

# Q4 and 12M 2022 results

3 February 2023



# 2022 a turnaround year for Icelandair

**+116%**

Income

2022: \$1,265m  
2021: \$584m



**+\$130m**

EBT

2022: \$0.2m  
2021: -\$130m



**+150%**

Passengers

2023: 3.7m  
2021: 1.5m



**-17%**

CO2 / OTK

2022: 0.77  
2021: 0.93



**+14 ppt**

Load factor

2022: 79.7%  
2021: 65.3%



**+46%**

FTEs<sup>1</sup>

2023: 3,045  
2021: 2,087



**+25 ppt**

EBIT %

2022: 1.5%  
2021: -23.2%



# Highlights Q4 2022

## Significant EBIT improvement

EBIT USD -16 million improving by USD 19 million y-o-y

Record fourth-quarter passenger revenue

Negative effect of weather disruptions in December estimated USD 7 million

Cargo and Leasing contributed positively to overall results

## Healthy balance sheet

Total liquidity at USD 318 million

Equity ratio 19%

One B737 MAX 8 aircraft purchased, financed with cash

## Route network capacity 95% of 2019 levels

816k passengers, 50% more than last year

Passengers on the via market more than doubled

Load factor and on-time performance negatively affected by weather crisis

CO2 emissions per OTK down by 18%

B767-300 freighter entered operation early December

## EBIT margin guidance for 2023 ~4-6%

Highest no of destinations, frequencies, and connectivity in the route network in 2023

Capacity route network up 15-20%

Cargo and Leasing activity increasing significantly

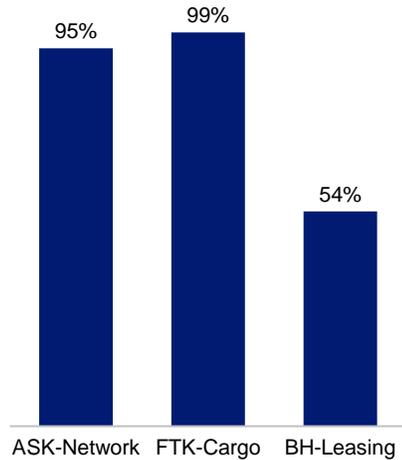
Booking pattern returning to normal

The guidance is subject to change in case of unforeseen economic development

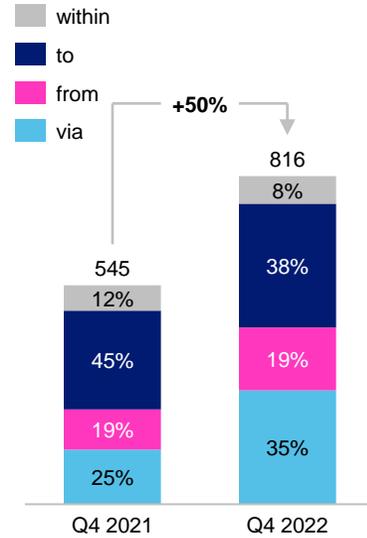


# Route Network and cargo activity at similar level as pre-Covid - CO2 emissions significantly lower

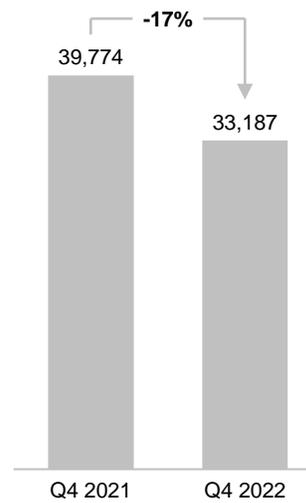
**Main KPI's**  
As % of 2019



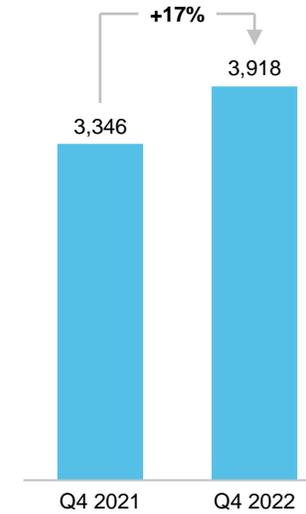
**Passenger mix**  
Thousands



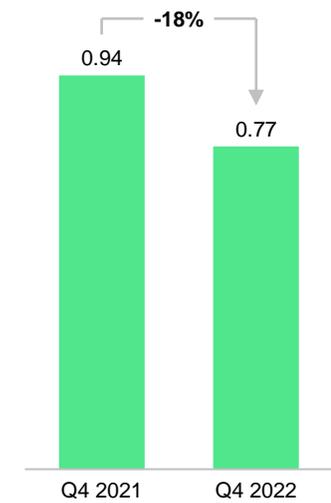
**Freight ton kilometers**  
FTK '000



**Sold block hours**  
Leasing operation



**CO2 emissions**  
Per OTK\*



# Financials

Ívar S Kristinsson, CFO

# Strong passenger revenue generation driving USD 19 million EBIT improvement year-on-year

Negative EBIT effect of extreme weather crisis in December estimated at USD 7 million

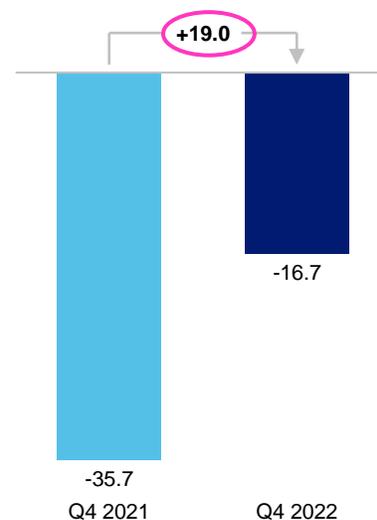
## Profit loss statement

USD million

USD million	Q4 2022	Q4 2021	Change
Transport revenue	255.3	156.5	98.8
Aircraft and aircrew lease	17.6	14.3	3.3
Other operating revenue	17.9	21.8	-3.9
<b>Operating income</b>	<b>290.8</b>	<b>192.5</b>	<b>98.2</b>
Salaries and salary related	83.8	67.3	16.5
Aviation expenses	129.3	84.9	44.4
Other operating expenses	62.3	48.6	13.7
<b>Operating expenses</b>	<b>275.4</b>	<b>200.8</b>	<b>74.6</b>
Depreciation and amortization	32.1	27.4	4.7
<b>EBIT</b>	<b>-16.7</b>	<b>-35.7</b>	<b>18.9</b>
<b>EBIT ratio</b>	<b>-5.8%</b>	<b>-18.5%</b>	<b>-</b>
<b>EBT</b>	<b>-13.3</b>	<b>-43.2</b>	<b>30.0</b>
<b>Net loss</b>	<b>-17.8</b>	<b>-39.4</b>	<b>21.6</b>

## EBIT

USD million

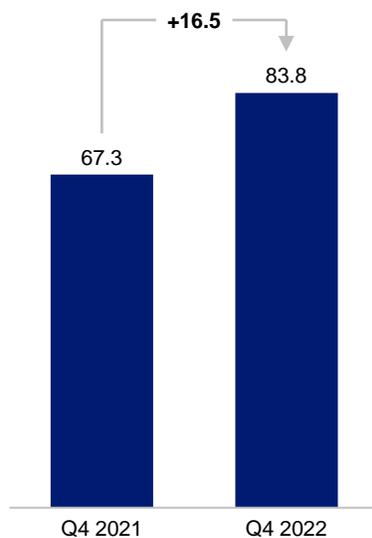


- Strong revenue performance with record fourth quarter passenger revenue
- Improved load factor and yields in all markets and cabins
- Cargo and leasing positively contributed to the overall results
- Other operating revenue declining due to divestment of Iceland Travel
- Increase in capacity along with 47% higher average market fuel price are the main drivers for higher expenses

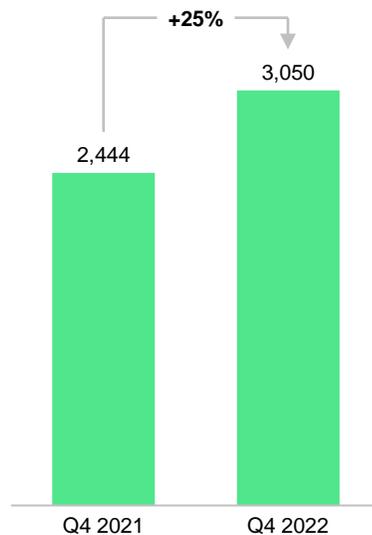


# Higher salary cost Year-On-Year driven by larger scale of business

Salary and related cost  
USD million



Average no of FTEs<sup>1</sup>



Several factors impacting salary cost development Y-o-Y

- Salary cost Y-o-Y increasing on more production
- Significant improvement in salary cost per ASK<sup>2</sup>
- Wage increases (Icelandic labor agreements) in Q1 and from 1<sup>st</sup> November impacting the development
- Continued investment in production ramp-up impacting salary cost; pilot B737 MAX training started in October
- Positive impact of USD/ISK FX development

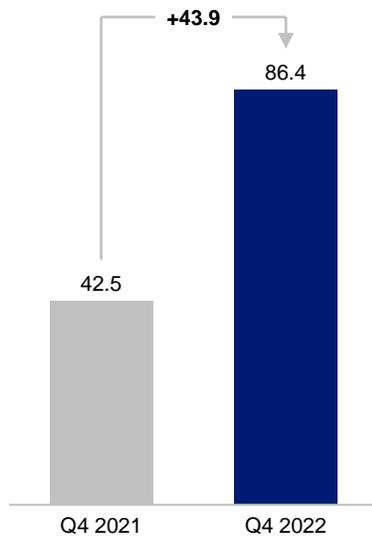


<sup>1</sup>FTEs = Full Time Equivalents, <sup>2</sup>ASK: Available Seat Kilometers

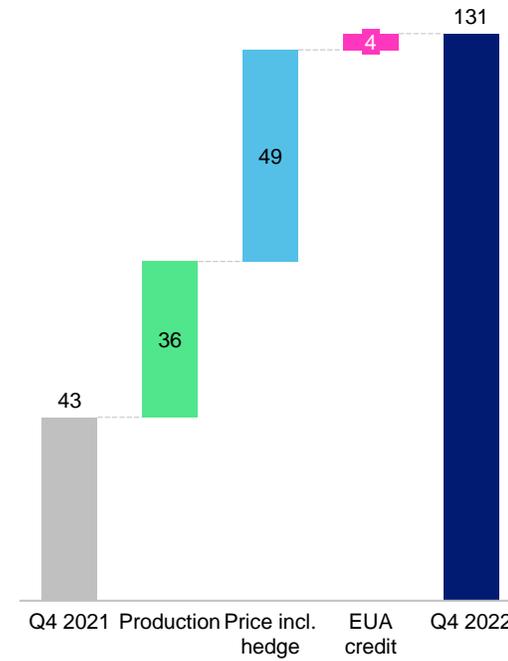
# High fuel prices and more production driving higher fuel cost

Average fuel market price in 47% higher than in Q4 2021

Fuel cost  
USD million



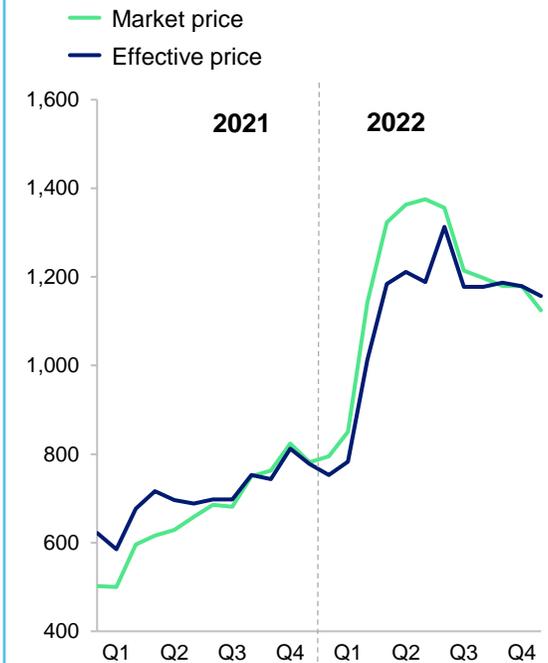
Main changes in fuel cost  
USD million



Hedge contracts and ratios  
Overview ton (Hedge %, Strike Price \$/mt)

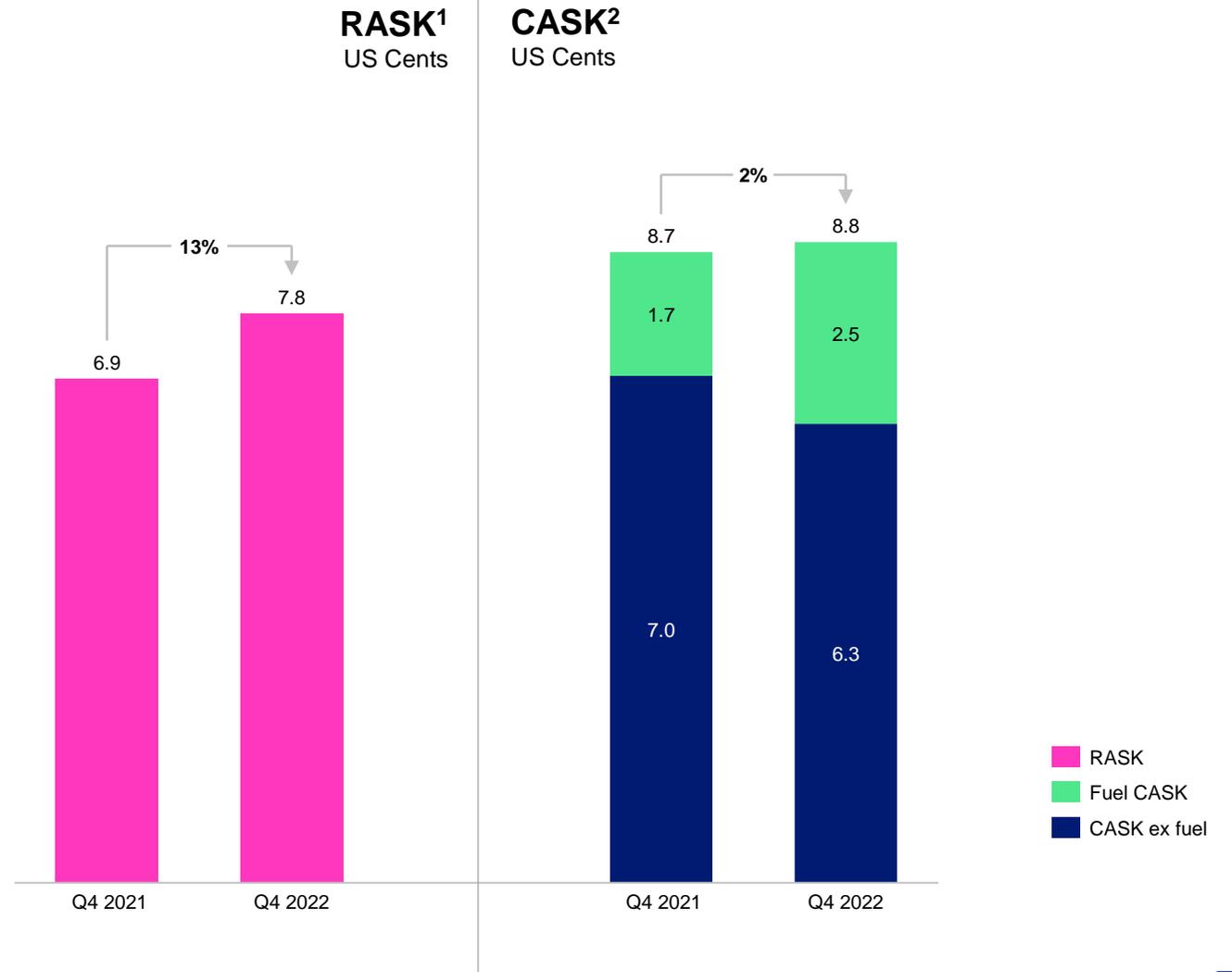


Fuel price  
USD per metric ton



Unit revenue  
developing  
positively  
year-on-year

Unit cost excluding  
fuel down by 9%



# 2022 a turnaround year for Icelandair

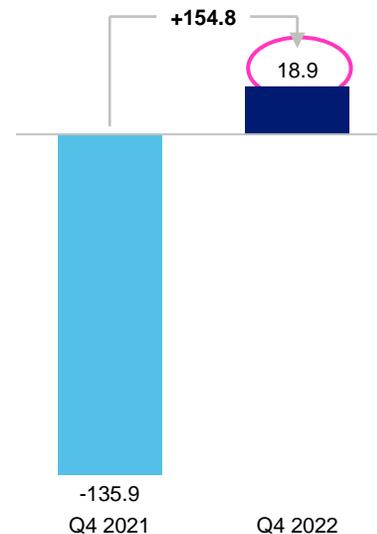
Flexible business model used to rapidly increase capacity to meet demand recovery in all markets



## Icelandair consolidated 2022

USD million	12M 2022	12M 2021	Change
Transport revenue	1,130.3	453.9	676.4
Aircraft and aircrew lease	58.5	42.7	15.8
Other operating revenue	76.4	88.4	-12.0
<b>Operating income</b>	<b>1,265.1</b>	<b>584.9</b>	<b>680.2</b>
Salaries and other personell expenses	308.6	215.5	93.1
Aviation expenses	570.6	235.5	335.2
Other operating expenses	248.2	156.8	91.4
<b>Operating expenses</b>	<b>1,127.4</b>	<b>607.7</b>	<b>519.7</b>
Depreciation and impairment	118.9	113.1	5.7
<b>EBIT</b>	<b>18.9</b>	<b>-135.9</b>	<b>154.8</b>
<b>EBIT ratio</b>	<b>1.5%</b>	<b>-23.2%</b>	<b>24.7 ppt</b>
<b>EBT</b>	<b>0.2</b>	<b>-130.1</b>	<b>130.2</b>
<b>Net loss</b>	<b>-5.8</b>	<b>-104.8</b>	<b>99.0</b>

## EBIT per operating segment



- Significant EBIT improvement of USD 155 million y-o-y
- Strong revenue performance with record passenger revenue in second half of 2022
- Fuel prices increased 77%
- Fuel expenses 33% of total operating expenses vs 20% LY
- Cargo and Leasing positively contributed to overall results
- Record results in the Leasing operation

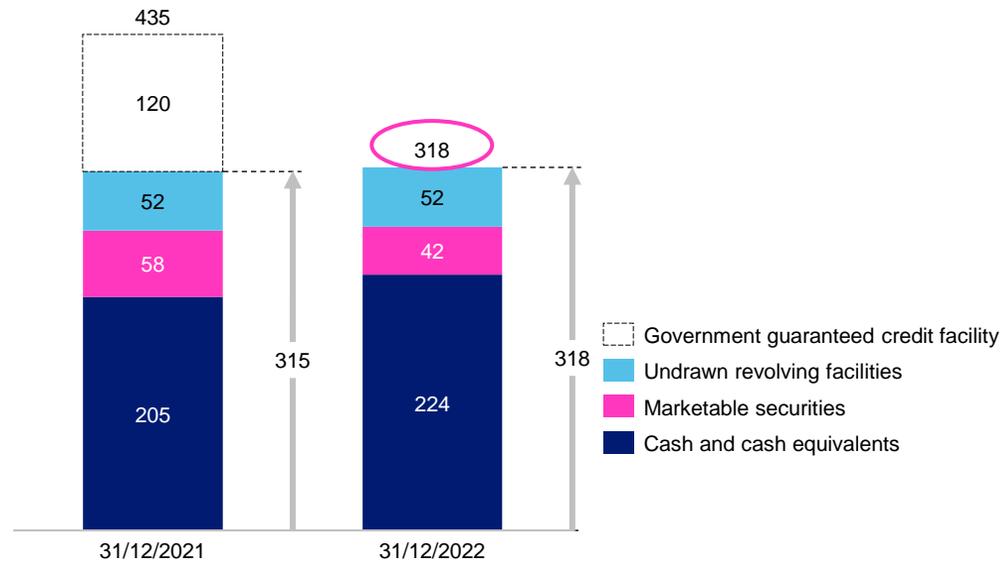


# Total liquidity USD 318 million at year-end 2022

Cash and marketable securities decreased by USD 55 million during the quarter

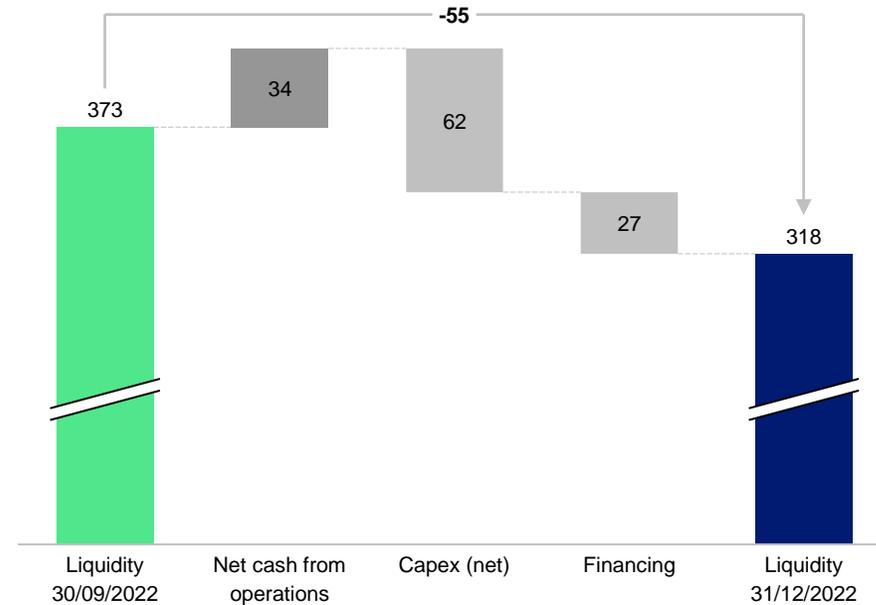
## Total liquidity

Breakdown in USD million



## Liquidity development

Q4 2022 in USD million

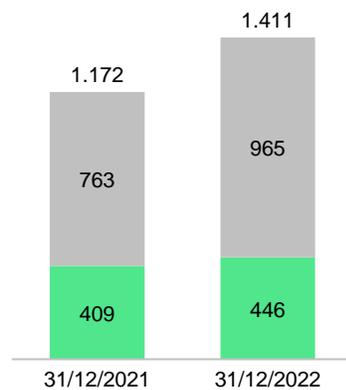


# Healthy balance sheet with equity at USD 273 million and equity ratio at 19%

## Assets

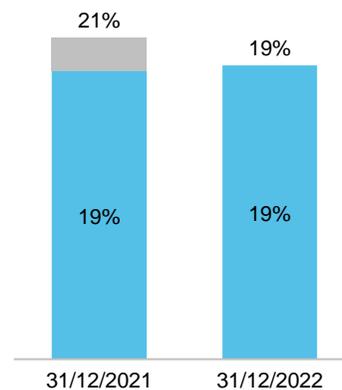
USD million

- Non-current assets
- Current assets



## Equity ratio

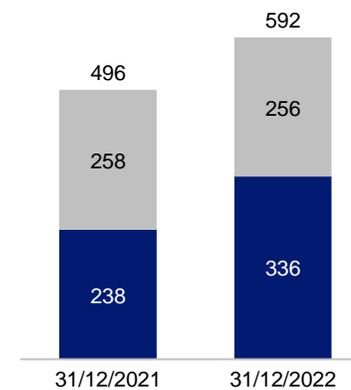
- Equity ratio excl. warrants
- Equity ratio



## Financial liabilities<sup>1</sup>

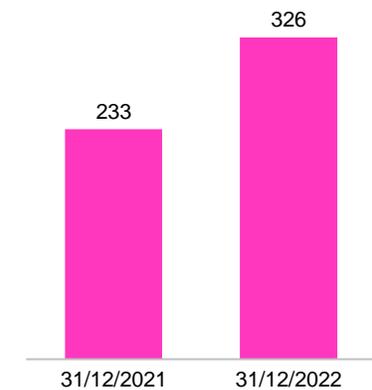
USD million

- Interest bearing debt
- Lease liabilities



## Net financial liabilities<sup>2</sup>

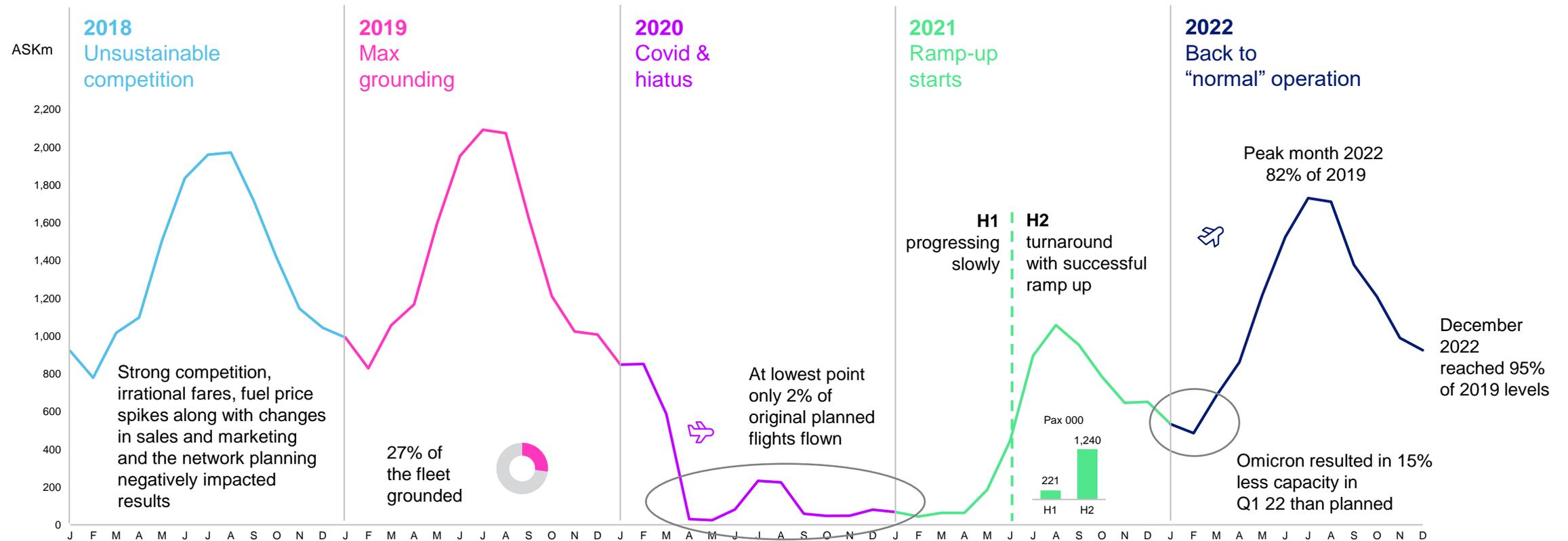
USD million



# Key takeaways and outlook

Bogi Nils Bogason, CEO

# Icelandair has gone through a challenging few years



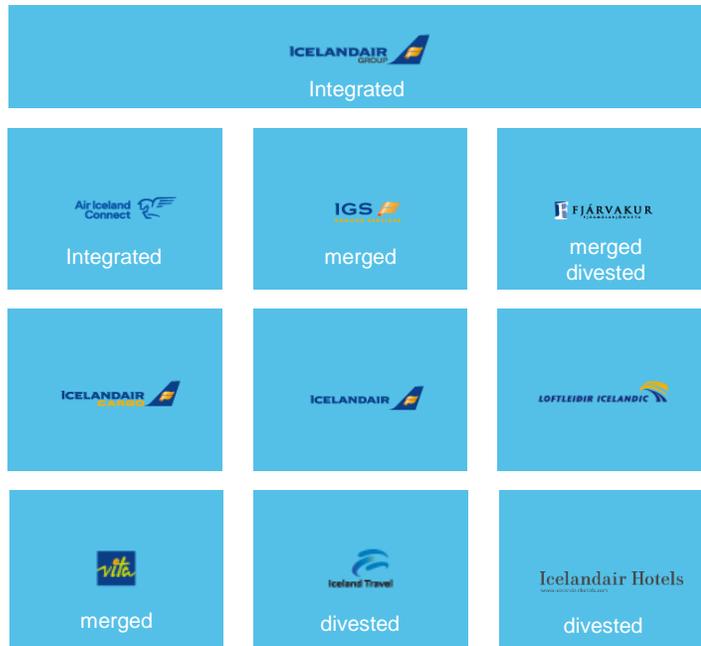
**Icelandair has not let the challenging years  
go to waste and used the time well  
to strengthen the foundation  
of the Company**



# Icelandair has simplified and streamlined its business

Shift of focus from conglomerate in the tourism industry to aviation

## Icelandair 2018



## Icelandair 2022

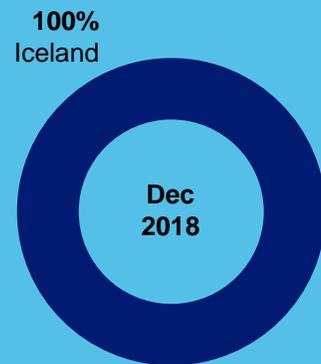
Focus on being a small and dynamic airline in a highly competitive market



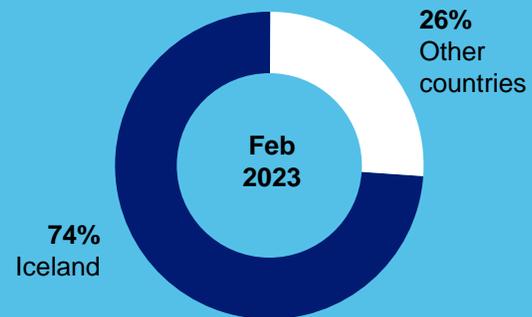
# Icelandair has broadened and diversified the shareholder base

99.9% of shareholdings owned by Icelanders in 2018

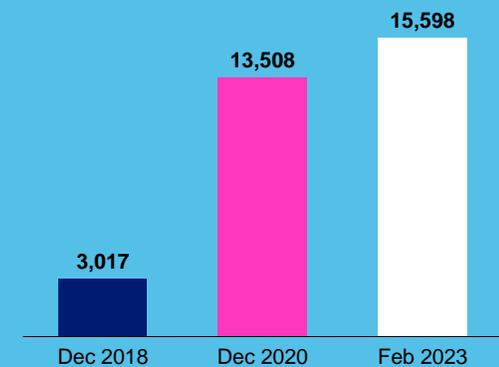
**Total  
shareholdings 2018**



**Total  
shareholdings 2023**



**Number of  
shareholders**



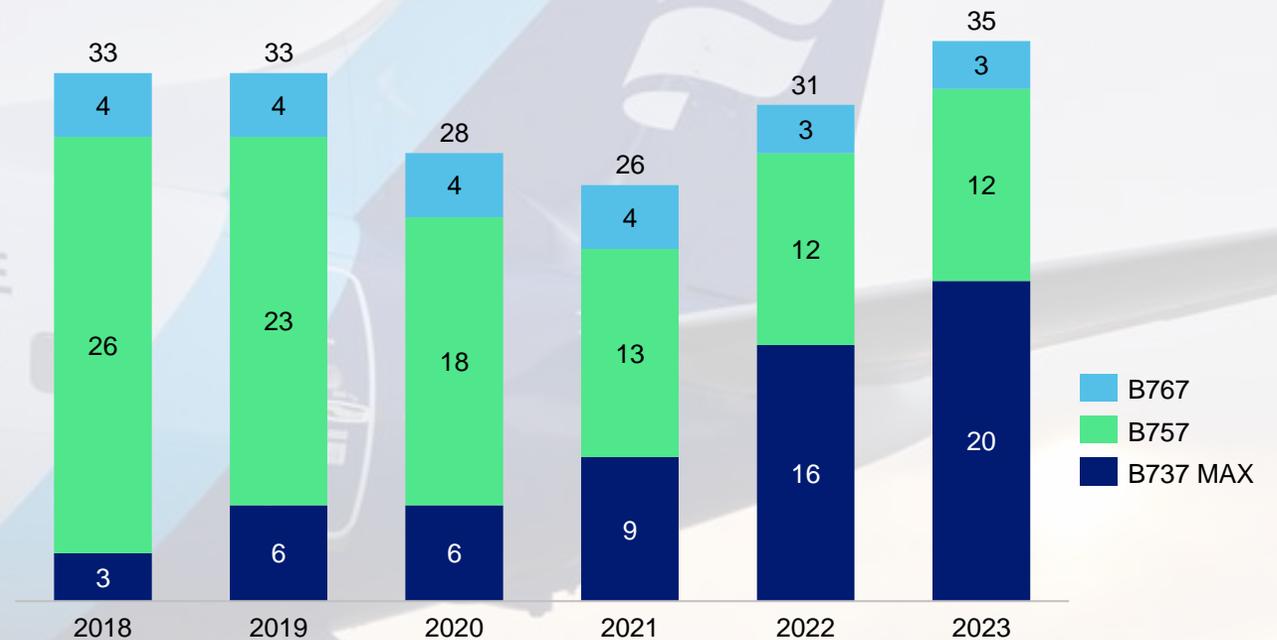
Icelandair has invested USD 720 million in fleet renewal in the international passenger network since 2018

Older aircraft phased out for more fuel efficient and environmentally friendly B737 MAX

## Fleet composition 2018-2023

Av. age of fleet  
20 years

Av. age of fleet  
13 years

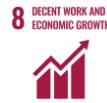


# Two Boeing 767 freighter aircraft added and service across the North Atlantic expanded

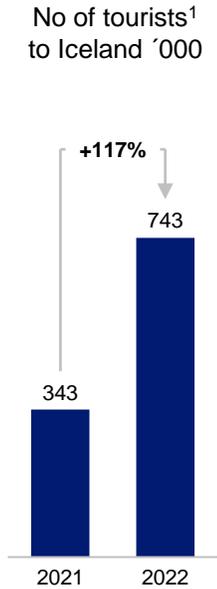
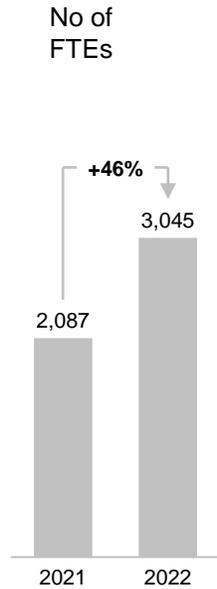
Los Angeles, Chicago, New York and Liege the main freighter destinations



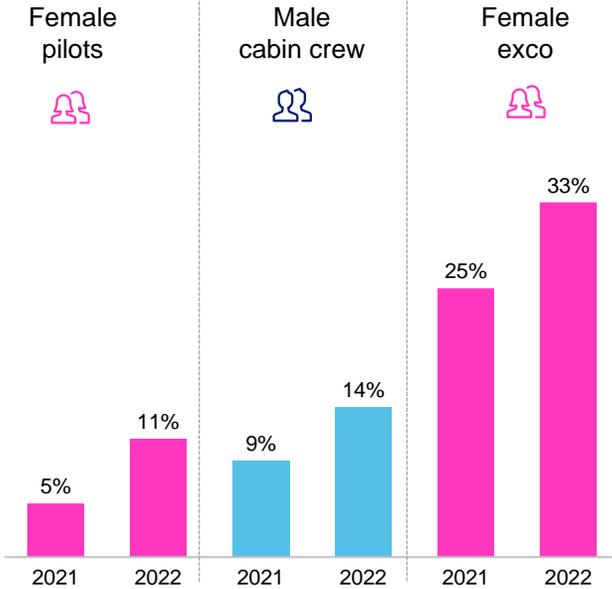
# Focus on economic, social and environmental impact



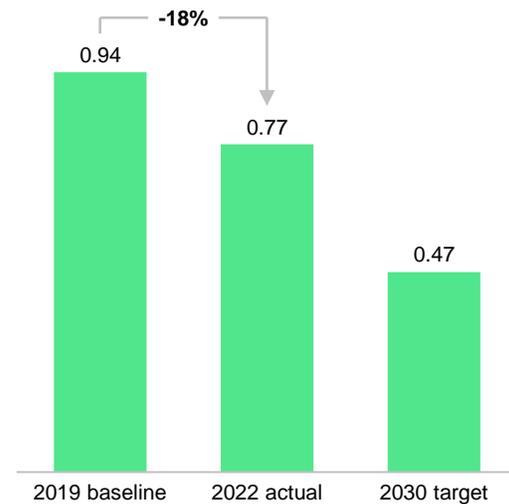
## Positively contributing to work and economic growth



## Gender equality improvement pilots, cabin crew, management



## Icelandair on track towards 2030 target of CO<sub>2</sub>/OTK<sup>2</sup>



<sup>1</sup>No of tourists: The no of tourist to Iceland transported by Icelandair, <sup>2</sup>OTK: Operational Ton Kilometer

# Largest flight schedule<sup>1</sup> in the history of Icelandair in 2023

## 54 destinations

N-America, and Europe

## 785 connections

Within the network and countless through partnerships

## 5 new network destinations

Detroit, Prague, Barcelona, Tel Aviv, Crete

## 950 departures per week

Peak week August



# High frequency and diverse departure times

Three connection banks provide additional product diversity

## Europe

London LHR	14	Paris CDG	24	Rome FCO	4
London LGW	7	Berlin BER	10	Milan MXP	6
Manchester MAN	4	Amsterdam AMS	14	Barcelona BCN	3
Glasgow GLA	6	Brussels BRU	7	Tel Aviv TLV	3
Dublin DUB	9	Frankfurt FRA	17	Tenerife TFS	3
Copenhagen CPH	28	Hamburg HAM	5	Alicante ALC	2
Oslo OSL	17	Munich MUC	10	Madrid MAD	2
Stockholm ARN	16	Zurich ZRH	10	Nice NCE	2
Helsinki HEL	7	Geneva GVA	5	Billund BLL	3
Bergen BGO	4	Prague PRG	4	Crete CHQ	1

## N-America

Boston BOS	21	Denver DEN	11
New York JFK	17	Seattle SEA	14
Newark EWR	7	Portland PDX	6
Washington IAD	14	Vancouver YVR	4
Baltimore BWI	7		
Chicago ORD	14		
Minneapolis MSP	7		
Raleigh-Durham RDU	5		
Detroit DTW	4		
Toronto YYZ	14		

## Greenland

Nuuk GOH	5
Ilulissat JAV	9
Kulusuk KUS	5
Narsarsuaq UAK	2

## Domestic

Akureyri AEY	27
Egilsstaðir EGS	20
Ísafjörður IFJ	14



Daily frequency
>2X
1-2X
<1X
New destinations



# Outlook

## **Cargo and Leasing**

- Continued development of airfreight hub in Keflavik
- Favourable outlook for leasing operations

## **Route Network**

- Booking patterns gradually returning to normal
- All markets are performing well with N-America showing significant strength
- Record sales for the month of January
- Capacity recovery to Iceland in July outpacing most western markets; at ~ 117% of 2019 compared to ~ 98% in on the direct Transatlantic market

## **General**

- Operating environment remains challenging; supply chains still volatile
- Inflation and higher wages increasing cost
- Aircraft fuel price remains high

# Full- year outlook for 2023

	EBIT margin	4% - 6%
	Net capex USDm	95 - 115
	Capacity chg.	15% - 20%
	Av. fuel m/t USD	950
	Av. EUA per unit EUR	90
	Av. USD/ISK	136



# Q&A

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