Q2 Interim Report 2021

Wednesday, 14th July 2021

Second quarter results 2021

Kjell Johnson

Group CEO

Good morning everyone and welcome to the second quarter report. With me today I have Mikael Larsson, our CFO, and Samuel Skott, our Chief Commercial Officer. Today we'll walk you through the results for the quarter and we will run a Q&A session afterwards where we can address your questions.

Since I became CEO of Tele2, I have talked about the challenges that we have faced and dealt with during the ongoing pandemic in order to reach our goals. With a post-pandemic society on the horizon, I can now safely say that we are overcoming those challenges and we are starting to see a turnaround in the financial results. At the capital markets day in May, we presented our plans for our commercial business as well as the crucial IT and technology transformation that enables it all. I'm happy to see that the plans we have set are already starting to show positive signs, as I will briefly explain to you as we go through the figures of this quarter. Let's then turn over to the numbers.

Solid quarter with disciplined focus and delivery

Growth in the Baltics

End user service revenue returned 2% growth for the group in the quarter as the Baltics continued to grow really well and we saw Sweden stabilizing, as we grew in Sweden B2C and we saw a trend shift in Sweden B2B compared to previous quarters. Strong performance in the Baltics, execution of the business transformation program, and lower commercial spending in Sweden led to an underlying EBITDAaL growth of 8%.

We continue to invest in 5G in Sweden but we are not yet at our full year run rate, which you can see in our CapEx for the quarter. We expect to increase the speed in the second half and onwards as we ramp up the 5G rollout in Sweden and eventually start in the Baltics once we have acquired the spectrum.

During the quarter we paid our SEK 3 to our shareholders. It was the first half of the ordinary dividend. And in July we paid an extraordinary dividend of SEK 3. The remaining SEK 3 of the ordinary dividend is scheduled for October, meaning that we would have distributed SEK 9 this year to shareholders. This is in line with our mission of having superior shareholder return.

Sweden B2C

We successfully combined two of the most iconic consumer brands in Sweden into one strong premium brand which concludes the first phase of our FMC journey. During this phase, we have shown that we are willing to take responsibility in the market through our value-led strategy and we see that our more-for-more price adjustments are now improving the top line.

With roaming revenue at now roughly at the same level as last year and other areas that were particularly affected by the pandemic, such as TV and mobile prepaid stabilizing, we were able to grow the Sweden B2C business for the first time in a while.

Sweden B2B

In Sweden B2B we continue our multi-segment approach to take market share within SME, increase profitability in large private enterprise and defend our position within the large public enterprise segments. The initial results look promising and we see that a new mobile portfolio for small business, launched in the first quarter, is starting to bear fruit. While it will take some time to turn the B2B business back to growth, we start to see the end-user service revenue shift materializing and we are on track towards stabilization in 2022.

Baltics performance

We see the fantastic performance in the Baltics continue, with strong end-user service revenue and underlying EBITDAaL growth. This is done through our more-for-more strategy as we monetize the increased demand for data and leverage our different market positions in each market.

Swedish consumer segment

But let's now move over to the Swedish consumer segment on slide 4. The consumer market is in a similar state as the previous quarter, with lower activity due to Covid-19 restrictions. Together with the price adjustments which always come with slightly elevated churn, this led to a negative net intake in mobile postpaids.

In fixed broadband, we really saw how resilient the business is, as net intake remained relatively strong despite headwinds from the pandemic, pricing adjustments and the removal of one of the most well known fixed broadband brands in the Swedish markets.

Price adjustments in postpaid and fixed broadband supported continued after loss in the quarter and cable and fiber TV also turned around as the revenue from premium sports is back.

Top line end-user service revenue increased 1% as growth in mobile postpaid, fixed broadband and cable and fiber TV compensated for the continued decline in legacy services.

Sweden B2B

And then let's move on to B2B on the next slide. Mobile net intake was positive with 10,000 revenue-generating units in the quarter, driven by improved net intake in the small segment and new contracts within the large segments.

Mobile ASPU continued to decline, although at a lower rate, as roaming headwinds neutralized in the quarter. While we saw improvements within mobile solutions, total end-user services revenue declined by 2%, mainly driven by continued decline in legacy fixed services.

On the whole, I would say the performance is in line with the trajectory we laid out at the capital markets day. We are seeing a trend-shift which has continued throughout the year and then lead to stabilization in 2022. The price pressure of course persists, since it is a tough market. However, after trends are already improving slightly compared to previous periods, even if you exclude roaming. While we have a journey ahead of us to get back to growth, I think it is a good sign that we can get volume growth while maintaining discipline on prices.

Sweden overview

So then let's turn to slide 6 for the whole of Sweden. End-user service revenue was flat in Sweden, as growth in B2C compensated for decline in B2B. Underlying EBITDAaL increased by 7% through continued execution of the business transformation program, lower commercial spend and less headwinds related to the pandemic. We continue to see strong cash conversion of 65% despite increased CapEx related to the 5G rollout in Sweden and IT investments related to the business transformation program as we keep growing underlying EBITDAaL.

Baltics highlights

And then let's turn to Baltics on slide 8. We saw strong net intake in the quarter for the Baltics, driven by mobile postpaid in Latvia and Lithuania, continuing to see strong ASPU growth due to continued monetization of data, driven by price adjustments through more-for-more campaigns and a slight recovery of roaming revenue in Latvia and Estonia.

Baltics financials

We continue to see fantastic financial results across the Baltic markets. End-user service revenue increased by 13% in the quarter, with strong growth across all markets as Covid-19 headwinds started to abate and show signs of slight recovery. Higher end-user service revenue led to an underlying EBITDAaL growth of 10% on an organic basis. Strong growth in underlying EBITDAaL together with low capital intensity, as we are in between investment cycles ahead of the 5G launch and the spectrum acquisition, overall led to an 83% cash conversion.

With that I would like to hand over to Mikael to go through the financial overview.

Financial Overview

Mikael Larsson

Group CFO

Revenue breakdown

Pandemic headwinds abate

Thank you Kjell and good morning everyone. Please turn to page 11 in the presentation. As in previous quarters, we have taken this slide to illustrate each revenue line excluding roaming. Please keep in mind that the organic growth numbers on the slide are adjusted for FX changes. As we can see on this slide and as Kjell previously mentioned, we now see pandemic headwinds starting to abate in the quarter and in the comparable figures we have for the first time a full quarter of Covid-19 impact. As a result, we see outbound roaming giving a slight tailwind of SEK 18 million for the group in the quarter, but we are able to grow end-user service revenue even if we exclude this from the numbers.

Price adjustments

Mobile postpaid grew by 1% ex roaming and fixed broadband increased by 5%, driven primarily by price adjustments. We saw most of the effect of the price adjustments this quarter and we expect the full effect from Q3. As premium sport content now has returned, we are able to grow our cable and fiber TV business with 3% compared to Q2 2020. However, it did not fully compensate the continued decline in the legacy DTV business, resulting in digital TV end-user service revenue declining by 2% in the quarter.

Sweden B2C

Total end-user service revenue in Sweden B2C grew by 0.3% in the quarter, excluding roaming, as growth in mobile postpaid, fixed broadband and cable and fiber TV was offset by decline in legacy services.

Sweden B2B

In Sweden B2B, slightly improved trends within mobile and solutions were not able to fully compensate for the continued decline in fixed legacy services, and end-user service revenue declined by 2% excluding roaming.

Strong performance in the Baltics

And in the Baltics, we see continued strong performance, resulting in 12% growth in end-user service revenue, excluding roaming. And this was driven by high ASPU growth on the back of price adjustments through our more-for-more strategy and also pre to postpaid migration.

All of this resulted in the group growing end-user service revenue by 1.6% excluding roaming and 2.0% including roaming in the quarter, and this marks a turning point for our business from the negative growth numbers we have seen for the group over the last quarters.

Group results

Underlying EBITDA growth

Let's move on and turn to slide 12 for a walk through of the group results. Continued strong development in the Baltics, execution of the business transformation program in Sweden and lower commercial spend drove an underlying EBITDA increase of 7% organically. Items affecting comparability was roughly at the same level as Q2 2020 and was mainly driven by restructuring costs related to the business transformation program in Sweden.

Depreciation and amortization increased during the quarter as we now start to amortize the book value of the Com Hem brand following the merger with the Tele2 brand in the quarter. We also saw some impairments related to the IT transformation in the quarter.

Tax dispute resolved

The release of a provision related to a tax dispute with the Swedish tax authorities resulted in a positive non-cash effect in the quarter of SEK 21 million on net interest and SEK 350 million on income tax.

Group cash flow

Let's continue by looking at cash flow on slide 13. Timing of capital equipment CapEx in Q2 last year led to a decrease of CapEx paid this quarter compared to Q2 2020. We saw a positive change to working capital in this quarter and that was primarily explained by external handset financing in the Baltics. Taxes paid were affected by timing of withholding tax on intercompany dividends from the Baltics. And finally, we continued to see strong cash flow generation, with equity free cash flow of roughly SEK 1.3 billion in the quarter and SEK 4.7 billion in the last 12 months. That is equivalent to roughly SEK 6.8 per share.

Group capital structure

Please move on to slide 14 for an overview of the capital structure.

Leverage unchanged

Leverage was unchanged compared to last quarter as growth in underlying EBITDAaL was offset by the distribution of the first tranche of the ordinary dividend in April. We continued to be in the lower end of our target range of 2.5 to 3 times, ahead of the extraordinary dividend which was paid out in the beginning of July. If we adjust for this, leverage would have been 2.7 end of June.

So far this year we have distributed SEK 6 and in October we'll pay out another SEK 3 per share as the second tranche of the ordinary dividend. And we can do this while maintaining our leverage comfortably within our target range.

T-Mobile Netherlands stake

On top of the underlying cash generation of the business and releveling effect of growing underlying EBITDAaL, we also have the opportunity to crystallize value for our shareholders through our stake in T-Mobile Netherlands. Since the Netherlands is not part of our group cash flow, a potential exit and distribution of the proceeds would not affect our ability to distribute cash to shareholders and maintain a very generous remuneration policy afterwards.

Business transformation program

Let's continue with slide 15, where we'll show an update of the business transformation program. We continue to execute on the program and we reached an annualized run rate of SEK 350 million at the end of Q2. This resulted in SEK 80 million in cost reductions from the business transformation program, affecting the P&L during this quarter. The savings during the quarter comes from efficiency improvements within the technology, IT and commercial organizations, as well as support functions. We remain committed to reach roughly half of the SEK 1 billion target by the end of this year and the rest by the end of 2022.

And with that, I will hand back to you, Kjell, to go through the updated guidance and our key priorities going forward.

Updated guidance and outlook

Kjell Johnson

Group CEO

Updated financial guidance

Increased confidence

Thank you very much Mikael. So then let's please turn to slide 16 to go through our updated financial guidance. As society gradually returns to normal, we see that the negative effects from the pandemic start to abate. As a result, we are more confident than we were in February, when we gave the 2021 guidance. Hence we update our 2021 guidance for end-user service revenue from flat previously to flat-to-low-single-digit growth, and underlying EBITDAaL from 2 to 4% growth previously to mid-single digit growth.

The guidance for CapEx, excluding spectrum and leases, remains unchanged as we aim to ramp up the 5G rollout in the second half of the year.

EBITDAaL slowdown in second half

With 7% growth in underlying EBITDAaL in the first quarter, this full year guidance of course implies a slight slowdown in underlying EBITDAaL growth in the second half of the year. The reason is that while the current market environment is good for our margin, as it keeps commercial costs down, we want to make the necessary investment to achieve a sustainable balance between volume and price in order to grow end-user service revenue sustainably. So if mid-single digit growth is 4 to 6%, you should not expect us to be in the upper part of that range, since we want the flexibility to invest in growth in the second half so that we can hit the ground running in 2022.

Priorities going forward

Focus on growth

Please turn to slide 18 for our key priorities going forward. With the strategy and mid-term ambition set out at the capital markets day in May, and with a post-pandemic society on the horizon, it is time to recalibrate our business towards a strong focus on growth. This includes investments that are essential for delivering a great service and customer experience, while solidifying our premium position in the market by balancing volume and price through our more-for-more strategy.

Essential investments in Sweden

In Sweden, we will continue to execute on our infrastructure investments both in the mobile and fixed networks, with 5G and Remote-PHY. We are on track with our plan to ramp up during the second half and aim for the higher end of our CapEx guidance range during 2022 and 2023.

The execution of the business transformation program is progressing well and we stay committed to deliver an annualized run rate of SEK 500 million at the end of this year and at least SEK 1 billion at the end of 2022.

In Sweden B2C we will now enter phase 2 of our FMC journey, with the new consolidated Com Hem and Tele2 brands. While the first phase was all about building loyalty in the existing overlap among our fixed and mobile customers, the second phase will be focused on offering a truly convergent customer experience under one single brand by cross-selling to the 1.3 million non-FMC households within our fixed footprint that have only one of our services. The emphasis, however, will be on a value-led FMC strategy to gradually increase utilization in our customer base.

Sweden B2B is starting to become a good story. The B2B has never been an easy market, though with a solid strategy in place, the internal parts are in place and we now need to shift from planning mode to execution mode, to continue the trend-shift in 2021 and move to stabilization in 2022.

...and in the Baltics

In the Baltics, we will build on the current momentum and execute our mobile-centric convergence strategy through more-for-more offers, while preparing for the nationwide rollout of 5G once the spectrum options are concluded. We will also further develop our FMC opportunities by looking at our own and third-party infrastructure capabilities.

Senior leadership appointments

I'm also very happy that we were able to announce a strengthened group leadership team earlier this week, with Charlotte Hansson joining us as CFO and Hendrik de Groot as Chief Commercial Officer. Charlotte brings broad and valuable experiences from a number of industries, while Hendrik is the commercial FMC expert that we need in order to achieve phase 2 of our FMC journey. I look forward to working with both of them.

With yet another strong quarter behind us, I'm more confident now than ever that we will deliver on our mid-term guidance and achieve our ambition to become the leading telco in the Nordic and Baltic region.

With that, I'll hand it over to the operator so we can move to Q&A.

Q&A

Andrew Lee (Goldman Sachs): Morning everyone. I had a question around the declining parts of your business and the improvements you had within those in the second quarter. So specifically digital and TV and B2B. I guess key investor question is how sustainable are those improvements and the direction of travel? So on digital TV you had been saying that you could stabilize digital TV trends in the second half of the year, I think. Obviously you've inflected to growth in the second quarter, so what's your outlook now for the rest of the year on TV and into 2022?

And then on the B2B side, you reiterated a couple of minutes ago, Kjell, that you'd look to see stabilization in 2022, which is what you said at your capital markets day, but obviously a bigger improvement in B2B than people expected in the second quarter. So is there scope do you think to actually see stabilization sooner than 2022, for example in the second half of the year? Comments to reassure on the sustainability of the improvement would be really helpful. Thank you.

Kjell Johnson: I'll start on B2B and maybe Samuel will talk a little bit about TV afterwards. Yeah, we are very happy to see that B2B has made significant improvements throughout the last couple of quarters. That's very very helpful for our top line, for sure. Yes, it would be very nice to see the run rate stabilize at the end of this year. I have just emphasized that we are on track and we're getting there because it was a big concern for you guys, for me, for everyone, three quarters ago and now we are quite confident that we are getting back to stabilization. We will work as hard as we can to bring that to run rate stabilization by the end of this year. That is of course an ambition that we would like to have. And maybe to the TV, Samuel?

Samuel Skott: So hi Andrew and good morning everyone, Samuel here. So for TV, as you know we have a strategy to continue to modernize our TV business and in that way stabilize it. Maybe not reaching growth sustainable but at least stabilize it. And if we take out the kind of premium headwind that we've seen in Q2, we are definitely seeing an underlying improvement also without that premium part. So the trajectory is positive also underlying for TV.

Andrew Lee: Thank you, that's helpful.

Maurice Patrick (Barclays Capital): Morning guys and thanks for hosting my question today. Just one question really around your value versus volume strategy. I mean, it seemed pretty clear over the last few quarters, you've been wanting to pivot the company more towards value rather than just volume as approached in the past, but in your statement today you seemed to indicate a desire to increase the market activities to get a platform for growth from 2022. So maybe just a few thoughts around value versus volume trade off and how you're thinking about that. Thank you.

Kjell Johnson: Just so there is no misunderstanding, I do not want us to shift towards becoming very volume-focused again. That is not what I'm saying here. But if you look at the market activity in the second half of last year, it was quite heavy activity, going all the way from the iPhone launch via black weeks over towards Christmas and lasting into January this year. And then we have seen less activity from say mid-January throughout the first half of the year. And I think it's only natural to expect that we'll get back to the typical September, October activities and Christmas, there will probably be more activity than we've had in the first half of the year. And that is to some extent a volume game but I just want to be very, very clear, we believe that the long-term sustainable growth stems from a value focus, not from pushing volume. But it's important to relate to the fact that we are operating in a market, we are looking at what happens around us, we have taken a lot of responsibility by being very strategic and it's our ambition to continue to do so if the market permits.

Maurice Patrick: That's great, thank you.

Peter-Kurt Nielsen (ABG): Thank you very much, morning gentlemen. A question on convergence, please. You seem very confident that you can drive convergence going forward and clearly to a higher degree than has been the case in the past, and you're also stressing that you're sort of adding some new competencies within FMC convergence. I understand that you have moved towards one single banner, but what makes you so confident that, and what will make the big difference in your convergence efforts going forward? What is it that will be done differently? Can you enlighten us a bit on why this will suddenly, why we should see a step change in convergence and the contribution from that? That would be appreciated, thank you.

And if I can sneak in a technical question for Mikael, a quick one. Mikael, for how long should we assume that the incremental amortization of the Com Hem brand will continue please? Thank you.

Kjell Johnson: So let us be clear. Of course there will always even in our customer base be people who want to have a clean, mobile only product, or another straightforward relationship to us. And we will cater for that. But we think that one of the best ways to bring value to us as a company and also to our customer base is to have a better convergent solution. Samuel has started that work, done a lot of work on that. He has actually worked together with Hendrik on defining our strategy, so these two guys, they have done it together. So there will be a continuity here that I think is very good. We have unique assets. There are two players in this market that really have the full suite of convergent assets, and that gives us the opportunity to have a bit of uniqueness compared to other players in the market. We've talked about that multiple times. So it's about utilizing the assets we have, making sure that 1.3 million customer group that we can address within our own base gets the best possible offering, and that sets us a bit apart from, for example, Tre, who will naturally follow more of a mobile-only approach and that's the right thing for them to do. That's a good thing for them to do. We have more aces up our sleeve, we can go for different segments that we are better suited for catering for.

And Mikael I guess you will answer the other one. I can do it of course but…

Mikael Larsson: Yeah. I can do it. It will amortize over ten years. So this is the new run rate level you will see going forward over amortization and depreciation.

Peter-Kurt Nielsen: That's great. Thank you Mikael, thank you Kjell.

Kjell Johnson: Thank you.

Nick Lyall (Societe Generale): Yeah, morning everybody. It was just a quick one, maybe for Samuel actually, on the Telia pricing including content in the unlimited mobile package. Is that something that's an opportunity for you, do you think? I mean it's quite a high price for an offering by adding content in. So is that an opportunity for you to undercut ex content or do you think the Swedish consumers are going to start to require more content in their top-end mobile packages and maybe that's something you have to work on, particularly with Champions League coming?

And do you mind if I just get clarifications as well on the infrastructure comments you've made as well, Kjell? There's nothing outside the Baltics in there so should we conclude now that you're still doing the work or have you finished the work on any of the Swedish infrastructure and maybe it's just more organic stuff with Telenor but nothing more than that? Thank you.

Samuel Skott: So if I start then on the first question. I mean, including content in top tiers, I don't think it's a must. So we don't have to do it but you can do it, so let's see. But I think in general we talk about the value-led strategy and Telia talk about the value-led strategy and this is a proof point of that, driving the market in the right direction. And of course that's an opportunity for us. In general, I don’t think we have to grab that opportunity by including content everywhere though.

Kjell Johnson: And on the infrastructure side, I think I would say that we're still working on that. And it has to do with, I'm sure you know very well, how the structure is on the 3G market in Sweden, with us and Telia till now and then of course Tre and Telenor in the [inaudible]. So we're untangling these things. Redistributing, setting up network mobility. So we're taking it one step at a time. I know it's very fashionable to move fast on these things but with our balance sheet and our delivery now, we will make sure we do this in the right sequence and that if we do something more around this, then it will be very well thought through. But we are super pragmatic about how we configure our value chain.

Nick Lyall: That's great. Thank you very much.

Stefan Gauffin (DNB): Yes, hello. CapEx question. It's a lot of talk about 5G CapEx but you're also investing in Remote-PHY. How much will you invest in this and can you talk about what improvements in the cable network that we can expect from this in terms of improvement in speed and capacity? And is this investment in Remote-PHY also supporting your 5G plans in any way? Thank you.

Kjell Johnson: Yeah, there were several things in there. First of all, I mean the CapEx is distributed. Of course, it's billing the 5G, it's on Remote-PHY, and then Sweden is a little bit unique in that it is – there are quite a lot of people who work sort of with their own company and selling consultancy services, so all that is also part of our CapEx. So it's divided into different areas.

The Remote-PHY investment is clearly to support both our cable TV business with reliability and speed, and for our broadband business. So it's basically, we used to say before, we talk about bringing comfort to the customer in terms of you're building fiber closer and closer and closer to base stations. This is what we're doing, building the fiber closer and closer to the customer living in a building. So it does enhance speeds. And Yogesh, if you remember, at our capital markets day, started talking about 10G. So it's – there's always another G. So on the capital markets day he presented, it's also available on our website to go through more of a presentation what he said there.

Do you want to say something more about the CapEx, Mikael, or Samuel?

Mikael Larsson: I think we can – if we're talking about the CapEx levels, I think it's important to remember that this is an investment which will be ongoing for many years. Five-plus years. So if you spread it out over these years, the number per year is not that significant compared to the 5G rollout. And also bear in mind that this replaces – we used to do node-splitting in the past, to cater for building capacity, and this is the new way of building capacity. So it replaces other CapEx which we used to do before. So it's not just an add-on, I think that's important to remember.

Samuel Skott: And maybe just from a customer perspective, this will generate more cap-leading symmetrical states for broadband, so that's of course important to underpin the journey we're doing on convergence and quality.

Stefan Gauffin: Okay, thank you. Thank you very much.

Ulrich Rathe (Jefferies): Yeah, thanks very much. You had a very strong Q1 result as well and at the time you were sort of a bit cautious to read that into the full year. You talked about the commercial investments you want to make. And the second quarter, again you sort of haven't quite dipped into that commercial investment. I think that's part of the surprise versus market expectations. Could you sort of just get a bit more into – a bit more color what elements of the development in the second quarter really gave you the confidence now to raise the full-year guidance? Whether it's the efficiency program, whether it's the market environment or whether it's the actual numbers that are coming out of the business? That would be helpful, thank you.

Kjell Johnson: Well, I think if we start by being maybe not, you know, 100% serious. It's easier to earn yourself into becoming a millionaire or billionaire than to save yourself into. So I think the focus needs to go back to getting a modest amount of growth and I think that time already has come for us. We have started that shift. And to build long-term value we need to have a focus on growth. We will continue to be an efficient operator but if we focus only on savings, that's not going to build a really good, long-term story. I wouldn't say that there is one specific thing that causes us to adjust the guidance, I think it's several things coming together.

I talked about B2B. B2B was a huge drag on our performance, it is not a huge drag on our performance anymore. We can still improve and we will improve. It's super important that Samuel and the team have brought us back to growth in B2C in Sweden, so we clearly see that this is sustainable and that is something we can build upon.

And then of course we have exceptional growth in the Baltics. We think that will continue to grow, but that growth will of course come down at some point. We cannot have strong double-digit growth there for ever and ever. We all understand that.

So it's the confidence that is building quarter by quarter, we see that we are more precise in our strategy that we have presented. Our segmentation. We start seeing that the market responds to our strategic price setting in the Swedish market and our ability to deliver our services is improving, I think, all through the improvement journey.

So it's several factors that come together and make us feel more confidence. Plus the fact that we are more confident that at least for Western Europe and OECD, we probably will get out of this pandemic this year in a reasonable way, although the rest of the world still has a big problem.

Ulrich Rathe: Thank you very much.

Ondrej Cabejsek (UBS): Hi, thank you for taking my question. I would like to ask about the new appointments that you've announced. In particular about the Chief Commercial appointment as quite a sensitive position for a Tele2 company. So first of all can you confirm that there'll be a roughly one month overlap as both CCOs are kind of together, in August, which could improve somehow the succession process. And secondly, can you give a bit of a background as to what led you to choose Hendrik and what experience of his specifically makes him the right person for everything that Tele2's currently going through commercially? And then if I may just also sneak in a clarification, please, on the amortization of the Com Hem brand. Does that or does that not carry a tax shield? Thank you.

Kjell Johnson: Yeah. So it's very good news that Hendrik comes along here already in August. That allows for an overlap. But in real life, that overlap has already started, because Samuel asked Hendrik to help him with challenging some of our strategy work. So the guys have actually had a dialog around the B2C strategy for some time, and that is a huge strength for us so that when Hendrik comes here he can hit the ground running. And Samuel is an extremely loyal person, so he will be helpful until the last day, the way I know him. So this, you couldn't ask for a better transition than what we see here. The team have already been introduced to Hendrik. His background, he has a lot of experience within FMC but he also knows the TV business, the cable TV business from his time at Ziggo. And when you look around at candidates for these kinds of jobs, you either often find a typical telco CMO, which some of them are fantastic, or you find someone who's worked in cable TV and is doing a great job there, but someone who has experience from both in a broad way, in a way like Samuel does here, there are not that many out there. So I think we've made a very, very solid choice here that's going to be helpful for us.

And then you asked something about again the amortization of Com Hem. I think Mikael answered that, that it's going to be done over ten years. Was that the question?

Ondrej Cabejsek: No, how –

Mikael Larsson: And I can clarify that there's no paid tax effect on this but of course there is a deferred tax booked on the amortization. Marcus and Patrick can give you the details of this and the numbers. But no effect on paid tax.

Ondrej Cabejsek: Thank you very much.

Abhilash Mohapatra (Berenberg): Thank you, thanks for taking my question. I've just got a question on the revenue improvement drivers in Q2, please. And just around TV, where you mentioned that with sort of premium sports coming back you've seen a return to stronger ASPU levels. My question just was, is Q2 a sort of normalized run rate or should we expect more improvement as some of those elements return into the second half? And then just related to that on the solutions revenues, I just wanted to check if there was some sort of catch-up effect from previous quarters and – or whether we should expect this to be the kind of run rate for solutions revenues going forward. Thank you.

Kjell Johnson: So if I start with the TV question then. And as I said, we will have some headwind on comparisons for premium, both in Q2 and Q3, and I think it's more or less evenly divided if you compare it to last year. But if you skip that, we also see an underlying improvement within both the former Com Hem TV part and also some in Boxer. And that we expect to continue with the strategy we presented at the capital markets day.

Mikael Larsson: And you are addressing the solutions business. Yes, there is some effect on that. Very well spotted. But it's not so big that that changes the overall picture. So I'm very happy with the way Stefan is stabilizing that business and moving it back towards, hopefully, growth.

Abhilash Mohapatra: Got it, thank you. That's definitelyl helpful, thank you.

Siyi He (Citi): Hello, thank you for taking my questions. Just the first question I want to ask about the price increase potential, and this quarter we've seen that Telia announced one of the biggest fiber price increases of the past few years. Just wondering, how do you think the potential price increase and ARPU growth on fixed broadband going forward? I think broadband ARPU growth is now 1 to 2%, do you think there's potential to go back to the 3 to 4% that we saw in the past?

And the second question, just a quick follow up. Are your management team, would you mind to remind us how many key management seats that you still plan to fill and should we expect a more stable top management structure going forward? Thank you very much.

Mikael Larsson: So if I start with pricing, and then I'm going to come back to our strategy and the way we do pricing. I mean, we have a very clear, as you know, value-led strategy. We have a clear process on how we work, where we do focus a lot on adding value, working with the front book in the second half of the half year and then in the first half of the year, we do the back book. And we're just now coming out of the back book exercise and now starting to look forward into kind of the next part of the cycle, the adding value and the front book. When we do that, we look at two things, if you want to simplify it. One is of course what's happening in the market and what kind of potential does that bring. And the other thing we look at is our own ability to provide value to our customers.

With other players in the market working the same way and working with a value-led approach, that of course plays into our decision material. So on the question do we see continued pricing potential, the answer is definitely yes but I'm not going to go into exactly the percentage points of that. But we do see potential and that is definitely part of the strategy going forward.

Kjell Johnson: And your question and observation of course around the management team and the changes is of course absolutely spot on. I think we should take a little bit of a historic look at this. Tele2 and Com Hem came together and some people who are sat in this management team have been around for a long, long time. We're talking about, in Samuel's case, 14 or 15 years. And we have had – you see Mikael has been the CFO and different capacities now for a long, long time. So I think it's to some extent natural that when the first phase of this job is done, people who have spent a lot of time with any company and reached sort of the top level, would like to do something else with their lives. I've been in exactly that situation myself, so I know exactly how that works.

And now, to your question should we expect more stability, yes, you should expect more stability within the top management team. We are moving ahead. Charlotte joins us in January, we have the interim solution with Peter, Mikael is on board until 1st September. So we have a team in place now that looks to the medium to longer term and I think that we have been able to put together a strong team. And we can build on the strategy that has been developed partly, actually, with one or two of the people coming in helping us, but with this team. And I can tell you, when we have our management team meetings, we share a good laugh, there's a good tone, it's just at some point when you've been around for a long time, you want to move on and try something new.

Siyi He: That's very clear. Thank you very much.

Eugenie Gudenoff (Credit Suisse): Hi, thanks for taking my question. My first question is on operational side in mobile. So for the past three quarters, you've had B2C postpaid mobile negative growth in net adds. However, your competition has been growing quite well in the postpaid net adds, and I'm just wondering why is that trend? And you know, how are you seeing that going forward?

And then my second question, sorry, maybe I have misheard your previous comments on infrastructure. Can you give an update on your thoughts on your towers in Sweden and potential monetization of those assets going forward. Thank you.

Samuel Skott: Yeah, I can start with the net adds question. I mean, if we look to this first half of the year, we know we had some challenges in the fourth quarter – we were very open about that and talked about it – which has improved. And then I think we have taken a very big strategic responsibility being very clear on the value-led strategy and also being a bit patient on that, to make sure that we get that piece moving in the right way. We have had the pandemic impact, which of course has hampered volume, and we've done a lot of pricing in the first half-year. So I would say all of this has been by our decision and design, and now when we came out of the back-book pricing cycle, we come out of the worst headwinds of the pandemic, we naturally see that there is a potential to improve also the volume side. So not a big worry on our part, rather decisions we have taken on how we want to structure this business going forward.

Kjell Johnson: Yeah, I fully agree with what Samuel is saying. I think it was important for us to show exactly how we operate and want to operate, how we want to set the tone in the market. But we are not going to sit and watch, of course, volumes going against us over time. But I think the learning we have had now is that it has been a worthwhile exercise that has given good results.

And back to infrastructure again, yeah, I think it's fair that you ask, and when I came in here I started talking a bit earlier about infrastructure, so maybe I've created some expectations with you. The reality of it is we are untangling, I guess, the 3G networks. We are dividing the towers between ourselves and what we're going to bring from Sunab into the 5G network and network mobility. And then of course we have a good relationship with our partner Telenor in network mobility. But we are taking the time we need to do the proper analysis. So maybe I created expectations around timing at an early stage when I was here that leads to you thinking that we should have announced something at this stage. I can only say that we are entirely pragmatic about how we structure our value chain but it's too early for us to conclude and communicate.

Eugenie Gudenoff: Great, thank you, that's very helpful.

Adam Fox-Rumley (HSBC): Thank you very much. I was wondering as we fully annualize the impact of the Covid-19 pandemic on the business this quarter, could we get your thoughts on the bad debt provision? Taking last year and how you're thinking about the outlook for your customer base as maybe some of the restrictions look to be lifted, if that's your outlook?

And then secondly, sorry to come back to this Com Hem brand amortization, but what's the reason for a ten-year lifetime? When you're bringing two brands together, that seems like quite a long time to me, so I'd appreciate a little bit more detail there. Thank you.

Kjell Johnson: I will start and then hand over to Mikael, I think. Please remember that even though we've done this merger, the Com Hem brand is still with us. It's in our logo still, partly, but of course you have to have been a Com Hem customer for some time to see that. And secondly we have Com Hem Play Plus. So Com Hem is still a part of Tele2 and this is the best way we have come up with, together with the auditors, for doing this. Before we didn't depreciate it at all, so it is a quite well analyzed approach to it. I don't know, Mikael, if you want to add something to it?

Mikael Larsson: No, I think you put it very well. It's still in the logo and you have certain attributes. It's still used in the Com Hem Play service, TV service for example, and so on, and that motivates the ten-year depreciation time.

I can then add on the bad debt provisions to remind you all it was SEK 35 million which we provided for in Q1 last year. And as we have said before, this will – we have not seen any material bad debt coming up over the last quarters and I think the situation is very stable overall. This provision will be released over time, but it's again, 35 million in this group is not really material. So it will not be visible in the numbers and that is part of the continuous reassessment we do of the bad debt provision every quarter, or every month, in every country.

Adam Fox-Rumley: Got it. Thanks very much.

Mikael Larsson: Thank you.

Kjell Johnson: Then I would like to thank you all for taking the time to join us today to listen to our presentation and to discuss with us the quarter and our guidance and where we are today. I'm very happy that we can deliver a strong quarter, that we are able to lift our guidance a bit and of course that we also have been able as the quarter ended to pay out the extraordinary dividend. So I think we're on track but a company like this, there will always be a lot of work to do, and we're continuing with our transformation program and we are continuing building the premium position for Tele2. So we will have lots of interesting stuff to speak about over the next quarters.

But thank you for joining us today and have a very nice day.

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