



Investor Presentation

Financial Results Q1 2023



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Bezeq Group | Focus on Growth



Record quarterly revenues since 2018, with growth in all group segments



Record quarter in fiber take-up - both retail and wholesale



yes TV + Bezeq fiber bundle combined with agreements with international content providers



Consistent growth in subscribers with 5G plans reaching 860k (33%)*, contributing to ARPU growth



Dividend payout upgraded to 60%, reflecting dividend yield of ~4%



Upgrade in credit rating outlook to “positive” due to continued financial debt reduction and improved debt leverage ratios



Bezeq Group is executing on its strategy while focusing on growth



Technological & Business Roadmap



Migration to fiber

2020

Launch of fiber project

Today

- 1.7 m homes passed
- 380k subscriber take-up (retail + wholesale)
- 22% fiber penetration rate
- 18% increase in broadband ARPU*

Mid-term

2.7 m homes passed, approx.
85% of Israeli households



Transition to 5G

5G Tender Award

- 860k subscribers (33%)
- 12% increase in service revenues*

Approx. 80% 5G subscribers

yes.

Migration to IPTV

Satellite to IP migration

- 356k subscribers (61%)
- 29% decrease in churn rate*

100% IPTV subs
Opex and Capex savings

Technology upgrades reflect potential for future growth



Bezeq Group | Q1-2023 Summary

Revenues

NIS **2.31** billion

Highest quarterly revenues since 2018

↑ 2.4%

Adjusted EBITDA ⁽¹⁾

NIS **936** million

Adjusted EBITDA margin of **40.6%**

↓ 2.3%

Adjusted Net Profit ⁽¹⁾

NIS **321** million

↓ 0.3%

Free Cash Flow

NIS **345** million

↓ 39.5%

Decrease in Net Debt

NIS **331** million

↓ 5.9%

Upgrade in credit rating outlook to “Positive”

All results are compared to Q1-2022 unless otherwise stated

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



Bezeq Group | Q1-2023 Summary (Cont'd)



yes.

Fiber Take-Up

84k

(retail and wholesale)

Retail Internet ARPU

NIS **120**

↑ 9.1%

Cellular subscribers

2.59 million

↑ 0.1%

860k subs (33%)
with 5G plans⁽¹⁾

Cellular ARPU
Excluding interconnect fees

NIS **43**

↑ 2.4%

TV subscribers

580k

↑ 2.8%

61% IP subscribers⁽¹⁾

Fiber Subscribers

380k⁽¹⁾

(retail and wholesale)

Homes Passed

1.75 million⁽¹⁾

↑ 47%

11k

Net postpaid
subscriber adds

Cellular Service Revenues

NIS **445** million

↑ 1.8%

TV ARPU

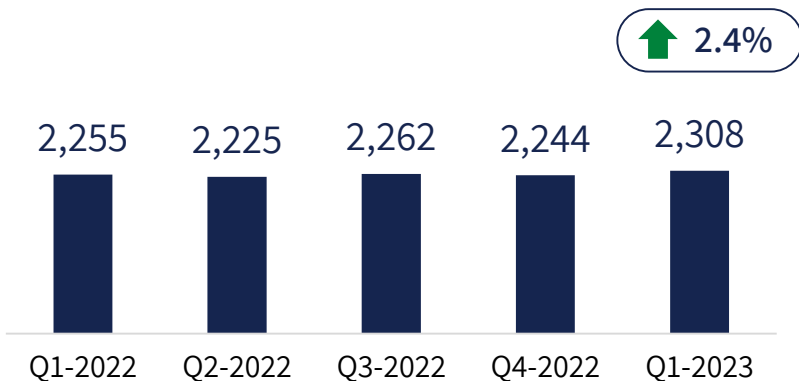
NIS **185**

↓ 0.5%

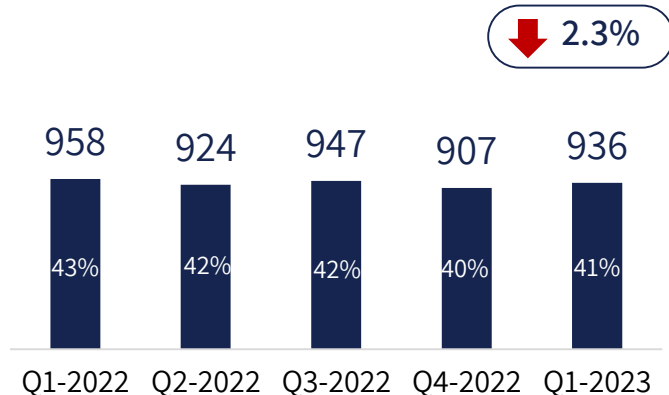


Bezeq Group | Q1-2023 Key Financial Highlights NIS Million

Revenues

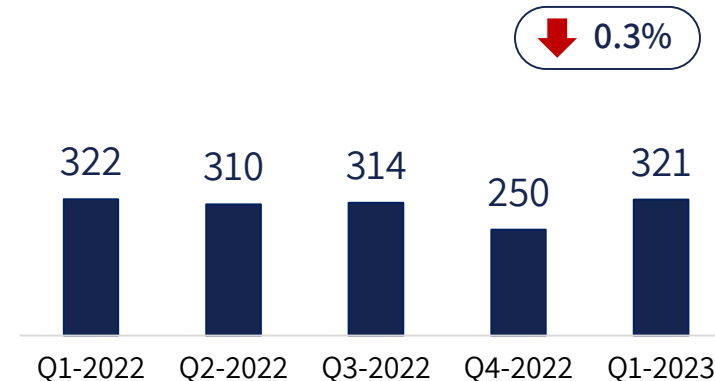


Adjusted EBITDA ⁽¹⁾



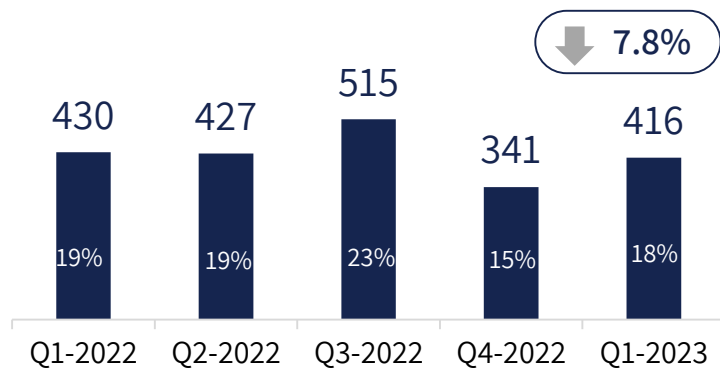
% - Adjusted EBITDA margin

Adjusted Net Profit ⁽¹⁾



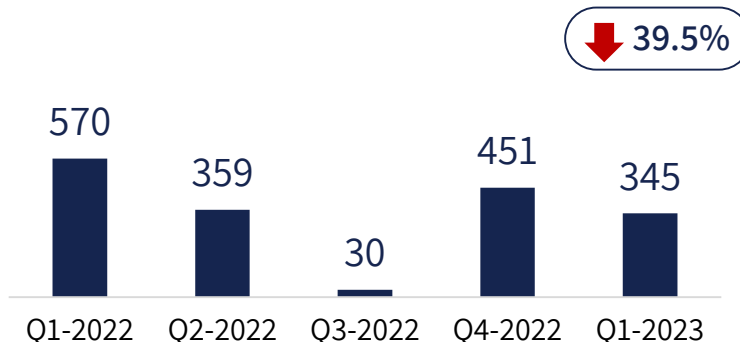
- Record quarterly revenues since 2018 driven by an increase in revenues in all group segments
- Decrease in Adjusted EBITDA due to a one-time grant to permanent fixed-line employees following a salary agreement in principle in the public sector as well as an MOC driven decrease in telephony tariffs
- Free cash flow was impacted by timing differences in working capital due to employee sanctions resulting in higher free cash flow in Q1-2022

CapEx



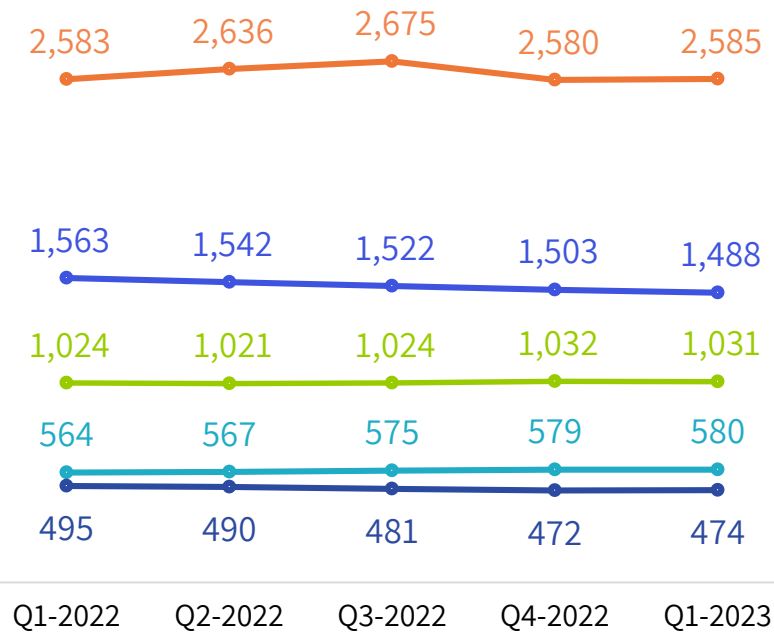
% - Capex/Sales

Free Cash Flow



Bezeq Group | Key Operational Metrics

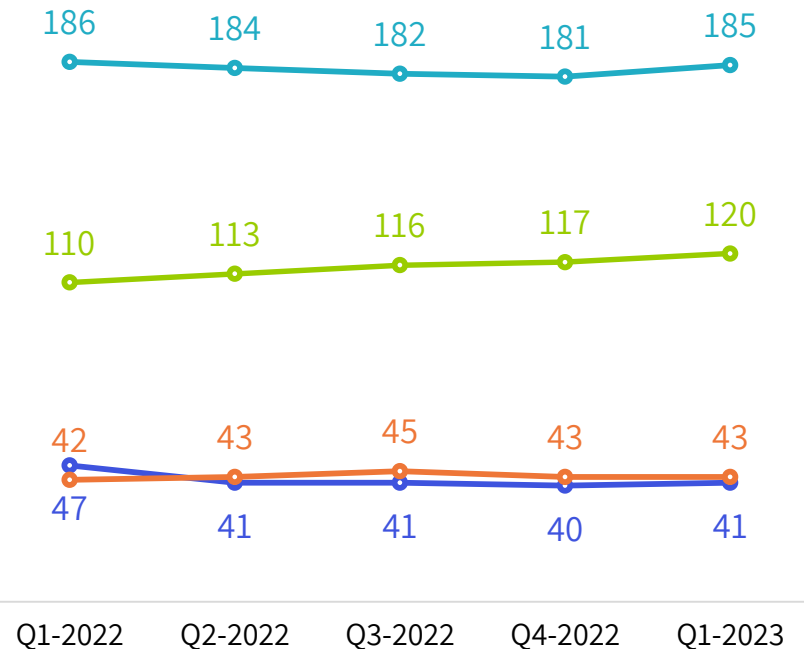
Subscribers (end of period, in thousands)



Growth in cellular, retail Internet and TV subscribers

First quarterly increase in wholesale subscribers since 2018

ARPU (NIS)



9.1% y-o-y increase in retail Internet ARPU

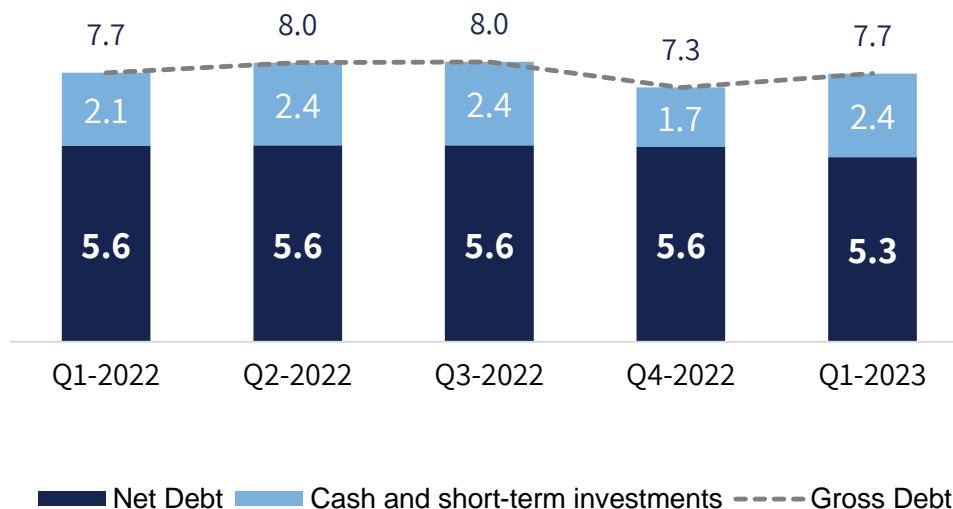
Decrease in telephony ARPL due to MOC tariff reduction in Q2-22

Q-o-Q increase of NIS 4 in TV ARPU due to strategic agreements with international content providers



Bezeq Group | Financial Debt

Financial Debt (NIS billion)



Continued decrease in net debt

- Decrease of NIS 331 million, or 6% y-o-y

Further improvement in Net debt/EBITDA ratio

- Decreased to 1.6 from 1.7 as of March 31, 2022

Debt ratings

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

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

Increase in Israeli rating agencies outlook to “positive” due to continued improvement in Group financial ratios



Bezeq Group | 2023 Guidance Unchanged



Results 2022



2023 Outlook

Adjusted EBITDA ⁽¹⁾	NIS 3.74 billion	NIS 3.8 billion
Adjusted net profit ⁽¹⁾	NIS 1.2 billion	NIS 1.2 billion
CAPEX	NIS 1.71 billion	NIS 1.75 billion
Free cash flow	NIS 1.41 billion	
Fiber deployment	1.5 million households	Approx. 2.0 million households
Financial stability	Maintain High Credit Rating, within the AA group	



Bezeq Group | ESG Milestones, Ambitions and Targets



Bezeq is connecting Israel to a better future



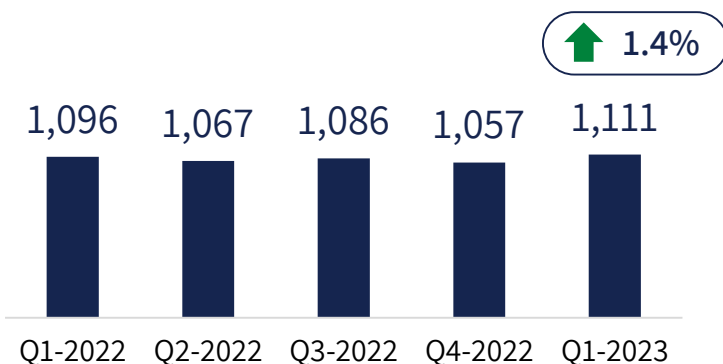
Bezeq Fixed-Line | Q1-2023 Summary



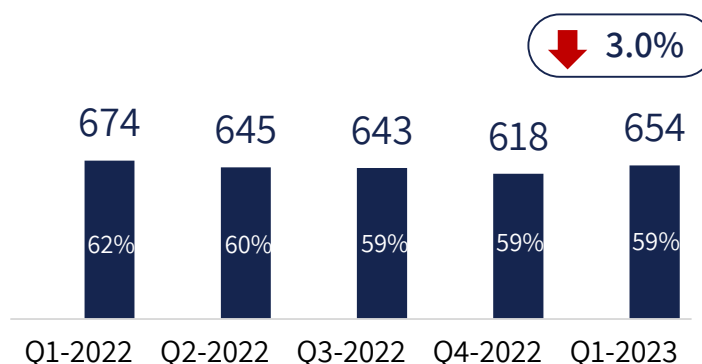
Record fiber take-up of 84k,
of which 48k retail and 36k
wholesale

Bezeq Fixed-Line | Q1-2023 Key Financial Highlights NIS Million

Revenues

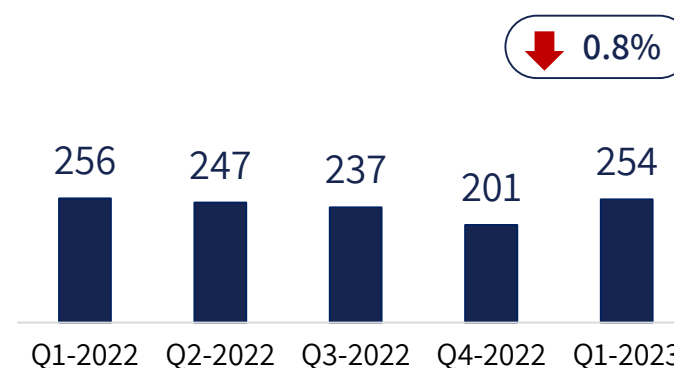


Adjusted EBITDA*

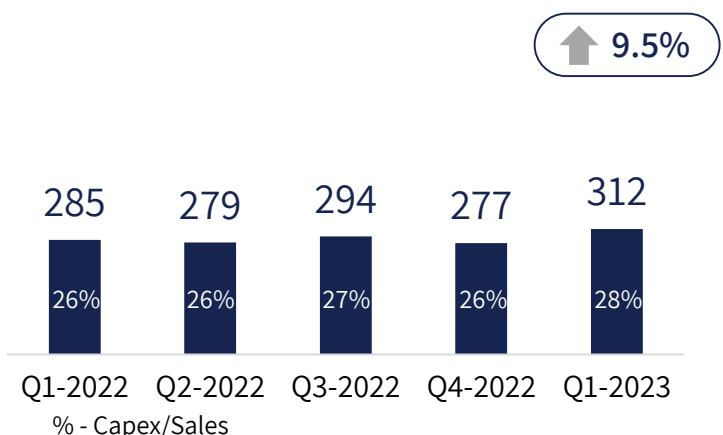


% - Adjusted EBITDA margin

Adjusted Net Profit*

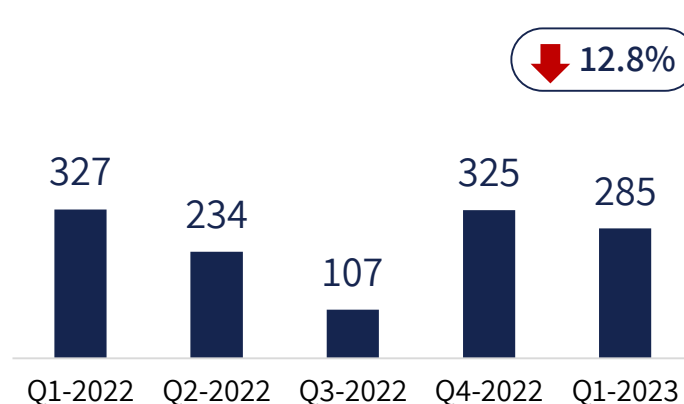


CapEx



% - Capex/Sales

Free Cash Flow

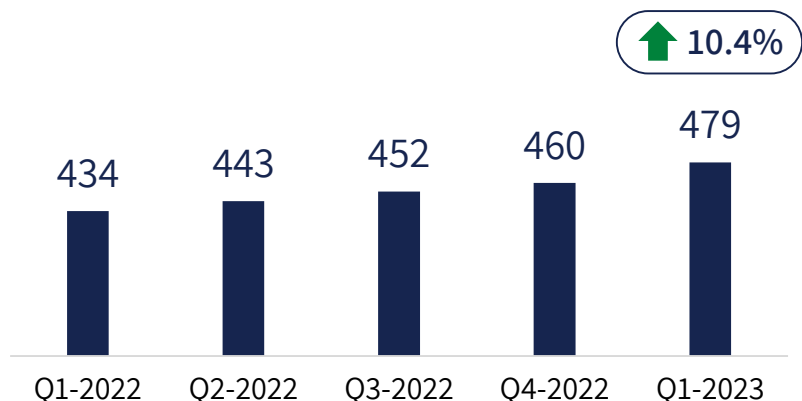


- Revenue growth in broadband Internet, data and cloud & digital services, partially offset by decrease in telephony revenues
- Decrease in Adjusted EBITDA mainly due to a one-time grant to permanent employees following a salary agreement in principle in the public sector as well as the MOC decrease in telephony tariffs
- Decrease in free cash flow primarily due to changes in working capital

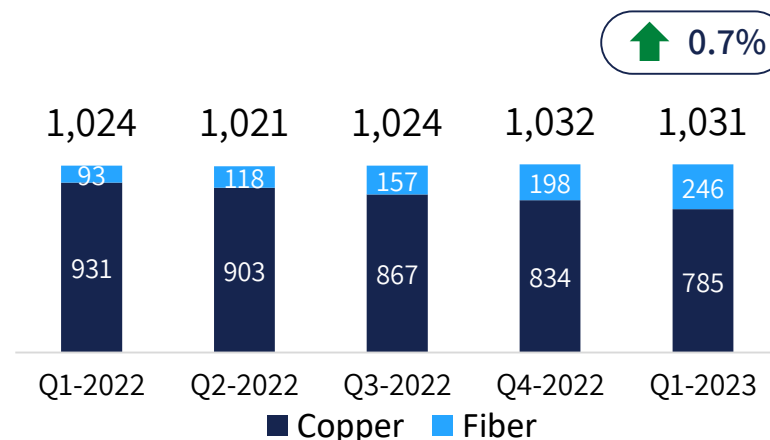


Bezeq Fixed-Line | Q1-2023 Broadband Internet

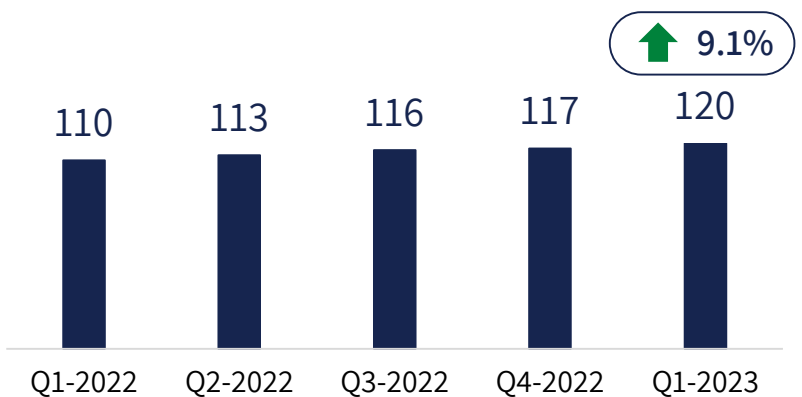
Broadband Revenues (NIS million)



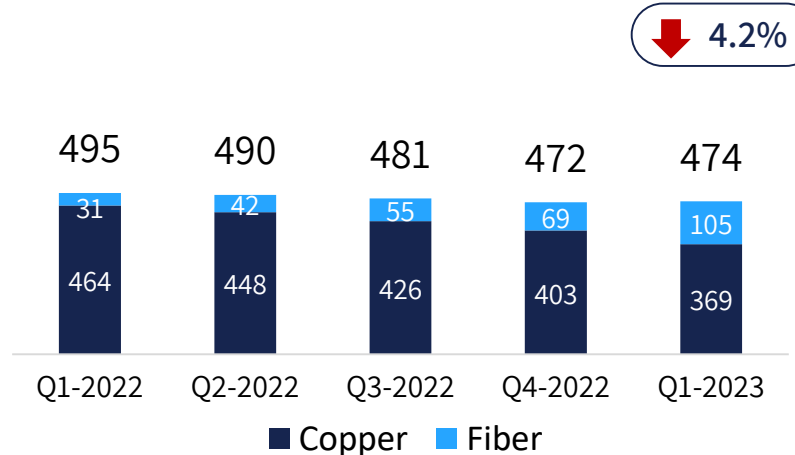
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Wholesale Broadband Lines (thousands)

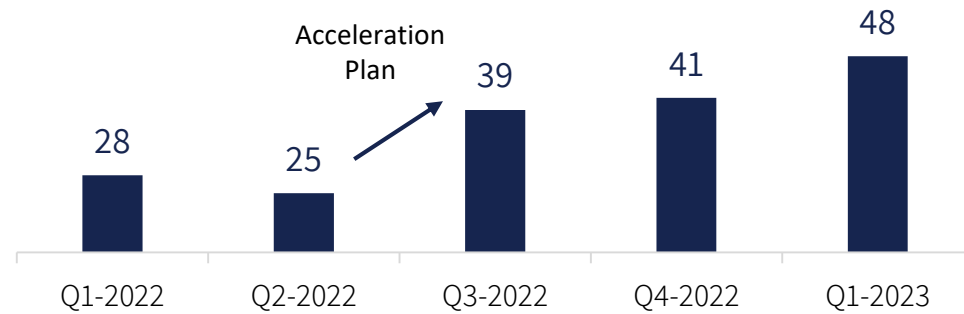


- Significant increase in fiber customer take up
- Double digit growth in broadband revenues
- Continued growth in retail ARPU positively impacted by fiber customer take up and an increase in ISP customers

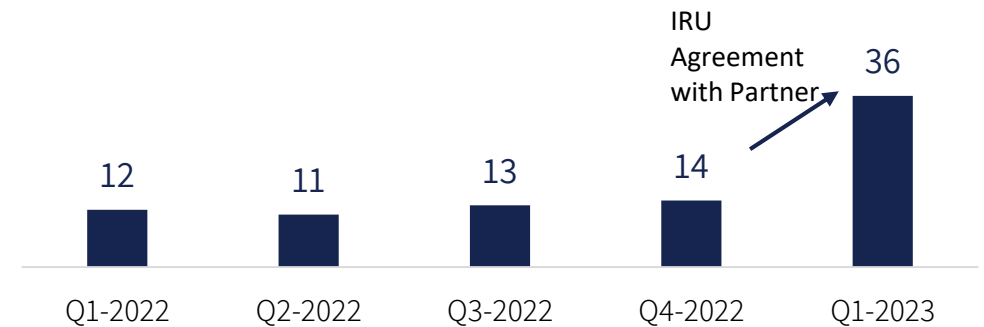


Bezeq Fixed-Line | Accelerated Fiber Take-Up – Retail and Wholesale

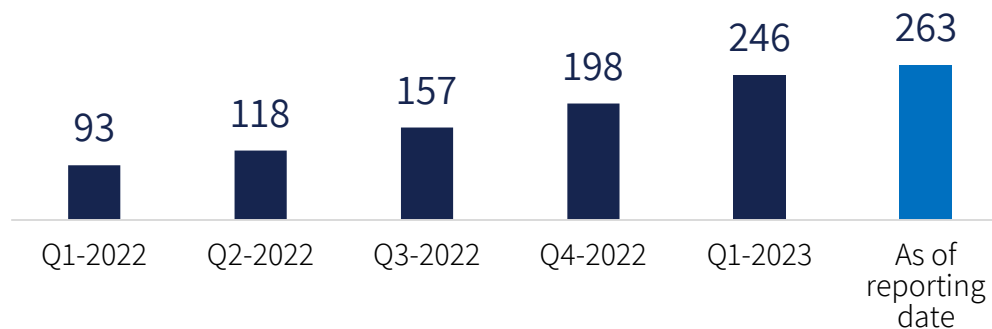
Retail Fiber – Net Adds (Thousands)



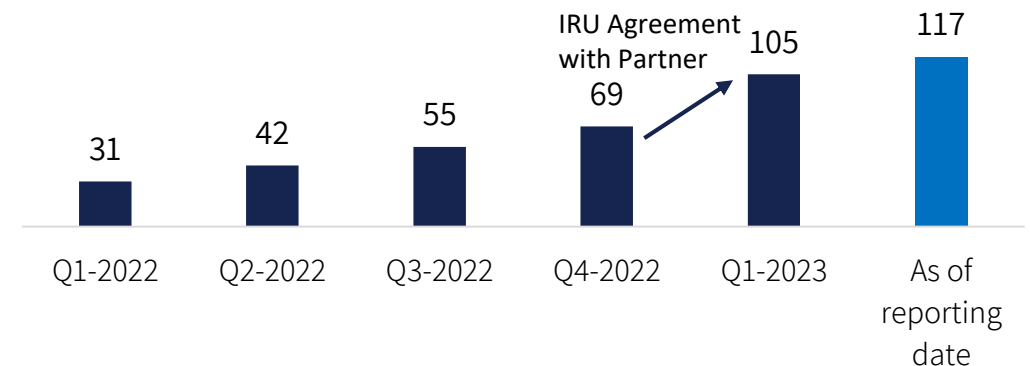
Wholesale Fiber – Net Adds (Thousands)



Total Retail Fiber Take-Up (Thousands)



Total Wholesale Fiber Take-Up (Thousands)



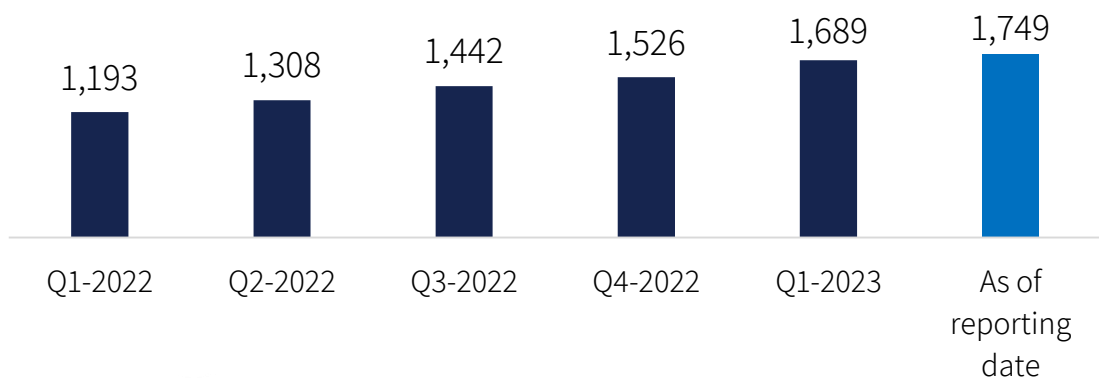
Significant acceleration of retail take-up starting in H2-2022

Accelerated wholesale take-up began in Q1-2023

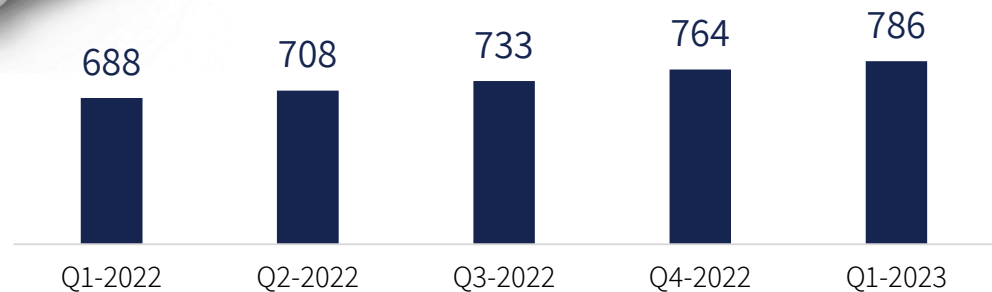


Bezeq Fixed-Line | Continued Fiber Deployment with Increased Take-up Focus

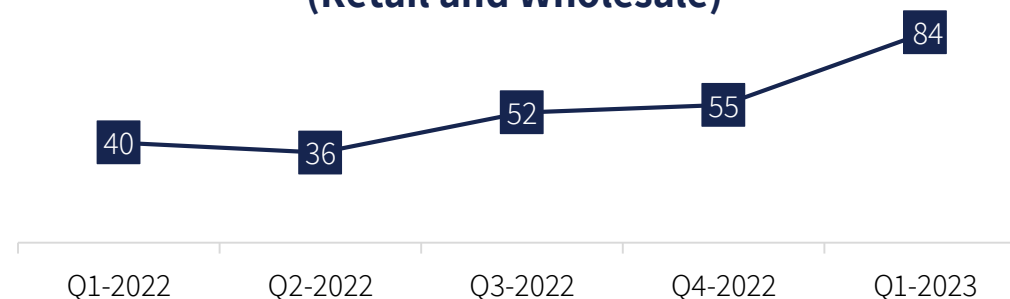
Homes Passed (thousands)



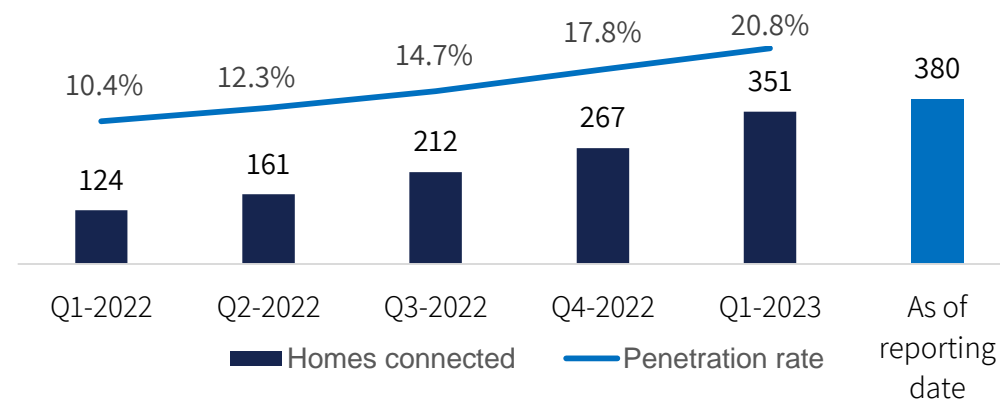
Customers with Be router (thousands)



Total Fiber Net Adds (thousands) (Retail and Wholesale)



Total Fiber Take-Up (thousands) (Retail and Wholesale)

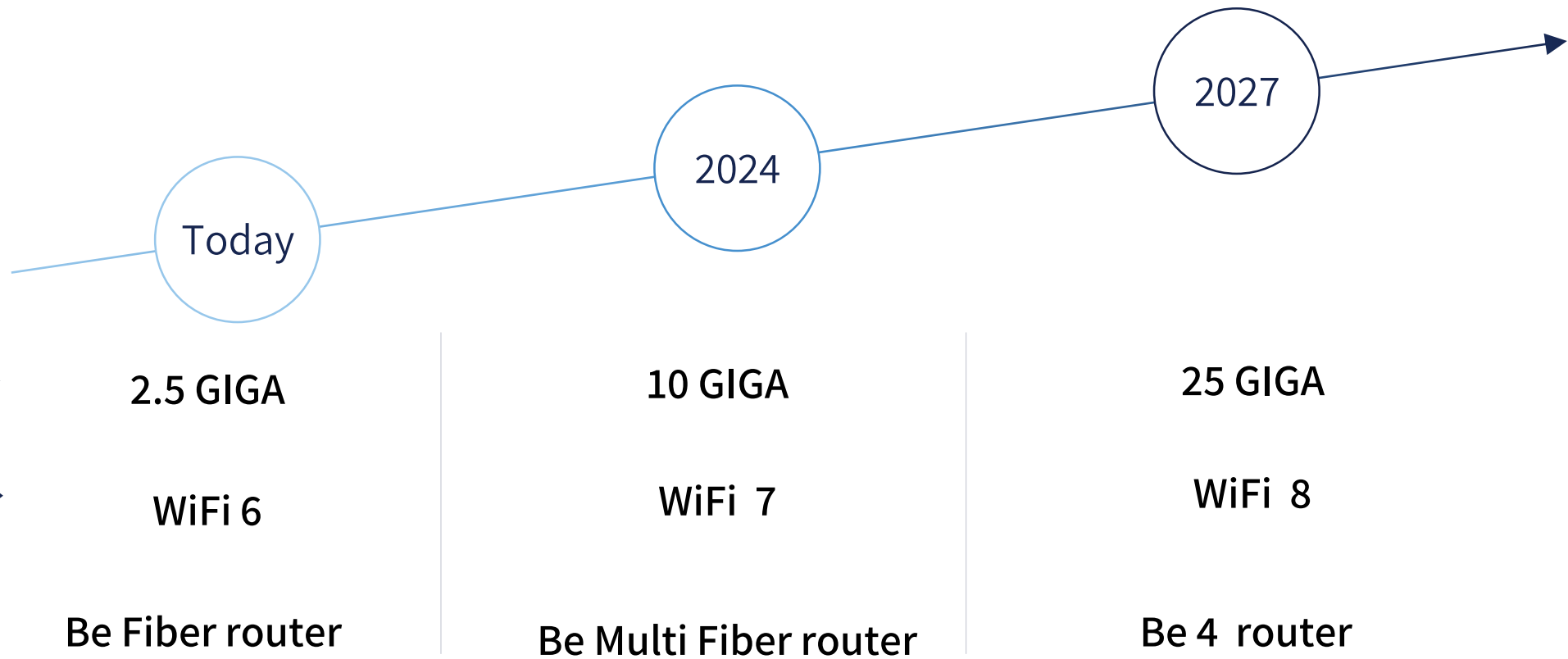


66% y-o-y increase in average broadband speed to 250 Mbps

Bezeq is leading in fiber take-up (retail + wholesale)



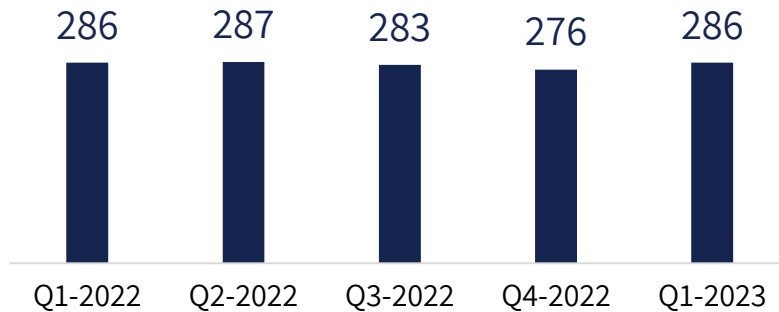
Bezeq Fixed-Line | Technology Roadmap



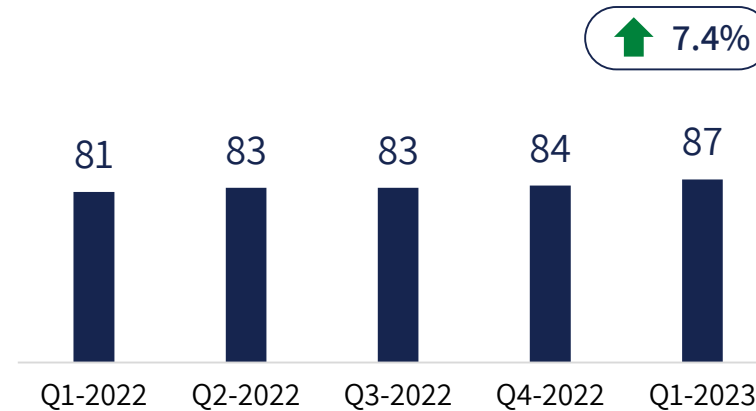
Technology is progressing and Bezeq will be there

Bezeq Fixed-Line | Data, Telephony, Cloud & Digital Revenues | NIS millions

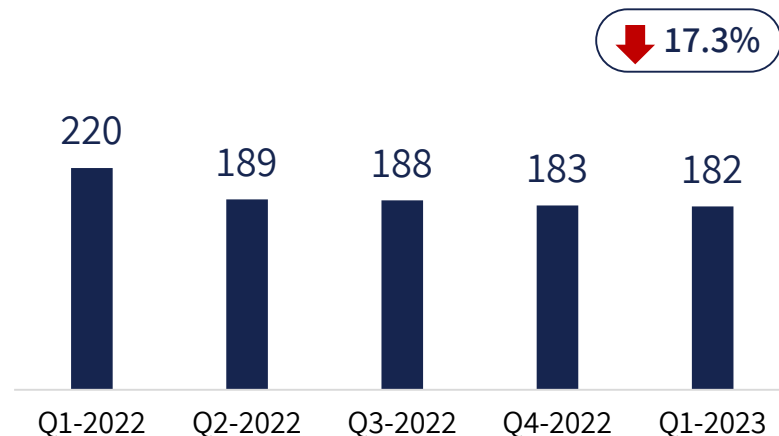
Transmission & Data



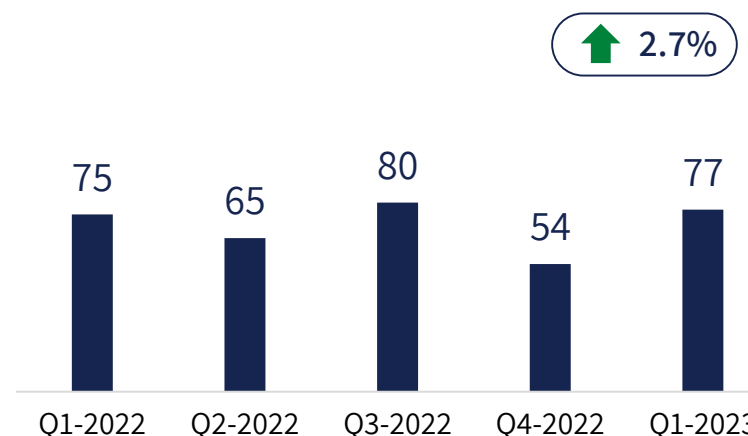
Cloud & Digital



Telephony



Other

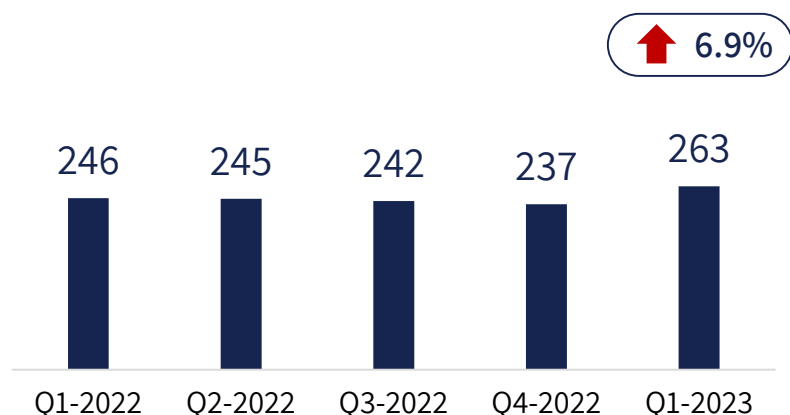


- Continued growth in data revenues offset by a decrease in traffic revenues from ISP companies
- Growth in cloud & digital revenues driven by an increase in revenues from virtual exchange services
- Decrease in telephony revenues mainly due to MOC tariff reduction beginning Q2-2022
- Increase in other revenues mainly due to revenues from infrastructure projects

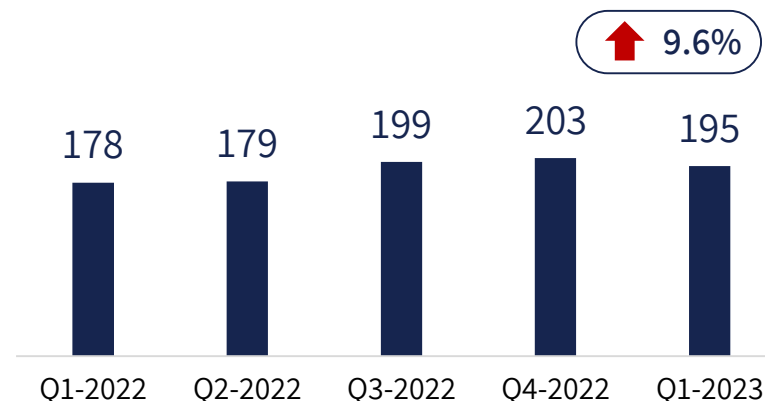


Bezeq Fixed-Line | Operating Expenses | NIS million

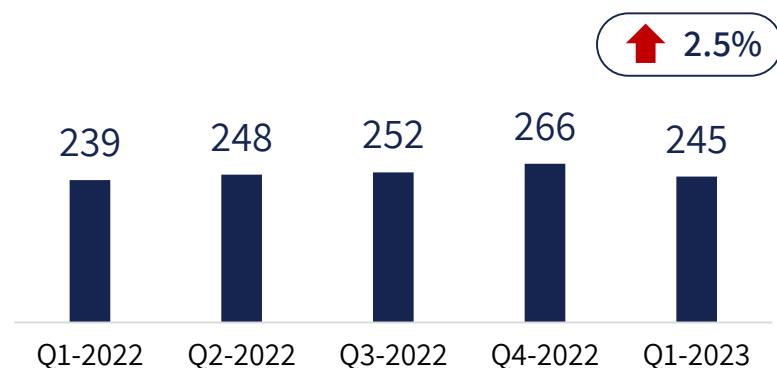
Salaries



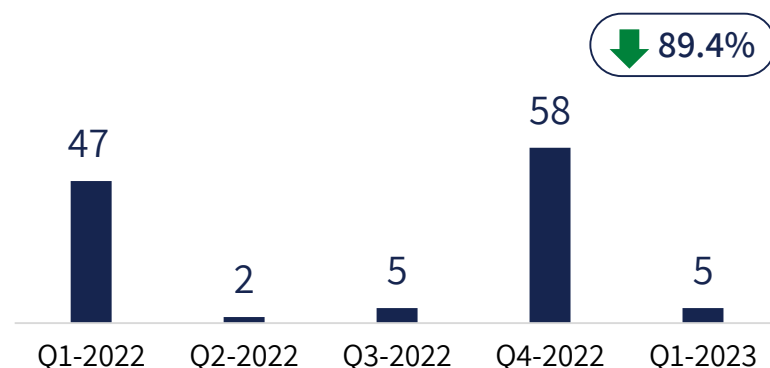
Operating Expenses



Depreciation & Amortization



Other Expenses



- Increase in salaries mainly due to a one-time grant to permanent employees following a salary agreement in principle in the public sector as well as employee recruitment relating to the fiber project
- Increase in operating expenses mainly due to higher subcontractor and materials expenses relating to fiber and other infrastructure projects
- Decrease in other operating expenses mainly due to higher provisions for legal claims in Q1-2022



Bezeq Fixed-Line | Key Takeaways



Accelerated fiber take-up as part of “acceleration plan”, combined with continued increase in ARPU



IRU agreement with Partner - Strengthening Bezeq’s position in wholesale fiber market



Continued migration to combined infrastructure + ISP service



Growth in broadband revenues offset impact of MOC telephony tariff reduction



Growth in business sector revenues driven by increased demand for data and communications solutions, with decrease in revenues from ISP operators

Widespread fiber deployment combined with accelerated fiber take-up is reflected in Bezeq’s continued growth in the residential market



Pelephone | Q1-2023 Summary



Record quarterly revenues since 2018 with 2.7% year-over-year increase, driven by increase in roaming revenues, growth in subscribers and in 5G subscriber plans as well as an increase in equipment revenues



ARPU, excluding interconnect fees, increased NIS 1



Improved profitability after adjusting for an update in estimated right-of-use assets for past periods recorded in Q1-2022

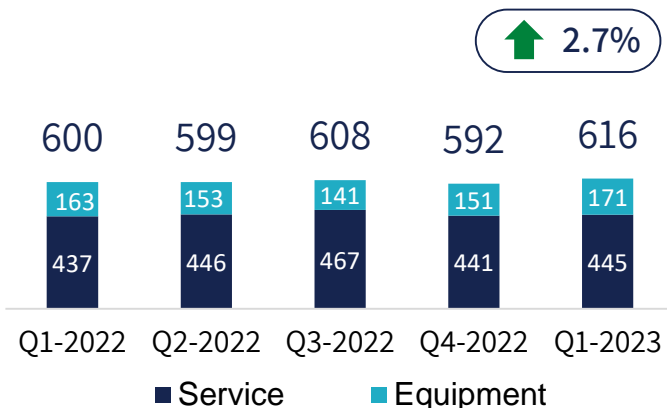


Growth in postpaid subscribers with 11k net adds; 860k subscribers (33%) with 5G plans contributing to ARPU ⁽¹⁾

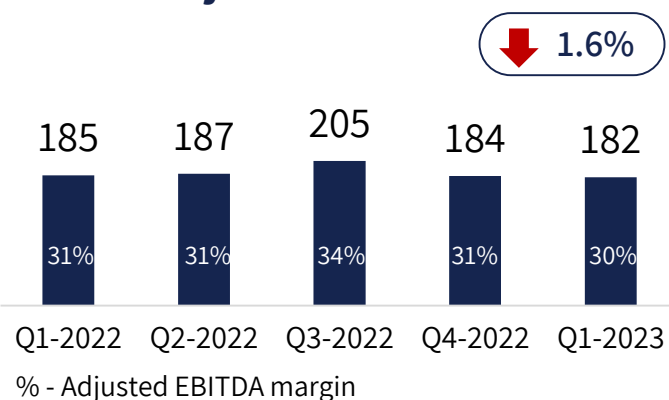


Pelephone | Q1-2023 Key Financial Highlights NIS Million

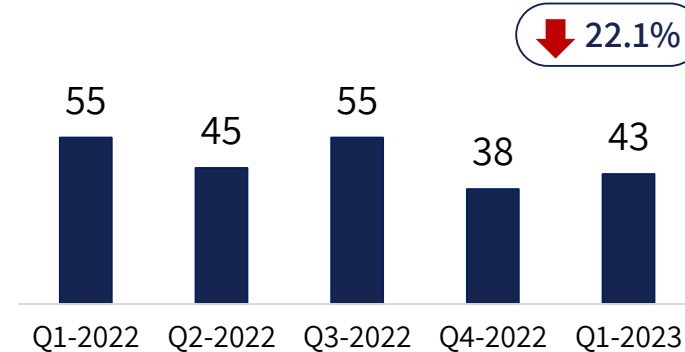
Revenues



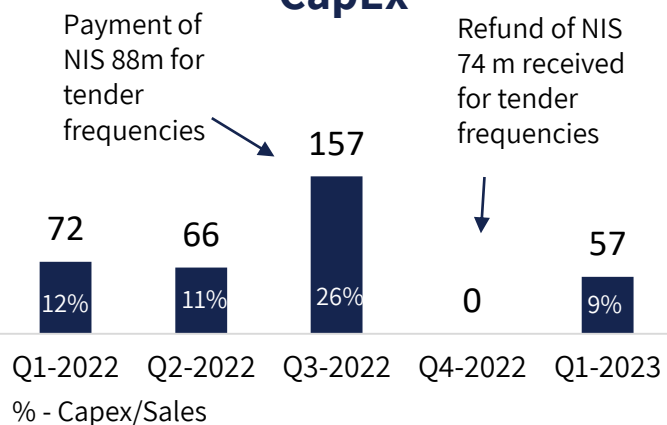
Adjusted EBITDA ⁽¹⁾



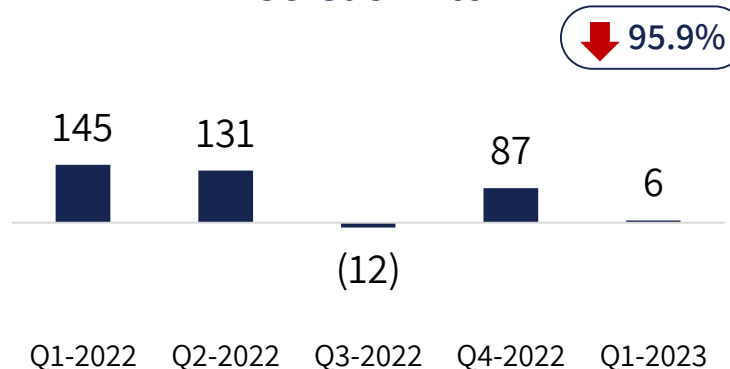
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow

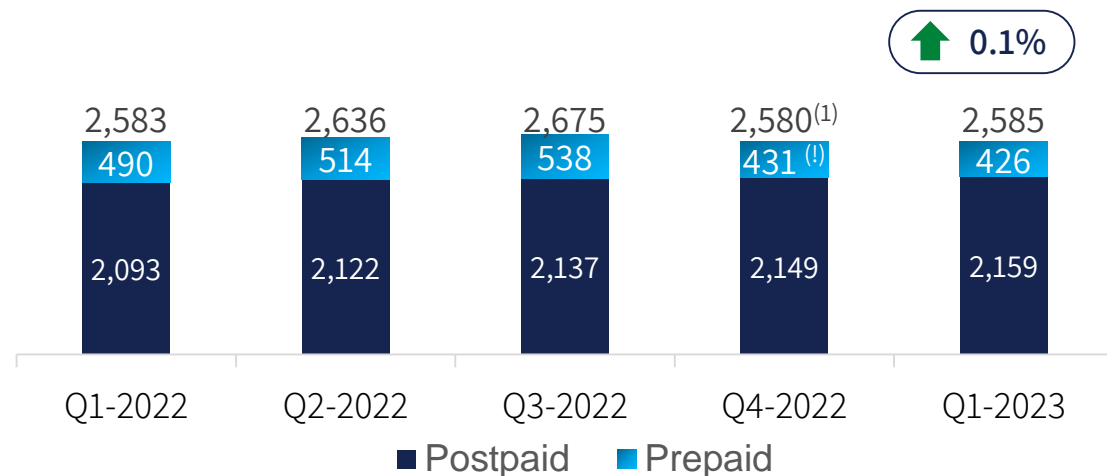


- Revenue growth due to an increase in roaming revenues, growth in subscribers and in 5G subscriber plans as well as an increase in equipment revenues
- Adjusted EBITDA and Adjusted Net Profit decreased due to the termination of the Ministry of Education project as well as an update in estimated right-of-use assets for past periods recorded in Q1-2022
- Free cash flow was impacted by timing differences in working capital related to the deferral of customer debt collections from 2021 to 2022 due to employee sanctions



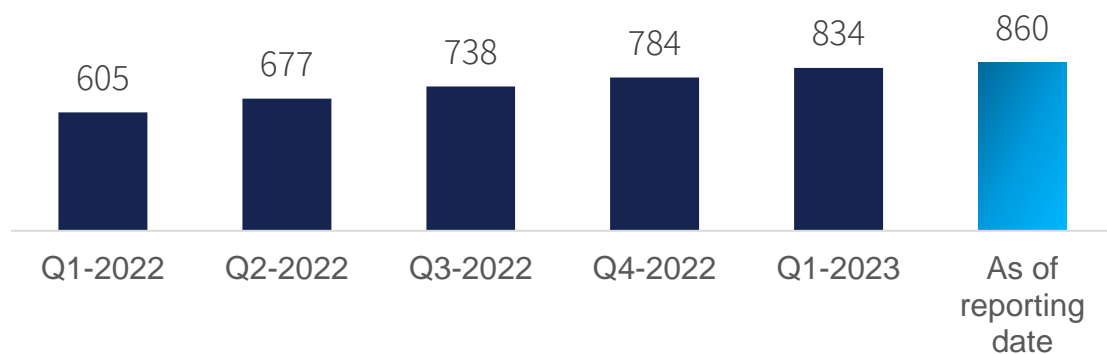
Pelephone | Q1-2023 Key Operational Metrics

Subscribers (Thousands)

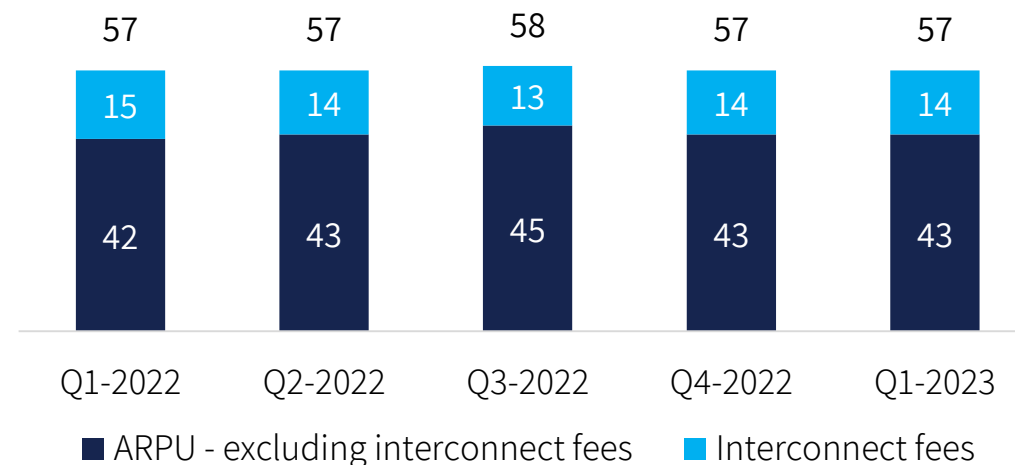


(1) One-time removal of 96k prepaid subscribers in Q4-22 who did not meet the definition of an active subscriber

Subscribers on 5G Plans (Thousands)



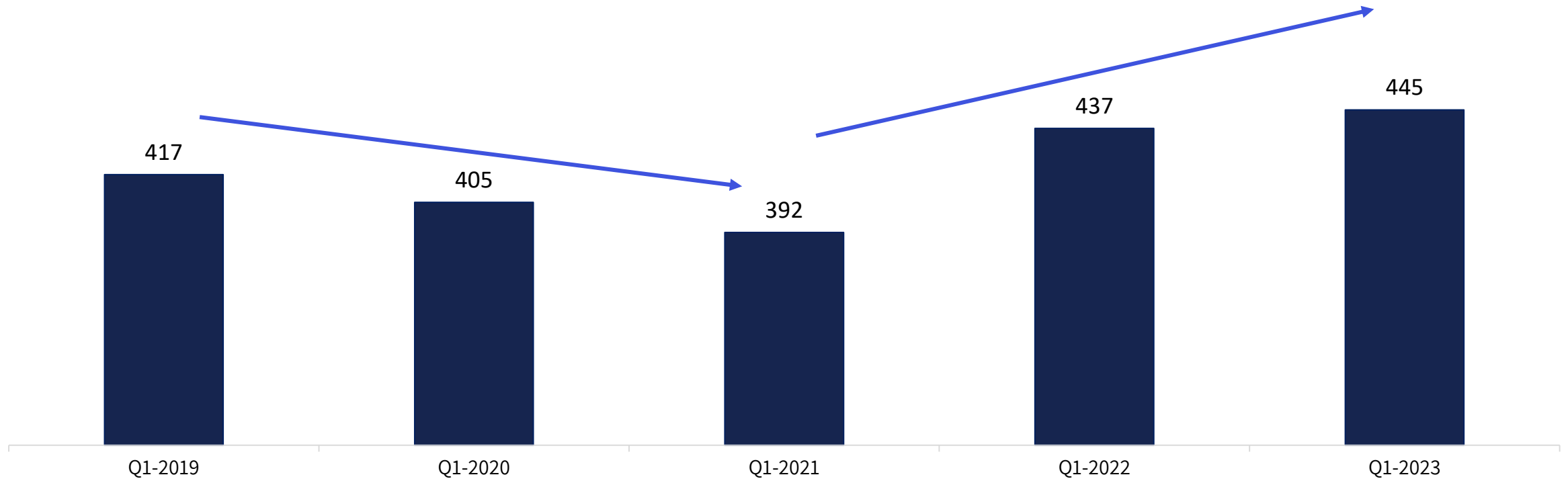
ARPU (NIS)



- Subscribers on 5G plans were 33% of total subscribers and 39% of postpaid subscribers*
- ARPU, excluding interconnect fees, increased NIS 1 y-o-y mainly due to an increase in roaming and transition to 5G subscriber plans, partially offset by the termination of the Ministry of Education project and a decrease in content services in 4G plans



Pelephone | Continued Turnaround in Service Revenues NIS Million



- Growth in service revenues driven by recovery in roaming revenues, increase in subscribers and growth in 5G subscriber plans
- Service revenues in Q1-2023 were higher than Q1-2019 (pre-COVID period)



yes | Q1-2023 Summary



Revenue growth of 4.1% driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers



Tenth consecutive quarter of subscriber growth



Free cash flow increased 115.4% to NIS 56 million due to timing differences in working capital



yes is the largest Israeli IPTV operator with 356k customers watching TV through IP broadcasting (61% of total subscribers), of which 110k are STINGTV customers ⁽¹⁾

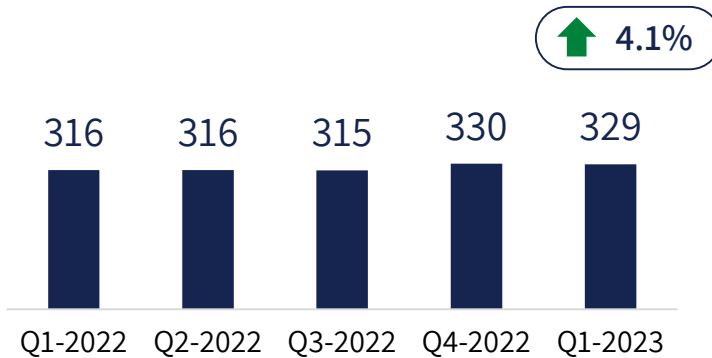


Improved Adjusted Net Profit⁽²⁾
– breakeven in Q1-2023
compared to net loss of NIS 7 million in Q1-2022

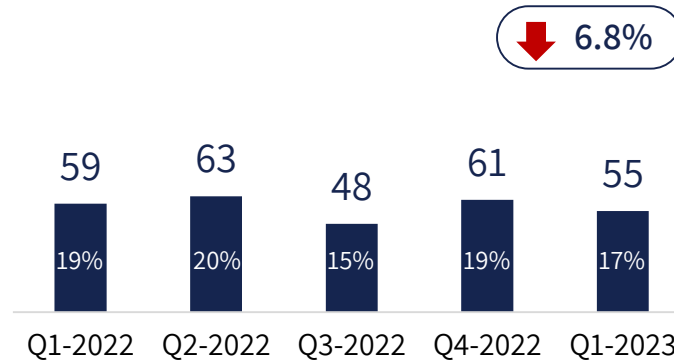


yes | Q1-2023 Key Financial Highlights NIS Million

Revenues

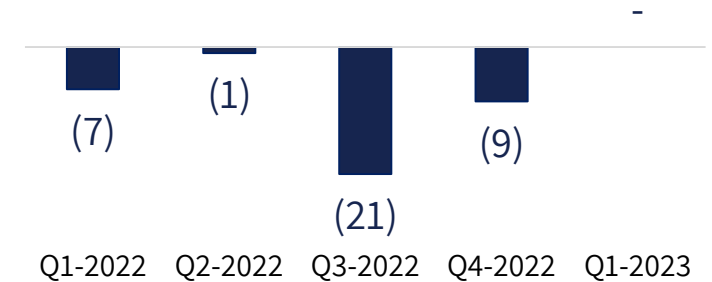


Adjusted EBITDA ⁽¹⁾

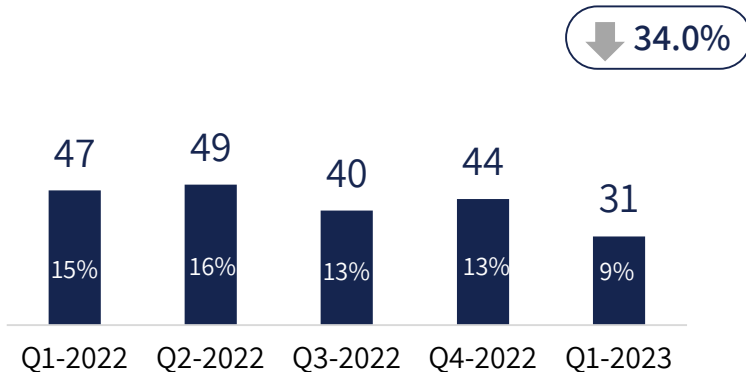


% - Adjusted EBITDA margin

Adjusted Net Profit (Loss) ⁽¹⁾

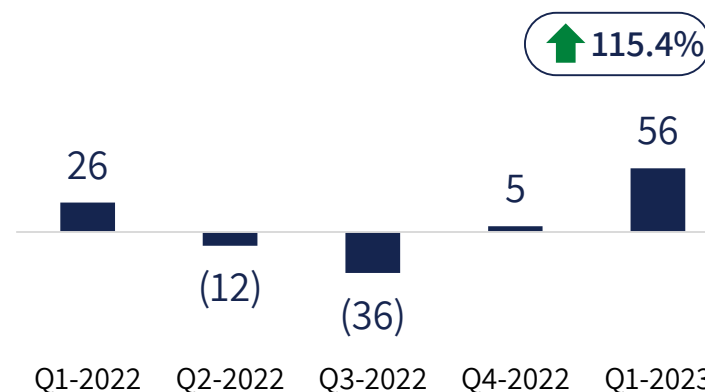


CapEx



% - Capex/Sales

Free Cash Flow

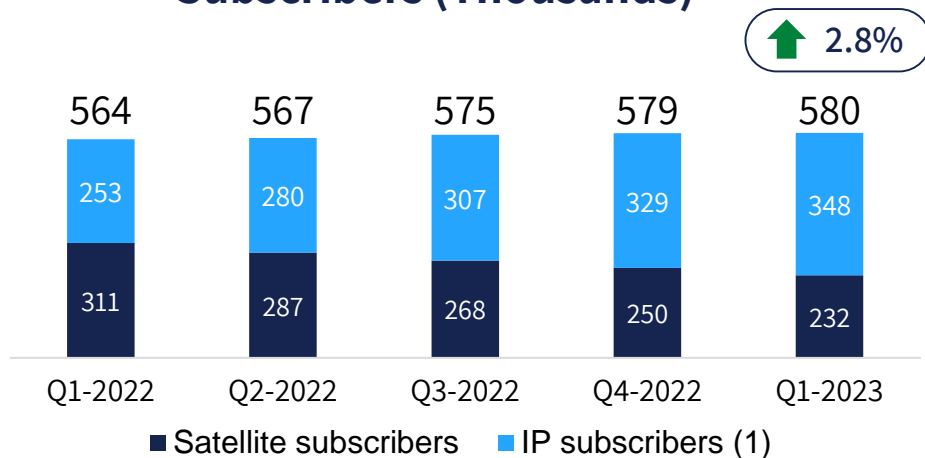


- Revenue growth driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers
- Decrease in Adjusted EBITDA mainly due to an increase in content expenses as well as the launch of the TV/fiber bundle
- Significant improvement in free cash flow due to timing differences in working capital

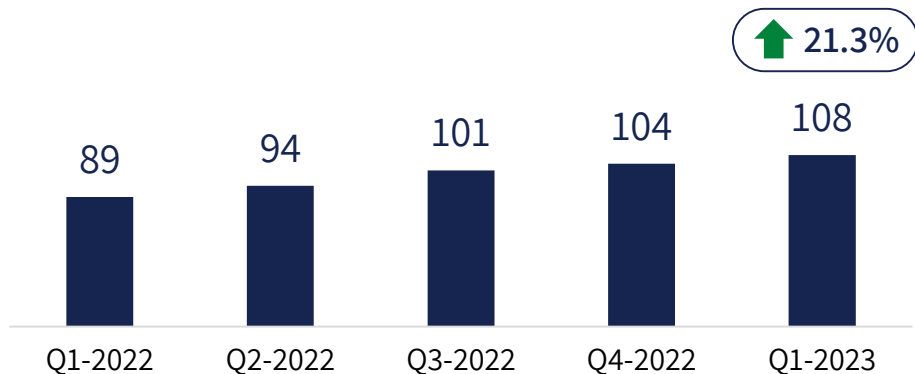


yes | Key Operational Metrics

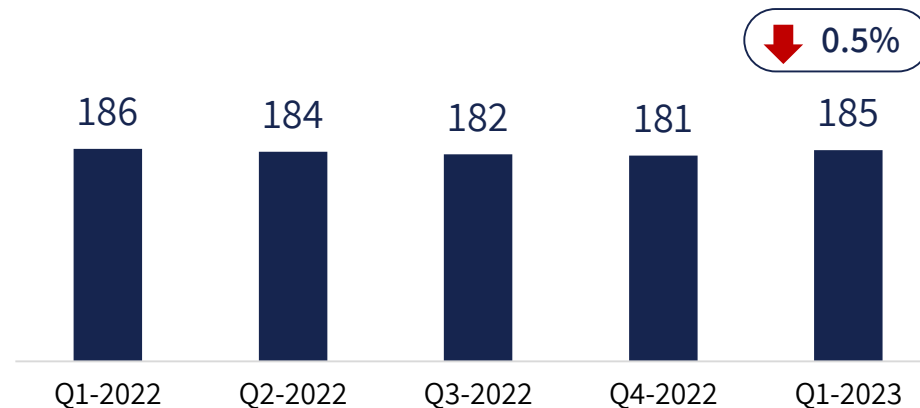
Subscribers (Thousands)



STINGTV Subscribers (Thousands)



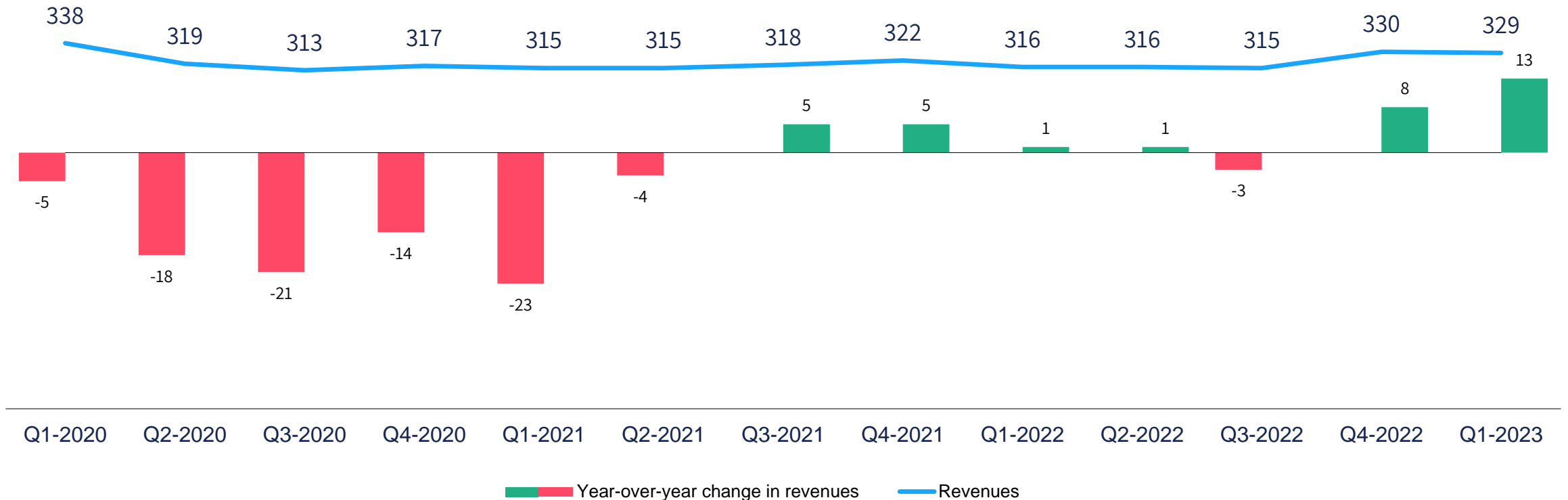
ARPU (NIS)



- Tenth consecutive quarter of net subscriber growth
- ARPU grew NIS 4 sequentially, driven by agreements with international content providers
- 61% of yes subscribers watch IPTV⁽²⁾



yes | Revenue Growth Turnaround NIS Million



Bezeq International | Q1-2023 Summary



Revenue growth driven by increase in ICT activity, which offset the decrease in consumer ISP revenues



Focus on expansion of ICT activities for B2B market



Significant improvement in Adjusted EBITDA and Adjusted Net Profit

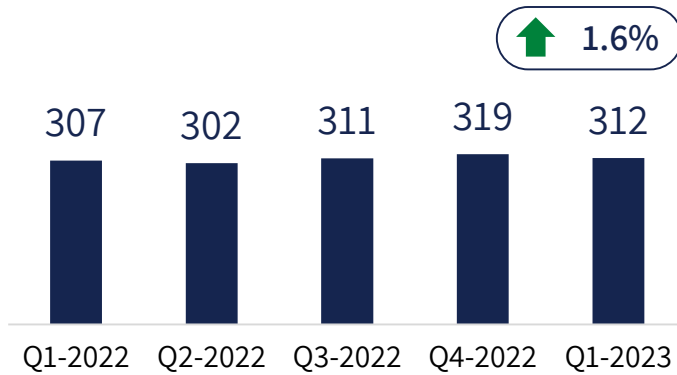


Reduction in consumer ISP activity due to regulatory removal of Internet infrastructure-ISP separation as of April 2022

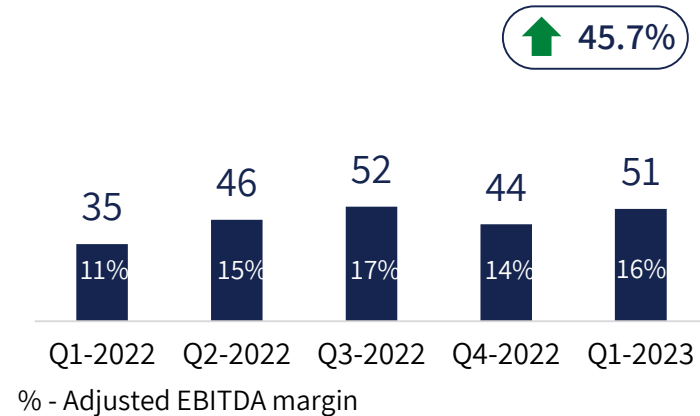


Bezeq International | Q1-2023 Key Financial Highlights NIS Million

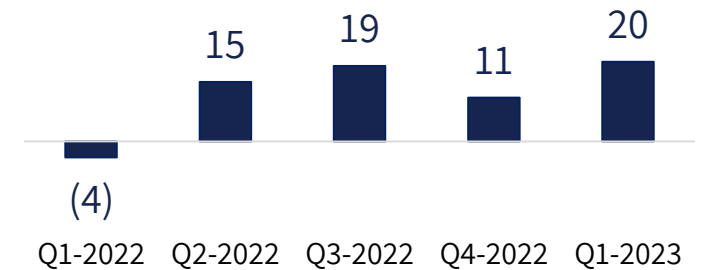
Revenues



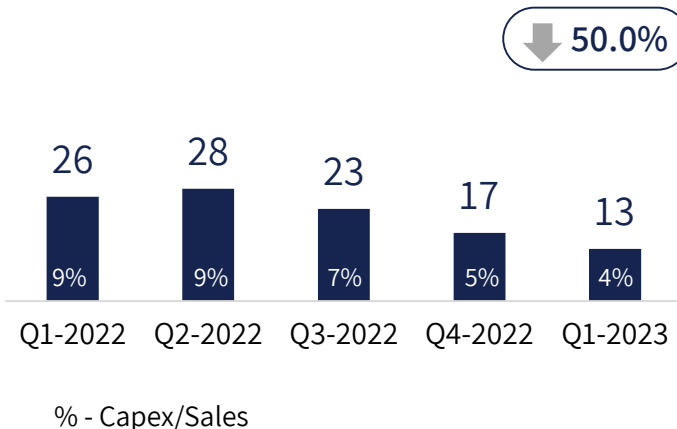
Adjusted EBITDA ⁽¹⁾



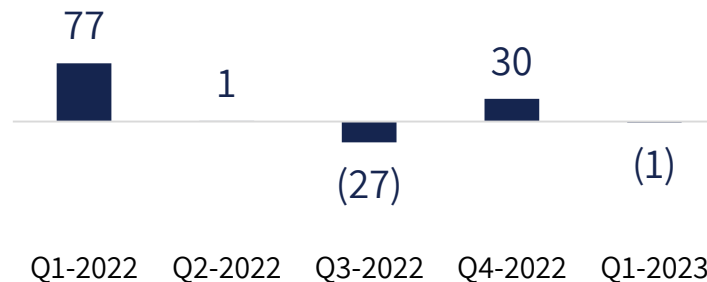
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow



- Revenue growth due to increase in ICT activity which offset the decrease in consumer ISP revenues following the regulatory reform for unified Internet service in Q2-2022
- Significant increase in Adjusted EBITDA and Adjusted Net Profit mainly due to lower expenses driven by decrease in consumer ISP activity
- Free cash flow was impacted by timing differences in working capital related to the deferral of customer debt collections from 2021 to 2022 due to employee sanctions, as well as from payments for retirement in Q1-2023



Bezeq Group | Focus on Growth



Record quarterly revenues since 2018, with growth in all group segments



Record quarter in fiber take-up - both retail and wholesale



yes TV + Bezeq fiber bundle combined with agreements with international content providers



Consistent growth in subscribers with 5G plans reaching 860k (33%)*, contributing to ARPU growth



Dividend payout upgraded to 60%, reflecting dividend yield of ~4%



Upgrade in credit rating outlook to “positive” due to continued financial debt reduction and improved debt leverage ratios



Bezeq Group is executing on its strategy while focusing on growth





Thank You!

For more information please visit us
ir.bezeq.co.il