

# Continuing to grow cash flow

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Capital  
Markets  
Day 2017



# Forward looking statement

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## HIGH-QUALITY DATA, TV AND VOICE

# DNA is one of the leading Finnish telecommunication groups

Customers are in the center of DNA's strategy

About 2.8 million mobile subscriptions

Over 1.1 million fixed network subscriptions

More than 50,000 enterprise customers

Our key assets; team of top experts & networks and IT platforms

Nationwide high capacity 4G network, with 99.7% population coverage

~1/3 of all Finnish households in the footprint of DNA's Hybrid Fibre Coax network, supporting ~ 1Gbit/s broadband

~1700 customer-oriented employees, the largest operator retail store chain with 64 shops, supported by state-of-the-art data- and analytics capabilities

Strong financial performance in 1-9/2017 (FY 2016)

Net sales increased by 2.8% to EUR 651.5 (FY 2016: EUR 859 million)

2.2% increase in mobile subscriptions to 2.79 million (FY 2016: +4.6% to 2.74 million)

Comparable EBITDA increased by 8.7% to EUR 206 million (FY 2016: +9.0% to EUR 247 million)

## Continuing to grow cash flow

1. Finland is one of the **most attractive telecom markets** globally
2. Differentiation strategy to have an **excellent customer experience**. Supported by our core assets:
  - ✓ Well invested, state of the art **mobile and fixed network**
  - ✓ Motivated, customer oriented **employees**
  - ✓ State-of-the-art **data and analytics** capabilities
  - ✓ **Challenger culture** with focus on speed & cost efficiency
3. With great progress **towards our strategic targets...**
4. ...and with **continued good growth opportunities.**



## MEGA TRENDS

## Strong macro drivers

## SUPPORTIVE MEGA TRENDS

Demand for faster and better-quality broadband connectivity growing

People's lives are increasingly digital - a seamless experience regardless of the service channel paramount

Mobility, Digitisation and IoT transforms businesses

**Attractive market  
with healthy growth  
opportunities**

## SUPPORTIVE FINNISH MACRO

Economy back on growth track,  
GDP growth\* +2.9% (E2017)  
(+1.9% 2016)

Stable market structure with  
3 converged operators

High quality networks and low  
pricing of services



## CORE ASSETS – THE FOUNDATION FOR SATISFIED CUSTOMERS

# High-quality networks

### Well invested 4G and fibre networks

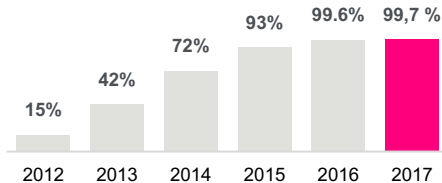
#### Mobile

- Population coverage > 99.7% for 4G, 3G and 2G technologies (3Q/2017)
- CA expansions to majority of cells in 2017
- Cost-efficient MSR-radio technology

#### Fixed

- HFC network footprint of 850,000 households (about 33%) in three of the four most populated regions: Helsinki metropolitan area, Turku, Oulu and seven out of ten most populated cities
- 620,000 households connected to the network, all have access to 1 Gbit/s connection

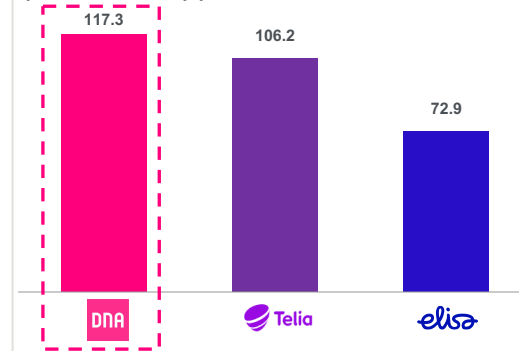
#### DNA 4G LTE network, population coverage



### Good spectrum position and modernised backhaul network

- More spectrum per subscriber than peers
- ~26,000 km fibre-network of which 90% is fully owned, with remaining in IRU
- Robust and redundant IP-backbone, with service availability of 99.99%, is built on top of the fibre-network covering all major cities in Finland, providing future scalability up to 1.2 Tb/s

#### Spectrum ownership per subscriber, Hz



**Excellent foundation to build on as data consumption increases and when 5G is mature**

## CORE ASSETS – THE FOUNDATION FOR SATISFIED CUSTOMER

## Happy and motivated employees

## Our employees are our strength

- Working culture based on trust
- Committed experts
- Family-friendly workplace



## Rooted values and challenger mind-set

- Customer focus and cost efficiency is in our dna – this we protect
- Values deeply rooted in our way of working
- Low organisational structure
- Increased adoption of both Lean and Agile working methods

## DEEPLY ROOTED VALUES

FAST

BOLD

STRAIGHT  
FORWARD

## Externally acclaimed

- One of the best working places in Finland – also according to the GPTW institute (September 2017)\*



\*Great Place to Work Institute, <http://www.greatplacetowork.net/>

## CORE ASSETS – THE FOUNDATION FOR SATISFIED CUSTOMER

# Big data, analytics and machine learning

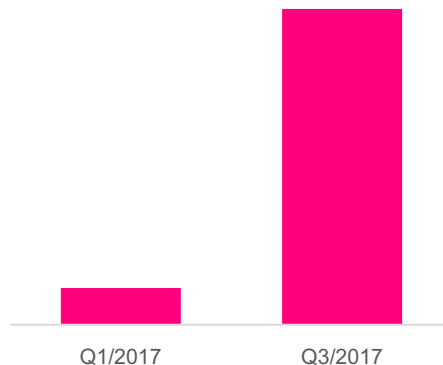
### Digital transformation programme started in 2014

- B2C BSS systems transitioned to cloud 2014-2016
- A new B2C omni-channel eCommerce platform taken into use 2015-2017
- Elastic data management and BI solution with real-time analytics features and 360 degree customer views in use in majority of customer touch points
- Increased use of machine learning and process automation

### Initial results encouraging

- Big data engine + marketing automation tool  
→ Significant improvement in sales conversion

Campaign example:  
conversion from 2.7% to 23.1%



Source: Company data

### Also externally recognised as digital forerunner

**GRAND ONE—2017** \*\*\*\*

DNA:  
Best AI powered use of Big Data



BtoC: DNA the best in the Nordic countries - Digital Leaders 2018 research\*

\* More than 200 Nordic companies participated, 64 Finnish brands

Source: Magenta Advisory by BearingPoint



## CORE ASSETS – THE FOUNDATION FOR SATISFIED CUSTOMERS

# ...supported by a challenger culture with a cost efficiency mind-set

### Foster DNA challenger culture:

Embed agility, cost efficiency and appetite for renewal in everything we do.

#### Cost efficient networks

- Joint mobile radio network in sparsely populated Northern and Eastern Finland
- Use of modern technology allowing lower upgrade CAPEX and lower operational costs
  - MSR
  - Fibre & Microwave
  - Energy efficiency
  - NB-IoT and 5G readiness

#### Other cost efficiency initiatives

- IT transformation
  - Increased marketing, sales, delivery and customer care efficiency and customer satisfaction
  - Reduction of billing systems and dismantle other legacy IT systems
  - Increased automation and usage of robotics
- Aim to have the most customer-oriented and agile processes. Continue at great level and trend in employee costs/revenue ratio.

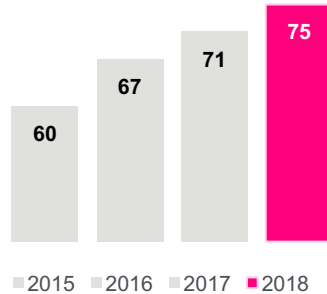
**STRATEGIC TARGETS**

# ...Resulted in steady progress of key KPI's

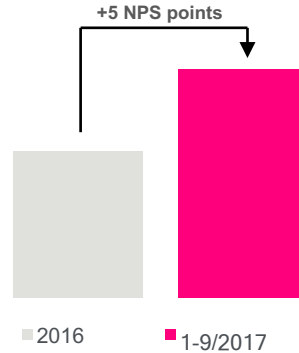
STRATEGIC TARGETS

**One of the best employers in Finland**
**Continued increase in employee satisfaction**

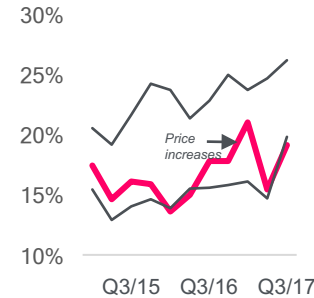
GPTW Trust Index Score



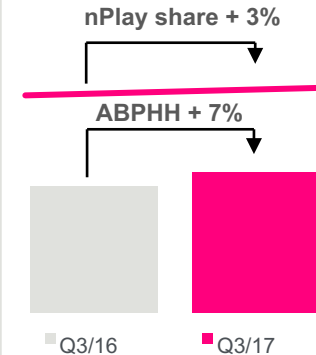
GPTW = Great Place to Work Institute, <http://www.greatplacetowork.net/>  
 NPS = net promoting score

**Most satisfied & loyal customers**
**Continued increase in customer satisfaction**  
 rNPS B2C


Source: Company data

**Churn under control – despite aggressive market**  
 Reported mobile churn, DNA vs competition


Source: Company data

**Wallet share increasing**  
 nPlay share & ABPHH  
 Reported mobile churn, DNA vs competition


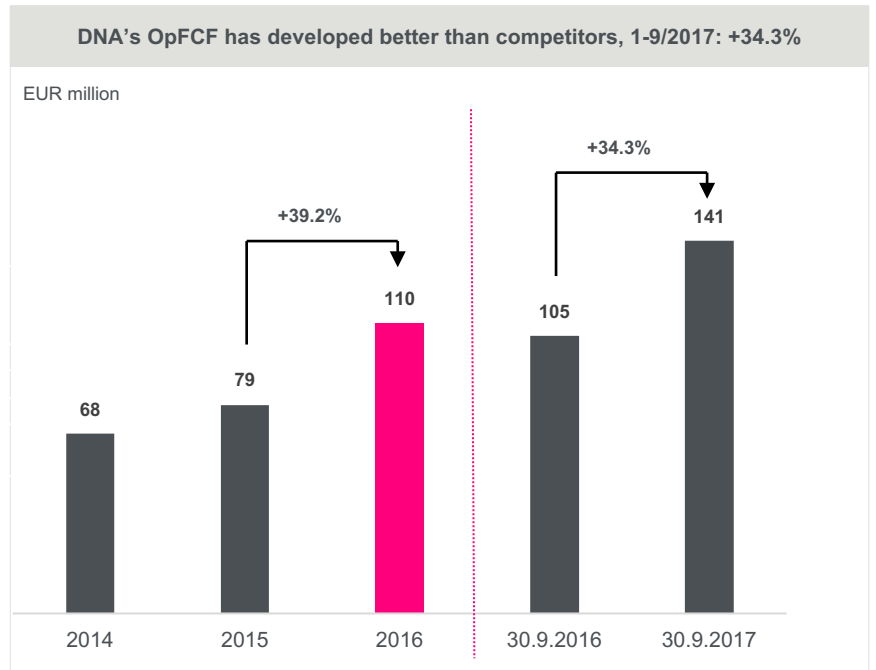
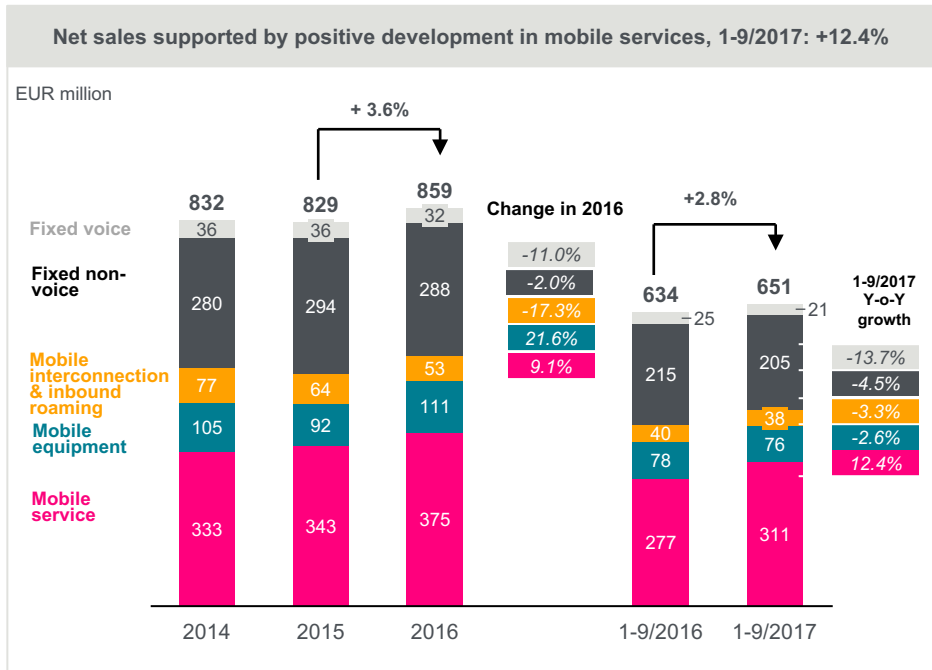
Source: Company data

ABPHH = average billing per household

**STRATEGIC TARGETS**

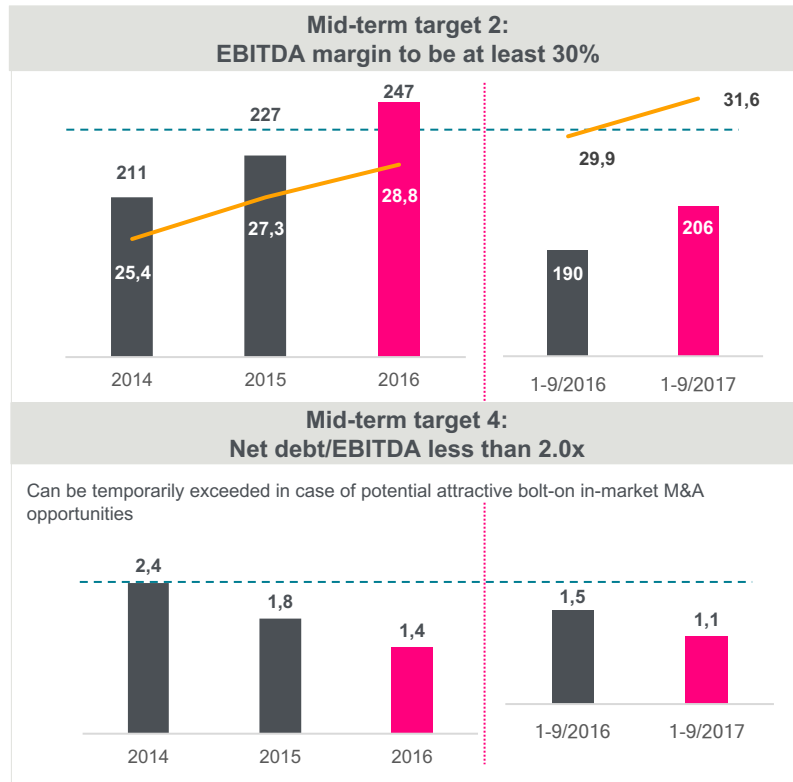
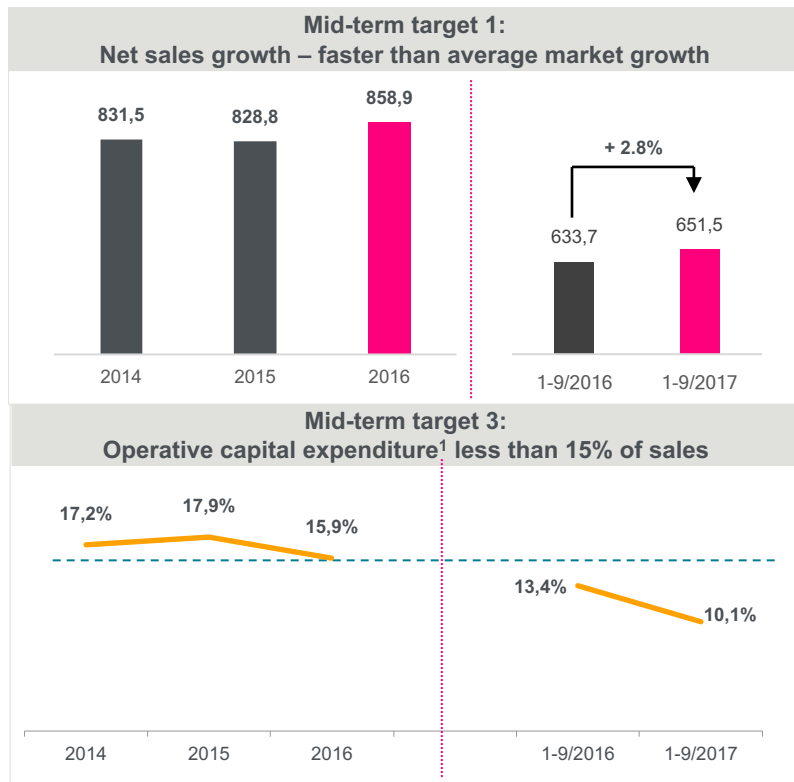
# ...Resulted in steady progress of key KPI's

Faster than average market growth and industry leading cash flow (OpFCF\*) growth



## DEVELOPMENT OF KEY KPI'S

# ...and good progress towards our mid-term targets

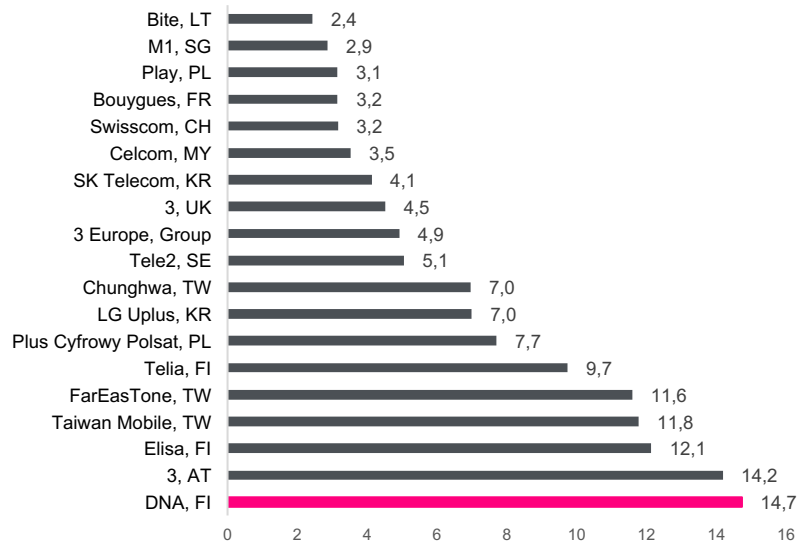


## GROWTH OPPORTUNITIES

# Finland has high-quality networks and low prices, resulting in high usage of mobile data

## DNA's customers have the highest mobile data usage per subscription in the world (according to Tefficient report)

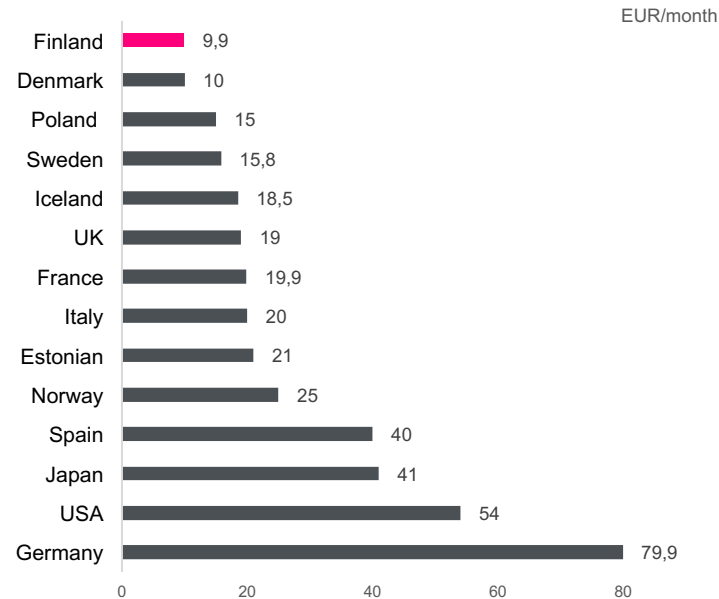
Gbyte per reported SIM per month, reporting operators 1H 2017 (truncated; showing operators with highest usage)



Source: Tefficient: [www.tefficient.com](http://www.tefficient.com)

DNA CMD 2017

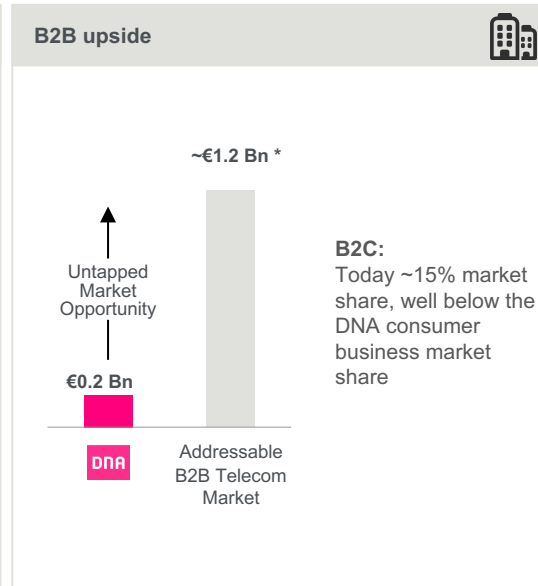
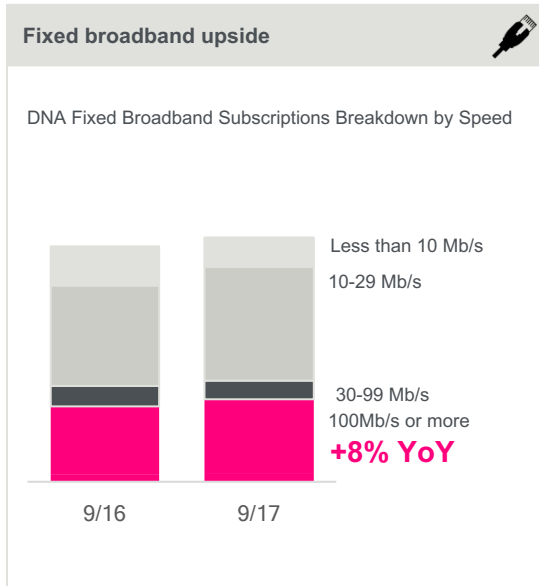
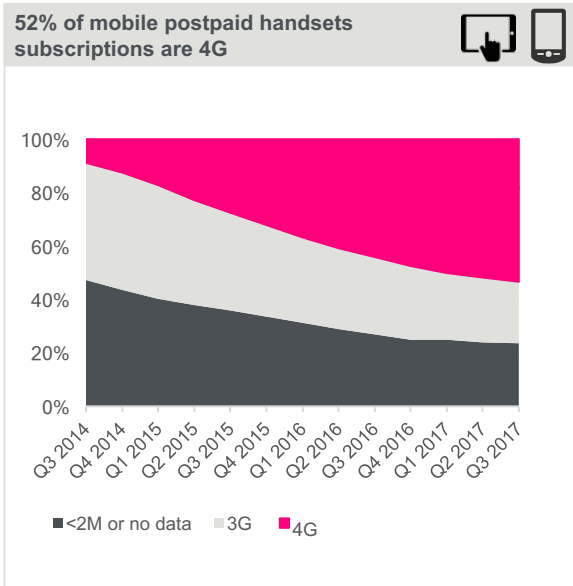
## The average price of mobile data in 2016 (10 GB/month), EUR/month, in 2017 the prices have begun to increase also in Finland



Source: Valor, Finnish telecommunications industry 2018 – Strategic industry report

**GROWTH OPPORTUNITIES**

# Upside remaining in mobile, fixed and B2B



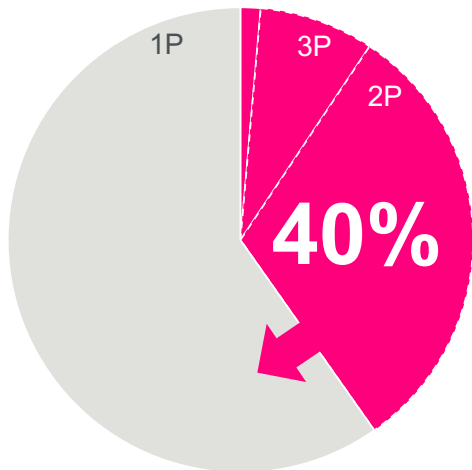
Source: Company information, B2B market share based on Gartner and IDC addressable B2B telecom market estimate (ex. VAS) of €1.2 Bn

## GROWTH OPPORTUNITIES

# ...as well as cross sales and bundling

### Significant potential in DNA B2C customer base...

40% nPlay customers of all DNA household customers in (Q3/17)



Netti kotiin



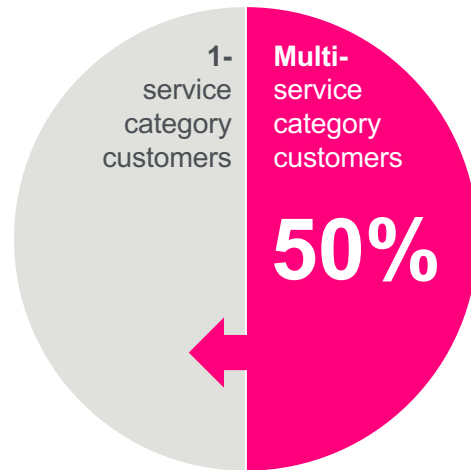
Netti mukaan



DNA TV

### ...and DNA B2B customer base

~50% multi-service customers of all DNA B2B customers in (Q3/17)

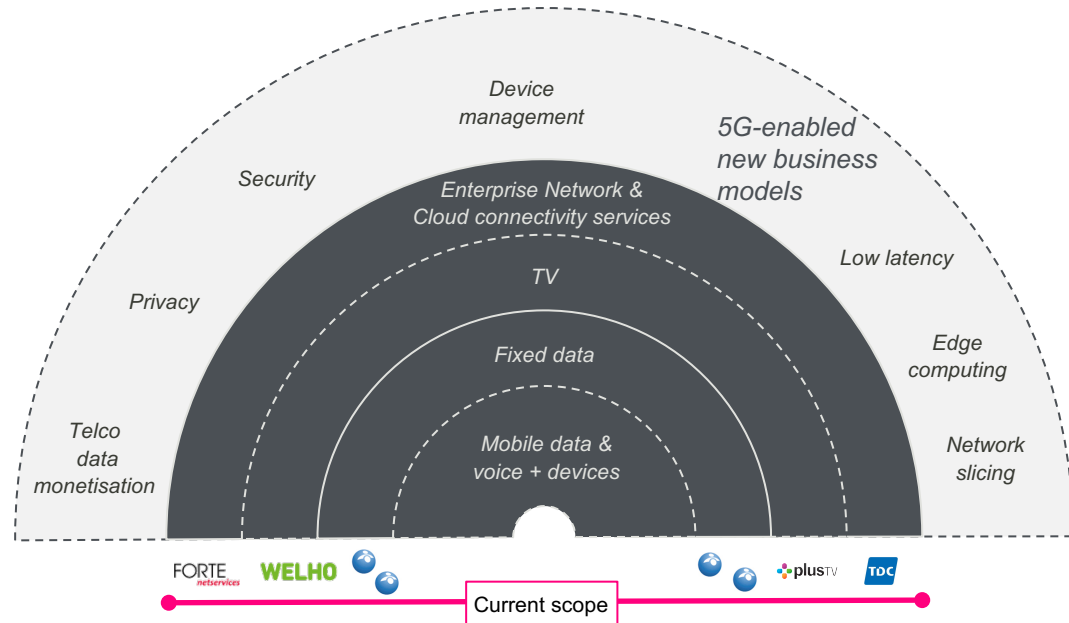


## GROWTH OPPORTUNITIES

## Continuing to actively explore options to expand business

## M&amp;A policy

- Focus on Finnish market needs
- Bolt-on acquisitions that:
  - Complement existing service portfolio and capability set
  - Highly synergetic and/or significantly improve strategic positioning
  - Enable leveraging DNA assets in novel ways
- Disciplined in valuation





# Compelling cash flow and dividend growth opportunity

Top-line growth, operating leverage, cost savings and low network investments translates into free cash flow to equity growth opportunity, supporting dividend growth

Revenue upside



- Market growth
- Upselling and cross-selling
- Market share gains
- B2B

EBITDA upside



- Favourable revenue mix effect
- Cost efficiency measures
- Scale & operating leverage

CAPEX control



- Normalisation of network investments
- Network sharing with Telia in Eastern and Northern Finland



- Continued free cash flow to equity growth
- Continued dividend growth

# Summary

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→ **Compelling cash flow and dividend growth opportunity for investors**





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