



# 2017 Q4 results

Strong finish to 2017, accelerating into 2018

Mauricio Ramos, CEO

Tim Pennington, CFO

February 7, 2018

Millicom International Cellular S.A.

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## 1. CEO review

Mauricio Ramos

Strong finish to 2017, accelerating into 2018

**1**

**Well into our strategic journey**

**2**

**A record year for network build and customer growth**

**3**

**Back to growth and financial performance accelerating**

**4**

**Delivering on our promise of improving capital allocation**

# 1 Our journey... big picture

We have been transforming the company in *many ways*

**FROM**

**TO**

Mobile-only  
Voice + SMS  
Prepaid

**STRATEGY**

Cable + convergence  
High-speed data (4G)  
Subscription-driven  
Compliance leader  
Purpose driven

Legacy network  
Analog  
Legacy IT

**NETWORK**

State-of-the-Art (4G, HFC)  
Digital  
OTT like

Product &  
Sales Driven

**CUSTOMER**

Customer Centric

No Geographic Focus

**CAPITAL  
ALLOCATION**

High-speed data networks  
IT transformation  
Latam-only

Deteriorating margins  
Dividend at risk  
Negative eFCF

**RETURNS**

Improving margins  
Dividend covered  
Positive eFCF

# 1 We have a single strategic purpose

Building *digital highways* that connect people,  
improve lives, develop communities

By year-end 2018:

**10M homes** will be covered by our fixed network

**10M mobile** customers will enjoy 4G speeds

Technology has the potential, and we the responsibility to  
transform societal problems  
into *societal good*

# 1 We are a purpose-driven company



## Child Rights

*Protecting young digital citizens*

- UNICEF - MoU
- COP: +188,000 children
- M-Birth: +2m children



## Great Place to Work

*Taking care of employees*

- Top 20 in GPTW Latam



## Diversity

*Gender equality and women in tech*

- Connected Women
- +24k women trained
- 33% women in senior roles



## Sustainable Supply Chain

*Enhancing suppliers' standards*

- +100 suppliers trained on CSR including ABAC
- Suppliers' sustainability criteria for hiring



## Compliance

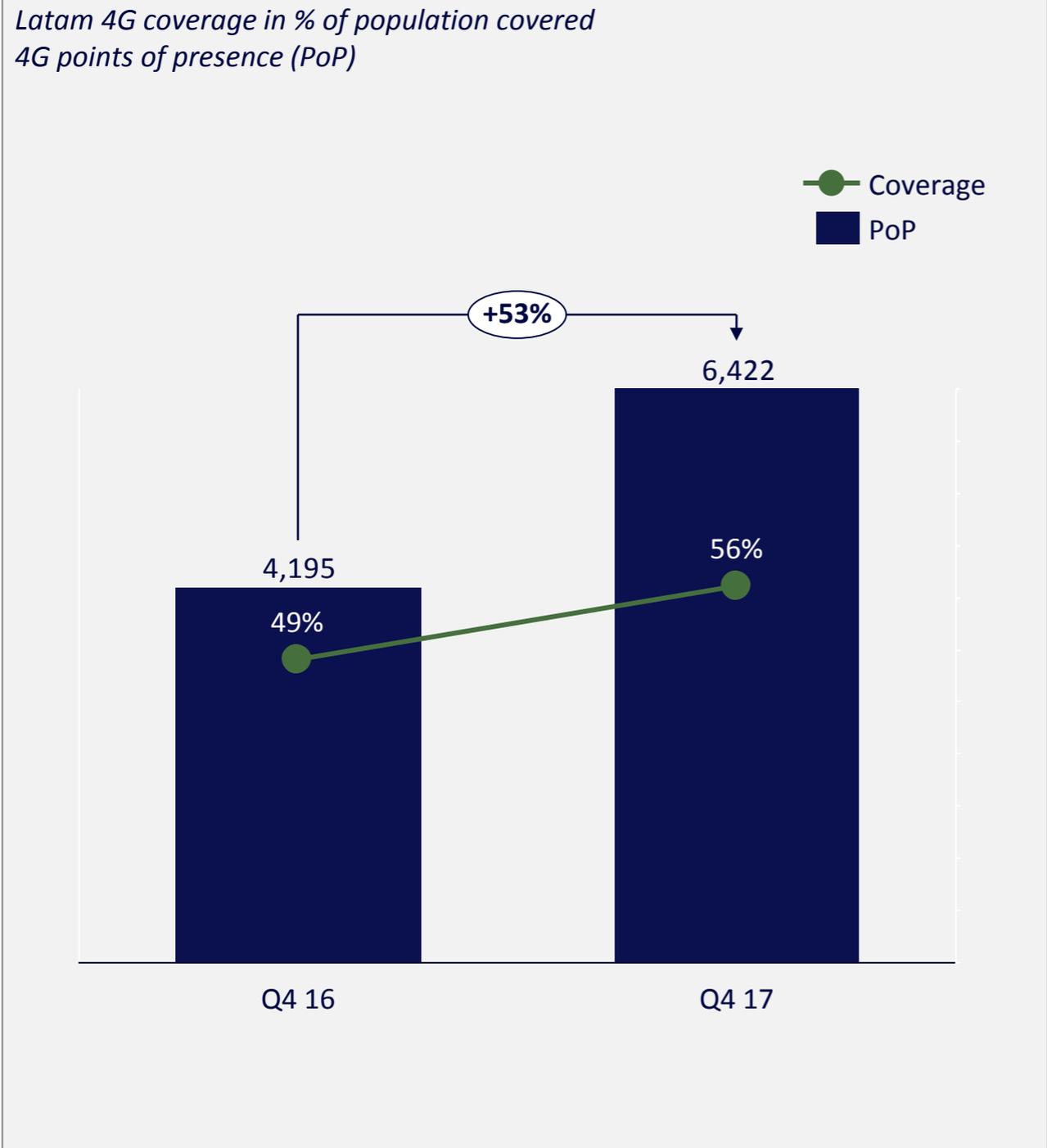
*Doing business the right way*

- Internal policies enhanced
- 96% employees trained

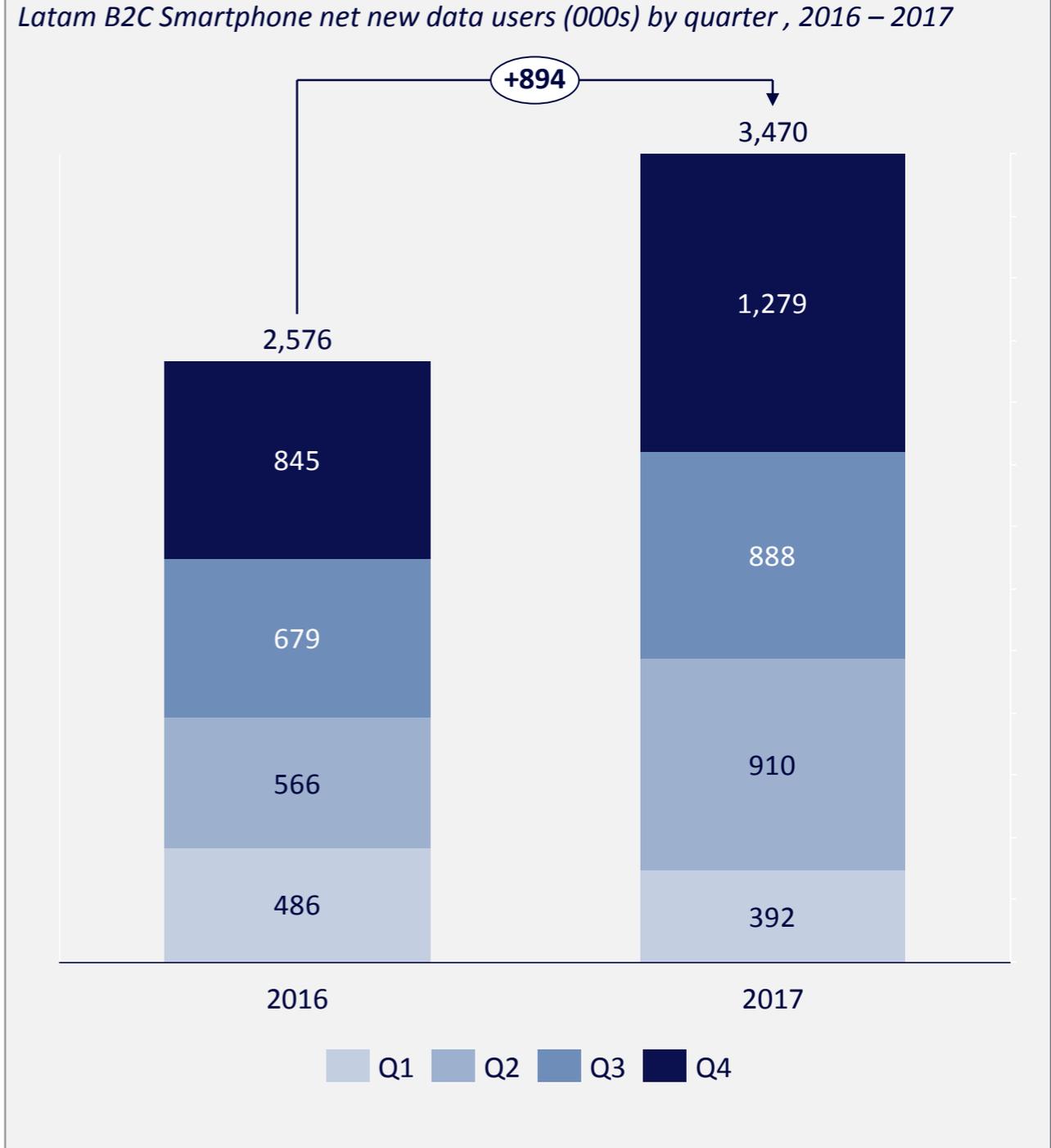
# 2 B2C Mobile - Record 3.5m 4G net adds in Latam

Added 3.5m 4G customers comfortably beating our 3 million target and ending with a record Q4

## 4G network coverage expansion continues



## Record 4G data user net additions in Q4 and 2017

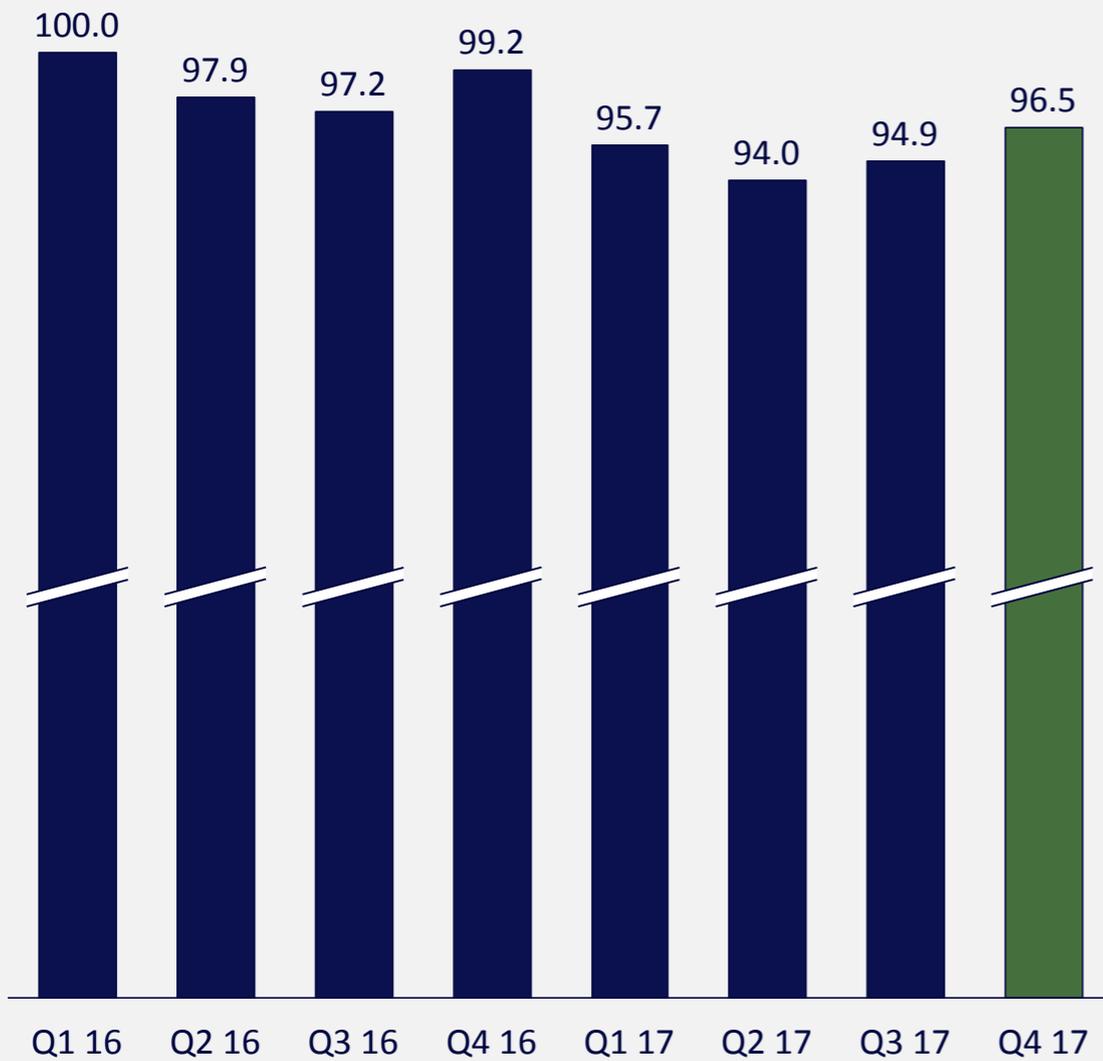


# 2 Our mobile business is back to growth

ARPU trends improved and revenue growth turned positive in Q4

## Latam B2C mobile ARPU evolution

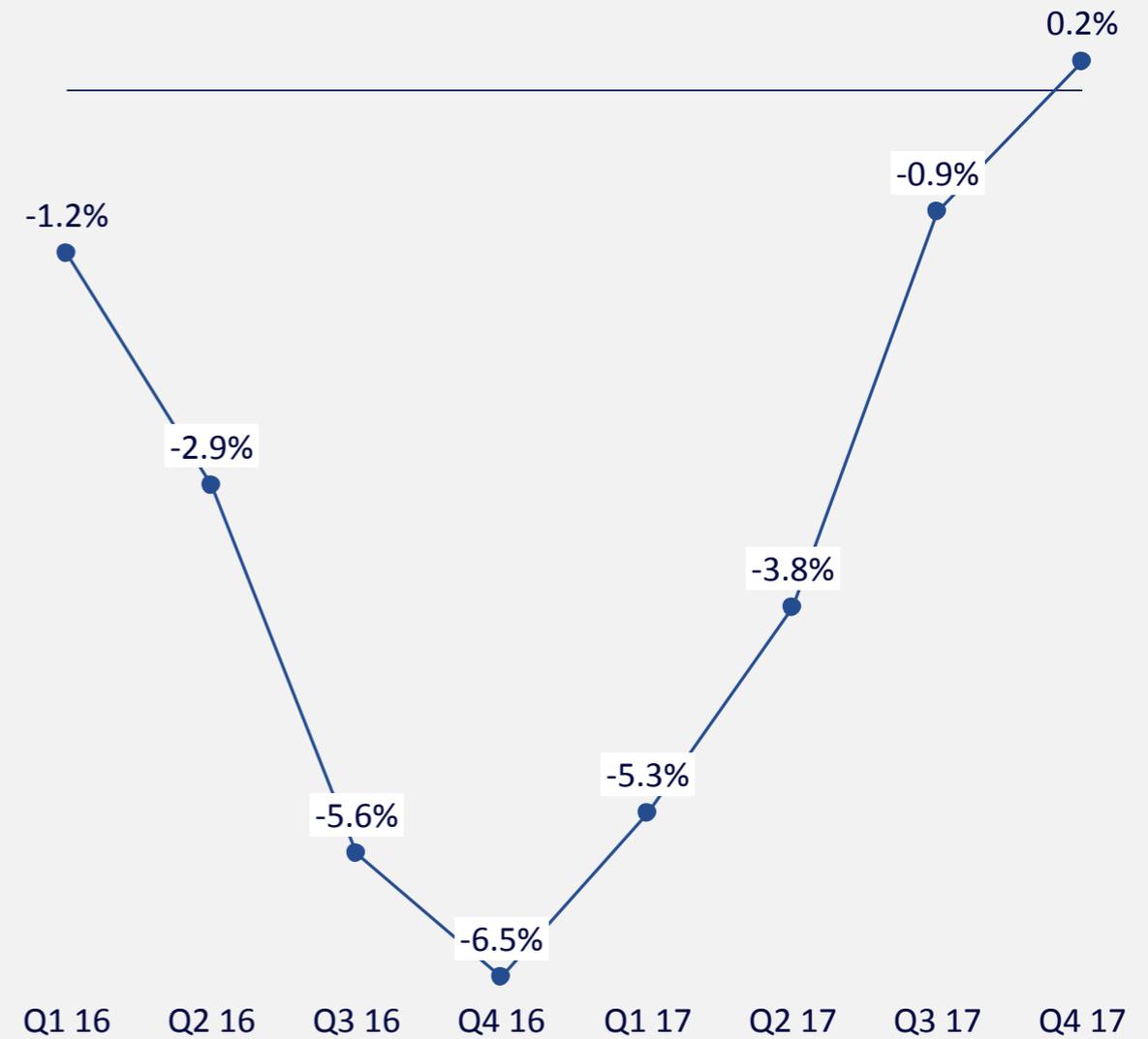
Constant currency blended ARPU (Q1 16 = 100 basis), Q1 16- Q4 17



ARPU: recurring revenue excluding MVNO/DVNO revenue and other national roaming revenue on subscribers

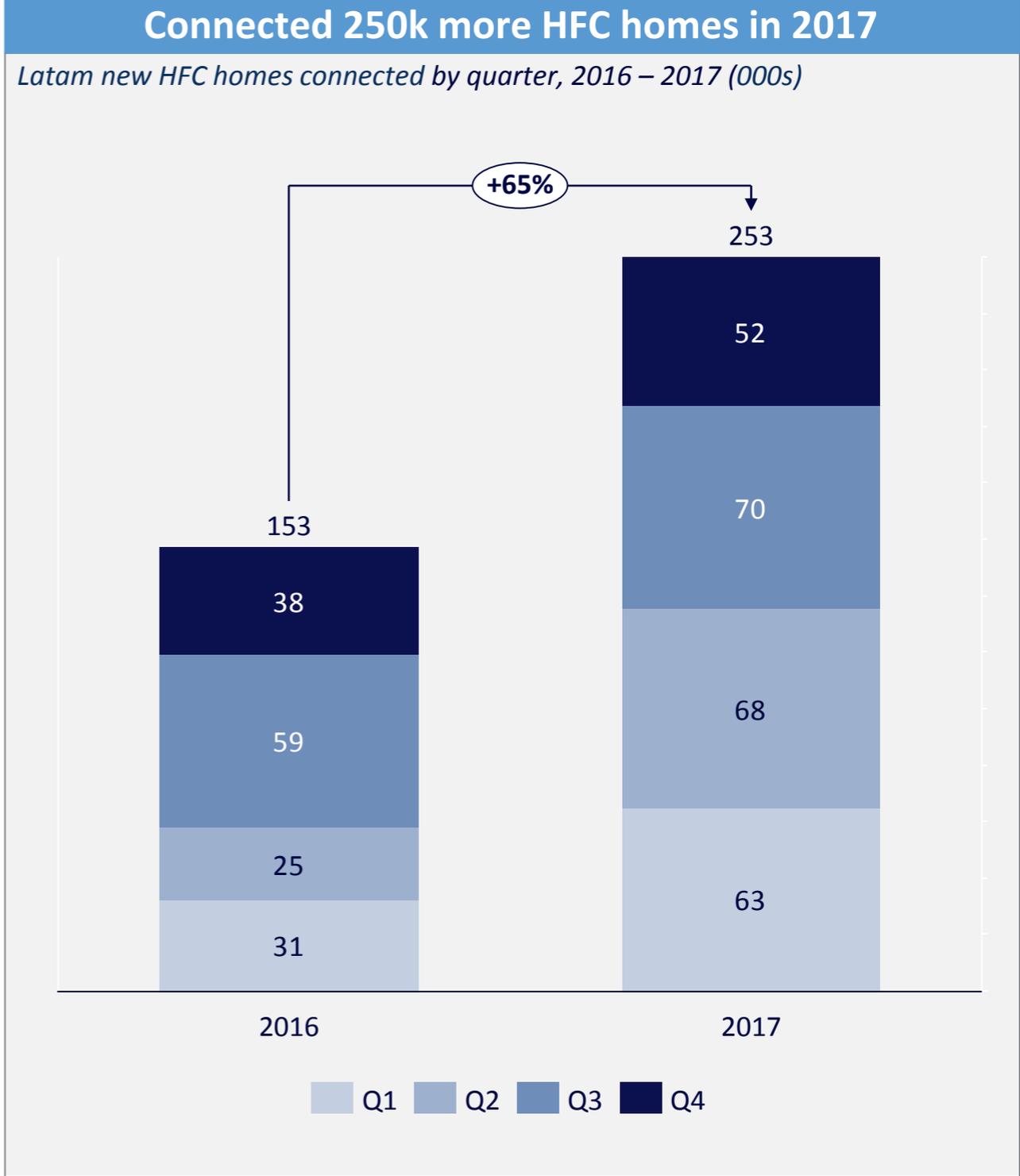
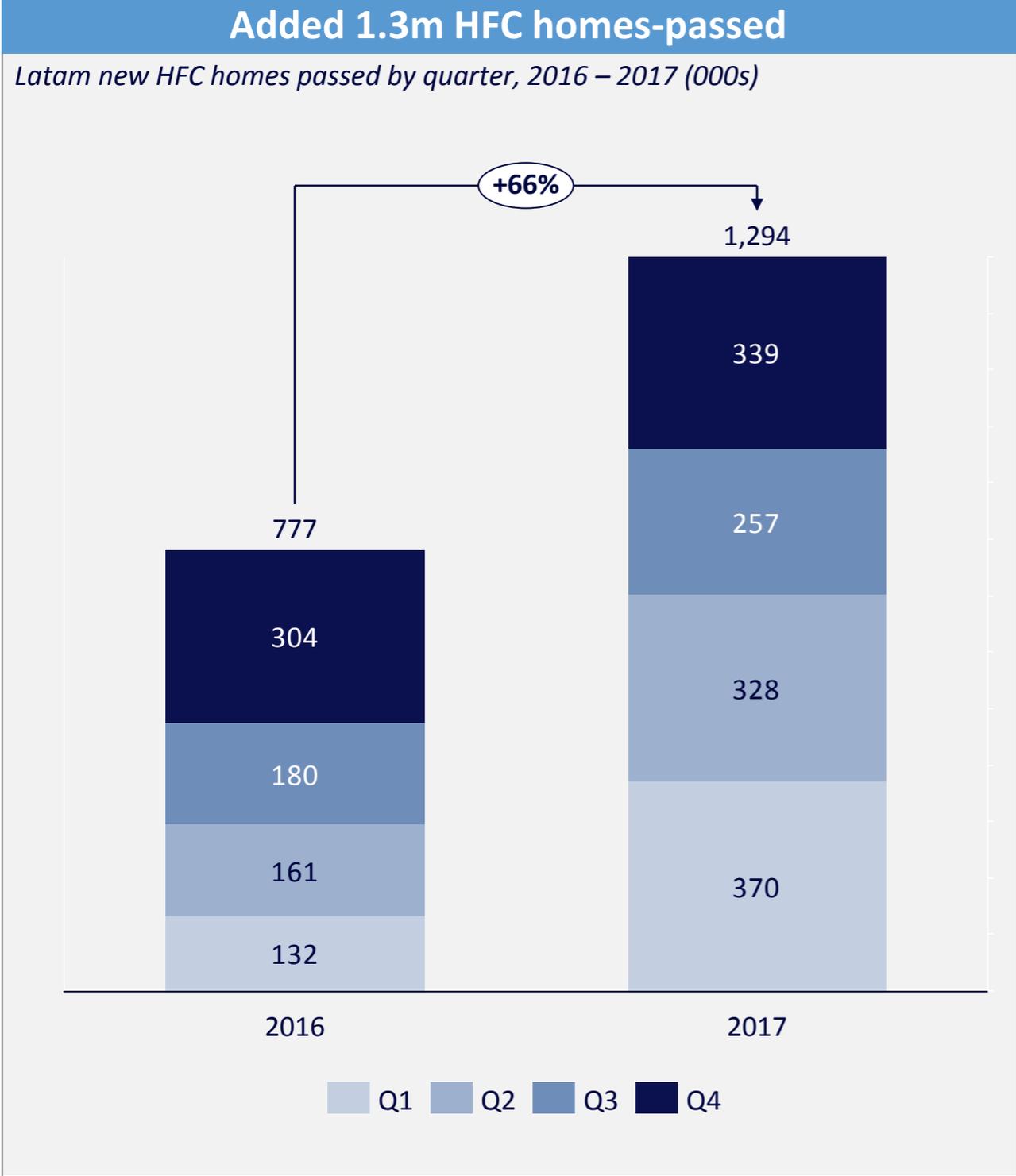
## B2C mobile service revenue growth

Latam % growth in local currency, Q1 16- Q4 17



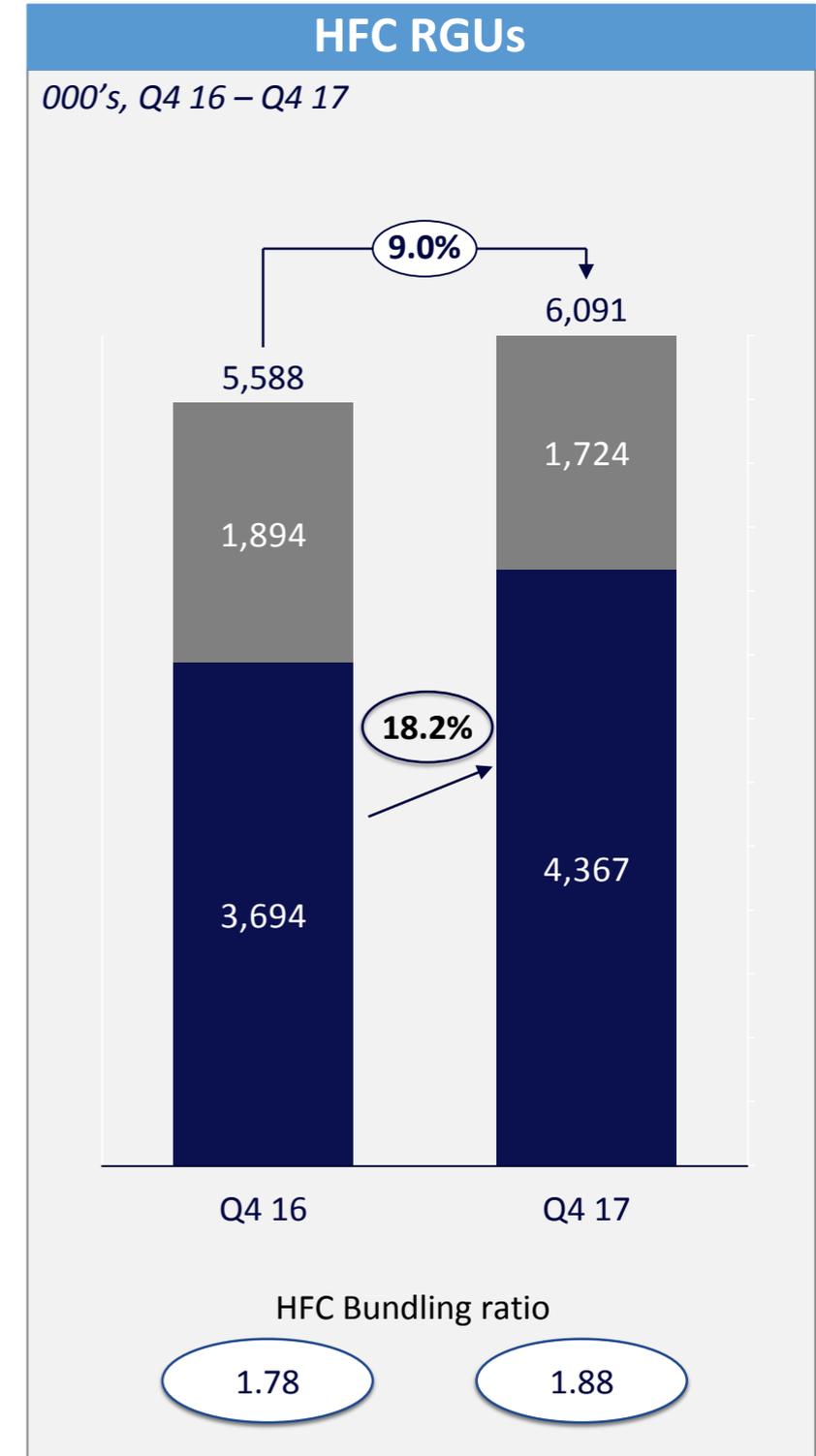
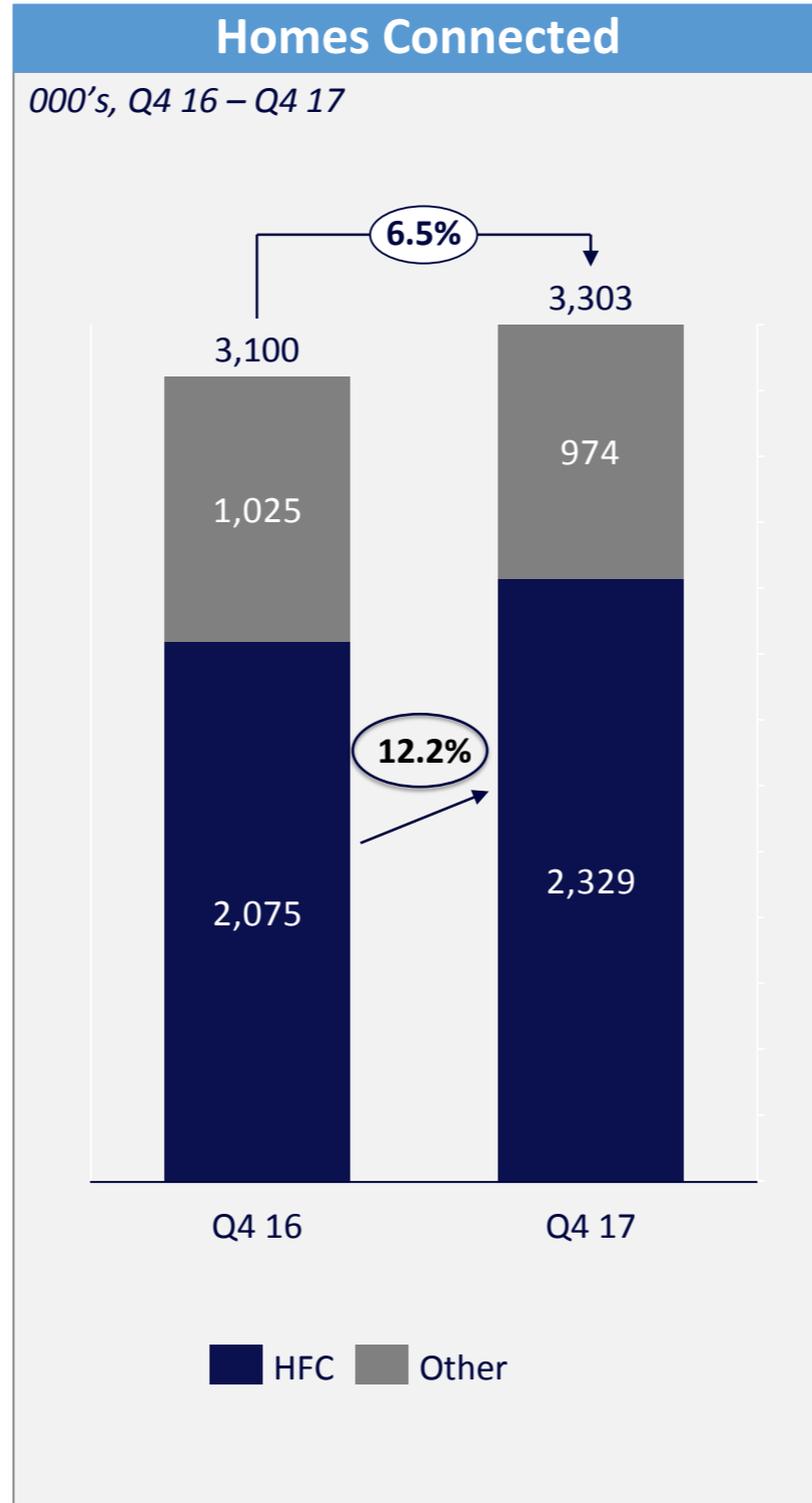
# 2 Home – Record 250k HFC net adds in 2017

We continue to build and connect new HFC homes at a rapid pace, both up more than 65% YoY



# 2 HFC is growing double-digits

## HFC growth offsetting legacy network attrition

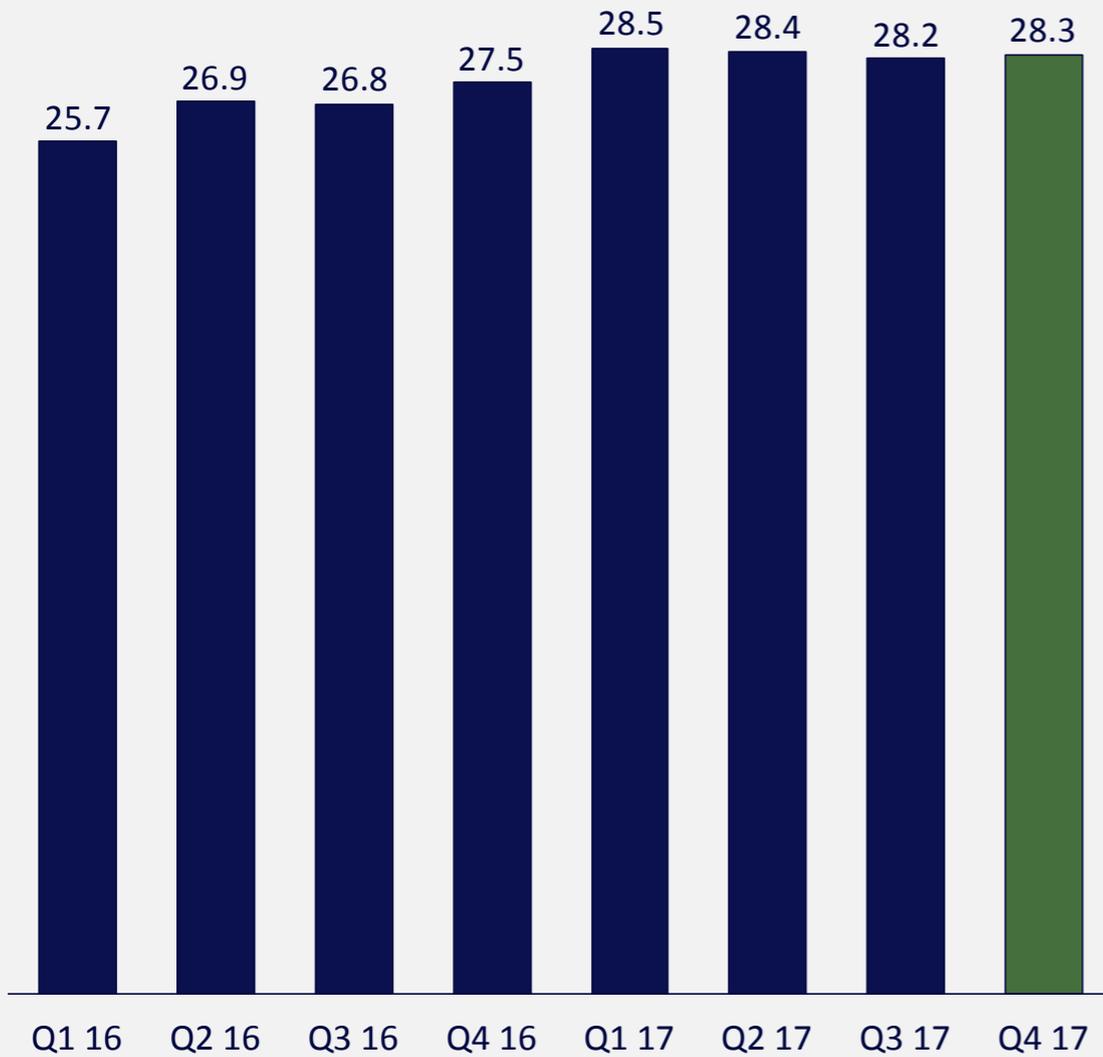


## 2 Home revenue growing steadily

Subscription-based revenue helps produce consistent sequential growth QoQ

### Latam Home ARPU evolution

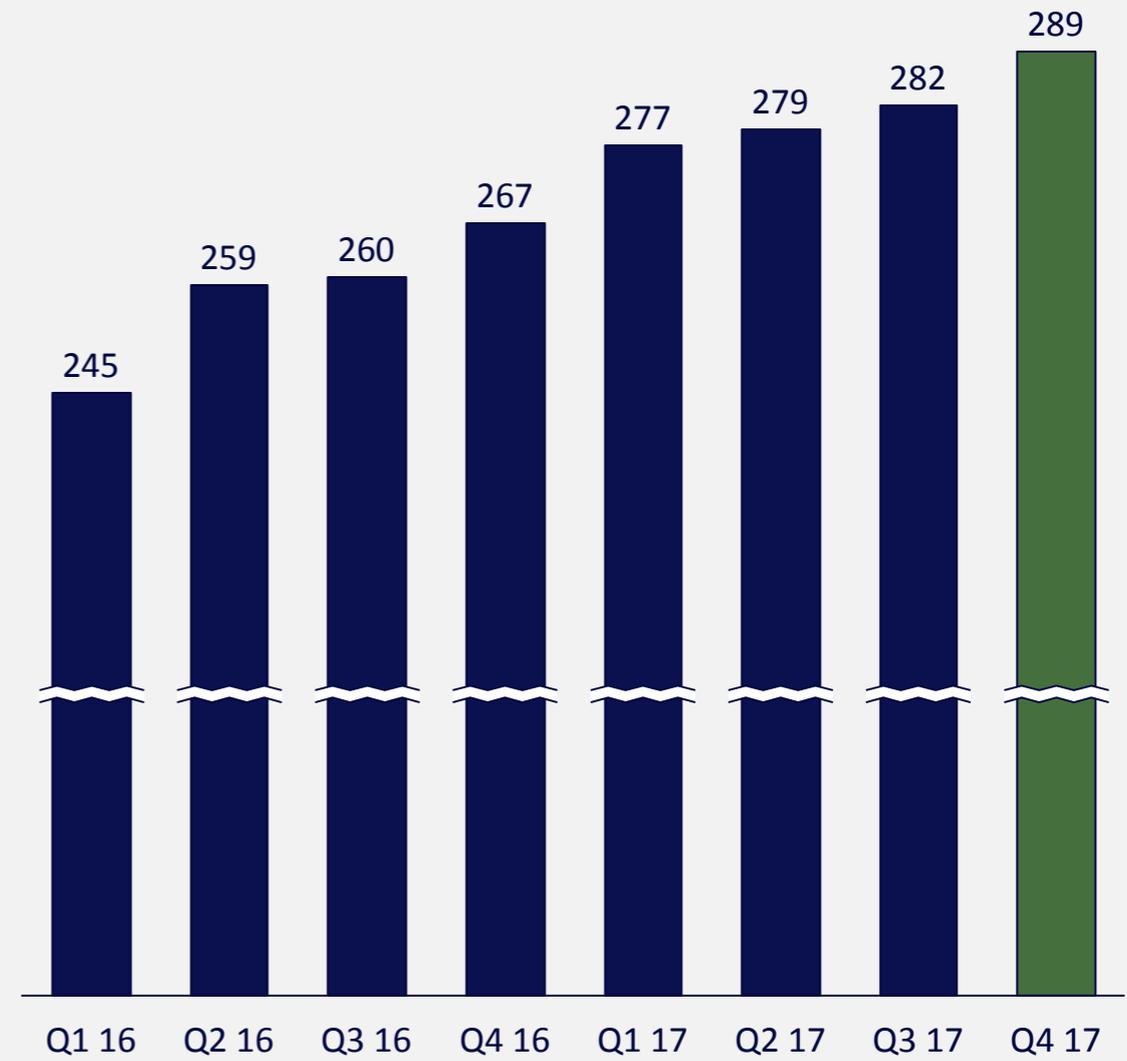
Blended ARPU (\$/month), Q1 16- Q4 17



ARPU: Recurring revenue by home connected

### Latam Home service revenue

Millions of dollars, Q1 16- Q4 17

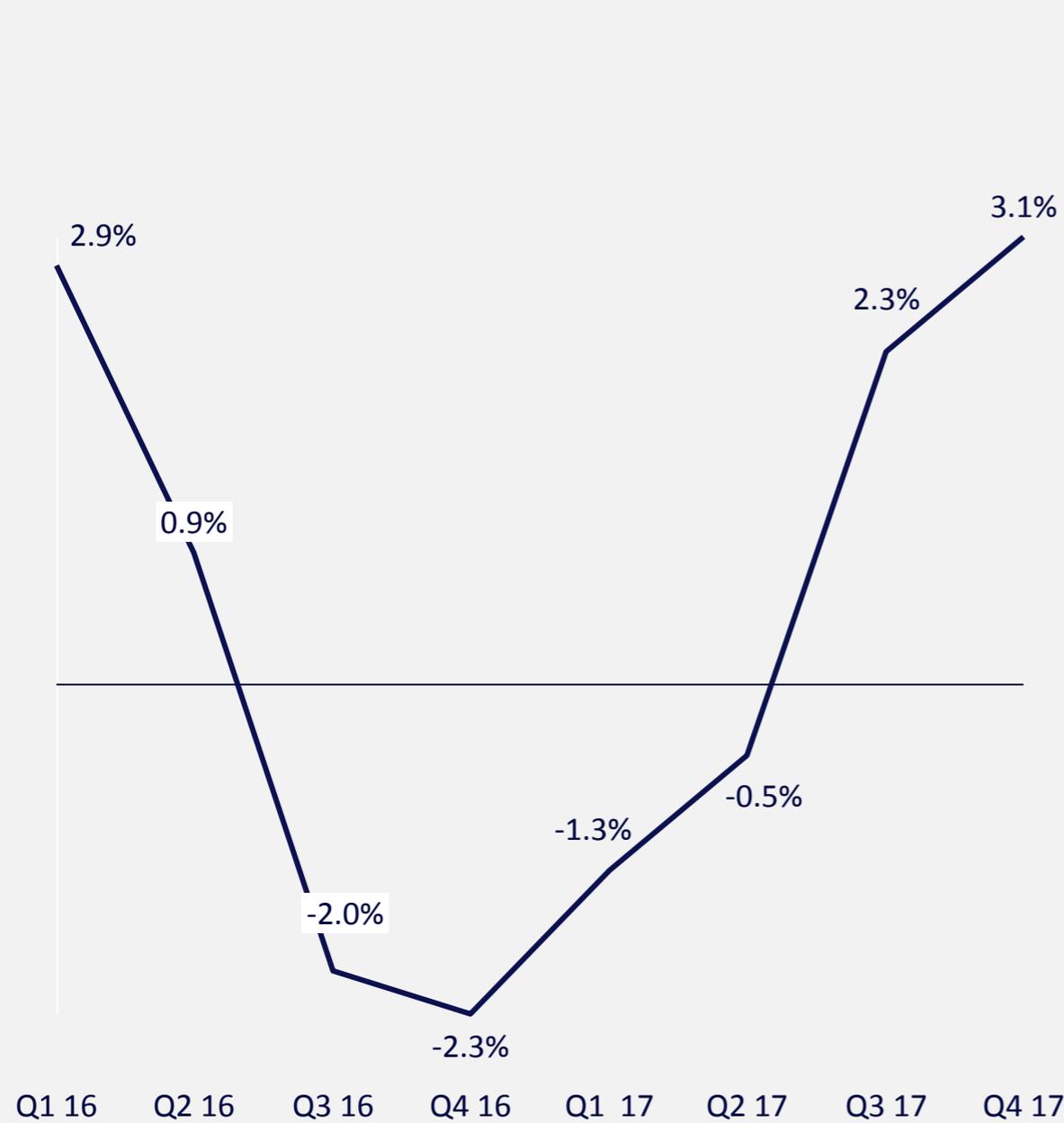


# 3 Revenue growth accelerating

Fastest Latam revenue growth rate in more than two years

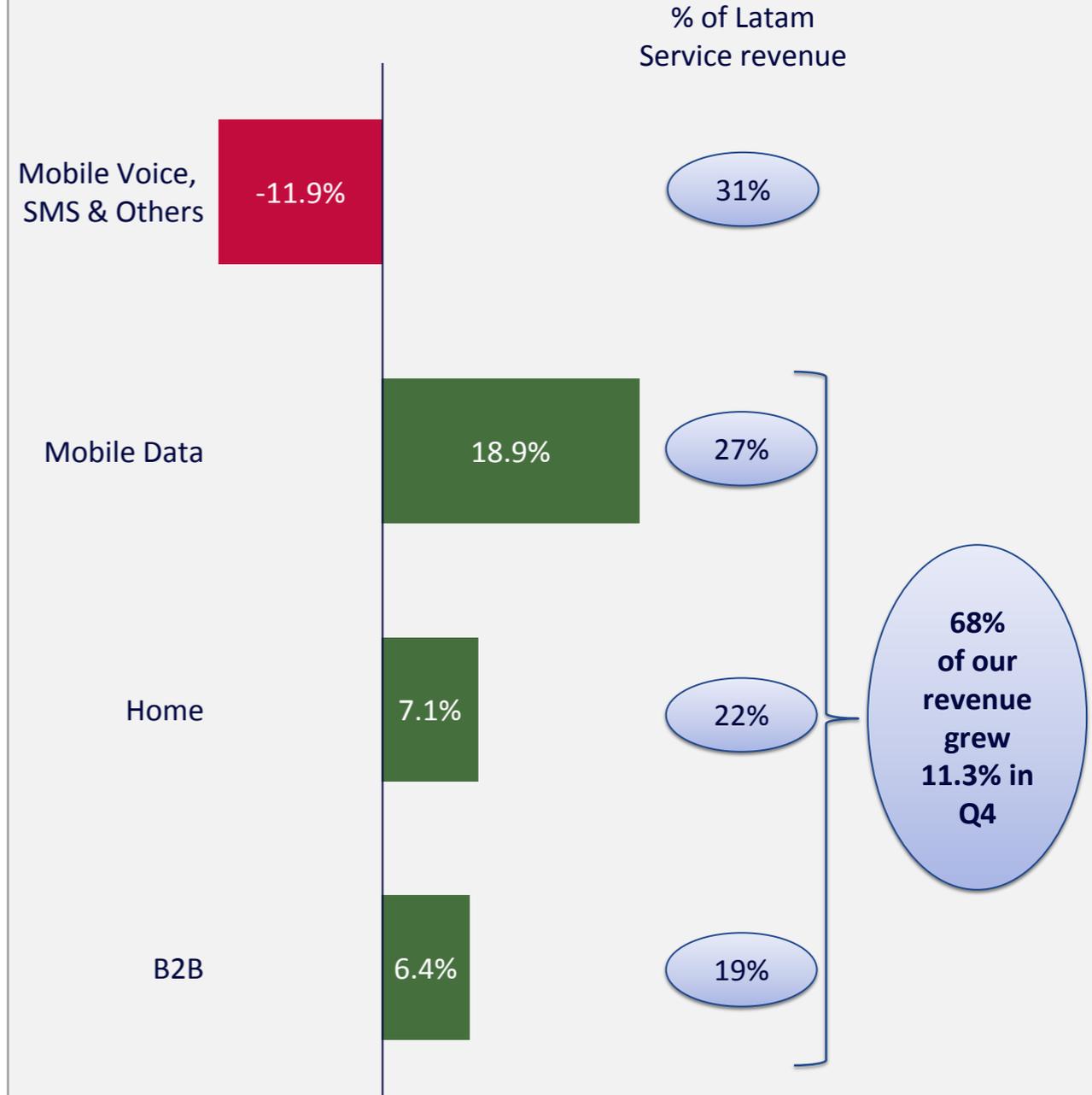
Latam service revenue growth

%YoY growth, Q1 16 – Q4 17



Latam service revenue growth by business unit

%YoY growth, Q4 17



# 3 Latam growth broad based

We sustained good momentum in all of our largest Latam markets in Q4

## El Salvador

Service revenue, year-on-year (%), Q1 16 – Q4 17



## Guatemala



## Honduras



## Bolivia



## Colombia

Ex regulatory impact <sup>a</sup>



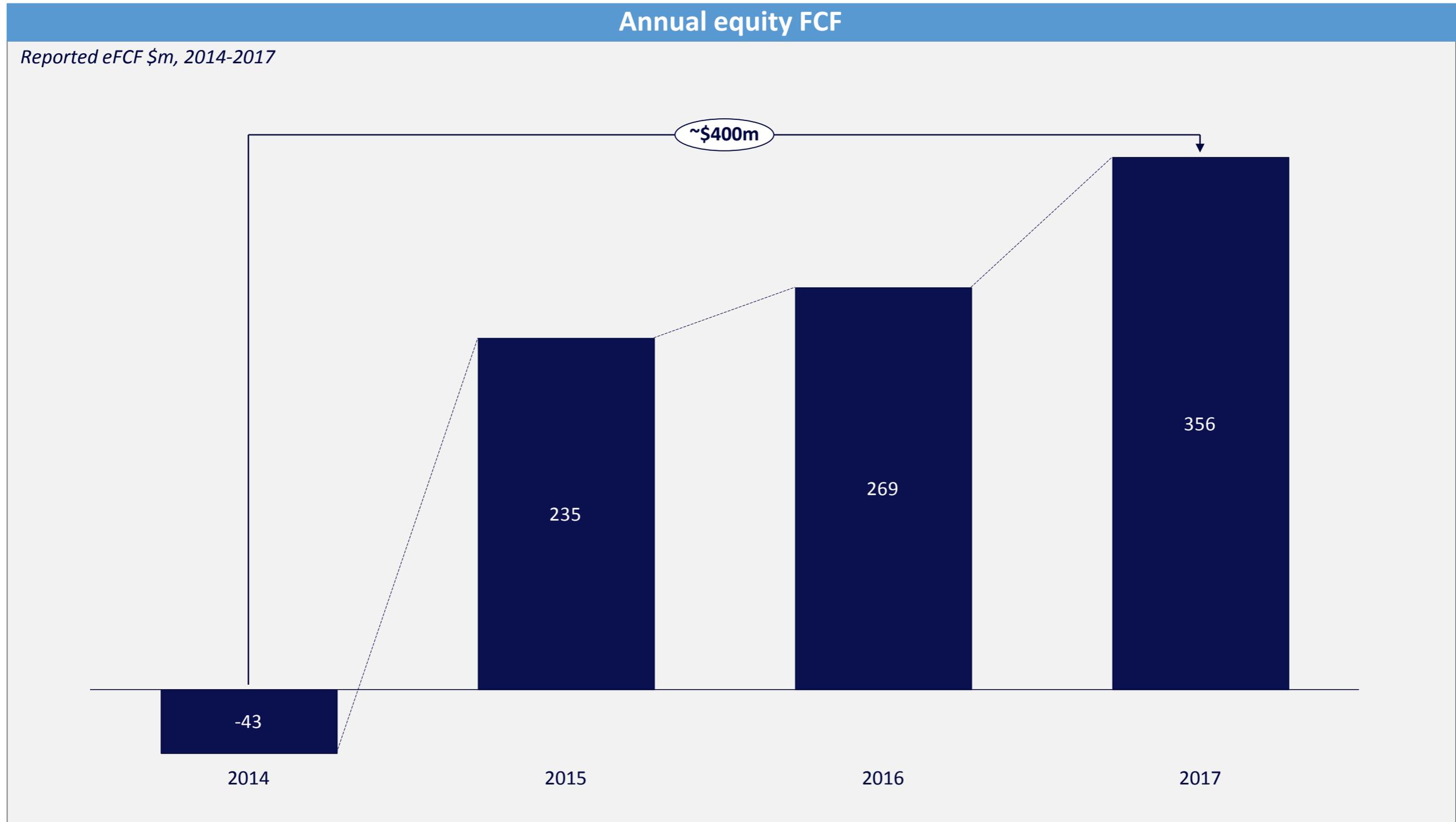
## Paraguay



<sup>a</sup> Lower MTR, MVNO, and national roaming tariffs, and mandated decommissioning of UNE fixed wireless network

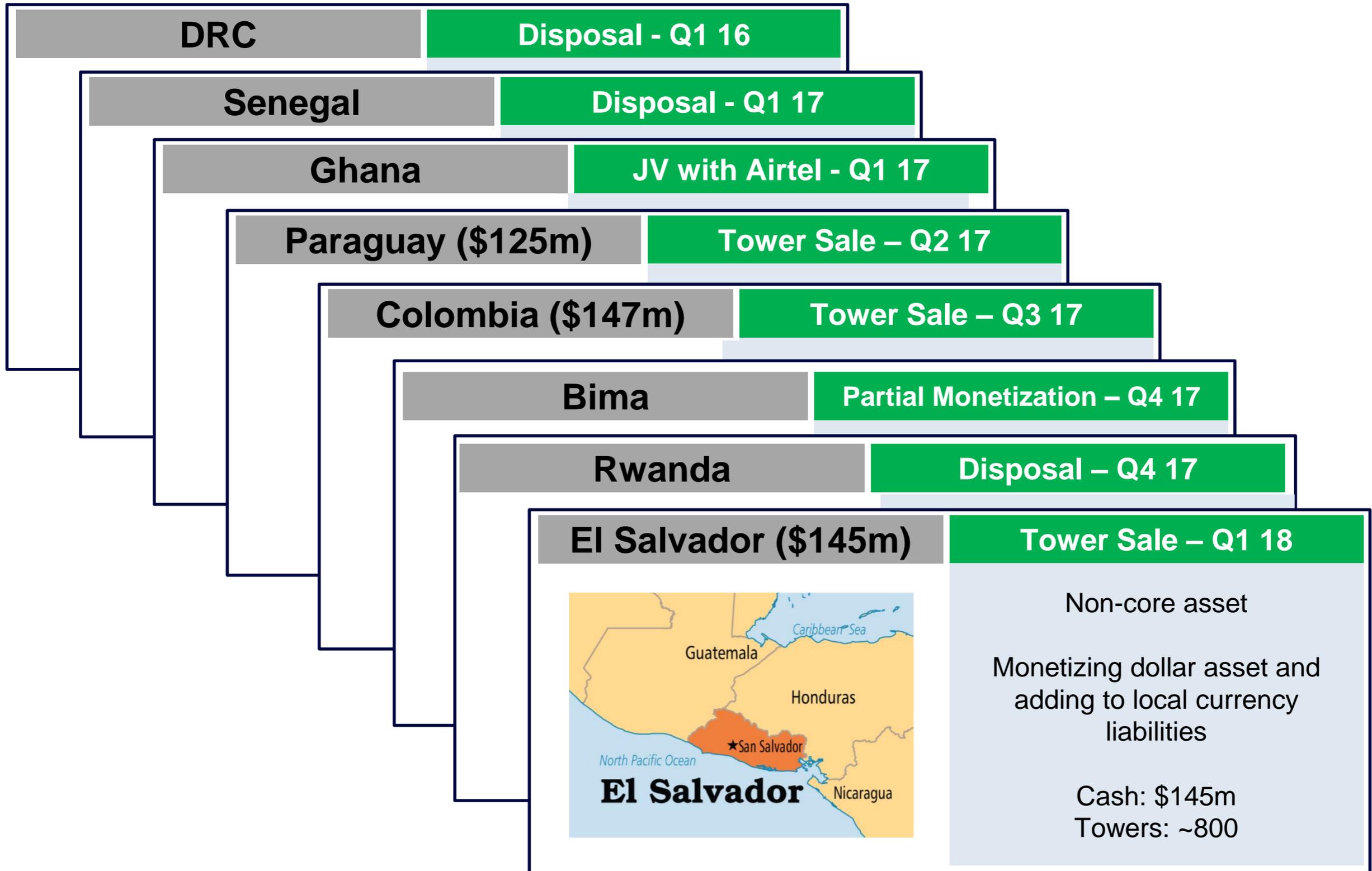
# 3 \$400m turnaround in cash flow in three years

Rapidly growing equity FCF generation while we invest to accelerate growth



# 4 Capital allocation – delivering on our promise

More than \$800m in asset disposals since 2015, with more to go





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## 2. CFO review

Tim Pennington

Q4 was our strongest quarter of 2017

**1**

**Revenue growth accelerated**

**2**

**Margin expansion also driving earnings growth**

**3**

**Capital discipline driving cash flow and return on capital**

**4**

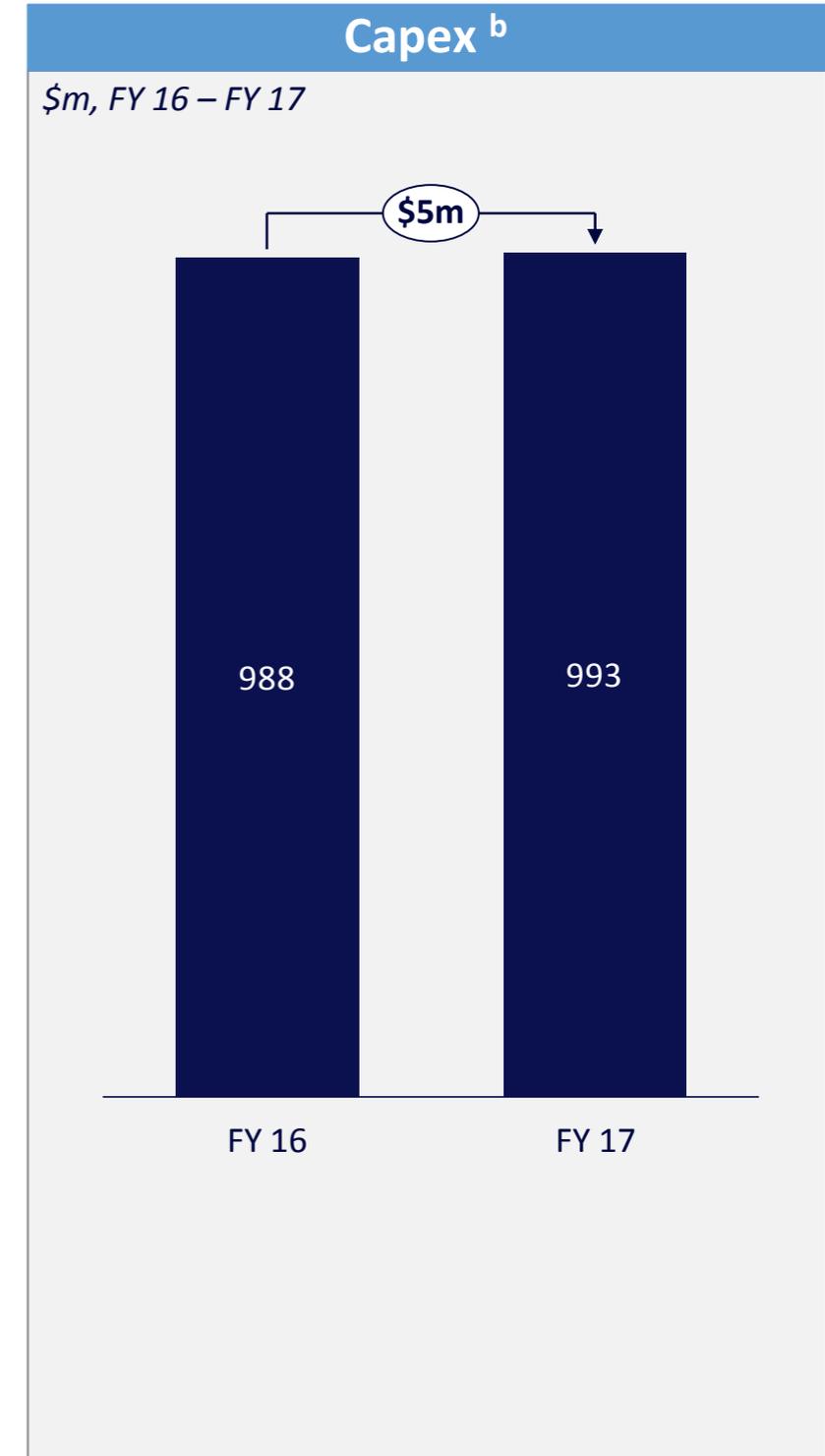
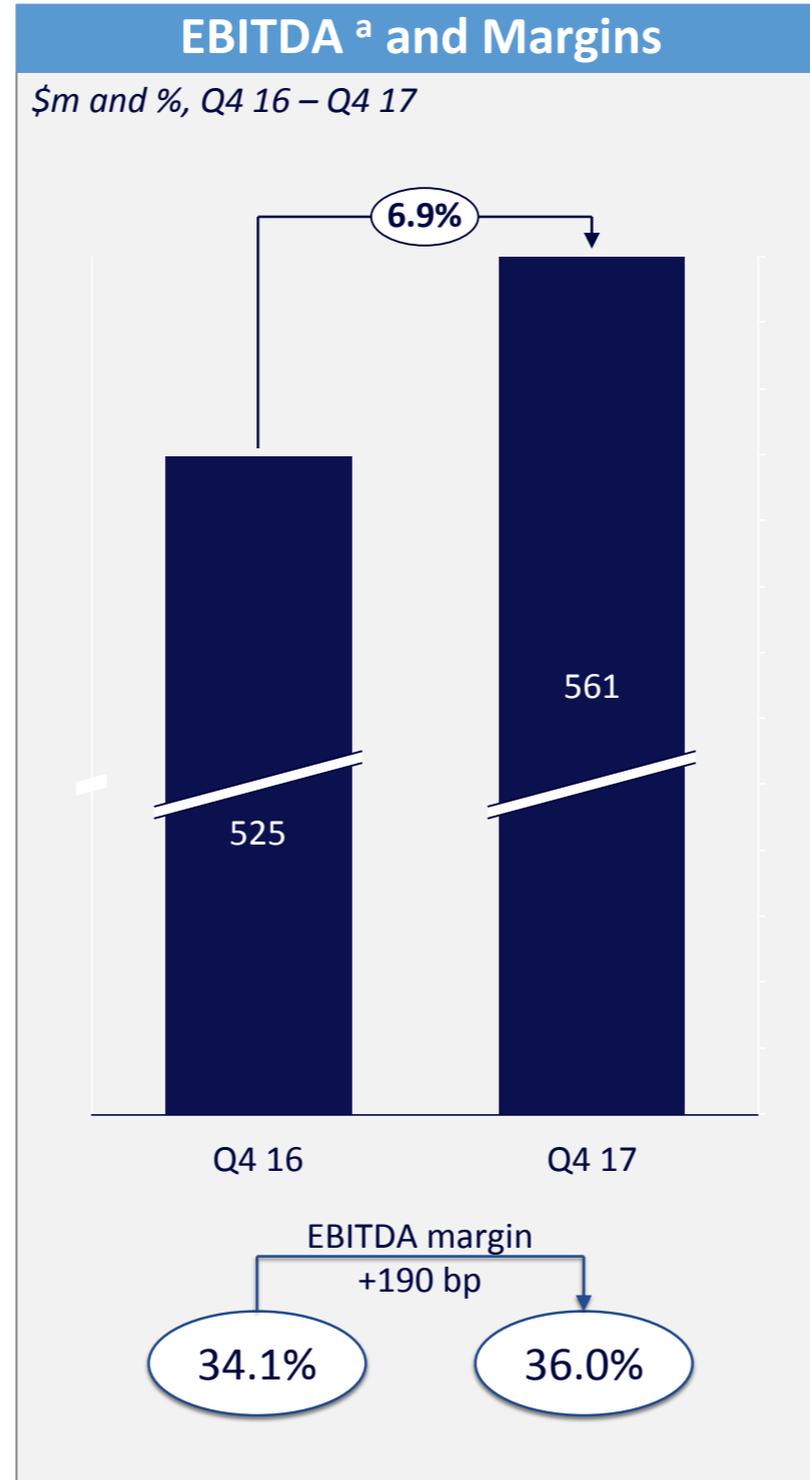
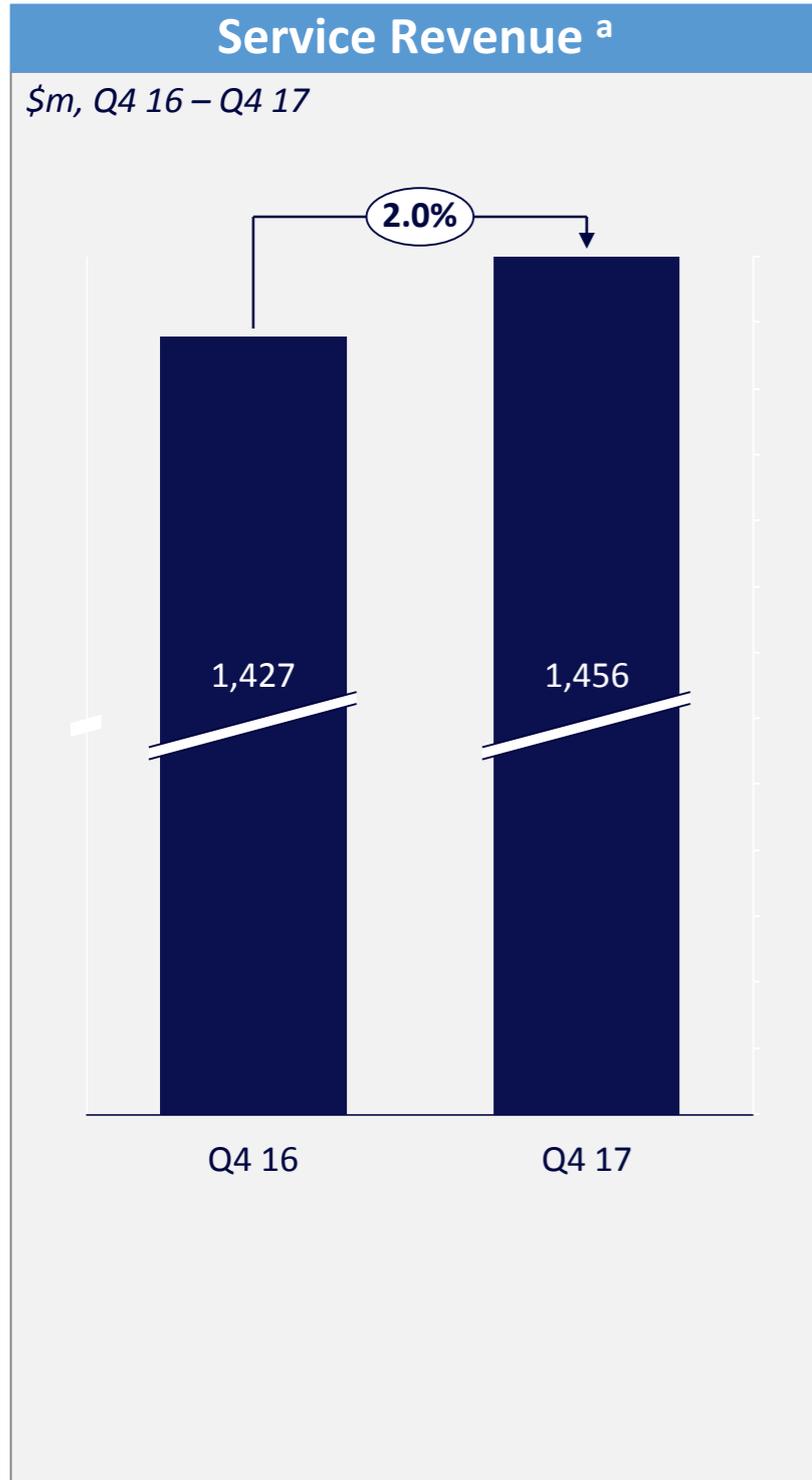
**Capital structure healthy**

**5**

**Outlook**

# 1 Key financial metrics – Q4 2017

Group service revenue up 2.0% and EBITDA up 6.9% - full year capex flat



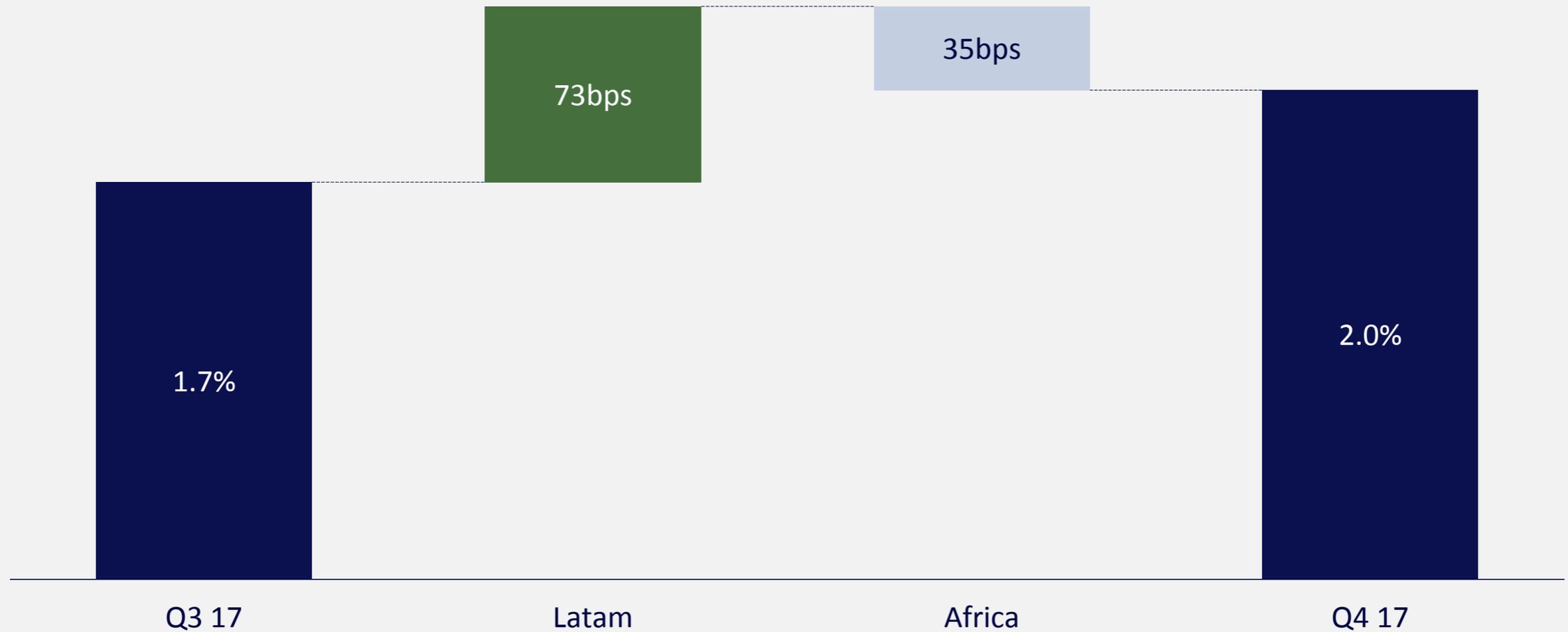
a) Q4 16 numbers are adjusted to Q4 17 FX rates and exclude Senegal and Ghana  
 b) Excluding Senegal and Ghana, spectrum & license costs

# 1 Service revenue

Improvement on a sequential basis

## Group sequential organic service revenue growth analysis

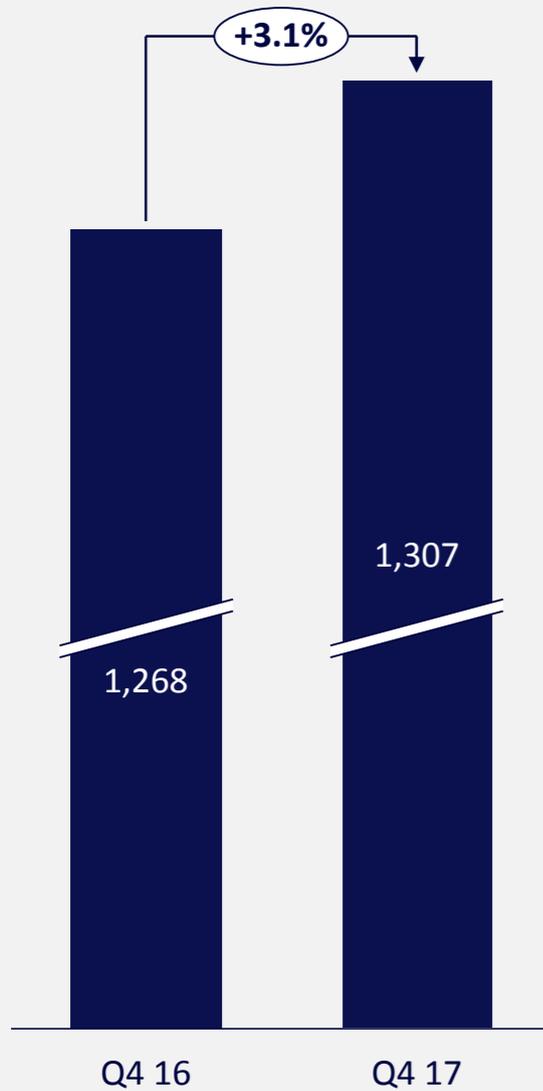
%YoY, Q3 17 – Q4 17



## EBITDA up 9% in Latam

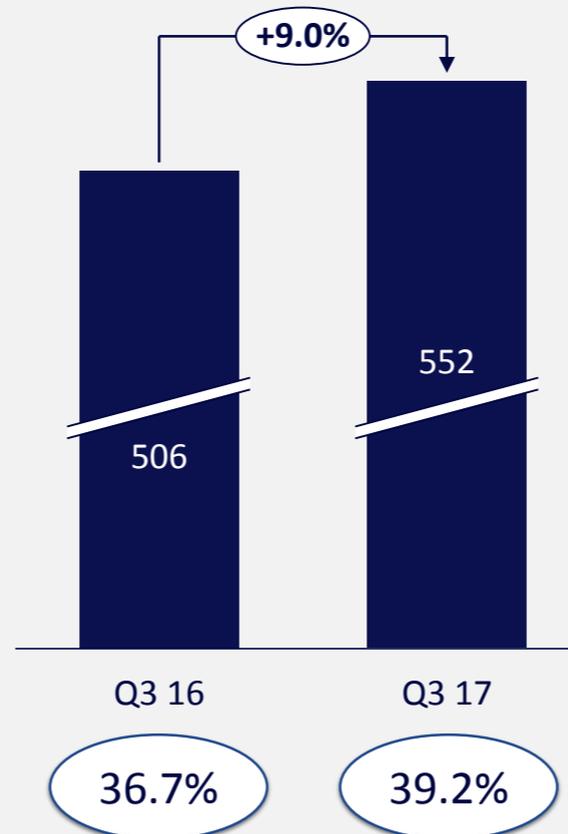
### Latam service revenue

\$m, Q4 16 – Q4 17



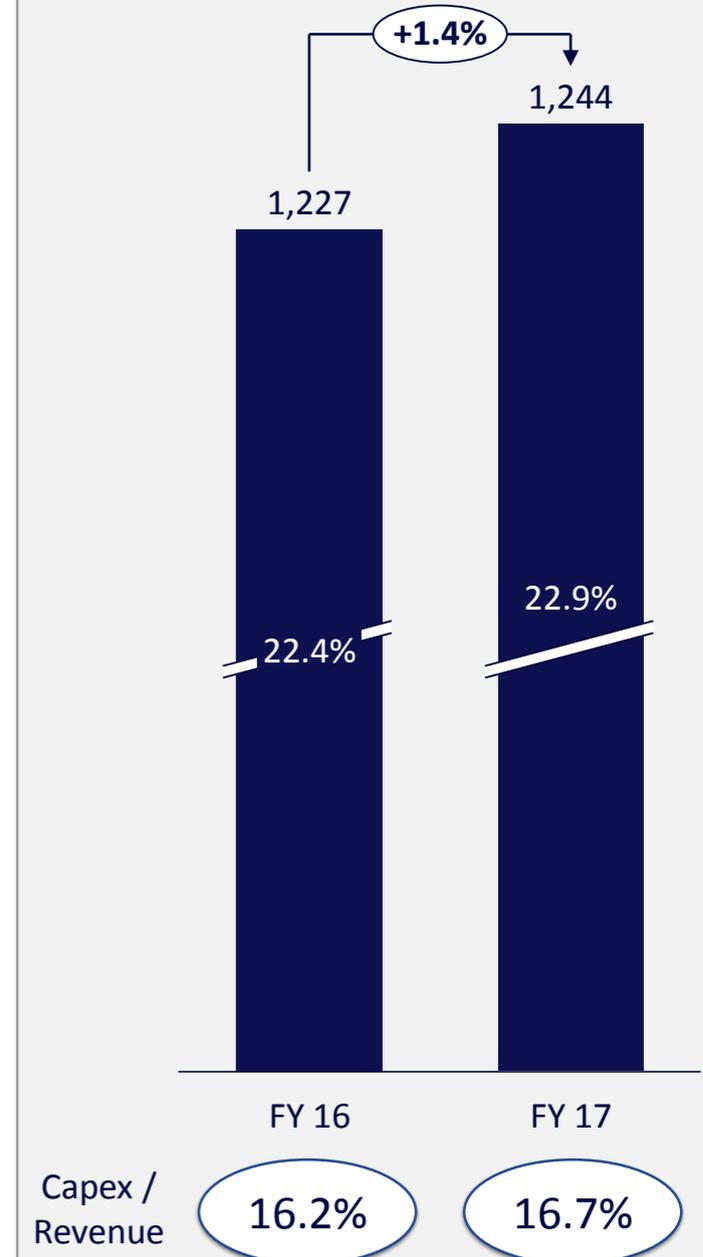
### Latam EBITDA

\$m and margin, Q4 16 – Q4 17



### Latam OCF (FY)

\$m and margin, FY 16 – FY 17



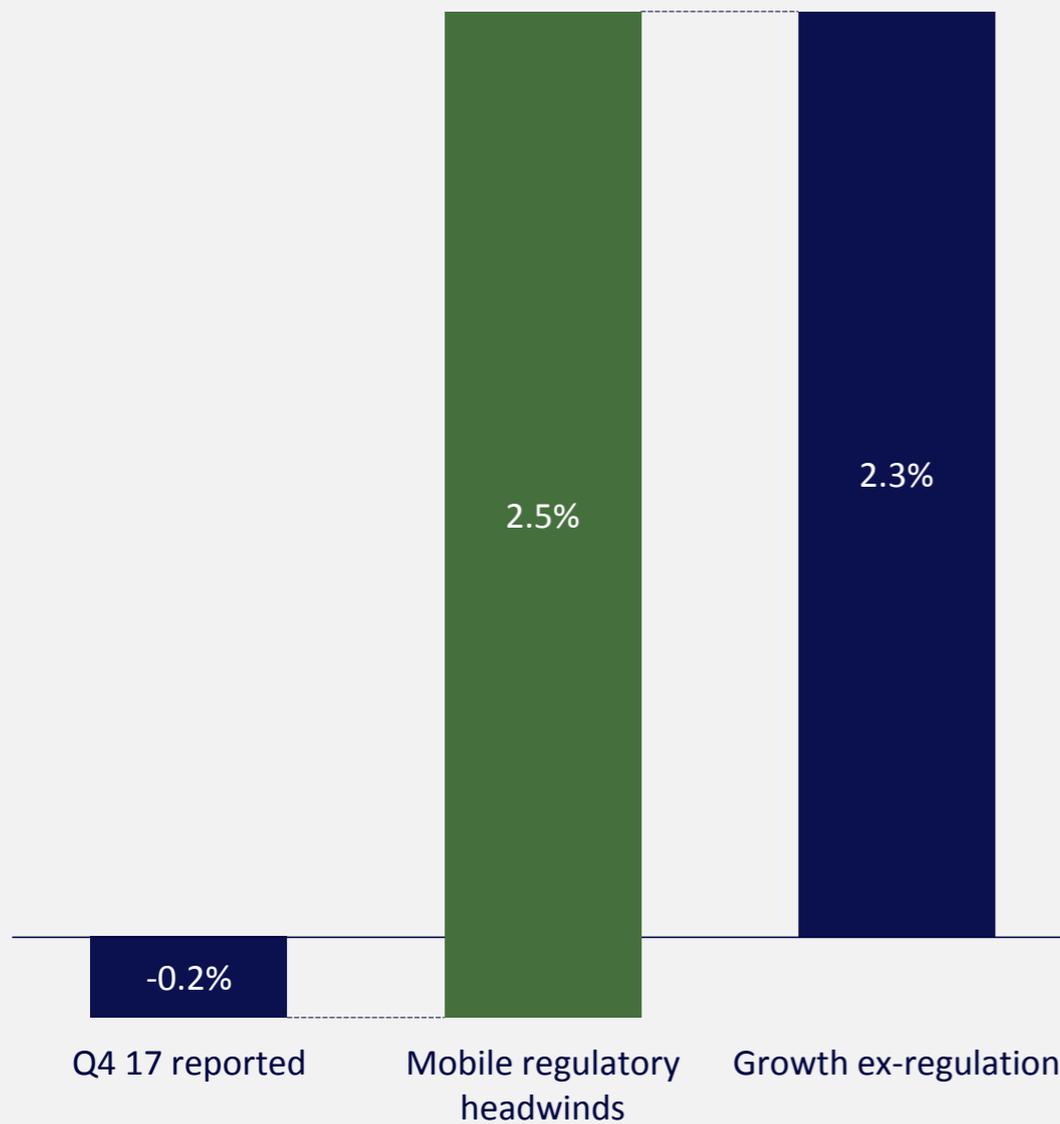
Q4 16 numbers are adjusted to Q4 17 FX rates  
Capex excluding spectrum & license costs

# 1 Colombia progressing as expected

Investing in sales and marketing while absorbing regulatory challenges

## Service revenue growth\*

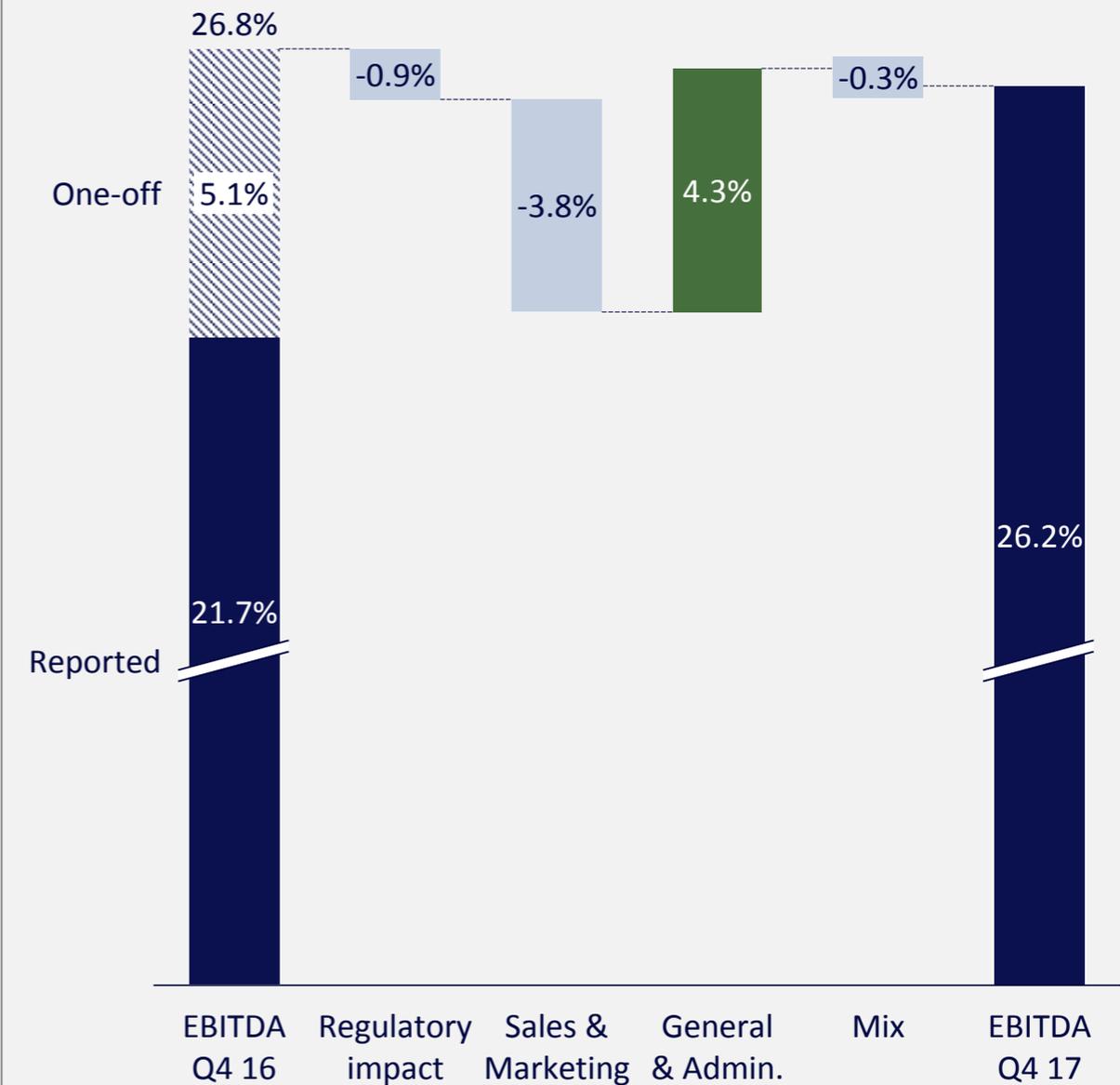
YoY growth, Q4-17



\* Discontinued UNE fixed wireless closed in Q3 2016

## Colombia EBITDA bridge

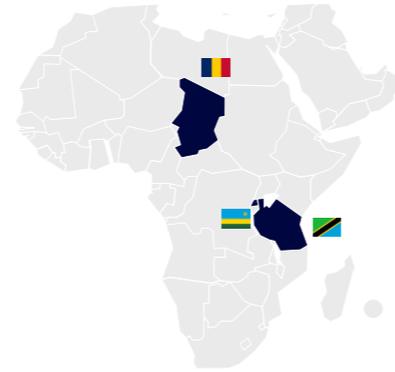
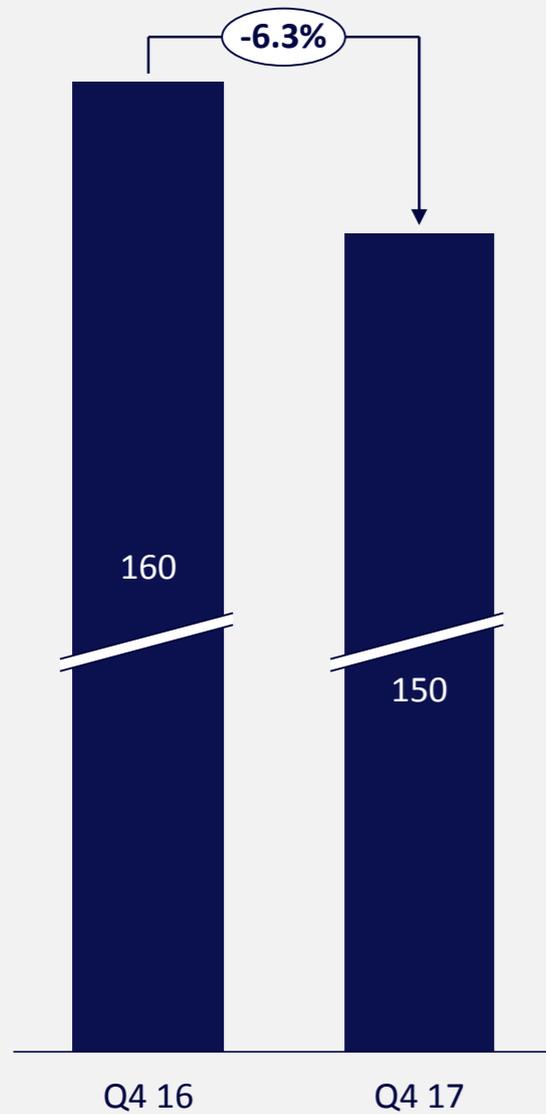
% Revenue, Q4 17



## Africa still challenging but delivering on our cash flow commitment

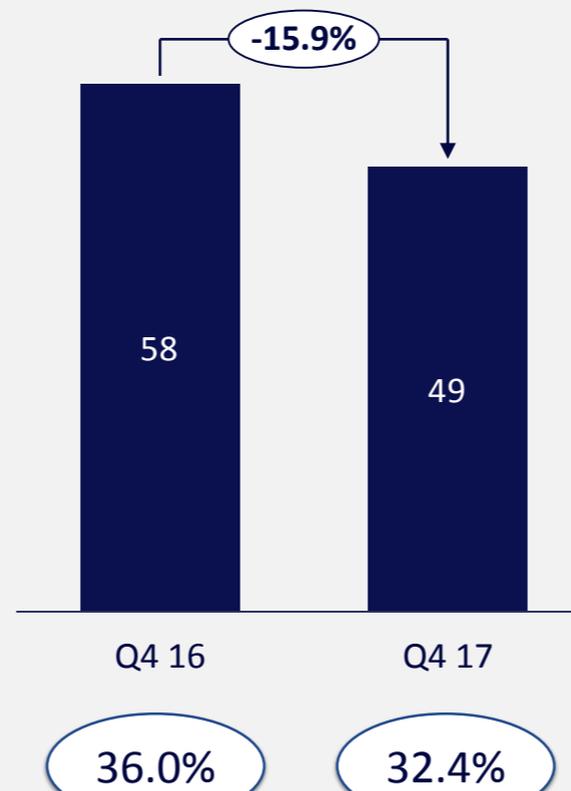
### Africa service revenue

\$m, Q4 16 – Q4 17



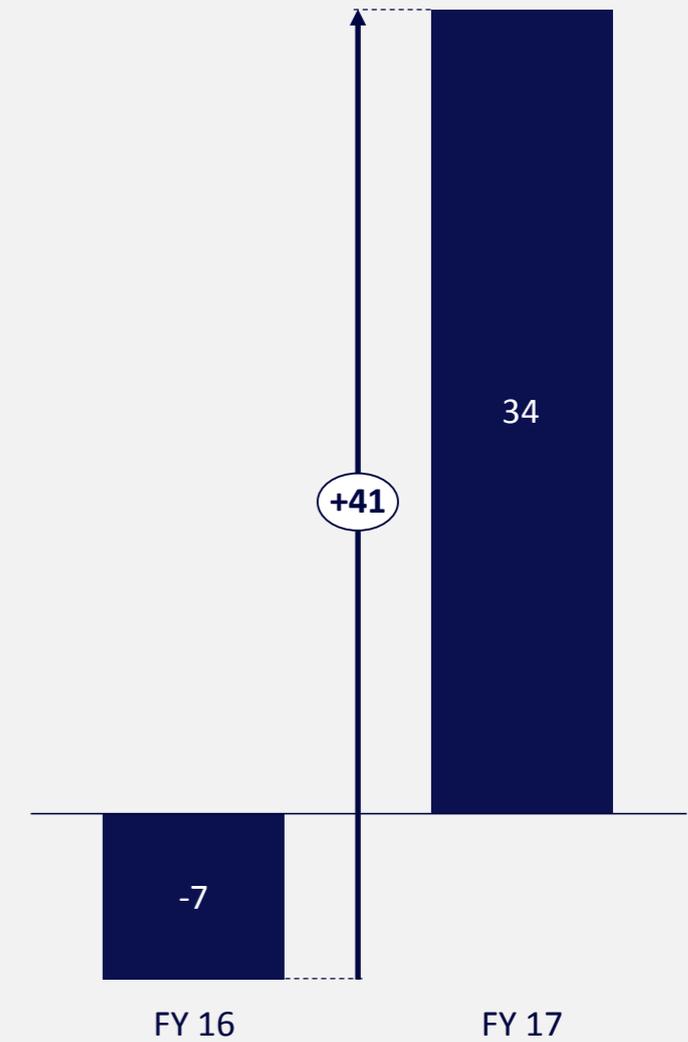
### Africa EBITDA

\$m and margin, Q4 16 – Q4 17



### Africa eFCF (FY)

\$m, FY 16 – FY 17



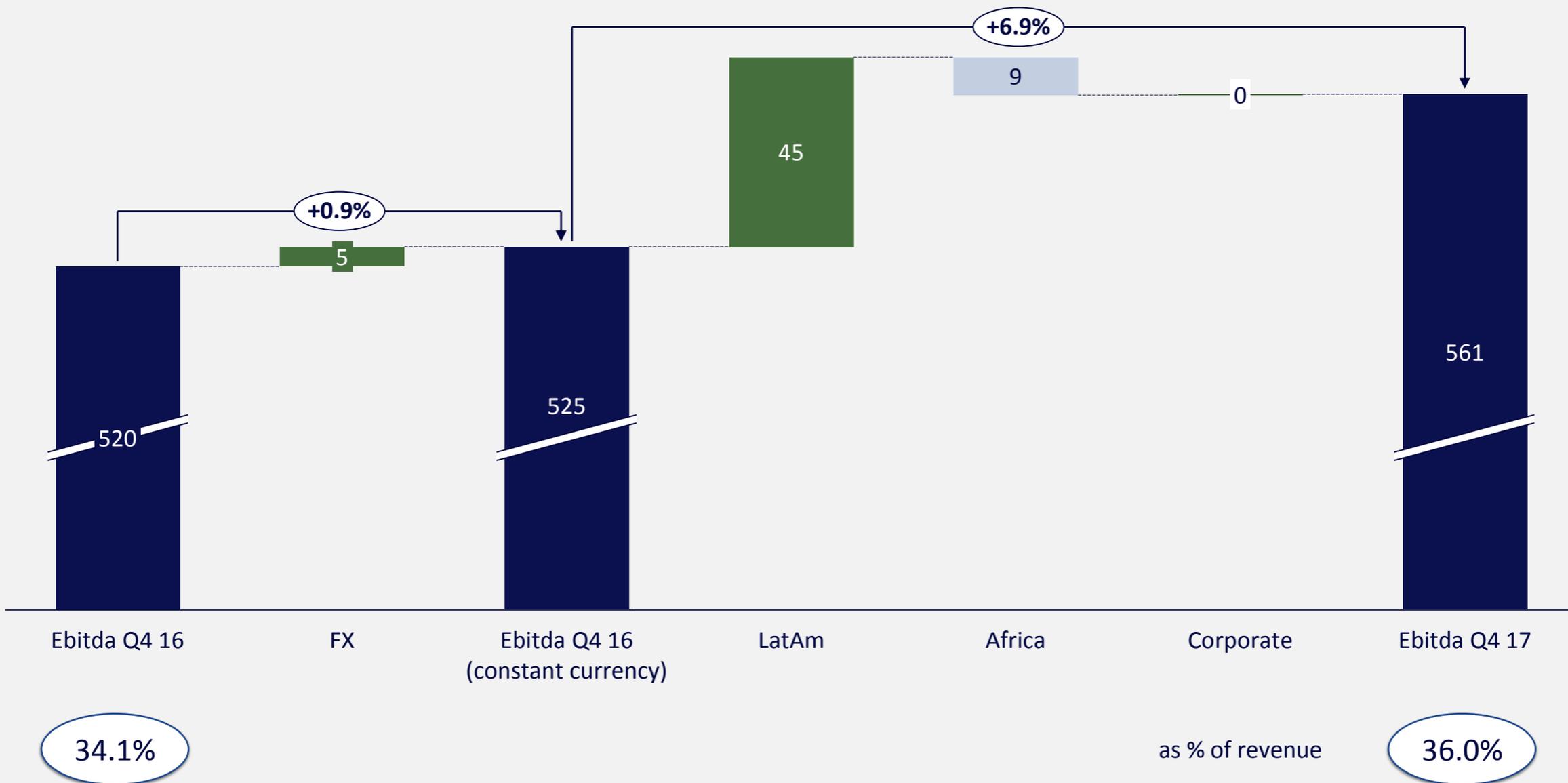
Q4 16 numbers are adjusted to Q4 17 FX rates excluding Senegal and Ghana  
Capex excluding spectrum & license costs

# 2 EBITDA – Q4 2017

## Latam EBITDA growth offsetting Africa

### EBITDA evolution by region

\$ million, Q4 16 – Q4 17

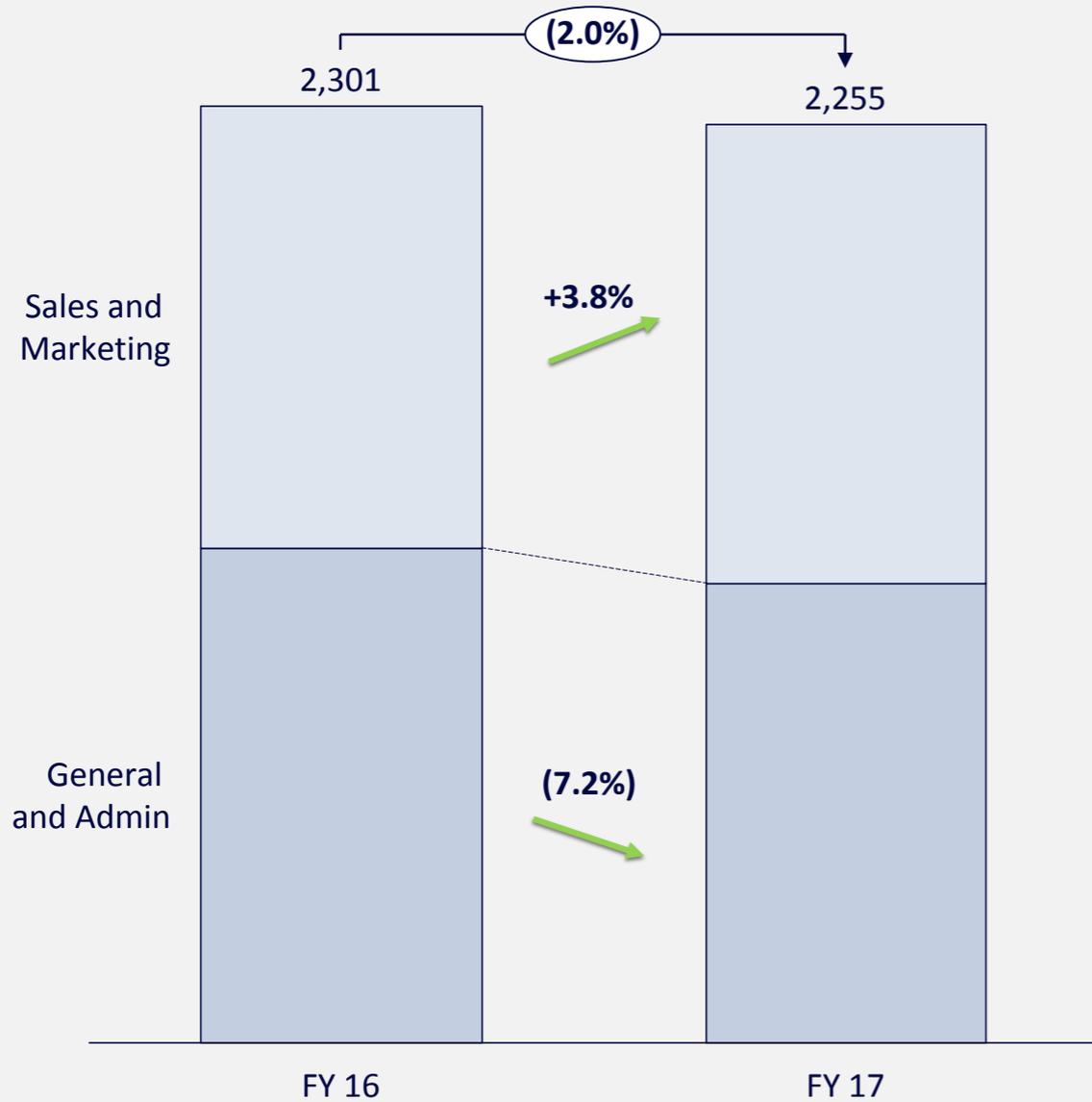


# 2 Cost review and margin sustainability

## Reinvesting G&A savings into sales and marketing to support growth

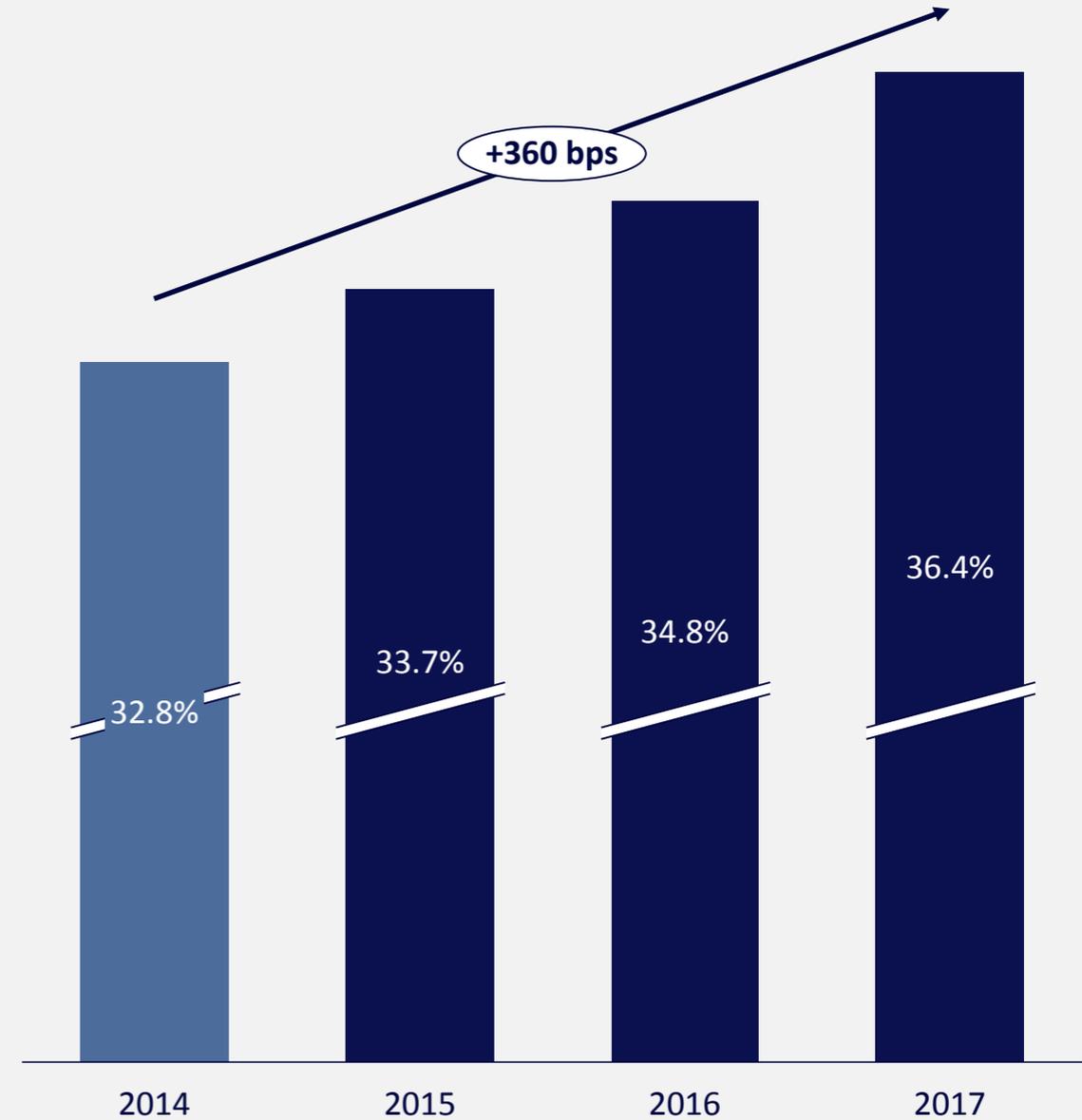
### Group total OPEX base

\$m per OPEX segment and reported growth YoY, FY 16 – FY 17



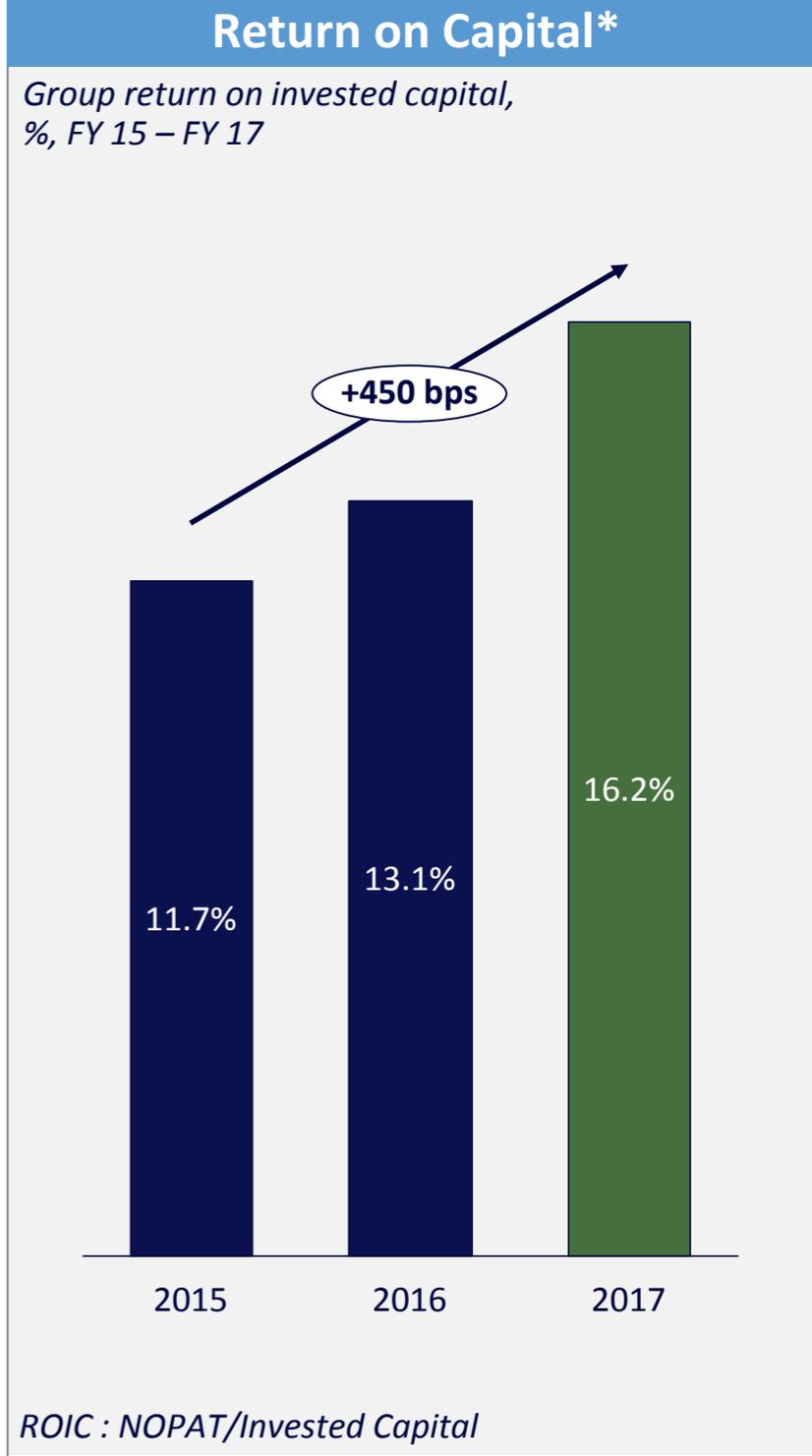
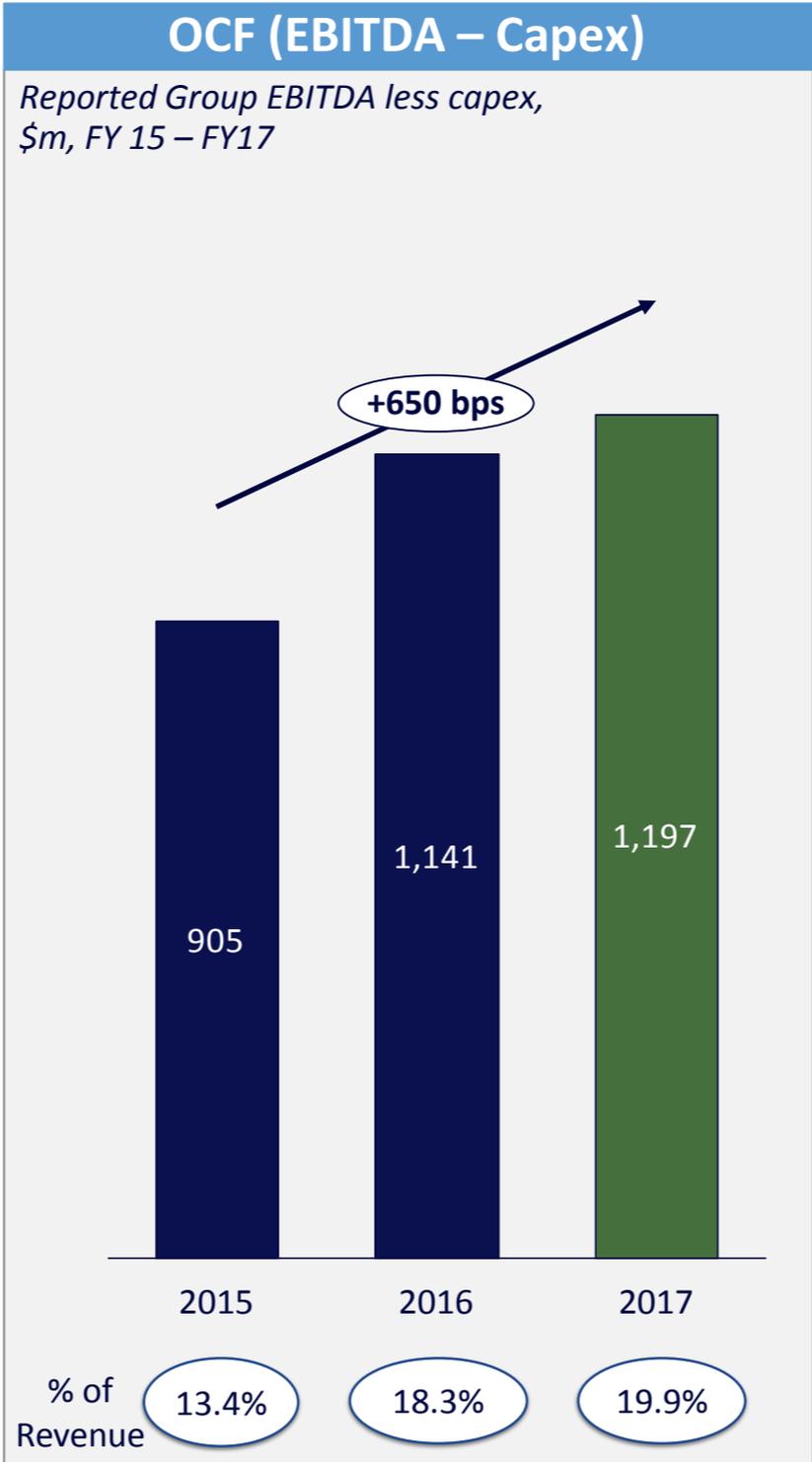
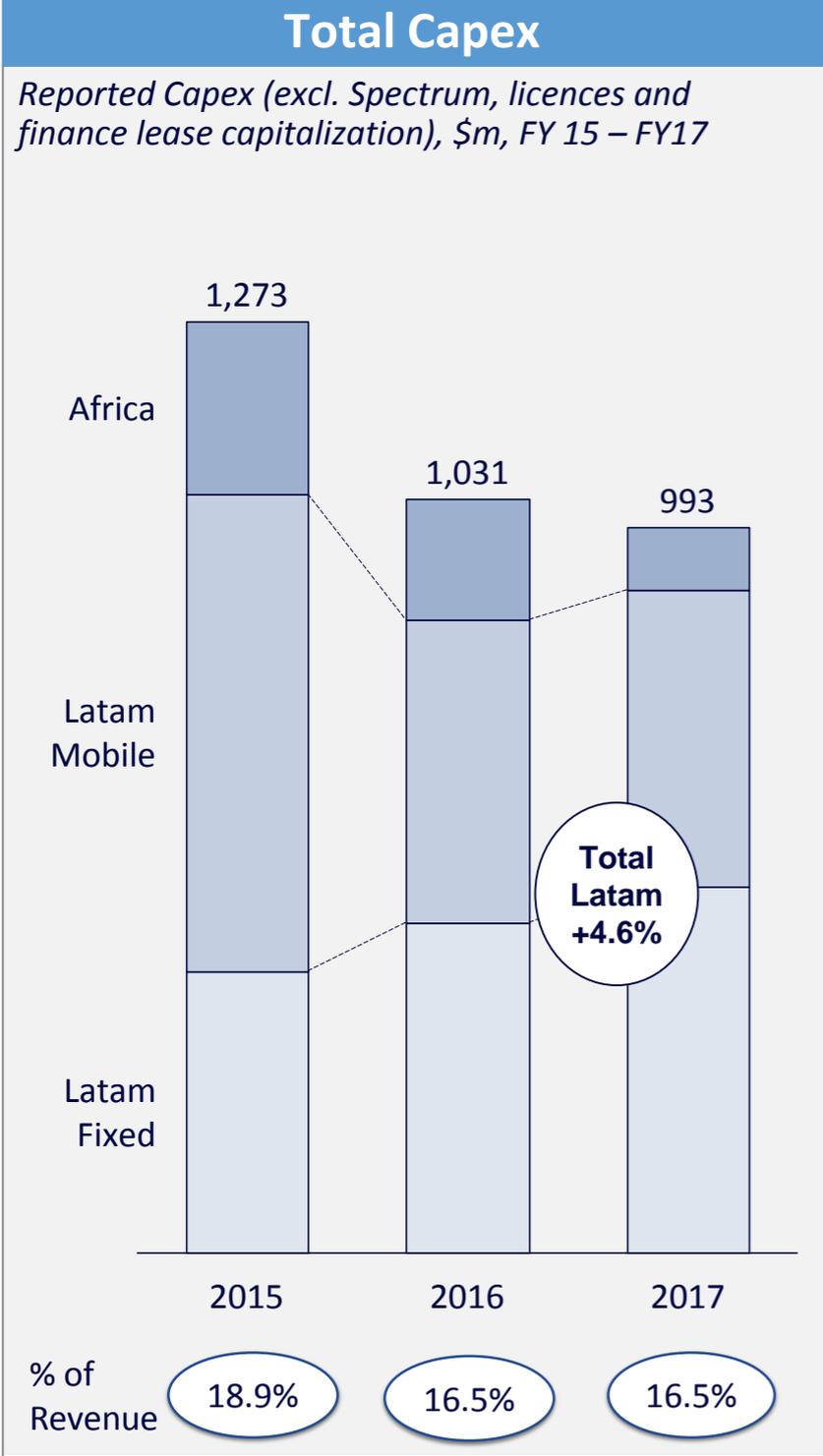
### Reported Group FY EBITDA margin

FY Reported EBITDA margin, 2014– 2017



# 3 Capital – focused capex lifting cash flow and ROIC

Re-deploying capital to Latam allows us to accelerate network build and improve returns



## P&L Summary

US\$ million	FY17	FY16	% Var
Revenue	6,024	5,979	0.8%
EBITDA	2,190	2,114	3.6%
Depreciation & amortization	(1,310)	(1,317)	(0.5%)
Other operating	39	(38)	NM
<b>Operating profit</b>	<b>919</b>	<b>759</b>	<b>21.1%</b>
Net financial expense	(471)	(456)	(3.4%)
Others non operating	6	2	NM
Associates	(85)	(49)	(74.0%)
<b>Profit before tax</b>	<b>368</b>	<b>256</b>	<b>43.7%</b>
Taxes	(252)	(251)	0.7%
Minority interests	(102)	(38)	NM
Discontinued operations	71	1	NM
<b>Net income</b>	<b>85</b>	<b>(32)</b>	<b>NM</b>
Adjusted EPS	1.08	0.91	18.3%

## Key Observations

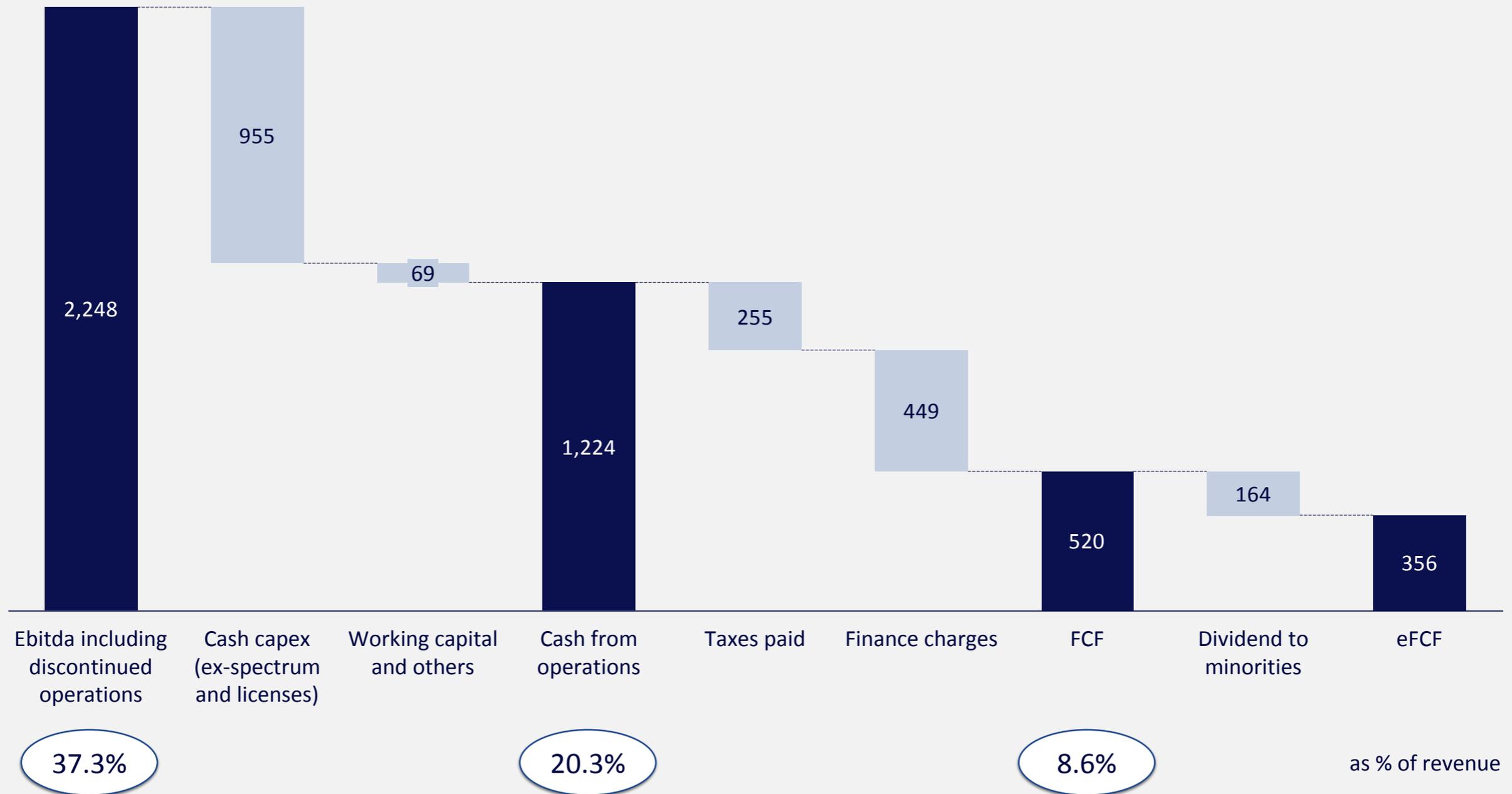
- A** Gain on sale of towers in Paraguay and Colombia
- B** Include debt management costs
- C** Unfavorable comparison to last year results where we had the impact of restructuring in Colombia and fair value adjustments in Guatemala and Honduras
- D** Include Senegal and Ghana

# 3 Cash flow - FY 2017

EFCF up 39% higher year-on-year

## FY 2017 cash flow

\$ million

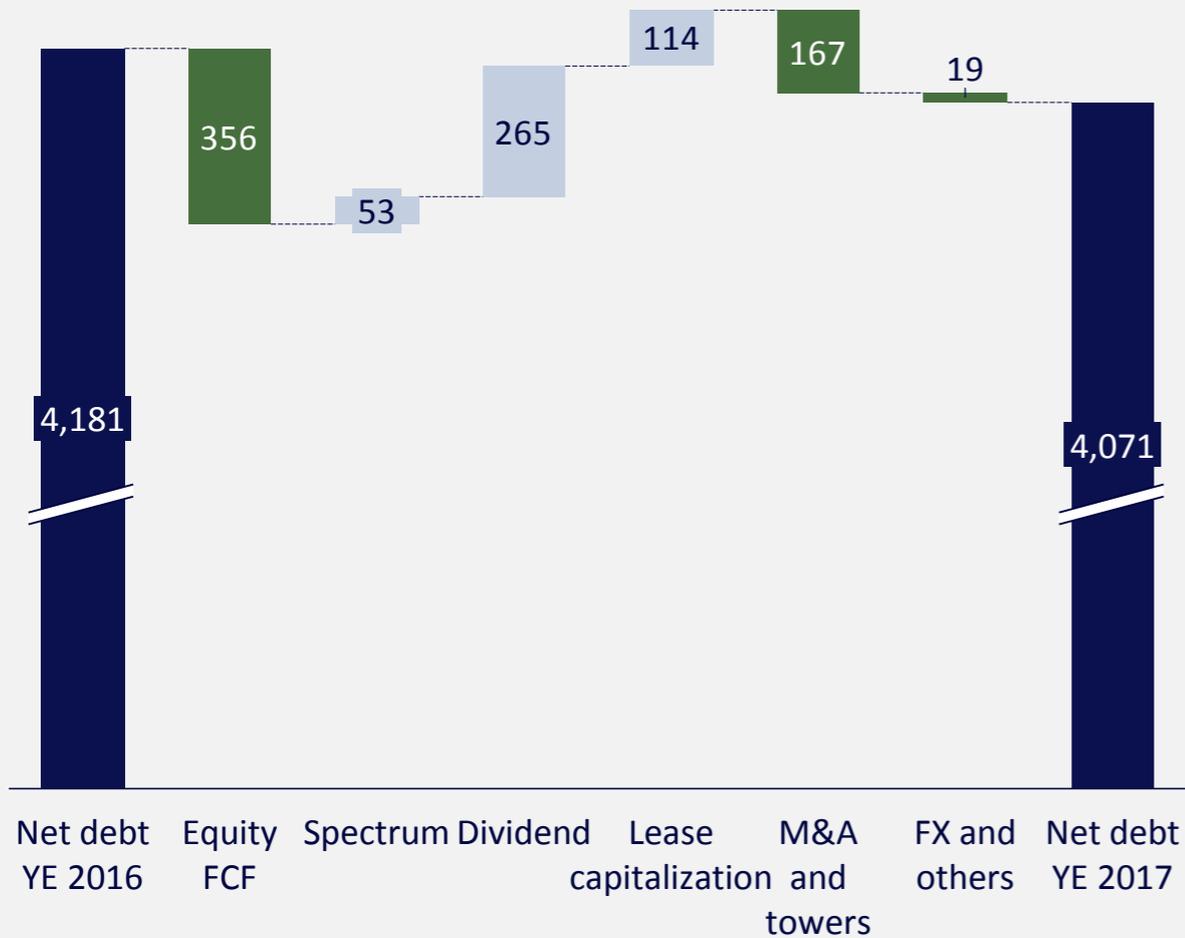


# 4 Capital structure

Cash generation and tower sales produced lower leverage in 2017

## Net debt evolution in 2017

\$ million, 31 December 2016 – 31 December 2017



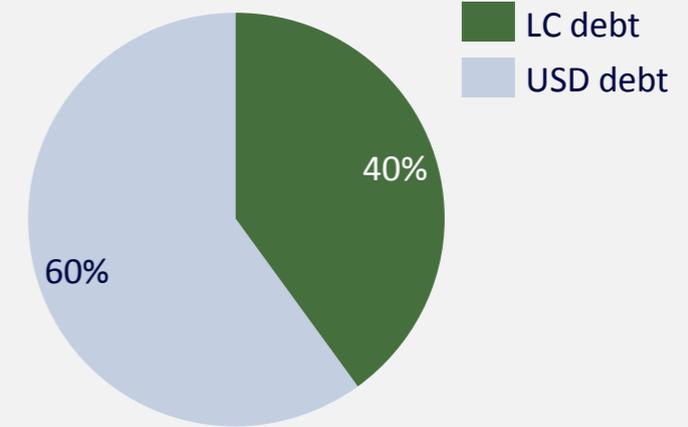
Net debt YE 2016    Equity FCF    Spectrum Dividend    Lease capitalization    M&A and towers    FX and others    Net debt YE 2017

1.93x	Net debt/LTM EBITDA	1.86x
2.15x	Proportionate Net debt/ Proportionate LTM EBITDA	2.02x

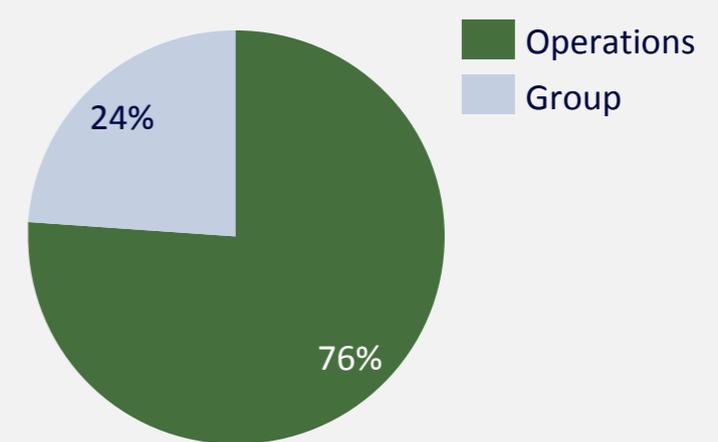
## Debt profile

% of gross debt, 31 December 2017

### Gross debt currency exposure



### Gross debt distribution

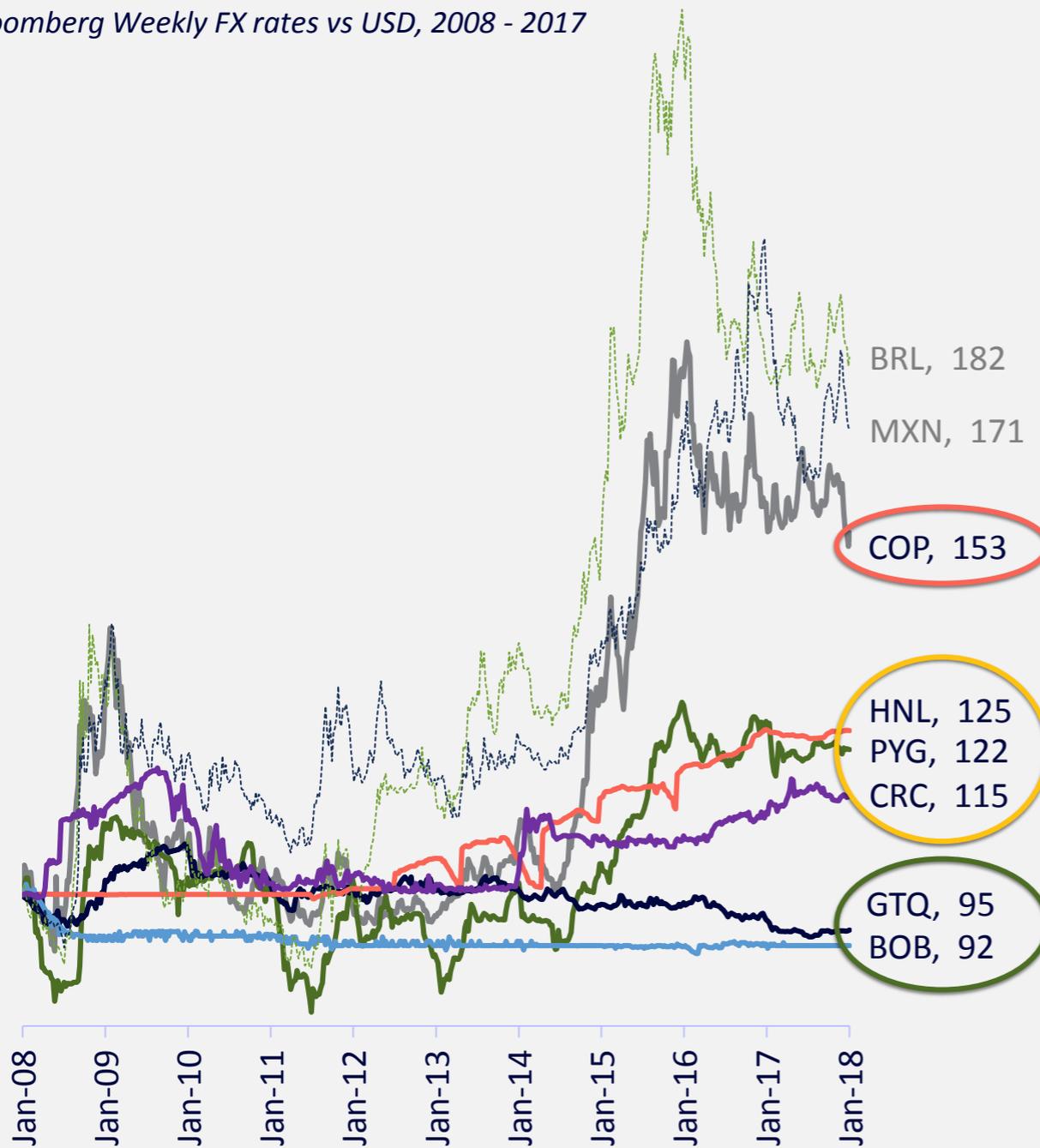


# 4 Currency exposure

Only 15% of our proportional EBITDA is from high volatility FX country

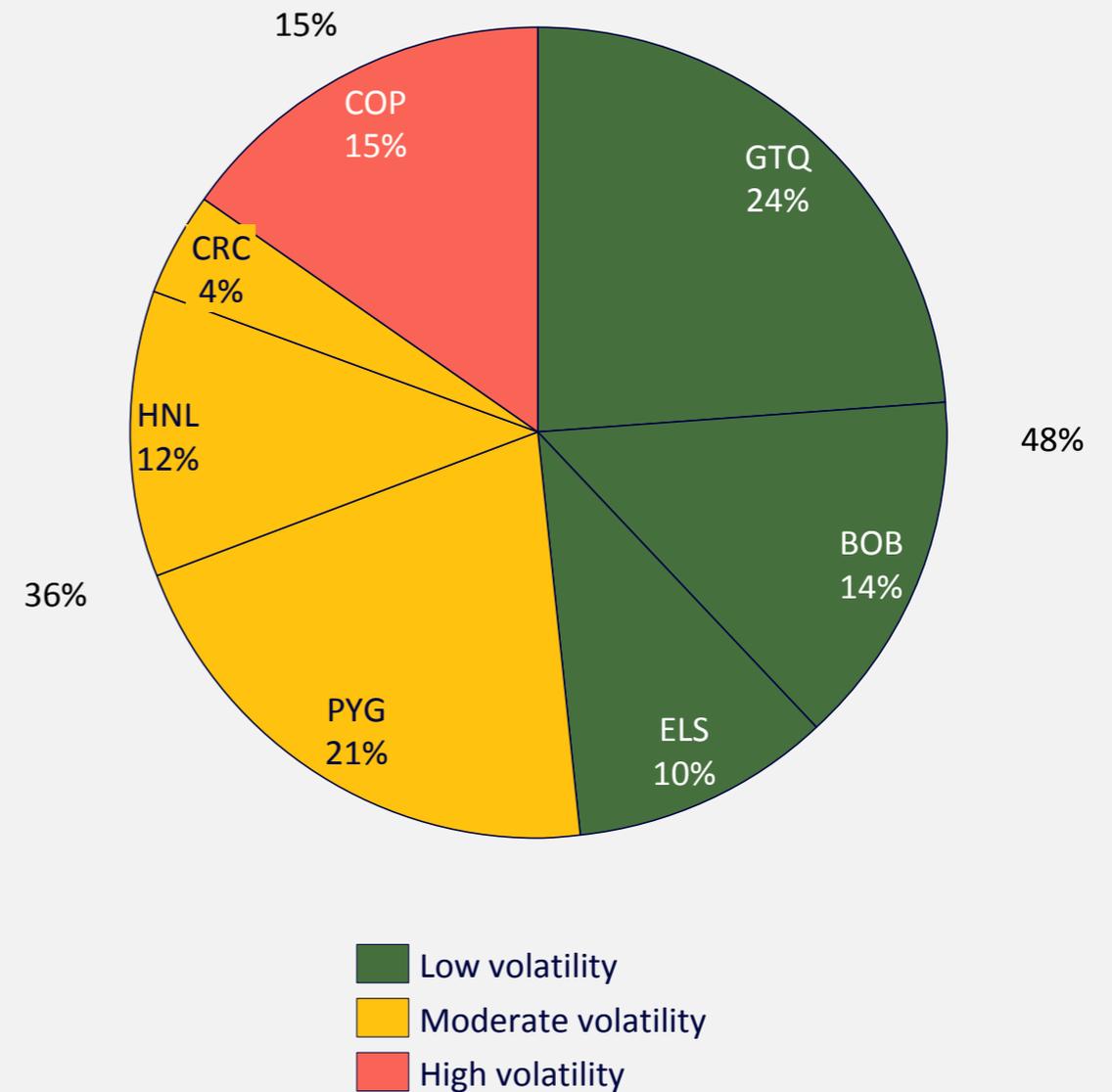
## 10-year FX trends

Bloomberg Weekly FX rates vs USD, 2008 - 2017



## Proportional Latam EBITDA

Latam EBITDA by country, adjusted for proportional Millicom ownership, and ranked by currency volatility, 2017



## Targeting faster revenue growth and operating leverage in 2018

Reach **10 million 4G subs**, **10 million homes passed** by the end of 2018 and add **300,000 HFC homes connected**

### Latam

Service Revenue	2-4% organic growth
EBITDA	3-6% organic growth
Capex	Around \$1.0 billion

### Africa

eFCF	Positive
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Gained momentum in 2017, finished strong in Q4, positioning Millicom for an even better 2018

**1**

**We've come a long way on our journey...**

**2**

**... 2017 was a pivotal year as growth returned ...**

**3**

**... we still have many more people and homes to connect ...**

**4**

**... with continued focus on cost control and capital allocation**



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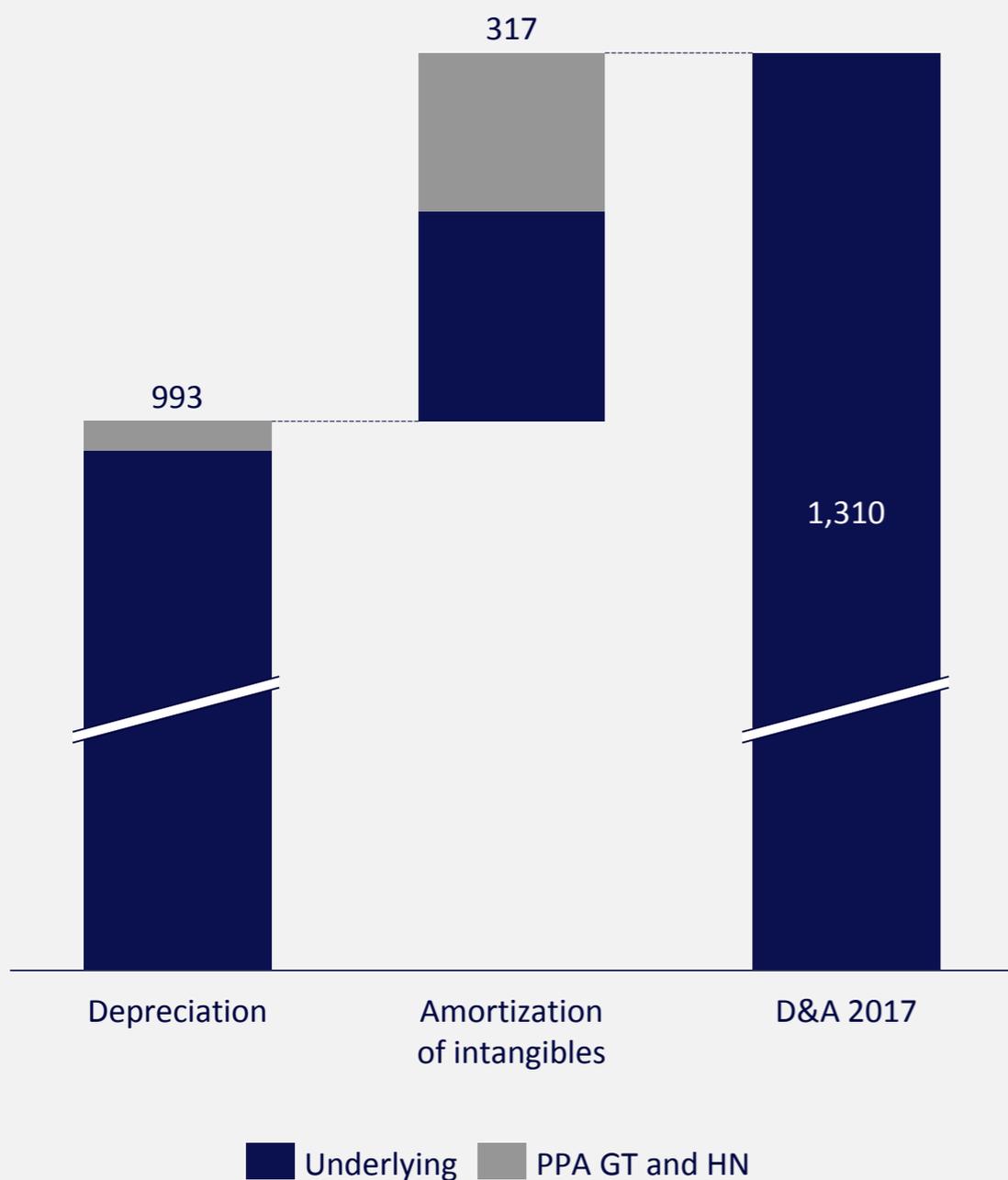
Q&A

# Depreciation and amortization, interest expense

## A closer look at D&A and net interest expense lines

### Depreciation and amortisation

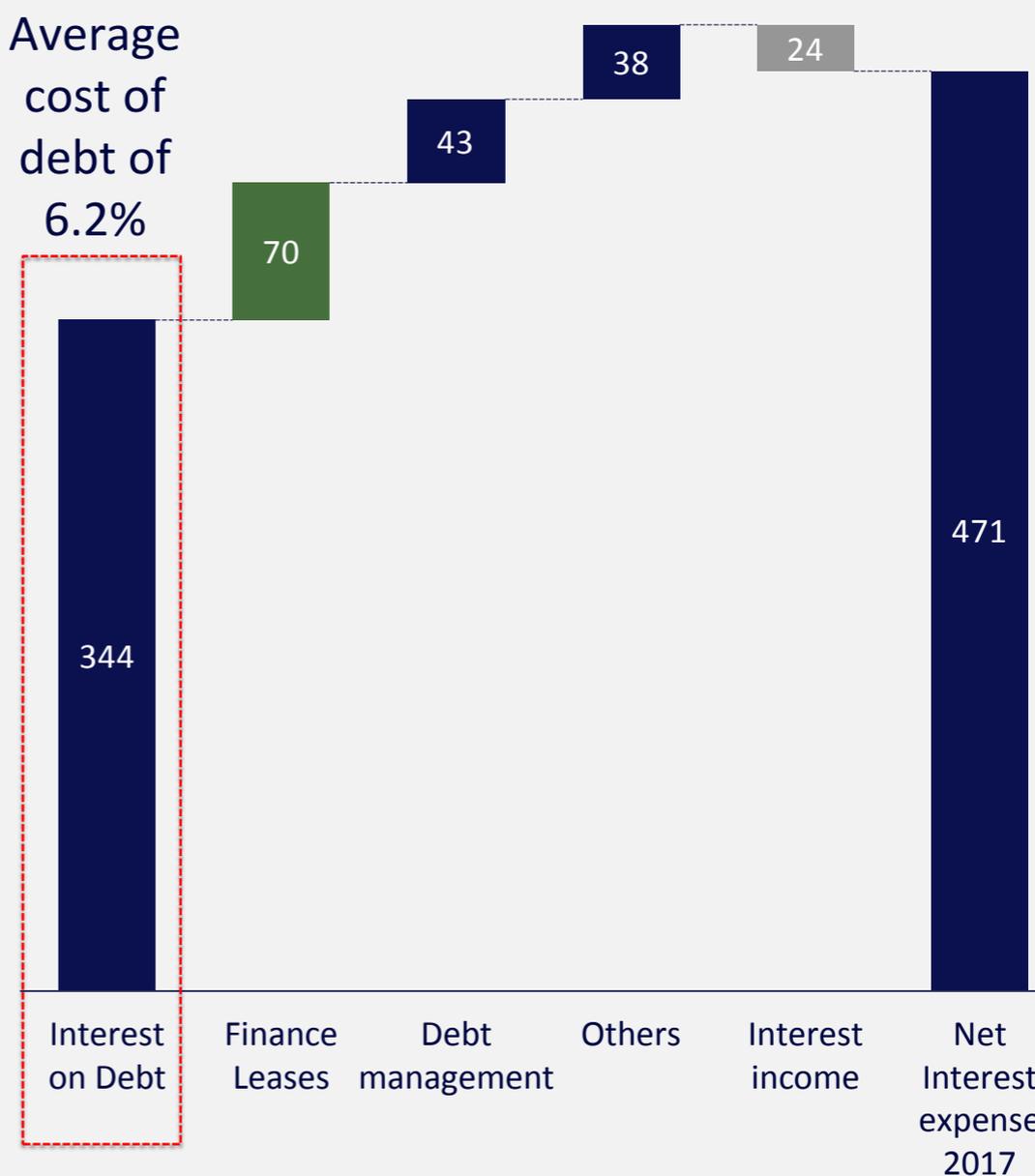
\$ million, FY17



### Interest expense

\$ million, FY17

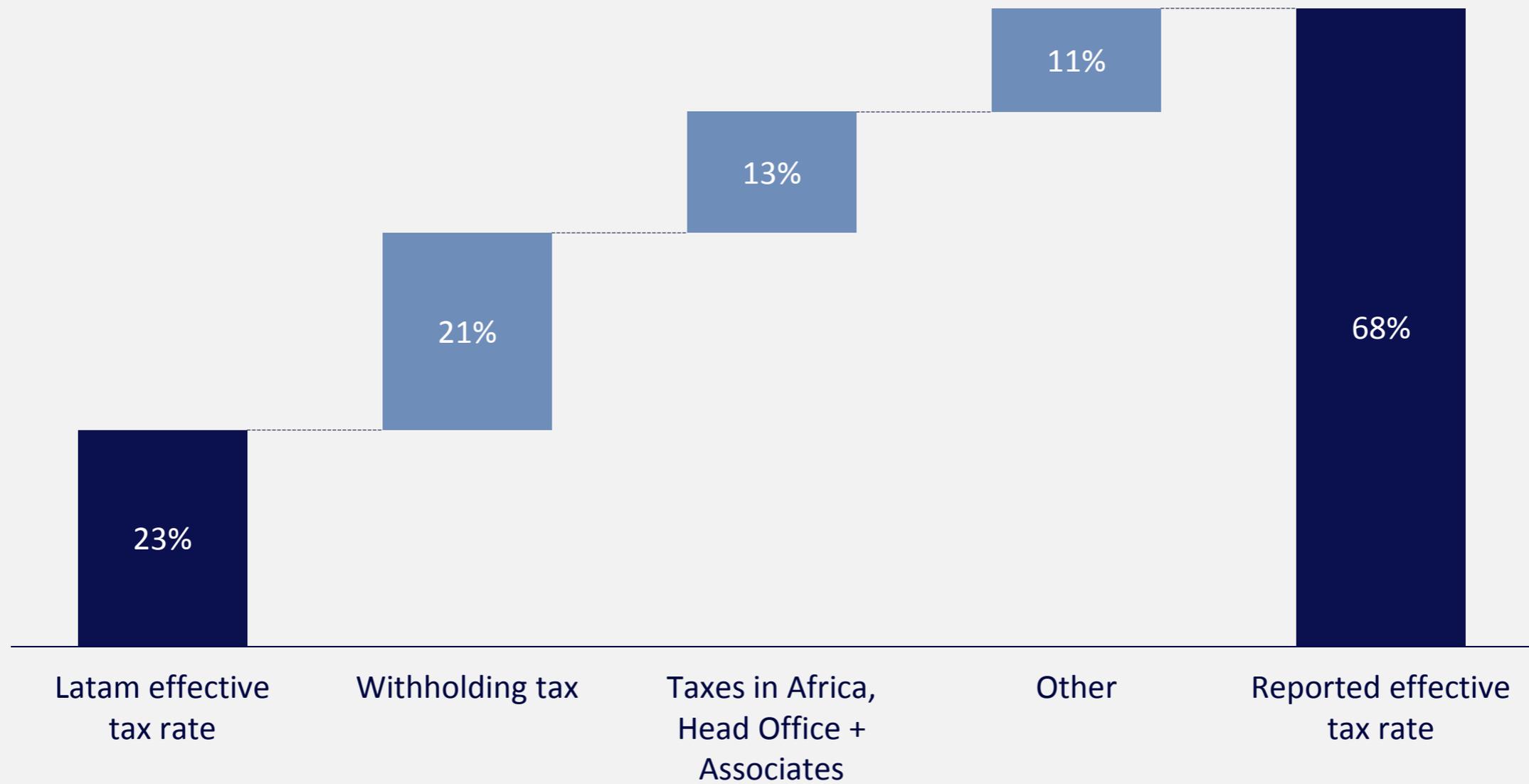
Average cost of debt of 6.2%



## Withholding, Africa and HQ impact reported tax rate

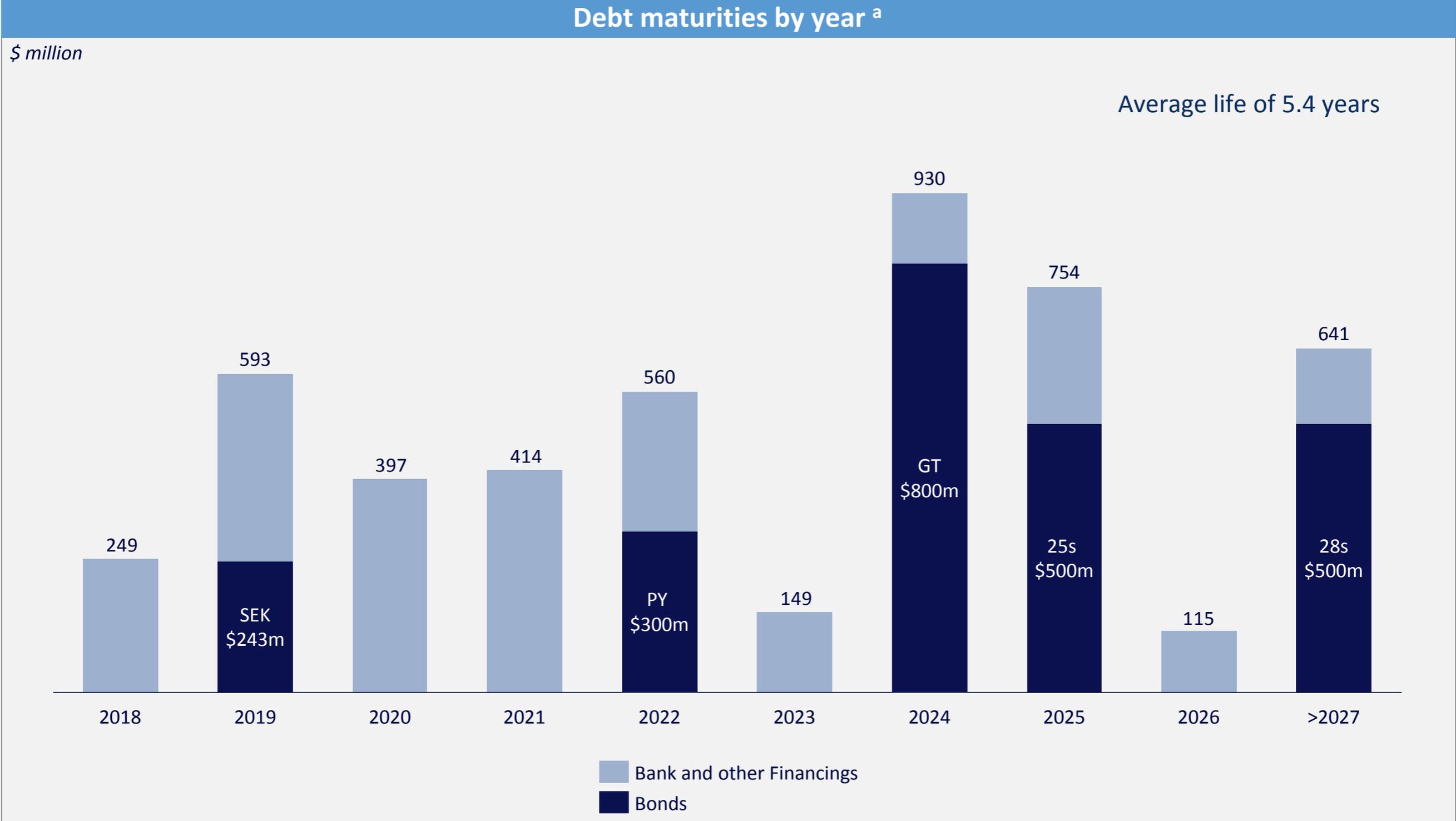
Latam effective tax rate was 23% in 2017

% of Profit before taxes, FY17



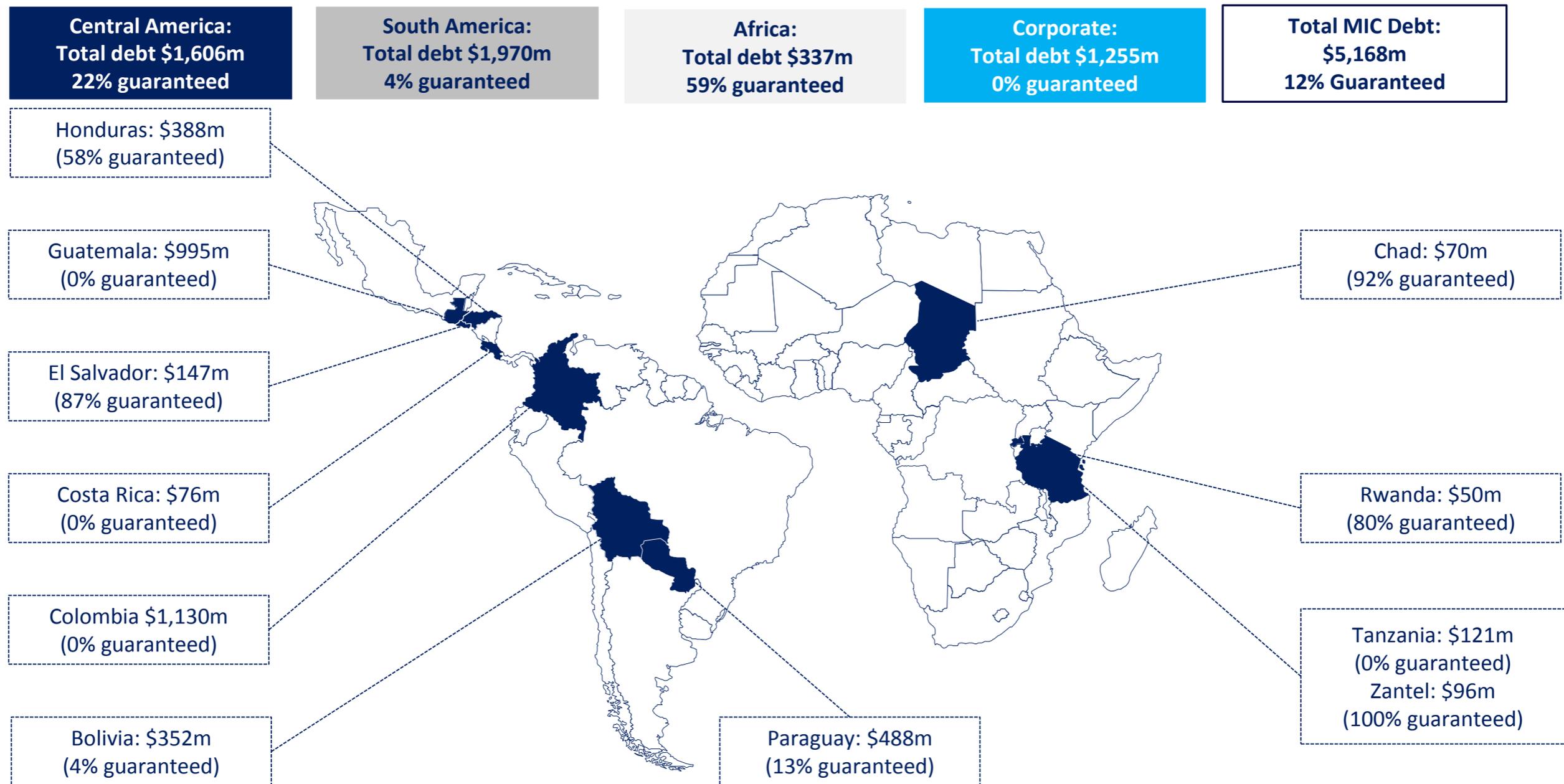
# Debt maturity profile

Comfortable capital structure and liquidity with no major maturities until 2024



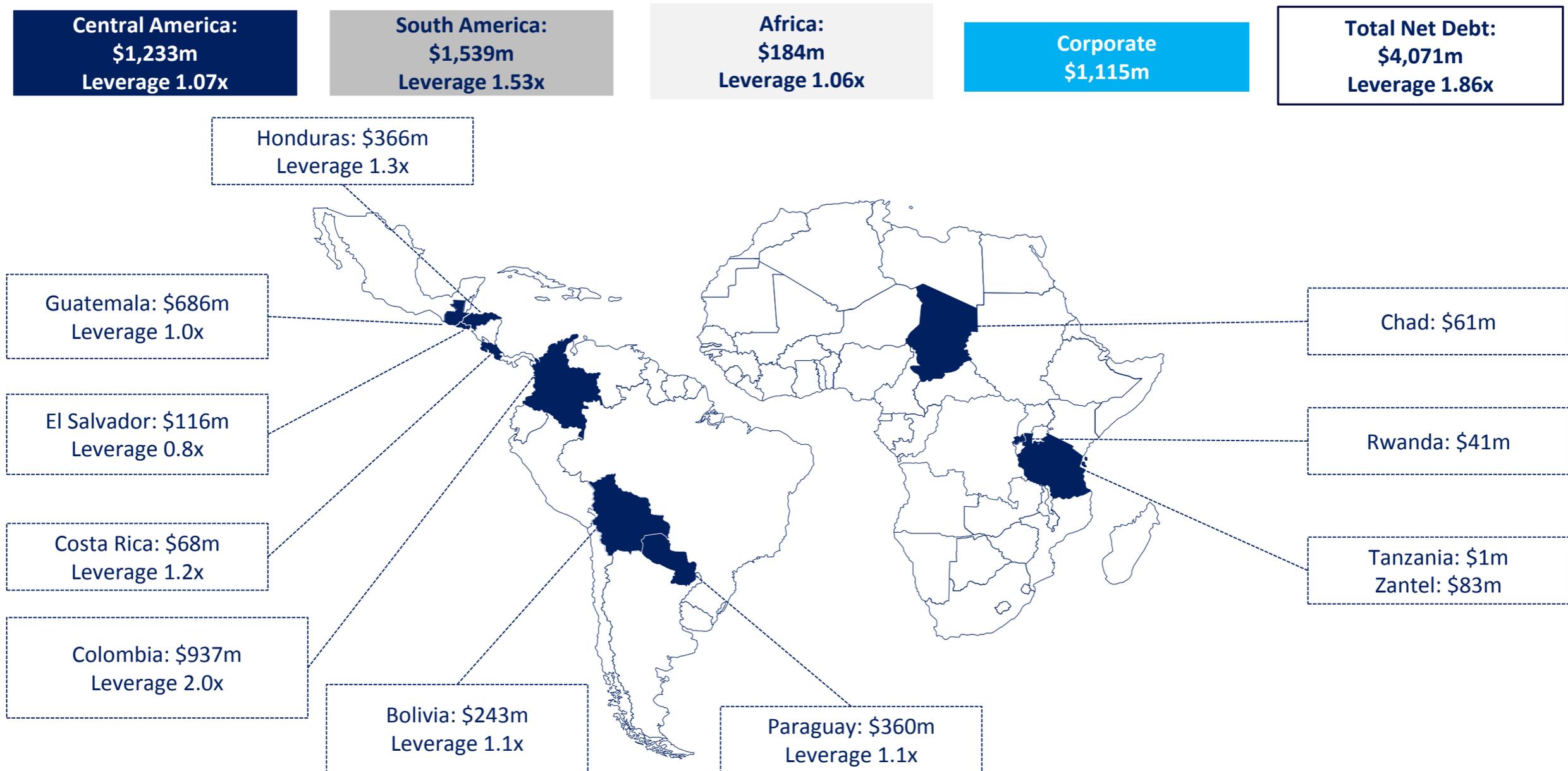
a) excluding financial leases

# Gross debt by country



Including finance leases

# Net debt by country



Including finance leases;  
Leverage is Net debt / LTM EBITDA

# Currency exposure of debt

Dec. 2017	Debt including finance leases			Cash Total	Net debt		
	US\$	Local	Total		USD	Local	Total
Latin America*	1,709	1,867	3,576	804	1,341	1,431	2,772
	48%	52%	100%		48%	52%	100%
Africa	139	197	336	153	132	52	184
	41%	59%	100%		72%	28%	100%
Corporate	1,255	0	1,255	141	1,120	-5	1,115
	100%	0%	100%		100%	0%	100%
<b>Millicom</b>	3,104	2,064	5,168	1,097	2,593	1,477	4,071
	60%	40%	100%		64%	36%	100%

\*El Salvador has USD as functional currency (treated as local.)



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