

Introduction to Zegona

July 2019



ZEGONA
COMMUNICATIONS

The logo features the word "ZEGONA" in a large, bold, sans-serif font. The letter "Z" is rendered in a vibrant red color, while the remaining letters "E", "G", "O", "N", and "A" are in black. Below "ZEGONA", the word "COMMUNICATIONS" is written in a smaller, all-caps, black sans-serif font. The entire logo has a 3D effect, with shadows and highlights that give it a sense of depth. A solid red arrow points from the bottom right corner of the slide towards the logo.

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Cash Flow defined as EBITDA – Capex. All references to Revenue, EBITDA and Cash Flow throughout this announcement are to Adjusted Revenue, Adjusted EBITDA or Adjusted Cash Flow.

1 Zegona - Introduction

2 The Euskaltel Investment

2 Zegona - Opportunity

Experienced Management Team with Proven Track Record

Eamonn O'Hare



- ❑ CEO of Zegona
- ❑ CFO of Virgin Media 2009 – 13
 - Strategic sale to Liberty Global for \$24bn EV
 - \$14bn shareholder value created
- ❑ CFO of Tesco UK
 - Increased UK Trading Profit from £1.7bn to £2.4bn
 - £5.4bn equity value created over 4 years
- ❑ CFO of Energis turnaround team
- ❑ VP PepsiCo, 10yrs in senior executive roles worldwide

Experienced operator with track record of delivering superior business performance and investor returns

Robert Samuelson



- ❑ COO of Zegona
- ❑ Strategy Director of Virgin Media 2011 – 14
 - Strategic sale to Liberty Global for \$24bn EV
 - Managed post merger integration process
- ❑ Managing Partner Virgin Group Telecoms & Media
 - Built \$2.5bn revenue business in sector
 - 40% IRR delivered over 10 years
- ❑ Director Arthur D Little Corporate Finance practice
 - Involved in major TMT debt financings
 - Lead advisor to Orange, Bouygues, Lucent

Telecoms & Media professional with operational focus and strong international record of value creation

Menno Kremer



- ❑ Investment director of Zegona
- ❑ Goldmans Sachs 2011-16
 - Investor in and advisor to cable TV, FTTH and telecoms businesses
 - Main investment: Get (Norway Cable TV operator)
- ❑ Merrill Lynch 2007-11
 - Advisor to European telecoms groups including Liberty Global, KPN and Orange

Cable and telecoms investment and M&A experience

Differentiated and experienced team with extensive real world investment, operational and financial skills

Zegona Investor Considerations

- Zegona was established in 2015 with a clear strategy to create value in the European TMT market
- Zegona is listed on the London Stock Exchange's Main Market and is supported by major global investors
- Zegona's first investment was Telecable, acquired for €640m and sold two years later for a return of 42%
- Proceeds from the Telecable sale included cash, returned to shareholders, and 15% in Euskaltel
- In 2019 Zegona raised another £100m and increased its shareholding in Spanish telecoms operator Euskaltel

1 Experienced Team with Proven Track Record

- ❑ Significant sector expertise
- ❑ Extensive real world senior operational and public company management experience
- ❑ Executive leadership over last 10 years in businesses that have created \$25bn of shareholder value

2 Buy-Fix-Sell Strategy

- ❑ Investor friendly Buy-Fix-Sell strategy in European TMT
- ❑ Focus on businesses that require active change and fundamental improvement to realise full value
- ❑ Target significant long term growth in shareholder value

3 Attractive Market Opportunity

- ❑ Changing market dynamics in telecommunications and media industry create multiple investment opportunities
- ❑ Driven by consumer consumption, industry consolidation and convergence in European TMT
- ❑ Over 60 companies of desired scale identified

4 Well Positioned to Access Attractive Deals

- ❑ Targeting acquisitions in £1-3bn EV range
- ❑ Success of Telecable as 1st acquisition proves Zegona model
- ❑ Many attractive additional opportunities but very disciplined approach as shareholder value No 1 priority

Telecable – Investment Fundamentals Delivered

Zegona acquired Telecable in August 2015 for an enterprise value of €640m and sold the business to Euskaltel in July 2017, retaining 15% of the combined business

1

Clear Investment Rationale

- Strong regional champion with a high quality offering and valuable customer base
- Spanish economy and telecoms market were poised for recovery after years of decline
- Opportunity to drive consolidation across 3 northern regional cable businesses and nationally

2

Identified Improvement Actions Realised

- Revenue growth: From less than 1% in 2014 to 3% in 2016
- Productivity gains: Cash conversion improvement from 56% in 2014 to 61% in 2016
- Service enhancements: Significant new commercial offers delivered NPS increases

3

Attractive Financial Returns Delivered

- Telecable sold in July 2017 for €701m*, delivering 42% shareholder return in under 2 years
- Zegona returned 55% of original shareholder investment**, while retaining exposure to equivalent cash flows to those of Telecable through its 15% holding in Euskaltel
- Zegona has secured significant influence in Euskaltel and sees strong upside potential

* Based on Euskaltel share price of €9.50, including deferred payment of up to €15m

** Total Zegona equity raised £286.6m. Total cash return to shareholders of up to £158.6m comprised of £140m capital returned via Tender Offer @ £2/share in October 2017, dividends paid of £8.8m (4.5p on 196m shares), and 2017 dividends targeted to be paid of £9.8m (equivalent to 5p on 196m shares).

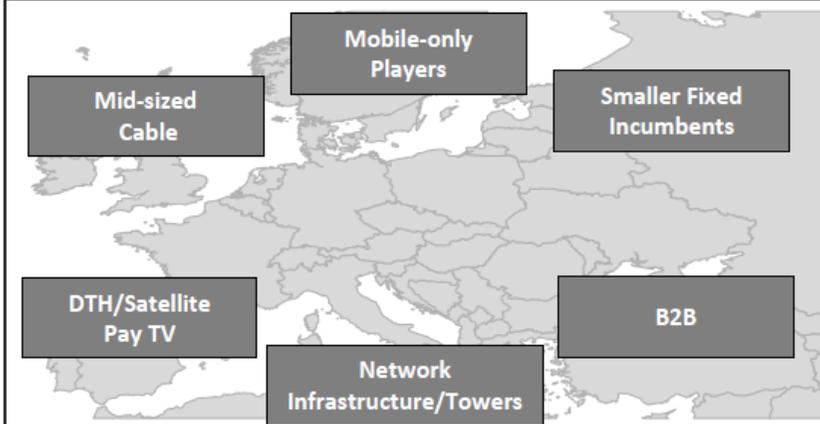
Zegona New Investment Opportunities

Zegona continues to see many attractive investment opportunities in European TMT

Underlying trends create attractive opportunities

- ❑ Demand for data and speed growing exponentially
- ❑ Poor industry returns
- ❑ Industry consolidation continuing
- ❑ Convergence driving M&A
- ❑ Large operator strategies driving rationalisation

A broad universe of assets



... and Zegona is well placed to capitalise

- ❑ Skilled management team with extensive real world senior operational and public company management experience
- ❑ Track record of delivery
- ❑ Entrepreneurial focus
- ❑ Investment flexibility opens a wider universe of attractive assets
- ❑ Strong financial discipline
- ❑ Strong roster of major global equity investors and good access to debt financing

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Euskaltel is Strategically Attractive with Significant Potential

Leading Operator in Northern Spain⁽¹⁾

- **Leading quadplay** provider in Northern Spain with 2.2m homes passed
- **Advanced network** – DOCSIS 3.1 ready. Covers 70% of regional homes
- **High penetration of converged services** – 80% converged customers



- 2.2m homes passed
- 1.0m mobile postpaid lines
- 663k residential customers
- 114k business customers⁽²⁾

Notes:
 (1) data showing 1H 2018/ 30 June 2018 (2) Includes SOHO, SME and Large Accounts (3) CNMC data 2016 (4) Based on 2016 broadband market revenue, source CNMC (5) based on Telefonica Fusion ARPU Q4 2015 – Q2 2018

Strong Position in a Rational Market

Euskaltel	Market Share ⁽³⁾	Market Position
Pay TV	46%	1
Broadband	34%	1
Mobile	18%	3

- **Favourable industry structure:** top 3 operators control 92% of market⁽⁴⁾
- **Ongoing price repair:** 22% TEF Fusion ARPU growth since end 2015⁽⁵⁾

High Cash Flow Generation

€m	2018
Customers ⁽¹⁾	658k
ARPU ⁽¹⁾	€60
Revenue	692
EBITDA	336
Capex ⁽²⁾	153
Cash Flow ⁽²⁾	183

Notes: All figures include Telecable on a pro-forma basis.
 (1) Residential customers and residential fixed ARPU
 (2) Cash Flow is EBITDA-BAU Capex.

Overview of Zegona's Plan for Euskaltel

Key Components

1 Deliver Significant Productivity Improvements

- Create a single efficient operating platform for 3 regional brands
- Deliver targeted annual cost savings of c.€40m

2 Drive Topline Growth in Existing Regions

- Invest in customer focused improvements
- Create specialist sales driven organisation, leveraging second brand
- Roll-out to 200k under-served homes in existing regions

3 Launch National Expansion

- Euskaltel is uniquely positioned for National Expansion
- Opportunity to access 14m FTTH households⁽³⁾ (from 2.2m now)
- Success based investment approach

Key Enablers

Ex-Jazztel Leadership

- José Miguel García, ex Jazztel CEO
- Other core members of ex Jazztel leadership
- Proven track record - €2.8bn⁽¹⁾ value creation



- Access to Virgin Brand for National Expansion
- 2nd Brand within current regions
- 80% Virgin brand awareness⁽²⁾ in Spain

Zegona Team

- Strong insight into Spanish market and Euskaltel
- Deep sector knowledge and experience
- Track record of operational improvements

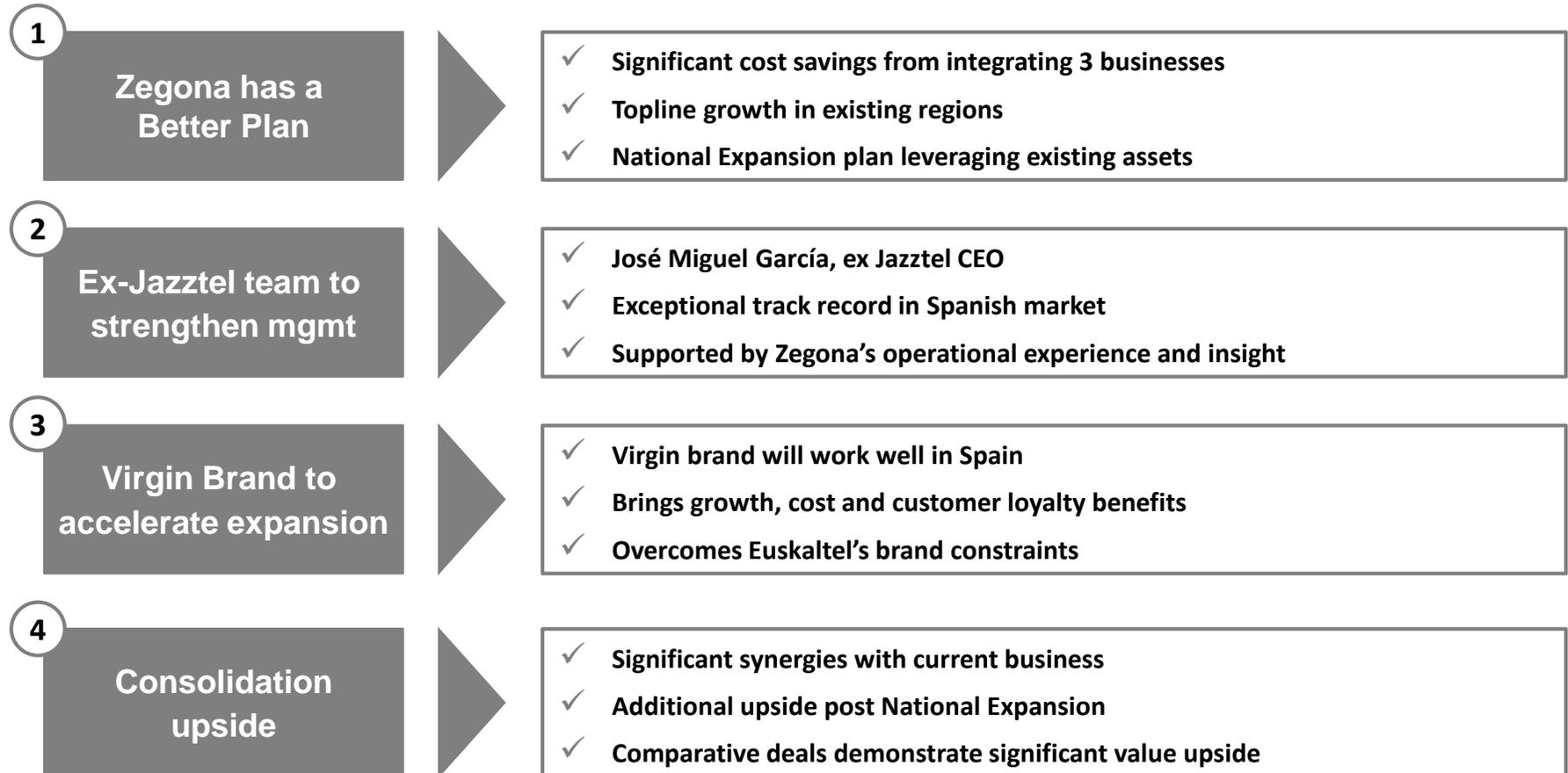
Notes:

(1) Jazztel valued at €0.6bn in 2006, sold to Orange in 2015 for €3.4bn equity value

(2) Source: Research Now Ltd, Dec 2017, representative consumers aged 25 to 65 commissioned by Virgin Group

(3) FTTH households in 2017 source CNMC

A Winning Strategy to Return Euskaltel to Growth



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Zegona Opportunity

1 *Zegona Trades at a Significant Discount to Euskaltel Look Through*

- ❑ Zegona trades at a significant discount to look through value
- ❑ Zegona can sell or in specie Euskaltel shares to its shareholders
- ❑ Zegona passes through entire Euskaltel dividend

2 *Euskaltel Has Significant Value Upside*

- ❑ Euskaltel 2018 EBITDA-capex multiple pre expansion is only 13.6x¹
- ❑ Euskaltel 2018 equity FCF yield of 12%/9% pre/post expansion¹
- ❑ Attractive Euskaltel dividend yield of 3.9% (€55m/ €31cts per share)²
- ❑ €150m runrate synergy potential from combination between Euskaltel and a national operator
- ❑ Synergy value of €2.1bn or €12/ EKT share³

3 *Euskaltel Operational Improvement Has Started with the Appointment of a new CEO*

- ❑ New team appointed
- ❑ Product offers are being aligned, costs are being reduced
- ❑ National offering to be launched

1 Ex expansion and integration capex. Based on Euskaltel share price of €8.00

2 Based on Euskaltel share price of €8.00. €31cts is the Euskaltel dividend per share based on the FY 2018 performance

3 Valuing synergies at 14x EV/ EBITDA-capex