



**Bezeq Group
Q4 & FY 2021
Investor
Presentation**

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Bezeq Group | FY 2021 Summary

Revenues
NIS **8.82** bn
↑ 1.1%

Adjusted EBITDA*
NIS **3.71** bn
↑ 1.4%

Adjusted Net Profit*
NIS **1.15** bn
↑ 0.9%
Adjusted EBITDA Margin **42.1%**

Free Cash Flow
NIS **1.04** bn
↓ 29.7%

Decrease in Net Debt
NIS **1.8** bn
vs. 2019
↓ 23%
Improved liquidity ratios

Homes Passed
1.17 million**

120 thousand**
Homes Connected
(retail and wholesale)

ARPU Internet
NIS **106**
(FY 2021 average)
↑ 7.1%

563 thousand
TV subscribers
~6k net adds
44% IP subscribers
↑ 1.1%

2.576 million
Cellular subscribers
↑ 5.5%
of which 590k 5G subs**

All results are compared to FY 2020 unless otherwise stated

* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation

** As of date of publication of reports



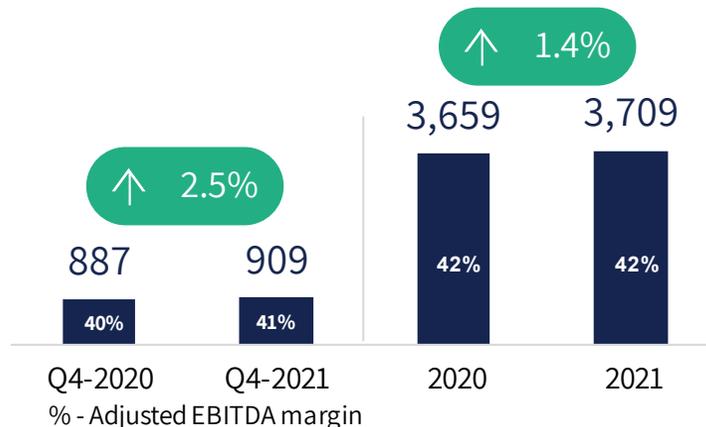
Bezeq Group | Q4 & FY 2021 Financial Highlights

NIS millions

Revenues



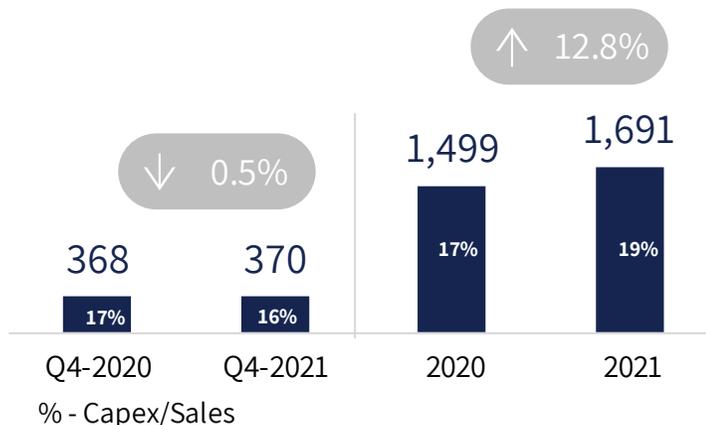
Adjusted EBITDA*



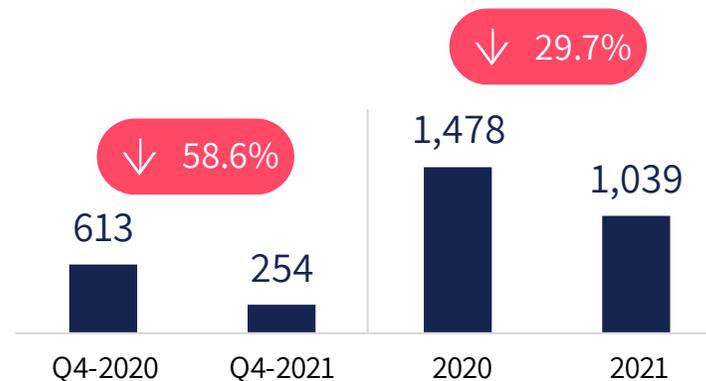
Adjusted Net Profit*



CapEx



Free Cash Flow

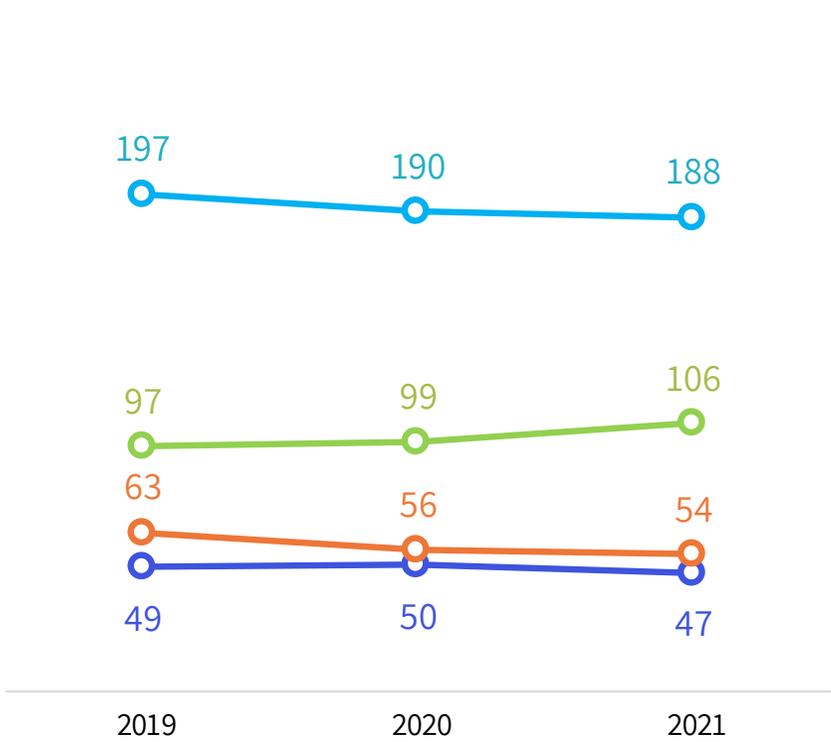


- Group revenues increased for the first time since 2016
- Increase in adj. EBITDA and adj. net profit due to improvement in Telephone and yes
- Free cash flow impacted by increase in CapEx and timing differences in working capital and taxes



Bezeq Group | Key Operational Metrics

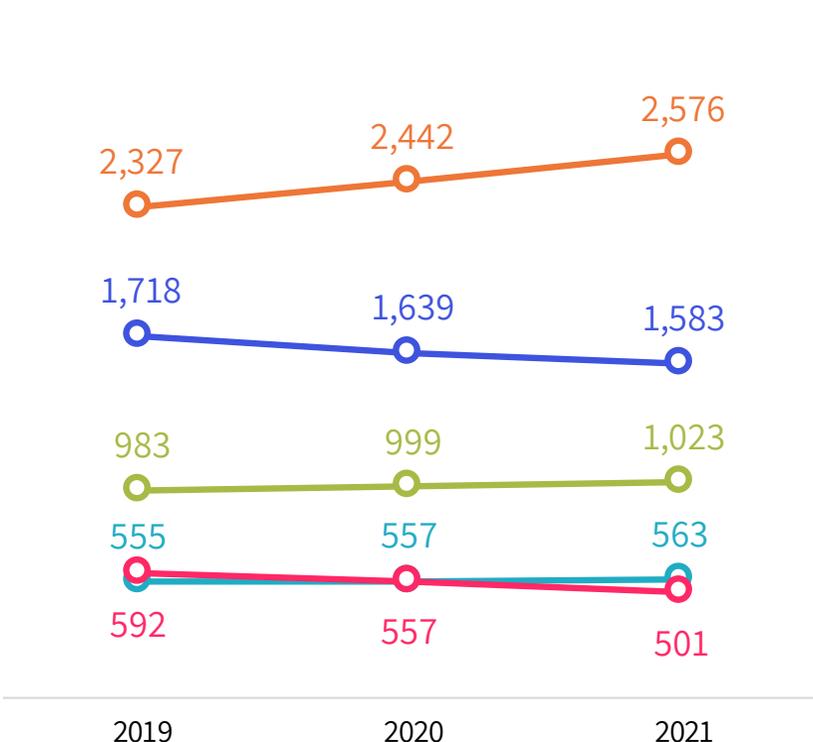
ARPU (NIS)



Moderate decrease in TV ARPU (change in subscriber mix) and cellular ARPU

Continued increase in retail Internet infrastructure ARPU

Subscribers (end of period, in thousands)



Moderate increase in TV subscribers

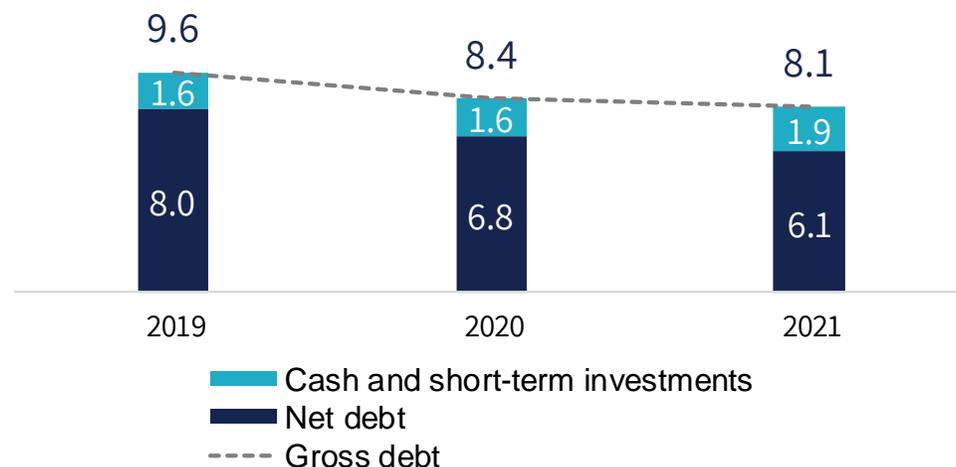
Increase in cellular and retail Internet subscribers; decrease in wholesale Internet subscribers



Bezeq Group | Financial Debt

NIS billions

Continued Decrease in Net Debt



The Group strives to maintain its credit rating within the AA group

- Decrease of NIS 1.8 billion, or 24%, compared to 2019
- **Further improvement in coverage ratio** – Net debt/EBITDA ratio decreased to 1.8 from 2.4 in 2019

Debt ratings

Rating Agency	Rating	Outlook
S&P Global Maalot	-ilAA	Stable
Midroog	Aa3.il	Stable



Bezeq Group | 2022 Guidance and Mid-Term Ambitions



2021 Results



2022 Outlook



Mid-Term Ambitions

Adjusted EBITDA*

NIS **3.71** billion

NIS **3.6-3.7** billion

Stable adj. EBITDA with 41%-43% margin

Adjusted net profit*

NIS **1.15** billion

NIS **1.0-1.1** billion

CapEx

NIS **1.69** billion

NIS **1.7-1.8** billion

Stable CapEx and CapEx/Sales through 2024; **gradual reduction thereafter**

Free cash flow

NIS **1.04** billion

Mid-single digit growth (CAGR)

Fiber Deployment

1.17 million households (homes passed) as of today

1.4 million households (homes passed)

2.1 million households (homes passed)

Financial stability

Maintain high credit rating within the AA group



Return to Dividend Distributions

- The Company's Board of Directors decided to approve a new dividend distribution policy, according to which the Company will distribute to its shareholders on a semi-annual basis, a cash dividend of 50% of the semi-annual profit (after tax) according to the Company's consolidated financial statements, commencing from the upcoming distribution (for the second half of 2021)
- Further to the dividend policy, the Company's Board of Directors decided to recommend to the General Meeting of Shareholders a dividend distribution in a total amount of NIS 240 million, which as of the date of passing this resolution constitute NIS 0.09 per share.
- The effective date and the ex-dividend date shall be on May 9th, 2022. The payment day shall be on May 16th, 2022.



ESG | Milestones, Ambitions and Targets



Bezeq is connecting Israel to a sustainable future
Fiber deployment brings the periphery closer to the center and reduces energy use





Bezeq Fixed-Line



Bezeq Fixed-Line | 2021 Summary



Total revenues increased 0.6%, despite a 9.4% decrease in telephony revenues



Continued **increase in revenues from the business sector**



Continued massive deployment of fiber and customer connections. We reached **1.17 m homes passed** and **120k customer connections** as of today



Stable broadband revenues despite the decrease in wholesale tariffs



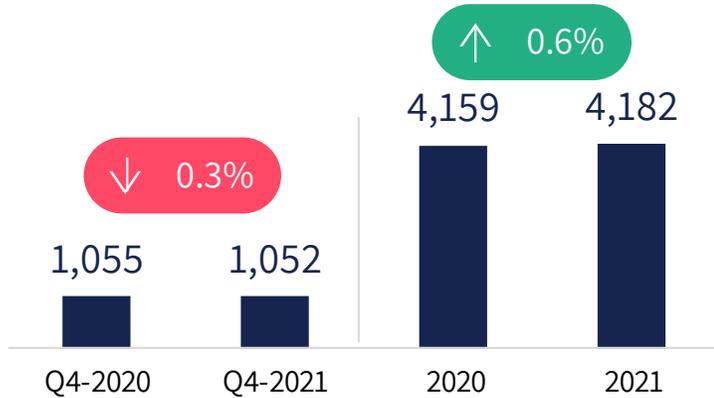
Continued robust sales of equipment led to **increased retail broadband ARPU**



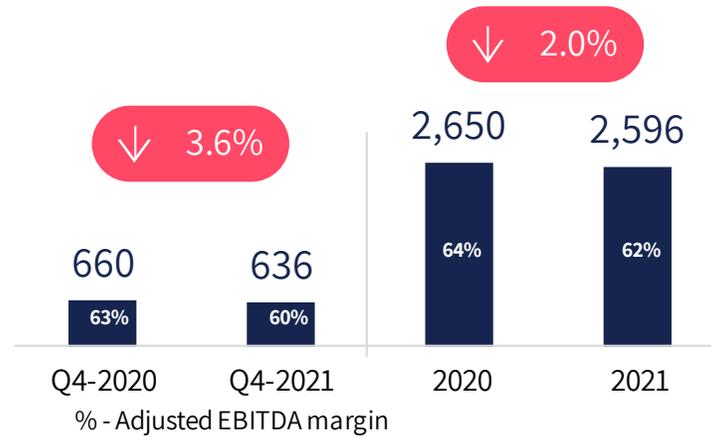
Bezeq Fixed-Line | Key Financial Metrics

NIS billions

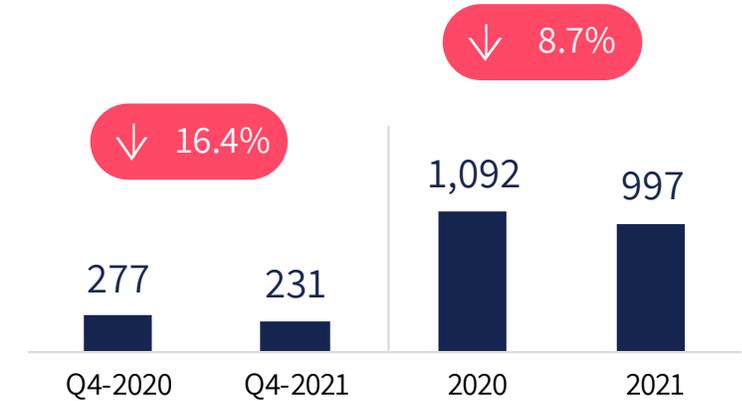
Revenues



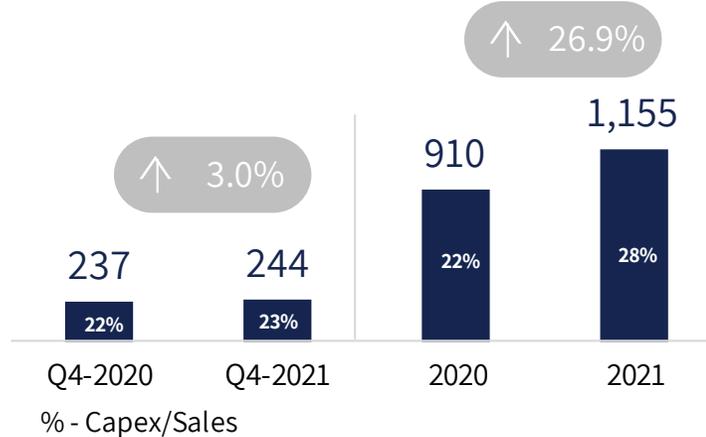
Adjusted EBITDA*



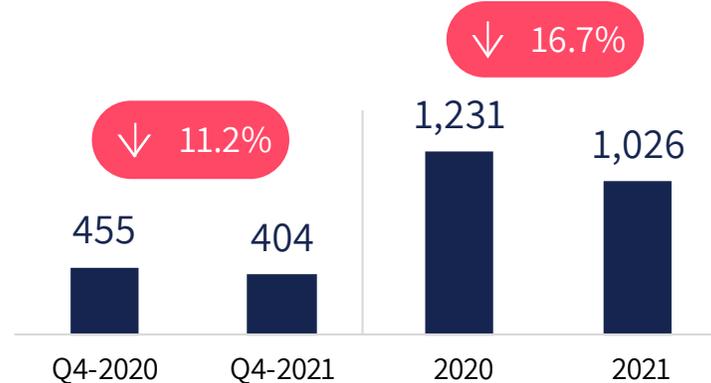
Adjusted Net Profit*



CapEx



Free Cash Flow

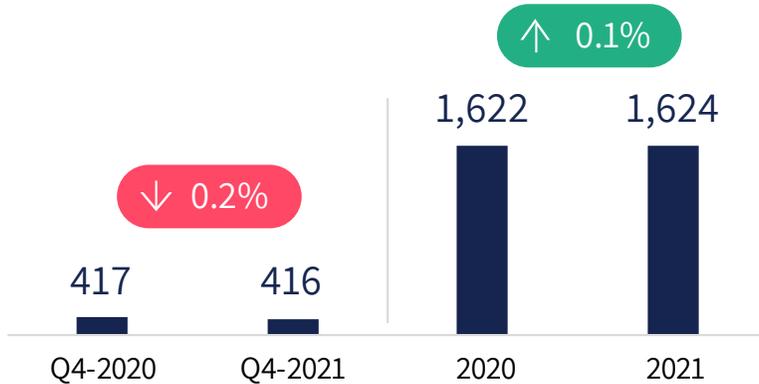


- Increase in Fixed-Line annual revenues for the second consecutive year
- Decrease in adjusted net profit due to an increase in depreciation and tax expenses
- Decrease in free cash flow primarily due to higher CapEx for fiber deployment

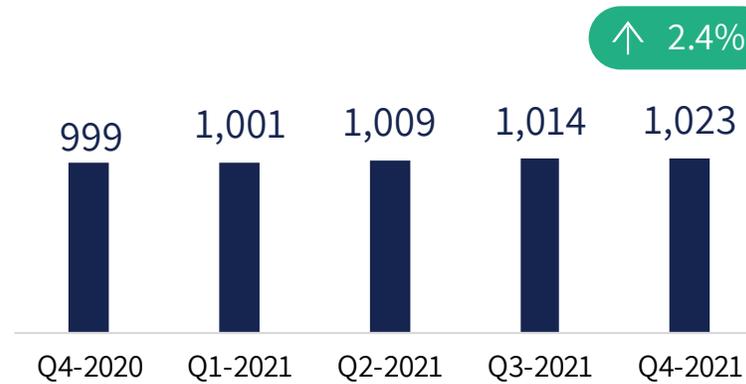


Bezeq Fixed-Line | Broadband Internet

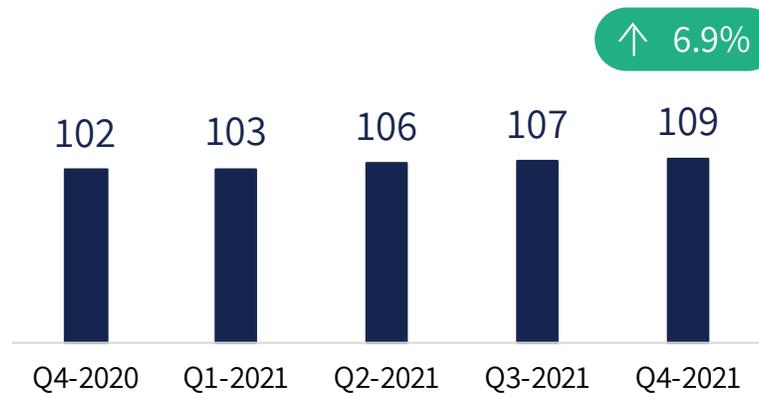
Broadband Revenues (NIS m)



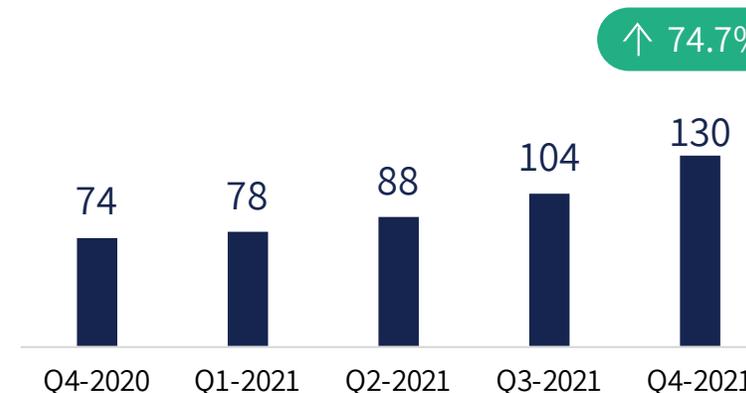
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Average Broadband Speed (Mbps)

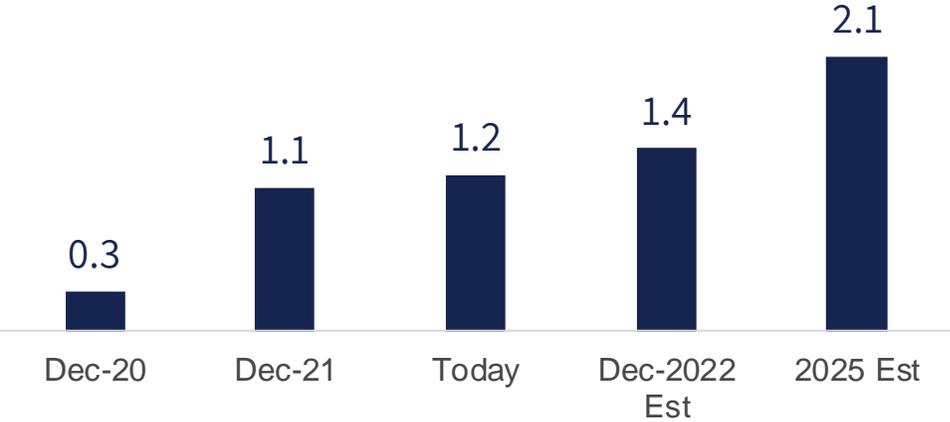


- Stable revenues from broadband services despite the sharp decrease in wholesale tariffs in 2021
- Growth in broadband retail lines for the second consecutive year
- Continued growth in broadband retail ARPU, positively impacted by the deployment of fiber
- Average broadband speeds grew 75% due to fiber customer connections



Bezeq is Sweeping the Nation with Fiber Optics

Homes Passed (thousands)



From Dec 2020
Bezeq deployed
fiber optics to
46%
of households
in Israel

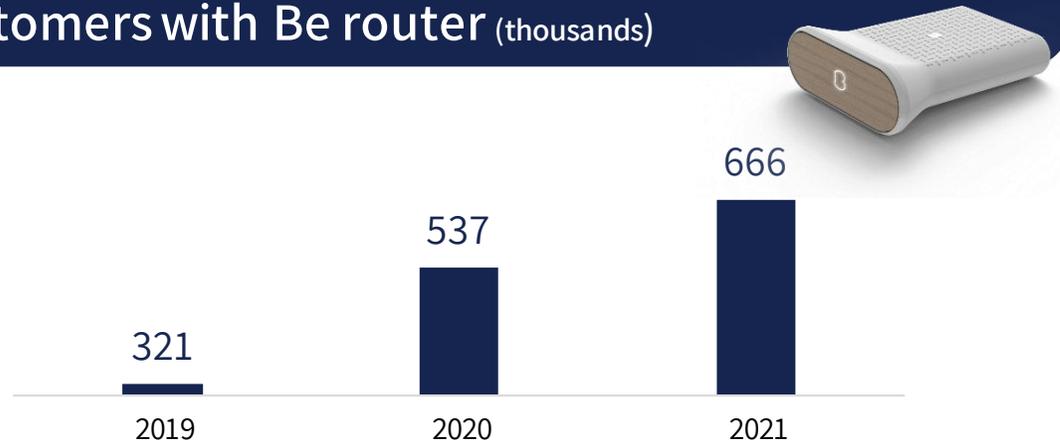


Homes Connected – 120k
Penetration rate* 10%
(as of date of publication of reports)

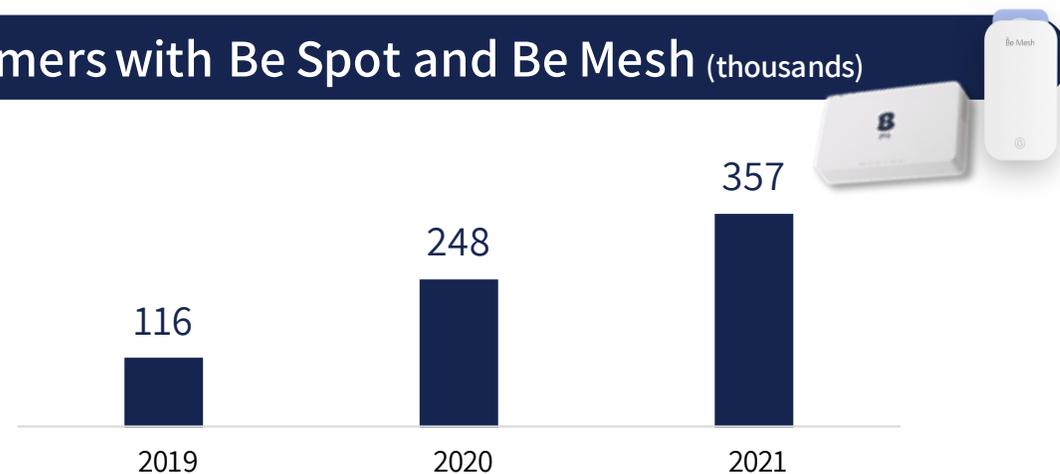


Bezeq Fixed-Line | Differentiated, full Wi-Fi broadband Internet strategy at Home

Customers with Be router (thousands)



Customers with Be Spot and Be Mesh (thousands)



“Fixed broadband operators around the world should take note of the success that Bezeq has had with its strategy of focusing on home Wi-Fi and developing services based around its CPE”

Analysys Mason, Nov 2021

~65% of the Company's retail customers choose to connect via the Be router , which significantly reduces churn



Bezeq Fixed-Line | Data, Telephony and Other Revenues

NIS millions

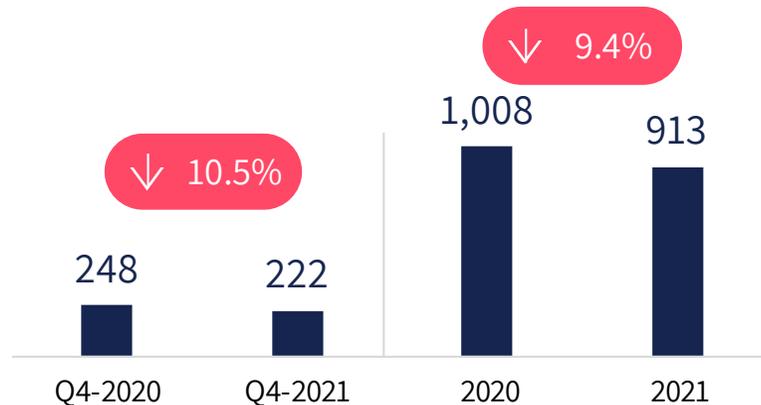
Transmission & Data



Cloud & Digital



Telephony



Other



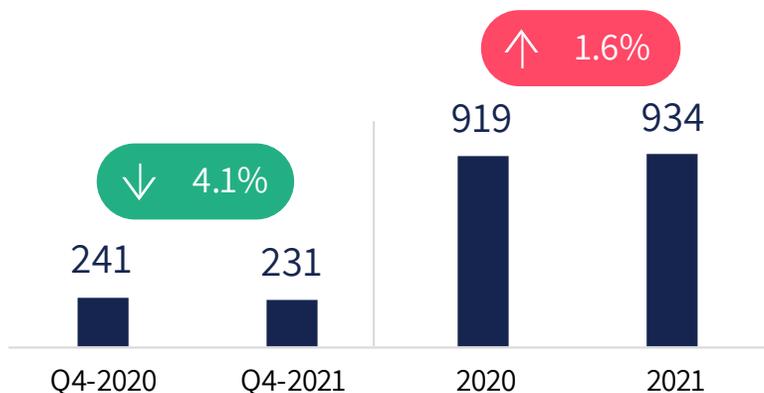
- Continued growth in revenues from the business sector (transmission & data and cloud & digital)
- Decrease in telephony revenues due to lower impact of COVID-19



Bezeq Fixed-Line | Expenses

NIS millions

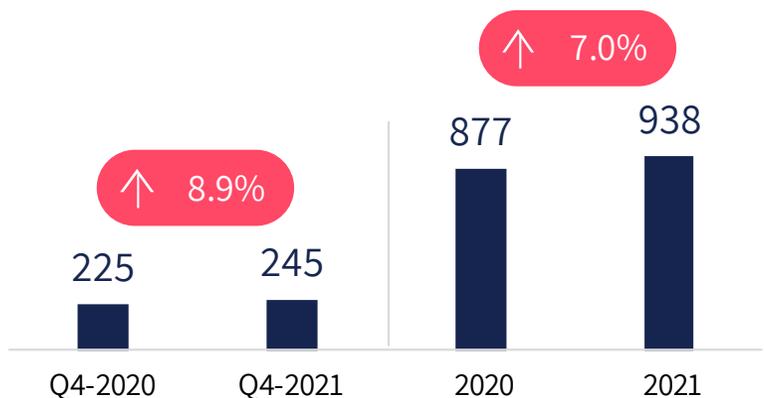
Salaries



Operating Expenses



Depreciation



Other Expenses (Income)



- Increase in salaries in 2021 due to fiber project
- Increase in depreciation expenses driven mainly by CapEx increase
- Increase in operating expenses mainly due to the universal fund for fiber deployment as well as higher subcontractor expenses
- Other expenses (income) was primarily impacted by higher capital gains from real estate sales



Bezeq Fixed-Line | Summary



Nationwide deployment of fiber



Growth in retail broadband revenues driven by increase in subscribers and ARPU



Leading telecom supplier to the business sector



Success in sales of Be router and Wi-fi enhancers



Accelerated fiber deployment combined with high-quality service reflects potential for continued growth and strengthening of Bezeq's position in the residential broadband Internet market



Subsidiary Companies | 2021 Highlights



Subscriber growth in Pelephone and yes



Continued **streamlining** in employee headcount



Improved **profitability metrics** in Pelephone and yes



Increase in number of **Pelephone** subscribers with 5G plans to 590k*



Revenue growth in Pelephone for the first time in years and transition to **positive free cash flow** in yes



Growth in **Bezeq International's** business and data operations



250k yes customers watching TV through IP broadcasting (44%), of which 88k are STING TV customers*



Key Subsidiaries | 2019-2021 and Next Steps

Steps Taken

- Reduced headcount by 1,500 employees during Dec 2018-Dec 2021, inc. 45% reduction in senior mgmt. positions and those reporting to senior mgmt.
- Appointed one unified mgmt. team to streamline operations, which led to savings of NIS 390* million in 2021 as compared to 2018
- Lowered operating expenses through joint procurement for all three companies and savings in real estate

Future Steps Planned

- Transition to one new CRM system – sales and services to customers through a wider approach (including triple play); savings in future investments and costs of support
- Continued streamlining in employee headcount and operating expenses



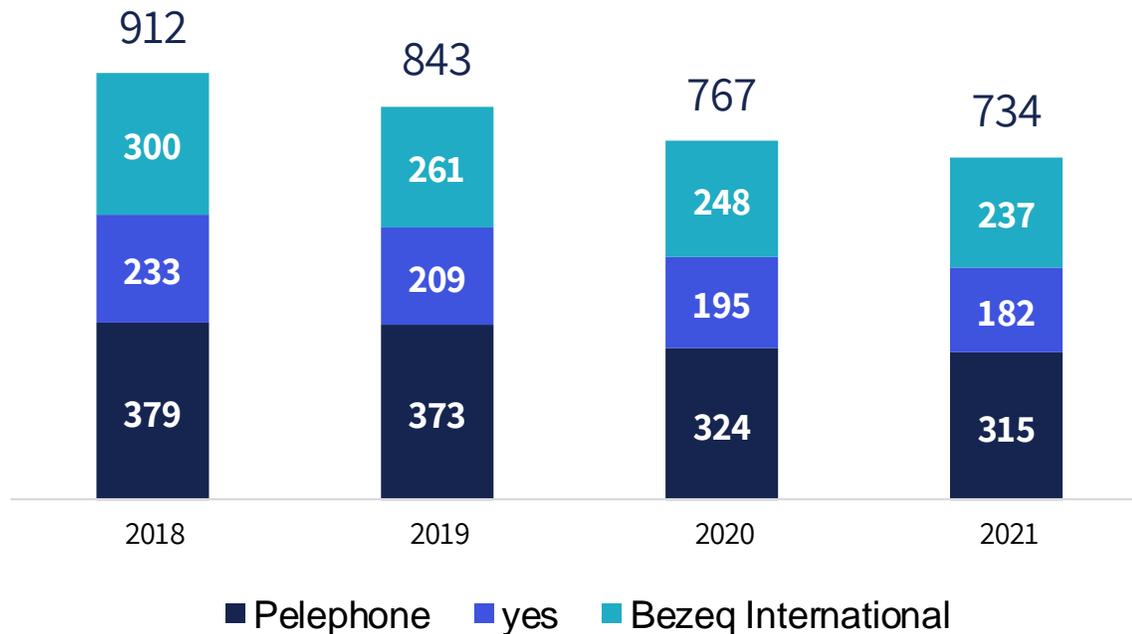
*The decrease in salary and incidental expenses was due to a reduction in employee headcount (excluding annual salary increases pursuant to collective labor agreements in the three companies). The decrease in operating expenses was due to the realization of synergies between the companies (such as advertising and real estate expenses).



Key Subsidiaries | 20% decrease in Salary Expenses*

NIS millions

Salaries



Streamlining measures led to a **20%** decrease in salary expenses from 2018



Key Subsidiaries | Moving to Next Generation Technologies



5G Mobile



IP Broadcasting
over Fiber Optics

Next generation technologies in key subsidiaries



Key Subsidiaries | Next Steps (2022-2024)

Alternative plan for structural change in Bezeq International and yes

Bezeq's board of directors decided to cancel the merger between Bezeq International and yes and to approve an alternative plan whose implementation details will be presented to the subsidiaries' BoDs within 60 days



1 Reduction of Bezeq International's ISP consumer activity following the cancellation of the required separation between broadband infrastructure and Internet access (ISP)

- 2
- Set up yes ISP activity
 - yes will become the group's "triple play" arm combining fiber and TV

3 Potential for significant cost and CAPEX reductions in Bezeq International ISP activity in parallel to an accelerated reduction in its ISP operations

4 On conclusion of this move, Bezeq International will become a growth-focused ICT company



The Next Generation of Cellular in Israel

- Gradual deployment of 5G network
- Diverse handsets and plans
- 590k subscribers* with 5G plans contributing to increase in ARPU
- Data communications and private broadband networks for businesses and organizations
- 5G network capabilities will create future growth drivers
- Exclusive frequencies will provide Pelephone with a competitive edge



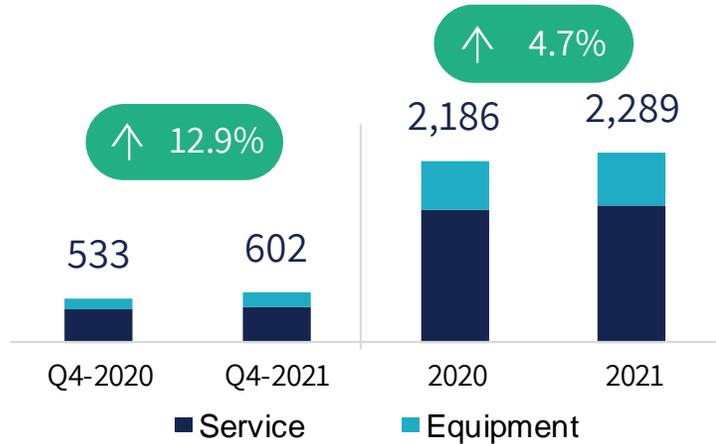
Pelephone was the first company to launch and operate its 5G network in Israel and it continues to lead in the field



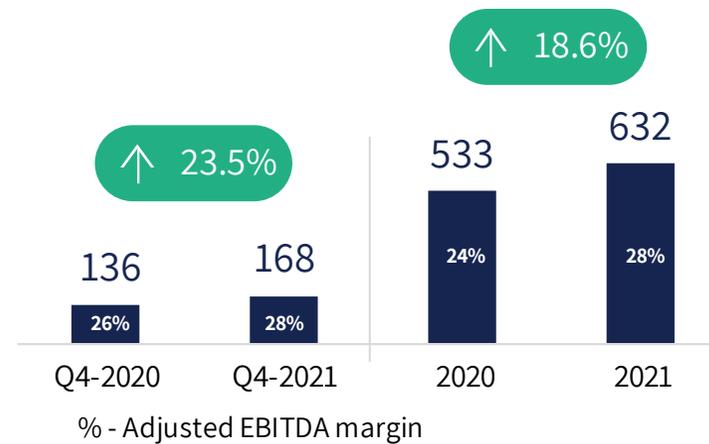
Pelephone | Key Financial Metrics

NIS millions

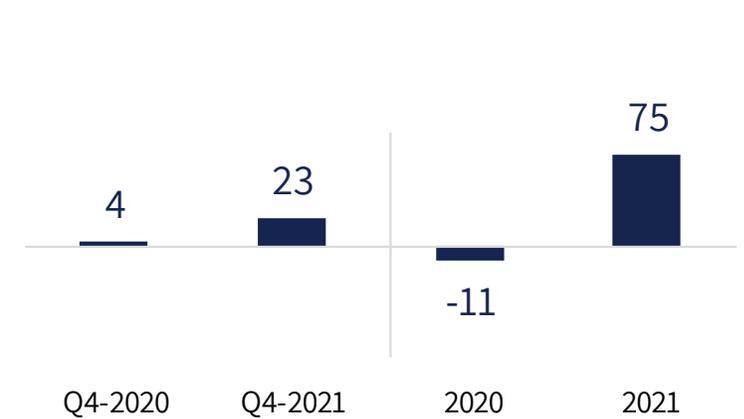
Revenues



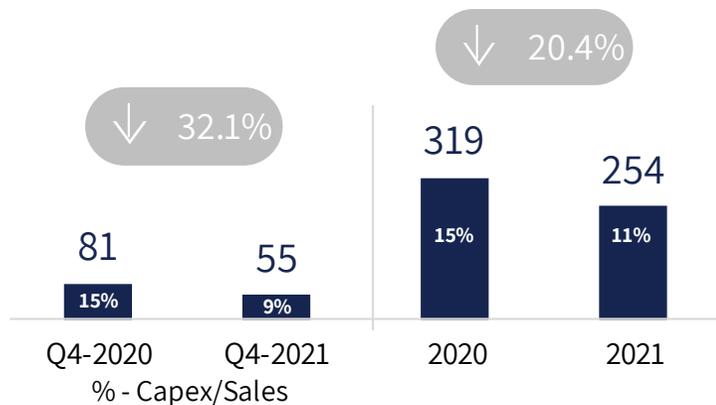
Adjusted EBITDA*



Adjusted Net Profit*



CapEx



Free Cash Flow

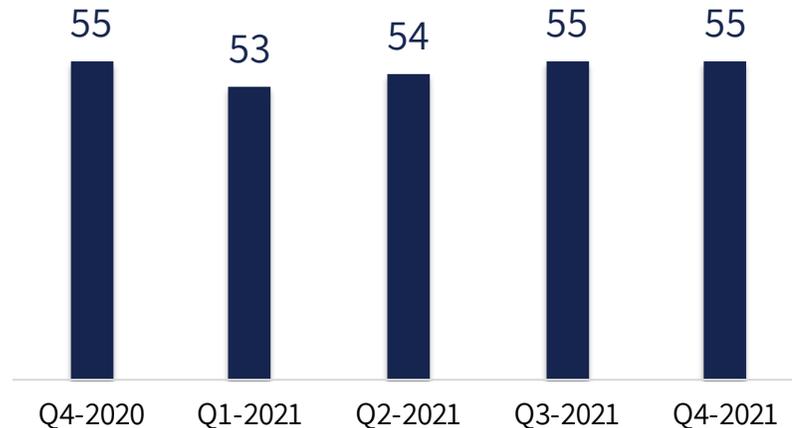


- Return to revenue growth after a number of years, primarily due to continued postpaid subscriber growth and a partial recovery in roaming revenues
- Free cash flow was impacted by employee sanctions in the second half of 2021 which resulted in delayed debt collection

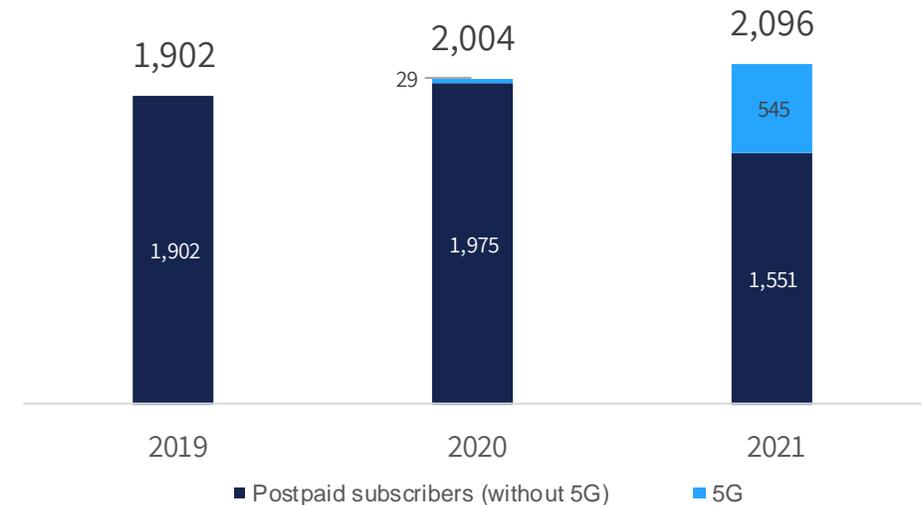


Pelephone | Key Operational Metrics

ARPU (NIS)



Postpaid Subscribers (Thousands)



- Continued growth in postpaid subscribers for the sixth consecutive year
- Stable ARPU in Q4 2021
- Churn rate in 2021 was 22.9% (down from 26.9% in 2020); the lowest churn rate in the Israeli cellular market over the last few years



yes | Continued Subscriber Growth and IP Migration

Improved customer experience along with savings in expenses



Continued **subscriber growth**; on track to be the largest IPTV operator in Israel



Leader in original production- yes continues to lead in production of professional and high quality local content



Streamlining in operating expenses: Content, salaries, etc.



Savings in satellite costs after full transition to IP n 2026



Transition to **positive free cash flow** in yes



Savings in transition from expensive set-top boxes to cheaper streamers



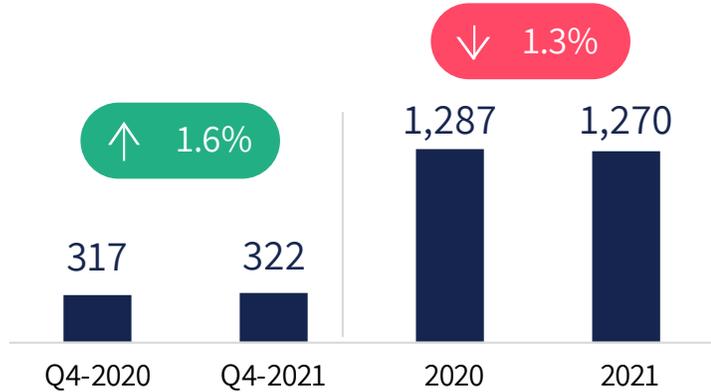
250k yes customers watching TV through IP broadcasting (44%), of which 88k are STING TV customers*



yes | Key Financial Metrics

NIS millions

Revenues



Adjusted EBITDA*

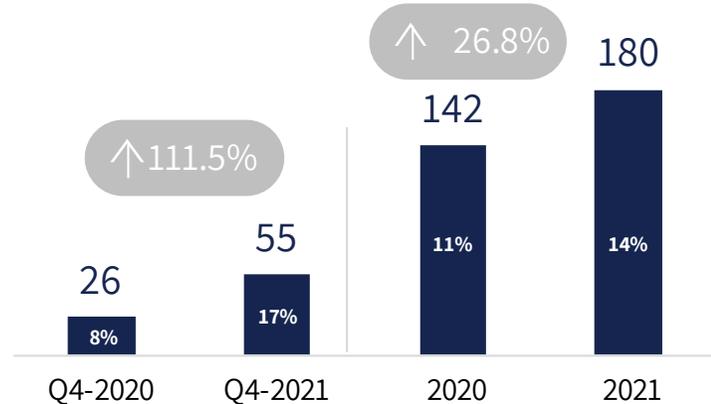


% - Adjusted EBITDA margin

Adjusted Net Profit*

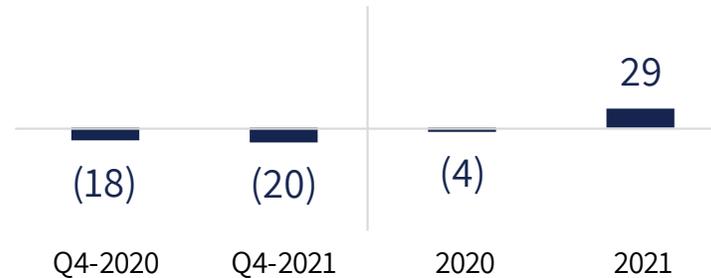


CapEx



% - Capex/Sales

Free Cash Flow



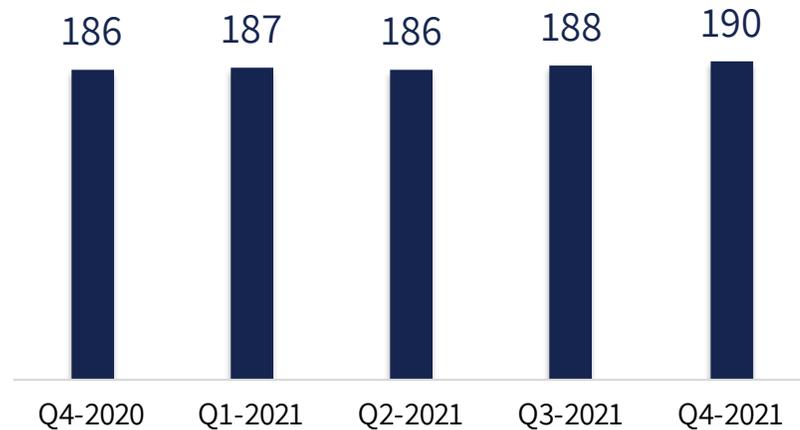
- Improved profitability due to continued streamlining in salaries and operating expenses
- Transition to positive free cash flow in 2021; improved free cash flow for the second consecutive year



yes | Key Operational Metrics

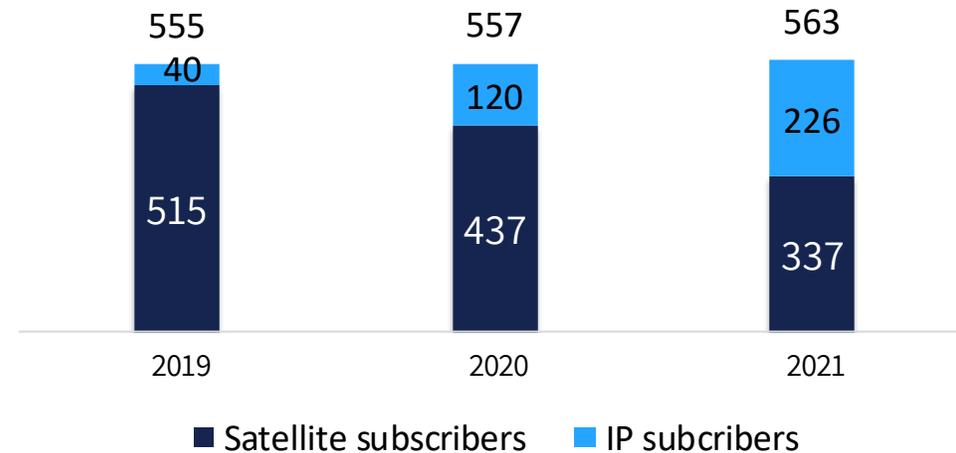
ARPU (NIS)

↑ 2.2%



Subscribers (Thousands)

↑ 1.4%



- Continued subscriber growth for the second consecutive year
- Increase in ARPU in Q4 2021

STING TV Subscribers (Thousands)



*IP subscribers - the number of yes subscribers viewing IP broadcasting through the yes+ and STING TV services. This includes subscribers that use satellite services as well.



Bezeq International | Leader in Business Solutions – Significant Operator in a Growing Market

Wide Range of Business Solutions

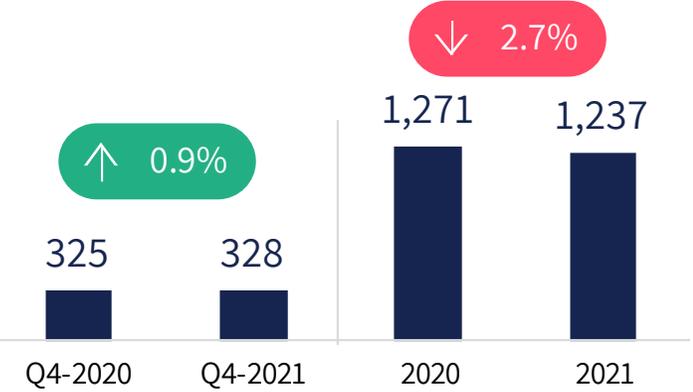
- Wide range of data centers in Israel
- Activated fifth data center and signed agreement with Serverfarm to operate a sixth DC at the highest standards
- Growth in cloud solutions (business applications) and service contracts, as well as in business and international data services
- Continued expansion through agreements with a wide variety of international business customers
- Acquisition of CloudEdge – a company specializing in the public cloud field



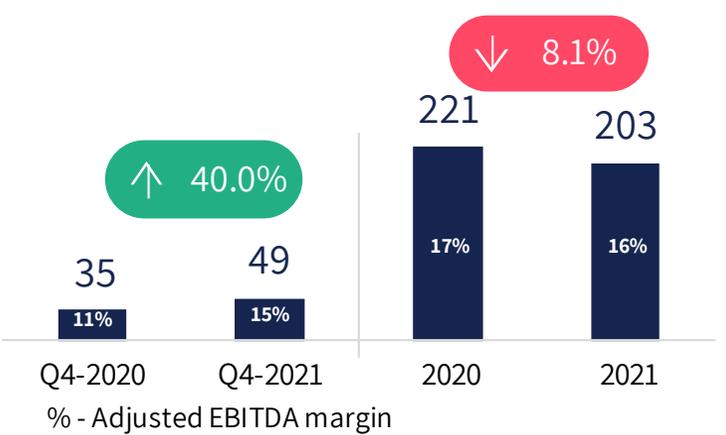
Bezeq International | Key Financial Metrics

NIS millions

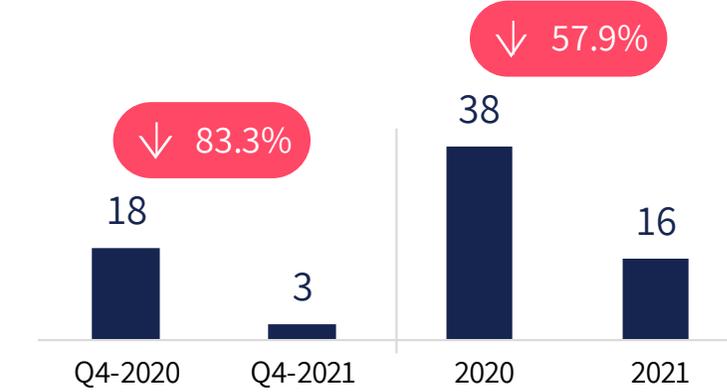
Revenues



Adjusted EBITDA*



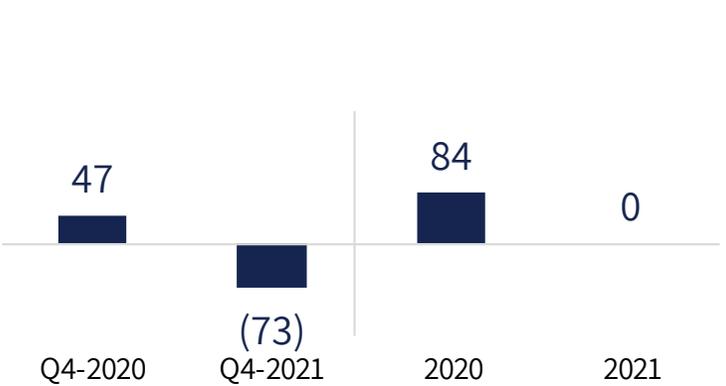
Adjusted Net Profit*



CapEx



Free Cash Flow



Free cash flow was impacted by employee sanctions in H2-2021 which resulted in delayed debt collection

* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



Bezeq Group | Key Takeaways



Revenue growth for the first time in years



Subscriber growth in Telephone and yes



Accelerated deployment of fiber optics – over 1.1 million households



Improved profitability in Telephone and transition to positive free cash flow in yes



Transition to 5G plans with higher ARPU



The group is progressing in the implementation of its strategy while focusing on growth





Thank You!

For more information please visit us
ir.bezeq.co.il