

# Results 2023

Q2

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# Key takeaways

Mr. José María Álvarez-Pallete  
Chairman & CEO

# Delivering on our goals

## Core markets

## Group

 Spain

 Brasil

 Germany

 UK

Retail revenue growth sequential improvement

Outgrowing inflation, margin expansion

Narrowed 2023 guidance on continued momentum

Accelerated network rollout (175k PPs; 5G)

Towards OIBDA stabilisation

Stellar OIBDA-CapEx (Q2 23 +34.3% y-o-y)

Excellent progress in 5G: ~90% coverage

Sequential revenue and OIBDA improvement

In-market consolidation prospects

Growth + Lower CapEx intensity

Well-received M4M underpins future growth

In-market consolidation prospects

Copper shutdown (Apr-24)

B2C ecosystem opportunity

Executing strategy; growth & transformation

Synergies realisation (£540m by mid-26)

Value-Adding Group

**T. Tech.** Distinctive growth profile  
Potential source of value

**T. Infra.** Scaling-up fibre vehicles  
Consolidation prospects

**T. Hispam.** Largest fibre wholesaler in Peru. Network sharing MoU with Tigo in Colombia.

**Open Gateway:** 32 Telcos MoU  
Developing **AI-based use cases**

**Key developments**

**Looking ahead...**



# Driving profitable and sustainable growth

Q2 23

## Revenue

y-o-y organic

**+3.3%**



5 Qs in a row of reported growth

## OIBDA

y-o-y organic

**+3.5%**



Reported OIBDA already stabilised y-o-y

## OIBDA-CapEX

y-o-y organic

**+3.4%**



OIBDA-CapEx H1 (+2.7%)

## Net Debt

Cash dividend payment

**€27.5bn**



FCF €842m; H1 €1.3bn



### Growing accesses; ongoing commercial momentum

- Fibre (+15% y-o-y); mobile contract (+3% y-o-y); 5G coverage increasing
- Long term customer relationships; high NPS, churn under control
- CapEx devoted to long term growth; smart capital allocation



### Consistent revenue growth (org. y-o-y)

- B2B a solid driver; +6.9%
- Sustained service revenue growth (+3.4%)
- Price rises flow through to OIBDA



### OIBDA (org. y-o-y) sequential improvement (+2.4 p.p.)

- All core operations improved vs. Q1 y-o-y org.
- Costs efficiencies and digitalisation measures
- OIBDA margin up y-o-y org.



### Focused on investment grade credit rating and deleverage

- Prudent debt management
- Q2 23 FCF €842m, +0.9% y-o-y
- FCF almost doubling sequentially

Improved OIBDA and FCF momentum



# Financial update

€ in millions	H1 23		Q2 23	
	Reported + 50% VMO2 JV	Organic y-o-y	Reported + 50% VMO2 JV	Organic y-o-y
<b>Revenue</b>	23,164	4.1%	11,667	3.3%
<b>OIBDA</b>	7,323	2.3%	3,689	3.5%
<b>OIBDA-CapEx</b> (ex-spectrum)	4,326	2.7%	2,006	3.4%

€ in millions	H1 23		Q2 23	
	Reported	Reported y-o-y	Reported	Reported y-o-y
<b>Revenue</b>	20,178	3.7%	10,133	0.9%
<b>OIBDA</b>	6,266	(1.2%)	3,144	(0.1%)
<b>OIBDA Underlying</b>	6,306	1.3%	3,161	0.1%
<b>Net Income</b>	760	(25.9%)	462	44.5%
<b>FCF</b> (incl. leases principal payments)	1,296	(3.9%)	842	0.9%
<b>Net Financial Debt</b> ex-leases	27,479	(3.9%)		

FX impact		
Net debt -€0.6bn		
€ (m)	H1 23	Q2 23
<b>Revenue</b>	48	(88)
<b>OIBDA</b>	10	(37)



# Strong momentum supports 2023 guidance upgrade

## 2023 guidance

Organic

Targets	Initial 2023 guidance	Upgraded 2023 guidance	H1 23
Revenue y-o-y organic	“Low single digit growth”	“ ~4% growth ”	4.1%
OIBDA y-o-y organic	“Low single digit growth”	“ ~3% growth ”	2.3%
CapEx/Sales organic	~14%	Maintained ~14%	12.7%

## Shareholder remuneration

2023 Dividend	€0.3/share (cash)
December 2023	€0.15/sh. (cash)
June 2024	€0.15/sh. (cash)

### 2023 calendar payments

15<sup>th</sup> June 2023 €0.15/sh.; cash  
 14<sup>th</sup> December 2023 €0.15/sh.; cash



### 24.8m own shares cancelled

April 2023

1.4% treasury stock  
to be cancelled

# ESG progress

## Environmental

- ▶ **Net-zero** by 2040 (SBTi validated)
- ▶ **100% renewables** by 2030
- ▶ **Zero-waste** by 2030

**On the path to net-zero:** VMO2's targets validated by SBTi, following TEF's (Jul-22)

**Fostering Renewables:** 8 distributed generation plants added during Q2 (BR)

**Circular economy:** new commitments to takeback, reuse & recycle devices



## Social

- ▶ **>90% MBB rural coverage** by 2024<sup>1</sup>
- ▶ **33% women executives** by 2024
- ▶ **Zero adjusted pay gap** by 2024<sup>2</sup>

**Connecting communities:** T. Group 169.7m UBB PPs; new fibreCo (PE)

**Driving diversity & inclusion:** >32% women executives (Jun-23)

**Promoting employability:** ~1.2m beneficiaries via T. Foundation (H1 23)



## Governance

- ▶ **Parity**<sup>3</sup> in top governing bodies by 2030
- ▶ **Zero-tolerance** of corruption
- ▶ **30-35% sustainable linked financing** by 2024<sup>4</sup>

**Sustainable financing:** GlobalCapital Award for Most Impressive Corporate Hybrid Issuer

**Protecting customers:** Blocked +533m cybersecurity threats (SP)

**ESG Academy;** launched Group wide training on sustainability topics



### Key targets

### Examples of our progress

<sup>1</sup> Core markets.

<sup>2</sup> Adjusted pay gap: equal pay for jobs of equal value

<sup>3</sup> Parity defined as not less than 40% of each gender represented

<sup>4</sup> Financing linked to sustainability criteria includes balance sheet debt, hybrids and undrawn committed credit lines based on ICMA sustainable bond principles, LMA Sustainability Linked Loan Principles and other ESG criteria. Not necessarily linked to EU Taxonomy aligned activities

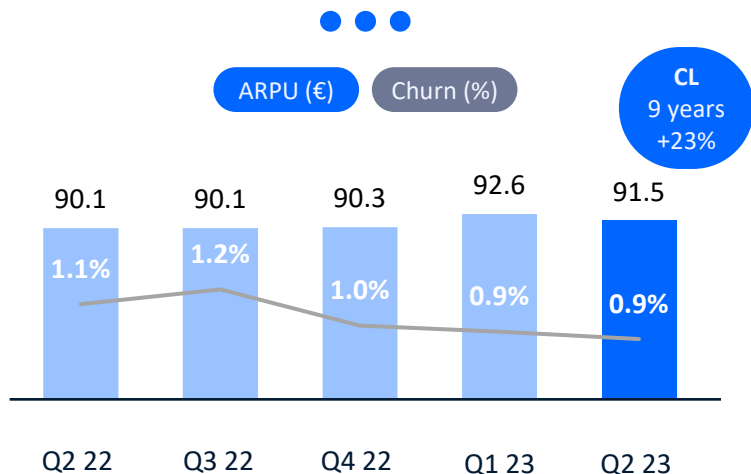


# Q2 23 Results

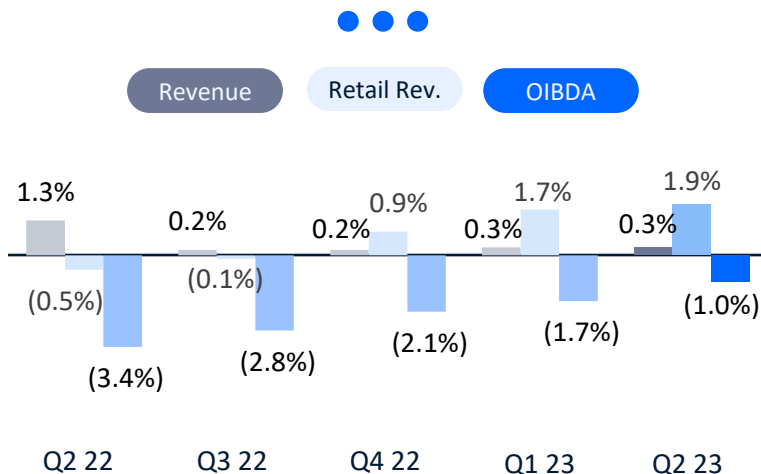
Mr. Ángel Vilá  
COO



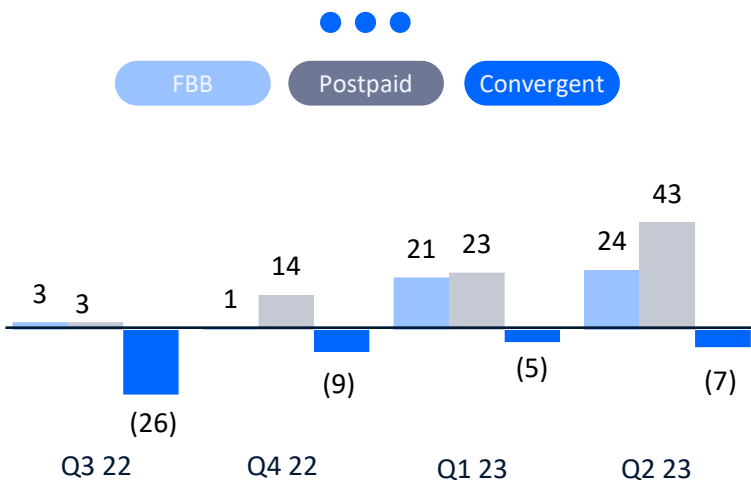
## Convergent KPIs



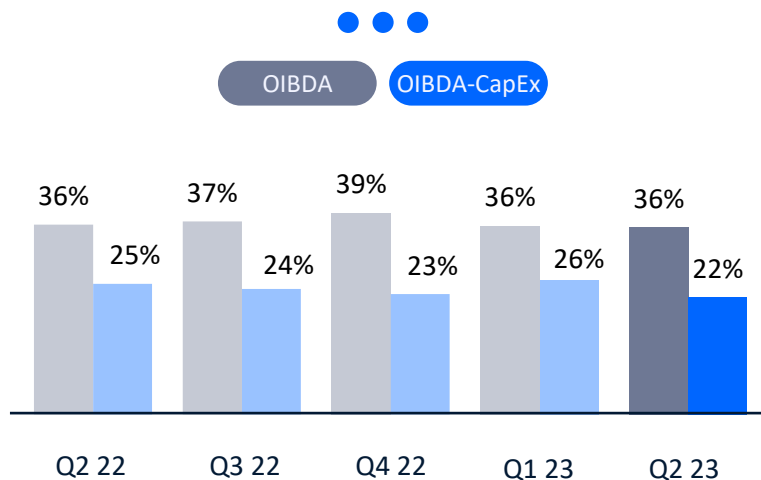
## Revenue & OIBDA growth (y-o-y organic)



## Net adds (k)



## Margins (organic)



**Stronger commercial traction accelerates retail revenue**

**Growing FBB & postpaid base y-o-y**  
**Solid churn, ARPU growth and best-in-class NPS**

**Customer lifetime, +23% y-o-y**  
**Refreshed B2C portfolio (since 1<sup>st</sup> August)**

**Improved retail revenue (+1.9% y-o-y in Q2)**

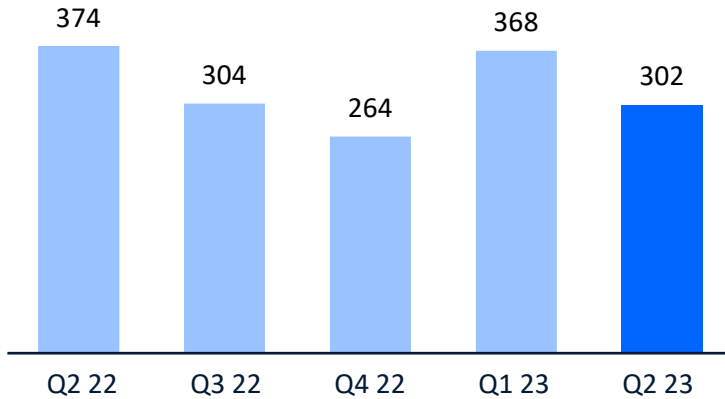
**OIBDA closer to stabilisation**  
**Benchmark (OIBDA-CapEx)/Sales (24% in H1)**

**Promoting circular economy**  
 (device recycling)

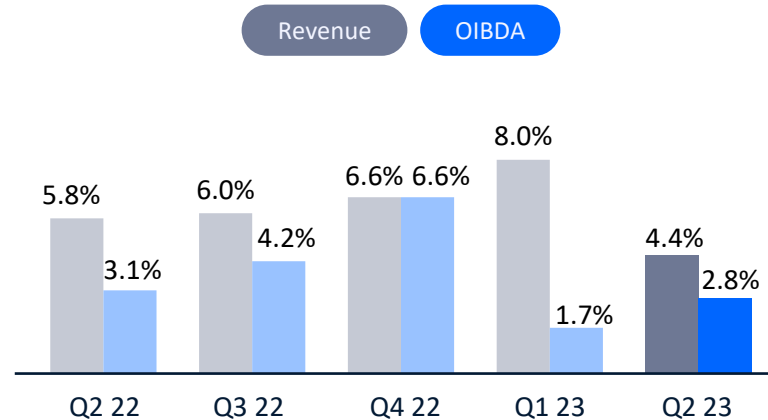




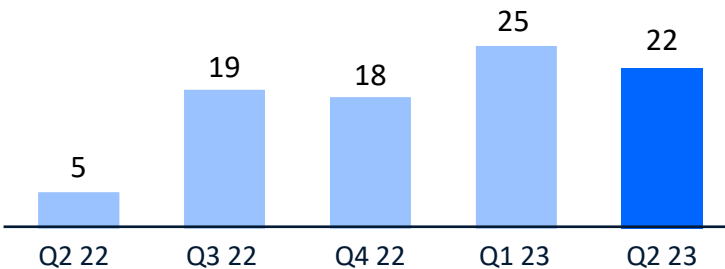
### Postpay net adds (k)



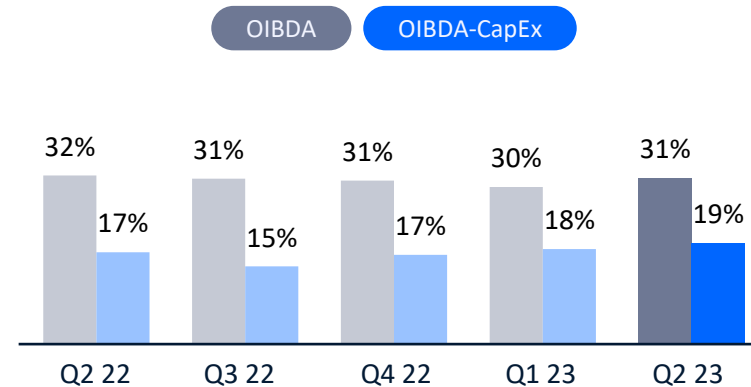
### Revenue & OIBDA organic growth



### Fixed BB net adds (k)



### Margins (organic)



**Good operational traction & sustained financial performance**



**M4M 'O<sub>2</sub> Mobile' successfully launched**

O<sub>2</sub> contract ARPU +1.0% (vs. Q2 22)

**Strong OIBDA growth (+1.1 p.p. q-o-q)**

YE 23 target of 90% 5G pop coverage already achieved at mid-year

**2023 Revenue & OIBDA outlook narrowed to "upper range of low single-digit growth"**

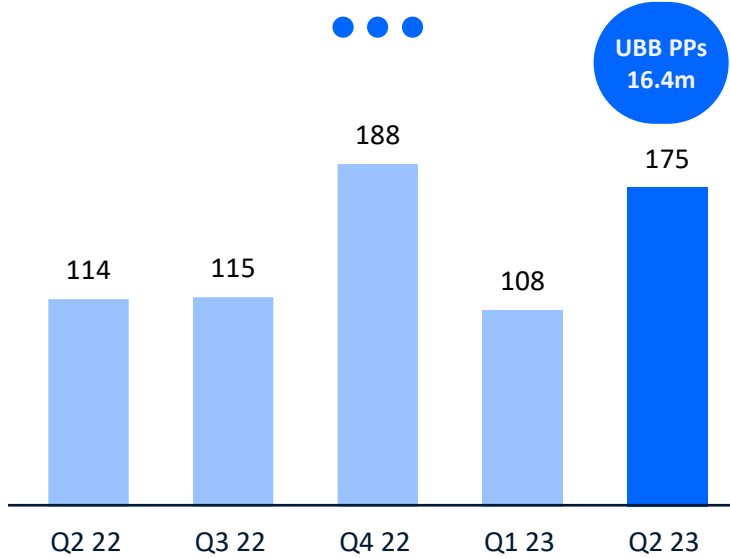
**Promoting digital skills & inclusion**



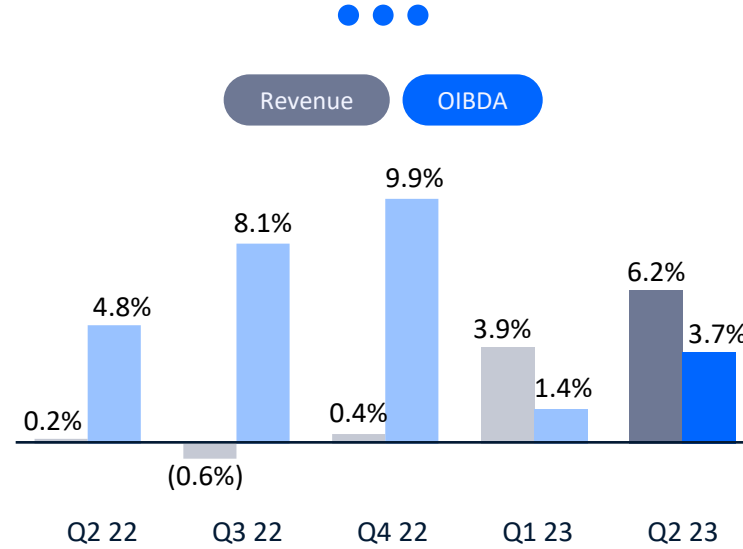
# Virgin Media O2



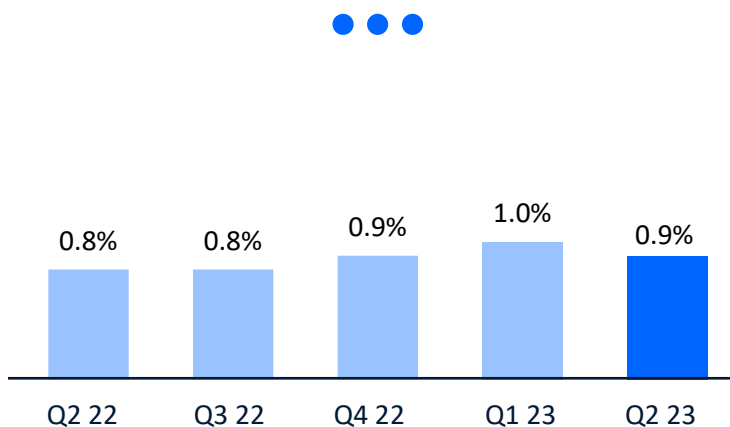
## Fixed network build (k PPs)



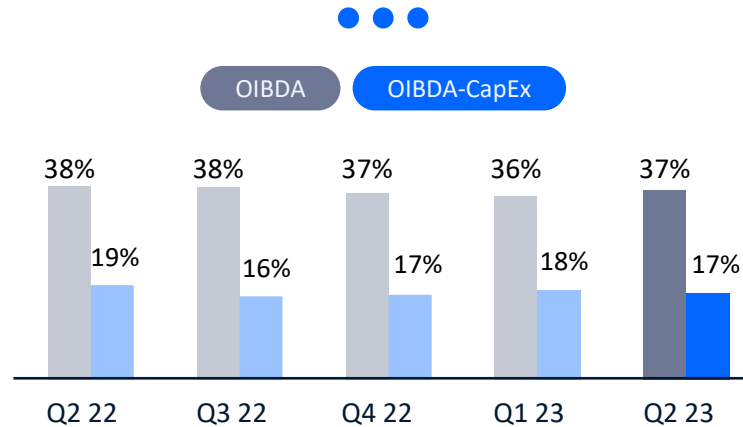
## Revenue & OIBDA growth (y-o-y organic)



## Mobile contract churn (%)



## Margins (organic)



## Focus on network investment

Growing converged base; **Volt surpassed the 1.5m customers milestone**

**175k PPs in Q2 23 and 5G connectivity >2,800 towns and cities**

**Price increases in fixed & mobile**

**Accelerating revenue and OIBDA growth**

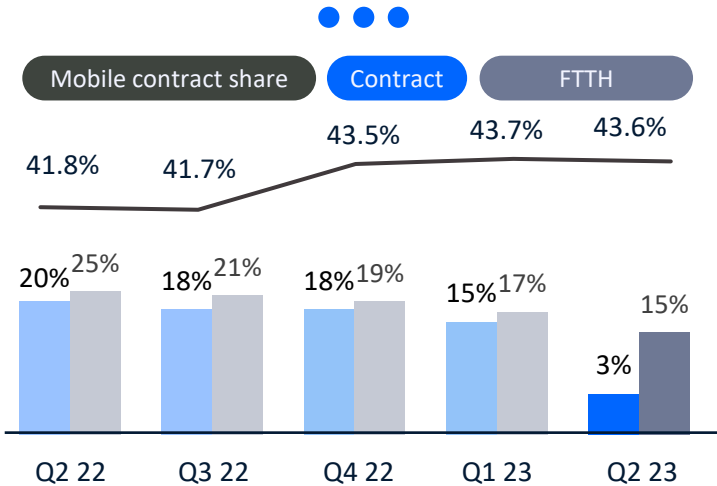
**Executing synergies above plans**

**29% reduction in carbon emissions (Scope 1 & 2) against 2020 baseline**

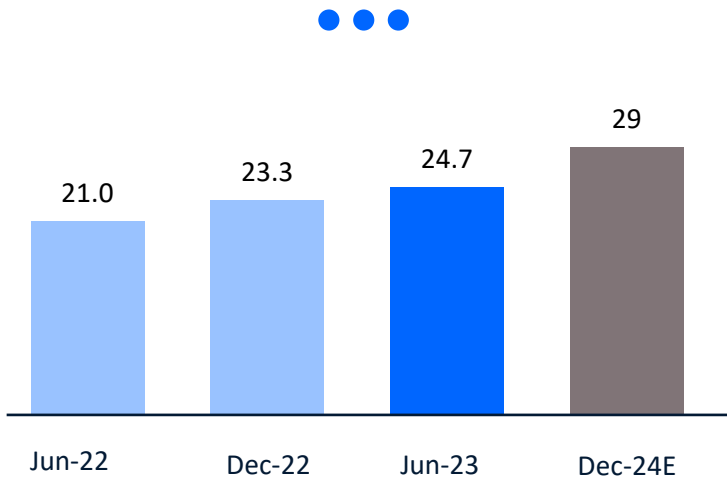




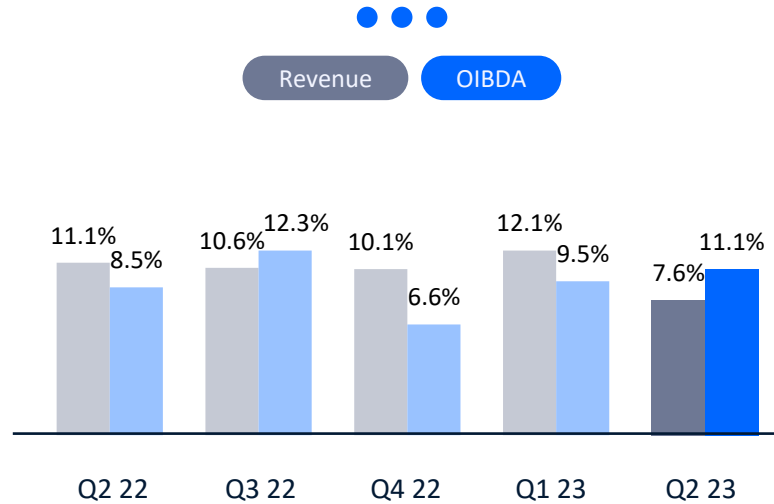
## Accesses growth (y-o-y)



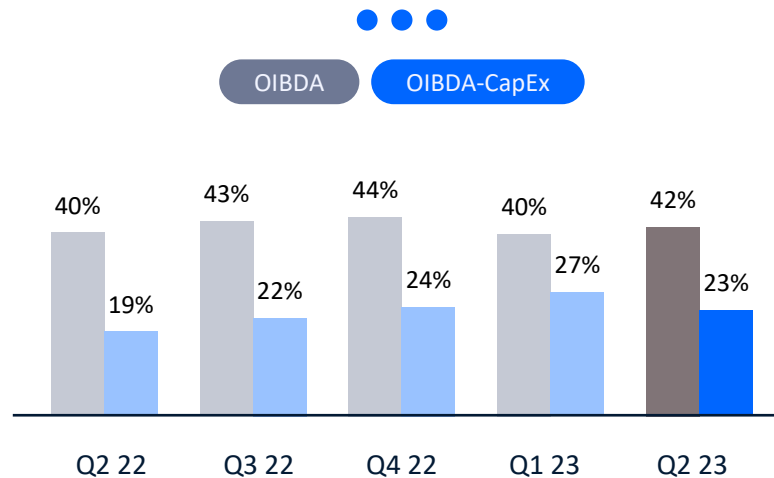
## FTTH Premises passed (m)



## Revenue & OIBDA growth (y-o-y organic)



## Margins (organic)



## Outgrowing, outlasting inflation

**Leader in contract m.s. 43.6%** (+1.9 p.p. y-o-y)

**Rational mobile market**

**Entry top-up level R\$15** (+25% vs. previous)

**Contract churn decreasing (1.0%)**

**Mobile ARPU: +8%** y-o-y in Q2 23

**Service revenue booming despite Oi annualisation**

MSR (+10.4%): strong trading & tariff increase

Fixed (+2.3%): FTTH & B2B Digital services (+31%)

**Lower CapEx intensity: +27.8%** OIBDA-CapEx H1 23

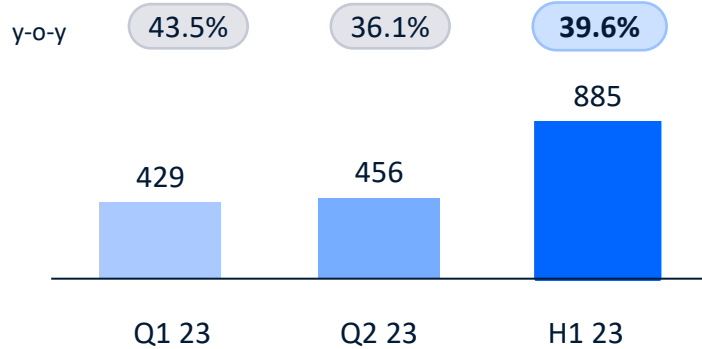
**Ethnic diversity: 41%** employees self-declared as black (+7% vs. 2022)





# T. Tech, a leading IT provider for B2B digitalisation

## T. Tech Revenue (€m)



### Double-digit y-o-y growth across T. Tech businesses

#### Accelerated growth in constant perimeter

- Q2 23 ~+29% y-o-y (+2 p.p. q-o-q); >2x market growth

#### Key differential growth driver for T. Group B2B revenue

#### Well-balanced revenue mix

- High weight of Managed & Professional services & own platforms
- >85% revenues in hard currency markets

#### Differential customer journey; relevant in the B2B market

- Telefónica, leader in "Telecom Services Sector Scorecard" (GlobalData)

## Operational Highlights

### Strong commercial activity, solid position in customers

- LTM Bookings ~+35% y-o-y

### Highly skilled team close to customers

- Talent-led Co': hiring, skilling & retaining
- >6.2k professionals; 80% in Europe; ~4k certifications; 16% attrition (LTM)

### New operating model for a new cycle of sustainable growth

- Geographical BUs with commercial focus
- Transversal service and delivery units to expand portfolio and capabilities

### Reinforced delivery

- New DOC in Colombia (Cloud & Cyber)
- TheThinX (IoT) lab in Spain

## Industry Analysts Recognition



Leader: Cybersecurity Services RadarView

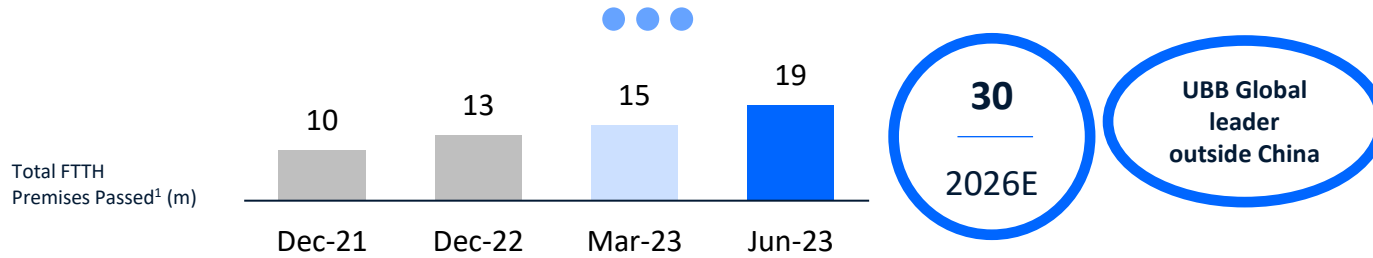
Leader: Global Industrial IoT Services

Large Player: MDR Services Europe Landscape (Jul-23)



# T. Infra, crystallising value of assets and capabilities

## Accelerating FTTH deployments; efficient wholesale vehicles



## Q2 23 highlights

- Bluevia**
  - Reached >3.5k targeted low density municipalities
- nexfibre**
  - Commercially live (Jun-23); latest XGS-PON architecture
- UGG** Unsone Grüne Glasfaser
  - Present in 8 "Länders"; advanced in MoU sign-ins
- FIBRASIL**
  - Present in 22 Brazilian states
- ONNET FIBRA**
  - Entel Chile agreement approval expected H2 23E
- PangeaCo**
  - T.Hispam reached an agreement with KKR and Entel Peru (36%, 54% and 10% stakes, respectively, in PangeaCo)
  - 1st nationwide open access wholesale fibreCo to bridge national divide
  - 5.2m FTTH PPs by 2026, >2x Jun-23 (2.5m)

## Critical digital infrastructure



Reinforced ownership

70% T. Infra; 30% Pontegadea

6<sup>th</sup> quarter of consecutive organic OIBDA growth

### Solid profitability

53.3% (+1.7 p.p. vs. H1 22)  
OIBDA margin

### Traffic

+16%  
H1 23 y-o-y

Next generation  
subsea cables

7 new generation  
subsea cables since 2018  
31,000 km → 82,000 km

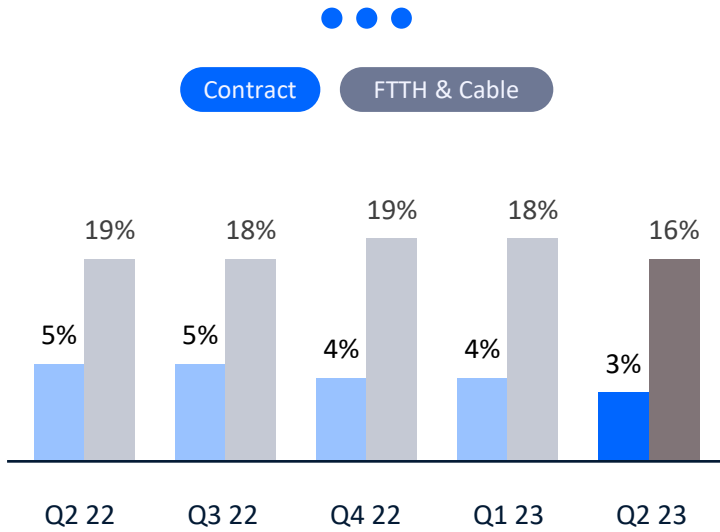
<sup>1</sup> Included in the total Group's FTTH PPs. Jun-23 and 2026E includes Pangea PPs.

# Q2 23 Results

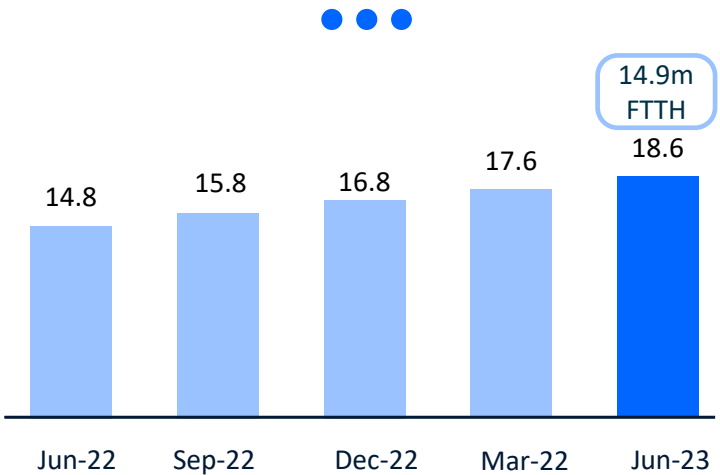
Mrs. Laura Abasolo  
CFCO & Head of T. Hispam



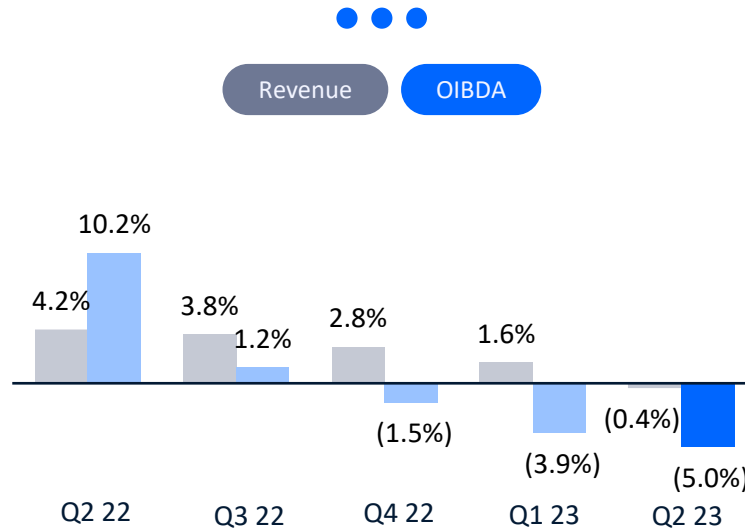
## Accesses growth (y-o-y)



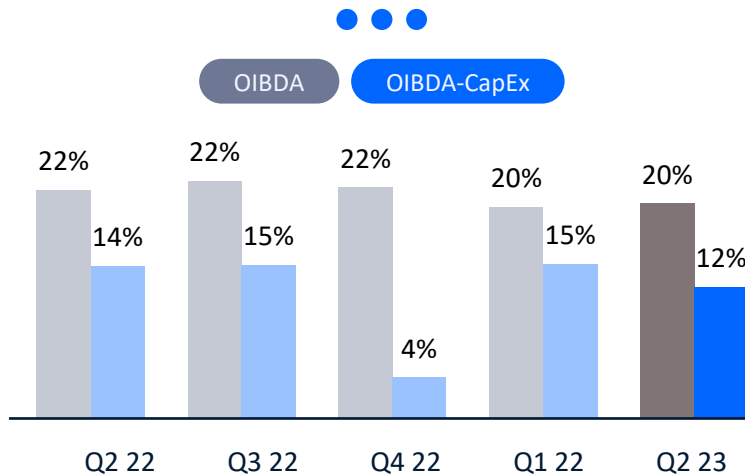
## FTTH & Cable PPs (m)



## Revenue & OIBDA growth (y-o-y organic)



## Margins (organic)



## Continued execution

**-27% invested capital** (since Dec-19)

**Reducing exposure to the region:**  
MOU in Colombia to share mobile infrastructure Agreement with KKR & Entel in Peru for PangeaCo

Continue growing in **high value accesses**  
**CapEx/Sales: 8%** on new operational model

**OIBDA-CapEx expected to grow in 2023**

**Closing connectivity gap:**  
e.g., IpT reached >3.3m people





# Further deleverage, sound liquidity and contained cost

## Debt portfolio de-risked & well positioned

**>80%**  
Total debt fixed

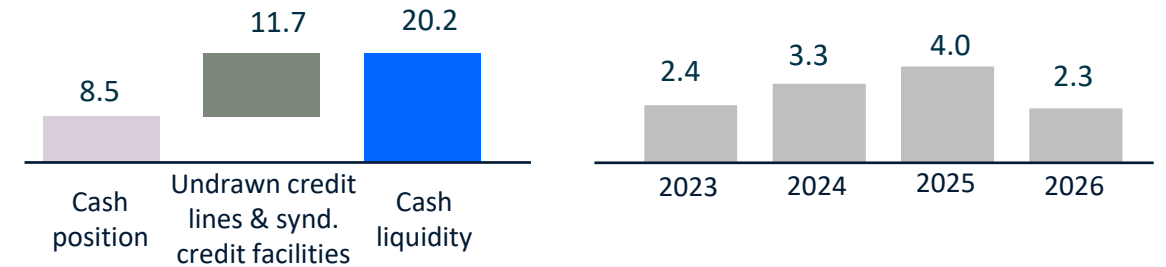
**12.4 yrs**  
Avg. debt life

**Maturities covered over next 3 years**

## Comfortable liquidity position

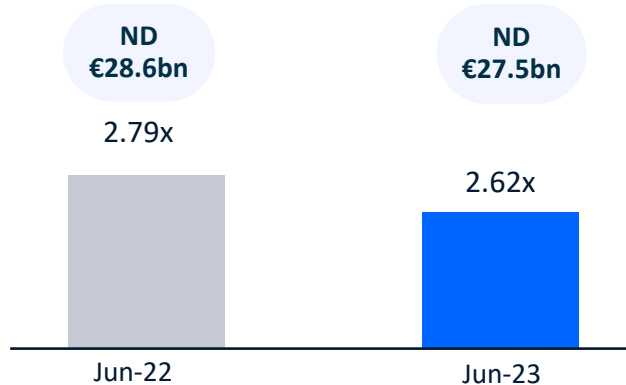
Liquidity cushion, Jun-23 (€bn)

Gross debt maturities, Jun-23 (€bn)



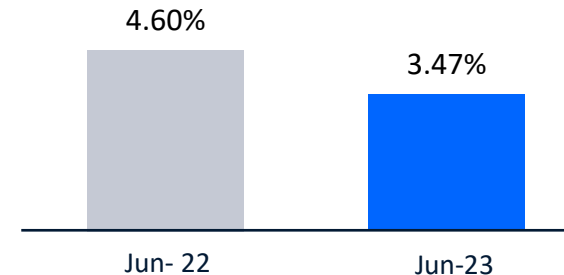
## Deleverage trend continues

Net Debt/OIBDAaL



## Contained interest payment cost

Total debt related interest payment cost ex leases



+100 bps in short-term rate = +€44m in interest payment

# Completing our transformation journey

Mr. José María Álvarez-Pallete  
Chairman & CEO

# Future-ready

## Technology levers

- NextGen infrastructure (fibre & 5G)
- High storage & processing capabilities
- Data-centric mediation platform
- Decommission copper, 2G, 3G and IT
- Open architectures towards programmable networks
- AI as brain of future autonomous networks
- Blockchain and tokenisation to capture Web3 wave

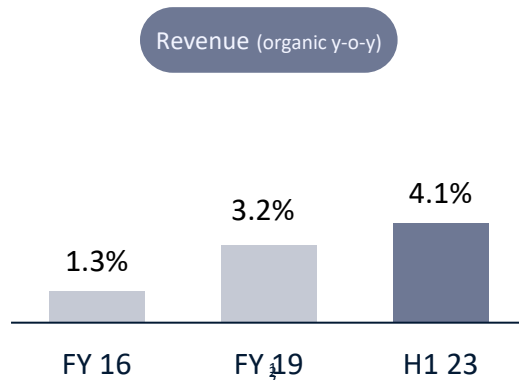
## Revenue

- Growing in all business
- Decisive transformation of revenue function
- Growing in B2C; all time low churn and record NPS
- AI for real-time service customisation
- Outgrowing peers and market in B2B
- NaaS (Open Gateway) and network slicing for NextGen of customised services

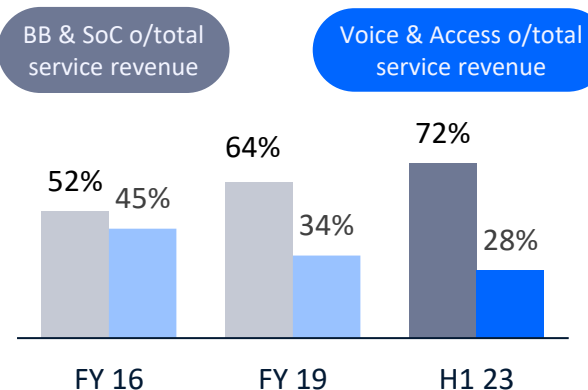
## OpEx+CapEx

- Massive virtualisation and softwarisation
- 83% of processes digitalised
- Route to zero-touch networks
- Broader vendors ecosystem
- Less capital intensive
- Decommission broadly digested
- Leading CapEx/Sales at ~14% in 2023

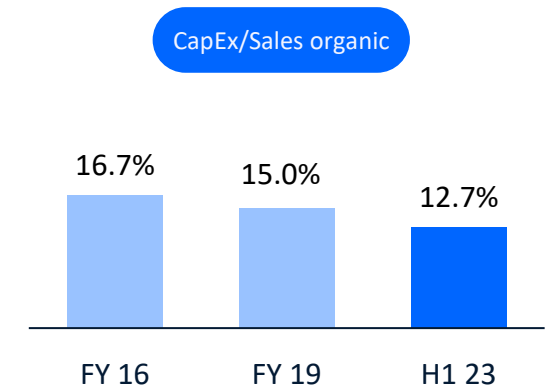
## Accelerated profitable growth



## Improved revenue mix



## Declining CapEx/Sales



Radical transformation, benefits starting to materialise



# Time to grow our ambition



## Save the date

Telefonica 2023 CMD  
November 8<sup>th</sup>, Madrid & streaming



### *Main pillars*

- New company vision and 2023-26 strategic plan. “GPS”: growth, profitability, sustainability
- Customers at the centre, technology enabling better understanding of needs and deliver better service
- Digitalisation at the core, technology-driven efficiency, operational excellence
- Focus on profitable growth to fuel FCF, to increase financial flexibility, reduce leverage, reward shareholders

### *Key levers include*

- Consistent revenue growth; volume, value and B2B drivers. API-based ways to monetise NextGen networks
- Exploring OpEx & leases efficiencies. E2E digital transformation, leveraging AI. Commercial, network & IT, processes
- Accelerate capital intensity reduction; legacy switch-off, traffic optimisation to reduce capacity CapEx



# Driving profitable growth, increasing ambition



- **Continued to deliver in Q2**, confident in our strategy and ability to maximise value for shareholders
- **Consistent and solid revenue growth** (organic y-o-y); highlighting B2B
- **Significant OIBDA growth acceleration** (organic and reported y-o-y); operational leverage



- **Networks leading**; FTTH, 5G. Open Gateway; pioneers in driving efficiency through digitalisation / AI
- **FCF improvement in Q2 23**; to continue in H2 23
- **Committed** to maintain an **investment grade credit rating and leverage reduction**



- **Upgrading 2023 revenue and OIBDA guidance, 1.4% treasury to be cancelled, dividend confirmed**
- **Positioned to benefit from industry, regulatory and technological changes**
- **CMD Nov-23, to present our new company vision**
- **ESG: enabling positive impact on the business and society**



# Results presentation and Q&A Session



Telefónica's management will host a webcast on  
**27 July at 10:00 AM (CEST), 9:00 AM (BST), and 4:00 AM (EDT)**



## Participants from Telefónica

- **José María Álvarez-Pallete** | Chairman & CEO
- **Ángel Vilá** | COO
- **Laura Abasolo** | CFCO & Head T. Hispam
- **Lutz Schüler** | CEO Virgin Media O2
- **Eduardo Navarro** | Chief Corporate Affairs & Sustainability Officer
- **Adrián Zunzunegui** | Global Director of Investor Relations

## Webcast



- To access the webcast: [click here](#)
- The webcast replay **will be available on Telefónica IR's website** after the event

## Q&A Session



- To **participate in the Q&A session**, please register using the following link to receive the dial in and PIN details. [click here.](#)



A List  
2022



Bloomberg  
GEI 2023

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1<sup>st</sup> in sector  
2022



1<sup>st</sup> company worldwide in 2022  
Digital Inclusion Benchmark

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