



Full year 2020 and Q4 2020

25th of February 2021



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SPORT

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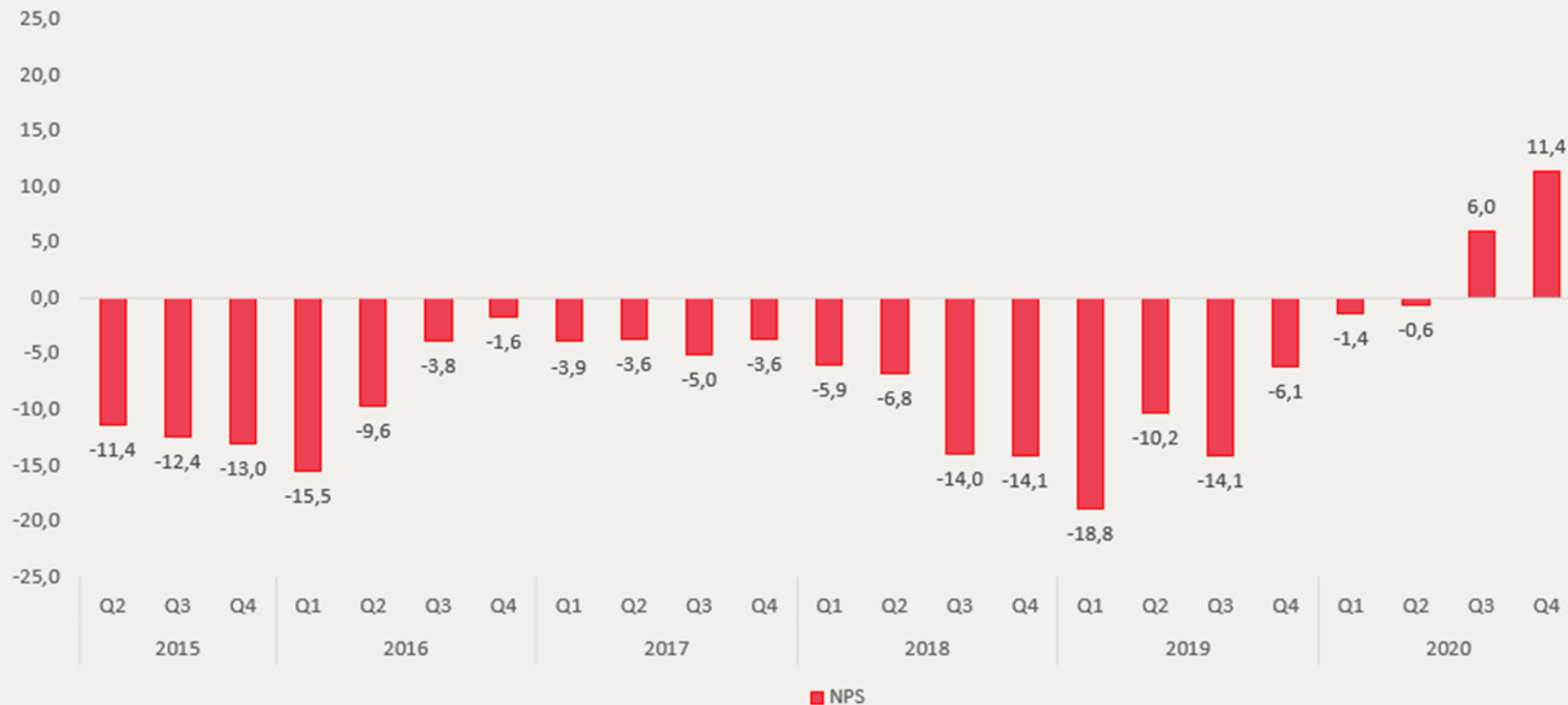


A turnaround year



- The pandemic impacted the result of the year, in a way it turned a profit into loss.
- Customer satisfaction is the number one priority.
- The implementation of the new communication and brand strategy has significantly increased customers satisfaction.
 - In May 2020 we started a special campaign that addresses part of our communication strategy. The focus of the campaign is to provide our customers with an outstanding and differentiated customer experience in relation to our service offering
 - At the end of the year, we had communicated directly with 61% of the targeted group or around 25 thousand households.
- One of the most important leading indicator for long-term success in competition and revenue growth is customer satisfaction. Net Promoter Score (NPS) is measured by a survey among customers. Therefore it was a great pleasure to witness Vodafone's positive growth in the Icelandic satisfaction index for 2020.

Positive turnaround in customer satisfaction*



* According to survey conducted by Vodafone

Key financial results



Financial statement 2020



Revenue
20,786 m IKR

2019
19,811 m IKR.



EBITDA
5,739 m IKR.

2019
5,509 m IKR.



Earnings
-405 m IKR

2019
-1,748 m IKR.



FCF
3,210 m IKR

2019
1,682 m IKR.

Income statement 2020



ISK m	Q4 2020	Q4 2019	% ch.	2020	2019	% ch.
Revenue	5,413	4,935	9.7%	20,786	19,811	4.9%
Cost of sales	-3,812	-3,098	23.0%	-14,278	-12,589	13.4%
Gross profit	1,601	1,837	-12.8%	6,508	7,222	-9.9%
Operating expense	-1,625	-1,570	3.5%	-6,347	-6,720	-5.5%
Impairment	-	-2,452	-	-	-2,452	-
EBITDA	1,427	1,409	1.3%	5,739	5,509	4.2%
EBIT	-24	-2,185	-	161	-1,950	-
Net financial expense	-118	-185	-	-910	-995	-
Effect of associates	27	119	-	98	963	-
Income tax	112	119	-	246	234	-
Loss	-3	-2,132	-	-405	-1,748	-
<hr/>						
<i>Gross Margin</i>	<i>29.6%</i>	<i>37.2%</i>		<i>31.3%</i>	<i>36.5%</i>	
<i>EBITDA</i>	<i>26.4%</i>	<i>28.6%</i>		<i>27.6%</i>	<i>27.8%</i>	
<i>EBIT</i>	<i>-0.4%</i>	<i>-44.3%</i>		<i>0.8%</i>	<i>-9.8%</i>	

Key factors impacting Q4 and 2020

- Gross profit decreases considerably between years, which is mainly explained by the fact that the gross profit of Endor's services and sales is much lower than that of the parent company. Gross profit between quarters decreases due to a large sale from Endor and increased product sales.
- The negative development of the Icelandic krona (ISK) has led to an increase in cost of sales. Cost of sales includes expense in both EUR and USD. The devaluation of ISK against EUR was 17.5% between Q4 2020 and Q4 2019 and 9.3% against USD.
- Operating expense decreases by ISK 373 m between years. Streamlining measures are beginning to pay off, but the biggest impact is on wages and staff costs, housing expense and outsourcing.
- Sales profit amounting to ISK 872 million, from the sale of majority of shares in the former subsidiary P/F Hey, is included in the 2019 financial expenses. Interest expenses decrease by ISK 287 m from 2019.
- Exchange rate loss recognized in 2020 was ISK 205 m compared to ISK 35 m in the year 2019.

Revenue



ISK m	Q4 2020	Q4 2019	% ch.	2020	2019	% ch.
Media	2,085	2,079	0%	7,808	8,367	-7%
Broadband	1,115	1,182	-6%	4,557	4,811	-5%
Mobile	838	953	-12%	3,512	3,902	-10%
Fixed Line	141	174	-19%	608	789	-23%
Hosting and operating solutions	662	-	-	2,420	0	-
Retail sale	353	342	3%	1,082	1,122	-4%
Other revenue	219	205	7%	799	820	-3%
Total Revenue	5,413	4,935	10%	20,786	19,811	5%

Media

- Advertising revenue decreased 11% between 2020 and 2019, largely due to COVID-19. Revenue from broadcasting distribution increased by around 18% between years. Positive development in revenue from subscription in the last two quarters of the year. Change in product offering has had a positive effect.

Broadband

- Broadband revenue decreases between years. The reduction is comparable between corporate and retail market

Mobile

- Revenue from mobile decreases by 10% between years. The decrease is mainly caused by a 64% decrease in roaming revenue. This, together with the year's emphasis on the right product range for customers but also our emphasis in the year of moving customer subscriptions to the best service offering in line with company's strategy. That has led to lower average revenue per user but increase in subscriptions between years.

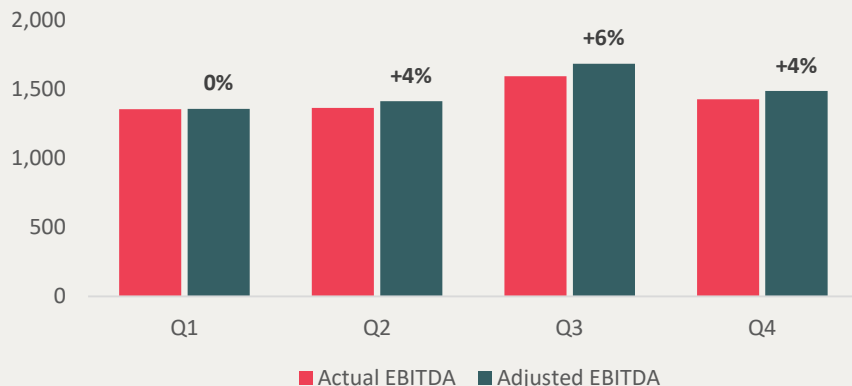
Retail sales

- Retail sales increased by 3% between Q4 2019 and Q4 2020. Low margin revenue.

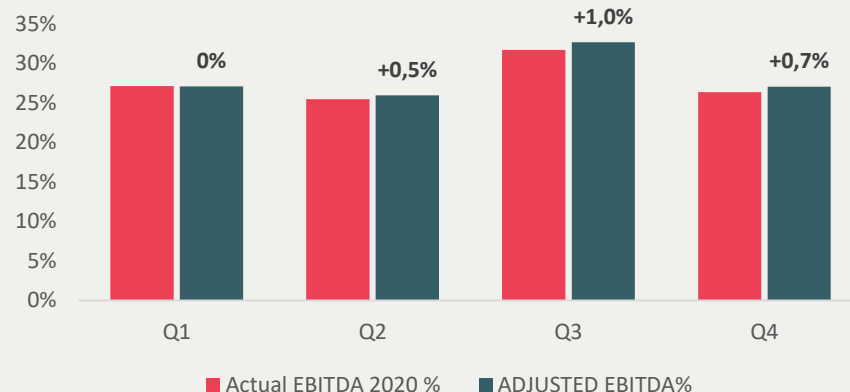
Impact of COVID-19 on the firms operation



Impact on EBITDA



Impact on EBITDA gross margin



- Because of travel restrictions due to COVID-19, roaming revenues have decreased significantly.
- The image above, shows adjusted roaming revenues, as if the pandemic had not occurred in 2020. For the year 2020 adjusted EBITDA is 5,940 m IKR which is 201 m IKR higher than the actual EBITDA. Other impacts of COVID-19 has not been adjusted for, but the pandemic also had effect on advertisement revenue.
- Actual EBITDA gross margin was 27.6% 2020 but adjusted EBITDA was 28.2%.
- The negative impacts is mostly in Q3 or 91 m IKR.

Statement of financial position



Assets

ISK m	31.12.2020	31.12.2019	%
Fixed assets			
Right-of-use assets	5,227	5,828	-10%
Property, plant and equipment	3,818	4,793	-20%
Goodwill	8,932	8,787	2%
Other intangible assets	4,403	4,648	-5%
Shares in other companies	1,398	1,383	1%
Deferred tax asset	383	97	295%
Fixed assets	24,161	25,536	-5%
Current assets			
Broadcasting license rights	1,876	1,814	3%
Inventories	241	427	-44%
Trade receivables and other short term receivables	3,217	3,567	-10%
Cash and cash equivalents	831	634	31%
Current assets	6,165	6,442	-4%
Assets available for sale	536		
Total assets	30,862	31,978	-3%

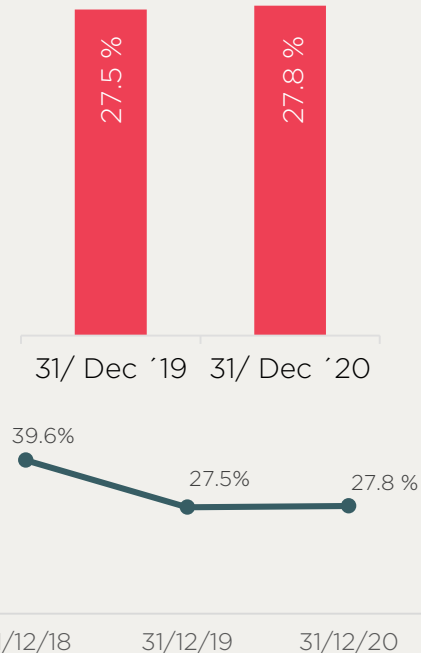
Liabilities and equity

ISK m	31.12.2020	31.12.2019	%
Equity	8,549	8,798	-3%
Long term liabilities			
Interest bearing debt	9,492	10,898	-13%
Lease liabilities	4,507	5,390	-16%
Other liabilities	166	252	-34%
Deferred tax liabilities	16	9	76%
Non-current liabilities	14,181	16,549	-14%
Current liabilities			
Interest bearing debt	992	689	44%
Lease liabilities	1,259	938	34%
Accounts payable and other current liabilities	5,699	5,004	14%
Current liabilities	7,950	6,631	20%
Liabilities because of assets available for sale	182		
Total equity and liabilities	30,862	31,978	-3%
<i>Interest bearing debt</i>	<i>16,251</i>	<i>17,915</i>	
<i>Net interest bearing debt</i>	<i>15,419</i>	<i>17,281</i>	
<i>Equity ratio</i>	<i>27.8%</i>	<i>27.5%</i>	

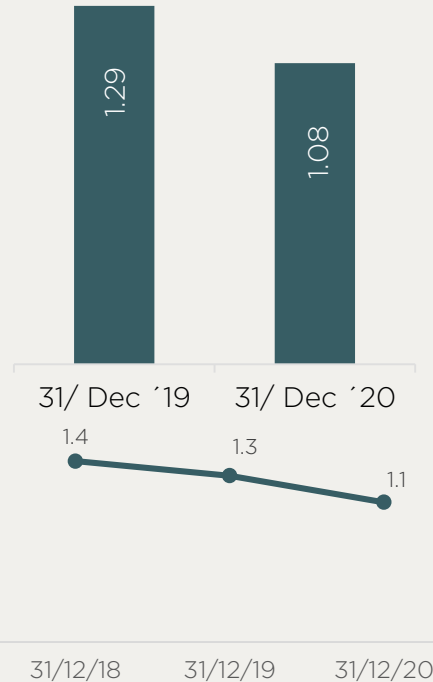
Statement of Financial Position – Key ratios



Equity Ratio

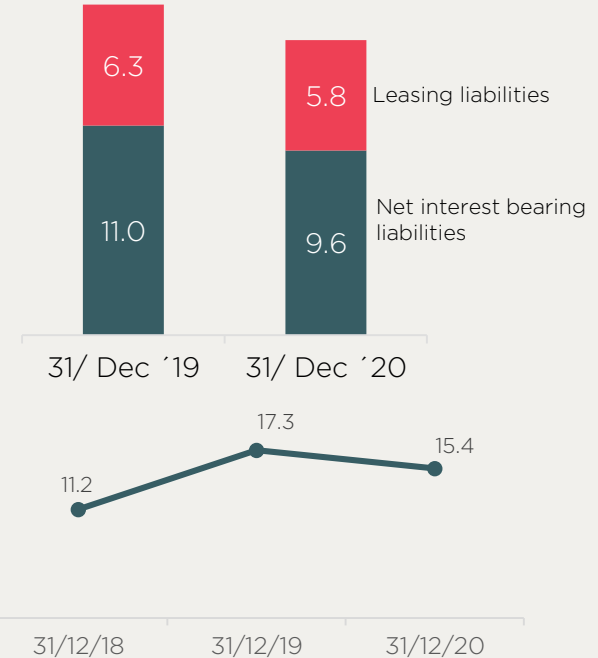


Current Ratio*



*Current asset/ payables and other short term liabilities

Net interest bearing debt



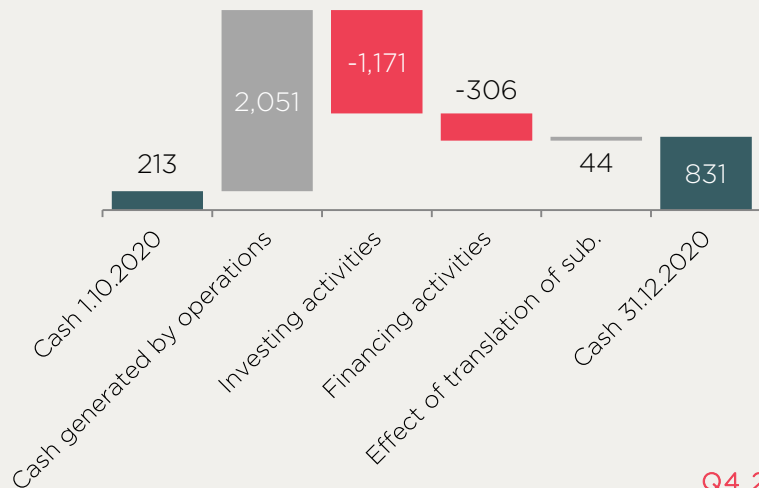
Net interest bearing debt in end of year 2018 isn't comparable to 2019 and 2020 because impact of IFRS 16 wasn't implemented before 2019

Cashflow



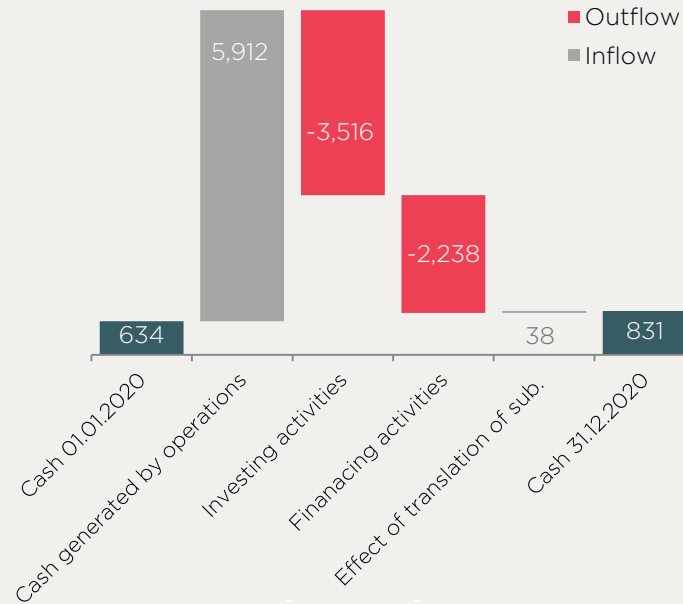
Cashflow Q4 2020

■ Outflow
■ Inflow



Cashflow 12M 2020

■ Outflow
■ Inflow



	Q4 2020	Q4 2019	% ch.	2020	2019	% ch.
Cash generated by operations before interest and tax	2,225	2,141	4%	6,626	6,304	5%
Investment activities*	-1,071	-1,572	-32%	-3,416	-4,622	-26%
Free Cash Flow	1,154	569	103%	3,210	1,682	91%

* Excluding net investment in share in other companies



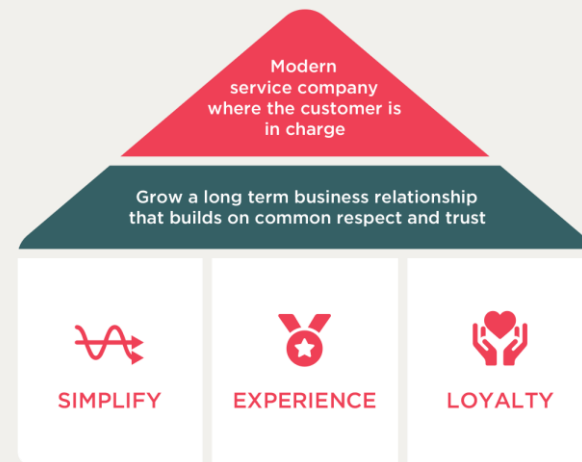
Various opportunities



The year 2021



- On going uncertainty of the effects of the pandemic on the operation
- Continue work in line with a new strategy that was implemented in the summer of 2019
 - Simplification of the operating model
 - Simplification of service offering
 - Increased focus on product development and marketing
 - Investment in software development and increased automation
- Continuous cost control
- On going aim to increase EBITDA margin.
- Estimated investment are in the range of 1,000 – 1,500 m ISK.



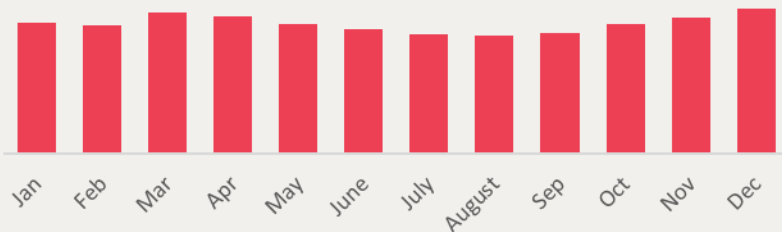
Media



- Customers have generally been satisfied with Stöð 2 changed product bundling, where there's increased emphasis on domestic programming. From the date of the decision of closing completely the linear program of Stöð 2, the total minutes watched metric in the age range of 12-49 year has been increasing slowly and is reaching the total minutes watched before the closing.
- Change to the product offering of Stöð 2 Sport which led to customers being able to choose between subscription for domestic or foreign sport has been a success. Increase in subscription between December 2019 and 2020 is 26%.
- The streaming service, Stöð 2+ has grown in the year. Increase in subscribers is around 9% between December 2019 and December 2020 and usage increased about 161%
- Bylgjan is the biggest radio station in Iceland with around 158,000 listeners per week.
- Vísir is the biggest news media in Iceland with 205,000 average users per week and advertisement revenues increased about 15% between Q4 2020 and Q4 2019.

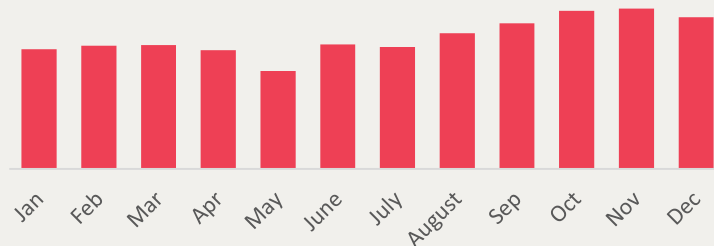
Stöð 2 +

Subscribers development year of 2020



Stöð 2 Sport

Subscribers development year of 2020

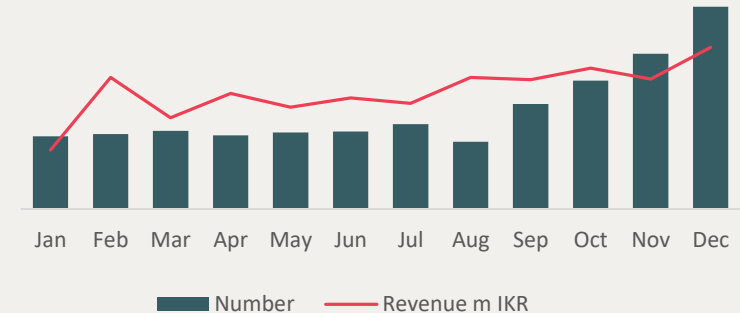




Telecommunication development

- In September 2020 the first 5G site was installed.
- Implementation has taken more time than expected.
 - The main reason relates to governments condition around allocation of permanent frequency spectrum have not been finalized.
- Internet of things (IOT) is one of the biggest growth opportunities in in the telco market. IOT connects and exchange data with other devices and systems over the Internet.
- In the year 2020 there was significant growth in this revenue stream.
- For more than a decade the company has worked with Controlant hf. The partnership started by developing specialized SIMs for their first meters.
 - The agreement between Controlant and Pfizer for monitoring and Supply Chain Visibility in relation to the delivery of Pfizer's mRNA-based Pfizer-BioNTech COVID-19 vaccine's global distribution has significantly affected the growth.
- Contract with Veitur about smart metering will guarantee the company's IOT telecommunication services in 160 thousand households.
- Vodafone Global partnership in the auto industry will have the effect that almost all new cars in the country will be installed with a Vodafone SIM.

IOT
Revenue development and number
of cards for year of 2020

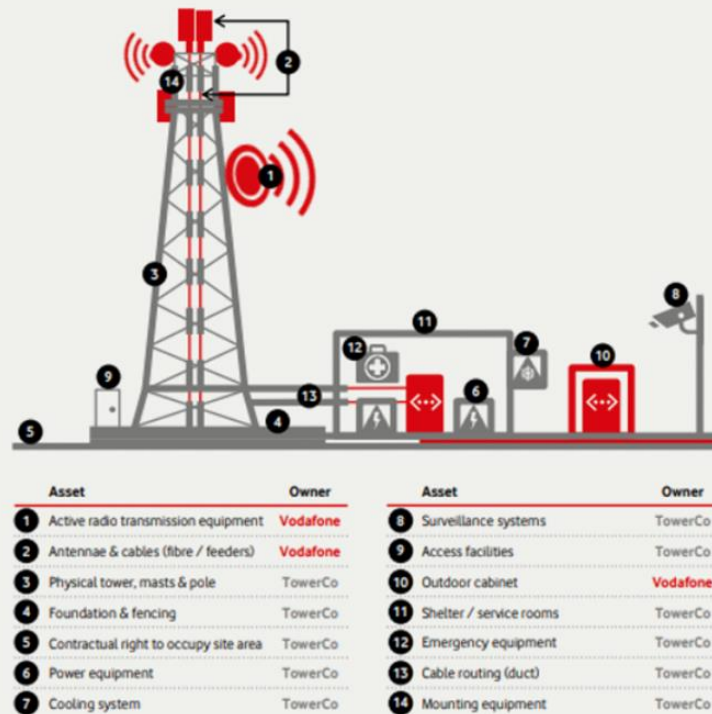


.....first in line in telecommunication of the future...

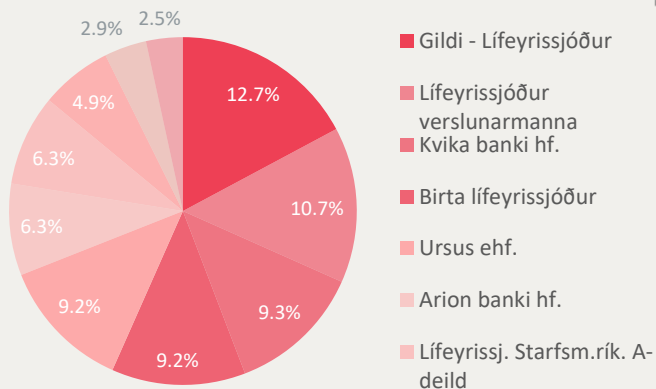
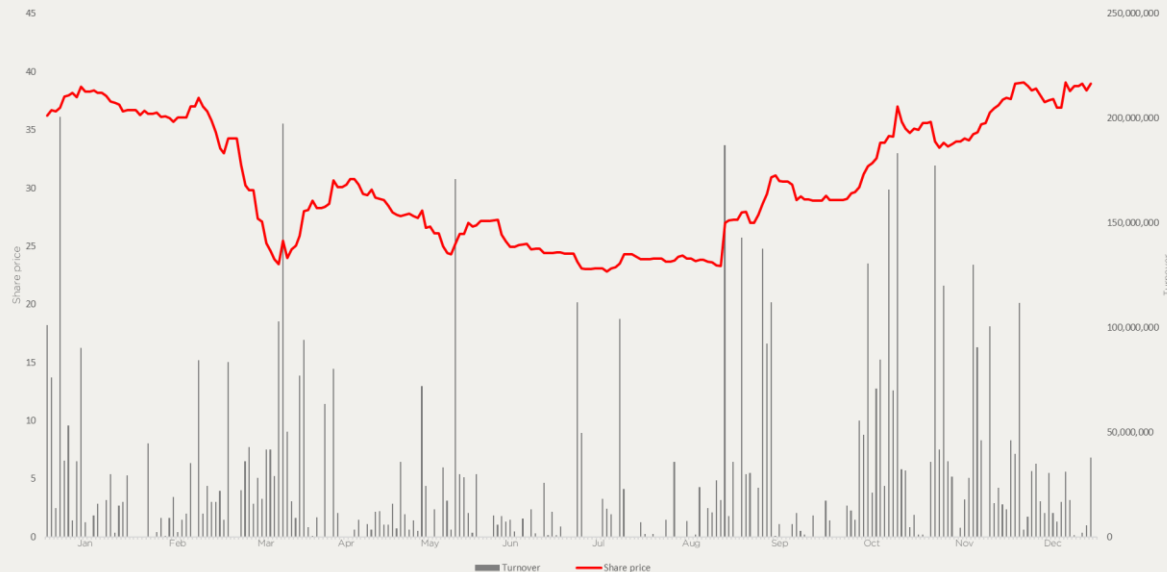
Sale of passive mobile infrastructure



- Agreement has been reached in principle on the most important substantive issues in relation to the sale of the passive infrastructure of the mobile network. Financial terms will be in accordance with previous Stock Exchange announcements. The Board of Directors have approved Power of Attorney for management to sign all relevant documents on the premise that final documentation will take place prior to Syn's announcement of its Q1 2021 results, with the expectation of the Parties being that it will be signed well in advance of that. The Agreement will be subject to relevant regulatory approval.
- The separation of the passive infrastructure will lead to more efficiency.
- Increased opportunities for joint construction of the 5G network.
- Will make the company more flexible which benefits both shareholders and customers.
- In line with our strategy, a further simplification of our operation model is planned with sale of assets.



Development of share price and market turnover



- The share price of the company has increased 11.4% between years. From the end of August the share price has increased steadily to its high point at the end of the year.
- Trading of the company's shares equalled 6.5 millions or 1,404 transactions.
- Number of transactions increased 54.5% between years.

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