



# Results 2023 **Q4**



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# Q4 23 & 2023 Summary

Mr. José María Álvarez-Pallete  
Chairman & CEO

# Transform, Deliver and Commit

## WE TRANSFORM

**Continued streamlining**  
Building a stronger TEF

## WE DELIVER

**2023** guidance **delivered**,  
**FCF beat**

## WE COMMIT

On track for GPS  
ambition, **FCF 24 >10%**

# Stronger Telefónica

## Next Generation **NETWORKS**

- **More fibre, +10m FTTH PPs to 74m**
- **More 5G, 62%** coverage in core markets (Germany 94%, Spain 87%)
- **More APIs**

## Enhanced **CUSTOMER** experience focus

- **More customers, +5m to 388m**
- **More satisfied, 31 NPS** score
- **AI driven customer engagement**
- **More digitised, +3pp of revenue from BB & SoC to 76%**

## Leaner **OPERATIONS**

- **Operating leverage +1 p.p. to 19%**, OpEx+CapEx efficiencies
- **3,420 employees** joining Spain's redundancy program
- **Legacy shut-down** (1.9k Spain COs)

## Guidance delivered



	Initial 2023 guidance	Upgraded 2023 guidance	FY 23	
Revenue y-o-y organic	“Low single digit growth”	~4%	3.7%	✓
OIBDA y-o-y organic	“Low single digit growth”	~3%	3.1%	✓
CapEx/Sales	~14%	~14%	14.0%	✓
FCF	Former definition	~€4bn ex-spectrum	€4.2bn	✓
	New definition	~€2.1bn	€2.3bn	
Dividend		€0.3/sh. (cash)	Dec-23 €0.15/sh. Jun-24 €0.15/sh.	✓

1.4% treasury stock to be canceled in the next AGM

We delivered and we commit



**G**rowth

**P**rofitability

**S**ustainability

**+1.6%**

Revenue

**+1.4%**

EBITDA

**+5.7%**

EBITDAaL-CapEx

**€4.2bn**

FCF

Reported FY 23; FCF ex-spectrum; EBITDA adjusted and EBITDAaL adjusted

# Q4 23 Results: Core Markets

Mr. Ángel Vilá  
COO

# Telefónica Group: strong Q4 results with exceptional FCF



Revenue  
**€10.2bn**

+4.1% y-o-y organic

OIBDA  
**€3.5bn**

+4.5% y-o-y organic

Service revenue  
**€9.0bn**

+4.2% y-o-y organic

OIBDA - CapEx  
**€1.9bn**

+18.7% y-o-y organic

B2B revenue  
**€2.2bn**

+4.9% y-o-y organic

FCF  
**€1,562m**

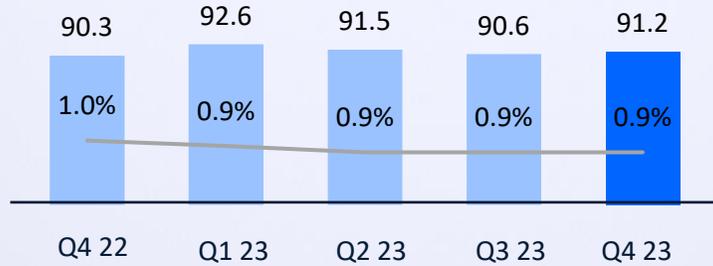
+€432m q-o-q



# Spain: continuing to improve and execute

## Convergent KPIs

ARPU (€) Churn (%)



## Revenue & OIBDA growth (y-o-y organic)

Revenue Retail Rev. OIBDA



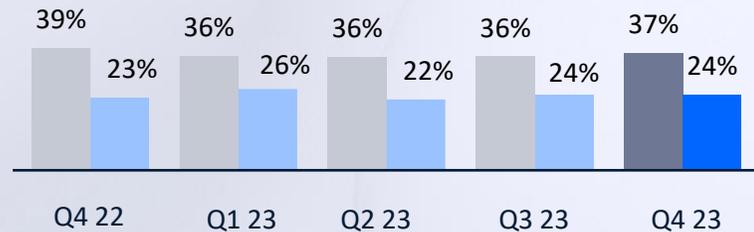
## Net adds (k)

FBB Postpaid Convergent Pay TV



## Margins (organic)

OIBDA OIBDA-CapEx



## Highlights powered by GPS

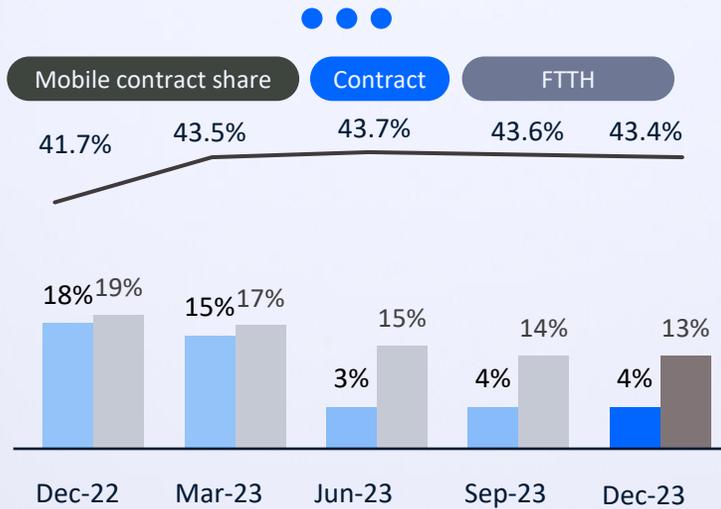
- Accelerated retail revenue growth: strong trading momentum and record IT
- Net adds in all accesses for 2<sup>nd</sup> straight Q on record-low churn since 2013
- Pay-TV turnaround completed; de-regulation gives us back flexibility
- Stabilised OIBDA leveraged on top line growth and efficiencies
- Tariff upgrade in Jan-24
- Redundancy program in 2024 and collective agreement until 2026



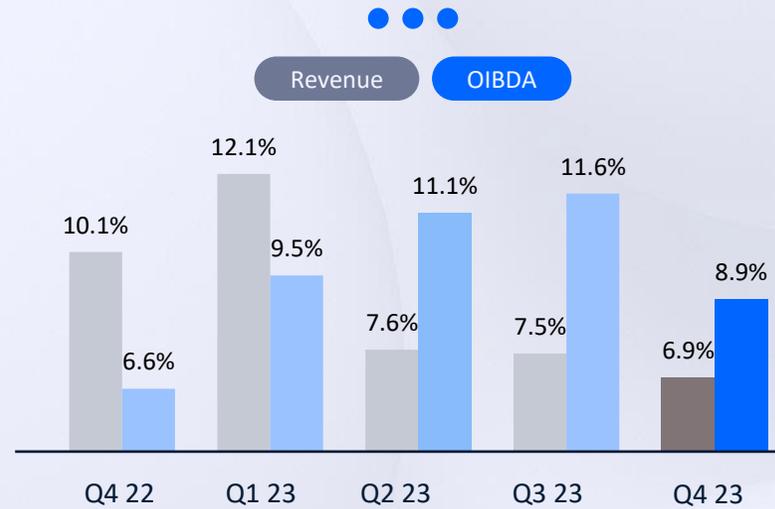


# Brazil: keeping up the strong momentum

## Accesses growth (y-o-y)



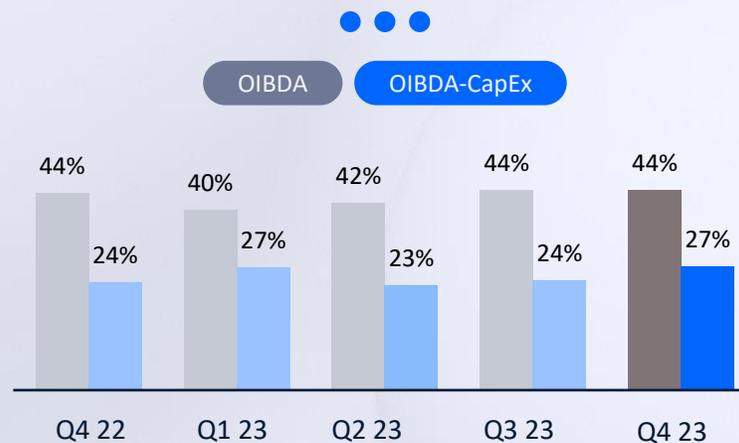
## Revenue & OIBDA growth (y-o-y organic)



## FTTH Premises passed (m)



## Margins (organic)



## Highlights powered by GPS

- Growing above inflation on differential value proposition
- Highest mobile ARPU & lowest churn in 4 years on rational market environment
- Fixed revenue grew for the 10th consecutive Q
- Record OIBDA-CapEx margin ever, supported by operating efficiencies
- Growing sales and improved operating leverage supercharge future cash growth
- Leader of ISE-B3 Corporate Sustainability Index

vivo  
Day 2024



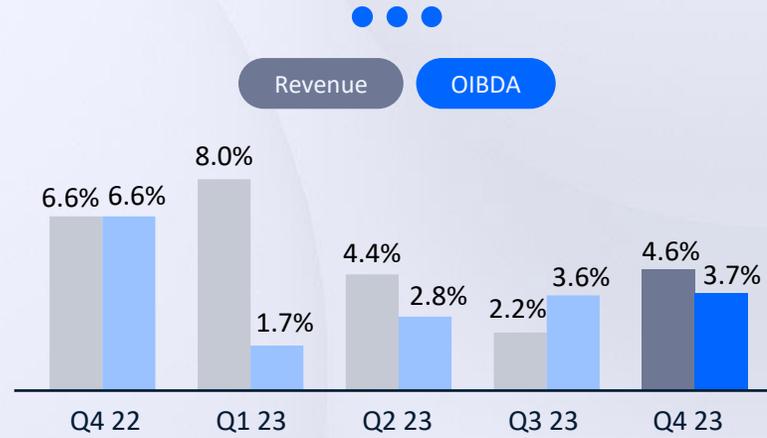


# Germany: healthy trends in a growing market

### Postpay net adds (k)



### Revenue & OIBDA growth (y-o-y organic)



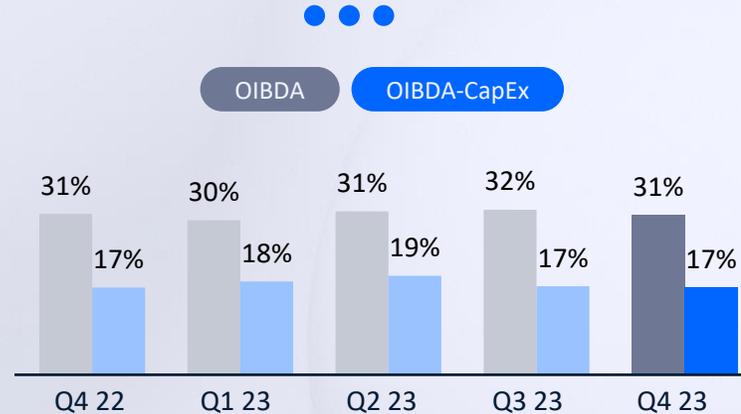
## Highlights powered by GPS

- Sustained financial momentum on robust commercial traction; >1.3m 2023 postpaid net adds
- O2 postpaid ARPU +1.9% vs. Q4 22
- 5G pop coverage ~95% at YE 23 (>80% Dec-22), on track with expectations
- “Very good’ rating in Connect test; improve in network quality
- #1 telco worldwide on ‘Sustainalytics ESG Risk Score’

### Fixed BB net adds (k)



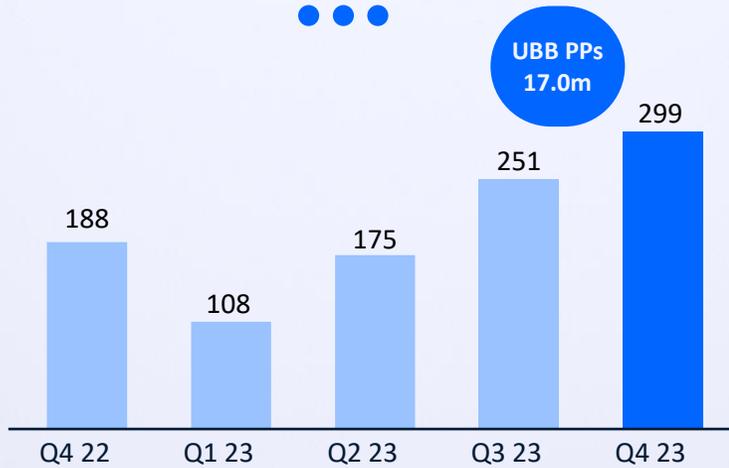
### Margins (organic)



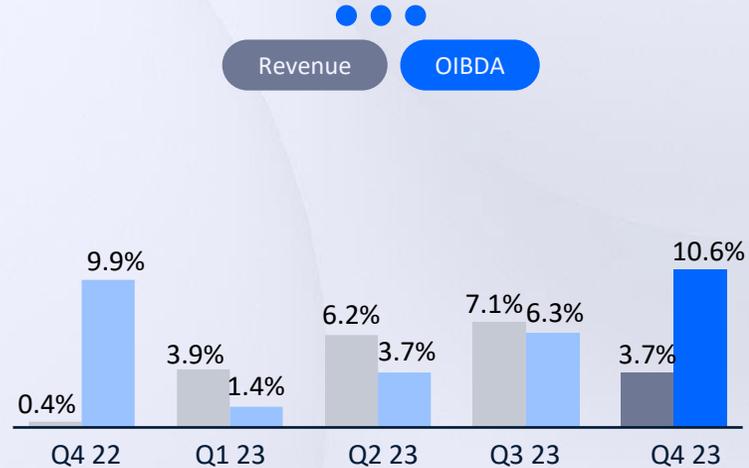


# Virgin Media O2: increasing customers, fibre and 5G reach

### Fixed network build (k PPs)



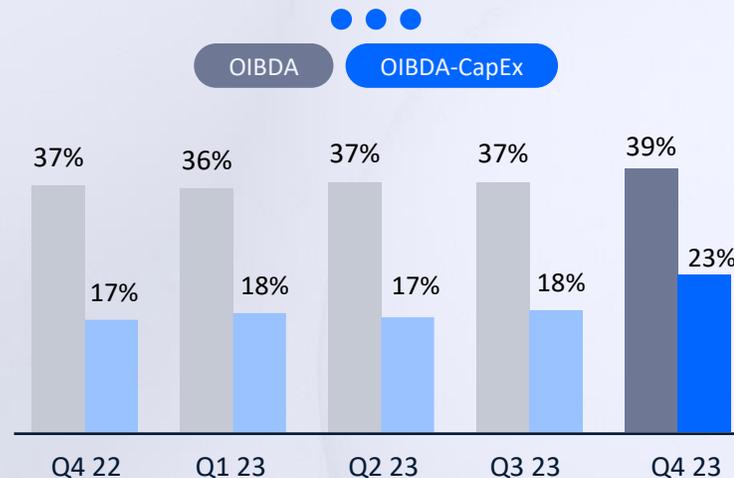
### Revenue & OIBDA growth (y-o-y organic)



### Mobile contract churn (%)



### Margins (organic)



## Highlights powered by GPS

- Solid commercial traction
- Record fixed network expansion; +833k PPs in 2023, contributing to net adds
- Realised ~2/3 of annualised £540m run-rate synergies, ahead of plan and on track to fulfil by mid-2026
- O2 owned stores now National Digital Inclusion Hubs (free services to communities in need)

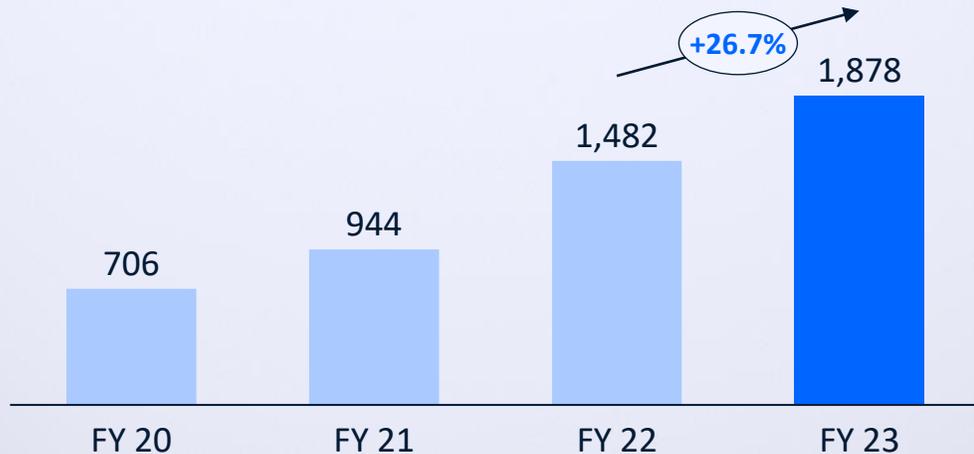


# T. Tech: keeping above industry momentum, cornerstone of strong B2B

## T. Tech Revenue

Reported (€m)

Constant Perimeter  
+21.7% vs FY 22



- Solid double-digit revenue growth in constant perimeter
- Well-balanced revenue mix
- Strong commercial activity, large revenue visibility

## Operational Highlights

### New operating model delivering value

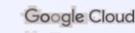
- Key driver to increase share of wallet

### Highly skilled and diversified team

- 6.3k professionals; >60 nationalities; 80% in Europe; ~4k certifications

### Partners awards

  
**Hewlett Packard  
Enterprise**  
"Best Computing Partner 2023"

  
**Next**  
"To infinity and beyond"

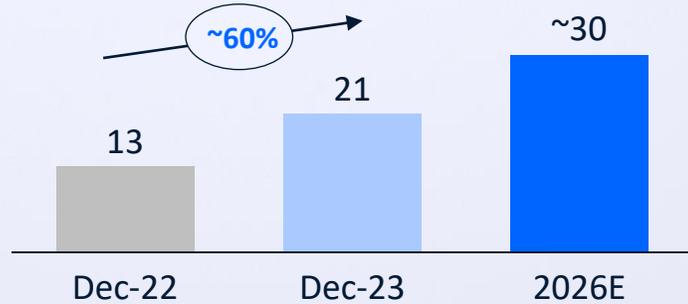
  
**NetApp**  
"Top Selling Partner 2023"

  
**Akamai**  
"Top Performance Partner 2023"

# T. Infra: strengthening Telefónica's infrastructure to support growth and efficiency

## Accelerating FTTH deployment

Total FTTH Premises Passed<sup>1</sup> (m)



Leveraging wholesale to increase reach

~30% of 23-26 of TEF's FTTH rollout



## Telxius >110k km international network by 2026

# TELXIUS

Solid profitability

51.4% OIBDA margin (FY 23)

Joining Firmina subsea cable

Providing three redundant routes to connect US, Brazil and Argentina

Fully invested capital base

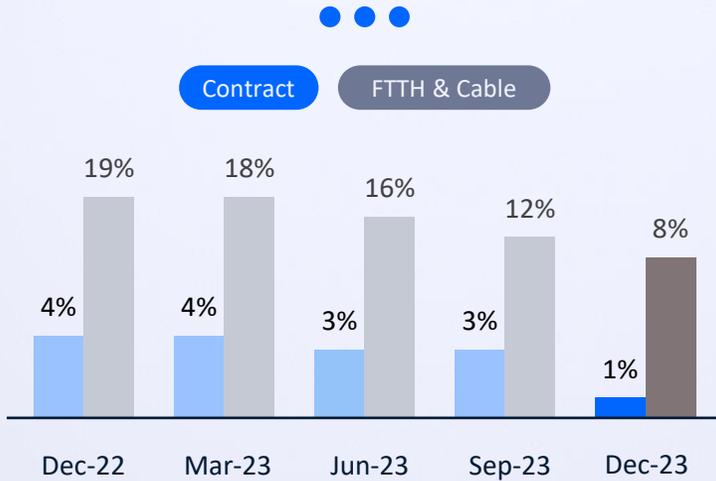
No material additional renewal CapEx required

# Q4 23 Results & Capital Allocation

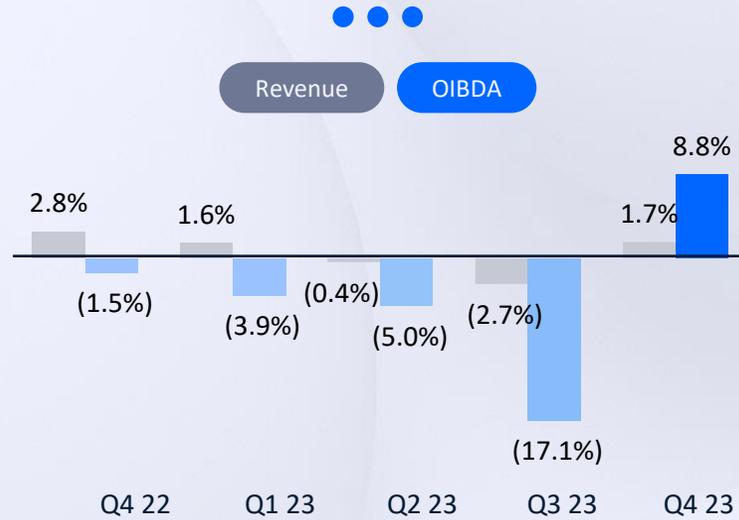
Mrs. Laura Abasolo  
CFCO & Head of T. Hispam

# T. Hispam: progressing in “asset-light” model

Accesses growth (y-o-y)



Revenue & OIBDA growth (y-o-y organic)



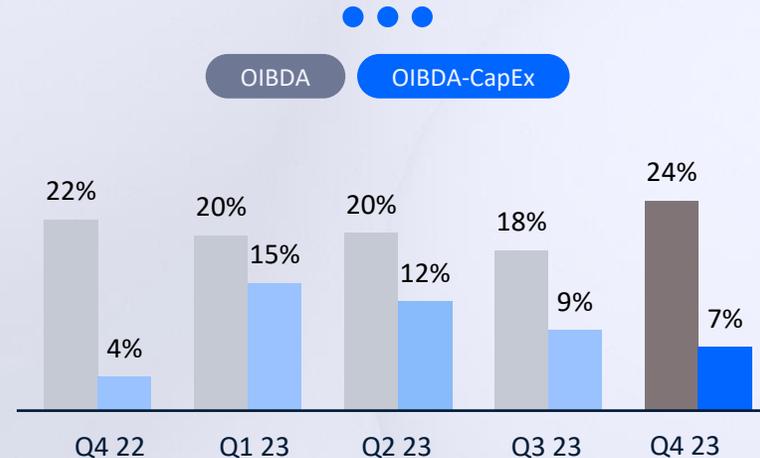
## Highlights powered by GPS

- FiberCo model allows FTTH accesses +8% while reducing CapEx
- COL: 5G Spectrum acquired jointly with Millicom
- Cooling down competition in a tough environment
- CapEx/Sales FY 23: 9.4% (-1 p.p. y-o-y)

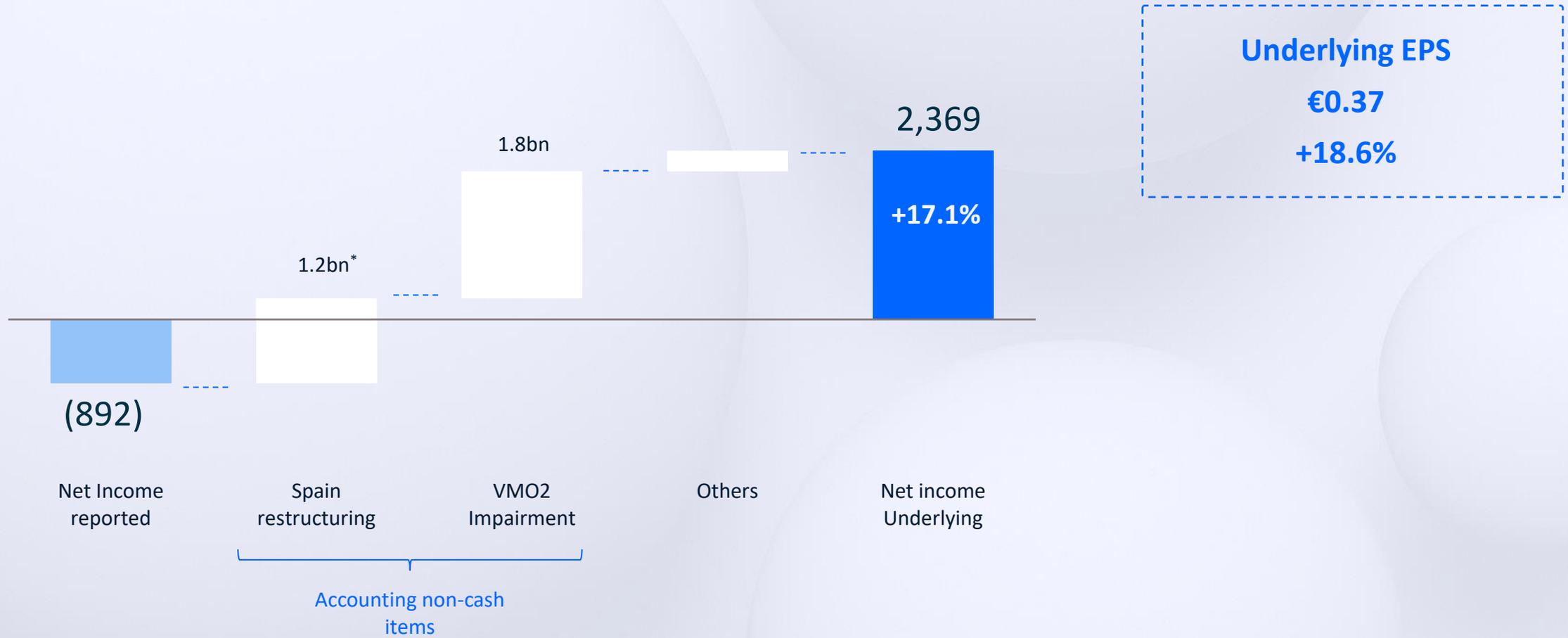
FTTH & Cable PPs (m)



Margins (organic)



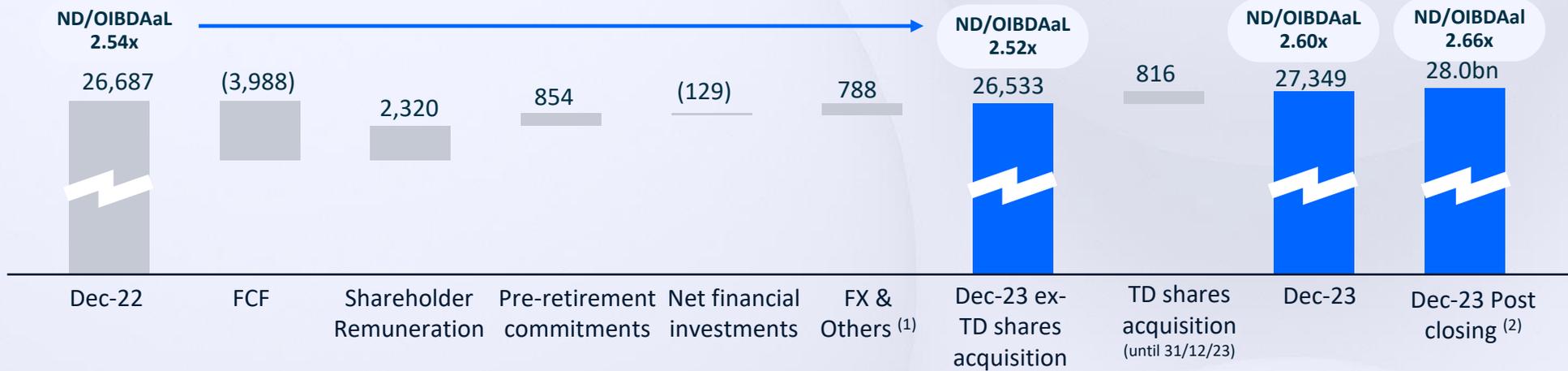
# Double-digit growth of underlying EPS



# Solid balance sheet to face any market environment

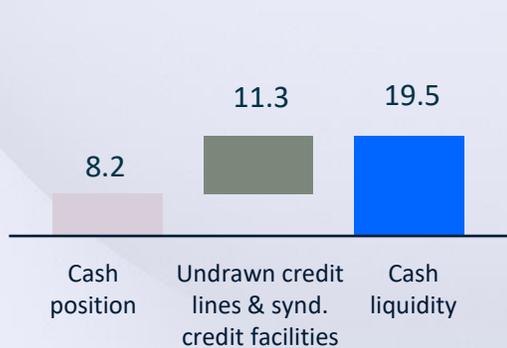
## Net Financial Debt

€ in million

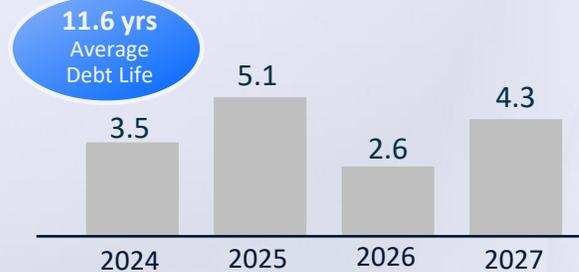


## Comfortable liquidity position

Liquidity cushion, Dec-23 (€bn)

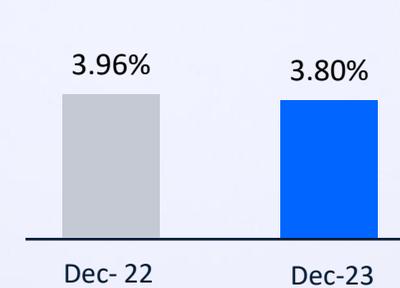


Gross debt maturities, Dec-23 (€bn)



## Contained interest payment cost

Total debt related interest payment cost ex leases

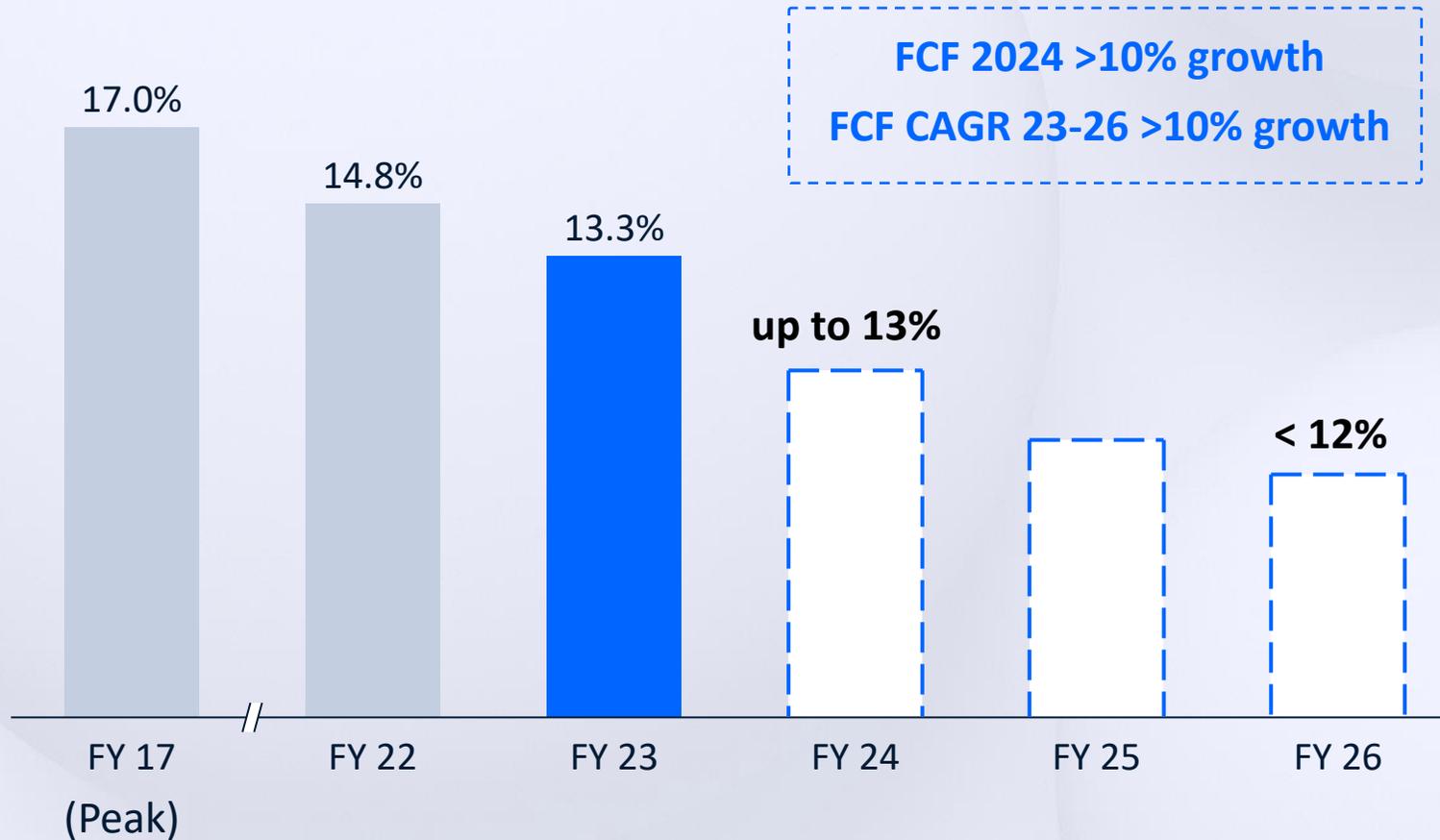


>80%  
Total debt  
fixed

+100 bps in short-term rate = +€25m in interest payment

# Capital allocation: investing in our business whilst maximizing shareholder value

## CapEx over Revenue



## Capital allocation priorities **GPS**

- Investing in networks; i.e fiber and 5G
- Paying DPS with a floor of €0.3/sh
- Reducing leverage to our target
- Starting share repurchases
- Considering other strategic opportunities

ND / EBITDAaL 2.2-2.5x in 2026

# 2024 and Beyond

Mr. José María Álvarez-Pallete  
Chairman & CEO

# ESG: We keep transforming



## Environmental



## Social



## Governance



### Key targets

**Net-zero** by 2040  
**100% renewables** by 2030  
**Zero-waste** by 2030

**> 90% MBB rural coverage** by 2024<sup>1</sup>  
**37% women executives** by 2027  
**Zero adjusted gender pay gap**<sup>2</sup>

**Parity**<sup>3</sup> in top governing bodies by 2030  
**Zero-tolerance** of corruption  
**~40% sustainable financing** by 2026<sup>4</sup>



### Progress

**On track for net zero:** -51% in total carbon emissions in last 8 years

**Leading actor in climate:** CDP Climate A-List for 10<sup>th</sup> consecutive year

**Decarbonising the economy:** enabling customers to avoid 86.1m tCO2 emissions

**Aligned with SDGs:** >€100bn contribution to society via connectivity

**On track for gender diversity:** 33% women executives. 0.7% adj. pay gap

**Customer centric:** 31 NPS +1 pp. y-o-y

**Balanced and diverse Board:** 40% women and 67% independents Directors

**Zero corruption:** 0 confirmed cases FY 23

**Leaders in sustainable financing:** €18.8bn as of Dec-23; 33.6% o/total

<sup>1</sup> Core markets.

<sup>2</sup> Adjusted pay gap: equal pay for jobs of equal value. Achieved in 2022. Objective is to maintain zero pay gap.

<sup>3</sup> Parity defined as not less than 40% of each gender represented

<sup>4</sup> Financing linked to sustainability criteria includes balance sheet debt, hybrids and undrawn committed credit lines based on ICMA sustainable bond principles, LMA Sustainability Linked Loan Principles and other ESG criteria. Not necessarily linked to EU Taxonomy aligned activities

# Going forward, we keep transforming

## Next generation **NETWORKS**

- **More fibre, FTTH PPs** to ~106m in 2026 (74m 2023)
- **More 5G, 70% 5G coverage** in core markets by 2026 (62% 2023):
  - ~90% Spain, ~60% Brazil, ~99% Germany, UK ~70%
- Increasing **Return on Invested Capital, programmable networks monetisation**

## Enhanced **CUSTOMER** Experience focus

- **>60% convergent customers** 2026 (>50% 2023)
- **~50% IT/B2B Service** rev in 2026 (~40% 2023)
- **Personalised Digital Supermarket**
- **AI driven customer engagement**

## Leaner **OPERATIONS**

- **Legacy Switch off**
  - **Spain retail copper** in 2024
  - **2G and 3G before YE 26**
- Free up spectrum to **more efficient 4G/5G**
- Continue **right-sizing**
- **Network sharing**

## We keep committing



	2023 Actuals	2024 Guidance	2023-26 CAGR
<b>Revenue</b> y-o-y reported	1.6%	~1%	~1% B2C ~1.5%; B2B ~5%
<b>EBITDA</b> y-o-y reported	1.4%	1% to 2%	~2%
<b>EBITDAaL - CapEx</b> y-o-y reported	5.7%	1% to 2%	5%
<b>CapEx/ Sales</b>	13.3%	Up to 13%	<12%
<b>FCF</b> y-o-y reported	€2.3bn	>10%	>10%
<b>Cash Dividend</b>	€0.3/share	€0.3/share 2 tranches €0.15; Dec-24, Jun-25	€0.3/share floor
<b>Leverage</b>	2.66x post-closing	Reduced	2.2-2.5x (2026)

## Key Takeaways

- ✓ Delivered **solid Q4 results** to close out 2023, meeting our upgraded FY guidance and **exceeding FCF target**
- ✓ Positioned well for 2024 and **on track with the GPS plan** to achieve **our 23-26 FCF CAGR target of >10%**
- ✓ **Good momentum across our business units**; Spain growing and continued strength in Brazil and Germany
- ✓ Building **best-in-class next-gen networks** while **streamlining our operations** for the **best customer experience**
- ✓ Disciplined balance sheet management with focus on **lowering CapEx intensity, deleveraging, and paying dividend**

## Results presentation and Q&A Session



Telefónica's management will host a webcast on **22 February at 10:00 AM (CET), 9:00 AM (GMT), and 4:00 AM (EST)**



### Participants from Telefónica

- **José María Álvarez-Pallete** | Chairman & CEO
- **Ángel Vilá** | COO
- **Laura Abasolo** | CFCO & Head T. Hispam
- **Lutz Schüler** | CEO Virgin Media O2
- **Eduardo Navarro** | Chief Corporate Affairs & Sustainability Officer
- **Adrián Zunzunegui** | Global Director of Investor Relations

### Webcast



- To access the webcast: [click here](#)
- The webcast replay **will be available on Telefónica IR's website** after the event

### Q&A Session



- To **participate in the Q&A session**, please register using the following link to receive the dial in and PIN details. [click here.](#)



Climate A  
List 2023



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Europe



1<sup>st</sup> in sector  
2022



1<sup>st</sup> company worldwide in 2023  
Digital Inclusion Benchmark

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