



Bezeq Group

Q3 2022

Investor Presentation

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Bezeq Group | Focus on Growth



Record take up of fiber customers and continued growth in retail broadband ARPU



Revenue growth of 12% in Telephone and 5% in Bezeq Fixed-Line



Subscriber growth in Telephone and yes



yes launched TV + Bezeq fiber bundle



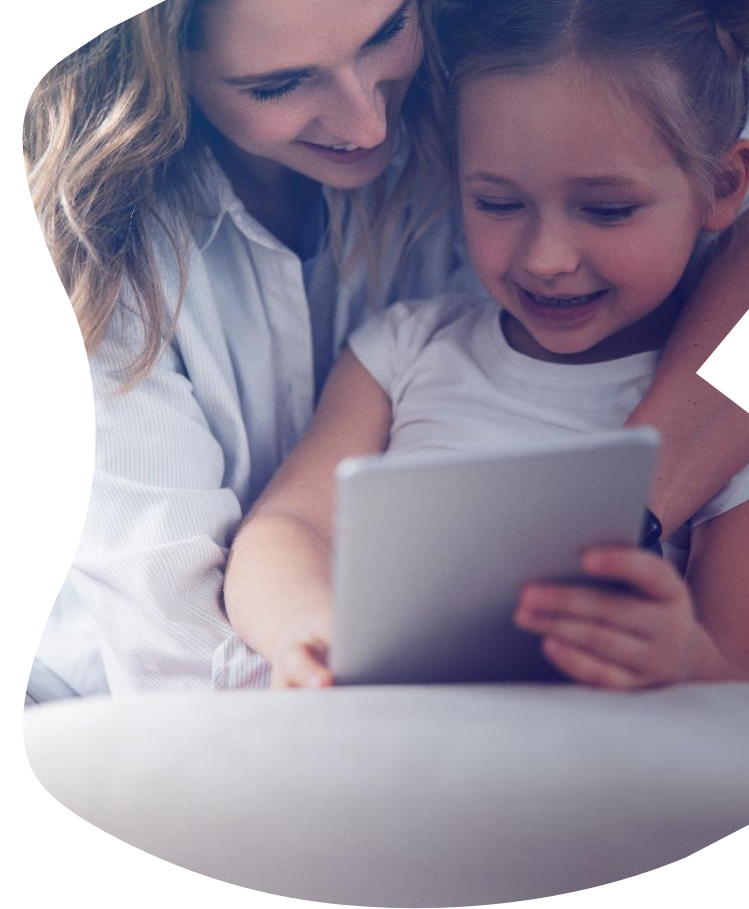
Roaming recovery and continued growth in 5G plans contributed to higher ARPU and significant improvement in Telephone profitability



Continued decrease in net debt, combined with dividend distributions



Continued focus and improvement in ESG



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



Bezeq Group | Q3-2022 Summary

Revenues
NIS **2.26** billion

↑ 5.6%

Adjusted EBITDA ⁽¹⁾
NIS **947** million

↑ 1.0%

Adjusted EBITDA margin **41.9%**

Adjusted Net Profit ⁽¹⁾
NIS **314** million

↑ 6.4%

Free Cash Flow
NIS **30** million

↓ 92.0%

Decrease in Net Debt
NIS **600** million

↓ 10.0%

Improved coverage ratios

Fiber Take Up in Q3
51 thousand

Fiber Subscribers
(retail and wholesale)
233 thousand⁽²⁾

ARPU Internet
NIS **116**

↑ 8.4%

Fiber Homes Passed
1.48 million⁽²⁾

Cellular subscribers
2.68 million

↑ 5.0%

753k subs
with 5G plans⁽³⁾

Cellular ARPU
NIS **58**

↑ 5.5%

Cellular Service Revenues
NIS **467** million

↑ 12.0%

TV subscribers
575 thousand

↑ 2.7%

55% are IP subscribers⁽²⁾

All results are compared to Q3-2021 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

(2) As of date of report

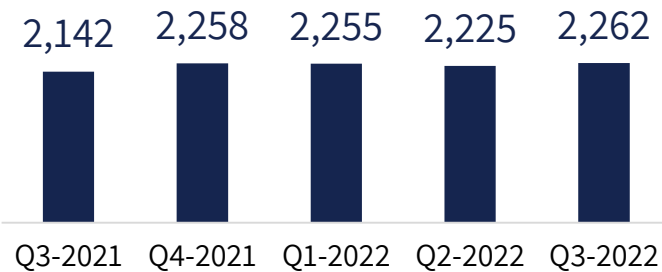
(3) As of early November



Bezeq Group - Key Financial Highlights | NIS Million

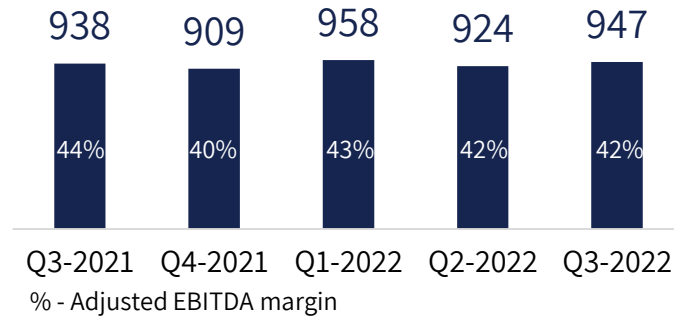
Revenues

↑ 5.6%



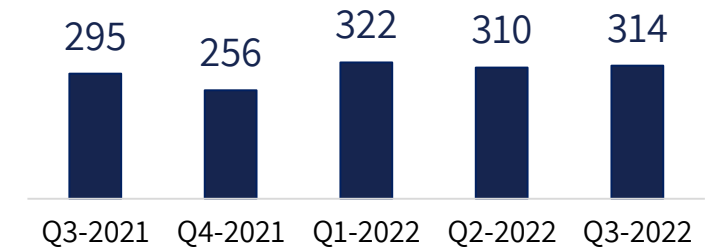
Adjusted EBITDA*

↑ 1.0%



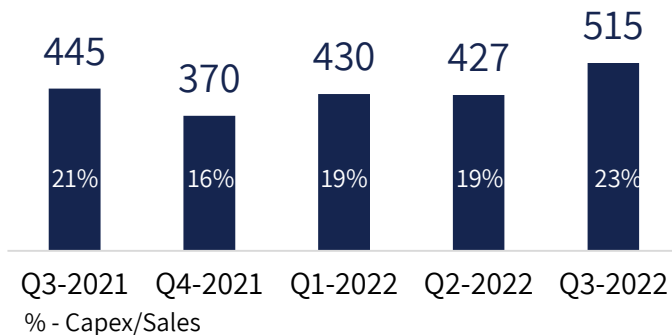
Adjusted Net Profit*

↑ 6.4%



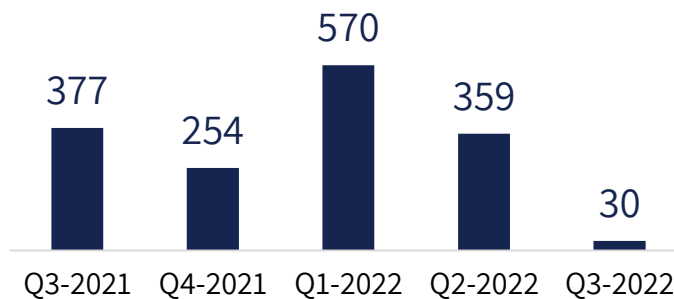
CapEx

↑ 15.7%



Free Cash Flow

↓ 92.0%



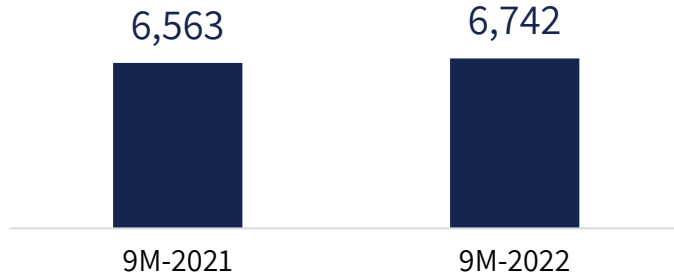
- Revenue increase of 12% in Telephone and 5% in Bezeq Fixed-Line
- Increase in Adjusted Net Profit mainly due to decrease in financing expenses
- Free cash flow was impacted by timing differences in working capital in all group companies (mainly payment for frequencies, payment of salaries in advance, timing of payments to universal fund and early retirement)



Bezeq Group - 9M-2022 Financial Highlights | NIS Million

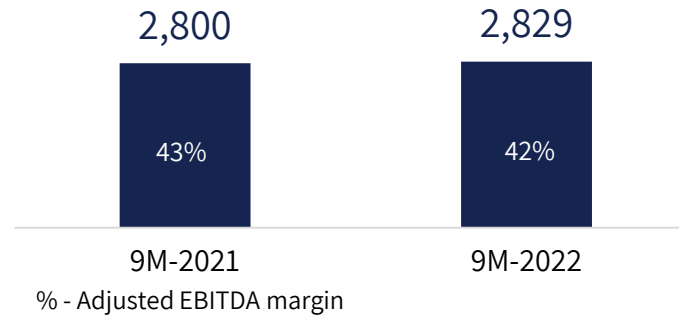
Revenues

↑ 2.7%



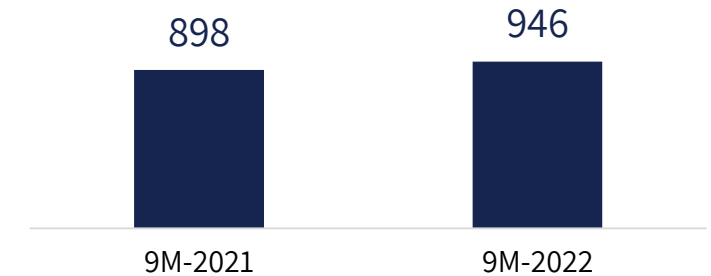
Adjusted EBITDA⁽¹⁾

↑ 1.0%



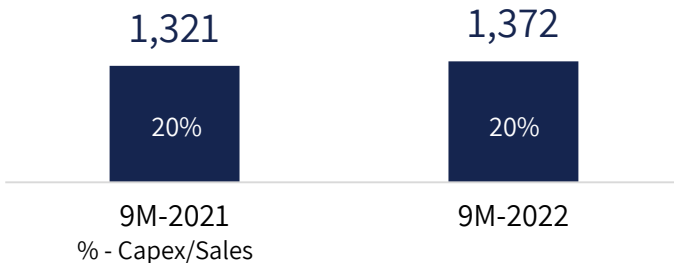
Adjusted Net Profit⁽¹⁾

↑ 5.3%



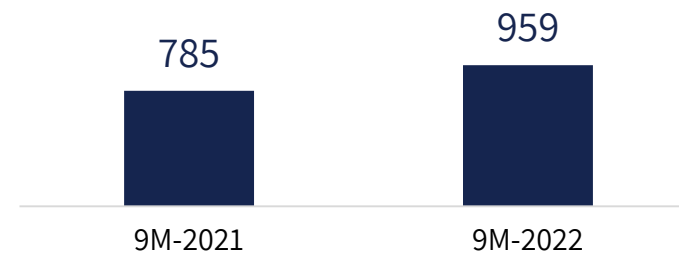
CapEx

↑ 3.9%



Free Cash Flow

↑ 22.2%

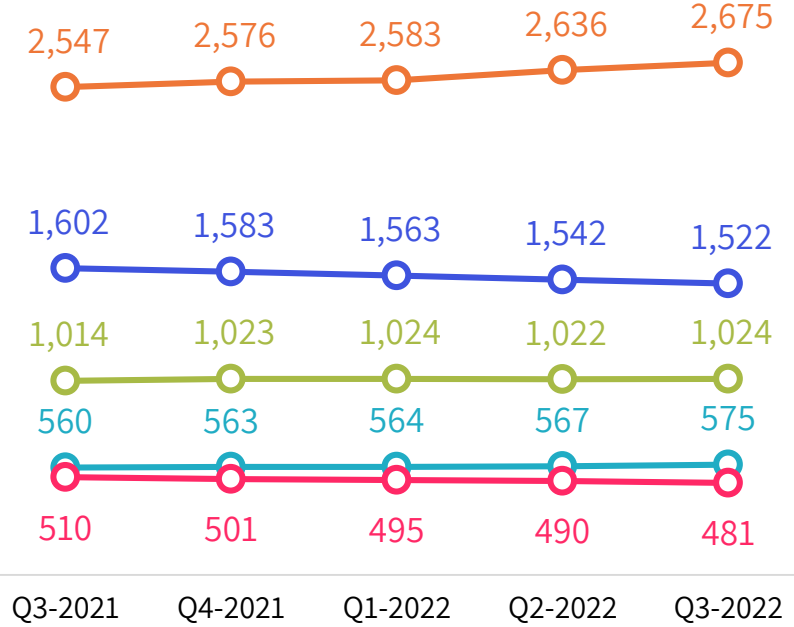


- Group revenue growth led by Bezeq Fixed-Line and Telephone
- Increase in Adjusted EBITDA and Adjusted Net Profit mainly due to improved profitability in Telephone
- Double-digit increase in free cash flow mainly due to timing differences and improved working capital



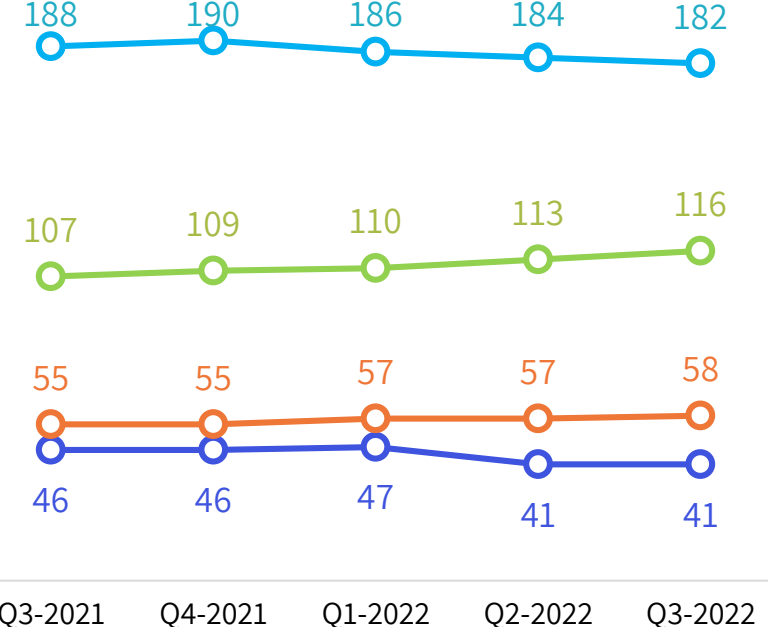
Bezeq Group | Key Operational Metrics

Subscribers (end of period, in thousands)



Continued increase in cellular, TV and retail Internet subscribers

ARPU (NIS)



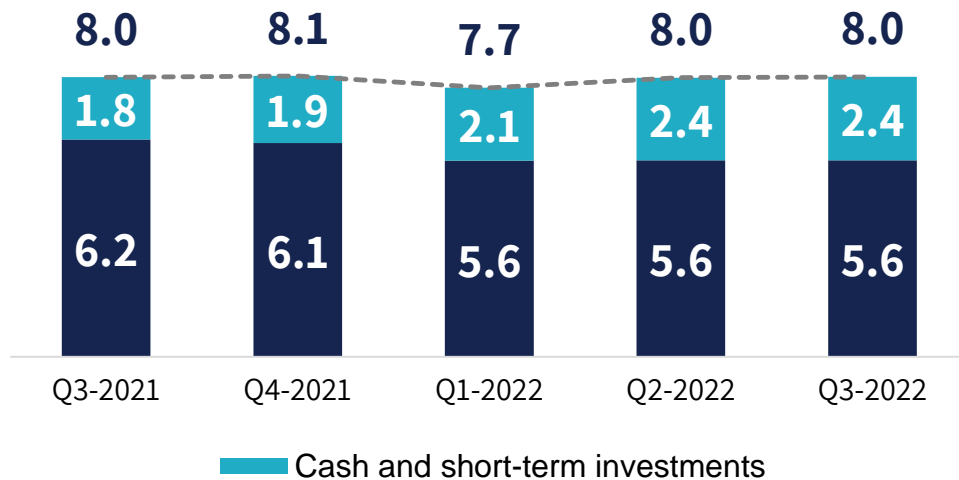
8.4% y-o-y increase in retail Internet ARPU
 Decrease in telephony ARPL due to MOC tariff reduction in Q2-22

5.5% y-o-y increase in cellular ARPU
 Moderate decrease in TV ARPU (change in subscriber mix)



Bezeq Group – Financial Debt | NIS Billion

Net Debt (NIS billions)



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

Continued decrease in net debt

- Decrease of NIS 600 million, or 10%, year-over-year

Further improvement in Net debt/EBITDA ratio

- Decreased to 1.7 from 1.9 a year ago

Debt ratings

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



Bezeq Group | 2022 Guidance (Unchanged from previous quarter)



Previous Outlook 3.2022



Updated Outlook 8.2022

Adjusted EBITDA ⁽¹⁾	NIS 3.6-3.7 billion	NIS 3.65-3.75 billion
Adjusted net profit ⁽¹⁾	NIS 1.0-1.1 billion	NIS 1.1-1.2 billion
CapEx	NIS 1.7-1.8 billion	NIS 1.7-1.8 billion (unchanged)
Fiber Deployment (Homes Passed)	1.4 million households	Approx. 1.5 million households
Financial stability	Maintain high credit rating within the AA group	



Bezeq Fixed-Line | Q3-2022 Summary



Increased focus on fiber connections led to record fiber customer take up of 51k in Q3-22 for a q-o-q increase of 32%



Strong revenue growth of 5% despite the MOC telephony tariff reduction



The number of homes passed reached 1.48 m with 233k subscribers *



Broadband Internet revenues grew 11%



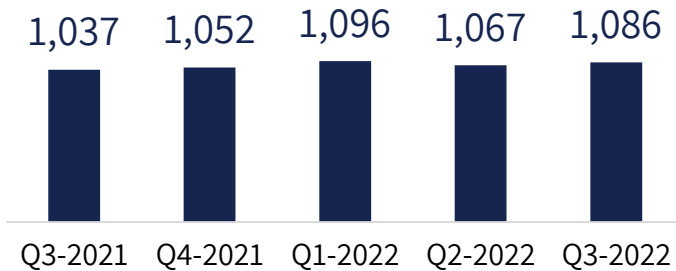
Continued business sector revenue growth



Bezeq Fixed-Line - Q3-2022 Financial Highlights | NIS millions

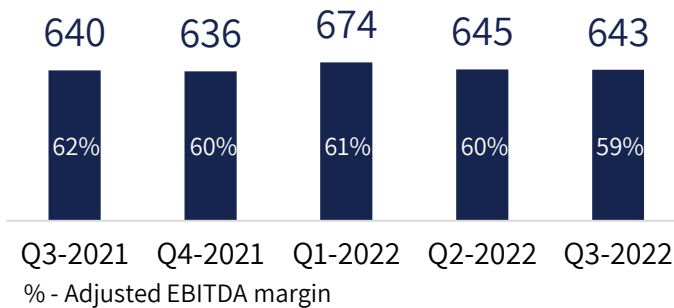
Revenues

↑ 4.7%



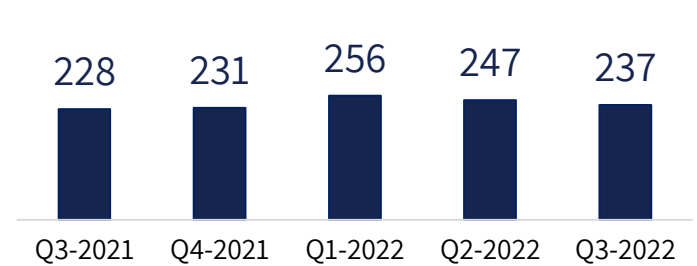
Adjusted EBITDA⁽¹⁾

↑ 0.5%



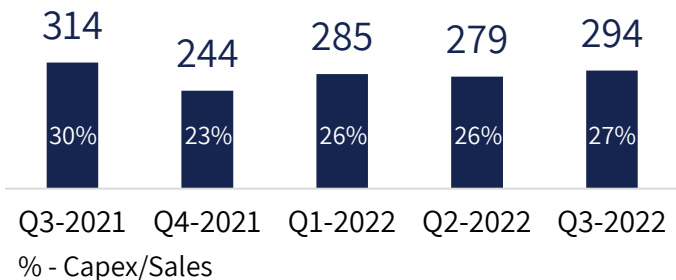
Adjusted Net Profit⁽¹⁾

↑ 3.8%



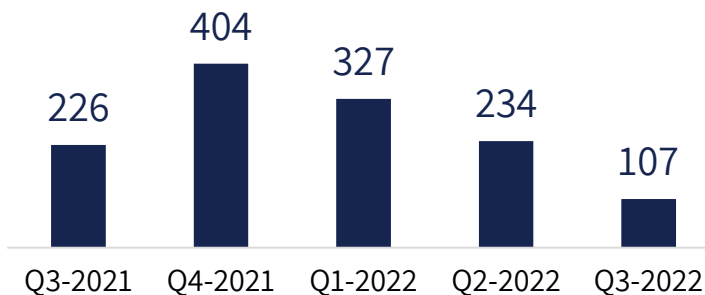
CapEx

↓ 6.4%



Free Cash Flow

↓ 52.7%

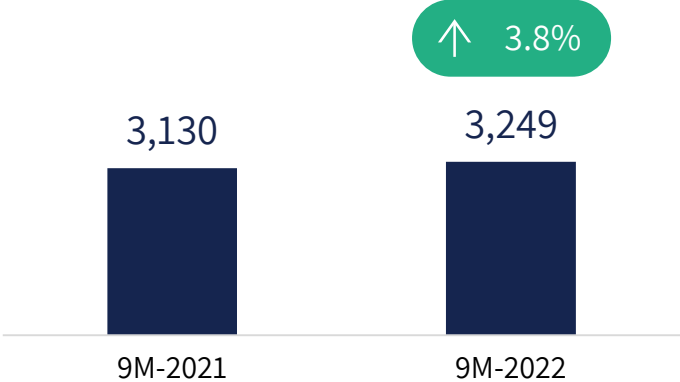


- Top-line growth in all segments excluding telephony
- Increase in Adjusted Net Profit mainly due to a decrease in financing expenses
- Free cash flow was impacted by timing differences in working capital (mainly timing of payments for early retirement, universal fund and convalescence pay to employees)

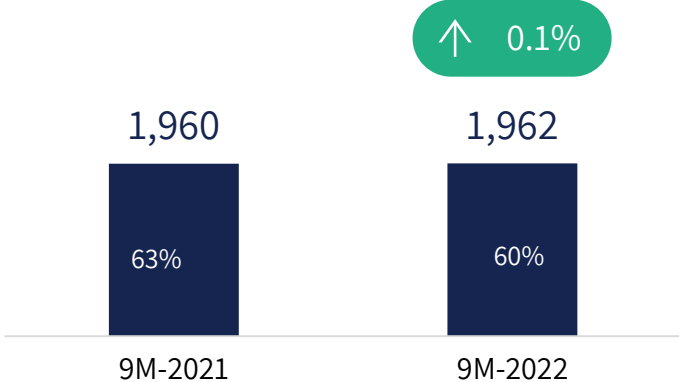


Bezeq Fixed-Line - 9M-2022 Financial Highlights | NIS millions

Revenues

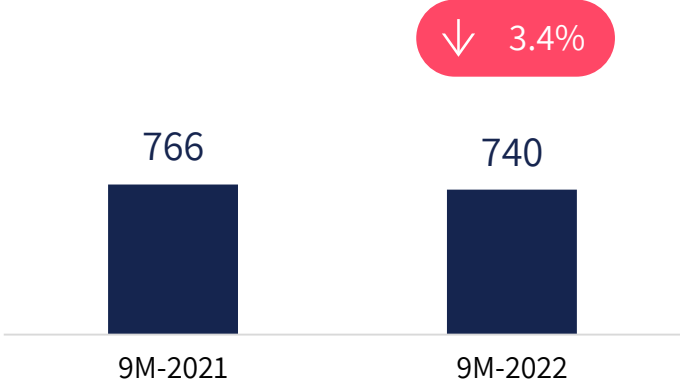


Adjusted EBITDA⁽¹⁾

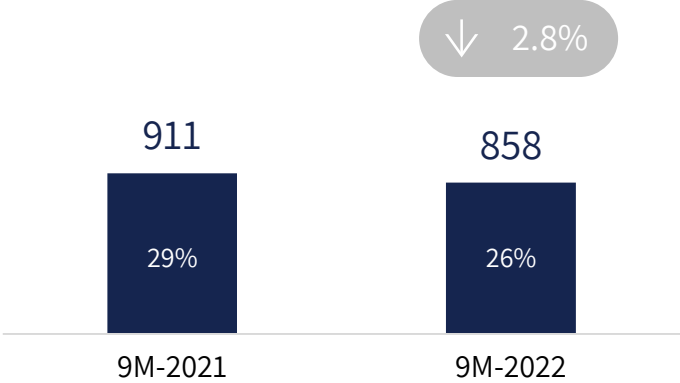


% - Adjusted EBITDA margin

Adjusted Net Profit⁽¹⁾

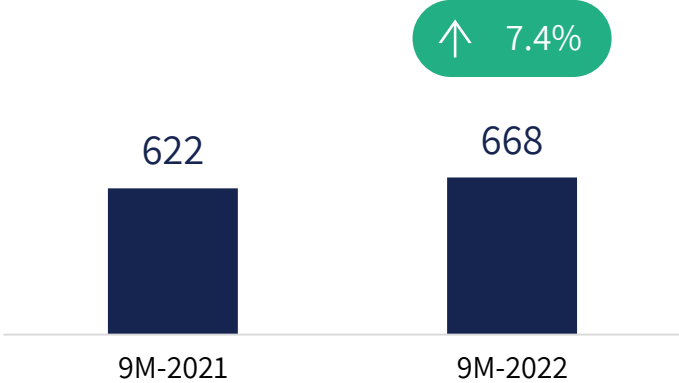


CapEx



% - Capex/Sales

Free Cash Flow



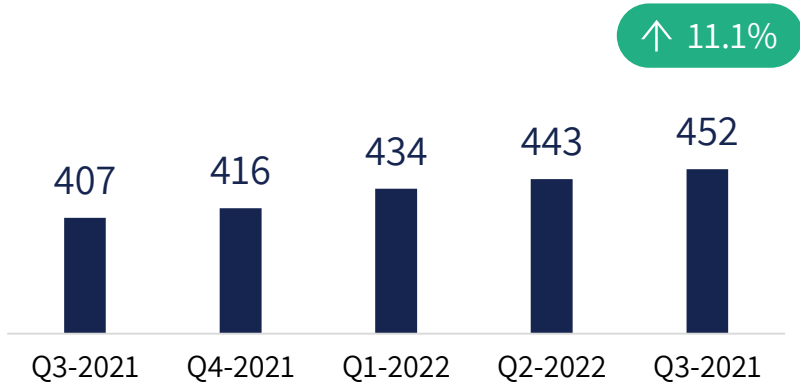
- 4% top-line growth in 9M-2022 reflects resilient revenue base despite MOC telephony tariff reduction beginning Q2-2022
- Free cash flow increase driven by timing differences and improved working capital

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

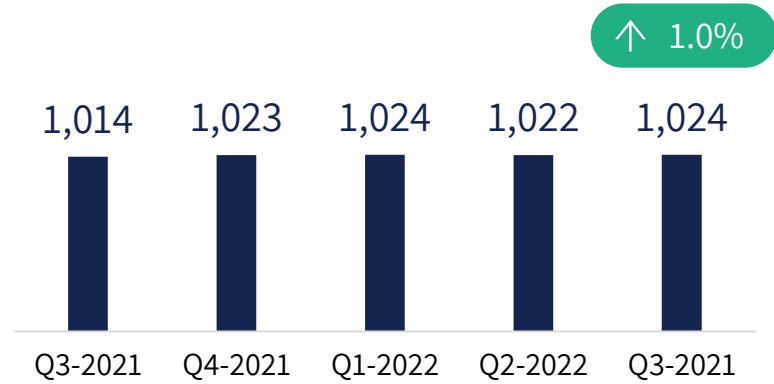


Bezeq Fixed-Line | Broadband Internet

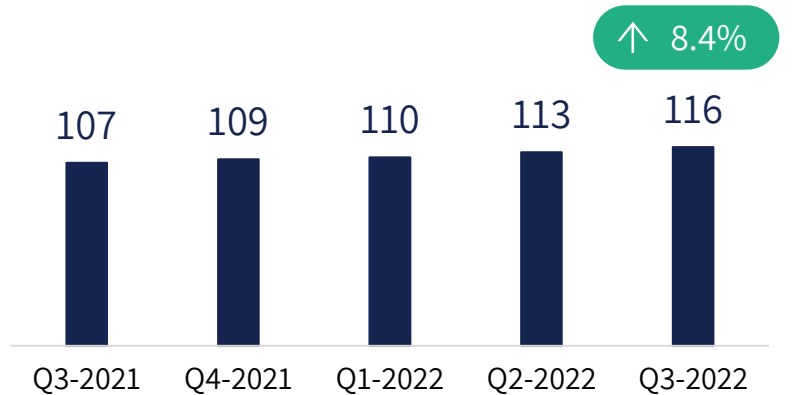
Broadband Revenues (NIS m)



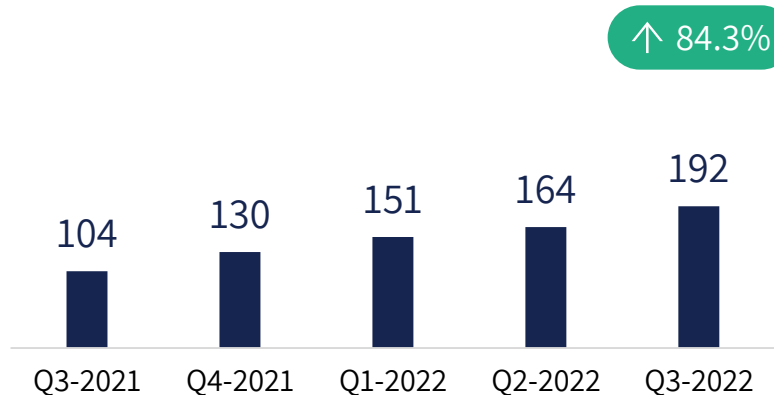
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Broadband Bandwidth (Mbps, avg.)

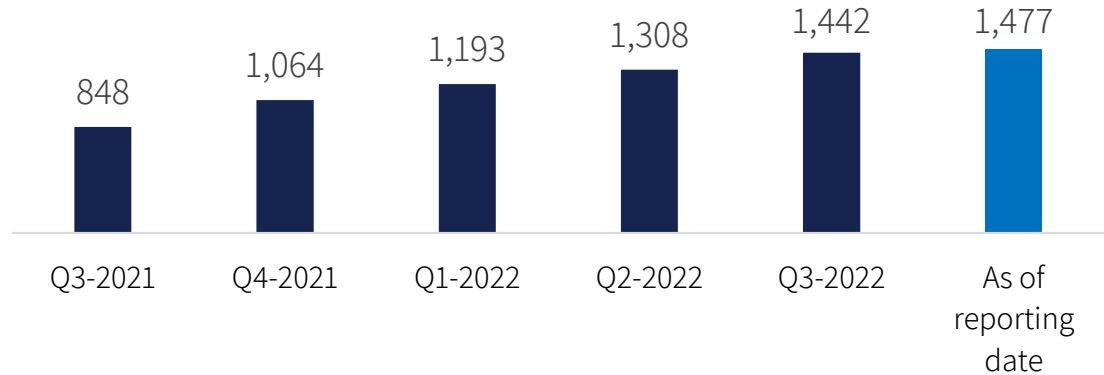


- Return to growth in retail broadband lines
- Fiber take-up offsets copper churn
- Double-digit growth in broadband revenues driven by increase in retail and wholesale ARPU, positively impacted by fiber take up and an increase in ISP customers

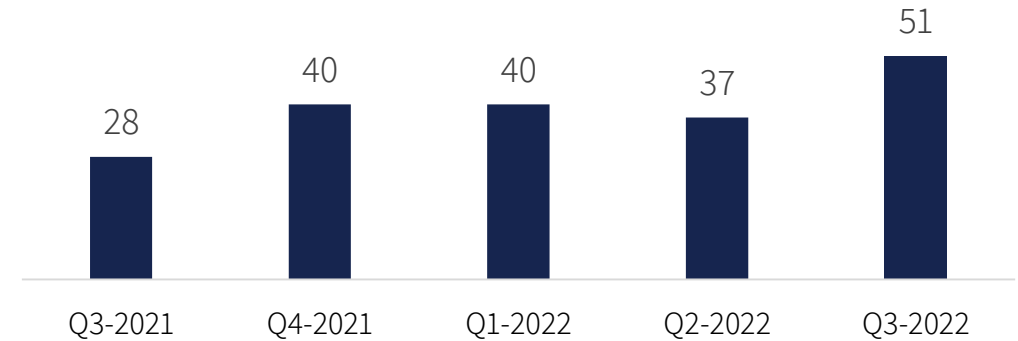


Continued fiber deployment with increased take-up focus

Homes Passed (thousands)

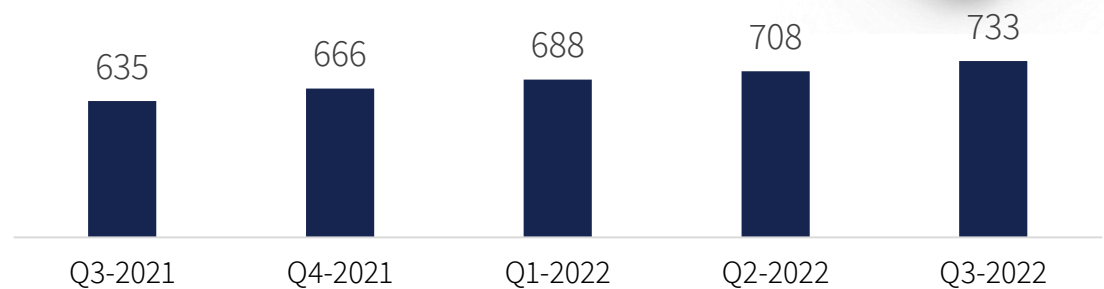
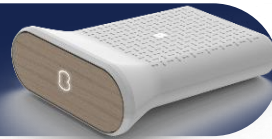


Fiber Take Up (thousands)

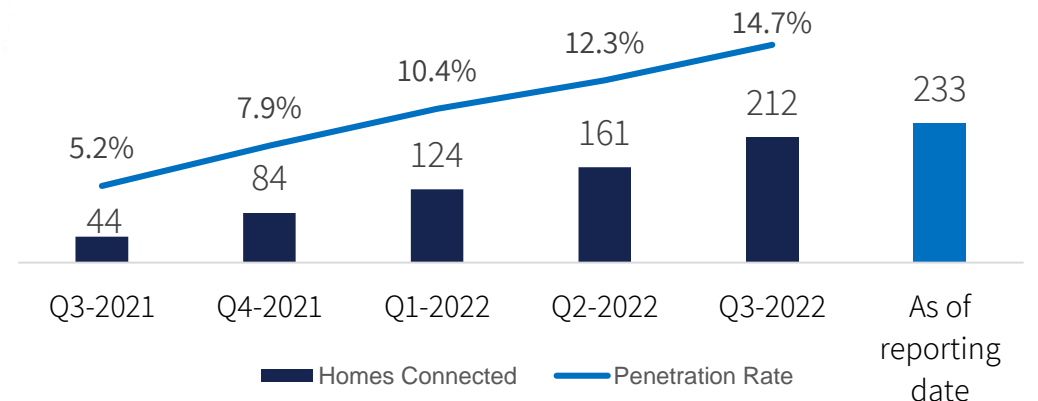


Focus on fiber take up

Customers with Be router (thousands)

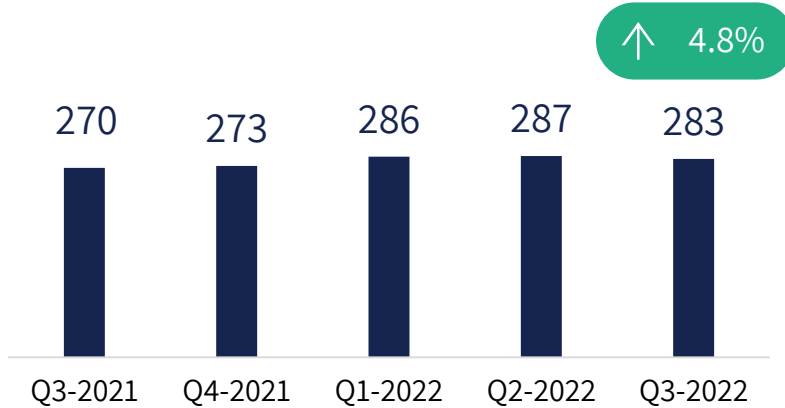


Fiber Subscribers (thousands)

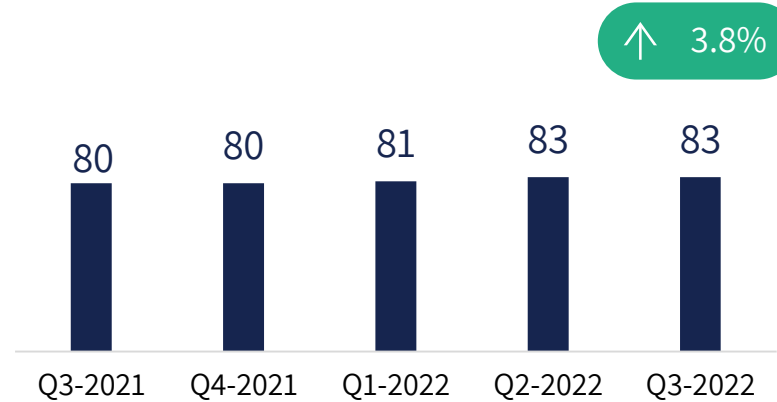


Bezeq Fixed-Line - Data, Telephony and Cloud & Digital Revenues | NIS millions

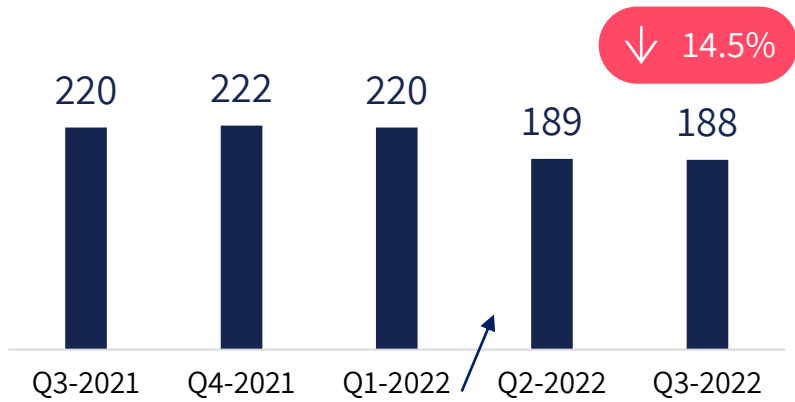
Transmission & Data



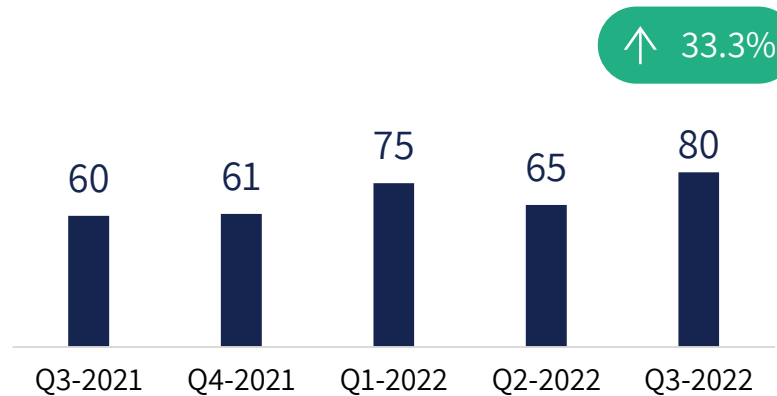
Cloud & Digital



Telephony



Other

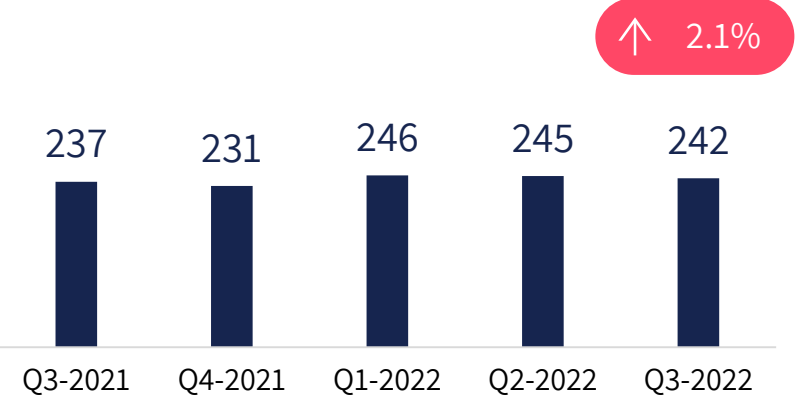


- Continued growth in revenues from the business sector
- Increase in other revenues mainly due to infrastructure development work
- Decrease in telephony revenues mainly due to MOC tariff reduction beginning Q2-22

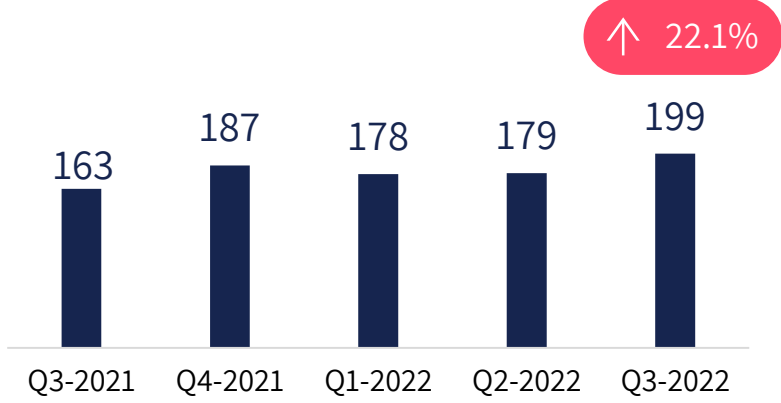


Bezeq Fixed-Line - Expenses Development | NIS millions

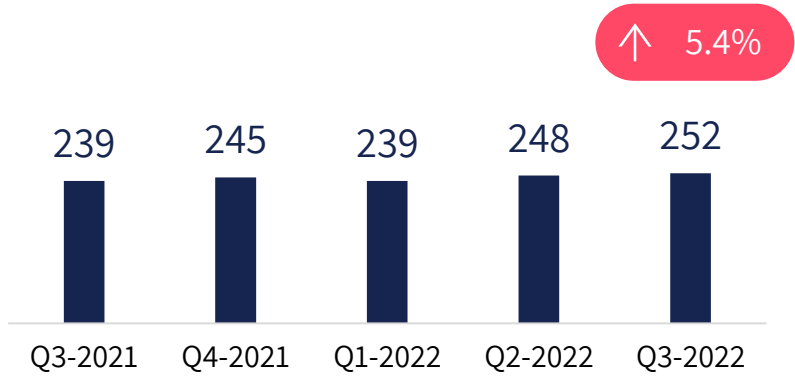
Salaries



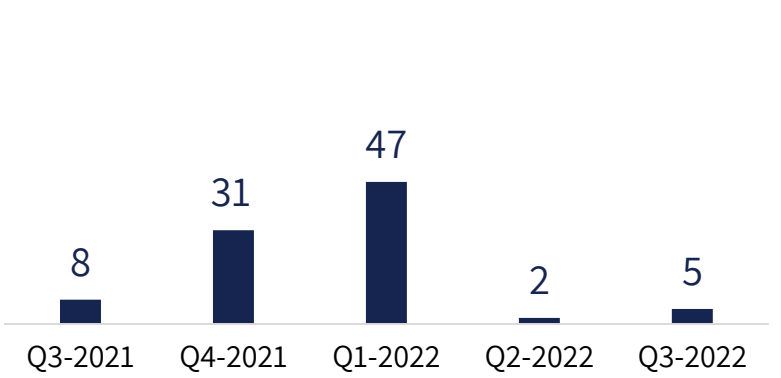
Operating Expenses



Depreciation & Amortization



Other Expenses



- Increase in salaries mainly due to employee recruitment relating to fiber project
- Increase in operating expenses mainly due to higher subcontractor and materials expenses relating to fiber and other infrastructure projects
- Increase in depreciation expenses driven mainly by CapEx increase over previous periods



Bezeq Fixed-Line | Summary



Record fiber take-up of 51k in Q3-22



Growth in broadband revenues offset impact of MOC telephony tariff reduction



Increase in fiber customer penetration with continued wide spread deployment



Growth in business sector driven by increased demand for data and communications solutions



Accelerated fiber deployment combined with increased focus on take-up reflects potential for Bezeq's continued growth in the residential market



Pelephone | Q3-2022 Summary



Sixth consecutive quarter with year-over-year increase in service revenues driven by recovery in roaming revenues, increase in subscribers and growth in 5G subscriber plans



Adjusted EBITDA grew 23% to NIS 205 million and Adjusted Net Profit increased 129% to NIS 55 million



Free cash flow totaled NIS 264 million in the first nine months of 2022



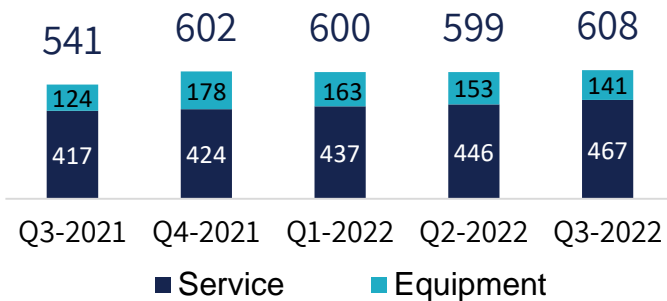
Continued growth in subscribers with 39k net adds in Q3-2022; 753k subscribers* with 5G plans contributing to ARPU



Pelephone - Q3-2022 Financial Highlights | NIS millions

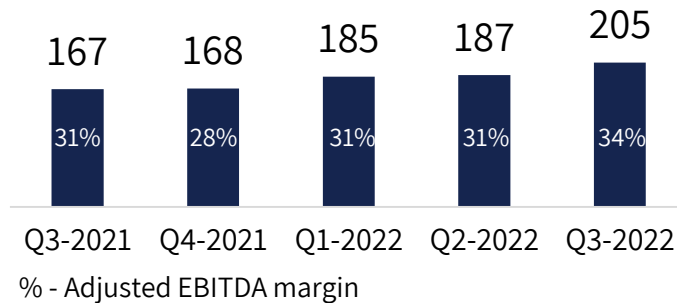
Revenues

↑ 12.4%



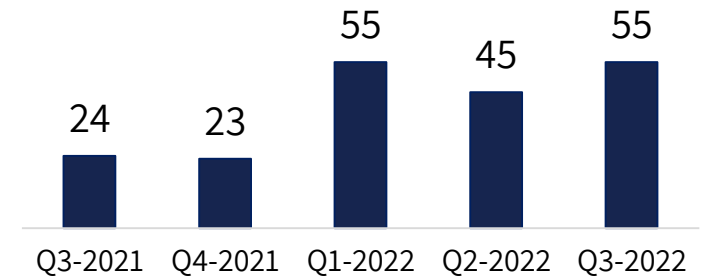
Adjusted EBITDA⁽¹⁾

↑ 22.8%



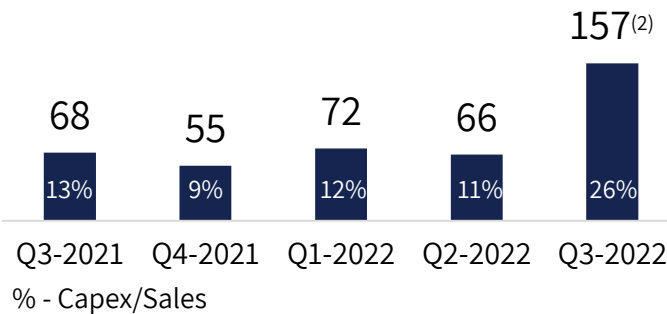
Adjusted Net Profit⁽¹⁾

↑ 129.2%

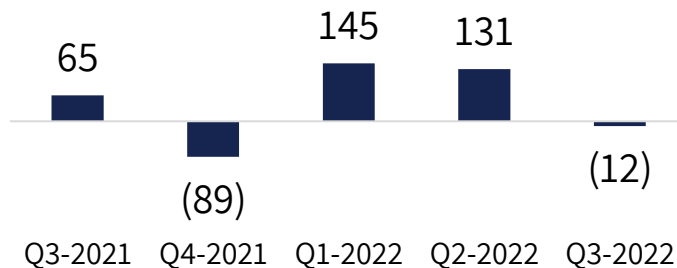


CapEx

↑ 130.9%



Free Cash Flow



- Highest quarterly service revenues in last three years
- Significant improvement in Adjusted EBITDA and Adjusted Net Profit due to a recovery in roaming revenues, an increase in the number of subscribers and growth in 5G subscriber plans
- Free Cash Flow was impacted by timing differences in working capital and an increase in CapEx due to payment of NIS 88 million to the MOC for frequencies

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

(2) Includes payment of NIS 88 million to the MOC for frequencies



Pelephone - 9M-2022 Financial Highlights | NIS millions

Revenues

↑ 7.1%

1,687

1,807

9M-2021

9M-2022

Adjusted EBITDA⁽¹⁾

↑ 24.1%

465

577

9M-2021

9M-2022

% - Adjusted EBITDA margin

28%

32%

Adjusted Net Profit⁽¹⁾

↑ 195.0%

53

155

9M-2021

9M-2022

CapEx

↑ 48.2%

199

295

9M-2021

9M-2022

% - Capex/Sales

12%

16%

Free Cash Flow

↑ 528.6%

42

264

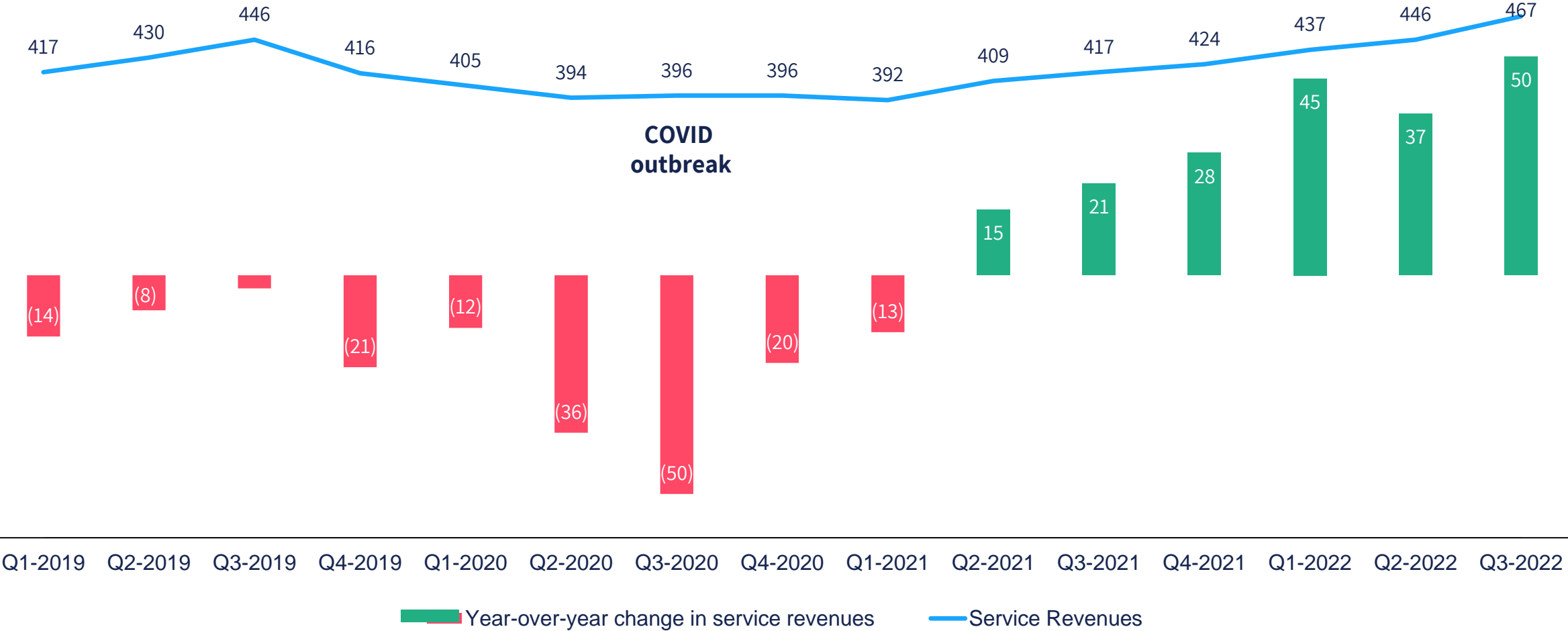
9M-2021

9M-2022

- Service revenue growth, significant improvement in Adjusted EBITDA and Adjusted Net Profit due to a recovery in roaming revenues and growth in 5G subscriber plans
- Free cash flow was positively impacted by timing differences relating to customer debt collection due to employee sanctions in the second half of 2021 as well as improved profitability and working capital



Pelephone - Continued Turnaround in Service Revenues | NIS millions

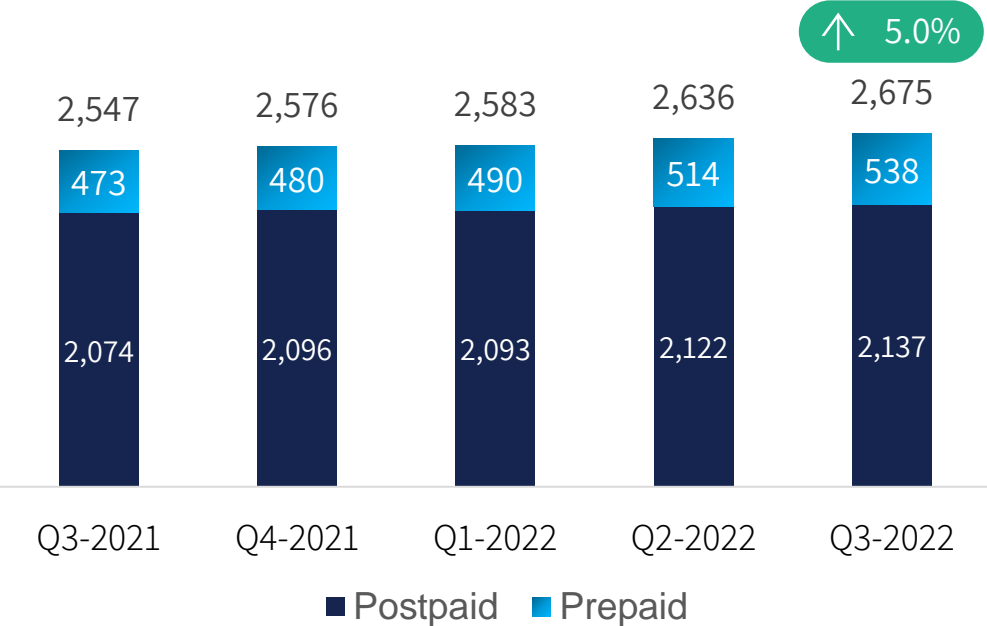


Sixth consecutive quarter with y-o-y increase in service revenues driven by recovery in roaming revenues, increase in subscribers and growth in 5G subscriber plans



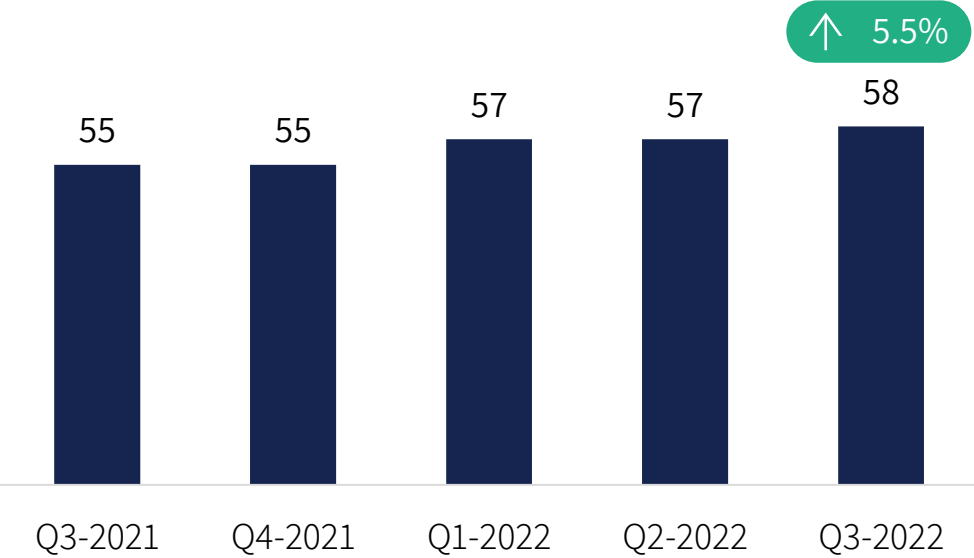
Pelephone | Key Operational Metrics

Subscribers (Thousands)



Net subscriber adds of 39k in Q3 2022, of which 15k were postpaid subscribers

ARPU (NIS)



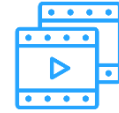
ARPU increase of 5.5% y-o-y due to recovery in roaming revenues and further increase in 5G subscriber plans



yes | Continued subscriber growth and migration to IP



Net subscriber growth of 7.5k in Q3-22, with 12k new subscribers since the beginning of the year; highest quarterly subscriber growth since 2014



Agreement with leading international content providers – Disney+, Discovery+



Stable revenues in 9M-2022



yes continues to lead in production of professional and high quality TV content



yes is now the largest Israeli IPTV operator with 317k customers watching TV through IP broadcasting (55%), of which 103k are STINGTV customers *



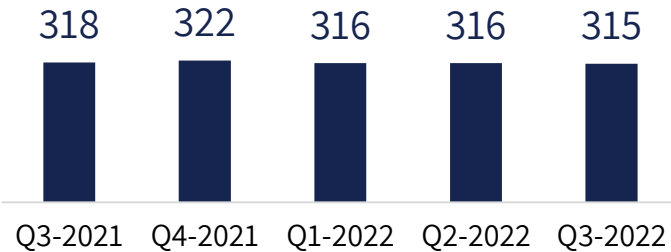
yes launched bundle (“triple”) combining TV + Bezeq fiber



yes - Q3-2022 Financial Highlights | NIS millions

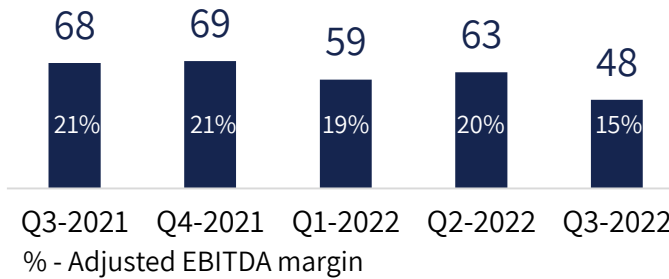
Revenues

↓ 0.9%

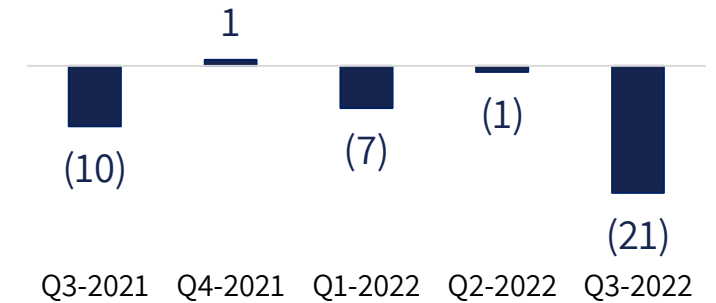


Adjusted EBITDA⁽¹⁾

↓ 29.4%

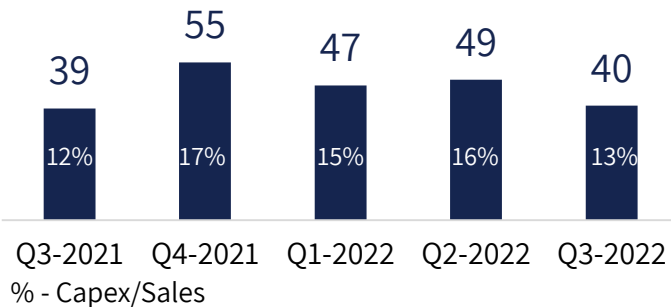


Adjusted Net Profit (Loss)⁽¹⁾

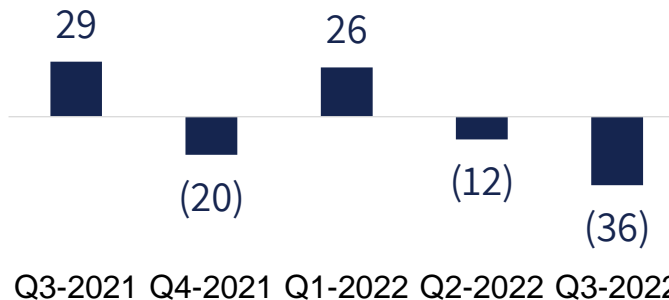


CapEx

↑ 2.6%



Free Cash Flow



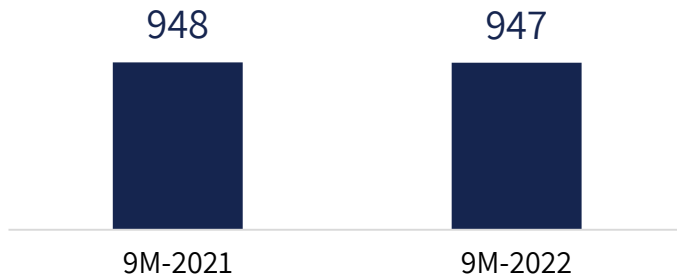
- Stable revenues on slightly lower ARPU due to an increase in STINGTV subscribers
- Decrease in Adjusted EBITDA and Adjusted Net Profit due to an increase in content expenses as well as salary expenses impacted by the collective labor agreement
- Free cash flow was impacted by timing differences and payments for content



yes - 9M-2022 Financial Highlights | NIS millions

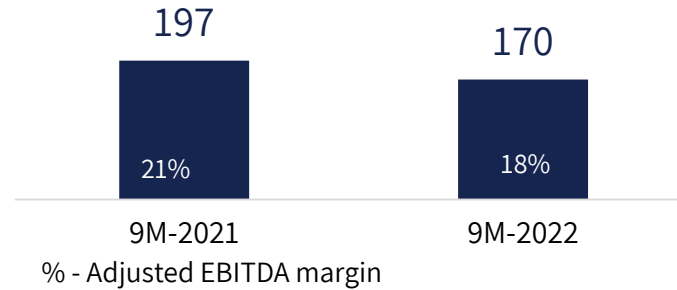
Revenues

↓ 0.1%



Adjusted EBITDA*

↓ 13.7%

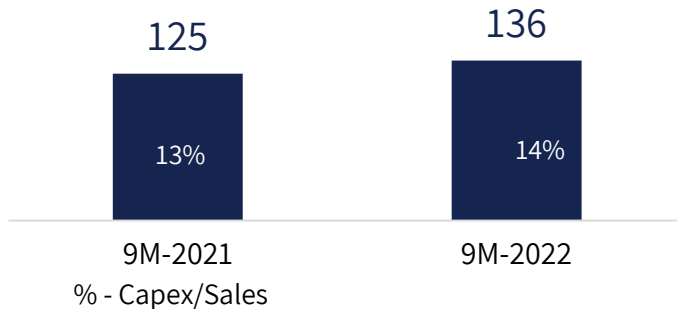


Adjusted Net Loss*

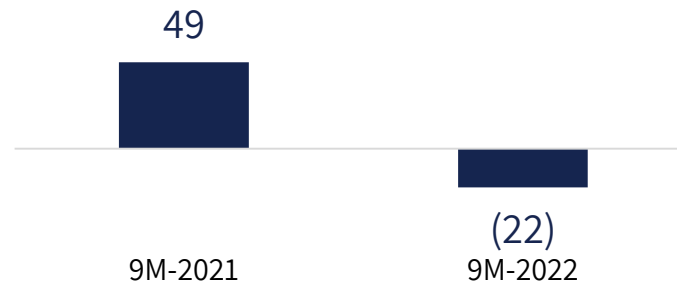


CapEx

↑ 8.8%



Free Cash Flow

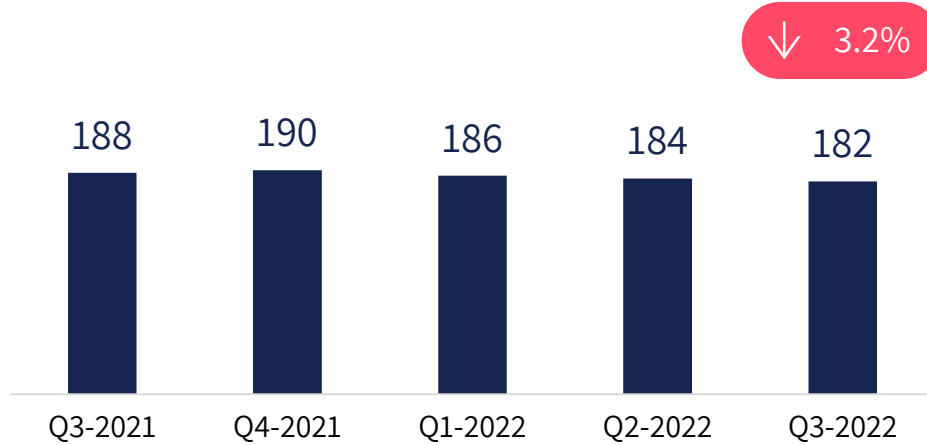


- Stable revenues and Adjusted Net Loss
- Free cash flow in 9M-2022 was impacted by timing differences and payments for content

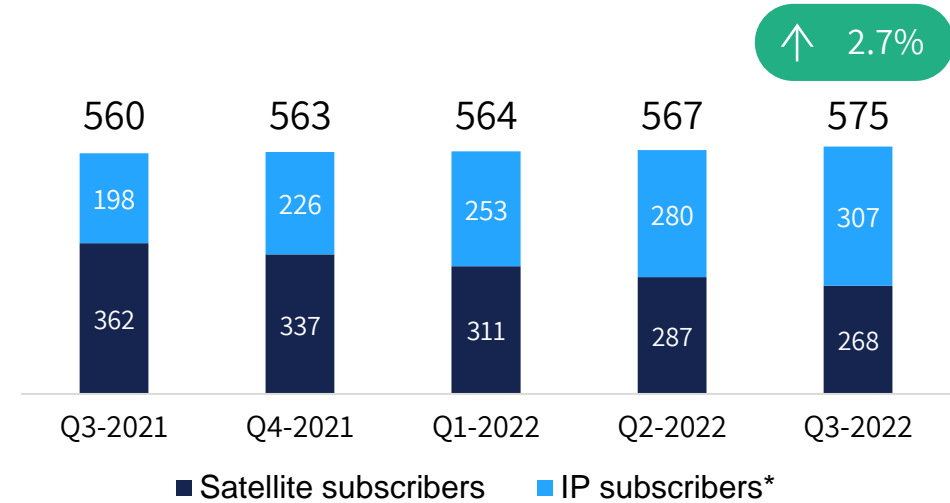


yes | Key Operational Metrics

ARPU (NIS)

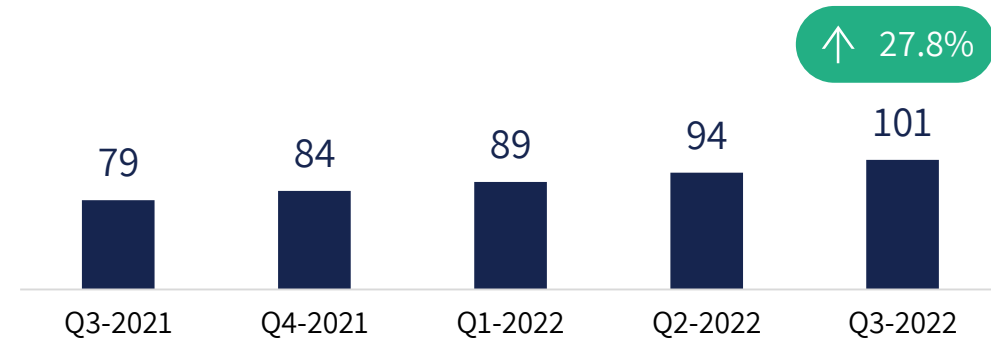


Subscribers (Thousands)



- Net subscriber growth of 7.5k in Q3-22; highest quarterly subscriber growth since 2014
- Moderate decrease in ARPU due to change in subscriber mix with growth in STINGTV subscribers
- 55% of yes subscribers watch IPTV (as of date of report)

STINGTV Subscribers (Thousands)



*IP subscribers - the number of yes subscribers viewing IP broadcasting through the yes+ and STINGTV services. This includes subscribers that use satellite services as well.



Bezeq International | Focus on Business Solutions – A Significant Operator in a Growing Market



Revenues grew 8.4%, Adjusted EBITDA increased 4.0% and Adjusted Net Profit grew 111.1%



Focus on expansion of ICT activities for B2B market



Growth in cloud solutions among other, following CloudEdge acquisition, and in service contracts



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



Focus on expansion of ICT activities for B2B market



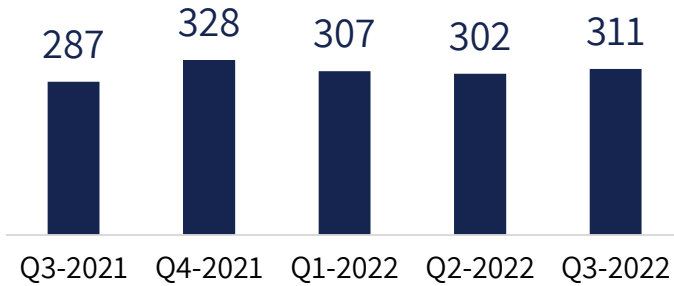
Agreement reached with labor union for voluntary retirement of employees to result in significant cost savings



Bezeq International - Q3-2022 Financial Highlights | NIS millions

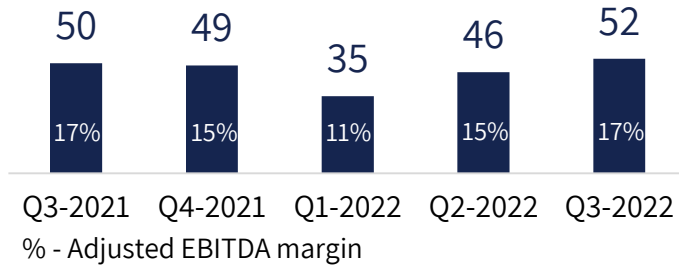
Revenues

↑ 8.4%



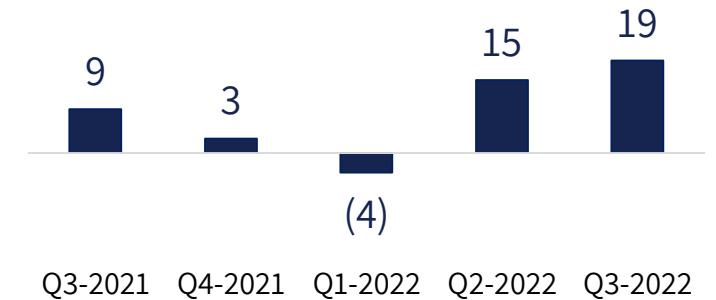
Adjusted EBITDA*

↑ 4.0%



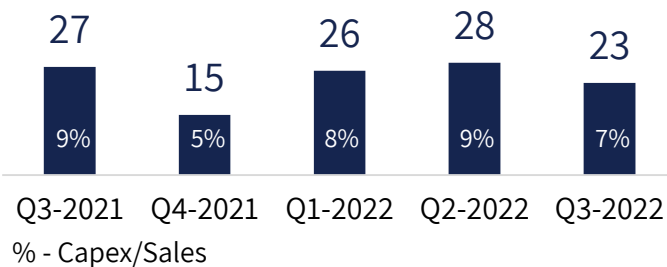
Adjusted Net Profit (Loss)*

↑ 111.1%

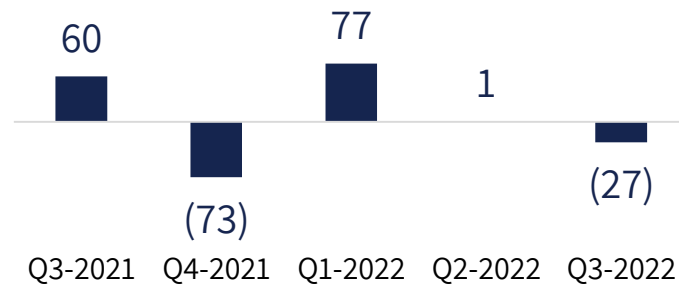


CapEx

↓ 14.8%



Free Cash Flow

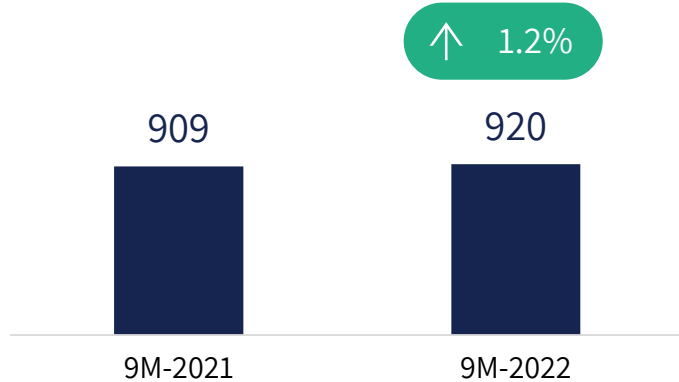


- Revenues increased due to growth in business services driven by increased activity in cloud and integration services
- Improvement in Adjusted Net Profit mainly due to lower depreciation and amortization expenses
- Free cash flow was impacted by timing differences in working capital

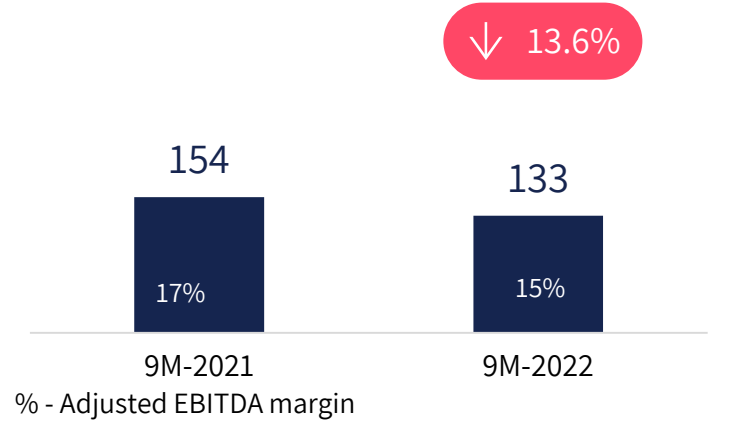


Bezeq International - 9M-2022 Financial Highlights | NIS millions

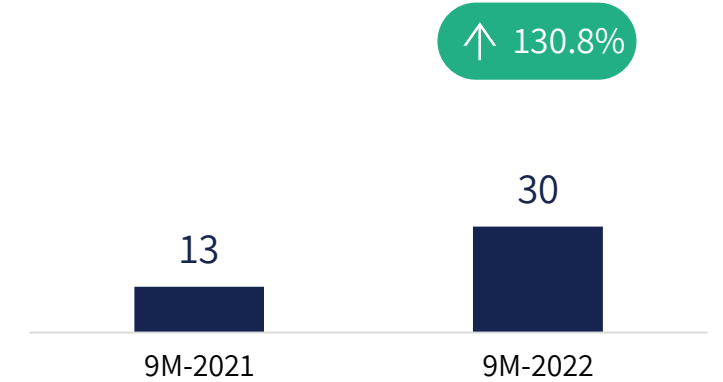
Revenues



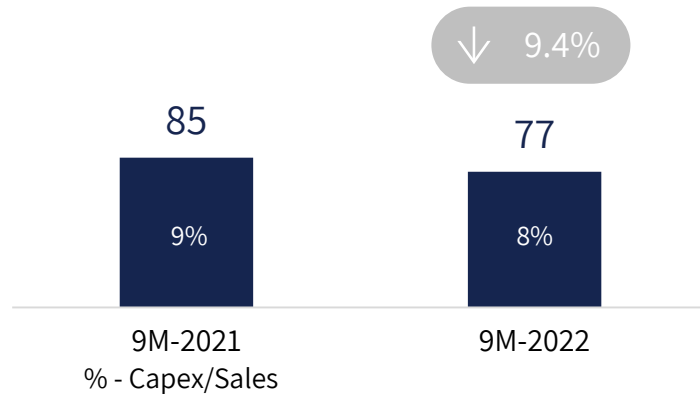
Adjusted EBITDA*



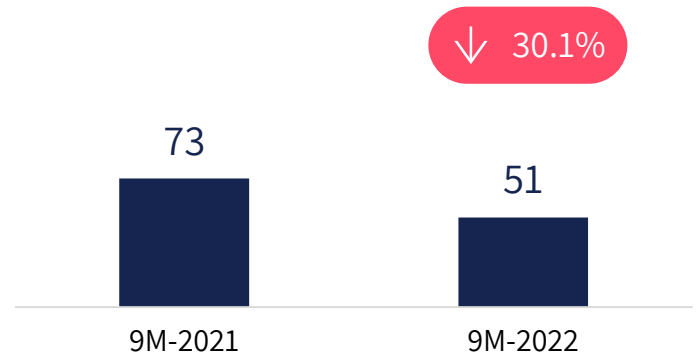
Adjusted Net Profit*



CapEx



Free Cash Flow



- Increase in revenues due to growth in revenues from business services and equipment
- Improvement in Adjusted Net Profit mainly due to lower depreciation and amortization expenses
- Free cash flow was impacted by timing differences in working capital



Bezeq Group | Key Takeaways



Record take up of fiber customers and continued growth in retail broadband ARPU



Subscriber growth in Telephone and yes



Roaming recovery and continued growth in 5G plans contributed to higher ARPU and significant improvement in Telephone financials



Revenue growth of 12% in Telephone and 5% in Bezeq Fixed-Line



yes launched TV + Bezeq fiber bundle



Continued decrease in net debt, combined with dividend distributions



Continued focus and improvement in ESG



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





Thank You!

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