

Origo hf. Results for the Full Year 2020

15% Revenue Growth in 2020

Financial highlights:

- Goods and services sold totalled ISK 4,906 million in Q4 2020 (13.1% revenue growth from Q4 2019) and ISK 17,062 million for the full year (14.9% revenue growth from 12M 2019) [Q4 2019: ISK 4,336 million, 12M 2019: ISK 14,845 million]
- Gross profit* was ISK 1,231 million (25.1%) in the fourth quarter and ISK 4,288 million (25.1%) for the full year [Q4 2019: ISK 1,325 million (26.3%), 12M 2019: ISK 3,845 million (25.9%)]
- EBITDA* totalled ISK 381 million (7.8%) in the fourth quarter and ISK 1,245 million (7.3%) for the full year [Q4 2019: ISK 302 million (7.0%), 12M 2019: ISK 1,006 million (6.8%)]
- Other comprehensive income was negative by ISK 255 million in the fourth quarter, but positive by ISK 156 million for the full year [Q4 2019: -351 million, 12M 2019: -222 million]
- Net loss of ISK 53 million in the fourth quarter, but a net profit of ISK 408 million for the full year [Q4 2019: net profit of ISK 15 million, 12M 2019: net profit of ISK 456 million]
- Equity ratio of 56.5%, versus 57.1% at year-end 2019
- Working capital ratio of 1.27, versus 1.34 at year-end 2019

Operational highlights:

- Outstanding effort by our staff in working under unique circumstances
- Robust revenue growth in end-user equipment and good profitability following strategic shift
- Online store sales up 152%
- Turnaround at Software Solutions in the second half of the year
- Good growth in software subscription revenue
- A year of change for managed services. Cloud solutions growing at a faster rate than traditional IT infrastructure
- New social emphasis
- 18% revenue growth at Tempo during the year. Subscription revenue up 37% from the prior year. The company is in a strong financial position and well prepared for further growth.

Jón Björnsson, CEO of Origo hf:

"As we look back on an extraordinary year, I am proud to say that thanks to an outstanding team effort by our staff, Origo was able to achieve good results in a business environment unlike anything any of us have ever seen. Revenue was up 15% and EBITDA* came in at ISK 1,245 million, an increase from the prior year. Our end-user solutions unit delivered much improved results and our software units managed to maintain their good profitability. The performance of our managed services was acceptable in view of the changed circumstances, but increased economies of scale are necessary to improve the performance of these services further. We prioritised the health and safety of our staff and worked diligently to create an environment that would allow the company to maintain robust operations. A well-executed teleworking policy and efficient communications led to good results in large implementation projects, and the company accomplished things that would probably never have been tried under more normal circumstances.

Part of our software operations faced major challenges at the beginning of the year when revenues from the travel industry declined sharply, at a time when Origo had been working on several innovative projects in digital travel solutions. We made a strategic decision to continue investing in travel products and be ready when the travel industry gets back on its feet, but employees were also shifted to projects where there was more demand, such as health solutions and digital transformation projects. By doing this, we were able to turn that part of our business around in the second half of the year. Perhaps our greatest source of pride during the year was a project related to border screening, testing and vaccination for COVID-19, in which Origo played a key role and showed how well it can be trusted to carry out large and complex projects swiftly and efficiently. The company also had a terrific year when it came to implementing financial systems, banking solutions and HR and payroll solutions in Iceland, and Origo Swedish subsidiary, Applicon, achieved record revenues.

More and more customers are seeing the benefit of outsourcing their IT operations instead of maintaining their own IT infrastructure, and we are seeing a growing demand for these services. A major transformation is taking place in the managed

* Adjusted for one-time costs



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services segment as a result of an increased emphasis on cloud services and Origo is determined to take advantage of the opportunities presented by these changes. Our goal is not to operate a data centre, but to be a strong partner that offers geographical separation of systems and data. We are focused on being able to maintain and manage our customers' IT systems, whether they are hosted in Iceland or abroad. At the same time, the company is constantly improving the automation and efficiency of its managed services, but there is a great need to achieve better economies of scale so that the profitability of this service will be more than just adequate.

Conditions for the sale of end-user equipment have been favourable lately, and this, together with strategic adjustments, has resulted in robust profitability in the segment. It was quite a challenge to meet customer demand due to a global product shortage, but knowledge and strong relationships with our partners made all the difference. Sales of end-user equipment were up more than 20% for the second year running. The shift from traditional brick-and-mortar to online sales helped deliver a 152% increase in sales in Origo's online stores, and the investment we made last year in Tölvutek, and our extensive knowledge in audio and visual solutions, are yielding good results.

Our subsidiary Tempo had a solid year. Results were somewhat affected by COVID-19, but also by changes designed to prepare the company for the next phase of growth. The company now has more than 20,000 enterprise customers and a business that benefits from a robust increase in subscription revenue and a clear focus on a continued shift from traditional IT environments to cloud solutions.

We are pleased with our results in 2020. The circumstances created by COVID-19 meant that the company needed to adapt quickly to a new reality. This was accomplished thanks to an outstanding effort by our staff. New working conditions and changes in the circumstances of our customers meant that we had to rethink the way we do business and many units had to deal with major changes in their revenue composition. New opportunities had to be identified while also meeting increased demand in a number of different areas. Most of this work had to be done remotely.

Origo has taken the first steps towards sharpening its focus on social issues, as we are committed to achieving even better results in areas such as gender equality, the promotion of innovation, responsible consumption, environmental issues, and the health and well-being of our staff.

We are excited about the work that lies ahead in 2021. There are certainly signs of uncertainty in the economy, but the company's project status in the software field is strong and the overall environment is generally favourable for IT companies, both in terms of software development and sales of end-user equipment."

Income Statement

In ISK million	1.10.-31.12. 2020	1.10.-31.12. 2019	%	2020	2019	%
Goods and services sold	4,906	4,336	13.1%	17,062	14,845	14.9%
Cost of goods and services sold	(3,675)	(3,198)	14.9%	(12,774)	(11,000)	16.8%
Gross profit	1,231	1,139	8.1%	4,288	3,845	11.5%
<i>Gross profit/revenue (%)</i>	25.1%	26.3%		25.1%	25.9%	
Operating costs	(1,066)	(988)	8.0%	(3,791)	(3,426)	10.7%
Operating profit *	165	151	9.3%	498	419	18.9%
<i>Operating profit/revenue (%)</i>	3.4%	3.5%		2.9%	2.8%	
One-time items	0	0		(167)	0	
Operating profit	165	151		331	419	
Net financial income (expenses)	(7)	379		(185)	325	
Share of profit of associate	72	(57)		132	9	
Income tax	(29)	(32)		(26)	(74)	
Profit for the period	202	441		252	678	
Other comprehensive income	(255)	(351)		156	(222)	
Net profit (loss) for the period	(53)	90		408	456	
EBITDA*	381	302		1,245	1,006	
<i>EBITDA% *</i>	7.8%	7.0%		7.3%	6.8%	
EBITDA	381	302		1,078	1,006	

- Goods and services sold totalled ISK 17,062 million in FY 2020 versus ISK 14,845 million in FY 2019, representing an increase of 14.9% from the prior year. Goods and services sold in Q4 2020 totalled ISK 4,906 million, up 13.1% from the prior year.
- Gross profit* was ISK 4,288 million (25.1%) in FY 2020, as compared to ISK 3,845 million (25.9%) in FY 2019
- Operating costs* were ISK 3,791 million (22.2%) in FY 2020, versus ISK 3,426 million (23.1%) in FY 2019
- EBITDA* was ISK 1,245 million (7.3%) in FY 2020, versus ISK 1,006 million (6.8%) in FY 2019. EBITDA was ISK 381 million in Q4 2020, or 7.8%, as compared to ISK 302 million and 7.0%, respectively, in the same period in 2019
- Net financial expenses amounted to ISK 185 million in FY 2020, versus a net financial income of ISK 325 million in 2019. Net financial income in 2019 was impacted by the dissolution of the subsidiary Nyherji A/S, which was netted out before being recorded in net income for the year.
- Origo's share of the profit of an associate was ISK 132 million in FY 2020, as compared to ISK 9 million in FY 2019
- Other comprehensive income was positive by ISK 156 million in FY 2020, versus a negative figure of ISK 222 million in FY 2019 due to the aforementioned dissolution of a subsidiary
- There was a net profit of ISK 408 million in FY 2020, as compared to ISK 456 million in FY 2019. There was a net loss of ISK 53 million in Q4 2020, as compared to a net profit of ISK 90 million in the same period in 2019.

Balance Sheet

In ISK million	31.12.2020	31.12.2019
Fixed assets	8,028	7,738
Current assets	4,336	4,147
Total assets	12,364	11,885
Equity	7,012	6,817
Long-term liabilities	1,945	1,972
Short-term liabilities	3,406	3,095
Total equity and liabilities	12,364	11,885
Working capita ratio	1.27	1.34
Equity ratio	56.5%	57.1%

- Fixed assets increased by ISK 290 million during the year, due mainly to an increase in the recorded value of an interest in an associate.
- Current assets increased by ISK 189 million during the year, due to an increase in cash and higher inventory at year-end 2020, offset by a decrease in trade and other receivables.
- Equity increased by ISK 195 million during 2020. The company repurchased shares for ISK 33 million and paid a dividend of ISK 180 million during the year.
- Long-term liabilities decreased by ISK 27 million in 2020
- Short-term liabilities increased by ISK 311 million in 2020, mainly due to an increase in trade and other payables
- The equity ratio stands at 56.5%, versus 57.1% at year-end 2019
- The working capital ratio stands at 1.27, versus 1.34 at year-end 2019

Cash Flow Statement

In ISK million	1.1.-31.12.2020	1.1.-31.12.2019
Cash from operations	1,493	629
Investing activities	(620)	(722)
Financing activities	(548)	(2,256)
Increase (decrease) in cash	325	(2,350)
Effect of exchange rate changes on cash	22	0
Cash at beginning of year	826	3,175
Cash at end of period	1,173	826

- Cash from operations amounted to ISK 1,493 million at year-end 2020, as compared to ISK 629 million at year-end 2019
- Investing activities amounted to ISK 620 million in 2020, versus ISK 722 million in 2019
- Financing activities amounted to ISK 548 million in 2020, versus ISK 2,256 million in 2019, when a dividend of ISK 1,000 million was paid out. The main activities in 2020 included an ISK 180 million dividend payout, new long-term loans in the amount of ISK 100 million, loan repayments in the amount of ISK 64 million, and lease liabilities in the amount of ISK 371 million
- Cash increased by ISK 325 million in 2020

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Shareholders

At year-end 2020, the company had a market value of ISK 17,357 million. The share price at the close of the quarter was ISK 39.9 per share. Outstanding shares on 31 December 2020 were 435 million and there were 536 shareholders.

Presentation on 29 January 2021

A meeting where the results will be presented to market participants and investors will be held on Friday, 29 January. At the meeting, management will present the company's operations and results and respond to questions. The presentation will commence at 8:30 a.m. local time and will be conducted via teleconference equipment, and it may also be viewed via a live web stream.

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

Financial calendar

4 March 2021	Origo AGM
29 March 2021	Results for Q1 2021
26 August 2021	Results for Q2 2021
21 October 2021	Results for Q3 2021
27 January 2022	Results for Q4 2021
3 March 2022	Origo AGM

Approval of financial statements

These financial statements were approved at a meeting of the Board of Directors of Origo hf. on 28 January 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 og CEO Jón Björnsson at +354 693 5000 or 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.