

15% revenue growth in the third quarter

Origo hf. Interim Results – Q3 2022

Financial highlights:

- Goods and services sold totalled ISK 4,884 million in the third quarter of 2022 (up 14.7% from Q3 2021) and ISK 14,145 million in the first nine months of the year (up 10% from 9M 2021) [Q3 2021: ISK 4,257 million, 9M 2021: ISK 12,856 million].
- Gross profit was ISK 1,301 million (26.6%) in the third quarter of 2022 and ISK 3,807 million (26.9%) in the first nine months of the year [Q3 2021: ISK 1,142 million (26.8%), 9M 2021: ISK 3,354 million (26.1%)].
- EBITDA totalled ISK 476 million (9.8%) in the third quarter of 2022 and ISK 1,184 million (8.4%) in the first nine months of the year [Q3 2021: ISK 441 million (10.4%), 9M 2021: ISK 1,098 million (8.5%)].
- EBIT totalled ISK 205 million (4.2%) in the third quarter of 2022 and ISK 427 million (3.0%) in the first nine months of the year [Q3 2021: ISK 204 million (4.8%), 9M 2021: ISK 469 million (3.7%)].
- The impact of an associate was ISK 160 million in the quarter and ISK 588 million in the first nine months; this is a substantial increase from the prior year, due largely to strong results at Tempo.
- Other comprehensive income was positive by ISK 429 million in the third quarter of 2022 and positive by ISK 455 million in the first nine months of the year [Q3 2021: ISK 172 million, 9M 2021: ISK 85 million].
- Net profit of ISK 704 million in the third quarter of 2022 and ISK 1,265 million in the first nine months of the year [Q3 2021: ISK 365 million, 9M 2021: ISK 612 million].
- Equity ratio of 61.2% at the end of Q3 2022, versus 56.9% at year-end 2021.
- Working capital ratio of 1.51 at the end of Q3 2022, versus 1.42 at year-end 2021.

Jón Björnsson, CEO of Origo hf:

"Origo's results in the third quarter of 2022 were characterised by good performance. Revenue grew 14.7% and the Company delivered an 9.8% EBITDA margin in the quarter, an 8% improvement from the previous year. Sales are up in all segments, with the highest increase seen in End-User Equipment at 22.8%. Origo's operating costs rose from 22% to 22.4% during the period, mainly due to higher investment in software development, which increased during the quarter by more than ISK 70 million over the previous year, but also due to the impact of acquisitions made last year. In the first nine months of the year, revenue grew 10% and the EBITDA margin came in at 8.4% versus 8.5% last year.

There continues to be good demand for solutions and products in End-User Equipment, with revenue rising by 22.8% in the third quarter after a minor decline in the second quarter. Revenue was up across the board, with enterprise sales up somewhat more than sales to consumers. The unit delivered good profitability with EBITDA coming in at 9.3% of sales. The outlook is overall quite good and the product flow is normalising.

Operational highlights:

- 14.7% revenue growth in the third quarter, 10.0% revenue growth and good earnings in the first nine months of the year.
- 22.8% revenue growth in the third quarter, 14.7% revenue growth in the first nine months of the year in sales of end-user equipment.
- 7.3% revenue growth in the third quarter, 3.7% revenue growth in the first nine months of the year at software units.
- 9.4% revenue growth in the third quarter, 10.0% revenue growth in the first nine months of the year in managed services and infrastructure.
- Sale of Tempo holding confirmed in October and sale price paid in full.
- Development costs at software units increased by ISK 200 million from 2021 in the first nine months of the year.
- In October, Origo received Creditinfo's incentive award for outstanding innovation.

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Origo's Service Solutions, which are part of our managed services, have been undergoing a major transformation over the past 12 to 18 months, with changes in the product and service offering that have resulted in much improved operations as well as creating several good opportunities for growth. Revenue grew 6% in the third quarter and EBITDA improved by 46%. Priorities have been better defined and a stronger framework has been created around service delivery, coupled with better utilisation of opportunities represented by our customers' transformation needs.

The growth opportunities for Origo's Managed Services and Infrastructure lie in Syndis, Responsible Compute and Datalab. During the quarter, Responsible Compute, a partnership between Origo and Borealis Data Center, introduced HPC infrastructure services in Borealis' data centers that run on environmentally friendly power sources and are cooled by environmentally friendly means. Development has been taking place for almost two years and the focus is now on income generation, with the company gaining its first major customer this fall after extensive testing. Meanwhile, Syndis has continued to grow and prosper since Origo acquired it in the spring of 2021, with the number of employees now approaching fifty. The operations are fourfold; in the field of consulting, security services (SOC), research and development, and software development. This October, the company will run the first customer testing of new software that assesses how attractive organisations are to hackers; Syndis has devoted significant resources to the development of this software over the past fifteen months.

Origo's software sales continue to grow, with revenue increasing by 7.3% during the quarter. It is particularly pleasing to see a 26.4% increase in revenue from own software and 17.4% growth over the first nine months of the year. There continues to be strong revenue growth in core software units such as HR solutions, quality management systems and financial management systems. It is great to see that after two difficult years in the travel industry, sales of travel solutions doubled in the third quarter. The Company has been investing in the development of travel solutions for some time and we are pleased to report that both Booking Factory and the car rental solution Caren have proven their worth in the market. We will continue to invest in these two solutions and expect both to become sustainable in the next 12 to 18 months.

Sales at Healthcare Solutions have declined somewhat since Covid, but the project status is good and Origo is focused on expanding the development of its own software products for the healthcare sector. The Smásaga app has now been adopted by all home nursing staff in Iceland. The adoption of Smásaga has exceeded expectations and the feedback from users has been very positive. Home nursing workers in Iceland have embraced the solution, both to make their work easier and increase the safety of their clients.

Other software units posted good year-on-year revenue growth and the Company has achieved a leading position when it comes to user interfaces and front-end development. Consulting and development of tailored solutions for customers has also been successful, both in terms of projects related to digital transformation as well as the development of specific, scalable products in the field of business intelligence. The Company has utilised its knowledge in the area of data science and HR and payroll systems to create added value for the users of information systems. The sales pipeline for software projects is generally looking good and the project status is sound.

In October, Origo received the Creditinfo incentive award for outstanding innovation. We are proud that a Company that traces its history back 70 years has managed to reinvent itself again and again in recent years and is currently a leading innovator in Iceland in the field of software.

Applicon performed similarly to last year. Revenue increased slightly in the third quarter, but the operating result is comparable to last year. In recent years, the company has increased its focus on hire-purchase companies as well as enterprise treasury management. Applicon is also currently working on the development of two software products that will affect the future revenue mix. Investment in new products was up about ISK 22 million in the first nine months.

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On 5 October, it was announced that Origo and a company managed by the US technology investment fund Diversis Capital reached a binding agreement on Origo's sale of its entire holding in Tempo Ultimate Parent to Diversis. Origo's holding in Tempo was just below 40% and the enterprise value of Tempo in the transaction was about USD 600 million. Under the agreement, Origo was due to receive a cash payment of USD 195 million in consideration for its holding. Origo's estimated profit from the sale is about USD 156 million, taking into account the book value and transaction costs. The sale price under the agreement has now been paid in full to Origo. Origo has already hedged itself against movements in the USD and it is clear that the sales proceeds will be about 28 billion ISK. The sale of Tempo will have a substantial positive impact on Origo's balance sheet as liquidity will be strengthened and the potential for internal and external growth will be significant. Origo's board and management continue to work on a proposal for the disposal of the sale proceeds and expect that in the coming days a shareholders' meeting will be called where the board's proposals will be presented.

The outlook for the operations is good. We are in the implementation phase of the strategy that we developed last year and have a lot of work to do, which will further strengthen the Company going forward - for the benefit of our customers, employers and shareholders. In the short term, we are looking at the opportunities created by the transformation of the Company's Managed Services division. We want to achieve increased productization, so that we can more easily maintain the quality of our services, lower prices and create a stronger framework around the business aspects of software development, while at the same better utilising our strength in the end-user equipment market. In the long term, we operate based on clear future priorities and will leverage the trust we have earned to strive for continuous improvement when it comes to our staff and technical environment, thus developing products that improve life. The Company is operationally strong and has good control of the investments that it has embarked on and can reduce if there is a change in the favourable IT environment".

Income Statement

In ISK million	Q3 2022	Q3 2021	%	9M 2022	9M 2021	%
Goods and services sold	4,884	4,257	14.7%	14,145	12,865	10.0%
Cost of goods and services sold	(3,583)	(3,116)	15.0%	(10,338)	(9,503)	8.8%
Gross profit	1,301	1,142	13.9%	3,807	3,354	13.3%
<i>Gross profit/revenue (%)</i>	<i>26.6%</i>	<i>28%</i>		<i>26.9%</i>	<i>26.1%</i>	
Operating costs	(1,096)	(938)	16.8%	(3,380)	(2,884)	17.2%
Operating profit	205	204		427	469	
<i>Operating profit/revenue (%)</i>	<i>4.2%</i>	<i>4.8%</i>		<i>3.0%</i>	<i>3.7%</i>	
Net financial expenses	(50)	(36)		(133)	(69)	
Share in profit of associate	160	60		588	210	
Income tax	(40)	(36)		(71)	(83)	
Profit for the period	275	192		810	527	
Other comprehensive income	429	172		455	85	
Net profit for the period	704	365		1,265	612	
EBITDA	476	441		1,184	1,098	
<i>EBITDA%</i>	<i>9.8%</i>	<i>10.4%</i>		<i>8.4%</i>	<i>8.5%</i>	

- **End-user equipment and related services:** Revenue of ISK 2,304 million in the third quarter of 2022 (up 22.8% from Q3 2021) and ISK 6.195 million in the first nine months of the year, up 14.7% from 9M 2021. EBITDA of ISK 215 million (9.3%) in the third quarter and ISK 570 million (9.2%) in the first nine months of the year [Revenue 9M 2021: ISK 5,402 million, EBITDA 9M 2021: ISK 505 million (9.4%)].
- **Managed services and infrastructure:** Revenue of ISK 1,312 million in the third quarter of 2022 (up 9.4% from Q3 2021) and ISK 3,871 million in the first nine months of the year, up 10.0% from 9M 2021. EBITDA of ISK 141 million (10.8%) in the third quarter and ISK 263 million (6.8%) in the first nine months of the year [Revenue 9M 2021: ISK 3,521 million, EBITDA 9M 2021: ISK 248 million (7.1%)].

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- **Software and related services:** Revenue of ISK 1,268 million in the third quarter of 2022 (up 7.3% from Q3 2021) and ISK 4,079 million in the first nine months of the year, up 3.7% from 9M 2021. EBITDA of ISK 120 million (9.4%) in the third quarter and ISK 351 million (8.6%) in the first nine months of the year [Revenue 9M 2021: ISK 3,934 million, EBITDA 9M 2021: ISK 345 million (8.8%)].
- **Operating costs:** The increase in operating costs during the period can be attributed to the addition of three new companies to the consolidated figures as compared to the previous year: Syndis, Eldhaf and Datalab. The operation of these companies is characterised by large investment in the development of the companies and software development. There are also considerable software investments at Unimaze and Applicon AB, where operating costs are somewhat higher than last year. The increased operating costs at the Origo parent company can be attributed to higher wage costs due to an increase in the number of employees and inflation-related cost increases.

Balance Sheet

In ISK million	30.09.2022	31.12.2021
Non-current assets	10,819	9,742
Current assets	4,946	5,402
Total assets	15,765	15,144
Equity	9,647	8,619
Non-Current liabilities	2,843	2,733
Current liabilities	3,275	3,793
Total equity and liabilities	15,765	15,144
Working capital ratio	1.51	1.42
Equity ratio	61.2%	56.9%

- Non-current assets increased by ISK 1,078 million from year-end 2021, due mainly to an ISK 1,038 million increase in the recorded value of interests in associates.
- Current assets decreased by ISK 457 million from year-end 2021. Inventory increased by ISK 589 million, trade and other receivables increased by ISK 127 million and cash decreased by ISK 1,172 million.
- Equity increased by ISK 1,028 million during the period.
- Non-current liabilities increased by ISK 110 million in the first nine months of the year.
- Current liabilities have decreased by ISK 582 million, where lease liabilities increases by ISK 121 million during the year, with other short-term liabilities decreasing by ISK 517 million.
- Equity ratio of 61.2%, versus 56.9% at year-end 2021
- Working capital ratio of 1.51, versus 1.42 at year end 2021

Shareholders

At the end of Q3 2022, the Company had a market value of ISK 27,840 million. The share price at the close of the quarter was ISK 64 per share. The number of outstanding shares on 30 September 2022 was 435 million and there were 1,011 shareholders. Origo hf. holds own shares in the nominal value of 4,066,935.

Origo invites investors and market participants to a meeting with Syndis on Friday 4 November at 8:30 am. At the meeting, management will present the company and the journey it is on.

The meeting will be held at the offices of Origo and Syndis at Borgartún 37, 105 Reykjavik.

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

Financial calendar

2 February 2023 FY 2022 results
 9 March 2023 Origo AGM



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Approval of financial statements

These interim financial statements were approved at a meeting of the Board of Directors of Origo hf. on 28 October 2022. 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

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Cautionary Statement

Forward-looking statements contained in this press release 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.