

Origo Results for Q1 2021

EBITDA of ISK 301 million in the first quarter of 2021

Financial highlights:

- Goods and services sold totalled ISK 4,174 million in Q1 2021 (2.4% revenue decline from Q1 2020) [Q1 2020: ISK 4,277 million]
- Gross profit was ISK 1,094 million (26.2%) in Q1 2021 [Q1 2020: ISK 1,050 million (24.6%)]
- EBITDA totalled ISK 301 million (7.2%) in Q1 2021 [Q1 2020: ISK 237 million (5.5%)]
- Other comprehensive income was negative by ISK 18 million in the first quarter [Q1 2020: +460 million]
- Net profit of ISK 163 million in the first quarter [Q1 2020: ISK 425 million]
- Equity ratio of 58.6%, versus 56.5% at year-end 2020
- Working capital ratio of 1.20, versus 1.27 at year-end 2020

Operational highlights:

- Origo acquired a 100% interest in the information security company Syndis ehf.
- Origo acquired a 30% interest in the technology company Datalab
- 44% growth in the sale of own software
- Continued growth in end-user equipment despite product shortages
- Record quarter for Tempo

Jón Björnsson, CEO of Origo hf:

"The first quarter of 2021 was quite successful for the Company. A comparison with the previous year is certainly difficult due to changes in the economy, which occurred in the same quarter of last year. The quarter ended 2.4% below last year's revenue, which is entirely explained by low infrastructure sales compared to last year when the Company completed large sales to data centres. Revenue from other segments, however, is growing. Operating results are good, with the Company delivering a 10% higher EBITDA than in Q1 2020 and, in terms of operating earnings, it was the best Q1 in three years. This result is largely attributable to revenue composition and lower operating costs than the Company has been seeing. We are also pleased to see that Tempo is performing extremely well.

Origo has acquired 100% ownership of Syndis, one of the leading and most exciting information security companies in Iceland. With the acquisition, Origo's security solutions and Syndis will be merged under the Syndis name. The aim of the acquisition is to combine two strong units that complement each other and have been doing excellent work in the area of cybersecurity. This acquisition puts us at the forefront of digital security in Iceland. We see this as a strong unit that offers comprehensive digital security services and consulting. Origo has for years built up a strong team of specialists in the area of security solutions with a strong backing of suppliers. It is clear that the team that will be part of Syndis will greatly expand our range of solutions and knowledge in one of the most rapidly growing markets in information technology. We will be able to offer 24-hour monitoring of systems, enhanced network security services and cloud consulting, as well as performing security tests, code reviews and training for staff and special courses for developers. At the same time, Syndis will seek to promote innovation by developing methods for monitoring customer environments, analysing risks in the external environment and providing advice to assist companies that need to meet compliance.

Origo has also acquired a 30% stake in the technology company DataLab, which develops solutions based on artificial intelligence technology and provides consultation on the utilization of such solutions. The aim of the investment in DataLab is to strengthen data-driven and smart solutions, where diverse data and methods that utilise AI and data science are used to automate business processes, improve the user experience, increase sales, reduce uncertainty, risk and cost and increase operational efficiency.

The acquisition of Syndis and the investment in Datalab are part of the changes we are making to Origo's managed services. Major changes have taken place in the IT environment of companies with an increased influx of software into the cloud and less emphasis on their own data centres. This has changed the nature of infrastructure sales, which are now fewer in number but at the same larger in size. The operating environment is changing and companies are increasingly in need of more extensive services around how they should operate in a more diverse environment, how they use data and how they ensure data and operational security. Origo is focused on being able to operate the services of its customers, whether they are hosted in Iceland or abroad.

Origo is working to make such services even better and more cost-effective. Our investment in our own infrastructure is in the final stages and we can now offer companies geographical separation of systems and data, double installation between



PUBLISHED ON THURSDAY 29 APRIL 2021
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machine rooms as well as operating and monitoring customer service in the cloud. At the same time, we see opportunities in the utilization of green energy, the development that has taken place in domestic data centres and the increased demand for HPC clusters. We are taking steps towards being able to offer such services to customers both in Iceland and abroad.

The Company's software units are seeing sustained growth. Origo is strong in third-party enterprise software and has placed increasing emphasis on the development of its own solutions within enterprise software such as SAP, SAP S / 4Hana and Microsoft Business Central. We reached a new milestone when we released three of our own software products for Business Central on the Microsoft marketplace in the first quarter, and we expect to add one more in the second quarter. Own software, which is fairly well defined around the healthcare sector, human resources solutions, quality systems and solutions for tourism, has performed well, with a 44% increase in revenue between years. The greatest growth is within the start-up segment, or 68%, where we offer six different solutions at a fairly broad stage of development. In general, the project status was good in Q1 and we have been successful in work related to the restructuring of our sales and marketing efforts and the coordination of aspects related to marketing activities of our core units.

Origo's sales and focus on end-user equipment continue their positive trend this year. Sales of end-user equipment were up 5% on top of the 38% increase seen last year despite considerable challenges on the purchasing side, as there has been a significant product shortage of hardware due to the worldwide short supply of processors. Origo has a focus area centred on a digital office where customers can count on receiving a complete solution, consultation and services in a modern environment. These include teleconferencing solutions, the smart home and the smart office. Origo's investment in service-related solutions is beginning to have a positive effect on the Company's operations, as many solutions are in great demand when companies place more emphasis on optimization and a digital interface. These include products such as self-service systems, queuing systems, scanners, and electronic shelf labels.

Tempo delivered record results in the first quarter of 2021. Changes in the terms of the Atlassian Marketplace, which meant that Atlassian stopped selling traditional software licenses and focused on supporting data centres and cloud solutions, had a very positive effect on sales in the first quarter. Similar growth is not expected in the second quarter. The first quarter saw a 32% rise in revenue and a 43% increase in EBITDA. The company is in a very good financial position and is continually working to improve product features and automation, as Tempo aims to be a leader in the field of digital time tracking and also gain a further foothold outside the Atlassian Marketplace. The company added a significant number of employees in the first quarter and a long search for a CEO ended with the hiring of Mark Lorian, who has a very strong background in the operation of companies such as Tempo. Mark has extensive experience in the sale of software and technology solutions as well as having experience in managing a growing software company.

Origo took the first steps towards sharpening its social focus in the second half of last year; it is clear that the Company can make a significant contribution when it comes to gender equality, fostering innovation, environmental issues, and the health and well-being of employees. The Company has set goals for sustainability and will regularly track the benchmarks it uses to achieve further results in this area. Origo aims to increase the share of women in the technology sector and of 25 new hires in 2021, 52% have been women.

Origo expects a good continuation from the first quarter into the second quarter of the year. The Company's ongoing 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. There are several large and exciting transformation projects ahead, and we are hopeful that projects related to the tourism industry will resume in the coming months. At the same time, we are very excited about projects related to information security and believe it is vital to help organizations increase their security awareness and address digital security issues, just as they address other security issues."

Income Statement

In ISK million	1.1.-31.3. 2021	1.1.-31.3. 2020	%
Goods and services sold	4,174	4,277	-2.4%
Cost of goods and services sold	(3,079)	(3,227)	-4.6%
Gross profit	1,094	1,050	4.2%
<i>Gross profit/revenue (%)</i>	26.2%	24.6%	
Operating expenses	(986)	(983)	0.3%
Operating profit	108	68	59.8%
<i>Operating profit/revenue (%)</i>	2.6%	1.6%	
Net financial expense	(16)	(126)	
Share of profit of associate	103	11	
Income tax	(14)	12	
Profit (loss) for the period	181	(35)	
Other comprehensive income	(18)	460	
Total comprehensive income for the period	163	425	
EBITDA	301	237	
<i>EBITDA%</i>	7.2%	5.5%	

- Goods and services sold totalled ISK 4,174 million in Q1 2021 versus ISK 4,277 million in Q1 2020, representing a 2.4% decrease from the prior year. Revenues were up in Software and Related Services and End-User Equipment and Related Services, but down in Managed Services and Infrastructure
- Gross profit was ISK 1,094 million (26.2%) in Q1 2021, as compared to ISK 1,050 million (24.6%) in Q1 2020
- Operating costs were ISK 986 million (23.6%) in Q1 2021, versus ISK 983 million (23.0%) in Q1 2020
- EBITDA was ISK 301 million (7.2%) in Q1 2021, versus ISK 237 million (5.5%) in Q1 2020
- Net financial expenses amounted to ISK 16 million in Q1 2021, versus ISK 126 million in Q1 2020. There was an ISK 100 million foreign exchange loss in Q1 2020.
- Origo's share of the profit of an associate was ISK 103 million in Q1 2021, versus ISK 11 million in Q1 2020
- Other comprehensive income was negative by ISK 18 million in Q1 2021, versus a positive figure of ISK 460 million in Q1 2020; this is explained by a translation difference in respect of Tempo.
- The total comprehensive income for the period amounted to ISK 163 million in Q1 2021, as compared to ISK 425 million in Q1 2020.

Balance Sheet

In ISK million	31.03.2021	31.12.2020
Non-current assets	8,230	8,028
Current assets	4,019	4,336
Total assets	12,249	12,364
Equity	7,176	7,012
Non-Current liabilities	1,727	1,945
Current liabilities	3,346	3,406
Total equity and liabilities	12,249	12,364
Working capital ratio	1.20	1.27
Equity ratio	58.6%	56.5%

- Fixed assets increased by ISK 202 million in the first quarter, due mainly to an increase in intangible assets and in the recorded value of an interest in an associate.
- Current assets increased by ISK 317 million in the first quarter, due mainly to lower trade and other receivables.
- Equity increased by ISK 163 million in the first quarter.
- Interest bearing long-term liabilities decreased by ISK 45 million in the first quarter
- Current liabilities increased by ISK 60 million in the first quarter of 2021
- The equity ratio stands at 58.6% versus 56.5% at year-end 2020
- The working capital ratio stands at 1.20, versus 1.27 at year-end 2020

Cash Flow Statement

In ISK million	1.1.-31.03.2021	1.1.-31.03.2020
Net cash provided by operating activities	415	295
Investing activities	(267)	(88)
Financing activities	(125)	(135)
Increase in cash and cash equivalents	23	72
Effect of exchange rate changes on cash	(12)	2
Cash at beginning of year	1,173	826
Cash and cash equivalents at end of period	1,184	900

- Cash from operations amounted to ISK 415 million at the end of Q1 2021, as compared to ISK 295 million at the end of Q1 2020
- Investing activities were ISK 267 million in Q1 2021, versus ISK 88 million over the corresponding period in 2020. The difference is mainly explained by investments in business units and an associate in Q1 2021.
- Financing activities amounted to ISK 125 million in Q1 2021, versus ISK 135 million over the corresponding period in 2020
- Cash increased by ISK 23 million in Q1 2021



PUBLISHED ON THURSDAY 29 APRIL 2021
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Shareholders

At the end of Q1 2021, the Company had a market value of ISK 17,987 million. The share price at the close of the quarter was ISK 41.35 per share. Outstanding shares on 31 March 2021 were 435 million and there were 565 shareholders.

Presentation on 30 April 2021

A presentation of the results for market participants and investors will be held on Friday, 30 April. 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/english/about-origo/investor-relations>

Financial calendar

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

Approval of financial statements

The interim financial statements were approved at a meeting of the Board of Directors of Origo hf. on 29 April 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

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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.