

EBITDA ISK 1,401 million in Q1 2023

Main results

- Sales of goods amounted to ISK 29,484 million, compared to ISK 24,572 million in the previous year and increased by 20.0% between years.
- Gross profit from sales of goods and services amounted to ISK 6,227 million. An increase of ISK 493 million or 8.6% between years.
- Profit margins were 21.1%, which is 2.2 p.p lower than previous year and 0.5 p.p from last quarter. There is continued pressure on profit margins in all product categories.
- Salaries and other personnel expense increases by 22.2% YoY. Full-time equivalents increase by 12.2% YoY as a result of new stores opening last year.
- EBITDA amounted to ISK 1,401 million compared to ISK 1,749 million in Q1 2022, which equals to a 19.9% decrease between years.
- Equity at the end of Q1 amounted to ISK 32,905 million with an equity ratio of 34.9% compared to equity ratio 36.9% at year-end 2022.
- EBITDA forecast for the year is unchanged at ISK 9,750 – ISK 10,250 million.

ISK million	Q1 2023	Q1 2022	Change	%Change
Income Statement				
Sale of goods and services	29,484	24,572	4,912	20.0%
Margin from sale of goods and services	6,227	5,734	493	8.6%
Other operating income	497	431	66	15.4%
EBITDA	1,401	1,749	-348	-19.9%
EBIT	473	951	-479	-50.3%
EBT	-172	572	-744	-130.0%
Profit for the period	-91	476	-567	-119.1%
Statement of Financial Position				
	31.3.2023	31.12.2022	Change	%Change
Inventories	14,197	13,086	1,112	8.5%
Trade receivables	5,794	5,960	-166	-2.8%
Interest bearing liabilities without lease liabilities	30,119	30,014	105	0.4%
Cash and cash equivalents	1,823	2,112	-289	-13.7%
Net interest bearing liabilities without lease liabilities	28,296	27,902	394	1.4%
Equity ratio	34.9%	36.9%	-2.0 p.p.	-5.3%
Statement of Cash Flows				
	Q1 2023	Q1 2022	Change	%Change
Cash flows from operating activities	1,238	983	255	26.0%
Investing activities	-815	-1,617	802	-49.6%
Financing activities	-732	-682	-50	7.3%
Cash and cash equivalents at the end of the period	1,823	2,653	-829	-31.3%
Key indicators				
Margin from sale	21.1%	23.3%	-2.2 p.p.	-9.5%
EBITDA/margin from sale	22.5%	30.5%	-8.0 p.p.	-26.3%
Salaries/margin from sale	59.0%	52.4%	+6.5 p.p.	12.5%
Investments	852	1,904	-1,051	-55.2%
Inventory turnover	7.3	8.3	-1.0	-12.0%

Operations in Q1 2023

The company's operations were good in the first quarter and in line with our forecast. Retail operations continued to be challenging due to the impact of inflation on prices and operation costs. Sales of goods and services increased by 20.0% year-over-year. Considerable sales growth in fuel, grocery, and convenience goods as well as electronic goods. In general, there was an increase in volume in most sectors of operations, except for sales to large customers. Price increases from suppliers in purchasing of products had an impact on the margin level, which decreased by 2.2 p.p. between years. N1's EBITDA decreased by ISK 302 million. Profit of oil hedging contracts was ISK 174 million lower than Q1 2022. Krónan's EBITDA was ISK 102 million better than previous years and ELKO's EBITDA was ISK 93 million worse than the previous year. The company's EBITDA was ISK 1,401 million, which is an ISK 348 million decrease compared to the same quarter of the previous year.

Revenues in Q1 2023

- Revenue from sale of goods and services was ISK 29,484 million in Q1 2023, an increase of 20.0% between years.
- Sales of grocery and convenience goods amounted to ISK 15,383 million, up by 24.1% between years.
- Sales of fuel and electricity amounted to ISK 8,361 million, an increase of 18.3% between years.
- Sales of electronic equipment amounted to ISK 3,846 million, an increase of 13.2% between years.
- Sales of other goods and services were ISK 1,894 million, an increase of 10.9% between years.

ISK million	Q1 2023	Q1 2022	Change	%Change
Sale of goods and services				
Grocery and convenience goods	15,383	12,399	2,984	24.1%
Fuel and electricity	8,361	7,067	1,295	18.3%
Electronic equipment	3,846	3,397	448	13.2%
Other goods and services	1,894	1,708	186	10.9%
Total sale of goods and services	29,484	24,572	4,912	20.0%
Total other operating income	497	431	66	15.4%
Total income	29,980	25,002	4,978	19.9%

Sales of grocery and convenience goods increased by 24.1% between years, the number of Krónan stores increased by two from the previous year with the opening of a new store in Borgartún last May and in Akureyri in December. Krónan also opened a new and bigger store in Skeifan and simultaneously closed an older store in Skeifan. Icelandic Food Company operations joined the group from January 1st, 2023, with revenue in the Grocery and convenience sector. Sales of fuel and electricity increased by 18.3% between years, while fuel prices in the global market decreased by around 5-7% depending on fuel type between years. Volume sold amounted to 41.4 million liters, which is a decrease of 12% between years. Revenue from electronics sales increased by 13.2% with the greatest increase coming from stores at Keflavik Airport and Skeifan. Revenue from other goods and services increased by 10.9% between years, with N1 opening a new car service workshop in Klettagarðar which was launched last September.

Margin from sale of goods and services in Q1 2023

- Margin from sale of goods and services amounted to ISK 6,227 million, an increase of 8.6% between years.
- Margin from grocery and convenience goods was ISK 3,471 million, an increase of 20.6% between years.
- Margin from fuel and electricity was ISK 1,130 million, a decrease of ISK 144 million between years. Margin level was 13.5% and decreases by 4.5 p.p. between years.
- Margin from electronics was ISK 927 million, an increase of 1.3% between years.
- The margin from other goods and services was ISK 700 million, an increase of 5.1%, between years.

ISK million	Q1 2023	Q1 2022	Change	%Change
Margin from sale of goods and services				
Grocery and convenience goods	3,471	2,879	592	20.6%
Fuel and electricity	1,130	1,274	-144	-11.3%
Electronic equipment	927	915	12	1.3%
Other goods and services	700	666	34	5.1%
Total margin from sales of goods and services	6,227	5,734	493	8.6%

Total margin from sale of goods and services in Q1 2023 is ISK 6,227 million compared to ISK 5,734 million for the same quarter last year, an increase of 8.6%. Margin from sale of grocery and convenience goods is ISK 3,471 million, up by 20.6% YoY. Margin from fuel and electricity is ISK 1,130 million, a decrease of ISK 144 million between years. Negative effects due to fuel hedge contracts this quarter amount to ISK 174 million. Margin of electronics sales was ISK 927 million, an increase of 1.3% and the margin of other goods and services was ISK 700 million, an increase of 5.1% between years.

Operating expenses in Q1 2023

- Operating expenses in Q1 2023 were ISK 5,323 million which is an increase of ISK 908 million or 20.6% YoY.
- Salaries and other personnel expenses increase by ISK 666 million or 22.2% YoY.
- The number of full-time equivalents were 1,294 in Q1 2023, an increase of 12.2% YoY.
- Total other operating expenses increased by ISK 241 million or 17.1% YoY.

ISK million	Q1 2023	Q1 2022	Change	%Change
Operating expenses				
Salaries and other personnel expenses	3,673	3,006	666	22.2%
Other operating expenses				
Operating costs of real estate	512	430	82	19.1%
Maintenance expenses	302	231	72	31.1%
Sales and marketing expenses	348	305	44	14.3%
Office and administrative expenses	123	109	14	12.7%
Communication expenses	237	198	39	19.8%
Insurance and claims	34	63	-29	-46.4%
Other expenses	95	75	20	27.1%
Total other operating expenses	1,651	1,409	241	17.1%
Total operating Expenses	5,323	4,416	908	20.6%

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Salaries and other personnel expenses amounted to ISK 3,673 million in Q1 2023 compared to ISK 3,006 million in Q1 2022 which is an increase of 22.2%. Full-time equivalents were 1,294 in the quarter, an increase of 140 full-time equivalents or 12.2% YoY. Two contractual wage increases came into effect between the periods in April 2022 and November 2022 and had an effect of ISK 266 million on the year-over-year increase. The cost due to the increase in full-time equivalents is ISK 329 million between years. The table below shows an analysis of the increase in wages and other personnel expenses in ISK million between years:

Salaries and other personnel expenses Q1 2022	3,006
Change in full-time position equivalents	329
Contractual wage increases	266
Accrued vacation, change	8
Other personnel expenses	63
Salaries and other personnel expenses Q1 2023	3,673

Other operating expenses were ISK 1,651 million compared to ISK 1,409 million in Q1 2022, which is an increase of 17.1% between years. The increase is mainly related to new stores and sales-related expenses like turnover-based leases and transaction costs. Inflation also affects comparison of cost items between years.

Financial items in Q1 2023

- Net finance expenses and the impact of affiliates were negative by ISK 669 million in Q1 2023 compared to ISK 351 million in Q1 2022, an increase of ISK 318 million between years.
- Finance income amounted to ISK 27 million, a decrease of ISK 2 million between years.
- Finance expenses amounted to ISK 818 million, an increase of ISK 375 million between years.
- The share of profit from associates amounted to ISK 122 million, an increase of ISK 59 million between years.

ISK million	Q1 2023	Q1 2022	Change	%Change
Finance income	27	29	-2	-6.0%
Finance expenses	-818	-443	-375	84.7%
Share of profit from associates	122	63	59	93.8%
Total	-669	-351	-318	90.6%

Finance income amounted to ISK 27 million, or 6.0% increase between years. Finance expenses amounted to ISK 818 million, an increase of ISK 375 million between years, mostly due to the effect of raised key interest rates by the Central Bank of Iceland. The share of profit from associates amounted to ISK 122 million, an increase of ISK 59 million between years.

Statement of financial position

- Total assets amounted to ISK 94,148 million at the end of Q1 2023, an increase of ISK 775 million from year-end 2022.
- Non-current assets amounted to ISK 71,723 million, an increase of ISK 273 million from year-end 2022.
- Current assets amounted to 22,425 million, an increase of ISK 502 million from year-end 2022.
- Equity ratio was 34.9% at the end of Q1 2023 in comparison with 36.9% at year-end 2022.
- Cash and cash equivalents amounted to ISK 1,823 million at the end of Q1 2023, a decrease of ISK 289 million from year-end 2022.

ISK million	31.3.2023	31.12.2022	Change	%Change
Goodwill	14,842	14,862	-20	-0.1%
Other intangible assets	4,434	4,517	-83	-1.8%
Property and equipment	34,993	34,815	178	0.5%
Leased assets	8,082	8,012	70	0.9%
Investment properties	6,504	6,479	25	0.4%
Inventories	14,197	13,086	1,112	8.5%
Trade receivables	5,794	5,960	-166	-2.8%
Cash and cash equivalents	1,823	2,112	-289	-13.7%
Interest bearing liabilities without lease liabilities	30,119	30,014	105	0.4%
Net interest bearing liabilities without lease liabilities	28,296	27,902	394	1.4%
Net interest bearing liabilities	36,823	36,328	495	1.4%
Equity ratio	34.9%	36.9%	-2.0 p.p.	-5.3%
Inventory turnover	7.3	8.3	-1.0	-12.0%

Goodwill amounted to ISK 14,842 million and other intangible assets ISK 4,434 million at the end of Q1 2023. Properties and equipment amounted to ISK 34,993 million, an increase of 178 million and investment properties to ISK 6,504 million at the end of Q1 2023, an increase of ISK 25 million from year-end 2022.

Inventories increased by ISK 1,112 million from year-end. Gasoline inventories increased by ISK 381 million and in groceries by ISK 661 million due to seasonal fluctuations. Trade receivables decreased by ISK 166 million and short-term receivables decreased by ISK 155 million from the beginning of the year.

Net interest-bearing liabilities without lease liabilities amounted to ISK 28,296 million which is an increase of ISK 394 million from year-end 2022. Dividend payment of ISK 914 million to shareholders, approved at the Annual General Meeting in March, is included in short term liabilities in the balance sheet at the end of March and was paid in April. Equity ratio was 34.9% at the end of Q1 2023 compared to 36.9% at year-end 2022. The company's cash position remains strong as well as the balance sheet.

Cashflow and investments in Q1 2023

- Net cash from operating activities was ISK 1,238 million, an increase of ISK 255 million from Q1 2022.
- Net cash used in investing activities was ISK 815 million, a decrease of ISK 802 million from Q1 2022.
- Net cash used in financing activities was ISK 732 million, an increase of ISK 50 million from last year.

ISK million	Q1 2023	Q1 2022	Change	%Change
Cash flow				
Cash and cash equivalents, beginning of period	2,112	4,003	-1,891	-47.2%
Net cash to operating activities	1,238	983	255	26.0%
Net cash used in investing activities	-815	-1,617	802	-49.6%
Net cash used in financing activities	-732	-682	-50	7.3%
Effect of movements in exchange rates on cash	20	-34	54	-159.6%
Cash and cash equivalents change	-309	-1,316	1,008	-76.5%
Cash and cash equivalents, end of period	1,823	2,653	-829	-31.3%

Net cash from operations in Q1 2023 amounted to ISK 1,238 million, an increase of ISK 255 million between years. Net cash used in Investments amounted to ISK 852 million, a decrease of ISK 1,047 million between years. Installments of lease liabilities amounted to ISK 197 million and purchase of own shares amounted to ISK 533 million. Cash and cash equivalents decreased by ISK 309 million in the first quarter of 2023 and amounted to ISK 1,823 million at the end of Q1 2023.

Outlook in Festi hf. operations, EBITDA and CAPEX forecast for 2023

EBITDA forecast is ISK 9,750 – ISK 10,250 million.

CAPEX guidance is ISK 4,500 – ISK 5,000 million.

The following external factors can have a major impact on company's operations:

- Impact of Russia's invasion of Ukraine on supply of goods.
- Major changes in global commodity prices and exchange rates.
- High inflation in international markets, as well as Iceland.
- Uncertainty in number of tourist arrivals to Iceland and Icelanders travelling abroad.

The company has an equity ratio of 34.9% at the end of Q1 2023 and the company has a strong financial position. The outlook for the business is good and the company is in a good position to handle the tasks ahead.

Shareholders

- The Company's market capitalization at the end of Q1 2023 amounted to ISK 55.1 billion.
- The number of shareholders were 1,268 at the end of Q1 2023.

Investor meeting and online presentation on Thursday the 4th of May 2023

An investor meeting and online presentation for market participants will take place on Thursday, May 4th at Dalvegur 10-14, 3rd floor.

Ásta S. Fjeldsted, CEO of Festi and Magnús Kr. Ingason, CFO of Festi will present the Group's performance and answer questions in Icelandic. The meeting starts at 08:30 local time.

Registration for the web stream takes place here: <https://www.festi.is/en/cc/results-q1-2023>

Participants who watch online can ask questions during the meeting via the e-mail fjarfestatengsl@festi.is. Questions will be answered after the presentation.

Promotional material for the meeting will be available after that on the Festi website: <https://www.festi.is/en/r/reports-and-presentations>

Financial calendar

- Q1 2023: May 3rd, 2023
- Q2 2023: July 26th, 2023
- Q3 2023: October 25th, 2023
- Q4 2023: February 7th, 2024
- Annual general meeting 2024: March 20th, 2024

For further information please contact Ásta S. Fjeldsted, CEO (asta@festi.is) or Magnús Kr. Ingason, CFO (mki@festi.is).