

Results 2024

Q3

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Q3 24 Summary

Mr. Ángel Vilá
COO

Q3: a quarter of strong operating and strategic progress

Highlights

- ✓ **State-of-the-art network deployment** maintains rapid pace (81.6m FTTH PPs, 71% 5G coverage in core markets)
- ✓ **Strong underlying performance**; Spain best net adds in 6 years with record-low churn; sustained LC growth in Brazil
- ✓ **Accelerating FCF growth**, +89.5% y-o-y in Q3, +27.7% in 9M, trending above target of >10%
- ✓ **Industry-leading CapEx intensity at 12%** of revenue (9M), optimising investments, increasing operating leverage
- ✓ **On track to fulfill 2024 guidance** despite FX headwinds

Execution delivery



- ✓ Signed **FibreCo** agreement with **VOD Spain**
- ✓ **LT FTTH IRU** agreement with **MasOrange**



- ✓ Anatel/Ministry of Communications **agreement on fixed voice concession to authorisation** model **migration expected in Q4**



- ✓ Expect **BNetzA update on** details of **spectrum extension in early 2025**
- ✓ **New W/S agreement with Lyca** and **contract renewal with Lebara**



- ✓ **NetCo progressing according to plan**, greater focus on fibre upgrade

Stronger Telefónica

Next Generation **NETWORKS**

- **Expanding fibre: 81.6m PPs**, +2.7m q-o-q
- **5G coverage +6 p.p.** q-o-q in core markets (2026 coverage target of 70% reached 2yrs in advance)
- **Network differentiation** reducing CapEx
- **AI driven solutions progressing**
- **Open Gateway**, alliance with global telcos to provide network APIs

Enhanced **CUSTOMER** experience focus

- **Customers +1m q-o-q** to 393m
- **Spain record low churn** (0.8%)
- **NPS hits new highs** (34; +5 p.p. y-o-y)
- **AI improving customer experience;**
Perplexity investment / commercial deal

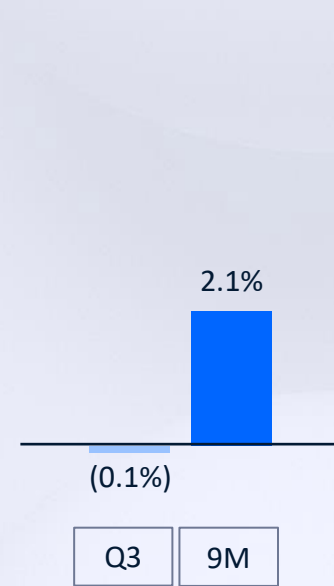
Leaner **OPERATIONS**

- **Asset optimisation**, copper shutdown, 7.7k Spain COs closed (Oct-24)
- **FCF sequential acceleration**
- **Hispan**, exploring inorganic opportunities
- **AI**, prioritised 6 clusters of use cases

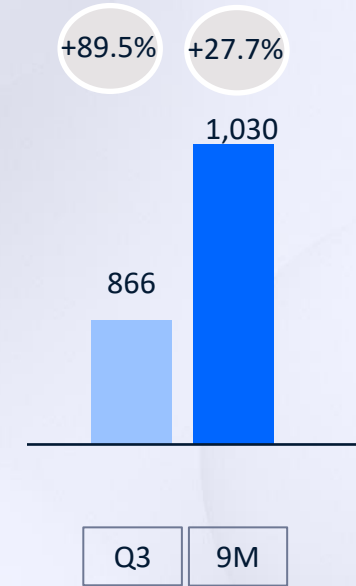
Strong FCF and consistent underlying performance

| Local currency y-o-y | Q3 | 9M |
|----------------------|-------|-------|
| Revenue | | |
| Spain | +1.0% | +1.0% |
| Brazil | +7.1% | +7.0% |
| Germany | -1.6% | -0.6% |
| EBITDA | | |
| Spain | +1.0% | +0.6% |
| Brazil | +6.9% | +7.0% |
| Germany | +3.0% | +3.9% |

EBITDAaL-CapEx (€m, y-o-y)



FCF (€m, % y-o-y)



- In local currency terms, Spain, Brazil and Germany maintain or improve growth trends
- Q3 FX impact reduced revenue and EBITDA growth; still, 9M EBITDAaL-CapEx reported growth exceeds 2024 target
- FCF grew significantly y-o-y in Q3 and 9M, largely shielded from FX volatility through natural hedging

Telefónica Group: consistent underlying performance



| | Q3 y-o-y reported | 9M y-o-y reported | 9M y-o-y guidance FX |
|------------------|-------------------|-------------------|----------------------|
| Revenue | -2.9% | -0.3% | +0.3% |
| Service revenue | -2.2% | +0.7% | +1.3% |
| B2B revenue | +0.6% | +2.8% | +3.3% |
| B2C revenue | -1.6% | +0.4% | +1.1% |
| EBITDA | -2.5% | +0.4% | +1.2% |
| EBITDAaL - CapEx | -0.1% | +2.1% | +2.5% |
| CapEx/Sales | 13.4% | 12.0% | |
| FCF | +89.5% | +27.7% | |

Growth

- Solid underlying revenue growth
- B2B revenue +2.8% in 9M, double digit growth in IT, despite FX
- Strong growth in FTTH accesses; +11% y-o-y

Profitability

- Improved operating leverage (+0.3 p.p. vs Q3 23)
- Q3 CapEx -6.3% y-o-y, switch-offs, AI, digital & IT transformation
- Ongoing efficiencies (redundancy, AI, legacy shutdown)

Sustainability

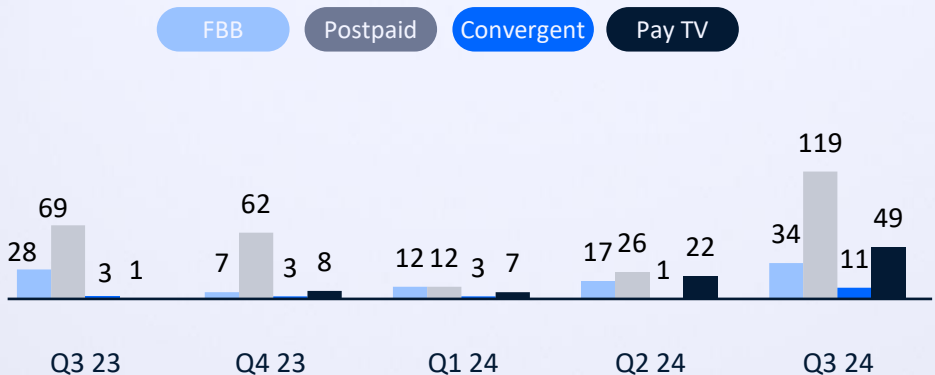
- FCF H2 acceleration: +89.5% y-o-y in Q3, +27.7% in 9M
- 9M FCF growth above +>10% 2024 target
- Natural hedging policy pays off

Q3 24 Geographies & Units

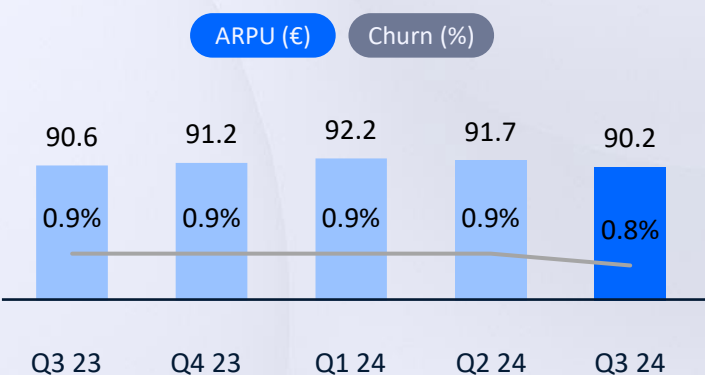
Mr. Ángel Vilá
COO

Spain: improving commercial momentum, accelerating EBITDA growth

Net adds (k)



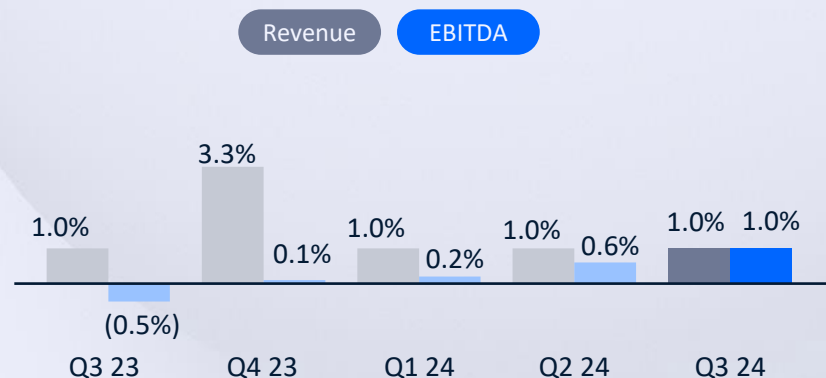
Convergent KPIs



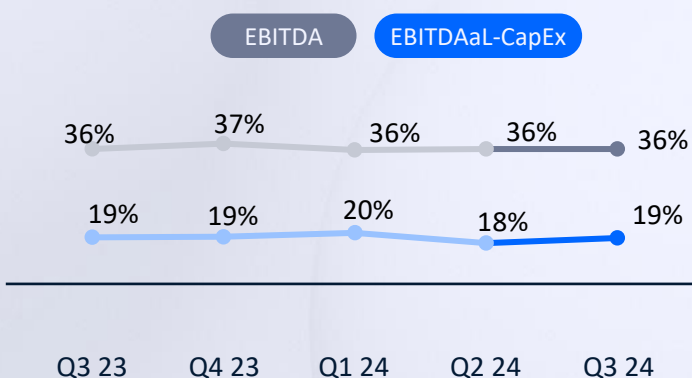
Highlights

- Best quarterly net adds in 6 years
- Churn historic low (0.8%); highest ever NPS (+3 p.p. y-o-y)
- CLV increases. Premium positioning in B2C/B2B market
- EBITDA growth accelerates to +1.0% y-o-y
- EBITDAaL y-o-y turns positive

Revenue & EBITDA growth (y-o-y)



Margins

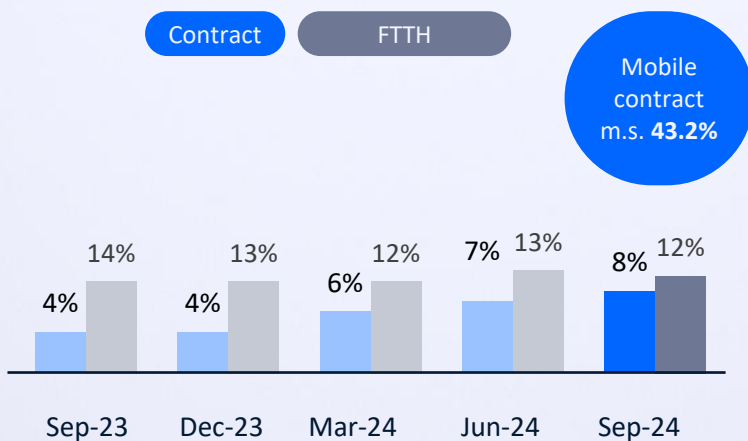


Uncertainties over wholesale dispelled
 All existing agreements extended; new deals signed
 Deregulation opportunities (MARCo consultation open)

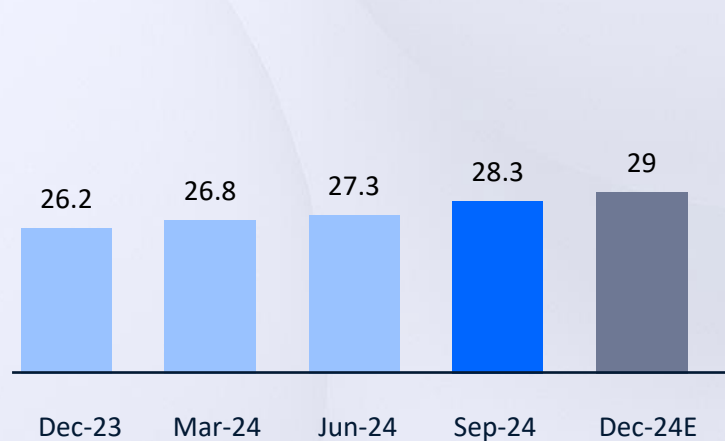


Brazil: sustained growth, expanding profitability

Accesses growth (y-o-y)



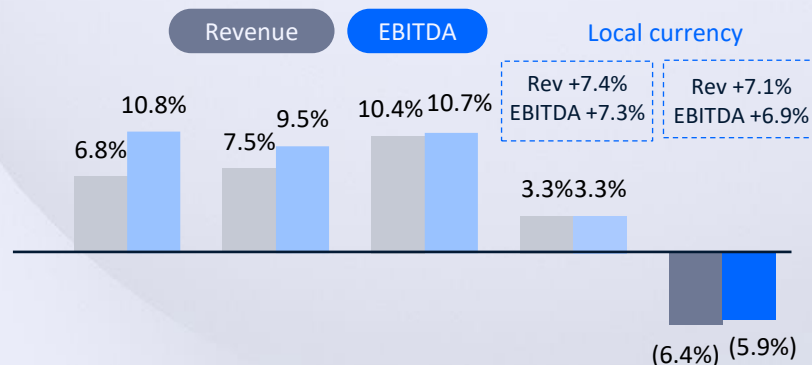
FTTH Premises passed (m)



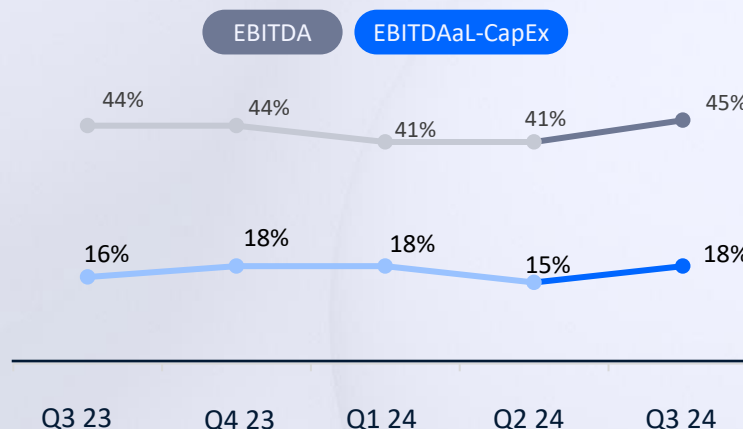
Highlights

- **Largest FTTH network in Latam**
- **Accelerating contract accesses with higher ARPU (+2%)**
- **FTTH connections growing (Q3 192k; +5% y-o-y)**
- **Higher margins** despite increased weight of digital services
 - 44.6% EBITDA (+0.2 p.p. y-o-y)
 - 17.8% EBITDAaL-CapEx (+2.1 p.p. y-o-y)
- **LC growth momentum intact; >2x above inflation**
 - Revenue: +7.1%
 - EBITDA +6.9%
 - EBITDAaL-CapEx +20.7%

Revenue & EBITDA growth (y-o-y)



Margins

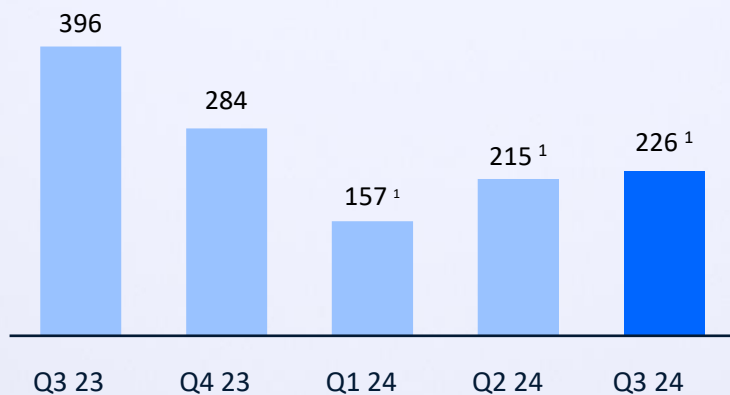


Concession to Authorisation process well advanced
Final agreement expected in Q4 24

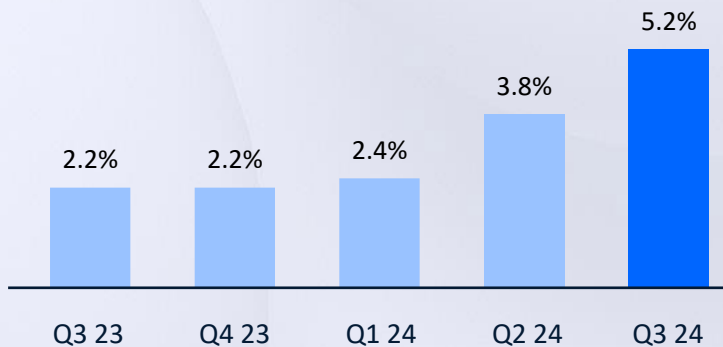


Germany: continued commercial traction on core business strength

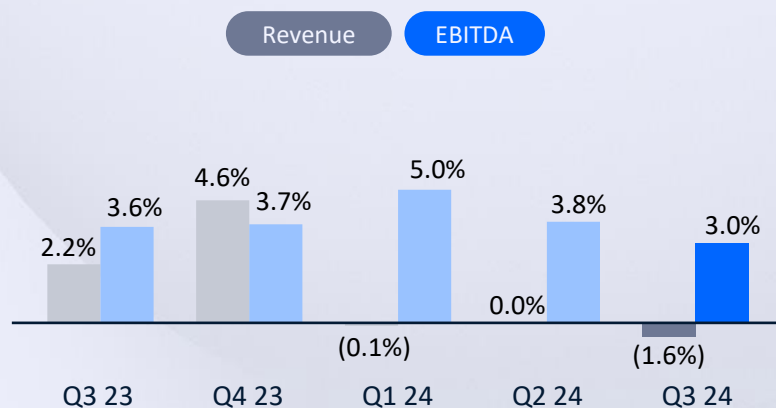
Contract net adds (k)



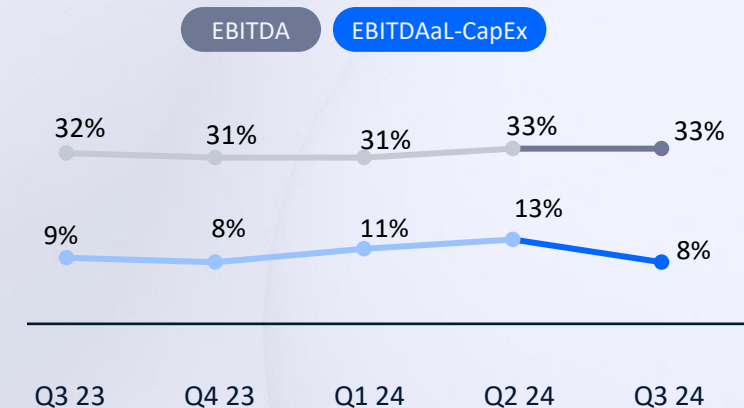
Fixed ARPU (y-o-y)



Revenue & EBITDA growth (y-o-y)



Margins



Highlights

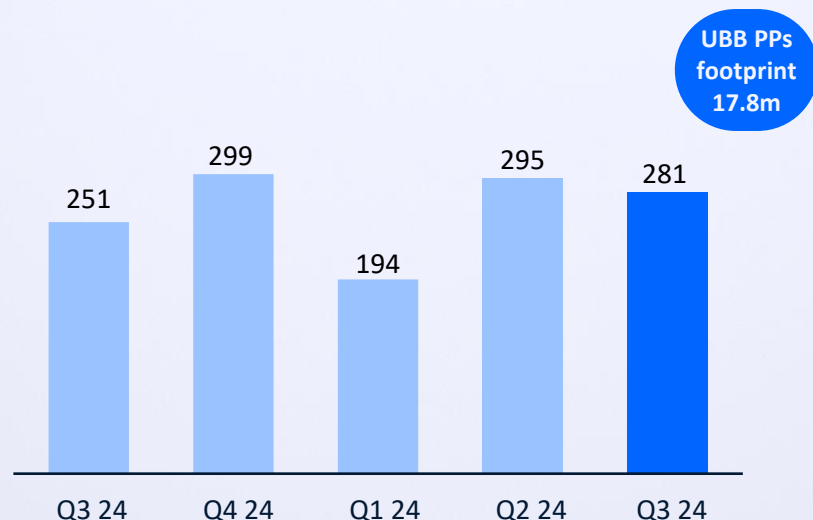
- Consistent **q-o-q growth in contract net adds**
- **Simplified O₂ new tariff portfolio** from Nov-24
- **O₂ network rated "excellent"** (*Magazine test*)
- **5G pop coverage ~97%**, 1st anniversary of '5G Plus'
- **O₂ contract churn** remains at **low levels**; 1.0%
- **Revenue** mainly reflecting MTR-cut and change of the 1&1 business model
- **Sustained EBITDA growth** on cost efficiencies

Strengthened B2P re-filling freed-up network capacity (i.e. contract renewal with Freenet, Lebara and new agreement with Lyca)

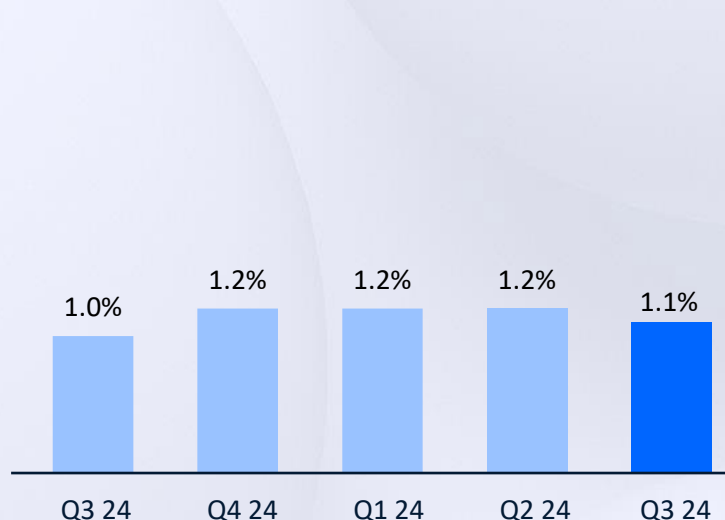


VMO2: commercial momentum and targeted investments

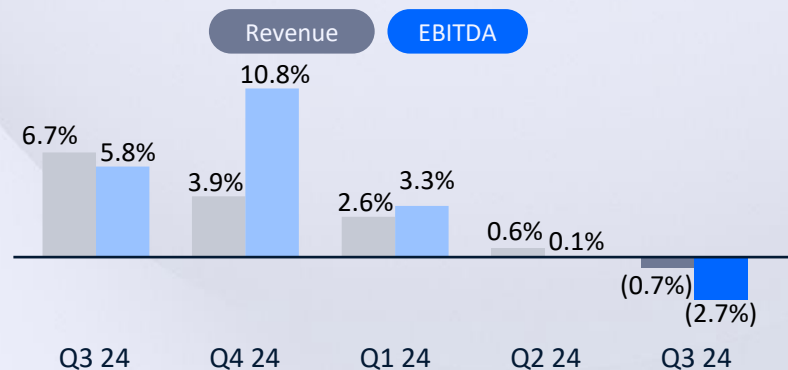
Fixed network build (k new PPs)



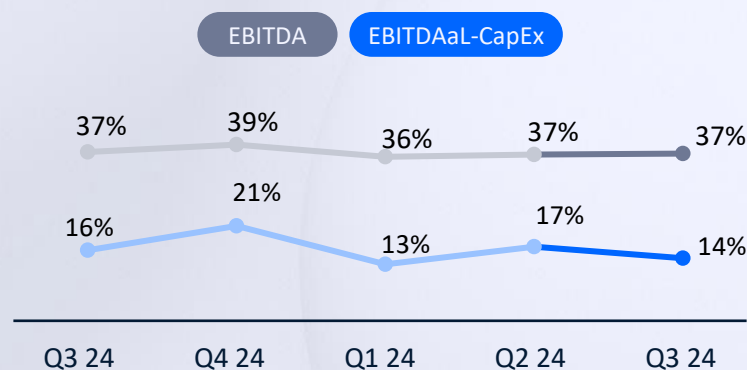
Mobile contract churn (%)



Revenue & EBITDA growth (y-o-y)



Margins



Highlights

- **5G and fibre rollout continues at pace** (9M CapEx/Sales 20.5%)
- **Contract churn at low levels** (-0.1 p.p. q-o-q)
- **Return to positive net FBB adds** (16k) + **value growth** (retail fixed ARPU +2.2% y-o-y)
- **Stable combined consumer fixed & mobile revenue** ex handsets
- **Stable y-o-y operating leverage** (EBITDAaL-CapEx/Revenue), both Q3 and 9M
- **Pivotal investments in 2024 for growth in 2025 and beyond**

Reinforced tower infrastructure

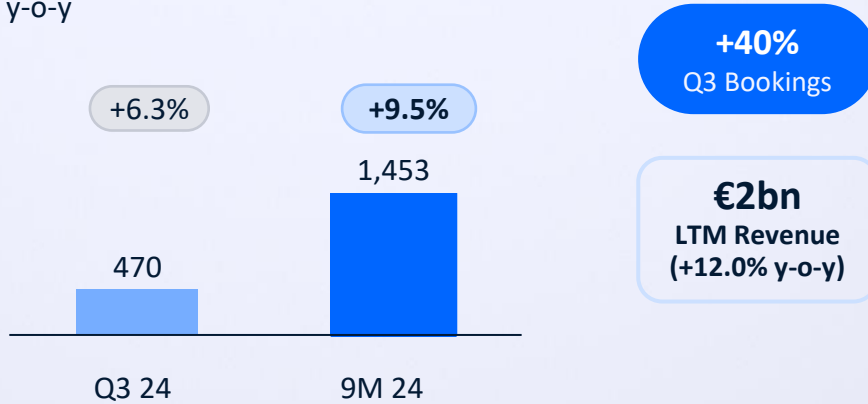
- **Long term partnership with Cellnex UK**
- **Partial monetisation of CTIL**, retaining co-control



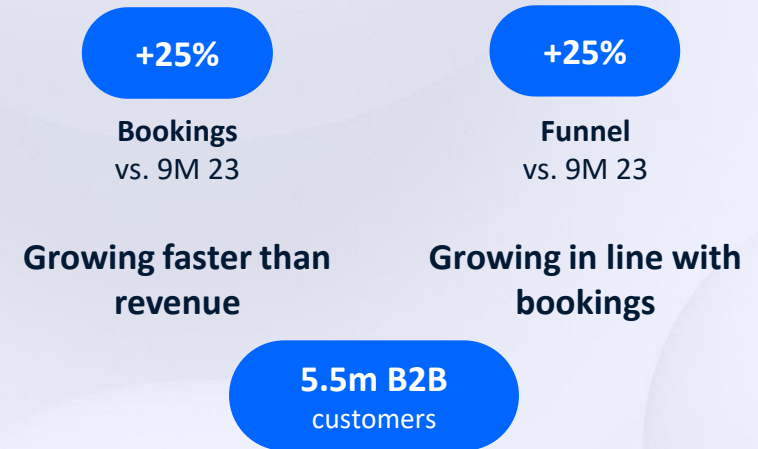
Tech: the B2B commercial growth driver

Revenue

(€m) y-o-y



Commercial performance



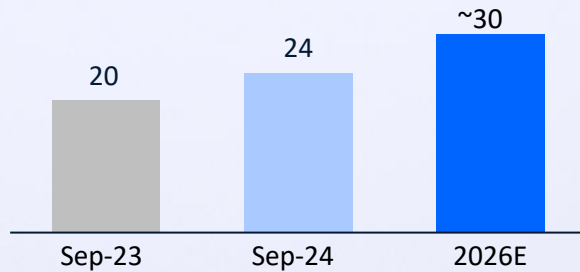
Future-proof business

- **Commercial acceleration in Q3 24, further revenue growth in Q4**
 - **Strong growth in bookings**, mainly in the private sector
 - Customers **demand multiple projects** combining technologies & solutions
- **Larger & higher value projects increases business' sustainability**
 - **More recurrent and predictable revenue**
 - **Committed to €3bn revenue target for 2026**
- **Further SME opportunity in Spain**, key provider in the **Kit Consulting (ERF)**
- **Global Services Lines reinforcing operational capabilities in key markets**
 - **AI & Data**: 10 specialised new centres in Spain, UK, Central Europe, Brazil and HIS
 - **BizApps in Spain & Cyber in the UK** gain momentum

Infra: a worldwide connectivity network

Accelerating FTTH deployment

Total FTTH premises passed (m)
(via FiberCos)



~30% of 23-26 of TEF's FTTH rollout executed
Driving value whilst increasing differentiation and capabilities



Agreement to acquire Infracore Germany
Strengthening fibre expansion in rural areas

>1m PPs deployed or under construction
Accelerating planned expansion to ~2m PPs target
Among top 5 FTTH altnets in Germany

Global connectivity provider

TELXIUS >100km of international fibre connectivity

Sustained profitability

49%
EBITDA margin
9M 24

Steady traffic growth

+12%
vs. 9M 23

Over 100 POPs in 17 countries across the key regions of America and Europe

Data Centres

Nabiax
Hosting the future

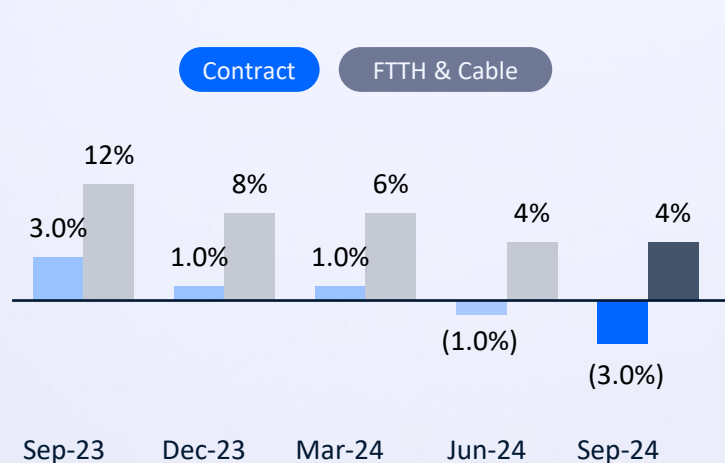
Opportunity/Optionality

Q3 24 Hispam / Financials / ESG

Mrs. Laura Abasolo
CFCO & Head of Telefónica Hispam

Hispam: preserving operating leverage

Accesses growth (y-o-y)



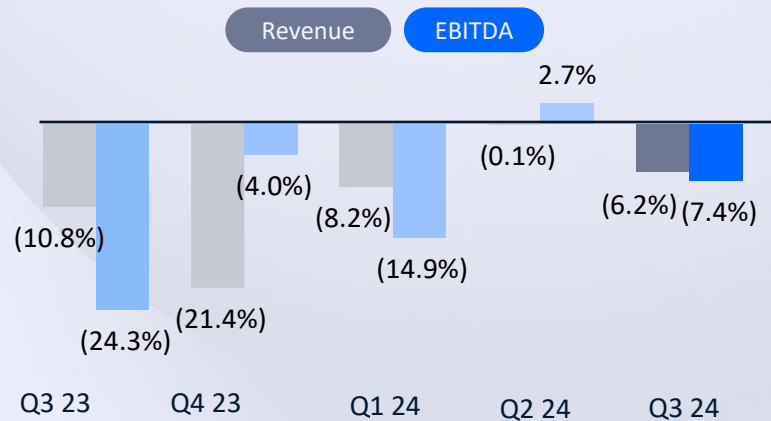
FTTH & Cable PPs (m)



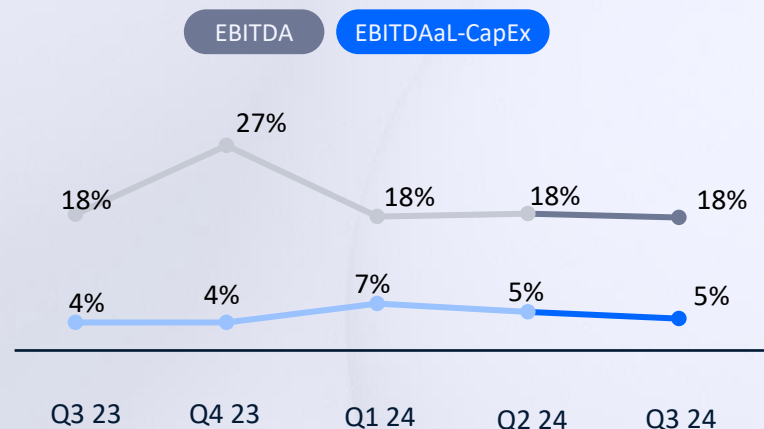
Highlights

- **Aiming for a more rational industry**
 - Exploring inorganic opportunities
 - FTTH vehicles avoiding infrastructure overlap
- **Q3 results hit by FX, competition and Peru**
 - Non-cash €314m impairment in Peru
- **EBITDAaL-CapEx (-0.1%)**
 - Leases (-7.3%), CapEx (-11.1%); 9M CapEx/Rev 7.1%
- **Technology renovation: >30k copper tons in 2022/23**

Revenue & EBITDA growth (y-o-y)



Margins



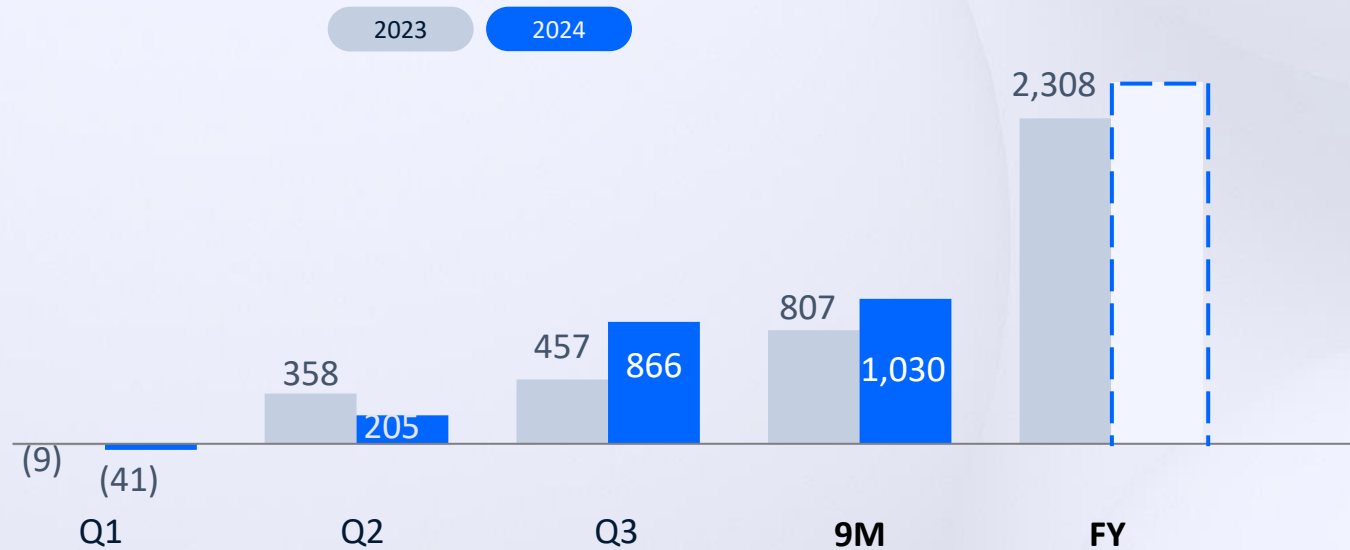
Invested capital -34% vs. Dec-19
Preserving T. Group optionality



FCF aligning with reiterated 2024 guidance

Back-end loaded growth trajectory

€ million



FCF 2024
>10% growth

FCF CAGR 23-26
>10% growth

- **FCF acceleration**, x4.2 q-o-q, +89.5% y-o-y in Q3 and +27.7% in 9M
- **Natural BRL hedging** proves **FCF focus**
- **>10% growth ambition reiterated for 2024 and 2023-26**

Solid balance sheet, contained costs and long average life

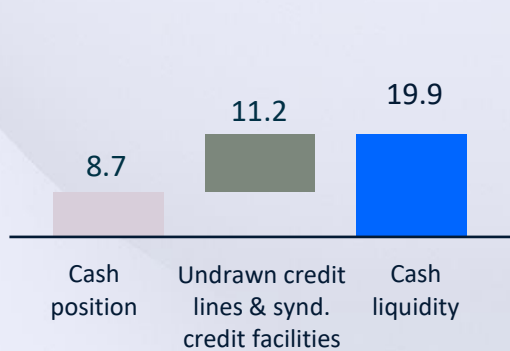
Net Financial Debt

€ million

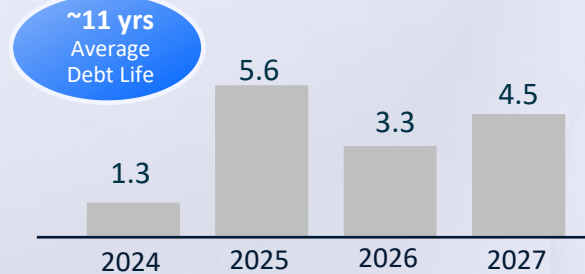


Comfortable liquidity position

Liquidity cushion, Sep-24 (€bn)

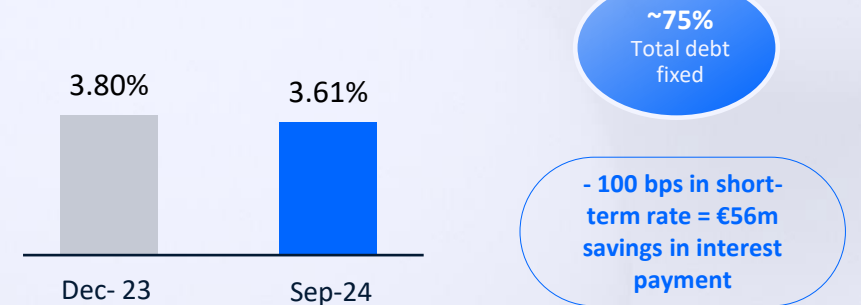


Gross debt maturities, Sep-24 (€bn)



Contained interest payment cost

Total debt related interest payment cost ex leases

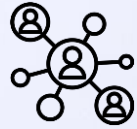


Solid progress across the pillars of ESG



Environmental

- **Decarbonise the economy**, helped avoid 69m tCO₂ for B2C customers
- **Reducing Scope 3**, Led industry climate maturity assessment of ~1k suppliers, offering tailored training



Social

- **Advancing in diversity**, 33.6% of executives are women (37% target in 2027)
- **Well placed for B2B customers**, ranked percentile 99th of all companies (130k) evaluated by EcoVadis



Governance

- **#1 in Reporting & Transparency**, Reuters Sustainability Awards 2024
- **Leading Ethical AI**, signed the EU's AI Pact and actively participated in developing the Code of Practice

Key takeaways

Mr. Ángel Vilá
COO

2024 guidance confirmed despite FX depreciation in Q3



| | 2024 Guidance | 9M 24 | |
|---|--|----------------------|---|
| Revenue y-o-y reported | ~1% | -0.3% | |
| EBITDA y-o-y reported | 1% to 2% | +0.4% | |
| EBITDAaL - CapEx y-o-y reported | 1% to 2% | +2.1% | ✓ |
| CapEx / Sales | Up to 13% | 12.0% | ✓ |
| FCF y-o-y reported | >10% | +27.7% | ✓ |
| Cash Dividend | €0.3/share 2 tranches €0.15; 19 th Dec-24, Jun-25 | Improved coverage | ✓ |
| Leverage | Reduced | 2.76x | |

Under guidance FX assumptions, 9M well within guidance
 > 1% service revenue,
 > 1% EBITDA and
 >2% EBITDAaL-CapEx growth

Controlling the controllable
 Delivering strong FCF
 Majority of FCF well protected
 through hedging strategy

On track with 2023-26 guidance

Maximising performance through focused execution

- 1 Solid business momentum**, both commercial and operationally across Spain, Brazil and Germany
- 2 Strong FCF growth allowing reaffirmation of >10% ambition for both 2024 and 2023-26**
- 3 Hedging strategy** mitigates FCF exposure to currency fluctuations
- 4 Focus investments on FTTH and 5G deployment**, high-value customers and premium services driving customer satisfaction
- 5 Disciplined balance sheet and capital allocation**, delivering on targets, sustainable dividend and growth-focused CapEx
- 6 Opportunities ahead**, authorisation regime in Brazil, deregulation and reducing sector fragmentation in EU

Results presentation and Q&A Session



Telefónica's management will host a webcast on
7 November at 10:00 AM (CET), 9:00 AM (GMT), and 4:00 AM (EDT)



Participants from Telefónica

- **Ángel Vilá** | COO
- **Laura Abasolo** | CFO & Head Telefónica Hispam
- **Markus Haas** | CEO Telefónica Deutschland
- **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](#)



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1st in sector
2022



1st company worldwide in 2023
Digital Inclusion Benchmark

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