

Financial press release – Síminn hf. Q4 2023


## Results for the fourth quarter of 2023 and for the year 2023

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- Revenue in the fourth quarter (Q4) of 2023 amounted to ISK 6,659 million compared to ISK 6,233 million in the same period 2022 and increased by 6.8%. Revenue from Síminn's core services, mobile, data and TV services increases by just under 7% during the quarter.
- EBITDA amounted to ISK 1,614 million in Q4 2023, down by ISK 19 million or 1.2% compared to the same period 2022. The EBITDA ratio was 24.2% in Q4 2023, compared to 26.2% in the same period of 2022. Operating profit EBIT amounted to ISK 634 million in Q4 2023 compared to ISK 703 million in the same period of 2022. Without cancellation of the competition fine in the amount of ISK 200 million, EBITDA in Q4 2022 was ISK 1,433 million (23.0%) and EBIT ISK 503 million.
- Net financial expenses amounted to ISK 120 million in Q4 2023, compared to ISK 389 million in the same period of 2022, but in Q4 2022 there was a negative change in the fair value of a bond due to the sale of Míla, amounting to ISK 382 million. Financial expenses amounted to ISK 287 million, financial income ISK 195 million and foreign exchange loss of ISK 28 million.
- Profit in Q4 2023 amounted to ISK 414 million compared to ISK 381 million profit from continuing operation in the same period of 2022.
- Interest-bearing debt including lease liabilities amounted to ISK 10.5 billion at the end of 2023, compared to ISK 8.9 billion at the end of 2022. Cash at the end of 2023 amounted to ISK 1.8 billion, compared to ISK 3.7 billion at the end of 2022. The balance of loans at Síminn Pay was ISK 2.9 billion at the end of 2023, but was ISK 1.7 billion at the end of 2022.
- Síminn's equity ratio was 52.1% at the end of 2023 and equity was ISK 17.6 billion.

Orri Hauksson, CEO:

"The year 2023 went well for Síminn, the first full year after the sale of Míla. The transformation of Síminn's group into an asset-light service company is the biggest change that has taken place in the company's 118-year history. Revenue growth was mainly in the second half of the year, especially in the mobile and TV segments, while internet revenues showed moderate growth. One of the main projects of this year will be to strengthen this company's largest revenue source.



Inflation during the year put pressure on service contracts with Síminn's suppliers, but most of these contracts are indexed directly or indirectly. Síminn got through this crisis well and it is clear that with stable prices going forward, the company has good tools to manage operating costs.

The efforts of recent years in investments resulted in improved customer service and record utilization of the company's products. Multiple reforms were undertaken in Síminn's operations, such as the updating of various internal systems and the continued development of the 5G system in collaboration with Míla. According to a recent study by a German measurement company commissioned by the Telecommunications Agency, Síminn offers the best mobile network in Iceland. Internet quality was also improved in homes and companies, as well as investing heavily in TV content that Icelandic consumers appreciate. Síminn also recently acquired three companies that work in the field of environmental advertising, which will greatly strengthen the company's product offering in the field of advertising.

Investments are now rapidly decreasing again and will be significantly lower than depreciation in the years 2023 and 2024. That development strengthens cash flows and capital formation. Low leverage has allowed Síminn to direct funds to the purchase of its own shares, while there is a lack of external growth opportunities. Despite the high level of interest rates in Iceland, Síminn has been able to finance itself with methods that are well suited to the development of the company's operations. We use bonds, notes and bank loans on terms that are among the best available in Iceland.

Síminn continued to increase its lending to individuals through the revolving card Léttkort. Loans amounted to three billion ISK at the end of the year and they continue to grow. An electronic order book for purchasing authorization is now offered for purchases between companies, which customers have received very well. This service is based on the issuance of a new credit card for businesses, which is expected shortly.

Popularity of Síminn's TV service has never been higher and over million orders were made each week throughout last year. In particular, we are proud to support Icelandic productions, but Síminn premiered four national TV series of the six that were produced nationwide. This year, six of the eleven series in Iceland will be produced by Síminn. It should be noted that Síminn itself does not benefit from any state subsidies, but the company's main competitors in this field are state-owned companies on the one hand and state-subsidized private companies on the other.

Development project with two of the biggest sport associations of Iceland, HSÍ and KSÍ, on live broadcasts from sport games, both domestically and abroad, began this winter and will increase in quality in the near future. Next Saturday, a record will be set in the field of AI-controlled television broadcasts in Iceland, when Síminn conducts 17 live broadcasts on the same day.

The person who has one of the greatest honors for this leadership role of Síminn in the field of Icelandic media in recent years, Magnús Ragnarsson the CMO, will leave Síminn shortly. In addition to his key role in the transformation and remarkable growth of Síminn's media in recent years, Magnús has led the company's product development and innovation in many other areas. Magnús will be regretted, and it will be our remaining task to take over the good development he has carried out."

## 2023 Results

### Operation

Income statement	Q4			12M		
	2023	2022	%	2023	2022	%
Net sales	6.659	6.233	6,8%	25.741	24.572	4,8%
Cost of sales	( 4.119)	( 3.874)	6,3%	( 16.497)	( 14.914)	10,6%
Operating expenses	( 1.906)	( 1.656)	15,1%	( 7.165)	( 6.713)	6,7%
EBIT	634	703	-9,8%	2.079	2.945	-29,4%
Net financial items	( 120)	( 389)	-69,2%	( 392)	( 546)	-28,2%
Income tax	( 100)	67	-249,3%	( 341)	( 337)	1,2%
Net profit from continuing operation	414	381	8,7%	1.346	2.062	-34,7%
Discontinued operation	0	289	-100,0%	0	36.205	-100,0%
Net profit	414	670	-38,2%	1.346	38.267	-96,5%
EBITDA	1.614	1.633	-1,2%	6.150	6.149	0,0%
EPS from continuing operation	0,15	0,08	87,5%	0,46	0,31	48,4%

Total sales in 2023 amounted to ISK 25,741 million compared to 24,572 million in 2022, up by 4.8%. Looking at the company's core products (mobile, data and TV), revenue growth is 7.6%.

Revenue from mobile amounted to ISK 6,510 million, up by ISK 475 million or 7.9% from last year. Revenue from fixed voice amounted to ISK 1,100 million, down by 18.0% from last year. Revenue from data (internet & network) amounted to ISK 7,939 million, up by ISK 348 million or 4.6% from last year. Revenue from TV services amounted to ISK 7,440 million, up by ISK 718 million or 10.7% from last year. Revenue from equipment sale amounted to ISK 1,784 million, down by ISK 54 million or 2.9% from last year. Other revenue amounted to ISK 968 million, down by ISK 76 million from last year. The decrease is mainly due to the sale of telecommunications equipment to Míla and resale of Spotify in Q1 2022.

The cost of sales amounted to ISK 16,497 million and increases by ISK 1,583 million or 10.6% from 2022, mainly due to increased amortization of TV content rights and increased costs from telecommunications suppliers due to high inflation. Operating expenses amounted to ISK 7,165 million and increased by ISK 452 million or 6.7% from 2022.

Depreciation amounted to ISK 4,071 million in 2023 compared to ISK 3,204 million in 2022, up by ISK 867 million from last year. As mentioned before, the increase is largely related to the amortization of TV content rights, in addition to increased depreciation of IT assets.

## Cash flow

Operating activities amounted to a total of ISK 6,180 million in 2023 compared to ISK 6,092 million in 2022. The decrease in operating-related assets and liabilities in 2023 are ISK 568 million.

Cash generated by operation was ISK 5,612 million in 2023 compared to ISK 8,134 million in 2022. After interest and taxes, net cash from operating activities amounted to ISK 4,853 million in 2023 compared to ISK 7,240 million in 2022.

In Q1 2023, Síminn sold a bond that the company received as payment when Míla was sold, which explains the positive investment movements in the period.

Financing activities were negative, amounting to ISK 17,468 million in 2023 mainly due to share capital reduction in Q1 2023 with a payment amounting to ISK 15.6 billion.

Cash flow	2023	2022
Operating profit	2.079	2.945
Depreciation	4.071	3.204
Items not affecting cash flow	30	( 57)
<b>Total operating activities</b>	<b>6.180</b>	<b>6.092</b>
Changes in current assets and liabilities	( 568)	2.042
<b>Cash generated by operation</b>	<b>5.612</b>	<b>8.134</b>
Net interest expenses paid during the period	( 189)	( 12)
Payments of taxes during the period	( 570)	( 882)
<b>Net cash from operating activities</b>	<b>4.853</b>	<b>7.240</b>
Investing activities	10.742	26.861
Financing activities	( 17.468)	( 33.889)
<b>Changes in cash and cash equivalents</b>	<b>( 1.873)</b>	<b>212</b>
Translation effects on cash	( 38)	0
<b>Cash and cash equivalents at the beginning of period</b>	<b>3.721</b>	<b>3.509</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1.810</b>	<b>3.721</b>

## Balance sheet

Total assets amounted to ISK 33,789 million at the end of 2023 but were ISK 51,181 million at the end of 2022.

Interest-bearing debts, including lease obligations, were ISK 10,530 million at the end of 2023 compared to ISK 8,867 million at the end of 2022. Cash at the end of 2023 amounted to ISK 1,810 million compared to ISK 3,721 million at the end of 2022. Net interest-bearing debt with lease liabilities and Síminn Pay consumer loans were ISK 5,822 million at the end of 2023 compared to ISK 3,449 million at the end of 2022.

Equity amounted to ISK 17,600 million at the end of 2023 and equity ratio was 52.1%.

Assets	31.12.2023	31.12.2022
Property, plant and equipment.....	2.552	2.466
Right-of-use assets.....	732	941
Intangible assets.....	21.047	22.122
Other non-current assets.....	431	580
<b>Non-current assets</b>	<b>24.762</b>	<b>26.109</b>
Corporate bond.....	0	15.687
Cash and cash equivalents.....	1.810	3.721
Other current assets.....	7.217	5.664
<b>Current assets</b>	<b>9.027</b>	<b>25.072</b>
<b>Total assets</b>	<b>33.789</b>	<b>51.181</b>
Equity and liabilities	31.12.2023	31.12.2022
Total equity.....	17.600	35.261
<b>Total equity</b>	<b>17.600</b>	<b>35.261</b>
Borrowings.....	7.470	5.956
Finance lease.....	503	731
Accounts payables.....	0	639
Deferred tax liabilities.....	232	89
<b>Non-current liabilities</b>	<b>8.205</b>	<b>7.415</b>
Other Current liabilities.....	7.984	8.505
<b>Current liabilities</b>	<b>7.984</b>	<b>8.505</b>
<b>Total equity and liabilities</b>	<b>33.789</b>	<b>51.181</b>

## Key events

- In January, Síminn signed a purchase agreement to acquire all shares in three related companies in the advertising market. Síminn has been developing a TV advertising system that allows customers to target advertisements to specific audiences and areas, which means that the advertisements are more targeted for Síminn's customers. The acquisition will further strengthen Síminn's service offering in the advertising market and Síminn will have further opportunities to develop and expand its advertising services. The total value of the companies amounts to ISK 5,150 million and will be financed by equity in Síminn worth ISK 1,000 million and cash. It is estimated that Síminn's annual turnover will increase by ISK 1,450 million and EBITDA around ISK 800 million on an annual basis. The transaction is subject to usual conditions such as approval of the Competition Authority, but a merger plan has been sent to the Authority.
- The development of a robust mobile network continues and there are 680 mobile sites nationwide. By the end of last year, 135 5G sites were in use, increasing by over 50 in 2023. In addition, the capacity of the 4G system was increased in almost 80 locations in the country. Síminn did recently acquire 4G and 5G frequencies for a twenty years period. There was a large increase in data transfer via Síminn's mobile network during the year, but the increase between years was almost 50%.
- Síminn reacted quickly when eruption turmoil began in Reykjanes. Mobile sites in the vicinity of Grindavík and Svartsengi were dually connected to mobile core, both with fiber optic cables and microwave, to ensure optimal communication in case of connections to the sites being disrupted. Back-up power units were also placed in the areas to ensure a shorter response in the event of power shortage in the area, which was then realized during eruptions. This was done in good cooperation with Míla, Emergency service and other telco companies to ensure optimal communications in these conditions.
- The year 2023 was a good year for Síminn's TV service. There have never been more subscribers to Síminn's TV Premium service, and the service is now the largest national subscription provider. Viewership records were broken and the year-on-year increase amounts to 15%. Over a million orders were made every week in 2023. The TV show IceGuys was the most popular show of the year, but all the episodes about the boy band set ratings records and the collaboration with HBO has been very successful. Síminn premiered four domestic series out of the six that were produced nationwide. This year, six series out of eleven series in Iceland 2024 will be produced by Síminn.
- Síminn Pay will launch a new corporate card in the coming weeks. The corporate card is only electronic and therefore activated immediately after the application has been approved. Gives the customer complete control over the management of all the company's cards and have a real-time overview of usage where all transactions will be visible on the service website. Cardholders are identified by means of electronic identification, which ensures that the card is only used by the correct parties. The time spent sorting and posting transactions is reduced by 95% as all transactions are automatically sorted as soon as they are performed.

## Guidance 2024

The guidance for 2024:

- EBITDA will be in the range of ISK 6.4 to 6.7 billion.
- EBIT will be in the range of ISK 2.5 to 2.8 billion.
- CAPEX excluding licences and spectrums will be in the range of ISK 3.2 to 3.5 billion.

## Investor meeting 21 February 2024

An investor presentation will be held on Wednesday 21 February 2024 at 8:30 am at Síminn's headquarters in Ármúli 25, Reykjavík. During the meeting, Orri Hauksson CEO and Óskar Hauksson CFO will present the financial results. The meeting will be held in Icelandic. Documents for the meeting are available in Nasdaq's Iceland company news and on the company's investor relations website <https://www.siminn.is/fjarfestar/quarterly-results>.

The meeting is webcasted on: <https://www.siminn.is/fjarfestar/fjarfestakynning>.

## Financial Calendar 2024

Annual General Meeting 2024	14 March 2024
Interim report for the first quarter of 2024	23 April 2024
Interim report for the first half of 2024	27 August 2024
Interim report for the first nine months of 2024	22 October 2024
Announcement of the 2024 results	18 February 2025
Annual General Meeting 2025	13 March 2025

## Further information:

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Note: This English version is a translation of the Icelandic text that accompanies the Q4 2023 results of Síminn hf.