

Profit in Q3 2020 ISK 1,162 million

Main results

- Margin from sales of goods and services was ISK 5,831 million compared to ISK 5,644 million in Q3 2019, an increase of 3.3%.
- EBITDA ISK 2,586 million compared to ISK 2,617 million in Q3 2019, a decrease of 1.2%.
- Decline in results is related to COVID-19 restrictions enforced beginning of August
- Gross margin from sales 24.8% in Q3 2020 compared to 23.4% in Q3 2019
- Equity ISK 29,682 million and equity ratio 34.8% compared to 35.3% at the end of 2019.
- Net interest-bearing debt without lease liabilities ISK 28,109 million compared to ISK 28,011 million at the end of 2019.
- EBITDA guidance for 2020 is updated and is in the range between ISK 7,200 – 7,500 million

ISK million	Q3 2020	Q3 2019	Change	% Change	9M 2020	9M 2019	Change	%Change
Income Statement								
Sale of goods and services	23,524	24,092	-567	-2.4%	63,038	63,712	-674	-1.1%
Margin from sales of goods and services	5,831	5,644	187	3.3%	15,396	14,923	473	3.2%
Other operating income	342	412	-69	-16.9%	951	1,423	-473	-33.2%
EBITDA	2,586	2,617	-31	-1.2%	5,310	5,839	-529	-9.1%
EBIT	1,786	2,138	-352	-16.5%	3,293	3,898	-605	-15.5%
EBT	1,435	1,809	-375	-20.7%	2,136	2,531	-395	-15.6%
Profit for the period	1,162	1,480	-317	-21.4%	1,740	2,081	-340	-16.4%
Statement of Financial Position								
					30.9.2020	31.12.2019	Change	%Change
Inventories					8,672	7,678	993	12.9%
Trade receivables					4,217	3,756	461	12.3%
Interest bearing liabilities without lease liabilities					33,099	33,380	-281	-0.8%
Cash and cash equivalents					4,991	5,369	-378	-7.0%
Net interest bearing liabilities without lease liabilities					28,109	28,011	97	0.3%
Statement of Cash Flows								
	Q3 2020	Q3 2019	Change	% Change	9M 2020	9M 2019	Change	%Change
Cash flows from operating activities	2,453	2,280	173	7.6%	4,369	4,278	91	2.1%
Investing activities	-998	-318	-680	213.5%	-2,435	1,343	-3,778	-281.3%
Financing activities	-756	-79	-677	854.1%	-2,345	-3,073	728	-23.7%
Cash and cash equiv. at the end of the period	4,991	6,839	-1,848	-27.0%	4,991	6,839	-1,848	-27.0%
Key indicators								
Margin from sales	24.8%	23.4%	1.4%	5.8%	24.4%	23.4%	1.0%	4.3%
EBITDA/gross profit	44.4%	46.4%	-2.0%	-4.3%	34.5%	39.1%	-4.6%	-11.8%
Equity ratio					34.8%	35.3%	-0.5%	-1.4%
Salaries/gross profit	42.5%	42.0%	0.4%	1.0%	49.3%	48.6%	0.7%	1.5%
Return on equity					7.4%	11.0%	-3.6%	-32.7%
Investments	1,297	514	782	152.1%	2,584	1,496	1,088	72.7%
Inventory turnover	7.5	8.4	-0.92	-10.9%	8.3	8.5	-0.20	-2.4%

Operations in the third quarter

Our third quarter EBITDA results were good despite significant effects on the operation because of COVID-19 congregation ban had on the operations. EBITDA was in the amount of ISK 2,586 million which was 1,2% lower than same time last year. The COVID-19 outbreak had significant economic impact during the quarter, but the Group is balanced in exposure with its diversified business mix. Elko had strong results while N1 and Krónan operations were in line with expectations. Overall results for Festi are in line with the EBITDA guidance published at the end of last April.

Revenues

- Sales of goods and services were ISK 23,524 million in Q3 2020 compared to ISK 24,092 million in Q3 2019, down by 2.4%.
- Diversified business mix. Increase in grocery, convenience goods and electronic equipment.
- Significant growth in online stores.
- New Krónan store opened in downtown Reykjavík.

ISK million	Q3 2020	Q3 2019	Change	% Change	9M 2020	9M 2019	Change	% Change
Sale of goods and services								
Grocery and convenience goods	12,520	11,247	1,274	11.3%	34,683	31,049	3,635	11.7%
Fuel and Electricity	5,930	8,318	-2,388	-28.7%	14,641	20,297	-5,656	-27.9%
Electronic Equipment	3,364	2,804	560	20.0%	8,851	7,621	1,230	16.1%
Other goods and services	1,710	1,723	-13	-0.8%	4,863	4,746	117	2.5%
Total Sale of goods and services	23,524	24,092	-567	-2.4%	63,038	63,712	-674	-1.1%
Total Other Operating income	342	412	-69	-16.9%	951	1,423	-473	-33.2%
Total Income	23,867	24,504	-637	-2.6%	63,989	65,135	-1,147	-1.8%

Revenue from grocery and convenience goods are up by 11%, sale of electronic equipment, up by 20% between years. Revenue from fuel sales and electricity are down by 29% between years but sold quantity is down by only 20%. Revenues from other goods and services are down by 1%.

ISK million	Q3 2020	Q3 2019	Change	% Change	9M 2020	9M 2019	Change	% Change
Margin from sales of goods and services								
Grocery and convenience goods	3,147	2,980	168	5.6%	8,099	7,462	638	8.5%
Fuel and Electricity	1,305	1,448	-144	-9.9%	3,203	3,939	-736	-18.7%
Electronic Equipment	773	654	120	18.3%	2,198	1,716	482	28.1%
Other goods and services	605	563	43	7.6%	1,897	1,807	89	4.9%
Total margin from sales of goods and services	5,831	5,644	187	3.3%	15,396	14,923	473	3.2%

Total margin from sales of goods and services is ISK 5,831 million compared to ISK 5,644 million for the same quarter last year, an increase of 3.3%. Margin from grocery and convenience goods is ISK 3,147 and up by 5.6%. Margin from electronic equipment sales is ISK 773 and is up by 18.3% and margin from other goods is ISK 605 and up by 7.6% but margin from fuel and electricity is ISK 1,305 and down by 10%.

Operating expenses

- Operating expenses in Q3 2020 was ISK 3,587 million compared to ISK 3,438 million in Q3 2019
- COVID-19 added cost of ISK 108 million in Q3 2020.

ISK million	Q3 2020	Q3 2019	Change	% Change	9M 2020	9M 2019	Change	% Change
Operating expenses								
Salaries and other personnel expenses	2,475	2,371	104	4.4%	7,588	7,250	338	4.7%
Other operating expenses								
Operating costs of real estate	382	436	-54	-12.4%	1,161	1,236	-75	-6.1%
Maintenance expenses	152	156	-4	-2.3%	508	470	38	8.1%
Sales and marketing expenses	178	182	-4	-2.2%	550	569	-19	-3.3%
Office and administrative expenses	154	139	15	10.6%	449	369	79	21.5%
Communication expenses	81	101	-20	-19.8%	354	385	-31	-8.1%
Bad debt and change in allowance for bad debt	28	28	-1	-2.4%	65	10	55	541.7%
Other expenses	137	25	112	447.5%	362	218	144	65.8%
Total Other operating expenses	1,111	1,067	44	4.1%	3,448	3,258	191	5.9%
Total Operating Expenses	3,587	3,438	148	4.3%	11,037	10,507	529	5.0%

Salaries and other personnel expenses amount to ISK 2,475 million compared to ISK 2,371 million in Q3 2019 which is an increase of 4.4% over years. Full time employees are 1,198 which is down by 4% compared to the same quarter last year. Added COVID-19 personnel expenses in the quarter is ISK 73 million. The table below illustrates the difference between years in millions ISK.

Salaries and other personnel expenses Q3 2019	2.371
Change in full-time position equivalents	-28
Contractual wage increases	79
Accrued vacation, change	-11
Covid-19 effects	73
Other	-9
Salaries and other personnel expenses Q3 2020	2.475

Other operating expenses were ISK 1,111 million compared to ISK 1,067 million in Q3 2019, an increase of 4,3%. Included is COVID-19 related cost of ISK 35 million.

Financial items

- Net finance cost ISK 351 million in Q3 2020 compared to ISK 329 million in Q3 2019.

ISK million	Q3 2020	Q3 2019	Change	% Change	9M 2020	9M 2019	Change	% Change
Finance income	1	68	-67	-98.6%	181	157	24	15.2%
Finance expenses	-521	-536	-15	-2.8%	-1,576	-1,807	232	-12.8%
Share of profit from associates	169	139	29	21.1%	238	284	-46	-16.3%
Total	-351	-329	-23	6.8%	-1,157	-1,367	209	-15.3%

Statement of financial position

- Total assets amounted to ISK 85,294 million at end of 9M 2020
- Equity ratio 34.8%
- Cash and cash equivalents ISK 4,991 million

ISK million	30.9.2020	31.12.2019	Change	% Change
Goodwill	14,668	14,070	598	4.2%
Other intangible assets	4,988	4,650	338	7.3%
Property and equipment	31,908	31,434	475	1.5%
Leased assets	5,270	3,862	1,408	36.4%
Investment properties	7,237	7,354	-117	-1.6%
Inventories	8,672	7,678	993	12.9%
Trade receivables	4,217	3,756	461	12.3%
Cash and cash equivalents	4,991	5,369	-378	-7.0%
Interest bearing liabilities without lease liabilities	33,099	33,380	-281	-0.8%
Net interest bearing liabilities without lease liabilities	28,109	28,011	97	0.3%
Net interest bearing liabilities	33,556	31,975	1,581	4.9%
Equity ratio	34.8%	35.3%	-1%	-1.4%
Inventory turnover	8.3	8.6	-0.3	-3.5%

Goodwill is ISK 14,668 million and other intangible assets ISK 4,988 million at end of Q3 2020. Properties and equipment amounted to ISK 31,908 million and investment properties to ISK 7,237 million at end of Q3 2020.

Net interest-bearing liabilities without lease liabilities amount to ISK 28,109 million which is an increase of ISK 97 from year-end 2019. Equity ratio was 34.8% at the end of Q3 2020 compared to 35.3% at year-end 2019. The cash position remains strong and the balance sheet healthy.

Cash flow and investments

- Net cash from operating activities ISK 2,453 million compared to ISK 2,280 million in Q3 2019
- Cash used for investments was ISK 998 million, mostly in retail properties.
- Dividend paid was ISK 648 million.

ISK million	Q3 2020	Q3 2019	Change	% Change	9M 2020	9M 2019	Change	% Change
Cash flow								
Cash and cash equivalents, beginning of period	4,294	4,950	-656	-13.3%	5,369	4,267	1,102	25.8%
Net cash to operating activities	2,453	2,280	173	7.6%	4,369	4,278	91	2.1%
Net cash used in investing activities	-998	-318	-680	213.5%	-2,435	1,343	-3,778	-281.3%
Net cash used in financing activities	-756	-79	-677	854.1%	-2,345	-3,073	728	-23.7%
Effect of movements in exchange rates on cash	-3	6	-9	-143.6%	33	24	9	36.6%
Cash and cash equivalents change	696	1,889	-1,192	-63.1%	-378	2,572	-2,950	-114.7%
Cash and cash equivalents, end of period	4,991	6,839	-1,848	-27.0%	4,991	6,839	-1,848	-27.0%

Net cash from operating activities was ISK 2,453 million in Q3 2020 compared to ISK 2,280 in same quarter last year. Investments were ISK 1,297 million compared to ISK 514 million last year. New Krónan store opened this quarter in Hallveigarstígur in Reykjavík. Krónan Austurver and Krónan Norðurhella as well as ELKO Akureyri are well underway in progress and will open in Q4 2020. Dividend paid in Q3 2020 was 648 million. Net Cash and cash equivalents increased by ISK 696 million compared to ISK 1,889 million last year.

Future outlook and EBITDA guidance for 2020

EBITDA guidance for the year 2020 is updated and is now in the range of ISK 7,200 – 7,500 million.

Following factors may affect the ongoing business:

- Uncertainties related to COVID19 and the ongoing congregation ban
- Volatility in fuel prices and the ISK
- Unemployment rates and drop in GDP
- The Icelandic economy will be affected for some months/years

The company has an equity ratio of 34.8% and a strong cash position. The business outlook is good, and the company is well equipped to handle the projects that lie ahead

Shareholders

- The Company's market capitalization was ISK 48.2 billion at the end of Q3 2020.
- Dividend for 2019 was paid out to shareholders 2nd September 2020.
- Buy-back program started 5th of October for up to 1.2% of own shares.
- No. of shareholders were 965 at end of Q3 down from 1,005 at end of Q2.

Investor meeting - Presentation on Thursday the 5th of November 2020

A presentation will be held online on Thursday the 5th of November 2020 due to COVID restrictions. Eggert Kristófersson CEO of Festi will present the results and answer questions. Registration is here https://origo.zoom.us/webinar/register/WN_hHJK_5-cSLquAMAub24JAg

The meeting will begin at 08:30 local time. The presentation and related material will be accessible on Festi website following the presentation, see <http://festi.is/fjarfestar/fjarhagsupplýsingar/> as well as on the company news section on Nasdaq OMX Iceland hf. webpage.

Financial calendar

- Annual Financial statement for the year 2020: 25 February 2021
- Annual general meeting 2021: 22 March 2021

For further information please contact Eggert Þór Kristófersson, CEO, (eggert@festi.is) or Magnús Kr. Ingason, CFO, (mki@festi.is).