



**MILlicom**  
THE DIGITAL LIFESTYLE

# 2017 Q2 results

**Mauricio Ramos, CEO**

**Tim Pennington, CFO**

20 July 2017

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

# Disclaimer

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*All forward-looking statements in this presentation are based on information available to Millicom on the date hereof. All written or oral forward-looking statements attributable to Millicom International Cellular S.A., any Millicom International Cellular S.A. employees or representatives acting on Millicom’s behalf are expressly qualified in their entirety by the factors referred to above. Millicom does not intend to update these forward-looking statements.*



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# CEO review

Mauricio Ramos

We believe in better. We believe in **tigô**

# What we are doing – Strategy Recap

1

Two-fold reconfiguration

OPPORTUNITY

NETWORKS

NET ADDS

PRICE

GROWTH

2

Capital discipline

3

Driving cash flow

# 1

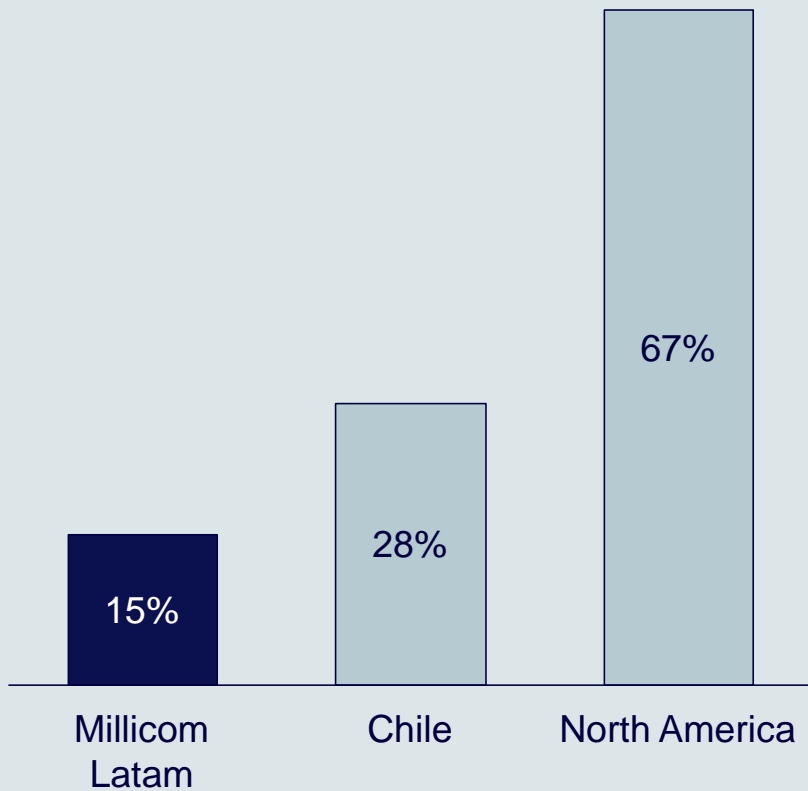
# Our unique opportunity...



Both mobile and fixed HSD are in their early days in our Latam markets

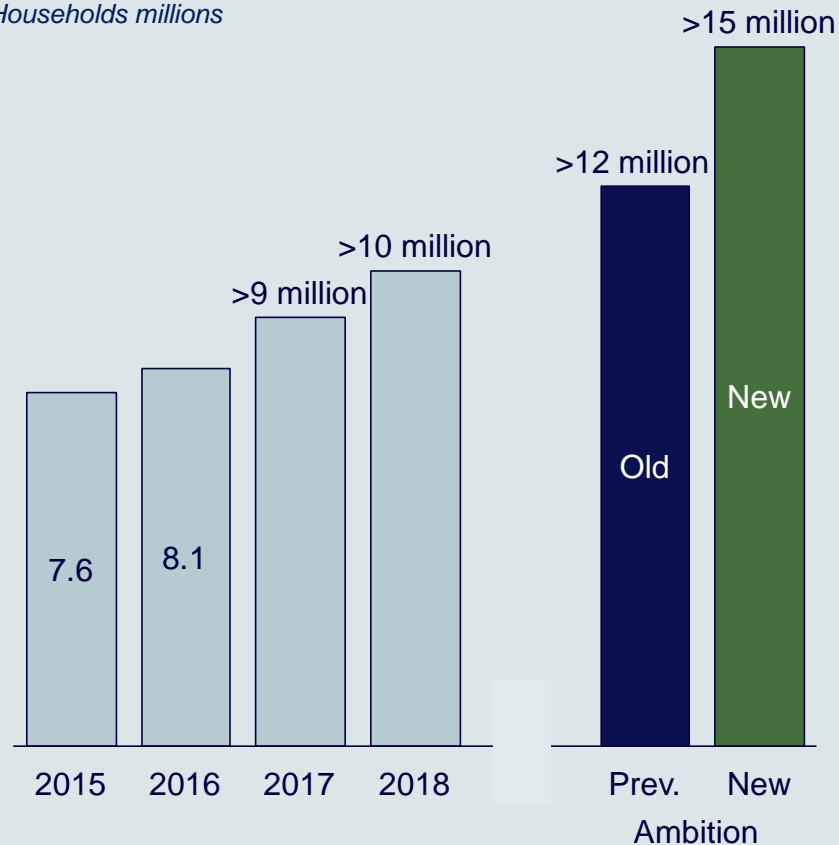
## MOBILE

4G as percent of total mobile subscribers\*  
%, as of March 2017



## FIBRE CABLE

Home passes ambition  
Households millions



\* Source: 5g Americas with data from OVUM March 2017

# ... to build high speed data networks...



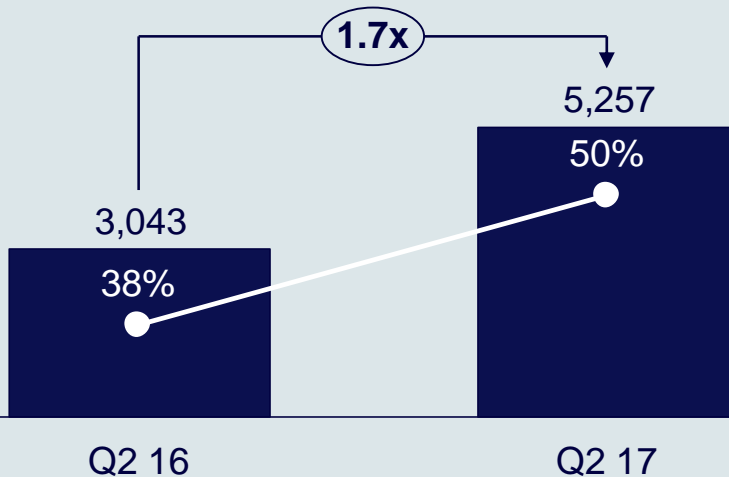
**Doubling the size of our mobile network and adding more than 1m HFC homes per year**

## MOBILE NETWORK

### 4G Network build in Latam

Coverage in % of population covered,  
4G Points of presence (PoP)

○ Coverage  
■ PoP

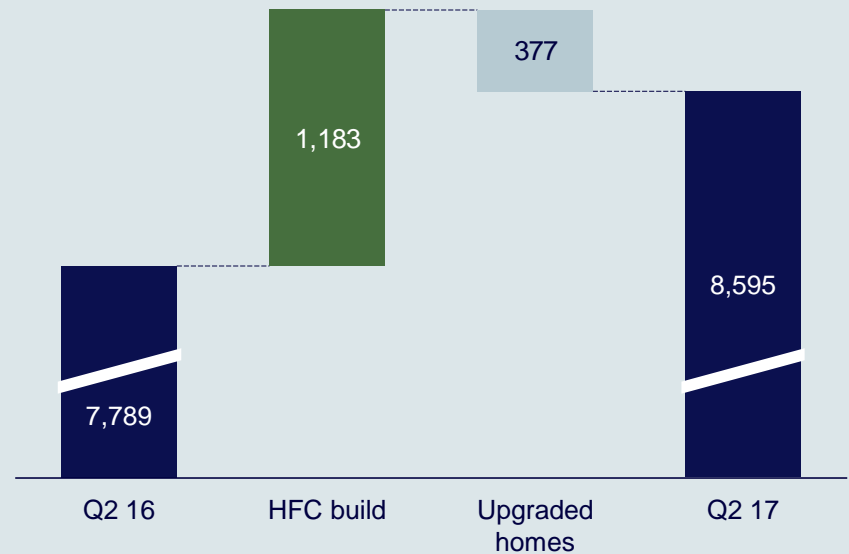


- ✓ Points of Presence (PoP) up 70% YoY
- ✓ Reaching 50% of population

## FIBRE CABLE NETWORK

### Homes passed

Thousands Homes passed, Q2 16 – Q2 17



- ✓ Added 1.2M HFC homes in LTM
- ✓ Added 328k HFC homes in Q2

# ... with accelerated momentum in HFC...

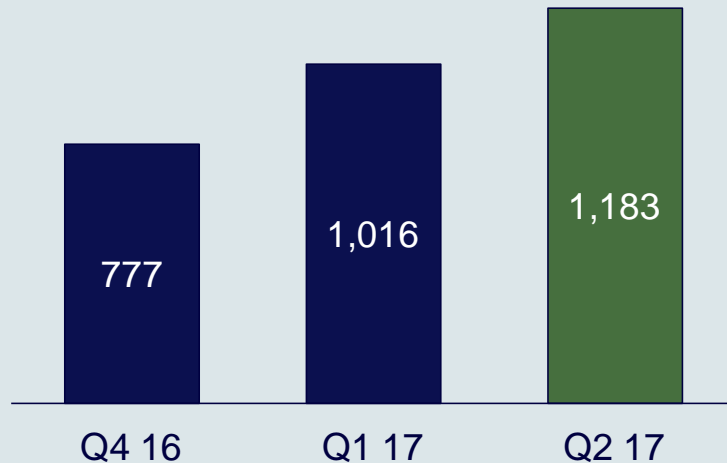


## Network build and fill accelerating across our Latam markets

### BUILD

#### HFC Homes-passed

Last 12 month net additions (000s), Q4 16 – Q2 17

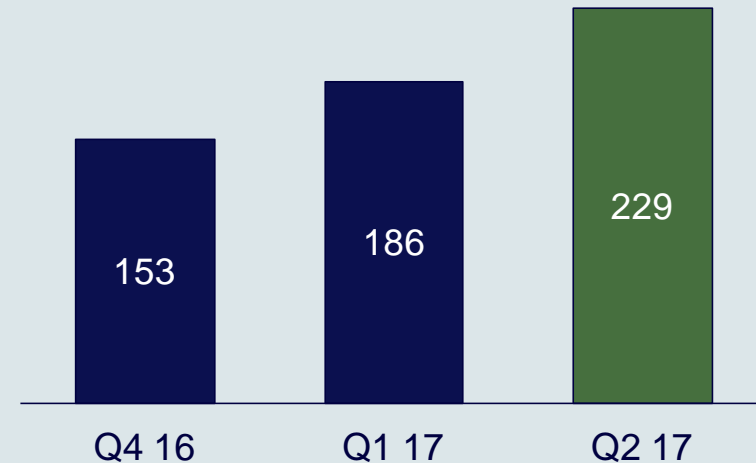


- ✓ Annual build rate now ~1.2m homes
- ✓ Expanding in all Latam countries

### FILL

#### HFC Homes connected

Last 12 month net additions (000s), Q4 16 – Q2 17



- ✓ HFC net adds ramping up
- ✓ Implied penetration of new homes ~20%

# ... and add higher value customers in Mobile...

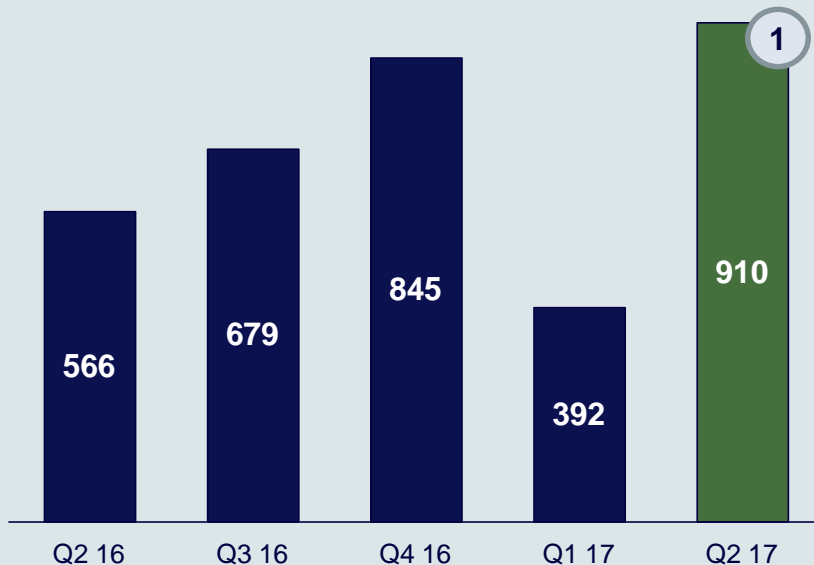


## Best ever 4G net adds

### LATAM MOBILE

#### 4G data user net additions

B2C Smartphone data users (000s), Q2 16 – Q2 17



① Record 4G additions in Q2

#### 4G data users

B2C Smartphone data users (millions), Q2 16 – Q2 17



② 4G customer base up more than 2x YoY

③ On track >3m 4G net adds



# ... and add higher value customers in Fixed

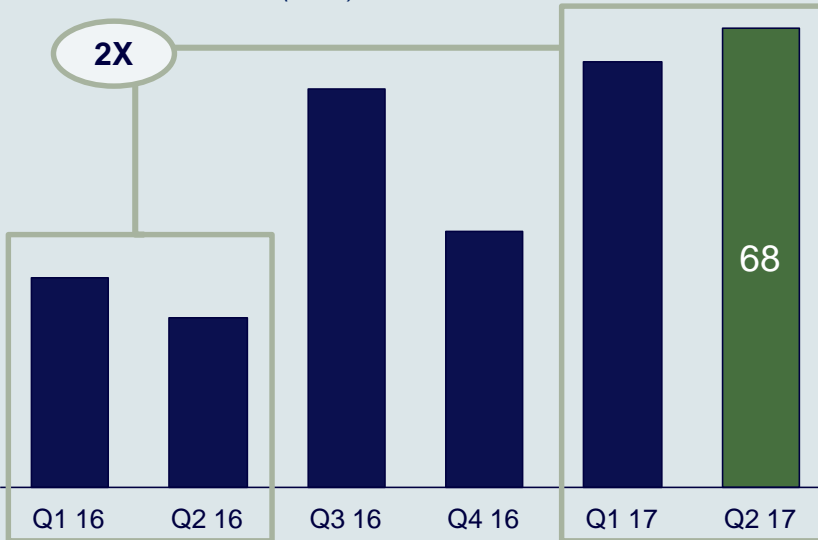


## Best ever HFC net adds

### LATAM HYBRID FIBRE CABLE

#### HFC Homes connected – Net additions

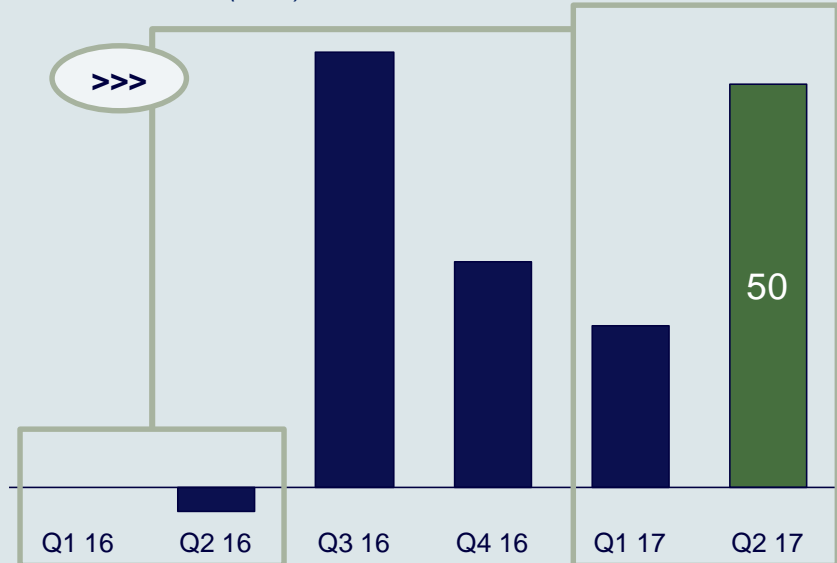
HFC HC Net additions (000s), Q1 16 – Q2 17



✓ Quarter million HFC net adds LTM

#### Total Homes connected – Net additions

HC Net additions (000s), Q1 16 – Q2 17



✓ Total homes now growing consistently  
✓ HFC build more than offsetting moderating copper churn

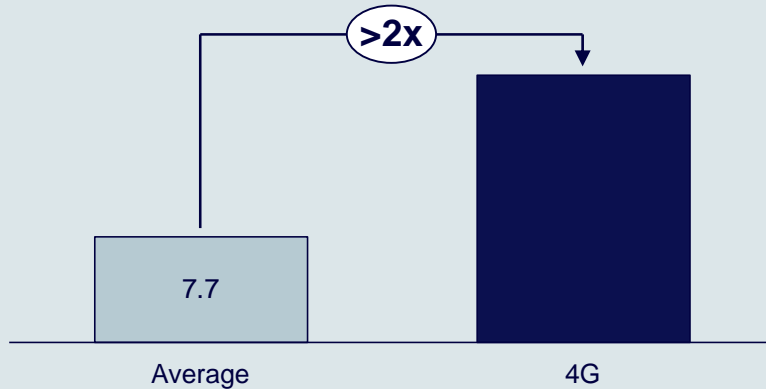
# Price leadership & discipline in Mobile...



## Migration to 4G lifts mobile ARPUs

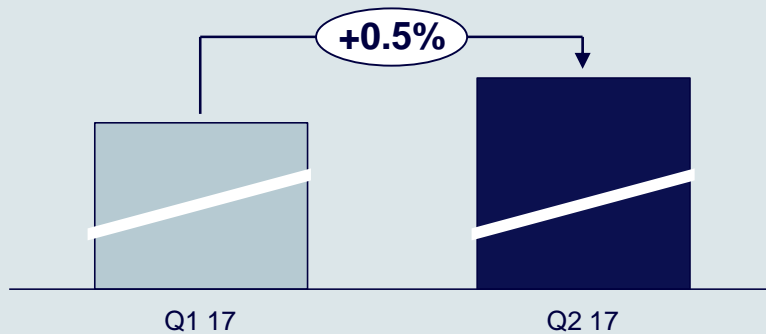
### Latam ARPU comparison

*\$/month, Latam Mobile B2C vs 4G user*



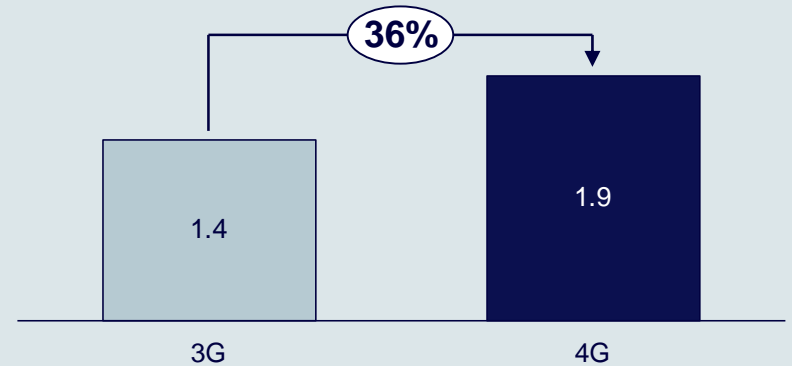
### Latam 4G ARPU

*\$/month, Q1 17 vs Q2 17*



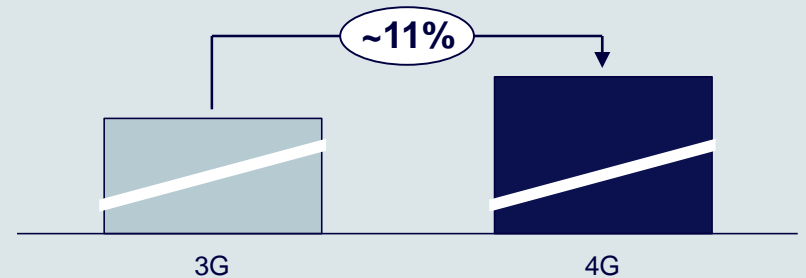
### Latam Data usage – same subscriber\*

*GB/User/month when migrating from 3G to 4G*



### Latam ARPU Same subscriber\*

*\$/month when migrating from 3G to 4G*



\* Source: Based on statistical sampling of 20,000 Millicom users per country from Nov-16 to May-17

# ...and price leadership & discipline in Fixed

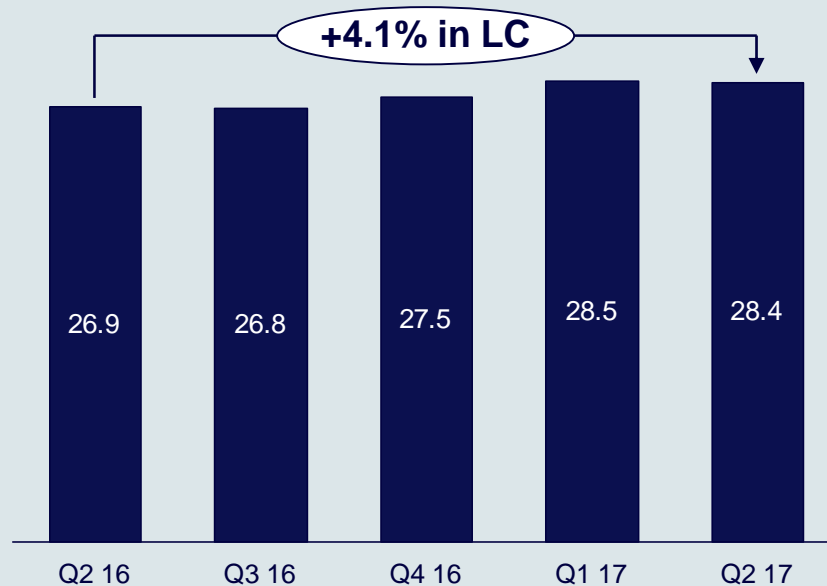


## Home ARPU steadily rising

### HYBRID FIBRE CABLE

#### Home ARPU

*\$/month, Last 12 months*



1 ARPU rising in all markets

#### Average broadband speed\*

*Mbps, Q1 2017*



2 Scope to upsell to faster speeds over time

# Latam growth trend improving



## Second consecutive quarter of revenue “come back”

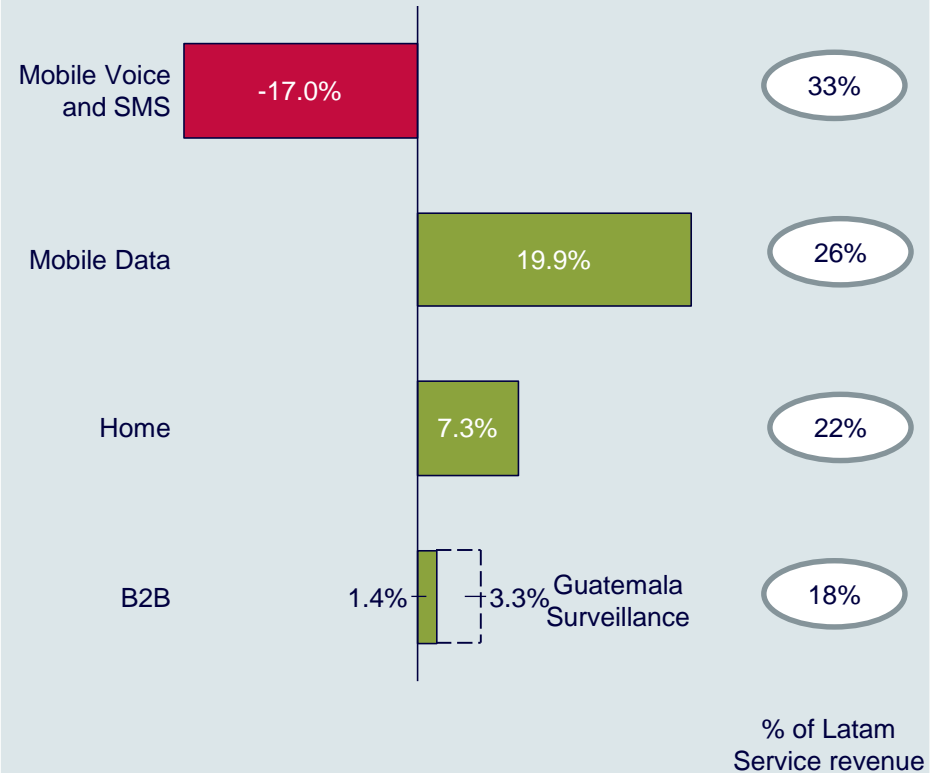
### Latam service revenue growth

%YoY growth, Q2 16 – Q2 17



### Latam service revenue growth by business unit

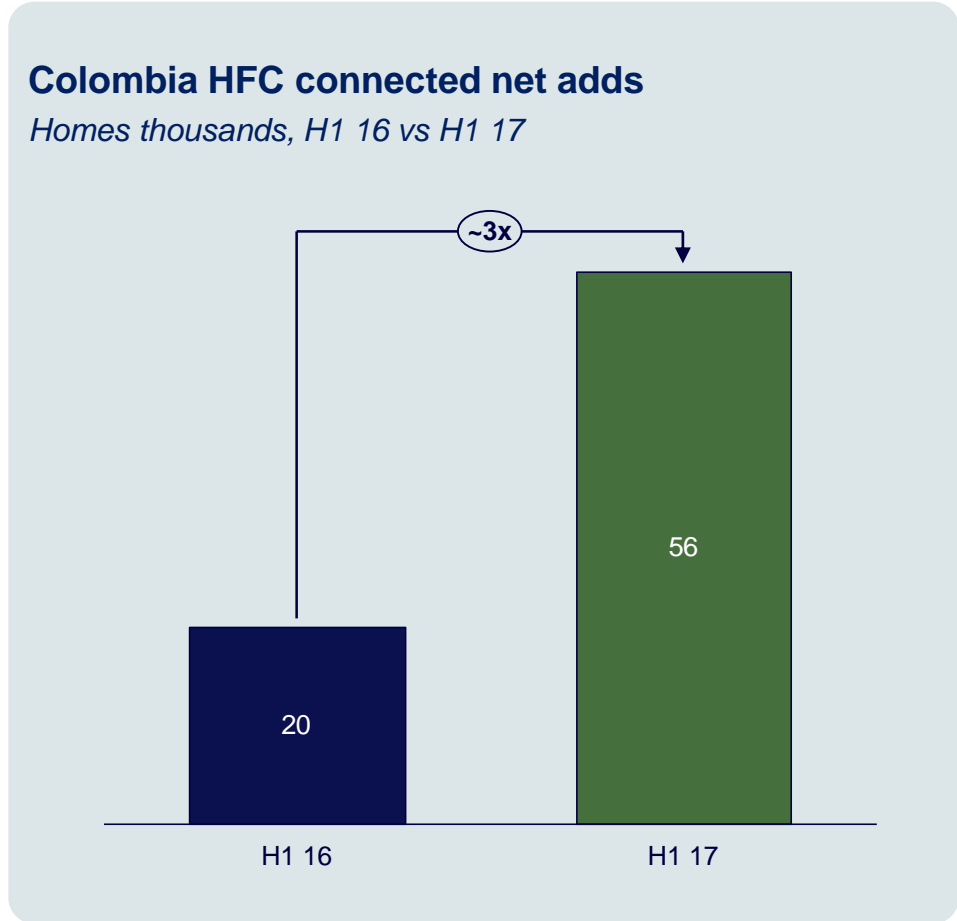
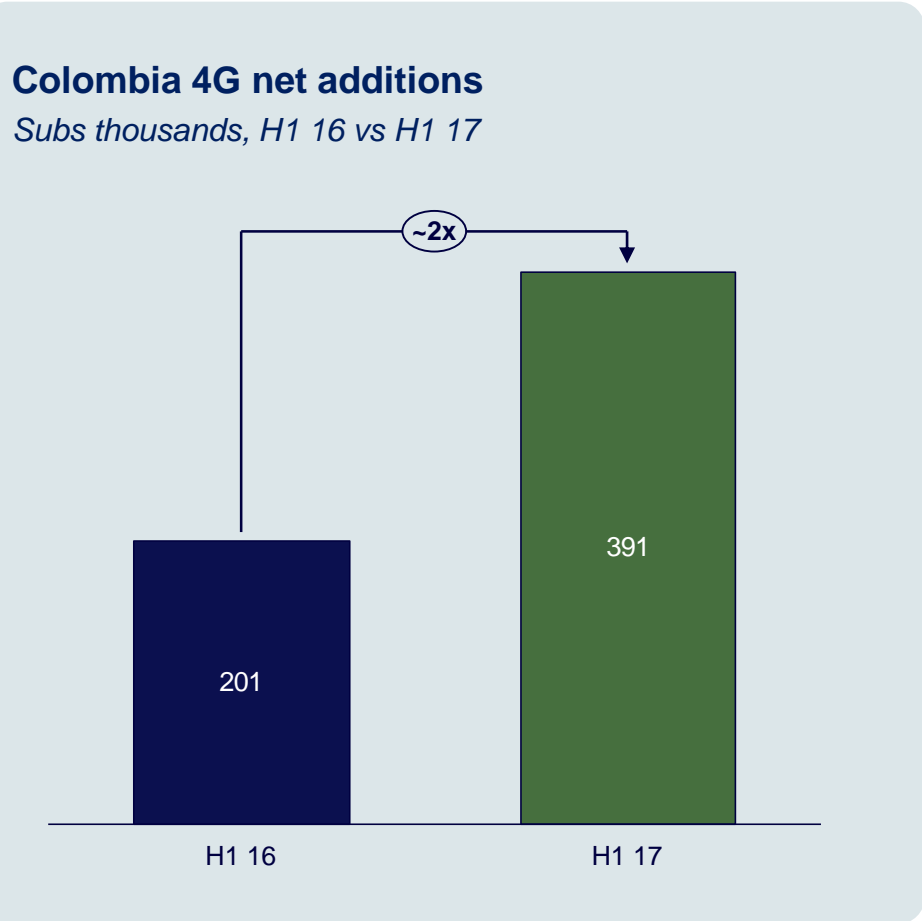
%YoY growth, Q2 17



# Colombia - strong KPI performance

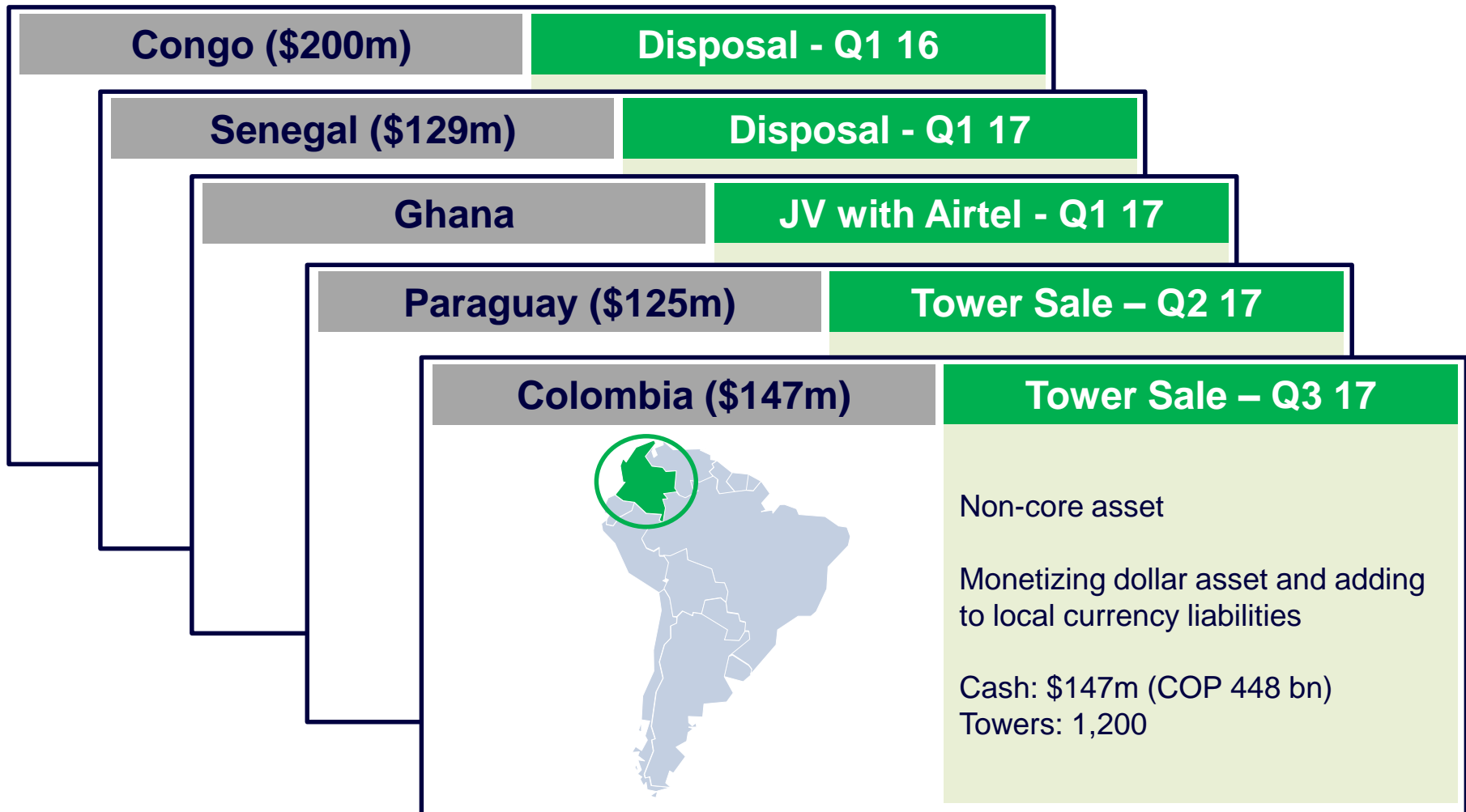


**Subscriber net adds have improved significantly in Colombia**



## 2 Capital discipline

Divesting non-core assets that don't earn their cost of capital – with more to go

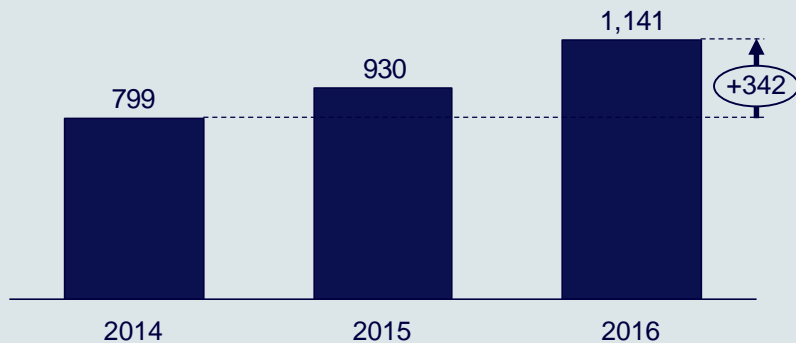


# 3 Solid cash flow in H1 17

Everything we do is aimed at enhancing returns and FCF

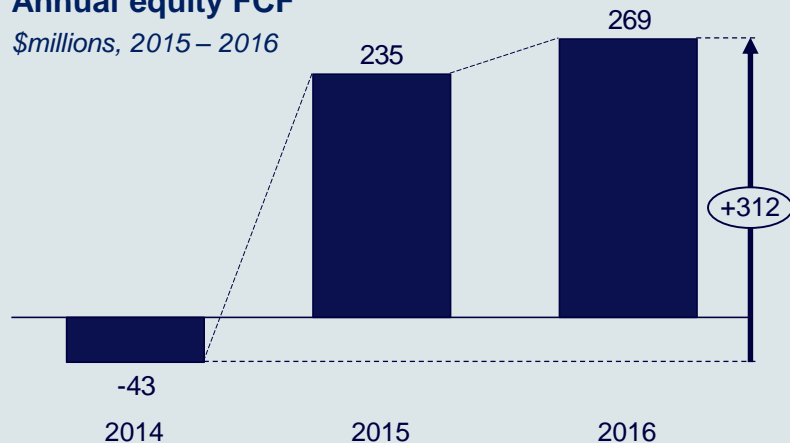
## Annual OCF (EBITDA-Capex)

\$millions, 2015 – 2016



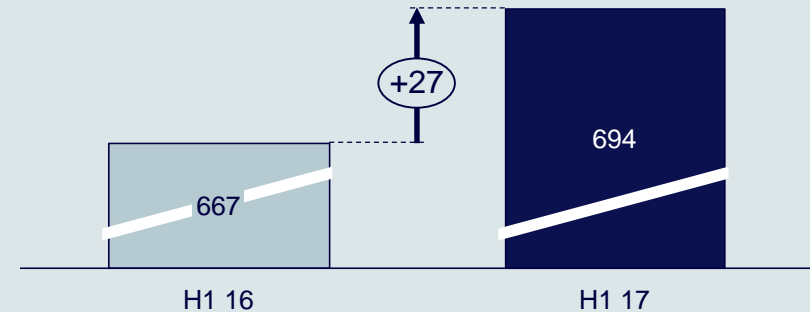
## Annual equity FCF

\$millions, 2015 – 2016



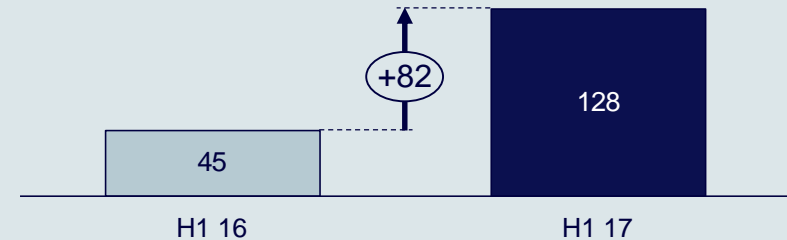
## H1 OCF (EBITDA-Capex)

\$millions, H1 16 – H1 17



## H1 equity FCF

\$millions, H1 16 – H1 17



\*2016 eFCF excludes \$10m from discontinued operations

# We are building momentum

- 1** Record HSD network up expansion  
50% of population with 4G coverage  
1.2m HFC run-rate
- 2** Record fixed and mobile user intake in Q2  
900k 4G net adds  
68k HFC net adds
- 3** Growth is “coming back”  
Second quarter of improving growth trends in Latam
- 4** Improving equity FCF  
\$88 m eFCF pick-up





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# CFO review

Tim Pennington

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# Key highlights

## Operational progress – cash flow generation and balance sheet management

**1**

**Signs of a broad based recovery of Latam service revenue**

**2**

**Margin sustainability**

**3**

**Cash flow on track**

**4**

**Balance sheet optimization**

**5**

**Outlook maintained – at low end of range on weaker Africa**

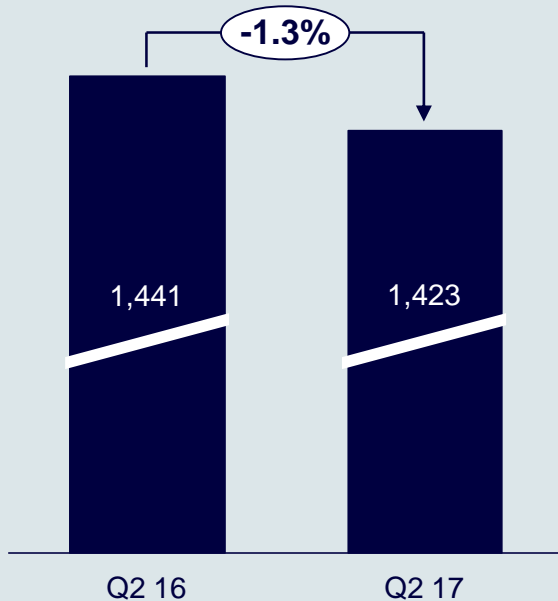
# Key financial metrics

## Operating cash flow up 4%

1

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

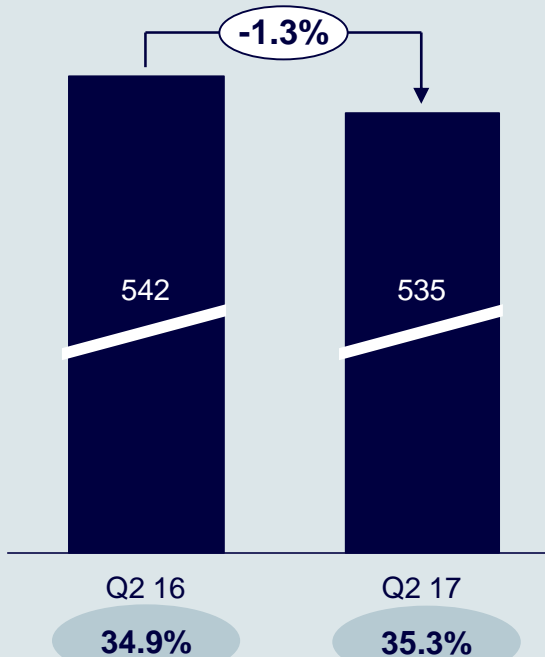
\$m, Q2 16 – Q2 17



2

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

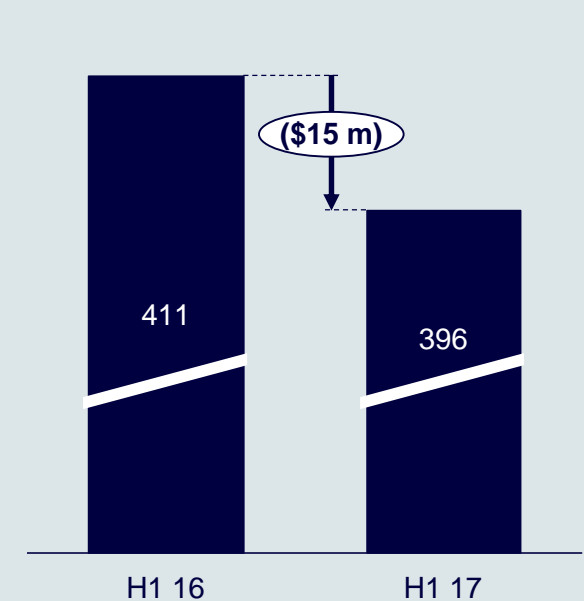
\$m and %, Q2 16 – Q2 17



3

### Capex <sup>b</sup>

\$m, H1 16 – H1 17



US\$ million

a) Q2 16 numbers are adjusted to Q2 17 FX rates and exclude Senegal

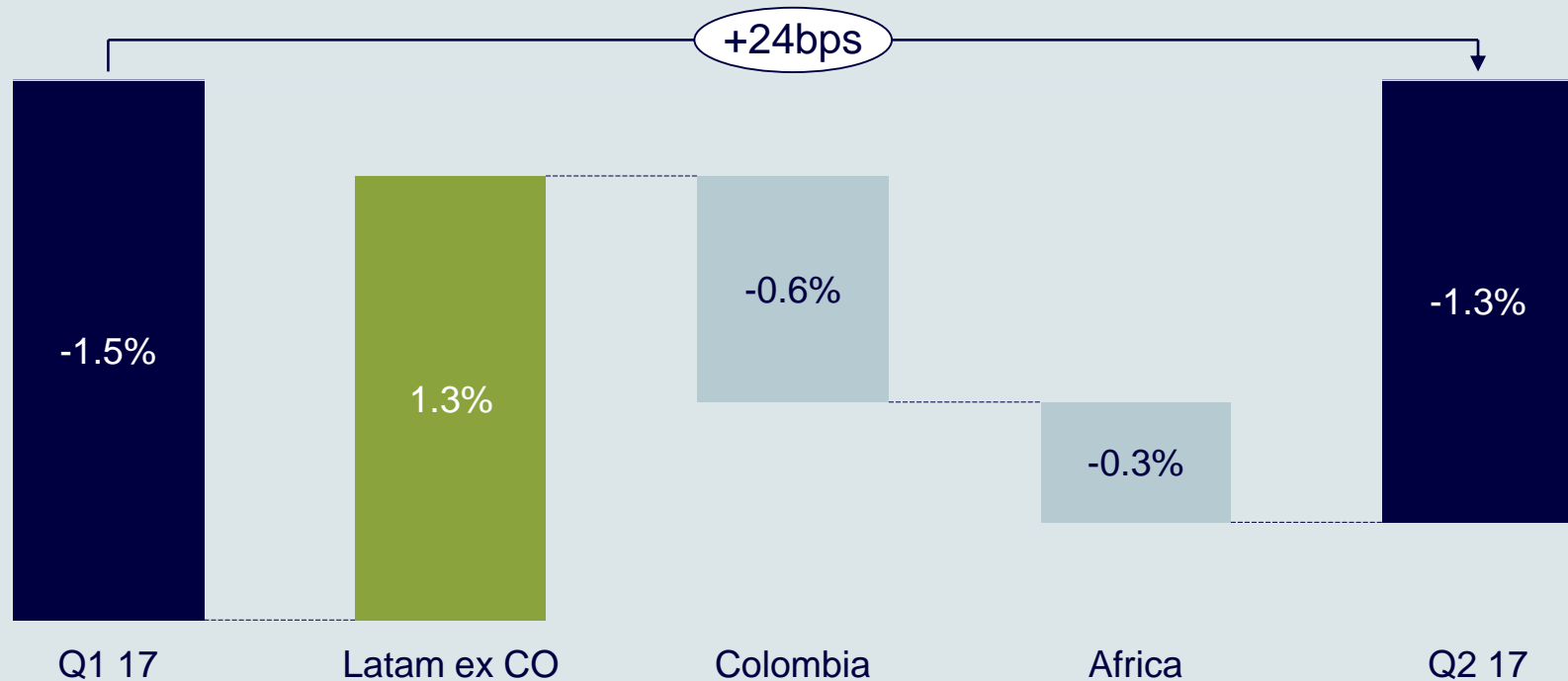
b) Excluding Senegal, spectrum & license costs

# Service revenue

## Trends Improving in Latam offset by Colombia and Africa

### Group sequential organic service revenue growth analysis

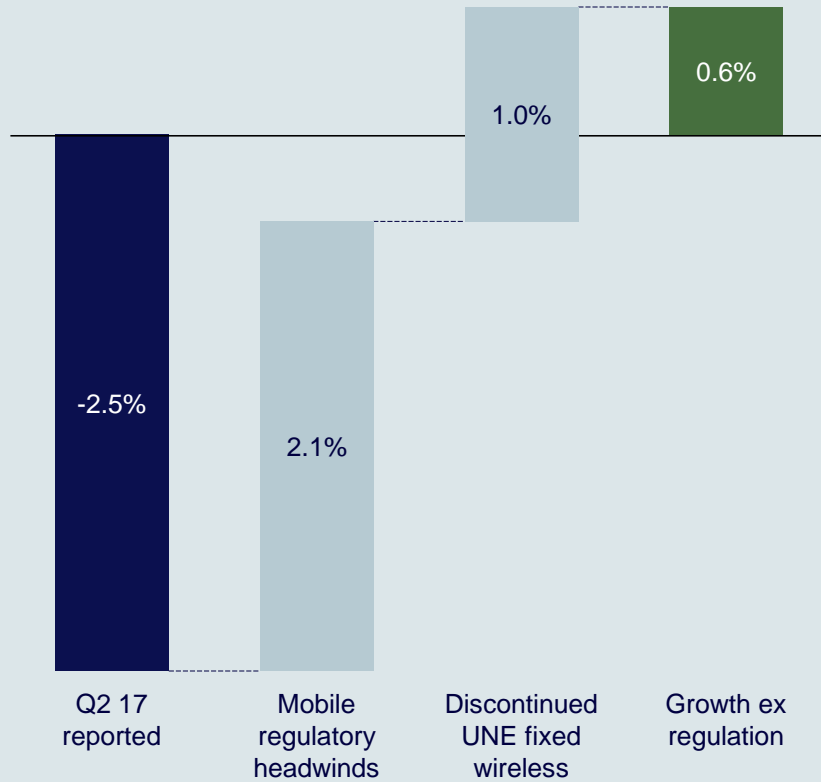
%YoY, Q1 17 – Q2 17



## Positive mobile offset by regulatory, home and B2B

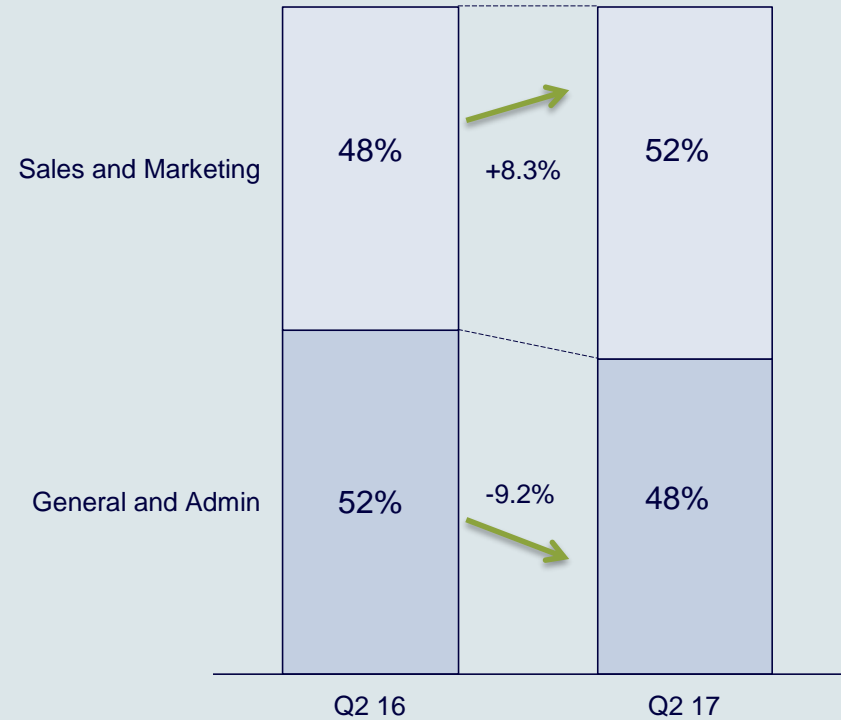
### Service revenue growth

YoY growth, Q2 17



### Colombia total cost base

YoY growth per cost segment, Q2 16 and Q2 17

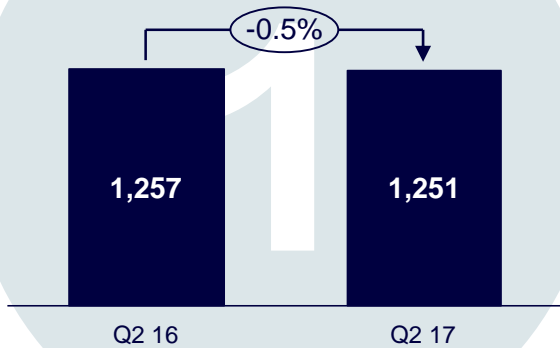


# Latin America

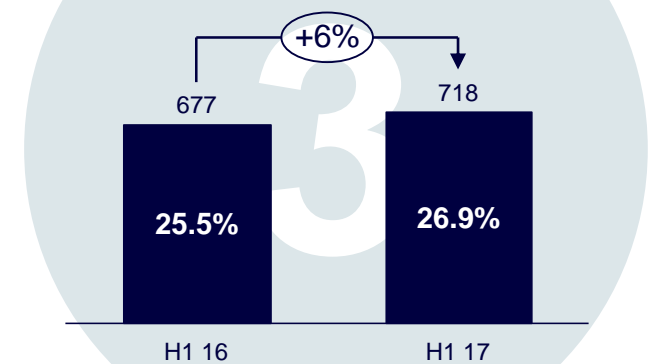
Key objective - Improve margins and cash flow



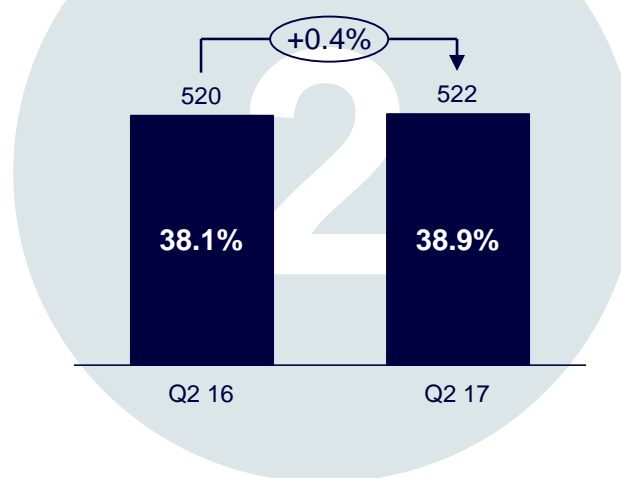
Service revenue  
(\$m)



OCF  
(EBITDA – Capex)  
\$m and margin

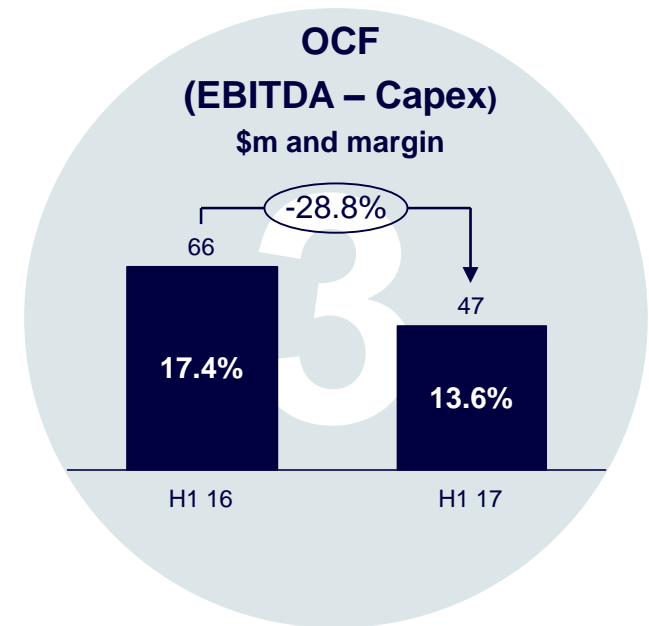
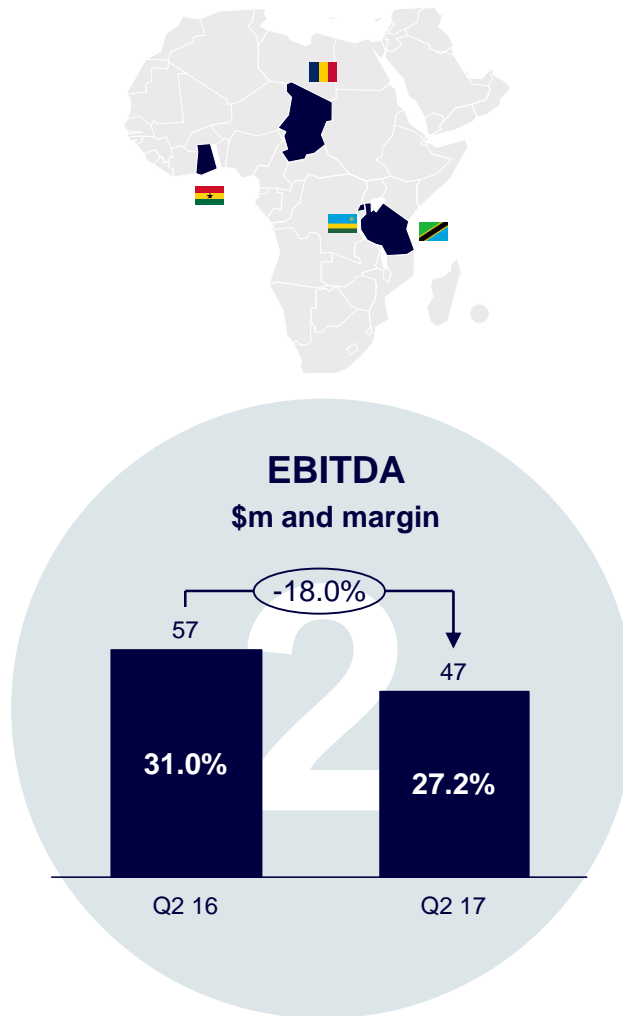
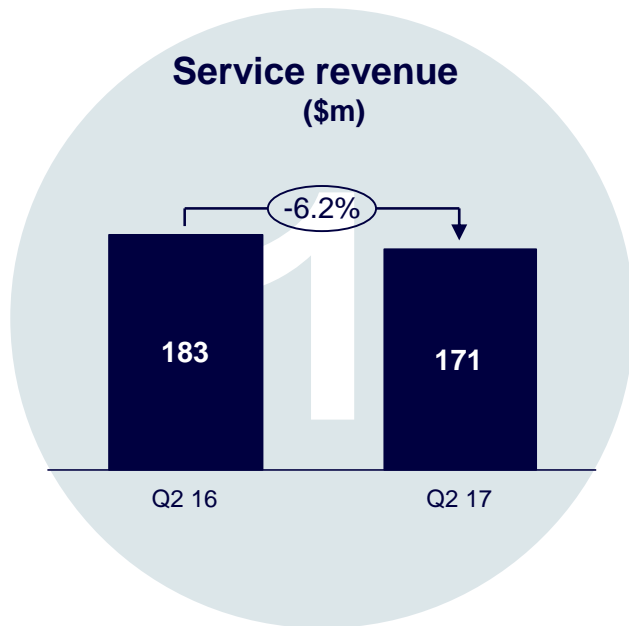


EBITDA  
\$m and margin



Q2 16 numbers at Q2 17 FX rates  
Capex excludes spectrum and licenses

## On track to deliver EFCF breakeven in 2017



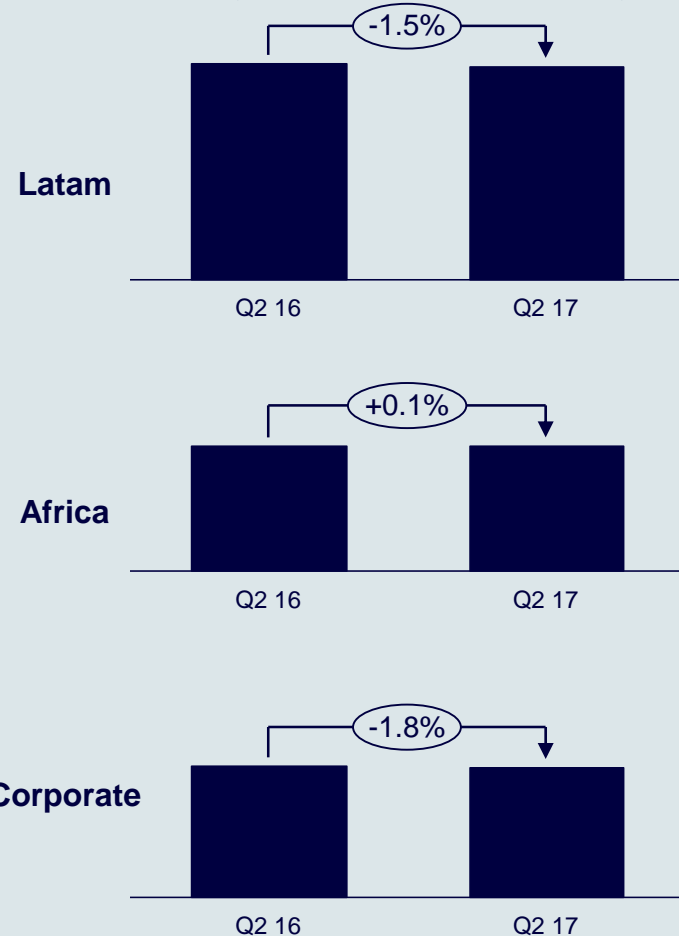
Q2 16 numbers at Q2 17 FX rates and excluding Senegal  
Capex excludes spectrum and licenses

# Costs review

## Project heat driving cost efficiencies...

### Operating costs\*

Local currency growth, Q2 16 vs. Q2 17 organic



- Project Heat delivering transformation
  - > \$200mn savings targeted
- Managed services now implemented in 4 operations
  - Typically ~20% savings
- Radio Site optimization
  - ~400 sites decommissioned
- Power consumption (network)
  - Increased efficiency from hardware
- Sim card standardization
  - ~\$10m per year

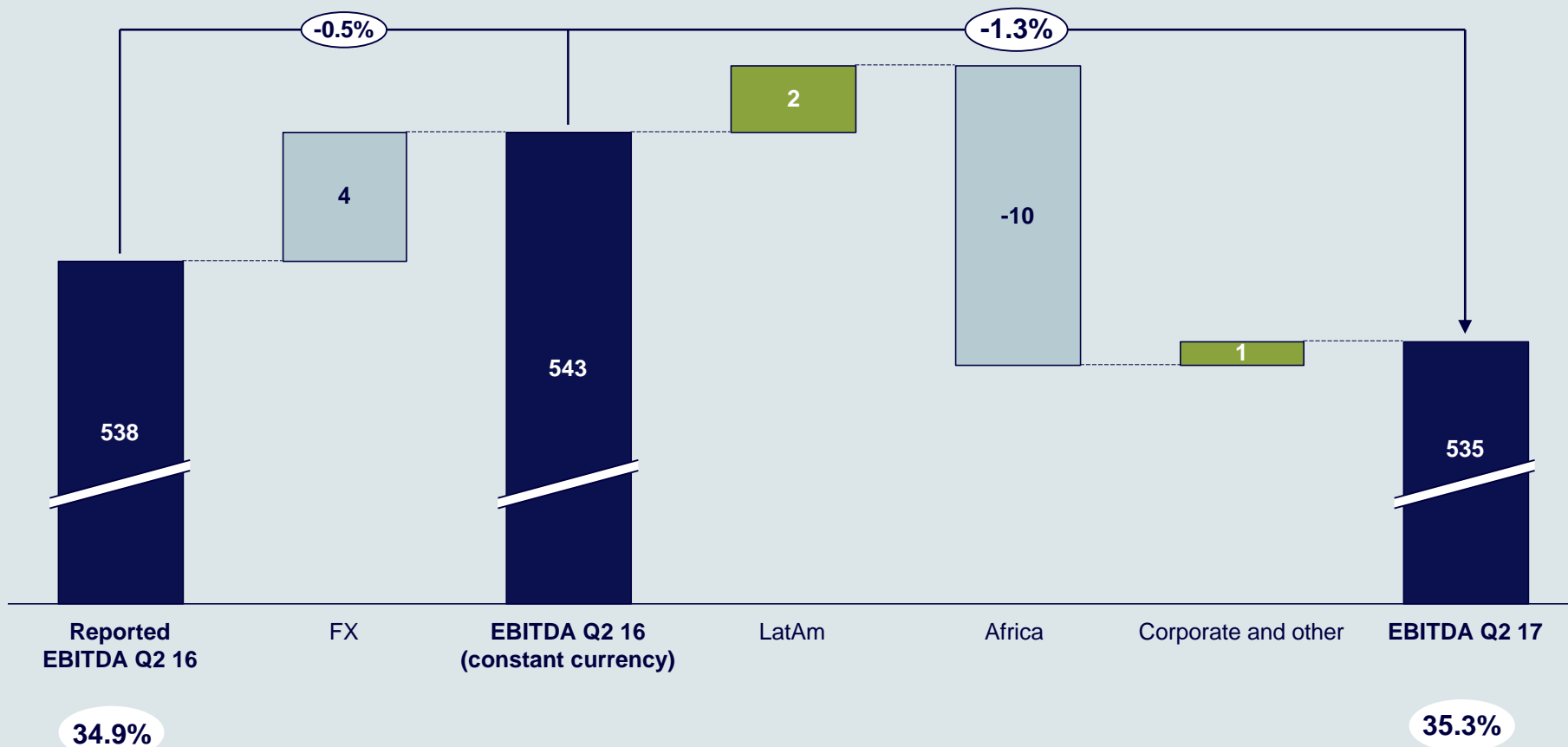


# EBITDA

... leading to margin gains ...

## EBITDA evolution by Region

US\$ million, Q2 16 – Q2 17

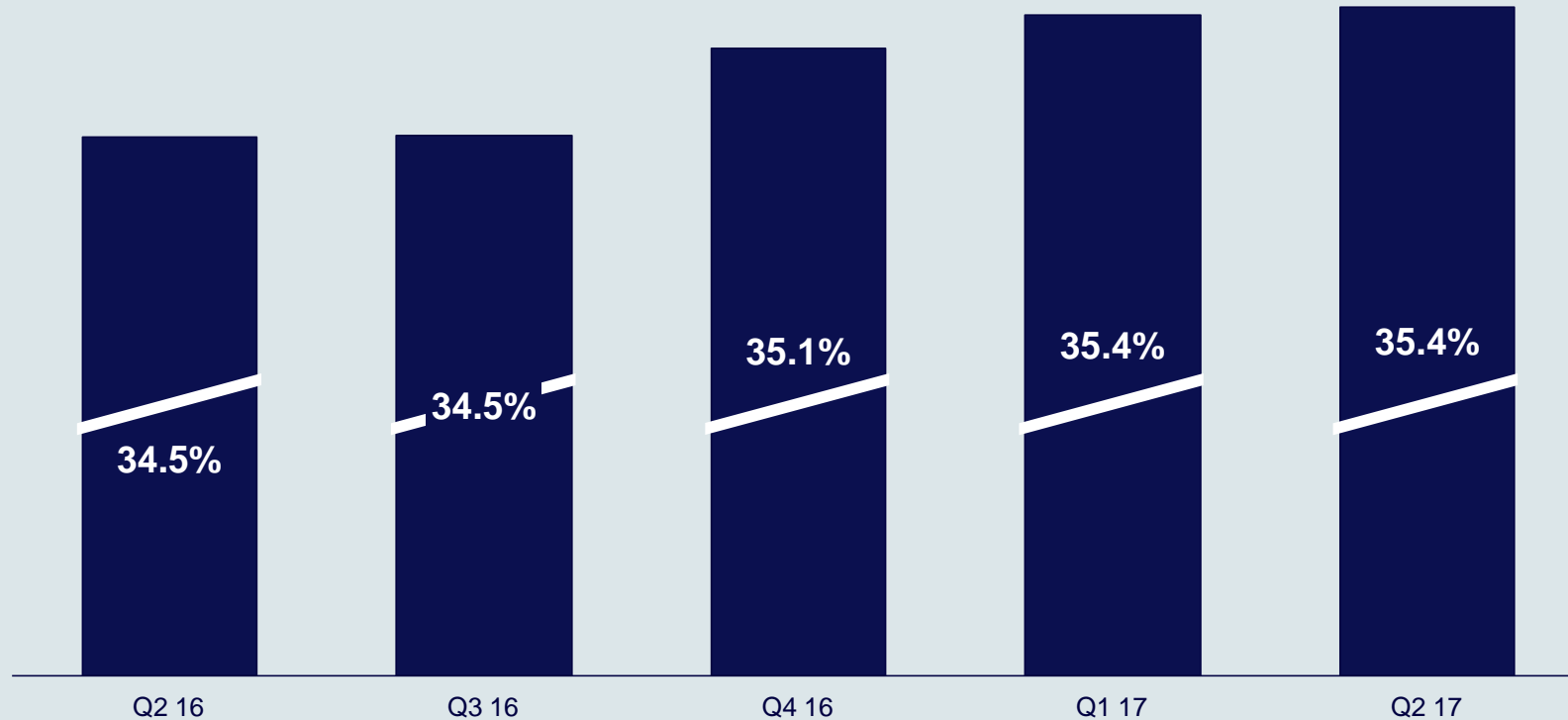


# Margin sustainability

... and margin resilience

## LTM EBITDA margin\*

%, Q2 16 – Q2 17



\*Excludes Senegal in 2016

# Q2 P&L review

## Non cash items explain the PBT swing

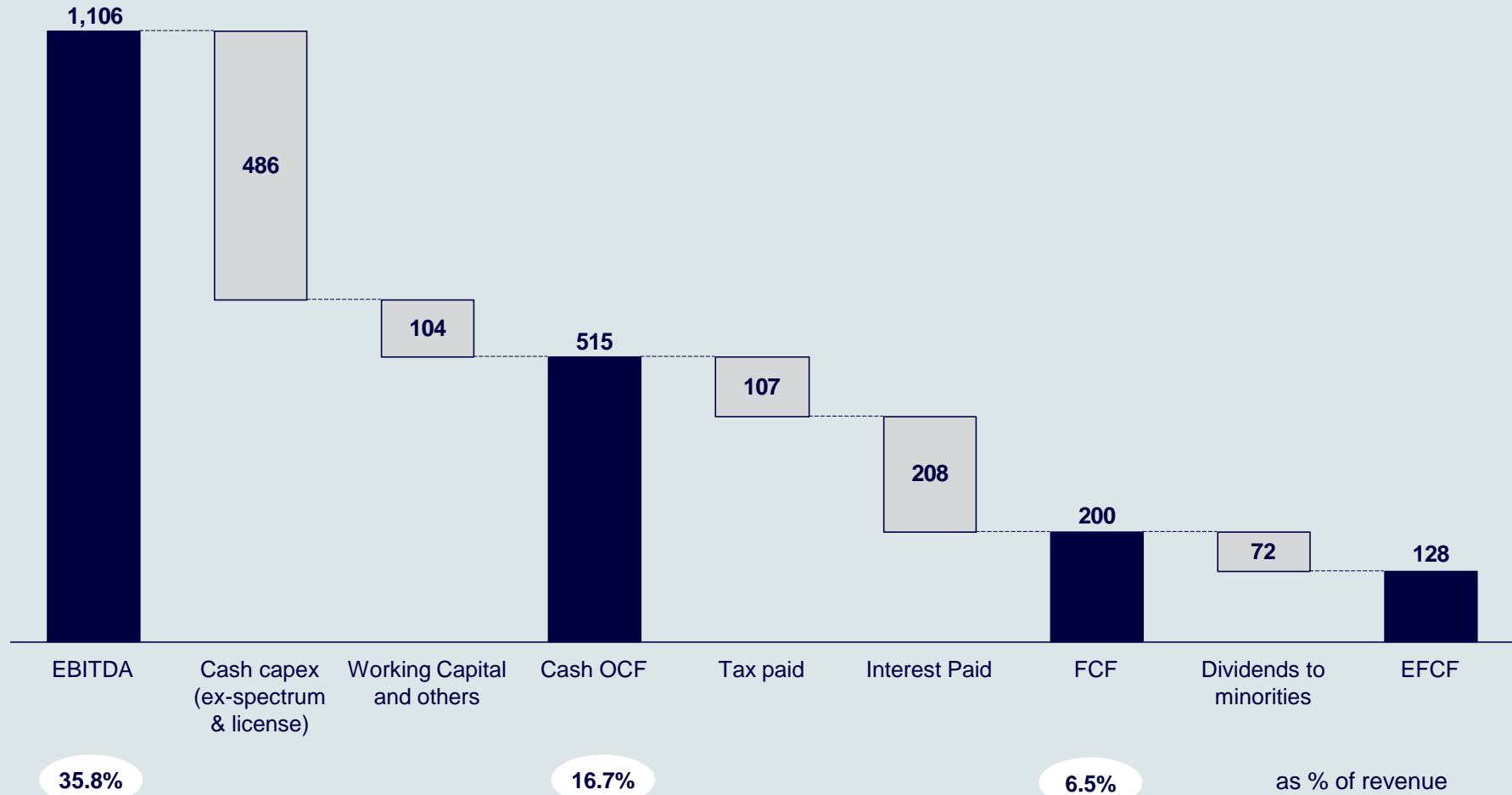
US\$ million	Q2 17	Q2 16	% Var
Revenue	1,517	1,540	(1.5%)
EBITDA	535	538	(0.5%)
Depreciation & Amortization	(336)	(336)	0.1%
Other non operating	(1)	(4)	(75.5%)
<b>Operating profit</b>	<b>198</b>	<b>198</b>	<b>(0.1%)</b>
Net Finance Charge	(125) <b>A</b>	(123)	2.1%
Others	(18) <b>B</b>	28	NM
Associates	(25) <b>C</b>	20	NM
<b>Profit before tax</b>	<b>31</b>	<b>124</b>	<b>(75.3%)</b>
Tax	(60)	(67)	(10.3%)
Minority interests	(9) <b>D</b>	(17)	(46.4%)
Discontinued ops.	11	(1)	NM
<b>Net income</b>	<b>(28)</b>	<b>39</b>	NM
Adjusted EPS	0.22	0.11	100.0%

- A** Includes \$15m in bond redemption costs
- B** FX related losses
- C** Loss on asset sale and unfavourable comparison due to HTA and AIH asset revaluations in Q2 16
- D** Losses in Colombia driven by lower revenues and lower margins

# H1 cash flow

Equity FCF improved by \$82mn

H1 2017 Cash flow  
US\$ million

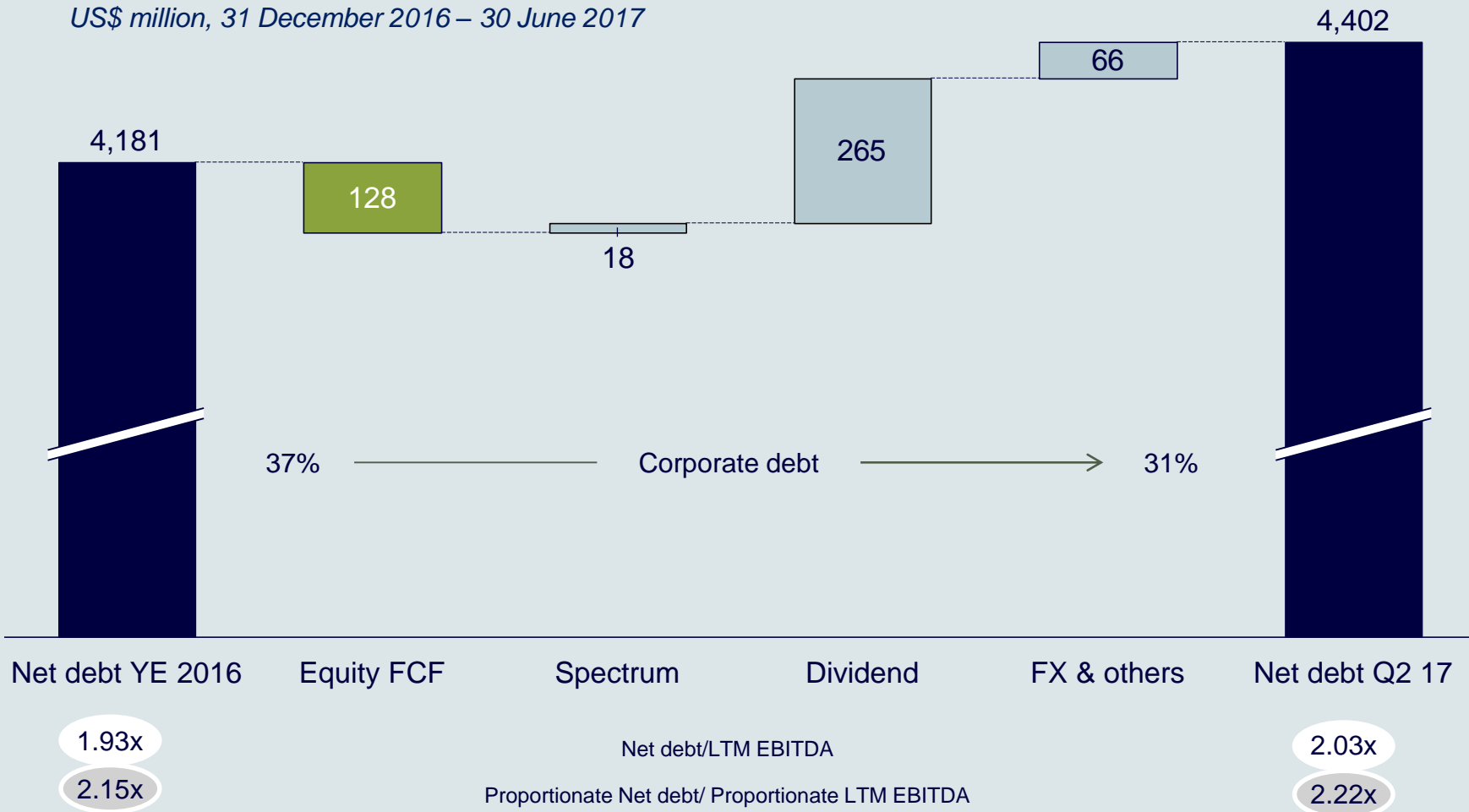


# Net debt

## Net debt increase due to the dividend payment

### Net debt evolution

US\$ million, 31 December 2016 – 30 June 2017



# Balance sheet optimization

## Actively managing the balance sheet

**Colombia**  
**\$300 million**  
**Syndicated Loan**



**Tigo UNE**  
**June 2017**

**2020 Senior Notes**  
**Redemption**  
**Notice**



**Millicom**  
**June 2017**

**Paraguay**  
**PYG 367k / \$67**  
**million**  
**Term Loan**



**Tigo**  
**July 2017**

**Colombia**  
**\$147m Tower Sale**  
**(COP 448 bn)**



**Tigo**  
**July 2017**

- 37% proforma local currency financing
- 31% corporate
- 65 % fixed rate

# Summary

**1**

**Best ever quarter for customer adds**

**2**

**Rapid build out of our HSD networks**

**3**

**Revenue progress**

**4**

**Cost and capital discipline**

**5**

**Latam firmly on right track**



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# Q&A

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# Appendix

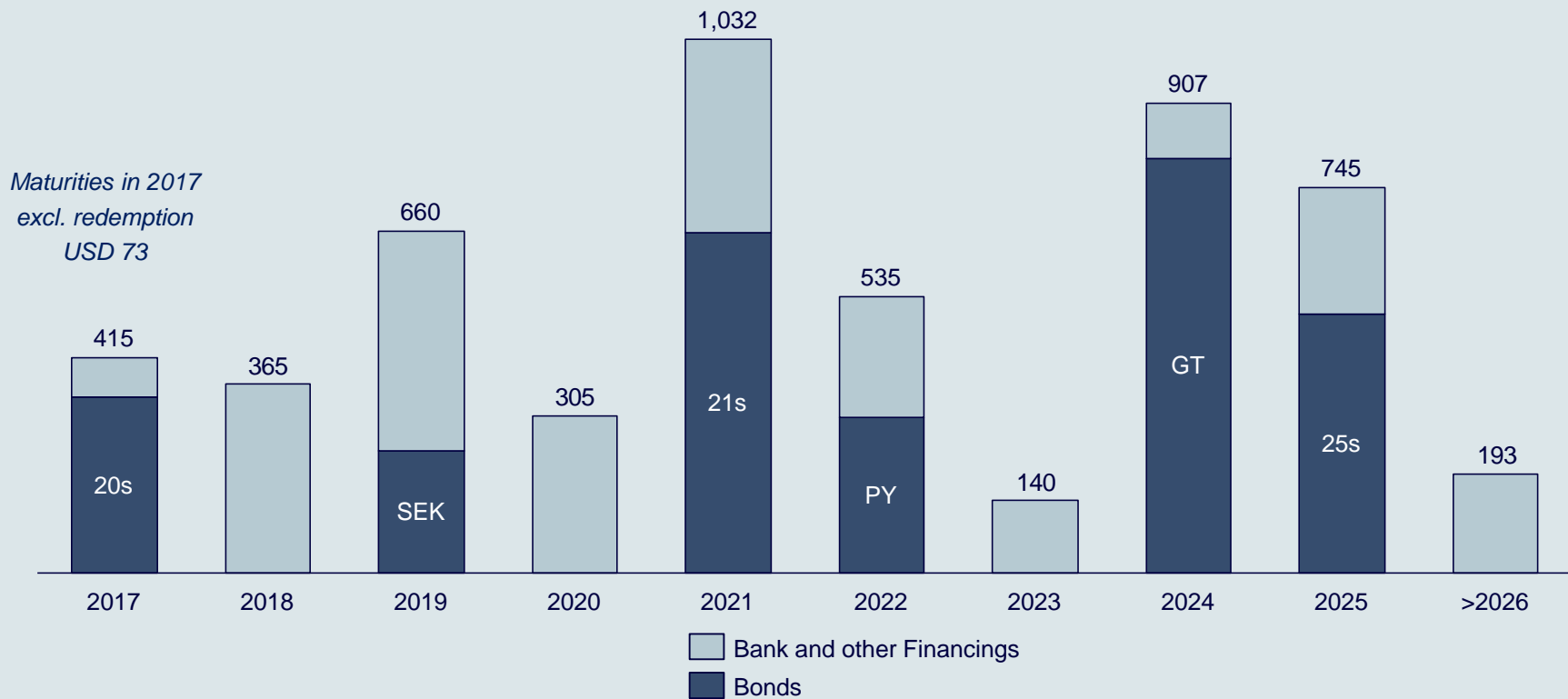
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# Debt profile

## Long average maturity to debt profile

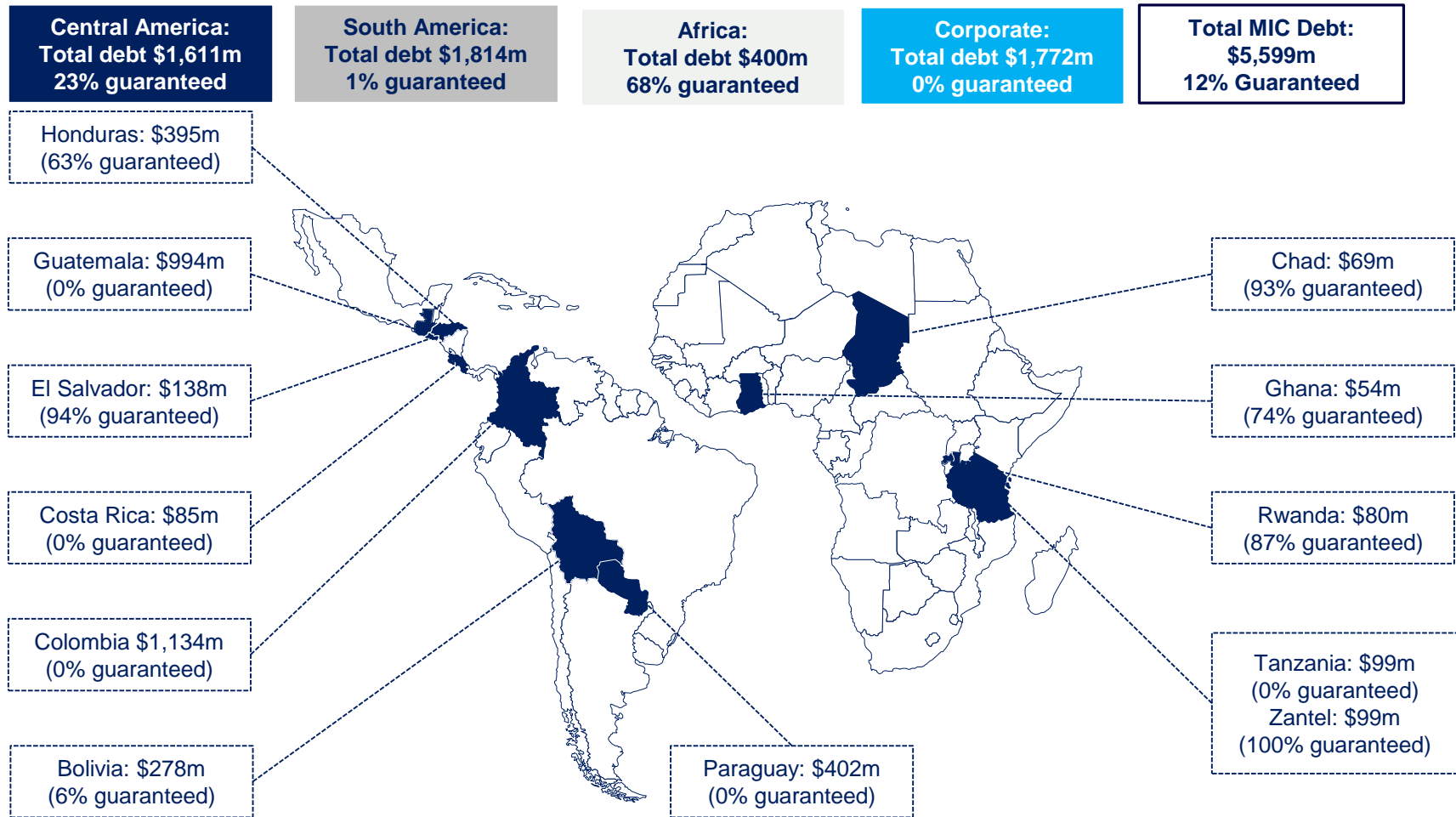
**Debt maturity profile <sup>a</sup>**  
US\$ million

*Average life of 4.6 years <sup>b</sup>*



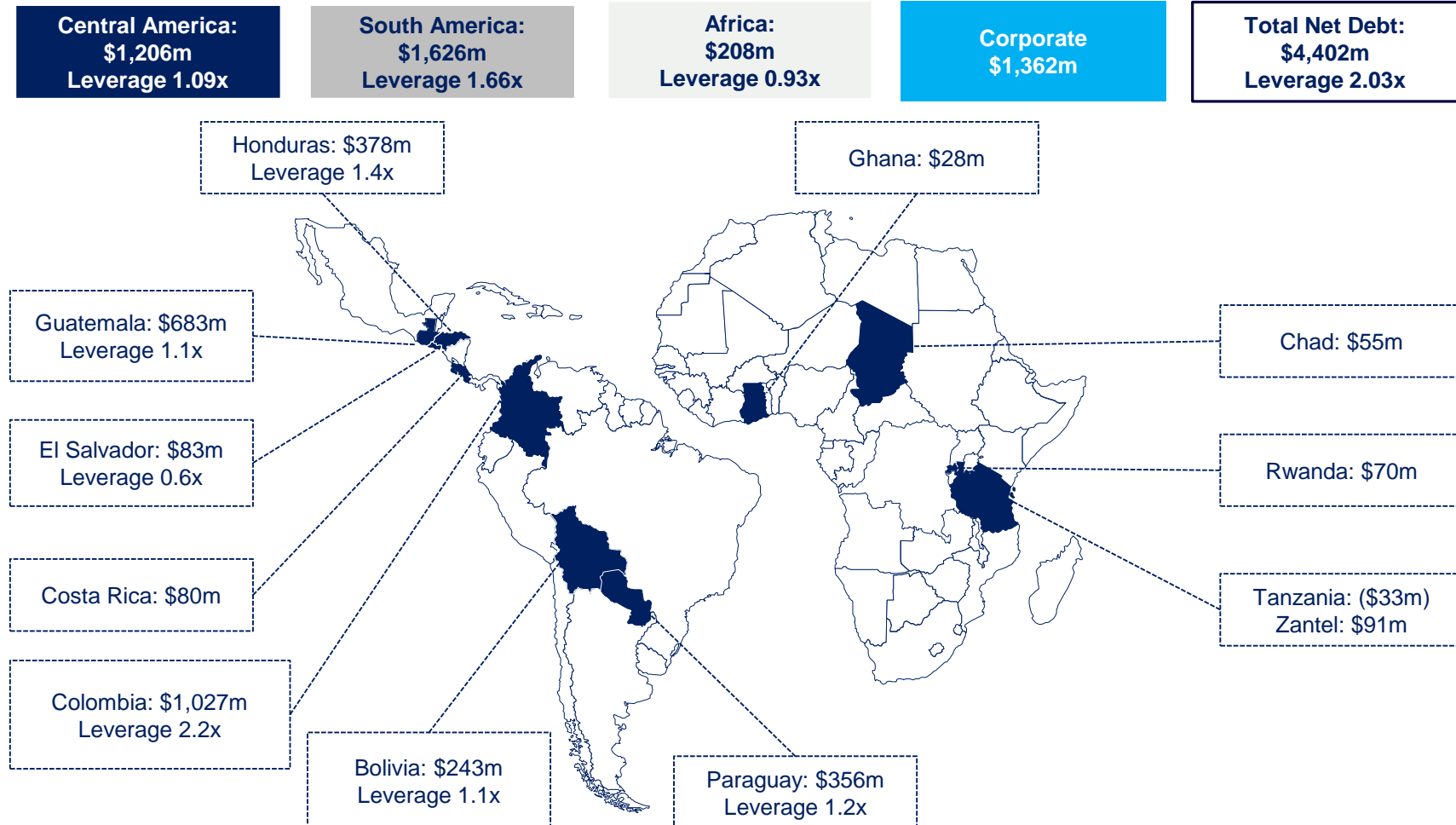
a) excluding financial leases  
 b) 4.9 years assuming US Bonds redemption in June 2017

# Gross debt by country



Including finance leases;

# Net debt by country



Including finance leases;  
Leverage refers to Net debt / LTM EBITDA

# Currency exposure of the debt

June 2017	Debt including finance leases			Cash	Net debt		
	US\$	Local	Total	Total	USD	Local	Total
Latin America*	1,745	1,681	3,426	595	1,470	1,362	2,831
	51%	49%	100%		52%	48%	100%
Africa	215	186	400	192	196	13	208
	54%	46%	100%		94%	6%	100%
Corporate	1,772	0	1,772	410	1,365	-3	1,362
	100%	0%	100%		100%	0%	100%
<b>Millicom</b>	<b>3,732</b>	<b>1,867</b>	<b>5,599</b>	<b>1,197</b>	<b>3,030</b>	<b>1,372</b>	<b>4,402</b>
	<b>67%</b>	<b>33%</b>	<b>100%</b>		<b>69%</b>	<b>31%</b>	<b>100%</b>

Note: \* El Salvador uses USD as functional currency (treated as local.)