

Net profit of ISK 975 million in Q4 and 3,438 million in 12M 2023

Main results

- Sale of goods amounted to ISK 35,235 million, compared to ISK 31,744 million in the previous year, an increase of 11.0% between years.
- Gross profit from sales of goods and services amounted to ISK 8,109 million, an increase of 1,238 million or 18.0% between years.
- Profit Margins from sales of goods and services were ISK 23.0%, unchanged from last quarter and increases by 1.4 p.p. from Q4 2022.
- Salaries and other personnel expenses increase by 5.9% and full-time equivalents by 4.0%.
- EBITDA amounted to ISK 3,148 million compared to ISK 2,293 million in Q4 2022, increase of 37.3% between years.
- Profit for the quarter amounted to ISK 975 million, or 12.0% of margin and increased by 37.7% from the year before.
- Equity at the end of Q4 amounted to ISK 35,842 million with an equity ratio of 37.3%.
- Net cash from operating activities was ISK 1,933 million or 23.8% of margin, compared to ISK 1,830 million last year.
- Net interest-bearing liabilities decreased by ISK 2,550 million in 2023.
- Profit for the year amounted to ISK 3,438 million and earnings per share ISK 11.3. The company's board proposes to pay a dividend share of ISK 3 per share or a total of ISK 904 million, which is 26.3% of the year's profit.

ISK million	Q4 2023	Q4 2022	Change	%Change	12M 2023	12M 2022	Change	%Change
Income Statement								
Sale of goods and services	35,235	31,744	3,490	11.0%	136,251	121,398	14,853	12.2%
Margin from sale of goods and services	8,109	6,871	1,238	18.0%	30,667	26,994	3,673	13.6%
Other operating income	639	673	-33	-4.9%	2,189	2,386	-197	-8.3%
EBITDA	3,148	2,293	855	37.3%	11,015	10,020	996	9.9%
EBIT	2,052	1,529	524	34.3%	7,053	6,707	345	5.1%
EBT	1,187	835	352	42.1%	4,136	4,936	-800	-16.2%
Profit for the period	975	708	267	37.7%	3,438	4,082	-644	-15.8%
Statement of Financial Position					31.12.2023	31.12.2022	Change	%Change
Inventories					13,557	13,086	471	3.6%
Trade receivables					5,985	5,960	25	0.4%
Cash and cash equivalents					3,362	2,112	1,250	59.2%
Interest bearing liabilities without lease liabilities					37,140	38,440	-1,300	-3.4%
Net interest bearing liabilities without lease liabilities					33,778	36,328	-2,550	-7.0%
Net interest bearing debt/EBITDA					3.1	3.6	-55.9	-15.4%
Equity ratio					37.3%	36.9%	+0.4 p.p.	1.1%
Return on equity					10.0%	12.3%	-2.3 p.p.	-18.5%
Statement of Cash Flows								
	Q4 2023	Q4 2022	Change	%Change	12M 2023	12M 2022	Change	%Change
Cash flows from operating activities	1,933	1,830	103	5.7%	9,414	4,607	4,806	104.3%
Investing activities	-1,313	-1,361	48	-3.5%	-3,396	-4,764	1,368	-28.7%
Financing activities	-1,453	475	-1,928	-406.1%	-4,705	-1,807	-2,898	160.3%
Cash and cash equivalents at the end of the period	3,362	2,112	1,250	59.2%	3,362	2,112	1,250	59.2%
Key indicators								
Margin from sale	23.0%	21.6%	+1.4 p.p.	6.3%	22.5%	22.2%	+0.3 p.p.	1.2%
Personel expenses/margin from sale	48.8%	54.4%	-5.6 p.p.	-10.3%	50.3%	49.8%	+0.5 p.p.	1.0%
EBITDA/margin from sale	38.8%	33.4%	+5.5 p.p.	16.3%	35.9%	37.1%	-1.2 p.p.	-3.2%
Profit/margin from sale	12.0%	10.3%	+1.7 p.p.	16.6%	11.2%	15.1%	-3.9 p.p.	-25.9%
Earnings per share	3.2	2.3	90.0	39.1%	11.3	13.2	-188.4	-14.3%
Cash flows from operations/margin from sale	23.8%	26.6%	-2.8 p.p.	-10.5%	30.7%	17.1%	+13.6 p.p.	79.9%
Investments	1,421	1,440	-19	-1.3%	4,015	5,779	-1,765	-30.5%

Operations in Q4 2023

The company's operations were good in the fourth quarter and the result exceeded management's expectations. Sales of goods and services increased by 11.0% YoY. Profit margins from sales were 23.0%, unchanged from the last quarter but increased by 1.4 p.p. from previous year. Margin from sales in ISK increases by 18.0% YoY but at the same time operating expenses increased by 6.7%. The company's EBITDA was ISK 3,148 million, which is an increase of 37.3% from the previous. N1's EBITDA increased by ISK 303 million compared to the previous year. Krónan's EBITDA was ISK 402 million better than the previous year and ELKO's EBITDA increased by ISK 71 million compared to the previous year.

Finance cost increased by ISK 193 million or 29.7% between years due to raised key interest rates by the Central Bank of Iceland, but net interest-bearing liabilities decreased by ISK 2,550 million in 2023. Net profit for the fourth quarter was ISK 975 million, an increase of 37.7% between years. The main focus continues to be on margin improvement, increased efficiency and optimization in operations.

Revenues in Q4 2023

- Total revenue was 35,874 million, an increase of 10.7% from the previous year.
- Revenue from sales of goods and services was ISK 35,235 million in Q4 2023, an increase of 11.0% YoY.
- Sales of grocery and convenience goods amounted to ISK 18,029 million, up by 17.9% between years.
- Sales of fuel and electricity amounted to ISK 8,699 million, an increase of 3.3% between years.
- Sales of electronic equipment amounted to ISK 5,439 million, an increase of 8.9% between years.
- Sales of other goods and services were ISK 3,068 million, an increase of 0.9% between years.

ISK million	Q4 2023	Q4 2022	Change	%Change	12M 2023	12M 2022	Change	%Change
Sale of goods and services								
Grocery and convenience goods	18,029	15,286	2,743	17.9%	69,178	56,852	12,326	21.7%
Fuel and electricity	8,699	8,423	276	3.3%	38,849	38,564	285	0.7%
Electronic equipment	5,439	4,995	444	8.9%	18,061	16,761	1,300	7.8%
Other goods and services	3,068	3,039	28	0.9%	10,163	9,221	942	10.2%
Total sale of goods and services	35,235	31,744	3,490	11.0%	136,251	121,398	14,853	12.2%
Total other operating income	639	673	-33	-4.9%	2,189	2,386	-197	-8.3%
Total income	35,874	32,417	3,457	10.7%	138,440	123,785	14,655	11.8%

Sales of grocery and convenience goods increased by 17.9% between years, the number of Krónan stores increased by one from the previous year with the opening of a new store in Akureyri in December 2022. Sales of fuel and electricity increased by 3.3% between years, fuel prices in the global market decreased by around 9-19%, depending on fuel type, between years. Volume sold amounted to 44.1 million liters, which is an increase of 5.6% between years. Revenue from electronics sales increased by 8.9% and revenue from other goods and services increased by 0.9% between years.

Margins from sales of goods and services in Q4 2023

- Margins from sales of goods and services amounted to ISK 8,109 million, an increase of 18.0% between years. The margin level was 23.0%, unchanged from the last quarter but increases 1.4 p.p. between years.
- The margins from grocery and convenience goods were ISK 4,056 million, an increase of 20.5% between years. The margin level was 22.5%, a decrease of 0.7 p.p. from last quarter but an increase of 0.5 p.p. between years.
- Margins from fuel and electricity were ISK 1,214 million, an increase of ISK 197 million between years. The margin level was 14.0%, a decrease of 5.5 p.p. from last quarter and an increase of 1.9 p.p. between years.
- Margins from electronics were ISK 1,453 million, an increase of 13.6% between years. The margin level was 26.7%, an increase of 1.0 p.p. from the last quarter and 1.1 p.p. between years.
- Margins from other goods and services were ISK 1,386 million, an increase of 14.7% between years. The margin level was 45.2%, an increase of 12.1 p.p. from the last quarter and 5.4 p.p. between years.

ISK million	Q4 2023	Q4 2022	Change	%Change	12M 2023	12M 2022	Change	%Change
Margin from sale of goods and services								
Grocery and convenience goods	4,056	3,367	689	20.5%	15,799	13,213	2,585	19.6%
Fuel and electricity	1,214	1,017	197	19.3%	6,273	5,711	562	9.8%
Electronic equipment	1,453	1,279	174	13.6%	4,609	4,318	291	6.7%
Other goods and services	1,386	1,208	178	14.7%	3,986	3,751	235	6.3%
Total margin from sales of goods and services	8,109	6,871	1,238	18.0%	30,667	26,994	3,673	13.6%

Total margins from sale of goods and services in Q4 2023 is ISK 8,109 million compared to ISK 6,871 million for the same quarter last year, an increase of 18.0%. Margins from sales of grocery and convenience goods were ISK 4,056 million, up by 20.5% YoY. Margins from fuel and electricity were ISK 1,214 million, an increase of ISK 197 million between years. The global market price for fuels decreased by 15-22% in the quarter, compared to a decrease of 4-6% for fuels at the same time last year except for jet fuel which increased by 2%. Margins from electronics sales were ISK 1,453 million, an increase of 13.6% and the margin of other goods and services was ISK 1,386 million, an increase of 14.7% between years. The margin level was 45.2%, an increase of 5.4 p.p. from the previous year.

Operating expenses in Q4 2023

- Operating expenses in Q4 2023 were ISK 5,600 million which is an increase of ISK 349 million or 6.7% YoY.
- Salaries and other personnel expenses increased by ISK 219 million or 5.9%.
- The number of full-time equivalents was 1,336 in Q4 2023, an increase of 4.0% YoY.
- Total other operating expenses increased by ISK 131 million or 8.6% YoY.

February 7th 2024 – Festi Q4 and 12M 2023

ISK million	Q4 2023	Q4 2022	Change	%Change	12M 2023	12M 2022	Change	%Change
Operating expenses								
Salaries and other personnel expenses	3,954	3,735	219	5.9%	15,440	13,456	1,984	14.7%
Other operating expenses								
Operating costs of real estate	478	446	32	7.2%	2,008	1,751	258	14.7%
Maintenance expenses	250	275	-24	-8.8%	1,027	964	62	6.4%
Sales and marketing expenses	432	413	18	4.4%	1,545	1,523	22	1.5%
Office and administrative expenses	174	164	10	6.1%	528	455	73	16.0%
Communication expenses	235	204	31	15.2%	883	808	75	9.2%
Insurance and claims	33	6	27	474.6%	103	150	-47	-31.2%
Other expenses	44	8	37	470.8%	306	253	53	20.8%
Total other operating expenses	1,646	1,515	131	8.6%	6,400	5,905	495	8.4%
Total operating Expenses	5,600	5,250	349	6.7%	21,840	19,361	2,480	12.8%

Salaries and other personnel expenses amounted to ISK 3,954 million in Q4 2023 compared to ISK 3,735 million in Q4 2022 which is an increase of 5.9%. Full-time equivalents were 1,336 in the quarter, an increase of 52 full-time equivalents or 4.0% YoY. Contractual wage increases between the periods had an effect of ISK 84 million on the YoY increase. The cost due to the increase in full-time equivalents is ISK 140 million between years. 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 Q4 2022	3,735
Change in full-time position equivalents	140
Contractual wage increases	84
Accrued vacation, change	-21
Other changes	16
Salaries and other personnel expenses Q4 2023	3,954

Other operating expenses were ISK 1,646 million compared to ISK 1,515 million in Q4 2022, which is an increase of 8.6% between years. The operating costs of real estate increased by 7.2%, mainly due to the increased number of stores and effects of turnover based leases and impact of inflation on contract-based services like cleaning and garbage collection etc. The effect of inflation and increased sales also affect comparison of cost items between years, but good results have been achieved in reducing all operating costs in the current environment, as can be seen in the cost comparison between years.

Financial items in Q4 2023

- Net finance expenses and the impact of affiliates were negative by ISK 865 million in Q4 2023 compared to ISK 693 million in Q4 2022, an increase of ISK 172 million between years.
- Finance income amounted to ISK 88 million, an increase of ISK 61 million between years.
- Finance expenses amounted to ISK 931 million, an increase of ISK 254 million between the years.
- Exchange rate difference was negative by ISK 10 million, a positive change of ISK 102 million between years.
- The share of profit from associates amounted to negative ISK 12 million, a decrease of ISK 81 million between years.

February 7th 2024 – Festi Q4 and 12M 2023

ISK million	Q4 2023	Q4 2022	Change	%Change	12M 2023	12M 2022	Change	%Change
Finance income	88	28	61	219.9%	244	178	66	37.2%
Finance expenses	-931	-678	-254	37.5%	-3,544	-2,408	-1,137	47.2%
Foreign currency differences	-10	-112	102	-91.2%	-34	5	-39	-843.3%
Share of profit from associates	-12	69	-81	-117.8%	418	453	-35	-7.8%
Total	-865	-693	-172	24.8%	-2,917	-1,772	-1,145	64.6%

Finance income amounted to ISK 88 million, an increase of ISK 61 million between years. Finance expenses amounted to ISK 931 million, an increase of ISK 254 million between years, mostly because of raised key interest rates by the Central Bank of Iceland. Exchange rate difference was negative by 10 million but negative by 112 million the previous year. The share of profit from associates amounted negative ISK 12 million, a decrease of ISK 81 million between years.

Statement of financial position at the end of the fourth quarter 2023

- Total assets amounted to ISK 96,032 million at the year-end of 2023, an increase of ISK 2,659 million from year-end 2022.
- Non-current assets amounted to ISK 72,405 million, an increase of ISK 954 million from year-end 2022.
- Current assets amounted to 23,627 million, an increase of ISK 1,705 million from year-end 2022.
- Net interest-bearing liabilities amounted to ISK 33,778 million and decreased by ISK 2,550 million from year-end 2022.
- Equity ratio was 37.3% at year-end of 2023 compared to 36.9% at year-end 2022.
- Cash and cash equivalents amounted to ISK 3,362 million at the end of Q4 2023, an increase of ISK 1,250 million from year-end 2022.

ISK million	31.12.2023	31.12.2022	Change	%Change
Goodwill	14,842	14,862	-20	-0.1%
Other intangible assets	4,260	4,517	-257	-5.7%
Property and equipment	35,779	34,815	964	2.8%
Leased assets	8,097	8,012	84	1.1%
Investment properties	6,647	6,479	168	2.6%
Inventories	13,557	13,086	471	3.6%
Trade receivables	5,985	5,960	25	0.4%
Cash and cash equivalents	3,362	2,112	1,250	59.2%
Interest bearing liabilities	37,140	38,440	-1,300	-3.4%
Net interest bearing liabilities	33,778	36,328	-2,550	-7.0%
Equity ratio	37.3%	36.9%	+0.4 p.p.	1.1%
Inventory turnover	7.6	7.6	0.0	0.0%

Goodwill amounted to ISK 14,842 million and other intangible assets ISK 4,260 million at year-end 2023. Properties and equipment amounted to ISK 35,779 million, an increase of ISK 964 million and investment properties amounted to ISK 6,647 million at the end of Q4 2023, an increase of ISK 168 million from year-end 2022.

February 7th 2024 – Festi Q4 and 12M 2023

Inventories increased by ISK 471 million from year-end 2022. Trade receivables increased by ISK 25 million and short-term receivables decreased by ISK 41 million from the beginning of the year. Cash and cash equivalents increased by 1,250 million from year-end 2022.

Net interest-bearing amounted to ISK 33,778 million which is a decrease of ISK 2,550 million from year-end 2022. Equity ratio was 37.3% at year-end 2023 compared to 36.9% at year-end 2022. The company's cash position remains strong as well as the balance sheet.

Cashflow and investments in Q4 2023

- Net cash from operating activities was ISK 1,933 million or 23.8% of the margin, compared to 1,830 million the year before.
- Net cash used in investing activities was ISK 1,313 million, a decrease of ISK 48 million from Q4 2022.
- Net cash used in financing activities was ISK 1,453 million, an increase of ISK 1,928 million from last year.

ISK million	Q4 2023	Q4 2022	Change	%Change	12M 2023	12M 2022	Change	%Change
Cash flow								
Cash and cash equivalents, beginning of period	4,232	1,144	3,087	269.8%	2,112	4,003	-1,891	-47.2%
Net cash to operating activities	1,933	1,830	103	5.7%	9,414	4,607	4,806	104.3%
Net cash used in investing activities	-1,313	-1,361	48	-3.5%	-3,396	-4,764	1,368	-28.7%
Net cash used in financing activities	-1,453	475	-1,928	-406.1%	-4,705	-1,807	-2,898	160.3%
Effect of movements in exchange rates on cash	-37	24	-61	-253.8%	-63	74	-136	-185.1%
Cash and cash equivalents change	-832	944	-1,776	-188.2%	1,313	-1,964	3,277	-166.8%
Cash and cash equivalents, end of period	3,362	2,112	1,250	59.2%	3,362	2,112	1,250	59.2%

Net cash from operations in Q4 2023 amounted to ISK 1,933 million, an increase of ISK 103 million between years. Net cash used in Investments amounted to ISK 1,313 million, a decrease of ISK 48 million between years. The purchase of own shares amounted to ISK 310 million and installments on interest-bearing loans amounted to ISK 1,143 million. Cash and cash equivalents decreased by ISK 832 million in the fourth quarter of 2023 and amounted to ISK 3,362 million at the end of Q4 2023.

Outlook in Festi hf. operations, EBITDA and CAPEX budget for 2024

EBITDA guidance for the year 2024 is ISK 11,200 – 11,600 million.

CAPEX forecast is ISK 4,400 – ISK 4,800 million.

The following external factors can have a major impact on the company's operations:

- Impact of Russia's invasion of Ukraine and the conflict in the Middle East on supply of goods.
- Major changes in global commodity prices and exchange rates.
- High inflation in international markets, as well as in Iceland.
- Uncertainty in number of tourist arrivals to Iceland and Icelanders travelling abroad.

The company has an equity ratio of 37.3% at the end year 2023 and the company has 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 Q4 2023 amounted to ISK 61.8 billion, an increase of 12.6% from last quarter.
- The number of shareholders was 1,191 at the end of year 2023, a decrease of 24 from last quarter.
- The Company's board proposes to pay a dividend of ISK 3 per share for the year 2023 or a total of ISK 904 million, which is 26.3% of the year's profit.

Investor meeting and online presentation on Thursday the 8th of February 2024

An investor meeting and online presentation for market participants will take place on Thursday, February 8th at Dalvegur 10-14, 3rd floor.

Ásta S. Fjeldsted, CEO of Festi and Magnús Kr. Ingason, CFO of Festi will present the Group's performance and answer questions. The meeting starts at 08:30 local time.

Registration for the web stream takes place at: <https://www.festi.is/en/cc/results-q4-2023>

Participants attending virtually will be able to ask questions during the meeting via the e-mail fjarfestatengsl@festi.is. Answers will be provided at the end of the presentation.

The presentation will be held in Icelandic.

Promotional material for the meeting will be available after that on the Festi website: <https://www.festi.is/en/r/reports-and-presentations>

Financial calendar

- Annual general meeting 2024: March 6th, 2024
- Q1 2024: April 29th, 2024
- Q2 2024: July 31st, 2024
- Q3 2024: October 30th, 2024
- Q4 2024: February 5th, 2025
- Annual general meeting 2025: March 5th, 2025

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