

Profit ISK 1,335 million in Q2 2022

Main results

- Margin from sale of goods and services was ISK 7,325 million. Gross margin from sales was 24.5% and decreases by 0.6% bps. between years.
- EBITDA was ISK 2,911 million compared to ISK 2,458 million in Q2 2021, increase of 18.4% YoY.
- Rising prices in commodity markets following Russia's invasion of Ukraine and increase in inflation cause for concern.
- Equity was ISK 32,984 million and equity ratio 36.2% at the end of Q2 2022 compared to 39.4% at year-end 2021.
- Net interest-bearing debt without lease liabilities amounted to ISK 27,513 million at the end of Q2 2022 compared to ISK 23,309 million at year-end 2021.
- The company's EBITDA forecast for 2022 is raised by ISK 400 million and is now ISK 9,800 - 10,200 million.

ISK million	Q2 2022	Q2 2021	Change	%Change	6M 2022	6M 2021	Change	%Change
Income Statement								
Goods and services	29,936	24,326	5,610	23.1%	54,508	45,244	9,264	20.5%
Margin from sale of goods and services	7,325	6,106	1,220	20.0%	13,060	11,249	1,810	16.1%
Other operating income	482	603	-122	-20.2%	912	1,058	-146	-13.8%
EBITDA	2,911	2,458	452	18.4%	4,660	3,963	697	17.6%
EBIT	2,009	1,767	242	13.7%	2,960	2,479	481	19.4%
EBT	1,636	1,249	387	31.0%	2,208	1,601	607	37.9%
Profit for the period	1,335	1,043	293	28.1%	1,811	1,332	479	36.0%
Statement of Financial Position								
					30.6.2022	31.12.2021	Change	%Change
Inventories					12,462	9,545	2,917	30.6%
Trade receivables					6,011	4,757	1,254	26.4%
Interest bearing liabilities without lease liabilities					29,598	27,312	2,286	8.4%
Cash and cash equivalents					2,085	4,003	-1,918	-47.9%
Net interest bearing liabilities without lease liabilities					27,513	23,309	4,204	18.0%
Statement of Cash Flows								
	Q2 2022	Q2 2021	Change	%Change	6M 2022	6M 2021	Change	%Change
Cash flows from operating activities	476	2,991	-2,515	-84.1%	1,459	3,382	-1,923	-56.9%
Investing activities	-959	-81	-878	1079.4%	-2,577	-468	-2,109	450.7%
Financing activities	-113	-2,243	2,130	-94.9%	-795	-2,360	1,565	-66.3%
Cash and cash equivalents at the end of the period	2,085	3,134	-1,050	-33.5%	2,085	3,134	-1,050	-33.5%
Key indicators								
Margin from sale	24.5%	25.1%	-0.6%	-2.5%	24.0%	24.9%	-0.9%	-3.6%
EBITDA/margin from sale	39.7%	40.3%	-0.5%	-1.3%	35.7%	35.2%	0.4%	1.3%
Equity ratio	36.2%	39.4%	-3.3%	-8.3%	36.2%	35.7%	0.5%	1.3%
Salaries/margin from sale	46.5%	49.4%	-2.9%	-5.8%	49.1%	51.9%	-2.8%	-5.3%
Investments	1,216	538	678	126.0%	3,115	989	2,126	215.0%
Inventory turnover	8.0	8.0	0.0	-0.6%	8.0	8.0	0.0	-0.6%

Operations in Q2 2022

Business has steadily recovered from negative effects of COVID-19 since sanctions lifted at year-end 2021 and is getting back to normal operations with more tourists and Icelanders traveling abroad. Cost of goods sold and turnover have continued to rise with increase in commodity prices and inflation lowering sales ratio margin YoY. The company's operations performed better in the second quarter than expected. N1's profit increased by ISK 715 million, ELKO results were similar and Krónan results decreased by ISK 185 million. The company's EBITDA was ISK 2,911 million, which is ISK 452 million higher than in the same quarter the previous year.

Revenues in Q2 2022

- Revenue from sale of goods and services were ISK 29,936 million in Q2 2022 compared to ISK 24,326 million in Q2 2021, up by 23.1%.
- Sale of grocery and convenience goods amounted to ISK 13,905 million, up by 5.6% compared to Q2 2021.
- Sales of fuel and electricity increased by ISK 4,078 million an increase of 71.3% between years.
- Sales of electronic equipment amounted to 3,919, an increase of 11,6% between years.
- Sale of other goods and services were ISK 2,317 million, an increase of 19.9% between years.

ISK million	Q2 2022	Q2 2021	Change	%Change	6M 2022	6M 2021	Change	%Change
Sale of goods and services								
Grocery and convenience goods	13,905	13,166	739	5.6%	26,305	25,409	896	3.5%
Fuel and electricity	9,794	5,716	4,078	71.3%	16,861	9,896	6,965	70.4%
Electronic equipment	3,919	3,512	407	11.6%	7,316	6,727	589	8.8%
Other goods and services	2,317	1,932	385	19.9%	4,025	3,211	814	25.4%
Total sale of goods and services	29,936	24,326	5,610	23.1%	54,508	45,244	9,264	20.5%
Total other operating income	482	603	-122	-20.2%	912	1,058	-146	-13.8%
Total income	30,418	24,930	5,488	22.0%	55,420	46,302	9,118	19.7%

Sale of grocery and convenience goods increased by 5.6% between years. Krónan had two fewer stores this year after selling them in the middle of last year and opened one on May 12 this year in Borgartún. Sale of fuel and electricity increased by 71.3% between years, while fuel prices in the global market increased by around 90-120%, depending on fuel type between quarters. Volume sold amounted to ISK 49.3 million liters and increased by 10.2% between years due to increased activity related to capelin season and the lifting of COVID restrictions. Revenue from electronics sales increased by 11.6% and revenue from other goods and services increased by 19.9% between years, because of a sharp increase in sales of chemical products, tires and refreshments between years.

Margin from sale of goods and services in Q2 2022

- Margin from sale of goods and services amounted to ISK 7,325 million, an increase of 20.0% between years.
- Margin from grocery and convenience goods was ISK 3,356 million, an increase of 5.7% between years.
- Margin from fuel and electricity was ISK 1,963 million, an increase of 62.2% between years. Margin level decreases by 1.2 bps. between years.
- Margin from electronics was ISK 987 million, an increase of 6.5% between years.

ISK million	Q2 2022	Q2 2021	Change	%Change	6M 2022	6M 2021	Change	%Change
Margin from sale of goods and services								
Grocery and convenience goods	3,356	3,176	180	5.7%	6,235	5,995	240	4.0%
Fuel and electricity	1,963	1,210	753	62.2%	3,237	2,165	1,073	49.5%
Electronic equipment	987	927	60	6.5%	1,902	1,772	129	7.3%
Other goods and services	1,019	792	227	28.6%	1,685	1,317	368	27.9%
Total margin from sales of goods and services	7,325	6,106	1,220	20.0%	13,060	11,249	1,810	16.1%

Total margin from sale of goods and services in Q2 2022 is ISK 7,325 million compared to ISK 6,106 million for the same quarter last year, an increase of 20.0%. Margin from sale of grocery and convenience goods is ISK 3,356 million and up by 5.7%. Margin from fuel and electricity is ISK 1,963 million, an increase of ISK 753 million between years. Positive effects due to fuel hedge contracts this quarter amount to ISK 216 million, an increase of ISK 55 million between years. Margin level decreases from 21.2% to 20% between years due to higher oil and commodity prices. The profit margin on electronics sales was ISK 987 million, an increase of 6.5% and the margin of other goods and services was ISK 1,019 million, an increase of 28.6% between years.

Operating expenses in Q2 2022

- Operating expenses in Q2 2022 were ISK 4,897 million which is an increase of ISK 646 million or 15.2% YoY.
- Salaries and other personnel expenses increase by ISK 391 million or 13.0% YoY.
- Total other operating expenses increase by ISK 255 million or 20.7% YoY.

ISK million	Q2 2022	Q2 2021	Change	%Change	6M 2022	6M 2021	Change	%Change
Operating expenses								
Salaries and other personnel expenses	3,408	3,017	391	13.0%	6,414	5,834	580	9.9%
Other operating expenses								
Operating costs of real estate	430	349	81	23.3%	860	726	134	18.4%
Maintenance expenses	198	231	-32	-14.1%	429	431	-2	-0.5%
Sales and marketing expenses	405	324	82	25.2%	710	586	124	21.2%
Communication expenses	197	157	40	25.1%	394	335	59	17.8%
Office and administrative expenses	91	59	33	55.2%	200	202	-2	-0.9%
Insurance and claims	55	40	15	37.1%	119	99	19	19.5%
Bad debt and change in allowance for bad debt	24	9	15	178.2%	48	24	24	100.5%
Other expenses	87	65	22	33.6%	138	107	31	29.3%
Total other operating expenses	1,489	1,234	255	20.7%	2,898	2,510	388	15.5%
Total operating Expenses	4,897	4,251	646	15.2%	9,312	8,344	968	11.6%

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Salaries and other personnel expenses amount to ISK 3,408 million in Q2 2022 compared to ISK 3,017 million in Q2 2021 which is an increase of 13.0%. Full-time equivalents were 1,237 in the quarter, an increase of 43 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 128 million for the year-on-year increase. 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 Q2 2021	3,017
Change in full-time position equivalents	107
Contractual wage increases	128
Accrued vacation, change	-16
Personel expenses	66
Other	107
Salaries and other personnel expenses Q2 2022	3,408

Other operating expenses were ISK 1,489 million compared to ISK 1,234 million in Q2 2021, which is an increase of 20.7% between years. The increase is mainly related to sale related expenses due to increase in turnover and lifting of COVID restrictions.

Financial items in Q2 2022

- Net finance expenses and the impact of affiliates were negative by ISK 373 million in Q2 2022 compared to ISK 518 million in Q2 2021, a decrease of ISK 145 million between years.
- Finance expenses amounted to ISK 572 million, a decrease of ISK 48 million between years.
- The impact of affiliates amounted to ISK 106 million, an increase of ISK 25 million between years.

ISK million	Q2 2022	Q2 2021	Change	%Change	6M 2022	6M 2021	Change	%Change
Finance income	93	22	72	330.0%	94	48	46	94.5%
Finance expenses	-572	-621	48	-7.8%	-1,015	-1,052	37	-3.5%
Share of profit from associates	106	81	25	31.1%	169	126	43	34.1%
Total	-373	-518	145	-28.0%	-752	-878	126	-14.3%

Statement of financial position

- Total assets amounted to ISK 91,198 million at the end of Q2 2022, an increase of ISK 5,227 million from year-end 2021.
- Equity ratio was 36.2% at the end of Q2 2022 in comparison with 39.4% at year-end 2021.
- Cash and cash equivalents amounted to ISK 2,085 million at the end of Q2 2022, a decrease of ISK 1,918 million from year-end 2021.

ISK million	30.6.2022	31.12.2021	Change	%Change
Goodwill	14,668	14,668	0	0.0%
Other intangible assets	4,624	4,744	-120	-2.5%
Property and equipment	33,856	32,544	1,312	4.0%
Leased assets	7,924	6,155	1,769	28.7%
Investment properties	6,421	6,100	321	5.3%
Inventories	12,462	9,545	2,917	30.6%
Trade receivables	6,011	4,757	1,254	26.4%
Cash and cash equivalents	2,085	4,003	-1,918	-47.9%
Interest bearing liabilities without lease liabilities	29,598	27,312	2,286	8.4%
Net interest bearing liabilities without lease liabilities	27,513	23,309	4,204	18.0%
Net interest bearing liabilities	35,766	29,731	6,034	20.3%
Equity ratio	36.2%	39.4%	-3.3 bps	-8.3%
Inventory turnover	8.0	8.0	-0.1	-0.6%

Goodwill is ISK 14,668 million and other intangible assets ISK 4,624 million at the end of Q2 2022. Properties and equipment amounted to ISK 33,856 million and investment properties to ISK 6,421 million at the end of the quarter an increase of ISK 321 million from year-end.

Inventories increase by 2,917 million due to rise in commodity prices and openings of new stores in Q2 and Q3. Trade receivables are up by ISK 1,254 million from the beginning of the year in line with rise in world market prices and seasonal fluctuations.

Net interest-bearing liabilities without lease liabilities amounts to ISK 27,513 million which is an increase of ISK 4,204 million from year-end 2021. Equity ratio was 36.2% at the end of Q2 2022 compared to 39.4% at year-end 2021. Dividend issued in the amount of ISK 1,562 million was paid on 8 April 2022. The company's cash position remains strong as well as the balance sheet.

Cashflow and investments in Q2 2022

- Net cash from operating activities was ISK 476 million compared to ISK 2,991 million in Q2 2021.
- Net cash from investing activities was ISK 959 million, increase of 878 million YoY.
- Net cash used in financing activities was ISK 113 million, decrease of ISK 2,130 million YoY.

ISK million	Q2 2022	Q2 2021	Change	%Change	6M 2022	6M 2021	Change	%Change
Cash flow								
Cash and cash equivalents, beginning of period	2,653	2,463	190	7.7%	4,003	2,563	1,440	56.2%
Net cash to operating activities	476	2,991	-2,515	-84.1%	1,459	3,382	-1,923	-56.9%
Net cash used in investing activities	-959	-81	-878	1079.4%	-2,577	-468	-2,109	450.7%
Net cash used in financing activities	-113	-2,243	2,130	-94.9%	-795	-2,360	1,565	-66.3%
Effect of movements in exchange rates on cash	28	4	24	575.7%	-5	17	-23	-131.2%
Cash and cash equivalents change	-568	671	-1,239	-184.6%	-1,918	571	-2,489	-435.9%
Cash and cash equivalents, end of period	2,085	3,134	-1,050	-33.5%	2,085	3,134	-1,050	-33.5%

Net cash from operations in Q2 2022 amounted to ISK 476 million, a decrease of ISK 2,515 million between years. Main reason is increased investment in inventories and trade receivables. Investments amounted to ISK 1,216 million, an increase of ISK 678 million between years. The purchase of own shares amounted to ISK 195 million and installments on interest-bearing loans amounted to ISK 695 million. Cash and cash equivalents decreased by ISK 568 million in the second quarter of 2022 and amounted to ISK 2,085 million at the end of June 2022.

EBITDA guidance for 2022

Given the improved performance in the second quarter of 2022 and management assessment on the outlook, the EBITDA guidance for the year 2022 is raised by ISK 400 million and is now in the range of ISK 9,800 – 10,200 million.

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

- Impact of Russia's invasion of Ukraine of supply of goods
- Major changes in global commodity prices and exchange rates
- High inflation in international markets and Iceland
- Uncertainty in number of tourist arrivals to Iceland and Icelanders travelling abroad

The company has an equity ratio of 36.2% 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 Q2 2022 amounted to ISK 65 billion.
- The number of shareholders were 1,161 at end of Q2 2022.

Investor meeting - Presentation on Thursday the 28th of July 2022

An open investor meeting for market participants and shareholders will be held on Thursday the 28th of July 2022 at Festi headquarters at Dalvegur 10-14, 3rd floor. 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/fjarhagsupplýsingar> as well as on the company news section on Nasdaq OMX Iceland hf. webpage.

Financial calendar

- Q3 2022: 26th of October 2022
- Q4 2022: 8th of February 2023
- Annual general meeting 2023: 22nd of March 2023

For further information please contact Magnús Kr. Ingason CFO (mki@festi.is).