



MILlicom  
THE DIGITAL LIFESTYLE

# 2016 Q3 results

**Mauricio Ramos, CEO**

**Tim Pennington, CFO**

25 October 2016

We believe in better. We believe in **tigo**

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# CEO review

Mauricio Ramos,

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# Key messages

## Quarter in brief

**1**

**Q3 in brief**

*Strong strategy execution*

## Strategic focus

**2**

**Twofold reconfiguration on revenue and cost**

*In place and working*

**3**

**Mobile data**

*>20% Latam mobile data growth YoY*

**4**

**Cable**

*Heading to 8m homes passed*

**5**

**“Heat”**

*On track...bringing it on*

## Outlook

**6**

**2016 Outlook**

*No change*

# 1 2016 – Q3 in brief

## Strong subscriber intake in both mobile data and cable

### Mobile



**Smartphone users**

**24,570**  
thousands

**+1,352**  
Thousands in Q3

**4G users in Latam**

**2,587**  
thousands

**+679**  
Thousands in Q3

### Cable



**Total Homes Passed**

**7,915**  
thousands

**+126**  
Thousands in Q3

**HFC Homes Passed**

**6,848**  
thousands

**+180**  
Thousands in Q3

**HFC RGUs**

**3,607**  
thousands

**+136**  
Thousands in Q3

# 1 2016 – Q3 in brief

## Margin and cash flows continue to improve

### Financials

<b>Service revenue</b>	<b>1,466</b> US\$ million	<b>-0.2%</b> Q3 16 vs Q3 15
<b>Adjusted EBITDA</b>	<b>562</b> US\$ million	<b>+4.0%</b> Q3 16 vs Q3 15
<b>Margin</b>	<b>36.1%</b>	<b>+1.9ppts</b> Q3 16 vs Q3 15
<b>Equity FCF</b>	<b>130</b> \$ million	<b>+\$49 million</b> Q3 16 vs Q3 15

Note: % variation are organic (local currency, same perimeter) except Equity FCF

## 2 Our strategic journey

### Twofold reconfiguration of the business

#### 1 Revenue

- Legacy voice & sms
- + Mobile data
- + Cable (Home & B2B)

#### 2

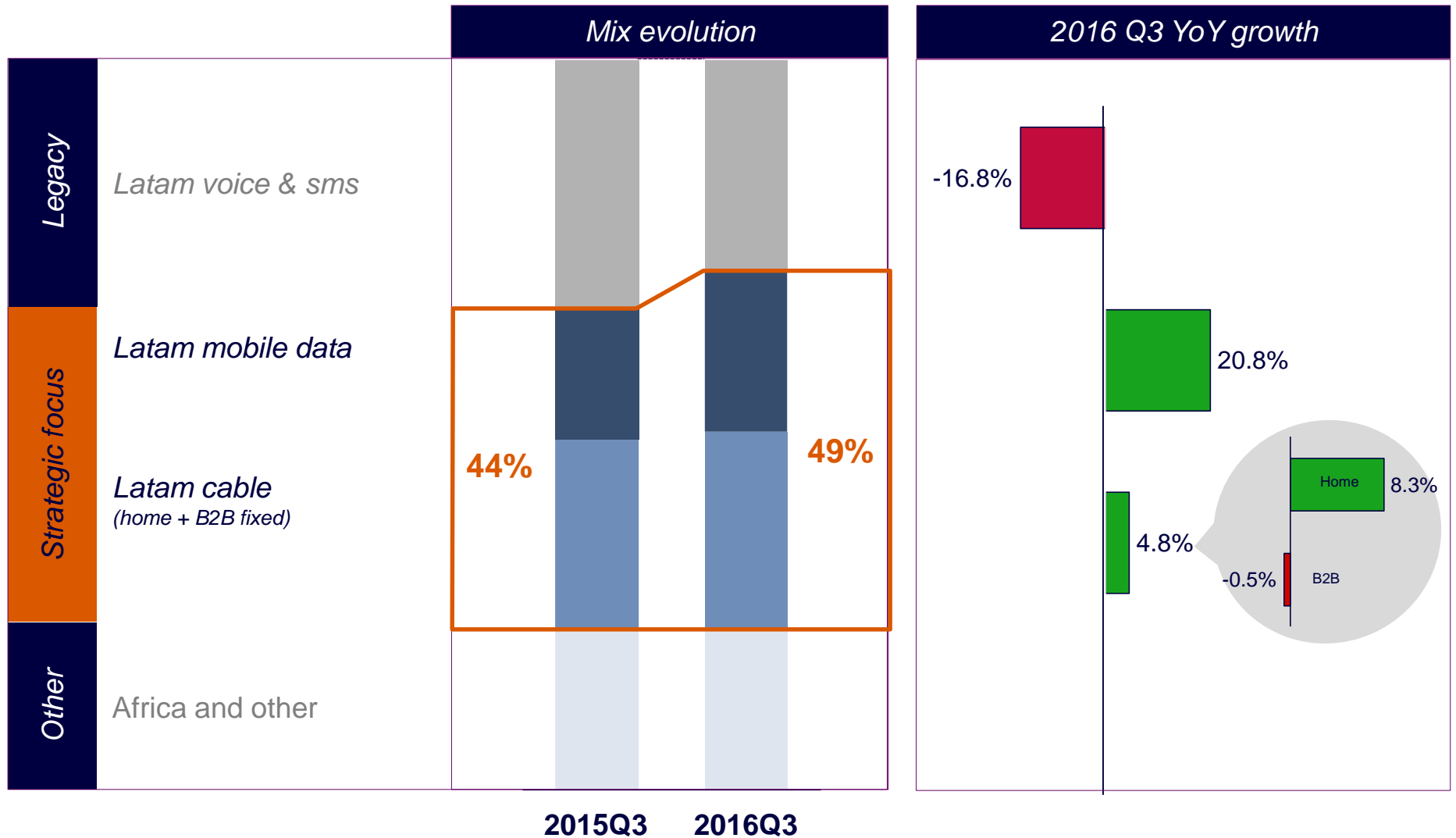
#### Cost structure

-  Synergies
-  Corporate costs
-  Operational leverage
-  Heat transformation and efficiency program

# 2

# Revenue reconfiguration

Strategy execution results now visible in mix evolution

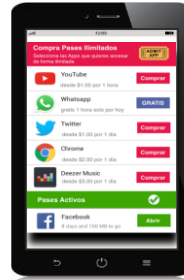




# 3 Monetizing mobile data in Latam



## Continued Latam mobile data revenue growth

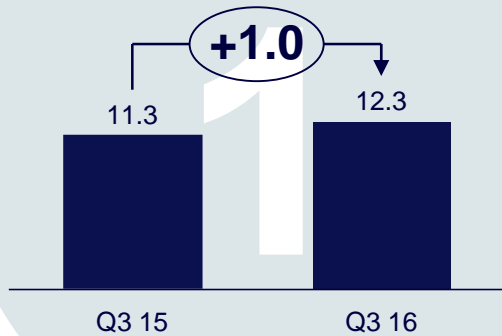


**>20%**

YoY Latam mobile data growth

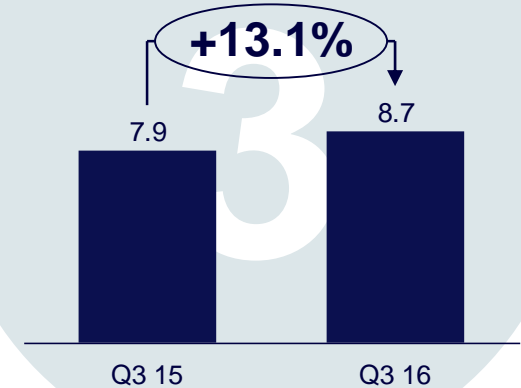
### Data users

Latam only, million subscribers



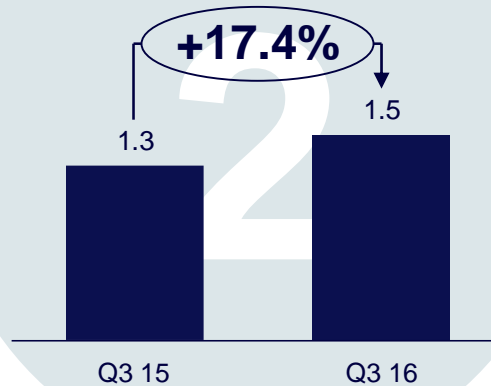
### Data ARPU

Latam only, LC growth



### Data usage

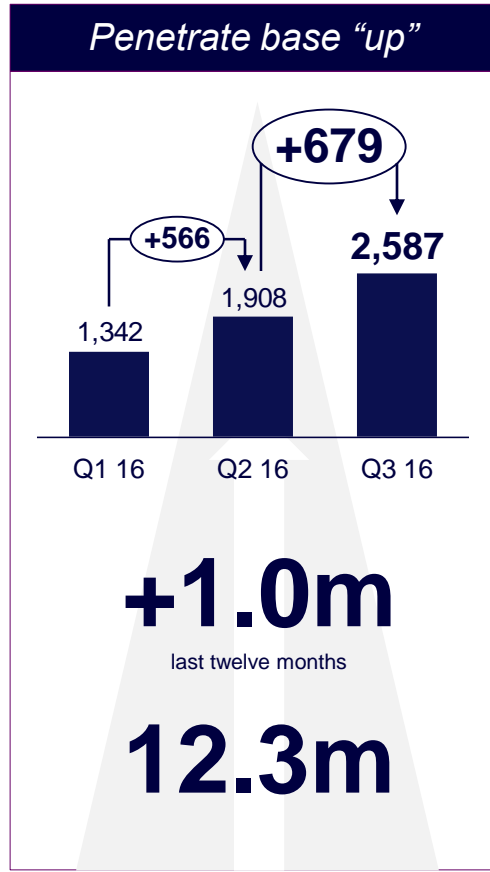
Latam only, GB/user/month



## Our strategy to monetize mobile data in Latam



<b>3</b>	<i>LTE subscribers</i>
<b>2</b>	<i>Mobile data users</i>
<b>1</b>	<i>Total mobile base</i>



*Grow data "need"*

**Faster & better**

Customers with high demand for data, leading to high level of consumptions with enhanced customer experience at cheaper production cost

**+++ ARPU**

**Develop data appetite**

Develop and grow the need for data through innovative products and services

**++ ARPU**

*Maintain price/GB*

**Disciplined**

Pricing discipline into product and offer design  
– data is our future

**Postpaid:** data centric bundle  
**Prepaid:** smart pricing

**Smart pricing**

Develop innovative pricing strategies to preserve ability to price data appropriately

- Zero rated notification
- Zero rated discovery
- In-app purchases
- All you can app



## Ramping up

1

**+671k**

*HFC Homes built YoY*

2

**+186k**

*HFC Homes connected YoY*

3

**+534k**

*Additional HFC RGUs YoY*

4

**+8.3%**

*Home revenue growth YoY*

# 5 Reconfiguring the cost structure

## All levers contributing to margin progression

Cost structure reconfiguration



**Synergies**



**Corporate costs**



**Operational leverage**



**Heat transformation and efficiency program**

### Program

**HEAT**  
**\$200m**

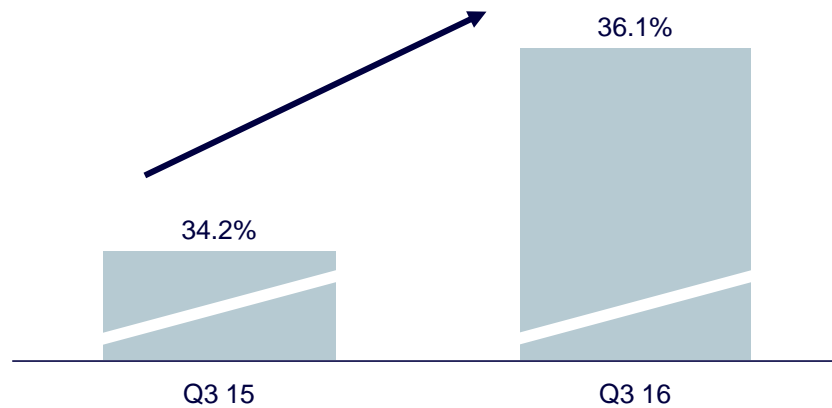
**41**  
Initiatives

Across  
**7**  
Areas

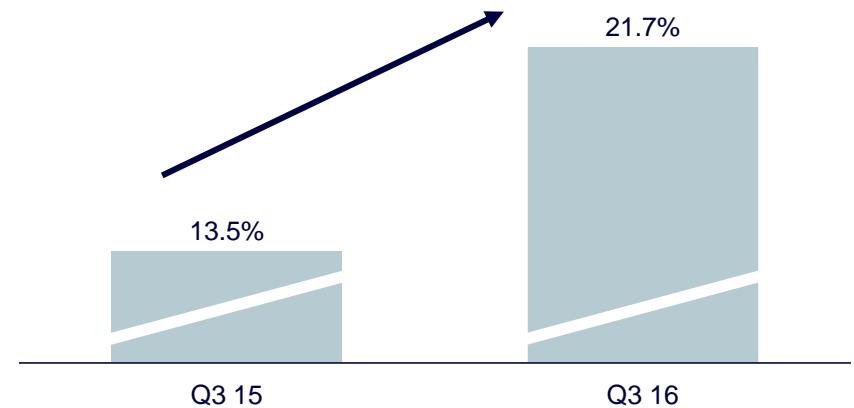
Including  
**9**  
Major transformations

- 1. T&E value chain
  - 2. Supply chain
  - 3. Resource sourcing
  - 4. Network efficiency
  - 5. IT transformation
  - 6. Finance
  - 7. Commercial value steering
- Rethink the way we do business to reconfigure the cost base as we go through the revenue reconversion process
- Ex. Managed services, Shared services centers (finance, procurement), IT transformation, Inventory 4PL, etc.

Adjusted EBITDA margin, QTD



OCF margin, QTD



# In summary

**1**

**We monetize data**

**2**

**We build cable**

**3**

**We bring our costs down**



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# Financial review

Tim Pennington  
25 October 2016

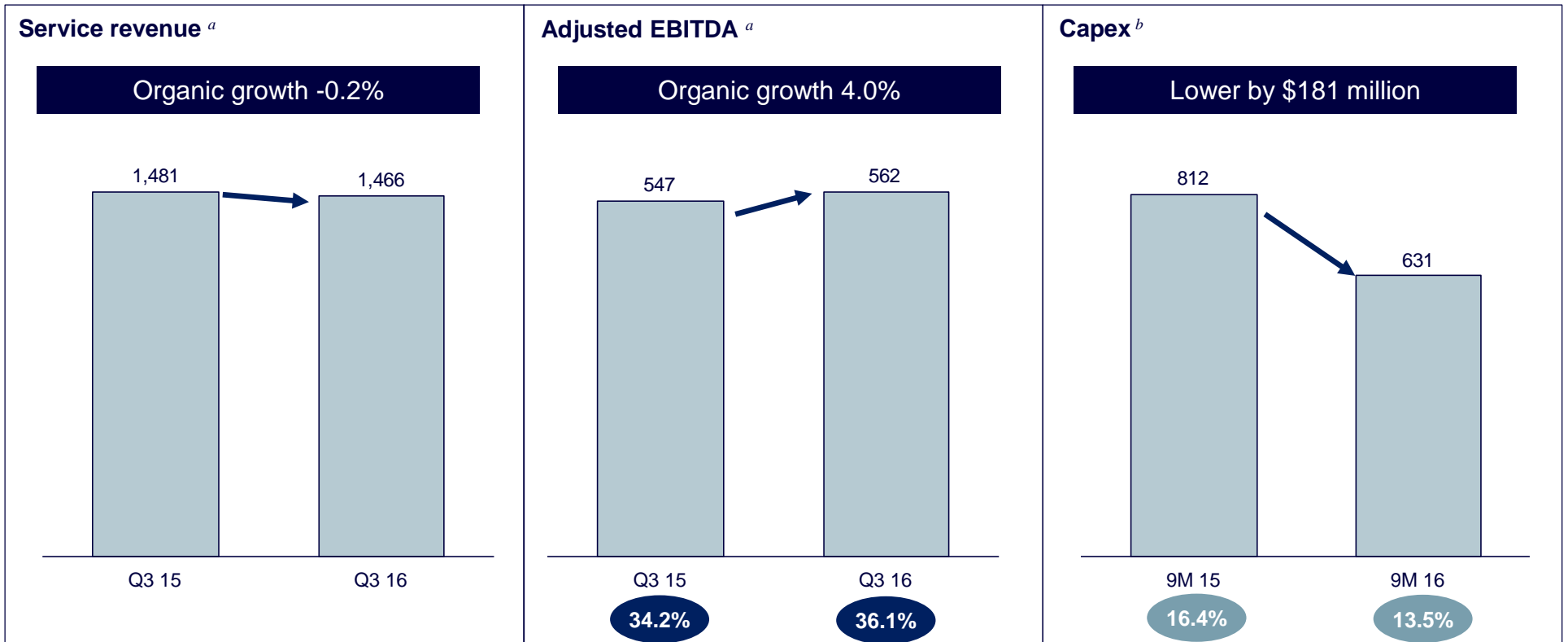
We believe in better. We believe in **tigo**

# Key messages

- 1** Revenue transitioning *Data growth, voice decline*
- 2** Cost control *Continued focus*
- 3** Margin delivery *Further improvement*
- 4** Capital focus *Disciplined investment*
- 5** Cash flow strong *Equity FCF up, net debt down*

# Key financial metrics

## Stronger margins and cashflow



US\$ million

a) Q3 15 numbers FX adjusted and excluding DRC

b) Excluding DRC, spectrum & license costs

Adjusted EBITDA margin

Capex / revenue %

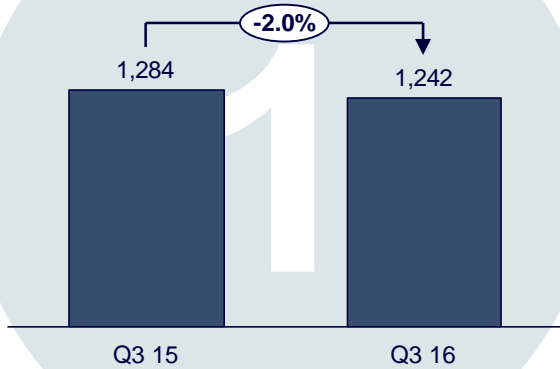


# Latin America

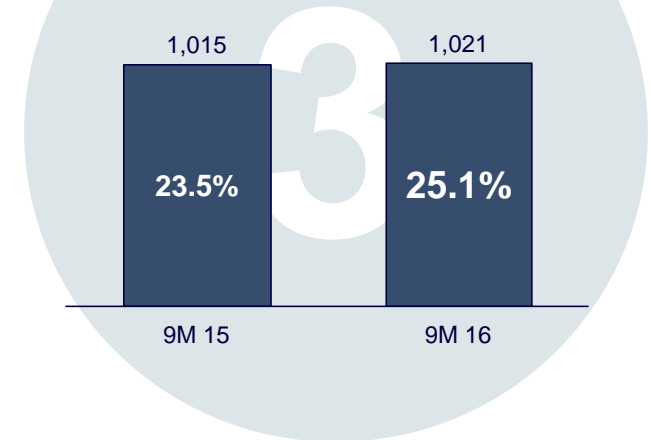
## Transforming revenue... protecting margins



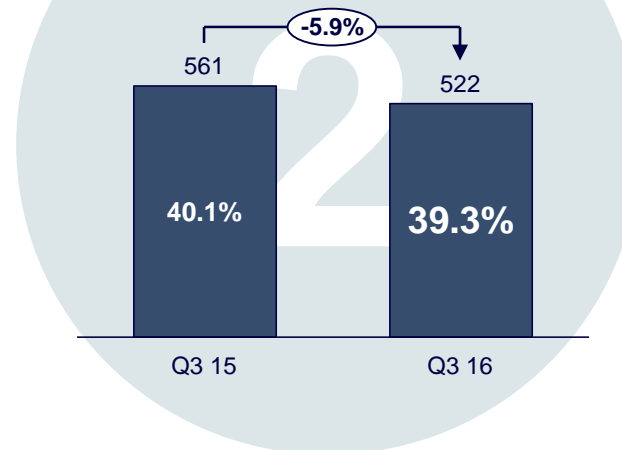
Service revenue  
(\$m)



YTD OCF  
(EBITDA – Capex)  
\$m and margin

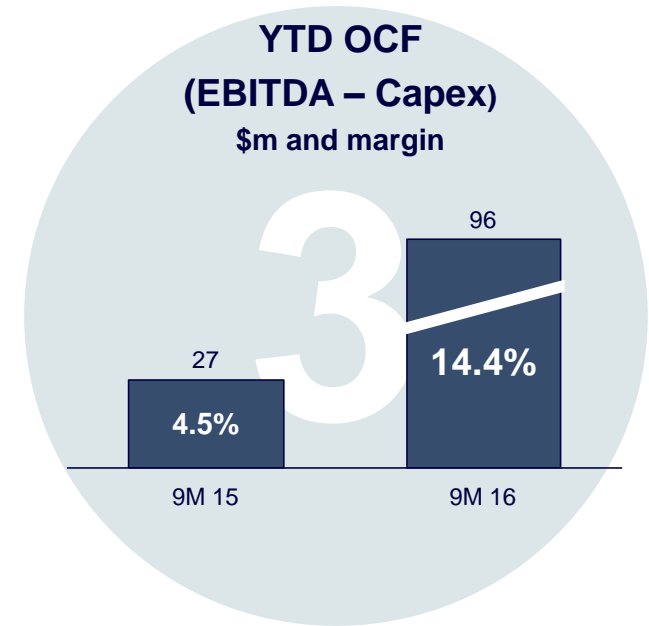
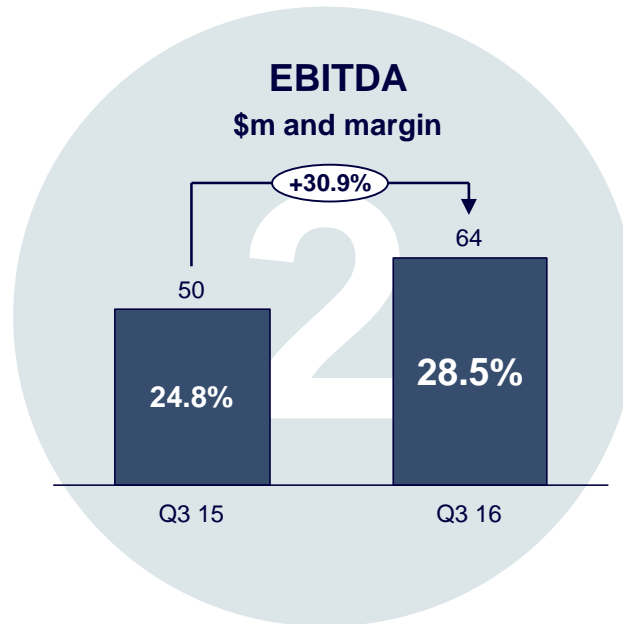
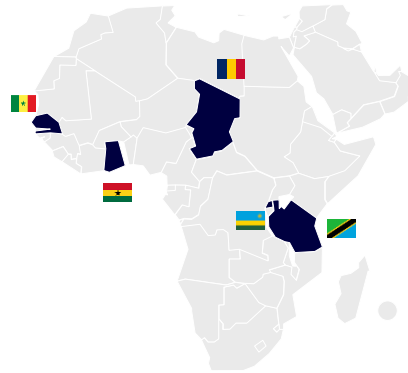
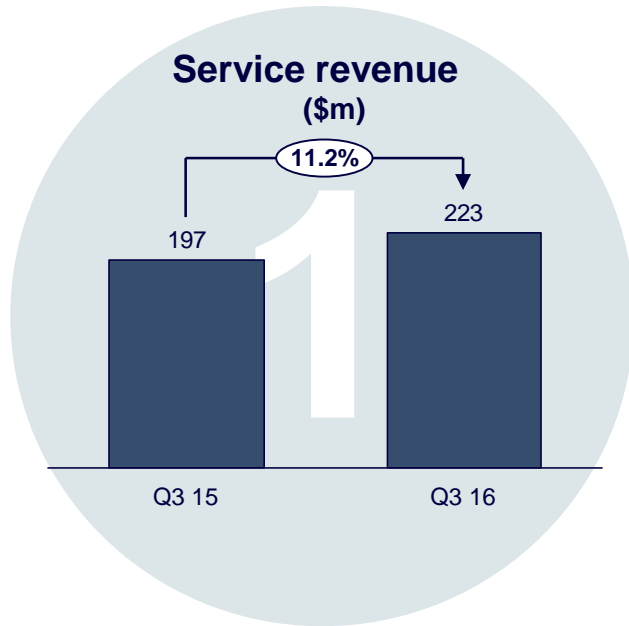


EBITDA  
\$m and margin



Q3 15 numbers FX adjusted  
Capex excludes spectrum and licenses

## Delivering profitable growth and cash flow



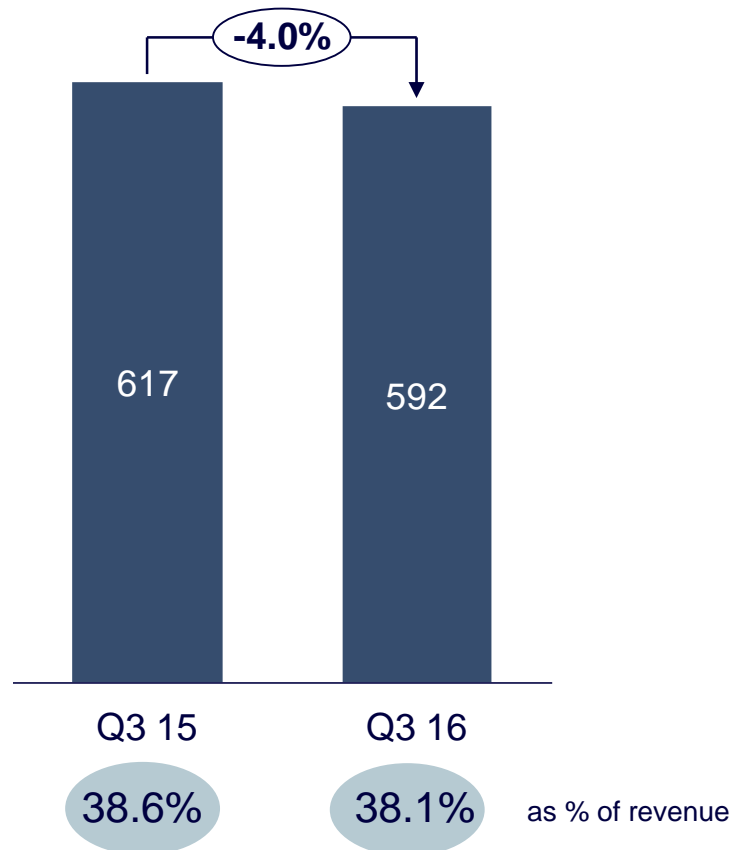
Q3 15 numbers FX adjusted and excluding DRC  
Capex excludes spectrum and licenses

# Focus on Costs

## Total operating costs lower

### Opex evolution

US\$ million, Q3 2015 – Q3 2016



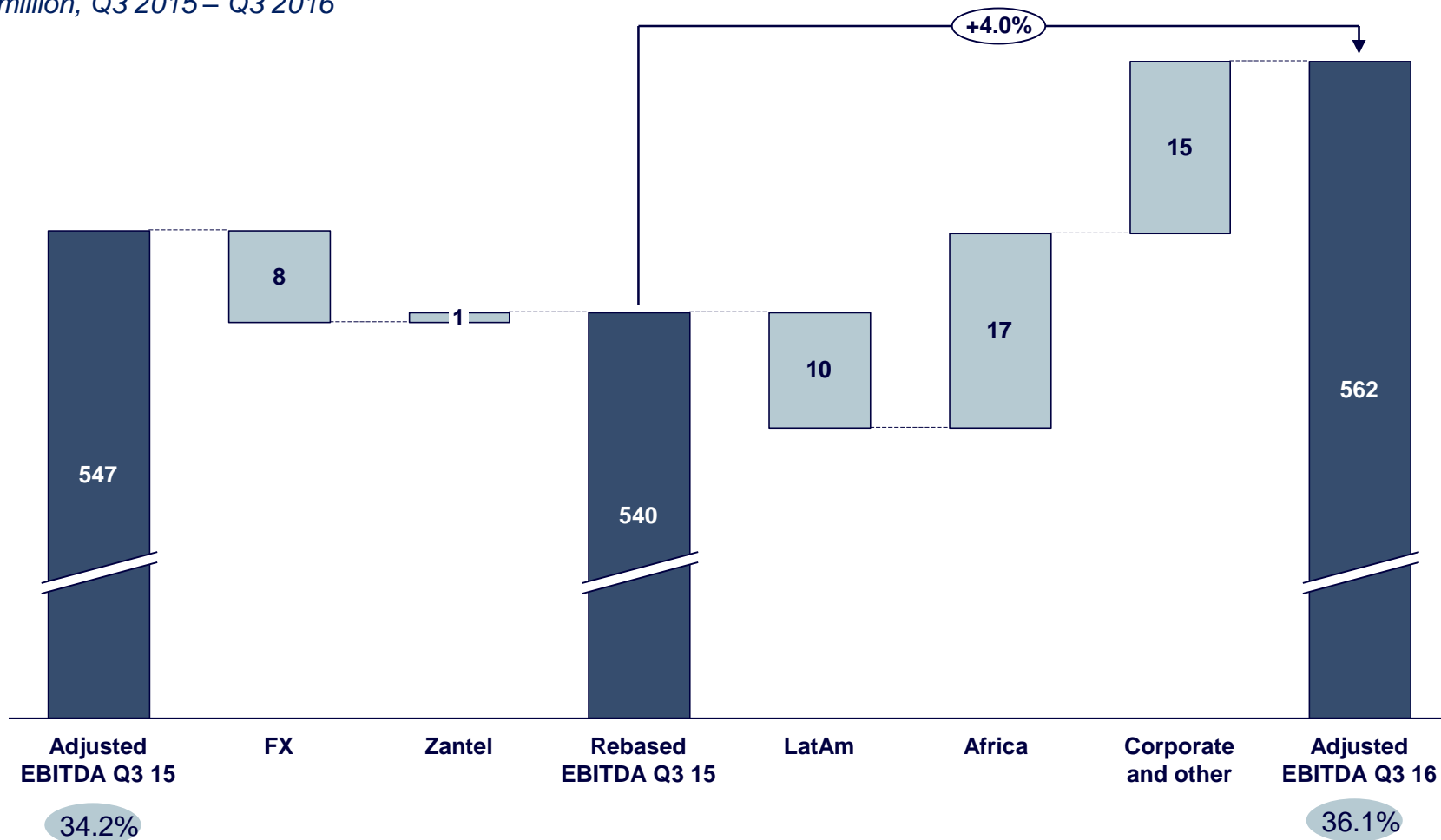
- Operating costs \$25m lower
  - 50 bps better than Q3 15
- Corporate costs down to \$37m
  - \$13m lower than Q3 15
  - \$164m for the LTM

# EBITDA

## Further margin progression

### EBITDA evolution by Region

US\$ million, Q3 2015 – Q3 2016



# P&L review

## Earnings improvement

US\$ million	Q3 16	Q3 15	% Var	
<b>Revenue</b>	<b>1,555</b>	<b>1,600</b>	<b>(3)</b>	
<b>EBITDA</b>	<b>552</b>	<b>562</b>	<b>(2)</b>	<b>A</b> Higher rates in Colombia
D&A	(325)	(313)	4	
<b>Operating profit</b>	<b>227</b>	<b>241</b>	<b>(6)</b>	<b>B</b> Includes \$11 million gain due to FX
Net Finance Charge	(112)	(103)	9	<b>A</b>
Others	9	(46)	N/M	<b>B</b>
Associates	(7)	(11)	(32)	<b>C</b>
<b>Profit before tax</b>	<b>116</b>	<b>81</b>	<b>43</b>	<b>D</b> Mainly due to Colombia
Tax	(53)	(38)	38	
Minority interests	(43)	(12)	N/M	<b>D</b>
Discontinued ops.	4	(19)	N/M	<b>E</b>
<b>Net income</b>	<b>24</b>	<b>12</b>	<b>97</b>	<b>E</b> Impact of DRC disposal

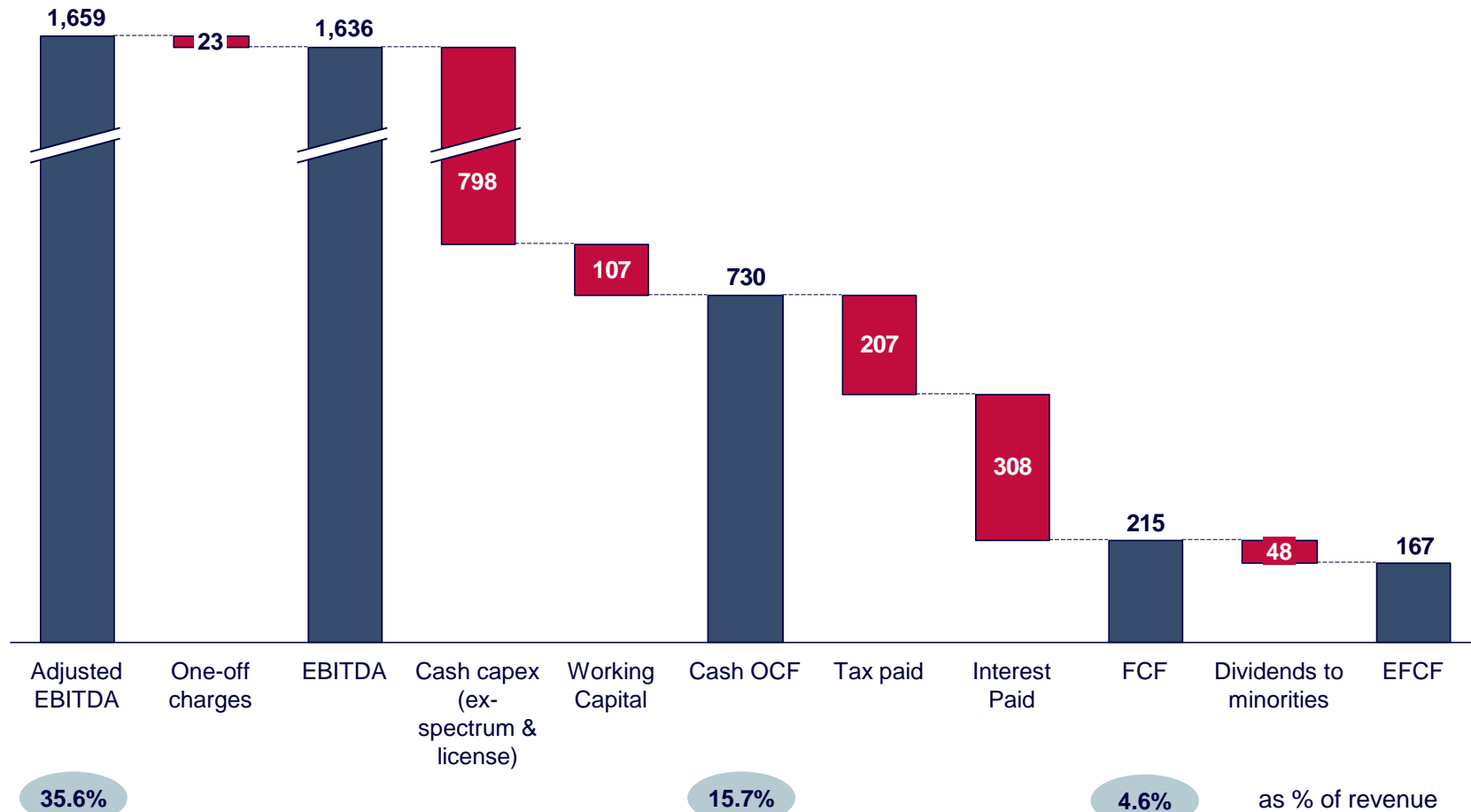
\* Adjusted for non-operating items including changes in carrying value of put and call options and similar items classified under 'other non-operating income (expenses)'.

# 9M cash flow

On track

## 9M Cash flow

US\$ million

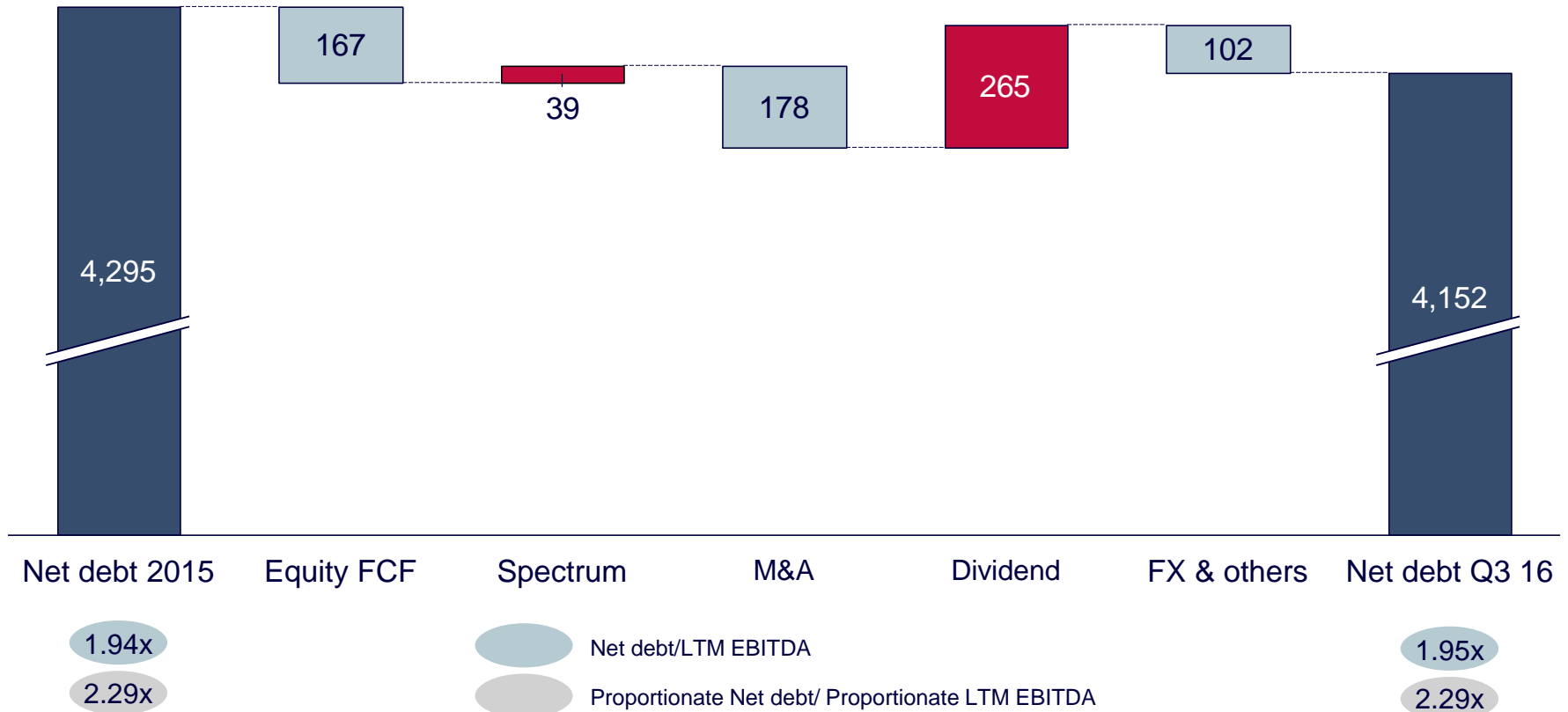


# Net debt

Net debt reduced by c. \$143 million

## Net debt evolution

US\$ million, 31 December 2015 – 30 September 2016



# What we are focusing on

**1**

**Reconfiguring the topline**

**2**

**Cost discipline**

**3**

**Cash flow generation**





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# Q&A

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