



 **Bezeq Group**

Investor Presentation
2023 Financial Results



yes.



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Bezeq's Compass – Strategy Update

Bezeq Group | Key Strategic Pillars (Reminder)

01

Fiber as growth engine

Bezeq is leading the fiber revolution in Israel. Within the next few years, most Israeli homes will have access to Bezeq's fiber

02

yes as a 'triple-play' growth engine to accelerate fiber growth

yes markets a TV & Internet bundle while actively migrating into Full-IP

03

5G as revenue growth driver

Pelephone is leading the 5G revolution in Israel and within the next few years most of its subscriber base is expected to move to 5G, while increasing data usage and contributing to ARPU

04

Developing a leading, growth-focused ICT company

Bezeq International is focused on the growing areas of the ICT market: migration to the public cloud and cyber security services, among others

05

Business portfolio diversification to create additional growth sources

The group will identify opportunities for expansion into adjacent areas which are relevant to its core capabilities and in 2024 announced its entrance into the electricity supply sector

06

Maintain balanced capital structure and return to dividend distribution

The group has returned to dividend distributions while maintaining an optimal leverage and credit rating within the AA group

Creation of significant growth engines while continuing streamlining process



Bezeq's Compass | Transformation, Growth and Value Creation



2020-2022 Transformation

- Launch of nationwide fiber optics plan
- 5G spectrum auction
- Launch of yes migration from satellite to IP
- Restructuring and cost-saving plan at subsidiaries
- Leverage reduction and improved debt maturity curve

2023 Focus on Growth and Investments

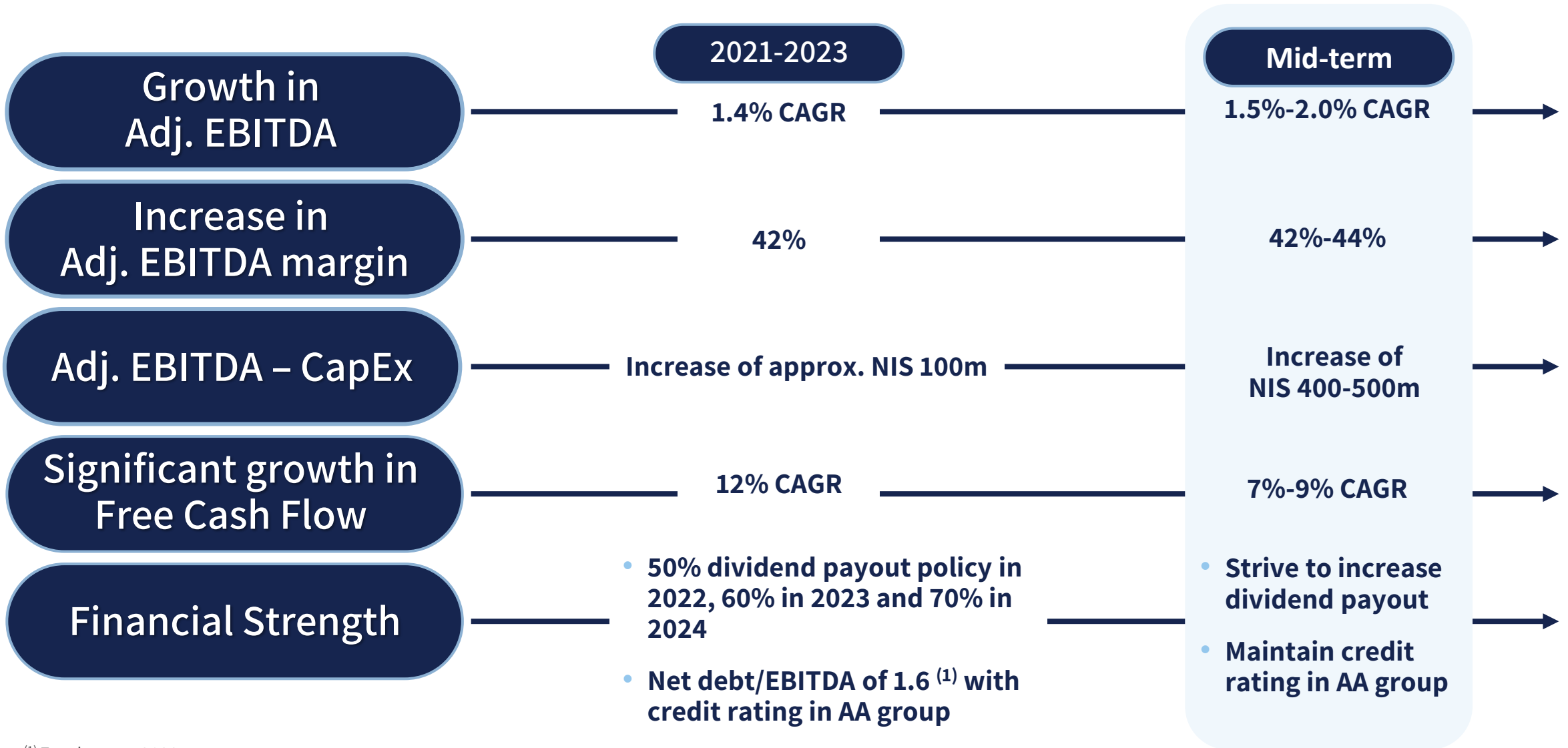
- Record retail fiber net adds
- 2.1m fiber homes passed with 27% take-up rate
- 68% of yes' subscribers are on IP
- Over 1m 5G subscriber plans
- Launch of operational excellence plan (early 2024)
- Increase in dividend payout ratio to 70% (early 2024)

Mid-term Value Creation and Sustainability

- 40% take-up rate; retail Internet ARPU > NIS 140
- ARPU cellular: NIS 45-50 (excl. interconnect fees)
- Completion of migration from satellite to IP, TV ARPU NIS 155-160
- Operational efficiency improvement to save OpEx and CapEx
- The Company is acting to remove the structural separation



Bezeq's Compass | Financial Highlights



6 ⁽¹⁾ For the year 2023
⁽²⁾ ROCE – EBIT/(Total assets less current liabilities)



Bezeq's Compass | Technological & Business Roadmap



Migration to fiber



Transition to 5G



Migration to IP

2020

Launch of fiber project

5G Tender Award

Satellite to IP migration

Today

- 2.2m homes passed
- Accelerated retail fiber take-up
- 619k subscriber take-up (retail + wholesale)
- 28.6% take-up rate
- 23% increase in broadband ARPU⁽¹⁾

- Over 1 million subscribers (41% of total subscribers)

- 408k IP⁽²⁾ subscribers (71%)

Mid-term

- Completion of fiber roll-out
- 40% take-up rate (retail + wholesale)
- Retail ARPU – above NIS 140

- Approx. 80% 5G subscriber plans
- Cellular ARPU – NIS 45-50

- Completion of IP migration
- OpEx and CapEx savings
- TV ARPU – NIS 155-160

Technology upgrades and business focus enhance growth potential

⁽¹⁾ As compared to Q4-2020

⁽²⁾ IP subscribers - the number of yes subscribers viewing IP broadcasting through the yes+ and STINGTV services. This includes subscribers that use satellite services as well



Bezeq's Compass | Multi-year Operational Efficiency Project



Self service and digital

Reduce customer inquiries and length of handling them through expansion of self-service



Field technicians

Proactive, remote solutions and reduction in idle visits



Real estate and leases

Reduction in occupied area and improved agreements



Reduce representative turnover

Costs of turnover - recruitment, training, apprenticeship and time needed to reach high productivity



Corporate headquarters

Digitization and automation of administrative procedures



Engineering

Methods and tools for effective project management and maintenance



Sales & services procedures

AI and data based



Energy savings

Electric cars, agreements with new suppliers, PV and storage sites evaluation



Streamlining sales processes

Prioritization, reduction of administrative time and effective management of orders

The operational efficiency project will be integrated with the completion of the fiber rollout and end of satellite to IP migration. Together they hold potential for significant reduction in OpEx and CapEx



Bezeq Group | ESG Milestones, Ambitions and Targets

- ESG targets set
- Bezeq publishes first ESG report since 2010
- Publication of human rights policy
- Improvement in Company ESG ratings
- Approved Company policies
- CDP registration
- Join Ma'ala rating

- **Bezeq subsidiaries adopt ESG targets**
- **Bezeq signs UN Women's Empowerment Principles to advance gender equality**
- **Transition to hybrid vehicles – more than 50% of fleet**
- **Doubled the scope of electronic waste recycling in two years to 95 tons**
- **Reduced electricity and water consumption as well as carbon footprint**
- **Committed to reducing the digital divide in Israel:**
 - Over 550 NGOs receive donation of Bezeq services
 - Over 10,000 employee volunteer hours for the community
- **Pelephone and yes adopted the Givati Brigade and will provide support in the coming years**
- **yes supports the Young-Docu project, which accompanies at-risk youth in the creation of documentary films**

- **Equal representation of women in Bezeq management and at least 40% on the BoD**
- **Increase rate of diverse populations to 20%**

Reduce GHG emissions to net zero



**Bezeq is connecting Israel to an enhanced future
Fiber deployment brings the periphery closer to the center and reduces energy use**



Bezeq Group | 2023 Summary



Strong execution in strategic growth drivers – robust fiber take-up, consistent growth in 5G subscriber plans in Telephone reaching over 1 million



Highest Bezeq Fixed-Line revenues in the last decade; highest Telephone service revenues (excluding interconnect) since 2017; highest yes revenues since 2019



Adj. EBITDA rose 2.2% to NIS 3.8 billion; 11% increase in Adj. Net Profit to NIS 1.33 billion;



Increase in dividend payout to 60% in March 2023 and distribution of NIS 638 million during 2023



Upgrade in credit outlook to “positive” by both domestic rating agencies

Bezeq Group is executing on its strategy while focusing on growth



Bezeq Group | 2023 Summary

Revenues

NIS **9.1** billion

↑ 1.3%

Adj. EBITDA ⁽¹⁾

NIS **3.8** billion

Adjusted EBITDA margin of **42.0%**

↑ 2.2%

Adj. Net Profit ⁽¹⁾

NIS **1.3** billion

↑ 11.0%

Free Cash Flow

NIS **1.3** billion

↓ 7.7%

Decrease in Net Debt

NIS **427** million

↓ 7.6%

All results are compared to 2022 or Q4-2022 unless otherwise stated

⁽¹⁾ After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation



Bezeq Group | 2023 Summary (Cont'd)



Fiber Net Adds

300k

(retail and wholesale)

Fiber Subscribers

619k⁽¹⁾

(retail and wholesale)

Retail Internet ARPU

NIS **123**

↑ 7.9%

Homes Passed

2.2 million⁽¹⁾

↑ 41.6%



Cellular subscribers

2.62 million

↑ 1.5%

5G subscriber plans

1.1m⁽¹⁾
(41% of total subscribers)

53k

Net postpaid
subscriber adds⁽²⁾

Cellular ARPU
(Excl. interconnect fees)

NIS **44**

↑ 2.3%

Cellular Service Revenues
(excl. interconnect fees)

NIS **1.39** billion

↑ 1.5%

yes.

Revenues

NIS **1.31** billion

↑ 2.5%

TV subscribers

574k

↓ 0.9%

71% IP subscribers⁽¹⁾

TV ARPU

NIS **182**

↓ 0.5%

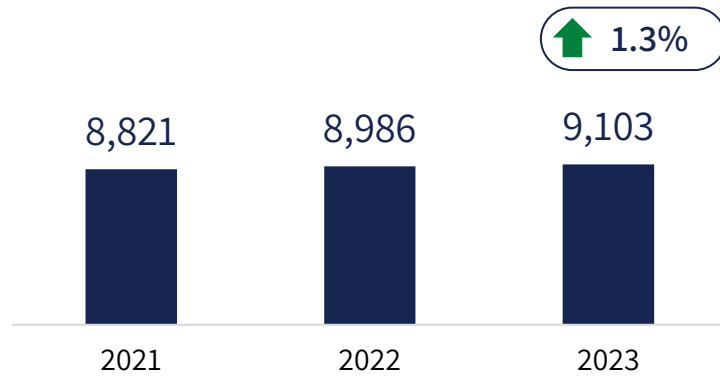
All results are compared to 2022 or Q4-2022 unless otherwise stated

⁽¹⁾ As of reporting date

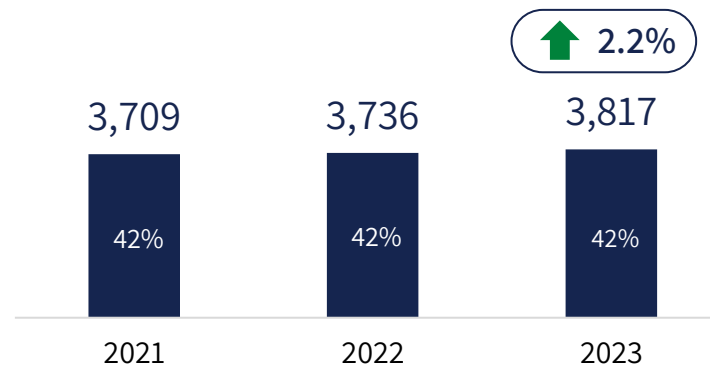


Bezeq Group | 2023 Key Financial Highlights | NIS million

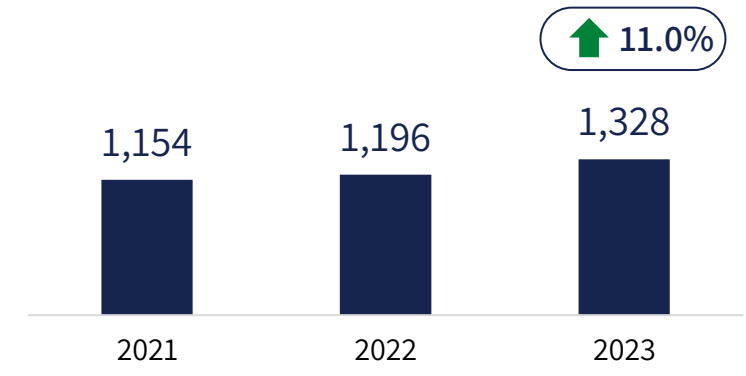
Revenues



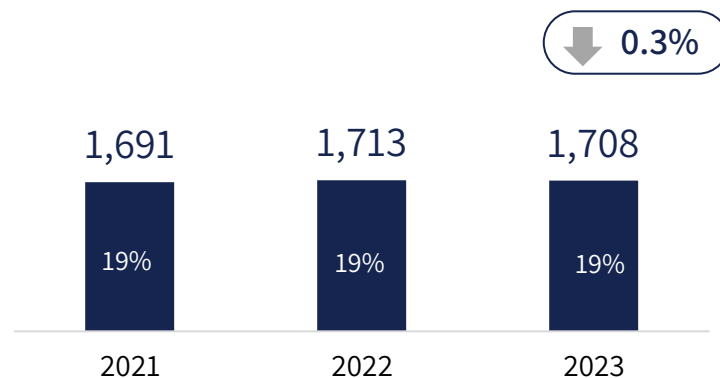
Adj. EBITDA ⁽¹⁾



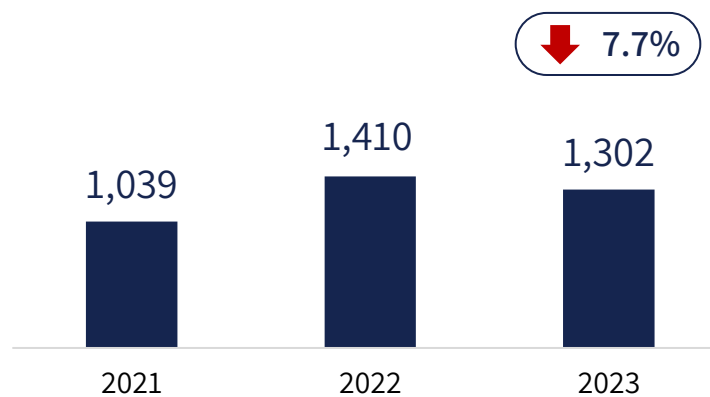
Adj. Net Profit ⁽¹⁾



CapEx



Free Cash Flow



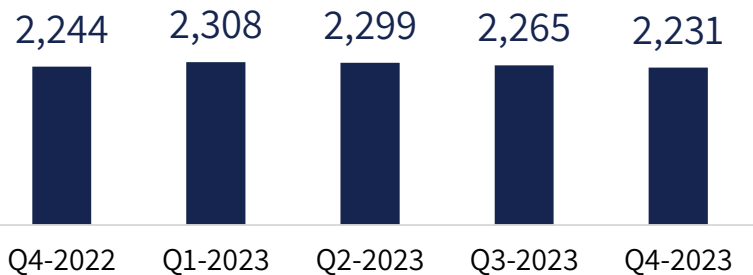
- Revenue growth driven by 2.5% increase in Bezeq Fixed-Line and yes revenues, despite the second tranche of the MOC telephony reform in July 2023 and the decrease in Telephone interconnect revenues in June 2023
- Increase in Adj. EBITDA and Adj. Net Profit due to improved business results in most of the group's activities
- Free cash flow was impacted unduly by timing differences in working capital related to the deferral of customer debt collections from 2021 to 2022 due to employee sanctions as well as improved terms with acquiring companies in 2022



Bezeq Group | Q4-2023 Key Financial Highlights | NIS million

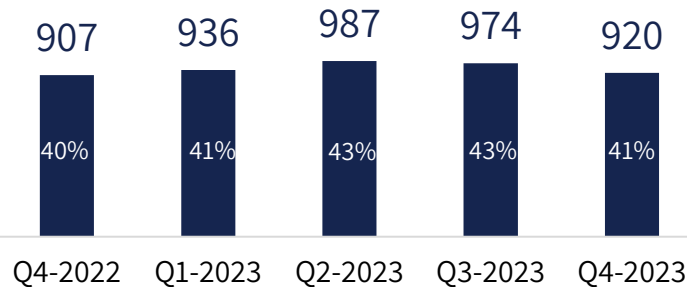
Revenues

↓ 0.6%



Adj. EBITDA ⁽¹⁾

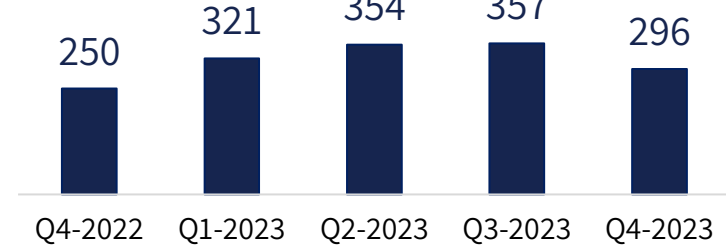
↑ 1.4%



% - Adjusted EBITDA margin

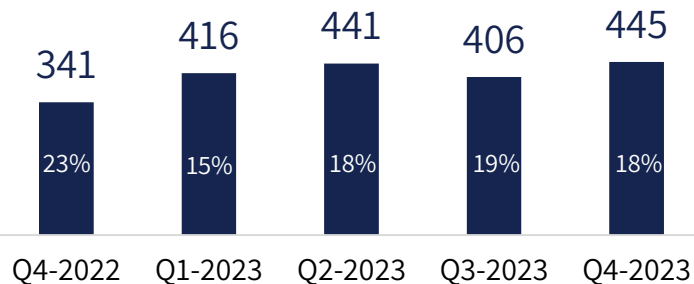
Adj. Net Profit ⁽¹⁾

↑ 18.4%



CapEx

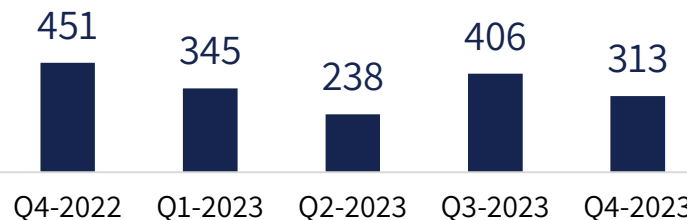
↑ 30.5%



% - CapEx/Sales

Free Cash Flow

↓ 30.6%

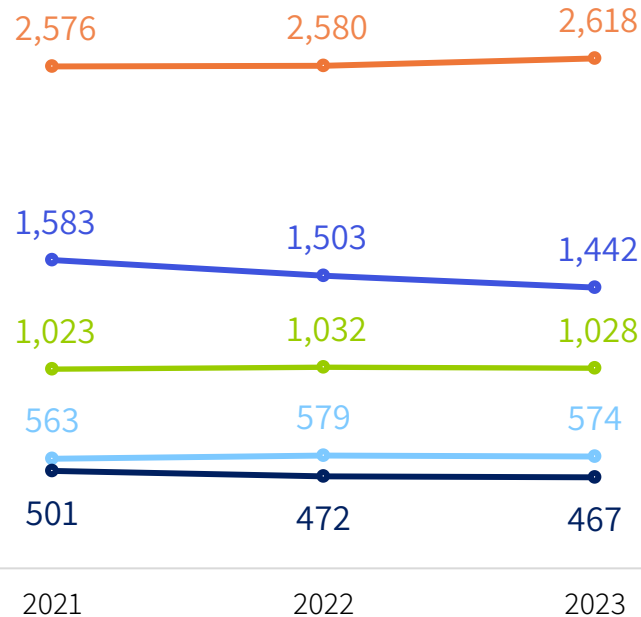


- Stable revenues despite the impact of the war and the second tranche of the MOC telephony reform in July 2023 as well as the decrease in Telephone interconnect revenues in June 2023
- Adj. Net Profit grew 20% primarily due to a decrease in depreciation and financing expenses
- Free cash flow was impacted by the increase in CapEx and timing differences in working capital



Bezeq Group | Annual Key Operational Metrics

Subscribers (end of period, in thousands)



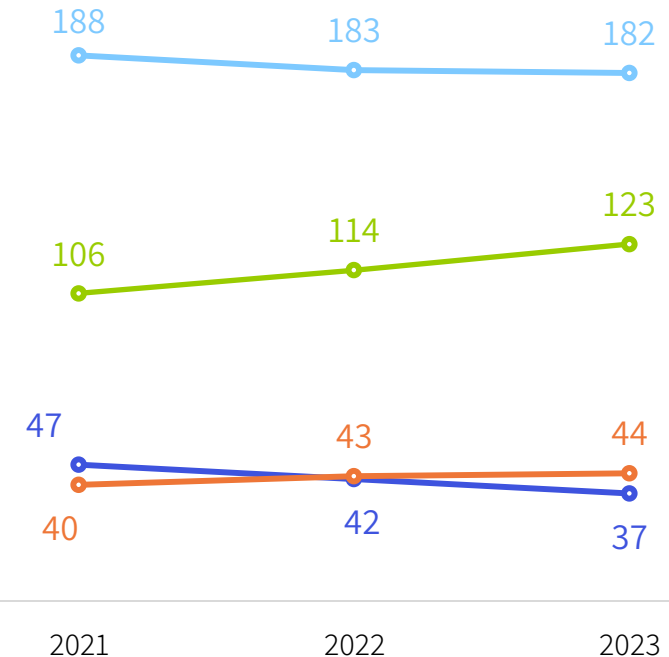
Stabilizing wholesale Internet subscribers

Growth in Telephone subscribers

Continued decrease in telephony subscribers

● TV ● Wholesale Internet ● Retail Internet ● Telephony Lines ● Cellular⁽¹⁾

ARPU (NIS)



16% growth in retail Internet ARPU since 2021

Telephone ARPU grew due to an increase in roaming and transition to 5G plans

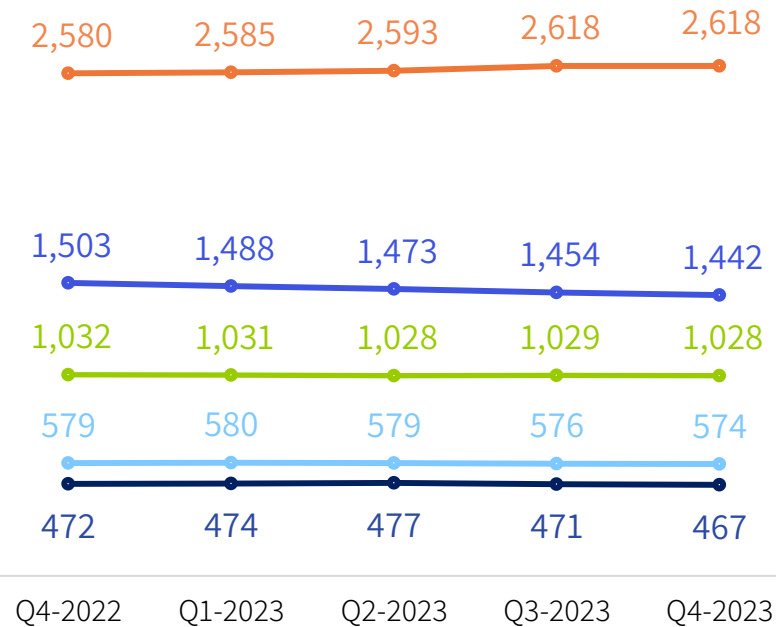
Decrease in telephony ARPL due to MOC tariff reduction

⁽¹⁾ Cellular ARPU - excluding interconnect fees



Bezeq Group | Quarterly Key Operational Metrics

Subscribers (end of period, in thousands)

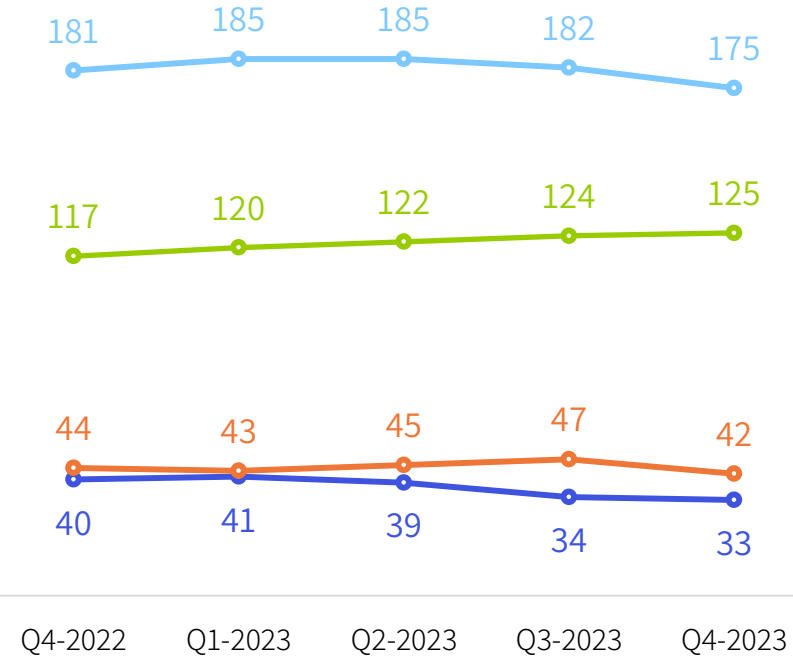


Stable Internet subscribers

Growth in Telephony subscribers y-o-y

Moderate decrease in TV subscribers

ARPU (NIS)



7% y-o-y increase in retail Internet ARPU

Decrease in telephony ARPL due to second tranche of MOC tariff reduction

TV and cellular ARPU impacted by war in Q4-23

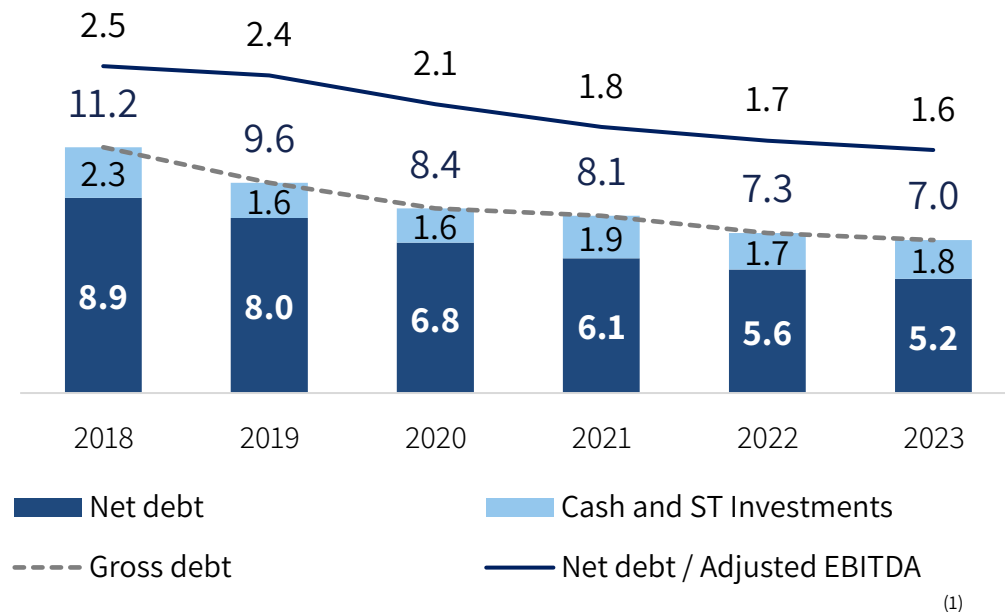
● TV ● Wholesale Internet ● Retail Internet ● Telephony Lines ● Cellular⁽¹⁾

⁽¹⁾ Cellular ARPU - excluding interconnect fees



Bezeq Group | Financial Debt

Financial Debt (NIS billion)



The Group maintains its high credit rating, within the AA group

Decrease in net debt

- Decrease of NIS 3.7 billion, or 41% since 2018
- Decrease of NIS 430 million, or 8% y-o-y

Further improvement in Net debt/Adjusted EBITDA⁽¹⁾ ratio

- Decreased to 1.6 from 2.5 as of Dec 31st, 2018

Debt ratings

Rating Agency	Rating	Outlook
S&P Global Maalot	ilAA-	Positive
Midroog	Aa3.il	Positive



Bezeq Group | Dividend Policy Update



- **The Company's Board of Directors decided to update its dividend distribution policy**, according to which the Company will distribute to its shareholders on a semi-annual basis, a cash dividend of **70% of the semi-annual profit (after tax)** according to the Company's consolidated financial statements, commencing from the upcoming distribution (for the second half of 2023)
- Further to the dividend policy, the Company's Board of Directors decided to recommend to the General Meeting of Shareholders a **dividend distribution in a total amount of NIS 374 million**, which as of the date of the approval of this resolution equaled to **NIS 0.135 per share**. The effective date and the ex-dividend date will be on May 1st, 2024, while the payment day will be on May 9th, 2024
- The recommended dividend reflects a yield of approx. 6% on an annual basis

	2021	2022	2023	2024
Payout ratio	-	50%	60%	70%



Bezeq Group | 2024 Guidance



2023 Outlook⁽²⁾



Results 2023



2024 Outlook⁽³⁾

Adj. EBITDA ⁽¹⁾	NIS 3.8 billion	NIS 3.82 billion	✓	NIS 3.8 billion
Adj. net profit ⁽¹⁾	NIS 1.32 billion	NIS 1.33 billion	✓	NIS 1.2 billion
CapEx	NIS 1.75 billion	NIS 1.71 billion	✓	NIS 1.8-1.9 Billion ⁽⁴⁾
Fiber deployment	2 million households	2.07 million households	✓	2.5 million households
Financial stability	Maintain High Credit Rating, within the AA group			

⁽¹⁾ After adjusting for other operating expenses/income, net, one-time losses/gains from impairment/increase in value of assets and stock-based compensation.

⁽²⁾ Updated in July 2023

⁽³⁾ The Company will report, as required, deviations of more/less than 10% of the amounts stated in the outlook.

⁽⁴⁾ CapEx includes a one-time increase due to two projects – building a new data center for the group and upgrading core infrastructure networks



Bezeq Group | Mid-Term Ambitions Update

		Mid-term Ambitions Mar 2023	Mid-term Ambitions	
Financial Performance	Adj. EBITDA	CAGR	1%	1.5%-2.0%
		Adjusted EBITDA Margin	41%-43%	42%-44%
	CapEx (gross)	Stable CapEx and CapEx/Sales until 2025; gradual reduction thereafter		16%-18% CapEx/Sales
	Adj. EBITDA less CapEx			Increase of NIS 400-500 million
	Free cash flow AL	CAGR	Mid single digit	7%-9%
	Financial stability	Maintain High Credit Rating within the AA group		Unchanged
Dividend	Increase in dividend payout ratio to 70% (subject to maintaining credit rating within the AA group)		Increase in dividend (subject to maintaining credit rating within the AA group)	
Operating Metrics	Fiber take-up	Approx. 2.7 million households		Take-up rate of ~40% (retail + wholesale)
	ARPU – Retail Internet	Above NIS 130 ⁽¹⁾		Above NIS 140
	ARPU - Pelephone	NIS 45-50, excl. interconnect ⁽¹⁾		NIS 45-50, excl. interconnect (Unchanged)
	ARPU - yes	~NIS 155 ⁽¹⁾		NIS 155-160

⁽¹⁾Mid-term ambition from Nov 2021



Bezeq Fixed-Line | 2023 Summary



Revenues grew 2.5% to NIS 4.4 billion – highest in the last decade. Growth in all activities except for telephony revenues which decreased mainly due to MOC reduction in tariffs



Adj. Net Profit grew 8.3% to NIS 1.02 billion - highest since 2020.
Free cash flow increased 14.1% to NIS 1.1 billion



7.9% growth in retail Internet ARPU, reaching NIS 123



Fiber net adds of 300k, of which 170k retail and 130k wholesale



Fiber network homes passed reached 2.2m with 619k customer take-up rate (28.6%) ⁽¹⁾

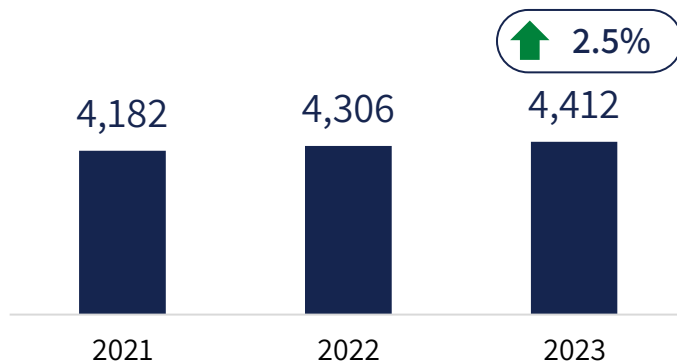


Entrance into electricity supply sector through joint venture

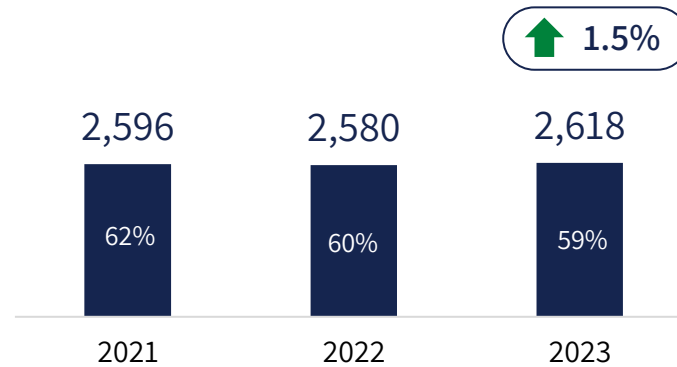


Bezeq Fixed-Line | 2023 Key Financial Highlights | NIS million

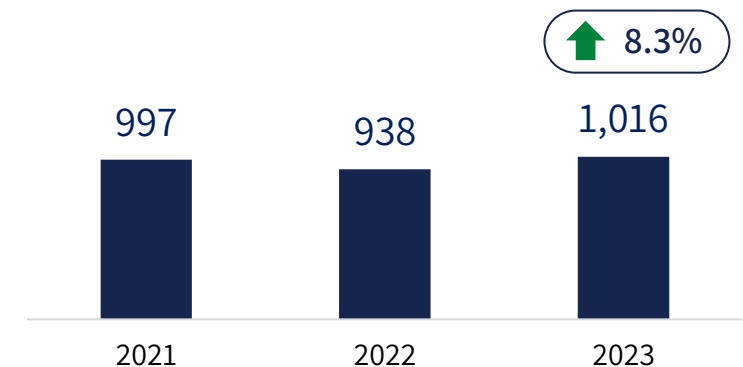
Revenues



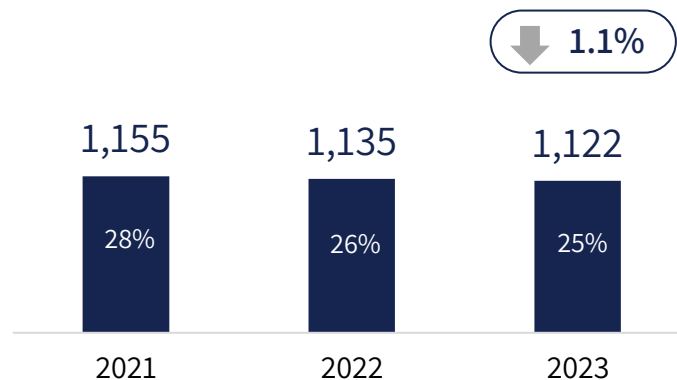
Adj. EBITDA ⁽¹⁾



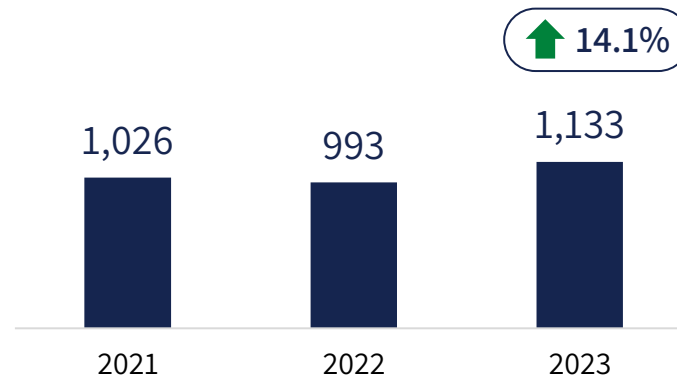
Adj. Net Profit⁽¹⁾



CapEx



Free Cash Flow



- Revenue growth recorded in all activity segments, except for telephony services
- Increase in Adj. EBITDA and Adj. Net Profit, primarily due to higher revenues and lower net financing expenses
- Increase in free cash flow due to improved business results and timing differences in working capital

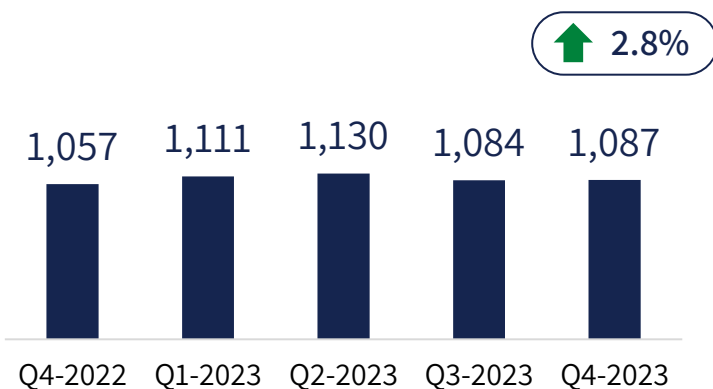
% - CapEx/Sales

% - Adjusted EBITDA margin

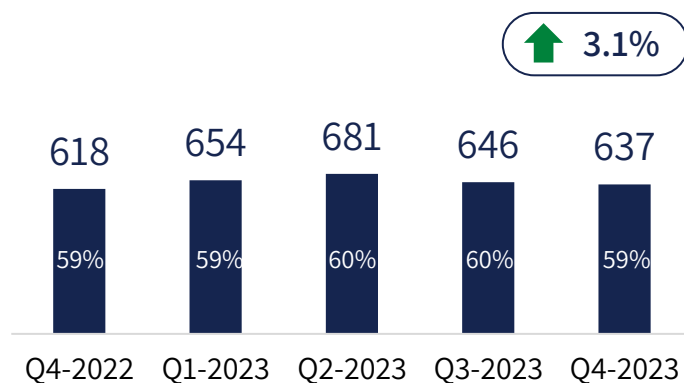


Bezeq Fixed-Line | Q4-2023 Key Financial Highlights | NIS million

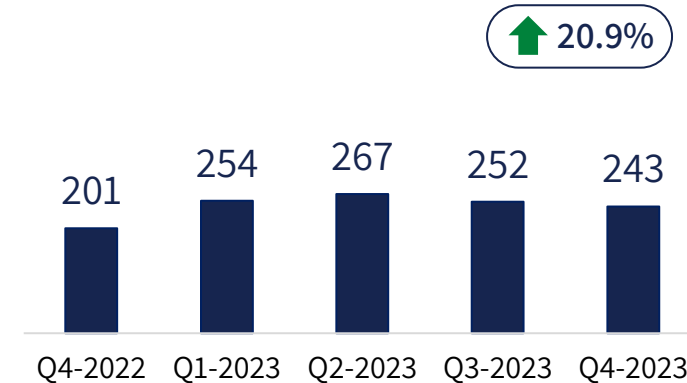
Revenues



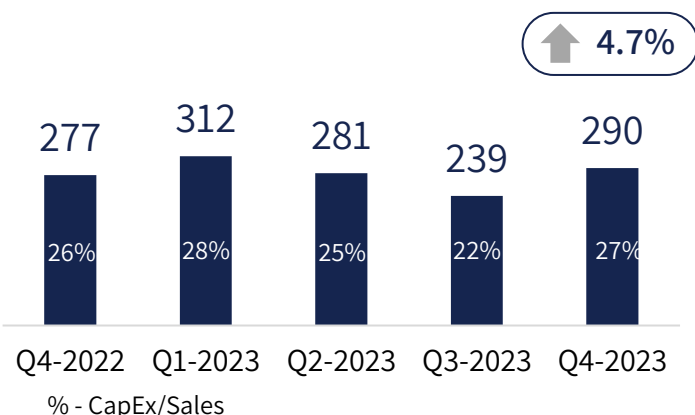
Adj. EBITDA⁽¹⁾



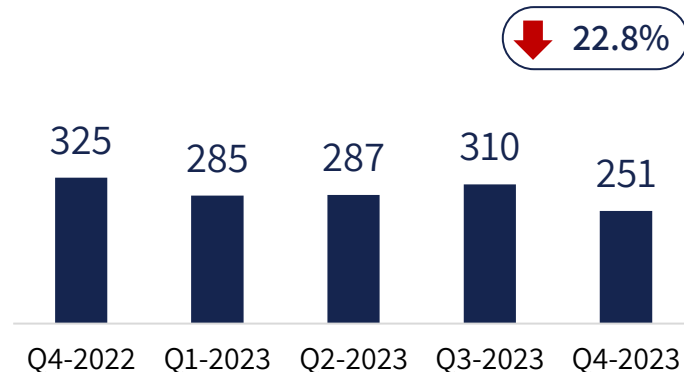
Adj. Net Profit⁽¹⁾



CapEx



Free Cash Flow

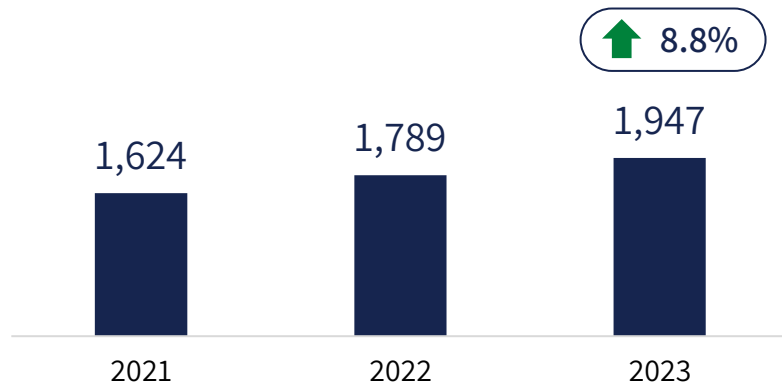


- Revenue growth recorded in all activity segments, except for telephony services due to the second tranche of MOC tariff reductions
- Increase in Adj. EBITDA and Adj. Net Profit despite the decrease in fixed-line telephony tariffs
- Free cash flow was impacted by timing differences in working capital

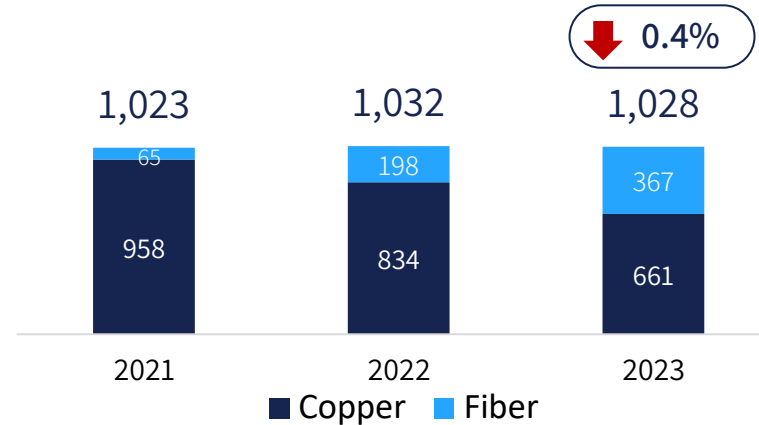


Bezeq Fixed-Line | 2023 Broadband Internet

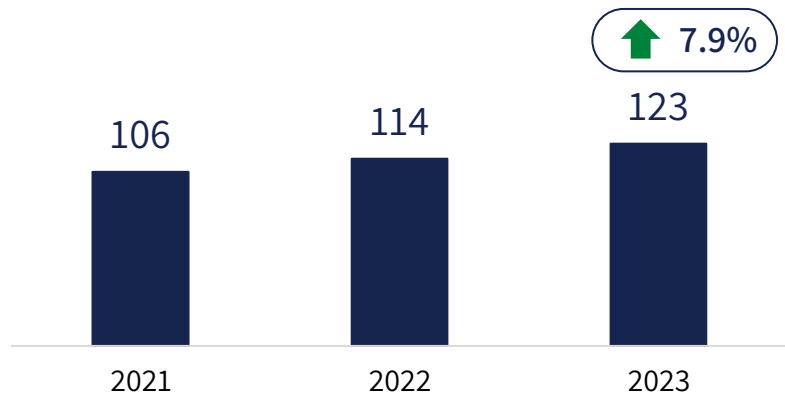
Broadband Revenues (NIS million)



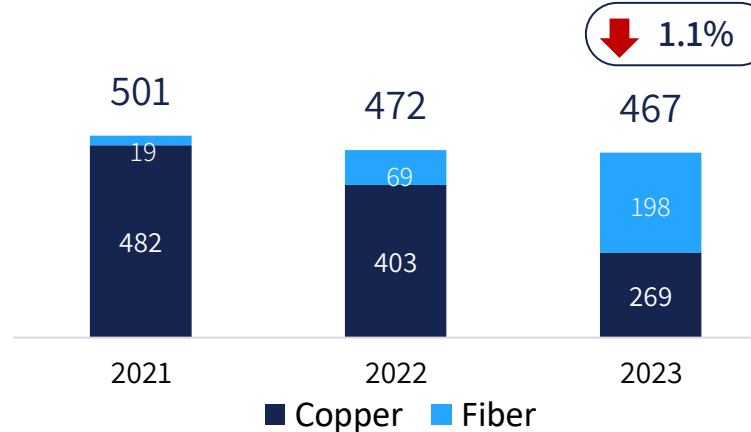
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Wholesale Broadband Lines (thousands)

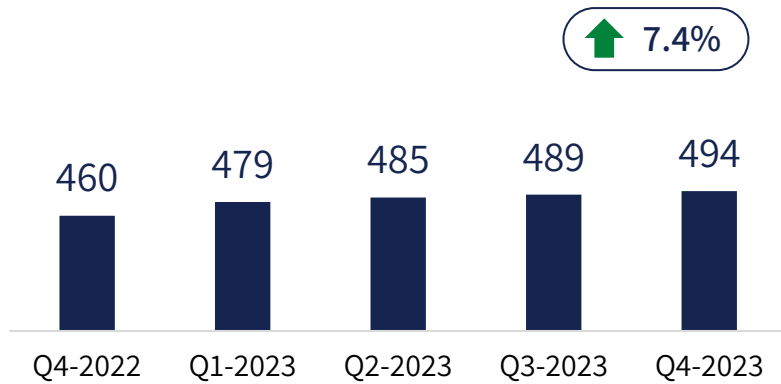


- Significant increase in fiber customer take up
- Significant growth in broadband revenues
- Continued growth in retail ARPU, positively impacted by fiber customer take up

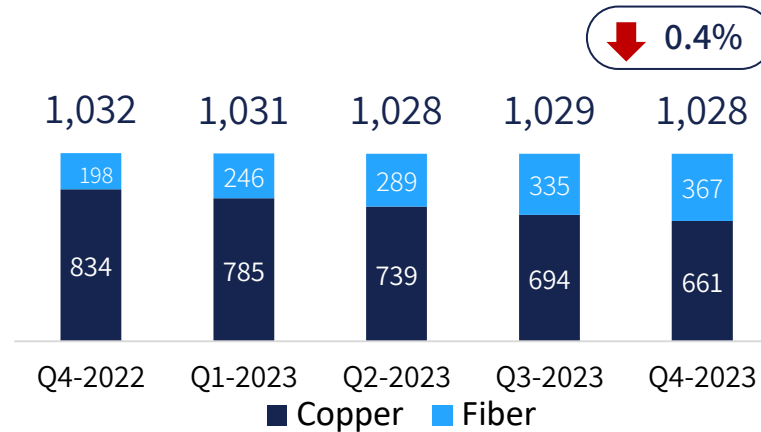


Bezeq Fixed-Line | Q4-2023 Broadband Internet

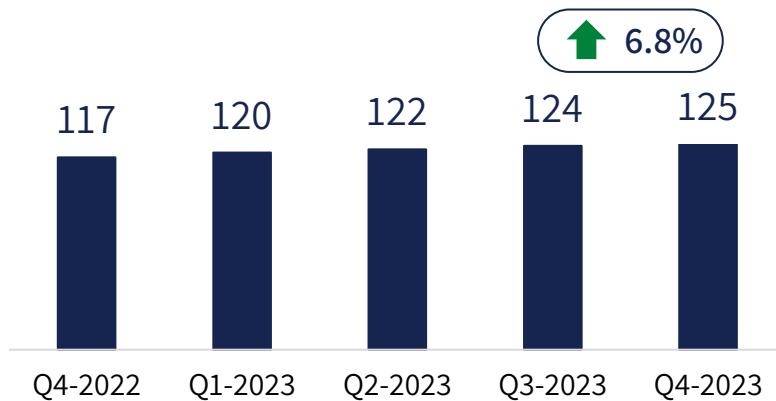
Broadband Revenues (NIS million)



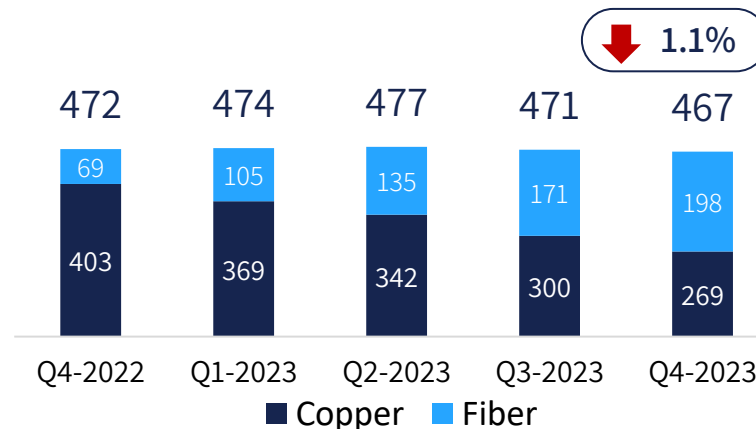
Retail Broadband Lines (thousands)



Retail ARPU (NIS)



Wholesale Broadband Lines (thousands)

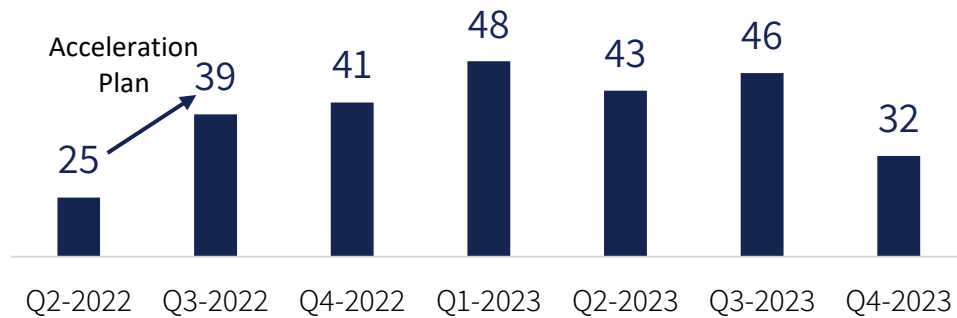


- Significant increase in fiber customer take up
- Significant growth in broadband revenues
- Continued growth in retail ARPU, positively impacted by fiber customer take up

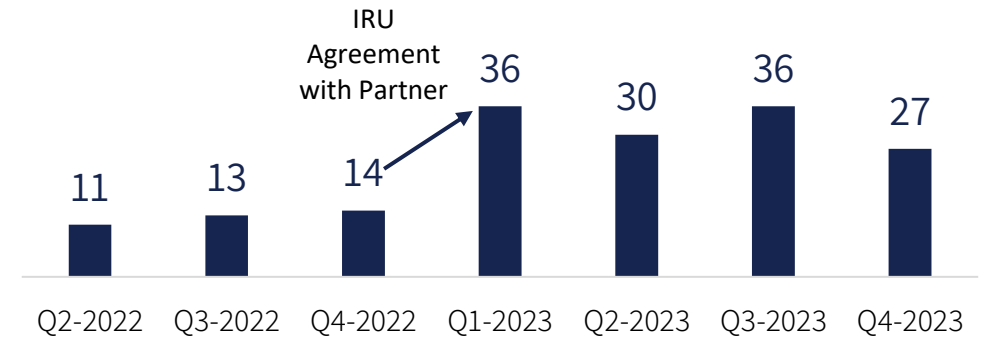


Bezeq Fixed-Line | Accelerated Fiber Take-Up – Retail and Wholesale

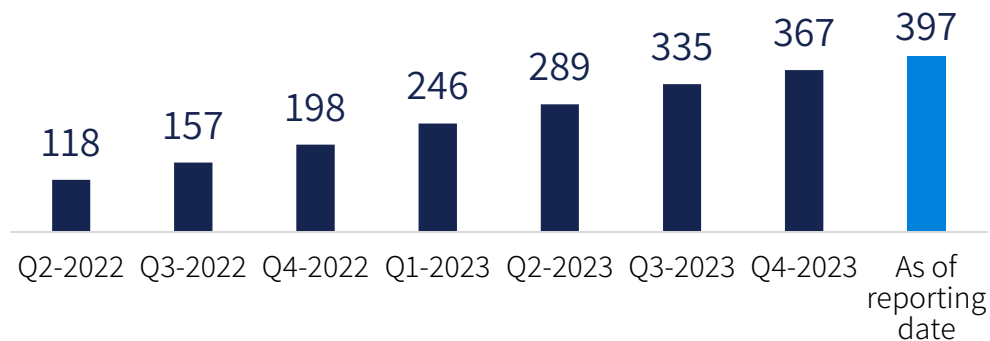
Retail Fiber – Net Adds (Thousands)



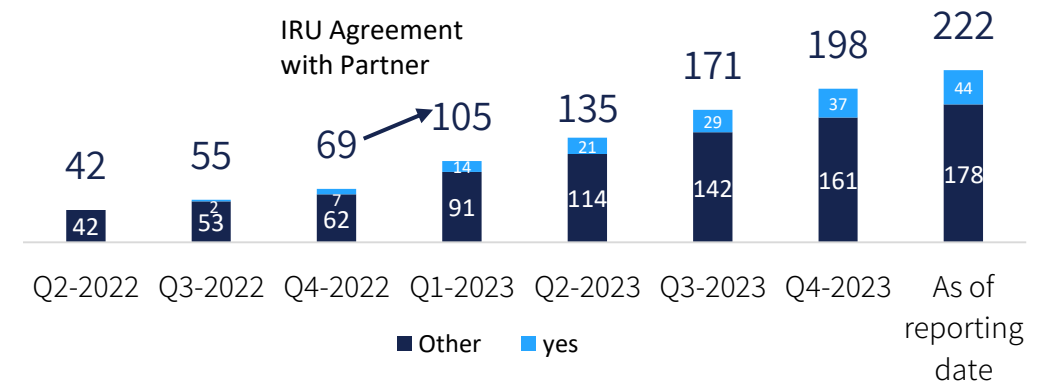
Wholesale Fiber – Net Adds (Thousands)



Total Retail Fiber Take-Up (Thousands)



Total Wholesale Fiber Take-Up (Thousands)



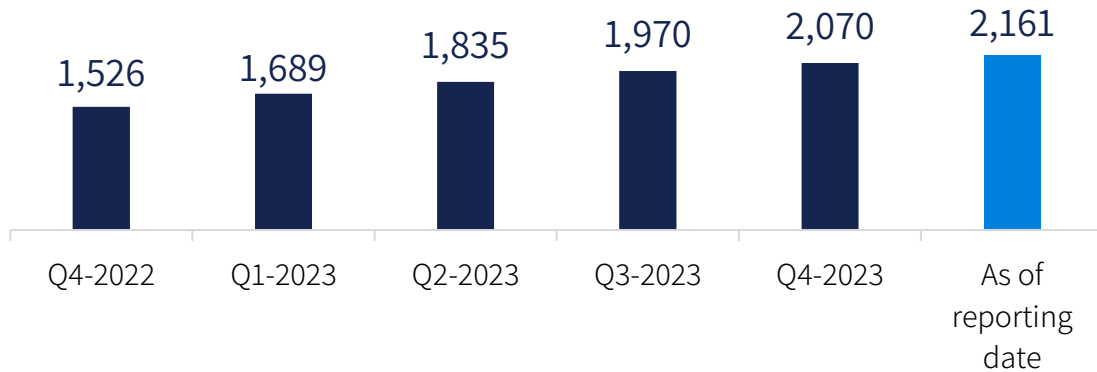
Q4-23 – slowdown in subcontractor activity due to the war and temporary dispute with labor union

190% y-o-y increase in wholesale take-up in 2023

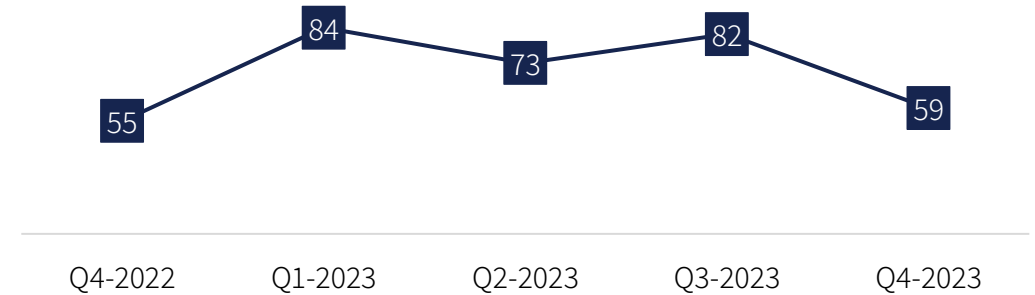


Bezeq Fixed-Line | Continued Fiber Deployment with Increased Take-up Focus

Homes Passed (thousands)

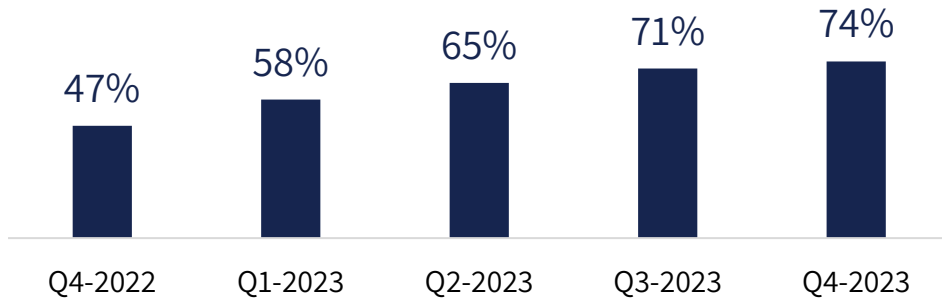


Total Fiber Net Adds (thousands) (Retail and Wholesale)

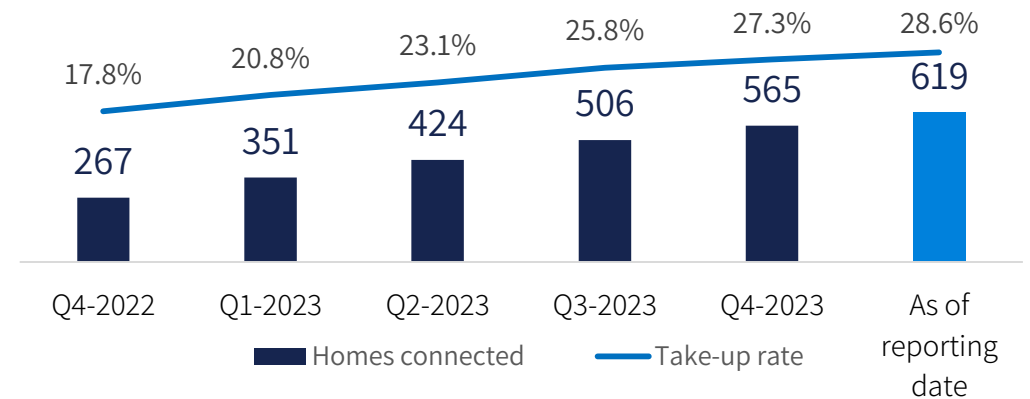


Customers with Unified Internet Service

(% of total retail customers)



Total Fiber Take-Up (thousands) (Retail and Wholesale)



Over 2m homes passed

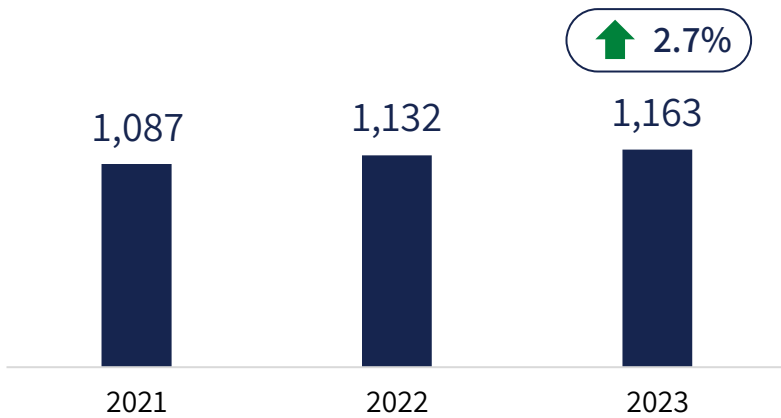
More than 500k active subscribers on Bezeq's fiber network



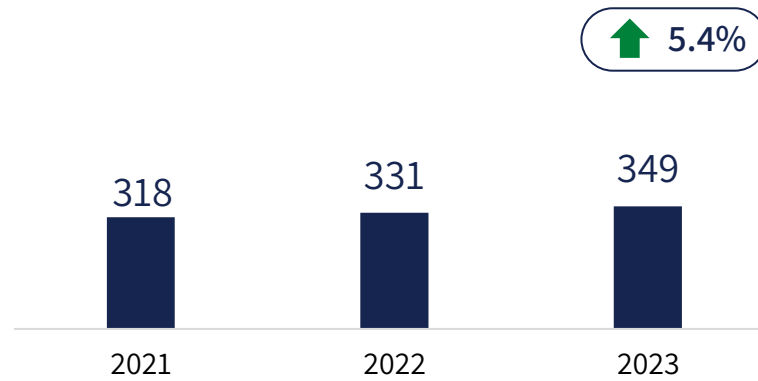
Bezeq Fixed-Line

Data, Telephony, Cloud & Digital Revenues | NIS million

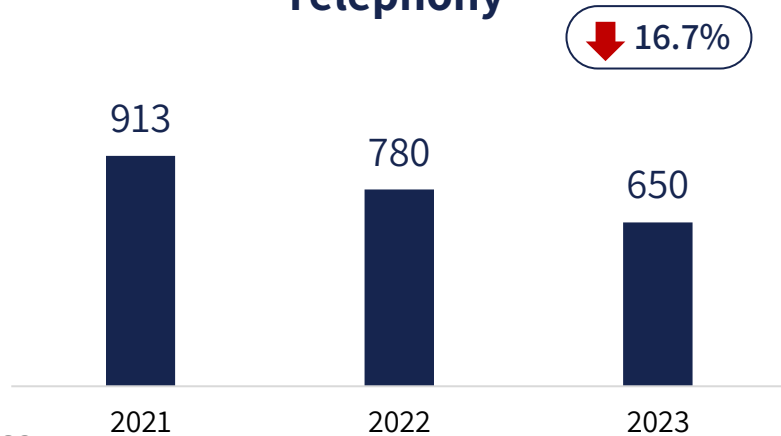
Transmission & Data



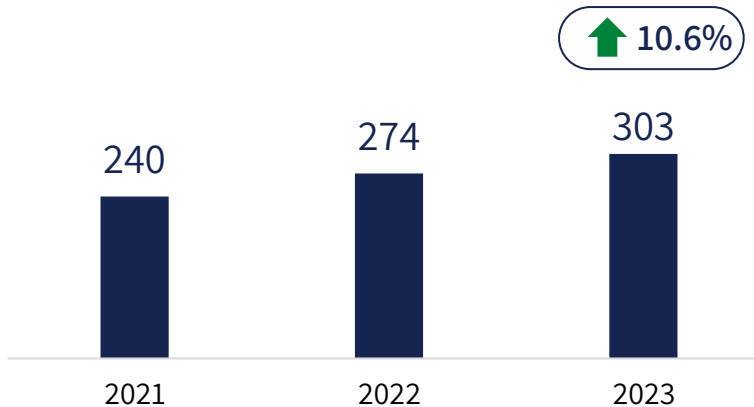
Cloud & Digital



Telephony



Other



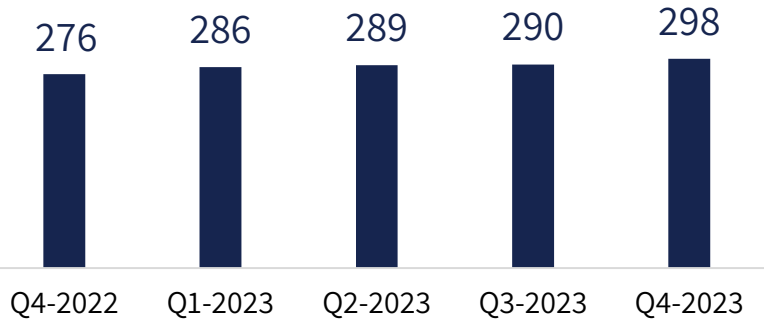
- Continued growth in data revenues offset by a decrease in traffic revenues from ISP companies
- Telephony revenues were impacted by MOC tariff reductions in 2022 and 2023. In 2023, telephony revenues were 15% of total revenues
- Growth in cloud & digital revenues driven by higher virtual exchange services
- Increase in other revenues, mainly due to infrastructure projects



Bezeq Fixed-Line | Data, Telephony, Cloud & Digital Revenues | NIS million

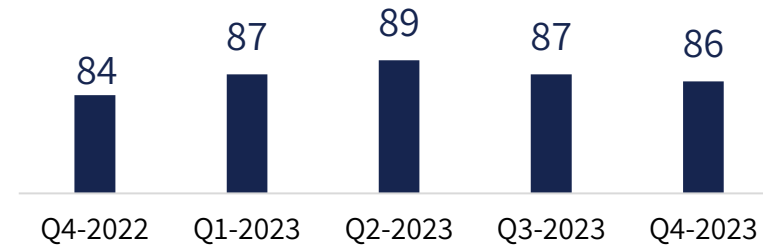
Transmission & Data

↑ 8.0%



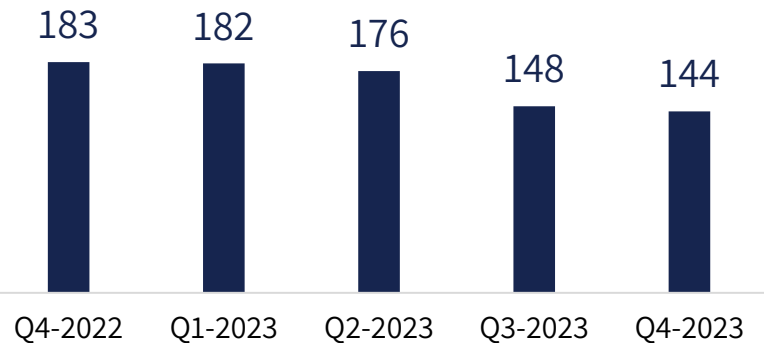
Cloud & Digital

↑ 2.4%



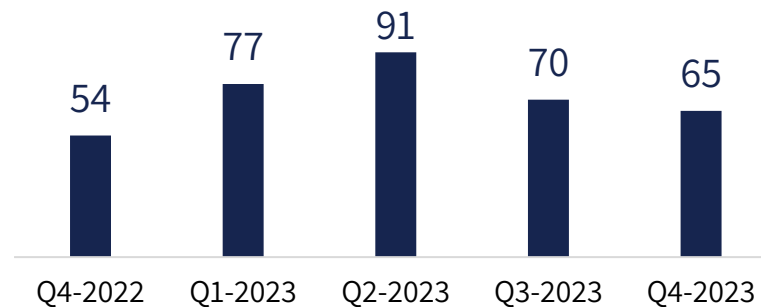
Telephony

↓ 21.3%



Other

↑ 20.4%

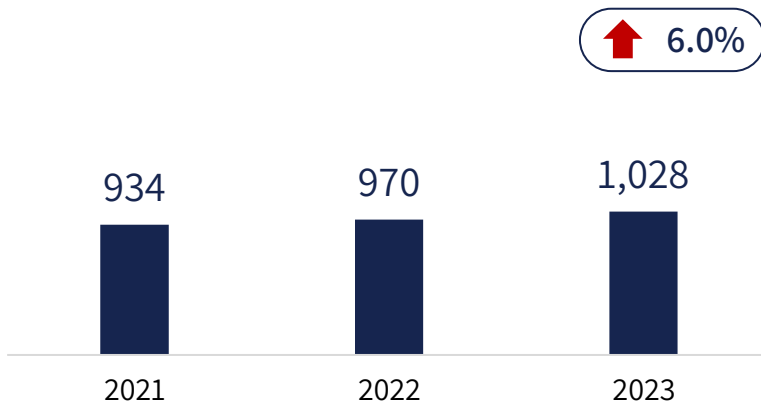


- Continued growth in data revenues offset by a decrease in traffic revenues from ISP companies
- Telephony revenues were impacted by the second tranche of MOC tariff reductions in July 2023. In Q4-2023, telephony revenues were 13% of total revenues
- Growth in cloud & digital revenues driven by higher virtual exchange services
- Increase in other revenues, mainly due to infrastructure projects

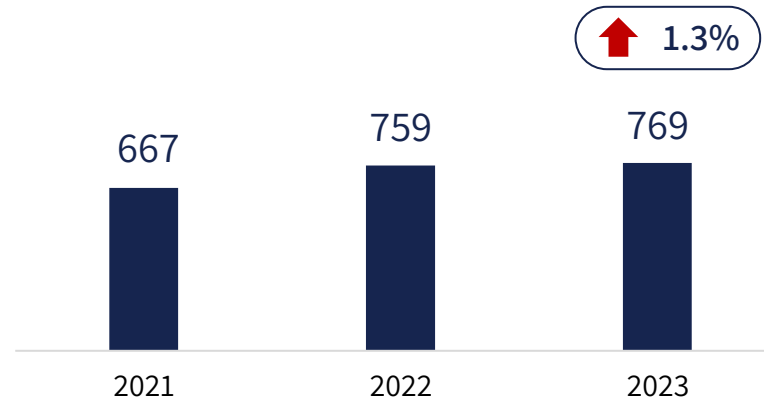


Bezeq Fixed-Line | Operating Expenses | NIS million

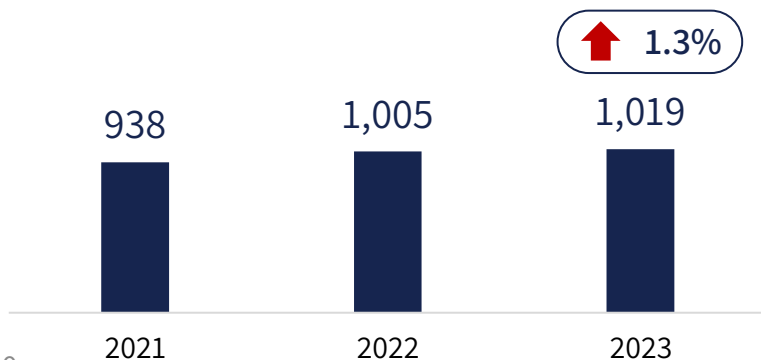
Salaries



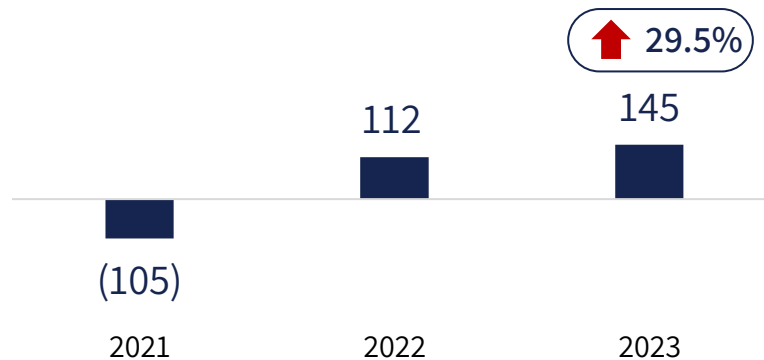
Operating Expenses



Depreciation & Amortization



Other Expenses

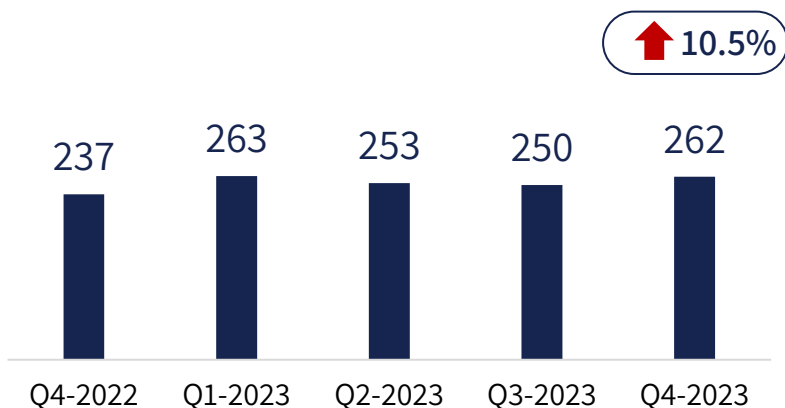


- Increase in salaries mainly due to salary updates, employee recruitment relating to the fiber project and the public sector wage agreement which impacts tenured employees
- Increase in operating expenses mainly due to higher materials and sub-contractor expenses for the fiber project and various infrastructure projects
- Other expenses were impacted by higher provisions, including a special grant to be paid to employees pursuant to the amendment of the labor agreement, subject to certain conditions being met in the future

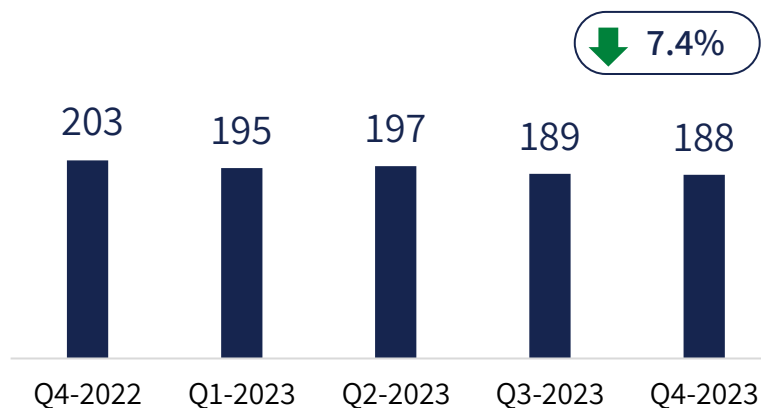


Bezeq Fixed-Line | Operating Expenses | NIS million

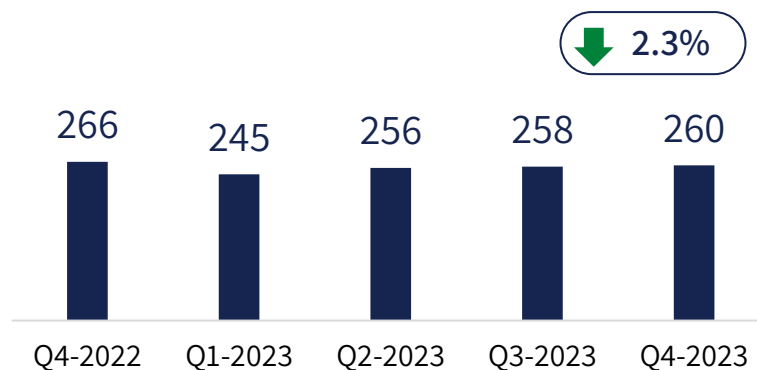
Salaries



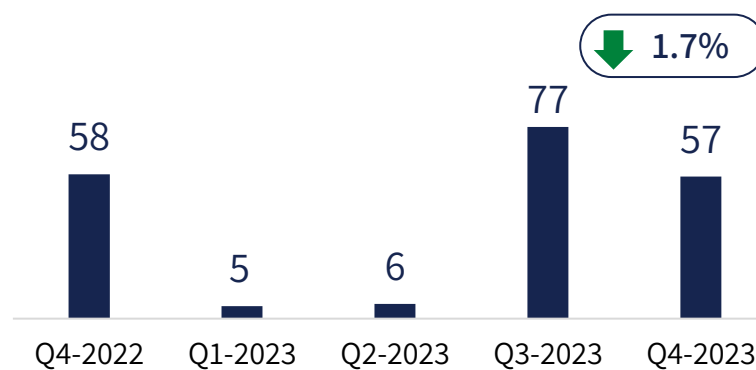
Operating Expenses



Depreciation & Amortization



Other Expenses



- Increase in salaries mainly due to salary updates as well as employee recruitment relating to the fiber project
- Decrease in operating expenses mainly due to lower interconnect payments to telecom operators as tariffs decreased as of June 2023, as well as lower payments to the fund for incentivizing deployment of fiber optics pursuant to an MOC decision
- Other expenses were impacted by a provision of NIS 55 million for early retirement



Bezeq's Entrance into Electricity Sector



Electricity market reform

- **Jan 2024 - A revolution** in the Israeli electricity market with the opening of the supply sector for residential customers and small businesses to competition
- **Competitive market in 2030 - NIS 10 billion⁽¹⁾:**
 - 1.3 million residential customers - 40% competitive market share
 - 150k business customers (low and general voltage) - 50% competitive market share
 - Competitive protection – Israel Electric Corp. is prohibited from offering discounts until it loses 40% market share
 - Past experience in regulatory reforms shows there is an advantage for operators who entered the market early

The electricity market is undergoing a fundamental structural change, which creates a unique business opportunity



Bezeq's Entrance into Electricity Sector (Cont'd)

Joint Venture

License

Customer targets

Customer discount policy

Electricity trade and optimization



Expertise in retail, marketing and services to mass market

Customer acquisition + go to market

Customer management and retention

PowerGen

Expertise in production and storage in diverse technologies

Development and operation of electricity production facilities - PV and storage

CapEx

Distribution of JV profits
50%/50%

Bezeq rationale

- ✓ Electricity supply – **adjacent and complementary growth activity**
- ✓ Increase in **customer stickiness**
- ✓ **No economic correlation with Bezeq's core activities**
- ✓ **No exposure to telecom regulation**
- ✓ **No significant CapEx**
- ✓ **Exposures (exchange rate, electricity prices, CPI, etc) create a natural hedge for group**

For the first Bezeq enters into a new and strategic sector, not connected to the telecom industry, which allows for growth and profitability with no significant CapEx

The JV aims to reach market share of 400k residential customers and tens of thousands of business customers by the end of 2030



Bezeq Fixed-Line | Key Takeaways



Growth in all key financial metrics in 2023



Accelerated retail fiber take-up, combined with continued increase in ARPU



8.8% growth year-over-year in Internet revenues offset the MOC decrease in telephony tariffs



Entrance into electricity supply sector through joint venture



Strong and growing cash flow - 14% year-over-year growth in free cash flow in 2023



Growth in business sector revenues driven by increased demand for data and communications solutions

Widespread fiber deployment combined with accelerated fiber take-up is reflected in continued growth in the residential market



Pelephone | 2023 Summary



Highest revenues from services (excl. interconnect fees) since 2017 with 1.5% growth reaching NIS 1.39 billion, driven by an increase in ARPU, increase in 5G subscriber plans as well as an increase in postpaid subscribers



ARPU (excl. interconnect fees) increased NIS 1 to NIS 44



5G subscriber plans grew by 250k reaching 1.1 million (41%) ⁽¹⁾ contributing to ARPU, alongside growth of 53k in postpaid subscribers

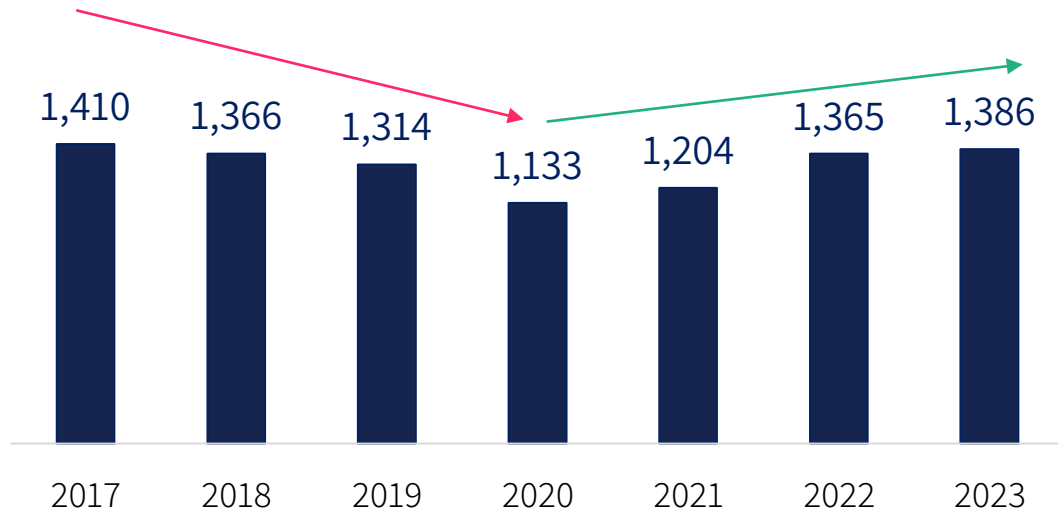


Acquisition of Roamability, a company specializing in providing solutions in the global roaming market through the eSIM technology

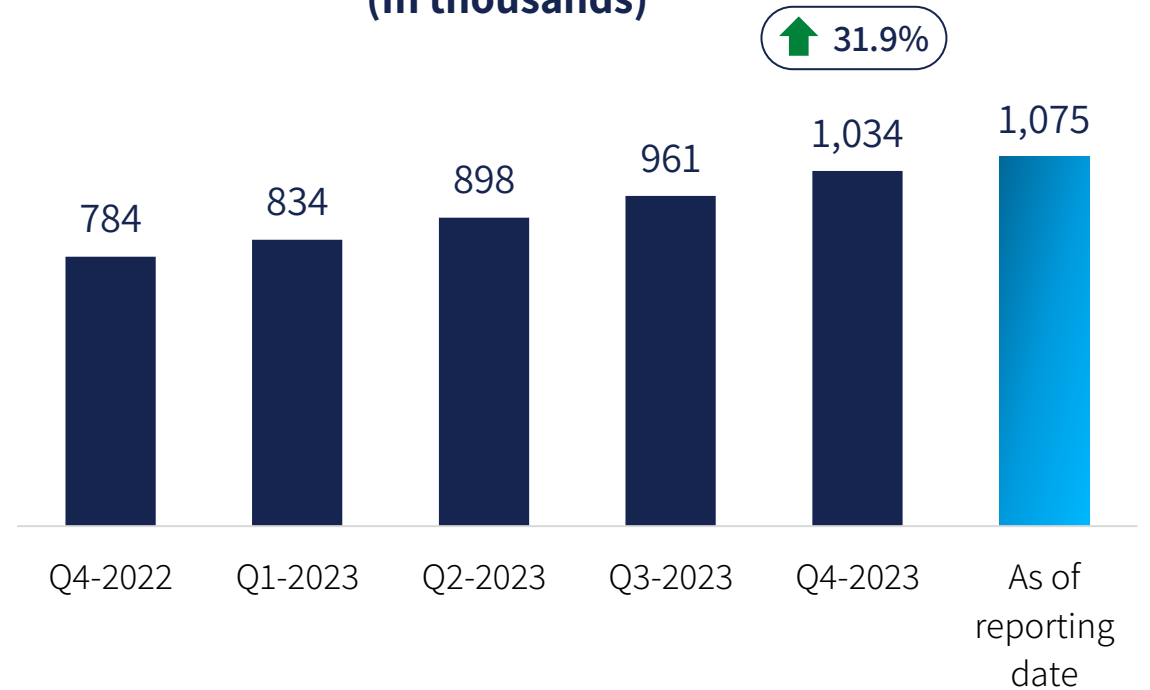
Growth in ARPU and revenues from services (excl. interconnect fees) despite impact of war on roaming revenues in Q4-2023



Revenues from Services (excl. interconnect fees) NIS Millions



Subscribers on 5G Plans (In thousands)

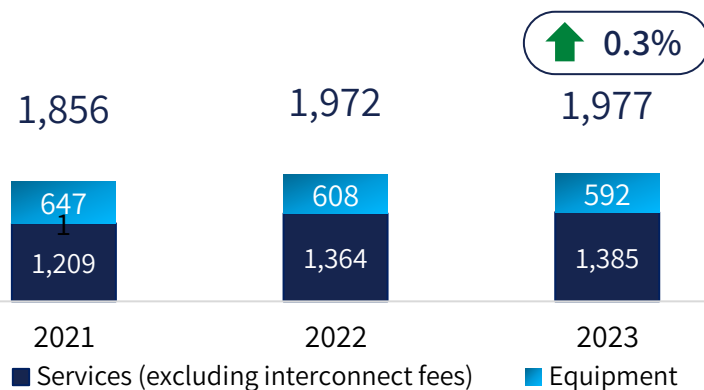


Subscribers on 5G plans were 41% of total subscribers and 49% of postpaid subscribers

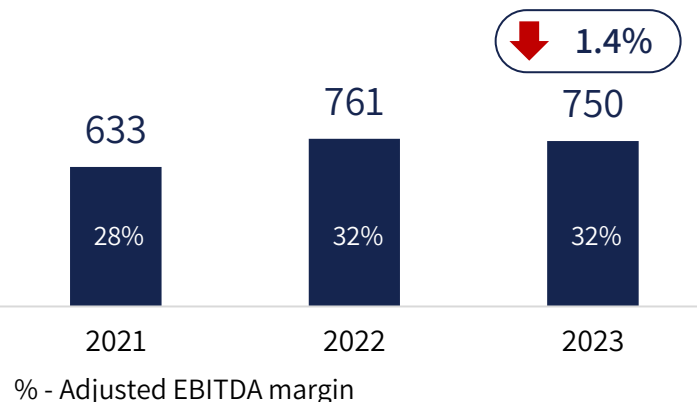


Pelephone | 2023 Key Financial Highlights | NIS Million

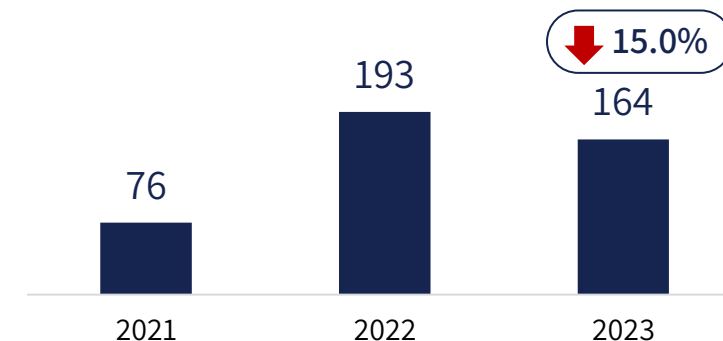
Revenues (excl. interconnect fees)



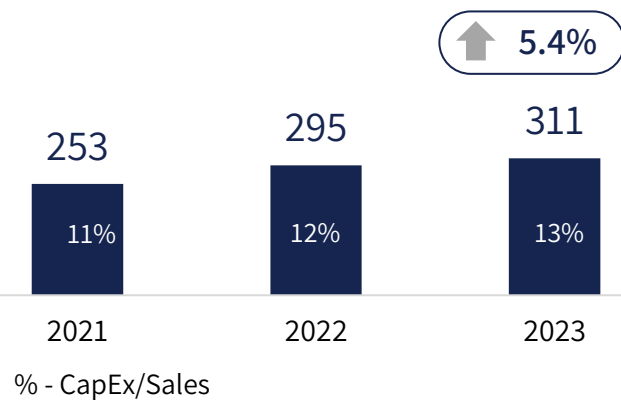
Adj. EBITDA ⁽¹⁾



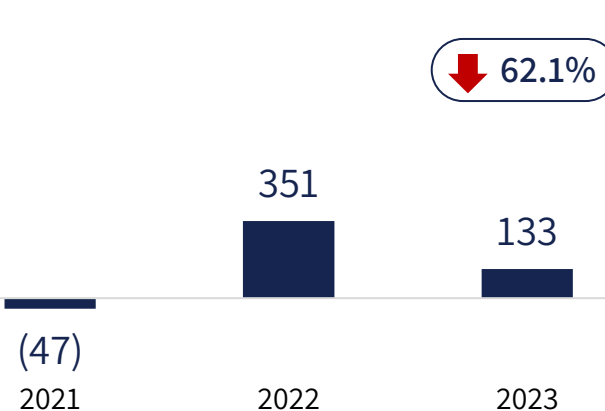
Adj. Net Profit ⁽¹⁾



CapEx



Free Cash Flow



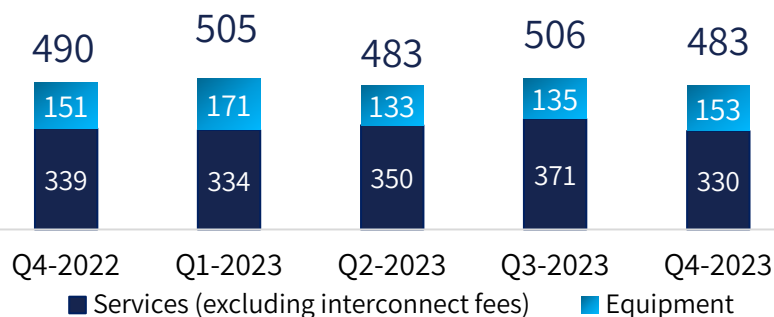
- Highest revenues from services (excl. interconnect fees) since 2017, driven by growth in postpaid subscribers and increase in ARPU
- Adj. EBITDA decreased by only NIS 11 million despite the impact of the war, due to an increase in revenues from services (excl. interconnect fees), offset by an increase in operating expenses resulting from CPI and the shekel devaluation
- Adjusted Net Profit was impacted by the war as well as a decrease in interest income from the parent company
- Free cash flow was impacted by timing differences in working capital



Pelephone | Q4-2023 Key Financial Highlights | NIS Million

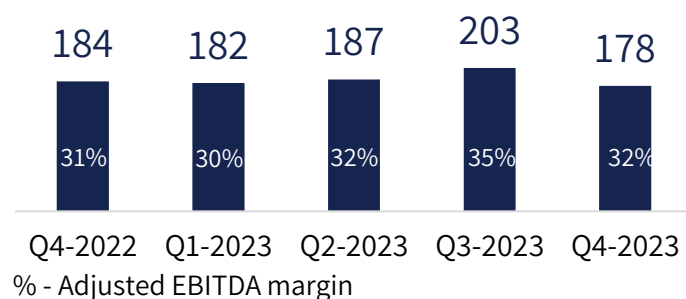
Revenues (excl. interconnect fees)

↓ 1.4%



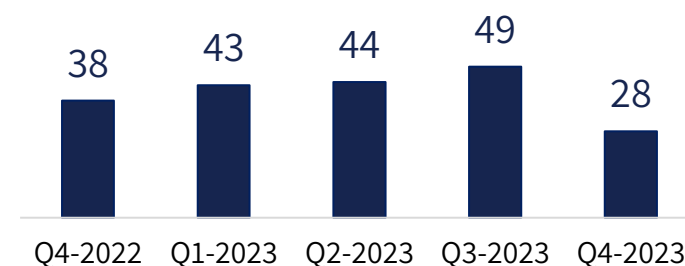
Adj. EBITDA ⁽¹⁾

↓ 3.3%



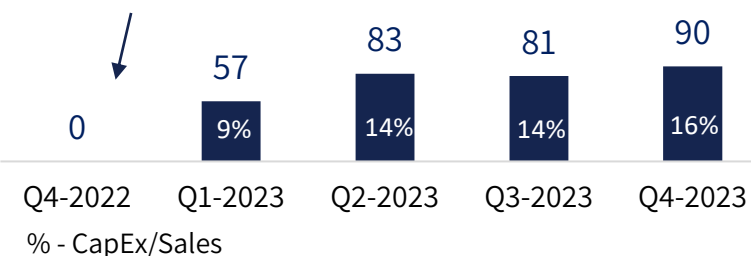
Adj. Net Profit ⁽¹⁾

↓ 26.3%



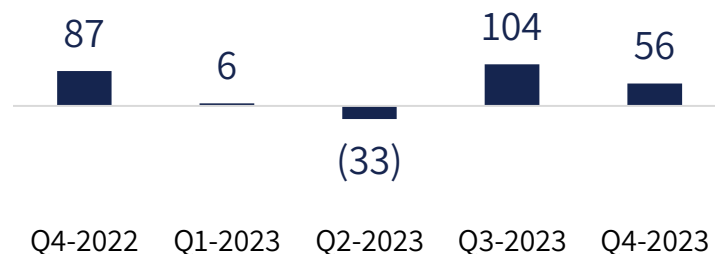
CapEx

Refund of NIS 74m received for tender frequencies



Free Cash Flow

↓ 35.6%

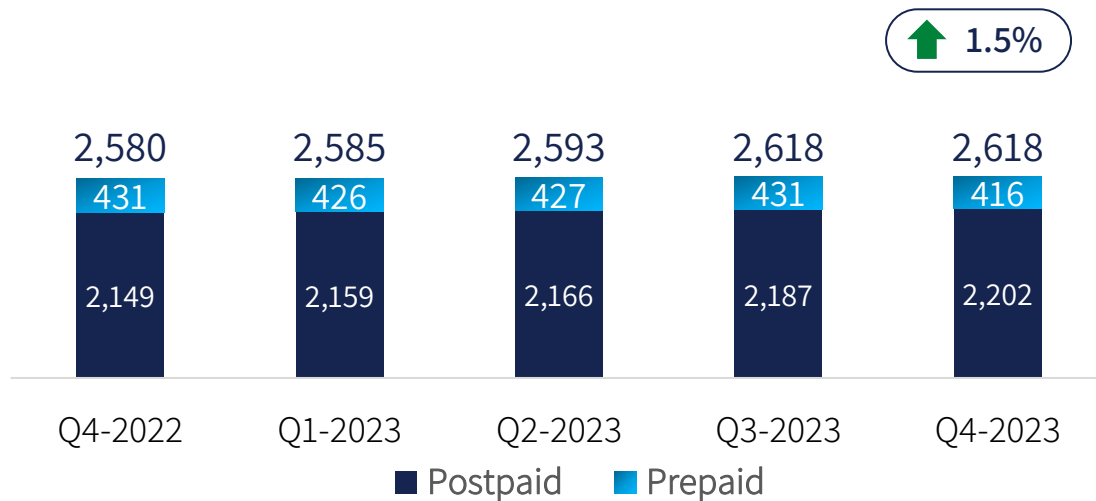


- Revenues from services (excl. interconnect fees) decreased 1.4% due to the impact of the war on roaming revenues, offset by growth in postpaid subscribers, including 5G plans
- Adj. EBITDA decreased by only NIS 6 million despite the impact of the war, due to an increase in subscribers and ARPU
- Adj. Net Profit was impacted by the war as well as a decrease in interest income from the parent company
- CapEx and free cash flow were impacted by a refund of NIS 74 million from the State related to the frequency tender in the corresponding period



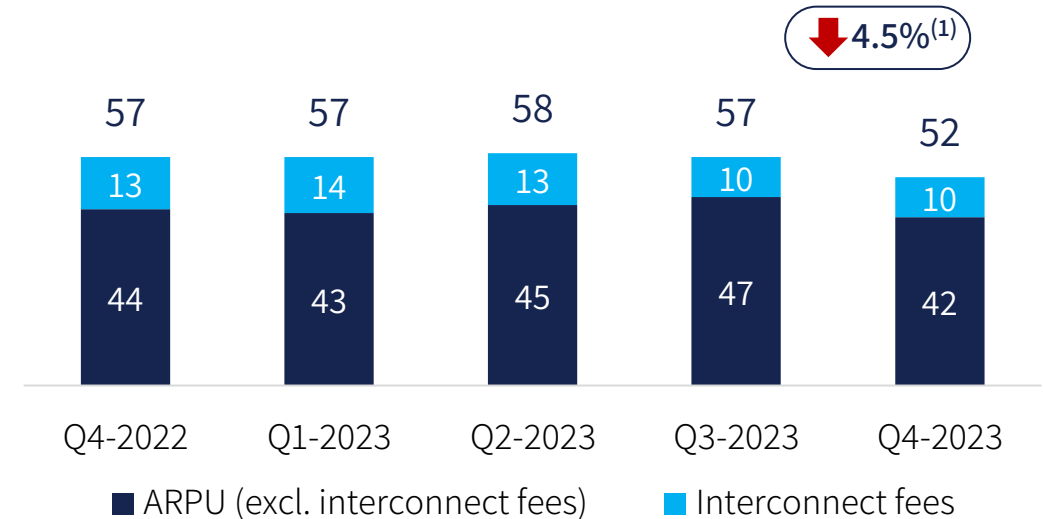
Pelephone | Q4-2023 Key Operational Metrics

Subscribers (Thousands)



- Prepaid subscribers in Q4-2023 were impacted by the war

ARPU (NIS)



- ARPU (excl. interconnect fees) was impacted by the decrease in roaming revenues in Q4-2023 due to the war

⁽¹⁾ Year-over-year change in ARPU (excl. interconnect fees)



yes | 2023 Summary



Highest revenues since 2019, with growth of 2.5% to NIS 1.31 billion, driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers



Adj. EBITDA grew 3.5% to NIS 239 million ⁽²⁾

Transition to positive Adj. Net Profit (proforma) of NIS 3 million, compared to an Adj. net loss of NIS 38 million in 2022 ⁽²⁾



yes is the largest Israeli IP operator with 408k customers watching TV through IP broadcasting (71% of total subscribers) ⁽¹⁾, an increase of 63k in 2023



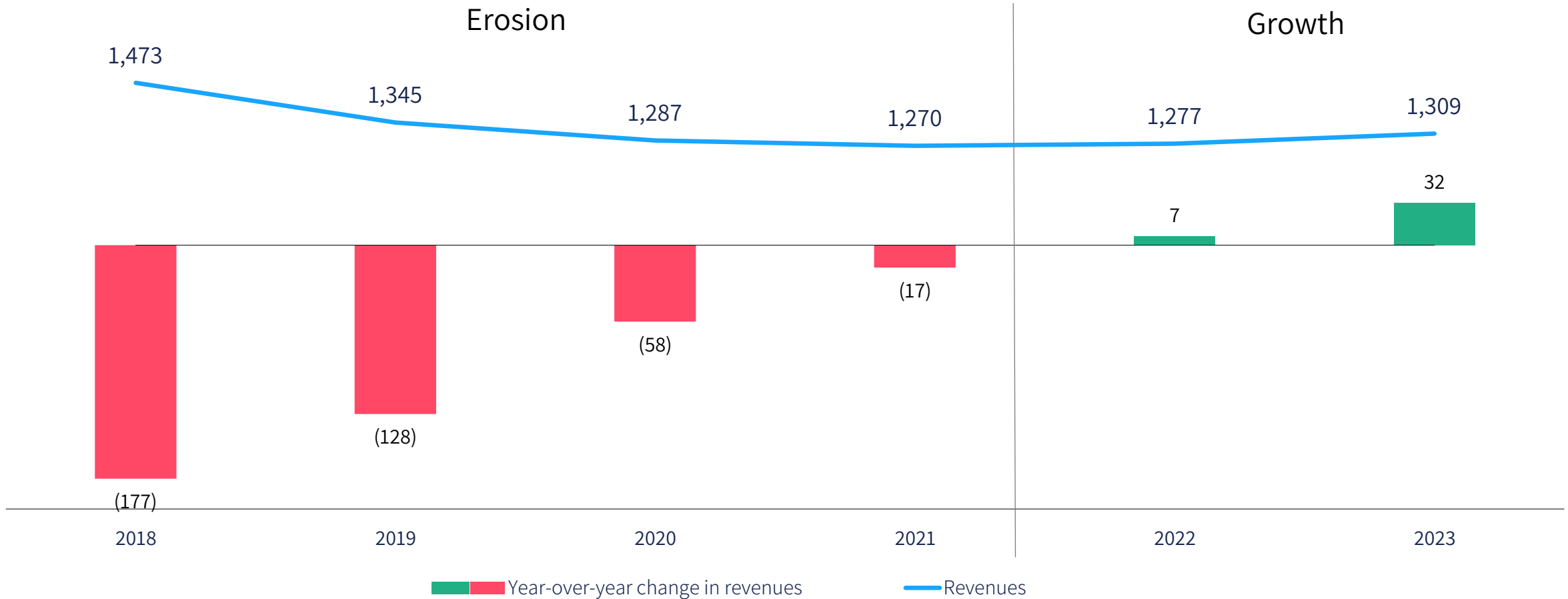
Continued growth in fiber subscribers reaching 44k ⁽¹⁾, 11% of total IP subscribers



Free cash improved significantly to NIS 11 million, compared to negative free cash flow of NIS 17 million in 2022

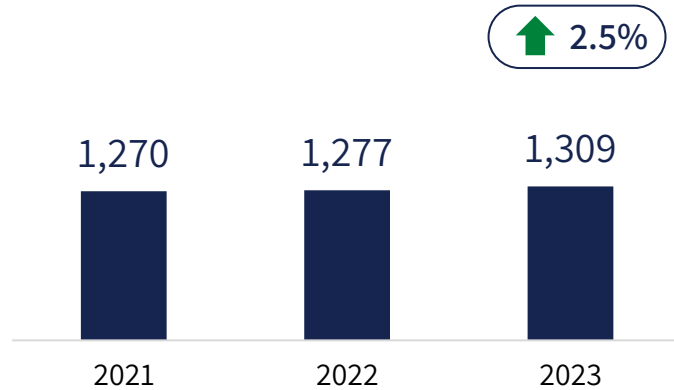


yes | Revenue Growth Turnaround | NIS Million

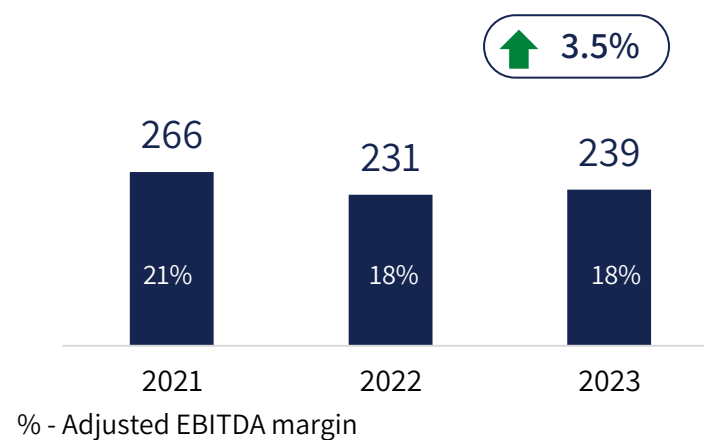


yes | 2023 Key Financial Highlights | NIS Million

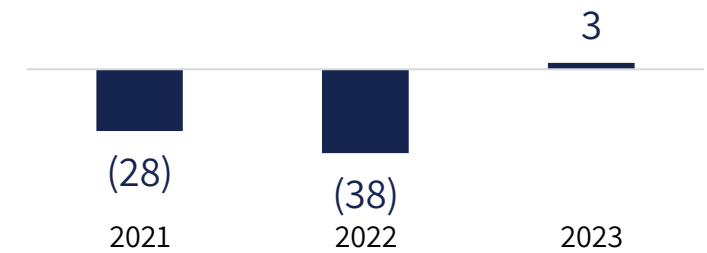
Revenues



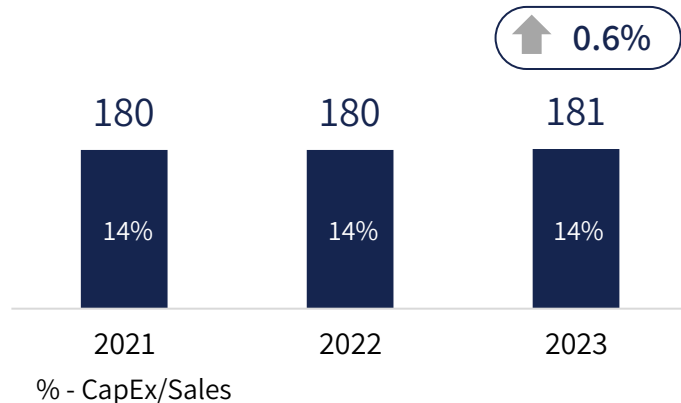
Adj. EBITDA ⁽¹⁾



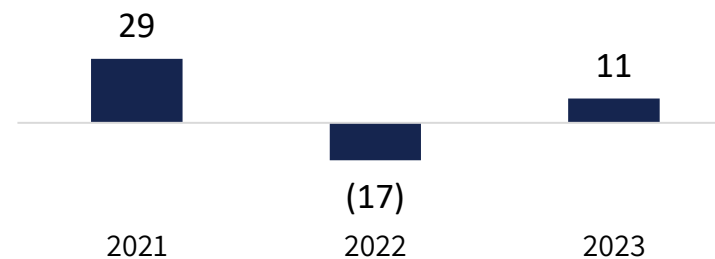
Adj. Net Profit (Loss) ⁽¹⁾



CapEx



Free Cash Flow



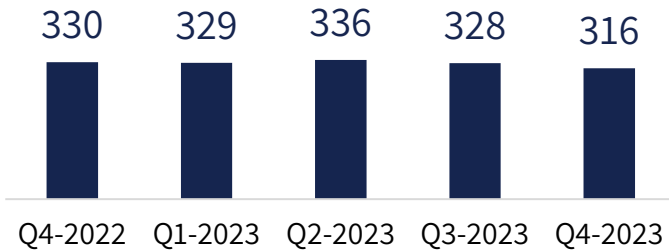
- Revenue growth driven by the launch of TV + Bezeq fiber bundle, together with agreements with leading international content providers
- Increase in Adj. EBITDA driven by higher revenues. Adj. Net Profit grew due to higher revenues and lower depreciation expenses
- Free cash flow increased due to improved business results as well as timing differences in working capital



yes | Q4-2023 Key Financial Highlights | NIS Million

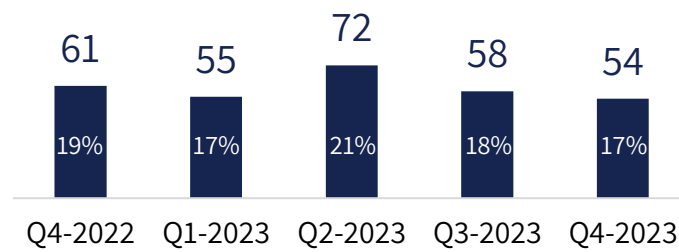
Revenues

↓ 4.2%



Adj. EBITDA ⁽¹⁾

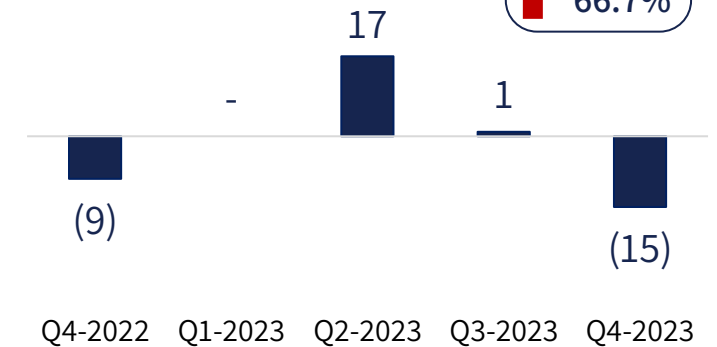
↓ 11.5%



% - Adjusted EBITDA margin

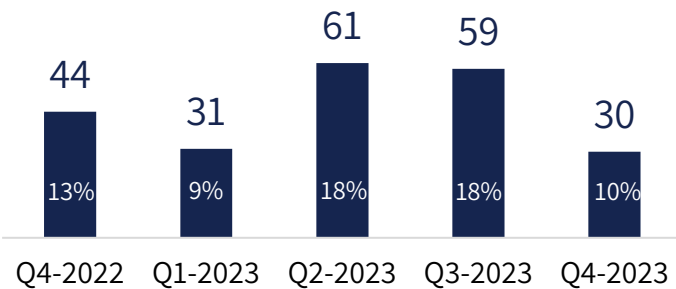
Adj. Net Profit (Loss) ⁽¹⁾

↑ 66.7%



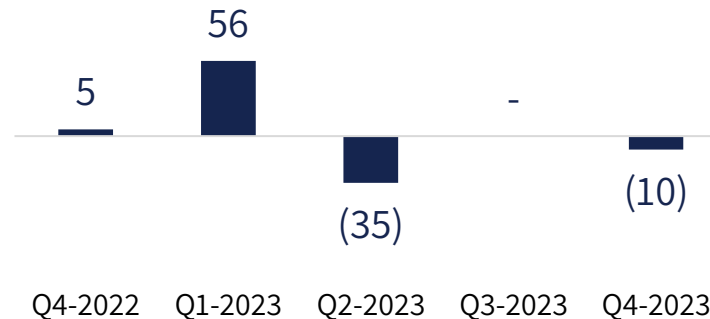
CapEx

↓ 31.8%



% - Capex/Sales

Free Cash Flow

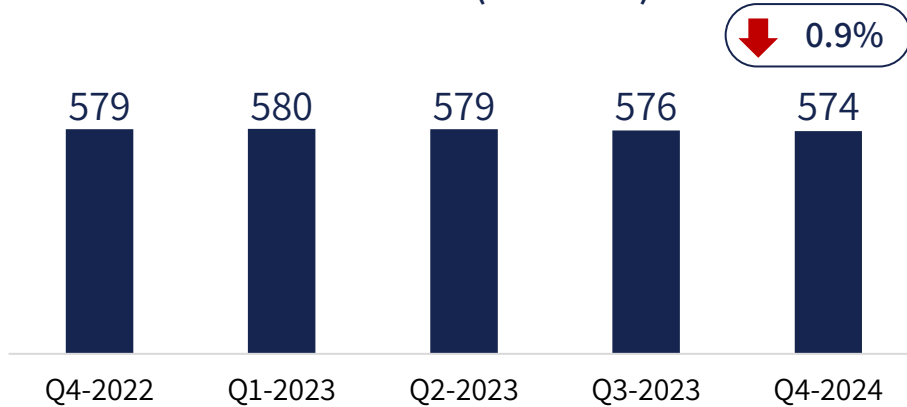


- Revenues were impacted by lower sales of content compared to Q4-2022 as well as by the war
- Adj. EBITDA was impacted by lower revenues and an increase in the USD/NIS exchange rate in Q4-2023
- Adj. Net Profit was impacted by higher financing expenses
- Free cash flow was impacted by timing differences in working capital

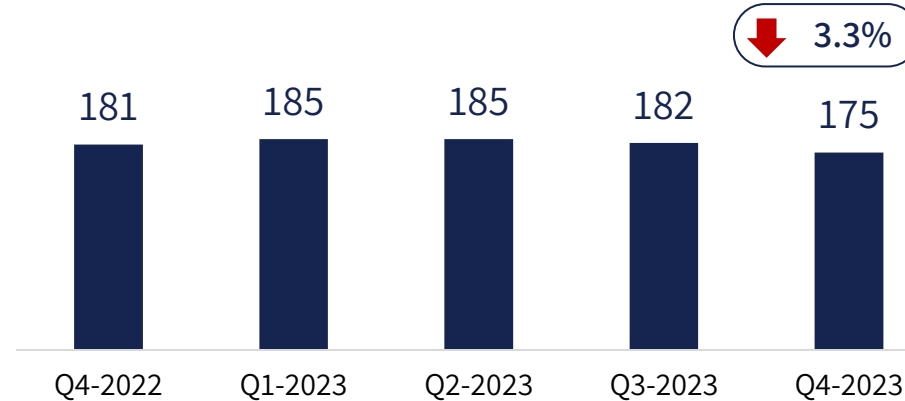


yes | Q4-2023 Key Operational Metrics

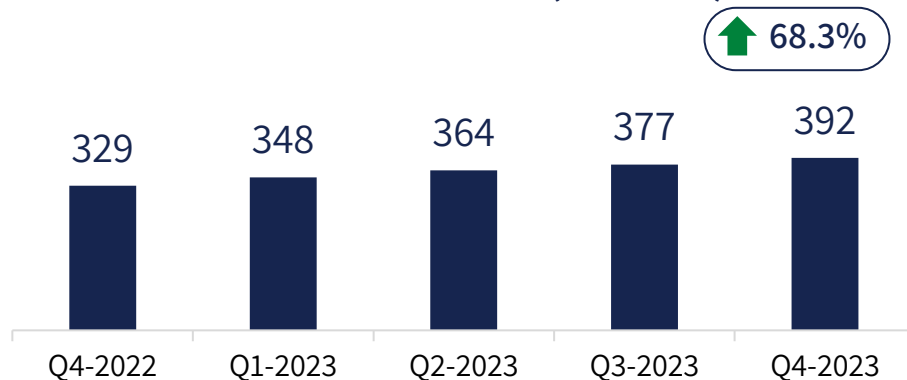
Subscribers (Thousands)



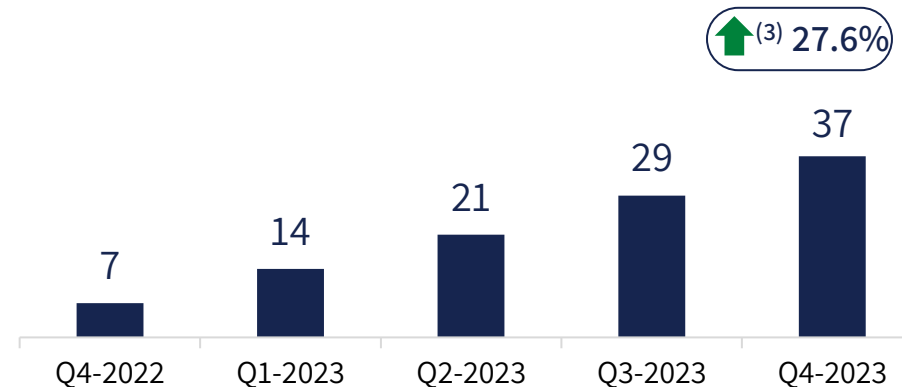
ARPU (NIS)



IP Subscribers ⁽¹⁾ (Thousands)



Fiber Subscribers (Thousands)



- Continued growth in IP subscribers to 71% of yes subscribers ⁽²⁾
- Continued growth in fiber subscribers
- ARPU in Q4-2023 was impacted by the war and the continued transition of premium subscribers to discount plans

⁽¹⁾ IP subscribers - the number of yes subscribers viewing IP broadcasting through the yes+ and STINGTV services. This includes subscribers that use satellite services as well

⁽²⁾ As of reporting date

⁽³⁾ Compared to Q3-2023



Bezeq International | 2023 Summary



Increase in ICT activity offset most of the decrease in consumer ISP revenues



Focus on growth in ICT market with emphasis on cyber, integration, public cloud and data centers



Cost savings due to reduction in consumer ISP activity



11.9% growth in Adjusted EBITDA to NIS 198 million in 2023

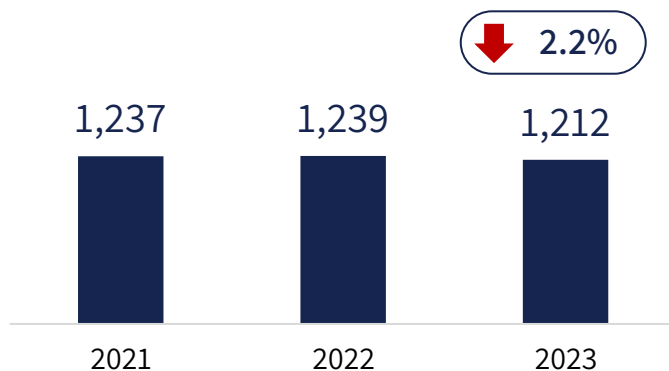


Adjusted Net Profit grew 24.4% in 2023 to NIS 51 million

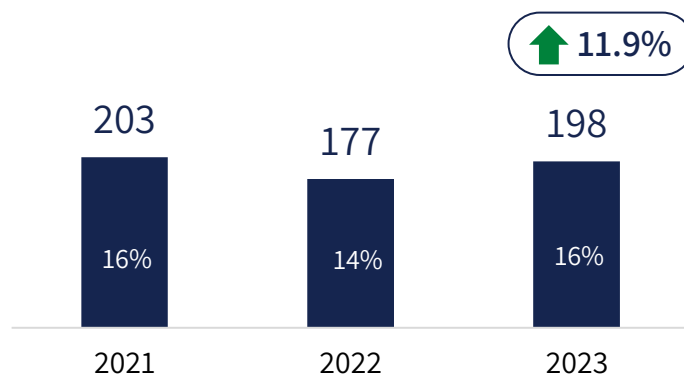


Bezeq International | 2023 Key Financial Highlights | NIS Million

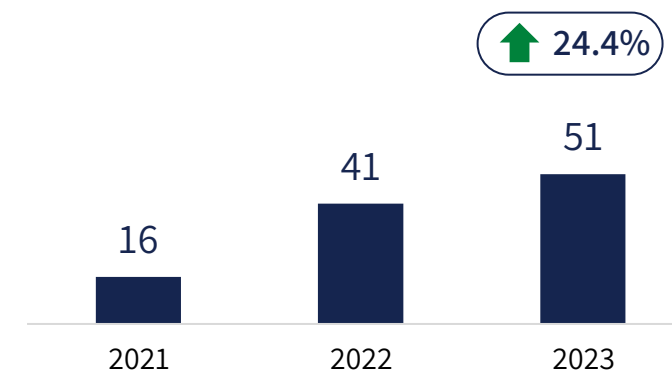
Revenues



Adj. EBITDA ⁽¹⁾

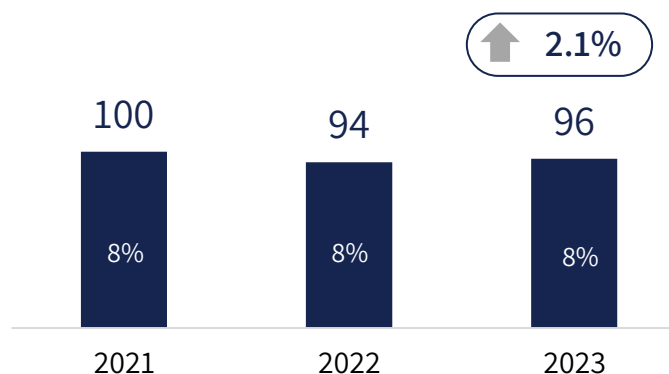


Adj. Net Profit ⁽¹⁾

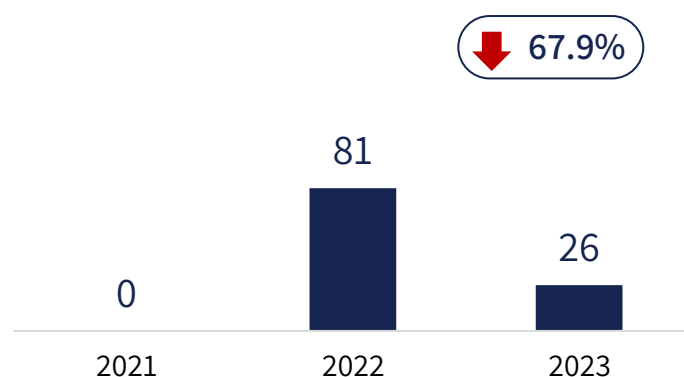


% - Adjusted EBITDA margin

CapEx



Free Cash Flow



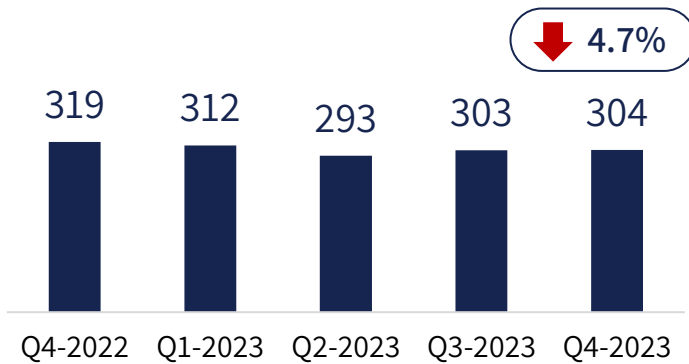
% - CapEx/Sales

- Increase in revenues from business services due to activity growth and CloudEdge acquisition, offset by decrease in consumer ISP revenues following the regulation on unified Internet
- Significant increase in Adj. EBITDA and Adj. Net Profit mainly due to lower expenses driven by decrease in consumer ISP activity
- Free cash flow was impacted by payments for employee retirement in 2023 as well as timing differences in working capital related to the deferral of customer debt collections from 2021 to 2022 due to employee sanctions in 2021

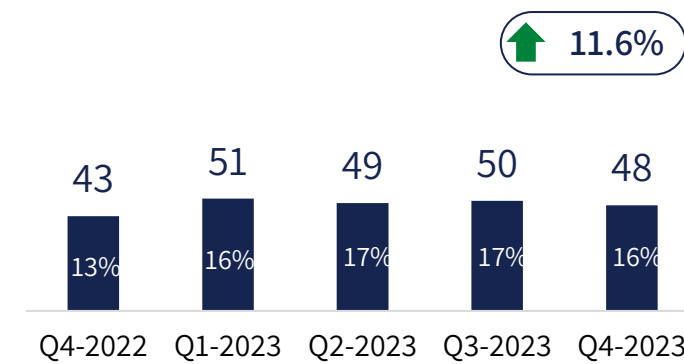


Bezeq International | Q4-2023 Key Financial Highlights | NIS Million

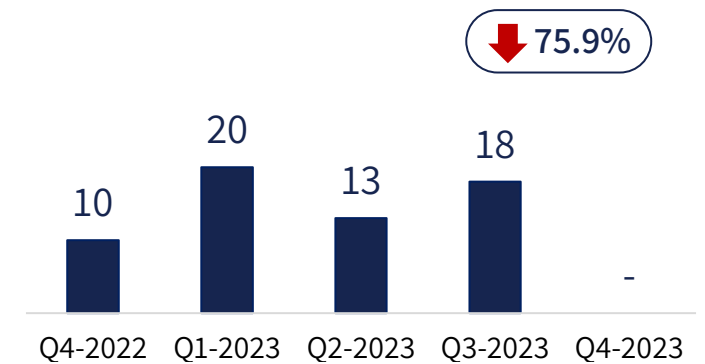
Revenues



Adj. EBITDA ⁽¹⁾

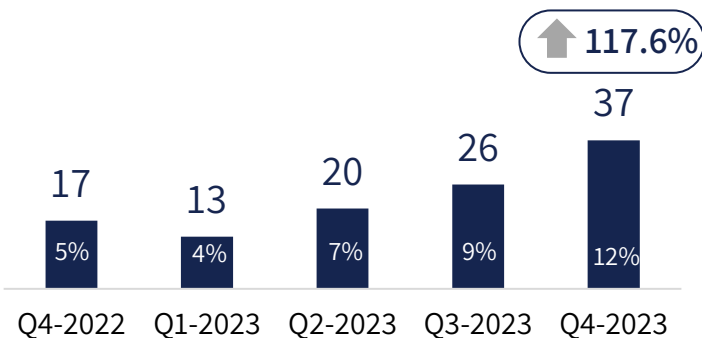


Adj. Net Profit ⁽¹⁾



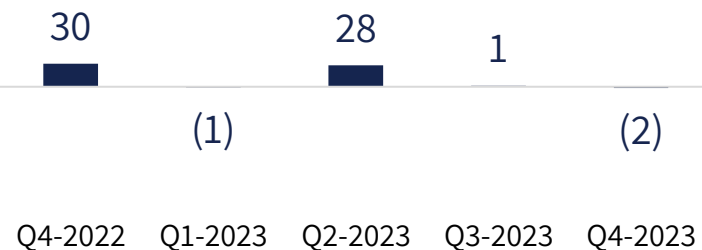
% - Adjusted EBITDA margin

CapEx



% - CapEx/Sales

Free Cash Flow



- Increase in revenues from business services due to activity growth, offset by a decrease in consumer ISP revenues
- Adj. EBITDA grew 11.6% due to lower expenses driven by decrease in consumer ISP activity
- Free cash flow was impacted by an increase in CapEx and changes in working capital



Bezeq Group | 2023 Summary



Strong execution in strategic growth drivers – robust fiber take-up, consistent growth in 5G subscriber plans in Telephone reaching over 1 million



Highest Bezeq Fixed-Line revenues in the last decade; highest Telephone service revenues (excluding interconnect) since 2017; highest yes revenues since 2019



Adj. EBITDA rose 2.2% to NIS 3.8 billion; 11% increase in Adj. Net Profit to NIS 1.33 billion;



Increase in dividend payout to 60% in March 2023 and distribution of NIS 638 million during 2023



Upgrade in debt outlook to “positive” by both domestic rating agencies

Bezeq Group is executing on its strategy while focusing on growth





Thank You!

For more information please visit us
ir.bezeq.co.il