



**MILlicom**  
THE DIGITAL LIFESTYLE

# 2015 Q2 Results

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21 July 2015

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

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# Q2 Key Messages

**1**

**Strong Q2 results**

**2**

**Strategic update: build and monetize the Digital Lifestyle**

**3**

**Colombia synergies increased to \$750m NPV**

**4**

**Corporate costs trending down**

**5**

**2015 guidance confirmed**

# 1. Strong Q2 results



Mobile

## Subscribers

# Mobile

Subscribers

# +1.9m

Net adds in Q2 15

# 59.3m

Total subscribers

# 13.4%

YoY growth

## LATAM

# +0.3m

Net adds in Q2 15

# 31.7m

Total mobile subscribers

## Africa

# +1.6m

Net adds in Q2 15

# 27.7m

Total mobile subscribers

# 1. Strong Q2 results



## Subscribers

<b>Homes passed</b> <sup>(1)</sup>	<b>+114k</b> Additions in Q2	<b>5.9m</b> Homes passed as of June 2015	<b>155%</b> YoY growth in Homes passed (UNE addition: 3.3m)
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## RGU

Q2 net  
addition



**Pay-TV**  
(Cable + DTH)

**+35k**



**Broadband  
Internet**

**+28k**



**Telephony  
& others**

**-4k**

(1) HFC and copper lines of UNE

# 1. Strong Q2 results

## Strong financials despite high FX pressure

**Revenue**

**1,704**

US\$ million

**+9%**

YoY organic

**+18%** YoY reported in USD, including UNE

**-1.3%** YoY growth in USD, excluding UNE

**EBITDA**

**561**

US\$ million

**+9%**

YoY organic

**+17%** YoY reported in USD, including UNE

**+0.3%** YoY growth in USD, excluding UNE

**OCF**

EBITDA – Capex

**271**

US\$ million

**+27%**

YoY in USD excl. UNE

**+41%** YoY reported including UNE

## 2. Strategic update

Our strategic focus revolves around 2 key pillars

**1**

**Build the Digital Lifestyle**

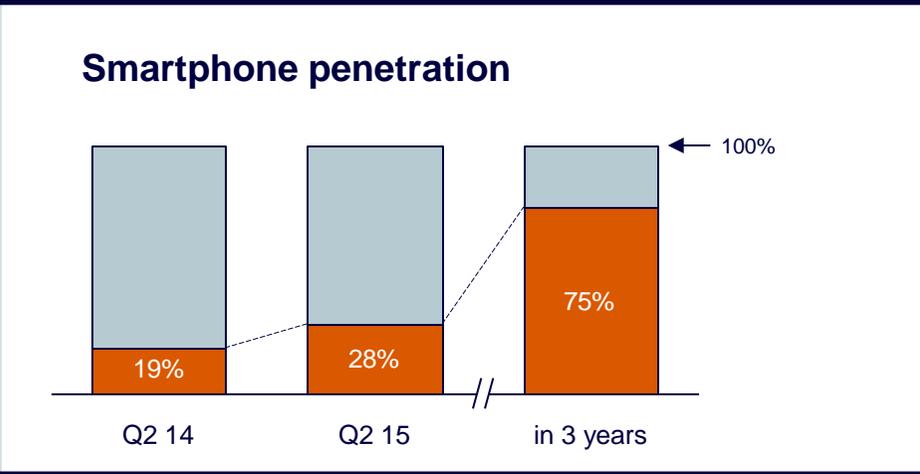
**2**

**Monetise the Digital Lifestyle**

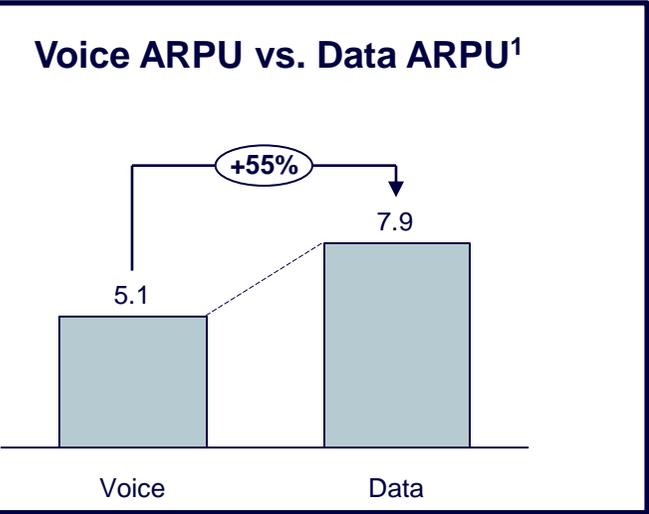
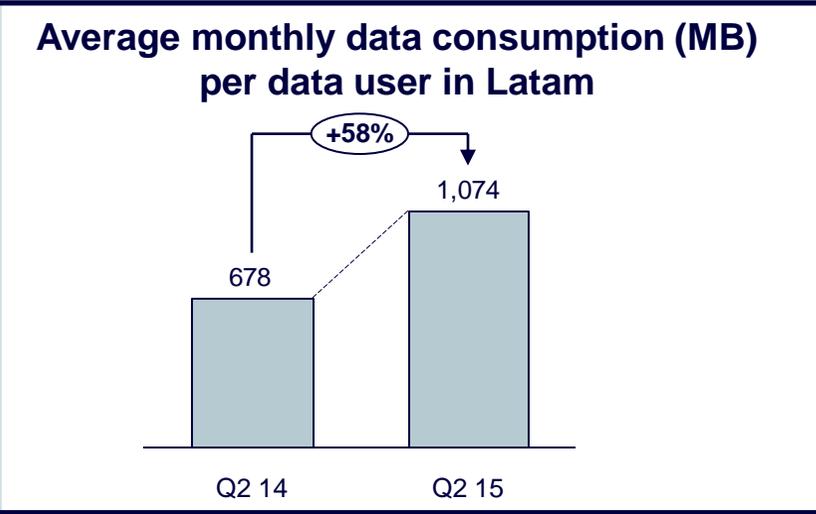
# 2. Strategic update

## Monetising mobile data is the key

**1 Drive smartphone adoption**



**2 Monetise data**



(1) ARPU are Latam, Data ARPU derived on data user base

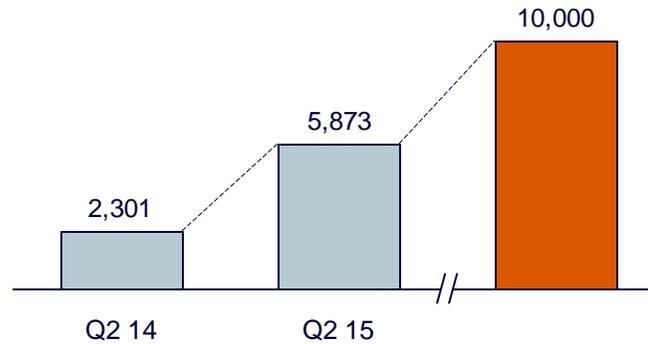
## 2. Strategic update

### Expanding the cable footprint comes first ...

1

**BUILDING** cable with  
Homes Passed  
expansion

HFC Homes Passed, k



2

**MONETISING**

**Es momento de máxima velocidad**

Internet ilimitado de alta velocidad

**tigo STAR**

TV • Internet • Telefonía

**TODA LA PASION DEL FUTBOL PARAGUAYO EN VIVO**

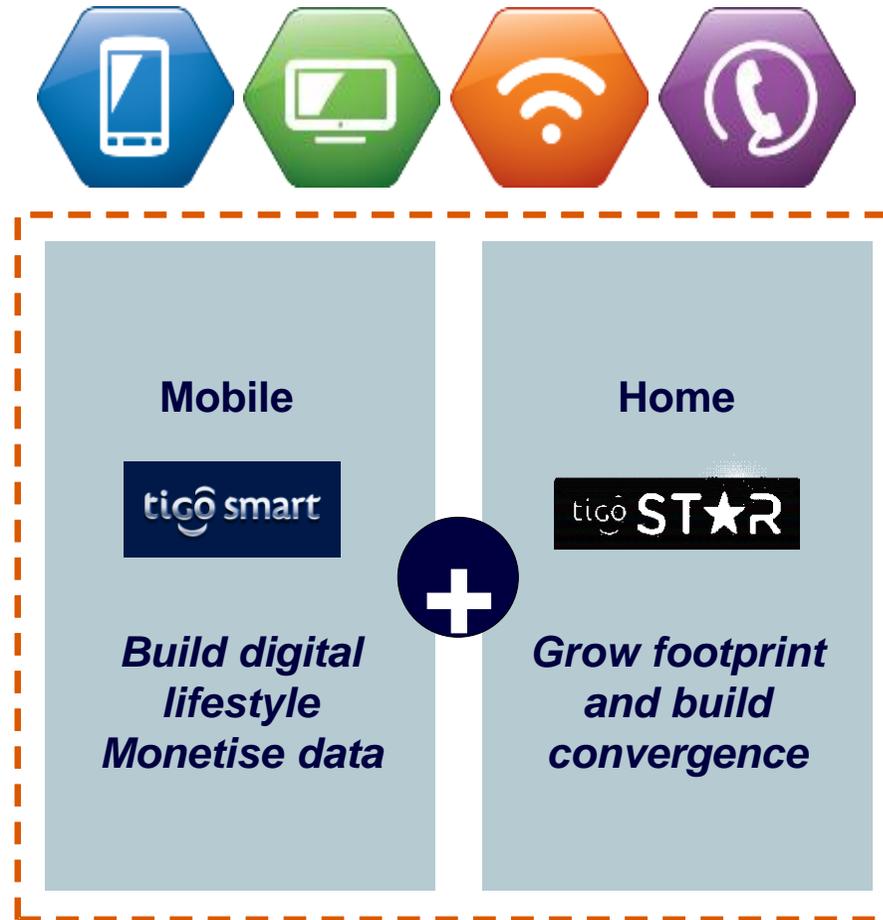
- ✓ **LOS MEJORES PARTIDOS EN VIVO!** donde quiera que estés.
- ✓ **RESÚMENES Y REPETICIONES** de las mejores jugadas.
- ✓ **LAS ÚLTIMAS NOTICIAS** en tiempo real.

DESCARGALA YA **EN EXCLUSIVO**

App Store Google play **tigo SPORTS**

## 2. Strategic update

... while preparing for Fixed-Mobile Convergence



## 2. Strategic update: cash flow model

### Growth vs profitability vs investment sweet spot

Revenue growth High single digit

**+** Operating leverage ~ 50%

**=** EBITDA Margin trending up towards ~ 35%

**+** Capex to Sales trending down towards ~ 15%

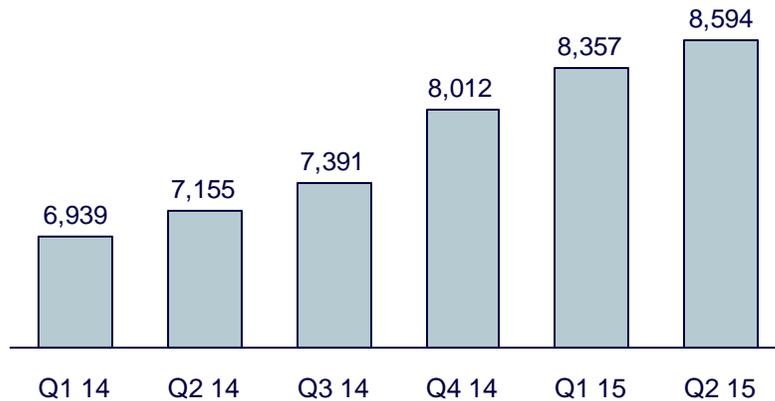
**=** OCF Margin trending up towards ~ 20%

# 3. Colombia – Mobile

## Regulatory impact reducing ARPU in the market but margin is improving

### Mobile customers, Colombia

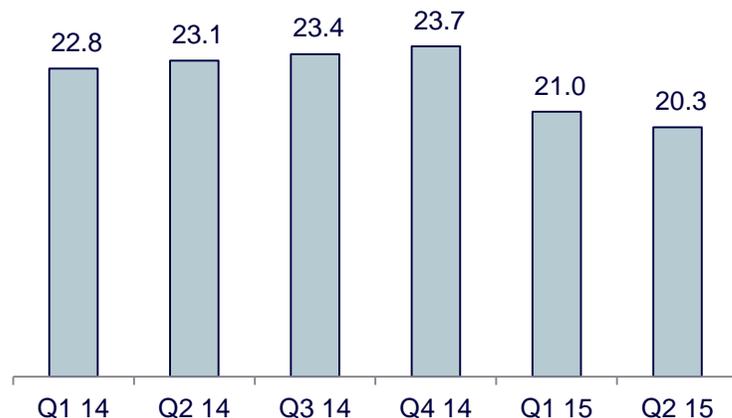
000s, Q1 2014 – Q2 2015



- Term contract changed market dynamic
  - Removed subsidies from market, customers trading down to lower packages
  - Handset financing and FX impact increased working capital
- ARPU in decline
  - 12% YoY decline (Q2-15) vs. Q2-14
  - Service revenue at +3.9% vs. +25.6% in Q2-14
- Handset sales are strong ...
  - +123% vs. Q2-14
- ... and commercial momentum remains stable
  - 238,000 mobile net adds
  - 103,000 new LTE subscribers
- EBITDA margin is improving
  - EBITDA ex-UNE is up 37% in local currency
  - Margin up by 3.8 percentage points compared to Q2 14

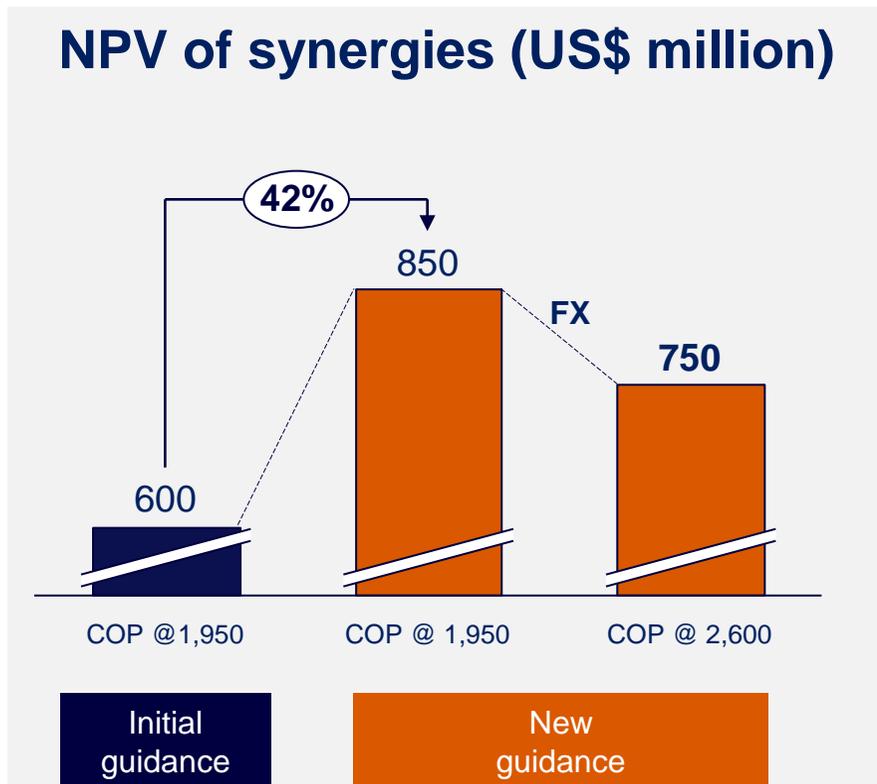
### Mobile ARPU, Colombia

COP 000s, Q1 2014 – Q2 2015



### 3. Colombia – synergies increased

Synergies increased to NPV of \$750 million and run rate \$70 million cashflow

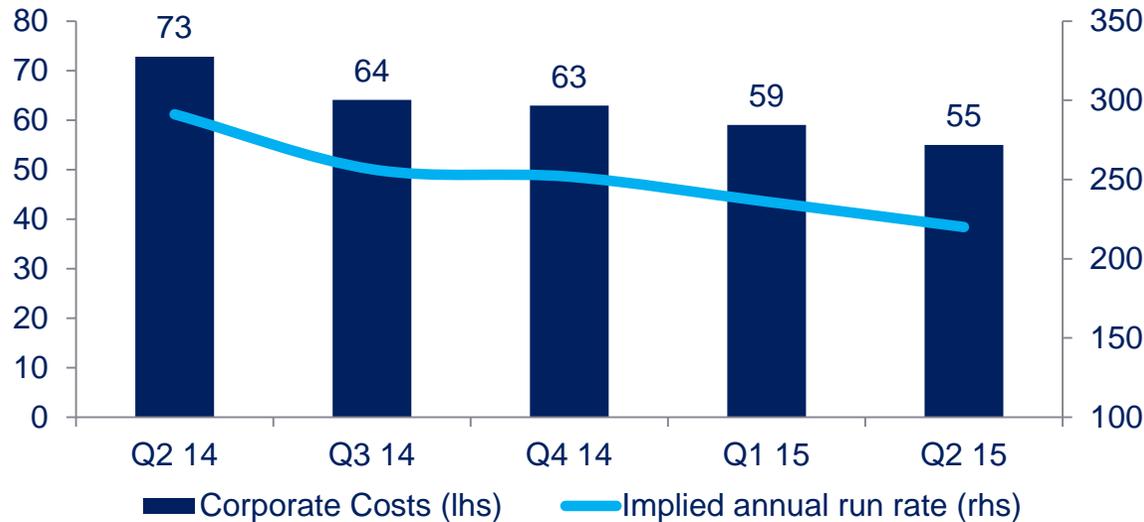


\* Based on FX rate of COP2,600 to US\$1

# 4. Corporate costs down

Focus on corporate costs trending in the right direction

Corporate costs, US\$ million



Comments

- Corporate costs at **3.2% of revenue** this quarter
- Q2 implied run rate of \$220m
- Further focus in 2016

% Revenue



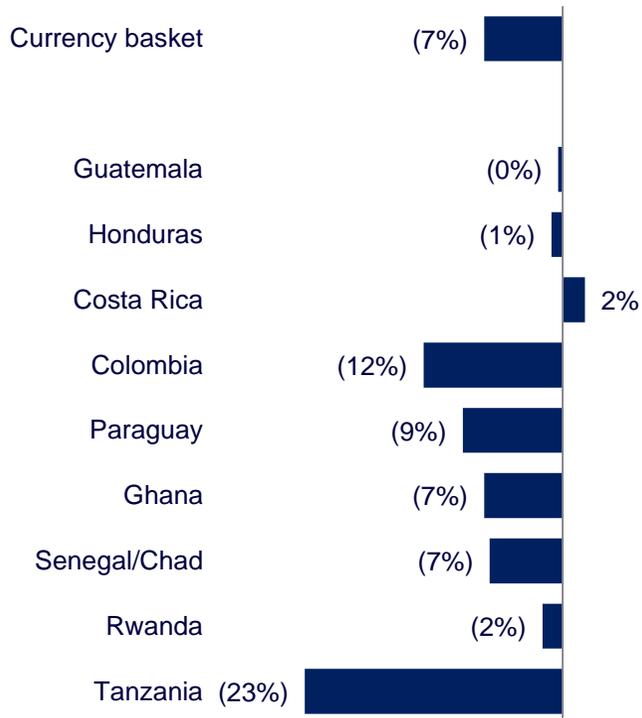
% EBITDA



# FY Guidance updated for FX

## Rebased guidance confirmed

### Currency basket devalued 7% <sup>1</sup>



### Guidance updated to reflect current FX rates <sup>2</sup>

Revenue	\$6.8 - \$7.2bn
EBITDA	\$2.12 - \$2.26bn
Capex	\$1.25 - \$1.35bn

*At constant foreign exchange rates and constant perimeter*

- 1) Currency basket is weighted contribution on a base 100 of each country using respective January average FX to mid-July 2015
- 2) Original guidance of revenues \$7.1bn-7.5bn, EBITDA \$2.2bn to \$2.35bn and capex \$1.25bn to \$1.35bn



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# Financial review

Tim Pennington  
21 July 2015

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# Key metrics

## Strong organic performance

### Revenue <sup>1</sup>



**9.0%** organic growth in Q2 15

**5.7%** service revenue growth

### EBITDA



**\$561 million (+9.3% organic)**

32.9% Group margin

**33.6%** (+0.5% ex UNE)

### EBITDA - CAPEX



**\$271 million**

Up **41%** YoY

**15.9%** margin

### Net debt

**\$4.28 billion**

**1.9x** net debt / EBITDA  
(2.25x proportionate)

<sup>1</sup>) Excluding UNE

# Operating performance

## Service revenue and margin continue to grow

US\$ million	Q2 15	Reported growth %	Organic growth%
<b>Revenue</b>	<b>1,704</b>	<b>17.8%</b>	<b>9.0%</b>
Service revenue <sup>1</sup>	1,571	16.5%	5.7%
<b>EBITDA</b>	<b>561</b>	<b>17.2%</b>	<b>9.3%</b>
<i>EBITDA margin</i>	32.9%	(0.2) pts	0.5 pts
<i>EBITDA service margin</i>	35.7%	0.2 pts	1.5 pts

- Strong revenue growth
  - 9.0% organic growth
  - Service revenue growth maintained
- EBITDA grows faster than organic revenue
- EBITDA margin improvement diluted by FX
- EBITDA margin on service revenues improves 20 basis points to 35.7%

1) Group revenue excluding Telephone & Equipment sales

## EPS hit by higher tax and lower associates

US\$ million	Q2 15	Q2 14	% change
<b>EBITDA</b>	<b>561</b>	<b>479</b>	<b>17.2</b>
Depreciation & Amortisation	(337)	(253)	+33.4
<b>Operating profit</b>	<b>223</b>	<b>225</b>	<b>(1.0)</b>
Net Finance Charge	(89)	(89)	0.3
Others	(94)	159	NM
Associates & JVs	(12)	16	NM
<b>Profit before tax</b>	<b>28</b>	<b>310</b>	<b>NM</b>
Tax	(91)	(67)	36.2
Non-controlling interests	(36)	(58)	(37.0)
<b>Net income</b>	<b>(99)</b>	<b>186</b>	<b>NM</b>
<b>Adjusted EPS (\$)*</b>	<b>(0.05)</b>	<b>0.27</b>	<b>NM</b>

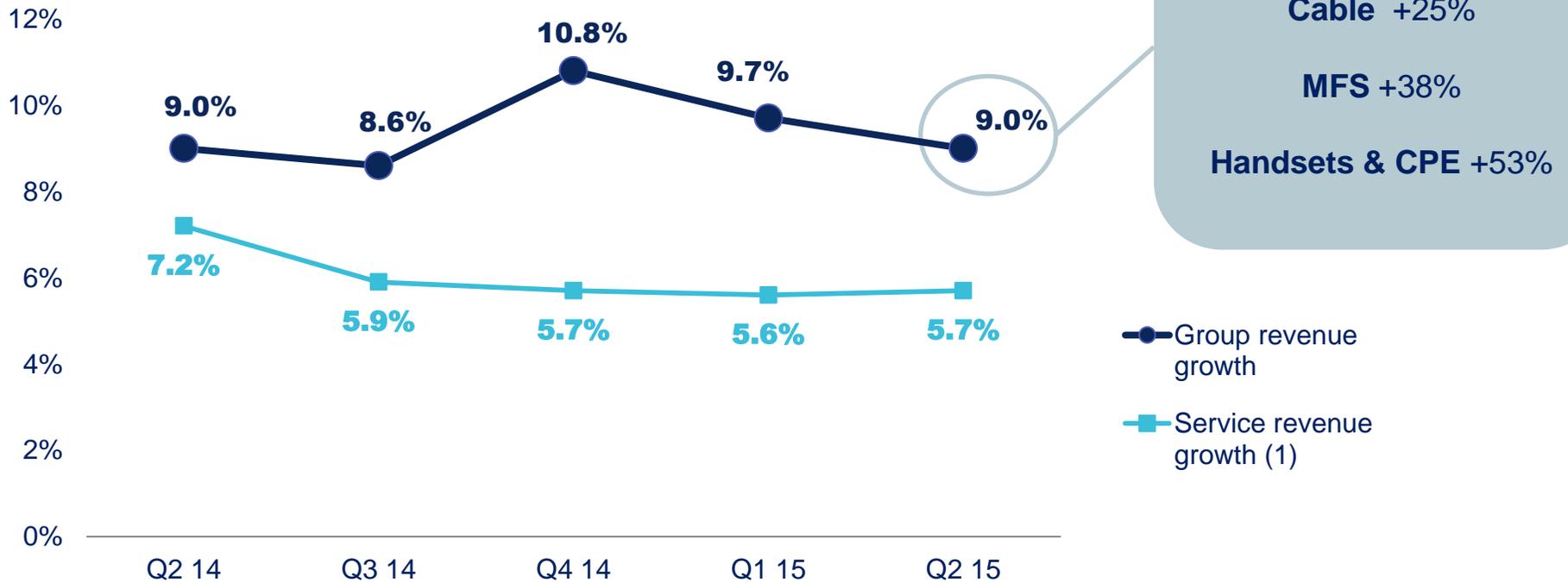
- EPS movement mainly tax and associates
- D&A higher due to UNE,
- Others include:
  - F/X losses of \$45 million
  - Fair value adjustments \$40 million vs \$151m credit last year
- Tax increase due to change in profit mix, inclusion of UNE and higher withholding tax on repatriation
  - H1 \$130 million vs \$138 million PY

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

# Revenue growth trend

## Consistent service revenue trend

Quarterly revenue growth Q2 2014 – Q2 2015



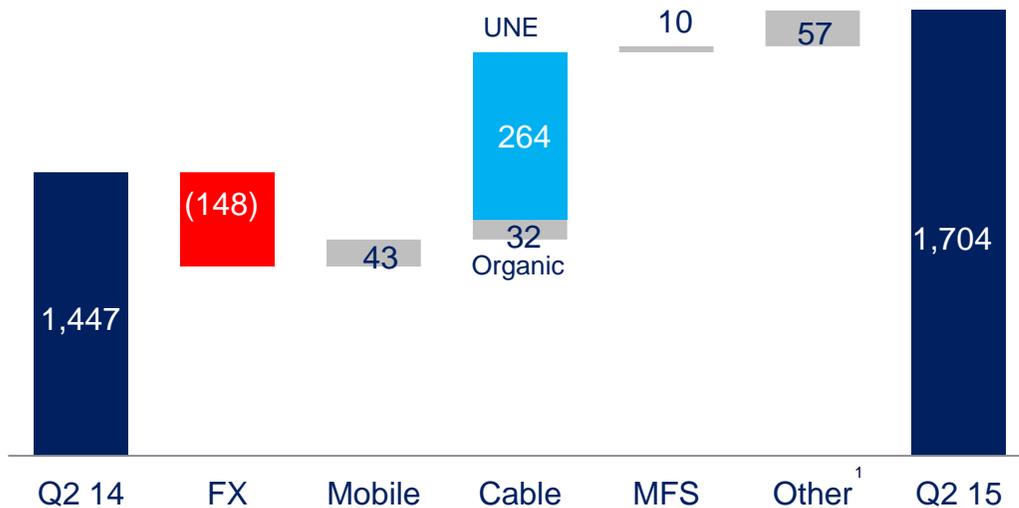
1) Group revenue growth excluding Telephone & Equipment sales

# Revenue by business units

## Cable and MFS growing strongly

### Revenue evolution by Business Unit

US\$ million, Q2 2014 – Q2 2015



1) Includes visitor roaming, MVNO/DVNO, and Telephone and Equipment

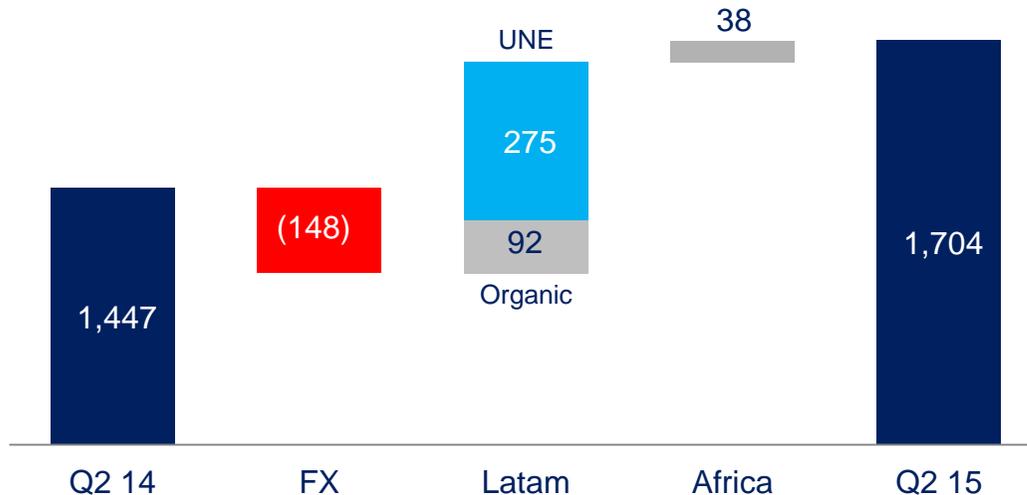
- Mobile up 3.3% organically
  - Colombia and Africa driving
  - Voice & SMS -5.3%
  - Data growing 39.3% (Q1: 36.2%)
- Cable grew strongly
  - Ex-UNE up 24.6%
  - All operations growing well
- MFS growing 38.0%
  - Tanzania up 48%
  - El Salvador and Honduras growing in excess of 50%

# Revenue by region

## FX headwinds offset solid organic growth

### Revenue evolution by Region

US\$ million, Q2 2014 – Q2 2015



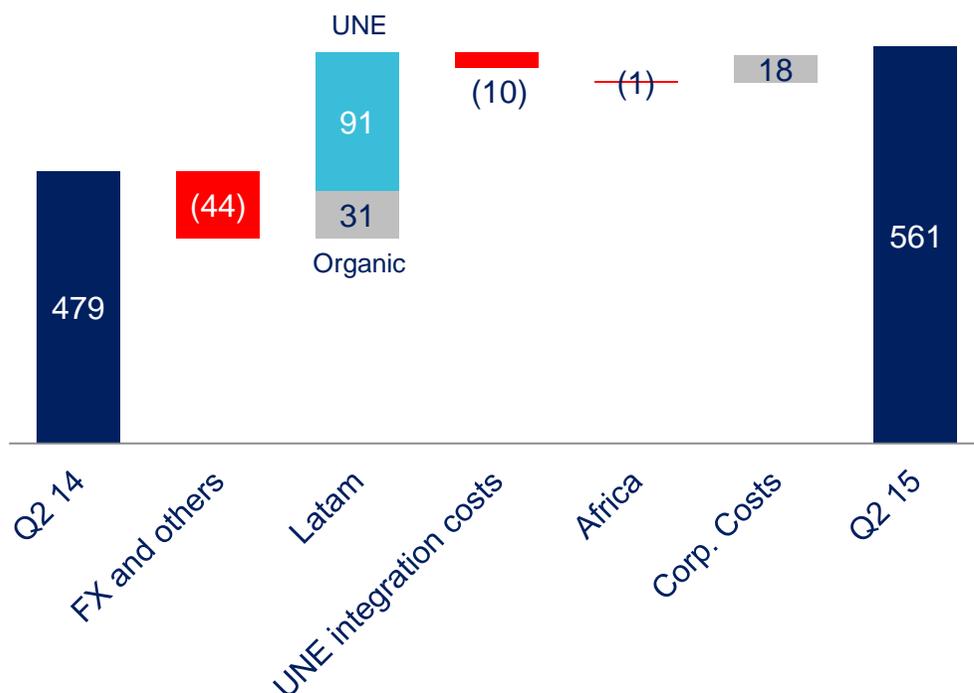
- Major FX impact in Q2
  - 10.3% of revenue ex-UNE
  - Major devaluations in Colombia, Tanzania, Paraguay
- Strong growth in Latam
  - Ex-UNE up 7.7%
  - UNE saw 5.8% growth (Q1: 4.6%)
- Africa maintained 15.3% yoy organic growth

# EBITDA

## Latam and lower Corporate Costs drive EBITDA

### EBITDA evolution by Region

US\$ million, Q2 2014 – Q2 2015



- EBITDA growth of 17.2%
  - Organic growth 9.3%<sup>1</sup>
  - FX impact
- Latam up 28%
  - Organic growth ex UNE 6.4%
  - \$10 million integration costs for UNE
- Africa –in line with prior year
  - Tough trading conditions in Chad
  - Offset by strong performance in Tanzania
- Corporate costs down \$18 million,
  - Fourth quarter of decline in Corporate Costs

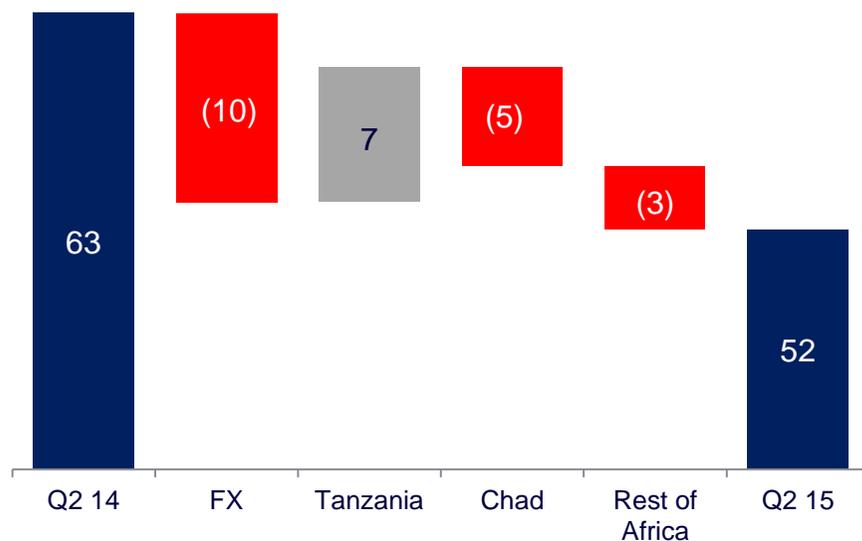
<sup>1</sup> Like for like excluding UNE and in local currency

# EBITDA - Africa

## Significant FX impact – Tanzania strong

### EBITDA evolution - AFRICA

US\$ million, Q2 2014 – Q2 2015



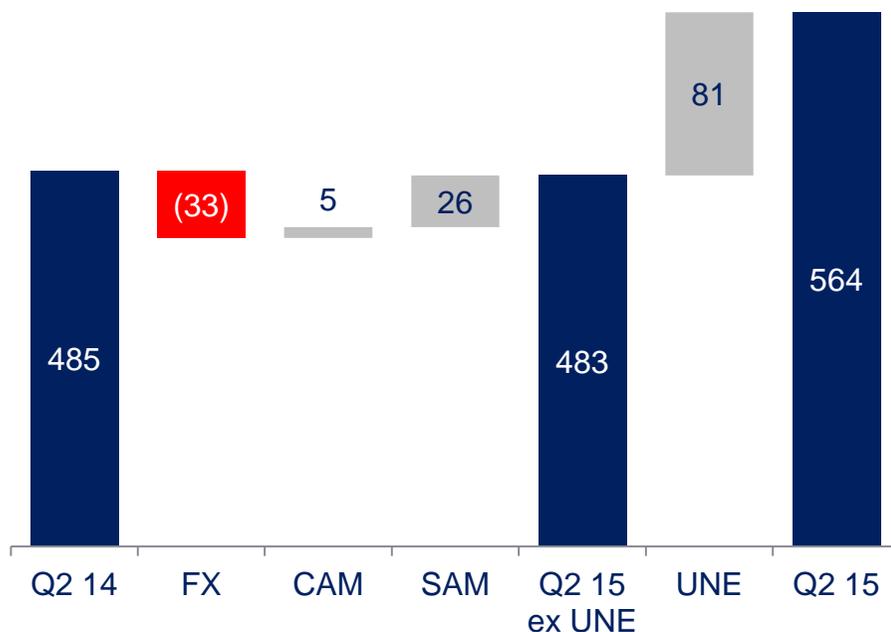
- Significant FX impact in Q2
  - 15% adverse currency movement
- Tanzania strong revenue growth driving EBITDA
  - Revenue organic growth 19%
  - EBITDA organic growth of 23%
- Chad security issues and macro-economic impact
- Rest of Africa mostly impact by one off items in DRC

# EBITDA - Latam

## Underlying performance remains strong

### EBITDA evolution - LATAM

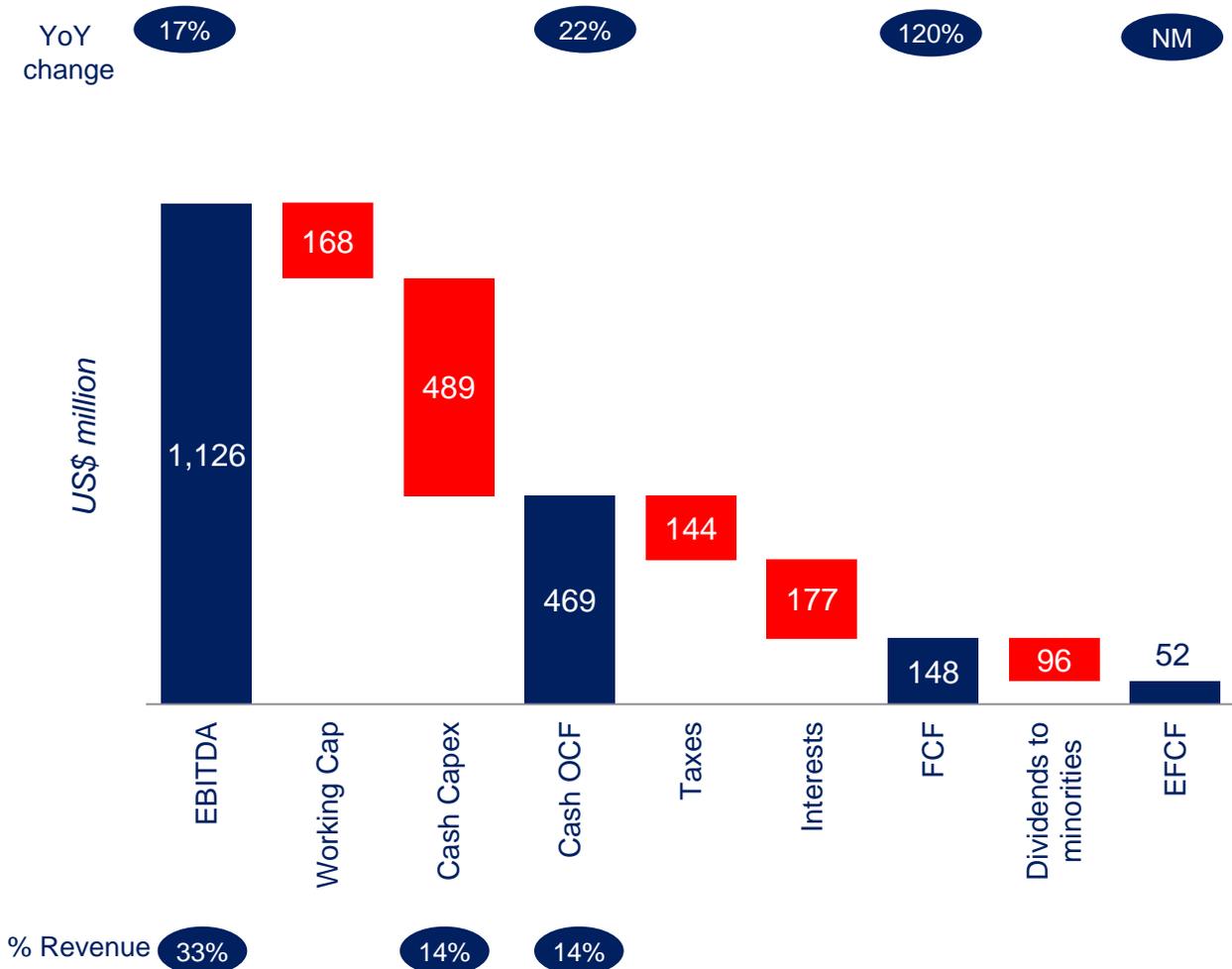
US\$ million, Q2 2014 – Q2 2015



- Most businesses posting positive growth
  - FX an issue in Paraguay and Colombia
- Central America steady progress – up 1.9%
  - Guatemala maintained good growth
- South America strong growth
  - Ex UNE growth of 12.9% led by Colombia
  - UNE growth of 24%
  - Paraguay hit by FX and MTR cut – organically fell by 3.7%
  - Bolivia maintained momentum – up 11%

# Equity FCF – H1 2015

## Cash generation profile is improving



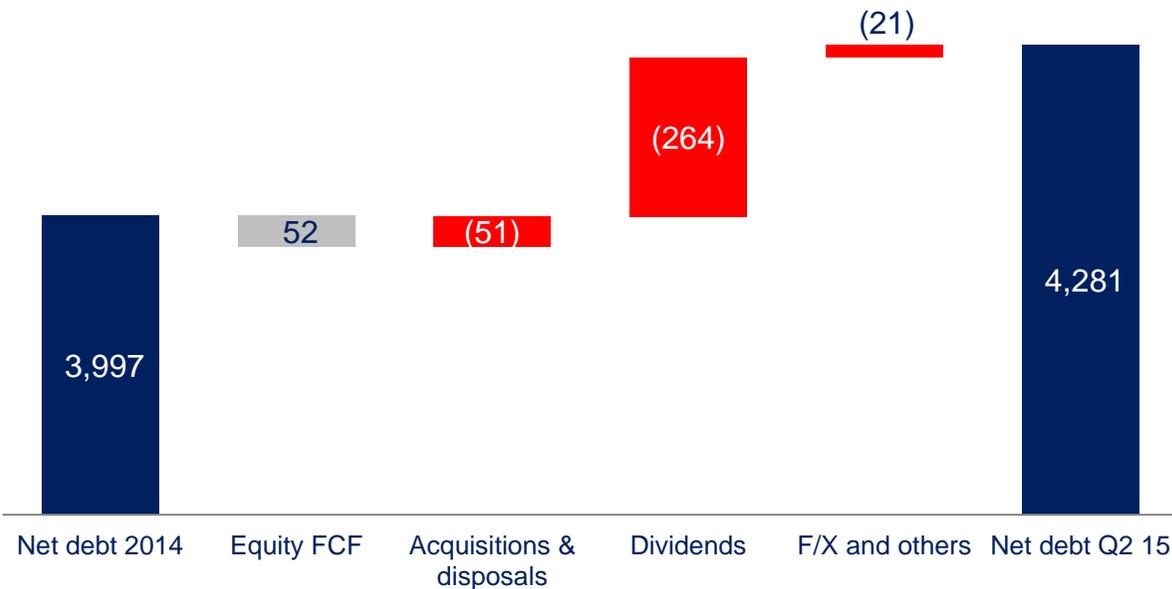
- H1 cashflow showing signs of improvement
- OCF up 22%
  - H1 EBITDA up 17%
  - Working capital outflow slowing down - \$37m in Q2
  - Cash capex represents 102% of capex booked
- Taxes lower than last year due to timing difference
- Dividend to minorities mostly Guatemala

# Net debt variation

## Net debt increased due to dividend distribution

### Net debt evolution

US\$ million, 31 December 2014 – 30 June 2015



- Net debt increased to \$4.3bn
  - 5.8 year maturity
  - Average cost of debt 6.1%
- 24% gross debt in local currency
- Small amount of M&A
  - Rwanda minority interests buy out
  - Final payments to AIH
- Others mainly composed by interests accretion
- Leverage remains comfortable
  - Net debt / LTM EBITDA of 1.89x
  - Proportionate 2.25x

# Conclusion

**1**

**A good performance challenged by FX headwinds**

**2**

**EBITDA momentum maintained through better cost control**

**3**

**Our upside potential in Colombia remains strong**



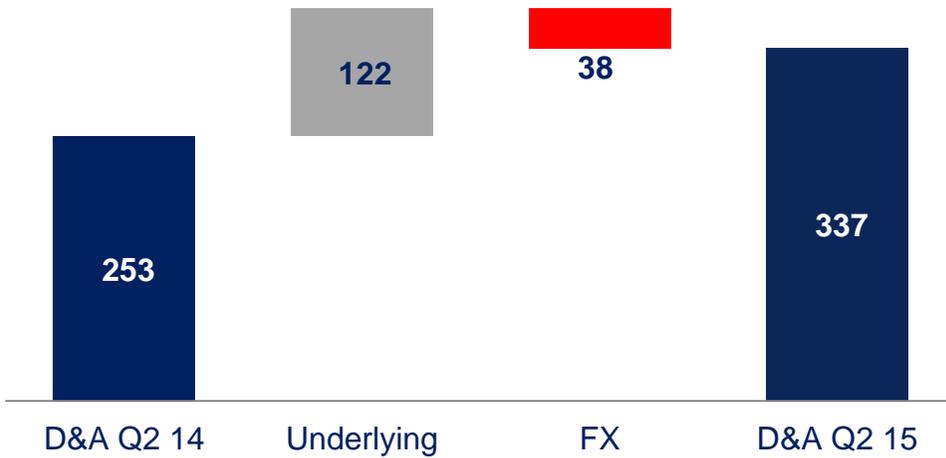
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# Appendix

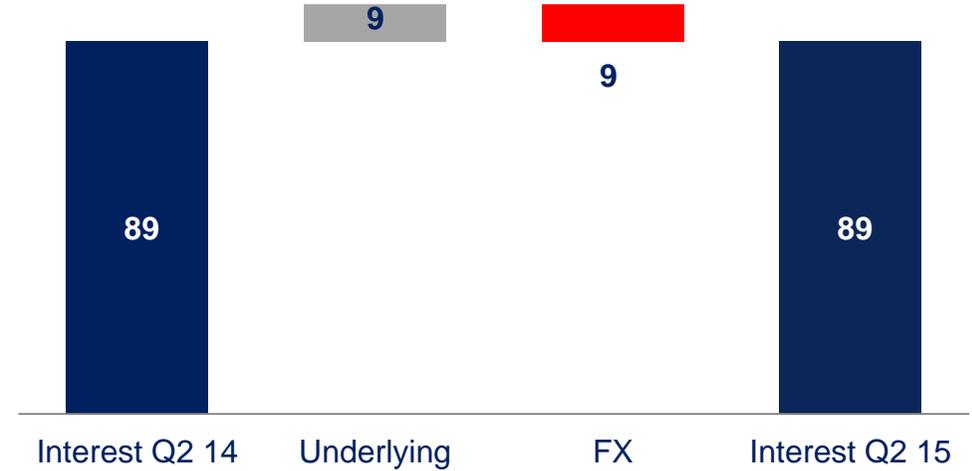
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# Appendix – Below EBITDA

## Depreciation and amortisation



## Interest



## Tax

