



Q4 2019 Results Full year 2019

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Highlights in Q4 2019

FINANCE

EBITDA
2.728 m.kr.

EBITDA ratio
34,5%

Cash
217 m.kr.

Net debt / EBITDA*
1,52

CAPEX
1.385 m.kr.

Equity ratio
55,9%

*EBITDA trailing twelve months

HIGHLIGHTS

- 18% EBITDA growth since Q4 2018 or 410 m.kr. ⁽¹⁾
- 28% EBIT growth and Net profit increases 37% ⁽²⁾
- 20% TV revenue growth – Total revenues increase by 4,7%
- Strong quarter for Sensa both in terms of results and revenue
- The fiber rollout project at Míla progressing well – New connections are exceeding expectations

(1) Taking IFRS 16 into account

(2) Adjusted for Impairment of goodwill in 2018



Q4 2019 - Results



Operations in Q4 2019

4,7% Revenue growth since Q4 2018

- The revenue growth in Q4 is driven by TV operations and the performance of Sensa
 - Sensa's solutions are in strong demand from both the private and the public sector. Q4 was the best quarter in 2019.
 - Growth in all TV products during the quarter apart from a slight reduction in resale of foreign channels.
- Síminn Sport in full operations in Q4
 - Revenue from standalone subscriptions were 95 m.kr. in Q4
- The reduction in mobile revenue in Q4 solely related to the set-back in tourism in Iceland and foreign operations of Síminn
 - ARPU increasing in the domestic market but the corporate market is still decreasing
 - Prenna still growing – Close to 1.200 new subscriptions in Q4
- Increase in Home Package subscriptions – Around 2.000 new subscribers in Q4



Operations in Q4 2019

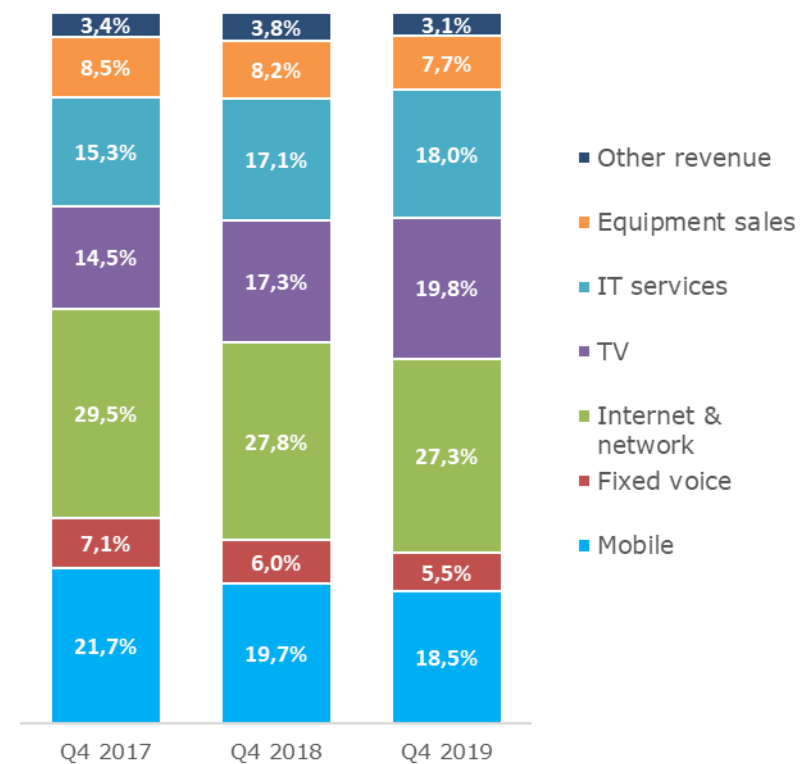
18% EBITDA Growth in Q4 without the effect of IFRS 16

- 28% EBIT increase in Q4 and Net Profit increases by 37%
 - Adjusted for the write-down of goodwill at Míla in Q4 2018
- Ongoing focus on cost reduction has positive effect in Q4
 - Payroll expenses decrease by 3,3% since Q4 2018
 - FTE's decrease by 49 – Reduction in all group companies
 - Improved roaming agreements and improved control decrease interconnection expenses
 - Síminn Sport did not increase total sales- and marketing expenses
- Interest expense reduce by 42 m.kr. from Q4 2018
 - Interest expenses from lease liabilities (IFRS 16) are 68 m.kr. in Q4
- CAPEX decreases by 228 m.kr. or 13% from Q4 2018



Revenue by segments Q4 2019

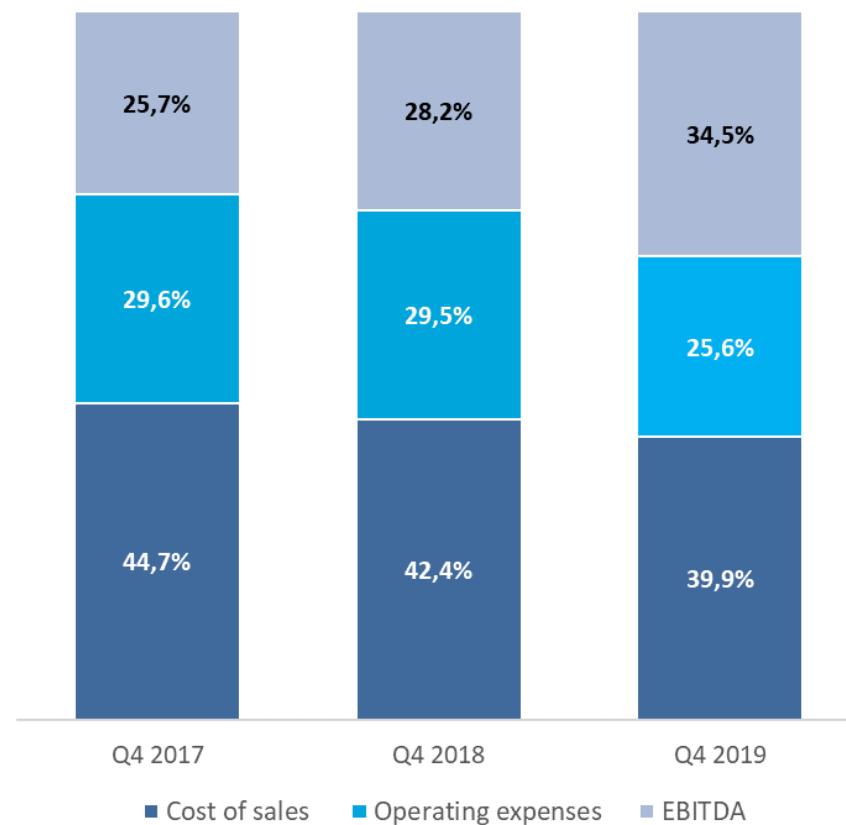
	Q4 2019	Q4 2018	Change	Change %
Mobile	1.464	1.489	(25)	-1,7%
Fixed voice	435	455	(20)	-4,4%
Internet & network	2.153	2.095	58	2,8%
TV	1.567	1.304	263	20,2%
IT services	1.425	1.292	133	10,3%
Equipment sales	611	620	(9)	-1,5%
Other revenue	241	289	(48)	-16,6%
Total revenue	7.896	7.544	352	4,7%





Income statement Q4 2019

	Q4 2019	Q4 2018	Change	Change in %
Net sales	7.770	7.420	350	4,7%
Cost of sales	(4.367)	(4.196)	(171)	4,1%
Gross profit	3.403	3.224	179	5,6%
<i>Gross profit ratio</i>	43,8%	43,5%		
Other operating income	126	124	2	1,6%
Operating expenses	(2.367)	(2.443)	76	-3,1%
Impairment losses	0	(2.990)	2.990	-100,0%
Operating profit	1.162	(2.085)	3.247	-155,7%
<i>Operating profit/Net sales</i>	15,0%	-28,1%		
<i>Finance income</i>	45	60	(15)	-25,0%
<i>Finance cost</i>	(274)	(240)	(34)	14,2%
<i>Net exchange rate differences</i>	(2)	(25)	23	
Net financial items	(231)	(205)	(26)	12,7%
Income tax	(171)	(146)	(25)	17,1%
Net profit	760	(2.436)	3.196	
Depreciation	(1.566)	(4.209)	2.643	
EBITDA*	2.728	2.124	604	28,4%
<i>EBITDA ratio</i>	34,5%	28,2%		
EBIT	1.162	(2.085)	3.247	
<i>EBIT ratio</i>	14,7%	-27,6%		



*Restated according to changes made to treatment of TV rights

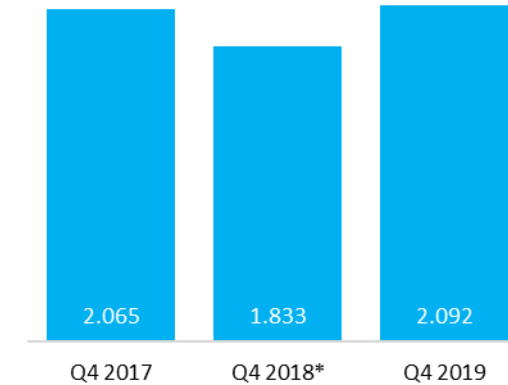


Cash flow Q4 2019

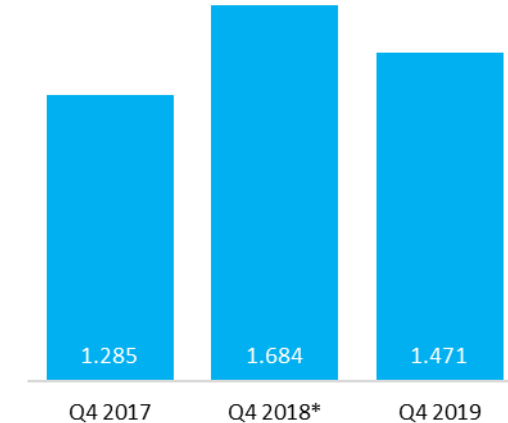
	Q4 2019	Q4 2018*
Cash flow from operating activities		
Operating profit	1.162	(2.085)
Operational items not affecting cash flow:		
Depreciation and amortisation.....	1.566	4.209
Other items not affecting cash flow.....	(3)	0
	<u>2.725</u>	<u>2.124</u>
Changes in current assets and liabilities.....	(633)	(291)
Cash generated by operation	<u>2.092</u>	<u>1.833</u>
Net interest expenses paid during the period.....	(224)	(169)
Payments of taxes during the period.....	(397)	20
Net cash from operating activities	<u>1.471</u>	<u>1.684</u>
Investing activities		
Net investment in property, plant and equipments.....	(1.319)	(1.275)
Other investment.....	(66)	139
Investing activities	<u>(1.385)</u>	<u>(1.136)</u>
Financing activities		
Buyback of ordinary shares.....	(368)	(174)
Payment of long term lease.....	(150)	0
Payments of non-current liabilities.....	(288)	(288)
Bank loans, increase (decrease).....	380	450
Financing activities	<u>(426)</u>	<u>162</u>
Increase (decrease) in cash and cash equivalents	(340)	710
Translation effects on cash.....	0	(34)
Cash and cash equivalents (beginning-of-period).....	557	570
Cash and cash equivalents (end-of-period).....	<u>217</u>	<u>1.246</u>

*Restated according to changes made to treatment of TV rights

Cash generated by operation



Net cash from operating activities





2019 - Results



Operation 2019

Revenue and EBITDA Increase YoY

- Positive impact of Síminn Sport – Financial outcome in line with expectations
- Increase in Home Package subscriptions – 4.250 new subscribers in 2019
 - Around 50% of the increase in Q4 2019
- 1.700 new internet subscriptions in 2019
- The loss of wholesale revenue and the effect of lower roaming- and satellite revenue was mainly felt in early 2018 – Will have lower effect on comparison going forward
 - ARPU in the domestic market is increasing slightly
 - Still pressure on prices in the corporate market – Pricing not sustainable
- 9,4% revenue growth at Sensa in 2019
 - The slower economy in Iceland is effecting margins
- EBIT at Míla increases by 68 m.kr. YoY – Adjusted for the write-down of goodwill in 2018



Operation 2019

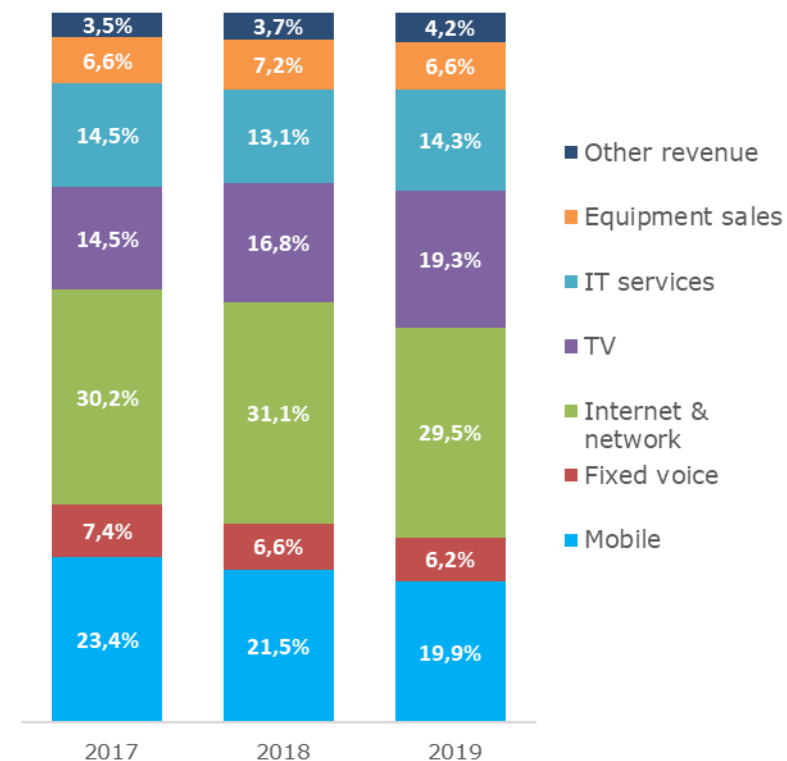
Stronger Performance in H2 of 2019

- Cost of sold services increases by 427 m.kr.
 - 310 m.kr. as a result of higher depreciation, mainly from content rights
 - Production cost of TV content increases by 90 m.kr. YoY due to increased Icelandic content production
- Average FTE's decrease by 52 or 7,4%
 - The reduction was mainly in H2 of 2019
 - Slight reduction in payroll expenses YoY
- Funding of Síminn is all with floating interest rates and in Icelandic krona
 - The reduction in interest rates has positive effect in Síminn
 - Margin on funding was increased in 2019



Revenue by segments 2019

	2019	2018	Change	Change %
Mobile	5.772	6.132	(360)	-5,9%
Fixed voice	1.803	1.882	(79)	-4,2%
Internet & network	8.573	8.872	(299)	-3,4%
TV	5.621	4.803	818	17,0%
IT services	4.162	3.735	427	11,4%
Equipment sales	1.932	2.052	(120)	-5,8%
Other revenue	1.208	1.064	144	13,5%
Total revenue	29.071	28.540	531	1,9%

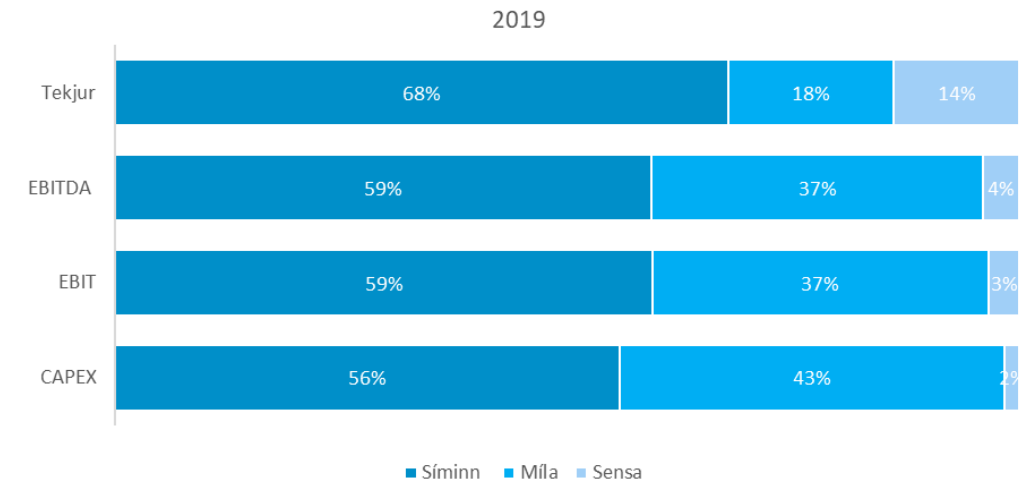




Key figures from subsidiaries

	2019	2018*	Change	Change %
Síminn hf.				
Revenue.....	23.391	23.232	159	0,7%
EBITDA.....	6.224	5.685	539	9,5%
EBITDA ratio.....	26,6%	24,5%		
EBIT.....	2.915	2.959	-43	-1,5%
EBIT ratio.....	12,5%	12,7%		
CAPEX.....	3.552	2.444	1.107	45,3%
CAPEX to revenue.....	15,2%	10,5%		
Míla ehf.				
Revenue.....	6.315	6.432	-116	-1,8%
EBITDA.....	3.866	3.419	446	13,1%
EBITDA ratio.....	61,2%	53,2%		
EBIT.....	1.828	-1.230	3.058	-248,7%
EBIT ratio.....	29,0%	-19,1%		
CAPEX.....	2.710	2.688	22	0,8%
CAPEX to revenue.....	42,9%	41,8%		
Sensa ehf.				
Revenue.....	4.795	4.384	410	9,4%
EBITDA.....	421	423	-2	-0,5%
EBITDA ratio.....	8,8%	9,6%		
EBIT.....	168	172	-4	-2,4%
EBIT ratio.....	3,5%	3,9%		
CAPEX.....	106	308	-202	
CAPEX to revenue.....	2,2%	7,0%		

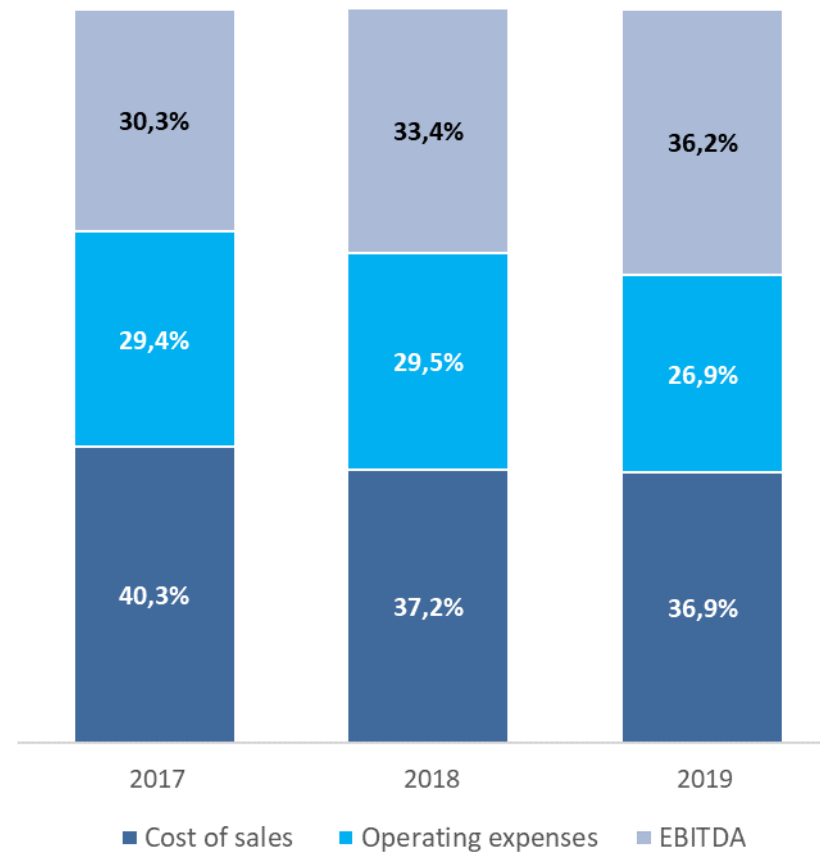
*Restated according to changes made to treatment of TV rights





Income statement 2019

	2019	2018	Change	Change in %
Net sales	28.309	27.925	384	1,4%
Cost of sales	(14.906)	(14.479)	(427)	2,9%
Gross profit	13.403	13.446	(43)	-0,3%
<i>Gross profit ratio</i>	<i>47,3%</i>	<i>48,2%</i>		
Other operating income	762	615	147	23,9%
Operating expenses	(9.251)	(9.154)	(97)	1,1%
Impairment losses	0	(2.990)	2.990	-100,0%
Operating profit	4.914	1.917	2.997	156,3%
<i>Operating profit/Net sales</i>	<i>17,4%</i>	<i>6,9%</i>		
Finance income	196	213	(17)	-8,0%
Finance cost	(1.227)	(967)	(260)	26,9%
Net exchange rate differences	(14)	(34)	20	
Net financial items	(1.045)	(788)	(257)	32,6%
Income tax	(799)	(847)	48	-5,7%
Net profit	3.070	282	2.788	
Depreciation	(5.602)	(7.604)	2.002	
EBITDA*	10.516	9.521	995	10,5%
<i>EBITDA ratio</i>	<i>36,2%</i>	<i>33,4%</i>		
EBIT	4.914	1.917	2.997	
<i>EBIT ratio</i>	<i>16,9%</i>	<i>6,7%</i>		



*Restated according to changes made to treatment of TV rights

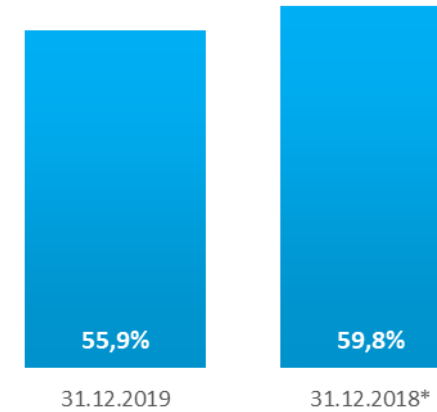


Balance sheet

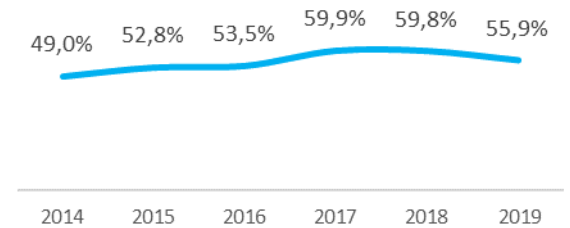
	31.12.2019	31.12.2018*
Assets		
Non-current assets		
Property, plant and equipment.....	18.716	18.059
Right-of-use assets.....	5.118	0
Intangible assets.....	34.265	32.473
Other non-current assets.....	472	424
Non-current assets	58.571	50.956
Current assets		
Inventories.....	1.751	1.437
Accounts receivables.....	4.188	4.313
Other current assets.....	794	882
Cash and cash equivalents.....	217	1.246
Current assets	6.950	7.878
Total assets	65.521	58.834
Equity and liabilities		
Equity		
Total equity.....	36.632	35.202
Non-current liabilities		
Borrowings.....	14.481	15.631
Finance lease.....	4.632	0
Accounts payables.....	353	0
Deferred tax liabilities.....	802	898
Non-current liabilities	20.268	16.529
Current liabilities		
Bank loans.....	600	450
Accounts payables.....	3.533	2.997
Current maturities of borrowings.....	1.750	1.150
Other current liabilities.....	2.738	2.506
Current liabilities	8.621	7.103
Total equity and liabilities	65.521	58.834

*Restated according to changes made to treatment of TV rights

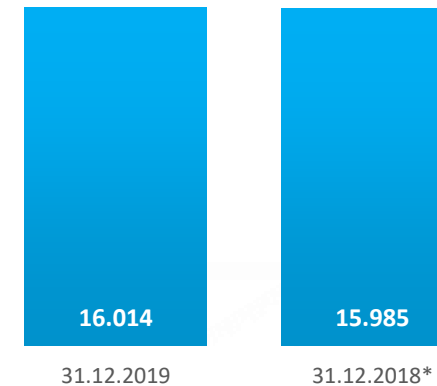
Equity ratio



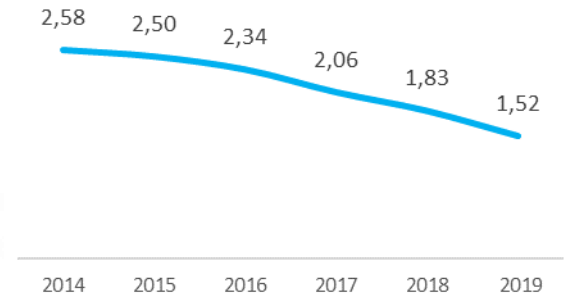
Equity ratio



Net interest bearing debt



Net debt to EBITDA



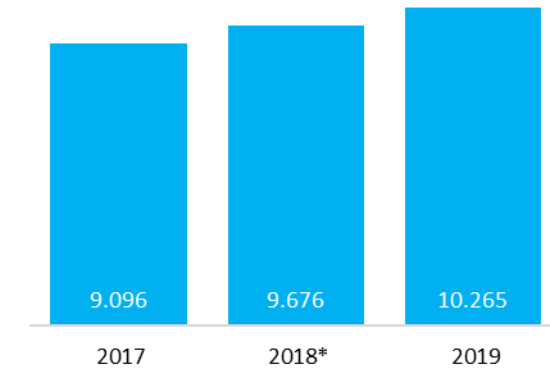


Cash flow 2019

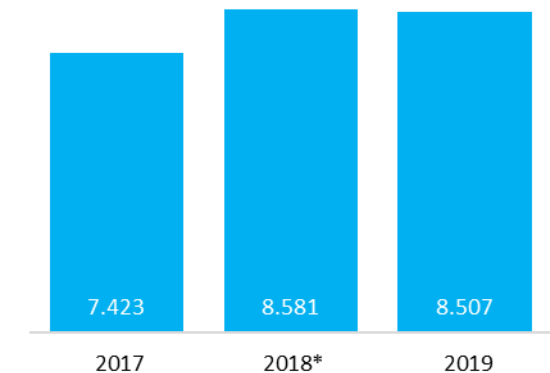
	2019	2018*
Cash flow from operating activities		
Operating profit	4.914	1.917
Operational items not affecting cash flow:		
Depreciation and amortisation.....	5.602	7.604
Other items not affecting cash flow.....	(170)	(87)
	<u>10.346</u>	<u>9.434</u>
Changes in current assets and liabilities.....	(81)	242
Cash generated by operation	<u>10.265</u>	<u>9.676</u>
Net interest expenses paid during the period.....	(992)	(750)
Payments of taxes during the period.....	(766)	(345)
Net cash from operating activities	<u>8.507</u>	<u>8.581</u>
Investing activities		
Net investment in property, plant and equipments.....	(6.333)	(5.575)
Other investment.....	(36)	141
Investing activities	<u>(6.369)</u>	<u>(5.434)</u>
Financing activities		
Dividend paid.....	(330)	(311)
Purchase of own shares.....	(1.310)	(1.068)
Payment of long term lease.....	(552)	0
Net Financing activities.....	<u>(1.000)</u>	<u>(1.200)</u>
Financing activities	<u>(3.192)</u>	<u>(2.579)</u>
Increase (decrease) in cash and cash equivalents	(1.054)	568
Translation effects on cash.....	25	(40)
Cash and cash equivalents at the beginning of the year.....	1.246	718
Cash and cash equivalents at the end of the year.....	<u>217</u>	<u>1.246</u>

*Restated according to changes made to treatment of TV rights

Cash generated by operation

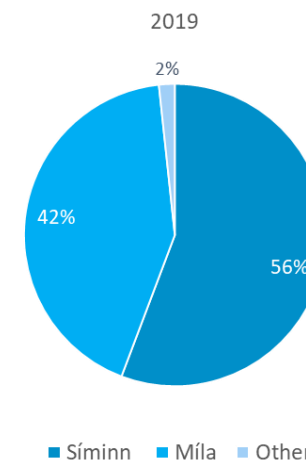
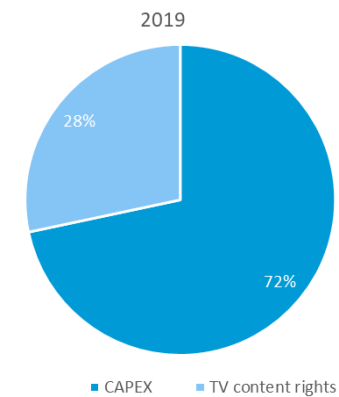
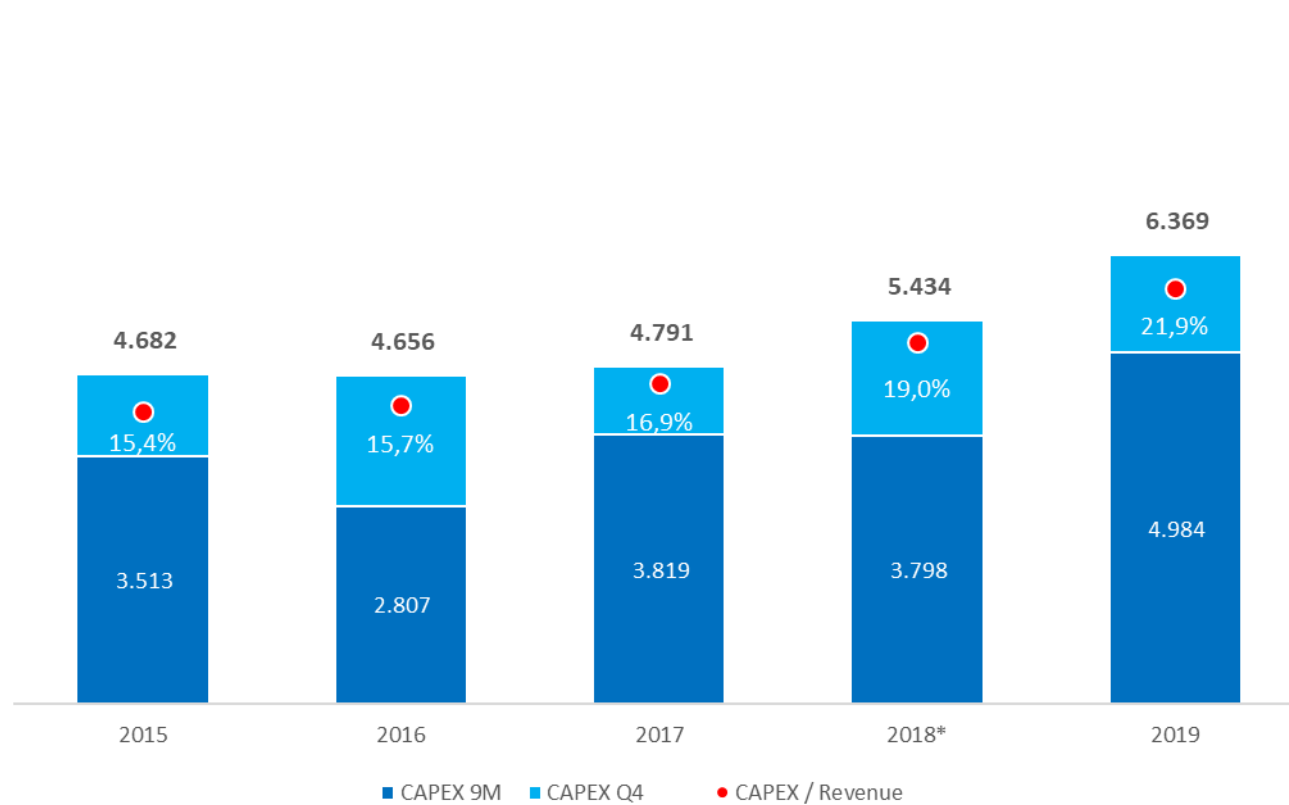


Net cash from operating activities





CAPEX development Investing activities 2019



*Restated according to changes made to treatment of TV rights



Operation and CAPEX 2019

Impact of IFRS 16 and capitalization of TV rights

- The table shows the effect of IFRS 16 and capitalization of TV rights on the income statement and Investment activities for 2018 and comparison with 2019.

Amounts in m.ISK	2018	2018*	2018 Adjusted	2019	Difference
EBITDA.....	8.752	9.521	10.311	10.516	205
Depreciation.....	6.835	7.604	8.254	5.602	-2.652
Net financial items.....	788	788	1.048	1.045	-3
Profit	282	282	186	3.070	2.884
Investment activities.....	4.614	5.434	5.434	6.369	935

*Restated according to changes made to treatment of TV rights



Dividend and share buyback

The dividend policy for Síminn hf. states that Síminn intends to distribute between 20 - 50% of after-tax profit to shareholders through dividend and/or share buyback.

Amended dividend policy is that Síminn intends to distribute at least 50% of after-tax profit to shareholders through dividend and/or share buyback in accordance with law and regulation at any given time.

The proposal at the Annual General Meeting on March 12th 2020

1. Pay 500 m.kr. in dividend
2. Request authorization to buy up to 10% of own shares during the next 18 months
3. Reduce the companies share capital by cancelling 500 million of own shares

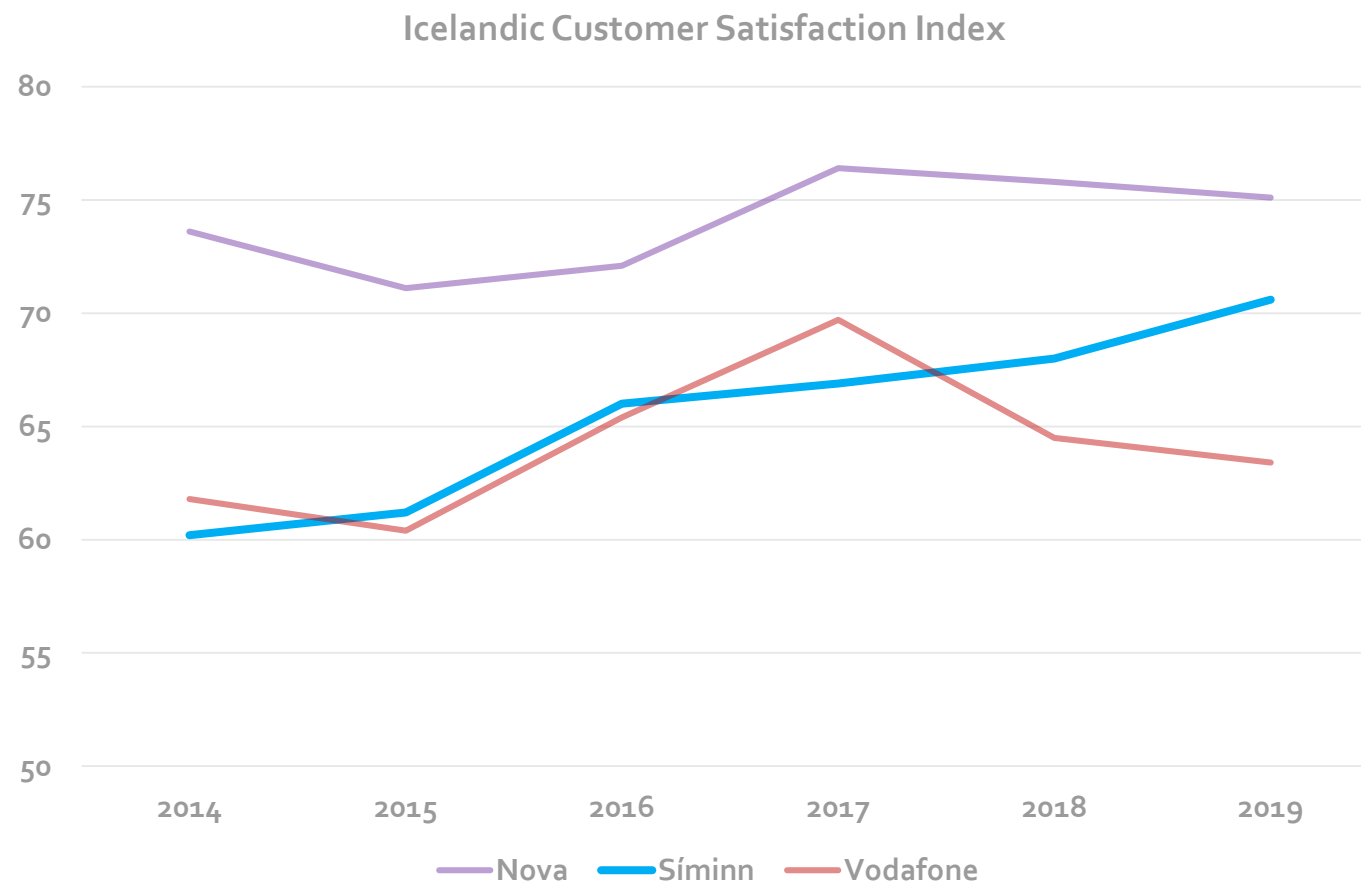
Share buy-back program will be based on the amended dividend policy. The exact timescale and amount is still undecided.

Highlights



Icelandic Customer Satisfaction Index - Telco

- Síminn - highest jump in positive score in the telco category
- Síminn's policy is showing progress
- Decrease churn





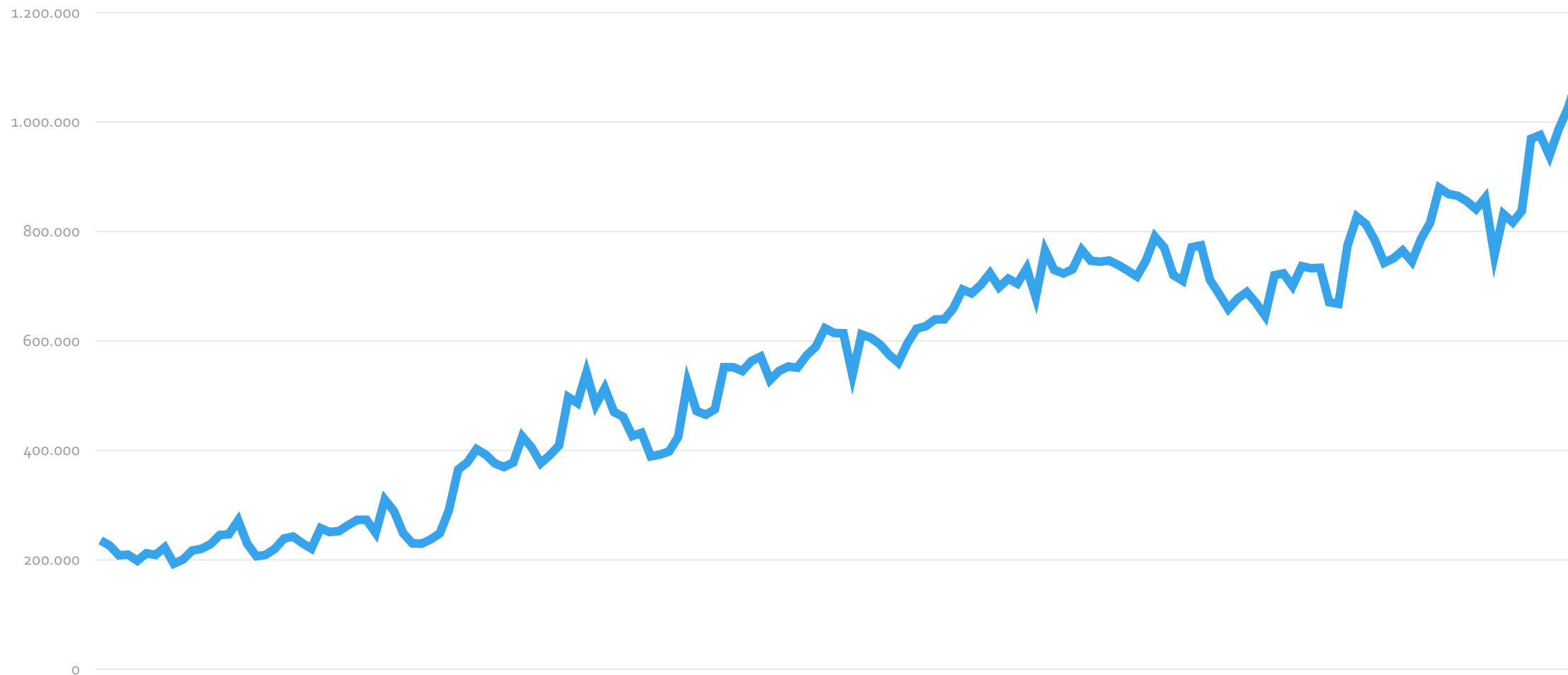
- Síminn Sport aired in Q3
- Wholesale agreements with Sýn and Nova to sell Síminn Sport
- Síminn has requested distribution of Síminn Premium TV over Sýn's network
- Domestic content such as Venjulegt fólk og Pabbi skoðar heiminn is successful





Sjónvarpi Símans Premium – SVOD service

Streaming per week from 2017 – February 2020



Síminn

- Síminn, Sýn and Nova have signed a letter of intent with the aim of exploring the basis for further co-operation and network sharing.
- The main purpose:
 - Share telco infrastructure
 - Increase public safety
 - Increase efficiency
 - Reduce environmental effect
 - Increase automation



Míla

- 17.000 new fiber connections in 2019
 - 9.500 in the capital area
 - 7.500 in rural areas
- 32.000 homes with active fiber from Míla at year end 2019
 - Increase of 10.000 homes
- The core infrastructure of Míla performed well in the severe weather that hit Iceland at the end of the year





Sensa

- Demand for Sensa's cloud-based services increased sharply last year
- Sensa has acquired the information technology company HUX to further support the increased focus on cloud-based services
- Increased demand for security services





Outlook for 2019



Outlook 2020

Positive Outlook in Slowing Economy

- Strong sales of key products in the first weeks of 2020
- Mobile ARPU increasing the domestic market
- Fierce competition in the corporate market
- Steady growth in fixed line services
- Further TV revenue growth expected – Síminn Sport will be part of Síminn's offering for the whole year 2020
- The outlook for Sensa is positive – The acquisition of HUX strengthen cloud based service offerings
- The fiber rollout at Míla reduces churn and strengthens revenue base
- Síminn Pay off to a strong start – Fast increase in partners



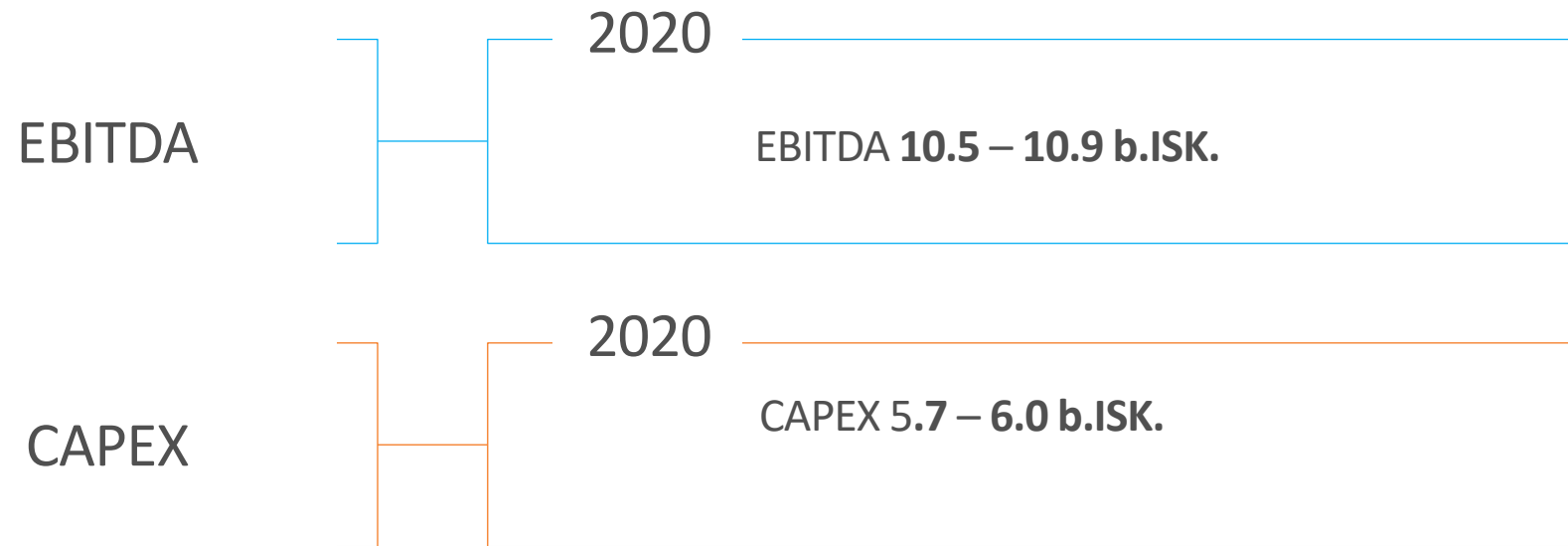
Outlook 2020

Positive Outlook in Slowing Economy

- Further reduction in payroll expenses – The reduction in the latter half of 2019 will benefit Síminn going forward
- Investment in IT in 2019 will result in lower operation expenses
- Production cost of domestic content is increasing
 - High demand for local content
- New agreement with Farice effective from 1 January 2020
 - Lack of options makes negotiating position difficult – Increase in cost
- Síminn, like other domestic companies, is not immune to the slower economy in Iceland
- CAPEX has reached its peak – The fiber rollout at Míla will continue albeit at a slower pace
- Better cash flow allows the company to reconsider its capital structure



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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