

Q2 2015 Results

Com Hem
Stockholm, July 14, 2015



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Today's agenda



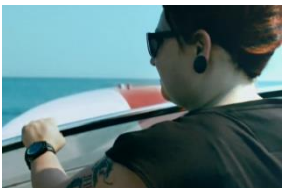
Operational performance

Continued successful execution of our plan including positive reactions to price changes



Financial performance

Leverage ratio within target while remunerating shareholders



Summary

Second quarter in brief and operational development

Anders Nilsson, CEO

Progress on our growth drivers

Increased customer satisfaction

A very low churn increase of 0.4 p.p during a quarter with price changes reaching 50% of the customer base reflects a rapid and positive development in customer satisfaction.

Leverage our network and speed advantage

Broadband subscriber base grew by 8,000 net additions to a record high of 637,000 RGUs.

Drive DTV penetration with Superior DTV product

Digital TV grew by 2,000 to 627,000 RGUs, TiVo penetration reaches 33.0% with 204,000 RGUs.

Capitalize on unique bundle opportunity

Steady increase of bundles, now representing 50.9% of customer base (50.7% in Q1).

Leverage B2B opportunity

Continued transformation of Phonera with focus on higher margin on-net sales and SME. OnNet B2B customers grew by 3 000 during quarter.

Improve financial flexibility

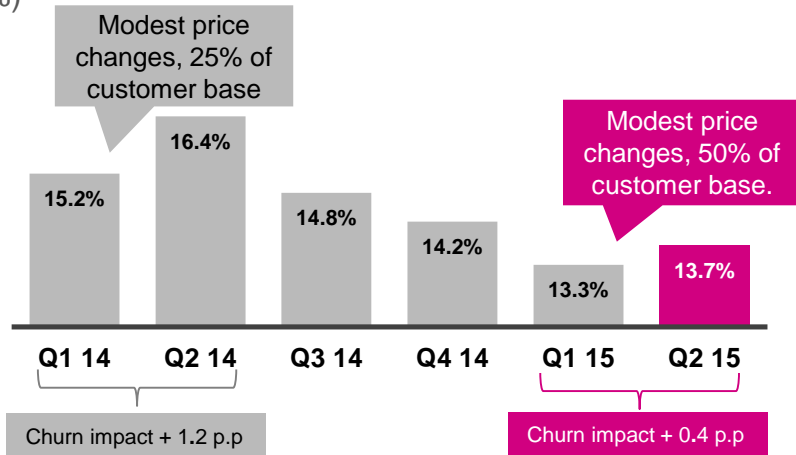
Reduced interest payments by over 70% compared to Q2 2014 improves operating cash flow generation.

Increased customer satisfaction materialized in pricing power

Recent price changes unveil stronger pricing potential than expected

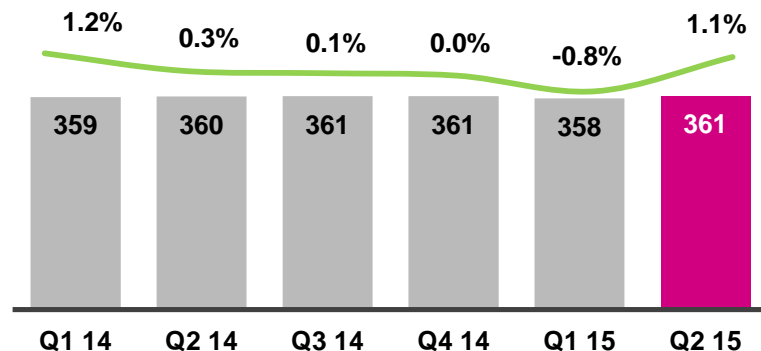
Customer churn

(%)



Consumer ARPU

(SEK)



- ▶ Price changes affecting approximately half the customer base implemented during Q2
- ▶ As a result of our focus on customer satisfaction, churn only increased with 0.4 p.p
- ▶ Discount reductions and modest price rises will give us the opportunity for an enhanced growth strategy going forward
- ▶ Full ARPU increase will be visible during H2 as price changes were rolled out gradually during Q2

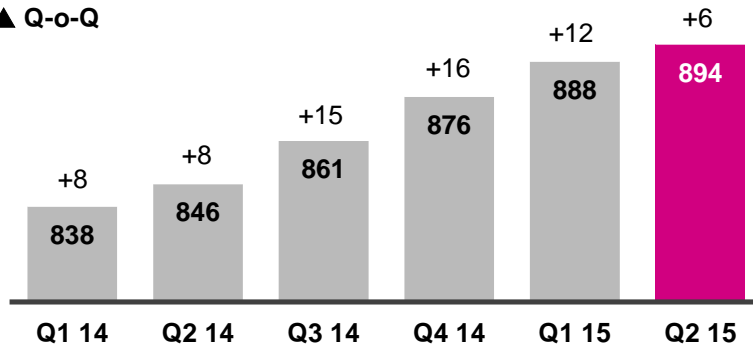
Shifting towards a more balanced growth

From volume to a combination of volume and price-led growth

Unique consumer subscribers

(000')

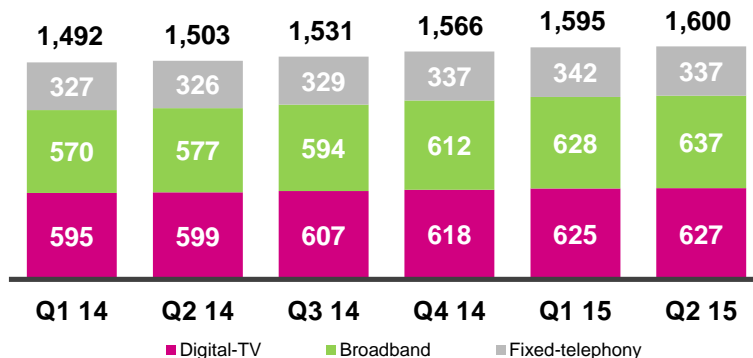
▲ Q-o-Q



RGUs per quarter

(000')

▲ Q-o-Q



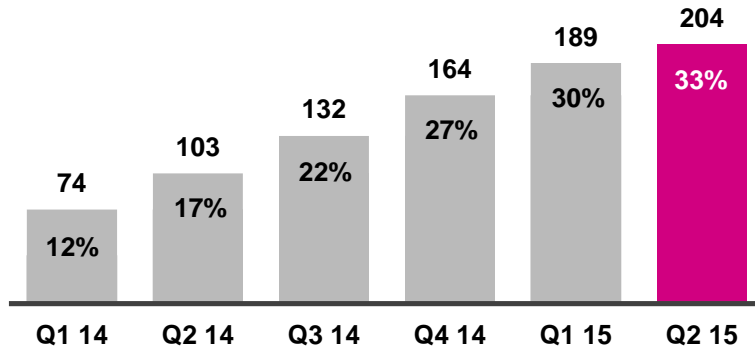
- ▶ We changed the way we grow the company - from volume to a combination of volume and price-led growth
- ▶ We will continue to grow volumes, but at a lower pace than previous quarters
- ▶ Unique consumer subscribers grew by 6,000 during the quarter
- ▶ Total consumer RGUs increased by 5,000 for the quarter to 1,600 000 RGUs
- ▶ Broadband grew by 8,000 RGUs to yet another all time high of 637,000 customers

Continued positive trend in consumer services

TiVo now in over 200,000 Swedish homes!

TiVo Customers

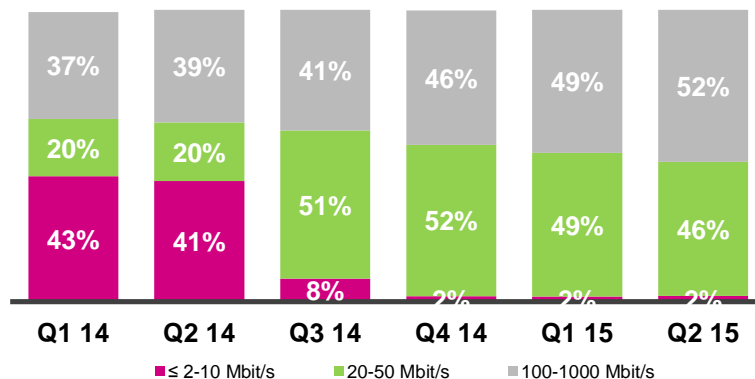
(000')



- ▶ TiVo customers grew by 14,000 in Q2, making TiVo a part of 204,000 Swedish homes and representing a 33% penetration of the DTV-base

Broadband speeds

(%)



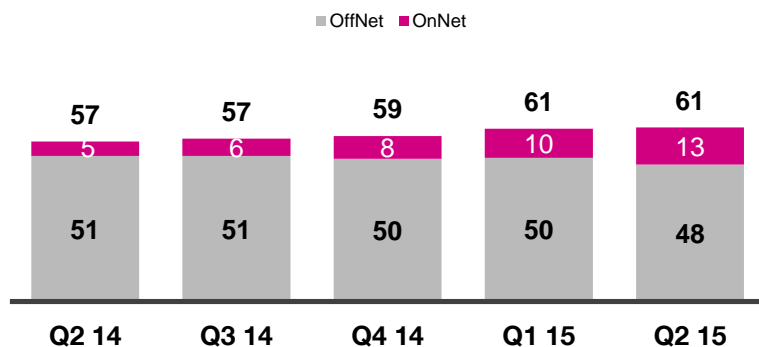
- ▶ Demand for high broadband speeds continued to increase as 76% of new customers choose speeds of 100 Mbit/s and above in Q2 (74% in Q1)

Continued OnNet growth within B2B

Focus on accelerating performance

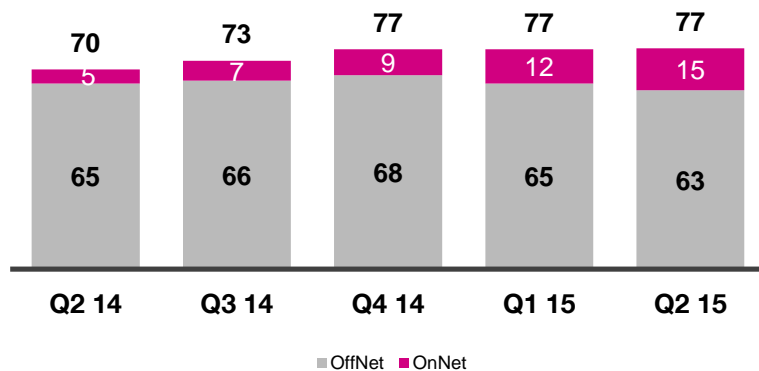
Unique B2B Subscribers

(000')



B2B Revenue

(SEKm)



- ▶ Continued OnNet growth added 3,000 unique subscribers for the quarter
- ▶ Headwinds in legacy OffNet revenue slowed down total revenue growth
- ▶ OnNet revenue grew from SEK 5m in Q2 2014 to SEK 15m in Q2 2015
- ▶ Full operational focus to accelerate B2B performance overall and executing on our growth potential with 140,000 connected SoHo businesses going forward

Significant shareholder remuneration during the quarter

- ▶ Shareholder remuneration of a total of SEK 412m executed through a cash dividend as well as share buybacks
- ▶ Leverage ratio kept within target of 3.5-4.0 x underlying EBITDA



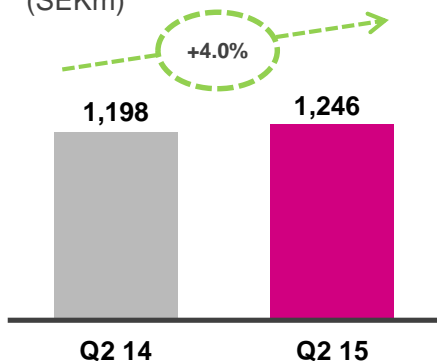
Financial performance

Mikael Larsson, CFO

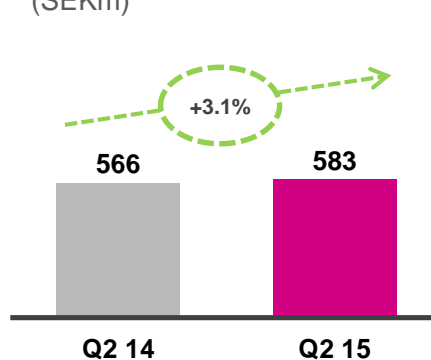
Second quarter financial highlights

Increased momentum in revenue growth

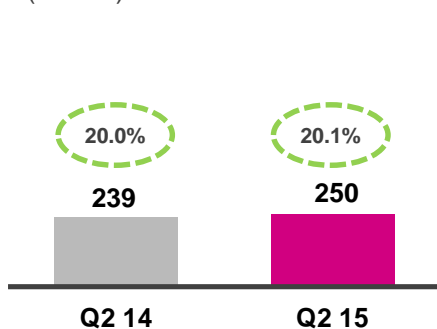
Revenue
(SEKm)



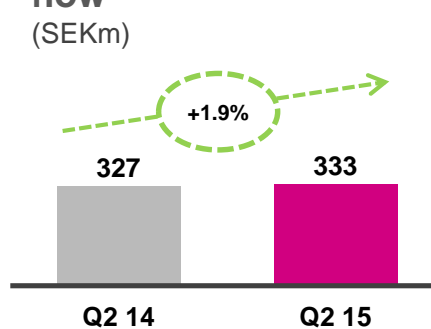
Underlying EBITDA
(SEKm)



Capex (% of revenue)
(SEKm)



Operating free cash
flow
(SEKm)



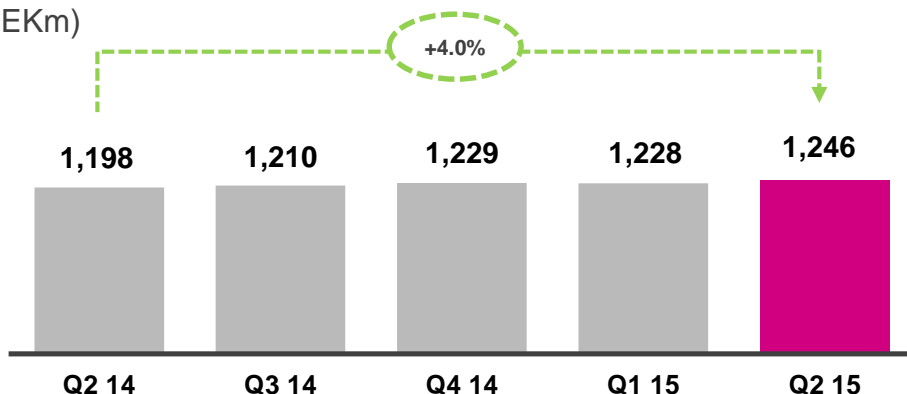
- ▶ Organic revenue growth of 4.0% (3.5% in Q1)
- ▶ Underlying EBITDA grows from SEK 566m to 583m with a underlying EBITDA margin of 46.8% (47.2% in Q2 2014)
- ▶ Higher capex compared to Q2 2014, primarily due to broadband capacity investment
- ▶ Slight increase in OFCF as Underlying EBITDA grows

Continued revenue growth

Revenue growth of 4.0% Y-o-Y and 1.5% Q-o-Q

Revenue Q-o-Q

(SEKm)



(SEKm)	Q2 15	Q2 14	Change	Q1 15
Consumer revenue	936	877	58 +6.6%	914
Landlord revenue	175	196	(21) (10.9%)	179
B2B revenue	77	70	7 +10.7%	77
Other revenue	58	55	4 +6.7%	58
Total revenue	1,246	1,198	48 +4.0%	1,228

- ▶ Increase in consumer revenue driven by growth in broadband and TiVo subscribers, improved broadband tier mix and price increases with gradual impact during Q2
- ▶ Landlord revenue decrease due to contract renegotiations, lower index pricing and 2014 one-off of customer migrations to B2B
- ▶ B2B OnNet shows good growth, revenue up SEK 9m Y-o-Y. However, decline in low margin OffNet SoHo legacy business

Continued positive net result

Strong improvement in EBITDA and reduced financial expenses

(SEKm)	Q2 15	Q2 14	Change		Q1 15
Revenue	1,246	1,198	48	+4.0%	1,228
Production costs	(367)	(348)	(19)		(354)
Gross profit	879	850	29	+3.4%	873
<i>Gross margin</i>	70.6%	70.9%	(0.4)p.p.		71.1%
Operating costs*	(296)	(284)	(12)		(297)
Underlying EBITDA	583	566	17	+3.1%	577
<i>Underlying EBITDA margin</i>	46.8%	47.2%	(0.4)p.p.		47.0%
Non-recurring items	(12)	(149)	138		(39)
EBITDA	571	417	154	+36.9%	538
<i>EBITDA margin</i>	45.8%	34.8%	+11.0p.p.		43.8%
Depreciation and amortization	(389)	(357)	(32)		(376)
EBIT	182	60	121	+200.8%	161
<i>EBIT margin</i>	14.6%	5.0%	+9.5p.p.		13.1%
Net financial expenses	(126)	(983)	857		(110)
Taxes	(13)	204	(217)		(11)
Net result for the period	42	(718)	761	n/m	40

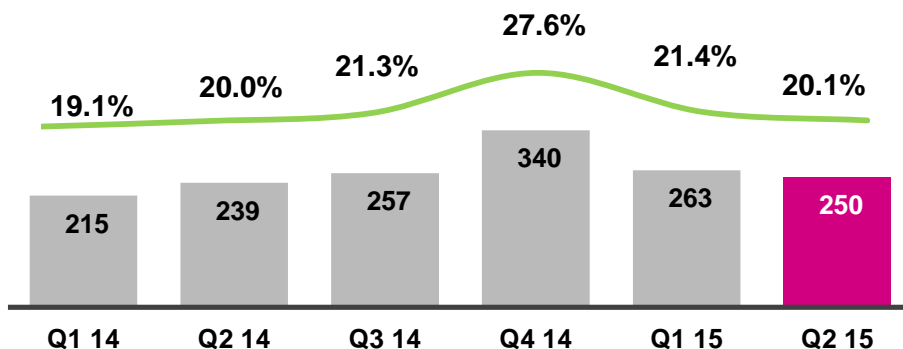
- ▶ Slight pressure on gross margin and underlying EBITDA margin due to change in revenue mix
- ▶ Improved EBITDA margin due to lower non-recurring items vs. Q2 last year
- ▶ Continued positive net result explained by higher EBITDA and lower interest expenses following last year's balance sheet transformation

* Excluding non-recurring items, depreciation and amortization

Frontloaded capex in H1 2015

Increased investment in network related assets

Quarterly capex (% of revenue and SEKm)



(SEKm)	Q2 15	Q2 14	Change	Q1 15
Network related	99	75	23	65
CPE & sales costs	106	112	(6)	149
IS development	31	39	(8)	35
Other capex	14	12	2	15
Total capex	250	239	11 +4.7%	263

- ▶ Higher investment in broadband capacity and new B2B products
- ▶ Slight decrease in customer acquisition capex (CPE & Sales Costs) due to lower customer intake during Q2 2015
- ▶ IS development lower than previous year due to improved efficiency

Strong improvement in operating cashflow

Significant improvement in cash generated from operating activities

(SEKm)	Q2 15	Q2 14	Change		Q1 15
Underlying EBITDA	583	566	17	+3.1%	577
Non-recurring items and operating currency loss	(3)	(145)			(39)
Change in net working capital	(69)	31			(13)
Interest payments on borrowings etc.	(139)	(522)			(52)
Adjustments for non-cash items	0	1			1
Net cash from operating activities	372	(69)	441	n/m	474
Gross capital expenditure	(250)	(239)			(263)
Capital expenditure funded by financial leasing	15	-			-
Acquisition of Phonera	-	(11)			-
Net cash used in investing activities	(235)	(248)	13	-5.4%	(263)
Borrowings	100	4,800			-
Amortization of borrowings	(8)	(6,252)			(7)
Shareholder remuneration	(400)	-			-
Payment of borrowing costs	-	(56)			(11)
New share issue	-	5,672			-
Other financial activities	(1)	5			(21)
Cash flow from financing activities	(309)	4,169	(4,479)	-107.4%	(40)
Net cash generated (used)	(173)	3,852	(4,024)	-104.5%	171
Cash Balance BoP	888	789			716
Cash balance EoP	715	4,640	(3,926)	-84.6%	888

- ▶ Interest payments reduced by more than 70% and lower non-recurring items
- ▶ Total paid shareholder remuneration of 400 mSEK during the quarter

Further opportunities to reduce cost of debt

The Senior Notes @ 10.75% are callable in November 2015

(SEKm)	Q2 15	FY 14
Senior bank debt		
Term Loans	3,500	3,500
Incremental facilities	475	375
RCF	1,350	1,350
Finance leases	67	67
Total senior bank debt	5,392	5,292
Bond instruments		
Senior Secured Notes @ 5.25%	2,500	2,500
Senior Notes @ 10.75%	*1,720	**1,775
Gross debt	9,611	9,567
Cash balance EoP	(715)	(716)
Net debt	8,896	8,851
Leverage	3.8x	3.9x
Average interest cost	4.5%	5.3%

- ▶ Leverage within target range (3.5-4.0 Net debt/ Underlying EBITDA)
- ▶ Average interest cost continues to decrease with 0.2 p.p during the quarter (4.7% in Q1)

* The exchange rate 9.2173 is used to convert EUR debt to SEK debt as of June 30, 2015.

** The exchange rate 9.5160 is used to convert EUR debt to SEK debt as December 31, 2014.

Q2 Summary

- ▶ Focus on customer satisfaction starting to pay off - reflected by a new ability to absorb price changes
- ▶ A more balanced growth - from pure volume to a combination of volume and price-led growth
- ▶ Opportunity for further discount reductions going forward
- ▶ Execution of shareholder remuneration at a kept leverage ratio





Q&A

Q3 results published November 3



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