



Q2 2014 Results

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Com Hem



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Today's outline



Second quarter in brief

First steps back to cash flow growth are taken

Q2

Operational and financial performance

Delivering on the plan



Going forward

Key focus areas

Second quarter in brief

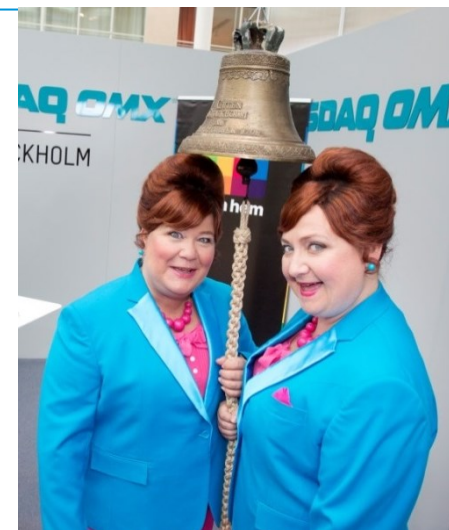
First phase of refinancing completed

Key dates

- ▶ **On June 17 - Com Hem was listed on NASDAQ OMX Stockholm Large Cap**
 - Adding gross proceeds of SEK 5.7 billion
- ▶ **On June 20 - Moody's upgrade Com Hem from B2 to B1, and Outlook to Positive**
- ▶ **On June 26 – Senior Bank debt was refinanced**

- ▶ **On July 4 – First phase of the refinancing was completed**
 - Senior PIK notes and 35% of Senior Notes was repaid
 - Over-allotment option fully exercised adding gross proceeds of SEK 567 million

- ▶ **On July 4 – Standard & Poor's upgrade Com Hem from B to BB-, and Outlook to Stable**



Increased financial flexibility with

- ✓ Debt reduced with approximately SEK 5.5 billion
- ✓ Net Debt/underlying EBITDA LTM decreased from 6.4x to 3.9x
- ✓ Improved average interest rates by 1.7 p.p. to approximately 6.7%

Second quarter in brief

The first steps back to cash flow growth are taken

1

Leverage our network and speed advantage

- ✓ Broadband growth continued, reaching 577,000 broadband RGUs - a new all-time high



2

Drive DTV penetration with Superior DTV product

- ✓ Digital-TV returned to RGU growth for the first time since the first quarter of 2013



3

Continue to grow universe and unique subs.

- ✓ Homes connected increased by 2,000 HH
- ✓ Unique consumer subscriber base grow by 8,000 to a total of 846,000 subscribers

4

Exploit bundle opportunity

- ▶ Bundles to be redesigned and launched
- ▶ Increased marketing activities

5

Leverage B2B opportunity

- ✓ Increased focus on B2B segment as Phonera is now a part of the Com Hem Group



6

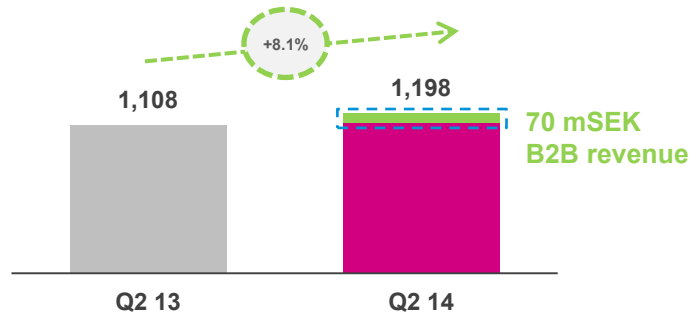
Improve financial flexibility

- ✓ First phase of refinancing now completed

Second quarter key financial highlights

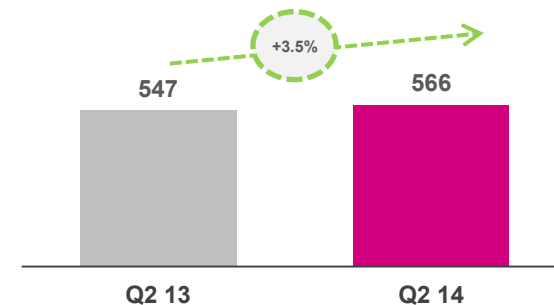
Strong revenue and underlying EBITDA growth supported by Phonera

Revenue (SEKm)



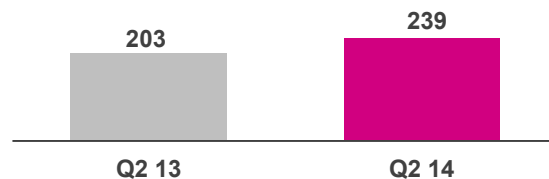
- ▶ Phonera revenue contribution of SEK 65m
- ▶ Consumer revenue up by 2.8% driven by DTV and BB

Underlying EBITDA (SEKm)



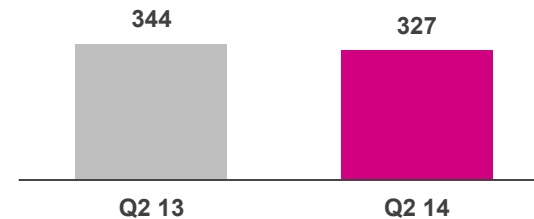
- ▶ Growth in both consumer and business underlying EBITDA

Capex (SEKm)



- ▶ Increase driven by success-based CPE and capitalized sales costs capex

OFCF* (SEKm)



- ▶ OFCF decrease due to increased success-based capex

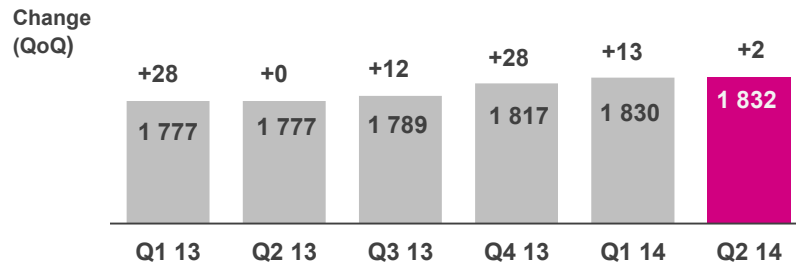
* Defined as Underlying EBITDA - Capex

Landlord business

Revenue and ARPU development in line with strategy

Homes connected

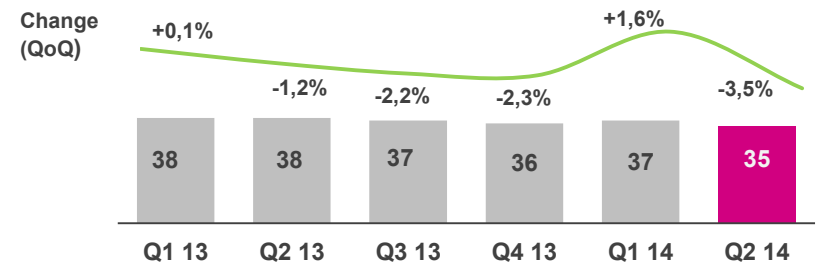
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- ▶ Growth in homes connected due to increase of open network households and stable coax universe

Landlord ARPU

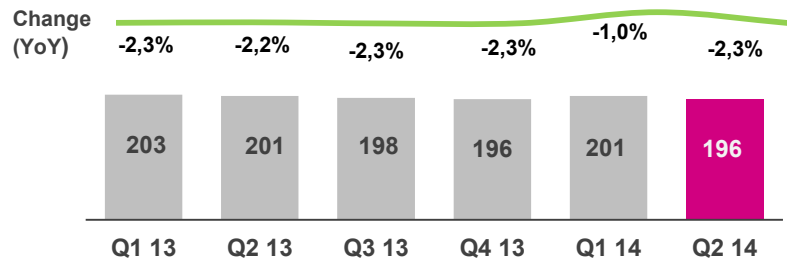
(SEK)



- ▶ Decrease in Q2 vs. Q1 due to seasonality effects in revenue, contract renegotiation effects and migration of customers to B2B services

Landlord Revenue

(SEKm)



- ▶ Decrease in Q2 vs. Q1 due to contract renegotiation effects and migration of customers to B2B services

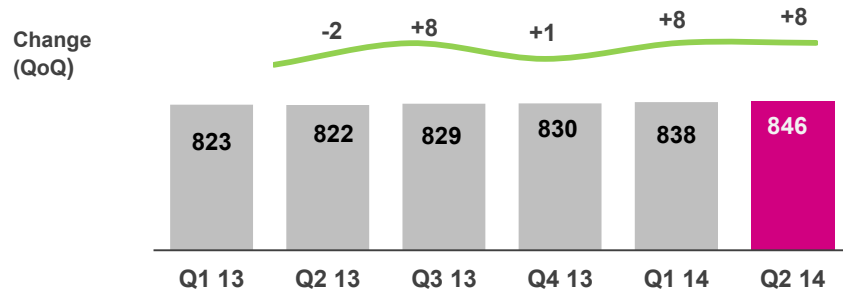


Operational overview

Continued increase in unique subscribers and number of RGUs

Unique consumer subscribers

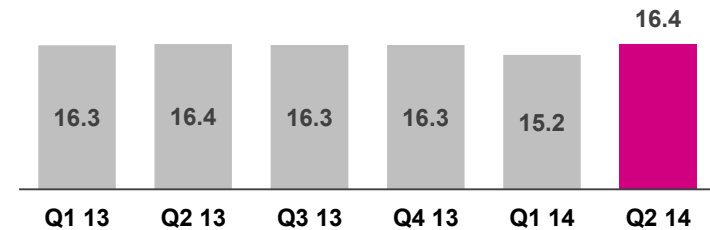
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- Increase in consumer subscribers mainly driven by new broadband subscribers

Consumer churn rate

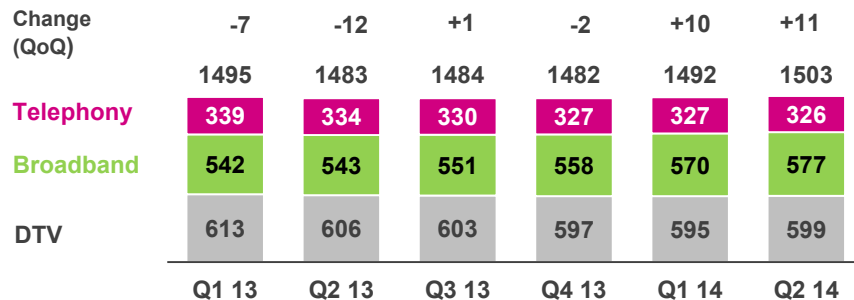
(%)



- Consumer churn rate at 16.4% reflects the impact of our May price rise
- Underlying churn rate stable at 15-16%

RGUs per service

(000')



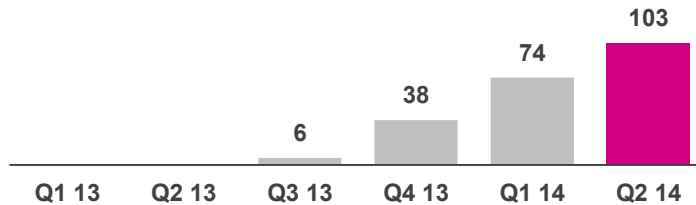
- Total RGUs increase as DTV RGUs increase by 4,000 and Broadband RGUs increase by 7,000



Consumer Business

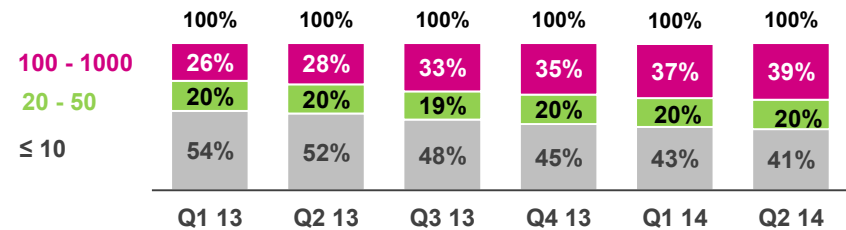
Continued growth in KPIs

TiVo customers (000')

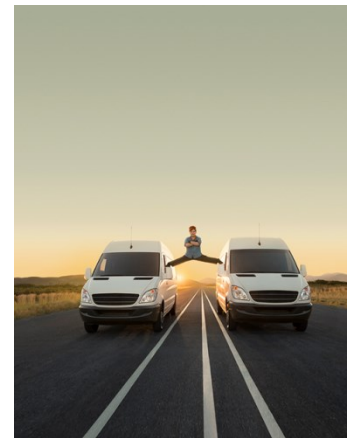


- ▶ Over 100,000 TiVo customers since commercial launch in Q3 2013 translates to a TiVo penetration of 17.1%

Broadband speeds (%)



- ▶ Continued demand for higher speeds from both new and existing broadband customers
- ▶ 39% of customer base subscribe to Com Hem's 100 – 1 000 Mbit/s services

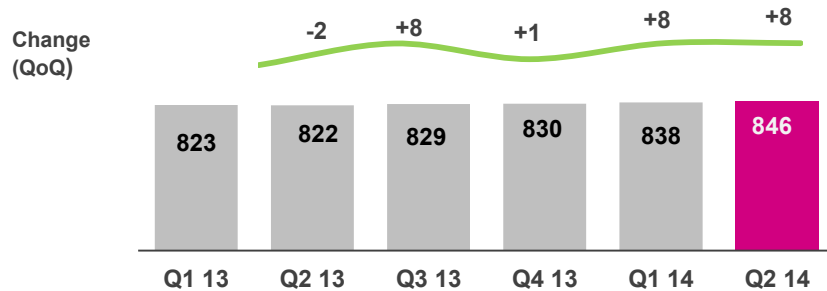


Consumer Business

KPI growth translates into revenue and ARPU growth

Unique consumer subscribers

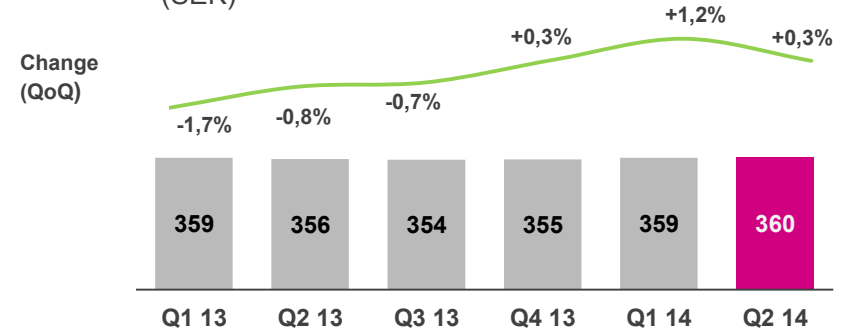
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- Increase in consumers mainly driven by new broadband subscribers

Consumer ARPU

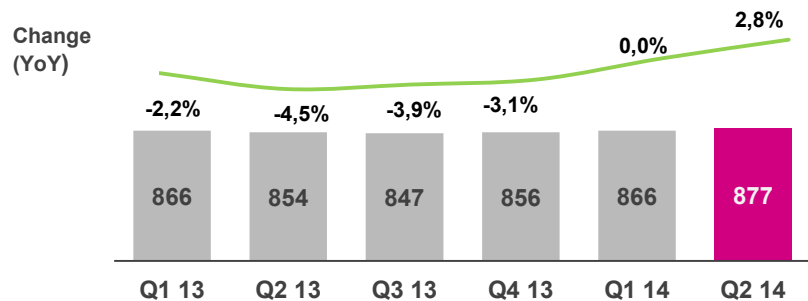
(SEK)



- Consumer ARPU increase by 1 SEK compared with Q1 2014 supported by price rise and improvements in the tier mix for both DTV and Broadband

Consumer Revenue

(SEKm)



- Consumer revenue up by over 1.0% for the third consecutive quarter, supported by growth in both DTV and Broadband revenue



Financial performance

P&L Statement

Revenue growth supported by Phonera and increased consumer revenue

SEKm	Q2 14	Q2 13	Change	
Revenue	1,198	1,108	90	+8.1%
Production costs	(348)	(314)	(34)	
Gross profit	850	794	56	+7.0%
<i>Gross margin</i>	<i>70.9%</i>	<i>71.7%</i>	<i>(0.7p.p.)</i>	
Operating costs	(284)	(247)	(37)	
Underlying EBITDA	566	547	19	+3.5%
<i>Underlying EBITDA margin</i>	<i>47.2%</i>	<i>49.4%</i>	<i>(2.1p.p.)</i>	
Non-recurring items	(142)	(32)	(110)	
- Of which IPO related costs	(107)	-	(107)	
Operating currency loss/gain	(3)	1	(3)	
Write-downs	(4)	(0)	(4)	
Depreciation and amortization	(357)	(333)	(24)	
Operating Profit (EBIT)	60	182	(122)	n/m
Net Financial Income and Expenses	(983)	(540)	(443)	
- Of which refinancing related costs	(573)	-	(573)	
Income tax benefit (expense)	204	79	126	
Net profit (loss) for the period	(718)	(279)	(439)	n/m

- ▶ Revenue growth driven by the consolidation of Phonera as well as DTV and Broadband growth
- ▶ Slight pressure on Gross margin due to consolidation of Phonera
- ▶ Increase in Underlying EBITDA on back of revenue growth
- ▶ Slight pressure on Underlying EBITDA margin primarily due to consolidation of Phonera
- ▶ Operating profit affected by IPO related costs of SEK 107 m and increased D&A due to higher amortization due to Phonera, TiVo investments and Capitalized sales costs
- ▶ Net result heavily effected by one-off costs for IPO and refinancing of 680 mSEK

Capital Expenditure

Increase in Q2 driven by success-based CPE and Sales Costs capex

SEKm	Q2 14	Q2 13	Change		
Network related	75	82	(6)	(7.6%)	▶ Network related decrease due to reduced TiVo infrastructure spending
CPE and capitalized sales costs	112	70	42	59.9%	▶ CPE and Sales Costs increase due to higher sales and migration volumes
IS development	39	39	(0)	(0.1%)	▶ IS Development in line with previous year
Other Capex	12	12	0	0.7%	▶ Other Capex according with previous year
Total Capex	239	203	36	17.7%	

Cash flow

Exceptional items in Q2 2014

SEKm	Q2 14	Q2 13	Change	
Underlying EBITDA	566	547	19	+3.5%
Non-recurring items and operating currency loss/gain	(145)	(31)		
- Of which IPO related costs	(107)	-		
Change in net working capital	31	(52)		
Interest payments on borrowings etc.	(522)	(407)		
Adjustments for non-cash items	1	(1)		
Net cash from operating activities	(69)	55	(124)	n/m
Capital expenditures	(239)	(203)		
Acquisition of subsidiaries	(11)	(1)		
Net cash used in investing activities	(248)	(205)	(44)	(21.4)%
New share issue	5,672	-		
Borrowings from new Senior Facilities	4,500	-		
Borrowings (Capex Facility)	300	100		
Amortization of borrowings	(6,252)	(34)		
Payment of borrowing costs	(56)	-		
Other financial activities	5	-		
Cash flow from financing activities	4,169	66	4,103	n/m
Net Cash generated (used)	3,852	(83)	3,935	n/m
Cash Balance BoP	789	742	47	
Cash balance EoP	4,640	658	3,982	n/m

- ▶ One-off IPO-costs
- ▶ Change in NWC positive affected by non paid IPO-costs.
- ▶ All accrued interest paid due to refinancing vs. historically only quarterly payments afterwards, cost for termination of interest and currency hedges included.
- ▶ Increased Capex due to CPE's and Sales costs.
- ▶ Acquisition of subsidiaries relates to final payment for Phonera.
- ▶ Gross proceeds from New share issues of SEK 5,672m.
- ▶ Borrowings from new Senior Facilities of SEK 4,500m drawn on June 26, 2014.
- ▶ Paid borrowing costs for new Senior Facilities

Net Debt

Leverage ratio of 4.0x end of June and 3.9x after greenshoe

1 Pre-IPO		2 June 30, 2014		3 Pro Forma June 30, 2014**	
	SEKm		SEKm		SEKm
Senior bank debt		Senior bank debt		Senior bank debt	
Term Loans incl. Capex facility	6,252	New Term Loans	3,500	New Term Loans	3,500
RCF	-	New RCF	1,000	New RCF	1,000
Finance leases	51	Finance leases	51	Finance leases	51
Other short-term debt	-	Other short-term debt	5	Other short-term debt	5
Total senior bank debt	6,303	Total senior bank debt	4,556	Total senior bank debt	4,556
Bond instruments		Bond instruments		Bond instruments	
Senior Secured Notes	3,492	Senior Secured Notes	3,492	Senior Secured Notes	3,492
Senior Notes	2,640	Senior Notes*	2,739	Senior Notes*	1,716
Senior PIK Notes	2,791	Senior PIK Notes*	2,963	Senior PIK Notes	-
Gross Debt	15,226	Gross Debt	13,751	Gross Debt	9,765
Cash Balance EoP	(789)	Cash Balance EoP	(4,640)	Cash Balance EoP	(655)
Net Debt	14,437	Net Debt	9,110	Net Debt	9,110
				Proceeds from greenshoe	(567)
				Paid IPO and greenshoe costs	220
		Leverage end of june	4.0x	Net Debt post greenshoe	8,763
Leverage	6.4x	Leverage if IPO-costs paid	4.1x	Leverage post greenshoe	3.9x
Average interest approx.	8.4%			Average interest approx.	6.7%

* The exchange rate 9.197 is used to convert EUR debt to SEK debt.

** Pro forma calculations as if notes were redeemed, IPO-costs were paid and full greenshoe exercised as of June 30, 2014



Going forward

Strong focus on customer experience

Our no.1 operational priority

- ▶ New Customer Experience Director Appointed in April 2014
- ▶ Creation of dedicated customer marketing and loyalty programmes in Q2 and Q3 2014
- ▶ Fundamental redesign of the install experience in Q3 2014
- ▶ Redesign of propositions and bundling to reduce complexity
- ▶ Tight focus on improving system stability and network uptime

Key focus areas in H2 2014

Key focus areas in H2

- ▶ Continued execution of growth strategy capitalizing on our strengths:
 - Fastest broadband service
 - Leading DTV product
 - Bundling upside
 - Significant B2B opportunity through Phoneria
- ▶ Bundling initiatives and increased marketing activities
- ▶ Continued focus on improved customer experience
- ▶ Refinancing to further reduce debt

Revenue expectations and medium term financial targets

- ▶ Mid single digit revenue growth expected 2014
- ▶ Medium term underlying EBITDA margin expected to slightly soften due to shift in business mix
- ▶ Medium term leverage target of 3.5x-4.0x LTM EBITDA
- ▶ Medium term Capex as % of revenue to decline in line with industry level
- ▶ 2015 target to return at least 50% of 2014 equity free cash flow in dividends or other capital distributions
- ▶ Upcoming possible re-financing events;
 - Senior Secured Notes in November 2014
 - Senior Notes in November 2015

Q&A



Q2 Results on July 15, 2014

Appendix

Revenue breakdown

MSEK	Q2 14	Q2 13	Change	
Consumer revenue	877	854	24	2.8%
B2B revenue	70	0	70	n/a
Landlord revenue	196	201	-5	-2.3%
Other revenue	55	53	1	+2.8%
Total revenue	1,198	1,108	+90	+8.1%

Swedish tax law reform recommendation

Proposal presented on 12 June, 2014

Scope and timing uncertain given legislative process

- ▶ Legislative process to follow, process of consultation first step
- ▶ Swedish general elections on September 14, 2014

The proposed recommendation in brief

- ▶ Net financials in a group will not be tax deductible
- ▶ Introduction of a "financing deduction" of 25% of taxable profit (at company level)
- ▶ Financing deduction and current corporate tax rate of 22% would result in an efficient tax rate of 16.5%
- ▶ Proposed reduction of company's NOLs balance outstanding as of 31 Dec. 2015 by 50%, as a one-off event.
- ▶ Proposed time of implementation: from January 1, 2016