



Euskaltel **Group**

# Q1 2020 results

April 22<sup>nd</sup>, 2020



**#YoMeQuedoEnCasa**

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# | Euskaltel starts the year strongly delivering on guidance and with a controlled COVID-19 impact

Operating KPIs (Q1 20 vs Q4 19)

+0.4k

Mass Market fixed customers net adds<sup>1</sup>

+3k

Broadband net adds

13m

Addressable households

Stable customer base reflects COVID-19 restrictions<sup>2</sup>

Broadband services growth

Significant increase in addressable footprint ready for national expansion

Financials

+0.1%

Revenue (YoY growth)

+8.1%

EBITDA (YoY growth)

+5.5%

OpCF (YoY growth)

Revenue very slightly impacted by COVID-19 in the quarter

Efficiency initiatives drive significant EBITDA and cash flow growth

COVID-19

Controlled operating and financial impact

1. Mass market fixed subs = residential fixed subs + SOHO fixed subs (exc. only mobile subs)
2. Portability restrictions imposed by the regulator as a result of the State of Emergency



# | Euskaltel reinforces its services during the COVID-19 situation

Focus on keeping  
customers  
connected...

... reinforcing their  
services...

... while keeping  
employees and  
customers safe



**+65%**

Fixed voice traffic



**+71%**

Fixed data traffic



**+32%**

On-demand TV consumption

- ✓ 70% of stores open to meet customer service requirements<sup>1</sup>
- ✓ Special B2B customer service and technical support platforms established
- ✓ 800 people working on a daily basis to ensure continued network robustness
- ✓ Network operating normally and traffic increases delivered without any major disruptions
  
- ✓ All TV cinema and children channels offered free of charge
- ✓ 30 Gb per month of mobile data bonus offered to every mobile customer
- ✓ Data allowances increased to customers with special needs
- ✓ TV access provided to all those hospitalized
  
- ✓ All COVID-19 Government restrictions implemented
- ✓ Nearly 100% of employees and more than 90% of call centres workers teleworking
- ✓ Squad team created to help employees cope with COVID-19 issues

1. Customer service requirements imposed by the Government as a result of the State of Emergency

# Controlled operating and financial impact

## Controlled business impacts

- Portability restrictions imposed due to the State of Emergency have resulted in an approximately 50% reduction in both daily gross adds and churn from normal levels, resulting in a stable customer base
- Customer bill returns and customer suspensions generate limited impact on revenue to date
- Mitigation measures already implemented to support and fidelise the customer base and customer suspension requests are being monitored on a daily basis to mitigate full-year revenue impact

## Solid financial position

- €98m of cash balance as of March 31<sup>st</sup>, 2020, continued operating cash flow generation
- Cash balance has increased by €150m in April due to the full drawdown of the revolving credit facility
- Average debt maturity at 4.2 years, solid balance sheet position

Limited business impact, solid financial position and  
all COVID-19 mitigation measures already in place

## | Virgin national expansion prepared for full commercial launch



- ✓ More than **13 million households** national coverage in the quarter
- ✓ Customer pilot tests already launched with initial success
- ✓ Trial **customers already connected** at national level

**Virgin brand ready for commercial launch with footprint deployment and customer trials already started**

# Operating review

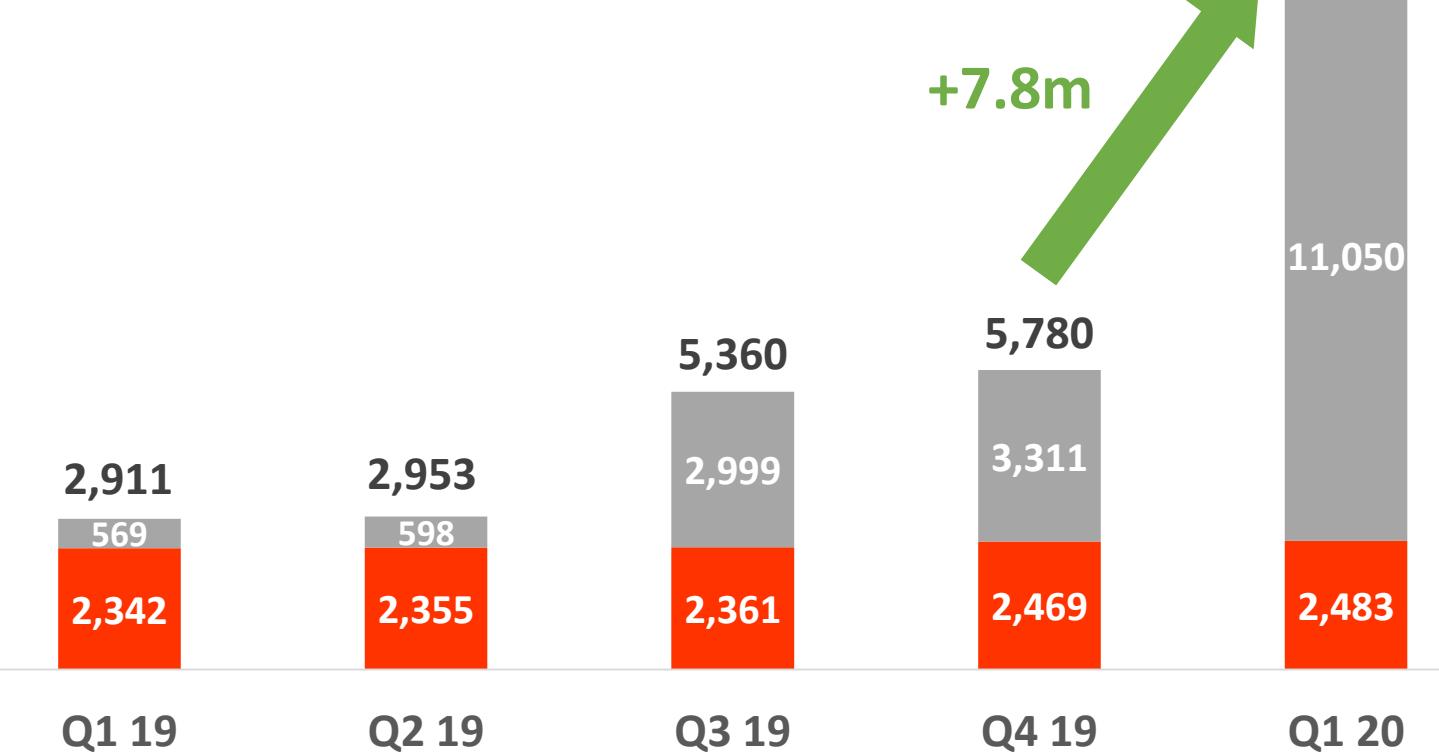


# | Access to national footprint increased by close to 8 million households in the quarter

## Current footprint (in thousand households)

■ Homes passed\_owned (HFC & FTTH)

■ Accessible homes\_wholesale



- Orange wholesale bitstream

- Telefónica's VULA & NEBA

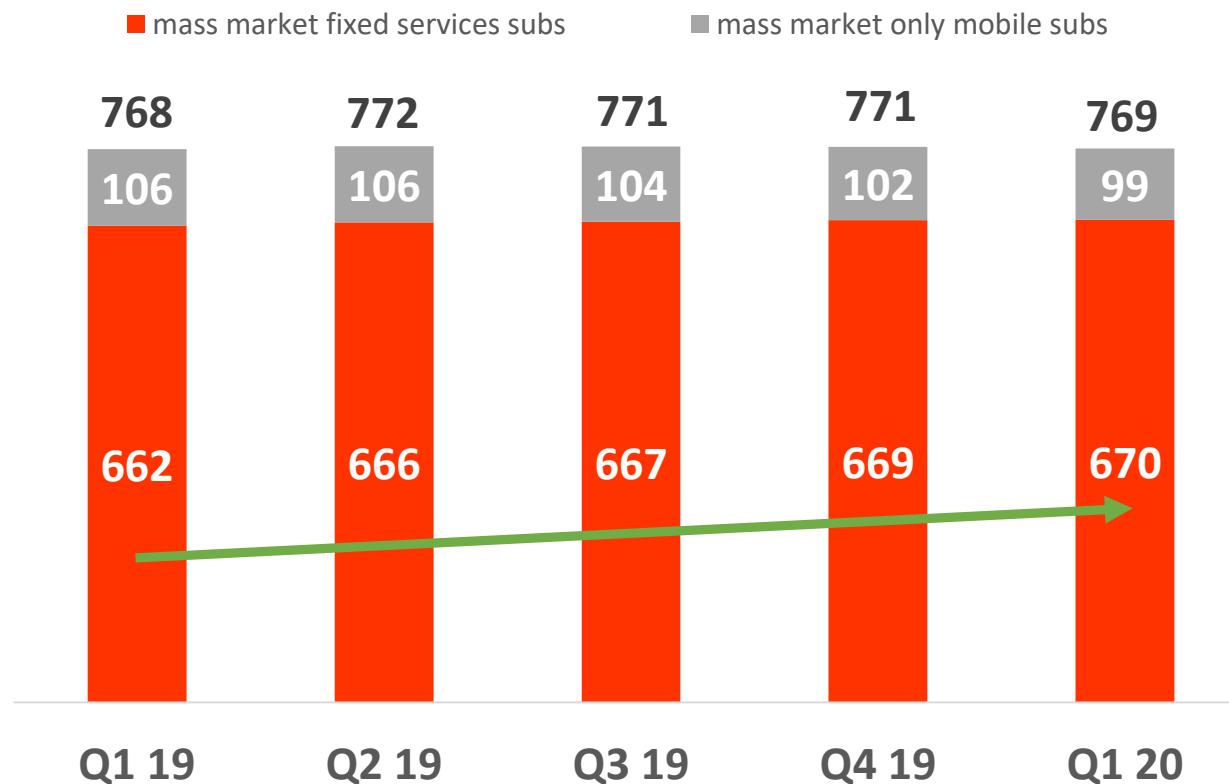
- HFC
- Orange co-investment
- Infill FTTH

~18m  
households  
estimated  
for Q2 2020

Addressable footprint multiplies with the addition of accessible households through the Orange agreement and Telefonica's regulated footprint

# | The stable customer base reflects the lower sales volumes due to Covid-19 restrictions being balanced by reduced churn

## Mass market subscribers<sup>1, 2</sup> (in thousands)



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

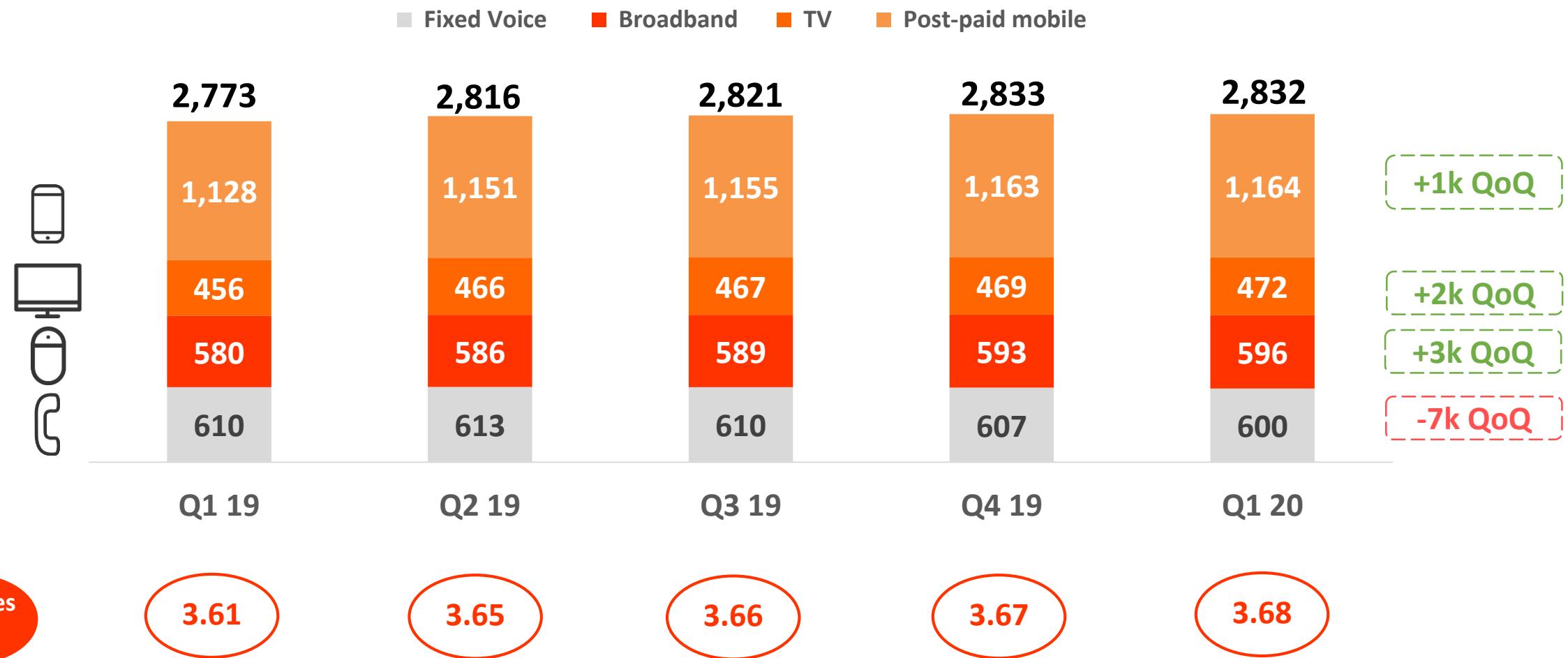
2. Mass market subs figures impacted by a 0.2k subs reclassification from mass market to SMEs

**Portability restrictions imposed by the State of Emergency limited March's commercial momentum**

**Strong decline in daily gross adds compensated by churn reduction to maintain a stable customer base**

# Broadband penetration grows in the customer base

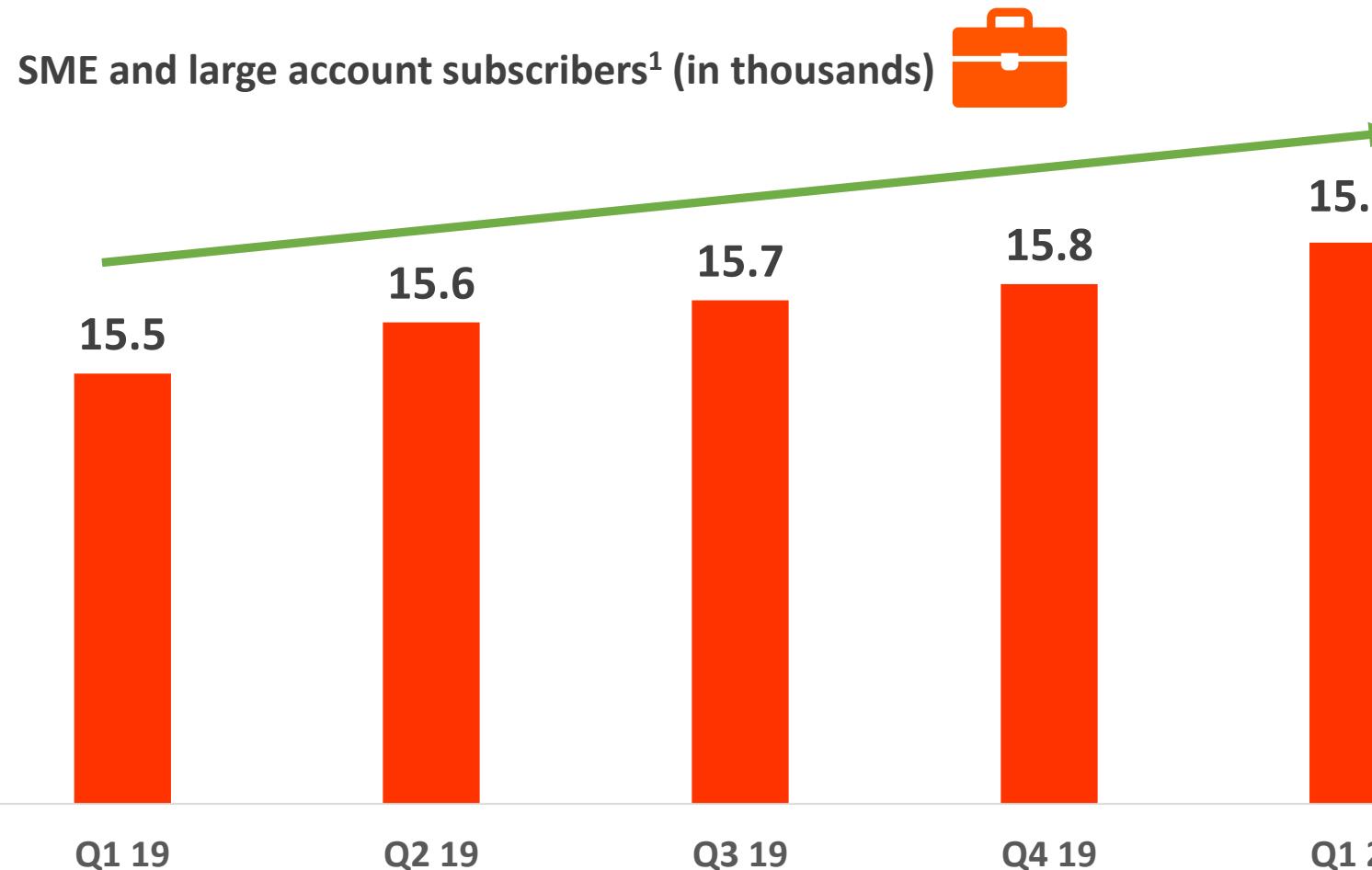
Mass market services<sup>1</sup> (RGUs) per type (in thousands)<sup>2</sup>



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

2. RGU figures impacted by a 12k RGU reclassification from mass market to SMEs

# | SME and large accounts customer growth continues on a positive trend



1. SME and large account subs figures impacted by a 0.2k subs reclassification from mass market to SMEs and a recognition of 0.3k subs not previously reported

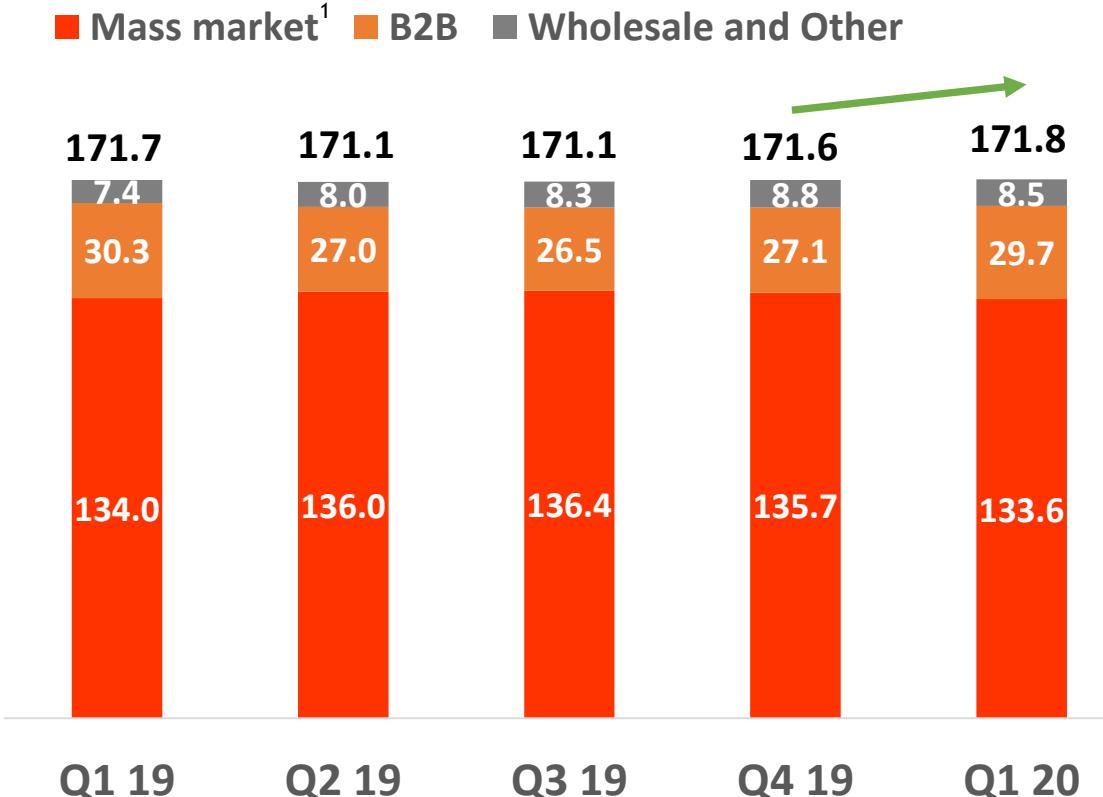
# Financial review

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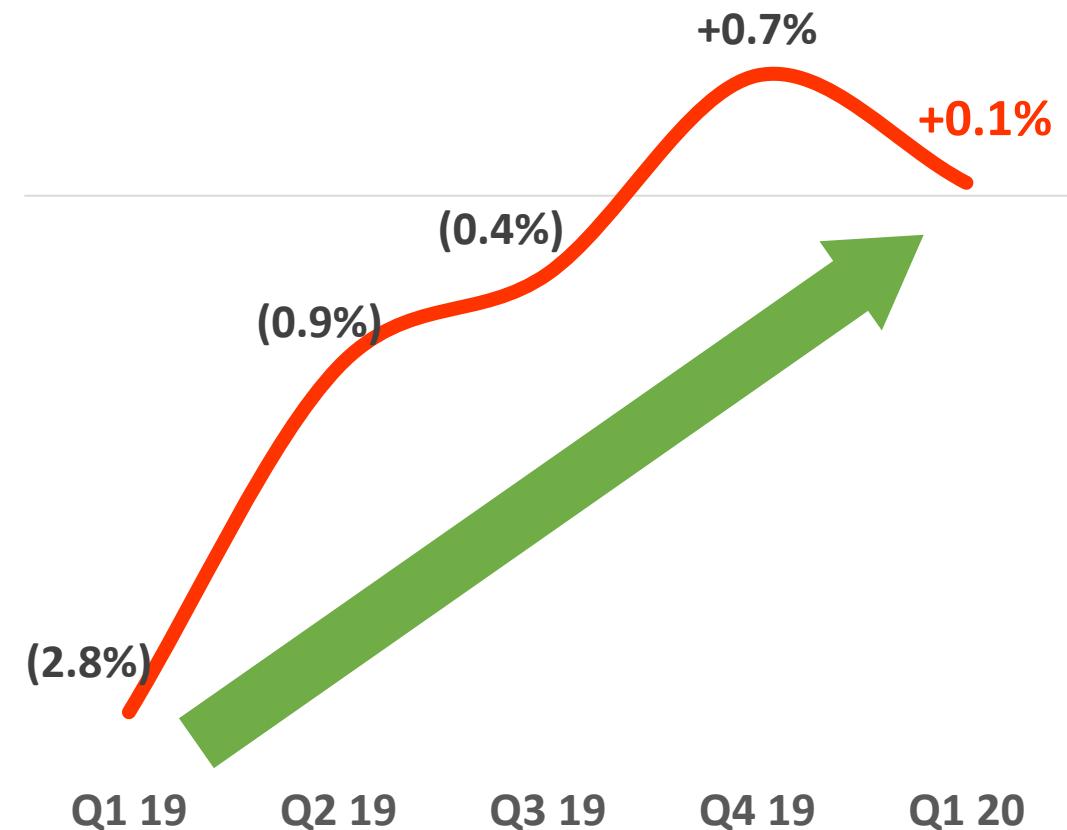


# Revenue remains stable with limited COVID-19 impact

Total revenue breakdown by segment<sup>2</sup> (EURm)



Total revenue evolution YoY (%)

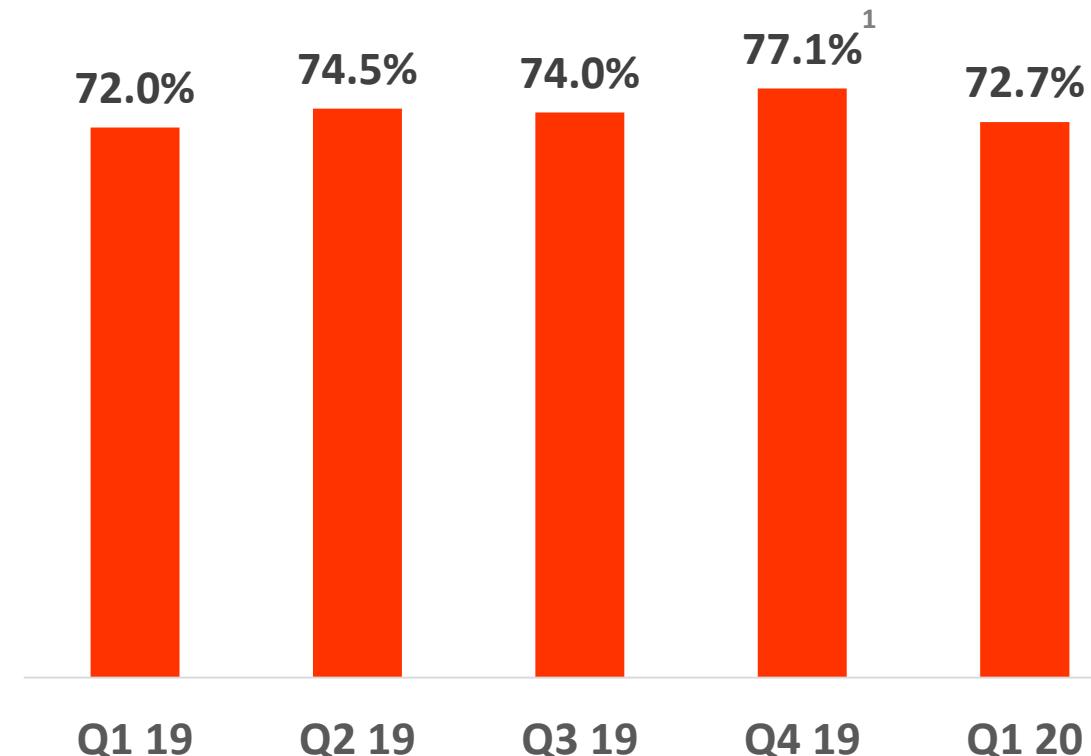


1. Mass market revenue = residential revenue + SOHO revenue + RACC only mobile revenue

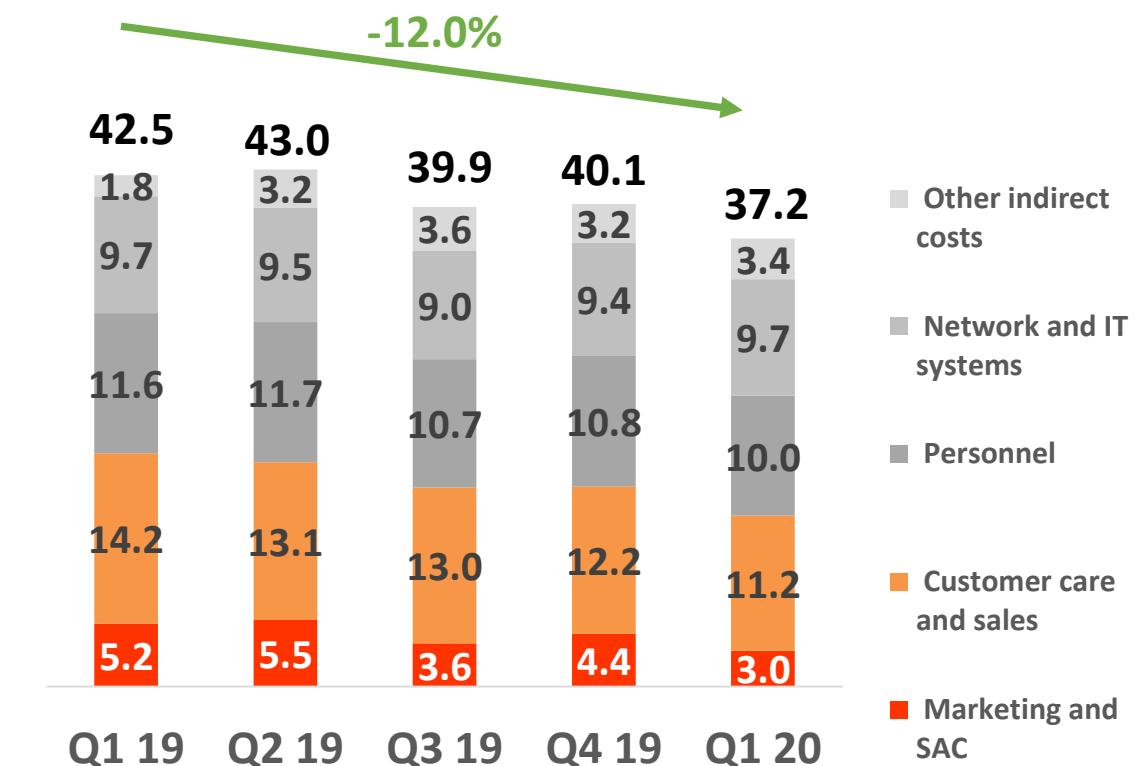
2. 2019 revenue figures impacted by a reclassification due to reporting changes to more accurately reflect the integration of the 3 companies

# Operating efficiencies allow for a significant SG&A reduction in the quarter

Gross margin<sup>2</sup> (% over revenue)



Selling, general and administrative expenses<sup>2</sup> (EURm)

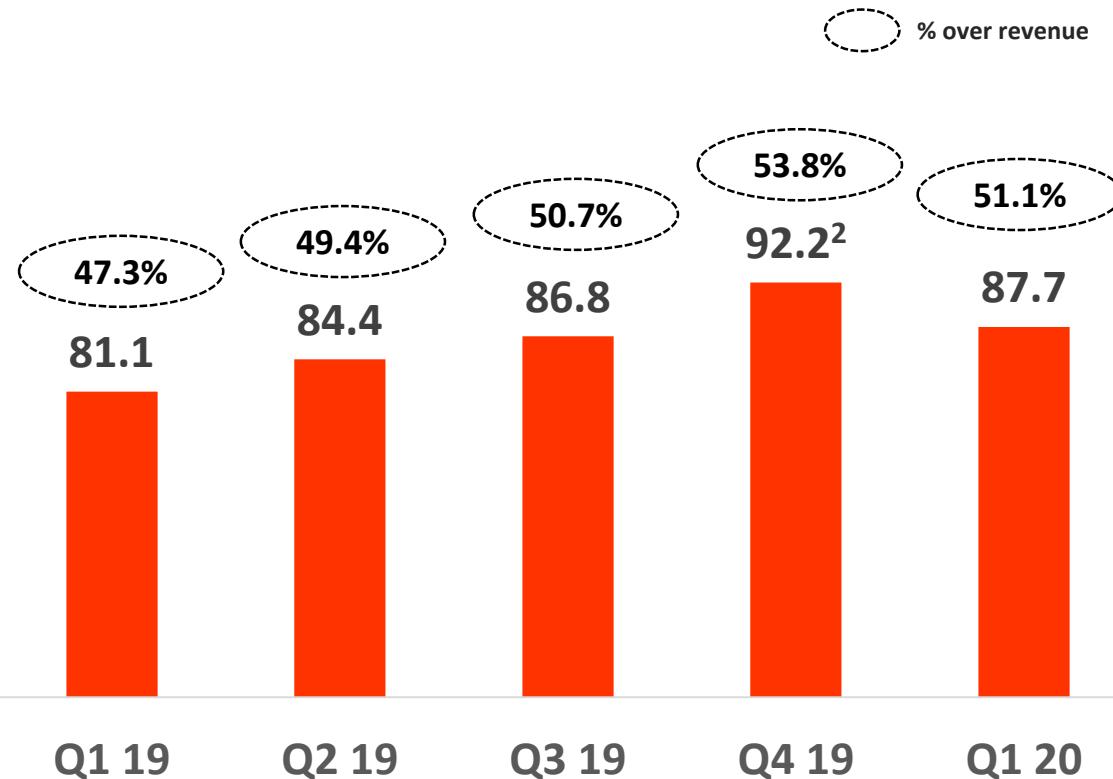


1. Gross margin includes €6.9 million of positive impacts mainly from the renewal of the Orange wholesale agreement

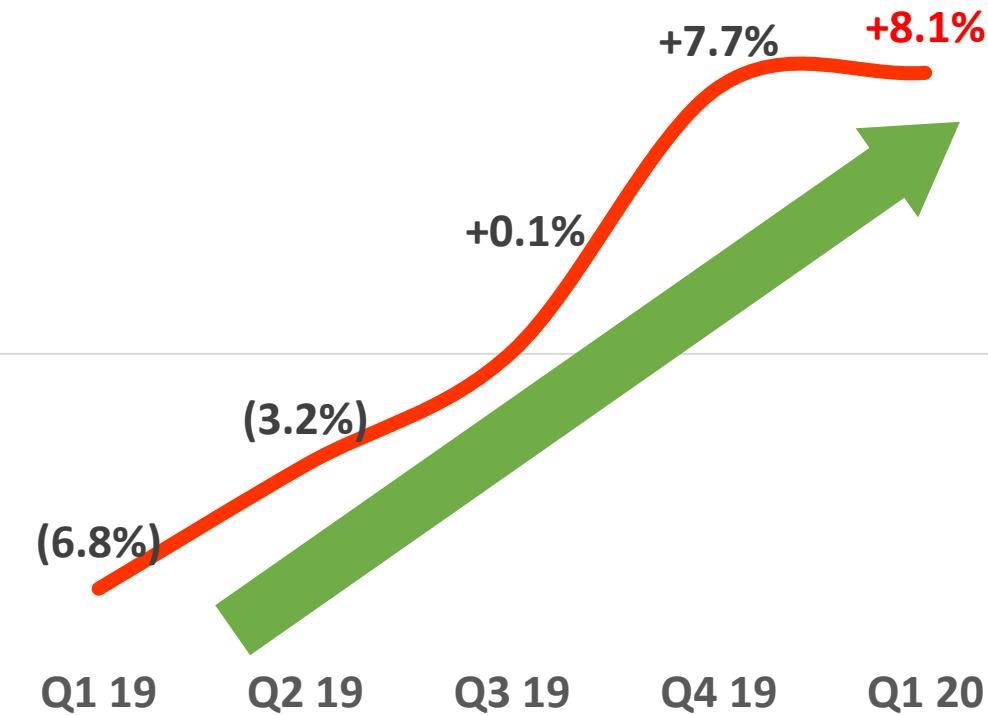
2. Change in 2019 gross margin and SG&A figures is due to an expenses reclassification due to reporting changes to more accurately reflect the integration of the 3 companies

# Efficiency implementation drives strong EBITDA growth in the quarter

EBITDA<sup>1</sup> (EURm)



Total EBITDA evolution<sup>3</sup> YoY (%)



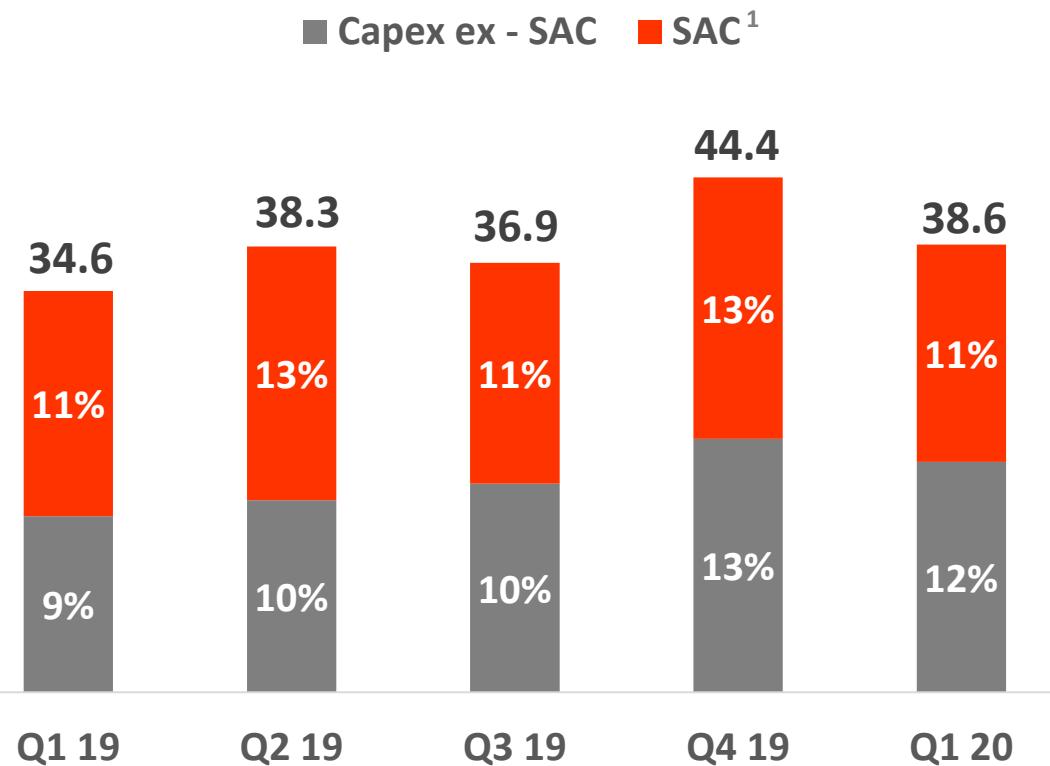
1. EBITDA definition as per 'alternative performance measures': EBIT + depreciation and amortization +/- impairment + other non recurrent results

2. Q4 19 EBITDA includes €6.9 million of positive impacts mainly from the renewal of the Orange wholesale agreement

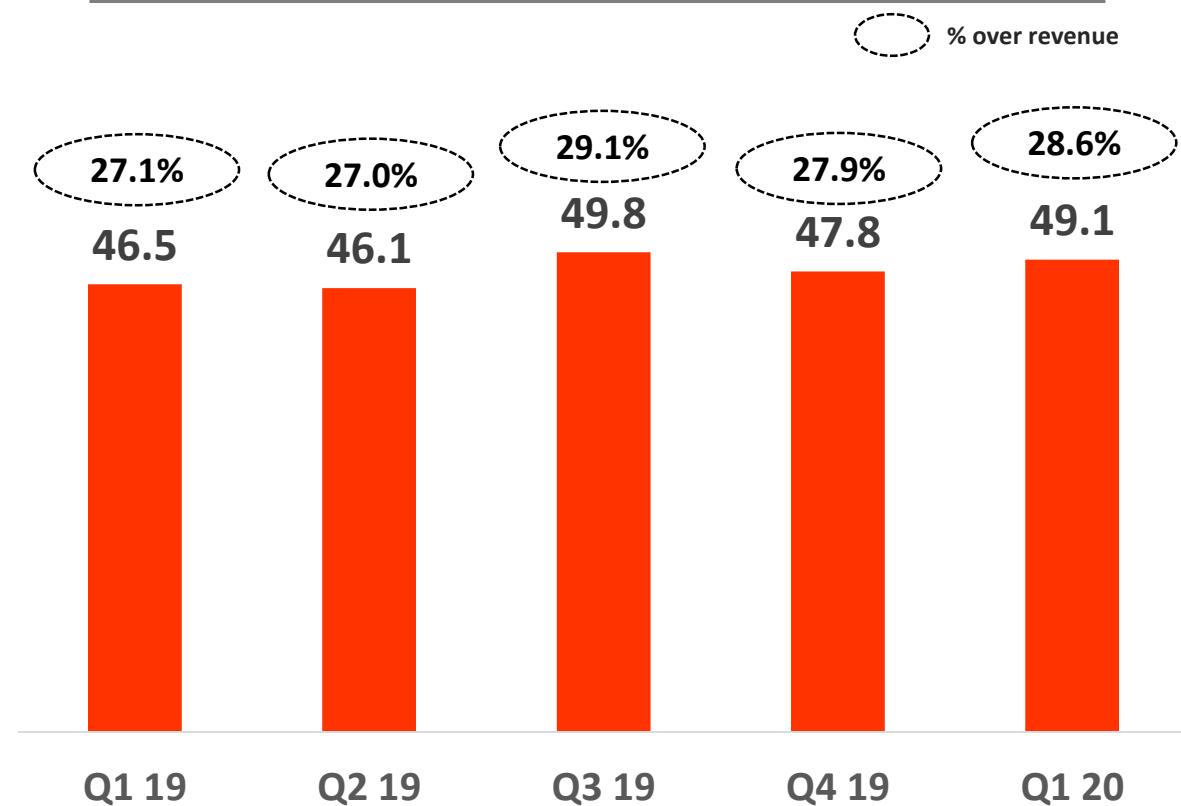
3. EBITDA evolution excluding the impact of IFRS 16 (€10.1m in the year) in 2019 from reported EBITDA

# | Cash flow generation grows to 29% of revenue in the quarter

## Capex<sup>2</sup> (EURm and as % of revenue)



## OpCF (EBITDA – capex) (EURm)

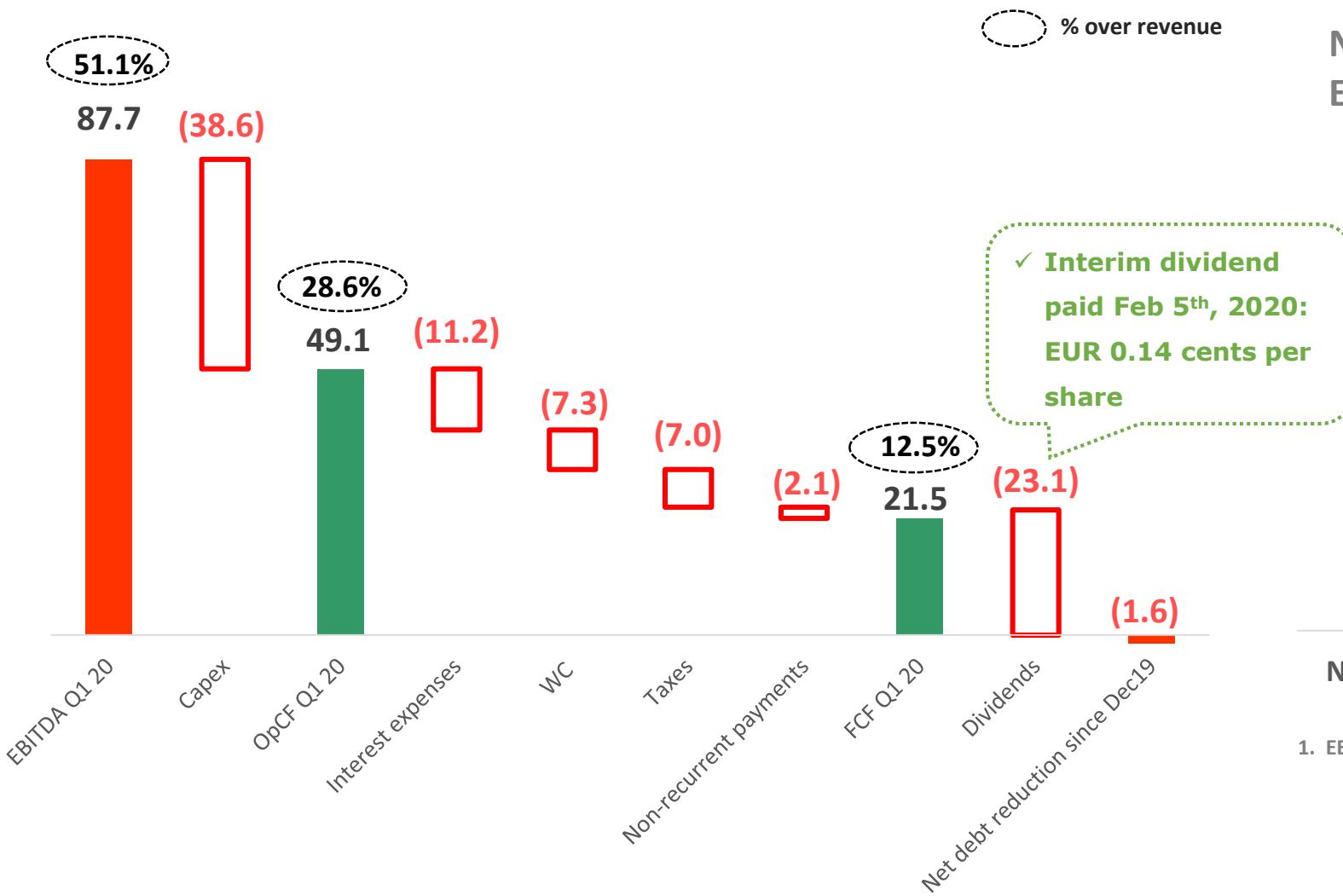


1. SAC capex includes commercial costs, customer installation and customer equipment

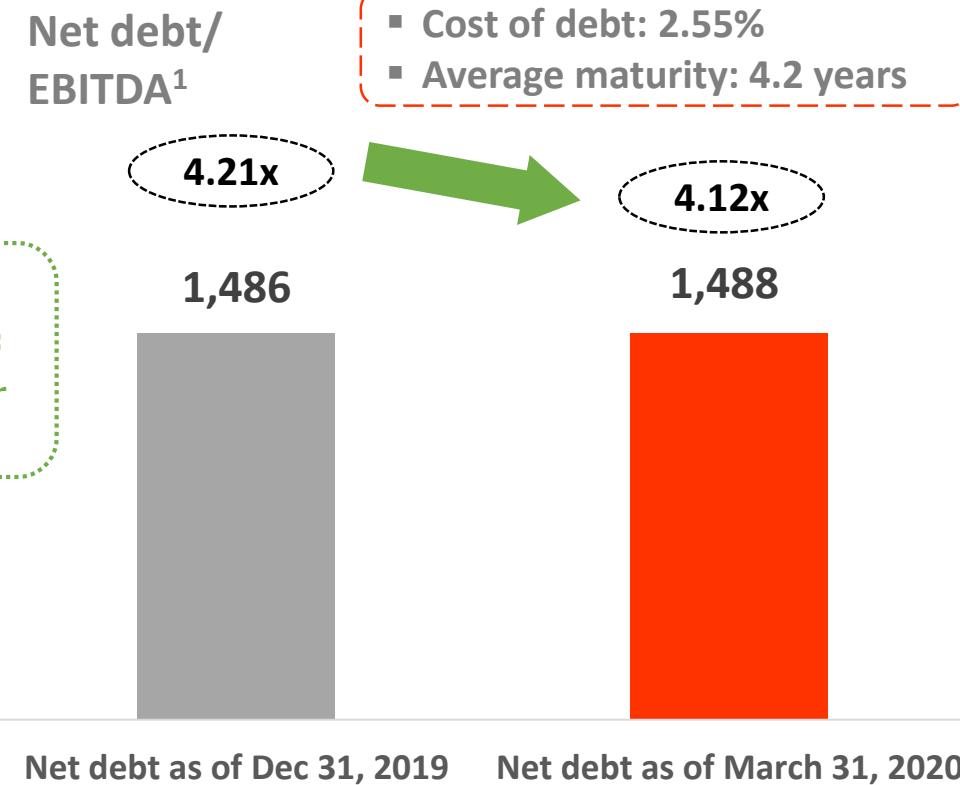
2. Change in 2019 capex breakdown is due to a capex reclassification due to reporting changes to more accurately reflect the integration of the 3 companies

EBITDA growth allows for **leverage reduction to 4.1x** in the quarter

## **Q1 20 cash allocation (EURm)**



## Q1 20 net debt (EURm)



## 1. EBITDA adjusted by identified potential synergies

# | The company **confirms 2020 guidance** and a **maintained dividend policy for 2019**



The company **confirms 2020 guidance**



The company **confirms a €0.31 dividend payment for 2019**  
(a €0.17 complementary payment will be **made on July 2020**)



2020 guidance confirmation and a maintained dividend policy for 2019 is supported by a **strong financial performance in Q1 2020** and a **controlled COVID-19 impact**:

- ✓ Strong **8% yoy EBITDA growth** in the quarter
- ✓ Strong **6% yoy operating cash flow growth**
- ✓ **Significant deleverage** to 4.1x in the quarter
- ✓ **Controlled operating and financial COVID-19 impact**

# | Q1 2020 results show strong guidance delivery in the COVID-19 situation



**Controlled COVID-19 impact in the business**



**National expansion ready for full commercial launch**



**Stable customer and revenue base**



**Continued efficiency implementation drives strong EBITDA growth**



**EBITDA growth and cash flow drive strong deleverage**



**2020 guidance and 2019 dividend policy maintained**



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# Q&A



Euskaltel **Group**

# Appendix

Euskaltel Group Q1 2020 consolidated results and KPIs



# Euskaltel Group consolidated - KPIs (i/iii)

Mass market		Annual	Quarterly				
KPIs	Unit	2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
<b>Homes passed_owned (HFC &amp; FTTH)</b>	#	2,468,822	2,341,655	2,355,173	2,360,891	2,468,822	2,482,870
<b>Accessible homes_wholesale</b>	#	3,310,812	569,092	598,061	2,999,183	3,310,812	11,050,114
<b>Mass market subs<sup>1</sup></b>	#	770,865	767,616	771,646	771,167	770,865	768,891
<i>o/w fixed services subs</i>	#	669,317	661,558	666,138	667,022	669,317	669,678
<i>o/w only mobile subs</i>	#	101,548	106,058	105,508	104,145	101,548	99,213
<b>Total services (RGUs)<sup>2</sup></b>	#	2,832,680	2,773,355	2,815,918	2,821,188	2,832,680	2,831,975
<i>Fixed Voice</i>	#	606,809	610,105	612,549	609,981	606,809	599,972
<i>Broadband</i>	#	593,338	579,523	586,080	589,090	593,338	596,292
<i>TV</i>	#	469,370	456,119	465,872	467,280	469,370	471,610
<i>Post-paid mobile</i>	#	1,163,163	1,127,608	1,151,417	1,154,837	1,163,163	1,164,101
Services (RGUs) per subscriber	#	3.67	3.61	3.65	3.66	3.67	3.68
<b>Global ARPU fixed customers (quarterly standalone)</b>	€/month	60.07	59.98	60.00	60.37	60.07	60.04

SMEs and Large Accounts		Annual	Quarterly				
KPIs	Unit	2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Customers	#	15,763	15,460	15,633	15,708	15,763	15,904

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

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

Note: The change in 2019 subs and ARPU figures is due to a reclassification of 0.2k subs from mass market to SMEs and a recognition of not previously reported 0.3k SME subs.

# Euskaltel Group consolidated – Consolidated financials (ii/iii)

Profit and Loss Statement		Unit	Annual	Quarterly				
			2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
<b>Total revenue</b>		€m	<b>685.5</b>	<b>171.7</b>	<b>171.1</b>	<b>171.1</b>	<b>171.6</b>	<b>171.8</b>
Y-o-y change		%	-0.9%	-2.8%	-0.9%	-0.4%	0.7%	0.1%
o/w Mass market revenue <sup>1</sup>		€m	542.1	134.0	136.0	136.4	135.7	133.6
o/w B2B revenue		€m	110.9	30.3	27.0	26.5	27.1	29.7
o/w Wholesale and Other revenue		€m	32.5	7.4	8.0	8.3	8.8	8.5
<b>Gross margin</b>		€m	<b>510.0</b>	<b>123.6</b>	<b>127.4</b>	<b>126.6</b>	<b>132.3</b>	<b>124.9</b>
% of total revenue		%	74.4%	72.0%	74.5%	74.0%	77.1%	72.7%
Selling, General & Admin. Expenses (SG&A)		€m	(165.4)	(42.5)	(43.0)	(39.9)	(40.1)	(37.2)
o/w marketing and SAC		€m	(18.7)	(5.2)	(5.5)	(3.6)	(4.4)	(3.0)
o/w customer care and sales		€m	(52.5)	(14.2)	(13.1)	(13.0)	(12.2)	(11.2)
o/w personnel		€m	(44.8)	(11.6)	(11.7)	(10.7)	(10.8)	(10.0)
o/w network and IT systems		€m	(37.7)	(9.7)	(9.5)	(9.0)	(9.4)	(9.7)
o/w other indirect costs		€m	(11.8)	(1.8)	(3.2)	(3.6)	(3.2)	(3.4)
<b>Adjusted EBITDA</b>		€m	<b>344.5</b>	<b>81.1</b>	<b>84.4</b>	<b>86.8</b>	<b>92.2</b>	<b>87.7</b>
% of total revenue		%	50.3%	47.3%	49.4%	50.7%	53.8%	51.1%
Y-o-y change		%	2.4%	-3.7%	-0.1%	2.6%	10.4%	8.1%
Depreciation and Amortization		€m	(202.7)	(50.2)	(51.0)	(51.1)	(50.4)	(49.9)
Extraordinary items		€m	(21.0)	(2.9)	(7.6)	(5.2)	(5.3)	(2.2)
Net financial expenses		€m	(49.3)	(12.6)	(12.1)	(12.4)	(12.1)	(11.9)
<b>Net profit before taxes</b>		€m	<b>71.5</b>	<b>15.4</b>	<b>13.7</b>	<b>18.0</b>	<b>24.4</b>	<b>23.7</b>
Taxes		€m	(9.5)	(3.4)	(2.8)	1.0	(4.3)	(4.6)
<b>NET PROFIT</b>		€m	<b>62.0</b>	<b>11.9</b>	<b>11.0</b>	<b>19.0</b>	<b>20.1</b>	<b>19.1</b>

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

Note: 2019 revenue figures impacted by a reclassification due to reporting changes to more accurately reflect the integration of the 3 companies. Change in 2019 gross margin and SG&A figures is due to an expenses reclassification due to reporting changes to more accurately reflect the integration of the 3 companies.

# Euskaltel Group consolidated – Consolidated financials (iii/iii)

Cash Flow Statement		Unit	Annual					Quarterly				
			2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20				
EBITDA	€m	344.5	81.1	84.4	86.8	92.2	87.7					
Capex	€m	(154.3)	(34.6)	(38.3)	(36.9)	(44.4)	(38.6)					
% of total revenue	%	-22.5%	-20.2%	-22.4%	-21.6%	-25.9%	-22.5%					
Operating Cash Flow	€m	190.3	46.5	46.1	49.8	47.8	49.1					
% of total revenue	%	27.8%	27.1%	27.0%	29.1%	27.9%	28.6%					
Interests	€m	(42.1)	(12.3)	(9.3)	(11.4)	(9.1)	(11.2)					
Working Capital	€m	(7.4)	(32.0)	15.2	1.1	8.4	(7.3)					
Taxes	€m	(16.8)	(6.8)	(2.6)	(1.0)	(6.4)	(7.0)					
Others	€m	(23.0)	(5.9)	(7.7)	(5.3)	(4.2)	(2.1)					
Free Cash Flow	€m	101.1	(10.5)	41.8	33.3	36.5	21.5					
Dividends	€m	(55.3)	(25.0)	-	(30.3)	-	(23.1)					
Net debt variation	€m	45.8	(35.5)	41.8	3.0	36.5	(1.6)					
<b>NET DEBT</b>	<b>€m</b>	<b>1,486.3</b>	<b>1,567.5</b>	<b>1,525.8</b>	<b>1,522.8</b>	<b>1,486.3</b>	<b>1,487.8</b>					
Balance Sheet		Unit	Annual					Quarterly				
			2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20				
Non-current Assets	€m	2,749.0	2,779.1	2,765.1	2,754.5	2,749.0	2,738.0					
Intangible assets	€m	1,324.2	1,332.7	1,329.5	1,324.9	1,324.2	1,322.4					
Tangible assets	€m	1,288.8	1,312.2	1,302.7	1,292.9	1,288.8	1,280.5					
Financial assets	€m	8.9	9.1	9.0	8.4	8.9	8.0					
Deferred tax assets	€m	127.1	125.1	123.8	128.3	127.1	127.1					
Current Assets	€m	168.2	144.1	149.5	158.8	168.2	174.4					
Inventories	€m	4.2	5.7	6.4	6.1	4.2	5.7					
Trade and other receivables	€m	65.8	66.6	62.5	71.4	65.8	70.9					
Cash and cash equivalents	€m	98.2	71.8	80.6	81.3	98.2	97.9					
<b>TOTAL ASSETS</b>	<b>€m</b>	<b>2,917.3</b>	<b>2,923.3</b>	<b>2,914.6</b>	<b>2,913.4</b>	<b>2,917.3</b>	<b>2,912.4</b>					
Total Shareholders' Equity	€m	982.0	987.3	967.9	986.8	982.0	1,001.1					
Non-current Liabilities	€m	1,533.9	1,619.7	1,554.7	1,558.6	1,533.9	1,532.8					
Long term debt	€m	1,369.0	1,444.9	1,388.5	1,390.1	1,369.0	1,370.3					
Provisions	€m	-	-	-	-	-	-					
Other non-current liabilities	€m	164.9	174.8	166.2	168.5	164.9	162.5					
Current Liabilities	€m	401.4	316.3	392.0	367.9	401.4	378.5					
Short term debt	€m	195.3	154.4	185.5	192.1	195.3	194.7					
Trade and other payables	€m	206.1	161.9	206.5	175.8	206.1	183.8					
Total Liabilities	€m	1,935.3	1,936.0	1,946.7	1,926.5	1,935.3	1,911.3					
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>€m</b>	<b>2,917.3</b>	<b>2,923.3</b>	<b>2,914.6</b>	<b>2,913.4</b>	<b>2,917.3</b>	<b>2,912.4</b>					