

# **MAGYAR TELEKOM GROUP Q4 2022 RESULTS PRESENTATION**

February 22, 2023



# DISCLAIMER

This investor presentation contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore should not have undue reliance placed upon them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors are described in, among other things, our Annual Reports for the year ended December 31, 2021 available on our website at <http://www.telekom.hu>.

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 “Financial and operational data set”, which is posted on Magyar Telekom’s Investor Relations webpage at [www.telekom.hu/investor\\_relations](http://www.telekom.hu/investor_relations).

# 2022 STRATEGIC PRIORITIES

## Network

- Gigabit network rollout: additional 370 thousand new access points expand coverage to 3.4m
- Ongoing RAN modernization supporting growing demand for increased capacity



**~77%**

gigabit capable fixed network



**60%**

of the RAN modernization program completed

## Customers

- Continued strong momentum in mobile data and gigabit broadband demand
- Successful monetization of network investments reflected in ARPU trends



**10GB**

average monthly mobile data usage in 2022 (up 25% YoY)



**> 1.2 million**

customers connected through Gigabit capable network

## Resilience

- Inflation-based fee adjustment clause effective in customer contracts
- Energy cost control measures launched to mitigate increase in wholesale prices



Other operating expenses under pressure



**6% saving**

in electricity consumption YoY

**MSCI**  
ESG RATINGS



CCC B BB BBB A AA **AAA**



# 2023 STRATEGIC OBJECTIVES AND TARGETS

**#1 CHOICE OF CUSTOMERS**

**DIGITALLY NATIVE BUSINESS**



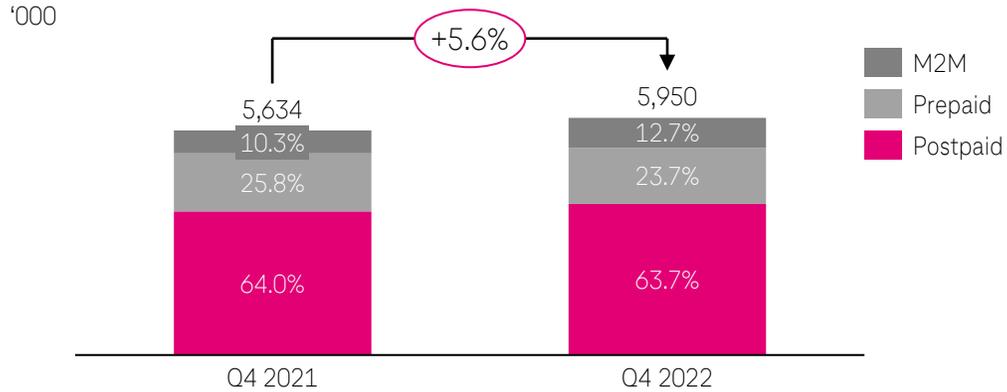
**UNDISRUPTABLE TELEKOM**

**MOST ADMIRABLE COMMUNITY**

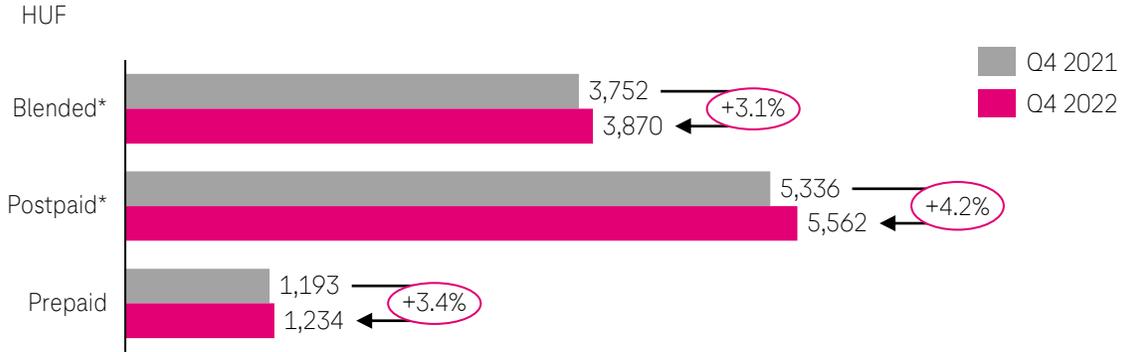


# GROWING DEMAND FOR DATA CONTINUES TO DRIVE POSITIVE ARPU MOMENTUM

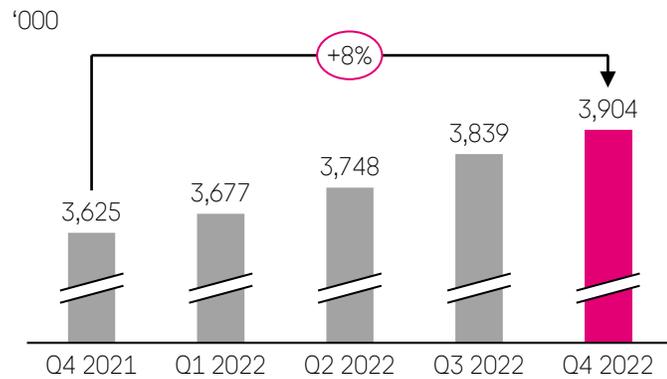
## Mobile SIMs



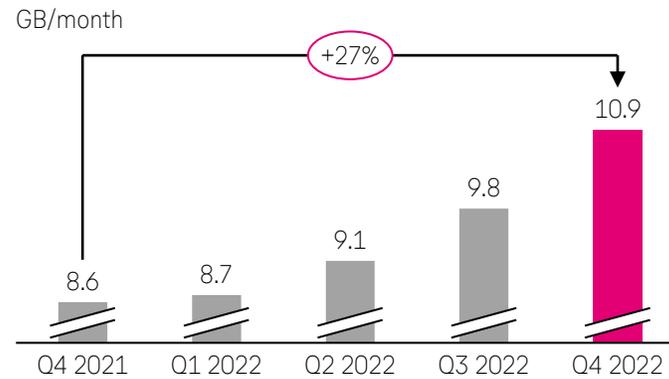
## Mobile ARPU



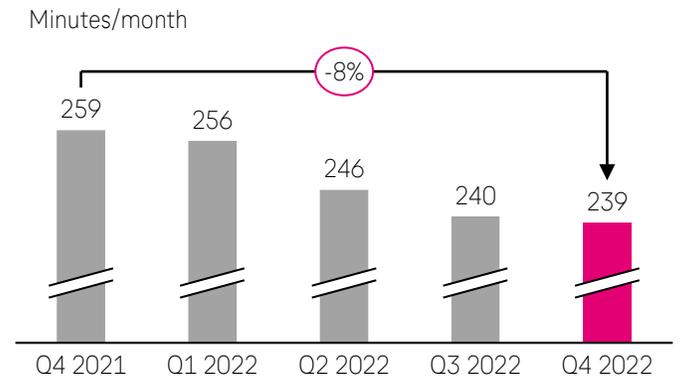
## Mobile data SIMs



## Mobile broadband usage



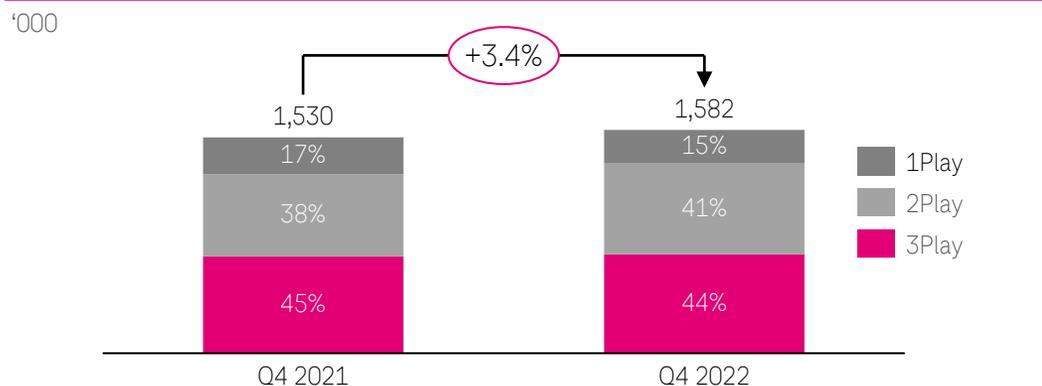
## Mobile voice usage



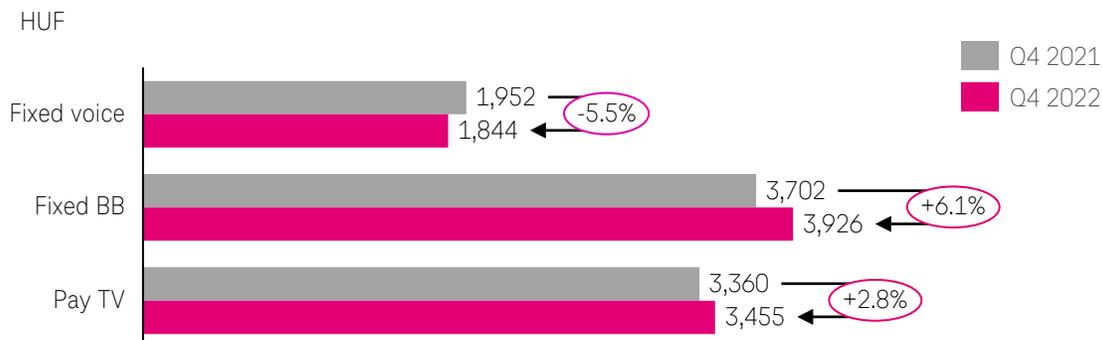
\*2021 values have been restated

# CONTINUED CUSTOMER BASE EXPANSION FUELLED BY GROWING FIBER PENETRATION

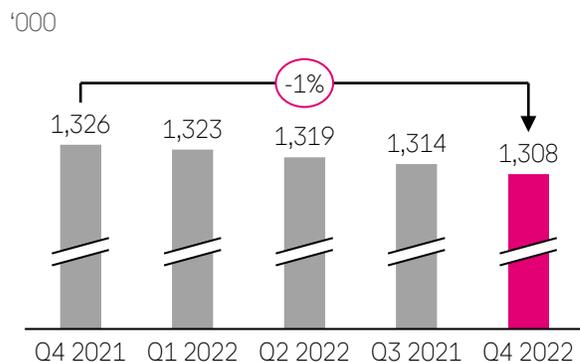
## Fixed line multiplay residential subscribers



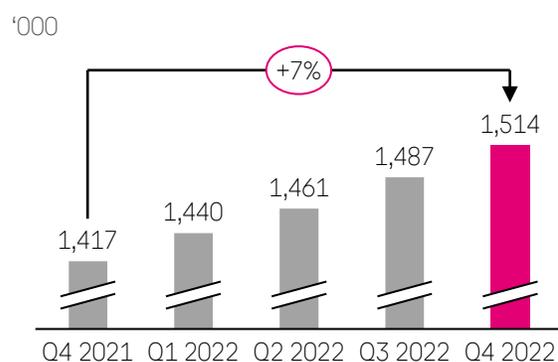
## Fixed Voice, BB and TV ARPU



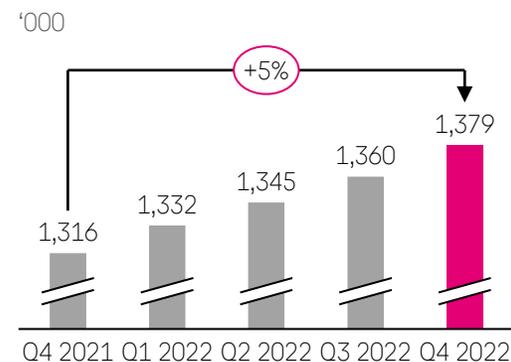
## Fixed voice customers



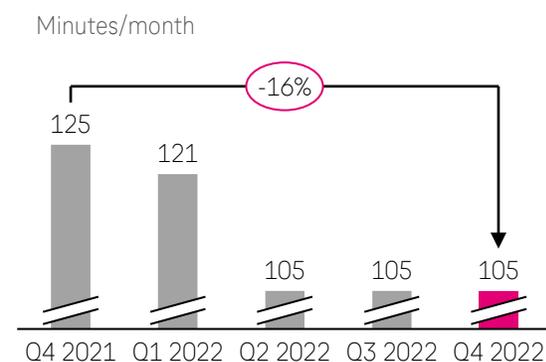
## Fixed broadband customers



## Pay TV customers

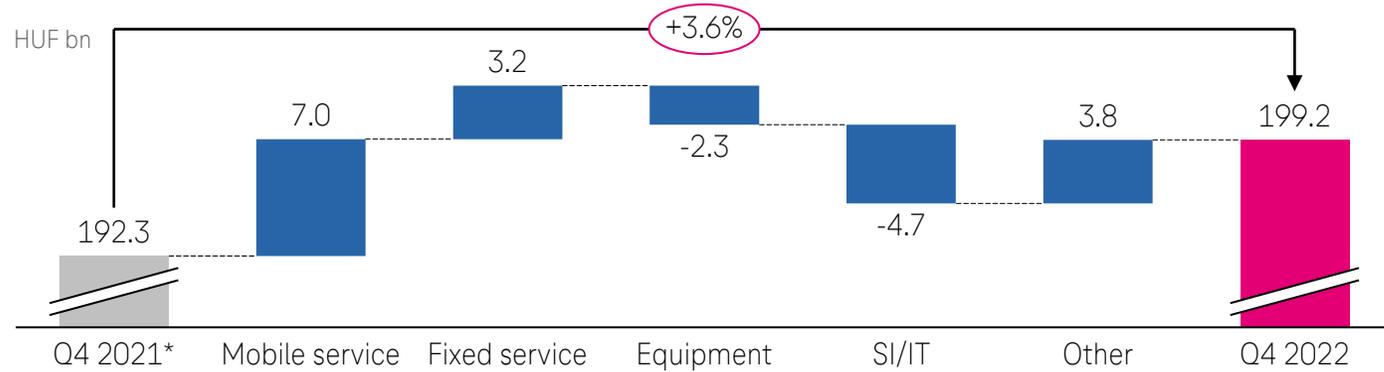


## Fixed voice usage



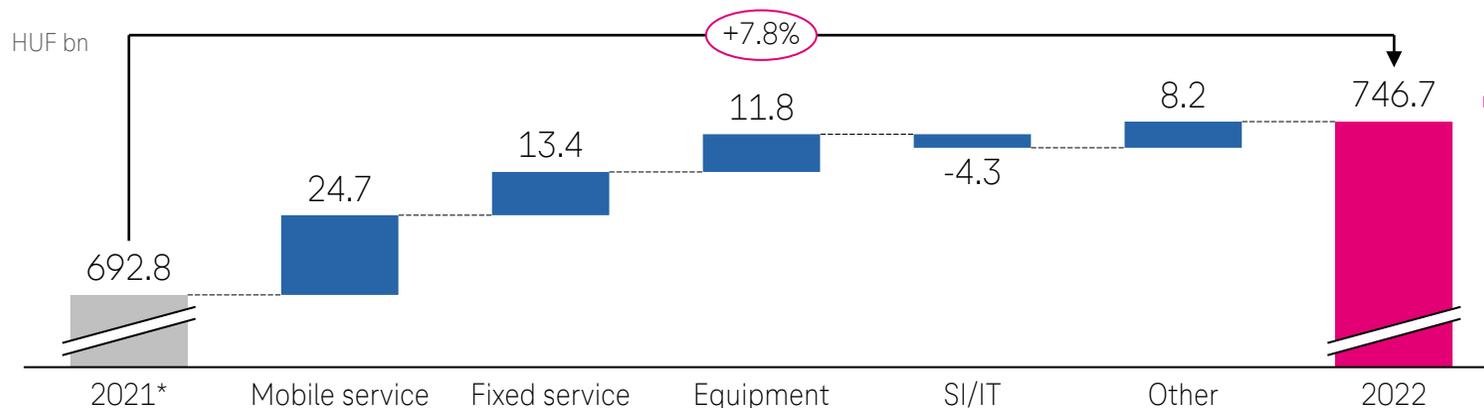
# REVENUE GROWTH DRIVEN BY SUSTAINED COMMERCIAL MOMENTUM

Revenue, Q4 2022 vs Q4 2021\*



- Growth in mobile service revenues driven by strong demand for data
- Fixed service growth attributable to strong demand for broadband and TV services
- Increased average equipment prices drive equipment sales upward with Q4 2022 negatively impacted by higher discount rates and lower third-party export revenues

Revenue, FY 2022 vs FY 2021\*



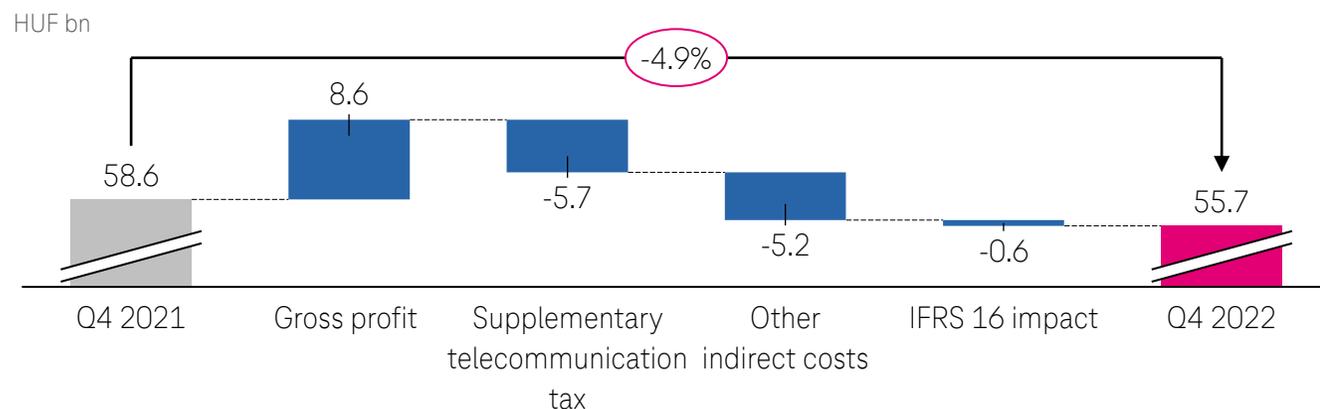
- SI/IT trends reflect fiscal tightening in Hungary and the subsequent decline in public sector project deliveries, coupled with the absence of healthcare business unit revenues

\*2021 values have been restated

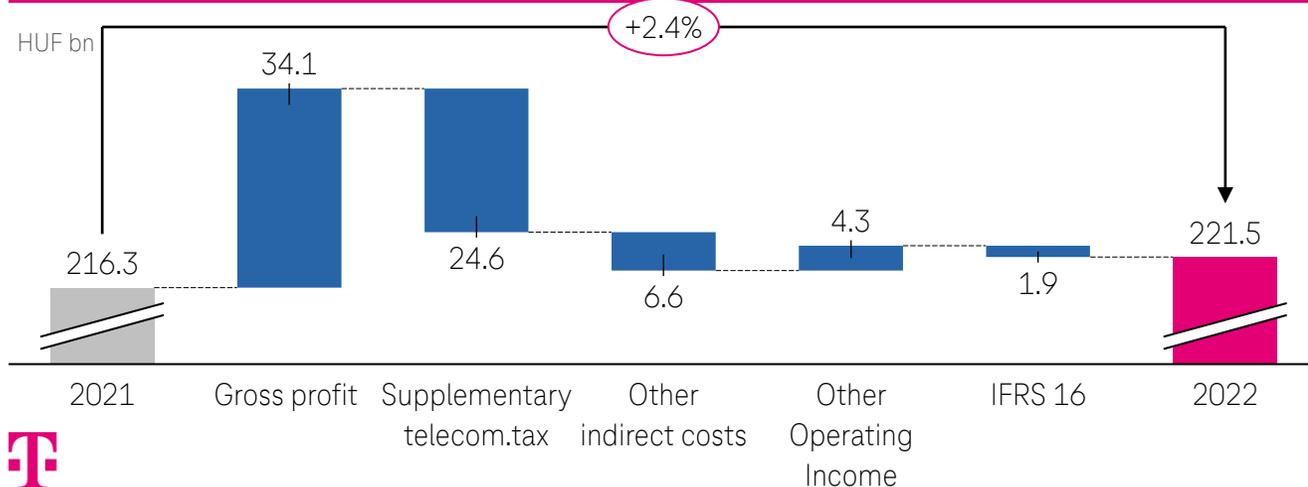


# EBITDA AL PERFORMANCE IMPACTED BY EXTERNAL HEADWINDS

## EBITDA AL, Q4 2022 vs Q4 2021



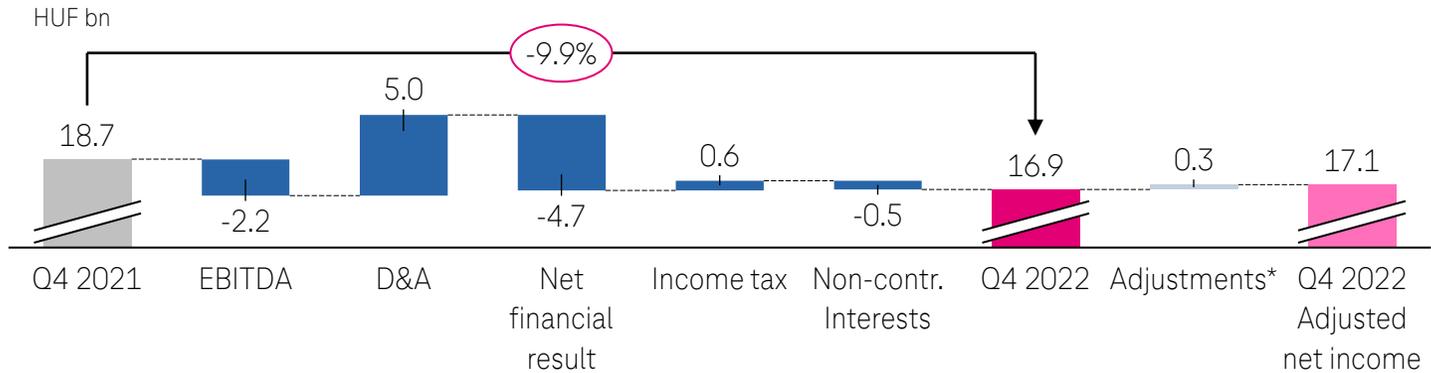
## EBITDA AL, FY 2022 vs FY 2021



- Increase in gross profit attributable to positive underlying telecommunication service developments
- Recently imposed supplementary telecommunication tax booked in relation to revenue generated during 2022
- Increase in indirect costs mainly driven by weakening of the HUF coupled with general inflationary pressure, most heavily impacting energy expenses in particular heating costs in Hungary and electricity in North Macedonia
- 2022 other operating income growth reflects HUF 3.3 bn subsidiary sale gain
- Increasing IFRS16 impact driven by growing lease liability base

# SUPPLEMENTARY TELECOMMUNICATION TAX AND WEAKENING FORINT WEIGH ON NET PROFIT

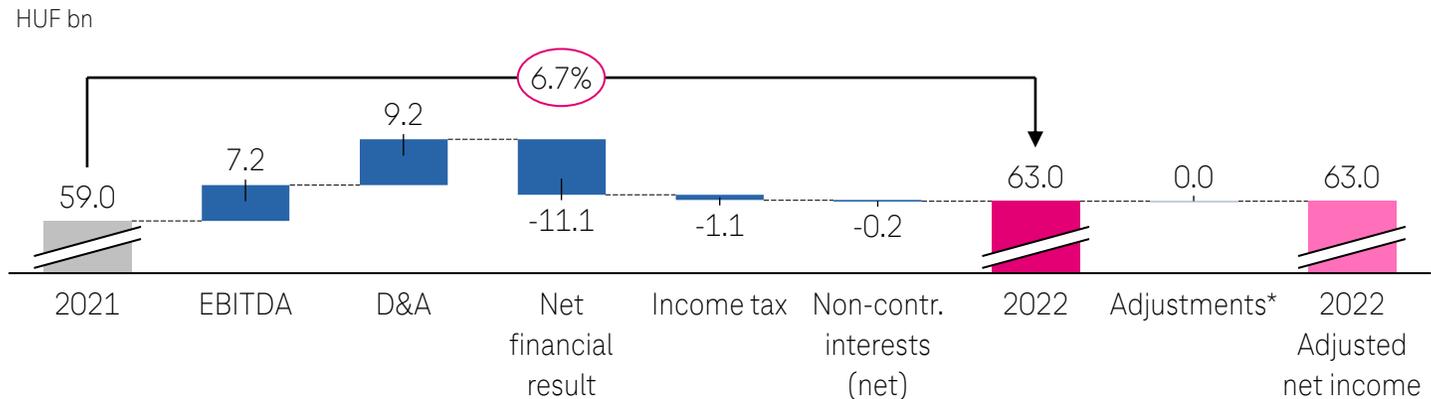
## Net income (and adjusted net income), Q4 2022 vs Q4 2021



- Lower D&A reflects copper network retirement, lower SW-related D&A expenses and lower spectrum-related amortization in Hungary

- Net financial result trend driven by higher interest expense and lower derivative fair value related gains

## Net income (and adjusted net income), FY 2022 vs FY 2021



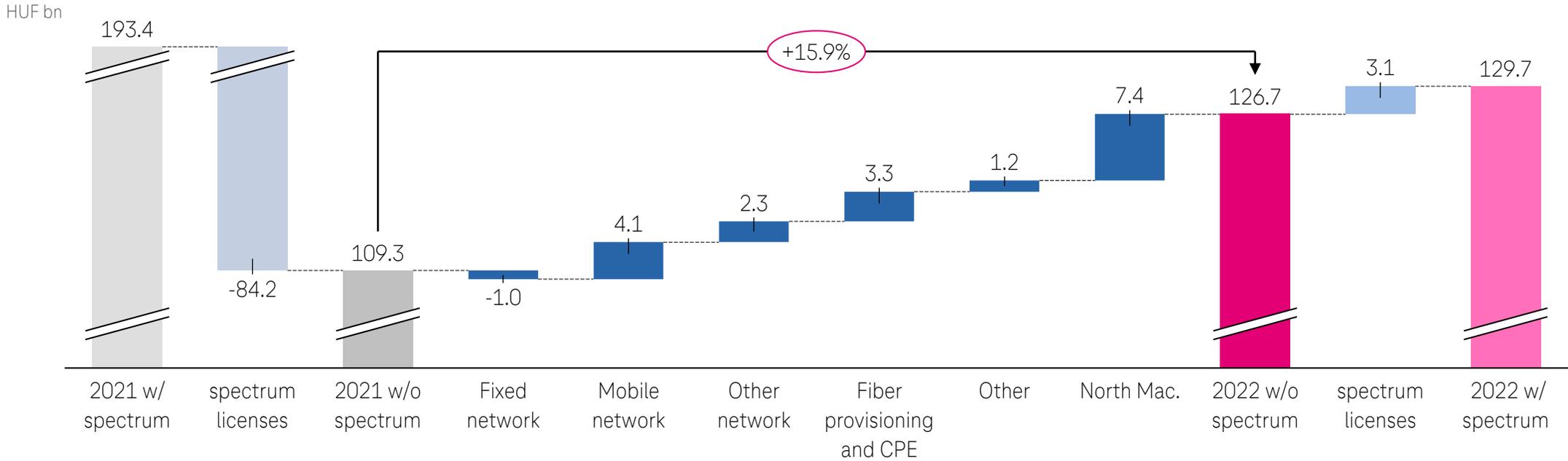
- Net income adjustments relate to non-realized gains on measuring derivatives at fair value and non-realized FX losses, which broadly offset each other



\*Unaudited

# CAPEX PRESSURE FROM WEAKENING FORINT AND COST INFLATION

## CAPEX AL, 2022 vs 2021

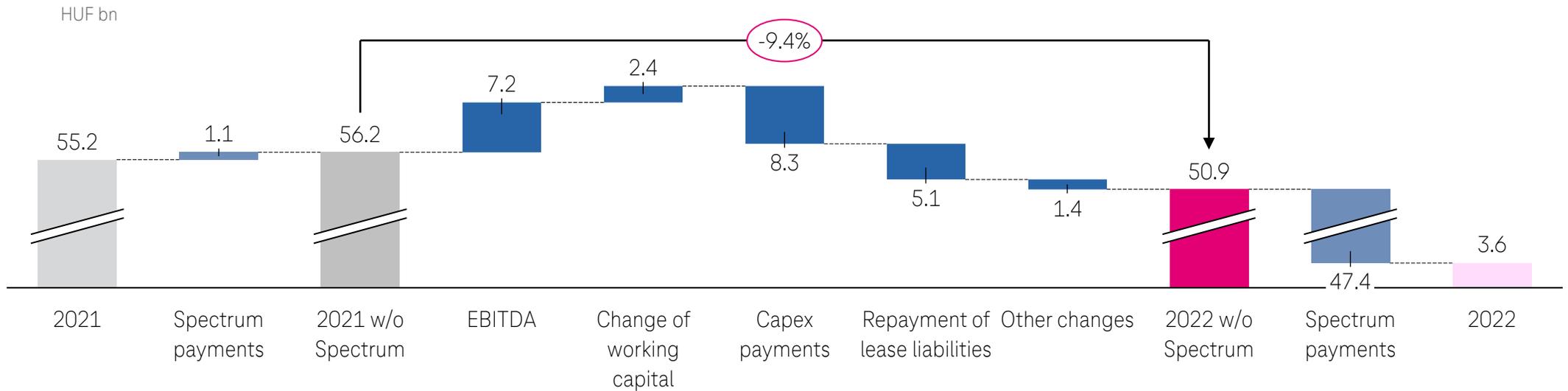


- Lower level of investment in fixed network reflects gradual slowdown in roll-out pace in Hungary with coverage reaching almost 77%
- RAN modernization in Hungary continues with strong growth in capacities
- Continued strong demand for fiber connections demonstrated by higher CPE and provisioning costs
- Weakening forint and the strong cost inflation weigh on capex at the Hungarian operation
- Increased investment in North Macedonia, driven by RAN modernization and temporarily higher TV content capitalization costs
- Spectrum license capex in 2022 is related to the 700MHz and 3.6GHz licenses in North Macedonia



# FREE CASHFLOW REFLECTS CHALLENGING EXTERNAL ENVIRONMENT

## Free cashflow, 2022 vs 2021



- Improvement in EBITDA despite supplementary telecommunication tax charge, thanks to strong underlying performance
- Working capital changes reflect higher equipment sales instalment receivable balances driven by higher annual sales volumes, partly offset by lower invoiced outpayments due to a different timing of payments
- Increased capex outpayments due to weakening of the forint and strong inflationary pressure
- Increase in rental payments related to the acquisition of earlier leased fiber network
- Spectrum payments in 2022 related to acquisition of 900MHz and 1800MHz licenses in Hungary and 700MHz and 3.6GHz licenses in North



# DELIVERY AGAINST 2022 FINANCIAL TARGETS

	2021 results	2022 guidance	2022 results (change YoY)
REVENUE	HUF 692.8 bn	ca 5% growth	HUF 746.7 bn (+7.8%)
EBITDA AL	HUF 216.3 bn	moderate decline	HUF 221.5 bn (+2.4%)
CAPEX AL <sup>1</sup>	HUF 109.3 bn	broadly stable	HUF 126.7 bn (+15.9%)
FCF <sup>1</sup>	HUF 56.2 bn	moderate decline	HUF 50.9 bn (-9.4%)

<sup>1</sup> EXCLUDING SPECTRUM LICENSES



# 2023 PUBLIC GUIDANCE AND 2024 OUTLOOK

	2022 results	2023 guidance	2024 outlook
REVENUE	HUF 746.7 bn	5%-10% growth	mid-single digit growth
EBITDA AL	HUF 221.5 bn	5%-10% growth	dynamic growth
Adjusted net income	HUF 63.0 bn	moderate growth	dynamic growth
FCF <sup>1</sup>	HUF 50.9 bn	ca HUF 60bn	dynamic growth

<sup>1</sup> EXCLUDING SPECTRUM LICENSES

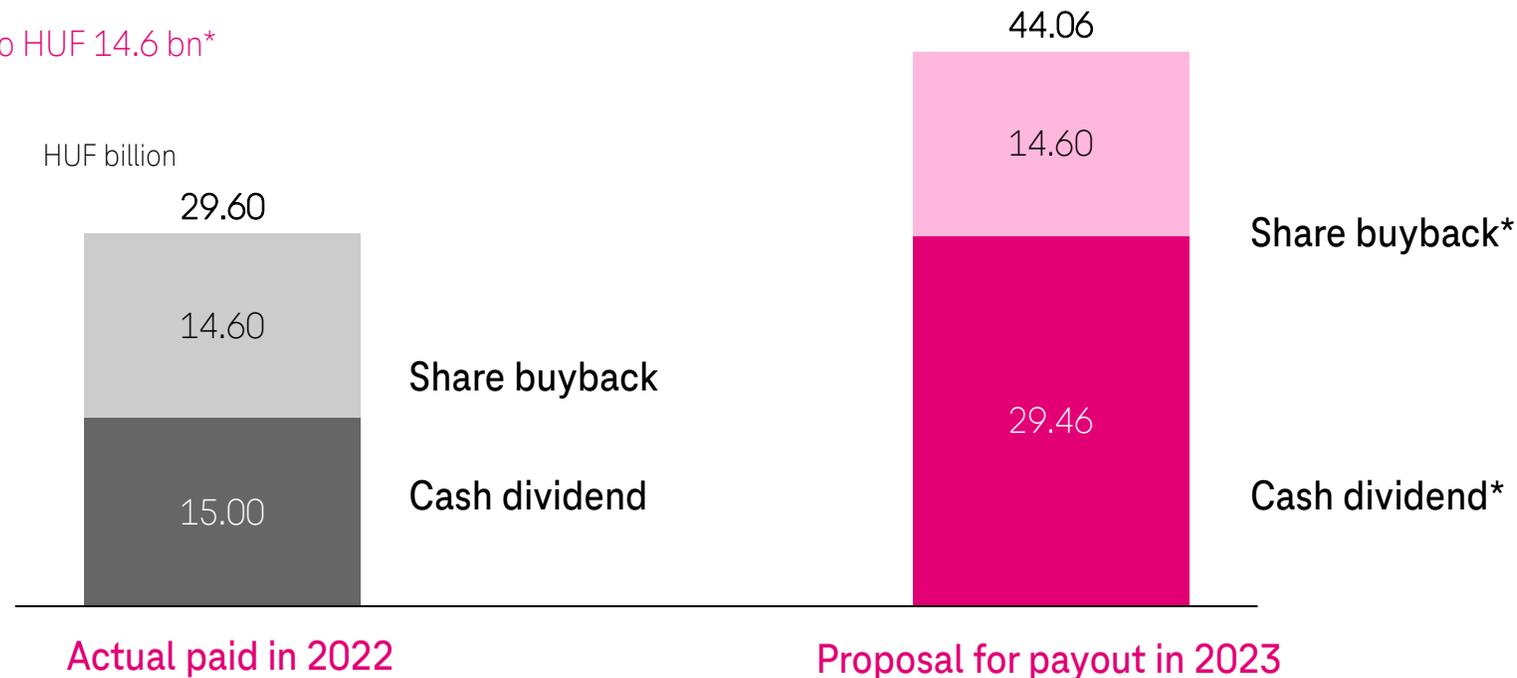


# SHAREHOLDER REMUNERATION AFTER 2022 RESULTS

On the 23rd of February 2022, The Board of Directors of Magyar Telekom Nyrt. (the "Company") approved the shareholder remuneration policy applicable for earnings in 2022-2024 which envisages growth in annual shareholder remuneration as a combination of **dividend payments and share buybacks** in line with improvements in the Company's financial performance.

Total shareholder remuneration is proposed to be up to HUF 44.06 billion or equal to ca. **70% of the 2022 adjusted net income**:

- 1) **cash dividend of HUF 29.46 bn\*** (corresponding to HUF 30.60 dividend per share)
- 2) **share buyback up to HUF 14.6 bn\***



\*SUBJECT TO THE NECESSARY AGM APPROVALS

# Q&A

For further questions please contact the IR department:

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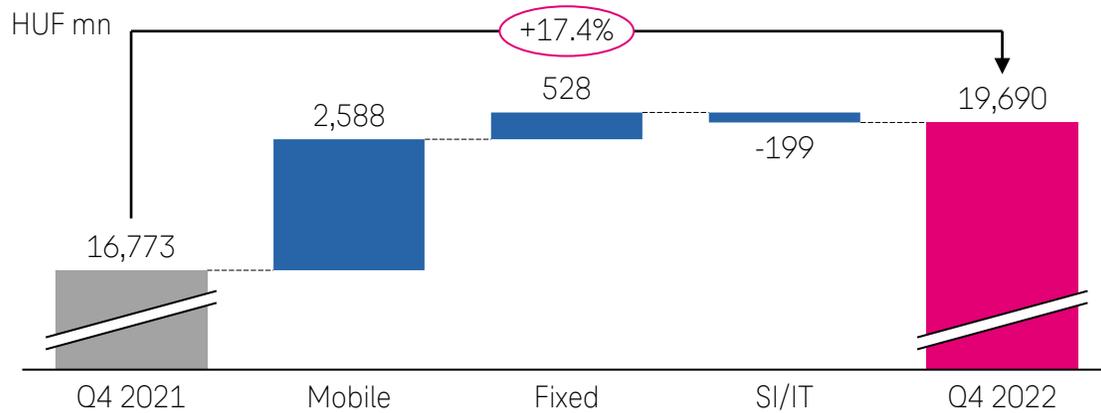
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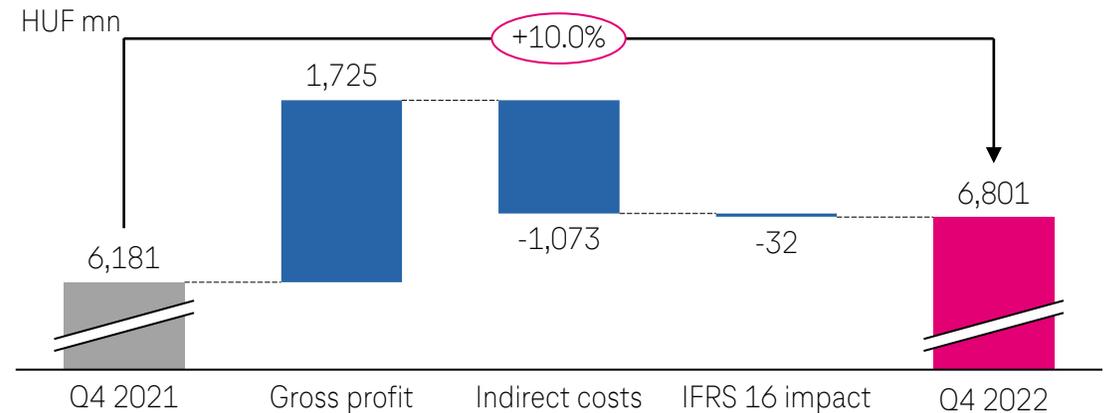


# NORTH MACEDONIA: Q4 AND FULL YEAR 2022 RESULTS

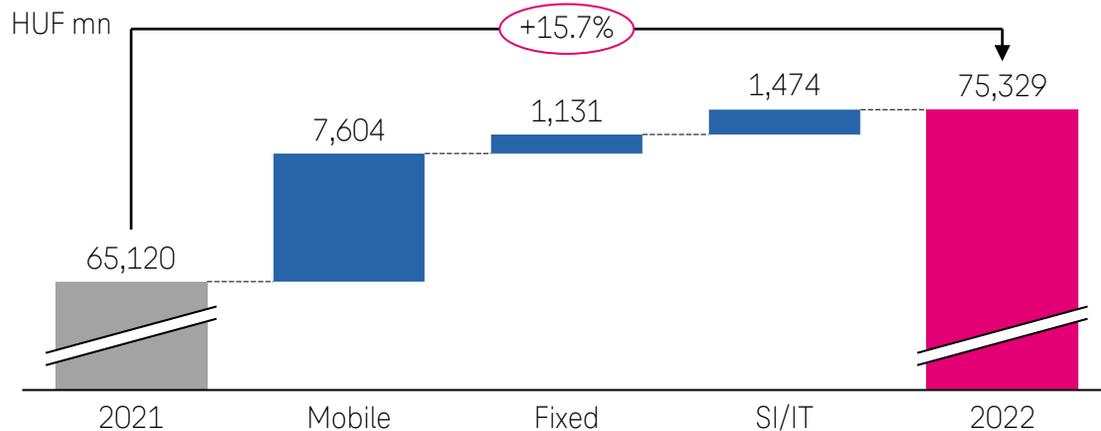
## Revenues, Q4 2022 vs Q4 2021\*



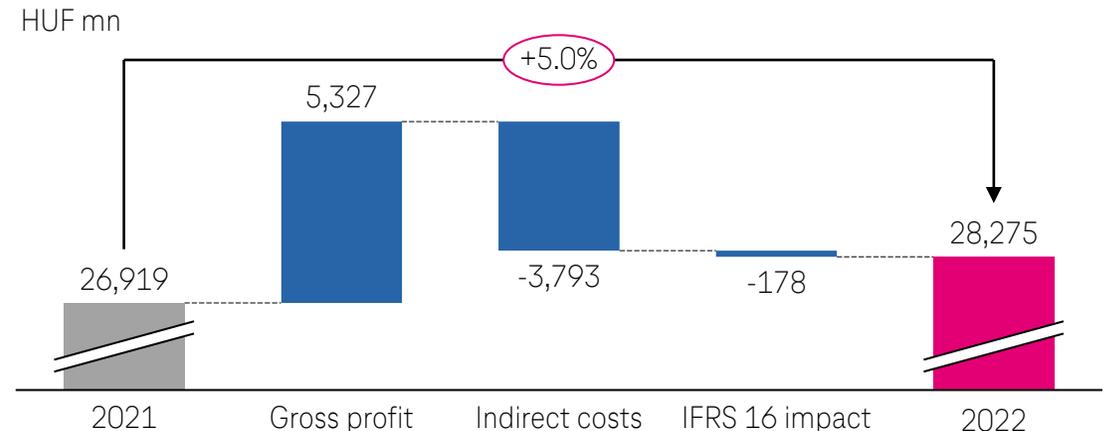
## EBITDA AL, Q4 2022 vs Q4 2021



## Revenues, FY 2022 vs FY 2021\*



## EBITDA AL, FY 2022 vs FY 2021



\*2021 values have been restated