



# Tele2 Q1 2022 Results

Thursday, 21<sup>st</sup> April 2022

## Introduction

Kjell Johnsen

*President & CEO, Tele2*

### Welcome

Good morning, everyone, and welcome to Tele2's report call for the first quarter of 2022. With me here in Kista, I have Charlotte Hansson, our Group CFO; Hendrik de Groot, our Chief Commercial Officer; and Stefan Trampus, our Head of B2B.

But before we go into the results for the first quarter, I would like to say a couple of words about the war in the Ukraine that has had a profound impact on society as a whole and for the people here at Tele2. The war has caused major uncertainty and stress for all of us, and we are participating in efforts to help some of the people that are suffering from the atrocities by temporarily offering customers in Sweden, Baltics and Ukraine, free calls and text messages to and from Ukraine and free roaming for customers located in the Ukraine.

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

Then I would like to turn your attention to the results of the quarter. Moving to slide two. I am really happy to see a great start to 2022, both in terms of end-user service revenue and underlying EBITDAaL growth.

End-user service revenue grew by 3% for the Group, driven by both the Baltics and Sweden B2B. It is especially encouraging to see the impressive dynamics within Sweden B2B that now is able to grow with 3% in end-user service revenue.

The strong end-user service revenue growth, together with continued growth within Sweden wholesale and execution of the Business Transformation Programme in Sweden resulted in underlying EBITDAaL growth of 6% for the Group. As we previously have announced, we are happy to see the T-Mobile Netherlands transaction finalised and with the proposed extraordinary dividend from the cash proceeds and the proposed ordinary dividend we are able to offer our shareholders a significant dividend yield for 2022.

I am also happy to see the new strategic partnership together with Viaplay that we announced in the quarter. Through this agreement, we are able to modernise our TV proposition and prove that our aggregator model, which historically has been successful in the linear world, also works in the streaming world.

Within fixed broadband, we see continued strong performance both from an ASPU and volume perspective. And in the TV segment, Tele2 Play+ continues to provide promising results ahead of the new TV propositions.

We continue to see an improvement within Sweden B2B end-user service revenue, driven by the Mobile and Solutions segment. Within the Mobile segment, we see the improvement coming from both a volume and ASPU perspective, which is very promising. Even though we have not seen any material impact on supply chain issues in this quarter, we prepare for different scenarios and continue to monitor the situation.

In the Baltics, we experienced yet another quarter of fantastic performance, both in terms of end-user service revenue and underlying EBITDAaL. Here, we see more pressure from a cost

perspective than in Sweden, especially in terms of electricity costs, which offsets some of the underlying EBITDAaL growth. We also, in the quarter, further improved our spectrum portfolio by acquiring spectrum in Latvia in the 1,500 megahertz band.

### **Sweden Consumer**

Let us then move over to the Swedish consumer segment on slide four. Mobile postpaid saw lacklustre net intake as competitors ran intense campaigns and high commission in external retail during the quarter, while some COVID-19 restrictions still hampered market activity.

Mobile ASPU saw a slight decline in the quarter, partly driven by a SEK10 million negative one-off in the quarter. Fixed broadband continues to show good performance, both from an ASPU and a volume perspective. And we see that the price adjustments that we did last year are continuing to have a positive effect on the base.

In Digital TV Cable & Fibre, we see continued contribution from Tele2 Play+, which helps to grow the ASPU in the quarter. However, the overall customer base continues to decline, which hampers end-user service revenue growth.

### **Heading 3**

Moving to slide five. Mobile postpaid end-user service revenue was flat in the quarter as slight ASPU decline was compensated by slight volume growth. We see continued end-user service revenue growth in the fixed broadband of 4%, driven by both ASPU and volume growth.

Total end-user service revenue for Digital TV declined by 4% in the quarter, primarily driven by continued decline in the legacy DTT TV service due to a declining customer base.

### **Sweden Business**

Then let us continue with Sweden B2B on next slide. The mobile net intake continued to be strong in the quarter, driven by new contracts, both within SME and large segments. The Mobile ASPU trend continues to show improvements with a slight decline of just 1%. Continued mobile volume growth and strong growth in the Solutions business was able to fully offset the decline in the legacy fixed business, resulting in Sweden B2B growing end-user service revenue by 3% in the quarter.

### **Sweden Overview**

And then let us turn for an overview of Sweden. End-user service revenue was flat in Sweden as growth in Sweden B2B was offset by a continued decline in the legacy services within Sweden Consumer.

Underlying EBITDAaL increased by 5% in the quarter compared to last year, driven by slight end-user service revenue growth, Sweden Wholesale, and contribution from the Business Transformation Programme. We should note that the mechanics of our negotiations with NENT led to some cost avoidance in Q1, and that costs related to this contract will apply going forward when we use more content to upsell and promote growth in the TV business.

Overall, we continue to see strong cash conversion of 65% as continued underlying EBITDAaL growth offsets higher CapEx levels.

**Baltics operational highlights**

And then let us move to the Baltics. We are happy that similar to previous quarters, we continue to see strong volume and ASPU growth in all markets as roaming is starting to come back in a meaningful way, and we are able to monetise data through our more-for-more strategy.

In Estonia, we were able to successfully execute on our customer acquisition campaigns, which yielded a good net intake for the quarter.

**Baltics financials**

And then moving on. This ASPU and volume growth led to a strong end-user service revenue growth for all markets, and we saw the Baltics grow by 13%. The end-user service revenue growth in the quarter was able to offset the increased pressure from rising inflation rates, which resulted in an underlying EBITDAaL growth of 8%. We continue to see a high cash conversion for the Baltics due to the strong performance and relatively low CapEx levels prior to the nationwide 5G rollout.

And with that, I would like to hand over to Charlotte, who will go through the financial overview.

**Financial Overview**

Charlotte Hansson

*CFO, Tele2*

**Group results**

Thank you, Kjell, and good morning, everyone. Please turn to page 12 in the presentation. Strong end-user service revenue and growth of Sweden wholesale, coupled with continued execution of the Business Transformation Programme, resulted in solid underlying EBITDA. However, this was partly offset by headwinds stemming from rising inflation rates, primarily in the Baltics. In total, underlying EBITDA increased by 6% in the quarter.

Depreciation and amortisation continues to be higher on a quarterly basis compared to last year as we started amortising the Com Hem brand in May 2021, when we consolidated the old Tele2 and Com Hem brands into the new Tele2. Results from associated companies and joint ventures increased significantly in the quarter compared to last year, as we saw a SEK1.6 billion impact from the capital gain from the T-Mobile Netherlands divestment, which was completed in the quarter.

FX losses from hedges connected to the T-Mobile Netherlands transaction was the primary reason as to why we saw net interest and other financial items increasing by roughly SEK100 million in Q1 2022 compared to Q1 2021.

**Group cash flow**

So let us continue with the cash flow on slide 13. CapEx paid was lower in the quarter compared to last year as we had a spectrum payment in Sweden related to the 3.5 gigahertz spectrum auction of SEK333 million in Q1 last year. And changes in working capital was negative in the quarter, primarily driven by timing of accounts payable. Taxes paid increased

in Q1 2022 compared to last year, as did the final tax payment related to the fiscal year of 2020 in the quarter.

We continued to see strong equity free cash flow with SEK900 million generated in the quarter, yielding an equity free cash flow from continuing operations of SEK5.9 billion in the last 12 months.

### **Leverage at 1.5x**

Please move to slide 14 for the capital structure. At the end of the quarter, we saw economic net debt decreased to SEK14.3 billion, driven by the cash received from the T-Mobile Netherlands transaction, and cash generated in the quarter, which resulted in a leverage of 1.5 times.

We expect to pay out the cash proceeds from the T-Mobile Netherlands and the first tranche of the ordinary dividend in May once our shareholders have voted for the two propositions. If we adjust for these two payments, leverage would have been 2.6 times.

### **Business Transformation Programme Update**

Please turn to slide 15, where we will update you on the progress of the Business Transformation Programme.

During the quarter, we made significant progress within the Business Transformation Programme. We have started migrating the first batches of customers on the Tele2 brand onto the new IT stack. So far, this has been going smoothly, and we expect it to be done later in the year upon when we will start migrating customers from Comviq and Boxer onto the new IT stack.

We also continue to make optimisations within the organisation, primarily in the technology and IT organisation. The annual run rate of the Business Transformation Programme was SEK600 million by end of Q1. The P&L effect of this was SEK140 million in the quarter, with a net effect of SEK70 million compared to Q1 2021.

And with that, I will hand over to Kjell.

## **Conclusion**

Kjell Johnsen

*President & CEO, Tele2*

### **Key priorities going forward**

Thank you, Charlotte. And then please turn to slide 16 for a summary of the key priorities going forward.

In Sweden, we have now finished the golden clusters and have started the wider 5G rollout. Similarly, on the fixed side, we will try to further ramp up the speed on our Remote-PHY project in order to gain the benefits from this investment as soon as possible. Both of these projects are key for us in order to increase customer satisfaction, which will support our more-for-more strategy for years to come.

We will continue executing on the Business Transformation Programme to deliver at least SEK1 billion of savings by the end of Q2 2023.

In Sweden Consumer, we will continue to balance value and volume in order to build sustainable growth, while gearing up our capabilities to address the 1.3 million non-FMC households. We will also continue to build our premium brand in order to increase customer satisfaction that we can monetise through reduced churn or price adjustments on the back of product improvements.

During 2021, a lot of focus went into stabilising the B2B business in Sweden. And now that we have achieved that, we will turn our focus towards TV business, which has historically been the second rank on Swedish end-user service revenue growth. The agreement with Viaplay is a key part in this strategy, and now we have a more competitive offer out in the market. We will start migrating linear customers onto our new TV propositions during Q2, and we will launch our streaming propositions later in the year.

In Sweden B2B, we are able to continue the turnaround that we started during the second half of 2021 by executing on our new granular approach with clearly defined segments. Going forward, our ambition is to grow in the business for the full year. But as in any business, it usually does not develop in a straight line and fluctuation should always be expected, but we are witnessing a very important and sustainable shift within B2B.

In the Baltics, we will continue to build on the performance that we have seen and execute on our mobile-centric convergence strategy through more-for-more offers in order to make sure that we can sustain the growth. With the 5G auctions now concluded in Latvia, we will start to ramp-up the 5G rollout while preparing for the auctions in Lithuania and Estonia, which we expect to occur this year.

At the same time, we will continue to develop, explore FMC capabilities. During the quarter, we signed a wholesale agreement with Baltkom in Latvia, which means that we now have FMC capabilities in all countries.

We have had a really good start to the year with low single-digit end-user service revenue and mid-single-digit growth in underlying EBITDAaL in the quarter. When we presented the recent Q4 results, I said that Tele2 is a growth company at heart and that we are witnessing the positive results from our strategic initiatives. With yet another quarter completed, I am even more certain that we can reach the goals that we have set for ourselves.

And with that, I would like to turn it over for some questions, please.

## Q&A

**Andrew Lee (Goldman Sachs):** I just had a question on your Swedish Consumer growth acceleration outlook. You seem pretty confident on that. Well, I wonder if you could talk us through the key drivers on what will accelerate your Swedish Consumer revenues from the flat delivery that you delivered in Q1? And particularly within that, I was wondering if you could talk about the two components of price rises, whether your price rises can be more this year than last year to provide a boost to growth? And then same on upselling. Do you think your scope to upsell customers to higher speeds at a higher price is greater than it was a year ago?

**Kjell Johnsen:** I will start, and then I will hand over to Hendrik. So it is, of course, more granular. So we see an overall okay performance in the fixed area. And we have talked a lot

about how we have strengthened the basics now for our TV position. So we can actually move TV from having had relatively big negative numbers on linear to now stabilising that business, so that all other things will be helpful.

And then I would say this quarter was a bit disturbed by one of the players using massive commissions and quite strong offers out in the unlimited space. We think that is a temporary move from that player, and we have basically focused on value rather than volume here. We think that is going to stabilise. And that is going to help us to promote growth. Hendrik?

**Hendrik de Groot:** Yeah. Thanks, Kjell. Andrew, just add a couple of more colour points to it. So I think if I look at the outlook, a couple of considerations here to take along. First of all, macro environment. We do feel that we are getting more suddenly out of the pandemic, which we did have and we found ourselves still in, in Sweden in general in January and February. We see that March is much more buoyant. So I think that will certainly help us throughout the rest of the year. That remains a trajectory.

Secondly, we do feel that also, if you look typically at our quarterly profiles that as we move into Q2, Q3 and Q4, in that sense, we have seasonality picking up again, that will, certainly on the mobile side, have its effect on, for example, the variable revenues. And to Kjell's point, in terms of the competitive nature of things, we do play for value in this market. And of course, we are also looking at the careful balance with volume, but we consciously decided to stay the course this quarter.

You do see though in the context of the market that we need to look at the channels and what we need to do also in the second quarter to move forward, which we are doing. And then I would also want to say that last point is that as we move into this quarter, we will see some effects, right, from price adjustments and from roll-off of Q4 campaigns all playing out into the regular base. And that is based on a strong and I think continued outlook and sustainable outlook on broadband and the effect of moving the TV proposition in the second quarter on to its new packages during the periods May to July, certainly will help gaining that momentum on the consumer business as we go along.

**Andrew Lee:** Can I just ask one follow-up? So you hopefully mentioned of large commissions used by a certain player during Q1. We also saw Telia raise mobile pricing across its main brands. Overall, what is your perception of the market, i.e., how much price rise it will afford you to be able to make? Is the market presenting a greater platform for price rises this year versus a year ago or two years ago, or less of a platform for price rises?

**Kjell Johnsen:** I would say the way we look at it, Andrew, is that in the end, we do feel there is always momentum for certain price adjustments. I would not say the current inflationary environment gives us an additional opportunity as such because at the same time, the customers may get used to inflationary pressures, they are also getting more conscious about their spend. So I think it is always a balanced game.

And we do that in the context, of course, of competitive environment, because if you adjust your pricing on the one hand, but on the other hand, go very aggressive on your offers and discounting, then you still end up with a zero-sum game. So yes, we are looking at the potential of price adjustments like we do every year, and we have already implemented some of these on the broadband base in the first quarter, as you may have noted.

**Ulrich Rathe (Jefferies):** I wanted to ask two questions, please. The first one is on your inflation commentary, which focuses very much on the Baltics. If you take this one step up to the Group level, would you say that this is starting to put some pressure on guidance? Or does the guidance essentially bake in more or less what you are seeing in terms of actual inflation development? Or is there a picture as an alternative where you can adjust plans near-term to adjust whatever inflationary pressure is higher than you expected maybe at the time of issuing the guidance in the first place? That would be my first question.

Second question is on the B2B comment. Obviously, you had a very strong Q1 now, and you are highlighting that this is not going to be a straight line. Could you talk a little bit about which areas the volatility could come in, and where maybe Q1 was unusually strong compared to what you would expect for the rest of the year?

**Kjell Johnsen:** So maybe Charlotte on inflation and then Stefan on B2B.

**Charlotte Hansson:** Yes. So on inflation, when it comes to Sweden to start with, there we do not see that much of an inflation as of today. Of course, we are conscious and we are following this closely all the time and see if that are changes that we will make and can make going forward. But when it comes to wages, for example, then that is pretty much in control. The way system we have here in Sweden with the union negotiation that we have here.

But when it comes to the inflation in Baltics, of course, that is double-digit, so that is quite substantial. And we also have the electricity prices. And in Baltics, if you look at historical, they have also been very good at compensating for this when it comes to price rises, which they are doing on a continuous basis. And that is how we are going to deal with this going forward as well.

And I just would like to make one more comment when it comes to Sweden and the energy and the electricity costs. We have actually hedged our costs pretty much during 2022. And after that, of course, we will probably see a bigger impact of it.

**Stefan Trampus:** Perfect. Thanks. Hello, Ulrich, and thanks for your question. And we report to the B2B then and fluctuations that Kjell was talking about. I would say, there is two things. One is about the nature of the business. And the second one is some risk that we see or some concerns in regards to semiconductors.

We see that some of our vendors have had problems during Q1 on deliveries in regards to some equipment, and that may continue, both in the networking area but also on the handset area. And that could affect both some mobile postpaid sales in the B2B arena. And also in regards to our Solutions business, basically, where we are dependent on the equipment.

So that is a risk part. The other part that I started off with was the nature of the business. I mean, we are dependent on that our customers want to engage in different projects, especially in the Solutions area. So that is the area that I think I would like to highlight. And depending on how the customers want to buy their services and harder and harder want to build their solutions, we could time to time get more equipment sales, and time to time we can get more solutions business going forward.

So those are the two basic topics areas in regards to fluctuations that Kjell was talking about.

**Andreas Joelsson (Danske Bank):** I would like to dwell into the Viaplay partnership a little bit more and your ambition of this, especially in terms of where you see the main impact. Is



it churn prevention or that you can add more customers, or is it on price, etc.? And then also maybe on the cost side that you mentioned that you had some lower cost this quarter, but that could come up again. Is that regardless of what is happening on the top line? Or will those costs come anyway?

**Hendrik de Groot:** Yes. Andreas, I am happy to talk to you about our partnership about Viaplay. So a couple of things here. You mentioned the churn, price and cost and what our objective is. And clearly, as Kjell pointed out, if you look at the Swedish business, the TV side has been forming a drag for quite a while. And I think we clearly also stated in the Capital Markets Day already last year that we clearly intend to stabilise this business by basically driving quite a lot of innovation revitalisation throughout the product line.

In January, we announced that we are rebranding our streaming offer in preparation of this and following moves. And Viaplay is, in that sense, a first quite substantial move. The key for us, therefore, is to basically stabilise our business not only on the DTV side, as you can already see in our results today, but across the whole category. So we should be able to offset the continued decline on DTT going forward with the move we can do here with Viaplay.

And basically, if you look at the new packages that we have been announcing and you relate that to the old packages, we have put a lot of value in these packages. But at the same time, we are raising our prices between SEK50 and SEK60 across the board on all these packages. And we do intend to roll all of our DTV linear base onto these packages in the period May, June and July, that has already been announced and customers have been informed.

So that will, I believe, drive quite an extent of stabilisation. And that to me is the first tick in the box. And the way the cost will develop, Andreas, to give you a view, it will develop as the business and customers pick up the service. So it is to a high degree, variable.

What we expect going forward is more innovation to come because the world is moving on to streaming. But as you may have seen also with the Netflix announcement, we see that there is maturity in the streaming business. And we do believe that operators have a very well-chosen position for bundling and buying your streaming package through an operator. And that I think will come much more to the forefront. And I believe we are well positioned there because the choice in the market is just too large for consumers with the SVOD stacking you see, and therefore, the choices consumers are starting to make.

So the combination of having Tele2, having an integrated streaming service that has a lot of content and value in it, we believe, is quite a nice proposition for the market.

**Ondrej Cabejek (UBS):** I maybe had a couple of follow-ups to the previous one. So first of all, in terms of the B2B trends and specific ones in terms of mobile service revenues, you mentioned that you are confident that the competitor being more aggressive in terms of unlimited tariffs, etc., will not do that for too much longer.

So just a question in terms of what makes you confident. Are you already seeing that receding? And then maybe on the Viaplay deal also in terms of the migration, so what kind of reception used? As you mentioned, you are increasing the prices quite significantly. So is there also a risk that you might see elevated trend on people just not wanting to make more premium offering that you are now basically imposing on the entire customer base, if I am not mistaken?

**Kjell Johnsen:** Okay. Ondrej, I am happy to take questions. So first of all, on competition. We do believe still that we have, in Sweden, at large, a rational market that is driving a balance of value and volume in general.

We do, of course, see this temporary, more tactical, offensive place. And in a way, sometimes they are done to make up for lost quarters beforehand. And clearly, if you look into last year, you can see there has been some weaker performance with some of the players that probably now has been tried to rectify it to a certain extent.

We are very careful to just not hop on the first inclination, because again, ultimately, we want to drive value into the Swedish market. And competitive activity in that sense has already been residing as well in terms of the offering, and it is clearly just a quarterly activity. That is what we can see for now.

On the migrations, yes, of course, there will be a part of the customer base that will probably scratch their heads by having to pay more for possibly content that they are not out of themselves are looking for. What we expect, though, is that because there is so much value packaged in, and we do see many, many households in Sweden that have streaming, we would say the majority of customers and consumers are actually quite happy and first reactions are in that line.

And we also feel that this will be very appealing to, in particular, the younger parts of our customer base end of the market. So we feel that there is a market between 20 and 40 years of age and families that has a lot of potential that we have not fully tapped into, and we can much better tap into with an offering like this.

**Stefan Trampus:** And Ondrej, I think the second question was in relation to how we can sustain the growth in the B2B segment. First of all, I mean, we have a trend in the B2B market, which is based on digitalisation and improvement in improved efficiency, improved growth in our customers' businesses, etc. So that whole underlying trend that is happening is supporting our business.

And when we set out the strategy last year, it was based on that trend. We also set up a couple of growth areas how to build on that. And I think we are well positioned to be close to our customers and support them on this journey with all the expertise that we have.

Secondly, we have the segmented approach to the market. I mean it will bring different segments like the SME segment, small and medium segment, the public, the KE[?], etc. So, there are different segments where the growth is coming from, and we have a segmented approach to that market.

And then lastly, the third leg in our strategy is really to develop our product offerings, develop our business models that we bring to the customers to support them on this journey. And I would say that has been the case for the last couple of quarters. It is all about the execution and consistency on delivering on this strategy, which has proven to be good and to be disciplined in the execution of that strategy. And I think we have the capabilities in place to further develop on this.

So it is both an internal perspective, but also an external perspective. And we truly believe that we will see growth for the full year for B2B.

**Peter-Kurt Nielsen (ABG):** You have talked about the Viaplay agreement and your expectations for that. Can I just ask more specifically, how should we view content costs in the coming quarters? I assume there would be an increase in costs here related to the premium content. Could you give us any indications how we should think about that?

**Hendrik de Groot:** Well, Peter-Kurt, thanks for the question. And of course, as Kjell has also been alluding, as we roll-out our new TV packages to our customers, there will also be a reflection of that on our cost line. And we cannot share any inherent details here on the call. But what I can, of course, tell you is what I alluded to before, that these costs are having a variable nature, okay? So they are very much linked to the customer usage and the customer volumes.

And basically, what we intend to do in the agreement is that we are basically repackaging and relaunching our linear offerings, our DTV offerings that have been announced already and that we also intend to further strengthen our streaming offer that we will launch pretty soon actually, but that is still to come. And in both elements, the NENT agreement has a big role to play. And in both elements, of course, there is costs associated and the totality is of a variable nature.

**Kjell Johnsen:** So in other words, our strategy which we think, we are not making huge upfront content to the commitments. The commitment is limited. And like Hendrik says, it is linked to usage for by and large.

**Stefan Gauffin (DNB):** A couple of questions. The first one relates to the pressure that we saw on consumer postpaid ARPU this quarter, and you have stated that it was more activity from a competitor. And I just wonder what is really driving the pressure on your ARPU. Have you been forced to lower prices in response to this competition? And how long time should we see this pressure on the ARPU? Is that for a longer period of time?

The second one relates to commercial spend. In Q4, you mentioned that it should be a higher commercial spend in Sweden in the first half. And it seems that was not the case, but likely due to the Covid situation. But should we see that this marketing spend is pushed into Q2 and perhaps later in the year? Or how should we view the totality on marketing spend?

**Hendrik de Groot:** Okay. Stefan, it is Hendrik here. I will talk to you about that. Good questions. So first, let me take the latter commercial spend. I think we addressed the content part of it. But if you look at the commercial spend as in marketing and commercial costs, then yes, we indicated more investments as we would enter the year. But we did find ourselves in a pandemic situation.

We entered that, of course, second half of December, as you will recall, and that had quite a bit long tail. It stayed pretty much with us January and February, and it has profound effects just on consumer behaviour. That is not the right time to press the metal, let us say. And it is more the pandemic and macro situation than any competitive activity in itself that has led us to be a bit moderate on the commercial spend.

Now that is going away now, we do feel, as I said, on the call already from March onward and also now into April and into the second quarter that we, of course, can ramp up. Not just around TV and Viaplay and our new portfolio, but also around our broadband and our mobile business.

So yes, the commercial spend, we definitely intend to carry on with the investment, as we said late last year.

On the ASPU, the following. ASPU, that competition and the nature of competition has a effect on it. But at the same time, you need to look at the quarterly trajectory of ASPU development on the mobile side, right, because there is, of course, a level of seasonality that you continuously have in our business. And typically, of course, we see that the Q2, Q3 are typically quarters, where we have a lot of more variable spend, but of course, are also lifting the ARPU. At the same time, we have the effect now of the pandemic residing, so that will have an additional kick, we believe, as we go throughout the year.

And then last but not least, and quite importantly, we typically see that our Q4s are quite active quarters in terms of trading. You have seen in our Q4 that we have really had a quite big push on the metal in Q4. And now some of that volume has come in at quite discounted prices, but they will all roll-off quite a bit already in the second quarter, so that will go into regular pricing.

And then, of course, we have continued roll-off on price adjustments that some of that we did in Q1, also on the mobile side, some of it is still stemmed from last year, where our customers that have been on 12 months are rolling off on to their regular pricing. So there is a more composite picture on the ARPU and I hope you can see that.

**Stefan Gauffin:** Yeah. So if I understand this correctly, I mean, if I look at the consumer postpaid ARPU, it was down around 1% year-over-year, and that is despite some positive tailwind from roaming. But you are certain that you can return to a solid ARPU growth in the coming quarters?

**Hendrik de Groot:** Yes. To just give you an example, just one illustration of what I just said. For example, if you look on a year-on-year basis, last year, we already had some price adjustments in the first quarter that we are not having this year in the first quarter. So that is already an effect of price adjustments in one quarter versus another quarter that creates a delta, right? So yes, we are quite confident that we will see a pick up on the ARPU as we go through the year.

**Nick Lyall (Société Générale):** Just a quick question, please, on the business. You mentioned large business specifically in the presentation today. And I just wondered, you were a lot more hopeful now that you can maintain pricing in large businesses. There is nothing one-off in nature in the quarter, I am assuming in terms of sign-up of subs or new contracts or whatever. Is this something that you think is sustainable?

And then secondly, just a little bit like Stefan's question just now, but more specifically on the marketing budget for the second quarter. I mean, you told us you were going to pull back on the marketing budget, I think, as you went through the first quarter. So is that going to be significant? Can you give us any idea of the SEK million amount that you might have to see sequentially first quarter to second quarter in terms of lifting the budgets back up? Is it big like it was back in COVID and really quite substantial marketing budget rises you are going to have to see in the Consumer Swedish business as well?

**Stefan Trampus:** All right. Thanks, Nick. Stefan here. Thanks for your questions. And let us start off in regards to the B2B questions. I would say then if you look at where we get the

intake in the B2B business and as Kjell was mentioning the large business, but if you look at mobile, the intake is coming from basically all segments. But it is good to see that we also see that coming in the large segment. And the intake is coming both on new customers that we acquire, but it also comes from existing customers expanding their business with us.

And we have also seen that the discipline that we have created in regards to deals and then margin requirements we have on the deals are yielding results. You have seen that on the mobile ASPU, where we have been flat now for three quarters in a row. And that is a testament to the actions that we take in order to safeguard margins. So in general, it is not a big customer that has yielded these results in the mobile revenues. It is generally from all of the segments.

And I would also add that we had a really good development in regards to our churn, actually better than our expectations for Q1. So that is the answer on large business or your question on B2B. I hope that answers your question, Nick.

**Nick Lyall:** Yes. On the marketing budget as well, is that something [inaudible]?

**Stefan Trampus:** Yes, we want to answer that one for you, Nick. So on the marketing budget, yes, we will increase versus Q1. Again, Q1 is a result of the pandemic, not of us wanting to spend less. And then secondly, versus year-on-year, we will be in the range of last year. But the thing you need to take into account there last year, we still had two brands that we were supporting with Com Hem and Tele2. And of course, we did rebrand and we had some of these business transformation efficiencies. So on an underlying basis, it will translate into a bit of a higher spend, I would say, versus Q2 where we were spending on two brands. But on an absolute level, it will be same type of level, I would think.

**Nick Lyall:** Can you give us any idea of the sequential rise? I mean, was it a big slash in the marketing budget for the first quarter just because of those two months where you had low activity? Or is it reasonably insignificant in terms of EBITDA and other numbers?

**Stefan Trampus:** In terms of the total EBITDA of the company, it is pretty insignificant, I would say. But still in terms of market momentum, it is still something that makes a difference, ultimately.

**Titus Krahn (Bank of America):** I have just two topics to touch on, if I may. The first one would be a follow-up on the Baltics. You already mentioned the inflationary pressures there. Just I was wondering more about the timing of the impact on EBITDA. I mean, energy has already felt. I assume you have not hedged much of it. But also, can you talk a bit on the timing of the wage inflation in the Baltics, given that you currently still have quite a strong EBITDA growth this quarter. To what extent is it sustainable? And have you already felt the full impact on the inflation in the Q1 or is it rather increasing over the remainder of the year?

And the second question would be on the wholesale growth, which you flagged as one of the main drivers of the EBITDA growth this quarter as well? Could you maybe provide some more colour on the outlook, particularly as we had now, I think, four quarters of double-digit revenue growth in the segment. How should we think about it going forward? Is there any specific effect that could annualised? How should we think about it for the next couple of quarters?

**Kjell Johnsen:** Okay. Thank you. This is on the Baltics. Yes, we do have some level of hedging in the Baltics. But still, we are impacted by the prices for power for electricity going up. And that is, of course, all reflected in our numbers. And there is more wage inflation in the Baltics, as there is in Sweden. Sweden has collective bargaining generally. So it is a quite predictable system. In the Baltics, there is an even more fierce fight for talent. We are pretty good at retaining people and an attractive employer. So that helps. But there is some level of wage inflation.

And I think it is a strong sign that during this time of relatively high inflation, I think, Estonia had the highest inflation in Europe a couple of months ago almost just for a specific month that was recorded that we are able to offset all of that and still grow our EBITDAaL. And of course, at some point, these trends will start abating and then the underlying strength of the business, the application of the more-for-more strategy, which has given us growth, will then be helpful to drive cash conversion.

But clearly, you are touching on issues that are more of an issue for us in the Baltics than maybe in Sweden.

When it comes to wholesale, some of this is related to roaming. And we are also extracting very good value from delivering A2P wholesale services, which is a rapidly growing market. And of course, that is helpful to our business.

**Titus Krahn:** Okay. So that is likely to continue in a similar range over the next quarters or maybe a little bit lower but nothing materially changing?

**Kjell Johnsen:** Yeah. I think you will continue to see volume expansion within A2P for some time. But of course, the relative level of growth will probably slow down.

**Steve Malcolm (Redburn):** I will go for three questions, if I can. I just want to first come back to the NENT deal. Can you give us some idea of the cohort of customers in your linear base that already take Viaplay? And I guess for those customers, they will end up spending less, but will you book the revenues growth, so that will look like service revenue growth that the customer will actually be paying less? That is the first question.

Second is on the addressable market. You add another 50,000, I think, homes this quarter. The broadband base did not really grow. Can you just give us a sense of how much more growth you have got in terms of open city networks going forward? And whether you think there is a lag effect in growing the broadband base or whether we should just assume that penetration across that footprint continues to decline, I guess, that about 100 basis points for the last couple of years?

And then finally, just coming back to Baltics and following up on the last question, which I thought it was a very good one. I think we are talking about inflation in very much a two-dimensional way at the moment, price, energy, stuff like that. But do you see any growing risks that Baltics consumers begin to resist price rises because of the rise of energy and their food costs? I mean Lithuania inflation, it was 16% in April. And could that have a much bigger impact on EBITDA going forward? Or are you very much in a view of this as transitory and the pricing will stick forever? Because it just feels like the Baltics inflation is running a little bit out of control. It moved from nice high inflation to worrying inflation. Do you see what I mean?

**Kjell Johnsen:** Thanks, Steve. I will start on the Baltics and then maybe Hendrik will go back on the Viaplay and broadband part.

So clearly, for segments of the population in the Baltics, you will get into a situation, where you will start prioritising your spend harder than you have done before. When we speak to customers, we speak to our people in the three different markets there, we do not detect any hesitation around the value that is provided by our mobile offerings. So there is a quite strong good demand. So it has not popped up as a big issue.

In the future, if we see these trends going for a long, long time, that could, of course, be a factor. But as of now and where we see things, it is not a major issue for us.

**Steve Malcolm:** Is not there a slight risk, Kjell, that is slightly backward looking? Because energy prices have only just doubled, tripled. Food prices are only just going up by 20%. It feels that is all quite a backward-looking perspective at the moment.

**Kjell Johnsen:** Well, we could argue back and forth, what is backward or not backwards. But that is what the feedback is from the market today or last week. Yeah, I can see that you can have an argument that it is still early days, and I would respect that argument. But from what we hear at this point, it is not a major issue.

I think we will have to be a bit cautious, of course. I think we all understand that to have massive double-digit growth is not going to go on forever. So I am not trying to say that everything is going to be continuing exactly as it is today.

**Hendrik de Groot:** Okay. And Steve, just on your two other questions on broadband and on NENT.

Let me start with the broadband first. We believe the overall market has been growing at 7%, 8% over the last number of years, will, at some point, of course, start to tail off a little bit. But still have a good mid-single digit growth number within. Of course, you have seen that we have been able to grow our business around 4%. We do believe that in that range, we can sustain that still for a while. But in the context of overall growth starting to tail off a little bit over the next period, I would say.

So that is, I would say, our outlook on broadband, and we feel we did quite okay there.

**Steve Malcolm:** Just on the addressable market, I think you added 50,000 new homes in the quarter. I mean, how much longer do you think you can do that in terms of increasing your addressable market by accessing open city networks and the like?

**Hendrik de Groot:** Well, there is still a lot of network and universe that we can access. It may not be through our own HFC, but it would then be, of course, through fibre out there, which we are quite well interconnected with. It is a question of how far we want to reach out. And we certainly have not fully executed on that opportunity at this stage. So that is still room to grow.

There is, of course, a different level of marginality to it. And that is, of course, why we also need to tread carefully there in the right balance. But there is clearly more room there to grow into for us.

On the NENT side revenue growth, we do not share details of what our customers have in terms of their subscriptions. Viaplay, of course, is a popular service in a way but still has a lot

of room to grow. And we believe that the balance of upside far outweighs maybe a small number of customers that feel that they are paying for it now and now they can get into a package and that, therefore, would be a revenue loss for us in a way.

We are also bundling the services part of linear TV and of Tele2 Play+, which gives them that additional value to come in as well. And some of them already pay as part of Tele2 Play+ today. So all in all, there will be a very small number maybe. But in the bigger scheme of things, that will not be significant.

**Steve Malcolm:** But just to be clear, if I currently pay for linear TV from you and Viaplay separately and then it is bundled together at a cheaper price, presumably for the wholesale discount, you would then book the whole revenue growth. So it will look like revenue growth of the consumer. They actually end up paying less for that cohort of customers.

**Hendrik de Groot:** Well, yes, if a customer today has Viaplay from NENT, right, direct-to-consumer, so it just bypasses us in that sense, and it now becomes a buy-through, then obviously, that is an incremental revenue for us in the package, yes.

**Abhilash Mohapatra (Berenberg):** I just wanted to come back again just to the Viaplay agreement and just to follow-up on the question earlier. Just to confirm, so for a customer who already has the Viaplay package and they now get it through you, the revenue that you booked, would that be old ASPU plus the market price of the Viaplay offer? Or would it just be their increased bill, whatever the new bill is? I think it would be the latter. But if you could just confirm that, that would be helpful.

Secondly, just to follow-up. I mean, you have indicated that the ultimate goal here, the main goal here is to turn the TV revenues back to stability, which is obviously quite a big swing compared to the 4% decline at the moment. And clearly, the way you are doing it is by hard bundling this product and raising prices. And you have also mentioned that you do not think churn will be a big issue. But what happens, say, if you raise prices now and in a year's time, let us say, a customer wants to spin down, will you allow them to do that to a lower price point? Or would you be okay to just let go of that customer, if you will?

**Kjell Johnsen:** Yeah, Abhilash, happy to talk to you about your questions. So first of all, on how it works. If customers today have an SVOD service, then this could be Netflix or it could be Viaplay or it could be Disney+ or whatever, which actually is the issue in the market, right? There is too much stacking and too much individual payment in the mind of the customer. And they now get it packaged and buy it through us. Of course, it would be like an SVOD cut, right? Instead of cord cut, it would be an SVOD cut.

And I do believe that is some market trending that we hope we will start to see in a very mature and overcrowded SVOD market. And so, for us, it becomes our billing customer driving our revenue and driving our ultimate marginality of it. And that is the bottom line for us, right? So hopefully, that answers your question on that one.

And then just remind me of your second part of your question, sorry?

**Abhilash Mohapatra:** Yes, it was slightly longer. The churn rate.

**Kjell Johnsen:** I got it. The downspin, yeah. So, of course, we offer customers choice. And if customers want to move to different packages, they are more than welcome to do so. And



the way we have designed the packages, and that hopefully also will give you some confidence of our strategy to drive value into the market.

If you look at the package, the way we designed the packages is that the mid-tier is a huge value package that has sports in that, there is a huge amount of content, and that is a very, very nice deal. Whereas maybe in the past, we saw that in the old packaging, a lot of the volume set at the entry level. We feel that with this, we can get way more volume into the mid-tier.

And actually, from first results, I think we can already build some initial confidence that I think we are hopefully getting that equation right. So yes, we allow, of course, customers to pick their choice, but we do believe that we have built a lot and a lot of value into the packages, and in particular, into the mid-tier going forward.

And you mentioned that we tread light on churn. I think that is not fully what I said. I just want to make sure that we are well understood. We do believe price rises of this kind are not taken lightly by everyone. Although we put a lot of value in, we do expect, of course, some people not to like it, and we do expect a level of churn of this. But at the same time, we do also believe that there is a big part of the market that we are now attractive to. So in balance this should give us an upside.

**Adam Fox-Rumley (HSBC):** Just a couple, please. I think your closing remarks, Kjell, you mentioned speeding up the Remote-PHY build. And you linked it to improved customer perception. And so, I just wondered whether or not that is something you have just decided that you want to do as fast as possible or whether or not that is a response to other competitive element?

And secondly, I think a couple of questions around the Viaplay deal, dancing around the question really of, can you just confirm that each customer comes with a net cash contribution effectively? We appreciate that it is a wholesale deal and not retail margins. But I think that is what some of the questions are getting at.

And then finally, if I may. I would just be really interested to know in the context of the competitive environment in Sweden, how quickly you can change your tariffs? I mean, I assume that the billing system changes that you are making enable you to move faster. But if, for example, you feel like you do want to respond at some point later in the year, can you change your mobile tariffs in a day? Does it take a week? That would just be really interesting to hear.

**Kjell Johnsen:** Yeah. So let me make a stab at that, Adam. So Remote-PHY, no, it is not something that we came up with recently. I am actually been pushing for more speed on Remote-PHY for quite a long time. And we are trying to ramp that up. Yogesh has been very busy with making sure that our migrations go smoothly, which they do. And of course, getting the 5G show on track, plus changing the entire full stack of our core. So there have been many things that we are pushing for speeding up Remote-PHY, which is basically, as you know, putting fibre to the building all the way. And that is going to be an improvement of the customer experience because we take away node splits. It is going to simplify our networks.

And in terms of the CapEx involved here, it does not really move the needle that much. So it is a no regret move to do that even faster, and that is something that we are pushing for.

Now let me talk a bit about the Viaplay here. So we do not get too bogged down here. The Viaplay deal is important for stabilising the TV business from a service revenue perspective. It also adds additional margin to us in terms of profitability at the EBITDA level, and particularly as we move into 2023, where we have got this thing going and running.

But it is also a strategic move that is important for us in terms of the ability to build a convergent offering. So one of the key things we want to achieve by the journey we are on, the transformation programme is not only about saving a billion. It is about preparing ourselves for the future so that we can, in a much more easy way for our customer base, combine our offerings seamlessly. And then we want to have a strong mobile proposition where we are going to build the best 5G network in Sweden together with our partner. And that is a clear claim that we are making. We want to make that happen.

We are upgrading our broadband with Remote-PHY, which basically puts fibre into the building. And we want to have a proposition on the TV side that has both the traditional linear element that we had where we have been the aggregator in the market. We are moving that now into the streaming world, becoming an aggregator, earning a margin, keeping our market relevance, and looking at how the streaming market is developing.

We see now that it is no longer a super fast-growing business. It is becoming a mature business. Some of those who have been very, very fond of[?] themselves will probably want to be more cooperative and collaborative going forward. And we are very well positioned for that. Now that brings it all other in a way from a consumer perspective for Tele2. That is the ambition.

And on the tariffs, yes, of course, we can change our tariff stacks. The fact that we are changing our IT stacks is not in a big way, limiting us from making moves in the market. So the thing that we are talking about the first quarter here, we made a very conscious choice to educate the market that we are willing to look at value in while other people are moving a bit more short-term on it. That is okay. But it does not stop us from responding if we feel that, that is right. And sometimes, we definitely will do that. And sometimes we will do it hard in a short period of time just to teach the market that we can also be provoked.

I think we have a internal, I think for all of our employees, a little while. I do not think we can take very many more questions, but we do not have to stop right now. We are okay.

All right. But then that was the last question, then I would really like to thank you all for joining us for the session today. I hope you see that we have had a good start to the year. We have a lot of work to do, as always, to continue our improvement journey. But it gives us confidence that this year we can deliver on what we have promised and that is a good feeling to have.

And thank you for all your good questions. They make us think one more time about how we conduct our business, and that is very helpful.

[END OF TRANSCRIPT]