



Q3 2019 Results

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Highlights in Q3 2019

FINANCE

EBITDA
2.817 m.kr.

EBITDA ratio
39,7%

Cash
557 m.kr.

Net debt / EBITDA*
1,57

CAPEX
2.115 m.kr.

Equity ratio
55,4%

*EBITDA trailing twelve months

HIGHLIGHTS

- 20% revenue growth in TV – The launch of Síminn Sport a success
- Less seasonality in performance since the importance of roaming and data traffic revenue is declining
- Investment in content is a significant factor in Q3 CAPEX
- Increasing margin pressure at Sensa in spite of revenue growth
- Revenue growth at Míla and stable performance

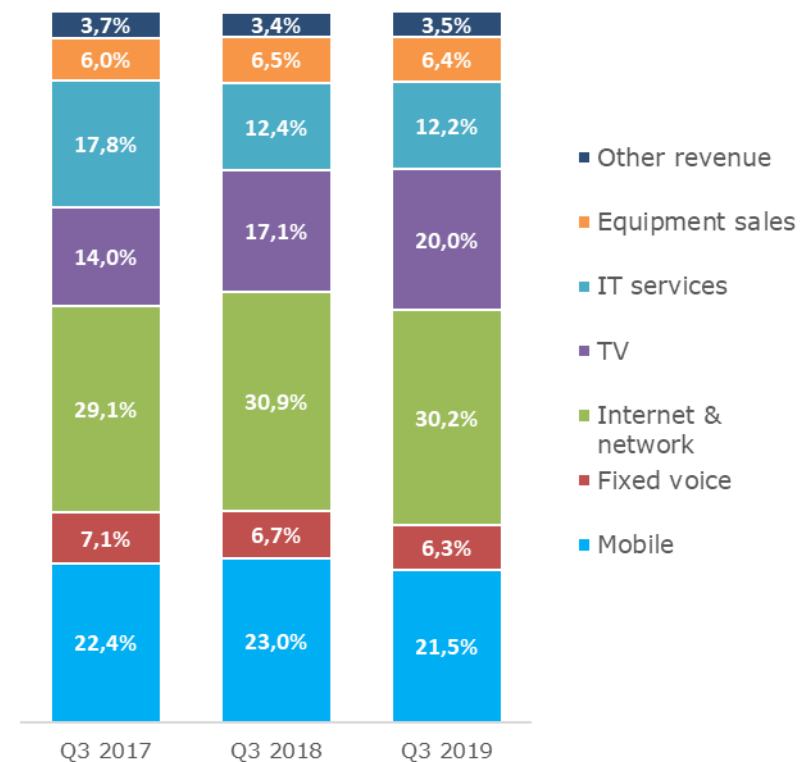


Q3 2019 - Results



Revenue by segments Q3 2019

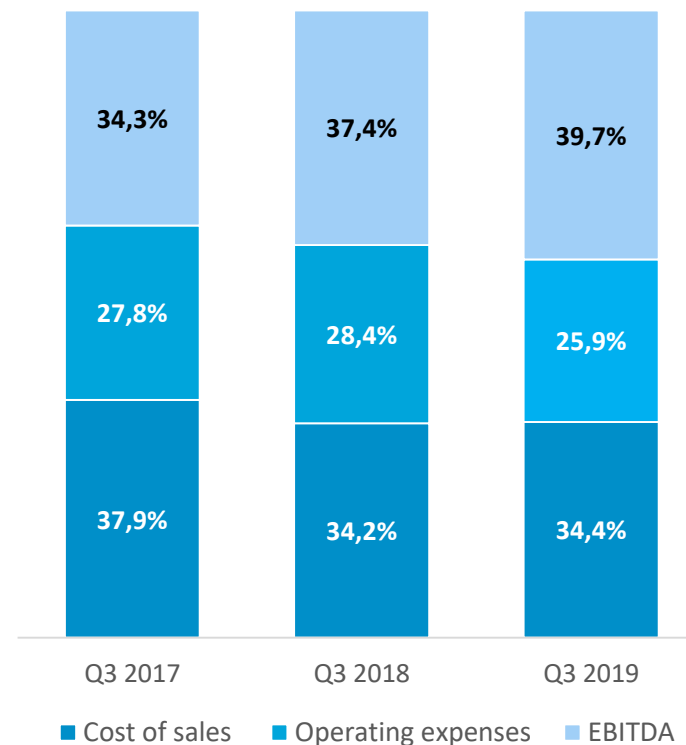
	Q3 2019	Q3 2018	Change	Change %
Mobile	1.523	1.605	(82)	-5,1%
Fixed voice	444	466	(22)	-4,7%
Internet & network	2.142	2.153	(11)	-0,5%
TV	1.423	1.190	233	19,6%
IT services	865	861	4	0,5%
Equipment sales	456	456	0	0,0%
Other revenue	245	238	7	2,9%
Total revenue	7.098	6.969	129	1,9%





Income statement Q3 2019

	Q3 2019	Q3 2018	Change	Change in %
Net sales	6.958	6.828	130	1,9%
Cost of sales	(3.523)	(3.371)	(152)	4,5%
Gross profit	3.435	3.457	(22)	-0,6%
<i>Gross profit ratio</i>	<i>49,4%</i>	<i>50,6%</i>		
Other operating income	140	141	(1)	-0,7%
Operating expenses	(2.208)	(2.156)	(52)	2,4%
Operating profit	1.367	1.442	(75)	-5,2%
<i>Operating profit/Net sales</i>	<i>19,6%</i>	<i>21,1%</i>		
Finance income	55	49	6	12,2%
Finance cost	(296)	(246)	(50)	20,3%
Net exchange rate differences	9	(14)	23	
Net financial items	(232)	(211)	(21)	10,0%
Income tax	(238)	(253)	15	-5,9%
Net profit	897	978	(81)	
Depreciation	(1.450)	(1.165)	(285)	
EBITDA*	2.817	2.607	210	8,1%
<i>EBITDA ratio</i>	<i>39,7%</i>	<i>37,4%</i>		
EBIT	1.367	1.442	(75)	
<i>EBIT ratio</i>	<i>19,3%</i>	<i>20,7%</i>		



*Restated according to changes made to treatment of TV rights

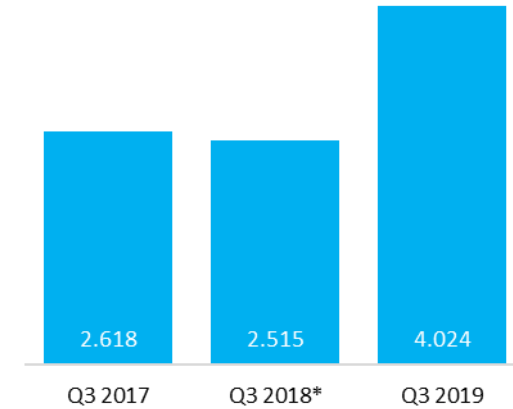


Cash flow Q3 2019

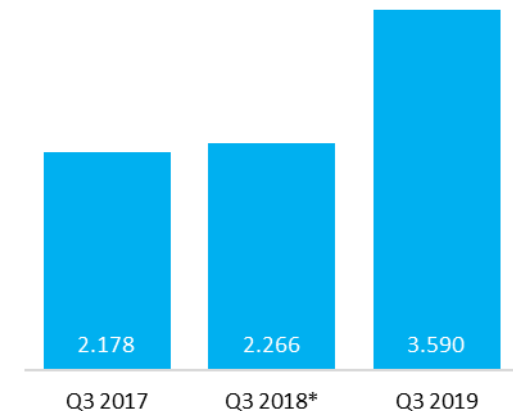
	Q3 2019	Q3 2018*
Cash flow from operating activities		
Operating profit	1.367	1.442
Operational items not affecting cash flow:		
Depreciation and amortisation.....	1.450	1.165
Other items not affecting cash flow.....	(2)	5
	<u>2.815</u>	<u>2.612</u>
Changes in current assets and liabilities.....	1.209	(97)
Cash generated by operation	<u>4.024</u>	<u>2.515</u>
Net interest expenses paid during the period.....	(240)	(197)
Payments of taxes during the period.....	(194)	(52)
Net cash from operating activities	<u>3.590</u>	<u>2.266</u>
Investing activities		
Net investment in property, plant and equipments.....	(2.115)	(1.192)
Investing activities	<u>(2.115)</u>	<u>(1.192)</u>
Financing activities		
Buyback of ordinary shares.....	(942)	0
Proceeds from the exercise of share options.....	0	174
Payments of non-current liabilities.....	(287)	(287)
Payment of long term lease.....	(138)	0
Bank loans, increase (decrease).....	(57)	(575)
Financing activities	<u>(1.424)</u>	<u>(688)</u>
Increase (decrease) in cash and cash equivalents	51	386
Translation effects on cash.....	(4)	1
Cash and cash equivalents (beginning-of-period).....	510	183
Cash and cash equivalents (end-of-period).....	<u>557</u>	<u>570</u>

*Restated according to changes made to treatment of TV rights

Cash generated by operation



Net cash from operating activities





9M 2019 - Results



Operation 9M 2019

Strong impact of Síminn Sport

- The Premier League started in August – Revenue impact of Síminn Sport exceeds expectations
 - Sale of Premium subscriptions and stand alone Síminn Sport subscriptions off to a strong start
 - Premium subscriptions increase by 3.000 since August
 - 54% growth in ad sales in Q3 and 11% YoY
- Strong growth in TV
 - Revenue from Premium TV services has increased by 330 m.kr. or 30%
 - Home Packages have increased by 5.100 YoY
- Wholesale and roaming are responsible for revenue decline in mobile in Q3
 - Growth in domestic market but the corporate market still facing ARPU pressure
- Revenue decline from roaming and wholesale is 250 m.kr. compared to 2018.
- Increasing margin pressure at Sensa in spite of revenue growth
- Modest revenue growth at Míla and the cost side is well managed



Operation 9M 2019

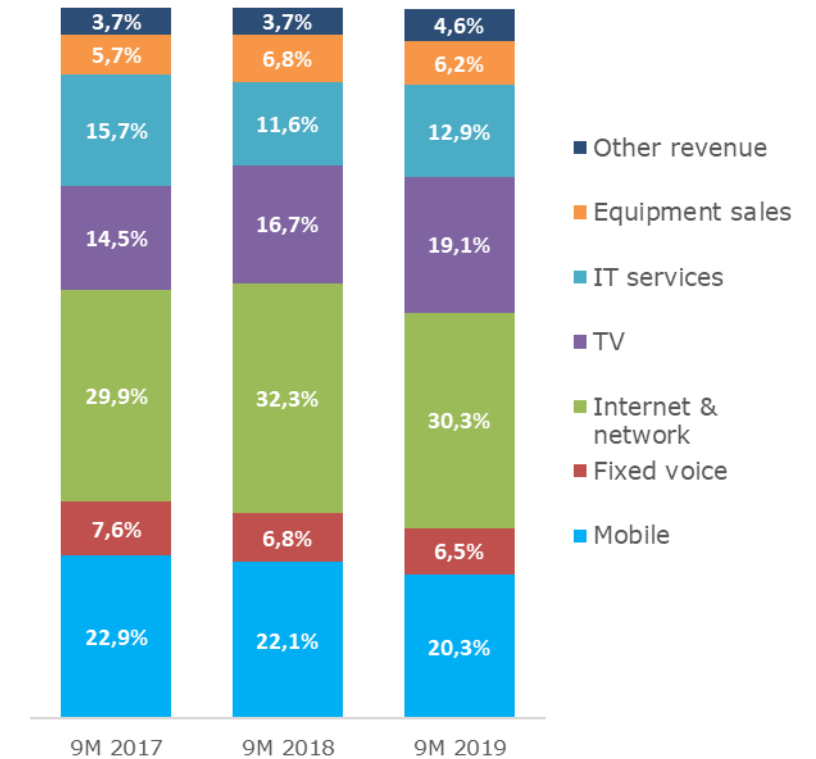
Cost unchanged YoY

- Excluding cost of goods sold and depreciation cost is virtually unchanged
 - Cost of goods sold increases 200 m.kr., mainly at Sensa
 - Provision of 50 m.kr. was expensed in Q1 as a result of damages ruling against Síminn
 - Content cost increases by 50 m.kr. due to increased emphasis on local TV content
- Payroll expenses unchanged
 - Average number of FTE's 40 fewer than in 2018
- Cost is under control
 - IT cost decreasing and will continue on that trend
 - The cost of Síminn Sport as expected
- Financial expenses
 - Interest expense from lease liability (IFRS 16) was 2019 m.kr. in 2019
 - Penalty rates due to damages ruling (a provision of 50 m.kr.) was expensed in Q1
 - Lower interest cost of long term funding in spite of margin increase



Revenue by segments 9M 2019

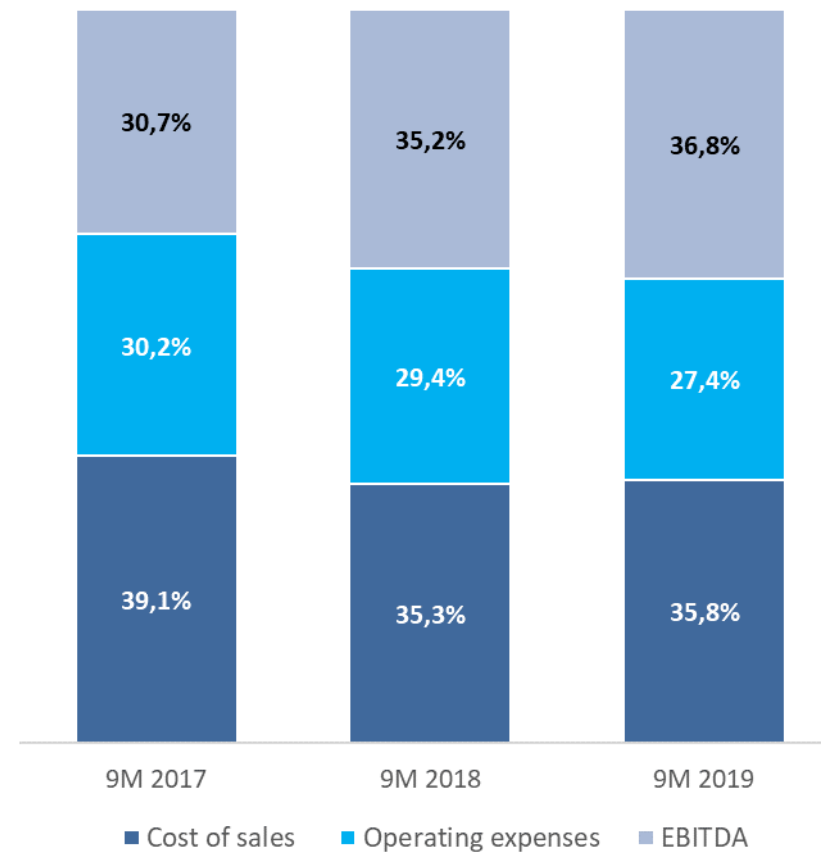
	9M 2019	9M 2018	Change	Change %
Mobile	4.308	4.643	(335)	-7,2%
Fixed voice	1.368	1.427	(59)	-4,1%
Internet & network	6.420	6.777	(357)	-5,3%
TV	4.054	3.499	555	15,9%
IT services	2.737	2.443	294	12,0%
Equipment sales	1.321	1.432	(111)	-7,8%
Other revenue	967	775	192	24,8%
Total revenue	21.175	20.996	179	0,9%





Income statement 9M 2019

	9M 2019	9M 2018	Change	Change in %
Net sales	20.539	20.505	34	0,2%
Cost of sales	(10.539)	(10.283)	(256)	2,5%
Gross profit	10.000	10.222	(222)	-2,2%
<i>Gross profit ratio</i>	<i>48,7%</i>	<i>49,9%</i>		
Other operating income	636	491	145	29,5%
Operating expenses	(6.884)	(6.711)	(173)	2,6%
Operating profit	3.752	4.002	(250)	-6,2%
<i>Operating profit/Net sales</i>	<i>18,3%</i>	<i>19,5%</i>		
Finance income	151	153	(2)	-1,3%
Finance cost	(953)	(727)	(226)	31,1%
Net exchange rate differences	(12)	(9)	(3)	
Net financial items	(814)	(583)	(231)	39,6%
Income tax	(628)	(701)	73	-10,4%
Net profit	2.310	2.718	(408)	
Depreciation	(4.036)	(3.395)	(641)	
EBITDA*	7.788	7.397	391	5,3%
<i>EBITDA ratio</i>	<i>36,8%</i>	<i>35,2%</i>		
EBIT	3.752	4.002	(250)	
<i>EBIT ratio</i>	<i>17,7%</i>	<i>19,1%</i>		



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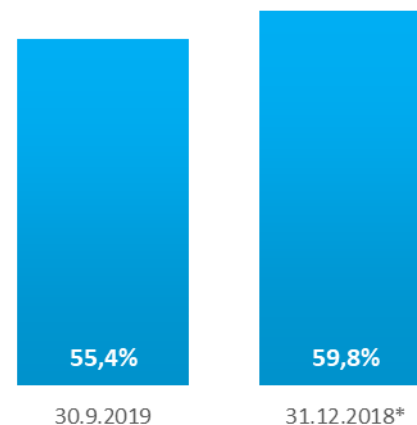


Balance sheet

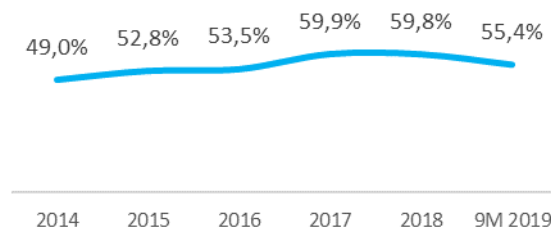
	30.9.2019	31.12.2018*
Assets		
Non-current assets		
Property, plant and equipment.....	23.875	18.059
Intangible assets.....	34.203	32.473
Other non-current assets.....	450	424
Non-current assets	58.528	50.956
Current assets		
Inventories.....	1.702	1.437
Accounts receivables.....	3.638	4.313
Other current assets.....	979	882
Cash and cash equivalents.....	557	1.246
Current assets	6.876	7.878
Total assets	65.404	58.834
Equity and liabilities		
Equity		
Total equity.....	36.240	35.202
Non-current liabilities		
Borrowings.....	14.758	15.631
Finance lease.....	4.744	0
Payables.....	353	0
Deferred tax liabilities.....	835	898
Non-current liabilities	20.690	16.529
Current liabilities		
Bank loans.....	220	450
Accounts payables.....	3.298	2.997
Current maturities of borrowings.....	1.696	1.150
Other current liabilities.....	3.260	2.506
Current liabilities	8.474	7.103
Total equity and liabilities	65.404	58.834

*Restated according to changes made to treatment of TV rights

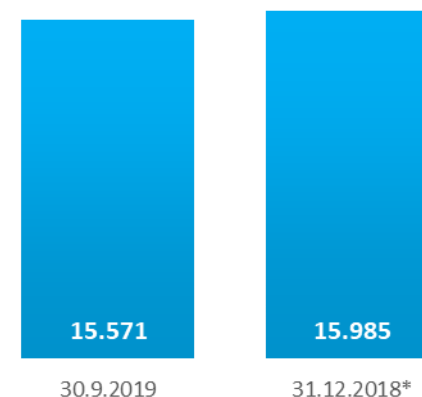
Equity ratio



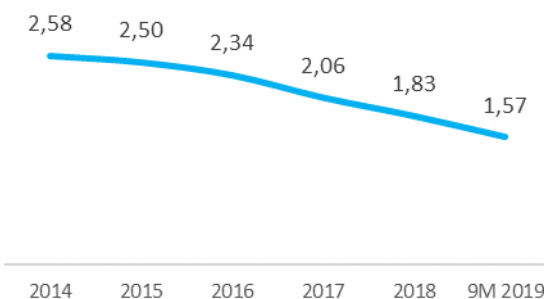
Equity ratio



Net interest bearing debt



Net debt to EBITDA



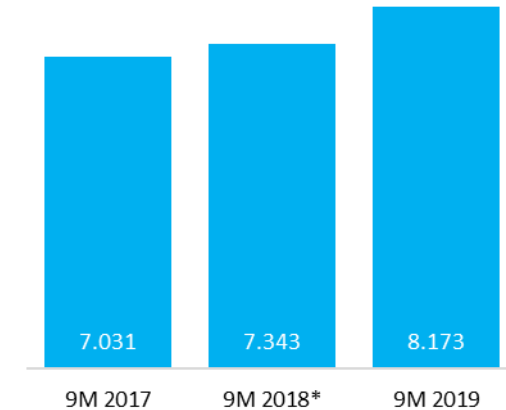


Cash flow 9M 2019

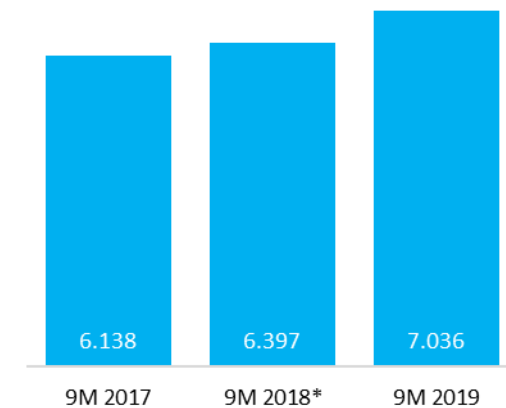
	9M 2019	9M 2018*
Cash flow from operating activities		
Operating profit	3.752	4.002
Operational items not affecting cash flow:		
Depreciation and amortisation.....	4.036	3.395
Other items not affecting cash flow.....	(167)	(87)
	<u>7.621</u>	<u>7.310</u>
Changes in current assets and liabilities.....	552	33
Cash generated by operation	<u>8.173</u>	<u>7.343</u>
Net interest expenses paid during the period.....	(768)	(581)
Payments of taxes during the period.....	(369)	(365)
Net cash from operating activities	<u>7.036</u>	<u>6.397</u>
Investing activities		
Net investment in property, plant and equipments.....	(5.014)	(3.800)
Other investment.....	30	2
Investing activities	<u>(4.984)</u>	<u>(3.798)</u>
Financing activities		
Dividend paid.....	(330)	(311)
Purchase of own shares.....	(942)	(1.068)
Payment of long term lease.....	(402)	0
Net Financing activities.....	<u>(1.092)</u>	<u>(1.362)</u>
Financing activities	<u>(2.766)</u>	<u>(2.741)</u>
Increase (decrease) in cash and cash equivalents	(714)	(142)
Translation effects on cash.....	25	(6)
Cash and cash equivalents at the beginning of the year.....	1.246	718
	<u>557</u>	<u>570</u>
Cash and cash equivalents at the end of the year.....	557	570

*Restated according to changes made to treatment of TV rights

Cash generated by operation

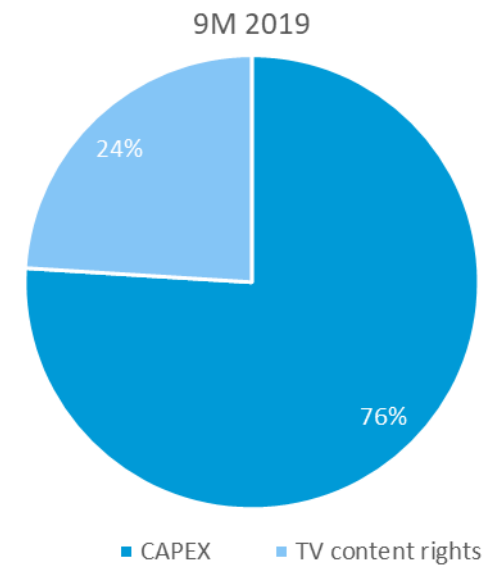
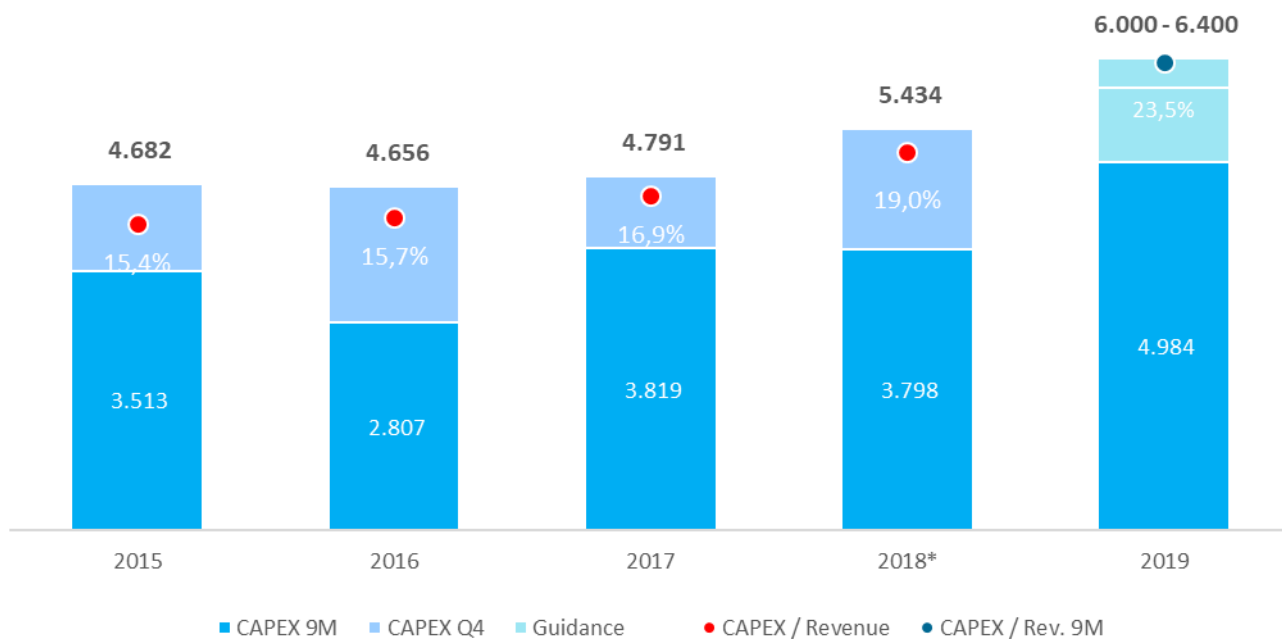


Net cash from operating activities





CAPEX development Investing activities 9M 2019



*Restated according to changes made to treatment of TV rights



Operation and CAPEX 9M 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 the first 9M of 2018 and comparison with 9M 2019.

Amounts in m.ISK	9M 2018		9M 2019	Difference
	9M 2018*	Adjusted		
EBITDA.....	7.398	7.989	7.788	-201
Depreciation.....	3.395	3.883	4.036	154
Net financial items.....	583	778	814	36
Profit for the period.....	2.718	2.645	2.310	-335
Investment activities.....	3.798	3.798	4.984	1.186

*Restated according to changes made to treatment of TV rights

Highlights



Síminn Sport

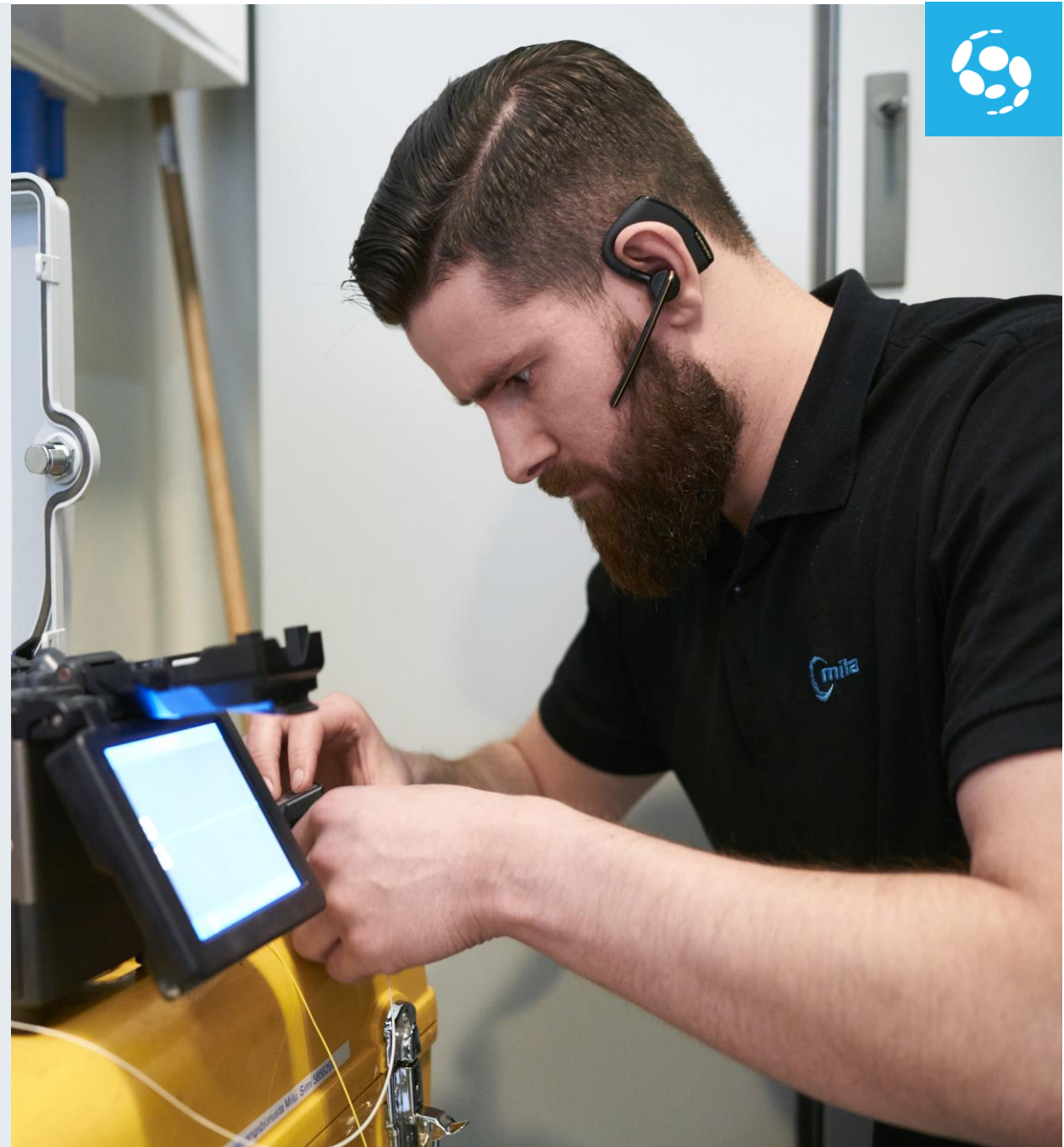
- 40% of homes have access to Síminn Sport
- Premium TV service still growing – Record number of subscribers
- Strong in OTT TV service
- Þrennan still growing despite new direct competition
- Focus on robotics
- Lending started under the Pay brand
- 4G coverage is now available or 99,42% of the population



Premier League

Míla

- 15.000 new fiber connections in 2019. The goal was 12.000.
 - 8.000 in the capital area
 - 7.000 in rural areas.
- 30.000 homes with active fiber from Míla
- Co-Operation agreements beneficial for the project
 - Gagnaveita Reykjavíkur
 - Tengir in Akureyri





Sensa

- Sale of cloud service growing this year
 - Sensa involved in large projects
 - Increased demand for advisors in cloud services
- Security the theme following a few large scale thefts in recent months
 - Education for clients
 - Health check on systems





Outlook for 2019



Outlook 2019

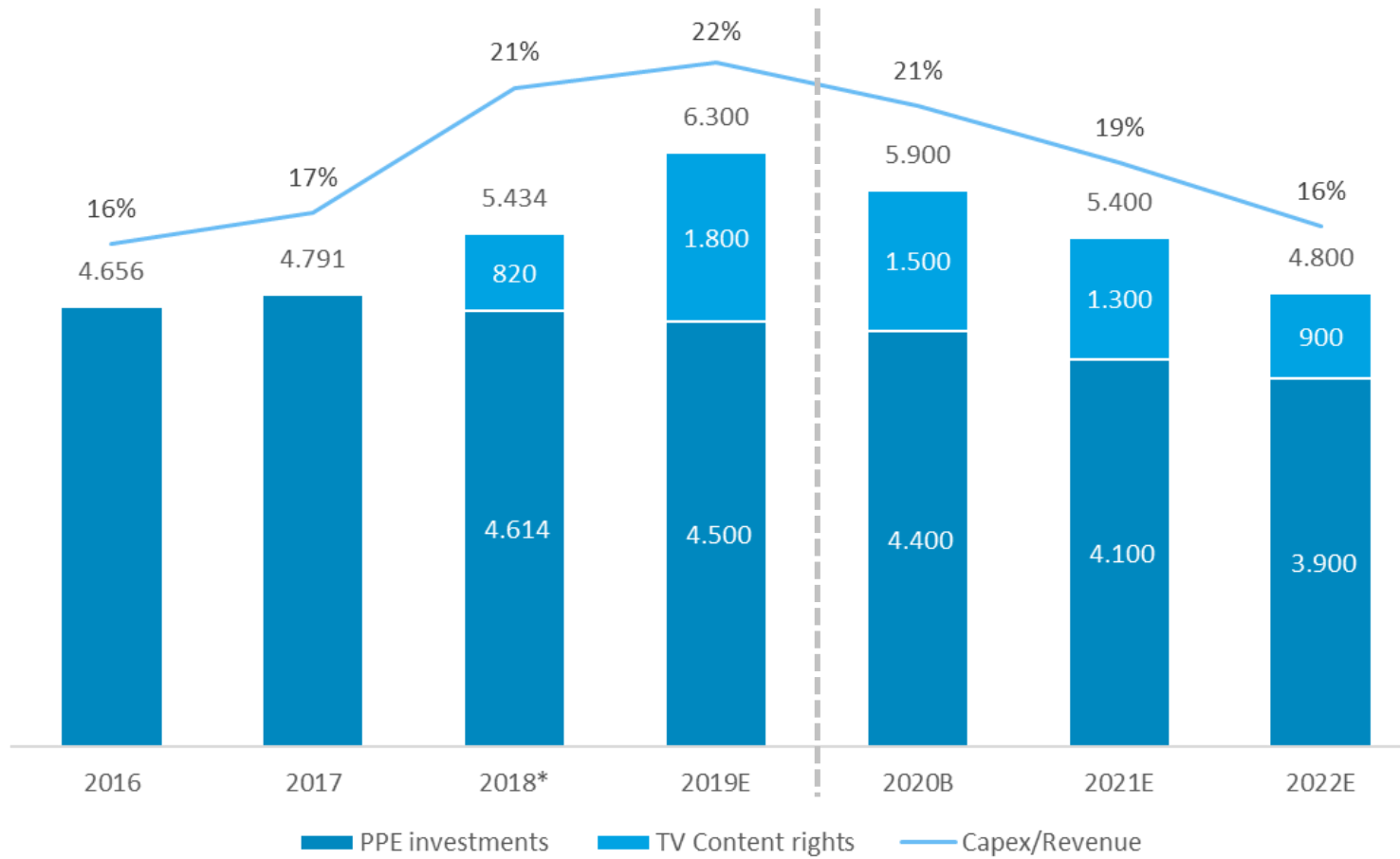
Unchanged Outlook – Long Term Prospects are Good

- The Launch of Síminn Sport a success
 - Subscription sales during the first weeks exceed estimates
 - Síminn Sport fits well to other product offerings at Síminn
 - Supports ambitious sales targets for 2020
- Strong sales performance in key products
 - Opportunity related to further distribution of Premium TV service
 - Growth in domestic mobile revenue and positive outlook – Fierce price competition remains in the corporate market
- Stable operations at Míla and good cost control
- Sensa is the most cyclical part of the group hence most effected by slower economy
- Further reduction in FTE's during the next quarters and lower payroll expenses expected



CAPEX development

Long term CAPEX view

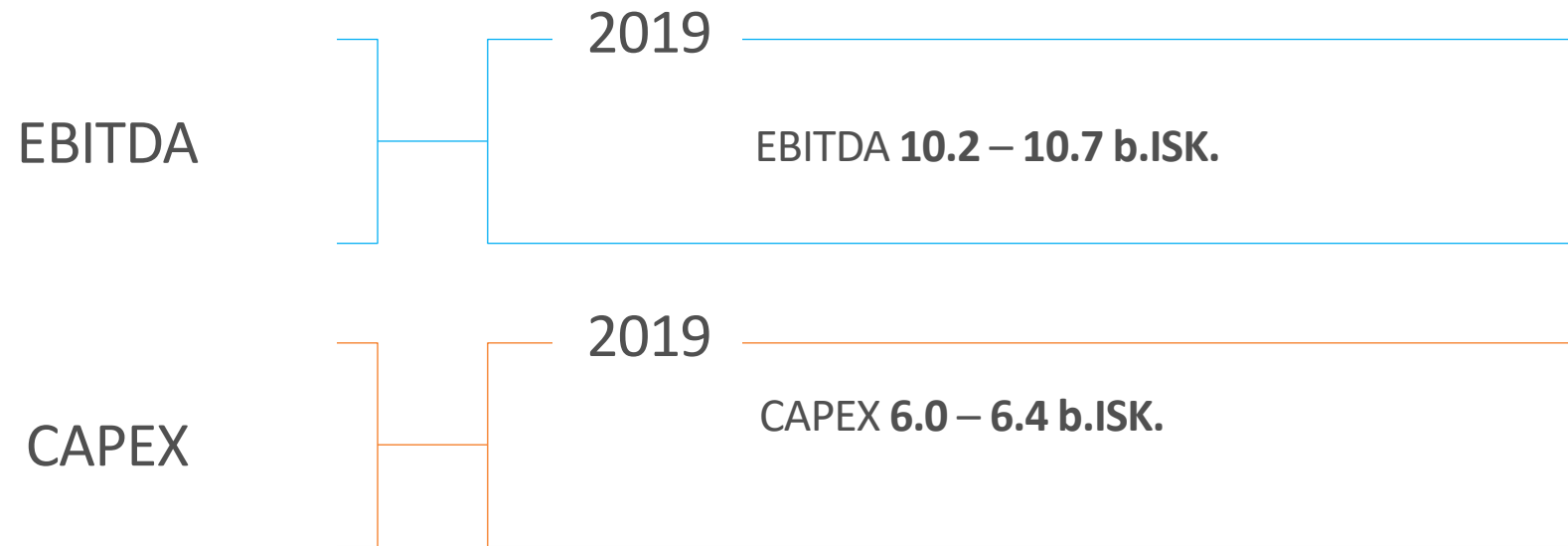


*Restated according to changes made to treatment of TV rights



Guidance for 2019

With effects of IFRS 16 and capitalization of TV rights





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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