

# SECOND QUARTER

July 15, 2020



# Highlights and strategic initiatives

	Q2 2020	H1 2020		
<i>End-user service revenue</i>	SEK 4.9bn (-2%)	SEK 9.8bn (-1%)	<b>Sweden B2C</b>	<ul style="list-style-type: none"> <li>– COVID-19 impact on roaming, TV ASPU and prepaid sales</li> <li>– Execution on backbook price increases in-line with plan</li> <li>– Continued progress on FMC strategy and rollout of Com Hem Play+</li> </ul>
<i>Underlying EBITDAaL</i>	SEK 2.3bn (+4%)	SEK 4.5bn (+1%)	<b>Sweden B2B</b>	<ul style="list-style-type: none"> <li>– Market remains competitive and the pandemic affects roaming</li> <li>– Limited amount of bankruptcies but order intake is muted</li> <li>– SME growth more difficult during pandemic, focus to increase digital sales capabilities</li> </ul>
<i>Capex ex. spectrum and leases</i>	SEK 0.7bn	SEK 1.2bn	<b>The Baltics</b>	<ul style="list-style-type: none"> <li>– Remains resilient despite shutdown during the quarter</li> <li>– COVID-19 impact on roaming, equipment and prepaid sales</li> <li>– Streaming service and mobile broadband performing well</li> </ul>
			<b>The Group</b>	<ul style="list-style-type: none"> <li>– COVID-19 impact of SEK 135m on underlying EBITDAaL partly mitigated through temporary measures</li> <li>– Additional cost savings initiated to mitigate pandemic impact</li> <li>– Extraordinary dividend reinstated</li> <li>– Established 5G leadership in Sweden</li> </ul>

# Financial guidance for 2020 reinstated

	End-user service revenue	Underlying EBITDAaL	Capex <sup>1</sup>
2020		~Flat	2.5-3.0bn
Mid-term	Low-single digit growth	Mid-single digit growth	2.8-3.3bn

## Comments

- Reinstated 2020 guidance assumes quarterly COVID-19 impact of SEK 100-120m on underlying EBITDAaL for the rest of the year
- Focus on cost control instead of EUSR growth to defend underlying EBITDAaL and cash flow in 2020
- Reiterating mid-term guidance as our long-term strategy remains intact

SWEDEN

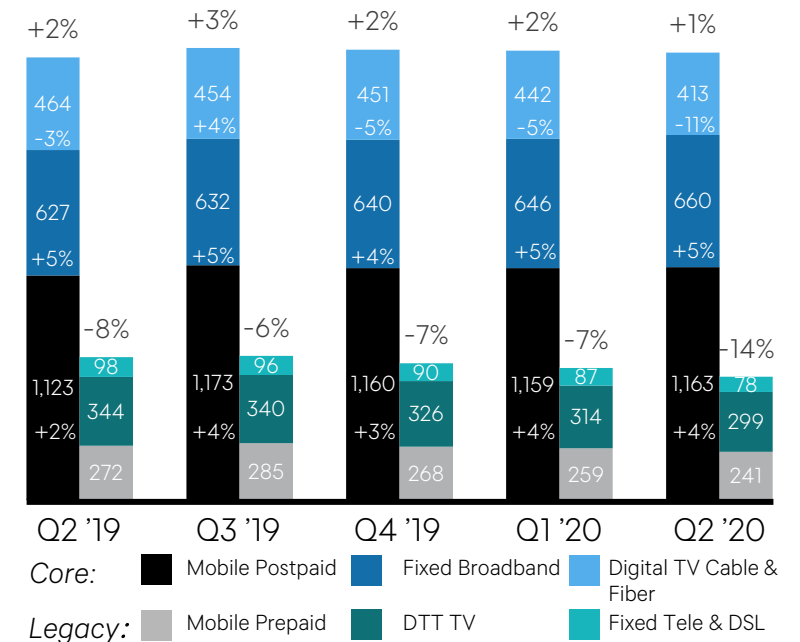
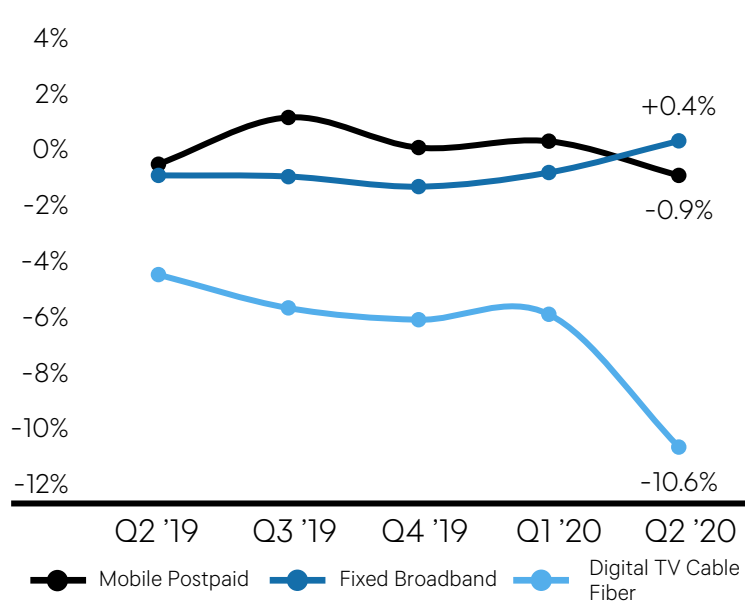
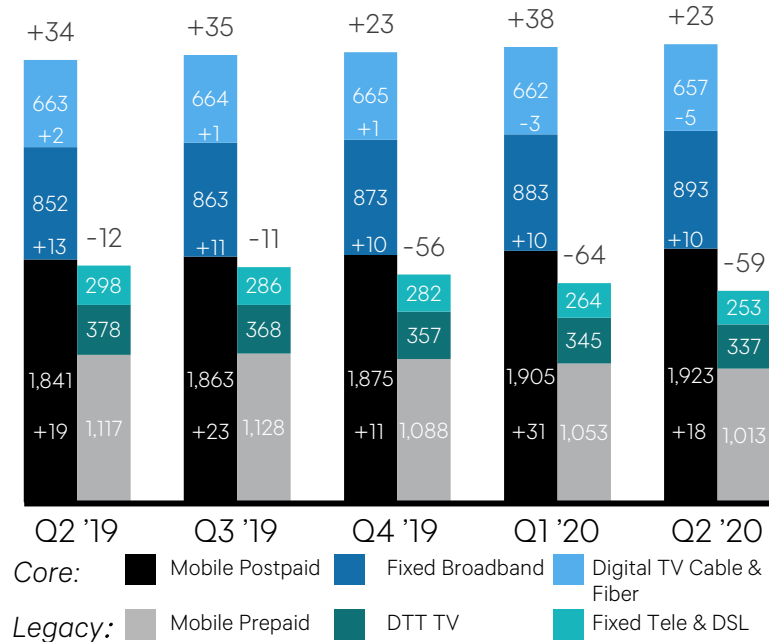
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# Sweden Consumer

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

ASPU year-on-year growth (% proforma)

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

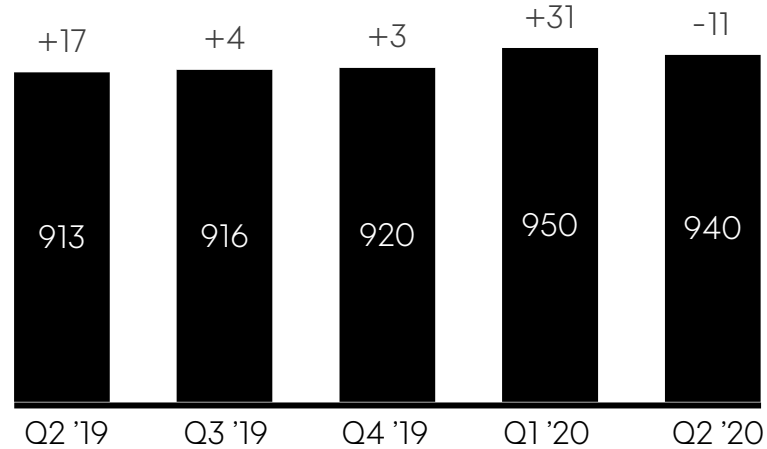


## Q2 highlights

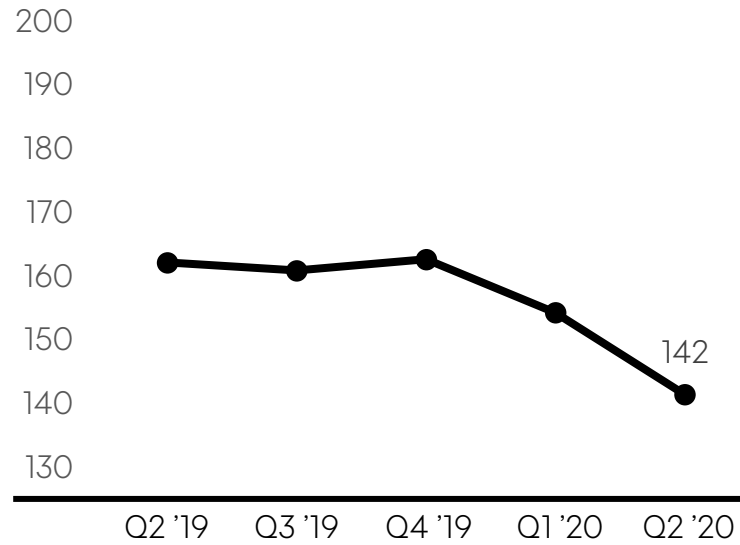
- Mobile postpaid and fixed broadband resilient despite pandemic headwinds with solid net intake, and ASPU supported by initial effect from price adjustments
- Mobile prepaid EUSR affected by lower sales during the pandemic
- Digital TV EUSR decline accelerated due to lower sales and suspension of premium sports packages during the pandemic
- Total EUSR declined by 2% as growth in mobile postpaid and fixed broadband was offset by accelerated decline in mobile prepaid and digital TV

# Sweden Business

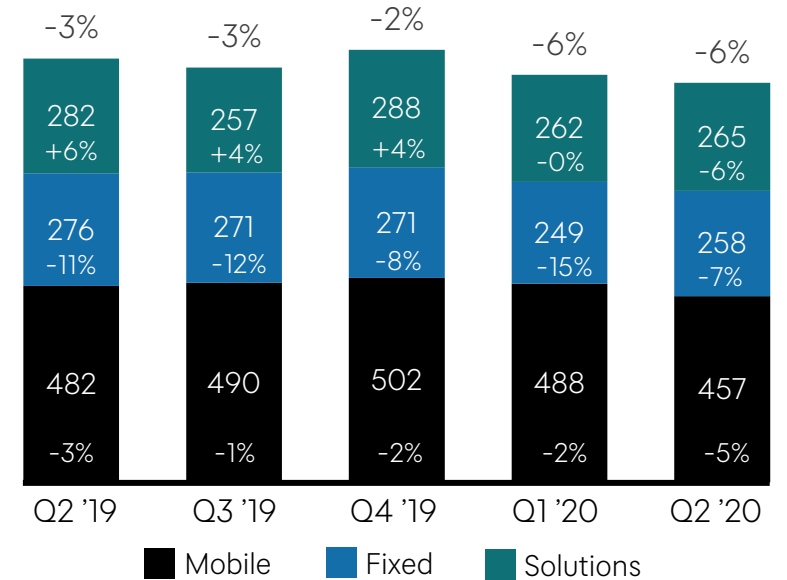
Mobile RGUs & net intake  
(thousands)



Mobile ASPU  
(SEK)



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

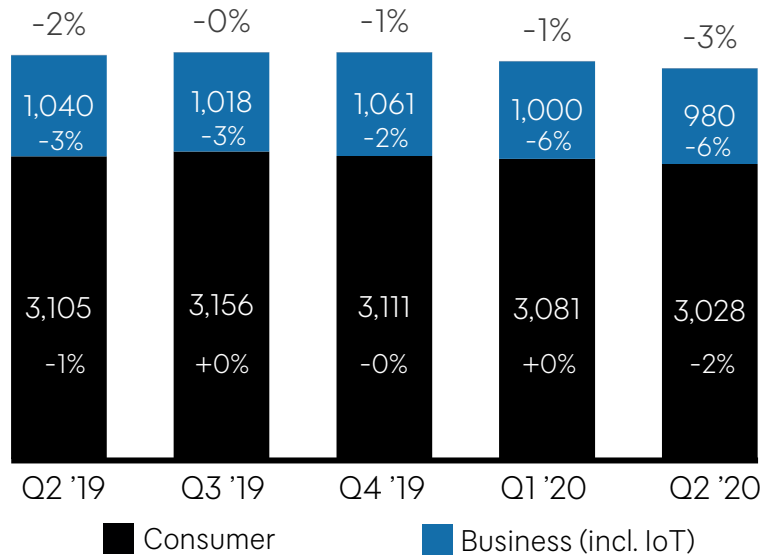


## Q2 highlights

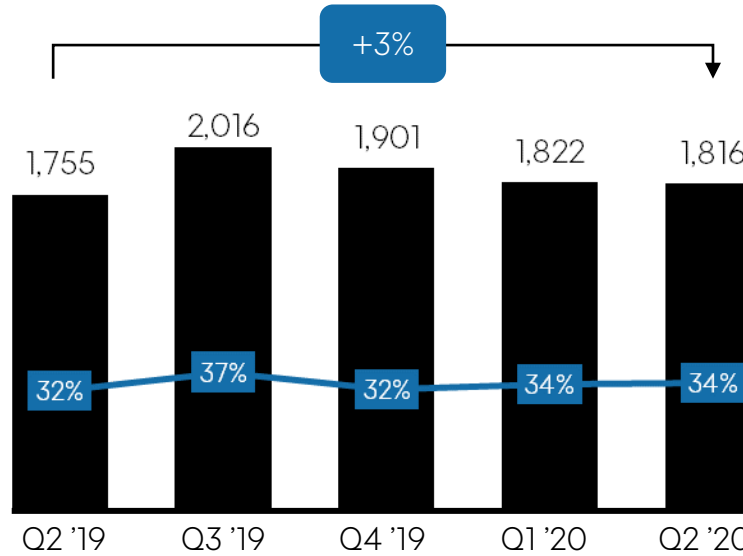
- The net intake turned negative in the quarter due to lower contract activation during the pandemic
- While widespread bankruptcies have not materialized, new order intake is affected by market uncertainty
- Mobile ASPU declined due to continued price pressure and lower international roaming revenue
- Total EUSR continued to decline due to pressure on mobile ASPU, lower contract activation and continued decline in legacy fixed services

# Sweden overview

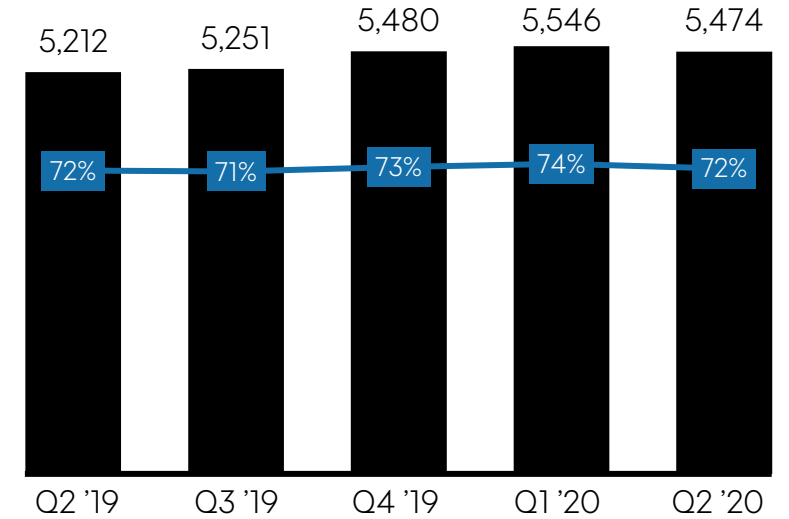
End-user service revenue  
(SEK million, proforma, year-on-year growth %)



Underlying EBITDAaL and margin  
(SEK million)



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



## Q2 highlights

- Total EUSR decreased by 3%, largely driven by COVID-19 headwinds in both consumer and business
- Underlying EBITDAaL increase of 3% as SEK 95m negative impact from the pandemic and EUSR decline was offset by mitigations and benefits from last year's cost reductions
- Continued strong cash conversion of 72% LTM due to low capex spend in between investment cycles

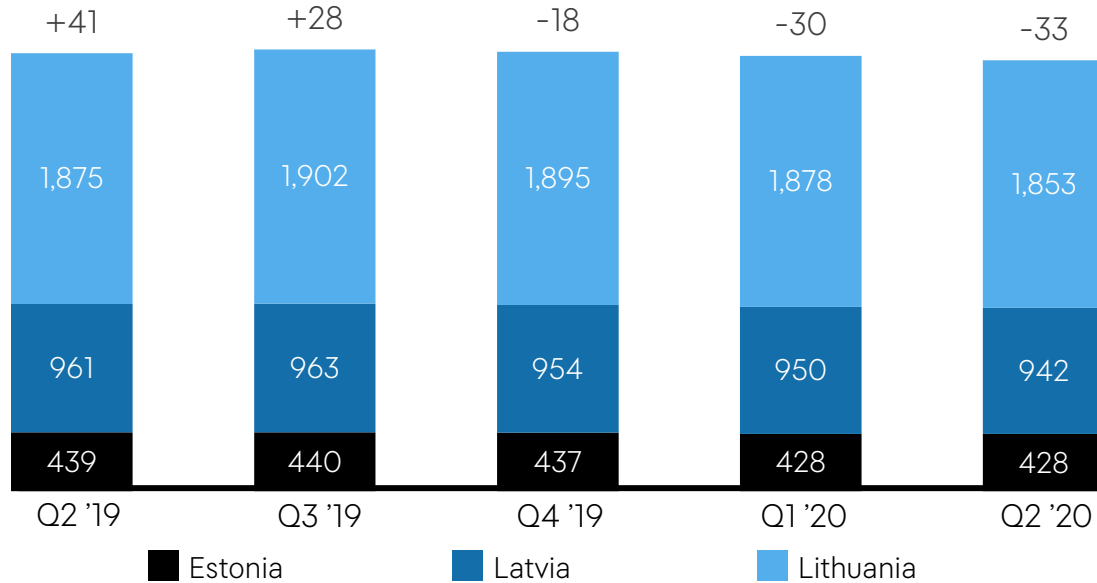
BALTICS

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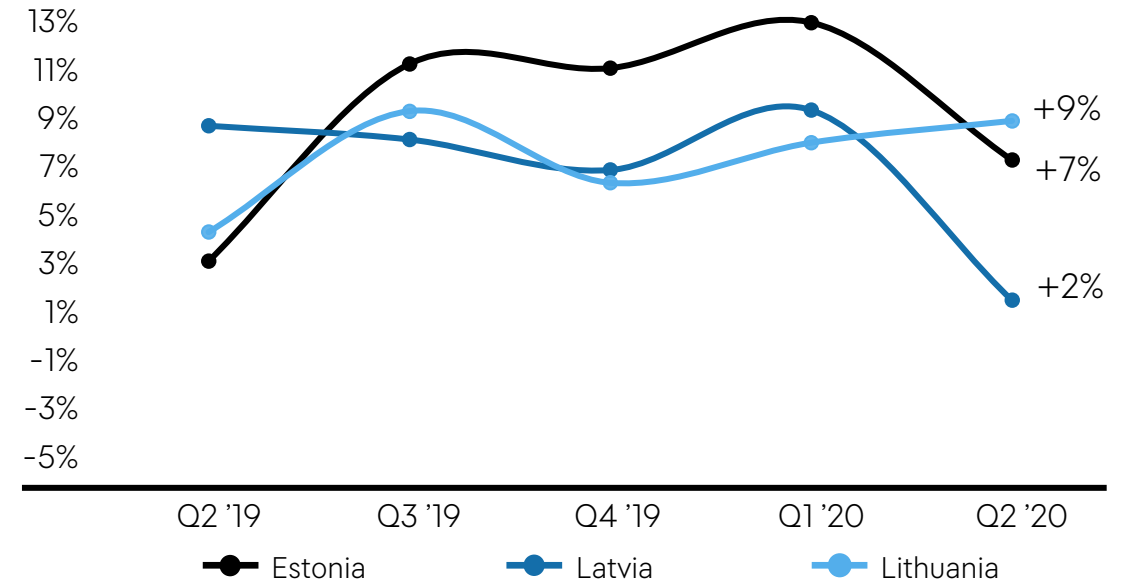


# Baltics – Operational highlights

RGUs & net intake – mobile services  
(thousands)



Mobile ASPU year-on-year growth  
(%)

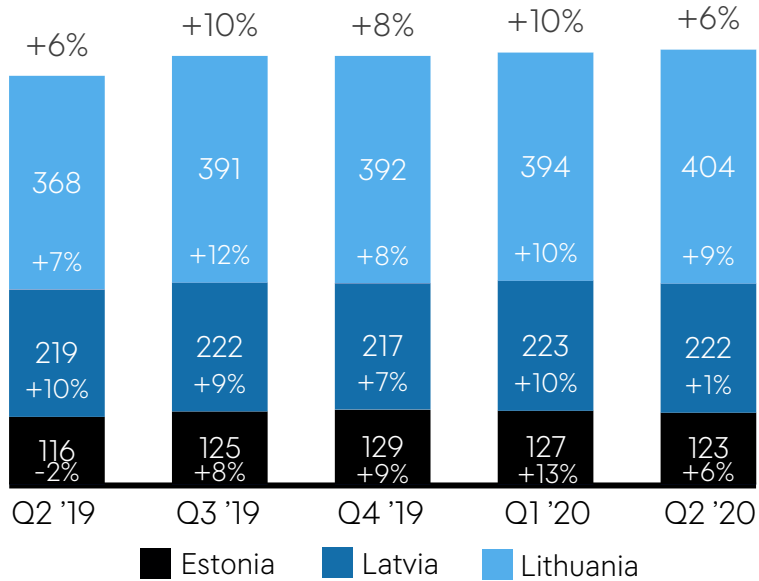


## Q2 highlights

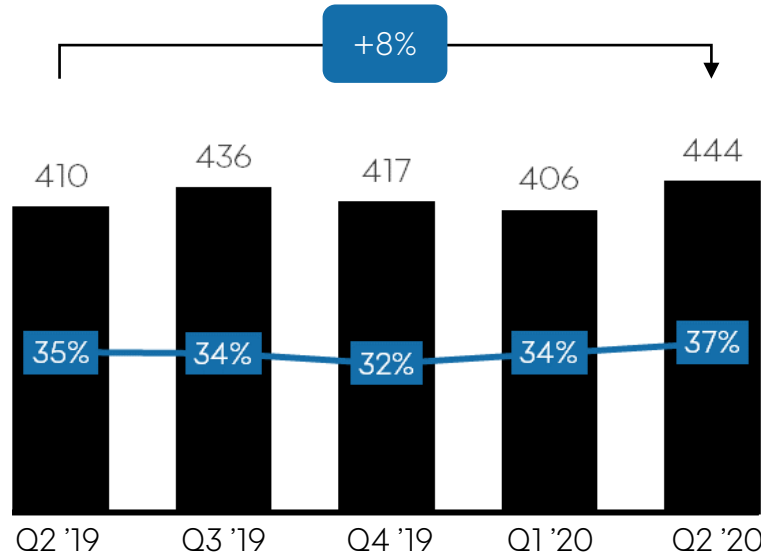
- Net intake affected by lower mobile prepaid sales during the pandemic
- ASPU growth remains resilient despite lower roaming revenue, supported by price adjustments and upselling throughout the year

# Baltics – Financials

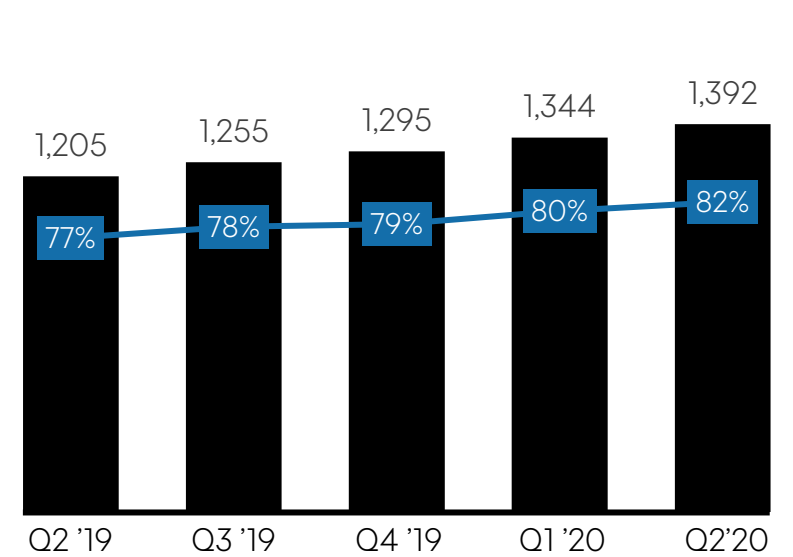
End-user service revenue  
(SEK million, year-on-year organic growth %)



Underlying EBITDAaL and margin  
(SEK million)



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



## Q2 highlights

- Continued strong total end-user service revenue growth of 6% driven by ASPU growth
- Underlying EBITDAaL growth of 8% was affected by approximately SEK 40 million negative impact from the pandemic
- Continued strong cash conversion of 82% LTM due to strong performance and low capex spend in between investment cycles

# FINANCIAL OVERVIEW

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# Revenue breakdown

SEK million		Q2 2020	Q2 2019	YoY abs	YoY % (organic)
Mobile	1	1,401	1,360	41	3%
Postpaid		1,161	1,091	70	6%
Prepaid		240	269	-29	-11%
Fixed		1,450	1,533	-83	-5%
Fixed Broadband		660	627	34	5%
Digital TV		712	808	-96	-12%
Cable & Fiber		413	464	-51	-11%
DTT		299	344	-45	-13%
Fixed telephony & DSL		78	98	-21	-21%
Landlord & Other		174	178	-3	-2%
<b>Sweden Consumer</b>	2	<b>3,025</b>	<b>3,070</b>	<b>-46</b>	<b>-1.5%</b>
Sweden Business	3	978	1,014	-36	-4%
Baltics		737	670	67	9%
Germany		103	116	-12	-11%
<b>EuS revenue ex. Roaming</b>	4	<b>4,843</b>	<b>4,870</b>	<b>-27</b>	<b>-0.6%</b>
Outbound roaming revenue		17	94	-76	-82%
<b>EuS revenue</b>		<b>4,861</b>	<b>4,964</b>	<b>-103</b>	<b>-2.1%</b>
Equipment revenue		1,212	1,189	23	2%
Operator revenue		577	641	-64	-10%
<b>Revenue</b>		<b>6,650</b>	<b>6,794</b>	<b>-144</b>	<b>-2.1%</b>

## Comments

- 1 Strong mobile postpaid growth excluding roaming impact, driven by volume growth over the last year and initial effect of price adjustments
- 2 Sweden B2C EUSR declined as COVID-19 headwinds in mobile prepaid and digital TV offset growth in mobile postpaid and fixed broadband
- 3 Sweden B2B mobile EUSR was flat YoY excluding roaming while fixed and solutions declined
- 4 Total EUSR excluding roaming declined 1% as decline in Sweden and Germany offset growth in the Baltics

# Group results

SEK million		Q2 2020	Q2 2019	YTD 2020	YTD 2019
Revenue		6,650	6,794	13,337	13,537
<b>Underlying EBITDA</b>	1	<b>2,583</b>	<b>2,502</b>	<b>5,125</b>	<b>5,048</b>
Margin (%)		39%	37%	38%	37%
Items affecting comparability	2	-120	-271	-159	-532
D&A		-1,323	-1,276	-2,638	-2,522
Impairment		0	-452	0	-452
Associated companies & JVs		32	-73	32	-63
<b>Operating profit</b>	3	<b>1,173</b>	<b>431</b>	<b>2,361</b>	<b>1,478</b>
Net interest and other financial items		-118	-120	-276	-221
Taxes		-199	-204	-407	-426
<b>Net profit, continuing operations</b>		<b>855</b>	<b>107</b>	<b>1,677</b>	<b>831</b>
Net profit, discontinued operations	4	40	2,022	397	2,323
<b>Net profit, total operations</b>		<b>895</b>	<b>2,130</b>	<b>2,075</b>	<b>3,154</b>

## Comments

- 1 Underlying EBITDA increased by 3% organically\* in the quarter as growth in the Baltics, net benefits from 2019 synergies and mitigating activities offset decline in Sweden EUSR, and SEK 135m impact from the pandemic
- 2 Items affecting comparability included initial restructuring cost related to the business transformation program in Sweden which was announced in the Q4 2019 report
- 3 Operating profit increased mainly due to an impairment in Tele2 Estonia in Q2 2019
- 4 Net profit from discontinued operations in Q2 2019 includes SEK 1.6bn capital gain from the sale of the operations in Kazakhstan

# Group cash flow

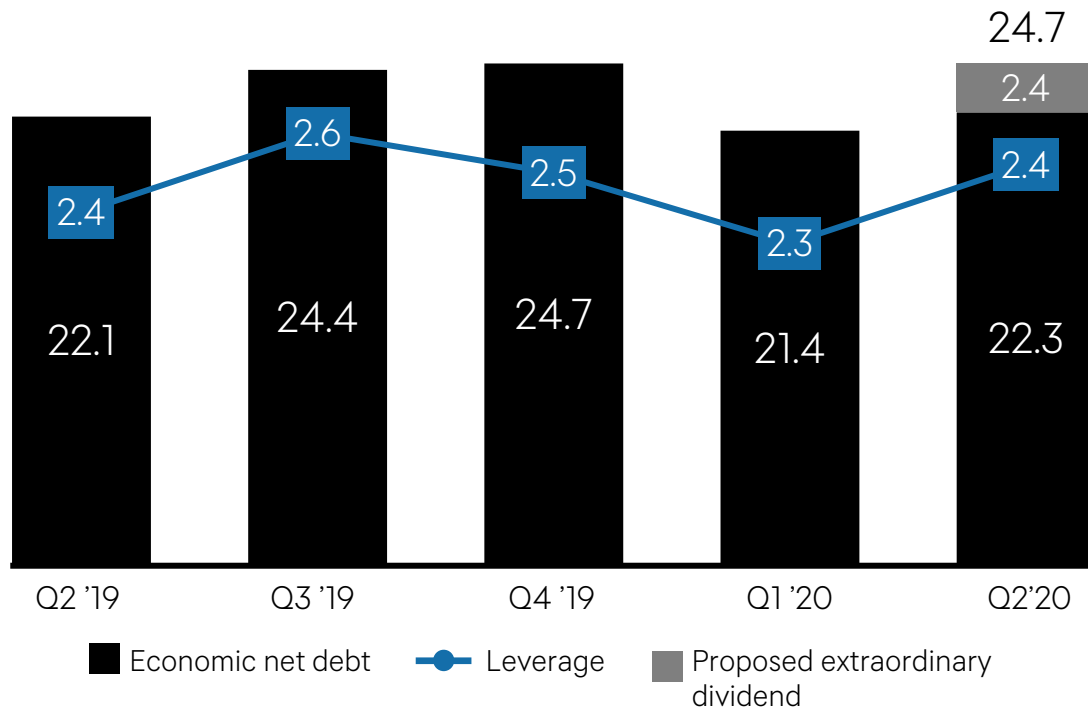
SEK million	Q2 2020	Q2 2019	YTD 2020	YTD 2019
<b>Continuing operations</b>				
Underlying EBITDA	2,583	2,502	5,125	5,048
Items affecting comparability	-120	-271	-159	-532
Amortization of lease liabilities	-262	-239	-634	-594
Capex paid	1 -728	-583	-1,329	-2,166
Changes in working capital	2 -90	-53	16	241
Net financial items paid	3 -209	-156	-312	-255
Taxes paid	-219	-225	-435	-485
Other cash items	17	21	32	69
<b>Equity free cash flow</b>	<b>972</b>	<b>995</b>	<b>2,305</b>	<b>1,325</b>
Equity free cash flow / share (SEK)	1.40	1.44		
Equity free cash flow LTM / share (SEK)	4 7.67	3.58		
<b>Total operations</b>				
Equity free cash flow, continuing operations	972	995	2,305	1,325
Equity free cash flow, discontinued operations	2	101	-49	208
<b>Equity free cash flow</b>	<b>974</b>	<b>1,095</b>	<b>2,256</b>	<b>1,533</b>

## Comments

- 1 Capex paid increased to SEK 728m due to higher network investments and timing of customer equipment capex
- 2 Changes in working capital reflects elevated inventory levels as a precaution during the pandemic, offsetting a positive effect from introduction of external handset financing in Lithuania
- 3 Net financial items paid increased due to timing of bond coupon payments
- 4 Equity free cash flow from continuing operations amounted to SEK 5.3 billion over the last twelve months or roughly SEK 7.70 per share

# Leverage at 2.4x

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



## Comments

- Economic net debt increased by SEK 0.9 billion since Q1 2020, driven by payout of the first tranche of the ordinary dividend (SEK 1.9bn)
- Leverage of 2.4x is below the target range of 2.5-3.0x
- Adjusted for proposed extraordinary dividend payment of SEK 2.4bn, leverage would have been 2.65x at the end of June
- We are confident that we can remain within our guided leverage range of 2.5-3.0x by the end of 2020 while paying out the proposed extraordinary dividend and the second tranche of the ordinary dividend

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

TO CONCLUDE...

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# Key priorities going forward

## Defend underlying EBITDAaL in 2020

*Fast-track part of business transformation program*

*Reduce sales and marketing spend versus original plan*

*Execute on remaining backbook price adjustments in Sweden B2C*

## Maintain focus on long-term strategy

*B2C: Win the Swedish household through FMC*

*B2B: Execute on turnaround*

*Business transformation to deliver at least SEK 1bn in opex reduction*

*Build on the momentum in the Baltics through mobile centric convergence*

*Maintain 5G leadership and upgrade mobile and fixed networks to uphold excellent service*

*Consistently grow ordinary dividend along with cash flow*

## CEO transition

*Kjell Morten Johnsen will become President and CEO on September 15*



THANK YOU!

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