



# First quarter result 2020

14 May 2020

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# First quarter highlights and main developments

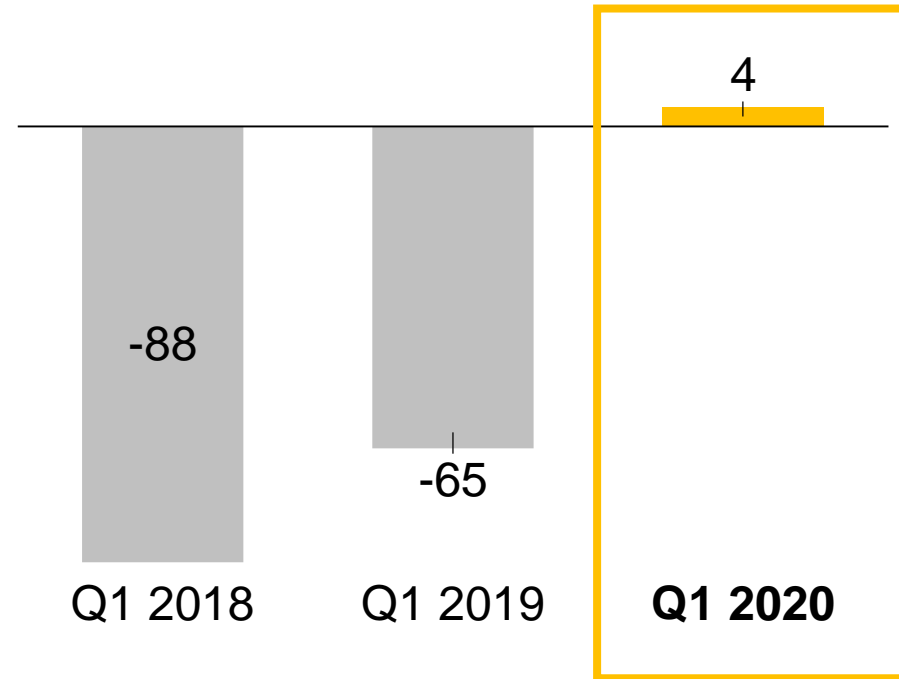
- **Adjusted EBITDA** of NOK 4 million, **positive** margin of 1%
- Smartphone **service revenues** grew by 31% to NOK 379 million
- Solid growth in **share of on-net** data and VoLTE
- 584k **smartphone subscriptions** at end of Q1, up 11k in the quarter
- **Smartphone ARPU** at 226 NOK, +5 NOK from Q1 last year
  
- Financial impact of **Covid-19** is limited
- **Market-15 regulation** of Norwegian telecom market verified by ESA
- Ice awarded **best customer care** overall in Norway

# Break-even adj. EBITDA in Q1 2020



## Adjusted EBITDA

NOK million



# Covid-19 impact:

Limited direct financial impact, focus on maintaining business as usual and continue to build the third network in Norway

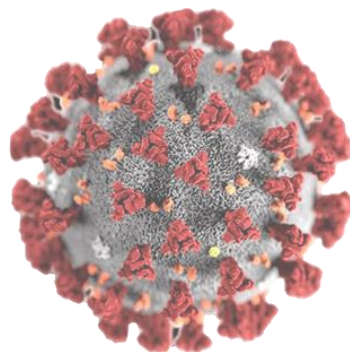
Several initiatives taken to protect employees and ensure the quality and stability of the network

Refinancing process related to outstanding PIK loans paused due to market turmoil

Small impact on speed of base station build-out. Back to planned roll-out speed in April, good pipeline of ready to build base stations.

## Changing traffic volumes:

- Data traffic is stable
- Voice traffic is up
- International roaming is down
- On-net share on data and voice is up
- Neutral effect on NRA cost for Ice



## Effects on subscription growth:

- Decline in total sales as an effect of restrictive measures, especially impacting retail sales
- Reduction in porting activity in the market
- Increase in digital sales, more focus and investments in digital in Q2

No impact on financial covenants, impairments or quality of earnings

# Continued government support for a third network in Norway

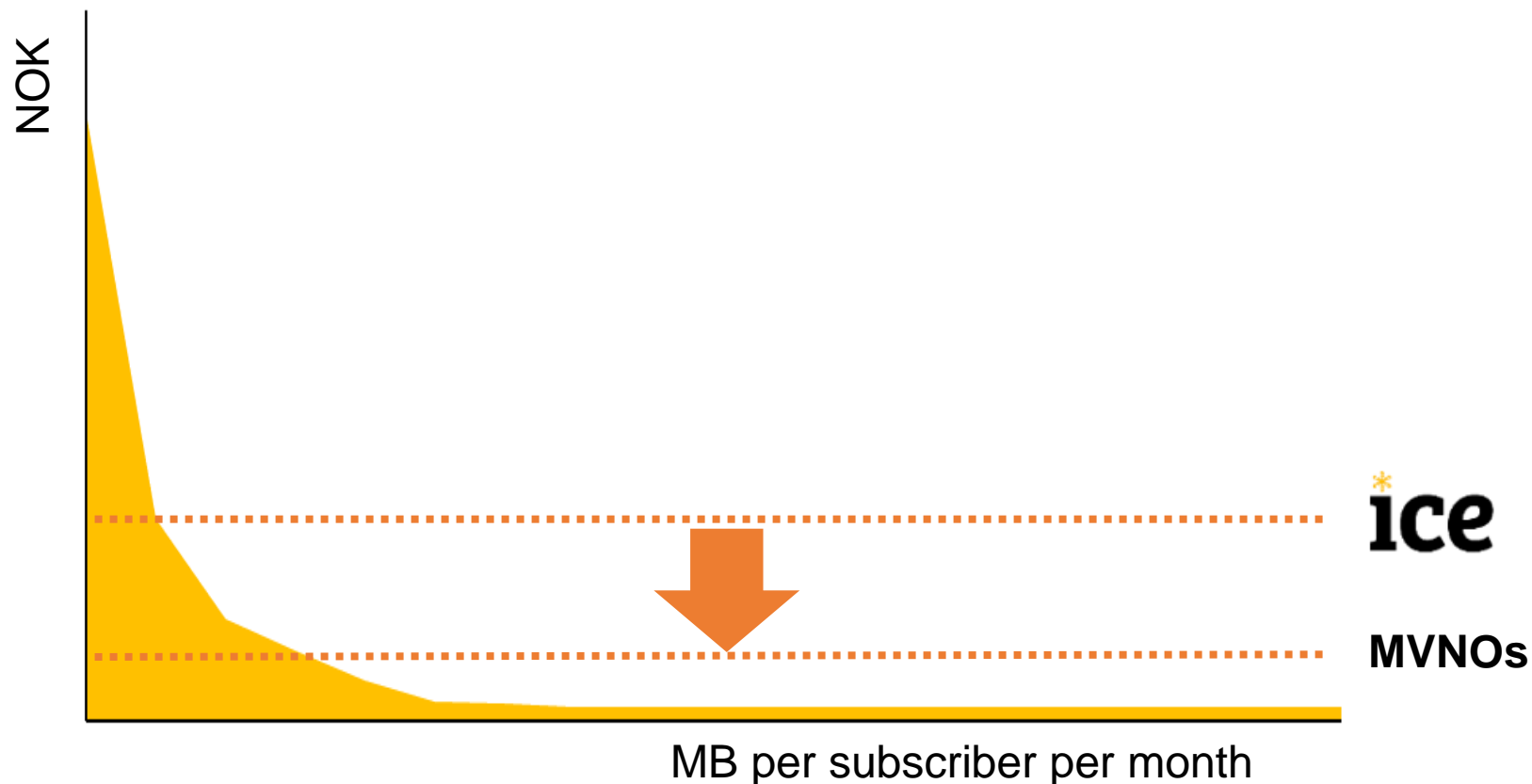
- The Norwegian telecom market will continue to be highly regulated, as one of the least competitive markets in Europe
  - Continued obligation for Telenor to offer wholesale access, with lower data prices for Ice than the current regulation
  - Continued obligation for Telenor to allow site sharing, with stricter regulation on cost sharing and application deadlines

- White paper on consumer rights approved by Parliament
  - Continued support for three mobile networks in Norway
  - The Parliament emphasized how important it is to have a third mobile network in place and to secure the third player the opportunity to compete during the network build-out phase



# Effect on NRA cost in new Market-15 regulation

## Cost per MB per subscriber per month

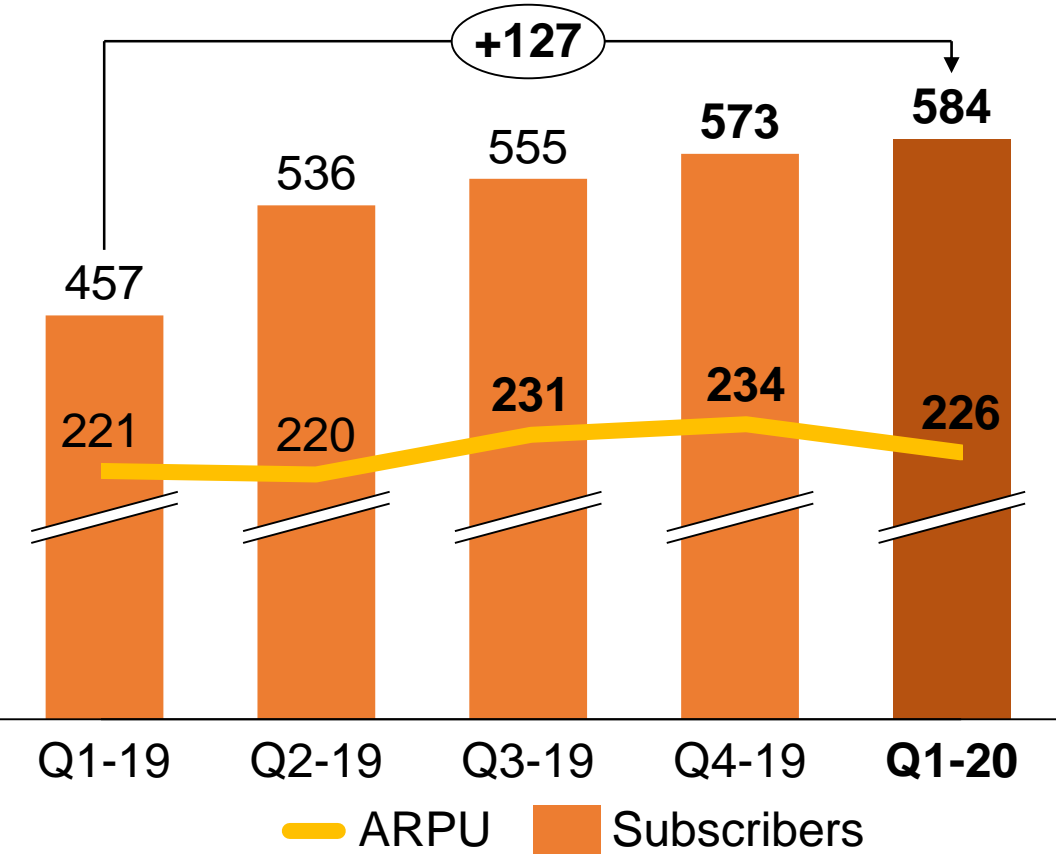


- Previous regulation with same price structure for Ice as MNVOs & Service providers
- Result of this has been higher average price per MB for Ice
- New regulation states that Ice should pay the same price per MB as the average for MVNOs

# Growth in both ARPU and smartphone subscribers leading to 31% increase in smartphone service revenues

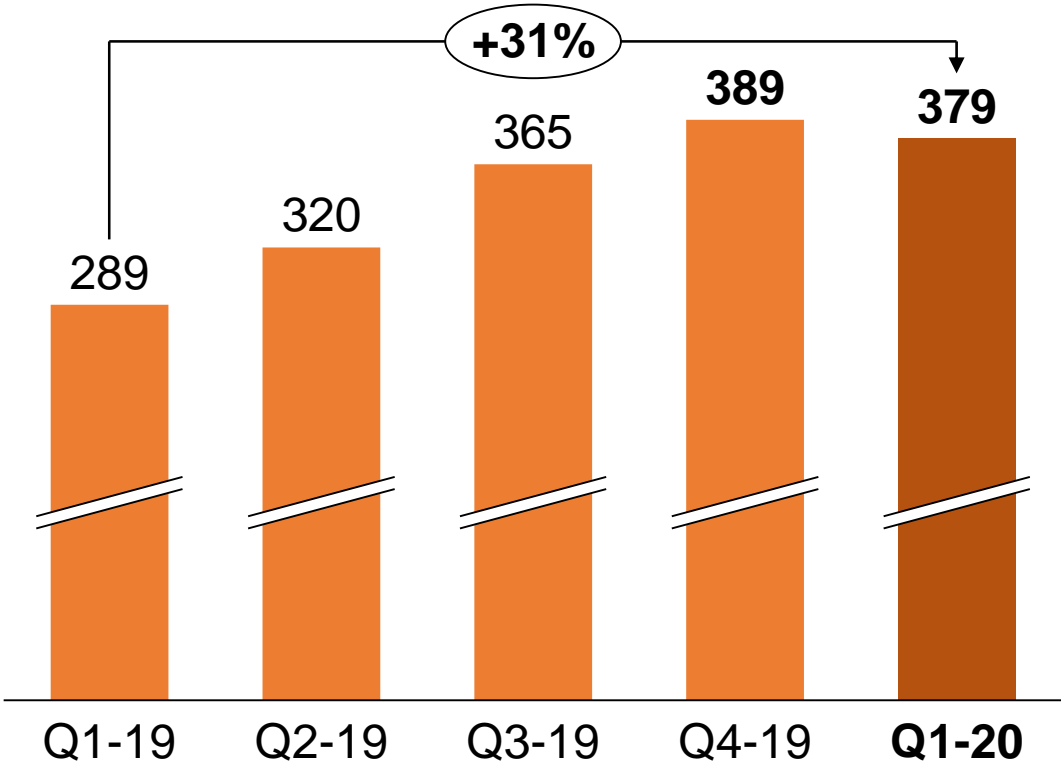
## Smartphone subscribers & ARPU

1,000 subscribers / ARPU in NOK



## Smartphone service revenues

NOK million



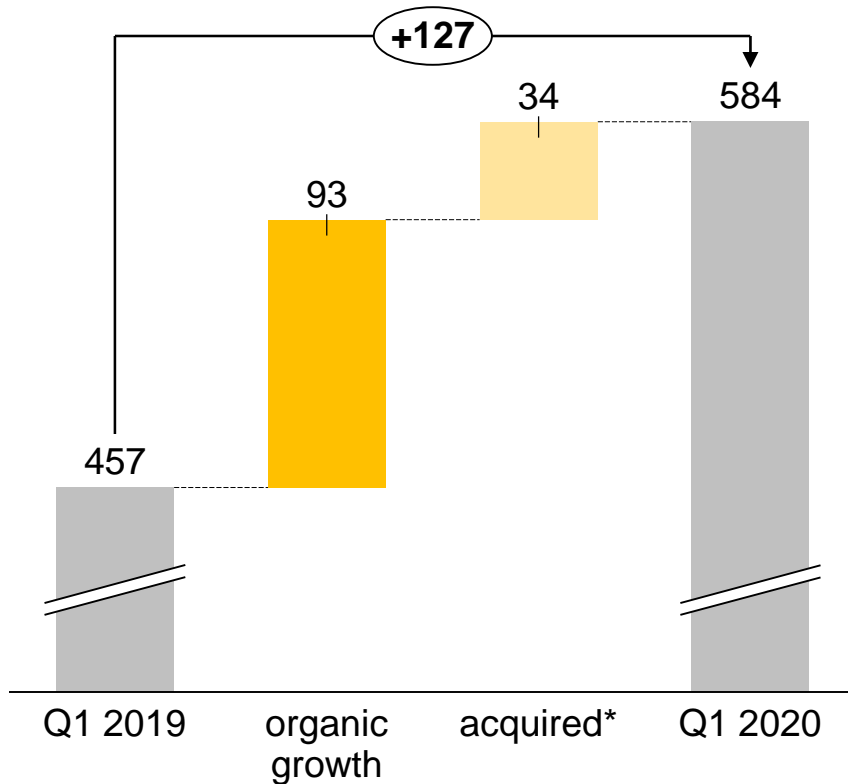


# Ice is the fastest growing mobile operator in the Nordics



## Majority of growth is organic

(1,000 smartphone subscriptions, YoY)



**ice group**

\*remaining Kompletts subscriptions 31.3.2020

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The Q4 2019 report of @iceno\_ks completes the Nordic reporting round. Norway's Ice had the fastest growth in mobile service revenue in 2019. Note that not all growth is organic (acquisitions mentioned in the bars). [icegroup.com/investor/repor...](http://icegroup.com/investor/repor...)

Mobile service revenue growth 2018-2019

Operator	Region	Growth (%)
Telia	SE	~24%
*Tele2	SE	~24%
Telenor	SE	~24%
***3	SE	~24%
TDC	DK	~24%
Telenor	DK	~24%
Telia	DK	~24%
***3	DK	~24%
Elisa	FI+EE	~24%
Telia	FI	~24%
DNA	FI	~24%
Telenor	NO	~24%
Telia	NO	~24%
**Ice	NO	~19%

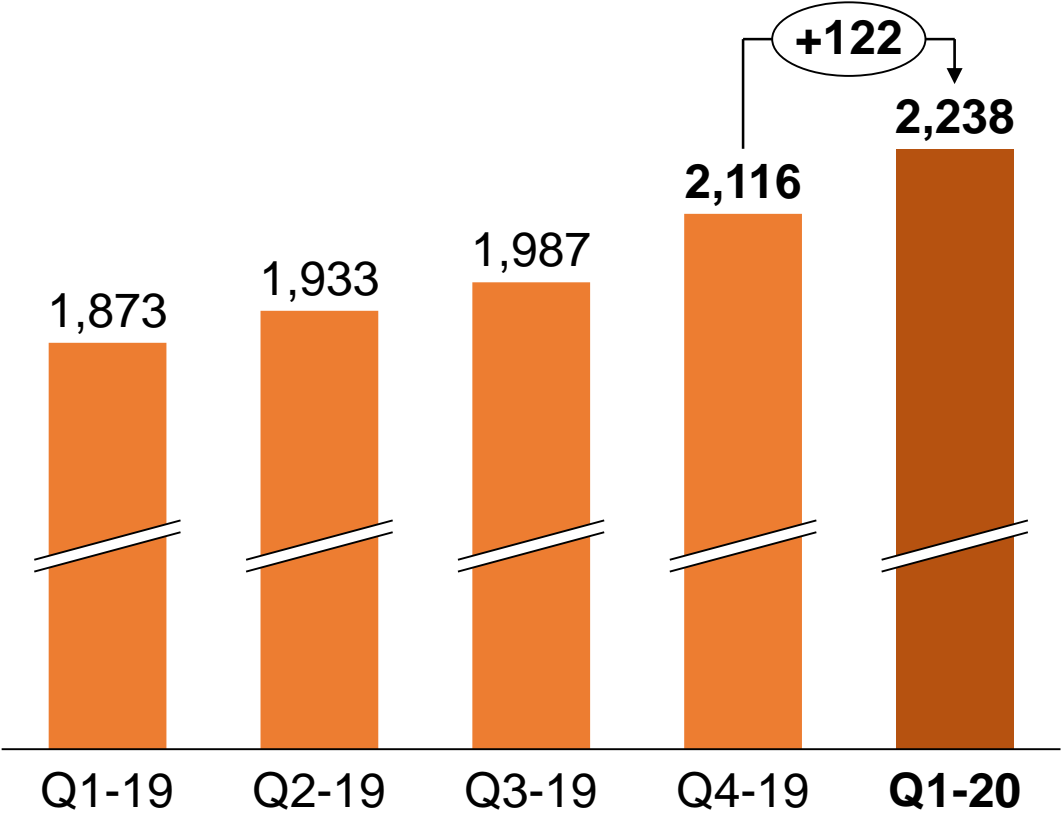
\*) Mobile end-user service revenue only  
\*\*) Including MBB (450 MHz)  
\*\*\*) Excl. interconnect  
Not all growth is organic, see acquisition notes

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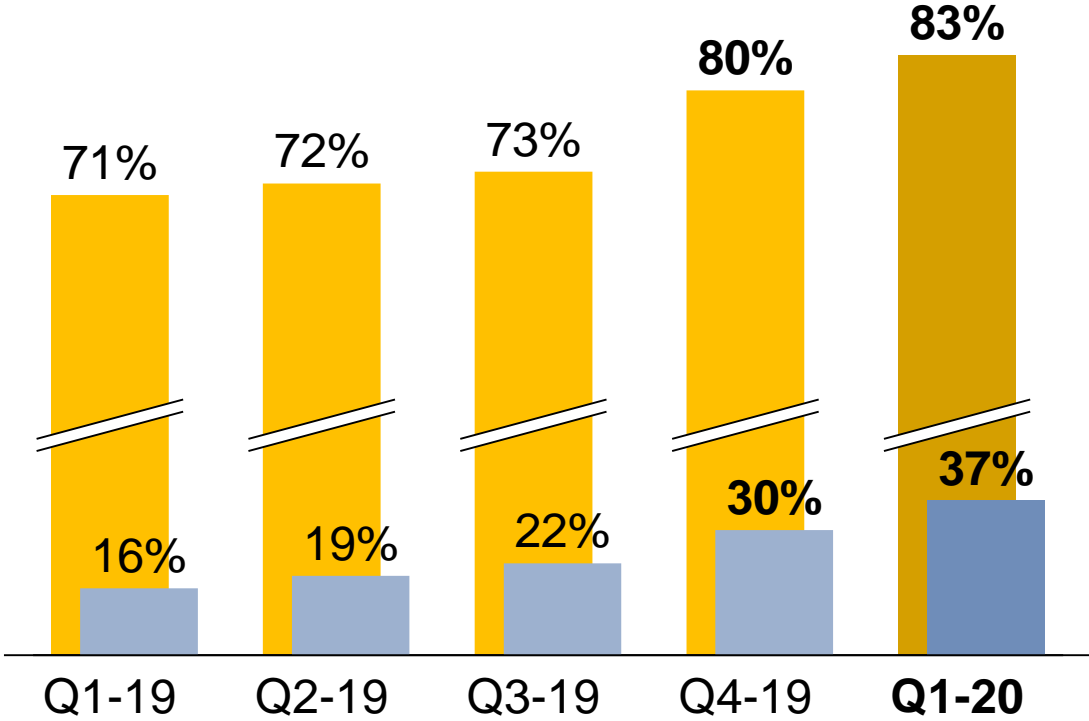
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# We continue to build base stations – giving us higher on-net share and lowering our roaming costs

### Operational smartphone sites



### Average on-net data and voice share



# Ice is well prepared for the 5G era

- Ice already has a large installed base of the newest and 5G ready Nokia base station type (~1,100 base stations)
- An upcoming 5G pilot is expected in summer 2020 and is in an early execution phase
- Initial 5G offering on 700MHz in urban areas expected during 2020
- The first five 5G areas have been planned in detailed, ice will release the details later this year



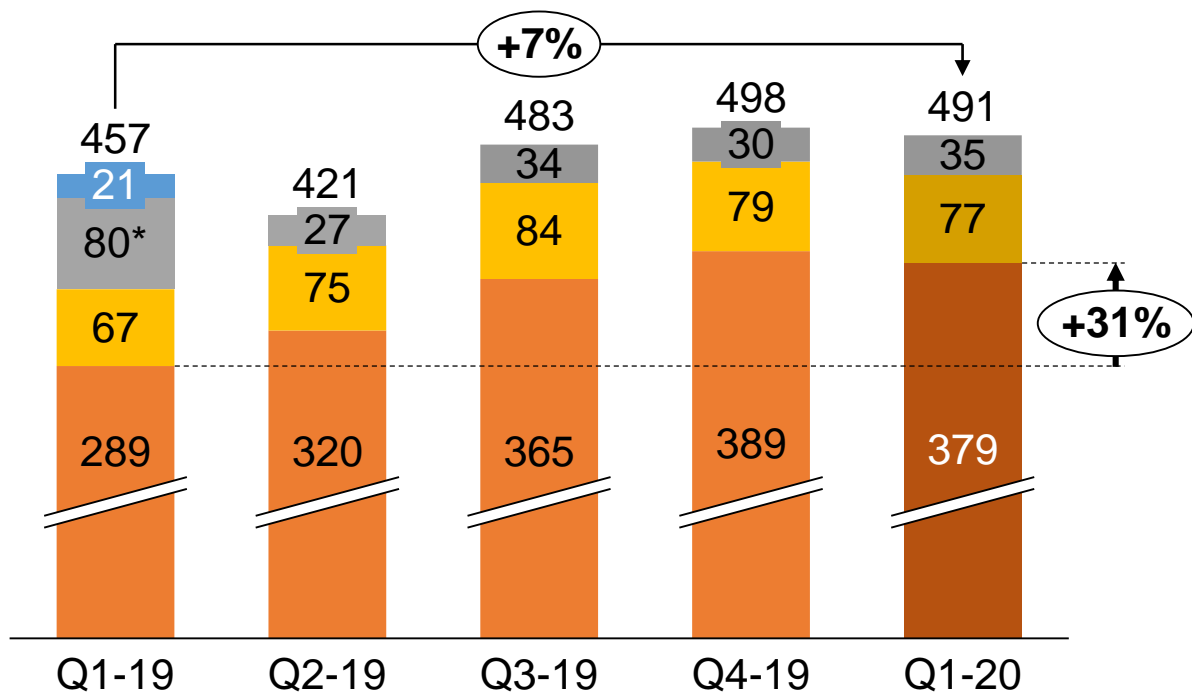
# Finance

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# Positive margin for the first time in Q1 2020

## Operating revenues

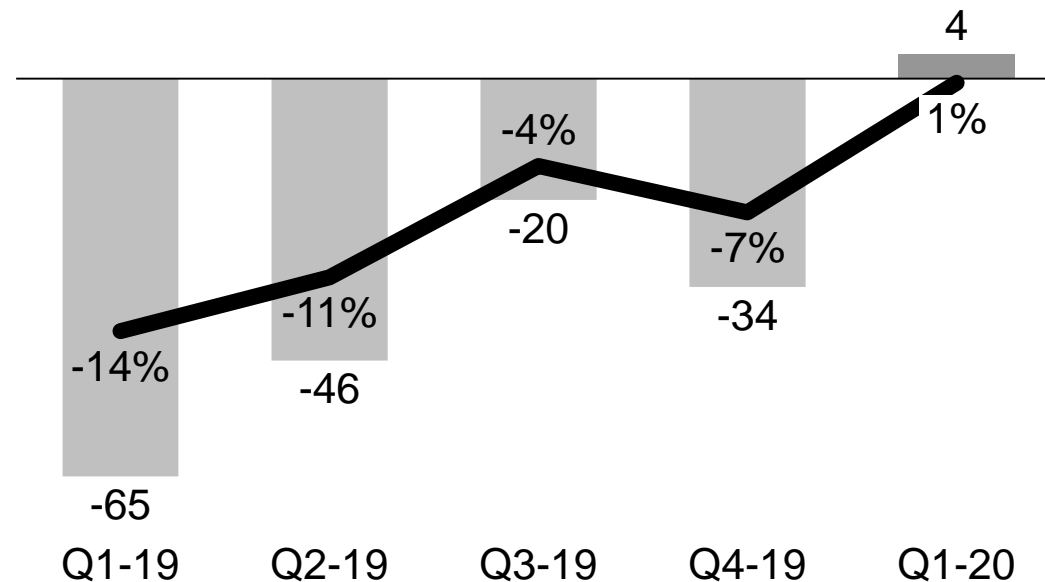
NOK million



■ Sweden (divested Q1-19)    ■ MBB service revenues  
■ Other revenues    ■ Smartphone service revenues

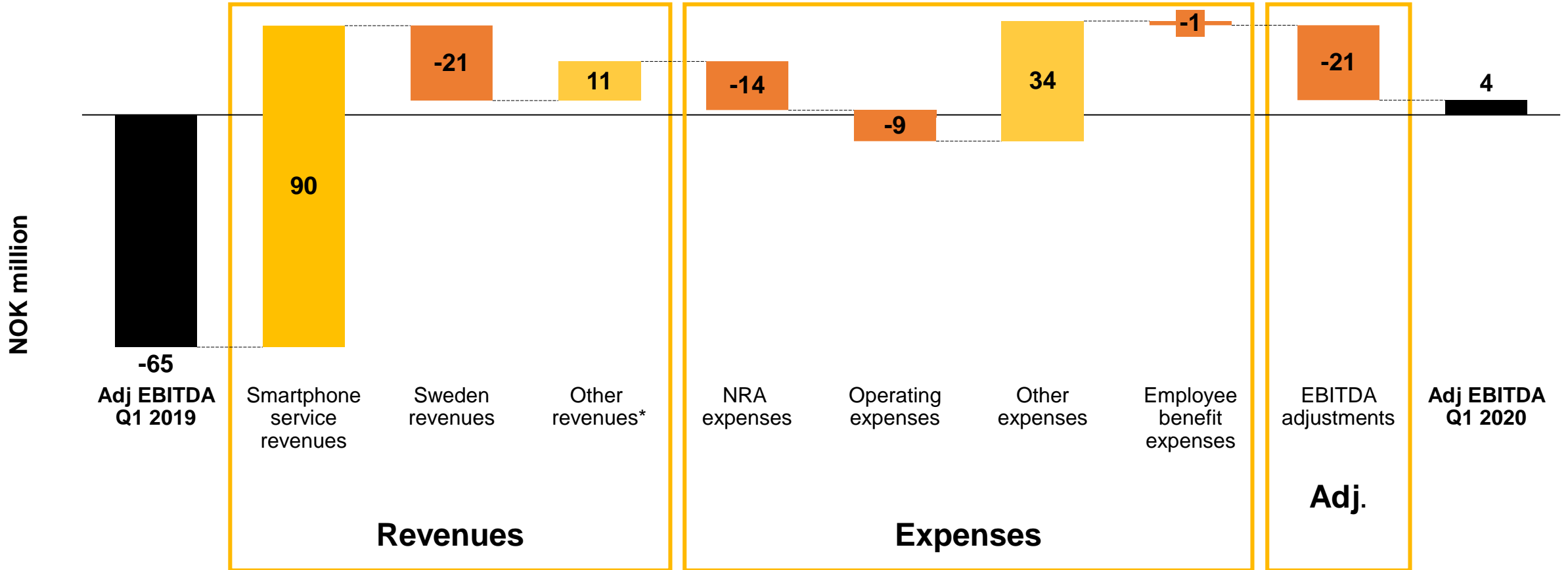
## Adj EBITDA and adj EBITDA margin

NOK million / %



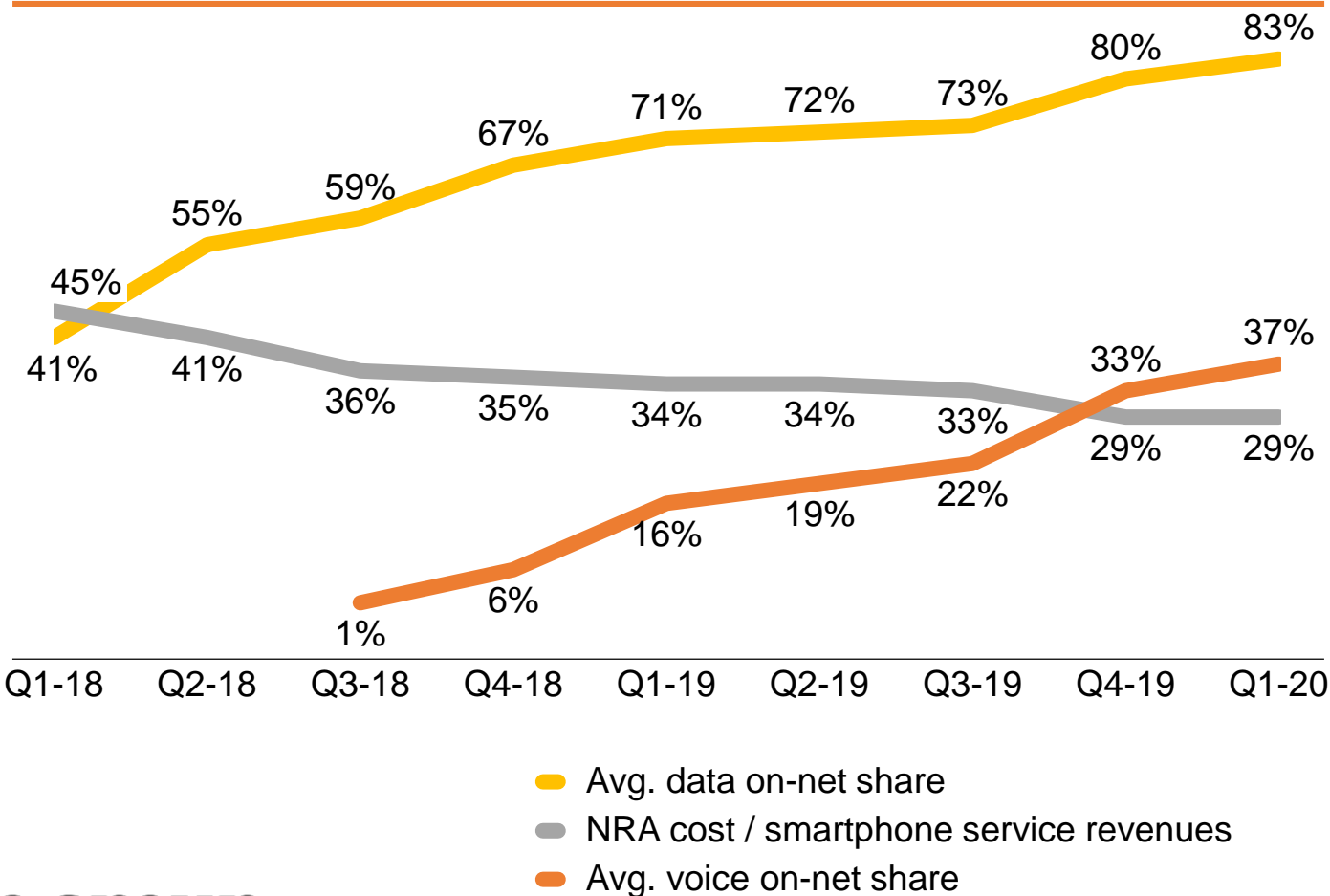
■ Adj EBITDA    ● Adj EBITDA margin

# Adj. EBITDA development – Q1 2019 vs Q1 2020



# The increasing on-net share driving the decline in NRA cost share despite growth in data consumption

On-net data share and network rental cost as % of revenues



- Network build-out enabling shift from variable to fixed cost base
- iPhone agreement with Apple accelerate on-net shift
- Continuously decreasing network rent cost as on-net share increases
- Extraordinary impact of Covid-19 on NRA cost in March, mainly as a result of more voice-minutes

# Income statement\*

mnok	Q1 2019	Q1 2020
Service revenue	375	456
Other operating revenue	82	35
<b>Total operating revenue</b>	<b>457</b>	<b>491</b>
National roaming expenses	-97	-111
Operating expenses, excl. NRA	-127	-136
Other expenses	-218	-185
Employee benefit expenses	-60	-61
<b>EBITDA</b>	<b>-45</b>	<b>-2</b>
Depreciation and amortisation	-102	-116
<b>Operating result (EBIT)</b>	<b>-148</b>	<b>-117</b>
Net financial income/expenses	-129	-302
<b>Profit/loss before tax</b>	<b>-276</b>	<b>-420</b>
Income taxes	1	0
<b>Net result from continuing operations</b>	<b>-276</b>	<b>-420</b>
Net result from discontinued operations	0	0
<b>Net result for the period</b>	<b>-276</b>	<b>-420</b>
<b>Adjusted EBITDA</b>	<b>-65</b>	<b>4</b>
Earnings per share (NOK)		
- Basic from continuing operations	-2,08	-1,68

Q1 2019 revenues includes NOK 21 million from the divested Swedish operation. Other revenues in Q1 2019 includes sale of trademark from AINMT Holdings (NOK 46 million)

The net financial items for the first quarter holds a NOK 166 million non-cash negative currency effect from borrowings in USD and SEK. Interest expense for Q1 amounted to NOK 96 million while NOK 59 million were paid interest in the period. Financial expenses related to IFRS 16 amounted to NOK 37 million for the period.

Large unrecognized tax losses. Expect to be in tax position in second half of 2020s

\*Numbers from the divested Swedish operation are included in the 2019 figures (divested Q1-19)

\*\*Ice Group defines Adjusted EBITDA as operating profit after adjustment of operating expenses for depreciation, amortisation, impairment network upgrades, share based compensation expense, non-recurring and other non-operational items. Any effects from business combinations are not included. For details, see the section on Alternative Performance Measures and definitions.



# Cash flow\*

mnok	Q1 2019	Q1 2020
Result before tax	-276	-420
Payments related to lease interest	32	37
Paid interest expense	52	59
Non-cash items	0	0
Depreciation & amortization of non-current assets	78	87
Depreciation & amortization of right-of-use assets	24	29
Depreciation & amortization of costs to obtain/fulfil contracts	50	55
Net interest expense	25	36
Adjustments for other non-cash items	16	162
<b>Cash flows before changes in working capital</b>	<b>0</b>	<b>44</b>
<b>Cash flows from changes in working capital</b>	<b>-197</b>	<b>1</b>
<b>Cash flows from operating activities</b>	<b>-197</b>	<b>45</b>
<b>Cash flows from investing activities</b>	<b>39</b>	<b>-147</b>
<b>Cash flows from financing activities</b>	<b>1 380</b>	<b>-132</b>
<b>Cash flows for the period</b>	<b>1 221</b>	<b>-234</b>
Cash and cash equivalents at the beginning of the period	275	1 183
Exchange rate differences in cash and cash equivalents	-1	9
<b>Cash and cash equivalents at the end of the period</b>	<b>1 496</b>	<b>958</b>

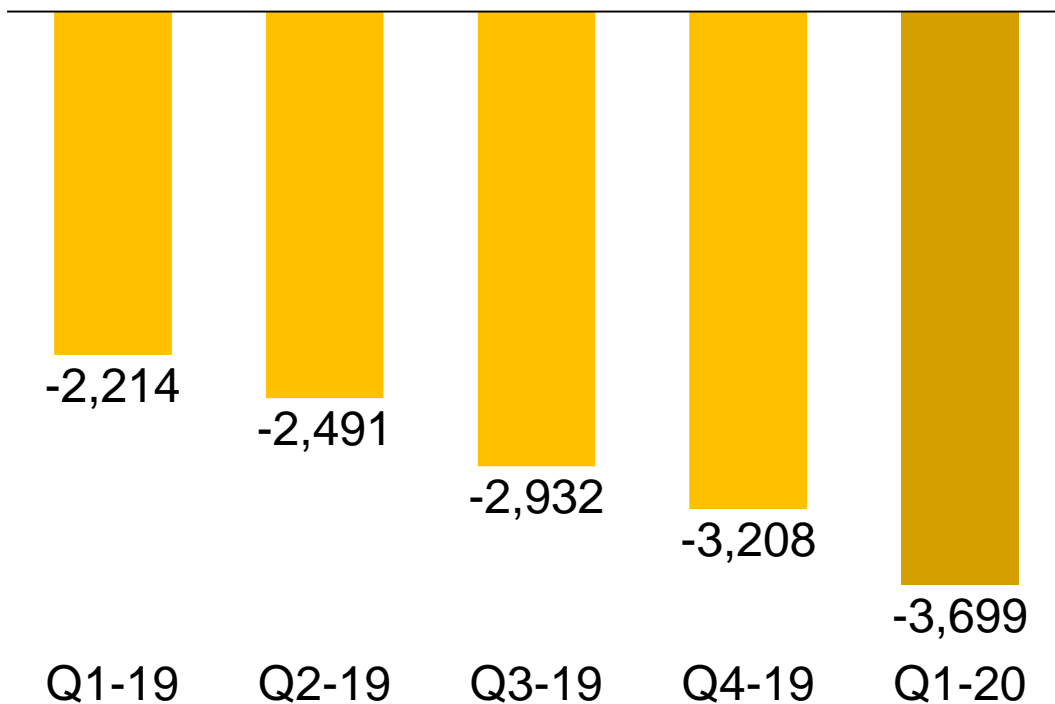
Mainly currency effects on SEK/USD loans

Mainly investments in network and core modernization

We expect lower cash interest from Q2 2020 due to lower interest rate (NIBOR)

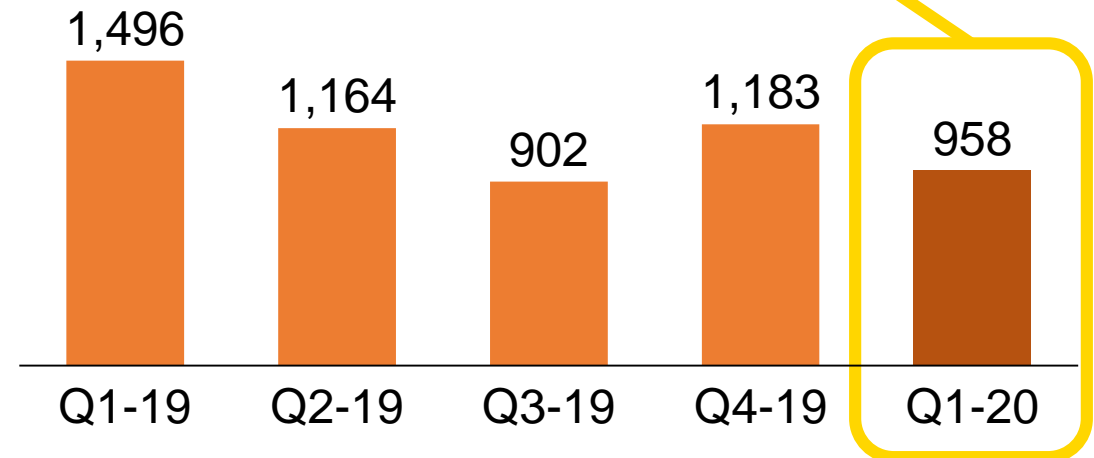
# Liquidity level sufficient to fund network build-out and growth in Norway until second half 2020

**Net interest bearing debt** (NOK million)



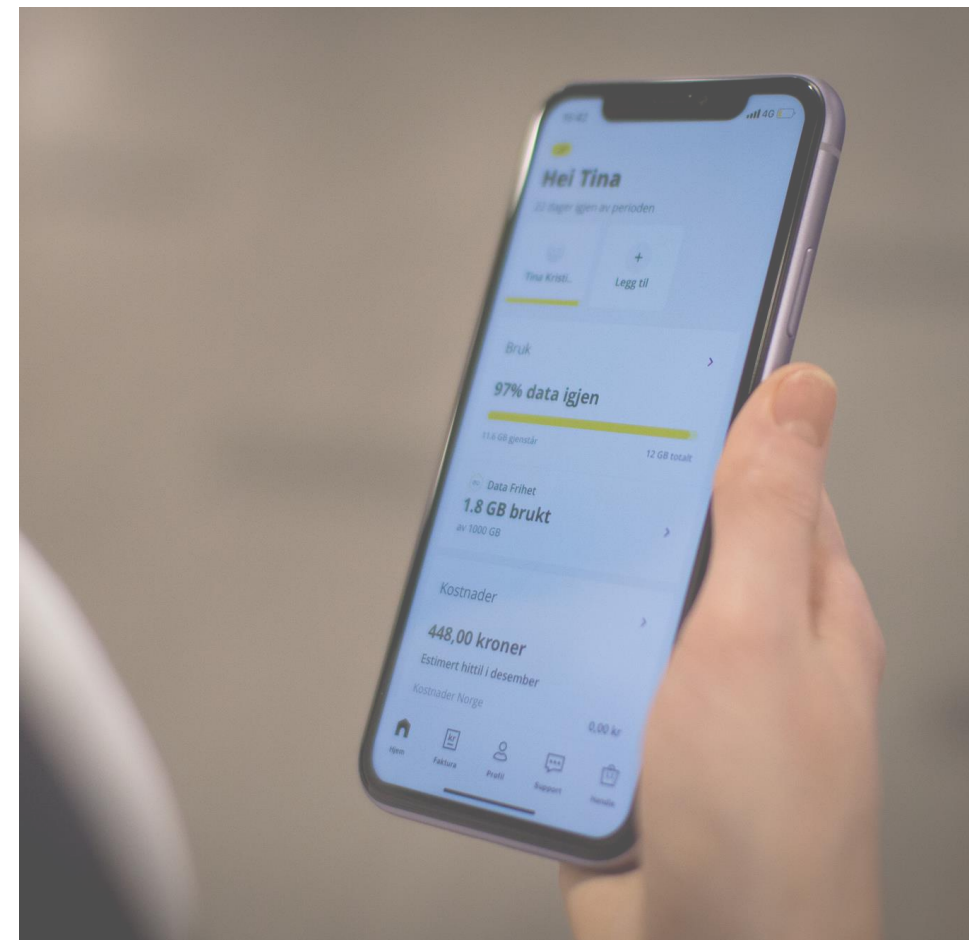
**Cash and cash equivalents** (NOK million)

Satisfactory liquidity well into H2 2020, when the company expects to be adj EBITDA break even



# Update on refinancing process

- Refinancing process (PIK):
  - Good progress until March
  - Process paused due to Covid-19
- Addressing remaining financing need:
  - Working capital solutions
  - Capex optimization
  - Other ongoing processes
- Secured bond refinancing process to be initiated late 2020 (maturity Oct 2021)



## Guidance & outlook

### Smartphone network build-out:

2020: ~1,000 new smartphone base stations

restated

### CAPEX:

2020: NOK ~750 million

restated

### National Roaming Cost (NRA):

2020: NOK ~400 million

restated

### EBITDA:

Expect to reach EBITDA\* **break even** during H2 2020

restated

# Key drivers behind profitability improvements

## ■ Reduction of NRA cost

- adding ~1,000 base stations in 2020
- increasing VoLTE penetration
- iPhone agreement in place
- new telecom market regulation

## ■ Continued topline growth

- adding customers
- growing in high ARPU segment
- increasing consumption among current customers
- value add services

# Our path to medium-term and long-term value creation

- **Subscriber share<sup>1</sup>**
- **ARPU<sup>1,2</sup>**
- **Adj EBITDA margin<sup>3</sup>**
- **Capex / sales**

## Medium term targets:

**>20%**

**~NOK300**

**mid 30s %**

**~10%**

## Long term targets:

**>25%**

**+2.5% p.a.**

**mid 40s %**

**~10%**

# Summary

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# First quarter highlights and main developments

**Break-even  
adj. EBITDA**

**Continued growth:**

- Revenues
- On-net share
- Subscribers
- ARPU

**Continued support  
from Norwegian  
authorities**



# Q&A

# Appendix

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# Income statement\*

mnok	Q1 2019	Q1 2020	FY 2019
Service revenue	375	456	1 687
Other operating revenue	82	35	173
<b>Total operating revenue</b>	<b>457</b>	<b>491</b>	<b>1 859</b>
National roaming expenses	-97	-111	-440
Operating expenses, excl. NRA	-127	-136	-574
Other expenses	-218	-185	-793
Employee benefit expenses	-60	-61	-238
<b>EBITDA</b>	<b>-45</b>	<b>-2</b>	<b>-186</b>
Depreciation and amortisation	-102	-116	-468
<b>Operating result (EBIT)</b>	<b>-148</b>	<b>-117</b>	<b>-655</b>
Net financial income/expenses	-129	-302	-488
<b>Profit/loss before tax</b>	<b>-276</b>	<b>-420</b>	<b>-1 142</b>
Income taxes	1	-0	10
<b>Net result from continuing operations</b>	<b>-276</b>	<b>-420</b>	<b>-1 133</b>
Net result from discontinued operations	0	0	0
<b>Net result for the period</b>	<b>-276</b>	<b>-420</b>	<b>-1 133</b>
<b>Adjusted EBITDA</b>	<b>-65</b>	<b>4</b>	<b>-165</b>
Earnings per share (NOK)			
- Basic from continuing operations	-2,08	-1,68	-5,62

\*Numbers from the divested Swedish operation are included in the 2019 figures (divested Q1 2019)

Ice Group defines Adjusted EBITDA as operating profit after adjustment of operating expenses for depreciation, amortisation, impairment network upgrades, share based compensation expense, non-recurring and other non-operational items. Any effects from business combinations are not included. For details, see the section on Alternative Performance Measures and definitions.

# Cash flow\*

mnok	Q1 2019	Q1 2020	FY 2019
Result before tax	-276	-420	-1 142
Payments related to lease interest	32	37	113
Paid interest expense	52	59	142
Non-cash items	0	0	0
Depreciation & amortization of non-current assets	78	87	370
Depreciation & amortization of right-of-use assets	24	29	98
Depreciation & amortization of costs to obtain/fulfil contracts	50	55	206
Net interest expense	25	36	183
Adjustments for other non-cash items	16	162	56
<b>Cash flows before changes in working capital</b>	<b>0</b>	<b>44</b>	<b>27</b>
<b>Cash flows from changes in working capital</b>	<b>-197</b>	<b>1</b>	<b>-314</b>
<b>Cash flows from operating activities</b>	<b>-197</b>	<b>45</b>	<b>-287</b>
<b>Cash flows from investing activities</b>	<b>39</b>	<b>-147</b>	<b>-461</b>
<b>Cash flows from financing activities</b>	<b>1 380</b>	<b>-132</b>	<b>1 656</b>
<b>Cash flows for the period</b>	<b>1 221</b>	<b>-234</b>	<b>907</b>
Cash and cash equivalents at the beginning of the period	275	1 183	3 838
Exchange rate differences in cash and cash equivalents	-1	9	0
<b>Cash and cash equivalents at the end of the period</b>	<b>1 496</b>	<b>958</b>	<b>4 745</b>

# Balance sheet\*

mnok	31.03.2020	31.03.2019	31.12.2019
<b>ASSETS</b>			
Intangible assets	2 036	1 279	2 070
Tangible assets	2 791	2 095	2 301
Other non-current assets	379	320	663
Deferred tax assets	0	0	0
<b>Total non-current assets</b>	<b>5 206</b>	<b>3 694</b>	<b>5 033</b>
Inventory	13	9	9
Trade receivables	137	168	143
Other receivables	1	48	18
Prepaid expenses and accrued income	28	11	27
Cash and cash equivalents	958	1 496	1 183
<b>Total current assets</b>	<b>1 137</b>	<b>1 730</b>	<b>1 381</b>
<b>TOTAL ASSETS</b>	<b>6 342</b>	<b>5 424</b>	<b>6 414</b>

mnok	31.03.2020	31.03.2019	31.12.2019
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to parent company shareholders	-1 409	-29	-889
Equity attributable to non-controlling interests	0	0	0
<b>TOTAL EQUITY</b>	<b>-1 409</b>	<b>-29</b>	<b>-889</b>
Borrowings	4 603	3 654	4 612
Non-current liabilities	1 941	1 155	1 618
Provisions for deferred tax	0	9	0
<b>Total non-current liabilities</b>	<b>6 848</b>	<b>4 819</b>	<b>6 533</b>
Trade payables	259	206	164
Current lease liabilities	87	56	112
Other liabilities	20	15	21
Accrued expenses & deferred income	537	357	473
<b>Total current liabilities</b>	<b>903</b>	<b>635</b>	<b>770</b>
<b>TOTAL LIABILITIES</b>	<b>7 752</b>	<b>5 454</b>	<b>7 303</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 342</b>	<b>5 424</b>	<b>6 414</b>

# Key KPIs

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
No. of active subscriptions (in thousands)	541	622	641	659	668
- Smartphone	457	536	555	573	584
- consumer	420	498	517	535	545
- business	37	38	38	38	39
- MBB Norway (excl. M2M/IoT)	84	85	86	86	85
Smartphone ARPU	221	220	231	234	226
Number of Smartphone base stations in service EoP	1 873	1 987	1 992	2 116	2 238
Smartphone avg. Data on-net share %	71 %	72 %	73 %	80 %	83 %
Voice on-net share %	16 %	19 %	22 %	30 %	37 %
Smartphone churn, annualized %	24 %	24 %	33 %	26 %	27 %

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