



 **Bezeq Group**

Investor Presentation
Financial Results 2022

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Bezeq Group | Focused on Growth



Accelerated fiber take-up as growth driver



Growth and improved performance in Telephone



yes launched TV + Bezeq fiber bundle



Dividend payout ratio upgrade



Continued decrease in financial debt



Bezeq Group is executing on its strategy while focusing on growth

Technological & Business Roadmap



Migration to fiber

2020

Launch of fiber project

Today

- 1.6 m homes passed
- 332k subscriber take-up (including wholesale)
- 15% increase in broadband ARPU*

Mid-term

2.7 m homes passed, approx.
85% of Israeli households



Transition to 5G

5G Tender

- 813k subscribers (32%)
- 13% increase in service revenues*

Approx. 80%
5G subscribers

yes.

Migration to IPTV

Satellite to IP migration

- 344k subscribers (60%)
- 39% decrease in churn rate*

100% IPTV subs
Opex and Capex savings

Technology upgrades reflect potential for future growth

*As compared to 2020



Bezeq Group | Growth and Improved Operations in 2022



1.9% y-o-y growth in revenues reaching NIS 9 billion



Increase in Adjusted EBITDA reaching NIS 3.74 billion



3.6% growth in Adjusted Net Profit reaching NIS 1.2 billion



Strong growth in fiber subscribers and Retail ARPU



Bezeq Group | 2022 Summary

Revenues
NIS **9.0** billion

↑ 1.9%

Adjusted EBITDA ⁽¹⁾
NIS **3.74** billion

↑ 0.7%

Adjusted EBITDA margin **41.6%**

Adjusted Net Profit ⁽¹⁾
NIS **1.2** billion

↑ 3.6%

Free Cash Flow
NIS **1.4** billion

↑ 35.7%

Decrease in Net Debt
NIS **500** million

↓ 8.4%

Improved leverage ratios



Fixed Line

2022 Fiber Take-Up
133k (retail)

Fiber Subscribers
(retail and wholesale)
332k ⁽²⁾

Retail Internet ARPU
NIS **114**

↑ 7.5%

Homes Passed
1.6 million ⁽²⁾

↑ 55%



Telephone

Cellular subscribers
2.58 million

↑ 0.2%

813k subs (32%)
with 5G plans⁽²⁾

53k

Net postpaid
subscriber adds

Cellular ARPU
NIS **57** ⁽³⁾

↑ 5.6%

Cellular Service Revenues
NIS **1.8** billion

↑ 9.1%

TV subscribers
579k

↑ 2.8%

60% are IP subscribers⁽²⁾

TV ARPU
183

↓ 2.7%

yes.

All results are compared to FY 2021 and Q4 2021 unless otherwise stated

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

(2) As of early March 2023

(3) Prepaid subscriber removal increased ARPU by NIS 2



Bezeq Group | 2022 Key Financial Highlights NIS Million

Revenues



Adjusted EBITDA ⁽¹⁾



Adjusted Net Profit ⁽¹⁾



% - Adjusted EBITDA margin

CapEx



% - Capex/Sales

Free Cash Flow

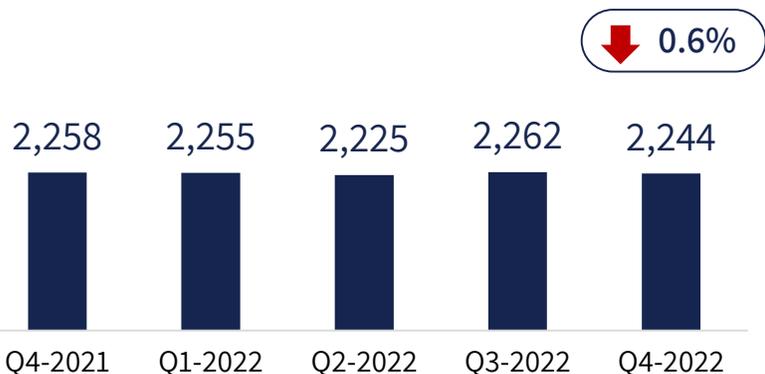


- Revenues increased for the second consecutive year due to growth of 5% in Telephone and 3% in Bezeq Fixed-Line despite the MOC reduction in telephony tariffs
- Increase in Adjusted EBITDA and Adjusted Net Profit mainly due to increased profitability in Telephone
- Double digit growth in free cash flow mainly due to timing differences and improved working capital



Bezeq Group | Q4-2022 Key Financial Highlights NIS Million

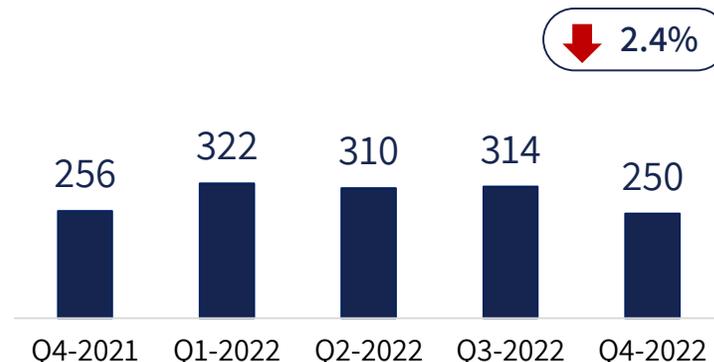
Revenues



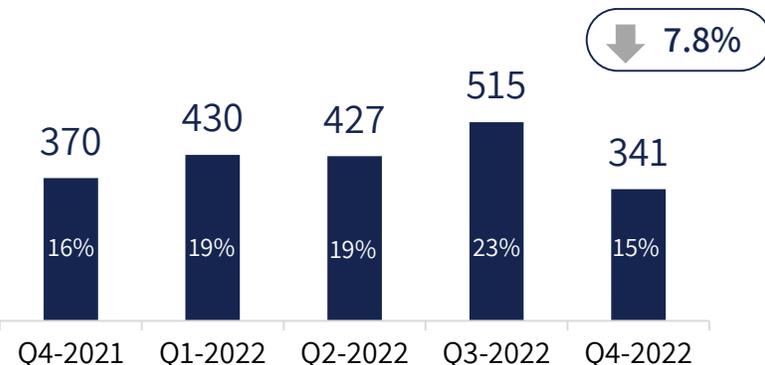
Adjusted EBITDA ⁽¹⁾



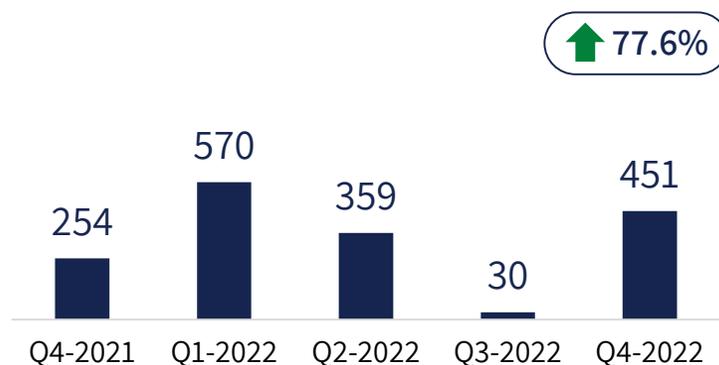
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow



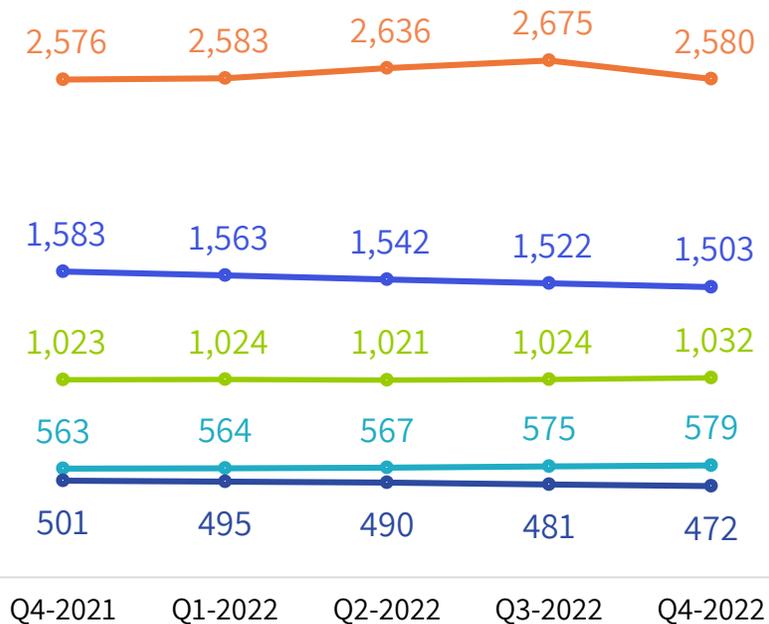
- Revenues impacted by decrease in Telephone handset revenues and the MOC telephony tariff reduction
- Decrease in Adjusted Net Profit due to increase in depreciation and financing expenses
- Free cash flow was impacted by timing differences in working capital due to subsidiaries' employee sanctions in Q4-2021

% - Capex/Sales



Bezeq Group | Key Operational Metrics

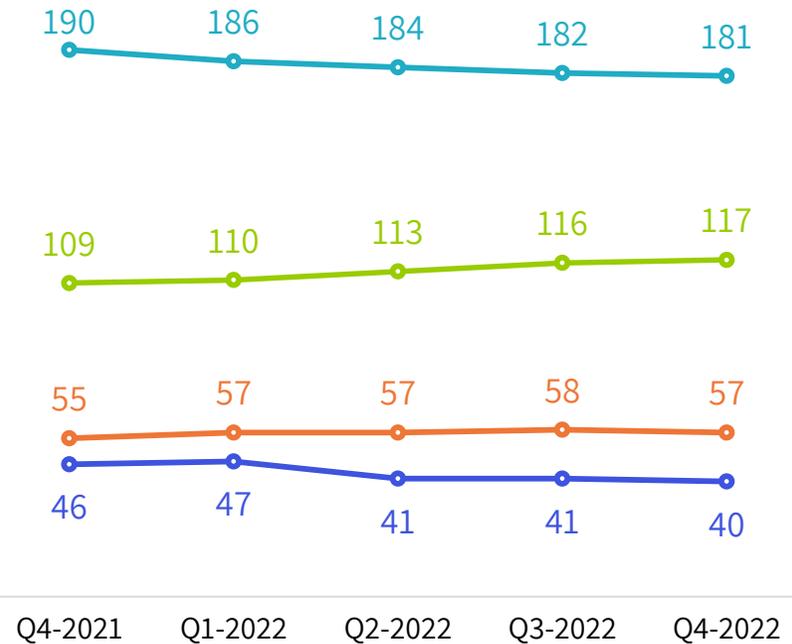
Subscribers (end of period, in thousands)



Growth in TV and retail Internet subscribers

Q-o-Q decrease in cellular subs due to removal of 96k prepaid subs

ARPU (NIS)



7.3% y-o-y increase in retail Internet ARPU

Decrease in telephony ARPL due to MOC tariff reduction in Q2-22

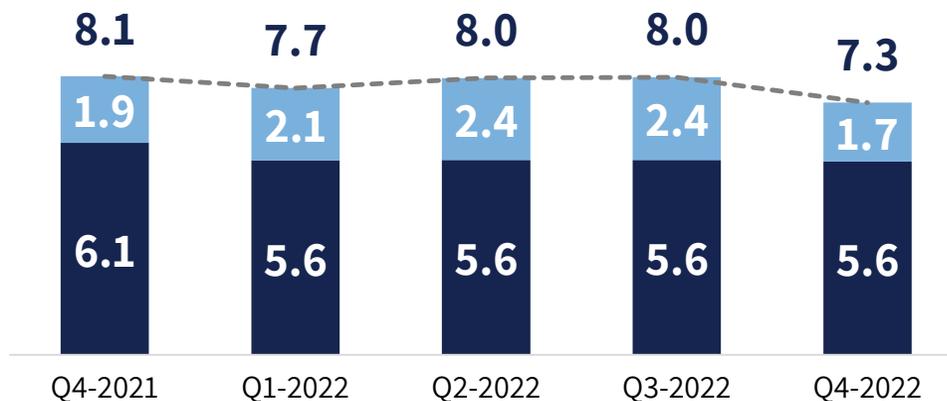
3.6% y-o-y increase in cellular ARPU

Decrease in TV ARPU due to change in subscriber mix



Bezeq Group Financial Debt | NIS Billion

Net Debt (NIS billions)



Net Debt
 Cash and short-term investments
 Gross Debt

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

Continued decrease in net debt

- Decrease of NIS 500 million, or 8% compared to the end of 2021
- Decrease of NIS 3.2 billion, or 37%, compared to end of 2018

Further improvement in Net debt/EBITDA ratio

- Decreased to 1.7 from 1.8 a year ago

Debt ratings

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



Bezeq Group | 2022 Guidance and Mid-Term Ambitions



Results 2022



2023 Outlook



Mid-Term Ambitions

Adjusted EBITDA ⁽¹⁾

NIS **3.74** billion

NIS **3.8** billion

CAGR of 1% with **adjusted EBITDA margins of 41% - 43%**

Adjusted net profit ⁽¹⁾

NIS **1.2** billion

NIS **1.2** billion

CAPEX

NIS **1.71** billion

NIS **1.75** billion

Stable CapEx and CapEx/Sales until 2025; **gradual reduction thereafter**

Free cash flow

NIS **1.41** billion

Mid single-digit CAGR

Fiber deployment

1.5 million households

Approx. **2.0** million households

Approx. **2.7** million households

Dividend

70% of net profit, subject to maintaining credit rating in the AA group

Financial stability

Maintain High Credit Rating within the AA group



Bezeq Group | Dividend Policy

- The Company's Board of Directors decided to update its dividend distribution policy, according to which the Company will distribute to its shareholders on a semi-annual basis, a cash dividend of 60% 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 2022)
- 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 246 million, which as of the date of the approval of this resolution equaled to NIS 0.09 per share. The effective date and the ex-dividend date will be on May 4, 2023, while the payment day will be on May 11, 2023
- The Company will strive to update its dividend policy to distribute 70% of the semi-annual profit (after tax) according to the company's consolidated financial statements, subject to maintaining the Company's credit rating in the AA group



Bezeq Fixed-Line | 2022 Summary



Increased focus on fiber connections led to fiber customer take-up of 183k, of which 133k retail and 50k wholesale



The number of homes passed reached 1.65 m with 332k customer take-up ⁽¹⁾



47% of retail broadband subscribers are combined infrastructure + ISP customers



3% revenue growth despite the MOC telephony tariff reduction



Broadband Internet revenues grew 10%



Continued business sector revenue growth



Bezeq Fixed-Line | 2022 Key Financial Highlights NIS Million

Revenues



Adjusted EBITDA ⁽¹⁾

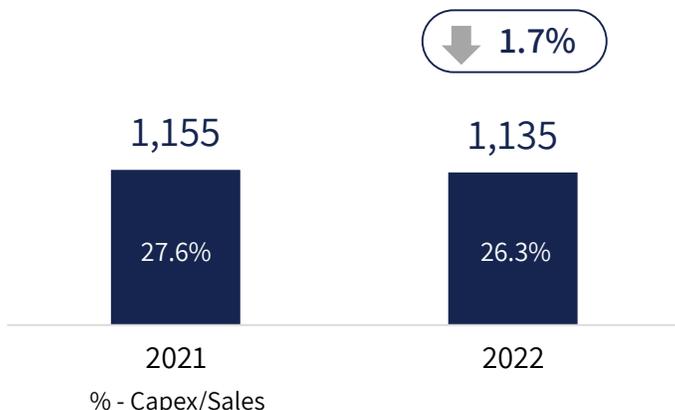


% - Adjusted EBITDA margin

Adjusted Net Profit ⁽¹⁾



CapEx



% - Capex/Sales

Free Cash Flow

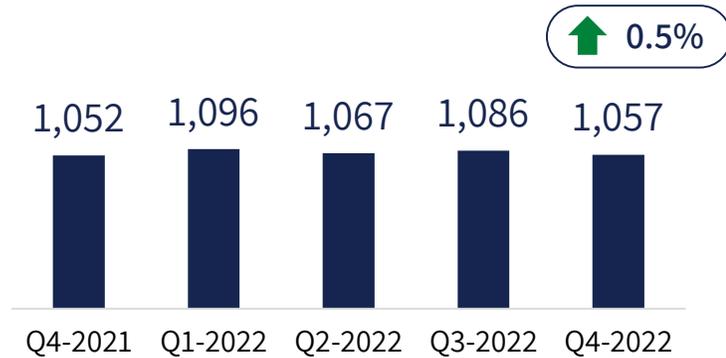


- Revenue growth of 3%, despite MOC decrease in telephony rates in Q2-22, due to growth in broadband revenues and business sector
- Adjusted EBITDA was impacted by the MOC decrease in telephony rates, among other factors
- Decrease in Adjusted Net Profit mainly due to an increase in depreciation expenses related to the fiber deployment as well as other infrastructure projects

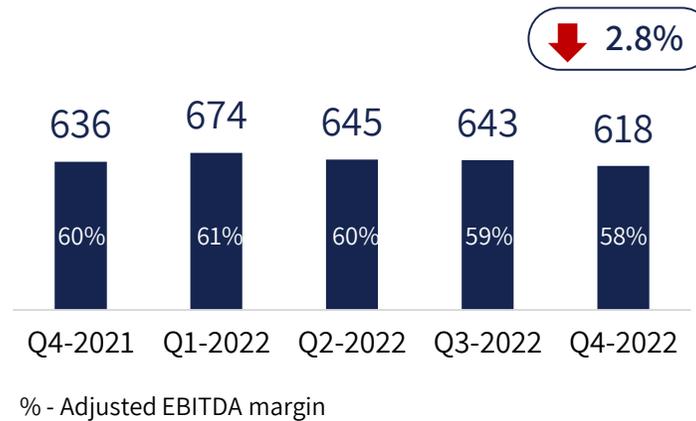


Bezeq Fixed-Line | Q4-2022 Key Financial Highlights NIS Million

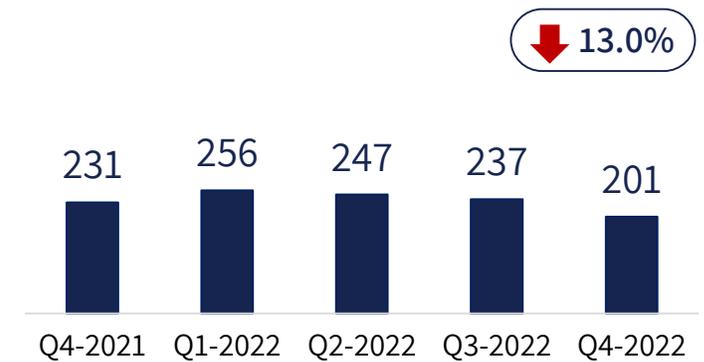
Revenues



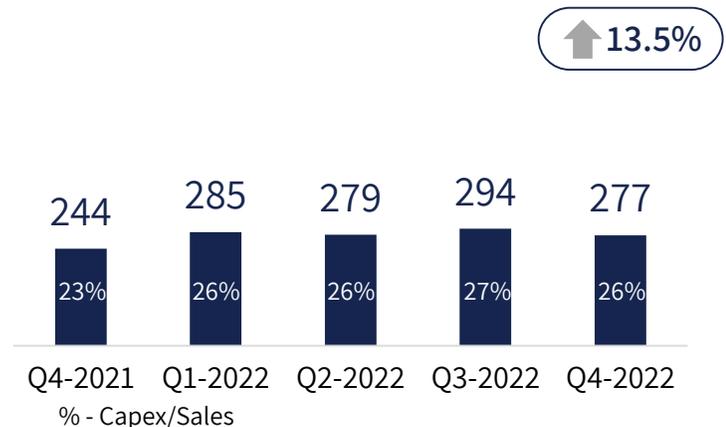
Adjusted EBITDA*



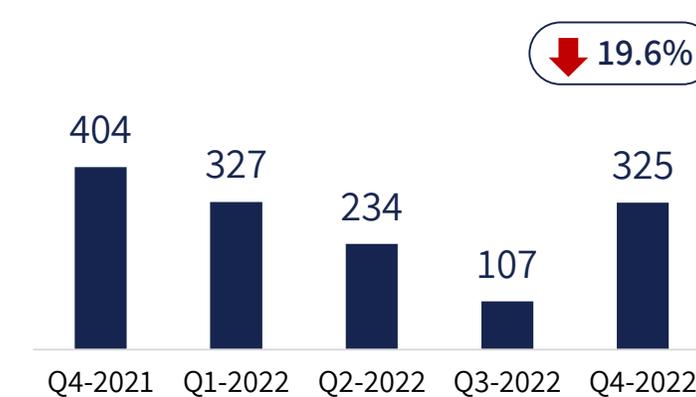
Adjusted Net Profit*



CapEx



Free Cash Flow



- Revenue growth partially offset by decrease in telephony and Other revenues
- Decrease in Adjusted Net Profit mainly due to an increase in depreciation and financing expenses
- Free cash flow was impacted by payments received for the sale of real estate in Q4-2021

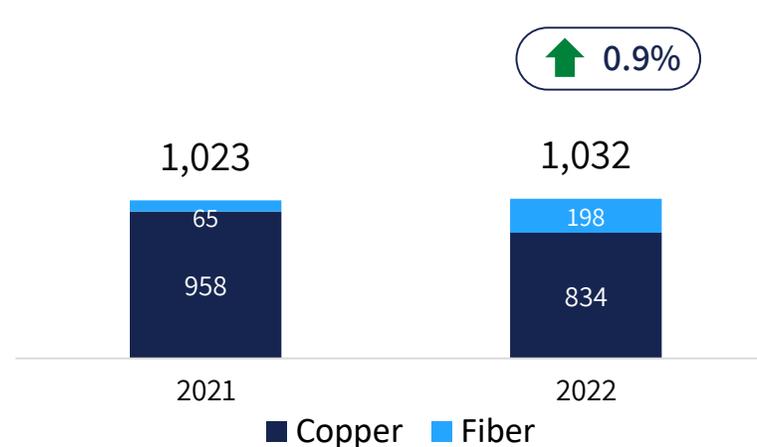


Bezeq Fixed-Line | 2022 Broadband Internet

Broadband Revenues (NIS m)



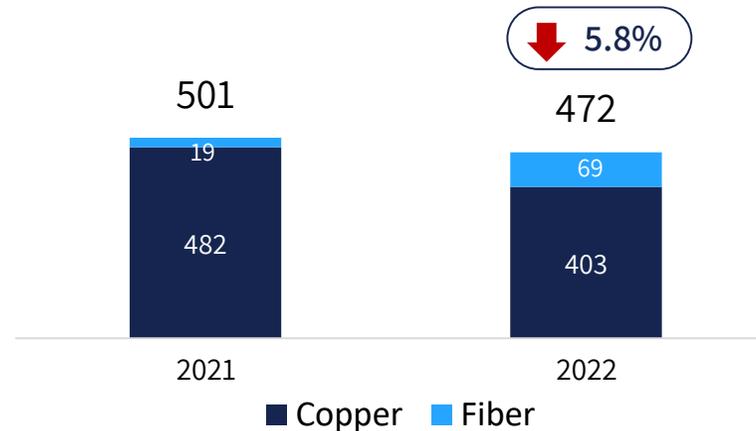
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Wholesale Broadband Lines (thousands)



- Significant increase in fiber customer take up
- Double digit growth in broadband revenues
- Continued growth in retail ARPU positively impacted by fiber customer take up and an increase in ISP customers

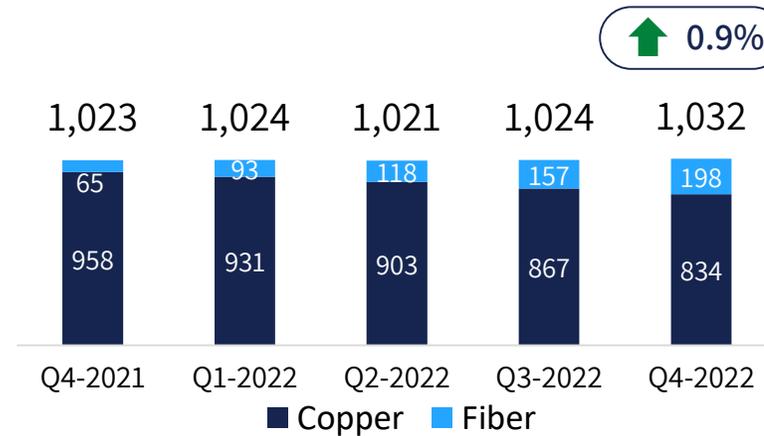


Bezeq Fixed-Line | Q4-2022 Broadband Internet

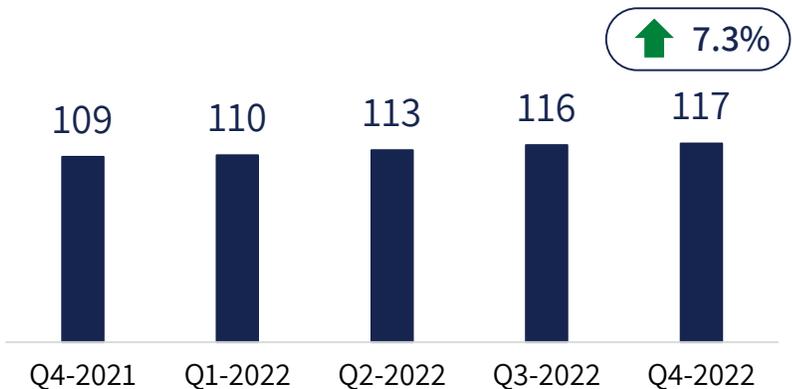
Broadband Revenues (NIS m)



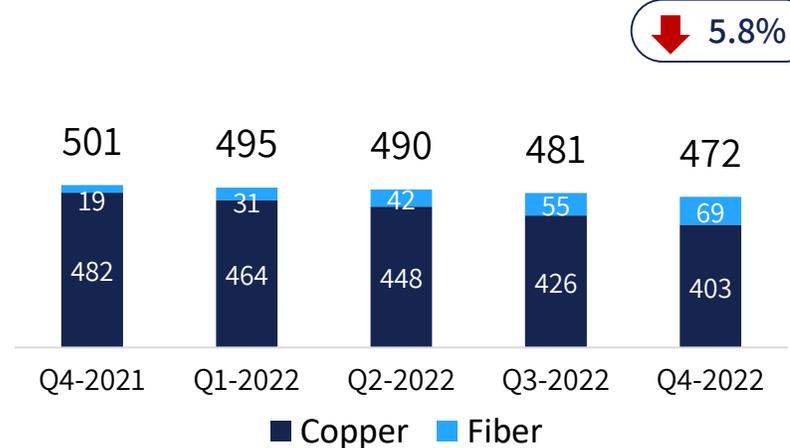
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Wholesale Broadband Lines (thousands)

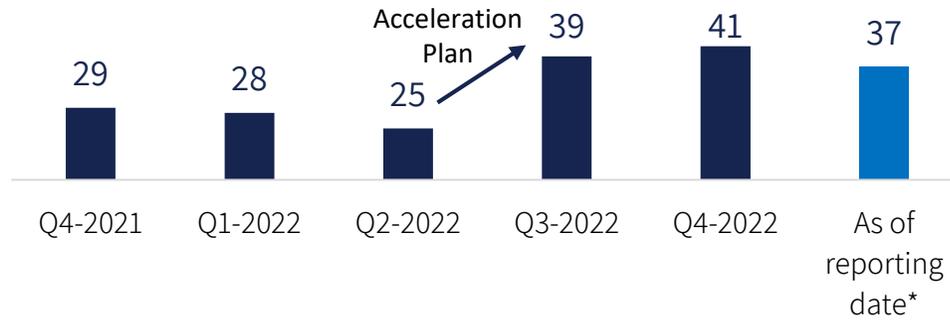


- Significant increase in fiber customer take up
- Double digit growth in broadband revenues
- Continued growth in retail ARPU positively impacted by fiber customer take up and an increase in ISP customers



Bezeq Fixed-Line | Accelerated Fiber Take-Up – Retail and Wholesale

Retail Fiber – Net Adds
(Thousands)



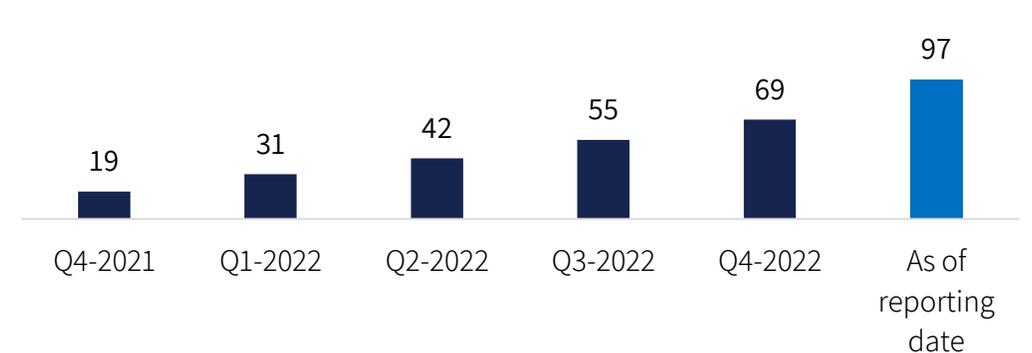
Wholesale Fiber – Net Adds
(Thousands)



Total Retail Fiber Take-Up
(Thousands)



Total Wholesale Fiber Take-Up
(Thousands)



Significant acceleration of retail take-up in H2-2022

Accelerated wholesale take-up began in 2023

*Net adds from beginning of the year until reporting date



Continued fiber deployment with increased take-up focus

Homes Passed (thousands)



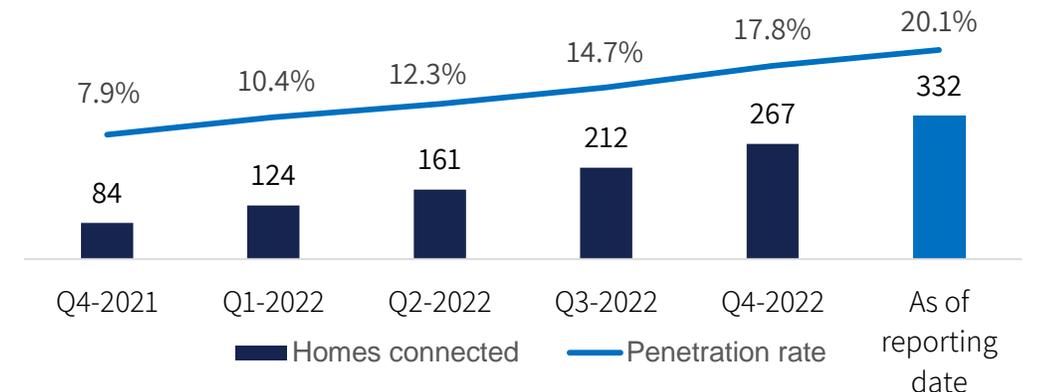
Total Fiber Net Adds (thousands)



Customers with Be router (thousands)



Total Fiber Take-Up (thousands)



70% y-o-y increase in average broadband speed to 220 Mbps

*Net adds from beginning of the year until reporting date

Increase in fiber take-up rate from 10% to 20% with continued accelerated deployment



Bezeq Fixed-Line – 2022 Data, Telephony and Cloud & Digital Revenues | NIS millions

Transmission & Data



Cloud & Digital



Telephony



Other

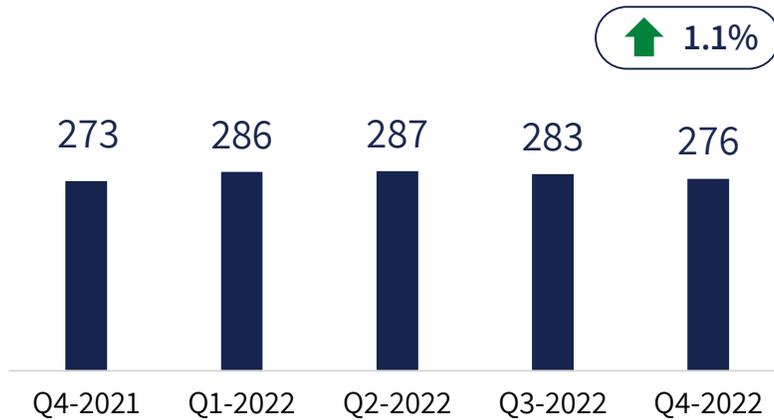


- Continued growth in revenues from the business sector
- Decrease in telephony revenues mainly due to MOC tariff reduction beginning Q2-22
- Increase in other revenues mainly due to growth in infrastructure projects

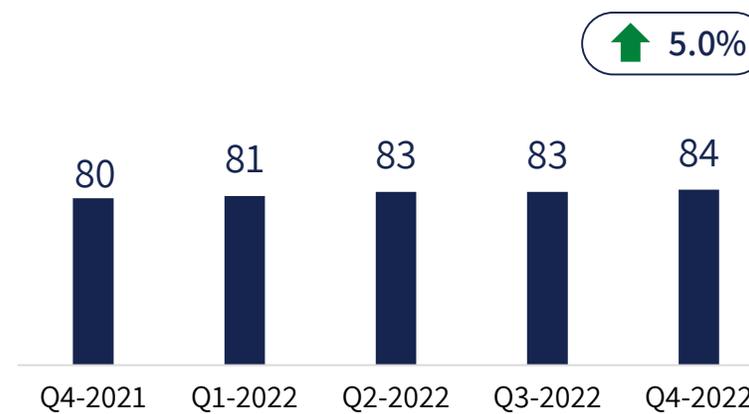


Bezeq Fixed-Line – Quarterly Data, Telephony and Cloud & Digital Revenues | NIS millions

Transmission & Data



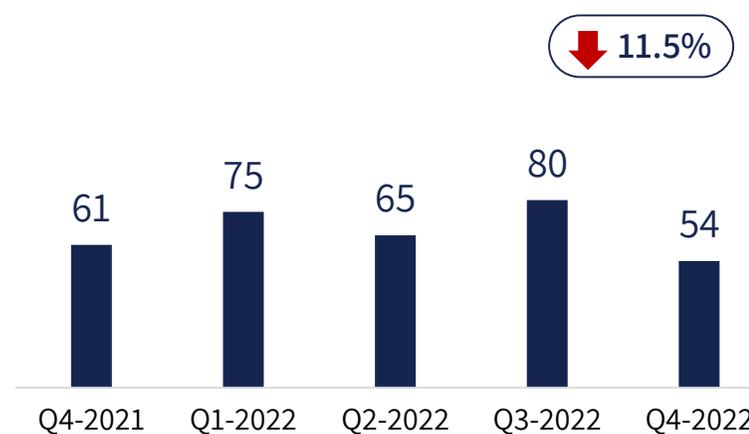
Cloud & Digital



Telephony



Other



- Continued growth in revenues from the business sector
- Decrease in telephony revenues mainly due to MOC tariff reduction beginning Q2-22
- Decrease in other revenues due to timing differences in infrastructure projects

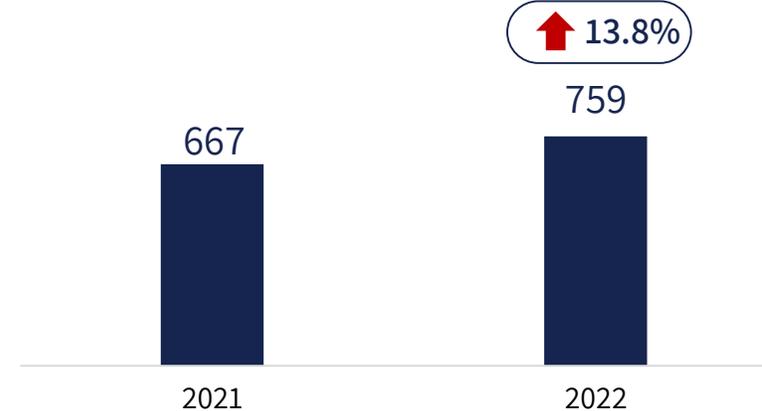


Bezeq Fixed-Line – 2022 Operating Expenses | NIS millions

Salaries



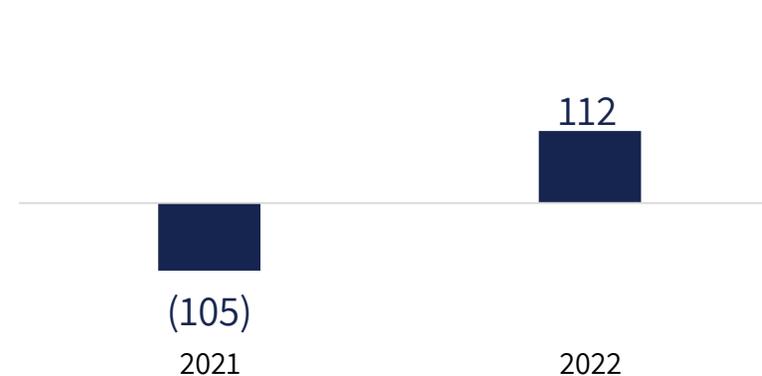
Operating Expenses



Depreciation & Amortization



Other Expenses



- Increase in salaries mainly due to employee recruitment relating to fiber project
- Increase in operating expenses mainly due to higher subcontractor and materials expenses relating to fiber and other infrastructure projects
- Increase in depreciation expenses driven mainly by CapEx increase over previous periods
- Increase in other operating expenses mainly due to capital gains from the sale of real estate in 2021

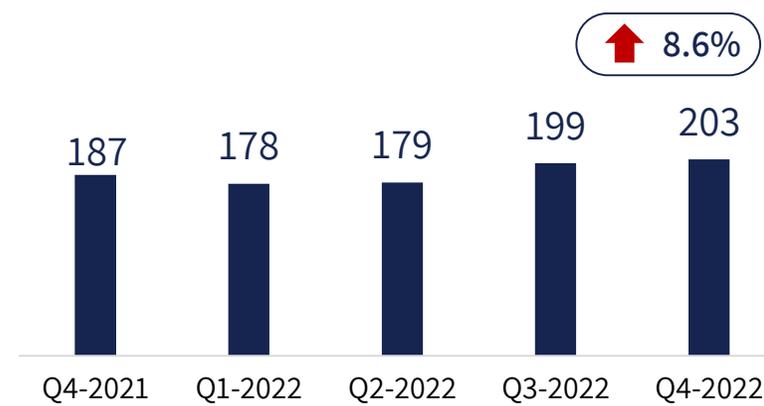


Bezeq Fixed-Line – Quarterly Operating Expenses | NIS millions

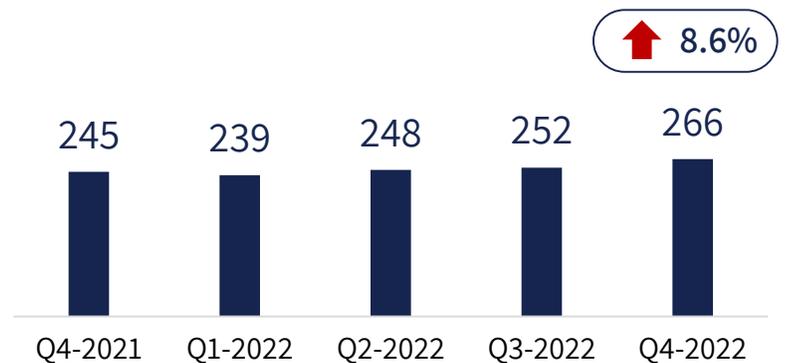
Salaries



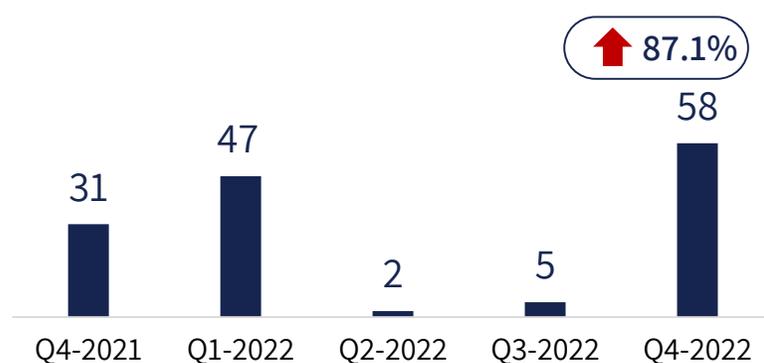
Operating Expenses



Depreciation & Amortization



Other Expenses



- Increase in salaries mainly due to employee recruitment relating to fiber project
- Increase in operating expenses mainly due to higher subcontractor and materials expenses relating to fiber and other infrastructure projects
- Increase in depreciation expenses driven mainly by CapEx increase over previous periods
- Increase in other operating expenses mainly due to capital gains from the sale of real estate in Q4-2021



Bezeq Fixed-Line | Key Takeaways



Accelerated fiber take-up combined with continued widespread deployment of fiber network



IRU agreement with Partner - Strengthening Bezeq's position in wholesale fiber market



Continued migration to combined infrastructure + ISP service



Growth in broadband revenues offset impact of MOC telephony tariff reduction



Growth in business sector driven by increased demand for data and communications solutions



Widespread fiber deployment combined with accelerated fiber take-up reflects potential for Bezeq's continued growth in the residential market



Pelephone | 2022 Summary



Record revenues since 2018 with 5% year-over-year increase, driven by recovery in roaming revenues, increase in subscribers and growth in 5G subscriber plans



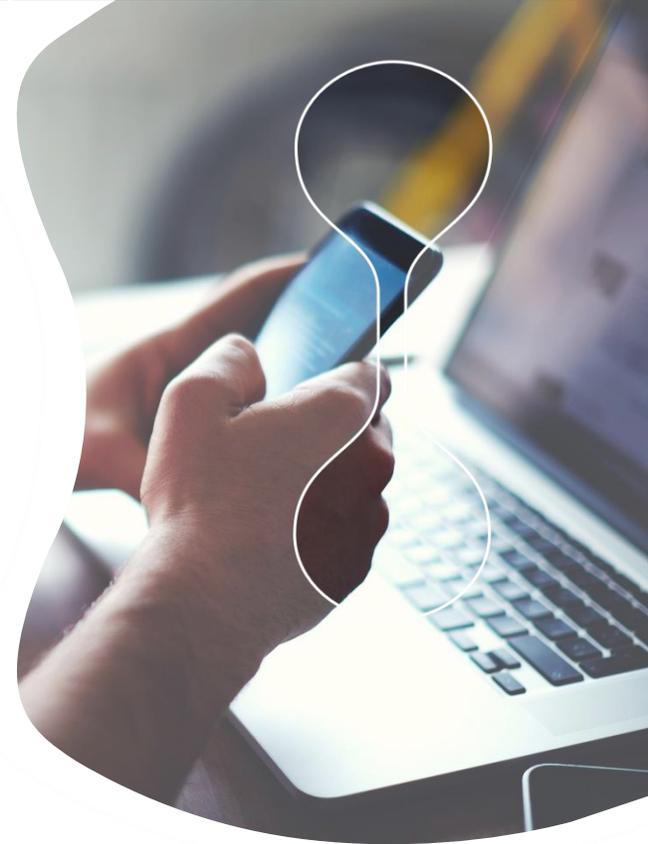
Free cash flow totaled NIS 351 million compared to negative free cash flow of NIS 47 million in 2021



Adjusted EBITDA grew 20% to NIS 761 million and Adjusted Net Profit increased 155% to NIS 193 million



Growth in postpaid subscribers with 53k net adds in 2022; 813k subscribers (32%) with 5G plans contributing to ARPU *



Pelephone | 2022 Key Financial Highlights NIS Million

Revenues

↑ 4.8%

2,289

2,399

2021

2022

Adjusted EBITDA ⁽¹⁾

↑ 20.2%

633

761

2021

2022

% - Adjusted EBITDA margin

27.6%

31.7%

Adjusted Net Profit ⁽¹⁾

↑ 154.7%

76

193

2021

2022

CapEx

↑ 16.1%

254

295

2021

2022

% - Capex/Sales

11.1%

12.3%

Free Cash Flow

351

(47)

2021

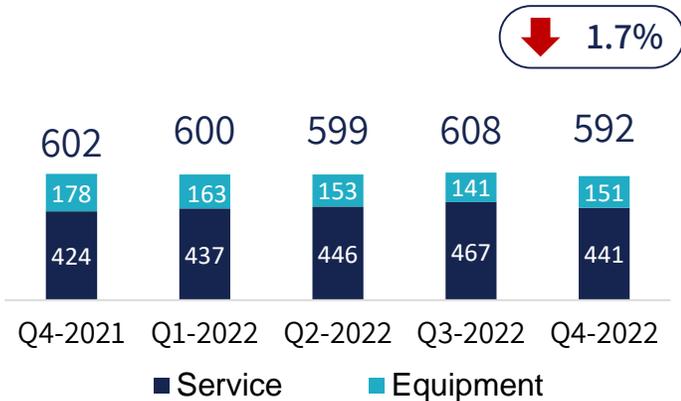
2022

- Service revenue growth, significant improvement in Adjusted EBITDA and Adjusted Net Profit due to a recovery in roaming revenues and growth in 5G subscriber plans
- Significant growth in free cash flow due to increased profitability, improved working capital and timing differences relating to customer debt collection due to employee sanctions in the second half of 2021

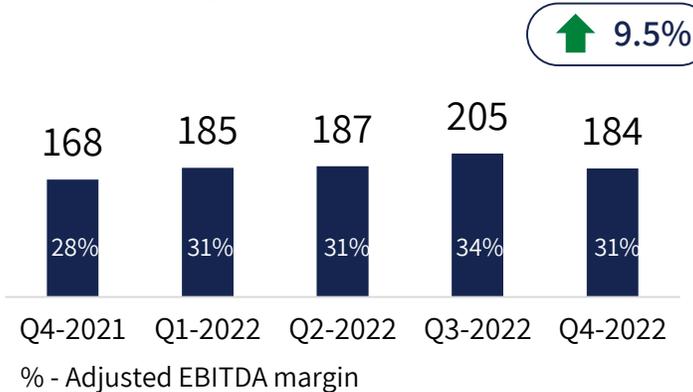


Pelephone | Q4-2022 Key Financial Highlights NIS Million

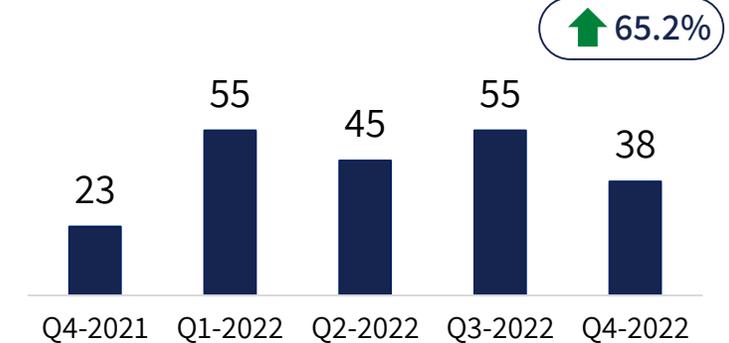
Revenues



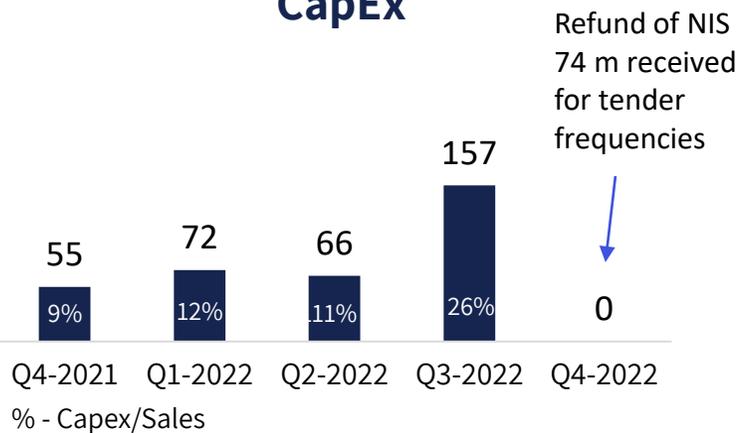
Adjusted EBITDA ⁽¹⁾



Adjusted Net Profit ⁽¹⁾



CapEx



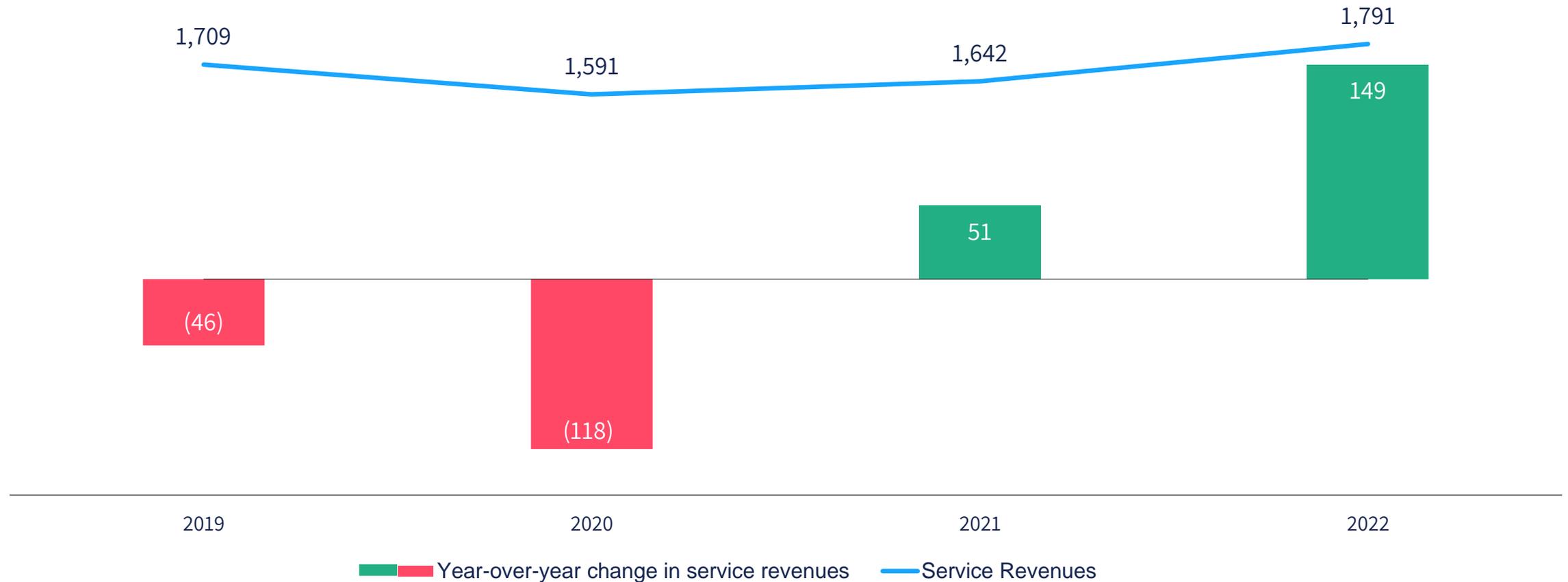
Free Cash Flow



- Revenues decreased due to lower handsets sold
- Significant improvement in Adjusted EBITDA and Adjusted Net Profit due to a recovery in roaming revenues, an increase in the number of subscribers and growth in 5G subscriber plans
- Improved free cash flow due to timing differences in working capital related to employee sanctions in Q4-21



Pelephone | Continued Turnaround in Service Revenues NIS Million

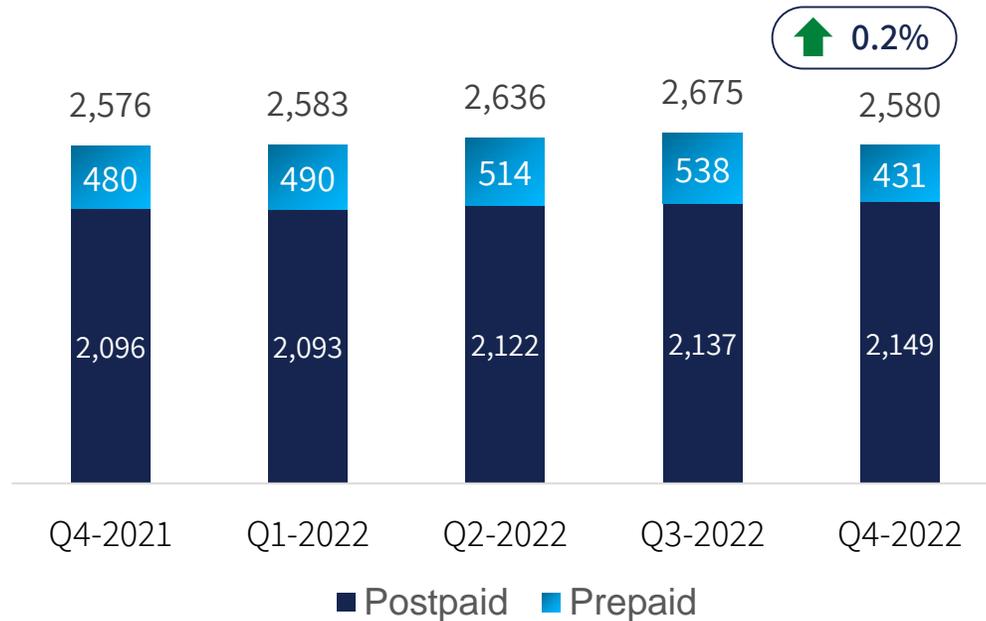


Growth in service revenues driven by recovery in roaming revenues, increase in subscribers and growth in 5G subscriber plans



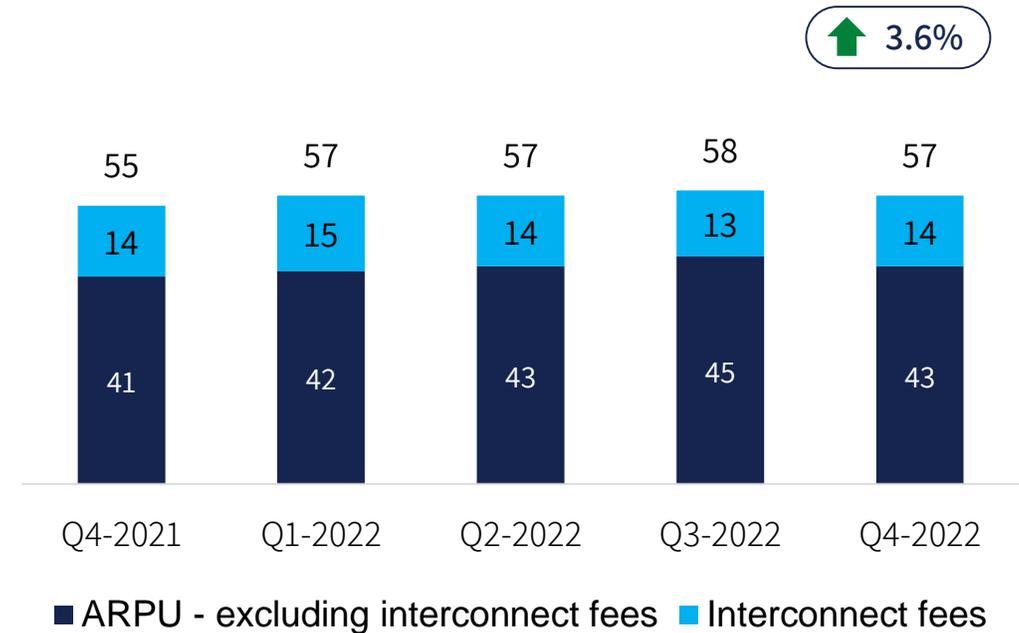
Pelephone | Key Operational Metrics

Subscribers (Thousands)



- 2.5% y-o-y increase, or 53k, in postpaid subscribers in 2022
- One-time removal of 96k prepaid subscribers in Q4-22 who did not meet the definition of an active subscriber

ARPU (NIS)



- The one-time removal of prepaid subscribers led to a NIS 2 increase in ARPU in Q4-22
- As part of the regulatory reform to lower interconnect rates that will gradually apply from June 2023 until June 2025, ARPU is also presented excluding interconnect fees



yes | 2022 Summary



Net subscriber growth of 16k; highest yearly subscriber growth since 2014



Annual revenues grew for the first time since 2014 by 0.6%, reaching NIS 1.28 billion



yes is the largest Israeli IPTV operator with 344k customers watching TV through IP broadcasting (60%), of which 107k are STINGTV customers ⁽¹⁾



Agreement with leading international content providers – Disney+, Discovery+, Netflix



yes continues to lead in original production of TV content with 45 nominations for the Israel Television Academy Awards



yes launched bundle combining TV + Bezeq fiber

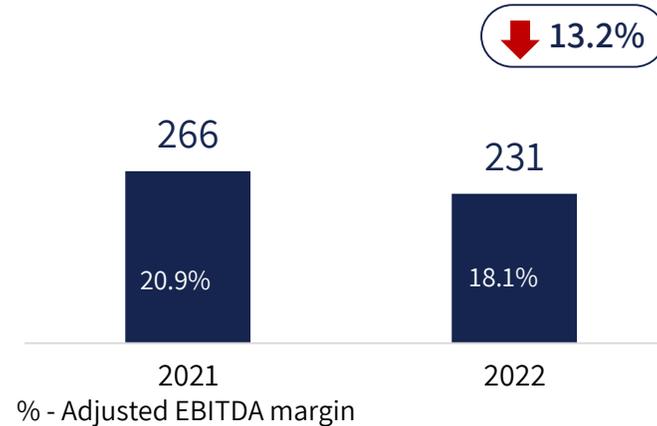


yes | 2022 Key Financial Highlights NIS Million

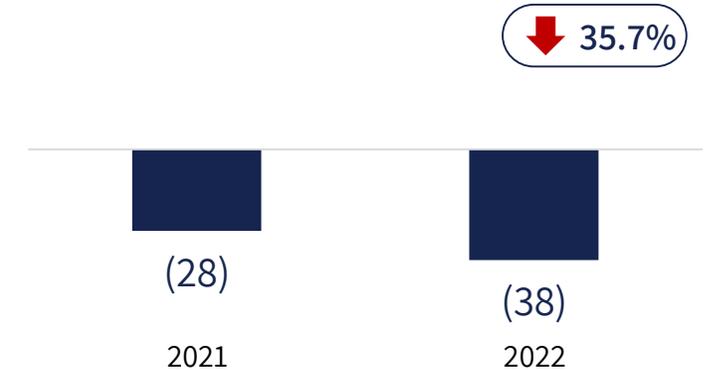
Revenues



Adjusted EBITDA ⁽¹⁾



Adjusted Net Loss ⁽¹⁾



CapEx



Free Cash Flow



- Revenue growth for the first time since 2014 mainly due to sales of content
- Decrease in Adjusted EBITDA and Adjusted Net Profit mainly due to an increase in content expenses, salary expenses impacted by the collective labor agreement as well as the launch of the TV/fiber bundle
- Free cash flow was impacted by timing differences related to payments for content as well as lower profitability



yes | Q4-2022 Key Financial Highlights NIS Million

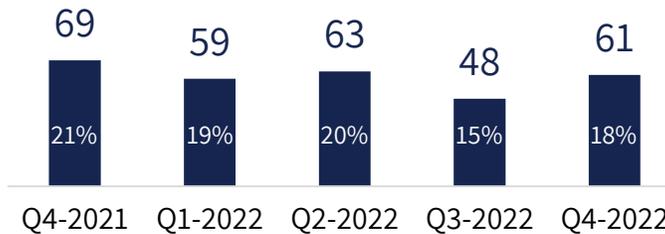
Revenues

↑ 2.5%



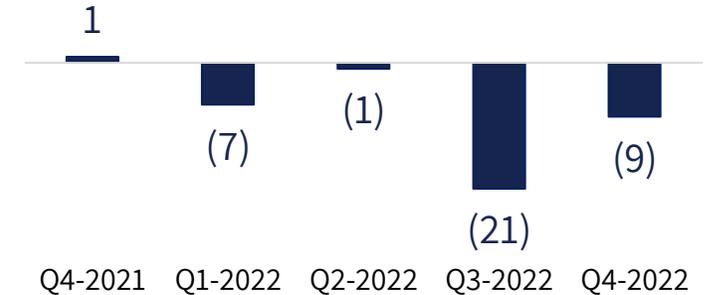
Adjusted EBITDA ⁽¹⁾

↓ 11.6%



% - Adjusted EBITDA margin

Adjusted Net Profit (Loss) ⁽¹⁾



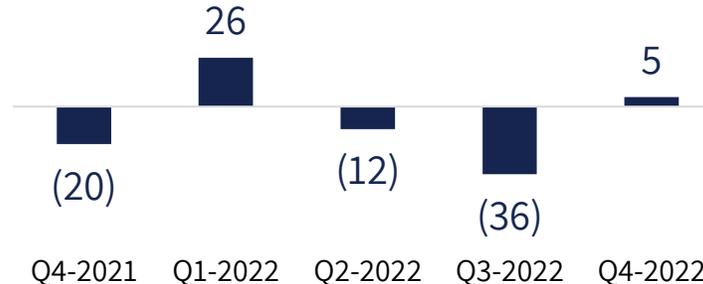
CapEx

↓ 20.0%



% - Capex/Sales

Free Cash Flow

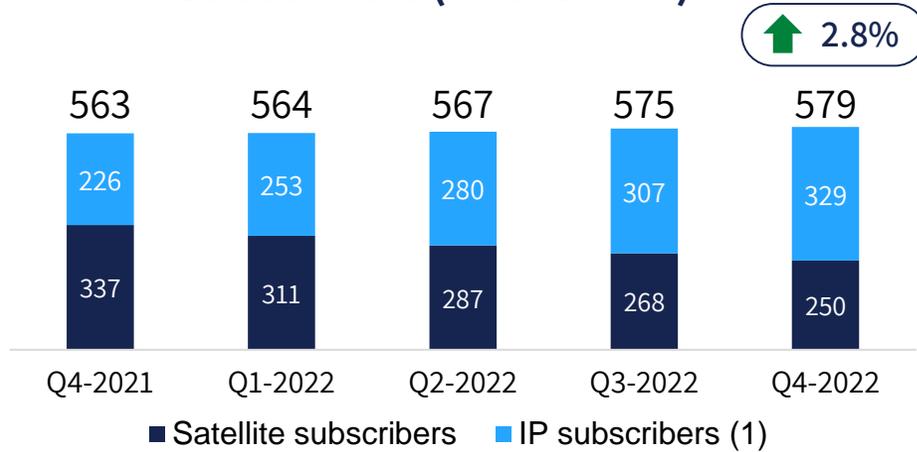


- Revenue growth mainly due to sales of content
- Decrease in Adjusted EBITDA and Adjusted Net Profit mainly due to an increase in content expenses, salary expenses impacted by the collective labor agreement as well as the launch of the TV/fiber bundle
- Free cash flow was impacted by changes in working capital

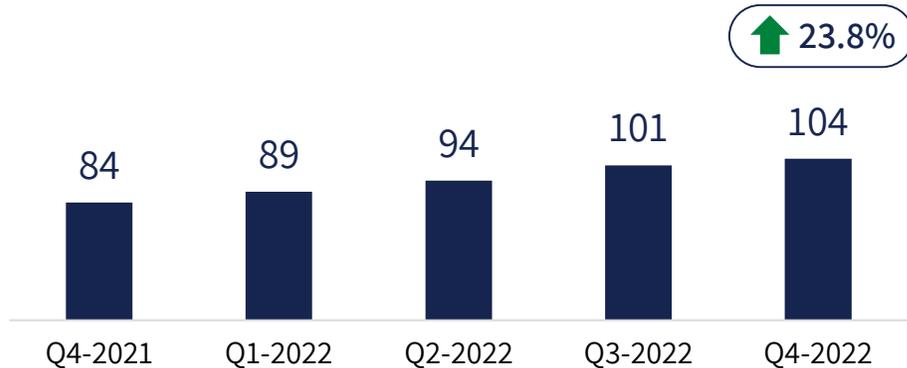


yes | Key Operational Metrics

Subscribers (Thousands)



STINGTV Subscribers (Thousands)



(R) ARPU



- Net subscriber growth of 16k with 4k in Q4-22; highest annual subscriber growth since 2014
- Decrease in ARPU due to change in subscriber mix with growth in STINGTV subscribers (18% of subscribers)
- 60% of yes subscribers watch IPTV (as of date of report)



Bezeq International | 2022 Summary



Revenue growth from business services following CloudEdge acquisition



Focus on expansion of ICT activities for B2B market



Reduction in consumer ISP activity due to regulatory removal of Internet infrastructure-ISP separation as of April 2022



Implementation of agreement with labor union for voluntary retirement of employees

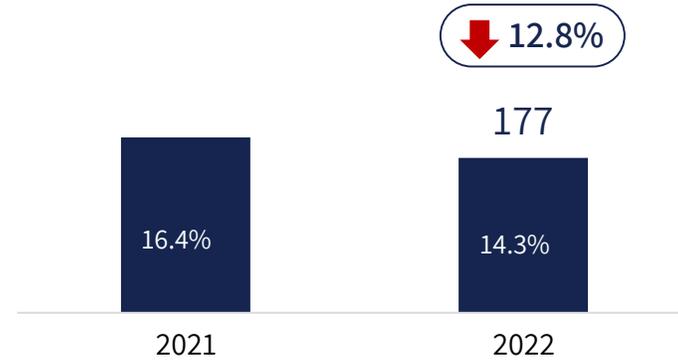


Bezeq International | 2022 Key Financial Highlights NIS Million

Revenues



Adjusted EBITDA ⁽¹⁾



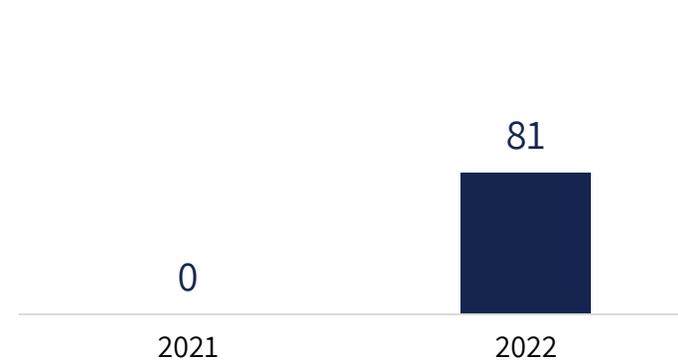
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow



- Increase in revenues from business services due to activity growth and CloudEdge acquisition, partially offset by decrease in consumer ISP revenues
- Increase in Adjusted Net Profit mainly due to lower depreciation and tax expenses
- Free cash flow was positively impacted by timing differences in working capital due to employee sanctions in 2021

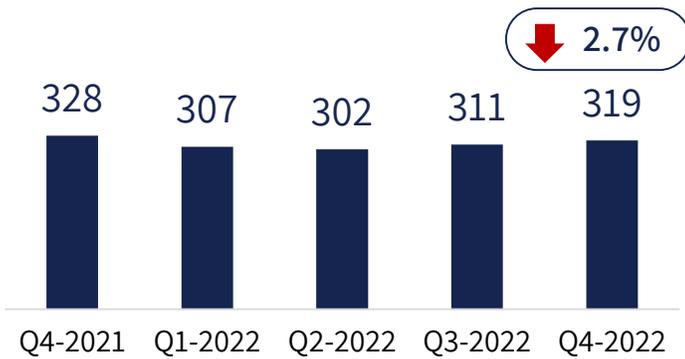
% - Capex/Sales

% - Adjusted EBITDA margin

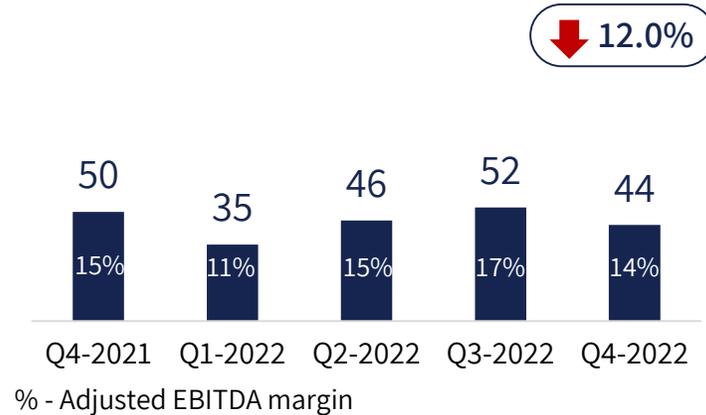


Bezeq International | Q4-2022 Key Financial Highlights NIS Million

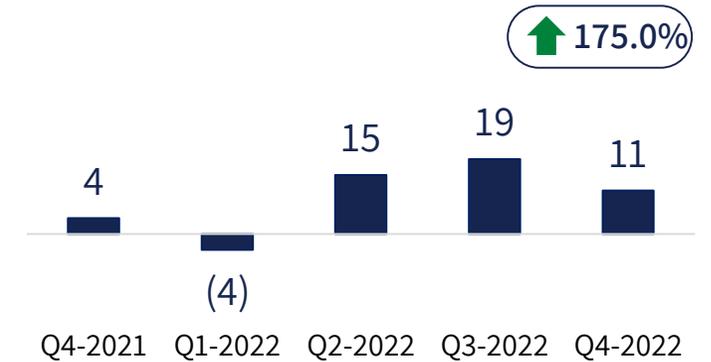
Revenues



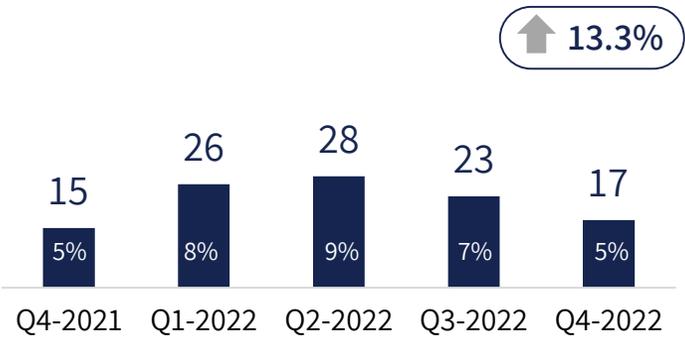
Adjusted EBITDA ⁽¹⁾



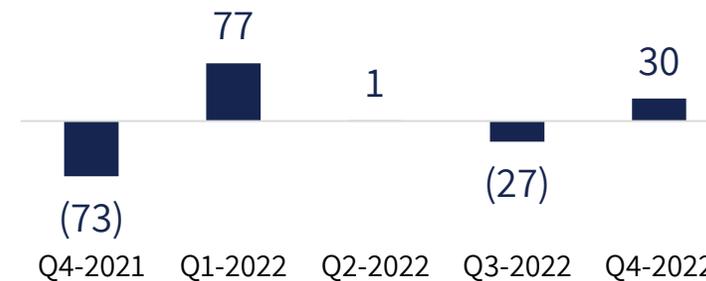
Adjusted Net Profit ⁽¹⁾



CapEx



Free Cash Flow



- Revenue and Adjusted EBITDA decline due to reduction in consumer ISP activity due to regulatory removal of Internet infrastructure-ISP separation as of April 2022
- Increase in Adjusted Net Profit mainly due to lower depreciation expenses
- Free cash flow was positively impacted by timing differences in working capital due to employee sanctions in Q4-21

% - Capex/Sales

(1) 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 | Focused on Growth



Accelerated fiber take-up as growth driver



Growth and improved performance in Telephone



yes launched TV + Bezeq fiber bundle



Dividend payout ratio upgrade



Continued decrease in financial debt



Bezeq Group is executing on its strategy while focusing on growth



Thank You!

For more information please visit us
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