

# Results 2023

Q1

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# Q1 23 Results

Mr. Ángel Vilá  
COO

# Delivering on our goals

	Core Markets	Telefónica Tech	Telefónica Infra	T. Hispam	Value-Adding Group
<b>Key developments</b>	Service revenue growth accelerating, improving OIBDA trend y-o-y	Scaled European Cloud/Cyber champion	Best infra portfolio	-28% invested capital since Dec-19	Open Gateway project
	Double digit revenue & OIBDA growth				
	Excellent progress in 5G >82% pop. cov; robust rev. & OIBDA evolution				
	Accelerating revenue growth				
<b>Looking ahead...</b>	In-market consolidation prospects	Double digit revenue growth	Rollout execution	Optionality	Fair Share consultation
	Growth + Lower capital intensity				
	Normalised CapEx/Sales				
	>50% synergies run-rate in YE 23				
	Potential source of value	Consolidation prospects	Self-sustainability	Pursuing fairer regulation environments	
		Networks expansion			

# A strong start to 2023

Q1 23

## Revenue

y-o-y organic

**+4.9%**

...

All business lines growing

## OIBDA

y-o-y organic

**+1.1%**

...

Steady growth

## OIBDA-CapEX

y-o-y organic

**+2.1%**

...

CapEx (-0.7%)

## Net Debt

-€0.2bn vs. Dec-22

**€26.4bn**

...

FCF €0.5bn



### Strengthened commercial position

- Fibre (+16% y-o-y); mobile contract (+7% y-o-y); 5G coverage increasing
- Investing for growth = higher NPS, lower churn, pricing power proven
- CapEx focus on NGN



### Ramping-up revenue growth y-o-y (reported and organic)

- Consistent service revenue growth acceleration; +4.2%
- Price increases well received
- Very strong B2B revenue; +9.0%



### Resilience; proactive management of efficiencies

- Streamlined operating model
- Underlying OIBDA growth for 3rd straight quarter
- Strong FCF generation even under seasonality



### Balance sheet optimisation

- Light maturity profile and strong liquidity
- Limited debt refinancing
- High portion of long-term fixed rate debt

**Sustainability pathway; transformation of networks**

Legacy copper switch-off in Spain by April 2024

# Key financial metrics

	Q1 23	
	Reported + 50% VMO2 (€m)	Organic y-o-y
Revenue	11,497	4.9%
OIBDA	3,634	1.1%
OIBDA-CapEx (ex-spectrum)	2,320	2.1%

	Q1 23	
	Reported (€m)	Reported y-o-y
Revenue	10,045	6.7%
OIBDA	3,121	(2.4%)
OIBDA Underlying	3,145	2.4%
Net Income	298	(57.9%)
FCF (incl. leases principal payments)	454	(11.6%)
Net Financial Debt ex-leases	26,443	(3.5%)

Positive FX impact Debt -€0.2bn	
€ (m)	Q1 23
Revenue	136
OIBDA	47



# Well on track for 2023 guidance

## 2023 guidance

organic

Targets	2023	Q1 23
Revenue y-o-y organic	“Low single digit growth”	+4.9%
OIBDA y-o-y organic	“Low single digit growth”	+1.1%
CapEx/Sales organic	~14%	11.3%

## Shareholder remuneration

<b>2023 Dividend</b>	<b>€0.3/share (cash)</b>
December 2023	€0.15/sh. (cash)
June 2024 <sup>1</sup>	€0.15/sh. (cash)

### 2023 calendar payments

15<sup>th</sup> June 2023 €0.15/sh.; cash

14<sup>th</sup> December 2023 €0.15/sh.; cash



**24.8m own shares cancelled**

1. For the purpose of the second tranche, the corresponding corporate resolutions will be proposed to the AGM

# On target to achieve ESG goals

## Environmental

## Social

## Governance

### Key targets

- ▶ **Net-zero** by 2040 (SBTi validated)
- ▶ **100% renewables** by 2030
- ▶ **Zero-waste** by 2030

- ▶ **>90% MBB rural coverage** by 2024<sup>1</sup>
- ▶ **33% women executives** by 2024
- ▶ **Zero adjusted pay gap** by 2024<sup>2</sup>

- ▶ **Parity<sup>3</sup>** in top governing bodies by 2030
- ▶ **Zero-tolerance** of corruption
- ▶ **30-35% sustainable linked financing** by 2024<sup>4</sup>

### Examples of our progress

✓ **Reducing emissions:** Copper switch-off (SP); CDP Supplier Engagement Leader

✓ **Development and use of renewables.** BR: +3 distributed generation plants, DE: +1 PPA

✓ **Circular economy:** Q1 ~10k used network units sold to 3<sup>rd</sup> parties; recycling 98% of waste

✓ **Connecting communities:** e.g. >80% 5G coverage in SP & DE. UK social tariffs

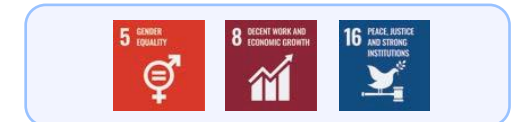
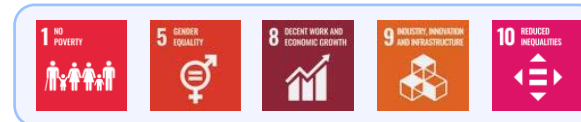
✓ **Ranked #1 in WBA's Digital Inclusion Benchmark:** 2<sup>nd</sup> consecutive year

✓ **Driving diversity and inclusion:** 1<sup>st</sup> VMO2 UK Gender & Ethnicity Pay Gap report

✓ **Best practices in Corporate Governance:** all BoD proposed resolutions approved at AGM

✓ **ESG at the core** with ISO certifications renewed across T. Hispam

✓ **Financing linked to sustainability criteria:** leading the sector with **€17bn**



<sup>1</sup> Core markets.

<sup>2</sup> Adjusted pay gap: equal pay for jobs of equal value

<sup>3</sup> Parity defined as not less than 40% of each gender represented

<sup>4</sup> Financing linked to sustainability criteria includes balance sheet debt, hybrids and undrawn committed credit lines based on ICMA sustainable bond principles, LMA Sustainability Linked Loan Principles and other ESG criteria. Not necessarily linked to EU Taxonomy aligned activities



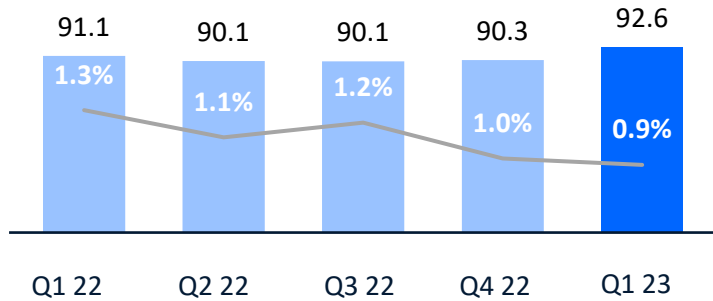


## Convergent KPIs



ARPU (€)

Churn (%)

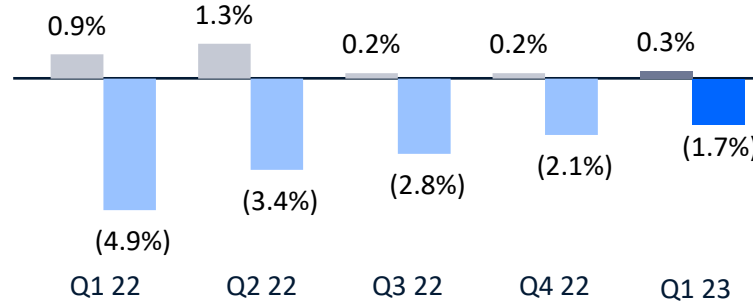


## Revenue & OIBDA growth (y-o-y organic)



Revenue

OIBDA



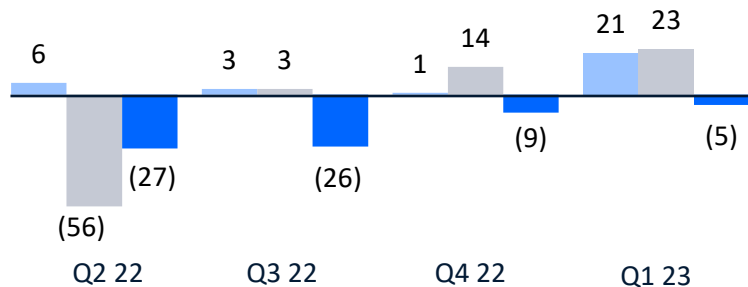
## Net adds (k)



FBB

Postpaid

Convergent

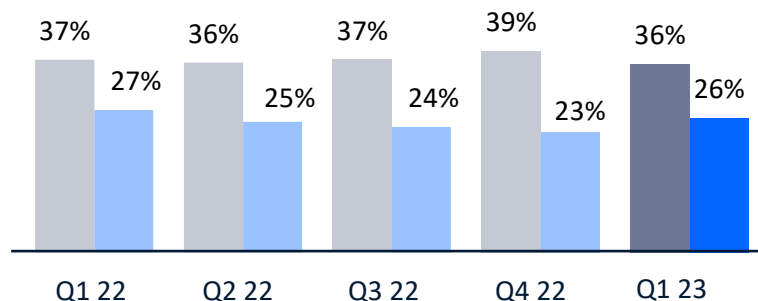


## Margins (organic)



OIBDA

OIBDA-CapEx



## Commercial momentum further improve financials



**Best Q trading post-pandemic**  
**FBB y-o-y growth** after 4 years  
**Further churn reduction** (-0.4 p.p. y-o-y)  
**Tariff update** (Movistar +6.8% avg. Q1 23)

**Service rev. accelerated** (+1.0% y-o-y) on improving retail

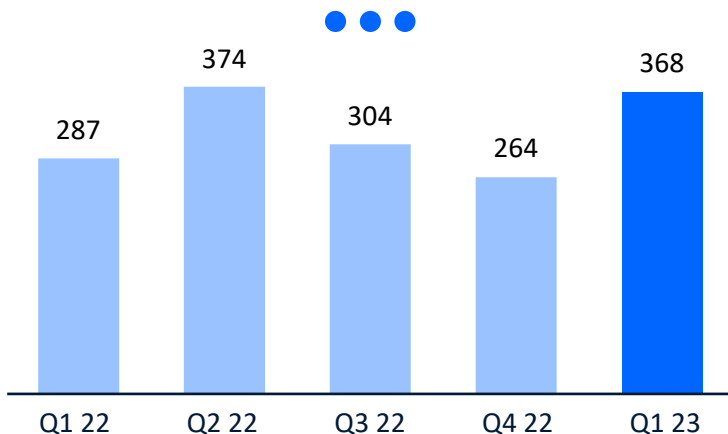
**OIBDA on the path to stabilisation**  
**Benchmark (OIBDA-CapEx)/Sales** (26% organic)

**60% of B2B portfolio EcoSmart**  
**Supporting circular economy** (device buy back)

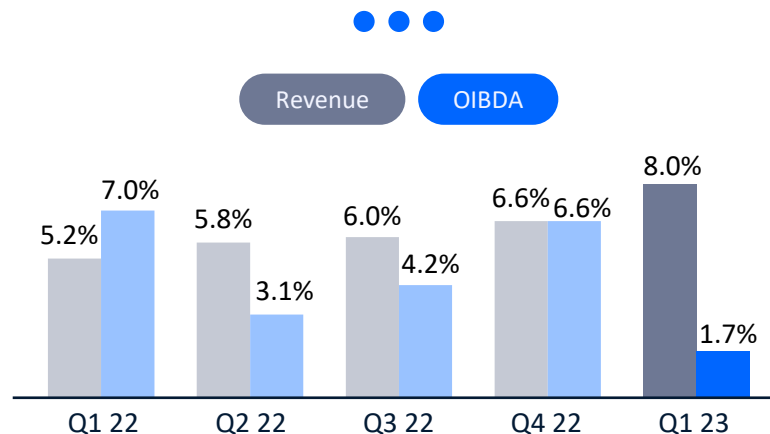




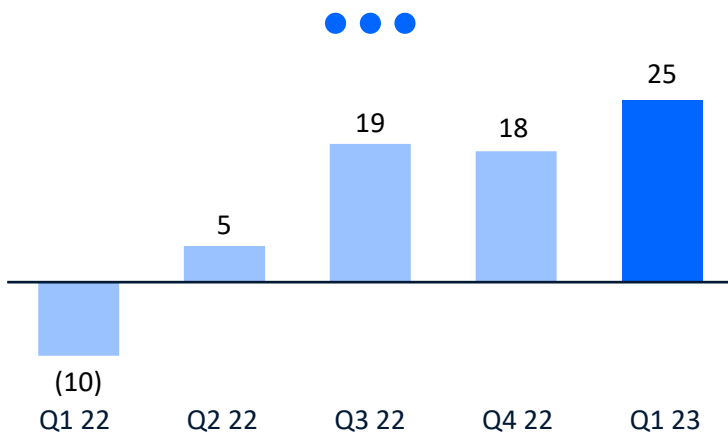
### Postpay net adds (k)



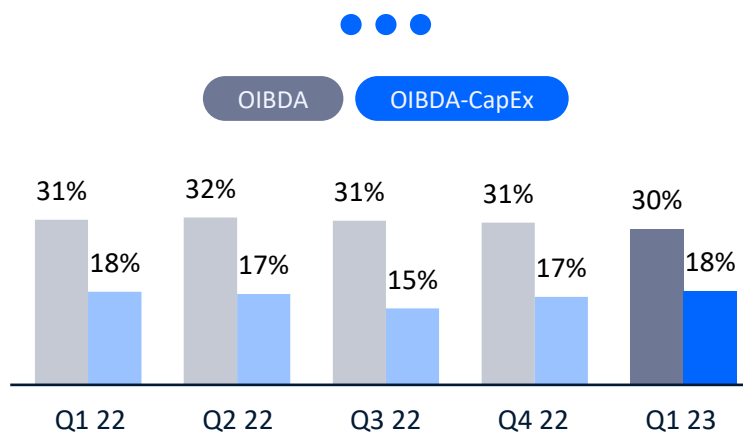
### Revenue & OIBDA (y-o-y organic growth)



### Fixed BB net adds (k)



### Margins (organic)



## Good commercial traction and growth

“Very good” rating in connect test

>82% 5G pop. coverage (Mar-23);  
on track for ~90% target at YE 23

M4M implemented for ‘O2 Mobile’ portfolio  
(~10% higher price points)

Sustained own-brand momentum,  
driving strong revenue & solid OIBDA growth

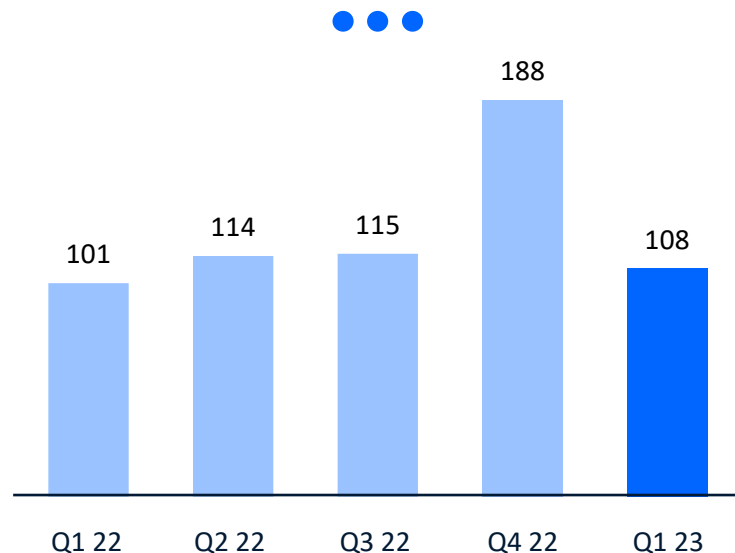
Improved ESG scores



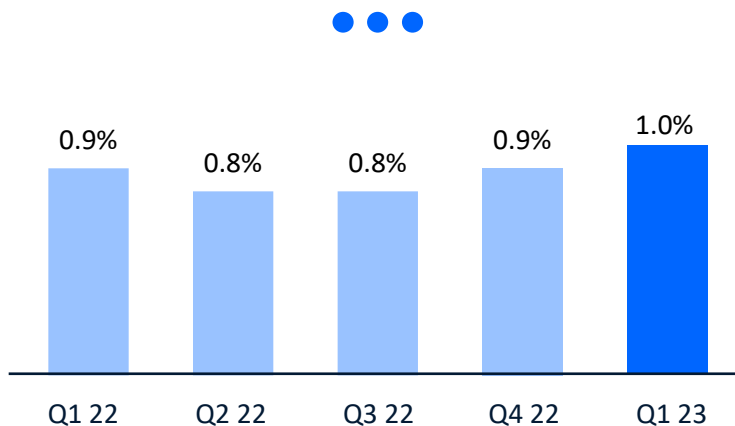
# Virgin Media O2



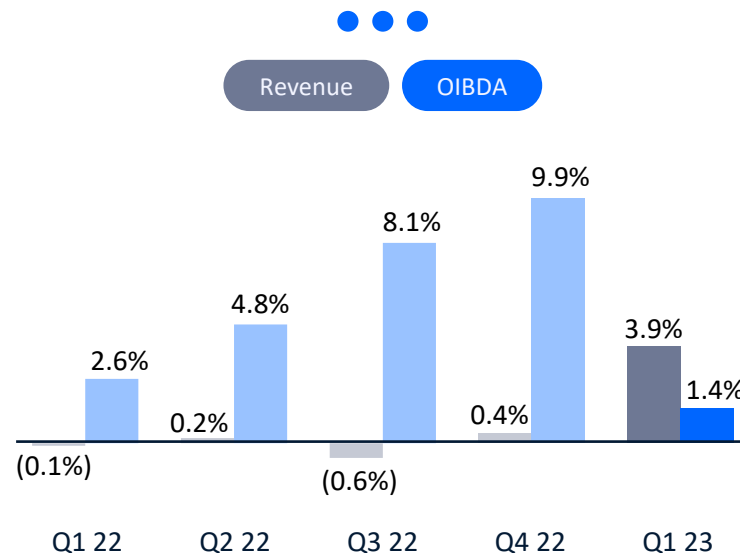
## Fixed network build (k; PPs)



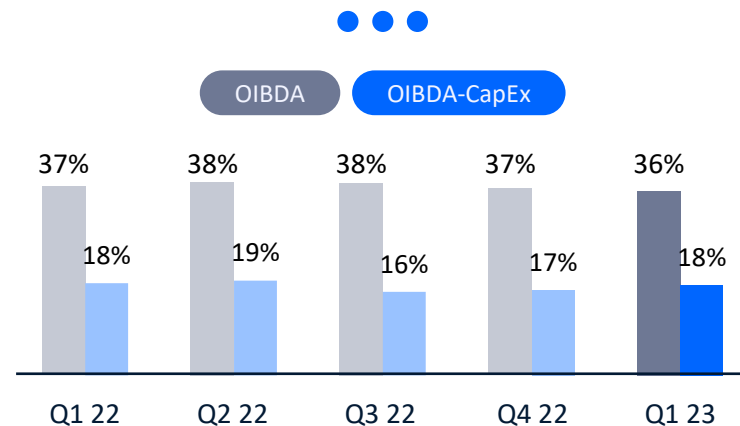
## Mobile contract churn (%)



## Revenue & OIBDA growth (y-o-y organic)



## Margins (organic)



Focus on operational progress and long-term growth

Seasonality in mobile contract base, **low and stable churn levels y-o-y** (1.0% in Q1 23)

**108k PPs in Q1 23 and 5G connectivity >2,100 towns and cities**

Revenue growth accelerating y-o-y

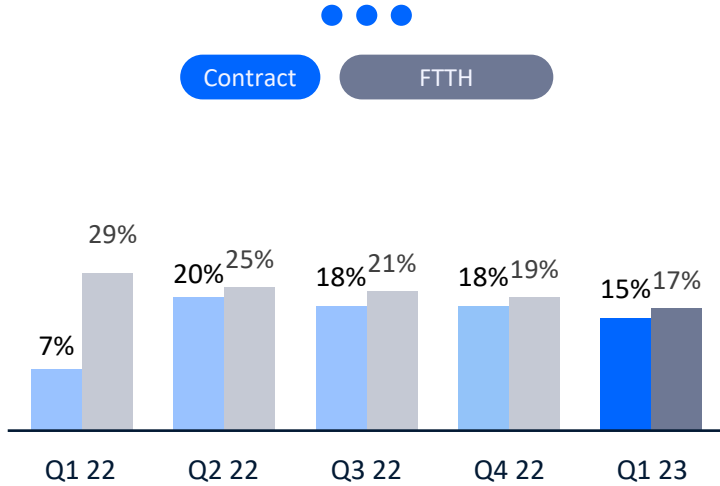
Mobile pricing environment improving

Expansion of eligibility for social tariffs

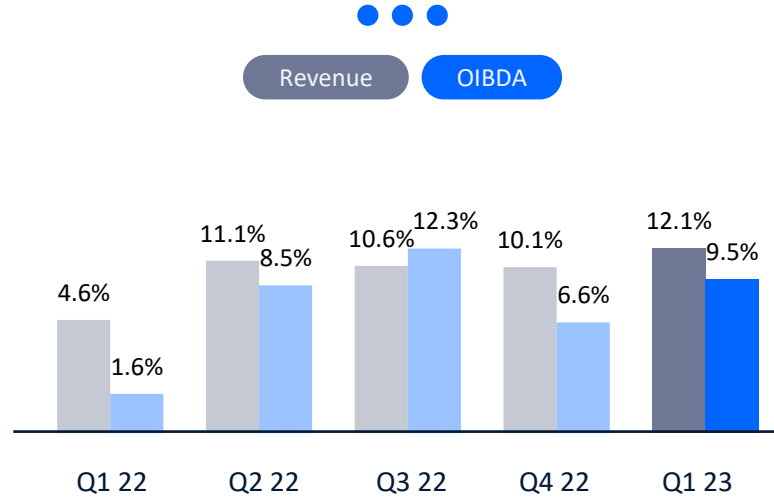




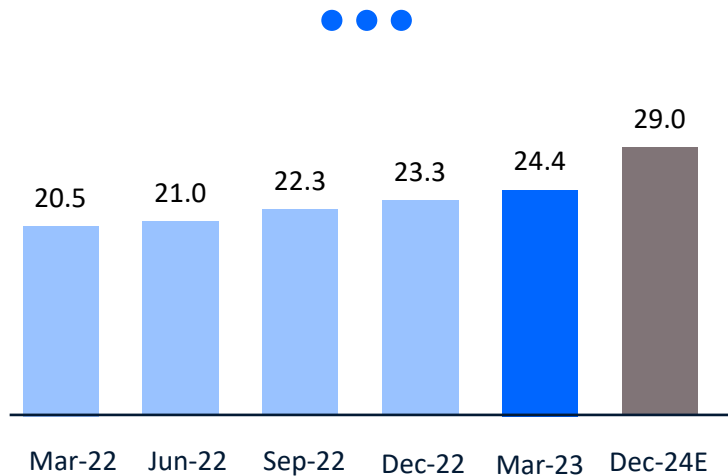
## Accesses growth (y-o-y)



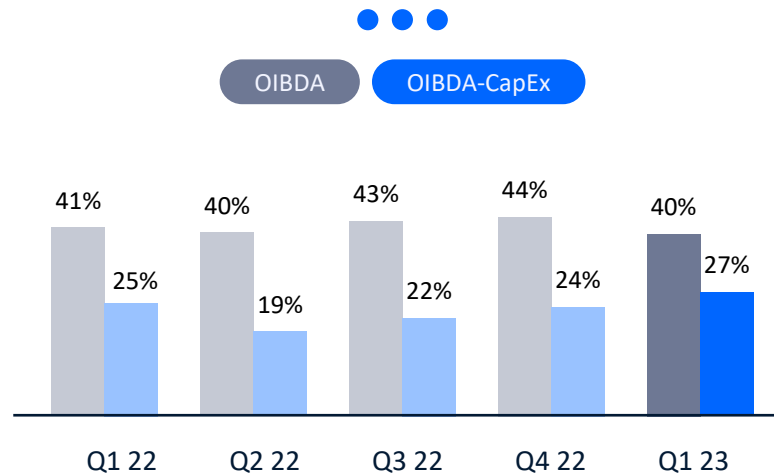
## Revenue & OIBDA growth (y-o-y organic)



## FTTH Premises passed (m)



## Margins (organic)



**Highest revenue growth in 10 years**

**Contract m. share: 43.7%** (+2 p.p. since Oi deal)

**Contract churn: 1.1%**; healthier environment  
**Price increases in Contract and Hybrids**

**Digital services gaining traction:**  
>2m OTT video subscribers  
B2B digital revenue: >6% o/total revenue

**Lower CapEx intensity: +22.7% y-o-y OIBDA-CapEx**

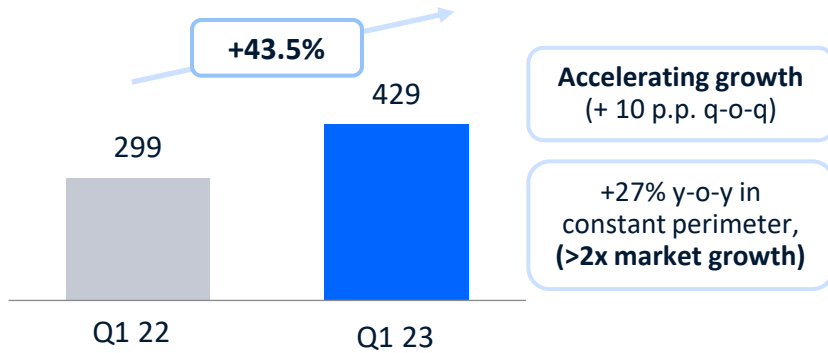
**3rd straight year as CDP Supplier Engagement Leader**





# T. Tech, a global next-generation IT provider

## T. Tech Revenue (€m)



- **Double-digit y-o-y growth across T. Tech Companies**
- **Improved revenue mix:**
  - Higher weight of Managed & Professional services & own platforms revenues
  - Better geographic distribution (>85% revenue hard currency)
- **Differential customer journey**
  - Key driver for relevance in the B2B market
  - Top position in large global B2B deals (4th in the Telco Global services outlook by *Omdia* 2023)
- **Reinforced partner ecosystem & capabilities: AWS, Hitachi Vantara, Expert.ai.**

## Operational Highlights

### Leader in B2B digital services: Cloud, Cybersecurity, IoT, Big Data

#### Strong Commercial activity

- **Bookings** growth ~+40% y-o-y in L12M
- Healthy **funnel** generation

#### Highly skilled and diversified team

- **Talent-led organisation:** hiring, skilling & retaining
- >6.2k professionals; **80%** located in **Europe**
- ~4k certifications
- **18% attrition** in L12M

#### Industry Analysts Recognition

 **Very Strong in Managed Security and Private LTE/5G Network Services**







 **Leader in Magic Quadrant Managed IoT Connectivity Services (9th consecutive year).**

 | Frost Radar: TOP 12 in Americas Managed and Professional Security Services

# T. Infra, consolidating our leadership of FibreCos and critical infrastructure

Focus on execution to gain scale

(m; FTTH PPs<sup>1</sup>) **10** 2021 **15** Mar-23 **25** 2026E

 <ul style="list-style-type: none"> <li>• 4.3m PPs</li> <li>• Driving digital development</li> </ul>	 <ul style="list-style-type: none"> <li>• Deployment on track</li> <li>• Scaling-up team &amp; processes</li> </ul>	 <ul style="list-style-type: none"> <li>• 3.7m PPs (leaders)</li> <li>• Deployment completed</li> <li>• Wholesale agreements with Direct TV and Entel</li> </ul>
 <ul style="list-style-type: none"> <li>• MoUs to deploy &gt;870k premises</li> <li>• Increasing projects under construction</li> </ul>	 <ul style="list-style-type: none"> <li>• 4.3m PPs</li> <li>• Connectivity with best-in-class quality standards</li> </ul>	 <ul style="list-style-type: none"> <li>• 2.6m PPs (leaders)</li> <li>• Wholesale agreement with Liwa</li> </ul>

Delivering on **monetisation** and focusing on **growth**

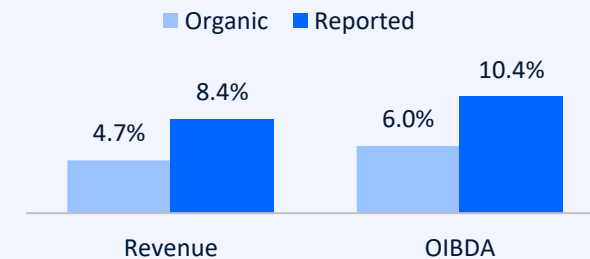
The best combination of profitability and growth

**TELXIUS**

70% 

30%  PONTEGADEA

Q1 23



5<sup>th</sup> quarter of consecutive organic<sup>2</sup> OIBDA growth

54.2% OIBDA margin

+0.7 p.p. y-o-y organic

<sup>1</sup> Included in the total Group's FTTH PPs  
<sup>2</sup> Constant perimeter (excluding tower business)

# Q1 23 Results

Mrs. Laura Abasolo  
CFCO & Head of T. Hispam

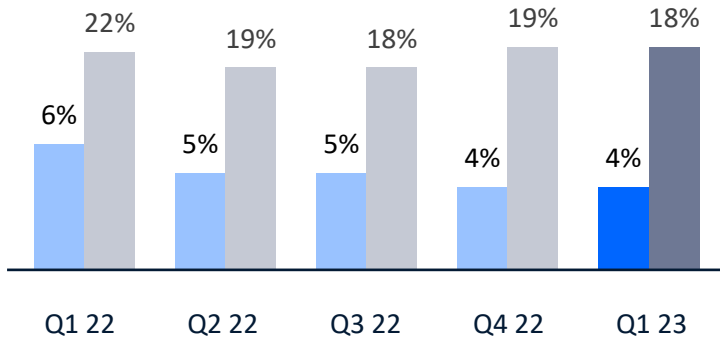


# T. Hispam, capturing value growth opportunities

### Accesses growth (y-o-y)



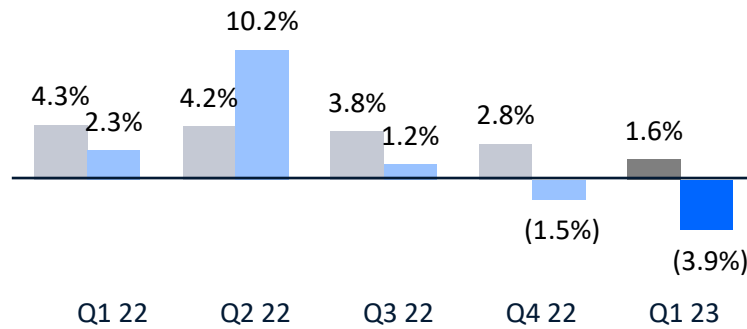
Contract FTTH & Cable



### Revenue & OIBDA growth (y-o-y organic)



Revenue OIBDA



**-28% Invested Capital** (since Dec-19)



**Value growth & tariff update**

**Revenue growth** boosted by contract & FTTH

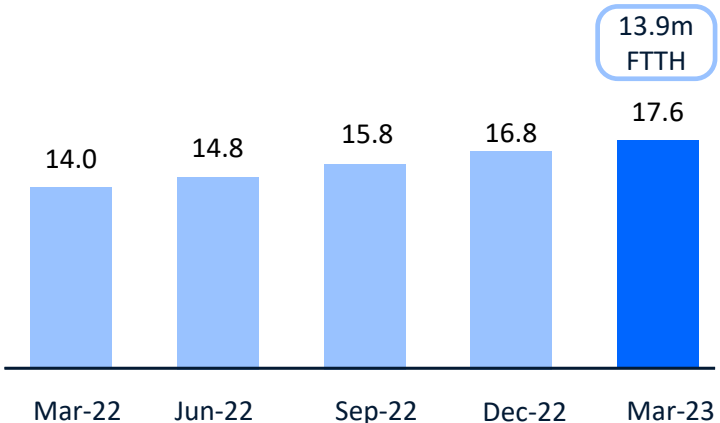
**OIBDA** affected by commercial activity and InfraCo model

**OIBDA-CapEx** expected to grow in FY 23

**Making progress in digital inclusion**



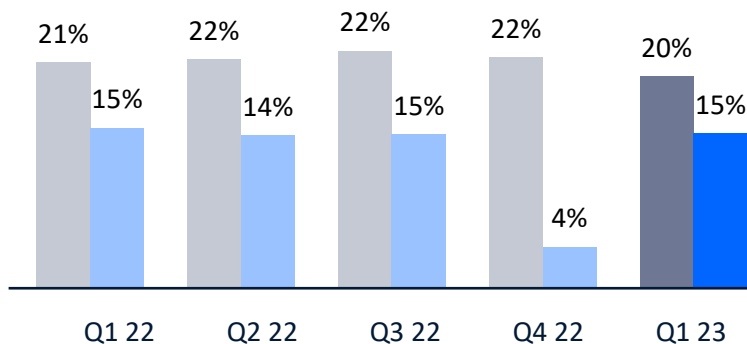
### FTTH & Cable PPs (m)



### Margins (organic)



OIBDA OIBDA-CapEx







# Further deleverage, sound liquidity and contained cost

## Debt Portfolio de-risked & well positioned

**>80%**  
Total debt fixed

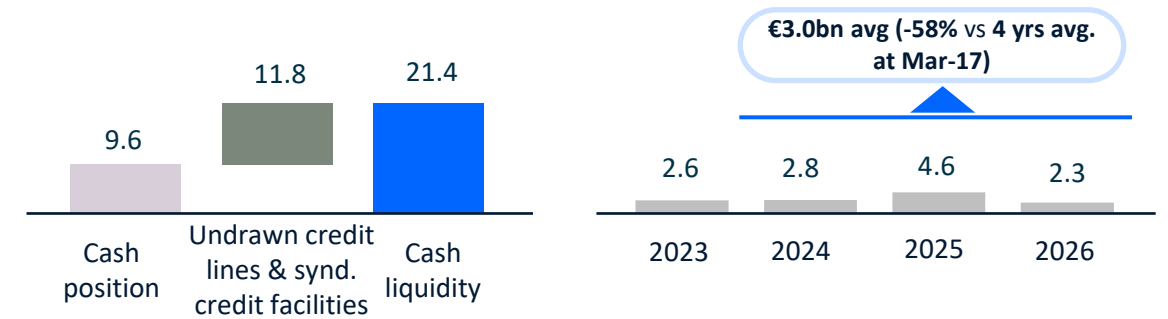
**13.2 yrs**  
Avg. debt life

**Maturities covered over next 3 years**

## Comfortable liquidity position

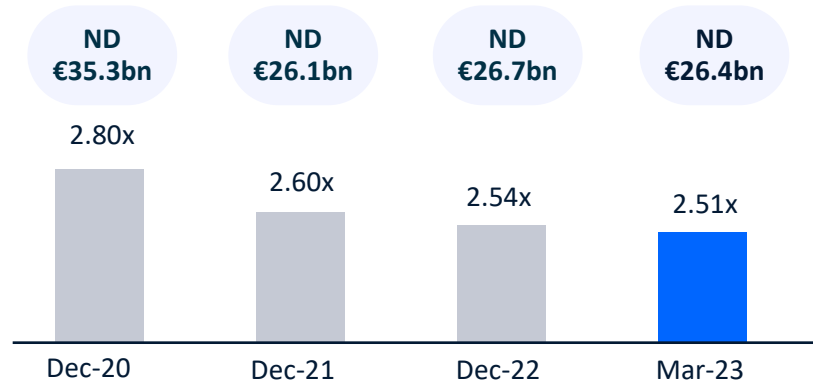
Liquidity cushion, Mar-23 (€bn)

Gross debt maturities, Mar-23 (€bn)



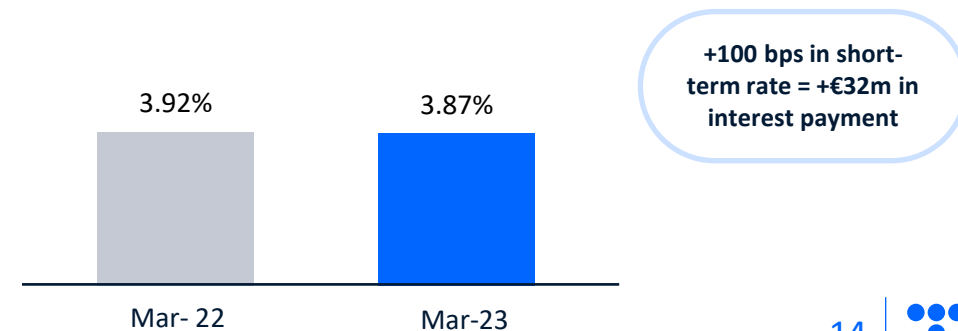
## Deleverage trend continues

Net Debt/OIBDAaL



## Contained interest payment cost

Total debt related interest payment cost ex leases



# Conclusions

Mr. Ángel Vilá  
COO



# Positive momentum in Q1 23



- **Strong start to the year**, resilience; consistent execution of strategy
- **Accelerated growth in revenues** (reported and organic y-o-y); pricing power, leading churn and NPS
- **Pricing actions and efficiencies** more than offset inflationary pressures



- **Good progress in fibre, mobile contract and 5G**, proving differential infrastructure
- **Sustainability pathway**: transforming networks
- **Robust balance sheet**, proactive approach to debt management



- **Shaping the opportunities**
- **Reiterating guidance and dividend for 2023**
- **ESG a greenabler**: anticipating regulatory needs (EU taxonomy, PAI, SFDR Art. 8 & 9)



# Results presentation and Q&A Session



Telefónica's management will host a webcast on  
**11 May at 10:00 AM (CEST), 9:00 AM (GST), and 4:00 AM (EDT)**



## Participants from Telefónica

- **Ángel Vilá** | COO
- **Laura Abasolo** | CFCO & Head T. Hispam
- **Lutz Schüler** | CEO Virgin Media O2
- **Eduardo Navarro** | Chief Corporate Affairs & Sustainability Officer
- **Adrián Zunzunegui** | Global Director of Investor Relations

## Webcast



- To access the webcast: [click here](#)
- The webcast replay **will be available on Telefónica IR's website** after the event

## Q&A Session



- To **participate in the Q&A session**, please register using the following link to receive the dial in and PIN details. [click here.](#)



A List  
2022



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GEI 2023

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**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA

Member of DJSI  
Europe



1<sup>st</sup> in sector  
2022



1<sup>st</sup> company worldwide in 2022  
Digital Inclusion Benchmark

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