

## Sýn hf.: Earnings for the first quarter of 2024

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Key aspects of financial performance and year-over-year comparison.

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Sýn hf.'s Consolidated Interim Financial Statement for the first quarter of 2024 was approved by the Board of Directors on May 7th, 2024.

- The group's revenues in the first quarter (Q1) of 2024 amounted to ISK 5,934 million, an increase of 1.3% (Q1 2023: ISK 5,860 million). The revenue split is as follows:
  - Media ISK 2,381 million, a 10.0% increase year-over-year (Q1 2023: ISK 2,165 million). Adjusted for increased revenues due to the addition of Já, the year-over-year revenue growth is 3.6%.
  - Broadband ISK 1,147 million, a 3.4% increase year-over-year (Q1 2023: ISK 1,109 million).
  - Mobile ISK 1,062 million, a decrease of 11.5% year-over-year (Q1 2023: ISK 1,200 million).
  - Fixed line ISK 106 million, a decrease of 9.3% year-over-year (Q1 2023: ISK 116 million).
  - Hosting and operating solutions (Endor) ISK 708 million, an increase of 0.8% year-over-year (Q1 2023: ISK 702 million).
  - Retail sale ISK 288 million, a decrease of 12.5% year-over-year (Q1 2023: ISK 329 million).
  - Other revenue ISK 242 million, an increase of 1.5% year-over-year (Q1 2023: ISK 238 million).
- Strong growth in advertising revenue of 22%, of which 51% in television advertising revenue, exceeds management expectations. A decrease in mobile revenues by ISK 138 million is primarily due to a reduction in IoT revenues. There was a turnaround in home connections with a 6% growth from the previous year, and robust growth in roaming revenues (30%).
- EBITDA was 23.2% of revenues or ISK 1,379 million (Q1 2023: 25.5% and ISK 1,497 million).
- Operating profit (EBIT) was 2.0% of revenues or ISK 119 million (Q1 2023: 7.3% and ISK 428 million).
- The quarter's loss amounted to ISK 153 million (Q1 2023: profit of ISK 213 million) and the equity ratio was 29.5%.
- Organizational changes: Termination of contract agreed with an executive director along with other personnel, departments merged, and a reduction of 20 full-time positions during the period. Annual savings are estimated at about ISK 380 million once fully realized in Q4 2024.

*"The board and key executives of Sýn hf. agree that the company's profitability has not been satisfactory in recent years. We are also united in starting a strategic journey under the banners of **efficiency, growth and collaboration**, which aims to provide customers, employees and investors with a clear picture of the company's objectives and priorities. The company's values are Joy - Passion – Ambition, which will be the driving force behind the planned journey.*

*Since I started working at Sýn hf., my colleagues have shown great courage, drive and ambition to further enhance the operations of the group. This journey will continue with a clear strategy and presentation of key initiatives, thereby allowing us to regularly update market participants on the progress of projects. Unity and a clear strategy are key factors in success. It can be said that the journey is off to a good start. Organizational changes that have already been implemented this year will yield*

*savings of about ISK 32 million per month, or about ISK 380 million on an annual basis, once their effects are fully realized.*

*In the first quarter, I was particularly pleased with the strong revenue growth in advertising revenues, and it is also pleasing to see a good turnaround in home connections. Additionally, roaming revenues continue to grow. However, mobile revenues have decreased from the same period last year, as reported in a recent announcement. The operational performance of the company is not satisfactory, however, significant operational improvements are anticipated in the second half of this year and next year, as the organizational changes take effect," says Herdís Dröfn Fjeldsted, CEO of Sýn hf.*

### **Efficiency - Growth - Collaboration**

Both internally and externally, efforts will be made to enhance efficiency, support revenue growth, and strengthen collaboration. Alongside quarterly financial statements, market participants will be informed about the progress of key projects related to these emphases.

**Efficiency:** Numerous opportunities exist for increased efficiency and clearer focuses within the company. For example, actions taken in Q1 that enhanced efficiency include the dissolution of the Innovation and Operations department in March, which resulted in both financial savings and more efficient project workflows. The projects were transferred to other departments, and the positions eliminated were not replaced. Additionally, the CEO of Endor joined Sýn hf.'s key management team and now has direct involvement in the decision-making process of the group. Endor is one of Sýn hf.'s growth drivers, and the changes mentioned lead to increased efficiency and improved collaboration.

**Growth:** Online Media & Radio, a part of the Media division in the company's financial statements, is the unit within Sýn hf. that experienced the most growth this quarter. Significant growth opportunities lie ahead for the units within the group as their value continues to increase. Presidential elections are approaching, which will boost advertising sales. This will allow the unique media outlets of Sýn hf.; visir.is, Bylgjan, Stöð 2, FM957, and X977 to shine.

Approximately 95% of the country's population uses Sýn hf.'s media each week. While the company's growth drivers receive deserved attention, there will continue to be a focus on maintaining and increasing the core revenues of Vodafone. It will also be interesting to observe the politicians' promises about reducing RÚV's presence in the advertising market and whether positive steps will be taken in this direction, as has been announced by the end of May 2024.

Within Endor, there are considerable opportunities in continuing to integrate customers into cloud and operational services. With further expansion of solution focuses related to cybersecurity and automation, the company will enhance operational security and the cost-effectiveness of its valuable customer investments even more.

**Collaboration:** Increased emphasis will be placed on collaboration and cohesion in the coming months, to further strengthen the company's competitive position and enhance job satisfaction. Now that the uncertainty about ownership has been resolved, greater emphasis will be placed on the corporate culture of the parent company, Sýn hf., while maintaining and preserving the culture of individual operating units. Strengthening the corporate culture of Sýn hf. is a major priority. The goal is for all

employees to row in the same direction, feel part of a strong whole, and take pride in their workplace at Sýn. A special team will follow up on this internally and will report directly to the CEO.

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### Key Milestones in the First Quarter

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- **Organizational changes** – A new CEO started in January, changes were made to the executive team, departments were merged and efficiency within the company was increased.
- **Ownership** - Uncertainty was resolved when an aligned decision by the board, key executives, and major shareholders was announced to enhance the value and growth of media within Sýn.
- **Defining Sýn’s Role: Valuable Units – A More Valuable Whole** – The value lies in the combined effects of the units.
- **Open News Hour on Stöð 2** - (evening news, sports coverage, and the news magazine “Ísland í dag”) The public has welcomed the open broadcast of the news hour, and polls immediately show a significant increase in viewership, which is expected to positively influence advertising revenues.
- **Inventory level** - Continues to decrease in line with the company's plans to reduce capital tied up in inventory. The reduction in inventory from the same period last year is 42%.
- **Sale of the core network** - Nearly half of the sale value of the core network has been paid to the company. The remaining sale value (ISK 1,570 million) will be paid in instalments by the end of October this year, which will significantly impact the company’s cash position.

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### Overview of operations in Q1 2024

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**Operating revenues** in Q1 amounted to ISK 5,934 million (Q1 2023: ISK 5,860 million). Total revenues by revenue stream are distributed as follows: 1) Media ISK 2,381 million, 2) Broadband ISK 1,147 million, 3) Mobile ISK 1,062 million, 4) Fixed line ISK 106 million, 5) Hosting and operational solutions ISK 708 million, 6) Retail sale ISK 288 million and 7) Other revenue 242 million. The table below shows the revenue distribution and year-over-year comparison.

	Q1 2024	Q1 2023	% ch.
Media	2.381	2.165	10,0%
Broadband	1.147	1.109	3,4%
Mobile	1.062	1.200	-11,5%
Fixed Line	106	116	-9,3%
Hosting and operating solutions	708	702	0,8%
Retail sale	288	329	-12,5%
Other revenue	242	239	1,0%
<b>Total Revenue</b>	<b>5.934</b>	<b>5.860</b>	<b>1,3%</b>

*Amounts are in ISK millions*

**The cost of services sold** amounted to ISK 4,082 million and increased by 7.7% year-over-year (Q1 2023: ISK 3,791 million), primarily due to higher amortization of broadcasting rights, as their amortization for 2023 was lower due to renegotiations with vendors. The effects of this will continue throughout the year, and the total reduction in amortization of broadcasting rights in 2023 due to renegotiations with suppliers was ISK 529 million, as reported in the 2023 annual report. The increase in the cost of services sold is 5%

year-over-year if adjusted for the entry of Já. There is also some increase due to a partnership agreement with Viaplay that was not in place in the same period last year.

**The operating expenses** of the group were ISK 1,733 million and increased by 5.6% year-over-year (Q1 2023: ISK 1,641 million), which is significantly below inflation and general trends. When accounting for the entry of Já into the group, the increase is only 3.8% year-over-year. The operating profit (EBIT) was ISK 119 million during the period, with a gross margin of 31.2% and an EBITDA ratio of 23.2% for the quarter. A detailed overview and year-over-year comparison can be seen in the table below.

**Depreciation and amortization** for the period was ISK 1,259 million and increased by 17.8% year-over-year (Q1 2023: ISK 1,068 million), which is due to higher amortization of broadcasting rights, as previously mentioned.

	Q1 2024	Q1 2023	% ch.
Revenues	5.934	5.860	1,3%
Cost of sales	-4.082	-3.791	7,7%
<b>Gross profit</b>	<b>1.852</b>	<b>2.069</b>	-10,5%
Operating expense	-1.733	-1.641	5,6%
<b>EBITDA</b>	<b>1.379</b>	<b>1.497</b>	-7,9%
Depreciation and amortization*	-1.259	-1.068	17,8%
<b>EBIT</b>	<b>119</b>	<b>428</b>	-72,1%
Net financial expenses	-319	-210	51,8%
Income tax	46	-5	-1038,8%
<b>Profit (loss)</b>	<b>-153</b>	<b>213</b>	-171,8%
<i>Gross Margin</i>	31,2%	35,3%	
<i>EBITDA %</i>	23,2%	25,5%	
<i>EBIT %</i>	2,0%	7,3%	

*Amounts are in ISK millions*

*\*The effect of lower depreciation due to renegotiations with vendors was ISK 193 million in the 1st quarter of 2023*

## Cash flow

Cash from operations before interest and income tax was ISK 1,213 million, an increase from the same period last year (Q1 2023: ISK 1,173 million). Free cash flow in the quarter was ISK 269 million and significantly improved year-over-year (Q1 2023: ISK 53 million) due to a decrease in inventory and lower investments. After interest and taxes, cash from operations amounted to ISK 893 million, decreasing between periods in line with the rising interest environment and a temporary increase in the company's short-term loans (Q1 2023: ISK 921 million). Investment activities amounted to ISK 943 million and decreased between periods, mainly due to a reduction in capital expenditures (Q1 2023: ISK 1,120 million). Financial activities amounted to ISK 514 million and significantly decreased from the same period last year, primarily due to a decrease in purchases of own shares (Q1 2023: ISK 1,259 million).

## **Financial position**

The total assets of the company at the end of the quarter amounted to ISK 34,042 million (Q4 2023: ISK 34,935 million) and interest-bearing debts including lease liabilities were ISK 18,823 million (Q4 2023: ISK 19,220 million). Net interest-bearing debts amounted to ISK 18,765 million at the end of the period (Q4 2023: ISK 18,596 million). Sýn hf.'s equity was ISK 10,053 million, with an equity ratio of 29.5%.

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## **Effect of optimization**

At the start of the year, the company opted not to issue guidance for 2024, as the future ownership of Online Media & Radio was under review and significant organizational changes were in progress. These changes also included shifts in operational priorities.

The benefits of the extensive efficiency initiatives implemented earlier this year are expected to become evident in the latter half of the year, with projected annual savings of approximately ISK 380 million. Moreover, projections indicate that the second half of the year will be significantly more profitable than the first.

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## **Investor relations**

To enhance transparency, this earnings announcement is more detailed than in the past. Following the publication of Q2 and Q4 2024 results, Sýn hf. management will hold special presentation meetings for market participants, along with accessible web streaming. The earnings announcement and quarterly financial statements, along with older material, are available on the Sýn hf.'s investor relations page.

The company intends to call an investor day for market participants next November. At the meeting, further insights into the company's operations and the progress of key projects will be provided.

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## **Financial Calendar 2024**

Q2 Results: August 28<sup>th</sup>, 2024

Q3 Results: November 6<sup>th</sup>, 2024

Q4 and annual results: February 19<sup>th</sup>, 2025.

## **Further information is provided by**

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