

# MAGYAR TELEKOM GROUP Q2 2020 RESULTS PRESENTATION

August 6, 2020



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In addition to figures prepared in accordance with IFRS, Magyar Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA AL, EBITDA margin, and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to the interpretation of these terms, please refer to the chapter “Reconciliation of pro forma figures”, which is posted on Magyar Telekom’s Investor Relations webpage at [www.telekom.hu/investor\\_relations](http://www.telekom.hu/investor_relations).

# 2020 GUIDANCE: EBITDA CONFIRMED, CAPEX UPGRADED

	2019 results	YTD 2020 (vs YTD 2019)	Targets 2020 (vs 2019)	Targets 2021
REVENUE	HUF 666.7bn	HUF 316.5bn (-3.2bn)	Broadly stable	Broadly stable
EBITDA AL	HUF 197.6bn	HUF 91.0bn (-0.9bn)	Increase of 1%-2%	Increase of 1%-2%
CAPEX <sup>1</sup>	HUF 89.6bn	HUF 48.5bn (+14.8bn)	Up by around 10%	Broadly stable vs 2019
FCF <sup>2</sup>	HUF 65.1bn	HUF 3.4bn (-0.4bn)	Broadly stable	Broadly stable

<sup>1</sup> EXCLUDING SPECTRUM LICENSE FEES AND CAPEX RELATED TO RIGHT OF USE ASSETS

<sup>2</sup> EXCLUDING SPECTRUM LICENSE FEES



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Guidance  
change

# Q2 HIGHLIGHTS: SEAMLESS OPERATIONS DESPITE COVID-19

## Network

- Accelerated fiber rollout: 2.2mn gigabit capable access points
- Launch and gradual extension of commercial 5G service



**51%**

gigabit capable network

**5G**

Service launch

## Customers

- Mobile broadband data usage up by over 60% in Q2 2020
- Enhancing digital distribution channels



**5.5 GB**

Average monthly mobile data usage in 2020



Customers changing subscription plan using the Telekom app in the 1st month following service launch

**10%**

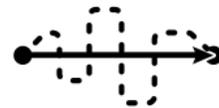
## Efficiency & optimisation

- Over HUF 2bn efficiency improvement delivered through organisational stream-lining
- Agile transformation underway



**15%**

lower headcount



**Agile**

cross functional working practices

## Communities

- Enhancing digital cooperation in response to COVID-19:
  - 2 X 10 GB extra data provided to all mobile customers
  - Targeted voice and data offers for most vulnerable members of the society (doctors, the elderly, students)
- Safeguarding the wellbeing of employees



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**WE CAN DO IT TOGETHER!**

# WIDE-RANGING AFFECTS OF COVID-19 IN H1 2020

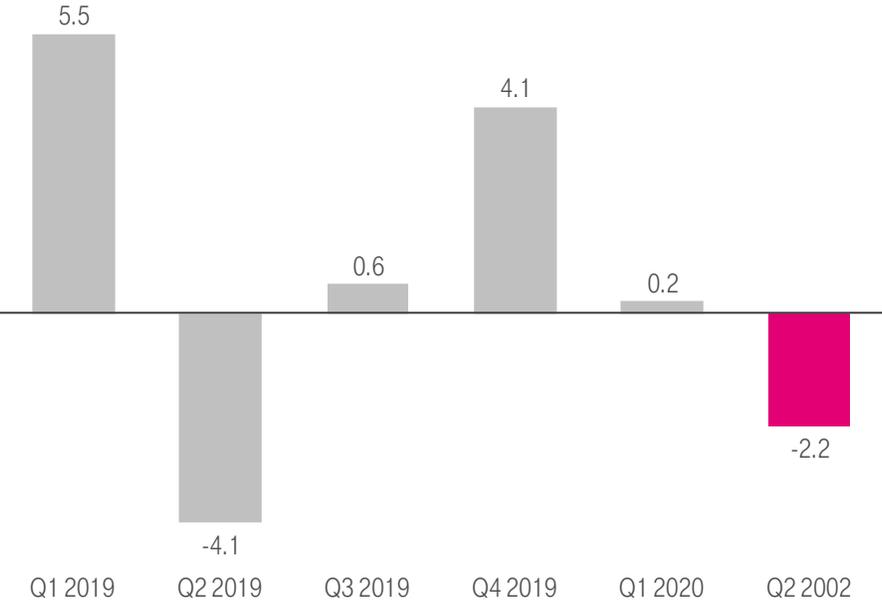
Affected areas	H1 2020 trends	Financial impact
Cost savings	<ul style="list-style-type: none"> <li>Lower travel costs and other OPEX</li> <li>Bandwidth upgrades in fixed BB; 2X10GB customer offer somewhat limited monetization</li> <li>Higher market shares in fixed BB and TV as well as improvement in customer satisfaction</li> </ul>	
Data traffic		
Customer base		
Voice traffic	<ul style="list-style-type: none"> <li>Limited voice traffic monetization as most customers use unlimited packages</li> <li>No significant deterioration to date</li> </ul>	
Bad debt		
Roaming / visitor revenues	<ul style="list-style-type: none"> <li>Diminishing visitor revenues, roaming outpayments exceeded roaming revenues</li> <li>Higher fixed and mobile traffic generated additional tax payments</li> <li>April and May heavily impacted by diminishing domestic equipment sales</li> <li>Moderate public sector spending</li> </ul>	
Telecom tax		
Equipment / sales		
SI/IT		



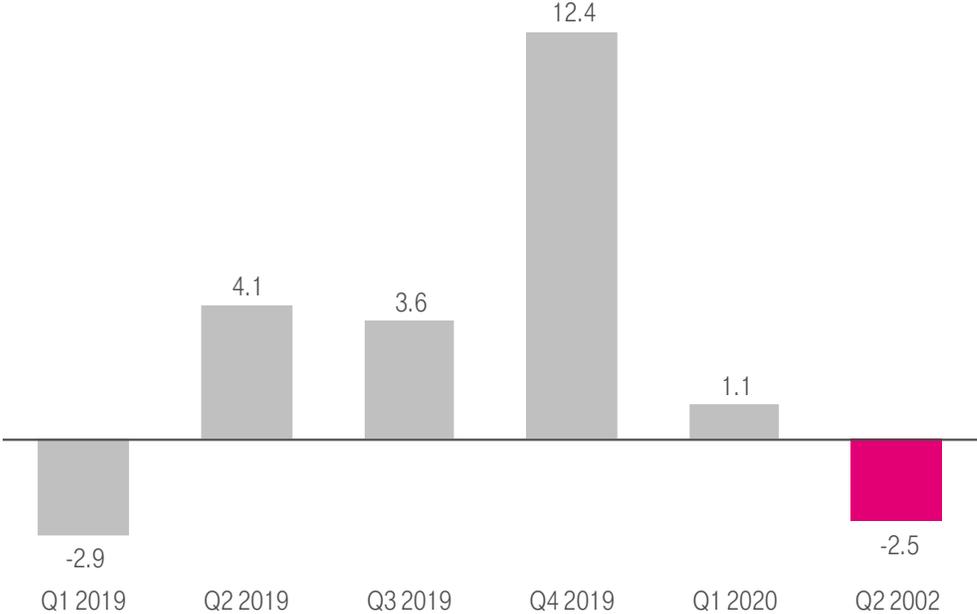
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# GROWING EBITDA AL TREND INTERRUPTED BY COVID-19

Quarterly revenue changes YoY (%)



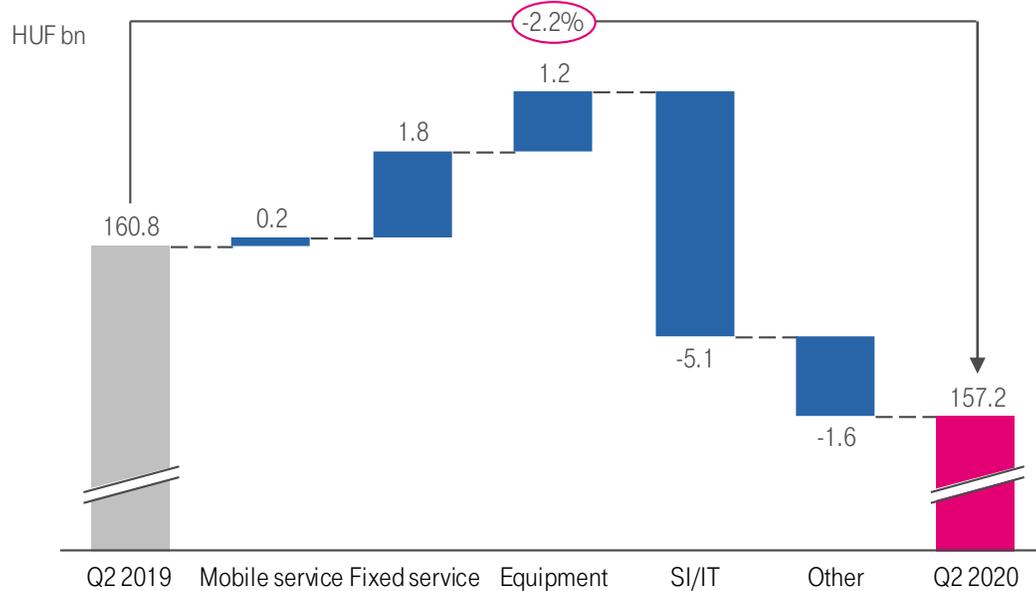
Quarterly EBITDA (AL)<sup>1</sup> changes YoY (%)



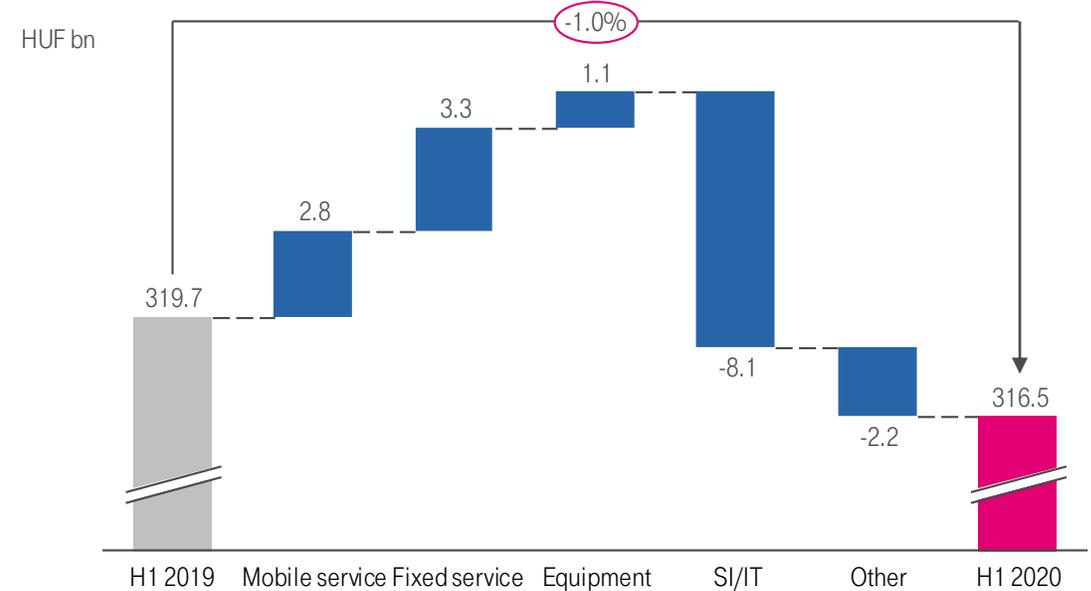
(1) 2019 YoY quarterly changes reflect EBITDA excl. IFRS 16 developments to ensure comparability with the base period

# REVENUES AFFECTED BY LOWER SI/IT CONTRIBUTION BOTH IN Q2 AND H1 2020

## Revenue YoY, Q2 2020 vs Q2 2019



## Revenue YTD, H1 2020 vs H1 2019



- SI/IT revenues continued to decline YoY driven by lower level of project deliveries to the public sector
- Telecommunication service revenues (esp. fixed) grew driven mainly by higher data revenue in both mobile and fixed businesses
- Equipment sales uplift fully driven by export sales

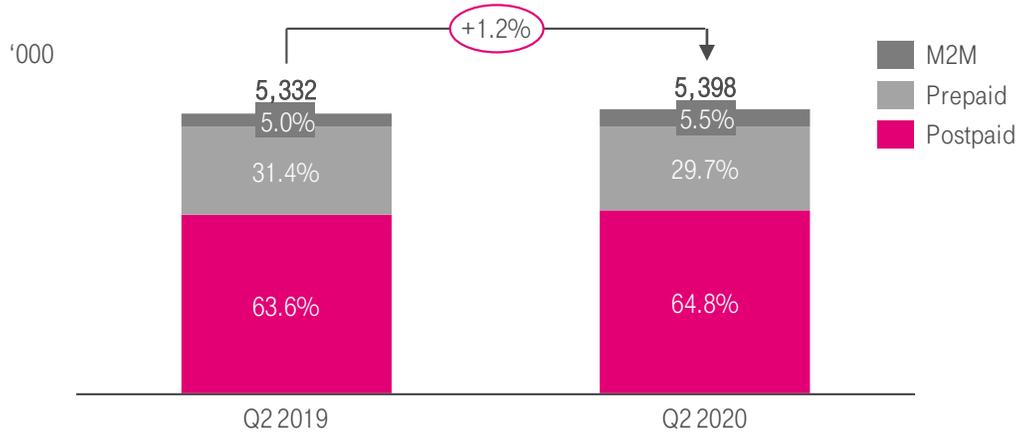
- Similar trends shaped revenue development YTD as YoY
- Temporary slowdown in data driven mobile service revenue growth driven by the 10GB data packages offered to customers in Q2; strong growth recorded in H1



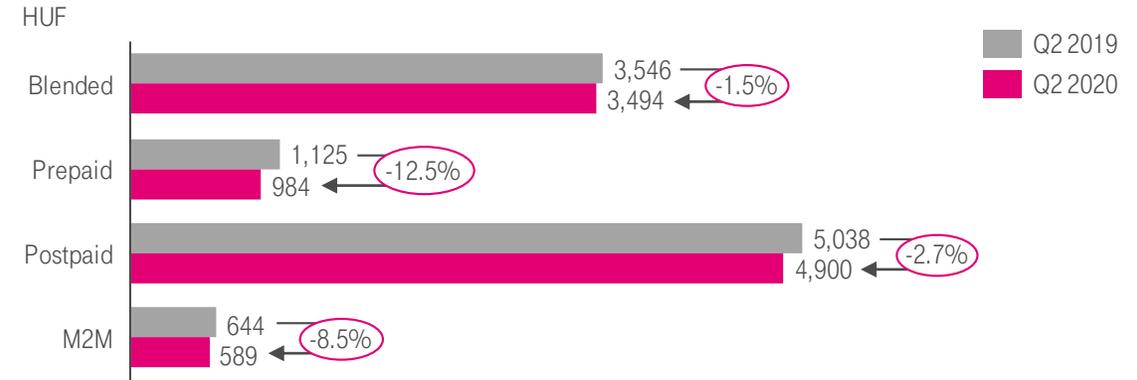
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# INCREASE IN MOBILE SIMS SUPPORTED MODERATE REVENUE GROWTH IN Q2 2020

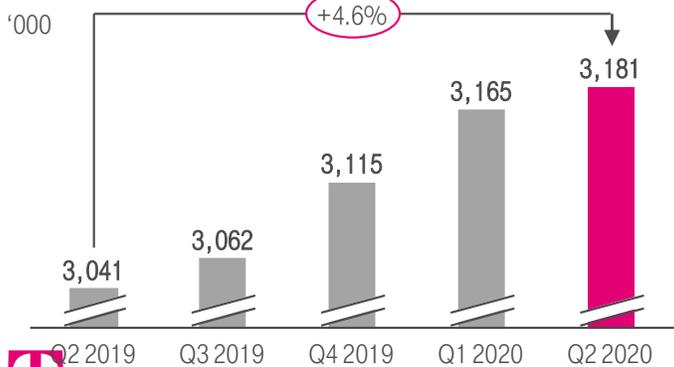
## Mobile SIMs



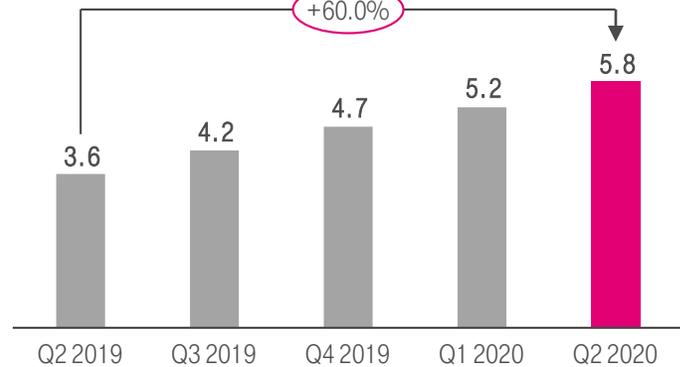
## Mobile ARPU



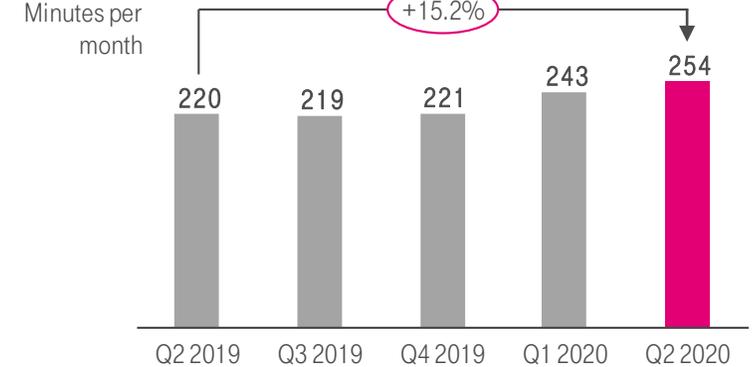
## Mobile data SIMs



## Mobile broadband usage (GB/month)

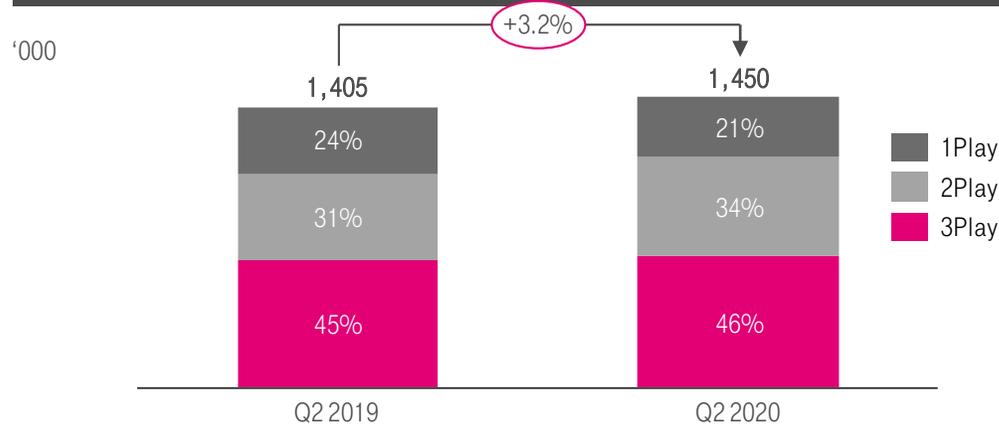


## Mobile voice usage

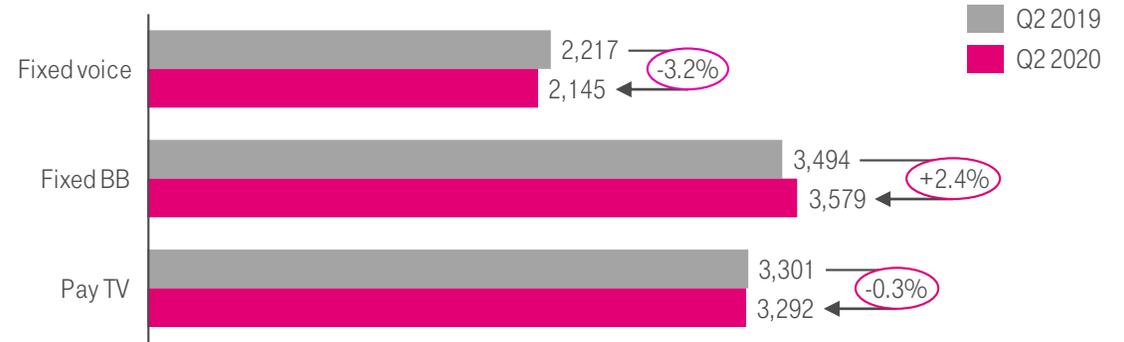


# SUBSCRIPTIONS AND BROADBAND ARPU GROWTH DRIVES INCREASING FIXED LINE CONTRIBUTION

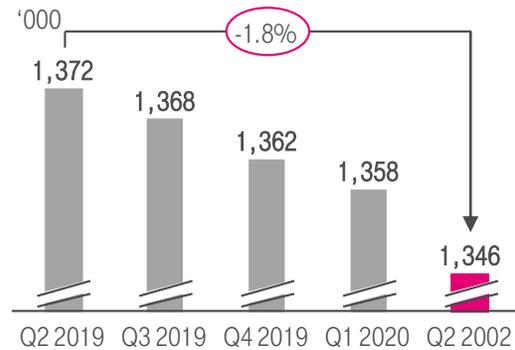
## Fixed line multiplay residential subscribers



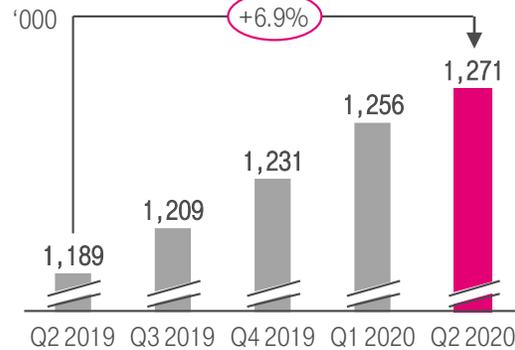
## Fixed Voice, BB and TV ARPU



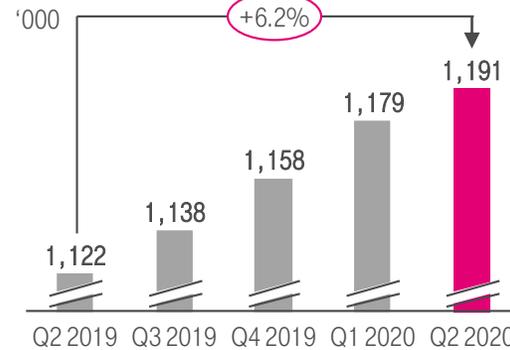
## Fixed voice customers



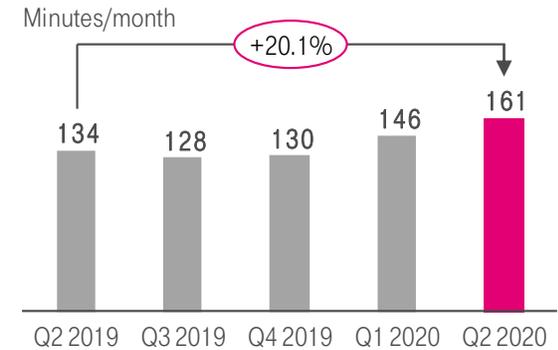
## Fixed broadband customers



## Pay TV customers

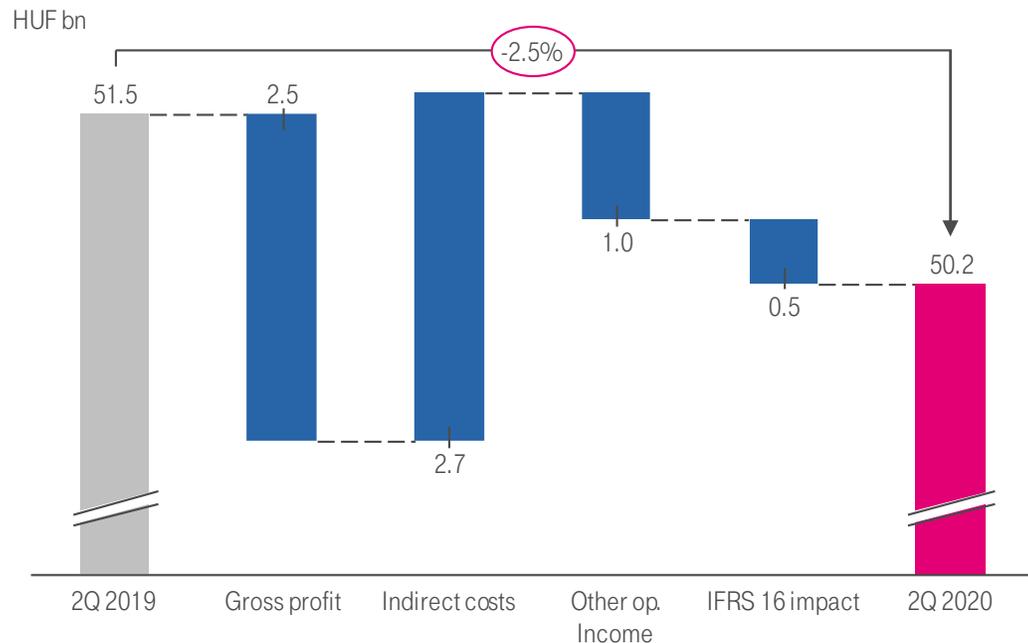


## Fixed voice usage

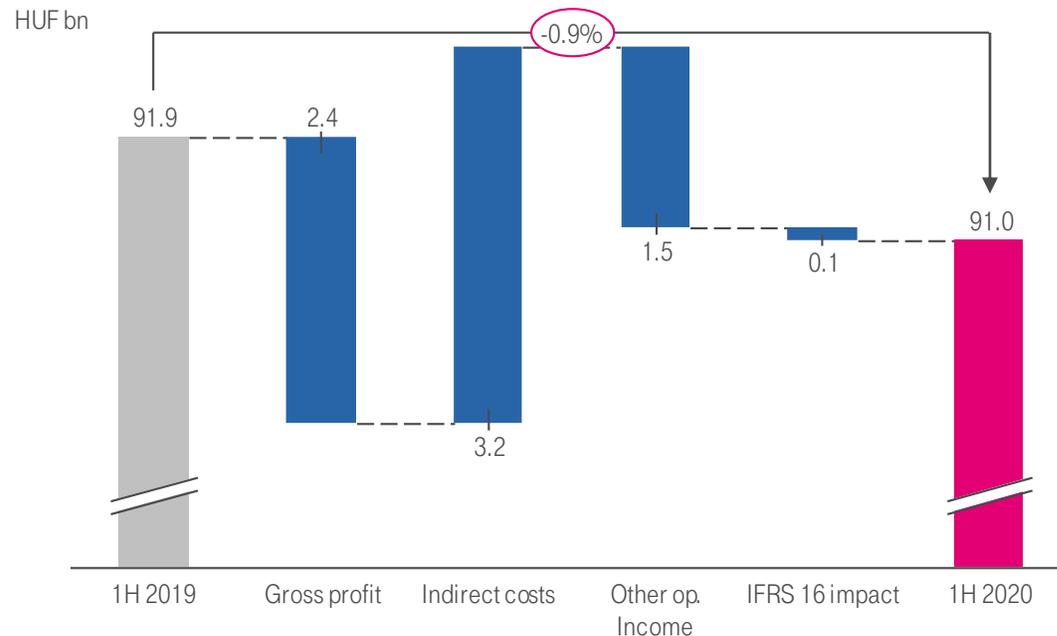


# LOWER INDIRECT COSTS OFFSET GROSS PROFIT DECLINE BOTH IN Q1 AND H1 2020

## EBITDA AL YoY, Q2 2020 vs Q2 2019



## EBITDA AL YTD, H1 2020 vs H1 2019



- Gross profit affected by declining revenues (HUF 3.5bn YoY)
- Indirect costs (excl. other operating income) decline attributable to lower employee-related expenses and other OPEX savings (such as advisory and marketing costs)

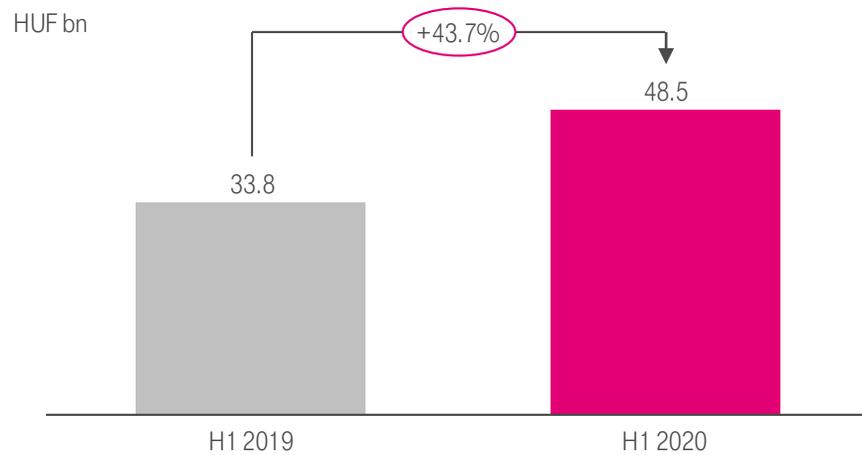
- Q1 affected by severance expenses causing a disproportional distribution of indirect cost savings YTD
- Other operating income was lower by HUF 1.5bn YoY reflecting the absence of real estate sales



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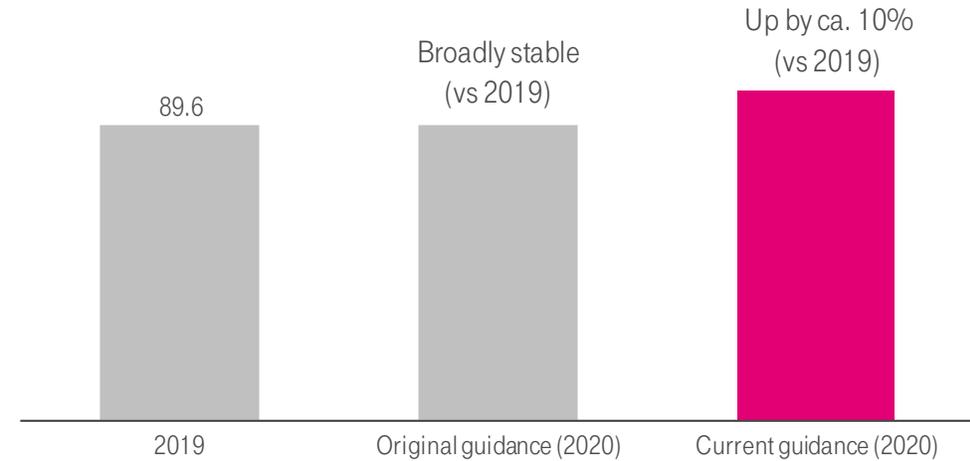
# CAPEX GROWTH OF 2020 DRIVEN BY FIBER ROLL-OUT AND MOBILE NETWORK MODERNIZATION

CAPEX AL (w/o spectrum licenses) YTD, H1 2020 vs H1 2019



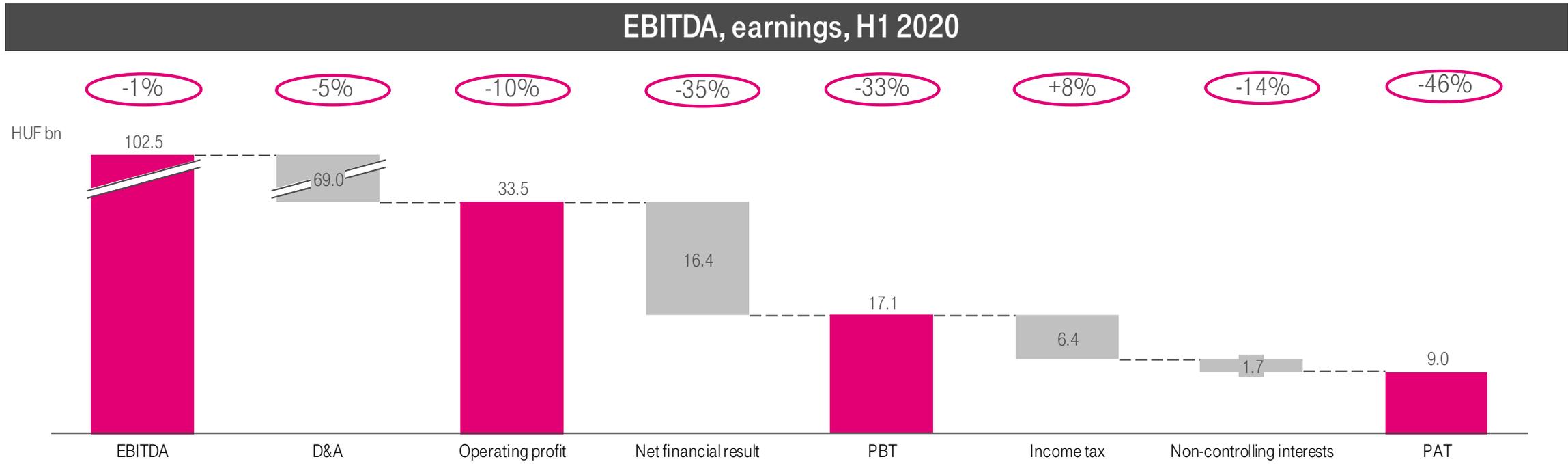
- CAPEX up by HUF 14.8bn in H1 2020 due to:
  - Expedited roll-out of fiber network and modernization activities in Hungary
  - Capitalization of TV content rights in Macedonia
  - Different spending pattern in H1 2020 compared to the base period

CAPEX AL (w/o spectrum licenses), FY 2020



- CAPEX guidance upgrade:
  - FTTH coverage to reach ca 25% more new access points than in 2019
  - Commencement of the comprehensive mobile network modernization (4G, 5G)

# NET PROFIT UNDER PRESSURE MAINLY DUE TO HIGHER D&A AND FINANCIAL CHARGES IN H1 2020

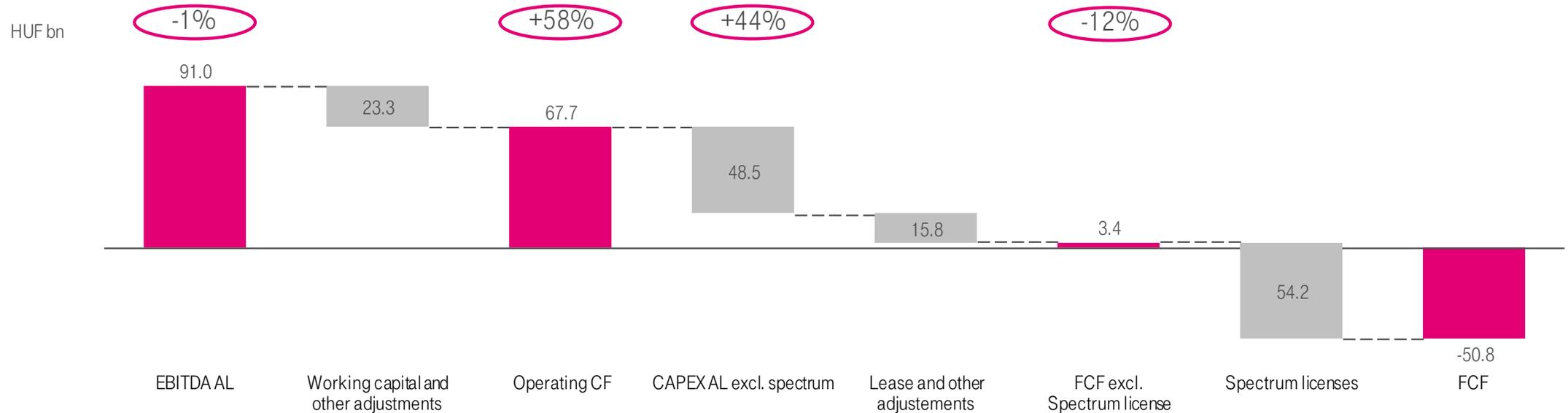


- D&A: slightly higher mainly on recently capitalized spectrum x change vs H1 2019 (%)<sup>1</sup>
- Financial result reaching normalized levels in Q2 2020 (unlike in Q1 2020, Forint did not weaken versus the EUR further)
- Corporate income tax decrease was driven by lower PBT, local tax payments were largely flat (in Hungary)

(1) Positive change represents a decrease in case of D&A, financial results, income tax and non-controlling interests

# H1 2020 CASH GENERATION COVERED INVESTMENTS (EXCL. SPECTRUM) AND SEASONAL UPLIFT IN WORKING CAPITAL AND

## EBITDA AL and cash-flow, H1 2020



x

Change vs H1 2019 (%)<sup>1</sup>

- EBITDA (AL) decline of 1% mainly due to COVID-19
- Working capital build of HUF 15.3bn in line with seasonality
- CAPEXAL (excl. spectrum) increased by HUF 14.8bn due to higher investments into maintenance and the development of the fiber network
- FCF excl. spectrum licenses reached HUF 3.4bn, in line with H1 2019



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# Q&A



**For further questions please contact the IR department:**

**Zoltán Pandi**

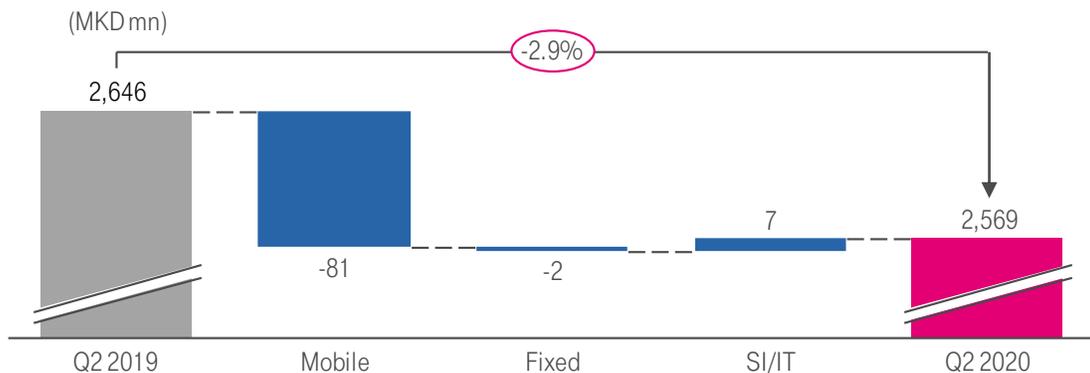
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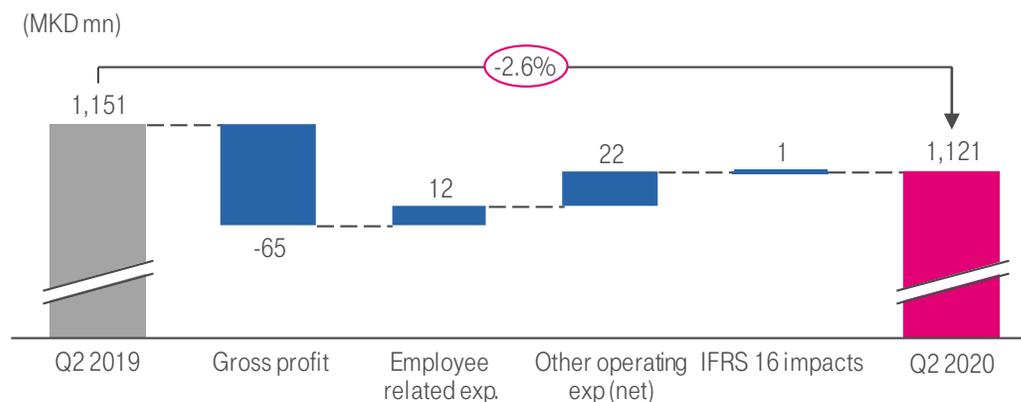
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# NORTH MACEDONIA

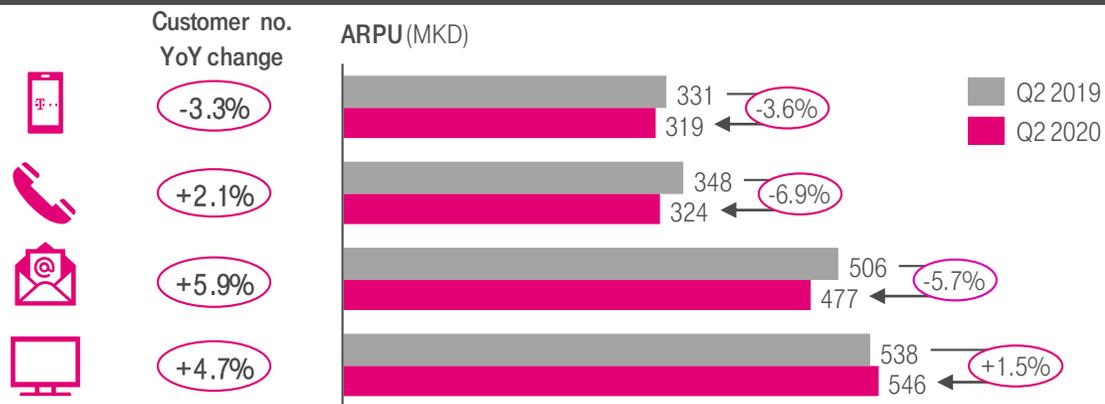
## Revenues



## EBITDA AL



## KPIs (mobile/fixed voice/fixed BB/TV)



- COVID-19 unfavorable impacting financial performance
- Decline in mobile revenues reflects low tourism and fallout in prepaid revenues
- Fixed revenue decline stemming from promotional free content and data allowance offers
- Profitability impact mitigated by cost efficiency measures
- Positive fixed customer developments maintained
- Mobile customer base reduction led by lower prepaid base