

Financial press release – Síminn hf. Q2 2024

Results for the second quarter of 2024

- Revenue in the second quarter (Q2) of 2024 amounted to ISK 6,871 million compared to ISK 6,283 million in the same period 2023 and increased by 9.4%. Revenue from Síminn's core services, mobile, data and TV services increases by just over 5% from Q2 2023. The operations of the acquired companies in the advertising market are fully included in the operations of the group in Q2 with revenue just under ISK 400 million.
- EBITDA amounted to ISK 1,726 million in Q2 2024, up by ISK 316 million or 22.4% compared to the same period 2023. The EBITDA ratio was 25.1% in Q2 2024, compared to 22.4% in the same period of 2023. Operating profit EBIT amounted to ISK 636 million in Q2 2024 compared to ISK 362 million in the same period of 2023.
- Net financial expenses amounted to ISK 320 million in Q2 2024, compared to ISK 145 million in the same period of 2023. Financial expenses amounted to ISK 501 million, financial income ISK 178 million and foreign exchange gain of ISK 3 million.
- Profit in Q2 2024 amounted to ISK 244 million compared to ISK 179 million profit in the same period of 2023.
- Interest-bearing debt including lease liabilities amounted to ISK 15.7 billion at the end of Q2 2024, compared to ISK 10.5 billion at the end of 2023. Most of the increase is explained by the purchase of companies in the advertising market. Cash at the end of Q2 2024 amounted to ISK 1.6 billion, compared to ISK 1.8 billion at the end of 2023. The balance of loans at Síminn Pay was ISK 3.0 billion at the end of Q2 2024 and increased slightly in the quarter.
- Síminn's equity ratio was 46.3% at the end of Q2 2024 and equity was ISK 18.3 billion.

Orri Hauksson, CEO:

„The second quarter was eventful and fortunate for Síminn. Revenue, EBITDA and EBIT from the company's core operations grew in an acceptable manner, and new activities in the field of digital signage advertising were added to our product offering, which further strengthened the operation. There was a lot of movement in the telecommunications market, especially at the beginning of the year. Síminn succeeded in bringing in new customers, but there was also considerable churn, which has now decreased again following targeted countermeasures regarding service and experience. The number of foreign tourists was below expectations at the beginning of the main tourist season but increased as the summer progressed. Managing the company's costs has been successful, which is particularly pleasing since large cost items are indexed and prices have generally risen during the year, as is well known.

Síminn updated its TV portal, and, for example, the English Premier League content has been moved into a folder format in the company's Premium streaming product, which makes the content more accessible than before. On the other hand, traditional TV channels are on the decline at Síminn, like elsewhere in the world. A new high-quality international series set in Iceland, will soon be shown. It is called Dimma and is based on Ragnar Jónasson's book, but the series is produced in collaboration with Síminn, CBS and Paramount. More Icelandic programs will also be shown this autumn, such as the second series about the boy band IceGuys and the children's program Lubbi finnur málbein. Thus, Síminn remains the company in Iceland that produces and shows by far more Icelandic content than any other in the market.

Last June, it was announced that Síminn's competitor had secured the right to broadcast the English Premier League from the season that begins in the fall of 2025 and the right extends until spring 2028. Síminn will thus lose income next year but will also save costs. Síminn has signed an agreement on the resale and distribution of content that includes the English Premier League starting in autumn 2025. Income will decrease, but the impact on earnings will probably not be significant since the company's investments will decrease significantly in the coming years.

On June 8 this year, Síminn signed an agreement for the purchase of all shares in Noona Iceland, which manages the domestic operations of Noona Labs. In the future, Síminn's subsidiary, Síminn Pay, will manage the joint operations of the companies in Iceland, as well as develop new solutions for Síminn Pay within the Noona ecosystem, for the benefit of customers. Síminn's goal with the purchase of Noona is to further strengthen Síminn's group as a leading digital service company. The Competition Authority is considering the purchase, and we expect it to be completed before the end of the year.

In the coming days, María Björk Einarsdóttir will take over as the CEO of Síminn, but she has worked as the CFO of Eimskip for the past few years. I will leave the company when María arrives, after almost eleven years as CEO of Síminn. I would like to thank my colleagues at Síminn, customers, investors and other partners of Síminn for a pleasant partnership."

1H 2024 Results

Operation

Income statement	Q2			1H		
	2024	2023	%	2024	2023	%
Net sales	6.871	6.283	9,4%	13.446	12.581	6,9%
Cost of sales	(4.527)	(4.110)	10,1%	(8.707)	(8.265)	5,3%
Operating expenses	(1.708)	(1.811)	-5,7%	(3.672)	(3.636)	1,0%
EBIT	636	362	75,7%	1.067	680	56,9%
Net financial items	(320)	(145)	120,7%	(515)	(146)	252,7%
Income tax	(72)	(38)	89,5%	(137)	(109)	25,7%
Net profit	244	179	36,3%	415	425	-2,4%
EBITDA	1.726	1.410	22,4%	3.161	2.725	16,0%
EPS	0,09	0,06	50,0%	0,16	0,13	23,1%

Total sales in 1H 2024 amounted to ISK 13,446 million compared to 12,581 million in 1H 2023, up by 6.9%. Looking at the company's core products (mobile, data and TV), revenue growth is 6.3%.

Revenue from mobile amounted to ISK 3,318 million, up by ISK 213 million or 6.9% between periods. Revenue from data (internet & network) amounted to ISK 4,129 million, up by ISK 174 million or 4.4% between periods. Revenue from TV services amounted to ISK 3,916 million, up by ISK 283 million or 7.8% between periods. Revenue from equipment sales amounted to ISK 823 million, down by ISK 55 million or 6.3% between periods. Other revenue amounted to ISK 1,260 million, up by ISK 250 million between periods. Revenue of acquired companies, just under ISK 400 million is classified as other revenue.

The cost of sales amounted to ISK 8,707 million and increased by ISK 442 million or 5.3% from the same period last year. Operating expenses amounted to ISK 3,672 million and increased by ISK 36 million or 1.0% from the same period last year.

Depreciation amounted to ISK 2,094 million in 1H 2024, compared to ISK 2,045 million in 1H 2023, up by ISK 49 million.

Cash flow

Operating activities amounted to a total of ISK 3,198 million in 1H 2024 compared to ISK 2,726 million in 1H 2023. The increase in operating-related assets and liabilities in 1H 2024 is ISK 180 million.

Cash generated by operation was ISK 3,378 million in 1H 2024 compared to ISK 2,564 million in 1H 2023. After interest and taxes, net cash from operating activities amounted to ISK 2,738 million in 1H 2024 compared to ISK 2,164 million in 1H 2023.

At the end of Q1 2024, Síminn made a payment of ISK 3.7 billion due to the acquisition of three companies in the advertising market, which affects the investment activities of the period. In Q1 2023, Síminn sold a bond that the company received as a payment when Míla was sold, which explains the positive investment movements in the period.

In Q1 2024, new borrowings, due to the purchase of companies, were ISK 4.5 billion. During the same period in 2023, financing movements were negative, amounting to ISK 17,681 million which is mainly explained by the fact that the company's share capital was reduced by a payment to shareholders that amounted to almost ISK 15.6 billion considering own shares.

Cash flow	1H 2024	1H 2023
Operating profit	1.067	680
Depreciation	2.094	2.045
Items not affecting cash flow	37	1
Total operating activities	3.198	2.726
Changes in current assets and liabilities	180	(162)
Cash generated by operation	3.378	2.564
Net interest expenses paid during the period	(407)	(6)
Payments of taxes during the period	(233)	(394)
Net cash from operating activities	2.738	2.164
Investing activities	(6.002)	12.562
Financing activities	3.091	(17.681)
Changes in cash and cash equivalents	(173)	(2.955)
Translation effects on cash	(3)	(39)
Cash and cash equivalents at the beginning of period	1.810	3.721
Cash and cash equivalents at the end of period	1.634	727

Balance sheet

Síminn's acquisition of companies in the advertising market, which took place at the end of Q1 2024, has a significant impact on the balance sheet. The main change is that goodwill increases by ISK 4.4 billion.

Total assets amounted to ISK 39,544 million at the end of Q2 2024 but were ISK 33,789 million at the end of 2023.

Interest-bearing debts, including lease liabilities, were ISK 15,686 million at the end of Q2 2024 compared to ISK 10,530 million at the end of 2023. Cash at the end of Q2 2024 amounted to ISK 1,634 million compared to ISK 1,810 million at the end of 2023. Net interest-bearing debt with lease liabilities and Síminn Pay consumer loans were ISK 11,055 million at the end of Q2 2024 compared to ISK 5,822 million at the end of 2023.

Equity amounted to ISK 18,318 million at the end of Q2 2024 and equity ratio was 46.3%.

Assets	30.06.2024	31.12.2023
Property, plant and equipment.....	3.495	2.552
Right-of-use assets.....	1.534	732
Intangible assets.....	24.918	21.047
Other non-current assets.....	450	431
Non-current assets	30.397	24.762
Inventories.....	1.115	1.257
Accounts receivables.....	2.280	2.279
Loans (Síminn Pay).....	2.874	2.715
Other assets.....	1.244	966
Cash and cash equivalents.....	1.634	1.810
Current assets	9.147	9.027
Total assets	39.544	33.789
Equity and liabilities	30.06.2024	31.12.2023
Total equity.....	18.318	17.600
Total equity	18.318	17.600
Borrowings.....	11.441	7.470
Finance lease.....	1.134	503
Deferred tax liabilities.....	276	232
Non-current liabilities	12.851	8.205
Other Current liabilities.....	8.375	7.984
Current liabilities	8.375	7.984
Total equity and liabilities	39.544	33.789

Key events

- On 21 June, it was announced that Orri Hauksson, who has been the CEO since 2013, has resigned and would leave the company at the end of August. María Björk Einarisdóttir will be the next CEO of Síminn, but she previously worked as CFO at Eimskip and before that as the CEO of Alma housing association. María Björk has a B.Sc. in operational engineering with a focus on finance from the University of Reykjavík and a degree in securities trading and will start in the beginning of September.
- Major upgrades have been made to Síminn's TV platform in recent months. Recently, a new and more modern interface in set-top boxes and app went live, but the changes were largely based on suggestions from Síminn's customers. At the same time, changes were made to the app's backend systems, which will greatly improve the user experience.
- Síminn Sport has been fully included in the Premium subscription and at the same time wholesale agreements are being made with Nova and Sýn for the sale of subscriptions to Síminn's Premium TV.
- Síminn will premiere three new Icelandic series this autumn. Dimma is a new series based on Ragnar Jónasson's book and is produced in collaboration with CBS and Paramount. It is a huge international project that takes place in Iceland, directed by Lasse Hallström, and the Swedish actress Lena Olin plays the main role. Several Icelandic actors participate, as well as a number of Icelandic professionals involved in the production of the show. Útilega, a comedy series that makes fun of the modern-day Icelander. The series is directed by Fannar Sveinsson and features a star-studded cast. The second season of IceGuys will premiere on Premium, the first series broke the viewership record so there is great anticipation for the sequel.

- Lubbi finnur málbein, a series for children will premiere on 29 August. The series is an important contribution to promoting the Icelandic language and language stimulation among the youngest viewers who know Lubbi well, since the book is available in most kindergartens in the country.
- For the past 5 years, Síminn has had the broadcasting rights to the English Premier League. The season that began earlier this month is the last for now, but in June Síminn's competitor secured the rights to show the content for three seasons starting in the fall of 2025. Síminn has had direct income from the rights in the sale of single subscriptions to Síminn's customers, wholesale to other telecommunications companies and from advertising sales. In addition, the English Premier League has been part of the diverse content available in Síminn's Premium service.
- Síminn expects to receive wholesale access to the English Premier League despite not holding the rights, and therefore Síminn's customers will continue to be able to watch the English Premier League despite the transfer of the broadcasting rights. It is difficult to predict exactly what the effect of these changes will be on Síminn, until it is known what the final wholesale agreement will be. However, it is clear that income will decrease, but the effect on earnings will become clear later, but will probably not be large. It is also clear that the company's CAPEX will decrease significantly in the coming years.
- On 8 June this year, Síminn signed a purchase agreement for the purchase of all shares in Noona Iceland ehf., which manages the domestic operations of Noona Labs ehf. Síminn's subsidiary, Síminn Pay, will manage the joint operations of the companies as well as develop new solutions for Síminn Pay within the Noona ecosystem, for the benefit of customers. Síminn's goal with the purchase is to further strengthen Síminn group as one of the most powerful service companies in the country.
- Noona was chosen as the most popular website in the country in Maskina's annual measurement and was selected as the app of the year 2023. Noona and SalesCloud solutions were recently integrated and now offer a booking system for service providers and restaurants, a sales system, gift certificate solutions, self-service solutions, online sales solutions, websites, inventory systems, customer systems, marketing systems and more.
- Noona Iceland provides services to around 1,300 companies in Iceland today and the number is growing rapidly. SalesCloud's customers numbered around 300 when the company merged with Noona earlier this year. Over 120,000 Icelanders have downloaded the Noona app and over 200,000 bookings take place every month through Noona's system in Iceland. Combined, Noona and SalesCloud had more than ISK 300 million in annual revenue in 2023 in Iceland. The Competition Authority is reviewing the purchase, which is expected to be completed before the end of the year.
- Síminn Pay has signed an agreement with Rapyd Europe hf. that Síminn Pay will take over credit card loan portfolio and payment processing for VISA and MasterCard cardholders that were set up and operated by Valitor. With this transaction, about eleven thousand card loans for about ISK 1.8 billion will be transferred to Síminn Pay, Síminn's subsidiary. Subsequently, Síminn Pay will focus on servicing retailers, introducing innovations and simplifying customers' distribution of payments. With the transaction, Síminn Pay will be better equipped to further increase loans and develop innovations in the market. A positive impact on the operation of Síminn Pay is expected as early as the first full year after the transaction goes through. The transaction is subject to the usual caveat regarding the approval of the Competition Authority.

Guidance 2024

The guidance for the group is unchanged from what was published following the Q1 2024 financial results.

The revenue for the year is mostly in line with the plan, and sales are doing well at the beginning of autumn, which is an important time for the company's sales activities. The introduction of new companies has been successful, and their results are in line with expectations. Inflation is significant, but costs have been managed successfully.

It is not expected that Noona Iceland and the purchase of Valitor's loan portfolio will be part of operations this year.

The guidance for 2024:

- EBITDA will be in the range of ISK 7.0 to 7.3 billion.
- EBIT will be in the range of ISK 2.7 to 3.0 billion.
- CAPEX excluding licenses and spectrums will be in the range of ISK 3.3 to 3.6 billion.

Investor meeting 28 August 2024

An investor presentation will be held on Wednesday 28 August 2024 at 8:30 am at Síminn's headquarters in Ármúli 25, Reykjavík. During the meeting, Orri Hauksson CEO and Óskar Hauksson CFO will present the financial results. The meeting will be held in Icelandic. Documents for the meeting are available in Nasdaq's Iceland company news and on the company's investor relations website <https://www.siminn.is/fjarfestar/quarterly-results>.

The meeting is webcasted on: <https://www.siminn.is/fjarfestar/fjarfestakynning>.

Financial Calendar 2024

Interim report for the first nine months of 2024	22 October 2024
Announcement of the 2024 results	18 February 2025
Annual General Meeting 2025	13 March 2025

Further information:

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Note: This English version is a translation of the Icelandic text that accompanies the Q2 2024 results of Síminn hf.