



Bezeq Group

Q2 2022

Investor Presentation

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Bezeq Group | Key Takeaways



Revenue growth of 3-4% y-o-y in Bezeq Fixed-Line and Pelephone



Accelerated deployment of fiber optics, increase in take-up and continued growth in retail broadband ARPU



Roaming recovery and transition to 5G plans with higher ARPU



Subscriber growth in Pelephone and yes



Significant improvement in Pelephone financials and positive free cash flow in yes in H1-2022



Continued decrease in net debt, combined with dividend distributions



Continued focus and improvement in ESG



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



Bezeq Group | Q2 2022 Summary

Revenues
NIS **2.23** billion
↑ 1.1%

Adjusted EBITDA*
NIS **924** million
↓ 2.1%
Adjusted EBITDA margin **41.5%**

Adjusted Net Profit*
NIS **310** million
↑ 2.0%

Free Cash Flow
NIS **359** million
↑ 322.4%

Decrease in Net Debt
NIS **1** billion
↓ 15.4%
Improved coverage ratios

Homes Passed
1.36 million**
Fiber Subscribers
(retail and wholesale)
180 thousand**

ARPU Internet
NIS **113**
↑ 6.6%

Cellular subscribers
2.64 million
↑ 4.6%
of which 702k subs
with 5G plans**

Cellular ARPU
NIS **57**
↑ 5.6%
Cellular Service Revenues
NIS **446** million
↑ 9.0%

TV subscribers
567 thousand
↑ 1.3%
More than half are IP subscribers**

All results are compared to Q1-2022 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

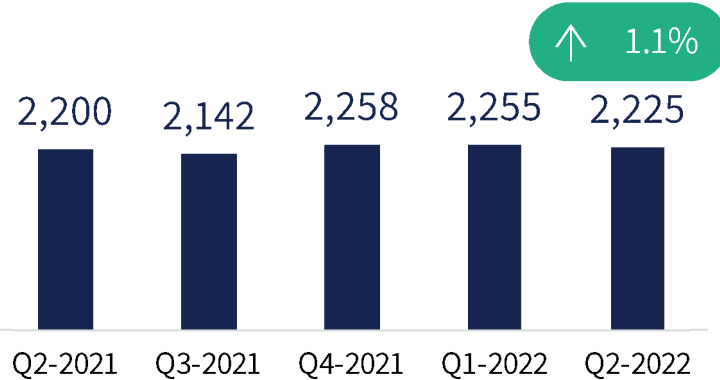
** As of early August



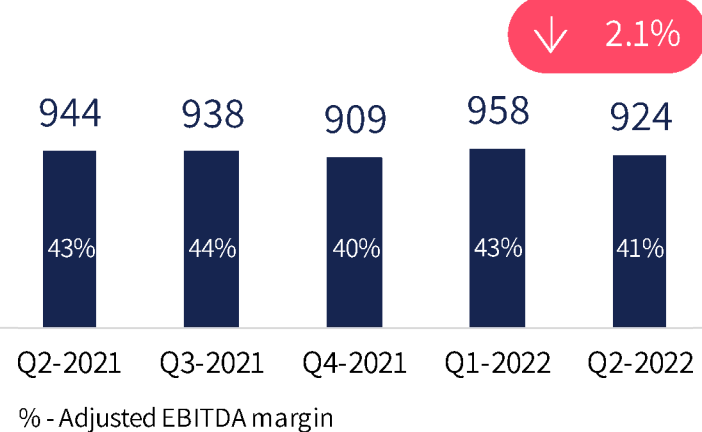
Bezeq Group | Q2-2022 Financial Highlights

NIS millions

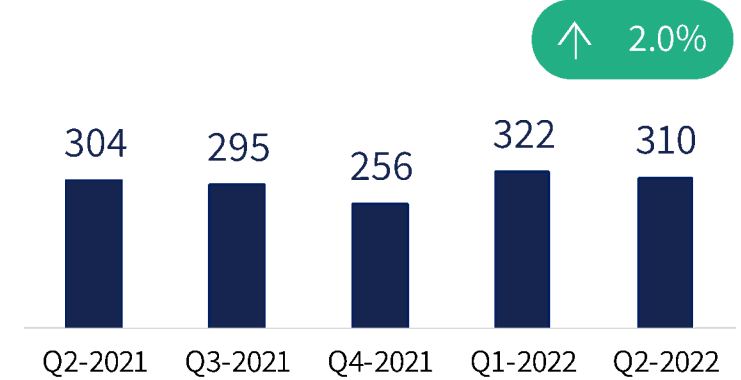
Revenues



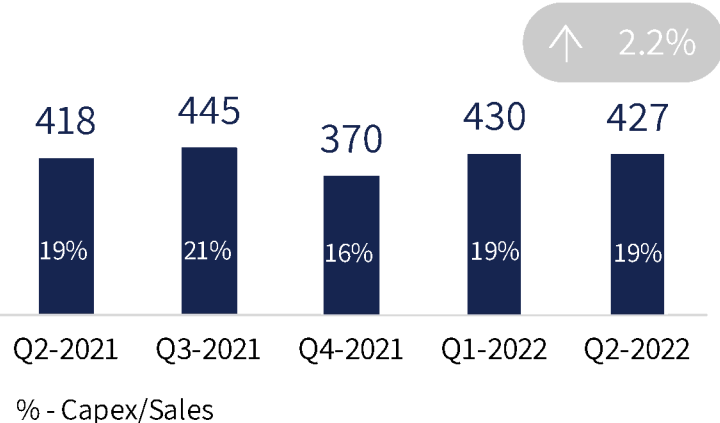
Adjusted EBITDA*



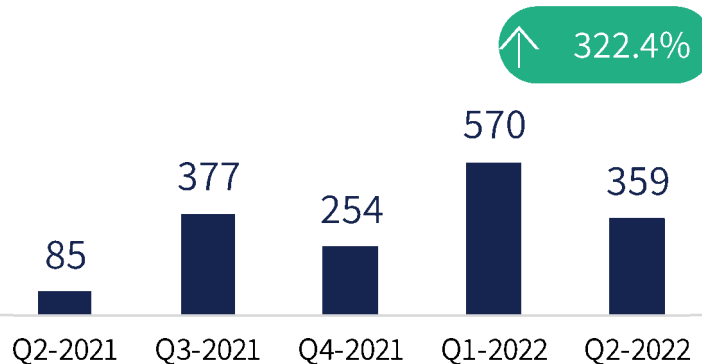
Adjusted Net Profit*



CapEx



Free Cash Flow



- Increase of 3-4% in revenues of Bezeq Fixed-Line and Pelephone
- Increase in Adjusted Net Profit mainly due to improved profitability in Pelephone
- Free cash flow was positively impacted by timing differences in working capital in Bezeq Fixed-Line and improved profitability and working capital in Pelephone



Bezeq Group | H1-2022 Financial Highlights

NIS millions

Revenues

↑ 1.3%

4,421

4,480

H1-2021

H1-2022

Adjusted EBITDA*

↑ 1.1%

1,862

1,882

H1-2021

H1-2022

% - Adjusted EBITDA margin

42%

42%

Adjusted Net Profit*

↑ 4.8%

603

632

H1-2021

H1-2022

CapEx

↓ 2.2%

876

857

H1-2021

H1-2022

% - Capex/Sales

20%

19%

Free Cash Flow

↑ 127.7%

929

408

H1-2021

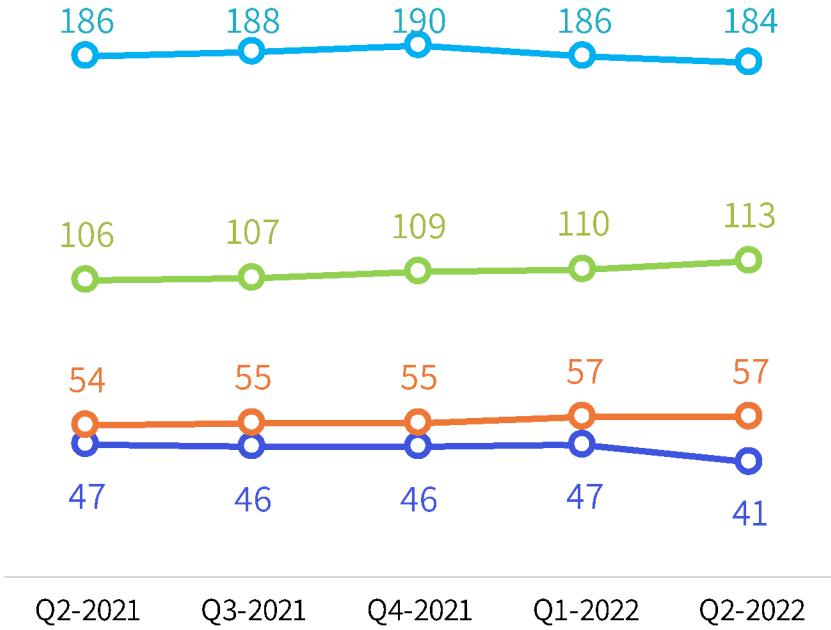
H1-2022

- Group revenue growth led by Bezeq Fixed-Line and Telephone
- Increase in Adjusted EBITDA and Adjusted Net Profit mainly due to improved profitability in Telephone
- Strong free cash flow generation mainly due to timing differences and improved working capital

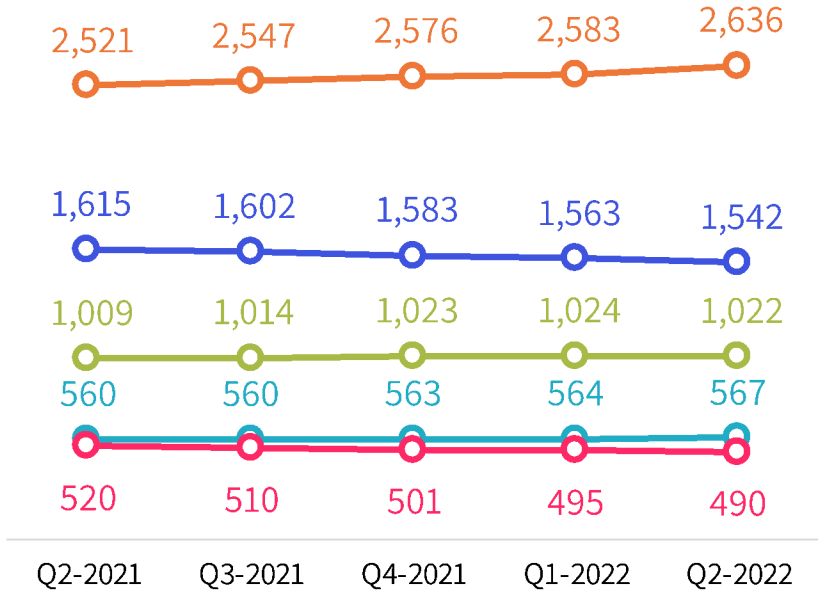


Bezeq Group | Key Operational Metrics

ARPU (NIS)



Subscribers (end of period, in thousands)



● TV ● Retail Internet ● Wholesale Internet ● Telephony Lines ● Cellular

6.6% y-o-y increase in retail Internet ARPU

5.6% y-o-y increase in cellular ARPU

Increase in cellular and TV subscribers

Decrease in telephony ARPL due to MOC tariff reduction

Moderate decrease in TV ARPU (change in subscriber mix)

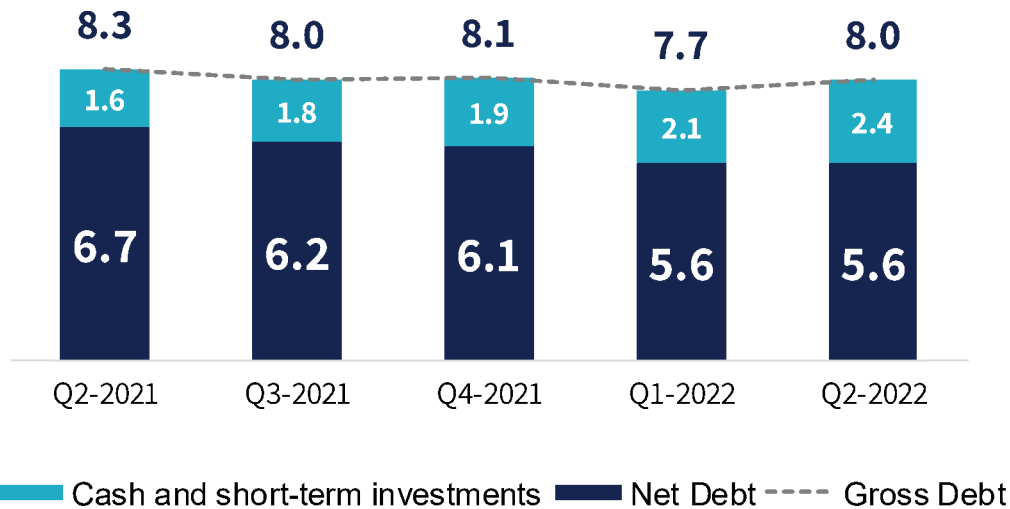
Stable retail Internet subs as fiber take-up offset copper churn



Bezeq Group | Financial Debt

NIS billions

Net Debt (NIS billions)



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

Continued decrease in net debt

- Decrease of over NIS 1 billion, or 15%, year-over-year

Further improvement in Net debt/EBITDA ratio

- Decreased to 1.7 from 2.0 a year ago

Debt ratings

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



Bezeq Group | 2022 Updated Guidance



Previous Outlook



Updated Outlook

Adjusted EBITDA*	NIS 3.6-3.7 billion	NIS 3.65-3.75 billion
Adjusted net profit*	NIS 1.0-1.1 billion	NIS 1.1-1.2 billion
CapEx	NIS 1.7-1.8 billion	NIS 1.7-1.8 billion (unchanged)
Fiber Deployment (Homes Passed)	1.4 million households	Approx. 1.5 million households
Financial stability	Maintain high credit rating within the AA group	





Bezeq Fixed-Line



Bezeq Fixed-Line | Q2 2022 Summary



Total revenues increased 2.7% to NIS 1.07 billion despite the MOC telephony tariff reduction



Further deployment of fiber and customer take-up. We reached 1.36 m homes passed and 180k subscribers*



Broadband Internet revenues increased 10% driven by fiber take up, retail ARPU growth and wholesale tariff update



Fiber connections and sales of equipment led to increased retail broadband ARPU



Continued business sector revenue growth



Removal of separation between broadband infrastructure and Internet access (ISP) as of April 2022

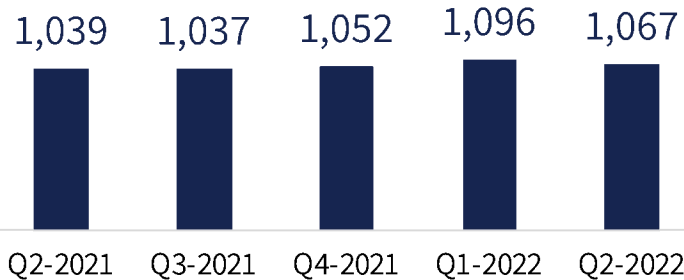


Bezeq Fixed-Line | Q2-2022 Financial Highlights

NIS millions

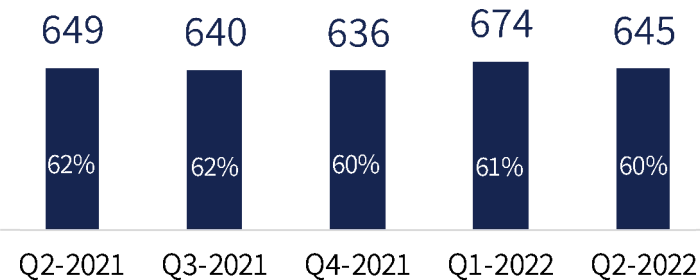
Revenues

↑ 2.7%



Adjusted EBITDA*

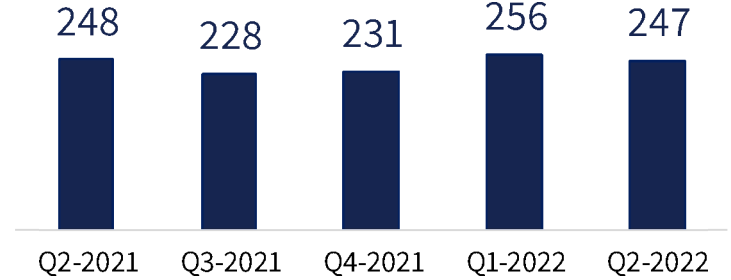
↓ 0.6%



% - Adjusted EBITDA margin

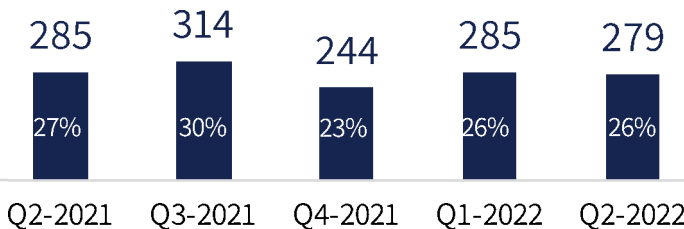
Adjusted Net Profit*

↓ 0.4%



CapEx

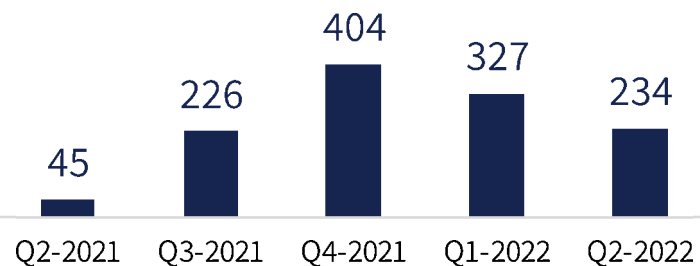
↓ 2.1%



% - Capex/Sales

Free Cash Flow

↑ 420.0%



- Continued top-line growth driven by broadband Internet and business services
- Minor decline in Adjusted EBITDA and Adjusted Net Profit following MOC telephony tariff reduction
- Significant increase in free cash flow primarily due to timing differences in working capital



Bezeq Fixed-Line | H1-2022 Financial Highlights

NIS millions

Revenues

↑ 3.3%

2,093

2,163

H1-2021

H1-2022

Adjusted EBITDA*

↓ 0.1%

1,320

1,319

H1-2021

H1-2022

% - Adjusted EBITDA margin

Adjusted Net Profit*

↓ 6.5%

538

503

H1-2021

H1-2022

CapEx

↓ 5.5%

597

564

H1-2021

H1-2022

% - Capex/Sales

Free Cash Flow

↑ 41.7%

396

561

H1-2021

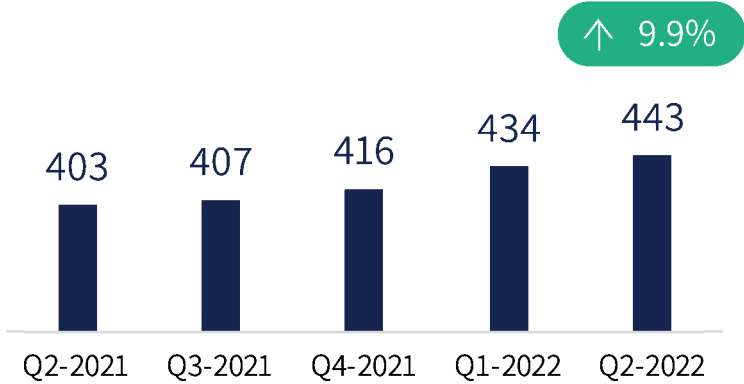
H1-2022

- 3% top-line growth in H1-2022 reflects resilient revenue base as MOC telephony tariff reduction kicks in as of Q2-2022
- Strong free cash flow driven by timing differences and improved working capital

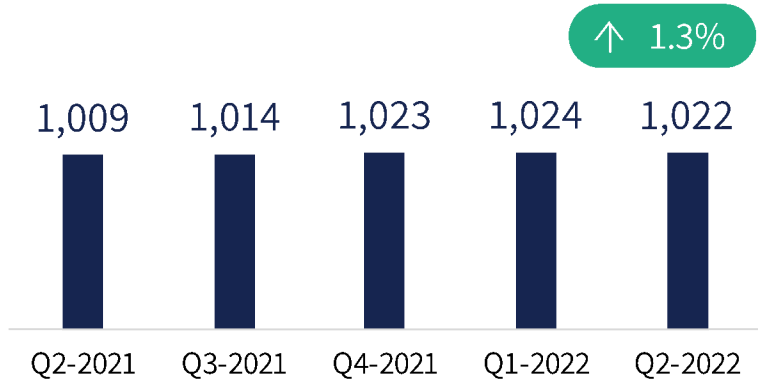


Bezeq Fixed-Line | Broadband Internet

Broadband Revenues (NIS m)



Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Broadband Bandwidth (Mbps, avg.)

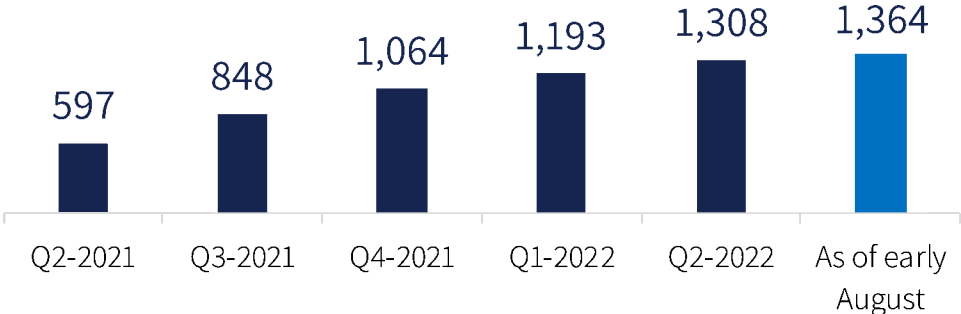


- Continued increase in broadband revenues driven by increase in retail and wholesale ARPU, positively impacted by fiber subscriber connections, an increase in customer premises equipment and an increase in ISP customers
- Fiber take-up offsets copper churn

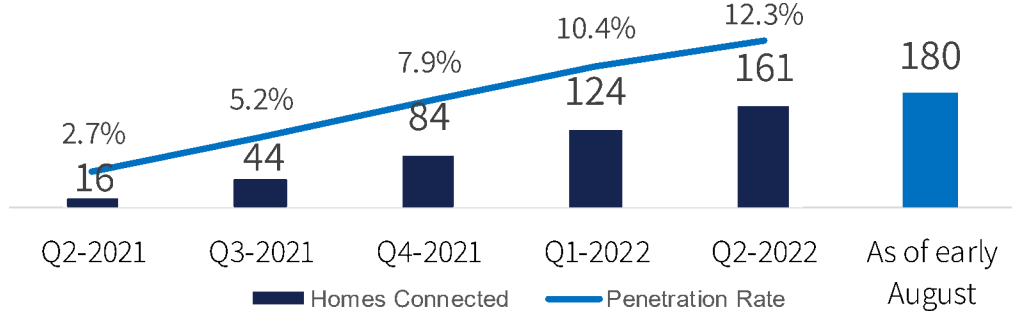


Bezeq is Sweeping the Nation with Fiber Optics

Homes Passed (thousands)

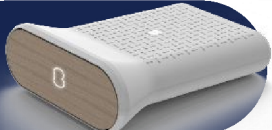
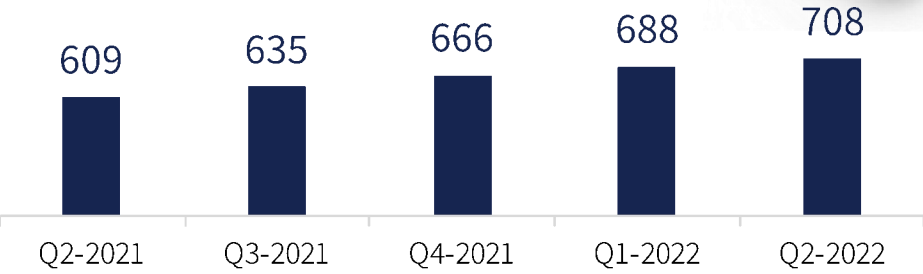


Fiber Subscribers (thousands)

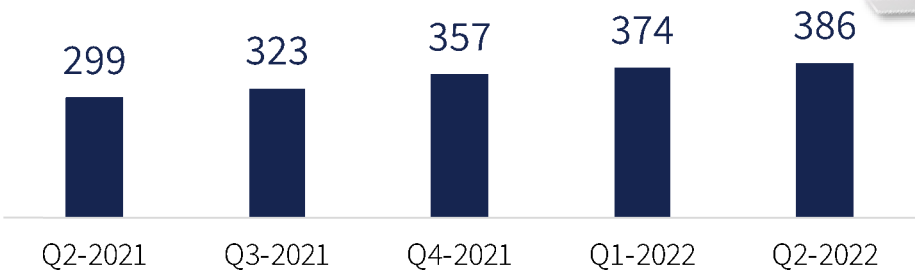


Focus on increasing fiber subs

Customers with Be router (thousands)



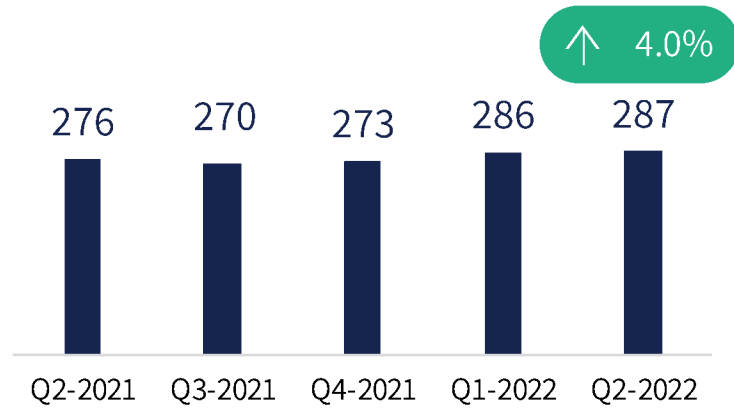
Customers with Be Spot and Be Mesh (thousands)



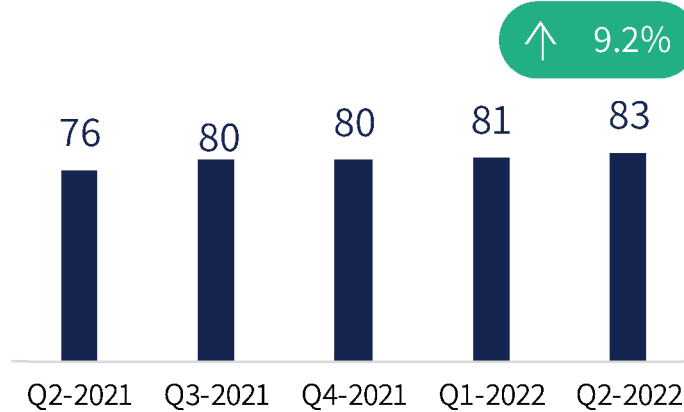
Bezeq Fixed-Line | Data, Telephony and Cloud & Digital Revenues

NIS millions

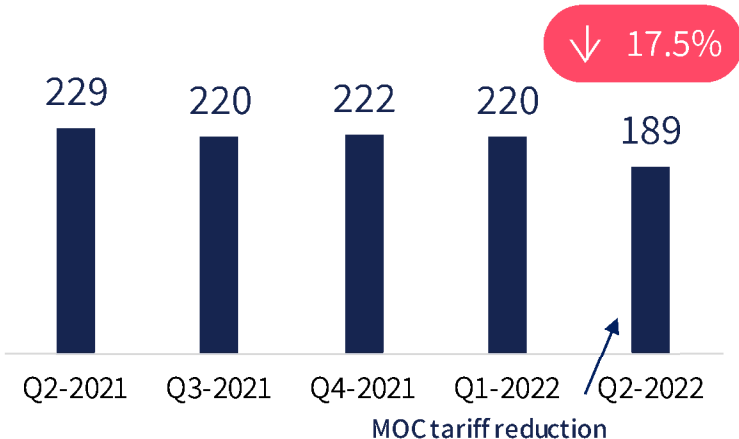
Transmission & Data



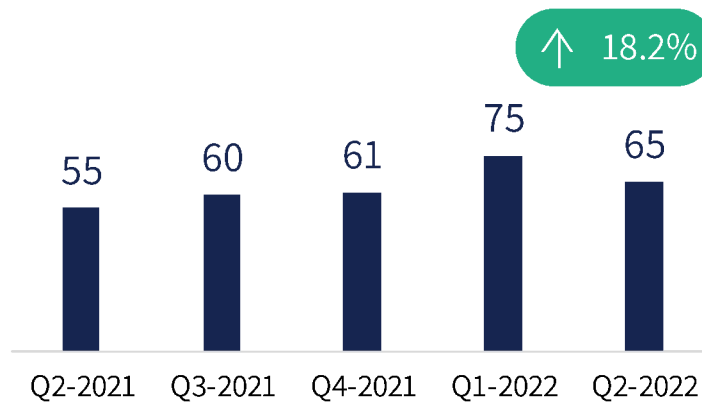
Cloud & Digital



Telephony



Other



- Continued growth in revenues from the business sector
- Increase in other revenues due to the Blue-Raman submarine cable project with Google
- Decrease in telephony revenues due to MOC tariff reduction beginning Q2-2022

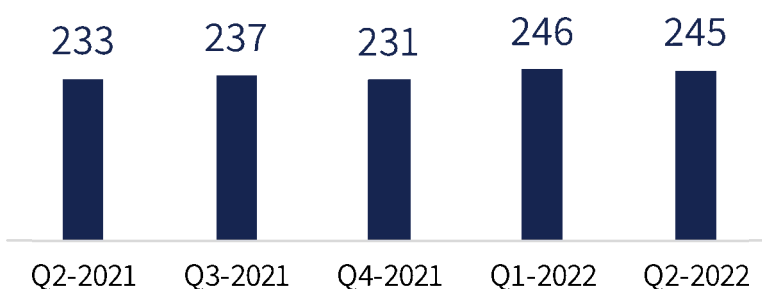


Bezeq Fixed-Line | Expenses Development

NIS millions

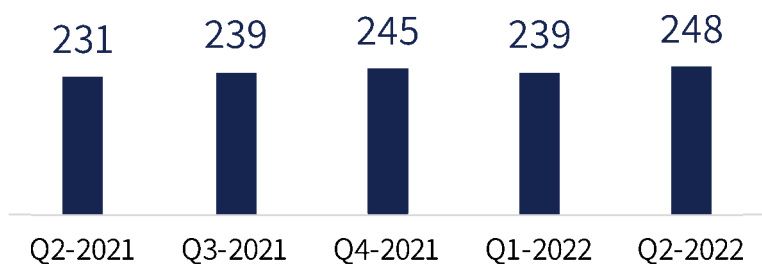
Salaries

↑ 5.2%



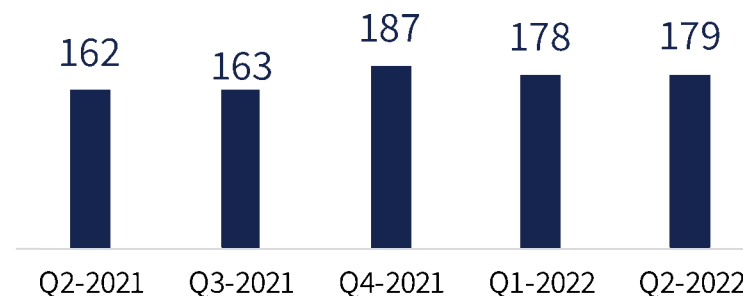
Depreciation & Amortization

↑ 7.4%

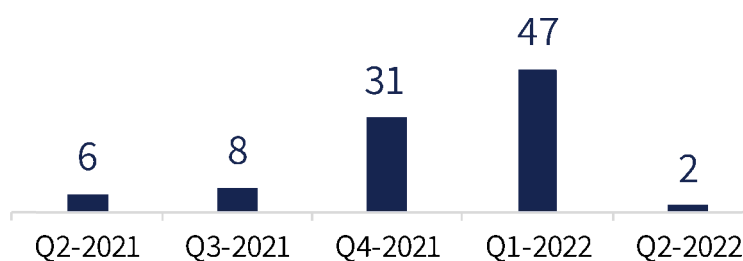


Operating Expenses

↑ 10.5%



Other Expenses



- Increase in salaries due to employee recruitment relating to fiber project
- Increase in operating expenses mainly due to higher subcontractor and materials expenses relating to the fiber project
- Increase in depreciation expenses driven mainly by CapEx increase



Bezeq Fixed-Line | Summary



Deployment of fiber at accelerated pace combined with increase in customer take-up



Growth in broadband revenues offset impact of MOC telephony tariff reduction



Continued success in sales of Be router and Wi-Fi enhancers



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



Accelerated fiber deployment combined with increased focus on take-up reflects potential for continued growth and strengthening of Bezeq's position in the residential market



Pelephone | Q2-2022 Summary



Continued growth in subscribers with 53k net adds in Q2 2022;
702k subscribers* with 5G plans contributing to ARPU



Improved Adjusted EBITDA, Adjusted Net Profit and Free Cash Flow



Fifth consecutive quarter with year-over-year increase in service revenues driven by recovery in roaming revenues, increase in subscribers and growth in 5G subscriber plans

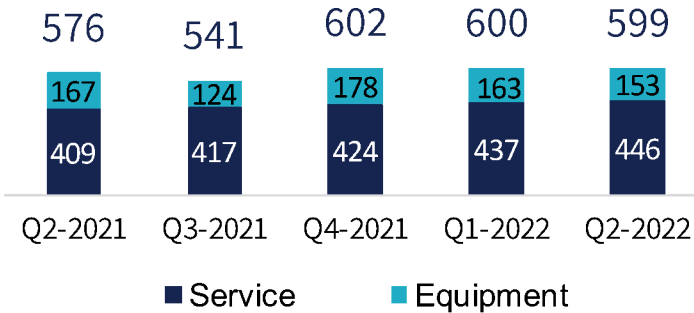


Pelephone | Q2-2022 Financial Highlights

NIS millions

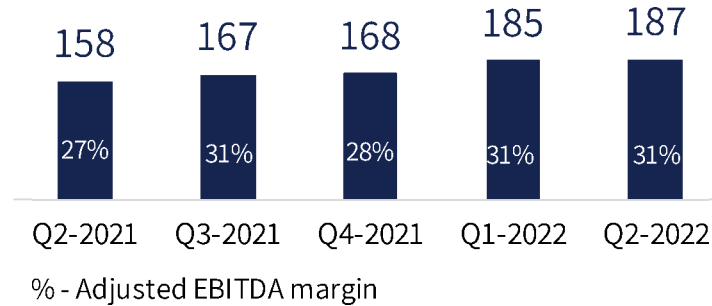
Revenues

↑ 4.0%



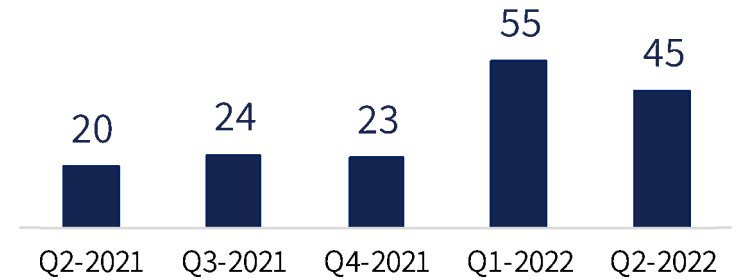
Adjusted EBITDA*

↑ 18.4%



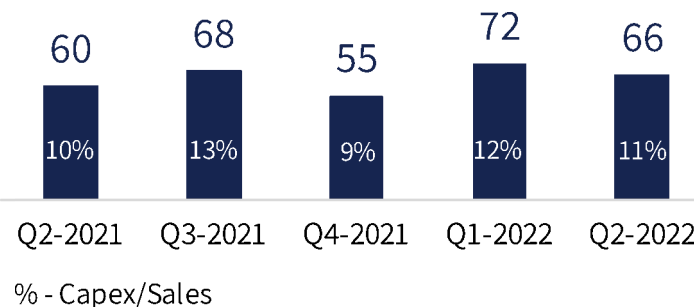
Adjusted Net Profit*

↑ 129.7%



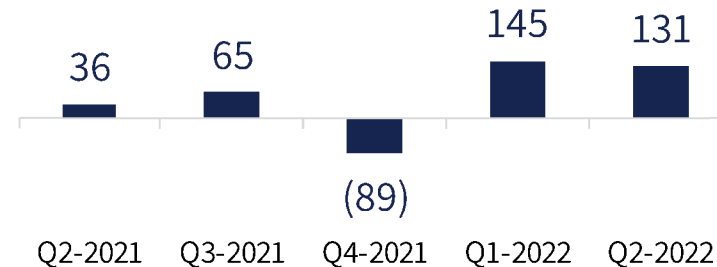
CapEx

↑ 10.0%



Free Cash Flow

↑ 263.9%



- Record quarterly service revenues in last three years
- 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
- Growth in Free Cash Flow mainly due to improved profitability as well as working capital changes

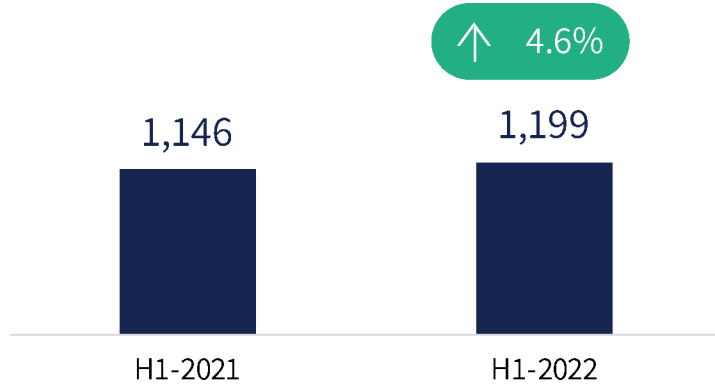
* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



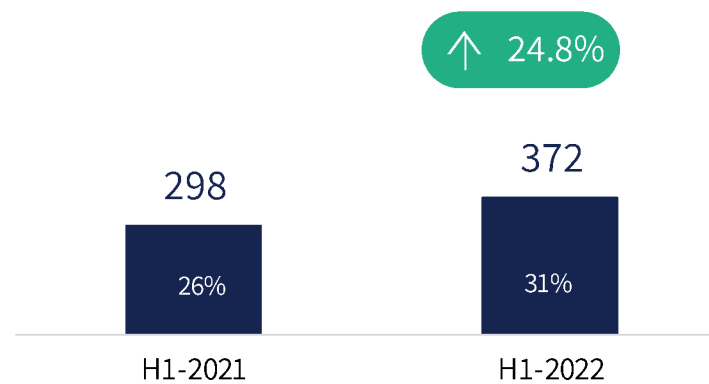
Pelephone | H1-2022 Financial Highlights

NIS millions

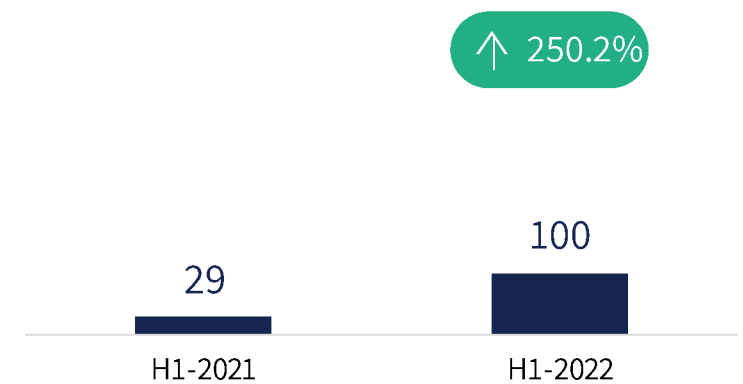
Revenues



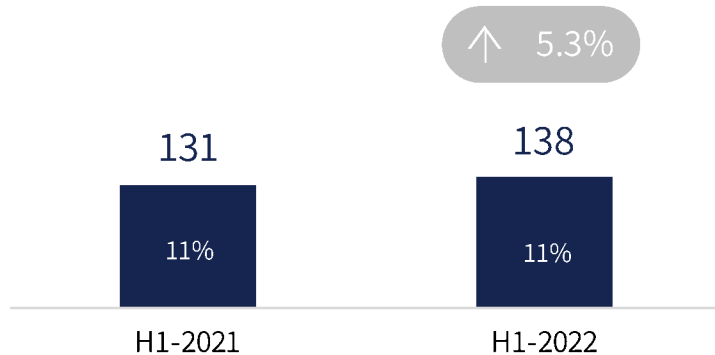
Adjusted EBITDA*



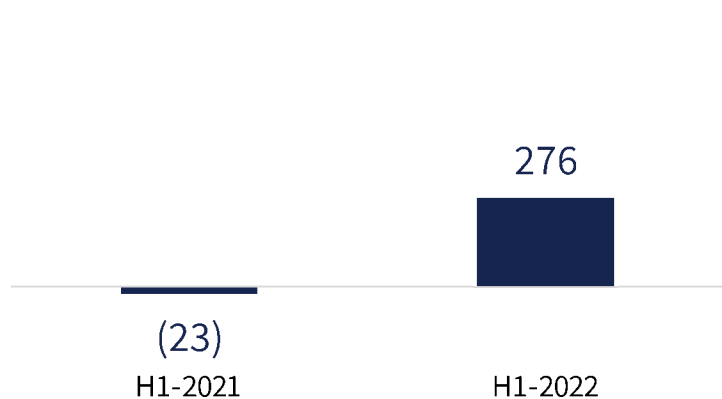
Adjusted Net Profit*



CapEx



Free Cash Flow



- 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
- Free cash flow was positively impacted by timing differences relating to customer debt collection due to employee sanctions in the second half of 2021

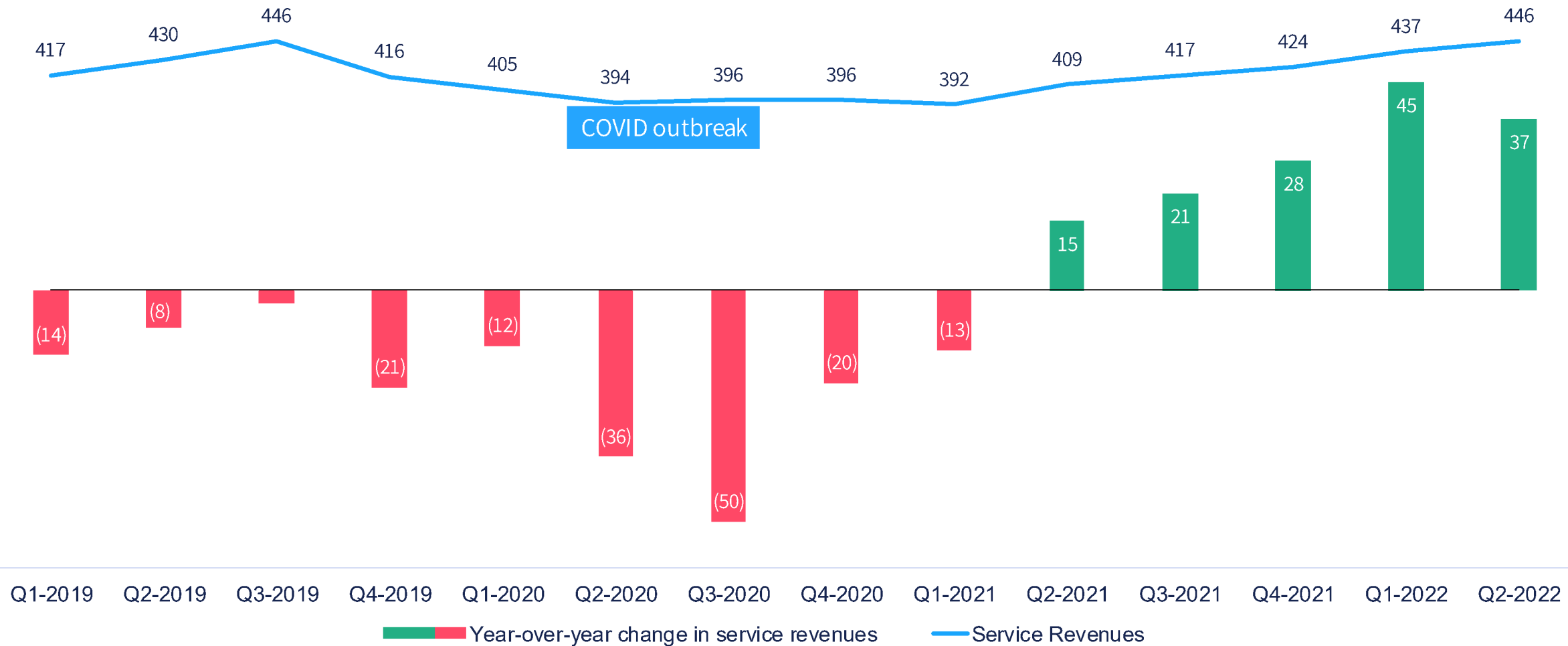
% - Capex/Sales

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



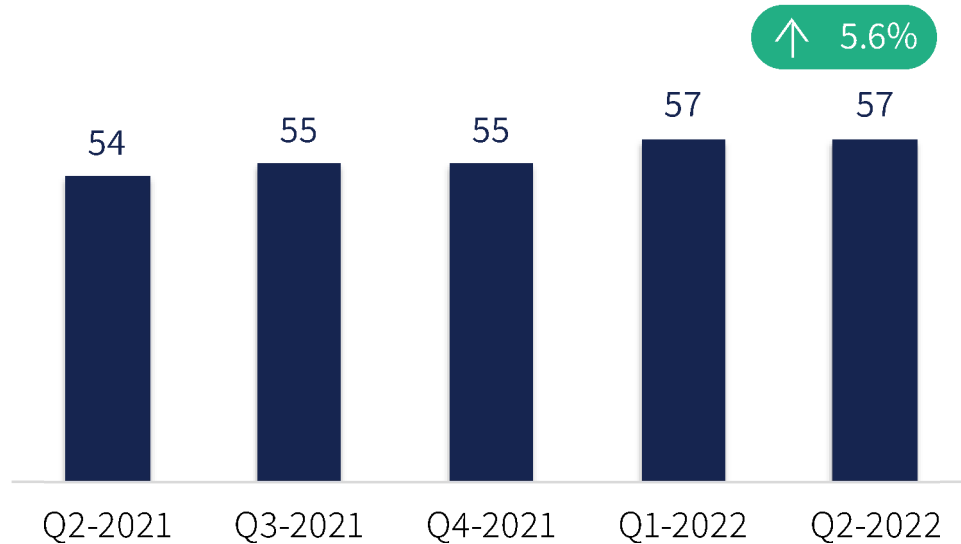
Pelephone | Continued Turnaround in Service Revenues

NIS millions



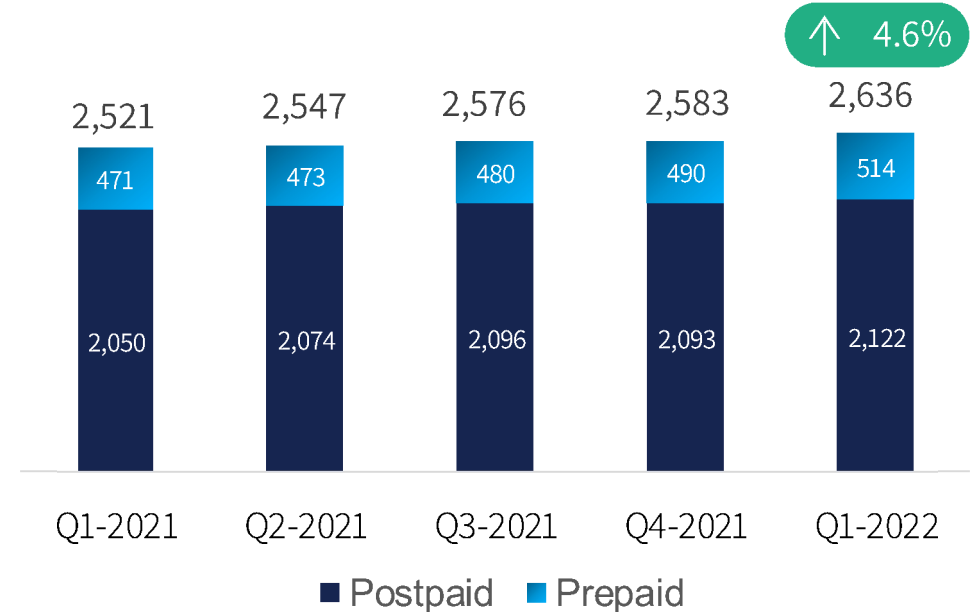
Pelephone | Key Operational Metrics

ARPU (NIS)



- ARPU increase of 5.6% y-o-y due to recovery in roaming revenues and an increase in 5G subscriber plans

Subscribers (Thousands)



- Net subscriber adds of 53k in Q2 2022, of which 29k were postpaid subscribers



yes | Continued subscriber growth and migration to IP



Continued growth in subscribers and record net adds in last seven years



Agreement for the distribution of the Disney+ streaming service in Israel as well as the launch of a TV-Internet bundle



Over 291k yes customers watching TV through IP broadcasting (51%), of which 97k are STINGTV customers*



yes continues to lead in production of professional and high quality TV content



Stable revenues and positive free cash flow in H1-2022



Savings in opex and capex upon completion of migration from satellite to IPTV in 2026

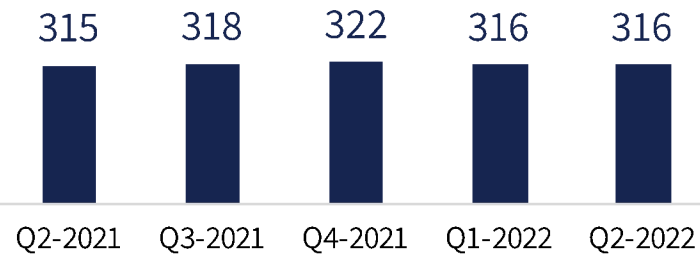


yes | Q2-2022 Financial Highlights

NIS millions

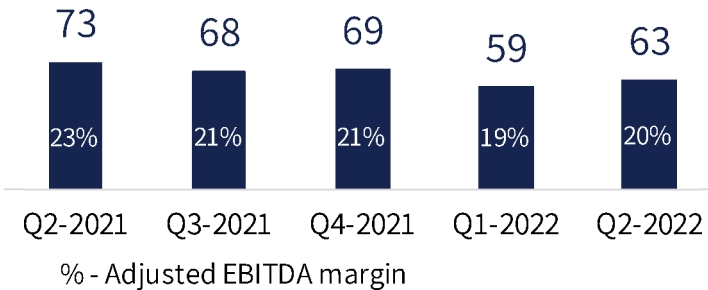
Revenues

↑ 0.3%

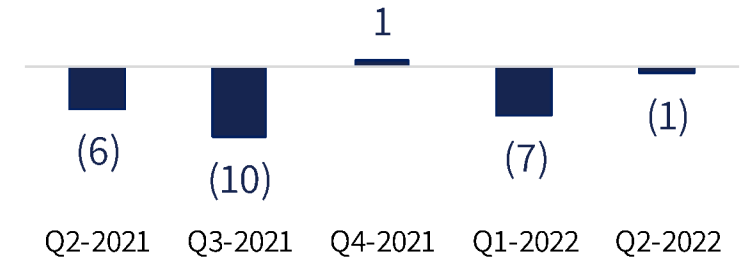


Adjusted EBITDA*

↓ 13.7%

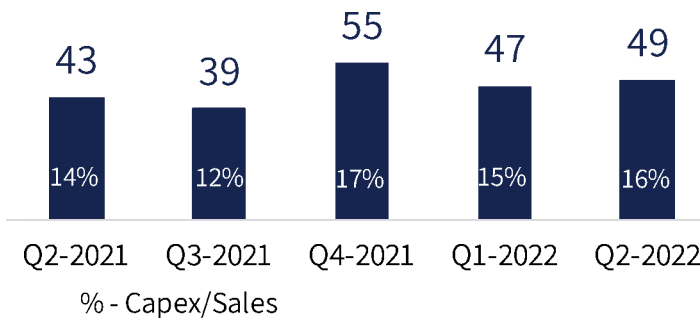


Adjusted Net Profit (Loss)*

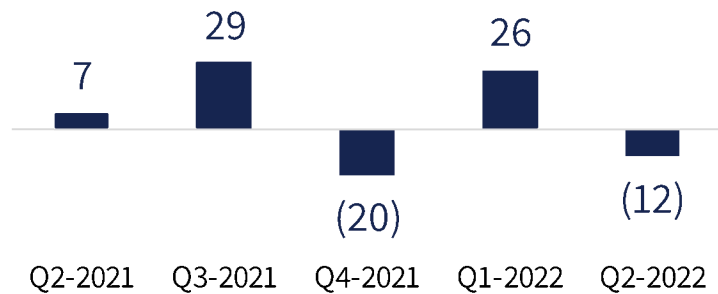


CapEx

↑ 14.0%



Free Cash Flow



- Stable revenues on slightly lower ARPU due to an increase in STINGTV subscribers
- Decrease in Adjusted EBITDA due to an increase in content and original production expenses
- Free cash flow was impacted by timing differences in payments for content

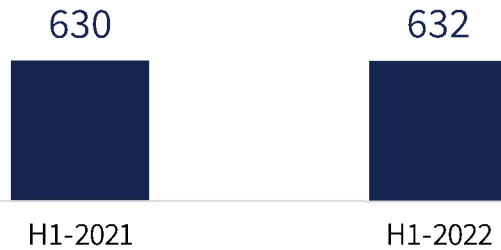


yes | H1-2022 Financial Highlights

NIS millions

Revenues

↑ 0.3%



Adjusted EBITDA*

↓ 5.4%



% - Adjusted EBITDA margin

Adjusted Net Loss*

↑ 57.9%



CapEx

↑ 11.6%



% - Capex/Sales

Free Cash Flow

↓ 30.0%

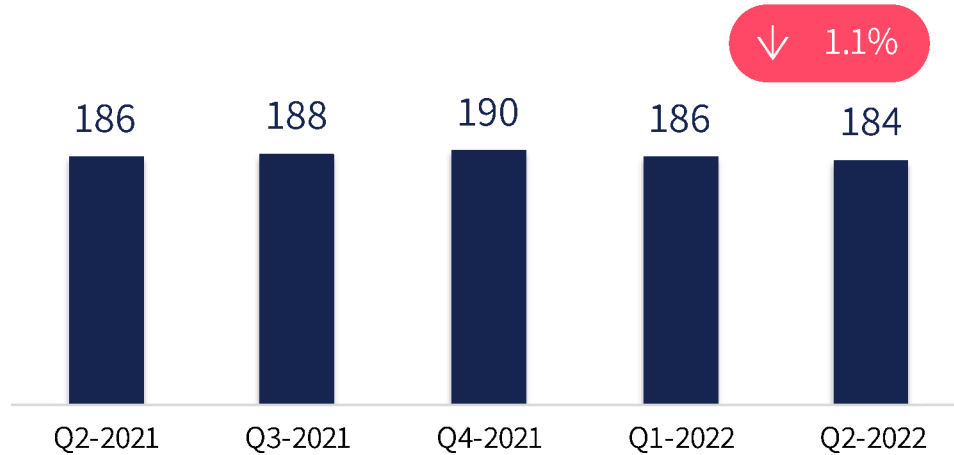


- Stable revenues and reduction in Adjusted Net Loss
- Positive free cash flow in H1-2022

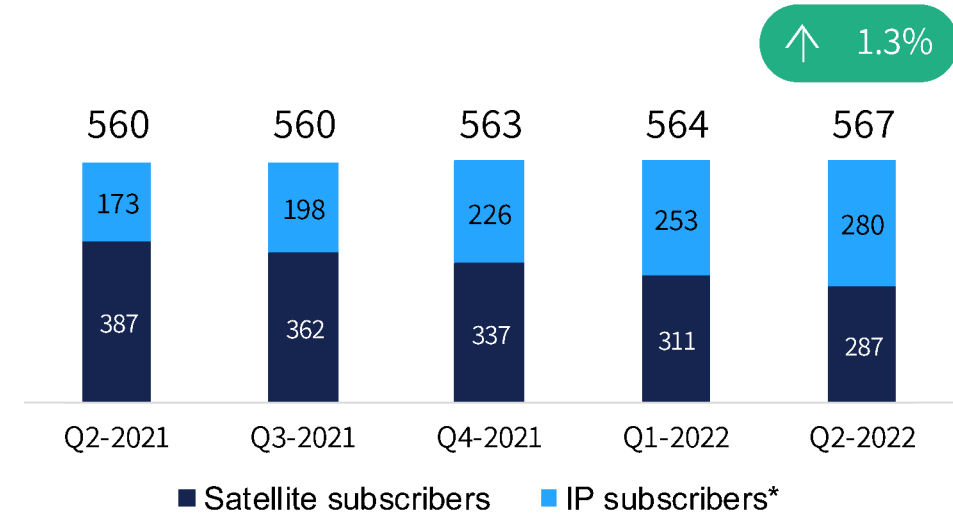


yes | Key Operational Metrics

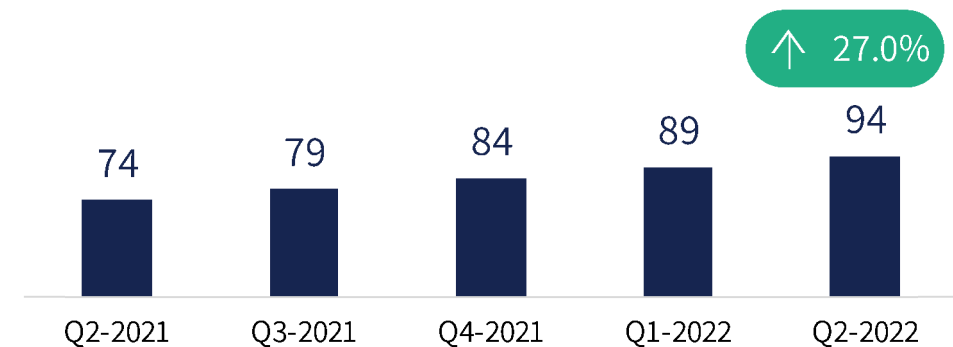
ARPU (NIS)



Subscribers (Thousands)



STINGTV Subscribers (Thousands)



- Continued subscriber growth
- Moderate decrease in ARPU due to change in subscriber mix with growth in STINGTV subscribers
- Over half of yes subscribers watch IPTV**

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

** As of early August



Bezeq International | Focus on Business Solutions – A Significant Operator in a Growing Market



Focus on expansion of ICT activities for B2B market



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



Growth in cloud solutions (business applications) and service contracts



Supply chain issues continues to impact business equipment operations

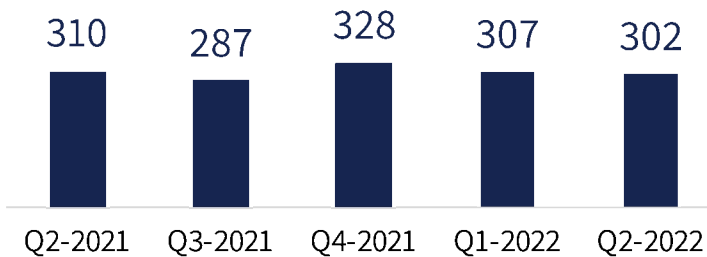


Bezeq International | Q2-2022 Financial Highlights

NIS millions

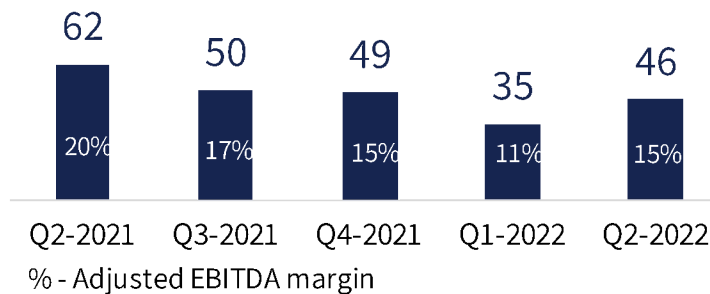
Revenues

↓ 2.6%



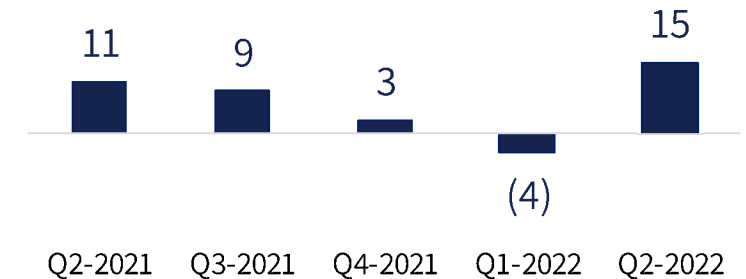
Adjusted EBITDA*

↓ 25.8%

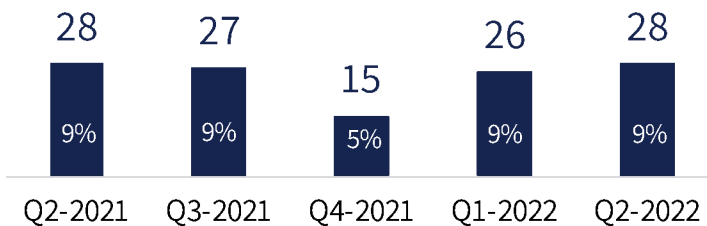


Adjusted Net Profit (Loss)*

↑ 36.4%

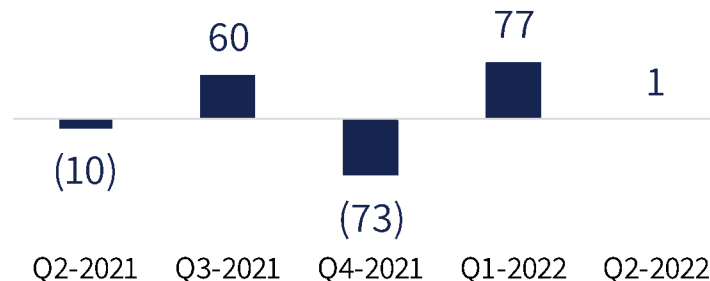


CapEx



% - Capex/Sales

Free Cash Flow



- Moderate decrease in revenues due to reduced ISP activity, partially offset by an increase in business services
- Improvement in Adjusted Net Profit mainly due to lower depreciation and amortization expenses

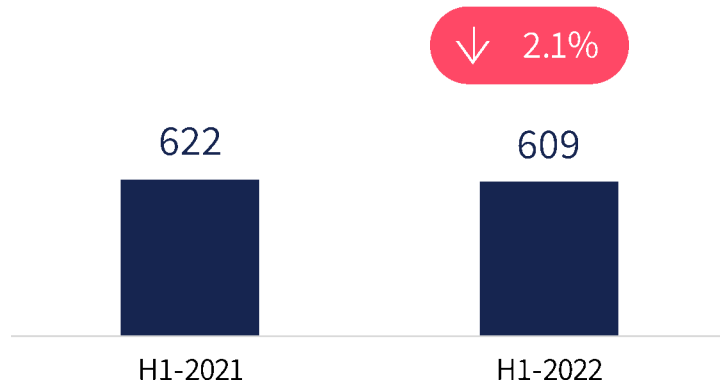
* After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



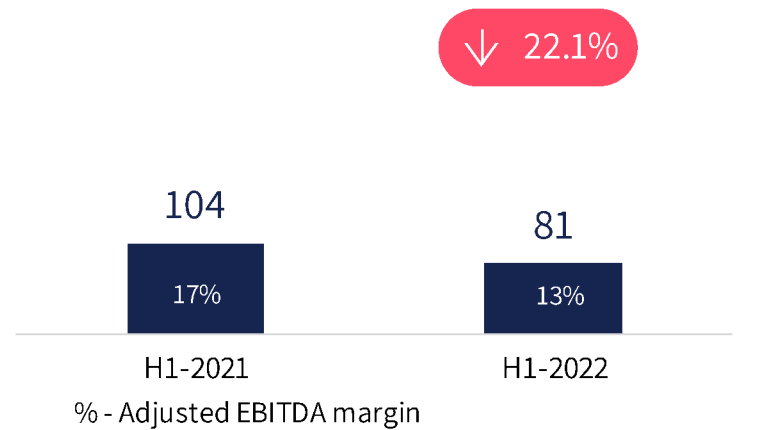
Bezeq International | H1-2022 Financial Highlights

NIS millions

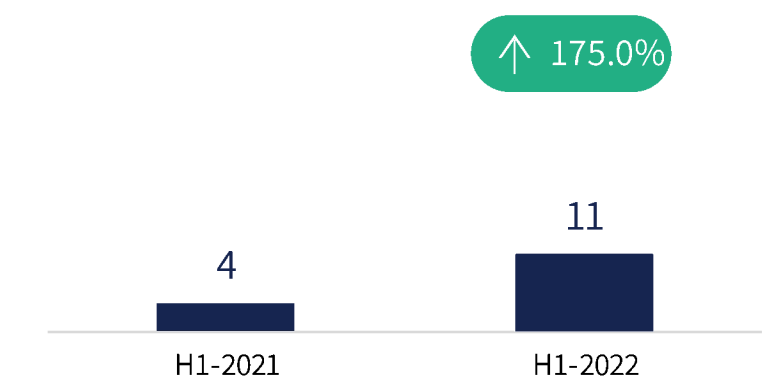
Revenues



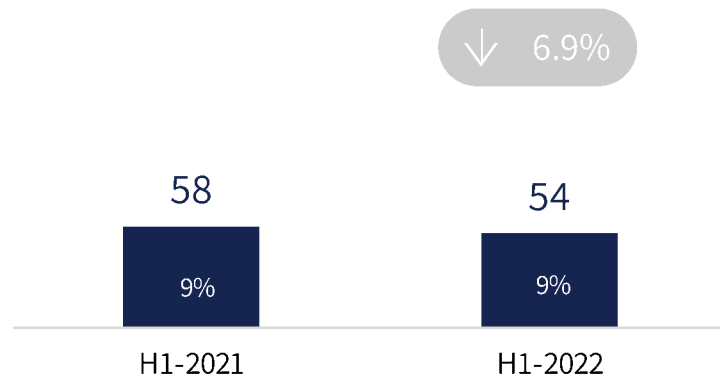
Adjusted EBITDA*



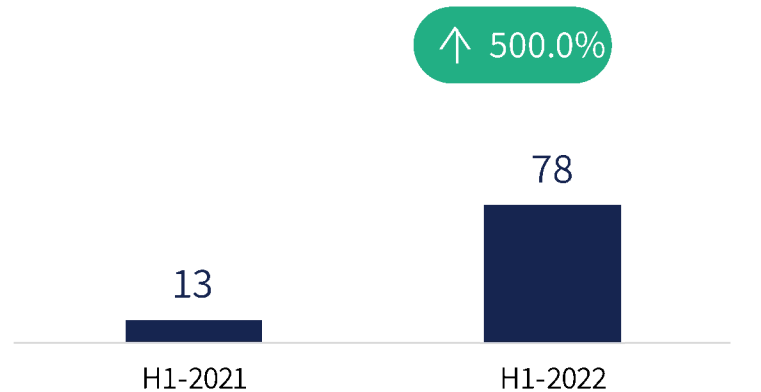
Adjusted Net Profit*



CapEx



Free Cash Flow



- Decrease in ISP revenues partially offset by an increase in revenues from business services
- Free cash flow was positively impacted by timing differences in working capital relating to customer debt collection due to employee sanctions in the second half of 2021

% - Capex/Sales

* 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 of 3-4% y-o-y in Bezeq Fixed-Line and Telephone



Accelerated deployment of fiber optics, increase in take-up and continued growth in retail broadband ARPU



Roaming recovery and transition to 5G plans with higher ARPU



Subscriber growth in Telephone and yes



Significant improvement in Telephone financials and positive free cash flow in yes in H1-2022



Continued decrease in net debt, combined with dividend distributions



Continued focus and improvement in ESG



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