

Q3 2015 Results

Com Hem

London, November 3, 2015

Disclaimer

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Today's agenda



Operational performance

- ▶ Steady execution on our plan; all time high for unique consumers combined with record low consumer churn



Financial performance

- ▶ Strong operating free cash flow
- ▶ Refinancing secured: interest costs to be further reduced



Summary

Third quarter in brief and operational development

Anders Nilsson, CEO

Key growth drivers

Continued progress in Q3

- 1 Increased customer satisfaction**
 - ▶ Record low consumer churn of 12.9% compared to 13.7% in second quarter

- 2 Drive DTV penetration with Superior DTV product**
 - ▶ Digital TV grew by 4,000 to 631,000 RGUs, TiVo penetration reaches 33.8% with 213,000 RGUs (32.5% in Q2)

- 3 Leverage network and speed advantage**
 - ▶ Broadband subscriber base grew by 11,000 net additions to a record high of 648,000 RGUs

- 4 Capitalise on unique consumer bundle opportunity**
 - ▶ Duals increasing steadily. Triples impacted by Telco base management

- 5 Leverage B2B opportunity**
 - ▶ Continued transformation of Phonera focusing on higher margin OnNet sales. OnNet B2B unique customers grew by 1,000 during quarter (3,000 in Q2)

Well positioned for growth

Guidance

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

Drivers for shareholder returns

Improving financial flexibility

✓ Revenue growth translates into increased Underlying EBITDA

✓ CAPEX stable, declining as a percentage of revenue

✓ Interest expenses to be further reduced
Interest rates expected to come down from 4.4% to approx. 3.5% after the refinancing of the EUR Senior Notes in Q4 2015

✓ No taxes to be paid until tax losses fully utilised
(outstanding NOL approx. SEK 2.6 bn per 30 September)



Improved scope for shareholder remuneration

Guidance

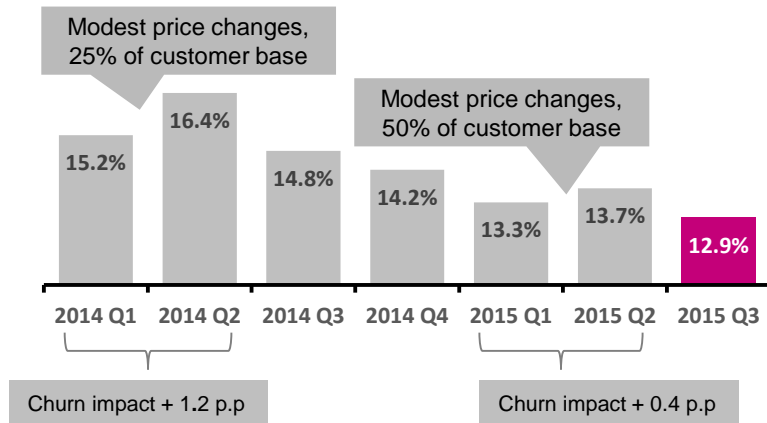
The Underlying EBITDA margin
Is expected to soften slightly due to a shift in business mix

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

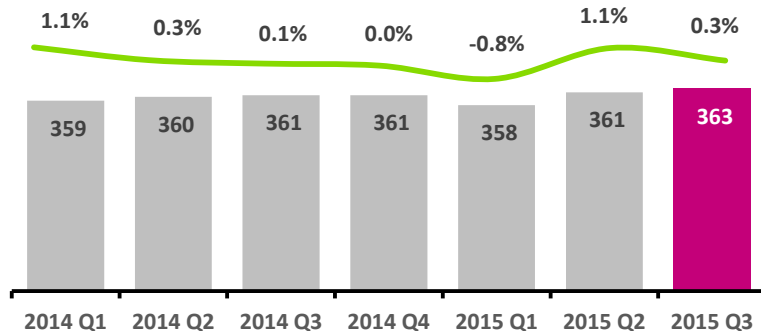
Target leverage
Of 3.5x to 4.0x
Underlying EBITDA LTM

Customer satisfaction delivers record low consumer churn

Consumer churn (%)



Consumer ARPU (SEK)

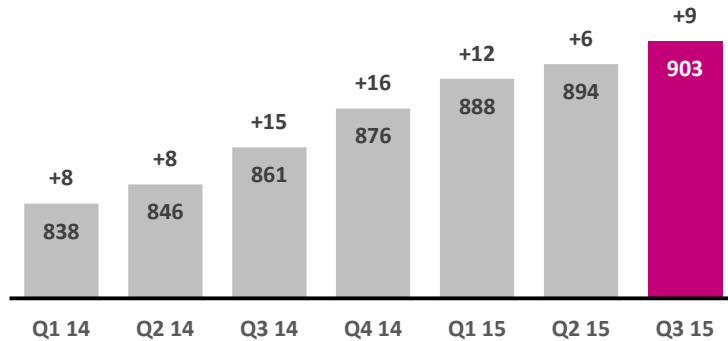


- ▶ As a result of our continued focus on customer satisfaction, we reached record low consumer churn of 12.9%
- ▶ Modest ARPU increase in Q3 due to price changes introduced in Q2
- ▶ Going forward, ARPU is expected to reflect a typical Telco pattern; spike post price rise followed by gradual erosion due to telco and premiums unwind
- ▶ Assuming steady volume progression, the ARPU pattern will translate to revenue
- ▶ Further discount reductions and higher price rises will give us the opportunity for an enhanced growth strategy going forward

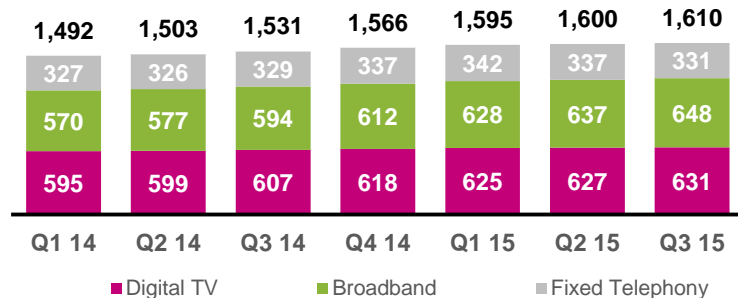
Steady growth of customers and RGUs

All time high for unique consumer subscribers

Unique consumer subscribers
(000')

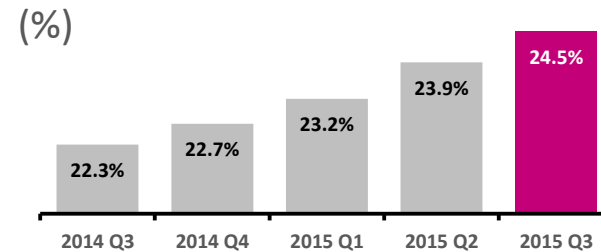


RGUs per quarter
(000')



- ▶ Unique consumer subscribers grew by 9,000 during the quarter to an all time high
- ▶ Total consumer RGUs increased by 10,000 for the quarter to 1,610,000 RGUs
- ▶ Overall, volumes in line with our shift towards a balance of price and volume-led growth
- ▶ Dual subscriptions continue a steady positive trend; base subscriptions on duals rose from 23.9% to 24.5% in the quarter
- ▶ However, our RGUs per unique consumer ratio declines as a consequence of our Telco base management activity – impacting Triples

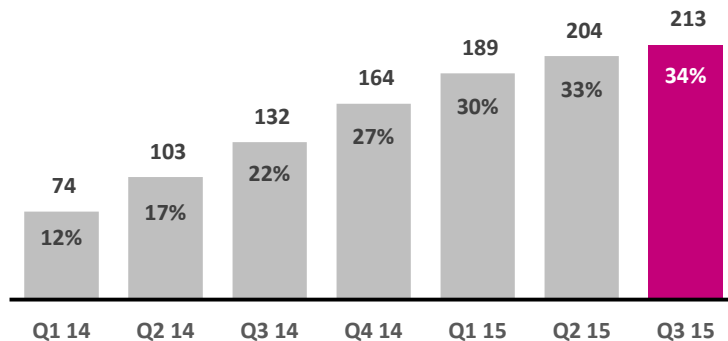
Duals development



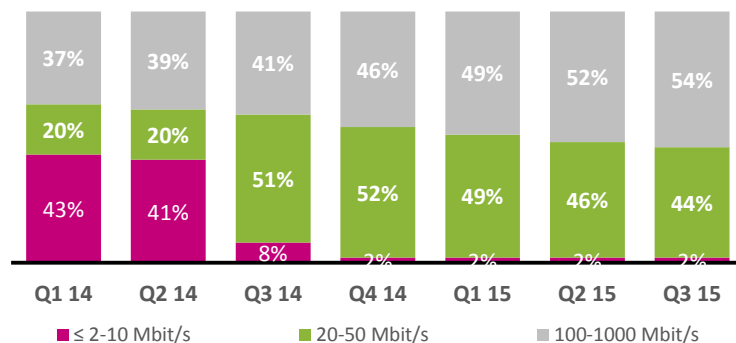
Continued positive trend in high-end services

Increased demand for higher speed broadband services

TiVo customers (000')



Broadband speeds (%)



Digital TV

- ▶ TiVo customers grew by 9,000 in Q3, making TiVo a part of 213,000 Swedish homes, representing 33.8% penetration of the DTV-base
- ▶ Launch of our new TV Everywhere service – Com Hem Play, exclusively to TiVo customers (replacing TiVoToGo)
- ▶ Renewed partnerships with TV4 and Netflix strengthens our entertainment offering

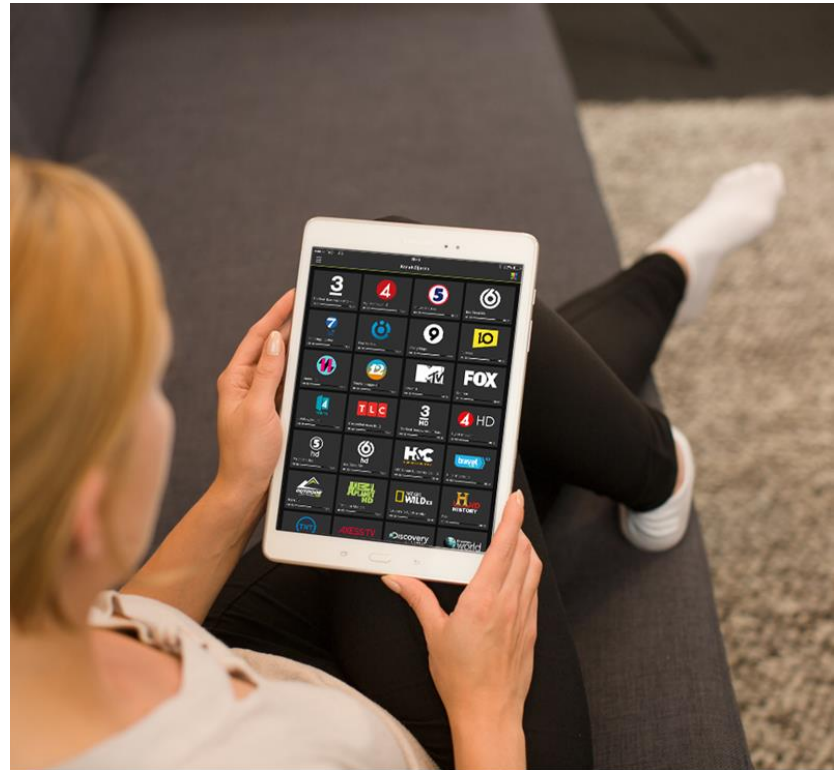
Broadband

- ▶ Demand for high broadband speeds continued to increase as 77.5% of new broadband subscribers chose speeds of 100 Mbit/s and above in Q3 (76.3% in Q2)
- ▶ Average speed per broadband subscriber reached 109 Mbps (104 Mbps in Q2)

Launch of Com Hem Play in mid September

A new look and feel for our new TV everywhere service

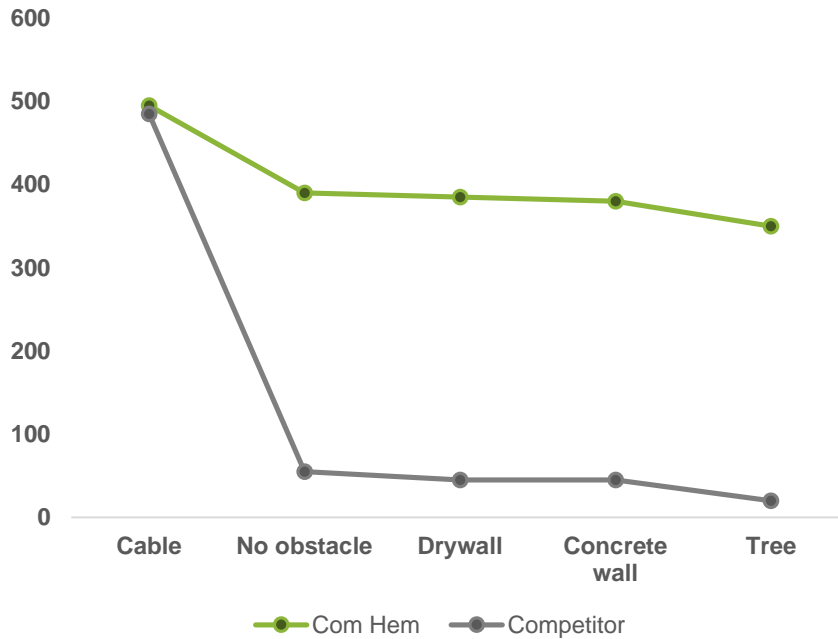
- ▶ Replaces TiVoToGo, with significantly improved user interface and navigation
- ▶ Gives the customer the full TiVo experience available on all platforms (iOS, Android, web) and devices
- ▶ We now offer Sweden's smartest and most comprehensive TVE service
- ▶ **Early signs of success:**
 - Reach of Com Hem Play has already risen 58% compared to TiVoToGo
 - Total streaming volume up by over 200% compared to the month before launch



Our broadband extends its lead as best in class

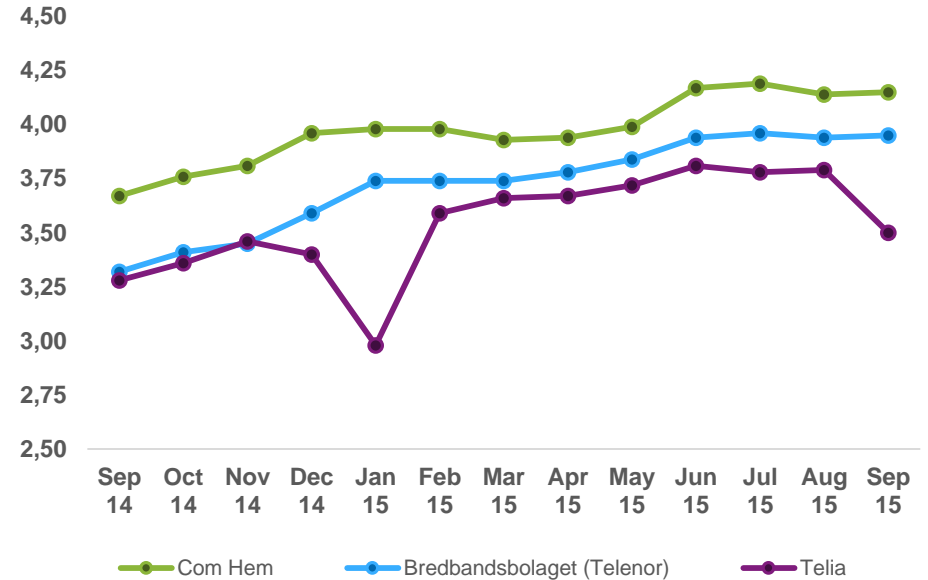
The leader in both fixed speeds and in WiFi

Wifi router download speed (Mbps)



► Test comparing our principal router offering with the equivalent offer from competitors

Netflix ISP Speed index



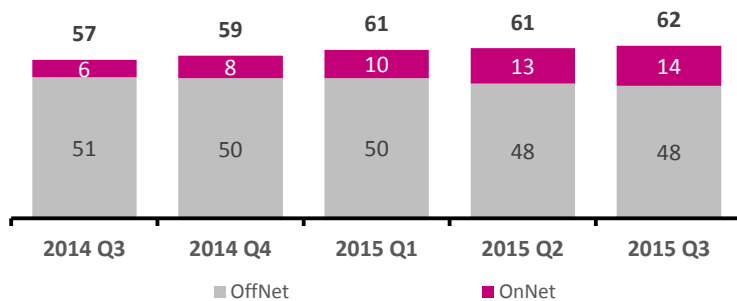
► Com Hem has led in the Netflix ISP index in Sweden for 10 of the last 12 months, and further extending this lead

► Critically, we are well ahead of our principal competitors; Telia (rank 8) and Bredbandsbolaget (rank 4)

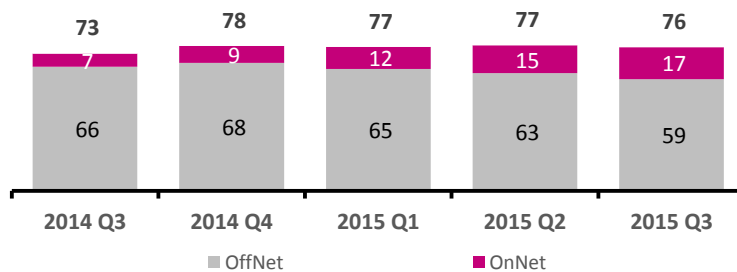
Weaker growth within B2B

Re-organising to accelerate performance

Unique B2B Subscribers
(000')



B2B Revenue
(MSEK)



- ▶ Soft OnNet growth of 1,000 unique subscribers for the quarter due to seasonal effect
- ▶ Headwinds in legacy OffNet Telco revenue slowed down total revenue growth
- ▶ Re-organisation of Phonera including changes in the management team to accelerate growth
- ▶ Won Mobil magazine's Best in Test Award for best mobile switchboard



Key recruitments strengthen our management team



Tobias Lennér

New **Head of B2B** since November 3rd

- ▶ Previous positions: CEO Phone House Sweden, Managing Director at SF Sweden (Swedish Film) and Managing Director at Halebop (Part of Telia group)



Jonas Lundqvist

New **Marketing Director** since September 3rd

- ▶ Previous positions: Marketing Director at Millicom. Also 20 years of working experience from other senior marketing roles within Kinnevik group of companies



James Lowther

New **Commercial Director** since September 28th

- ▶ Previous positions: Various roles at Virgin Media including Head of Strategy and Head of P&L for the TV division

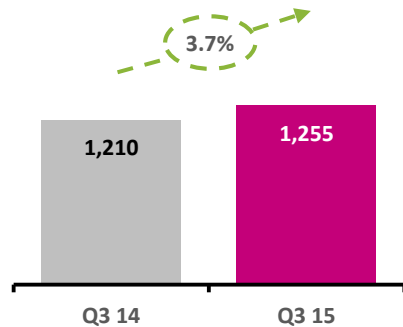
Financial performance

Mikael Larsson, CFO

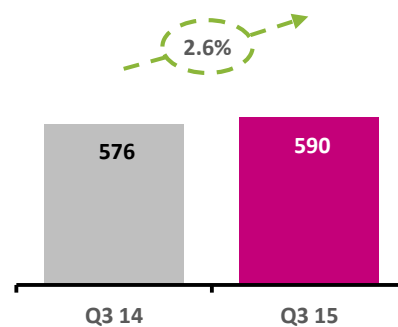
Third quarter financial highlights

Strong operating free cash flow generation

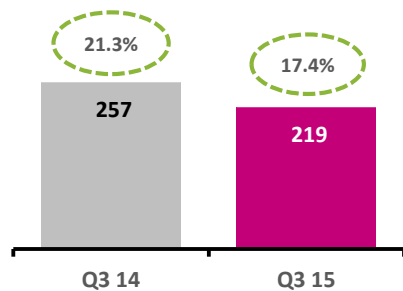
Revenue
(MSEK)



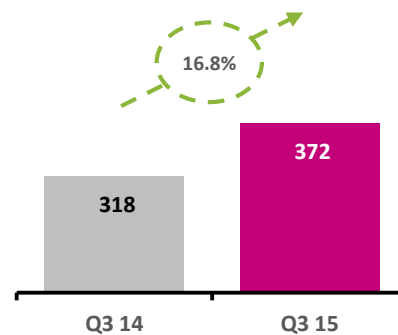
Underlying EBITDA
(MSEK)



Capex (% of revenue)
(MSEK)



Operating free cash flow
(MSEK)

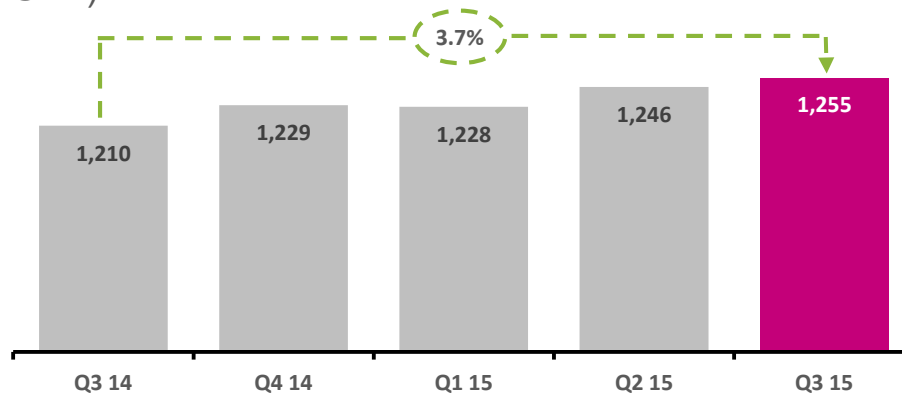


- ▶ Revenue growth of 3.7% (4.0% in Q2). The slight decrease in growth rate is due to less B2B growth during the quarter
- ▶ Underlying EBITDA grows 2.6% (3.1% in Q2) to SEK 590m
- ▶ Lower capex compared to Q3 2014 due to less capitalised sales commissions and timing in network related investments. Capex guidance for full year remains unchanged
- ▶ Strong increase in OFCF which grew 17% to SEK 372m as Underlying EBITDA grows and lower capex spend in the quarter

Continued revenue growth

Revenue growth of 3.7% Y-o-Y and 0.7% Q-o-Q

Revenue Q-o-Q
(MSEK)



(SEKm)	Q3 15	Q3 14	Change	9M 15	9M 14	Change
Consumer	946	889	6.5%	2,796	2,632	6.2%
Landlord	171	192	(10.6%)	525	588	(10.8%)
B2B	76	73	5.4%	230	145	59.4%
Other revenue	61	57	7.0%	178	167	6.1%
Total revenue	1,255	1,210	3.7%	3,729	3,532	5.6%

- ▶ Increase in consumer revenue driven by growth in broadband and TiVo subscribers, improved broadband tier mix and price changes with gradual impact during Q2 and Q3
- ▶ Landlord revenue decrease due to contract renegotiations, lower index pricing and impact from group agreements where revenue to a larger extent is being allocated to consumer revenue
- ▶ B2B OnNet shows good growth. Revenue up SEK 10m Y-o-Y for Q3. However, decline in OffNet SoHo legacy business

Continued positive net result

Improvement in EBITDA and materially lower financial expenses

(SEKm)	Q3 15	Q3 14	Change	9M 15	9M 14	Change
Revenue	1,255	1,210	3.7%	3,729	3,532	5.6%
Production costs	(372)	(343)		-1,093	-1,007	
Gross profit	883	867	1.8%	2,635	2,525	4.4%
<i>Gross margin</i>	<i>70.3%</i>	<i>71.6%</i>		<i>70.7%</i>	<i>71.5%</i>	
Operating costs*	(292)	(291)		(885)	(839)	
Underlying EBITDA	590	576	2.6%	1,750	1,686	3.8%
<i>Underlying EBITDA margin</i>	<i>47.0%</i>	<i>47.6%</i>		<i>46.9%</i>	<i>47.7%</i>	
Non-recurring items	(11)	(12)		(53)	(214)	
Write downs	-	-		(9)	(4)	
EBITDA	580	563	2.9%	1,688	1,468	15.0%
Depreciation and amortisation	(388)	(364)		(1,154)	(1,061)	
EBIT	192	200	(4.0%)	535	407	31.5%
Net financial expenses	(126)	(190)		(363)	(1,522)	
Taxes	(15)	(2)		(39)	228	
Net result for the period	51	7	622.2%	133	-888	n/m

* Excluding non-recurring items, write-downs and depreciation and amortisation

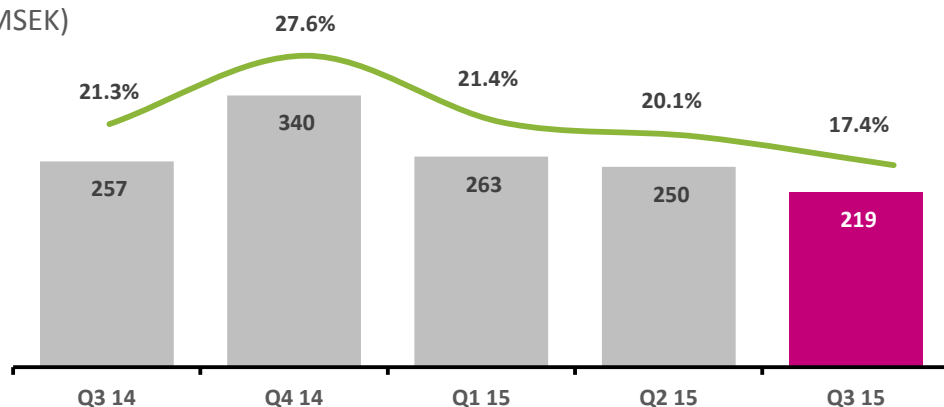
- ▶ Steady growth of gross profit and Underlying EBITDA, however slight pressure on gross margin and Underlying EBITDA margin due to changes in revenue mix, and also slightly higher marketing costs in Q3
- ▶ Slight increase in depreciation and amortisation due to higher sales commissions and CPE's capitalised in previous quarters affecting EBIT
- ▶ Materially lower interest expenses in 2015 following last year's balance sheet transformation
- ▶ Continued positive net result

Temporarily lower capex in Q3

Focus on investments to increase capacity in network

Quarterly Capex (% of revenue)

(MSEK)



(SEKm)	Q3 15	Q3 14	Change	9M 15	9M 14	Change
Network related	71	73	(3.3%)	234	207	13.3%
CPE & sales costs	117	141	(16.9%)	372	361	3.1%
IT development	25	30	(15.9%)	91	110	(17.1%)
Other capex	5	12	(59.9%)	34	33	4.0%
Total capex	219	257	(15.0%)	732	711	3.0%

- ▶ Continued focus on investments in broadband capacity
- ▶ Slight decrease in customer acquisition capex (CPE & capitalised sales commissions) due to lower customer intake during Q2 and Q3 compared to previous periods
- ▶ IT development lower than previous year due to improved efficiency
- ▶ Other capex lower due to timing

Strong improvement in operating cash flow

Significant improvement in cash generated from operating activities

(SEKm)	Q3 15	Q3 14	Change	9M 15	9M 14	Change
Underlying EBITDA	590	576	15	1,750	1,686	64
Non-recurring items and operating currency loss	(11)	(12)		(53)	(214)	
Change in net working capital	74	(68)		(8)	(110)	
Interest payments on borrowings etc.	(37)	(12)		(228)	(606)	
One-off refinancing payment	0	(453)		0	(478)	
Adjustments for non-cash items	4	3		4	7	
Net cash from operating activities	620	34	587	1,466	285	1,180
Gross capital expenditure	(219)	(257)		(732)	(711)	
Capex funded by leasing	0	0		15	0	
Investment/Divestment of financial assets	0	6		0	(295)	
Net cash used in investing activities	(219)	(251)	32	(717)	(1,006)	289
Total cash from operating activities less investments	402	(217)	619	749	(720)	1,469
Net change in borrowings	(9)	(4,047)		76	(5,646)	
Shareholder remuneration	(281)	0		(681)	0	
New share issue	0	567		0	6,239	
Other financial activities	(3)	(35)		(36)	(86)	
Cash flow from financing activities	(293)	(3,514)	3,222	(641)	507	(1,148)
Net cash generated (used)	109	(3,732)	3,841	108	(213)	321

- ▶ Positive movement in net working capital in Q3, bringing back total change for the first nine months to close to zero
- ▶ SEK 402m in cash generated from operating activities net of investments in Q3
- ▶ SEK 281m paid for share buy backs in Q3, total paid shareholder remuneration of SEK 681m for the first nine months of 2015
- ▶ Net cash of SEK 109m generated in Q3

Capital Structure

The Senior Notes @ 10.75% are to be redeemed in November 2015

(SEKm)	Pro-forma refinancing Sep 30, 2015	Sep 30, 2015
Senior bank debt		
Term Loans	5,475	3,975
RCF	1,706	1,350
Finance leases	58	58
Total senior bank debt	7,239	5,383
Bond instruments		
Senior Secured Notes @ 5.25%	2,500	2,500
Senior Notes @ 10.75%	-	1,756
Gross debt	9,739	9,639
Cash balance EoP	(824)	(824)
Net debt	8,915*	8,815
Unutilized bank facilities and cash	1,393	3,249
Leverage		
Net Debt / Underlying EBITDA LTM	3.8x	3.8x
Average interest cost		
	3.5%	4.4%

* Including payment of approximately SEK 100m in call premiums for EUR Senior Notes

- ▶ New senior bank debt of SEK 1.0bn signed with DNB in September at attractive terms with four years maturity
- ▶ Pro forma for early redemption of EUR Senior Notes in mid-November, bank debt will increase by approximately SEK 1.9bn (DNB SEK 1.0bn, other new short term facilities SEK 0.5bn, existing facilities SEK 0.4bn)
- ▶ The group's average interest cost expected to decrease to approximately 3.5% from November, compared to 4.4% in Q3
- ▶ Call premium of approximately SEK 100m for early redemption of EUR Notes expected in Q4

Leverage and financing policy



- ▶ Solid financial position with:
 - ▶ Leverage in line with European peers. Target range of 3.5-4.0x Net Debt/Underlying EBITDA LTM, 3.8x end of Q3
 - ▶ Well capitalised with SEK 3.2bn in cash and unutilised credit facilities (SEK 1.4bn in unutilised credit facilities following the refinancing in Q4)
 - ▶ Average interest rate on debt portfolio estimated at 3.5% after refinancing

- ▶ S&P BB- with positive outlook since June 2015
- ▶ Healthy mix between bank and bond financing
- ▶ Strong support from Nordic as well as European banks. Building up recognition in SEK bond market
- ▶ Will continue to work to extend our average debt maturity, currently at 3.7 years
- ▶ Mix of fixed and floating interest rates on debt, currently 45% fixed before refinancing of EUR Senior Notes

Shareholder remuneration 2015

Cash dividend

SEK 1 per share in cash dividend in May, total of SEK 207m

Redemption programme

SEK 65m was paid to shareholders on May 11, 2015 for a total of 886,221 shares that were applied for redemption

Buy-Back programme

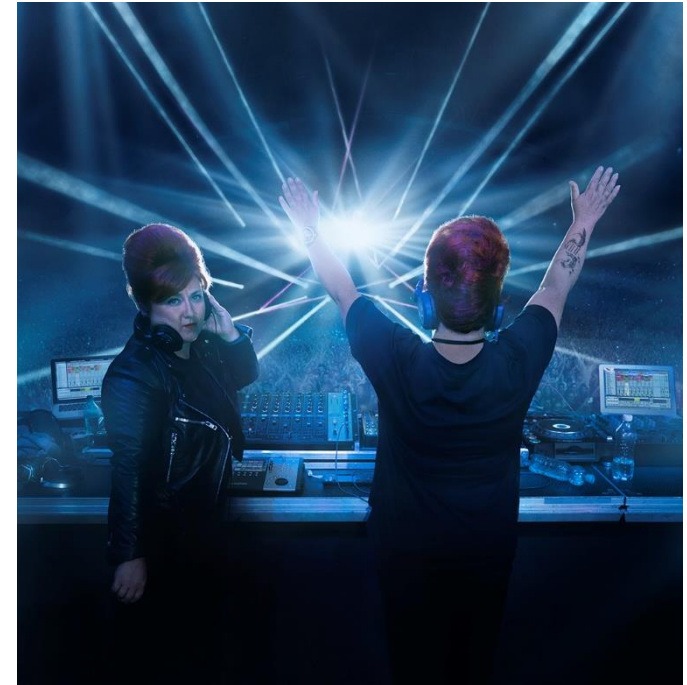
AGM in May approved to repurchase up to 10% of outstanding shares. 2.7% of the share capital has been repurchased for a total of SEK 418m from May until September

- ▶ During the period May to September, we remunerated shareholders through cash dividend, share redemption and share repurchases totalling SEK 689m, representing 4.9% of our market capitalisation at 30 September
- ▶ Leverage ratio to be kept within target of 3.5-4.0x Underlying EBITDA LTM



Q3 Summary

- ▶ Improved customer satisfaction delivers record low consumer churn of 12.9%
- ▶ Launch of Com Hem Play, our new TV everywhere service
- ▶ New management team recruited to fuel further growth in our B2B operation
- ▶ Significant improvement in operating free cash flow makes room for improved shareholder remuneration
- ▶ Secured refinancing expected to save approximately 100 MSEK per annum
- ▶ Shareholder remuneration from AGM to end of September representing 4.9% of market capitalisation





Thank you!

For questions please contact:

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