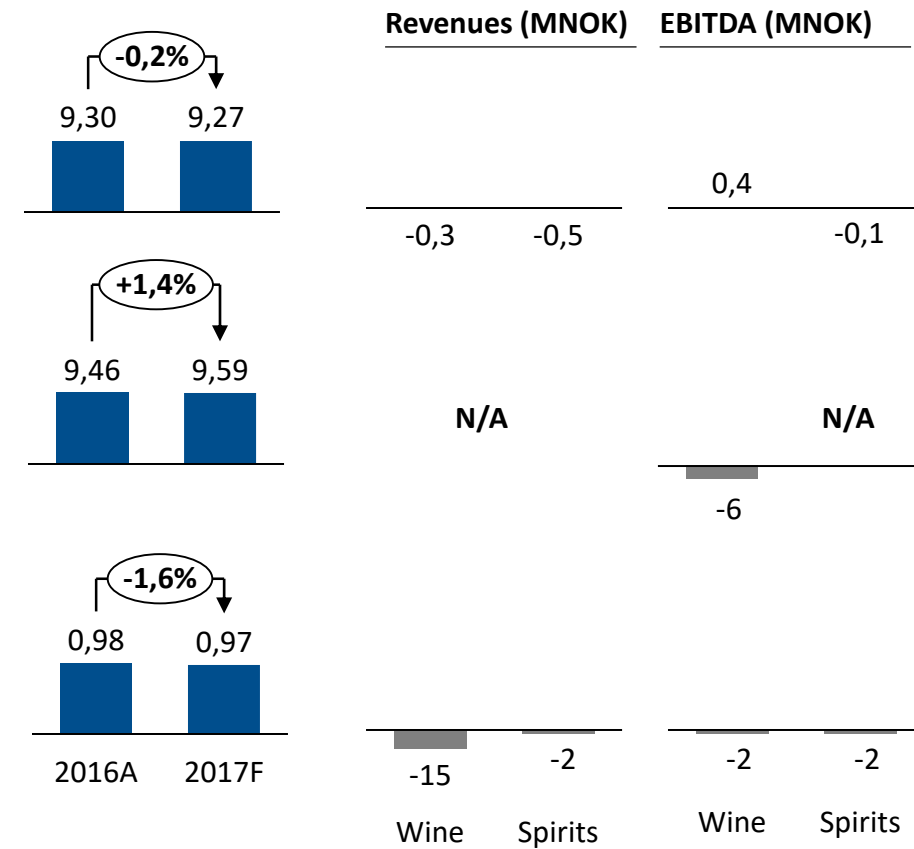
# Limited foreign exchange impact in Q3. Full year more significant effect, especially on revenues



Currency rate effects<sup>1</sup> (Q3 2017 actuals vs. Q3 2016 actuals)



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

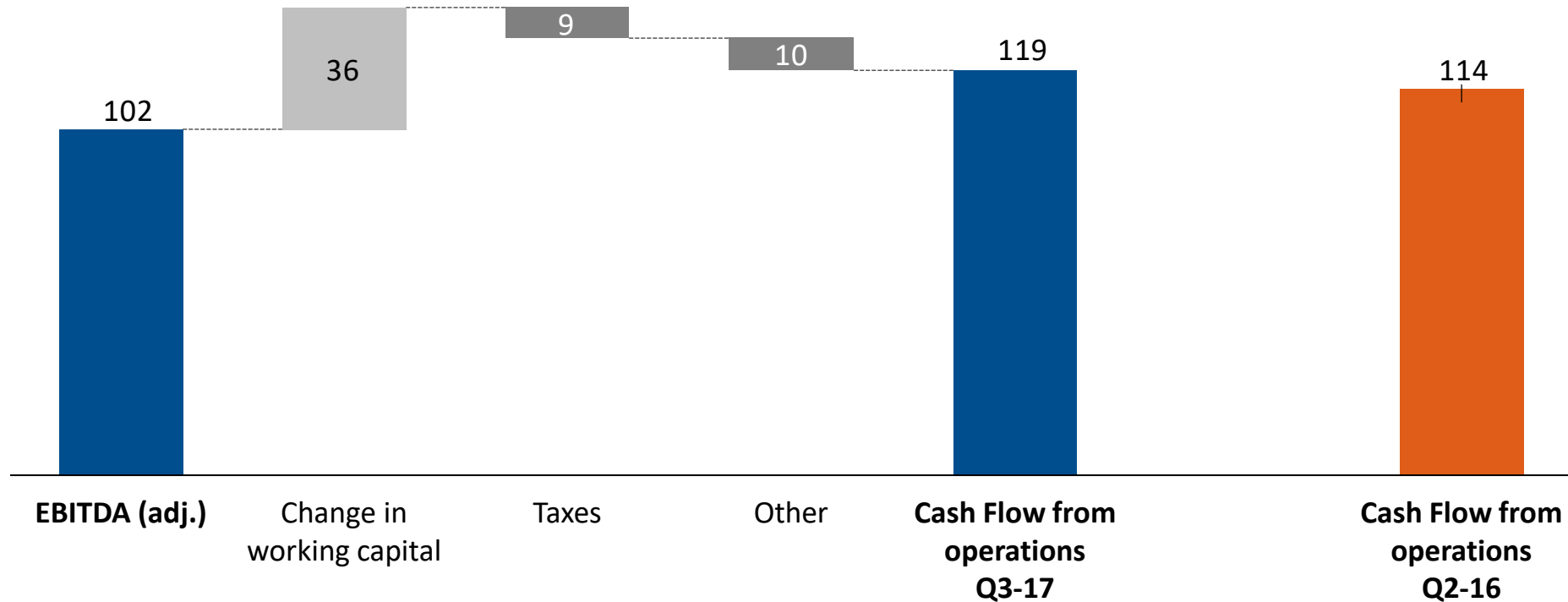


1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include NOK / USD (Revenues) and (N)SEK / GBP (COGS on traded goods/agency products). On the Wine business, the general pricing 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 Oct 23rd 2017

# Q3: Higher cash flow driven by adj. EBITDA increase



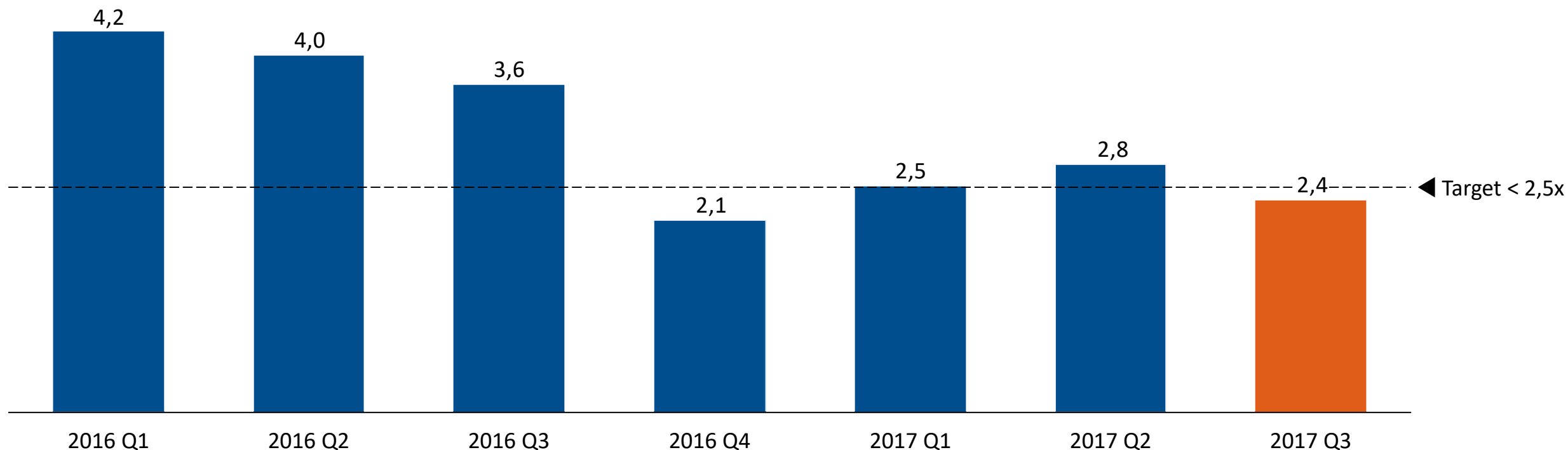
## Q3-17 Cash Flow from Operations Amounts in NOK Million





# Gearing reduced through the IPO capital increase, slightly below target at the end of Q3 due to seasonal effects

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



# Bolt-on acquisition #1: Popular Hot n'Sweet® brand



Denmark's best-selling  
vodka shot



Nostalgia, originality  
and quality

## A hot n'sweet success

- Vodka based drink mixed with real *Tyrkisk Peber*®
- Danish bestseller since 1992 in grocery retail
- Also listed in Norway, Sweden and tax-free
- Successful line extensions
- Longest-standing brand within the candy shot category

## Rationale

- Sales potential in Denmark, backed by DDSK's sales force
- Strengthens the on-trade position in DK, NO and SE
- Strengthens the portfolio with candy shots
- Brings more volume to Gjelleråsen
- Arcus captures the entire value chain
- Campaignable retro credentials
- Distribution potential in other markets too



# Bolt-on acquisition #2: Swedish low-priced VANLIG vodka/gin



Popular vodka with ca  
6% market share



Growing demand for  
VANLIG GIN

## VANLIG

- Low-price segment vodka and gin
- Listed at Systembolaget
- Arcus' market share for vodka increases from ca 14 % to ca 20 %
- Arcus' market share within total spirits to increase from ca 9 % to ca 10,5 %

## Rationale

- Strengthens Arcus' position in Sweden
- Strengthens Arcus' competitive position in vodka
- Arcus captures the entire value chain
- Brings more volume to Gjelleråsen
- No added fixed costs

# Q&A

Kenneth Hamnes, CEO  
Sigmund Toth, CFO

2 November 2017



Arcus

# Condensed statement of income



## CONDENSED STATEMENT OF INCOME

MNOK		Third quarter		Year to date		Year end
	Note	2017	2016	2017	2016	2016
Sales	9	593,8	597,2	1 710,1	1 725,8	2 521,8
Other revenue		9,3	6,5	33,8	45,2	60,6
<b>Total operating revenue</b>		<b>603,1</b>	<b>603,7</b>	<b>1 743,9</b>	<b>1 771,0</b>	<b>2 582,4</b>
Cost of goods		-327,8	-344,0	-964,3	-1 018,8	-1 467,9
<b>Gross Profit</b>		<b>275,2</b>	<b>259,7</b>	<b>779,7</b>	<b>752,2</b>	<b>1 114,5</b>
Gain on sale of fixed assets		0,0	0,1	0,0	0,1	0,1
Salaries and personnel cost		-91,0	-91,2	-300,1	-282,2	-392,5
Advertising & Promotion expenses (A&P)		-28,7	-17,7	-87,6	-84,5	-121,7
Other operating expenses		-54,5	-60,6	-198,0	-203,8	-270,8
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		0,6	1,1	-0,1	1,2	5,8
Other income and expenses	2	-9,0	-5,9	-12,4	-8,5	-44,9
<b>EBITDA</b>		<b>92,5</b>	<b>85,4</b>	<b>181,6</b>	<b>174,6</b>	<b>290,5</b>
Depreciation	4, 5	-10,8	-11,5	-33,5	-34,4	-46,0
Amortisations	4, 5	-1,9	-1,4	-5,5	-4,2	-5,6
Write downs		0,0	0,0	0,0	0,0	0,0
<b>Operating profit (EBIT)</b>		<b>79,8</b>	<b>72,5</b>	<b>142,6</b>	<b>136,0</b>	<b>238,9</b>
Financial income	11	2,9	5,8	5,4	16,0	18,4
Financial expenses	6, 9, 11	-9,5	-100,2	-29,0	-159,8	-255,1
<b>Pre-tax profit</b>		<b>73,2</b>	<b>-21,9</b>	<b>119,0</b>	<b>-7,7</b>	<b>2,1</b>
Tax		-16,2	1,8	-28,6	-1,8	-26,2
<b>Profit/loss for the year</b>		<b>57,0</b>	<b>-20,1</b>	<b>90,4</b>	<b>-9,6</b>	<b>-24,1</b>
Profit/loss for the year attributable to parent company shareholders		54,8	-22,7	86,0	-17,9	-34,6
Profit/loss for the year attributable to non-controlling interests		2,2	2,6	4,5	8,4	10,5
Earnings per share, continued operations		0,80	-0,45	1,26	-0,36	-0,67
Diluted earnings per share, continued operations		0,78	-0,45	1,24	-0,36	-0,67

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

# Condensed statement of financial position



MNOK	Note	Third quarter		Year end
		2017	2016	2016
Intangible assets	5	1 757,6	1 706,0	1 710,1
Tangible assets	4	328,6	354,1	350,2
Deferred tax asset		166,5	180,0	172,1
Financial assets		49,8	53,6	58,2
<b>Total fixed assets</b>		<b>2 302,4</b>	<b>2 293,7</b>	<b>2 290,7</b>
Inventories		446,5	424,9	378,8
Accounts receivables and other receivables <sup>1)</sup>		912,2	665,9	1 426,0
Cash and cash equivalents		144,1	79,0	199,4
<b>Total current assets</b>		<b>1 502,8</b>	<b>1 169,8</b>	<b>2 004,2</b>
<b>Total assets</b>		<b>3 805,2</b>	<b>3 463,6</b>	<b>4 294,8</b>
Paid-in equity		772,1	1,8	772,1
Retained earnings		729,6	730,1	716,6
Non-controlling interests		17,0	12,0	13,9
<b>Total equity</b>		<b>1 518,7</b>	<b>743,9</b>	<b>1 502,6</b>
Non-current liabilities to financial institutions	7	728,1	773,5	703,3
Non-current liabilities at fair value through profit or loss	6, 9	0,0	11,3	0,0
Non-current finance lease liabilities	7	171,5	188,2	183,0
Pension obligations		34,7	35,8	34,1
Deferred tax liability		95,5	89,5	92,6
Other non-current provisions		0,4	0,9	0,6
<b>Total non-current liabilities</b>		<b>1 030,2</b>	<b>1 099,2</b>	<b>1 013,6</b>
Current liabilities to financial institutions	7	0,0	164,9	0,0
Bank Overdraft		37,8	148,3	0,0
Current liabilities at fair value through profit or loss	6, 9	13,8	147,8	24,1
Current finance lease liabilities		16,5	15,4	16,5
Tax payable		0,0	0,0	0,0
Accounts payable and other payables		1 188,2	1 144,1	1 738,0
<b>Total current liabilities</b>		<b>1 256,3</b>	<b>1 620,5</b>	<b>1 778,6</b>
<b>Total equity and liabilities</b>		<b>3 805,2</b>	<b>3 463,6</b>	<b>4 294,8</b>

<sup>1)</sup> The balance of accounts receivables are significantly higher as of 30.06.2017 than 30.06.2016 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	Note	Third quarter		Year to date		Year end
		2017	2016	2017	2016	2016
Pre-tax profit		73,2	-21,9	119,0	-7,7	2,1
Depreciation and amortisations	4, 5	12,7	12,9	39,0	38,5	51,6
Received dividend from associated companies		0,0	0,0	0,0	2,9	2,9
Net interest in period		6,9	18,2	22,0	56,5	70,4
Other items without cash effect		-0,8	64,3	17,6	66,2	138,2
Change in inventories		-2,9	13,0	-67,6	-36,7	9,4
Change in receivables		190,4	155,6	565,5	443,5	-329,2
Change in payables		-151,4	-119,7	-602,8	-509,2	98,8
<b>Cash flow from operating activities before tax</b>		<b>128,1</b>	<b>122,4</b>	<b>92,8</b>	<b>54,0</b>	<b>44,4</b>
Tax paid		-8,8	-8,7	-31,2	-46,6	-46,7
<b>Cash flow from operating activities</b>		<b>119,3</b>	<b>113,8</b>	<b>61,6</b>	<b>7,4</b>	<b>-2,3</b>
Proceeds from sale of tangible & intangible fixed assets		0,0	0,1	0,0	0,9	1,1
Payments on acquisition of tangible & intangible fixed assets	4, 5	-5,7	-1,6	-11,1	-9,4	-15,2
Payments on acquisition of Brands	5	0,0	-32,4	-4,0	-32,4	-32,6
Payments on acquisition of operations	12	-3,9	0,0	-2,8	0,0	0,0
Other investments		-0,5	0,0	-0,5	0,0	0,0
<b>Cash flows from investment activities</b>		<b>-10,0</b>	<b>-33,9</b>	<b>-18,3</b>	<b>-40,9</b>	<b>-46,7</b>
Proceeds - co-investment program	6, 9, 11	0,0	0,0	0,0	1,0	1,0
Payments - co-investment program	6, 9, 11	0,0	0,0	0,0	-2,6	-157,9
Capital increase		0,0	0,0	0,0	0,0	768,9
New debt to financial institutions	7	0,0	0,0	0,0	99,5	802,6
Repayment debt to financial institutions	7	-3,2	-40,8	-11,5	-121,6	-1 093,9
Change other long term loans		0,1	0,1	0,1	-1,1	-1,1
Interest paid in period		-6,9	-18,2	-22,0	-56,3	-70,2
Paid dividend and Group contributions		-0,2	-4,9	-102,3	-28,0	-28,3
Other financing payments		0,0	-38,3	-12,9	-98,6	-146,3
<b>Cash flow from financing activities</b>		<b>-10,1</b>	<b>-102,1</b>	<b>-148,6</b>	<b>-207,8</b>	<b>74,9</b>
<b>Total cash flow</b>		<b>99,2</b>	<b>-22,3</b>	<b>-105,3</b>	<b>-241,3</b>	<b>25,8</b>
Holdings of cash and cash equivalents at the beginning of period		11,0	-37,9	199,4	190,4	190,4
Effect of exchange rate changes on cash and cash equivalents		-3,8	-9,1	12,2	-18,5	-16,8
<b>Holdings of cash and cash equivalents at the end of period</b>		<b>106,3</b>	<b>-69,3</b>	<b>106,3</b>	<b>-69,3</b>	<b>199,4</b>

## Specification of cash and cash equivalents at the end of the period

Cash and cash equivalents at the end of the period	144,1	79,0	144,1	79,0	199,4
Overdraft cashpool system at the end of the period	-37,8	-148,3	-37,8	-148,3	0,0
<b>Holdings of cash and cash equivalents at the end of period</b>	<b>106,3</b>	<b>-69,3</b>	<b>106,3</b>	<b>-69,3</b>	<b>199,4</b>

THINK BEFORE  
YOU DRINK. MAKE  
GREAT MOMENTS  
EVEN BETTER.

*Arcus*