



**MILlicom**  
THE DIGITAL LIFESTYLE

# 2015 Q3 Results

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22 October 2015

We believe in better. We believe in **tigo**

# Disclaimer

*This presentation may contain certain “forward-looking statements” with respect to Millicom’s expectations and plans, strategy, management’s objectives, future performance, costs, revenue, earnings and other trend information. It is important to note that Millicom’s actual results in the future could differ materially from those anticipated in the forward-looking statements depending on various important factors.*

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# Self-Reporting to US and Swedish authorities

## Millicom reports to authorities potential improper payments on behalf of its Guatemala joint venture

**Stockholm, 21 October, 2015 – Millicom today announced that it has reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the company's joint venture in Guatemala.**

A Special Committee of the Board of Directors made the decision in connection with an independent investigation being overseen by the Special Committee and conducted by international law firm Covington & Burling LLP, with the support of Millicom's management team.

Millicom is committed to fully cooperating with the authorities. It is not possible at this time to predict the matter's likely duration or outcome.

Millicom is committed to the highest ethical business standards and to full compliance with all applicable laws and regulations in every market in which the company operates.

# Q3 Key Messages

**1 Good underlying growth against stronger FX headwinds**

**2 EBITDA margin improving**

**3 Growth potential on cable materializing**

**4 Colombia: sustained underlying growth**

**5 Optimization continues**

# 1. Good underlying growth against stronger FX headwinds

Solid performance despite stronger FX pressure

**Revenue**

**1,641**

US\$ million

**+7%**

YoY organic

**-2.0%** YoY reported in USD, including UNE

**-6.3%** YoY growth in USD, excluding UNE

**EBITDA**

**560**

US\$ million

**+8%**

YoY organic

**+2.1%** YoY reported in USD, including UNE

**-4.4%** YoY growth in USD, excluding UNE

# 1. Good underlying growth against stronger FX headwinds



## Mobile: over 60 million customers

	000s	Q3 net additions	YTD net additions	Total end of Sep. 15
<b>Mobile subscribers</b>		816	3,869	60,146
<b>Mobile data users</b>		668	2,154	17,412



## Cable: reaching 7.5 m Homes Passed

	000s	Q3 net additions	YTD net additions	Total end of Sep. 15
<b>Total homes passed</b>		243	415	7,499
<b>Total homes connected <sup>1</sup></b>		49	129	2,962
<b>Total RGUs <sup>2</sup></b>		83	232	5,251

1) Excludes a cleansing of 49,000 homes connected with no consumption in UNE base. HFC and copper lines for UNE

2) Excludes a cleansing of 72,000 RGU with no consumption in UNE base

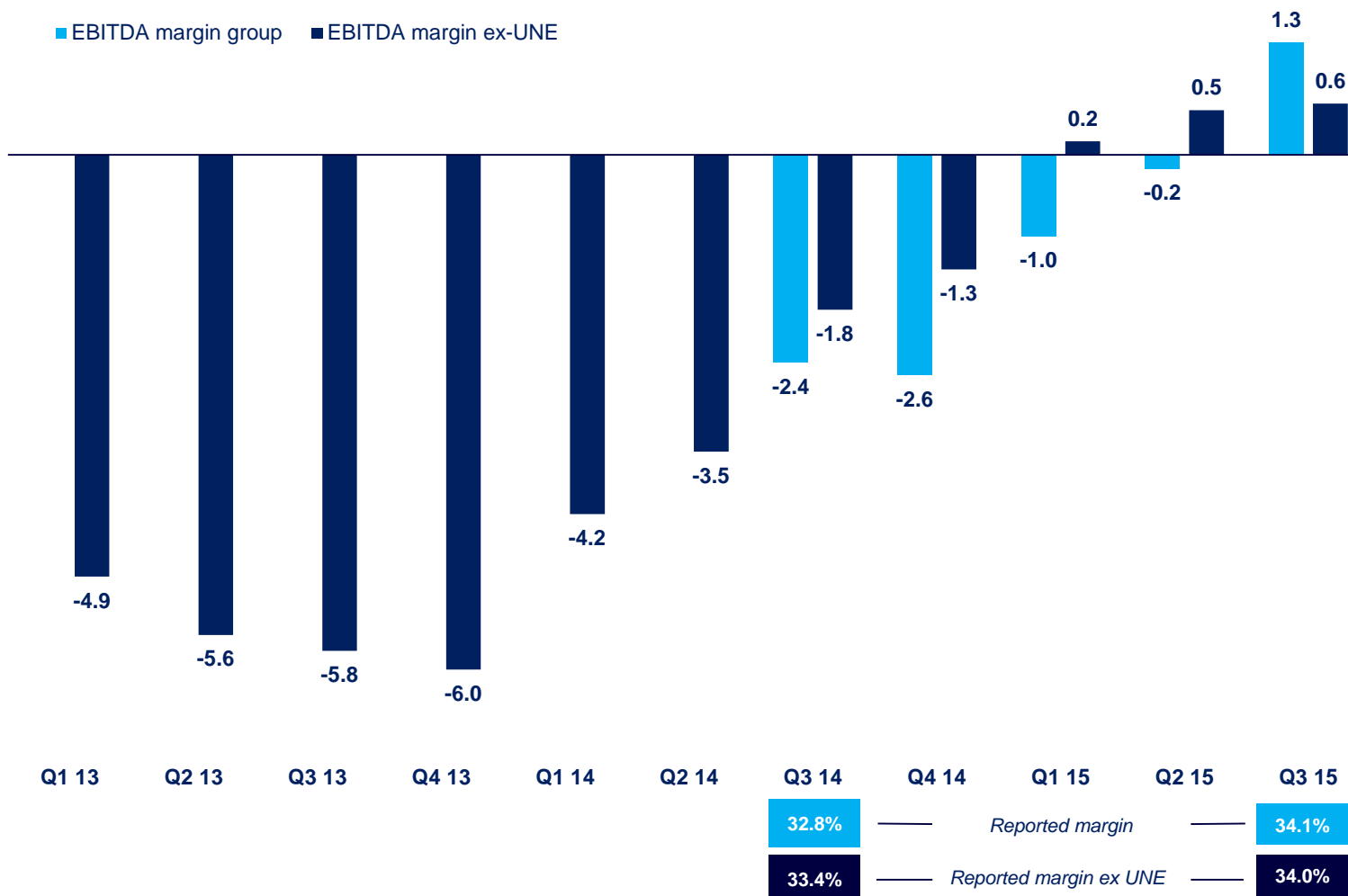
## 2. EBITDA margin improving

Excluding UNE, the margin is improving for the third quarter in a row

### EBITDA margin variation year on year

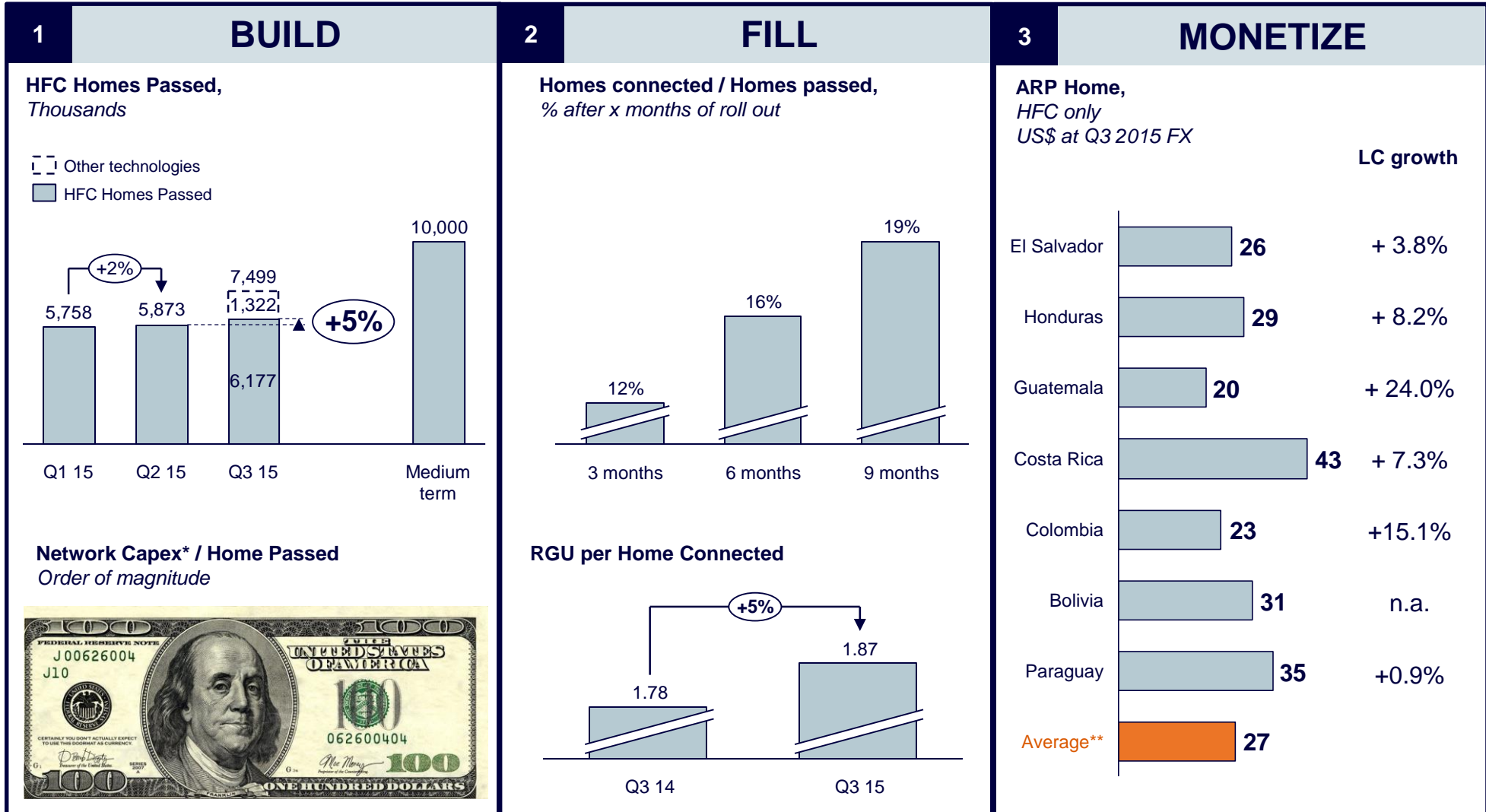
Percentage point

■ EBITDA margin group ■ EBITDA margin ex-UNE



# 3. Growth potential of cable is materializing

## Our cable strategy is delivering promising results



\* Does not include installation & activation capex

\*\* Average weighted by number of HFC Homes Connected in the country

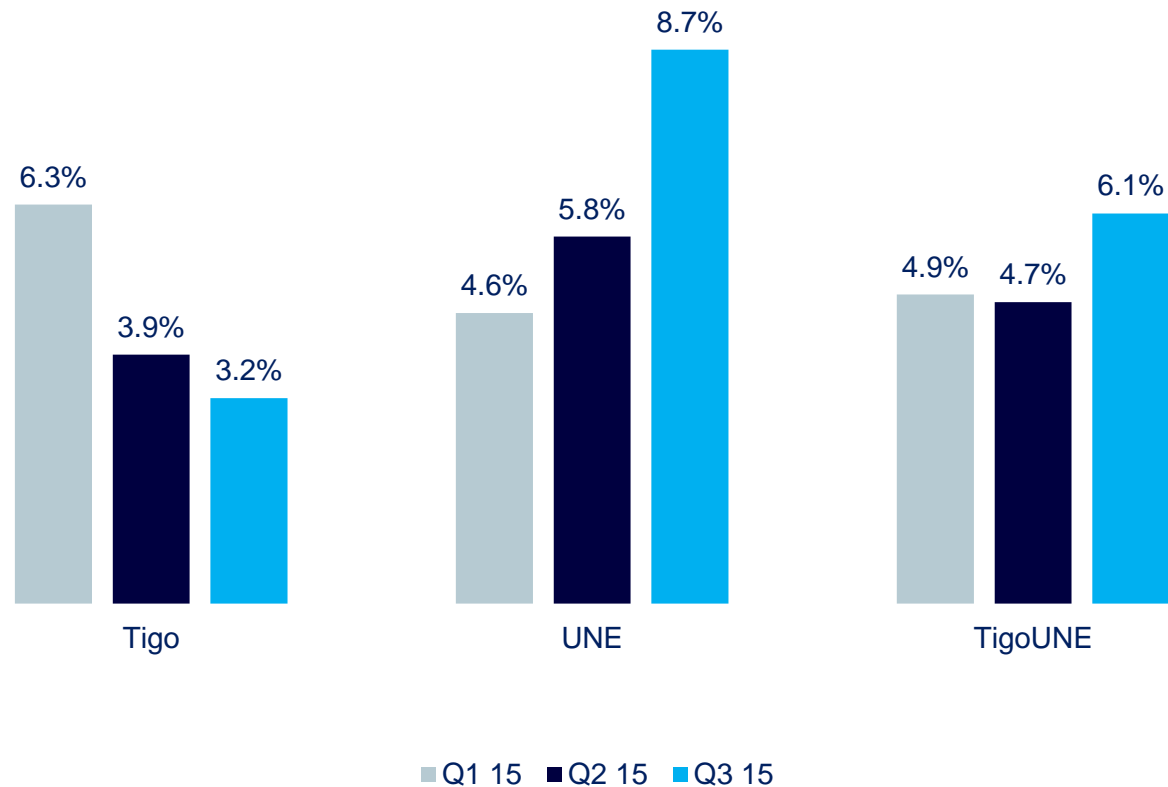


# 4. Colombia: sustained underlying growth

Combined businesses service revenue growth accelerating in local currency

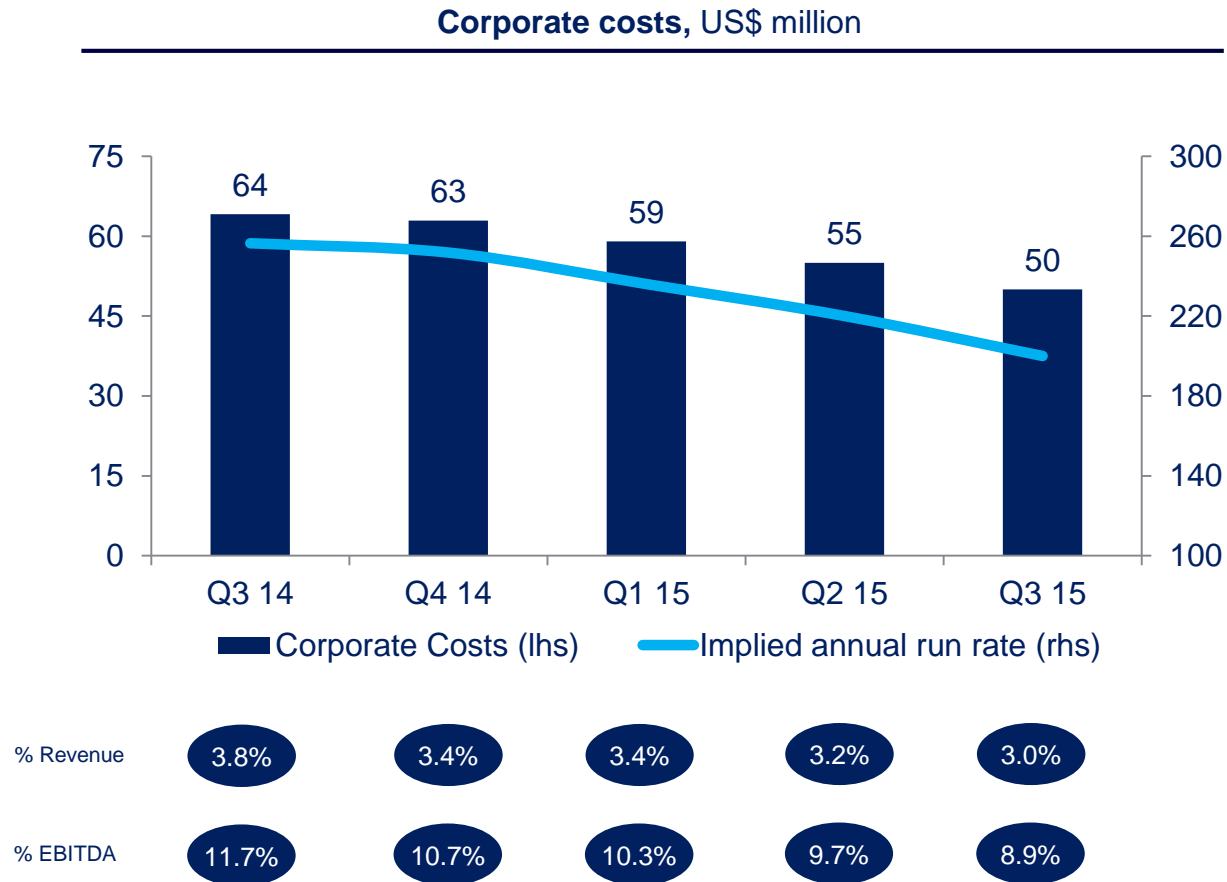
## Service revenue growth Tigo / UNE / TigoUNE

*Year-on-year in local currency*



# 5. Optimization continues

Focus on corporate costs trending in the right direction



# Conclusion

**During Q3 we delivered strong organic growth ...**

**we expanded our footprint & customer base in both mobile and cable ...**

**whilst increasing our efforts to enhance the margins ...**

**and improving cash flow generation**



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# Financial review

Tim Pennington  
22 October 2015

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# Key metrics

## Good organic performance

### Revenue <sup>1</sup>



**7.2%** organic growth in Q3 15

**5.8%** service revenue growth

### EBITDA



**\$560 million (+2.1%)**

34.1% Group margin

**34.0%** (+0.6% ex UNE)

### EBITDA - CAPEX



**\$856 million YTD (\$209 million Q3)**

Up **14%** YoY YTD

**16.9%** margin YTD

### Net debt

**\$4.27 billion**

**1.9x** net debt / EBITDA  
(2.2x proportionate)

1) Excluding UNE

# Operating performance

## Service revenue and margin continue to grow

US\$ million	Q3 15	Reported growth %	Organic growth%
<b>Revenue</b>	<b>1,641</b>	<b>-2.0%</b>	<b>7.2%</b>
Service revenue <sup>1</sup>	1,521	-2.0%	5.8%
<b>EBITDA</b>	<b>560</b>	<b>2.1%</b>	<b>7.9%</b>
<i>EBITDA margin</i>	34.1%	1.3 ppt	0.6 ppt
<i>EBITDA service margin</i>	36.8%	1.5 ppt	1.0 ppt

- Solid revenue growth
  - 7.2% organic growth
  - Service revenue growth improves to 5.8%
- Reported EBITDA includes some non-recurring items
  - \$8 million positive one-offs at UNE (PPA adj.)
  - \$5 million negative in Honduras (tax on towers)

1) Group revenue excluding Telephone & Equipment sales

## Lower EPS on FX adjustments

US\$ million	Q3 15	Q3 14	% change
<b>EBITDA</b>	<b>560</b>	<b>549</b>	<b>+2</b>
Depreciation & Amortisation	(323)	(308)	+5
<b>Operating profit</b>	<b>227</b>	<b>239</b>	<b>(5)</b>
Net Finance Charge	(107)	(101)	+6
Others	(46)	85	NM
Associates & JVs	(11)	22	NM
<b>Profit before tax</b>	<b>63</b>	<b>245</b>	<b>(74)</b>
Tax	(39)	(30)	+28
Non-controlling interests	(12)	(51)	(77)
<b>Net income</b>	<b>12</b>	<b>165</b>	<b>(93)</b>
<b>Adjusted EPS (\$)*</b>	<b>0.17</b>	<b>0.79</b>	<b>(78)</b>

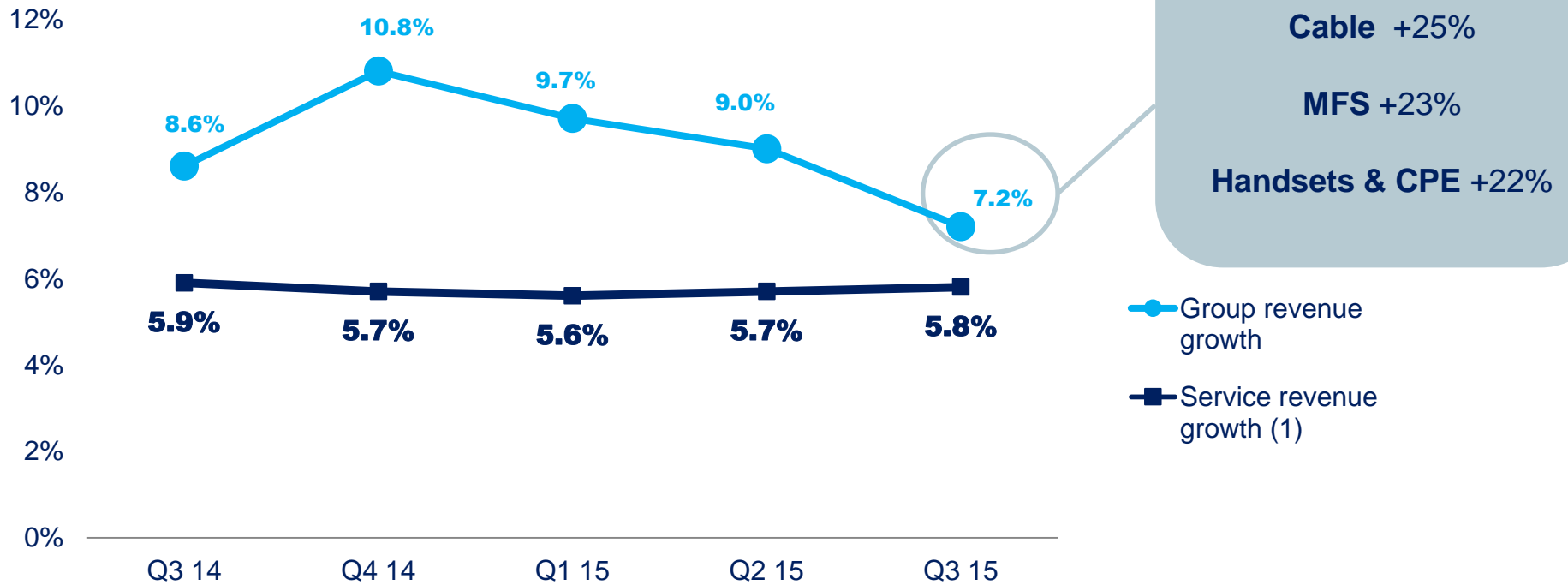
- EPS decline mainly due to F/X losses
- Higher D&A due to UNE PPA adjustment (13M\$)
- Net financial charge includes \$3 million of negative one-offs from UNE PPA adjustment
- Losses from Associates coming from AIH / LIH ventures
- Lower non-controlling interests with Colombia net losses increasing
- Others include:
  - F/X losses of \$108 million
- Tax broadly stable at \$168 million year to date

\* Adjusted for non-operating items including changes in carrying value of put and call options, revaluation of previously held interests and similar items classified under 'other non-operating income (expenses)'.

# Revenue growth trend

Consistent service revenue trend, handsets trading down due to FX

Quarterly revenue growth Q3 2014 – Q3 2015



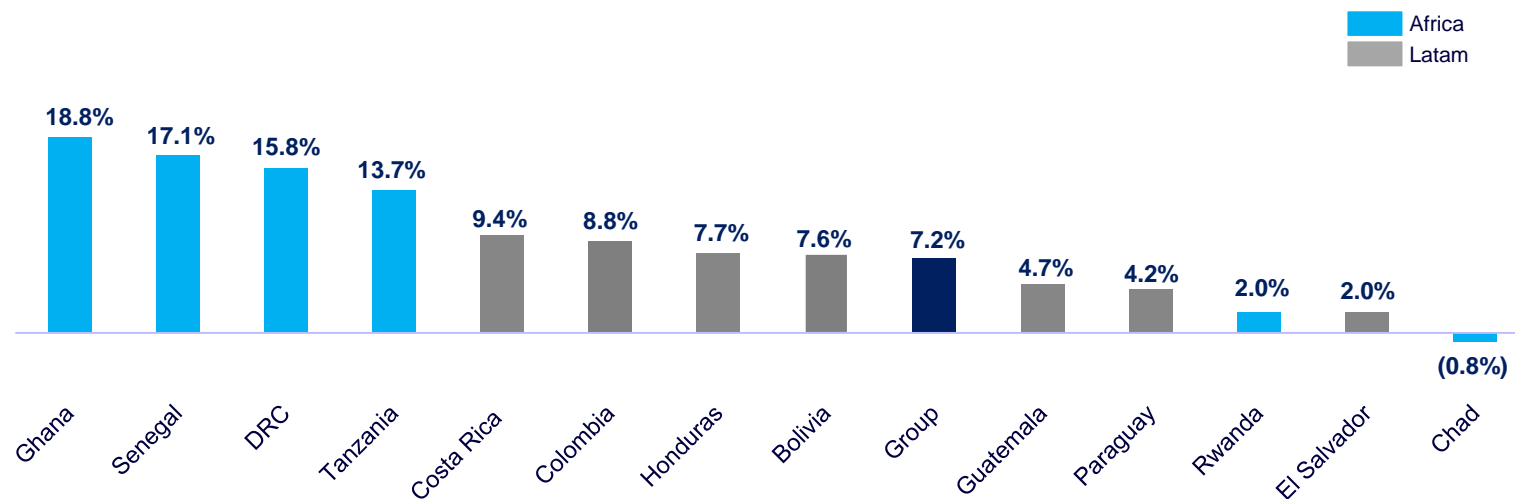
1) Group revenue growth excluding Telephone & Equipment sales



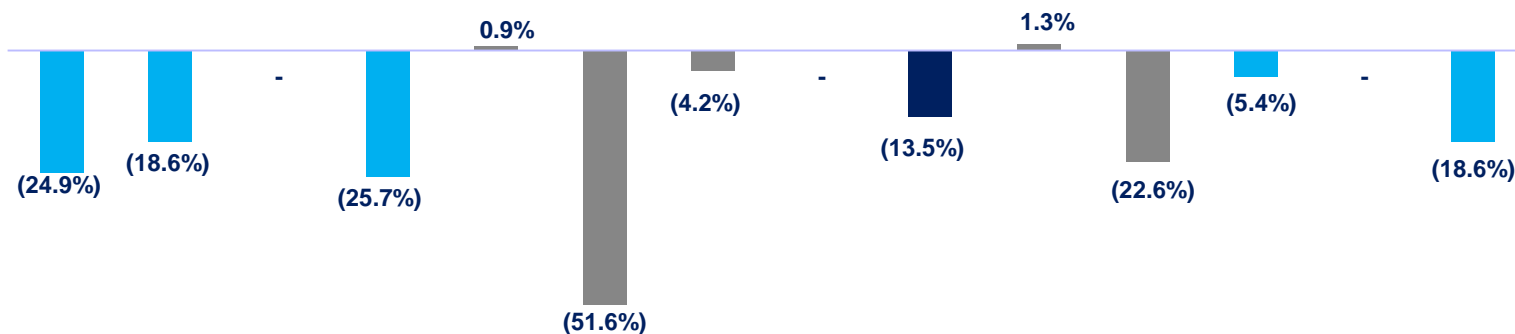
# Organic growth vs. FX variation

Growth pattern broadly unchanged compared to previous quarters

Revenue growth  
in local currency  
(YoY)



FX variation  
(quarterly average  
Q3 15 / Q3 14)

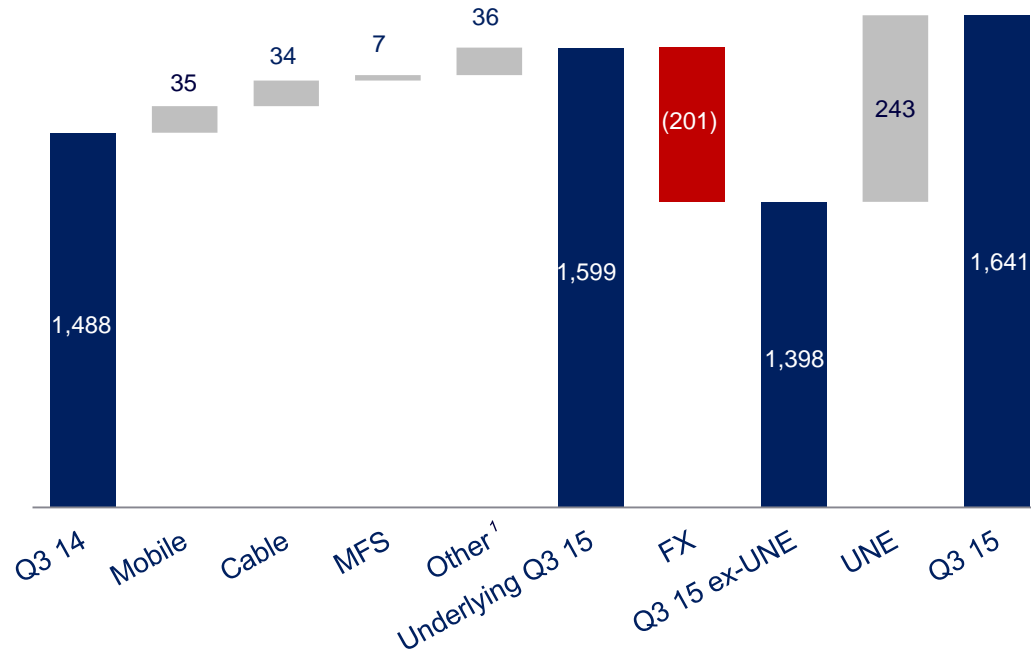


# Revenue by business units

## Cable and MFS growing strongly

### Revenue evolution by Business Unit

US\$ million, Q3 2014 – Q3 2015



- Mobile up 2.9% organically
  - Colombia and Africa driving
  - Voice & SMS -6.8%
  - Data growing 38.8% (Q2: 39.3%)
- Cable growth continues to be strong
  - Ex-UNE up 25.2%
  - UNE up 7.6%
- MFS growing 23.1%
  - Tanzania up 30.4%
  - Paraguay slowing, up only +6.9% due to macro environment and competition

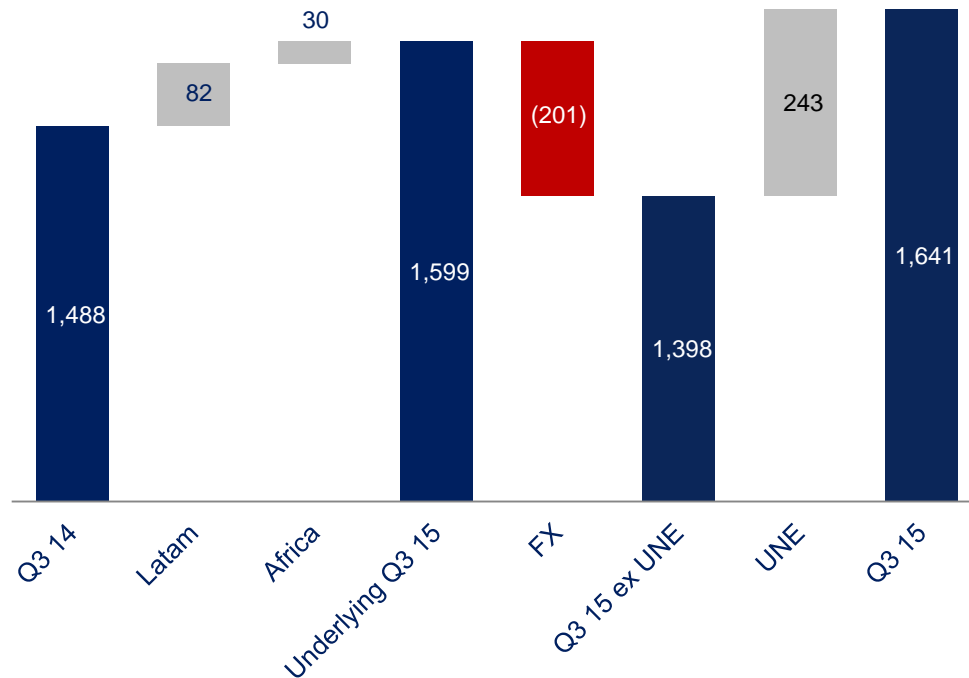
1) Includes visitor roaming, MVNO/DVNO, and Telephone and Equipment

# Revenue by region

## FX headwinds offset solid organic growth

### Revenue evolution by Region

US\$ million, Q3 2014 – Q3 2015



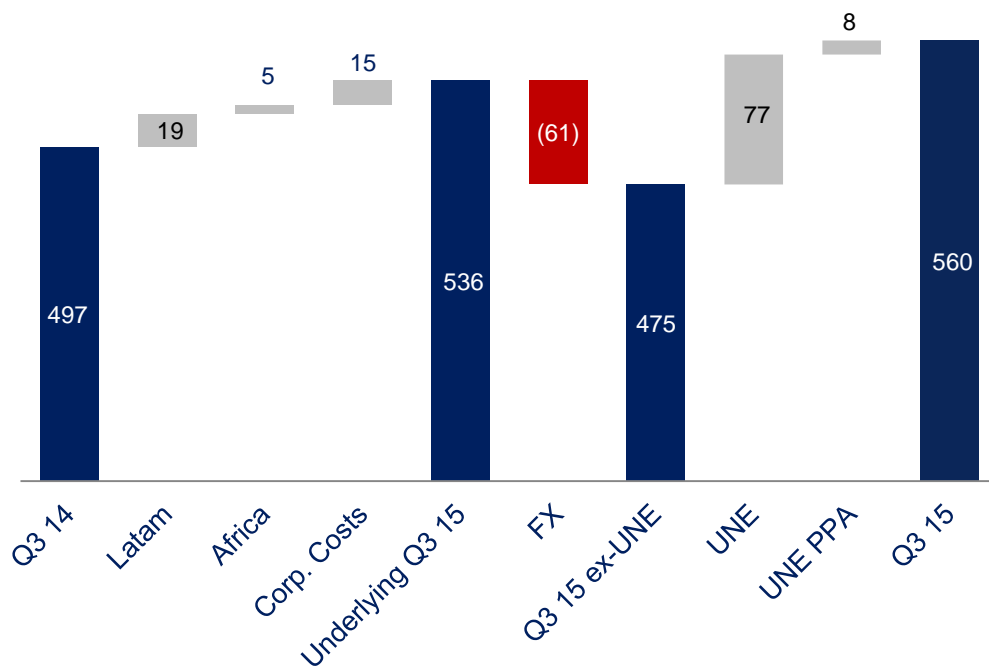
- Hit by a 13.5% negative FX impact
  - Major devaluations in Colombia, Tanzania, Paraguay, Ghana (even the € in Chad / Senegal)
- Strong growth in Latam
  - Ex-UNE up 6.2%
  - UNE saw 7.6% growth (Q2: 5.9%)
- Africa maintained 11.9% yoy organic growth

# EBITDA

## Central America and lower Corporate Costs drive EBITDA

### EBITDA evolution by Region

US\$ million, Q3 2014 – Q3 2015



- EBITDA growth of 2.1%
  - Organic growth 7.9%<sup>1</sup>
  - FX impact
- Latam up 0.6%
  - Organic growth ex UNE 3.8%
  - \$8 million positive one-offs at UNE
  - \$5 million negative one-offs Honduras
- Africa down 12.0%
  - Organic growth 9.6%
  - Chad still under pressure
  - Tanzania contribution diluted by FX
- Corporate costs down \$15 million
  - Fifth quarter of decline in Corporate Costs

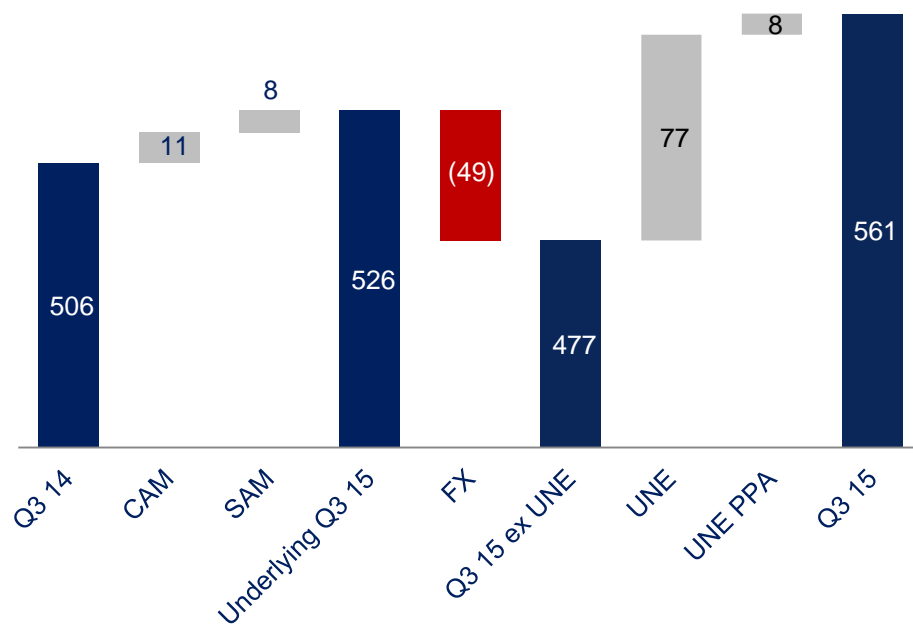
<sup>1</sup> Like for like excluding UNE and in local currency

# EBITDA - Latam

## Underlying performance remains strong

### EBITDA evolution - LATAM

US\$ million, Q3 2014 – Q3 2015



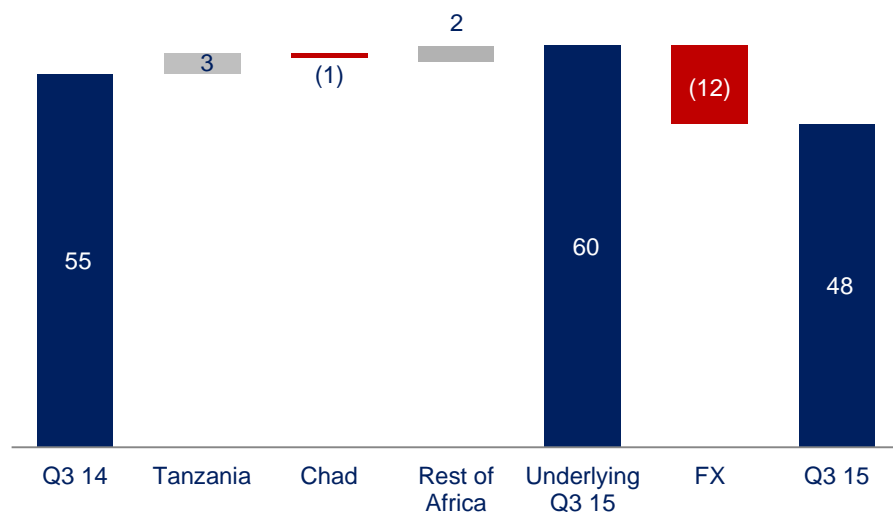
- Positive organic growth in all countries but Costa Rica
- Central America steady progress – up 4%
  - Guatemala maintained good growth
- South America
  - Paraguay up 3% organic, -16% reported
  - Strong momentum for Bolivia, up 13%
- Colombia
  - EBITDA of \$144 million up 1.3%
  - Margin at 30.9% (29.2% ex PPA adjust)
  - Service margin at 34.3% (32.3%)

# EBITDA - Africa

## Significant FX impact – Tanzania strong

### EBITDA evolution - AFRICA

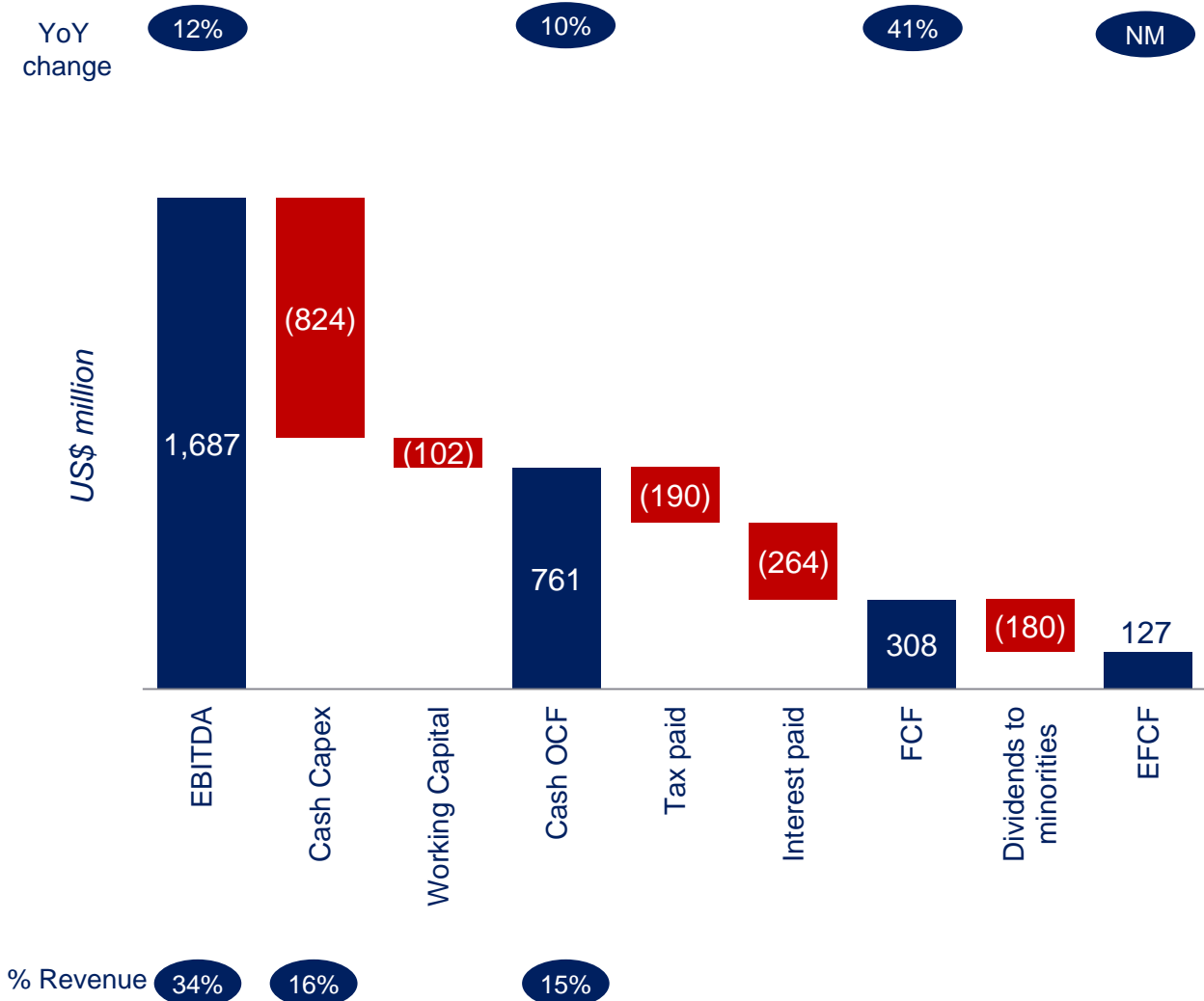
US\$ million, Q3 2014 – Q3 2015



- Significant FX impact in Q3
  - 22% adverse currency movement
- Growth from Tanzania remains high but EBITDA hit by opex in US\$
  - EBITDA organic growth of 10%, margin declining by 1.5 ppt
- No change to Chad security issues and subsequent macro-economic impact
- Rest of Africa was mixed, with some improvements in Ghana and Senegal offset by DRC

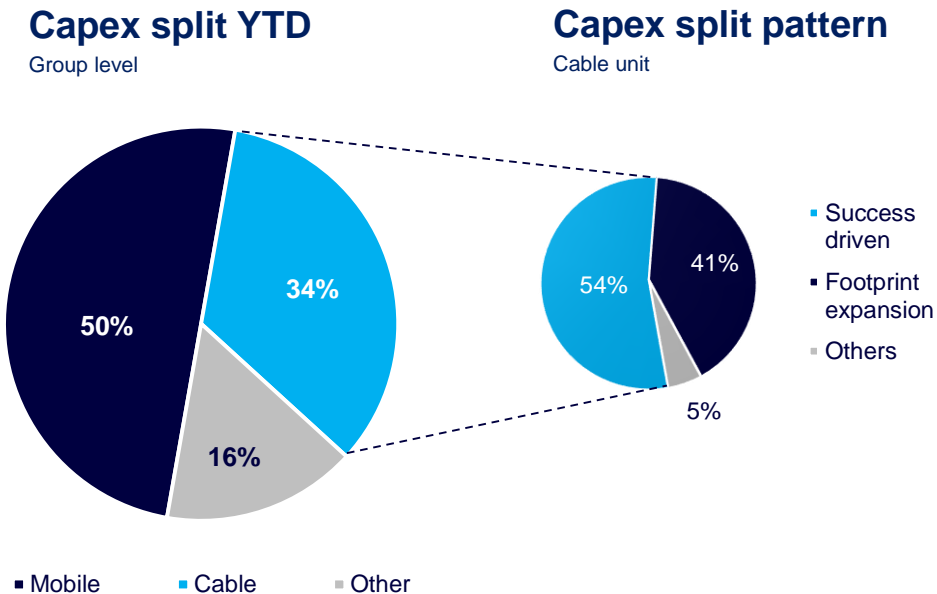
# FCF – YTD 2015

## Cash generation profile is improving



- YTD cashflow showing positive signs
- OCF up 10%
  - Working capital inflow of \$66 million in Q3
  - Cash capex represents 99% of capex booked
- Taxes lower than last year due to timing of 2014 payments
- Lower dividend to minorities with lower upstream from Guatemala

## Our capex dedicated to cable is mostly success based



- The majority of our capex is mobile, with Cable representing around 1/3.
- Capex intensity on cable (excluding shared capex mobile / fixed) around 23% YTD
- Around half our capex in Cable is success driven
- Targeting 10 million homes passed embedded in our current capex plans

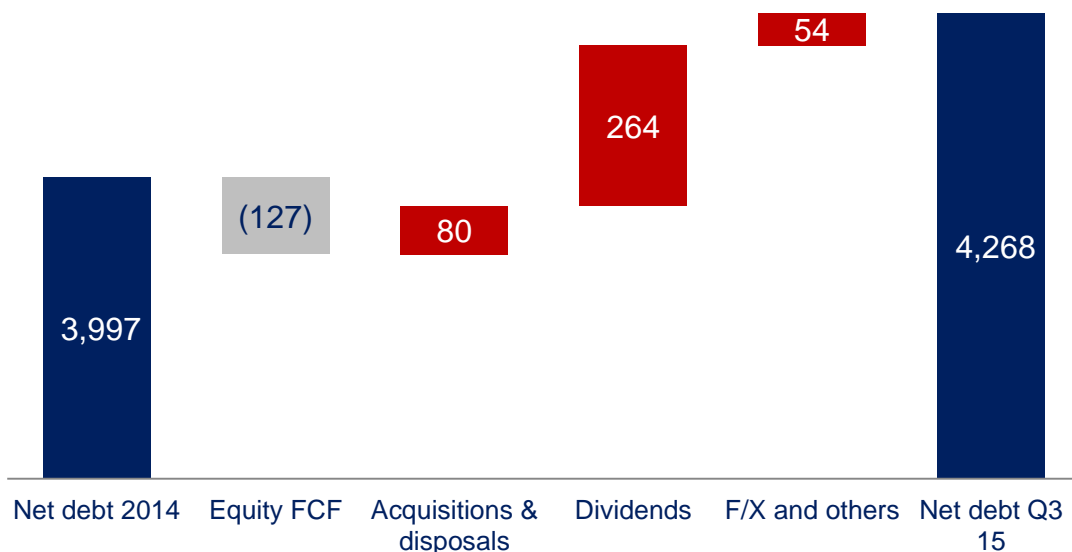


# Net debt variation

## Net debt increased due to dividend distribution

### Net debt evolution

US\$ million, 31 December 2014 – 30 September 2015



- Net debt broadly flat at \$4.27bn
  - 6.2 year maturity
  - Average cost of debt 6.1%
- 25% gross debt in local currency
- M&A activity:
  - Rwanda minority interests buy out
  - Final payments to AIH
  - Minority interests in UNE subsidiaries
- Others: one-off impact of UNE financing leases
- Limited refinancing over the next 12 months (\$0.2 billion)
- Leverage remains stable
  - Net debt / LTM EBITDA of 1.9x
  - Proportionate 2.2x

# Conclusion

**1**

**Underlying trends robust**

**2**

**Managing growth in margins**

**3**

**Balancing cable with cash generation**

**4**

**Leverage stable and good liquidity**



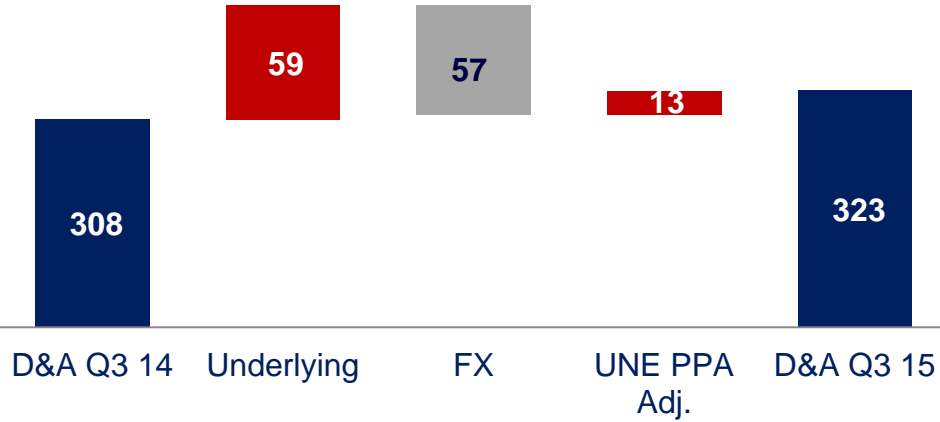
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# Appendix

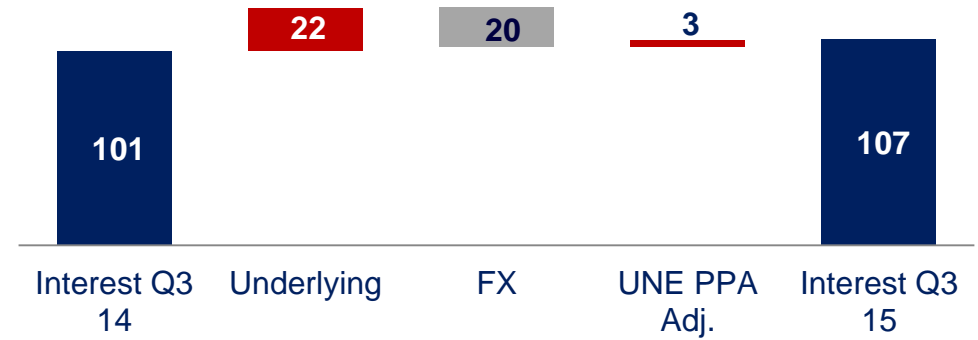
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# Appendix – Below EBITDA

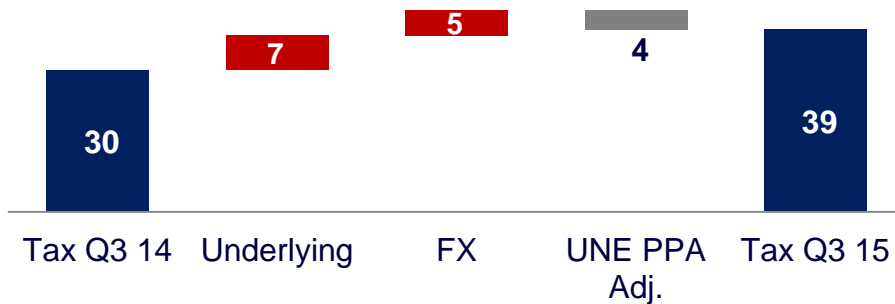
## Depreciation and amortisation



## Interest

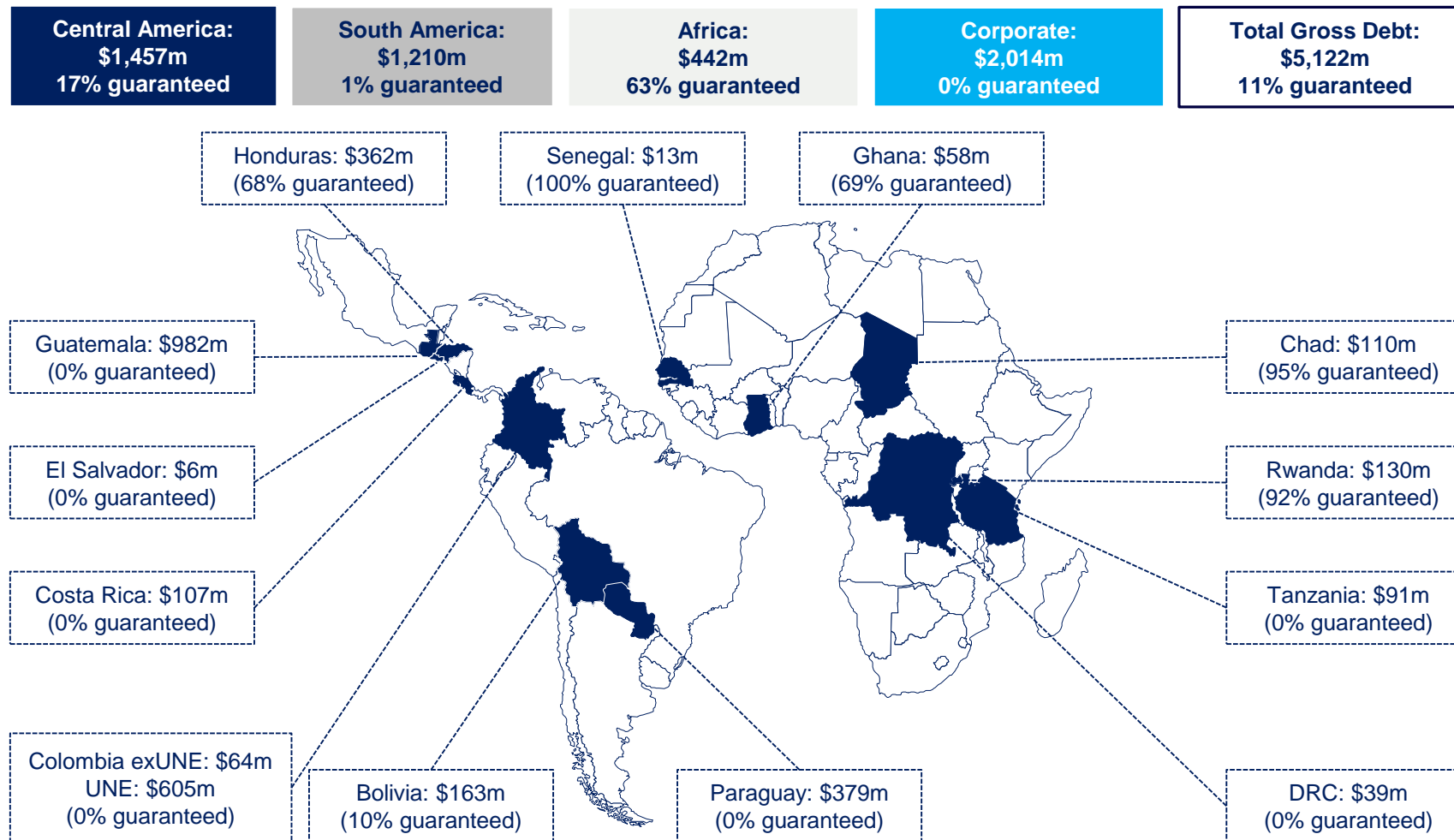


## Tax



# Gross debt by country

## Gross debt broadly flat compared to previous quarter



# Currency exposure of the debt

Our aim is to increase the proportion of debt in local currency

Sep-15	Debt including finance leases			Cash Total	Net debt		
	US\$	Local	Total		US\$	Local	Total
Central America	1,150 79%	307 21%	1,457 100%	222	1,039 84%	195 16%	1,235 100%
South America	347 29%	863 71%	1,210 100%	270	246 26%	694 74%	940 100%
Africa	318 72%	124 28%	442 100%	212	293 127%	-63 -27%	230 100%
Corporate	2,014 100%	0 0%	2,014 100%	150	1,878 101%	-14 -1%	1,864 100%
Millicom	3,829 75%	1,294 25%	5,122 100%	854	3,456 81%	812 19%	4,268 100%

EI Salvador and DRC have USD as functional currency (treated as local in both cases.)