

## Origo hf: Good results and sustained revenue growth

### Results for Q3 2021

#### Financial highlights:

- Goods and services sold totalled ISK 4,257 million in Q3 2021 (up 6.9% from Q3 2020) and ISK 12,856 million in the first nine months of the year (up 5.8% from 9M 2020). [Q3 2020: ISK 3,983 million, 9M 2020: ISK 12,156 million]
- Gross profit was ISK 1,142 million (26.8%) in Q3 2021 and ISK 3,354 million (26.1%) in the first nine months of the year. [Q3 2020: ISK 1,000 million (25.1%), 9M 2020: ISK 2,984 million (24.5%)]
- EBITDA totalled ISK 441 million (10.4%) in Q3 2021 and ISK 1,098 million (8.5%) in the first nine months of the year. [Q3 2020: ISK 338 million (8.5%), 9M 2020: ISK 698 million (5.7%)]
- EBIT totalled ISK 204 million (4.7%) in Q3 2021 and ISK 469 million (3.6%) in the first nine months of the year. [Q3 2020: ISK 142 million (3.6%), 9M 2020: ISK 165 million (1.4%)]
- Other comprehensive income was positive by ISK 172 million in Q3 2021 and positive by ISK 85 million in the first nine months of the year. [Q3 2020: ISK 0.1 million, 9M 2020: ISK 411 million]
- Net profit of ISK 365 million in Q3 2021 and ISK 612 million in the first nine months of the year. [Q3 2020: ISK 90 million, 9M 2020: ISK 461 million]
- Equity ratio of 58.4%, versus 56.5% at year-end 2020
- Working capital ratio of 1.31, versus 1.27 at year-end 2020

#### Operational highlights:

- Excellent results in the End-User Solutions segment.
- Tempo's strong revenue growth and good results continue for the third quarter in a row.
- 33% growth in the sale of own software
- Justly Pay equal pay certification software launched in September.
- Léttský, a cloud solution for smaller enterprises, launched in October.
- Origo's acquisition of Eldhaf approved by the Icelandic Competition Authority.

#### Jón Björnsson, CEO of Origo hf:

"Improved operations characterised Origo's results in the third quarter of 2021. Revenue grew by 7% and the Company delivered a 10.4% EBITDA in the quarter, a 30% improvement from the previous year. However, comparisons with the prior year period are to some extent affected by Covid 19, which had a greater impact on last year's operations. In the first nine months of the year, revenue growth is 5.8% and the EBITDA ratio is 8.5%. Revenue growth was strongest in end-user equipment or 17%, software sales were by more than 7%, but there was a decline in managed services, mainly due to lower infrastructure sales.

Emphasis on new sales channels, increased productization and packaging of Origo's services have been the key points of focus in our operations over the past few months. At the same time, the Company has launched a number of projects aimed at improving the community in which it operates. To this end, Origo has framed its social journey around four main themes: Climate action, innovation, responsible consumption and gender equality. We believe that we can improve in all these areas, both internally but also by creating products and services that enable our customers to accelerate these positive social changes. For instance, we just launched a new solution for equal pay certification, Justly Pay, which enables companies to follow a digital journey in preparing for, obtaining and maintaining equal pay certification, which has become mandatory for most businesses. It is my hope that Origo can become a leader in the development of solutions that improve society. Thus, it is crucial that we further strengthen this type of innovation within the Company. We will focus on simplifying the structure and investing in and developing the staff and technology environment needed to do so.

Demand remains good for solutions and products in End-User Equipment. The increase was 14% in the third quarter, and if you look at a two-year comparison, the increase is 27%. In terms of profitability, the unit delivered excellent results with EBITDA of around 10%. New sales channels, a strong online store and Tölvutek are key factors in this revenue increase, as well as the fact that core operations have been strong despite delays in product delivery and a global supply shortage, which have created challenges in the supply chain. Online store sales were up 76% in the first nine months of the year and now account for 30% of

PUBLISHED ON THURSDAY 21 OCTOBER 2021

<https://www.origo.is/english/about-origo/investor-relations>

unit's turnover. We can still expect some challenges on the supply side, both in terms of the product offering and price increases. In August, Origo announced the acquisition of a 70% stake in Eldhaf, an importer of Apple products. The acquisition was approved by the Icelandic Competition Authority without conditions earlier this month and the company will therefore become part of the Origo group from mid-October.

Origo's Operational service and infrastructure solutions are in a transformation phase where work is being done to transform older sources of revenue and simplify the product offering. Revenue increased slightly, by around 2%, during the quarter, but profit improved by 18% compared with the prior year quarter. The shift in focus is therefore beginning to bear fruit, with an emphasis on creating more flexibility for customers when it comes to choosing the right technical solutions and better supporting customers' strategies. In response to the growing need for businesses to start shifting their operations to the cloud, Origo introduced a new approach to cloud services called Léttský. Léttský is suitable for small and medium-sized businesses that choose to outsource technology and security matters so that they can concentrate on day-to-day operations. Cloud solutions and the automation of business processes play an important role, as we have significantly increased our knowledge and experience in providing consultation and implementing solutions that simplify and make better use of IT solutions in enterprise operating environments.

It is important for all enterprises to ensure adequate cyber security, monitoring of IT systems and employee security awareness in their operations. With the increasing use of digital technology, there are more ways for bad actors to penetrate defences and exploit weaknesses for financial gain. Origo worked with TM Insurance to design an insurance category that protects businesses against financial loss that may arise from cyber attacks. Before insurance is written, Origo will conduct an assessment of the cyber security framework of the company in question and propose improvements that reduce the likelihood of its operations being disrupted by cyber attacks. This type of insurance and service model has not previously been available in Iceland for small and medium-sized businesses and we at Origo are very proud of the collaboration. TM customers will benefit from stronger cyber security and better protection of their IT systems. In addition, the insurance package comes with instructions on the main risks that employees must avoid in their daily use of, and communication via, the company's IT system. Origo has a 24/7 response team that assists companies in the unfortunate event of a loss. Immediate action will be taken to prevent further damage and restore normal operations as quickly as possible. Syndis has launched Syndis Software with the aim of focusing on software development in the field of security. Considerable intellectual property has been created in Syndis over the years and our goal is to use this as a foundation for further product development at the company.

In general, Origo's domestic software units are doing well, delivering revenue growth and improved results. However, the third quarter at Applicon Sweden was considerably lower than the prior year quarter, as the final two quarters of last year were characterised by lucrative implementation projects. Applicon's fourth-quarter results can therefore be expected to fall short of the corresponding 2020 results. Nevertheless, the sales pipeline at Applicon looks promising and the changes implemented by the new management in recent months are beginning to take shape. Sales of enterprise solutions in Iceland were up strongly during the quarter, especially sales of own software, which now account for more than 20% of the segment's total revenue. Profitability for the period was good, although third-quarter results have generally lagged behind the summer months. Customers have embraced our new offerings, including products for the Kjarni human resources and payroll system and add-ons for SAP and Business Central. The sales pipeline looks good and the project status is generally robust. We have also been successful in strengthening knowledge and getting projects in the field of business intelligence, in addition to which new and exciting solutions in that field are emerging.

Other software units delivered decent year-over-year revenue growth. In recent months, Origo has assisted the Ministry of Finance with the Digital Iceland project and in August we were selected for continued collaboration following an extensive bidding process. Consulting and custom development of solutions for customers has been successful both in terms of projects related to digital transformation of enterprises in general and greater utilisation of self-service for customers as well as projects related to healthcare solutions. As part of our focus on solutions that improve society, we are committed to being a leader in solutions for the healthcare sector. The need for solutions in healthcare has increased and their development has had to take place much faster than before. Our guiding principle in this field is that our solutions simplify work and enhance user convenience. There are many projects underway in health solutions, including exciting innovations that we will present in the coming months, projects that are in user testing such as an app for inpatient wards at hospitals and nursing homes, and projects that have been introduced to health institutions such as our drug management solution that increases safety in drug administration. In addition, all health institutions in Iceland have decided to use the Smásaga home nursing app. The advantages of Smásaga became clear when important activities had to be maintained during the height of Covid 19, when home nursing staff attended to one of the most vulnerable groups in the country with the help of the solution.

Tempo continues to perform well with most key indicators strengthening. Focusing on larger customers with more than 1,000 employees has been successful and is expected to continue. Increased investment in Tempo's partner program has paid off, with most larger customers being obtained through such parties. The team that services them has been expanded to provide additional

PUBLISHED ON THURSDAY 21 OCTOBER 2021

<https://www.origo.is/english/about-origo/investor-relations>

services and training. Revenues were up 37% in the third quarter and 36% in the first 9 months. EBITDA was up around 84% from the prior year quarter and came in at 25%, with EBITDA of 27% expected for the full year.

Origo expects a similar trend in the final quarter of the year, although supply chain disruptions could have some impact. The Company's efforts to make units more independent and increase flexibility and efficiency have the goal of building a stronger company and improved operations. With a strategic approach to sales and marketing, we will be able to utilize the economies of scale that the Company has at its disposal and further build on our strong position as a service company with a future in helping enterprises and consumers to cope with and take advantage of the opportunities and changes that the digital environment has to offer".

## Income Statement

| In ISK million                      | Q3 2021      | Q3 2020      | %     | 9M 2021      | 9M 2020      | %     |
|-------------------------------------|--------------|--------------|-------|--------------|--------------|-------|
| Goods and services sold             | 4,257        | 3,983        | 6,9%  | 12,856       | 12,156       | 5.8%  |
| Cost of goods and services sold     | (3,116)      | (2,983)      | 4,4%  | (9,503)      | (9,172)      | 3.6%  |
| <b>Gross profit</b>                 | <b>1,142</b> | <b>1,000</b> | 14,2% | <b>3,354</b> | <b>2,984</b> | 12.3% |
| <i>Gross profit/revenue (%)</i>     | 26.8%        | 25.1%        |       | 26.1%        | 24.5%        |       |
| Operating costs                     | (938)        | (857)        | 9,5%  | (2,884)      | (2,818)      | 2.3%  |
| <b>Operating profit</b>             | <b>204</b>   | <b>143</b>   |       | <b>469</b>   | <b>165</b>   |       |
| <i>Operating profit/revenue (%)</i> | 4.7%         | 3.6%         |       | 3.6%         | 1.4%         |       |
| Net financial expenses              | (36)         | (51)         |       | (69)         | (177)        |       |
| Share of profit of associate        | 60           | 13           |       | 210          | 59           |       |
| Income tax                          | (36)         | (15)         |       | (83)         | 3            |       |
| <b>Profit for the period</b>        | <b>192</b>   | <b>90</b>    |       | <b>527</b>   | <b>50</b>    |       |
| Other comprehensive income          | 172          | 0            |       | 85           | 411          |       |
| <b>Net profit for the period</b>    | <b>365</b>   | <b>90</b>    |       | <b>612</b>   | <b>461</b>   |       |
| <b>EBITDA</b>                       | <b>441</b>   | <b>338</b>   |       | <b>1,098</b> | <b>698</b>   |       |
| <i>EBITDA%</i>                      | 10.4%        | 8.5%         |       | 8.5%         | 5.7%         |       |

- Goods and services sold totalled ISK 12,856 million in the first nine months of 2021 versus ISK 12,156m in the first nine months of 2020. Revenues were up in End-User Equipment and Related Services as well as Software and Related Services, but down in Operational service and infrastructure solutions. Goods and services sold totalled ISK 4,257 million in Q3 2021 compared with ISK 3,983 million in Q3 2020.
- Gross profit was ISK 3,354 million (26.1%) in the first nine months of 2021, as compared to ISK 2,984 million (24.5%) in the first nine months of 2020. Gross profit was ISK 1,142 million in Q3 2021 (26.8%), versus ISK 1,000 million (25.1%) in Q3 2020.
- Operating costs were ISK 2,884 million in the first nine months of 2021, versus ISK 2,818 million in the first nine months of 2020, an increase of 2.3%. Operating costs were ISK 938 million in Q3 2021, as compared to ISK 857 million in Q3 2020, an increase of 9.5%.
- EBITDA was ISK 1,098 million (8.5%) in the first nine months of 2021, versus ISK 698 million (5.7%) in the first nine months of 2020. EBITDA was ISK 441 million (10.4%) in Q3 2021, as compared to ISK 338 million (8.5%) in Q3 2020.
- Net financial expenses amounted to ISK 69 million in the first nine months of 2021, versus ISK 177 million in the first nine months of 2020. The difference is mainly explained by an ISK 100 million exchange rate loss in Q1 2020.
- Origo's share of the profit of an associate was ISK 210 million in the first nine months of 2021, versus ISK 59 million in the first nine months of 2020
- Other comprehensive income was positive by ISK 85 million in the first nine months of 2021, versus a positive figure of ISK 411 million in the first nine months of 2020; this is explained by a translation difference in respect of Tempo.
- There was a net profit of ISK 612 million in the first nine months of 2021, as compared to a net profit of ISK 461 million in the first nine months of 2020. There was a net profit of ISK 365 million in Q3 2021, as compared to a net profit of ISK 90 million in Q3 2020.

## Balance Sheet

| In ISK million                      | 30.09.2021    | 31.12.2020    |
|-------------------------------------|---------------|---------------|
| Fixed assets                        | 8,773         | 8,028         |
| Current assets                      | 4,316         | 4,336         |
| <b>Total assets</b>                 | <b>13,089</b> | <b>12,364</b> |
| Equity                              | 7,639         | 7,012         |
| Long-term liabilities               | 2,145         | 1,945         |
| Short-term liabilities              | 3,305         | 3,406         |
| <b>Total equity and liabilities</b> | <b>13,089</b> | <b>12,364</b> |
| Working capital ratio               | 1.31          | 1.27          |
| Equity ratio                        | 58.4%         | 56.5%         |

- Fixed assets increased by ISK 745 million in the first nine months of the year, due mainly to an increase in tangible assets, intangible assets and in the recorded value of an interest in an associate.
- Current assets decreased by ISK 20 million in the first nine months of the year, due to a decrease in cash against an increase in receivables and inventory.
- Equity increased by ISK 627 million in the first nine months of the year.
- Long-term liabilities rose by ISK 200 million in the first nine months of the year. The increase is mainly explained by an increase in lease liabilities.
- Short-term liabilities decreased by ISK 101 million in the first nine months of 2021.
- The equity ratio stands at 58.4%, versus 56.5% at year-end 2020
- The working capital ratio stands at 1.31, versus 1.27 at year-end 2020

## Cash Flow Statement

| In ISK million                          | 1.1-30.09.2021 | 1.1-30.09.2020 |
|---|----------------|----------------|
| Cash from operations                    | 550            | 713            |
| Investing activities                    | (442)          | (420)          |
| Financing activities                    | (352)          | (545)          |
| <b>Decrease in cash</b>                 | <b>(245)</b>   | <b>(252)</b>   |
| Effect of exchange rate changes on cash | (11)           | 16             |
| Cash at beginning of year               | 1,173          | 826            |
| <b>Cash at end of period</b>            | <b>917</b>     | <b>591</b>     |

- Cash from operations amounted to ISK 550 million at the end of the first nine months of 2021, as compared to ISK 713 million at the end of the first nine months of 2020.
- Investing activities amounted to ISK 442 million in the first nine months of 2021, versus ISK 420 million over the corresponding period in 2020.
- Financing activities amounted to ISK 352 million in the first nine months of 2021, versus ISK 545 million over the corresponding period in 2020.
- Cash decreased by ISK 245 million over the first nine months of 2021.

PUBLISHED ON THURSDAY 21 OCTOBER 2021  
<https://www.origo.is/english/about-origo/investor-relations>

### Shareholders

At the end of Q3 2021, the Company had a market value of ISK 26,752 million. The share price at the close of the quarter was ISK 61.5 per share. The number of outstanding shares on 30 September 2021 was 435 million and there were 697 shareholders.

### Presentation on 22 October 2021

A presentation of the results for market participants and investors will be held on Friday, 22 October. At the meeting, management will present the Company's operations and results and respond to questions. The presentation will take place in the Company's conference room at Borgartún 37, and it will also be possible to watch the presentation remotely via teleconference equipment.

Registration takes place here: <https://www.origo.is/fjarfestakynning>

### Financial calendar

27 January 2022 Results for Q4 2022  
3 March 2022 Origo AGM

### Approval of financial statements

These interim financial statements were approved at a meeting of the Board of Directors of Origo hf. on 21 October 2021. Origo hf.'s financial statements comply with International Financial Reporting Standards (IFRS).

### Origo hf.

Origo is a cutting-edge IT service company that employs a talented group of experts who assist customers in improving their operations, performance and security. Shares in Origo hf. are listed on NASDAQ OMX Iceland hf. (the Iceland Stock Exchange) under the ticker symbol ORIGO.

### Further information

CFO Gunnar Petersen at +354 825 9001 or [gp@origo.is](mailto:gp@origo.is) and CEO Jón Björnsson at +354 693 5000 or [jb@origo.is](mailto:jb@origo.is)

---

### Cautionary Statement

Forward-looking statements contained in this presentation may be based on management's current estimates and expectations, and not on facts that may be verified after its publication. Such statements are inherently uncertain. We therefore caution the reader that there are a variety of factors that could cause business conditions and results to differ materially from what is contained in our forward-looking statements, and that we do not undertake to update any forward-looking statements. These forward-looking statements speak only as of the date of this presentation and are qualified in their entirety by this cautionary statement.