

Festi's profit for the fourth quarter of 2019 in the amount of ISK 715 million

Main results

- Gross profit from sales in Q4 2019 amounted to ISK 5,372 million compared to ISK 4,858 million in Q4 2018, an increase of 10.6%
- Operating expenses in Q4 2019 ISK 3,606 million compared to ISK 3,329 million on Q4 2018, an increase of 8.3%
- EBITDA excluding expenses related to the acquisition of Hlekkur amounted to ISK 1,766 million in Q4 2019 compared to ISK 1,529 million in Q4 2018, an increase of 15.5%
- EBITDA excluding expenses related to the acquisition of Hlekkur amounted to ISK 7,743 million in 2019 compared to ISK 4,958 million in 2018. Subsidiaries Krónan, Bakkinn, Elko and Festi fasteignir became a part of the group 1st of september 2018 making comparison between years difficult.
- Interest bearing liabilities amounted to ISK 33,380 million at the end of 2019 compared to ISK 37,314 million at the end of year 2018.
- Net interest bearing liabilities without lease liabilities ISK 28,011 million at the end of year 2019 compared to ISK 33,047 million 2018. A decrease of ISK 5,036 million between years.
- Equity ISK 28,688 million and equity ratio 35.3% at the end 2019 compared to 33.4% at the end of 2018

ISK million	Q4 2019	Q4 2018	Change	% Change	2019	2018	Change	%Change
Income Statement								
Gross profit	5.372	4.858	514	10,6%	20.295	13.704	6.591	48,1%
Other operating income	134	370	-236	-63,7%	1.558	776	782	100,7%
EBITDA	1.766	1.529	237	15,5%	7.605	4.628	2.977	64,3%
EBIT	1.301	919	381	41,5%	5.198	3.219	1.980	61,5%
EBT	840	383	456	119,1%	3.371	2.477	894	36,1%
Profit for the period	715	327	387	118,3%	2.796	2.059	737	35,8%
Statement of Financial Position								
Inventories					7.678	7.616	62	0,8%
Trade receivables					3.756	3.685	72	1,9%
Interest bearing liabilities					33.380	37.314	-3.933	-10,5%
Cash and cash equivalents					5.369	4.267	1.102	25,8%
Net interest bearing liabilities without lease liabilities					28.011	33.047	-5.035	-15,2%
Statement of Cash Flows								
Cash flows from operating activities	679	-285	964	-338,2%	5.556	3.825	1.731	45,3%
Investing activities	-851	-719	-132	18,3%	478	-13.734	14.212	-103,5%
Financing activities	-1.303	-1.055	-249	-	-4.961	11.343	-16.304	-
Cash and cash equiv. at the end of the period	5.369	4.267	1.102	25,8%	5.369	4.267	1.102	25,8%
Key indicators								
EBITDA/gross profit	32,9%	31,5%	1,4%	4,5%	37,5%	33,8%	3,7%	11,0%
Equity ratio	35,3%	33,4%	1,9%	5,8%	35,3%	33,4%	1,9%	5,8%
Salaries/gross profit	50,3%	53,7%	-3,4%	-6,3%	-49,0%	47,7%	-96,7%	-202,9%
Earning per share	2,18	1,00	1,18	117,6%	8,49	7,44	1,04	14,0%
Return on equity					7,4%	11,0%	-3,6%	-32,7%
Investments					478	-13.734	14.212	-103,5%
Inventory turnover					8,60	9,00	-0,40	-4,4%

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Operations in fourth quarter

ISK million	Q4 2019	Q4 2018	Change	% Change
Income Statement				
Gross profit	5.372	4.858	514	10,6%
Lease revenue from real estate and other operating income	134	370	-236	-63,7%
Salaries and other personnel expenses	-2.703	-2.607	96	3,7%
Other operating expenses	-1.037	-1.092	-54	-5,0%
EBITDA	1.766	1.529	237	15,5%
Key indicators				
EBITDA/gross profit	32,9%	31,5%	1,4%	4,5%
Salaries/gross profit	50,3%	53,7%	-3,4%	-6,3%

EBITDA for Q4 2019 was in the amount of ISK 1,766 million compared to ISK 1,529 million in 4Q 2018 an increase of 15.5%. Krónan and Elko exceeded expectations in Q4 and N1 operations were slightly below expectations.

Operating expenses in the fourth quarter

ISK million	Q4 2019	Q4 2018	Change	% Change
Salaries and other personnel expenses	-2.703	-2.607	96	3,7%
Other operating expenses	-1.037	-1.092	-54	-5,0%

Salaries and other personnel expense amount to ISK 2,703 million in Q4 2019 compared to ISK 2,607 million in Q4 2018 which is an increase of 3,7% between years. Other operating expenses were ISK 1,037 million in Q4 2019 compared to ISK 1,092 million in Q4 2018, a decrease of 5,0%.

Financial items

ISK million	Q4 2019	Q4 2018	Change	% Change
Finance income	94	83	12	14,1%
Finance expenses	-546	-674	-128	-19,0%
Foreign currency difference	-51	24	-75	-309,7%
Share of profit from associates	101	31	70	230,1%
Loss of shares in other companies	-60	0	-60	0,0%
Total	-461	-536	75	-14,0%

Net Financial item cost amounted to ISK 461 million in Q4 2019 compared to ISK 536 million in Q4 2018, a decrease of 14% between years due to lower interest rates and net interest bearing liabilities.

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Statement of financial position

ISK million	Q4 2019	Q4 2018	Change	% Change
Goodwill	14.070	14.070	0	0,0%
Other intangible assets	4.650	4.504	146	3,2%
Property and equipment	31.434	32.419	-985	-3,0%
Investment properties	7.354	8.752	-1.397	-16,0%
Inventories	7.678	7.616	62	0,8%
Trade receivables	3.756	3.685	72	1,9%
Interest bearing liabilities	33.380	37.314	-3.933	-10,5%
Cash and cash equivalents	5.369	4.267	1.102	25,8%
Net interest bearing liabilities	31.975	33.047	-1.072	-3,2%
Net interest bearing liabilities without lease liabilities	28.011	33.047	-5.035	-15,2%
Equity ratio	35,3%	33,4%	1,9%	5,8%
Inventory turnover	8,60	9,00	-0,40	-4,4%

Purchase price allocation for acquisition of Hlekkur ehf. has been completed and according to the allocation goodwill is ISK 14,070 million and other intangible assets ISK 4,046 million. Other intangible assets are brand names of acquired companies and have a finite useful life of 20 years. At 2019 year-end properties and equipment amounted to ISK 31,434 million, investment properties to ISK 7,354 million, net interest bearing liabilities without lease liabilities were in the amount of ISK 28,011 million and equity ratio 35.3%

Capital management and dividends

The board of Festi has formed a policy on capital structure and dividend payments. According to it, dividend payments to shareholders and stock repurchase policy will account for at least 50% of profits each year. The policy also dictates that EBITDA is 35% of margin, net interest bearing liabilities 3.5x EBITDA and equity ratio between 30 – 35%. Festi's credit terms dictate that equity ratio is at least 25%. At year-end 2019 net interest bearing liabilities are 3.68 x EBITDA and equity ratio 35.3%

Repurchase of shares in Festi will be carried out in an auction form, as has been done previously, and/or with a buy-back program.

Future outlook in Festi's operations and estimated EBITDA for 2020

The outlook for 2020 is good for Festi despite indication of reduced activity among our major customers.

EBITDA for the year 2020 is assumed to be in the range of ISK 7,700 – 8,100 million, excluding expenditures related to the agreement with Samkeppniseftirlitið from 30 July 2018.

Assumptions:

- Inflation around 3.0%

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- GDP around 1.2%
- Growth in personal consumption 2% and government spending 2.5%
- Increased unemployment
- That wage agreements will hold
- Exchange rate of USD/ISK close to 125
- The Company's operations are seasonal and most of its EBITDA are related to the second to fourth quarters

Uncertainties:

- Estimated that no economic growth will be in 2020 and increased unemployment negatively impacts operating companies within the group
- Turmoil in the global oil market and ISK exchange rate can lead to fluctuations of gross margin and working capital
- Fluctuations in the exchange rate of the Icelandic Krona may effect operations of Festi's subsidiaries
- Marginal tourism growth expected

Shareholders

- The Company's market capitalization was ISK 42,7 billion at year end 2019
- General meeting will be held at 10:00 on 23 March
- The Board of Festi will recommend to the general meeting that dividends will be paid out of 2019 net results the sum of ISK 659 million or ISK 2 per share which supports the Company's capital management policy
- Repurchase of shares in Festi will be carried out in an auction form, and/or with a formal buy-back program.

Presentation on Friday 28 February 2020

An open meeting for market participants and shareholders will be held on Friday 28 February 2020 at Festi's headquarters at Dalvegur 10-14 in Kópavogur (3rd floor). Eggert Kristófersson, CEO, will present the Company's results and answer questions. The meeting will start at 8:30. A light breakfast is available from 8:00. Presentations will be available following the meeting on Festi website: <http://festi.is/fjarfestar/fjarhagsupplýsingar/> as well as on the company news section on Nasdaq OMX Iceland hf. webpage.

Financial calendar

- Annual Financial statements for the year 2019: 27 February 2020
- Interim Financial Statements Q1 2020: 29 April 2020
- Interim Financial Statements Q2 2020: 26 August 2020
- Interim Financial Statements Q3 2020: 4 November 2020
- Annual Financial statement for the year 2020: 25 February 2021
- Annual general meeting 2021: 22 March 2020

For further information please contact Eggert Þór Kristófersson, CEO, (eggert@festi.is) or Magnús Kr. Ingason, CFO, (mki@festi.is).