

# FOURTH QUARTER

February 2, 2021



# Highlights and strategic initiatives

## 2020 guidance delivered

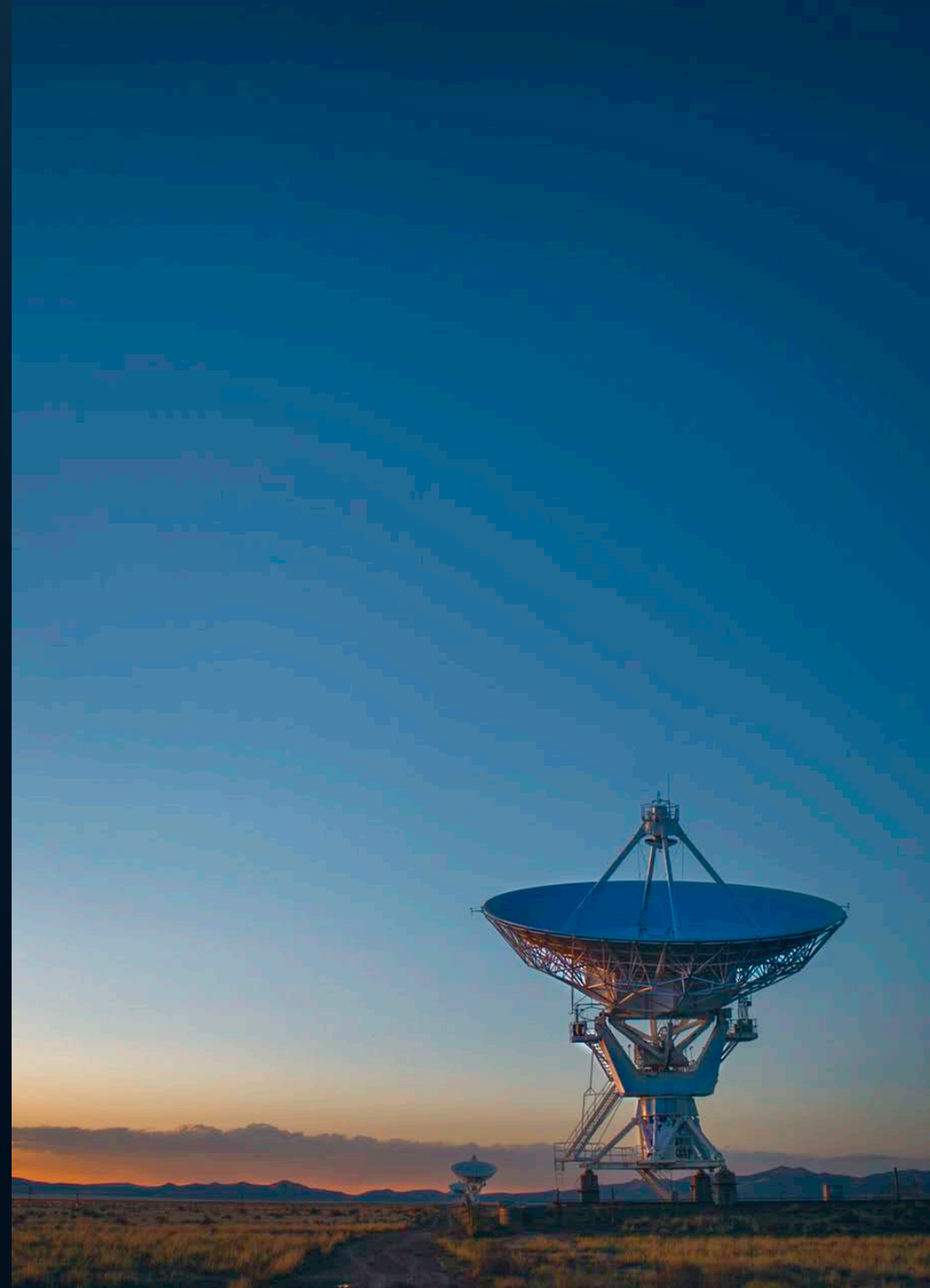
- Underlying EBITDAaL increased by 2% organically despite headwinds from pandemic

## Strategic achievements

- Executed reorganization within Sweden B2B and merged Tech and IT units
- Presented new extended Group Leadership Team
- Implemented more-for-more strategy across core services in Sweden B2C
- Launched new sustainability strategy
- Won 100 MHz in Swedish 3.5GHz auction together with Telenor
- Announced vendors for 5G core and 5G RAN in Sweden

## Raising the dividend

- The Board proposes a 9% increase of the ordinary dividend to SEK 6.00 per share



# Group results and segment summary

SEK (YoY growth)	Q4 20	FY20	The Group	Sweden B2C
<i>EUSR</i>	4.8bn (-2%)	19.2bn (-1%)	<ul style="list-style-type: none"> <li>– Slight growth in EUSR for Q4 and 2020 excl. headwinds from the pandemic</li> <li>– Underlying EBITDAaL growth of 3% for Q4 and 2% for 2020 despite pandemic impact of SEK ~70m/375m, respectively</li> <li>– Continued strong cash generation with EFCF of SEK ~7 per share for the year</li> </ul>	<ul style="list-style-type: none"> <li>– Multi-year deal signed with TV4, securing linear and streamed content rights</li> <li>– Continued strong momentum in broadband and mobile postpaid</li> <li>– Pandemic impact on roaming, prepaid sales and premium TV</li> </ul>
<i>Underlying EBITDAaL</i>	2.3bn (3%)	9.2bn (2%)		
<i>Capex ex. spectrum and leases</i>	0.9bn	2.7bn		
<i>EFCF</i>	0.9bn	4.8bn	<p><b>Sweden B2B</b></p> <ul style="list-style-type: none"> <li>– Positive net intake driven by large enterprise</li> <li>– Price pressure and roaming remains a drag on service revenue</li> <li>– New price plans launched in January 2021 to boost SME sales</li> </ul>	<p><b>The Baltics</b></p> <ul style="list-style-type: none"> <li>– Strong performance despite lockdowns in Lithuania and Latvia</li> <li>– Pandemic impact on roaming and prepaid sales</li> </ul>

SWEDEN

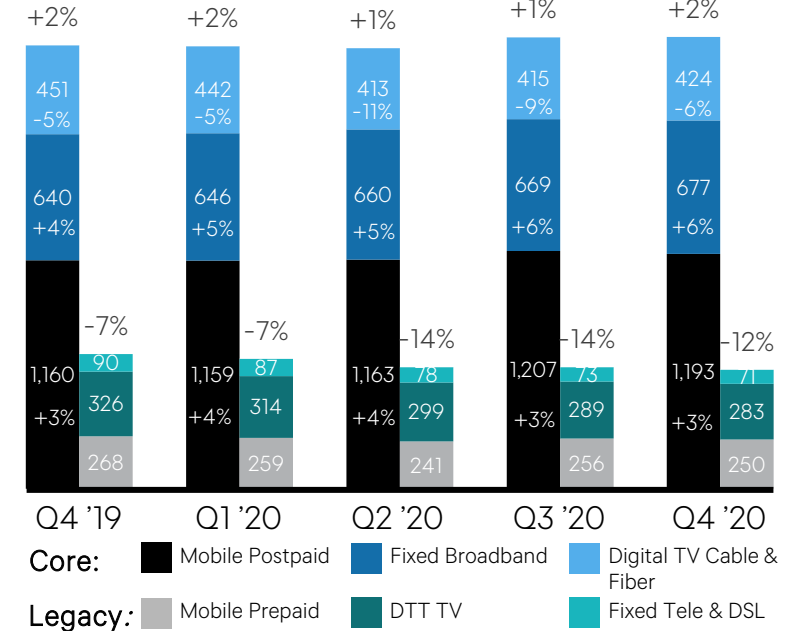
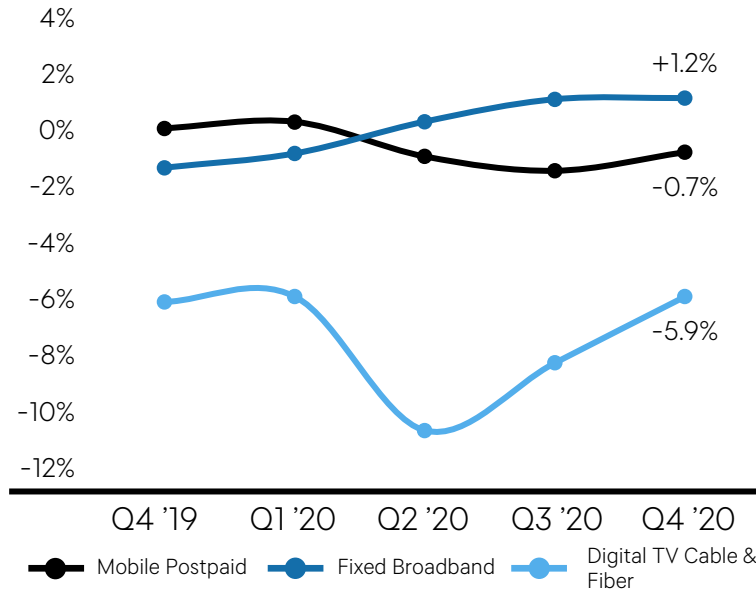
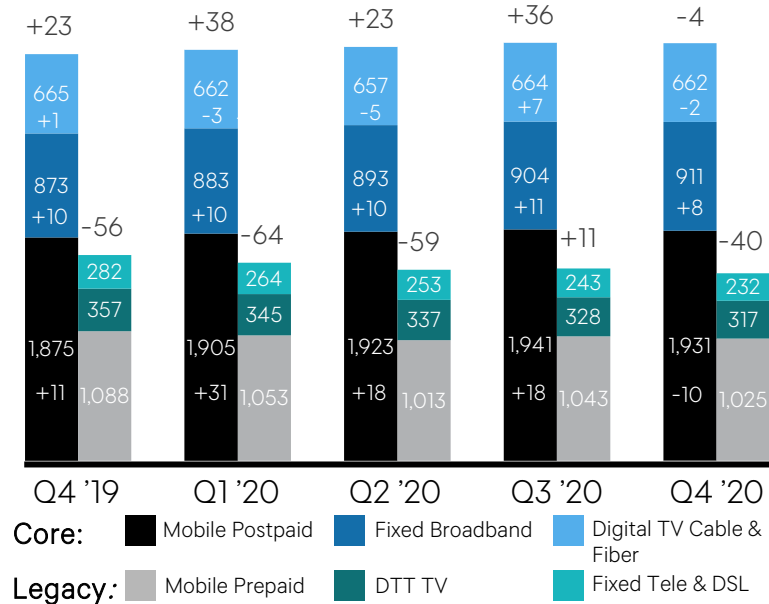
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# Sweden Consumer

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

ASPU year-on-year growth (%)

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

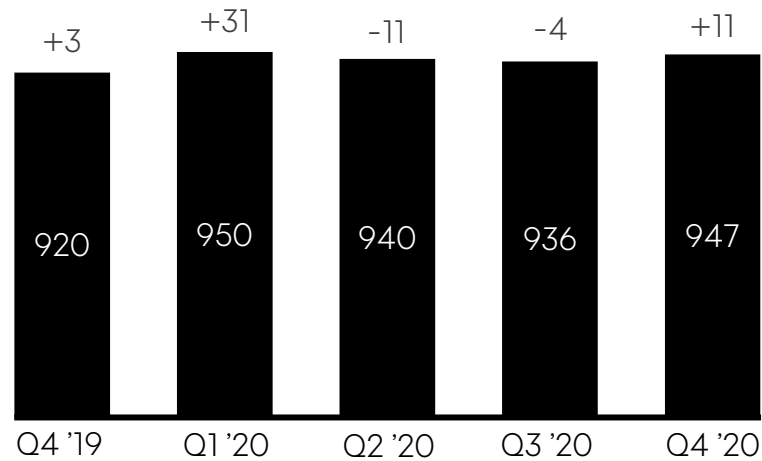


## Q4 highlights

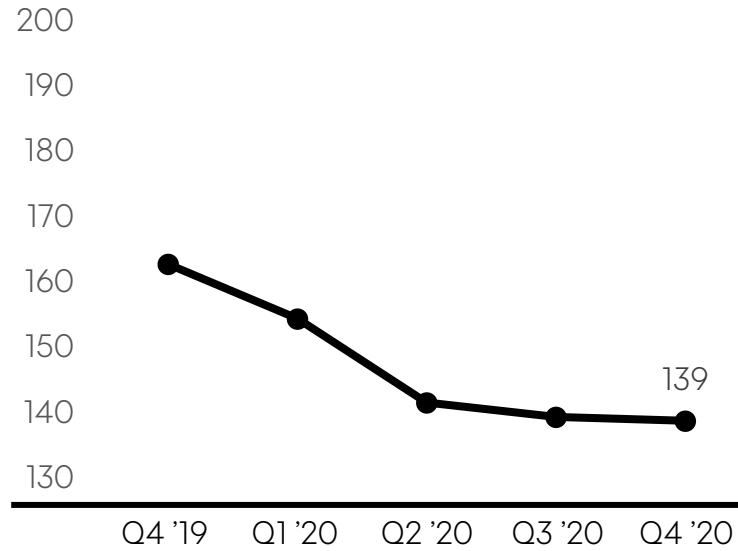
- Mobile postpaid net intake turned negative after a strong performance during the year as competitors increased activity while Tele2 pulled back somewhat
- Fixed broadband ASPU growth supported by backbook price adjustments, while mobile postpaid pricing was offset by roaming headwinds
- TV ASPU and EUSR remains under pressure due to pandemic headwinds in previous quarters but at lower rate as premium sport packages are back
- Total EUSR declined by 1%, due to negative impact from the pandemic

# Sweden Business

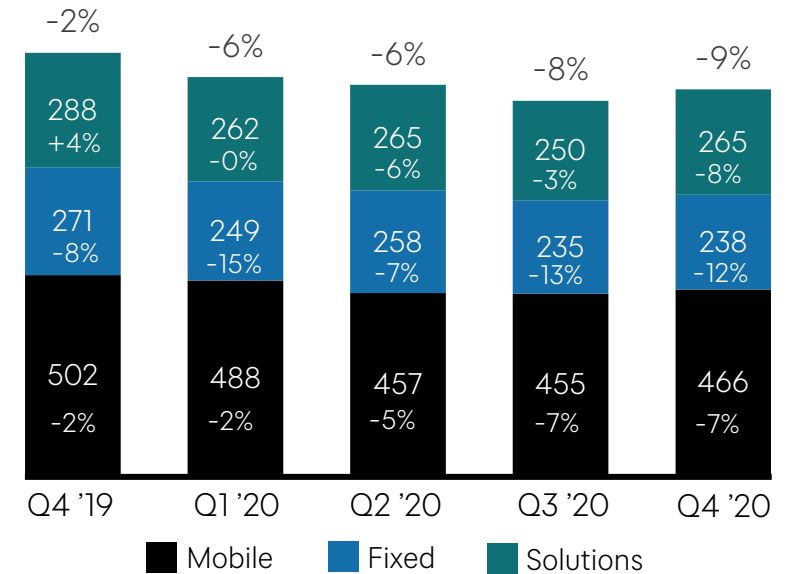
Mobile RGUs & net intake  
(thousand)



Mobile ASPU  
(SEK)



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

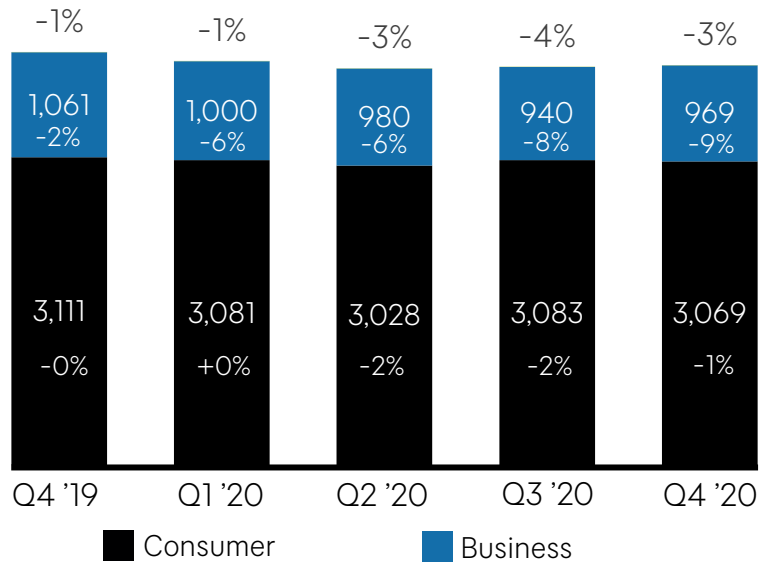


## Q4 highlights

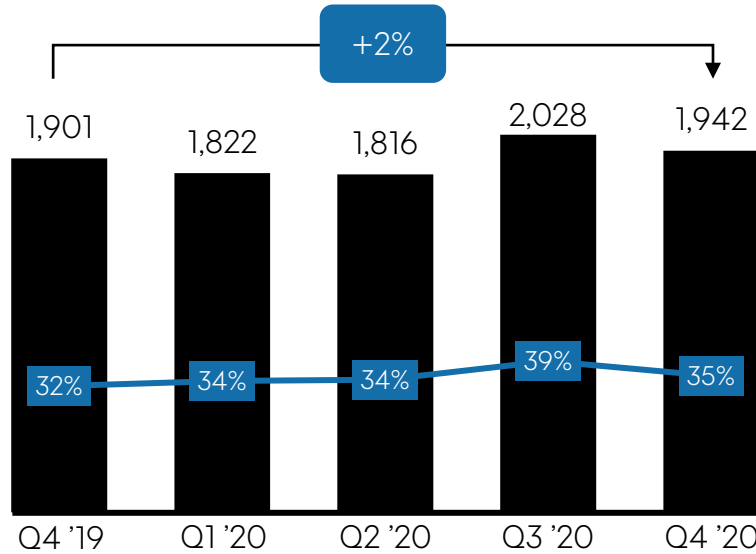
- Mobile net intake of 11,000 driven by implementation of new contracts within large enterprise
- Mobile ASPU declined due to continued price pressure and lower international roaming revenue
- Total EUSR continued to decline due to mobile price pressure and loss of roaming revenue, decline in legacy fixed services and less add-on sales to customers

# Sweden overview

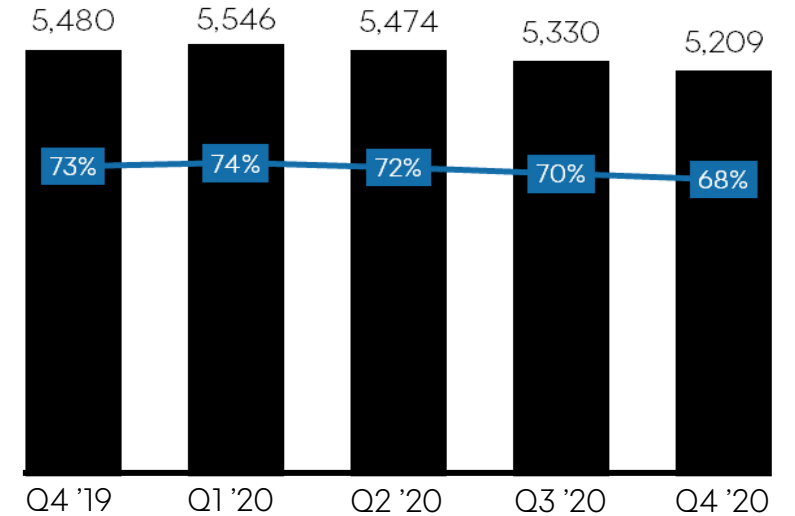
End-user service revenue  
(SEK million, year-on-year growth %)



Underlying EBITDAaL and margin  
(SEK million)



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



## Q4 highlights

- Total EUSR decreased by 3%, driven by pandemic headwinds and continued decline in B2B
- Underlying EBITDAaL increased by 2%, as the SEK ~50m negative impact from the pandemic was offset by structural cost savings related to the business transformation program and slightly lower commercial spend in the quarter
- Continued strong cash conversion of 68% LTM but slightly lower YoY as capex has ramped up from previous low levels

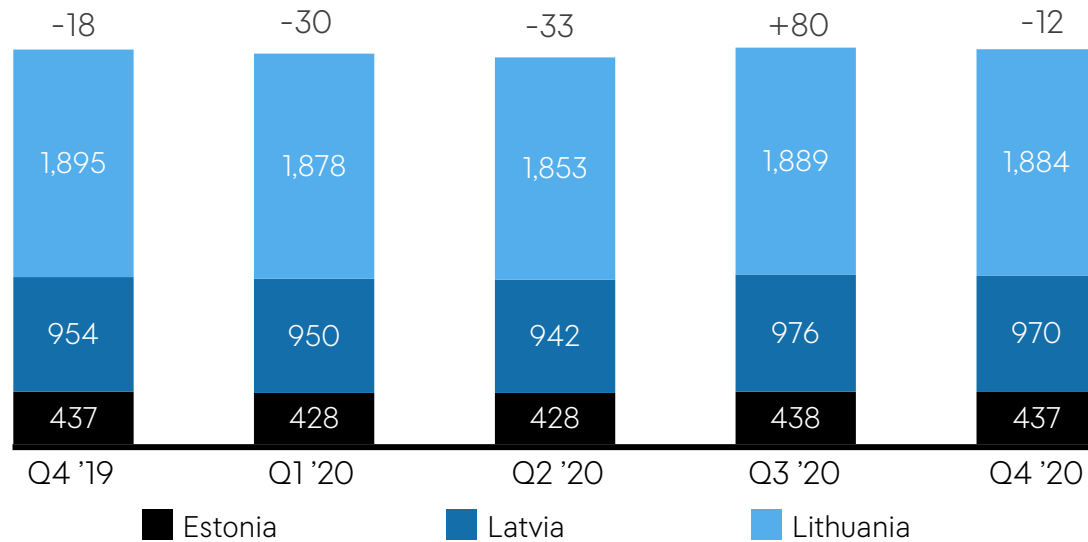
BALTICS

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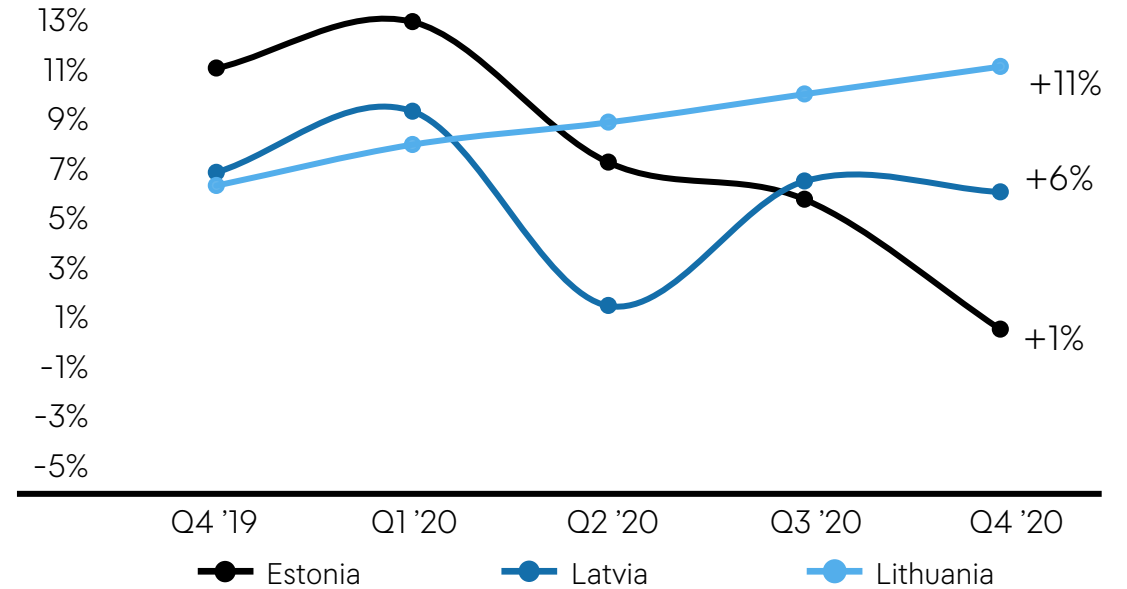


# Baltics – Operational highlights

RGUs & net intake – mobile services  
(thousand)



Mobile ASPU year-on-year growth  
(%)

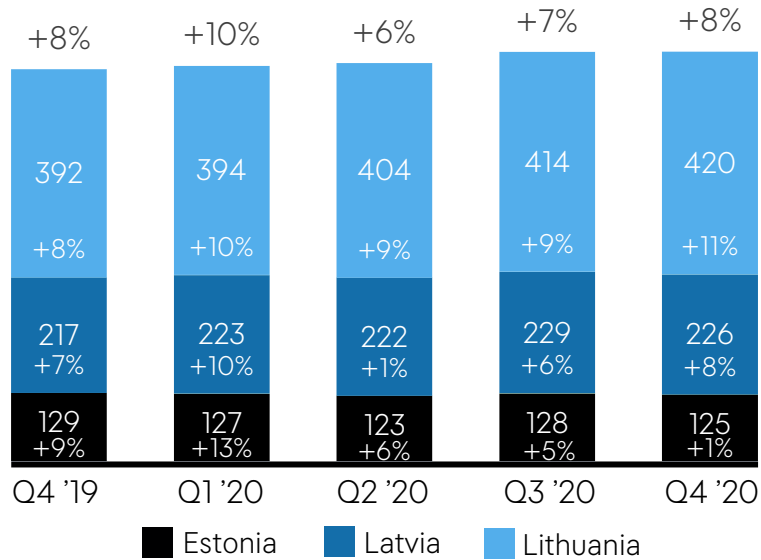


## Q4 highlights

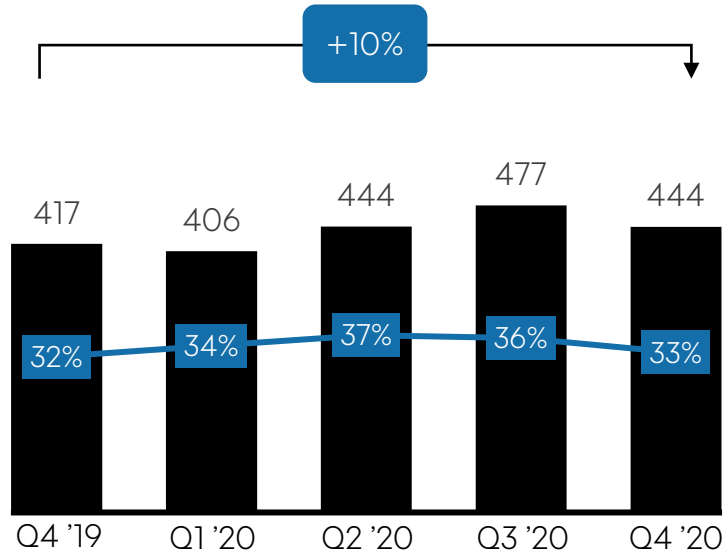
- Negative net intake was driven by seasonal mobile prepaid churn
- Continued strong ASPU growth in Lithuania and Latvia despite lower roaming revenue, supported by more-for-more price adjustments
- In Estonia, growing ASPU in the consumer segment was partly offset by lower roaming revenue

# Baltics – Financials

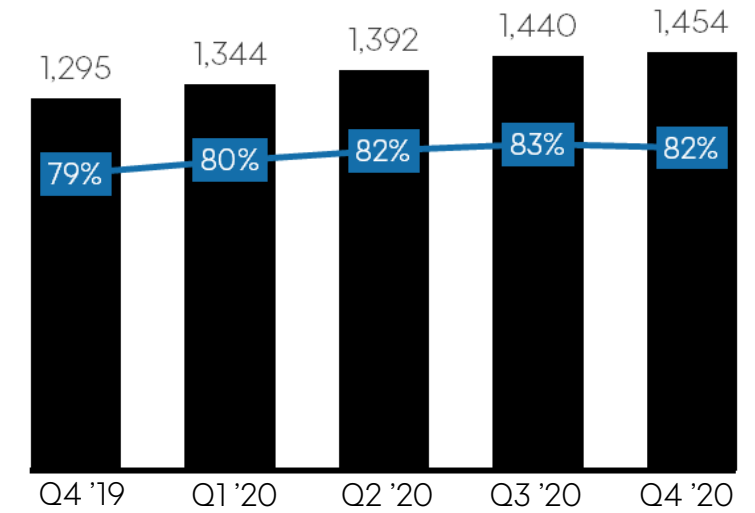
End-user service revenue  
(SEK million, year-on-year organic growth %)



Underlying EBITDAaL and margin  
(SEK million)



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



## Q4 highlights

- Continued strong end-user service revenue growth of 8% driven by ASPU growth, despite pandemic headwinds
- Underlying EBITDAaL increased by 6% as the SEK ~20m negative impact from the pandemic was offset by strong underlying growth in Lithuania and Latvia
- Continued strong cash conversion of 82% LTM due to strong performance and low capex spend in between investment cycles

# FINANCIAL OVERVIEW

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# Revenue breakdown

SEK million excl roaming <sup>1</sup>		Q4 2020	Q4 2019	YoY abs	YoY % (organic)
Mobile		1,433	1,397	37	3%
Postpaid	1	1,185	1,131	54	5%
Prepaid		249	266	-17	-7%
Fixed		1,455	1,508	-52	-3%
Fixed Broadband		677	640	37	6%
Digital TV		707	777	-71	-9%
Cable & Fiber		424	451	-27	-6%
DTT		283	326	-43	-13%
Fixed telephony & DSL		71	90	-19	-21%
Landlord & Other		171	176	-5	-3%
<b>Sweden Consumer</b>	2	<b>3,059</b>	<b>3,080</b>	<b>-21</b>	<b>-0.7%</b>
Sweden Business	3	966	1,033	-67	-6%
Baltics		759	706	53	11%
<b>EuS revenue ex. Roaming</b>	4	<b>4,784</b>	<b>4,819</b>	<b>-35</b>	<b>-0.2%</b>
Outbound roaming revenue	5	25	91	-66	-72%
<b>EuS revenue</b>		<b>4,809</b>	<b>4,909</b>	<b>-100</b>	<b>-1.5%</b>
Operator revenue		593	653	-60	-8%
Equipment revenue		1,483	1,600	-118	-7%
<b>Revenue</b>		<b>6,884</b>	<b>7,163</b>	<b>-278</b>	<b>-3.2%</b>

## Comments

- Continued strong mobile postpaid growth (ex roaming), driven by both volume growth and price adjustments during the year
- Slight decline in Sweden B2C EUSR (ex roaming), mainly due to non-roaming related pandemic headwinds in digital tv and mobile prepaid
- Sweden B2B EUSR decline driven by mobile price pressure, decline in legacy fixed services and solutions
- Total EUSR excluding roaming roughly flat as decline in Sweden was offset by growth in the Baltics
- Total EUSR loss due to roaming of SEK 66m with SEK 25m in Sweden B2B, SEK 21m in Sweden consumer and SEK 20m in the Baltics

# Group results

SEK million		Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue		6,884	7,163	26,554	27,203
<b>Underlying EBITDA</b>	1	<b>2,661</b>	<b>2,640</b>	<b>10,484</b>	<b>10,309</b>
Margin (%)		39%	37%	39%	38%
Items affecting comparability	2	1,963	-104	1,844	-711
D&A		-1,322	-1,390	-5,269	-5,220
Impairment		0	-1	0	-469
Associated companies & JVs		255	-20	311	-97
<b>Operating profit</b>	3	<b>3,557</b>	<b>1,125</b>	<b>7,371</b>	<b>3,812</b>
Net interest and other financial items		-112	-121	-517	-445
Income tax	4	1,032	-251	378	-936
<b>Net profit, continuing operations</b>		<b>4,476</b>	<b>753</b>	<b>7,233</b>	<b>2,431</b>
Net profit, discontinued operations	5	-358	190	175	2,703
<b>Net profit, total operations</b>		<b>4,118</b>	<b>943</b>	<b>7,408</b>	<b>5,134</b>

## Comments

- 1 Underlying EBITDA increased slightly as growth in the Baltics and transformational cost reduction offset decline in Sweden EUSR and SEK ~70m impact from the pandemic
- 2 Items affecting comparability included SEK 2,033 million related the closure of the operation in Luxembourg (no impact on assets or equity), and restructuring costs related to the ongoing business transformation program of SEK -54 million
- 3 Operating profit increased due to stronger underlying EBITDA, effects from closure of the Luxembourg operations and contribution from T-Mobile Netherlands
- 4 Income tax included a positive effect of SEK 1,280 million related to the closure of the operation in Luxembourg
- 5 Net profit, discontinued operations include a provision related to tax deduction on exchange losses on loans to Tele2 Kazakhstan

# Group cash flow

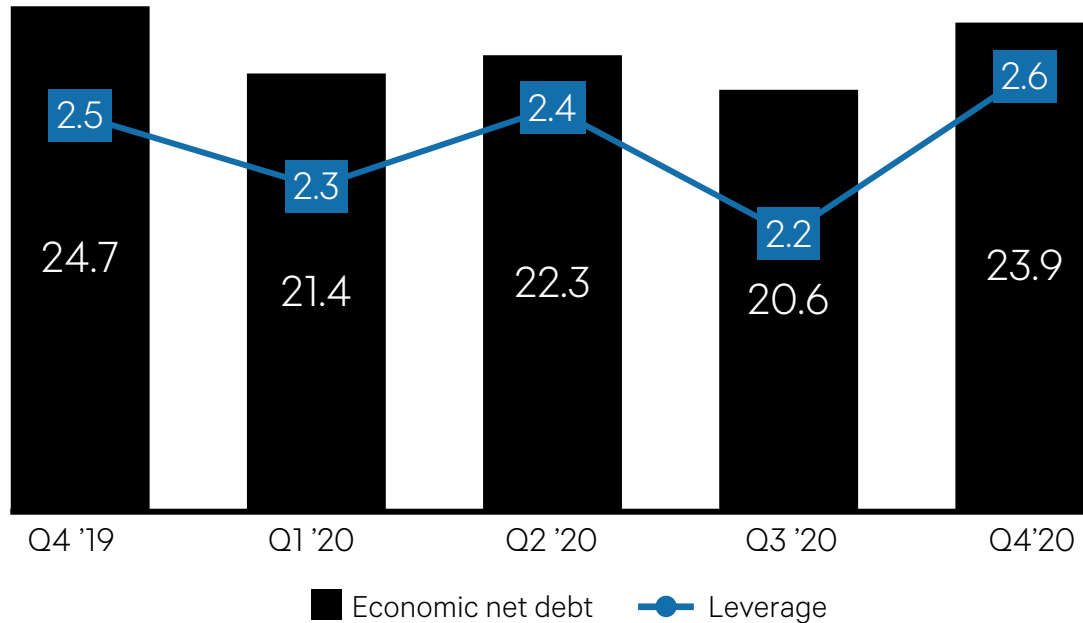
SEK million	Q4 2020	Q4 2019	FY 2020	FY 2019
<b>Continuing operations</b>				
Underlying EBITDA	2,661	2,640	10,484	10,309
Items affecting comparability	1,963	-104	1,844	-711
Amortization of lease liabilities	-272	-283	-1,168	-1,124
Capex paid	1 -729	-616	-2,704	-3,289
Changes in working capital	2 -414	-318	-337	-44
Net financial items paid	-86	-81	-467	-408
Taxes paid	3 -254	-42	-916	-686
Other cash items	4 -1,998	29	-1,937	112
<b>Equity free cash flow</b>	<b>872</b>	<b>1,225</b>	<b>4,799</b>	<b>4,159</b>
Equity free cash flow LTM / share (SEK)	5 6,93	6,00		
<b>Total operations</b>				
Equity free cash flow, continuing operations	872	1,225	4,799	4,159
Equity free cash flow, discontinued operations	13	259	80	681
<b>Equity free cash flow</b>	<b>885</b>	<b>1,484</b>	<b>4,879</b>	<b>4,840</b>

## Comments

- 1 Capex paid increase driven by IT spend related to the business transformation program, network investments and CPE capex in Sweden
- 2 Changes in working capital affected by seasonally high equipment sales and timing of equipment receivables in Sweden – reversal expected in coming quarters
- 3 Taxes paid increased due to repaid preliminary tax in Sweden in Q4 2019
- 4 Other cash items include a reversal related to the closure of the former operations in Luxembourg of SEK 2,033 million as the cash impact is neutral
- 5 Equity free cash flow from continuing operations amounted to SEK 4.8 billion over the last twelve months or SEK 6.93 per share

# Leverage at 2.6x

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



## Comments

- Economic net debt increased by SEK 3.3bn compared to Q3 2020 with SEK 4.3 billion of shareholder remuneration paid out in October
- Leverage of 2.6x remains below the mid-point of the target range of 2.5-3.0x
- Proposed ordinary dividend of SEK 6.00 per share (SEK 4.1bn), a 9% increase compared to the previous year

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

# Business transformation program update

	Benefits in Q4 2020	Achieved 2020*	Target 2021*	Target 2022*
Opex Reduction (SEK million)	50	250	~500	>1,000

## Comments

- Annualized run-rate at end of 2020 of SEK 250 million (SEK 150m as of Q3 2020). Savings of 50 million filters through in Q4 2020, and SEK 95 million in 2020
- Cost reductions in Q4 2020 coming from efficiency improvements within B2B, support functions and tech organization
- Target of at least SEK 1bn annual run-rate remains on track with roughly half expected by the end of 2021 and the rest by the end of 2022



# Financial guidance

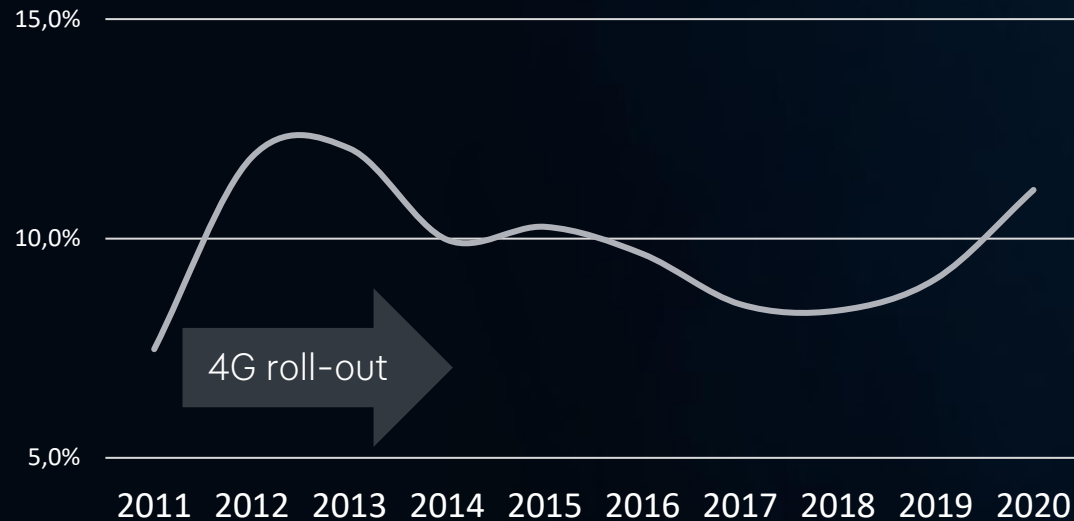
	End-user service revenue	Underlying EBITDAaL	Capex (SEK) <sup>1</sup>
2021	~Flat	2-4% growth	2.8-3.3bn
Mid-term	Low-single digit growth	Mid-single digit growth	2.8-3.3bn

## Comments

- The 2021 guidance assumes international roaming at a similar level to 2020, business transformation program savings run-rate of roughly half of the target annualized at the end of 2021, partly offset by investments into growth projects in order to reach our mid-term growth ambitions
- Mid-term guidance reiterated

# Capex comparison

Tele2 Sweden - Capex excl spectrum and leases / total revenue

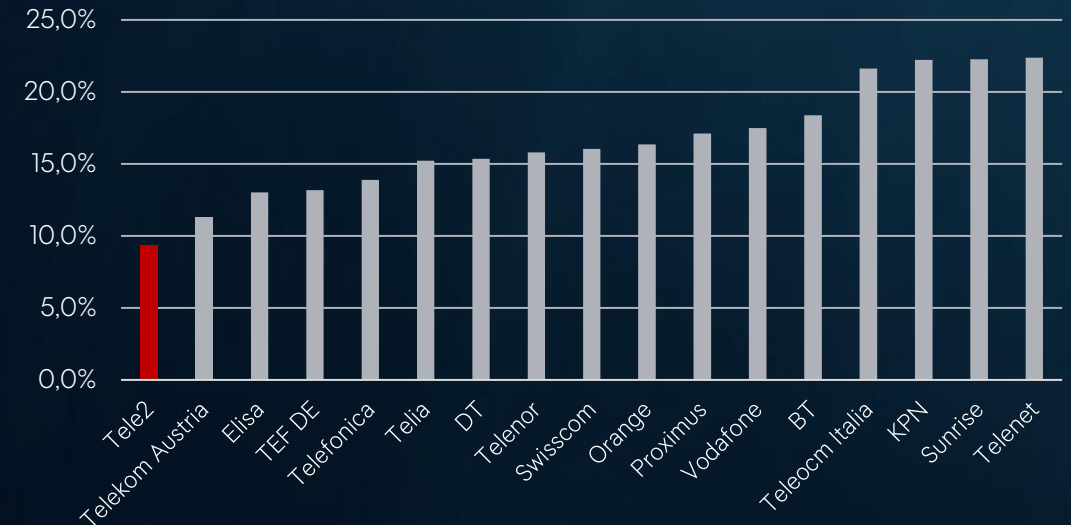


Full year figures

## Comments

- Thanks to network sharing, Tele2 has managed to keep capex levels low even during heavy investments cycles
- We expect capex to be at low levels compared to peers even during the roll-out of 5G and Remote-PHY

Total Group, LTM Q3 2020 Capex excl spectrum / total revenue



TO CONCLUDE...

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# Key priorities going forward

Sweden; Start broader roll-out of nationwide 5G and Remote-PHY

Sweden B2C; Consolidate premium brands and continue execution of more-for-more strategy

Sweden B2B; Utilize new portfolio to drive sales in SME and optimize profitability in Large Enterprise

Baltics; Build on current momentum and prepare for 5G

Continue the execution of the business transformation program to deliver at least SEK 1bn in opex reduction by the end of 2022

Explore opportunities to improve setup and efficiency in our infrastructure portfolio

Consistently grow shareholder remuneration along with cash flow

Capital Markets Day on May 25, 2021



THANK YOU!

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