

Q4 2022 Result Full year 2022

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Highlights in Q4 and 2022

	Q4 2022	12M 2022		
Revenue	6.233 m.kr. Q4 2021: 6.464 m.kr.	24.572 m.kr. 12M 2021: 24.543 m.kr.		
EBITDA* ²	1.433 m.kr. Q4 2021: 1.283 m.kr.	5.949 m.kr. 12M 2021: 5.502 m.kr.		
EBITDA %* ²	23,0% Q4 2021: 19,8%	24,2% 12M 2021: 22,4%		
EBIT* ²	503 m.kr. Q4 2021: 373 m.kr.	2.745 m.kr. 12M 2021: 2.260 m.kr.		
CAPEX	1.269 m.kr. Q4 2021: 912 m.kr.	4.352 m.kr. 12M 2021: -5.186 m.kr. * ¹		
NIBD * ³ / 12M EBITDA * ²	0,58 Q4 2021: 0,65			
Cash	3.721 m.kr. Q4 2021: 3.509 m.kr.			
Equity Ratio	68,9% Q4 2021: 44,6%			
Cash generated by operation	2.015 m.kr. Q4 2021: -1.074 m.kr.			

*¹ Negative CAPEX in 2021 due to sale of networks to Míla

*² Without 200 m.kr. cancellation of a competition fine in Q4 2022.

*³ Net interest-bearing debts include lease liabilities and the loans at Síminn Pay. Does not include the proceeds from sale of a bond to Ardian



Operation

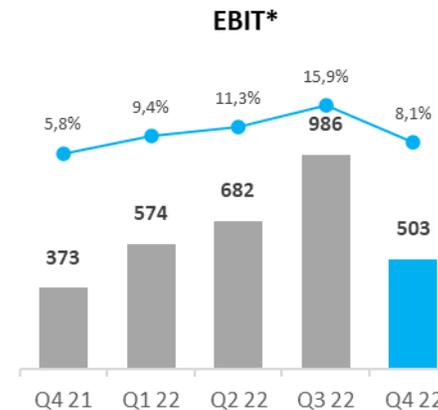
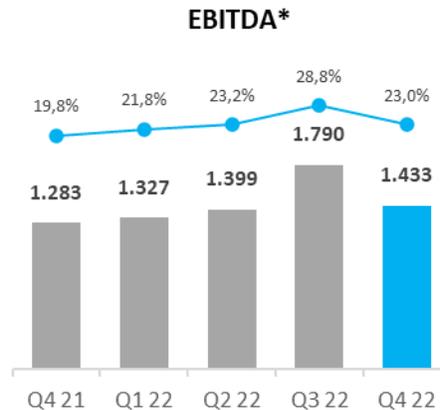
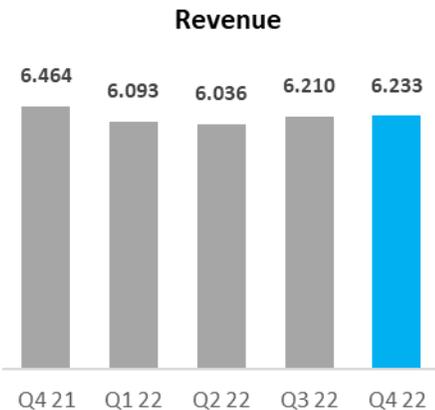


Income statement

Income statement	Q4			12M		
	2022	2021	%	2022	2021	%
Net sales	6.233	6.464	-3,6%	24.572	24.543	0,1%
Cost of sales	(3.874)	(4.292)	-9,7%	(14.914)	(15.533)	-4,0%
Operating expenses	(1.656)	(1.799)	-7,9%	(6.713)	(6.750)	-0,5%
EBIT	703	373	88,5%	2.945	2.260	30,3%
Net financial items	(389)	(13)	2892,3%	(546)	(114)	378,9%
Income tax	67	(50)	-234,0%	(337)	(411)	-18,0%
Net profit from continuing operation	381	310	22,9%	2.062	1.735	18,8%
Discontinued operation	289	344	-16,0%	36.205	3.478	941,0%
Net profit	670	654	2,4%	38.267	5.213	634,1%
EBITDA	1.633	1.283	27,3%	6.149	5.502	11,8%
EPS from continuing operation	0,08	0,05	60,0%	0,31	0,23	34,8%

The Quarter

- Strong revenue growth in Síminn's highest margin products in Q4
 - A total of over ISK 300 million revenue increase in TV services, mobile and data
 - 5-8% growth in each business sector
 - Equipment sales fall by a quarter
 - One-off income due to Spotify and the sale of equipment to Míla in Q4 2021 amounted to ISK 223 million – very low margin revenue.
- Cost reduction is mainly related to cost of goods sold
- Profit margin increases by almost 9%
- Operating profit increases by almost 35%
- EBITDA increases by almost 12%
- Net profit rises slightly

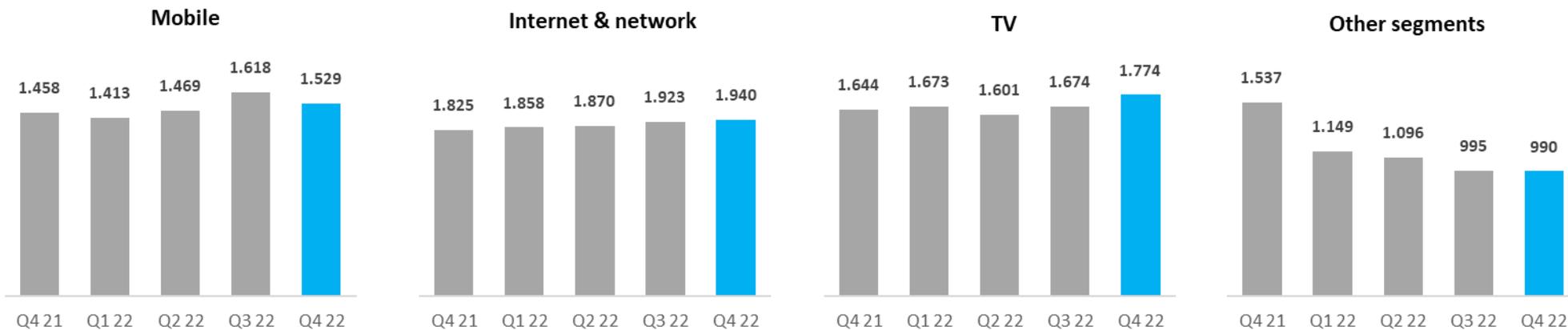


* EBITDA and EBIT in the graphs are without 200 m.kr. cancellation of a competition fine in Q4 2022.



Revenue by segments

Segments	Q4				12M			
	2022	2021	Change	%	2022	2021	Change	%
Mobile	1.529	1.458	71	4,9%	6.029	5.604	425	7,6%
Fixed voice	279	372	-93	-25,0%	1.342	1.572	-230	-14,6%
Internet & network	1.940	1.825	115	6,3%	7.591	7.342	249	3,4%
TV	1.774	1.644	130	7,9%	6.722	6.383	339	5,3%
Equipment sales	479	636	-157	-24,7%	1.838	2.148	-310	-14,4%
Other revenue	232	529	-297	-56,1%	1.050	1.494	-444	-29,7%
Total revenue	6.233	6.464	-231	-3,6%	24.572	24.543	29	0,1%





Operations in 2022

Strong performance growth in an eventful year

- The profit for the year is 56% higher than revenue for the year
 - Explained by a successful sale of a subsidiary, but also by strong operations
- EBITDA increases by almost 25% year-on-year
- Operating income remains the same between years, without one-offs, the increase in income is about ISK 400 million and over ISK 700 million (3.7%) if adjusted for product sales.
 - Revenue from mobile services increases by almost 8%. A large increase in roaming revenue, about a third of the revenue increase comes from domestic mobile services
 - Growth in TV services is mainly due to an increase in Síminn's Premium TV service (10%) and Síminn Sport (23%)
 - Revenue from data increases by over 3%
- Operating profit increases by almost ISK 500 million between years or 20%
- Higher interest rates affect interest income and interest expenses
 - Míla's sales proceeds created interest revenue for almost two months
 - The weakening of the ISK against the EUR had an impact on Q4
- Total cost decreases between years
 - Cost of goods sold decreased by almost ISK 470 million
 - Housing costs decreased due to the sale of Sensa in 2021
- Salary costs increase by almost 9% year-on-year despite a slight decrease in full-time employees
 - The development of wage cost within Síminn is comparable to development measured by the wage index
- Staff costs and travel costs increase by 25% between years
 - COVID reduced these cost items in 2020 and 2021
- Connection fees increase in line with increased income from tourists
- Acceptable success was achieved in keeping down cost items such as IT and marketing, despite high inflation last year.



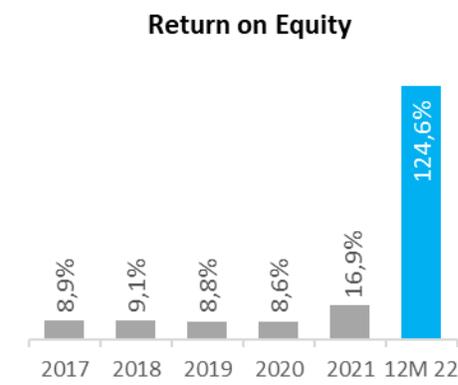
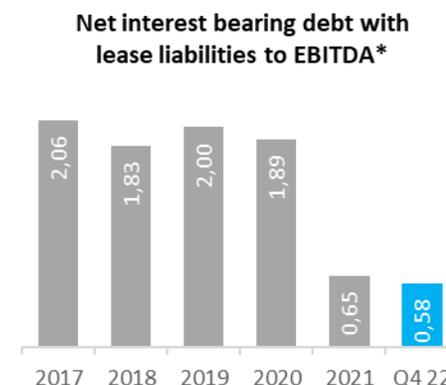
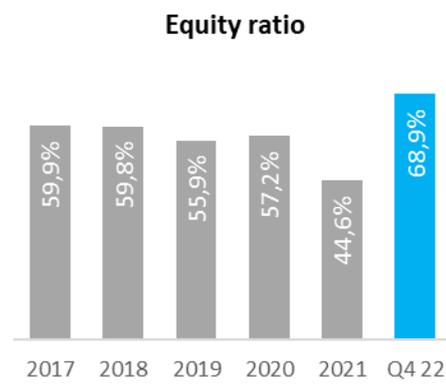
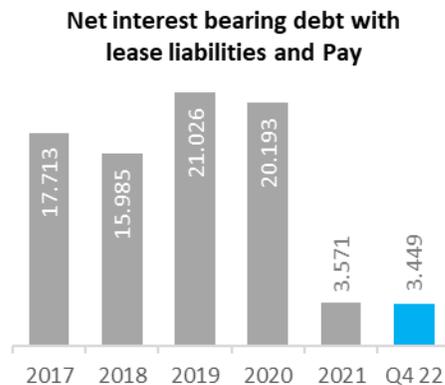
Balance Sheet and Cash Flow



Balance Sheet

Assets	31.12.2022	31.12.2021
Non-current assets		
Property, plant and equipment.....	2.466	2.219
Right-of-use assets.....	941	753
Intangible assets.....	22.122	19.403
Other non-current assets.....	580	675
Non-current assets	26.109	23.050
Current assets		
Inventories.....	1.212	923
Accounts receivables.....	2.045	2.234
Loans (Síminn Pay).....	1.359	823
Other current assets.....	1.048	2.259
Corporate bond.....	15.687	0
Assets held for sale.....	0	36.929
Cash and cash equivalents.....	3.721	3.509
Current assets	25.072	46.677
Total assets	51.181	69.727

Equity and liabilities	31.12.2022	31.12.2021
Equity		
Total equity.....	35.261	31.079
Non-current liabilities		
Borrowings.....	5.956	5.943
Finance lease.....	731	653
Accounts payables.....	639	0
Deferred tax liabilities.....	89	604
Non-current liabilities	7.415	7.200
Current liabilities		
Bank loans.....	1.929	1.518
Accounts payables.....	4.788	2.141
Current maturities of borrowings.....	251	180
Other current liabilities.....	1.537	1.783
Liabilities held for sale.....	0	25.826
Current liabilities	8.505	31.448
Total equity and liabilities	51.181	69.727



Net interest-bearing debts include lease liabilities and the loans at Síminn Pay. Does not include the proceeds from sale of a bond to Ardian.

*Without government fine in 2020 and 2022



Cash Flow

Cash Flow	2022	2021
Cash flow from operating activities		
Operating profit	2.945	2.260
Operational items not affecting cash flow:		
Depreciation.....	3.204	3.242
Gain on sale of fixed assets.....	(57)	(1)
	<u>6.092</u>	<u>5.501</u>
Changes in current assets and liabilities.....	2.042	(1.099)
Cash generated by operation	8.134	4.402
Net interest expenses paid during the period.....	(12)	(77)
Payments of taxes during the period.....	(882)	(565)
Net cash from operating activities	7.240	3.760
Investing activities		
Net investment in property, plant and equipments.....	(4.352)	5.186
Other investment.....	(424)	(894)
Sale of subsidiary and discontinued operation.....	31.637	14.739
Investing activities	26.861	19.031
Financing activities		
Dividend paid.....	(500)	(500)
Purchase of own shares.....	(3.043)	(2.965)
Share capital reduction.....	(30.542)	(7.968)
Payment of long term lease.....	(216)	(174)
Net Financing activities.....	412	(8.411)
Financing activities	(33.889)	(20.018)
Changes in cash and cash equivalents	212	2.773
Translation effects on cash.....	0	1
Cash and cash equivalents at the beginning of the year.....	3.509	735
Cash and cash equivalents at the end of the period.....	<u>3.721</u>	<u>3.509</u>

Balance sheet and cash flow

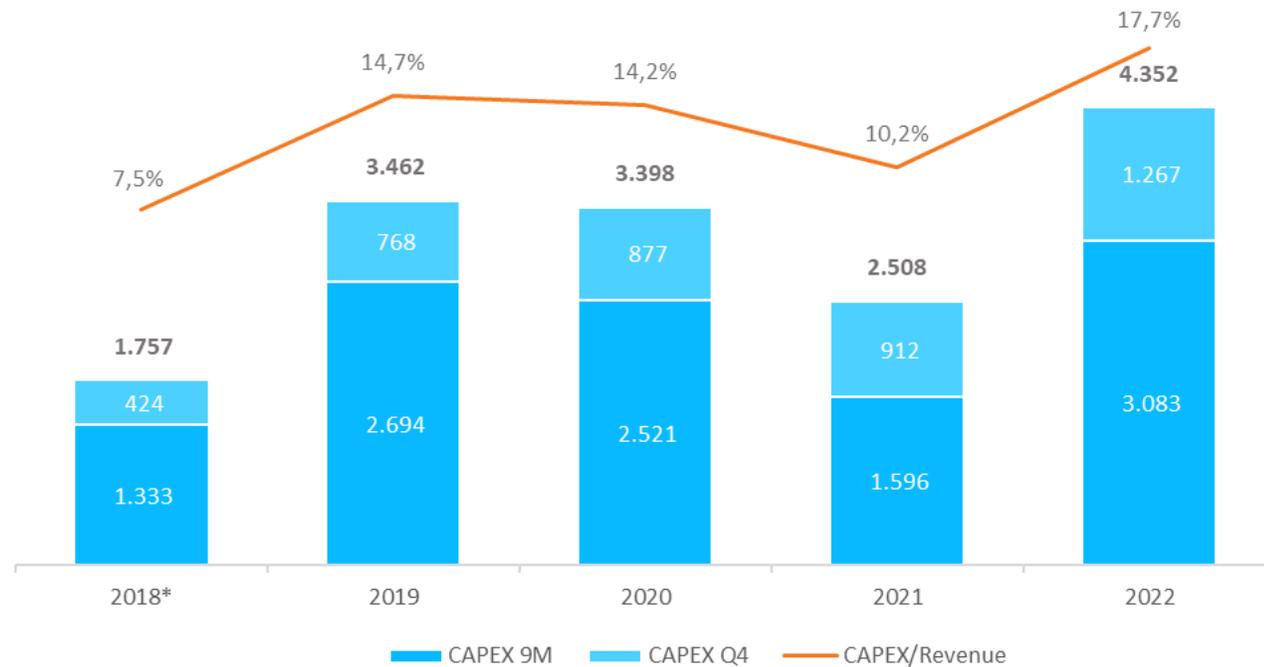
- Intangible assets increase due to broadcasting rights that were capitalized during the year
- The bond is among current assets - The proceeds from the sale of the bond to Ardian at the end of January 2023 were paid to Síminn on 8 February
- Other short-term receivables decrease as prepaid costs related the sale of Míla are charged in Q3
- Considerable changes in equity accounts in Q4, where the share capital was reduced by ISK 2.9 billion in nominal value with ISK 31.5 billion payment to shareholders
- Accounts Payable temporarily increases due to payments on broadcasting rights
- Changes in operating assets and liabilities are related to the sale of Míla
- Increased investments are related to broadcasting rights, Síminn's digitalization and upgrading of infrastructure



CAPEX



CAPEX



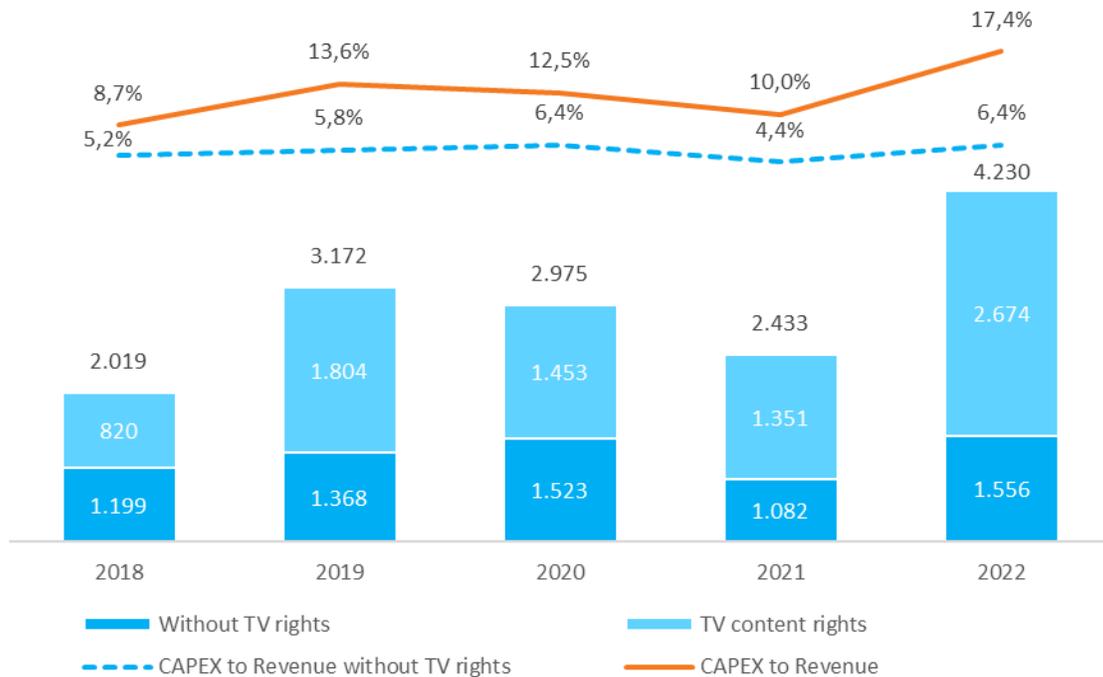
It was decided at the end of 2021 to use the year 2022 for transformations and increased investments at Síminn

- Investments in broadcasting rights and digital service infrastructure upgrades increased by ISK 1.843 million between years
- The broadcasting rights of the English Premier League is a front-loaded investment over a three-year period, highest in 2022
- Síminn's investments in operating assets due to financial technology (Síminn Pay) and intangible assets amount to ISK 122 million and increase by ISK 51 million between years

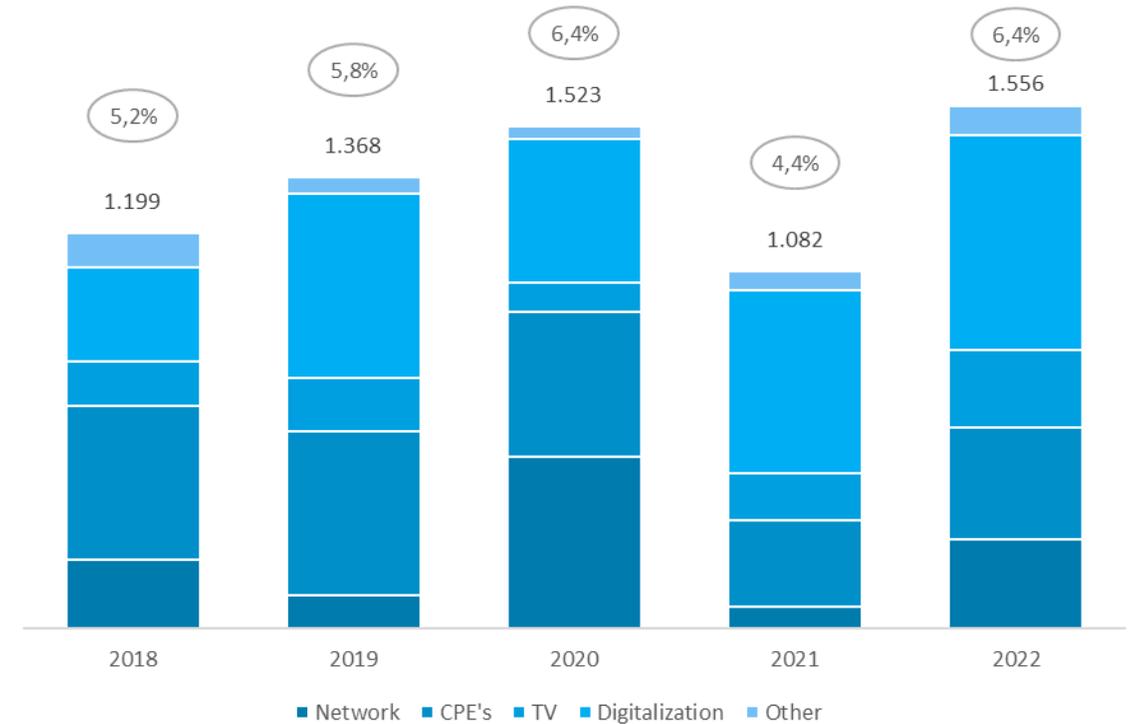
Síminn Parent CAPEX



Development 2018 - 2022



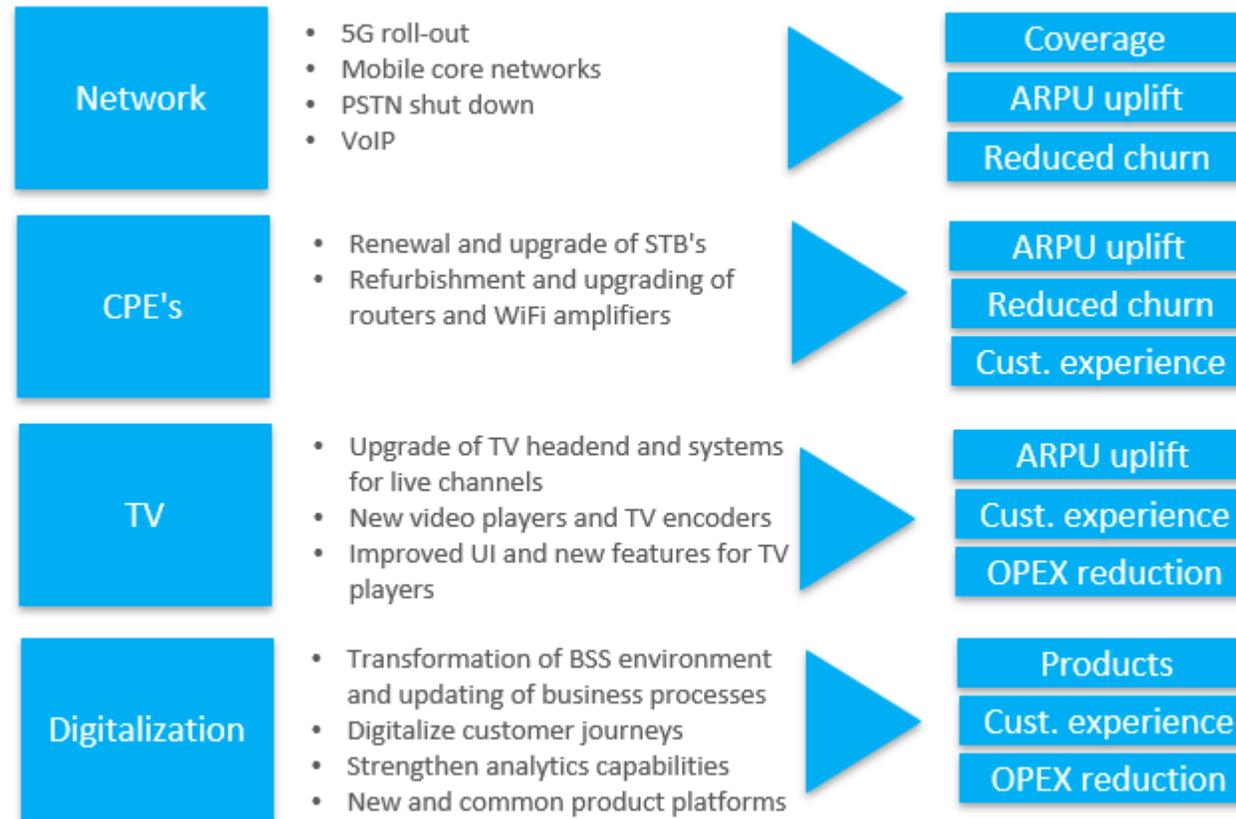
CAPEX without TV content rights



2018-2020 figures are without the mobile network and IP/MPLS sold to Míla in the beginning of 2021

Síminn Parent

Key CAPEX Drivers





Highlights

Significant increase in TV content in Síminn's TV Premium Service

- Contract signed with HBO
 - At the end of last year, the television giant HBO signed a contract with Síminn to offer its content in Iceland
 - The agreement thereby guarantees customers of Síminn Premium access to the latest TV content from HBO and HBO Max, along with number of older titles
 - The popularity of this content has already begun to be noticed by Síminn's customers, as can be seen in a huge increase in amount of content played
 - Over 5 million in one month for the first time ever in January, a record-breaking month
 - The number of customers continues to grow
- Síminn is a leader in domestic content in Iceland
 - Four new series will be premiered in 2023
 - Venjulegt fólk breaks yet another record
 - Never before have 6 scripted series been produced
 - Arfurinn minn, starring Laddi in leading role will be premiered during the Easter weekend
 - A sequel of Jarðarförinni minni og Brúðkaupinu mínu

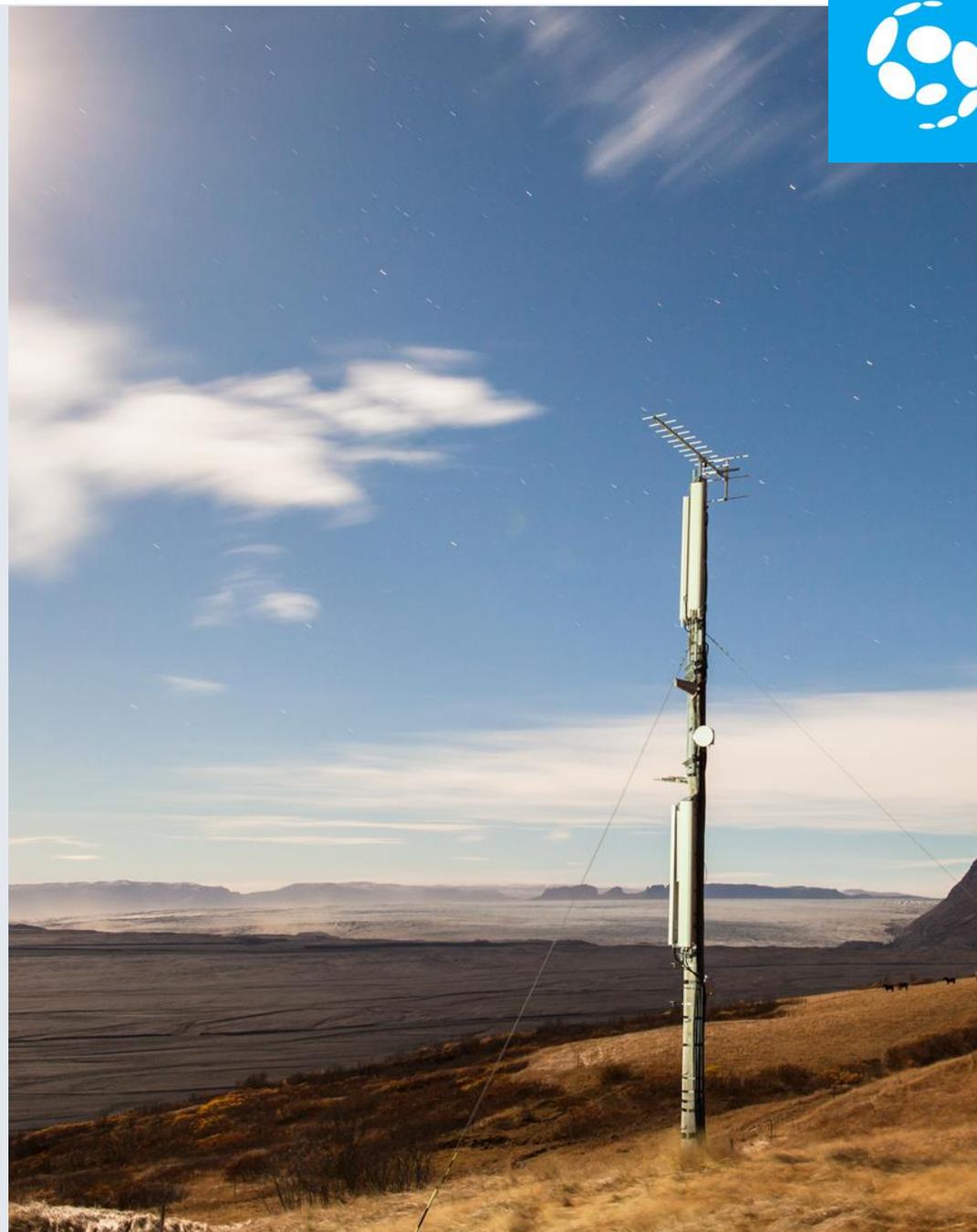


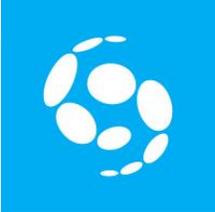


Better mobile coverage around Iceland

The rollout of 5G continues

- By the end of the year 2022, over 80 transmitters with 5G had been installed (all over Iceland)
- An additional 60 new locations are expected by end of 2023
- So far this year, the mobile connection in Snæfellsnes has been improved
 - Installation of 5G transmitters in Ólafsvík and Stykkilshólmur
 - Improved coverage and increased speed in other locations
- In addition to the capital area 5G will be installed before the summer at:
 - Dalvík
 - Ólafsfjörður
 - Siglufjörður
 - Patreksfjörður
 - Bíldudalur
 - Tálknafjörður





Síminn Pay

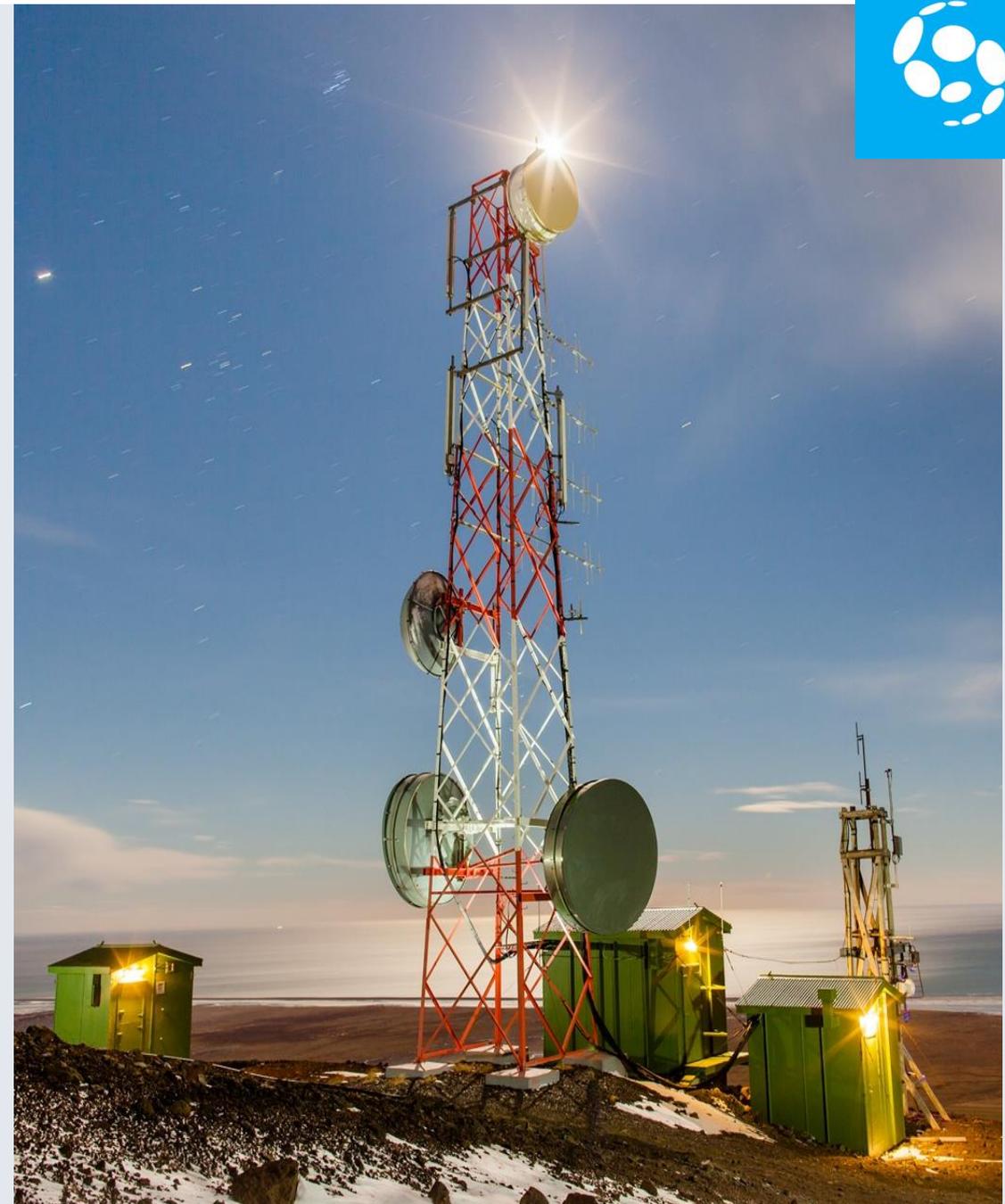
- Síminn launched a new product, Léttkort, in November 2022
 - Flexible payments where customers pay off their loans based on their own needs
 - 100% digital product, virtual credit card in a mobile phone in cooperation with Mastercard
 - Síminn's 130,000 mobile customers can enjoy special offers, since there is no foreign currency spread when using the card abroad
 - Launched on Apple Pay in November 2022 and Google Pay in January 2023
 - Low defaults to date and strict conditions when choosing customers
- Léttkort increases funding options for Síminn Pay customers
 - ISK 300 million increase in lending in Q4
 - 75% of the growth is related to the new card
 - Total lending at Síminn Pay is now over ISK 2 billion
- Fintech in constant development
 - At the end of last year, there were almost 69 thousand registered users of the Síminn Pay app, an increase of 20%
 - The number of registered vehicles was almost 6 thousand
 - Electronic order book launched in the corporate market





The bond sale completed

- When Míla was sold in Q3 of 2022, Síminn received part of the sale proceeds in the form of a bond
 - The bond was transferable, 3 years and with 4% interest
- At the end of January 2023, Síminn sold the bond to a company run by Ardian, the buyer of Míla
- The significant weakening of the ISK against the EUR was the reason why Ardian put in an offer to buy the bond
- The proceeds were paid to Síminn in EUR, but the exchange rate risk was immediately eliminated by an agreement with a local banking institution
- The sale price was ISK 15.7 billion which is around 2% below the book value of the bond at the end of Q3, and a further charge in Q4 amounts to ISK 380 million
- The sale is a success for Síminn
- Following the sale of the bond, Míla's sale proceeds are fully paid in cash





The sale of Míla

Summary

- The sale price of Míla is paid in full
- Síminn was paid ISK 32.7 billion in cash on 30 September 2022 and the sale of the bond yielded ISK 15.7 billion
- The bond was paid on 8 February and is now bearing interest in ISK
- In total ISK 48.4 billion in cash was received for the sale of Míla
- Sales gain was ISK 37.8 billion
- If the board's proposal at the 2023 Annual General Meeting (AGM) is approved, shareholders, who are mostly Icelandic pension funds, will have received a total of ISK 47,2 billion due to the sale of Míla
- Following the share capital reduction, Síminn's equity ratio will be around 55% and Net debt / EBITDA will be around 0.6x
- Síminn has significant investment power
 - Available cash is ISK 3.2 billion
 - Síminn has access to ISK 5 billion in credit lines

Síminn Group	31.12.2022	Paid capital & dividend	31.12.2022 PF
Non-current assets.....	26.109	0	26.109
Current assets.....	25.072	-16.200	8.872
Assets.....	51.181	-16.200	34.981
- thereof Cash	3.721	-513	3.208
- thereof Bond	15.687	-15.687	0
Equity.....	35.261	-16.200	19.061
- thereof share capital	4.242	-1.500	2.742
- thereof retained earnings	28.887	-16.200	12.687
Non-current liabilities.....	7.415	0	7.415
Current liabilities.....	8.505	0	8.505
Equity and liabilities.....	51.181	-16.200	34.981
- thereof interest bearing debts	7.885	0	7.885
- thereof lease liabilities	982	0	982
Equity ratio	68,9%		54,5%



Proposals for the Annual General Meeting



AGM 2023

Dividend and share reduction

Dividend policy:

„Síminn hf. aims to distribute to shareholders with annual dividend and / or share buyback programs a minimum of 50% of profit after tax in accordance with laws and regulations at any given time. When making proposals for dividend payments and / or share buyback, the Board of Directors shall, among other things, take into account criteria for the company’s capital structure, market conditions, investment needs in the coming years and the company’s financial obligations.“

The board is proposing the following to the General Assembly on 9 March 2023:

1. Pay ISK 500 million in dividend – The same amount as in 2022
2. Reduce share capital by cancelling shares for ISK 185 million in nominal value – 4.2% of issued share capital
3. Reduce equity with ISK 15.7 billion cash payment to shareholders
4. Request authorization to buy up to 10% of issued shares in the next 18 months
 - A decision on the total amount of share buyback for the year has not been taken, but the Board of Directors will be authorized to work within the framework provided by the authorization of the Annual General Meeting and based on the dividend policy



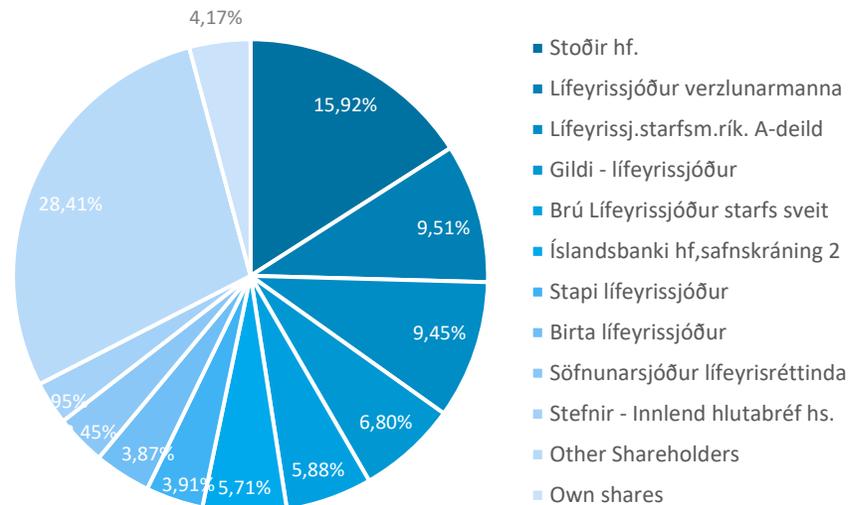
Shareholders



Shareholders



Shareholders 6.2.2023	Position	% O/S
Stoðir hf.	700.516.549	15,92%
Lífeyrissjóður verzlunarmanna	418.253.959	9,51%
Lífeyrissj.starfsm.rík. A-deild	415.704.661	9,45%
Gildi - Lífeyrissjóður	299.039.301	6,80%
Brú Lífeyrissjóður starfs sveit	258.649.533	5,88%
Íslandsbanki hf,safnskráning 2	251.165.818	5,71%
Stapi lífeyrissjóður	172.009.182	3,91%
Birta lífeyrissjóður	170.211.628	3,87%
Söfnunarsjóður lífeyrisréttinda	151.634.441	3,45%
Stefnir - Innlend hlutabréf hs.	129.701.986	2,95%
Top 10 shareholders	2.966.887.058	67,43%
Other Shareholders	1.249.838.003	28,41%
Shares outstanding	4.216.725.061	95,83%
Own shares	183.274.939	4,17%
Total number of shares	4.400.000.000	100%



Shareholders

- Dividend, share buy-back and share reduction
 - Share buy-back in 2022 is ISK 3,043 million
 - Total Share buy-back in 2023 amount to ISK 346 million on 10 February
 - Dividend in 2022 was ISK 500 million
 - Share capital was decreased by 2,900 million with ISK 31.5 billion cash payment to shareholders in November 2022
- Shareholders were 1,202 at the end of 2022
- Síminn's shares have risen by 2.8% this year but fallen by 11.3% in the past 12 months.
- The total return on shares in Síminn since listed in 2015 is 375%, which is an average annual return of 24%



Outlook 2023

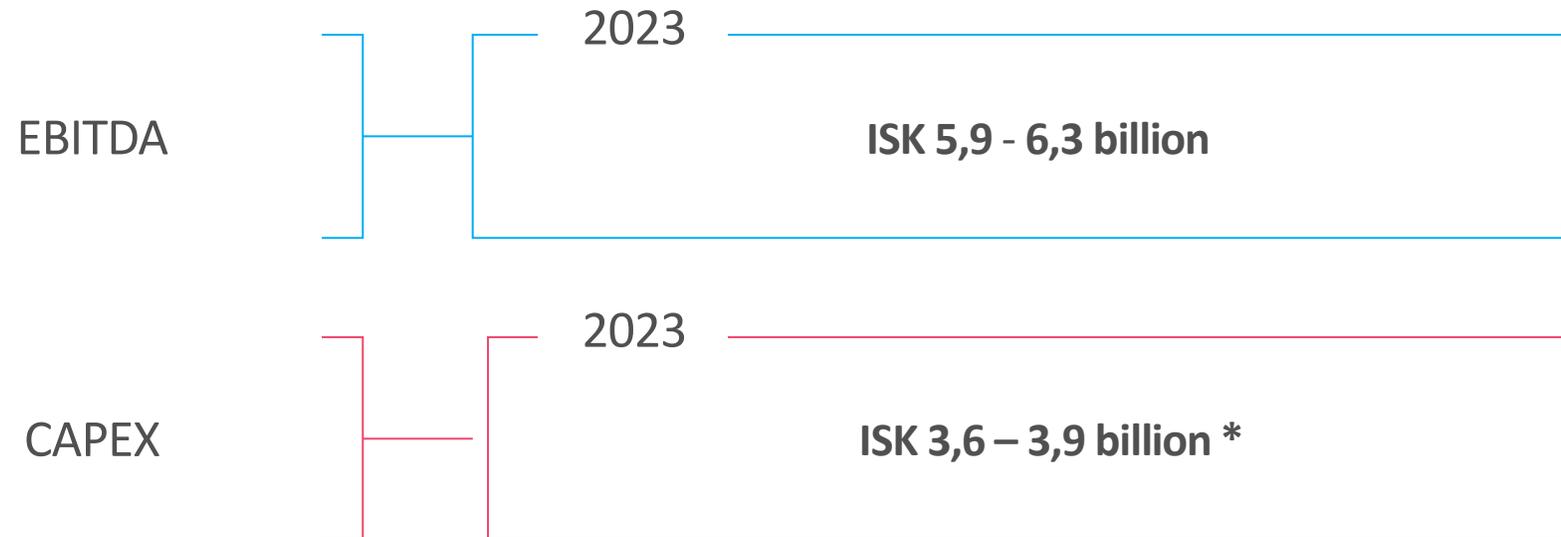


Guidance for 2023

- Increased focus on the revenue side this year
 - Continued EBITDA growth
 - EBITDA growth between years from 2022 estimated at 2-7%
- Increased income growth is expected compared to last years
 - Sales and marketing adapted to different priorities
 - Changed product range introduced, which will cater even better to the needs of Síminn's customers
 - Continued growth of the Léttkort and other service components of the lifestyle app Síminn Pay is expected
- Costs will increase from last year – although in a predictable way
 - A continued weakening of the ISK from what it is now would inevitably put strain on operations
- Investments decrease by 10-17% between years
 - A new deal with HBO adds to this year's investments
 - Investments in broadcasting rights, however, decrease overall
 - Investments will increase in digitalization projects and the company's ability to be flexible and react more quickly to the market
 - Investments fall more slowly in 2023 from the record year of 2022 than had been expected, due to among other things, exchange rate changes, delays in projects and the contract with HBO
 - Investments will reach a more stable investment level from 2024



Guidance for 2023





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, local loop and access network.
- **TV:** Revenue from TV broadcast and distribution and Síminn TV (fees, traffic and advertisement).
- **Equipment sales:** Revenue from sale of telco equipment.
- **Other revenue:** Revenue from sold telco service, IT and finance.



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