



Interim Report for 1 January-30 June (H1) 2020

August 18, 2020

Company Announcement No 27/2020 – 18 August 2020

Interim Report for 1 January–30 June (H1) 2020

Solid H1 performance driven by strong operational focus and cost management

During H1, we experienced significant uncertainty related to COVID-19. In order to mitigate the effect our priorities were changed to focus on new opportunities and manage our cost base. Despite an organic 7% reduction in revenue and negative mix, we successfully managed to keep our EBIT margin in line with last year.

- For H1, volume decreased organically by 4% (Q2 2020: -6%) and net revenue decreased organically by 7% (Q2 2020: -11%)
- EBIT amounted to DKK 663 million and was 7% lower than in H1 2019
- EBIT margin was 18.6% (H1 2019: 18.7%)
- Free cash flow was DKK 590 million in H1 2020 (H1 2019: 612 million)
- Royal Unibrew has gained moderate market share in Off-Trade across markets
- The outlook for full year 2020 EBIT is upgraded from DKK 1,250-1,375m to DKK 1,425-1,525m
- Interim dividend of DKK 12.20 per share to be paid out in September

As expected Q2 was significantly impacted by COVID-19. In the beginning of the quarter On-Trade was closed in most markets and many social distancing restrictions were imposed on our consumers. Towards the end of the quarter most of our markets noted a lift of the many COVID-19 related restrictions which supported our return towards 70% normal On-Trade sales levels. Particularly in Northern Europe, the good weather in combination with solid in-store execution lead to a strong June result.

The key highlights of the quarter were:

- Strong performance in Off-Trade
- On-Trade gained momentum over the quarter starting from around 5% in April and ending around 70% of last year's revenue in June
- Strong cost management with significant adjustments in all areas
- EBIT margin was up 0.6% in Q2 despite 10% lower revenue and negative mix

Financial highlights H1 2020

For H1 2020, volumes showed an organic decrease of 4% and amounted to 5.3 million hectolitres compared to 5.5 million hectolitres in H1 2019.

Net revenue for H1 2020 amounted to DKK 3,566 million (H1 2019: DKK 3,791 million), and in Q2 to DKK 2,042 million (Q2 2019: DKK 2,270 million). Organically, the net revenue decreased by 7% in H1.

Earnings before interest and tax (EBIT) for H1 2020 were DKK 47 million lower than in 2019 and amounted to DKK 663 million (H1 2019: DKK 710 million). The EBIT margin decreased by 0.1 percentage point to 18.6% in H1 2020. In Q2 2020, the EBIT-margin increased by 0.6 percentage point to 22.6%. The EBITDA margin increased by 0.2 percentage point to 23.4% in H1 2020 and by 1.0 percentage point to 26.7% in Q2 2020.

The free cash flow for H1 2020 amounted to DKK 590 million compared to DKK 612 million for H1 2019 and was positively impacted from extended payment terms for VAT and tax of approx. DKK 100 million.

In H1 2020, net interest-bearing debt went down by DKK 592 million (H1 2019: went up by DKK 478 million). The positive H1 development of DKK 1,070 million compared to 2019 was primarily driven by DKK 751 million lower distribution to shareholders and no acquisitions in H1 2020. Calculated on a running 12-month basis, NIBD/EBITDA was 1.2x (H1 2019: 1.7x) and ROIC excluding goodwill was 29% (H1 2019: 32%). EPS decreased by DKK 0.8 in H1 2020 and amounted to DKK 10.1.

COVID-19

In H1 2020, all our markets were affected by the COVID-19 outbreak and the subsequent restrictions imposed on our consumers and customers. We experienced an unprecedented level of uncertainty, and with the aim to maximize business flexibility and at the same time secure our earnings capabilities during a very challenging period, we initiated several initiatives. These initiatives include strict procedures to ensure the safety of our employees, optimization of our discretionary spending, adjustment to shifts in demands, extra support to customers and more frequent re-planning of production as the product mix has been fairly unpredictable. In addition, we increased our focus on free cash flow generation and in particular optimization of the working capital. During Q2, the COVID-19 restrictions were gradually lifted and at the end of H1 the majority of our sales channels have re-opened. Due to the actions taken during H1 and our employees' very dedicated efforts we have succeeded to reduce the negative impact from the COVID-19 outbreak and Royal Unibrew remains a strong business with excellent cash flow generating capabilities

Royal Unibrew has decided to reimburse the received salary compensation from the Danish government as the performance of the business has been stronger than anticipated when restrictions were announced in March 2020 due to COVID-19. The salary compensation would have impacted the H1

2020 result positively by DKK 10 million.

Management priorities

Managing safety of our employees and customers remains our top priority.

Our agile way of working has helped us to adjust to new opportunities both in the commercial area and in the supply chain. This includes more scrutiny of discretionary spend to safeguard our profitability. Adapting fast remains a priority.

As we start to understand the implications of COVID-19 in 2020 on our business our focus has shifted to 2021 to ensure that we focus on the right commercial opportunities. This will also guide our investments in the remainder of the year.

Outlook

The outlook for 2020 is updated to:

- EBIT: DKK 1,425-1,525 million.

SELECTED FINANCIAL HIGHLIGHTS AND KEY RATIOS

mDKK	H1 2020	H1 2019	Q2 2020	Q2 2019
Volume (thousand hectolitres)	5,269	5,462	3,053	3,236
Net revenue	3,566	3,791	2,042	2,270
EBITDA	833	879	546	584
EBITDA margin (%)	23.4	23.2	26.7	25.7
EBIT	663	710	463	499
EBIT margin (%)	18.6	18.7	22.6	22.0
Profit before tax	648	700	460	500
Net profit for the period	505	541	360	388
Free cash flow*	590	612	662	775
Net interest-bearing debt	2,113	3,000		
ROIC incl. goodwill (%)**	18	20		
ROIC excl. goodwill (%)**	29	32		
NIBD/EBITDA (times)**	1.2	1.7		
Equity ratio (%)	40	30		

* Compared to the Annual Report 2019 the definition of free cash flow has been updated to reflect market practice of the IFRS 16 implementation. Comparables for 2019 have been adjusted.

** Running 12-months

For further information on this Announcement:

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It will be possible for investors and analysts to follow Royal Unibrew's presentation of the Interim Report on Wednesday, 19 August 2020, at 9.00 am CEST by audiocast at the following telephone numbers:

Participants from Denmark: +45 32 72 04 17

Participants from the UK: +44 (0) 2071 928338

Participants from the USA: +1 6467413167

Confirmation code: 7365929

The presentation may also be followed at Royal Unibrew's website www.royalunibrew.com.

Financial Calendar for 2020

17 November 2020

Trading statement for the period 1 January - 30 September 2020

Attachment

- [RoyalUnibrew_Q2_2020_UK_print_FINAL](#)