

*elisa* | **CMD2021**



# Group overview

**Veli-Matti Mattila**

CEO

CMD**2021**

# Elisa's unique strategy generates sustainable profit and growth

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Performance update

# Elisa's unique strategy generates sustainable profit and growth

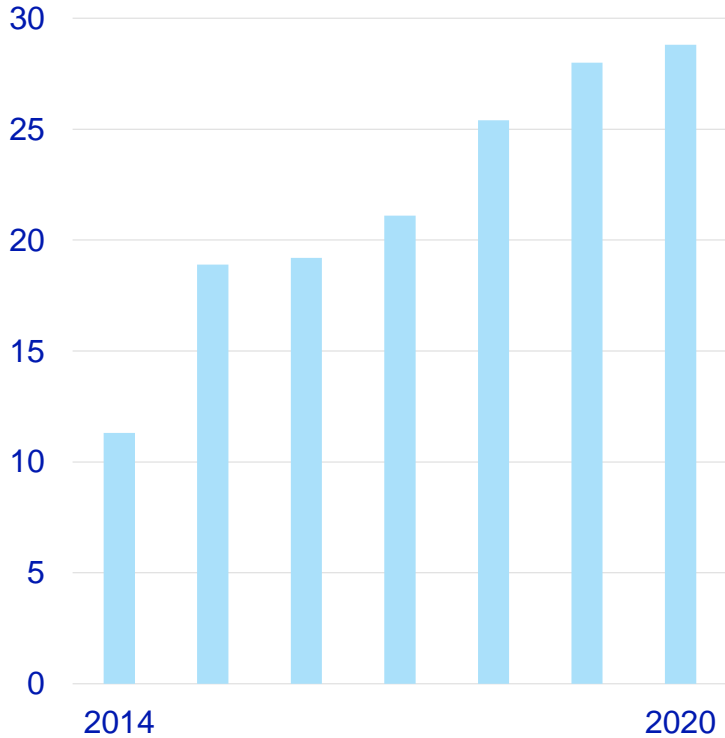


Performance update

# We have a strong track record of creating value for our stakeholders...

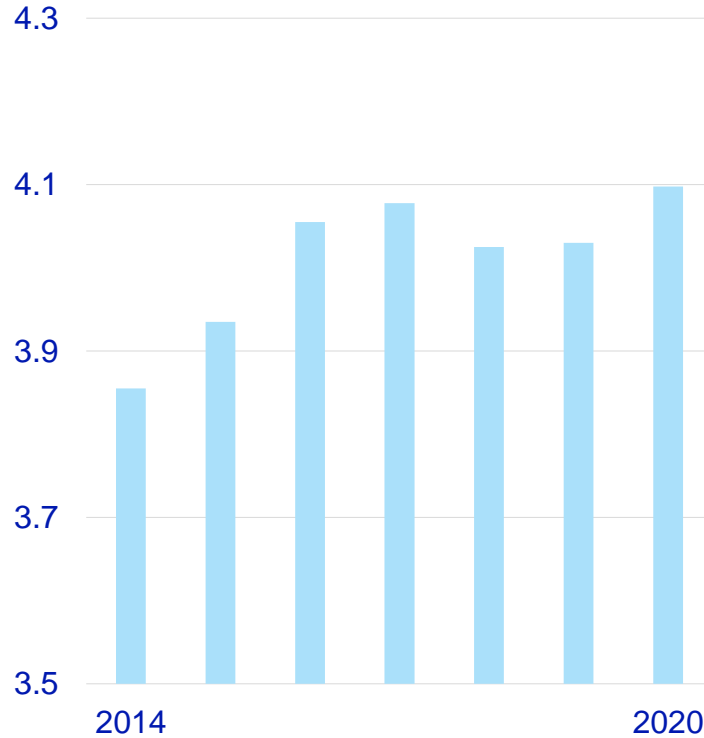
## Value for customers

NPS



## Engaged employees

Empowerment index (0-5)



## Positive impact on society

Carbon footprint, 000 tCO<sub>2</sub>



Performance update

# ...with unique financial performance

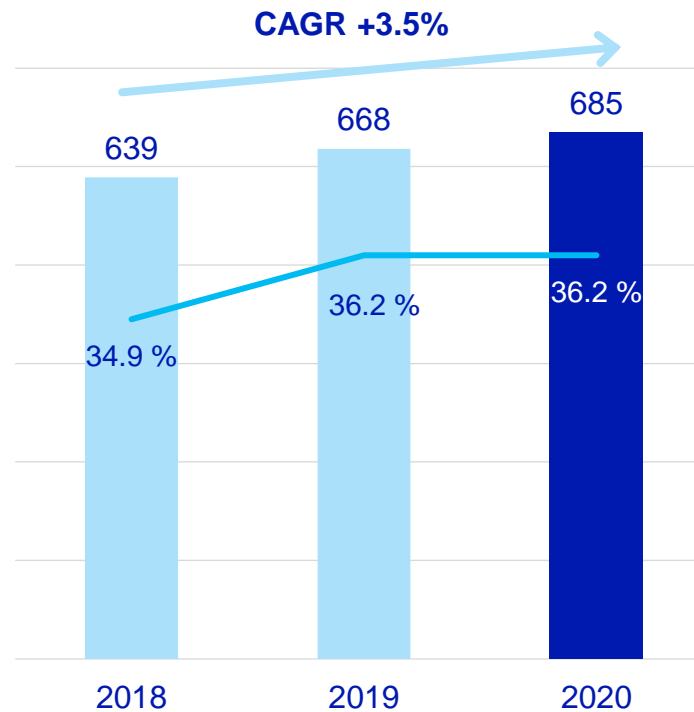
Unique financial performance



## Best-in-class revenue growth



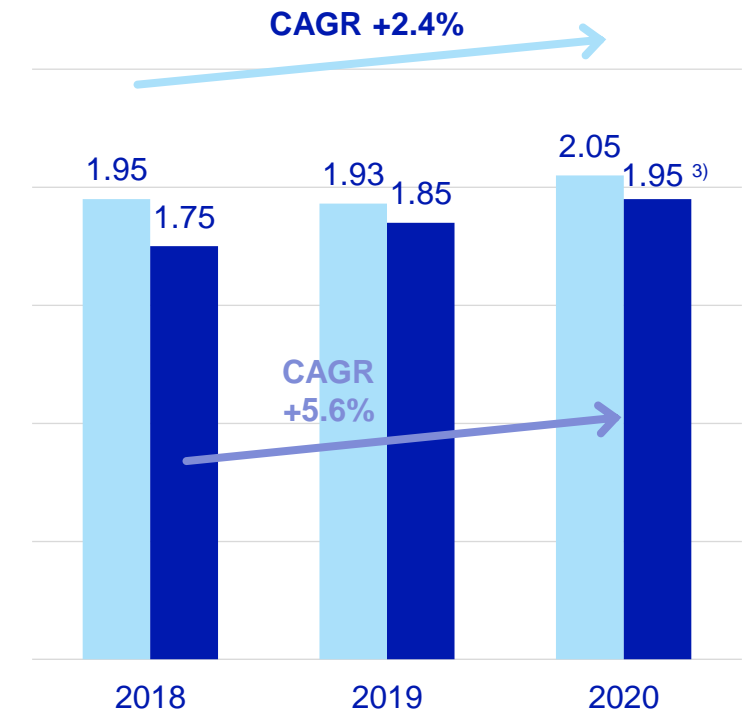
## Further improving profitability



EBITDA<sup>2)</sup> EBITDA-%<sup>2)</sup>

<sup>2)</sup> Comparable

## Growing EPS and dividend



EPS<sup>2)</sup> Dividend per share

<sup>2)</sup> Comparable

<sup>3)</sup> Proposal based on 2020 result

<sup>1)</sup> Peer Group: BT, KPN, Proximus, Swisscom; Tele2, Telecom Italia, Telekom Austria; Telenor, Telia. Source Bloomberg

Performance update

# We are on track to meet four of our five medium-term targets

## Parameter

Revenue growth



## Target by end of 2021

Above industry<sup>1)</sup> average



EBITDA margin



Above 37%



CAPEX-to-sales



≤12%



Capital structure

Net debt / EBITDA



1.5-2x



Equity ratio



>35%



## Performance by 4Q2020

● = On track

● = Below track

<sup>1)</sup> European telecom operators

## Market overview

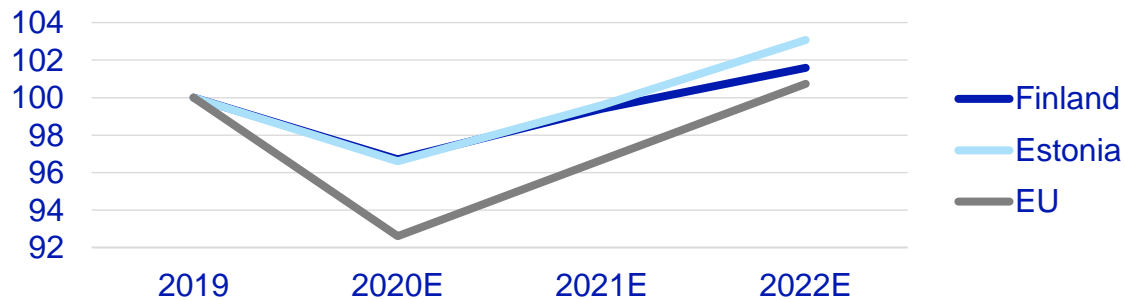
# We operate in digitally advanced and attractive markets...

## Finland is the EU's most advanced digital society<sup>1)</sup>



## Limited COVID-19 impact<sup>2)</sup>

Indexed GDP development



<sup>1)</sup> European commission, The Digital Economy and Society Index (DESI) 2020, EU27 + UK.

<sup>2)</sup> Bloomberg consensus

## Finland has the highest mobile data usage<sup>3)</sup>

- FIN 36.2 GB per capita per month
- EU 8.0 GB per capita per month

## Mobile broadband widely preferred

- Exceptionally high share of mobile broadband-only households 36%<sup>4)</sup>

## Regulator drives digitalisation and competitiveness

- Early allocation of frequencies
- Proactive dialogue between stakeholders
- Technology-neutral broadband policy

<sup>3)</sup> Rewheel 2019, *Mobile data competitiveness rankings*.

<sup>4)</sup> Eurostat, Rewheel analysis 2019.

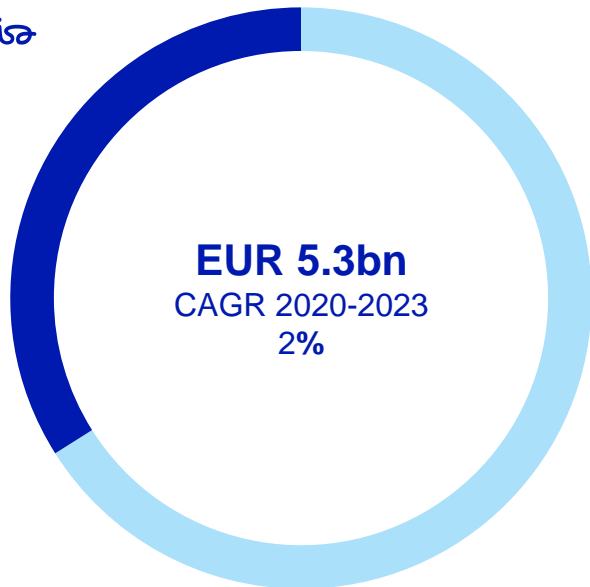
Market overview

...with sizeable domestic target markets...

## Telecom

### Telecom services

● elisa



Telecom services (incl. devices) addressable market 2020, consumer and corporate, Finland and Estonia.

## Digital services

### Entertaining video services

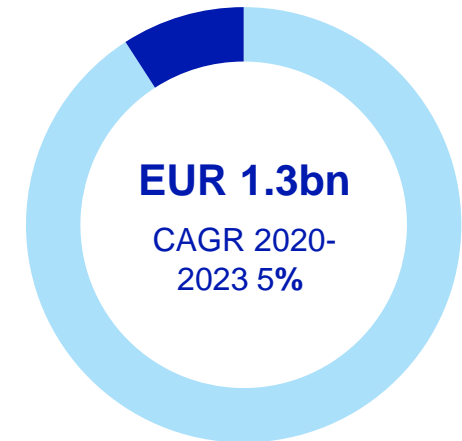
● elisa



Entertaining video services addressable market 2020, Finland and Estonia.

### IT services and solutions

● elisa



IT addressable market 2020, Finland.

Market overview

# ...and additional opportunity in selected international markets

## Digital services

### Telecom software



Addressable market: network analytics, probe systems, intelligent performance & fault management.

### Industrial software



Addressable market: consumer packaged goods, food & beverage, and electronics & semiconductors.

### Visual communications



Addressable market: cloud-based video, IT infrastructure monitoring & unified communications.

Sustainable profit and growth generation

# Elisa's unique strategy generates sustainable profit and growth

*A sustainable future through digitalisation*

Increase mobile and fixed service revenues

Grow digital service businesses

Improve efficiency and quality

Sustainable profit and growth generation

# Driving sustainability is an important enabler for profit and growth



Sustainable profit and growth generation

# Customer demand for fast, reliable and high-quality connections continues to grow

## Human impatience drives speed and latency demands

- Real-time collaboration and videoconferencing
- Applications increasingly in the cloud
- Streaming services and mobile gaming requirements
- Multiple simultaneous heavy users in new locations

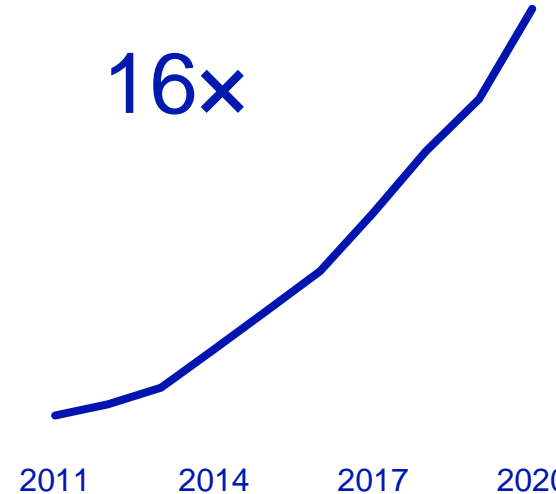
## Location-independence underlines the need for secure mobile connectivity

- Accelerated shift from offices to homes and on-the-go
- Handsets widely used for entertainment and working
- Hybrid work requires flexibility and embedded security

## Continued data traffic growth

Mobile and fixed peak data traffic, Gbps

16x



## Current average usage per month

- **37 GB** per mobile subscriber (25 GB, CMD 2018)
- **238 GB** per fixed household (172 GB, CMD 2018)

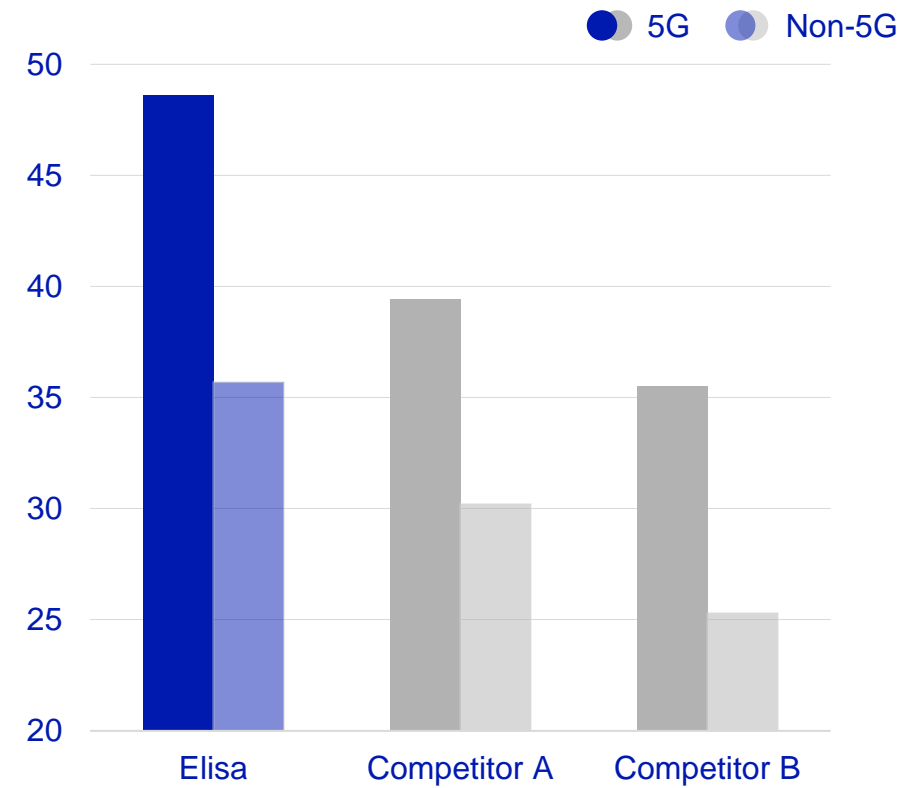


Sustainable profit and growth generation

# We are already creating value with our customers through 5G...

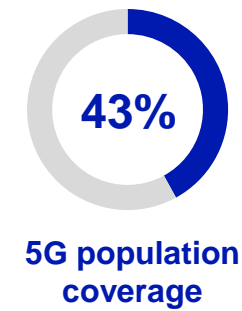
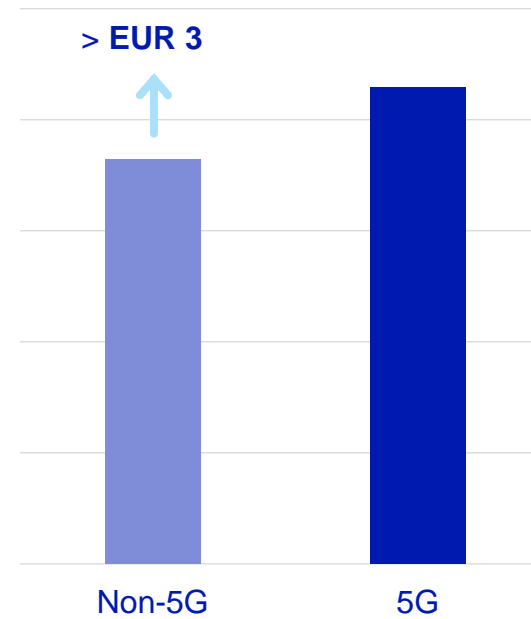
## 5G customers are more satisfied

Operators brand NPS



## 5G value capture

Average billing increase in 5G upgrades



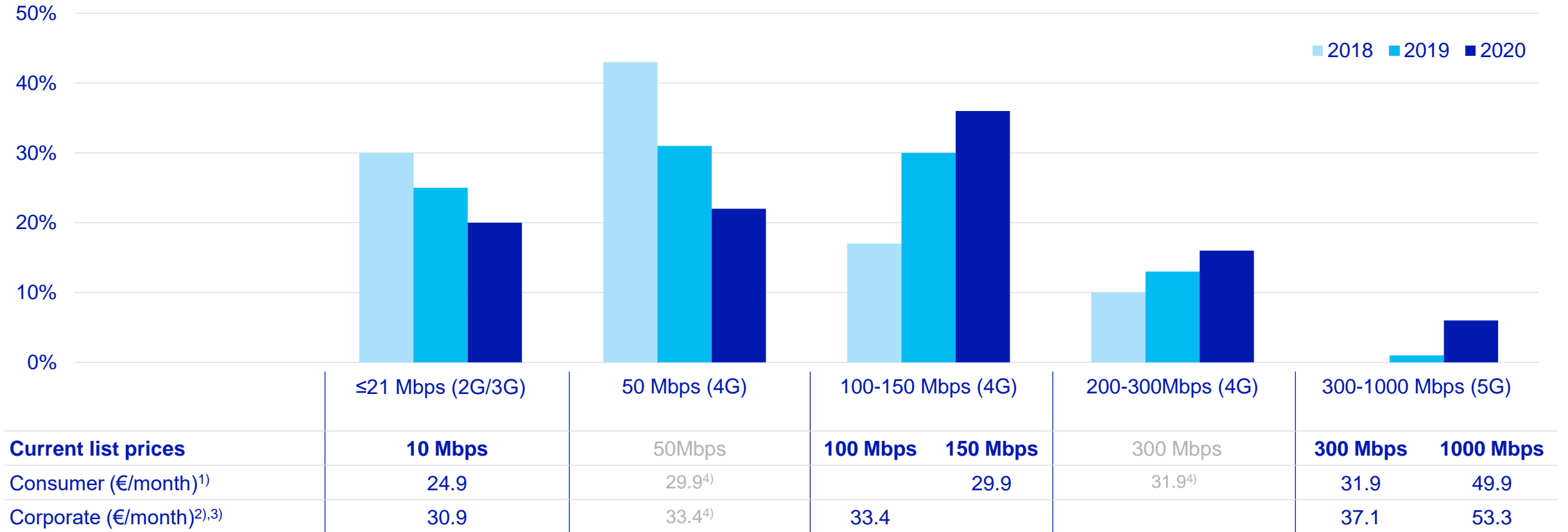
Source: IROResearch, 2/2020 - 2/2021

Sustainable profit and growth generation

# ... and our value capture model continues to work



## Customers upgrade to faster mobile postpaid voice subscriptions in Finland



<sup>1)</sup> First 12 months campaign prices for consumer voice subscriptions in Finland

<sup>2)</sup> List prices for SME voice subscription in Finland, including VAT, public and private tendering excluded;

<sup>3)</sup> All new SME subscriptions are 5G-capable

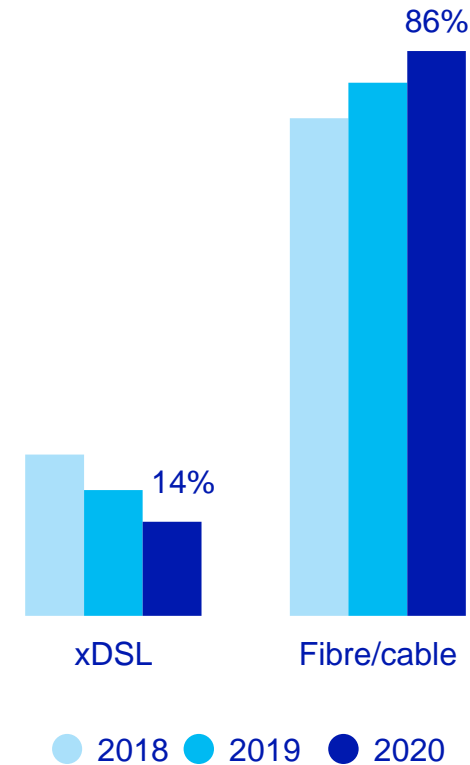
<sup>4)</sup> No longer in new sales

Sustainable profit and growth generation

# Transformation to fast fixed broadband is well underway

- Fixed broadband transforming rapidly from copper to mobile or fibre
- Traditional fixed voice approaching end of life
- Growth potential
  - Upgrades to faster speeds
  - Managed corporate services driven by software-defined networks & cybersecurity

## Fixed broadband subscriptions



Sustainable profit and growth generation

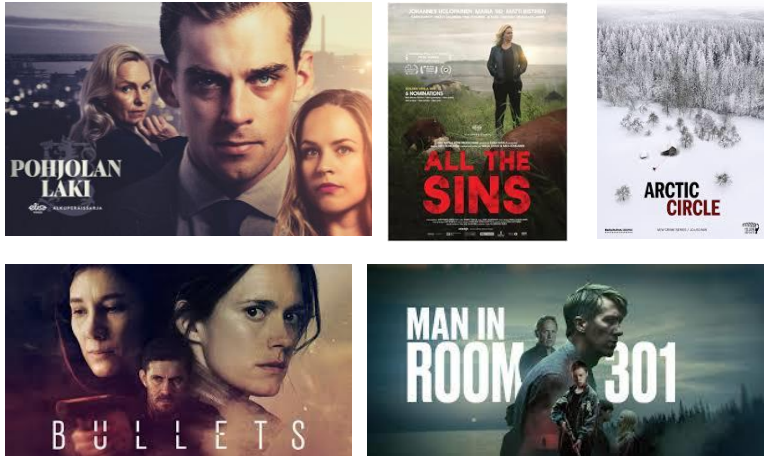
# We accelerate the growth of our digital services...



## Entertaining video services

EUR 149m

- Most popular entertainment video service in Finland
- 15-20% EBITDA level
- Attractive original content



CMD 2018 Entertaining video services revenue EUR 140m, EBITDA 15-20%

## IT services and solutions

EUR 115m

- Proven customer value from integrated IT+C
- ~5% EBITDA level
- Intelligent automation



CMD 2018 IT services revenue EUR 100m, EBITDA 5-10%  
CX, customer experience



Sustainable profit and growth generation

# ...with significant global opportunities



## International digital services

EUR 81m<sup>1)</sup>

- Domains selected through focused strategic learning with internal start-ups
- Building on over a decade of experience in managing vast, highly automated infrastructure
- Scaling and accelerating growth through further acquisitions and partnerships
- Developing acquired companies with Elisa's excellence practices

**Telecom  
software**



**Industrial  
software**



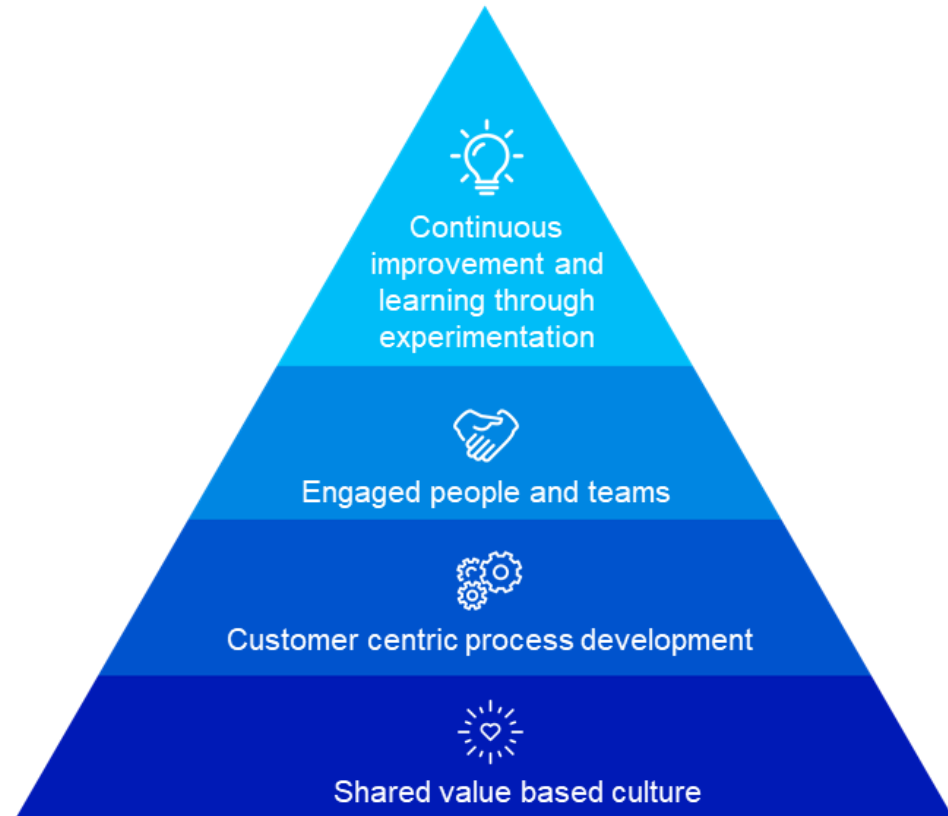
**Visual  
communications**



<sup>1)</sup> Pro Forma; 2020 including camLine and CalcuQuote

Sustainable profit and growth generation

# We have a unique way to continuously improve quality and efficiency



## Continuous improvement and learning through experimentation

- Target-oriented development and innovation
- Learning and problem solving through quick experimentation, e.g. with Kata and eElisaX
- Everyone engaged, not a separate quality organisation

## Customer-centric process development

- Focus on issues that matter the most to customers
- Collaboration across organisational boundaries
- Develop together with customers



**“Elisa has established its own, unique culture of a learning organization, developed over more than ten years”**  
– EFQM, 2021

EFQM Recognised for Excellence 6 stars.

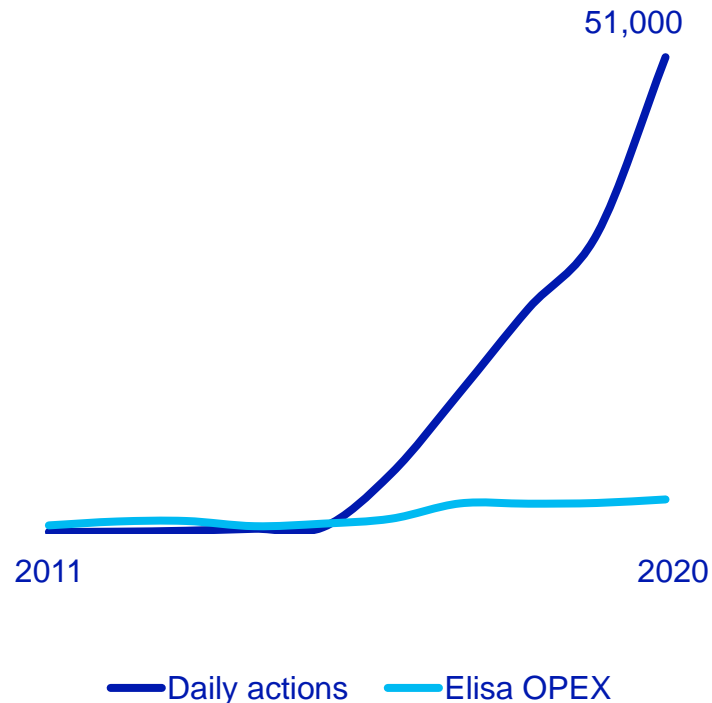
Sustainable profit and growth generation

# Use of automation and AI has delivered sustainable improvements in network operations...

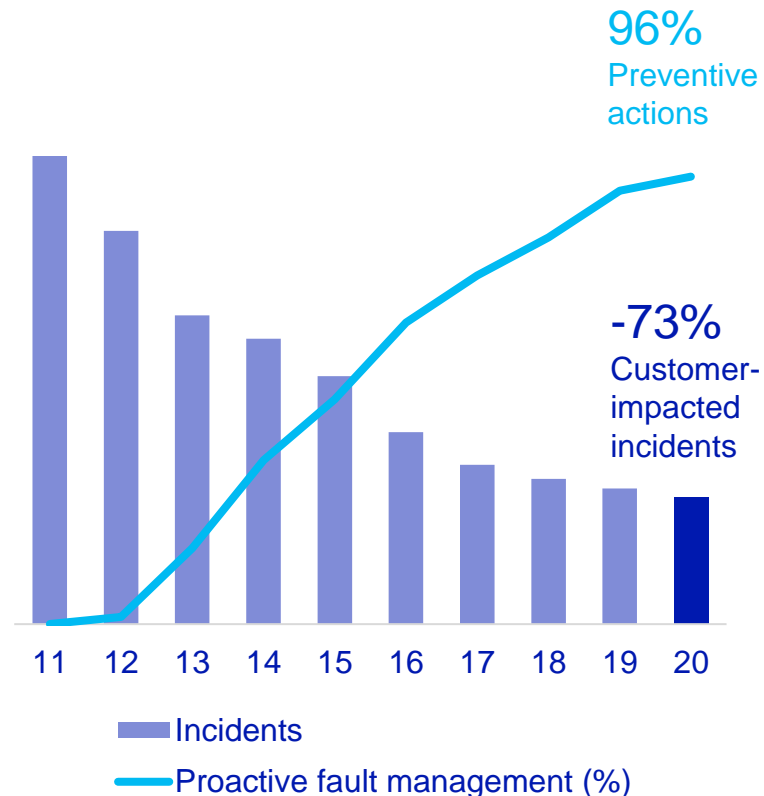


## Efficiency through increased automation

Daily automated telecom operation actions



## Customer-perceived quality improvement



## Results

- **Over 40x** more data traffic in the mobile network with flat CAPEX% and OPEX<sup>1)</sup>
- **0 critical major faults** in Elisa's network since 2016
- **0-person** network operation centre

## Significant further potential

- AI-driven automated network planning and capacity management
- Zero-touch access network deployment
- Fully software-based IP network and cloud operations

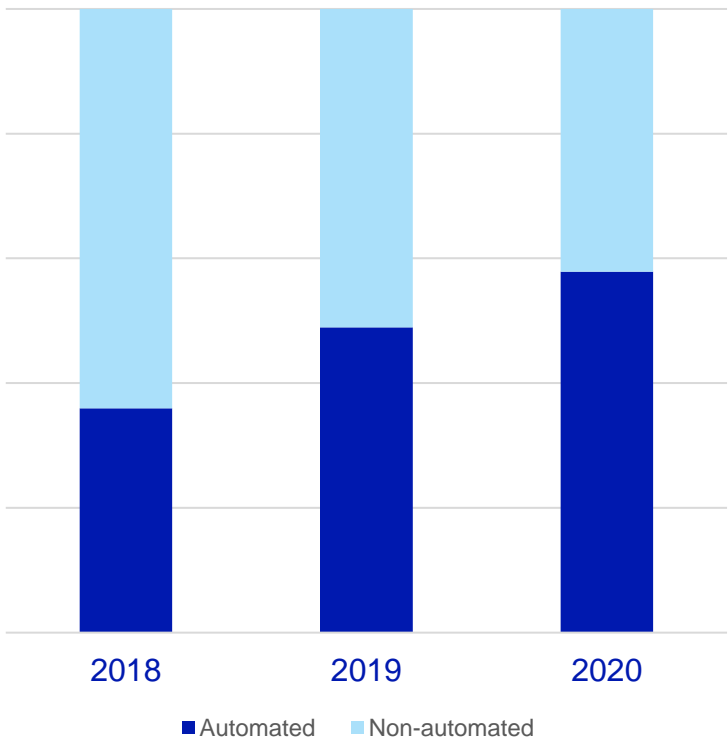
<sup>1)</sup> 2011-2020

Sustainable profit and growth generation

# ... and continues to also offer significant further potential in service processes

## Back office automation grows

Delivery, billing and payment transactions



## Results

- **58%** of back office transactions automated 2020<sup>1)</sup>
- **5.4 million** back office tasks completed with RPA<sup>2)</sup>
- Customer effort score improvement from 83.7% to **88.6%**<sup>2)</sup>

## Significant further potential

- Increasing automation in IT end-user services
- Increasing end-to-end automation in customer service processes



Medium-term targets and CEO priorities

# We have updated our medium-term targets

## Parameter

Revenue growth →

EBITDA growth →

CAPEX-to-sales →

Capital structure

Net debt / EBITDA →

Equity ratio →

Profit distribution →

## Target by end of 2023

2020–2023 CAGR >2%

2020–2023 CAGR >3%

≤12%

1.5-2x

>35%

## Policy

Pay-out 80–100% of net result

Medium-term targets and CEO priorities

# Elisa's unique strategy generates sustainable profit and growth

*A sustainable future through digitalisation*

Increase mobile and fixed service revenues

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Improve efficiency and quality

*elisa*

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THANK YOU.

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