

A photograph of a woman with long blonde hair looking down at her smartphone with a sad expression. A man in a dark coat stands next to her, his hand on her forehead in a comforting gesture. The background is dark with out-of-focus green lights, suggesting a city street at night.

# FIRST QUARTER

April 21, 2020

# Pause growth ambition and defend EBITDAaL 2020 – long-term strategy intact

## **Tele2 is more resilient than ever**

- Operations with great positions in stable markets
- Subscription business generates cash even in volatile times
- Strong balance sheet
- Truly digital: All offices closed and Tele2 became a fully functioning remote organization over night

## **Suspending 2020 guidance – pause growth ambition and defend EBITDAaL and cash flow through cost control**

- Known impact of ~SEK 50m/month in underlying EBITDAaL for duration of the pandemic – mainly related to roaming and equipment margin contraction
- Unmapped negative effects from lower volumes, smaller effects from pricing in Sweden and the Baltics, and B2B revenue risk
- Defend underlying EBITDAaL – reduce sales-driven cost, lower spending on growth projects, fast-track planned cost reductions, control capex
- Postponing extraordinary dividend to maintain buffer until we gain more clarity on the impact of the pandemic

## **Reiterating mid-term guidance – strategy is unaffected**

- Execute FMC more-for-more strategy in Sweden Consumer
- Shift Sweden B2B toward more profitable segments of the market
- Drive mobile centric convergence in the Baltics
- Carry out business transformation to deliver at least SEK 1bn in opex reduction over three years



# Highlights and strategic initiatives

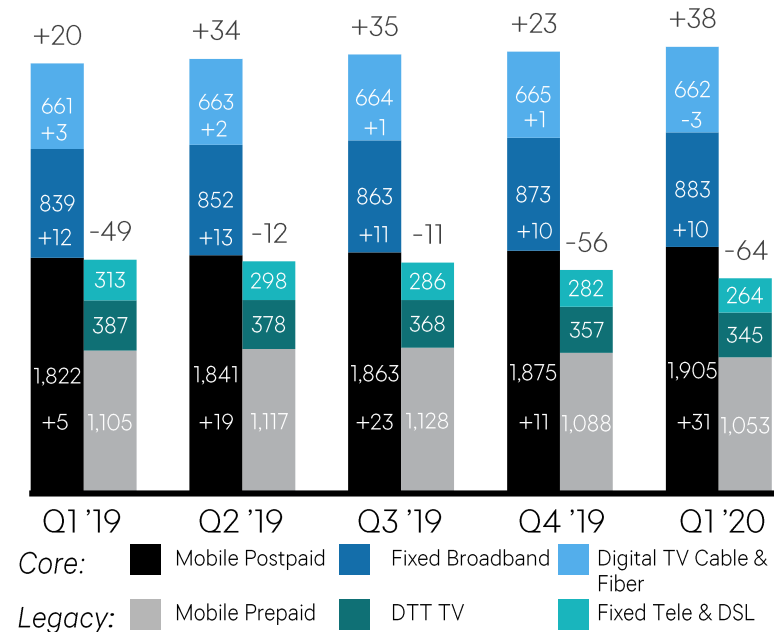
	Q1 2020		
<i>End-user service revenue</i>	SEK 4.9bn (0%)	<b>Sweden B2C</b> <ul style="list-style-type: none"> <li>– Strongest postpaid volume growth in several years</li> <li>– Continued FMC progress with 80% of overlapping customer on FMC benefits</li> <li>– Launched Comviq broadband</li> <li>– Initiated backbook price adjustments</li> </ul>	<b>The Baltics</b> <ul style="list-style-type: none"> <li>– Continued strong performance</li> <li>– TV-service now launched in all three countries</li> </ul>
<i>Underlying EBITDAaL</i>	SEK 2.2bn (-1%)	<b>Sweden B2B</b> <ul style="list-style-type: none"> <li>– Price pressure in the market continues</li> <li>– Strong volume growth</li> <li>– Launched the first FMC more-for-more offers in SME</li> </ul>	<b>The Group</b> <ul style="list-style-type: none"> <li>– Generated SEK 3.3bn cash with SEK 1.3bn underlying cash generation and SEK 2.0bn proceeds from sale of Croatia</li> <li>– Strong balance sheet with leverage of 2.3x gives room for continued shareholder remuneration</li> <li>– Business transformation on track</li> </ul>
<i>Capex ex. spectrum and leases</i>	SEK 0.5bn		

SWEDEN

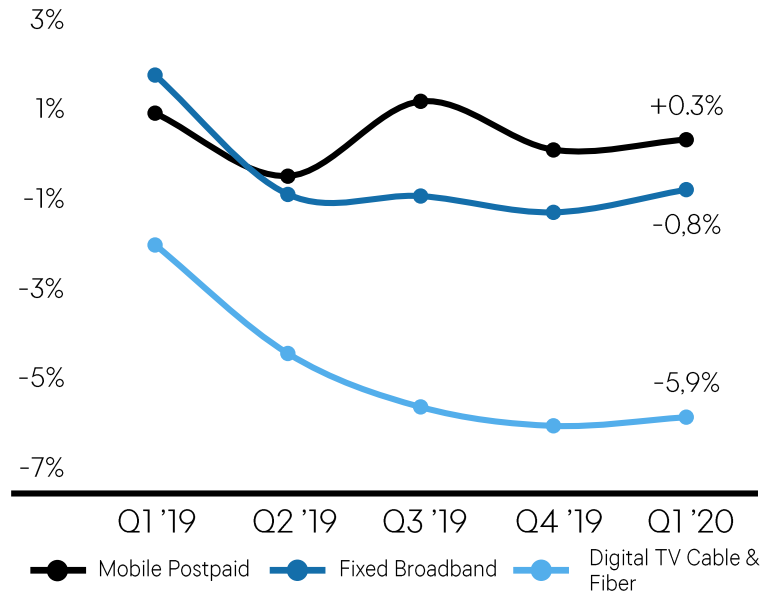
**TELE2**

# Sweden Consumer

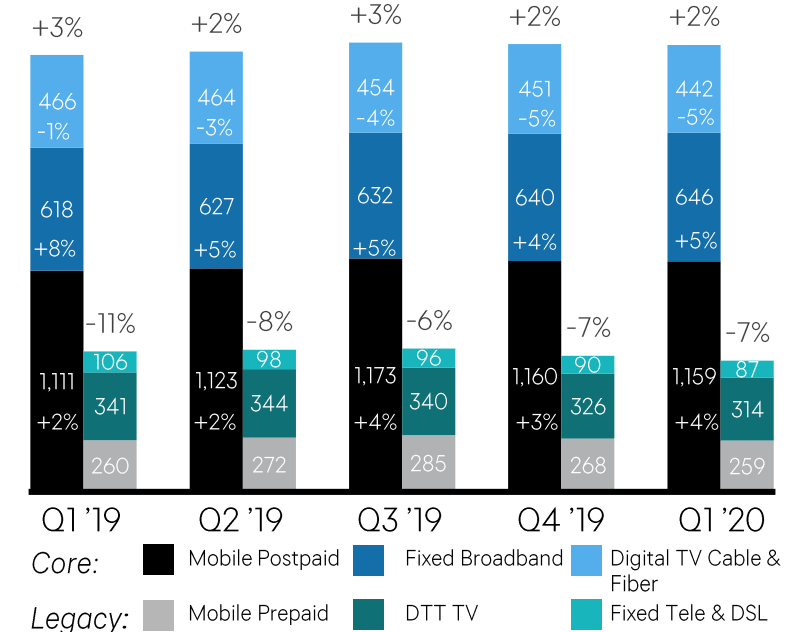
RGUs & net intake - core and legacy services (thousands)



ASPU year-on-year growth (% proforma)



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

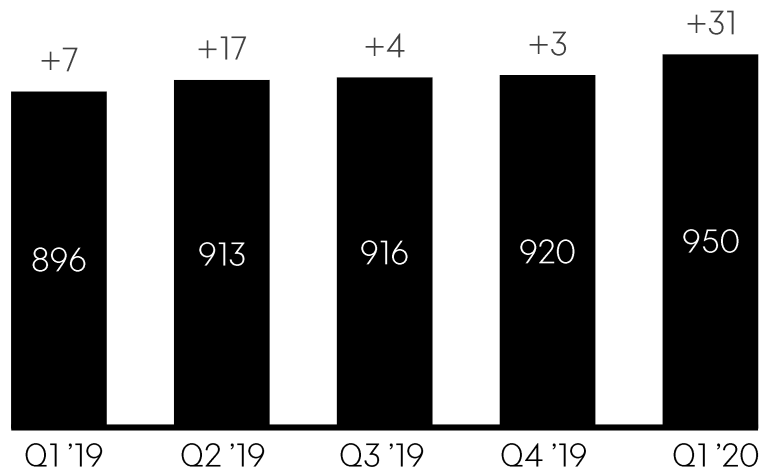


## Q1 highlights

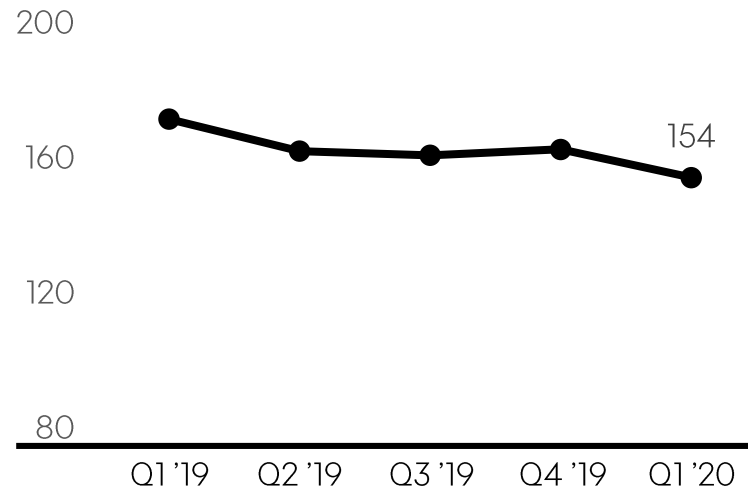
- Mobile postpaid had the strongest net intake in several years and ASPU held up well, supported by high incoming ASPU from Tele2 family offer
- Digital TV cable & fiber saw elevated churn this quarter following the temporary shutdown of the TV4 Group channels in December 2019
- Backbook price adjustments expected to have effect in Q2 2020 and onward
- Total end-user service revenue roughly flat as growth in mobile postpaid and fixed broadband was offset by digital TV and fixed telephony & DSL

# Sweden Business

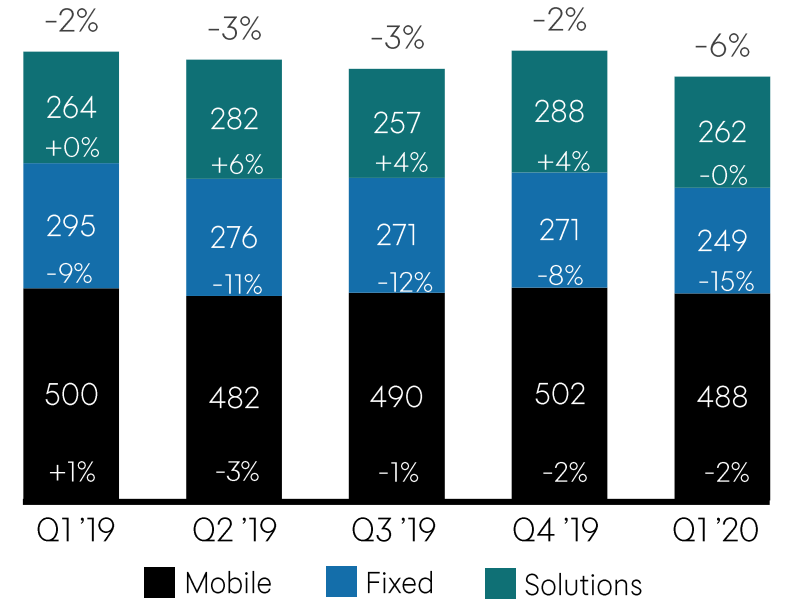
Mobile RGUs & net intake  
(thousands)



Mobile ASPU  
(SEK)



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

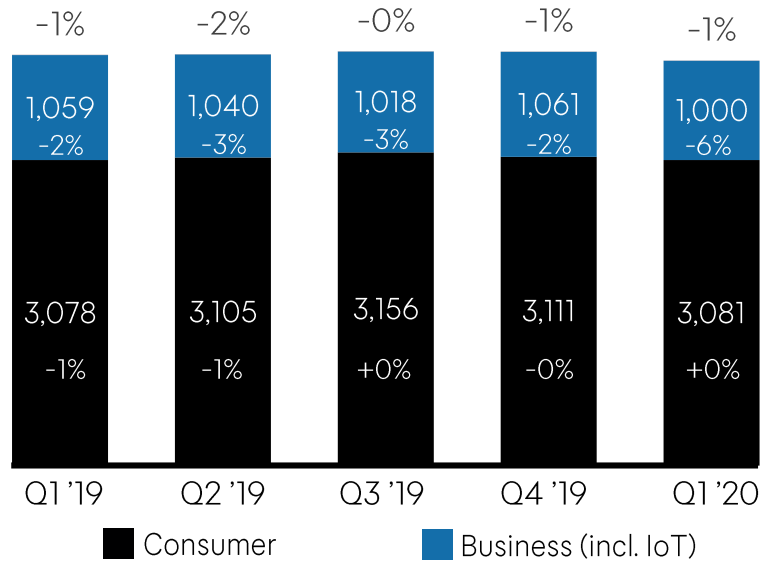


## Q1 highlights

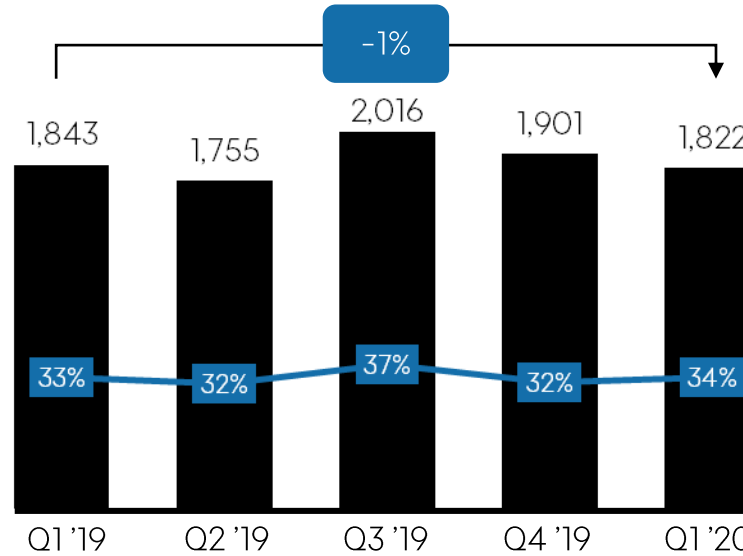
- Continued momentum in mobile volume with a net intake of 31,000 driven by implementation of new contracts for both the LE and SME segment
- Total end-user service revenue declined by 6 percent driven by price pressure, lower roaming due to COVID-19, continued legacy fixed decline and expiry of a solutions contract

# Sweden overview

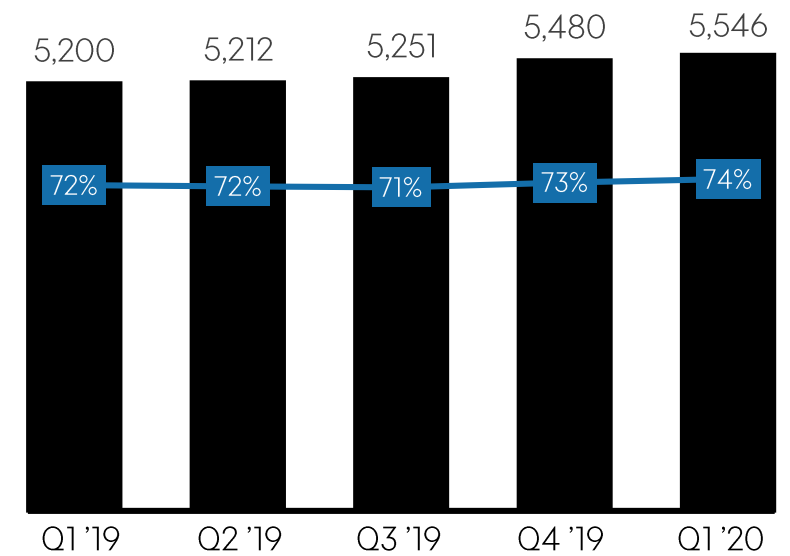
End-user service revenue  
(SEK million, proforma, year-on-year growth %)



Underlying EBITDAaL and margin  
(SEK million)



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



## Q1 highlights

- Total end-user service revenue decreased by 1%, with consumer roughly flat while business continued to decline
- Underlying EBITDAaL decline of 1% as benefits from last year's cost reductions were offset by roughly SEK 50 million investments into growth initiatives, EUSR decline, and roughly SEK 50 million impact from the global pandemic and higher bad debt provisions
- Continued strong cash conversion of 74% LTM due to low capex spend in between investment cycles

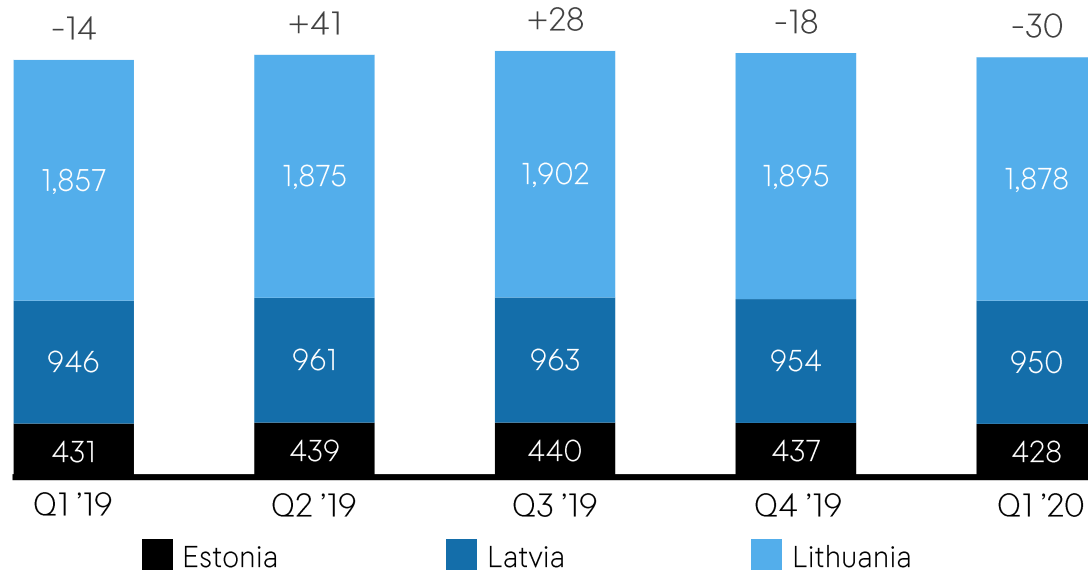
BALTICS

**TELE2**

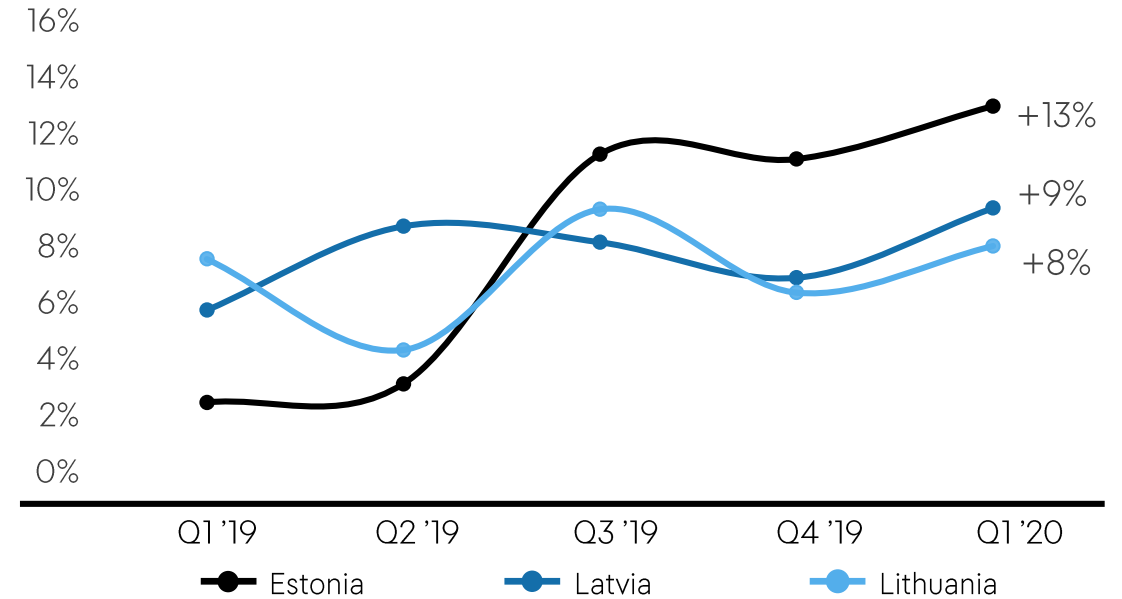


# Baltics – Operational highlights

RGUs & net intake – mobile services  
(thousands)



ASPU year-on-year growth  
(%)

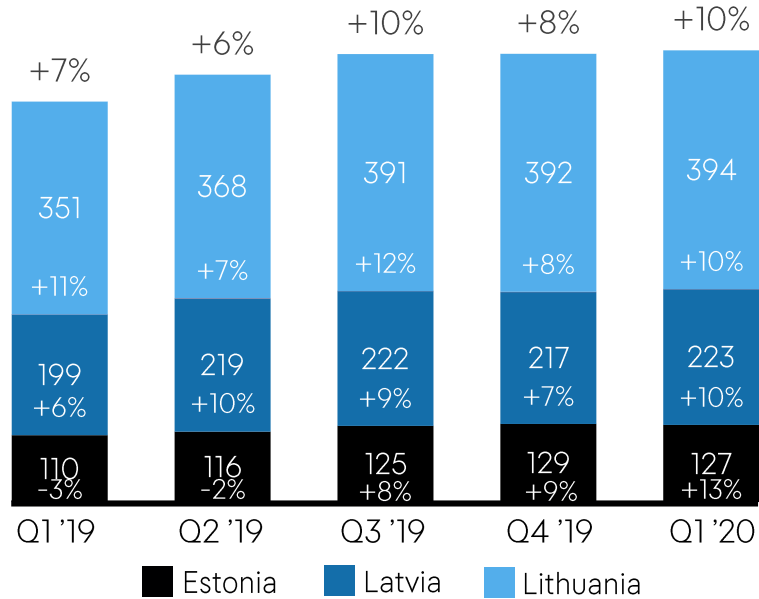


## Q1 highlights

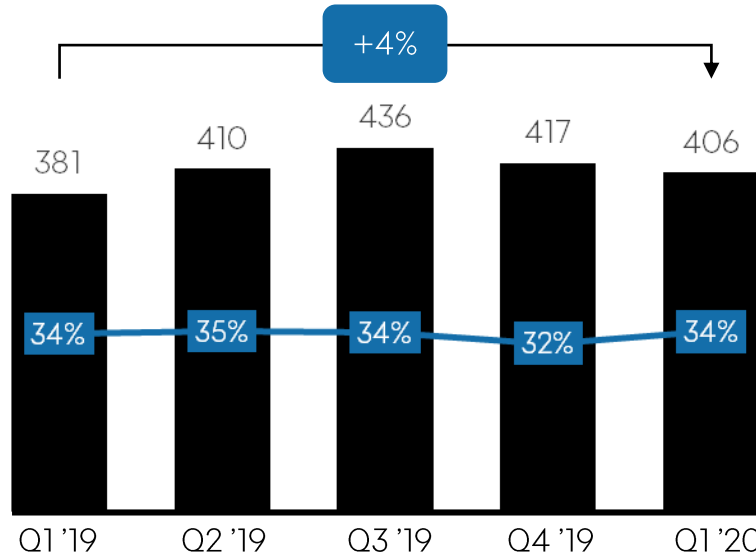
- Net intake impacted by seasonal mobile prepaid churn in all three countries
- Continued strong ASPU growth in all three countries driven by higher value price plan sales, reduced discounts and continued upselling in existing customer base

# Baltics – Financials

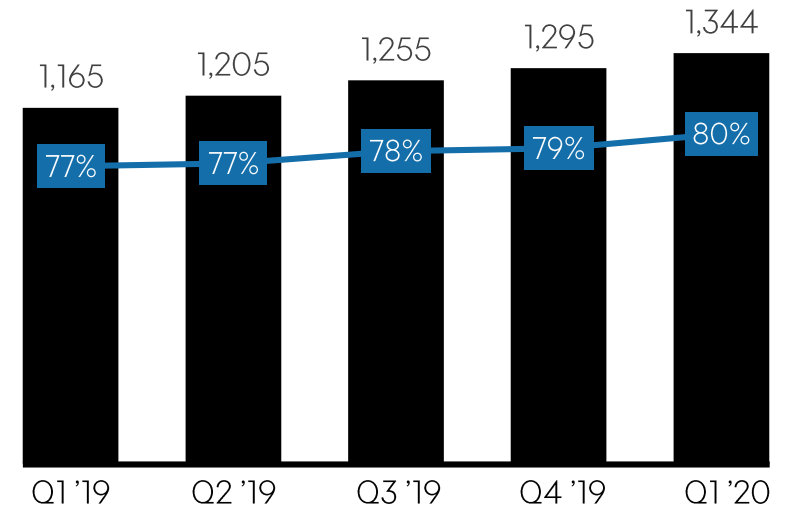
End-user service revenue  
(SEK million, year-on-year organic growth %)



Underlying EBITDAaL and margin  
(SEK million)



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



## Q1 highlights

- Continued strong total end-user service revenue growth of 10% driven by ASPU growth
- Underlying EBITDAaL growth of 4% was affected by approximately SEK 20 million negative impact from the global pandemic
- Continued strong cash conversion of 80% LTM due to strong performance and low capex spend in between investment cycles

# FINANCIAL OVERVIEW

**TELE2**

# Revenue breakdown

SEK million	Q1 2020	Q1 2019	YoY abs	YoY % (organic)
Mobile	1,391	1,338	53	4%
Postpaid	1,134	1,080	54	5%
Prepaid	257	258	-1	0%
Fixed	1,489	1,530	-42	-3%
Fixed Broadband	646	618	28	5%
Digital TV	755	807	-52	-6%
Cable & Fiber	442	466	-25	-5%
DTT	314	341	-27	-8%
Fixed telephony & DSL	87	106	-18	-17%
Landlord & Other	175	177	-2	-1%
<b>Sweden Consumer</b>	<b>1</b> 3,055	<b>3,045</b>	<b>10</b>	<b>0%</b>
Sweden business	<b>2</b> 977	1,024	-47	-5%
Baltics	719	632	87	11%
Germany	106	121	-15	-15%
<b>EuS revenue ex. Roaming</b>	<b>3</b> 4,857	<b>4,823</b>	<b>34</b>	<b>0%</b>
Outbound roaming revenue	74	96	-22	-24%
<b>EuS revenue</b>	<b>4</b> 4,930	<b>4,918</b>	<b>12</b>	<b>0%</b>
Equipment revenue	1,157	1,240	-83	-7%
Operator revenue	599	584	15	2%
<b>Revenue</b>	<b>6,687</b>	<b>6,743</b>	<b>-56</b>	<b>-1%</b>

## Comments

**1** Sweden B2C EUSR supported by volume-driven growth in mobile postpaid and fixed broadband

**2** Sweden B2B mobile EUSR was flat YoY excluding roaming while fixed and solutions declined

**3** EUSR ex roaming was flat as decline in Sweden B2B and Germany offset growth in Sweden B2C and the Baltics

**4** Total EUSR loss due to roaming of SEK 22m with SEK 12m in Sweden BB, SEK 7m in Sweden B2C and SEK 3m in the Baltics

International roaming represents roughly SEK 400m in EUSR and SEK 300m in underlying EBITDAaL annually

# Group results Q1 2020

SEK million		Q1 2020	Q1 2019
Revenue		6,687	6,743
Underlying EBITDA	1	2,542	2,545
Margin (%)		38%	38%
Items affecting comparability	2	-39	-262
D&A		-1,315	-1,246
Associated companies & JVs		0	10
Operating profit		1,188	1,047
Net interest and other financial items	3	-158	-102
Taxes		-208	-222
Net profit, continuing operations		822	723
Net profit, discontinued operations	4	358	301
Net profit, total operations		1,180	1,024

## Comments

- 1 Underlying EBITDA declined by 1 percent organically\* as SEK 150m net benefits from 2019 synergies was offset by ~SEK 50m investments into growth initiatives, decline in Sweden B2B EUSR, and ~SEK 70m impact from Covid-19 and bad debt provisions
- 2 Items affecting comparability included initial restructuring cost related to the business transformation program in Sweden which was announced in the Q4 2019 report
- 3 Net interest and other financial items increased temporarily due to negative effects from currency movements and reassessed financial liabilities
- 4 The net profit from discontinued operations in Q1 2020 mainly includes the capital gain from the sale of Tele2 Croatia

# Group cash flow Q1 2020

SEK million	Q1 2020	Q1 2019
<b>Continuing operations</b>		
Underlying EBITDA	2,542	2,545
Items affecting comparability	-39	-262
Amortization of lease liabilities	-372	-355
Capex paid	1 -600	-1,583
Changes in working capital	106	294
Net financial items paid	-102	-98
Taxes paid	-216	-260
Other cash items	15	48
<b>Equity free cash flow</b>	2 1,333	330
Equity free cash flow / share (SEK)	3 1.9	0.5
Equity free cash flow LTM / share (SEK)	3 7.7	2.7
<b>Total operations</b>		
Equity free cash flow, continuing operations	1,333	330
Equity free cash flow, discontinued operations	-51	107
<b>Equity free cash flow</b>	<b>1,282</b>	<b>437</b>

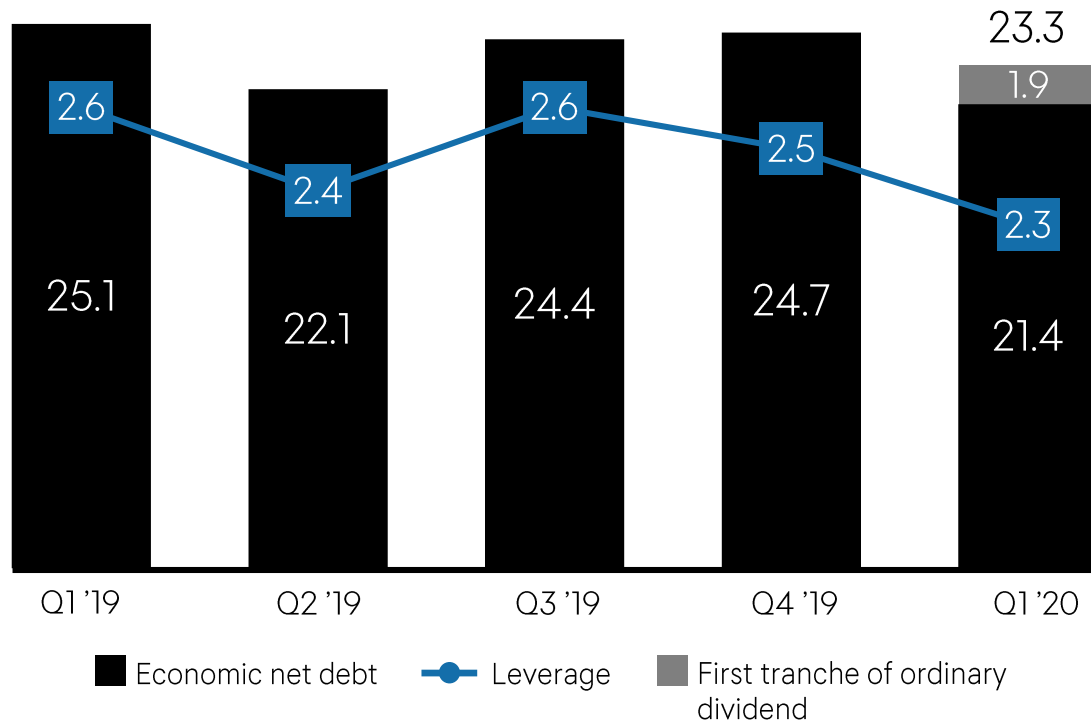
## Comments

- 1 Capex decreased due to low investing activity ahead of the rollout of 5G, as well as spectrum payments of SEK 799 million in Q1 2019
- 2 Equity free cash flow from continuing operations increases mainly as a result of the capex related to the spectrum auction in Q1 2019
- 3 Equity free cash flow per share from continuing operations of SEK 1.9 in Q1 2020 and SEK 7.7 LTM



# Leverage at 2.3x

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



## Comments

- Economic net debt was reduced by SEK 3.3 billion, driven by cash generation in the business and proceeds of SEK 2.0 billion from the sale of Tele2 Croatia
- Leverage of 2.3x (2.5x end of 2019) was temporarily below target range of 2.5-3.0x ahead of dividend payment
- Adjusted for proposed dividend payment in May, leverage would have been 2.5x at the end of March
- Given uncertainty around the global pandemic, we intend to keep leverage at the lower end, or even slightly below the target range until we have clarity around the impact of the pandemic

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

\*Underlying EBITDAaL for total operations at the time of reporting

TO CONCLUDE...

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# Key priorities going forward

2020 focus to defend EBITDAaL in uncertain environment

*Fast-track part of business transformation program*

*Reduce sales and marketing spend*

*Selectively reduce spend on growth projects*

Maintain focus on long-term strategy

*B2C: Win the Swedish household through FMC*

*B2B: Execute on turnaround*

*Business transformation to deliver at least SEK 1bn in opex reduction*

*Build on the momentum in the Baltics through mobile centric convergence*

*Upgrade mobile and fixed networks to maintain excellent service*

*Consistently grow ordinary dividend along with cash flow*



THANK YOU!

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