Tele2 Q4 2024 Interim Report

Wednesday, 29th January 2025

Introduction

Jean Marc Harion

CEO, Tele2

Welcome

Good morning, and welcome to Tele2's Report Call for the Fourth Quarter and Full Year 2024. With me here in Kista today, I have Charlotte Hansson, our Group CFO; Hendrik de Groot, our B2C Chief Commercial Officer; and Stefan Trampus, who heads our B2B Business in Sweden.

We have extended this call with up to 30 minutes as this is my first results call with Tele2 and as we have some important development to share after the usual review of the quarterly and full year results.

Please turn to slide two for some highlights.

Highlights

In a nutshell, our Q4 results ended as expected, given suffer comes in Sweden Consumer due to the phasing of pricing and the finalisation of our Boxer TV migration away from digital terrestrial technology. A slight growth improvement in Sweden Business and continued solid growth performance from our Baltic operations.

For the full year, we grew end-user service revenue by 3% and underlying EBITDAaL by 2%, whereas CAPEX to sales ended just below 14%. Consequently, we delivered on all guidance parameters provided at the beginning of the year.

On the other hand, we generated SEK4.4 billion of equity free cash flow in 2024, which is 7% less than in 2023.

Our guiding principle is that the ordinary dividend must be covered by the equity-free cash flow generation. As funding costs remain expensive, we must remain vigilant on the balance sheet. In line with Tele2's financial policy, the Board proposes to distribute 100% of the 2024 equity free cash flow through an ordinary dividend of SEK6.35 per share to be paid in two tranches in May and in October.

Looking forward, we see 2025 as a transition in a transformation year. We have engaged into a deep transformation to improve Tele2's profitability through stricter prioritisation, reinforced cost discipline in a simplified organisation and operating model, which also enables a solid and ambitious 2025 guidance. Sadly, this transformation will also materialise in a reduction of around 15% of our total workforce depending on union's negotiation.

We expect the acceleration of our underlying EBITDAaL growth will translate into a higher equity-free cash flow in 2025. We will talk more about this in a few minutes. In the meantime, please move to page three for a summary of our fourth quarter.

Solid performance – Guidance delivered

In Q4, our end-user service revenue grew by 2% organically, driven by the Baltics and Sweden business, whereas organic underlying EBITDAaL grew by 1%, largely driven by end-user service revenue in the Baltics.

We generated SEK800 million of equity free cash flow in the quarter and SEK4.4 billion in 2024, leading to a 2.5 times leverage following the payout of the second dividend tranche in October.

In Sweden Consumer, end-user service revenue remained globally stable as the decline in Boxer TV due to the migration was offset by solid growth in connectivity with strong net adds in mobile postpaid and continued strong ASPU growth in fixed broadband.

In Sweden Business, end-user service revenue grew by 3%, marking a slight improvement as compared to the previous two quarters. Mobile grew by 4% and fixed continued to stabilise. The Baltics grew end-user service revenue by 7% with growth in all markets. Underlying EBITDAaL grew almost as fast at 6% and we are particularly proud of our Estonian team, which successfully accelerated top line growth and turned into EBITDA growth this quarter.

Let us move to Swedish consumer on slide five.

Sweden Consumer: Solid growth in core connectivity

Mobile end-user service revenue grew by 1%, driven by 2% in postpaid, partly offset by decline in prepaid. Fixed broadband grew end-user service revenue by 6% due to strong ASPU. End-user service revenue for digital TV declined by 6%, driven by the final phase of the migration of Boxer TV away from legacy digital terrestrial TV.

Meanwhile, our Tele2 DTV business remained largely stable. The upper part of the right-hand chart illustrates how we gradually have migrated Boxer DTV revenue from terrestrial to cable and IP base, as DTV was shut down from 1st January this year. There will be no terrestrial revenue anymore as from Q1 2025.

For full year 2025, we anticipate Boxer revenue roughly SEK200 million below 2024 with neutral impact on EBITDA.

In the short term, the line of business would have become cash negative due to the continuous decline of the customer base. In the long run, the migration to more flexible and richer TV solutions will bring positive effect in both customer experience and profitability.

Let us look at consumer KPIs on slide six.

Sweden Consumer: Strong net intake in core services

We had a strong 50,000 postpaid RGUs in the quarter, driven by both brands, including mobile broadband, which has benefited from the Boxer migration. ASPU declined by 1% year-on-year driven by increasing IFRS 15 fair value adjustment due to the increase of the customer base with handset instalment plans. Excluding the fair value effect, ASPU grew by 1% impacted by RGU growth in 5G and mobile broadband and less favourable comparison with Q4 2023.

Fixed broadband added 4,000 RGUs in Q4, driven by both fixed mobile convergence and single play. ASPU grew by a strong 8%, mostly due to last year price adjustments. Our Tele2 DTV Cable and Fibre business added a solid 7,000 RGUs in the quarter, supported by the Disney+ launch and migration from Boxer.

The lower chart shows the proportion of Boxer TV customers that have migrated away from terrestrial. By year-end, only 7% of the migrated base had not activated their Wi-Fi-based TV hub yet. Q1 2025 will be the first quarter without terrestrial distribution. Now that this business is gone, we intend to merge the reporting of our two business lines from Q1.

Please move to slide seven for Swedish business.

Sweden Business: Improved topline growth

While the Swedish business sectors continues to be affected by economic headwinds, we remain optimistic about gradual improvement over the year. In Q4, Sweden business reported 3% end-user service revenue growth, reflecting a slight improvement compared to the previous couple of quarters.

Mobile grew by 4%, driven by our IoT business and by solid RGU growth, mainly in SMEs and public. Mobile ASPU was impacted by this year-on-year evolution in our customer mix.

Our Solutions Business grew by 3%, whereas fixed continued to stabilise following the closure of the copper business in Q2.

Please move to slide eight for Sweden financials.

Sweden financials: Stable EBITDAaL, solid cash conversion

End-user service revenue grew by 1% in Q4, driven by business, whereas Consumer remained flattish due to phasing of pricing and Boxer migration effects.

Underlying EBITDAaL remains stable largely due to the slow end-user service revenue growth.

The cash conversion of 58% is reflecting 15% CAPEX to sale in Sweden during the last 12 months.

Let us move to the Baltic financials on slide 10.

Baltics financials: Sustained strong growth

Total end-user service revenue continue to grow at a healthy 7% in Q4 in the Baltics with solid performance across markets and with Estonia accelerating following successful price adjustment during Q4.

Underlying EBITDAaL grew by 6%, driven by end-user service revenue growth and with all markets around mid-single-digit growth rate. Following several quarters of EBITDA decline, Estonia finally returned to growth in Q4.

Cash conversion remains strong at 73% during the last 12 months, reflecting 10% CAPEX to sales due to ongoing 5G rollout.

Let us move to slide 11 for Baltic operations.

Baltics Operational highlights: Solid ASPU growth

The number of Baltic mobile postpaid customers continue to increase slightly, this time driven by positive net adds in Latvia. Lithuania was burdened by a cleanup of 16,000 postpaid RGUs. Blended organic ASPU increased by 4% with growth in all markets, with Estonia at 9% and Latvia at 6%. This is due to price adjustment, the more formal strategy and continued prepaid to postpaid migration.

With that, I hand over to Charlotte, who will go through the financial overview.

Financial Overview

Charlotte Hansson

CFO, Tele2

Group results

Thank you, Jean Marc, and good morning, everyone. Please turn to page 13.

First, a few comments on the Group P&L for the fourth quarter. Total revenue grew by 1% organically, whereas end-user service revenue grew by 2% organically, driven by the Baltics and Sweden business.

Underlying EBITDA grew by 2%, both in SEK terms and organically and underlying EBITDAaL grew by 1% organically, mainly driven by end-user service revenue growth.

In Q4, we had a SEK6 million headwind from energy year-on-year, leading to a full year headwind of SEK42 million, mainly explained by the SEK35 million of electricity support in 2023.

Then a few comments regarding full year P&L items with significant changes, which are highlighted on this slide.

Items affecting comparability increased by around SEK125 million year-on-year and was mainly driven by restructuring costs related to the Strategy Execution Programme and more specifically redundancy cost. D&A declined by around SEK205 million year-on-year, mainly because the surplus value of the TDC acquisition has been fully amortised since Q4 2023.

Net financial items increased by SEK180 million year-on-year, partly due to higher financing costs for outstanding debt and partly due to a SEK77 million other financial gain related to bond repurchase in Q2 2023. By Q4, we had a debt mix of 60% fixed rates and 40% floating rates.

Then our income taxes increased by around SEK70 million year-on-year, partly due to a Pillar 2 top-up tax related to Lithuania.

Let us move to the cash flow on slide 14.

Group cash flow

Let us focus on the highlighted full year cash flow items. Amortisation of lease liabilities increased by SEK190 million, mainly due to our network expansion as well as a SEK90 million reclassification to working capital in Q4 2024.

CAPEX paid decreased by around SEK80 million due to a spectrum payment in Sweden of around SEK370 million in Q4 2023, partly offset by higher network investment.

Net financial items paid increased by SEK205 million, due to timing of coupon payments following previous bond refinancing and higher interest rates.

Taxes paid increased by around SEK155 million, mainly due to timing of payments with tax refunds of around SEK195 million in 2023 as compared to around SEK95 million in 2024.

All in all, our equity-free cash flow for full year 2024 ended at SEK4.4 billion corresponding to SEK6.3 per share and some 7% below the level in 2023.

Let us move to slide 15 for our capital structure.

Leverage at 2.5x

By year-end, economic net debt amounted to SEK26.2 billion, some SEK0.6 billion above full year 2023, as the payout of the ordinary dividend exceeded the cash generated in the business.

Our leverage ended at 2.5 times, which is in the lower end of our target range of 2.5 to 3 times.

Let us move to slide 16.

Tele2 met guidance targets for 2024

We conclude 2024 by noting that we have delivered on all three guidance parameters we provided at the beginning of the year. In this context, we should also mention our Baltic colleagues, which once again have contributed substantially to our Group performance.

With that, I hand over to Jean Marc for some comments about our operational milestones in 2024 and our plans ahead.

Operational Review

Jean Marc Harion

CEO, Tele2

Tele2 met guidance targets for 2024

Thank you, Charlotte. Considering the decrease of 7% of our equity-free cash flow in 2024, the mixed outcome of Q4 Swedish results and the transformation ahead and in line with Tele2's financial policy, the Board proposes to distribute 100% of our SEK4.4 billion equity-free cash flow to an ordinary dividend of SEK6.35 per share.

It is now time to look forward and say a few words about how we have started transforming Tele2 to make it a more agile and stronger company.

Please turn to slide 17.

Tele2 delivered on planned milestones in 2024

Tele2 delivered on an impressive migration roadmap in 2024 paving the way for a deeper transformation. We finalised the swap of our 5G network. On TV side, we completed the phase-out of our legacy TiVo platform and the migration of Boxer TV customers. We accelerated the reduction of IT stacks and delivered several critical digital enablers. In the meantime, we continued expanding our fixed broadband footprint.

Please turn to slide 18.

Tele2 confirms growth potential across all segments

Despite strong competition and macroeconomic situation, we see a growth potential ahead across all our segments supported by mobile RGU growth in Sweden and in the Baltics in H2 2024.

On Sweden Consumer, the growth will continue being driven by the attractiveness of our offers that will more than offset the Boxer top line impact. On Sweden Business, the growth will be driven by IoT, SMEs and LEs despite the economic context.

Already before the finalisation of the 5G rollout, Tele2 has the best 5G availability in Sweden according to Opensignal, supporting customer experience and loyalty.

In the Baltics, the solid growth and excellent cash conversion will continue in 2025, driven by number one and number two positions in Lithuania and Latvia and the turnaround in Estonia.

These perspectives give us confidence in our capacity to grow our top line continuing on our current pricing policy. We therefore have no intention to trigger a new price war in Sweden.

Please turn to slide 19.

A deep transformation to improve Tele2's profitability

Saying that, our main priority is about to improve the profitability of our business, which we believe could be higher. We see two areas of improvement. First, Tele2 legacy and the successive integration of Com Hem, TDC and other companies have created a lot of complexity in our organisation.

Second, some geographies, Estonia for instance, and some of our Swedish business activities show a lower profitability than others. We have therefore introduced a radical transformation to improve our efficiency with two priorities in mind: simplify our operating model in our organisation and rejuvenate some part of Tele2's smart, change and cost-savvy culture.

Our deep transformation plan includes an extensive cost optimisation already in motion with the systematic challenge of all our expenses and the renegotiation of all our contracts. It also includes unfortunately a reduction of around 15% of our total Group workforce corresponding to between 600 and 700 full-time equivalents, subject to union negotiation.

Please turn to slide 20.

2025: a transformation and transition year

Let me give you more colour on our transformation plan. By the end of 2025, we will have simplified drastically our operating model in our organisation, getting rid of the complexity inherited from legacy and integration. We will improve the profitability of all part of our business: on Sweden B2C by focussing on customer loyalty and cross-selling; on Sweden B2B by assessing our services portfolio and automate their delivery; in the Baltics by making Tele2 Estonia cash-contributive and increasing centralisation.

Additionally, we will concentrate our investment on the building of our network securing our 5G rollout, which weighs for more than one-third of our total CAPEX, preparing for 2G, 3G closure and de-prioritising all non-committed CAPEX.

Please turn to slide 21 for 2025 guidance.

Tele2 transformation enables solid 2025 guidance

We are confident in the outcome of our transformation, which enabled us to issue a solid 2025 guidance.

In 2025, we will deliver a low-single-digit organic growth on end-user services revenue, partly impacted by the SEK200 Boxer DTV impact on top line with no EBITDA impact.

When it comes to Swedish Consumer pricing, we executed front book and back book adjustment in the beginning of January in line with last year. Just like last year, the largest part of the pricing effect will be realised in March.

In 2025, we will deliver mid-to high-single-digit organic growth on underlying EBITDAaL, thanks to the outcome of our deep transformation. When it comes to EBITDAaL, the workforce reduction will be executed over the coming 12 months, implying a back-end loaded growth profile for this year with no significant impact in Q1.

In 2025, our CAPEX to sales ratio will be in the range of 13% as it will be the final year of intense network rollout. In a mid-term perspective, we continue expecting our CAPEX to sale ratio to go under 12%.

Our new operating model and simpler organisation will give us the resilience and flexibility we need to remain in control of our future, and very pleased to see the engagement and commitment from all my colleagues to create a new Tele2 simple and agile, built with our challenger heritage as the foundation.

2025 will be a year full of challenges but as well an ambitious one. I am certain that our new Tele2 will be soon fit enough to deliver more value to our shareholders.

I hand back to Charlotte for some additional comments regarding 2025 before we open up for Q&A.

Conclusion

Charlotte Hansson

CFO, Tele2

P&L observations

Thank you, Jean Marc. A few comments on the P&L for 2025.

Regarding one-off items, our ambitious transformation will obviously generate restructuring costs such as severance payments and other types of customary one-offs, including those arising from the continuation of the Strategy Execution Programme.

We do not quantify the magnitude of such costs at this stage, partly due to union negotiations, but intend to do so in relation to the Q1 results in April.

Regarding savings from workforce reductions, please be aware that roughly 80% of our workforce cost impact OPEX, where the remaining share impact CAPEX.

Regarding financing costs, based on our debt mix with 40% floating rates by Q4, every 1 percentage point rate change in underlying market rates will impact our annualised financial expenses on loans with floating rates by around SEK110 million.

Cash flow for 2025

A few details regarding the cash flow for 2025.

In Q4 2025, we will pay the final roughly SEK370 million for the Swedish spectrum that was acquired in 2023.

Regarding working capital, we expect continued movements between quarters but we do not expect any major impact on a full year basis.

Regarding the timing of financial items paid, last year's breakdown between the first and second half of the year may be indicative to 2025 facing, possibly with Q4 even more backend loaded.

With that, I hand over to the operator for Q&A.

Q&A

Andrew Lee (Goldman Sachs): I had two questions. Lots going on in the presentation. Thanks for your clarity on Swedish pricing and cost-cutting. Two questions. We are trying to understand the impact of Boxer in 2025, but really to understand what your view on the Swedish structural growth outlook is. Obviously, your end-user service revenue growth guidance for 2025 is now low single-digit from low-to mid-single digit previously in the mid-term guide. Once we get out of this new Boxer hangover, how do you think about Swedish structural growth outlook and the key drivers for that into 2026 and beyond?

Then secondly, just like to talk around your CAPEX outlook and the dividend. Previous management have been saying that CAPEX intends to come back into the 10% to 12% levels post-2025. Obviously, you have got a slightly lower CAPEX for sales for this year than people were anticipating but I wondered if you still anticipate CAPEX intensity coming down and how that impacted your dividend decision for this year?

Jean Marc Harion: We will start with a few comments on the Boxer impact. Let me first reiterate what we were explaining. The options we had ahead of us regarding Boxer was to either wait for the customer base to continue declining and become a loss-making business line in 2025-2026 due to the fixed cost of transmission or to anticipate the move and migrate the customer base with of course some churn impact but at least to secure the largest part of the customer base on future-proof technologies such as cable and IP. That is what we did.

As I explained in 2025, we will have no revenue anymore from Boxer TV. The difference compared to 2024 will be SEK200 million, but of course, this amount does not take into account the continuous decline of the customer base. So probably the revenue would have been lower. Anyhow because the expense saved by terminating this line of business, the impact in 2025 will be, to say the least, neutral on EBITDA and probably positive.

I think that we see on the other line of business some, I would say, stability in the growth of the market. I do not know if Hendrik want to elaborate on that on the consumer side but I would say that what we see on mobile and fixed in 2025 is consistent with the development we have seen in 2024. We do not see any major disruption. There is a stabilisation of the market ahead.

You want to make any additional comments, Hendrik?

Hendrik de Groot: Sure, Jean Marc. I would say if you look structurally, we have that Boxer that you just explained. The Boxer migration on to DTV follows basically what we did with DTV a couple of years ago when we meant to a renewed hybrid TV portfolio. You have seen since then that the DTV business line largely has been stabilised. Our expectation also is that past 25 this overall product line, therefore, we have a way more stabilised outlook.

On connectivity, as you say Jean Marc, we have quite a stable market outlook also competitive context that we can navigate in, balancing out value and volume and that is what we do. I think the outlook there is quite okay actually.

We have just gone through a difficult macro on the consumer side that we have seen with the device market being down, but we do expect also some recovery there. I would tell you outlook is pretty okay for our overall connectivity services.

Jean Marc Harion: Regarding the CAPEX trend, we are guiding around 13% CAPEX to sales ratio for 2025, which is lower than in 2024 due to, first, the end of the rollout of our 5G network but as well due to the reprioritisation of a number of investments.

We have drastically reviewed our portfolio of projects in order to select the most impacting one for the customers and focus on them. We are slowing down a little bit the rollout for fixed upgrade in some areas because it does not bring any specific value to the customers. We are revisiting entirely the process for the development of our products and services, but we of course, do not touch on the 5G rollout investment, which represents one-third of our CAPEX and which is the most impactful for the customers.

On the mid-term, I mentioned as well that our ambition or expectation is still to go below the 12%, between 10% and 12% as we previously indicated to the market. This is not a guidance, this is an indication but this is still our mission.

Ondrej Cabejsek (UBS): A couple of questions for me, please. You have spoken a lot about the strategic initiatives around the cost-cutting for the new year to come. I just wanted to focus a bit more on the growth areas versus strategic priorities basically for service revenue growth, which has been on the growth rate coming down over the past couple of quarters.

If you are looking at the business, obviously, we have to deal with the effects of the shutdown of the legacy TV unit but then going forward or besides this, what are some of the strategic priorities that you are looking at when it comes to accelerating the service revenue growth in basically all of the units, right? So mobile, broadband and TV. That is a wider question for you.

Then just around the dividend, please. Can you confirm that there will be no extraordinary dividend even later to come on top of the SEK6.35 that you have declared?

Just in terms of your net debt EBITDA policy. I know there is no change for now, but is there a scenario in which company has been guiding to be very close to 2.5 net debt to EBITDA? I guess you guys are keeping some headroom for a potential fibre M&A as previous management was talking with respect to both the Baltics and the core market Sweden. How you think about leverage in general going forward and the potential change to the leverage ratio as well?

Jean Marc Harion: Okay, thank you for your questions. I believe that we partly answer your first question with the previous analyst. I just want to reiterate that we guide for the end-user service revenue, I would say, on a reasonable growth next year, of course, computing the negative impact of the Boxer migration and the loss of corresponding revenue. For the rest, we see the growth continuing at the same pace as we have seen in 2024 due to the stabilisation of the market.

The main focus this year will be definitely to deliver this low-single-digit growth and end-user service revenue amongst all the product lines and all the geographies, but of course, improve the profitability, thanks to the cost-cutting and the cost optimisation programme and the transformation that we have initiated in the company.

I do not know if there is any other answer you can provide, Hendrik.

Hendrik de Groot: Yes, I will give you some more colour on those growth drivers, Ondrej. As we have been talking about, we have seen that with the introduction of our hardware portfolio to Tele2. On the mobile side, we have really found some strong foundation. You will see that we will continue on the strength of combining Tele2 on 5G with hardware. That is also the hardware bundling is continuing. There is also a fair value effect in numbers, as we have been alluding to.

On the broadband side, we clearly see that with the expanding footprint and hopefully also regulation coming in, that we can grow quite a bit more on our SDU footprint that we have also been talking about before. We see a lot happening also in the appetite of customers going to higher speeds.

This year, basically with the pricing effort that has also continued a growth driver. We are introducing new portfolios across the board on mobile and on broadband, removing the base speed on broadband from 100 megabits to 250. It is still driving a lot of customer value whilst we are doing that.

On TV, we talked about a stable portfolio going forward post the Boxer year-on-year implications that we will see in 2025.

On mobile, we also believe that with mobile broadband and FWA on 5G, we can really drive quite a lot of growth.

Last but not least, in all of this, as also Jean Marc highlighted, the focus is on our customer base on loyalty and cross-selling and driving FMC penetration.

That hopefully gives us a bit more colour.

Jean Marc Harion: Stefan, maybe you want to add something on the B2B?

Stefan Trampus: Yeah, sure. Hello, Ondrej. Well, on the B2B, I think the profile will be very similar to what we have seen previously. We expect mobile growth to continue. Also on the solutions side, driven by the networking area.

On the fixed side, I mean, you have seen that our trajectory has improved the last couple of quarters. We have been having a decline on the fixed side before we did the copper decommissioning but now we see that improving. I would say it is the best quarter in regards to the last four years, actually when we look at the decline on the fixed.

Then, of course, it is very important how the business climate will develop during the year. I mean, we had two years of recession that has impacted our ability to drive growth. I am still happy with 14 consecutive quarters of growth at B2B. So yes, the profile will be similar to what you have seen in the last period.

Jean Marc Harion: That is why we are confident in guiding in low single-digit growth for service review, despite the negative impact of Boxer migration.

Regarding your comment on the dividends, I just want to clarify that I made a comment about the ordinary dividends. The ordinary dividends paid in 2024 in two tranches in May and October reflect on the equity-free cash flow generated in 2024 that we distribute 100% according to our financial policy.

As well, as I mentioned in my introduction, we expect that the transformation plan and the aggressive guidance and EBITDAaL will translate in more equity-free cash flow in the future. We will see how it develops but this is not a question for today. It is not a question for the management of the company but for the Board of Tele2.

Regarding the net debt leverage, Charlotte, I do not know if you want to comment.

Charlotte Hansson: Well, I can do that. What we are saying is that we do not make any changes to the financial policy. It is still part of the financial policy. As you also pointed out, we have been in the lower end of the range of 2.5 to 3 times for some time now. That is the level where we feel also comfortable. As we also said before, it will give us some optionality going forward as well.

Jean Marc Harion: But no optionality concerned at this stage.

Andreas Joelsson (Carnegie): Let us turn from the top line then to the cost side. You mentioned several reasons why costs should come down. Can you give some more flavour other than simplifying the operational model and reduce complexity? It would be interesting to have a little bit more detail on what you plan to do.

Also, secondly, it is a quite broad range on the EBITDAaL growth outlook. Let us say it is between 5% and 9%. What would it take to end up in the lower end, respectively, the upper end of that guidance for 2025?

Jean Marc Harion: Okay. Maybe let me start with, I would say, the biggest bulk of our transformation, which is the workforce reduction. The workforce reduction has been already implemented in the Baltics. First in Estonia and second in Latvia and Lithuania, mid-January.

We have launched the process of negotiation with the unions for the plans in Sweden. Of course, nothing will be done before we conclude these negotiations but we expect the first wave of workforce reduction to take place before the summer.

As I told you, as I mentioned earlier, the ambition is to reduce the workforce by the equivalent of 600 to 700 full-time equivalent in all the categories of the company, but of course, with a special focus on support functions and back offices.

We do not expect to impact the front line, because of course, this front line makes a difference in Tele2. We are perceived by our customers as the friendly experts and we want to develop this specificity. By the way, in the meantime, we are reducing our workforce. We are going to open new stores in 2025.

That is for the workforce reduction, which, of course, will represent a huge part of the transformation programme, but of course, this transformation will aim at simplifying the organisation and the processes in the company.

I can give you some examples, but of course, very high level. I am not sure that I can enter into many details publicly, but of course, we are reviewing, for instance, the complex process we were in to develop our products and services. We want to be more agile, have less intermediaries between the business owners and the developers.

We have as well challenged the number of people involved in all the support functions, not only in Sweden but as well in the Baltics, where we have encouraged our colleagues in the Baltics to mutualise a number of functions between the three countries.

I mentioned as well that one of our intention was to improve the profitability of some of our line of businesses. That implies, for instance, the restructuring of the Estonian operation, where basically we had to make some drastic decisions in order to make the structure lean enough in order to turn Tele2 Estonia into a cash-contributive operation.

We have as well some similar approach in other parts of our business. I do not want to enter into many details, but there are some parts of our business, which are less profitable than others because we are mixing connectivity with other services. This is, of course, as well something that we have addressed and that we will continue addressing all over 2025.

Last but not least, it is not only about the processes and the simplification of our organisation, but as well about our cost discipline. We have decided to come back to the original Tele2 culture, which had the cost consciousness as part of its value. This is something that we have reintroduced in our day-to-day.

We have implemented a very strict programme to review and validate all the purchase order. All kinds of expenses have been challenged and we are reopening systematically all our contracts. We have started a new negotiation with all the vendors in all the categories of expenses that we have in the company. This is a systematic approach, but of course, it creates a new dynamic in the company as well.

I can tell you that our Tele2 colleagues are quite excited to get back to the original Tele2. That is, of course, how we want to rejuvenate the original Tele2 culture. It is about being open to change, being smart in the way we buy and make everybody in the company proud of saving costs.

Stefan Gauffin (DNB): I will continue a bit on the cost side. You mentioned that the reductions have already been finalised in the Baltics. Can you provide some details on that, preferably per market, but otherwise, for the Baltics in total?

Secondly, there was a cost programme for Sweden with the ambition to reduce the cost with SEK600 million, which had already started this year. Does the new cost programme replace that, or is that still ongoing and the new cost programme come on top of that?

Jean Marc Harion: Thank you for your question. I am a little bit reluctant to give you more details about the plans that have been implemented in the Baltics but you can, of course, consider that the cuts have been significant in proportion of the headquarter headcount in Estonia. Of course, we have not touched to the salesforce in the shops, but we had to reduce the workforce in the headquarter quite significantly.

Regarding Latvia and Lithuania, it is more about the mutualisation of some support function to encourage them to avoid duplication between countries wherever it could make sense.

All in all, I can tell you that so far we have already delivered, I would say, a significant percentage of the total workforce reduction that we are planning for 2025. Of course, the impact of this workforce reduction in the Baltics will be seen in Q2. They are executed currently in Q1, but of course, the largest part of the workforce reduction will be from Sweden, where we have the largest number of employees. This is subject to negotiation with the unions but we are quite advanced now and we have notified our intention to the authorities, and we have engaged in the discussion with the unions.

We want to be very transparent on that. After this call, I have a meeting with all our employees, where we are going to discuss in detail the plan. That is for the workforce reduction, and of course, we will give you more details in our quarterly reports but for the time being, I cannot give you more details.

Regarding the SEP programme, I will let Charlotte to give you some comments about what we have delivered so far but to answer your question globally, the SEP optimisation programme continues, of course, delivering its savings but the new ambition that we have put for 2025 and our transformation plan goes further. It is, of course, something that we build on top of the SEP ambition.

Charlotte, do you want to comment on that?

Charlotte Hansson: Yes. Since the SEP is something that we have been talking about quite a lot in the past and it is still an important part of our journey and our improvements going forward. The main things that we can see that has generated so far is, of course, the reorganisations that were already in place last year in 2024. We also done quite a lot in when it comes to the network optimisation, and also the closedown of the SUNAB is also an important part.

I would say, out of the SEK600 million, we delivered so far about SEK250 million out of that. Looking ahead, this is, of course, an important part of our journey ahead, but we are not going to follow up this Strategy Execution Programme on the cost side per se because this is now part of a larger initiative.

I would not call that a programme, but we are now guiding on the improved EBITDAaL, and that is what we are going to track going forward. Not a programme as such, but there are a lot of initiatives that we will, of course, come back to you guys later on as well to see how we are progressing on a quarterly basis.

Joshua Mills (BNP Paribas Exane): Two questions for me. One on the cost-cutting and then the follow-up on Boxer. On the cost-cutting, could you perhaps help us by quantifying the size of personnel costs within the Tele2 cost stack today, just to help us with our modelling going forwards?

Then when we think about the impact of the cost savings, are you expecting the bulk of those to come in 2025, or will they be spread over several years? Could there be a tailwind in 2026 as well?

Then the second question on Boxer. I think you gave some helpful detail about the headwind for 2025, SEK200 million lower service revenue impact. Are you also expecting to see that kind of impact, or continuing impact going into 2026 and 2027? Or do you expect that by the end of this year, you will have seen the majority of the organic customer losses having come through already?

Jean Marc Harion: Okay, thank you for your questions. I am pretty certain that we cannot give you all the details that you expect about our workforce reduction plan. Let me just give you maybe a more precise indication about the timing. I already commented on the timing in the Baltics.

As we speak, the plans are in motion in Estonia, Lithuania and Latvia. Of course, we will start seeing the impact on the labour OPEX and partly on the CAPEX as well in Q2 this year but for the largest part of the workforce reduction in Sweden, due to the time we need to conclude the negotiations with the union, the impact on our P&L will not be seen before Q3.

Of course, what we are focussing is on the run rate. We have, of course, taken into account this timing in our EBITDA guidance. That is, I would say what I can share with you at this stage.

Regarding the Boxer effect, Hendrik, do you want to give more details?

Hendrik de Groot: Yes, we expect largely that this is this year's effect on the SEK200 million because that is really the true migration effect. Going forward, we expect, therefore, the combined DTV product line to have the profile that we have seen over the past, which is a level of stabilisation.

What we will need to, in particular, see with regards to the Boxer customer segment and their behaviour is whether they will completely stabilise. What I am referring to, if you look at the customers, they are typically a specific customer segment with a little bit of an older age group. We need to see whether it completely stabilises or to a very large degree is stabilising over the longer term, but certainly, a stabilised effect after 2025.

Siyi He (Citi): I have two, please. The first one is just going back on the top line. In your opening remarks, Jean Marc, you mentioned that you want to rejuvenise the challenger status for Tele2. For some of us, it means a faster growth when it comes to top line or customer base or market share.

I mean, when you listen to your comments earlier, it seems that the structural growth in Sweden this year would be consistent with what is the lever that we saw in 2024. I guess my question is, going forward, what do you think about the levers that could potentially drive service revenue or growth acceleration in Sweden?

My second question is really on the guidance. On the 2025 guidance, I was wondering if you could just elaborate on the phasing, and is there any reason or one-off? Because we should consider that the first half might not have too much of growth in Sweden. Maybe I can follow up is, why you decided to remove the mid-term targets for this time.

Jean Marc Harion: Okay, thank you for your question. Let me clarify something about the revival or intention to revive or rejuvenate the original Tele2 culture. We believe that this company was created based on a challenger mindset and promise. That is what makes Tele2 different and impactful as well.

Because something, in my view, very important that I have understood arriving in Tele2 is that in Sweden, but as well in the Baltics, everybody knows that if they pay reasonable prices for the telecommunication services, it is thanks to Tele2 at a certain point in the history of our markets, whether they are Tele2 customers or not.

What we have done to democratise the prices in Tele2 has been done. Today, we do not see any reason to start a new price war or whatever price aggressivity anymore. The prices have reached a reasonable level in all our geographies.

When we speak about rejuvenating the original spirit of Tele2, it is more about the culture, the mindset of our people. It is about unleashing the creativity of our employees. Because I believe that Tele2 people are not standard employees that you can find in the same people that you can find in other operators.

They are very special. They are creative. They want to unleash their potential. This is simply what we intend when we speak about rejuvenating the Tele2 culture. It is definitely not about copying the original Tele2 who 20 years ago came with aggressive prices. This part of the job is done. We are not going to restart this price war anymore.

Regarding the guidance and the phasing, yes, of course, we will see the impact of the transformation increasing in Q2, Q3, Q4. Maybe Charlotte, you want to answer more precisely to this question?

Charlotte Hansson: Well, I do not think I can be very precise at this point of time, actually, but of course, since we have now initiated some of the initiatives like Jean Marc mentioned, and then also the redundancies, of course, is going to be a larger part of this. This is now underway. The savings will come in gradually, so we will see more savings during the second half of the year than in the first half of the year.

I also mentioned that we will have some restructuring costs but since we are at this point of time, we cannot really quantify them but we will come back in relation to the Q1 results in April, to be a bit more specific on this. Because, as we already mentioned a couple of times, there are substantive union negotiations and all the other initiatives that we are addressing right now, of course, it will have more of a long-term impact.

We will see, of course, an improvement in 2025 but then we will also see the full year run rate impact in 2026 as well.

Adam Fox-Rumley (HSBC): I had a couple, please. Could you first talk a little bit about the role and influence of Iliad now at Tele2? I mean, in particular, you mentioned the vendor negotiations. Are you in a position to leverage Iliad's European scale when you are talking to your partners? Maybe any other comments on products or services that you would like to make in light of that relationship?

Then secondly, I would like to come back to the issue of the leverage ratio, please. I mean, the range of 2.5 to 3 times has been reiterated today. It is quite long-standing. If my understanding is correct, 2.8 times is really the rating agency ceiling. I just want to hear from you what your thoughts are there. I mean, why not take the opportunity to rebase it if you cannot really go past 2.8 times so that the position with respect to dividend payouts in the future may be is a little clearer?

Jean Marc Harion: Okay, let us start with Iliad. Yes, Iliad is our reference shareholder. Tele2 is, of course, an independent company listed in Stockholm. In a very pragmatic way, we have developed some best practises, exchanges with Iliad. It is always, as you said, useful to use some benchmark in order to better negotiate or to exchange best practises and develop some products. We have set up a service agreement with Iliad in order to allow us to do that.

Of course, we are leveraging Iliad firepower and experience in many areas. We are feeding them back with some experiences as well. That is the point about Iliad. Of course, it will come very useful in order to execute our transformation plan.

Regarding the leverage, I would say we commented on the leverage on 1st January. Charlotte?

Charlotte Hansson: Yes, I can say a few words on that. That is correct. That is what we said in the past as well, that we would not really see ourselves going past 2.8, but on the other hand, if there would be a temporary increase of the leverage ratio, that would be possible, but not for the long term. It is really a Board decision whether to change the leverage or not. It is not really up to the management.

Felix Henriksson (Nordea): I have a couple. Jean Marc, you have been with the company now for some time, firstly in the Board and now a couple months as the CEO. In general, how do you feel about current business portfolio? Are there any opportunities for portfolio pruning or divestment of what you see as non-core businesses? Or is the current business footprint ideal?

Jean Marc Harion: Sorry, can you rephrase your question? We were struggling to hear you properly.

Felix Henriksson: Basically, Jean Marc, my question was that after being some time with the company, how do you view in general the current business portfolio? Do you see any opportunities for portfolio pruning or divestments of non-core businesses? Or is the current business footprint ideal?

Then my second question is related to the mid-term financial targets, which you have not explicitly stated anymore in your quarterly report. How should we think about this? Will you provide us more colour on the longer-term targets and the outlook at a later stage this year?

Jean Marc Harion: Thank you for your question. When you are referring to the business portfolio, you are referring to the B2B or the business in general?

Felix Henriksson: The entire business. Sweden, Baltics, etc.

Jean Marc Harion: The entire portfolio. Yes, I would say that what we have started doing shows that we are reviewing our portfolio services. Of course, the decommissioning for old obsolete terrestrial TV platform, Boxer, is a good example of our approach, meaning that once again, we could have waited until the base would extinct, but we would have lost the customer and we would have been through a loss-making phase for this line of products.

We decided to anticipate, take the risk to wake up some customers, but at least to migrate early the vast majority of them in order to bring them on future-proof technology. We have, as well, other approaches to prune some services that are not profitable. That is something that we do in other parts of our portfolio. On the B2B side, for instance, we have some product lines that are not profitable enough and that we are considering progressively pruning.

Yes, the cleaning and I would say the renewing of our portfolio of services is part of our transformation. It is an essential part of our transformation. It is important that we focus on our core business, which is connectivity, and that we focus on what makes us special, which is the interaction with the customers. The interaction starts with, of course, the excellence in terms of network.

Regarding the mid-term financial targets, you are right to say that we did not comment on that. I would say the best way to reach mid-term is to deliver on short-term first. That is what we are doing. I would say that the focus of the company, the focus of the management of Tele2 and my focus will be the delivery of our guidance in 2025, which implies the transformation of the company.

I would say that after that, we will have probably, let us say in Q3, Q4 this year, more visibility on how we want to review our ambition in the mid-term but let us take the short-term first.

We have a lot of things to do this year. We confirmed, for instance, some of the indication that we have shared with the analysts about, for instance, the ambition to go between 10% and 12% on the CAPEX to sales, these kind of things but for the rest, we want to deliver on our transformation first and then we will revisit our mid-term target.

Does it make sense?

Felix Henriksson: Makes sense.

Keval Khiroya (Deutsche Bank): I have got two questions, please. Firstly, you have talked about the importance of the ordinary dividend being covered by free cash flow. I appreciate you do not guide on 2025 free cash flow but are you able to provide any comment on how we should think about 2025 free cash flow versus 2024, also taking into account the restructuring costs?

Then secondly, you have talked about reducing complexity to drive down costs, but are there any areas you think Tele2 should be spending more, either in systems or processes to allow future costs to be taken out or in other areas?

Jean Marc Harion: I am not sure that I heard correctly your second question. Maybe because you say something that Tele2 should spend more?

Keval Khiroya: No, sorry, my question was, you have talked about Tele2 taking out costs, but as you have looked at the business, are there any areas where you think Tele2 should actually be spending more?

Jean Marc Harion: Yes, definitely. The ordinary dividend, I can only reiterate what I already commented previously in the call. The Board recommends the distribution of 100% for equity free cash flow generated in 2024.

Our financial policy implies that we distribute at least 80% of this equity-free cash flow. Of course, we expect to increase the equity-free cash flow in 2025 but it is much too early to decide, which decision we will make in order to use it. This decision belongs to the Board.

As mentioned by Charlotte, transformation will come with, of course, some positive impact on the EBITDA, but as well some restructuring costs. Today, we are focussing on the transformation plan, on the distribution of 2024 and on the delivery of our transformation programme. Then the other question will come in due time.

You are right to say that it is not only about cost-cutting, it is about reinvesting. I believe that is what we are doing. It is part of our transformation to reprioritise our investment. We have reviewed our investment priorities in the perspective of the customers, in order to focus on what can move the needle in terms of customer quality, customer satisfaction.

Of course, the first priority for investment is about the network, the 5G network. We are very proud today to have the highest 5G reachability in Sweden, and we will continue investing in our network but we have as well decided to accelerate the investment in some areas. I briefly mentioned that on the B2B side, we wanted to automate the delivery of the service. This is an example of the project that we will focus our investment on.

I do not know if Stefan wants to say a word about that but this will, of course, be critical for the development of our B2B activity.

Stefan Trampus: Yes, thanks, Jean Marc. On the digitalisation and automation programme, we initiated that last year as part of the SEP programme, but I would say that this year we will double down on it. We are going to level up our ambitions and big efforts in the B2B unit will go to digitalisation and IT transformation of our platform but not only that, also we will work on automation.

We have created a centre of excellence for automation in regards to improve our processes, improve customer experience and way of working. Of course, that is also part of the profitability initiatives that we have done.

I hope that gives some colour on that part.

Ulrich Rathe (Bernstein): I have only one question. Jean Marc, when you arrived and you started to think about the priorities in terms of cost in particular, what process led you to decide that 15% of the workforce is the right number? I think in your prepared comments and also during the Q&A so far, you have referred to margin levels at the different businesses that you have. Obviously, there are structural differences between the different business units, so simply looking for the same margin everywhere is surely not what you are doing there.

I think in the past, Tele2 and other operators have actually shared cost benchmarking run by a big consultancy in Europe. I would be very interested to understand better where that 15% is coming from. Is this a top-down goal because what you need to have the returns you want and just trying to find the areas where you can cut that? Or is it more bottom-up or is it driven by benchmarking or any other consideration?

Jean Marc Harion: Thank you. I like your question because, yes, it is important that we clarify that 15% is a bottom-up calculation based on an internal analysis about where we could improve our efficiency and simplify our processes. Definitely, not the result of a top-down objective initiated from a benchmark or the result of a consulting analysis for workforce.

It is the result of internal exercise that we conducted when I joined the company with the leadership team. We asked ourselves where we could improve our processes and where we had the areas of improvement in terms of simplification. We made a number of decisions which are brave decisions, meaning removing, for instance, some intermediaries, counting on the maturity and the experience of our employees, empowering them to make decisions and removing the people between them and what they have to do.

It is a little bit the driving principle of our reorganisation. It is about asking people to be as autonomous as they can in order to deliver what we believe and they believe they have to deliver, but definitely, this 15% is not the result of a top-down calculation. It is the consequence of our internal analysis.

I have to say that, speaking on behalf of the management team, that this is a collective target that we gave ourselves. It is very important to mention it and thank you for asking.

Viktor Högberg (Danske Bank): Just want to rephrase the question on 15% FTE reduction. That is on par with what Telia has done. It is my impression, if and was, that Telia had more of a legacy organisation than you have. I just want to make sure, I assume you have already thought this through well enough, but how do you get comfortable with this move not having an effect on growth ahead and the experience for your customers? Just some thoughts on it, on the potential revenue side and the implications from the programme.

Jean Marc Harion: Yes. It is important as well to reiterate that all 15% have nothing to do with Telia's 15%. It is a coincidence, but we did not decide to copy Telia's target for two major reasons. First, we are not Telia. Second, our organisation is totally different. Meaning, as you said, we do not have any group or corporate organisation to cut.

Definitely, what we are doing is quite a detailed exercise, impacting all divisions in the company, where we have changed the duplications and so on. Saying that, of course, we are not starting from the same number of full-time employees either. Meaning that, as we mentioned, this 15% workforce reduction will translate in the leaving of between 600 and 700 full-time equivalent people, consultant and employees.

Basically, that is it. It is about the attention we paid to scrutinising every single organisation, department in Tele2 without impacting the frontline. Once again, it is super important to consider that, to remind ourselves that Tele2's specific positioning in the market is related to this friendly expert posture that we want to, of course, develop. It makes a difference but it does not mean that we are not accelerating the automation of a number of processes either, as mentioned by Stefan.

In a nutshell, a lot of very concrete actions that we have decided and not a top-down approach and no reference to any other operator in the market. It is our own plan and it will be owned by the company and endorsed by the management.

[END OF TRANSCRIPT]