



# 2017 Q4 results

Strong finish to 2017, accelerating into 2018

Mauricio Ramos, CEO  
Tim Pennington, CFO  
February 7, 2018

Millicom International Cellular S.A.

*This presentation may contain certain “forward-looking statements” with respect to Millicom’s expectations and plans, strategy, management’s objectives, future performance, costs, revenue, earnings and other trend information. It is important to note that Millicom’s actual results in the future could differ materially from those anticipated in the forward-looking statements depending on various important factors.*

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## 1. CEO review

Mauricio Ramos

Strong finish to 2017, accelerating into 2018

**1**

**Well into our strategic journey**

**2**

**A record year for network build and customer growth**

**3**

**Back to growth and financial performance accelerating**

**4**

**Delivering on our promise of improving capital allocation**

We have been transforming the company in *many ways*

**FROM**

**TO**

Mobile-only  
Voice + SMS  
Prepaid

**STRATEGY**

Cable + convergence  
High-speed data (4G)  
Subscription-driven  
Compliance leader  
Purpose driven

Legacy network  
Analog  
Legacy IT

**NETWORK**

State-of-the-Art (4G, HFC)  
Digital  
OTT like

Product &  
Sales Driven

**CUSTOMER**

Customer Centric

No Geographic Focus

**CAPITAL  
ALLOCATION**

High-speed data networks  
IT transformation  
Latam-only

Deteriorating margins  
Dividend at risk  
Negative eFCF

**RETURNS**

Improving margins  
Dividend covered  
Positive eFCF

# 1 We have a single strategic purpose

Building *digital highways* that connect people,  
improve lives, develop communities

By year-end 2018:

**10M homes** will be covered by our fixed network

**10M mobile** customers will enjoy **4G** speeds

Technology has the potential, and we the responsibility to  
transform societal problems  
into *societal good*



# 1 We are a purpose-driven company



## Child Rights

*Protecting young digital citizens*

- UNICEF - MoU
- COP: +188,000 children
- M-Birth: +2m children



## Great Place to Work

*Taking care of employees*

- Top 20 in GPTW Latam



## Diversity

*Gender equality and women in tech*

- Connected Women
- +24k women trained
- 33% women in senior roles



## Sustainable Supply Chain

*Enhancing suppliers' standards*

- +100 suppliers trained on CSR including ABAC
- Suppliers' sustainability criteria for hiring



## Compliance

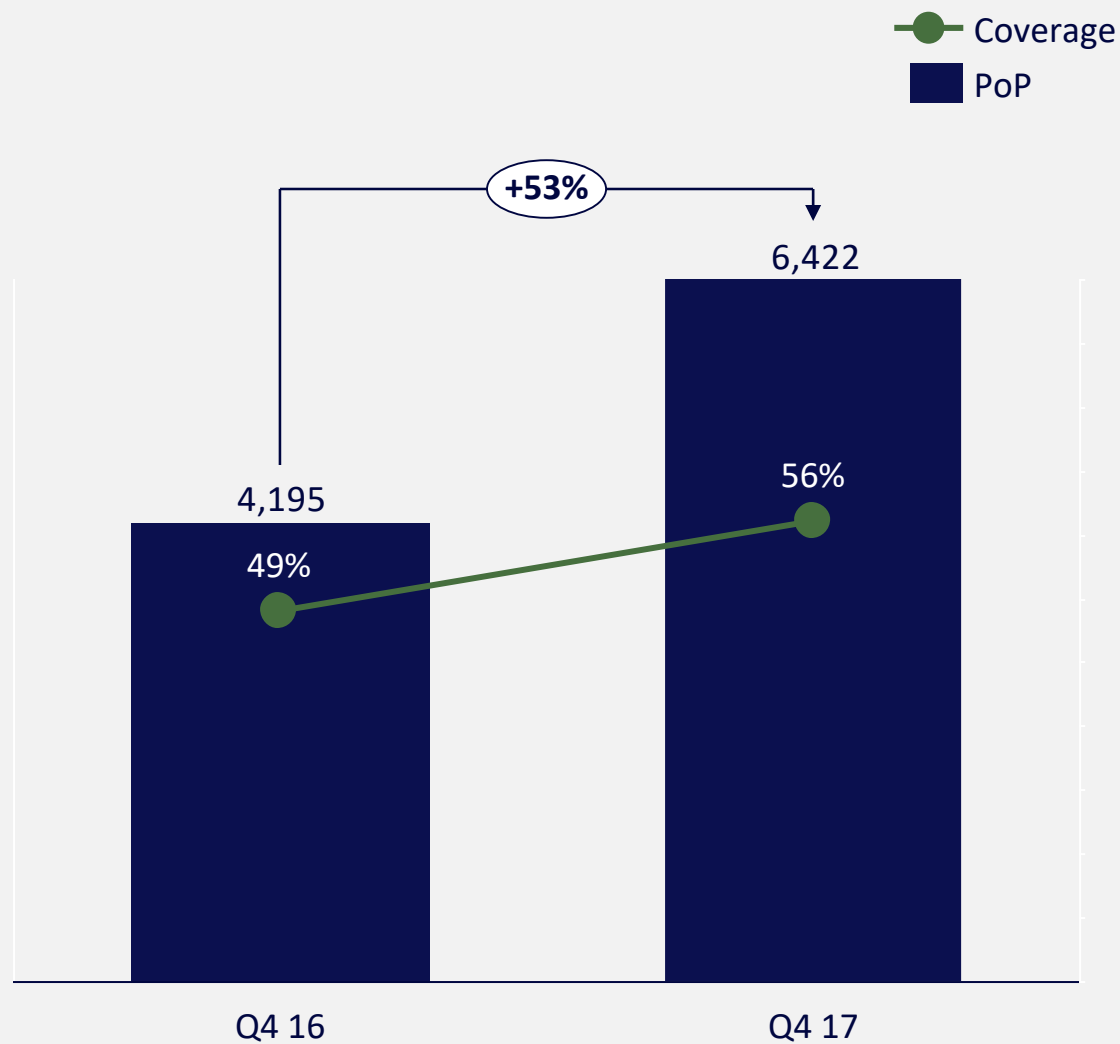
*Doing business the right way*

- Internal policies enhanced
- 96% employees trained

Added 3.5m 4G customers comfortably beating our 3 million target and ending with a record Q4

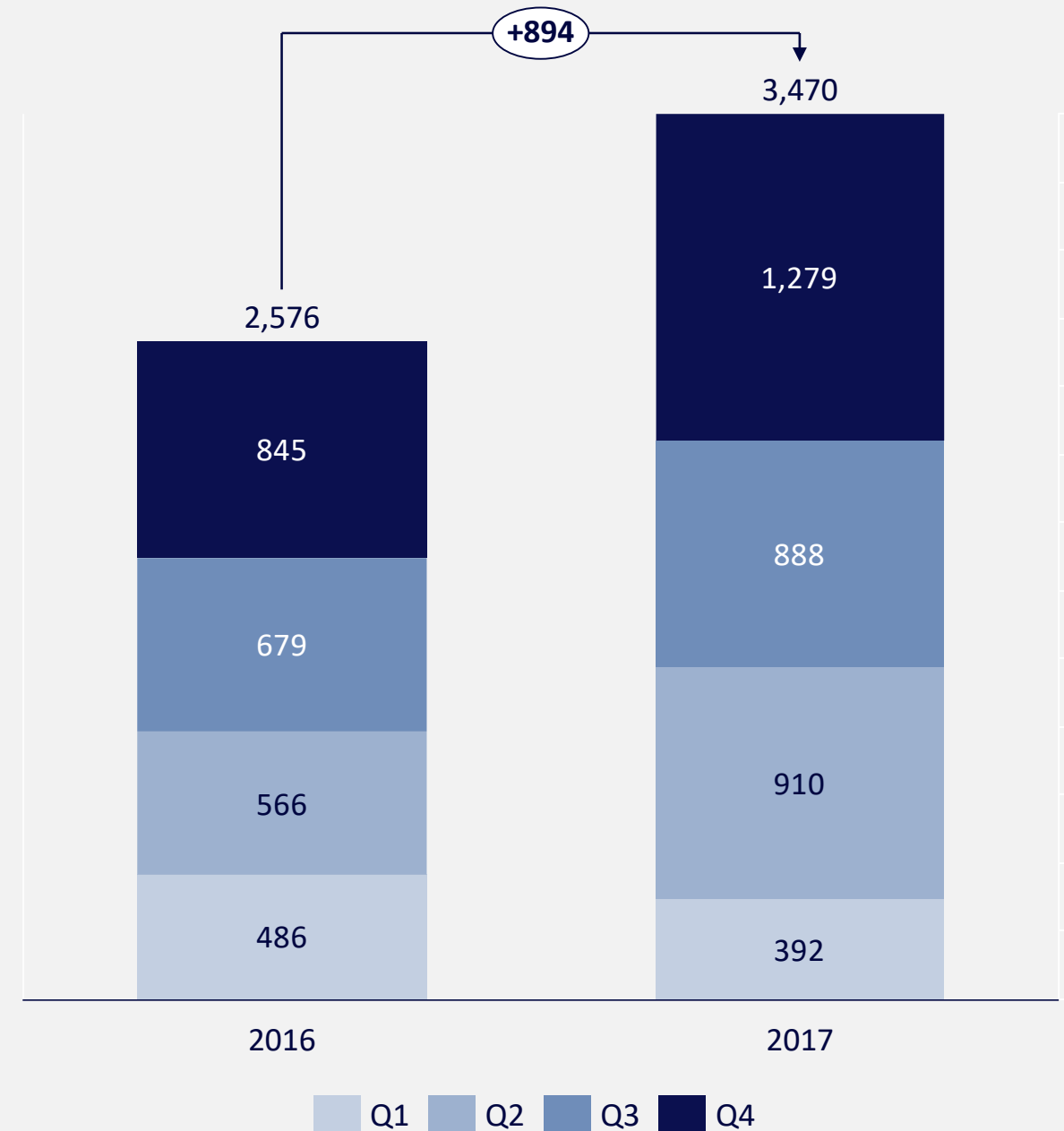
### 4G network coverage expansion continues

Latam 4G coverage in % of population covered  
4G points of presence (PoP)



### Record 4G data user net additions in Q4 and 2017

Latam B2C Smartphone net new data users (000s) by quarter, 2016 – 2017



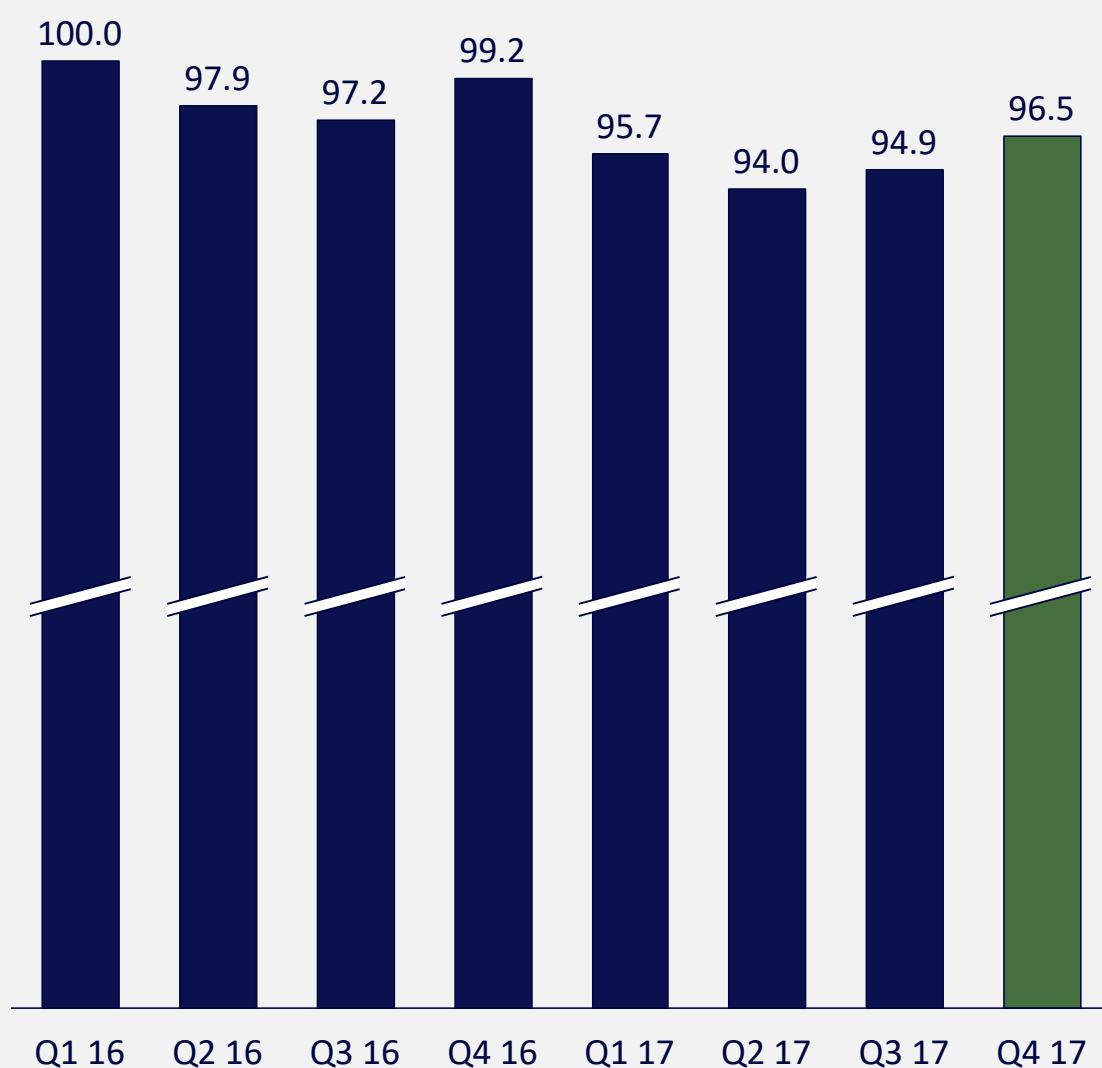


## 2 Our mobile business is back to growth

ARPU trends improved and revenue growth turned positive in Q4

### Latam B2C mobile ARPU evolution

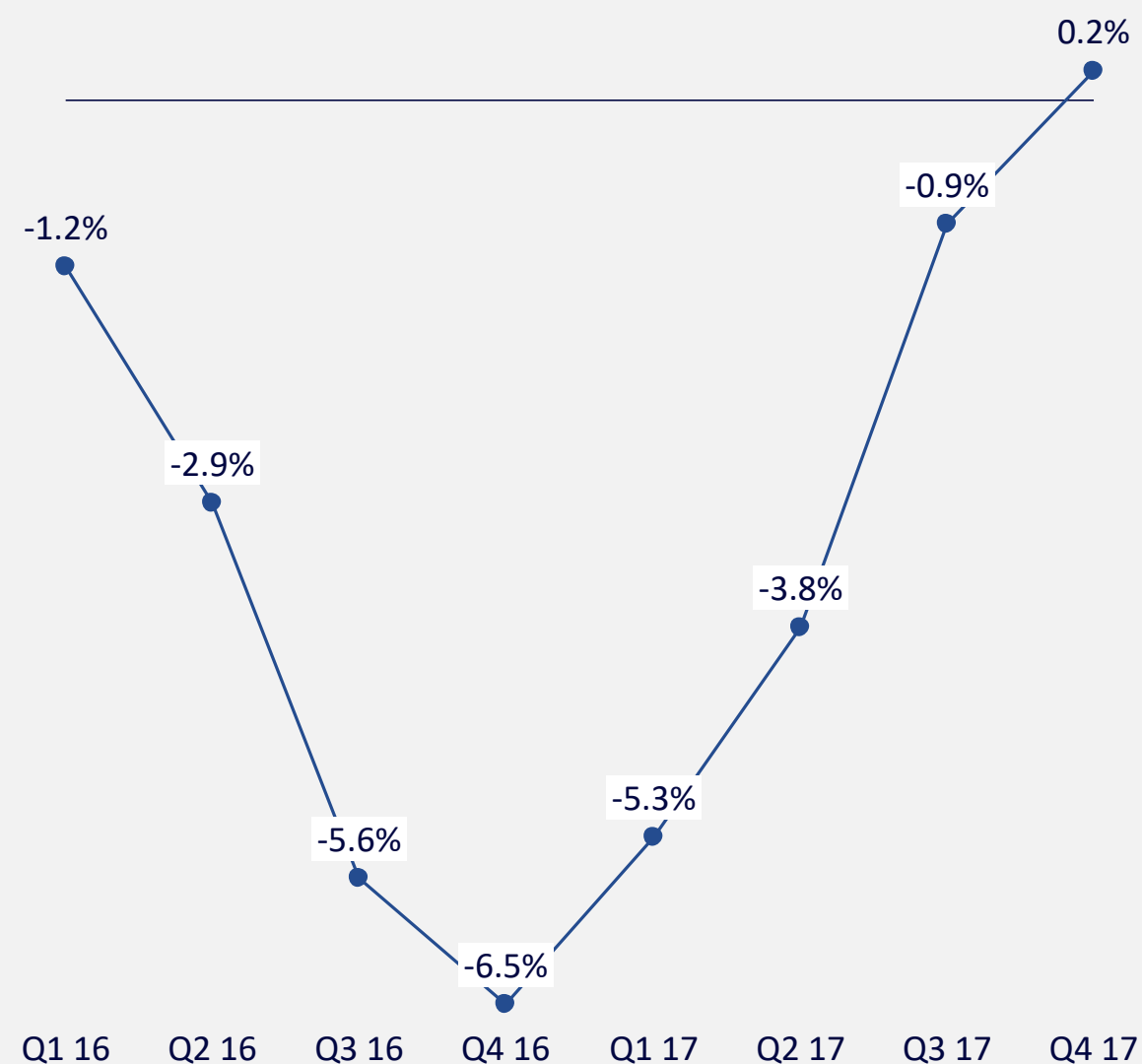
Constant currency blended ARPU (Q1 16 = 100 basis), Q1 16- Q4 17



ARPU: recurring revenue excluding MVNO/DVNO revenue and other national roaming revenue on subscribers

### B2C mobile service revenue growth

Latam % growth in local currency, Q1 16- Q4 17

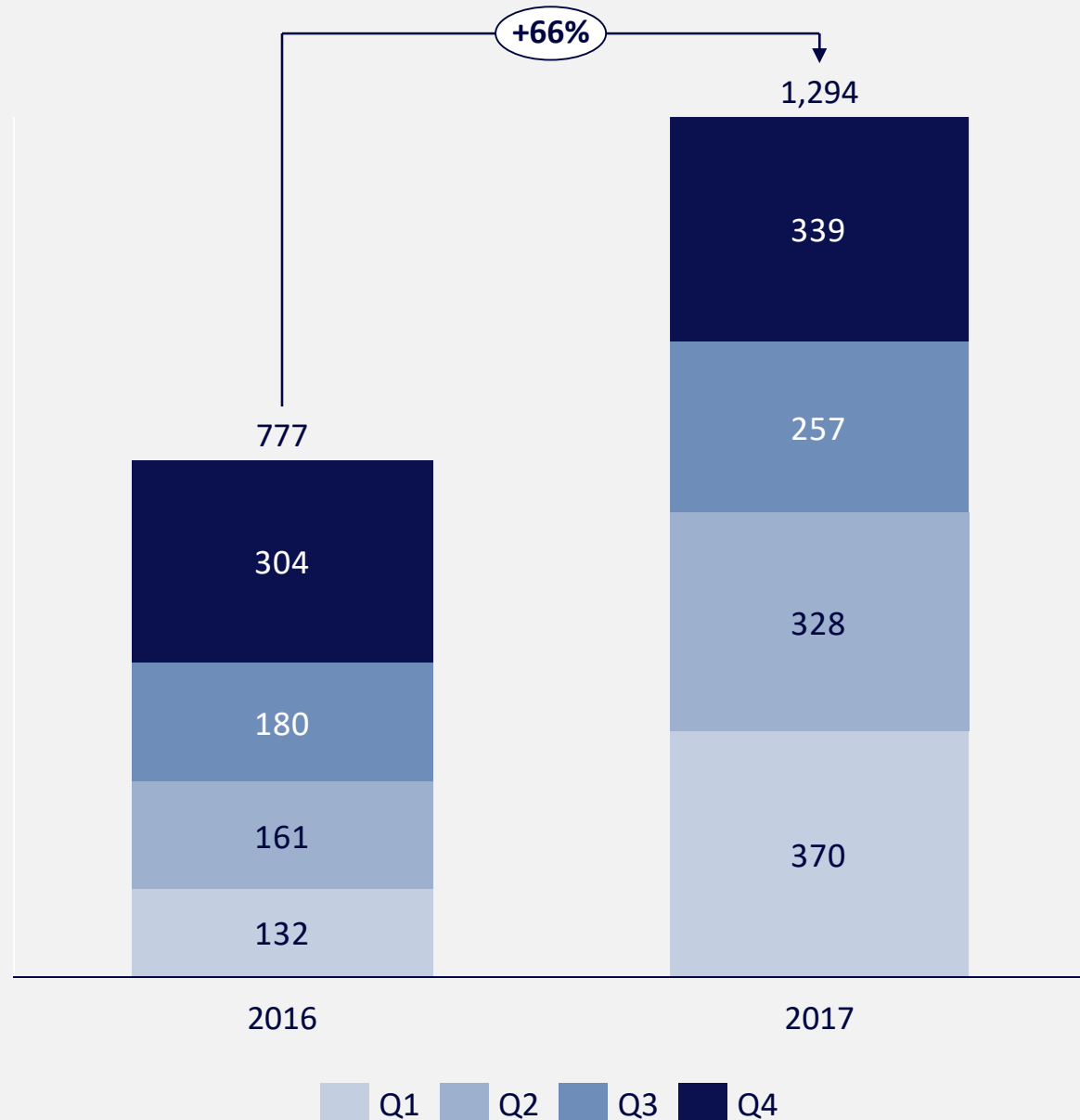


## 2 Home – Record 250k HFC net adds in 2017

We continue to build and connect new HFC homes at a rapid pace, both up more than 65% YoY

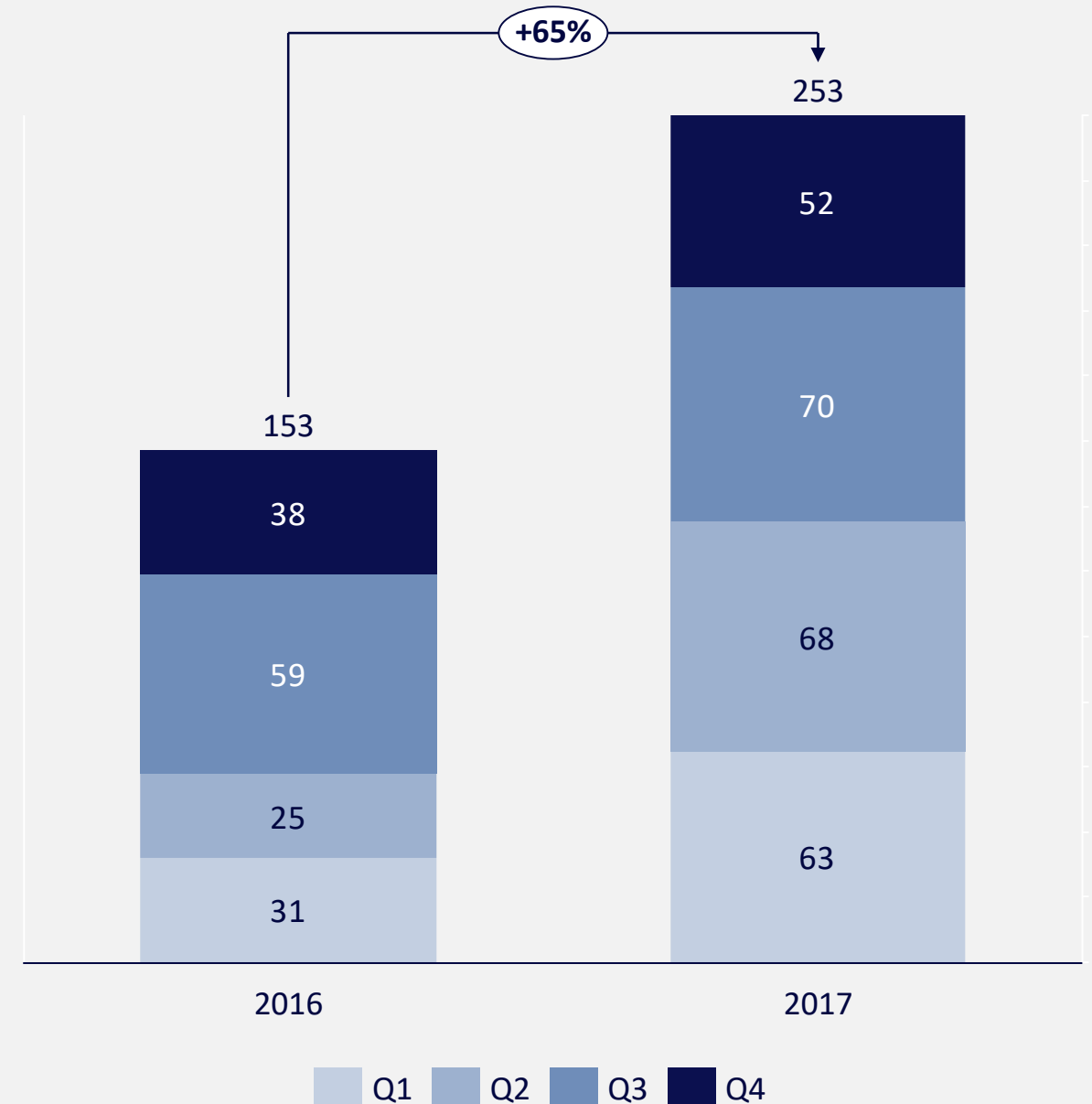
### Added 1.3m HFC homes-passed

*Latam new HFC homes passed by quarter, 2016 – 2017 (000s)*



### Connected 250k more HFC homes in 2017

*Latam new HFC homes connected by quarter, 2016 – 2017 (000s)*

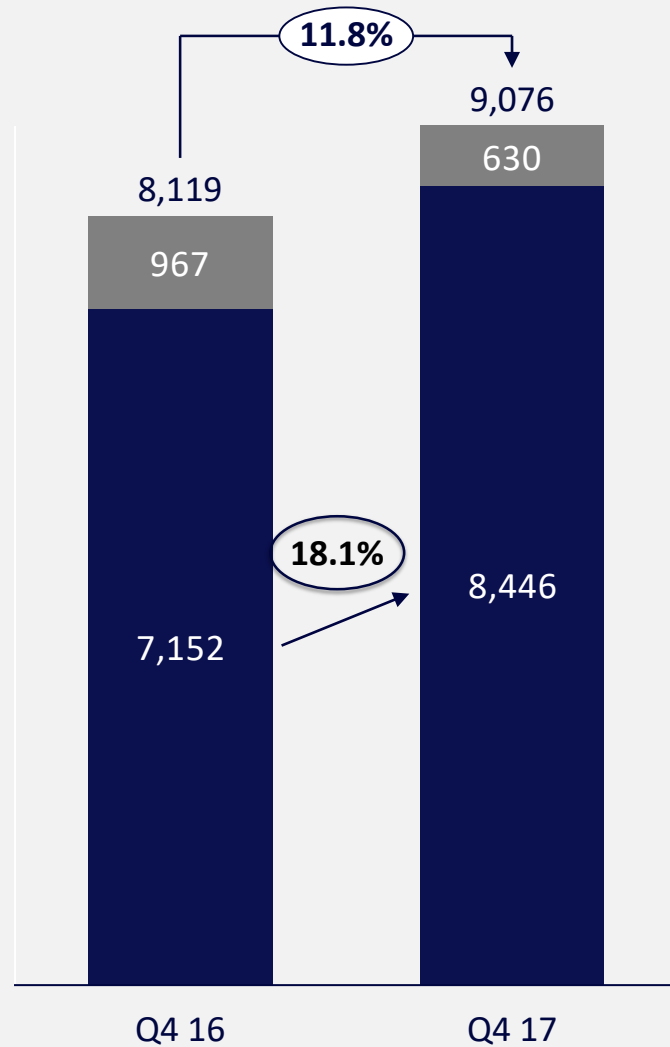


## 2 HFC is growing double-digits

### HFC growth offsetting legacy network attrition

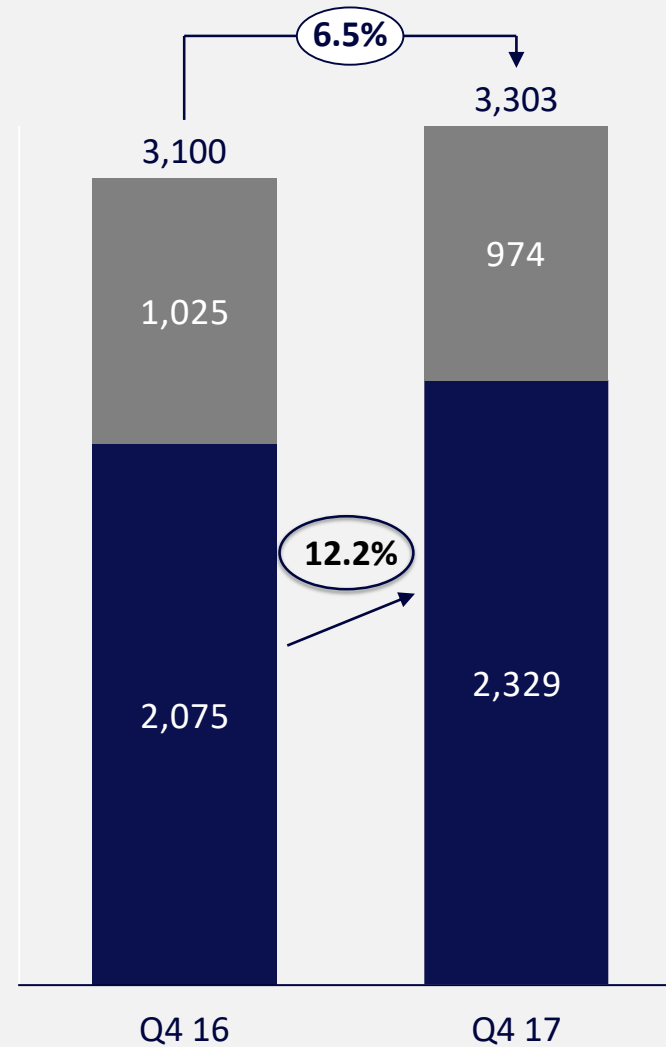
#### Homes Passed

000's, Q4 16 – Q4 17



#### Homes Connected

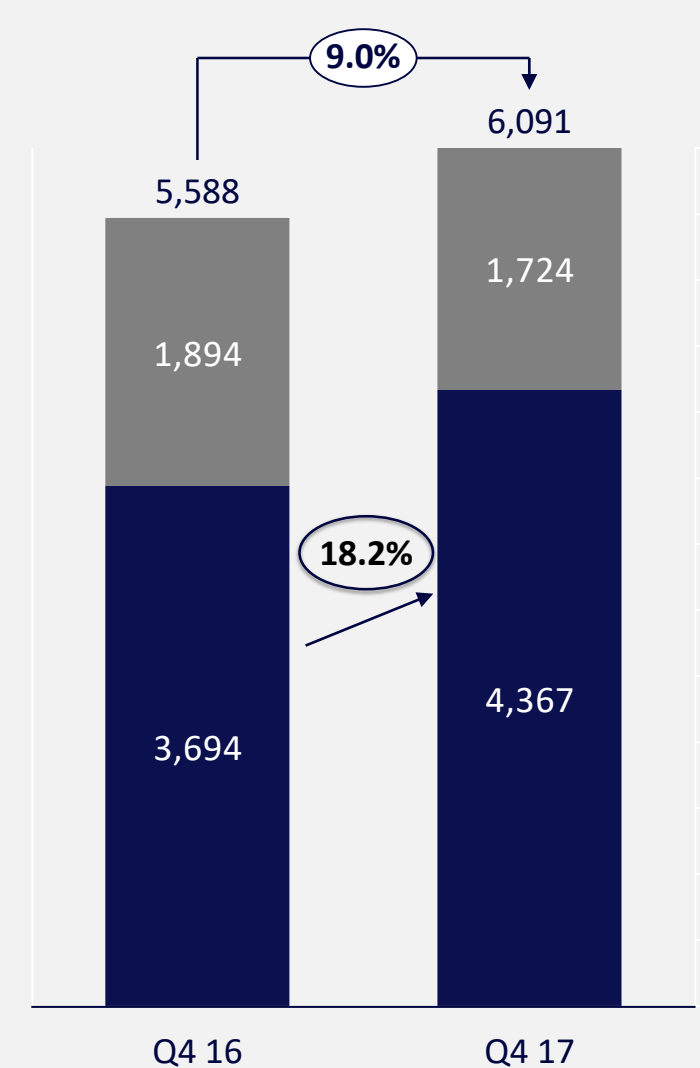
000's, Q4 16 – Q4 17



HFC Other

#### HFC RGUs

000's, Q4 16 – Q4 17



HFC Bundling ratio

1.78

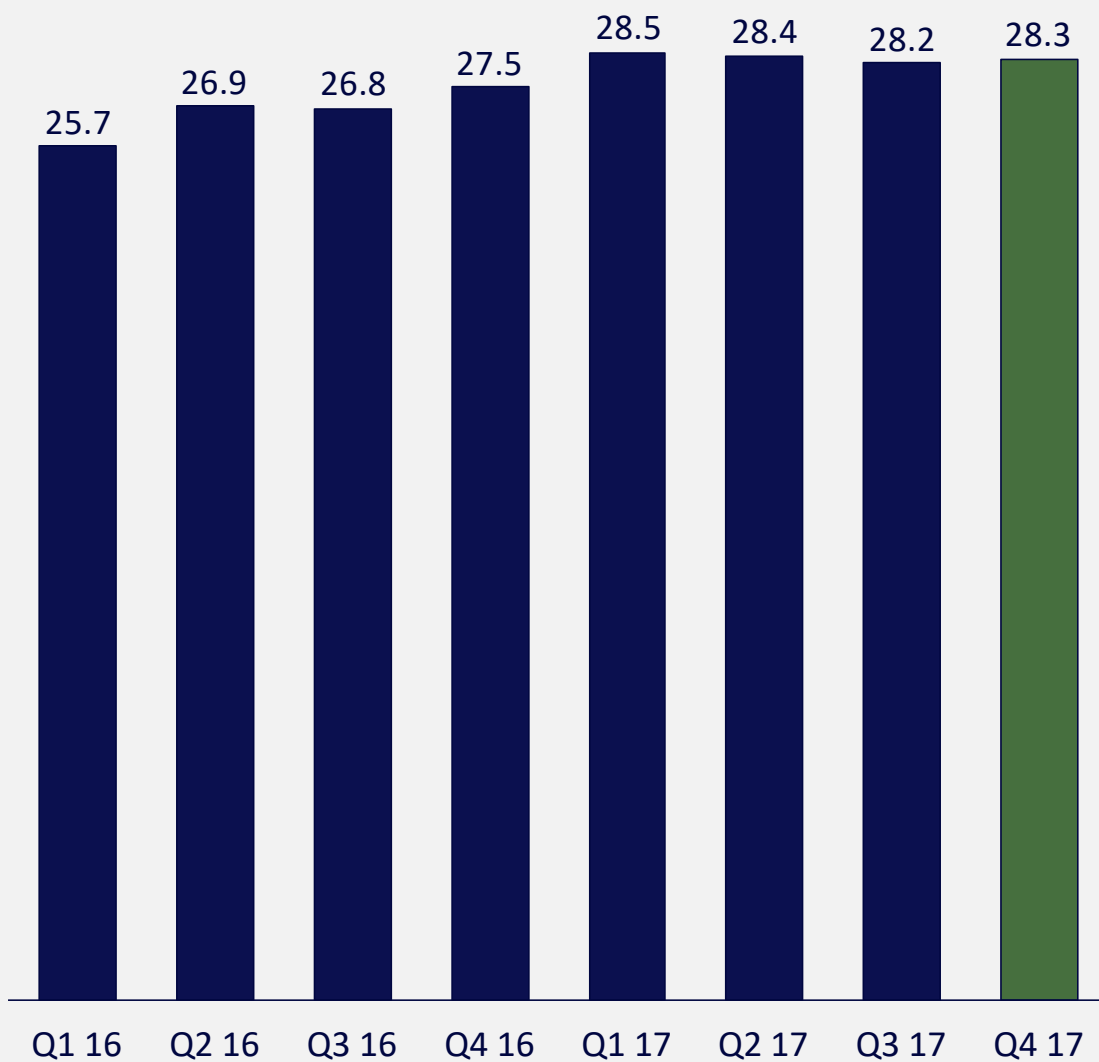
1.88

## 2 Home revenue growing steadily

Subscription-based revenue helps produce consistent sequential growth QoQ

### Latam Home ARPU evolution

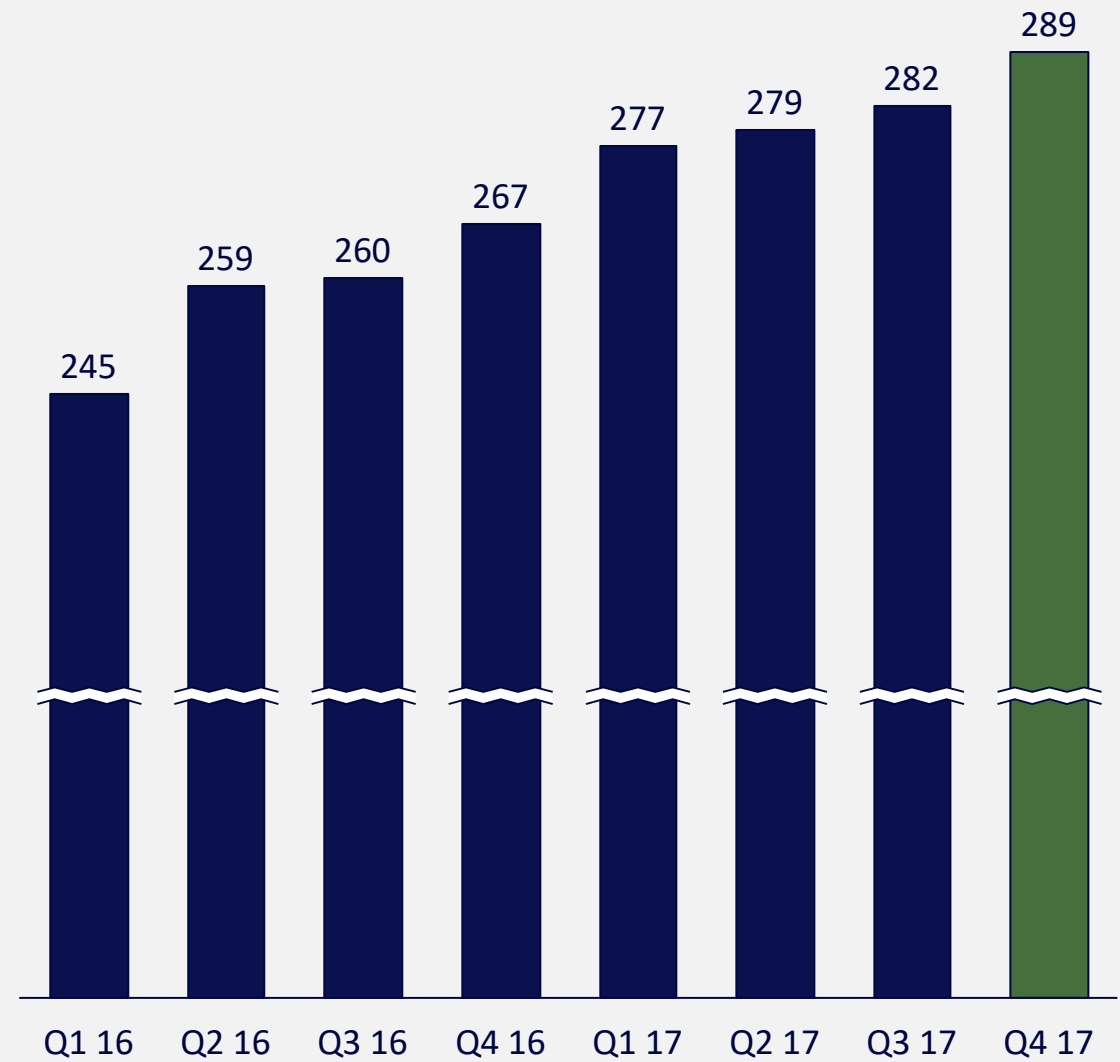
Blended ARPU (\$/month), Q1 16- Q4 17



ARPU: Recurring revenue by home connected

### Latam Home service revenue

Millions of dollars, Q1 16- Q4 17

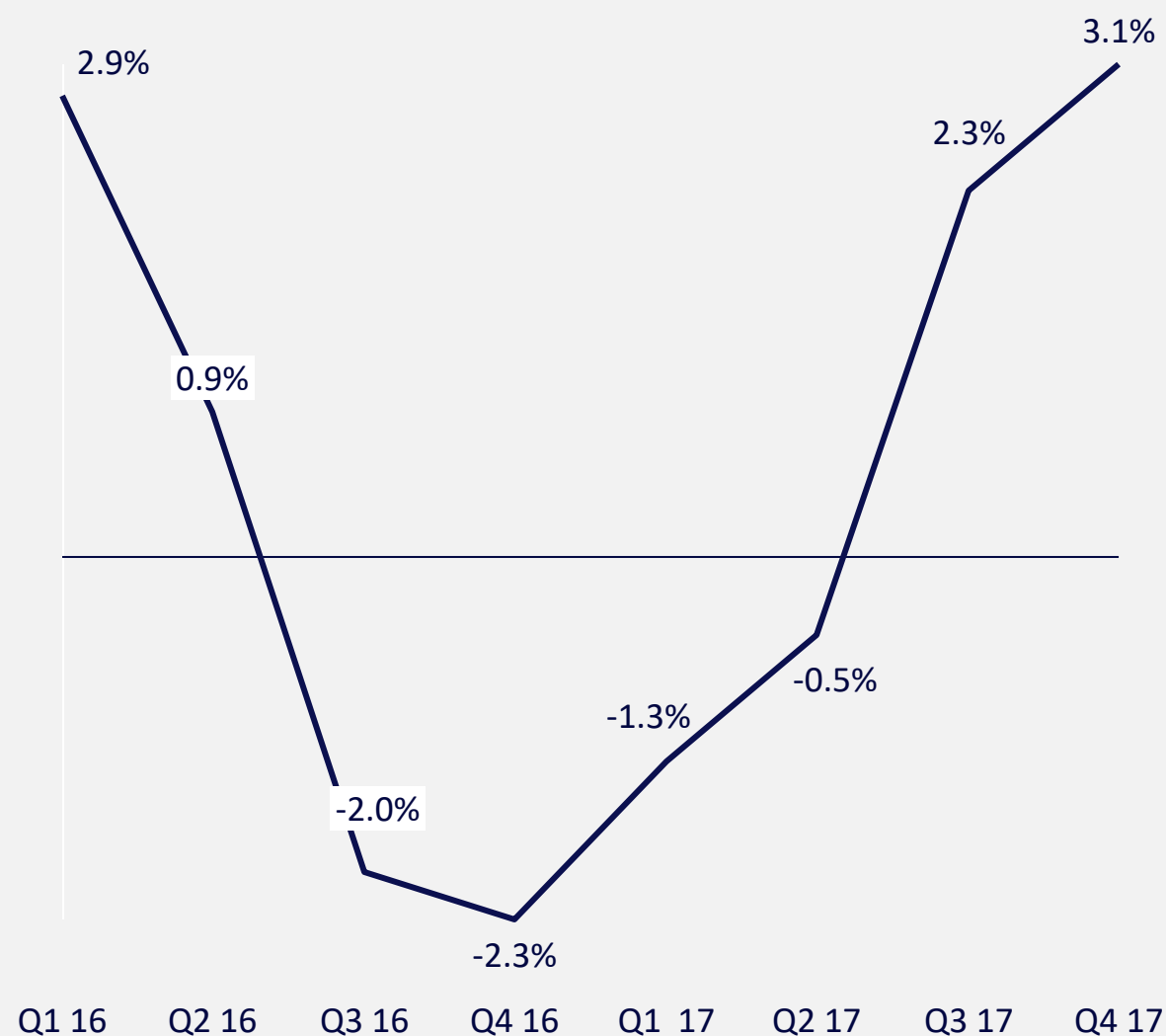


# 3 Revenue growth accelerating

Fastest Latam revenue growth rate in more than two years

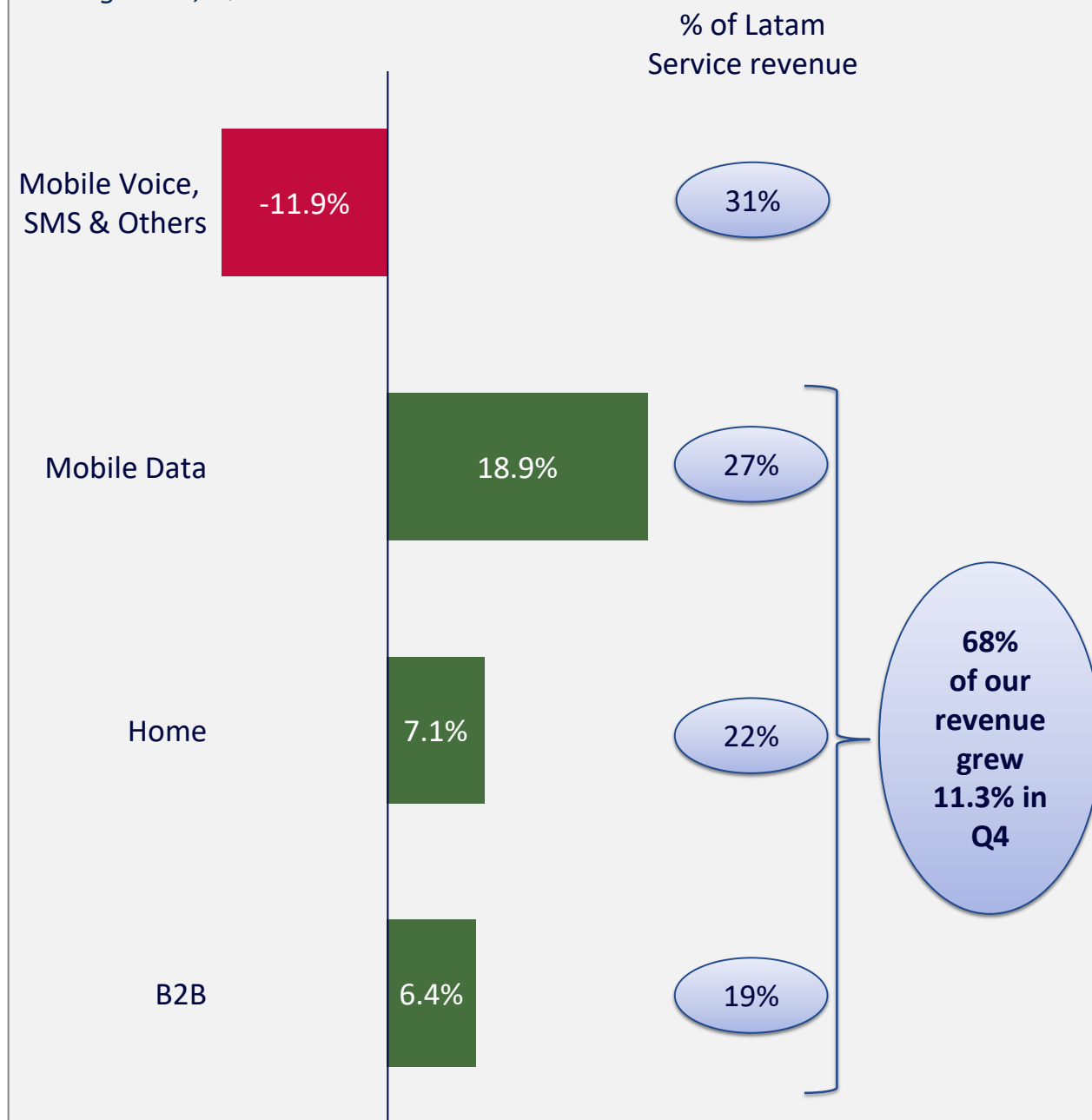
## Latam service revenue growth

%YoY growth, Q1 16 – Q4 17



## Latam service revenue growth by business unit

%YoY growth, Q4 17





### 3 Latam growth broad based

We sustained good momentum in all of our largest Latam markets in Q4

#### El Salvador

Service revenue, year-on-year (%), Q1 16 – Q4 17



#### Guatemala



#### Honduras



#### Bolivia



#### Colombia

Ex regulatory impact <sup>a</sup>



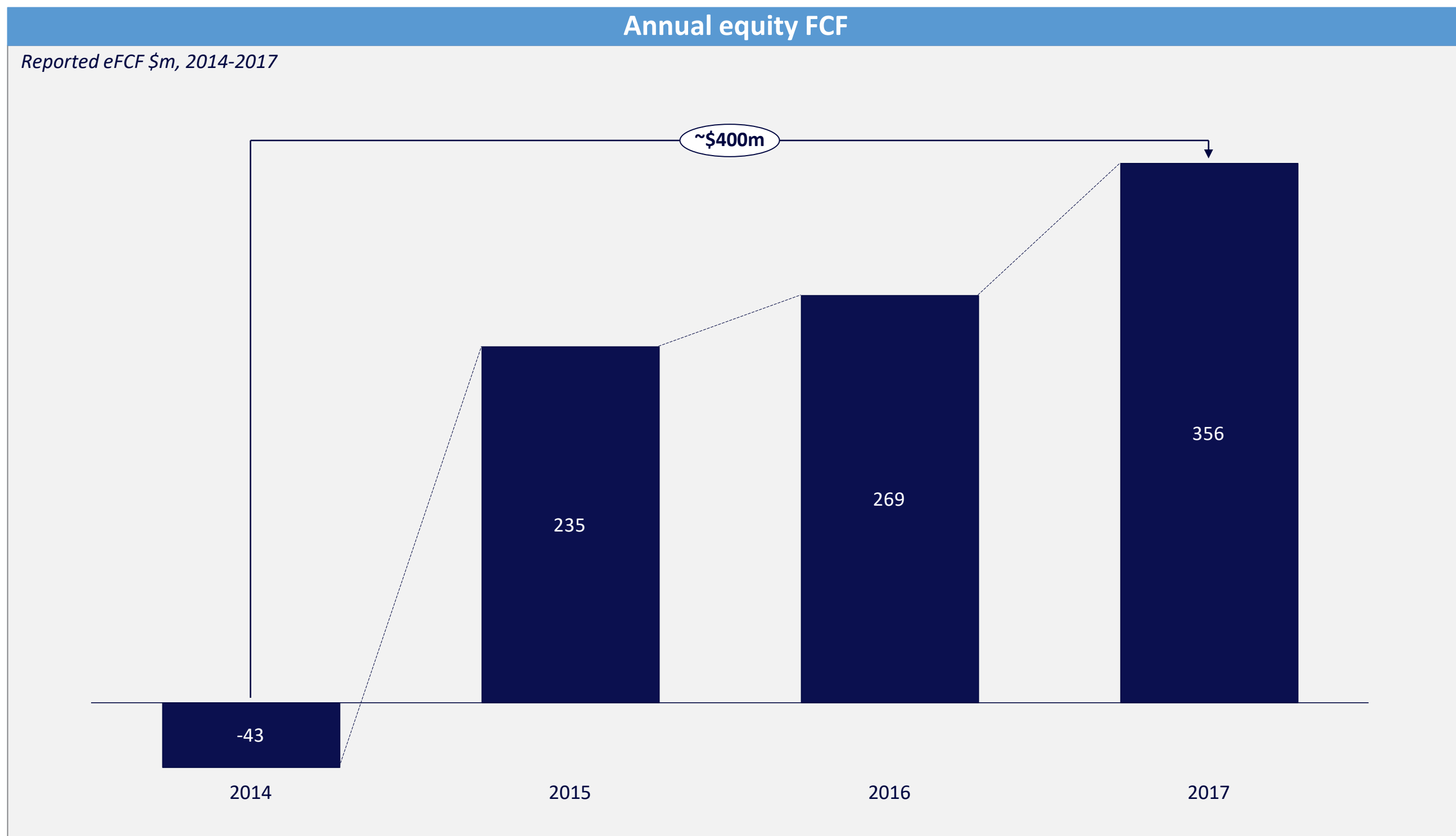
#### Paraguay



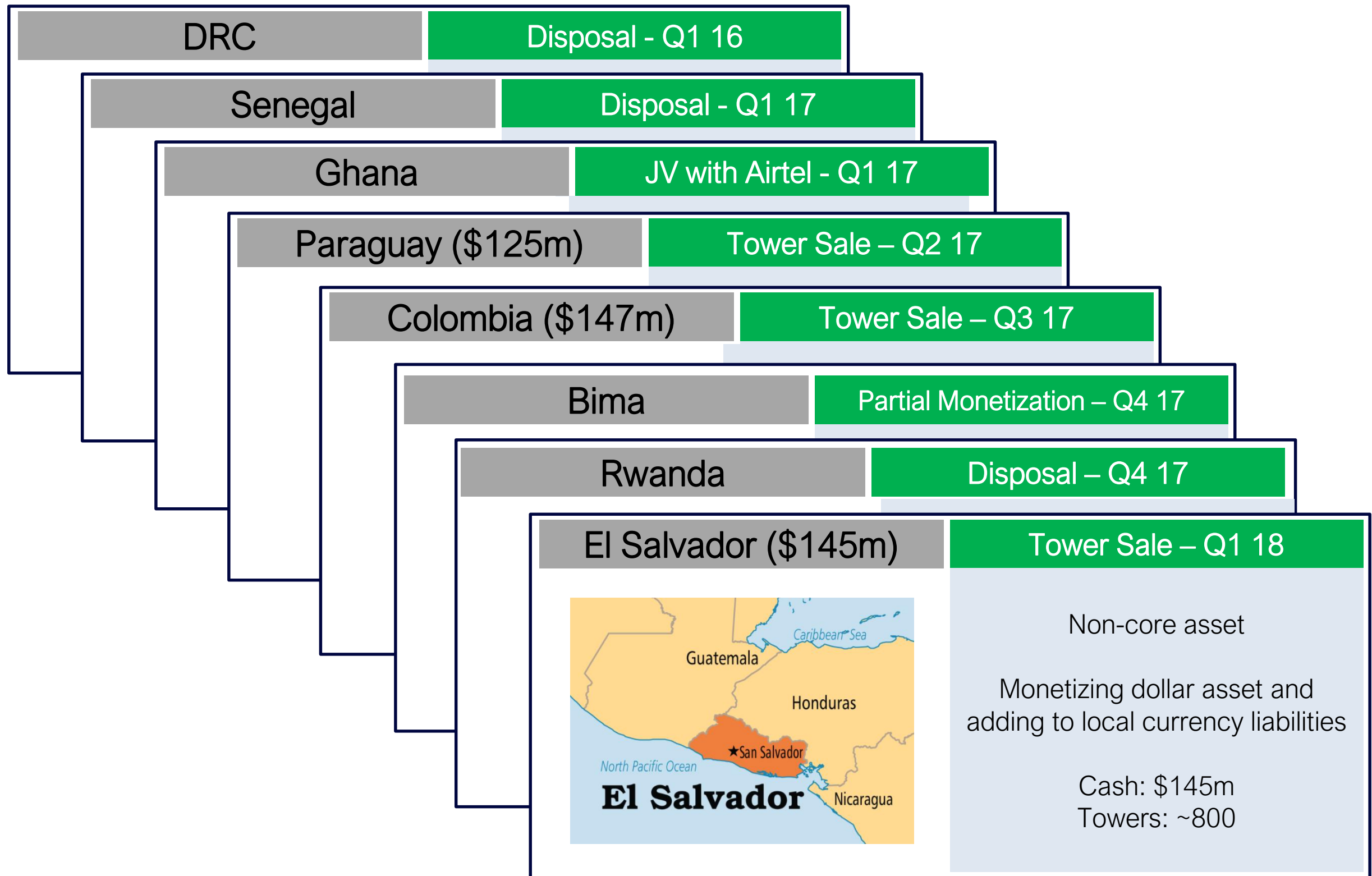
<sup>a</sup> Lower MTR, MVNO, and national roaming tariffs, and mandated decommissioning of UNE fixed wireless network

### 3 \$400m turnaround in cash flow in three years

Rapidly growing equity FCF generation while we invest to accelerate growth



More than \$800m in asset disposals since 2015, with more to go





## 2. CFO review

Tim Pennington

Q4 was our strongest quarter of 2017

**1**

**Revenue growth accelerated**

**2**

**Margin expansion also driving earnings growth**

**3**

**Capital discipline driving cash flow and return on capital**

**4**

**Capital structure healthy**

**5**

**Outlook**

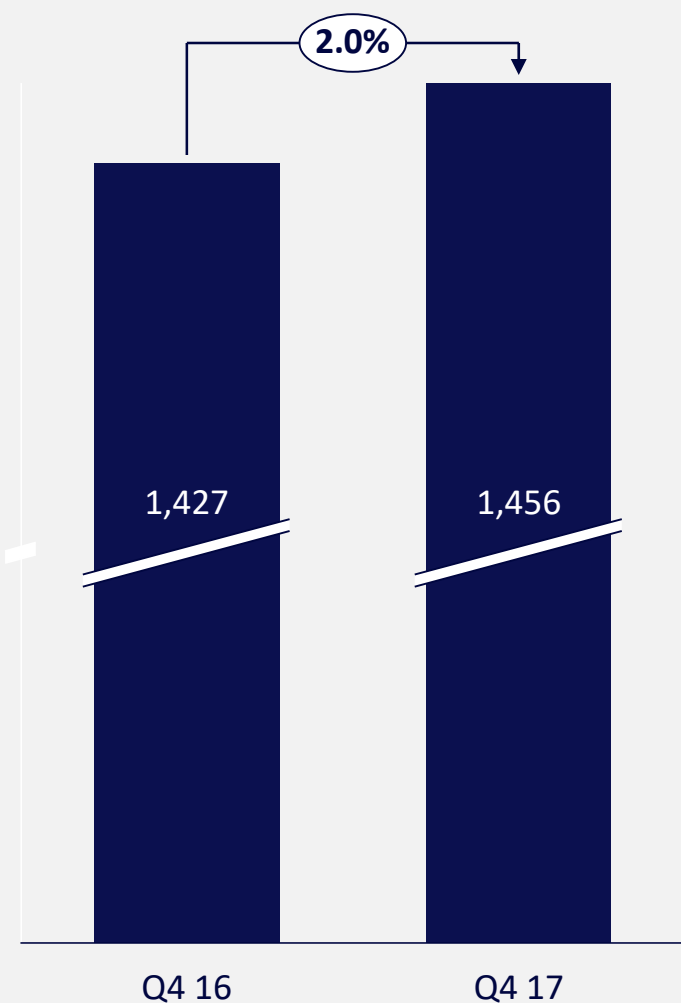


# 1 Key financial metrics – Q4 2017

Group service revenue up 2.0% and EBITDA up 6.9% - full year capex flat

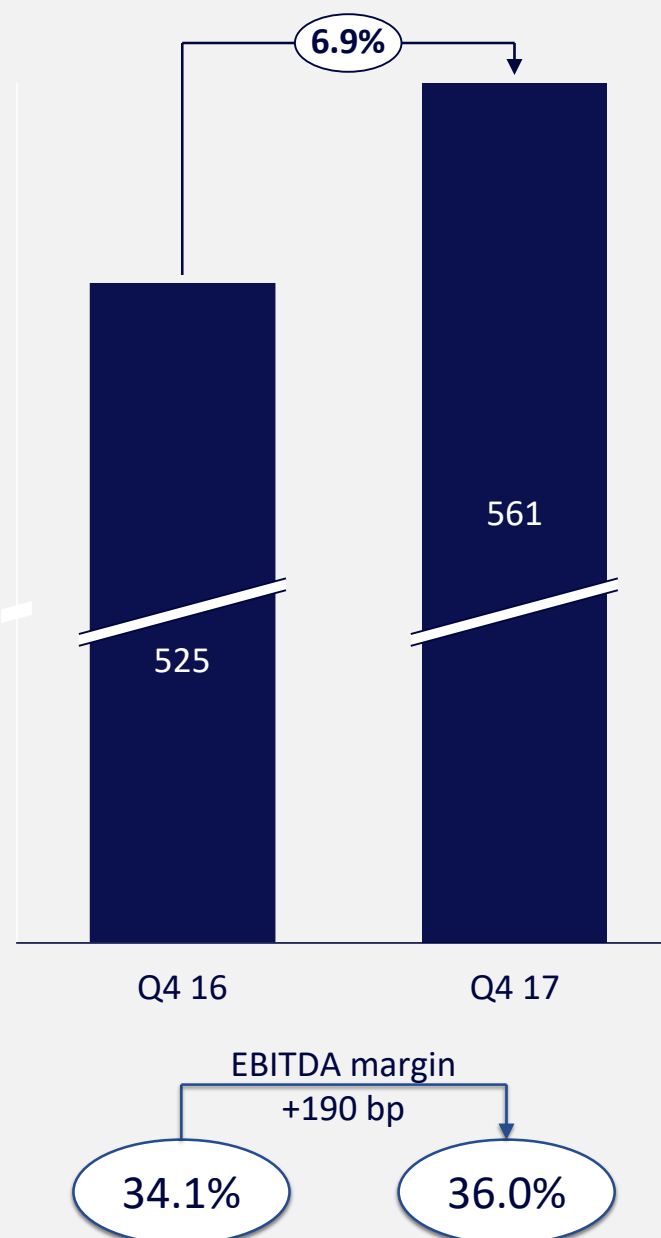
## Service Revenue <sup>a</sup>

\$m, Q4 16 – Q4 17



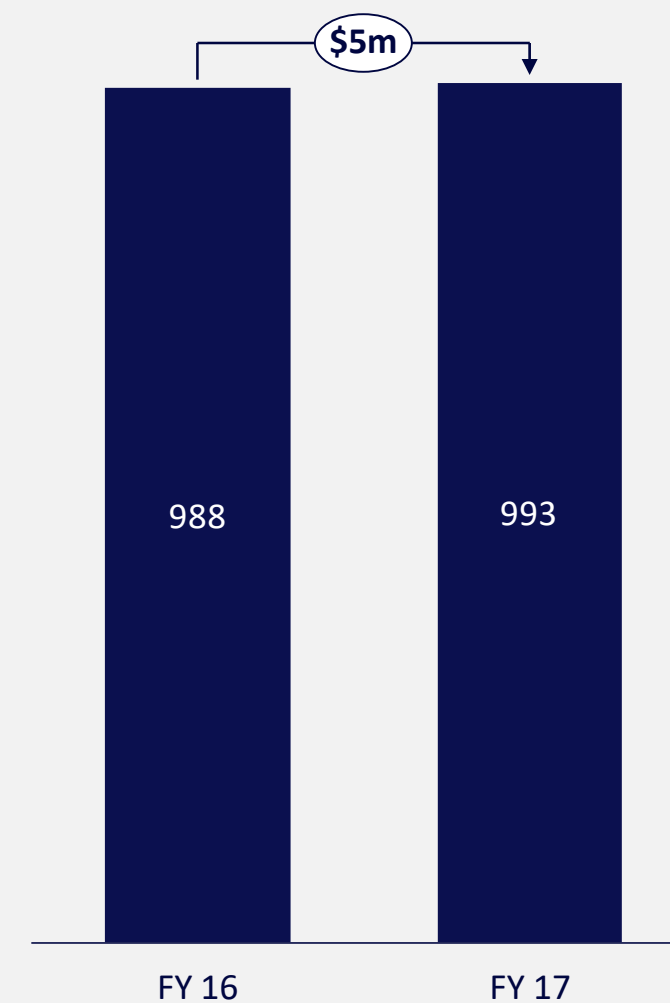
## EBITDA <sup>a</sup> and Margins

\$m and %, Q4 16 – Q4 17



## Capex <sup>b</sup>

\$m, FY 16 – FY 17



a) Q4 16 numbers are adjusted to Q4 17 FX rates and exclude Senegal and Ghana

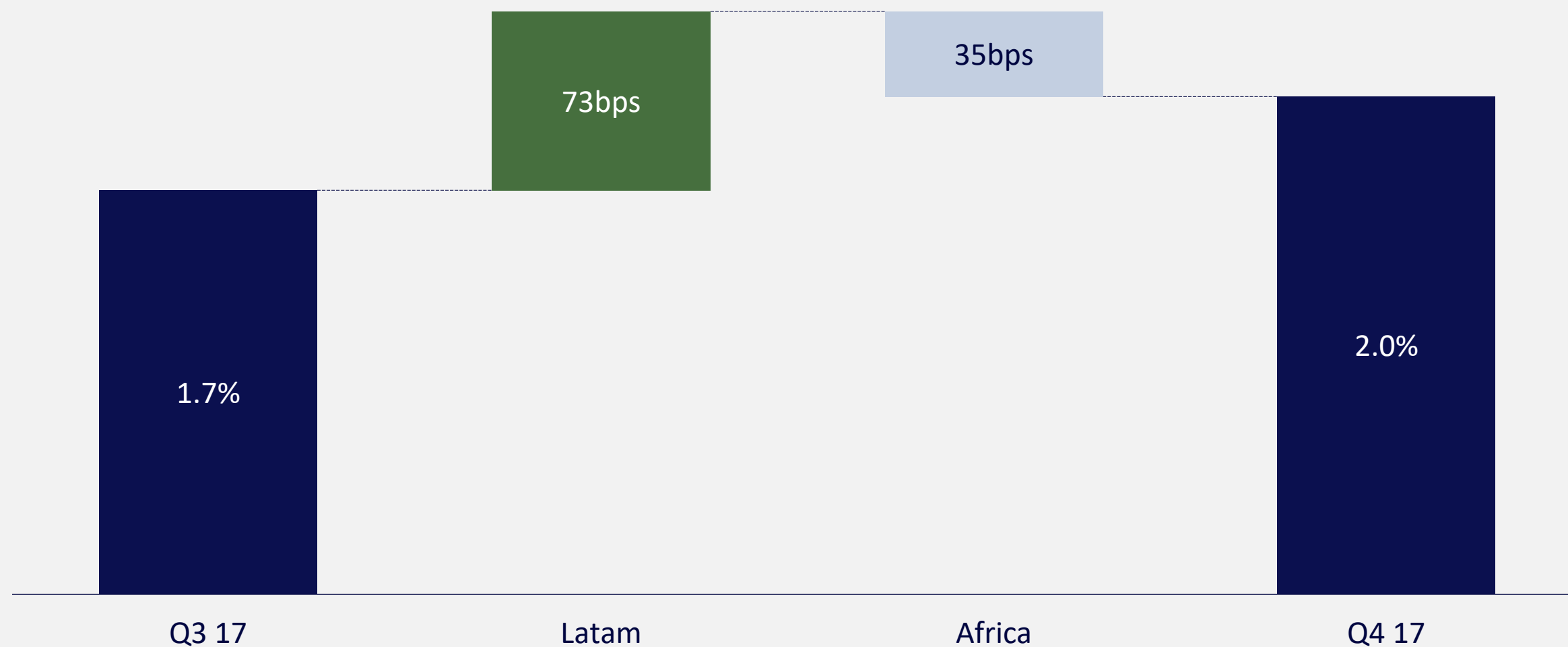
b) Excluding Senegal and Ghana, spectrum & license costs

# 1 Service revenue

Improvement on a sequential basis

## Group sequential organic service revenue growth analysis

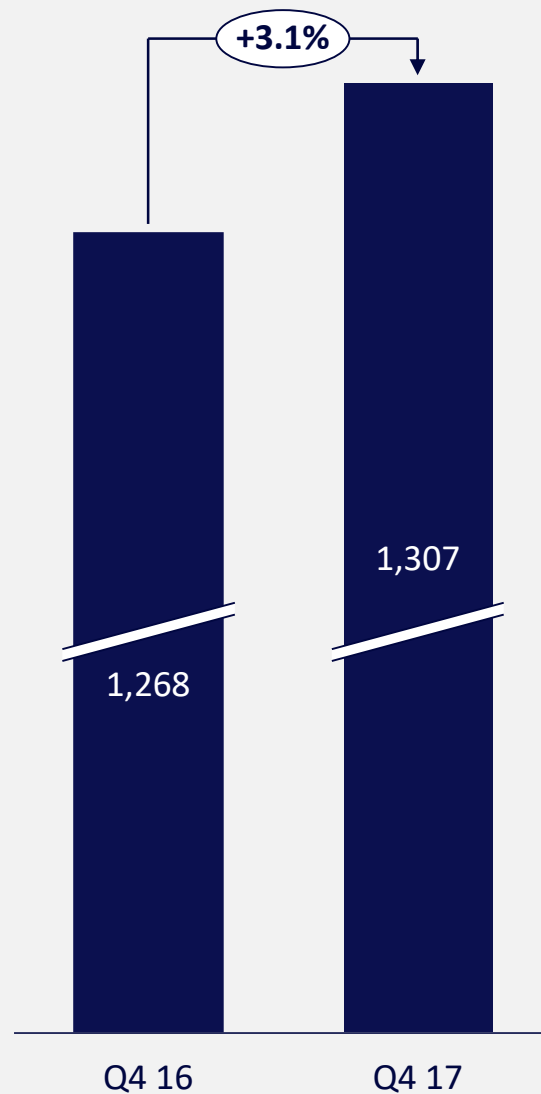
%YoY, Q3 17 – Q4 17



## EBITDA up 9% in Latam

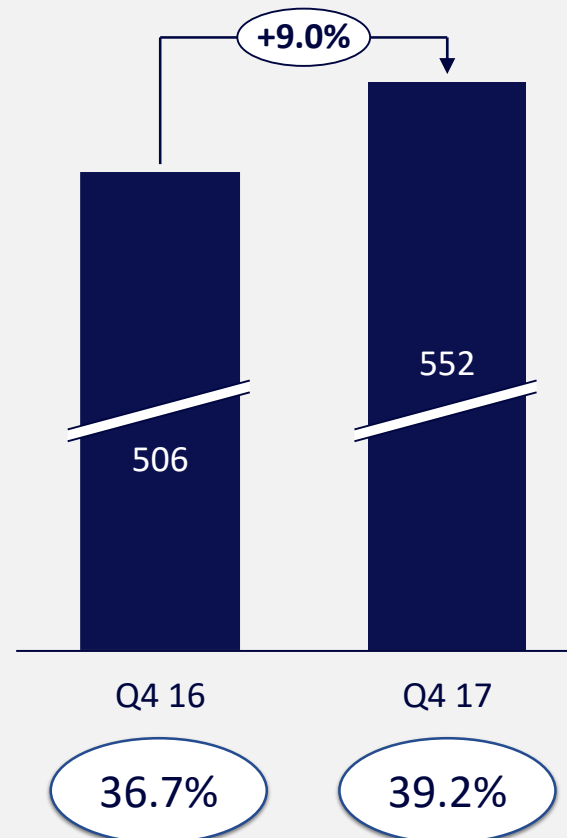
### Latam service revenue

\$m, Q4 16 – Q4 17



### Latam EBITDA

\$m and margin, Q4 16 – Q4 17



### Latam OCF (FY)

\$m and margin, FY 16 – FY 17



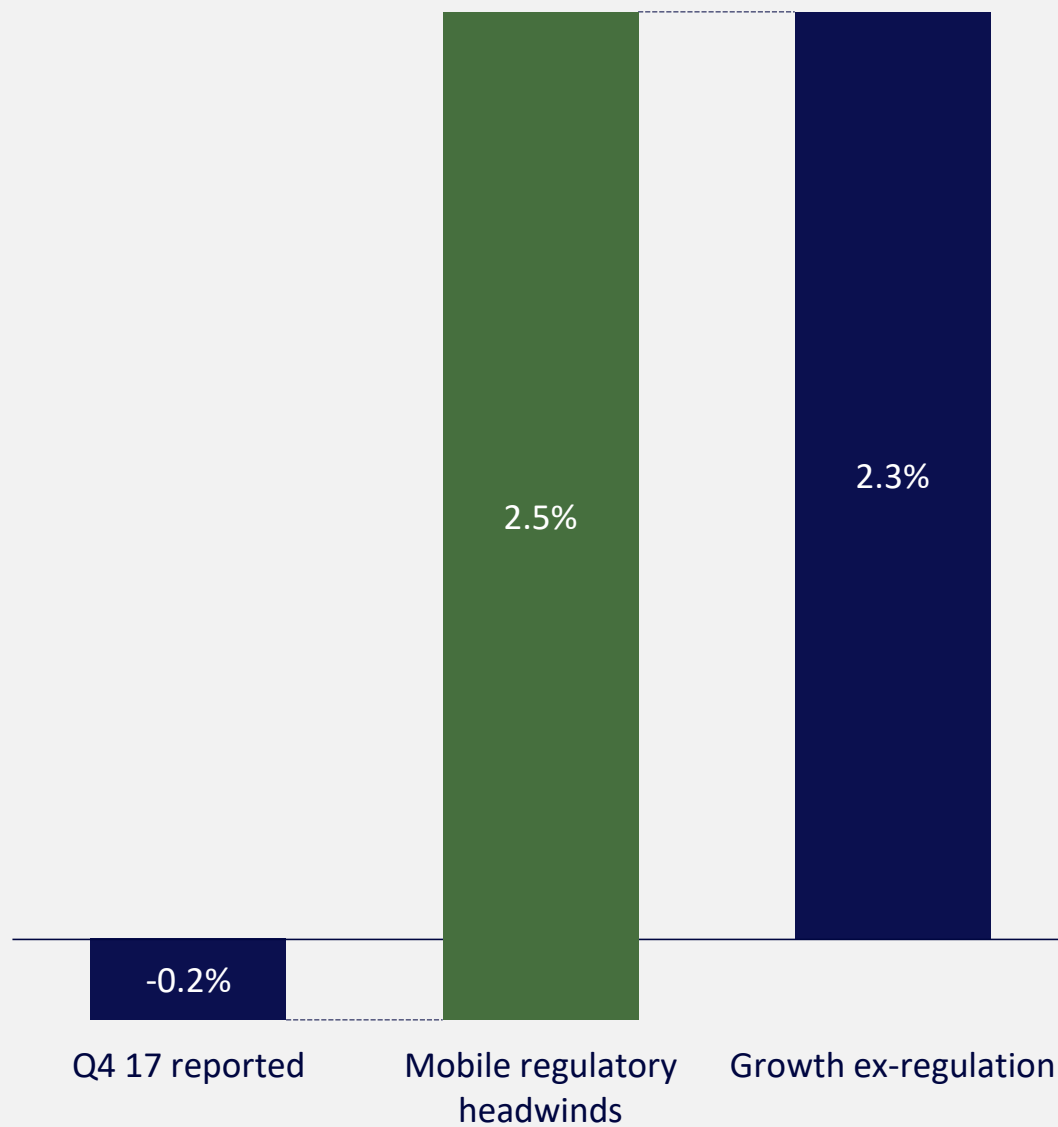
Q4 16 numbers are adjusted to Q4 17 FX rates  
Capex excluding spectrum & license costs

# 1 Colombia progressing as expected

Investing in sales and marketing while absorbing regulatory challenges

## Service revenue growth\*

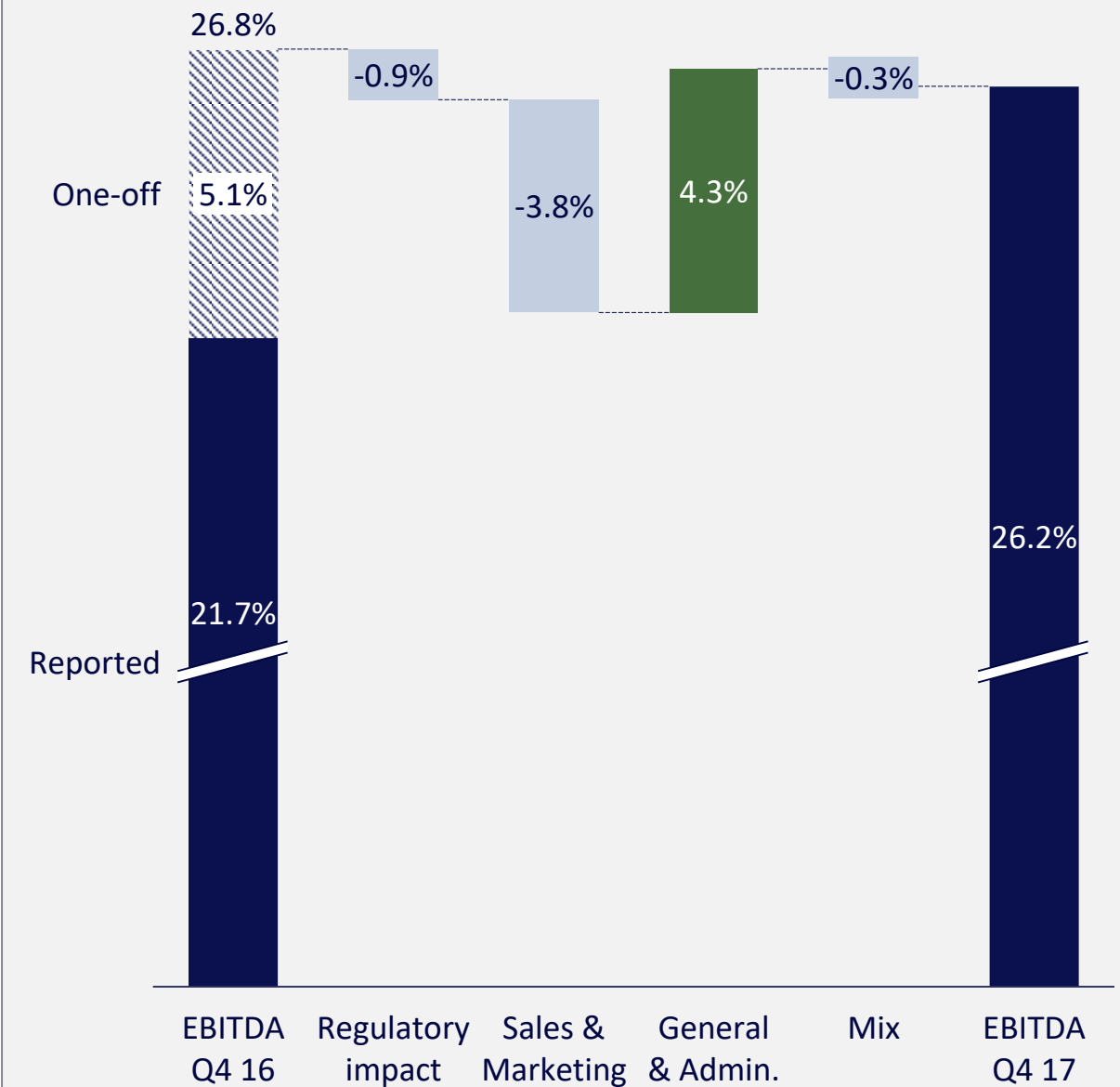
YoY growth, Q4-17



\* Discontinued UNE fixed wireless closed in Q3 2016

## Colombia EBITDA bridge

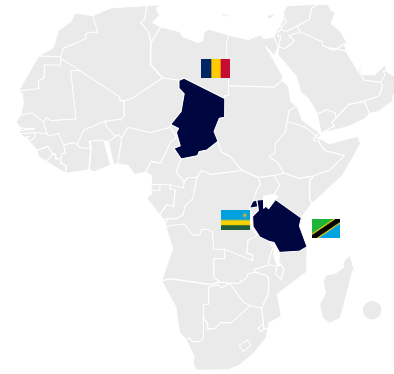
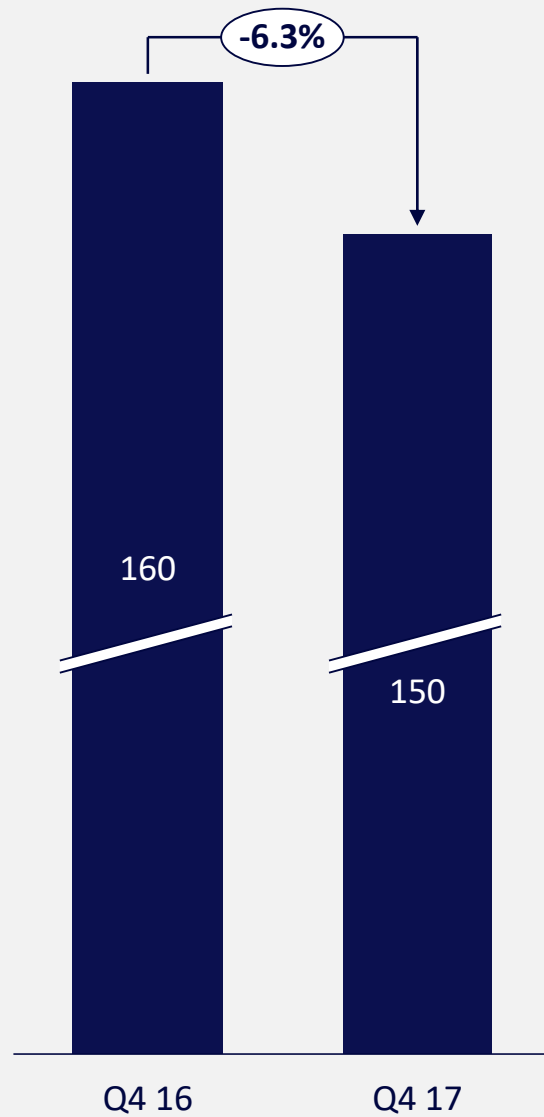
% Revenue, Q4 17



## Africa still challenging but delivering on our cash flow commitment

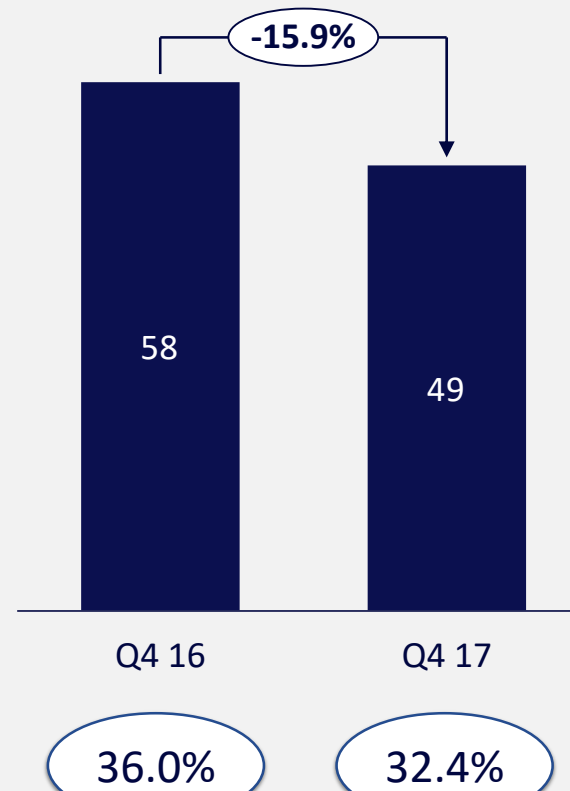
### Africa service revenue

\$m, Q4 16 – Q4 17



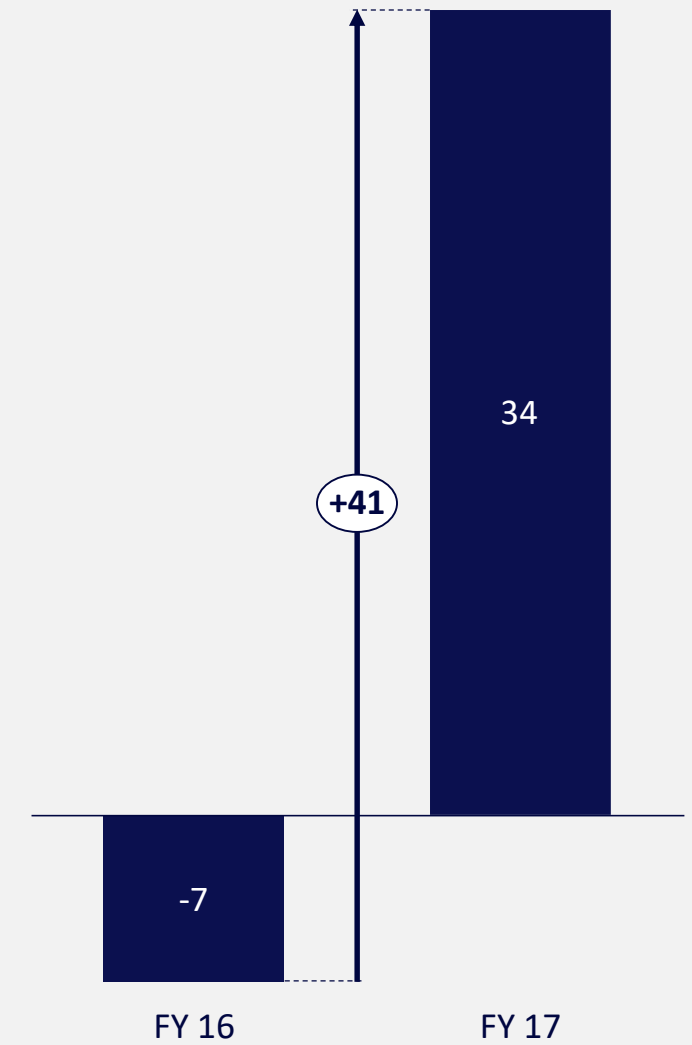
### Africa EBITDA

\$m and margin, Q4 16 – Q4 17



### Africa eFCF (FY)

\$m, FY 16 – FY 17



Q4 16 numbers are adjusted to Q4 17 FX rates excluding Senegal and Ghana  
Capex excluding spectrum & license costs

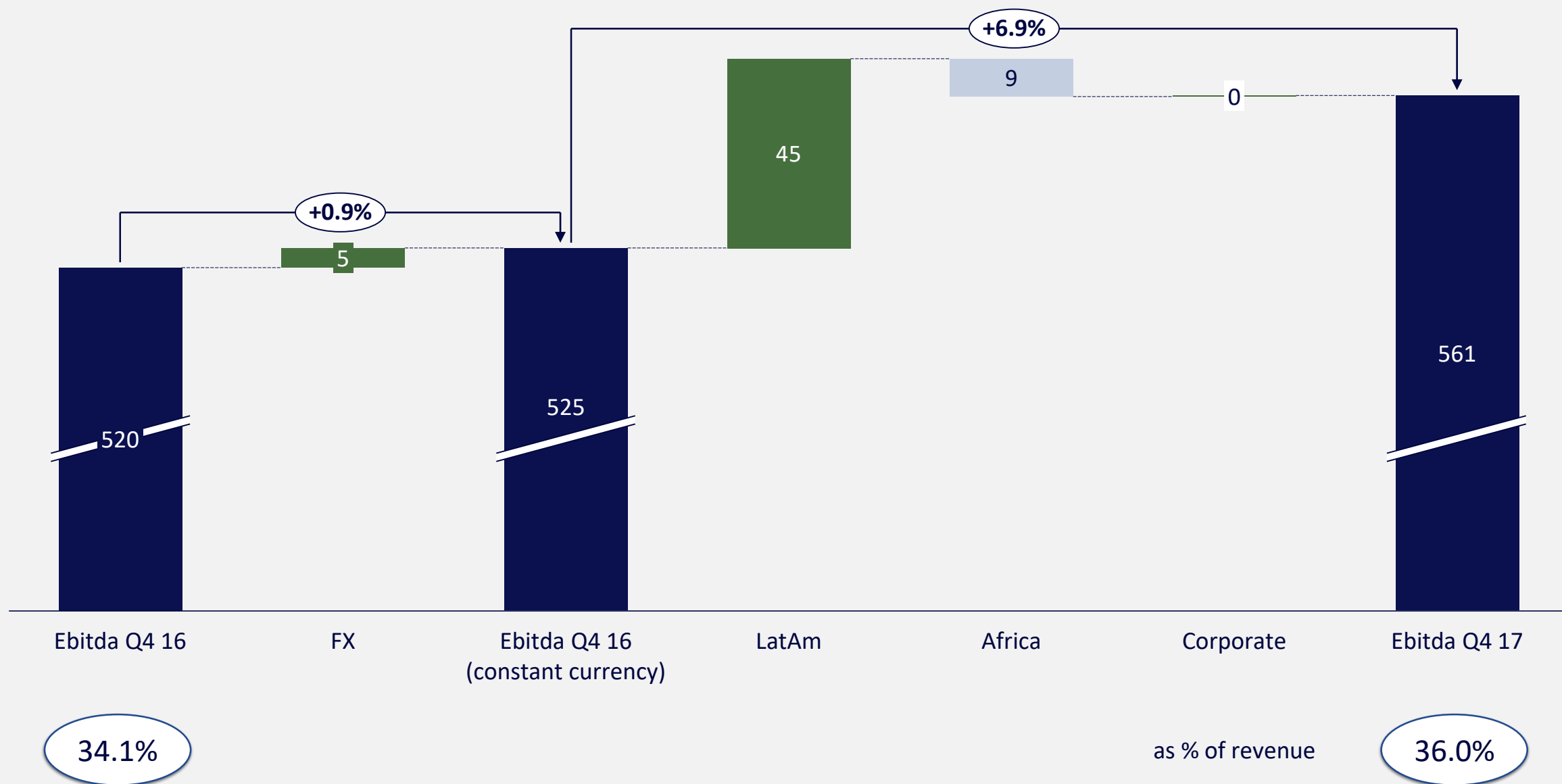


## 2 EBITDA – Q4 2017

### Latam EBITDA growth offsetting Africa

#### EBITDA evolution by region

\$ million, Q4 16 – Q4 17

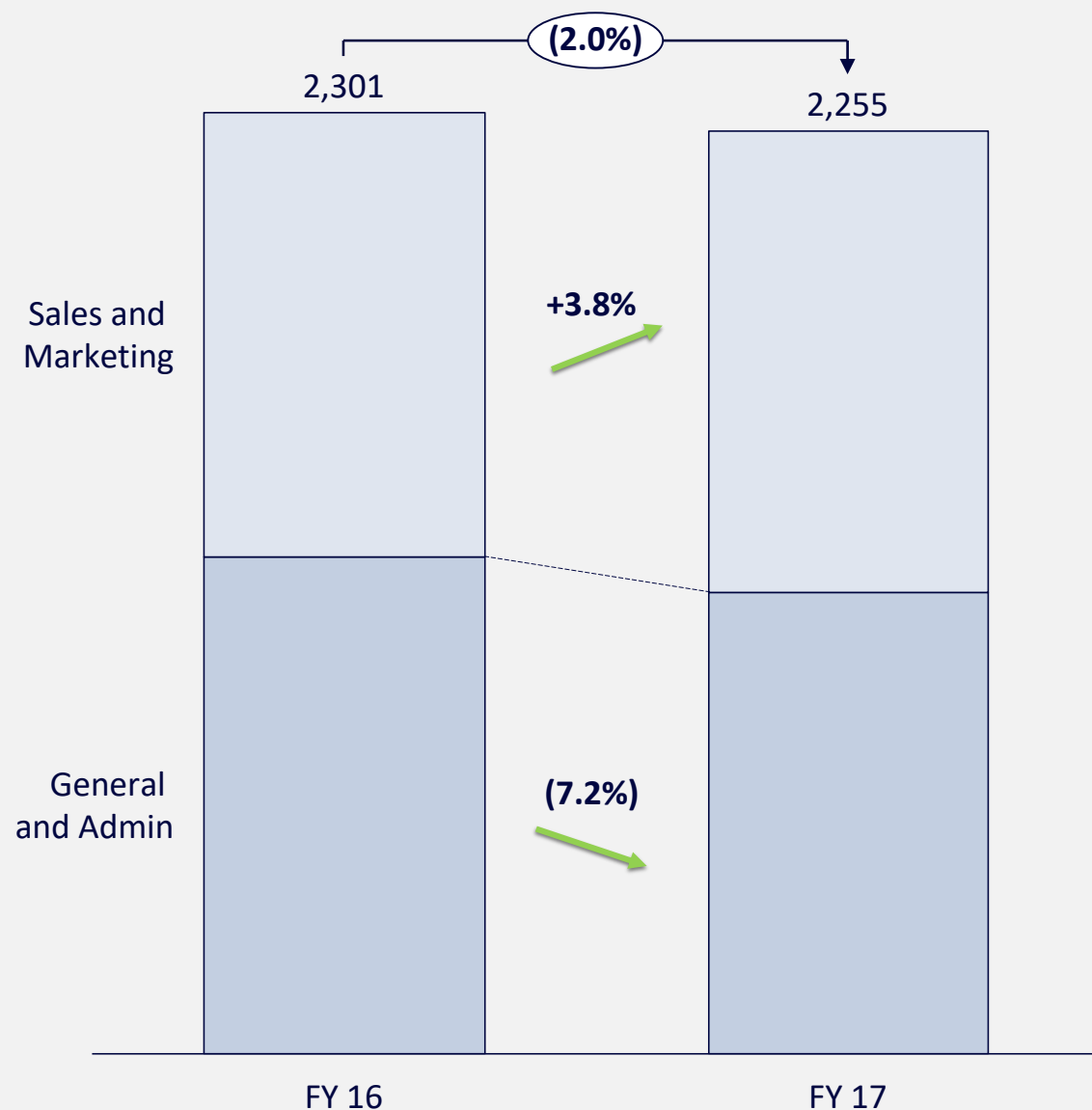


## 2 Cost review and margin sustainability

Reinvesting G&A savings into sales and marketing to support growth

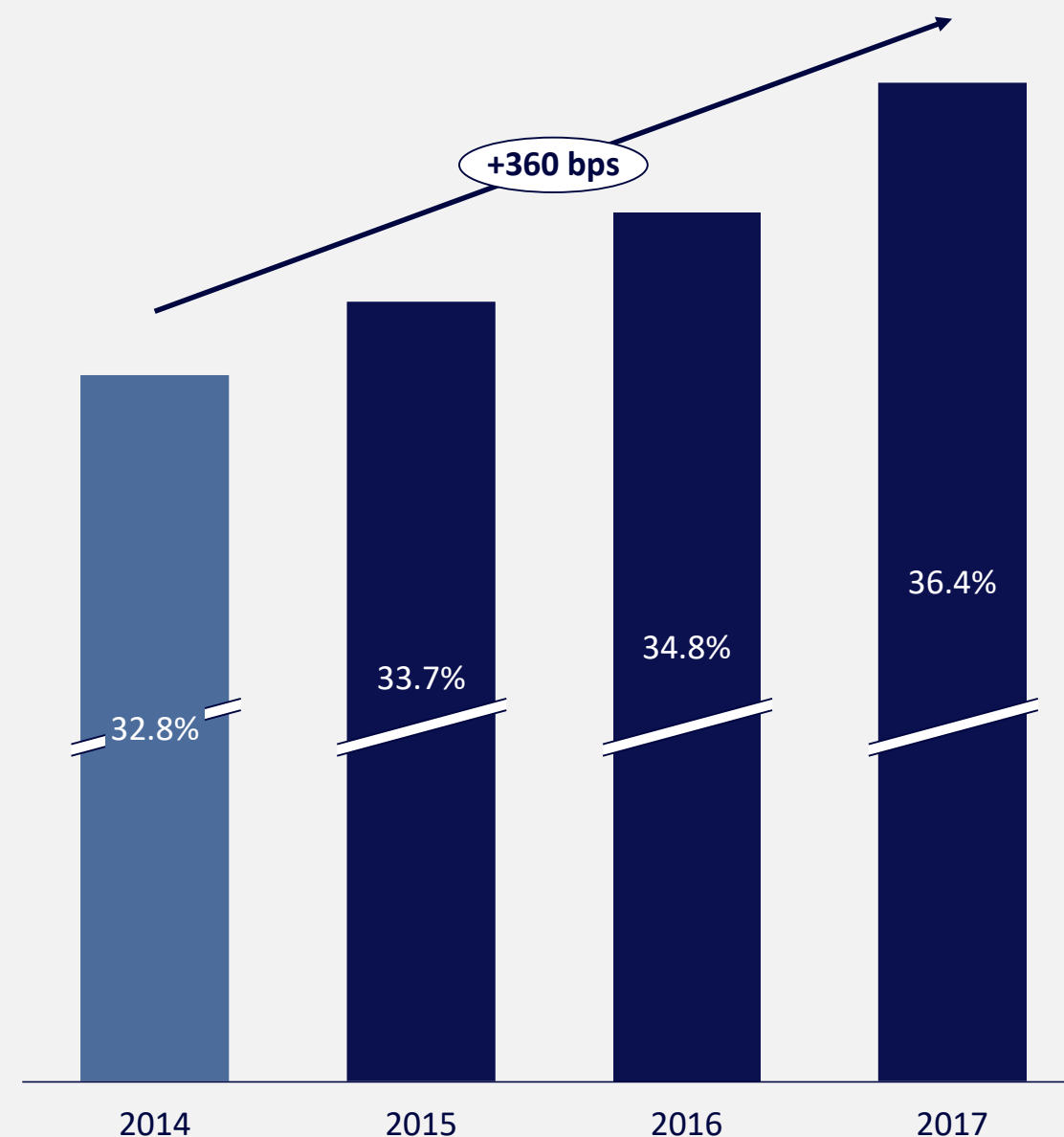
### Group total OPEX base

\$m per OPEX segment and reported growth YoY, FY 16 – FY 17



### Reported Group FY EBITDA margin

FY Reported EBITDA margin, 2014–2017

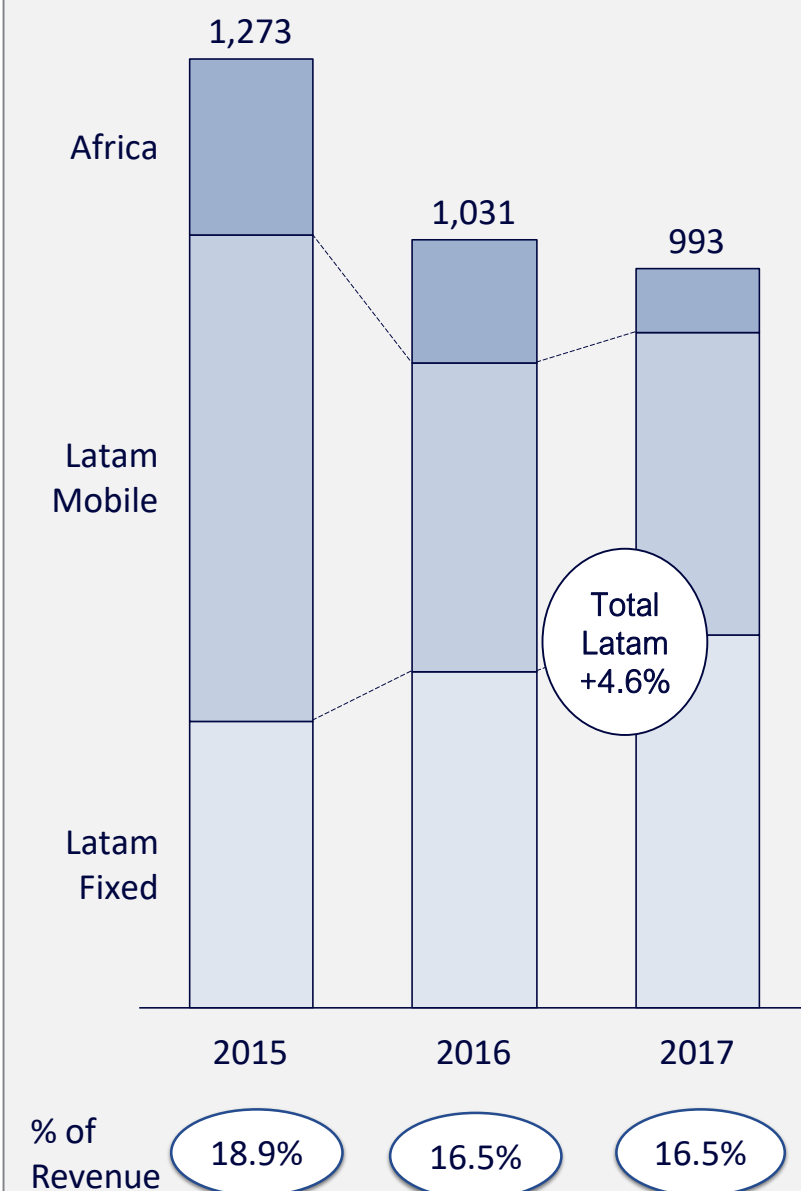


# 3 Capital – focused capex lifting cash flow and ROIC

Re-deploying capital to Latam allows us to accelerate network build and improve returns

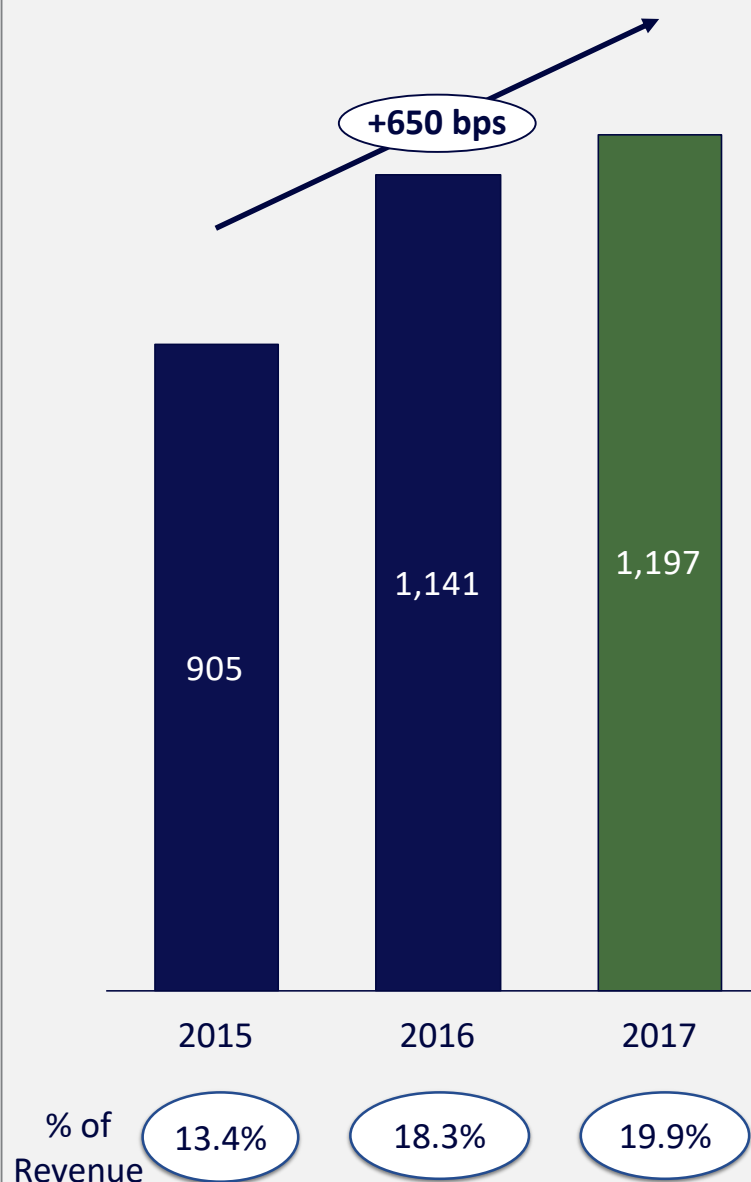
## Total Capex

Reported Capex (excl. Spectrum, licences and finance lease capitalization), \$m, FY 15 – FY17



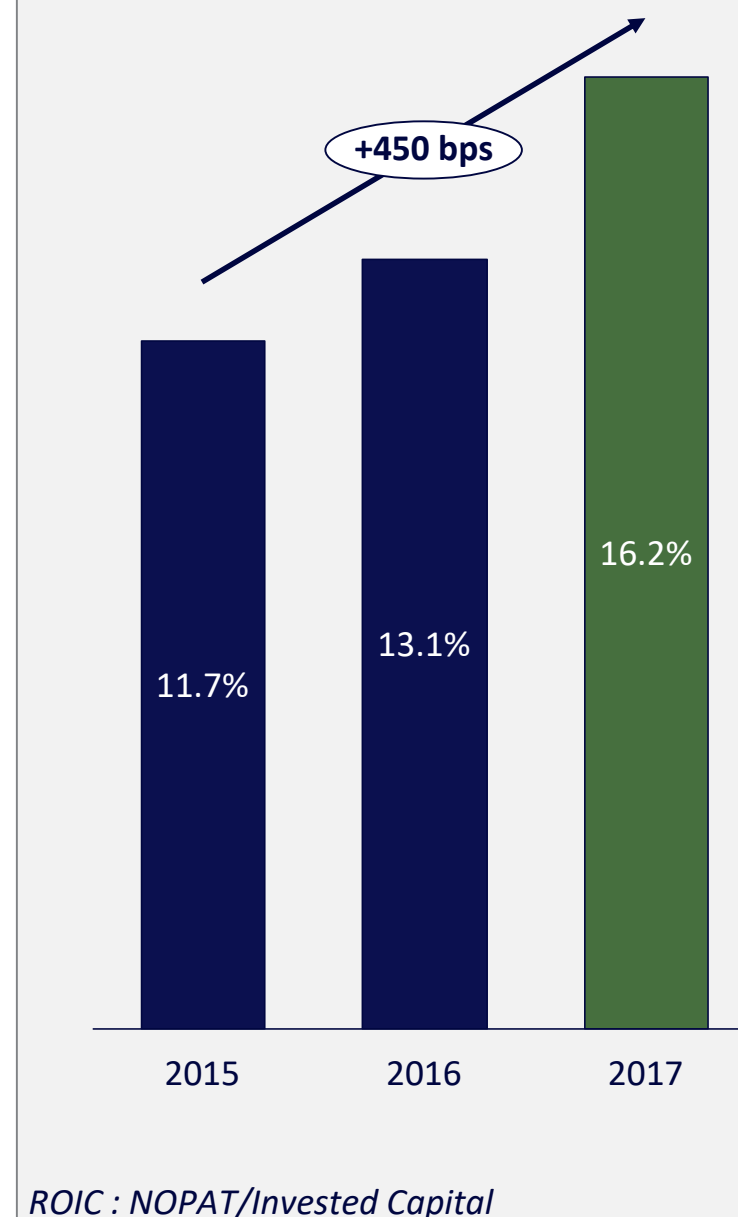
## OCF (EBITDA – Capex)

Reported Group EBITDA less capex, \$m, FY 15 – FY17



## Return on Capital\*

Group return on invested capital, %, FY 15 – FY 17



## 2 P&L review - FY2017

### P&L Summary

US\$ million	FY17	FY16	% Var
Revenue	6,024	5,979	0.8%
EBITDA	2,190	2,114	3.6%
Depreciation & amortization	(1,310)	(1,317)	(0.5%)
Other operating	39	(38)	NM
<b>Operating profit</b>	<b>919</b>	<b>759</b>	<b>21.1%</b>
Net financial expense	(471)	(456)	(3.4%)
Others non operating	6	2	NM
Associates	(85)	(49)	(74.0%)
<b>Profit before tax</b>	<b>368</b>	<b>256</b>	<b>43.7%</b>
Taxes	(252)	(251)	0.7%
Minority interests	(102)	(38)	NM
Discontinued operations	71	1	NM
<b>Net income</b>	<b>85</b>	<b>(32)</b>	<b>NM</b>
Adjusted EPS	1.08	0.91	18.3%

### Key Observations

- A** Gain on sale of towers in Paraguay and Colombia
- B** Include debt management costs
- C** Unfavorable comparison to last year results where we had the impact of restructuring in Colombia and fair value adjustments in Guatemala and Honduras
- D** Include Senegal and Ghana

### 3 Cash flow - FY 2017

EFCF up 39% higher year-on-year

#### FY 2017 cash flow



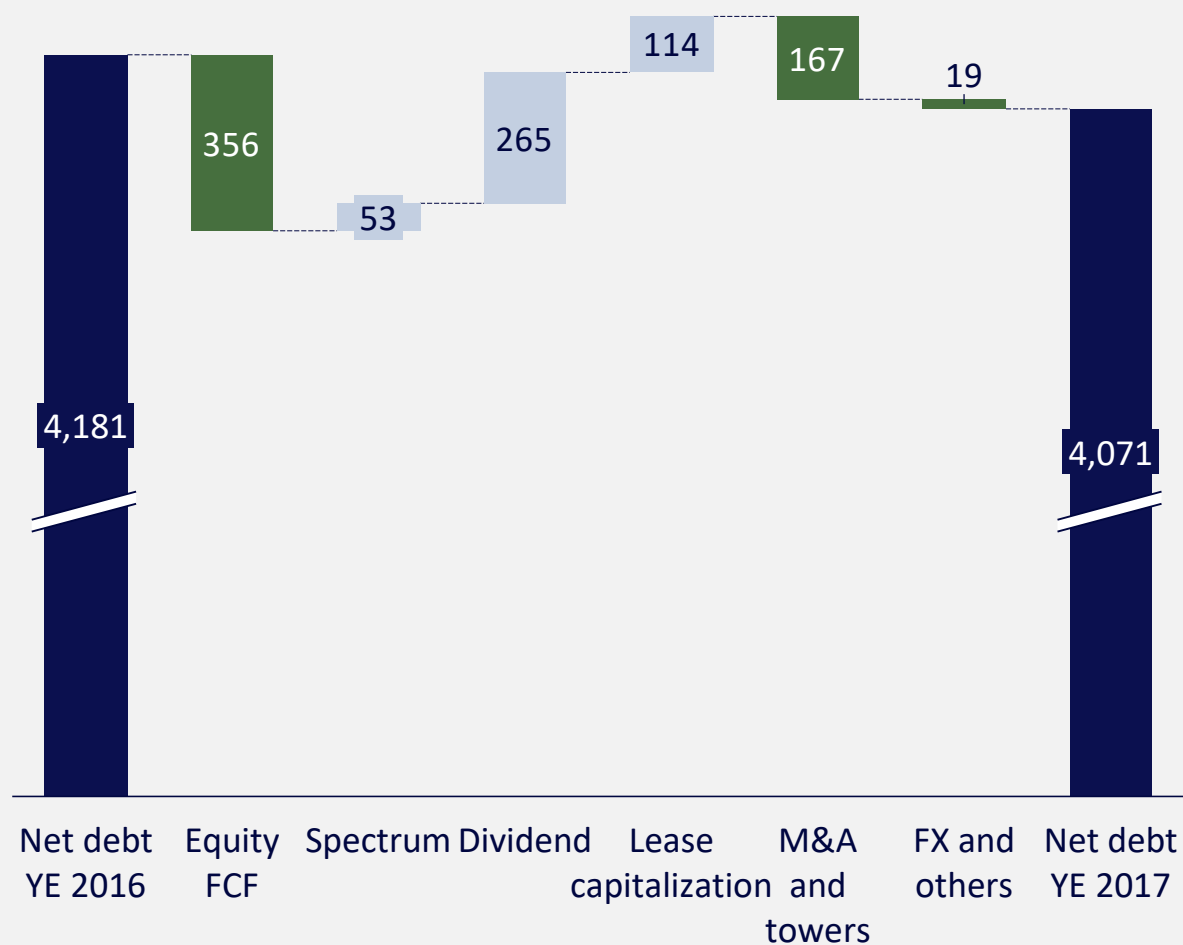


# 4 Capital structure

Cash generation and tower sales produced lower leverage in 2017

## Net debt evolution in 2017

\$ million, 31 December 2016 – 31 December 2017



1.93x

Net debt/LTM EBITDA

1.86x

2.15x

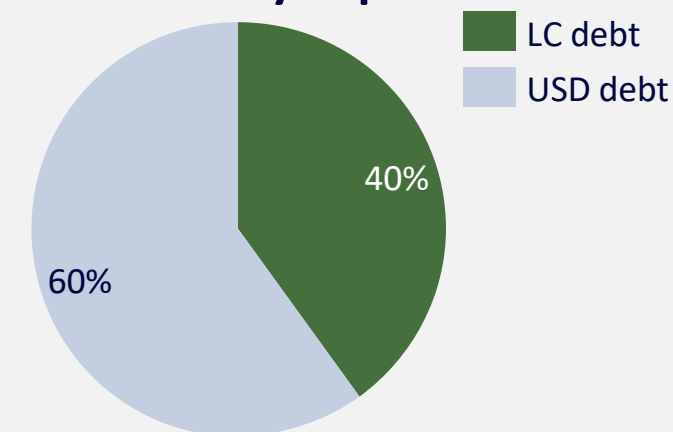
Proportionate Net debt/  
Proportionate LTM EBITDA

2.02x

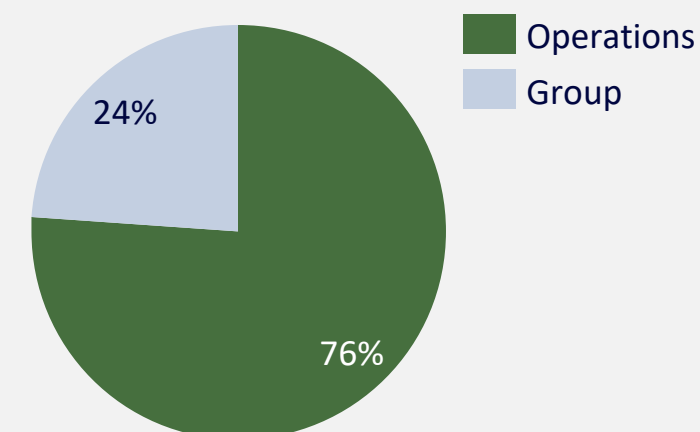
## Debt profile

% of gross debt, 31 December 2017

### Gross debt currency exposure



### Gross debt distribution

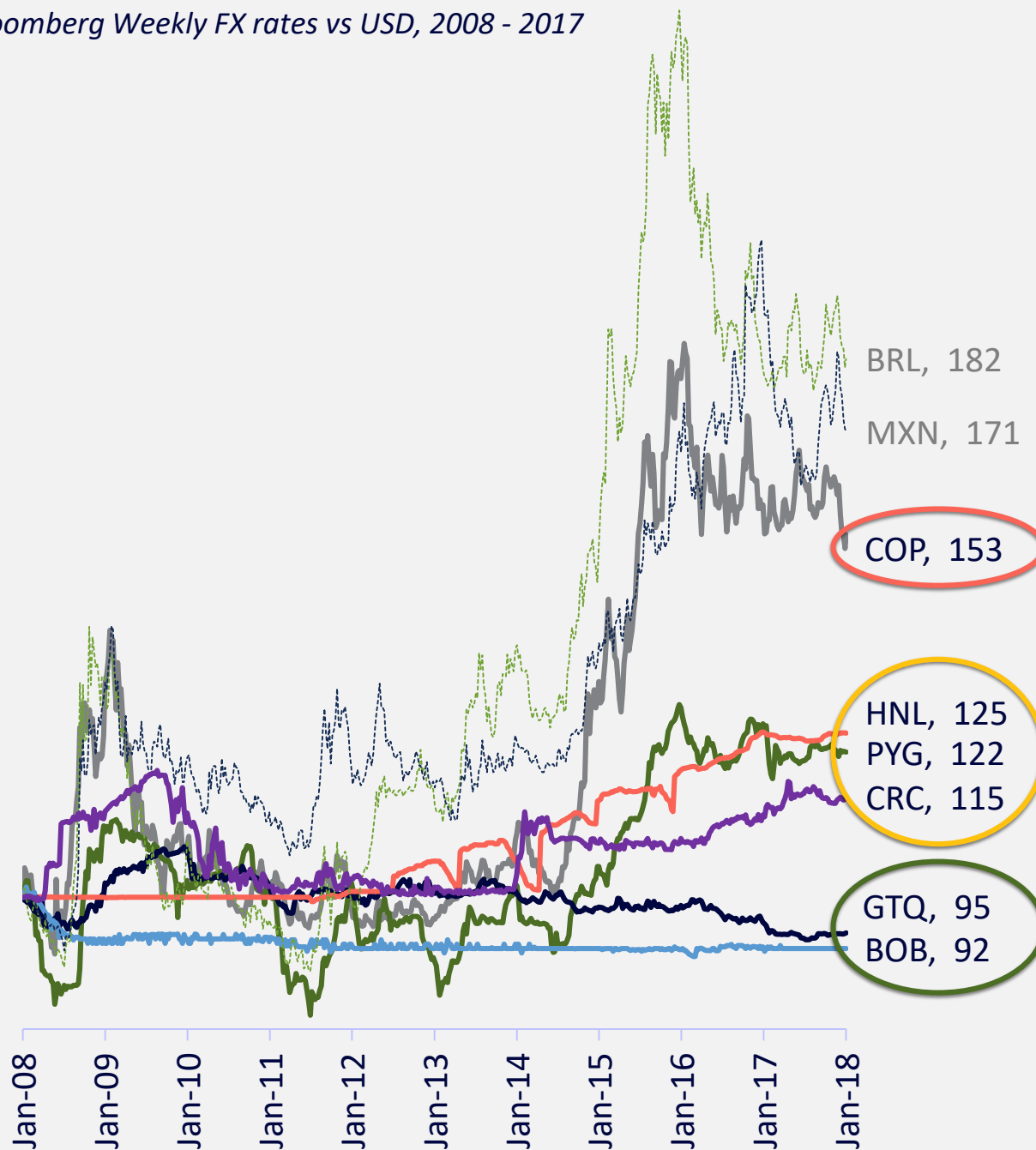


# 4 Currency exposure

Only 15% of our proportional EBITDA is from high volatility FX country

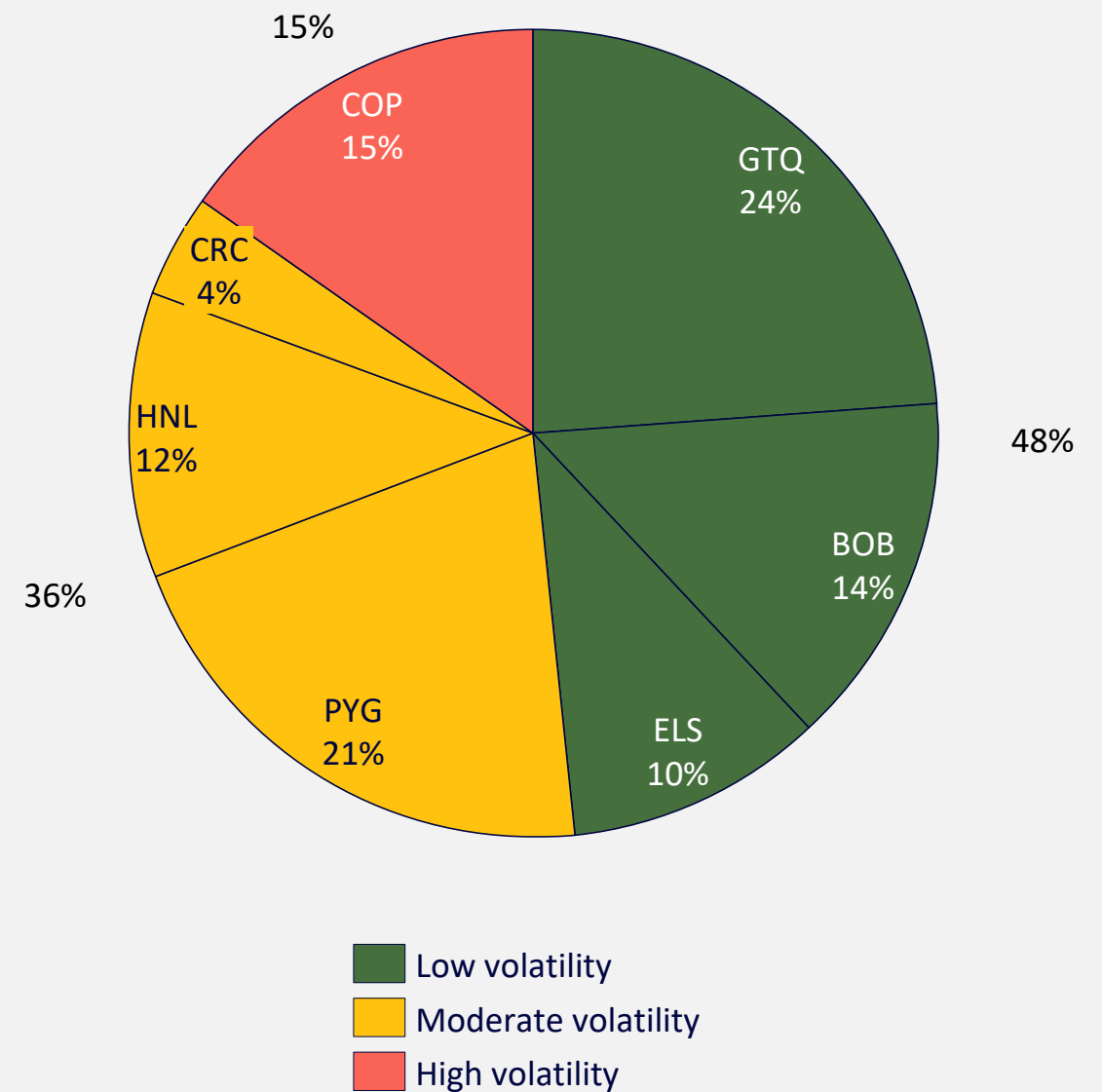
## 10-year FX trends

Bloomberg Weekly FX rates vs USD, 2008 - 2017



## Proportional Latam EBITDA

Latam EBITDA by country, adjusted for proportional Millicom ownership, and ranked by currency volatility, 2017



**Targeting faster revenue growth and operating leverage in 2018**

Reach **10 million 4G subs**, **10 million homes passed** by the end of 2018 and add **300,000 HFC homes connected**

**Latam****Service Revenue****2-4% organic growth****EBITDA****3-6% organic growth****Capex****Around \$1.0 billion****Africa****eFCF****Positive**

Gained momentum in 2017, finished strong in Q4, positioning Millicom for an even better 2018

**1**

**We've come a long way on our journey...**

**2**

**... 2017 was a pivotal year as growth returned ...**

**3**

**... we still have many more people and homes to connect ...**

**4**

**... with continued focus on cost control and capital allocation**



MILLICOM  
THE DIGITAL LIFESTYLE

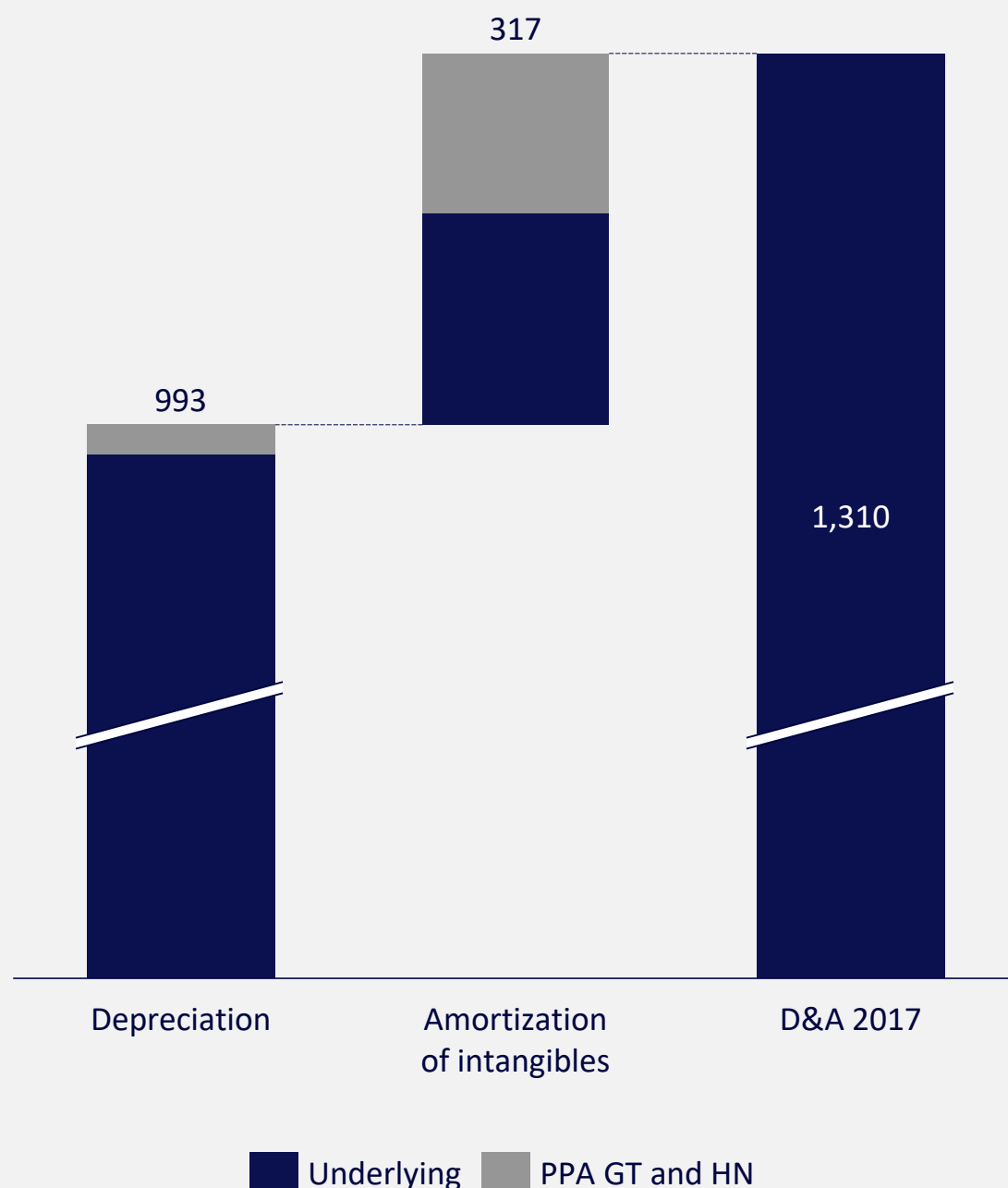
Q&A

# Depreciation and amortization, interest expense

## A closer look at D&A and net interest expense lines

### Depreciation and amortisation

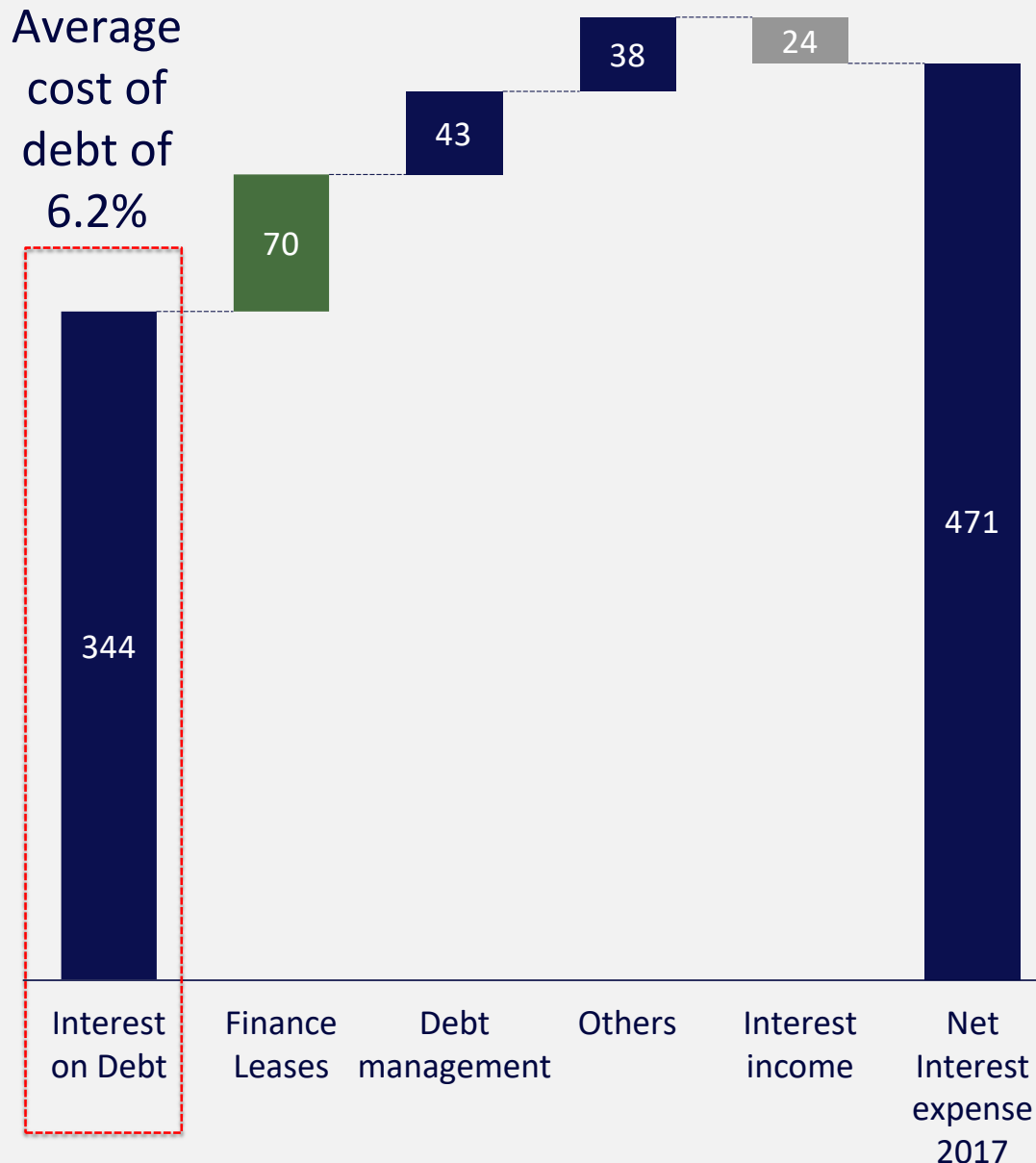
\$ million, FY17



### Interest expense

\$ million, FY17

Average  
cost of  
debt of  
6.2%

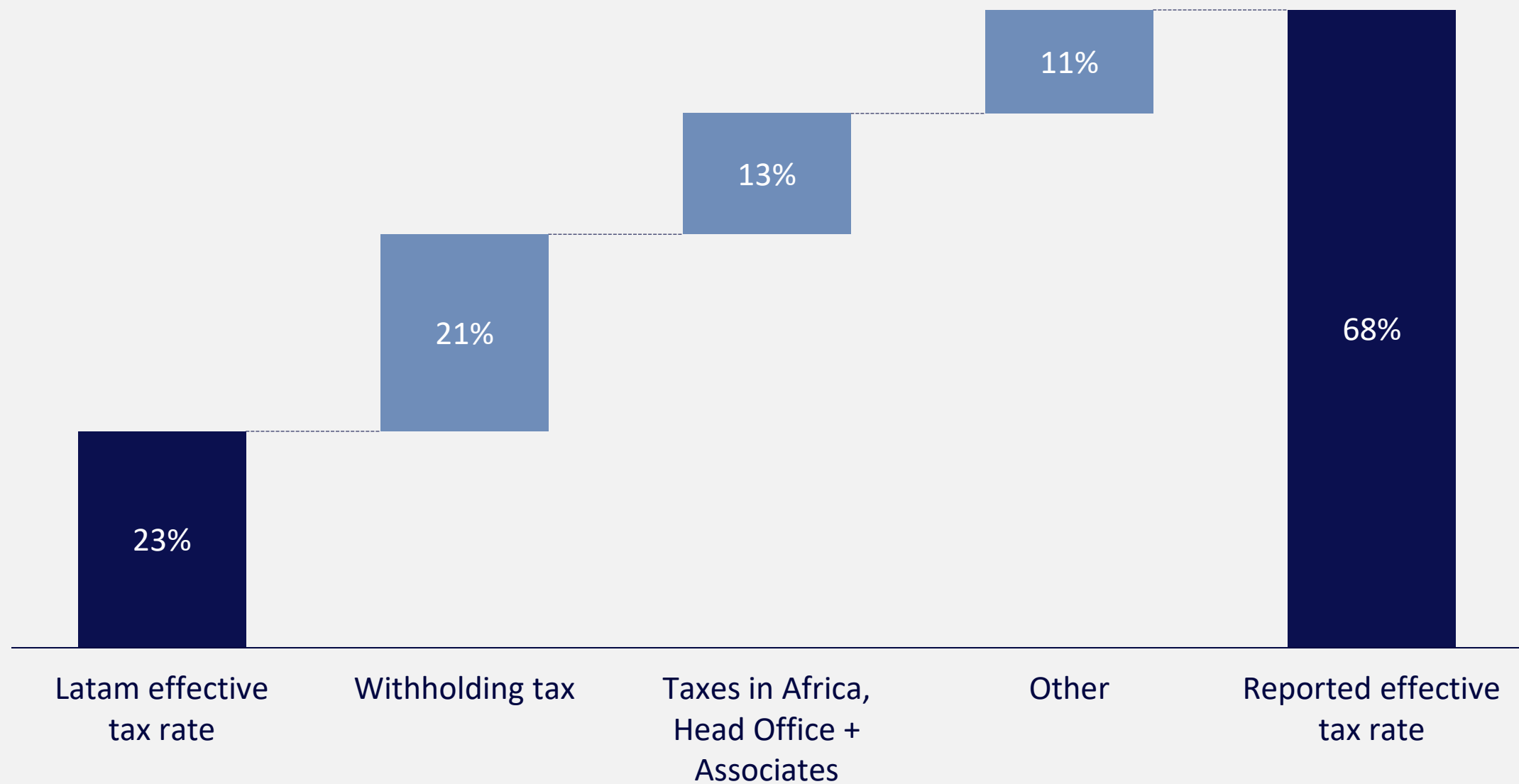


# Effective tax rate

## Withholding, Africa and HQ impact reported tax rate

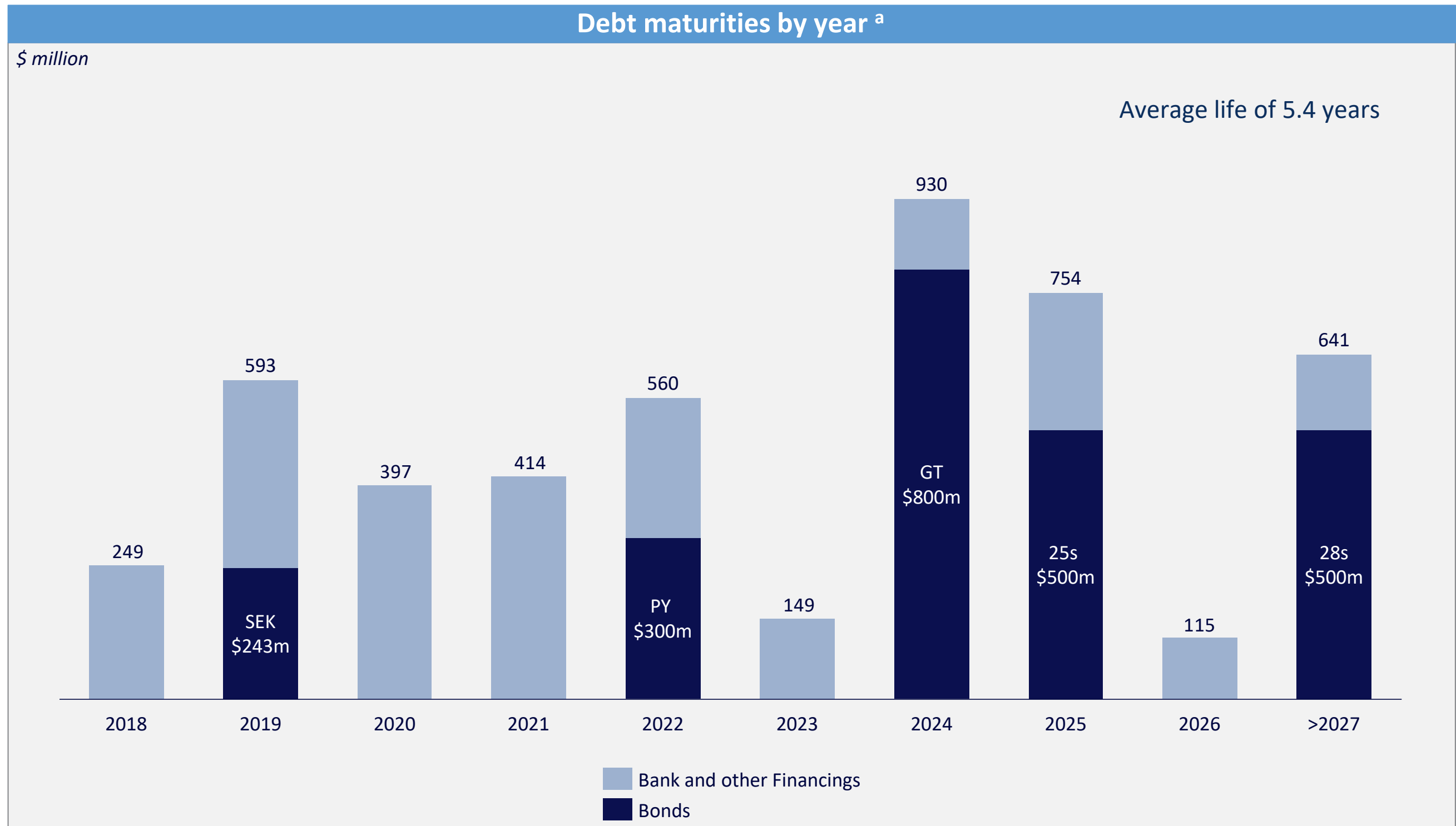
Latam effective tax rate was 23% in 2017

% of Profit before taxes, FY17



# Debt maturity profile

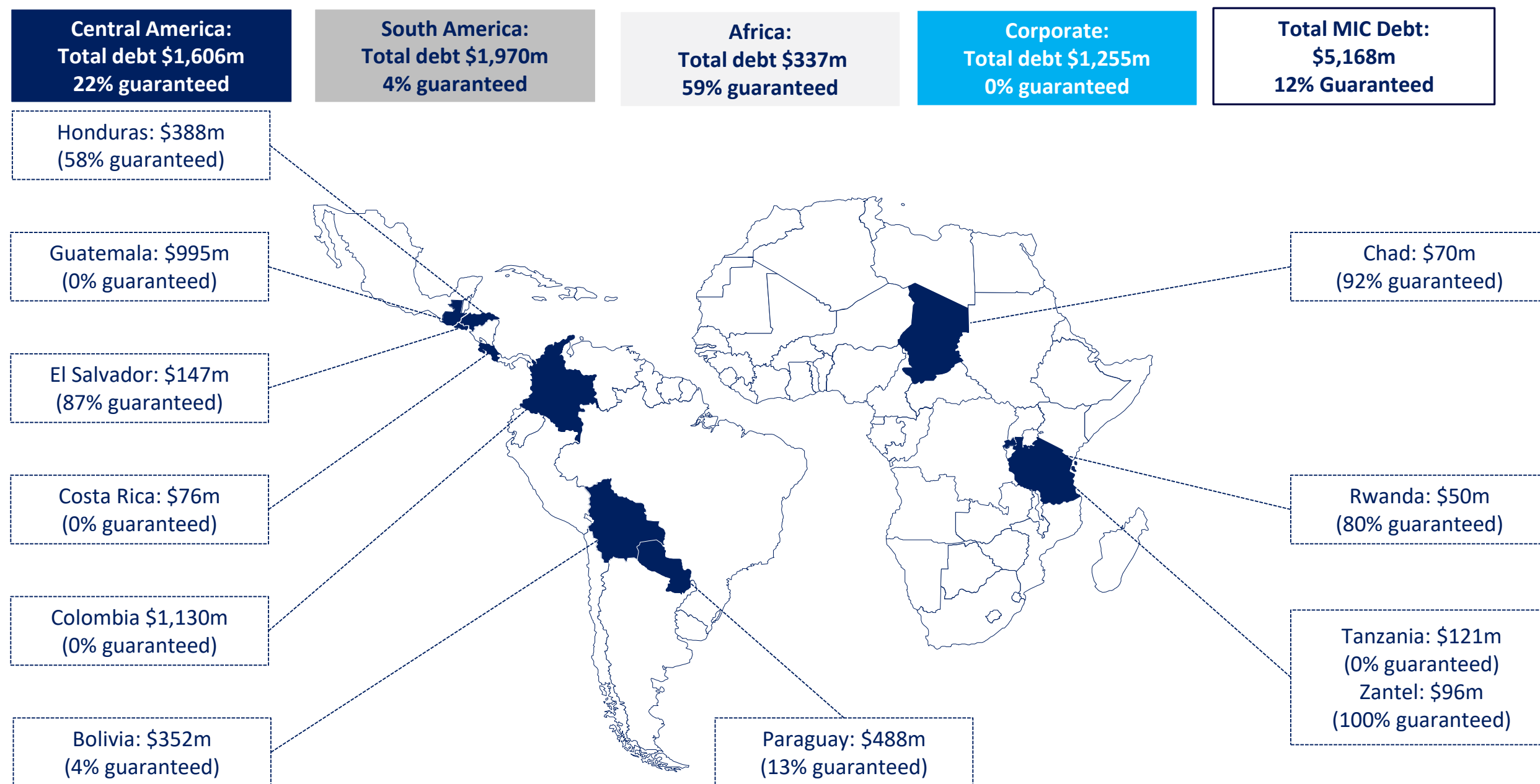
Comfortable capital structure and liquidity with no major maturities until 2024



a) excluding financial leases

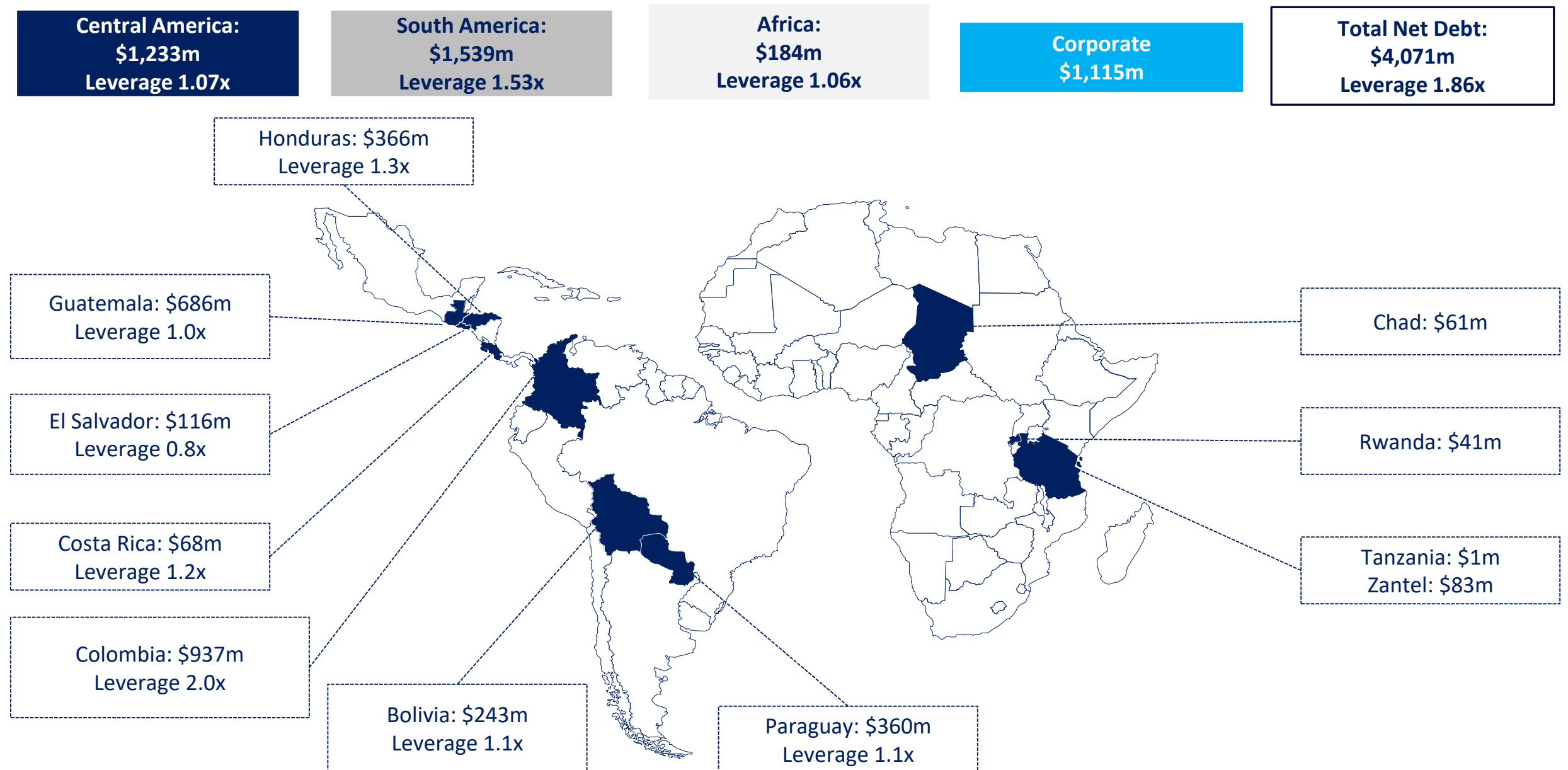


# Gross debt by country



Including finance leases

# Net debt by country



Including finance leases;  
Leverage is Net debt / LTM EBITDA

# Currency exposure of debt

Dec. 2017	Debt including finance leases			Cash	Net debt		
	US\$	Local	Total		USD	Local	Total
Latin America*	1,709	1,867	3,576	804	1,341	1,431	2,772
	48%	52%	100%		48%	52%	100%
Africa	139	197	336	153	132	52	184
	41%	59%	100%		72%	28%	100%
Corporate	1,255	0	1,255	141	1,120	-5	1,115
	100%	0%	100%		100%	0%	100%
<b>Millicom</b>	3,104	2,064	5,168	1,097	2,593	1,477	4,071
	60%	40%	100%		64%	36%	100%

\*El Salvador has USD as functional currency (treated as local.)



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