TDC: Always Simpler and Better

Roadmap towards sustainable revenue growth

Nova Associates

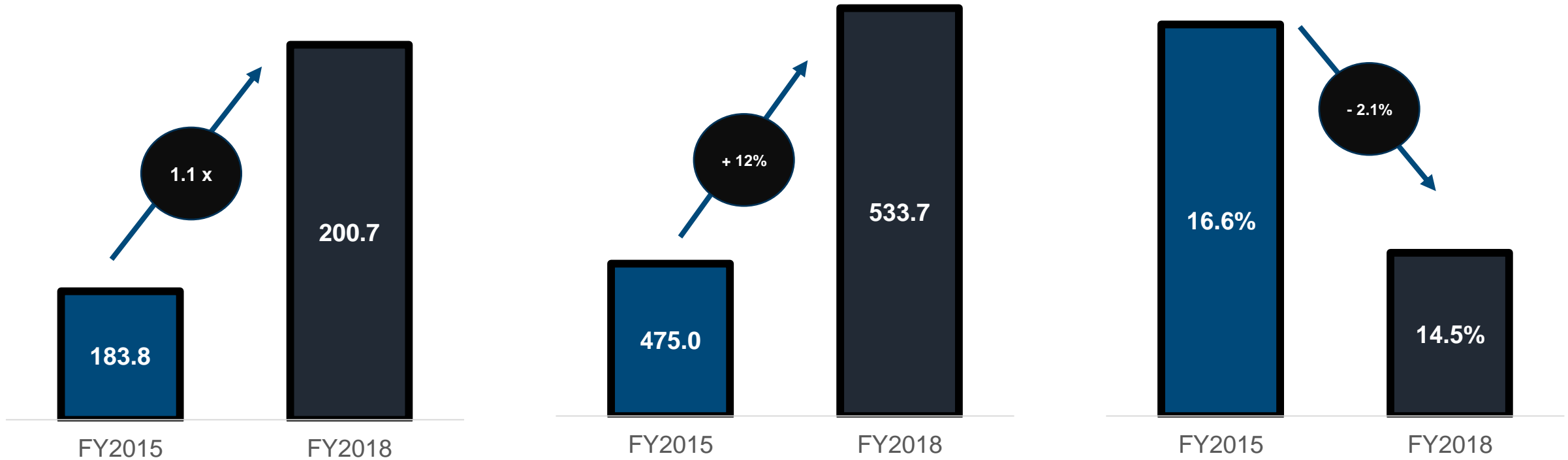**Mabelyn Tan | Ivan Ho | Goh Hui Han | Douglas Eu**

How can we prevent history from repeating itself?

Looking ahead to 2018…

Achieving our objectives with three key performance indicators

Objective: To sustainably improve revenues in TDC's Danish consumer division by end-2018

1.1 x *Increase in ARPU*	**+ 58,000** *Households with 3 brands*	**14.5%** *Churn rate for mobile users*

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

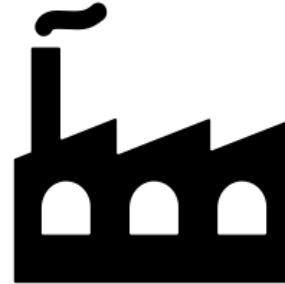# TDC Group – A modern story of David and Goliath

TDC is a large player facing competition from smaller "Davids"

Large number of operators aggressively targeting consumers

MVNOs disruptively lowering market prices due to deregulation

Utilities attract consumers with high-speed fibre-based broadband

Over-the-top players render traditional telecommunication services obsolete
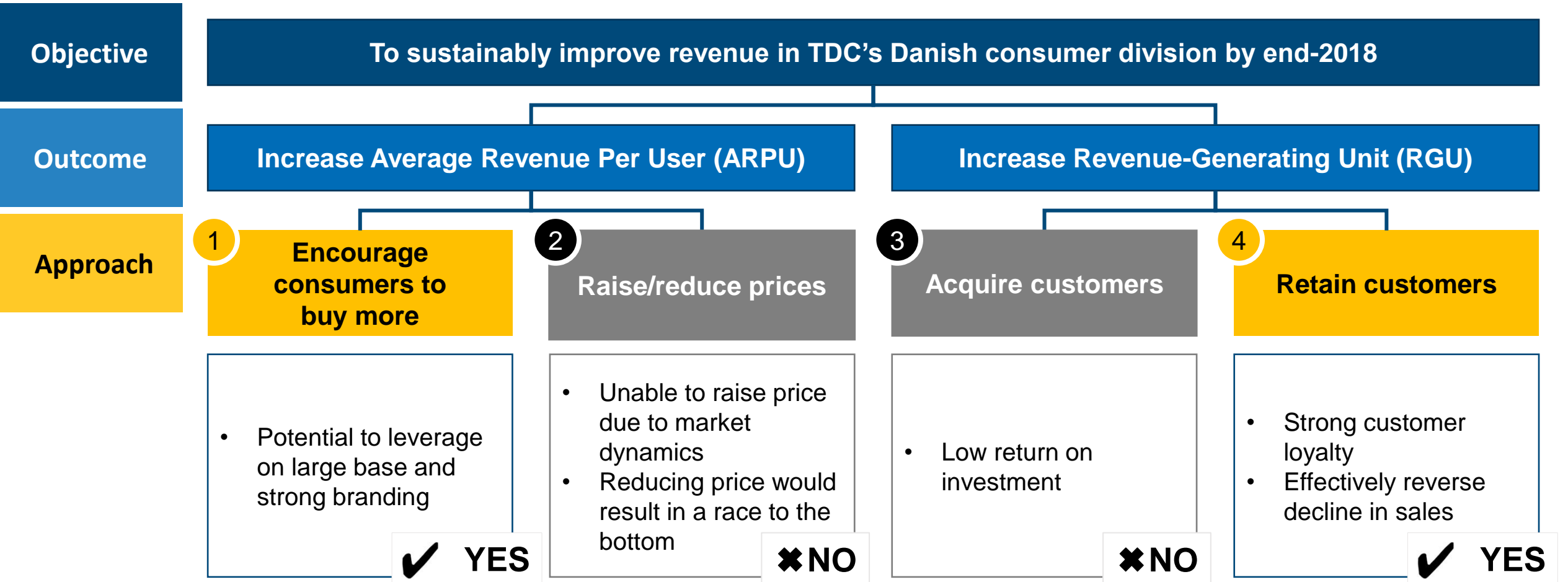
Price-driven competition

Evolving technological possibilities

TDC Group needs to identify ways to reverse revenue decline and stay ahead of competition

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Need to differentiate TDC Group in a price-sensitive market

Raising revenues by retaining customers and raising customer spend

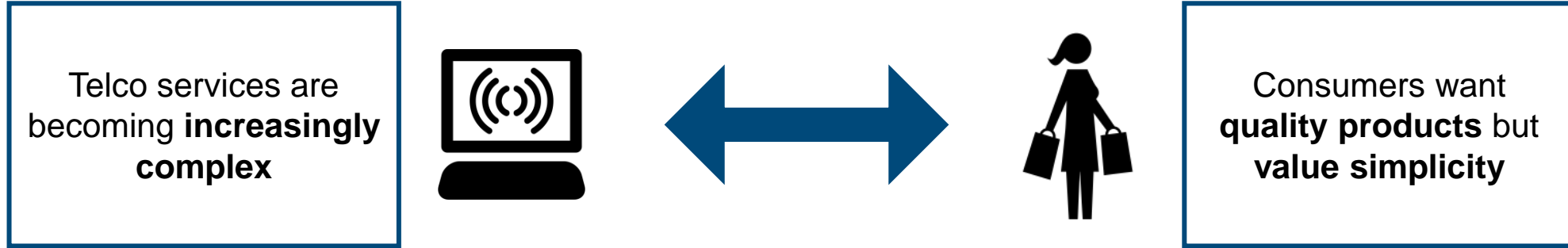| **Objective**	To sustainably improve revenue in TDC's Danish consumer division by end-2018

Outcome	Increase Average Revenue Per User (ARPU)	Increase Revenue-Generating Unit (RGU)

Approach

1 Encourage consumers to buy more	2 Raise/reduce prices	3 Acquire customers	4 Retain customers
• Potential to leverage on large base and strong branding	• Unable to raise price due to market dynamics • Reducing price would result in a race to the bottom	• Low return on investment	• Strong customer loyalty • Effectively reverse decline in sales
✔ **YES**	✘ **NO**	✘ **NO**	✔ **YES**

To raise revenue, TDC Group needs to push the competitive element away from price

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

Consumers value simplicity and quality

Realizing TDC's value proposition

TDC

Telco services are becoming **increasingly complex**	⟷	Consumers want **quality products** but **value simplicity**

Guiding Principle	**Always SIMPLER and BETTER**		
Brand Promise	**Better Connectivity**	**Better Offering**	**Better Customer Experience**
Key Issues	**How to communicate superior connectivity?**	**How to strengthen existing offering?**	**How to enhance customer experience?**

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

Our Game Plan To Tackle David

The roadmap towards sustainable revenue growth

STAND PROUD
Communicating superior connectivity

STAND TALL
Strengthening existing offering

STAND STRONG
Enhancing customer experience

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

Our Game Plan To Tackle David

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STAND PROUD
Communicating superior connectivity

STAND TALL
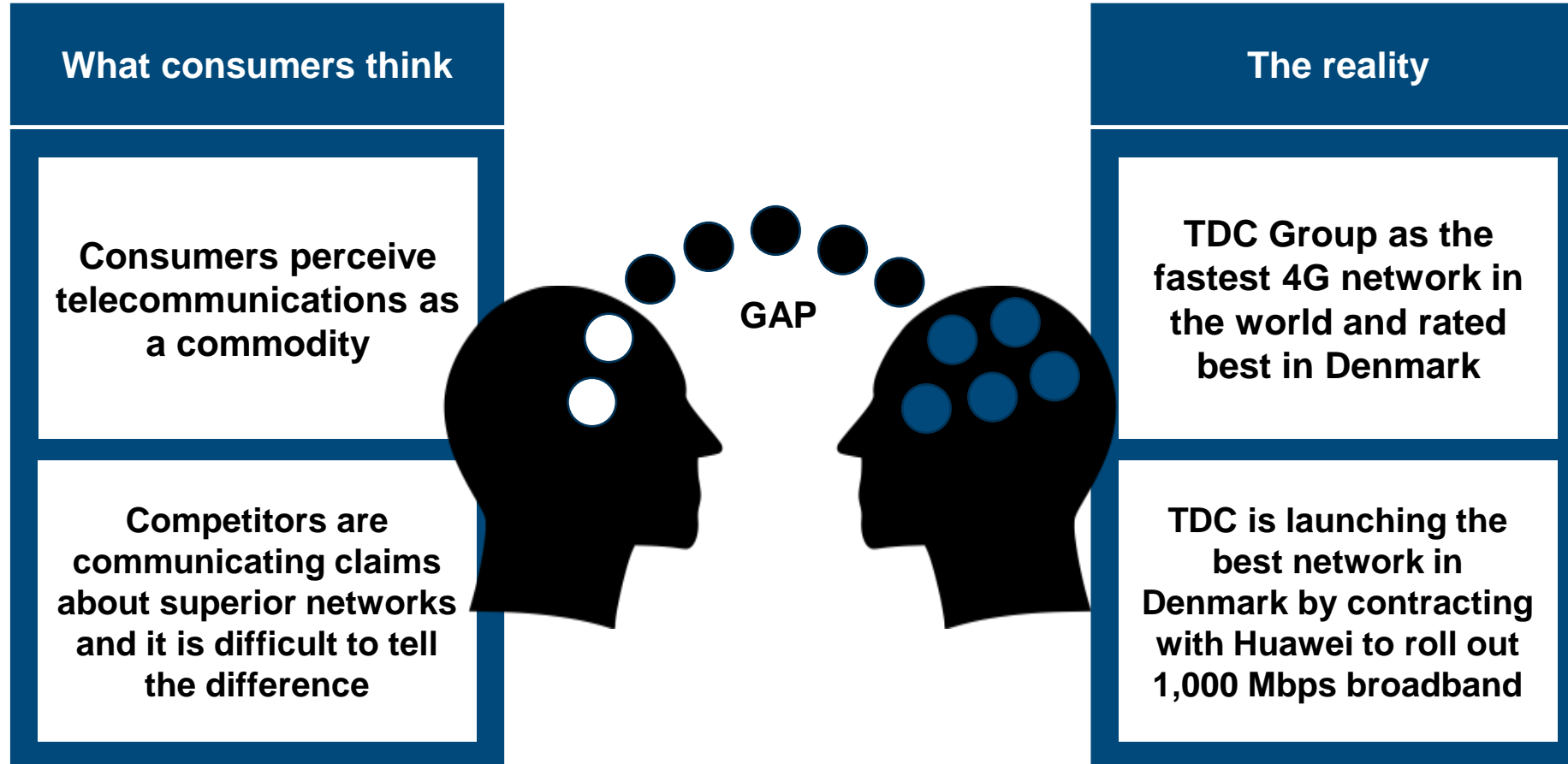Strengthening existing offering

STAND STRONG
Enhancing customer experience

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Bridging the Perceptual Gap

There remains a gap between what the consumer think and the reality

What consumers think	The reality
Consumers perceive telecommunications as a commodity	**TDC Group as the fastest 4G network in the world and rated best in Denmark**
Competitors are communicating claims about superior networks and it is difficult to tell the difference	**TDC is launching the best network in Denmark by contracting with Huawei to roll out 1,000 Mbps broadband**

GAP

There is a need to overcome perceptual gap through active communication efforts

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

Communicating to consumers

Spreading the word via both above-the-line and below-the-line marketing efforts

Always Simpler and Better

TV Commercials

Transport hubs

Social media

Connecting with the world
Extensive reach to large number of consumers

Connecting places
Captive audience waiting at transport hubs

Connecting with technology
Digital strategy to engage modern consumer via quizzes and fun facts

Communicating swift, ubiquitous, interactive connectivity across platforms at all times of the day

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

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| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Assessing current offerings

Identifying the need to improve entertainment value

Merger reflects TDC's ambition to become a leading household entertainment brand

▼

HOWEVER,

Consumers find that YouSee's entertainment services are not as relevant

▼

THUS

There is a need to improve offerings to truly establish YouSee as a leading household entertainment brand
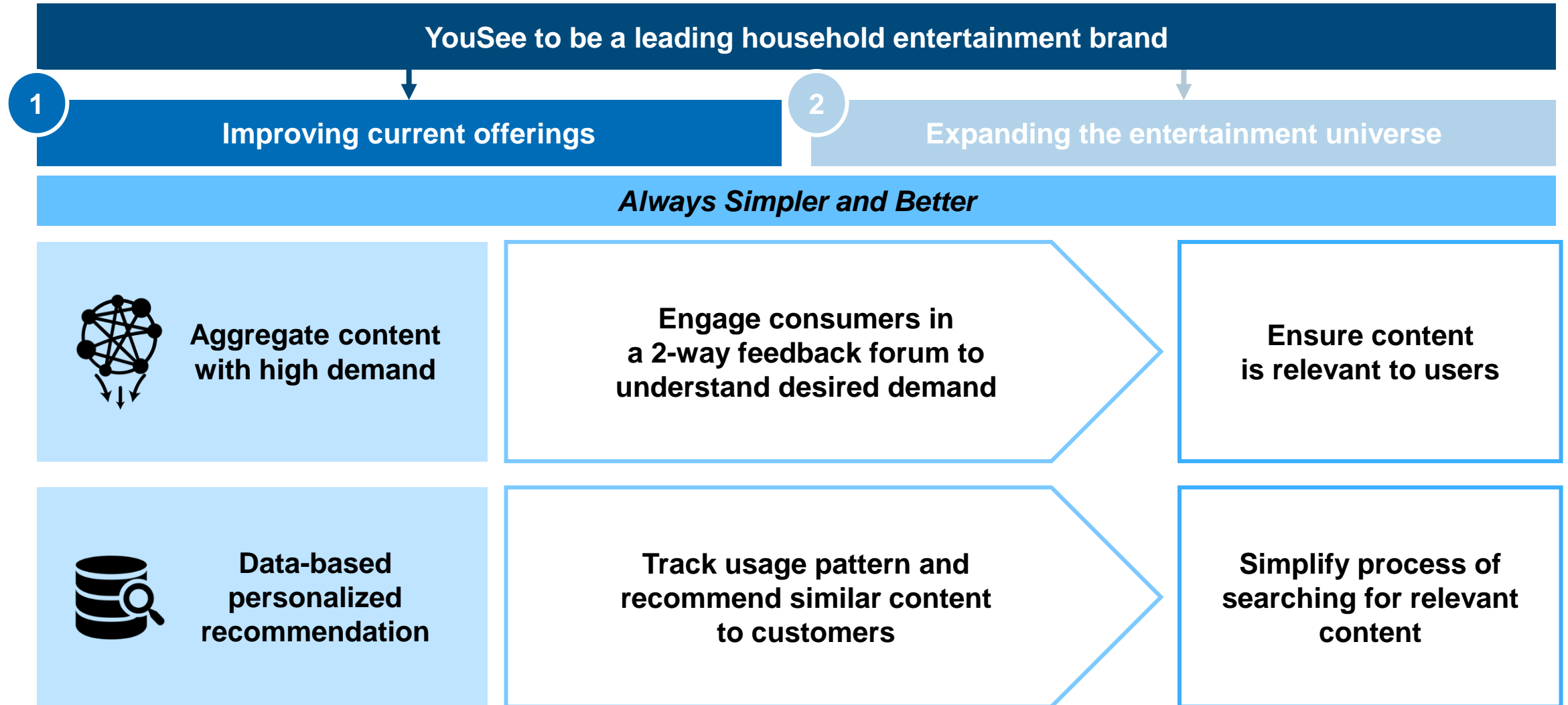
Consumers have less demand for higher-value entertainment offerings

Synergies within TDC Group would mean that improved offerings can still be made available to these segments

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Two avenues to strengthen YouSee's offerings

Improving current offerings and expanding the entertainment universe

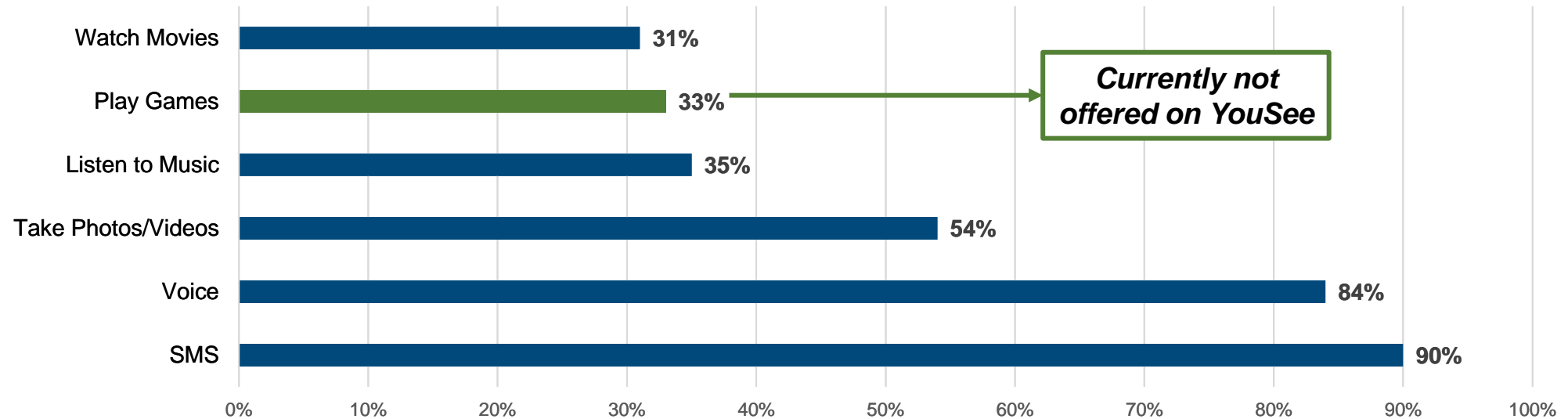**YouSee to be a leading household entertainment brand**

1 **Improving current offerings**

2 **Expanding the entertainment universe**

Always Simpler and Better

Aggregate content with high demand

Engage consumers in a 2-way feedback forum to understand desired demand

Ensure content is relevant to users

Data-based personalized recommendation

Track usage pattern and recommend similar content to customers

Simplify process of searching for relevant content

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Expanding the entertainment universe

Games as an underserved entertainment offering among household consumers

TDC

YouSee to be a leading household entertainment brand

1   Improving current offerings

2   **Expanding the entertainment universe**
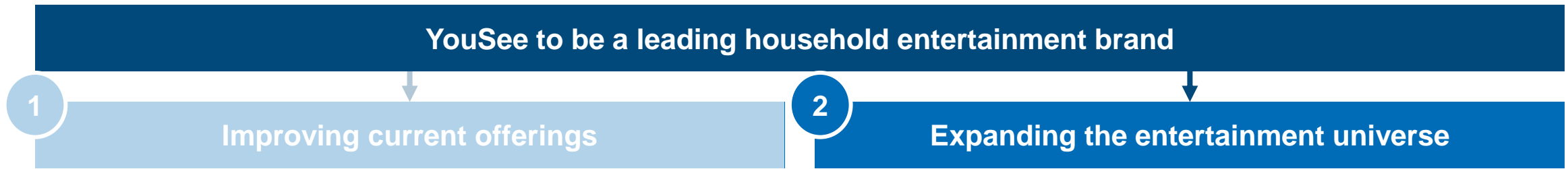
Primary Usage of Smartphones by Danish Household Consumer

Category	Value
Watch Movies	31%
Play Games	33%
Listen to Music	35%
Take Photos/Videos	54%
Voice	84%
SMS	90%

Currently not offered on YouSee

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Gaming is an attractive option to lock in household customers

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Going into games for YouSee's entertainment universe

Partnership with OTT players and content

Mechanism

Partnership with OTT players on gaming services

Content

Games for the whole family
- Educational, trivia
- Role playing
- Classics

Accessible through PC, mobile, TV

Bundling

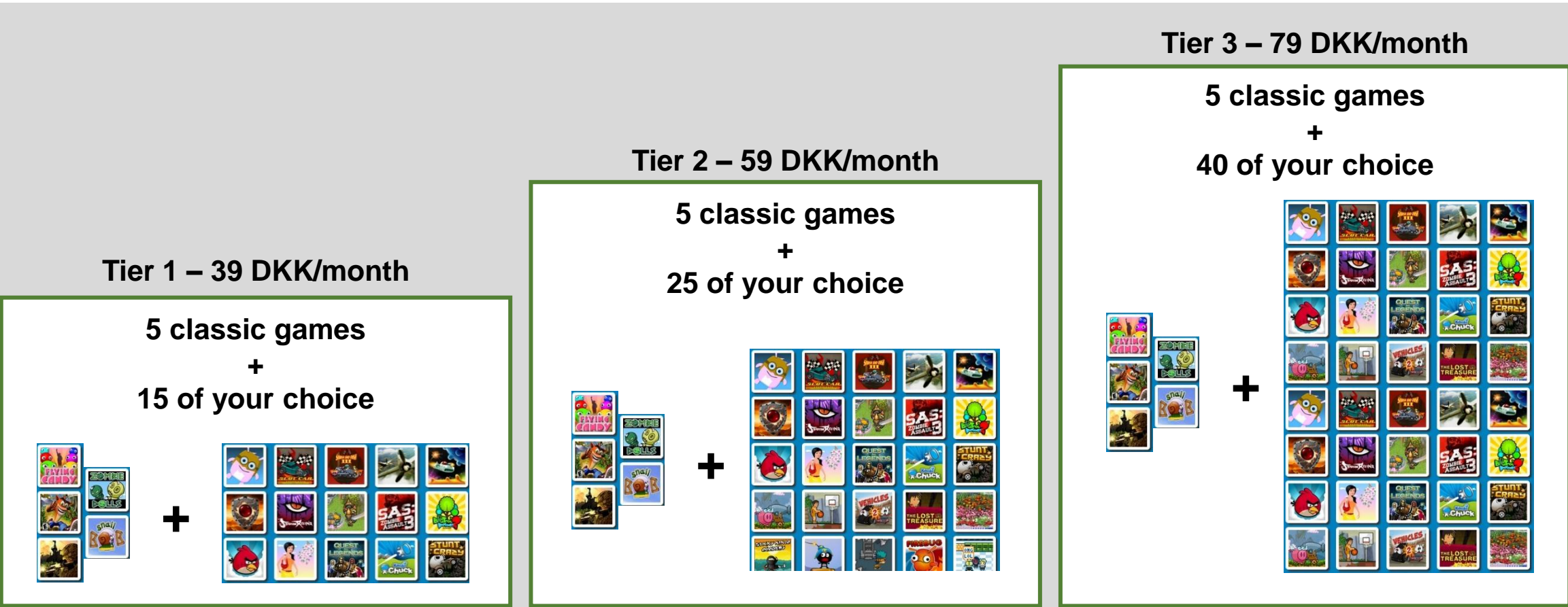To be offered as an add-on similar to YouSee's TV subscription

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Bundling games into YouSee's offering

'Build your own gaming package'

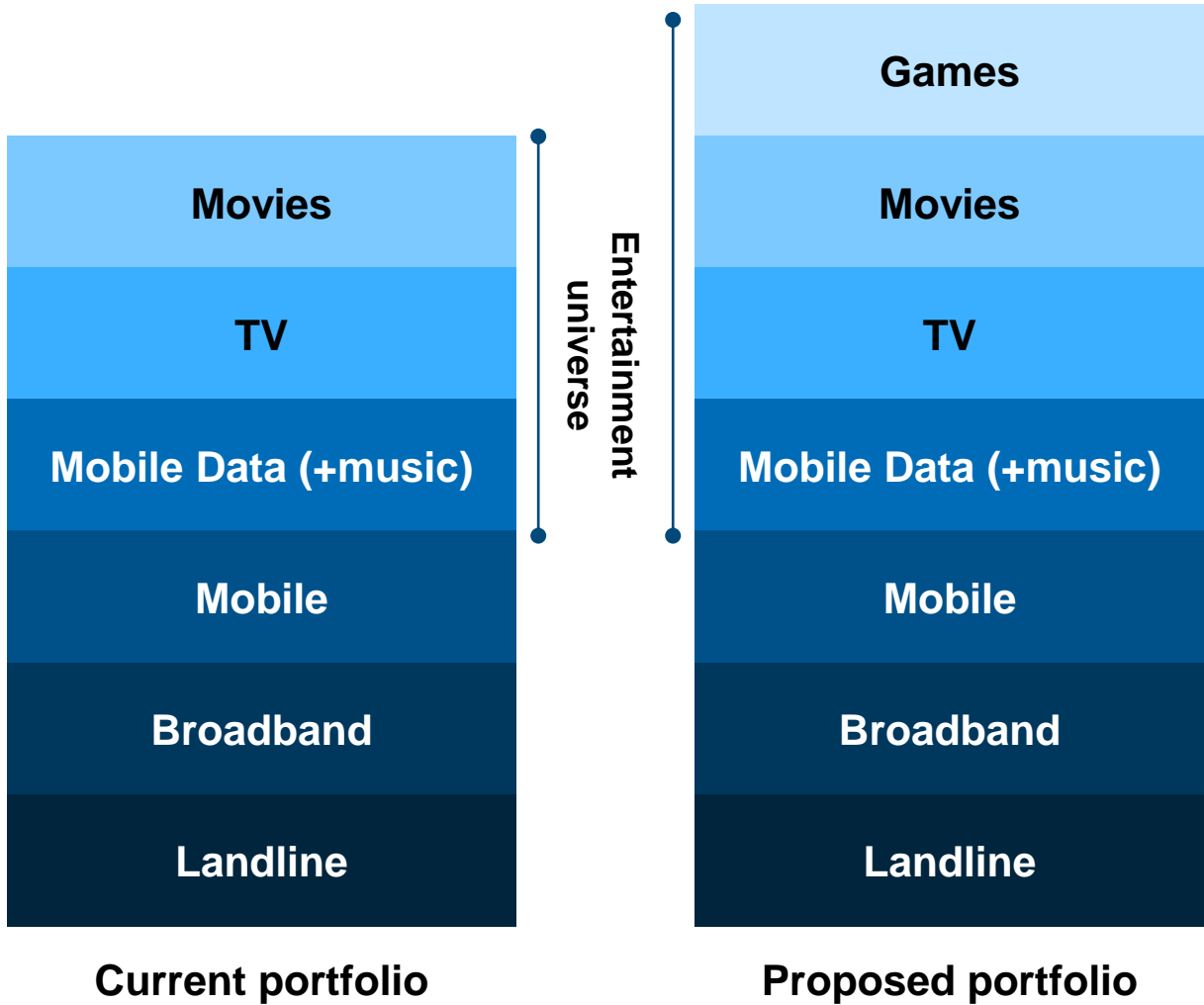| Household segment constitutes a wide range of age groups	Games require higher involvement from customers

Tier 3 – 79 DKK/month

**5 classic games
+
40 of your choice**

Tier 2 – 59 DKK/month

**5 classic games
+
25 of your choice**

Tier 1 – 39 DKK/month

**5 classic games
+
15 of your choice**

Reducing churn through increasing product portfolio

Household churn risk decreases as they hold more main products

TDC

Current portfolio

Movies
TV
Mobile Data (+music)
Mobile
Broadband
Landline

Entertainment universe (Movies, TV, Mobile Data (+music))

Proposed portfolio

Games
Movies
TV
Mobile Data (+music)
Mobile
Broadband
Landline

Entertainment universe (Games, Movies, TV, Mobile Data (+music))

Average household churn, by number of main products in household

Disclaimer: An example of a Churn profile of a brand   Source: TDC Group

Risk of household churn, in pct

-75%

Single Play | Dual Play | Triple Play | Quad Play

0%
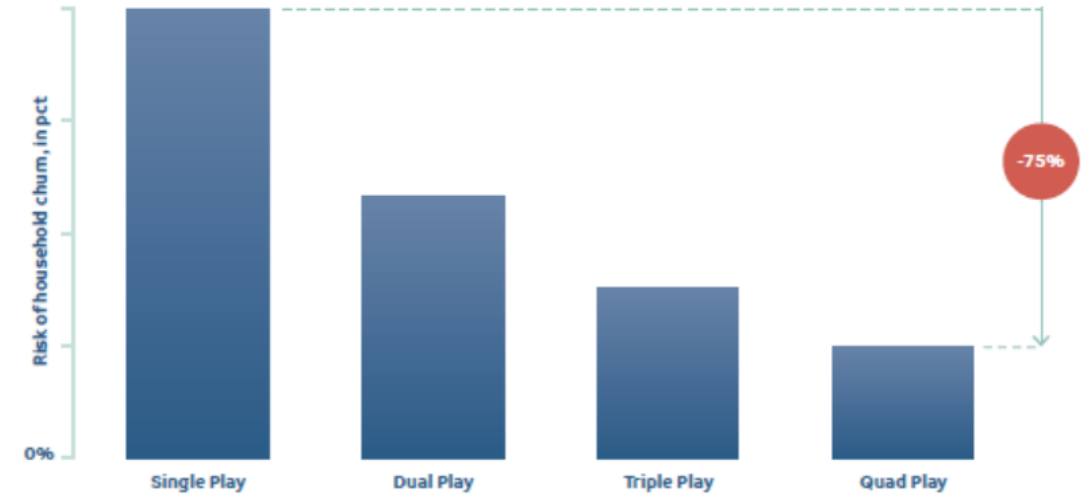
By providing more services, TDC can reduce household churn risk by locking customers into our portfolio

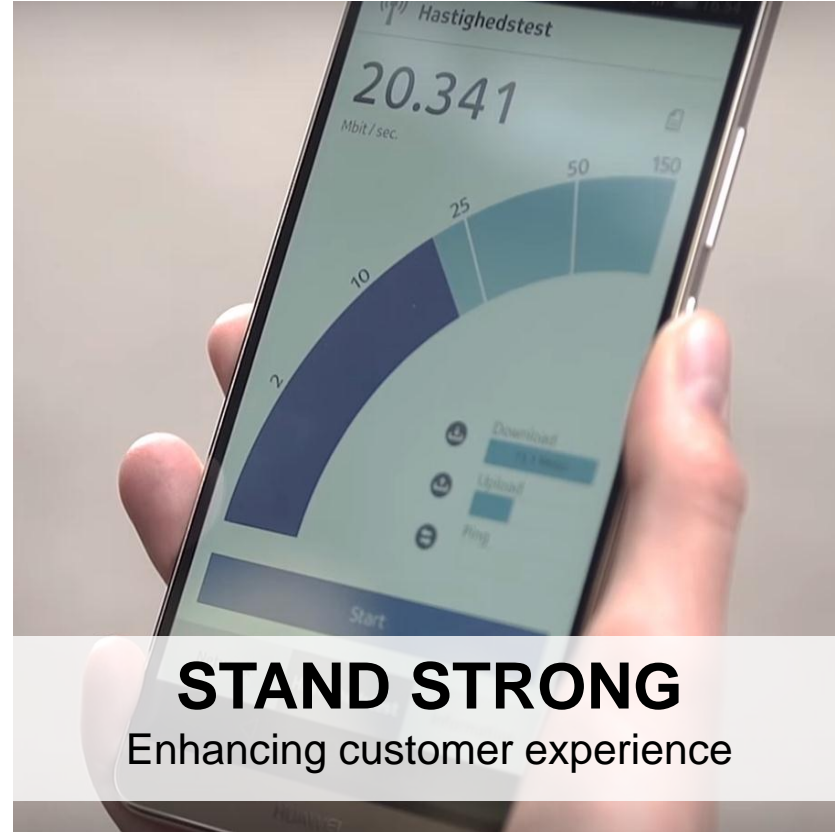| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Our Game Plan To Tackle David

STAND PROUD
Communicating superior connectivity

STAND TALL
Strengthening existing offering

STAND STRONG
Enhancing customer experience

The roadmap towards sustainable revenue growth

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Perception of quality is shaped by overall customer experience

Examining TDC's consumer touchpoints

As an incumbent, customer experience is even more crucial to perception

Overall perception is impacted through a cumulative experience

Pre-Contract	Usage & Billing	Troubleshooting	Customer Service	Customer Engagement
Prices are not as transparent Product descriptions are not as intuitive	Products are not as simple to use Billing is not easy to understand	No automated way to detect and solve technical problems	Forced to contact customer service at specific times	Insufficient dialogue and notification of disruptions

Always Simpler and Better

Source: McKinsey, Case Material, Company's Facebook page, TDC Capital Market Day presentation

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

Setting expectations from the start

Simplifying pre-contract decision making

Katrina

Pre-Contract	Usage & Billing	Troubleshooting	Customer Service	Customer Engagement

What does Katrina want?	• Easy-to-understand products • Transparent pricing
What should TDC do?	• Provide visualization of product information • Train retail staff • Subscription calculator

Source: Case Material

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

Provide good usage experience

Ensuring seamless transition between channels and simplifying processes

TDC

Katrina

| Pre-Contract | **Usage & Billing** | Troubleshooting | Customer Service | Customer Engagement |

What does Katrina want?	• Simple-to-use products • Content access across devices • On-time, accurate billing
What should TDC do?	• Install guide on all channels (TV, mobile app, website) • Centralized account approach • Make bills accessible both online and in-app

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Quicker detection of technical issues and automated solutions

Automating the fixing of generic and minor problems

Katrina

| Pre-Contract | Usage & Billing | **Troubleshooting** | Customer Service | Customer Engagement |

What does Katrina want?	• Automatic detection of problem • Automatic problem solving
What should TDC do?	• Agama (video) and TDC NetPerform (mobile) • Install problem solving procedure that will kick in when quality issues are detected

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

Increase customer service convenience

Making help available in the way consumers prefer

Pre-Contract / **Usage & Billing** / **Troubleshooting** / **Customer Service** / **Customer Engagement**

Katrina

What does Katrina want?	• Convenient • Personalized • Efficient
What should TDC do?	• Omnichannel customer service • 24/7 • Self-service • Trained service staff and technicians

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

Exceeding customer expectations

Engaging and delighting consumers along the way

Katrina

Pre-Contract | Usage & Billing | Troubleshooting | Customer Service | **Customer Engagement**

What does Katrina want?	• To be pre-empted on technical disruptions or price changes • Involved in change making process • Surprise value-add
What should TDC do?	• Have strong omnichannel communication of company notices • Establish 2-way dialogues • Delight through rewarding loyalty and celebrating achievements

ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT

Focus on touchpoints with highest churn risk

Problem solving is a frustrating process for consumers

Katrina

Pre-Contract

Usage & Billing

Troubleshooting

Customer Service

Customer Engagement

John Dahl ▶ TDC
19 hrs · 🌐

Hvad så TDC, kan jeg ikke snart bruge min telefon inde i mit hus - det regner i dag. Kom nu !!

Jeg måtte som så ofte før, gå udenfor for at kunne tale i telefon med min ven i Kbh. her tidligere på dagen. I dag regnede det så, og det gjorde ... deres facebook side og ... ved tasterne på TDC' ... eger har lært, de følger ... n og alle andre TDC' FB

Høstbaro...
16 hrs · Bræ

er ret skuffet over
regninger. vi har b
modtager ingen re
at kontakte jer når
begynder før i står
betale den sidest ...

Øv hvor surt, det skal vi da have gjort noget ved.
Har du downloaded vores app? så følger vi op på det.
Der kan være forhindringer så som huse træer eller bakket landskab der begrænser signalet.
Din boligs byggemateriale glas beton osv. har også indvirkning på signalet.
Når jeg så svarer Katrine at jeg har brugt app'n jævnligt i over et år. At husstandes øvrige telefoner har samme oplevelse, hvad enten det er android eller IOS. At jeg bor i et træhus på en flad strand med udsigt hele vejen rundt og på det nærmeste kan se mobilmasten. Ja så stopper FB tråden ! Der kommer ikke mere fra Katrine?. Jeg har selvfølgelig ringet til TDC - men der sker intet. Danmarks bedste netværk. Det er jo løgn!

- High emotional importance
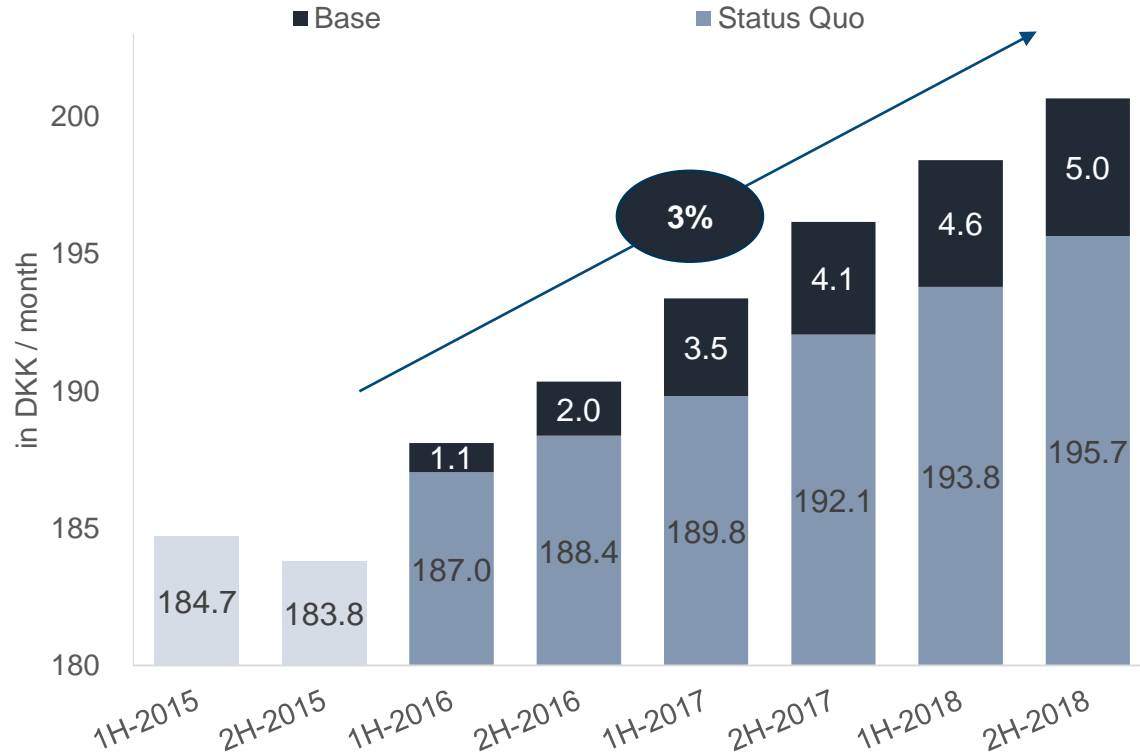- High potential to anger customer

▼

Highest risk of churn

| ANALYSIS | STAND PROUD | STAND TALL | STAND STRONG | IMPACT |

IMPACT

Measuring the upsides of our strategies

Revenue Forecast
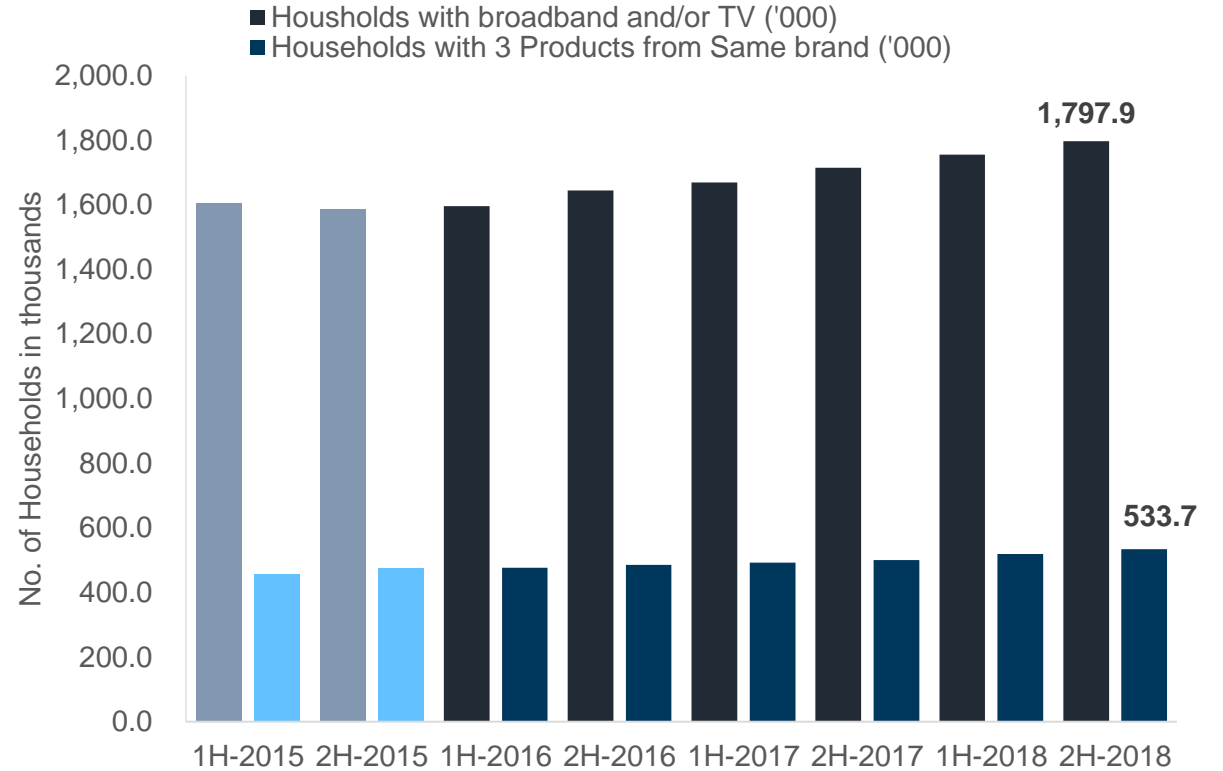
Attaining positive and sustainable revenue growth for TDC group

TDC Group's Consumer Division Revenue

■ Stand Strong   ■ Stand Proud & Stand Tall   ■ Status Quo

in DKk millions

	1H-2015	2H-2015	1H-2016	2H-2016	1H-2017	2H-2017	1H-2018	2H-2018
Stand Strong			4.0	18.1	42.3	74.8	110.5	146.2
Stand Proud & Stand Tall			64.3	130.8	228.5	310.2	396.2	484.8
Status Quo	5,626.0	5,528.0	5,536.6	5,511.8	5,500.6	5,500.7	5,492.6	5,489.1
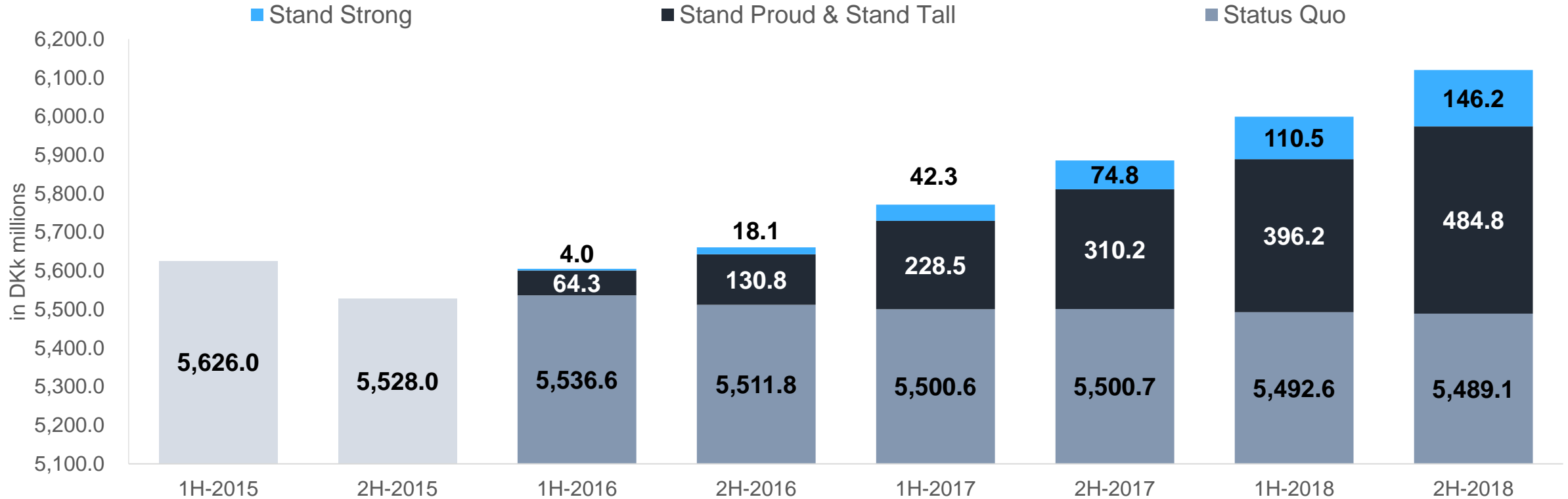
Stand Proud
Identifying and communicating our unique value proposition

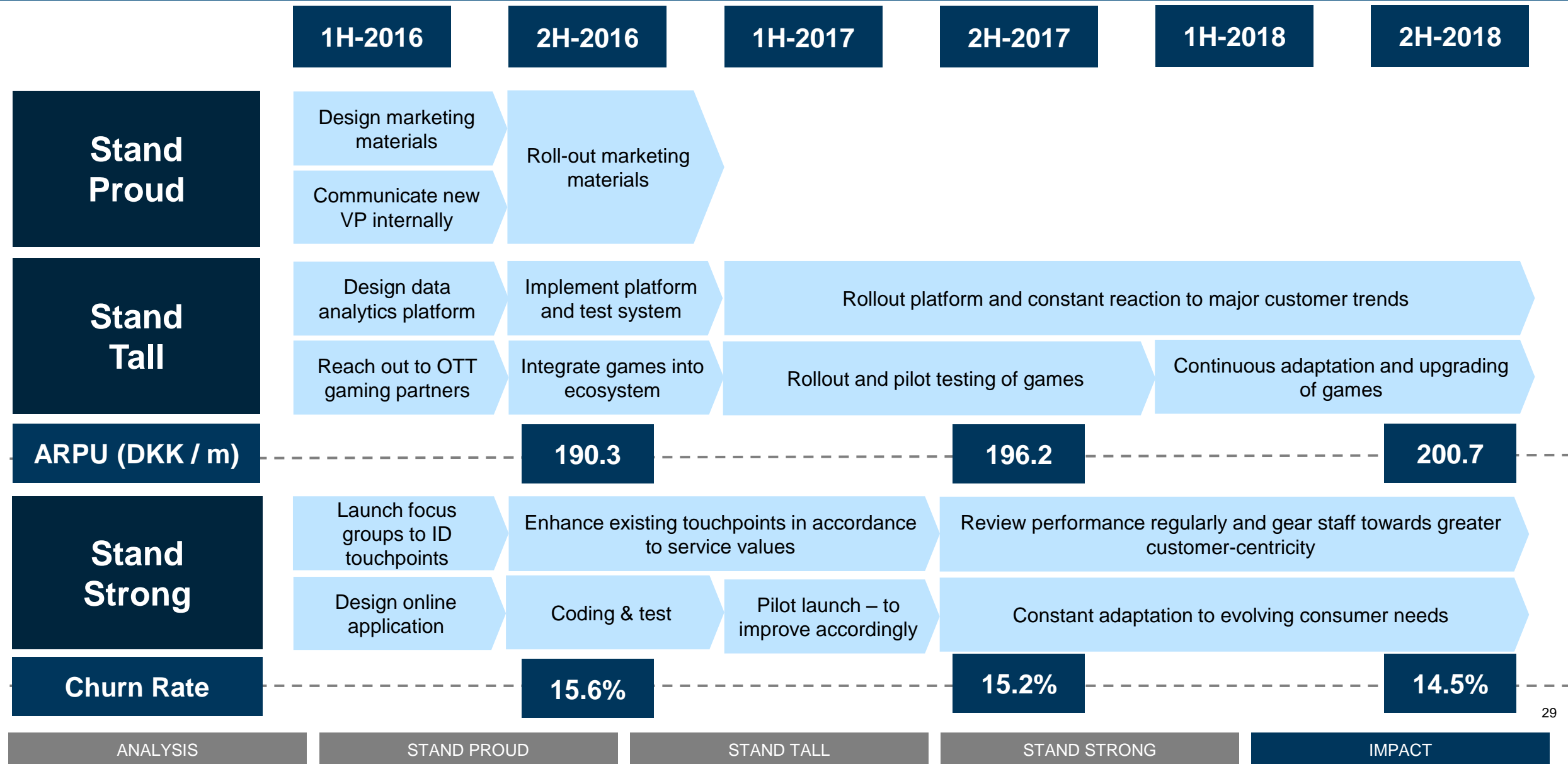## Stand Tall
Strengthening product offering to increase ARPU

Stand Strong
Improving customer satisfaction to decrease churn rate

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

Implementation Timeline

Deploying our strategies across the next three years

	1H-2016	2H-2016	1H-2017	2H-2017	1H-2018	2H-2018
Stand Proud	Design marketing materials	Roll-out marketing materials				
	Communicate new VP internally					
Stand Tall	Design data analytics platform	Implement platform and test system	Rollout platform and constant reaction to major customer trends			
	Reach out to OTT gaming partners	Integrate games into ecosystem	Rollout and pilot testing of games		Continuous adaptation and upgrading of games	
ARPU (DKK / m)		190.3		196.2		200.7
Stand Strong	Launch focus groups to ID touchpoints	Enhance existing touchpoints in accordance to service values		Review performance regularly and gear staff towards greater customer-centricity		
	Design online application	Coding & test	Pilot launch – to improve accordingly	Constant adaptation to evolving consumer needs		
Churn Rate		15.6%		15.2%		14.5%

ANALYSIS	STAND PROUD	STAND TALL	STAND STRONG	IMPACT

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To sustainably improve revenues in TDC's Danish consumer division by end-2018

Key Issues	**Stand Proud** *How to communicate superior connectivity?*	**Stand Tall** *How to strengthen existing offerings?*	**Stand Strong** *How to enhance customer experience?*
Strategy	Plan communications program	Reach out to OTT gaming partners	Review and enhance main touchpoints
Targets	**200** Average Revenue per User (in DKK / m)	**58 k** Households with 3 or more TDC products	**14.5** Churn rate (in percentage)

Nova Associates

for

Appendix (Main Deck)

Analysis

3. Objective: To sustainably improve revenues in TDC's Danish consumer division by end-2018

3. Looking ahead to 2018…

4. TDC Group – A modern story of David and Goliath

5. Need to differentiate TDC Group in a price-sensitive market

6. Consumers value simplicity and quality

7. Our Game Plan To Tackle David

Stand Proud

9. Bridging the Perceptual Gap

9. There remains a gap between what the consumer think and the reality

Stand Tall

10. Communicating to consumers

12. Assessing current offerings

13. Two avenues to strengthen YouSee's offerings

14. Expanding the entertainment universe

15. Going into games for YouSee's entertainment universe

16. Bundling games into YouSee's offering

17. Reducing churn through increasing product portfolio

Stand Strong

19. Perception of quality is shaped by overall customer experience

20. Setting expectations from the start

21. Provide good usage experience

22. Quicker detection of technical issues and automated solutions

23. Increase customer service convenience

24. Exceeding customer expectations

25. Focus on touchpoints with highest churn risk

Impact

27. Financial Highlights

28. Revenue Forecast

28. Attaining positive and sustainable revenue growth for TDC group

29. Implementation Timeline

30. Conclusion

Appendix (Backup)

Analysis

Stand Tall

Stand Strong

Financials

Risk and Mitigation

Risk	Mitigation	Contingency
Limited impact of communication efforts	More targeted efforts at specific segments e.g. households	Focus more on below-the-line marketing efforts to better consumer engagement
Poor uptake of game bundle	Provide free trial of basic game package	Conduct customer survey and increase positive discounts
Key consumer touchpoints not identified and addressed	Make workshop compulsory	Involve both consumers and staff to share pain points and on-the-ground insights
Systems and processes unable to support customer-centric journey	Set up steering committee to define project milestones, test new systems and monitor project status	Hire external experts experienced in change management
Unable to foster a customer-centric culture	Enhance staff engagement, monitor employee response and feedback	Training programmes, with different pedagogies to suit different learning styles

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Recommendation Prioritization

Most Important   **Least Important**

STAND STRONG
Enhancing customer experience
Key Priority

- Urgent need to resolve customer pain points before delighting customers with excellent customer experience
- Need to fulfill brand promise
- Building a customer-centric DNA is key to reducing churn and ensuring sustainable growth

STAND TALL
Strengthening existing Offering

- Already relatively strong in entertainment
- Important as it remains key to driving higher ARPU

STAND PROUD
Communicating superior connectivity

- High speed and wide coverage as key factors driving purchase
- But little monetization over connectivity differences (education as a long-term effort)

Current Situation: 4 main areas of business

TDC

Mobile

| 70% decrease in prices | Aggressive price competition from large operators and MVNOs due to deregulation |

| 5% decrease in GRU | Consumer churn due to price competition and innovative product offerings |

Focus on reducing churn by offering attractive mobile packages with premium content

Robust tendency for value-added services to converge into commoditised default elements → **Need to continuously explore new ways to retain consumers**

TV

| 4% increase in revenue | Strong branding in TV segment, but showing signs of "cable shaving" and "cable cutting" (pressure from OTT streaming services) |

Cable shaving and cutting reduced by introducing new functionalities and revitalised content to improve customer experience

Continue to focus on households, encouraging growth in household penetration to reduce churn rates in TV

Need to stay relevant for a much more complex set of user preferences

Broadband

| 5% increase in revenue | Stagnant revenue growth despite growing market *Potential headwind: tougher price competition due to deregulation* |

Offer customers with high-speed broadband solutions

Fixed line

| 27% decrease in revenue | Changing consumption patterns (shift to mobile) |

Market in decline → Compensate for growth in other product areas

Source: Case material, Nova analysis

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Decision Matrix: Target Consumer

	Size of market	High potential for cross-sell	Low price-sensitivity
First stop	1/3	2/3	1/3
Career focused	2/3	3/3	3/3
30+ singles	3/3	2/3	1/3
Couples	1/3	1/3	2/3
Families	3/3	3/3	2/3
High income families	2/3	3/3	3/3
Seniors	2/3	1/3	2/3
Wealthy seniors	2/3	2/3	3/3

Decision Matrix: Target Consumer (Data)

	Size of market (% of popn)	Potential for cross-sell	Price-sensitivity
First stop	6	Broadband, mobile	Price sensitive
Career focused	12	Broadband, mobile, TV (impacted by streaming)	Willing to pay for premium
30+ singles	21	Broadband (maybe), TV	Price sensitive
Couples	9	Mobile, TV (shifting to basic)	
Families	16	Broadband, mobile (impacted by streaming)	
High income families	13	Broadband, mobile (impacted by streaming)	Willing to pay for premium
Seniors	13	TV	
Wealthy seniors	10	Mobile, TV	Willing to pay for premium

Potential Ways to Strengthen Offerings

Long-term innovation trends

Smart Home

- Lighting control
- Power control
- Media sharing and control
- Electric grid

mHealth

- Vital signs monitoring
- Weight monitoring
- Chronic disease management

Cloud Computing

- Everything is being stored in the cloud

Mobile Payment and E-Commerce

- Transferring money and making everyday purchases
- Online shopping is increasing across bordes

How to ensure survival in the new TV value chain

- *Acquiring exclusive rights for certain high profile events may be too costly and short-term in nature*

- *Should not move into content creation as it is not our core strengths*
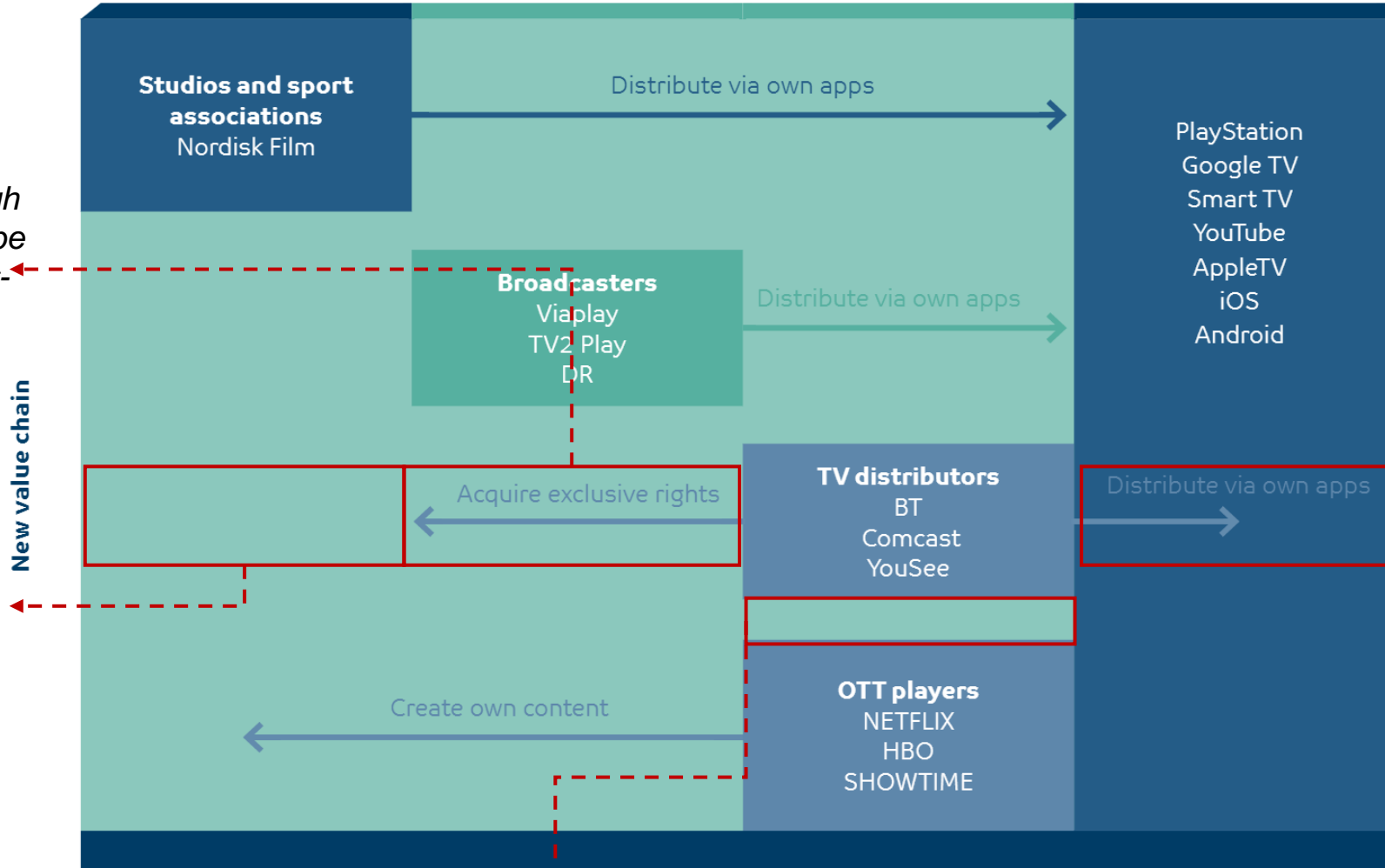
- *YouSee currently strong in terms of content distribution via own apps*

- *Potential to 'work' with OTT players and to form exclusive/semi-exclusive deals*

New value chain

Studios and sport associations
Nordisk Film

Distribute via own apps

Broadcasters
Viaplay
TV2 Play
DR

Distribute via own apps

Acquire exclusive rights

TV distributors
BT
Comcast
YouSee

Distribute via own apps

Create own content

OTT players
NETFLIX
HBO
SHOWTIME

PlayStation
Google TV
Smart TV
YouTube
AppleTV
iOS
Android

Source: Case Materials

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Setting up a venture capital

Capturing innovativeness in the future

TDC

Case Study: Singtel innov8	How it works

Case Study: Singtel innov8

Singtel innov8

Venture capital arm of Singtel Group

Partnered with JDFI partners to bring successful start-up acceleration programme to Asia Pacific

Fund size of US$250 million, own set of decision making, approval and funding processes

How it works

Gain access to emerging technologies (network capabilities, next generation devices, digital services etc)

Singtel → **Startups**

Gateway for start-ups to tap on the resources and expertise of the Singtel Group

1. Brief ⇒ **2. Connect** ⇒ **3. Pitch** ⇒ **4. Collborate**

Risk of setting up venture capital	Possibly risky, but it will be <u>contained risks</u>:

Risk of setting up venture capital

Possibly risky, but it will be <u>contained risks</u>:
1. We target **mid-size** to **large-size** companies who have show traction.
2. The Danish government is giving **incentives and support** to make Denmark a thriving startup scene.

Customer satisfaction survey results

Questions	TDC	YouSee	Telia	Telenor	3
Recommendation Score	60	60	72	72	70
If you were to choose a new operator today, how likely is it you would choose the same?	66	62	71	75	69
How likely is it that you are still a customer at your current operator in 6 months?	76	76	79	85	77
The operator's marketing is relevant for me (TV-commericals, social media etc.)	47	49	53	53	51
The operator is good at informing me preemptively of technical changes/disruptions etc.	56	67	67	64	59
The billing is easy to understand	66	66	76	75	74
The operator explains changes in subscription prices in an understandable manner	61	62	73	70	68
What is your absolute evaluation of the operator's ability to make it easy for the customer?	64	64	76	74	72
There is satisfactory possibilities for self-service at the operator	67	67	77	73	75
The operator's products are simple to use	75	73	81	80	76
The operator give me freedom to compose the solution which works best for me and my family	64	55	76	75	69
The operator's entertainment services are relevant for me	44	49	54	35	34
(movies, tv-series, music, audiobooks, archives, magazines etc.)					
The operator is first on the market with new products and services	52	52	56	53	57
What is your collective evalutation of: value for money by the operator?	65	60	76	72	69
The operator's prices are reasonable	55	53	72	70	65
The operator's prices are transparent	55	57	73	70	68
Contact within the first ½ year (% of yes)	47	48	57	53	58
Purchase of a product within the last ½ year (% of yes)	15	15	0	33	33
How do you perceive the selection of mobile subscriptions?	72	80	75	73	71
How do you perceive the quality of mobile coverage?	79	77	81	76	69
How do you perceive your broadband speed?	72	76	75	76	76
How do you perceive the selection of TV channels?	77	73	76	n/a	n/a
How do you perceive the possibility to select the TV channels you want?	66	53	66	n/a	n/a

Source: Case Materials

Training Curriculum towards Customer Centricity

TDC

Head	Heart	Hand
To equip employees with the right tools and sufficient knowledge	To motivate and inspire passion, commitment, and call for action	To exercise, practice and solve with interactive, live-action case studies
Compulsory Induction Program	Peer Mentoring System	Business Simulations
Classroom Learning	Formalised Checks by Line Managers	Internal On-the-job Evaluation
Peer Mentoring System	Informal Dialogues by Line Managers	Mystery Audit

Building a Customer-Centric Culture

Closed loop feedback	Regular team meetings	Outer loop	Senior leader involvement
• Staff collects feedback after key touchpoints • Use data to improve the customer experience (follow up)	• Highlight positive performance and identify action steps • Meetings to involve both frontline and backend personnel to discuss role in customer centricity • Peer mentorship	• Analyse feedback data • Identify issues and prioritise growth opportunities • Address root cause • Develop solutions and implement actions • Communicate with others in organisation	• Walk the talk

Individual and team learning, connection with customers and problem solving

Implementation of structural improvements

Model Assumptions

Displaying our main revenue assumptions – ARPU, RGU, Churn and Households

Key Assumptions	1H-15	2H-15	1H-16	2H-16	1H-17	2H-17	1H-18	2H-18	FY2015	FY2016	FY2017	FY2018	3Y CAGR
Fixed Lines RGU - TDC & YouSee	0.366	0.336	0.308	0.290	0.275	0.257	0.242	0.229	0.336	0.290	0.257	0.229	*-12.1%*
Fixed Lines RGU - Online Brands	0.262	0.240	0.220	0.207	0.197	0.184	0.173	0.163	0.240	0.207	0.184	0.163	*-12.1%*
Fixed Lines RGU	**0.628**	**0.576**	**0.528**	**0.497**	**0.472**	**0.441**	**0.416**	**0.392**	**0.576**	**0.497**	**0.441**	**0.392**	
Mobile RGU - TDC & YouSee	1.174	1.174	1.178	1.191	1.209	1.230	1.255	1.280	1.174	1.191	1.230	1.280	*2.9%*
Mobile RGU - Online Brands	0.838	0.839	0.841	0.851	0.863	0.879	0.896	0.914	0.839	0.851	0.879	0.914	*2.9%*
Mobile RGU	**2.012**	**2.013**	**2.019**	**2.041**	**2.072**	**2.109**	**2.151**	**2.194**	**2.013**	**2.041**	**2.109**	**2.194**	
Broadband RGU - TDC & YouSee	0.902	0.898	0.897	0.897	0.902	0.909	0.917	0.926	0.898	0.897	0.909	0.926	*1.0%*
Broadband RGU - Online Brands	0.150	0.150	0.150	0.150	0.150	0.152	0.153	0.154	0.150	0.150	0.152	0.154	*1.0%*
Broadband RGU	**1.052**	**1.048**	**1.047**	**1.047**	**1.052**	**1.061**	**1.070**	**1.081**	**1.048**	**1.047**	**1.061**	**1.081**	
TV RGU - TDC & YouSee	1.359	1.351	1.347	1.347	1.354	1.364	1.377	1.391	1.351	1.347	1.364	1.391	*1.0%*
TV RGU - Online Brands	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.026	0.025	0.025	0.025	0.026	*1.0%*
TV RGU	**1.384**	**1.376**	**1.372**	**1.372**	**1.379**	**1.390**	**1.402**	**1.416**	**1.376**	**1.372**	**1.390**	**1.416**	
Fixed Lines - Adjusted ARPU (DKK / m)	150.5	146.1	149.6	150.9	151.1	152.8	153.9	154.9	148.3	150.3	152.0	154.4	*1.4%*
Mobile - Adjusted ARPU (DKK / m)	107.4	108.8	111.5	114.6	118.1	120.9	123.7	126.2	108.1	113.1	119.5	124.9	*4.9%*
Broadband - Adjusted ARPU (DKK / m)	194.9	192.7	196.6	199.9	203.1	206.0	208.7	211.2	193.8	198.3	204.6	209.9	*2.7%*
TV - Adjusted ARPU (DKK / m)	257.6	254.5	258.0	262.7	266.7	270.4	273.9	277.2	256.0	260.4	268.6	275.6	*2.5%*
Blended ARPU (DKK / m)	*184.7*	*183.8*	*188.1*	*190.3*	*193.4*	*196.2*	*198.4*	*200.7*	*183.8*	*190.3*	*196.2*	*200.7*	*3.0%*
Mobile - Recurring Customers	1.642	1.679	1.690	1.723	1.755	1.789	1.829	1.876					
Mobile - Variable Customers	0.370	0.334	0.329	0.318	0.317	0.321	0.323	0.318					
Mobile - Total Customers	**2.012**	**2.013**	**2.019**	**2.041**	**2.072**	**2.109**	**2.151**	**2.194**					
Churn Rate	*18.4%*	*16.6%*	*16.3%*	*15.6%*	*15.3%*	*15.2%*	*15.0%*	*14.5%*					
Housholds with broadband and/or TV ('000)	1,604.0	1,586.0	1,596.4	1,644.8	1,670.0	1,715.3	1,755.4	1,797.9					
Households with 3 Products from Same brand ('000)	457.0	475.0	476.7	485.7	492.5	500.1	519.1	533.7					
Total Households ('000)	**2,061.0**	**2,061.0**	**2,073.2**	**2,130.5**	**2,162.5**	**2,215.3**	**2,274.5**	**2,331.7**					

Segment Income Statement

Revenue segment breakdown by products and full segment breakdown by brands

Segment Income Statement	1H-15	2H-15	1H-16	2H-16	1H-17	2H-17	1H-18	2H-18	FY2015	FY2016	FY2017	FY2018	3Y CAGR
Revenue Segment by Products													
Revenues - Fixed Lines	567.0	505.0	474.1	449.6	427.7	404.7	383.9	364.2	1,072.0	923.7	832.3	748.0	-11.3%
Revenues - Mobile	1,297.0	1,314.0	1,350.9	1,404.0	1,467.8	1,530.1	1,596.6	1,661.1	2,611.0	2,754.9	2,997.9	3,257.7	7.7%
Revenues - Broad Band	1,230.0	1,212.0	1,235.0	1,256.0	1,282.5	1,310.8	1,339.8	1,369.5	2,442.0	2,491.0	2,593.3	2,709.3	3.5%
Revenues - TV	2,139.0	2,101.0	2,124.0	2,162.7	2,206.2	2,254.9	2,304.8	2,355.8	4,240.0	4,286.8	4,461.1	4,660.6	3.2%
Revenues - Other Services	393.0	396.0	420.9	388.3	387.3	385.1	374.2	369.6	789.0	809.2	772.5	743.8	-1.9%
Revenue - Consumers	**5,626.0**	**5,528.0**	5,604.9	5,660.6	5,771.4	5,885.7	5,999.2	6,120.1	**11,154.0**	**11,265.5**	**11,657.1**	**12,119.4**	2.8%
Segment by Brands													
Revenue - TDC & YouSee	4,241.7	4,162.7	4,208.6	4,281.3	4,371.0	4,466.1	4,566.6	4,668.2	8,404.5	8,489.8	8,837.1	9,234.8	3.2%
Revenue - Online Brands	991.3	969.3	975.5	991.1	1,013.1	1,034.4	1,058.5	1,082.3	1,960.5	1,966.5	2,047.5	2,140.8	3.0%
Revenue - Other Services	393.0	396.0	420.9	388.3	387.3	385.1	374.2	369.6	789.0	809.2	772.5	743.8	-1.9%
Revenue - Consumer	**5,626.0**	**5,528.0**	5,604.9	5,660.6	5,771.4	5,885.7	5,999.2	6,120.1	**11,154.0**	**11,265.5**	**11,657.1**	**12,119.4**	2.8%
COGS - Consumer	(1,368.0)	(1,373.0)	(1,374.8)	(1,384.0)	(1,403.5)	(1,428.2)	(1,449.1)	(1,464.6)	(2,741.0)	(2,758.8)	(2,831.7)	(2,913.7)	
Gross Profit - Consumer	**4,258.0**	**4,155.0**	4,230.1	4,276.6	4,368.0	4,457.4	4,550.1	4,655.5	**8,413.0**	8,506.7	8,825.4	9,205.7	3.0%
SG&A - Consumer	(530.0)	(436.0)	(450.2)	(478.1)	(468.8)	(482.7)	(495.3)	(501.4)	(966.0)	(928.4)	(951.4)	(996.8)	
Other Operating Income / (Expense) - Consumer	0.0	(2.0)	0.0	0.0	0.0	0.0	0.0	0.0	(2.0)	0.0	0.0	0.0	
EBITDA - Consumer	**3,728.0**	**3,717.0**	**3,779.9**	**3,798.4**	**3,899.2**	**3,974.8**	**4,054.8**	**4,154.1**	**7,445.0**	**7,578.3**	**7,873.9**	**8,208.9**	3.3%
Revenue - Other Segments	6,597.0	6,615.0	6,940.0	7,260.9	7,498.3	7,818.4	8,135.3	8,449.7	13,212.0	14,200.9	15,316.6	16,585.0	7.9%
COGS - Other Segments	(2,025.0)	(2,116.0)	(2,164.3)	(2,271.9)	(2,361.0)	(2,448.8)	(2,551.7)	(2,652.5)	(4,141.0)	(4,436.2)	(4,809.8)	(5,204.2)	
Gross Profit - Other Segments	**4,572.0**	**4,499.0**	**4,775.7**	**4,989.0**	**5,137.2**	**5,369.6**	**5,583.6**	**5,797.2**	**9,071.0**	**9,764.7**	**10,506.8**	**11,380.7**	7.9%
SG&A - Other Segments	(3,472.0)	(3,382.0)	(3,653.0)	(3,785.1)	(3,896.4)	(4,084.6)	(4,239.5)	(4,402.9)	(6,854.0)	(7,438.1)	(7,981.0)	(8,642.4)	
Other Operating Income / (Expense) - Other Segments	59.0	88.0	61.3	69.4	72.9	67.9	70.1	70.3	147.0	130.8	140.8	140.4	
EBITDA - Other Segments	**1,159.0**	**1,205.0**	**1,184.1**	**1,273.3**	**1,313.7**	**1,352.9**	**1,414.1**	**1,464.6**	**2,364.0**	**2,457.4**	**2,666.6**	**2,878.7**	6.8%

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Key Financials

Key financial extracts from the income statement, balance sheet and statement of cash flows

| Key Financials	1H-15	2H-15	1H-16	2H-16	1H-17	2H-17	1H-18	2H-18	FY2015	FY2016	FY2017	FY2018	3Y CAGR
Income Statement													
Revenue	12,223.0	12,143.0	12,545.0	12,921.5	13,269.7	13,704.0	14,134.5	14,569.8	24,366.0	25,466.4	26,973.7	28,704.3	*5.6%*
Cost of Goods Sold	(3,393.0)	(3,489.0)	(3,539.1)	(3,655.9)	(3,764.5)	(3,877.0)	(4,000.8)	(4,117.1)	(6,882.0)	(7,195.0)	(7,641.6)	(8,117.9)	
Gross Profit	**8,830.0**	**8,654.0**	**9,005.8**	**9,265.5**	**9,505.2**	**9,827.0**	**10,133.7**	**10,452.7**	**17,484.0**	**18,271.4**	**19,332.2**	**20,586.4**	*5.6%*
SG&A	(4,002.0)	(3,818.0)	(4,103.2)	(4,263.3)	(4,365.2)	(4,567.3)	(4,734.9)	(4,904.3)	(7,820.0)	(8,366.5)	(8,932.5)	(9,639.2)	
Other Operating Income / (Expense)	59.0	86.0	61.3	69.4	72.9	67.9	70.1	70.3	145.0	130.8	140.8	140.4	
EBITDA	**4,887.0**	**4,922.0**	**4,964.0**	**5,071.7**	**5,212.9**	**5,327.6**	**5,468.9**	**5,618.7**	**9,809.0**	**10,035.7**	**10,540.6**	**11,087.6**	*4.2%*
EBIT	2,224.0	2,274.0	2,585.6	2,577.4	2,764.1	2,942.5	3,070.4	3,246.0	4,498.0	5,163.0	5,706.6	6,316.4	*12.0%*
Profit from Continuing Operations	1,272.0	1,230.0	1,445.2	1,428.8	1,554.8	1,672.4	1,753.3	1,868.8	2,502.0	2,874.1	3,227.2	3,622.1	*13.1%*
EPS (in DKK per Share)	1.59	1.53	1.80	1.78	1.94	2.09	2.19	2.33	3.12	3.58	4.03	4.52	*13.1%*
Balance Sheet													
Current Assets	5,618.0	5,035.0	5,195.8	6,758.4	9,926.2	11,673.1	14,394.9	17,072.6	5,035.0	6,758.4	9,926.2	17,072.6	
Non Current Assets	65,971.0	59,561.0	62,199.8	61,201.3	59,791.3	60,121.9	59,572.7	59,178.4	59,561.0	61,201.3	59,791.3	59,178.4	
Total Assets	**71,589.0**	**64,596.0**	**67,395.7**	**67,959.7**	**69,717.5**	**71,795.0**	**73,967.6**	**76,251.0**	**64,596.0**	**67,959.7**	**69,717.5**	**76,251.0**	
Current Liabilities	13,168.0	11,179.0	12,428.2	11,515.6	11,734.5	11,961.4	12,211.1	12,445.4	11,179.0	11,515.6	11,734.5	12,445.4	
Non-Current Liabilities	32,826.0	33,063.0	33,970.0	34,819.4	35,605.2	36,585.1	37,556.5	38,538.5	33,063.0	34,819.4	35,605.2	38,538.5	
Equity	25,595.0	20,354.0	20,997.5	21,624.7	22,377.8	23,248.4	24,200.1	25,267.2	20,354.0	21,624.7	22,377.8	25,267.2	
Total Liabilities & Equity	**71,589.0**	**64,596.0**	**67,395.7**	**67,959.7**	**69,717.5**	**71,795.0**	**73,967.6**	**76,251.0**	**64,596.0**	**67,959.7**	**69,717.5**	**76,251.0**	
Statement of Cash Flows													
Cash Flow from Operations			3,791.9	4,028.0	4,101.7	4,135.7	4,253.0	4,326.5					
Cash Flow from Investing			(5,033.2)	(1,510.8)	(1,052.7)	(2,733.0)	(1,866.5)	(1,995.8)					
Cash Flow from Finance			105.3	47.8	(15.9)	178.2	169.7	180.3					
Net Cash Flows			**(1,136.1)**	**2,565.0**	**3,033.1**	**1,580.9**	**2,556.2**	**2,511.0**					
Valuation													
Free Cash Flows			**(815.2)**	**2,951.0**	**3,489.4**	**1,864.5**	**2,859.9**	**2,816.7**					
Discount Factor			102.4%	104.9%	107.4%	110.0%	112.6%	115.3%					
Discounted Free Cash Flows			**(796.1)**	**2,814.1**	**3,249.3**	**1,695.4**	**2,539.6**	**2,442.5**					
Firm Value			**11,944.9**										

Performance Metrics

Incremental data, cost data and per-customer metrics

| Performance Metrics	1H-15	2H-15	1H-16	2H-16	1H-17	2H-17	1H-18	2H-18	FY2015	FY2016	FY2017	FY2018	3Y CAGR
Incremental Revenue (Consumer Division)													
Status Quo	5,626.0	5,528.0	5,536.6	5,511.8	5,500.6	5,500.7	5,492.6	5,489.1	11,154.0	11,048.3	11,001.3	10,981.7	-0.5%
Base + R1 + R2	5,626.0	5,528.0	5,600.9	5,642.5	5,729.1	5,810.9	5,888.8	5,973.9	11,154.0	11,243.4	11,540.0	11,862.7	2.1%
Stand Proud & Stand Tall	**0.0**	**0.0**	**64.3**	**130.8**	**228.5**	**310.2**	**396.2**	**484.8**	**0.0**	**195.1**	**538.7**	**881.0**	
Base + R1 + R2 + R3	5,626.0	5,528.0	5,604.9	5,660.6	5,771.4	5,885.7	5,999.2	6,120.1	11,154.0	11,265.5	11,657.1	12,119.4	2.8%
Stand Strong	**0.0**	**0.0**	**4.0**	**18.1**	**42.3**	**74.8**	**110.5**	**146.2**	**0.0**	**22.1**	**117.1**	**256.7**	
Incremental EBITDA (Consumer Division)													
Status Quo	3,728.0	3,717.0	3,729.5	3,686.9	3,696.4	3,696.6	3,688.7	3,691.9	7,445.0	7,416.5	7,393.1	7,380.6	-0.3%
Base + R1 + R2	3,728.0	3,717.0	3,766.8	3,785.1	3,866.8	3,920.8	3,979.4	4,046.2	7,445.0	7,552.0	7,787.7	8,025.6	2.5%
Stand Proud & Stand Tall	**0.0**	**0.0**	**64.3**	**130.8**	**228.5**	**310.2**	**396.2**	**484.8**	**0.0**	**135.5**	**394.6**	**645.0**	
Base + R1 + R2 + R3	3,728.0	3,717.0	3,779.9	3,798.4	3,899.2	3,974.8	4,054.8	4,154.1	7,445.0	7,578.3	7,873.9	8,208.9	3.3%
Stand Strong	**0.0**	**0.0**	**4.0**	**18.1**	**42.3**	**74.8**	**110.5**	**146.2**	**0.0**	**26.3**	**86.3**	**183.3**	
Incremental FCF													
Status Quo			(826.9)	2,888.7	3,360.2	1,717.2	2,651.1	2,567.4					
Base + R1 + R2			(803.8)	2,923.7	3,470.5	1,834.4	2,808.9	2,768.1					
Stand Proud & Stand Tall			**23.1**	**35.0**	**110.3**	**117.2**	**157.8**	**200.7**					
Base + R1 + R2 + R3			(815.2)	2,951.0	3,489.4	1,864.5	2,859.9	2,816.7					
Stand Strong			**(11.4)**	**27.3**	**18.9**	**30.0**	**51.0**	**48.6**					
Churn Annalysis													
Status Quo - Churn Rate	18.4%	16.6%	16.6%	16.0%	15.8%	15.7%	15.4%	15.2%	17.5%	16.3%	15.8%	15.3%	
Base - Churn Rate	18.4%	16.6%	16.3%	15.6%	15.3%	15.2%	15.0%	14.5%	17.5%	16.0%	15.3%	14.8%	
Status Quo - Recurring Customers	1.642	1.679	1.662	1.669	1.665	1.658	1.656	1.652					
Base - Recurring Customers	1.642	1.679	1.690	1.723	1.755	1.789	1.829	1.876					
Incremental	**0.000**	**0.000**	**0.028**	**0.054**	**0.090**	**0.131**	**0.173**	**0.224**					
Cost Analysis													
Status Quo - SG&A	4,002.0	3,818.0	4,097.7	4,250.7	4,343.2	4,535.7	4,693.0	4,852.6					
Base - SG&A	4,002.0	3,818.0	4,103.2	4,263.3	4,365.2	4,567.3	4,734.9	4,904.3					
Incremental	**0.0**	**0.0**	**5.5**	**12.6**	**22.0**	**31.6**	**41.8**	**51.7**					
Status Quo - CAPEX			4,962.1	1,452.7	994.0	2,610.2	1,754.3	1,863.9					
Base - CAPEX			4,989.3	1,469.7	1,014.7	2,685.6	1,819.5	1,948.3					
Incremental			**27.2**	**16.9**	**20.7**	**75.4**	**65.2**	**84.4**					
Per Customer Data													
Cost per new RGU			167.9	157.6	151.9	138.8	132.5	126.9					
Average Cost per RGU		145.9											
Cost per recurring customer			197.4	231.6	245.8	241.0	242.4	230.5					
Average Cost per recurring customer		231.4											

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Sensitivity Analysis

Ensuring the robustness of our model with a three-case scenario and sensitivity analysis

NPV Scenario Analysis

NPV Scenario Analysis

- Pessimistic: 516.1
- Base: 726.7
- Optimistic: 1,118.7
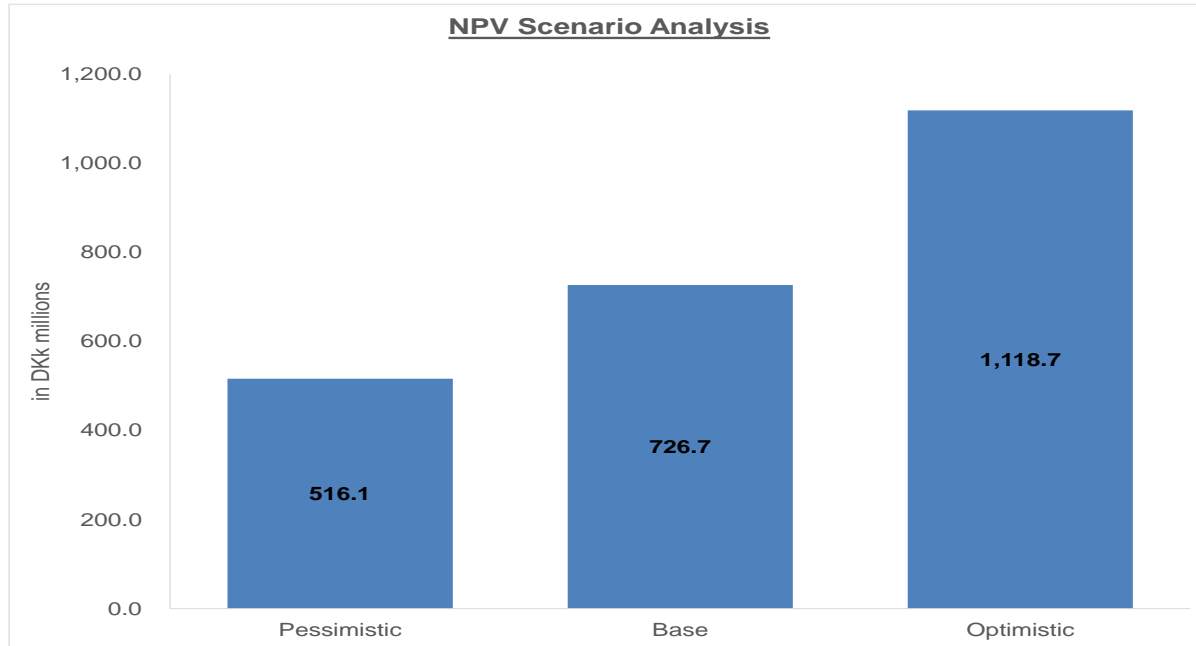
(in DKk millions)
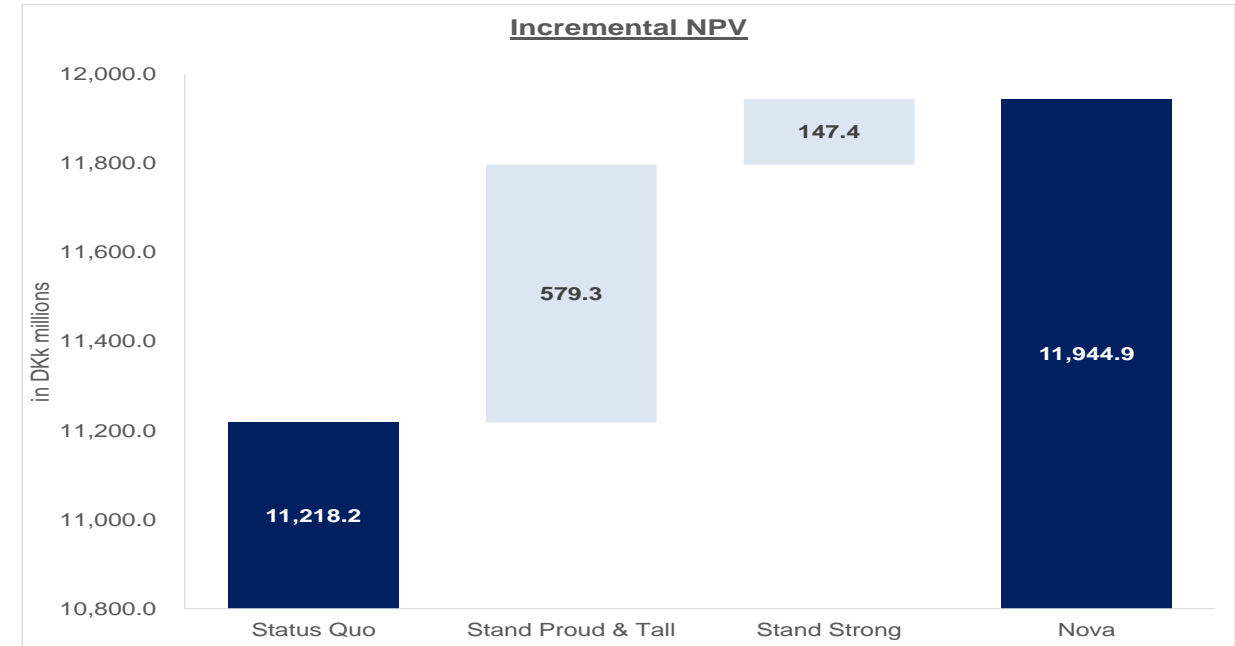
	Pessimistic	Base	Optimistic
Average blended ARPU (in DKK / m) from 2016E ~ 2018	194.9	194.5	195.8
Total GRU CAGR from 2016E to 2018E	-0.7%	0.5%	1.6%
Average COGS Margin from 2016E to 2018E	-24.6%	-23.9%	-23.4%

Sensitivity Analysis

Incremental NPV

- Status Quo: 11,218.2
- Stand Proud & Tall: 579.3
- Stand Strong: 147.4
- Nova: 11,944.9

(in DKk millions)

		Cost of Debt (Pre Tax)				
		4.7%	5.2%	5.7%	6.2%	6.7%
Cost of Equity	2.0%	12,180.8	12,099.2	12,018.4	11,938.5	11,859.5
	2.5%	12,143.1	12,061.9	11,981.6	11,902.1	11,823.4
	3.0%	12,105.7	12,024.9	11,944.9	11,865.8	11,787.5
	3.5%	12,068.4	11,988.0	11,908.4	11,829.6	11,751.7
	4.0%	12,031.3	11,951.2	11,872.1	11,793.7	11,716.2

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