

Euskaltel Group Q1 2021 results

April 28, 2021



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Euskaltel **Group**



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| Status of the **voluntary takeover bid for Euskaltel's share capital**



On 28th March 2021 MasMóvil announced its intention to launch a voluntary takeover bid for 100% of Euskaltel's share capital. Shareholders representing 52,32% of the share capital have agreed to accept the bid. MasMóvil stated in the announcement its intention to delist Euskaltel if the offer is successful



Euskaltel's Board of Directors signed on March 28th 2021 a collaboration agreement by which Euskaltel would be obliged to provide the offeror with the reasonably necessary support, within the limitations provided by law, to carry out the procedures related to the tender offer process and to prepare the documentation to be submitted by the bidder to the regulatory and competition authorities



During the process, Euskaltel's BoD is bound by the passivity rule (not to enter into any action which could jeopardize the takeover) and has also agreed to collaborate with the bidder



On 31st March 2021 MasMóvil submitted the application for authorization of the takeover bid to the CNMV and the CNMV has already agreed to initiate the review process



Euskaltel has appointed best-in-class financial and legal advisers (Citi, JP Morgan and Uría Menéndez) and created a special Committee with non-conflicted directors to monitor the bid process



Clearance by regulatory authorities, including anti-trust, and authorization of the takeover by the CNMV is still pending



Euskaltel will continue to publicly disclose any developments of the takeover in accordance with applicable regulations. Once the CNMV authorizes the takeover and the prospectus is published, Euskaltel's BoD will issue a report with its opinion on the bid within 10 days, as required by law



The takeover process has caused the suspension of the FibreCo SPV award and the suspension of the renegotiation of wholesale agreements. These suspensions have had a significant impact in the company's EBITDA result and cash flow in Q1 2021.



| Q1 2021 consolidates customer growth momentum, though EBITDA is impacted

Operating KPIs (Q1 21 vs Q1 20)

+67k	Mass Market fixed customers net adds
+101k	Virgin telco fixed and mobile customers
+10m	Addressable households



Mass market **customer growth continues at a strong pace**



Virgin telco surpasses 100k fixed and mobile customers in just ten months

Financials (Q1 21)

€174m	Revenue
€73m	EBITDA
€76m	EBITDA ex Virgin
€1,486m	Net debt



Virgin telco success drives a **1.4% yoy revenue growth**

EBITDA impacted due to Virgin growth, loyalty retention campaigns at end 2020 and suspension of the renegotiations of wholesale agreements



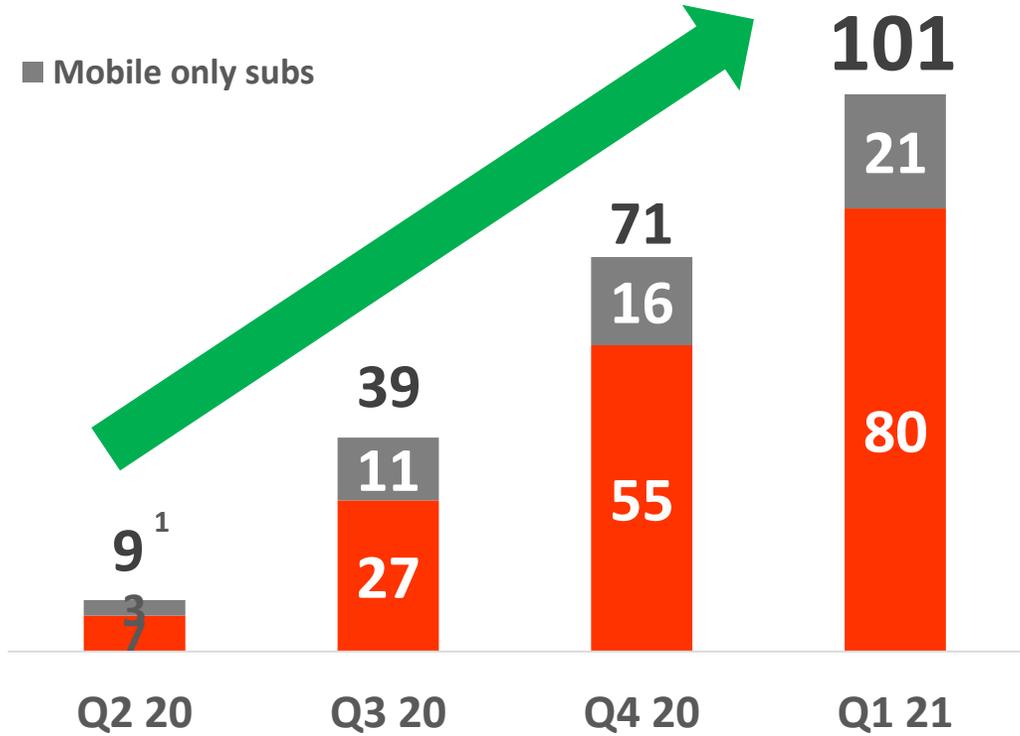
Net debt decreases yoy despite Virgin telco's growth, the FTTH upgrade and dividend payments

Virgin telco surpasses 100k customers in just ten months in operation

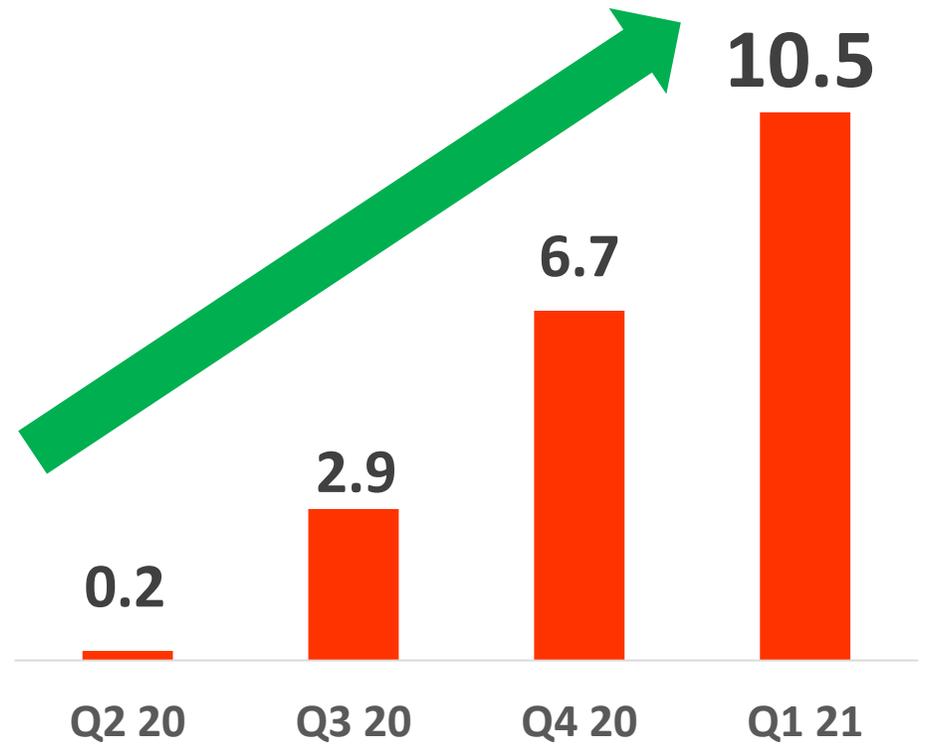
Virgin telco – customers EOP (000s)



- Fixed services subs
- Mobile only subs



Virgin telco – revenue (EURm)

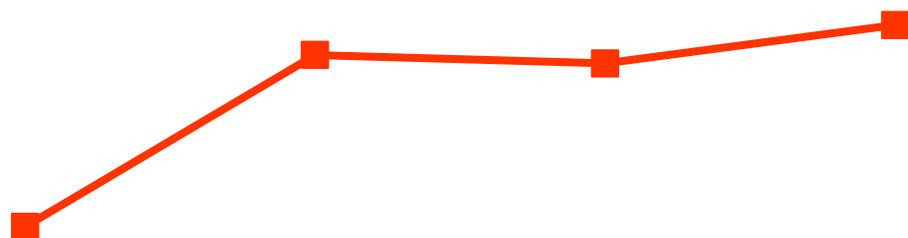


1. Virgin telco launched on 20th May 2020



Virgin telco's customers "value journey" leads to higher ARPUs than planned

Virgin telco's convergent ARPU (€/month)



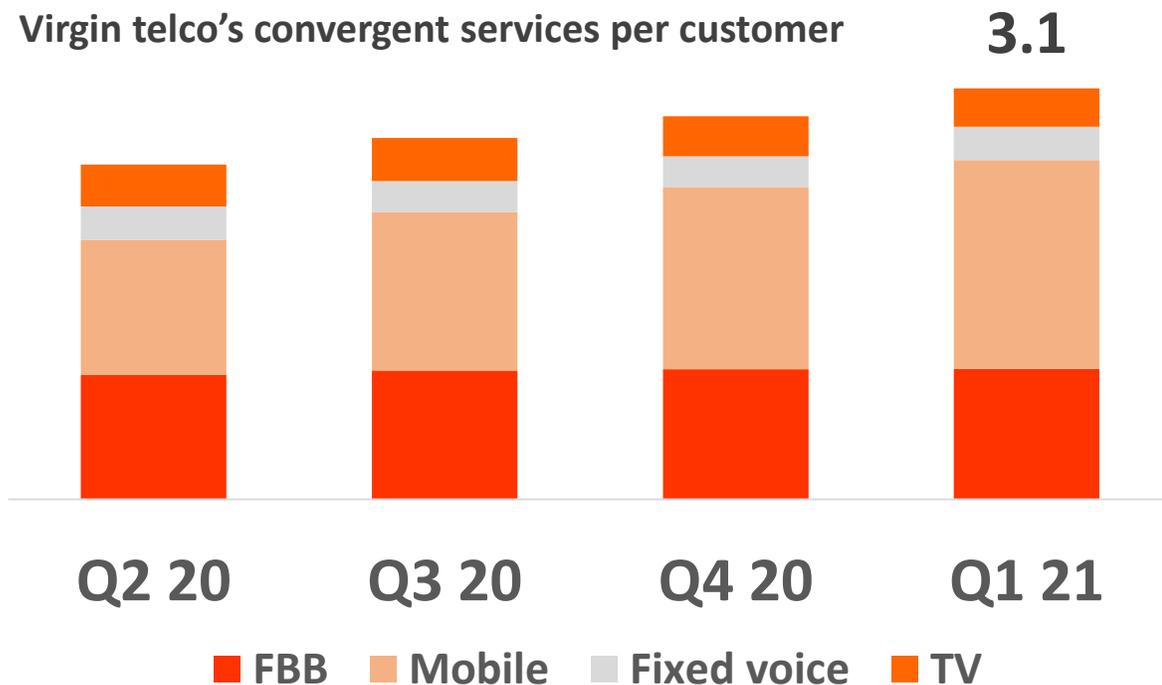
+10%

Q1 21 vs Q2 20



Virgin telco's customers continue to add services to their convergent packs, pushing ARPUs and value

Virgin telco's convergent services per customer



+23%

Q1 21 vs Q2 20

FAiMmily

300 Mb

GB ilimitados

45 € /MES PRECIO FINAL

y cada línea adicional

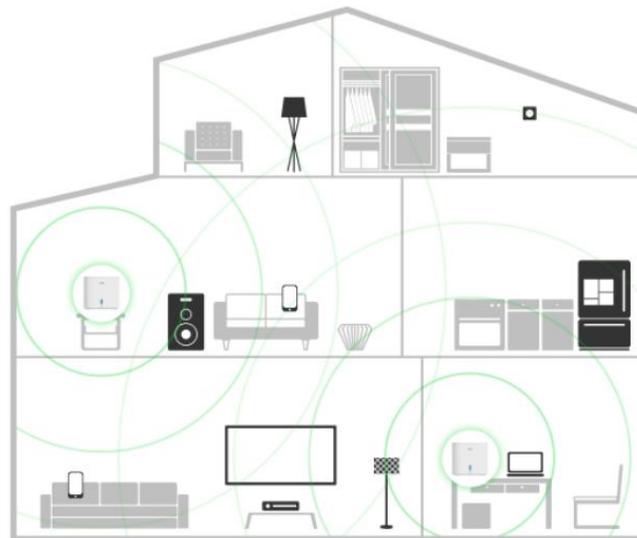
GB ilimitados

6 € /MES PRECIO FINAL

GIGAS ILIMITADOS DE REGALO HASTA 2022



Virgin telco continues to be **the most innovative operator in the market**



With **WiFi Mesh** Virgin telco greatly advances in customer connectivity



The most attractive large bundle product in the market, **Virgin Family**, continues to advance, now with **unlimited data**

FAIMMILY

GIGAS ILIMITADOS DE REGALO HASTA 2022

TV Premium Extra
50% 6 meses
+
1 año de
amazon prime



Virgin telco **promotes Amazon Prime** and includes Amazon's content in its TV offer

| Amazon chooses Virgin Telco as the first convergent offer in its platform

amazon



Virgin telco: Fibra 300 Mb y Móvil con 25 GB + llamadas ilimitadas

Oferta del Día

1,00€ ~~39,00€~~

Consigue el primer mes por €1

Envío GRATIS en tu primer pedido enviado por Amazon

Envío en 2 a 3 días.

Virgin telco now markets its **entire internet, mobile and TV bundle** through **Amazon.es**

Customers signing up for the Virgin telco service through Amazon.es will be able to **set it up quickly and easily**

When subscribing to Virgin telco on Amazon.es for just **€1, the first month is free**



Operating review



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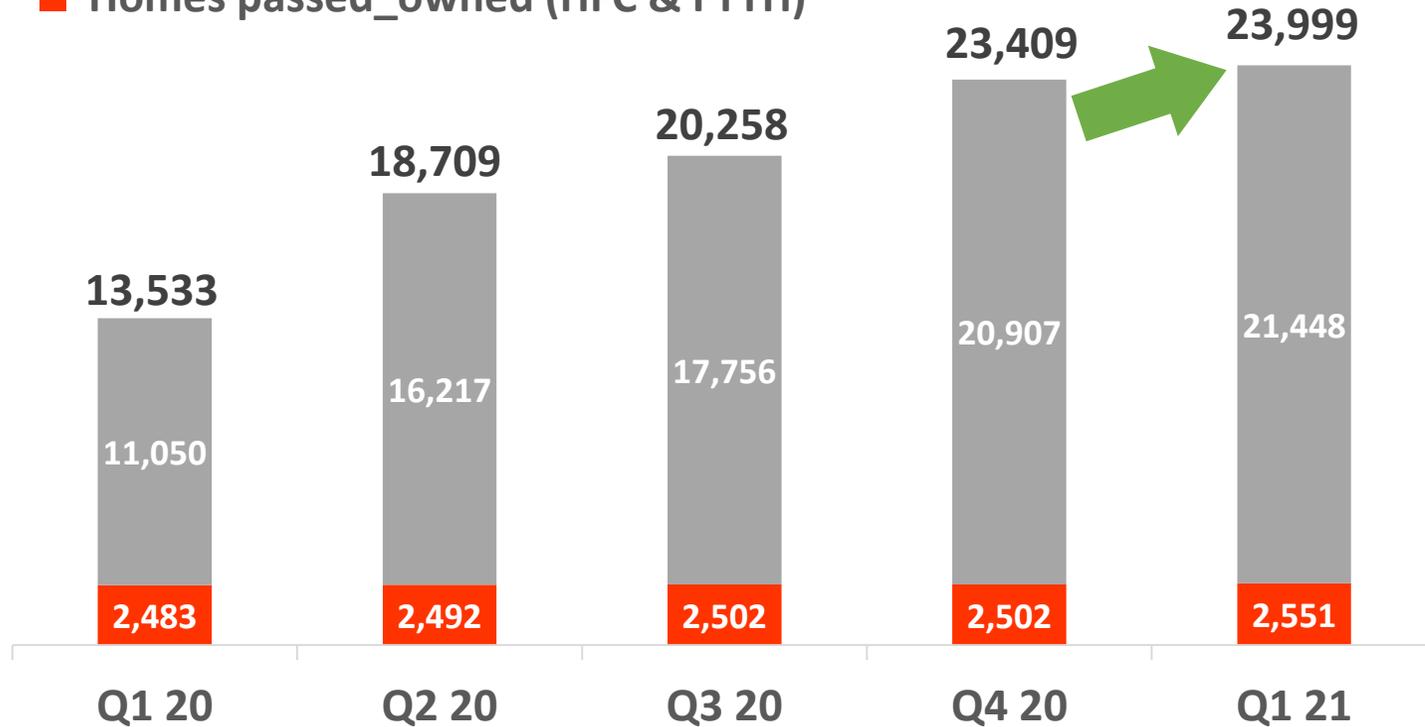
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Euskaltel has one of the most extensive coverages in the Spanish market

Current footprint (000s households)

- Accessible homes_wholesale ²
- Homes passed_owned (HFC & FTTH) ¹



✓ 24m household coverage drives fast Virgin telco growth

✓ Recent new FTTH footprint additions reduce wholesale costs and drive profitability

1. HFC, owned FTTH plus co-investment FTTH household coverage
2. Orange, Telefónica and Adamo wholesale

| Cable to FTTH upgrade launched in the quarter



The FibreCo SPV award has been **suspended** due to the takeover process

✓ In expectation of FibreCo, the FTTH upgrade was launched in more than 30 **municipalities** in the three regions

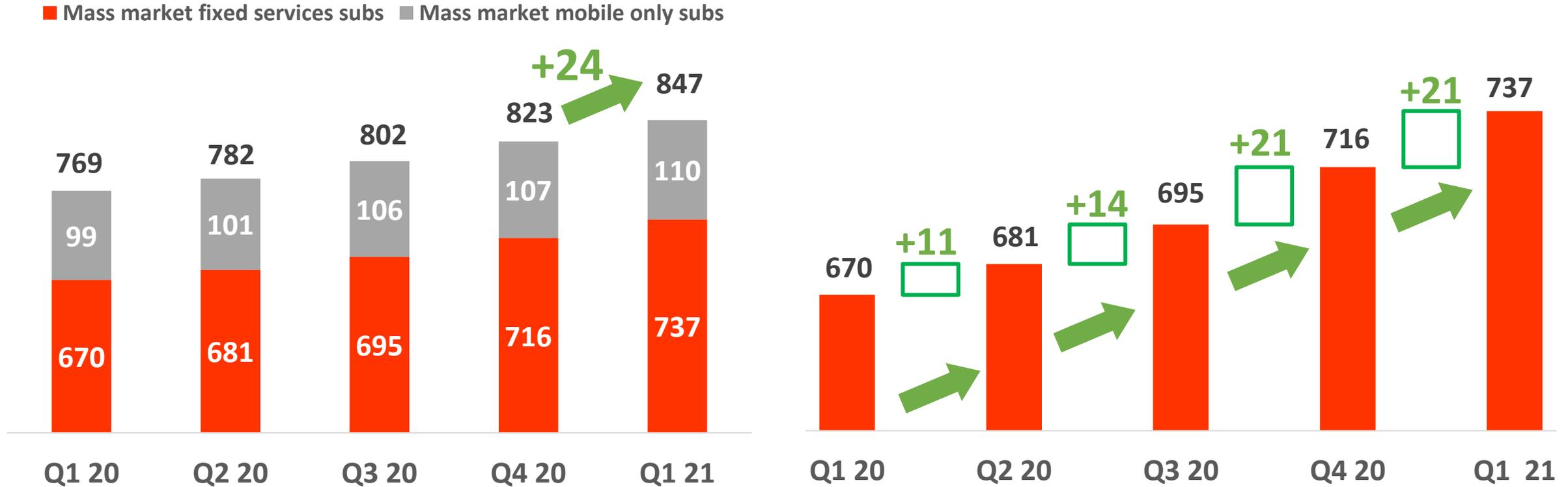
✓ First **45k FTTH household deployment** completed

✓ Upgrade includes **connecting additional households**, enlarging network

Euskaltel's customer growth continues at a strong pace in the quarter

Mass market subscribers (000s)

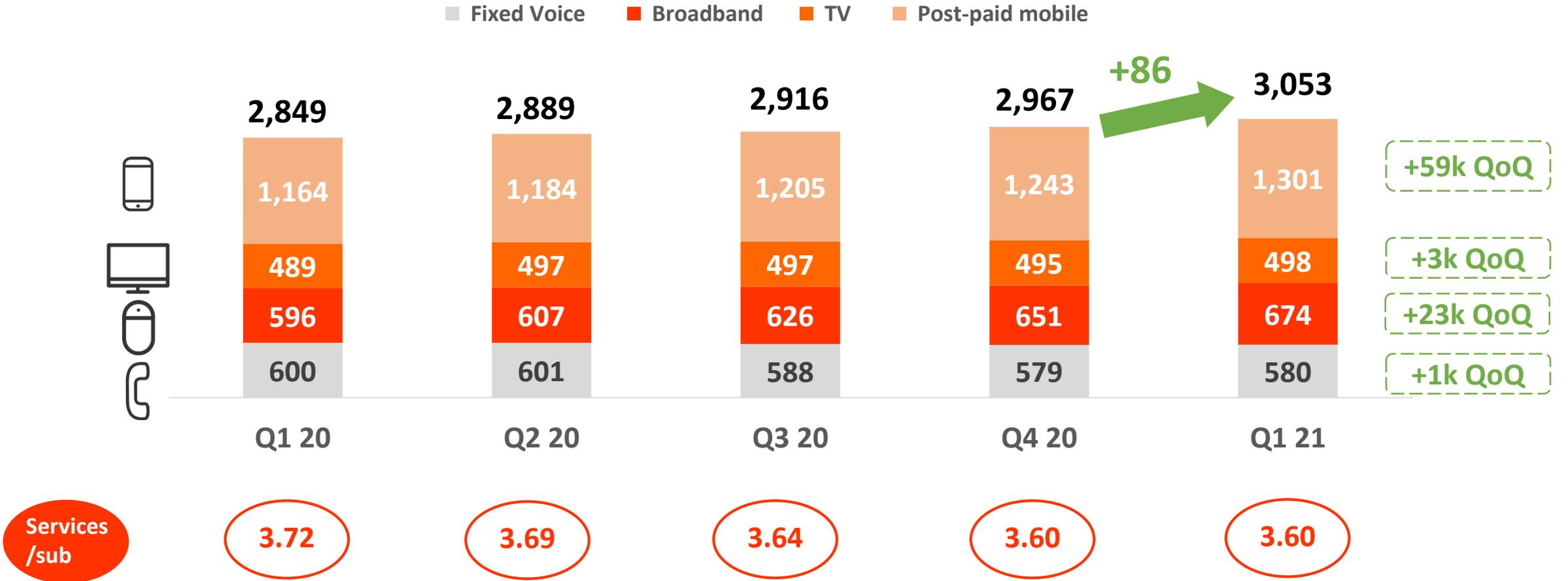
Mass market fixed subscribers (000s)



Euskaltel has added **more than 78k customers** in the last 12 months, a company record

Virgin telco drives Euskaltel's services to record growth

Mass market services (RGUs) per type (000s)



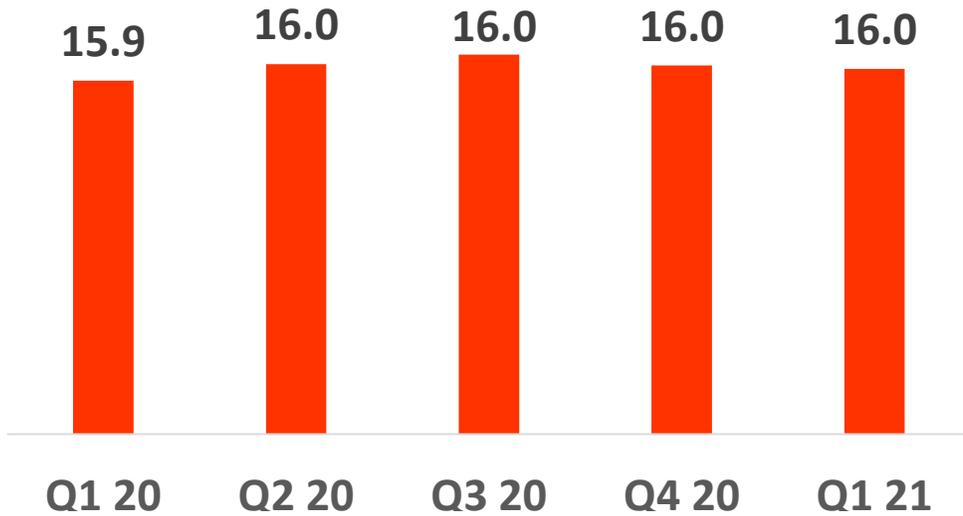
| **Customer retention campaign** implemented at end of 2020 has successfully reduced churn, though with ARPU impact

- ✓ **Customer retention campaigns** implemented between September and Year End 2020 in response to strong market competitive intensity
- ✓ 75% of traditional business mass market customers **now under formal loyalty plan**
- ✓ **>20% churn reduction seen during Q1 2021** – Reduced churn will benefit ongoing customer growth and reduce SAC costs (estimated €15m annual saving)
- ✓ Traditional business mass market ARPU was impacted by the retention campaign **but has now stabilised**

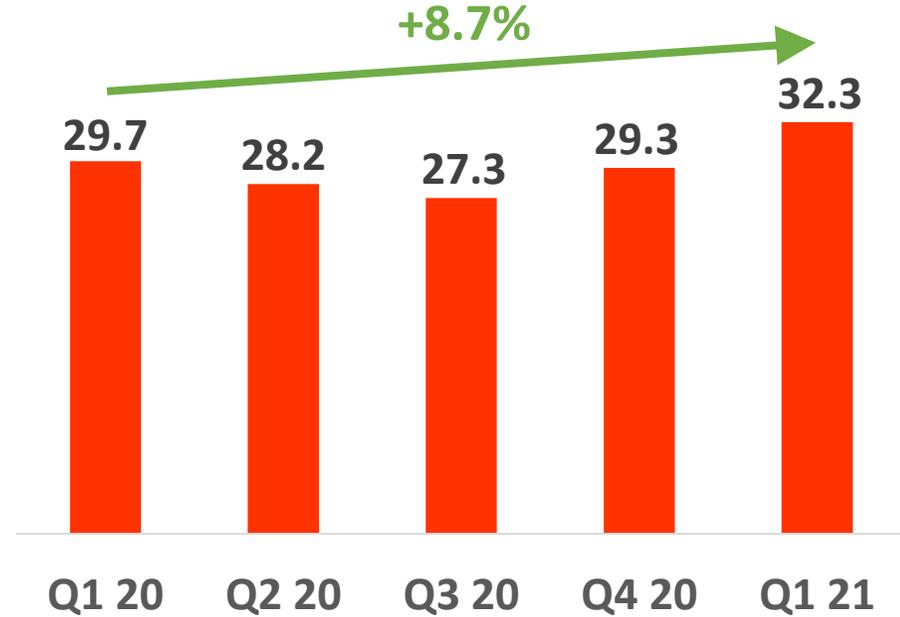
The B2B business continues with **record revenue growth** in Q1 2021



SME and large account subscribers (000s)



SME and large account revenue (EURm)



Increased demand from large accounts due to COVID



B2B revenue growth significantly accelerates in Q1 2021 (+9% yoy and +10% QoQ)



Financial review



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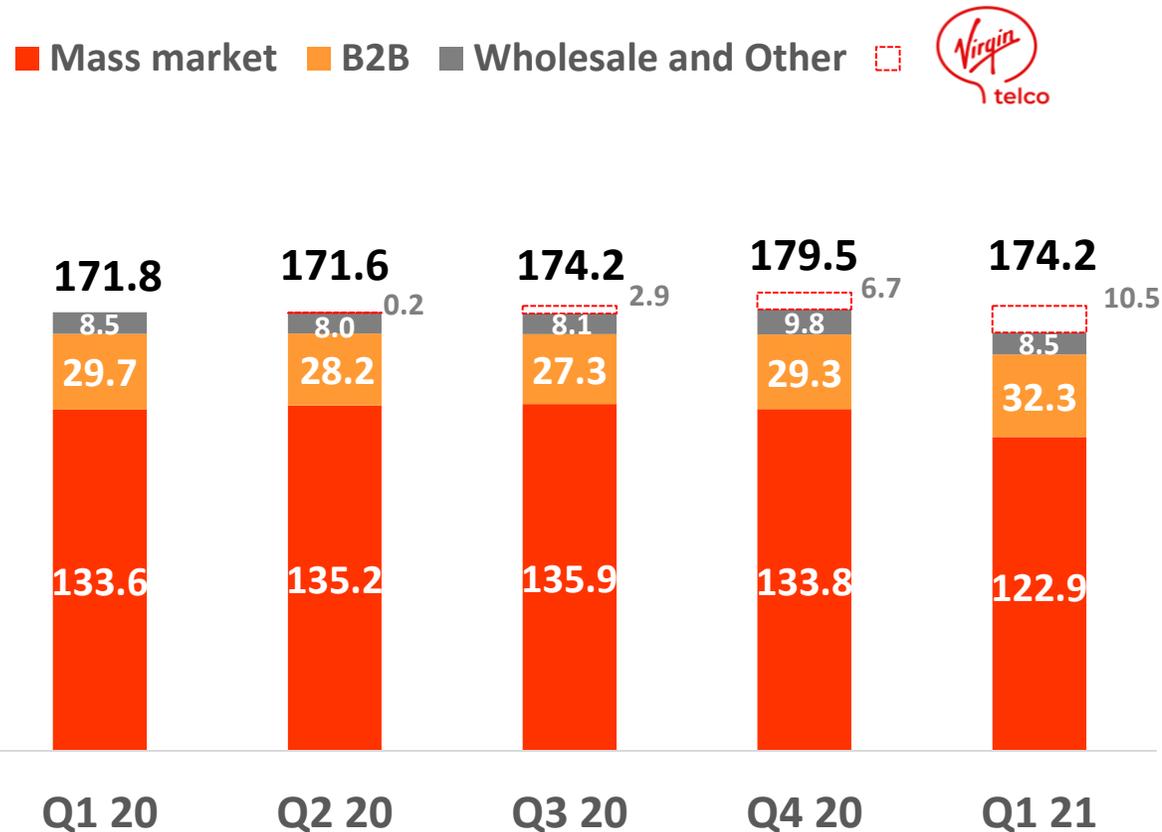


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Revenue grows by 1.4% yoy driven by Virgin telco and B2B strength

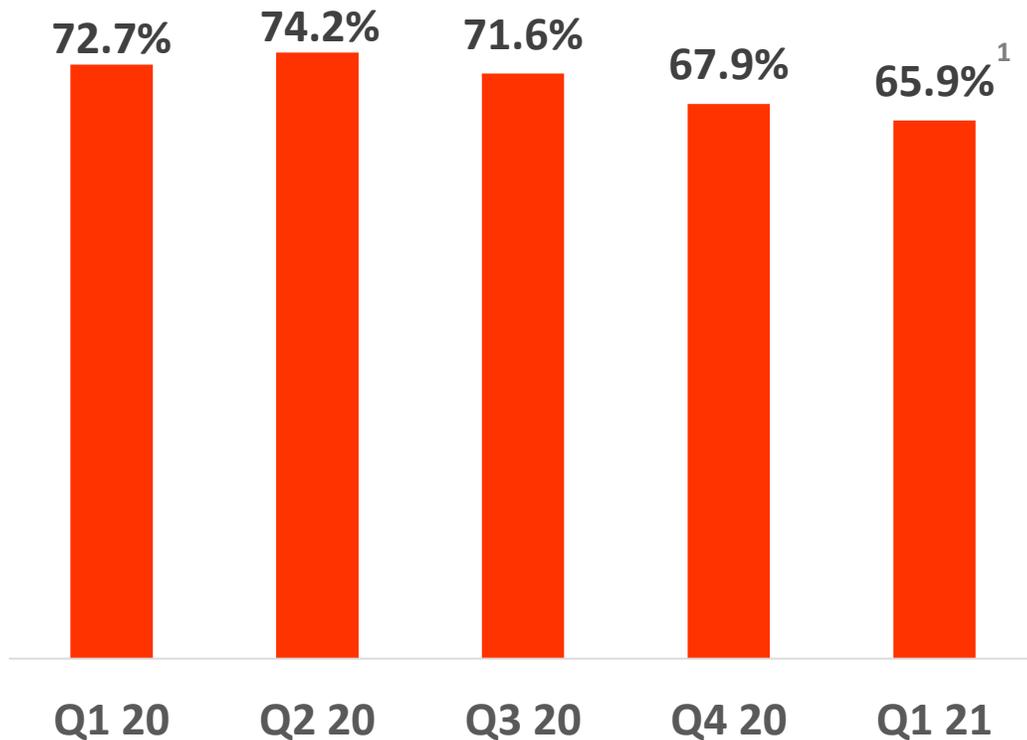
Total revenue breakdown by segment (EURm)



- Strong Virgin telco customer growth now **generating material revenues**
- B2B resilient** despite COVID challenges
- Mass market revenues** impacted by market competition and effect on ARPU of customer retention campaigns
- Mass market **ARPU stabilised during Q1 2021**, with churn benefits expected to continue

SG&A costs continue under control despite strong customer growth

Gross margin (% over revenue)



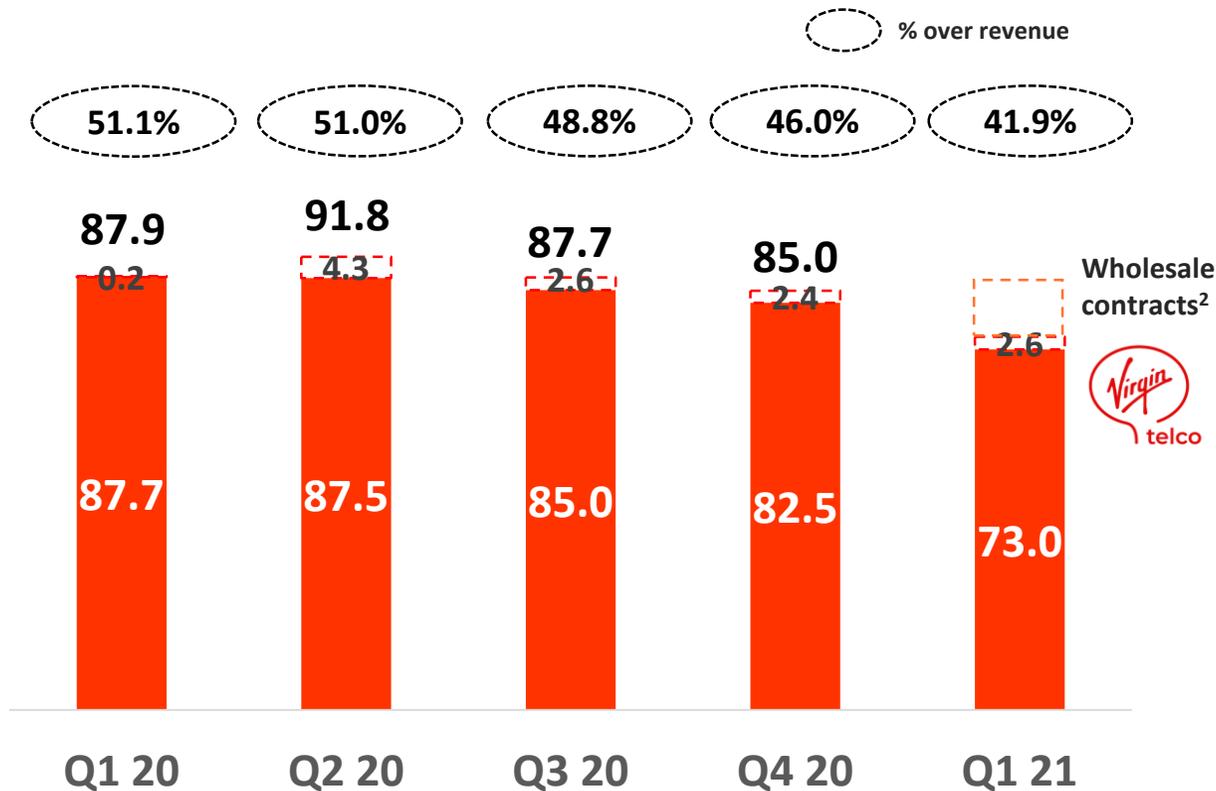
1. Gross margin impacted by increase in customer equipment sales and also by the suspension of the renegotiation of wholesale agreements due to the takeover process

Selling, general and administrative expenses

- More efficient **Marketing & Advertising** costs result in savings of **€2.2 million** vs Q4 2020
- **Customer care & sales** costs reduced by **€0.4 million** vs Q4 2020
- **Personnel** costs reduced by **€0.3 million** vs Q4 2020

| EBITDA impacted by Virgin growth and suspension of the renegotiations of wholesale agreements in the quarter

EBITDA¹ (EURm)

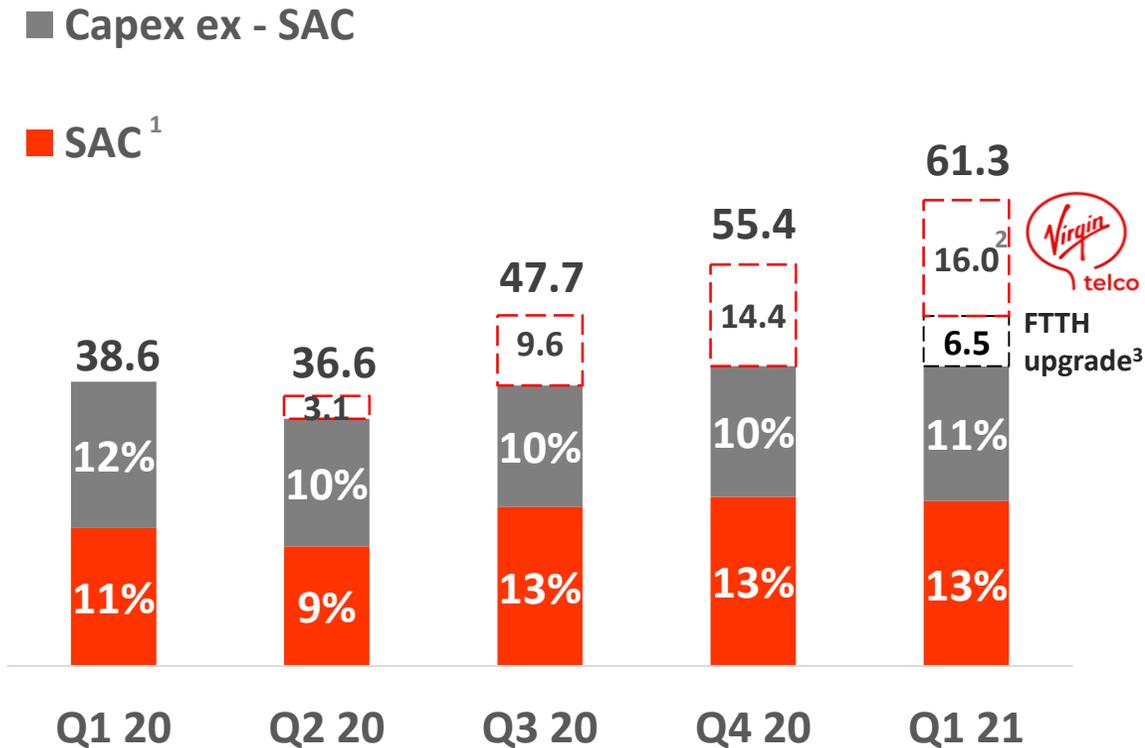


1. EBITDA: Results from operating activities + depreciation and amortisation +/- losses on the disposal and derecognition of assets + indemnities and other remuneration + other non-recurring results
2. Renegotiation of wholesale contracts suspended in Q1 2021 due to takeover process

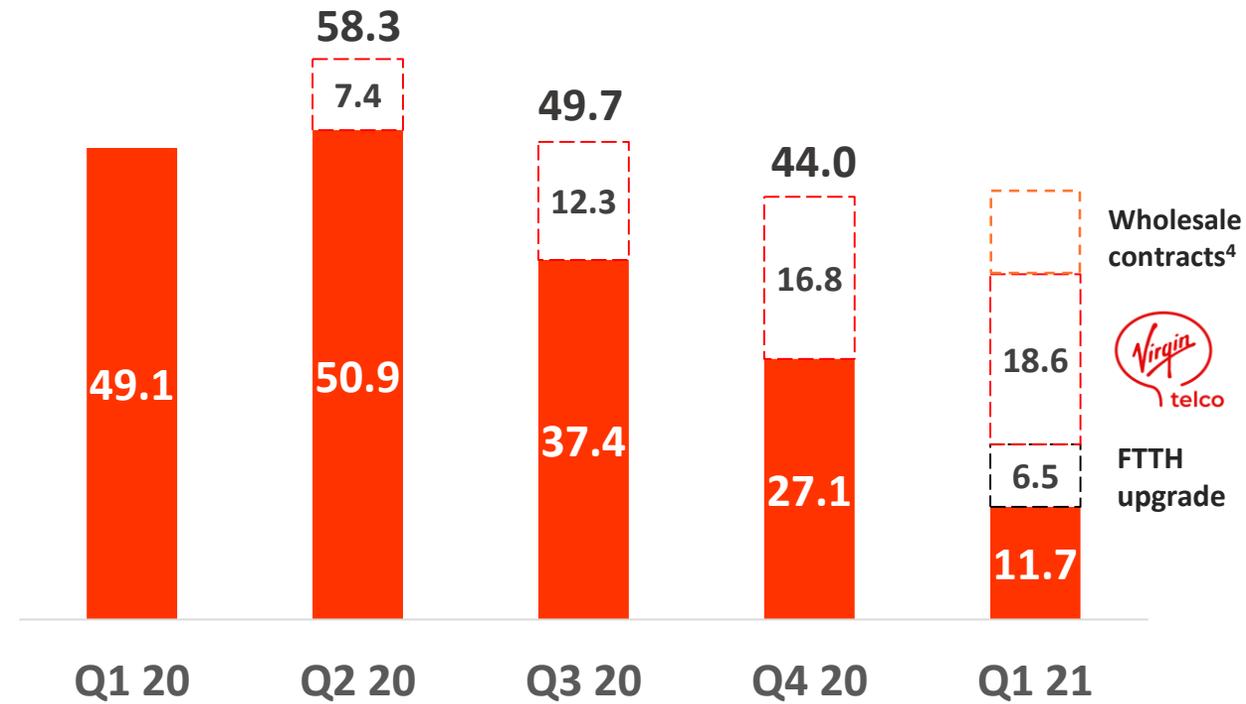
- Investment in **Virgin telco growth**
- Suspension of the renegotiations of wholesale agreements**
- Implemented **Customer retention campaign with Q1 ARPU impact**

| Strong customer growth and the FTTH upgrade investment drive capex in the quarter

Capex (EURm and as % of revenue)



OpCF (EBITDA – capex) (EURm)

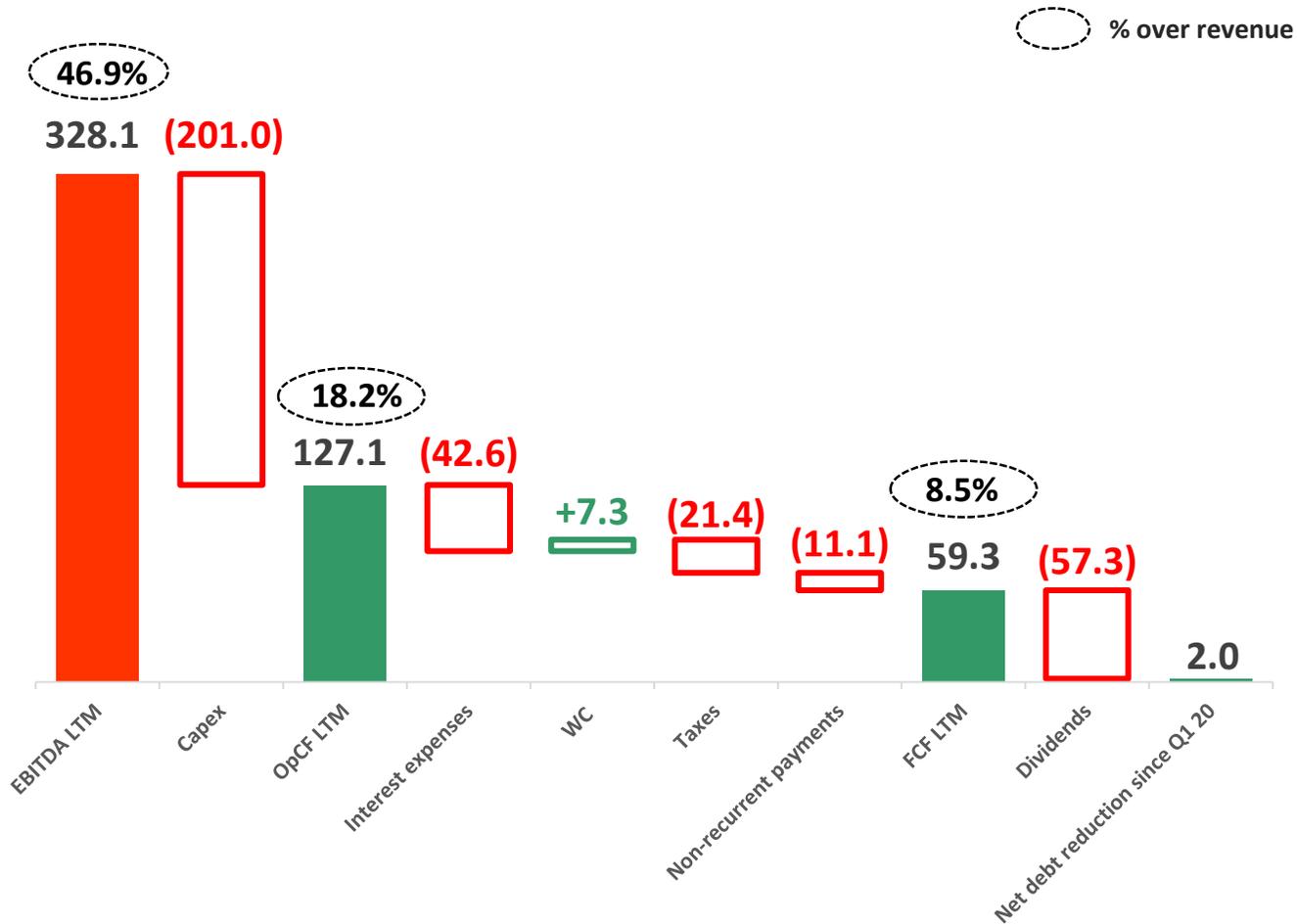


1. SAC capex includes commercial costs, customer installation and customer equipment
2. Out of which €14.9m SAC and €1.1m non-SAC Capex
3. In Q1 2021 Euskaltel has launched the upgrade of the HFC network to FTTH

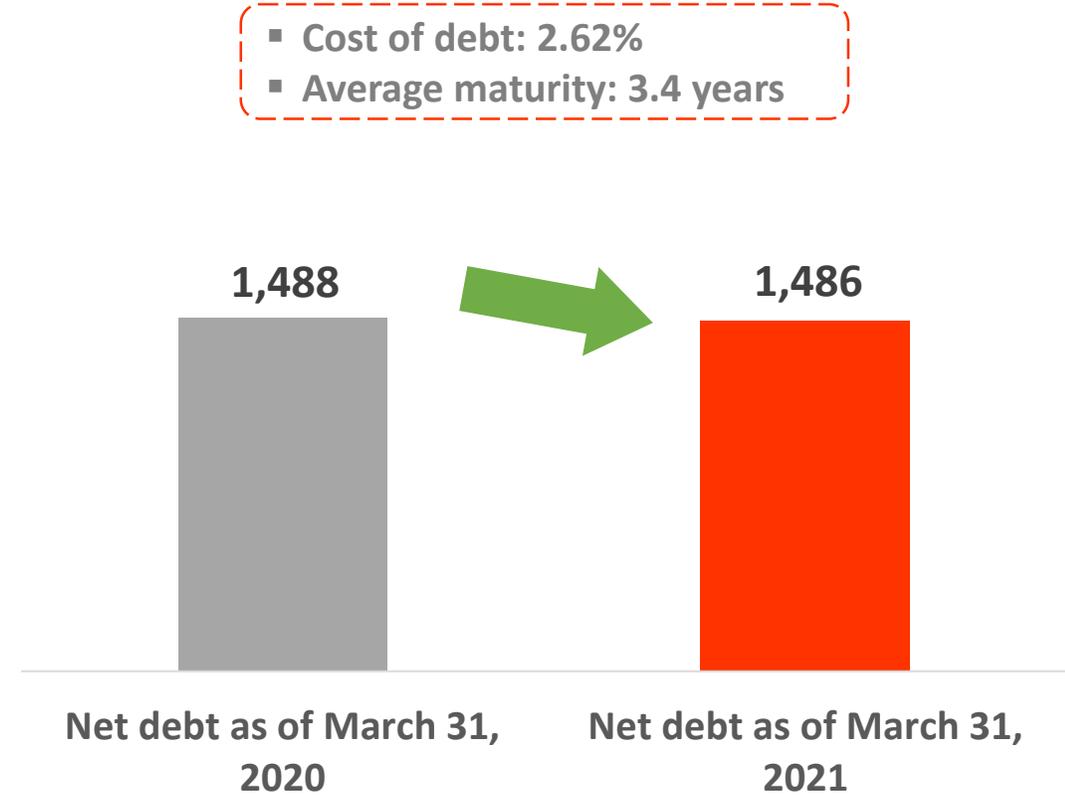
4. Renegotiation of wholesale contracts suspended in Q1 2021 due to takeover process

| Net debt stable yoy despite Virgin and FTTH investments and dividend payments

LTM cash allocation (EURm)



Q1 2021 net debt (EURm)



| Euskaltel maintains strong customer additions and revenue growth



Continued Virgin telco success **maintains customer growth momentum** ✓



Strong progress on Cable to FTTH upgrade in the quarter ✓



Retention programmes reduce churn in the quarter, but impact ARPU ✓



At 9% yoy revenue growth, **B2B maintains its very strong performance** ✓



Revenue growth continues even with the impact of customer retention campaigns ✓



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Q&A



Euskaltel **Group**

Appendix

Euskaltel Group Q1 2021 consolidated results and KPIs



Euskaltel Group consolidated - KPIs (i/iii)

Mass market		Annual	Quarterly				
KPIs	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Homes passed_owned (HFC & FTTH)	#	2,502,348	2,482,870	2,492,121	2,502,348	2,502,348	2,550,919
Accessible homes_wholesale	#	20,907,103	11,050,114	16,216,808	17,756,150	20,907,103	21,448,156
Mass market subs ¹	#	823,313	768,891	782,171	801,677	823,313	847,373
o/w fixed services subs	#	716,373	669,678	681,002	695,402	716,373	736,905
o/w mobile only subs	#	106,940	99,213	101,169	106,275	106,940	110,468
Total services (RGUs) ²	#	2,966,849	2,849,455	2,889,293	2,915,675	2,966,849	3,052,540
Fixed Voice	#	578,669	599,972	600,982	588,139	578,669	579,579
Broadband	#	650,717	596,292	607,483	626,290	650,717	673,881
TV	#	494,614	489,090	496,740	496,572	494,614	497,636
Post-paid mobile	#	1,242,849	1,164,101	1,184,088	1,204,674	1,242,849	1,301,444
Services (RGUs) per subscriber	#	3.60	3.71	3.69	3.64	3.60	3.60
Global ARPU fixed customers (quarterly standalone)	€/month	59.07	60.04	59.99	59.51	56.74	54.96

SMEs and Large Accounts		Annual	Quarterly				
KPIs	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Customers	#	15,985	15,904	15,993	16,044	15,985	15,967

1. Mass market subs = residential subs + SOHO subs + RACC only mobile subs
2. Mass market services = residential services + SOHO services + RACC only mobile services



Euskaltel Group consolidated – Consolidated financials (ii/iii)

Profit and Loss Statement		Annual	Quarterly				
	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Total revenue	€m	697.1	171.8	171.6	174.2	179.5	174.2
Y-o-y change	%	1.7%	0.1%	0.3%	1.8%	4.6%	1.4%
o/w Mass market revenue ¹	€m	548.2	133.6	135.4	138.8	140.5	133.4
o/w B2B revenue	€m	114.5	29.7	28.2	27.3	29.3	32.3
o/w Wholesale and Other revenue	€m	34.4	8.5	8.0	8.1	9.8	8.5
Gross margin	€m	498.9	124.9	127.3	124.7	121.9	114.7
% of total revenue	%	71.6%	72.7%	74.2%	71.6%	67.9%	65.9%
Selling, General & Admin. Expenses (SG&A)	€m	(156.2)	(37.2)	(39.8)	(39.7)	(39.5)	(41.7)
o/w marketing and SAC	€m	(25.5)	(3.0)	(6.9)	(7.0)	(8.7)	(6.0)
o/w customer care and sales	€m	(47.0)	(11.2)	(10.9)	(12.6)	(12.4)	(13.1)
o/w personnel	€m	(39.9)	(10.0)	(10.2)	(9.9)	(9.8)	(9.6)
o/w network and IT systems	€m	(39.5)	(9.7)	(9.6)	(10.1)	(10.1)	(10.6)
o/w other indirect costs	€m	(4.3)	(3.4)	(2.2)	(0.2)	1.4	(2.3)
Adjusted EBITDA	€m	342.8	87.7	87.5	85.0	82.5	73.0
% of total revenue	%	49.2%	51.1%	51.0%	48.8%	46.0%	41.9%
Y-o-y change	%	-0.5%	8.1%	3.7%	-2.0%	-10.6%	-16.7%
Depreciation and Amortization	€m	(207.2)	(49.9)	(50.4)	(49.3)	(57.6)	(62.3)
Extraordinary items	€m	(10.0)	(2.2)	(2.1)	(3.1)	(2.6)	(3.2)
Net financial expenses	€m	(58.9)	(11.9)	(14.8)	(12.4)	(19.7)	(11.6)
Net profit before taxes	€m	66.7	23.7	20.2	20.2	2.5	(4.1)
Taxes	€m	12.7	(4.6)	(3.8)	(3.6)	24.7	2.0
NET PROFIT	€m	79.4	19.1	16.4	16.6	27.2	(2.1)

1. Mass market revenue = residential revenue + SOHO revenue + RACC only mobile revenue



Euskaltel Group consolidated – Consolidated financials (iii/iii)

Cash Flow Statement		Annual	Quarterly				
	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
EBITDA	€m	342.8	87.7	87.5	85.0	82.5	73.0
Capex	€m	(178.3)	(38.6)	(36.6)	(47.7)	(55.4)	(61.3)
% of total revenue	%	-25.6%	-22.5%	-21.3%	-27.4%	-30.9%	-35.2%
Operating Cash Flow	€m	164.5	49.1	50.9	37.4	27.1	11.7
% of total revenue	%	23.6%	28.6%	29.6%	21.5%	15.1%	6.7%
Interests	€m	(43.8)	(11.2)	(10.9)	(11.2)	(10.5)	(10.1)
Working Capital	€m	(0.5)	(7.3)	(6.2)	3.2	9.8	0.5
Taxes	€m	(23.5)	(7.0)	(2.9)	(3.0)	(10.6)	(4.9)
Others	€m	(10.0)	(2.1)	(3.2)	(2.2)	(2.6)	(3.2)
Free Cash Flow	€m	86.9	21.5	27.7	24.4	13.2	(5.9)
Dividends	€m	(55.3)	(23.1)	(1.9)	(30.3)	-	(25.0)
Net debt variation	€m	31.5	(1.6)	25.8	(6.0)	13.2	(30.9)
NET DEBT	€m	1,454.8	1,487.8	1,462.0	1,468.0	1,454.8	1,485.7

Balance Sheet		Annual	Quarterly				
	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Non-current Assets	€m	2,721.0	2,738.0	2,725.3	2,726.4	2,721.0	2,720.5
Intangible assets	€m	1,326.1	1,322.4	1,318.4	1,319.5	1,326.1	1,334.6
Tangible assets	€m	1,261.1	1,280.5	1,272.9	1,273.0	1,261.1	1,252.1
Financial assets	€m	7.4	8.0	6.9	6.0	7.4	7.3
Deferred tax assets	€m	126.5	127.1	127.1	127.9	126.5	126.5
Current Assets	€m	233.8	174.4	206.0	208.0	233.8	212.5
Inventories	€m	2.8	5.7	4.8	6.6	2.8	2.9
Trade and other receivables	€m	103.6	70.9	78.7	83.9	103.6	113.6
Cash and cash equivalents	€m	127.4	97.9	122.5	117.5	127.4	95.9
TOTAL ASSETS	€m	2,954.8	2,912.4	2,931.3	2,934.4	2,954.8	2,933.0
Total Shareholders' Equity	€m	1,009.2	1,001.1	987.6	1,005.9	1,009.2	1,008.6
Non-current Liabilities	€m	1,543.4	1,532.8	1,577.6	1,575.4	1,543.4	1,540.4
Long term debt	€m	1,420.2	1,370.3	1,416.3	1,416.8	1,420.2	1,421.0
Provisions	€m	-	-	-	-	-	-
Other non-current liabilities	€m	123.2	162.5	161.3	158.6	123.2	119.3
Current Liabilities	€m	402.1	378.5	366.1	353.1	402.1	384.0
Short term debt	€m	149.9	194.7	149.4	150.1	149.9	149.8
Trade and other payables	€m	252.3	183.8	216.8	203.0	252.3	234.2
Total Liabilities	€m	1,945.6	1,911.3	1,943.7	1,928.4	1,945.6	1,924.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	€m	2,954.8	2,912.4	2,931.3	2,934.4	2,954.8	2,933.0

