



# NEW OPPORTUNITIES IN THE DIGITAL WORLD

Investor Presentation

based on 9m 2021

# #1 integrated connectivity and digital services provider in Russia

## Investment case

Smart strategy with tailored approach to segment development and ambitious financial goals

01

Additional opportunity to unlock the value of fast-growing assets through an IPO

02

Progressive dividend policy

03

Sustainable development as a priority as well as opportunity to lead nationwide digitalization

04

## We are #1 in Russia in...

### Mobile market

by revenue growth (Tele2)

### Broadband & IPTV

by market share

### Data centres & IaaS

by market share

### B2B/B2G/B2O

by market share

# Key financials

## Recent stats

RUB bn	2019	2020	yoy	9m20	9m21	yoy
<b>Revenue</b>	<b>475.8</b>	<b>546.9</b>	<b>15.0%</b>	<b>383.9</b>	<b>411.8</b>	<b>7.3%</b>
<b>OIBDA</b>	<b>170.7</b>	<b>194.1</b>	<b>13.7%</b>	<b>149.6</b>	<b>169.7</b>	<b>13.5%</b>
OIBDA margin	35.9%	35.5%	-0.4 pp	39.0%	41.2%	2.3 pp
Net profit	21.9	25.3	15.9%	26.9	31.4	16.9%
Free cash flow	30.3	22.7	-7.6	3.0	16.6	13.5
CAPEX	134.4	136.0	1.2%	83.8	91.3	8.8%
CAPEX / Revenue	28.2%	24.9%	-3.4 pp	21.8%	22.2%	0.3 pp
<b>CAPEX excl. state programmes</b>	<b>105.7</b>	<b>107.1</b>	<b>1.4%</b>	<b>71.0</b>	<b>76.2</b>	<b>7.3%</b>
CAPEX / Revenue excl. state programmes	22.2%	19.6%	-2.6 pp	18.5%	18.5%	0.0 pp
Net debt incl. LL <sup>(1)</sup>	408.6	466.0	14.1%	501.6	502.5	0.2%
Net debt incl. LL / OIBDA	2.4	2.4	0.01	2.6	2.3	-0.3

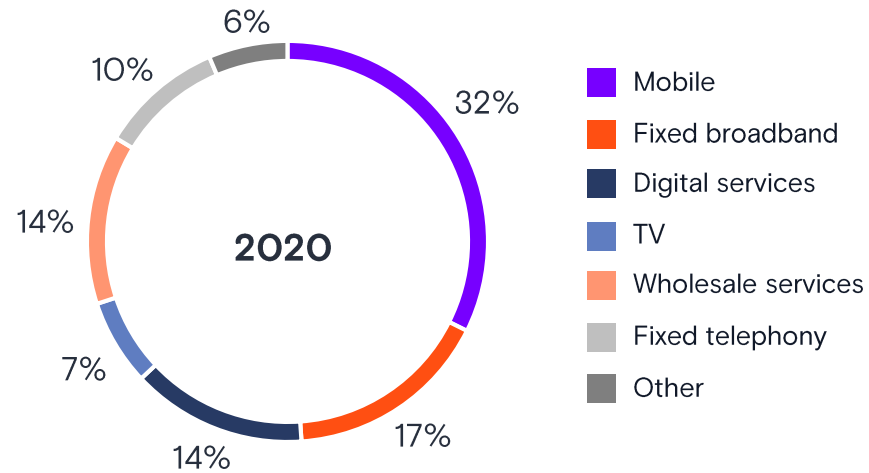
Notes:

(1) LL – lease liabilities. Hereinafter Net Debt = Long- and short-term loans and borrowings + Non-current and current lease liabilities – Cash & equivalents – Other current financial assets.

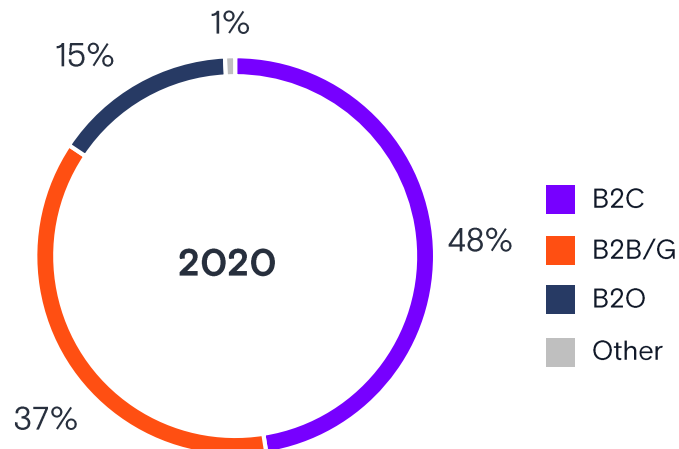
(2) Due to clarifications under IFRS16, data for 2020 published earlier have been revised.

# Mobile & digital services – growth drivers

Revenue structure by services



Revenue structure by segments



## Recent stats

RUB bn	2019	2020	yoy	9m20	9m21	yoy %
Mobile services	153.8	177.0	15.1%	129.7	143.6	10.7%
Fixed broadband	84.5	90.4	7.0%	66.8	72.7	8.9%
Digital services	48.5	77.3	59.5%	46.9	50.5	7.7%
TV	37.4	38.0	1.7%	28.2	29.7	5.4%
Wholesale	69.7	74.8	7.3%	54.6	56.7	3.7%
Fixed telephony	60.8	54.6	-10.2%	41.3	37.0	-10.3%
Other	21.1	34.9	65.0%	16.5	21.6	30.9%
<b>Total revenue</b>	<b>475.8</b>	<b>546.9</b>	<b>15.0%</b>	<b>383.9</b>	<b>411.8</b>	<b>7.3%</b>

# Progressive dividend policy 2021–2023

Dividend  
increase y-o-y

$\geq 5\%$

Dividend per  
share

$\geq 5$   
RUB

Total dividend  
payout as share  
of Net Profit

$\geq 50\%$  &  
 $\leq 100\%$

DPS growth  
potential over 5  
years

$\geq 2x$   
vs. DPS in  
FY 2020



# Strategic vision



# Strategy 2021–2025 key focus areas

Smart growth of traditional business, ensuring an increase in return on investments and cash flows

01

Outstanding growth rates in selected new businesses – achieving leadership positions

02

Focus on expanding the role of a digitalisation partner to the state

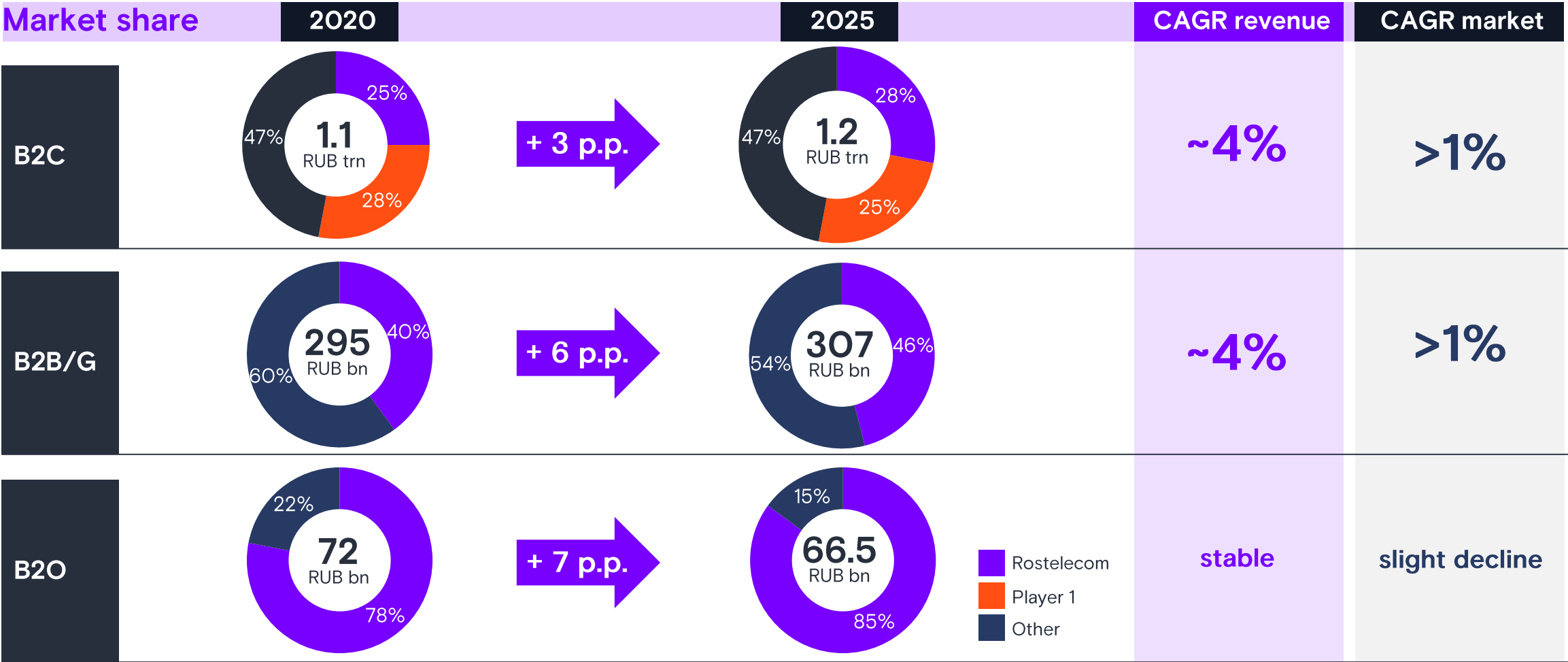
03

Efficiency increase in traditional business segments

04



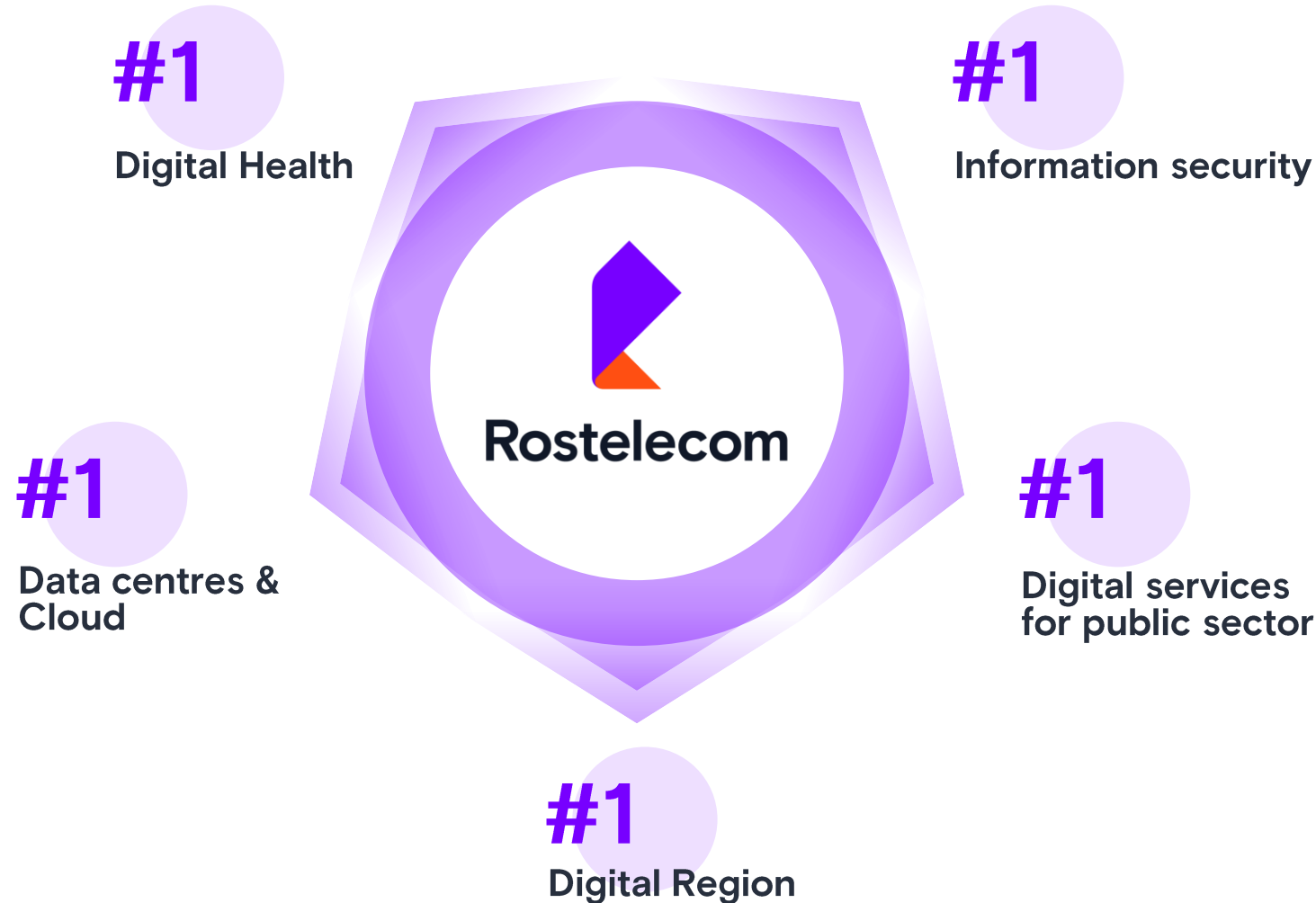
# By 2025 Rostelecom will lead all the traditional segments of the communications market



Source: Market forecast by TMT Consulting, J'son, IKS-Media, Operator Statements, Company data.  
Notes: B2C includes fixed telephony, broadband, mobile, cable TV and IPTV services. B2B includes fixed telephony (incl. Virtual ATS and IP), broadband, mobile, VPN and lease of channels, M2M. B2O includes interconnection and traffic transit, IP transit, VPN and channel lease, infrastructure services.



# Focus new businesses



## Targets 2025

**#1 player**  
In each selected market

**25%**  
Share of revenue from clusters and new digital products

**IPO**  
New strategic partners and listing of select business lines

# Priority markets and directions to accelerate development

**>20%**

CAGR of revenue

**8–10x**

EV/EBITDA and 4–5x  
EV/Sales multiples in  
target markets

**IPO**

Possibility of  
public offering in  
the future



Possibility to further  
accelerate growth  
through synergy with  
the current business

## Potential effects

**up to 100 RUB bn**

Investments within 2–3 years

**70+ RUB bn**

Revenue by 2025

**25+ RUB bn**

OIBDA by 2025

**300+ RUB bn**

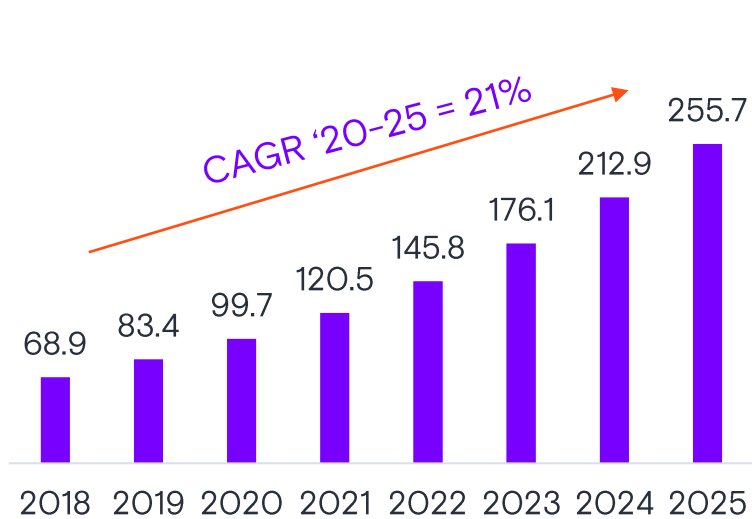
Additional enterprise  
value by 2025

# Strategic targets in Data centers: transition towards cloud

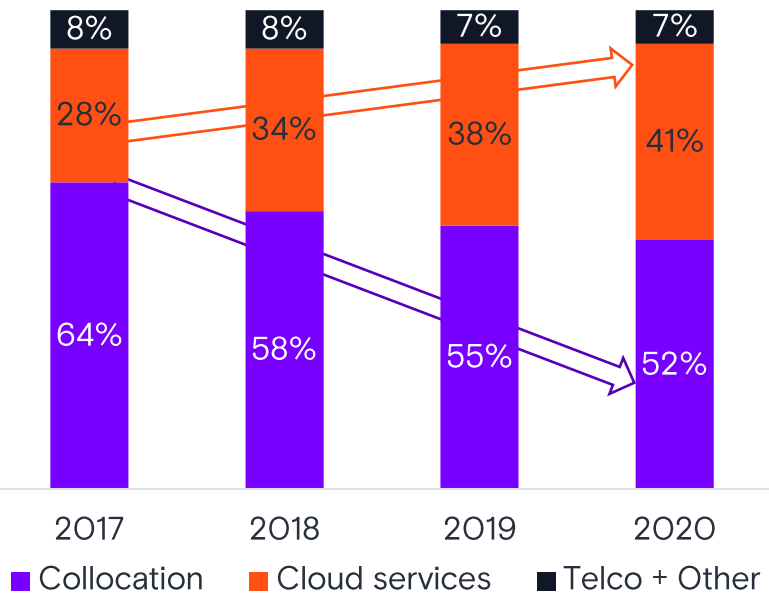
Shrinking on-premise infrastructure and growing private, public and hybrid cloud platforms  
Migration from IaaS to PaaS and SaaS

## 2021-2025 Targets

Cloud services growth forecast  
Russia (RUB bn)



DC operators' revenue structure  
Russia



Increase in cloud demand across the globe with an average growth rate in Russia of **20% p.a.** in Russia

**>22k**

Racks in 2025

**75 RUB bn**

Revenue in 2025  
(CAGR 21%)

**40%**

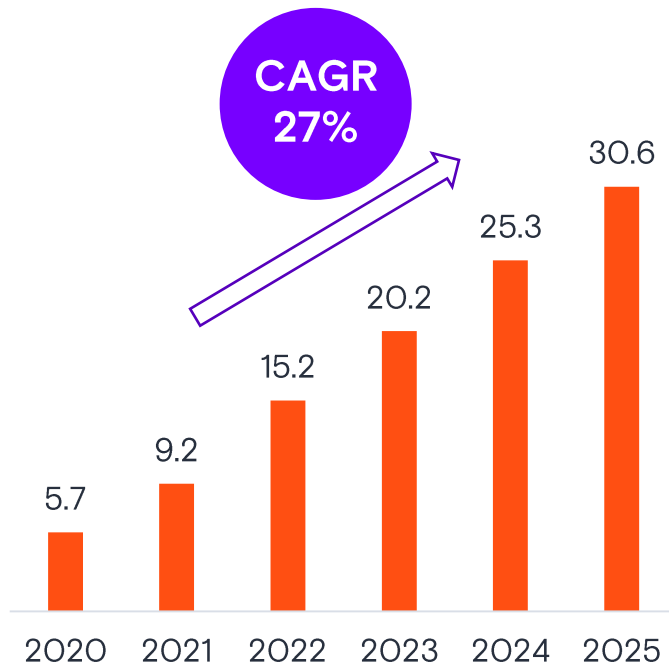
Target OIBDA margin

**75 RUB bn**

Total investments in 2021-2025

# Strategic targets in Information security

## Revenue dynamics, RUB bn<sup>(1)</sup>



## Organic growth

1. Build an ecosystem of cybersecurity services around clients in "home" market segments B2E (corporations), B2G (federal executive authorities) and regions.
2. Protecting market positions from being taken over by technology and telecom companies.



## Investment development

Aggressive investment program via R&D and M&A:

1. Expansion portfolio with our own technologies in fast-growing niches:
  - Network security
  - Monitoring and analysis
  - Access control
2. Dynamic entry into new niches and strengthening of position.

## 2021-2025 Targets

### Nº1 Player

In the Russian information security market  
(With a **25%** market share)

### 5.4x

Revenue growth by 2025

### 24 RUB bn

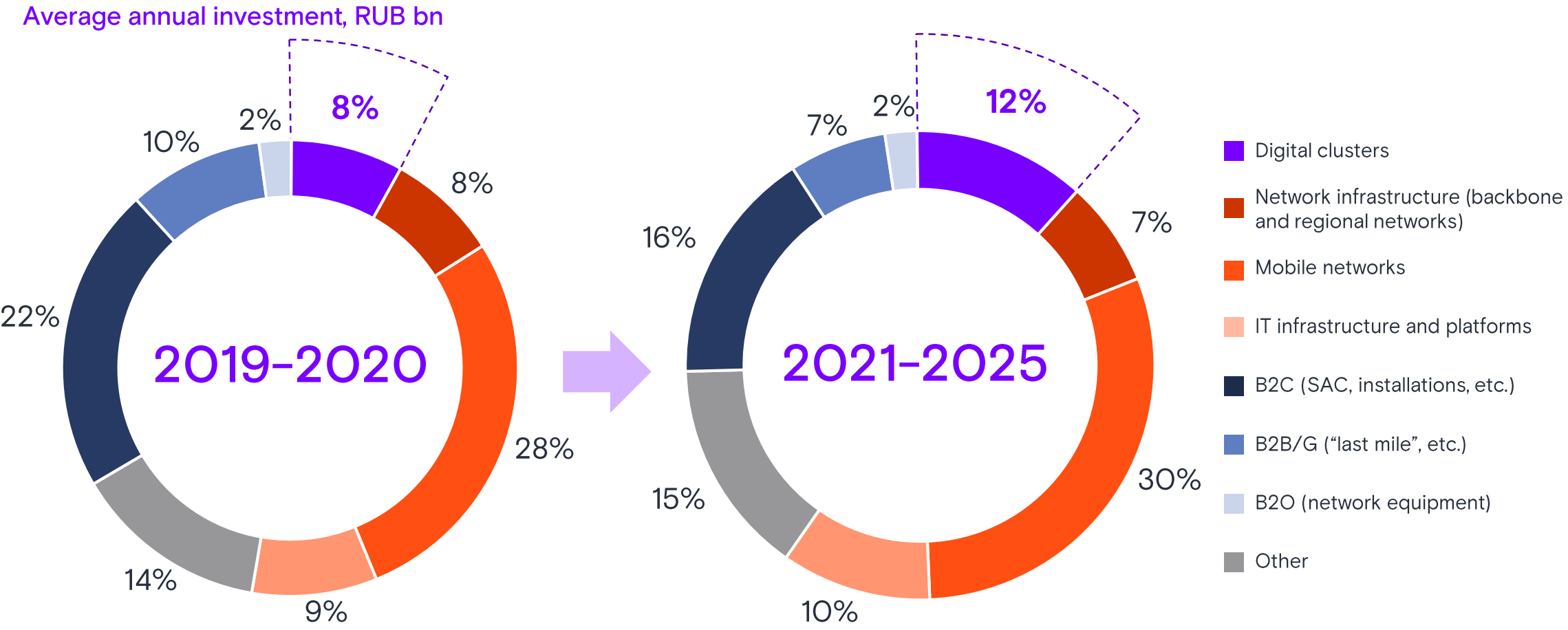
Total investments in  
2021-2025

### 11.8 RUB bn

OIBDA in 2025

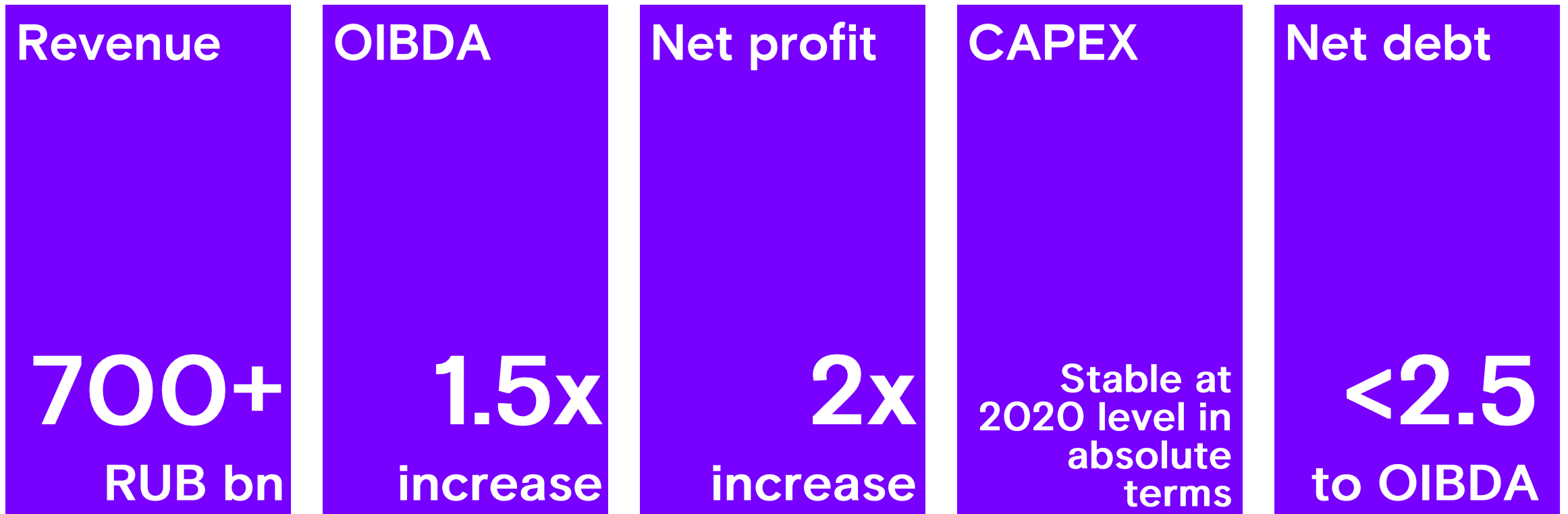
Notes: (1) Excluding proceeds from the implementation of projects of the national program "Digital Economy of the Russian Federation".

# Investment program structure – focus on development



Notes: This slide shows the average structure of capital expenditures for the period **excluding government programs**.

# Strategic targets 2025



Notes: Net Debt includes lease liabilities.

# ESG initiatives

## E

### Environmental

- Reduce energy consumption by 15% by 2025 (excl. Data Centres and Cloud cluster)
- Increase renewable energy use
- Programmes to collect and recycle used cables, network equipment and devices
- Launch of Green Office environmental management systems across all offices by 2025

## S

### Social

- Gender equality: achieve female representation both at management and across the company at 40% by 2025
- Regional equality: functional decentralisation through company-wide competence centres in regions and creation of equal opportunities for career migration

## G

### Corporate governance

- Integration of ESG in procurement and supply management by 2025
- Promote ESG principles among clients by offering products and solutions that drive responsibility

ESG

# Performance

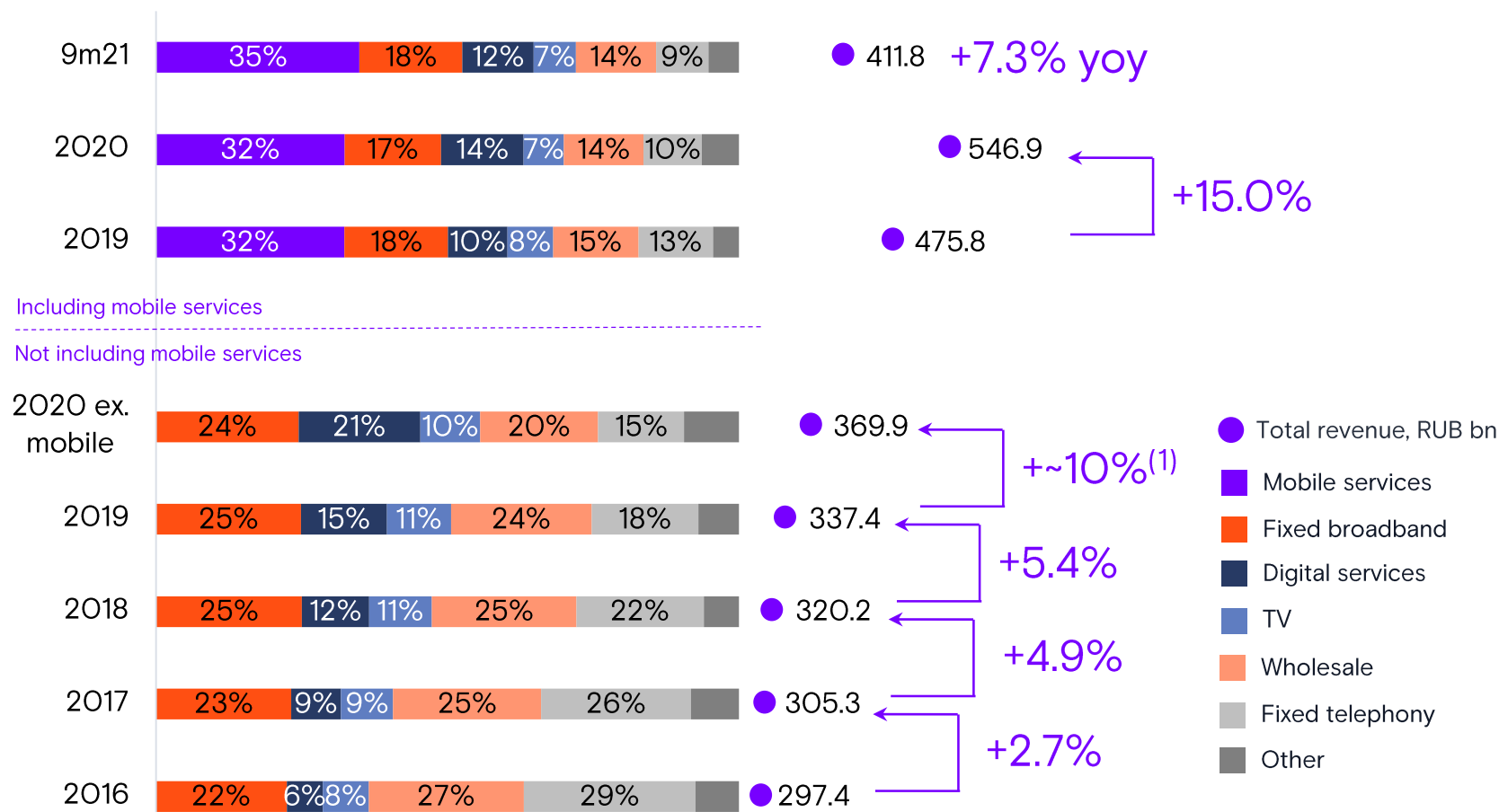




# Transforming the fixed-line business into integrated provider of digital services

## Revenue structure transformation

Revenue (RUB bn)



Notes: The data on this slide for 2016-2019 is presented as it was disclosed historically before Tele2 Russia acquisition and consolidation.  
 (1) Implied revenue growth for business excluded mobiles services.

## Key trends

### Digital services

Increasing share in revenues (~14% in 2020)

### Mobile services

Providing >1/3 of revenues

### Fixed telephony

Decreasing materiality in revenues (<10%)

# Mobile highlights in 2020



## +15%

Revenue growth from mobile services – fastest in the industry



## 46.6 mn

Mobile subscribers (+1.5% yoy)



## +4 p.p.

Market share increase over 4 years <sup>(2)</sup>



## -2.8 p.p.

Decrease in yearly churn to 33.4%



## 40%

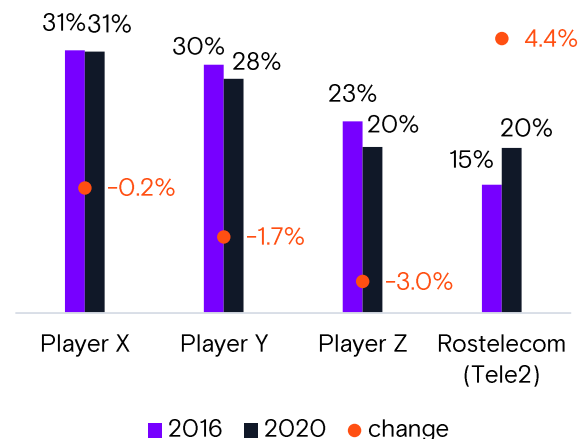
Best NPS in the industry



## 2.8 mn

MVNO subscribers on Tele2 networks (+37% yoy) <sup>(1)</sup>

Market share dynamics of mobile operators in Russia <sup>(2)</sup>



## 68

Regions covered by mobile networks (~85% coverage of Russia's population)

# Fixed broadband is a core connectivity service for residential clients



12.4 mn

broadband B2C subscribers



41%

market share in broadband B2C <sup>(1)</sup>



+5% CAGR

blended ARPU in 2016–2020 (RUB 545 for 2020)



38.1 mn

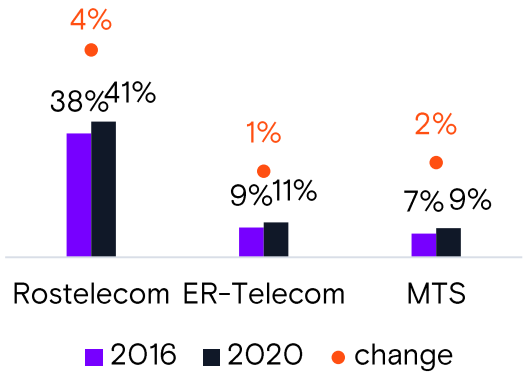
households covered by fibre (out of 55 mn in Russia)



77%

fibre B2C subscribers

B2C broadband market share <sup>(1)</sup>



61%

penetration in broadband market in Russia



32.6 Tb/s

backbone network capacity (+26% yoy)



Notes: (1) Source: TMT Consulting data by revenues.

# Unique proposition of pay TV services



10.8 mn

pay TV subscribers

incl.



6.3 mn

IPTV subscribers



36%

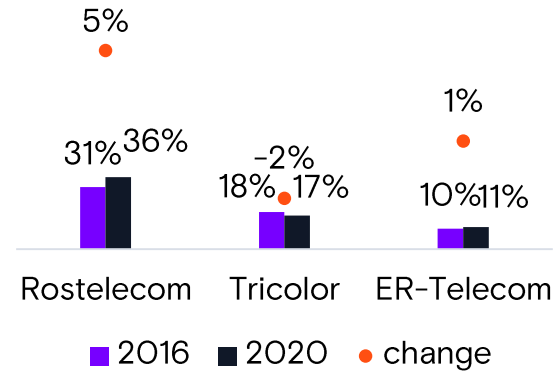
market share in pay TV  
for B2C <sup>(1)</sup>



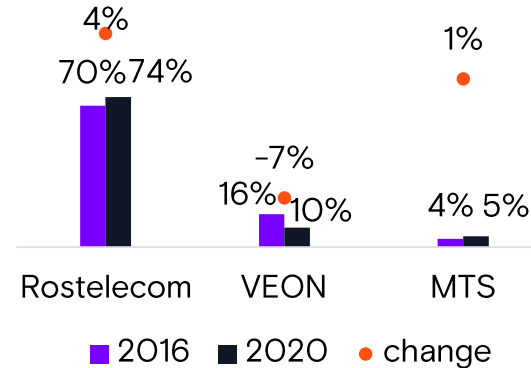
74%

market share in IPTV <sup>(1)</sup>

B2C pay TV market share <sup>(1)</sup>



B2C IPTV market share <sup>(1)</sup>



2 mn

Clients watch WINK on  
two or more devices

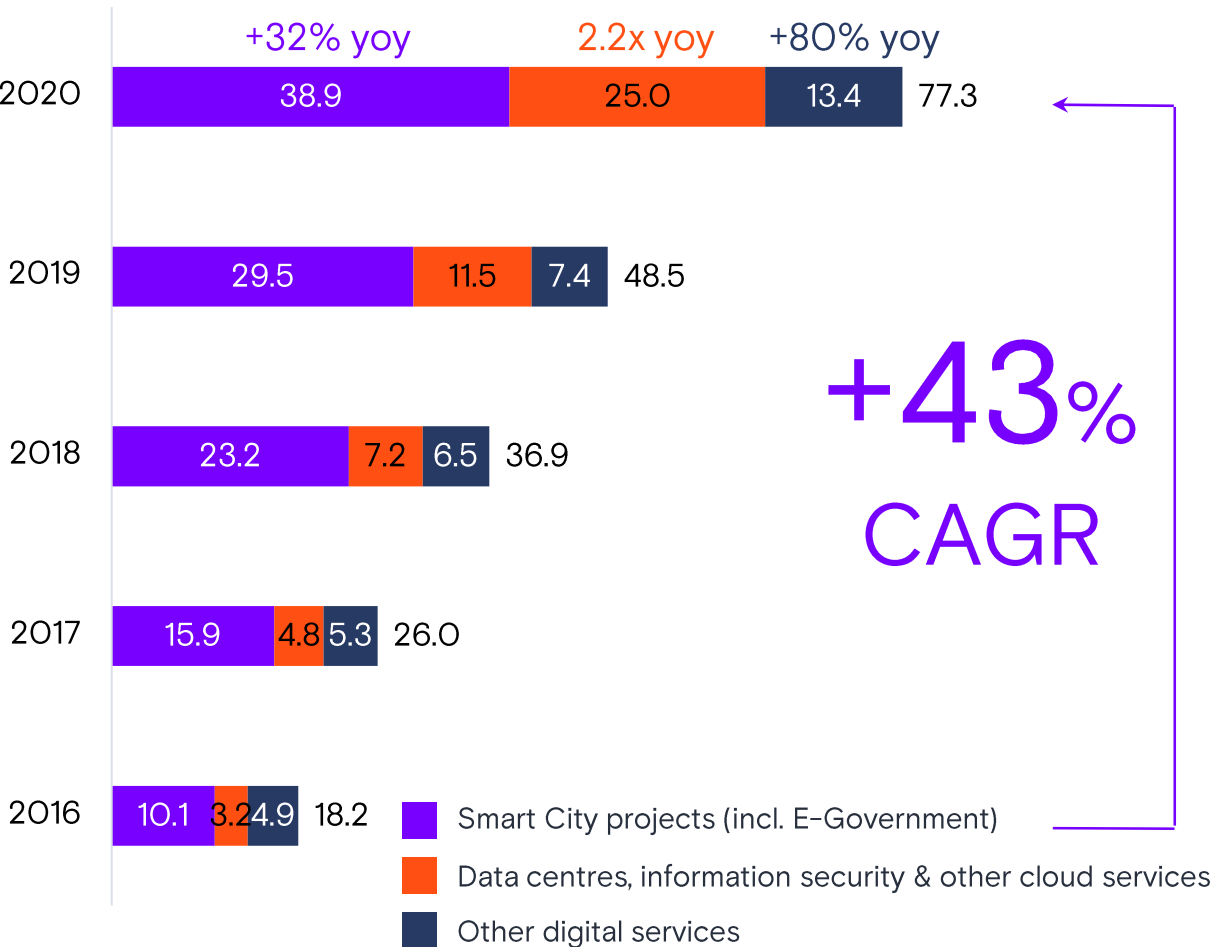


Top-5

WINK is among Top-5  
online cinema in Russia <sup>(2)</sup>

# Digital services as the key revenue driver

Digital services revenue structure (RUB bn) <sup>(1)</sup>



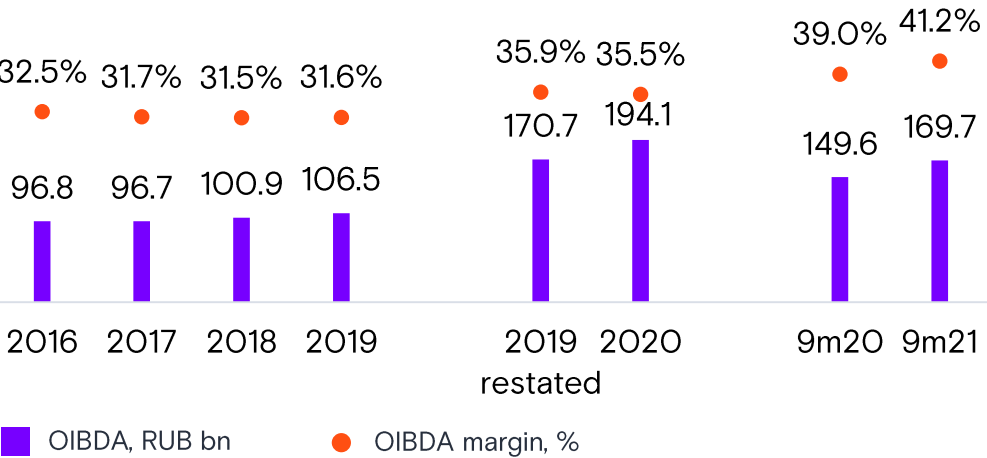
“Digital Economy” & state-related projects in Digital services

Project	Revenue line
E-Government services portal	Digital services / Smart City
Video surveillance & broadcasting for the Unified State Exam and Elections	Digital services / Smart City
Unified Biometric System	Digital services / Other
Digital infrastructure for the All-Russian Population Census	Other

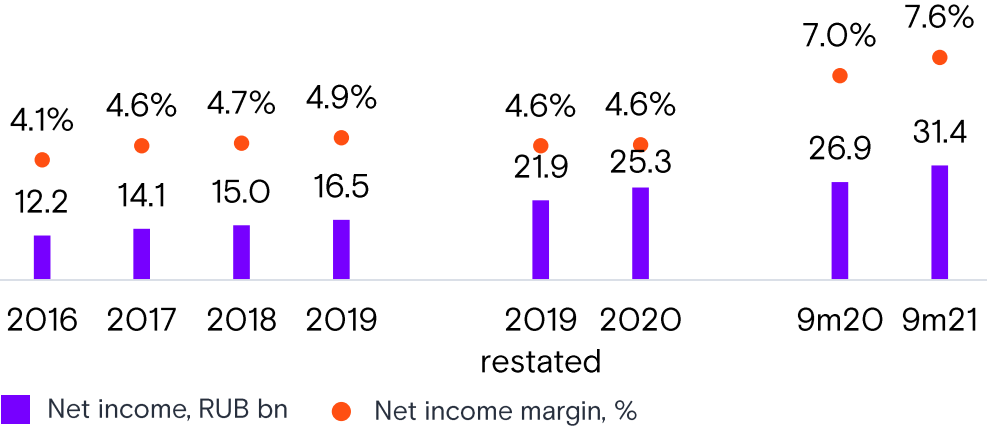
Notes: (1) The revenue structure was updated starting 2020. VAS and Clouds was renamed to Digital Services with some adjustments and immaterial reclasses within the revenue lines. 2019 was therefore restated for comparison reason. The data for 2016-2018 is shown as it was disclosed historically.

# Solid financial performance

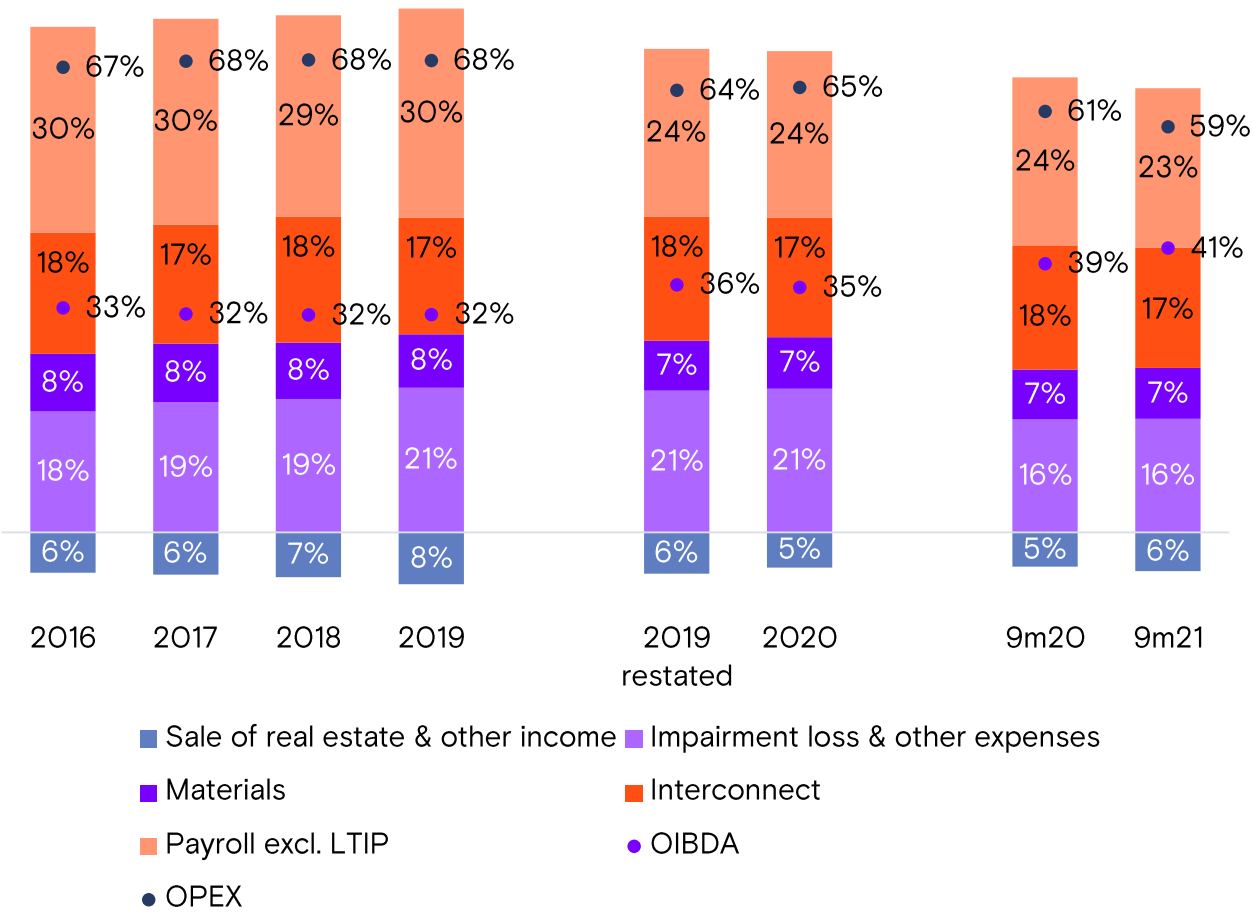
OIBDA



Net income

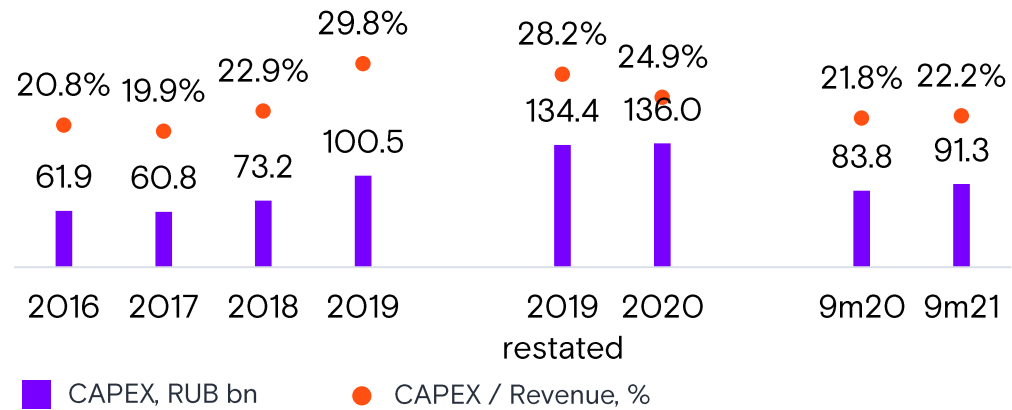


OIBDA margin & its constituents, %

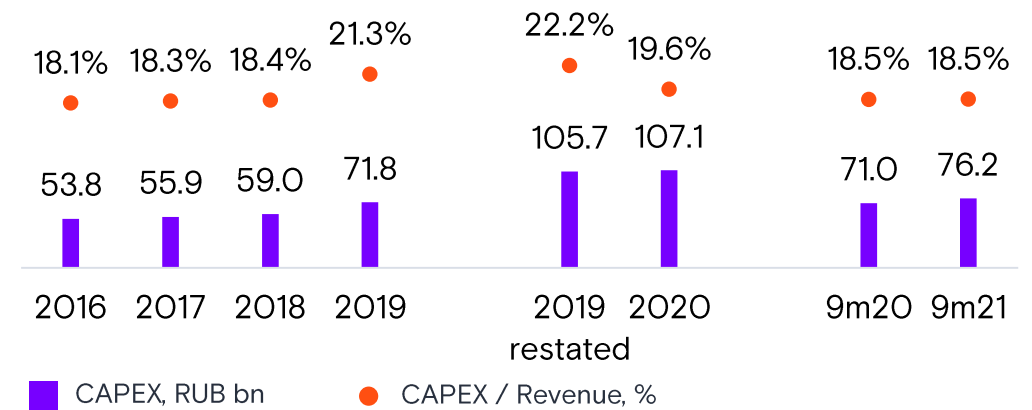


# Capex & FCF dynamics

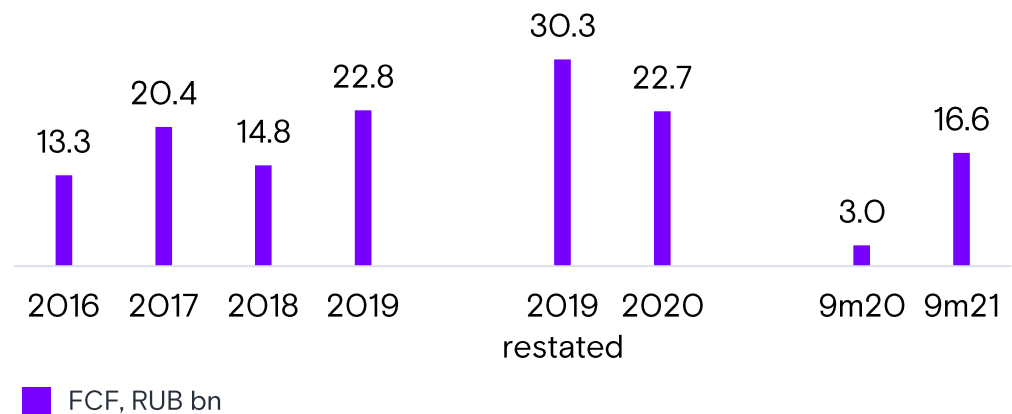
## CAPEX total



## CAPEX excl. state programmes

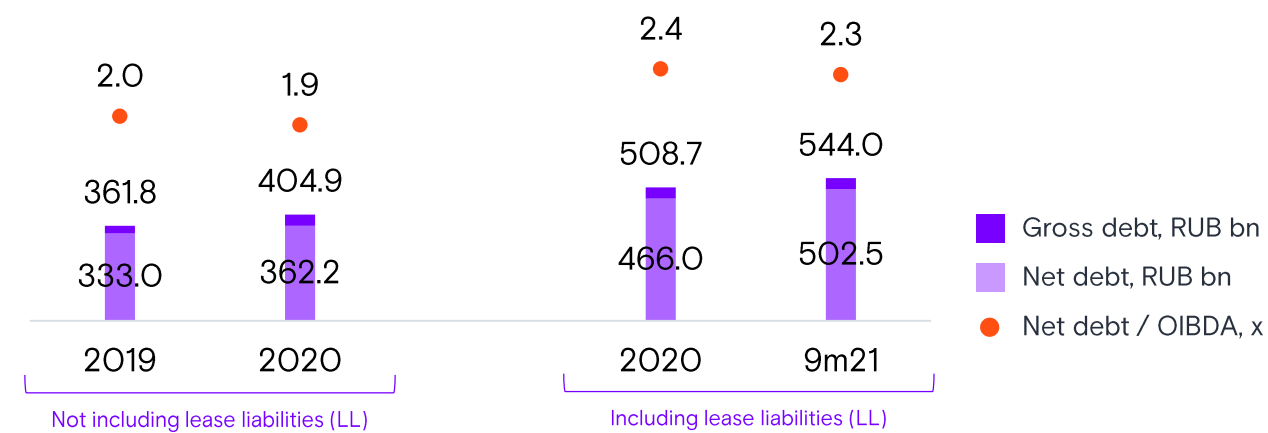


## Free cash flow

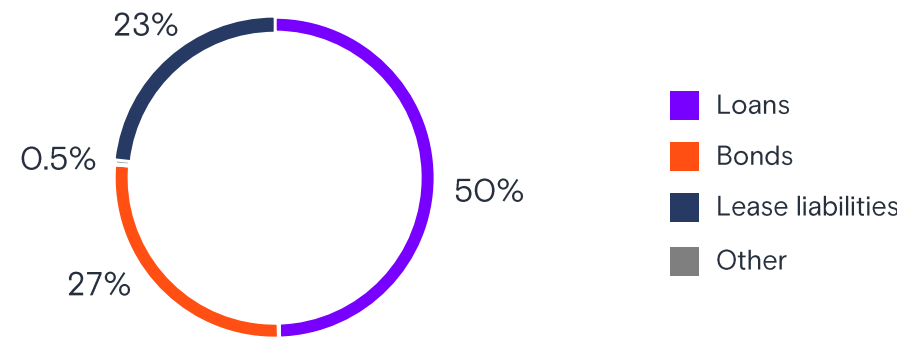


# Comfortable leverage profile

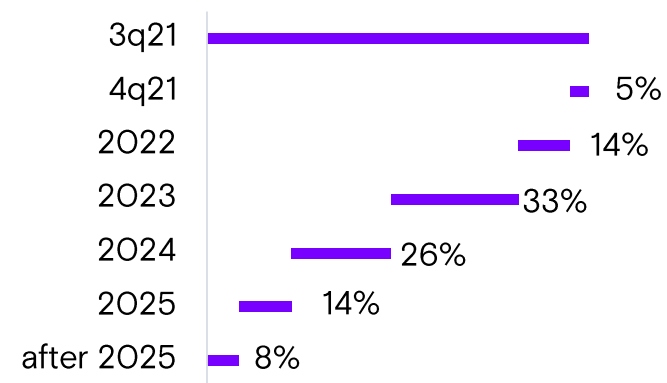
Gross & net debt including LL <sup>(1)</sup>



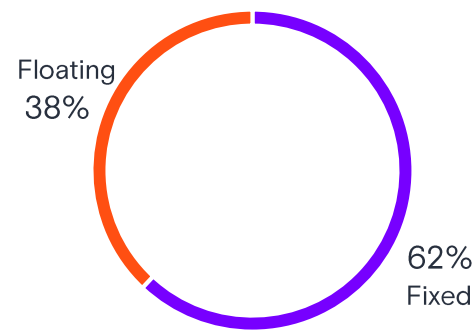
Debt structure by type (9m21)



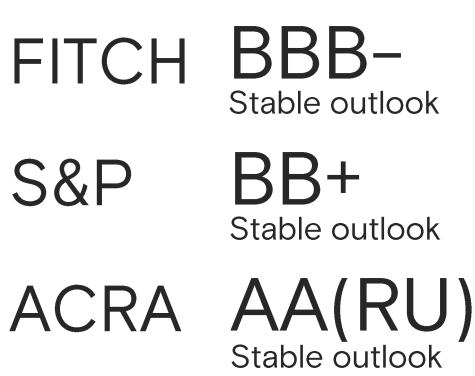
Loans & borrowings: maturity



Loans & borrowings: rate



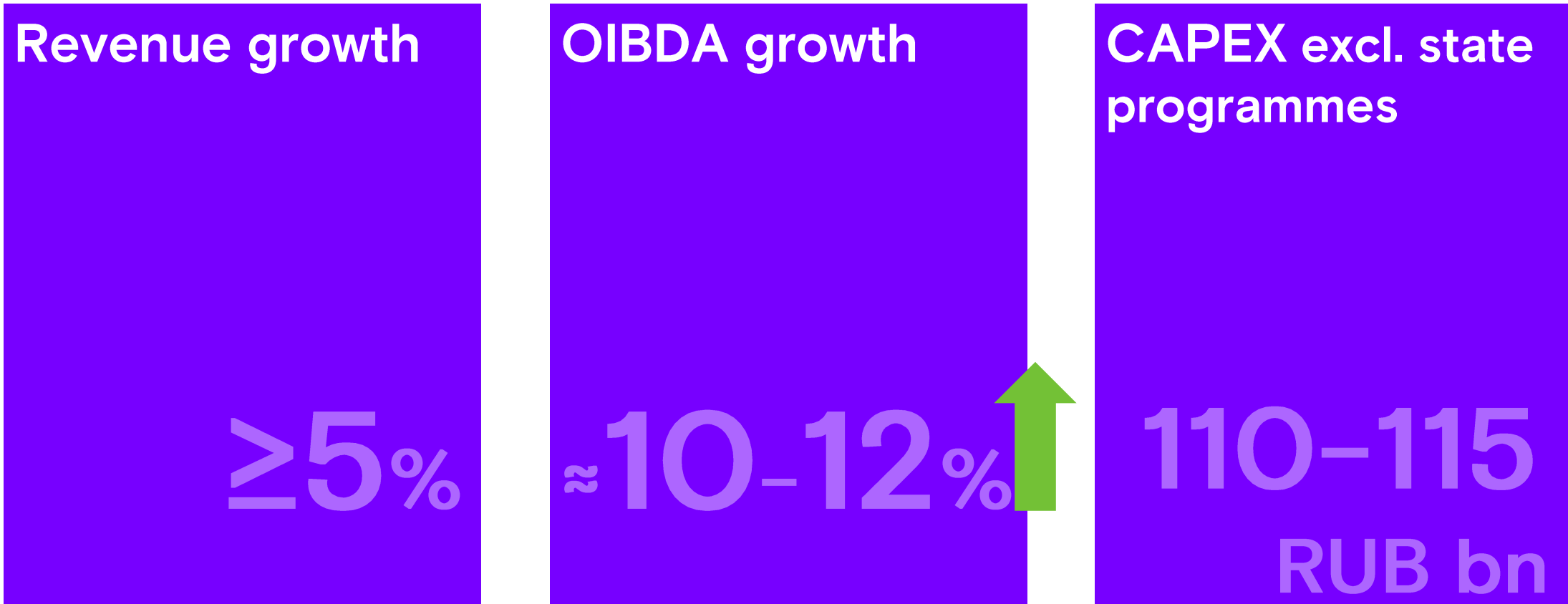
Ratings



Note: (1) LL – lease liabilities. Starting from FY 2020 the methodology is following: Gross debt = Long- and short-term loans and borrowings + Non-current and current lease liabilities. Net debt = Gross debt – Cash & equivalents – Other current financial assets.

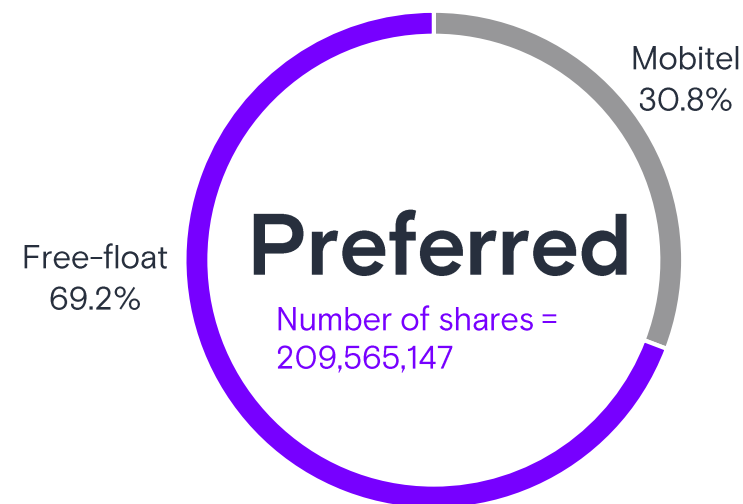
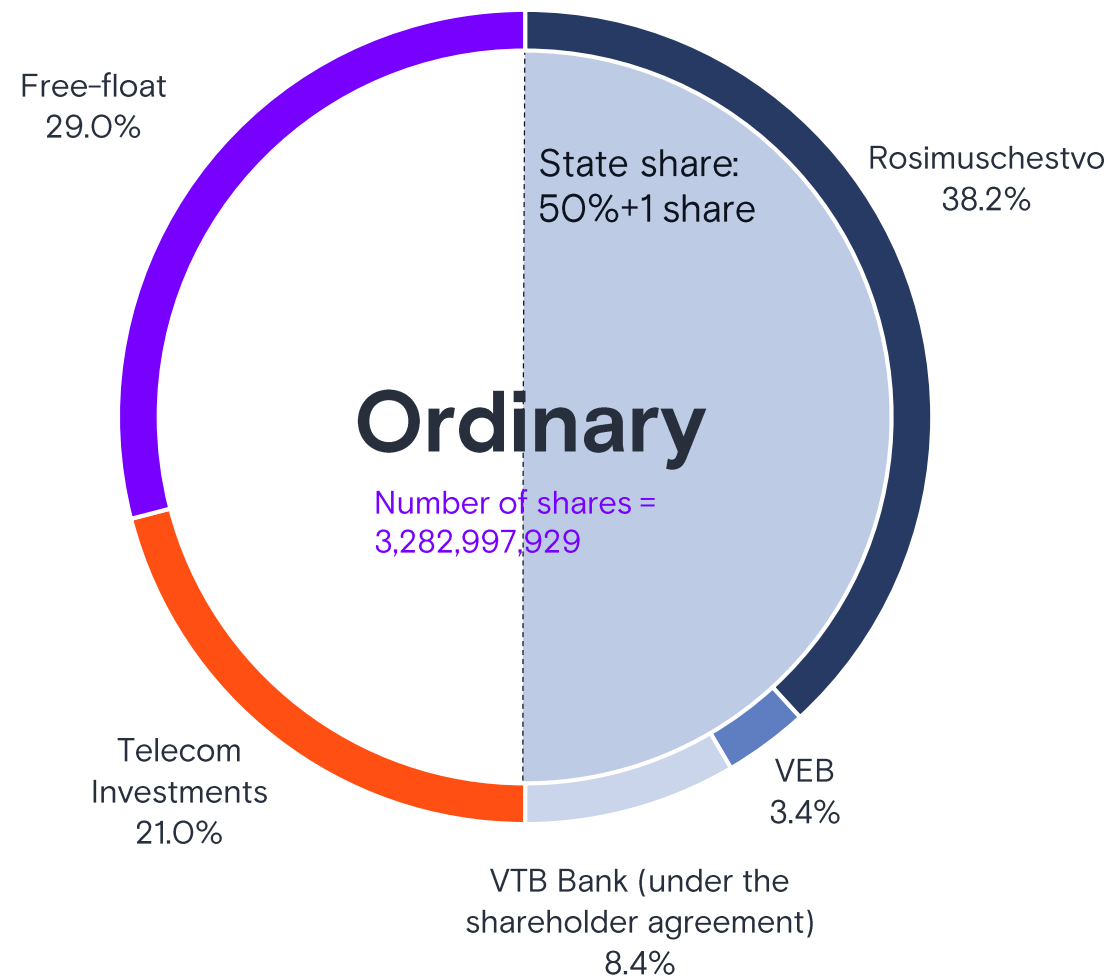


# Guidance raised for FY 2021 OIBDA



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