



Q2 2019 Results

Bertrand B. Kan, Orri Hauksson and Óskar Hauksson

27 August 2019



Highlights in Q2 2019

FINANCE

EBITDA
2.602 m.kr.

EBITDA ratio
36,6%

Cash
510 m.kr.

Net debt / EBITDA*
1,65

CAPEX
1.722 m.kr.

Equity ratio
56,3%

*EBITDA trailing twelve months

HIGHLIGHTS

- Results improve significantly from Q1 this year
- Actions taken in Q1 to reduce cost are improving performance
- Mobile revenue decline for the most parts related to wholesale and roaming – Much growth in Prenna
- In line with global trends mobile equipment sales are declining
- IT revenue growth in spite of slower economy

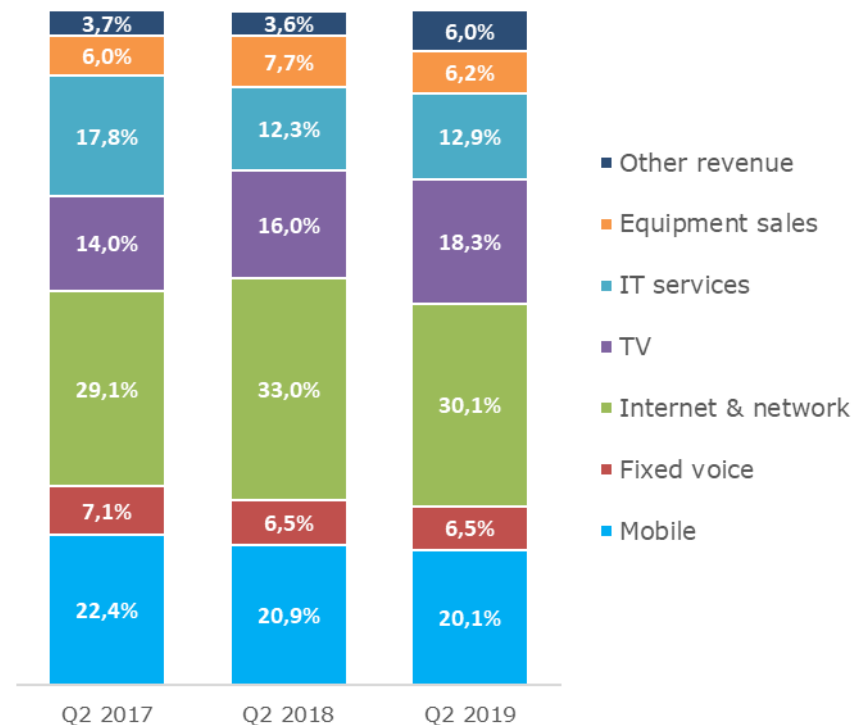


Q2 2019 - Results



Revenue by segments Q2 2019

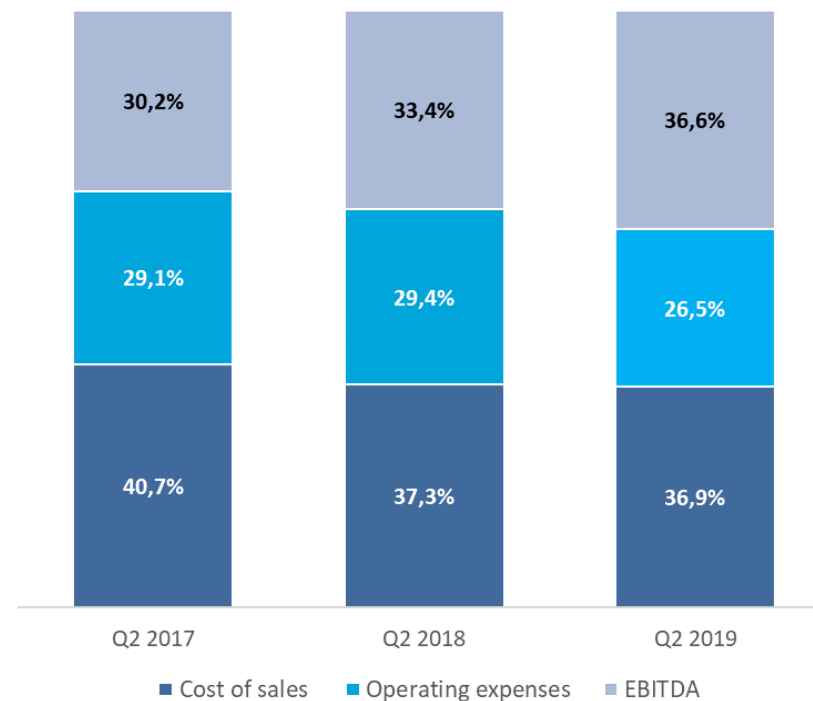
	Q2 2019	Q2 2018	Change	Change %
Mobile	1.428	1.497	(69)	-4,6%
Fixed voice	459	463	(4)	-0,9%
Internet & network	2.143	2.364	(221)	-9,3%
TV	1.300	1.142	158	13,8%
IT services	921	880	41	4,7%
Equipment sales	440	549	(109)	-19,9%
Other revenue	424	258	166	64,3%
Total revenue	7.115	7.153	(38)	-0,5%





Income statement Q2 2019

	Q2 2019	Q2 2018	Change	Change in %
Net sales	6.808	6.921	(113)	-1,6%
Cost of sales	(3.591)	(3.610)	19	-0,5%
Gross profit	3.217	3.311	(94)	-2,8%
<i>Gross profit ratio</i>	<i>47,3%</i>	<i>47,8%</i>		
Other operating income	307	232	75	32,3%
Operating expenses	(2.246)	(2.280)	34	-1,5%
Impairment losses	0	0	0	-
Operating profit	1.278	1.263	15	1,2%
<i>Operating profit/Net sales</i>	<i>18,8%</i>	<i>18,2%</i>		
Finance income	46	52	(6)	-11,5%
Finance cost	(301)	(240)	(61)	25,4%
Net exchange rate differences	(14)	(2)	(12)	
Net financial items	(269)	(190)	(79)	41,6%
Income tax	(211)	(220)	9	-4,1%
Net profit	798	853	(55)	
Depreciation	(1.324)	(1.123)	(201)	
EBITDA*	2.602	2.386	216	9,1%
<i>EBITDA ratio</i>	<i>36,6%</i>	<i>33,4%</i>		
EBIT	1.278	1.263	15	
<i>EBIT ratio</i>	<i>18,0%</i>	<i>17,7%</i>		



*Restated according to changes made to treatment of TV rights

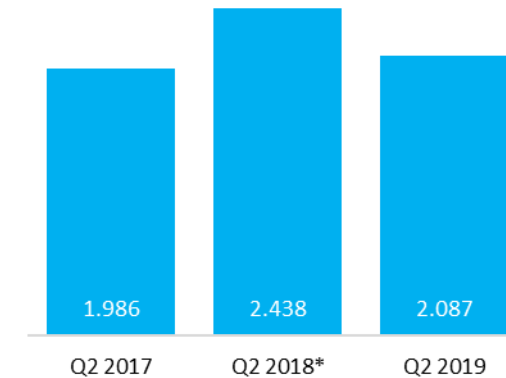


Cash flow Q2 2019

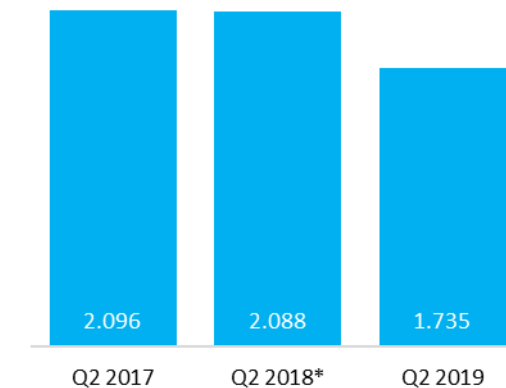
	Q2 2019	Q2 2018*
Cash flow from operating activities		
Operating profit	1.278	1.263
Operational items not affecting cash flow:		
Depreciation and amortisation.....	1.324	1.123
Other items not affecting cash flow.....	(165)	(98)
	<u>2.437</u>	<u>2.288</u>
Changes in current assets and liabilities.....	(350)	150
Cash generated by operation	<u>2.087</u>	<u>2.438</u>
Net interest expenses paid during the period.....	(265)	(193)
Payments of taxes during the period.....	(87)	(157)
Net cash from operating activities	<u>1.735</u>	<u>2.088</u>
Investing activities		
Net investment in property, plant and equipments.....	(1.722)	(1.426)
Other investment.....	0	(26)
Investing activities	<u>(1.722)</u>	<u>(1.452)</u>
Financing activities		
Dividend paid (Non-controlling interest).....	(330)	(311)
Buyback of ordinary shares.....	0	(1.242)
Payment of long term lease.....	(133)	0
Payments of non-current liabilities.....	(288)	(288)
Bank loans, increase (decrease).....	277	575
Financing activities	<u>(474)</u>	<u>(1.266)</u>
Increase (decrease) in cash and cash equivalents	(461)	(630)
Translation effects on cash.....	5	8
Cash and cash equivalents (beginning-of-period).....	966	805
Cash and cash equivalents (end-of-period).....	<u>510</u>	<u>183</u>

*Restated according to changes made to treatment of TV rights

Cash generated by operation



Net cash from operating activities





1H 2019 - Results



Operation H1 2019

Growth in the customer base – Signs of lower price pressure

- Around third of Icelandic homes has subscribed to Síminn Premium TV
- Increase in mobile customers YoY – Prenna has around 25.000 subscribers and ARPU is increasing
- Retail revenue growth
 - Price changes in August 2018 decrease internet revenue but increase TV – and fixed line revenue
- Strong growth in TV revenue
 - Revenue from Premium TV services grow by 190 m.kr. or 27%
 - Number of subscribers with Premium TV increase by 5.000 YoY
 - Number of subscribers with Síminn Home Package increase by 4.400 YoY
- Strong revenue growth at Sensa – Margin lower than H1 2018
- The combined revenue decline of mobile roaming and wholesale is 200 m.kr. YoY
- The English Premier League (EPL) started in August and effects operations from Q3 this year
 - Subscription sales of Premium and standalone subscriptions exceed plans



Operation H1 2019

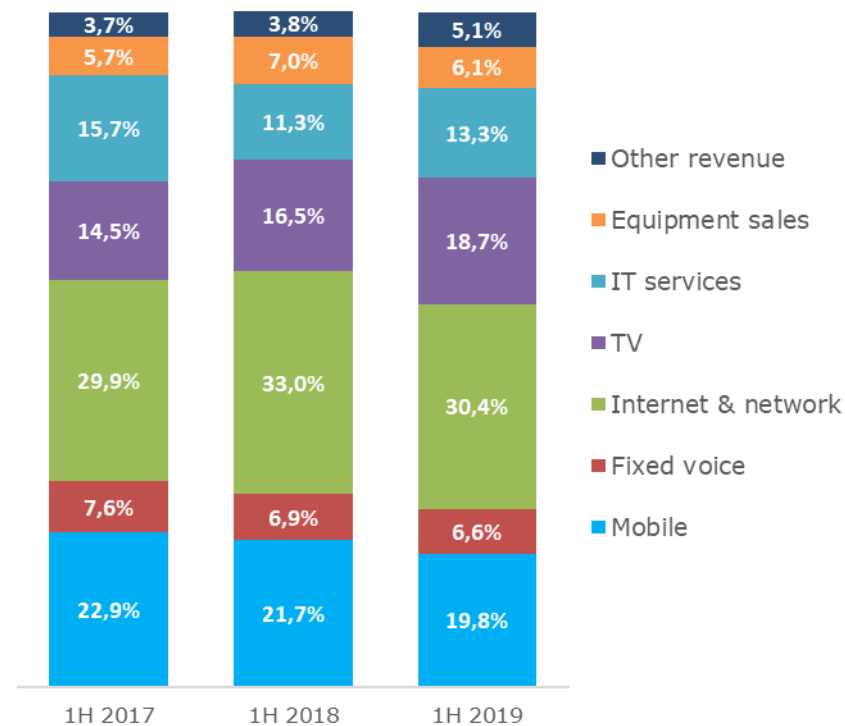
Cost unchanged YoY

- Excluding cost of goods sold total cost is virtually unchanged YoY
 - Total cost increases 225 m.kr. YoY
 - 75% related to cost of goods sold
 - Provision of 50 m.kr. was expensed in Q1 as a result of damages ruling against Síminn – The ruling has been contested
- Wage cost reduces between Q2 2018 and Q2 2019 in spite of full effects of new collective bargaining agreements having effect from beginning of Q2
 - A reduction of 40 FTS's compared to same period 2018 – The reduction was done in Q1
 - The new labor agreements are important for future planning and reduce uncertainty
- Cost is under firm control
 - The most important IT systems of Síminn have been replaced or updated recently – Will assist with further cost cutting
 - Cost related to the EPL is in line with estimates
- Financial expenses
 - Interest expense from lease liability (IFRS 16) was 137 m.kr. In H1 2019
 - Penalty rates due to damages ruling (a provision) was expensed in Q1
 - Lower interest cost of long term funding



Revenue by segments 1H 2019

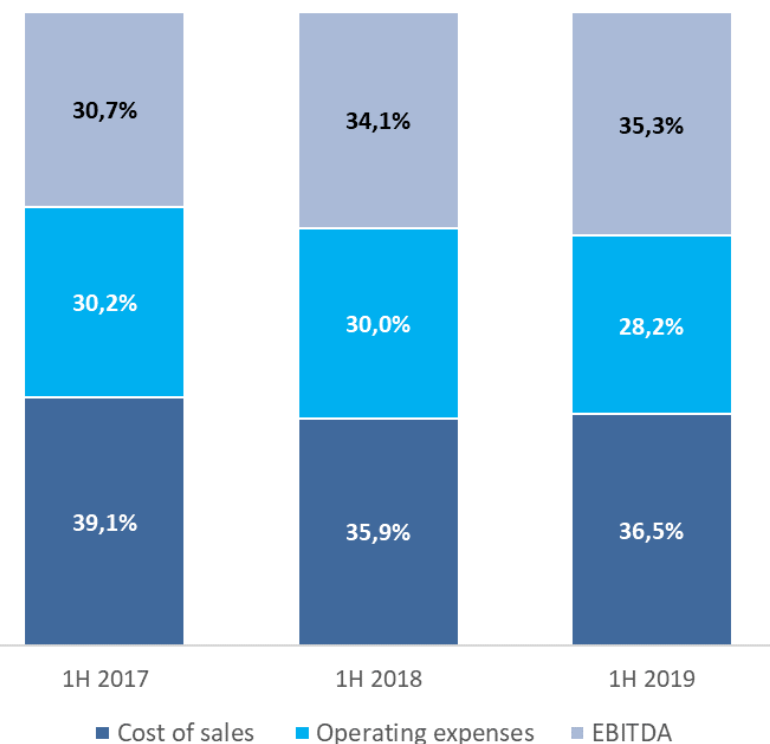
	1H 2019	1H 2018	Change	Change %
Mobile	2.785	3.038	(253)	-8,3%
Fixed voice	924	961	(37)	-3,9%
Internet & network	4.278	4.624	(346)	-7,5%
TV	2.631	2.309	322	13,9%
IT services	1.872	1.582	290	18,3%
Equipment sales	865	976	(111)	-11,4%
Other revenue	722	537	185	34,5%
Total revenue	14.077	14.027	50	0,4%





Income statement 1H 2019

	1H 2019	1H 2018	Change	Change in %
Net sales	13.581	13.677	(96)	-0,7%
Cost of sales	(7.016)	(6.912)	(104)	1,5%
Gross profit	6.565	6.765	(200)	-3,0%
<i>Gross profit ratio</i>	48,3%	49,5%		
Other operating income	496	350	146	41,7%
Operating expenses	(4.676)	(4.555)	(121)	2,7%
Impairment losses	0	0	0	-
Operating profit	2.385	2.560	(175)	-6,8%
<i>Operating profit/Net sales</i>	17,6%	18,7%		
Finance income	96	104	(8)	-7,7%
Finance cost	(657)	(481)	(176)	36,6%
Net exchange rate differences	(21)	5	(26)	
Net financial items	(582)	(372)	(210)	56,5%
Income tax	(390)	(448)	58	-12,9%
Net profit	1.413	1.740	(327)	
Depreciation	(2.586)	(2.230)	(356)	
EBITDA*	4.971	4.790	181	3,8%
<i>EBITDA ratio</i>	35,3%	34,1%		
EBIT	2.385	2.560	(175)	
<i>EBIT ratio</i>	16,9%	18,3%		



*Restated according to changes made to treatment of TV rights

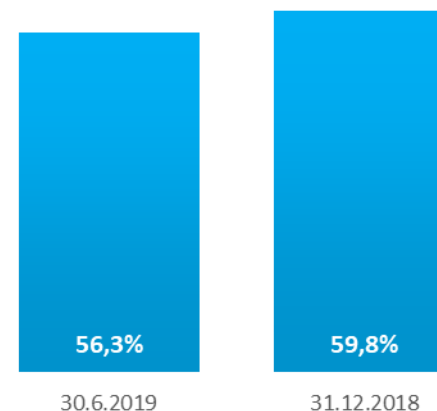


Balance sheet

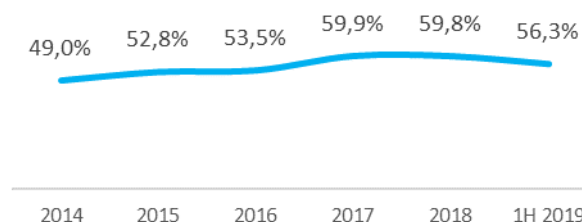
	30.6.2019	31.12.2018*
Assets		
Non-current assets		
Property, plant and equipment.....	23.795	18.059
Intangible assets.....	32.662	32.473
Other non-current assets.....	496	424
Non-current assets	56.953	50.956
Current assets		
Inventories.....	1.618	1.437
Accounts receivables.....	3.465	4.313
Other current assets.....	1.929	882
Cash and cash equivalents.....	510	1.246
Current assets	7.522	7.878
Total assets	64.475	58.834
Equity and liabilities		
Equity		
Total equity.....	36.285	35.202
Non-current liabilities		
Borrowings.....	15.046	15.631
Finance lease.....	4.868	0
Deferred tax liabilities.....	818	898
Non-current liabilities	20.732	16.529
Current liabilities		
Bank loans.....	277	450
Accounts payables.....	2.556	2.997
Current maturities of borrowings....	1.696	1.150
Other current liabilities.....	2.929	2.506
Current liabilities	7.458	7.103
Total equity and liabilities	64.475	58.834

*Restated according to changes made to treatment of TV rights

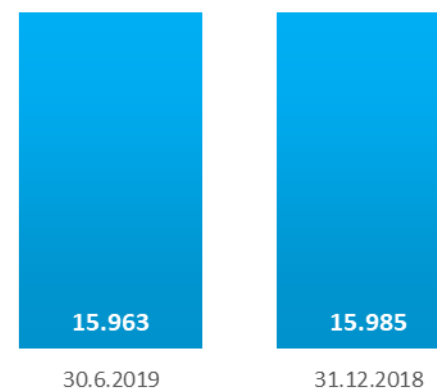
Equity ratio



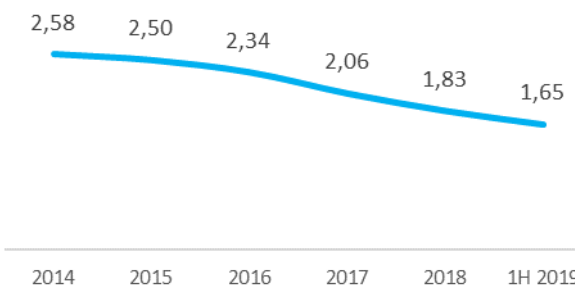
Equity ratio



Net interest bearing debt



Net debt to EBITDA



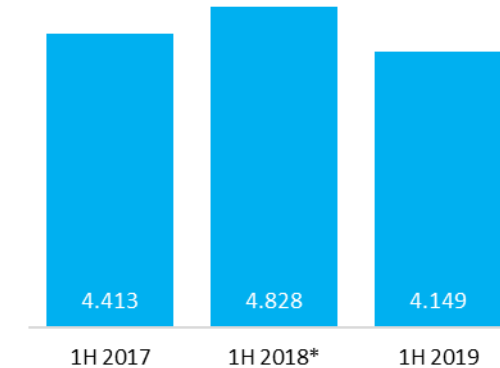


Cash flow 1H 2019

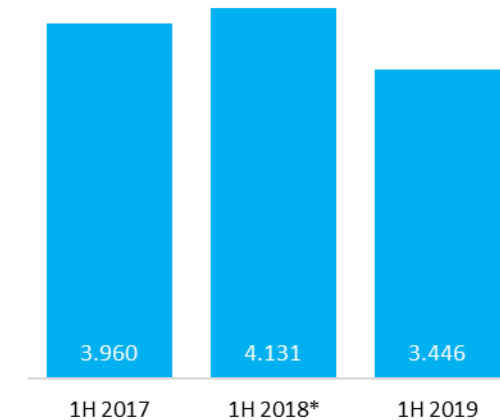
	1H 2019	1H 2018*
Cash flow from operating activities		
Operating profit	2.385	2.560
Operational items not affecting cash flow:		
Depreciation and amortisation.....	2.586	2.230
Other items not affecting cash flow.....	(165)	(92)
	<u>4.806</u>	<u>4.698</u>
Changes in current assets and liabilities.....	(657)	130
Cash generated by operation	<u>4.149</u>	<u>4.828</u>
Net interest expenses paid during the period.....	(528)	(384)
Payments of taxes during the period.....	(175)	(313)
Net cash from operating activities	<u>3.446</u>	<u>4.131</u>
Investing activities		
Net investment in property, plant and equipments.....	(2.899)	(2.608)
Other investment.....	30	2
Investing activities	<u>(2.869)</u>	<u>(2.606)</u>
Financing activities		
Dividend paid.....	(330)	(311)
Purchase of own shares.....	0	(1.242)
Payment of long term lease.....	(264)	0
Net Financing activities.....	<u>(748)</u>	<u>(500)</u>
Financing activities	<u>(1.342)</u>	<u>(2.053)</u>
Increase (decrease) in cash and cash equivalents	(765)	(528)
Translation effects on cash.....	29	(7)
Cash and cash equivalents at the beginning of the year.....	1.246	718
Cash and cash equivalents at the end of the year.....	<u>510</u>	<u>183</u>

*Restated according to changes made to treatment of TV rights

Cash generated by operation

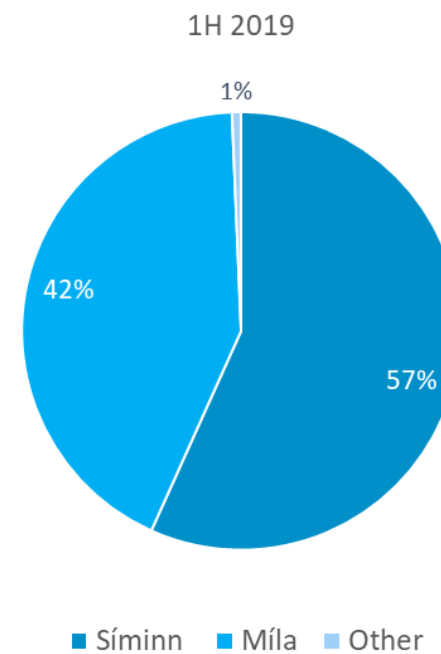
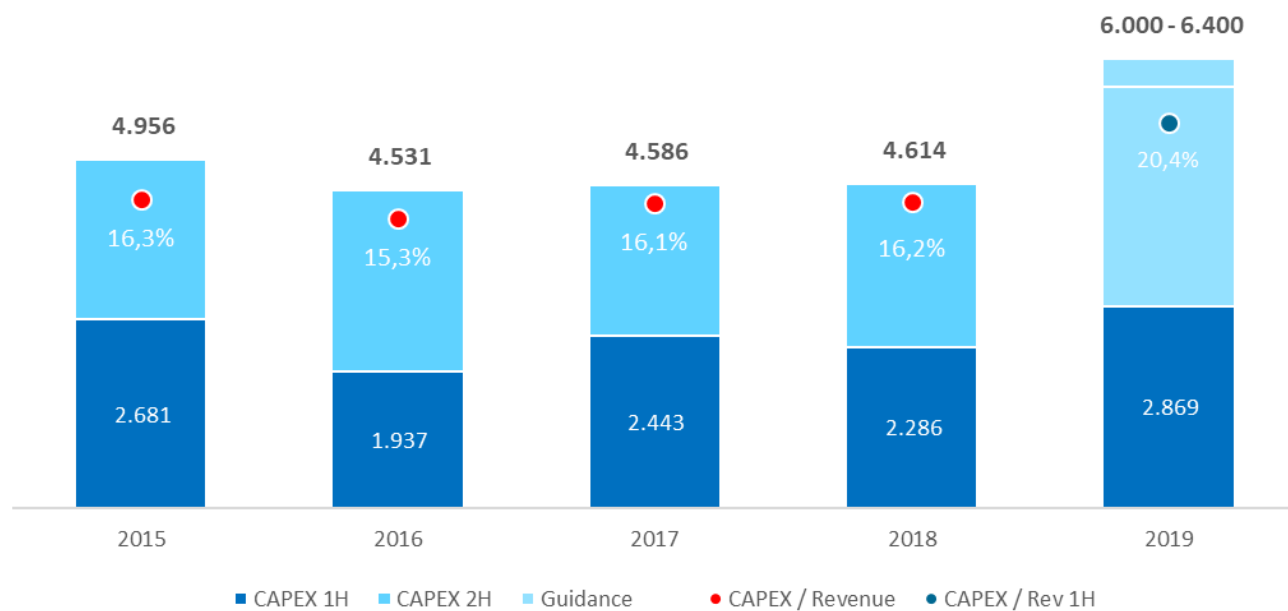


Net cash from operating activities





CAPEX development Investing activities 1H 2019





Operation and CAPEX 1H 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 CAPEX in H1 2018 and YoY comparison.

Amounts in m.ISK	1H 2018		1H 2019	Difference
	1H 2018*	Adjusted		
EBITDA.....	4.790	5.186	4.971	-215
Depreciation.....	2.230	2.555	2.586	31
Net financial items.....	372	502	582	80
Profit for the period.....	1.740	1.693	1.413	-280
CAPEX.....	2.606	2.606	2.869	263

*Restated according to changes made to treatment of TV rights

Highlights



EPL at Síminn

- Subscription sales exceed forecasts
 - Third of Icelandic homes subscribe to Síminn Sport
- Available over all distribution channels
- More games and UHD broadcast has started
 - 2 games in each round in UHD



**Premier
League**

Sjónvarp Símans Premium

- Domestic production
 - Venjulegt Fólk – 2 season
 - Ný sýn – 2 Season
 - Ást – New production
- Premier content from our partners
 - Disney, Hulu, NBC, CBS, 20th Century Fox ofl.
- New records every month
 - Over 30 million orders last year, more this year





IoT

- The IoT transmitters were installed in Q1 2019. Will soon be 10.
 - Longer range than traditional GSM transmitters and usage is different
- Síminn has new projects in the pipeline
 - With the universities
 - With the energy companies
 - With the EU, The earthquake project TURNkey



Míla

- Strong performance in H1 2019
- The fiber project is according to plans
- Joint fiber projects reduce CAPEX
- Co-operation with Gagnaveita Reykjavíkur in Selfoss





Sensa

- The transport of the groups ERP system (SAP) into AWS – The first project of this kind in Iceland.
- Sensa – Kubernetes Service started this spring and is available both as Cloud based- and hosted solution.
- StorDIRECT, Co-hosted data- storage solution, in co-operation with Verne and NetApp. Started this summer and has created non-domestic revenue.





Outlook for 2019



Outlook 2019

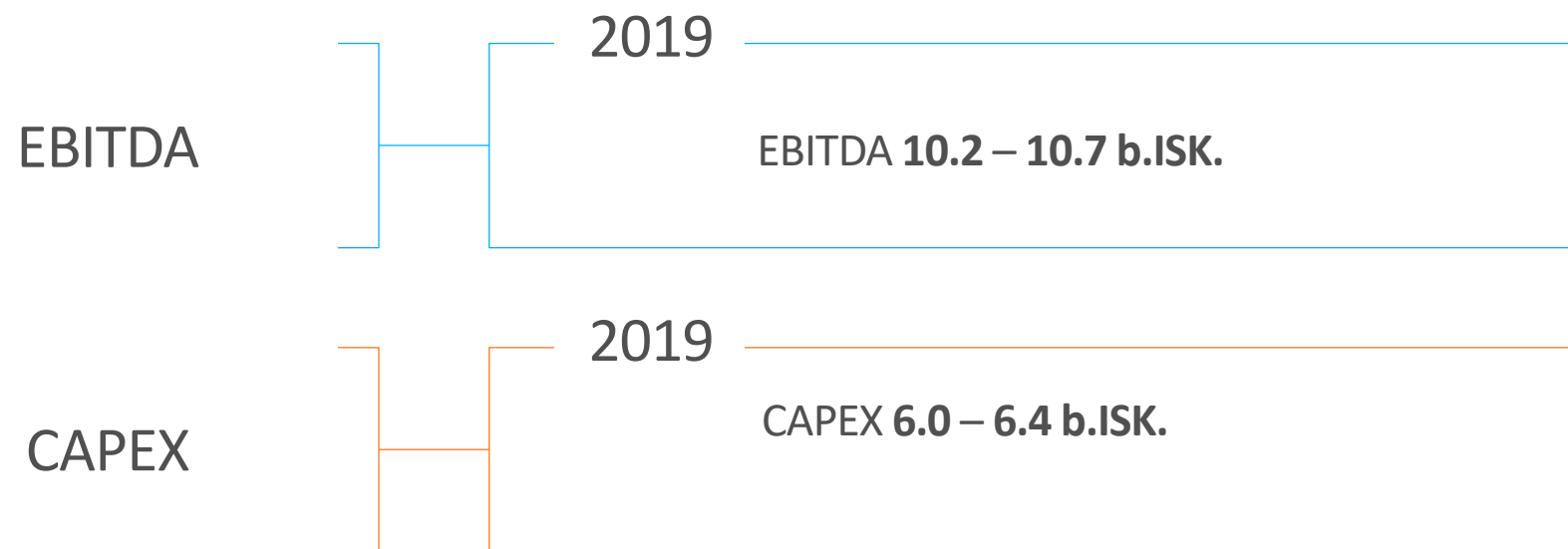
Unchanged Outlook – Long Term Prospects are Good

- EPL with a strong start
 - Subscription sales during the first weeks exceed estimates
 - The EPL fits well to other product offerings at Síminn
- Strong sales performance in key products
 - Stable revenue
 - Growth in domestic mobile revenue – Strong performance of Prenna
 - Still fierce competition in the corporate mobile market
 - Increase in the Home Package
- Síminn has responded to lower wholesale- and roaming revenue with cost reductions
 - The importance of roaming and wholesale is considerably less than before
 - Reduction in FTE's with operational improvements
 - Cost cutting will continue



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.



Disclaimer

Information contained in this presentation is based on sources that Síminn hf. (“Síminn” or the “company”) considers reliable at each time. Its accuracy or completeness can however not be guaranteed. This report contains forward-looking statements that reflect the management’s current views with respect to certain future events and potential financial performance. Although the management believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. The forward looking information contained in this presentation applies only as at the date of this presentation.

Síminn does not undertake any obligation to provide recipients of this presentation with any further information on the company or to make amendments or changes to this publication should inaccuracies or errors be discovered or opinions or information change. Other than as required by applicable laws and regulation.

This presentation is solely for information purposes and is not intended to form part of or be the basis of any decision making by its recipients. Nothing in this presentation should be construed as a promise or recommendation.

Statements contained in this presentation that refer to the company’s estimated or anticipated future results or future activities are forward looking statements which reflect the company’s current analysis of existing trends, information and plans. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially depending on factors such as the availability of resources, the timing and effect of regulatory actions and other factors.

By the receipt of this presentation the recipient acknowledges and accepts the aforesaid disclaimer and restrictions.

