

# FOURTH QUARTER 2022

January 31, 2023

**TELE2**  
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# Highlights and strategic initiatives

## 2022 guidance delivered

- End-user service revenue increased by 3.0% organically
- Underlying EBITDAaL increased by 3.4% organically – excl. increased energy costs 4.9%
- Capex of SEK 3.2 billion

## Strategic achievements 2022

- Executed turnaround of Sweden B2B business
- Strengthened our TV and general B2C business
- Continued strong performance, and important spectrum secured in the Baltics
- Good progress for the Business Transformation Program, on track to reach the SEK 1 billion by mid-2023
- Completed divestment of T-Mobile Netherlands

## Raising the dividend

- The Board of directors proposes an ordinary dividend of SEK 6.80 per share (6.75)



# Continued strong top-line growth in Q4

SEK (YoY growth*)	Q4 22	FY 22	The Group	Sweden B2C
End-user service revenue (EUSR)	5.1bn (+3.2%)	20.1bn (+3.0%)	<ul style="list-style-type: none"> <li>– End-user service revenue growth of 3.2% in the quarter driven by the Baltics and Sweden B2B</li> <li>– Underlying EBITDAaL growth of 3.0% driven by higher end-user service revenue and continued execution of the Business Transformation Program</li> <li>– Second tranche of the ordinary dividend was distributed on October 14</li> </ul>	<ul style="list-style-type: none"> <li>– Solid net intake for mobile postpaid, fixed broadband and digital TV Cable &amp; Fiber</li> <li>– Stable end-user service revenue as growth across core services offset by declining legacy services</li> <li>– Entertainment package that includes Viaplay has been well received and contributed to higher ASPU and positive customer base development</li> </ul>
Underlying EBITDAaL	2.5bn (+3.0%)	10.1bn (+3.4%)		
Capex ex. spectrum and leases	1.2bn	3.2bn	<h3>Sweden B2B</h3> <ul style="list-style-type: none"> <li>– Continued commercial momentum with solid end-user service revenue growth</li> <li>– Strong net intake of mobile postpaid across segments</li> <li>– Supply chain uncertainties continue to impact solutions activities</li> </ul>	<h3>The Baltics</h3> <ul style="list-style-type: none"> <li>– Continued strong end-user service revenue growth driven by ASPU and volume growth</li> <li>– The mobile postpaid customer base continued to increase during the quarter</li> <li>– Strong underlying EBITDAaL growth despite higher energy costs and inflation</li> </ul>
EFCF	0.5bn	3.5bn		

\*Organic growth rate

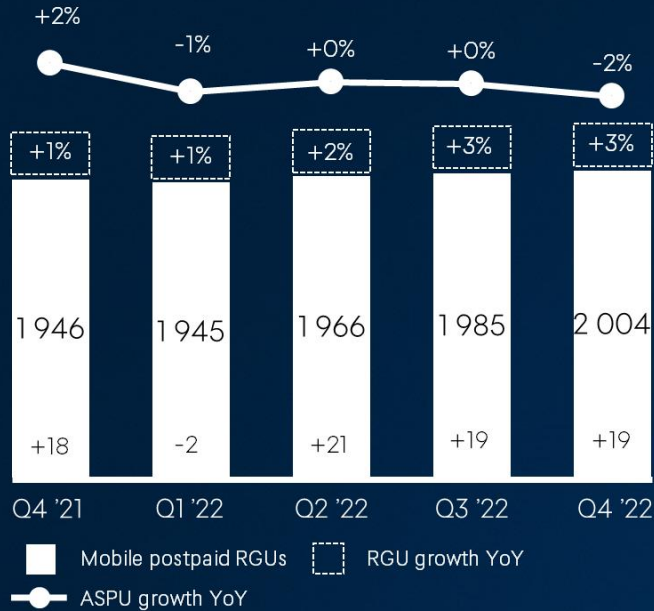
SWEDEN



# Sweden consumer

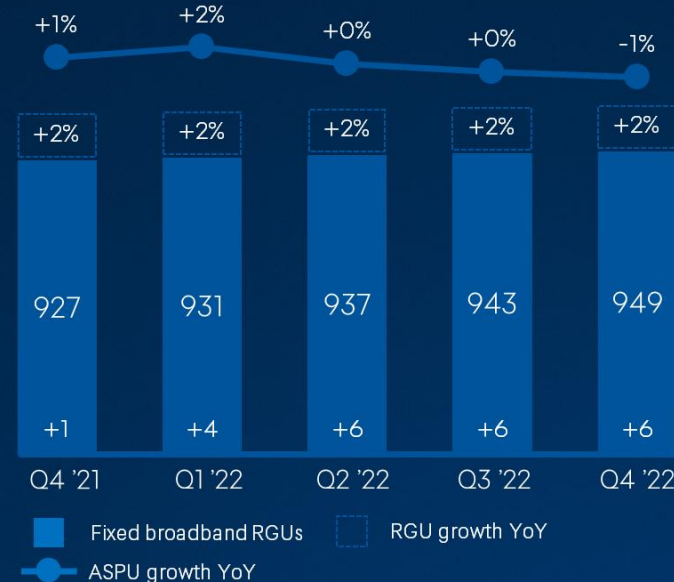
## Mobile postpaid RGU & ASPU

Thousand QoQ and YoY growth %



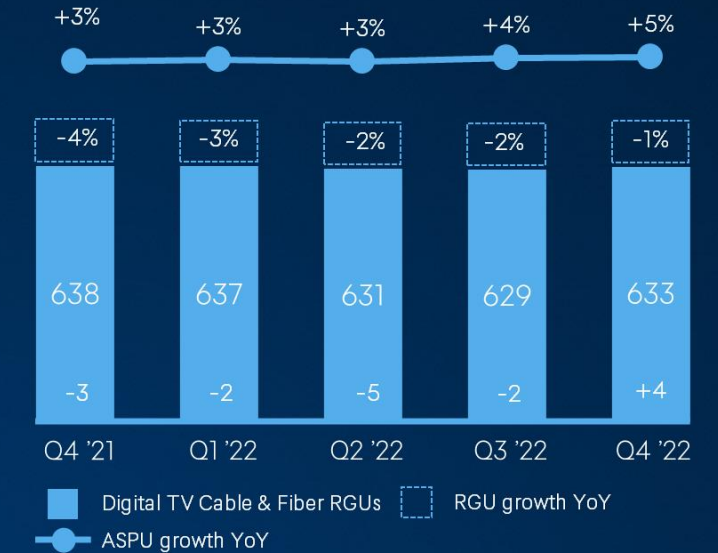
## Fixed broadband RGU & ASPU

Thousand QoQ and YoY growth %



## Digital TV Cable & Fiber RGU & ASPU

Thousand QoQ and YoY growth %



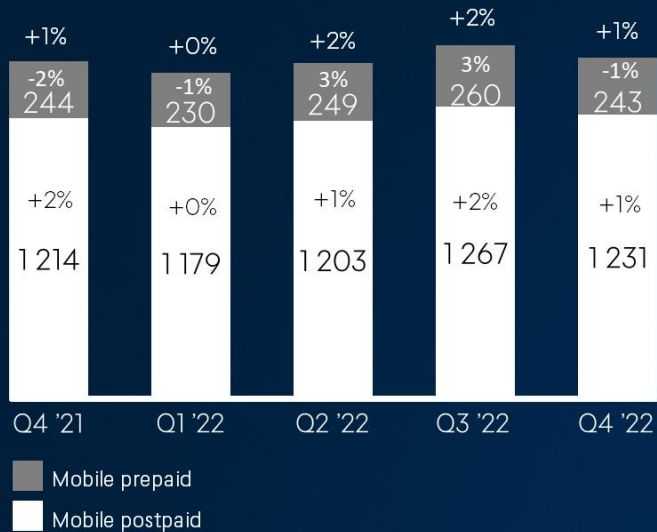
## Q4 highlights

- Mobile postpaid net intake was positive with 19 000 RGUs driven by FMC bundling and Comviq
- Continued volume growth for fixed broadband
- ASPU continued to grow within digital TV Cable & Fiber supported by Tele2 Play+ and the migration of customers to the new packages with extended Viaplay content

# Sweden consumer

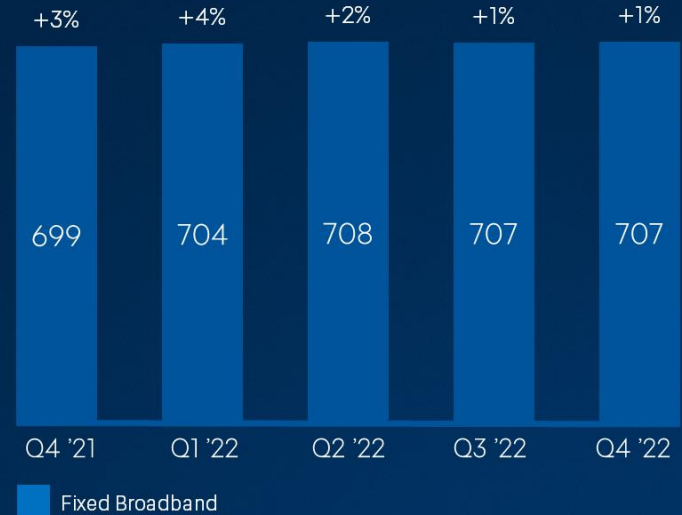
## Mobile EUSR

SEK million, YoY growth %



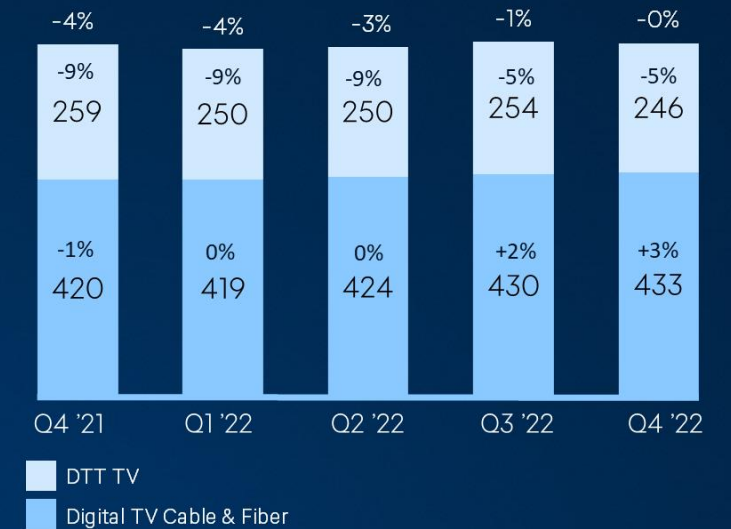
## Fixed broadband EUSR

SEK million, YoY growth %



## Digital TV EUSR

SEK million, YoY growth %



## Q4 highlights

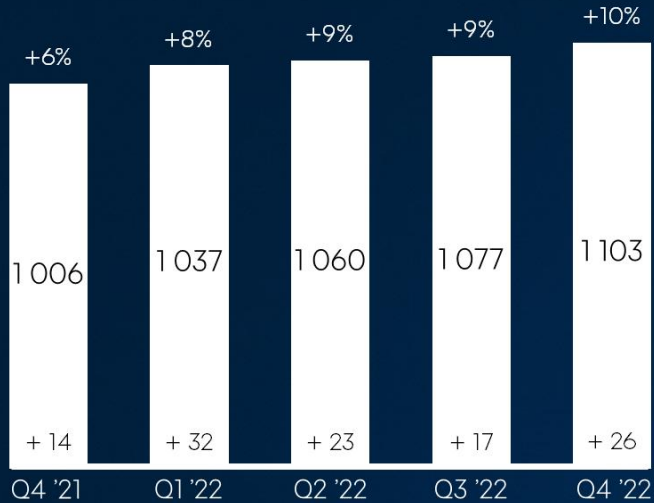
- End-user service revenue for Mobile grew 1% driven by a solid intake of postpaid RGUs
- Fixed broadband end-user service revenue increased 1% driven by volume growth
- End-user service revenue for Digital TV was flat in the quarter as growth in Digital TV Cable & Fiber was offset by a continued decline in the legacy business



# Sweden business

## Mobile RGU & net intake

Thousand QoQ and YoY growth %



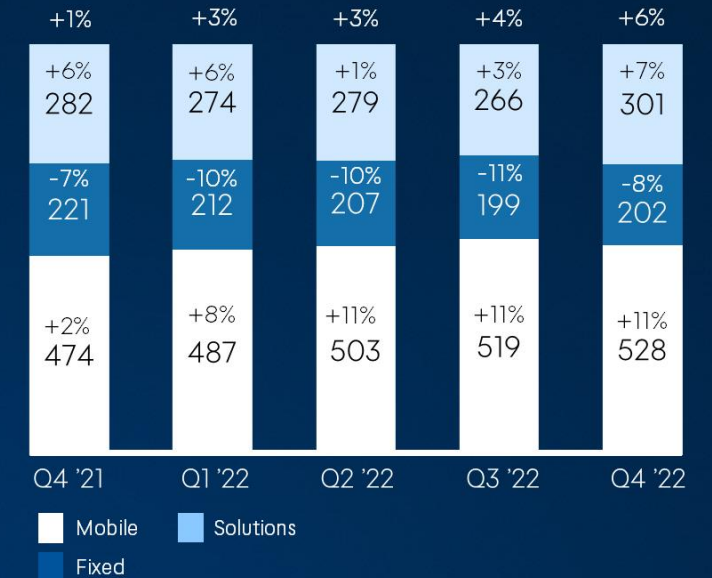
## Mobile ASPU

YoY growth %



## End-user service revenue

SEK million, YoY growth %



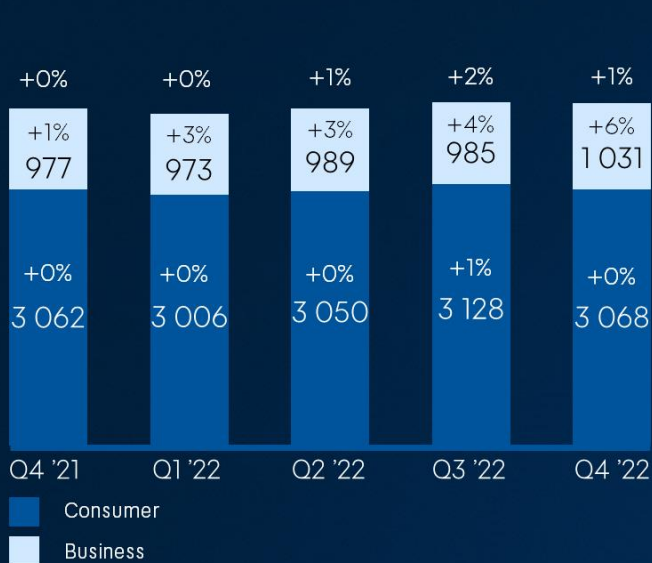
## Q4 highlights

- Continued strong commercial momentum
- Net intake of 26 000 Mobile RGUs driven by improvements across segments and notably in the large segment. Mobile ASPU remained stable
- End-user service revenue growth of 6%. Adjusted for a one-off deal in Solutions, growth was 4%

# Sweden financials

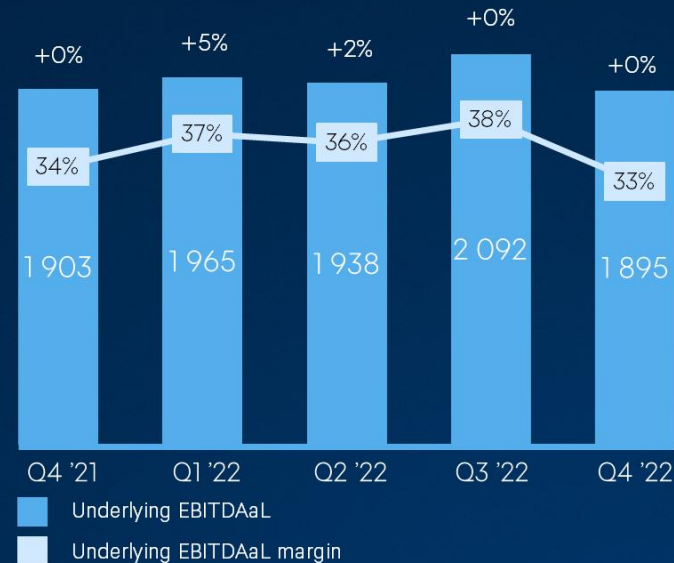
## End-user service revenue

SEK million, YoY growth %



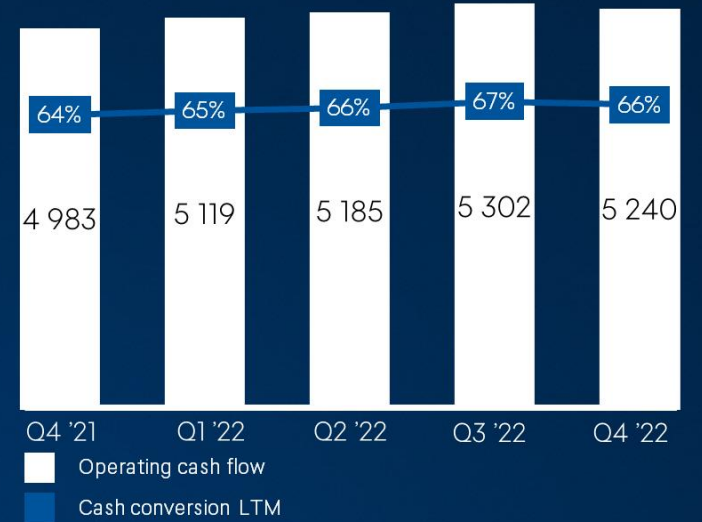
## Underlying EBITDAaL & margin

SEK million, YoY growth %



## Operating cash flow and cash conversion, rolling 12m, SEK million

rolling 12m, SEK million



## Q4 highlights

- End-user service revenue grew 1% as growth in Sweden B2B, fixed broadband and mobile postpaid in Sweden B2C compensated continued decline in legacy services
- Underlying EBITDAaL was flat as higher End-user service revenue and benefits from the Business Transformation Program were offset primarily by higher energy and content costs
- Continued strong cash conversion at 66%

Cash conversion = operating cash flow / underlying EBITDAaL



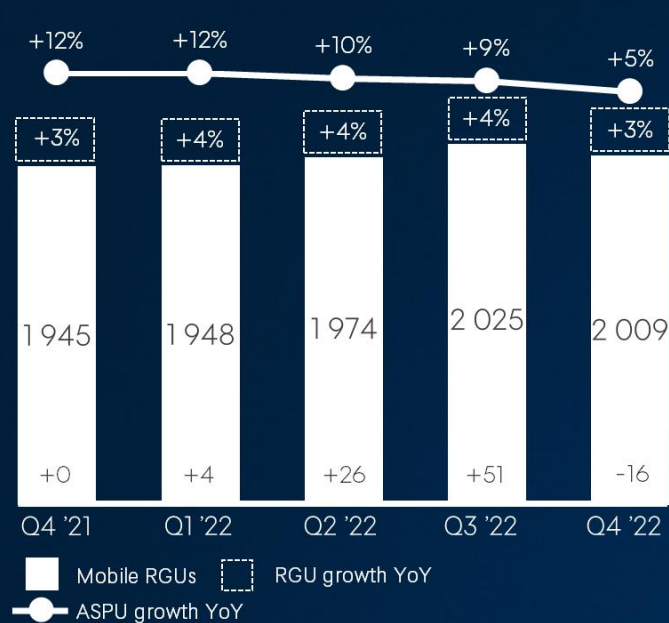
# BALTICS



# Baltics operational highlights

## Lithuania – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



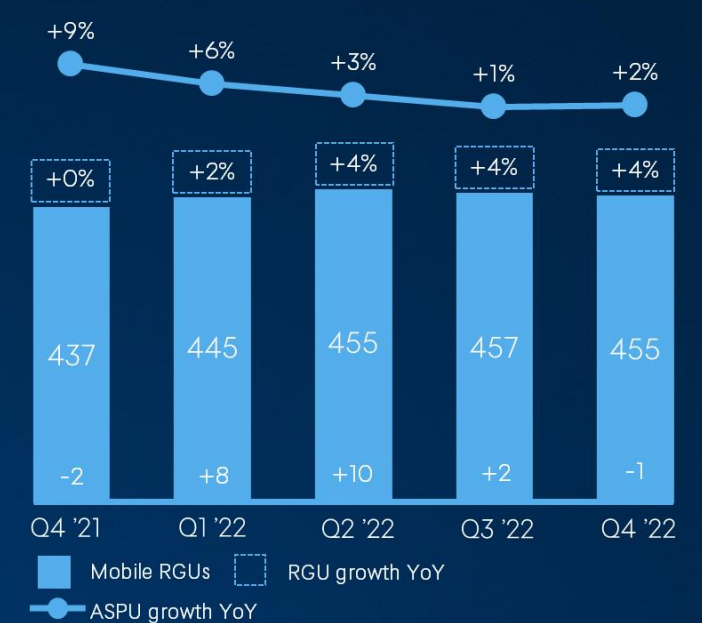
## Latvia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



## Estonia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



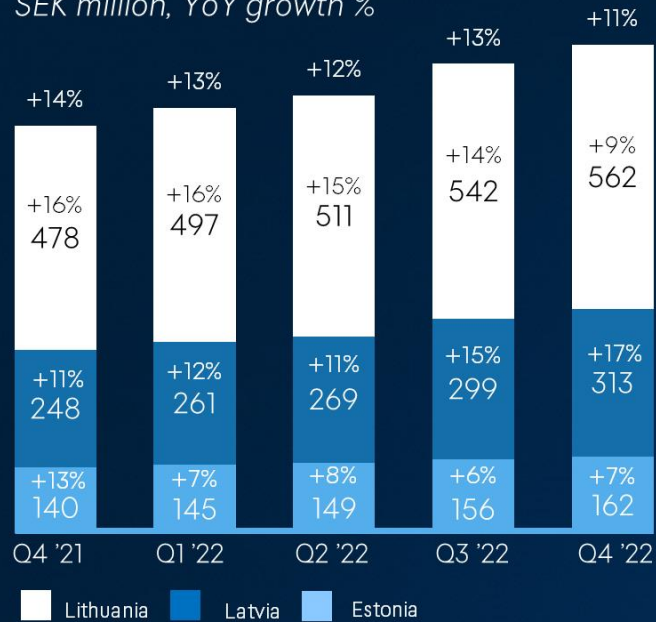
## Q4 highlights

- The mobile postpaid customer base continued to increase during the quarter, while the prepaid customer base declined seasonally
- Continued strong organic ASPU growth driven by more-for-more strategy and price adjustments

# Baltics financials

## End-user service revenue

SEK million, YoY growth %



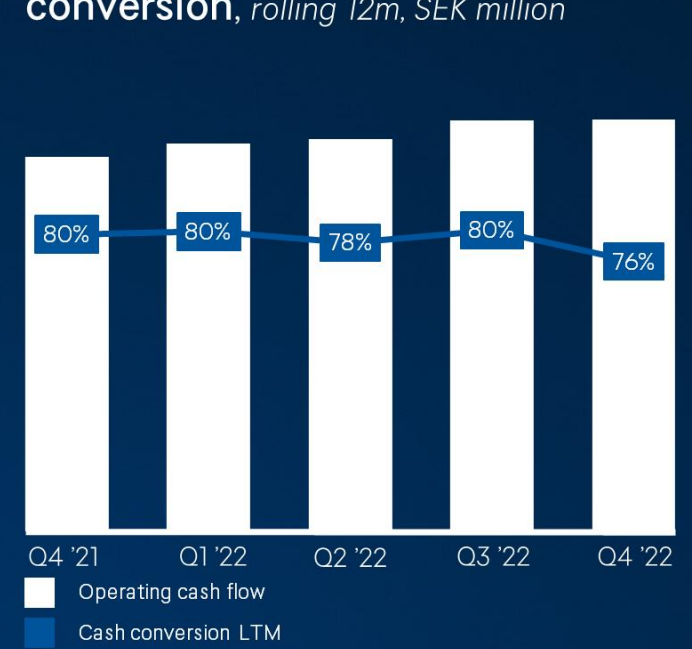
## Underlying EBITDAaL & margin

SEK million, YoY growth %



## Operating cash flow and cash conversion, rolling 12m, SEK million

rolling 12m, SEK million



## Q4 highlights

- Continued strong end-user service revenue growth of 11% driven by both ASPU and volume growth in all markets
- Underlying EBITDAaL increased by 16% driven by higher end-user service revenue offsetting pressure from the increase in energy prices and inflation
- Continued strong cash conversion of 76% due to strong underlying EBITDAaL growth

Organic growth rate  
Cash conversion = operating cash flow / underlying EBITDAaL



# FINANCIAL OVERVIEW



# Group cash flow

SEK million		Q4 2022	Q4 2021	FY 22	FY 21
Underlying EBITDA		2 833	2 690	11 395	10 900
Items affecting comparability		-75	-117	-294	-382
Amortization of lease liabilities		-288	-276	-1 226	-1 185
Capex paid	1	-1 145	-971	-3 561	-3 327
Changes in working capital	2	-634	522	-1 380	761
Net financial items paid		-70	-56	-389	-379
Taxes paid	3	-193	-32	-1 215	-704
Other cash items		26	9	132	75
Equity free cash flow, continuing operations		454	1 768	3 461	5 760
Equity free cash flow, discontinued operations		0	0	0	25
Equity free cash flow, total operations		454	1 768	3 461	5 785
Continuing operations					
Equity free cash flow LTM	4	3 461	5 785		
Equity free cash flow LTM / share (SEK)		5.0	8.4		

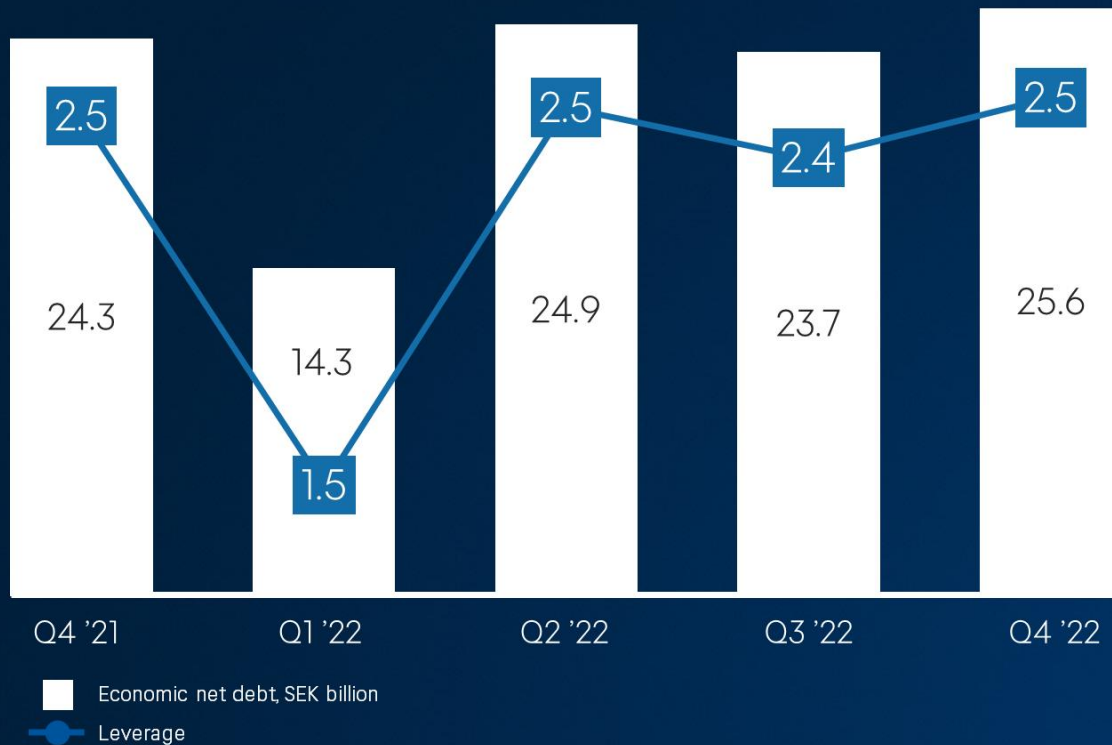
## Comments

- 1 Capex paid in Q4 increased compared to last year due to timing in payments and higher network investments
- 2 Changes in working capital in Q4 was negatively impacted by higher inventory levels and a temporary lower level of external handset financing
- 3 Taxes paid in Q4 include a repayment of preliminary tax from 2021 of SEK 50 million. In Q4 2021, the repayment of tax was SEK 200 million
- 4 Equity free cash flow from continuing operations over the last twelve month amounted to SEK 3.5 billion, equivalent to SEK 5.0 per share



# Leverage at 2.5x

## Economic net debt to underlying EBITDAaL LTM



## Comments

- Economic net debt increased by SEK 1.3 billion compared to year-end 2021
- In total, SEK 13.6 billion was distributed as cash dividend during 2022 of which SEK 11.3 billion was paid in May and SEK 2.3 billion in October
- Leverage of 2.5x on December 31, 2022, is at the lower end of the target range of 2.5-3.0x
- In December, Tele2 issued a SEK 1.0 billion three-year bond, and a EUR 700 million Sustainability-linked RCF

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

# Business Transformation Program update

	Realized in Q4 2022	Annualized run-rate Q4 2022	Annualized run-rate target H1 2023
Opex Reduction <i>SEK million</i>	195	825	>1 000

## Comments

- Continued optimizations within networks and legacy IT in Q4 2022
- Annualized run-rate at end of Q4 2022 of SEK 825 million (SEK 500m at the end of 2021)
- Savings of 195 million realized in Q4 2022 with SEK 80 million net effect on underlying EBITDAaL growth (SEK 115 million realized in Q4 2021)
- Target of at least SEK 1 bn in annual run-rate by the end of H1 2023

# Financial guidance

	End-user service revenue	Underlying EBITDAaL	Annual capex (SEK) <sup>1</sup>
2023	Low-single digit growth	Low-single digit growth	2.8-3.3bn
Mid-term	Low-single digit growth	Mid-single digit growth	2.8-3.3bn

## Comments

- 2023 guidance is low-single digit growth in end-user service revenue and low-single digit growth in underlying EBITDAaL. Capex is expected in the range of SEK 2.8-3.3 billion
- 2023 guidance is based on growth in all markets and savings from the Business Transformation Program that runs until mid-2023, partly offset by inflationary trends and continued investments into growth projects in order to build sustainable growth
- Mid-term guidance reiterated



# Key priorities going forward

## **Growth**

Keep the profitable growth momentum in the business during time of turmoil

## **Roll-out of 5G**

Continued investments in network infrastructure

## **Efficiency**

Deliver on the Business Transformation Program

Focus on the digital journey ahead

## **Sustainability commitment**

Further develop circular economy solutions to meet customer demands

TELE2

