



Enhancing Operator Performance

Applied Value Introduction

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Content

Levers Enhancing Operator Performance

Applied Value Quarterly Telecom Report

Applied Value Introduction



We see four main levers for operators to increase top-line, reduce costs, and improve effectiveness

Four Key Levers to Enhance Performance

Operational Efficiency

Streamline organization and improve cost efficiency

- › Evaluate areas with high OPEX reduction potential – Focus on field maintenance, network overhead, sales, and G&A functions
- › Explore organizational delayering and redesign, e.g. outsourcing opportunities and shared service centers
- › Optimize network efficiency by network sharing and evaluate ORAN possibilities

Growth Opportunities

Identify growth opportunities within core business and adjacent areas

- › Leverage data and analytics to identify growth opportunities for core products
- › Develop network & commercial capabilities beyond core business model(s)
- › Explore, define and launch next generation B2B offerings

Digital Transformation

Identify and execute digital opportunities within the organization

- › Simplify, automate, and digitalize core customer journeys, products, and processes to improve performance and enhance the customer experience
- › Develop capabilities across business, management, data & analytics and IT

Enterprise Customer Focus

Set-up an enterprise business driven by commercial excellence

- › Utilize data to analyze customer and product profitability to better understand enterprise customers and generate value from every deal
- › Position Enterprise Business as a growth vehicle through building innovative and customer-centric digital services and products that creates customer value

Potential Support

- › True profitability
- › Sourcing excellence
- › Make vs buy strategy
- › Organizational simplicity

- › Lean growth
- › Go-to-market strategy
- › Operating model design

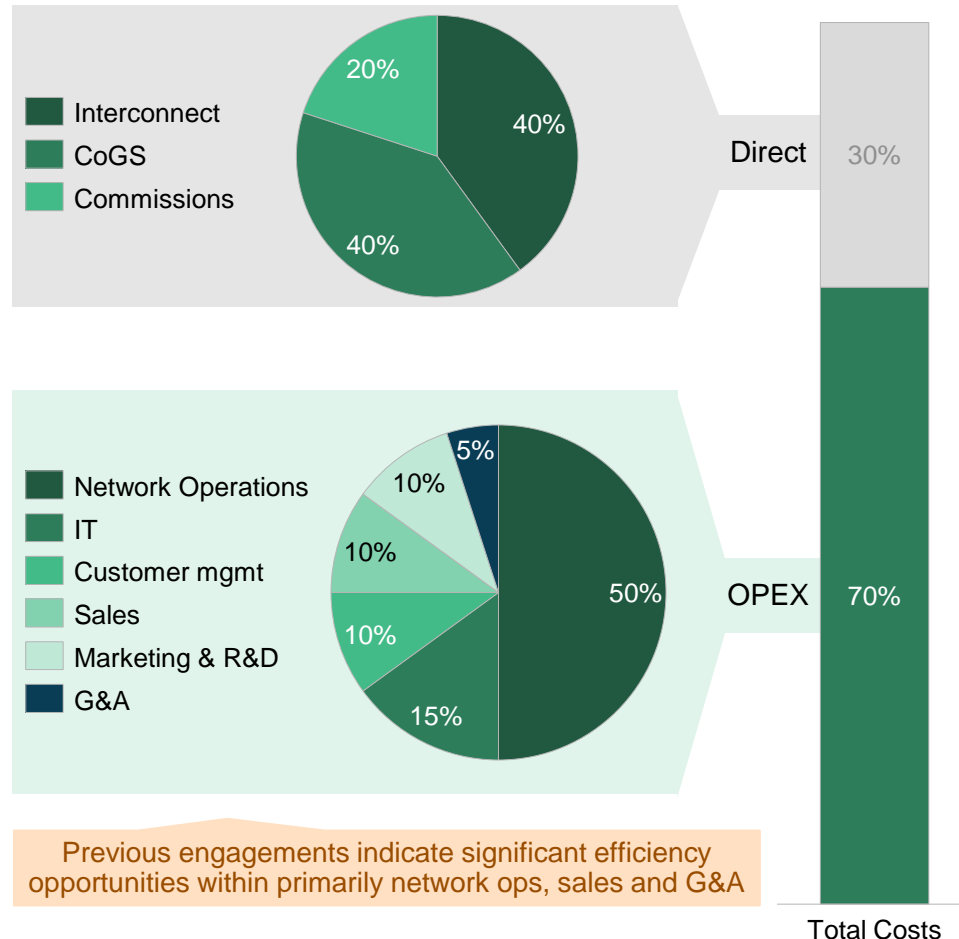
- › Digital transformation & capability build

- › Commercial excellence
- › True profitability



Main operational efficiency improvements can typically be found within selected OPEX areas

Generic Telco Cost Buckets



Key Areas to Address for Cost Efficiency



True profitability of customers, products and contracts not fully understood



Sub-optimal network infrastructure, e.g. untapped network sharing potential



Reduce network cost of ownership and increase supplier diversity by utilizing ORAN



Opportunity to reduce OPEX within G&A functions Sales, Field Maintenance and Network Overhead



Low utilization of outsourcing and shared service centers for supporting functions



Underperforming legacy heavy IT applications and infrastructure



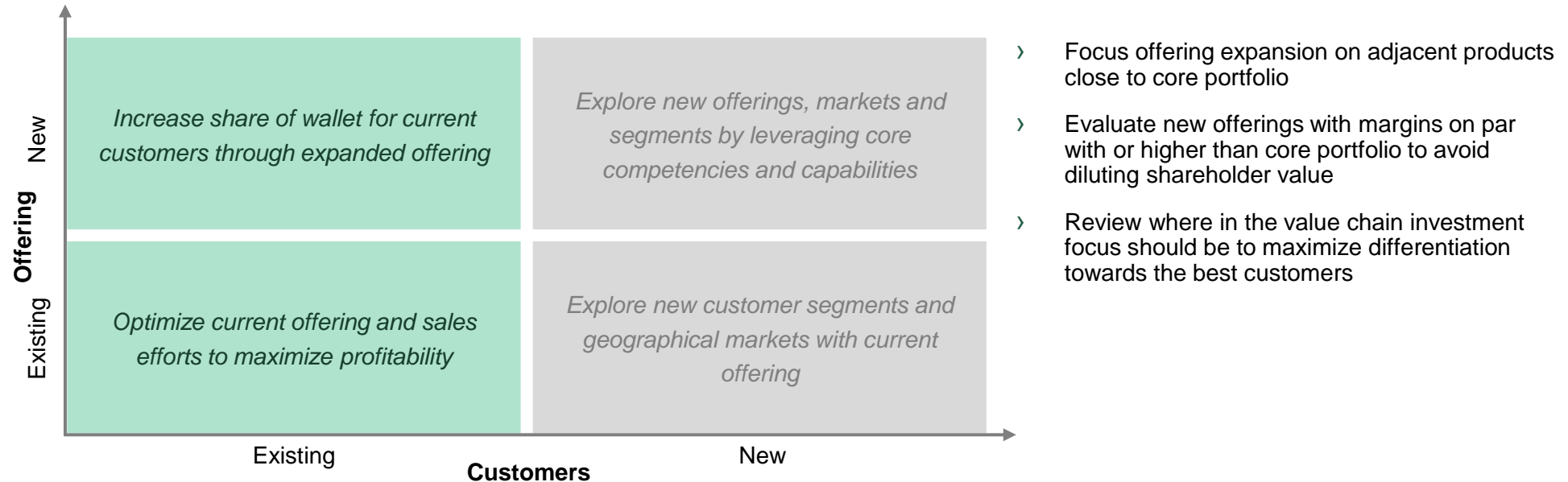
Applied Value typically use a set of levers for streamlining organizations and improving cost efficiency

Lever		Description	Example Actions
Change Strategic Direction	»»»	Savings directly attributable to a certain policy change	<ul style="list-style-type: none"> › Exit unprofitable product segments › Reduce ambition level for smaller customers
Reduce Complexity and Resource Drivers	»»»	Savings related to the reduction of the source for resource consumption	<ul style="list-style-type: none"> › Increase screening of sales opportunities to reduce number of opportunities worked on › Standardization of financial reports
Eliminate non / low Value Adding Activities	»»»	Reduction of resources for low value adding activities	<ul style="list-style-type: none"> › Reduce time spent on internal meetings › Eliminate marketing reports
Rationalize / Streamline	»»»	Savings achieved through higher productivity of current resources	<ul style="list-style-type: none"> › Centralize customer service › Improve project management support tools
Reduce Ambition Level	»»»	Reduced ambition level for certain activities or organizations	<ul style="list-style-type: none"> › Reduce ambition level in HR › Lower investment in Business Development
Delay and Re-design Organization	»»»	Savings resulting from improved structures, roles and responsibilities	<ul style="list-style-type: none"> › Increase span of control and reduce organizational levels › Merge organizational units
Right-shoring / outsourcing	»»»	Savings attained by buying the services from a third party or from another internal location	<ul style="list-style-type: none"> › Outsource pay-roll activities › Off-shore customer support activities to LCCs



Operators should focus on an offer expansion strategy prioritizing existing customer base with new high-margin products and services

Growth Dimensions



Key Topics for Growth

Next-generation B2B offerings

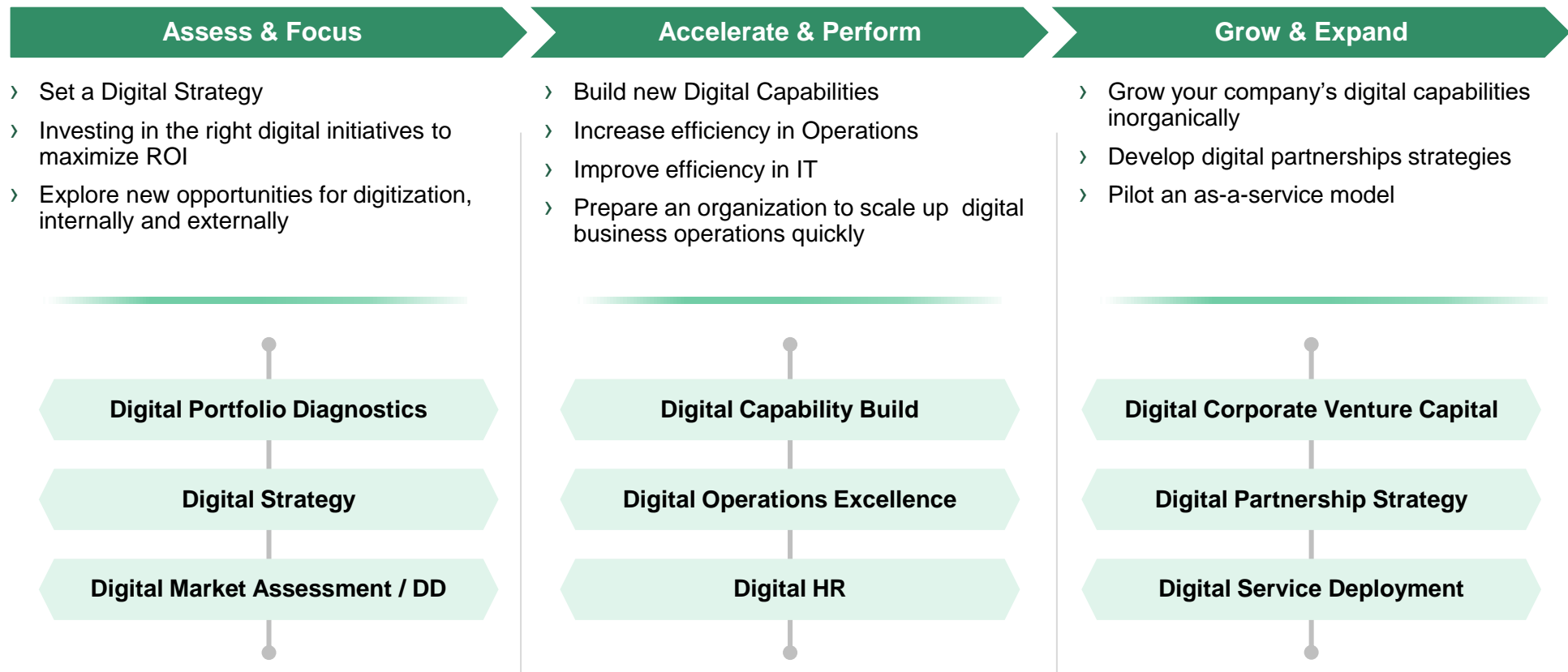
Adjacent products and new revenue streams to evaluate to expand non-core portfolio

Data-driven approach to identify growth opportunities for core products



Applied Value's Digital Transformation framework focuses on identifying and executing digital opportunities within our clients' organization

Applied Value Digital Transformation Framework



Operators should set-up an Enterprise business that is driven by commercial excellence and generate value from every deal

Commercial Excellence Dimensions



1. Value Proposition

Where do profits come from and what areas are required to be addressed?

Product profitability

Customer profitability

Channel profitability

Territory profitability



2. Fact-based Pricing

How can pricing excellence ensure profitability of each order?

Willingness to pay

Cost modelling

Pricing strategy

Pricing governance



3. Value-driven Go-To-Market Models

What is the optimal market, customer, and distribution strategy to drive top-line?

Customer categorization

Sales channel strategy

Territory strategy

Channel / Territory evaluation



Deep Dive: Organizational Efficiency & Effectiveness



Deep Dive: Process & KPIs



Content

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Applied Value conducts a quarterly analysis on the telecom industry covering global players in operator, infrastructure and device segment

Report Summary, per segment Q2 2021

Operators

1. Limited revenue growth in core services, characterizing all operators in mature markets
2. Telenor recorded second to highest EBITDA margin across all regions, while Tele2 reported significant EBITDA recovery Y-o-Y

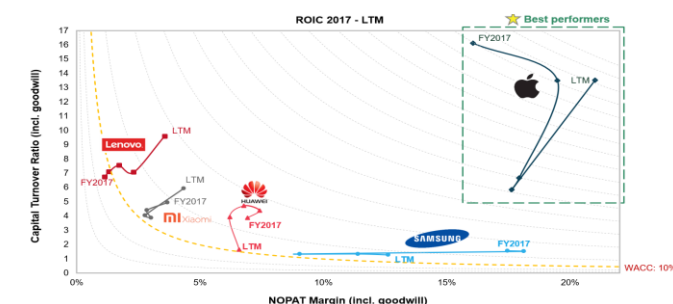
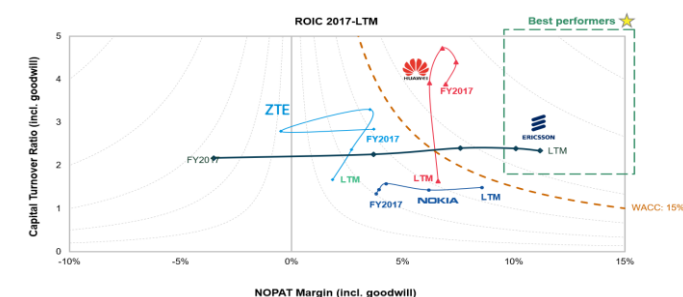
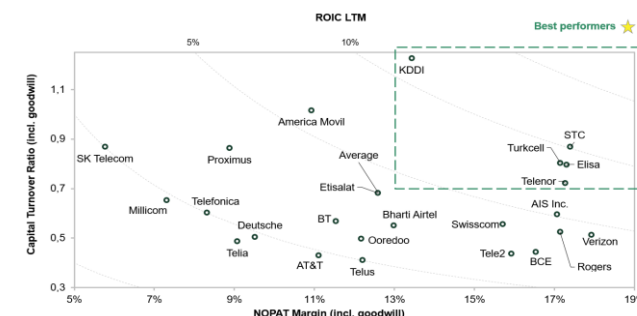
Infrastructure OEMs

1. Nokia continues to achieve top-line results and has updated its full-year outlook; ZTE recorded double-digit revenue growth both domestically and internationally in H1'21
2. Ericsson and Nokia's NOPAT margin has been under steady expansion, reaching 11.2% and 8.6% respectively

Device OEMs

1. Global smartphone and wearables shipment growth momentum is still in effect for Q2'21, while that of tablets begins to wane
2. Xiaomi overtook Apple to become the second-largest smartphone vendor globally, while rapidly approaching Samsung

Report Snapshots, Q2 2021



Content

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Applied Value is a management consulting and investment firm founded on the principles of Lean Growth and Entrepreneurship

1997 Background as an internal change agent in the **Kinnevik Group**...

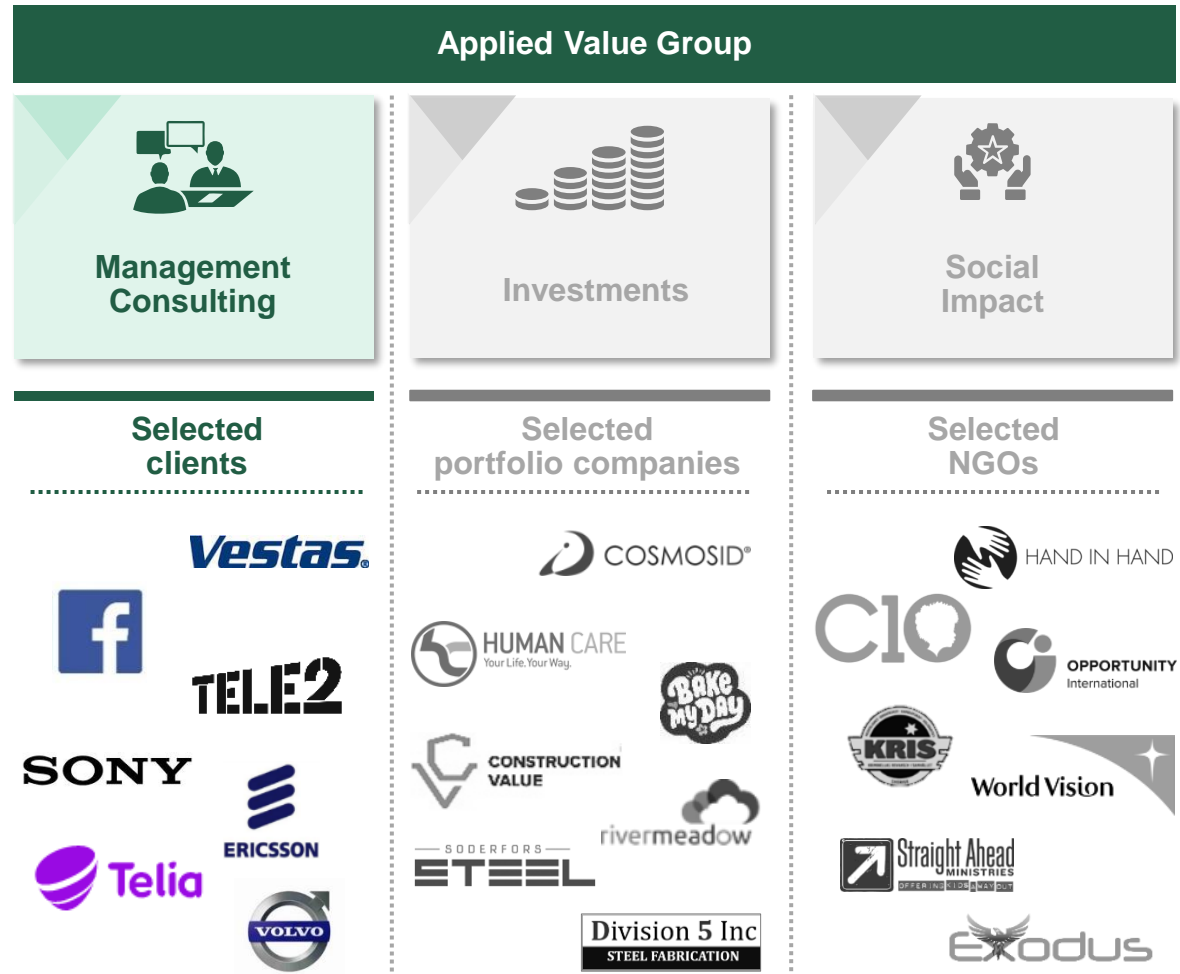

K I N N E V I K

...today, a hands-on consultancy supporting clients **across industries**

2021

Industries of Expertise

- Telecom & Media
- Chemicals & Process
- Industrials & Engineering
- Consumer Goods
- Automotive



Applied Value challenges and supports repeat global clients across industries from seven offices



With proven success and tangible results in a wide range of areas, AV brings 20+ years of extensive experience that spans the entire telecom value chain

Segment	Strategy Development	Commercial Excellence	Sourcing Excellence	Organizational Simplicity	Delivery Efficiency	Turnaround	Examples of results
 Operators		✓	✓	✓	✓	✓	<ul style="list-style-type: none"> › Consolidation and efficiency improvement of network operations › EBIT improvement: 530MSEK, ROIC increase from 2 to 31% over the time period
 Infrastructure OEMs	✓	✓	✓	✓	✓	✓	<ul style="list-style-type: none"> › Country strategy for sourcing rollout Services in APAC region › The average service cost was reduced by 20%, and client implemented same sourcing process in other countries
 Device OEMs	✓	✓	✓	✓		✓	<ul style="list-style-type: none"> › Turnaround plan to re-build the business for profitable growth › OPEX reduction: \$3B, COGS Savings: 73 MUS\$D, Gross Margin increase: 2%
 Telecom & Media		✓	✓	✓		✓	<ul style="list-style-type: none"> › Cost Base Assessment and Development of Detailed Action Plan › OPEX reduction: 46%, EBIT saving: 350 MSEK

Sample Reference Telecom Clients



NOKIA

Digicel

SONY

TELE2



BlackBerry

ascom



Sprint



Applied Value brings significant expertise in foremost operational excellence across all functional areas

Examples of Telecom Industry Engagements

Area	Engagements	Results
Organizational Simplicity	<ul style="list-style-type: none"> › Cost Reduction Initiative for European Operator › AV identified cost savings through headcount reductions and other non-headcount initiatives, leading to a leaner and more cost-efficient organization with adjusted commission levels 	Headcount reduction: 31% Annual OPEX reduction: 12%
Delivery Efficiency	<ul style="list-style-type: none"> › Client's Business Unit Media faced 2 BSEK operational loss in 2015 › AV managed a total cost transformation program based on product and customer complexity reduction & operational efficiency resulting in a 50% reduction of OPEX 	OPEX reduction: 2.2 BSEK (56%) Employee reduction: 32%
Business Focus	<ul style="list-style-type: none"> › Applied Value was assigned to help management prioritize different improvement programs › The client's competitive position relative peer competitors was identified and analyzed › Action plans to improve identified issues were developed and improvement programs were launched 	Re-defined Go-to-Market model New sales funnel management High performance sales culture launched
Organizational Simplicity	<ul style="list-style-type: none"> › Consolidation and efficiency improvement of Network Operations › Organizational review of Sales & Marketing and support organizations in three countries › Complexity reduction (reduced both product and customer portfolio) 	ROIC increase from 2% to 31% EBIT improvement: 530MSEK Subscribers / employee up by 300%
Turnaround	<ul style="list-style-type: none"> › Client faced massive sales decline – ~80% in 1 year › Operating losses accounted for \$7.2B in 2014 › AV developed a turnaround plan to re-build the business for profitable growth 	OPEX reduction: \$3B (~50%) in 3 quarters COGS Savings: 73 MUSD Gross Margin increase: 2%
Sales Efficiency	<ul style="list-style-type: none"> › Analysis of the sales strategy and target deals size to reach target P&L › Sales process activity and funneling efficiency analysis › Review of existing incentive system and tools for financial and sales funnel follow-up 	Transformation program with 7 improvement initiatives to improve sales productivity by ~30%
Strategy Development	<ul style="list-style-type: none"> › Perform an independent and objective business case analysis of the potential synergies when consolidating networks and related operations 	Total annual OPEX saving ~20-30% Significant CAPEX reductions were also identified





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