



O2 Czech Republic

6<sup>th</sup> November 2020

# Quarterly Results January – September 2020

# O2

# Cautionary statement

Any forward-looking statements concerning future economic and financial performance of O2 Czech Republic a.s. contained in this Presentation are based on assumptions and expectations of the future development of factors having material influence on the future economic and financial performance of O2 Czech Republic a.s.

These factors include, but are not limited to, public regulation in the telecommunications sector, future macroeconomic situation, development of market competition and related demand for telecommunications and other services.

The actual development of these factors, however, may be different. Consequently, the actual future results of economic and financial performance of O2 Czech Republic a.s. could materially differ from those expressed in the forward-looking statements contained in this Presentation. Although O2 Czech Republic a.s. makes every effort to provide accurate information, we cannot accept liability for any misprints or other errors.



# Today's speakers



**Jindřich Fremuth**

CEO & Chairman of the Board

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**Tomáš Kouřil**

CFO & Vice-Chairman of the Board

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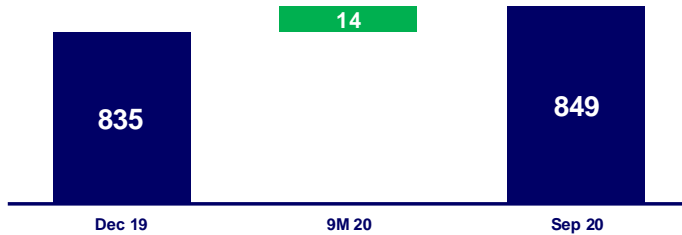


# **Strategic commercial initiatives & performance highlights**

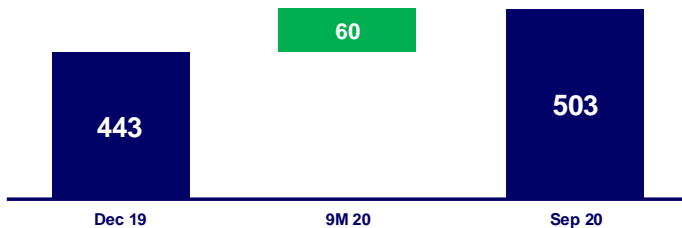
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# The fundamentals in the first 9M of 2020 were strong

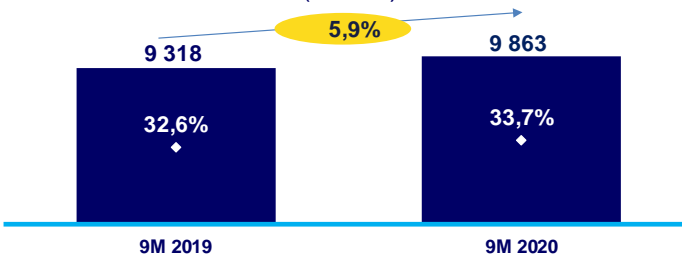
Fixed broadband base<sup>[1]</sup>  
(‘000)



O<sub>2</sub> TV base<sup>[2]</sup>  
(‘000)



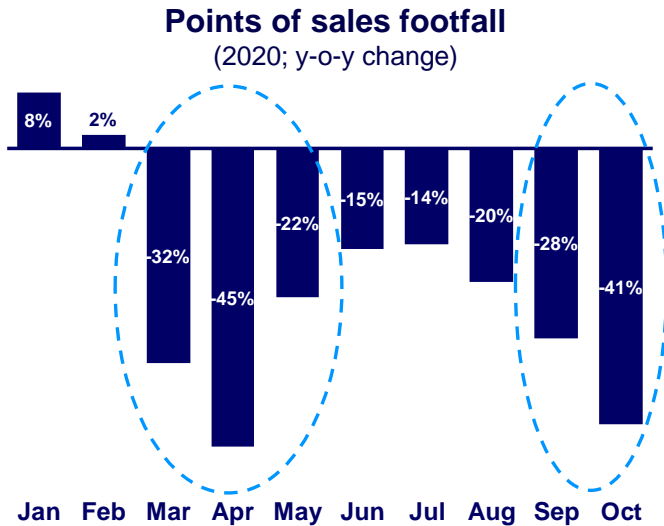
EBITDA/margin  
(CZKm)



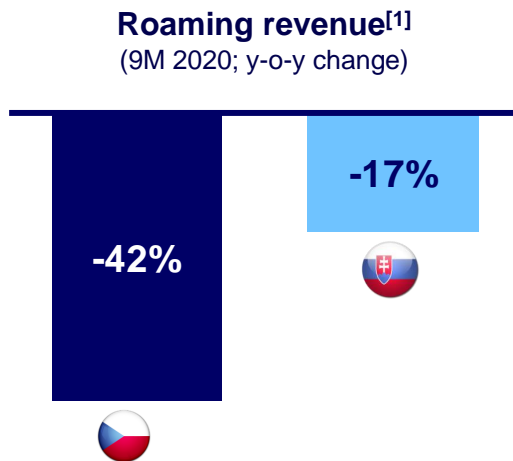
- Key operational KPIs' growth maintained
- Sales channels adapting to changing traffic structure
- Solid profitability due to strict cost control



# COVID-19 pandemic has direct and immediate negative impact in certain areas



- **Significant negative impact on trading** (lower customers' interactions) and **hardware sales** during lockdown



- **Ongoing travel restrictions significantly reduced roaming business**

# What will be the impact of government measures on mid/long term demand and consumer behavior?

## B2B

- Targeted government “COVID” direct cash subsidies for most exposed industries
- “End of” EET?



## B2C

- Tax remissions, nursing for childcare
- Loan repayments moratorium
- Consumer demand and appetite to spend



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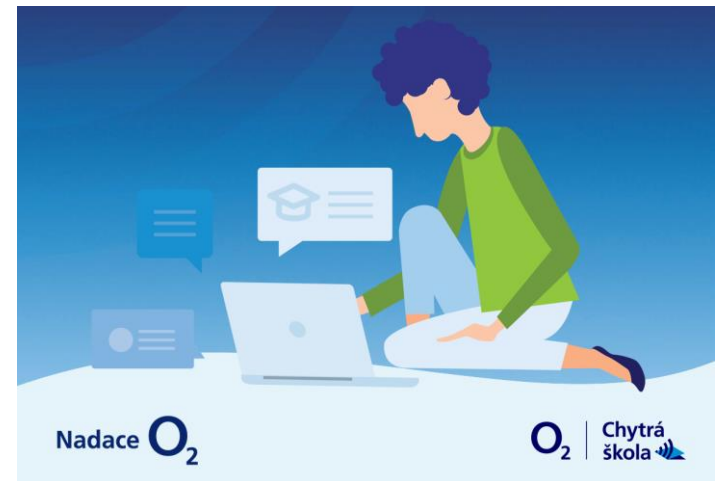
# We help to connect underprivileged families to distance learning

**Exclusive Covid-19 offer for elementary schools**



**O2Chytraskola.cz CZK4.6m grant for elementary schools**

**1,500 free internet connections for children in need from O<sub>2</sub> Foundation**







# **Financial performance January – September 2020**

# **O 2**



# Our strategy works, worsening trend during 1<sup>st</sup> lockdown period... ...while 2<sup>nd</sup> wave impacting also rest of the year

P&L, Capex & Cash Flow (CZK <sub>m</sub> )	9M 2020	Change 9M20/9M19
<b>Operating Revenue</b>	<b>29,245</b>	
CZ Mobile	14,880	-0.5%
Slovakia	5,606	-3.6% <sup>[1]</sup>
CZ Fixed	8,883	
<b>EBITDA</b>	<b>9,863</b>	+5.9%
<i>EBITDA margin</i>	33.7%	
<b>Net Income</b>	<b>4,334</b>	
<b>CAPEX</b>	<b>1,381</b>	-20.0%
CZ CAPEX	829	
SK CAPEX	552	
<b>Free Cash Flow <sup>[2]</sup></b>	<b>4,754</b>	

Expenditure strict control

### Bad debts

(FY estimate CZK ~200m)

of which additional CZK ~90-100m estimated in Q4

### Roaming margin

(FY estimate CZK -200m)

roaming annual peak is typically also in Q4

### Trading & HW

(Q2 2020 revenue)

1<sup>st</sup> lockdown impact: mobile HW sales -23% y-o-y <sup>[3]</sup>

### Other

Coronavirus exposed business segments

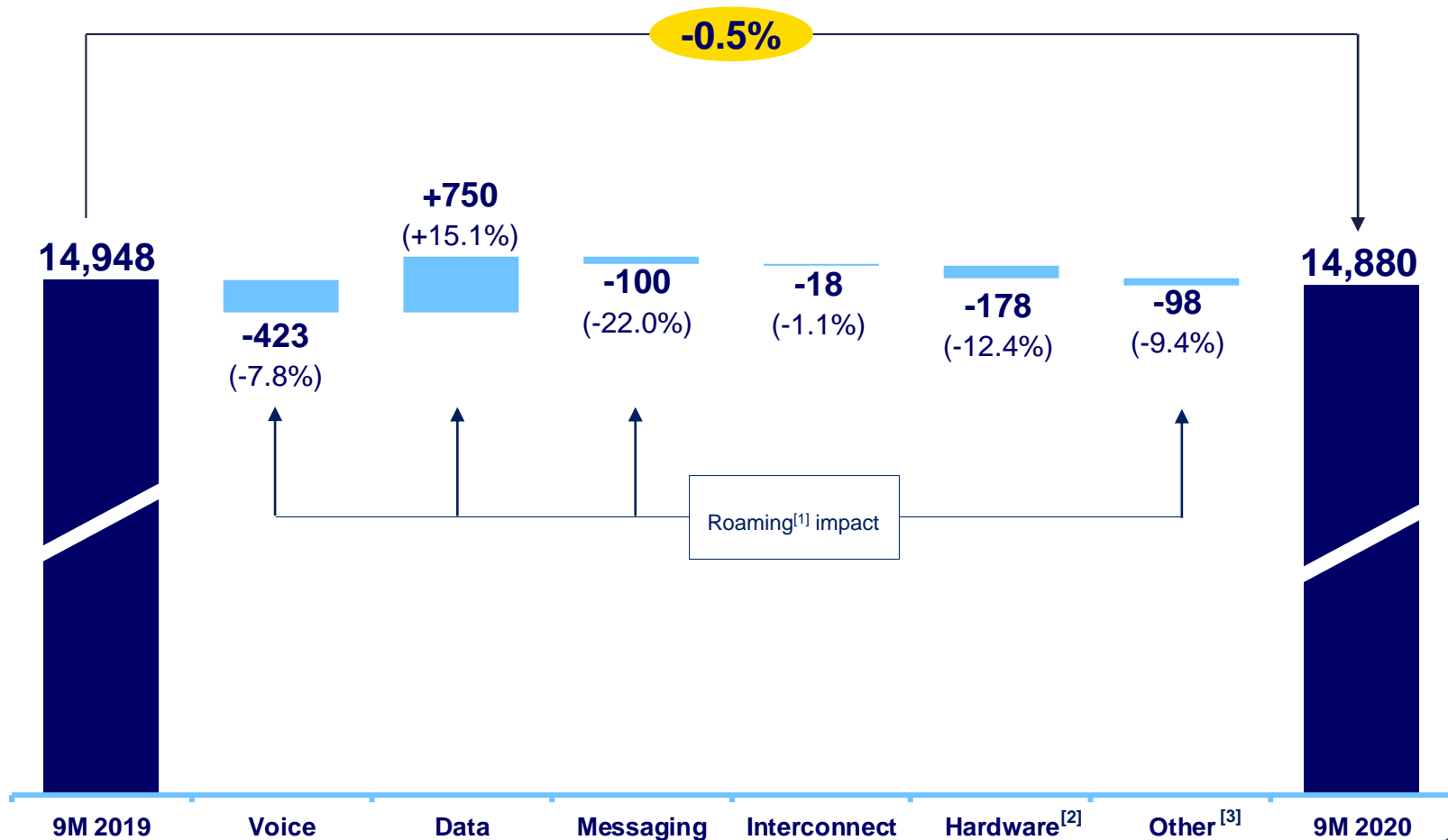
Auction:  
no comment





# COVID-19 hit on roaming and hardware revenue... ...not compensated by traditional growth areas

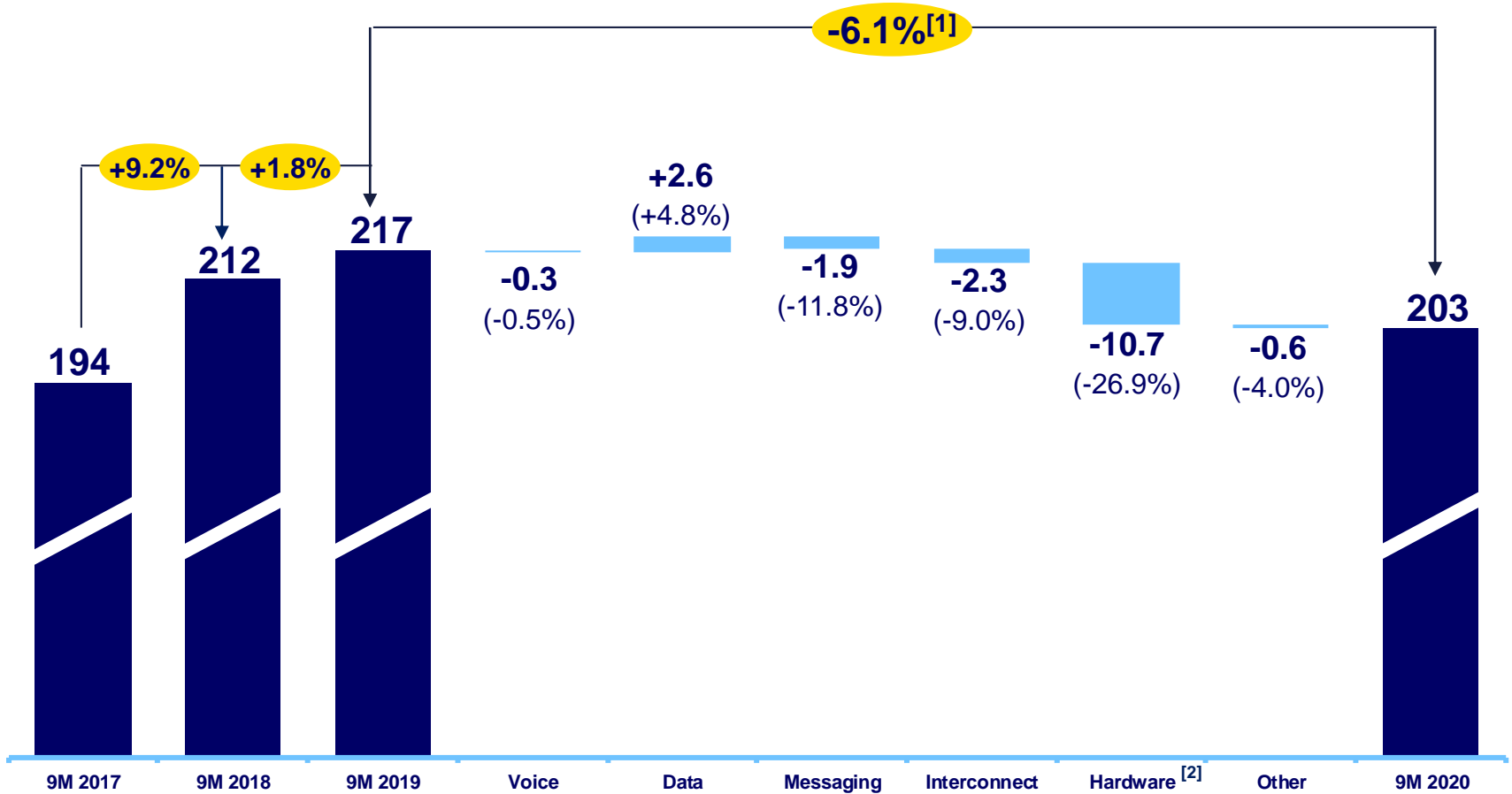
CZK millions  
(% change y-o-y)





# Traditional growth contributor declining in 2020... ...due to regulation, lower roaming and hardware revenue

EUR millions  
(% change y-o-y)



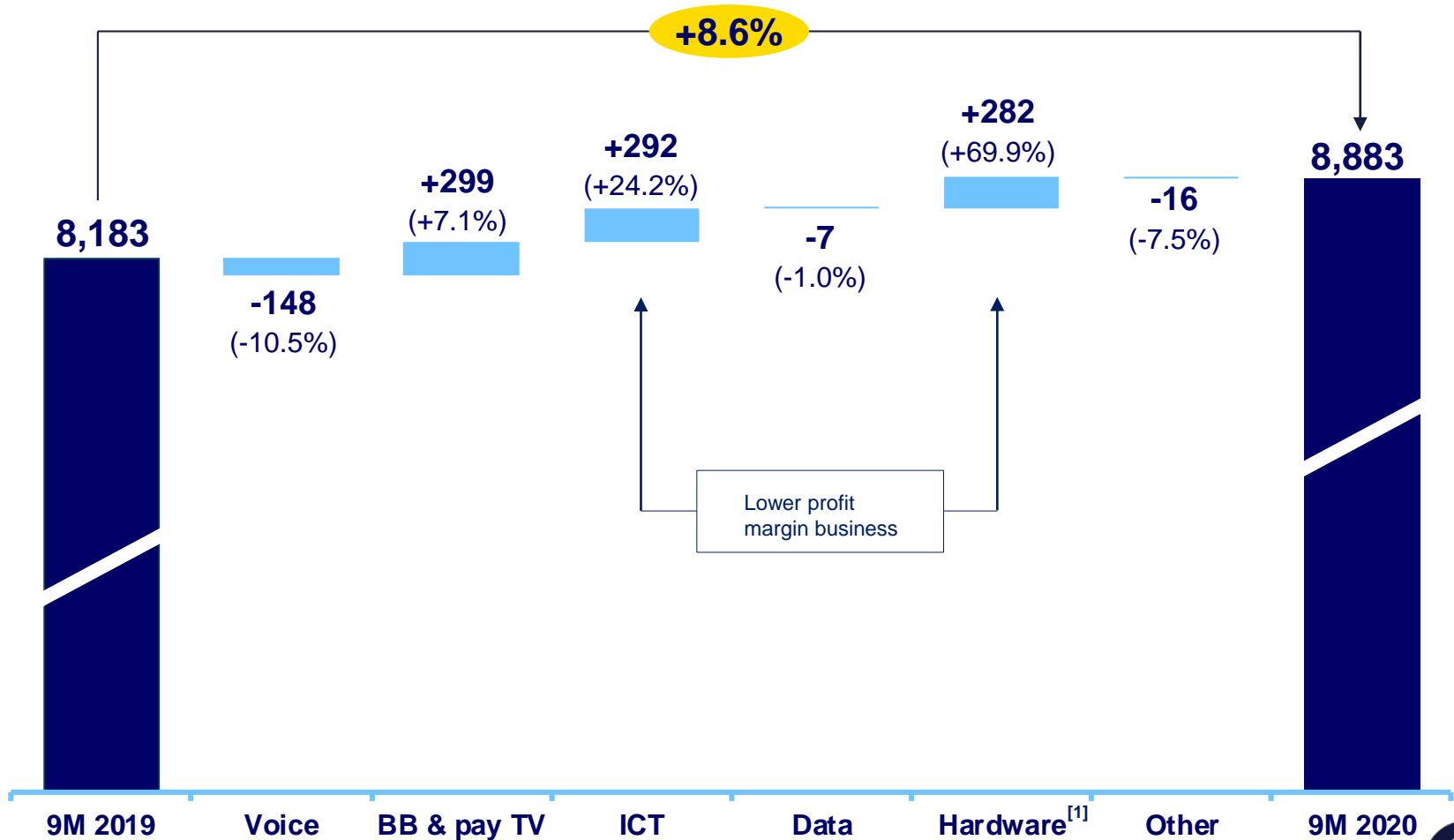
12 <sup>[1]</sup> Slovak mobile revenue: -5.5% y-o-y excluding MTR cut effect; in 2019, the base was higher y-o-y due to the higher mobile interconnection rate (33% cut in August 2019), total Slovak revenue (incl. fixed business revenue): -3.6% y-o-y in EUR, -1.0% y-o-y in CZK <sup>[2]</sup> Including other non-service revenue.





# Broadband, TV and related hardware revenue keep growing... ...growth of ICT revenue driven by new projects

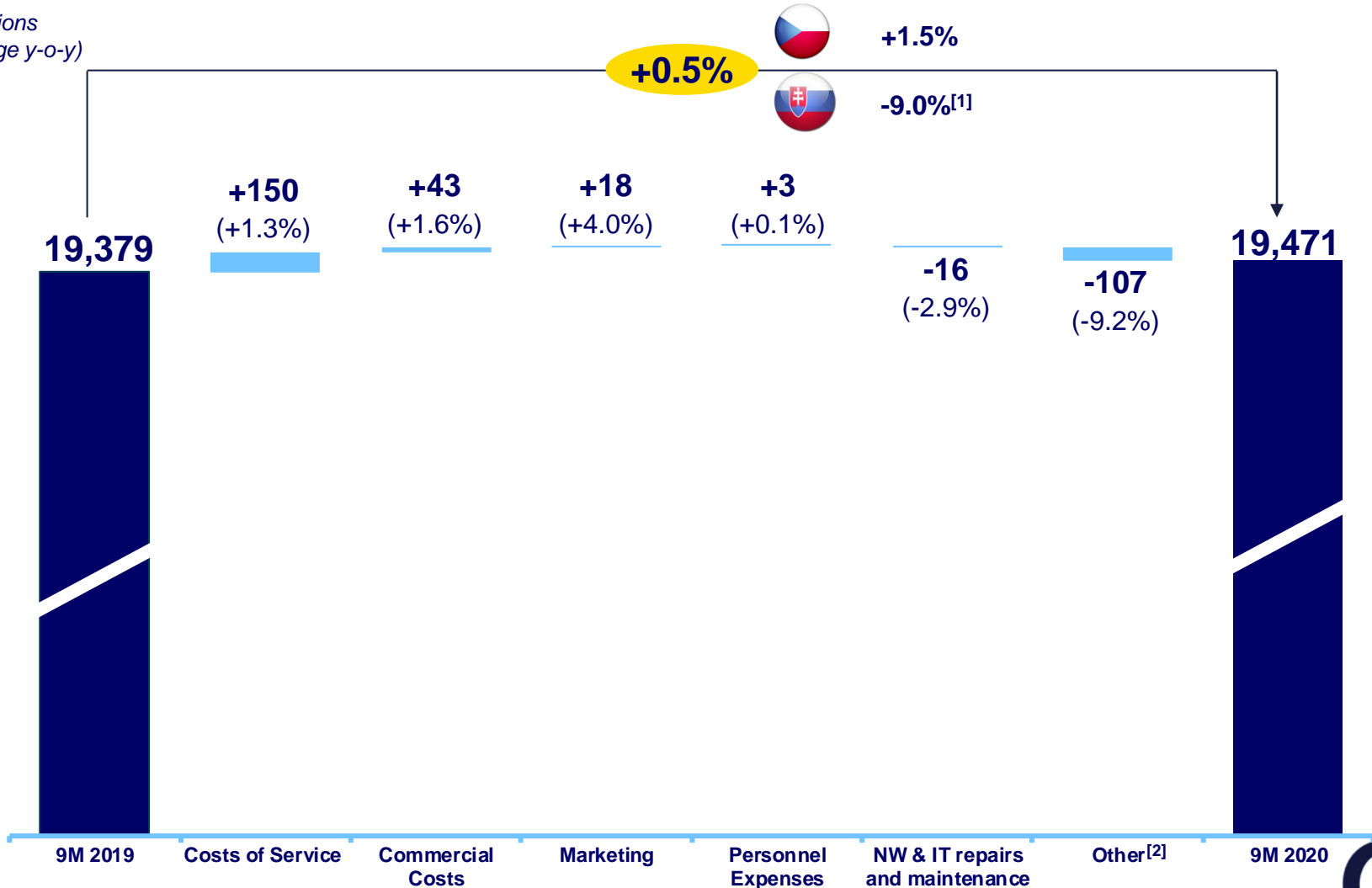
CZK millions  
(% change y-o-y)





# Underlying cost base is under control... ...incomparable Slovak cost base in 9M 2019

CZK millions  
(% change y-o-y)



<sup>[1]</sup> -6.9% y-o-y excluding MTR cut effect; SK growth rates are in local currency (EUR), <sup>[2]</sup> Taxes other than income taxes, bad debt provisions, rentals, buildings, vehicles, consumables, consultancy, billing, collection, call centers, management fees and other; including internal expenses capitalized in fixed assets.

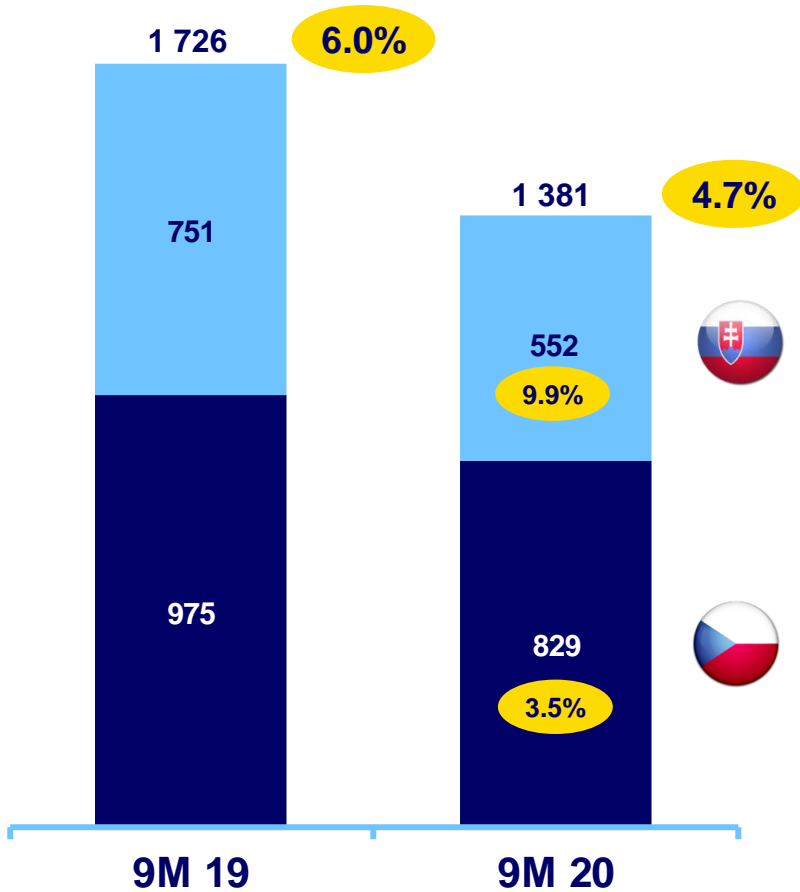




# Light CAPEX profile in Czech Republic... ...cautious this year due to cash flow management

CZK millions

CAPEX/  
Revenue



### Slovakia

- ~65% of CAPEX directed into network capacity improvement

### Czech Republic

- Network capacity
- IT development





# Successful refinancing changed debt maturity profile... ...2019 shareholder remuneration distributed in Q2

<i>CZK millions</i>	<b>31 Dec 2019</b>	<b>30 Sep 2020</b>	<b>30 Sep 20 / /31 Dec 19</b>
<b>Non-current assets</b>	<b>28,006</b>	<b>25,692</b>	<b>-8.3%</b>
- of which intangible assets	15,457	14,120	-8.6%
- of which property, plant & equipment	6,171	6,184	+0.2%
- of which right-of-use assets <sup>[1]</sup>	4,094	3,410	-16.7%
<b>Current assets</b>	<b>14,674</b>	<b>13,572</b>	<b>-7.5%</b>
- of which cash & cash equivalents	5,989	4,044	-32.5%
<b>Total assets</b>	<b>42,680</b>	<b>39,264</b>	<b>-8.0%</b>
<b>Equity</b>	<b>14,177</b>	<b>12,353</b>	<b>-12.9%</b>
<b>Non-current liabilities</b>	<b>12,192</b>	<b>18,115</b>	<b>+48.6%</b>
- of which financial debt	7,530	14,375	+90.9%
- of which lease liability <sup>[1]</sup>	3,475	3,016	-13.2%
<b>Current liabilities</b>	<b>16,311</b>	<b>8,796</b>	<b>-46.1%</b>
- of which financial debt	7,066	87	-98.8%
- of which lease liability <sup>[1]</sup>	693	651	-6.1%

Shareholder remuneration<sup>[2]</sup>

Debt refinancing<sup>[3]</sup>



<sup>[1]</sup> IFRS 16: lease payments capitalized to assets and recognized corresponding lease liabilities; <sup>[2]</sup> 2019 shareholder remuneration (CZK 21 per share: dividend and share premium) distributed in Q2. <sup>[3]</sup> The new loan consists of CZK 5.39bn term loan facility and CZK 3.85bn revolving loan facility, CZK 2.74bn is an undrawn RCF as of 30 Sep 2020.