

# FIRST QUARTER

April 21, 2022

TELE2



# Strong quarter with solid top- and bottom-line growth

SEK (YoY growth*)	Q1 22
EUSR	4.9bn (+3%)
Underlying EBITDAaL	2.5bn (+6%)
Capex ex. spectrum and leases	0.7bn
EFCF	0.9bn

## The Group

- EUSR growth of 3% during the quarter driven by the Baltics and Sweden B2B
- Underlying EBITDAaL growth of 6% driven by EUSR growth, continued execution of the Business Transformation Program and Sweden wholesale growth
- Completed T-Mobile Netherlands divestment
- Support efforts for families impacted by the war in Ukraine

## Sweden B2B

- Solid end-user service revenue growth driven by strong development in mobile and solution
- Mobile ASPU trends improving
- Strong mobile net intake in the quarter driven by both the SME and large segment
- Good solutions activity despite supply challenges

## Sweden B2C

- Entered strategic distribution partnership with Viaplay
- Continued strong performance in fixed broadband driven by volume and ASPU growth
- Solid performance for Tele2 Play+ which creates stabilization in the cable and fiber segment

## The Baltics

- Continued strong EUSR growth in all markets driven by ASPU growth, volume growth and slight tailwind from roaming
- Strong underlying EBITDAaL growth despite increased costs driven by higher inflation rates
- 1500 MHz spectrum acquired in Latvia

\*Organic growth rate

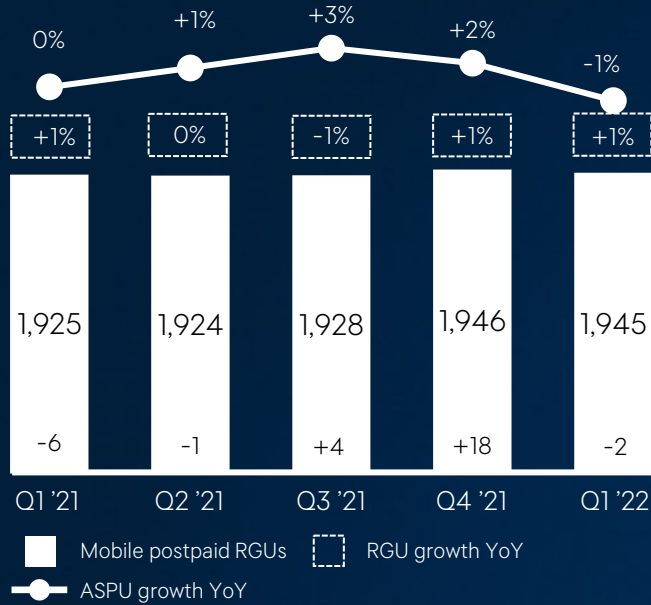
SWEDEN



# Sweden Consumer

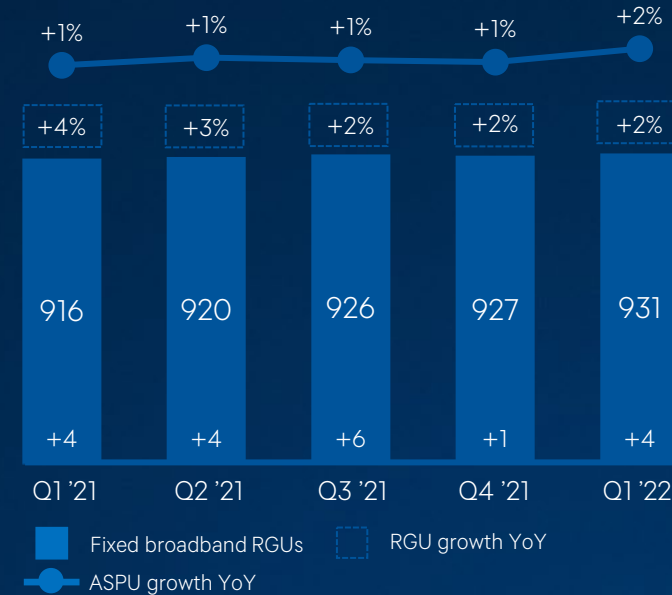
## Mobile postpaid RGU & ASPU

Thousand QoQ and YoY growth %



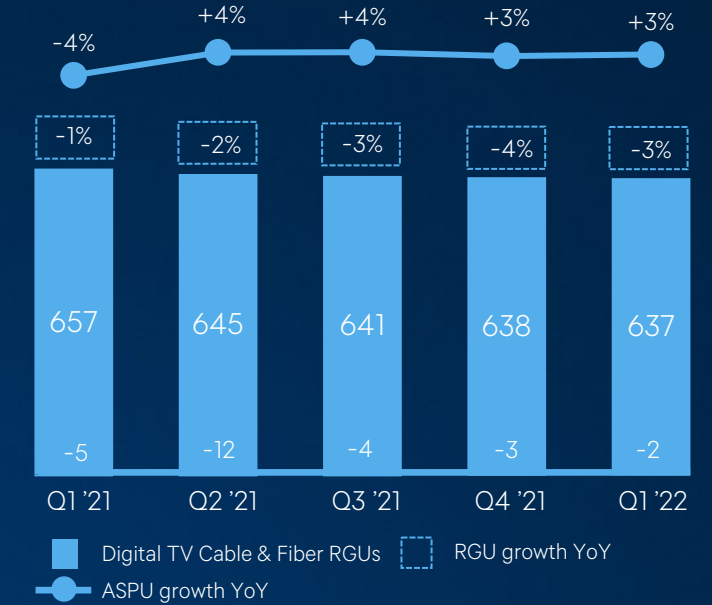
## Fixed broadband RGU & ASPU

Thousand QoQ and YoY growth %



## Digital TV Cable & Fiber RGU & ASPU

Thousand QoQ and YoY growth %



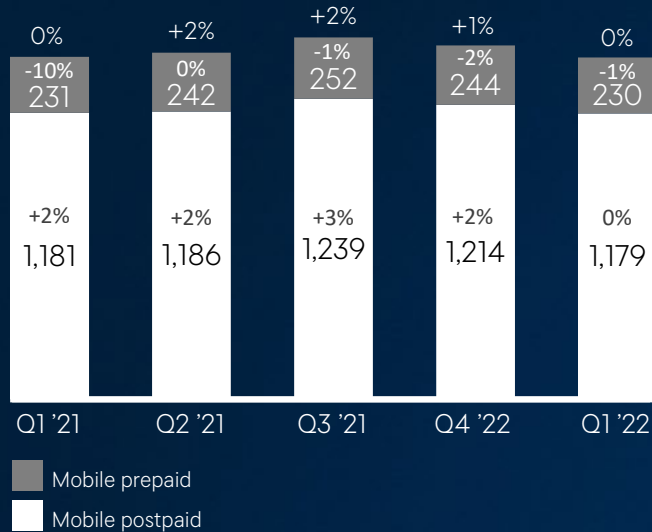
## Q1 highlights

- Mobile postpaid net intake was affected by lower activity due to covid-19 restrictions and competitors running intense campaigns and high commissions in external retail
- Continued ASPU growth for fixed broadband due to price adjustments done in 2021
- ASPU continued to grow within digital TV cable and fiber supported by a growing contribution from Tele2 Play+

# Sweden Consumer

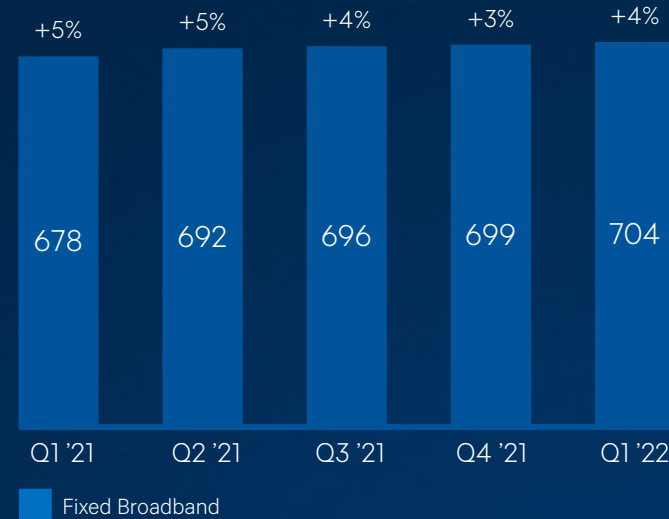
## Mobile EUSR

SEK million, YoY growth %



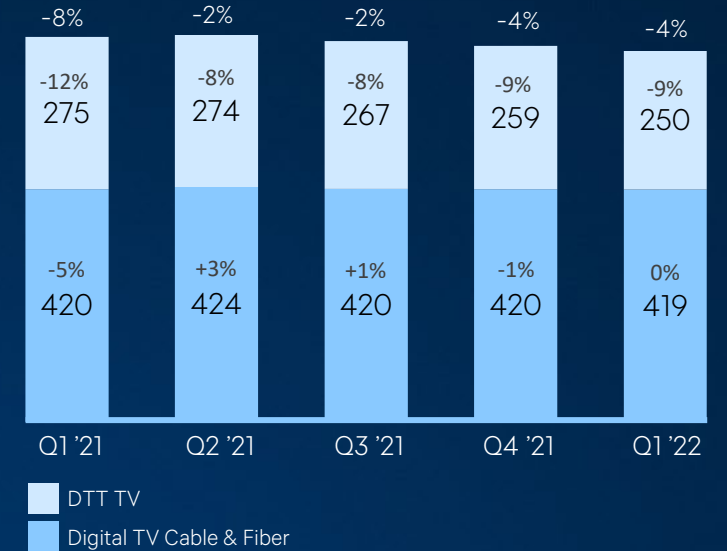
## Fixed broadband EUSR

SEK million, YoY growth %



## Digital TV EUSR

SEK million, YoY growth %



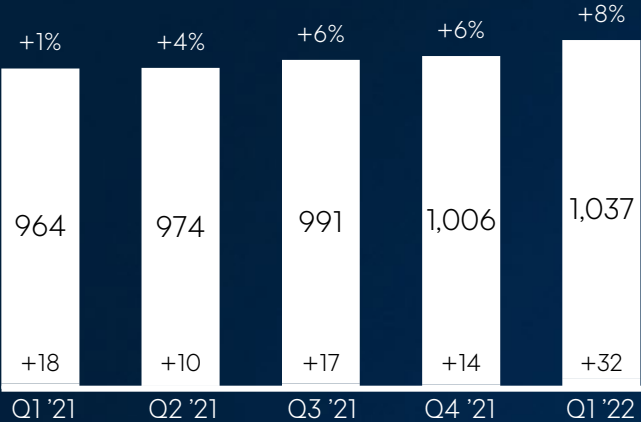
## Q1 highlights

- Total end-user service revenue for mobile was flat in the quarter, partly driven by a SEK 10 million negative impact in mobile postpaid
- End-user service revenue for fixed broadband continued to increase by 4% driven by both ASPU and volume growth
- Total end-user service revenue for digital TV declined by 4% driven by volume decline in both the cable and fiber and legacy DTT segment

# Sweden Business

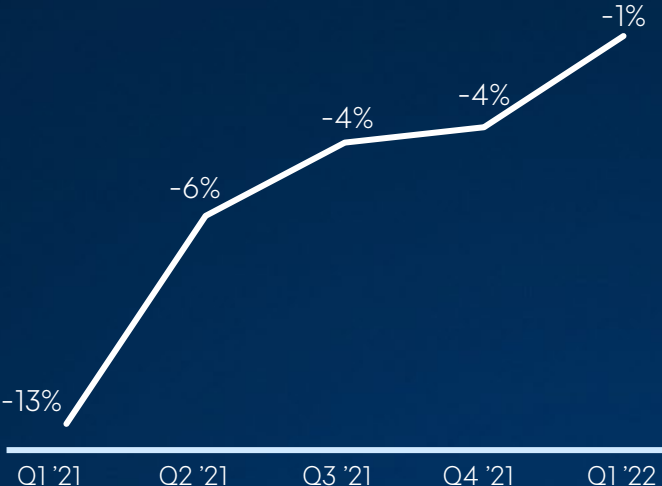
## Mobile RGU & net intake

Thousand QoQ and YoY growth %



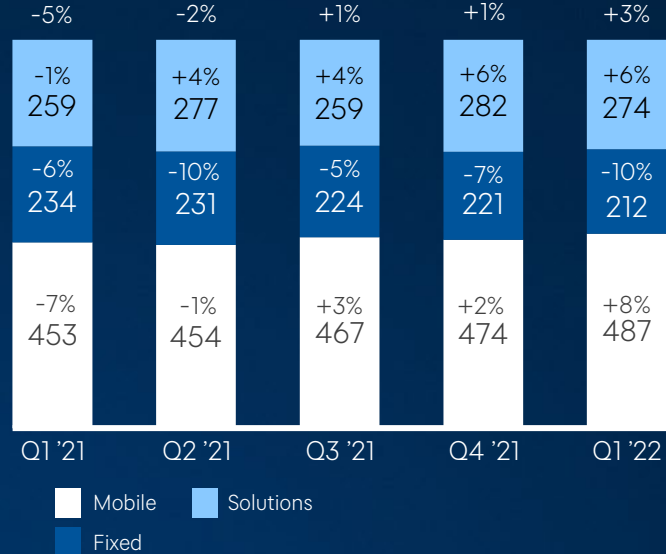
## Mobile ASPU

YoY growth %



## End-user service revenue

SEK million, YoY growth %



## Q1 highlights

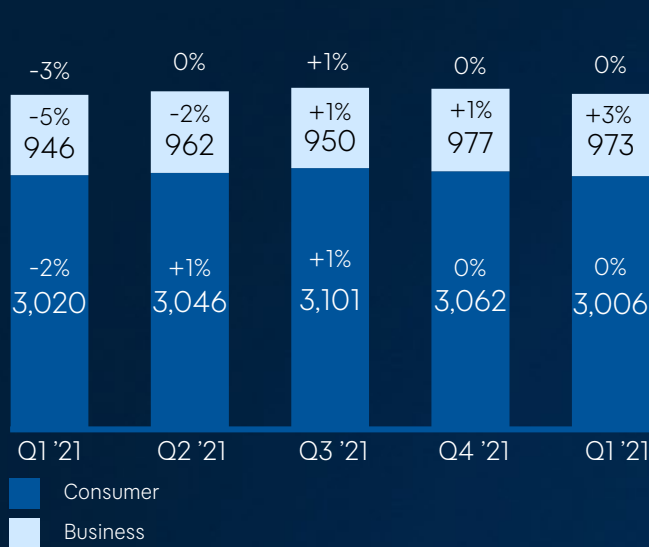
- Continued strong net intake within mobile of 32,000 RGUs driven by better net intake in the SME and large segment
- Mobile ASPU trends continue to improve driven by SME volume mix and larger focus on profitability within large private and public
- Strong end-user service revenue growth in the mobile and solutions business was able to fully compensate the continued decline in legacy fixed services



# Sweden overview

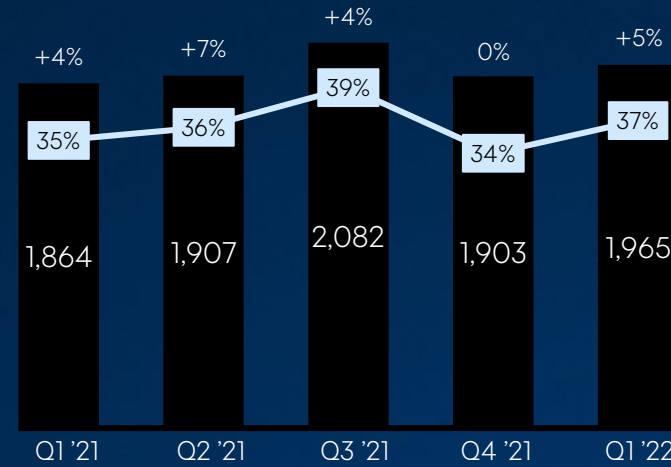
## End-user service revenue

SEK million, YoY growth %



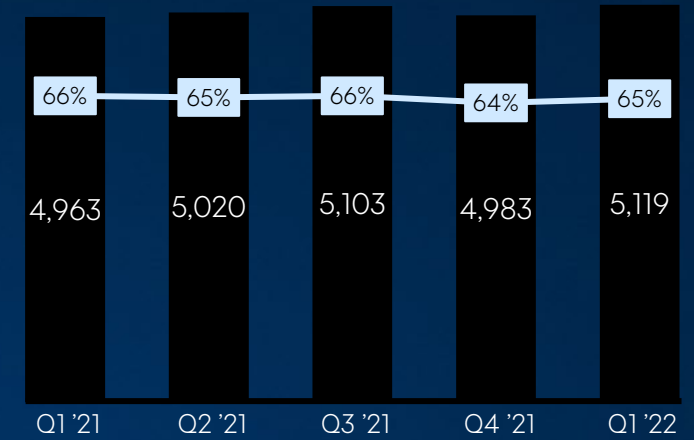
## Underlying EBITDAaL & margin

SEK million, YoY growth %



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

rolling 12m, SEK million



## Q1 highlights

- End-user service revenue was flat year-on-year as growth in Sweden B2B and fixed broadband in Sweden B2C compensated the continued decline in legacy services
- Underlying EBITDAaL increased by 5% driven by slight increase in end-user service revenue, continued execution of the Business Transformation Program and strong performance in wholesale
- Continued strong cash conversion of 65% as continued underlying EBITDAaL growth offsets higher capex levels

Cash conversion = operating cash flow / underlying EBITDAaL

# BALTICS

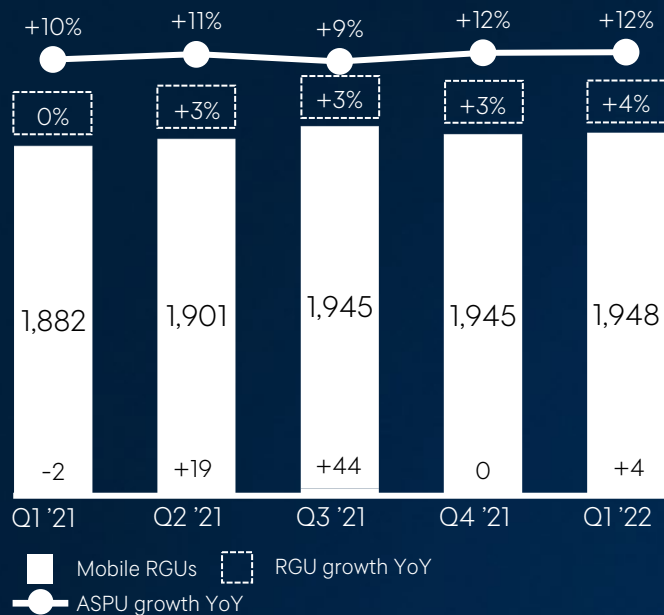




# Baltics operational highlights

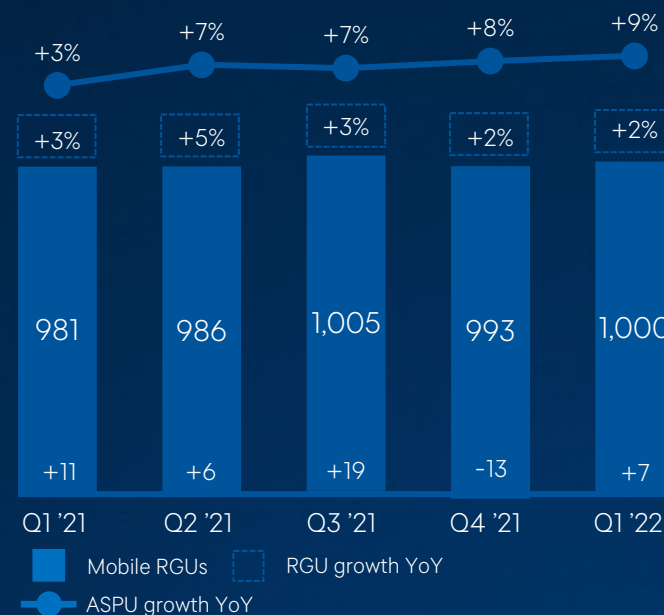
## Lithuania – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



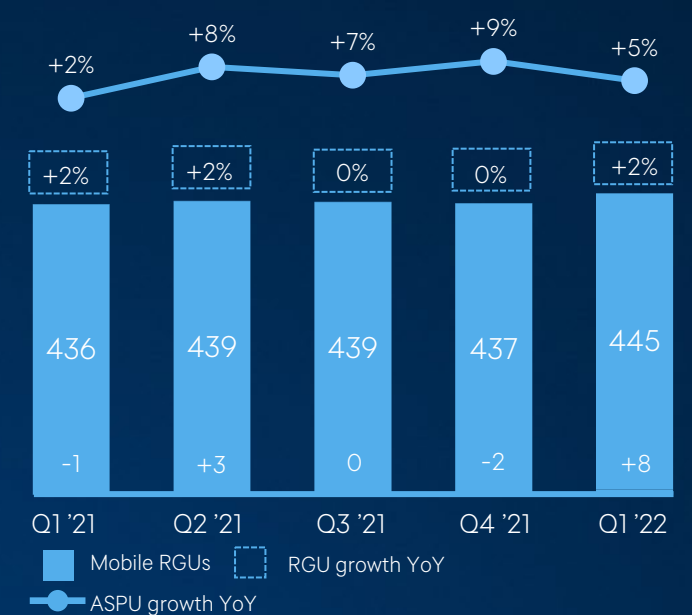
## Latvia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



## Estonia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



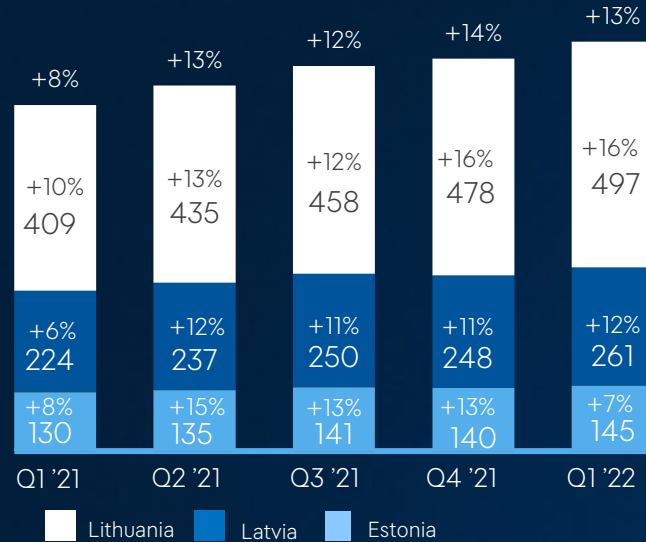
## Q1 highlights

- Continued strong ASPU growth across all markets driven by more-for-more price adjustments and slight tailwind from roaming
- Continued strong mobile RGU growth in all markets, especially in Estonia driven by successful customer acquisition campaigns

# Baltics financials

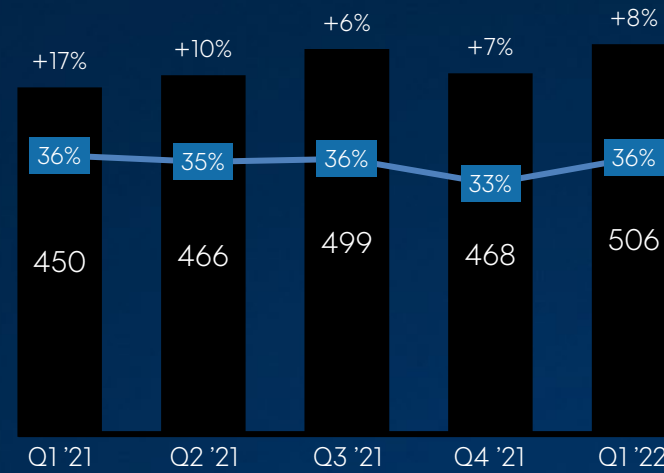
## End-user service revenue

SEK million, YoY growth %



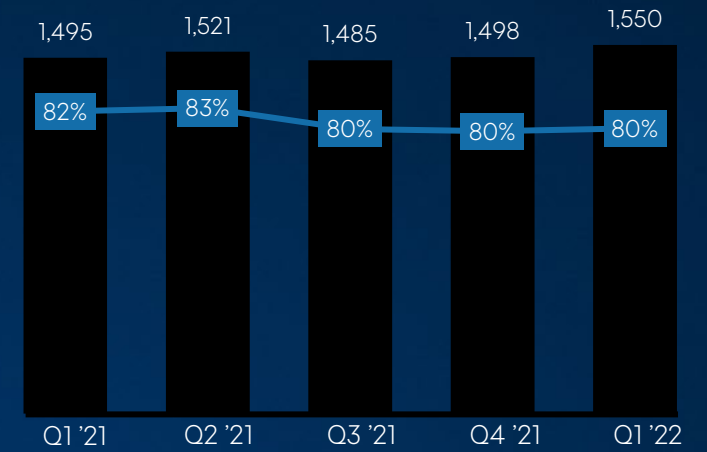
## Underlying EBITDAaL & margin

SEK million, YoY growth %



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

rolling 12m, SEK million



## Q1 highlights

- Continued strong end-user service revenue growth of 13% driven by both ASPU and volume growth
- Underlying EBITDAaL increased by 8% driven by higher end-user service revenue, offsetting pressure from rising inflation rates
- Continued strong cash conversion of 80% due to strong performance and low capex ahead of nationwide 5G roll-out.

# FINANCIAL OVERVIEW

# Group results

SEK million		Q1 2022	Q1 2021
Revenue		6,744	6,550
<b>Underlying EBITDA</b>	<b>1</b>	<b>2,798</b>	<b>2,630</b>
Margin (%)		41.5%	40.2%
Items affecting comparability		-46	-69
D&A	<b>2</b>	-1,520	-1,372
Impairment		0	0
Associated companies & JVs	<b>3</b>	1,671	13
<b>Operating profit</b>		<b>2,903</b>	<b>1,202</b>
Net interest and other financial items	<b>4</b>	-231	-130
Income tax		-201	-205
<b>Net profit, continuing operations</b>		<b>2,471</b>	<b>867</b>
Net profit, discontinued operations		3	-2
<b>Net profit, total operations</b>		<b>2,474</b>	<b>865</b>

## Comments

- 1** Underlying EBITDA grew by 6% in the quarter driven by end-user service revenue growth, cost savings related to the Business Transformation Program and growth within Sweden wholesale, partly offset by headwinds related to higher inflation
- 2** Depreciation and amortization increased compared to Q1 2021 mainly due to amortization of the Com Hem brand initiated in connection with the merger with the Tele2 brand
- 3** Associated companies and JVs increased compared to Q1 2021 driven by the capital gain of SEK 1.6 billion from the T-Mobile Netherlands divestment
- 4** Net interest and other financial items increased by roughly SEK 100 million compared to last year, primarily related to FX-losses from hedges connected to the T-Mobile Netherlands transaction

# Group cash flow

SEK million		Q1 2022	Q1 2021
Underlying EBITDA		2,798	2,630
Items affecting comparability		-46	-69
Amortization of lease liabilities		-382	-381
Capex paid	1	-753	-1,086
Changes in working capital	2	-224	-26
Net financial items paid		-108	-104
Taxes paid	3	-389	-161
Other cash items		14	17
<b>Equity free cash flow, continuing operations</b>		<b>910</b>	<b>820</b>
Equity free cash flow, discontinued operations		0	0
<b>Equity free cash flow, total operations</b>		<b>910</b>	<b>820</b>
<b>Continuing operations</b>			
Equity free cash flow LTM	4	5,851	4,334
Equity free cash flow LTM / share (SEK)		8.5	6.3

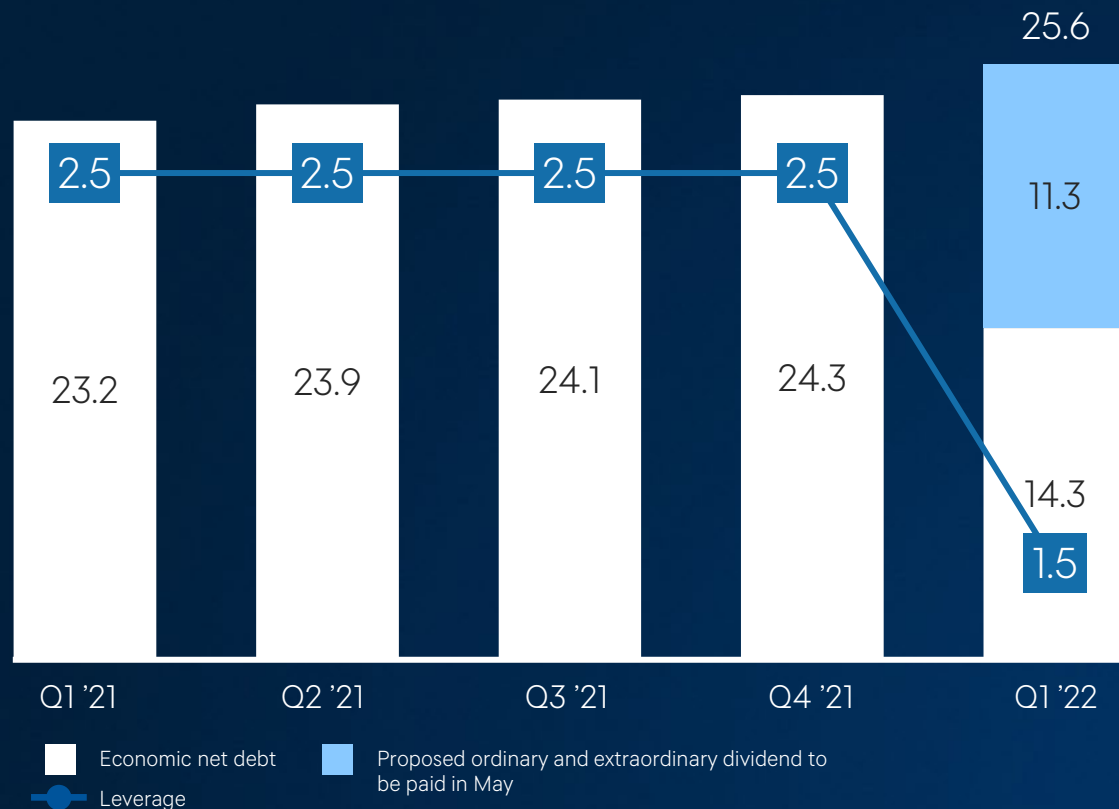
## Comments

- 1 Capex paid decreased compared to last year which included spectrum payments of SEK –333 million in Sweden
- 2 Changes in working was negatively impacted by timing of accounts payable in the quarter
- 3 Taxes paid increased compared to Q1 2021 driven by final tax payments related to the fiscal year of 2020
- 4 Equity free cash flow from continuing operations over the last twelve month remains strong and amounted to SEK 5,9 billion, equivalent to SEK 8.5 per share

# Leverage at 1.5x

## Economic net debt to underlying EBITDAaL

SEK billion

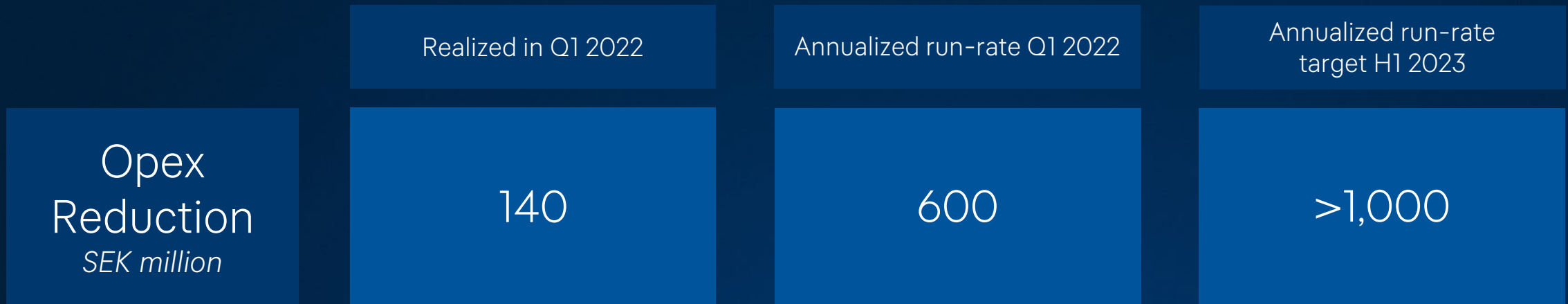


## Comments

- Economic net debt decreased by SEK 10.0 billion compared to end of 2021 driven by the cash proceeds received from the completed T-Mobile Netherlands divestment and the cash generated in the quarter
- Leverage of 1.5x remains below the target range of 2.5-3.0x ahead of the first tranche of the ordinary dividend and the extraordinary dividend. Adjusted for this, leverage would have been 2.6x
- Proposed ordinary dividend of SEK 6.75 per share (SEK 4.7bn), a 12.5% increase compared to the previous year, to be paid out in May and October 2022
- Proposed extraordinary dividend of SEK 13.00 per share (SEK 9.0bn) related to the T-Mobile Netherlands divestment, to be paid out in connection to the first tranche of the ordinary dividend in May

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

# Business Transformation Program update



## Comments

- Continued optimization primarily within the technology and IT organization lead to cost reductions in Q1 2022
- Annualized run-rate at end of Q1 2022 of SEK 600 million (SEK 500m at the end of 2021)
- Savings of 140 million realized in Q1 2022 with SEK 70 million net effect on underlying EBITDAaL (SEK 70 million realized in Q1 2021)
- Target of at least SEK 1bn in annual run-rate extended to H1 2023 to enable smooth IT-migrations and commercial momentum

# Key priorities going forward

## Sweden

Ramp up roll-out of nationwide 5G and continue Remote-PHY roll-out

Execute on Business Transformation program to achieve at least SEK 1bn in annualized run-rate savings by end of H1 2023

## Sweden B2C

Execute on phase 2 of FMC with the rebranded Tele2

Continue balancing value and volume to drive long-term sustainable growth

Execute on new TV partnership with Viaplay

## Sweden B2B

Continue execution of segmented market approach to improve volume in SME, focus on profitability in Public and Large segment, and reach stabilization for the full year of 2022

## Baltics

Build on current momentum, start roll-out of 5G and develop FMC capabilities



THANK YOU!



TELE2

