

Profit ISK 1,562 million in Q3 2022

Main results

- Sale of goods and services ISK 35,146 million compared to ISK 27,064 previous year and increased by 29.9% between years.
- Margin from sale of goods and services was ISK 7,063 million. Gross margin from sales was 20.1% and decreases by 5.3 pp. between years due to increase in global commodity prices.
- Additional cost incurred due to investments in new stores, service stations and in store restaurants which opened in the quarter.
- Income from one-off items in 3rd quarter amounts to ISK 358 million due to reimbursement from the transport equalization fund and expenses ISK 76 million due to the retirement of the former CEO.
- EBITDA was ISK 3,067 million compared to ISK 3,346 million in Q3 2021, decrease of 8.3% YoY.
- Equity was ISK 33,654 million and equity ratio 36.1% at the end of Q3 2022 compared to 39.4% at year-end 2021.
- Net interest-bearing debt without lease liabilities amounted to ISK 28,157 million at the end of Q3 2022 compared to ISK 23,309 million at year-end 2021.
- The company's EBITDA forecast for 2022 is raised by ISK 200 million and is now ISK 10,000 - 10,400 million.

ISK million	Q3 2022	Q3 2021	Change	%Change	9M 2022	9M 2021	Change	%Change
Income Statement								
Sale of goods and services	35,146	27,064	8,083	29.9%	89,654	72,308	17,346	24.0%
Margin from sale of goods and services	7,063	6,875	189	2.7%	20,123	18,124	1,999	11.0%
Other operating income	801	534	267	50.0%	1,714	1,593	121	7.6%
EBITDA	3,067	3,346	-279	-8.3%	7,726	7,309	418	5.7%
EBIT	2,218	3,026	-807	-26.7%	5,179	5,505	-326	-5.9%
EBT	1,892	2,848	-956	-33.6%	4,100	4,449	-349	-7.8%
Profit for the period	1,562	2,286	-724	-31.7%	3,373	3,618	-244	-6.8%
Statement of Financial Position								
					30.9.2022	31.12.2021	Change	%Change
Inventories					13,990	9,545	4,445	46.6%
Trade receivables					6,650	4,757	1,892	39.8%
Interest bearing liabilities without lease liabilities					29,301	27,312	1,990	7.3%
Cash and cash equivalents					1,144	4,003	-2,858	-71.4%
Net interest bearing liabilities without lease liabilities					28,157	23,309	4,848	20.8%
Statement of Cash Flows								
	Q3 2022	Q3 2021	Change	%Change	9M 2022	9M 2021	Change	%Change
Cash flows from operating activities	1,318	4,022	-2,703	-67.2%	2,777	7,404	-4,627	-62.5%
Investing activities	-826	372	-1,199	-322.1%	-3,403	-96	-3,307	3454.7%
Financing activities	-1,487	-3,287	1,800	-54.8%	-2,282	-5,647	3,365	-59.6%
Cash and cash equivalents at the end of the period	1,144	4,245	-3,101	-73.0%	1,144	4,245	-3,101	-73.0%
Key indicators								
Margin from sale	20.1%	25.4%	-5.3%	-20.9%	22.4%	25.1%	-2.6%	-10.5%
EBITDA/margin from sale	43.4%	48.7%	-5.2%	-10.8%	38.4%	40.3%	-1.9%	-4.8%
Equity ratio	36.1%	39.4%	-3.3%	-8.5%	36.1%	35.7%	0.4%	1.1%
Salaries/margin from sale	46.8%	40.0%	6.8%	16.9%	48.3%	47.4%	0.9%	2.0%
Investments	1,220	546	673	123.2%	4,335	1,535	2,799	182.3%
Inventory turnover	7.7	8.5	-0.8	-8.9%	7.7	8.5	-0.8	-8.9%

Operations in Q3 2022

The company's operations were acceptable in the third quarter. Sale of goods and services increased by 29.9% year-on-year and has never been higher in one quarter. Substantial increase in foreign tourists albeit fewer locals travelling around the country characterized this quarter. An increase in volume was in all areas of operations, but the huge increase in commodity prices had a major impact on the margin level, which decreased by 5.3 pp. between years. Net results of operations were in line with company's plans. N1's results decreased by ISK 356 million, where negative difference in profit of oil hedging contracts between years amounts to ISK 192 million. ELKO's results were ISK 38 million better and Krónan's results were similar to previous year. The company's EBITDA was ISK 3,067 million, which is ISK 279 million lower than in the same quarter the previous year.

Revenues in Q3 2022

- Revenue from sale of goods and services were ISK 35,146 million in Q3 2022, an increase of 29.9% between years.
- Sale of grocery and convenience goods amounted to ISK 15,261 million, up by 13.2% between years.
- Sales of fuel and electricity increased by ISK 5,538 million, an increase of 71.5% between years.
- Sales of electronic equipment amounted to ISK 4,449 million, an increase of 16.6% between years.
- Sales of other goods and services were ISK 2,156 million, an increase of 6.5% between years.

ISK million	Q3 2022	Q3 2021	Change	%Change	9M 2022	9M 2021	Change	%Change
Sale of goods and services								
Grocery and convenience goods	15,261	13,482	1,779	13.2%	41,566	38,891	2,675	6.9%
Fuel and electricity	13,280	7,742	5,538	71.5%	30,141	17,638	12,503	70.9%
Electronic equipment	4,449	3,816	633	16.6%	11,765	10,543	1,222	11.6%
Other goods and services	2,156	2,024	132	6.5%	6,182	5,235	947	18.1%
Total sale of goods and services	35,146	27,064	8,083	29.9%	89,654	72,308	17,346	24.0%
Total other operating income	801	534	267	50.0%	1,714	1,593	121	7.6%
Total income	35,948	27,598	8,350	30.3%	91,368	73,900	17,468	23.6%

Sale of grocery and convenience goods increased by 13.2% between years but the number of Krónan stores increased by one from the previous year with the opening of a new store in Borgartún last May. Sale of fuel and electricity increased by 71.5% between years, while fuel prices in the global market increased by around 40-90%, depending on fuel type between quarters. Volume sold amounted to ISK 65.6 million liters and increased by 13.2% between years, with an increase in all types of fuel. Revenue from electronics sales increased by 16.6% with the greatest increase coming from stores at Keflavik Airport. In July ELKO also opened a new larger store in Skeifan, while in September the older store was used to sell old stock on sale. Revenue from other goods and services increased by 6.5% between years, due to N1'S opening of a new car workshop in Klettagarðar last September.

Margin from sale of goods and services in Q3 2022

- Margin from sale of goods and services amounted to ISK 7,063 million, an increase of 2.7% between years.
- Margin from grocery and convenience goods was ISK 3,611 million, an increase of 7.1% between years.
- Margin from fuel and electricity was ISK 1,457 million, a decrease of ISK 362 million between years. Margin percentage was 11.0% and decreases by 12.5 pp. between years.
- Margin from electronics was ISK 1,137 million, an increase of 20.0% between years.
- Margin from other goods and services was ISK 858 million, an increase of 16.6%, between years.

ISK million	Q3 2022	Q3 2021	Change	%Change	9M 2022	9M 2021	Change	%Change
Margin from sale of goods and services								
Grocery and convenience goods	3,611	3,373	239	7.1%	9,846	9,367	479	5.1%
Fuel and electricity	1,457	1,818	-362	-19.9%	4,694	3,983	711	17.8%
Electronic equipment	1,137	948	189	20.0%	3,039	2,720	319	11.7%
Other goods and services	858	736	122	16.6%	2,544	2,053	490	23.9%
Total margin from sales of goods and services	7,063	6,875	189	2.7%	20,123	18,124	1,999	11.0%

Total margin from sale of goods and services in Q3 2022 is ISK 7,063 million compared to ISK 6,875 million for the same quarter last year, an increase of 2.7%. Margin from sale of grocery and convenience goods is ISK 3,611 million and up by 7.1% year-on-year. Margin from fuel and electricity is ISK 1,457 million, a decrease of ISK 362 million between years, where margin percentage dropped from 23.5% to 11.0% or 12.5 pp. Negative effects due to fuel hedge contracts this quarter amount to ISK 192 million, along with lower margins, especially in gasoline. The margin of electronics sales was ISK 1,137 million, an increase of 20.0% and the margin of other goods and services was ISK 858 million, an increase of 16.6% between years.

Operating expenses in Q3 2022

- Operating expenses in Q3 2022 were ISK 4,798 million which is an increase of ISK 735 million or 18.1% YoY.
- Salaries and other personnel expenses increase by ISK 555 million or 20.2% YoY.
- Total other operating expenses increase by ISK 180 million or 13.7% YoY.

ISK million	Q3 2022	Q3 2021	Change	%Change	9M 2022	9M 2021	Change	%Change
Operating expenses								
Salaries and other personnel expenses	3,307	2,752	555	20.2%	9,721	8,587	1,134	13.2%
Other operating expenses								
Operating costs of real estate	446	397	49	12.2%	1,305	1,123	182	16.2%
Maintenance expenses	261	224	37	16.7%	690	655	35	5.4%
Sales and marketing expenses	399	302	97	32.1%	1,110	889	221	24.9%
Communication expenses	209	161	48	29.6%	604	496	107	21.6%
Office and administrative expenses	91	73	18	24.6%	291	275	16	5.9%
Insurance and claims	26	94	-68	-72.8%	144	193	-49	-25.4%
Bad debt and change in allowance for bad debt	-10	12	-22	-179.1%	38	36	2	5.0%
Other expenses	69	47	22	46.8%	207	154	53	34.7%
Total other operating expenses	1,491	1,311	180	13.7%	4,389	3,821	568	14.9%
Total operating Expenses	4,798	4,063	735	18.1%	14,110	12,408	1,703	13.7%

Salaries and other personnel expenses amounted to ISK 3,307 million in Q3 2022 compared to ISK 2,752 million in Q3 2021 which is an increase of 20.2%. Full-time equivalents were 1,326 in the quarter, an increase of 110 full-time equivalents YoY. Two contractual wage increase came into effect between the periods in January 2022 and April 2022 and had an effect of ISK 131 million for the year-on-year increase. The cost due to retirement of the former CEO of ISK 76M is also expensed on this quarter. 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 Q3 2021	2,752
Change in full-time position equivalents	249
Contractual wage increases	131
Accrued vacation, change	15
Personel expenses	-2
Other	162
Salaries and other personnel expenses Q3 2022	3,307

Other operating expenses were ISK 1,491 million compared to ISK 1,311 million in Q3 2021, which is an increase of 13.7% between years. The increase is mainly related to sale related expenses due to increase in turnover and lifting of COVID restrictions.

Financial items in Q3 2022

- Net finance expenses and the impact of affiliates were negative by ISK 326 million in Q3 2022 compared to ISK 178 million in Q3 2021, an increase of ISK 149 million between years.
- Finance income amounted to ISK 173 million, an increase of ISK 132 million between years.
- Finance expenses amounted to ISK 715 million, an increase of ISK 330 million between years.
- The impact of affiliates amounted to ISK 216 million, an increase of ISK 49 million between years.

ISK million	Q3 2022	Q3 2021	Change	%Change	9M 2022	9M 2021	Change	%Change
Finance income	173	40	132	328.4%	267	89	178	200.7%
Finance expenses	-715	-385	-330	85.6%	-1,730	-1,437	-292	20.3%
Share of profit from associates	216	167	49	29.1%	385	293	92	31.3%
Total	-326	-178	-149	83.5%	-1,078	-1,056	-23	2.1%

Finance income amounted to ISK 173 million, an increase of ISK 132 million between years. More than half of the increase, or ISK 68 million, is due to exchange rate gains. Finance expenses amounted to ISK 715 million, an increase of ISK 330 million between years, mostly due to the effect of raised key interest rates by the Central Bank of Iceland. The impact of affiliates amounted to ISK 216 million, an increase of ISK 49 million between years.

Statement of financial position

- Total assets amounted to ISK 93,215 million at the end of Q3 2022, an increase of ISK 7,243 million from year-end 2021.
- Fixed assets amounted to ISK 70,454 million, an increase of 3,676 million from year-end 2021.
- Current assets amounted to 22,761 million, an increase of 3,567 million from year-end 2021.
- Equity ratio was 36.1% at the end of Q3 2022 in comparison with 39.4% at year-end 2021.
- Cash and cash equivalents amounted to ISK 1,144 million at the end of Q3 2022, a decrease of ISK 2,858 million from year-end 2021.

ISK million	30.9.2022	31.12.2021	Change	%Change
Goodwill	14,668	14,668	0	0.0%
Other intangible assets	4,567	4,744	-178	-3.7%
Property and equipment	34,017	32,544	1,473	4.5%
Leased assets	7,978	6,155	1,822	29.6%
Investment properties	6,494	6,100	393	6.4%
Inventories	13,990	9,545	4,445	46.6%
Trade receivables	6,650	4,757	1,892	39.8%
Cash and cash equivalents	1,144	4,003	-2,858	-71.4%
Interest bearing liabilities without lease liabilities	29,301	27,312	1,990	7.3%
Net interest bearing liabilities without lease liabilities	28,157	23,309	4,848	20.8%
Net interest bearing liabilities	36,500	29,731	6,769	22.8%
Equity ratio	36.1%	39.4%	-3.3 p.p.	-8.5%
Inventory turnover	7.7	8.5	-0.8	-8.9%

Goodwill is ISK 14,668 million and other intangible assets ISK 4,567 million at the end of Q3 2022. Properties and equipment amounted to ISK 34,017 million and investment properties to ISK 6,494 million at the end of the quarter, an increase of ISK 393 million from year-end.

Inventories increase by 4,445 million due to rise in commodity prices and openings of new stores in Q2 and Q3. Trade receivables are up by ISK 1,892 million from the beginning of the year in line with rise in world market prices and seasonal fluctuations in company operations.

Net interest-bearing liabilities without lease liabilities amounted to ISK 28,157 million which is an increase of ISK 4,848 million from year-end 2021. Equity ratio was 36.1% at the end of Q3 2022 compared to 39.4% at year-end 2021. The company's cash position remains strong as well as the balance sheet.

Cashflow and investments in Q3 2022

- Net cash from operating activities was ISK 1,318 million compared to ISK 4,022 million in Q3 2021.
- Net cash used in investing activities was ISK 826 million, an increase of 1,199 million YoY.
- Net cash used in financing activities was ISK 1,487 million, a decrease of ISK 1,800 million YoY.

ISK million	Q3 2022	Q3 2021	Change	%Change	9M 2022	9M 2021	Change	%Change
Cash flow								
Cash and cash equivalents, beginning of period	2,085	3,134	-1,050	-33.5%	4,003	2,563	1,440	56.2%
Net cash to operating activities	1,318	4,022	-2,703	-67.2%	2,777	7,404	-4,627	-62.5%
Net cash used in investing activities	-826	372	-1,199	-322.1%	-3,403	-96	-3,307	3454.7%
Net cash used in financing activities	-1,487	-3,287	1,800	-54.8%	-2,282	-5,647	3,365	-59.6%
Effect of movements in exchange rates on cash	55	4	51	1257.1%	49	21	28	132.8%
Cash and cash equivalents change	-940	1,111	-2,051	-184.6%	-2,858	1,682	-4,541	-269.9%
Cash and cash equivalents, end of period	1,144	4,245	-3,101	-73.0%	1,144	4,245	-3,101	-73.0%

Net cash from operations in Q3 2022 amounted to ISK 1,318 million, a decrease of ISK 2,703 million between years. Main reason is increased investment in inventories and trade receivables due to large increase in global commodity prices, as well as ISK 900 million being paid with final due date in October, due to it coming up on a weekend. Investments amounted to ISK 1,220 million, an increase of ISK 673 million between years. The purchase of own shares amounted to ISK 901 million and installments on interest-bearing loans amounted to ISK 400 million. Cash and cash equivalents decreased by ISK 940 million in the third quarter of 2022 and amounted to ISK 1,144 million at the end of September 2022.

Outlook and EBITDA guidance for 2022

Based on the results of the third quarter of 2022 and management assessment on the outlook, the EBITDA guidance for the year 2022 is raised by ISK 200 million and is now in the range of ISK 10,000 – 10,400 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 36.1% at the end of the quarter and 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 Q3 2022 amounted to ISK 59 billion.
- The number of shareholders were 1,229 at end of Q3 2022.

Investor meeting - Presentation on Thursday the 27th of October 2022

An open investor meeting for market participants and shareholders will be held on Thursday the 27th of October 2022 at Festi headquarters at Dalvegur 10-14, 3rd floor. Ásta S. Fjeldsted, CEO of Festi and Magnús Kr. Ingason, CFO of Festi will present the results and answer questions. 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/fjarhagsupplysingar> as well as on the company news section on Nasdaq OMX Iceland hf. webpage.

CEO on maternity leave from 1st of November 2022

Festi's CEO, Ásta S. Fjeldsted, will be on maternity leave starting November 1st. Magnús Kr. Ingason, will act as CEO as well as CFO during her maternity leave.

Financial calendar

- Q4 2022: 8th of February 2023
- Annual general meeting 2023: 22nd of March 2023

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