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Zegona Communications plc

Vodafone Spain and Telefonica sign FibreCo contract

7 November 2024

Zegona Communications plc (LSE: ZEG) (“Zegona”) is pleased to announce Vodafone ONO, S.A.U. (“Vodafone Spain”) and Telefónica de España, S.A.U. (“Telefonica”) (together the “Parties”) have today signed a binding contract to create a new fibre network company in Spain (“FibreCo”).

Earlier this year, Zegona announced it had signed non-binding agreements to create FibreCos with both Telefonica and MasOrange and a non-binding agreement for a new fibre wholesale agreement with Telefonica. The combination of these three transactions was designed to complete the transformation of Vodafone Spain’s fixed line strategy, delivering full “Fibre-to-the-home” services nationally across Spain. Today’s announcement delivers a key component of that strategy.

This new FibreCo will cover 3.6 million premises across Spain, providing fibre access services for 1.4 million Vodafone Spain and Telefonica customers. FibreCo will provide access to the highest quality high-speed fibre optic network and support the rapid adoption of new technologies, benefiting Vodafone Spain and Telefonica customers. Vodafone Spain will use FibreCo to provide services to its existing and future retail and wholesale customers within its footprint. This network will be a benchmark for sustainable development, meeting high ESG standards through more efficient use of network assets.

The FibreCo is expected to have run rate EBITDA of circa €125 million after 3 years. The ownership split of the company will be 63% Telefonica and 37% Vodafone Spain. The Parties plan to bring a third-party financial investor into the share capital of FibreCo, with Telefonica retaining majority ownership and Zegona holding 10%. Given the high quality of the existing fibre infrastructure and the multi tenant nature of the company, we expect FibreCo to be a highly valued asset commanding a significant valuation premium.

The transaction is subject to customary regulatory approvals. FibreCo completion together with the introduction of a third-party investor is expected in the first half of 2025.

Eamonn O’Hare, Chairman and CEO of Zegona, commented “Entering into this FibreCo partnership with Telefonica demonstrates our commitment to transform Vodafone Spain’s fixed line strategy. This transaction gives our business guaranteed access to a future-proof all fibre network with attractive economic terms. Creating and monetising this FibreCo is expected to deliver significant capital returns to Zegona creating value for all stakeholders.”

Enquiries

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About Zegona

Zegona was established in 2015 with the objective of investing in businesses in the European Telecommunications, Media and Technology sector and improving their performance to deliver attractive shareholder returns. Zegona is led by former Virgin Media executives Eamonn O'Hare and Robert Samuelson. On 31 May 2024, Zegona completed the 100% acquisition of Vodafone Spain for €5.0 billion.

About Vodafone Spain

Vodafone Spain is a national provider of fixed, mobile and TV services in Spain, serving consumer, business and public administration customers. It was acquired by Zegona in May 2024.

About Telefonica

Telefonica is one of the largest telecommunications service providers globally. It offers fixed and mobile connectivity, as well as a wide range of digital services for residential and business customers. With around 388 million customers and more than 100,000 employees, Telefónica operates in Europe and Latin America. Telefonica is a listed company with its shares trading on the Spanish Stock Exchange and those of New York and Lima.