

# Results 2024

Q2

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# Q2 24 Summary

Mr. José María Álvarez-Pallete  
**Chairman & CEO**

## Strong Q2 results confirm that our strategy is working

- ✓ **Strong commercial performance;** accelerating growth in all main accesses in Spain and Germany; record customer levels in Brazil
- ✓ **Accelerated growth;** revenue +1.2% y-o-y, sequential improvement driven by B2B and B2C growth
- ✓ **Robust operating cash flow growth;** EBITDAaL-CapEx +11.5% y-o-y supported by solid CapEx/Sales of 12.1%
- ✓ **Driving operational efficiency;** personnel savings and legacy shutdowns
- ✓ **NB MoU with Millicom for a potential transaction in Colombia / NB MoU with VOD Spain to create a 3.5m FTTH PP FibreCo**
- ✓ **On track for 2024 targets;** H1 performance aligns with full-year guidance; reiterating outlook

# Telefónica Group: improved growth momentum in Q2



Revenue	Service Revenue	B2B Revenue	B2C Revenue
+1.2% y-o-y	+2.2% y-o-y	+4.9% y-o-y	+1.8% y-o-y

## Growth

- Revenue improved sequentially
- Main markets growing in revenue
- Fibre at full speed; premisses passed +13% y-o-y

EBITDA	EBITDAaL-CapEx	CapEx/Sales	FCF
+1.8% y-o-y	+11.5% y-o-y	-1.3 p.p.	+22.6% y-o-y <sup>1</sup>

## Profitability

- Acceleration in EBITDAaL-CapEx; +15 p.p. q-o-q
- EBITDAaL-CapEx growth across the board
- Increased operating leverage<sup>2</sup> +1.2 p.p. y-o-y

## Sustainability

- FCF growth target of >10% for 2024 reaffirmed
- Robust like-for-like FCF, >20% y-o-y ex-Peru payments

# Stronger Telefónica

## Next Generation **NETWORKS**

- **More fiber: 78.9m PPs**, +2.3m q-o-q
- **More 5G: +3p.p.** q-o-q coverage in core markets
- **More Intelligent:** Softwarisation, Network automation, AI & ML

## Enhanced **CUSTOMER** experience focus

- **Customers growth to 392m**, +4m q-o-q
- **Enriched offering**, digital ecosystems
- **Churn** down, **NPS** up q-o-q
- **Differentiation** through **digitalisation & AI**

## Leaner **OPERATIONS**

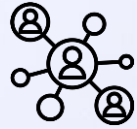
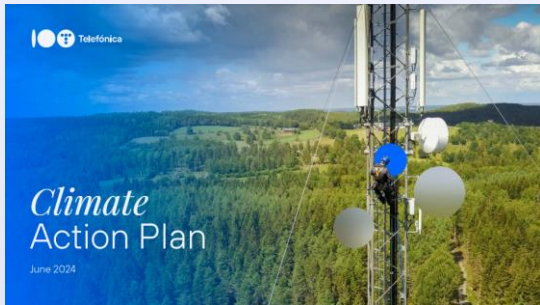
- **Switching-off legacies;** 4.3k Spain COs closed
- **CapEx intensity down 1.3 p.p.** (Q2 y-o-y)
- **Full Q of personnel savings in Spain**
- **AI driven OpEx & CapEx reduction**

# Global leader in ESG



## Environmental

- Newly updated **Climate Action Plan** approved by the Board outlining our decarbonisation roadmap



## Social

- **Digital inclusion**: 392m accesses with conscious effort to connect people responsibly, e.g. Golden Lions at Cannes



## Governance

- **Updated AI principles**: to reinforce responsibility across the value chain with new environmental commitment



Telefónica named one of the top 10 World's Most Sustainable Companies by TIME

# Q2 24 Geographies & Units

Mr. Ángel Vilá  
COO



# Strong Q2 execution

## In Q1 we Said



- New long-term **mobile network MOU** signed with DIGI



- **Negotiation underway on a potential** Concession to **Authorisation regime migration**



- **Spectrum extension is expected** scenario



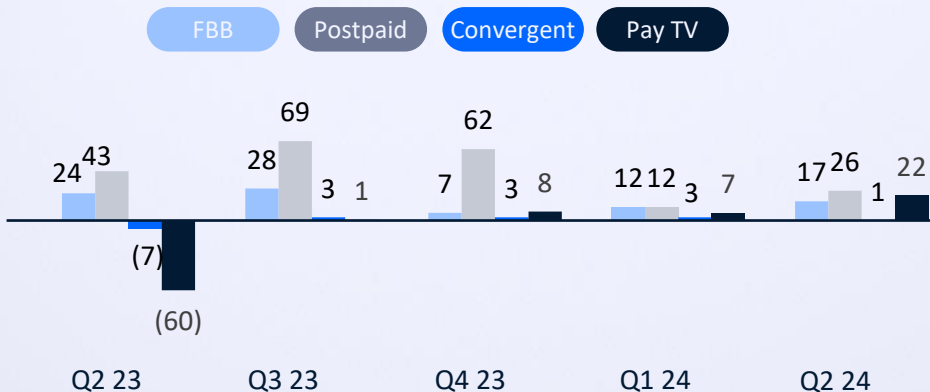
- UK NetCo **carve-out** advisors appointed, **accelerating fibre build** and receiving **strong interest** from infra investors

## Where we Stand

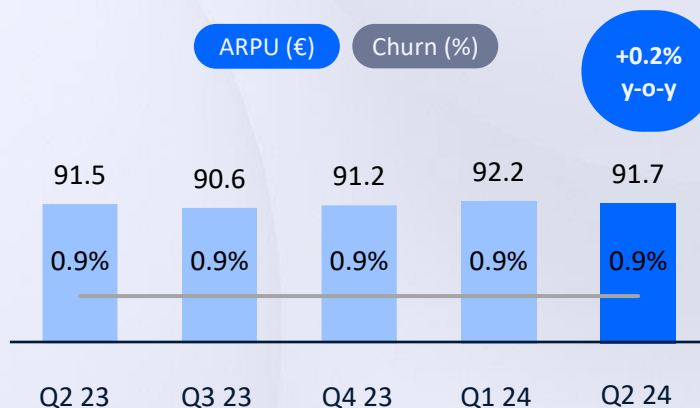
- ✓ Announced 16-year **definitive agreement with DIGI**
- ✓ **NB MoU signed with VOD Spain for the creation of a FibreCo**
  
- ✓ Agreement reached with ANATEL / Ministry of Communication on fixed voice concession to **authorisation model migration**
  
- ✓ **BNetzA final consultation paper**; proposal to extend usage rights by 5 years
- ✓ **W/S agreement with Freenet expanded**
  
- ✓ UK NetCo **operational and financial design on track**, perimeter established and continued investor interest
- ✓ Mobile network **sharing with VOD extended beyond 2030**

# Spain: continued positive trading, revenue and profitability

## Net adds (k)



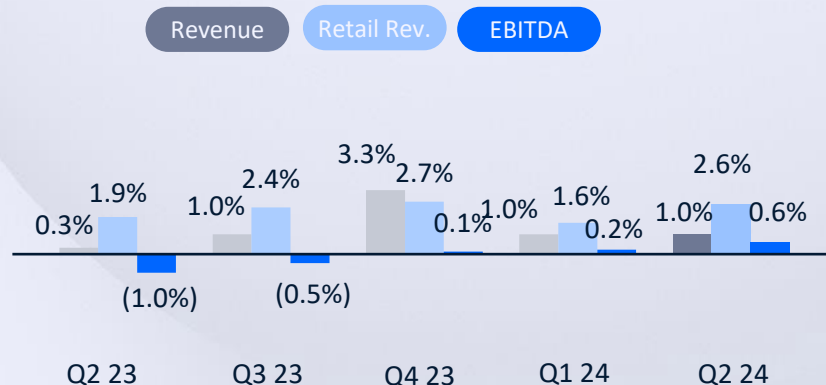
## Convergent KPIs



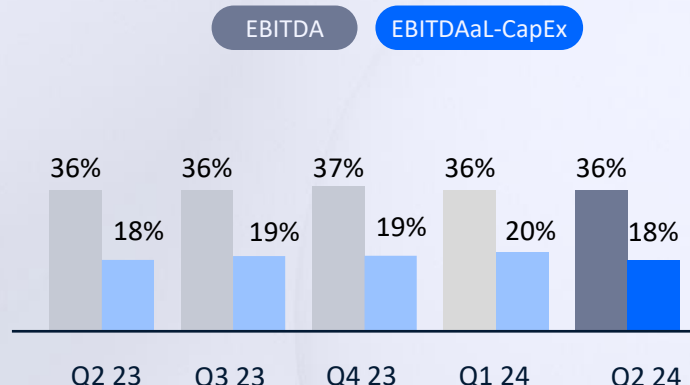
## Highlights

- Continued growth in main accesses
- Striking the right balance in convergent KPIs/CLV
- Retail revenue growth accelerates; higher EBITDA
- EBITDAaL inflection, trend improving
- Premium positioning & unaltered market segmentation

## Revenue & EBITDA growth (y-o-y)



## Margins



Secured wholesale flow; DIGI agreement beyond 2040  
 NB MoU with VOD Spain to create a 3.5m PP FibreCo  
 Increasing deregulation opportunities



# Spain: value creation whilst co-shaping the wholesale market

## Long term wholesale agreement signed with DIGI

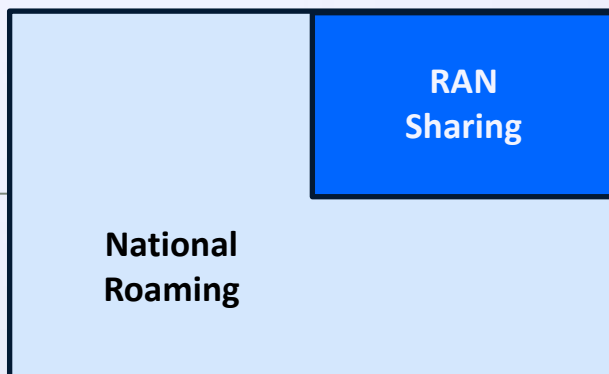
**High Bands**  
3.5 GHz, 2.1 GHz, 1.8 GHz

T. España (175 MHz)  
DIGI (60 MHz)

**Other Bands**

2.6 GHz, 900 MHz,  
800 MHz, 700 MHz

T. España (129.6 MHz)



- Secured wholesale flow for at least 16 years
- Visibility gained under rational conditions
- Increased network efficiency
- Revenue at least in line with current contract & traffic driven growth
- Value creation: EBITDAaL-CapEx margin similar to current contract

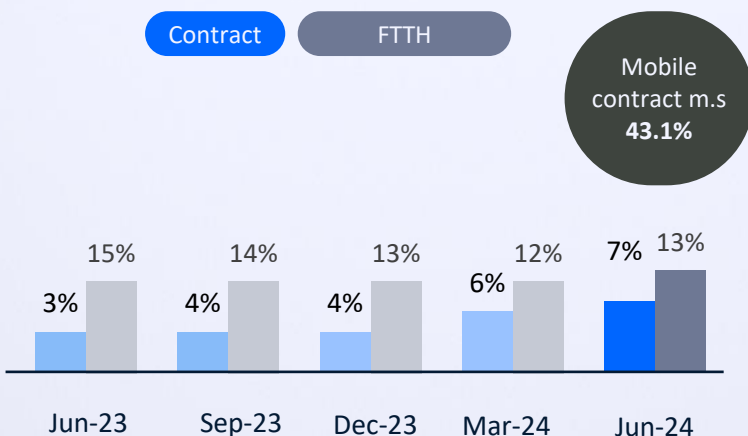
## NB MoU with Vod Spain to create a joint FibreCo

- c.3.5m FTTH PP coverage; c.40% take-up target
- Long term MSA for both partners
- Closing expected for early 2025 (after regulatory reviews)
- FibreCo' stakes based on customers contributed by each partner

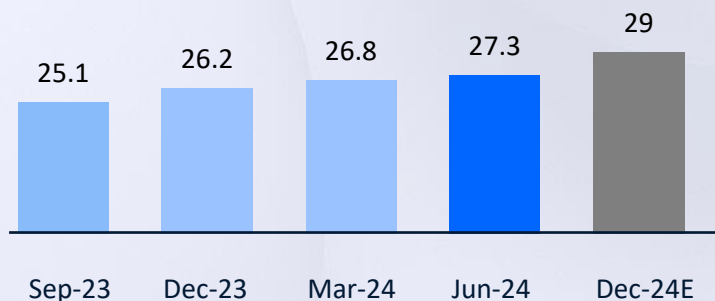
- Brings further rationality to FBB market
- Limits overbuild risk
- Optimises network utilisation
- Aiming for full consolidation by T. España
- Value crystallisation, infrastructure sale and potential sale of a stake in FibreCo

# Brazil: expanding profitable growth

## Accesses growth (y-o-y)



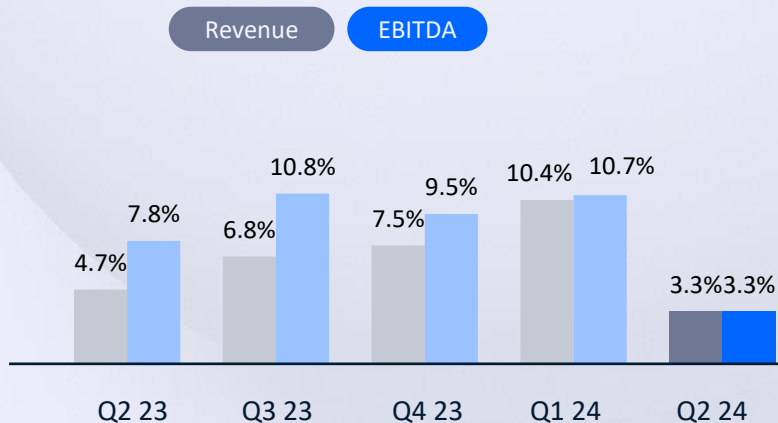
## FTTH Premises passed (m)



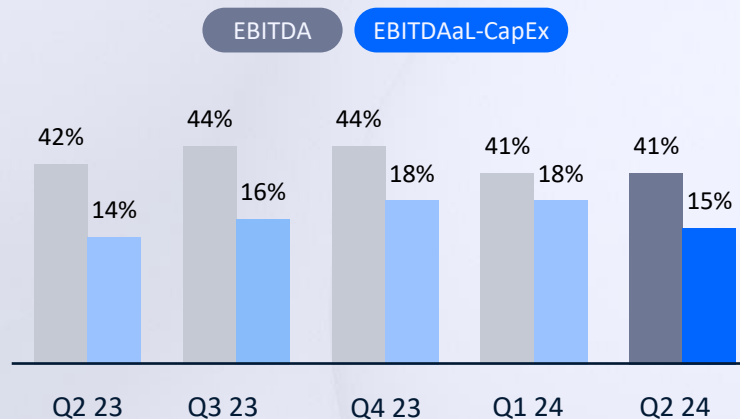
## Highlights

- Increased customer value: ARPU ↑ & churn ↓
- Improving FTTH take-up (24.0%)
- 1.8m Vivo Total (FTTH+mobile offer): >2x y-o-y
- Mobile Rev. (+4.7%): Rationality, contract churn 1.0%
- B2B Rev. (+3.0%), boosted by digital services (+16.1%)
- 15.3% EBITDAaL-CapEx margin (+1.2 p.p. y-o-y)
- € growth impacted by FX
- LC growth accelerating y-o-y
  - Revenue (+7.4%), +0.9 p.p.
  - EBITDA (+7.3%), +0.6 p.p.
  - EBITDAaL-CapEx (+17.6%) +14.1 p.p.
- Net zero emissions in 2035 (brought forward by 5y)

## Revenue & EBITDA growth (y-o-y)



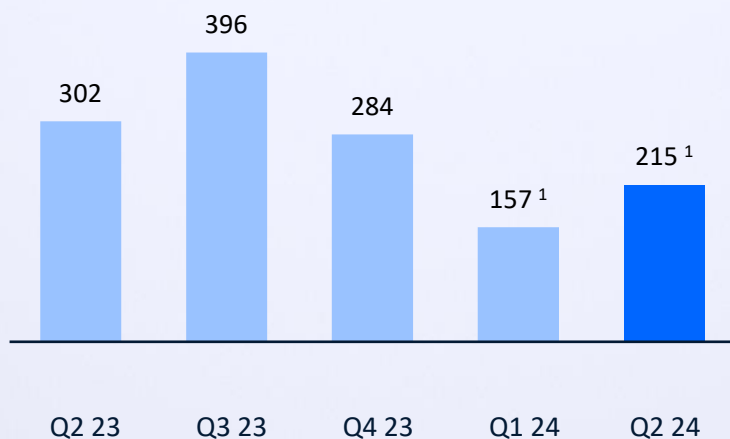
## Margins



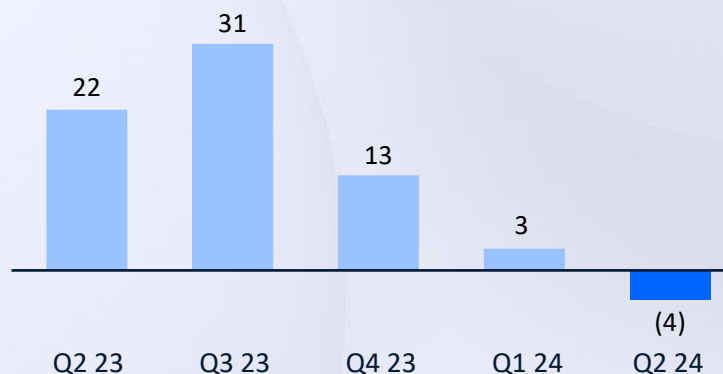
Concession to Authorisation process well advanced

# Germany: robust trading momentum and growing profitability

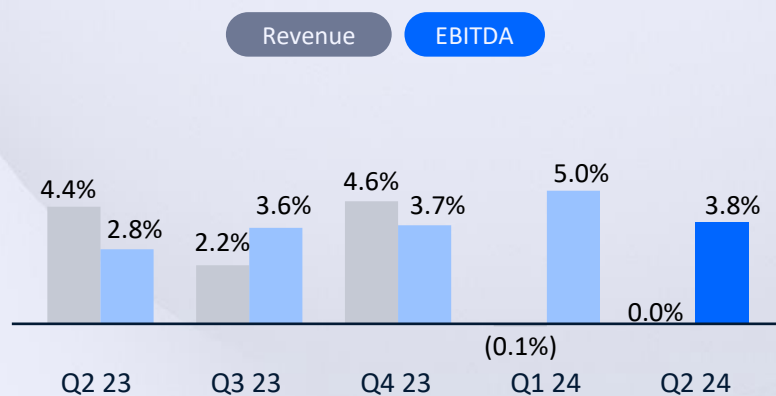
## Contract net adds (k)



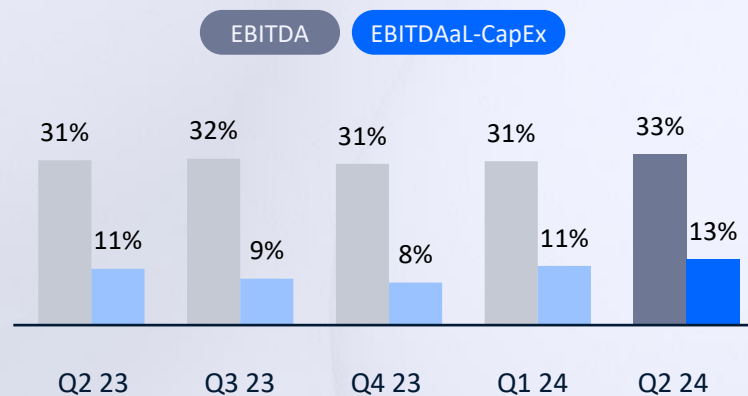
## FBB net adds (k)



## Revenue & EBITDA growth (y-o-y)



## Margins



## Highlights

- **Strong commercial traction**, contract NA +37% q-o-q
- **Low O<sub>2</sub> contract churn 0.9%**
- **Revenue flat y-o-y**: growth in handsets sales and fixed offsetting lower MSR incl. regulatory effects
- **Sustained EBITDA growth** showed cost efficiencies
- **EBITDAaL-CapEx** improved to +16.4% y-o-y
- **5G pop coverage at 96%**

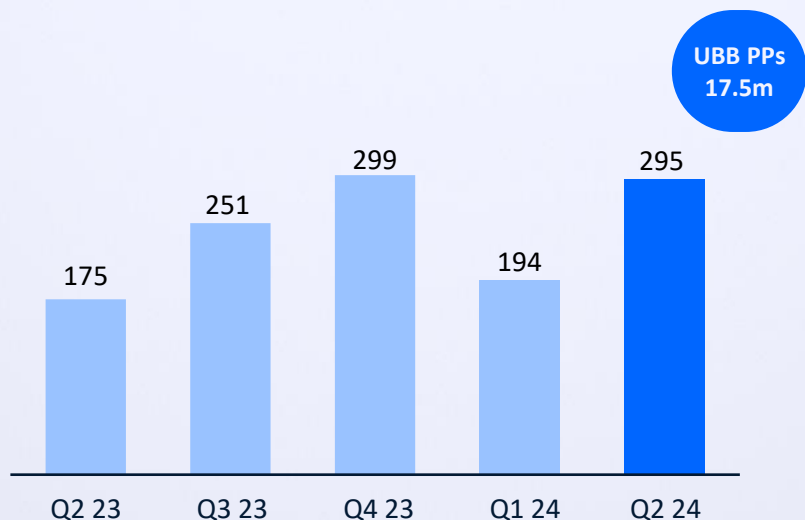
### De-risking of business fundamentals

- **Spectrum extension well advanced**
- **Freenet wholesale deal expanded**
- **Government position on Chinese vendors finalised; guidance neutral**

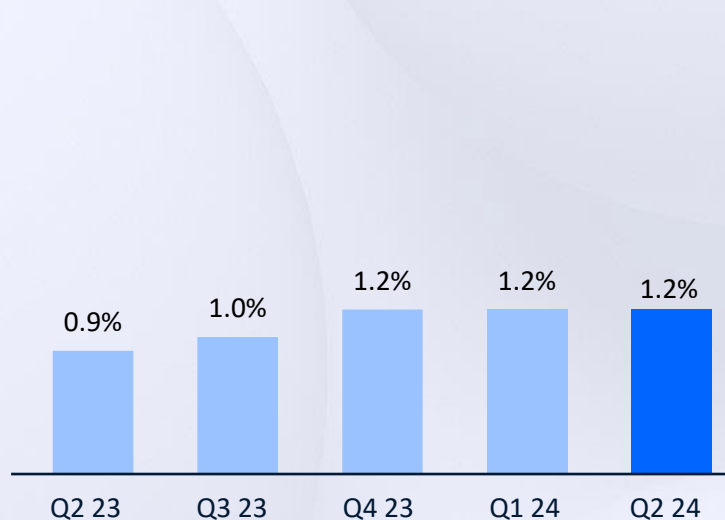


# VMO2: focus on operational progress and long-term growth

## Fixed network build (k PPs)



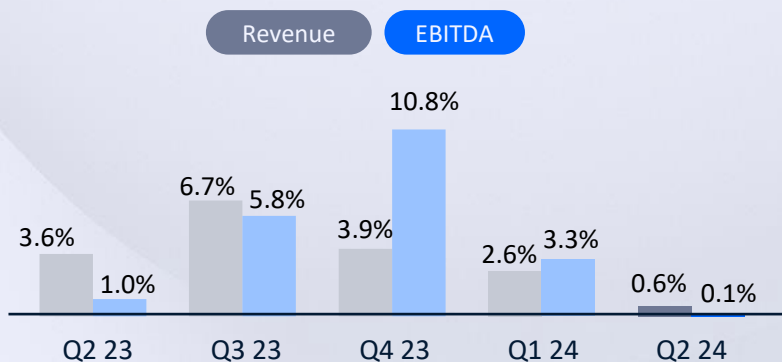
## Mobile contract churn (%)



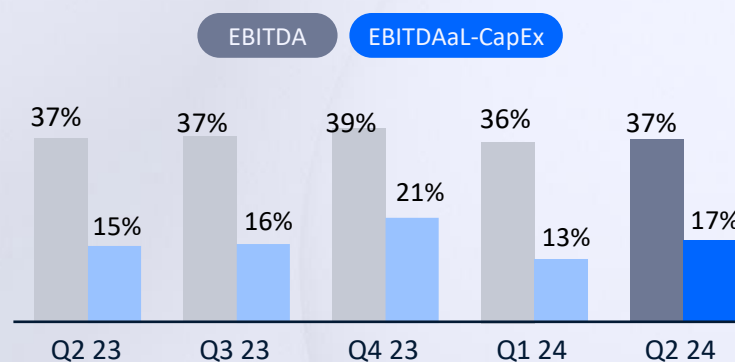
## Highlights

- Full fibre milestone of 5m PPs
- 5G coverage reaching c. 2/3 of the UK population
- Fixed ARPU returned to growth (+3.1% y-o-y)
- Combined consumer fixed and mobile revenue excluding handset stable
- EBITDA decline; B2B fixed headwinds and investment in IT and digital efficiency programmes
- Contract churn remains at low levels of 1.2%

## Revenue & EBITDA growth (y-o-y)



## Margins



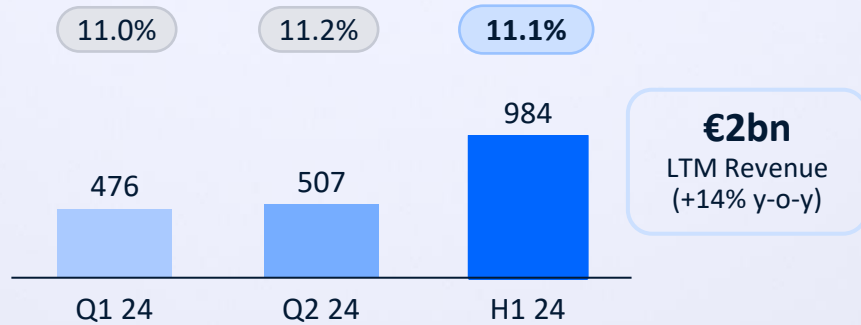
NetCo well in progress/on track  
 Extended mobile network sharing w/VOD  
 and prospective spectrum agreement w/VOD-3



# T. Tech, the B2B growth driver with top execution

## Revenue

€ million y-o-y



## Commercial performance

~+20%

Bookings  
vs. H1 23

Growing faster than  
revenue

~+20%

Funnel  
vs. H1 23

Growing in line with  
bookings

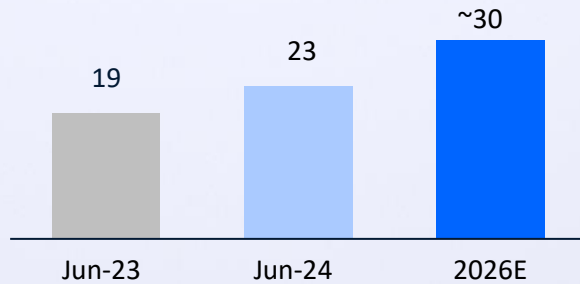
## Enhanced profile

- **Double-digit growth in revenue to accelerate in H2**
  - Since creation delivering quarterly double-digit growth
- **+20% bookings growth vs. H1 23**; growing faster than revenue
  - Large relevant deals closed in Q2 24 (Segittur, Children`s Health Hospital Ireland... )
  - Bookings driven by private sector (Financial, Manufacturing, Energy & Utilities, Health)
  - Commercial momentum in Cybersecurity in the UK
  - Global cybersecurity alliance with BBVA (signed in July -24)
- **Strong sales funnel**; growing in line with bookings
- **Global services lines reinforcing operational capabilities in key markets**
  - **AI & Data**: 10 specialised new centers in Spain, UK, Central Europe, Brazil and Hispam
  - **BizApps**: launched in Spain, first projects won

# T. Infra, a worldwide connectivity network

## Accelerating FTTH deployment

Total FTTH  
Premises Passed (m)



~30% of 23-26 of TEF's FTTH rollout  
Driving value whilst increasing differentiation and capabilities

Bluevía

UG UNSERE GRÜNE GLASFASER

ONNET FIBRA

nexfibre

FIBRASIL

PangeaCo

## Global connectivity provider

TELXIUS

Consistent profitability

Continued traffic growth

c. 50%  
EBITDA margin  
H1 24

+13%  
vs. H1 23

Expanding colocation capabilities in Virginia Beach (USA), Derio (SP), Santos (BZ), Lurin (PER) and Barranquilla (COL)

## Data Centres

Nabiax  
Hosting the future

Opportunity/Optionality

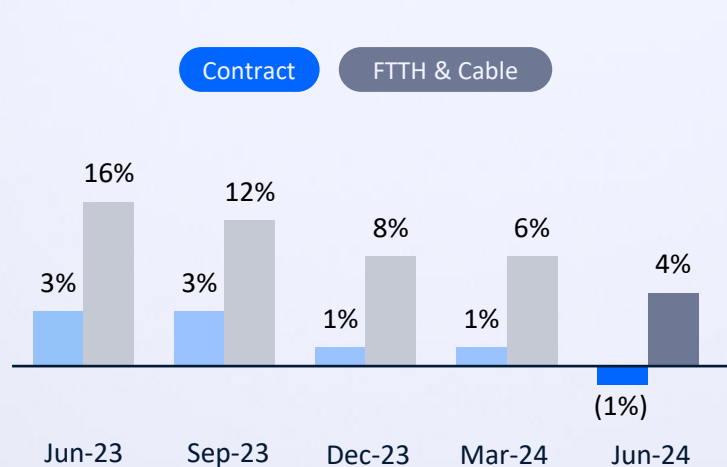


# Q2 24 T. Hispam / Financial position

Mrs. Laura Abasolo  
**CFCO & Head of T. Hispam**

# Hispam: back to growth in financial metrics

## Accesses growth (y-o-y)



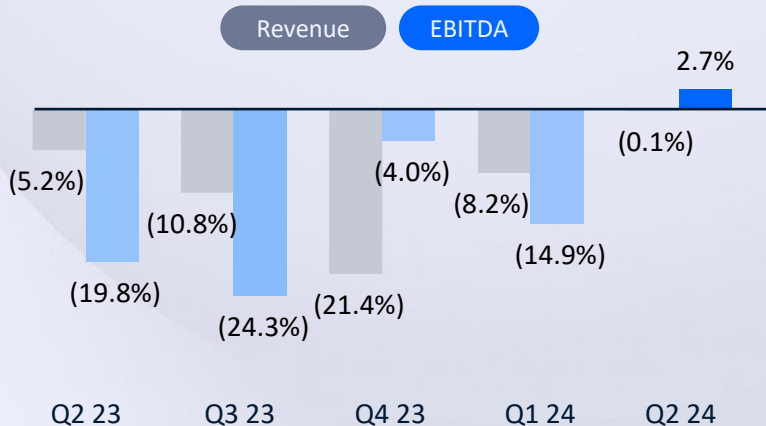
## FTTH & Cable PPs (m)



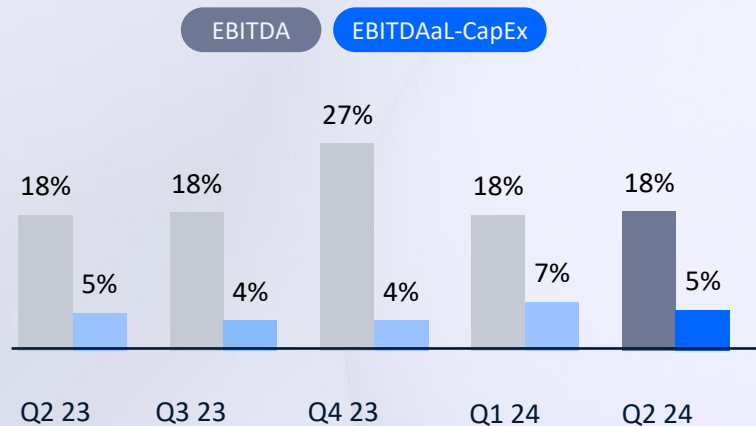
## Highlights

- **Avoiding network overlaps in the region**
  - Extension of the agreement with AT&T in MEX
  - FTTH sharing agreement with Iplan in Argentina
- **Service Rev (+4.9%); ARG (+20.4%) & COL (+14.9%)**
- **MEX EBITDA +67%; contract growth&network efficiencies**
- **EBITDAaL-CapEx (+19.0%)**
  - Leases (+1.0%), CapEx (-5.4%); H1 CapEx/Rev 6.6%
- **Invested capital -31% vs. Dec-19**
- **Reduced digital gap** : “Internet para todos” 3.6m pop covered

## Revenue & EBITDA growth (y-o-y)



## Margins



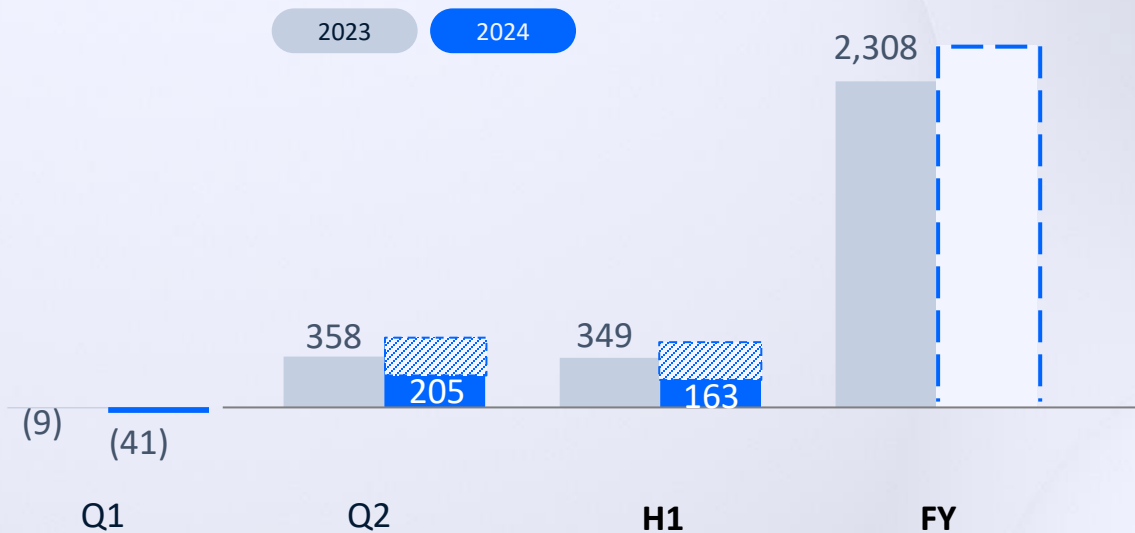
**Non-binding MOU with Millicom** for a potential corporate transaction in **COLOMBIA**  
**Optimising capital structure**

# FCF on track, 2024 guidance reaffirmed

## FCF phasing fully aligned through H2 24; always back-end loaded

€ million

▨ Ex tax resolution payment in Peru



**FCF 2024**  
**>10% growth**

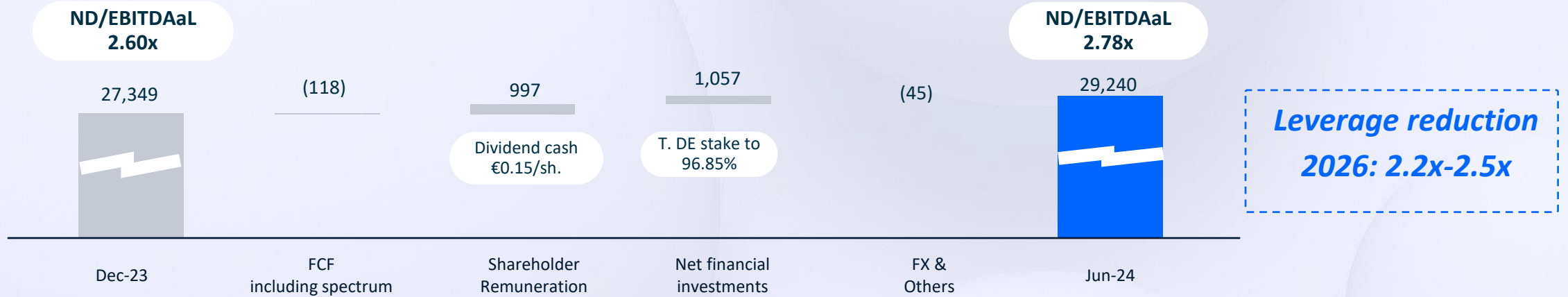
**FCF CAGR 23-26**  
**>10% growth**

- **Like-for-like<sup>1</sup> FCF growth robust**; > 20% y-o-y in Q2, broadly stable in H1
- **Q2 FCF of €205m reflects €279m<sup>1</sup> Peru tax resolution payment**, fully provisioned since 2022 and expected in 2024; merely a timing movement
- Confident in FCF growth trajectory; H2 performance accelerating in line with historical patterns. **FCF 2024 guidance and 2023-26 reaffirmed**

# Solid balance sheet, contained costs and long average life

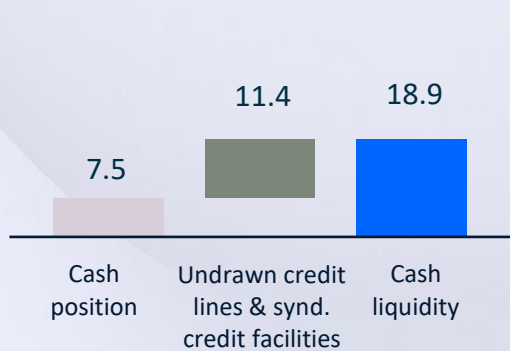
## Net Financial Debt

€ million

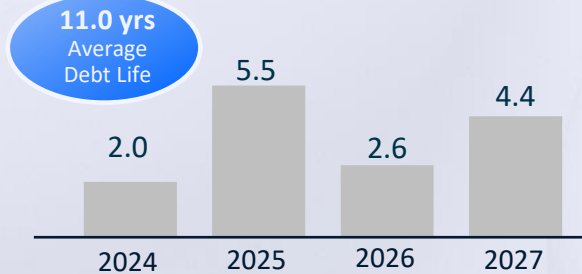


## Comfortable liquidity position

Liquidity cushion, Jun-24 (€bn)

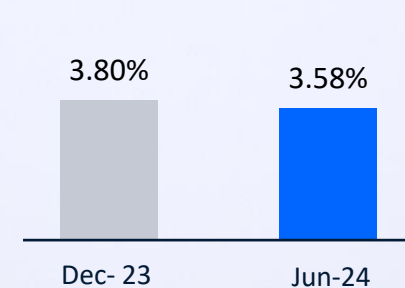


Gross debt maturities, Jun-24 (€bn)



## Contained interest payment cost

Total debt related interest payment cost ex leases



**~80%**  
Total debt fixed

**- 100 bps** in short-term rate = **€53m** savings in interest payment

# Key takeaways

Mr. José María Álvarez-Pallete  
Chairman & CEO

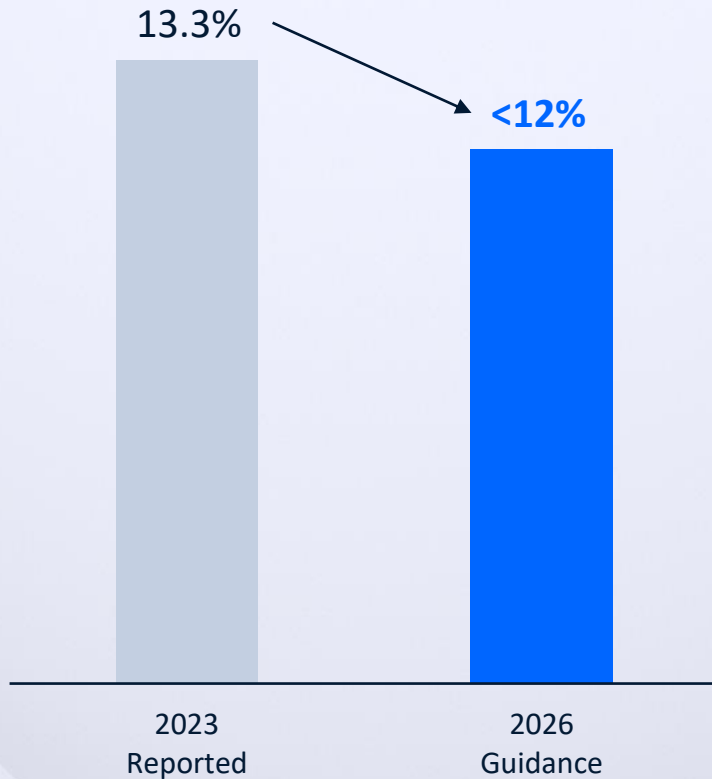
## 2024 guidance fully confirmed



	2024 Guidance	H1 On Track to Deliver	2023-26 CAGR
<b>Revenue</b> y-o-y reported	~1%	+1.1% ✓	~1%
<b>EBITDA</b> y-o-y reported	1% to 2%	+1.9% ✓	~2%
<b>EBITDAaL - CapEx</b> y-o-y reported	1% to 2%	+3.1% ✓	5%
<b>CapEx / Sales</b>	Up to 13%	11.3% ✓	<12%
<b>FCF</b> y-o-y reported	>10%	€163m ✓	>10%
<b>Cash Dividend</b>	€0.3/share 2 tranches €0.15; Dec-24, Jun-25	Improved coverage ✓	€0.3/share floor
<b>Leverage</b>	Reduced	2.78x ✓	2.2-2.5x (2026)

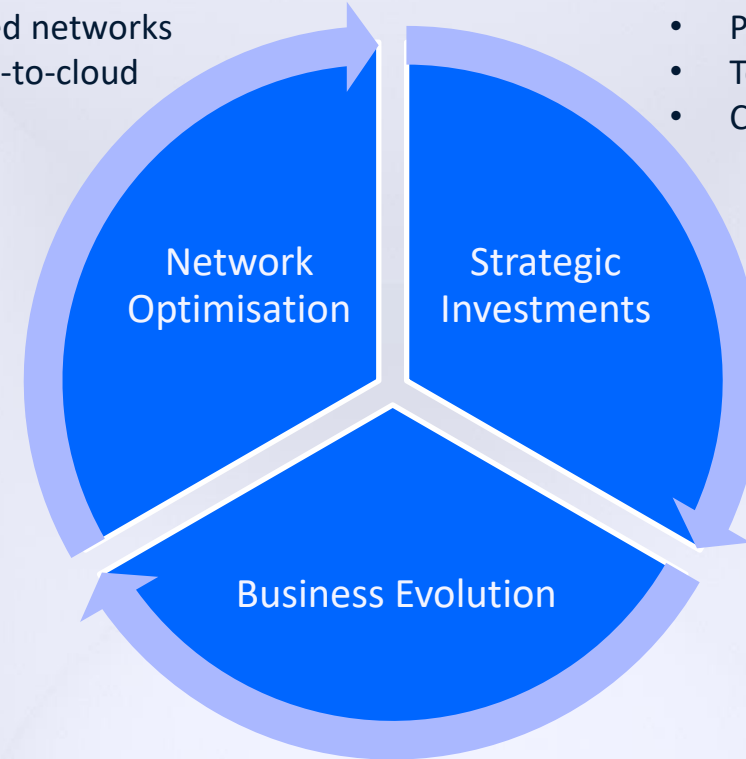
# Pathway to industry leading <12% capex to revenues

## CapEx/Sales (ex-spectrum)



- Open disaggregated networks
- Virtualisation & go-to-cloud
- AI & automation

- Past peak network spending
- Tech cycle optimisation
- Coinvesting with partners



- Revenue Mix; growth in low CapEx segments (T. Tech)
- Legacy decommissioning (copper)

Reduced capital allocation enables >10% FCF growth CAGR to 2026

## Building on our momentum

- 1 Very solid Q2 results;** consistent with 2024 guidance (reiterated) and 2023-2026 plan
- 2 Better sequential trends;** accelerated growth in Revenue and EBITDAaL-CapEx back to growth; operating leverage increasing
- 3 Commercial & financial performance unabated in Spain, Brazil & Germany;** sequential improvement in T. Hispam
- 4 Continued investment in leading networks;** enhancing customer experience and driving commercial traction
- 5 Disciplined balance sheet management and strict capital allocation;** deleveraging on target, focused growth CapEx, dividend covered
- 6 Continued focus on near-term catalysts in all markets;** NB MoU in Colombia, NB MoU with VOD Spain, deregulation



## Results presentation and Q&A Session



Telefónica's management will host a webcast on **31 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** | CFO & Head T. Hispam
- **Markus Haas** | CEO Telefónica Deutschland
- **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](#)



Climate A  
List 2023



Bloomberg  
GEI 2023

Member of  
**Dow Jones  
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Member of DJSI  
Europe



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



1<sup>st</sup> company worldwide in 2023  
Digital Inclusion Benchmark

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