

Profit in Q3 2021 ISK 2,286 million

Main results

- Margin from sale of goods and services was ISK 6,875 million compared to ISK 5,785 million in Q3 2020, increase of 18.8% from last year.
- EBITDA was ISK 3,346 million compared to ISK 2,586 million in Q3 2020, increase of 29.3%.
- Gross margin from sales was 25.4% in Q3 2021 compared to 24.7% in Q3 2020.
- Operating expenses relating to COVID-19 was ISK 14 million compared to ISK 108 million in Q3 2020.
- Equity was ISK 31,748 million and equity ratio 36.6% compared to 35.7% at the year end of 2020.
- Net interest-bearing debt without lease liabilities ISK 25,423 million at end of Q3 2021 compared to ISK 29,986 million at year-end 2020, a decrease of ISK 4,563 million between years.
- EBITDA forecast for 2021 was increased on September 29th by ISK 600 million and is now in the range of ISK 9,400 – 9,800 million.

ISK million	Q3 2021	Q3 2020	Change	%Change	9M 2021	9M 2020	Change	%Change
Income Statement								
Sale of goods and services	27,064	23,455	3,609	15.4%	72,308	62,875	9,433	15.0%
Margin from sales of goods and services	6,875	5,785	1,090	18.8%	18,124	15,313	2,812	18.4%
Other operating income	534	432	102	23.6%	1,593	1,185	407	34.4%
EBITDA	3,346	2,586	759	29.3%	7,309	5,310	1,999	37.6%
EBIT	3,026	1,786	1,240	69.4%	5,505	3,293	2,211	67.2%
EBT	2,848	1,435	1,413	98.5%	4,449	2,136	2,313	108.3%
Profit for the period	2,286	1,162	1,124	96.7%	3,618	1,740	1,877	107.9%
Statement of Financial Position								
					30.9.2021	31.12.2020	Change	%Change
Inventories					8,863	7,668	1,194	15.6%
Trade receivables					5,887	4,924	964	19.6%
Interest bearing liabilities without lease liabilities					29,668	32,549	-2,881	-8.9%
Cash and cash equivalents					4,245	2,563	1,682	65.6%
Net interest bearing liabilities without lease liabilities					25,423	29,986	-4,563	-15.2%
Statement of Cash Flows								
	Q3 2021	Q3 2020	Change	%Change	9M 2021	9M 2020	Change	%Change
Cash flows from operating activities	4,022	2,453	1,568	63.9%	7,404	4,369	3,035	69.5%
Investing activities	372	-998	1,370	-137.3%	-96	-2,435	2,339	-96.1%
Financing activities	-3,287	-756	-2,531	334.7%	-5,647	-2,345	-3,302	140.8%
Cash and cash equivalents at the end of the period	4,245	4,991	-746	-14.9%	4,245	4,991	-746	-14.9%
Key indicators								
Margin from sales	25.4%	24.7%	0.7%	3.0%	25.1%	24.4%	0.7%	2.9%
EBITDA/margin from sales	48.7%	44.7%	4.0%	8.8%	40.3%	34.7%	5.6%	16.3%
Equity ratio	36.6%	35.7%	0.9%	2.4%	36.6%	35.5%	1.1%	3.1%
Salaries/margin from sales	40.0%	42.8%	-2.8%	-6.4%	47.4%	49.6%	-2.2%	-4.4%
Investments	546	1,297	-750	-57.9%	1,535	2,584	-1,049	-40.6%
Inventory turnover	8.5	8.3	0.2	2.4%	8.0	8.1	-0.1	-1.2%

Operations in Q3 2021

Results from operations in third quarter of 2021 are good. Results from operations of N1, Krónan and ELKO were significantly better than same quarter last year and exceeded management expectations. EBITDA was ISK 3,346 million which is ISK 759 million higher than the results of Q3 2020.

Revenues

- Sale of goods and services were ISK 27,064 million in Q3 2021 compared to ISK 23,455 million in Q3 2020, up by 15.4%.
- Sale of grocery and convenience goods amounted to ISK 13,482 million, up by 8.0% compared to Q3 2020.
- A major turnaround in fuel and electricity sales. Sale of fuel and electricity amounted to ISK 7,742 million compared to ISK 5,930 million in Q3 2020. An increase of 30.5% between years.
- Sale of electronic goods were ISK 3,816 million, an increase of 14.4% between years.
- Sale of other goods and services was ISK 2,024 million, an increase of 18.4% between years.
- Classification of certain operating revenue and operating expenses for the year 2020 has been changed to harmonize their classification among the Group's entities.

ISK million	Q3 2021	Q3 2020	Change	%Change	9M 2021	9M 2020	Change	%Change
Sale of goods and services								
Grocery and convenience goods	13,482	12,478	1,004	8.0%	38,891	34,580	4,311	12.5%
Fuel and electricity	7,742	5,930	1,811	30.5%	17,638	14,641	2,997	20.5%
Electronic equipment	3,816	3,337	479	14.4%	10,543	8,791	1,752	19.9%
Other goods and services	2,024	1,710	314	18.4%	5,235	4,863	372	7.7%
Total sale of goods and services	27,064	23,455	3,609	15.4%	72,308	62,875	9,433	15.0%
Total other operating income	534	432	102	23.6%	1,593	1,185	407	34.4%
Total income	27,598	23,887	3,711	15.5%	73,900	64,060	9,840	15.4%

Sale in new stores contribute ISK 992 million to the increase between quarters. Sale of other goods are up by ISK 314 million, an increase of 18.4% between years.

ISK million	Q3 2021	Q3 2020	Change	%Change	9M 2021	9M 2020	Change	%Change
Margin from sales of goods and services								
Grocery and convenience goods	3,373	2,964	409	13.8%	9,367	8,076	1,292	16.0%
Fuel and electricity	1,818	1,470	349	23.7%	3,983	3,203	781	24.4%
Electronic equipment	948	746	202	27.0%	2,720	2,138	582	27.2%
Other goods and services	736	605	131	21.6%	2,053	1,897	157	8.3%
Total margin from sales of goods and services	6,875	5,785	1,090	18.8%	18,124	15,313	2,812	18.4%

Total margin from sale of goods and services in Q3 2021 is ISK 6,875 million compared to ISK 5,785 million for the same quarter last year, an increase of 18.8%. Margin from sale of grocery and convenience goods is ISK 3,373 million and up by 13.8%. Margin from fuel and electricity is ISK 1,818 million, an increase of 23.7%. Positive effects due to fuel hedge contracts amount to ISK 176 million between quarters.

Margin from electronic equipment sales is ISK 948 million, up by 27.0% and margin from other goods and services is ISK 736 million, an increase of 21.6% YoY.

The classification of certain operating revenue and operating expenses has been changed to harmonize their classification among the Group's entities. Comparative figures have been restated accordingly. The change did not have any impact on the performance of the Group, assets, liabilities, equity or cash flows.

Operating expenses

- Operating expenses in Q3 2021 were ISK 4,063 million which is an increase of ISK 433 million or 11.9% YoY.
- Salaries and other personnel cost increase by ISK 277 million or 11.2% YoY.
- Total other operating expenses increase by ISK 156 million or 13.5% YoY.

ISK million	Q3 2021	Q3 2020	Change	%Change	9M 2021	9M 2020	Change	%Change
Operating expenses								
Salaries and other personnel expenses	2,752	2,475	277	11.2%	8,587	7,588	998	13.2%
Other operating expenses								
Operating costs of real estate	397	382	15	4.0%	1,123	1,161	-39	-3.3%
Maintenance expenses	224	152	71	46.9%	655	508	147	28.9%
Sales and marketing expenses	302	222	81	36.4%	889	700	188	26.8%
Communication expenses	161	154	7	4.8%	496	449	47	10.6%
Office and administrative expenses	73	81	-8	-9.6%	275	354	-79	-22.2%
Insurance and claims	94	54	40	75.4%	193	130	63	48.4%
Bad debt and change in allowance for bad debt	12	28	-15	-55.4%	36	65	-29	-44.2%
Other expenses	47	84	-36	-43.6%	154	232	-78	-33.5%
Total other operating expenses	1,311	1,156	156	13.5%	3,821	3,599	222	6.2%
Total operating Expenses	4,063	3,631	433	11.9%	12,408	11,187	1,220	10.9%

Salaries and other personnel expenses amount to ISK 2,752 million in Q3 2021 compared to ISK 2,475 million in Q3 2020 which is an increase of 11.2%. Full-time equivalents were 1,216 in the quarter, an increase of 40 full-time equivalents between years. Contractual wage increases in January 2021 contribute ISK 109 million to the increase between years. The table below illustrates the difference in salaries and other personnel expenses between years in millions of ISK.

Salaries and other personnel expenses Q3 2020	2,475
Change in full-time position equivalents	90
Contractual wage increases	109
Accrued vacation, change	-22
Other	99
Salaries and other personnel expenses Q3 2021	2,752

Other operating expenses were ISK 1,311 million compared to ISK 1,156 million in Q3 2020, which is an increase of ISK 156 million or 13.5% between years. Maintenance expenses increase by ISK 71 million due to less regular maintenance performed last year due to COVID-19 congregation ban. Sales and marketing expenses increase by ISK 81 million where sales related cost explain ISK 58 million of the increase. Insurance and claims costs increase by ISK 40 million YoY due to additional costs of ISK 60 million expensed in the quarter relating to the fuel leak in Hofsós.

Financial items

- Net finance cost was ISK 178 million in Q3 2021 compared to ISK 351 million in Q3 2020.

ISK million	Q3 2021	Q3 2020	Change	%Change	9M 2021	9M 2020	Change	%Change
Finance income	40	0	40	15119.6%	89	181	-92	-50.8%
Finance expenses	-385	-520	135	-26.0%	-1,437	-1,576	138	-8.8%
Share of profit from associates	167	169	-2	-0.9%	293	238	55	23.2%
Total	-178	-351	174	-49.4%	-1,056	-1,157	102	-8.8%

Finance expenses were ISK 385 million compared to 520 million in the same quarter the year before. Debt conversion of long-term loans of about ISK 8.7 billion was performed from indexed to non-indexed loans as of 1st of July.

Statement of financial position

- Total assets amounted to ISK 86,764 million at end of Q3 2021, an increase of ISK 3,400 million from year-end 2020.
- Equity ratio was 36.6% at end of Q3 2021 in comparison with 35.7% at year-end 2020.
- Cash and cash equivalents amounted to ISK 4,254 million at end Q3 2021, an increase of 1,682 million from year-end 2020.

ISK million	30.9.2021	31.12.2020	Change	%Change
Goodwill	14,668	14,668	0	0.0%
Other intangible assets	4,816	4,971	-156	-3.1%
Property and equipment	31,654	32,297	-643	-2.0%
Leased assets	5,587	5,420	167	3.1%
Investment properties	7,500	7,467	33	0.4%
Inventories	8,863	7,668	1,194	15.6%
Trade receivables	5,887	4,924	964	19.6%
Cash and cash equivalents	4,245	2,563	1,682	65.6%
Interest bearing liabilities without lease liabilities	29,668	32,549	-2,881	-8.9%
Net interest bearing liabilities without lease liabilities	25,423	29,986	-4,563	-15.2%
Net interest bearing liabilities	31,253	35,596	-4,343	-12.2%
Equity ratio	36.6%	35.7%	-0.9%	-2.5%
Inventory turnover	8.5	8.3	0.2	2.4%

Goodwill is ISK 14,668 million and other intangible assets ISK 4,816 million at end of Q3 2021. Properties and equipment amounted to ISK 31,654 million and investment properties to ISK 7,500 million at end of Q3 2021. Inventory increase is in line with seasonal fluctuations in the business.

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Net interest-bearing liabilities without lease liabilities amount to ISK 25,423 million which is a decrease of ISK 4,563 million from year-end 2020. Equity ratio was 36.6% at the end of Q3 2021 compared to 35.7% at year-end 2020. The company's cash position remains strong as well as the balance sheet.

Cashflow and investments

- Net cash from operating activities was ISK 4,022 million compared to ISK 2,453 million in Q3 2020.
- Net cash from investing activities was ISK 372 million, increase of 1,370 from last year.
- Net cash used in financing activities was ISK 3,287 million, an increase of ISK 2,531 million.

ISK million	Q3 2021	Q3 2020	Change	%Change	9M 2021	9M 2020	Change	%Change
Cash flow								
Cash and cash equivalents, beginning of period	3,134	4,294	-1,160	-27.0%	2,563	5,369	-2,806	-52.3%
Net cash to operating activities	4,022	2,453	1,568	63.9%	7,404	4,369	3,035	69.5%
Net cash used in investing activities	372	-998	1,370	-137.3%	-96	-2,435	2,339	-96.1%
Net cash used in financing activities	-3,287	-756	-2,531	334.7%	-5,647	-2,345	-3,302	140.8%
Effect of movements in exchange rates on cash	4	-3	7	-250.5%	21	33	-12	-36.5%
Cash and cash equivalents change	1,111	696	415	59.5%	1,682	-378	2,060	-545.0%
Cash and cash equivalents, end of period	4,245	4,991	-746	-14.9%	4,245	4,991	-746	-14.9%

Net cash from operating activities was ISK 4,022 million in Q3 2021 which is an increase of ISK 1,568 million or 63.9% from same quarter last year. Investments in the quarter were ISK 546 million and sale of assets ISK 874 million. Purchase of own shares amount to ISK 390 million and repayment of loans ISK 2,787 million during Q3 2021. Net cash and cash equivalents increased by ISK 1,111 million in Q3 2021.

Future outlook and EBITDA guidance for 2021

Given the improved performance in third quarter of 2021 and management's assessment on the outlook, the EBITDA guidance for the year 2021 was raised by ISK 600 million with an announcement to Nasdaq OMX Iceland Hf. on the 29th of September 2021. EBITDA guidance for the year 2021 is now in the range of ISK 9,400 – 9,800 million excluding estimated gain from the sale of properties to Reitir hf. in the amount of ISK 469 million announced to Nasdaq OMX Iceland Hf. on 30th of June 2021. Work is still underway to fulfill the conditions of the sale.

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.
- Increased cost of imported goods and global supply chain delays.

The company has an equity ratio of 36,6% and a strong cash position. Festi has clear policy regarding its capital structure and will for instance with sale of assets, pay out funds to stockholders by purchase of own stock, dividend payment and/or reduction of own share capital. The business outlook is good, and the company is well equipped to face challenges that lie ahead.

Shareholders

- The Company's market capitalization was ISK 69.2 billion at the end of Q3 2021.
- The number of shareholders were 979 at end of Q3 2021.

Investor meeting - Presentation on Friday the 29th of October 2021

A meeting will be held on Friday the 29th of October on Dalvegur 10-14, 3rd floor. Eggert Kristófersson, CEO of Festi will present the results and answer questions with Magnús Kr. Ingason, CFO of Festi.

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

Financial calendar

- Annual Financial Statements for the year 2021: 4 February 2022
- Annual general meeting 2022: 2 March 2022

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