

Trading statement for the first quarter 2024

Performance of Operating Companies and listed shares in Q1 2024

The performance of operating companies' majority owned by SKEL exceeded projections in the first quarter. SKEL classifies its operating companies on one hand as companies on the consumer market and on the other hand as infrastructure and companies on the corporate market.

Consumer market

Orkan, i.e., Orkan and Löður – Ownership 100%

Heimkaup, i.e., Lyfjaval, 10-11, Extra, etc. – Ownership 81%

<i>ISK million.</i>	Actual Q1	Proj. Q1
Gross profit	2,031	1,986
EBITDA	665	628
EBIT	271	225

Corporate market and infrastructure

Styrkás, i.e., Skeljungur and Klettur – Ownership 69,64%

Gallon – Ownership 100%

<i>ISK million</i>	Actual Q1	Proj. Q1
Gross profit	1,704	1,728
EBITDA	340	315
EBIT	232	201

SKEL has released projections and information excluding the impact of IFRS16 on EBITDA, meaning all lease contracts are expensed among operating expenses through profit and loss, thereby reducing EBITDA, instead of the right of use being expensed under depreciation, and interest being expensed under financial items, as required by IFRS 16. For companies in the consumer market, EBITDA adjusted for IFRS16 in the first quarter amounted to ISK 454 million, exceeding the projected figure of ISK 402 million by 13%. For the corporate market and infrastructure, adjusted EBITDA was ISK 311 million, surpassing the projections of ISK 284 million by 10%.

Listed holdings

The Company's profit from listed shareholdings amounted to 141 million ISK in the first quarter, including dividends. The principal listed shareholdings at the end of the quarter were 2,731 million ISK in Skagi and 2,857 million ISK in Kaldalón. Other listed shareholdings totalled ISK 4,137 million at the end of the quarter. Loan financing stood at ISK 8,645 million, while cash and treasury bonds amounted to ISK 4,720 million.

PORTFOLIO HIGHLIGHTS Q1 2024

Consumer Market

Orkan's operations are going well. The management has set the goal of becoming the leading self-service company in Iceland and an active participant in the energy transition. The sale of electricity is proceeding according to the company's plans. Löður, in collaboration with Parka, began offering customers subscriptions for unlimited car washes with automatic access at the beginning of the year. This service has far exceeded expectations. Löður opened a car wash in Vestmannaeyjar at the beginning of the year and aims to open stations at Einhella Hafnarfjörður, a new and improved station at Grjótháls, and on Lambahagavegur in Reykjavík in the coming seasons. The lease agreements with N1 for 8 stations expired in March, and those stations were closed. This was anticipated in Löður's projections. With new and improved stations and new services in the form of subscriptions, we believe that Löður is well prepared to face increased competition in the market.

Lyfjaval is performing well and growing. Sales have increased by 10.2% compared to the same period last year, and the margin ratio has increased. Lyfjaval opened a new drive through pharmacy at Miklubraut in February and will open a pharmacy in Selfoss in the autumn months. Heimkaup is working to establish a new discount store, Prís, with plans to open in June.

Exploratory negotiations regarding the feasibility of merging Samkaup, Heimkaup, Lyfjaval, Orkan and Löður are ongoing, with results expected no later than 15 May 2024. SKEL believes that there are great opportunities in the merger. The combined company would have deep roots throughout the country, diversified revenues, and around 150 outlets. With a turnover of around ISK 70-80 billion per year, the combined company would have the means to take full advantage of opportunities in the retail market for the benefit of consumers, employees, and shareholders. If the merger goes through, SKEL plans on listing the company on the stock exchange, significantly increasing SKEL's percentage of listed assets in the long term.

Corporate market and infrastructure

Styrkás is performing well, exceeding projections for the quarter. The company's current subsidiaries include Skeljungur and Klettur. Klettur commenced operations at a new service location in Einhella, Hafnarfjörður, in March, which has had a successful start.

As part of Styrkás' structure, efforts are being made to coordinate and streamline support services to increase group effectiveness and efficiency. To achieve this, three managers have been transferred from subsidiaries to Styrkás, where they now work for the entire Styrkás group.

In January, Styrkás signed a purchase agreement for Stólpi Gámar ehf. and affiliated companies. All conditions of the purchase agreement have been met, and the companies were handed over on April 19. This acquisition aims to expand Styrkás' services and establish a third core in the company's property management and rental activities. The founder of Stólpi, Ásgeir Þorláksson, has joined Styrkás' group of shareholders, further strengthening it. Börkur Grímsson is the manager of Stólpa.

Gallon ehf. operations are proceeding as planned. In the third quarter, it was announced that Marinó Örn Tryggvason had assumed the role of chairman of the company, tasked with exploring potential opportunities for sale or diversification of income sources. On April 10, the owners of Olúdreifing ehf. announced the initiation of the sale process of the company, as well as EBK ehf., in which Gallon ehf. is a shareholder. There is active interest in the energy infrastructure market in Iceland, with several parties contacting Gallon ehf. expressing interest in purchasing the company or collaboration. Further updates on these discussions will be provided if they progress.

Real estate

On 8 March a purchase option was exercised for 35 apartments located at Stefnisvogur, 104 Reykjavík, owned by Stefnisvogur ehf. The parties also agreed on SKEL's purchase of additional apartments, resulting in the purchase of 50 apartments in total at Stefnisvogur, totalling 5,534 square meters. The purchase price amounts to ISK 4,704 million. Part of the purchase price will be paid through the delivery of share capital and shareholder loans to Reir Þróun ehf., totaling ISK 726 million. After the transaction is settled, SKEL will have transferred all shares and shareholder loans to Reir Þróun in exchange for apartments. It is expected that the apartments will be delivered in the fourth quarter of 2024. SKEL plans to offer these apartments for long-term rent through a rental agent.

Own shares and payments to shareholders

At SKEL's general meeting on 7 March 2024, the board's proposal to reduce the company's share capital was approved. The reduction amounted to ISK 57,554,742 in nominal value and included own shares that the company acquired through its buyback programs. The reduction was executed on 27 March, and the company's share capital is now ISK 1,878,479,032. Additionally, it was agreed at the general meeting to pay a dividend of ISK 750 million, equivalent to 0.39 ISK per share. The dividend was distributed on April 16. The number of shareholders was 1,029 at the beginning of the year and decreased to 1,028 by the end of the first quarter.

Financial calendar for SKEL fjárfestingafélag hf. for the year 2024:

1H: 15 August 2024

2H and annual report: 6 February 2025

Annual General Meeting (AGM) 2024: 6 March 2025

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Disclaimer

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