

Telio Holding ASA

# Q2 2014 Presentation

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21 August 2014

# Telio Group

## 416,600 customers in total

(Customer figures last updated as per Q2/14)



192,000 consumers

- VoIP 166,000
- Mobile 21,300
- Broadband 4,700

22,500 business lines

- VoIP 13,200
- Mobile 9,300

182,300 consumers

- Broadband 139,800
- VoIP 20,700
- IPTV 10,800
- Mobile Broadband 3,100
- Mobile 7,900

19,800 business lines

- Business Internet
- IP VPN
- Layer 2 Ethernet
- Voice & UC

# Agenda Q2 2014

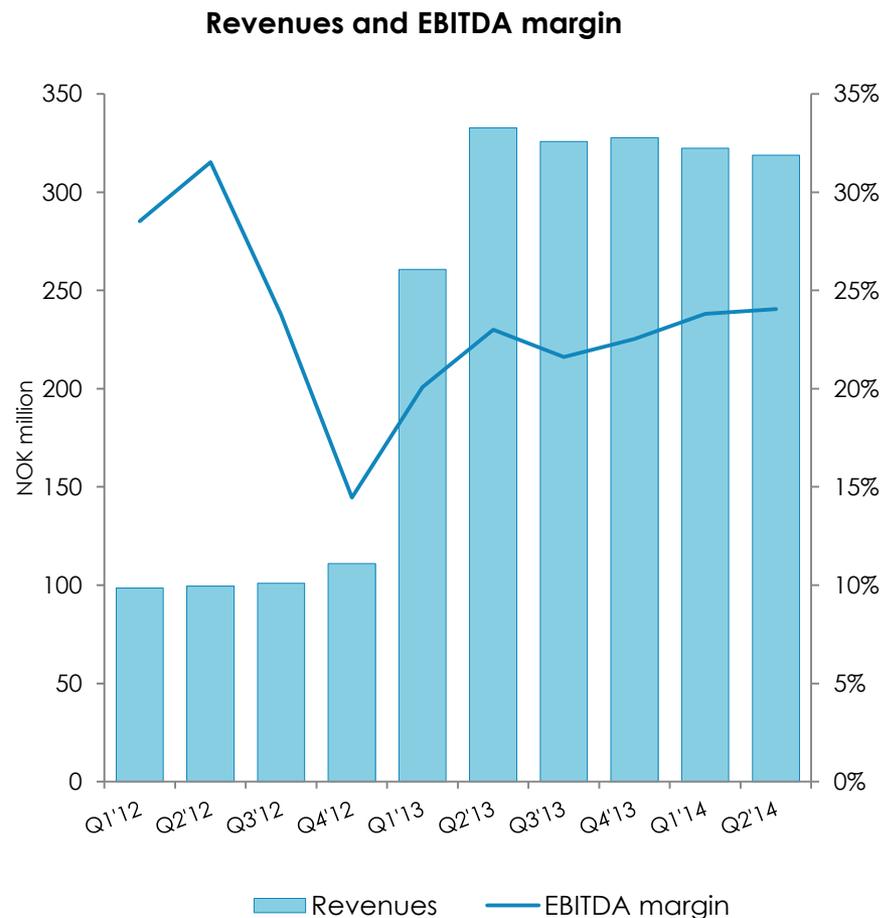
- Q2 highlights and financials
  - Group
  - Telio
  - NextGenTel
- Market segments
  - Telio
  - NextGenTel
- Key financial targets
- Summary and Q&A

A close-up photograph of a business meeting. Several people in dark suits are gathered around a table, looking at and pointing to various financial documents. The documents feature line graphs and tables of data. A silver pen is held by one of the participants. A blue speech bubble is overlaid on the left side of the image, containing the text 'Telio Group Financials'.

Telio  
Group  
Financials

# Q2 2014: Highlights

- **Telio**
  - EBITDA of NOK 28.1 million
- **NextGenTel**
  - EBITDA of NOK 49.4 million
- **Group**
  - Revenues NOK 318.9 million
  - EBITDA NOK 76.7 million <sup>1)</sup>
  - EBIT NOK 46.4 million <sup>1)</sup>
  - Dividend of NOK 2 per share paid in May



1) Adjusted for non-recurring items and amortization of excess values related to the acquisition of NextGenTel AS

# Key figures for the period

- Decline in revenues due to net reduction in customer base and decline in ARPU levels
- EBITDA of NOK 76.7 million
- YTD EBT affected by non-recurring items related to debt refinancing in Q1
  - Will be offset by reduced financial expenses going forward
- Working capital negatively affected
  - Termination of factoring agreement in connection with replacement of invoicing partner (positive P&L effects going forward)
  - Reduced accounts payable (some major vendor payments in Q2)
- Cash after dividend
  - NOK 46 million in dividend paid in May
  - **NOK 51 million in cash** at quarter-end (excluding NOK 75 million in unused overdraft facility)
  - NIBD of NOK 206 million

NOK million	Q2'14	Q2'13	H1'14	H1'13	FY'13
Total revenues	<b>318.9</b>	332.8	<b>641.3</b>	593.5	1,247.0
EBITDA	<b>76.7</b>	76.6	<b>153.4</b>	128.9	273.2
Profit before tax	<b>33.1</b>	21.0	<b>26.1</b>	33.4	60.3
Net profit	<b>24.4</b>	17.8	<b>20.9</b>	26.8	57.5
Gross margin	<b>52.3%</b>	53.7%	<b>52.6%</b>	53.8%	53.5%
EBITDA margin	<b>24.1%</b>	23.0%	<b>23.9%</b>	21.7%	21.9%
Net cash flow operations	<b>39.6</b>	44.3	<b>68.6</b>	116.2	215.7
Change in net WC	<b>(32.8)</b>	(17.1)	<b>(44.1)</b>	12.1	58.0
CAPEX	<b>27.0</b>	15.7	<b>57.6</b>	31.5	82.1
FCF	<b>17.8</b>	28.6	<b>16.2</b>	84.7	133.6
EPS (fully diluted)	<b>1.05</b>	0.77	<b>0.90</b>	1.19	2.50
FCFPS (fully diluted)	<b>0.77</b>	1.23	<b>0.70</b>	3.75	5.82
Equity ratio			<b>16.9%</b>	12.3%	15.4%
NIBD			<b>206</b>	308	257

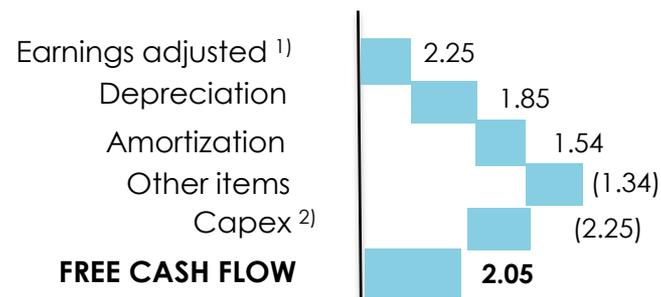
2013 figures include NextGenTel from February  
EBITDA adjusted for non-recurring items

# Cash flow break-down H1 2014

NOK million



NOK per share



- Comment:
  - The negative effect from termination of factoring agreement is estimated to NOK 1 per share
  - Normalized annual free cash flow per share is estimated at around NOK 6 per share

## Notes:

<sup>1)</sup> Earnings adjusted for non-recurring cash items related to debt refinancing in Q1 2014 (NOK 31.5 million)

<sup>2)</sup> Net of capex financed through financial lease

# Telio Financials

# Telio

## Financials – P&L

NOK million	Q2 2014	Q2 2013
Total revenue	<b>104.7</b>	113.7
Gross profit	<b>58.8</b>	65.0
Gross margin	<b>56%</b>	57%
Total opex *)	<b>(30.7)</b>	(30.5)
EBITDA *)	<b>28.1</b>	34.5
D&A	<b>(5.6)</b>	(4.6)
EBIT *)	<b>22.5</b>	29.9
CAPEX	<b>6.4</b>	5.6

- Decline in revenues due to net reduction in customer base and decline in ARPU levels
- Increase in mobile customer base
- Stable gross margin

\*) Adjusted for non-recurring items



# NextGenTel Financials

# NextGenTel Financials – P&L

NOK million	Q2 2014	Q2 2013
Total revenue	<b>223</b>	223
Gross profit	<b>109</b>	114
Gross margin	<b>49%</b>	51%
Salaries/personnel	<b>(38)</b>	(47)
Other opex	<b>(21)</b>	(25)
EBITDA	<b>50</b>	42
D&A	<b>(25)</b>	(29)
EBIT	<b>25</b>	13
CAPEX	<b>20</b>	11

- 7,900 mobile subscribers as of end Q2
- Lower opex level due to actions taken to improve profitability and restructuring
- Significantly higher EBIT due to lower cost and effects from restructuring
- Capex low in Q2 2013 (“on hold” after acquisition)

Note: Figures do not include any effect of the expected reduction in the LLUB cost. Decision pending with the Ministry of Transportation and Communication to approve the proposed NOK 10 reduction per line per month. If approved, this will have a positive effect of NOK 1.3 million monthly from 1 March 2014.

# Key financial targets NextGenTel

Key figures	Actual H1 2014	Target 2014	Revised target 2014	Target 2015
Revenues	<b>447</b>	898	-	895
EBITDA	<b>103</b>	205	-	219
Capex	<b>2</b> 45	<b>1</b> 87	102	70
Capex/sales	<b>10%</b>	10%	11%	8%

- Capex target overrun expected in Q3/Q4:
  - The acquisition of Bofiber customers
  - Implementation of Business Support System (scope expanded)
  - Increased replacement of customer equipment due to extreme weather
  - Start-up to replace TV platform

**1** Increase due to implementation of new business support systems (non-recurring)

**2** Capex do not have a linear development

A close-up photograph of a business meeting. Several people in suits are gathered around a table, looking at and pointing to various documents and charts. The documents feature line graphs and data tables. A blue speech bubble is overlaid on the left side of the image, containing the text 'Telio Market Segments'.

Telio  
Market  
Segments

# Norway

- **Status customer base**

- 74,000 VoIP customers (lines)
- 41,000 mobile customers
  - Net increase of 14,500 subscribers YoY (incl 9,900 mobile wholesale subscriptions from NextGenTel)
- 10,000 Teliophone customers
- 4,700 ADSL customers

- **Total 130,000 RGUs** (revenue generating units)

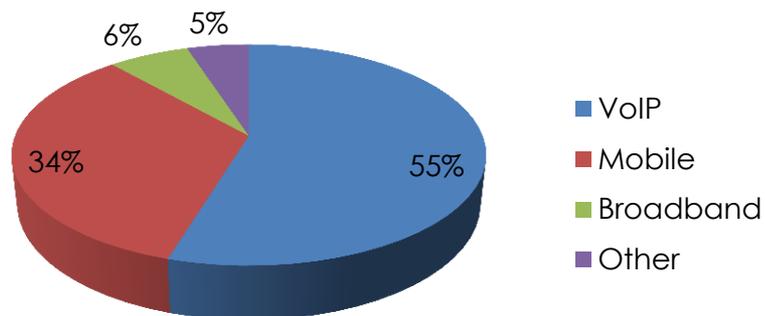
- **Focus on profitability**

NOK millions	Q2'14	Q2'13	H1'14	H1'13	FY'13
Total revenue	<b>81.0</b>	86.7	<b>162.0</b>	174.4	341.2
Gross profit	<b>45.0</b>	50.7	<b>89.7</b>	101.1	200.0
Gross margin	<b>56%</b>	58%	<b>55%</b>	58%	59%

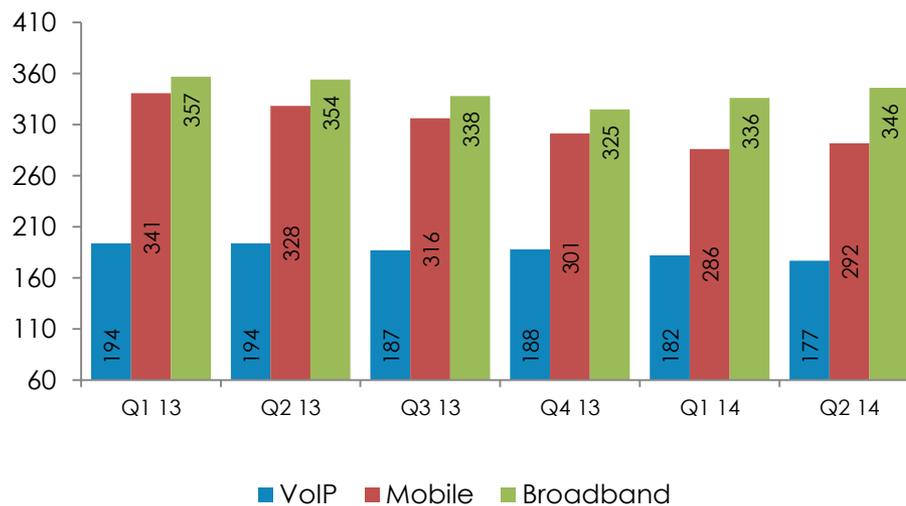


# Norway

## Revenue mix by product H1 2014



## ARPU (NOK) by product

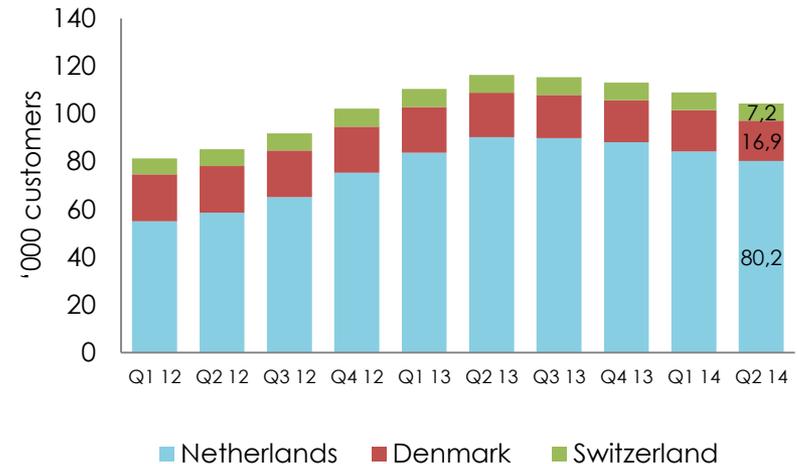


# International markets

- Telio brand (DK and CH)
  - Primary focus to maintain customer base and profitability
  
- White label
  - KPN to migrate all customers to in-house platforms by Q1/Q2 2015(ref. stock exchange notice 4 July 2014)
  - M7
    - Small scale inflow of customers from July (new sales)
    - Migration of customer base to Telio expected completed during Q4

NOK million	Q2'14	Q2'13	H1'14	H1'13	FY'13
Total revenue	<b>22.9</b>	27.0	<b>49.0</b>	52.5	105.2
Gross profit	<b>12.4</b>	14.3	<b>27.1</b>	27.0	56.0
Gross margin	<b>54%</b>	53%	<b>55%</b>	51%	53%

Customer development int'l markets

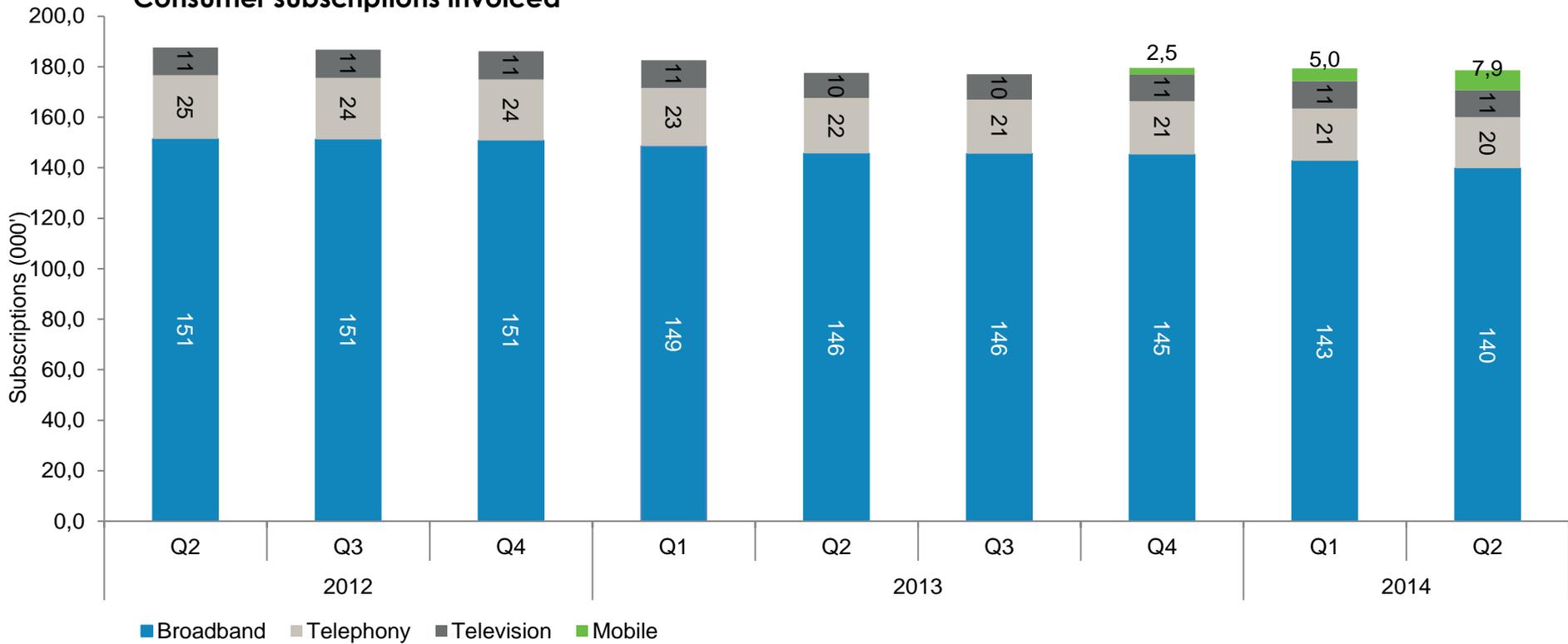




NextGenTel  
Consumer

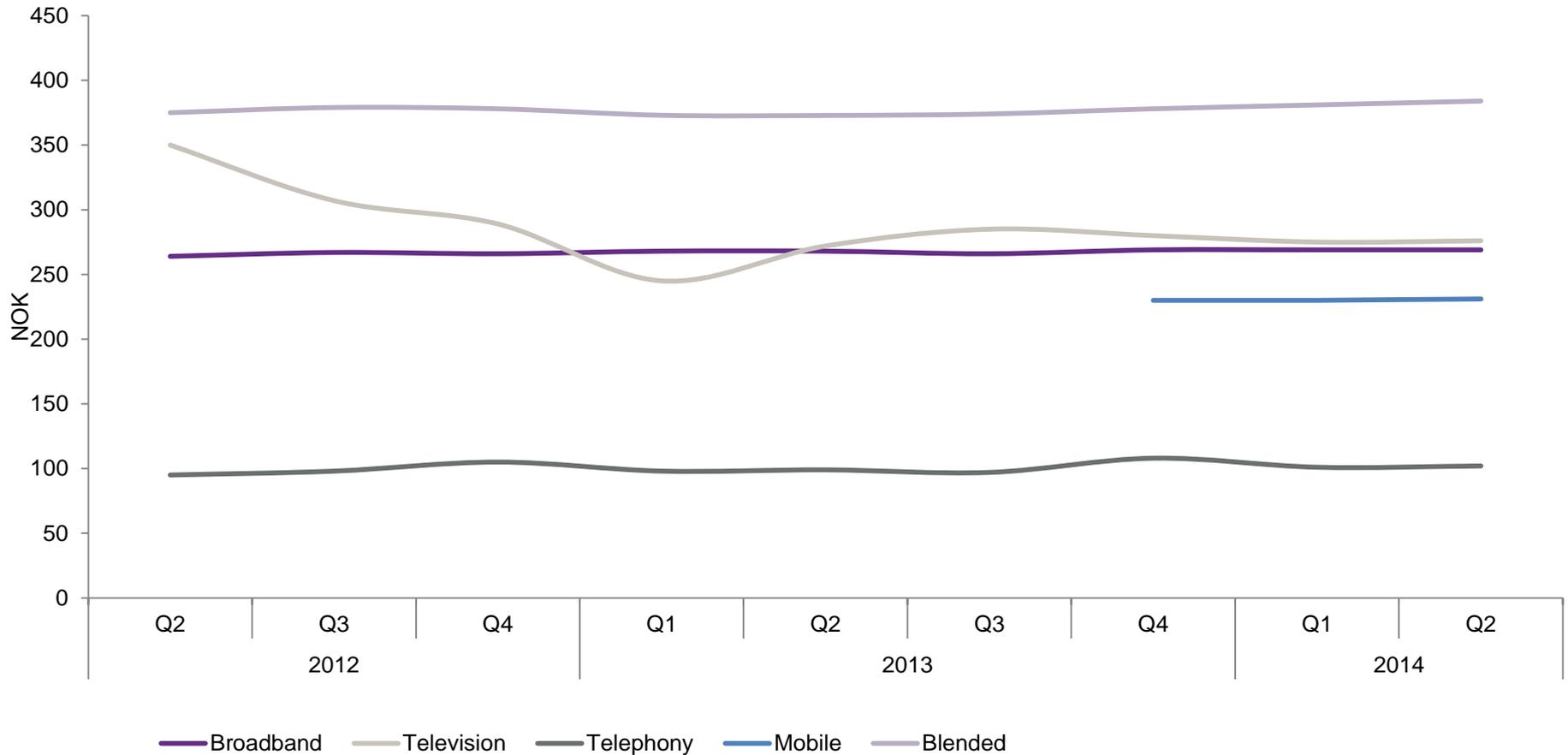
# Customer base

Consumer subscriptions invoiced



Stabilizing broadband, IP-telephony and IPTV customer base through lowered churn

# Consumer ARPU

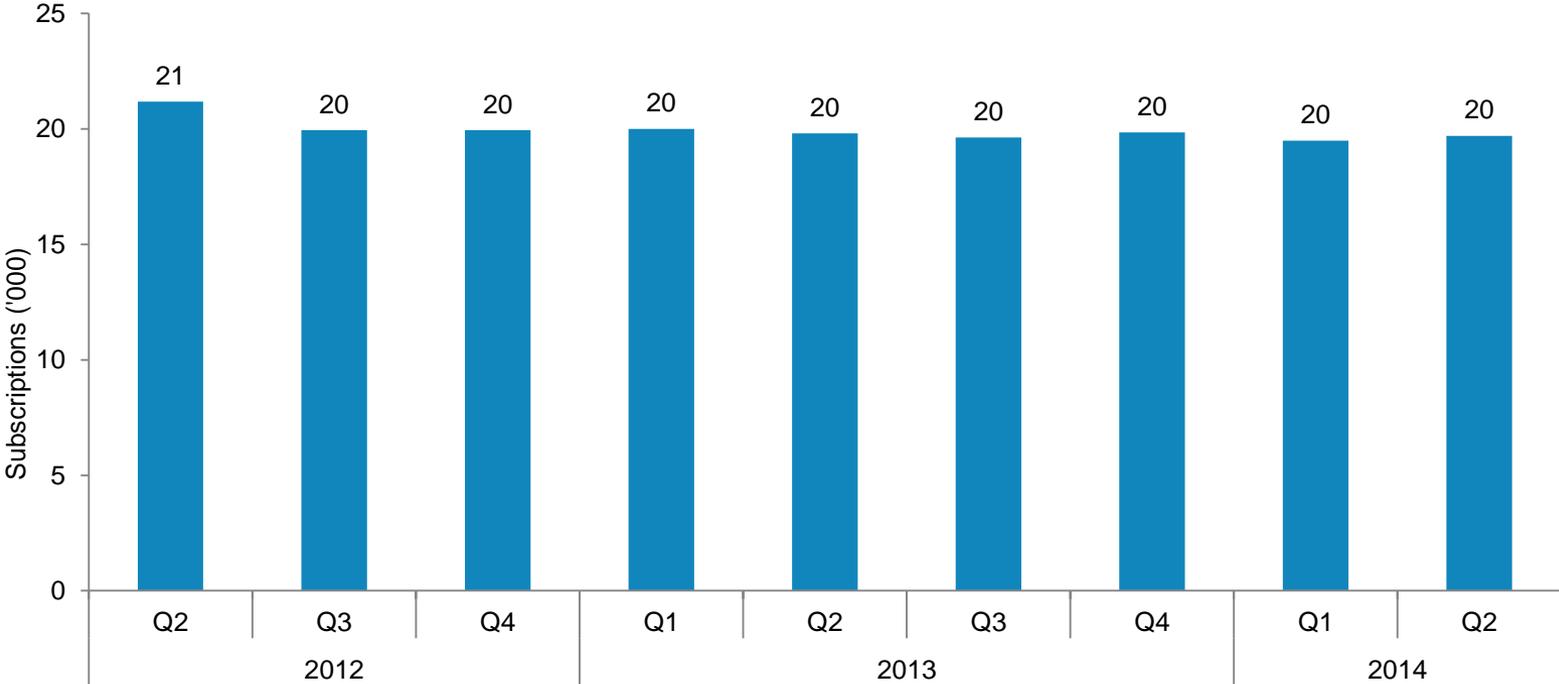




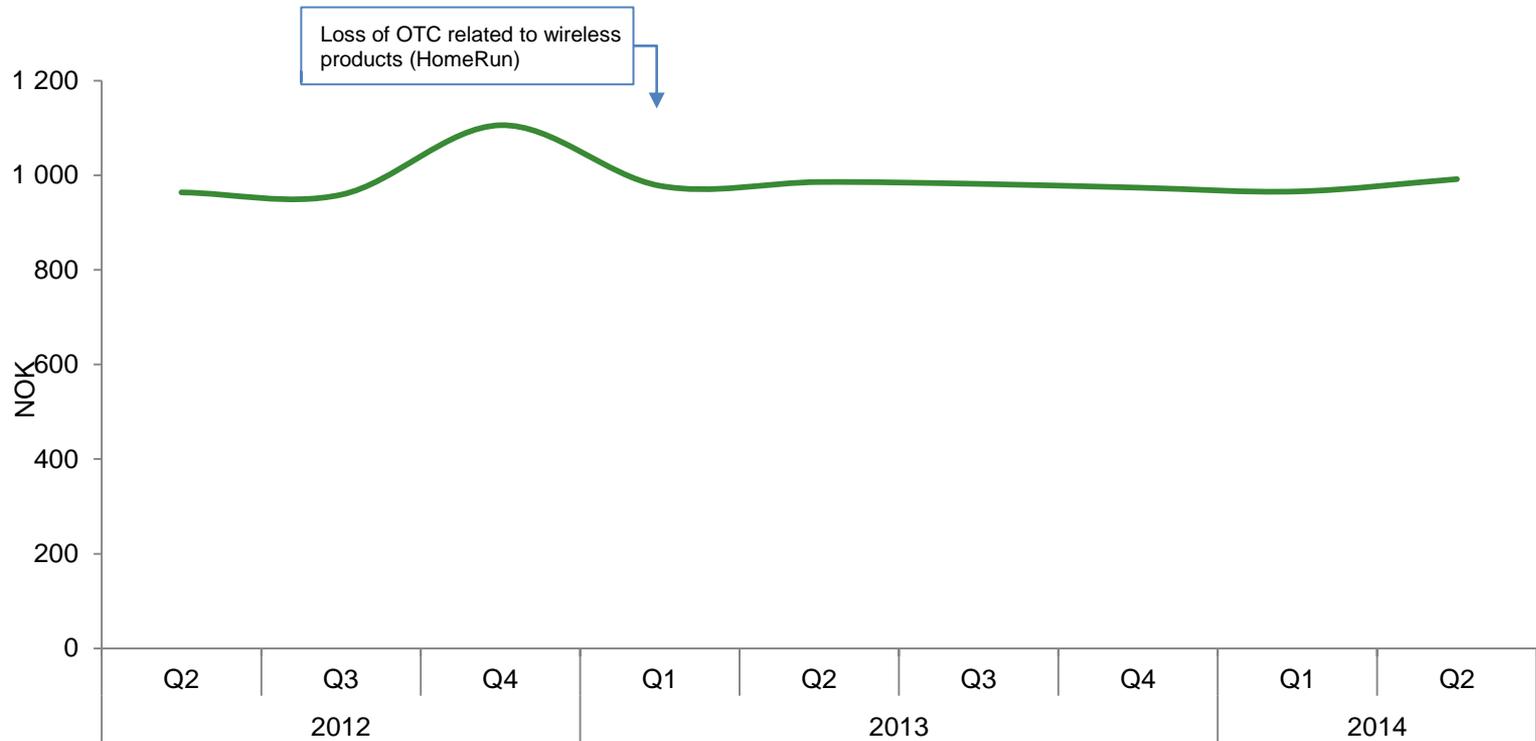
# NextGenTel Corporate

# Stable Corporate subscription base

Corporate subscriptions invoiced



# Stable Corporate ARPU



# Telio Group: Key financial targets

Key figures	Actual H1 2014	Target 2014	Revised target 2014	Target 2015
Revenues	<b>641</b>	1,300	-	1,356
EBITDA	<b>153</b>	300	-	339
Capex	<sup>1</sup> <b>57</b>	105	120	90
Capex/sales	<b>9.0%</b>	8%	9.2%	7%

- Capex target overrun expected in Q3/Q4:
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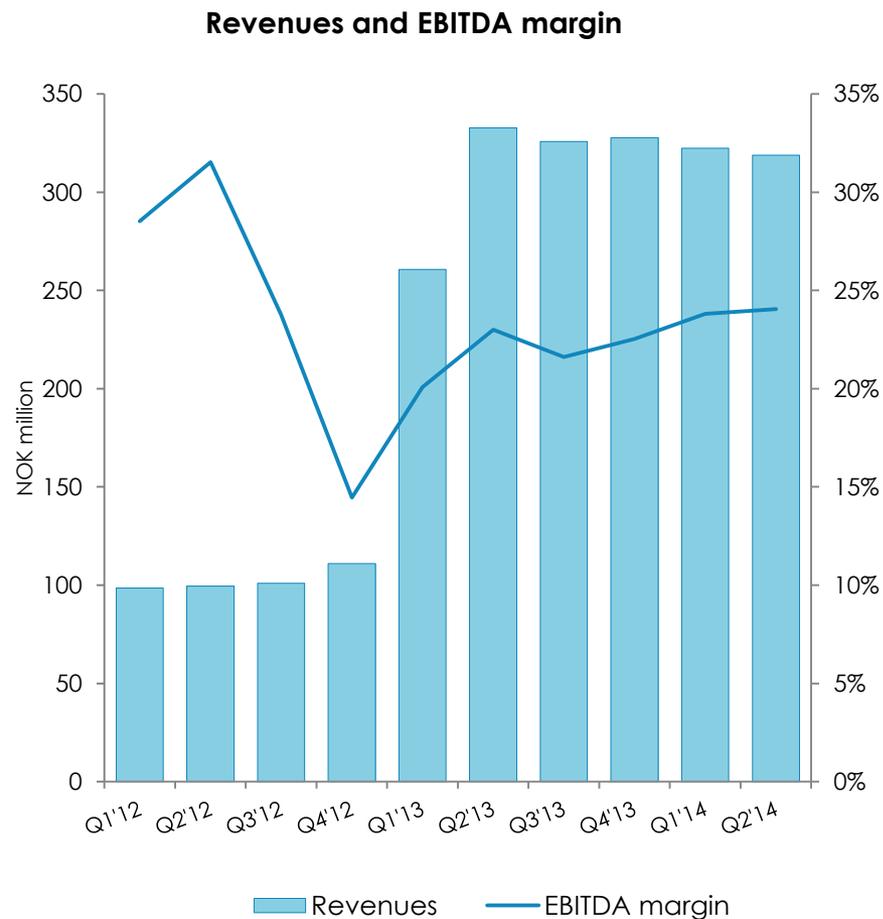
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Summary

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<sup>1)</sup> Adjusted for non-recurring items and amortization of excess values related to the acquisition of NextGenTel AS

A close-up photograph of a laptop keyboard. The keys are dark grey or black with white lettering. A bright blue speech bubble is overlaid on the left side of the keyboard, containing the text "Thank you!". The background is slightly blurred, showing the laptop's trackpad and the edge of the screen.

Thank  
you!

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