

# TDC Group & DKT Holdings

## Q2 2020

# Q2 highlights

- **TDC Group's EBITDA** declined by 3.7% in Q2, stemming mainly from the loss of consumer RGUs in Q4 2019 and Q1 2020 and partly offset by continued improvement in operating expenses
  - **TDC Group's revenue declined by 7.7% and gross profit** declined by 8.3% YoY in Q2 triggered mainly by declining customer bases in Nuuday. The net loss of customers improved throughout Q2, though the high net loss in Q4 and Q1 is causing a run-rate effect on gross profit YoY
  - TDC Group's **operating expenses improved by 13.6%** driven by cost reductions across TDC Group as well as lower costs related to the separation of TDC. Nuuday and TDC Net operating expenses decreased by 11% and 9.9% respectively in Q2 vs the same period last year
- **Capex increased by 19.4% YoY at TDC NET**, driven mainly by fibre rollout with more than 25k homes passed in Q2. In Q2, TDC NET swapped more than 900 mobile sites to 5G while simultaneously improving the existing network quality. A successful 5G test was conducted in Helsingør in collaboration with TV2, and TDC NET entered a partnership with Grundfos and Ericsson to use 5G to automate and streamline production
- **The effects of COVID-19 on TDC Group's financial performance in Q2 2020** related mainly to reduced roaming profits experienced by Nuuday and the productivity slowdown due to TDC NET technicians remaining at home and not being able to do customer visits
- Based on the negative effects from COVID-19 both in the short term as well as the possible impact going forward, **we now expect to reach a flat to slight decline in the EBITDA-development for the full year**
- Other **key milestones** from the quarter include;
  - On 7 July 2020, the late-summer 2020 launch of **YouTV was announced**. YouTV, a new TV and streaming service, will gather all the popular content in one app, allowing customers to mix their preferred TV channels and streaming services
  - **TDC NET's mobile network was named the best network in Denmark** in a global research conducted by the data company, Tutela

# TDC Group's financial highlights

DKKm	H1 2020		Q2 2020		FY 2019
	Reported	YoY growth %	Reported	YoY growth %	YoY growth %
Revenue	8,041	-5.9	3,915	-7.7	-1.8
Gross profit	5,809	-6.0	2,833	-8.3	-2.9
Opex	-2,536	-9.8	-1,224	-13.6	-3.3
EBITDA	3,273	-2.8	1,609	-3.7	-2.5
EBITDA excl. IFRS 16					-8.4
Profit for the period	-27	-165.9	-48	-74.3	
Capex	-2,711	28.7	-1,313	16.1	
Adjusted NIBD/EBITDA <sup>1</sup>	3.7		3.7		

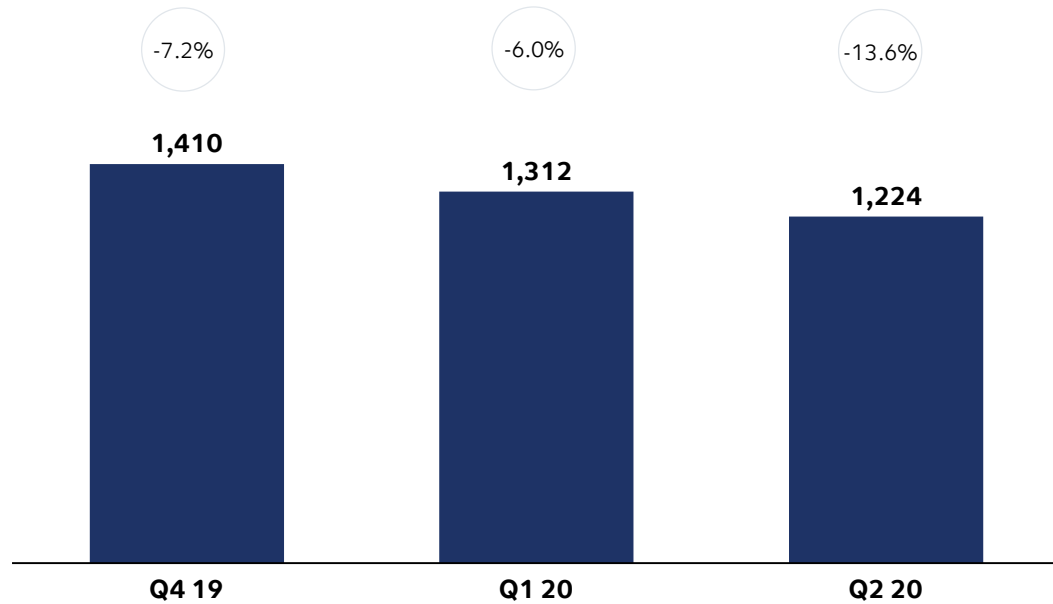
1. Calculated without the additional lease liabilities due to the adoption of IFRS 16 and the resulting EBITDA effect. The EBITDA effect of IFRS 16 amounts to DKK 408m for the last twelve months. Including IFRS 16 the NIBD/EBITDA ratio amounts to 4.3 at 30 June 2020.

# TDC Group opex & capex

YoY growth<sup>1</sup>
 TDC Group
  Nuuday
  TDC NET
  Headquarters & Other

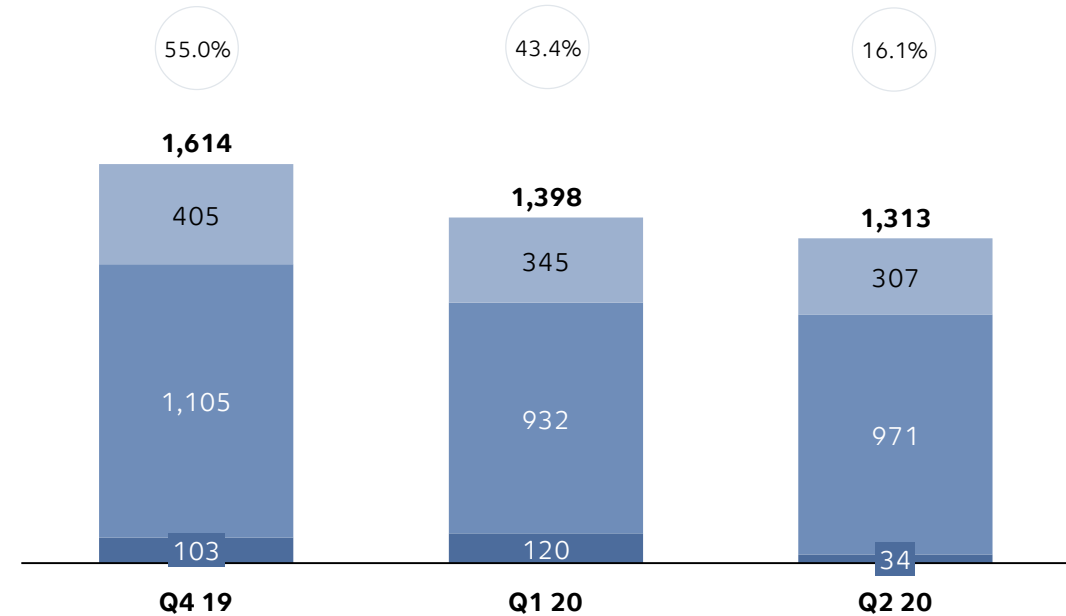
## TDC Group opex

(DKKm)



## TDC Group capex

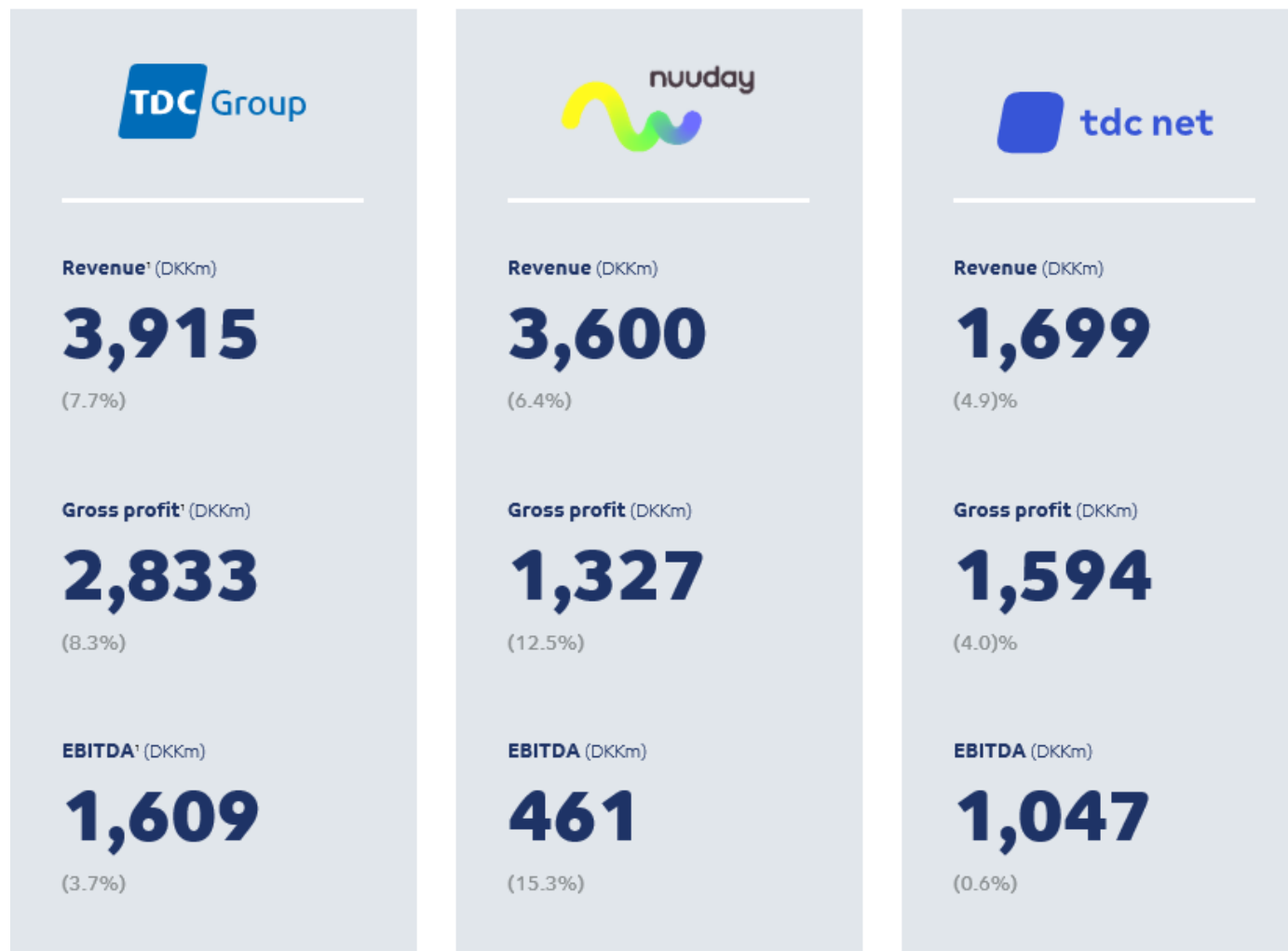
(DKKm)



1. Mathematical notation – negative growth corresponds to a reduction of the cost base

# Business unit performance in Q2 2020

The illustration reflects TDC Group's Q2 2020 performance based on our segment reporting. Following the legal separation, trading on an arm's length basis between Nuuday, TDC NET and the shared services centres in Headquarters has been implemented and is reflected in the financial figures.



1. Both absolute figures and growth rates do not amount to 100% as headquarters and eliminations are not included in the table.

# TDC NET

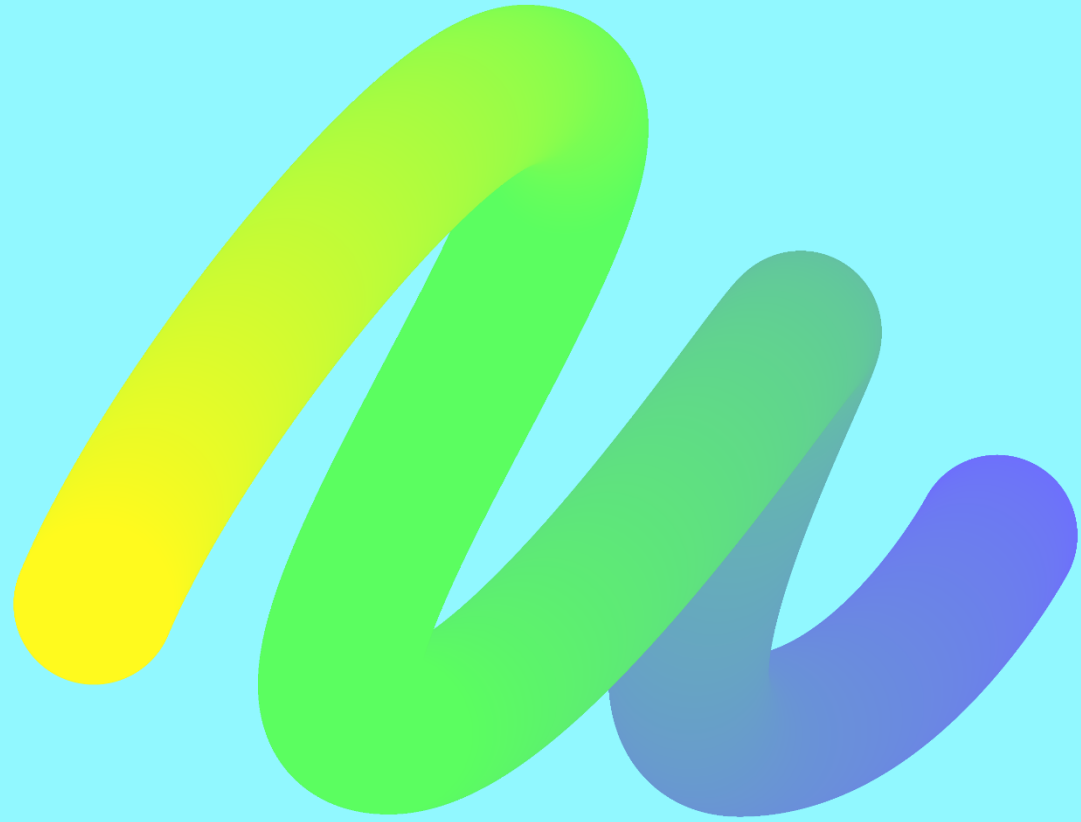


We connect Denmark.  
To benefit everyone.

# TDC NET financials

DKKm	H1 2020		Q2 2020	
	YoY growth %	Reported	YoY growth %	Reported
Revenue	-2.7	3,472	-4.9	1,699
Hereof external revenue	-7.1	848	-11.9	409
Gross profit	-3.0	3,247	-4.0	1,594
Opex	-8.7	-1,075	-9.9	-547
EBITDA	0.0	2,172	-0.6	1,047
Capex	36.0	-1,903	19.4	-971

- In Q2, TDC NET's **revenue** declined by 4.9% YoY. This decline was mainly attributable to a continued decline in landline voice and TV revenue due to declining customer bases and a decline in revenue from third party antenna organisation for upgrading and servicing their cable networks.
- **Gross profit** in TDC NET declined by 4.0% in Q2 driven by the revenue decline partly offset by an improved gross profit margin on landline voice, mobility services and TV.
- **Operating expenses** declined by 9.9% or DKK 60m driven by efficiency improvements and increased investments in fibre and 5G, leading to increased capitalisation of personnel expenses, as well as lower costs related to the separation of TDC.
- **EBITDA** decreased by 0.6% triggered by the gross profit decline that was only partly offset by improved operating expenses.
- **Capital expenditure** increased by 19.4% due to the strategic investments in fibre rollout and higher costs related to customer installations.



**Nuuday**



# Nuuday financials

DKKm	H1 2020		Q2 2020	
	YoY growth %	Reported	YoY growth %	Reported
Revenue	-5.3	7,364	-6.4	3,600
Hereof external revenue	-5.7	7,192	-7.0	3,511
Gross profit	-8.6	2,733	-12.5	1,327
Opex	-6.6	-1,814	-11.0	-866
EBITDA	-12.2	920	-15.3	461
Capex	-5.8	-652	-2.2	-307

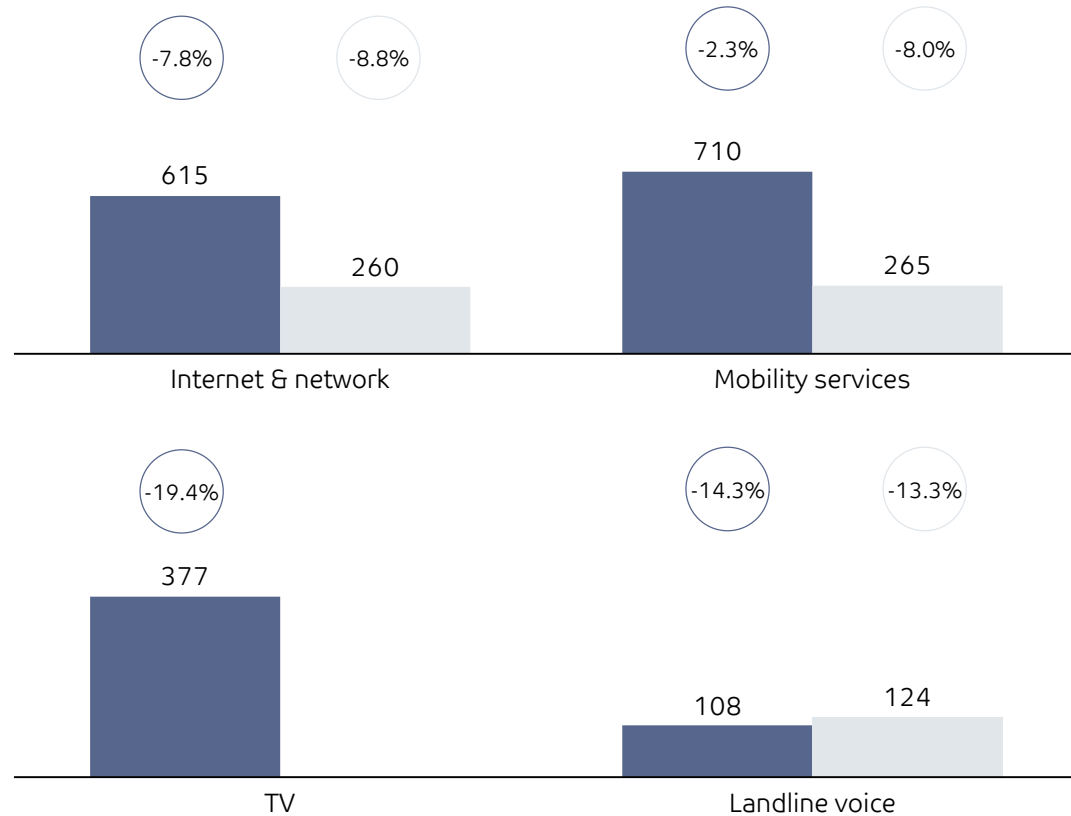
- In Q2, Nuuday **gross profit** decreased by 12.5% YoY to DKK 1,327m. This decrease was driven by declining customer bases where run rate effects from Q4 2019 Q1 2020 have a high impact this quarter compared to last year. The net add trends have improved towards the end of Q2.
- Nuuday's **operating expenses** decreased by DKK 107m, or 11.0%, from Q2 2019, mainly as a result of Nuuday taking the first step towards becoming a lean digital service provider by rolling out enterprise agile in May and hence getting a slimmer organisation resulting in lower personnel expenses going forward. Furthermore, reductions in acquisition costs and lower marketing costs aided the improvement in operating expenses.
- Overall, Nuuday **EBITDA** declined 15.3% YoY, down DKK 83m compared with Q2 last year.
- **Capital expenditure** decreased by 2.2% YoY in Q2 due to lower costs related to customer installations, partly offset by higher IT investments.

# Nuuday products

■ Consumer ■ Business ○ YoY growth

## Nuuday external gross profit in Q2 2020

DKKm



### Internet & network

- The Internet & network **gross profit** decreased 7.8% YoY in Consumer and 8.8% in Business. The decreases were driven by fewer RGUs in both segments, and partly offset by a higher Consumer ARPU, driven by price increases.

### Mobility services

- Mobility services **gross profit** decreased 2.3% and 8.0% YoY in Consumer and Business, respectively. The decrease is driven by less mobile voice subscribers in Consumer, decreasing mobile voice ARPU in Business and impacts from Covid-19 on roaming. However, the decrease in consumer mobility services is partly offset by an increase in the Consumer mobile voice ARPU.

### TV

- TV **gross profit** decline of 19.4% YoY. This was driven by an RGU erosion that decreased TV revenue substantially compared to Q2 last year. Content costs in Q2 were lower than same period last year, however the revenue loss was greater than the cost saving, resulting in a lower TV gross profit margin YoY. Throughout Q2, the net add trend improved compared to Q4 and Q1.

### Landline voice

- Landline voice **gross profit** decline of 14.3% YoY in Consumer and 13.3% in Business. The decreases are driven by fewer RGUs in both Consumer and Business compared to Q2 2019.



# **DKT Holdings**

# DKT Holdings financial highlights

DKKm	H1 2020	Q2 2020
Revenue	8,041	3,915
Gross profit	5,809	2,833
Opex	-2,539	-1,225
EBITDA	3,270	1,608
Profit for the period	-1,489	-817
Capex	-2,711	-1,313

# Capital structure

<b>TDC A/S</b>	<b>As of June 2020</b>	<b>As of March 2020</b>	<b>As of December 2019</b>
DKKm			
Senior Facility Agreement incl. RCF	14,123		
EMTN bonds	7,219		
Cash and cash equivalents	(527)		
<b>NIBD</b>	<b>20,815</b>		
Lease liabilities	5,222		
Mobile spectrum, correction for currency adjustments effects related to long term debt derivatives and Other	1,483		
<b>TDC total net debt</b>	<b>27,520</b>		
<b>Leverage ratio (NIBD/EBITDA)<sup>2</sup></b>	<b>3.7<sup>1</sup></b>	<b>3.7<sup>1</sup></b>	<b>3.6<sup>1</sup></b>
<b>DKT Finance ApS</b>			
DKKm			
Senior Notes	10,441		
PPA adjustments on EMTN bonds	371		
Cash and cash equivalents	(212)		
Other	(39)		
<b>DKT Finance total net debt</b>	<b>10,561</b>		
<b>DKT Finance Group NIBD</b>	<b>31,376</b>		
<b>DKT Finance Group total net debt</b>	<b>38,081</b>		
<b>Leverage ratio (NIBD/EBITDA)<sup>2</sup></b>	<b>5.5<sup>1</sup></b>	<b>5.5<sup>1</sup></b>	<b>5.4<sup>1</sup></b>

1. Calculated without the additional lease liabilities due to the adoption of IFRS 16 and the resulting EBITDA effect. Calculated including the additional lease liabilities due to the adoption of IFRS 16, the NIBD/EBITDA ratio amounts to 4.2 for TDC A/S and 5.8 for DKT Finance ApS at 31 December 2019, to 4.3 for TDC A/S and 5.9 for DKT Finance ApS at 31 March 2020 and to 4.3 for TDC A/S and 5.9 for DKT Finance ApS at 30 June 2020.
2. Figures are excl. Shareholder loans.