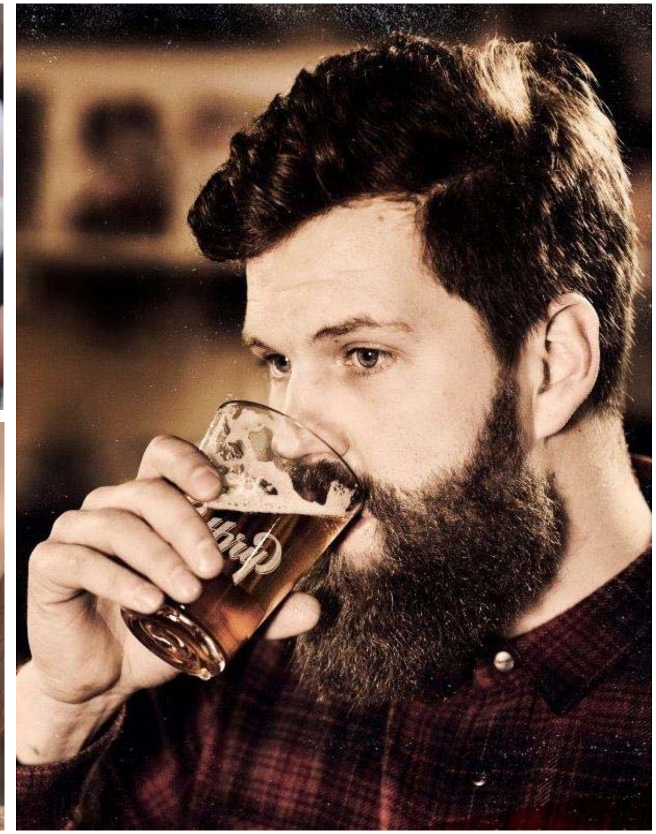






# Royal Unibrew A/S

By Lars Jensen, CFO

Bryan, Garnier & Co 2nd European Consumer Conference
29 November 2016

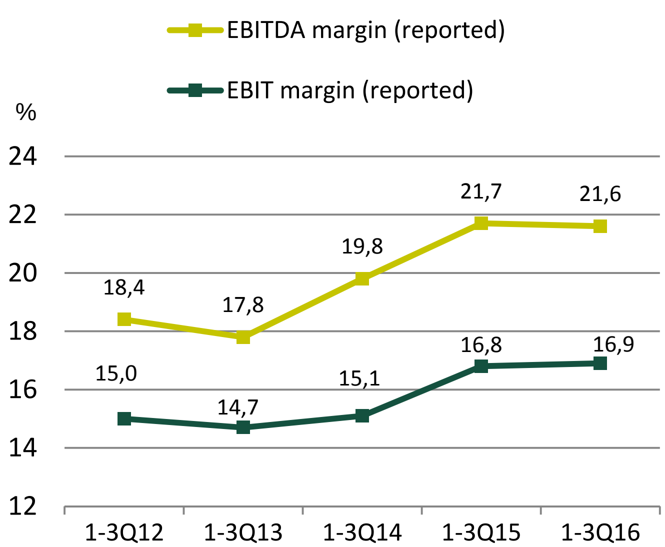
ROYAL
UNIBREW

# Performance as expected - strong commercial execution

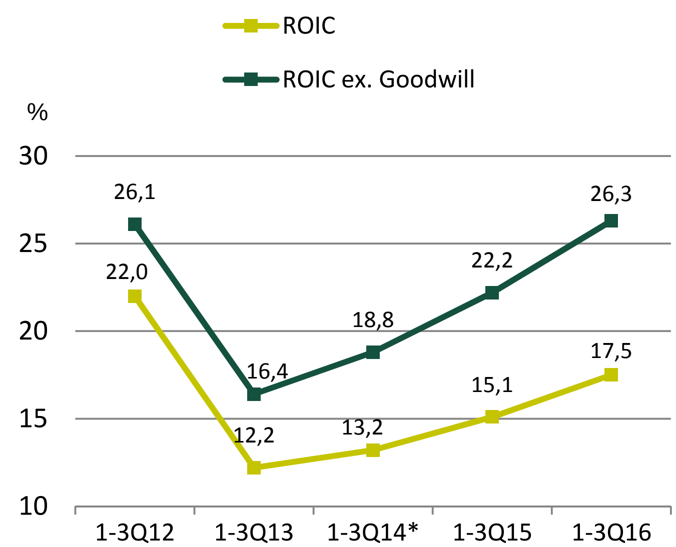
- Market positions maintained
- Volume increase of 9% to 7.5mHL
- Net revenue increase of 6% to DKK 4.9bn
- EBIT increase of 6% to DKK 825m
- EBIT-margin increase from 16.8% to 16.9%
- Free cash flow incl. Aarhus sale up DKK 42m to DKK 835m
- Earning outlook 2016 specified to the upper end of intervals

# Strengthening of key performance figures

### PROFIT MARGIN



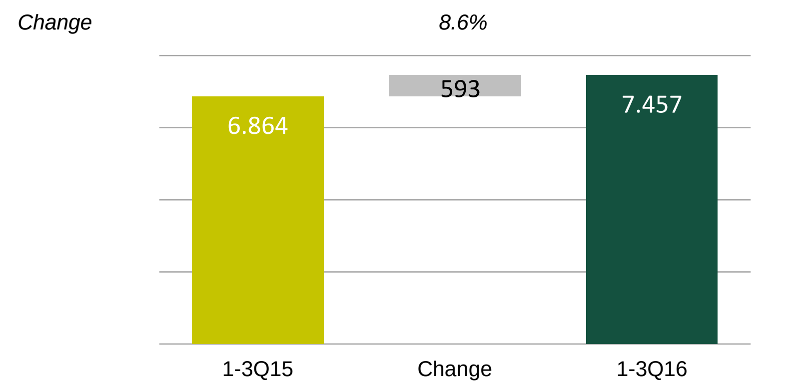

### RETURN ON INVESTED CAPITAL



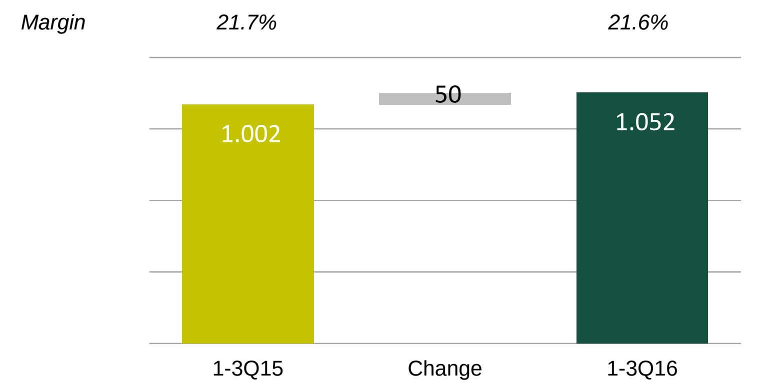

* 1-3Q14 proforma – incl. Hartwall from 1.7. – 22.8.2013

# Higher results on higher level of activity

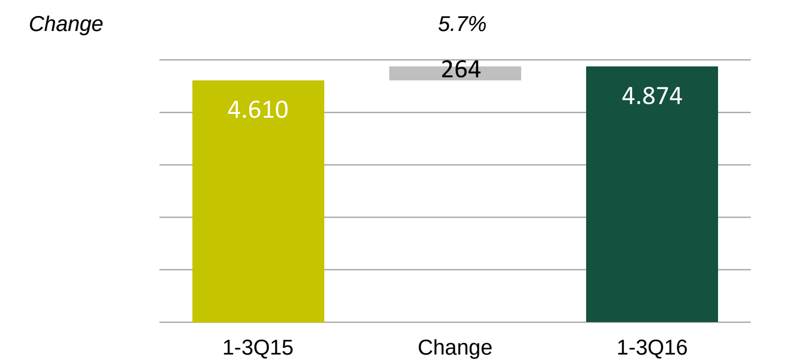
## VOLUME – HL (000)



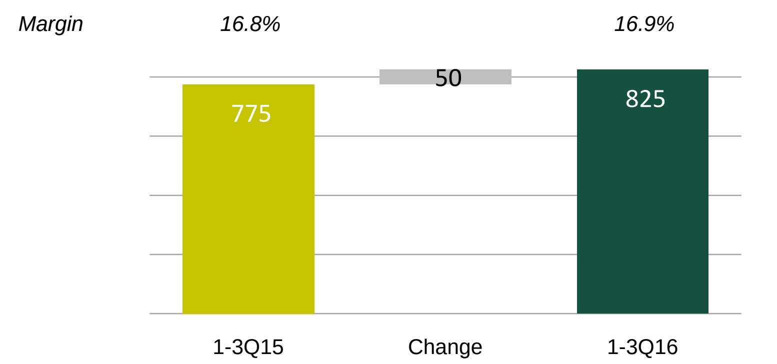

## EBITDA - MDKK




## NET REVENUE - MDKK

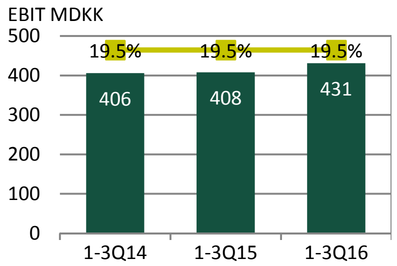



## EBIT - MDKK



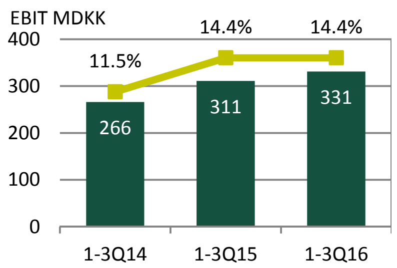
# Earnings increase in all business segments

**WESTERN EUROPE**



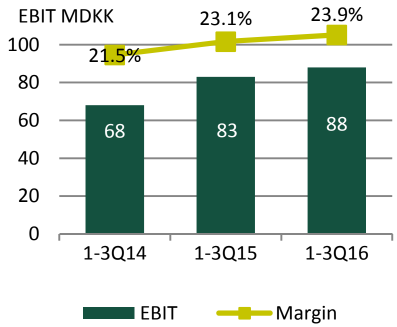

- Volume +3%, NR 5% incl. snacks, EBIT +6%
- Denmark & Germany – strengthened market position
- Increased consumer interest in craft/specialties
- PepsiCo snacks business developing as planned
- Italy – unchanged market if weather adjusted. Market positions maintained

**BALTIC SEA**




- Volume +14%, NR +6%, EBIT +6%
- Finland – positive effect from value management. Excluding the extraordinary campaign, which continues to Q1'17, market position declining
- Baltics - excise, deposit & collection fee leading to declining consumption
- The new PepsiCo soft drink business in the Baltic developing as planned

**MALT & EXPORT**




- Volume +0%, NR +3%, EBIT +6%
- Difficult macroeconomics and FX in Africa and certain parts of Americas
- Sell-out progressing as planned, while we see de-stocking at distributor level
- Continued investment in the organization and market positions
- Focus on deeper penetration and rotation in existing markets

# Phasing of top line key to understand weather impact Underlying price/mix at Hartwall mirroring value strategy

| | Deviation 2015/2016 | | |
|---|---|---|---|
| **DK+Germany** | **Q2** | **Q3** | **Total** |
| HL | 10,3% | -0,5% | 4,7% |
| NR | 10,4% | -1,8% | 4,0% |
| NR/HL | 0,1% | -1,2% | -0,6% |
| **Italy** | **Q2** | **Q3** | **Total** |
| HL | 0,0% | -1,9% | -0,9% |
| NR | -1,7% | -5,2% | -3,3% |
| NR/HL | -1,7% | -3,4% | -2,5% |
| **Western Europe** | **Q2** | **Q3** | **Total** |
| HL | 9,0% | -0,7% | 4,0% |
| NR | 7,5% | -2,5% | 2,4% |
| NR/HL | -1,4% | -1,8% | -1,6% |

- Gaining share in a market that is slightly up
- Almost keeping NR/HL in spite of bad summer weather

- Keeping market position in flattish market
- HL/NR decline due to channel mix

# Phasing of top line key to understand weather impact Underlying price/mix at Hartwall mirroring value strategy

| | Deviation 2015/2016 | | |
|---|---|---|---|
| **Finland** | **Q2** | **Q3** | **Total** |
| HL | 28,7% | 13,0% | 20,8% |
| NR | 14,8% | 5,1% | 9,8% |
| NR/HL | -10,9% | -7,0% | -9,1% |
| **Baltics** | **Q2** | **Q3** | **Total** |
| HL | 9,1% | -2,9% | 3,0% |
| NR | 5,8% | -2,7% | 1,6% |
| NR/HL | -3,0% | 0,2% | -1,4% |
| **Baltic Sea** | **Q2** | **Q3** | **Total** |
| HL | 20,6% | 6,4% | 13,4% |
| NR | 12,5% | 3,3% | 7,9% |
| NR/HL | -6,7% | -2,9% | -4,9% |
| **Malt** | **Q2** | **Q3** | **Total** |
| HL | -4,2% | -6,0% | -5,1% |
| NR | 1,6% | -2,4% | -0,4% |
| NR/HL | 6,0% | 3,9% | 5,0% |
| **RU** | **Q2** | **Q3** | **Total** |
| HL | 14,1% | 2,6% | 8,3% |
| NR | 9,4% | 0,2% | 4,8% |
| NR/HL | -4,1% | -2,3% | -3,2% |

- Q2+Q3 delivering same volume growth as Q1
- NR/HL improving through value focus
- Underlying price/mix positive
- Extraordinary beer campaign pipelined Q4 2015

- Keeping market position in declining market
- Market negatively impacted by several factors
- Value improving in spite of NR/HL dilutive PepsiCo portfolio

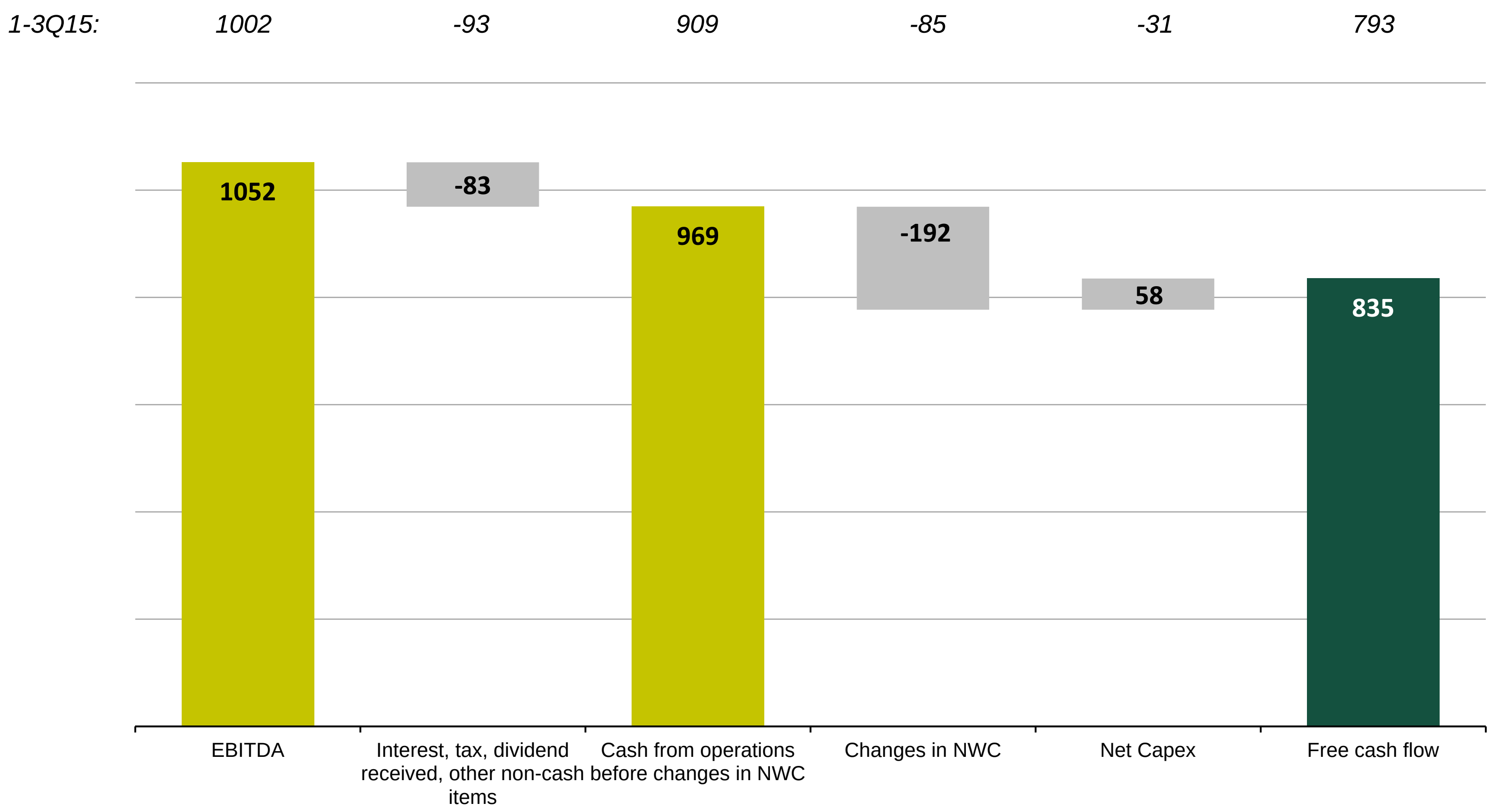
- Sell out at mid single digit increase
- Market mix strengthening NR/HL

# Improved financial performance

| MDKK | 1-3Q 2016 | 1-3Q 2015 | *Change* | FY 2015 |
|---|---|---|---|---|
| **P&L ITEMS:** | | | | |
| Net revenue | **4,874** | 4,610 | *264* | 6,032 |
| Gross margin | **52,7%** | 53,6% | *-0.9 pp* | 52.6% |
| EBIT | **825** | 775 | *50* | 917 |
| EBIT margin | **16.9%** | 16.8% | *0.1 pp* | 15.2% |
| Profit before tax | **818** | 756 | *62* | 902 |
| Consolidated profit | **641** | 588 | *53* | 711 |
| **BALANCE SHEET ITEMS:** | | | | |
| Net interest bearing debt | **1,053** | 1,323 | *-270* | 1,184 |
| Net working capital | **-791** | -742 | *-49* | -990 |
| Total assets | **6,260** | 6,728 | *-468* | 6,748 |
| Equity | **2,895** | 2,896 | *-1* | 2,935 |
| Equity ratio | **46.2%** | 43.0% | *3.2 pp* | 43.5% |

# Continued strong free cash flow performance

**CASH FLOW – DKKM**



# August earnings outlook 2016 now specified to the upper end of the earnings intervals

| mDKK | Updated outlook August 2016 | Original outlook March 2016 | Realized 2015 | Realized 2014 |
|---|---|---|---|---|
| Net revenue | **6,275 – 6,450** | 6,150 – 6,400 | 6,032 | 6,056 |
| EBITDA | **1,240 – 1,290** | 1,190 – 1,290 | 1,225 | 1,130 *) |
| EBIT | **935 – 985** | 885 – 985 | 917 | 826 *) |

*) Incl. 50 mDKK one-time restructuring costs

# Q&A

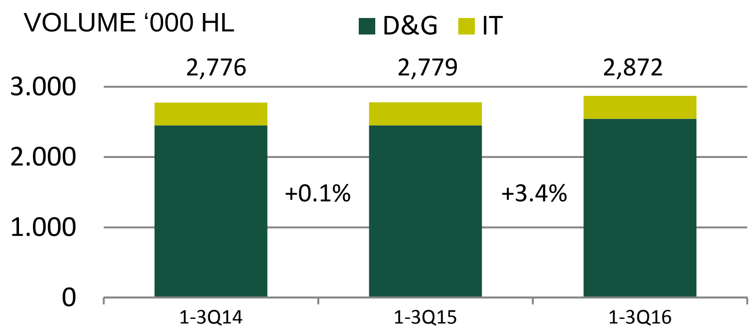

- **DISCLAIMER:**
- **This announcement contains forward-looking statements. Undue reliance should not be placed on forward-looking statements because they relate to and depend on circumstances that may or may not occur in the future and actual results may differ materially from those in forward-looking statements. Forward-looking statements include, without limitation, statements regarding our business, financial circumstances, strategy, results of operations, financing and other plans, objectives, assumptions, expectations, prospects, beliefs and other future events and prospects. We undertake no obligation, and do not intend to publicly update or revise any of these forward-looking statements, unless prescribed by law or by stock exchange regulations.**

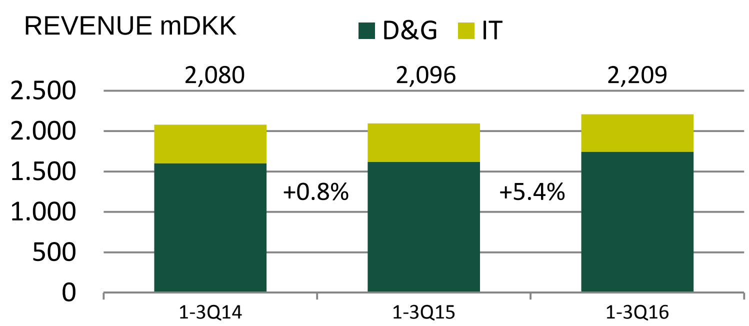
# Status on Craft beer, premiumization and growth initiatives

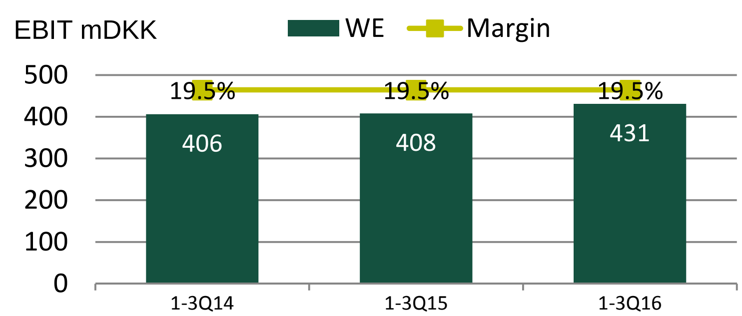
- Increased focus on craft & speciality beer
  - Opening of new micro-brewery in 2017 - increased craft and specialty beer capacity
  - Craft and specialty beer organization adaptations and strengthening of know-how
  - Craft beer portfolio
- Premiumization and value enhancement
  - Continued development of premium and super-premium market positions and brands
  - Innovations and consumer activation
- Malt & Beverages – deeper penetration & rotation in existing markets (new & ”heritage” markets)
- Extension of PepsiCo co-operation – delivering appr. 2% growth to NR in 1-3Q16

From August ‘16 presentation

# Western Europe – revenue & earnings growth

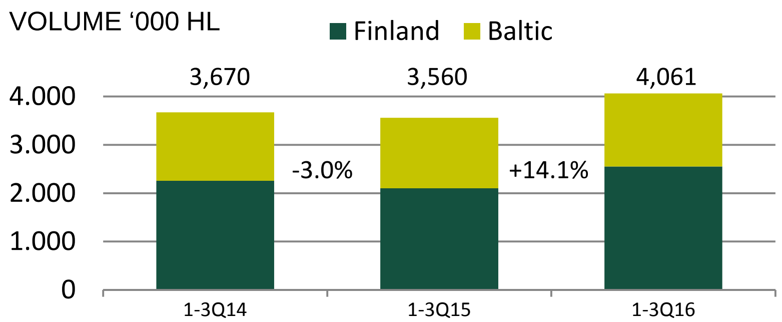


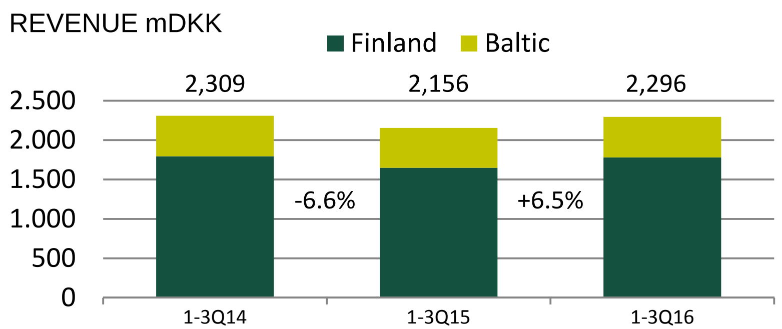



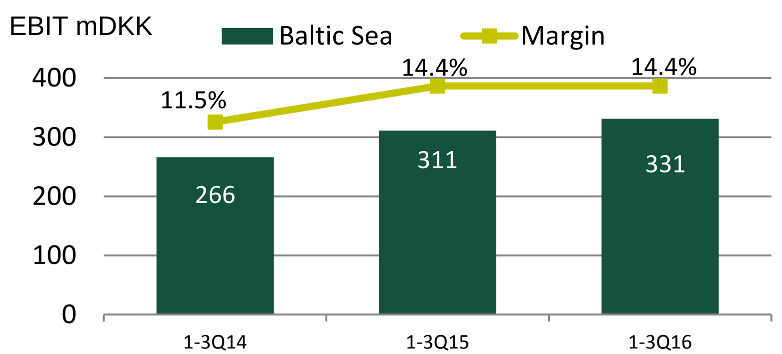




- **Denmark and Germany** - continued strengthening of market position
- **Consumer preferences** - increasing interest in craft & speciality beer. Shift towards branded products continues but at a slower rate
- **Commercial focus on craft & specialty beer** - establishment of micro-brewery in Denmark & strengthening of know-how
- **Innovations** – focus on premiumization including craft & speciality beer
- **PepsiCo** distribution of snacks in Denmark progressing as planned
- **Italy** - overall beer consumption unchanged. Market position maintained

# Baltic Sea – revenue & earnings growth



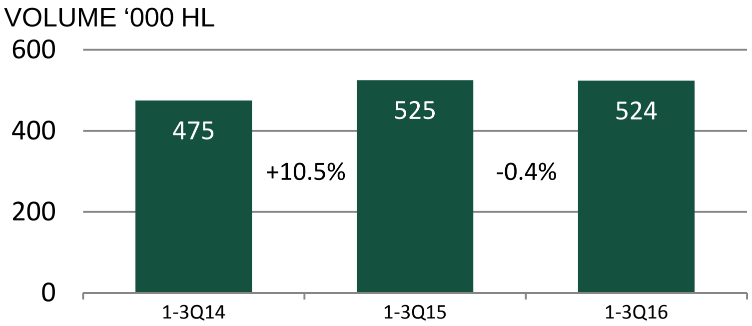



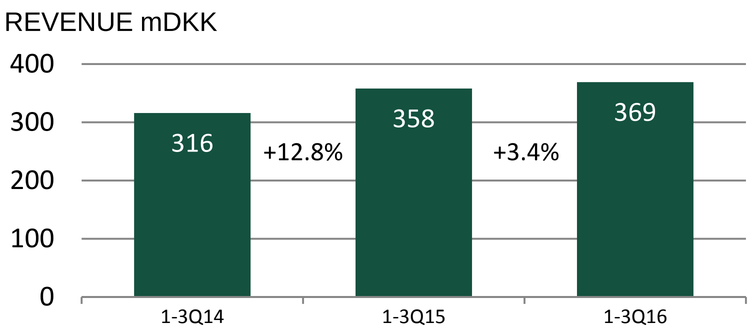



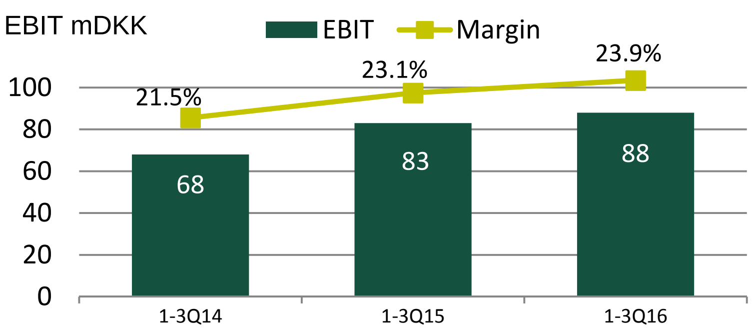

- **Finland** - weather adjusted consumption unchanged. Consumer confidence remain weak
- Value management - NR/HL is up excluding extraordinary campaign
- Branded market positions excl. extraordinary campaign down
- Commercial agenda – value management and focus on relationship with the trade, in-store execution and innovations
- Continuous efficiency improvements and operational leverage

- **Baltic** - market position maintained
- Declining consumption. Increased consumer prices from excise increases, can deposit and collection fee
- PepsiCo distribution of soft drink in Baltics progressing as planned

# Malt Beverages & Export – revenue & earnings growth



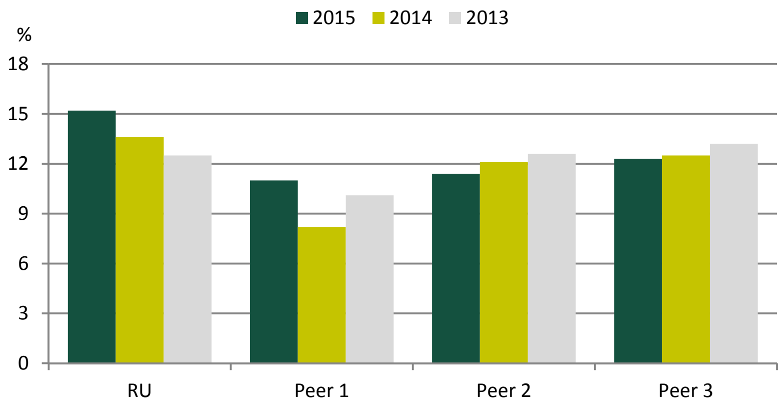



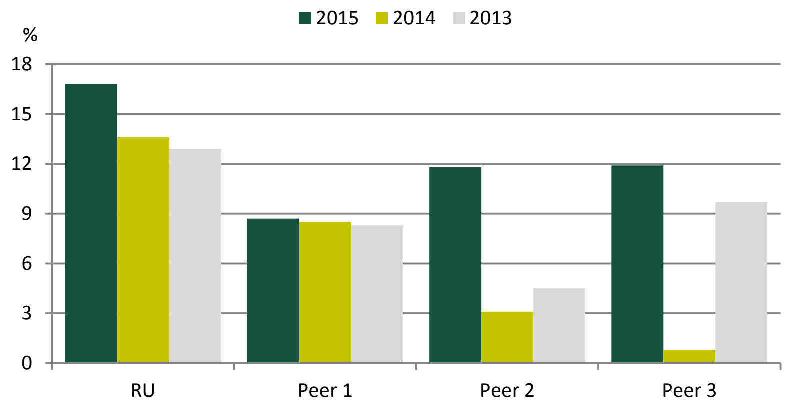

- Continued growth
- Sell-out progressing as planned – continued destocking at distributor level
- Developing countries challenged by low commodity demand and energy prices:
  - Macroeconomics – negative impact
  - Hard currency – restricted access
  - Purchasing power – FX depreciation
- Increased penetration – continued revenue growth in spite of challenges
- Deeper penetration – leverage on existing markets and distributors
- Marketing and organizational investment continues as planned.

# Solid performance to peers 2015

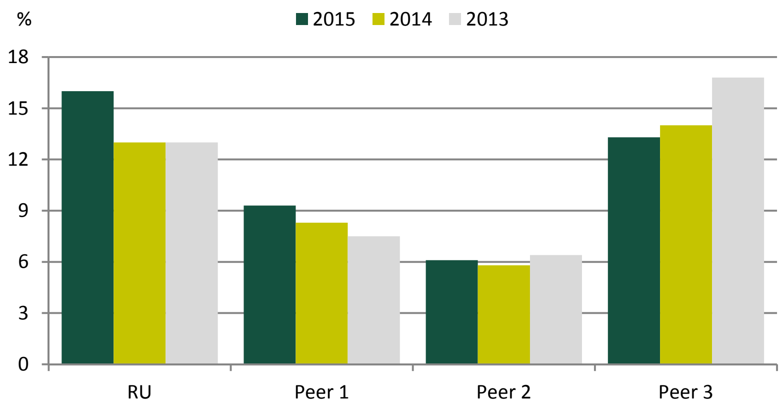
## EBIT MARGIN (COMPARABLE REGION)*



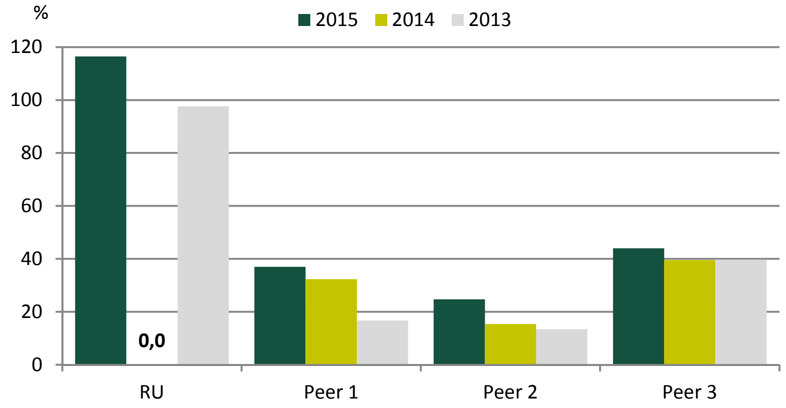

## FREE CASH FLOW – % OF REVENUE




## RETURN ON INVESTED CAPITAL**



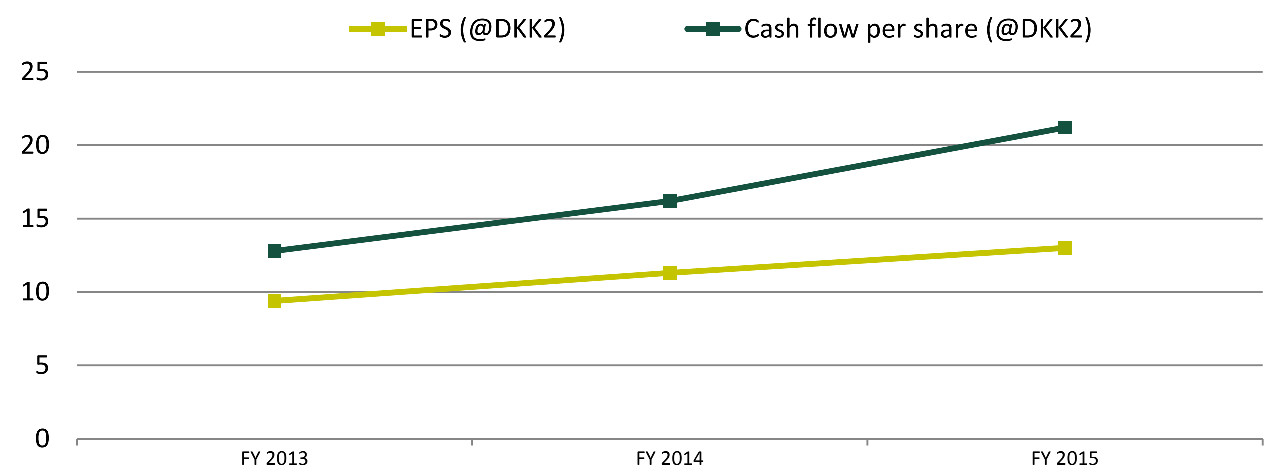

## CASH RETURN TO SHAREHOLDERS




* Based on FY2013 and FY2014 results on comparable basis. RU proforma 2013 EBIT margin 12,0%

** Based on average invested capital vs. previously on year end figures

# Shareholder distribution




- Dividend for 2015 of DKK 400m, DKK 7,20 share
- A new share buy-back program under safe harbor worth DKK 450m initiated March 2016 for a maximum period of 12 month
- Share buy-back as per 30.9.16 (existing and previous program): 1,068,554 shares bought at a total value of DKK 318m

# Financial targets - History

| | November 2015 revised target | August 2014 revised target | Post Hartwall acquisition target** | Pre Hartwall acquisition target* |
|---|---|---|---|---|
| EARNINGS | EBIT margin 15% | EBIT margin 14% | EBIT margin 13% | EBIT margin 14% |
| EQUITY RATIO | Minimum 30% | Minimum 30% | Minimum 30% | Minimum 30% |
| NIBD/EBITDA | Maximum 2.5x | Maximum 2.5x | Maximum 2.5x | Maximum 2.5x |

- Dividends and share buy-backs resumed in 2015
- Distribution policy:
    - Dividends 40-60% of group net result
    - Share buy-back to adjust capital structure

* Basically no amortization
** Amortization from the acquisition decreased EBIT-margin by approx. 50bp

# A Leading Regional Beverage Group

**Royal Unibrew**

| **Core markets** | **Niche markets** | **Associated companies, other assets** |
|---|---|---|
| Full range of beverages, own breweries and distribution | Specialty beverages, export markets, third party distribution | Other assets |
| ▪ Denmark<br>▪ Germany<br>▪ Finland<br>▪ Lithuania<br>▪ Latvia<br>▪ Estonia | ▪ Italy<br>▪ Markets for malt beverages and export of beer: Caribbean, Africa, South America, major metropolitan areas in England and USA | ▪ Norway: Hansa Borg Breweries – 25%<br>▪ Greenland: Nuuk Imeq A/S – 32%<br><br>▪ Remaining parts of Aarhus brewery site |

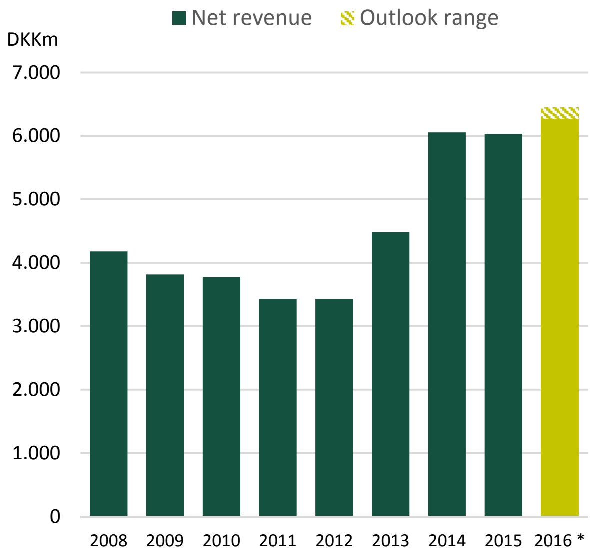
**Royal Unibrew is a leading regional beverage group**

# Royal Unibrew's goal is to be an efficient regional beverage player

- Positions, mainstream and niche
- Category, brands and international partnerships
- Growth agenda
- Commercial agenda
- Efficiency agenda
- Financial, competitive and strategic flexibility – and capital structure
- Our Leadership DNA

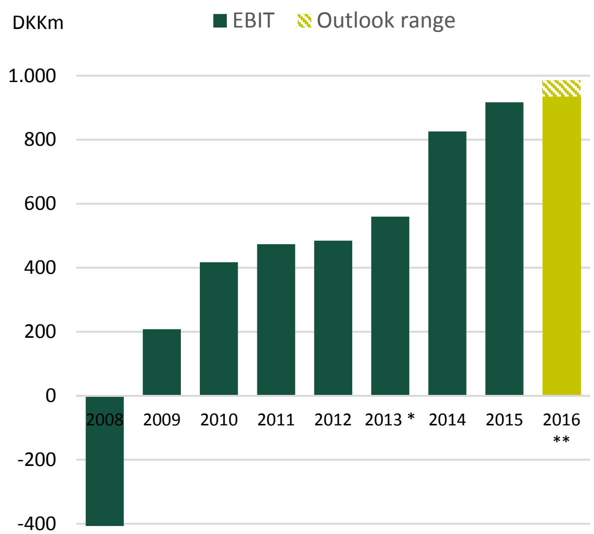
# Financial Performance 2008-2015/2016

## Net revenue




*) Net revenue 2016: Outlook range DKK 6,275m – DKK 6.450m

## EBIT

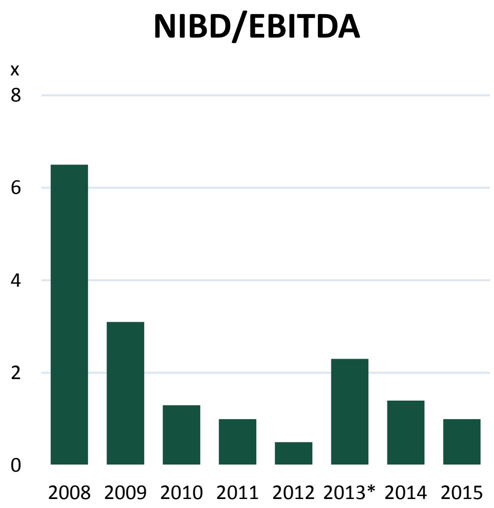


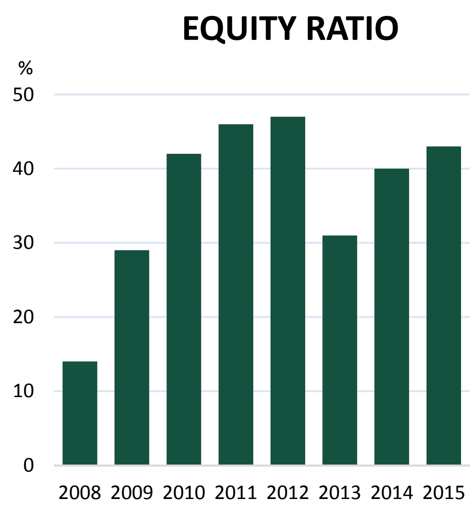

*) Hartwall contribution DKK 38m
**) EBIT 2016: Outlook range DKK 935m – 985m

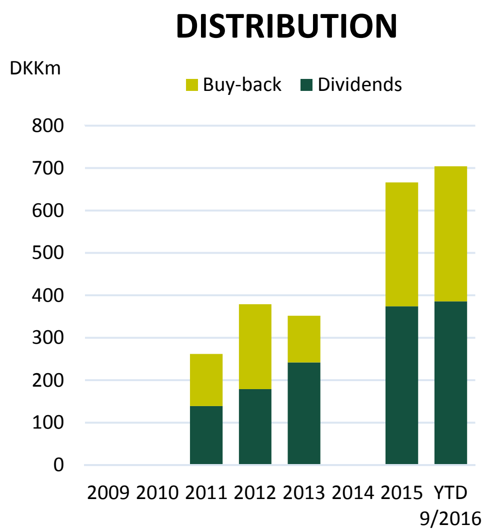
# Financial Performance 2008-2015/2016

OPERATING IMPROVEMENTS AND
SALE OF NON-CORE ASSETS

CREATING SHAREHOLDER VALUE

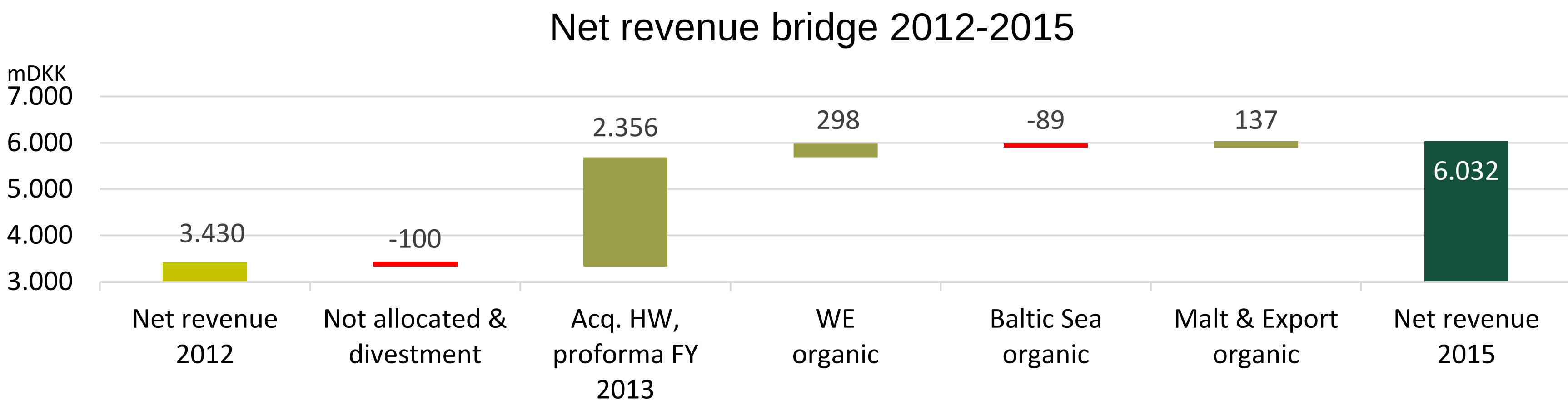


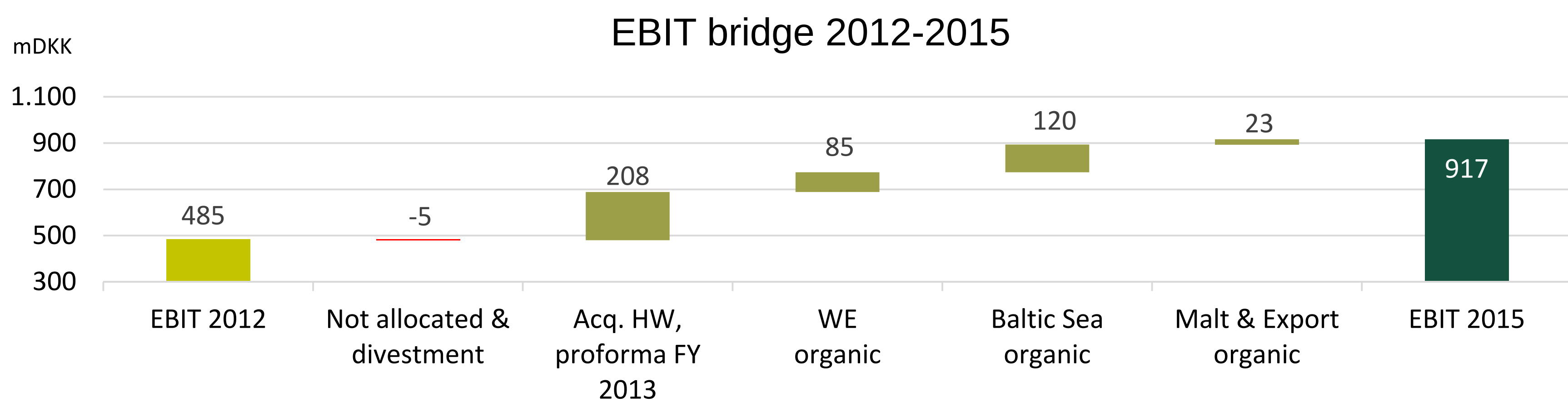




* Calculated pro forma with Hartwall's realized full-year EBITDA

# Significant organic improvement from 2012 to 2015 in all segments – EBIT growth of 89%



# Shareholder Structure

## Largest shareholders

- Chr. Augustinus Fabrikker A/S – 10.4% (notified 11 December 2009)
- Hartwall Capital Oy Ab – 7.1% (notified 6 May 2015)

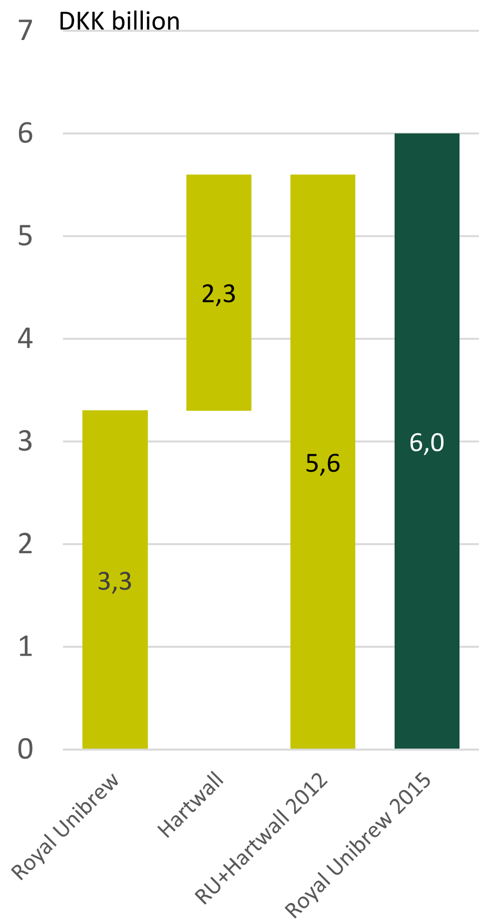
- Approx 15,000 shareholders in total

**One share class**
**No restrictions in ability to pay dividend or buy back shares**

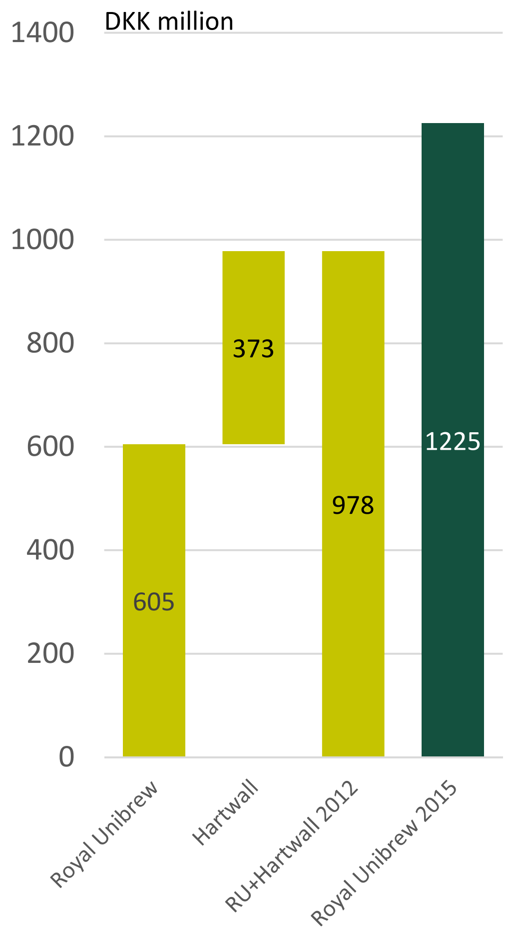
# Hartwall 2013 acquisition takes Royal Unibrew to a new level

## 5 million more consumers


## Net revenue




## EBITDA



# Hartwall transaction rationale – growing the earnings base (pro forma 2013 and 2012 figures)

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| DKKm | Royal Unibrew | Hartwall* | Combined | Royal Unibrew ** | Hartwall | Combined |
| Volume, HL m | 5.4 | 3.0 | **8.4** | 5.4 | 3.0 | **8.4** |
| Revenue | 3,694 | 2,356 | **6,050** | 3,330 | 2,302 | **5,632** |
| EBITDA | 638 | 377 | **1,015** | 605 | 373 | **978** |
| EBIT | 522 | 208 | **730** | 480 | 209 | **689** |
| EBITDA margin, % | 17.3 | 16.0 | **16.8** | 18.2 | 16.2 | **17.4** |
| EBIT margin, % | 14.1 | 8.8 | **12.0** | 14.4 | 9.1 | **(11.7***) 12.1** |
| Employees | 1,643 | 825 | **2,468** | 1,635 | 862 | **2,497** |

* Hartwall realized full year 2013 before deduction of DKK 15m in transaction costs
** Excluding Impec
*** EBIT-margin including estimated amortization derived from the acquisition

- Unique chance to create a stronger and more diversified business platform
- Larger and broader earnings base and expansion of portfolio of own brands

# 2013 Hartwall acquisition

- EV of DKK 3.3 billion
- Paid to Heineken for 100% of the shares in Hartwall DKK 2.8 billion
- NIBD in Hartwall DKK -109 million
- Difference from EV is cash payment to Heineken
  - Factoring for accounts receivables
  - Various regulations agreed with Heineken
- Consolidation as of 23 August 2013