

Positive profit warning

According to preliminary results for SKEL fjárfestingafélag hf. (“**SKEL**”) annual financial statement for 2022 the Company’s after-tax profit will amount to ISK 14.5 – 15.0 billion. This is above the earnings estimate for 2022, published with the financial statement for the first quarter of 2022, where profit after taxes was projected in the range of ISK 7.6 – 8.3 billion. The change is primarily the result of profit from the adjusted valuation of unlisted investment assets of the Company amounting to a total of ISK 9.8 billion. SKEL’s total equity is estimated to amount to ISK 33.0 – 33.5 billion at year end.

According to the International Financial Reporting Standard IFRS 10 SKEL qualifies as an investment company. Pursuant to the IFRS 10, SKEL does not prepare consolidated financial statements, and values its investments in accordance with IFRS 9 at fair value through profit and loss.

All unlisted assets with a book value in excess of ISK 1 billion have been valued by an independent third party. The valuation was conducted by Erlendur Davíðsson, CFA. A mandate was originally concluded with Birtir Capital Partners but was subsequently transferred to Kvika Bank when Erlendur was appointed the Head of Kvika’s Corporate Finance division. The valuations are based on preliminary operating results for the year 2022 and managements’ operating and investment budget for the operating years of 2023-2025, together with other information and comps.

The valuations were based on Discounted Cash Flow (DCF), using both Free Cash Flow to Firm (FCFF) and Dividend Discount Model (DDM). It should be noted that the valuation is in based on management’s operating budgets. A margin was added to the required rate of return on equity taking account, *inter alia* liquidity of the companies and uncertainty regarding the progression of operating budgets and uncertainties in the companies’ operating environment. Non-operating assets owned by the companies, including shares in subsidiaries and affiliates, are mostly at book value, which is considered to reflect their market value.

The table below shows the principal assumptions underlying the valuations for each separate company. Operating figures exclude impact from the IFRS16 accounting standard.

		Orkan ¹	Löður	Lyfjaval ²	Skeljungur	Gallon	Total
Draft 2022	Gross profit//Income ³	4,083	758	2,727	3,131	538	-
	EBITDA	1,079	253	158	1,130	265	2,885
	EBIT	537	236	32	922	150	1,877
Budget 2023	Gross profit	4,505	906	3,137	3,363	580	-
	EBITDA	1,237	327	305	1,326	276	3,471
	EBIT	561	242	216	1,171	162	2,352
	Capex	907	1,237	60	136	76	2,416
Valuation	WACC	11.7%	13.8%	13.1%	13.3%	11.4%	-
	Enterprise Value (EV)	7,358	1,730	3,353	9,807	2,556	24,804
	Share value ⁴	5,391	1,822	1,458	7,800	2,920	19,391
Pricing	EV/EBITDA 2022	6.8x	6.8x	21.2x	8.7x	9.4x	8.6x
	EV/EBITDA 2023B	5.9x	5.3x	11.0x	7.4x	9.0x	7.1x
	EV/EBIT 2022	13.7x	7.3x	103.5x	10.6x	16.6x	13.2x
	EV/EBIT 2023B	13.1x	7.2x	15.5x	8.4x	15.3x	10.5x

¹ Excludes Lyfjaval and Löður

² Operating figures for 2022 exclude capital gains. The business is in a growth phase which is reflected in improved profitability in the year 2023.

³ Gross profit and other income for Skeljungur and Orkan but income for Gallon, Lyfjaval and Löður.

⁴ The value of shares in Lyfjaval represents a 58% share held by SKEL in the company. In other cases, holdings are 100%.

It should be noted that the information in this announcement represents a preliminary assessment and is not based on finalised financial statements or audited financial results. Assumptions and circumstances may change, and for this reason the results of the Company may diverge from the current outlook.

Orkan IS ehf. operates in the field of consumer services. Orkan operates 70 fuel stations selling hydrogen, methane and offering electric charging. Orkan retail operations include 9 stores, operating under Orkan, 10-11 and Extra brands. Orkan is the sole owner of Löður ehf. and Íslenska vetnisfélagið ehf. Orkan owns shares in Lyfjaval ehf. (58%), Straumlind ehf. (34%). Orkan is also a shareholder in food service companies which operate under the brands Brauð og co., Gló and Sbarro.

Lyfjaval ehf. operates 7 pharmacies under its brand as well as an online store with medicines and related products.

Löður ehf. operates 15 car washes, 13 in the capital area, one in Akureyri and another in Reykjanesbær. All the stations are operated under their own brand.

Skeljungur ehf. operates in the field of sales and service to companies related to fuel, fertilizer and chemical products. Skeljungur services are in part performed through the following subsidiaries and affiliate companies, Barkur ehf. (67%), EAK ehf. (33%), Fjölvör ehf. (33%) and Ecomar ehf. (67%)

Gallon ehf. owns and operates storage tanks in Reykjavík, Akureyri, Eskifjörður, Reyðarfjörður and Vestmannaeyjar. The company's storage tanks are 36 in total and have storage capacity for around 90 million liters of fuel. Gallon also owns shares in EBK ehf. (25%).

The Company will publish its annual results for 2022 after closing of the markets on 7 February 2023.

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