



# Q2 2020 Results



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26 August 2020



# Highlights in Q2 and 1H 2020

	Q2 2020	1H 2020
Revenue	<b>7.276 m.kr.</b> Q2 2019: 7.115 m.kr.	<b>14.522 m.kr.</b> 1H 2019: 14.077 m.kr.
EBITDA *	<b>2.438 m.kr.</b> Q2 2019: 2.602 m.kr.	<b>5.173 m.kr.</b> 1H 2019: 4.971 m.kr.
EBITDA % *	<b>33,5%</b> Q2 2019: 36,6%	<b>35,6%</b> 1H 2019: 35,3%
EBIT *	<b>915 m.kr.</b> Q2 2019: 1.278 m.kr.	<b>2.145 m.kr.</b> 1H 2019: 2.385 m.kr.
CAPEX	<b>1.336 m.kr.</b> Q2 2019: 1.722 m.kr.	<b>3.271 m.kr.</b> 1H 2019: 2.869 m.kr.

NIBD / 12M EBITDA *	Cash	Equity Ratio	Cash generated by operation
<b>1,35</b> 4F 2019: 1,52	<b>976 m.kr.</b> 4F 2019: 217 m.kr.	<b>56,5%</b> 4F 2019: 55,9%	<b>6.829 m.kr.</b> 1H 2019: 4.149 m.kr.

## Operation Q2 2020

- Revenue growth was 2,3% between years
  - Growth is mainly due to TV services and IT
  - Decline in Mobile due to lower income from roaming charges
- 500 m.kr. fine from the Competition Authority affects the company's results in Q2 2020.
- Cost due to layoffs in Q2 amounted to 125 m.kr.
- COVID-19 has little effect on the outcome
  - Affects some revenue streams but cost has been reduced
- Investments decrease by 386 m.kr.
  - English Premier League right was paid in Q1 2020 but in Q2 in 2019

\* Without government fine in Q2 2020

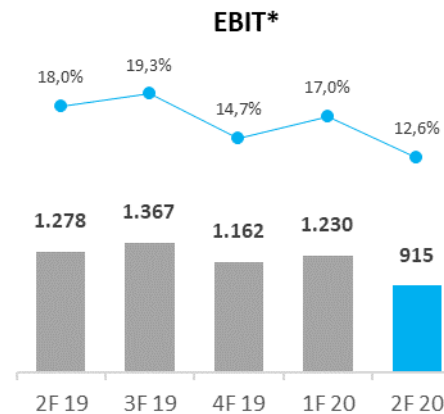
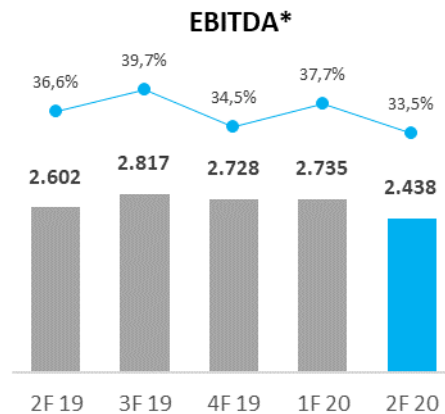
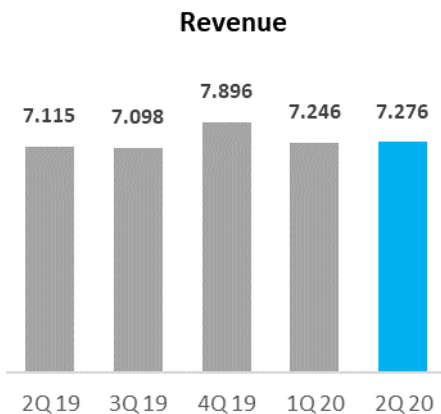


# Operation



# Income Statement

Income statement	Q2			1H		
	2020	2019	%	2020	2019	%
Net sales	7.276	7.115	2,3%	14.522	14.077	3,2%
Cost of sales	( 4.118)	( 3.591)	14,7%	( 7.920)	( 7.016)	12,9%
Operating expenses	( 2.743)	( 2.246)	22,1%	( 4.957)	( 4.676)	6,0%
EBIT	415	1.278	-67,5%	1.645	2.385	-31,0%
Net financial items	( 178)	( 269)	-33,8%	( 448)	( 582)	-23,0%
Income tax	( 154)	( 211)	-27,0%	( 350)	( 390)	-10,3%
Net profit	83	798	-89,6%	847	1.413	-40,1%
EBITDA	1.938	2.602	-25,5%	4.673	4.971	-6,0%
EPS	0,01	0,09	-88,9%	0,10	0,16	-37,5%



## Operation H1 2020

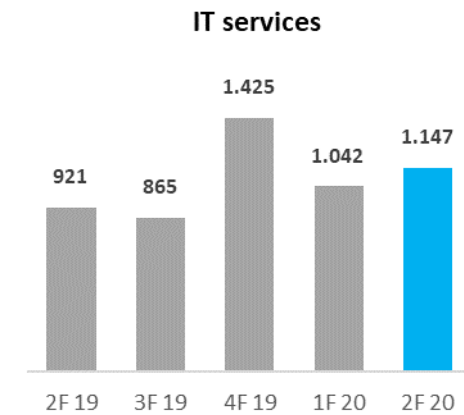
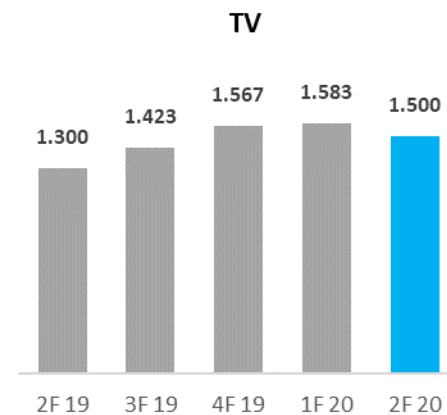
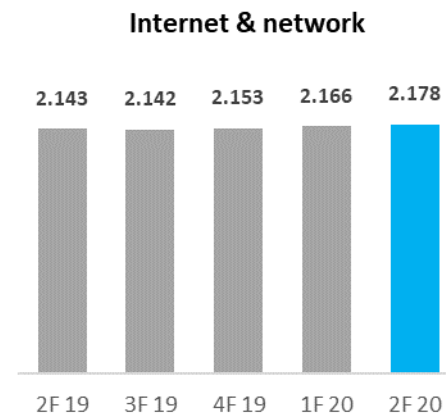
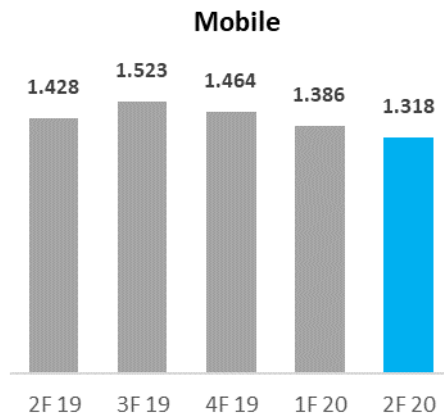
- One-off items affecting EBITDA year on year comparison
  - Fine expensed in Q2 2020 – 500 m.kr.
  - Costs due to layoffs in Q2 2020 – 125 m.kr.
  - Compensations expensed in Q1 2019 – 50 m.kr.
  - Gain on sale of Síminn's store Kringlan in Q2 2019 – 164 m.kr.
  - Revenue recognition due to the closure of a loyalty scheme in Q1 2019 - 112 m.kr.
- Adjusted for one-off items EBITDA is similar to the previous quarter but showing healthy growth between H1 2020 and H1 2019
- Interest expenses decrease by 138 m.kr. from previous year
- The from the Competition Authority is not deductible expense for income tax

\* Without fine in Q2 2020



# Revenue by segments

Segments	Q2				1H			
	2020	2019	Breyting	%	2020	2019	Breyting	%
Mobile	1.318	1.428	( 110)	-7,7%	2.704	2.785	( 81)	-2,9%
Fixed voice	431	459	( 28)	-6,1%	876	924	( 48)	-5,2%
Internet & network	2.178	2.143	35	1,6%	4.344	4.278	66	1,5%
TV	1.500	1.300	200	15,4%	3.083	2.631	452	17,2%
IT services	1.147	921	226	24,5%	2.189	1.872	317	16,9%
Equipment sales	496	440	56	12,7%	914	865	49	5,7%
Other revenue	206	424	( 218)	-51,4%	412	722	( 310)	-42,9%
<b>Total revenue</b>	<b>7.276</b>	<b>7.115</b>	<b>161</b>	<b>2,3%</b>	<b>14.522</b>	<b>14.077</b>	<b>445</b>	<b>3,2%</b>





Operation Q2 2020

## 2,3% revenue growth from last year

- Total revenue 7.276 m.kr. in Q2 2020, up by 161 m.kr. from last year
- Strong growth in TV and IT services
  - TV revenue increase by 15% - Advertising revenue increases despite COVID-19
  - High revenue growth at Sensa - Good project pipeline
    - Mainly equipment sales, but billed hours are also increasing
- Decrease in number of tourists affects Mobile revenue
  - Roaming revenue and other mobile revenues related to tourists decrease by 130 m.kr.
  - Mobile revenue in other respects in slow growth - 28,000 with Prenna
- Internet revenue is growing slightly
  - The home package fits well with household needs
- Equipment sales increases from previous quarter
  - The effect of closing the store in Kringlan was limited
  - New products partly explain the growth in equipment sales



Operation Q2 2020

## The performance marked by a fine and cost of layoffs

- 500 m.kr. a fine from the Competition Authority expensed in Q2
  - A decision of an appeals committee expected this autumn
- The number of FTE's has decreased by 50 since the beginning of the year
  - Cost due to layoffs in 125 m.kr.
  - Reduction in FTE' in Q2 reduces wage costs by almost 300 m.kr. on an annual basis
  - Outsourcing of Software development reduces labor costs by another 300 m.kr. but will not have a significant effect on Síminn's total costs to begin with.
- The effect of the devaluation of the ISK is will have increasing effect
  - Roughly calculated, the effect on operations is 50 m.kr. so far this year - More impact on CAPEX
- Increase in depreciation is mainly due to increased investments in TV rights and fiber-optic investment at Míla
- Variable cost decrease between quarters
  - The decrease is mainly due to COVID-19 which had an effect among other things on travel costs, staff costs and marketing costs



Operation Q2 2020

## Effects COVID 19 less than expected

- The company has not used any form of government stimulus packages due to COVID-19
- Operations ran smoothly while employees worked from home
- Negative revenue effect can mainly be explained by lower roaming income from tourists
  - Revenues in Q2 130 m.kr. lower than last year
  - Síminn Sport not billed in April and May, but instead in July
- On annual basis Síminn has 500 m.kr. in revenue from the industries most affected - In total 1,300 companies
  - The majority of the income is from companies that will survive
  - Increase in defaults is still insignificant
- The devaluation of the ISK has a negative effect
- Advertising revenues increased YoY which is in line with pre. COVID plans
- Cost-cutting measures taken early in the epidemic offset the loss of revenue
- Increased unemployment this autumn is expected to affect demand





# Balance Sheet and Cash Flow

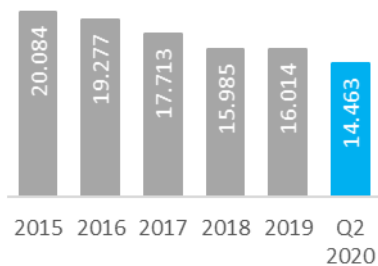


# Balance Sheet

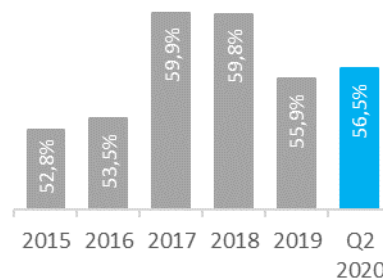
Assets	30.6.2020	31.12.2019
<b>Non-current assets</b>		
Property, plant and equipment.....	19.017	18.716
Right-of-use assets.....	4.833	5.118
Intangible assets.....	33.959	34.265
Other non-current assets.....	458	472
<b>Non-current assets</b>	<b>58.267</b>	<b>58.571</b>
<b>Current assets</b>		
Inventories.....	1.620	1.751
Accounts receivables.....	3.027	4.188
Other current assets.....	764	794
Cash and cash equivalents.....	976	217
<b>Current assets</b>	<b>6.387</b>	<b>6.950</b>
<b>Total assets</b>	<b>64.654</b>	<b>65.521</b>

Equity and liabilities	30.6.2020	31.12.2019
<b>Equity</b>		
Total equity.....	36.530	36.632
<b>Non-current liabilities</b>		
Borrowings.....	14.864	14.481
Finance lease.....	4.398	4.632
Accounts payables.....	0	353
Deferred tax liabilities.....	675	802
<b>Non-current liabilities</b>	<b>19.937</b>	<b>20.268</b>
<b>Current liabilities</b>		
Bank loans.....	0	600
Accounts payables.....	3.599	3.533
Current maturities of borrowings.....	1.175	1.750
Other current liabilities.....	3.413	2.738
<b>Current liabilities</b>	<b>8.187</b>	<b>8.621</b>
<b>Total equity and liabilities</b>	<b>64.654</b>	<b>65.521</b>

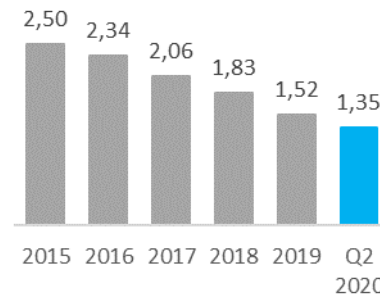
Net interest bearing debt



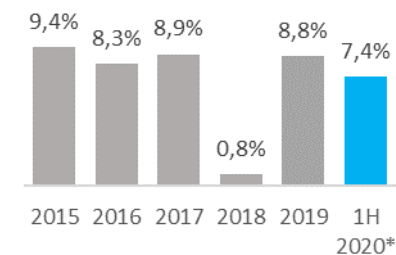
Equity ratio



Net debt to EBITDA\*



Return on Equity

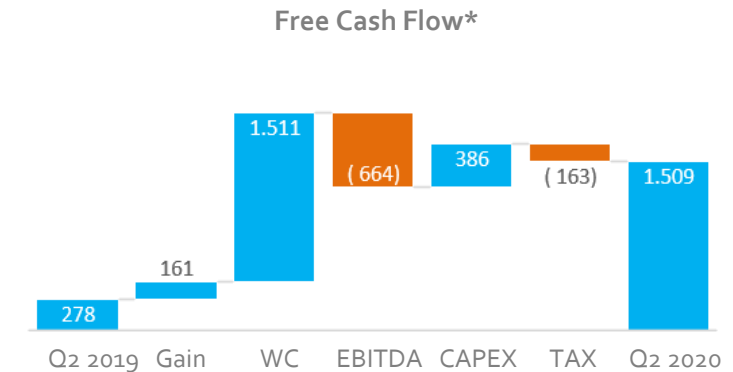
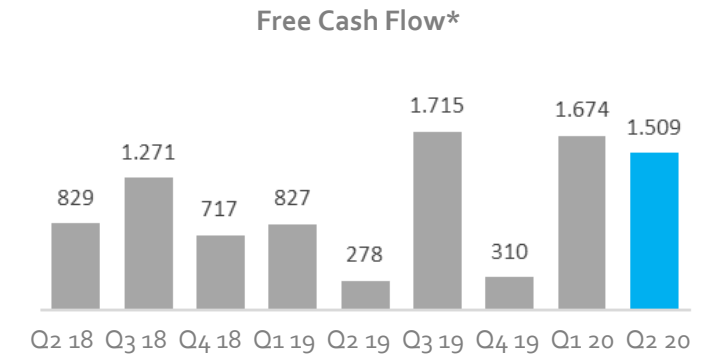


\* Without government fine in Q2 2020



# Cash Flow

Cash Flow	1H 2020	1H 2019
<b>Cash flow from operating activities</b>		
Operating profit .....	1.645	2.385
Operational items not affecting cash flow:		
Depreciation and amortisation.....	3.028	2.586
Other items not affecting cash flow.....	( 5)	( 165)
	<u>4.668</u>	<u>4.806</u>
Changes in current assets and liabilities.....	<u>2.161</u>	<u>( 657)</u>
Cash generated by operation	6.829	4.149
Net interest expenses paid during the period.....	( 391)	( 528)
Payments of taxes during the period.....	( 375)	( 175)
Net cash from operating activities	<u>6.063</u>	<u>3.446</u>
<b>Investing activities</b>		
Net investment in property, plant and equipments.....	( 3.158)	( 2.899)
Other investment.....	( 113)	30
Investing activities	<u>( 3.271)</u>	<u>( 2.869)</u>
<b>Financing activities</b>		
Dividend paid.....	( 500)	( 330)
Purchase of own shares.....	( 450)	0
Payment of long term lease.....	( 289)	( 264)
Net Financing activities.....	<u>( 792)</u>	<u>( 748)</u>
Financing activities	( 2.031)	( 1.342)
<b>Increase (decrease) in cash and cash equivalents .....</b>	<b>761</b>	<b>( 765)</b>
<b>Translation effects on cash.....</b>	<b>( 2)</b>	<b>29</b>
<b>Cash and cash equivalents at the beginning of the year.....</b>	<b>217</b>	<b>1.246</b>
<b>Cash and cash equivalents at the end of the year.....</b>	<b><u>976</u></b>	<b><u>510</u></b>



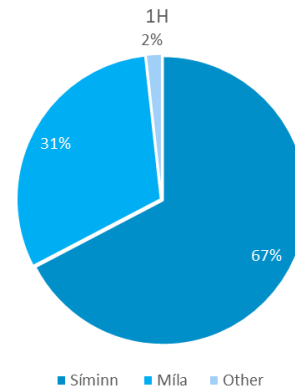
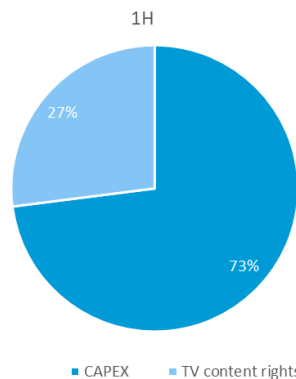
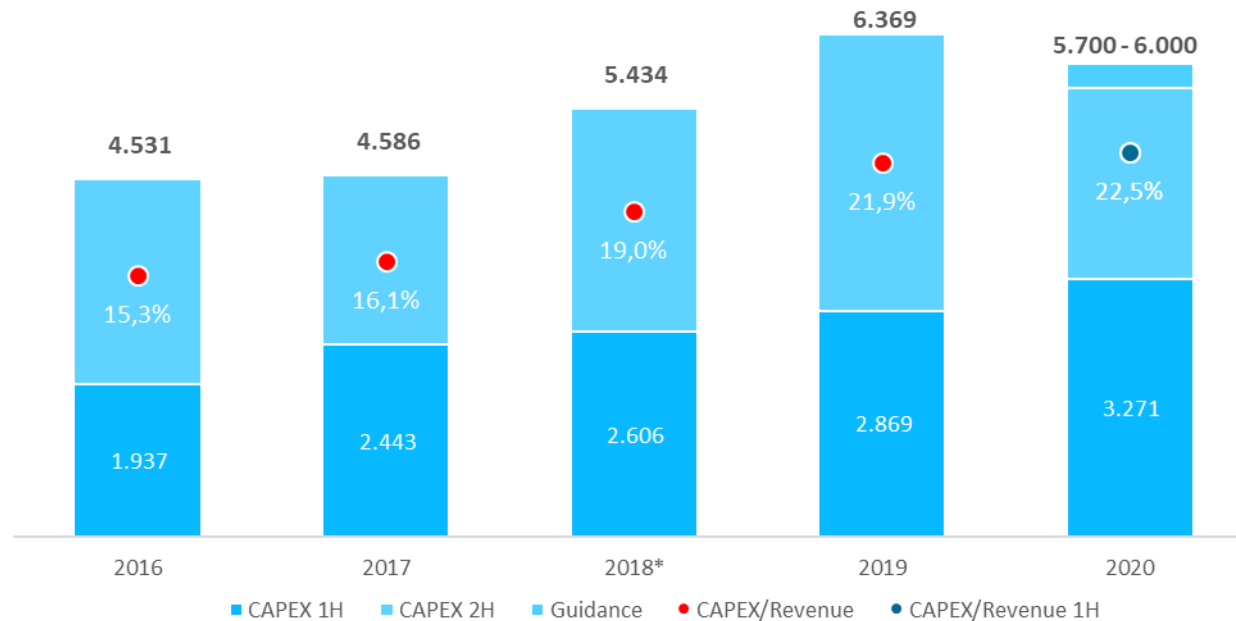
\*Free cash flow consists of cash from operations before interest less investing activities



CAPEX



# Investing activities



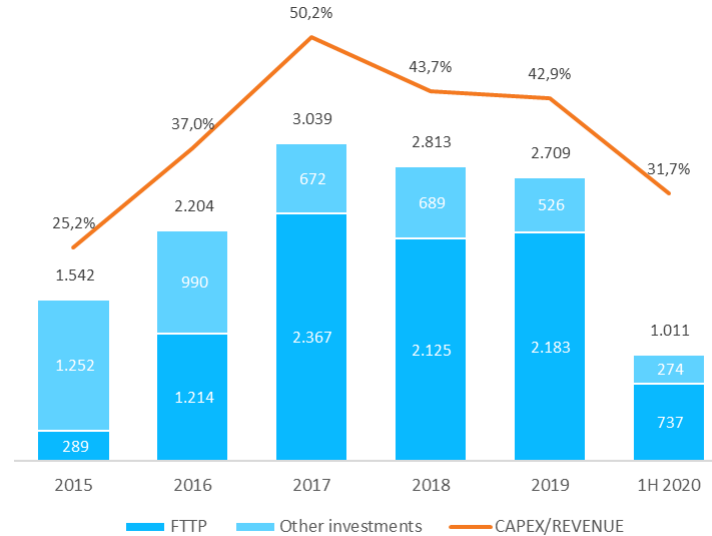
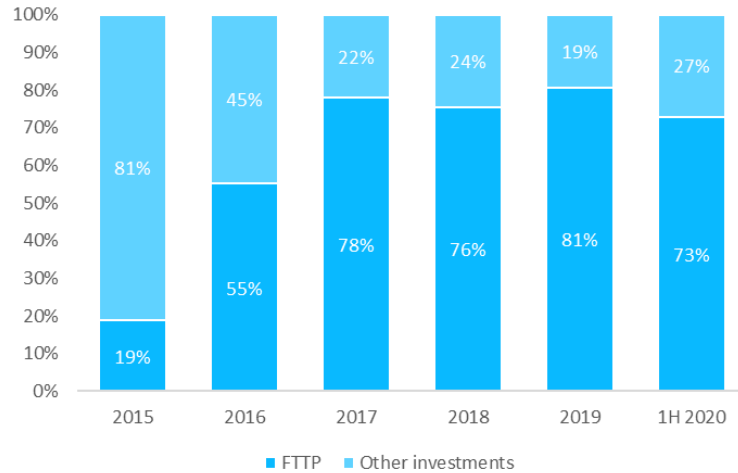
## CAPEX 1H 2020

- Investment activities in 1H 2020 are 400 m.kr. higher than in the same period last year, mainly due to the English Premier League broadcasting right and changes at Síminn Pay.
- Investments without TV rights are about 270 m.kr. lower than in the same period in 2019, with the largest difference being Míla investments, which are 200 m.kr. lower than the year before
- The draft of the so-called PTA market analysis and the announcement of new obligations for Míla have already had the effect that projects in the installation of fiber-optic cables have been postponed and it is unclear whether any of them will ever be without public funding.
- Cost of indoor wiring per home have fallen sharply between years.

\*Restated according to changes made to treatment of TV rights

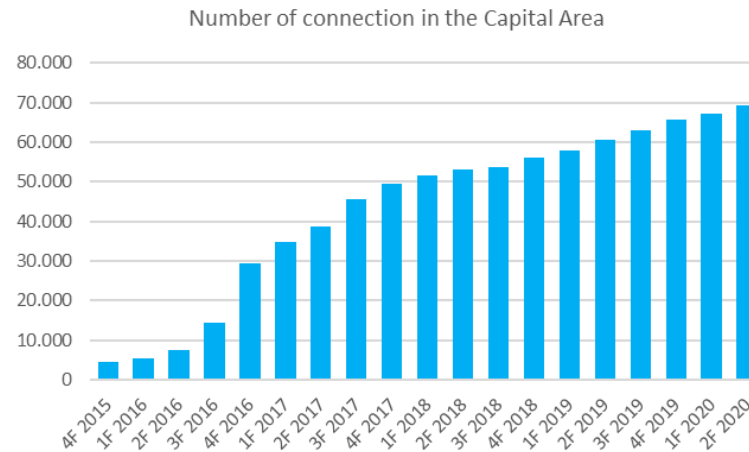
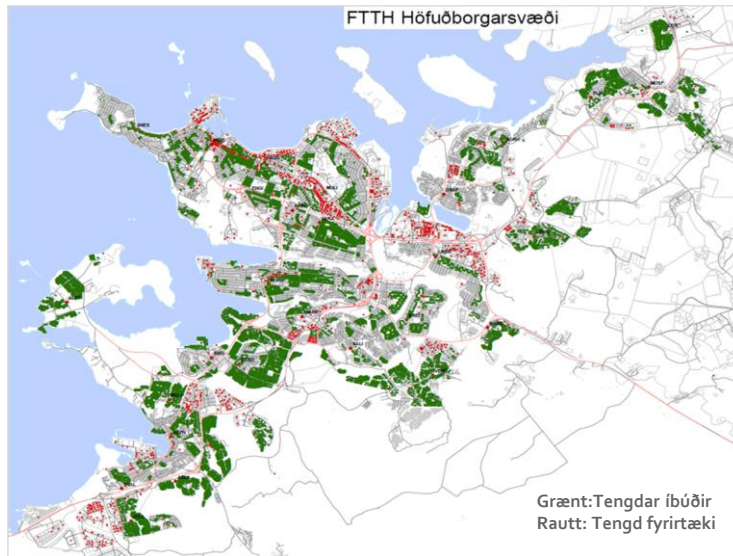


# Míla Fiber optic project



## CAPEX 1H 2020

- Míla's fiber optic project began in full force in 2016 and reached its peak in 2018 when 2,4 b.kr. was spent on laying cables and indoor wiring
- Since 2017, investments in fiber optics have accounted for close to 80% of Míla's total investments
- The fiber optic project is under constant review
  - CAPEX in 2020 will be lower than previously expected, both due to the effect of the announced new obligations of the PTA and Síminn's recent agreement with Gagnaveita Reykjavíkur on access to their network
- Majority of the investment has been in fiber optic cables and indoor wiring in new districts, collaborative projects and in urban centers in rural areas.
- About 86 thousand homes are connected to fiber optics today, of which about 70 thousand in the capital area
  - The number of connected households is expected to be in the range of 90-92 thousand by the end of the year





# Highlights

# Síminn

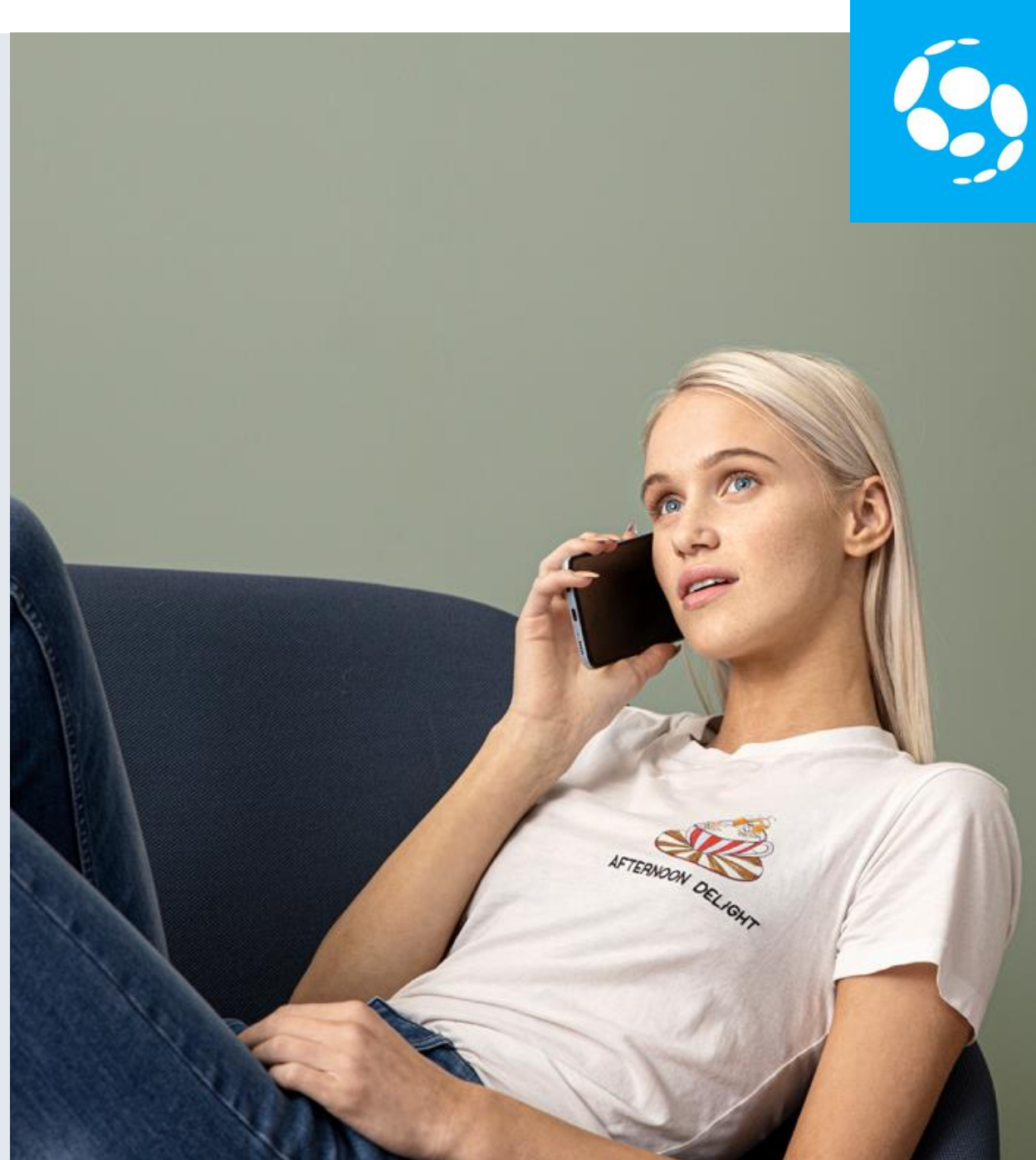
- Síminn has appealed the Competition Authority's decision on administrative fines
  - The decision of the Competition Appeals Committee is expected this autumn
- In the middle of the year, Síminn outsourced part of its IT operations to Deloitte (mainly to Portugal).
  - The aim of the change is to increase efficiency and accelerate the development of back-end systems
  - Will have positive effect on cost
- The TV shows „Heima með Helga“ was very successful and popular during the lockdown
  - *New TV show, Það er kominn Helgi, will start in September with similar theme*
- English Premier League is expected to start in Mid-September
  - All games of the season are likely to be broadcasted
  - 100 more games than previously planned





# Síminn

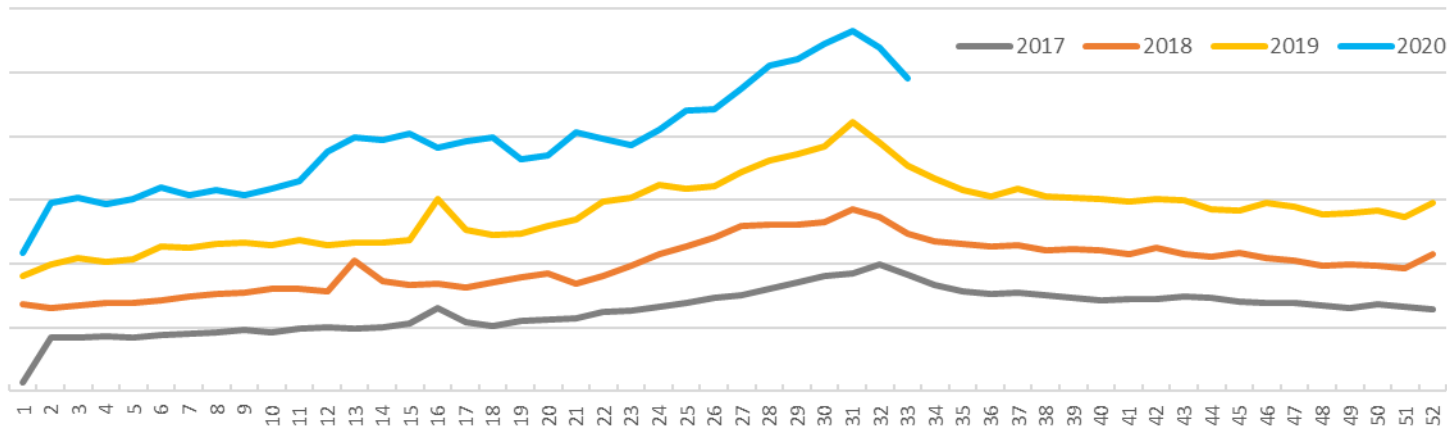
- Transfer of mobile radio access network (RAN) and IP network from Síminn to Míla has been decided
  - Will strengthen Míla as an infrastructure company and sharpen Síminn's role as a service company
  - Significantly reduces Síminn's wholesale role
- Agreement with Gagnaveita Reykjavíkur
  - Technical adaptation has begun
  - Síminn will be able to offer its products over the GR network next year
- Síminn will start installing 5G transmitters
  - Project starts this fall
  - The system will be built in line with the supply of user equipment and market demand
  - Data traffic in Síminn's mobile phone network has increased significantly in recent years



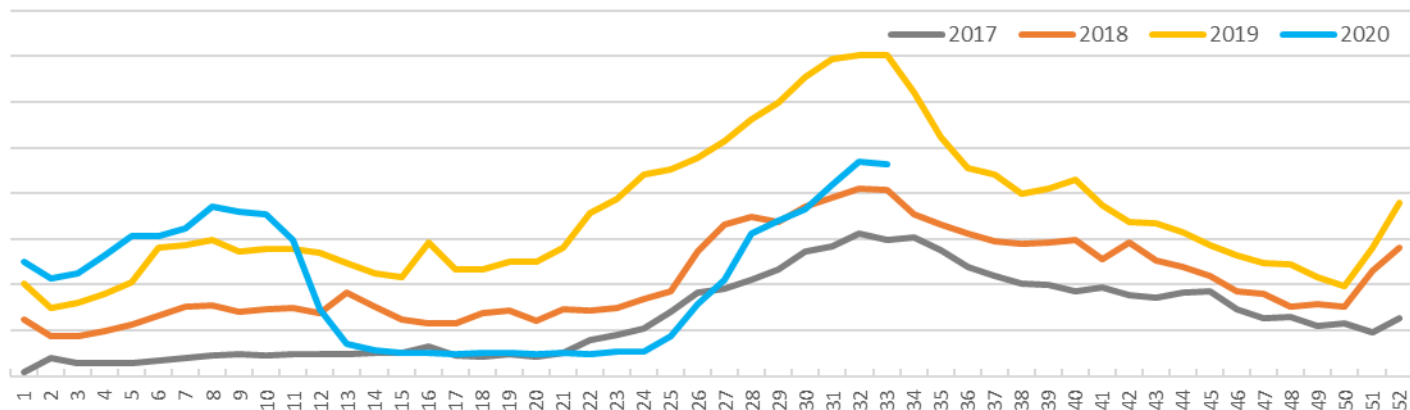


# Data traffic in mobile network continues to increase

Data traffic in mobile network



Data traffic - Foreign roaming users



## Data traffic increases

- Icelanders have traveled extensively domestically this summer
  - 40% growth in data usage between years
  - 43 new 4G transmitters launched all over the country this summer
  - Transmission capacity has been significantly increased
  - Síminn has over 500 4G transmitters that reach 99.7% of the population
- Roaming usage by foreign tourists quickly picked up
  - The traffic of foreign tourists was at an all-time low during COVID-19
  - Traffic increased steadily from mid-June when access restrictions were eased.
  - Traffic in August higher than it was two years ago
  - The traffic of foreign tourists is shrinking again due to the government's recent rules on disease control

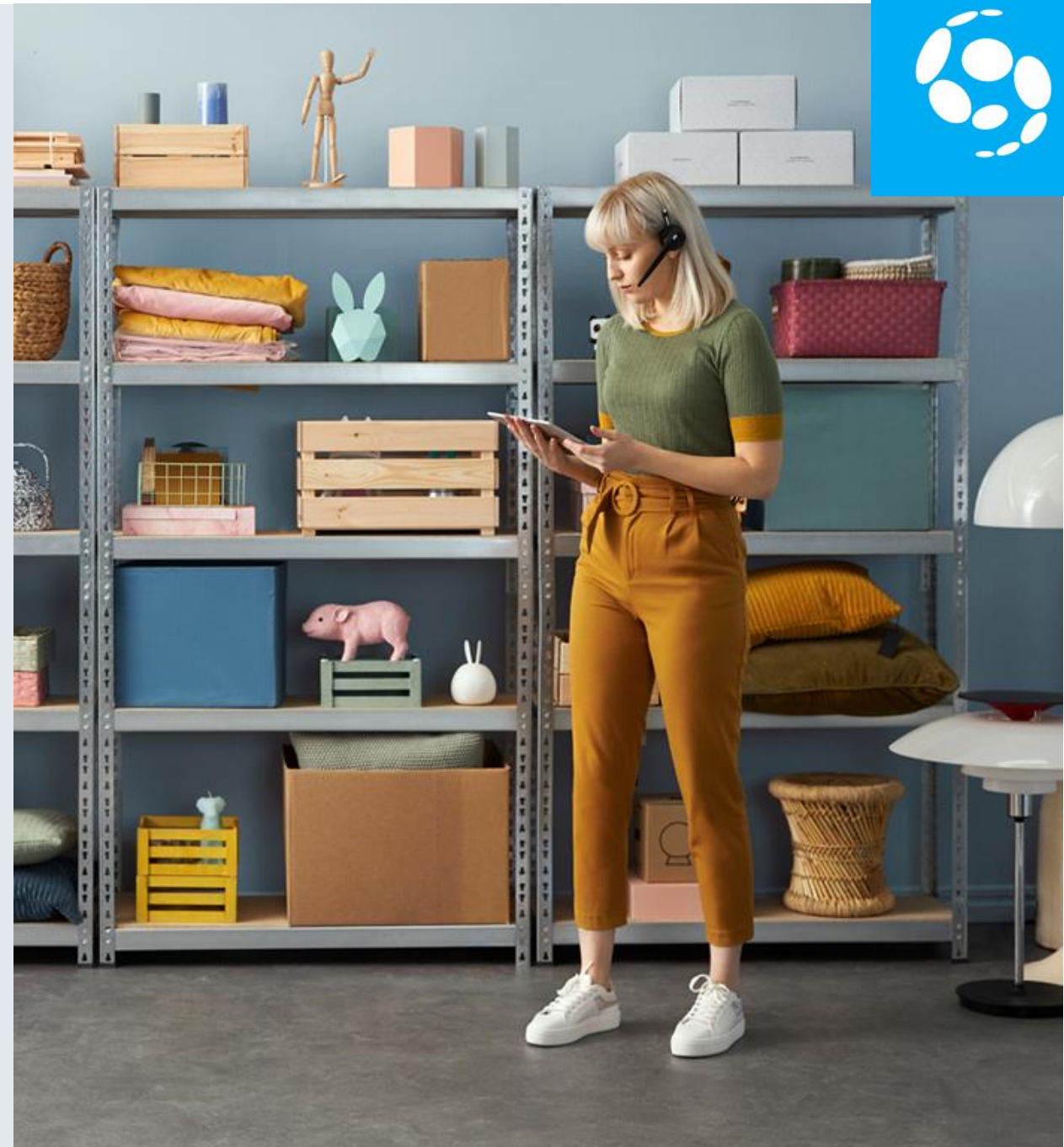
# Míla

- The installation of Míla's fiber network is going well
  - 86 thousand homes now have access to Míla fiber network.
  - 6,500 new homes have been added during the year
    - 3,900 in the capital area
    - 2,600 outside the capital area
  - Continued increase in new customers
    - More than 6 thousand new customers connected in the first half of the year
- Recent draft of a market analysis from the PTA and new obligations they announce affect Míla's fiber rollout
  - Projects have been postponed
  - Investments for the year will be lower due to this
- Increased operational stability of telecommunications in Iceland
  - The final phase of laying fiber optic cables over the highland has begun
  - Work on strengthening reserve power in the northern part of the country following a storm in process



# Sensa

- The last quarter was marked by COVID-19
- Sensa was ready with contingency plans and operations ran smoothly
- Revenues were above plan despite the situation
- There has been a lot of work by certain groups at the company in assisting customers with working from home and teleconferencing
  - Extensive experience at Sensa in the operation and service of video conferencing solutions
  - The company offers numerous solutions
  - That experience resulted in efficient services and solutions to the market when most needed





# Outlook for 2020



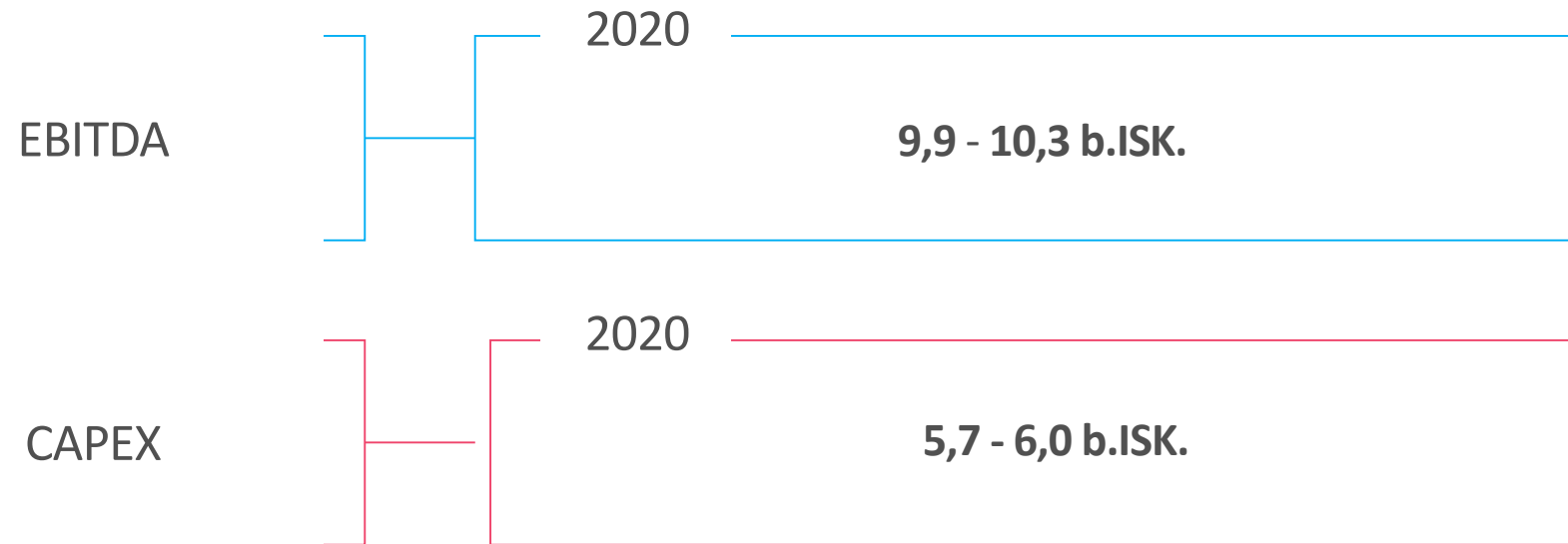
Outlook for 2020

## The guidance for 2020 is unchanged

- At the end of May, the EBITDA guidance was lowered to 9.9 -10.3 billion as a result of the fine from the Competition Authority
- There is still some uncertainty and some of Síminn's revenue streams are being effected
- The ISK has weakened significantly, which puts pressure on costs and results in a change in emphasis in investments
- Sensa's operation is going well, but the company's revenues are not as predictable as Siminn's and Mila's revenues
- Costs have been adjusted to changed circumstances
  - Labor costs have been reduced
  - Other costs cut by 300 m.kr. in 2F - 4F
- With the measures that have been taken, it is Síminn's assessment is that the result for the year will be within the profit range published in May
- Investments will be close to the lower limit of the guidance for the year
- Síminn is exploring refinancing options
  - Issuance of corporate notes is in process



# Guidance for 2020

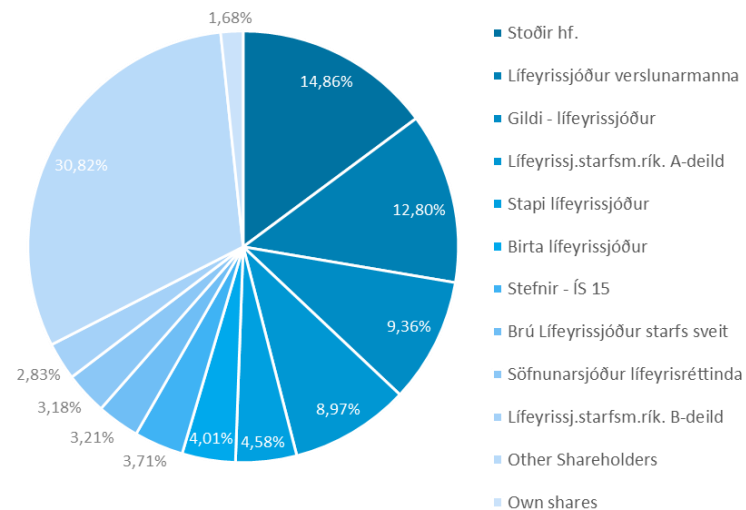




# Shareholders



Shareholders 21.8.2020	Position	% O/S
Stoðir hf.	1.300.000.000	14,86%
Lífeyrissjóður verslunarmanna	1.119.675.792	12,80%
Gildi - lífeyrissjóður	819.216.544	9,36%
Lífeyrissj.starfsm.rík. A-deild	785.250.000	8,97%
Stapi lífeyrissjóður	401.001.106	4,58%
Birta lífeyrissjóður	350.748.814	4,01%
Stefnir - ÍS 15	324.360.061	3,71%
Brú Lífeyrissjóður starfs sveit	280.807.620	3,21%
Söfnunarsjóður lífeyrisréttinda	278.399.167	3,18%
Lífeyrissj.starfsm.rík. B-deild	247.196.700	2,83%
<b>Top 10 shareholders</b>	<b>5.906.655.804</b>	<b>67,50%</b>
Other Shareholders	2.696.659.241	30,82%
<b>Shares outstanding</b>	<b>8.603.315.045</b>	<b>98,32%</b>
Own shares	146.684.955	1,68%
<b>Total number of shares</b>	<b>8.750.000.000</b>	<b>100,00%</b>



## Shareholders

- Share capital was reduced by 500 m.kr. (nominal) on 12 March
- Dividend amounting to 500 m.kr. paid in April
- Share buyback program started in May
  - In total 900 m.kr. or 1,68% of share capital had been bought on 21 August
- The dividend policy states that dividend and/or share buyback should be at least 50% of after-tax profit
- Net profit in 2019 was 3.070 m.kr.





# Appendix



## Business segments

- **Mobile:** Revenue from mobile services in Iceland and abroad, whether traditional GSM service, satellite service or other mobile service.
- **Fixed voice:** Revenue from fixed voice service (fees and traffic).
- **Internet & network:** Revenue from data service, incl. xDSL service, GPON, Internet, IP net, core network, local loop and access network.
- **TV:** Revenue from TV broadcast and distribution and Síminn TV (fees, traffic and advertisement).
- **IT services:** Revenue from hosting and operations, advisor fees and sold service and IT related hardware sales.
- **Equipment sales:** Revenue from sale of telco equipment.
- **Other revenue:** Revenue from i.e. sold telco service and hosting.



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