



# CAPITAL MARKETS DAY 2023

A Stronger Company with a Higher Ambition

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# Agenda

<b>2:00pm</b>	<b>A Stronger Company with a Higher Ambition</b>	José María Álvarez-Pallete
<b>2:25pm</b>	<b>Growth, Profitability, Sustainability</b>	Ángel Vilá
<b>2:45pm</b>	<b>FCF Focus</b>	Laura Abasolo
<b>3:00pm</b>	<b>Guidance and Closing Remarks</b>	José María Álvarez-Pallete
<b>3:15pm</b>	<b>Q&amp;A</b>	All



# A Stronger Company with a Higher Ambition

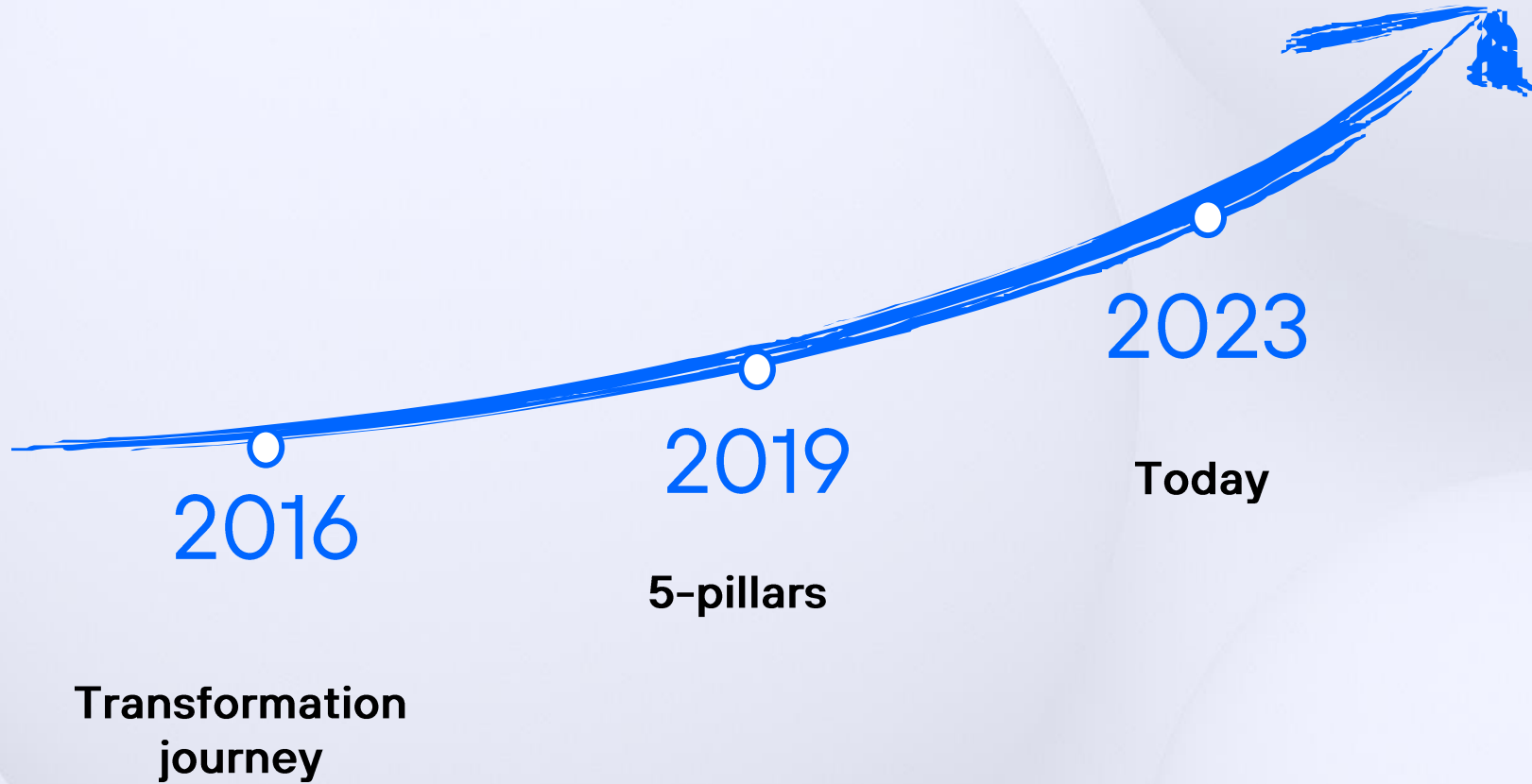
José María Álvarez-Pallete | Chairman & CEO



# Key takeaways

- 1 **Back to growth** in reported terms
- 2 **Accelerated through differential operational leverage**
- 3 **Double digit FCF growth**
- 4 **Debt reduction target**
- 5 **Sustainable dividend**

# Why now



- Exciting Vision
- Ready to Increase Ambition
- Ready for our next Centenary

## Delivered on 5-pillars strategy set in 2019

- ✓ ● **Core OBs<sup>1</sup>** are in a **stronger position**
- ✓ ● **T.Tech** the cornerstone of our B2B transformation
- ✓ ● **T.Infra** supporting rollouts and reinforcing infra value
- ✓ ● Reduced exposure to **HispAm**
- ✓ ● **New operating and capital allocation model**



# Massive transformation

Telefónica



# Massive transformation

Cutting-edge  
**NETWORK**

Increased  
**CUSTOMER**  
relevance

Optimised and  
future-proof  
**OPERATIONS**

Committed to  
**SUSTAINABILITY**

# Cutting-edge network | Significant rollout underpinning leadership position

## Future-proof mobile network

(Pop. Coverage, core OBs)<sup>1</sup>

4G 5G



## Leapfrog in FTTH coverage

(FTTH PPs)<sup>2</sup>

2016



+ 100k km Telxius international fiber<sup>4</sup>

Sep-23



Best / co-best network in all OBs

# Cutting-edge network | Massive network transformation driving efficiency

**6x**

**Data traffic**

**>90%**

**FTTH customers  
in Spain<sup>1</sup>**

**43%**

**2G/3G carriers  
shut down**

**28k**

**Servers<sup>2</sup>  
(+30%)**

**657**

**Petaflops** distributed  
computing capacity  
(3x)

**284**

**Internal APIs  
developed**

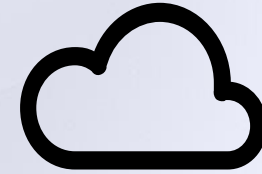
# Cutting-edge network | Preparing our networks for the future



**High-performance**



**Softwarized and  
virtualized**



**Interoperable**



**Enabling new  
P&S**

**Faster Time  
to Market**

**Significant reduction  
in OpEx & CapEx**

# Increased customer relevance | Solid customers engagement

**More customers<sup>1</sup>**

**385m**

(+14% vs 2016)

**More loyal<sup>2</sup>**

**1.1% churn**

(vs 1.5% 2016)

**More satisfied**

**29 NPS**

(+10pp vs 2017)

**More digital**

**47%**

App users<sup>3</sup> on regular basis  
(vs 0% 2016)

# Increased customer relevance | Evolved revenue mix

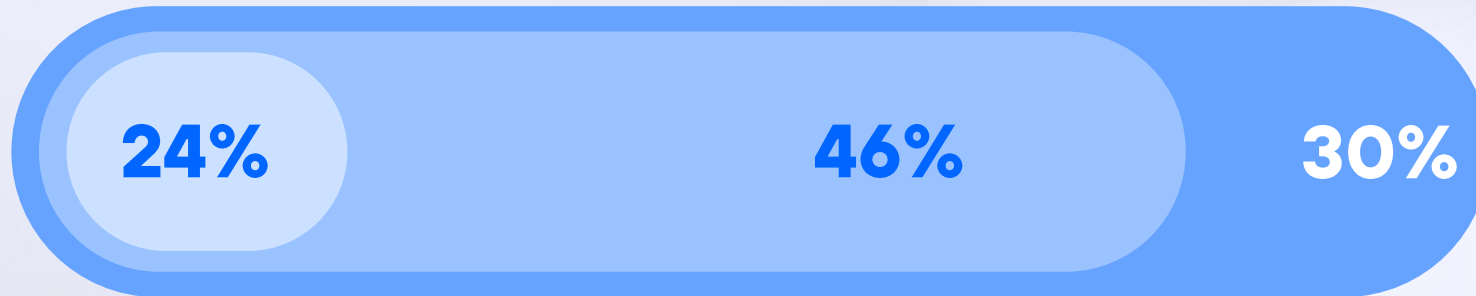
2016



**>50%**

Convergent customers<sup>1,2</sup>  
(vs 20% in 2016)

9M 23



**~45%**

Customers with at least  
1 service beyond  
connectivity<sup>1</sup>

Voice & access   Connectivity<sup>3</sup>   Value added services beyond connectivity

# Optimised and future-proof operations | Benchmark efficiency

## Pioneers in shutdown

Spain retail **copper shutdown** in 2024

**3G/2G thin-layer** in all OBs

**2/3** OSS systems decommissioned

## Leaner structure

**84%** processes digitized

**-18%** headcount<sup>1</sup>

**-31%** executive positions<sup>1</sup>

## More sustainable network

**-5%** energy consumption (despite 6x traffic growth)

**100%** from renewable sources in Core OBs + Chile + Peru (82% at Group level)

## Foundations for AI

**650** AI use cases implemented (partially impacting on 25% of company processes)

Deployed **Kernel** abstraction layer

**Increased operating leverage (+3.8pp EBITDA-CapEx margin<sup>2</sup> 2016-9M 23)**

# Committed to sustainability | Significant progress made



## Industry

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- Leading the sector for a **fairer regulatory / deregulated environment**
- Sector **collaboration**



## ESG

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- **ESG-led** customer relationship and offerings
- Sustainable energy and procurement
- Transparent and accountable governance



## Employees

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- **69 eNPS** (+11 vs. 2019)
- **Zero<sup>1</sup>** adjusted **gender pay gap**
- **80k employees reskilled**



# Massive transformation | Capital allocation shift

**M&A<sup>1</sup>**

**>€80bn**

**CapEx<sup>1</sup>**

**€57bn**

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**Shareholder remuneration<sup>2</sup>**

**€18bn**

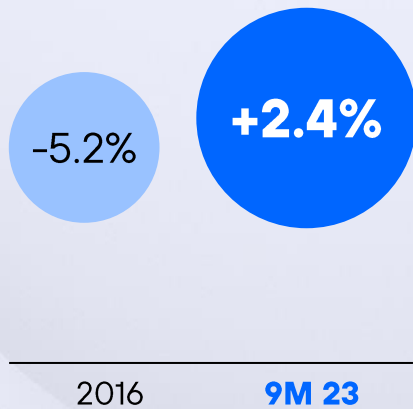
**Debt reduction<sup>3</sup>**

**€22bn**

# Efforts already improving metrics

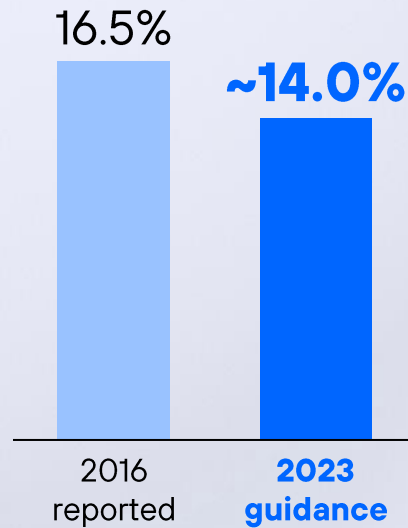
## Increasing top-line growth

Reported revenue growth, yoy

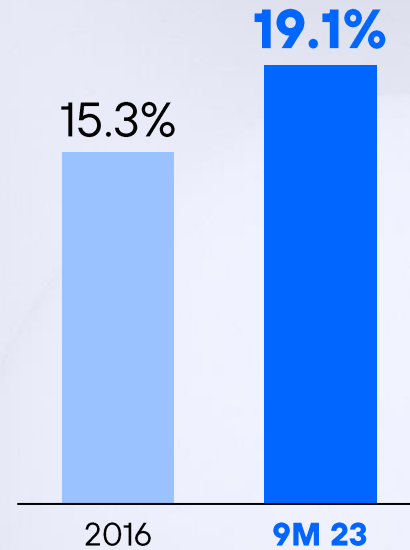


## Boosting profitability

CapEx/Sales (ex-spectrum)

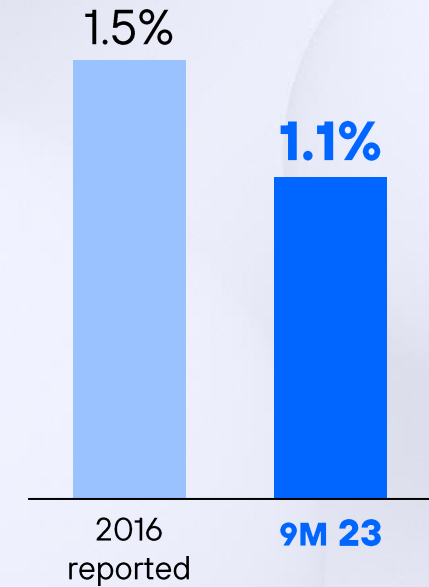


Underlying EBITDA-CapEx margin



## Securing long-term sustainability

Churn<sup>1</sup>, %



**We are back to Growth**

**With increased Profitability**

**In a more Sustainable way**



# The future of the Telco industry

Telefónica

# An exciting vision | Approaching a promising transformation

## Telco

- ✓ 5G, FTTH
- ✓ Open, smart

## AI

- ✓ Hyper-automatization



## Computing

- ✓ Edge & Cloud

## Web3

- ✓ Decentralization
- ✓ AR / VR

# An exciting vision | New wave of digital services emerging

Autonomous  
vehicles

Smart  
factories

Smart  
cities

Autonomous  
drones

Web 3.0  
supermarket

Quantum  
computing

Digital  
twins

Smart  
grids

AI/ML  
design

Metaverse

Remote  
surgery

Digital  
lawyer

VR based  
training

AR/VR  
gaming

Virtual  
assistants

Smart  
contracts

AI/ML medical  
prescription

XR  
indistinguishable

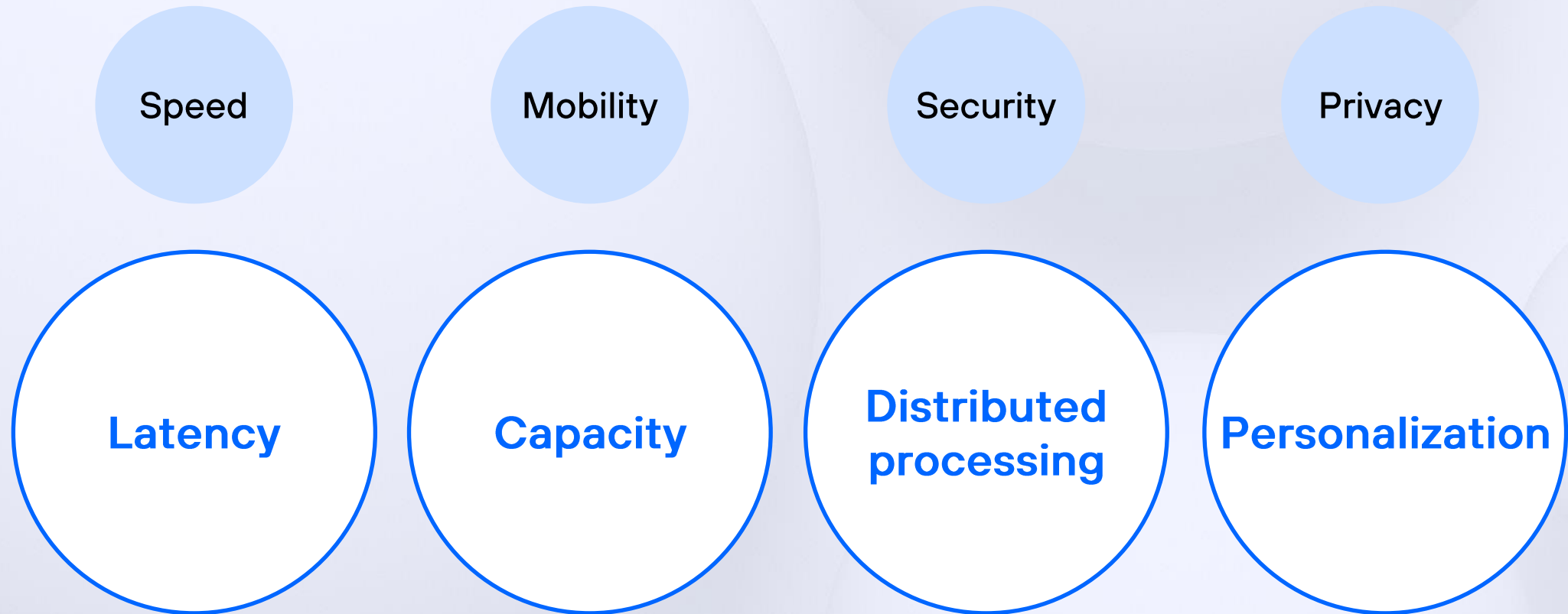
**Seamless**

**Massive**

**Fully-integrated**

**Real-time**

## An exciting vision | Demanding new capabilities from us



**The increase in traffic and the need for enriched performance will require access to more distributed computing capacity, beyond the current Cloud**

# An exciting vision | Future-ready TELCO

**UBB & Low  
Latency**

**Programmable  
& AI-based**

**Cloud & Edge  
Computing**



# An exciting vision | Redesigning a Telco

**Legacy networks** (copper, 2G, 3G) ● **Future-proof** networks

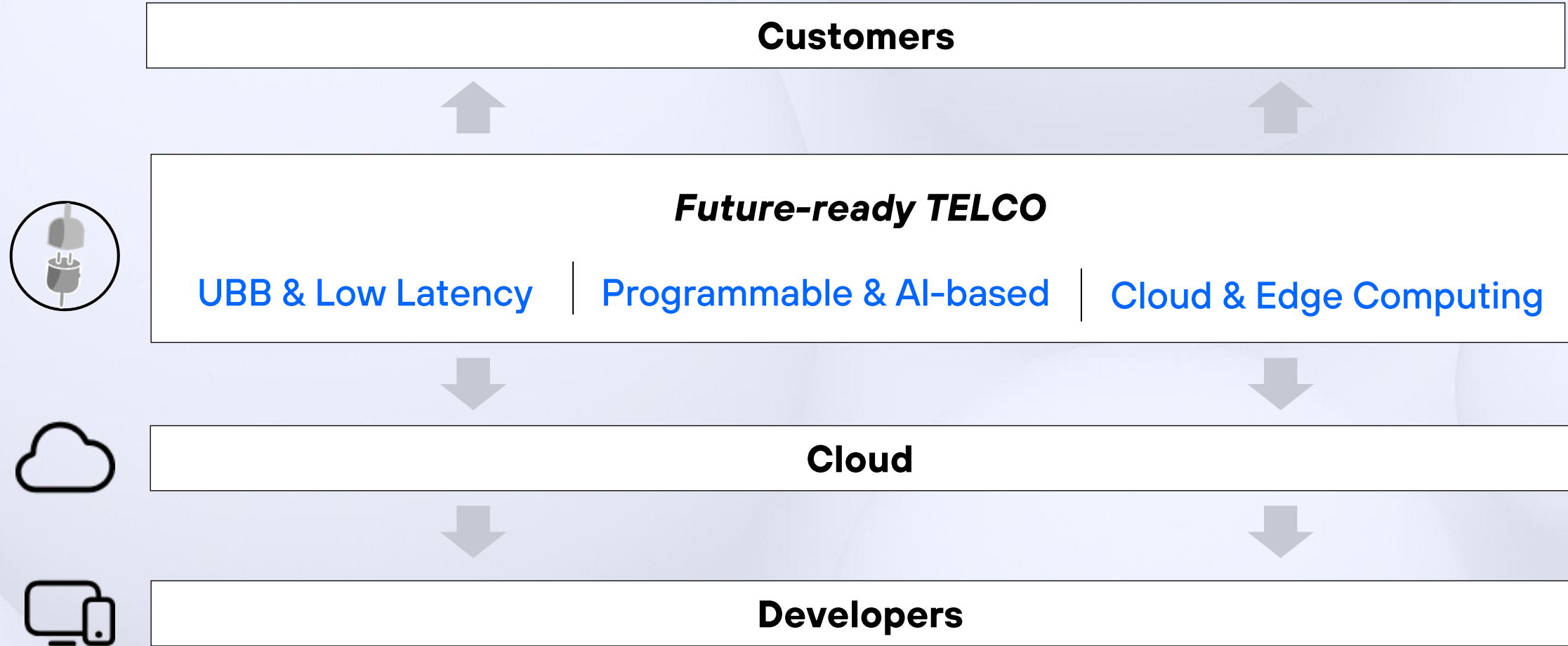
**HW-based** Reactive Networks ● **Softwarised programmable** networks

From **customized tailor-made integrations...** ● Global **platforms interconnected** with **open APIs**

**Traditional telco experience** ● **AI-driven customer engagement**

**One size fits all** offering ● Personalized **digital supermarket**

# An exciting vision | Embedding connectivity in services



# An exciting vision | Open Gateway

## Standardisation

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**GSM A™**



## Adoption

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**35** players

## Reach

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**5.4bn** people



**Open Gateway**



**Telefónica is ready**  
Telefónica

# Telefónica is ready | To upgrade the connection with our customers

## Solid foundations

### Increased relevance and loyalty from...

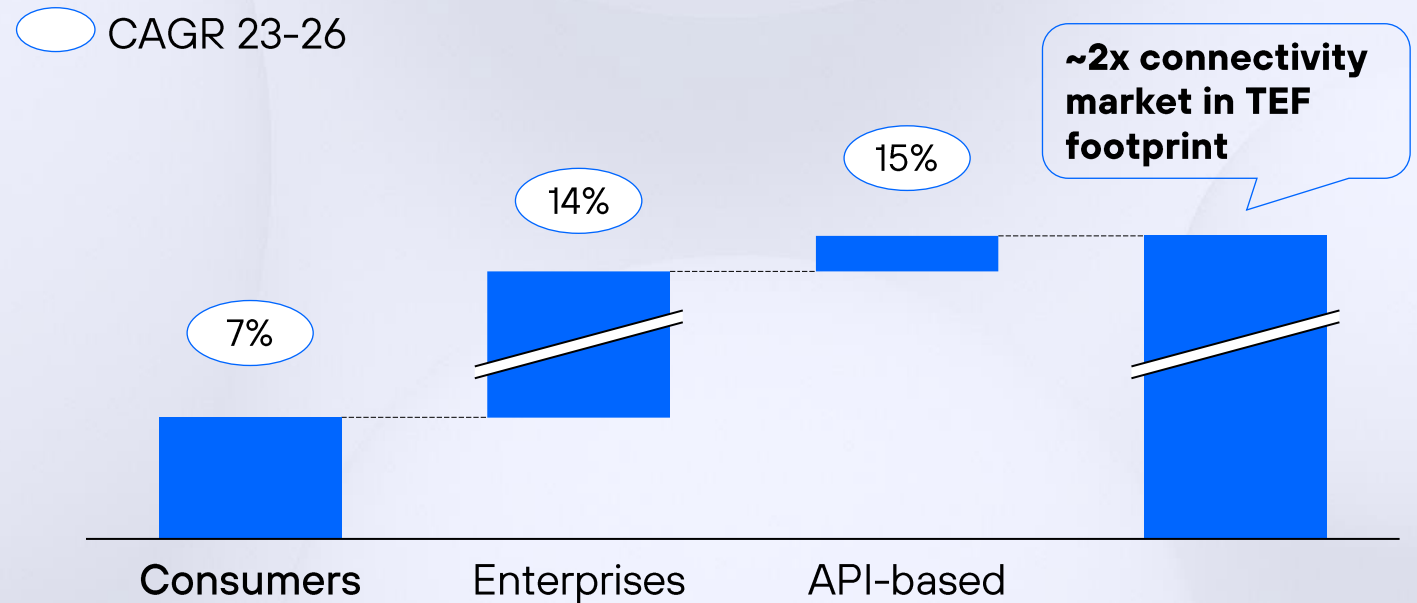
- Consumers
- Enterprises
- Partners

### Unique capabilities



## Enlarging addressable market

Market opportunity beyond connectivity, €bn, 2026, TEF footprint<sup>1</sup>



#1 in GlobalData's "Telecom Services Sector Scorecard Q3 2023"



# Telefónica is ready | To create a new generation of API-based services

## Software based



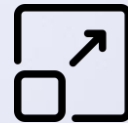
Breakdown of network & IT into **individually exposable & usable microservices**



Reselling of capabilities through **developer facing marketplace**



## Open for developers



**Develop customisable and scalable** network quality & information-based products

## First generation of services / APIs



Quality on Demand for **mission critical use cases**



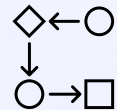
Device status and Location for **Fraud Prevention**



Device Priorisation for **Improved On-console Gaming Experience**

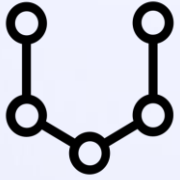


Verify Location for **Incident Reporting**



Multichannel **marketing campaigns** management

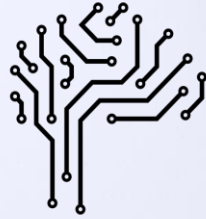
# Telefónica is ready | To embrace technology for efficiency & CEX



## Another step towards simplicity

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- Continuing legacy shutdown
- Next wave of operations simplification and structure reduction



## Doubling-down on hyper-automation

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- Hyper-automation of operations and content management
- Zero touch network management
- Next-gen customer engagement



## Programmable and APIfied network

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- Open
- Collaborative
- Data-driven

# Telefónica is ready | To double-down on segmented capital allocation

## Organic

- Business sustainability
- Leverage reduction
- Secured dividend



## Inorganic & others

- Strategic optionality
- Potential upside



# Telefónica is ready | To continue reinforcing our position in core markets

## Voluntary offer to Telefónica Deutschland shareholders

Consistent with  
Group's  
strategy



- **Reinforces focus on core markets**
- **Supports efforts to simplify structure,** increases flexibility
- **Enhances mix of € denominated cash flows**
- **Accretive transaction for Telefónica**
- **No impact to credit ratings expected**

**Offering attractive exit in cash to all Telefónica Deutschland's shareholders**

# Telefónica is ready | To lead the sector towards higher sustainability

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Double-down  
on  
**collaboration**

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Advocate for a  
more **balanced**  
**regulatory**  
**framework**

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**Lead the key**  
**industry**  
**debates**

OTT Fair Share,  
Open Gateway

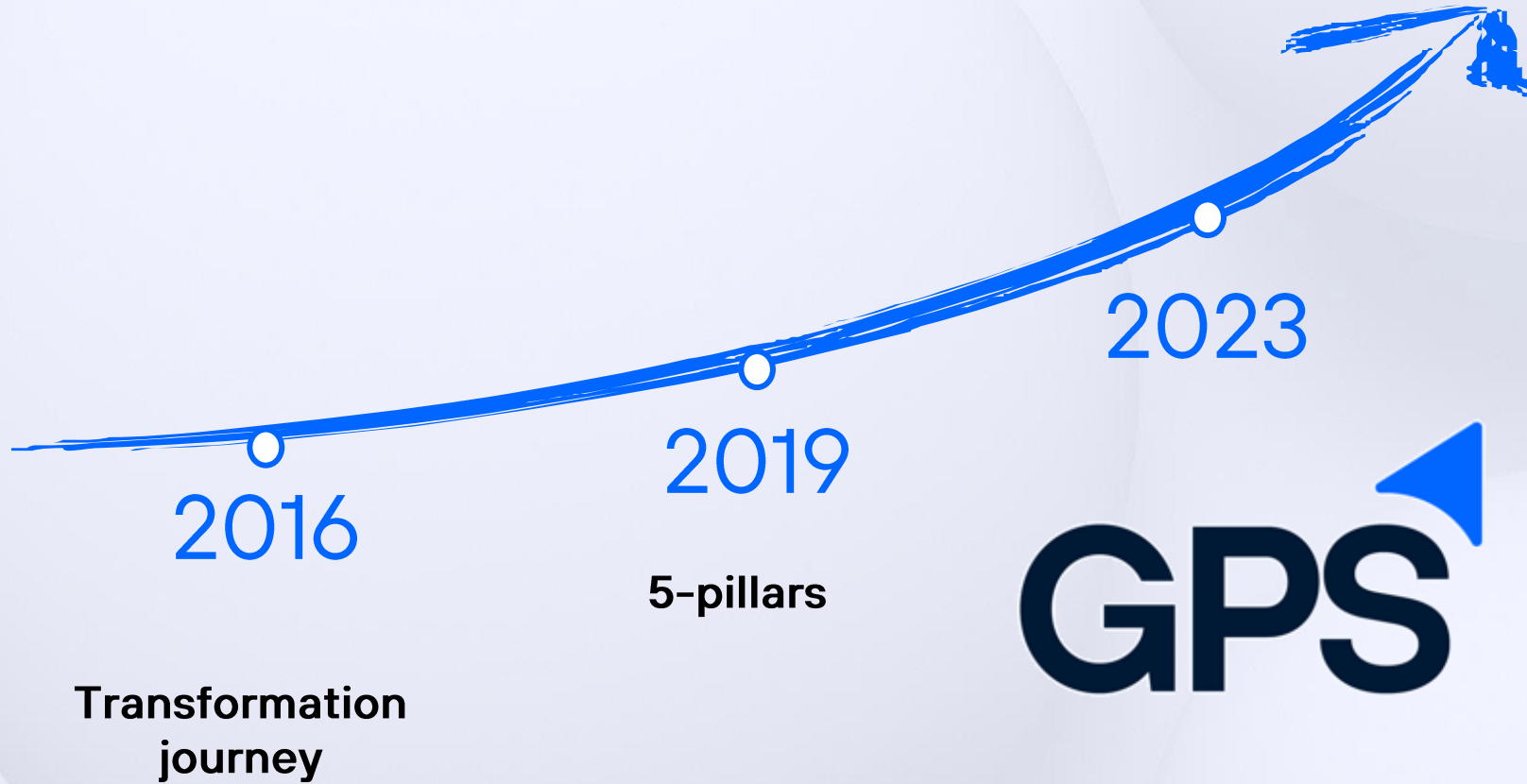
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Keep being at  
the **forefront**  
**of the ESG**

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# Telefónica is ready



- Exciting Vision
- Ready to Increase Ambition
- Ready for our next Centenary

To elevate its ambition further

# GPS

**G**rowth

**P**rofitability

**S**ustainability

~1%

~2%

~5%

>10%

**Revenue**

**EBITDA**

**EBITDAaL-CapEx**

**FCF**

Reported CAGR 23-26

# Creating significant shareholder value

**GPS**

>10% CAGR 23-26  
**FCF**

**2.2-2.5x** (2026)  
**Leverage reduction**

**€0.30 floor DPS** (2023-26)  
**Shareholder value creation**

**Improved strategic optionality**



**G**rowth  
**P**rofitability  
**S**ustainability

*Ángel Vilá | COO*



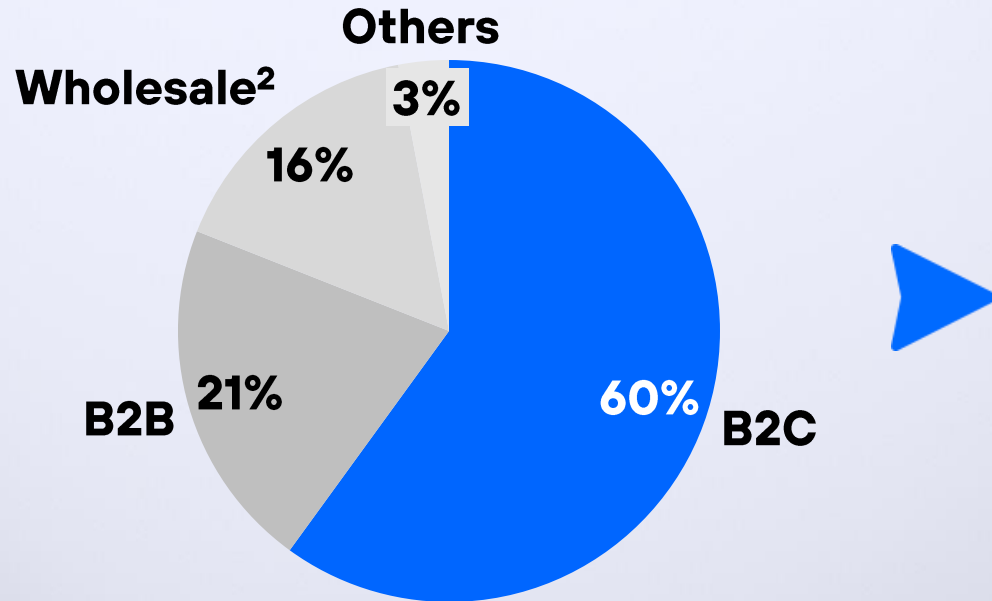
# 5 lines of action to accelerate Growth, Profitability and Sustainability



- 1 Sustain B2C revenue growth**
- 2 Keep above-industry B2B momentum**
- 3 Evolve wholesale and partners' revenues**
- 4 Drive efficiencies to reduce OpEx**
- 5 Sustain differentiation while reducing CapEx**

# 1 Sustain B2C revenue growth

## 9M 23 revenue mix<sup>1</sup>



## B2C deep-dive

Annual growth year on year, reported

-1.7%

2019

+1.9%

9M 23

# B2C accesses<sup>3</sup> **260m**



# 1 Sustain B2C revenue growth | Most valuable telco brands



**#1** telco brand  
in Spain



**#1** telco brand  
in Brazil



Closing the gap with  
**#2** in Germany



**#2** telco brand  
in UK

# 1 Sustain B2C revenue growth | Best quality and experience

## Best product

Leading network



**#1** in **fiber and mobile**



**#1** in **fiber and mobile**



Closing the gap with **#2**



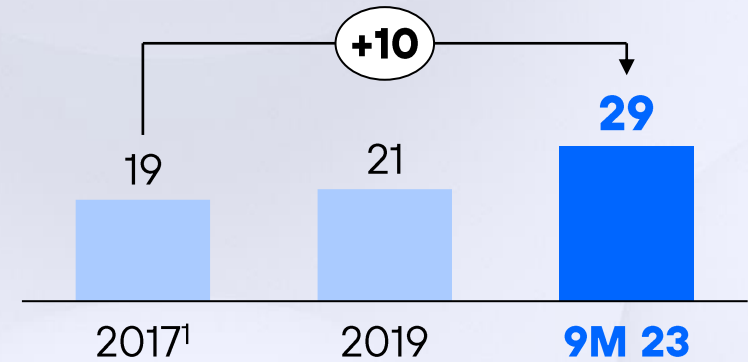
**#1** in **UBB**

Best convergent offer

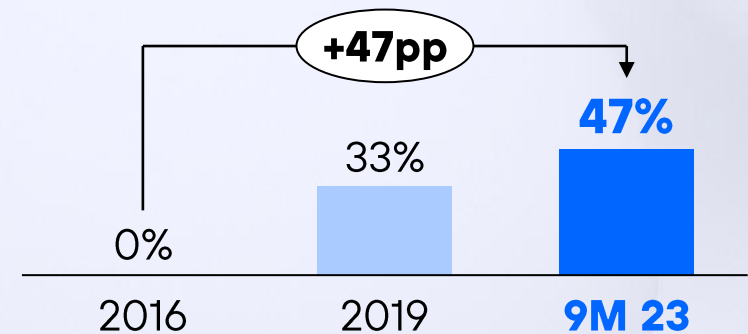


## Best experience

NPS<sup>1</sup>

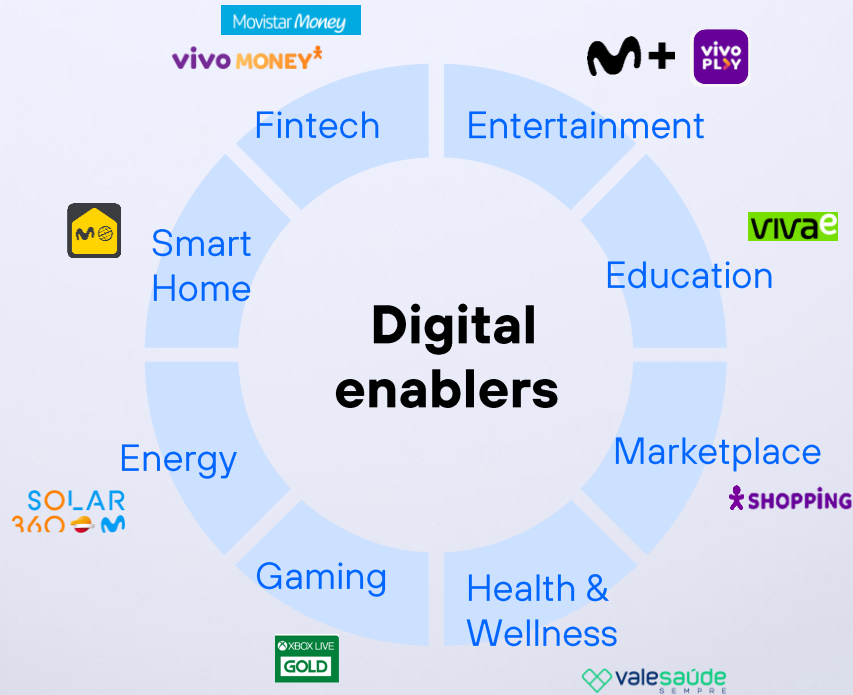


Digital app users<sup>2</sup>



# 1 Sustain B2C revenue growth | Enriched offering

## Digital ecosystem around connectivity



## Expanding market and increased loyalty

**Addressable market<sup>1</sup>: €40bn** ↑  
(+7% CAGR 23-26)

ARPU (%) ↑

Churn (%) ↓

Customer Lifetime Value (€) ↑

# 1 Sustain B2C revenue growth | Delivering results

## Maximise engagement

Convergent customers<sup>1</sup>

> **60%**

2026  
(vs >50% Sep-23)

## Enhance loyalty

Post-paid & convergent churn<sup>2</sup>

< **1.0%**

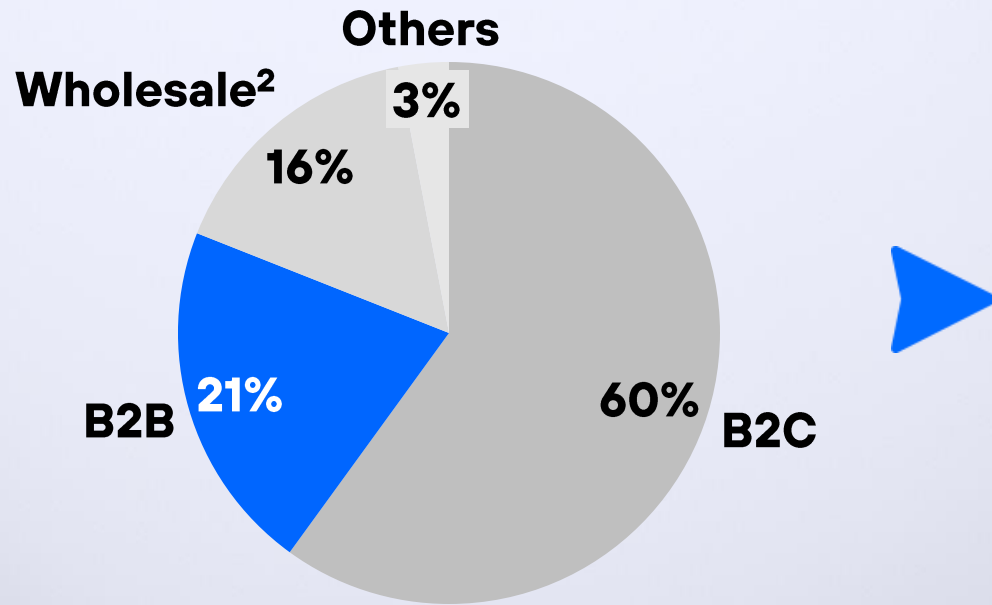
2026  
(vs 1.1% 9M 23)

**B2C revs**  
2023-26 CAGR

**~1.5%**

## ② Keep above industry B2B momentum

### 9M 23 revenue mix<sup>1</sup>



### B2B deep-dive

Annual growth year on year, reported

**-3.0%**      **+6.1%**  
2019                      9M 23

# B2B clients<sup>3</sup> **5.5m**

## ② Keep above industry B2B momentum | T.Tech cornerstone of transformation



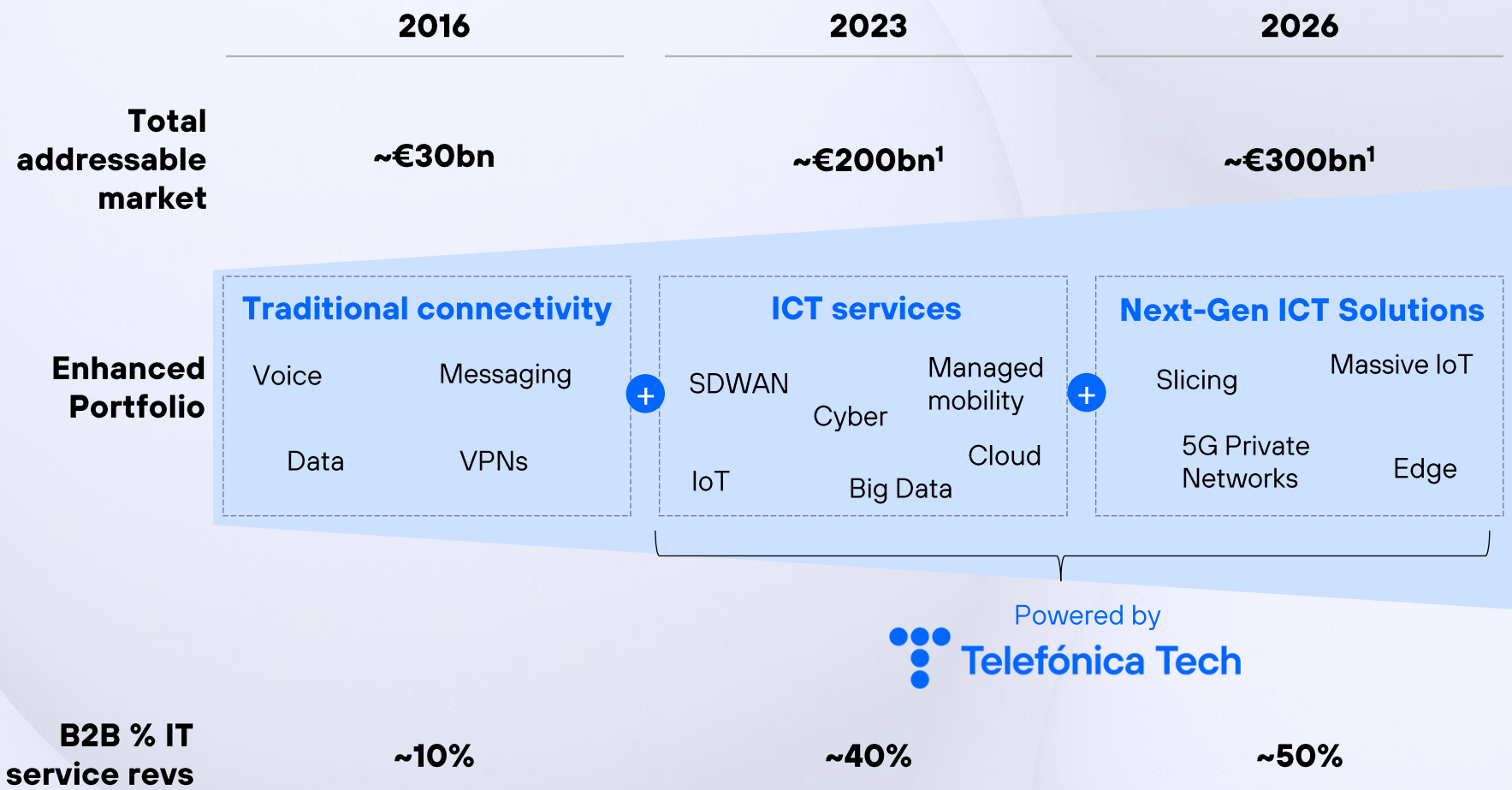
**Carve-out execution**

**Best-in class capabilities**

**Scale-up**

**€1bn acquisitions**

# 2 Keep above industry B2B momentum | Leading position in growing market



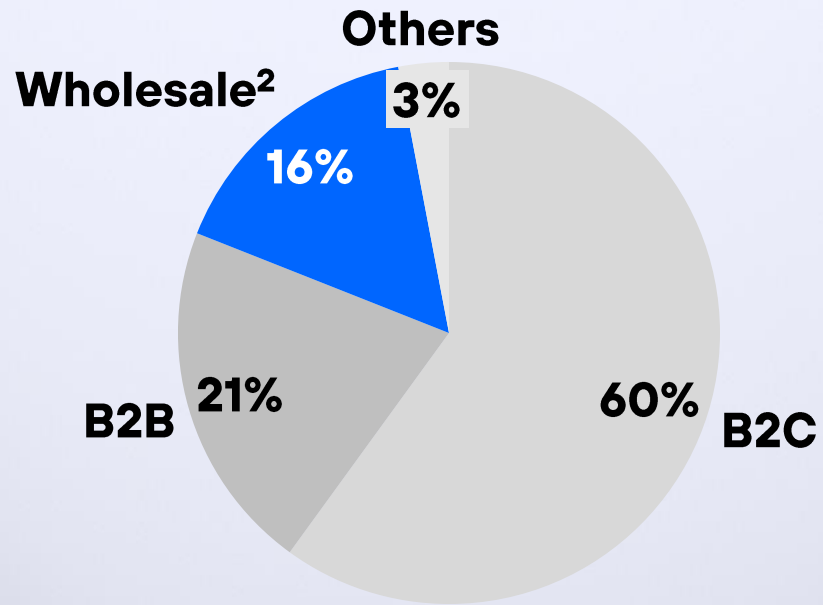
**B2B revs**  
2023-26 CAGR

**~5%**

<sup>1</sup>) Estimated B2B comms + IT TAM, Internal analysis based on external sources

### 3 Evolve wholesale & partners' revenues

#### 9M 23 revenue mix<sup>1</sup>



#### Wholesale (partners) deep-dive

Annual growth year on year, reported





### 3 Evolve wholesale & partners' revenues | Strengthening wholesale



- Content wholesale deregulated
- Well established long-term wholesale contracts in mobile and fixed
- Contingency planning ahead of remedies



- Opportunity in FiberCo space alongside T. Infra (Fibrasil)



- 'Accelerated growth & Efficiency Plan' in execution
- Well established long-term wholesale contracts, with upside potential



- Well established long-term wholesale contracts in mobile and fixed backhaul
- Opportunity in FTTH, both at VMO2 and nexfibre

# 3 Evolve wholesale & partners' revenues | Future-proofing wholesale

## From traditional wholesale into new and fast-growing markets

### Traditional Wholesale

- Rational approach to gain new wholesale clients
- Content and platforms resale



### Network as a Service

- Developers and software integrators as a new customer
- Open Gateway (API-based) **addressable market ~€4bn** in TEF footprint<sup>1</sup>

### Forward-ready infrastructure

**Low-to-mid  
single digit  
decline 2023-26  
offset gradually  
by new revenues**

# 4 Drive efficiencies to reduce OpEx | Transforming efficiently

## Shut-down

- Copper  
 April 2024 (retail)
- 2G or 3G  
 2026-27

## Sharing

- Network sharing
- Optimised rollouts

## Hyper automation

- Massive AI initiatives
- Zero touch network management
- Open and cloud-based architectures
- API-fication

## Scale

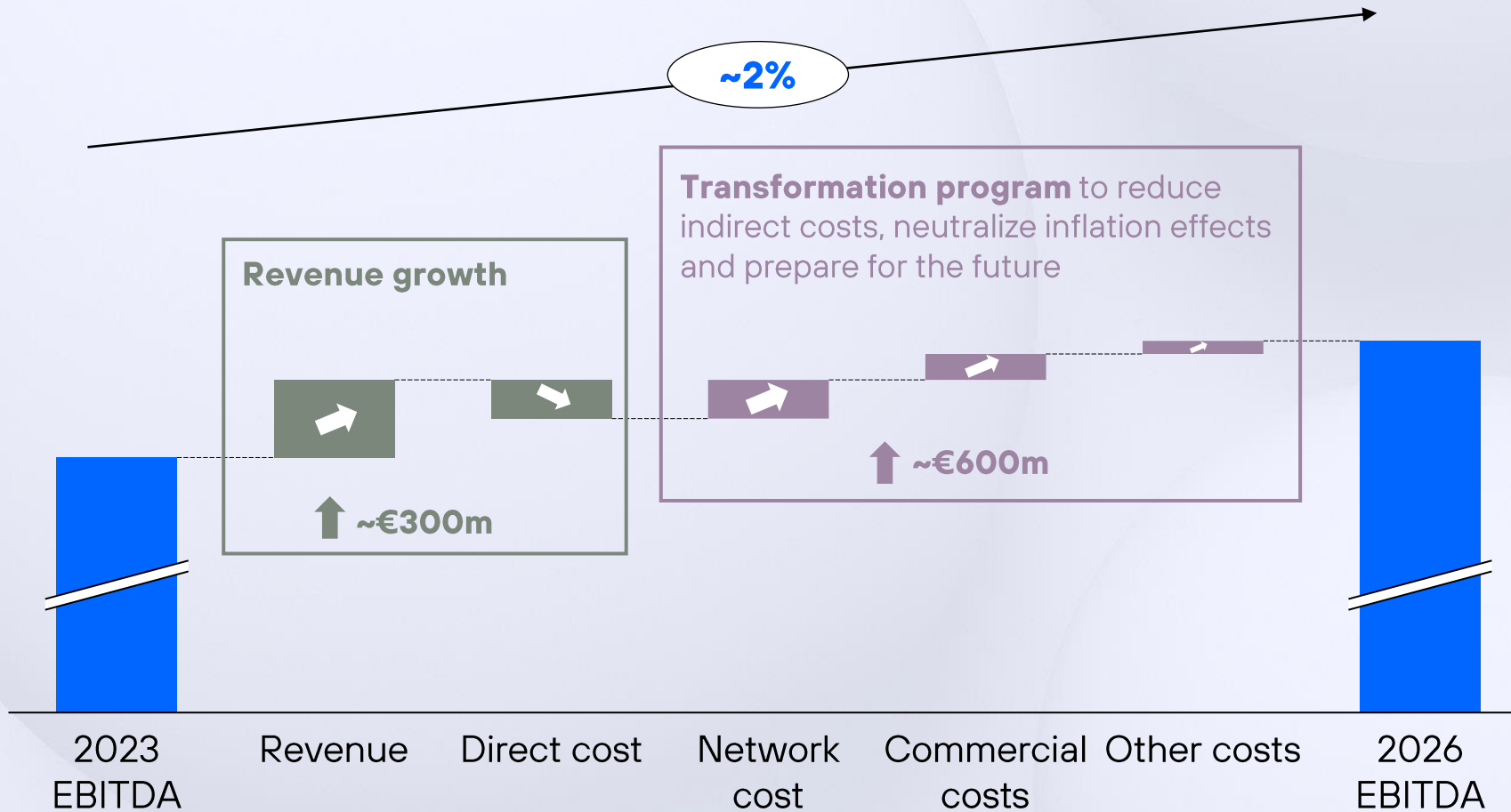
- Shared platforms
- Local / global services optimisation

## Efficiency

- Lease optimization
- Freed up spectrum capacity
- Energy cost reduction
- Right-sizing the organization

# 4 Drive efficiencies to reduce OpEx | Efficiencies leading to EBITDA expansion

## TEF 2023-26 EBITDA evolution



**EBITDA**  
2023-26 CAGR

**~2%**

# 5 Sustain differentiation while reducing CapEx | Consolidated leadership



#1



#1



#3



#2

**5G coverage**  
2026 SA

(vs Sep-23 NSA)

**~90%**

(87%)

**~60%**

(42%)

**~99%**

(92%)

**~70%**

(49%)

**FTTH PPs<sup>2,3</sup>**  
2026

(vs Sep-23)

**~30m**

(29m)

**~38m**

(25m)

**~1m<sup>1</sup>**

**~21m<sup>3</sup>**  
of which 15m FTTH  
(17m<sup>2</sup>, o/w 2m FTTH)

**5G spectrum secured**

**#1 fiber network in the world (excl. China)<sup>4</sup>**

**CapEx peak well behind**

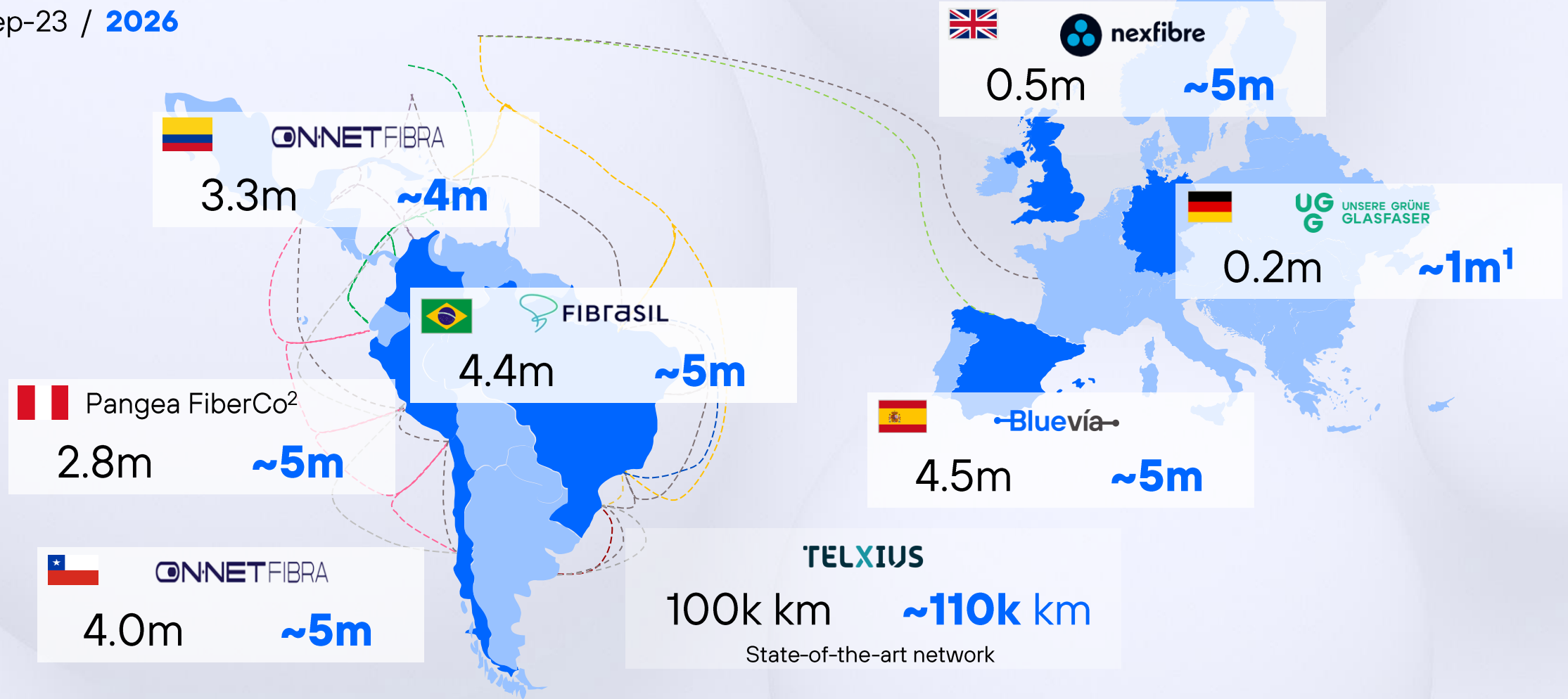
1) Longer term target remains >2m PPs. In addition, c.15m accessible through wholesale; 2) FTTH PPs including owned (fully/partially) + co-investment with third parties; 3) In UK, includes HFC; 4) According to Analysys Mason Ranking Data

5

# Sustain differentiation while reducing CapEx | T.Infra the most developed international connectivity network

## FTTH PPs in T.Infra FiberCos, m

Sep-23 / 2026



1) Target for 2026 is 1m PPs, longer term target remains >2m PPs; 2) Pending regulatory approval

# 5 Sustain differentiation while reducing CapEx | T.Infra delivering value

## T. Infra objectives

### Accelerate asset recycling

- ✓ Sold **Telxius Towers for €7.7bn** (30.5x EBITDA) and **DCs at 18x**

### Improve OBs position

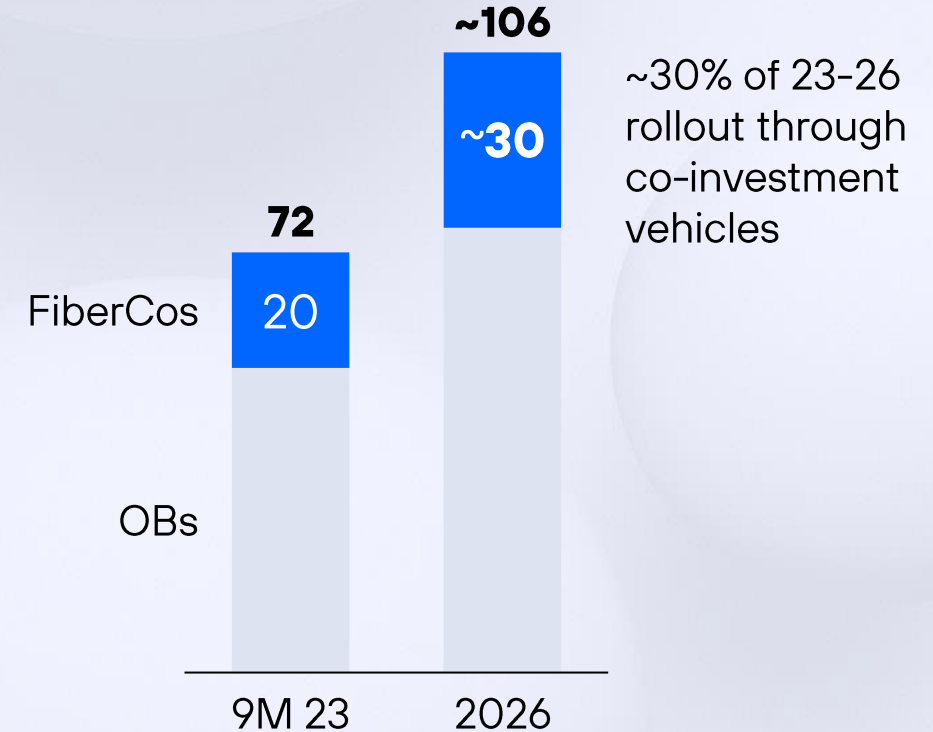
- ✓ **Fiber JV in all core OBs**
- ✓ Leveraging wholesale to increase reach
- ✓ Telxius >110k km international network by 2026

### Capture value upside

- ✓ **>€3bn Assets Under Management<sup>1</sup> alongside top investors**
- ✓ **>75% of capital already deployed**

## Accelerating FTTH deployment

FTTH PPs<sup>2</sup>, m



# 5 Sustain differentiation while reducing CapEx | Forward-ready infra



**Tech cycle  
management**



**Virtualisation  
and go-to-  
cloud**



**Open and  
disaggregated  
architectures**



**Artificial  
Intelligence  
and  
Automation**

Impact on  
2026  
CapEx  
reduction



**CapEx intensity**

**~14%**

2023 guidance<sup>1</sup>

**<12%**

2026



## Implementing GPS in TEF Core OBs

**GPS**  Growth  
Profitability  
Sustainability



## All OBs in a stronger position



- **Back to growth in B2C**
- Established **B2C ecosystem**
- **Leader in B2B**
- Ahead in **technological transition**



- **Consolidated mobile market**
- **Fiber leadership**, largest footprint
- Successful launch of **B2C ecosystem**
- **Reinforced and accelerated B2B**



- **Strengthened network**
- Solid mobile **commercial momentum**
- **Technology agnostic** access in fixed

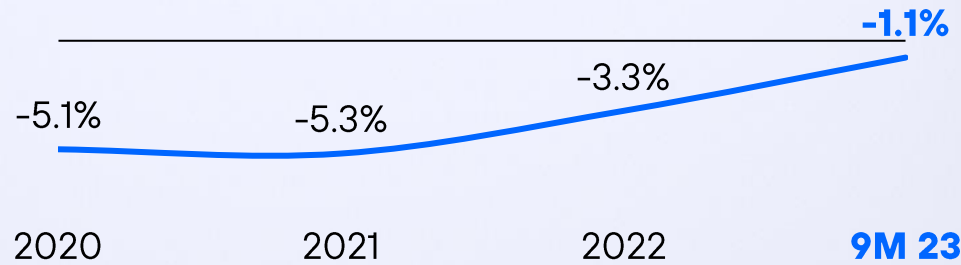


- **Converged champion**
- **£540m** run-rate synergies
- **Fiber opportunity**

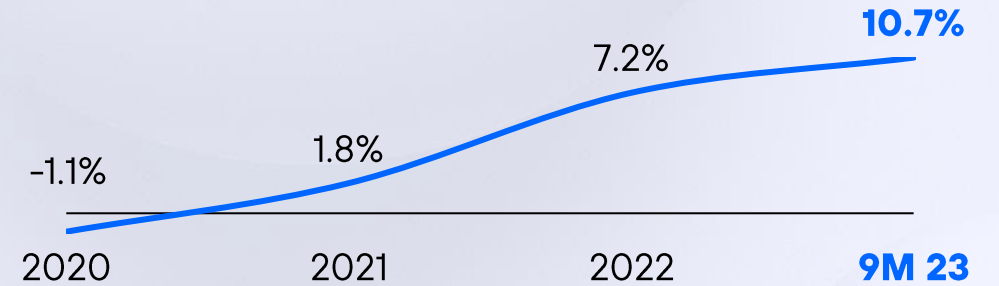
# Improved organic EBITDA path across the board



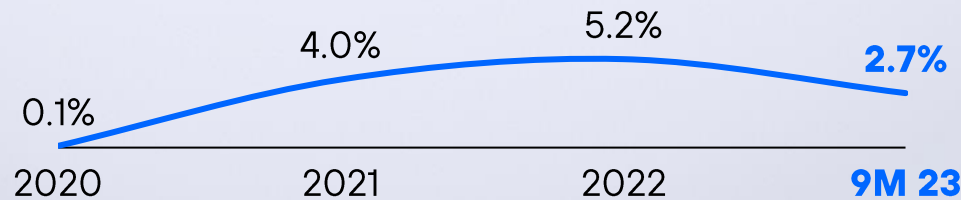
**Towards EBITDA stabilization**  
**EBITDA-CapEx benchmark margin**



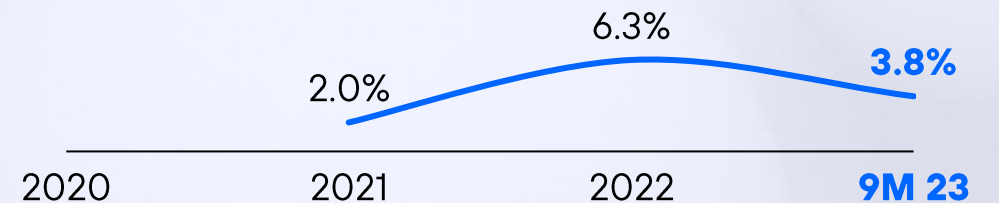
**EBITDA growth leveraging differential assets**



**Healthy EBITDA growth**



**Strong EBITDA growth on synergy delivery**



**All Core OBs are experiencing a sustained growth**

# Spain | A best-in-class player with a sustained growth trajectory

## Best positioned to navigate sector dynamics in Spain

- Sustained **differentiation**
  - #1** network (5G/FTTH)
  - #1** brand
  - #1** channels
  - #1** offer
- **Engaged and loyal customer base. Preferred option**
  - Churn (%) **0.9** ↓<sub>20-23</sub>
  - ARPU (€/month) **>90** ↑<sub>20-23</sub>
- **Growing NPS and NPS Gap**
  - NPS **49**
  - NPS Gap **18**

## Consolidated growth and delivering further efficiencies

- **B2C growth ahead**, strong B2C ecosystem
- Sustain **B2B momentum, double-digit growth in ICT**
- Effects from **in-market consolidation**
- **OpEx reduction** including efficiency, legacy-shutdown, automation program and organization right-sizing
- Lower CapEx intensity, from early fiber investment (**CapEx/Sales 10% in 2026**)

## 2023-26 outlook

Revenues 

EBITDA 

EBITDAaL-CapEx 

# **Brazil** | Proven growth path and strengthened leadership

## Premium positioning in a growing market

- Total **market growing at 4%**<sup>1</sup>
- Sustained **differentiation**
  - #1** network (5G/FTTH)
  - #1** brand
  - #1** channel
  - #1** fiber/mobile convergent player
- Market-leading **customer satisfaction**
- **Complete portfolio of digital services** for B2C & B2B

## Strong growth in all segments and margin expansion

- **Growing customer base**
- **Increasing share of wallet - x1.6** digital services revenue in B2B and B2C in 2026
- Accelerate **channels digitalisation, +5pp** mobile online sales and **+3m** Vivo App users in 2026
- Keep building **network differentiation**, while capturing **FTTH opportunities** and **network sharing**
- Accelerate **legacy decommission**

## 2023-26 outlook

**Revenues** 

**EBITDA** 

**EBITDAaL-CapEx** 

# **Germany** | Committed to deliver sustainable growth and efficiencies

## Strong performance in a growing market

- **Growing market** both in mobile **+2.6%** and fixed **+2.4%**<sup>1</sup>
- **Enhance mobile network quality**



Very Good  
**Network quality**  
Connect Magazine 2023

- **Strongest growth** of all GER MNOs

## Delivering growth in B2C and B2B, while streamlining operations

- Maintain **B2C growth** (i.e. rural share)
- Mitigation and recovery in **B2P**
- Accelerate **B2B** and T.Tech growth
- **Fixed** accessing 95% pop via technology agnostic approach
- Accelerated **transformation and simplification**
- **Decline in CapEx/Sales** next 3-years

- **Recovery plan in place**
- **Aiming for growth**
- **Offer at €2.35 with a premium of >37%**
- **Reinforcing focus in core market**

# UK | Enhancing growth trajectory while delivering synergies & network upgrade

## Converged champion

- Large market in the process of consolidation
- Sustained **differentiation**
- **#1 UBB** network
- **#1** Mobile experience, channels
- Large and loyal customer base

## Margin expansion<sup>2</sup>

- Target **B2C** growth through **FMC**
- Leveraging digitalization and AI
- Continue synergy programs, on track to hit **£540m** by 2026
- **Optimize CapEx/Sales** by:
  - Leveraging nexfibre FTTH vehicle
  - Decommissioning legacy (3G switch off in 2025)

## 50% Dividend

~€1-1.2bn<sup>1</sup>



# 5 lines of action to accelerate Growth, Profitability and Sustainability

- 1 Sustain B2C revenue growth
- 2 Keep above industry B2B momentum
- 3 Evolve wholesale and partners' revenues
- 4 Drive efficiencies to reduce OpEx
- 5 Sustain differentiation while reducing CapEx



Reported CAGR 23-26

~1%

Revenue

~2%

EBITDA

~5%

EBITDAaL-CapEx

>10%

FCF





# FCF Focus

Laura Abasolo | CFCO & Head of T. Hispam



# Derisked T. Hispam, building a self-sustained model

## Strengthening profitability in a highly competitive environment

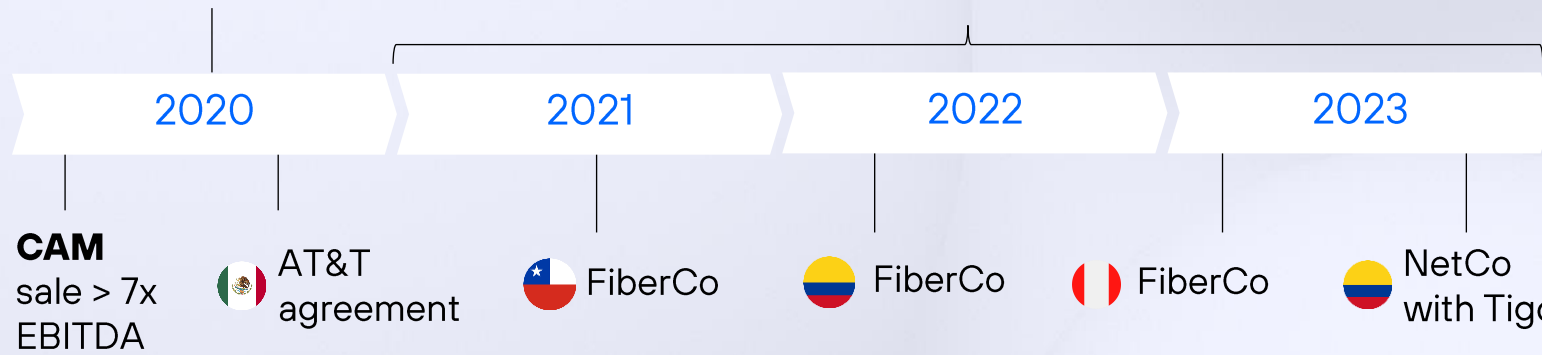
### Organic

✓ **Carve-out executed**

- Non-core / independent / regional **model**

✓ **Efficiency focus**

- Commercial **rationalization / digitalisation**
- **Avoid overbuild / legacy shut-down**
- Lead **rational spectrum auctions**



### Inorganic

✓ **FiberCos with KKR**

- Monetising brownfield
- Accelerating deployment
- Lower CapEx, higher returns

✓ **Mobile deals**

- Asset light networks
- Network sharing

### Invested capital

**-26%**

Sep-23 vs. Dec-19

### Debt in local currencies

# T. Hispam, a separate entity with strategic optionality to crystallize value

## Further focus on FCF growth...



**Growth ahead**



Disciplined **capital allocation**



**Focus on efficiency & returns**



**Asset-light** model

## ... while keeping optionality



**Co-invest / NetCo models**

## Ready for:



**Seek in-market consolidation**  
options



Gauge **divestment opportunities**



**Structural partnerships**

**EBITDAaL-CapEx**

**~5%**

2023-2026 CAGR

**Invested capital  
reduction**

**~15%**

2023-2026

# Stronger and resilient financials with simpler reporting

**Strict capital allocation**

**Solid B/S with leverage target**

**Proactive management of FX / interest rates**

**Simpler reporting**

**Growing FCF**



**Financial section**

# Strict and prioritised capital allocation policy in place

## ORGANIC

### Capital sources...

- Net Operating Cash Flow from OBs



### Capital uses...

- CapEx (<12% CapEx/Sales by 2026)
- Attractive dividend (€0.30 DPS floor)
- Leverage reduction

## INORGANIC

- Excess Cash / Asset recycling / Other sources

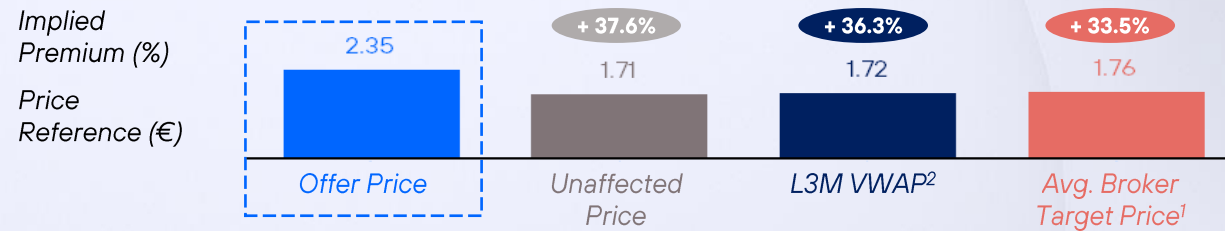


**ND / EBITDAaL between 2.2-2.5x in 2026**

# Voluntary offer to Telefónica Deutschland shareholders

## Public acquisition offer in cash

- **€2.35 cash offer**, attractive premium



- **Proposed acquisition of 28.19%<sup>3</sup> stake** not currently owned by Telefónica SA
- **No minimum acceptance condition**
- **Funded with existing cash** (maximum required consideration of €2.0bn)
- **No intention to conclude a domination and/or profit and loss transfer agreement**

Telefónica Deutschland

## Consistent with Group's strategy

- ✓ **Reinforces focus on core markets**
- ✓ **Supports efforts to simplify structure**, increases flexibility
- ✓ **Enhances mix of € denominated cash flows**
- ✓ **Accretive transaction for Telefónica**
- ✓ **No impact to credit ratings expected**

## Expected Timeline



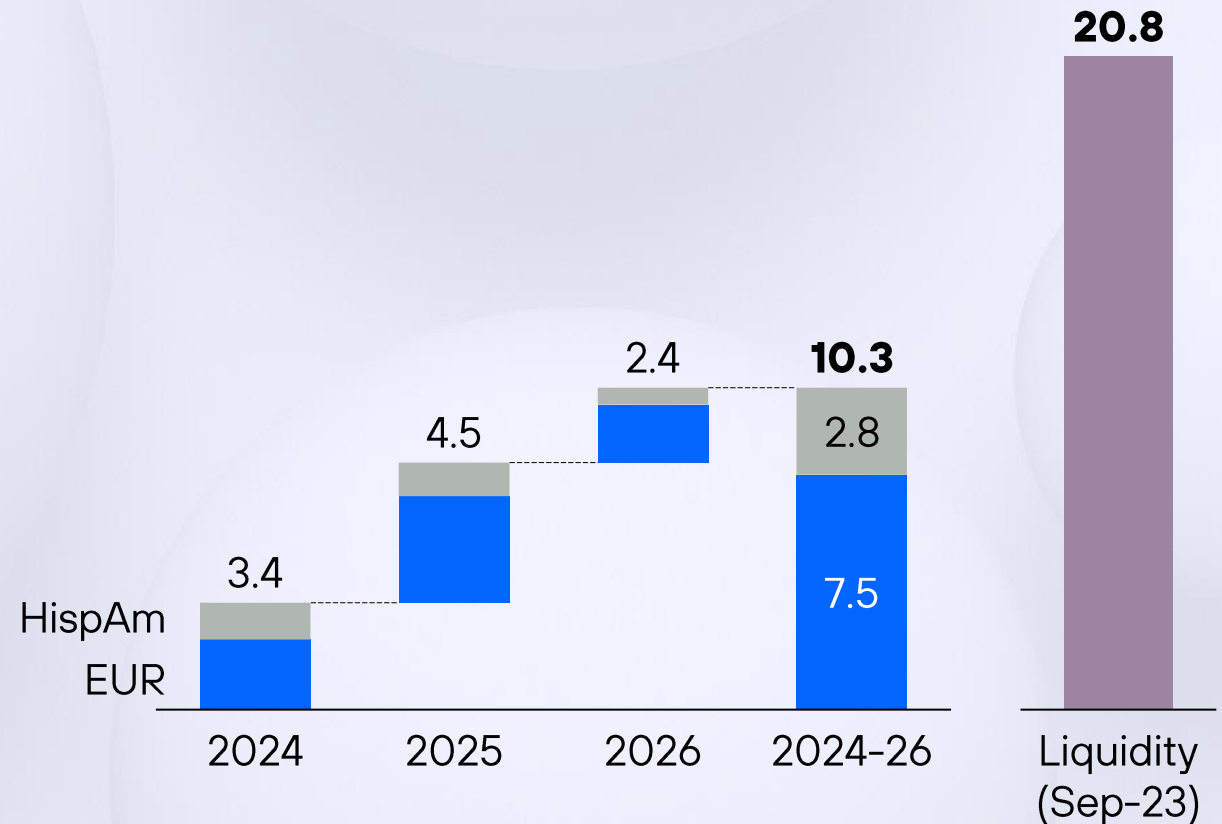
**Offering attractive exit in cash to all Telefónica Deutschland's shareholders**

# Solid Balance Sheet to face any market environment

## Flexibility to access the market

- **€20.8bn** liquidity, sufficient to cover upcoming maturities
- Comfortable and smooth maturity profile
- Proactive Hybrid refinancing. No need to tap market in ST
- Target to increase ESG financing to ~40% of total financing by 2026

## Gross debt maturities (€bn)

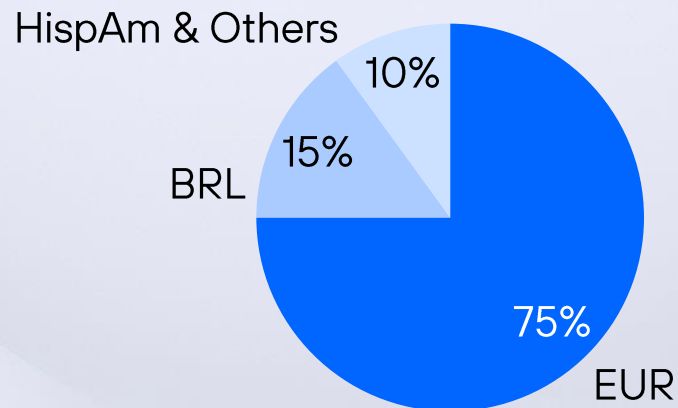


# Protected against FX volatility

## Balance sheet limited exposure

- Structural **debt position in local currencies offsets FX volatility** in leverage ratio
- **Debt in BRL and HispAm FX a natural hedge** to equity exposure

### Net Financial Debt currency mix<sup>1</sup>



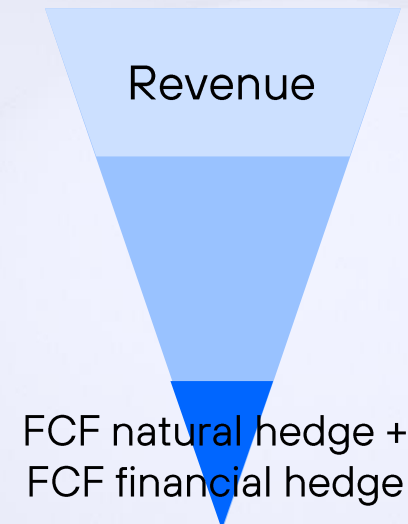
1) Figures as of Sep-23

## FCF FX management

- **FX impact from Revenue to FCF minimized** from natural hedge



- **Tactical yearly hedge**



**~15%**  
 **$\Delta$ FCF/ $\Delta$ revenues**  
2020 – Sep-23



# Contained impact in a higher rate environment

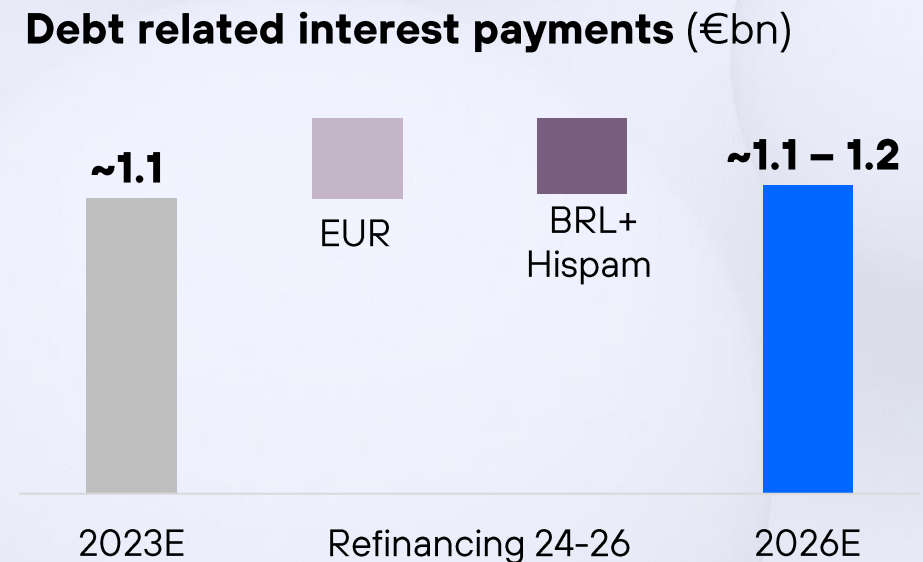
## Overweighted Fixed position in debt portfolio<sup>1</sup>

- Higher EUR rates not affecting current portfolio
- Upside as BRL and Hispam rates head lower
- 85% fixed / 15% floating
  - EU 100% fixed, BRL 100% floating, Hispam 50/50
- € cash position “mirrors” floating debt

**+/- 100 bps** in short-term rate =  
**+/- €38m** interest payment  
(o/which €33m BRL)

## Controlled effect from refinancing activity

- Our currency mix debt portfolio allowing us to contain effect of refinancing low-coupon debt
- Gradual effect of higher cost of debt in refinancing
- Lower rates in BRL offsetting increases in EUR rates



# Simpler reporting, more comprehensive guidance

## FCF focus

New reference  
for FCF

## Simpler reporting

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- ✓ Statutory & Reported

## Expanding guidance

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- ✓ Revenue and EBITDA growth
- ✓ CapEx/Sales



- ✓ EBITDAaL-CapEx
- ✓ FCF growth
- ✓ Leverage target
- ✓ Dividend mid/term commitment

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**Double Digit FCF 23-26 CAGR**

# Sustained profitable growth leading to double-digit growing FCF

## FCF new definition

Excluding spectrum  
Excluding UK recaps  
Including hybrids  
Including commitments

✓ ~€4bn previous definition<sup>1</sup>

~€2.1bn  
2023

▶  
>10%  
23-26 CAGR

~€5bn previous definition<sup>1</sup>

~€3bn  
2026

# Growing FCF = commitment to shareholders

## Attractive and sustainable remuneration to our shareholders

- **€0.30 2023 dividend in cash confirmed** (two tranches: Dec'23 and Jun'24)
- **€0.30 floor DPS over the 2024-26 period** <sup>(1)</sup>
- **DPS growth/SBB** will be considered **as we regain financial flexibility**

## TEF DE shareholders

- **€0.18 2023 dividend in cash confirmed** (payable May'24)
- Public offer to buy TEF DE shares at €2.35

## VIVO shareholders

- **≥100%** net income **pay-out in 2024-26 period**
  - **R\$1.5bn capital reduction proposal in 2024<sup>1,2</sup>**, completed with **dividends/SBB**



# Guidance and closing remarks

José María Álvarez-Pallete | Chairman & CEO



# Approaching a promising transformation

## Telco

- ✓ 5G, FTTH
- ✓ Open, smart

## AI

- ✓ Hyper-automatization



## Computing

- ✓ Edge & Cloud

## Web3

- ✓ Decentralization
  - ✓ AR / VR

# Monetisation of advanced network capabilities

## New wave of digital services emerging



## Requiring high performance and differentiated network

UBB & Low  
Latency

Programmable  
& AI-based

Cloud & Edge  
Computing

GSMA™

CAMARA  
THE TELCO GLOBAL API ALLIANCE

# Massive transformation

Cutting-edge  
**NETWORK**

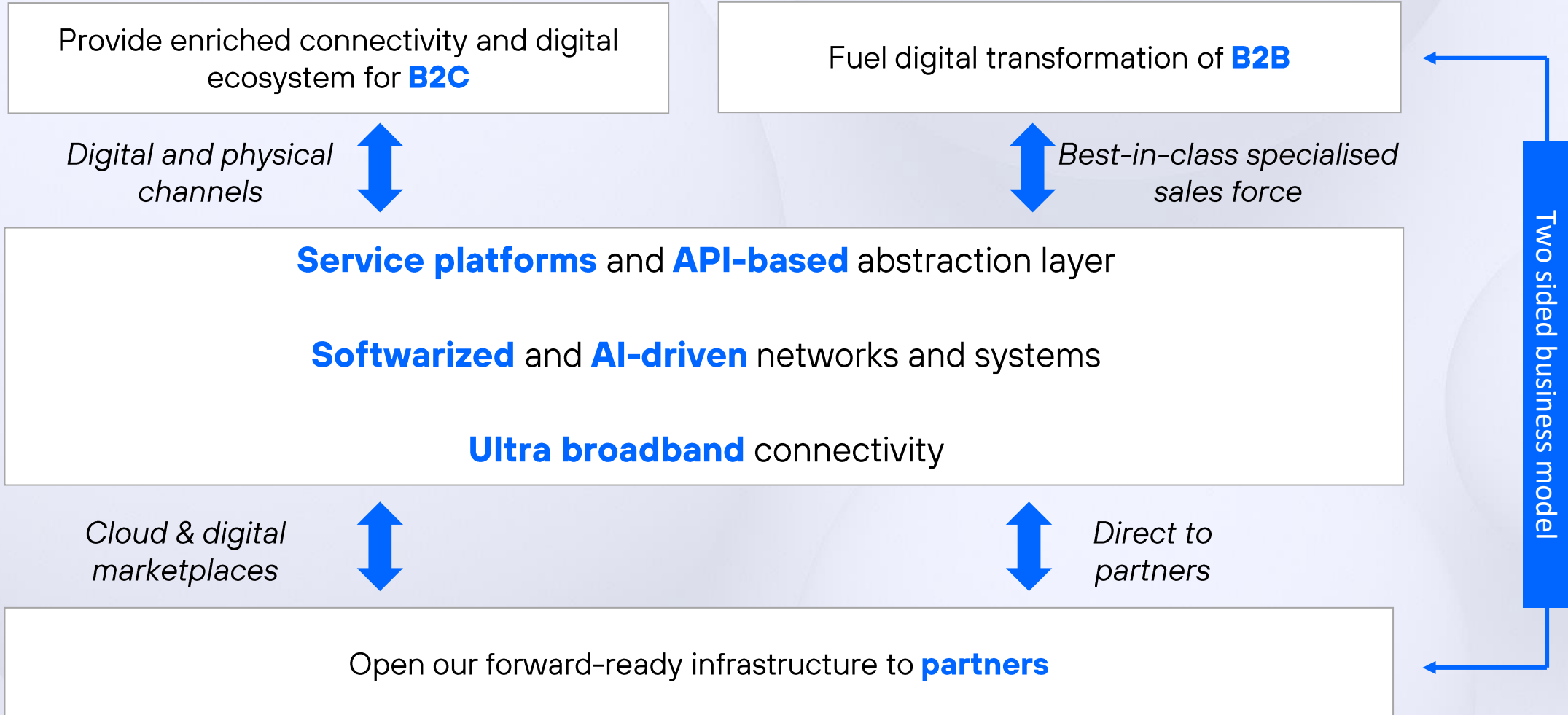
Increased  
**CUSTOMER**  
relevance

Optimised and  
future-proof  
**OPERATIONS**

Committed to  
**SUSTAINABILITY**



# Telefónica is ready



## Committed to



- Reiterate our **2023 guidance**
- Accelerate **FCF delivery in 2024**, demonstrating traction since day one
- Deliver on our **Growth, Profitability and Sustainability targets for 2026**
- **Improve returns, reduce leverage and secure dividend**

# 2023 guidance reiterated

	Initial 2023 guidance	Upgraded 2023 guidance	9M 23
<b>Revenue</b> yoy organic	"Low single digit growth"	"~4% growth"	3.5%
<b>OIBDA</b> yoy organic	"Low single digit growth"	"~3% growth"	2.6%
<b>Capex/Sales</b> yoy organic	~14%	~14%	13.4%

**FCF 2023 ambition: ~€4bn ex-spectrum**

# 2024 guidance

	2023 guidance	2024
<b>Capex/Sales</b> yoy organic	~14%	Declining
<b>FCF</b> yoy, new definition	~€2.1bn	>10% growth

## 2023-26 guidance

### Growth

- **~1% revenue** CAGR 23-26
- **B2C ~1.5%** 3yr CAGR; B2B **~5%** 3yr CAGR

### Profitability

- EBITDA **~2%** % CAGR 23-26
- EBITDAaL - CapEx **~5%** % CAGR 23-26
- **-2pp CapEx over revenue** by 2026 to **<12%**

### Sustainability

- **Leverage** reduction to **2.2-2.5x in 2026**
- Sustained and growing **FCF, >10% CAGR 23-26**
- **Floor €0.30 DPS 23-26**

## What to remember from today

**FCF >10%**

CAGR 23-26

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**Improved returns**

**2.2-2.5x**

ND / EBITDAaL 26

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**Leverage reduction**

**€0.30 floor**

DPS 23-26

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**Value creation**

## Key takeaways

- ✓ **Back to growth** in reported terms
- ✓ **Accelerated through differential operational leverage**
- ✓ **Double digit FCF growth**
- ✓ **Debt reduction target**
- ✓ **Sustainable dividend**

# APPENDIX



# Methodology note / Basis of preparation

## Current

## As from January 1<sup>st</sup> 2024

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>Reporting: organic including 50% VMO2</li> </ul>   | ▶ | <ul style="list-style-type: none"> <li>Reporting = statutory, not including 50% VMO2</li> </ul>   |
| <ul style="list-style-type: none"> <li>Reporting: OIBDA</li> </ul>  | ▶ | <ul style="list-style-type: none"> <li>Reporting: EBITDA &amp; EBITDAaL</li> </ul>  |
| <ul style="list-style-type: none"> <li>Guidance: organic, constant FX, including 50% of VMO2, excluding contribution VEN &amp; ARG, constant perimeter. Capex ex-spectrum</li> </ul>  | ▶ | <ul style="list-style-type: none"> <li>Guidance: reported, current FX, ex VMO2, constant perimeter, includes cost to capture<sup>1</sup>. Capex ex-spectrum</li> </ul>  |
| <ul style="list-style-type: none"> <li>Adjustments: excluding gains/losses (material), write offs, material non-recurring impacts and restructuring</li> </ul>  | ▶ | <ul style="list-style-type: none"> <li>Adjustments: excludes restructuring charges and assumes no significant exceptional items</li> </ul>  |
| <ul style="list-style-type: none"> <li>Former guidance KPIs:               <ul style="list-style-type: none"> <li>- Organic revenue &amp; OIBDA, 1yr</li> <li>- Capex/sales 1yr</li> <li>- Qualitative leverage commitment</li> </ul> </li> </ul> | ▶ | <ul style="list-style-type: none"> <li>New guidance KPIs:               <ul style="list-style-type: none"> <li>- Reported revenue &amp; EBITDA, 3-yr CAGR</li> <li>- Reported EBITDAaL – Capex, 3-yr CAGR</li> <li>- Capex/sales 3-yr</li> <li>- Leverage ratio target 3-yr</li> <li>- FCF 3-yr CAGR</li> </ul> </li> </ul> |
| <ul style="list-style-type: none"> <li>Leverage: net financial debt over OIBDAaL (OIBDA after leases) for the past 12M, constant perimeter and excluding certain non-ordinary factors</li> </ul>  | ▶ | <ul style="list-style-type: none"> <li>Leverage: net financial debt over EBITDAaL (EBITDA after leases) for the past 12M, constant perimeter and excluding certain non-ordinary factors</li> </ul>  |
| <ul style="list-style-type: none"> <li>2023 FCF (incl. leases principal payments): ex-spectrum, pre hybrid coupons, pre commitments includes VMO2 recaps.</li> </ul>  | ▶ | <ul style="list-style-type: none"> <li>New reference FCF (incl. leases principal payments) : ex-spectrum, includes cost to capture<sup>1</sup>, hybrid coupons, commitments, excludes VMO2 recaps</li> </ul>  |

<sup>1)</sup> Includes cash cost to capture, excludes non-cash provisioning and others

**GPS**



**Growth**  
**Profitability**  
**Sustainability**