



Bezeq Group

Q1 2022

Investor Presentation

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Bezeq Group | Q1 2022 Summary

Revenues
NIS **2.26** billion
↑ 1.5%

Adjusted EBITDA*
NIS **958** million
↑ 4.4%

Adjusted EBITDA margin **42.5%**

Adjusted Net Profit*
NIS **322** million
↑ 7.7%

Free Cash Flow
NIS **570** million
↑ 76.5%

Decrease in Net Debt
NIS **977** million
↓ 14.8%

Improved coverage ratios

Homes Passed
1.25 million**

Homes Connected
(retail and wholesale)
143 thousand**

ARPU Internet
NIS **110**
↑ 6.8%

564 thousand
TV subscribers
~1k net adds
47% IP subscribers**
↑ 0.9%

Cellular ARPU NIS **57**
↑ 7.5%
Cellular Service Revenues
NIS **437** million
↑ 11.5%

2.58 million
Cellular subscribers
↑ 3.7%
of which 624k subs
with 5G plans**

All results are compared to Q1-2022 unless otherwise stated

* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation

** As of date of publication of reports

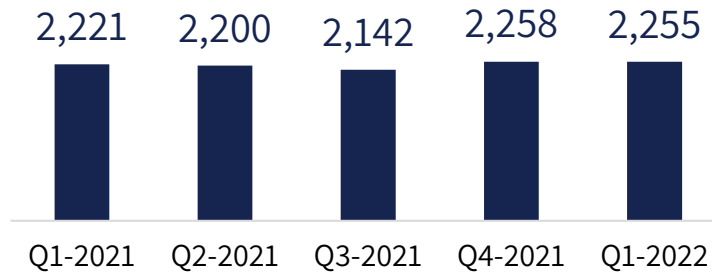


Bezeq Group | Q1 2022 Financial Highlights

NIS millions

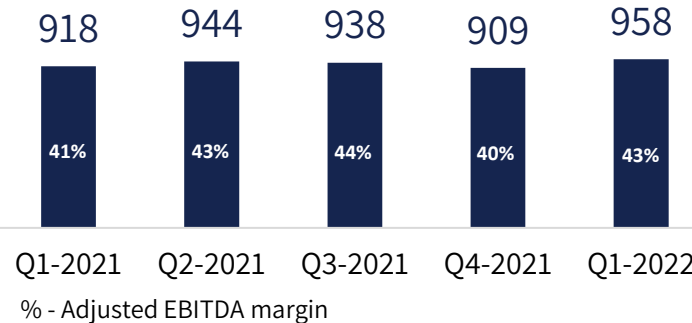
Revenues

↑ 1.5%



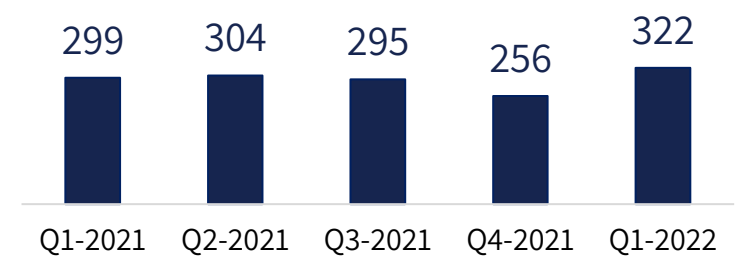
Adjusted EBITDA*

↑ 4.4%



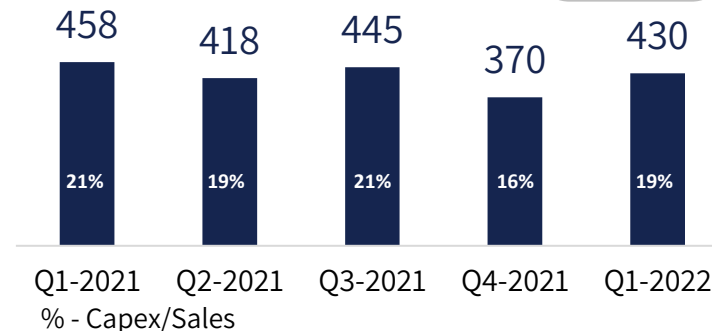
Adjusted Net Profit*

↑ 7.7%



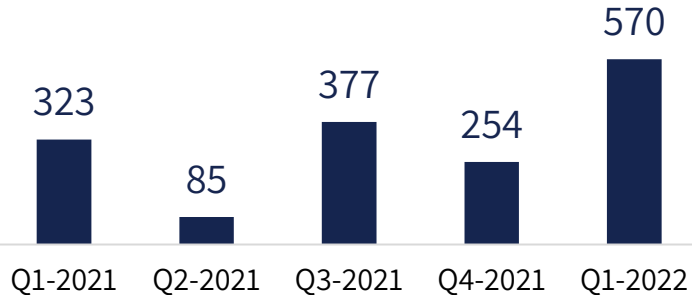
CapEx

↓ 6.1%



Free Cash Flow

↑ 76.5%

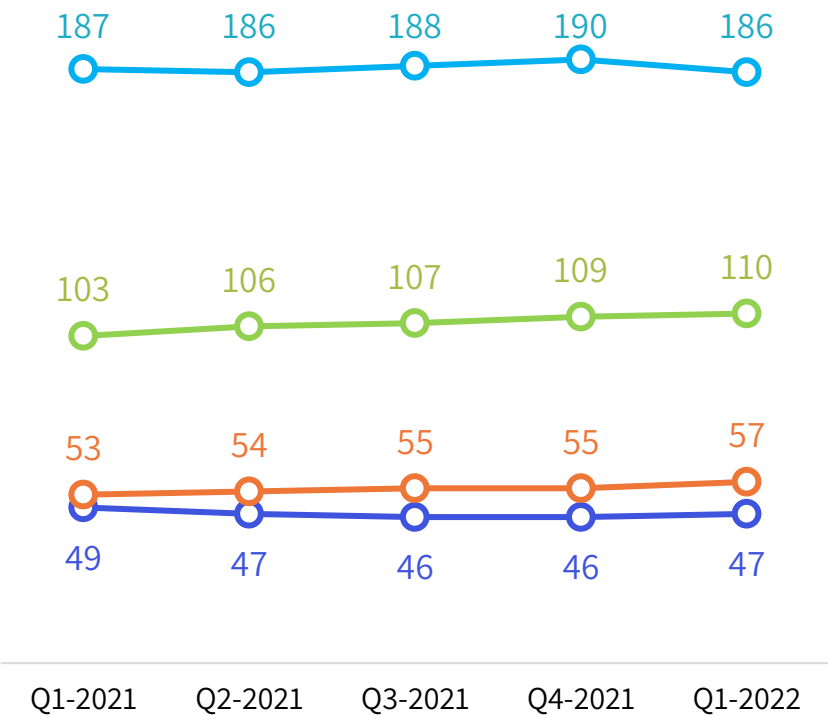


- Increase of 4-5% in revenues of Bezeq Fixed-Line and Telephone
- Increase in Adjusted EBITDA and Adjusted Net Profit mainly due to Telephone
- Free cash flow was positively impacted by timing differences in working capital in the subsidiary companies



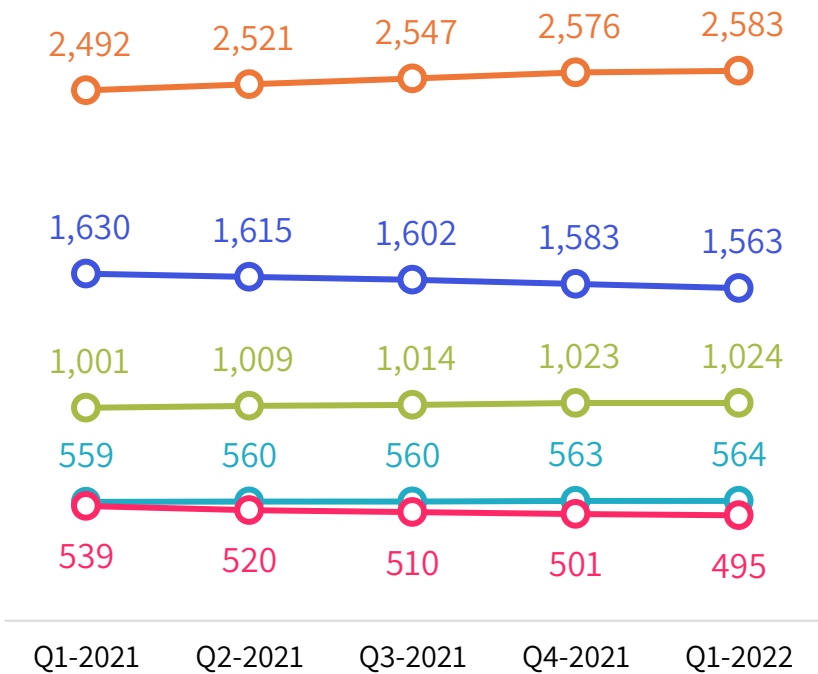
Bezeq Group | Key Operational Metrics

ARPU (NIS)



7.5% increase in cellular ARPU
7% increase in retail Internet infrastructure ARPU
Moderate decrease in TV ARPU (change in subscriber mix);

Subscribers (end of period, in thousands)



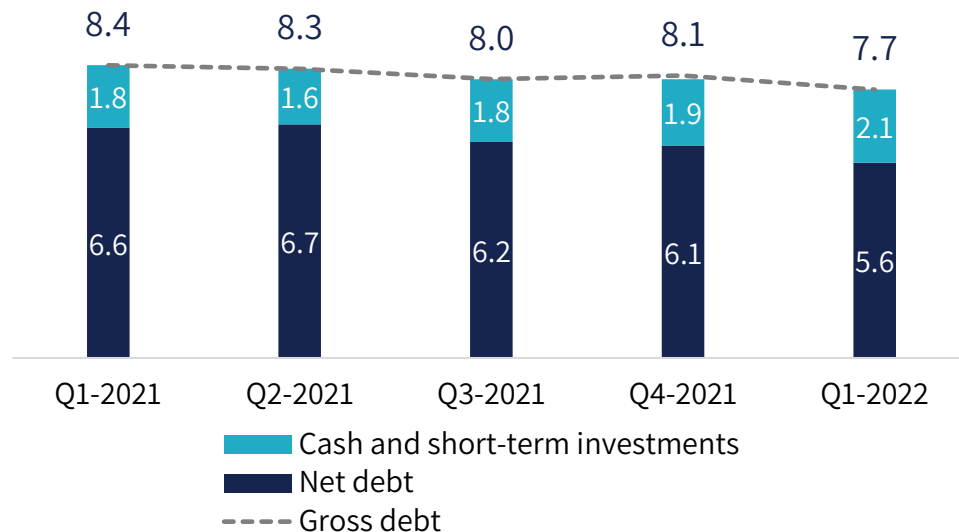
Moderate increase in TV subscribers
Increase in cellular and retail Internet subscribers; decrease in wholesale Internet subscribers



Bezeq Group | Financial Debt

NIS billions

Continued Decrease in Net Debt



The Group strives to maintain its credit rating within the AA group

- **Decrease of NIS 977 million**, or 15%, year-over-year
- **Further improvement in coverage ratio** – Net debt/EBITDA ratio decreased to 1.7 from 2.0 a year ago

Debt ratings reaffirmed in May 2022

| Rating Agency | Rating | Outlook |
|-------------------|--------|---------|
| S&P Global Maalot | ilAA- | Stable |
| Midroog | Aa3.il | Stable |



Bezeq Group | 2022 Guidance Unchanged



Results 2021



2022 Outlook

Adjusted
EBITDA*

NIS **3.71** billion

NIS **3.6-3.7** billion

Adjusted
net profit*

NIS **1.15** billion

NIS **1.0-1.1** billion

CapEx

NIS **1.69** billion

NIS **1.7-1.8** billion

Fiber
Deployment

1.17 million households
(homes passed) as of today

1.4 million households
(homes passed)

Financial
stability

Maintain high credit rating within the AA group





Bezeq Fixed-Line



Bezeq Fixed-Line | Q1 2022 Summary



Total revenues increased 4.0%



Broadband Internet revenues increased 9.0%



Continued business sector revenue growth



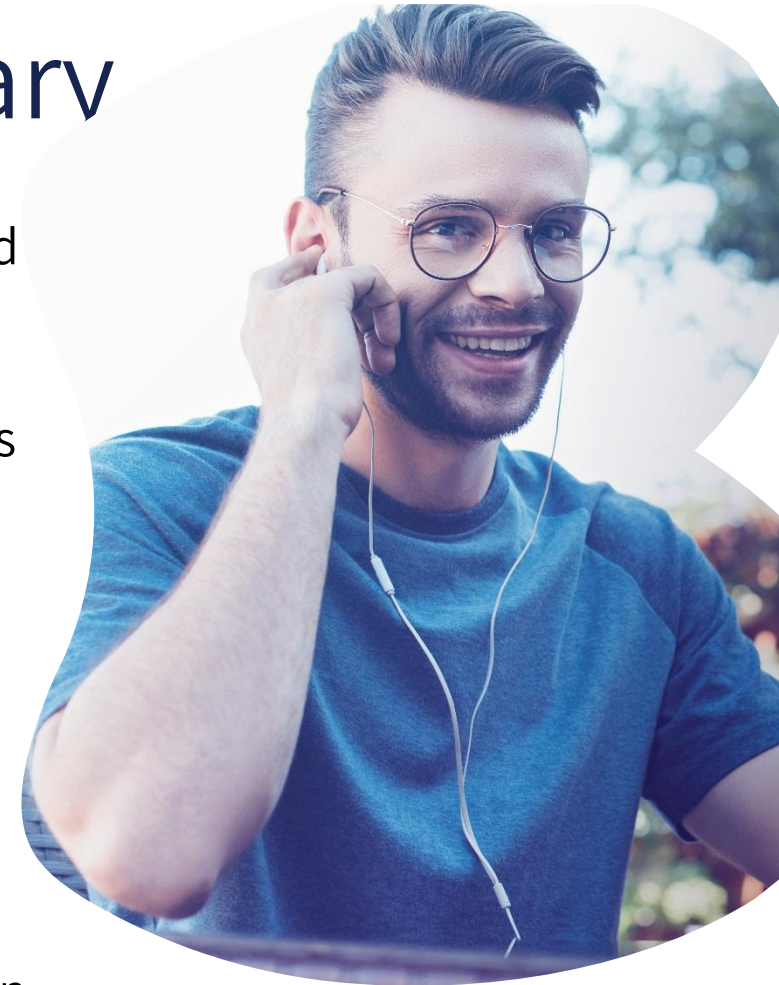
Further deployment of fiber and customer connections. We reached 1.25 m homes passed and 143k customer connections as of today



Fiber connections and robust sales of equipment led to increased retail broadband ARPU



Preparation for the cancellation of the separation between broadband infrastructure and Internet access (ISP)

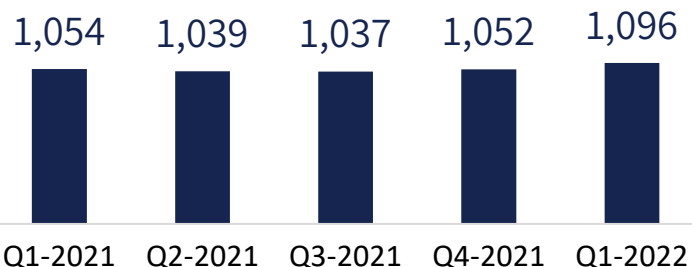


Bezeq Fixed-Line | Key Financial Metrics

NIS billions

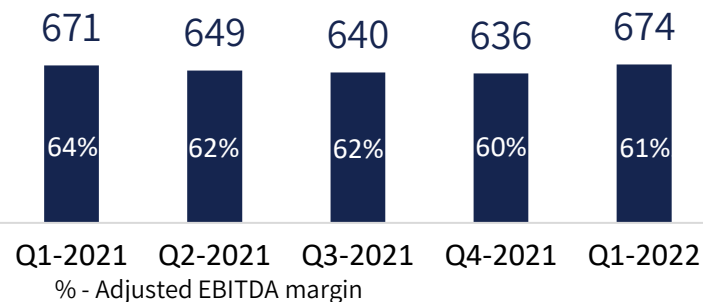
Revenues

↑ 4.0%



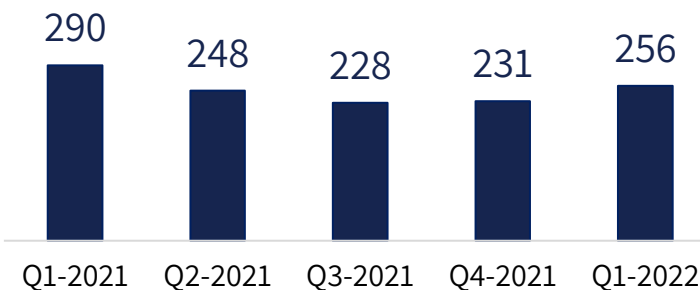
Adjusted EBITDA*

↑ 0.4%



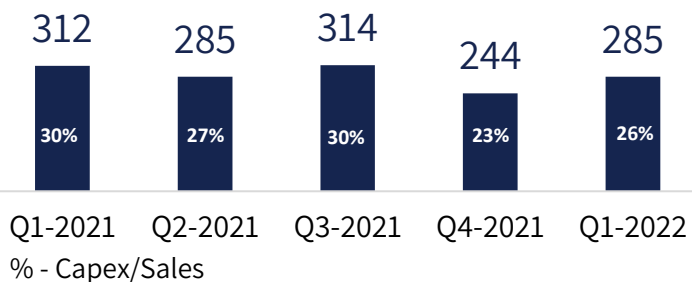
Adjusted Net Profit*

↓ 11.7%



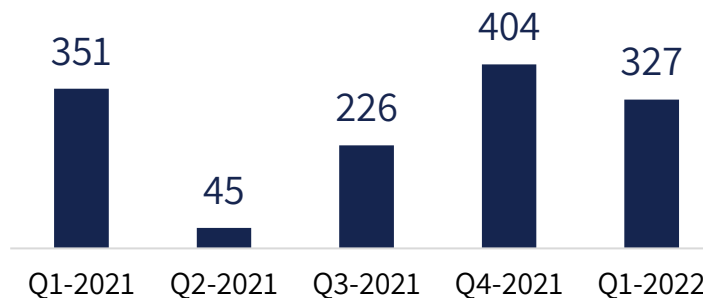
CapEx

↓ 8.7%



Free Cash Flow

↓ 6.8%



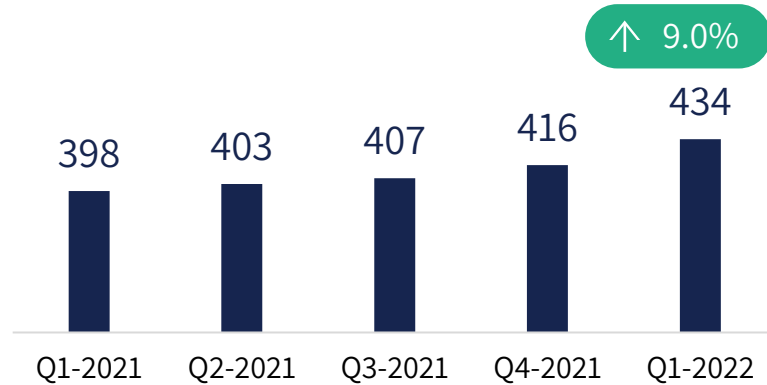
- Highest quarterly revenues since end of 2015 mainly due to an increase in broadband Internet as well as data communication revenues
- Decrease in adjusted net profit due to an increase in depreciation and finance expenses
- Decrease in free cash flow primarily due to sales of real estate in the corresponding quarter

* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation

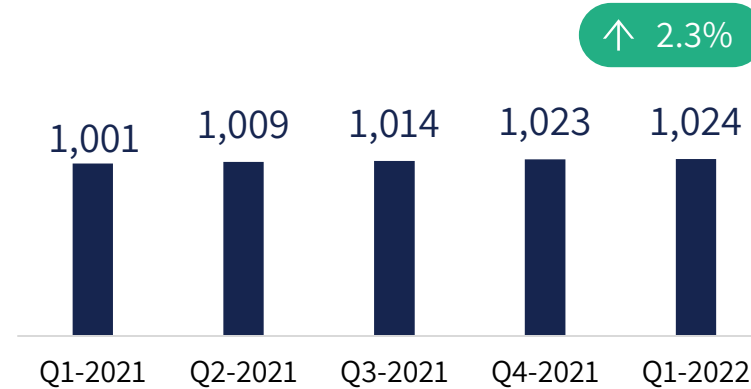


Bezeq Fixed-Line | Broadband Internet

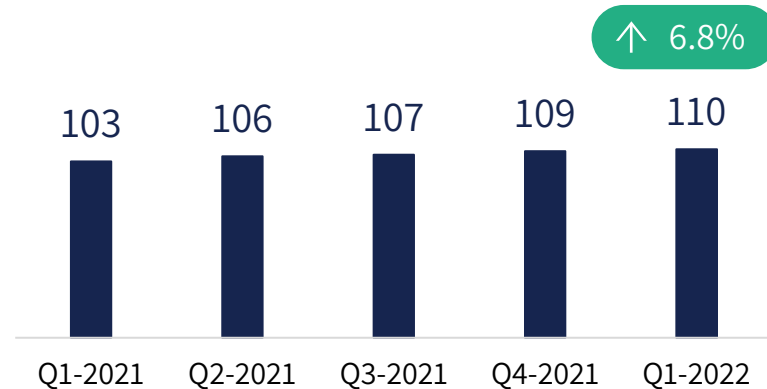
Broadband Revenues (NIS m)



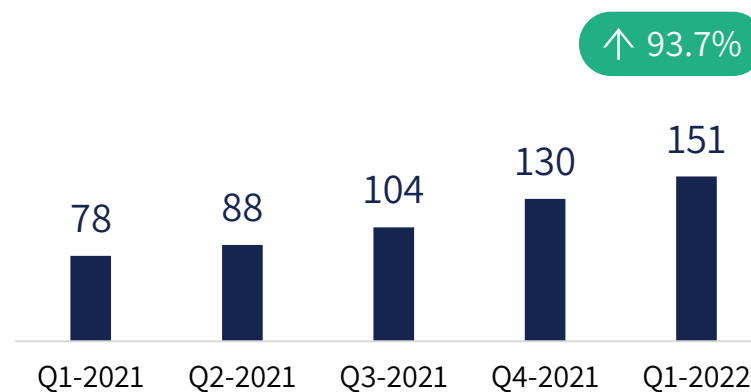
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Average Broadband Speed (Mbps)

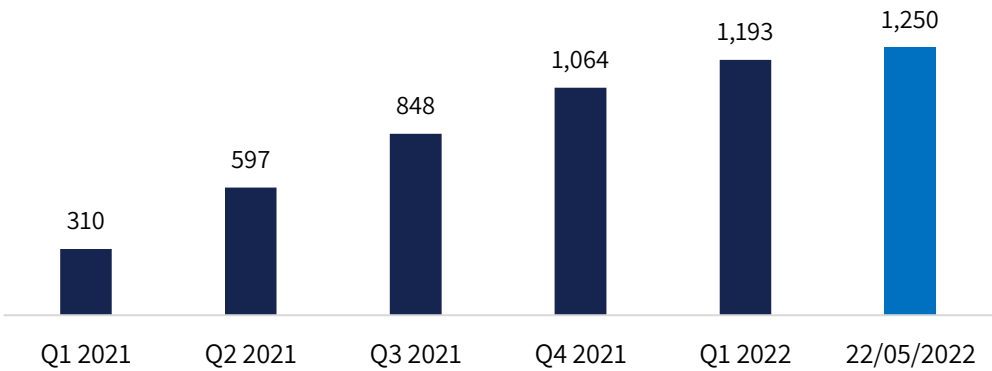


- Continued increase in broadband revenues due to growth in retail broadband lines and ARPU which were positively impacted by increases in fiber customer connections and customer premises equipment
- Average broadband speed grew 94% due to fiber customer connections

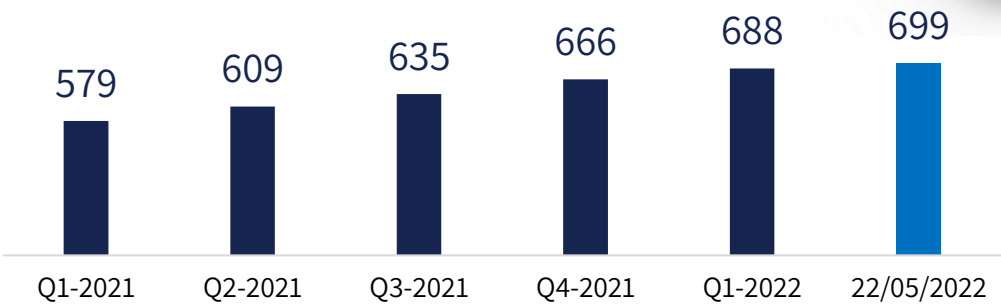
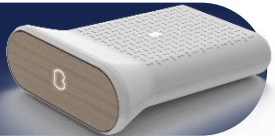


Bezeq is Sweeping the Nation with Fiber Optics

Homes Passed (thousands)

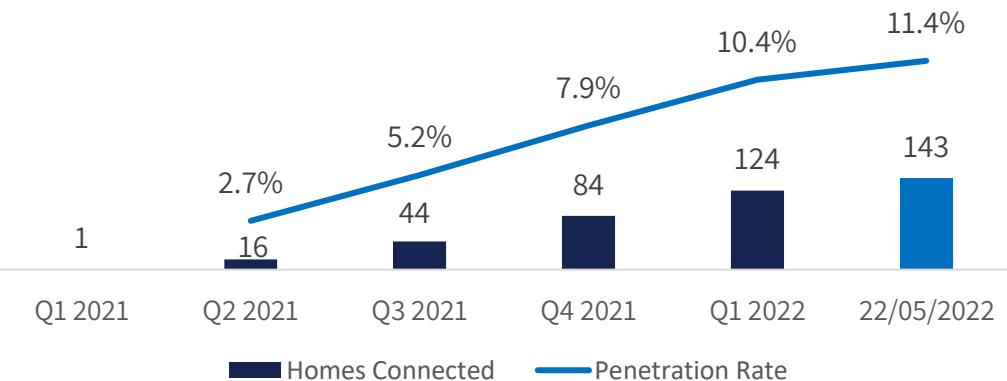


Customers with Be router (thousands)

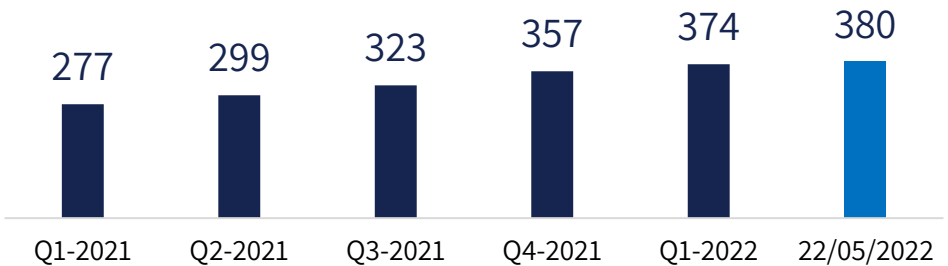


~68% of the Company's retail customers choose to connect via the Be router , which significantly reduces churn

Homes Connected (thousands)



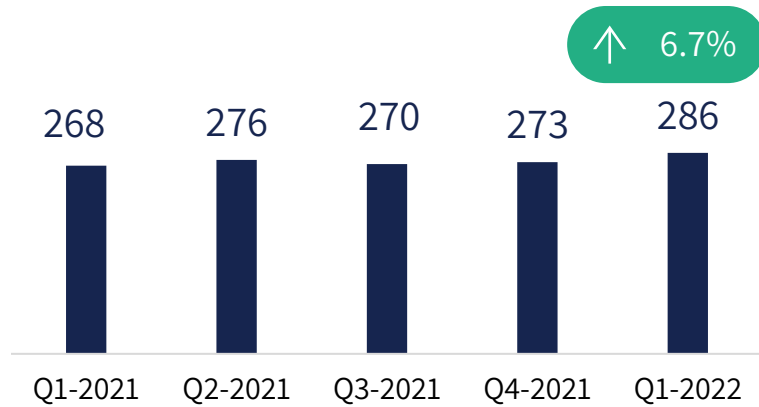
Customers with Be Spot and Be Mesh (thousands)



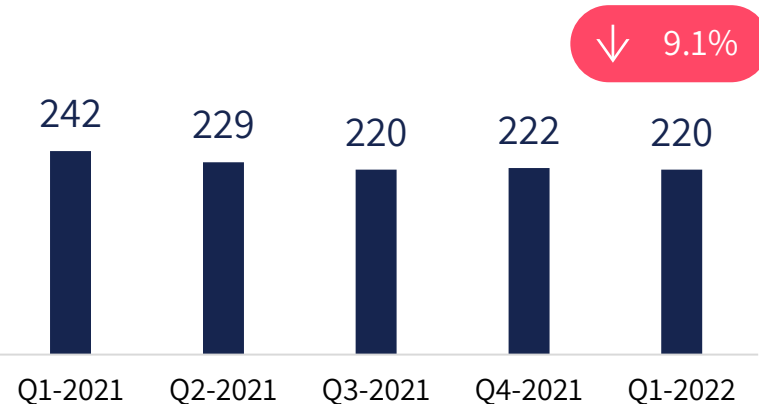
Bezeq Fixed-Line | Data, Telephony and Other Revenues

NIS millions

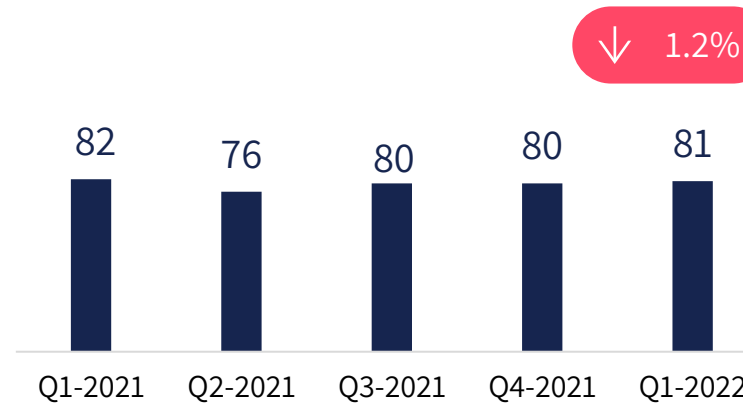
Transmission & Data



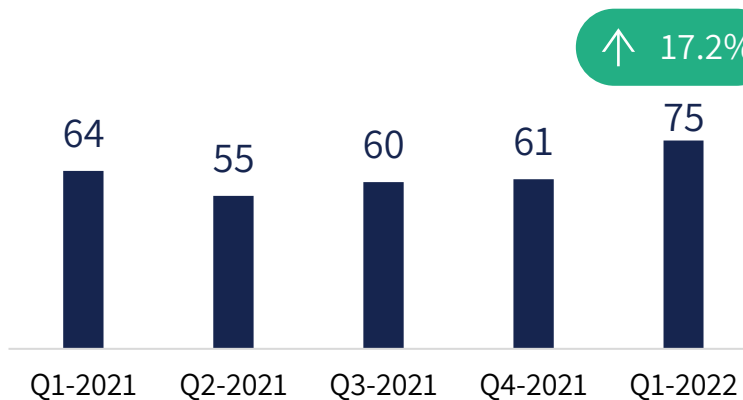
Telephony



Cloud & Digital



Other



- Continued growth in revenues from the business sector
- Increase in other revenues due to the Blue-Raman submarine cable system project with Google
- The increase in revenues from the business and other sectors offset the decrease in telephony revenues

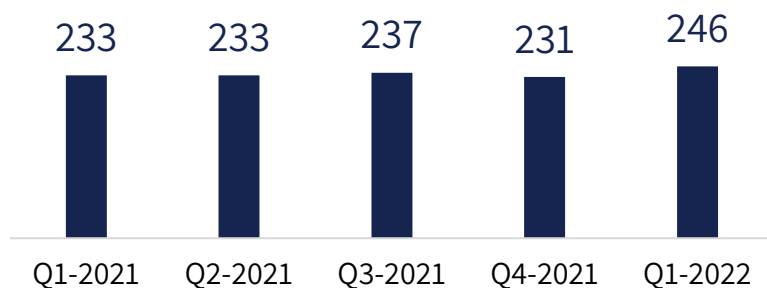


Bezeq Fixed-Line | Expenses

NIS millions

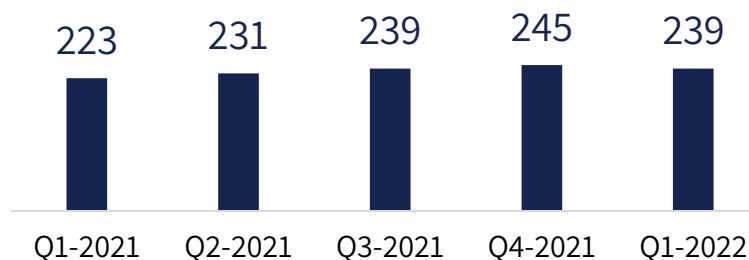
Salaries

↑ 5.6%



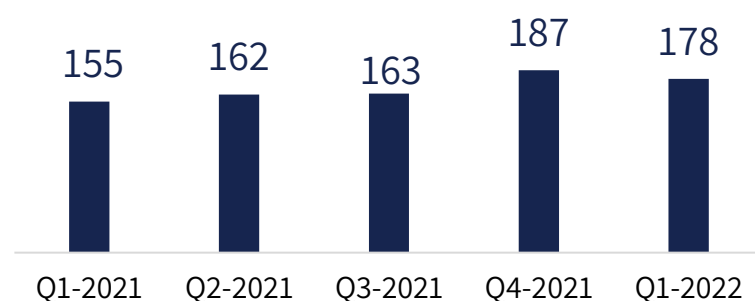
Depreciation

↑ 7.2%

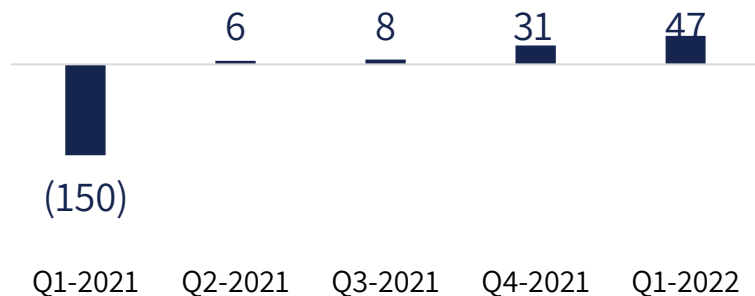


Operating Expenses

↑ 14.8%



Other Expenses (Income)



- Increase in salaries due to employee recruitment relating to fiber project
- Increase in depreciation expenses driven mainly by CapEx increase
- Increase in operating expenses mainly due to higher subcontractor expenses and cost of equipment relating to the fiber project
- Other expenses was primarily impacted by an increase in provisions for legal claims in the current quarter and higher capital gains from real estate sales in the corresponding quarter



Bezeq Fixed-Line | Summary



Nationwide deployment of fiber at unprecedented pace



Growth in retail broadband revenues driven by increase in subscribers and ARPU



Success in sales of Be router and Wi-fi enhancers



Leading telecom supplier to the business sector



Accelerated fiber deployment combined with high-quality service reflects potential for continued growth and strengthening of Bezeq's position in the residential broadband Internet market



Subsidiary Companies | Q1 2022 Highlights



Telephone - subscriber growth of 4%, growth in revenues from services and significant improvement in profitability and financial metrics



yes is the largest Israeli IPTV operator
Over 265k yes customers watching TV through IP broadcasting (47% of total customers), of which 91k are STINGTV customers*



Continued increase in number of Telephone subscribers with 5G plans to 624k* contributing to ARPU



yes – Growth in subscribers, moderate decrease in ARPU due to increase in STINGTV subscribers; positive free cash flow



Growth in Bezeq International's business operations with investments focused on growth in ICT



yes – strategic agreement signed with Disney+



Key Subsidiaries | 2022-2024 and Next Steps



1

Reduction of Bezeq International's ISP consumer activity following the removal of the separation between broadband infrastructure and Internet access (ISP)



2

Set up yes ISP activity in order to turn yes into the group's "triple play" arm combining fiber and TV, expected in H2 2022



3

Potential for significant cost and CAPEX reductions in Bezeq International ISP activity in parallel to accelerated reduction in its ISP operations



4

On conclusion of this move, Bezeq International will become a growth-focused ICT company



Pelephone – Growth in Revenues and Profitability



Continued gradual deployment of 5G network



5G network capabilities will create future growth drivers



Exclusive frequencies will provide Pelephone with a competitive edge



624k subscribers* with 5G plans contributing to increase in ARPU



Continued streamlining in operating expenses



Pelephone was the first company to launch and operate its 5G network in Israel and it continues to lead in the field

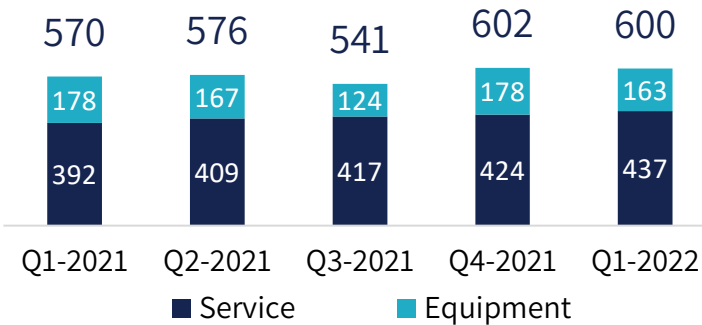


Pelephone | Key Financial Metrics

NIS millions

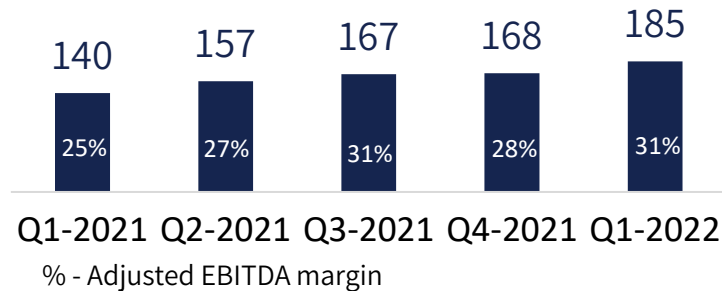
Revenues

↑ 5.3%



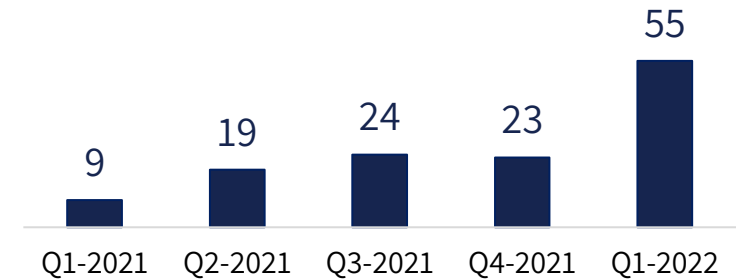
Adjusted EBITDA*

↑ 32.1%



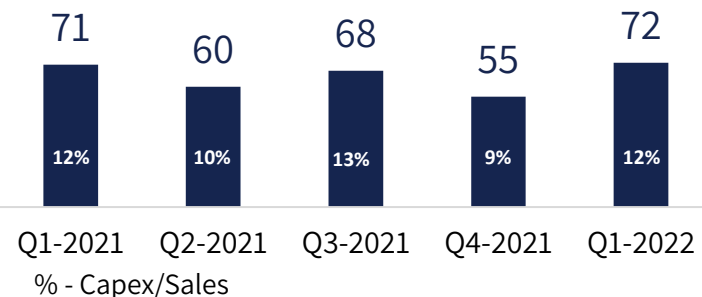
Adjusted Net Profit*

↑ 511.1%

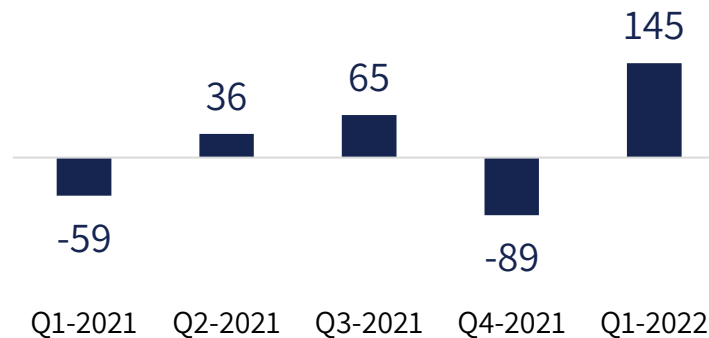


CapEx

↑ 1.4%



Free Cash Flow



- Continued revenue growth, significant improvement in net profit and EBITDA due to growth in 5G subscribers and a partial recovery in roaming revenues
- Free cash flow was positively impacted by timing differences relating to customer debt collection due to employee sanctions in the second half of 2021

* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation

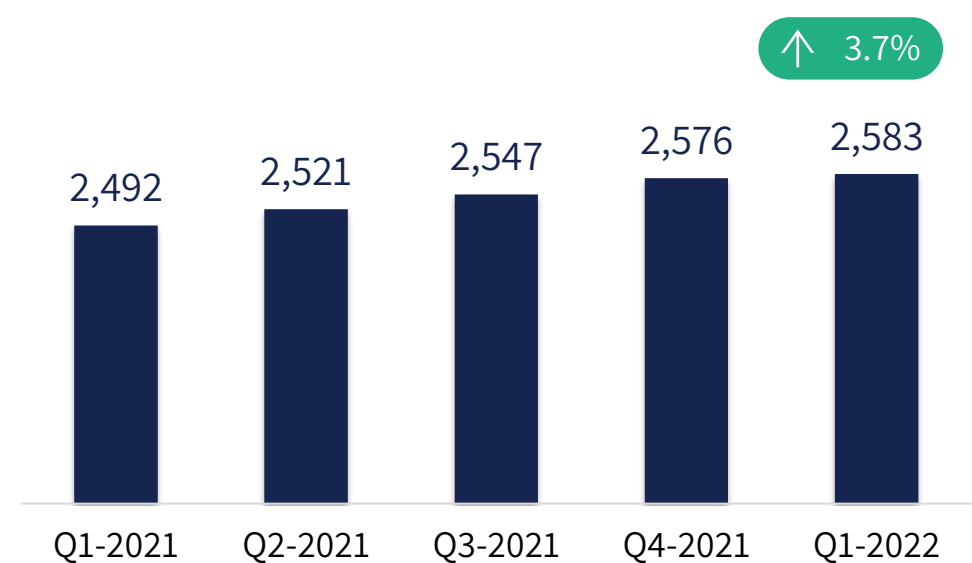


Pelephone | Key Operational Metrics

ARPU (NIS)



Subscribers (Thousands)

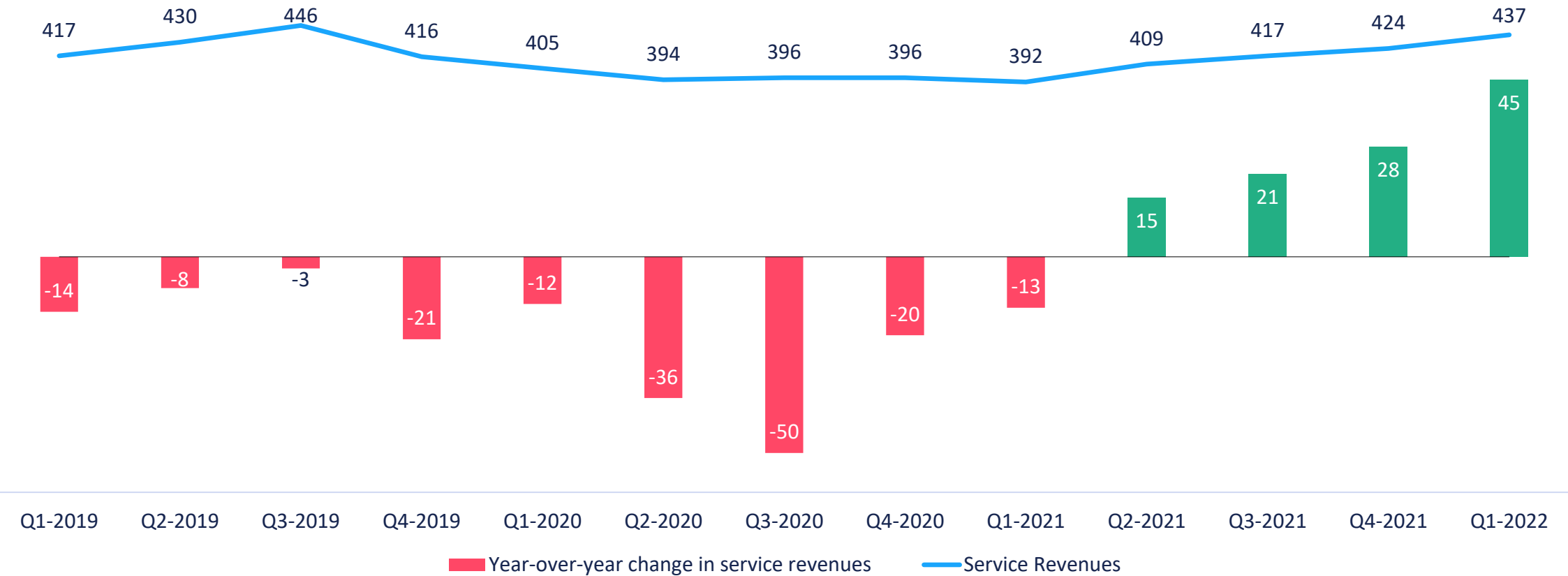


- Net subscriber adds of 7k in Q1 2022 was lower than in previous quarters due to higher customer charges further to employee sanctions which resulted in delays in collections at the end of 2021
- ARPU - Increase of 3.6% q-o-q and 7.5% y-o-y; Roaming revenues contribution were ~70% of Q1 2019 ARPU (pre COVID)



Pelephone | Continued Turnaround in Service Revenues

NIS millions



Growth in service revenues due to an increase in revenues from Pelephone's 5G plans as well as a partial recovery in roaming revenues



yes | Improved customer experience along with savings in expenses



Continued growth in subscribers



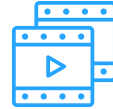
Over 265k yes customers watching TV through IP broadcasting (47%), of which 91k are STING TV customers*



Stable revenues and positive free cash flow



Streamlining of operating expenses primarily in content and salaries



Leader in original production- yes continues to lead in production of professional and high quality local content



Savings in satellite costs after full transition to IP in 2026



Savings in transition from expensive set-top boxes to cheaper streamers

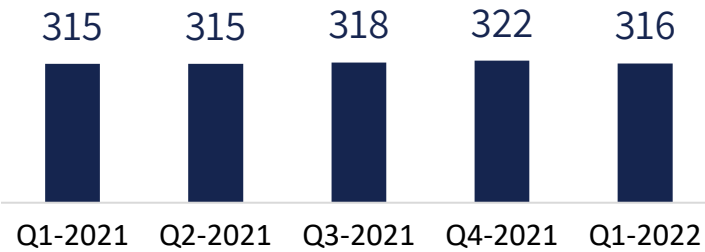


yes | Key Financial Metrics

NIS millions

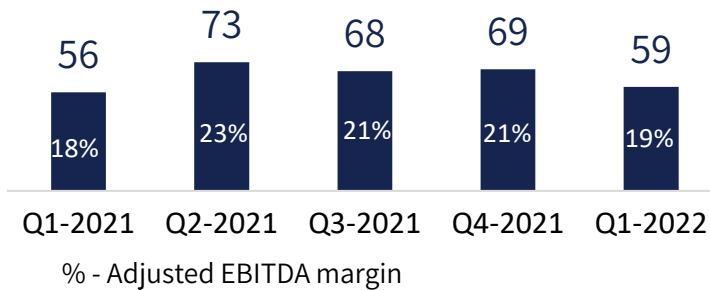
Revenues

↑ 0.3%

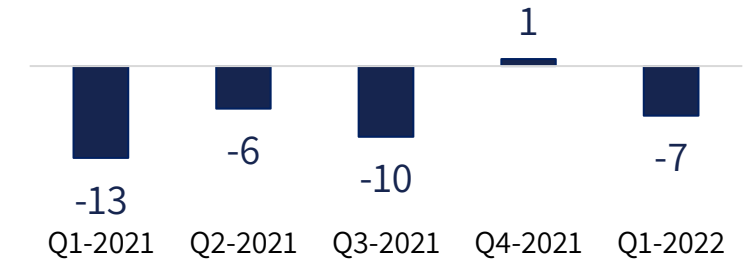


Adjusted EBITDA*

↑ 5.4%

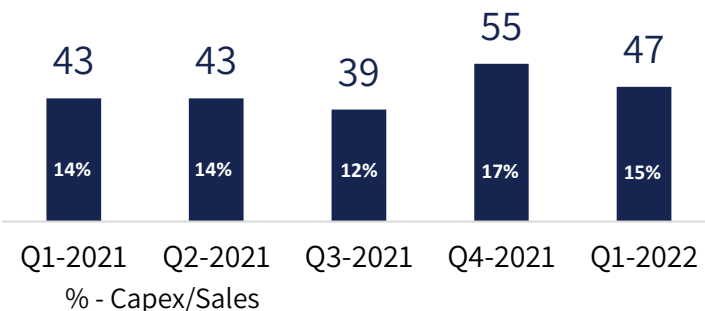


Adjusted Net Profit*



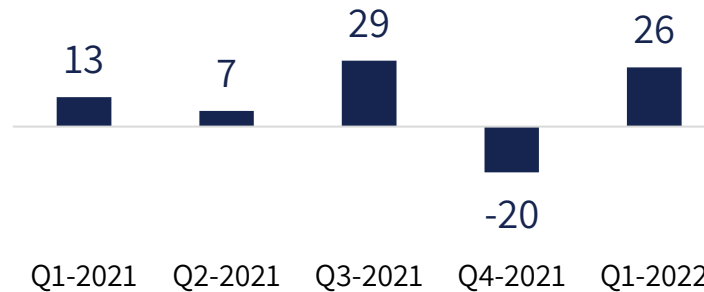
CapEx

↑ 9.3%



Free Cash Flow

↑ 100%



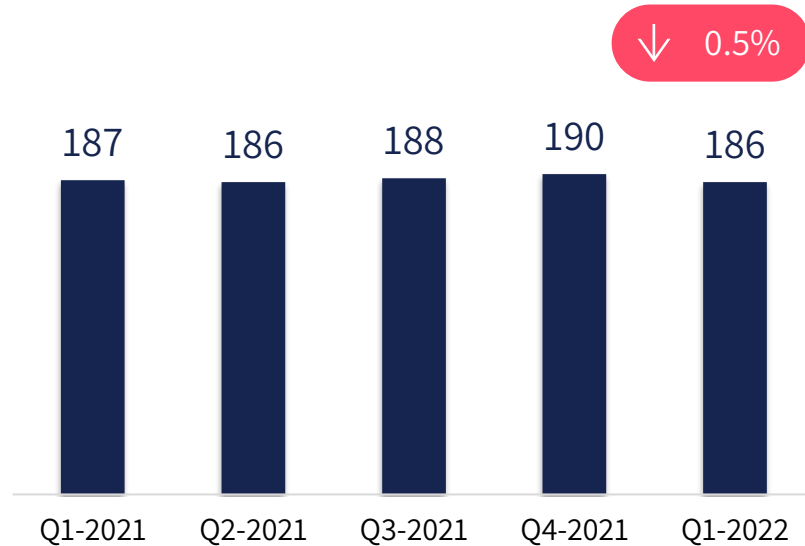
- Stable revenues, improved adjusted EBITDA and positive free cash flow

* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation

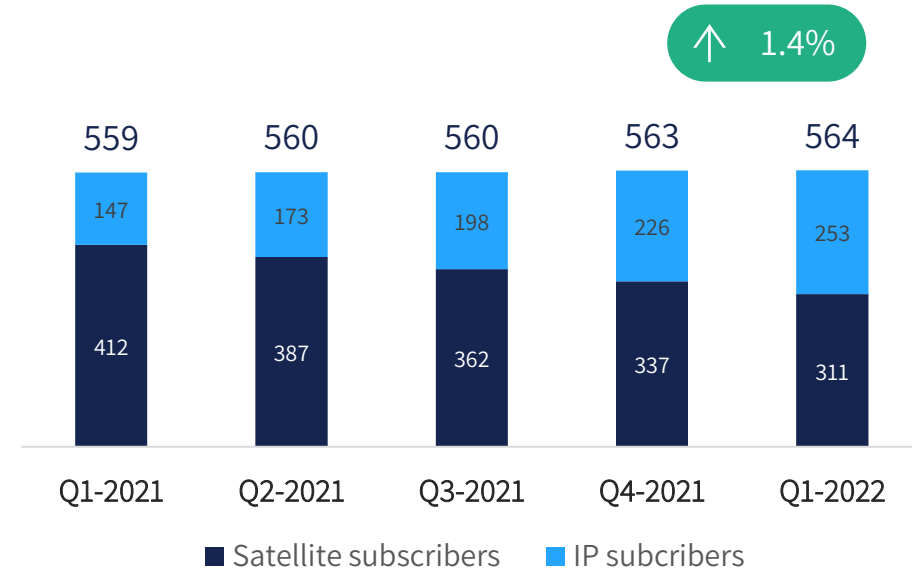


yes | Key Operational Metrics

ARPU (NIS)

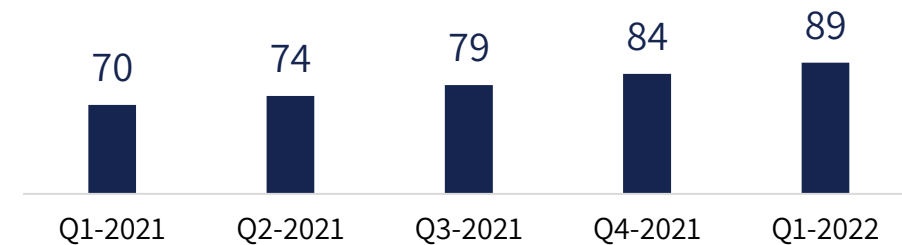


Subscribers (Thousands)



- Continued subscriber growth for the sixth consecutive quarter

STINGTV Subscribers (Thousands)



Bezeq International | Leader in Business Solutions – Significant Operator in a Growing Market



Wide Range of Business Solutions



Acquisition of CloudEdge – a company specializing in the public cloud field



Growth in cloud solutions (business applications) and service contracts



Reduction in ISP consumer activity due to regulatory change in infrastructure-ISP separation beginning in April 2022



Supply chain issues with business equipment operations

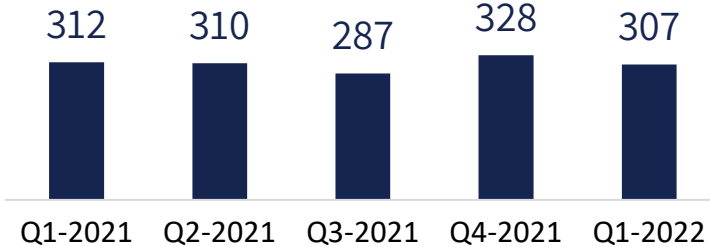


Bezeq International | Key Financial Metrics

NIS millions

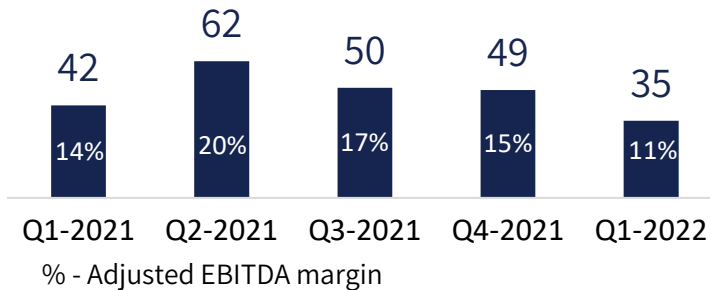
Revenues

↓ 1.6%

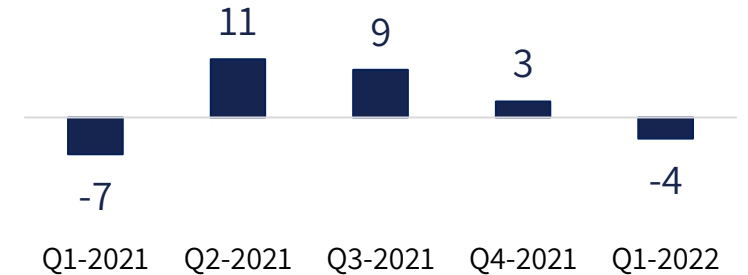


Adjusted EBITDA*

↓ 16.7%

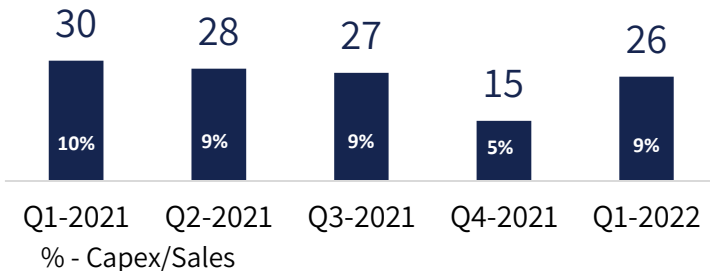


Adjusted Net Profit*



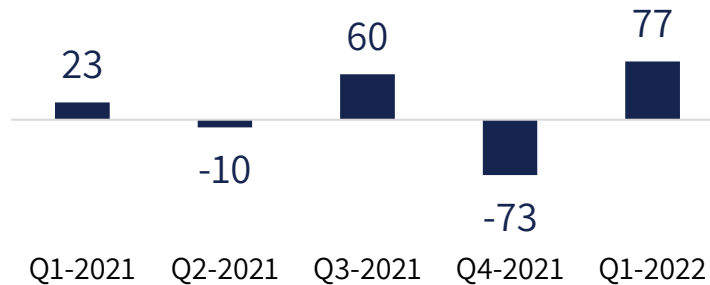
CapEx

↓ 13.3%



Free Cash Flow

↑ 234.8%



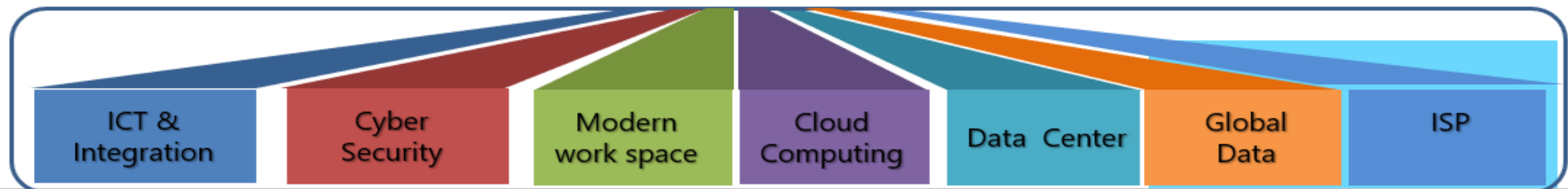
- Decrease in revenues from ISP activity
- Free cash flow was positively impacted by timing differences relating to customer debt collection due to employee sanctions in the second half of 2021

* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



Bezeq International | Timeline

- 01 Accelerated reduction in ISP consumer activity and transition to independent ICT company with significant growth potential
- 02 Leader in integration and ICT market in Israel for enterprise and mid-market customers
- 03 Bezeq International will enable the accelerated migration of companies and organizations to the public cloud (cloud migration provider)
- 04 Cyber protection service and solutions in cooperation with leading information security suppliers in the world
- 05 Response to increased demand in data center field with provision of hybrid ICT services as service provider
- 06 International data services for global Israeli companies and operators abroad while leveraging Bezeq International's international infrastructure and submarine cable



Bezeq Group | Key Takeaways



Revenue growth of 4-5% y-o-y in Bezeq Fixed-Line and Telephone



Accelerated deployment of fiber optics and increase in connected customers



Transition to 5G plans with higher ARPU



Subscriber growth in Telephone and yes



Significant improvement in Telephone financials and positive free cash flow in yes



Continued focus and improvement in ESG



The group is progressing in the implementation of its strategy while focusing on growth





Thank You!

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