

Eimskip: First quarter 2024 results

Highlights of Q1 2024 results

- Slow start of the year and challenging market conditions affecting results for first quarter, mainly due to lower results from Container liner operation.
 - Liner services results are marked by transformation in Trans-Atlantic rates compared to the previous year and lower volumes in Iceland, Faroe Islands and Trans-Atlantic.
 - International forwarding business performed well in the quarter and delivered solid results despite a moderate decrease from previous year as anticipated.
- Revenue amounted to EUR 195.9 million, a decrease of EUR 18.7 million or 8.7% when compared with Q1 2023.
 - Main drivers behind the revenue decrease are lower Trans-Atlantic rates and volume and lower import volume to Iceland and the Faroe Islands combined with different cargo mix in the Icelandic trade, e.g. no capelin season, sharp reduction in import of cars and increased export of recycling materials.
- Expenses amounted to EUR 181.7 million, a decrease of EUR 1.1 million or 0.6% from Q1 2023.
 - Bunker expenses decreased due to both lower prices and less consumption.
 - Salary expenses increased by EUR 2.5 million or 7.1% compared to Q1 2023 due to general wage increases as FTE remained stable.
- EBITDA for the quarter amounted to EUR 14.2 million compared to EUR 31.8 million in Q1 2023, which was a record first quarter. EBITDA ratio was 7.3% compared to 14.8% for the same quarter last year.
- EBIT for the quarter amounted to EUR -0.9 million compared to EUR 15.8 million in Q1 2023.
- Net earnings amounted to EUR 0.5 million compared to EUR 12.5 million for the same period in 2023.

VILHELM MÁR THORSTEINSSON, CEO

“We had a slow start of the year which, combined with challenging market conditions, affected the financial results for the first quarter of 2024. If we look at the results by segments, the primary driver behind the EBITDA decrease from previous year is our Container liner operation. Traditionally, first quarter has lower volumes in container transportation in Iceland and the Faroe Islands, but this year volume picked up at a slower pace during the quarter than was anticipated, resulting in a decrease in Container liner volume in these two important markets year-on-year. In the Trans-Atlantic services, volume and freight rates contracted substantially compared to the first quarter of 2023 when that market was extremely strong. However, we saw a positive volume increase from the fourth quarter of 2023, demonstrating resistance after a period of volume reduction, partly on back of focused sales initiatives in our international sales network. In Iceland, average freight rates were negatively affected by market dynamics such as lack of capelin quota, while export of recycling materials grew significantly from the previous year. In the Faroe Islands, private consumption has been under pressure since mid-last year, causing contraction in import while the export market has remained solid, with a stable output of farmed salmon and generally good fisheries. In Norway, volume in our reefer liner services picked up as the quarter progressed alongside the whitefish season. However we have experienced a shift in that market towards increased coastal transportation at the expense of exports, which has caused average rates to decline.

Our international forwarding operations performed well in the quarter and delivered solid financial results despite a moderate decrease from previous year as anticipated. However, the forwarding volume increased by 7% from the same quarter last year, while margins decreased as expected due to changed market conditions. The global shipping market has somewhat adapted to the Red Sea Crisis although the rates are still volatile and generally at a higher level than before the crisis affected transportation through the Suez Canal.

We continue to experience broad-based cost increases, with sizable wage increases and general inflationary pressure on various operating expenses. This fact plays a major role in our margin reduction now that the revenues have softened due to changed market conditions. Fortunately, in the second quarter we started to see some benefits of the recent sailing system changes and furthermore we are working on various streamlining and cost avoidance initiatives across the group, including focused FTE reduction and renegotiating with key suppliers. It is disappointing to experience that, out of our supplier and vendor base, tariff increases from public authorities or publicly owned entities in Iceland are substantial.

We are pleased to see the results of a newly conducted survey among our customers, who continue to express high satisfaction with our services. These results are in line with our commitment to offer excellent customer experience, which would not be possible without our team of experienced and dedicated employees internationally. The employees continue to prove that they are well-equipped to face challenges, find solutions and deliver. I am furthermore pleased to see our latest employee survey, finalized in May, which shows high employee engagement score and is above the benchmark of similar international companies, reflecting our positive work culture.

The second quarter started somewhat stronger, we are noticing seasonal pick-up and remaining hopeful that this quarter will be considerably better than the preceding one. The outlook in Iceland is mixed, import is expected to remain on a stable but slightly lower level than last year and fish export has been strong but is expected to slow down in line with remainder of the groundfish quotas in coming months, however, will somewhat be offset by volumes from coastal fisheries that commenced in May. Additionally, we are pleased to see that industrial output in Iceland has returned to a solid level. There is positivity surrounding our Trans-Atlantic services with increased momentum in volume and rates that have increased over the course of last few weeks, however the rates are still far below the elevated levels that we saw in 2022 and the first half of 2023. The outlook is also positive for our international forwarding operations where volume is strong and margins generally at a solid level.”

INVESTOR MEETING 8 MAY 2024

The Board of Directors of Eimskipafélag Íslands hf. approved the Company's Condensed Consolidated Interim Financial Statements for first quarter 2024 at its meeting on 7 May 2024. Investors and market participants are invited to a meeting on Wednesday, 8 May 2024, at 8:30 a.m. at the Company's headquarters, Sundabakki 2, second floor. The meeting will also be webcasted live in Icelandic at www.eimskip.com/investors. Vilhelm Már Thorsteinsson, CEO and María Björk Einarsdóttir, CFO, will present the Company's financial results for Q1 2024. Investor presentation and a recording of the meeting will be available on the Company's investor relations website.

FURTHER INFORMATION

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FORWARD-LOOKING STATEMENTS

Statements contained in this financial press release that refer to the Company's estimated or anticipated future results or future activities are forward-looking statements which reflect the company's current analysis of existing trends, information and plans. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially depending on factors such as the availability of resources, the timing and effect of regulatory actions and other factors. Eimskip undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after this press release. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement.