



CAPITAL MARKETS DAY

MARCH 14th, 2019



Welcome to Arcus' Capital Markets Day



08:30 Registration and breakfast

09:00 **Introduction** Kenneth Hamnes, Group CEO

09:20 **Spirits – Reignite profitable growth / Q&A** Erlend Stefansson, Group Director, Spirits

10:05 **Wine – Continue strong performance / Q&A** Eirik Andersen, Group Director, Wine Norway
Øystein Gogstad-Andersen, Managing Director, Arcus Wine Brands

10.50 Break

11.00 **Finance – Creating shareholder value / Q&A** Sigmund Toth, CFO

11:20 **Questions from Financial Analysts** Preben Rasch-Olsen, Financial Analyst, Carnegie
Petter Nystrøm, Financial Analyst, ABG Sundal Collier

11:50 **Closing remarks** Kenneth Hamnes, Group CEO

12:00 End of Arcus' CMD

We are passionate about creating great moments



Bringing Nordic spirits to the world and importing
the world's best wines and spirits to the Nordics

SPIRITS

#1 in Norway
#2 in Denmark
#1 In Germany (Aquavit)

#5 in Sweden
#6 in Finland

WINE

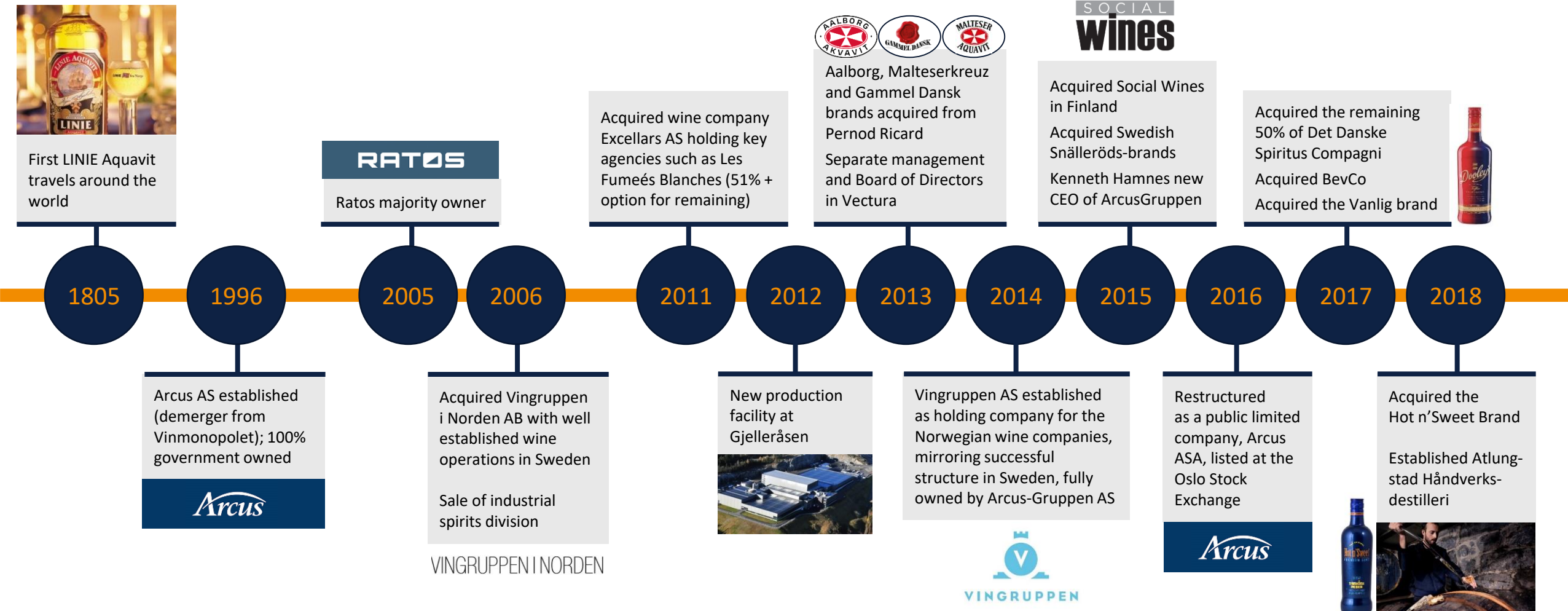
#1 in Norway
#2 in Sweden
#4 in Finland

DISTRIBUTION

#1 supplier to Vinmonopolet
~30% market share HORECA
115 external customers

The history of Arcus dates back to the 1800s

Arcus



Arcus share performance in line with peers



Share price development since Arcus IPO – Arcus and selected peers ^{1,2}



Source: Factset as at 26 February 2019

1) Stock prices rebased to Arcus's share price as of 1 December 2016, 2) Stock prices adjusted for splits, spinoffs and cash dividends

Results have been a mixed bag in 2017 and 2018

2017 & 2018 FINANCIAL PERFORMANCE

	2017	2018	Targets
Topline organic growth incl. minor M&A bolt-ons	-1,3% +0,5%	+4,0% +5,1%	+3-5%
EBITDA (adj.) growth	+7.6%	-13,4%	+6-9%
Dividend pay-out	1.66 (60%)	1.66 (69% ¹)	50-70%
M&A # bolt-ons	4	0	Do bolt-ons

¹ Final decision to be made by General Assembly, April 11, 2019

Market conditions are stable. Some changes need awareness

CONSUMER TRENDS

- Organic, vegan, local, authentic
- Low-alcohol (more control)
- Trusted, transparent, green
- Taste always #1
- US: Spirits outgrows wine and beer

REGULATORY STATUS

- Strong monopolies Norway/Sweden
- Monopolies step-up online efforts
- Changes in Finland in 2018
- Political debate on tax-free in Norway
- Alcohol tax levels still fuel border trade

Border trade and tax-free
outgrow monopolies

Improve presence in border areas and shops,
further develop tax-free offering

Craft trend and more
local competitors

Strengthen innovation focus, communicate our
heritage, establish Atlungstad Håndverksdestilleri

Retail goes online and
monopolies follow

Support Vinmonopolet, Systembolaget and Alko in
their efforts to get maximum consumer satisfaction

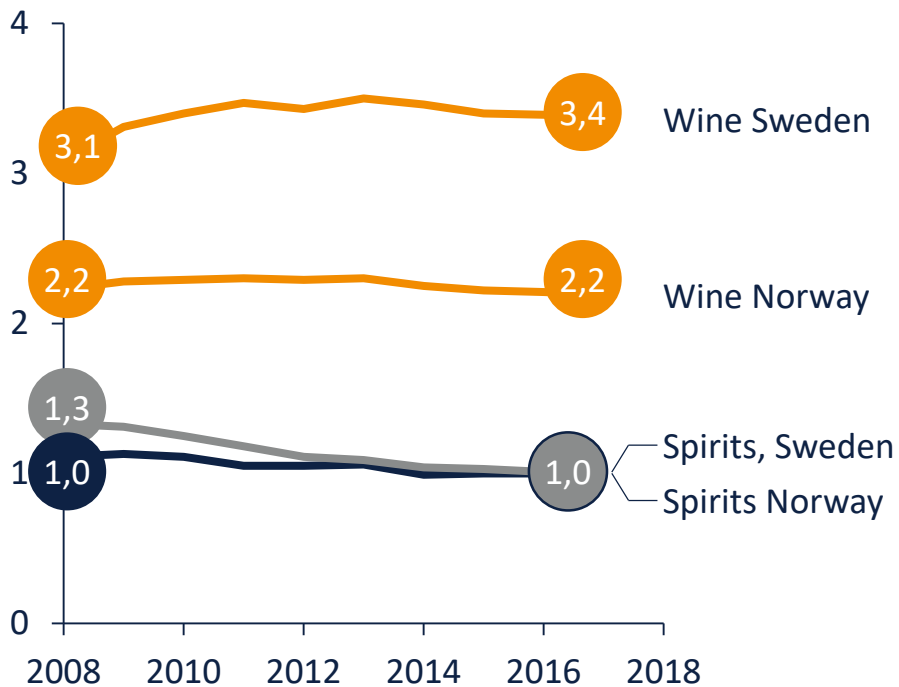
Megatrends: Convenience,
taste/indulgence, and sustainability

Adapt to local tastes, super-premium offerings,
sustainable value chain and packaging

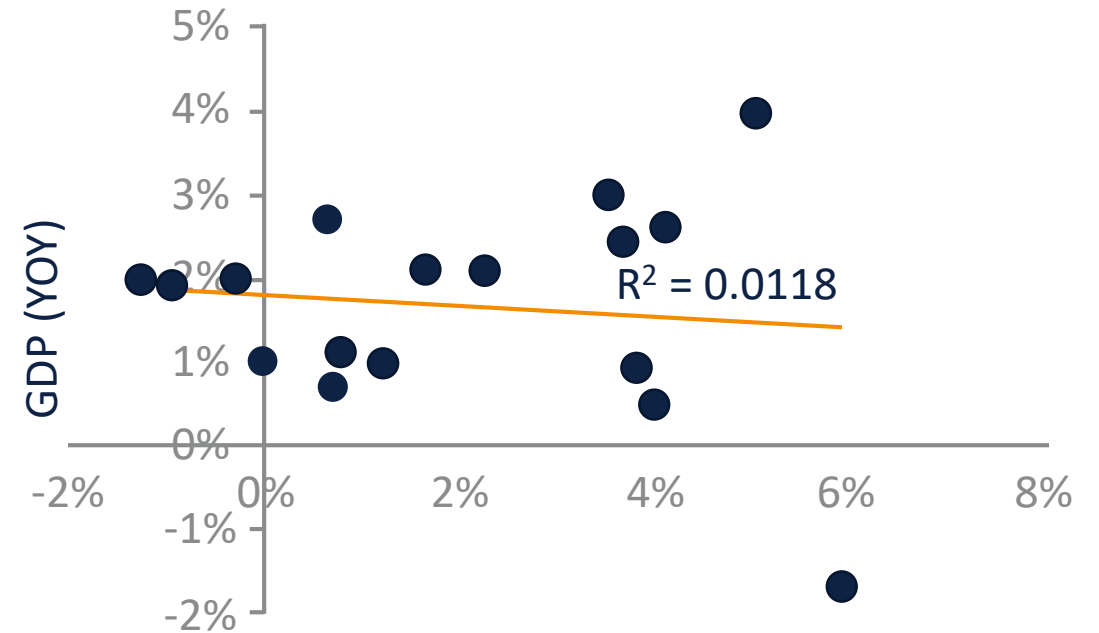
Stable consumption of wine and spirits in Sweden and Norway

Sweden and Norway, registered sale of wine and spirits ^{1,2}

Pure alcohol, litre pr citizen above 15 years



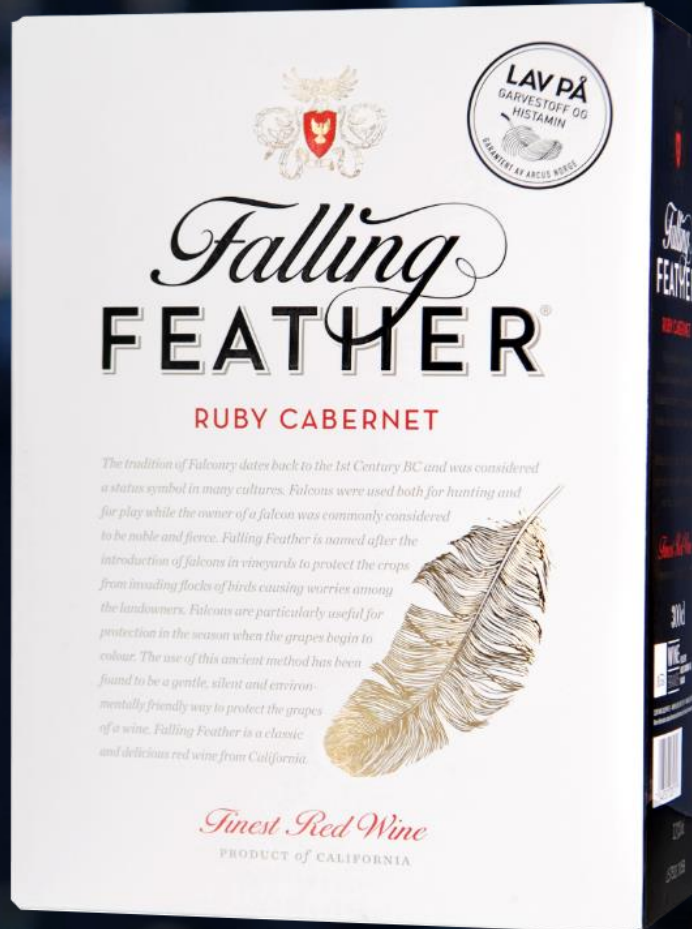
Norway, wine and spirits vs GDP ³



¹ Kilde: Centralförbundet för alcohol och narkotikaupplysning, CAN Rapport 175, ² Kilde: Statistisk Sentralbyrå, desember 2018'

³ Kilde: Kepler Cheuvreux, Navigating polarized retail, February 2019

Sustainability and consumer preferences work together



Bag-in-box is environmentally smart and very practical...

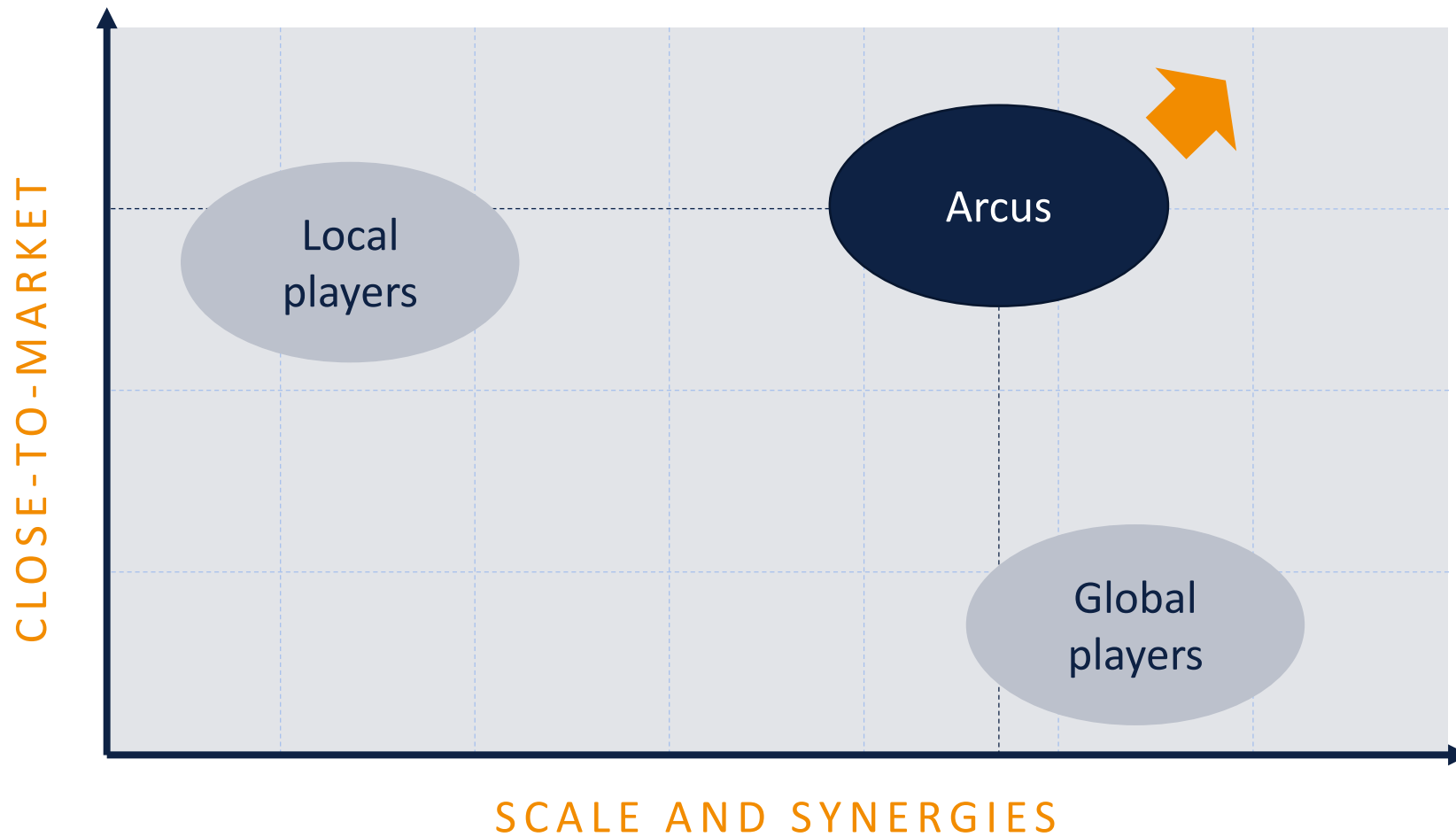


...and next generation plastic wine bottles are refundable at your grocery store

Arcus donates 7,000 water bottles to high-school graduates



Arcus is a Nordic player with local brands and regional scale...



...and we have the people to do it



A close-up, high-angle photograph of a clear glass containing a light-colored liquid, ice cubes, and a slice of lemon. Several dark brown vanilla beans are scattered on the rim of the glass and on a yellow lemon wedge. A silver spoon with a dark handle is visible on the right side of the frame.

REIGNITE GROWTH

1. Reignite growth in spirits, especially in high-profit markets
2. Work on productivity in production
3. Continue managing gross profits on wine
4. Ensure distribution regains operational leverage from increased revenue
5. Manage SG&A costs across the board



SPIRITS – REIGNITE PROFITABLE GROWTH

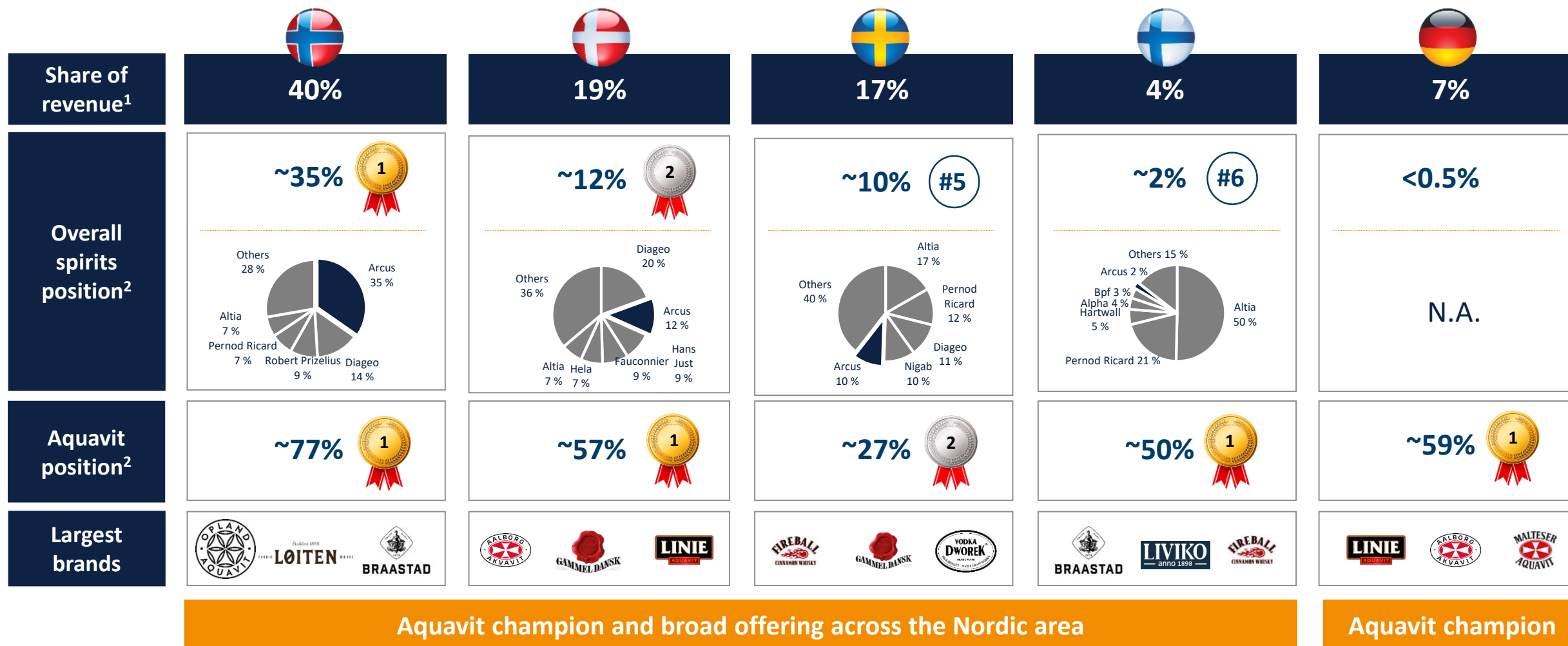
Erlend Stefansson
Group Director, Spirits



Our spirits strategy is to create long-term profitable growth by developing our brands, attracting new consumers and exploiting our scale and competence.



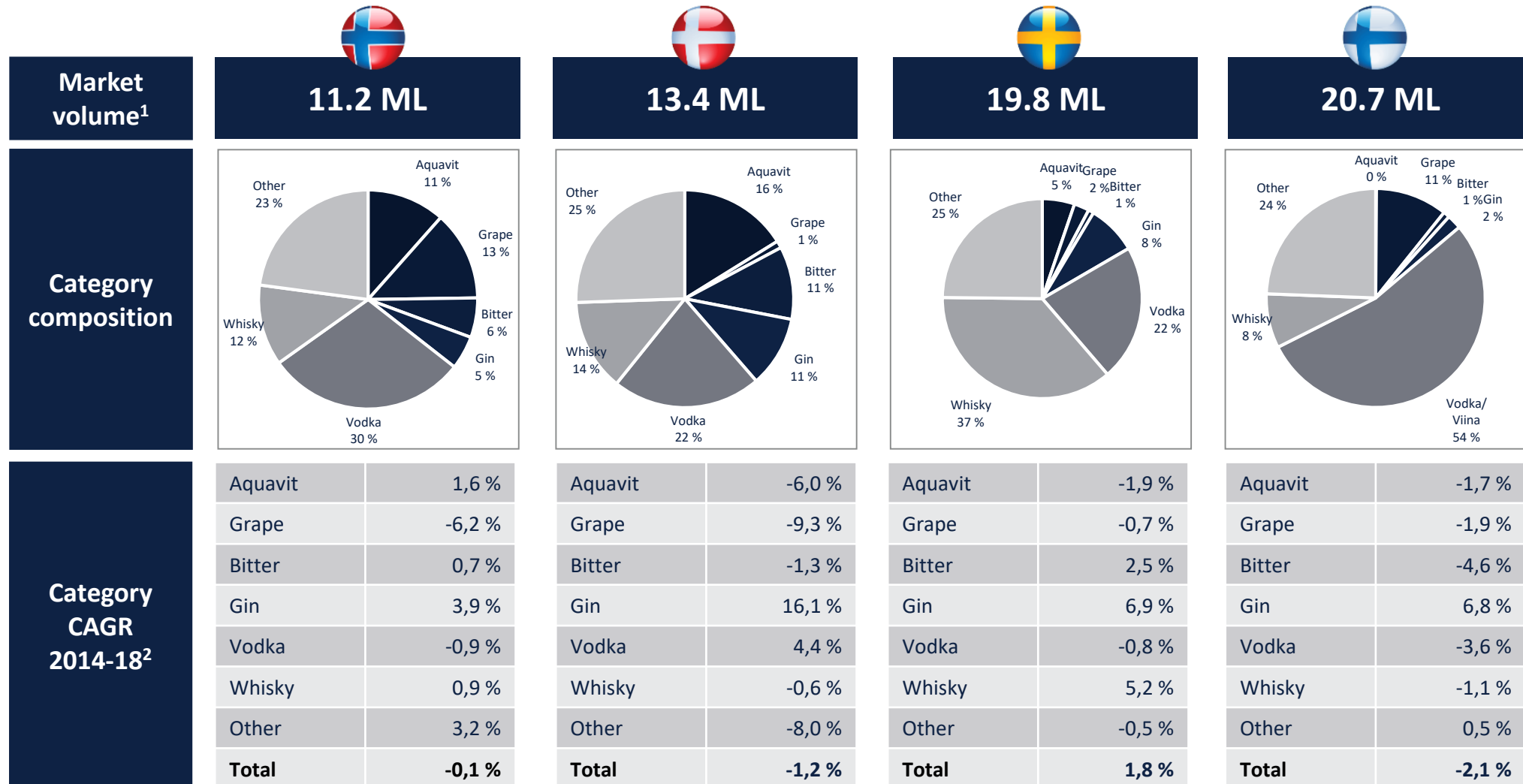
Leading position across Nordic and German home markets



1) Share of revenue for external sales of spirits. Rest of segment revenue, excl. internal sales, in the duty free and travel retail segment and in other international markets

2) Based on 2018 volume from the retail monopolies and Nielsen (Denmark). Finland incl. Arcus estimates on competitor shares in Finland

Market and category development



Arcus Spirits Strategic agenda



Grow core categories **aquavit** and **bitter**

Accelerate **innovation** and **local adaptations**

Grow **partner** portfolio

Improve **gross margin**



Grow core categories aquavit and bitter

Premiumization



Rejuvenate brands and portfolio



Drive Mixology for aquavit



3-tier mixed drinks
strategy in Germany



Cocktail
competition



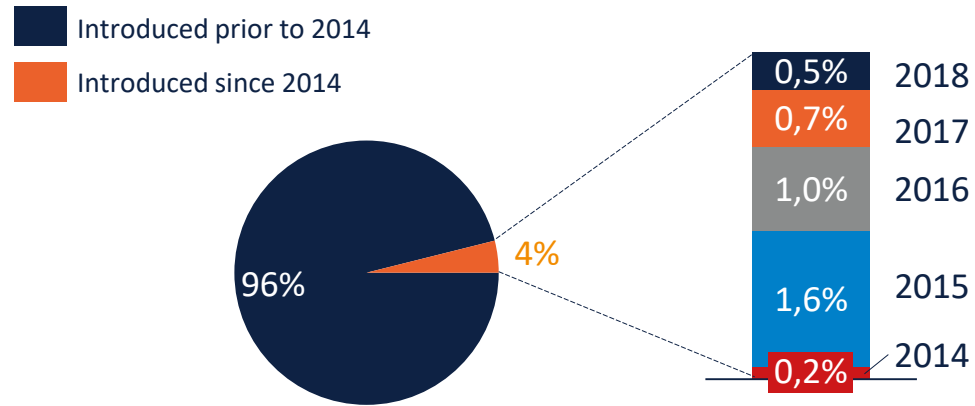
Seeding use of aquavit in drinks across the
Nordics, USA and internationally



Craft and niche

Accelerate innovation and local adaptations

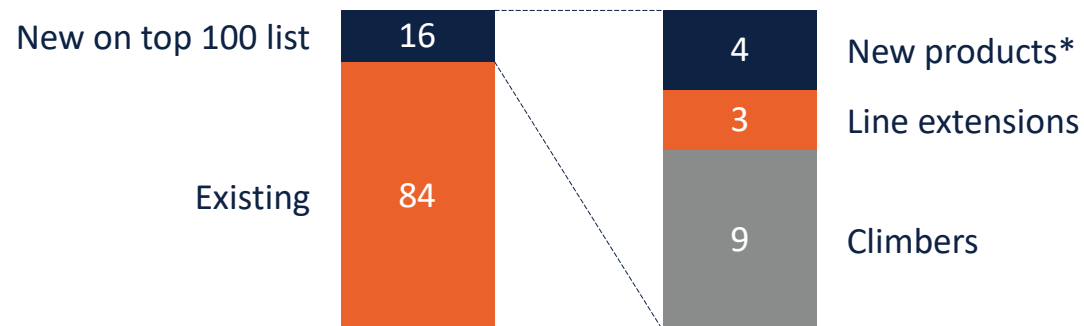
Share of Arcus sales value at Vinmonopolet 2018



Focused investments in Future Growth initiatives



Top 100 products at Vinmonopolet, 2014 vs 2018



Local adaptations and brand stretch

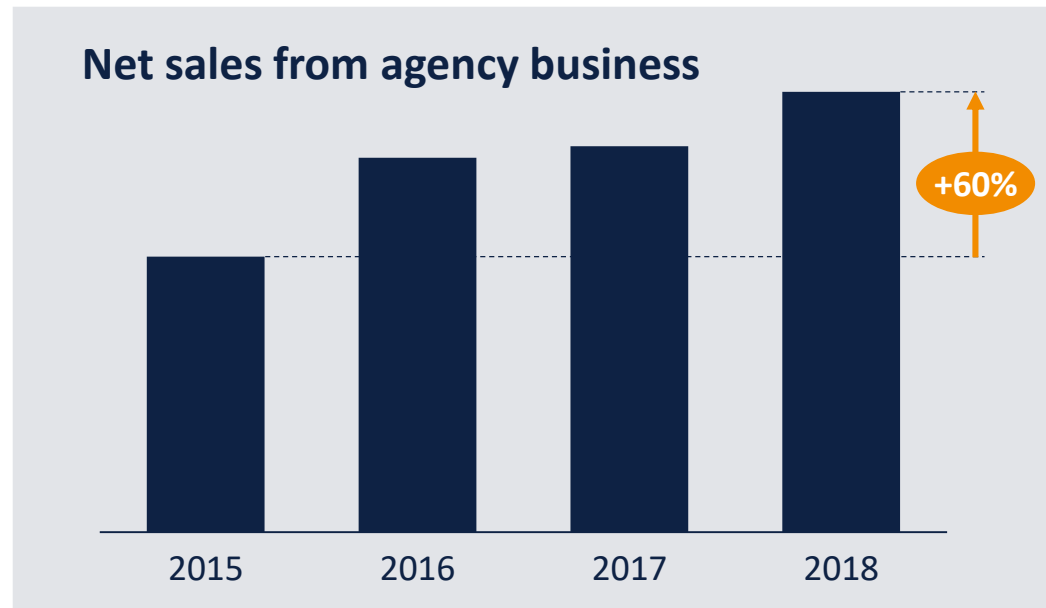


Grow partner portfolio to leverage Nordic sales and distribution platform

Nordic markets too small and diverse for most International Brand owners to run own distribution effectively

Arcus is one of few to offer integrated Nordic organization with first class local knowledge and strong position in all markets

Partner business has lower margins than own brands, but is still profitable and important to get scale on Arcus operation

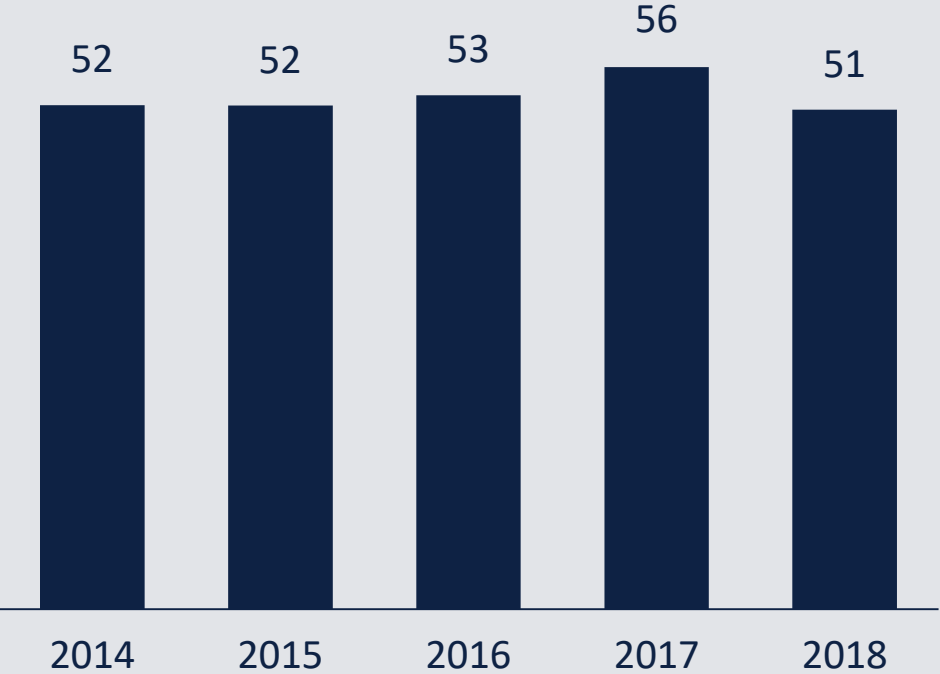


Drive gross margin through commercial excellence and supply chain efficiencies

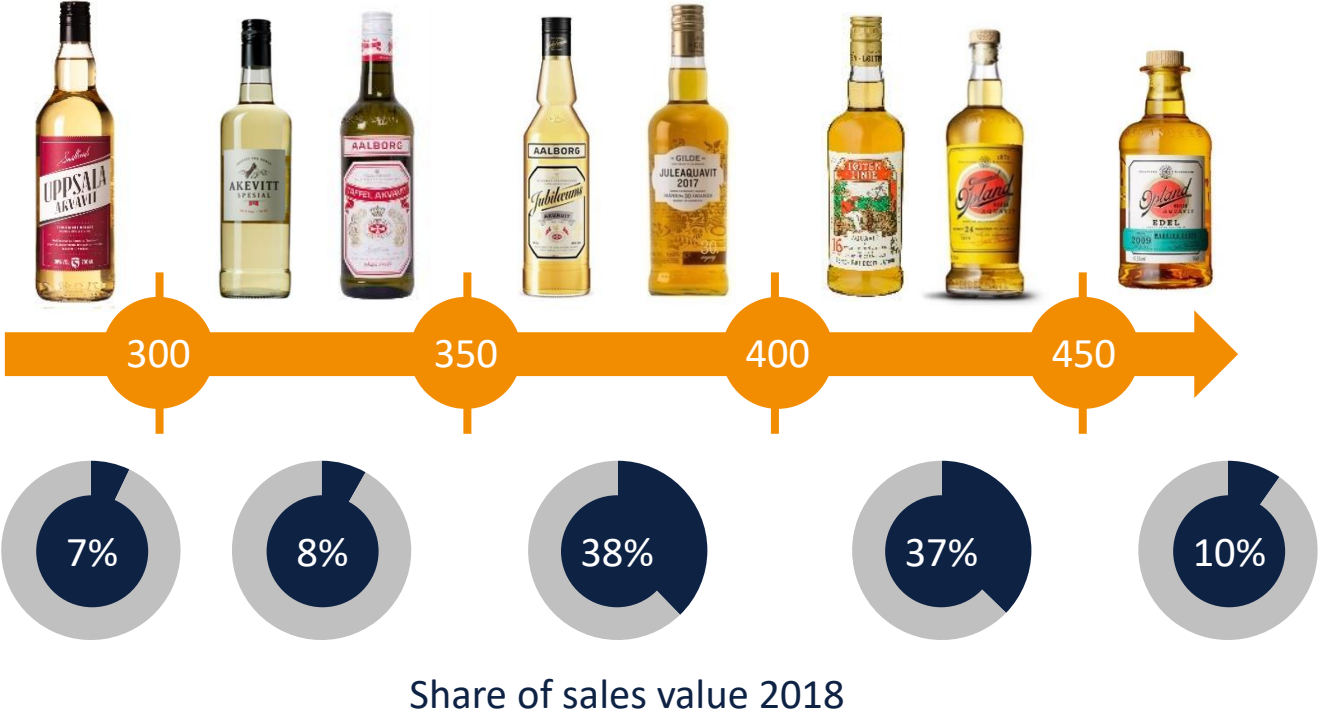


Gross margin development and aquavit portfolio example

Spirits gross margin development, %

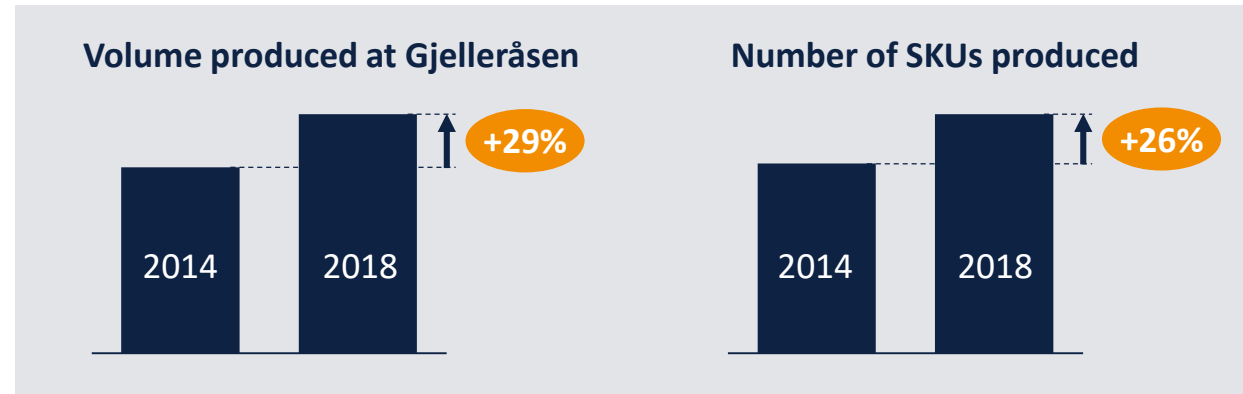


Aquavit in Norway: Arcus pricing January 2019 (70 cl bottle)

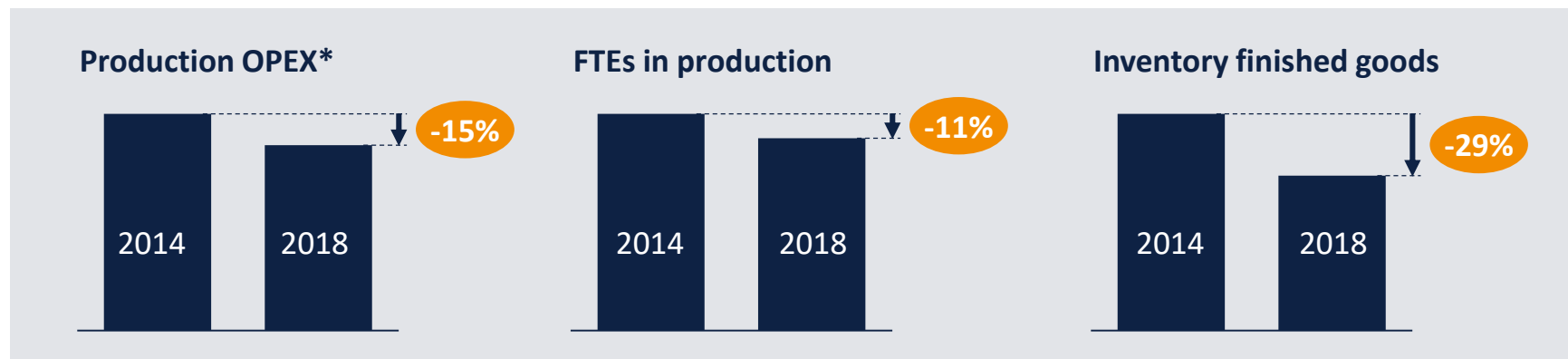


Substantial efficiency improvements achieved

INCREASED VOLUME AND COMPLEXITY ...



... WHILE IMPROVING EFFICIENCY IN PRODUCTION



Making Supply Chain a competitive advantage for Arcus – Key priorities

EFFICIENCY & CAPABILITY

- Capabilities to meet market needs
- Increase efficiency based on current volume
- Increase technical availability



STREAMLINING & DIGITALIZATION

- Digitalize administrative processes
- Optimize for “right” complexity
- Optimize processes

ORGANIZATION

- De-layered structure and empowered workforce
- Competence and flexibility in production



TOTAL COST OF PURCHASING

- Accelerate purchasing savings
- Reduced waste and scrapping
- Improve supplier collaboration and service level

21.8
MILLION

**Units produced
in 2018**

98.2
PERCENT

**Service level
in 2018**

4.5
TIMES/YEAR

**Inventory turn-
over in 2018**

96
EMPLOYEES

1+2
PRODUCTION
SITES

≈450
COST BASE
(MNOK)

Arcus business model targets diverse Nordic Markets and Germany



- Local **consumer and customer insight** founded on strong local presence
- **Autonomy for local markets** for better and faster decisions
- Budget and plans with **markets in lead**, supported by marketing, Innovation and production



- Win with **one integrated Nordic commercial platform**, sharing learnings and concepts between markets
- A **true Nordic organization** with Spirits management team located across Norway, Sweden and Denmark
- **One Arcus Spirits** across commercial and production functions



ARCUS POSITION

- Leading player in strongly regulated **monopoly** market
- Dominant in attractive **aquavit** and **vodka** segments
- **Expert** on commercial execution in a market with limited marketing opportunities
- Strong position in **border trade** and **tax-free**



KEY PRIORITIES GOING FORWARD

- **Win Christmas season and de-seasonalize aquavit** consumption
- Optimize and grow strong **vodka portfolio**
- Continued **price and portfolio optimization** crucial in a highly technical market place
- Investments in selected **growth initiatives**
- Attract and develop **partner brands**



ARCUS POSITION

- Strong No2 player in a highly competitive and open market with spirits sold “everywhere”
- Close partner with top3 grocery chains
- Aquavit and bitter champion
- Strong position in Germany Border trade
- Experts on combining full marketing tool box and sales execution in a very dynamic market



KEY PRIORITIES GOING FORWARD

- Category revitalization and recruitment via **consumer interaction** and sampling activities
- Drive innovations like Aalborg Basis to **rejuvenate** and leverage core brands
- Drive **mixed drinks** agenda for aquavit
- Investments in selected **growth initiatives**
- Attract and develop **partner brands** to leverage Arcus strong market position



ARCUS POSITION

- **Aquavit champion** in niche category in huge market
- Actively driving aquavit **rejuvenation** after decades of segment decline
- Strong and growing **reputation** for Arcus aquavit portfolio
- Focussed local Arcus presence in a **fragmented** market



KEY PRIORITIES GOING FORWARD

- Refine and implement **in-store execution** excellence programs
- Drive distribution and activation of **premium** aquavit to revitalise aquavit as **premium digestive** across on- and off-trade
- Continue to invest in Big Bet initiative **mixed drinks** for aquavit
- **Grow bitter** from low base with Gammel Dansk and Malteser Kräuterlikör
- Strengthen importer partnership via increased local Arcus **presence** and customer **involvement**

Key priorities in other markets



- Grow with **aquavit** and **vodka**
- Leverage growth from **growing categories**
- Grow **partner** business and portfolio



- Defend and grow strong **Braastad** position
- Grow with **pre-mixed** and **shots** portfolio
- Grow **partner** business and portfolio



- Strengthen **cooperation** with key players in Nordic Travel Retail
- Win key segments with **channel-specific** variants
- Seed **new geographies** via expanded portfolio offering



- Seed aquavit and bitter through **focused approach** in 2-3 states
- Focused efforts towards **Nordic roots**
- Explore aquavit in **Mixology**



Arcus Spirits Strategic agenda



Grow core categories **aquavit** and **bitter**

Rejuvenate core brands and portfolio in Nordic markets and Germany through premiumization, mixology and craft initiatives

Accelerate **innovation** and **local adaptations**

Invest in local adaptations and selected initiatives with significant growth potential targeting the local consumer

Grow **partner** portfolio

Attract leading international spirits partners to leverage Nordic sales and distribution platform

Improve **gross margin**

Drive gross margin through focussed pricing and portfolio initiatives, supported by increased efficiencies in production and value chain



WINE – CONTINUE STRONG PERFORMANCE

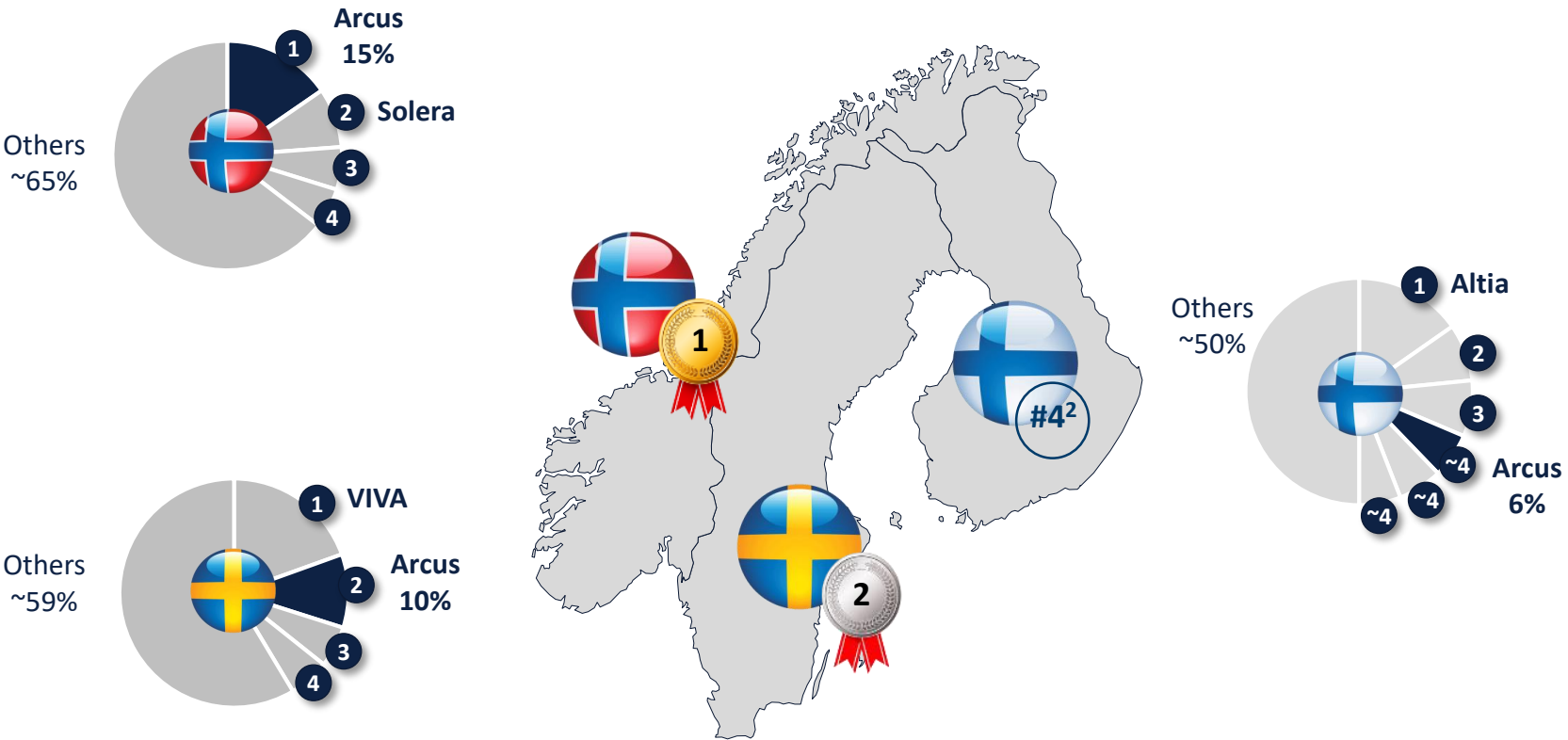
Eirik Andersen, Group Director, Wine Norway

Øystein Gogstad-Andersen, Managing
Director, Arcus Wine Brands

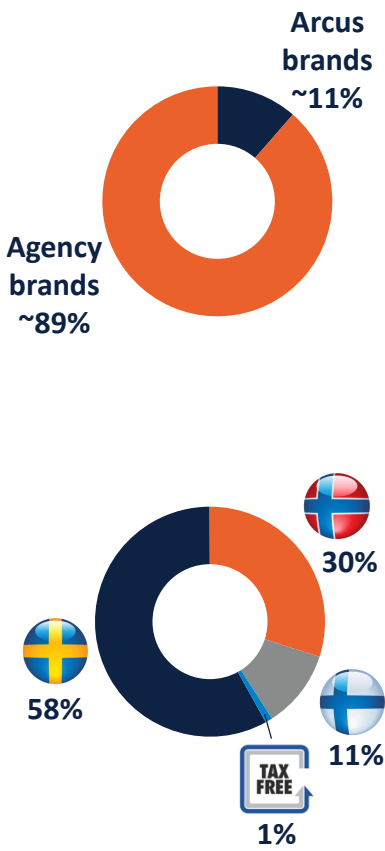


Leading footprint in the Nordic wine market

Arcus with leading positions¹ in all three countries with room for further consolidation

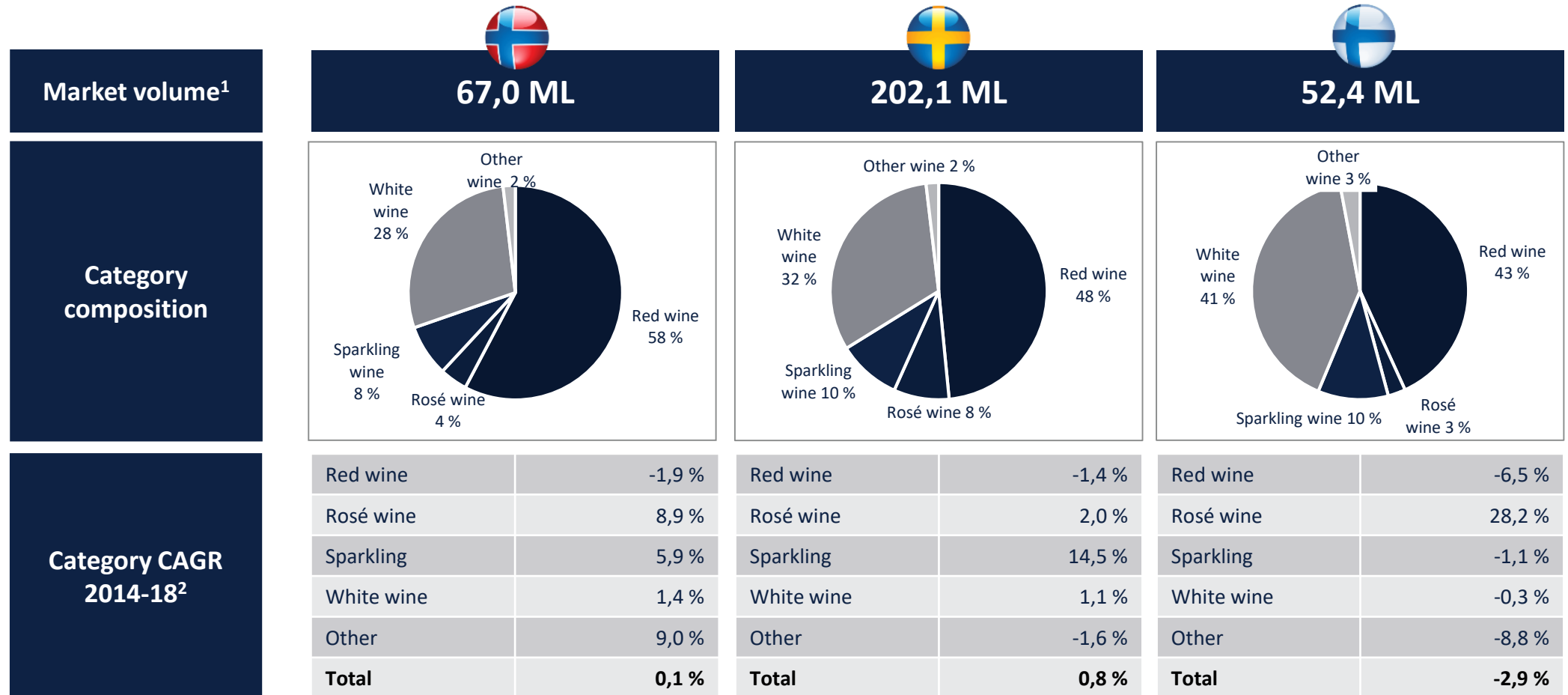


Revenue split - 2018

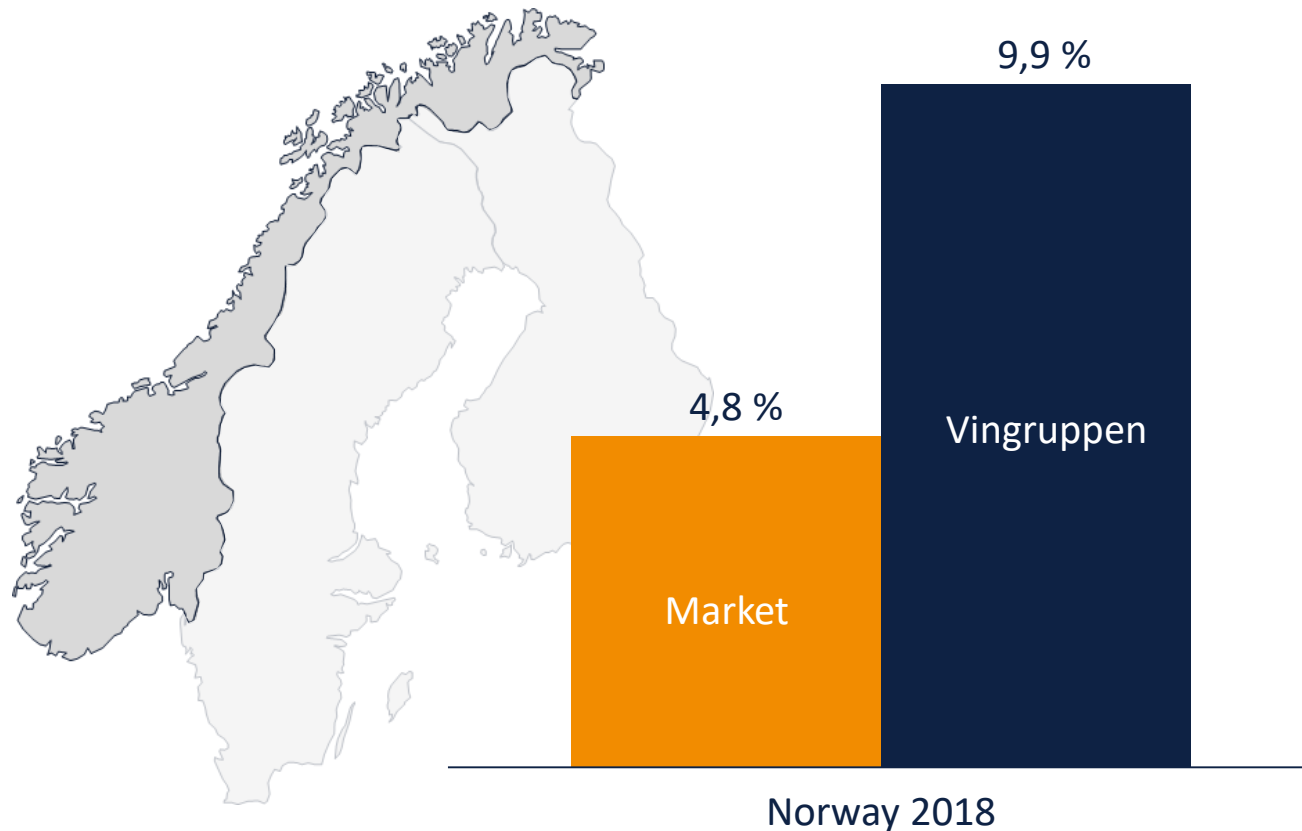


1) Wine category share by value 2) Shared wine category position

Market and category development



Norway: Capturing market shares in a growing market



- Vingruppen has increased its market share every month since November 2017
- Vingruppen increased the market share from 15,8 to 16,9 % from 2017 to 2018
- In January 2019 Vingruppen had a market share of 18,2 %

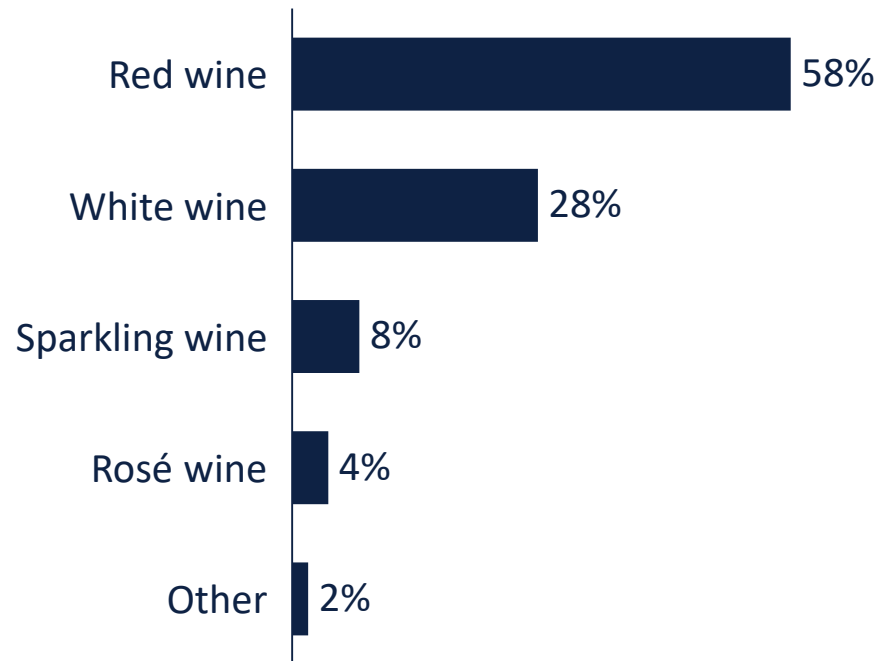
¹ Consumer sales

Source: Vinmonopolet and Systembolaget, year end 2018

Red wine still largest category, but growth comes from lighter categories

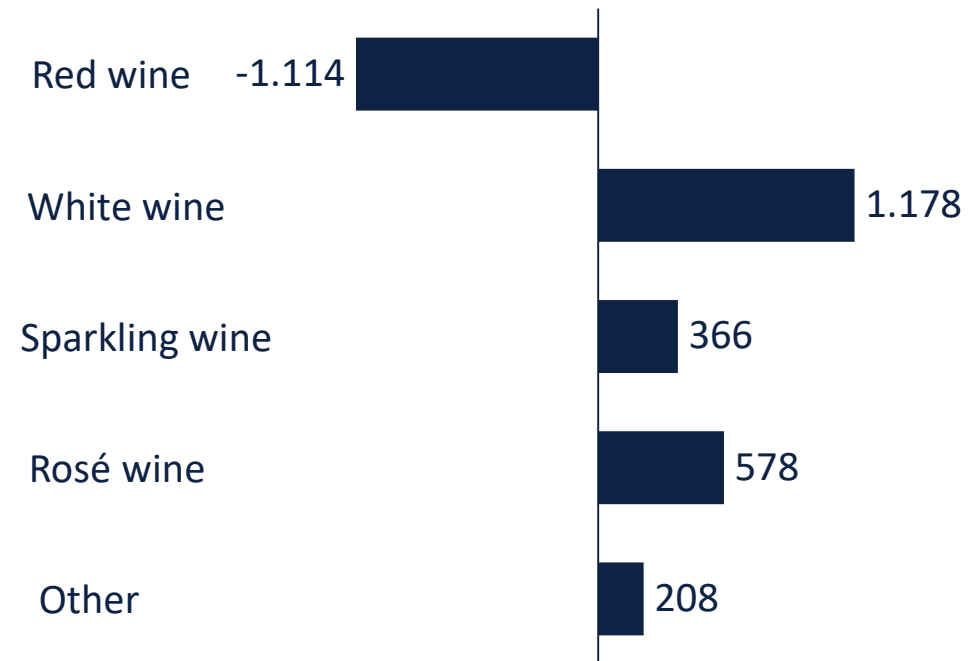
Share of total volume per category

Percent



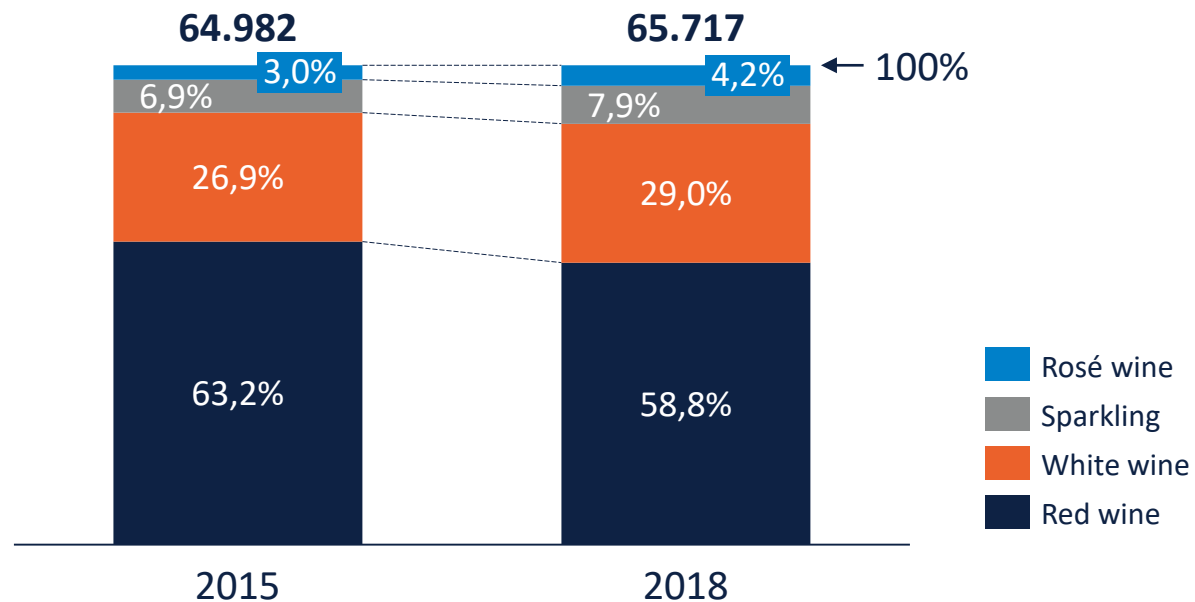
Change in volume per category

Thousand liter

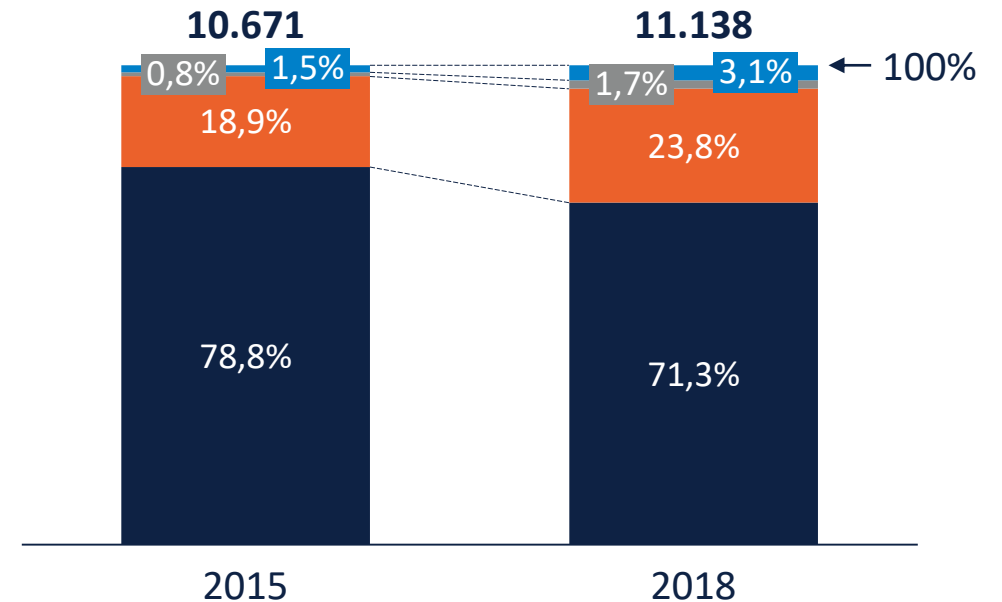


Increased demand for lighter wines, and our portfolio must adapt

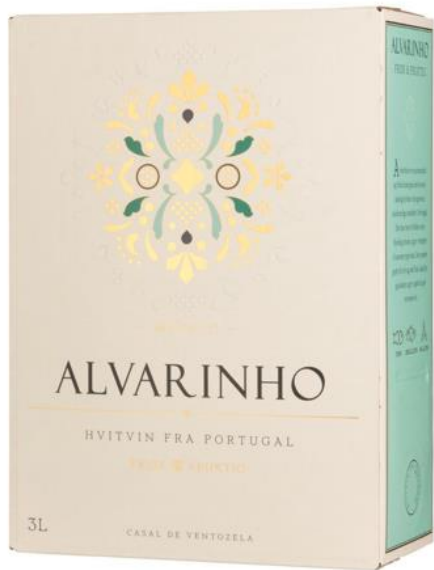
Category mix Vinmonopolet



Category mix Vingruppen



Several successful launches has strengthened our position within lighter wines



- Tender-win
- One of the most successful launches in 2018
- Almost fully distributed



- Successful test listing
- Rosé - Line extension Fumées Blanches
- Distributed to category 5



- Successful test listing
- Well received by the press
- Organic
- Fully distributed



- Tender win
- Well received by the press
- Premium
- Distributed to category 4

Creating growth with premium wines



- Premium Champagne
- Bestseller in Sweden
- Basic listing in Norway
- Great potential for growth



- Three premium wines listed in Norway
- Prestige producer



- Small quantities
- Super Premium
- Prestige producer



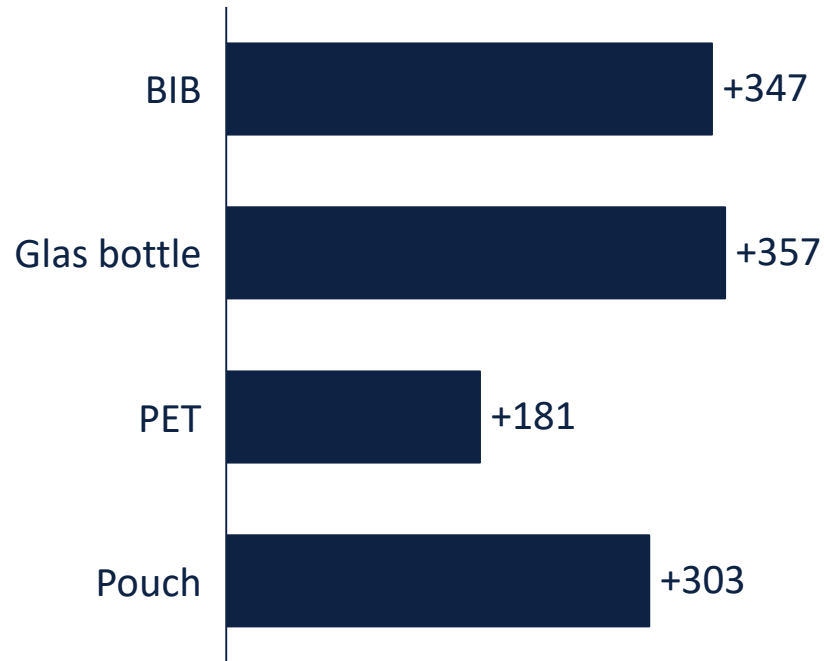
- Three basic listings
- Premium wines
- Good distribution and potential for growth

We're taking important steps to position our portfolio within the **premium** and **super premium** categories

New packaging types increases its market shares and organic wines continues to grow

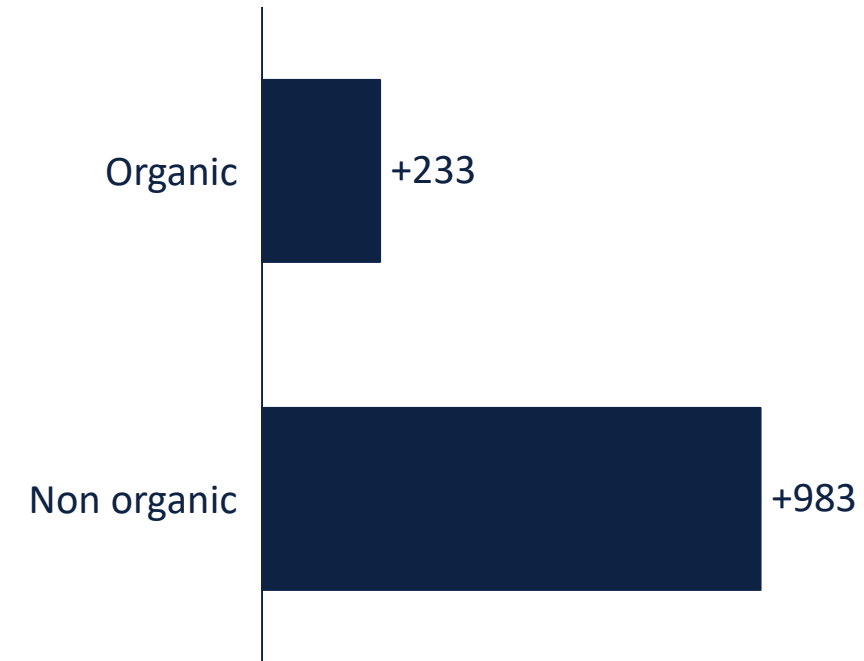
Thousand liter, 2018 vs 2017 at Vinmonopolet

Sales development per package type



PET and pouches accounts for 2% of the total market, but 40 % of the market growth.

Sales development per 2018



Organic market share is 7,7%, but accounts for 19% of market growth.

Focus on winning strategic tenders with sustainable and unique concepts



- Tender-win
- One of the most successful rose launches.
- Innovative packaging



- Line extension Laroche
- Successful launch in ordering range
- Potential basic listing in 2019
- Innovative packaging



- Tender-win
- PET bottle with deposit
- Fully distributed from May

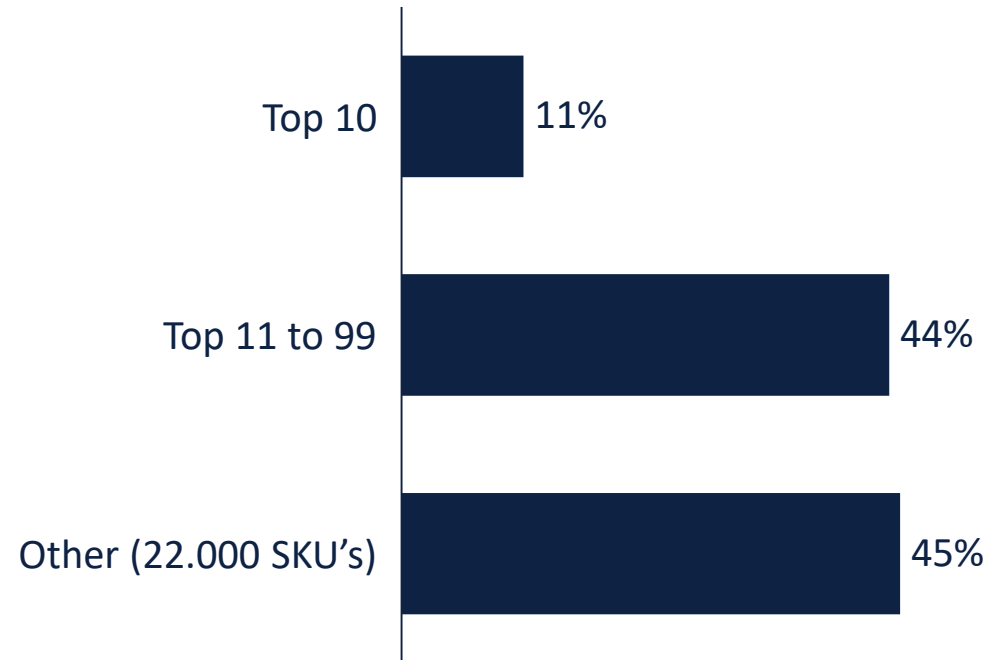


- Tender win
- Most sold PET bottle and best-selling French wine in bottle

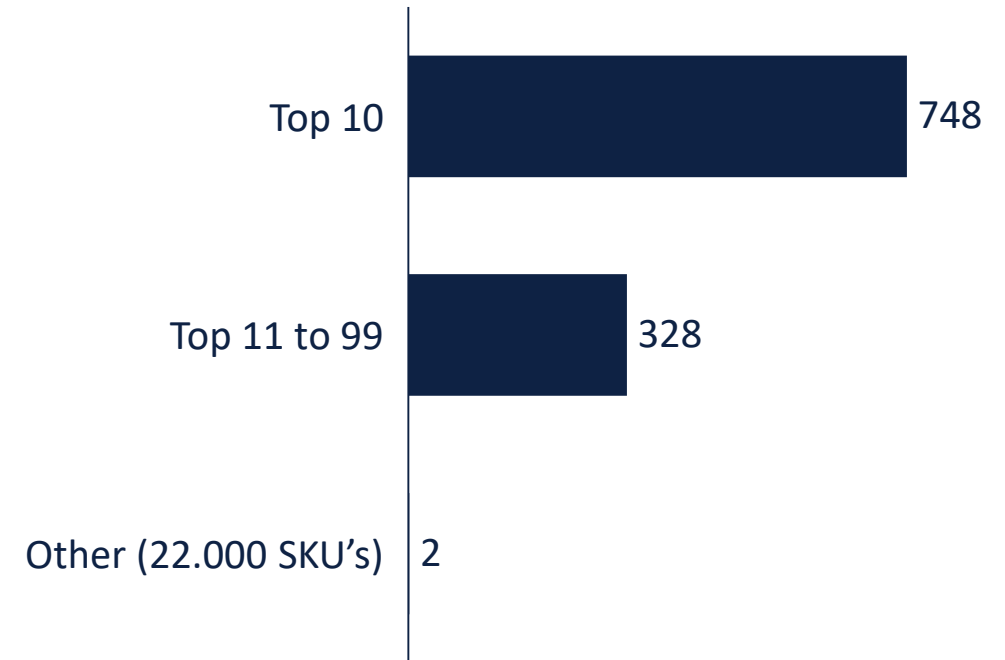
Over 50% of all wine sold at Vinmonopolet comes from less than 100 products



Wine sold at Vinmonopolet
%-share



Average volume sold per product
Thousand liter

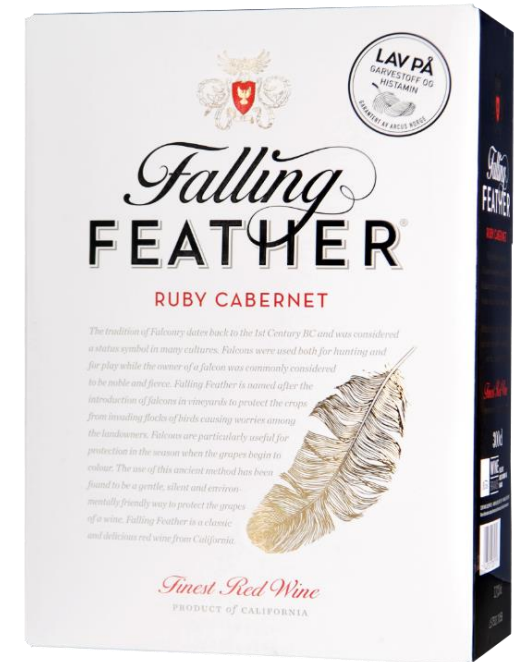
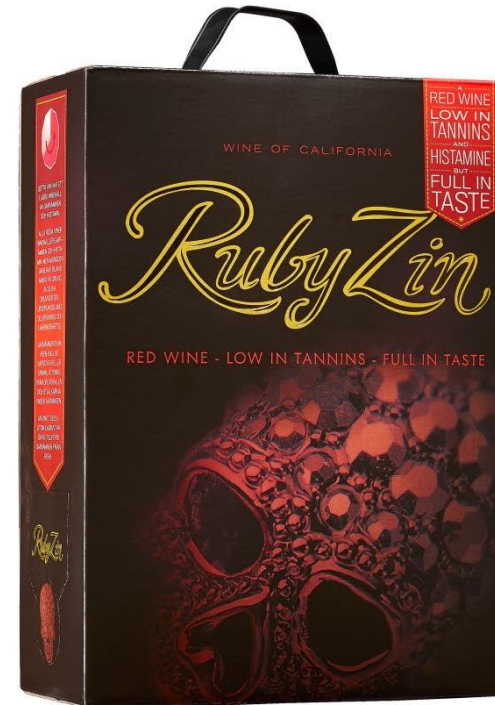
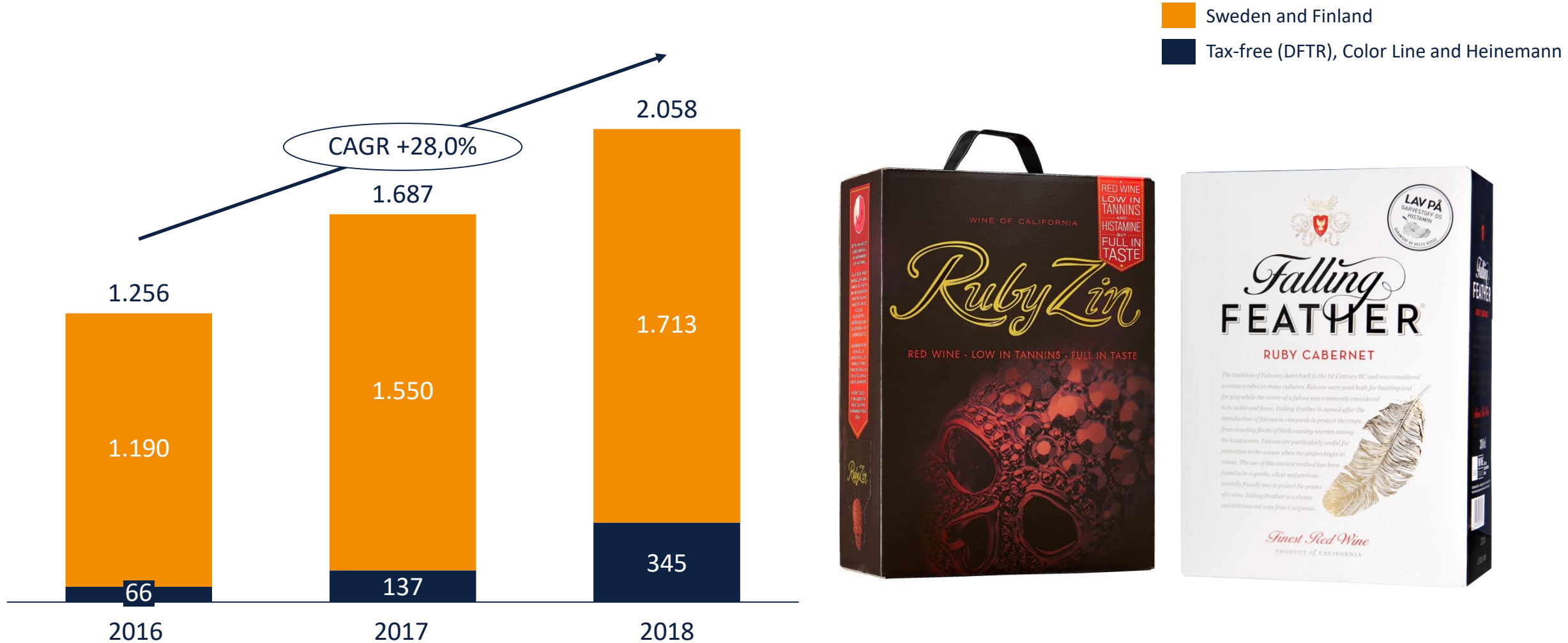


Building brands is a great opportunity in the wine category

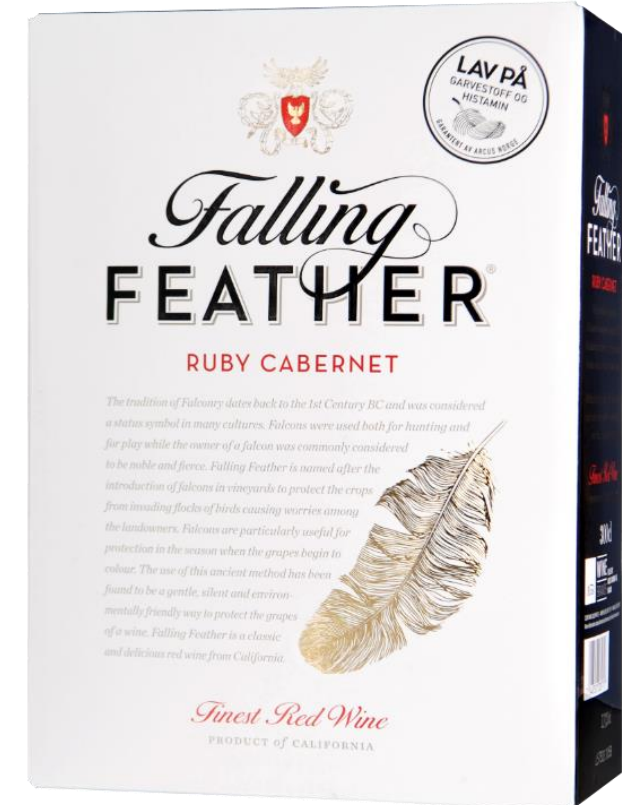
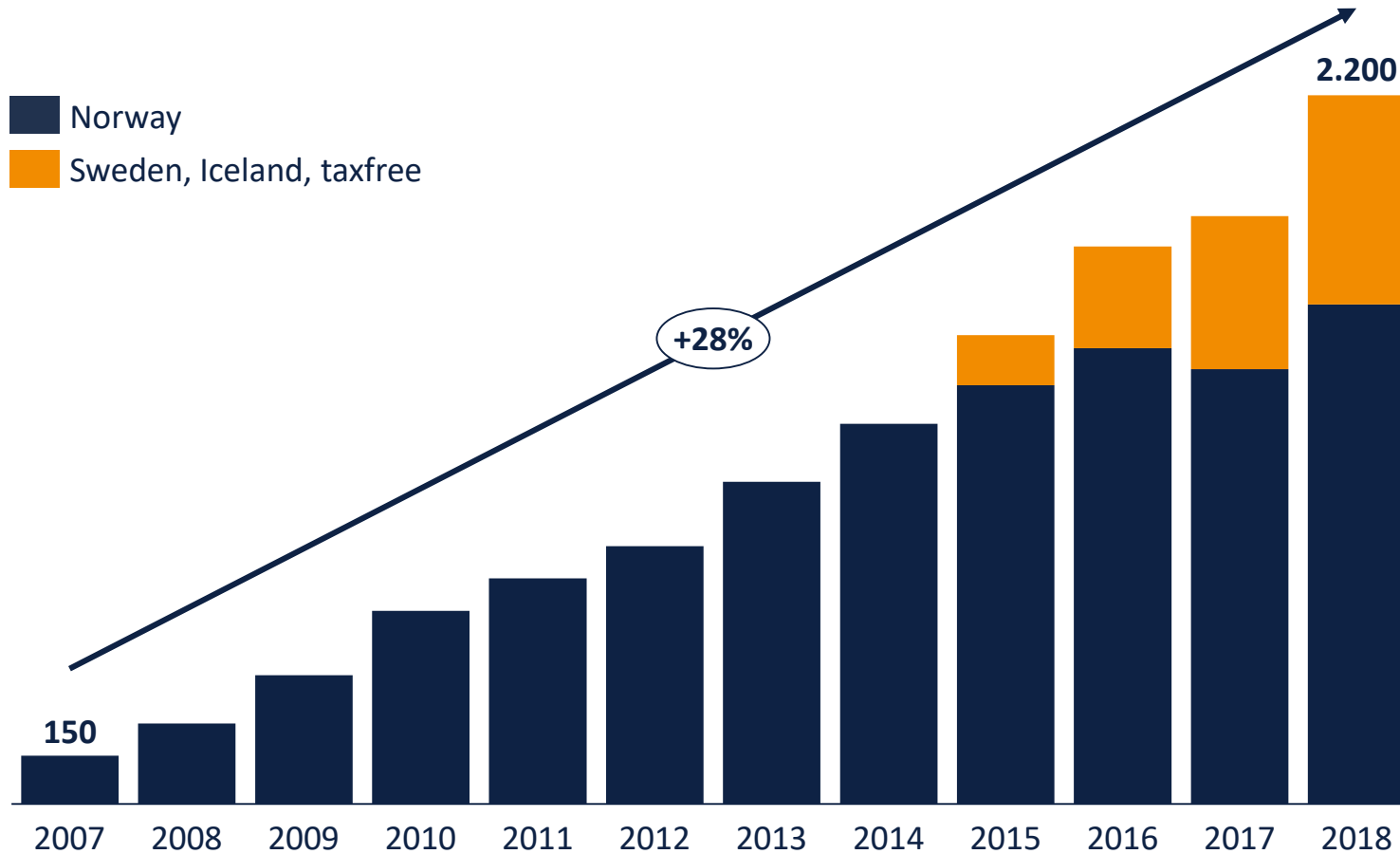
- Use local consumer insight to respond consumer trends. Nordic innovation.
- Continue to strengthen our position with local and Nordic brands
- Accelerate growth in other channels/markets
- Our unique business model is our competitive advantage (producer contacts, logistics, bottling facilities, lab, route-to-market and market know-how)



Strong performance and growth in channels outside Norway



Think big with Falling Feather – Long term growth



How Falling Feather was developed into a best-selling wine brand

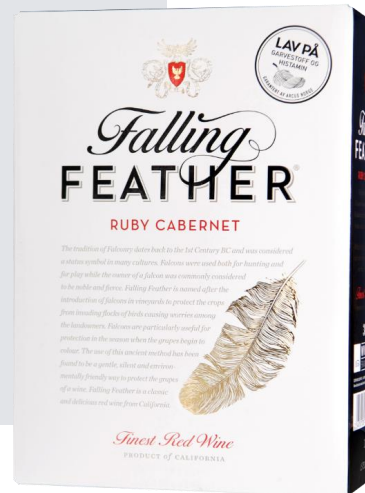
INSIGHTS AND CONSUMER INTERACTIONS

- Insights – driver analysis best-selling brands
- Vinmonopolet fairs
- Strong presence at consumer tastings and events – meet core target consumers and create interaction
- A&P (Sweden)
- Update the product regularly, design and blend

Continue the positive development for our own brands

Increase distribution – a Nordic wine brand

- On shelf where core target consumers shop their wine
- Introduce Ruby Zin
- Strengthen position in existing channels
- Accelerate growth in new channels/markets



Going forward we will focus on creating value through...

1



Improve portfolio management

- Close cooperation with partners
- Reduce portfolio complexity
 - Current trends
 - Growing categories
 - Seasonality
- Improve price management

2



Strengthen insight & innovation

- Continue to strengthen our position with local and Nordic brands
- Use local consumer insight to respond consumer trends
- Nordic innovation
- Use our unique business model

3



Expand distribution

- Strengthen position in existing channels
- Accelerate growth in new channels/markets
- **Think BIG!**

To be the best agency-partner in the Nordics

Arcus



ADVINI
DES VIGNOBLES, DES HOMMES, L'ÉMOTION

FRANÇOIS
LURTON
— ART OF THE VINE —

MASI®

CHAMPAGNE
ANDRÉ CLOUET
DEPUIS 1741

DOMAINE DE LA
ROMANÉE-CONTI



ODFJELL

J.P. CHENET

Wongraven

E. GUIGAL



MAISON FONDÉE EN 1776

LOUIS ROEDERER
CHAMPAGNE

LOUIS JADOT

MAZZEI
1435

THINK BIG!





FINANCE – CREATING SHAREHOLDER VALUE

Sigmund Toth
CFO



At the IPO we presented a value-creation model based on profitable growth and high cash conversion



Organic growth (including minor bolt-ons) of 3-5%



EBITDA growth of 6-9%, realized through improved margins thanks to better asset utilization



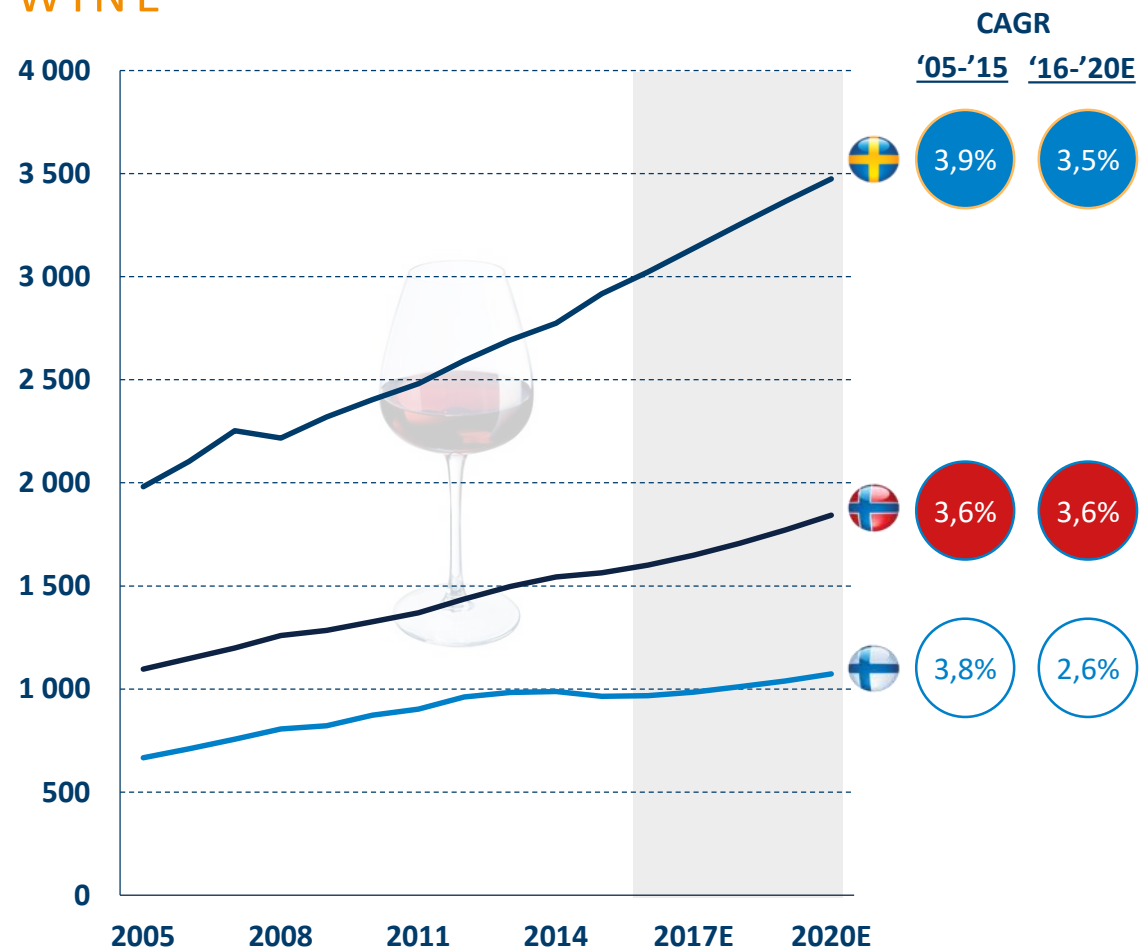
High cash flow conversion: Limited investment needs (20 MNOK Capex vs. 50 MNOK depreciation) and low working capital needs

- **Dividends of 50-70% of net earnings**
- **Value creating M&A**

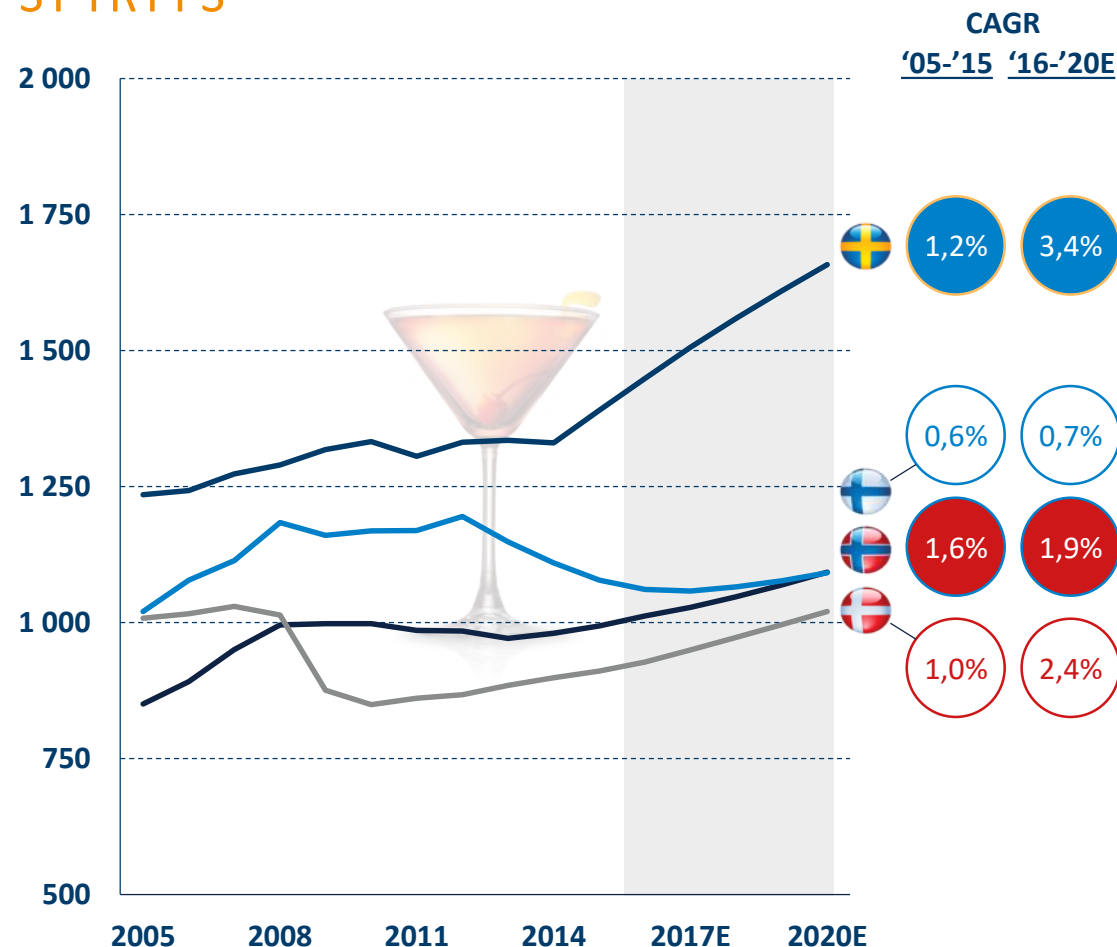
We promised (based on Euromonitor): Resilient, non-cyclical and steady demand growth...

EUR million – retail end-market value ¹

WINE



SPIRITS

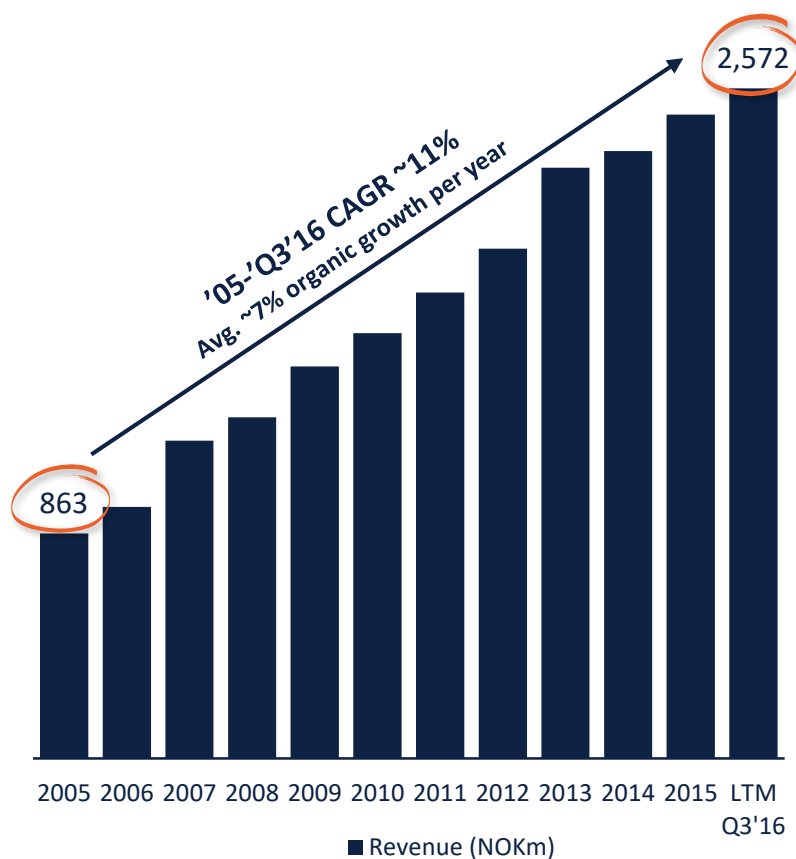


SOURCE: Euromonitor, Vinmonopolet, Systembolaget

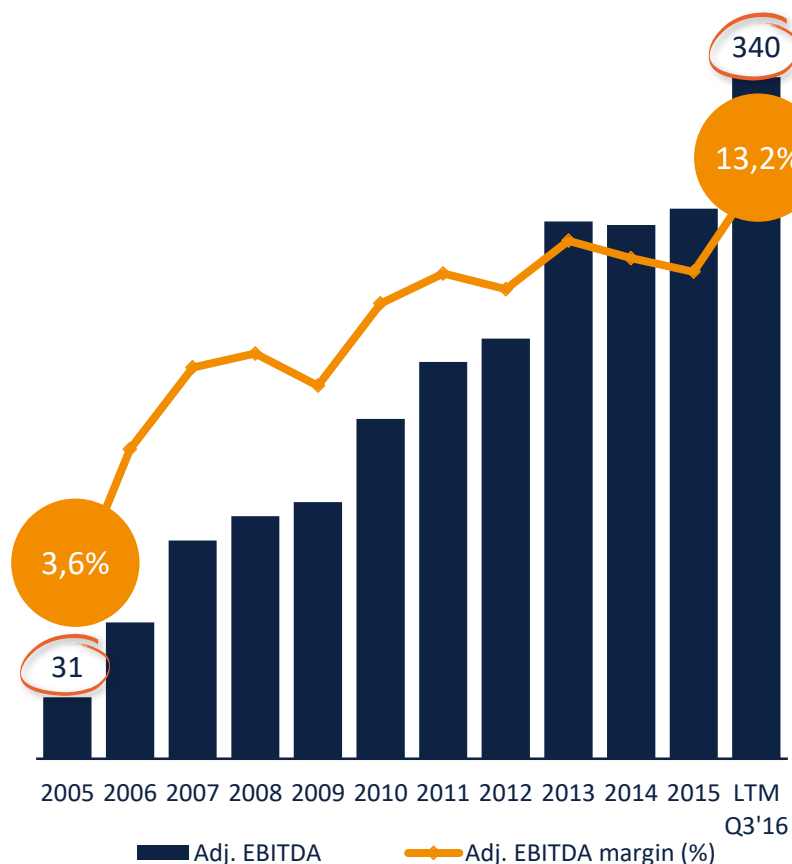
1) Retail Sales Price, on- and off-trade total

...and an attractive financial profile...

Strong and non-cyclical revenue growth...



...with improved and resilient margins...



...and with high cash flow generation

Well invested with limited maintenance capital expenditure requirements, well below current depreciation level

Limited net working capital requirements (albeit some seasonality)

Solid basis for attractive cash conversion

...which was translated into a set of key financial targets

Revenue growth

- Organic revenue growth in the level of 3-5% p.a. incl. minor bolt-on acquisitions

Tax rate

- Effective tax rate in the level of 22%

EBITDA growth

- EBITDA growth of 6-9% p.a. over the next three to five years

Gearing

- Net Interest Bearing Debt <2.5x EBITDA
- Variations intra-year due to seasonality in net working capital

Depreciation and capex.

- Depreciation at a similar level to 2016 (LTM Q3 '16: NOK 45m)
- Maintenance cap.ex. NOK ~20m p.a., significantly lower than depreciation due to the well-invested facility at Gjelleråsen

Dividend

- Pay-out ratio in the level of 50-70%
- 2016 (paid out H1 '17) at the low end based on pro forma net income

Results have been a mixed bag in 2017 and 2018

2017 & 2018 FINANCIAL PERFORMANCE

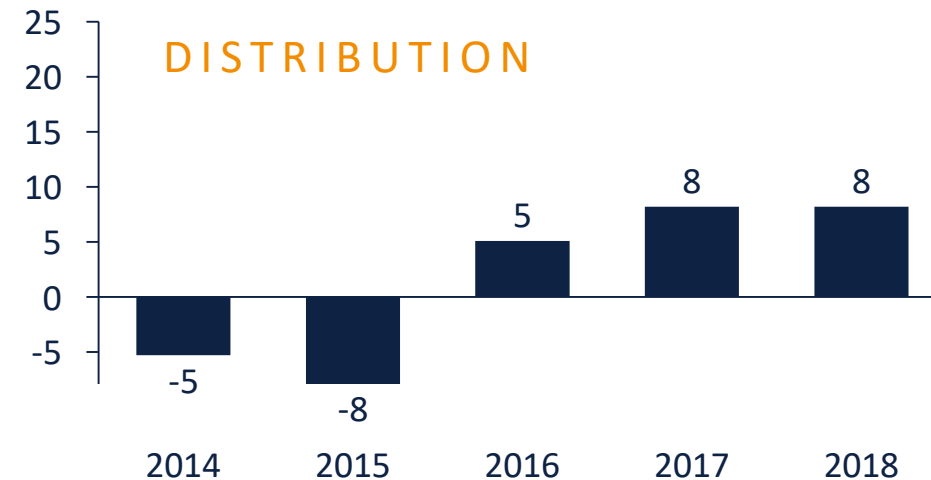
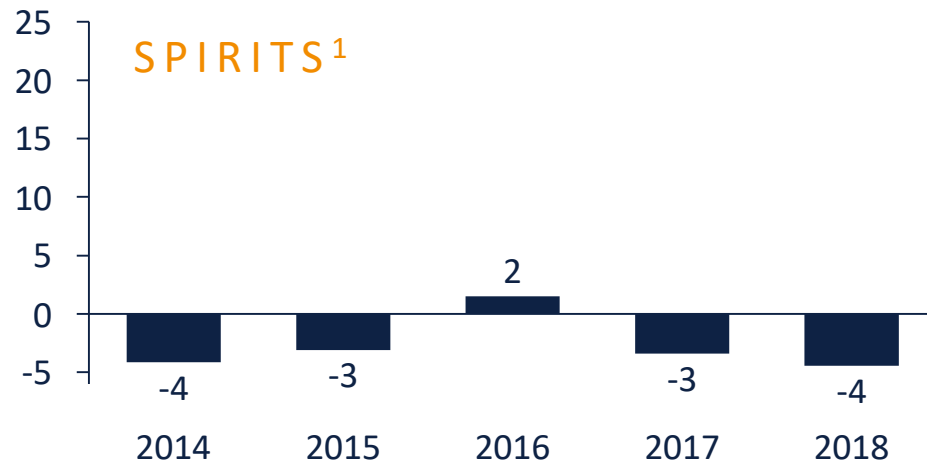
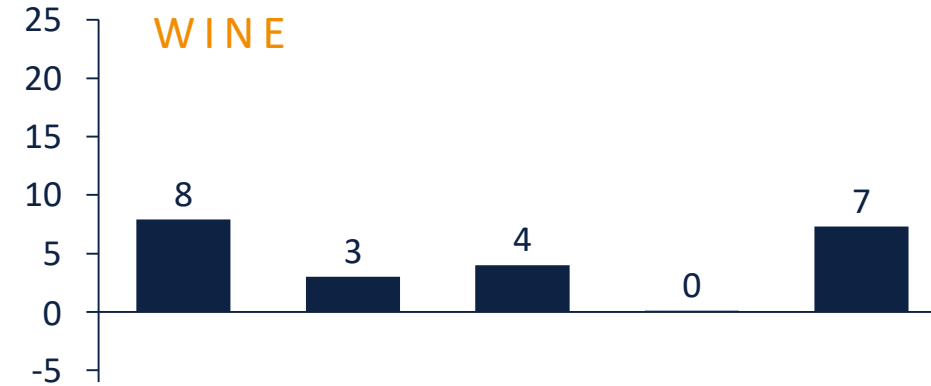
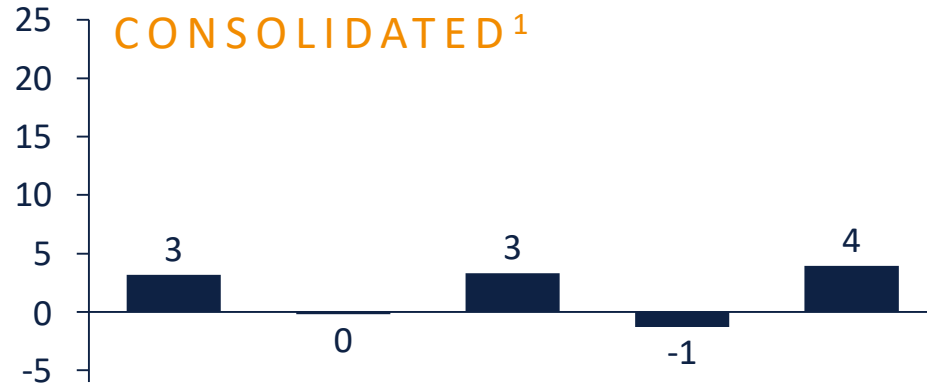
	2017	2018	Targets
Topline organic growth incl. minor M&A bolt-ons	-1,3% +0,5%	+4,0% +5,1%	+3-5%
EBITDA (adj.) growth	+7.6%	-13,4%	+6-9%
Dividend pay-out	1.66 (60%)	1.66 (69% ¹)	50-70%
M&A # bolt-ons	4	0	Do bolt-ons

¹ Final decision to be made by General Assembly, April 11, 2019

Arcus organic growth sales development has been good, except on Spirits



Percent change vs. previous year



¹ Adjusted to exclude effect of Vikingfjord exit from USA and Brøndums' divestiture

SOURCE: Arcus analysis

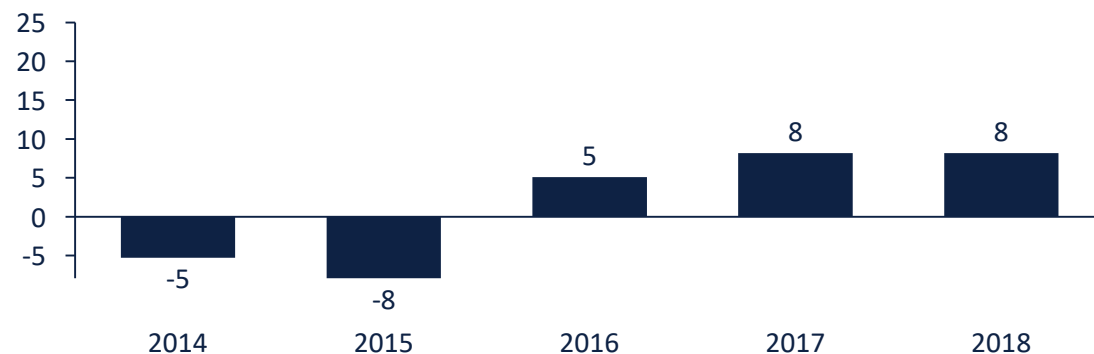
REIGNITE GROWTH

1. Reignite growth in spirits, especially in high-profit markets
2. Work on productivity in production
3. Continue managing gross profits on wine
4. Ensure distribution regains operational leverage from increased revenue
5. Manage SG&A costs across the board

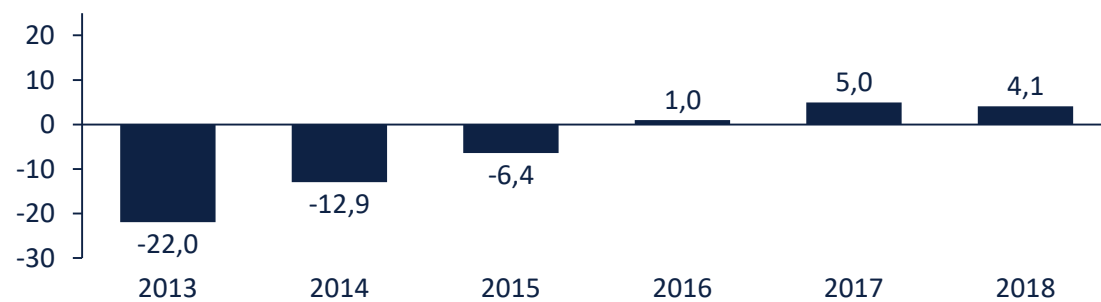
Ensure **Distribution** regains operational leverage from increased revenues

History of cost reduction and revenue growth, but loss of operational leverage from increased revenues in 2018

Organic revenue growth (% YoY)



EDITDA adj. margin evolution (% of sales)

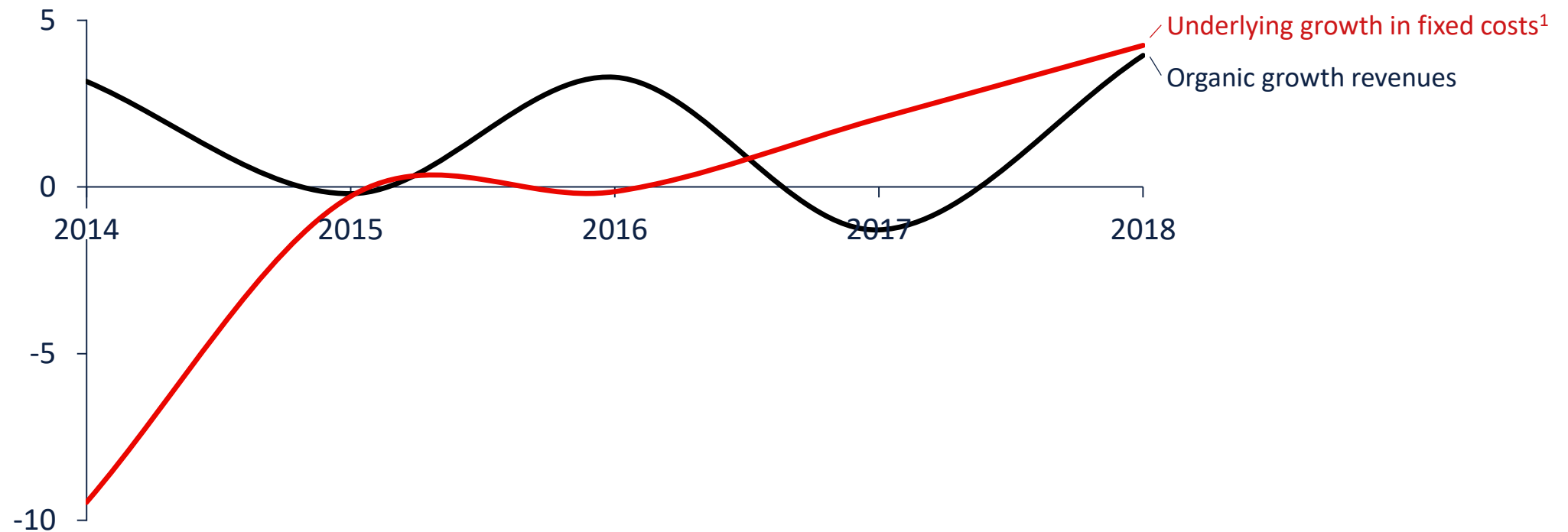


Going forward, focus is to remove bottle-necks and improve capacity utilization to regain operational leverage

- Strong focus on our digital journey. Innovative solution for our customers and internal operations
- Continuous improvement to gain higher efficiencies in our operations
- Together with our customers optimize and improve our plans and execution in our high season

Black over red – we will further focus on costs to ensure organic growth above the underlying growth in fixed costs

Percent

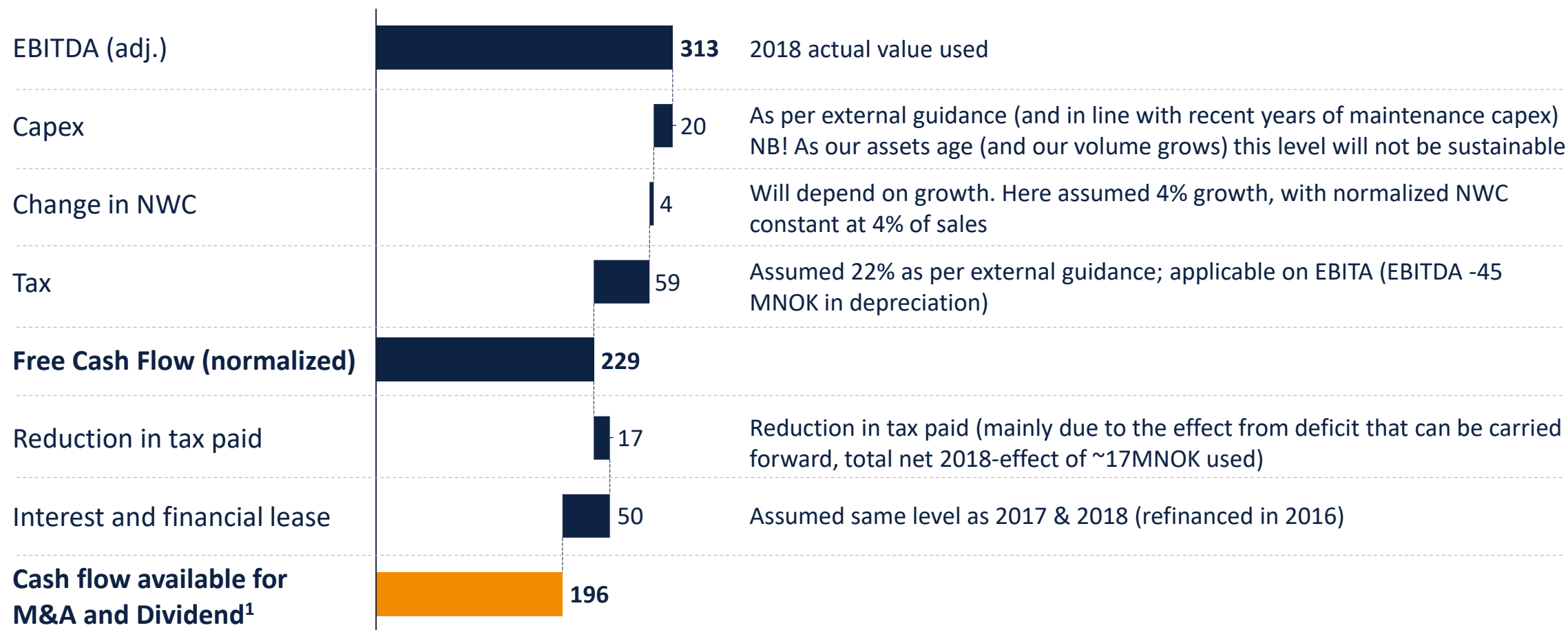


¹ Fixed costs excludes A&P and Depreciation, and are FX-adjusted. 2017 is adjusted the acquisition of the remaining 50% of the shares in Det Danske Spritus Kompagni A/S (DDSK).

SOURCE: Arcus analysis

Maintaining our high levels of cash conversion

NOK millions



¹ Not including effects from IFRS16 (see annual report 2017 for details on effects from IFRS16 introduction)

We will continue to look for value-creating M&A to utilize our capacity, returning cash to investors when we cannot

RATIONALE

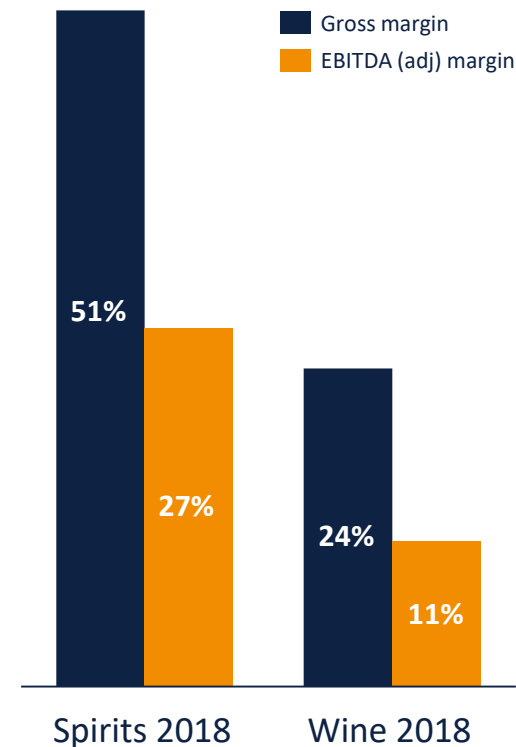
Utilize spare capacity in production and/or distribution

Gjelleråsen facility can handle increased volume and margins from new volume can be close to gross profit¹

Utilize spare capacity in sales and/or marketing

In some markets/areas, new volume can be handled with current capacity within sales and/or marketing

EXAMPLES



- Wine importers
- Spirits importers

¹ Assuming a good fit with current production seasonality, competence, use of equipment etc.



CLOSING REMARKS

Kenneth Hamnes
Group CEO



A close-up photograph of a glass containing a light-colored beverage, ice cubes, and a slice of lemon. Several dark, oval-shaped vanilla beans are scattered on the rim of the glass and on the lemon slice. A metal strainer is visible on the right side of the glass.

REIGNITE GROWTH

1. Reignite growth in spirits, especially in high-profit markets
2. Work on productivity in production
3. Continue managing gross profits on wine
4. Ensure distribution regains operational leverage from increased revenue
5. Manage SG&A costs across the board

THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
EVEN BETTER.

Arcus