



# Q1 2020 Results

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# Highlights in Q1 2020

## FINANCE

EBITDA  
**2.735 m.kr.**  
Q1 2019: 2.369 m.kr.

EBITDA ratio  
**37,7%**  
Q1 2019: 34,0%

Cash  
**1.148 m.kr.**  
Q4 2019: 217 m.kr.

Net debt / EBITDA\*  
**1,35**  
Q4 2019: 1,52

CAPEX  
**1.935 m.kr.**  
Q1 2019: 1.147 m.kr.

Equity ratio  
**56,9%**  
Q4 2019: 55,9%

\*EBITDA trailing twelve months

## HIGHLIGHTS

- The Group's revenue growth was 4.1% YoY
  - Growth in all segments except for Siminn equipment sales and fixed voice revenues
- EBITDA increases by 15.4% YoY and EBIT by 11.1%
- Net Profit increases by 24.2% YoY
- CAPEX - TV rights of the Premier League were paid in Q1 2020 compared to Q2 2019
- Low effect of COVID-19 on Q1



Operations in Q1 2020

## 4,1% Revenue Growth Compared to Q1 2019

- Total revenue ISK 7,246 millions in Q1 2020 up by ISK 284 millions compared to Q1 2019
- Strong start to 2020 – Revenue growth in mobile, internet and TV
  - The highest growth was in TV revenue or 19% - Síminn Sport a successful addition to our portfolio but other segments strong as well
    - Around 37.500 subscribers to the Home package – Increase by 500 in Q1 and 4.200 YoY
    - 44.000 with Premium TV – Small increase in Q1 and 4.500 YoY
- Mobile revenue return to growth
  - The success of Prena continues and was the key driver in the revenue growth
  - Subscription revenue contract slightly decline
  - ARPU in the domestic market is returning to growth after 6 years of decline – The corporate market stabilizing.
- Small growth in internet revenue
  - Subscriptions increase by 1.000 YoY
- Equipment sales at the parent company and fixed line revenue contract YoY
- Revenue growth at Sensa
  - Consulting revenue increase and sales of security solutions increase



Operations Q1 2020

## 15,4% EBITDA Growth Compared to Q1 2019

- EBIT increases by 11,1% á from Q1 2019 and net profit increases by 24,2%
- Ongoing focus on cost has positive effect in Q1
  - Wage expenses decrease by 2,9% YoY
    - Reduction in FTE's in 2019 the reason – FTE's in the group below 600 at the end of Q1 2020
  - Cost of sold services increases due to increased focus on domestic TV content production
  - The increase in depreciation is related to increased investments in content and TV rights
  - Variable cost decreases YoY – Part of the reason is COVID-19 which effected cost items such as travel cost and marketing cost at the end of Q1
- Interest expenses decrease since funding is with floating rates. Exchange rate losses were 61 m.kr. in Q1 – Net financial items decline by 43 m.kr. YoY
- CAPEX increases YoY – The broadcasting rights of the English Premier League were paid in Q1 2020 but Q2 in 2019
- With over 1 billion in cash the company has strong cash position
- Síminn exercised an option to cancel scheduled repayments of loans in 2020
  - Leverage ratio below the lower end of debt policy – Favorable rate terms



Operation in Q1 2020

## The Effects of COVID-19 on Síminn

- The effects of COVID-19 are small in Q1 but will appear in Q2
- Operations have run smoothly in spite of significant changes
  - Most of the staff work from home
  - Services for the most parts uninterrupted – Stores closed temporarily
  - The lesson from last weeks will be that changes to certain aspects of our business model can happen quicker than previously thought
- Síminn has not experienced churn in key products effected by COVID-19
- Significant increase in TV consumption has not much effect on revenue – Included in subscriptions
- Roaming revenue decline by 12% YoY
  - The importance of roaming revenue has been declining
  - Roaming revenues were expected to decline 10% this year but will decline much more
  - Expected effect on margin in Q2 – Q4 are 150 – 200 m.kr.
- Advertisement revenue in line with expectations in Q1 - The market is slowing down
  - High growth in non-linear advertising revenue



Operation in Q1 2020

## The Effects of COVID-19 on Síminn cont.

- Subscription of Síminn Sport not billed in April and May and uncertainty in the future
  - Every month lost subscription revenue is around 30 m.kr. in
  - The English Premier League still expected to be completed – Will to some extent fill the void left by the 2020 Olympics and the UEFA Euro 2020
- The revenue from domestic companies which are left virtually without income as a result of the crises is around 500 m.kr. on annual basis
  - Around 1.300 companies in this category
  - Majority is telco revenue, but it also includes revenues from IP net, hosting and Call Center solutions
    - Likely that some part of revenue will move from the corporate to the residential market
  - The largest single customer of the 1.300 companies generated 20 m.kr. in revenue in 2019
  - Government response to COVID-19 benefit customers of Síminn



Operation in Q1 2020

## The Effects of COVID-19 on Síminn cont.

- Síminn is willing to assist customers through this difficult period incl. temporary cancellation of all costs for customers
- Defaults normally low at Síminn
  - Bad debt write-off normally under 100 m.kr. annually – The highest write-off was 150 m.kr. in 2009 following the banking crisis but defaults returned to normal in 2010
  - Still no signs of increased defaults
  - Bad debt allowance increased in Q1 and also room for additional defaults within the current bad debt allowance model
- The revenue effect on Míla will be low
- Sensa with little exposure to the travel industry and business segments which are mostly effected by COVID-19
  - The general contraction on the domestic economy poses more challenge for Sensa
- The devaluation of the ISK puts pressure on expenses and CAPEX
  - Cost increases as a result of weaker ISK over 100 m.kr. in 2F – 4F
  - More pressure on equipment sales margin





Operation in Q1 2020

## The Effects of COVID-19 on Síminn cont.

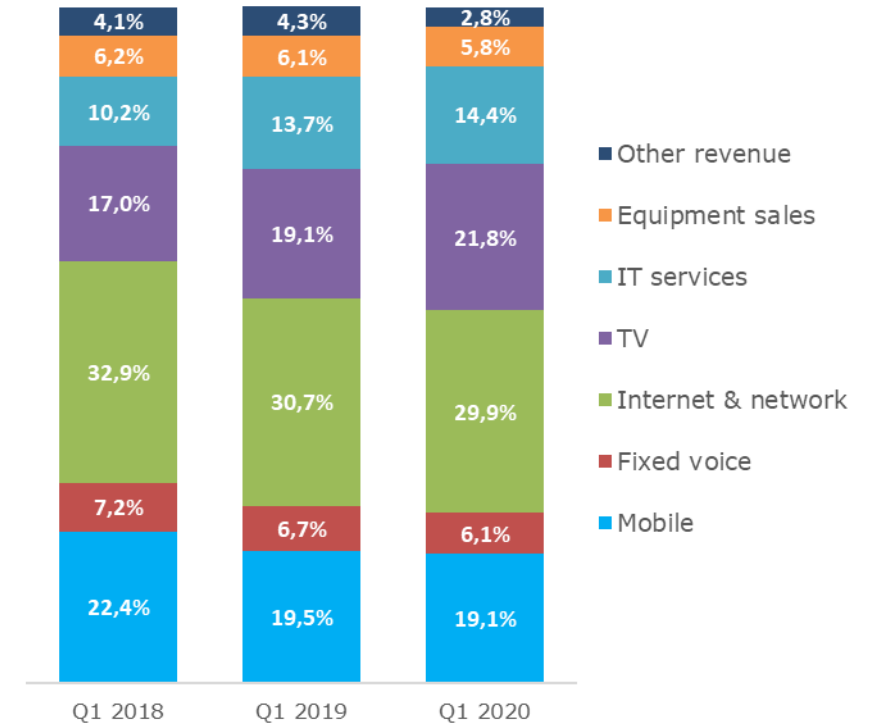
- In light of higher revenue uncertainty and pressure on FX related expenses certain variable expenses will be cut by 300 m.kr. In Q2 – Q4
  - Marketing expenses reduced and certain events cancelled
  - Sales expenses temporarily reduced
  - Consulting fees will be reduced since certain projects have been delayed or cancelled
  - IT expenses reduced in co-operation with key IT vendors
  - Travel expenses and certain staff related expenses automatically reduce
- Wage expenses will be lower than expected this year
  - Fewer FTE's
  - Overtime pay and performance related pay reduces
  - Wage inflation highly unlikely in this environment
  - The outbreak assists the digitalization process





## Revenue by segments Q1 2020

	Q1 2020	Q1 2019	Change	Change %
Mobile	1.386	1.357	29	2,1%
Fixed voice	445	465	( 20)	-4,3%
Internet & network	2.166	2.135	31	1,5%
TV	1.583	1.331	252	18,9%
IT services	1.042	951	91	9,6%
Equipment sales	418	425	( 7)	-1,6%
Other revenue	206	298	( 92)	-30,9%
<b>Total revenue</b>	<b>7.246</b>	<b>6.962</b>	<b>284</b>	<b>4,1%</b>



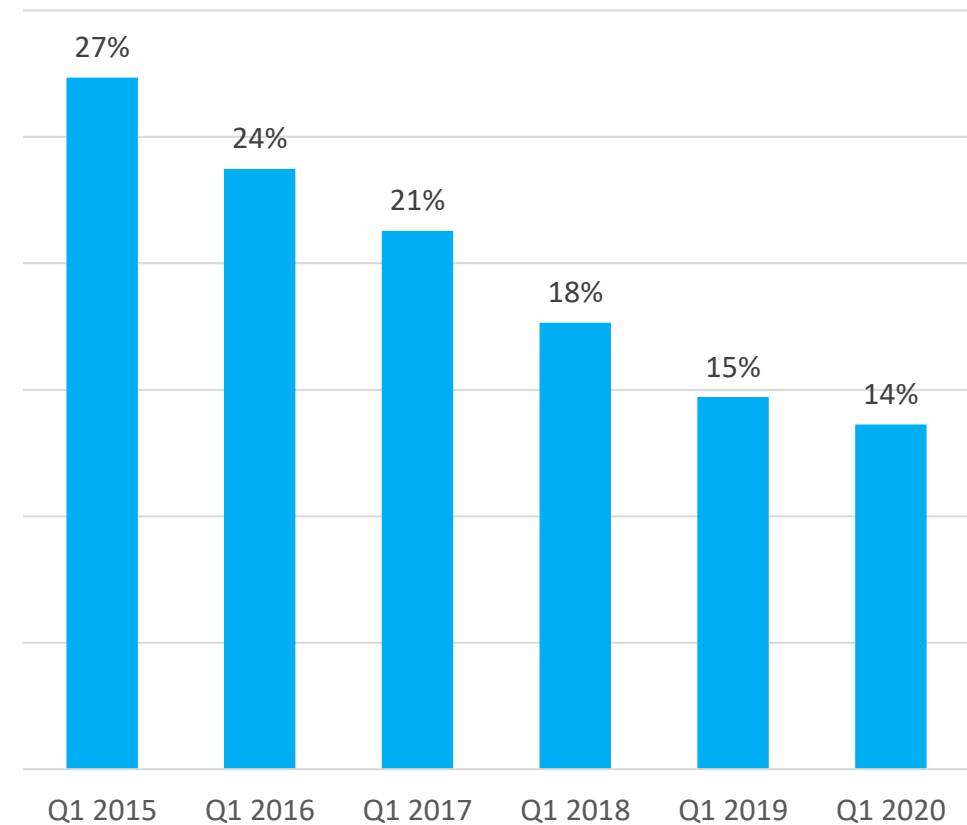


Segments

## Síminn Parent - Revenue less dependent on usage

- In recent years revenue from usage as a proportion of total revenue has reduced.
  - Usage revenue Q1 2015 was 27%
  - Usage revenue Q1 2020 was 14%
- More stability in revenue and less fluctuations

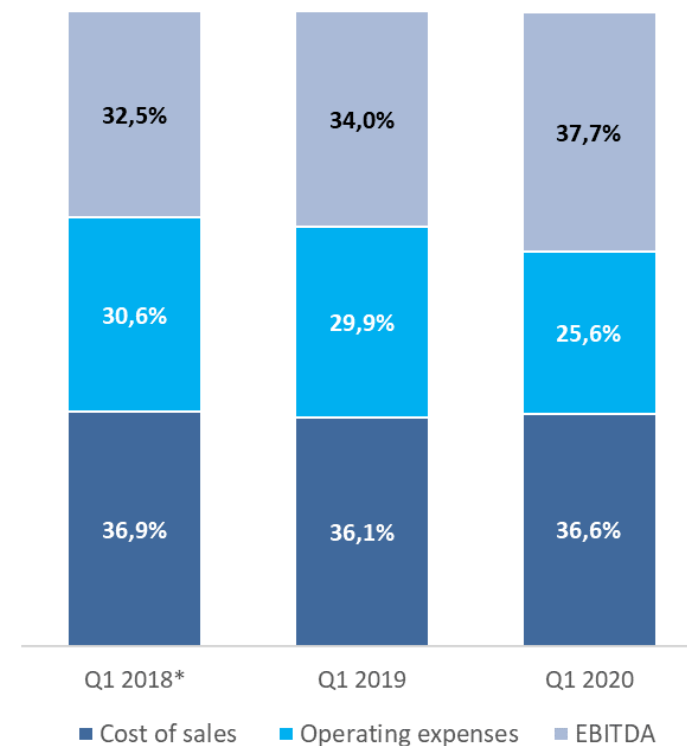
Usage as a proportion of total revenue  
exl. equipment sale





# Income statement Q1 2020

	Q1 2020	Q1 2019	Change	Change in %
Net sales	7.246	6.962	284	4,1%
Cost of sales	( 3.802)	( 3.425)	( 377)	11,0%
Operating expenses	( 2.214)	( 2.430)	216	-8,9%
EBIT	1.230	1.107	123	11,1%
Net financial items	( 270)	( 313)	43	-13,7%
Income tax	( 196)	( 179)	( 17)	9,5%
Net profit	764	615	149	24,2%
EBITDA	2.735	2.369	366	15,4%
EPS	0,09	0,07	0,02	28,6%



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



# Balance sheet

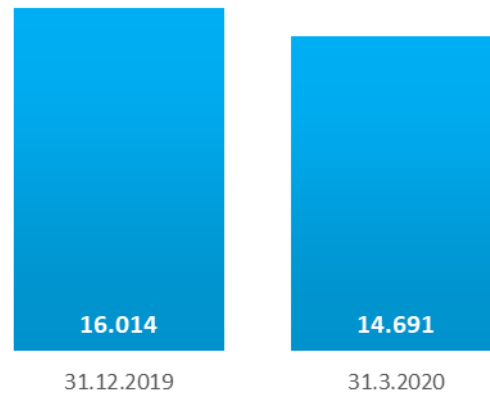
Assets	31.3.2020	31.12.2019
<b>Non-current assets</b>		
Property, plant and equipment.....	18.973	18.716
Right-of-use assets.....	4.954	5.118
Intangible assets.....	34.023	34.265
Other non-current assets.....	470	472
<b>Non-current assets</b>	<b>58.420</b>	<b>58.571</b>
<b>Current assets</b>		
Inventories.....	1.844	1.751
Accounts receivables.....	3.283	4.188
Other current assets.....	1.021	794
Cash and cash equivalents.....	1.148	217
<b>Current assets</b>	<b>7.296</b>	<b>6.950</b>
<b>Total assets</b>	<b>65.716</b>	<b>65.521</b>

Equity and liabilities	31.3.2020	31.12.2019
<b>Equity</b>		
Total equity.....	37.397	36.632
<b>Non-current liabilities</b>		
Borrowings.....	15.151	14.481
Finance lease.....	4.498	4.632
Accounts payables.....	0	353
Deferred tax liabilities.....	719	802
<b>Non-current liabilities</b>	<b>20.368</b>	<b>20.268</b>
<b>Current liabilities</b>		
Bank loans.....	400	600
Accounts payables.....	3.022	3.533
Current maturities of borrowings.....	888	1.750
Other current liabilities.....	3.641	2.738
<b>Current liabilities</b>	<b>7.951</b>	<b>8.621</b>
<b>Total equity and liabilities</b>	<b>65.716</b>	<b>65.521</b>

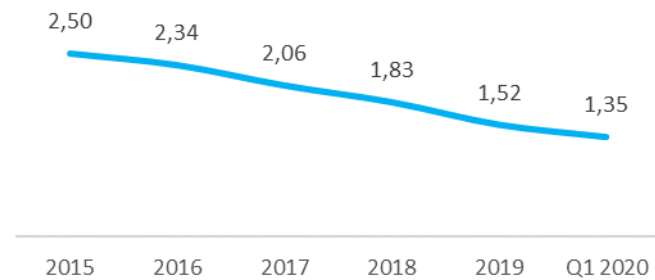


# Balance sheet

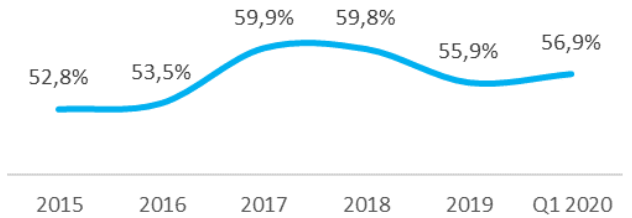
Net interest bearing debt



Net debt to EBITDA



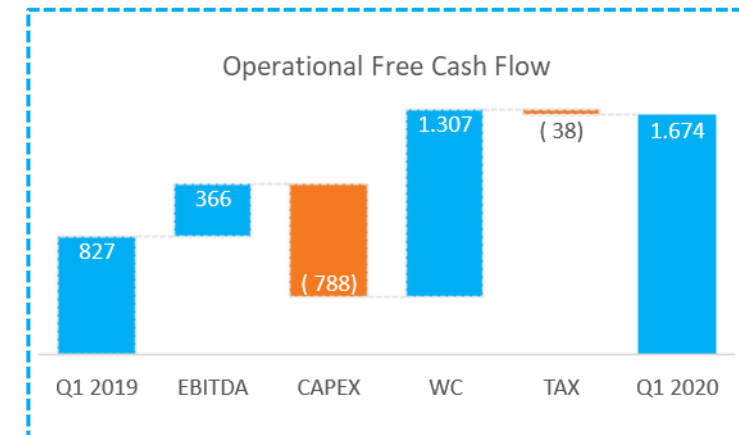
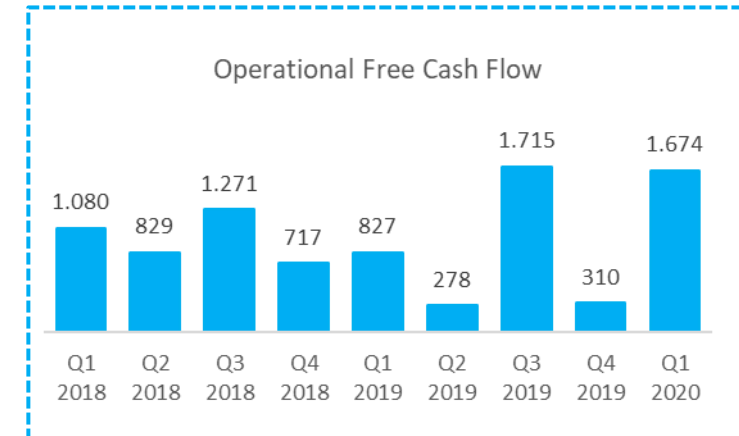
Equity ratio





# Cash flow Q1 2020

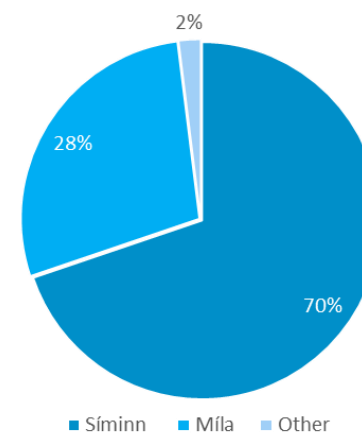
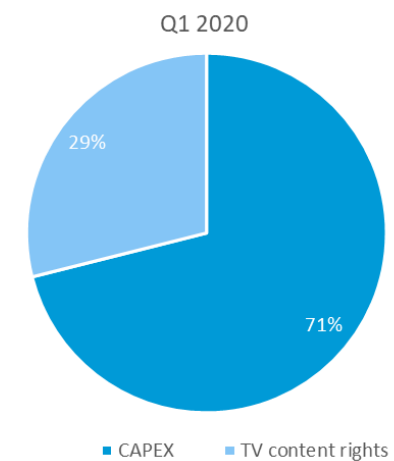
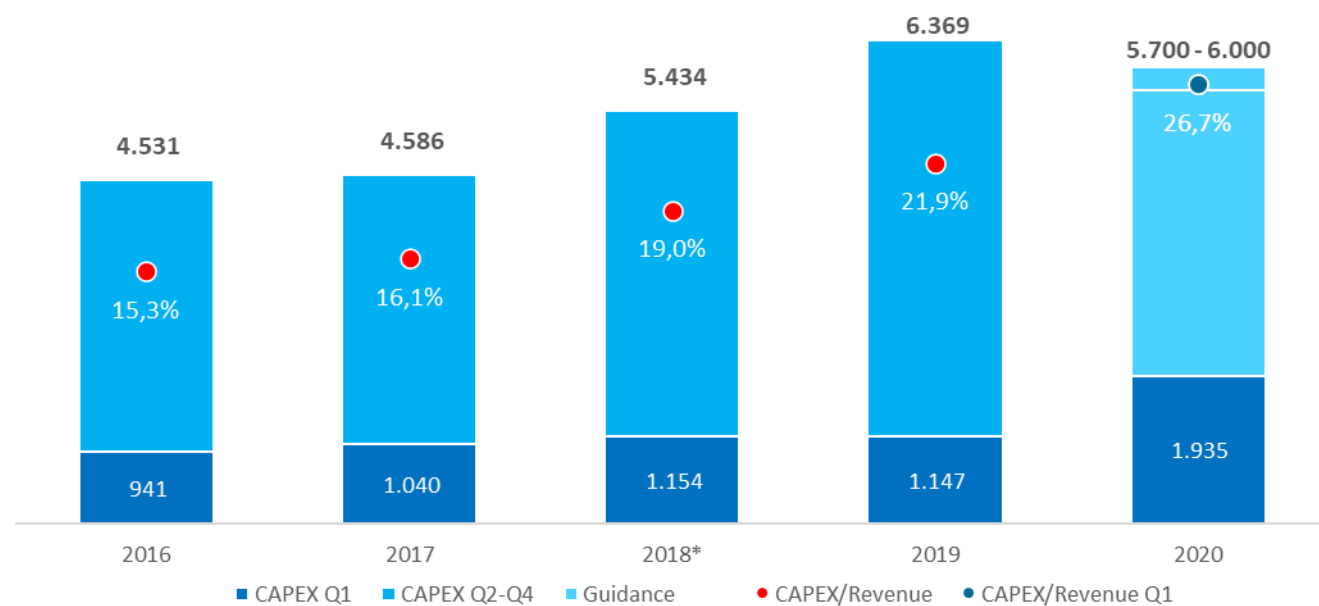
	Q1 2020	Q1 2019
<b>Cash flow from operating activities</b>		
Operating profit .....	1.230	1.107
Operational items not affecting cash flow:		
Depreciation and amortisation.....	1.505	1.262
	<u>2.734</u>	<u>2.369</u>
Changes in current assets and liabilities.....	1.000	( 307)
Cash generated by operation	<u>3.734</u>	<u>2.062</u>
Net interest expenses paid during the period.....	( 213)	( 263)
Payments of taxes during the period.....	( 125)	( 88)
Net cash from operating activities	<u>3.396</u>	<u>1.711</u>
<b>Investing activities</b>		
Net investment in property, plant and equipments.....	( 1.824)	( 1.177)
Other investment.....	( 111)	30
Investing activities	<u>( 1.935)</u>	<u>( 1.147)</u>
<b>Financing activities</b>		
Payment of long term lease.....	( 144)	( 131)
Net Financing activities.....	( 392)	( 737)
Financing activities	<u>( 536)</u>	<u>( 868)</u>
Increase (decrease) in cash and cash equivalents .....	925	( 304)
Translation effects on cash.....	6	24
Cash and cash equivalents at the beginning of the year.....	217	1.246
Cash and cash equivalents at the end of the year.....	<u>1.148</u>	<u>966</u>



\* Operational Free Cash Flow consists of Cash generated by operation less taxes and Investing activities



## CAPEX development Investing activities Q1 2020



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



# Highlights

# Síminn

- Continuous improvement in Síminn's operations
- Securing even better WiFi customer experience
- Mergers of business units such as customer service centers
- Update of various customer interfaces
- Increased self-service opportunities



# Míla

- The fiber project is progressing well
- 2.900 new fiber connections in Q1
  - Generally, rollout is slower in Q1
  - 1.700 in the capital area
  - 1.200 in rural areas
- 35.000 homes with active fiber from Míla
  - Good progress in rural areas
- Míla is strengthening the reserve power in North Iceland after severe weather in December
- Emergency processes has been reviewed and reserved power has been strengthened in Grindavík area where seismicity has been active







# Sensa

- Good project position and steady growth in operating and hosting solutions
  - High demand for cloud-based solutions
- The COVID-19 pandemic has led to increased demand for various teleworking and video conferencing solutions. In addition, the focus on security solutions has increased.
  - Sensa is strong in this field and has a great knowledge of different needs of its customers
- Sensa is proud to have helped creating the Rakning C-19 app
- The company's service has been successful with employees working from home, with emphasis on employee separation to ensure full service.





# Outlook for 2019



Outlook for 2020

## The Guidance for 2020 is Still in Effect

- The outlook was very positive when guidance was issued in February
- The outlook now is more uncertain and certain revenue segments of Síminn will take a hit
- The devaluation of the ISK puts pressure on expenses and makes CAPEX adjustments necessary
- Uncertain development in defaults by customers
- Sensa with strong performance in Q1 but revenues at Sensa are less predictable than Síminn
- Wage expenses will be lower than estimated and certain variable expenses will be cut by 300 m.kr. In Q2 – Q4
- Ongoing cost cut continues
- Síminn believes that strong performance at the start of 2020 and actions taken to mitigate the operational effect of COVID-19 will secure that EBITDA will be within guidance for 2020
- CAPEX will most likely be at the lower end of guidance



Outlook 2020

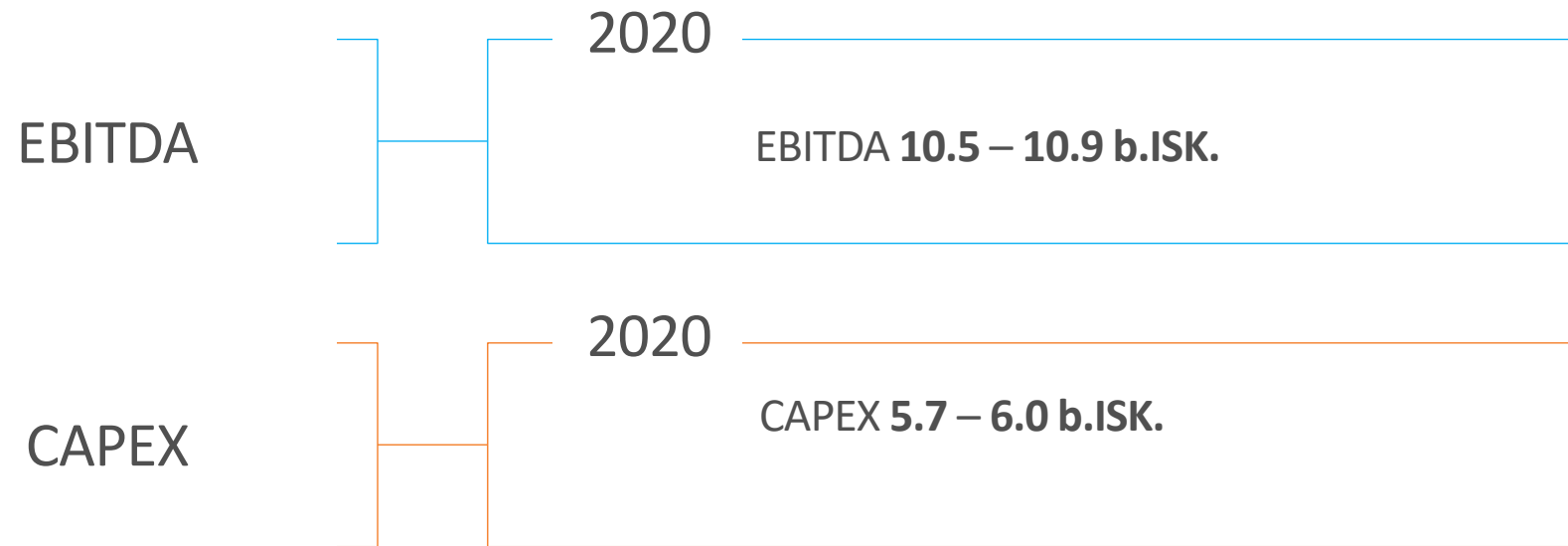
## Financing and share buybacks

- Síminn's financing is with variable interest rates and linked to REIBOR
  - Decline in interest rates will deliver at least 150 m.kr. in lower finance expenses than budgeted
- Because debt is below target, it was decided to cancel scheduled repayments in 2020
  - The option allows Síminn to cancel up to ISK 2,4 billion until final maturity
  - Annual repayments are 1.150 m.kr. – Repayments cancelled in 2020 are 960 m.kr.
- 500 m.kr. dividend paid in April in accordance with the decision of the AGM
- Share buybacks will start in May
  - The initial amount will be 500 m.kr.
- The dividend policy states that at least 50% of profit after tax is distributed to shareholders.





# Guidance for 2020





# 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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