

Financial press release – Síminn hf. Q2 2023

Continued revenue growth in core services

- Revenue in the second quarter (Q2) of 2023 amounted to ISK 6,283 million compared to ISK 6,036 million in the same period 2022 and increased by 4.1%. There is still steady revenue growth in Síminn's core services where income from mobile, data and TV services increases by almost 9% during the quarter. Equipment sales decreased by 17.5%.
- EBITDA amounted to ISK 1,410 million in Q2 2023, up by ISK 11 million or 0.8% compared to the same period 2022. The EBITDA ratio was 22.4% in Q2 2023, compared to 23.2% in the same period of 2022. Operating profit EBIT amounted to ISK 362 million in Q2 2023, compared to ISK 682 million in the same period of 2022.
- Net financial expenses amounted to ISK 145 million in Q2 2023, compared to ISK 165 million in the same period of 2022. Financial expenses amounted to ISK 263 million, financial income ISK 124 million, and foreign exchange loss ISK 6 million.
- Profit in Q2 2023 amounted to ISK 179 million compared to a ISK 410 million profit of continuing operation in the same period 2022.
- Interest-bearing debt including lease liabilities amounted to ISK 8.8 billion at the end of Q2 2023, compared to ISK 8.9 billion at the end of 2022. Cash in the end of Q2 2023 amounted to ISK 0.7 billion, compared to ISK 3.7 billion at the end of 2022. The balance of loans at Síminn Pay was ISK 2.2 billion at the end of Q2 2023, but was ISK 1.7 billion at the end of 2022.
- Síminn's equity ratio was 55.1% at the end of Q2 2023 and equity was ISK 18.2 billion.

Orri Hauksson, CEO:

"The year 2023 is the first year that Síminn operates as a service company, after selling Míla last year. Following such fundamental changes, it is pleasing to see the revenue of our core products (internet, TV, and mobile) significantly growing year-on-year. Television's advertising revenue is an example of that increase, and that service still has a lot to offer due to the new possibilities that have started to be offered to advertisers. Lending through our revolving credit card Léttkort is also enjoying healthy growth, and therefore Síminn's financial income is increasing. In today's high-interest rate environment, financial expenses are also increasing, but the company's moderate leverage is beneficial in the current situation. Income from fixed voice continues its predictable decline, and equipment sales were also lower than the same period last year.

Overall, EBITDA is up slightly in the quarter, as costs grew almost as fast as revenues. Wages rose rapidly in line with wage trends in the country, and many supplier contracts have a direct or indirect connection to general price trends.

Due to recent investment efforts in TV content and technology, which has a short amortization period but will in various ways strengthen the business in the long term, there are rapid depreciations this year. The long-term development of 5G systems continues in cooperation with Mila, and the PSTN system will be discontinued at the end of the year, which will save costs against the decreasing income from fixed voice services.

As previously announced, investments in TV content will be reduced for the next years. The volume could shrink even faster in the last months of the year than expected, as there is a shortage of TV content from USA due to strikes by actors and screenwriters. On the other hand, Icelandic content will be strong this winter, such as Icelandic drama series and shows about the band IceGuys. Interesting sports rights will be auctioned in the autumn, but there is a new uncertainty about the value of such rights if the Competition Authority's new policy regarding their legal treatment is allowed to stand. Under all circumstances, Síminn has plans to act quickly to offer quality content to demanding television viewers in Iceland.

There are several exciting changes ahead. In FinTech, we continue to expand our range of services with Icelandair travel points and the sale of flexible travel insurance from VÍS. We recently started a collaborative project with the Handball Association of Iceland (HSÍ) on the innovative distribution of handball games on TV available to viewers all over the country. More national sports will hopefully follow this interesting innovation. We have recently made the biggest changes to our product mix in eight years and further innovations are on the way. We have also brought our balance sheet closer to the company's strategy for capital structure, among other things by issuing corporate notes, bonds and purchasing own shares. The year of change 2023 will continue to be eventful at Síminn."

1H 2023 Results

Operation

Income statement	Q2			1H		
	2023	2022	%	2023	2022	%
Net sales	6.283	6.036	4,1%	12.581	12.129	3,7%
Cost of sales	(4.110)	(3.597)	14,3%	(8.265)	(7.359)	12,3%
Operating expenses	(1.811)	(1.757)	3,1%	(3.636)	(3.514)	3,5%
EBIT	362	682	-46,9%	680	1.256	-45,9%
Net financial items	(145)	(165)	-12,1%	(146)	(73)	100,0%
Income tax	(38)	(107)	-64,5%	(109)	(220)	-50,5%
Net profit from continuing operation	179	410	-56,3%	425	963	-55,9%
Discontinued operation	0	95	-100,0%	0	288	-100,0%
Net profit	179	505	-64,6%	425	1.251	-66,0%
EBITDA	1.410	1.399	0,8%	2.725	2.726	0,0%
EPS from continuing operation	0,06	0,05	20,0%	0,13	0,13	0,0%

Total sales for 1H 2023 amounted to ISK 12,581 million, compared to ISK 12,129 million in the same period 2022, up by 3,7%. Looking at the company's core products (mobile, data and TV) revenue growth is 8.2%. Revenue from mobile amounted to ISK 3,105 million, up by ISK 223 million or 7.7% between periods. Revenue from fixed voice amounted to ISK 548 million, down by 26.4% between periods. Revenue from data amounted to ISK 3,955 million, up by ISK 227 million or 6.1% between periods. Revenue from TV services amounted to ISK 3,633 million, up by ISK 359 million or 11.0% between periods. Revenue from equipment sale amounted to ISK 878 million, down by ISK 63 million or 6.7% between periods. Other revenue amounted to ISK 462 million, down by ISK 97 million between periods. The decrease is mainly due to sale of telecommunications equipment to Mila and resale of Spotify in Q1 2022, but if these items are excluded, other income increases by 2.2% between periods.

The cost of sales amounted to ISK 8,265 million and increases by ISK 906 million or 12.3% from the same period last year, mainly due to increased amortization of content rights and increased costs from telecommunications suppliers due to high inflation. Operating expenses amounted to ISK 3,636 million and increases by ISK 122 million or 3.5% compared to the same period last year.

Depreciation amounted to ISK 2,045 million in 1H 2023, compared to ISK 1,470 million in 1H 2022, up by ISK 575 million. As mentioned before, the increase is largely related to the amortization of content rights, in addition to increased depreciation of IT assets.

Cash flow

Operating activities amount to a total of ISK 2,726 million in 1H 2023, compared to ISK 2,722 million during the same period in 2022. The decrease in operating-related assets and liabilities in 1H 2023 is ISK 162 million.

Cash generated by operation was ISK 2,564 million in 1H 2023, compared to ISK 3,203 million during the same period in 2022. After interest and taxes, net cash from operating activities amounted to ISK 2,164 million in 1H 2023, compared to 2,679 m.kr. in 1H 2022.

Investment activities were positive, amounting to ISK 12,562 million in 1H 2023, compared to ISK 1,147 million during the same period in 2022. In Q1 2023, Síminn sold a bond that Síminn received as payment when Míla was sold, which explains the positive investment movements in the quarter.

Financing activities were negative, amounting to ISK 17,681 million in 1H 2023, which is mainly explained by the fact that in Q1 2023 the company's share capital was reduced by a payment amounting to ISK 15.6 billion.

Cash flow	1H 2023	1H 2022
Operating profit	680	1.256
Depreciation	2.045	1.470
Gain on sale of fixed assets	1	(4)
Total operating activities	2.726	2.722
Changes in current assets and liabilities	(162)	481
Cash generated by operation	2.564	3.203
Net interest expenses paid during the period	(6)	(176)
Payments of taxes during the period	(394)	(348)
Net cash from operating activities	2.164	2.679
Investing activities	12.562	(1.147)
Financing activities	(17.681)	(3.670)
Changes in cash and cash equivalents	(2.955)	(2.138)
Translation effects on cash	(39)	(6)
Cash and cash equivalents at the beginning of period	3.721	3.509
Cash and cash equivalents at the end of period	727	1.365

Balance sheet

Total assets amounted to ISK 32,975 million at the end of Q2 2023 but were ISK 51,181 million at the end of 2022.

Interest-bearing debts, including lease obligations, were ISK 8,764 million at the end of Q2 2023, compared to ISK 8,867 million at the end of 2022. Cash at the end of Q2 2023 amounted to ISK 727 million compared to ISK 3,721 million at the end of 2022. Net interest-bearing debt with lease liabilities and Síminn Pay consumer loans were ISK 5,848 million at the end of Q2 2023 compared to ISK 3,449 million at the end of 2022.

Equity amounted to ISK 18,161 million at the end of Q2 2023 and equity ratio was 55.1%.

Assets	30.06.2023	31.12.2022
Property, plant and equipment.....	2.534	2.466
Right-of-use assets.....	847	941
Intangible assets.....	21.839	22.122
Other non-current assets.....	576	580
Non-current assets	25.796	26.109
Corporate bond.....	0	15.687
Cash and cash equivalents.....	727	3.721
Other current assets.....	6.452	5.664
Current assets	7.179	25.072
Total assets	32.975	51.181

Equity and liabilities	30.06.2023	31.12.2022
Total equity.....	18.161	35.261
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Borrowings.....	5.963	5.956
Finance lease.....	627	731
Accounts payables.....	0	639
Deferred tax liabilities.....	200	89
Non-current liabilities	6.790	7.415
Other Current liabilities.....	8.024	8.505
Current liabilities	8.024	8.505
Total equity and liabilities	32.975	51.181

Key events

- Síminn has partnered with the Handball Association of Iceland (HSÍ) to distribute Icelandic handball to viewers all over the country. HSÍ is the first Icelandic sports association to sell TV sport content directly to its customers, but this arrangement has been common for several years in USA. HSÍ will install automatic recording equipment in all competition halls and will then be able to stream directly from all events that take place there. The events will then be available, both linearly and non-linearly in Síminn's TV platform, which handles all technical operations, invoicing, and billing. In addition to this, one match will be chosen weekly which will be shown in an open program on Síminn's TV platform. Síminn expects a lot from this collaboration, as it is a development project that will potentially benefit more sports in the coming years.
- The listed bond market is not widely used for financing by Icelandic companies, although it is certainly a growing market. Síminn aims to have mixed financing i.e., bank financing on one hand and market financing on the other. After a break of several years from issuing on the market, Síminn started to issue corporate notes in 2021 for up to ISK 2 billion. The investors' reception has been good, and the spread has gradually decreased with each release. The next step in market financing was taken at the end of the second quarter, where bonds were sold in a closed tender for 3 years in the amount of ISK 1.5 billion with a 1.3% spread on top of 1M REIBOR. If the conditions are favourable, Síminn will consider a further release this autumn.

Guidance 2023

The guidance for 2023 is unchanged and assumes that EBITDA for the group will be in the range of ISK 5.9 – 6.3 billion. CAPEX is estimated to be in the range of ISK 3.6 – 3.9 billion excluding licences and spectrum.

Investor meeting 23 August 2023

An investor presentation will be held on Wednesday 23 August 2023 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/fjarfestakynning>.

Financial Calendar 2023

Interim report for the first nine months of 2023	24 October 2023
Announcement of the 2023 results	20 February 2024
Annual General Meeting 2024	14 March 2024

Further information:

Orri Hauksson, CEO (orri@siminn.is)

Óskar Hauksson, CFO (oskarh@siminn.is)

Note: This English version is a translation of the Icelandic text that accompanies the Q2 2023 results of Síminn hf