

COMMUNICATION OF A RELEVANT FACT

MASMOVIL GROUP

14th May 2020

The following Relevant Fact is provided regarding the company MASMOVIL IBERCOM, S.A. (hereinafter either the “**MASMOVIL Group**” or “**MASMOVIL**” or “**Group**”) in accordance with what is laid down in article 17 of Regulation (UE) n° 596/2014 on market abuse and article 228 of the revised text of the Securities Market Act passed by Legislative Royal Decree 4/2015 of 23rd October and subsequent dispositions.

Earnings Report 1Q 2020

In Madrid on 14th May 2020

Meinrad Spenger
CEO
MASMOVIL IBERCOM, S.A.

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Information also available on www.grupomasmovil.com under section “shareholders and investors”

Key Highlights 1Q20

- **Growth momentum continues despite restrictions imposed on commercial activity**
 - **General evaluation:** MASMOVIL with strong performance in 1Q20 from a commercial and financial perspective. Good results were achieved despite the suspension of the fixed and mobile portability process for our customers in Spain (which was unique and Spain is the only country in Europe with such suspension) and other commercial restrictions as consequences of the declaration of the State of Alarm in Spain due to COVID-19.
 - **Service Revenue:** +20% YoY in 1Q20
 - **Client growth:** the number of broadband subscribers increased in Q1 by 119K (+8% QoQ) and mobile postpaid subscribers by 254K (+5% QoQ)
 - **Number of subscribers:** the number of broadband and postpaid mobile subscribers in the last 12 months grew by 486K (+43% YoY) and by 907K (+18% YoY) respectively
- **Increased Profitability in 1Q20**
 - **Adjusted EBITDA:** €134M implies a +27% growth rate and represents €29M YoY increase relatively to 1Q19
 - **EBITDA Margin:** increased from 27% in 1Q19 to 30% in 1Q20 (+3pp)
 - **Adjusted Net Income:** €33M with €0.25 EPS
- **Full 2020-21 Guidance reiterated despite Covid19:**
 - **Introduction:** Throughout the current crisis, the Company has been focused to facilitate a swift return to full operating momentum once the economy reopens, Measure include the support to our sales channels and partners, avoidance of lay-offs in the Group and strengthening of our network capacities. While there is still uncertainty around the duration of these exceptional circumstances, a solid 1Q20 and the trends observed in the first few weeks of 2Q20 allow us to be confident that **MASMOVIL commercial growth plans will not be materially affected by Covid19.**
 - **EBITDA guidance confirmed:** MASMOVIL is confirming its FY20 Adjusted EBITDA guidance of €570-600M; Margin 30-32% and for 2021 of €670-700M; Margin 32-34%
 - **Capex and EFCF guidance intact:** The Group sticks to its Capex guidance, despite additional Covid-19 related network efforts, of €295M and €255M for 2020 and 2021 respectively, and feels very comfortable with the >€2 per share Equity FCF guidance for 2021

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		FY20 Guidance	1Q20 Reported	On track?
Adjusted EBITDA 	Adjusted EBITDA (before one-off costs)	€570M- €600M ¹	€134M	✓
Net Capex 	Net Capex	€295M	€97M	✓
Deleveraging Path 	Net Debt / EBITDA ²	3.2x	3.2x	✓

Source: Company

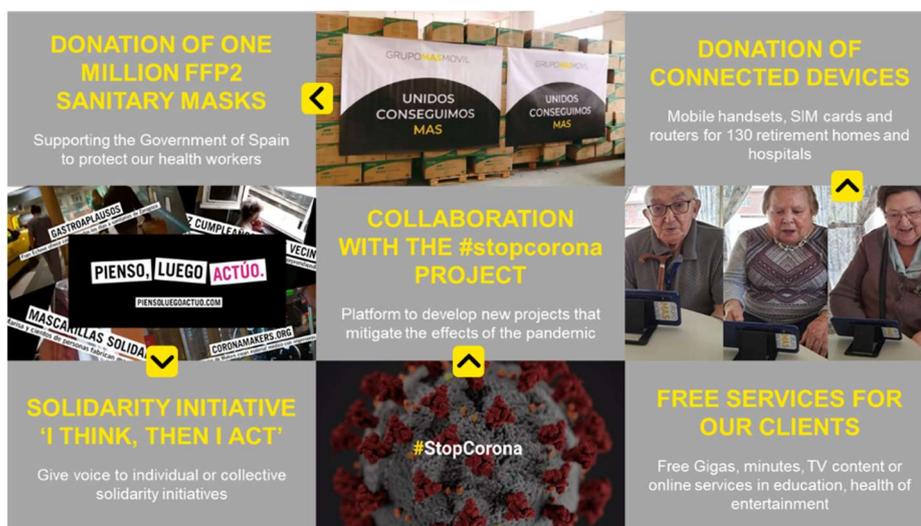
1. €570-600M EBITDA guidance range

2. Net Debt 1Q20 of €1,845M over FY20 mid-point guided EBITDA of €585M. Leverage guidance adjusted for Lyca proforma contribution post synergies

• Solidarity initiatives during Covid19 crisis

Grupo MASMOVIL is committed to Spain and our social environment. We have tried to contribute in multiple ways to help and support society in the current State of Alarm including for instance:

- Donation of masks, mobile handsets and SIMs to the government, retirement houses or hospitals
- Free services for customers
- Collaboration with social projects to mitigate the impact of the Covid19
- Active participation and promotion of charity initiatives

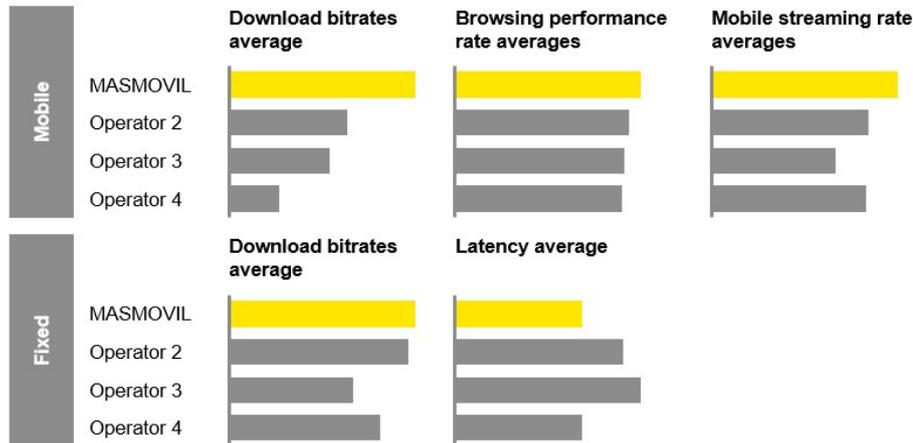


For a very detailed description of the Group initiatives see

<https://www.grupomasmovil.com/nuestra-respuesta-ante-covid-19/>

- **Satisfactory MASMOVIL network performance during Covid19**

- According to nPerf April 2020 report (<https://bit.ly/2Vx5Bkd>), in 1Q20 MASMOVIL network performance has been the best-in-class in Spain during the peak days of the crisis. On average, MASMOVIL has outperformed its peers in download speeds and latency levels



Source: nPerf – Barometer of fixed and mobile connections in Spain (March 30th, 2020)

- **Network Development on Plan**

- Total FTTH coverage increased to 24.4M Building Units (“BUs”), including wholesale access, basically covering now the whole of Spanish BUs
- MASMOVIL’s own/usage rights FTTH footprint increased to 13.6M BUs which is equivalent to 73% coverage of all Spanish primary households¹

- **Operational Milestones & Initiatives During the Period**

- Launch of marketing campaign for new MASMOVIL positioning, achieving historical records in brand tracking KPIs (recall, honesty, etc.) and in Google brand searches
- Launch of new products to increase the ARPU of our clients (eg: data vouchers, upsells)
- Covid19 situation related activities:
 - Adaptation of brand taglines and campaigns for Yoigo, MASMOVIL and Pepephone
 - Adaptation of product portfolio for all brands to Covid19 situation
 - Creation of the coronavirus edition of the branded content platform “Pienso, luego actúo” (“I think, then I act”) with more than 500 charity initiatives
- PepeEnergy's first digital marketing campaign multiplying sales x5 YoY

¹ Assuming 18.5 million primary households (not BUs) according to INE

- New DMP (Data Management Platform) launch with Sales Force and Digital Marketing Full Stack with Google
 - Lebara brand: launch of a new offer including new international packages and “accumulate Gigas” feature
 - Content offer: enabling free access to SKY and Flixolé TV through Agile TV for clients of MASMOVIL and Yoigo
 - Mobile Apps: Launch of the new MASMOVIL App on the Group's Multi-brand platform. Pepephone and Yoigo APPS become the best rated in the Android market for the Telco sector (Pepephen 4.8; YOIGO 4.5)
-
- **MASMOVIL acquires virtual mobile operator Lycamobile Spain**
 - As announced with our relevant fact dated March 2nd, 2020, MASMOVIL signed in February 28th, 2020 an agreement for the acquisition of Lycamobile, S.L.U. (“Lyca”), a virtual mobile operator in Spain operating under the Lycamobile brand. The acquisition is subject to the authorization of Antitrust Authorities
 - Lyca is a virtual mobile operator specialized in the pre-paid segment with around 1.5 million lines at the end of December 2019, with an ARPU > €7 with 2019 revenues of approximately €132 million and EBITDA of approximately €45 million
 - MASMOVIL estimates that the acquisition of Lyca will allow the combined business to generate synergies (mainly through reduction of mobile network costs and headquarter cost allocations) that will result in a proforma annual EBITDA post-synergies of c.€75M (€70M EBITDA already expected for 2021)
 - MASMOVIL will pay cash consideration of approximately €372 million for the acquisition of Lyca on a debt free transaction basis. The payment will be spread in three installments of €307 million at closing, €30 million in six months after closing and a final payment of €35 million twelve months after closing.
 - The transaction is expected to be funded by bank debt that has been committed by two leading international financial institutions, without resulting in any material increase in the Group leverage profile (leverage is currently expected to increase by 0.2x on a pro forma post-synergies basis)
 - Net of cost of funding and taxes, the acquisition of Lyca is expected to generate approximately €52 million of additional pro forma Equity FCF, which represents approximately 20% of the current >€2.0 per share 2021 Equity FCF guidance
 - The acquisition of Lyca reinforces MASMOVIL’s position in the prepaid segment in Spain and is expected to be completed after the end of the State of Alarm

Financial and Operational Results

- **Financials**

- MASMOVIL generated Service Revenues of €401M (+20% YoY) and Total Revenues of €445M (+16% YoY)
- Adjusted EBITDA of €134M (+27% YoY) with an EBITDA margin of 30% (+3pp)
- Reported Net Income of €22M and Adjusted Net Income of €33M represents €0.25 Adjusted EPS
- Total Net Capex of €97M includes €51M of Commercial Capex (€30M in relation to customer growth and €21M to churn replacement) and €22M in relation to new FTTH deployments (>200k BUs in 1Q20)

Growth Capex of €58M (c.60% of Total Net Capex) reflects MASMOVIL's continued strong operating momentum

- MASMOVIL's own/usage rights FTTH network coverage increased to 13.6M BUs (vs. 6.4M BUs in 1Q19), representing 56% of MASMOVIL's total FTTH footprint of 24.4M BUs in 1Q20

These 13.6M BUs mentioned above include usage rights over 5.2M BUs from our new Orange deal announced in October 2019

- Net Debt of €1,845M equivalent to a financial leverage of 3.2x when using the adjusted EBITDA guidance of €585M (midpoint of the €570-600M guidance range)
- Cash Flow from Operations of -€149M mainly due to 2019 deferred capex payments, NWC adjustments and deferred commissions and subsidies

- **Subscribers and KPIs**

- MASMOVIL achieved +119k fixed broadband net adds (in excess of 100k for ten consecutive quarters) and +254k postpaid mobile net adds in 1Q20 (in excess of 190k for eleven consecutive quarters)
- As of 1Q20 MASMOVIL reached 5.9M mobile postpaid lines (+18% YoY) and 1.6M broadband lines (+43% YoY)

Table 1 – Key Financials

	1Q19	1Q20	Growth (%)
			Reported
<u>Lines (M)</u>			
Mobile postpaid	5.0	5.9	18%
Mobile prepaid	1.9	1.7	-6%
Broadband	1.1	1.6	43%
Total Lines	8.0	9.2	16%
<u>Key Financials (M€, unless otherwise)</u>			
Service Revenues	336	401	20%
Total Revenues	383	445	16%
Adjusted EBITDA⁽¹⁾	105	134	27%
Adjusted Net Income	37	33	-10%
Net Debt	1,107	1,845	67%
<u>Key KPIs</u>			
EBITDA Margin (%)	27%	30%	262 bps
Net Debt/Adjusted EBITDA ⁽²⁾	2.6x	3.2x	
Adj. EPS (fully diluted, €)	0.29	0.25	-14%
<u>Shares Outstanding (M)</u>			
Basic	120.2	131.7	
Fully Diluted ⁽³⁾	126.7	131.7	

(1) EBITDA excludes, one-off expenses and stock appreciation rights (long-term management incentive plan)

(2) Net Debt 1Q20 of €1,845M over FY20 mid-point guided EBITDA of €585M

(3) 1Q19 fully diluted number of shares is based on shares outstanding plus conversion of outstanding Providence convertibles at that moment. FY19 number of shares outstanding and fully diluted are equal

Source: Company

- **1Q20 Service Revenue growth of +20% QoQ**
 - Service Revenues grew +20% QoQ to €401M in 1Q20
 - Other Revenues declined 8% (low margin revenues)
 - Total Revenues grew +16% YoY reaching €445M in 1Q20

Table 2 – Revenue Split

€M	1Q19	1Q20	Growth (%)
			Reported
Service Revenues	336	401	20%
Other Revenues	47	44	(8%)
Total Revenues	383	445	16%
Net Revenues⁽¹⁾	341	407	19%

(1) Net Revenues calculated as Service Revenues plus Gross Profit contribution from Other Revenues
Source: Company

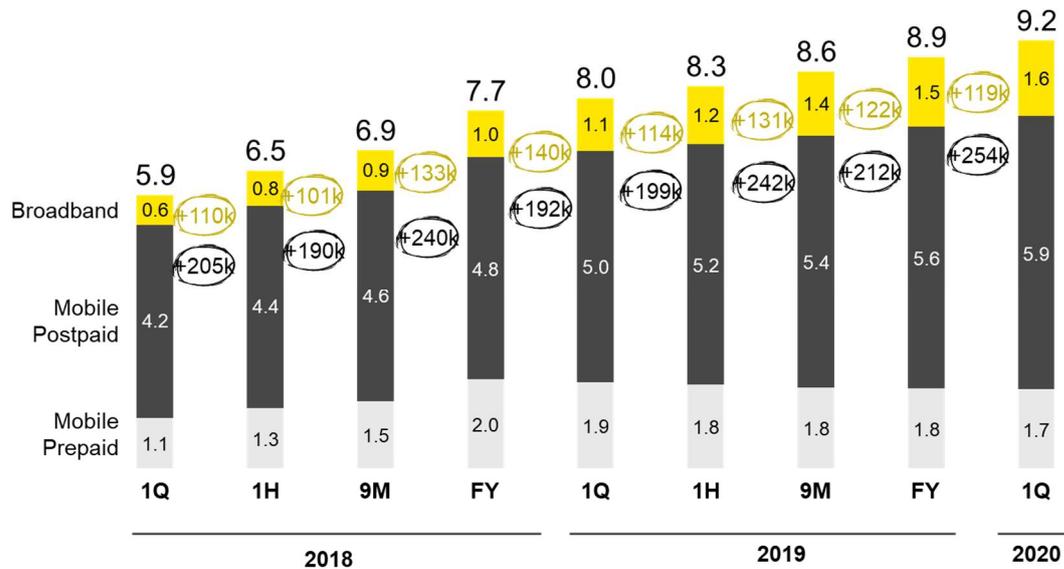
- **MASMOVIL continues its strong growth trajectory and reaches a total of 9.2M lines including 1.6M broadband lines**
 - At the end of 1Q20, MASMOVIL had 9.2M total lines (+16% vs. 1Q19)
 - Our multi-brand strategy of addressing different customer segments with tailored value propositions continues to deliver positive results
 - Cross-selling of broadband to the existing mobile subscriber base as well as the upselling of higher value packages like Agile TV service remains on track

Table 3 – Overview of Customer Base

M Lines	1Q19	1Q20	Delta	Growth
Mobile postpaid	5.0	5.9	0.9	18%
Mobile prepaid	1.9	1.7	-0.1	-6%
Total Mobile	6.8	7.6	0.8	12%
Broadband	1.1	1.6	0.5	43%
Total lines	8.0	9.2	1.3	16%

Source: Company

Chart 1 – Evolution of Mobile & Broadband Lines (millions)



Source: Company

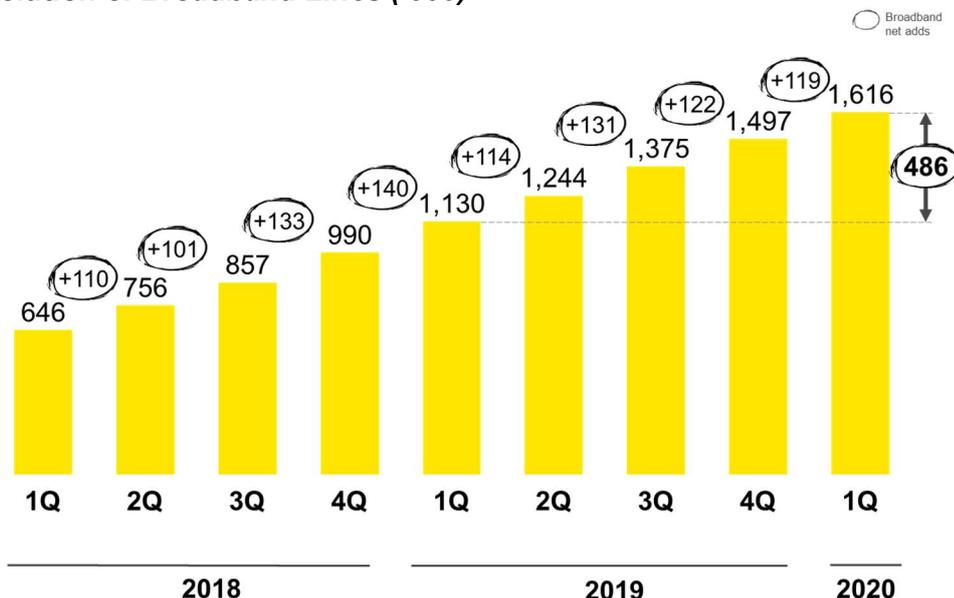
- **Mobile postpaid lines grew +18% YoY and 5% QoQ**

- In 1Q20, MASMOVIL reached 5.9M mobile post-paid clients, an increase of +907k lines vs. 1Q19 and +254k vs. 4Q19
- The use of its different brands (Yoigo, MASMOVIL, Pepephone, Llamaya and Lebara) with tailored value propositions and sales channels allows MASMOVIL to adequately address customers with different profiles and behavior

- **Broadband net adds of +119k in 1Q20**

- MASMOVIL added +119k new net broadband lines during 1Q20 resulting in a total of 1.6M broadband lines as of 1Q20 (+43% YoY). Broadband net adds in excess of +100k for ten consecutive quarters

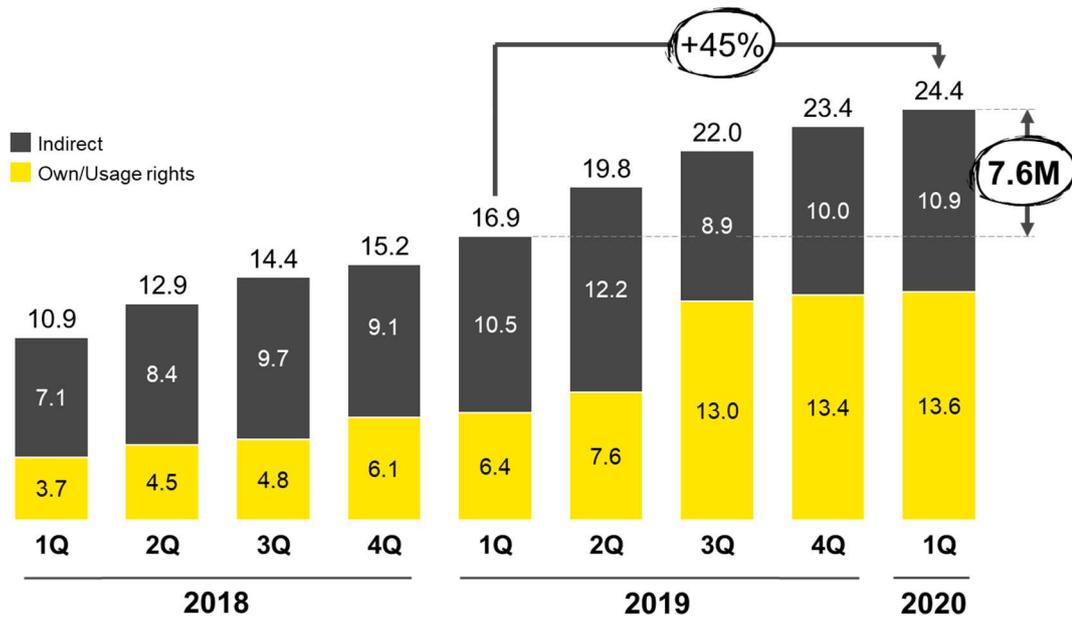
Chart 2 – Evolution of Broadband Lines ('000)



Source: Company

- **FTTH footprint increased to 24.4M BUs, growing 7.6M since 1Q19 (+45% YoY)**
 - The co-invest agreements signed with Orange (several since 2016) and Vodafone (4Q18), continued own deployments as well as the usage rights over 5.2M BUs from the new Orange deal announced on Oct 1st 2019, enabled MASMOVIL to expand its own/usage rights FTTH pro-forma footprint to 13.6M BUs as of 1Q20
 - An additional 10.9M BUs are accessible through Bitstream agreements with third parties

Chart 3 – Fiber Footprint Expansion (Million BUs)



Source: Company

Consolidated Profit and Loss Statement

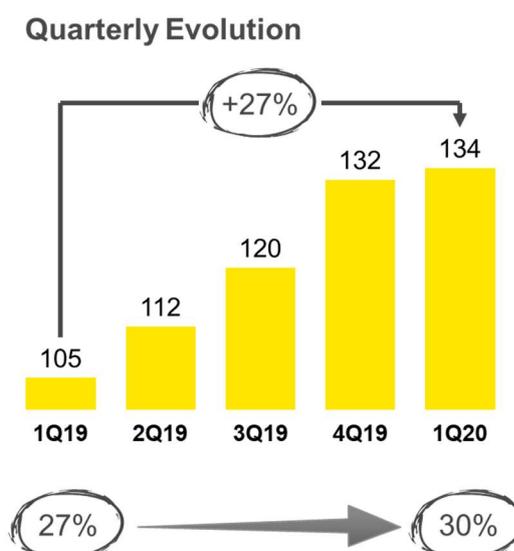
Table 4 – Summarized P&L (€M)

	1Q19 Reported	1Q20 Reported	Growth (%) Rep. vs. Rep.
Ingresos de Servicio	336	401	20%
Otros ingresos	47	44	-8%
Ingresos	383	445	16%
Otros ingresos operativos	21	16	-23%
Coste de ventas	(266)	(294)	11%
Otros gastos operativos	(33)	(33)	1%
EBITDA ajustado	105	134	27%
Gastos no recurrentes	(4)	(8)	n.m.
EBITDA Reportado	101	125	24%
Depreciación/amortización	(56)	(73)	30%
EBIT Reportado	45	52	16%
Gasto financiero neto	(20)	(20)	0%
BAI	24	32	30%
Impuesto sobre beneficios	(3)	(10)	n.m.
Resultado neto Reportado	22	22	0%
Suma de los "Ajustes"	15	11	-24%
Resultado neto Ajustado ⁽¹⁾	37	33	-10%

(1) Please see in the next table the list of adjustments
Source: Company

- **Adjusted EBITDA of €134M in 1Q20 +27% YoY**
 - 1Q20 EBITDA of €134M represents a €29M YoY increase vs. 1Q19
 - EBITDA margin expanded to c.30% in 1Q20 vs. 19% in 1Q19

Chart 4 – Quarterly Adjusted EBITDA Performance (€M)



Source: Company

- **Adjusted Net Income for 1Q20 of €33M and Reported Net Income of €22M**
 - Adjusted Net Income of €33M after adjusting for the following one-offs and other non-business-related accounting charges:
 - Reversal of net operative one-offs losses of €8.2M. These non-recurring losses comprise non-recurring costs related to the migration of the legacy national roaming contracts and one-off integration costs together with some Covid19 related social initiatives (masks and connected devices donation among others)
 - Amortization of acquired customer base and brand for €7.3M
 - -€0.2M linked to management's long-term incentive plan
 - Tax impact of the above-mentioned adjustments of -€3.8M€

Adjusted EPS for the period of €0.25. EPS is based on 131.7M shares outstanding. Since May 2019, the number of shares outstanding and the number of fully diluted shares are the same

Table 5 – Adjusted Net Income and EPS (€M)

	1Q20
Reported Net Income/(Loss)	21.6
Operating one-offs	8.2
Amortization of acquired customer base & brand	7.3
Management incentive plans (SAR)	(0.2)
Tax impact of "Adjustments"	(3.8)
Adj. Net Income/(Loss)	33.0
Number of shares (million)	131.7
Adj. EPS (€)	0.25

Source: Company

Consolidated Balance Sheet

Table 6 – Consolidated Balance Sheet (€M)

	FY19	1Q20	Delta
Non current assets	2,801	2,863	62
Intangible assets	1,724	1,728	5
Property, plant and equipment	648	698	50
Other non current assets	136	148	13
Deferred tax assets	294	288	(6)
Current assets	473	625	152
Inventories	12	12	(0)
Trade and other receivables	220	238	18
Other current assets	178	180	2
Cash and cash equivalents	63	195	132
Total assets	3,274	3,487	213

	FY19	1Q20	Delta
Equity	104	125	21
Share capital	3	3	-
Additional paid in capital	836	836	-
Reserves and other equity instruments	(735)	(714)	21
Non-current liabilities	1,864	2,070	206
Long term debt	1,546	1,748	202
Other financial non-current liabilities	17	16	(1)
Provisions	56	54	(2)
Other non-financial non-current liabilities	180	188	8
Deferred tax liabilities	66	64	(1)
Current liabilities	1,306	1,293	(13)
Current portion of long term debt	550	497	(52)
Other financial current liabilities	137	205	68
Provisions	95	94	(1)
Trade and other payables	524	497	(28)
Total equity and liabilities	3,274	3,487	213

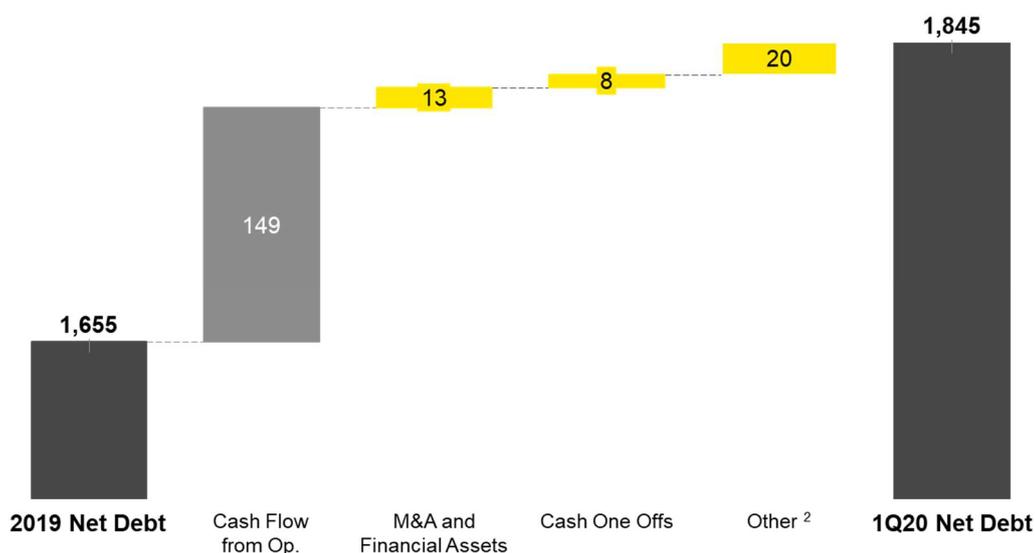
Source: Company

Table 7 – Net Debt Overview (€M)

	1Q19	1Q20	Delta 1Q20 vs. 1Q19
Short-term commercial paper	50	170	120
TLB	-	1,419	1,419
Senior debt	784	195	(589)
Bonds	28	28	0
Junior debt	102	-	(102)
Debt with Providence	134	-	(134)
IFRS 16	149	156	7
Other debts	29	71	42
Cash & cash equivalents	(35)	(195)	(160)
Net Debt	1,241	1,845	604
<i>x Adjusted EBITDA ⁽¹⁾</i>	<i>2.6x</i>	<i>3.2x</i>	
Providence convertible	(134)	-	134
ACS convertible	-	-	-
Net Debt (excl. convertibles)	1,107	1,845	738
<i>x Adjusted EBITDA ⁽¹⁾</i>	<i>2.6x</i>	<i>3.2x</i>	

(1) 1Q20 Net Debt of €1,845M over FY20 mid-point guided EBITDA of €585M
Source: Company

Chart 5 – Change in Net Debt (€M) resulting in around 3.2x leverage¹



¹ 1Q20 Net Debt of €1,845M over FY20 mid-point guided EBITDA of €585M

² Includes other accrued debt in B/S

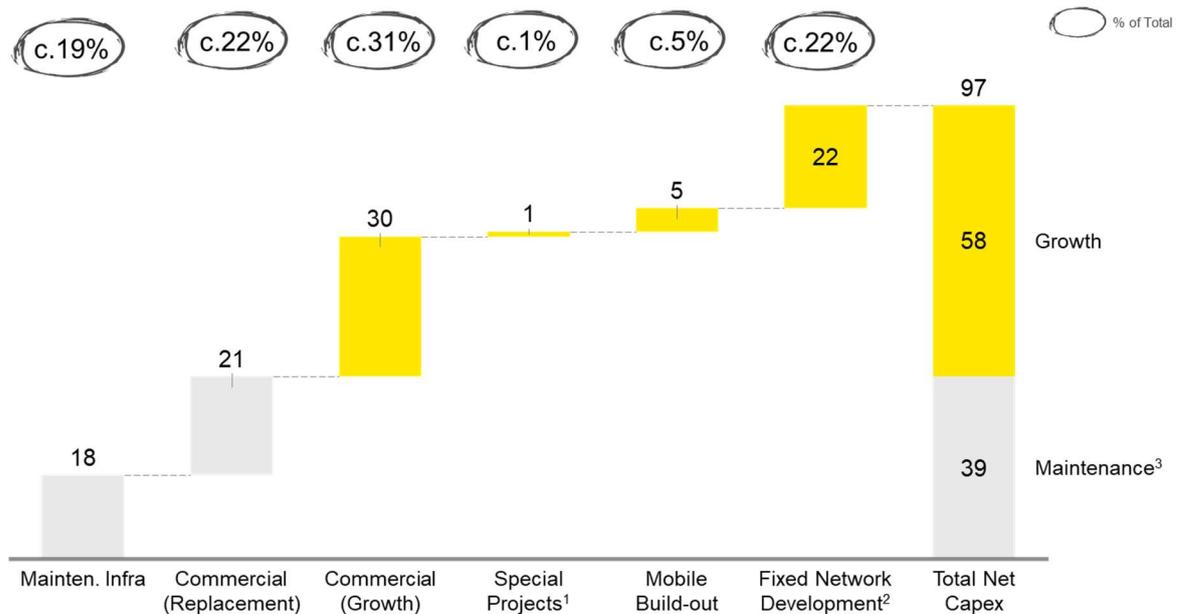
Source: Company

Cash Flow Statement

- **Net Capex of €97M in 1Q20**

- Fixed Network Development Capex was €22M in 1Q20, representing 22% of the Total Net Capex over the period. This includes >0.2M BUs of gross deployment this quarter
- Technical Maintenance Capex reached €18M in 1Q20 and Capex dedicated to Special Projects was only €1M in the period
- Commercial Capex, which is directly associated to the Company's acquisition of broadband lines, amounted to €51M in 1Q20, of which €30M was dedicated to growing the Company's broadband customer base
- Growth related Capex amounted to €58M (c.60% of total Capex), while total 1Q20 Maintenance Capex reached €39M

Chart 6 – Capex 1Q20 (€M)



¹ Special projects include areas such as digitalization, cybersecurity, and other specific projects

² Includes Transmission and Access, net of IRU sales

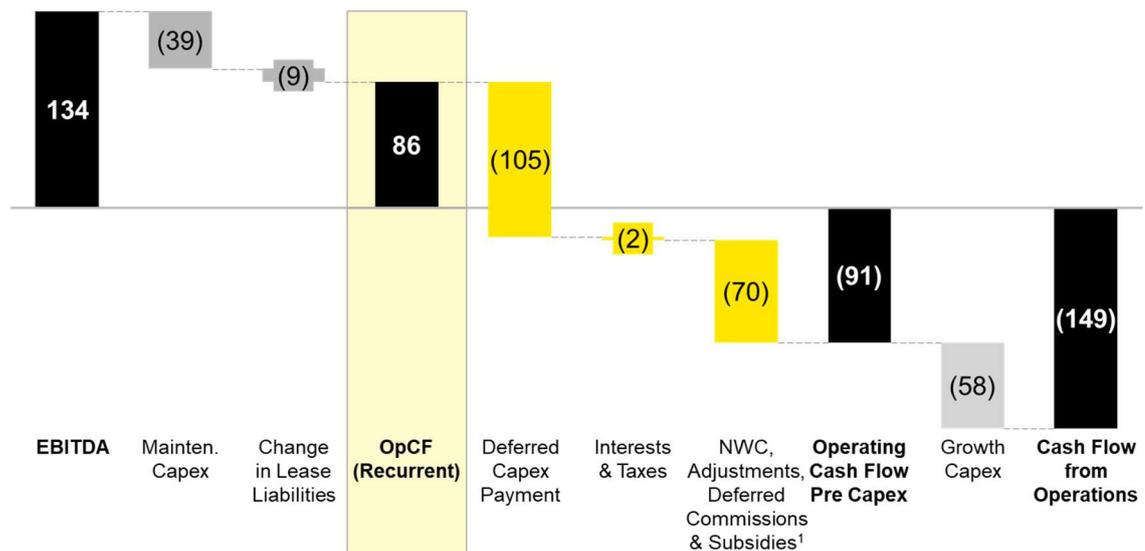
³ Includes churn related (replacement) commercial capex and maintenance infrastructure Capex

Source: Company

- **Cash Flow from Operations of -€149M in 1Q20**

- OpCF in 1Q20 was €86M
- Interest and taxes were -€2M while NWC, Adjustments, Deferred Commissions & Subsidies (including IFRS15 adjustments) were -€70M
- Cash Flow from Operations was -€149M in 1Q20, affected mainly by -€97M Capex and deferred Capex payments of -€105M

Chart 7 – Cash Flow from Operations 1Q20 (€M)



¹ Includes IFRS15

Source: Company

Relevant Issues Following the Closing of the Period

- No relevant issues following the closing of the period

Disclaimer

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