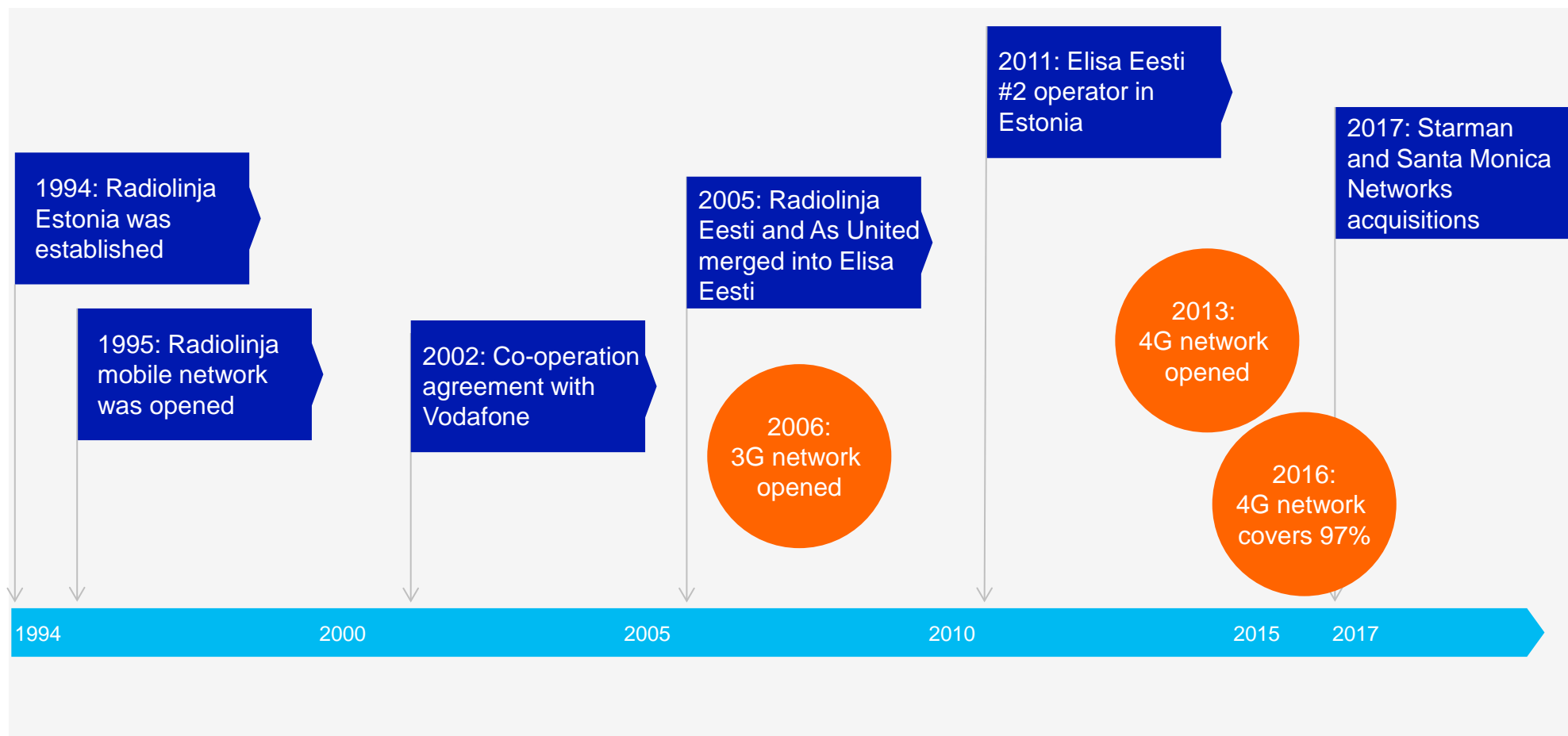# Elisa's strategy and Estonia

Elisa Analyst Day, 30 March 2017

CEO Veli-Matti Mattila

Elisa's milestones in Estonia

1994: Radiolinja Estonia was established

1995: Radiolinja mobile network was opened

2002: Co-operation agreement with Vodafone

2005: Radiolinja Eesti and As United merged into Elisa Eesti

2006: 3G network opened

2011: Elisa Eesti #2 operator in Estonia

2013: 4G network opened

2016: 4G network covers 97%

2017: Starman and Santa Monica Networks acquisitions

1994   2000   2005   2010   2015   2017

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Elisa's strategic focus areas

Build value on data

Accelerate digital service businesses

Improve performance with
customer intimacy and operational excellence

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Creating a full service operator in Estonia

- **Improving competitiveness in telecom services**
  - Starman's fixed networks

- **Expanding offering in digital services**
  - Consumer customers: Starman TV services
  - Corporate customers: Santa Monica Networks
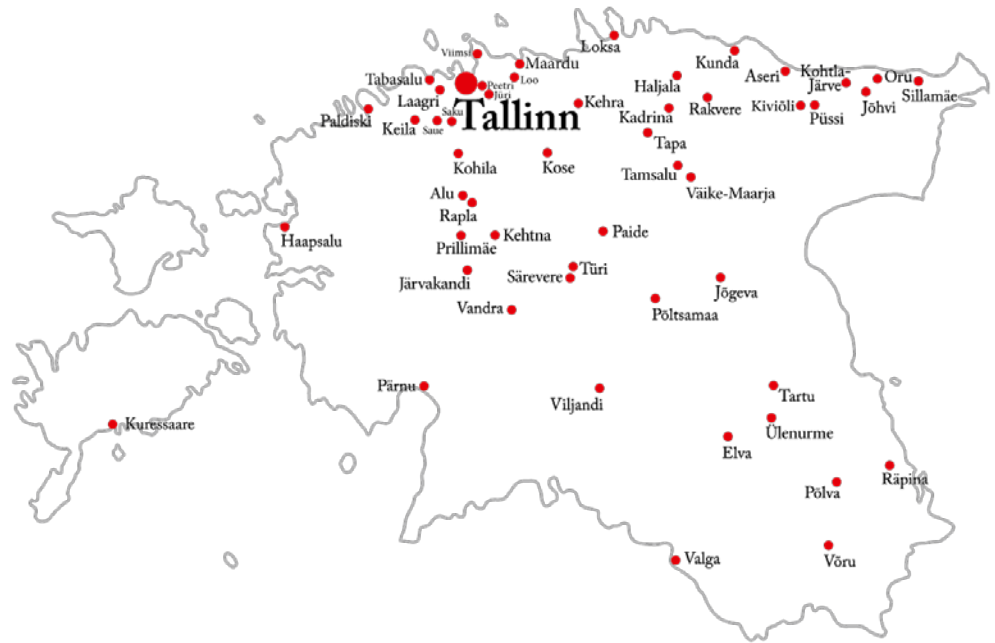
- **Realising synergy potential**

	elisa	starman	Santa Monica Networks
Mobile	✓		
Fixed broadband		✓	
TV		✓	
Corporate networks			✓

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Improving competitiveness in growing telecom and pay-TV services
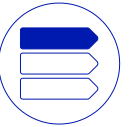
- Fixed broadband and data demand is growing

- Pay-TV market is favorable

- Nationwide coverage with FTTx network

- 320,000 households, 50% coverage

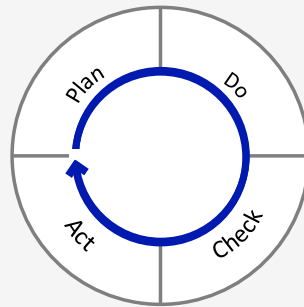Starman's cable networks

Expanding offering in digital services
Starman TV services and Santa Monica Networks acquisition

- **Starman TV services for consumers**

  - Leading Pay-TV service in Estonia

  - Linear and time-shifted TV

  - Recording service

  - Also for mobile, tablets and PC

  - Cable and DTT networks

- **Santa Monica Network ICT services for corporates**

  - Secure IT networks and data centre solutions

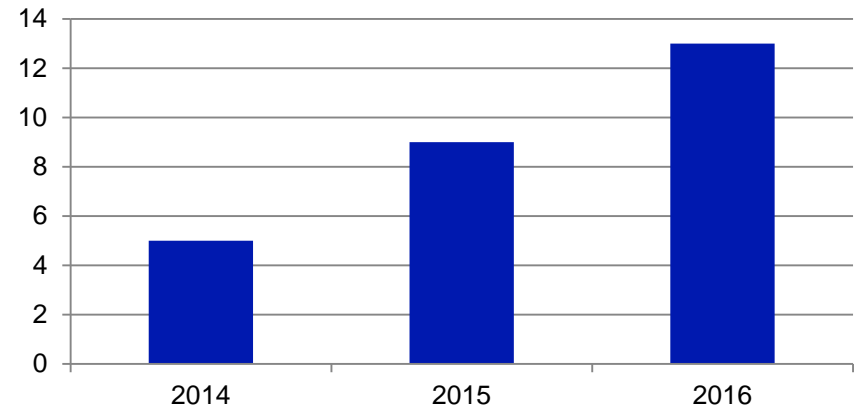 - Design, construction and maintenance of customer-oriented network solutions

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# Realising synergy potential and improving performance

- **Cross-selling**
  - Mobile, fixed and TV services to consumers
  - Mobile, fixed and ICT services to corporates

- **Continuous improvement of excellence and quality in joint operations**
  - Networks
  - Sales & marketing
  - Administration

Network throughput GB/s

Year	Value
2014	5
2015	9
2016	13

LTE session succees rate, %

Year	Value
2014	97,1
2015	99,5
2016	99,5
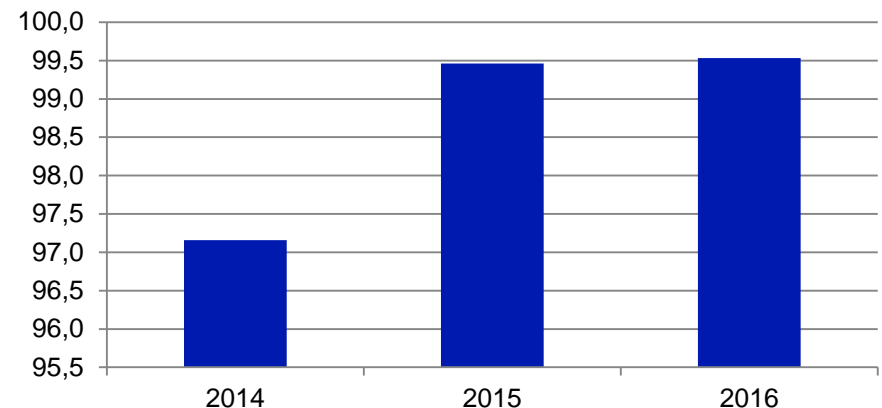
Elisa Estonia

Elisa Analyst Day, 30 March 2017
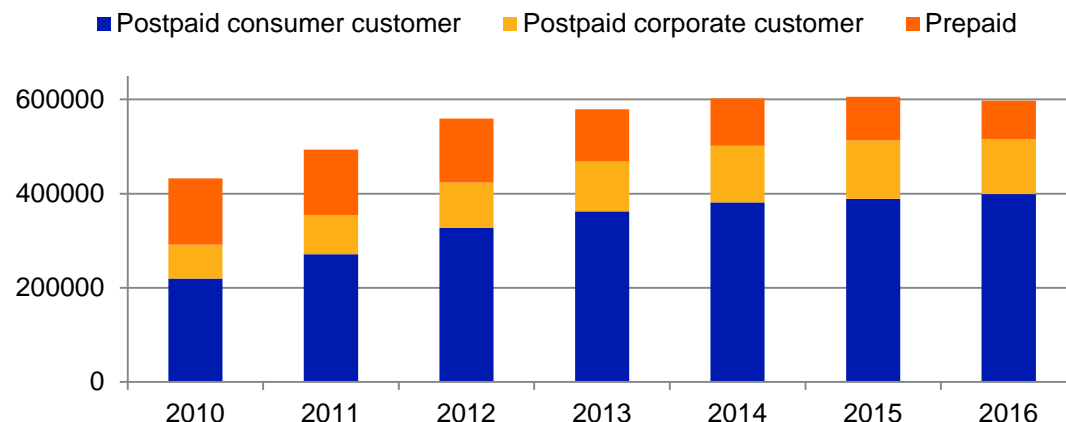
Country Manager Sami Seppänen

Elisa Estonia in brief

- **#2 in mobile**
  - subscription market share c. 32%

- **Steadily growing postpaid subscription base**

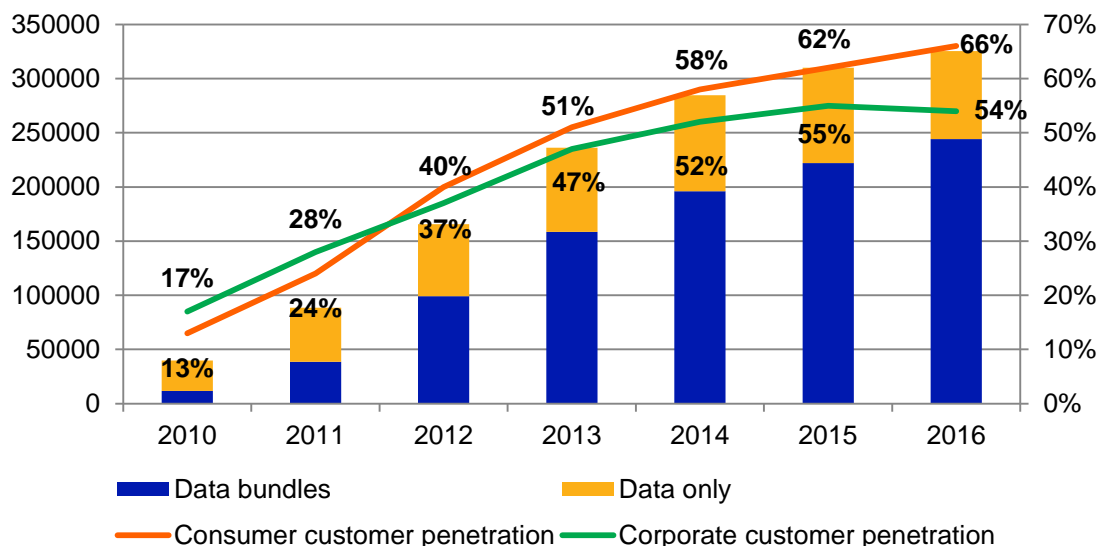- **Strong growth in mobile internet usage**

After Starman acquisition

- **New strong position in fixed**
  - #2 in fixed bb, market share c. 20%
  - #1 in pay-TV, market share c. 35%

Elisa Estonia subscription base

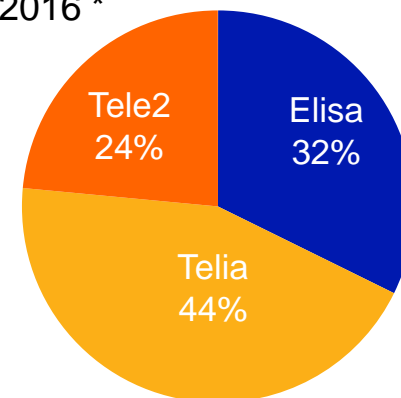Mobile data users and penetration by segment

Elisa Estonia mobile business

Strong position in mobile business in Estonia

- Elisa a strong challenger

- Elisa has been the leader in MNP (mobile number portability) since 2010

- In consumer customer segment Elisa is #1 both in prepaid and postpaid segment

Subscription market shares Q4/2016 *

Tele2 24%
Elisa 32%
Telia 44%

Prepaid consumer segment by operators
(market shares by market survey)

40%
36%
37%
31%

Telia — Tele2 — Elisa

2013   2014   2015   2016
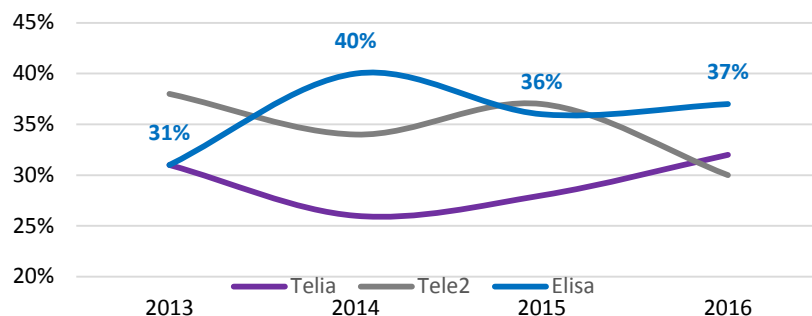
Postpaid consumer customer by operators
(market shares by market survey)

35%   35%   34%   34%

Telia — Tele2 — Elisa

2013   2014   2015   2016

* Company reports
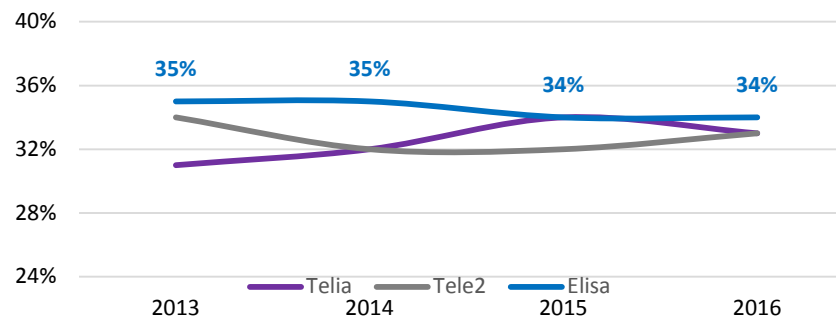
Fixed network and Starman business

Starman at a glance

Leading cable company in Estonia

- 320,000 homes connected to cable network
- 122,000 cable TV subs
- 88,000 broadband subs
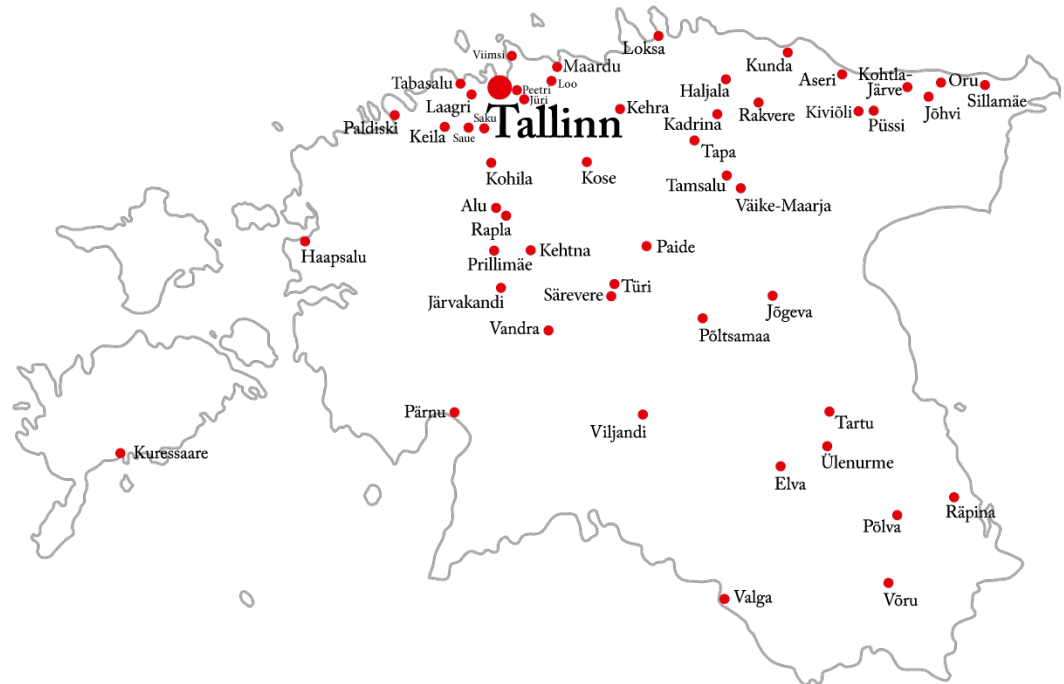- 60,000 DTT subs
- 30,000 telephony subs
- Pay-TV market leader
- Hybrid fibre-coax (FTTx) network
- Nationwide pay-DTT coverage in addition to cable network
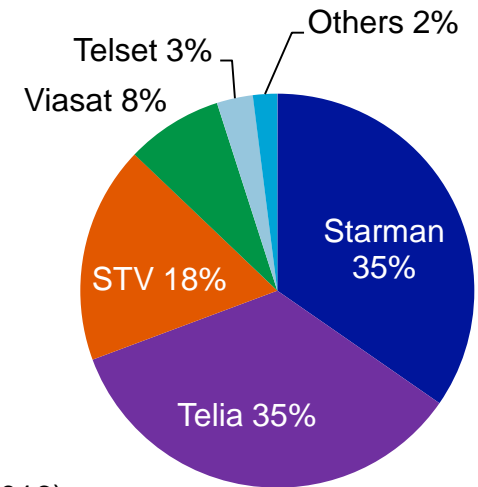- €39.5m in revenues (2016)
- €16.8m in EBITDA (2016)
- 320 employees

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Market leader in pay-TV

Market shares, Estonia (2016)

- Starman #1 in pay-TV market

- Starman's TV customer base is fully digitalized, 36% of TV base are using NewGen interactive services

- Estonian pay-TV market is one of the highest penetrated in Europe

Others 2%

Telset 3%

Viasat 8%

STV 18%

Starman 35%

Telia 35%

Pay-TV penetration benchmark, (2014)

- Estonia 86%
- Poland 82%
- WE average 78%
- Latvia 62%
- Lithuania 57%
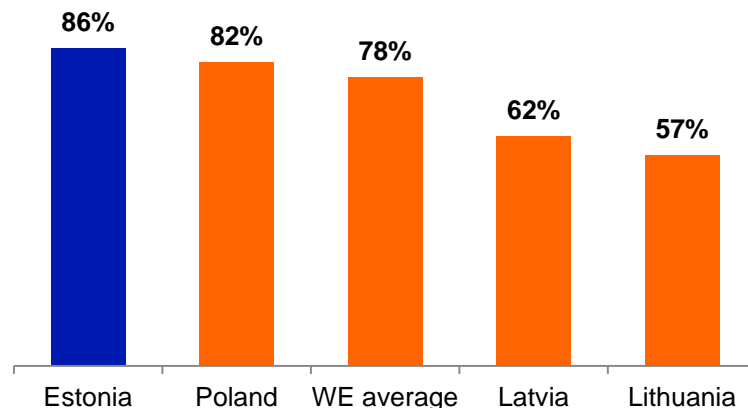
WE benchmark includes France, Germany, Netherlands and UK

Customer split by technologies (2016)

- DVB-C 40%
- IPTV 30%
- Pay DVB-T 10%
- DTH 7%
- FTA (DVB-T) 13%

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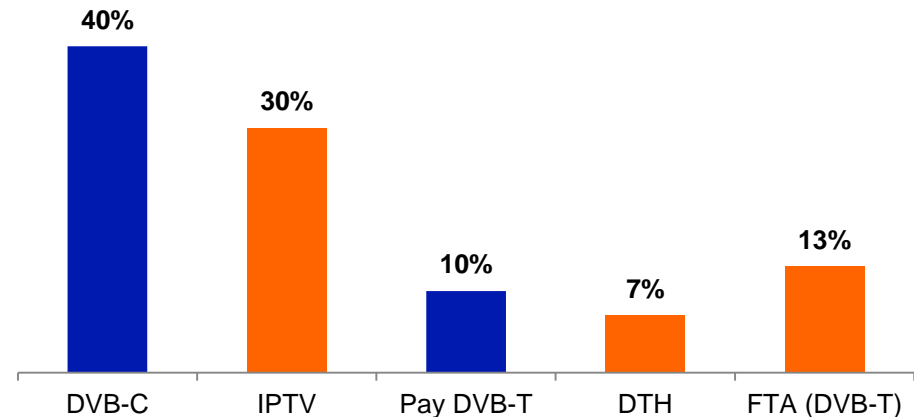
#2 in fixed broadband

- Starman #2 in Estonia

- Starman has been the fastest growing fixed broadband provider in the market
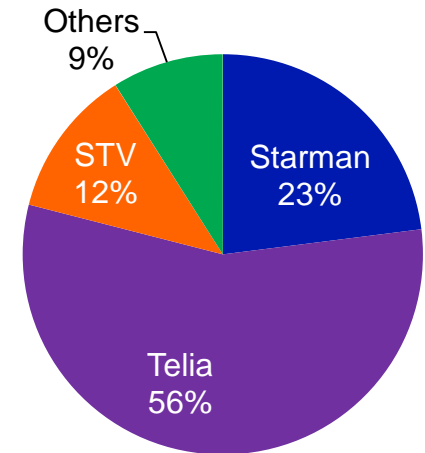
- Potential of penetration increase

- Coverage 50% of households

Market shares, Estonia (2016)

Others
9%
STV
12%
Starman
23%
Telia
56%

Fixed broadband penetration per 100 inhabitants (2016)

43%	40%	36%	31%	29%	26%
Denmark	Western Europe	Sweden	Finland	Estonia	Latvia
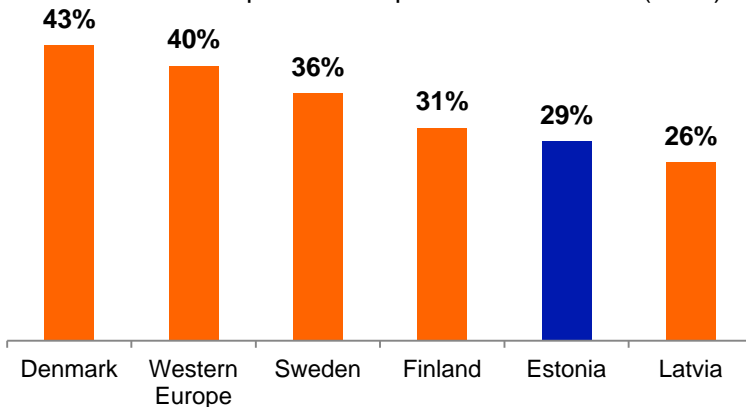
Starman fixed broadband penetration growth
(% of cable customers, 2016)

51%	55%	60%	64%	67%
2012	2013	2014	2015	2016
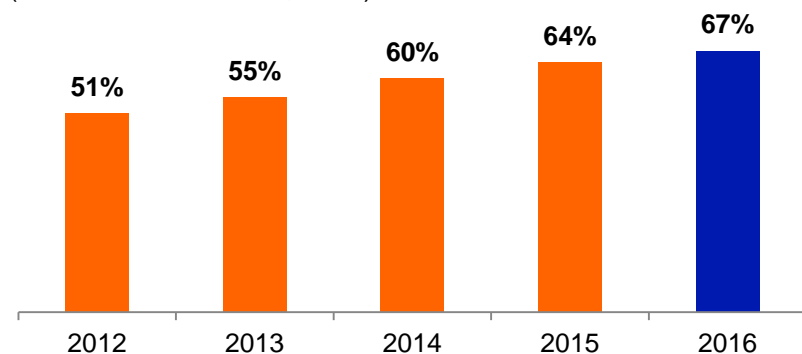
Source: OECD, 2016
WE benchmark includes France, Germany, Netherlands and UK

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Strongly performing company

- Starman has shown historically strong organic growth

- Revenue CAGR of 9% over the 9-year period 2007–2016

- EBITDA has increased by 2.8 times since 2007; EBITDA margin has also improved

- Solid performance even over the 2009–2010 crisis

Revenue, €m

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
18,0	22,8	24,9	25,7	26,1	28,0	30,2	33,6	37,2	39,5

CAGR +9%

EBITDA, €m

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
6,0	7,4	9,9	9,2	11,3	13,0	14,6	15,7	17,9	16,8

CAGR +12%

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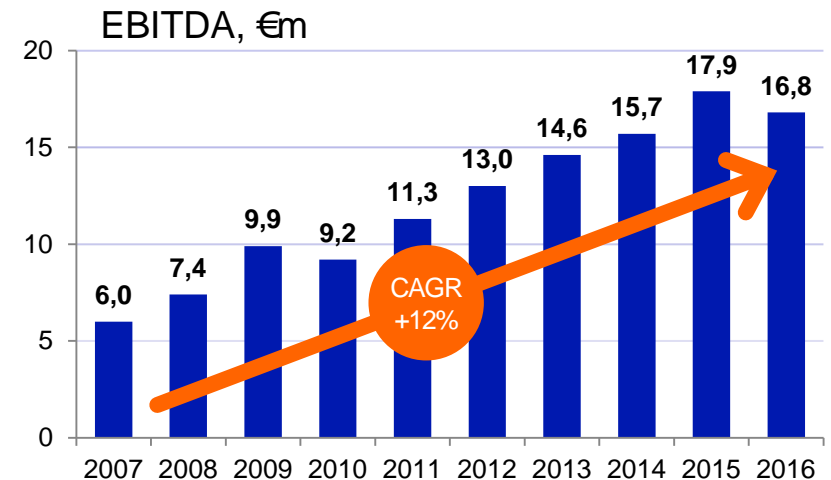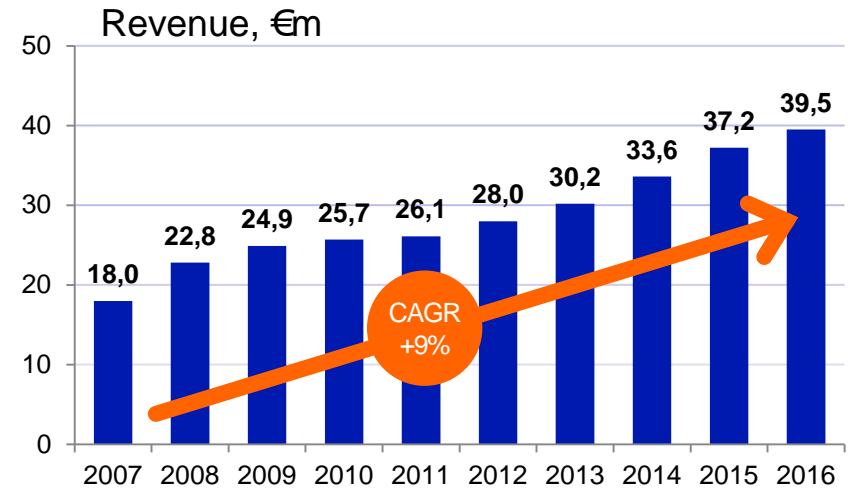
Turnaround in customer intake…

Cable customers net growth (organic)
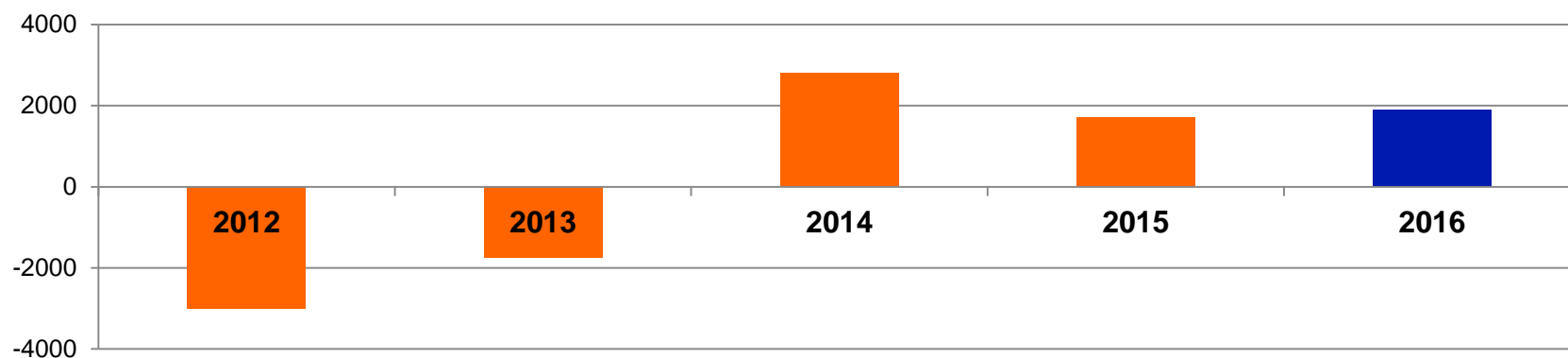
…and sustained uplift in ARPUs

Cable TV ARPU development, €
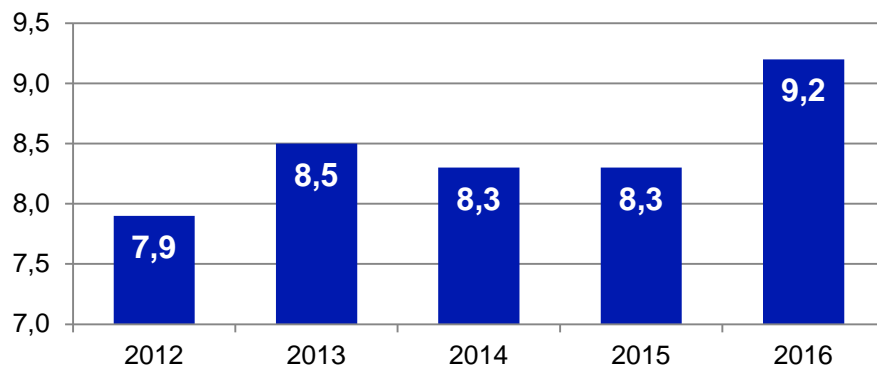
Cable BB ARPU development, €

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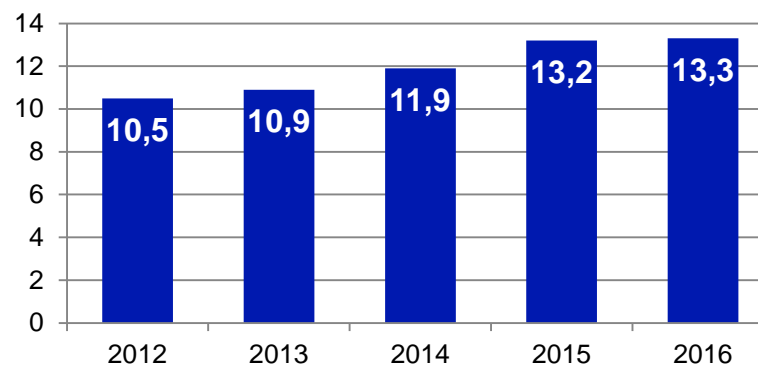
Leader in product offering

- Fastest home internet in Estonia
  - 500 Mbit/s available all over cable footprint
- Time shifting service
  - 80 channels
  - Can be viewed within 14 days
- Cloud-based recording service
  - 100 channels
  - Lifetime validity
  - Volumes up to 1 TB
- TV Everywhere service
  - Linear and time-shifted TV
  - Recording service
  - Mobile, tablets and PC

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Santa Monica Networks business

"The increasingly digital environments of our customers require continuously faster reactions to different situations. We will significantly increase this capability with Santa Monica Network's solutions and expertise."

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Santa Monica Networks' business

- Offers corporate and datacenter networks, and security solutions as well as services such as
  - architecture and specialist
  - management and monitoring
  - maintenance
  - training

- Operates with a multi-vendor strategy
  - The largest product partners are Cisco and Juniper

- SMN's operating model (incl. NOC) enables Elisa to implement customer specific processes

- Network architecture consulting has a key impact on customers' decision making in network and IT investments

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Full range of services by Elisa

	Elisa + Starman + SMN	Telia	Tele 2	Viasat	STV	Free service
Mobile voice and data (smartphones)	✓	✓	✓			
Mobile broadband (tablet or PC)	✓	✓	✓	✓		
Fixed broadband	✓	✓			✓	
TV service (terrestrial or cable TV / IPTV)	✓	✓	✓	✓	✓	✓
Fixed voice (PSTN)	✓	✓			✓	
Corporate networks	✓	✓				

✓ *Service provider's **own** service*   ✓ ***Reseller** of other service provider*

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Financial overview of recent acquisitions

Elisa Analyst Day, 30 March 2017

CFO Jari Kinnunen

Starman acquisition's rationale

Acquisition of a strong, well-performing business	• The Estonian pay TV market leader • High profitability (2016 EBITDA-margin 43%) and growth track record
Significantly enhances Elisa's positioning in Estonia	• Highly complementary operations and service offerings • Creates a leading integrated operator, strengthens Elisa's market position
Attractive synergy potential	• Cross-/up-selling and churn reduction • Overlapping functions and network savings
According to Elisa's M&A policy	• Focus on home markets • Value creating acquisition

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Santa Monica acquisition's rationale

|	
Acquisition of an ICT business operating in Finland and Estonia	• New system integrator capability, supports IT and telecom operations • Starman acquisition enables fixed line services to B2B segment and thus SMN acquisition further strengths service offering in Estonia • 2016 revenue €44m, EBITDA €3.3m, EBIT €3.1m and CAPEX €0.4m
Skilled team	• Highly qualified technical experts and salesmen focused on network technology and architecture design
Synergy potential	• Top line synergies • Overlapping functions and other cost savings
According to Elisa's M&A policy	• Focus on home markets • Value creating acquisition

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Estonian business Pro Forma 2016

EURm	Elisa Eesti	Starman	Santa Monica Estonia	Pro Forma 2016	Change %
Revenue	99	40	13	151	53%
EBITDA	32	17	1	50	56%
EBITDA%	*32%*	*43%*	*8%*	*33%*	
EBIT	22	7	1	29	35%
EBIT%	*22%*	*17%*	*7%*	*19%*	
Capex	10	10	0	21	99%
CAPEX/Sales	*10%*	*26%*	*1%*	*14%*	
Oper. Cash Flow	21	7	1	29	35%

Pro forma 2016 revenue breakdown

24%
76%

■ Consumers ■ Corporates

37%
63%

■ Mobile ■ Fixed

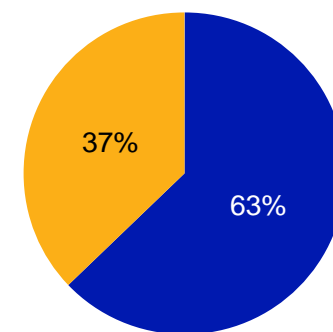Starman consolidation is expected to start during April 2017
Santa Monica consolidation is expected to start 1 May 2017
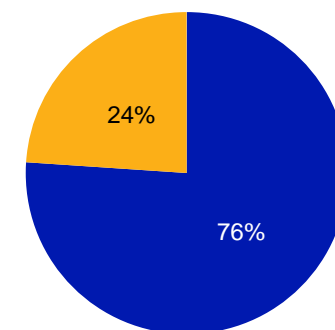
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Reporting from Q2/17 onwards

P&L in data excel:

Estonian business including Starman and Santa Monica Networks Estonia

- Revenue
- EBITDA
- EBIT
- CAPEX

Subscriptions in data excel:

	Elisa published Q4/16	Starman Q4/16	Pro Forma Q4/16
Mobile subscriptions	**4 694 700**		**4 694 700**
Subscriptions in Finland	4 036 900		4 036 900
Subscriptions in Estonia	657 800		657 800
Fixed network subscriptions	**1 208 000**	**306 000**	**1 514 000**
Traditional in Finland	169 100		169 100
Traditional in Estonia		30 000	30 000
Broadband in Finland	594 900		594 900
Broadband in Estonia		88 000	88 000
Cable-TV in Finland	444 000		444 000
Cable-TV in Estonia		122 000	122 000
DTT in Estonia		66 000	66 000

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In-country and cross-border synergies

Starman

- Synergies
  - Cross-/up-selling
  - Cost savings
  - CAPEX
- EBITDA €4-6m by end-2019

Santa Monica Networks

- Synergies
  - Cross-selling
  - Cost savings
- EBITDA €4-5m by end-2019

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Acquisitions and valuation

Starman

- Acquisition price €151m

- Valuation

  - Pre synergies EV/EBITDA <9x

  - Post synergies EV/EBITDA <7x

Santa Monica Networks (FI + EE)

- Acquisition price €28m

- Valuation

  - Pre synergies EV/EBITDA <9x

  - Post synergies EV/EBITDA <4x

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Acquisitions' financial impacts

- **Earnings per share**
  - Both acquisitions EPS accretive in 2017 and onwards
- **CAPEX**
  - Elisa's CAPEX guidance and medium-term targets remain unchanged
- **Operative Cash Flow**
  - Both companies have positive operative cash flow
- **Net Debt**
  - Net debt / EBITDA remains in target level
  - Starman acquisition is in Elisa´s net debt as of December 2016
- **Shareholder remuneration**
  - No change to Elisa's dividend payment capabilities nor distribution policy

Thank you!

Forward looking statements

Statements made in this document relating to the future, including future performance and other trend projections, are forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements, due to many factors, many of which are outside of Elisa's control.

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