

# FIRST QUARTER 2023

April 21, 2023

TELE2



# Highlights and achievements

## Highlights

- Continued topline growth momentum
- Build-out of real 5G and IT transformation well on track
- Working capital stabilized and strong EFCF

## Achievements

- Tele2 #1 in Sweden, top 1% globally, for gender equality
- Tele2 Sweden stores #1 in service among the top 100 retailers
- Tele2 on 'A List', top 2% globally, for climate change leadership
- Tele2 celebrating 30 years



## Enabling a society of unlimited possibilities

We believe in unleashing the unlimited opportunities that connectivity provides, to all our customers, no matter where they are or when they need it.



# Strong topline growth and equity free cash flow in Q1

SEK (YoY growth*)	Q1 23	The Group	Sweden B2C
End-user service revenue (EUSR)	5.1bn (+3.6%)	<ul style="list-style-type: none"> <li>– End-user service revenue growth of 4% in the quarter driven by the Baltics and Sweden B2B</li> <li>– Underlying EBITDAaL largely unchanged as end-user service revenue growth and transformation savings were offset by inflation pressures</li> <li>– Equity free cash flow improved YoY as working capital and normalized tax more than offset increased capex and interests</li> </ul>	<ul style="list-style-type: none"> <li>– Positive net intake for mobile postpaid and fixed broadband</li> <li>– Stable end-user service revenue as growth across core services was offset by declining legacy services</li> <li>– Broad-based back-book price adjustments have been communicated</li> </ul>
Underlying EBITDAaL	2.5bn (-0.4%)	<h3>Sweden B2B</h3> <ul style="list-style-type: none"> <li>– Continued solid and broad-based end-user service revenue growth</li> <li>– Solid net intake of mobile postpaid across segments</li> <li>– Solid solutions revenue development despite supply chain issues</li> </ul>	<h3>The Baltics</h3> <ul style="list-style-type: none"> <li>– Continued strong end-user service revenue growth driven by ASPU and volume growth across markets</li> <li>– The mobile postpaid customer base continued to increase during the quarter</li> <li>– Strong underlying EBITDAaL growth despite significant inflation pressure on costs</li> </ul>
Capex ex. spectrum and leases	1.1bn		
EFCF	1.1bn		

\*Organic growth rate

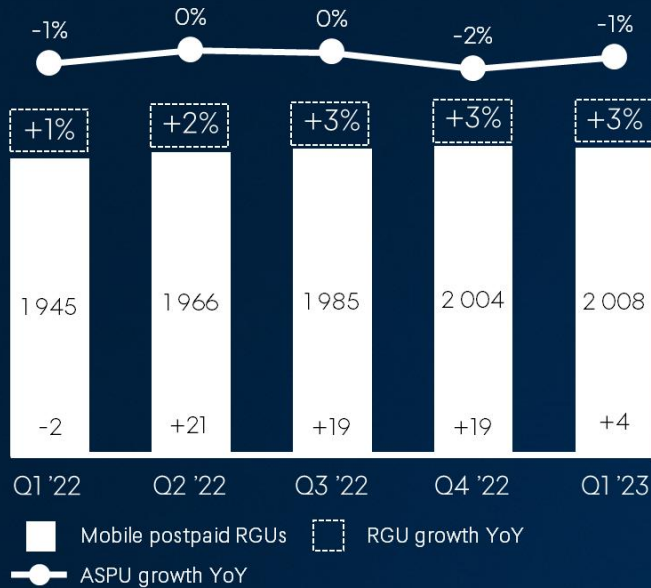
SWEDEN



# Sweden consumer: Solid volume growth

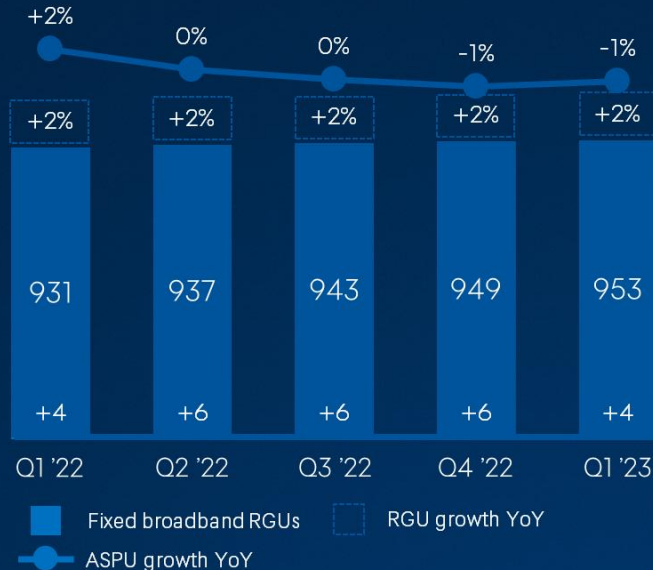
## Mobile postpaid RGU & ASPU

Thousand QoQ and YoY growth %



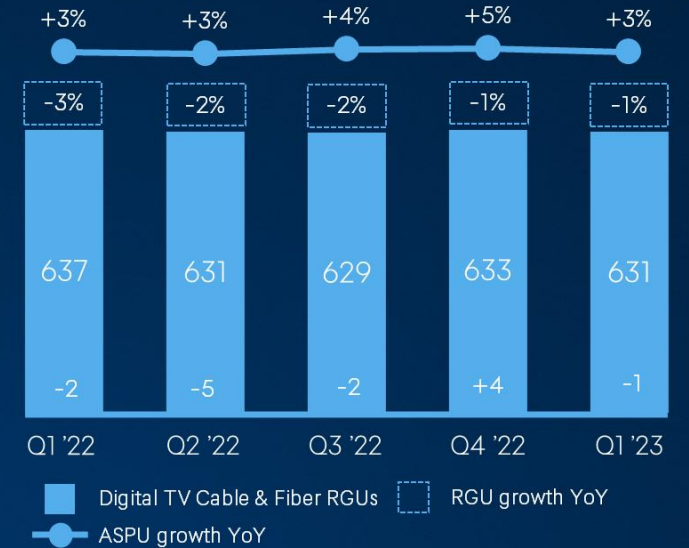
## Fixed broadband RGU & ASPU

Thousand QoQ and YoY growth %



## Digital TV Cable & Fiber RGU & ASPU

Thousand QoQ and YoY growth %



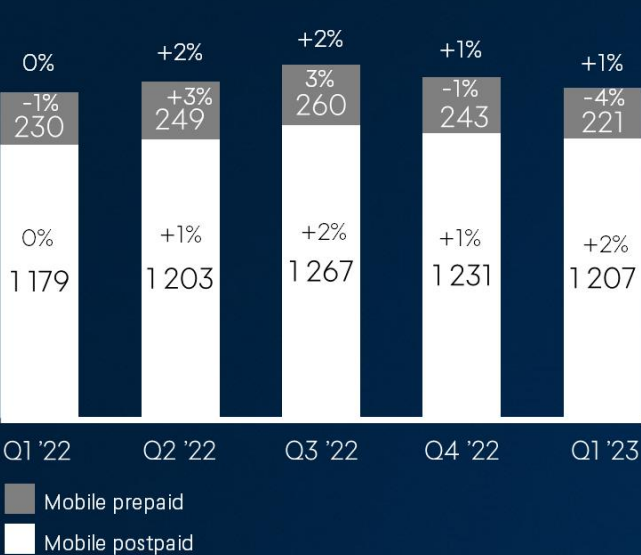
## Q1 highlights

- Mobile postpaid net intake of 4,000 RGUs driven by Comviq during a seasonally slow quarter
- Continued volume growth for Fixed broadband driven by FMC, whereas ASPU should be supported by price increases in the coming quarters
- Continued ASPU growth within Digital TV Cable & Fiber following the migration to packages with extended Viaplay content

# Sweden consumer: Growth across core services

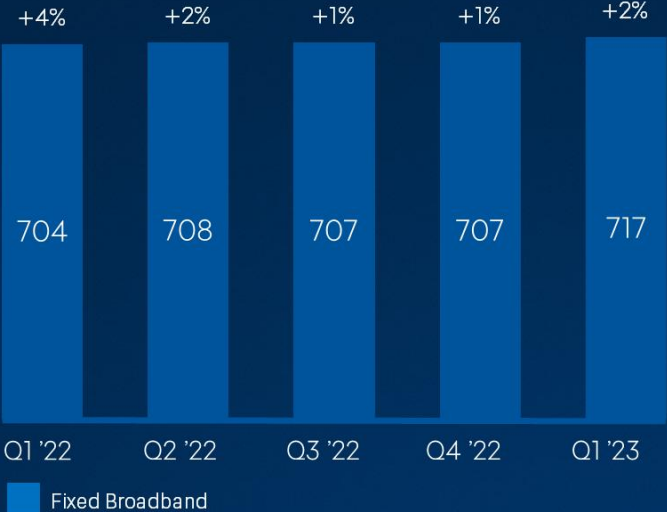
## Mobile EUSR

SEK million, YoY growth %



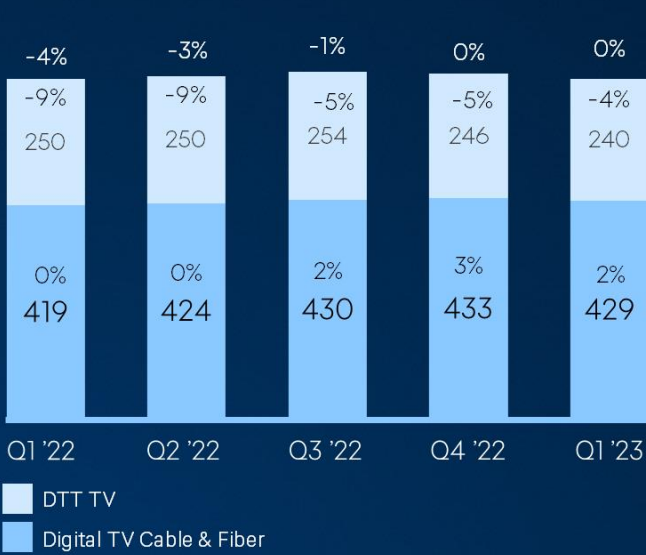
## Fixed broadband EUSR

SEK million, YoY growth %



## Digital TV EUSR

SEK million, YoY growth %



## Q1 highlights

- Mobile end-user service revenue grew slightly driven by postpaid, which more than offset the decline in prepaid due to the registration requirement
- Fixed broadband end-user service revenue increased 2% driven by volume growth
- End-user service revenue for Digital TV remained flat as growth in Digital TV Cable & Fiber was offset by a continued decline in the legacy business

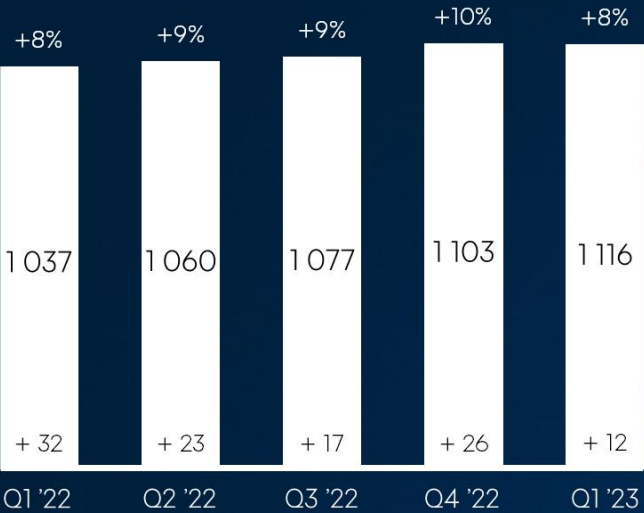




# Sweden business: Sustained topline growth

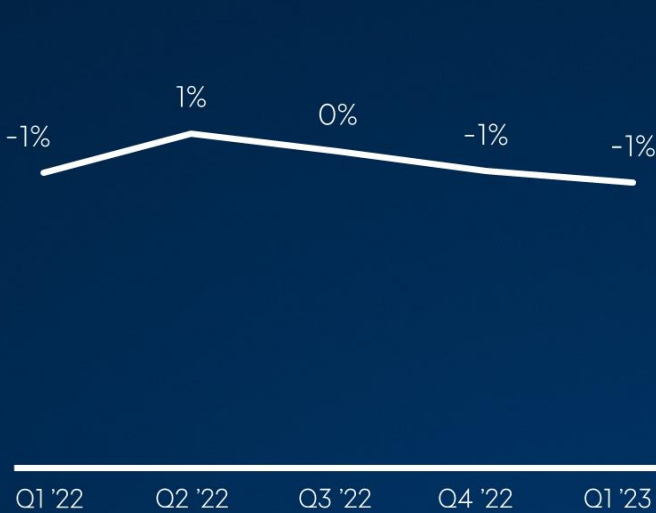
## Mobile RGU & net intake

Thousand QoQ and YoY growth %



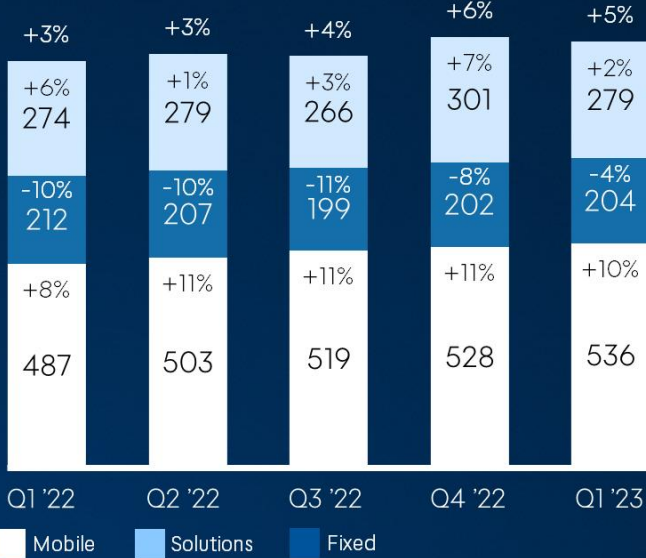
## Mobile ASPU

YoY growth %



## End-user service revenue

SEK million, YoY growth %



## Q1 highlights

- Continued strong and broad-based end-user service revenue growth of 5%. Adjusted for a one-off deal in Fixed, growth was 4%
- Net intake of 12,000 Mobile RGUs supported by growth in all segments. Mobile ASPU remained largely stable
- Solid solutions revenue development despite supply chain issues

# Sweden financials: Building for the future

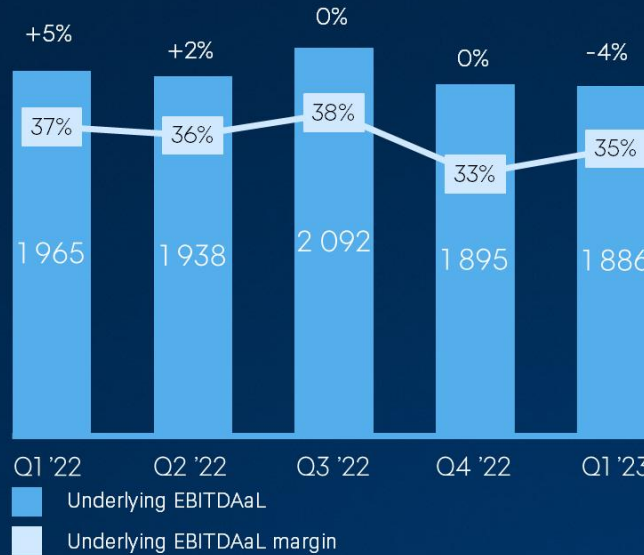
## End-user service revenue

SEK million, YoY growth %

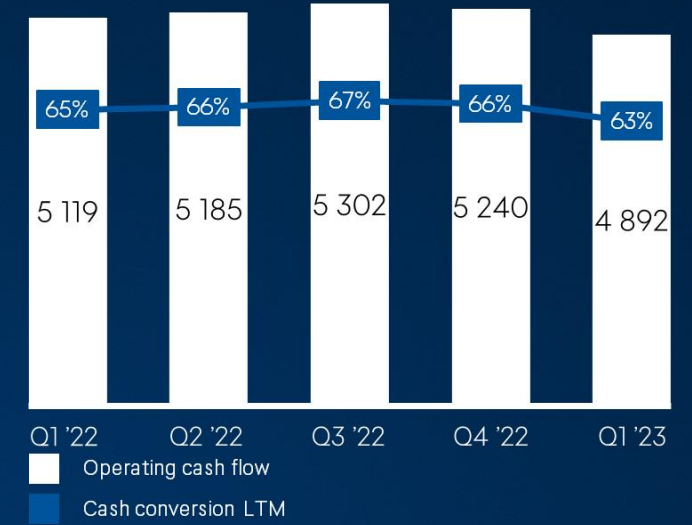


## Underlying EBITDAaL & margin

SEK million, YoY growth %



## Operating cash flow and cash conversion, LTM, SEK million



## Q1 highlights

- End-user service revenue grew by 1% driven by a strong performance in B2B and a stable development in B2C
- Underlying EBITDAaL declined by 4% as inflation and content costs exceed end-user service revenue and transformation benefits ahead of price increases
- Continued strong cash conversion of 63%, however impacted by capex runrate

Cash conversion = operating cash flow / underlying EBITDAaL



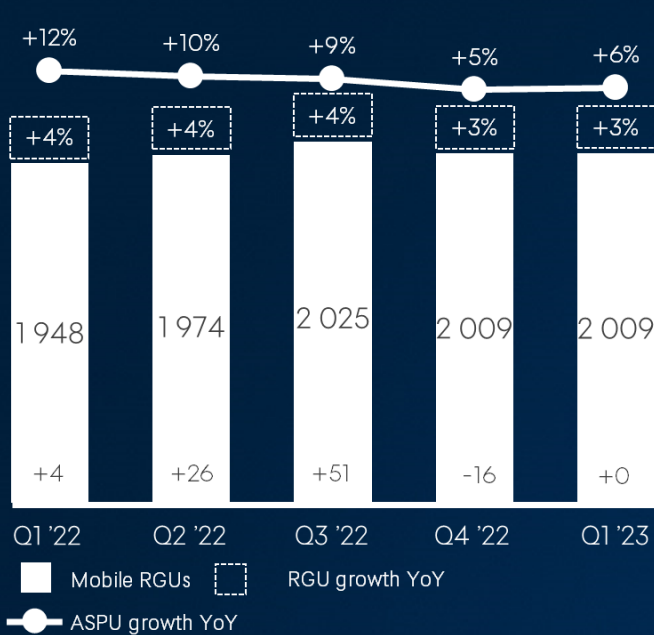
# BALTICS



# Baltics operational highlights: Strong ASPU growth

## Lithuania – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



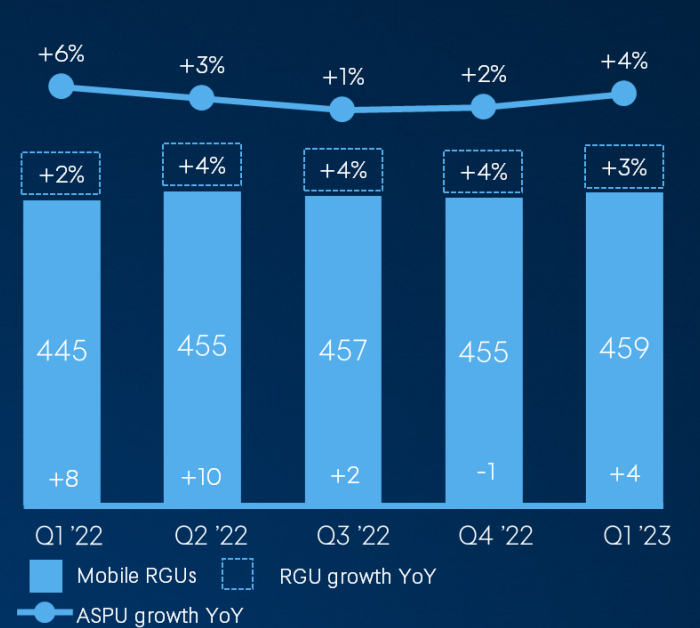
## Latvia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



## Estonia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



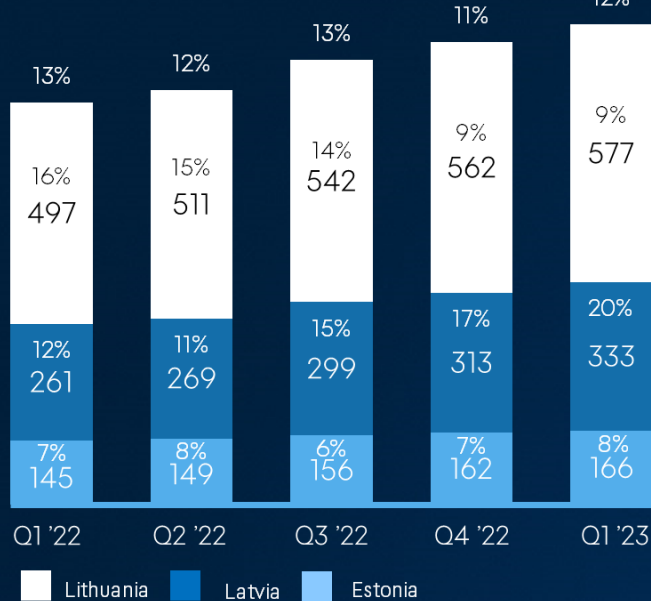
## Q1 highlights

- The mobile postpaid customer bases continued to increase across markets during the quarter, whereas the prepaid customer bases declined seasonally
- Continued strong blended organic ASPU growth of 9% driven by more-for-more strategy, price adjustments and to some extent prepaid to postpaid migration

# Baltics financials: Strong numbers across the board

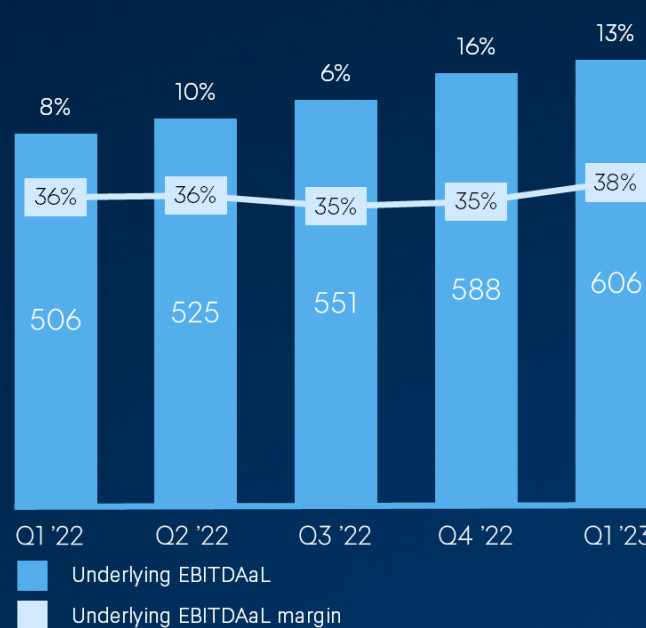
## End-user service revenue

SEK million, YoY growth %



## Underlying EBITDAaL & margin

SEK million, YoY growth %



## Operating cash flow and cash conversion, LTM, SEK million

SEK million



## Q1 highlights

- Continued strong end-user service revenue growth of 12% driven by both ASPU and volume growth in all markets
- Underlying EBITDAaL grew by 13% as higher service revenues and successful cost control outpaced increasing personnel costs and slightly increasing energy costs
- Continued strong cash conversion of 72% thanks to strong underlying EBITDAaL while impacted by significantly increasing capex runrate due to 5G rollouts

Organic growth rate  
Cash conversion = operating cash flow / underlying EBITDAaL



# FINANCIAL OVERVIEW

# Group results

SEK million		Q1 2023	Q1 2022
Revenue		7 009	6 744
Underlying EBITDA		2 853	2 798
Margin (%)		40,7%	41,5%
Items affecting comparability		-68	-46
D&A		-1 520	-1 520
Associated companies & JVs	1	0	1 671
Operating profit		1 264	2 903
Net interest and other financial items	2	-213	-231
Income tax		-201	-201
Net profit, continuing operations		850	2 471
Net profit, discontinued operations		-1	3
Net profit, total operations		849	2 474

## Comments

- 1 Associated companies and JVs decreased as a result of the divestment of T-Mobile Netherlands in 2022
- 2 Net interest and other financial items decreased somewhat as last year was impacted by FX losses from hedges related to the T-Mobile Netherlands transaction

# Group cash flow

SEK million		Q1 2023	Q1 2022
Underlying EBITDA		2 853	2 798
Items affecting comparability		-70	-45
Amortization of lease liabilities		-386	-382
Capex paid	1	-926	-753
Changes in working capital	2	58	-224
Net financial items paid		-191	-108
Taxes paid	3	-254	-389
Other cash items		36	14
Equity free cash flow, continuing operations		1 119	910
Equity free cash flow, discontinued operations		0	0
Equity free cash flow, total operations		1 119	910
Continuing operations			
Equity free cash flow LTM	4	3 670	5 876
Equity free cash flow LTM / share (SEK)		5.3	8.5

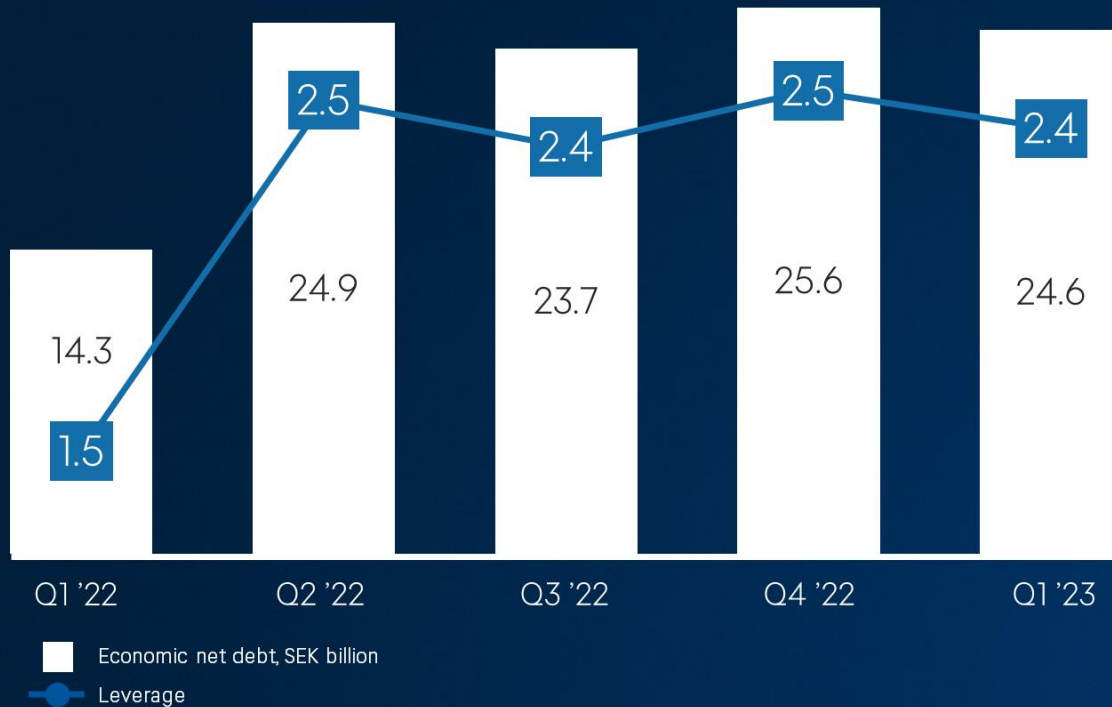
## Comments

- 1 Capex paid increased due to higher network investments
- 2 Changes in working capital this year was positively impacted by lower inventory levels
- 3 Taxes paid declined as last year was negatively impacted by timing of final tax payments relating to 2020
- 4 Equity free cash flow over the last twelve months amounted to SEK 3.7 billion, equivalent to SEK 5.3 per share



# Leverage at 2.4x

## Economic net debt to underlying EBITDAaL LTM



## Comments

- Economic net debt decreased by SEK 1.1 billion compared to year-end 2022
- Leverage of 2.4x is below the target range of 2.5-3.0x ahead of the proposed first tranche of the ordinary dividend. Adjusted for this, leverage would have been 2.7x
- Proposed ordinary dividend of SEK 6.80 (6.75) per share (SEK 4.7bn) to be paid in two tranches of SEK 3.40, in May and October 2023

# Business Transformation Program update

	Realized in Q1 2023	Annualized run-rate Q1 2023	Annualized run-rate target H1 2023
Opex Reduction <i>SEK million</i>	215	925	>1 000

## Comments

- Continued optimizations within networks and legacy IT in Q1 2023
- Annualized runrate at end of Q1 2023 SEK 925 million (SEK 825m at the end of 2022)
- Savings of 215 million realized in Q1 2023 with SEK 75 million net effect on underlying EBITDAaL growth (SEK 140 million realized in Q1 2022)
- Target of at least SEK 1 bn in annual run-rate by the end of H1 2023

# Key priorities going forward

## **Growth**

Keep profitable growth momentum in the business during time of turmoil

## **Continued investments in network infrastructure**

Rollout of real 5G and Remote-Phy

## **Efficiency**

Reach targeted transformation savings, all main brands on the same platform, improve working capital

## **Superior customer experience**

Focus on the digital customer journey ahead

## **Sustainability commitment**

Continue to expand our circular economy solutions to meet customer demands



