



Q4 2015 Results

Com Hem

London, February 9, 2016

Disclaimer

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Today's agenda



Operational performance

- ▶ Continued execution on our plan



Price rise 2016

- ▶ Q1 price rise commences in March



Financial performance

- ▶ Continued strong cash flow generation
- ▶ Shareholder remuneration and financial guidance 2016



Yearly summary & next steps

- ▶ Phase one completed, entering phase two
- ▶ Trialling SDU market as potential long-term growth driver

Fourth quarter in brief and operational development

Anders Nilsson, CEO

Key growth drivers

Continued progress in Q4

1

Stable customer satisfaction

- ▶ The record low consumer churn of 12.9% in Q3 continued into Q4, which reduced full year consumer churn to 13.2%, an improvement of 1.9 p.p compared to 2014 FY

2

Drive DTV penetration with superior DTV product

- ▶ Digital TV grew by 4,000 to 635,000 RGUs, TiVo penetration reached 35% equivalent to 224,000 RGUs (34% in Q3)

3

Leverage network and speed advantage

- ▶ Broadband subscriber base grew by another 11,000 net additions to a record high of 658,000 RGUs, which is the eleventh consecutive quarter of growth

4

Capitalise on unique consumer bundle opportunity

- ▶ Duals increasing steadily. Triples becoming less relevant due to decreased usage of fixed telephony

5

Leverage B2B opportunity

- ▶ Continued transformation of Phonera focusing on high margin OnNet. OnNet B2B unique customers grew by 2,000 during quarter (1,000 in Q3)

Well positioned for growth

Guidance 2015

To grow revenue of the overall business in the mid-single digits year-on-year

Outcome 2015

5.0% annual growth of which 3.6% is organic growth

Drivers for shareholder returns

Improving financial flexibility

✓ Revenue growth translates into increased Underlying EBITDA

✓ Stable capex levels

✓ Reduced interest expenses
Q4 refinancing will save the group more than SEK 100m in annual interest payments.
At current low market rates, interest expenses is expected to be approx. 3% in Q1

✓ No taxes to be paid until tax losses fully utilised
(outstanding NOL approx. SEK 2.5bn per 31 December)



Improved scope for shareholder remuneration

Guidance 2015

Underlying EBITDA margin

Is expected to soften slightly due to a shift in business mix

Capital expenditure

As a percentage of revenue is expected to decline to a level that is more in line with the industry average

Target leverage

Of 3.5x to 4.0x
Underlying EBITDA LTM

Outcome 2015

Underlying EBITDA margin

46.9% Underlying EBITDA margin, down from 47.5% 2014

Capital expenditure

SEK 991m, 19.8% of revenue compared to 22.1% 2014

Target leverage

3.8x Underlying EBITDA LTM as at 31 December

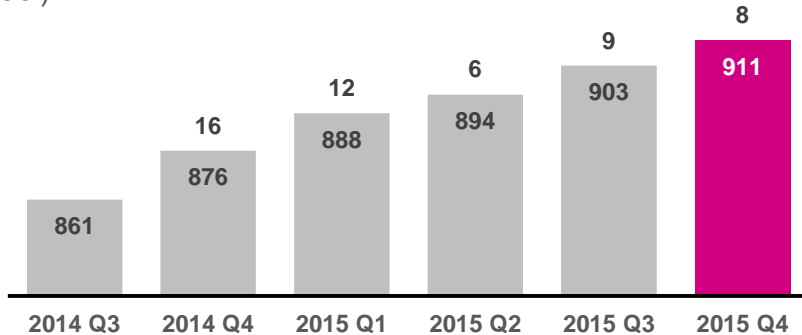


Continued steady growth of customers and RGUs

Volume in line with our balanced growth strategy

Unique consumer subscribers

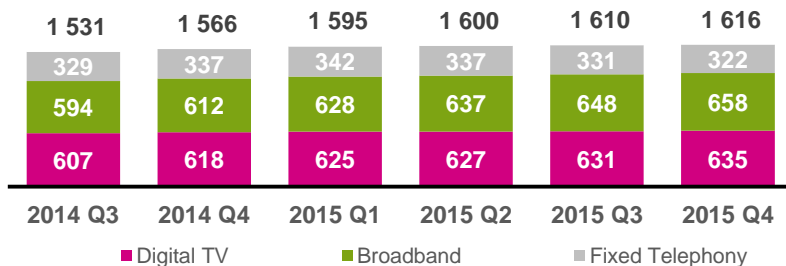
(000')



- ▶ Unique consumer subscribers continued to grow by 8,000 during the quarter to a new all time high
- ▶ Total consumer RGUs increased by 6,000 for the quarter to 1,616,000 RGUs
- ▶ Overall, volumes are in line with our shift towards a balance of price and volume-led growth
- ▶ Dual subscriptions continue to grow steadily, rose from 24.5% to 25.2% in the quarter
- ▶ RGU per customer ratio continues to decline due to long-term fixed telephony decline

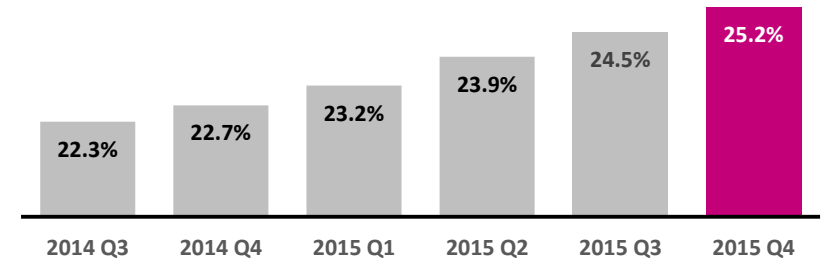
RGUs per Quarter

(000')



Duals development

(%)

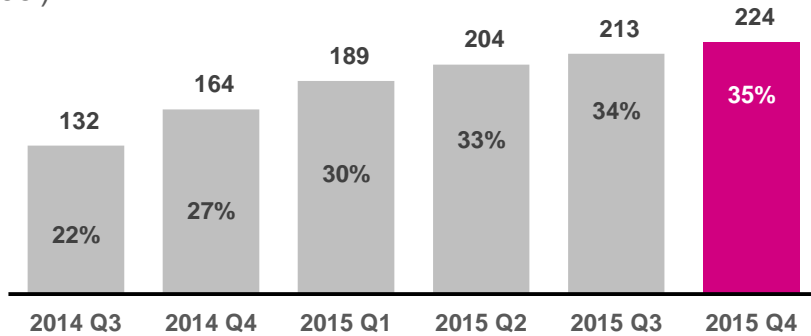


Continued positive trend in high-end services

More than 80% of new customers now choose 100 Mbit/s or more

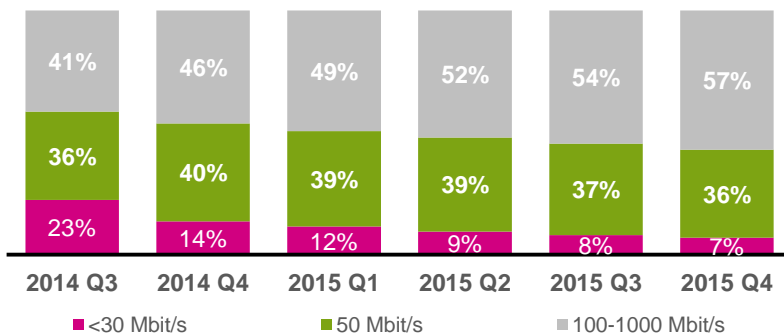
TiVo Customers

(000')



Broadband speeds

(%)



Digital TV

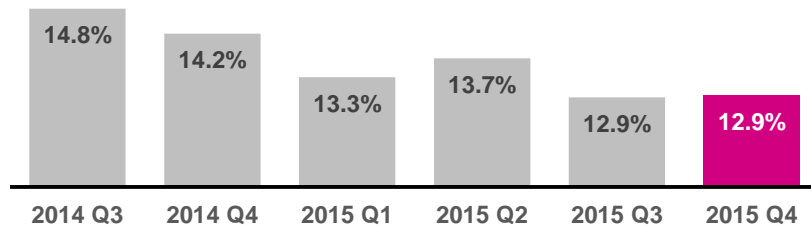
- ▶ TiVo customers grew by more than 10,000 in Q4, making TiVo a part of 224,000 Swedish homes, representing 35% penetration of the DTV-base
- ▶ Com Hem Play shows increased engagement among TiVo customers

Broadband

- ▶ Demand for high broadband speeds continued to increase as 82% of new broadband subscribers chose speeds of 100 Mbit/s and above in Q4 (77% in Q3)
- ▶ Average speed per broadband subscriber reached 115 Mbit/s (109 Mbit/s in Q3) in Q4

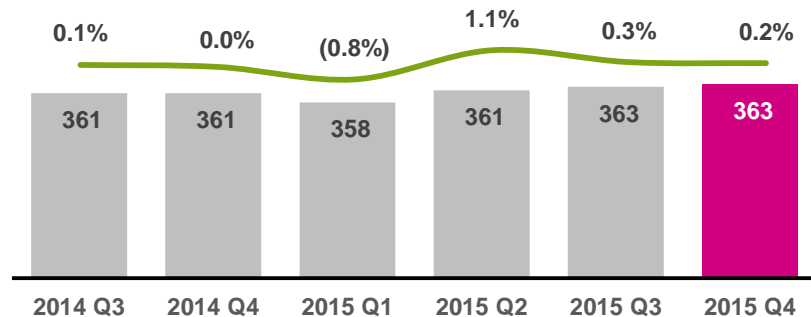
Another quarter of record low consumer churn with flat customer ARPU

Customer Churn (%)



- ▶ We repeated Q3 record low customer churn of 12.9% in Q4
- ▶ Consumer ARPU remained flat during the quarter
- ▶ ARPU is expected to spike right after the price rise and thereafter decline gradually due to unwinding fixed telephony and premiums, i.e. a typical Telco pattern
- ▶ Assuming steady volume progression, the consumer ARPU pattern will translate to revenue

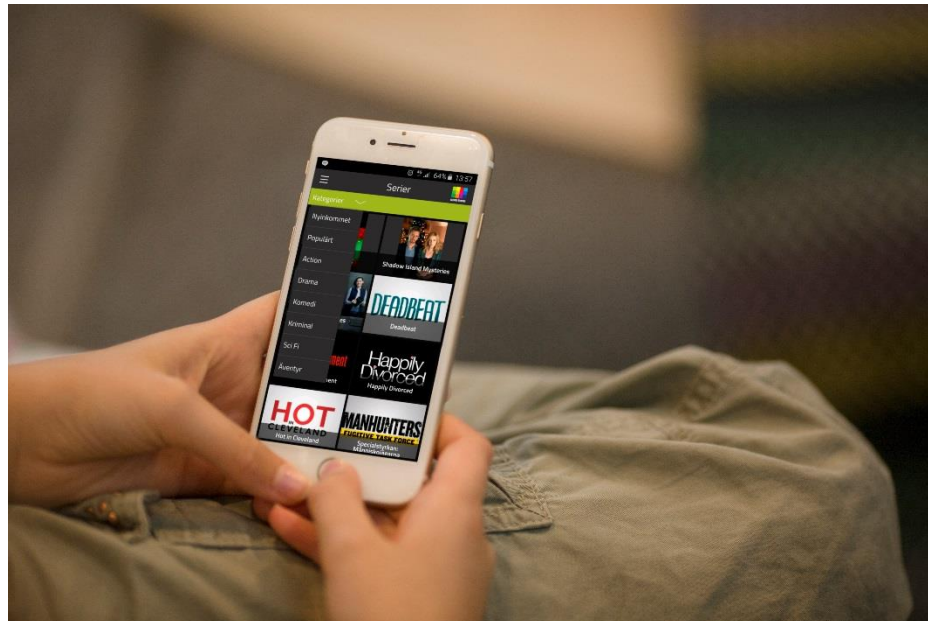
Customer ARPU (SEK)



Com Hem Play engagement amongst our TiVo customers continue to increase

Continuous development to secure best in class experience

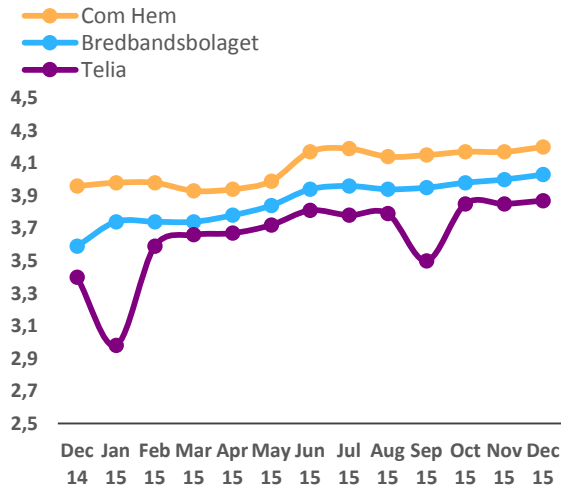
- ▶ The relaunch of our TVE service, replacing TiVoToGo with Com Hem Play in mid-September, has been successful, with our customers engaging more and more deeply with the service
 - ▶ The customer base using CHP has grown 7% in Q4 compared to Q3
 - ▶ CHP customers have increased their engagement, spending 44% more time with the service in Q4 vs. Q3
- ▶ We continue to evolve the service to ensure it remains Sweden's smartest and most comprehensive TV service; TiVo customers can now use their mobile or tablet to plan and schedule recordings, and use their device as a virtual remote control



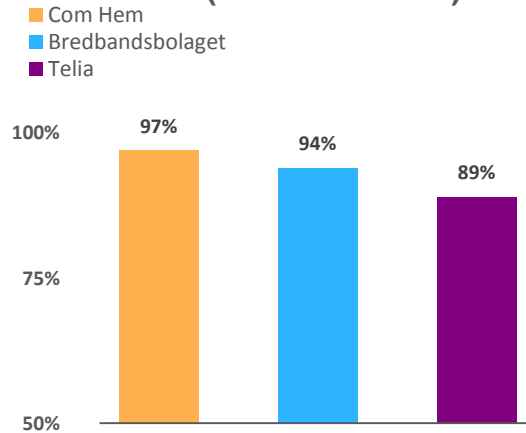
Our broadband continues to outperform competitors

Consistent leadership on all key measures of fixed and wireless quality

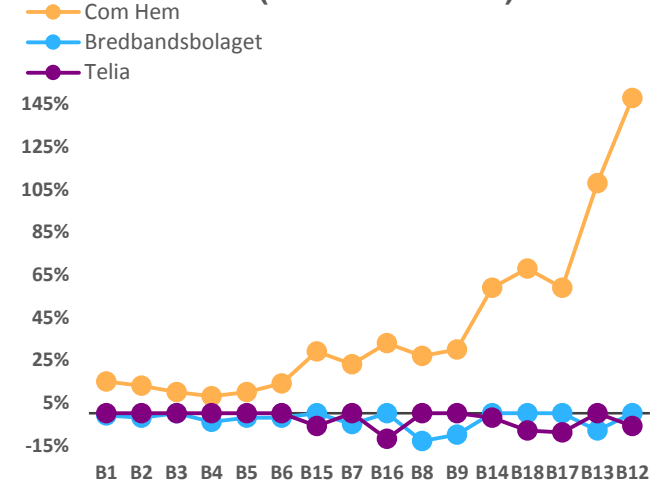
Netflix ISP Speed index



Google video quality report (December 2015)



Excentis* high speed router test (November 2015)



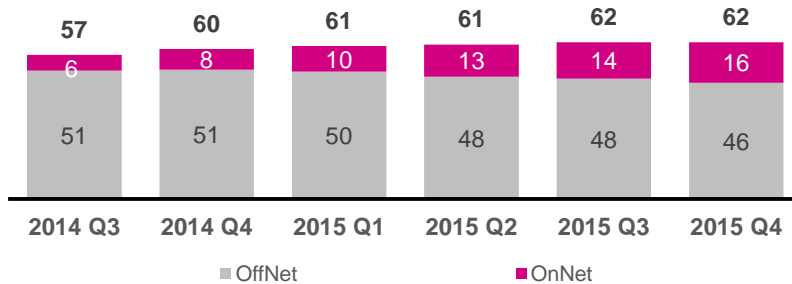
- ▶ Com Hem has led the Netflix ISP speed index against key competitors since 2014 and against all competitors in 10 of the last 12 months
- ▶ Google Video's inaugural report on Sweden gave Com Hem the highest performance rating with a full 97% of streams delivered in HD
- ▶ Com Hem's Compal router continues to deliver higher speeds than the competition on all measurement points

Transformation of B2B ongoing

Decline in legacy business offset strong growth in the OnNet business

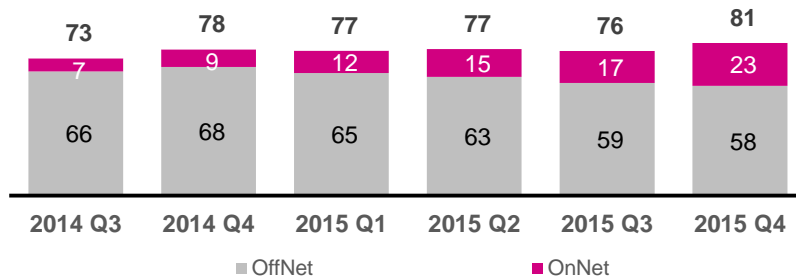
Unique B2B Subscribers

(000')



B2B Revenue

(SEKm)



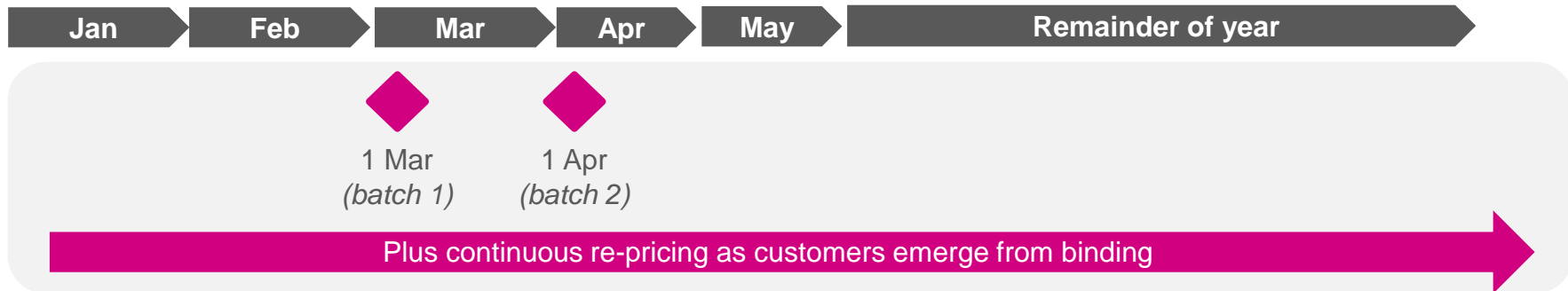
- ▶ OnNet RGU customer growth doubled from 1,000 unique subscribers for the third quarter to 2,000 unique subscribers for the fourth quarter
- ▶ The focus in our B2B business continues to be on its transformation from the declining Off-Net fixed telco legacy business to the fast-growing On-Net business. B2B revenue grew by 4.1% in the quarter
- ▶ Transformation of operations yields lower operational costs and investments going forward

Price rise 2016

Jon James, COO

Price rise 2016:

Over half of all Com Hem customers will be affected by our 2016 price rise activity



- ▶ Price rise starts earlier; main price rise 1st March 2016 vs. 1st April 2015
- ▶ Price rise scale is somewhat larger versus 2015, we expect churn to negatively impact Q1 net adds, especially TV
- ▶ As previously, a combination of frontbook and backbook/discount repricing activity

Key changes to our frontbook prices

BB 50	+20* (299 → 319)
BB 250	+ 20* (429 → 449)
DTV Bas	+30 (149 → 179)
Com Bo Bas	+50 (429 → 479)*

Key rules

- ▶ Focus on discount reduction; no changes to TiVo/100 Mbit/s
- ▶ No changes to customers in binding
- ▶ No price rise greater than 70 SEK/month for any customer

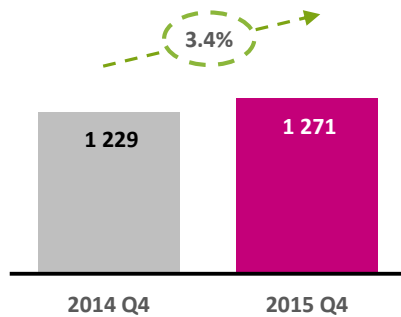
Financial performance

Mikael Larsson, CFO

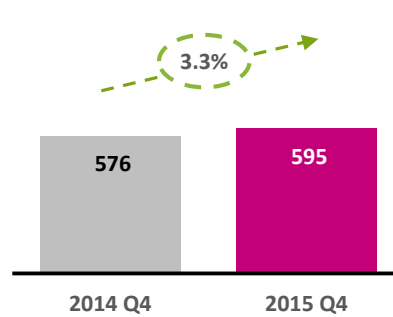
Fourth quarter financial highlights

Steady revenue and Underlying EBITDA growth

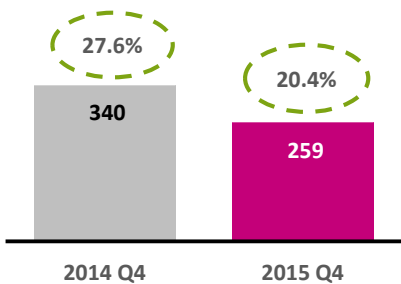
Revenue
(SEKm)



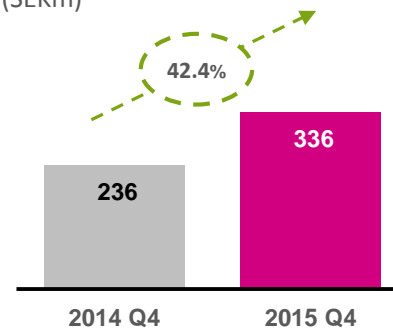
Underlying EBITDA
(SEKm)



Capex (% of revenue)
(SEKm)



Operating free cash flow
(SEKm)



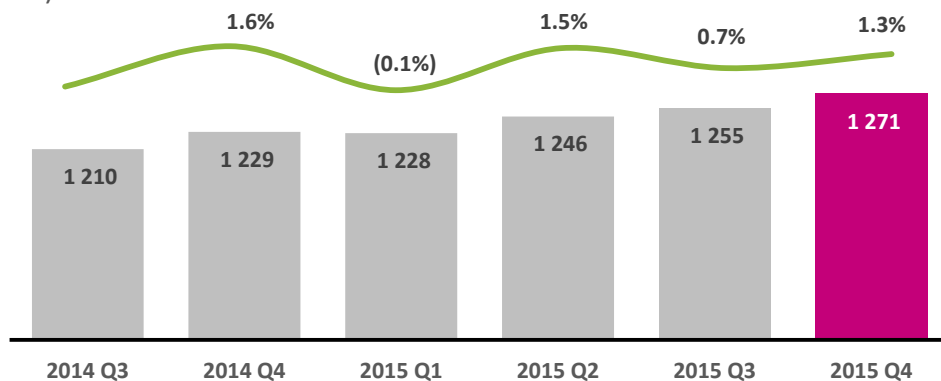
- ▶ Revenue growth of 3.4% (3.7% in Q3).
- ▶ Underlying EBITDA grows in line with revenue at 3.3% (2.6% in Q3) to SEK 595m
- ▶ Lower capex compared to Q4 2014 due to timing in network related capex and less capitalised sales commissions due to changed revenue growth mix in 2015
- ▶ Exceptional strong increase in OFCF which grew 42.4% to SEK 336m as Underlying EBITDA grows and low capex spend in the quarter

Continued revenue growth

Revenue growth of 3.4% Y-o-Y and 1.3% Q-o-Q

Revenue Q-o-Q

(SEKm)



(SEKm)	2015 Q4	2014 Q4	Change	2015 FY	2014 FY	Change
Consumer	959	908	5.7%	3,755	3,540	6.1%
Landlord	171	186	(8.0%)	695	774	(10.1%)
B2B	81	78	4.1%	311	222	40.1%
Other revenue	61	59	3.8%	238	226	5.5%
Total revenue	1271	1229	3.4%	5,000	4,761	5.0%

Q4

- ▶ Increase in consumer revenue driven by growth in broadband and TiVo subscribers, and continued improved broadband tier mix
- ▶ Decrease in landlord revenue slowing down to 8.0% (10.6% decrease in Q3)
- ▶ B2B OnNet shows good growth. Revenue up SEK 13m Y-o-Y for Q4 (SEK 10m in Q3). However, decline in OffNet SoHo legacy business partly offset the good progress in the OnNet SoHo business

Full year

- ▶ 5.0% annual growth of which 3.6% organic, driven by 6.1% growth in consumer business

Stable Underlying EBITDA margin

Improved EBITDA and materially lower financial expenses

(SEKm)	2015 Q4	2014 Q4	Change	2015 FY	2014 FY	Change
Revenue	1,271	1,229	3.4%	5,000	4,761	5.0%
Production costs	(373)	(340)		(1,466)	(1,347)	
Gross profit	899	889	1.1%	3,534	3,415	3.5%
<i>Gross margin</i>	70.7%	72.3%		70.7%	71.7%	
Operating costs*	(304)	(313)		(1,189)	(1,153)	
Underlying EBITDA	595	576	3.3%	2,346	2,262	3.7%
<i>Underlying EBITDA margin</i>	46.8%	46.9%		46.9%	47.5%	
Non-recurring items	(14)	(23)		(58)	(228)	
Operating currency loss/gains	1	(6)		(9)	(15)	
Disposals	(0)	(11)		(9)	(15)	
EBITDA	581	536	8.5%	2,269	2,004	13.2%
Depreciation and amortisation	(392)	(377)		(1,545)	(1,438)	
EBIT	190	159	19.5%	724	566	28.0%
Net financial expenses	(243)	(560)		(605)	(2,082)	
Taxes	12	237		(27)	465	
Net result for the period	(41)	(164)	(74.8%)	92	(1,051)	n/m

* Excluding non-recurring items, operating currency loss/gains, disposals and depreciation and amortisation

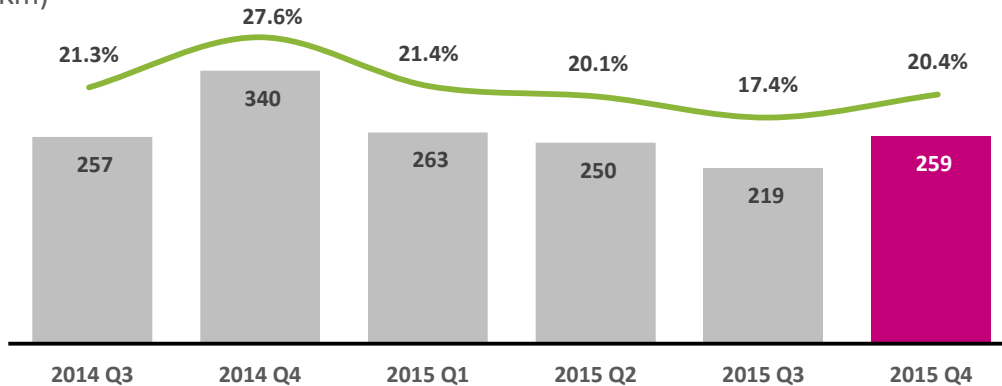
- ▶ Steady growth of gross profit and Underlying EBITDA. Slight pressure on gross margin compensated by OPEX efficiency savings
- ▶ EBITDA growth of 8.5% explained by lower one-offs
- ▶ Slight increase in depreciation and amortisation due to higher customer acquisition CAPEX in previous quarters
- ▶ Net financial expenses include SEK 97m (377) in refinancing costs for Q4. Interest costs reduced to SEK 93m (147) for the quarter
- ▶ Net results temporarily negative in Q4 on back of the refinancing of the 10.75% Senior Notes

Low Capex in Q4 affecting full year number

Timing in network related investments

Quarterly Capex (% of revenue)

(SEKm)



- ▶ Network related capex low due to timing
- ▶ Decrease in customer acquisition capex (CPE's & capitalised sales commissions) due to intentionally lower customer intake during 2015 compared to 2014

(SEKm)	2015 Q4	2014 Q4	Change	2015 FY	2014 FY	Change
Network related	97	147	(33.9%)	332	354	(6.4%)
CPE & sales costs	113	137	(17.1%)	486	498	(2.4%)
IS development	37	37	0.2%	128	147	(12.8%)
Other capex	11	19	(40.3%)	45	52	(12.3%)
Total capex	259	340	(23.8%)	991	1,051	(5.7%)

Continued strong cash flow generation

SEK 887m generated in 2015 excluding one-off refinancing payment

(SEKm)	2015 Q4	2014 Q4	Change	2015 FY	2014 FY	Change
Underlying EBITDA	595	576	19	2,346	2,262	84
Non-recurring items and operating currency loss	(14)	(29)	15	(67)	(243)	176
Change in net working capital	108	(23)	131	100	(133)	233
Interest payments on borrowings etc.	(289)	(335)	46	(506)	(941)	435
One-off refinancing payment	(92)	(249)	156	(92)	(727)	635
Other operating cash / non-cash items	(4)	0	(4)	(10)	8	(18)
Net cash from operating activities	304	(59)	363	1,770	227	1,544
Gross capital expenditure	(259)	(340)	81	(991)	(1,051)	60
Capex funded by leasing	-	28	(28)	15	28	(13)
Acquisition of subsidiaries	-	-	-	-	(302)	302
Investment/Divestment of financial assets	-	(0)	0	-	6	(6)
Net cash used in investing activities	(259)	(312)	53	(976)	(1,318)	342
Total cash from operating activities less investments	46	(371)	416	795	(1,091)	1,886
Total less one-off refinancing and acquisition payments	138	(122)	260	887	(63)	950
Net change in borrowings	168	231	(63)	230	(5,477)	5,707
Shareholder remuneration	(292)	-	(292)	(973)	-	(973)
New share issue	-	-	-	-	6,239	(6,239)
Other financial activities	(1)	(53)	52	(25)	(77)	52
Cash flow from financing activities	(126)	178	(304)	(768)	685	(1,453)
Net cash generated (used)	(80)	(192)	112	27	(406)	433

- ▶ Positive movement in net working capital in Q4 bringing total change in NWC to SEK 100m for the full year 2015
- ▶ One off refinancing payment of SEK 92m in Q4 (SEK 249m in Q4 2014)
- ▶ SEK 46m in cash generated from operating activities net of investments in Q4 negatively affected by one off refinancing payment
- ▶ Excluding one off refinancing payments, cash generated from operating activities net of investments increased to SEK 887m in 2015 (negative SEK 63m in 2014)
- ▶ SEK 292m paid for share buy backs in Q4. Total shareholder remuneration of SEK 973m paid in full year 2015

Capital Structure

Reduced interest rate on borrowings in Q4

(SEKm)	Dec. 31 , 2015	Sep. 30, 2015	Dec. 31 , 2014
Senior bank debt			
Term Loans	5,875	3,975	3,875
RCF	1,350	1,350	1,350
Finance leases	48	58	67
Total senior bank debt	7,273	5,383	5,292
Bond instruments			
Senior Secured Notes @ 5.25%	2,500	2,500	2,500
Senior Notes @ 10.75%	-	1,756	1,775
Gross debt	9,773	9,639	9,567
Cash balance EoP	(743)	(824)	(716)
Net debt	9,030	8,815	8,851
Unutilized bank facilities and cash	1,393	3,249	1,312
Leverage			
Net Debt / Underlying EBITDA LTM	3.8x	3.8x	3.9x
Average blended interest rate last quarter	3.6%	4.4%	5.3%

- ▶ Leverage unchanged since September at 3.8x Net Debt/ Underlying EBITDA LTM, well within our target range of 3.5-4.0x
- ▶ Well capitalised with SEK 1.4bn in cash and unutilised credit facilities at end of 2015
- ▶ The group's average interest cost down to 3.6% for the fourth quarter following redemption of Senior Notes in November. At current low market rates, interest cost is expected to decrease further to around 3% in Q1

Shareholder remuneration

2015 shareholder remuneration

- ▶ Cash dividend of SEK 1 per share, total of SEK 207m
- ▶ SEK 65m repaid to shareholder in share redemption program during the spring
- ▶ Since the AGM in May until end of December 4.7% of the outstanding shares were repurchased in the market for SEK 711m. Share repurchases have continued in 2016

Shareholders remunerated by a total of SEK 983m in 2015, representing 6.5% of our market capitalisation at 31 December

Proposal for 2016 shareholder remuneration

- ▶ The Board proposes to the AGM to approve a cash dividend of SEK 1.50 per share (last year SEK 1.00), which represents an increase of 50%. Based on number of shares as of 8 February, the dividend would amount to SEK 293m
- ▶ Renewal of mandate to repurchase up to 10% of the share capital



Financial Guidance 2016



► Revenue - unchanged

We aim to deliver mid-single-digit revenue growth on a full year basis.

► Underlying EBITDA

We aim to maintain a stable Underlying EBITDA margin for the group, resulting in mid-single-digit growth of Underlying EBITDA on a full year basis.

With our new growth profile, being a mix of volume and price led growth, we have changed guidance from "slight pressure" to "stable" Underlying EBITDA margin.

► CAPEX

We expect CAPEX to be in the range of SEK 1.0-1.1bn in 2016 compared to the SEK 991m we invested in 2015, which were affected by temporarily low CAPEX in H2.

► Leverage target - unchanged

We aim to maintain our leverage within the interval of 3.5-4.0x Underlying EBITDA LTM.

Yearly summary & next steps

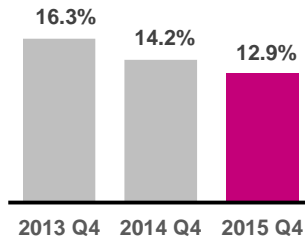
Anders Nilsson, CEO

First phase of our customer satisfaction journey

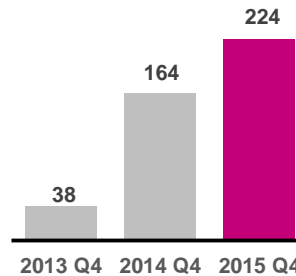
Improved customer satisfaction leads to a stable subscriber growth



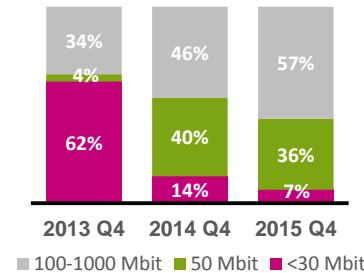
Consumer churn (%)



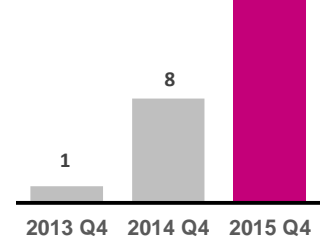
TiVo subscribers (000')



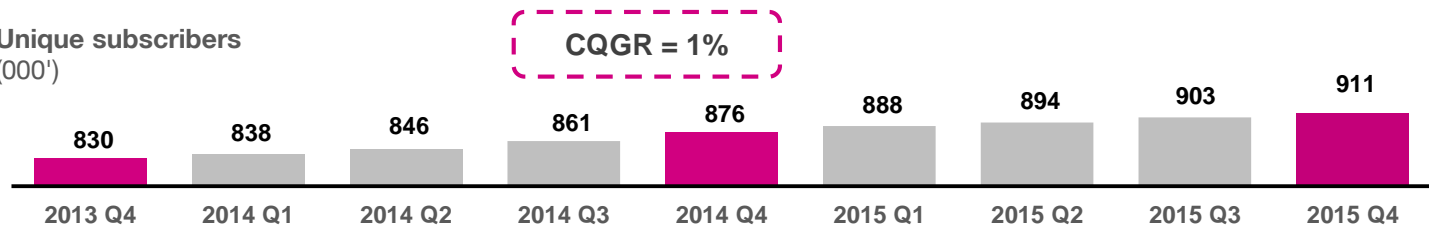
Broadband Speedmix (%)



B2B Unique OnNet subscribers (000')

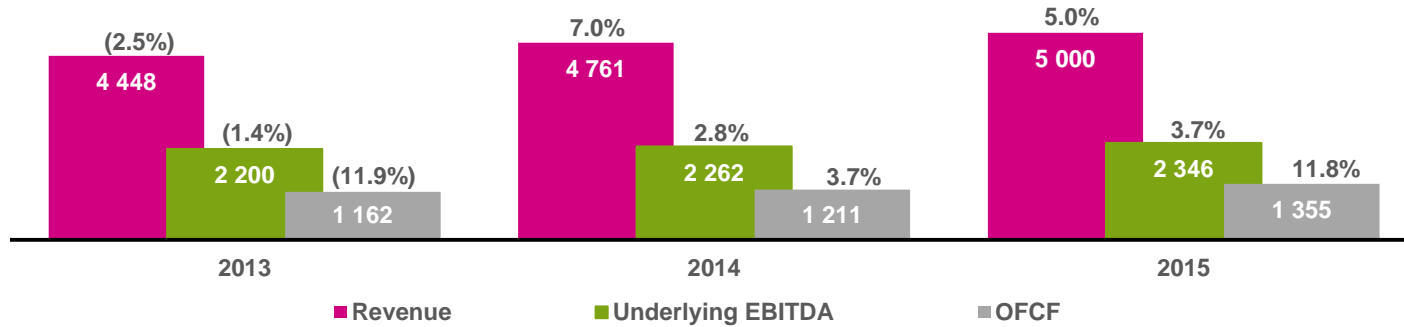


Unique subscribers (000')



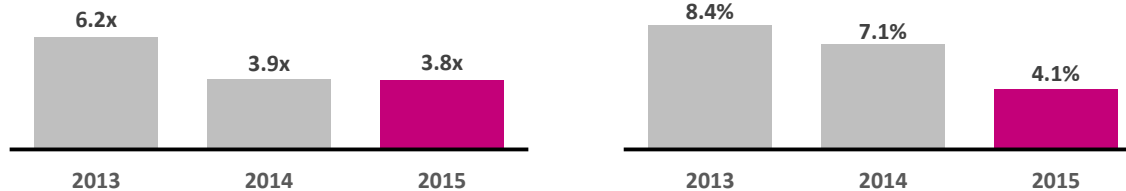
First phase of our customer satisfaction journey

Stable subscriber growth together with the completed financial transformation leads to substantially improved underlying cash flow generation

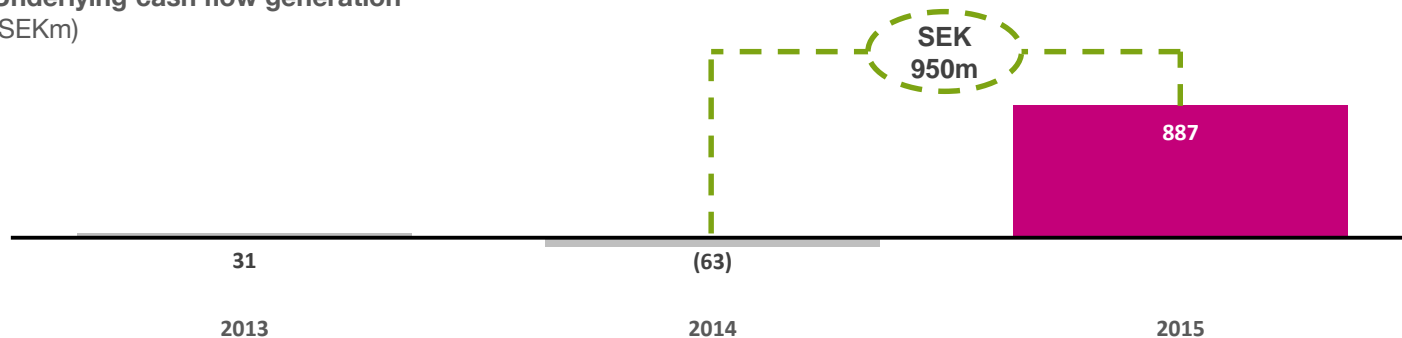


Leverage EoP

Blended interest rate



Underlying cash flow generation (SEKm)



We are entering the second phase of our journey

Customer
base

Phase 1
Fixing basics in product, CX

Phase 2
The new Com Hem

Improved execution on existing
brand
Selected OLAN expansion

Communicating the new Com Hem
Continued footprint expansion

BB upgrade
to 50 Mbit/s

Com Hem
Play launch
BB leadership

Continuing upgrades to TV
technology

Continued investment in
broadband leadership

TiVo launch

Capacity investment

NPS investments & Customer
experience focus

2013

2014

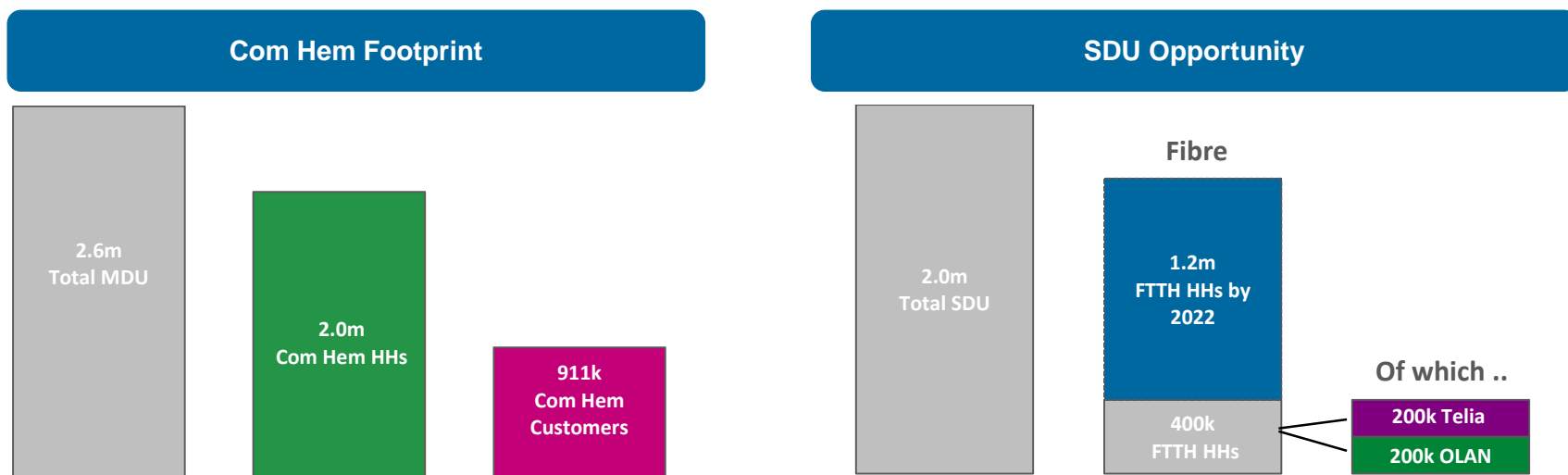
2015

2016

2017

We are testing the potential for expansion into the SDU market

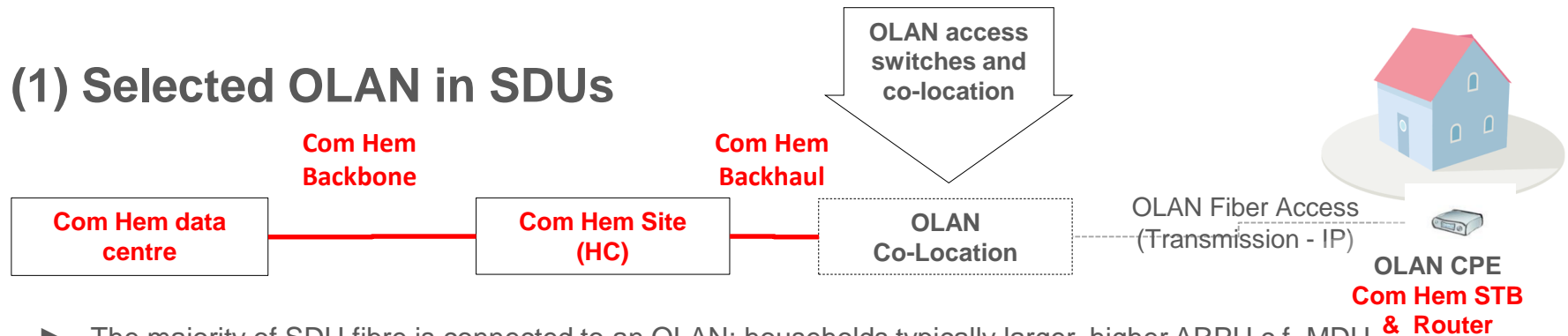
Total Swedish households: 4.6m



- ▶ The SDU universe currently includes approx. 400k homes with an infrastructure of equivalent quality to the Com Hem coax network.
- ▶ We anticipate growth to 1.2m Com Hem coax-quality homes by 2022 as a result of Telia and city nets fibre build programmes
- ▶ In the last 12 months, Com Hem has grown its footprint by nearly 90,000 homes, largely as a result of expanding into selected Open LAN universes and has successfully maintained its market share while growing its footprint

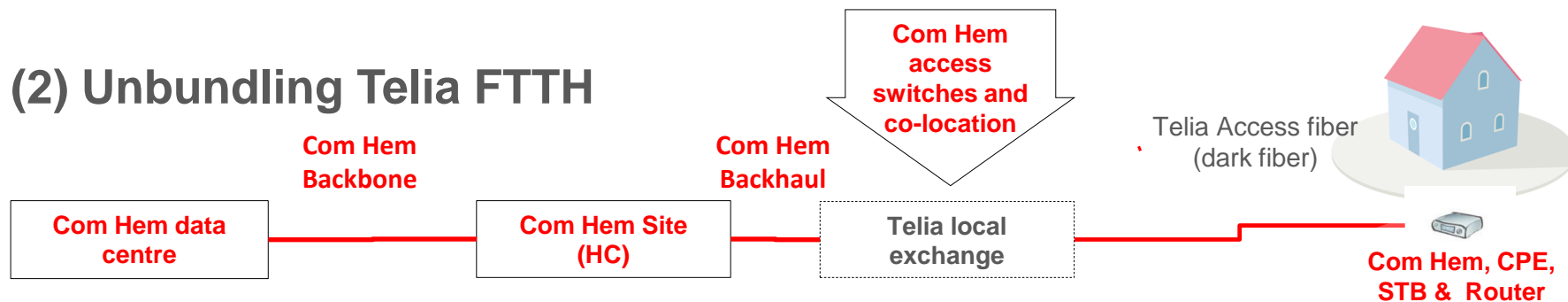
Two SDU trials: Selected OLAN & unbundled fibre

(1) Selected OLAN in SDUs



- ▶ The majority of SDU fibre is connected to an OLAN; households typically larger, higher ARPU c.f. MDU
- ▶ Com Hem partnering with larger, high quality operators, where economics are attractive

(2) Unbundling Telia FTTH

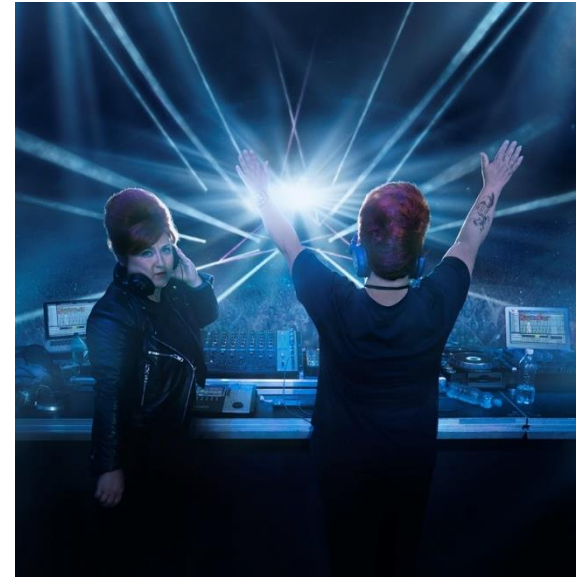


- ▶ Com Hem has been trialling fibre unbundling in 6 exchanges in the Stockholm region since Q4 2015, *either* selling new fibre *or* switching existing Telia customers to Com Hem
- ▶ Com Hem controls the electronics and the end-to-end CX based on a regulated ratecard with Telia/Skanova

Key takeouts

Q4 2015 report

- ▶ Consistent execution on our growth drivers
- ▶ Price rises commences in March
 - ▶ Price raises part of our new balanced growth strategy
- ▶ Trialling potential new growth driver, expansion into the SDU market
- ▶ Updated financial guidance for Underlying EBITDA as a result of our new balanced growth strategy
 - ▶ From "slight pressure" to "stable" Underlying EBITDA margin
- ▶ Proposal for 2016 shareholder remuneration:
 - ▶ 50% increase of cash dividend to 1,5 SEK per share
 - ▶ Renew mandate for buying back up to 10% of the share capital





Thank you!

For questions please contact:

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