



Bezeq Group
Q2-2024
Investor
Presentation

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Bezeq Group | Q2-2024 Summary



Continued growth in strategic drivers – 64% increase in fiber take-up, 6% in retail broadband ARPU and 28% in 5G subscriber plans



Adj. EBITDA decreased 7.8% to NIS 910 million, mainly due to lower telephony revenues due to the MOC telephony reform, timing of infrastructure projects and lower roaming revenues impacted by the war



Fiber network homes passed reached 2.36m with 716k take-up (30%)⁽¹⁾



Bezeq's board of directors recommended a semi-annual dividend distribution of NIS 407 million, NIS 0.15 per share



Launch of electricity supply activities and JV with Powergen



Regulatory developments including MOC updates on wholesale market, universal fund, shutting down of copper network and structural separation



Bezeq was awarded a “Platinum” rating for the first time by Maala ESG rating agency



Bezeq Group is executing on its strategy while focusing on growth and free cash flow increase

All results are compared to Q2-2023 unless otherwise stated

⁽¹⁾ Retail and wholesale, as of reporting date



Bezeq Group | Q2-2024 Summary

Core Revenues⁽¹⁾

NIS **1.9** billion

↓ 0.9%

Adj. EBITDA⁽²⁾

NIS **910** million

Adjusted EBITDA margin of **41.5%**

↓ 7.8%

Adj. Net Profit⁽²⁾

NIS **292** million

↓ 17.5%

Free Cash Flow

NIS **178** million

↓ 25.2%

Decrease in Net Debt

NIS **395** million

↓ 7.3%

⁽¹⁾ Total Group revenues excluding Bezeq Fixed-Line telephony revenues, Pelephone interconnect fees and Bezeq International consumer revenues

⁽²⁾ 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 | Q2-2024 Summary (Cont'd)



Fiber Net Adds

59k

(retail and wholesale)⁽²⁾

Fiber Subscribers

716k⁽¹⁾

(retail and wholesale)

Retail Broadband ARPU

NIS **129**

↑ 5.7%

Homes Passed

2.36 million⁽¹⁾



Cellular subscribers

2.62 million

↑ 0.8%

5G subscriber plans

1.2m⁽¹⁾

(52% of postpaid subscribers)

15k

Net postpaid
subscriber adds⁽²⁾

Cellular ARPU⁽³⁾

NIS **44**

↓ 2.2%

Cellular Service Revenues⁽³⁾

NIS **348** million

↓ 0.6%

yes.

Revenues

NIS **316** million

↓ 6.0%

TV subscribers

567k

80% IP subscribers⁽¹⁾

TV ARPU

NIS **174**

↓ 5.9%

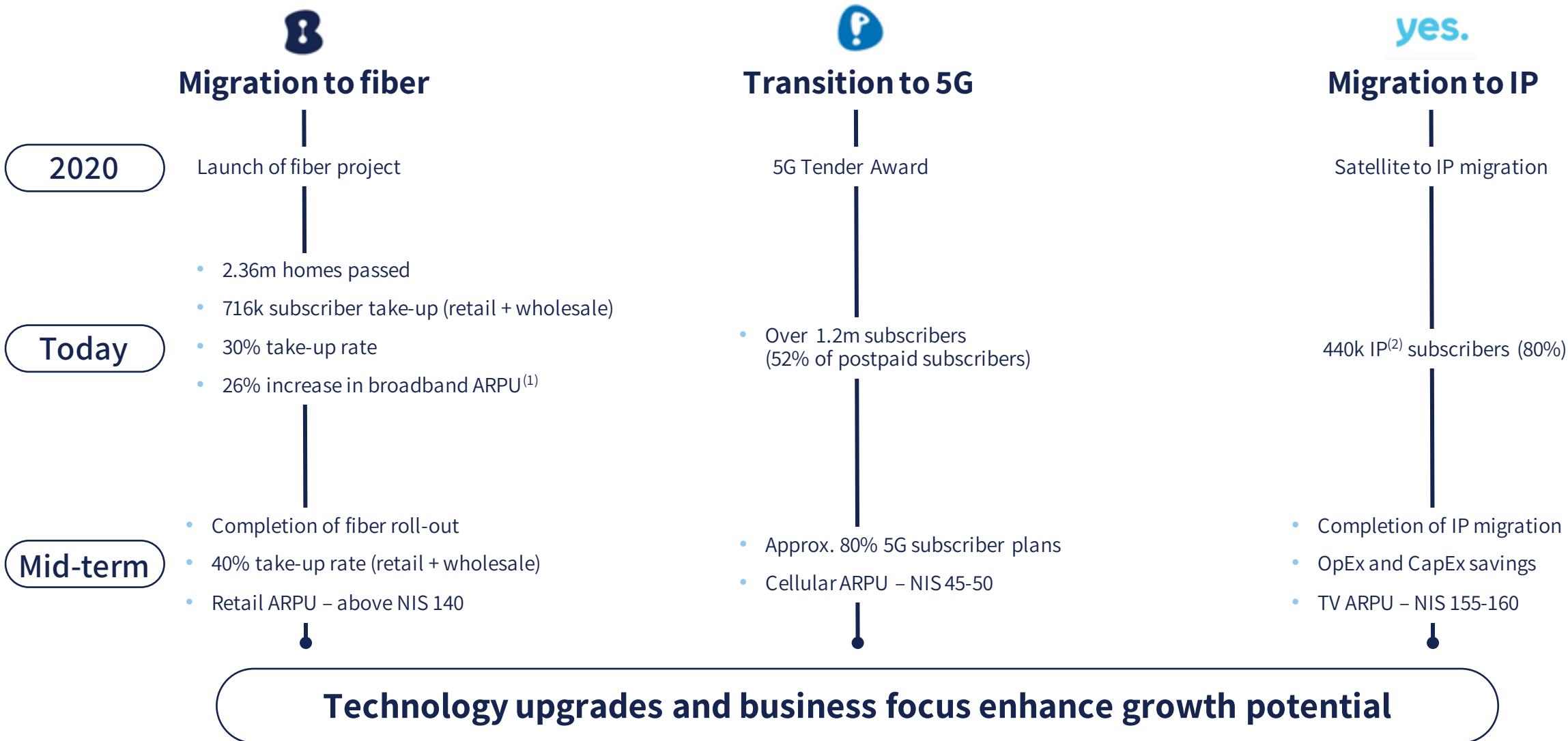
⁽¹⁾ As of reporting date

⁽²⁾ Compared to Q1-2024

⁽³⁾ Unless otherwise stated, Telephonerevenues and ARPU in this presentation are excl. interconnect fees



Bezeq's Compass | Technological & Business Roadmap



6 ⁽¹⁾ As compared to Q4-2020

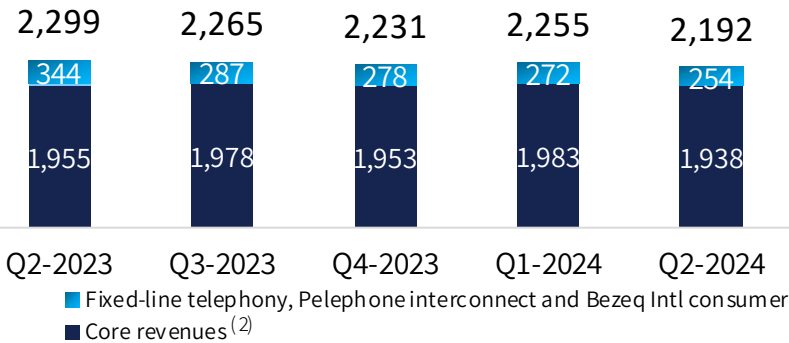
⁽²⁾ IP subscribers - the number of yes subscribers viewing IP broadcasting through the yes+ and STINGTV services. This includes subscribers that use satellite services as well



Bezeq Group | Q2-2024 Key Financial Highlights | NIS million

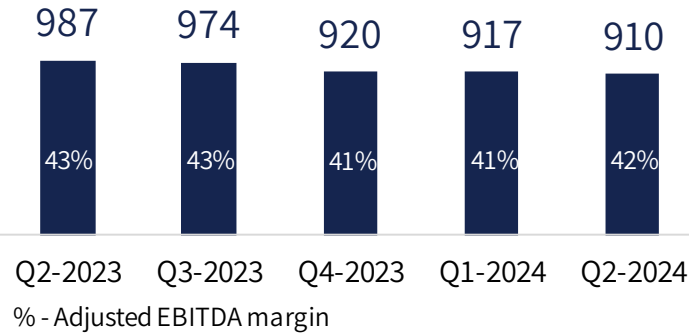
Revenues

↓ 0.9%⁽³⁾



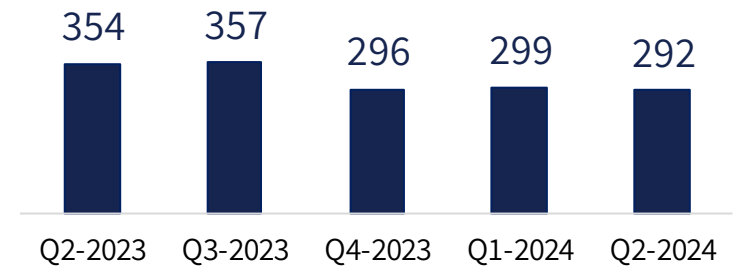
Adjusted EBITDA⁽¹⁾

↓ 7.8%



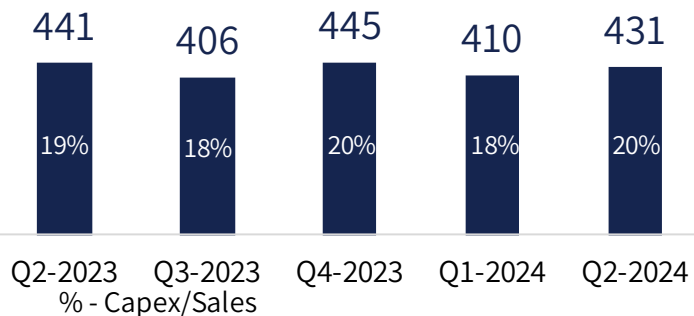
Adjusted Net Profit⁽¹⁾

↓ 17.5%



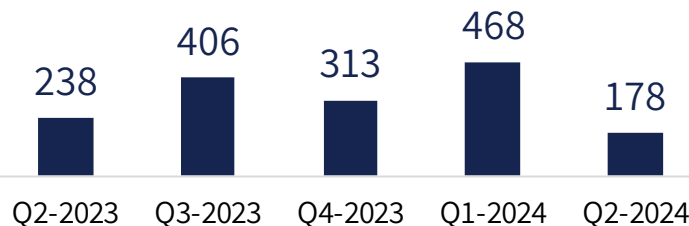
CapEx

↓ 2.3%



Free Cash Flow

↓ 25.2%



- Core revenues decreased 0.9%⁽²⁾ primarily due to decrease in revenues from infrastructure projects in Bezeq Fixed-Line and lower roaming revenues impacted by the war
- Adj. EBITDA and Adj. Net Profit were impacted by lower telephony revenues, timing of infrastructure projects and the impact of the war – lower Pelephone roaming revenues and non-billing of customers in the line of conflict mainly in Bezeq Fixed-Line and yes
- Free cash flow was impacted by timing differences in working capital, including a tax refund received in the corresponding quarter

7 ⁽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⁾ Total Group revenues exc. Bezeq Fixed-Line telephony revenues, Pelephone interconnect fees and Bezeq International consumer revenues

⁽³⁾ % change in core revenues



Bezeq Group | H1-2024 Key Financial Highlights | NIS million

Revenues

↑ 0.6%⁽³⁾



H1-2023 H1-2024

■ Fixed-line telephony, Pelephone interconnect and Bezeq Intl consumer
■ Core revenues⁽²⁾

Adjusted EBITDA⁽¹⁾

↓ 5.0%



H1-2023 H1-2024

% - Adjusted EBITDA margin

Adjusted Net Profit⁽¹⁾

↓ 12.4%



H1-2023 H1-2024

CapEx

↓ 1.9%



H1-2023 H1-2024

% - Capex/Sales

Free Cash Flow

↑ 10.8%



H1-2023 H1-2024

- Core revenues increased 0.6%⁽²⁾ year-over-year
- Adj. EBITDA and Adj. Net Profit were impacted by lower telephony revenues, timing of infrastructure projects and the impact of the war – lower Pelephone roaming revenues and non-billing of customers in the line of conflict mainly in Bezeq Fixed-Line and yes
- Free cash flow was positively impacted by timing differences in working capital. Free cash flow in the last twelve months was approx. NIS 1.4 billion

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

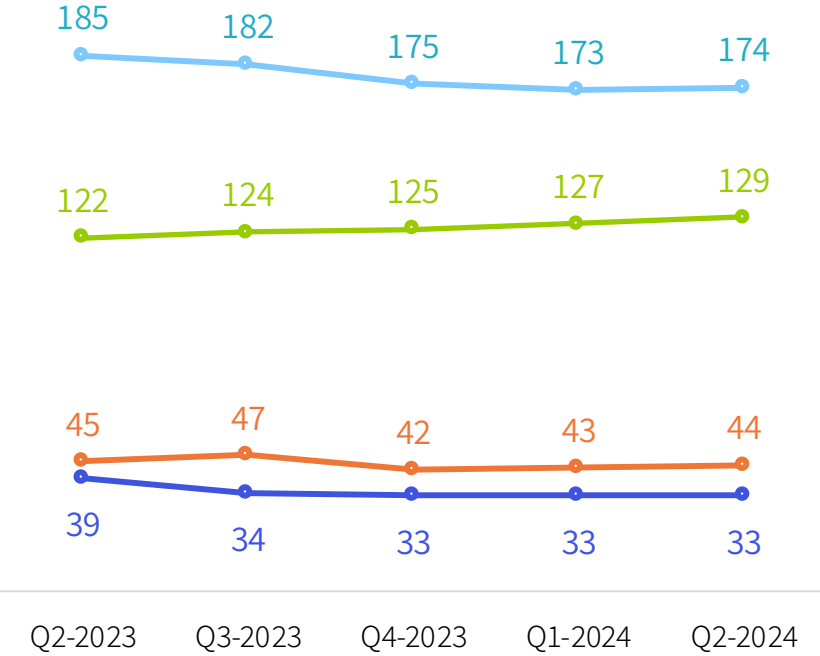
⁽²⁾ Total Group revenues exc. Bezeq Fixed-Line telephony revenues, Pelephone interconnect fees and Bezeq International consumer revenues

⁽³⁾ % change in core revenues



Bezeq Group | Key Operational Metrics

ARPU (NIS)

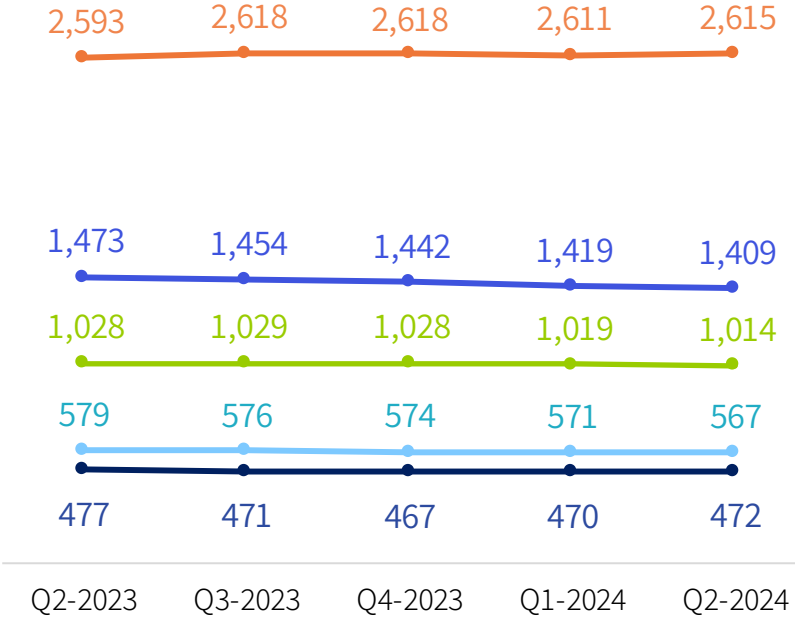


6% Y-o-Y increase in retail broadband ARPU

Telephony ARPL decreased due to second tranche of MOC tariff reductions

TV ARPU decreased mainly due to war impact and change in subscriber mix

Subscribers (end of period, in thousands)



Continued increase in cellular subscribers

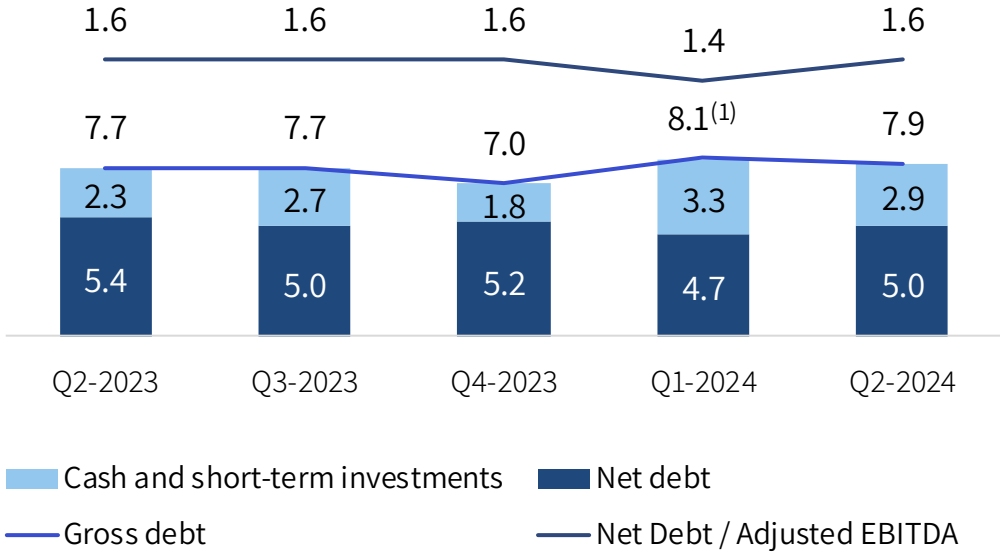
Moderate decrease in TV subscribers

Lower retail broadband subscribers due to decrease in copper subscribers



Bezeq Group | Financial Debt

Financial Debt (NIS billion)



The Group maintains its high credit rating, while upgrading within the AA group

Decrease in net debt

- Decrease of NIS 395 million, or 7% y-o-y to NIS 5 billion

Net debt/Adjusted EBITDA ratio – 1.6

Debt ratings

Rating Agency	Rating	Outlook
S&P Global Maalot	ilAA	Stable
Midroog	Aa2.il	Stable

⁽¹⁾ The increase in gross debt and cash balances in Q1-2024 was due to debt raised in the first quarter of the year to cover Bezeq’s financing needs in FY 2024



Bezeq Fixed-Line | Q2-2024 Summary



Fixed-Line core revenues⁽¹⁾ decreased 1.8% to NIS 937 million, mainly due to lower revenues from infrastructure projects, partially offset by higher revenues from broadband services and transmission and data communications



Adj. EBITDA decreased 7% and Adj. Net Profit decreased 12%, primarily due to lower revenues



5.7% growth in retail broadband ARPU, reaching NIS 129



Fiber network homes passed reached 2.36m with 716k take-up (30%)⁽²⁾



Continued fiber take-up with net adds of 59k⁽³⁾: 35k retail and 24k wholesale



Launch of electricity supply activities and JV with Powergen



⁽¹⁾ Total Fixed-Line revenues excluding telephony revenues

⁽²⁾ Retail and wholesale, as of reporting date

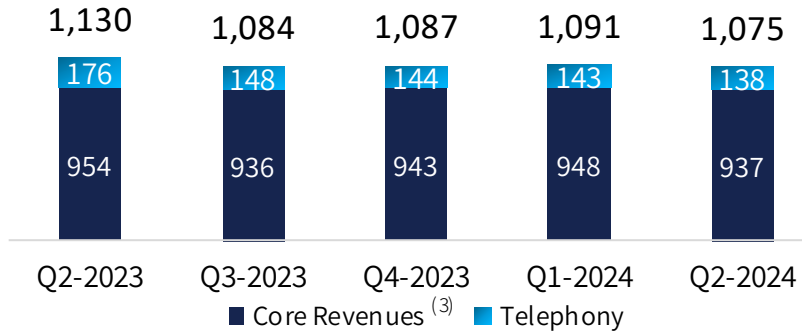
⁽³⁾ Compared to Q1-2024



Bezeq Fixed-Line | Q2-2024 Key Financial Highlights | NIS million

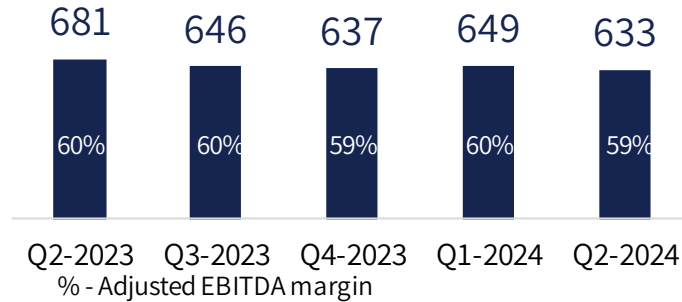
Revenues

↓ 1.8% ⁽²⁾



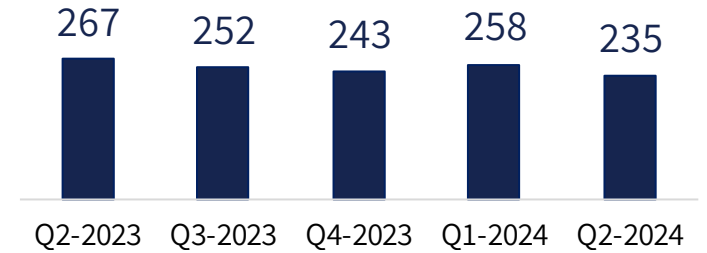
Adjusted EBITDA ⁽¹⁾

↓ 7.0%



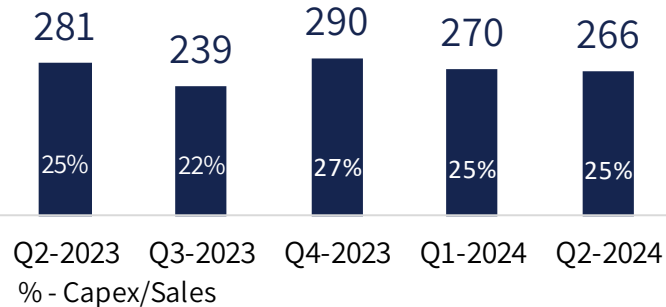
Adjusted Net Profit ⁽¹⁾

↓ 12.0%



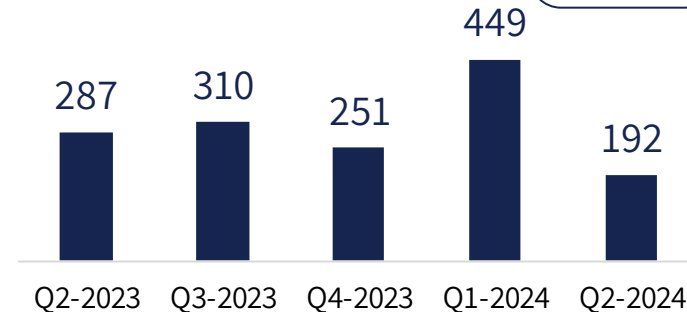
CapEx

↓ 5.3%



Free Cash Flow

↓ 33.1%



- Revenues were impacted by the second tranche of the MOC telephony tariff reduction in July 2023 as well as lower revenues from infrastructure projects, partially offset by higher revenues from broadband services and transmission and data communications
- Free cash flow was impacted by timing differences in working capital - mainly a tax refund received in the corresponding quarter, as well as lower EBITDA

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

⁽²⁾ % change in core revenues

⁽³⁾ Fixed-line revenues excluding telephony revenues



Bezeq Fixed-Line | H1-2024 Key Financial Highlights | NIS million

Revenues

↑ 0.1% ⁽²⁾



H1-2023 H1-2024

■ Core Revenues⁽³⁾ ■ Telephony

Adjusted EBITDA ⁽¹⁾

↓ 4.0%



H1-2023 H1-2024

% - Adjusted EBITDA margin

Adjusted Net Profit ⁽¹⁾

↓ 5.4%



H1-2023 H1-2024

CapEx

↓ 9.6%



H1-2023 H1-2024

% - Capex/Sales

Free Cash Flow

↑ 12.1%



H1-2023 H1-2024

- Stable core revenues due to higher revenues from broadband services and transmission and data communications, partially offset by lower infrastructure revenues and lower traffic revenues from ISP companies
- Increase in free cash flow primarily due to timing differences in working capital and lower EBITDA

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

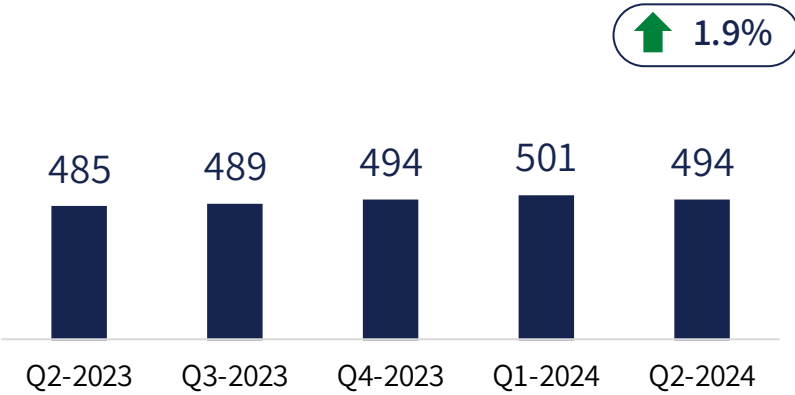
⁽²⁾ % change in core revenues

⁽³⁾ Fixed-line revenues excluding telephony revenues

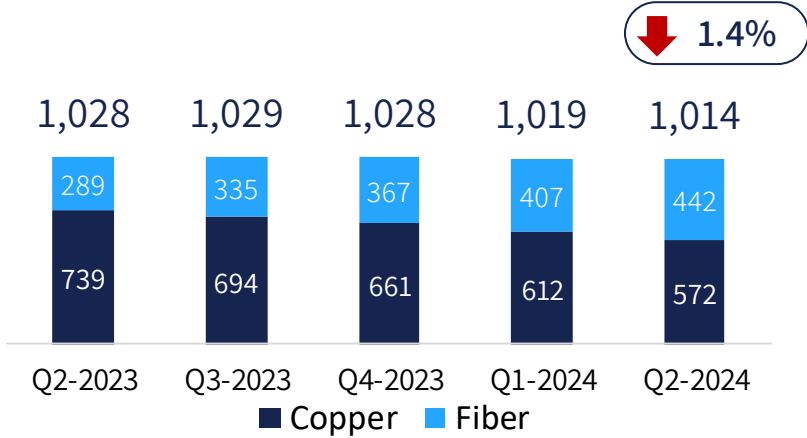


Bezeq Fixed-Line | Q2-2024 Broadband Internet

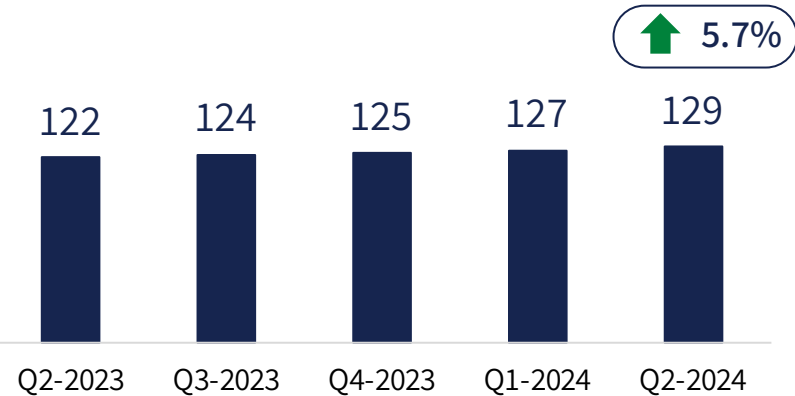
Broadband Revenues (NIS m)



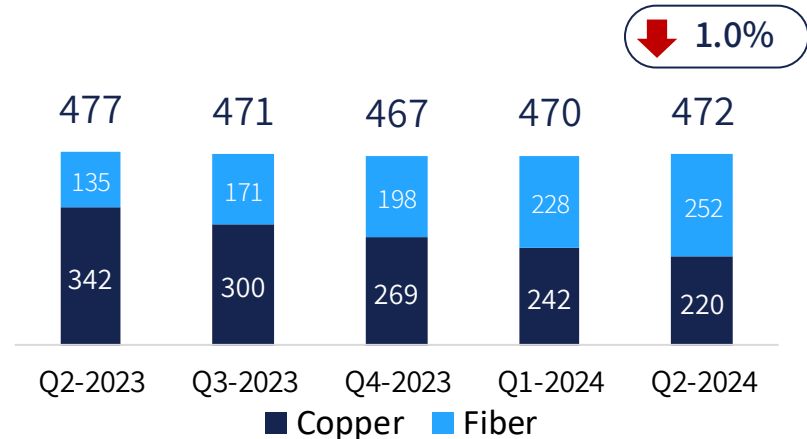
Retail Broadband Lines (Thousands)



Retail ARPU (NIS)



Wholesale Broadband Lines (Thousands)

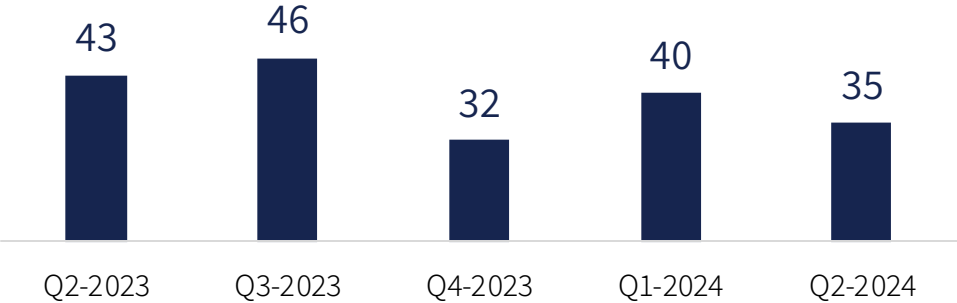


- Continued increase in fiber take-up
- Continued growth in broadband retail ARPU, positively impacted by fiber net adds
- Moderate growth in revenues from broadband services due to a decrease in wholesale tariffs for use of the passive network

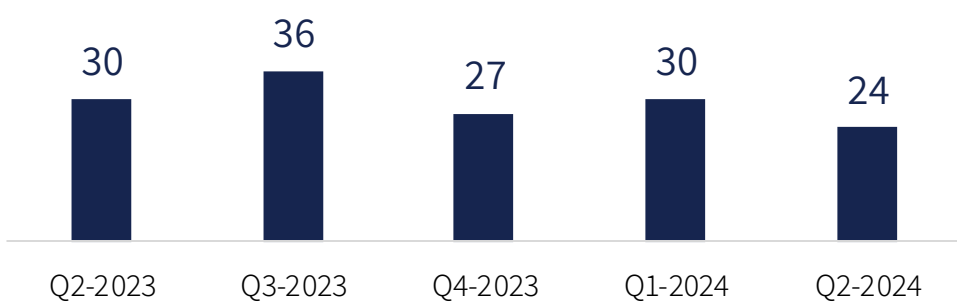


Bezeq Fixed-Line | Fiber Take-Up – Retail and Wholesale

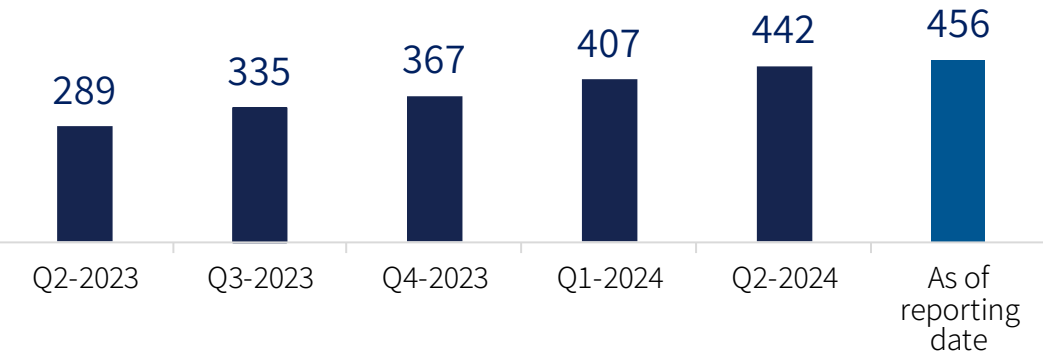
Retail Fiber – Net Adds (Thousands)



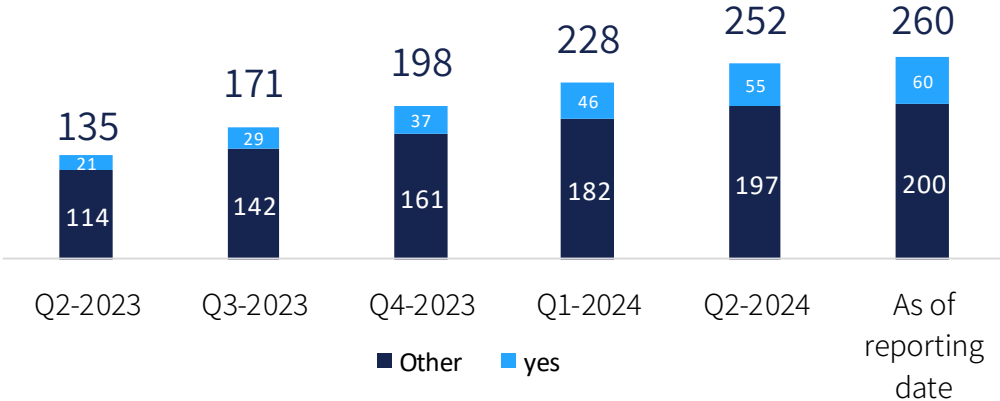
Wholesale Fiber – Net Adds (Thousands)



Total Retail Fiber Take-Up (Thousands)



Total Wholesale Fiber Take-Up (Thousands)



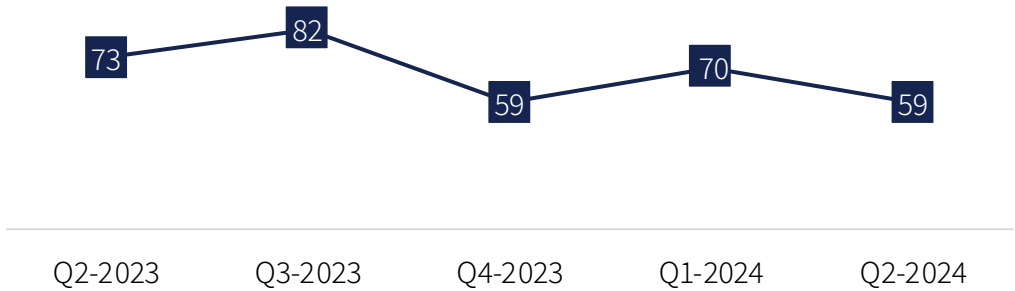
Fiber subscribers represent 44% of total retail subscribers

87% y-o-y increase in wholesale take-up

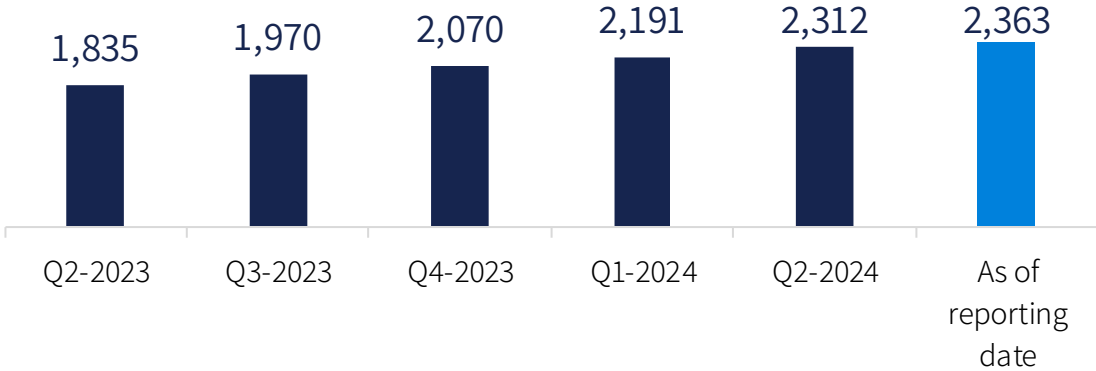


Bezeq Fixed-Line | Continued Fiber Deployment and Take-Up Focus

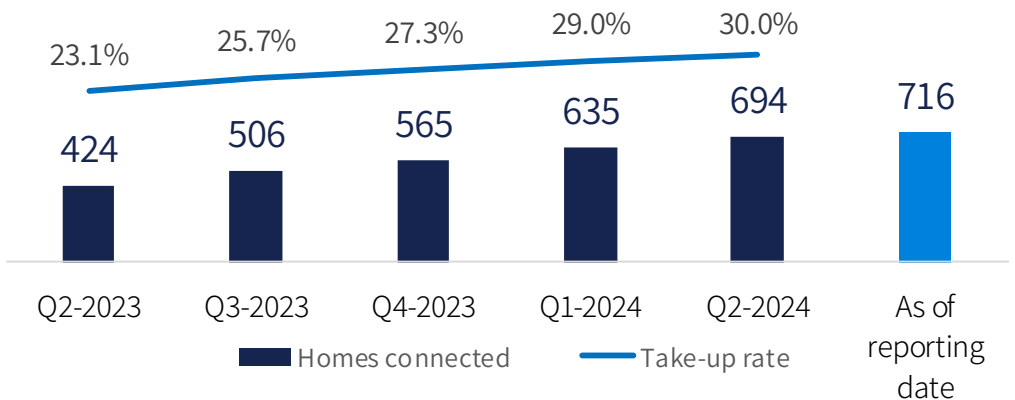
Total Fiber Net Adds (thousands, Retail and Wholesale)



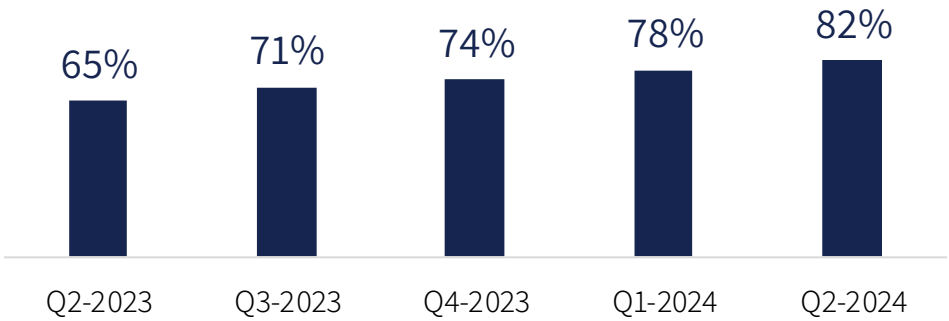
Homes Passed (thousands)



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



Customers with Unified Broadband Service (% of total retail customers)



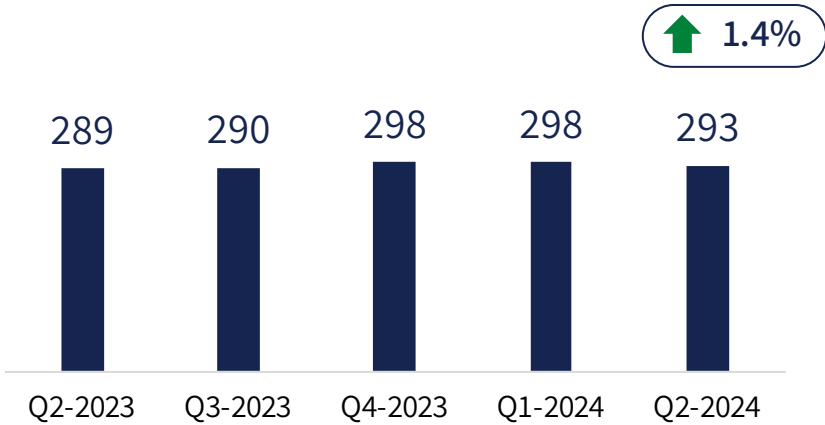
Over 700k active subscribers on Bezeq's fiber network

Over 2.3m homes passed

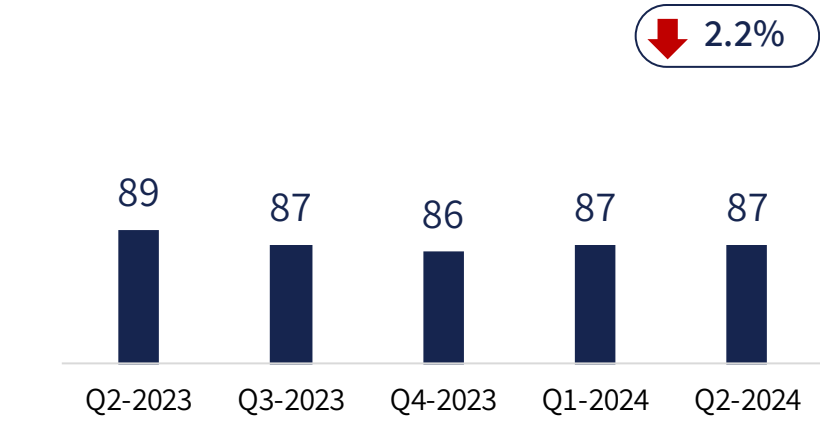


Bezeq Fixed-Line | Data, Telephony, Cloud & Digital Revenues | NIS million

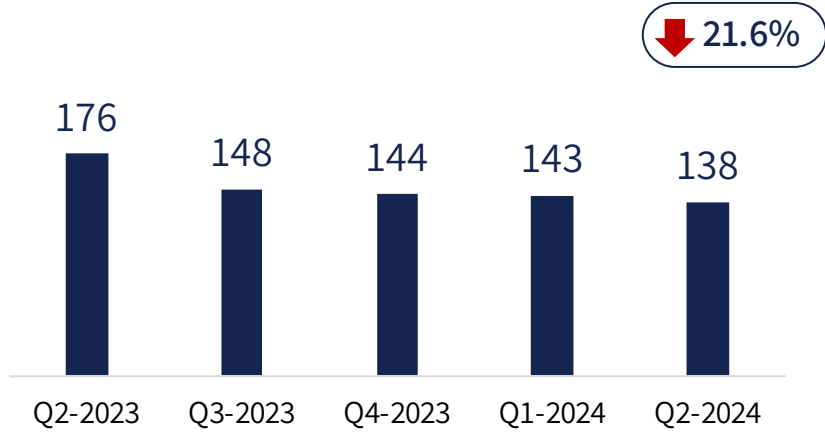
Transmission & Data



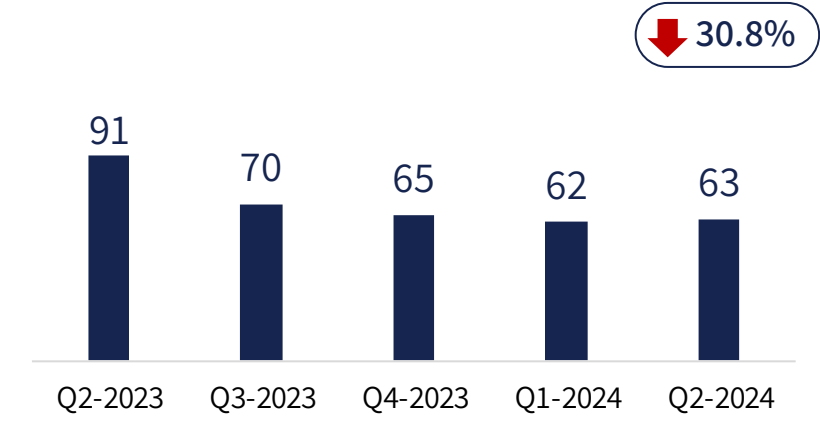
Cloud & Digital



Telephony



Other

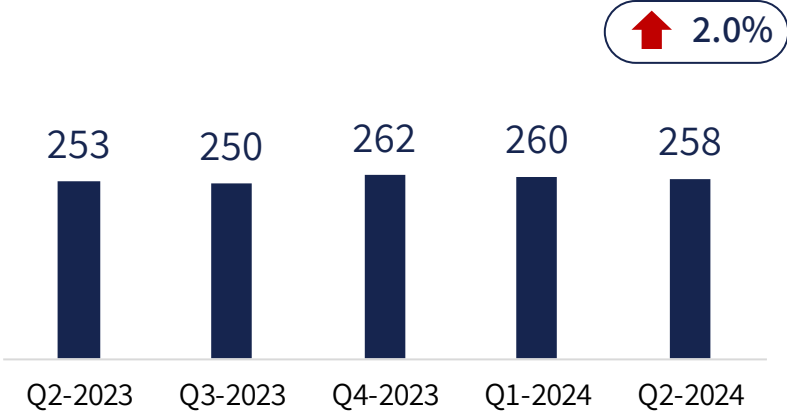


- Continued growth in revenues from transmission and data communications, partially offset by a decrease in traffic revenues from ISP companies
- Telephony revenues, which represented 13% of total Fixed-Line revenues in Q2-24, were impacted by the second tranche of the MOC telephony reform in July 2023
- Other revenues were impacted by unusually high revenues in the corresponding quarter due to the completion of various infrastructure projects, including Bezeq's part in the Blue-Raman submarine cable, among others

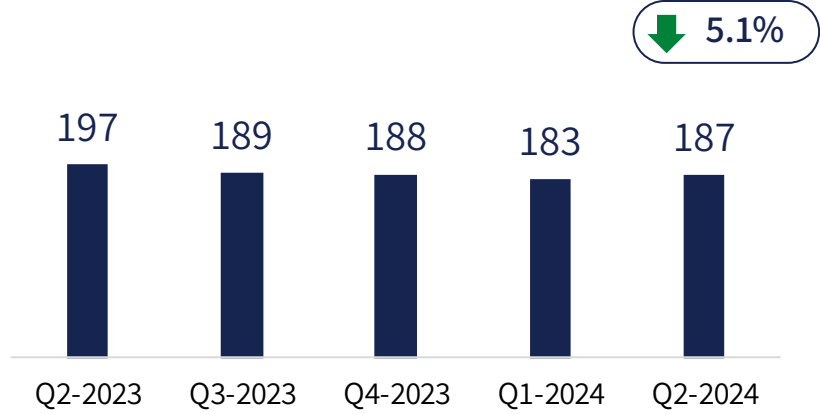


Bezeq Fixed-Line | Operating Expenses | NIS million

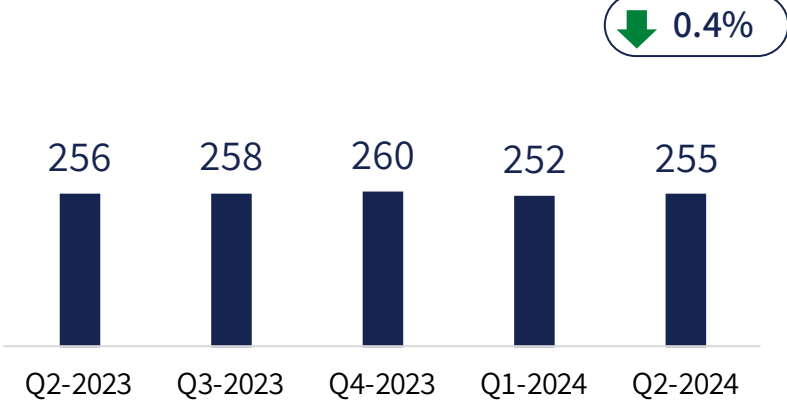
Salaries



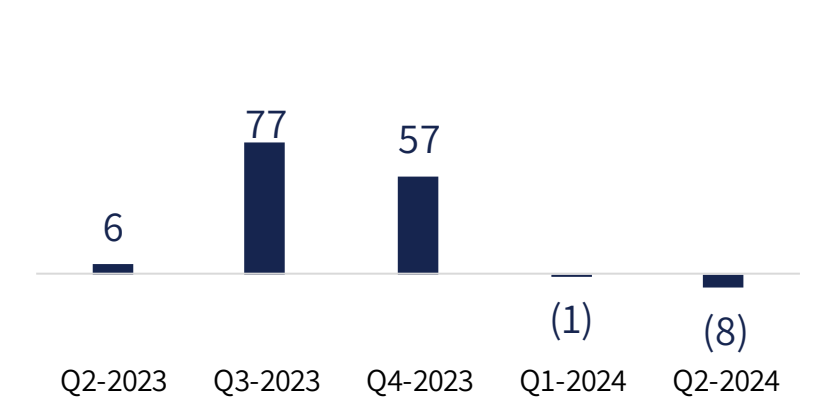
Operating Expenses



Depreciation & Amortization



Other Expenses (Income)



- Higher salary expenses due to salary adjustments and employee recruitment, partially offset by employee retirement and reimbursement received from National Insurance for employees in military reserve duty
- Operating expenses were impacted by lower sub-contractor expenses related to fiber deployment and infrastructure projects, as well as lower interconnect fees, partially offset by higher advertising expenses
- Other expenses (income) were impacted by higher capital gains from the sale of real estate and lower provisions for legal claims



Pelephone | Q2-2024 Summary



Revenues (exc. interconnect fees) increased 1.2% to NIS 489 million, despite the impact of the war on roaming revenues. Increase in ARPU from cellular plans and higher revenues from equipment



Free cash flow totaled NIS 27 million, compared to negative free cash flow of NIS 33 million in Q2-2023



Adjusted EBITDA rose 2.1% to NIS 191 million



ARPU was NIS 44, an increase of NIS 1 Q-o-Q and a decrease of NIS 1 Y-o-Y. Second consecutive quarter of ARPU increase



5G subscriber plans grew by 60k reaching 1.2 million (52% of postpaid subscribers)⁽¹⁾, alongside growth of 15k in postpaid subscribers⁽²⁾



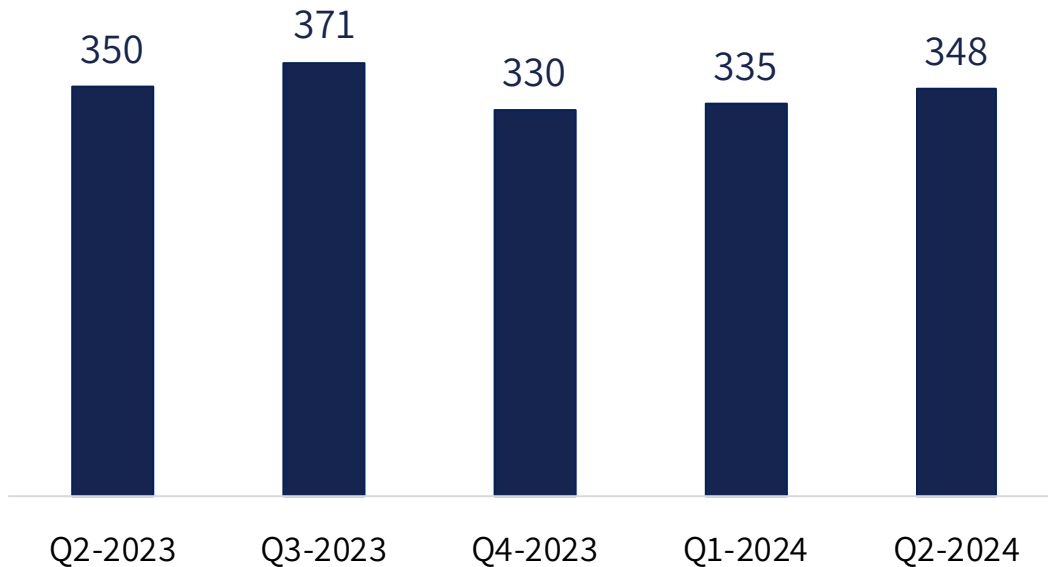
Stable revenues from services and ARPU and increase in Adj. EBITDA, despite impact of war on roaming services



Pelephone | Service Revenues and 5G Subscriber Plans

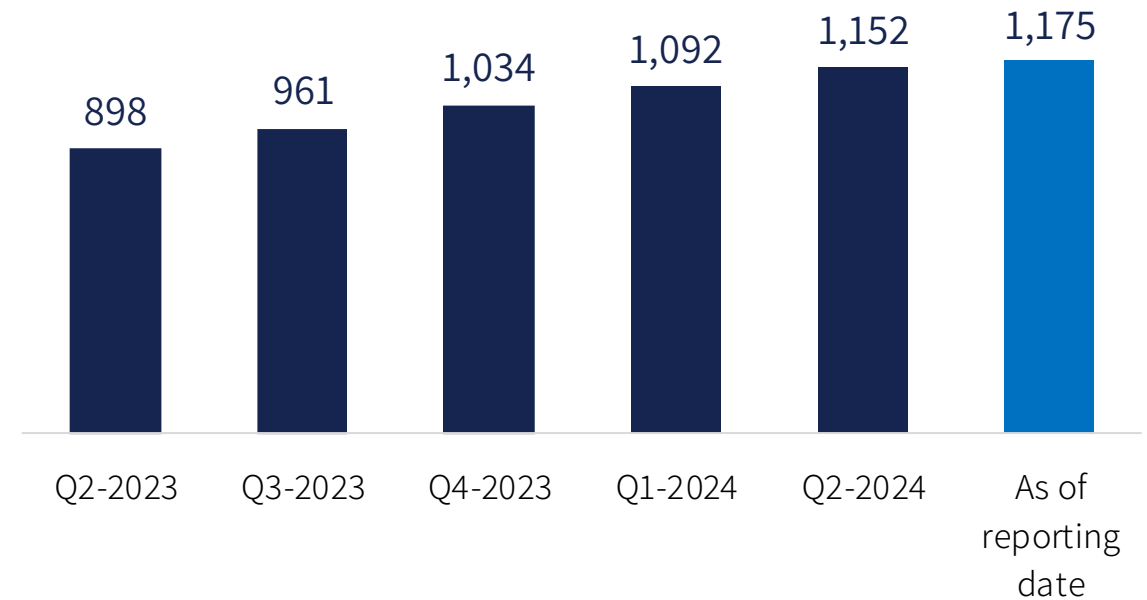
Revenues from Services (NIS Million)

↓ 0.6%



Subscribers on 5G Plans (Thousands)

↑ 28.3%



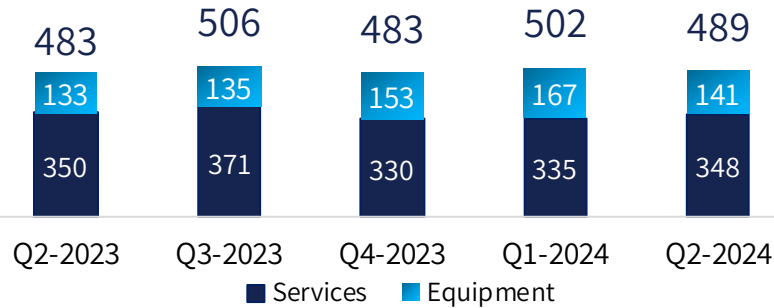
Subscribers on 5G plans represent 45% of total subscribers and 52% of postpaid subscribers



Pelephone | Q2-2024 Key Financial Highlights | NIS million

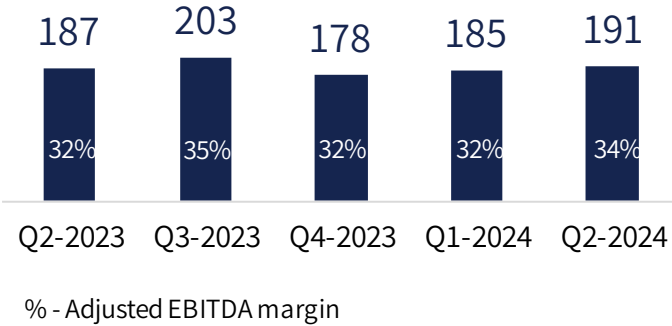
Revenues

↑ 1.2%



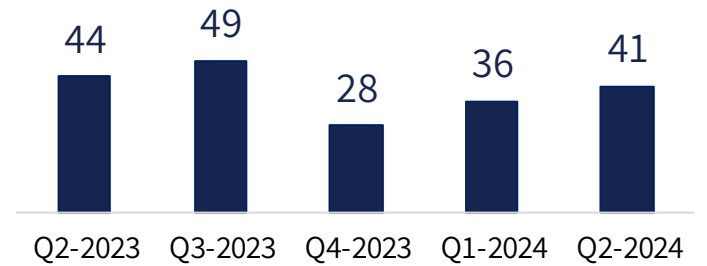
Adjusted EBITDA ⁽¹⁾

↑ 2.1%



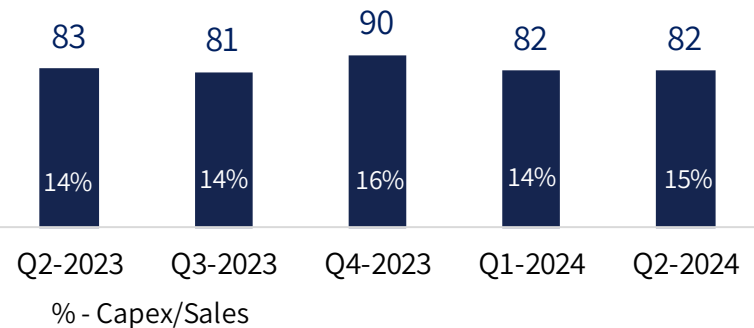
Adjusted Net Profit ⁽¹⁾

↓ 6.8%

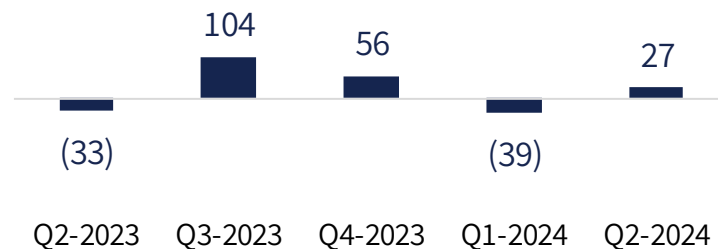


CapEx

↓ 1.2%



Free Cash Flow

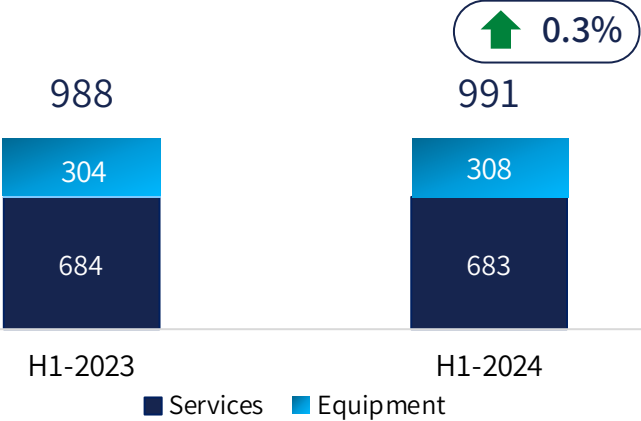


- Increase in revenues driven by higher equipment revenues and stable revenues from services, despite the war impact on roaming services
- Increase in Adj. EBITDA due to higher revenues
- Decrease in Adj. Net Profit primarily due to lower interest income
- Free cash flow was positively impacted by the payment of frequency fees for all of 2023 in Q2-2023 compared to quarterly payments in 2024

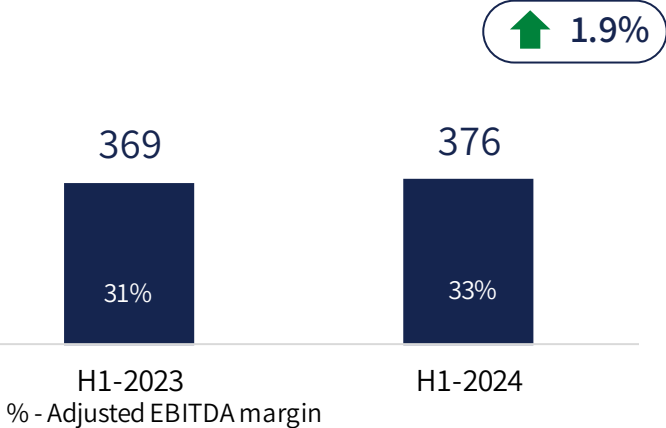


Pelephone | H1-2024 Key Financial Highlights | NIS million

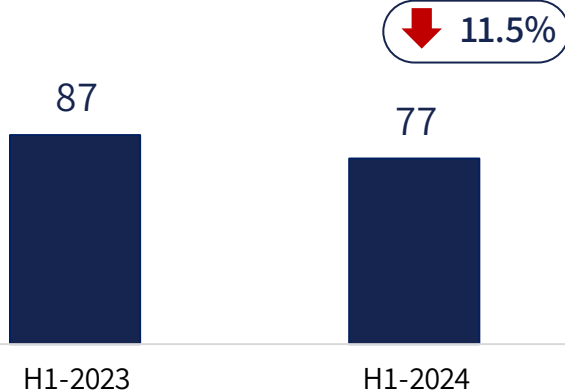
Revenues



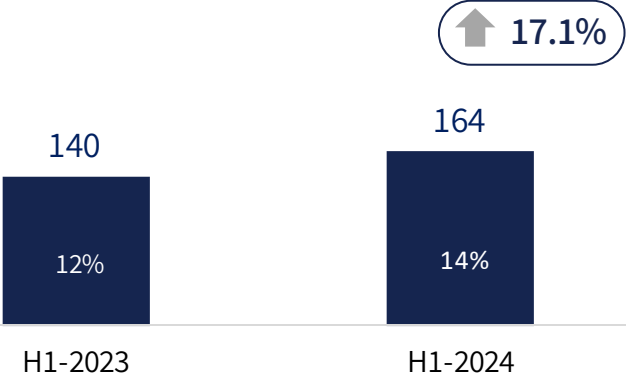
Adjusted EBITDA ⁽¹⁾



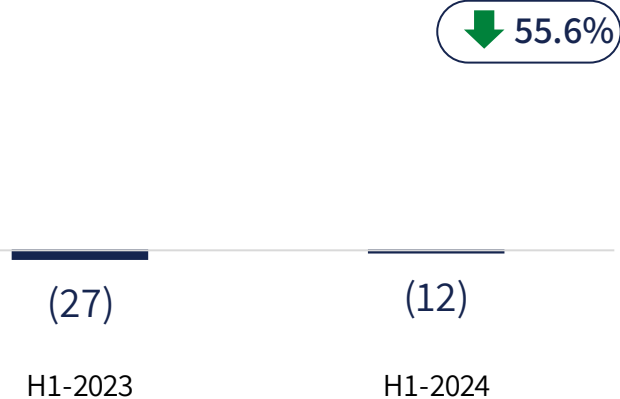
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow



- Stable service revenues driven by growth in 5G subscriber plans and postpaid subscribers, despite the war impact on roaming services
- Decrease in Adjusted Net Profit due to lower interest income
- Free cash flow was positively impacted by timing differences in working capital

% - Capex/Sales

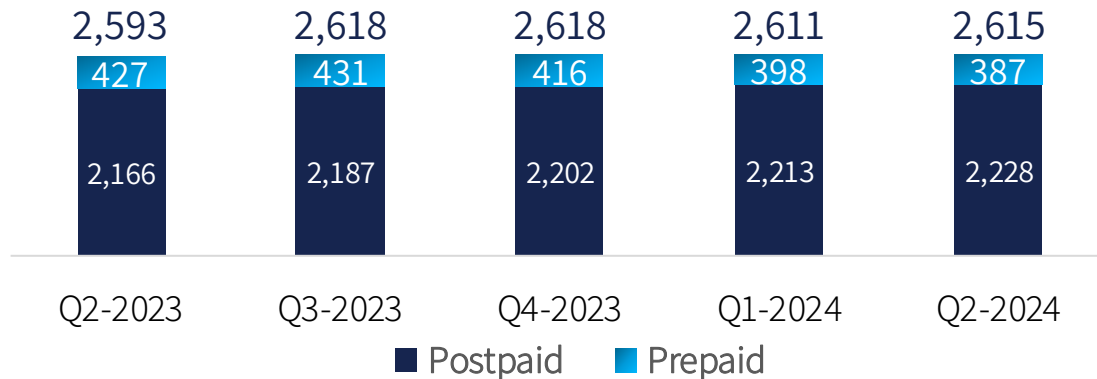
⁽¹⁾ After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



Pelephone | Q2-2024 Key Operational Metrics

Subscribers (Thousands)

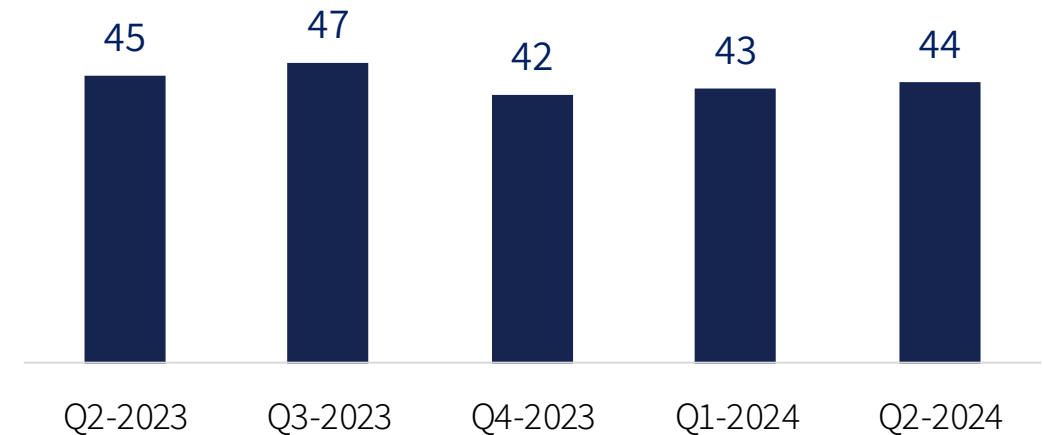
↑ 0.8%



- Continued increase in postpaid subscribers, including 5G subscriber plans
- Lower prepaid subscribers in Q2-24 due to war impact

ARPU (NIS)

↓ 2.2%



- ARPU increased NIS 1 sequentially and decreased NIS 1 year-over-year, due to the impact of war on roaming revenues



yes | Q2-2024 Summary



Revenues were impacted by increased competition, non-billing of customers in the line of conflict due to the war, as well as higher sales of content in the corresponding quarter



ARPU increased NIS 1 sequentially reaching NIS 174, and decreased NIS 11 year-over-year



Continued acceleration of migration from satellite to IP with 440k customers watching TV through IP broadcasting⁽¹⁾ (~80% of total subscribers)



Agreement with Partner for distribution of STING+ to its customers, subject to certain approvals



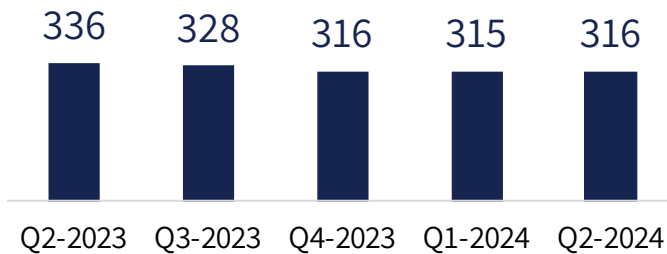
Continued growth in fiber subscribers reaching 60k⁽¹⁾, 13% of total IP subscribers



yes | Q2-2024 Key Financial Highlights | NIS Million

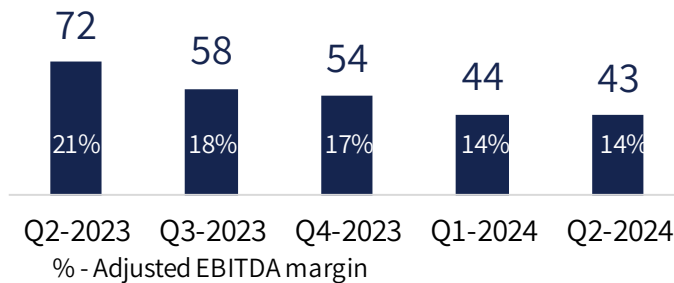
Revenues

↓ 6.0%

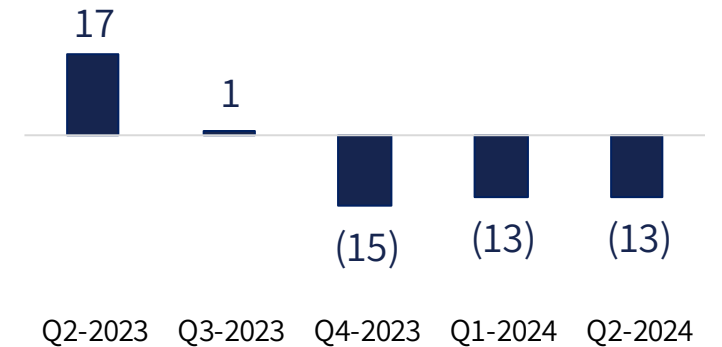


Adjusted EBITDA⁽¹⁾

↓ 40.3%

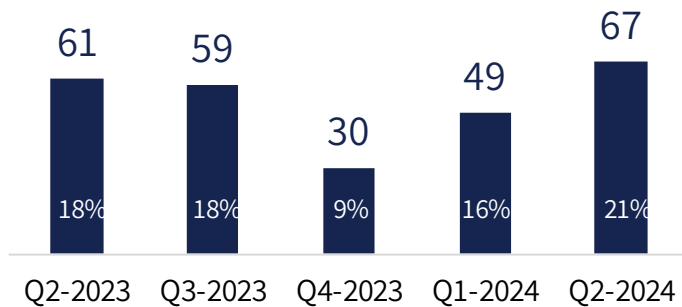


Adjusted Net Profit⁽¹⁾



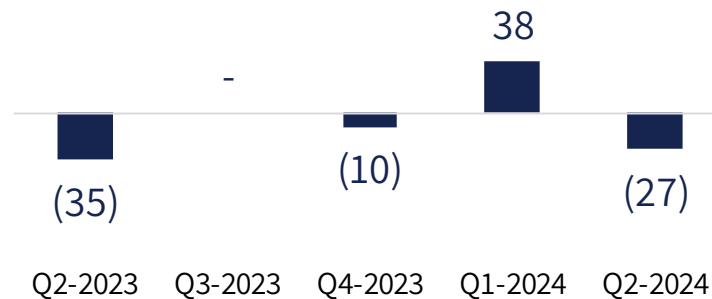
CapEx

↑ 9.8%



Free Cash Flow

↓ 22.9%



- Revenues were impacted by increased competition, non-billing of customers in the line of conflict due to the war, as well as higher sales of content in the corresponding quarter. The decrease was partially offset by higher revenues from the TV + fiber bundle
- Adjusted EBITDA and Adjusted Net Profit were impacted by the decrease in revenues
- Free cash flow was impacted by timing differences in working capital

% - Capex/Sales

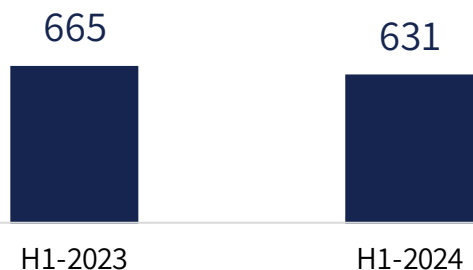
⁽¹⁾ Pro-forma; after adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



yes | H1-2024 Key Financial Highlights | NIS Million

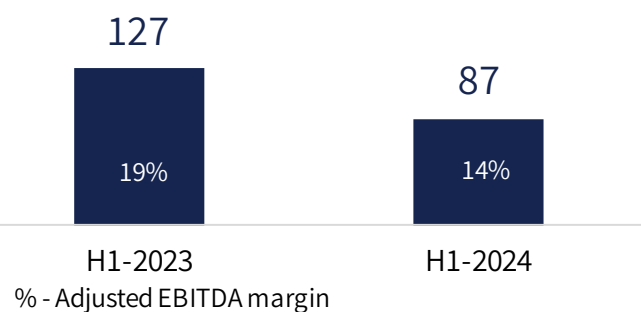
Revenues

↓ 5.1%

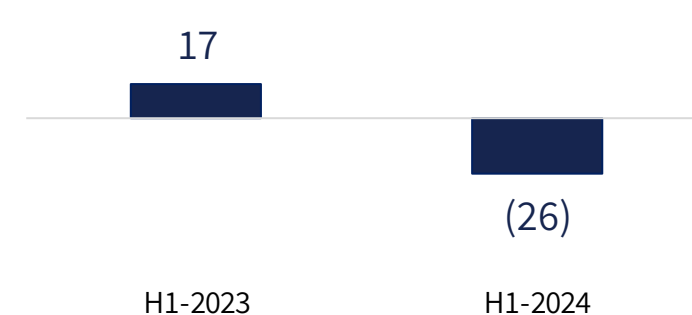


Adjusted EBITDA⁽¹⁾

↓ 31.5%

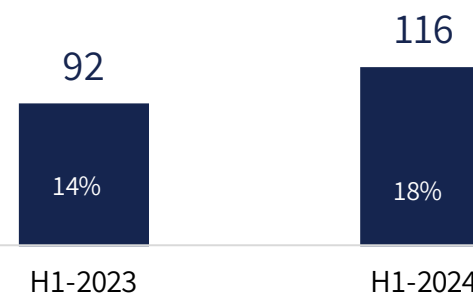


Adjusted Net Profit⁽¹⁾



CapEx

↑ 26.1%



Free Cash Flow

↓ 47.6%



- Revenues, profitability metrics and free cash flow changes in the first half of 2024 were similar to trends in Q2-2024

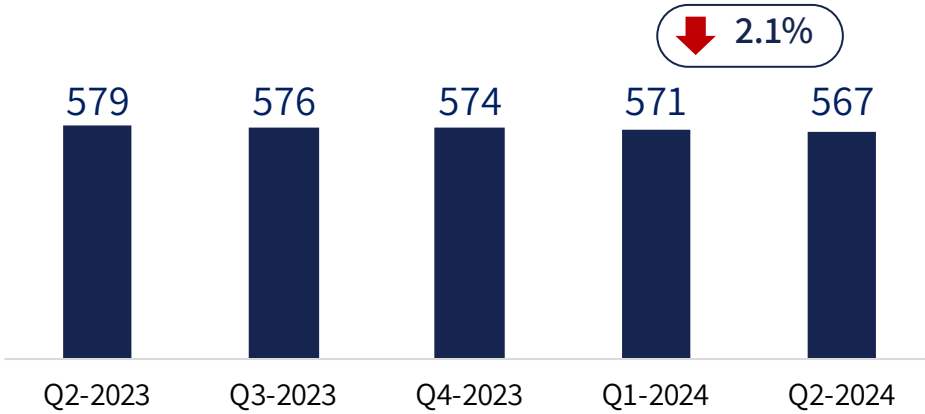
% - Capex/Sales

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

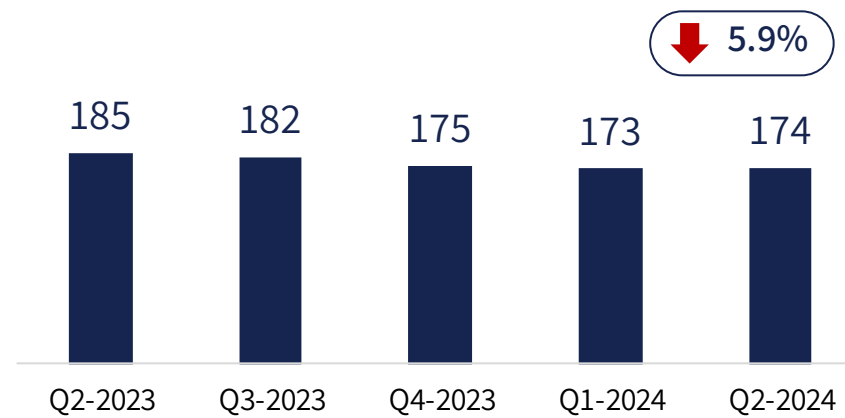


yes | Q2-2024 Key Operational Metrics

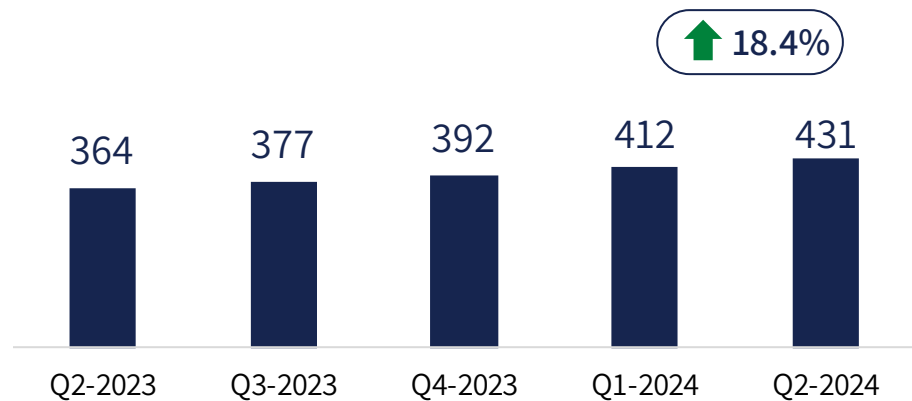
Subscribers (Thousands)



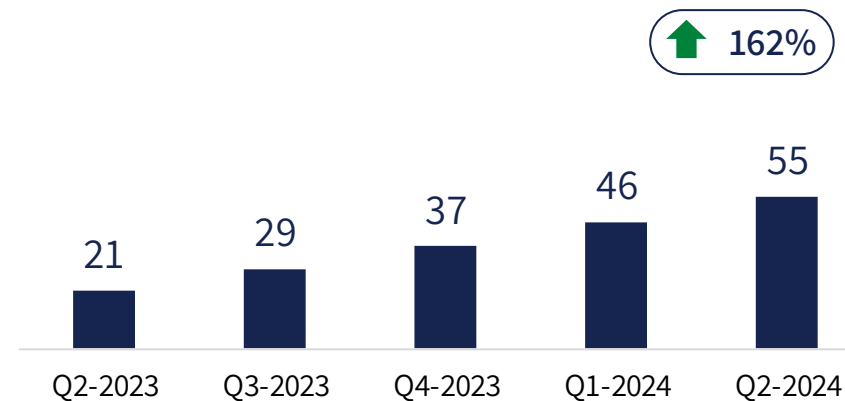
ARPU (NIS)



IP Subscribers⁽¹⁾ (Thousands)



Fiber Subscribers (Thousands)



- Decrease in subscribers due to increased competition
- ARPU was impacted by the transition of premium subscribers to discount plans and the impact of the war (non-billing of subscribers in line of conflict)
- Continued growth in IP subscribers to ~80% of yes subscribers⁽²⁾
- Continued growth in fiber subscribers



Bezeq International | Q2-2024 Summary



Continued transition from consumer ISP focus to development of ICT business activity: communications, data centers, integration, public cloud and cyber



Revenues were impacted by lower consumer and business ISP revenues as well as lower ILD revenues, partially offset by higher revenues from ICT in cloud services and data centers



Cost savings following reduction in consumer ISP activity



Adj. Net Profit grew from NIS 13 million to NIS 19 million, mainly due to lower depreciation expenses

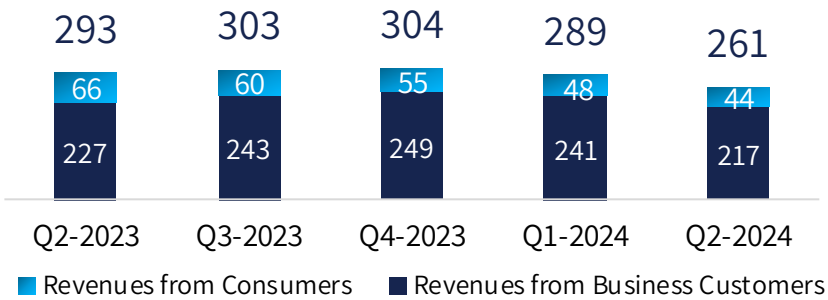


Bezeq International | Q2-2024 Key Financial Highlights |

NIS Million

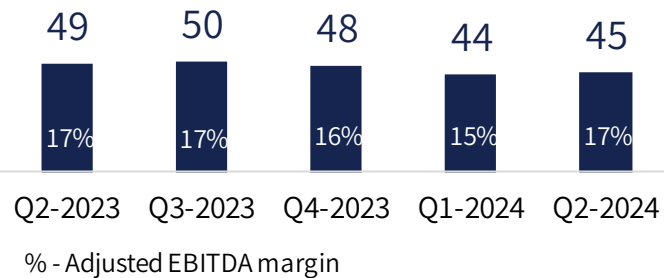
Revenues

↓ 10.9%



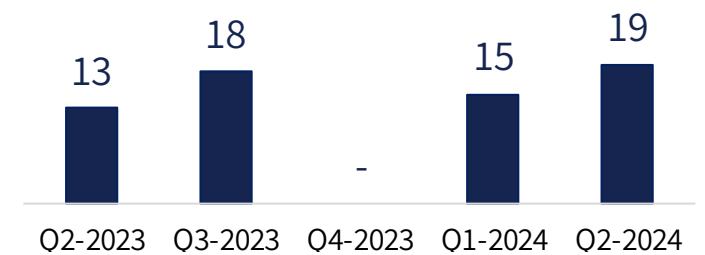
Adjusted EBITDA ⁽¹⁾

↓ 8.2%



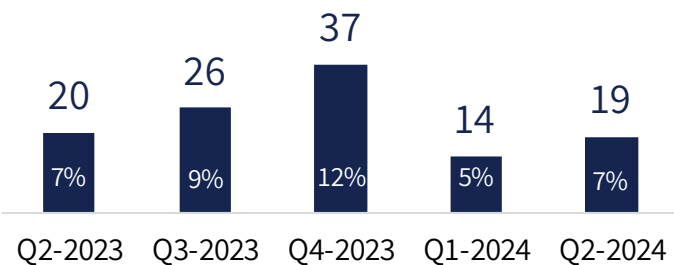
Adjusted Net Profit ⁽¹⁾

↑ 46.2%

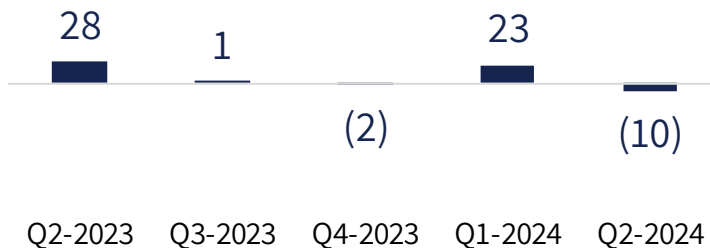


CapEx

↓ 5.0%



Free Cash Flow



- Revenues were impacted by lower consumer and business ISP revenues as well as lower ILD revenues. The decrease was partially offset by higher revenues from ICT in cloud services and data centers
- Adj. Net Profit increased mainly due to lower depreciation expenses
- Free cash flow was impacted by timing differences in working capital and employee severance payments

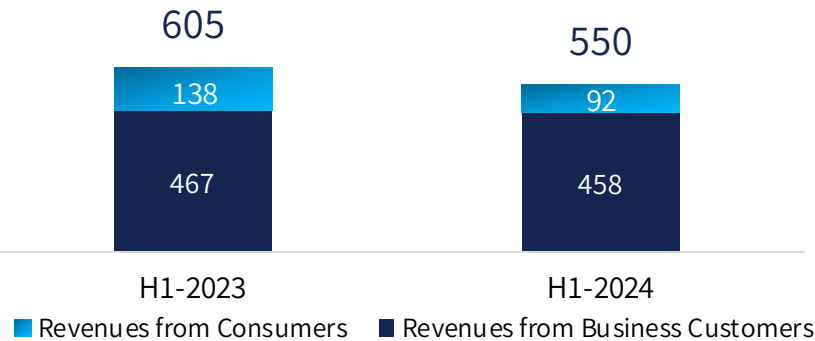


Bezeq International | H1-2024 Key Financial Highlights |

NIS Million

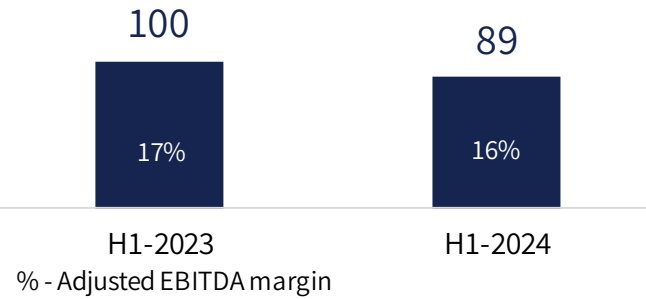
Revenues

↓ 9.1%



Adjusted EBITDA ⁽¹⁾

↓ 11.0%



Adjusted Net Profit ⁽¹⁾

↑ 3.0%



CapEx



Free Cash Flow

↓ 51.9%



- Revenues, profitability metrics and free cash flow changes in the first half of 2024 were similar to trends in Q2-2024

% - Capex/Sales

⁽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 | Q2-2024 Summary



Continued growth in strategic drivers – 64% increase in fiber take-up, 6% in retail broadband ARPU and 28% in 5G subscriber plans



Adj. EBITDA decreased 7.8% to NIS 910 million, mainly due to lower telephony revenues due to the MOC telephony reform, timing of infrastructure projects and lower roaming revenues impacted by the war



Fiber network homes passed reached 2.36m with 716k take-up (30%)⁽¹⁾



Bezeq's board of directors recommended a semi-annual dividend distribution of NIS 407 million, NIS 0.15 per share



Launch of electricity supply activities and JV with Powergen



Regulatory developments including MOC updates on wholesale market, universal fund, shutting down of copper network and structural separation



Bezeq was awarded a “Platinum” rating for the first time by Maala ESG rating agency



Bezeq Group is executing on its strategy while focusing on growth and free cash flow increase





Thank You!

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