

# THIRD QUARTER



October 20, 2020

# Highlights and strategic initiatives

	Q3 2020		
<i>End-user service revenue</i>	SEK 4.9bn (-2%)	<b>The Group</b> <ul style="list-style-type: none"> <li>– COVID-19 impact of SEK 100m on underlying EBITDAaL</li> <li>– Dividends of SEK 6.25 per share distributed in the beginning of October</li> <li>– Spectrum secured in the Netherlands, creating a foundation for continued strong performance</li> </ul>	<b>Sweden B2C</b> <ul style="list-style-type: none"> <li>– Backbook price increases finalized and volume growth sustained, proving our more-for-more strategy</li> <li>– Switch to digital broadcasting successfully executed, freeing up broadband capacity</li> <li>– COVID-19 impact on roaming, premium TV and prepaid</li> </ul>
<i>Underlying EBITDAaL</i>	SEK 2.5bn (2%)	<b>Sweden B2B</b> <ul style="list-style-type: none"> <li>– Market remains competitive and the pandemic affects roaming and our ability to attract new customers</li> <li>– Amount of bankruptcies are limited</li> <li>– Reorganization carried out to unleash FMC capabilities and leverage on internal proficiencies</li> </ul>	<b>The Baltics</b> <ul style="list-style-type: none"> <li>– Commercial activities back on track during the quarter</li> <li>– Sustained ability to monetize data consumption, resulting in strong ASPU growth</li> <li>– COVID-19 impact primarily attached to roaming</li> </ul>
<i>Capex ex. spectrum and leases</i>	SEK 0.7bn		

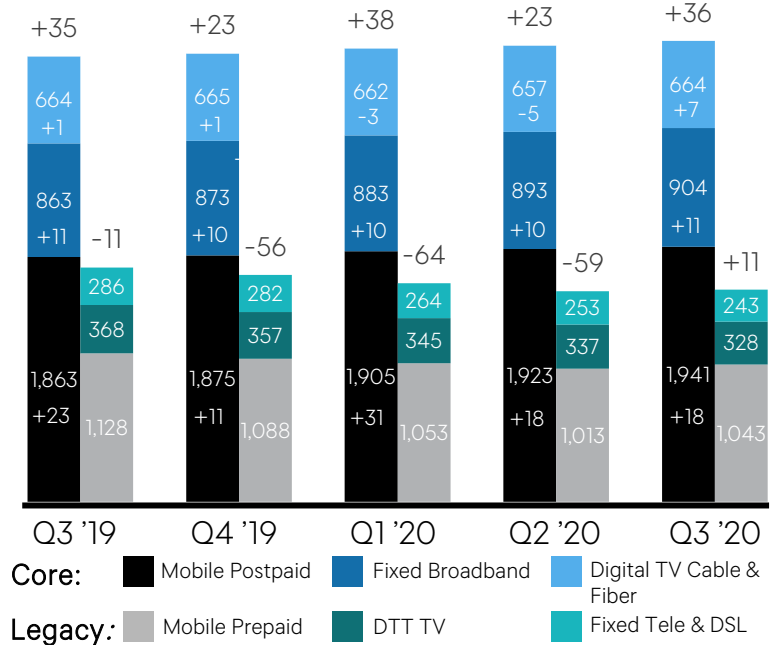


SWEDEN

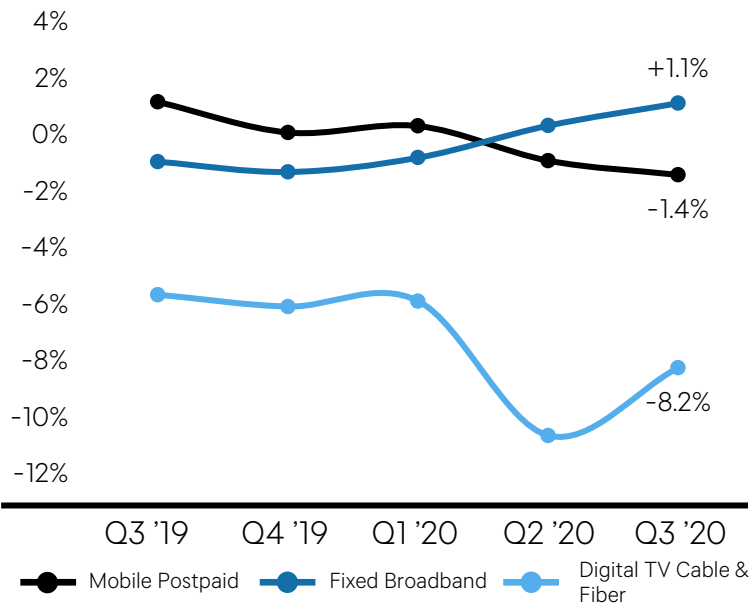
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# Sweden Consumer

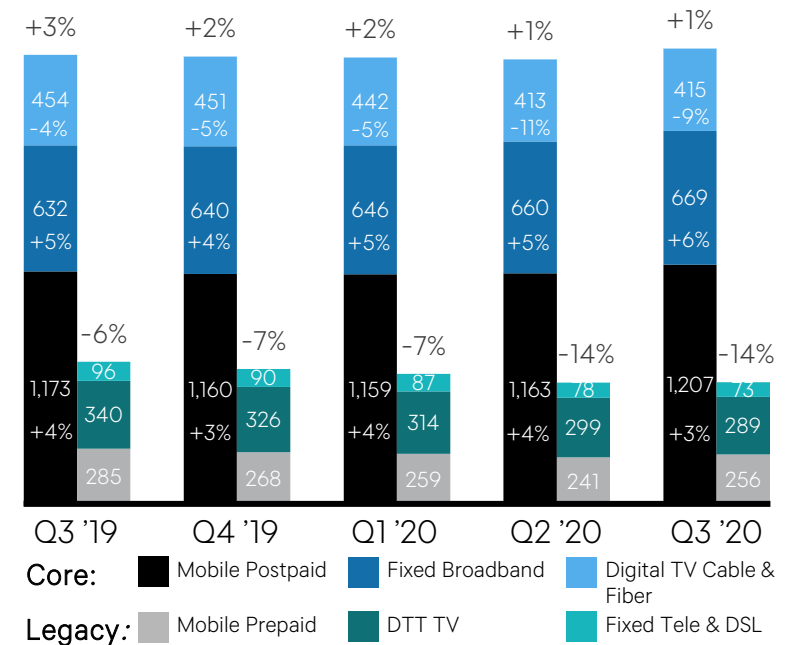
RGUs & net intake - core and legacy services (thousands)



ASPU year-on-year growth (% proforma)



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

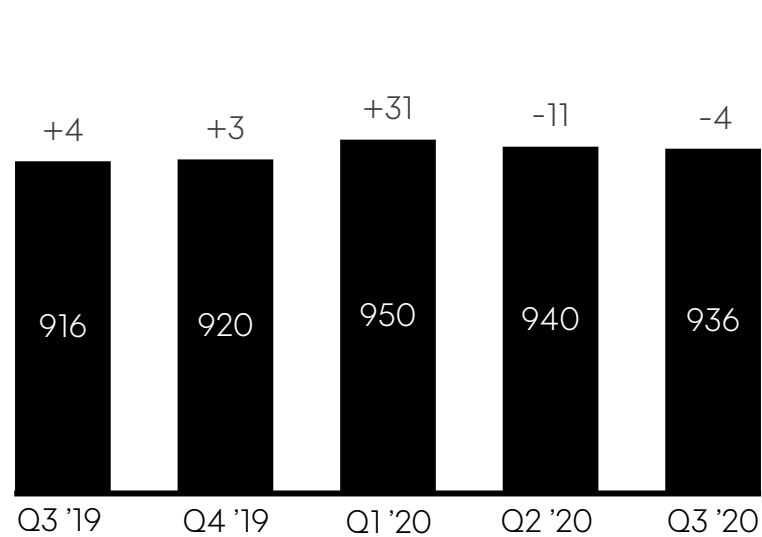


## Q3 highlights

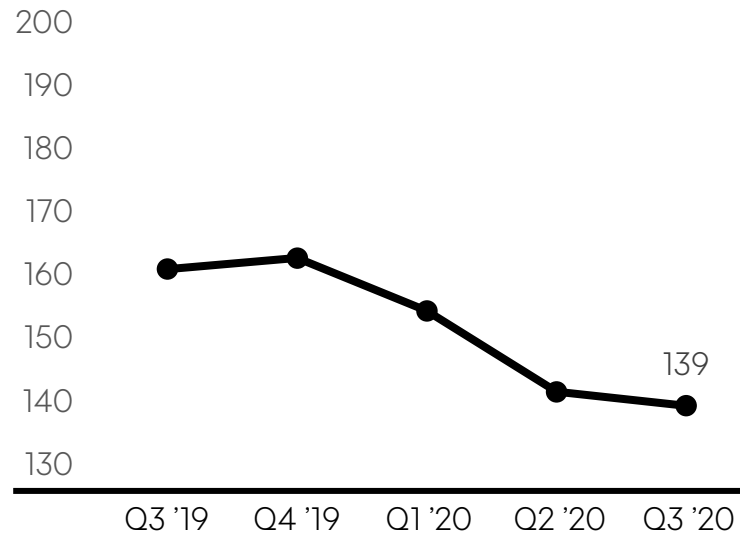
- Continued momentum in postpaid and fixed broadband volumes, enabled by our strong FMC and family offers
- Solid fixed broadband ASPU growth supported by backbook price adjustments, while mobile postpaid pricing was consumed by roaming headwinds
- TV ASPU remains under pressure due to COVID-19 headwinds. Premium sports back at the latter part of the quarter
- Total EUSR declined by 2%, due to negative impact from the pandemic

# Sweden Business

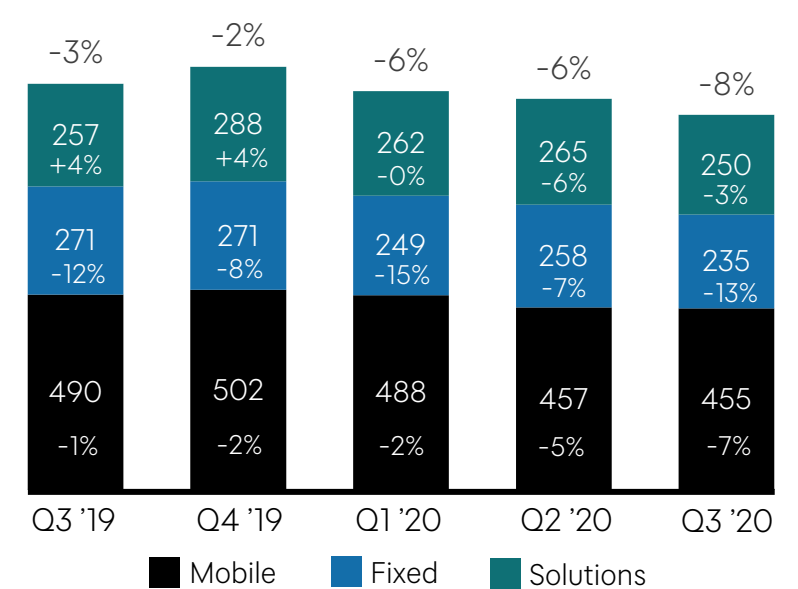
Mobile RGUs & net intake  
(thousands)



Mobile ASPU  
(SEK)



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

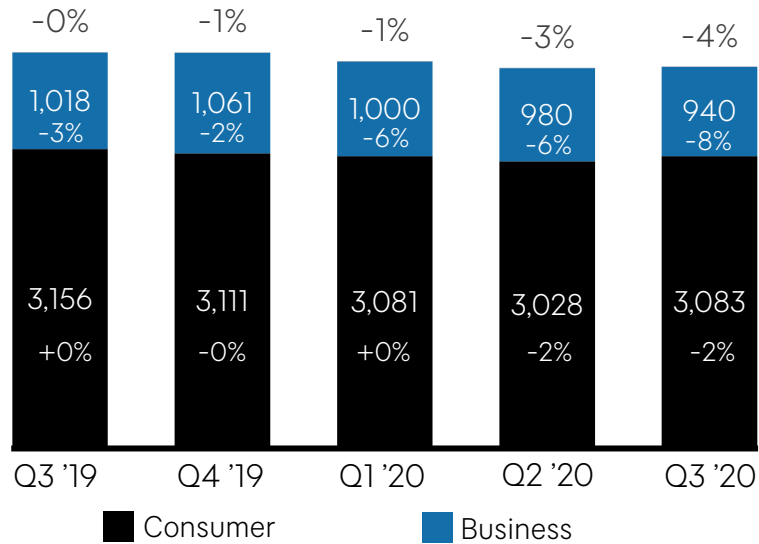


## Q3 highlights

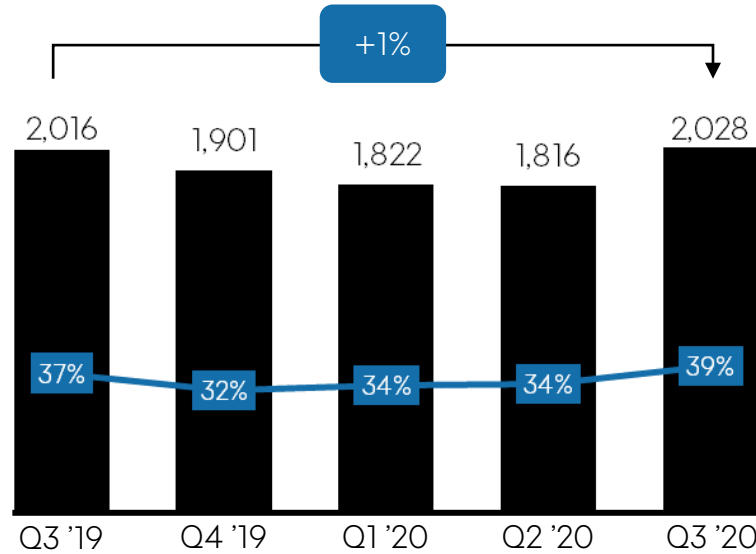
- Mobile net intake slightly negative as market activity decreased due to uncertainty attached to the pandemic, while bankruptcies were limited
- Mobile ASPU declined due to continued price pressure and lower international roaming revenue
- Total EUSR continued to decline due to price pressure in the market, less roaming, decline in legacy fixed services and lower contract activation

# Sweden overview

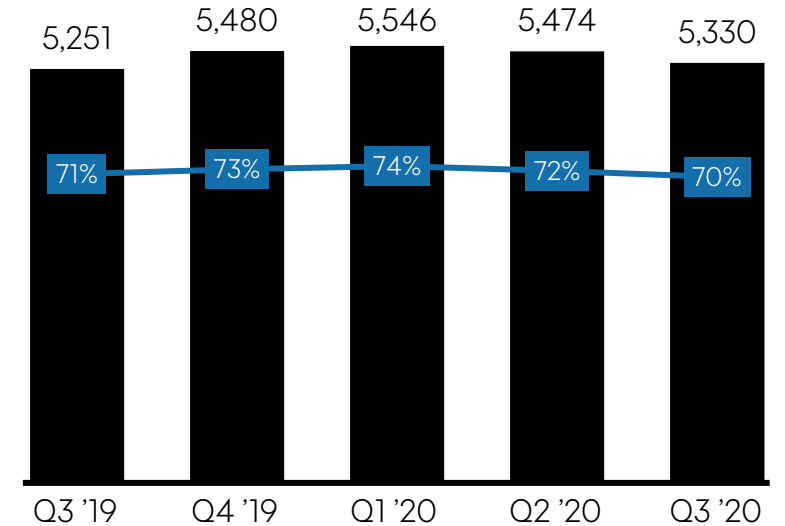
End-user service revenue  
(SEK million, proforma, year-on-year growth %)



Underlying EBITDAaL and margin  
(SEK million)



Operating cash flow and cash conversion, rolling 12m  
(SEK million, proforma)



## Q3 highlights

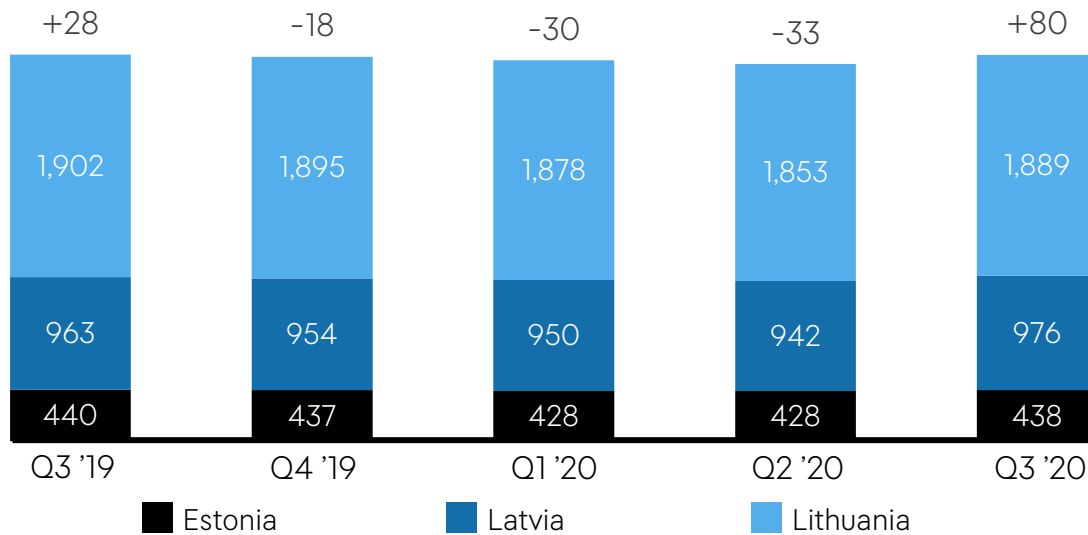
- Total EUSR decreased by 4%, driven by COVID-19 headwinds along with price pressure within B2B
- Underlying EBITDAaL increased by 1%, as the SEK 80m negative impact from the pandemic and B2B topline was balanced by cost savings
- Continued strong cash conversion of 70% LTM due to low capex spend in between investment cycles

BALTICS

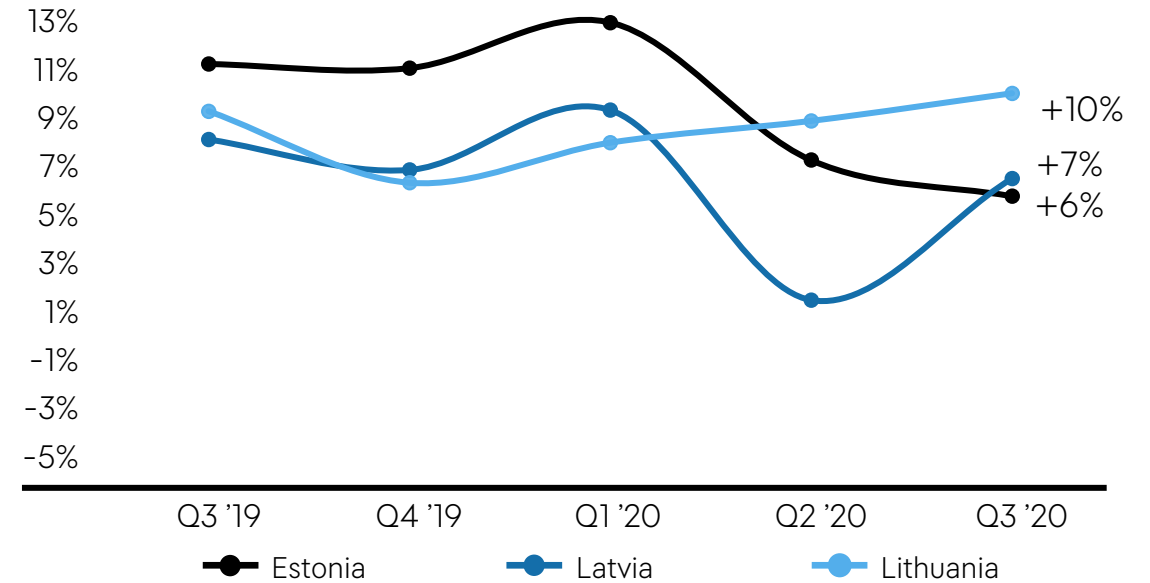
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# Baltics – Operational highlights

RGUs & net intake – mobile services  
(thousands)



Mobile ASPU year-on-year growth  
(%)



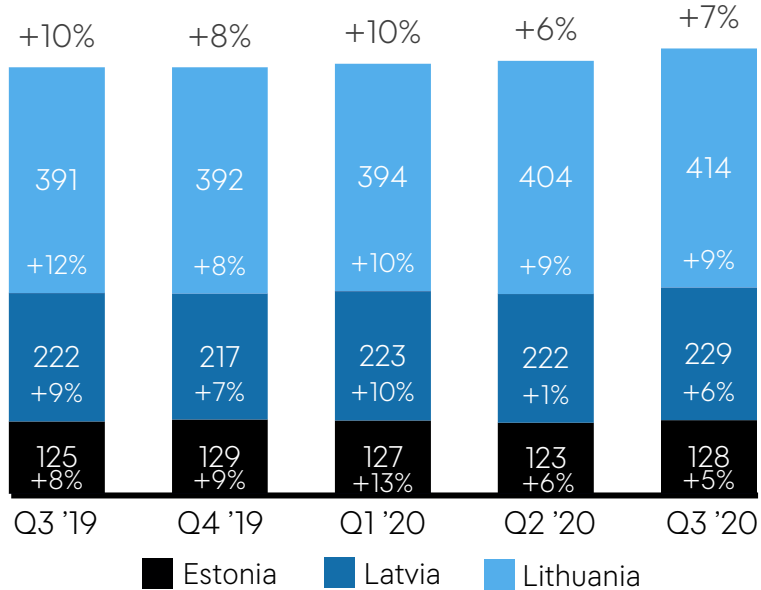
## Q3 highlights

- Strong net intake, fueled by prepaid but with solid progress across all services
- Sustained rapid ASPU growth in all countries, despite lower roaming revenue, supported by continued monetization of data through more-for-more pricing

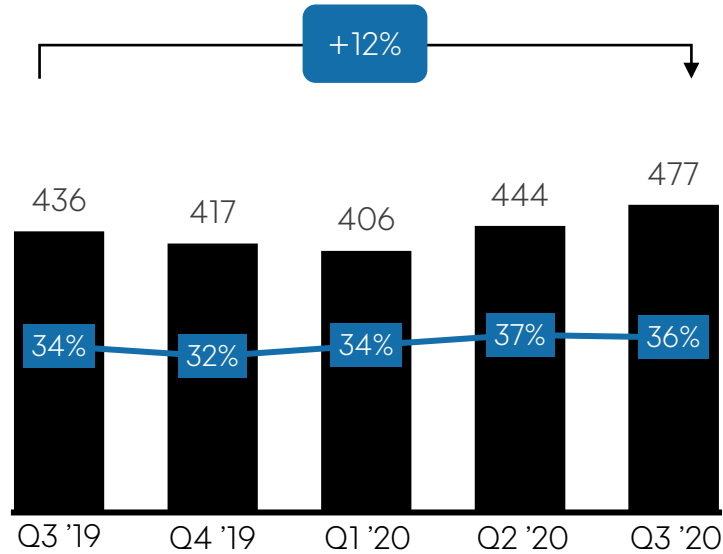


# Baltics – Financials

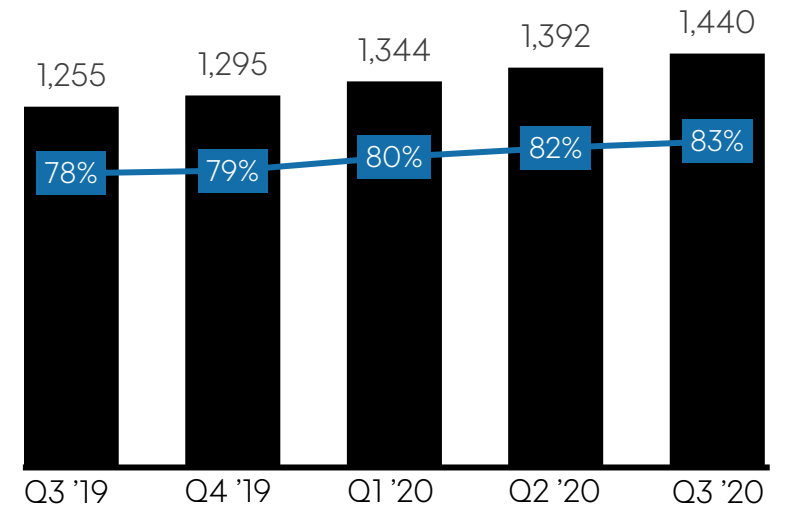
End-user service revenue  
(SEK million, year-on-year organic growth %)



Underlying EBITDAaL and margin  
(SEK million)



Operating cash flow and cash conversion, rolling 12m (SEK million)



## Q3 highlights

- Continued strong, ASPU driven end-user service revenue growth of 7%, despite pandemic headwinds
- Strong Underlying EBITDAaL growth of 12% as topline growth filtered through, supported by solid equipment margins and cost control. Negative impact from COVID-19 of approximately SEK 20 million
- Continued strong cash conversion of 83% LTM due to strong performance and low capex spend in between investment cycles

# FINANCIAL OVERVIEW

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# Revenue breakdown

SEK million		Q3 2020	Q3 2019	YoY abs	YoY % (organic)
Mobile		1,450	1,411	39	3%
Postpaid	1	1,197	1,129	67	6%
Prepaid		254	282	-28	-10%
Fixed		1,447	1,521	-75	-5%
Fixed Broadband		669	632	38	6%
Digital TV		704	794	-89	-11%
Cable & Fiber		415	454	-39	-9%
DTT		289	340	-51	-15%
Fixed telephony & DSL		73	96	-23	-24%
Landlord & Other		174	177	-3	-2%
<b>Sweden Consumer</b>	2	<b>3,071</b>	<b>3,109</b>	<b>-38</b>	<b>-1%</b>
Sweden Business	3	936	995	-59	-6%
Baltics	4	757	703	54	11%
Germany		95	110	-15	-11%
<b>EuS revenue ex. Roaming</b>	5	<b>4,858</b>	<b>4,917</b>	<b>-58</b>	<b>-0.7%</b>
Outbound roaming revenue		30	105	-76	-71%
<b>EuS revenue</b>		<b>4,888</b>	<b>5,022</b>	<b>-134</b>	<b>-2.2%</b>
Operator revenue		573	633	-61	-9%
Equipment revenue		1,178	1,197	-19	-1%
<b>Revenue</b>		<b>6,639</b>	<b>6,852</b>	<b>-213</b>	<b>-2.5%</b>

## Comments

- 1 Strong mobile postpaid growth excluding roaming impact, driven by both volume growth and pricing, proving our more-for-more strategy
- 2 Sweden B2C EUSR decline primarily caused by COVID-19 headwinds in digital tv and mobile prepaid, partly offset by growth in mobile postpaid and fixed broadband
- 3 Sweden B2B EUSR declined due to price pressure in the market and decline in legacy fixed services
- 4 Continued strong growth in the Baltics due to strong ASPU development
- 5 Total EUSR excluding roaming declined 1% as decline in Sweden and Germany offset growth in the Baltics

# Group results

SEK million		Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenue		6,639	6,852	19,976	20,389
<b>Underlying EBITDA</b>	<b>1</b>	<b>2,821</b>	<b>2,783</b>	<b>7,946</b>	<b>7,830</b>
Margin (%)		42%	41%	40%	38%
Items affecting comparability	<b>2</b>	40	-75	-119	-607
D&A		-1,311	-1,311	-3,949	-3,833
Impairment		0	-16	0	-468
Associated companies & JVs		24	-15	56	-78
<b>Operating profit</b>	<b>3</b>	<b>1,573</b>	<b>1,367</b>	<b>3,934</b>	<b>2,845</b>
Net interest and other financial items		-128	-102	-404	-323
Taxes		-283	-284	-691	-710
<b>Net profit, continuing operations</b>		<b>1,162</b>	<b>981</b>	<b>2,839</b>	<b>1,811</b>
Net profit, discontinued operations		53	57	450	2,380
<b>Net profit, total operations</b>		<b>1,215</b>	<b>1,038</b>	<b>3,290</b>	<b>4,191</b>

## Comments

- Underlying EBITDA increased by 2% organically\* in the quarter. Strong operational performance in the Baltics and cost savings, primarily attached to the synergy and business transformation program, offset topline decline in Sweden B2B and SEK 100m negative impact from the pandemic
- Items affecting comparability included a provision release of SEK 109 (0) million, related to a legal dispute in Sweden where we have now reached an agreement. This was offset by restructuring costs of SEK -55 million, incurred in the ongoing business transformation program
- Operating profit increased due to stronger underlying EBITDA, contribution from our shares in associated companies and tailwind from items affecting comparability

# Group cash flow

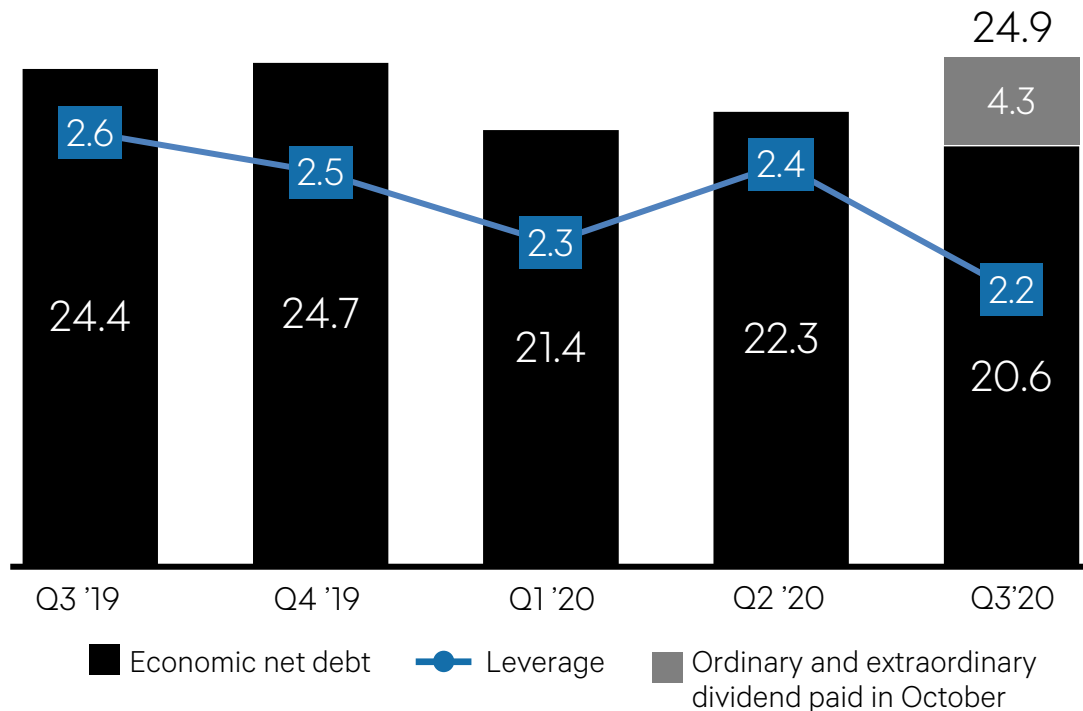
SEK million	Q3 2020	Q3 2019	YTD 2020	YTD 2019
<b>Continuing operations</b>				
Underlying EBITDA	2,821	2,783	7,946	7,830
Items affecting comparability	40	-75	-119	-607
Amortization of lease liabilities	-263	-248	-897	-842
Capex paid	1 -649	-508	-1,978	-2,674
Changes in working capital	2 77	40	93	281
Net financial items paid	-70	-72	-382	-327
Taxes paid	3 -239	-185	-674	-670
Other cash items	29	14	61	83
<b>Equity free cash flow</b>	<b>1,746</b>	<b>1,750</b>	<b>4,050</b>	<b>3,074</b>
Equity free cash flow LTM / share (SEK)	4 7.66	4.69		
<b>Total operations</b>				
Equity free cash flow, continuing operations	1,746	1,750	4,050	3,074
Equity free cash flow, discontinued operations	-8	73	-57	281
<b>Equity free cash flow</b>	<b>1,738</b>	<b>1,823</b>	<b>3,994</b>	<b>3,355</b>

## Comments

- 1 Capex paid increased to SEK -649m due to timing of customer equipment capex and higher network investments
- 2 Changes in working capital reflect temporary low inventory levels in Sweden, in anticipation of future phone model launches and a positive effect from external handset financing in Lithuania, which was partly offset by the provision release of SEK 109 million
- 3 Taxes paid increased, primarily due to payment timing between quarters
- 4 Equity free cash flow from continuing operations amounted to SEK 5.3 billion over the last twelve months or roughly SEK 7.70 per share driven by strong cash generation

# Leverage at 2.2x

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



## Comments

- Economic net debt decreased by SEK 1.7bn since Q2 2020, reflecting the strong equity free cash flow generation during Q3 2020
- Leverage of 2.2x is below the target range of 2.5-3.0x
- Adjusted for the second tranche of ordinary dividend payment of SEK 1.9bn and extraordinary dividend payment of SEK 2.4bn paid in October, leverage would have been 2.7x at the end of September, i.e. comfortably within our target range of 2.5-3.0x

Economic net debt = Net debt excluding lease liabilities  
\*Underlying EBITDAaL for total operations at the time of reporting



# Business transformation program update

	Benefits in quarter	Run-rate (Annualized at end of quarter)	Target (Run-rate at end of year 3)
Opex Synergies (SEK million)	35	150	>1,000

## Drivers

- We have now reached annualized run rate savings of SEK 150 million. Savings of 35 million filters through in the quarter, and SEK 45 million YTD
- Main part of savings added in Q3 2020 stems from efficiency improvements within B2B, support and tech organization
- Business transformation program of at least SEK 1bn remains back-end loaded with majority of savings to be realized in 2021 and 2022

# Financial guidance

	End-user service revenue	Underlying EBITDAaL	Capex <sup>1</sup>
2020		~Flat	2.5-3.0bn
Mid-term	Low-single digit growth	Mid-single digit growth	2.8-3.3bn
Comments			

– Tele2 will issue updated guidance for 2021 and the midterm in connection to the Full Year and Fourth Quarter 2020 Report

TO CONCLUDE...

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# Key priorities going forward

Sweden B2C; Win the Swedish household through FMC and continue to execute on our more-for-more strategy

Sweden B2B; Optimize our portfolio for simplicity and profitability, to address competitive market conditions

Baltics; Build on the momentum through mobile centric convergence and possibly investigate regulatory or operational opportunities to add fixed connectivity

Upgrade mobile and fixed networks to uphold excellent service

Explore opportunities to improve setup and efficiency in our infrastructure portfolio

Continue the execution on business transformation program to deliver at least SEK 1 bn in opex reduction

Consistently grow ordinary dividend along with cash flow



THANK YOU!

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