

# Investor Presentation


## Q4 2022

15 February 2023

**ÁSGEIR HELGI REYKFIÖRÐ GYLFASON, CEO**

**SKEL**  
FJÁRFESTINGAFÉLAG

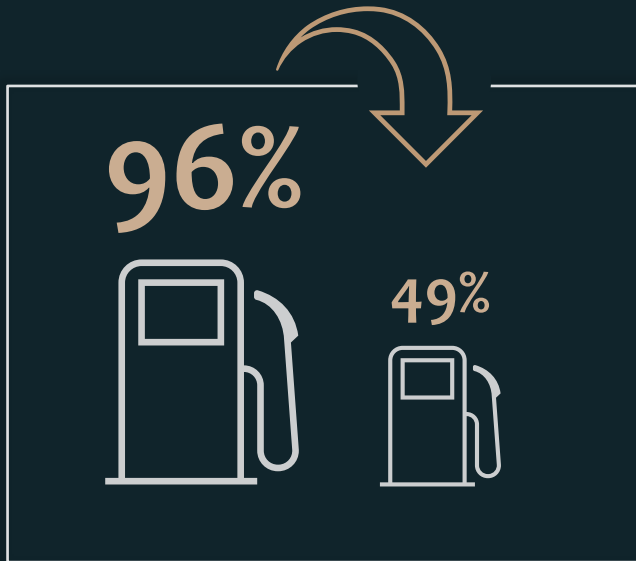
Borgartún 26  
105 Reykjavík  
444 3440  
skel@skel.is  
www.skel.is



**Our objective is to develop opportunities targeting long-term value creation**

We are **active investors** with the clear objective of supporting strong management teams and entrepreneurs in **enhancing and developing** enterprises and business ideas

# The progress made



Weight of fossil fuel in SKEL's investment portfolio is now 49%

2019

## New shareholders sharpen our future vision

Increased emphasis on profitability  
 The target is to bring the weight of fossil fuel in the investment portfolio below 50%  
 Starting from the strong foundation of current operations

2020

## New strategy launched

Acquisition of companies in other sectors, including Löður and Lyfsalinn  
 Reorganisation of use of building sites  
 Restructuring of retail operations

2021

## Balance sheet restructuring following shareholder decision

Decision to establish three independent operating companies based on current operations  
 Sale of real estate in advanced stage  
 Magn sold in part

2022

## Skeljungur becomes SKEL fjárfestingafélag

Sale of real properties finalised, purchase agreement on Magn Orkan, Skeljungur and Gallon begin their journey as independent companies with a clear vision.

**2022**

**Skeljungur acquires Klettur**

**Orkan acquires 34% share in electricity provider Straumlind**

**Purchase Agreement on Orkufelagid**

**Shares acquired in VÍS & Kaldalón**

**Ásgeir and Magnús on the board of directors of Kaldalón**

**Skeljungur becomes SKEL fjárfestingafélag**

Future based on current investment portfolio

Investment spectrum widened

**New team**

Ásgeir Reyk fjörð and Magnús Ingi Einarsson appointed to posts of CEO and CFO

**Support for current operating companies and their continuing growth**

Continue to strengthen operating companies and other companies owned by SKEL  
Streamlining of operations and balance sheet and reduced weight of fossil fuel in the investment portfolio.

**Unlisted assets, “Buy and Build”**

SKEL’s vision is to find new opportunities for mergers and takeovers for the benefit of assets in the investment portfolio. Examples include the acquisitions of Klettur and Straumlind.

**Listed assets**

Focus on transformations of listed assets  
Development of bond portfolio

**Accounting estimates altered**

Investment assets recognised at fair value

**The rationalisation of the company completed**

# The rationalisation of the company was successful

- ✓ All units improved their performance
- ✓ Clear focus is the basis for success
- ✓ Independent governance of each unit



## Consumers

- ✓ Price
- ✓ Accessibility
- ✓ Simplicity



## Enterprises

- ✓ Service & know-how
- ✓ Business relationships
- ✓ Recognised brands



## Infrastructure

- ✓ Energy storage
- ✓ Valuable assets
- ✓ Independent companies

# Financials

# Income Statement 2022

PROFIT AND LOSS ACCOUNT 1.1. - 31.12. 22

<i>ISK million</i>	<b>Q4 2022</b>	<b>2022</b>
Fair value change of financial assets	12,358	18,850
Financial income (–expenses)	223	539
Other income	59	736
<b>Investment income</b>	<b>12,640</b>	<b>20,125</b>
Salaries and related expenses	(175)	(823)
Other operating expenses	26	(431)
<b>Operating expenses</b>	<b>(149)</b>	<b>(1,253)</b>
<b>Pre-tax profits</b>	<b>12,491</b>	<b>18,871</b>
Income tax	(102)	(1,354)
<b>Net profit for the period</b>	<b>12,389</b>	<b>17,517</b>

Unrealised fair value change

**13.2 billion ISK**

Realised fair value change

**5.6 billion ISK**

**Profit after tax 2022**

**17.5  
billion ISK**

- ✓ Operating expenses in Q4 were positive as a result of the reclassification of sales cost from the earlier period into fair value changes of financial assets
- ✓ Operating expense over the year as a whole was marked by the cost of the division and restructuring of the Company, which was completed in the course of the year.
- ✓ The target is to bring operating expense below 2% of the Company's equity after this year



# Balance Sheet 31 December 2022

Return on equity  
**110.6%**

BALANCE SHEET 31.12.2022

ASSETS IN M ISK

<i>ISK million</i>	<b>31 December 2022</b>
Cash and cash equivalents	4,731
Treasury bonds	2,116
Listed shares	4,921
Other inv. assets at fair value	23,137
Investment properties at fair value	690
Other assets	2,910
<b>Total assets</b>	<b>38,505</b>
<b>Equity</b>	<b>33,430</b>
Amounts owed to credit institutions	2,515
Deferred income tax liability	2,014
Other liabilities	547
<b>Total liabilities</b>	<b>5,075</b>
<b>Total equity and liabilities</b>	<b>38,505</b>

<b>7,800</b> Skeljungur	<b>5,391</b> Orkan IS ehf	<b>2,920</b> Gallon ehf	<b>2,636</b> Vís	
		<b>2,285</b> Kaldalón	<b>1,726</b> Reir þróun ehf.	<b>1,611</b> Loans, receivables and other assets
<b>6,847</b> Cash and treasury bonds	<b>2,975</b> Sp/f Orkufelagid in divestment process	<b>1,822</b> Löður ehf	<b>1,458</b> Lyfjaval ehf	<b>1,033</b> Real estate development

# Portfolio

23%

CONSUMER MARKET

**ORKAN** (100%)  
Löður  
Lyfjaval  
Íslenska vetnisfélagið  
Straumlind

**Heimkaup** (33%)

20%

CORPORATE MARKET

**SKELJUNGUR** (100%)  
Klettur\*

18%

CASH AND TREASURY BONDS

13%

REAL ESTATE

KALDALÓN 12.68%

REIR ÞRÓUN (50%)

Other real estate and  
building sites

8%

INFRASTRUCTURE

GALLON (100%)

8%

ASSETS IN  
DIVESTMENT  
PROCESS

SP/ F  
ORKUFELAGIÐ (48.3%)\*\*

7%

FINANCIAL MARKET

VÍS (8.91%)

\*The acquisition of Klettur was formally finalised on 10 February 2023

\*\*SP/F ORKUFELAGIÐ (48.3%) is in the process of divestment, purchase agreement signed on 20 December 2022

# Methodology of valuation

*Birtir Capital Partners was initially commissioned to appraise SKEL's operating companies, but the contract was transferred to Kvika Bank in December.*

*SKEL's auditors, KPMG, consider the valuation of unlisted assets to be a key audit matter in their auditing of the Company's accounts. In addition to the auditors, valuation experts of KPMG's consultancy conducted a detailed review of the valuations and assessed their underlying methods, assumptions and calculations.*

## Methodology

Estimates of the fair value of companies owned by SKEL were based on *Discounted Cash Flow (DCF)*, using both *Free Cash Flow to Firm (FCFF)* and *Dividend Discount Model (DDM)*.

The valuation is to a large extent based on management's operating budgets and discussions between the appraisers and management.

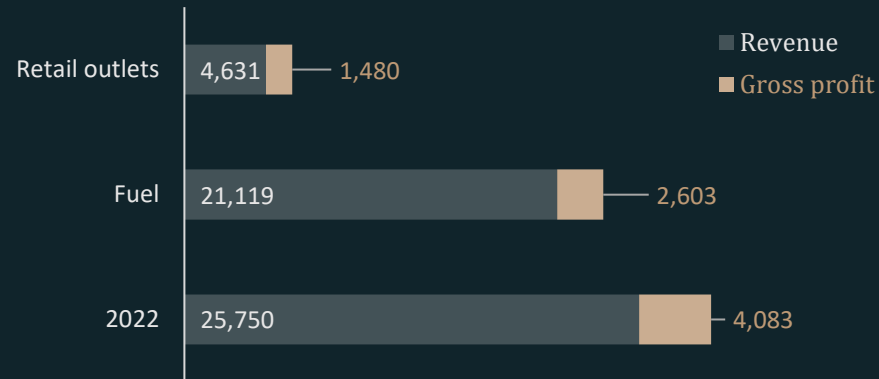
Many of the estimates are based on actual changes in underlying figures and subsequently the inherent inflation premium of risk free interest is used for the estimate of future inflation of cash flow.

*All operating figures exclude the impact of IFRS 16 in this presentation*

Consequently, all lease contracts are expensed among operating expenses through profit and loss, thereby reducing EBITDA as opposed to the rights-of-use being expensed under depreciation and interest being expensed under financial items, as assumed in IFRS 16. The impact of IFRS 16 on the EBITDA of the five companies would be an increase of 1 billion ISK.

# Orkan (excluding Löður and Lyfjaval)

“ One of the country’s largest retail enterprises with over 16 thousand transaction per day ”



2022







Revenue  
**25,750** million ISK

Gross profit  
**4,083** million ISK

EBITDA  
**1,079** million ISK

116 employees  
70 energy stations  
9 retail outlets



-  70 fuel stations
-  9 charging stations
-  2 hydrogen stations
-  1 methane station
-  9 retail outlets
-  18 real estate properties

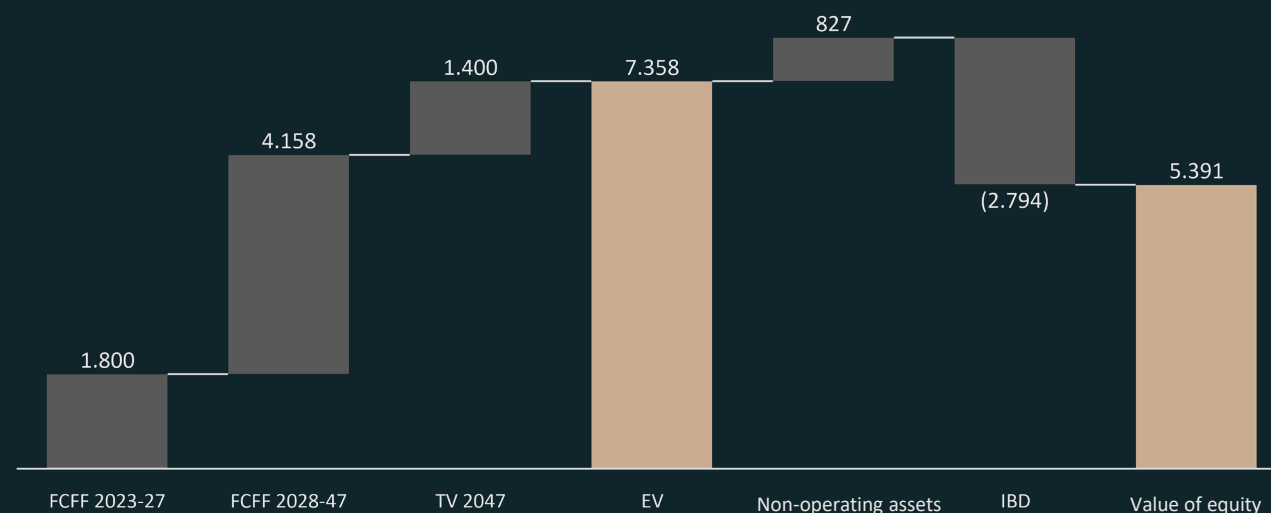
## BRANDS WITH A CLEAR FUTURE VISION

- Good locations with good accessibility for all
- Lowest fuel price in all regions and in certain areas of the metropolitan area of the capital
- Smart payment solutions and self-service
- Leasing model has proven successful
- Participant in the energy transition
- Plans for opening of rapid-charging stations around the country
- Restructuring of the retail operations under review

# Orkan – valuation

RESULT OF VALUATION  
VALUE OF EQUITY 5.4 BILLION ISK

## PERFORMANCE AND FORECAST



	2022	2023E
Gross profit	4,083	4,505
EBITDA	1,079	1,237
EBIT	537	561
Depreciation	542	676
Investments	870	907
Change to NWC		13
EBITDA / margin	26.4%	27.5%
Inv./margin	21.3%	20.1%
ROIC	14.4%	8.0%

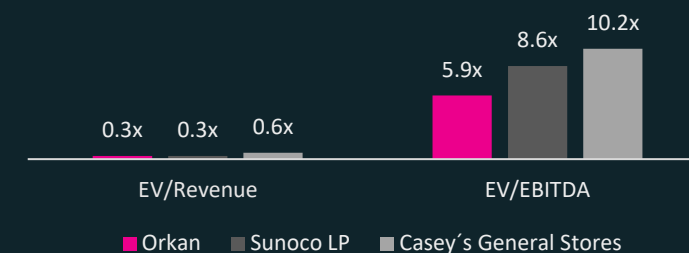
## YIELDS NOMINAL VALUE

WACC	11.7%
Target leverage	40.0%

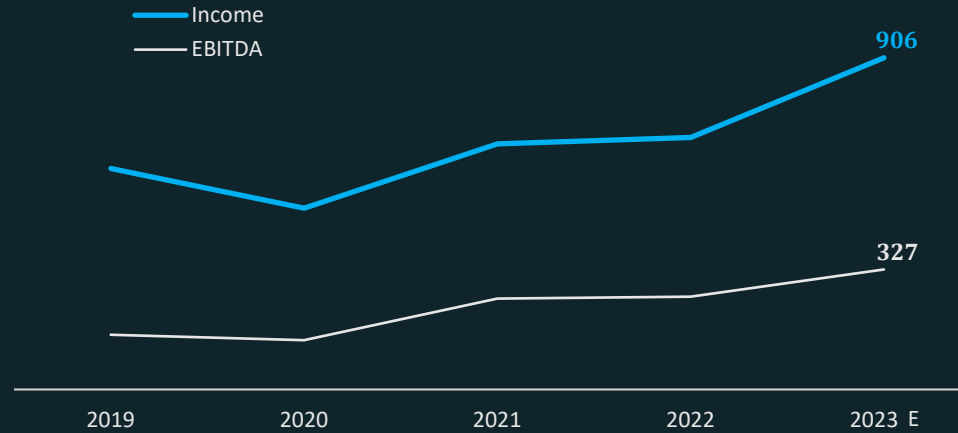
## IMPACT ON VALUE

- + Results of retail operations continue to grow
- + Very simple model
- + Cost of division ended
- Investments relating to energy transition
- Real margin growth projected at 0%

## COMPARABLES 2023E



“Convenient, simple and quick way to clean vehicles”




2022


Revenue  
**758** million ISK


Gross profit  
**600** million ISK


EBITDA  
**253** million ISK

**21** employees  
**15** car washes

 **200,000+** washings per year

 **55-60%** market share

 **39%** income growth since acquisition

 **15** locations

## TRUSTED BRAND IN RAPID GROWTH

- Founded in 2000
- Good locations, dense network, benefit of scale
- Well trained staff
- Infill development and increased purchasing power
- 272 thousand cars in use

## 12 NEW STATIONS IN THE COMING THREE YEARS

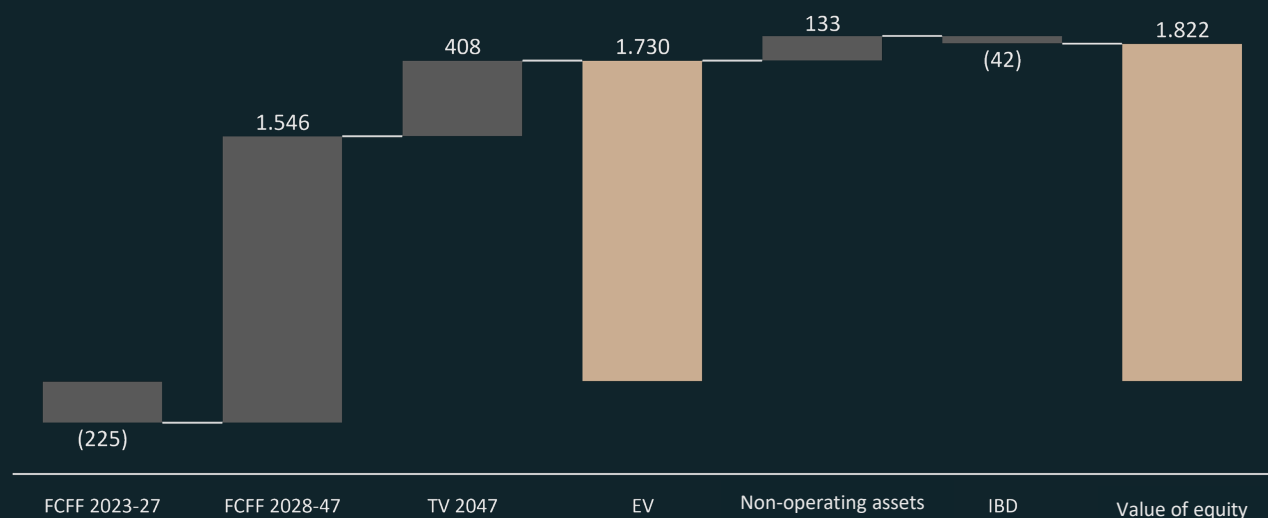
- Extensive investment in new and improved stations in coming three years
- 2023 – 5 stations
- 2024 – 5 stations
- 2025 – 2 stations

## ENVIRONMENTAL AWARENESS

- Increased environmental awareness in car washing
- Efficiency in use of chemicals, excess drained off, improved use of water

# Löður – valuation

RESULT OF VALUATION  
VALUE OF EQUITY 1.8 BILLION ISK



## PERFORMANCE AND FORECAST

	2022	2023E
Revenue	758	906
EBITDA	253	327
EBIT	179	242
Depreciation	74	85
Investments	99	1,237
Change to NWC		4
EBITDA / margin	33.4%	36.1%
Inv./margin	13.0%	140.6%
ROIC	35.3%	50.3%

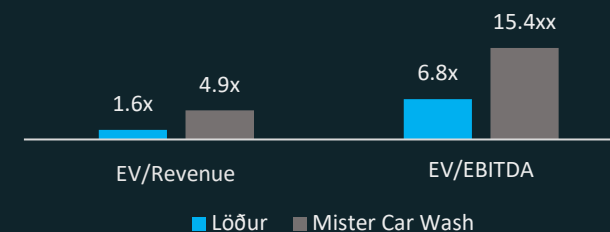
## YIELDS NOMINAL VALUE

WACC	13.8%
Target leverage	30.0%

## IMPACT ON VALUE

- + Growth opportunities
- + Leading brand
- + Increased environmental awareness
- Investments
- Competition with garage

## COMPARABLES 2023E



# Lyfjaval



SKEL

“ Convenience and access in a growing market ”



2022

Revenue

**2,727** million ISK

Gross profit

**790** million ISK


EBITDA


**158** million ISK

**75** employees

**7** pharmacies

 **3** Drive-in pharmacies

 Improvements and new image increases public awareness

 **19%** income growth between years

## DRIVE-IN PHARMACEUTICALS

- Lyfsalinn acquired the company Lyfjaval in October 2021
- The companies merged under the Lyfjaval brand
- Image and logo of the pharmacies changed
- Lyfjaval now operates 7 pharmacies in Reykjavik and southwestern Iceland

## NEW PHARMACIES 2023

- A new pharmacy will open in Reykjanesbær at the end of February 2023
- Two pharmacies scheduled for launch in the year
- All new pharmacies will have drive-in facilities, bringing drive-in outlets to 6 at year-end

## GROWTH OPPORTUNITIES

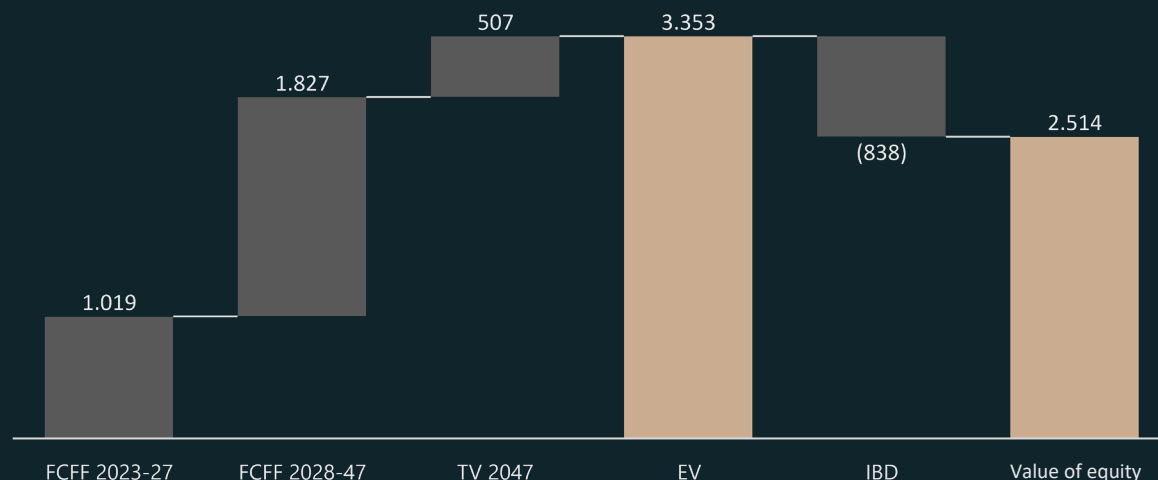
- The pharmaceuticals market turns over 41 billion ISK per year, having grown by 30% since 2018
- The over-eighty population will double in the next 15 years according to Statistics Iceland projections





# Lyfjaval - valuation

RESULT OF VALUATION  
VALUE OF EQUITY 1.5 BILLION ISK. (58% STAKE)



## PERFORMANCE AND FORECAST

	2022	2023E
Revenue	2,727	3,137
EBITDA	158	305
EBIT	32	216
Depreciation	126	89
Investments	105	60
Change to NWC		70
EBITDA / margin	5.8%	9.7%
Inv./margin	3.9%	1.9%
ROIC	18.3%	12%

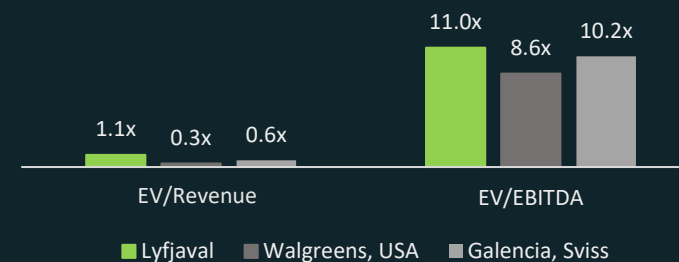
## YIELD NOMINAL VALUE

WACC	13.1%
Target leverage	25.0%

## IMPACT ON VALUE

- + Population projection
- + Unit efficiency
- Investment in growth
- Economy of scale

## COMPARABLES 2023E



# Skeljungur

“ Focus on know-how and service to Icelandic industries ”



95 years as part of Iceland's energy history



Own distribution



Focus on efficiency and safety in harmony with the community and environment

## GROWTH ON A FIRM FOUNDATION

- Valuable brands – valuable agencies
- Sound business relationships in all sectors
- Extensive knowledge and infrastructure with ties to imports, energy, chemicals and related business activities

2022

Revenue

50,742

million ISK

Gross profit

2,994

million ISK

EBITDA

1,130

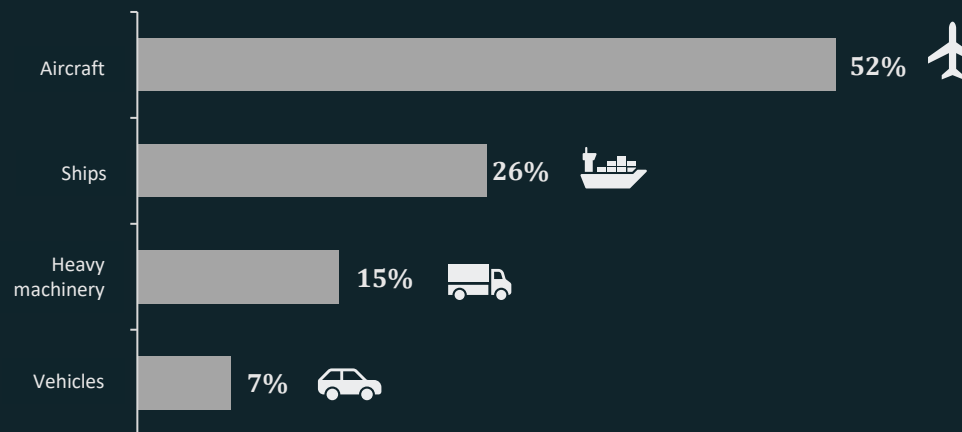
million ISK

60 employees

4,350 customers

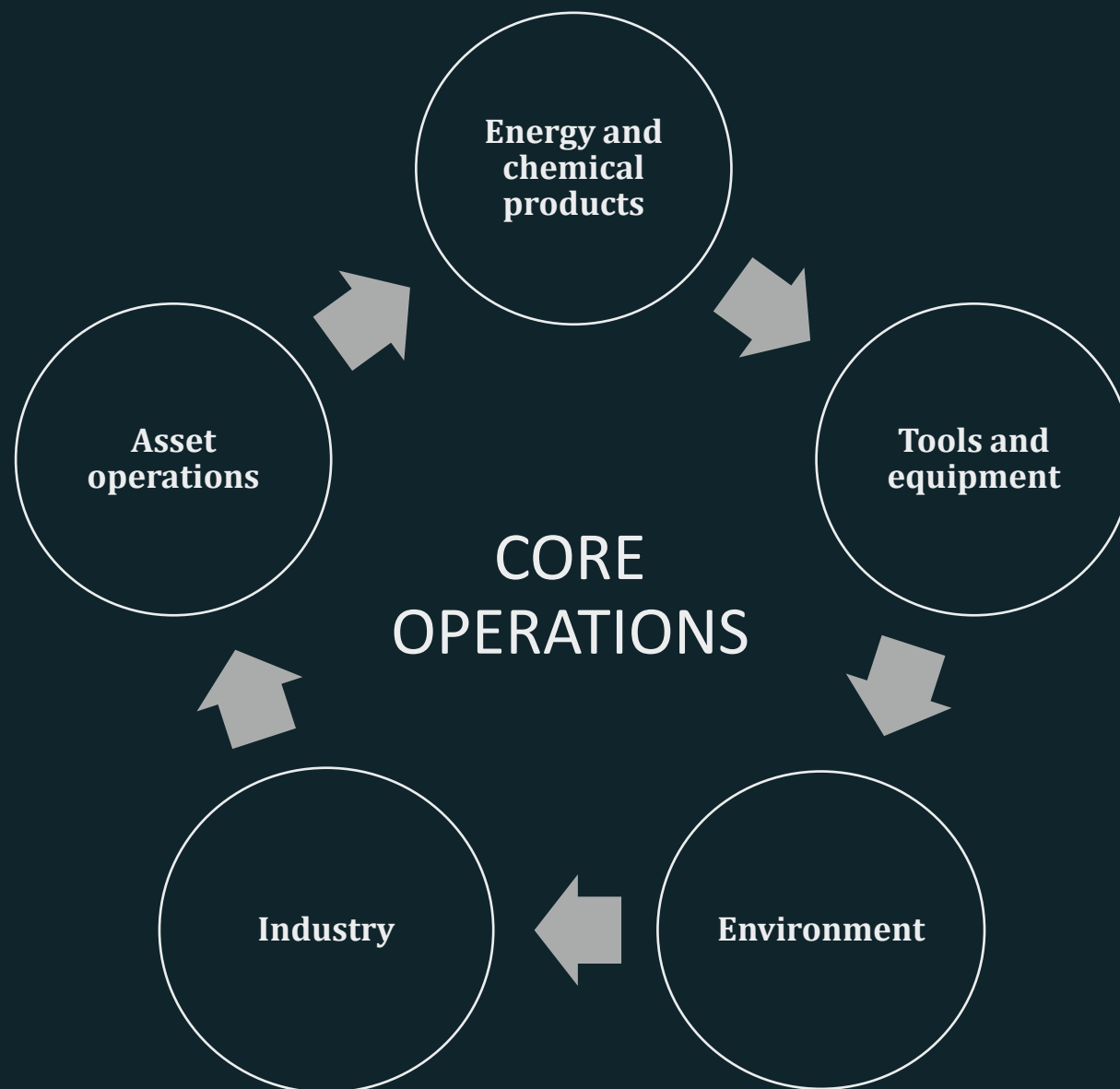
## LEADING SERVICE ENTERPRISE IN TRANSFORMATION

- Build on strong foundation and expansion of business though increased product offering and services
- Focus on organic growth and targeted acquisitions and partnerships
- Acquisition of Klettur key action
- Target of listing in stock exchange



FUEL USE BY CATEGORY - ICELAND

Orkuskipti (2022). <https://orkuskipti.is>



“**Development of leading service enterprise**”

- Build on current foundation
- Target to be the leader in five core areas
- Profitable growth
- Strengthen the pillars with mergers and acquisitions
- We will endeavour to accomplish our task with partners and there broaden our shareholder base



# Skeljungur - external growth

## EBITDA

**250-1,000 million ISK**

## AMOUNT OF TRANSACTIONS

**< 5,000 million ISK**

## FINANCES

- (i) Positive cash flow**
- (ii) Low maintenance needs**
- (iii) debts to EBITDA under 3x**

## OPERATION

**One of three largest in the market  
Brand, dealer principals or distribution channels**

### **Service to:**

- ✓ **Industry**
- ✓ **Fisheries**
- ✓ **Environment or infrastructure**

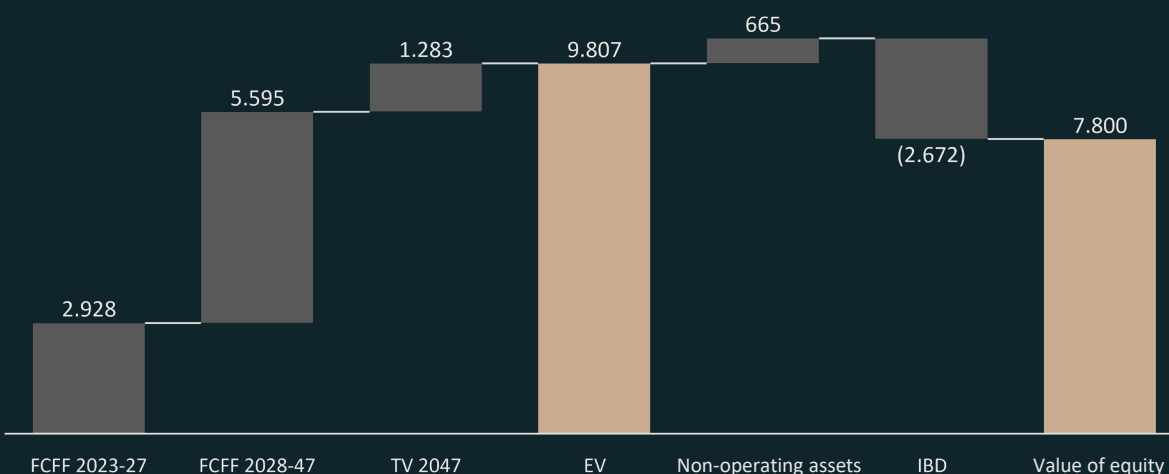
## POTENTIALS FOR GROWTH

**Need to feature opportunities for organic and external growth in addition to synergies**



# Skeljungur – valuation

RESULT OF VALUATION  
VALUE OF EQUITY 7.8 BILLION ISK.



## PERFORMANCE AND FORECAST

	2022	2023E
Gross profit	3131	3,363
EBITDA	1130	1,326
EBIT	922	1,171
Depreciation	208	155
Investments	164	136
Change to NWC		64
EBITDA / margin	36.1%	39.4%
Inv./margin	5.2%	4.0%
ROIC	47.9%	19.5%

## YIELDS NOMINAL VALUE

WACC	13.3%
Target leverage	25.0%

## IMPACT ON VALUE

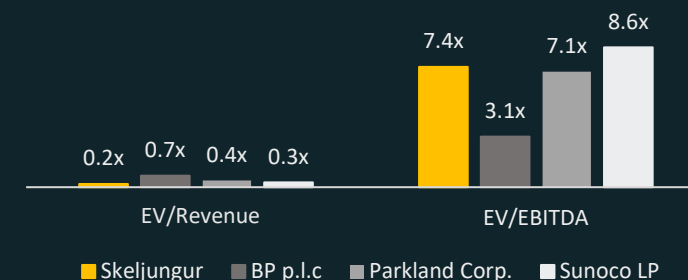


Activity in the economy  
Strong position in the corporate market



Energy transition in heavy machinery  
Emergency reserves at expense of private sector

## COMPARABLES 2023E





# Gallon

“ The company’s tanks can hold 90 million litres of fuel or other liquids ”



2022

Revenue  
**502** million ISK

EBITDA  
**265** million ISK

30-50% utilisation

Tanks at all principal airports in Iceland

Good locations

## GROWTH OPPORTUNITIES

- Current utilisation is 30-50% -Opportunities to increase utilisation
- Significant value in current tanks, replacement cost of similar depot in Örfirisey estimated at 4x book value
- Only company storing aircraft fuel at all principal airport in Iceland

## FUTURE VISION

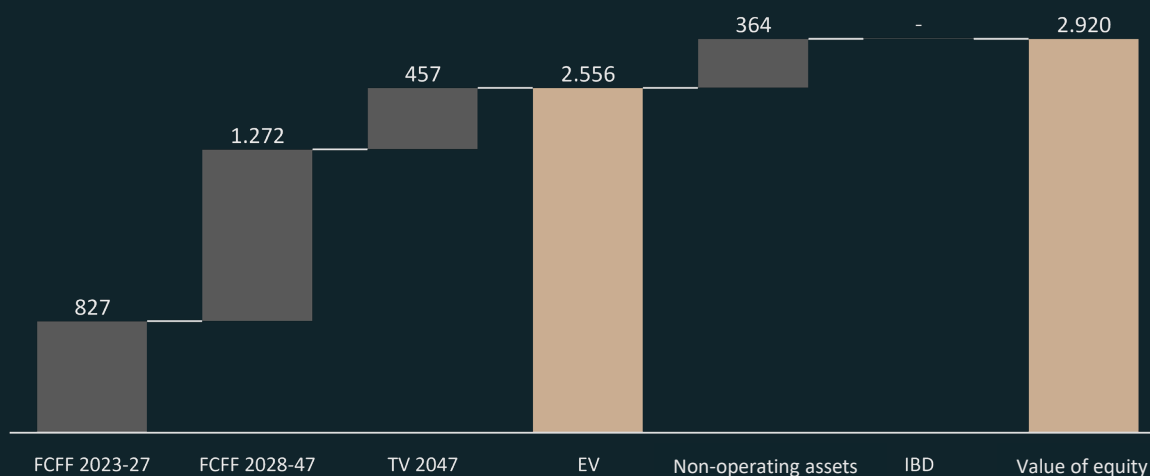
- Changed focus of the company from dependent to independent business activities based on foreign models
- Gain an edge in increased storage facilities for goods in Iceland in the light of increased activities in the Arctic region
- Depots can store materials other than oil, e.g. electrofuel, ammonia, corn etc.
- Increased inventory (emergency supplies) will increase the company’s business

6 employees  
6 depots  
36 tanks



# Gallon – valuation

RESULT OF VALUATION  
VALUE OF EQUITY 2.9 BILLION ISK.



## PERFORMANCE AND FORECAST

	2022	2023E
Revenue	538	580
EBITDA	265	276
EBIT	150	162
Depreciation	115	114
Investments	97	76
Change to NWC		-19
EBITDA / Revenue	49.3%	47.6%
Inv./Revenue	18.0%	13.1%
ROIC	8.9%	9.9%

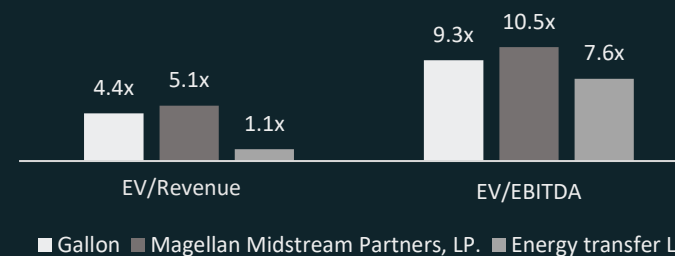
## YIELDS NOMINAL VALUE

WACC	11.4%
Target leverage	50.0%

## IMPACT ON VALUE

- + Improved utilisation
- + Emergency supplies
- Energy transition
- Underutilised investment

## COMPARABLES 2023E



# Real estate development and building sites

HELGAFELLSÁSAR (50%)  
MOSFELLSBÆR 70 HA\*



*\*Shaded area on picture is planning proposal from owners*

AUSTURSTRÖND 7 (100%)  
SELTJARNARNES SITE 4,725 SQ.M



REIR ÞRÓUN (50%)  
HNOÐRAHOLT, GRB



ÖXL PROPERTIES (100%)  
HVERAGERÐI 55,337 SQ.M



LITLATÚN 1 (100%)  
GARÐABÆR SITE 2,260 SQ.M



LEASE ASSETS—FUTURE DEVELOPMENT





# Listed companies

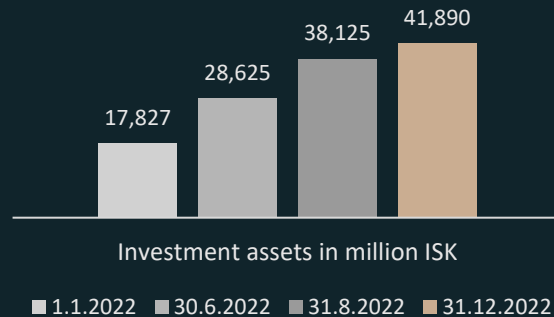
KALDALÓN (12.68%) 2,285 m. ISK

## Published targets prior to listing on Nasdaq Iceland Main Market

- Investment assets 50 billion ISK
- Rental income 3,500 m. ISK
- Financing framework
- Annual financial statement with pure real estate company operation

Rental income next 12 months based on announced business

Jan. 2023: 2,600 m ISK  
 Jun. 2024E: 3,300 m ISK



VÍS (8.91%) 2,636 m. ISK

*“The Board of Directors of Iceland insurance company Ltd. (VÍS) has set a strategy that marks a certain watershed in the company’s operation. The objective of the Board is to make VÍS a more attractive investment option in the market with a clear vision of growth, development and financial structure. A part of this effort is to make the Company more sales-driven, strengthen relationships with customers and take the lead in introducing innovations in insurance activities. Concurrently, VÍS aims to be an active participant in the development of financial activities in Iceland, focusing on profitable growth, assets management and various other opportunities that have opened up in the financial market.”*

Press release from VÍS on 11/01/2023.



# Actions on green energy

## DEVELOPMENT OF HYDROGEN IN TRANSPORTATION

- Qair Iceland and Orkan have entered into a joint venture on the growth and development of Íslenska vetnisfélagið.
- Partnership launched on building infrastructure to meet the future use of hydrogen in transport around Iceland.
- Extensive development to 2026.
- Phase 1: Make Iceland the first country with potential for hydrogen-driven transport.
- Phase 2: Produce green hydrogen for transport.

## ORKUGARÐAR AUSTURLANDS AND ELECTROFUEL

- Skeljungur and Gallon signed a memorandum of understanding this year with the Danish CI Energy Transition Fund I (CIP) on exploring the possibilities of the two companies buying electrofuel from the Fund for distribution.
- CIP is targeting the production of electrofuel in Orkugarður Austurlands in Reyðarfjörður, a consultation forum on the utilisation of green energy in eastern Iceland. The objective of the forum is to promote increased value creation and to develop knowledge of energy transition in the region.
- <https://oga.is/>

## E10

- Skeljungur has entered into an agreement on the importation of fuel contain a 10% mixture of ethanol and 90% fossil fuel, known as E10 fuel.
- Ethanol is produced from corn and other organic waste; mixing ethanol with fossil fuel can mitigate the impact of emissions from burning fuel and thereby reduce the carbon footprint of vehicles and machinery.
- Most vehicles and machines can burn E1 which makes it more environmentally friendly than other currently available options.
- E10 will enter the market in the second half of 2023.



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For further information, please contact:

**Ásgeir Helgi Reykfjörð Gylfason**

**[fjarfestar@skel.is](mailto:fjarfestar@skel.is)**