



# FOURTH QUARTER

February 3, 2020

# Group highlights

<i>SEK billion (YoY organic growth)</i>	Q4 2019	Jan-Dec 2019	Guidance
End-user service revenue	5.0 (0%)	19.9 (0%)	~0%
Underlying EBITDA ex. IFRS 16	2.4 (10%)	9.3 (6%)	Mid-single digit
Capex ex. spectrum and leases	0.7	2.4	2.3-2.6

# Phase 1 completed: Tele2 is now an integrated operator

## Sweden B2C

- Launched FMC more-for-more strategy across all brands - 219k customers now on benefits
- Rebranded Tele2, introduced new family plans and made first ever frontbook price adjustment
- Launched Com Hem mobile brand
- First year of positive total mobile net intake since 2015, driven by all brands

## Sweden B2B

- Separated SME and LE units for more efficient and focused setup
- Built SME commercial unit with new sales capabilities, mobile product portfolio and FMC offer
- Added 30k mobile RGUs during the year

## The Baltics

- Continued great performance
- Estonia turnaround with full-year growth in end-user service revenue
- Created network JV in Latvia and Lithuania

## Group

- Focused geographical footprint with Kazakhstan and Netherlands transactions completed
- Finished Com Hem integration with synergy run-rate of 800m
- Changed organizational structure, removed group functions, set up for a lean, flat organization
- Paid SEK 7.2 billion in dividends while reducing leverage from 2.8x to 2.5x





Smartest telco in the world  
creating a society of unlimited possibilities

# Phase 2 initiated: become the smartest telco in the world

## Sweden B2C

- Continue more-for-more FMC strategy to reduce churn and build pricing power
- Two new growth drivers – launching standalone OTT service and new digital FMC brand
- Backbook pricing to be initiated in Q1 2020
- Optimize brand portfolio over time

## Sweden B2B

- Aiming for gradual improvement and eventual turnaround
- SME: use foundation built in 2019 to take market share and reduce churn
- LE: focus on private sector, take high-margin contracts and improve profitability

## The Baltics

- Continue great momentum
- Capitalize on mobile-centric-convergence strategy with launch of TV-offers
- Investigate need for fixed services

## Group

- New vision: Tele2 to become the smartest telco in the world
- New three-year transformation program with at least SEK 1 billion in opex reduction
- Secure excellent network quality through rollout of 5G and remote PHY

SWEDEN

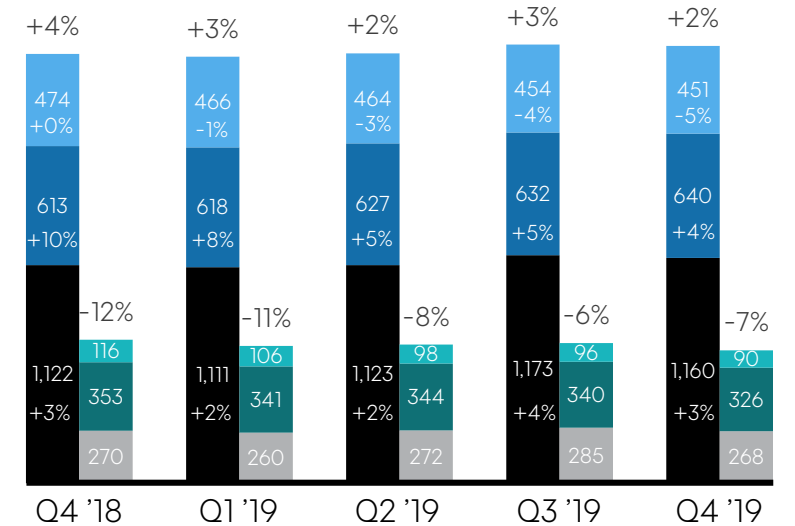
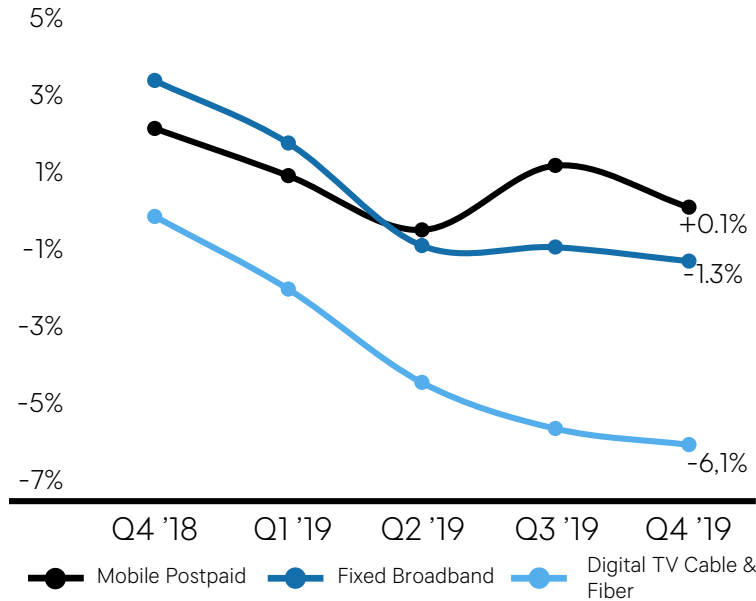
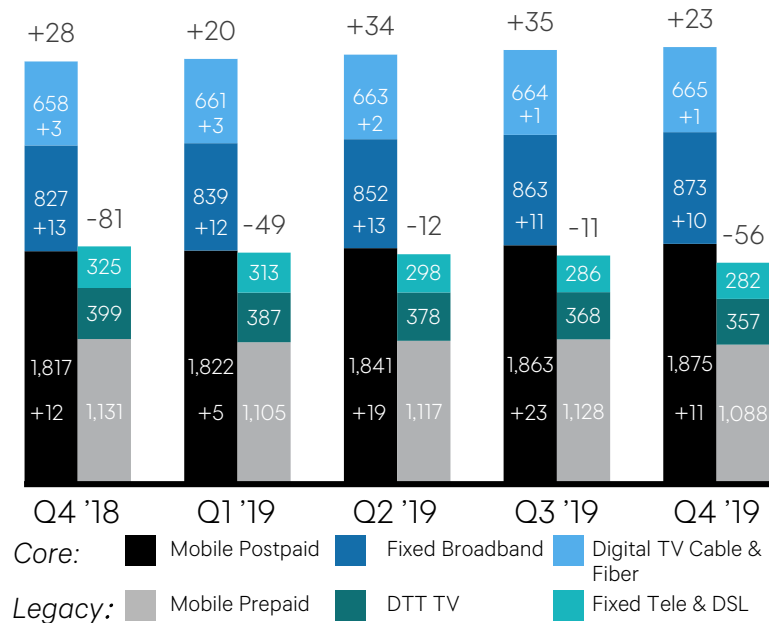
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# Sweden Consumer

RGUs & net intake - core and legacy services (thousands, proforma)

ASPU year-on-year growth (% proforma)

End-user service revenue\* (SEK million, proforma, year-on-year growth %)



## Q4 highlights

- Continued momentum in postpaid volume with the sixth consecutive quarter of positive net intake while ASPU was flat as effects from 2020 backbook price increase not expected until Q2 2020
- Stable net intake in fixed broadband and DTV cable & fiber but smaller price increases compared to last year remain a drag on ASPU while impact from 2020 backbook price increases expected from Q2 2020
- Total end-user service revenue roughly flat as growth in postpaid and fixed broadband was offset by DTV and fixed telephony & DSL

\*End-user service revenue differs from previously reported numbers due to retroactive reclassification of revenue, as communicated on January 16, 2020

# Penny: The only FMC-offer in the digital no-frills segment

## A future telco supported by a unique FMC-offering

Launching a digitally disruptive FMC brand to grab a fair share of the growing no-frills segment.

### Proposition

- For the modern Swede who's adopted Spotify, Airbnb, who swish, swipe and doesn't mind looking a bit uncool while riding a Voi
- Penny is a simple app for Mobile, Broadband, and TV
- Positioned in the no-frills segment targeting "status seekers" and "price hunters"

### Go to market plan

- First launch in February offering Mobile and Broadband
  - Mobile: Free voice and text and a choice of 3, 6, 15 and 40 GB data
  - Broadband: First launch in coax and later available in open LAN
- Full-service launch in early Q2 including an entertainment offering





# Comhem Play+: Launching our own streaming service

## Taking the next step to solidify our leadership in the TV market

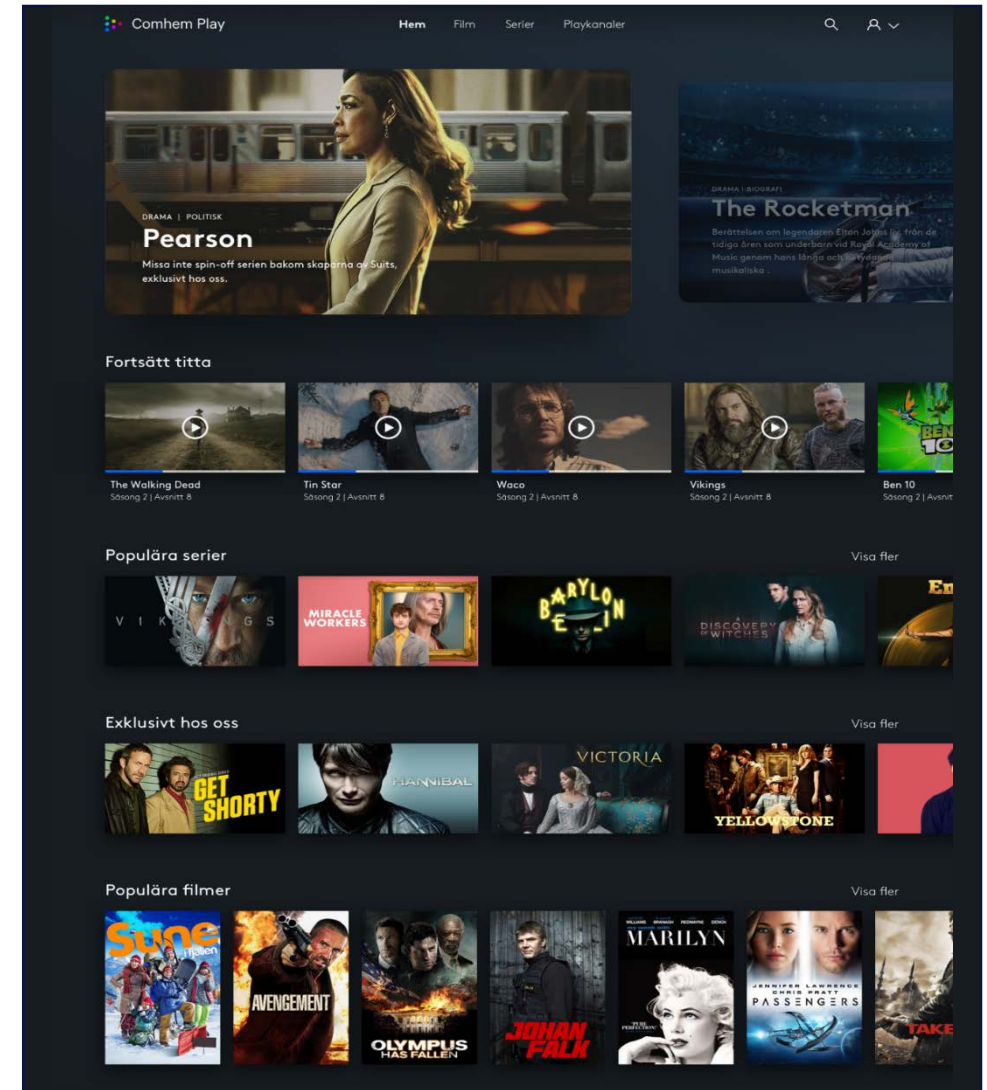
Entering the rapidly growing SVOD segment by leveraging our platform, content agreements, and the entire Tele2 Sweden customer base. A natural next step in our TV transformation and a powerful tool in the FMC strategy.

### Three main pillars building Comhem Play+

- Attractive content. Leverage our ability to bundle best on-demand content
- Great customer experience. Enhancing the existing Comhem Play app
- Rollout boosted by existing customer relationships and sales channels

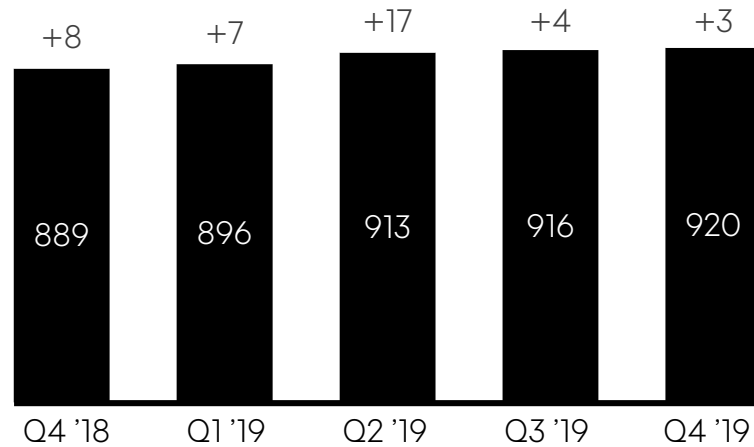
### Roll-out plan

- 12 months discount to existing Tele2 Sweden customers to build volume and enhance customer loyalty
- Gradual roll-out per brand to our existing customer base aimed to be fully completed by July 2020
- 1 month free for non Tele2 Sweden customers
- Price point at 69 SEK/month

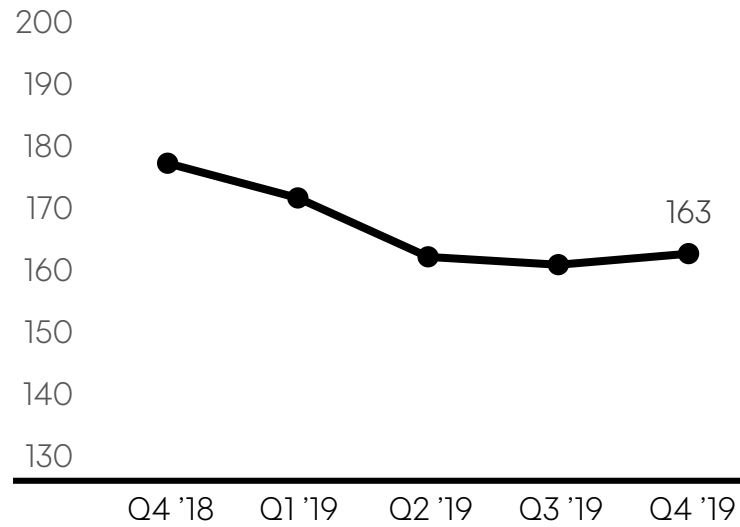


# Sweden Business

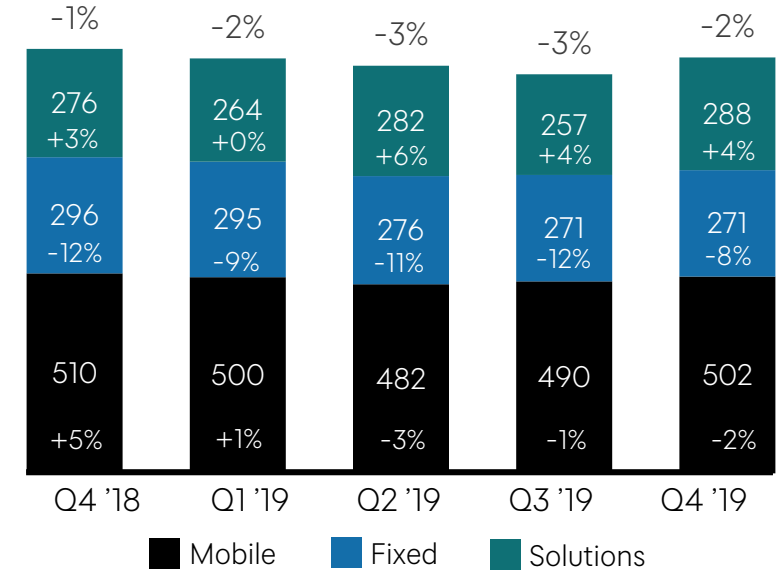
Mobile RGUs & net intake  
(thousands, proforma)



Mobile ASPU  
(SEK, proforma)



End-user service revenue\*  
(SEK million, proforma, year-on-year growth %)

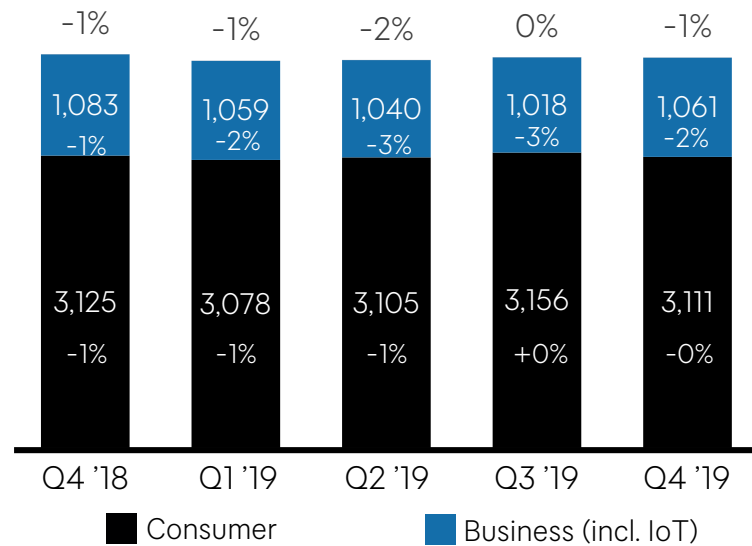


## Q4 highlights

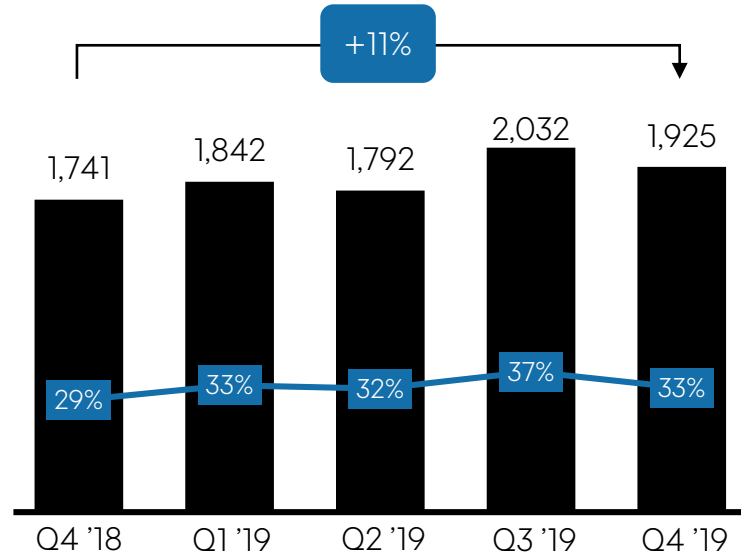
- Continued volume growth with a net intake of 3,000 in the quarter driven by lower churn and new sale sin both SME and Large Enterprise
- Total end-user service revenue (including IoT) declined by 2 percent driven by price pressure in the mobile market (-9% mobile ASPU) and continued decline in legacy fixed services
- Continued improvement in Solutions business with greater mix of higher-margin revenue

# Sweden overview

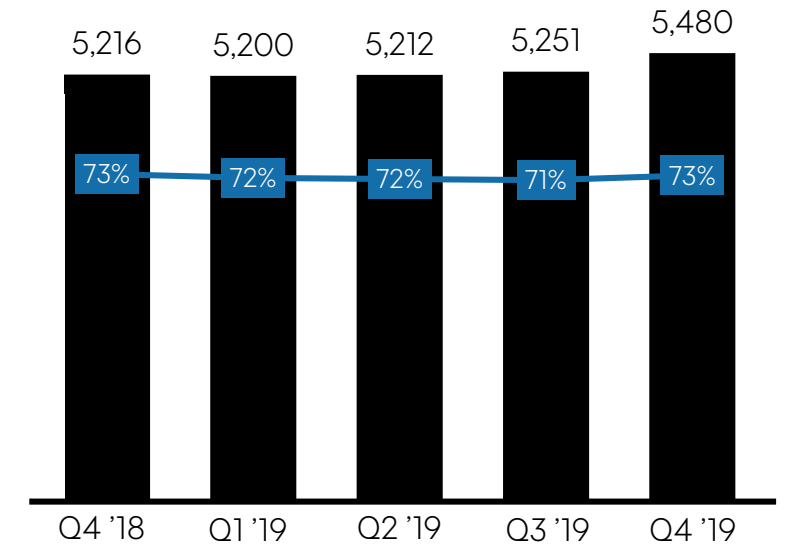
End-user service revenue  
(SEK million, proforma, year-on-year growth %)



Underlying EBITDA ex. IFRS 16 and margin  
(SEK million, proforma)



Underlying EBITDAaL - Capex\* and cash conversion, rolling 12m (SEK million, proforma)



## Q4 highlights

- Total end-user service revenue decreased by 1%, with consumer roughly flat while business continued to decline
- Underlying EBITDA excluding IFRS 16 increased by 11% (9% excluding profit from sale of bad debt), driven by cost reduction
- Strong cash conversion of 73% LTM due to low capex spend in between investment cycles

\*Capex ex. spectrum and leases

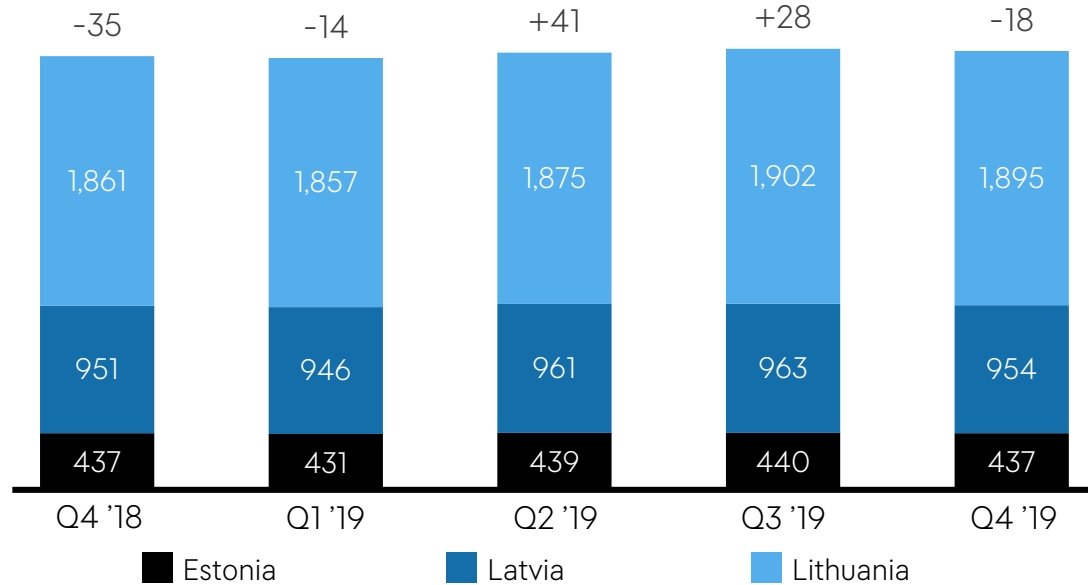
Cash conversion = (Underlying EBITDAaL - Capex) / Underlying EBITDAaL

BALTICS

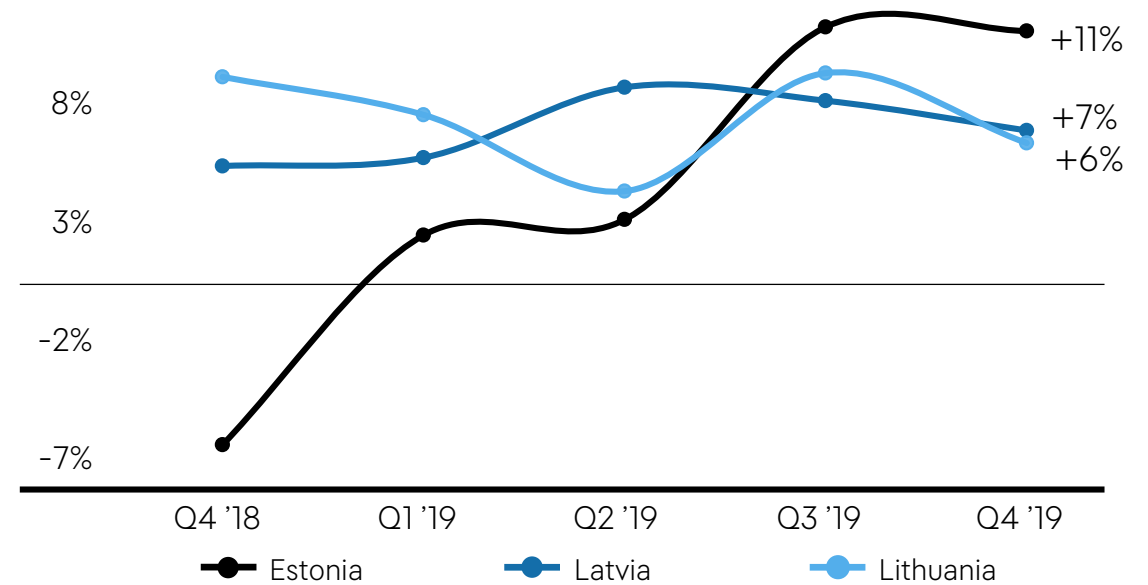
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# Baltics – Operational highlights

RGUs & net intake – mobile services  
(thousands)



ASPU year-on-year growth  
(%)



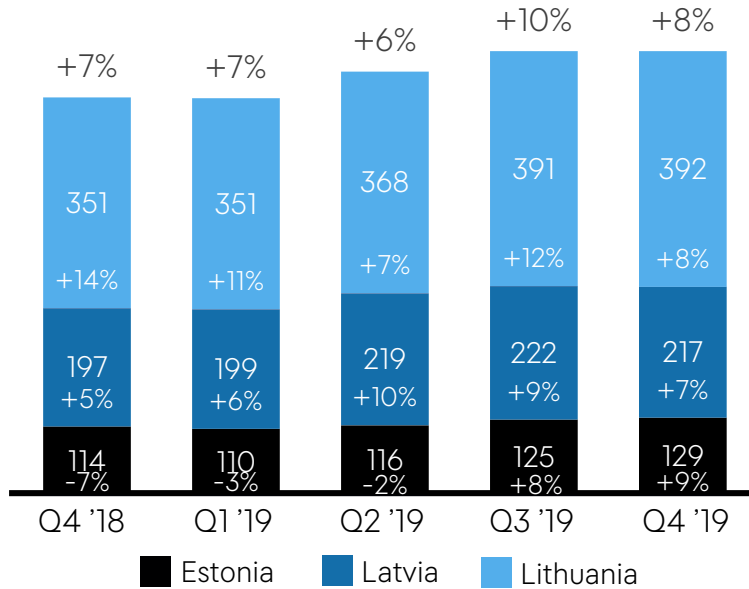
## Q4 highlights

- Net intake impacted by seasonal mobile prepaid churn in all three countries
- Continued ASPU growth in all three countries driven by successful upselling in Lithuania and continued effect from price increases in Latvia and Estonia

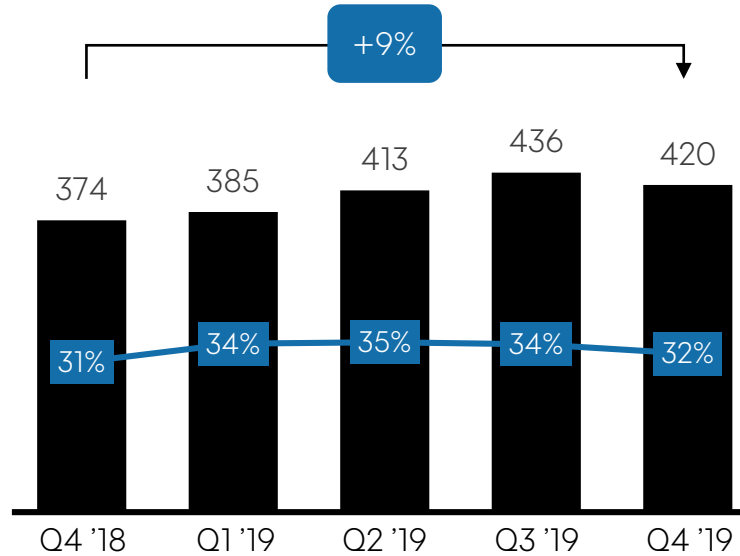


# Baltics – Financials

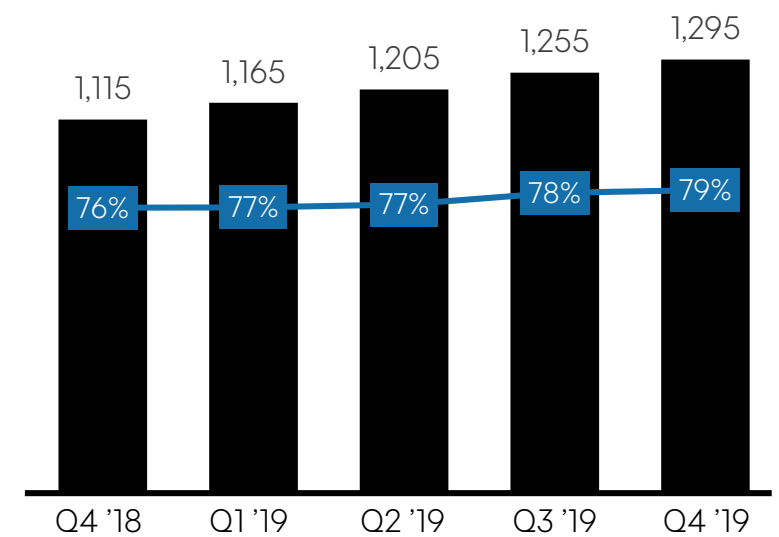
End-User service revenue  
(SEK million, year-on-year growth %)



Underlying EBITDA ex. IFRS 16 and margin  
(SEK million)



Underlying EBITDAaL - Capex\* and cash conversion, rolling 12m (SEK million)



## Q4 highlights

- Total end-user service revenue increased by 8% and underlying EBITDA excluding IFRS by 9% with growth in all three countries in the quarter
- Operational improvements in Estonia resulted in end-user service revenue returning to growth for the full year
- Strong cash conversion of 79% LTM due to low capex spend in between investment cycles

# FINANCIAL OVERVIEW

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# Group results Q4 2019

SEK million	Q4 2019	Q4 2018*
Revenue	7,270	6,606
<b>Underlying EBITDA</b>	<b>2,695</b>	<b>1,875</b>
Margin (%)	37%	28%
Items affecting comparability	① -104	-347
D&A	② -1,391	-867
Impairment	-1	0
JVs and associated companies	-20	-5
<b>Operating profit</b>	<b>1,179</b>	<b>656</b>
Interest income/expenses	-110	-94
Other financial items	-11	-17
Taxes	③ -268	-1,224
<b>Net profit, continuing operations</b>	<b>790</b>	<b>-679</b>
Net profit, discontinued operations	153	350
<b>Net profit, total operations</b>	<b>④ 943</b>	<b>-329</b>

## Comments

- ① Items affecting comparability mainly include cost related to the integration with Com Hem
- ② D&A includes SEK 305m amortization of surplus value from acquisitions (SEK 199m in Q4 2018) and SEK 320m depreciation of right-of-use assets (leased assets)
- ③ Tax cost in Q4 2018 was elevated due to an impairment of deferred tax assets
- ④ Significant improvement to net profit due to Com Hem merger and transaction in the Netherlands removing negative drag

# Group cash flow Q4 2019

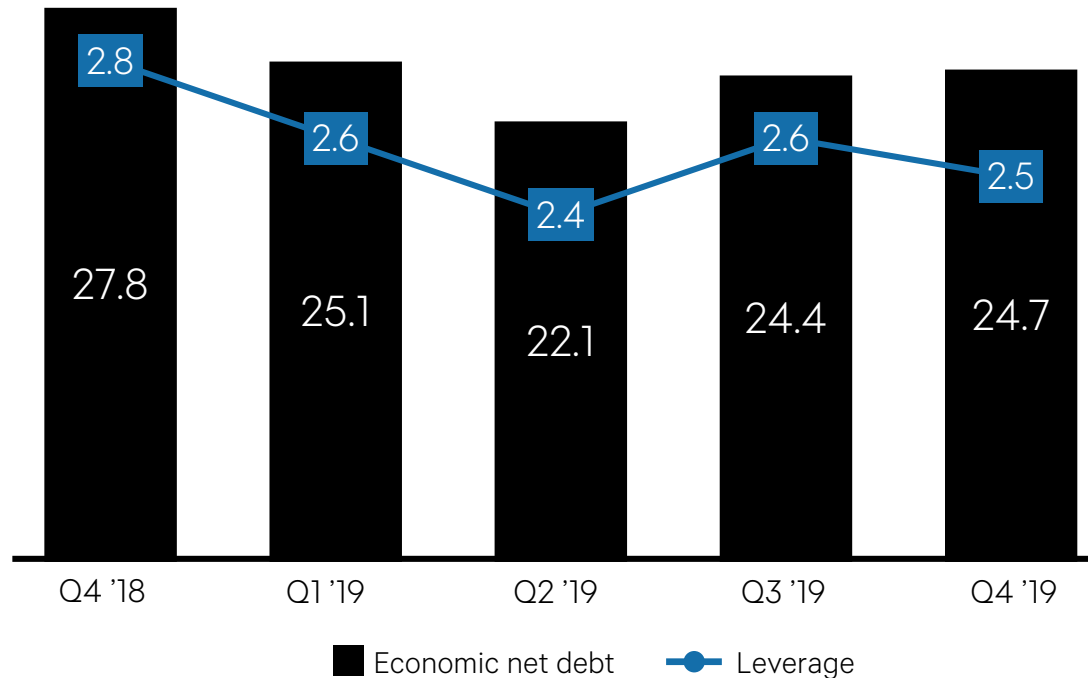
SEK million	Q4 2019	Q4 2018	FY 2019
Underlying EBITDA, continuing operations	2,695	1,875	10,525
Items affecting comp., continuing operations	-104	-347	-711
<i>EBITDA continuing operations</i>	<i>2,591</i>	<i>1,527</i>	<i>9,814</i>
EBITDA discontinued operations	1 239	617	3,089
Amortization of lease liabilities	-313	0	-1,269
Capex paid	2 -665	-1,129	3,607
Changes in working capital	3 -271	-508	-179
Financial items paid / received	-83	-342	-466
Income taxes paid	4 92	-121	-798
Other cash items	5 -104	43	-1,745
<b>Equity free cash flow, total operations</b>	<b>1,484</b>	<b>86</b>	<b>4,840</b>
Of which continuing operations	6 1,255	171	4,329
Of which discontinued operations	229	-85	511

## Comments

- 1 EBITDA from discontinued operations impacted by positive effect from earnout related to the sale of Tele2 Austria
- 2 Capex paid lower year-on-year as Q4 2018 included capex related to assets in Kazakhstan and the Netherlands which are now divested
- 3 Working capital turned negative in Q4 2019, mainly due to seasonal effect of holiday equipment sales
- 4 Taxes paid were positive in the quarter due to regained withholding tax related to the former shareholder loan in Kazakhstan and repaid preliminary tax in Sweden
- 5 Other cash items include a reversal of the earnout related to the sale of Tele2 Austria as the cash was received in January, 2020
- 6 FY2019 equity free cash flow from continuing operations amounted to SEK 4.3 billion (SEK 4.8 billion from total operations) or approximately SEK 6 per share

# Leverage at 2.5x

Economic net debt to underlying EBITDAaL\*  
(SEK billion)



## Comments

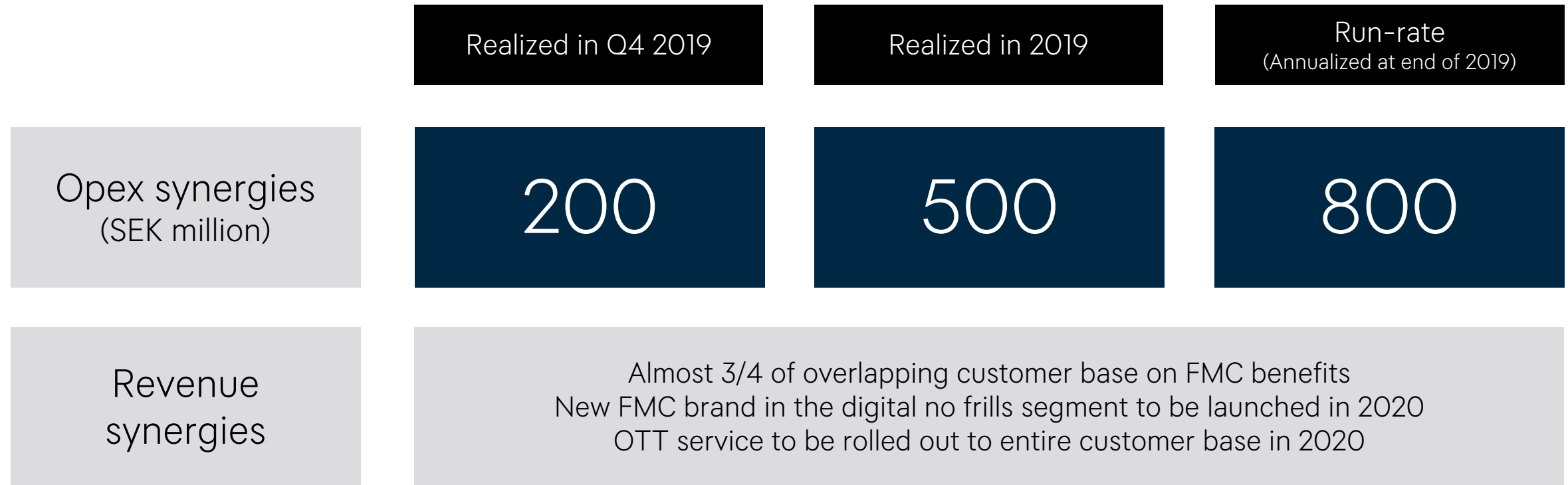
- Economic net debt reduced by SEK 3.1 billion compared to December 2018 as SEK 7.2 billion in shareholder remuneration was covered by cash flow generation, proceeds from divestments and repayment of the shareholder loan in Kazakhstan
- Leverage at lower end of 2.5-3.0x target range ahead of distributing shareholder remuneration
- Proposed ordinary dividend of SEK 5.50 per share (SEK 3.8bn), in two equal tranches + extraordinary dividend of SEK 3.50 per share (SEK 2.4bn)

Economic net debt = Net debt excluding lease liabilities. Prior to the completion of the Kazakhstan divestment, also liabilities to Kazakhtelecom, liability for earn-out obligation in Kazakhstan and loan guaranteed by Kazakhtelecom are excluded

\*EBITDAaL for total operations at the time of reporting



# Com Hem synergy update – cost program completed



## Comments

- We realized additional synergies with an impact of roughly SEK 200m in the quarter leading to a total of SEK 500m in 2019
- Annualized run-rate of SEK 800m already reached after one year and the remaining SEK 100m will be rolled into the new three-year program
- Integration cost of SEK 101m incurred in the quarter, with a total of SEK 780m incurred since the start of the integration
- Continued progress on revenue synergies with 3/4 of overlapping base on FMC-benefits, pricing on track for Q1 2020 and new services to be launched

# New business transformation program to become *the smartest telco in the world*

At least SEK 1 billion of cost reduction in three years

- In addition to the run-rate of SEK 800 million already achieved in 2019
- Executed in 2020-2022, with back-end loaded delivery of cost reduction

## Aiming for radical simplification

- Removing legacy IT-systems: The number of IT systems will be reduced by half, to greatly decrease IT-spend and improve support for the entire organization
- Overall simplification of organizational structure and operating model, to be flat and fast
- Increasing automation of processes and become even more agile in our way of working

## A winning customer focus

- Reduce brand portfolio to increase commercial fire power and focus
- Simplifying product portfolio in connection to the IT transformation, will simultaneously let us serve customers even better
- Our dedicated efforts to ensure the most reliable network continues with the rollouts of 5G and Remote-PHY



# Guidance for 2020 and the mid-term

	End-user service revenue <i>unchanged</i>	Underlying EBITDAaL <i>unchanged</i>	CAPEX <sup>1</sup> <i>2020, updated</i>
Mid-term ambition	Low-single digit growth	Mid-single digit growth	2.8-3.3
2020	Low-single digit growth <ul style="list-style-type: none"> <li>– Gradually ramping up through FMC cross-sell, monetization of customer satisfaction and addition of new growth drivers</li> </ul>	Mid-single digit growth <ul style="list-style-type: none"> <li>– Driven by a combination of revenue growth and cost reduction</li> </ul>	2.5-3.0 <ul style="list-style-type: none"> <li>– Mid-term capex guidance fully reflects planned rollout of 5G and Remote PHY</li> <li>– Expect rollout of 5G to begin in second half of 2020</li> </ul>

Based on continuing operations in constant currencies

<sup>1</sup>SEKbn excl. spectrum and leased assets

TO CONCLUDE...

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# Key priorities going forward

## Reignite end-user service revenue growth in Sweden

### *B2C: Win the Swedish household through FMC*

- Execute launch of two new growth drivers: the standalone OTT service *Comhem Play+*, and the new digital FMC brand *PENNY*
- Address remaining overlap and monetize increased customer satisfaction through price adjustments

### *B2B: Execute on turnaround*

- SME: use foundation built in 2019 to take market share and reduce churn
- LE: focus on private sector, take high-margin contracts and improve profitability

## Execute vision to become the smartest telco in the world

- Transform organization to support growth through simplification, reduction of silos, and smarter use of resources
- Remove legacy IT systems and transform the Swedish organization, reducing opex by at least SEK 1 billion over three years

## Build on the momentum in the Baltics

## Close the sale of Croatia

## Prepare for rollout of 5G and remote PHY





THANK YOU!

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