

Presentation of Q3 2018 result

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29 November 2018

CONSOLIDATED HIGHLIGHTS

ISK 1,784 m
EBITDA* Q3 2018

32.0%
Equity ratio

13.6%
Return on equity

ISK 1,621 m
EBITDA Q3 2018

39.6%
EBITDA*/Gross profit

35.4%
Salaries/Gross profit

*EBITDA, excluding the cost related to the acquisition of Hlekkur ehf.

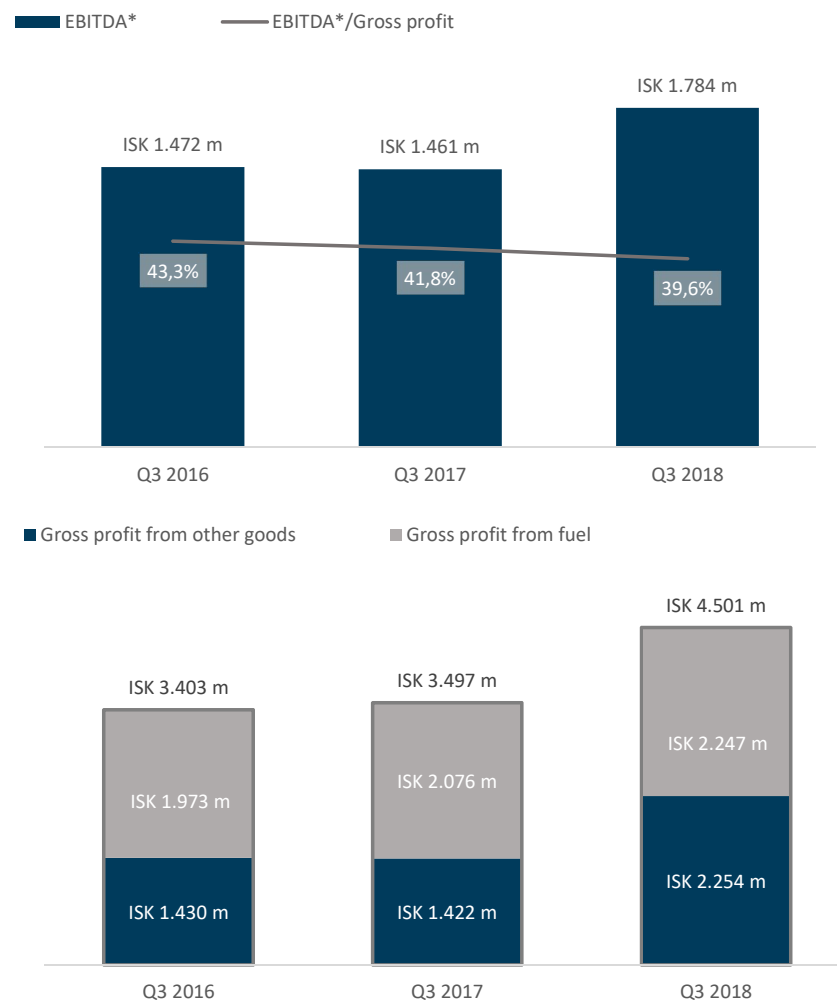


CONSOLIDATED OPERATIONS IN Q3 2018

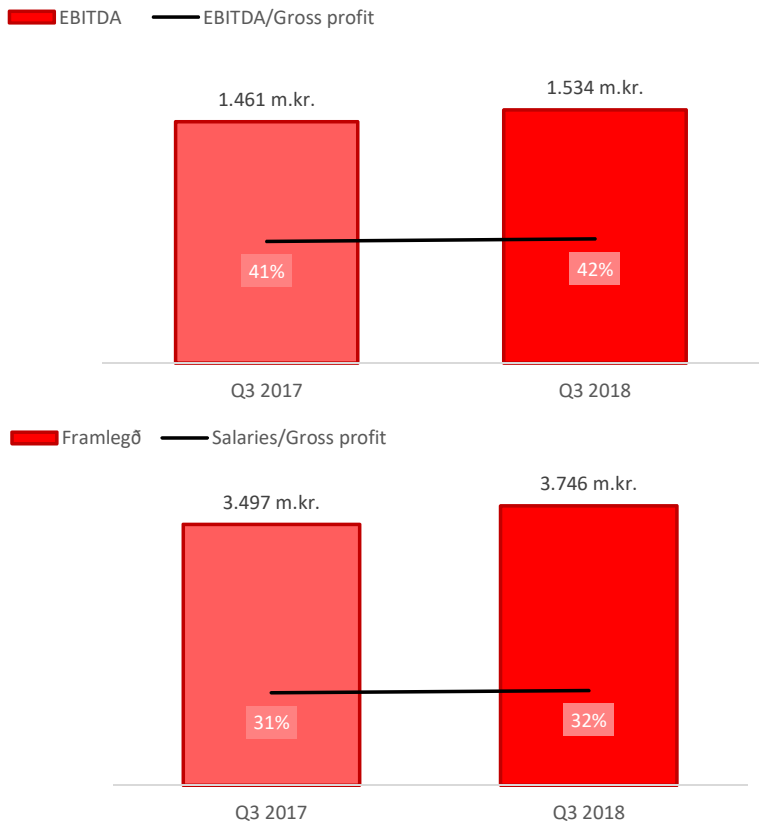
Income statement Q3 2018

Income statement				
Amounts are in ISK million	Q3 2018	Q3 2017	Change	% Chg.
Gross profit	4.501	3.497	1.004	28,7%
Lease revenue and operating income	177	93	84	90,8%
Salaries and personnel expenses	-1.593	-1.109	484	43,6%
Sales and distribution expenses	-849	-676	173	25,6%
Other operating expenses	-614	-395	219	55,4%
EBITDA*	1.784	1.461	323	22,1%
Key Figures				
EBITDA*/Gross profit	39,6%	41,8%	-2,1%	-5,1%
Salaries/Gross profit	35,4%	31,7%	3,7%	11,6%
Earnings per share	3,56	3,85	-0,29	-7,5%

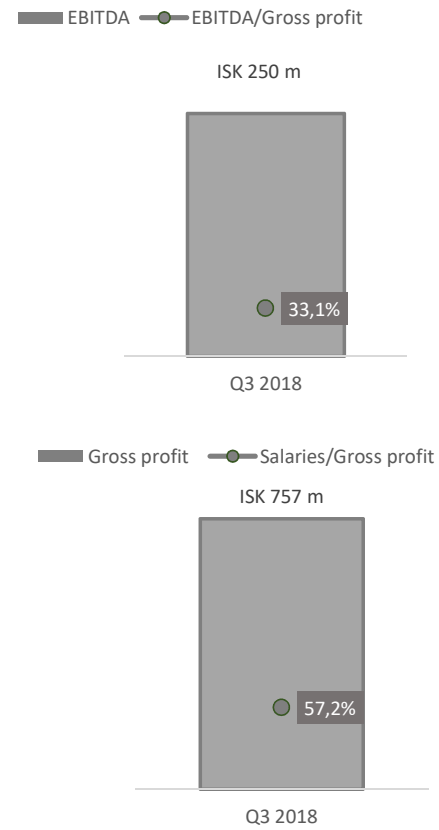
*EBITDA, excluding the cost related to the acquisition of Hlekkur ehf.



HIGHLIGHTS



HLEKKUR



*EBITDA, excluding the cost related to the acquisition of Hlekkur ehf.

HIGHLIGHTS



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- Favorable development in the exchange rate of ISK against USD
 - Sales volume of gasoline and diesel fuel decreased by 0.6% in Q3 2018 when compared to the same quarter for the year 2017
 - Decrease in foreign sales
 - Successful car service operations

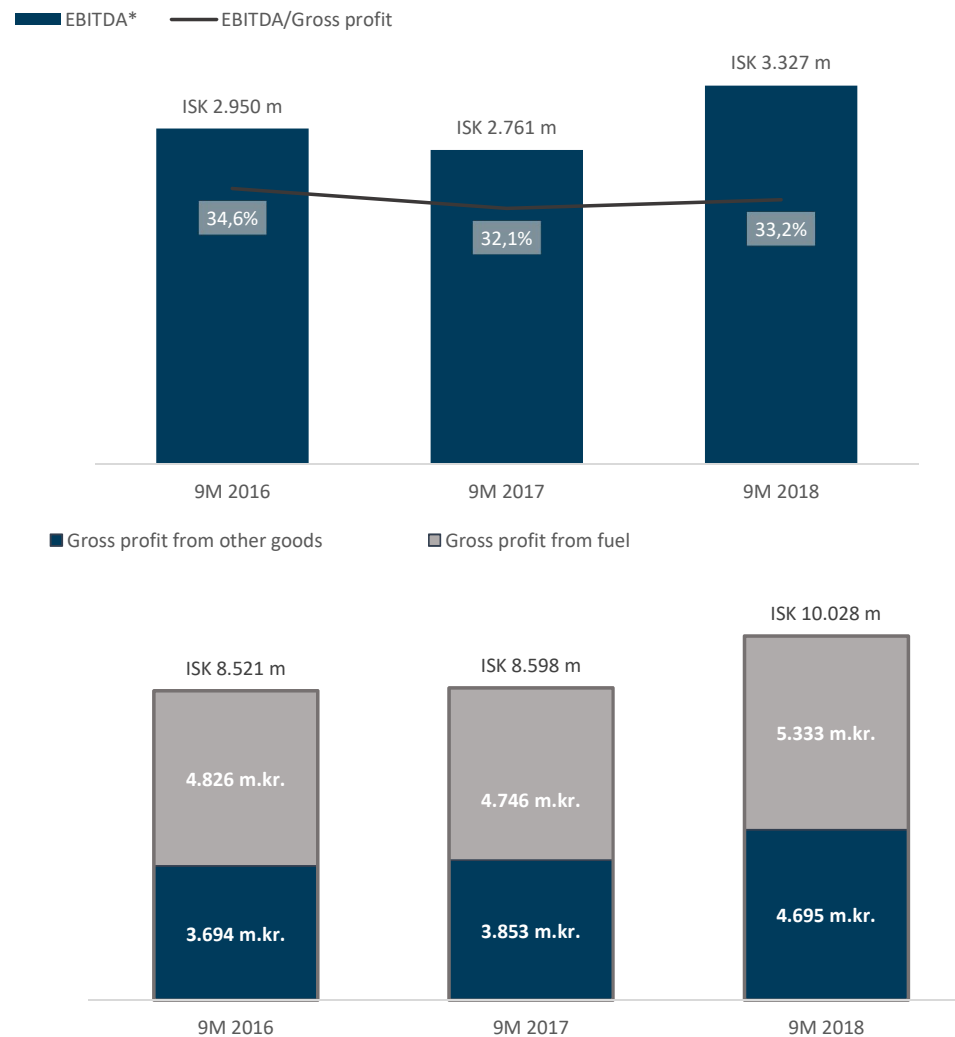
HLEKKUR

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- Hlekkur group became a part of Festi's group on 1 September 2018
 - Turnover of companies of Hlekkur group in the amount of ISK 3,583 million, gross profit ISK 745 million and EBITDA ISK 250 million.
 - Successful operations of a new Krónan store at Akrabraut in Garðabær
 - Renovation of Krónan stores at Lindir and Grandi

CONSOLIDATED OPERATIONS IN 9M 2018

Income statement				
Amounts are in ISK million	9M 2018	9M 2017	Change	% Chg.
Gross profit	10.028	8.598	1.430	16,6%
Lease revenue and operating income	406	294	112	38,0%
Salaries and personnel expenses	-3.925	-3.353	572	17,0%
Sales and distribution expenses	-1.897	-1.756	141	8,0%
Other operating expenses	-1.513	-1.085	429	39,5%
EBITDA*	3.327	2.761	567	20,5%
Key Figures				
EBITDA*/Gross profit	33,2%	32,1%	1,1%	3,3%
Salaries/Gross profit	39,1%	39,0%	0,1%	0,4%
Earnings per share	6,69	6,52	0,17	2,6%

*EBITDA, excluding the cost related to the acquisition of Hlekkur ehf.



STATEMENT OF FINANCIAL POSITION

Assets at the end of the period

Statement of Financial Position (Assets)

Amounts are in ISK million	Q3 2018	Q3 2017	Change	% Chg.
Goodwill	13.919	0	13.919	0,0%
Other Intangible assets	4.735	222	4.513	2034,7%
Property and equipment	32.251	17.070	15.181	88,9%
Investment properties	8.739	0	8.739	0,0%
Shares in associates	2.031	1.804	227	12,6%
Securities	153	47	106	226,4%
Non-current assets	61.829	19.143	42.687	223,0%
Inventories	7.278	3.146	4.132	131,4%
Trade receivables	4.334	3.261	1.073	32,9%
Other short-term receivables	407	390	17	4,3%
Cash and cash equivalents	6.314	3.083	3.230	104,8%
Current assets	18.333	9.880	8.453	85,6%
Total assets	80.162	29.023	51.139	176,2%

Current ratio



Inventory turnover

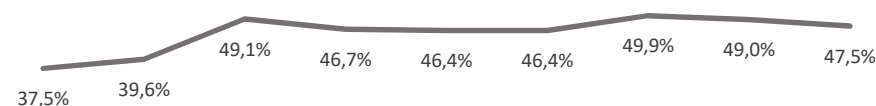


STATEMENT OF FINANCIAL POSITION

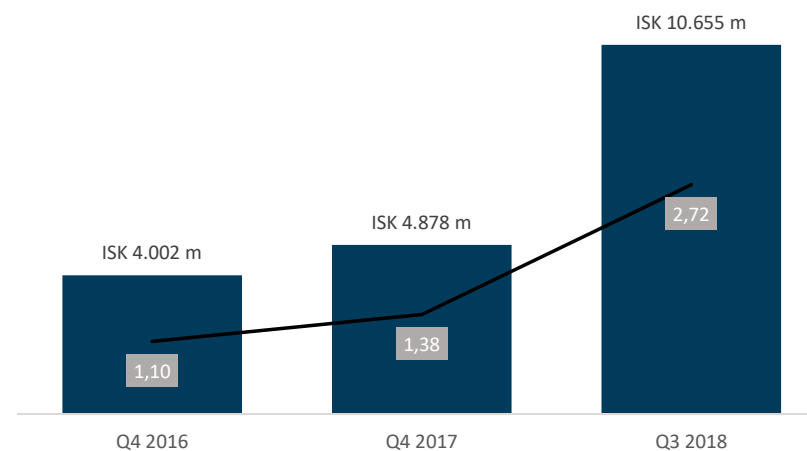
Equity and liabilities at the end of the period

Statement of Financial position (equity and liabilities)				
Amounts are in ISK million	Q3 2018	Q3 2017	Change	% Chg.
Equity	25.624	13.461	12.163	90,4%
Payable to credit institutions	34.015	6.500	27.515	423,3%
Deferred tax liabilities	3.964	1.511	2.453	162,4%
Non-current liabilities	37.979	8.011	29.968	374,1%
Current tax	798	561	237	42,4%
Payable to the Icelandic State	3.934	3.460	474	13,7%
Payable to credit institutions	3.737	1.500	2.237	149,1%
Trade payables	6.203	1.336	4.868	364,5%
Other short-term liabilities	1.888	695	1.193	171,7%
Current liabilities	16.560	7.551	9.009	119,3%
Total equity and liabilities	80.162	29.023	51.139	176,2%

Equity ratio

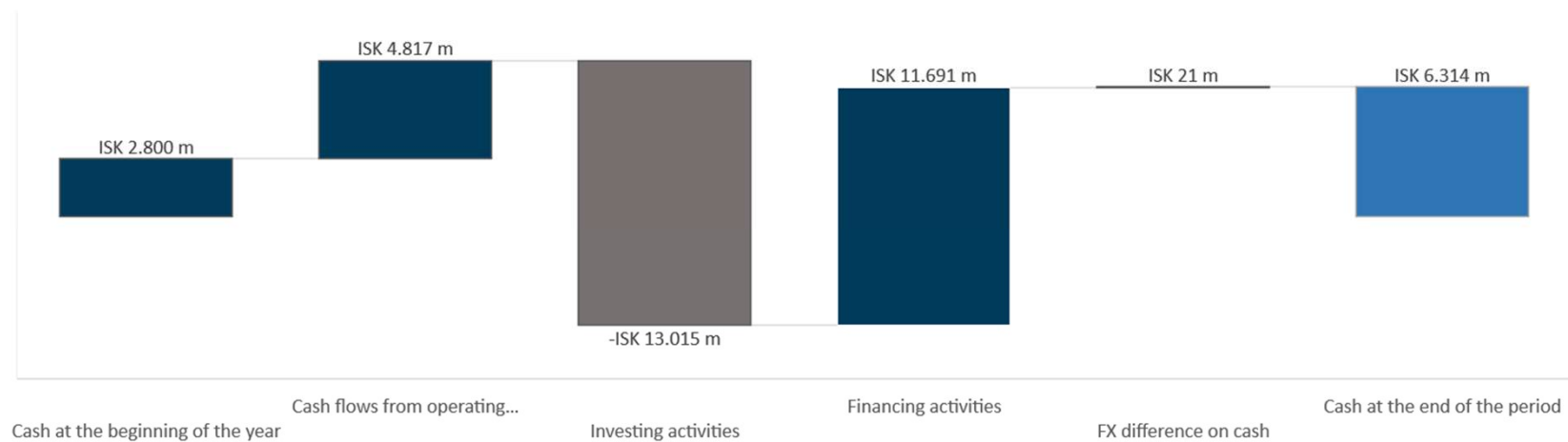


■ Average net interest bearing liabilities — Average net interest bearing liabilities / EBITDA



CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts are in ISK million	9M 2018	9M 2017	Change	% Chg.
Cash at the beginning of the year	2.800	2.266	534	23,5%
Cash flows from operating activities	4.817	2.260	2.557	113,1%
Investing activities	-13.015	-1.951	-11.064	567,0%
Financing activities	11.691	475	11.216	2359,4%
FX difference on cash	21	33	-12	-36,2%
Cash at the end of the period	6.314	3.083	3.231	104,8%

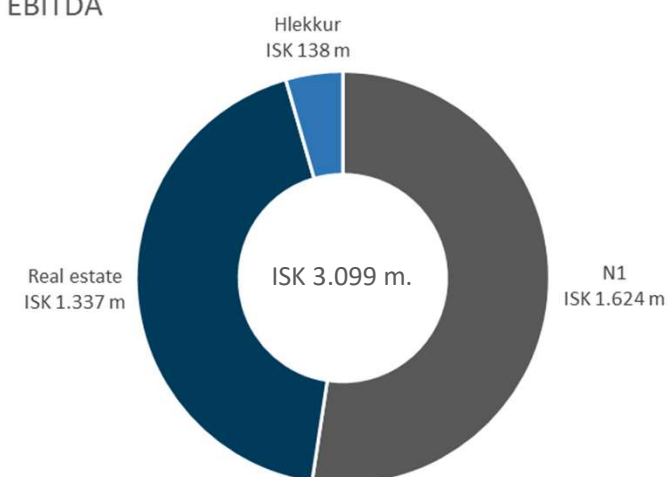


CONSOLIDATED OPERATING SEGMENTS

First nine months 2018

Amounts are in ISK million	N1	Hlekkur	Real estate	Inter-segment revenue	Total
Operating revenue	32.819	3.583	0	-1	36.401
Other revenue	310	27	1.698	-1.628	406
Total segment revenue	33.129	3.609	1.698	-1.629	36.807
Total operating expenses of segments	-31.505	-3.471	-361	1.629	-33.708
Segment EBITDA	1.624	138	1.337	0	3.099
Segment depreciation and amortisation	-315	-41	-455	0	-810
Fair value changes of investment properties	0	0	11	0	11
Share of profit	174	0	0	0	174
Operating result of segments	1.483	98	882	0	2.463
Segment assets	34.614	20.350	40.273	-18.749	76.487
Unallocated assets	0	0	0	0	3.675
Total assets					80.162

Segment EBITDA



CONSOLIDATED REAL ESTATE

Properties, key figures	Q3 2018
NOI*	ISK 1337 m
NOI ratio	79%
Utization ratio	97%
LTV**	54%
Number of Festi's properties	90
Total square meters	111 thousand
Own use	88%
Leased to third parties	12%



* Net operating income

** Loan-to-Value



Position and outlook



SHARE PRICE DEVELOPMENT



Shareholders (10 largest)

Lífeyrissjóður verslunarmanna	10,1%
Stefnir	9,0%
Gildi - Lífeyrissjóður	8,4%
Lífeyrissjóður starfsmanna ríkisins A-division & B-division	7,9%
Lansdowne Ícav Lansdowne Euro	6,1%
Birta Lífeyrissjóður	4,9%
Almenni Lífeyrissjóðurinn	4,8%
Global Macro funds (Eaton)	4,5%
Landsbréf	3,1%
Stapi Lífeyrissjóður	3,1%

Market information

Issued shares	330 M
Market cap at the end of September 2018	ISK 38.890 M
Market cap at the end of September 2017	ISK 27.688 M
Number of shareholders	899
Annual return from the beginning of the year	29,8%
Annual return from 2015	34,1%

POSITION AND OUTLOOK

Financial forecast for the year 2018

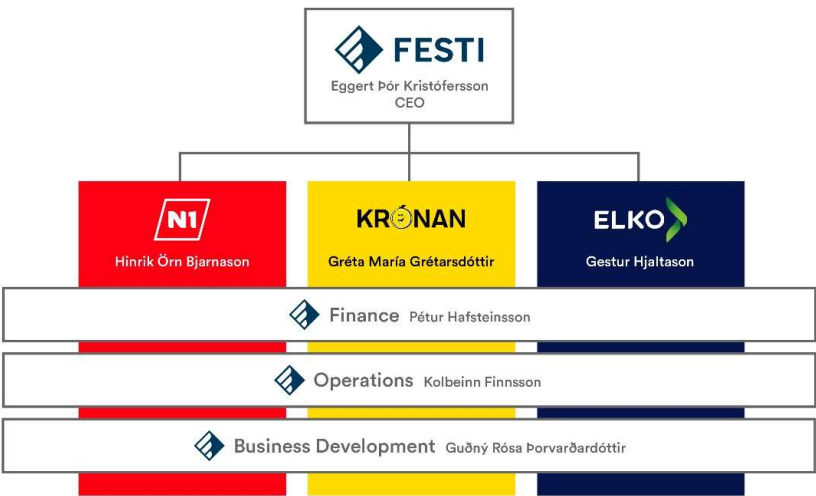
- Unchanged estimation of EBITDA for the year 2018, estimated to be in the range of ISK 3,800 to 4,000 million, excluding expenses related to the acquisition of Hlekk ehf.
- According to budget total turnover of Hlekkur, as from, the date of acquisition to the end of the year, is estimated to be approximately ISK 15,100 million and EBITDA to be approximately 1,270. Result of Hlekkur are not included in the aforementioned EBITDA estimation of Festi for the year 2018

Assumptions:

- Slower increase in number of foreign tourists in 2018 compared to 2017
- Increase in domestic operating expenses, even if inflation rate is moderate, will have an impact on operations in competitive market such as the one in which the Company operates.
- Exchange rate USD/ISK close to 123
- Turmoil in oil markets and exchange rate of ISK will cause fluctuations in gross profit and working capital position

Intergration:

- Operations of N1 will be transferred to an operating company on 1.1.2019
- N1 warehouse operations will be transferred to Bakkinn of 1.1.2019
- Intergration of headquarters estimated to take place in Q1 2019
- Extensive work being carried out with respect to synergy and intergration



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