



Euskaltel Group Q2 2020 results

July 23rd, 2020



Hola, somos Virgin telco, ya estamos aquí.

¿Eres Virgin?
virgintelco.es



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| Virgin telco successful launch **accelerates customer growth to record levels**

Operating KPIs (Q2 20 vs Q1 20)

+11.3k

Total Mass Market fixed customers net adds¹

+6.5k

Virgin telco fixed customers net adds

19m

Addressable households

Virgin telco's 6.5k new customers **add to the traditional business excellent customer growth**

National coverage ramps up to drive Virgin telco success

Financials

+0.3%

Revenue
(YoY growth)

+3.7%

EBITDA
(YoY growth)

+8.8%

EBITDA ex Virgin
(YoY growth)

+10.4%

OpCF
(YoY growth)

Revenue **only slightly impacted by COVID-19** in the quarter

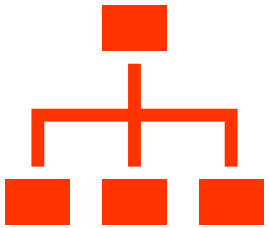
Efficiency initiatives compensate Virgin launch costs to continue driving **strong cash flow growth**

1. Mass market fixed subs = residential fixed subs + SOHO fixed subs (exc. mobile only subs)

| Strategic roadmap successfully implemented ahead of expectations in 12 months



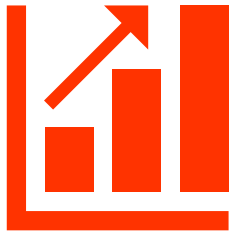
ACCOMPLISHED



One business, four brands

New organisation implemented in one month

ACCOMPLISHED



€92m

Traditional business EBITDA, ahead of expectations

ACCOMPLISHED



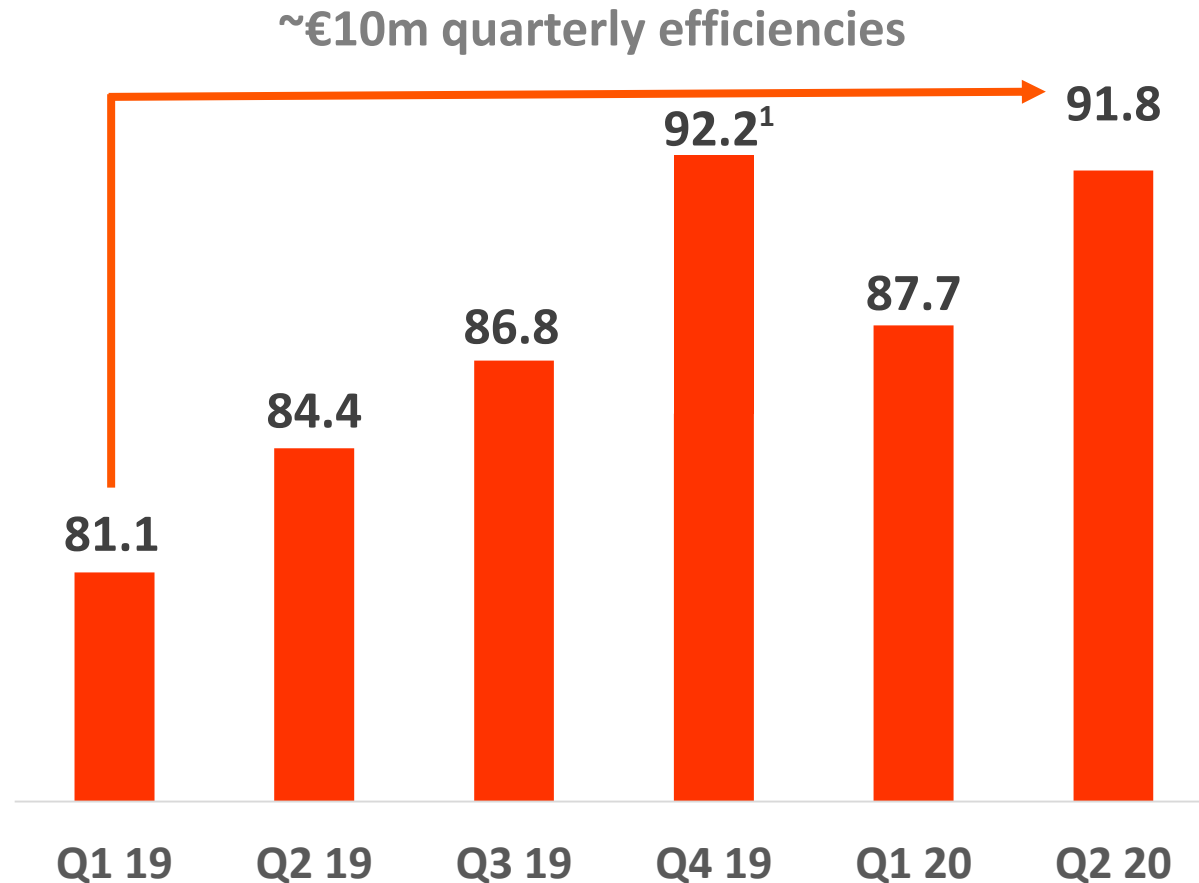
6.5k

Virgin telco fixed customers in its first month since launch

Successful implementation of strategic roadmap
drives **record growth and profitability**

| Traditional business efficiencies drive **record profitability**

Traditional business EBITDA – ex Virgin (€m)



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

~€40m per year run-rate efficiencies implemented:

- ✓ Single efficient rationalised **organization** implemented
- ✓ Profitability-focused **sales structure** in place
- ✓ Results-oriented **customer care** implemented
- ✓ Unprofitable **football rights** cancelled

Plans in place to deliver further efficiencies in the coming quarters

| Longer term initiatives will drive **further efficiencies in the coming quarters**

While short term initiatives have delivered results ahead of expectations, longer term initiatives already in place **assure future efficiency delivery:**

- ✓ **Further re-balancing of sales mix** toward non face-to-face channels to optimize sales costs and increase gross adds
- ✓ **Digitalisation and improvement of customer processes** to reduce cost at origin and improve quality
- ✓ Optimized **network management** to improve customer margins
- ✓ Network and operations **supplier integration** deliver cost synergies
- ✓ Implementation of **self-installation** reduces provisioning costs
- ✓ Further integration of **IT systems** in the three regions will reduce costs while improve quality and reduce complexity

Longer term initiatives plus business improvements
assure **continued efficiency delivery**

Virgin telco launch shows excellent trends in its first weeks

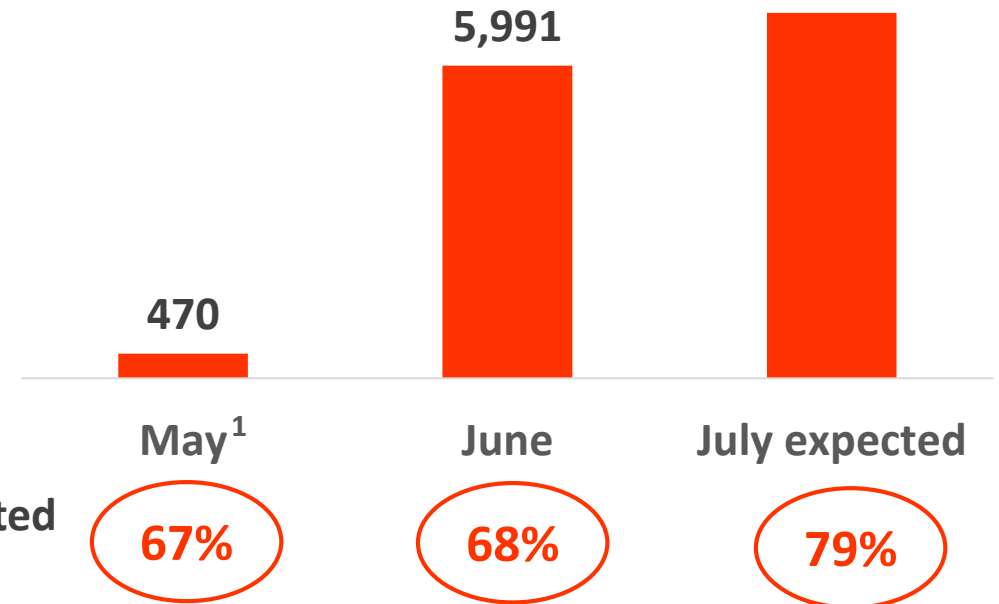


**Fibra,
móvil y tele.
Como te dé
la gana.**

% total target coverage implemented
at the beginning of the month

July net adds to surpass June
despite seasonality

Virgin telco – fixed customers net adds (000s)

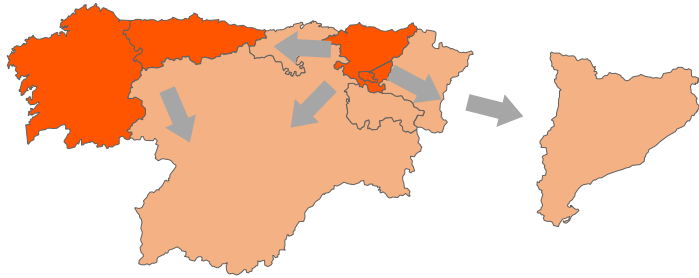


Virgin telco has accelerated the company's customer growth
to **record levels in just its first month** of launch

1. Virgin telco launched on 20th May 2020

| Footprint expansion and Virgin telco launch **have multiplied eightfold** the company's growth opportunities in just one quarter

Traditional business



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6.3m

Household coverage

+4.8k

Fixed customers net adds in Q2 2020

National expansion



18.7m

Household coverage

+6.5k

Fixed customers net adds in Q2 2020

Two growth levers:



+500k VULA&NEBA new addressable households implemented in March



3.5m households in five expansion pilots (Navarra, Cataluña, La Rioja, Cantabria, León)



19 million Virgin telco addressable households multiply eightfold the company's growth opportunities



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Operating review



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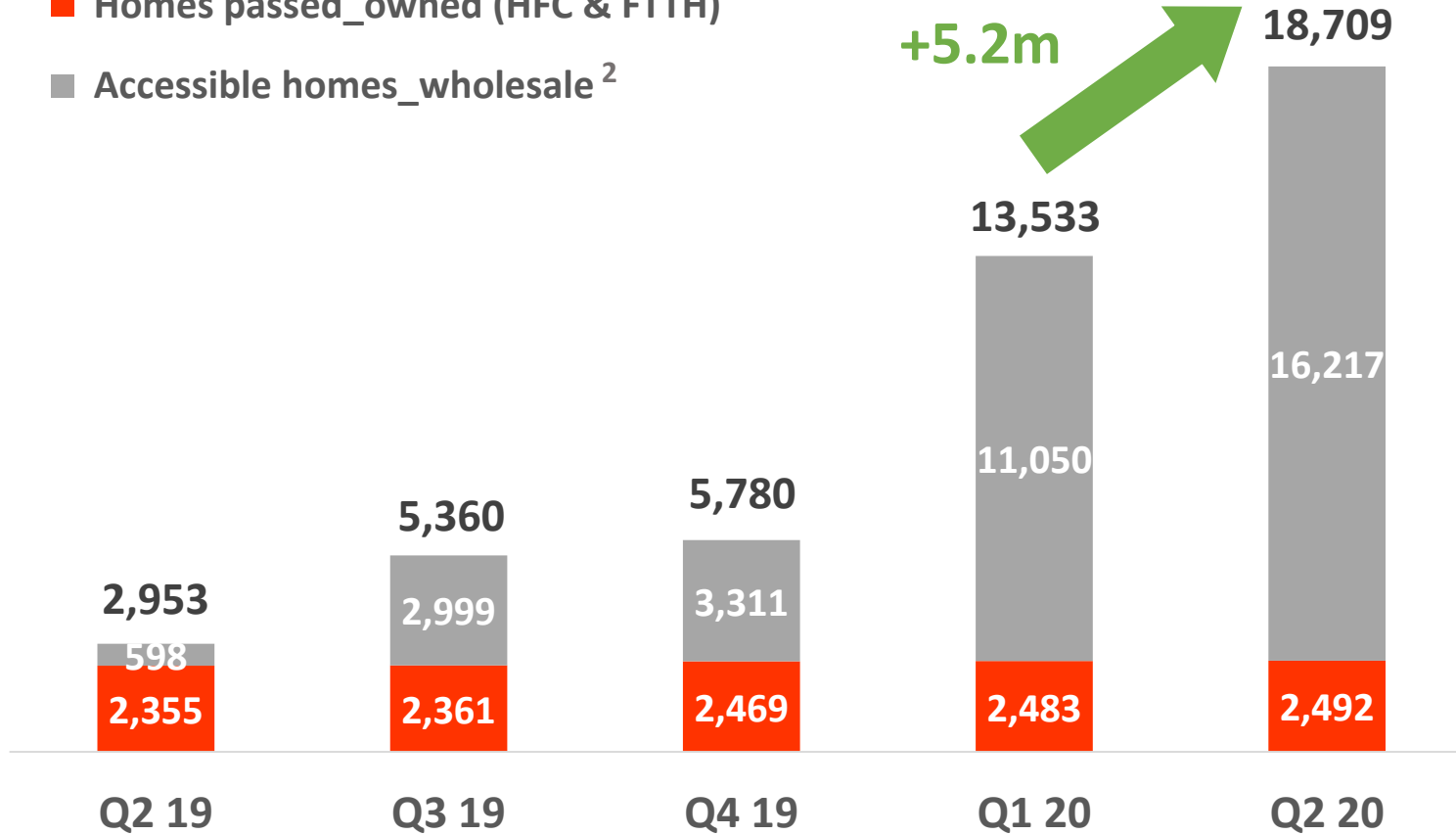


| Recently added coverage **will accelerate Virgin telco growth**

Current footprint (in thousand households)

■ Homes passed_owned (HFC & FTTH)¹

■ Accessible homes_wholesale²



✓ **Virgin telco growth to further accelerate** as additional footprint is addressed

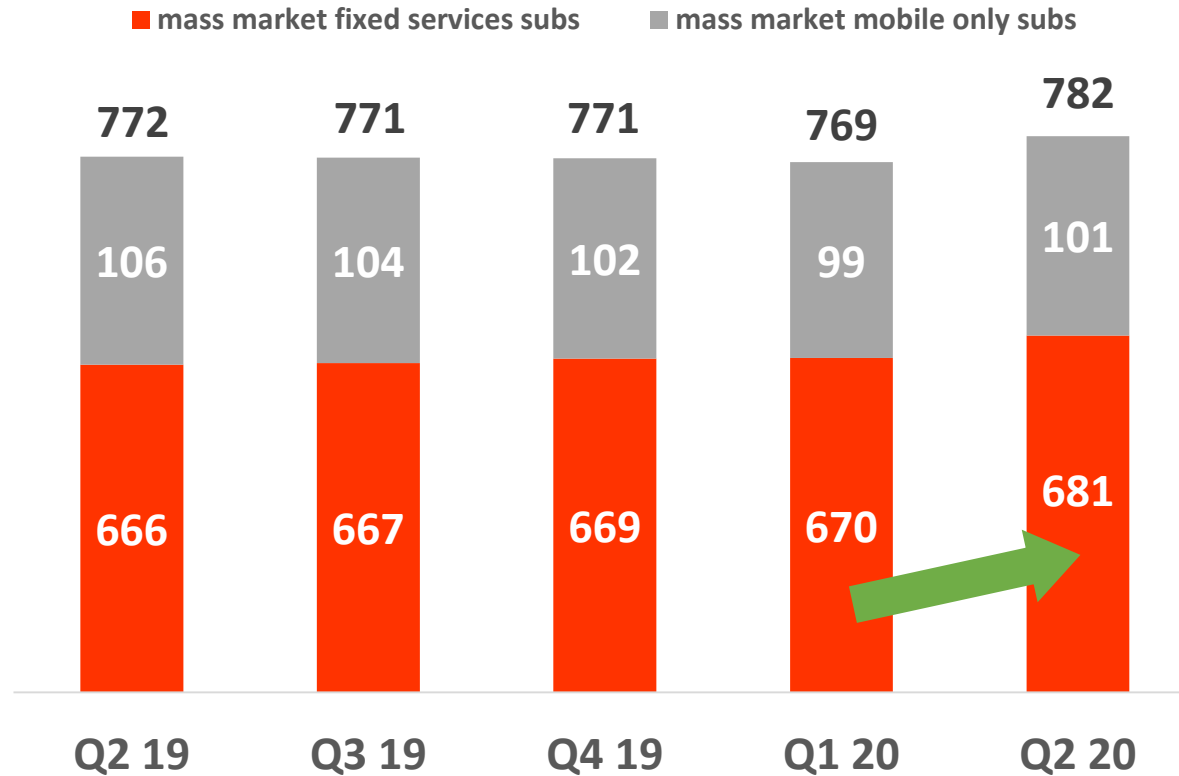
✓ Recently signed wholesale agreements allow for **faster growth and increased profitability**

✓ Optimal network management to drive **profitability upsides** going forward

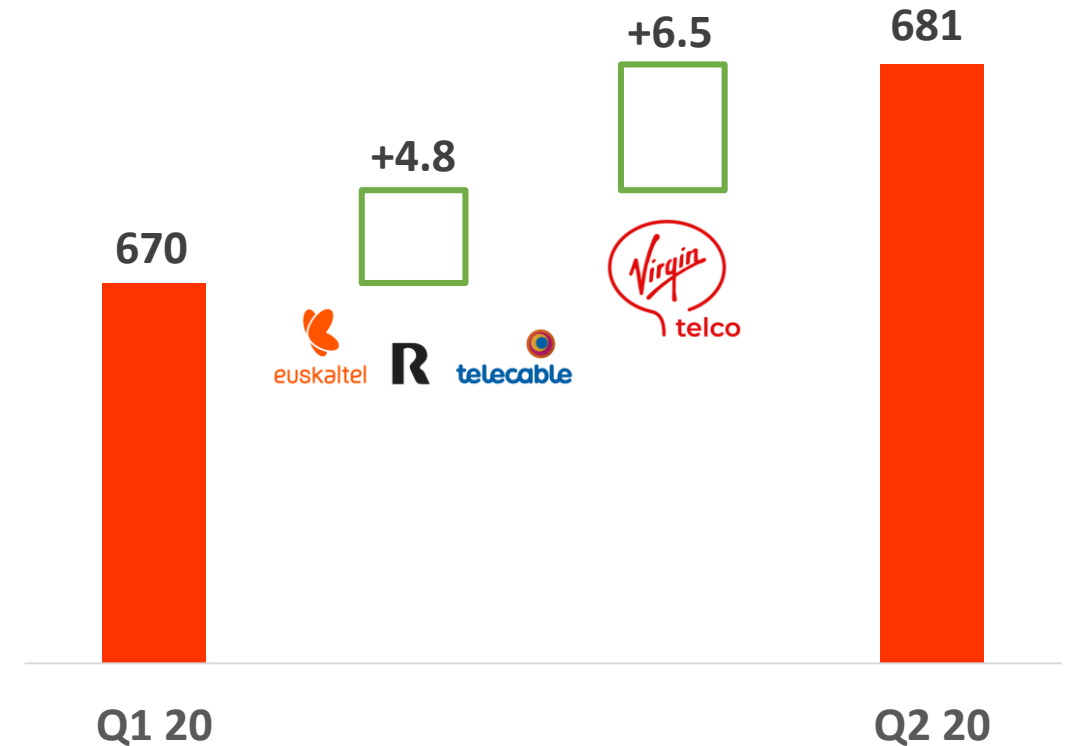
1. HFC, infill FTTH plus FTTH co-investment household coverage
2. Orange bitstream wholesale plus Telefónica's VULA & NEBA coverage

Virgin telco drives record customer growth in the quarter

Mass market subscribers (in thousands)



Mass market fixed subscribers (in thousands)

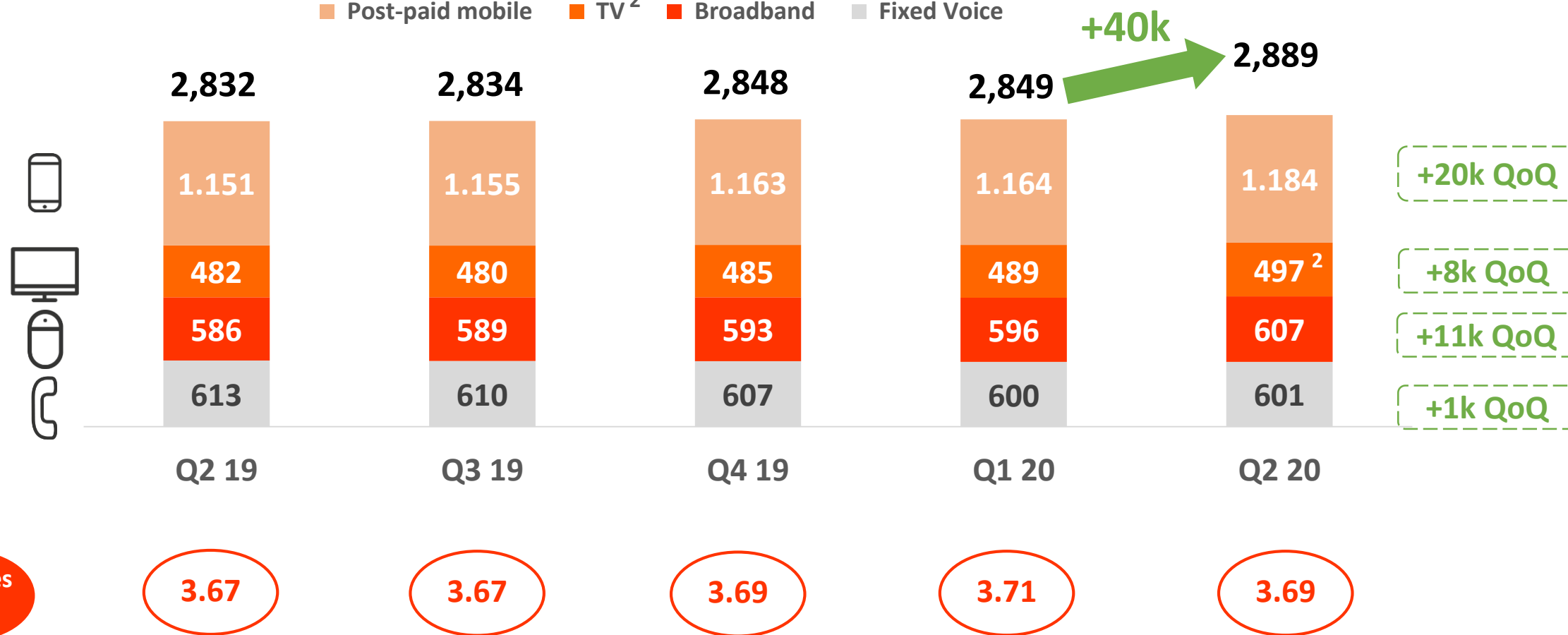


Significant addressable footprint increase drives customer growth both in the traditional business and in national expansion

| Services experience strong growth in-line with customers

Mass market services¹ (RGUs) per type (in thousands)

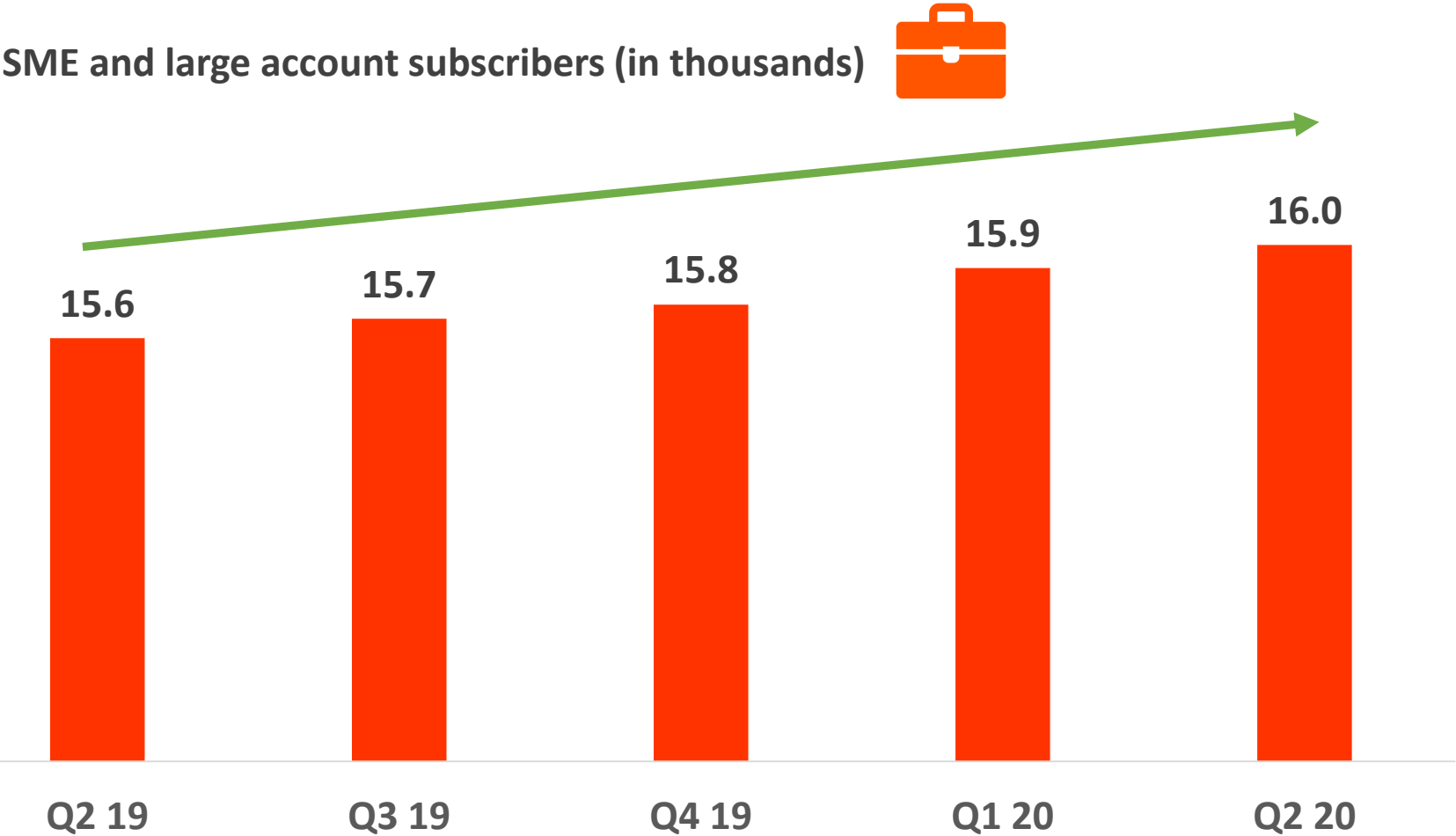
Post-paid mobile TV² Broadband Fixed Voice



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

2. TV services figures increase by the not previously accounted second TV services

| **SME and large accounts customer growth** supported by strong demand for additional services in the quarter



Financial review



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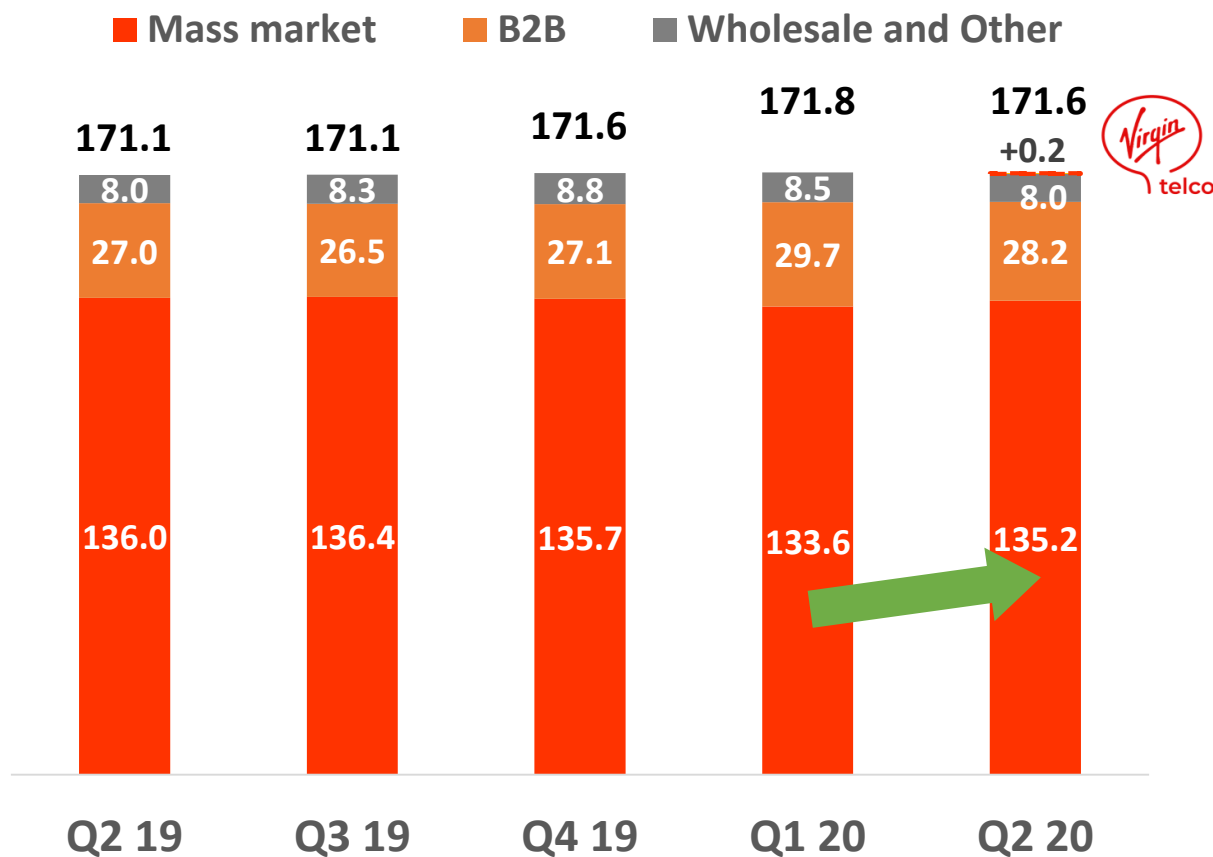


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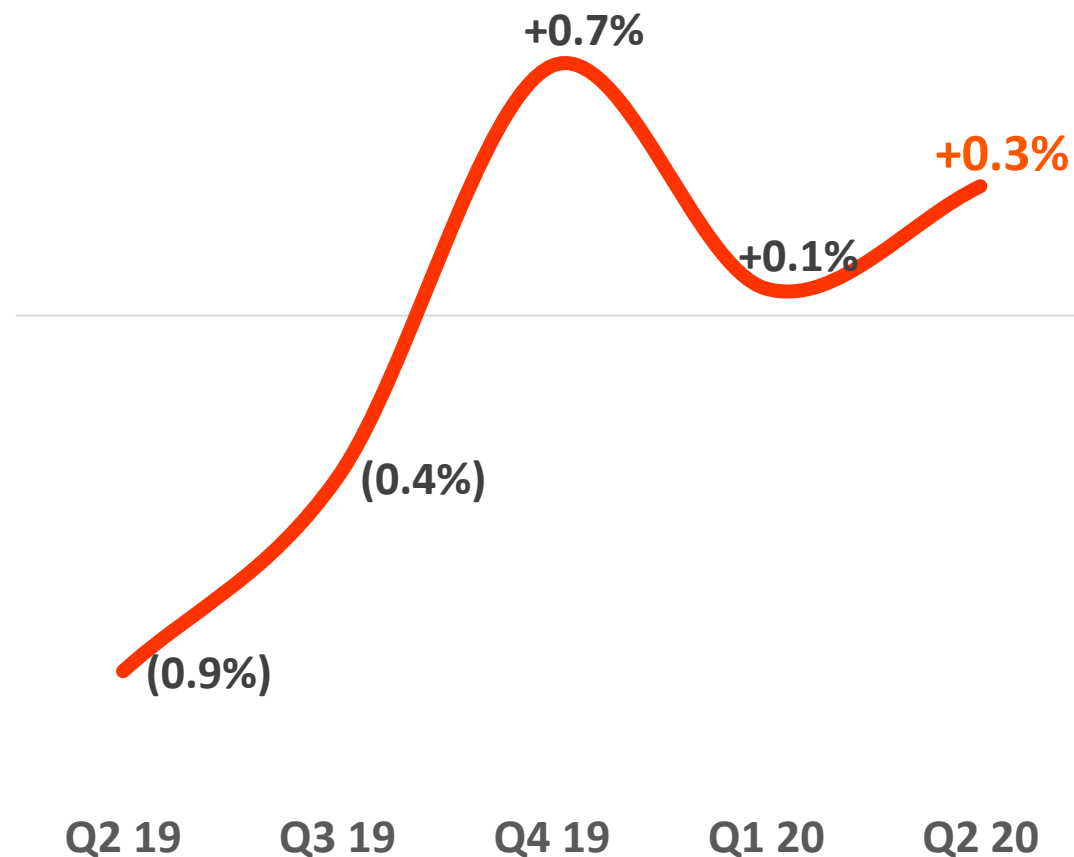


| Continued revenue growth only slightly impacted by COVID-19

Total revenue breakdown by segment¹ (EURm)



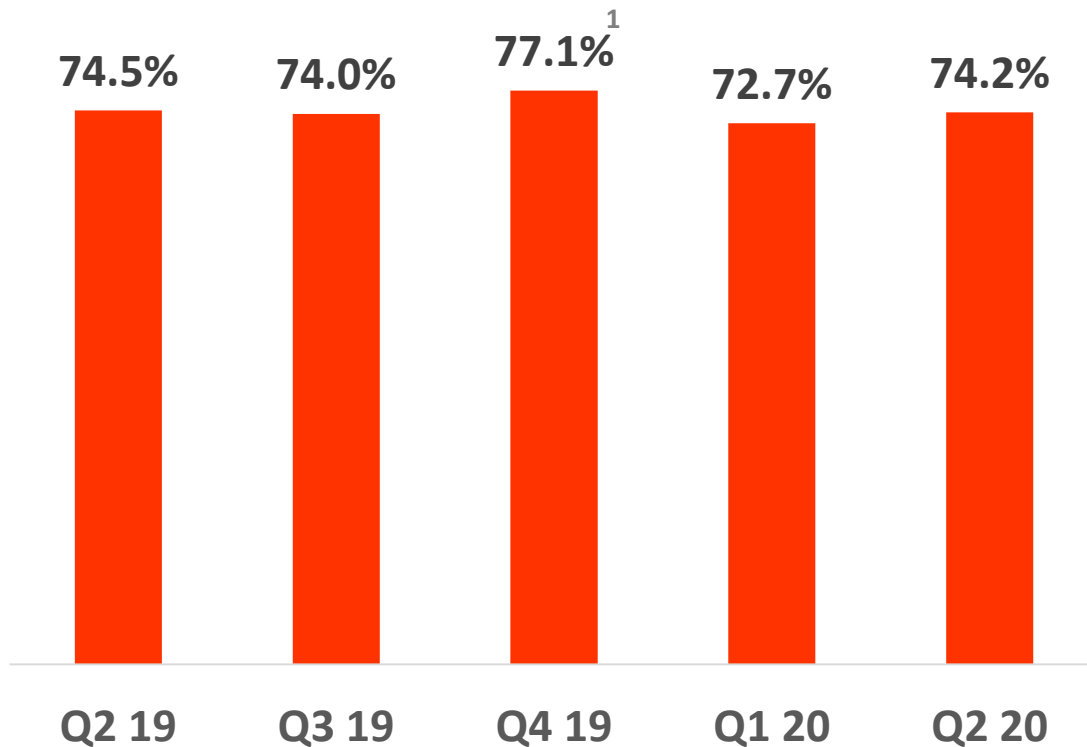
Total revenue evolution YoY (%)



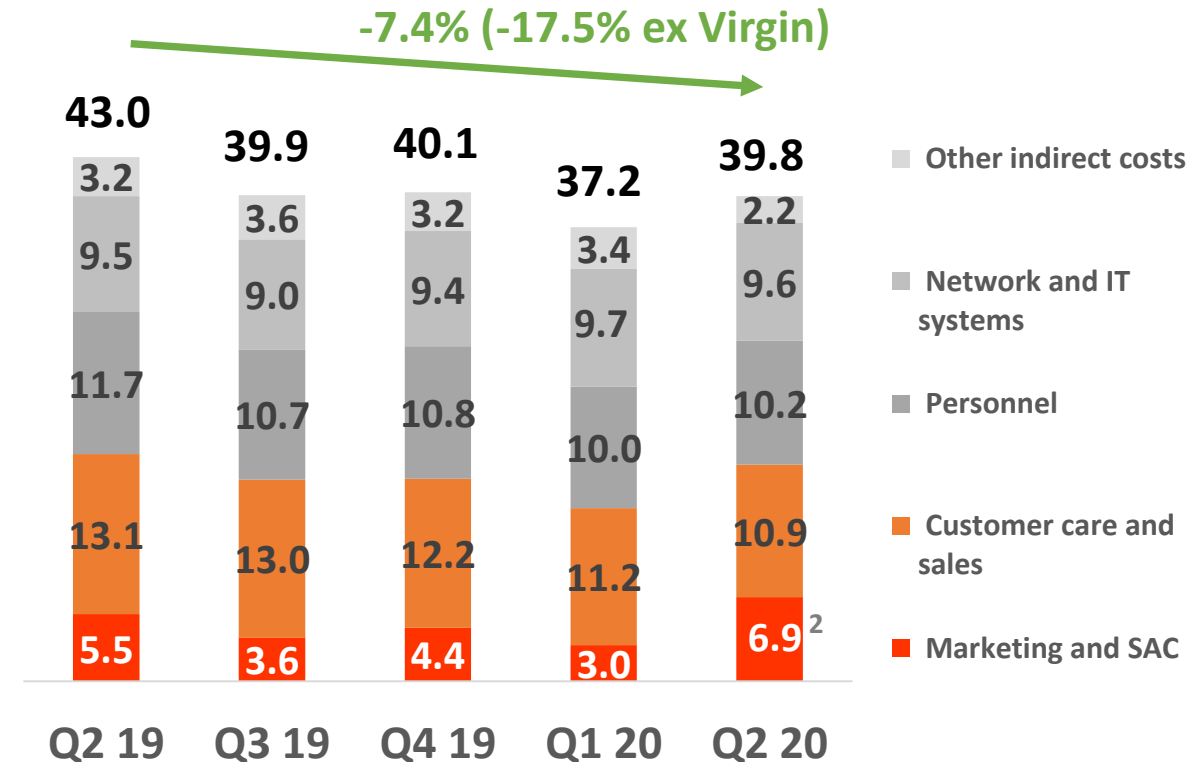
1. Mass market revenue = residential revenue + SOHO revenue + RACC mobile only revenue

Strong efficiency delivery compensates Virgin telco launch costs

Gross margin (% over revenue)



Selling, general and administrative expenses (EURm)

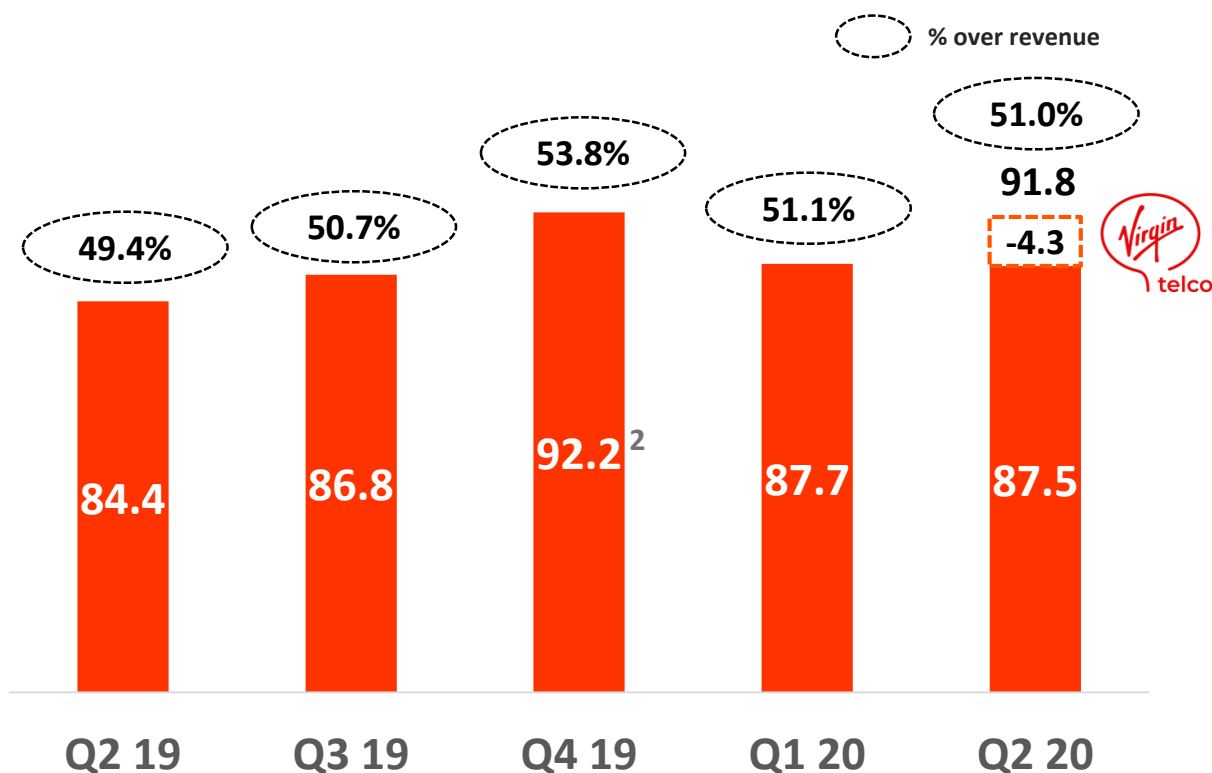


1. Gross margin includes €6.9 million of positive impacts mainly from the renewal of the Orange wholesale agreement

2. Includes €3.8m of the Virgin telco marketing launch campaign

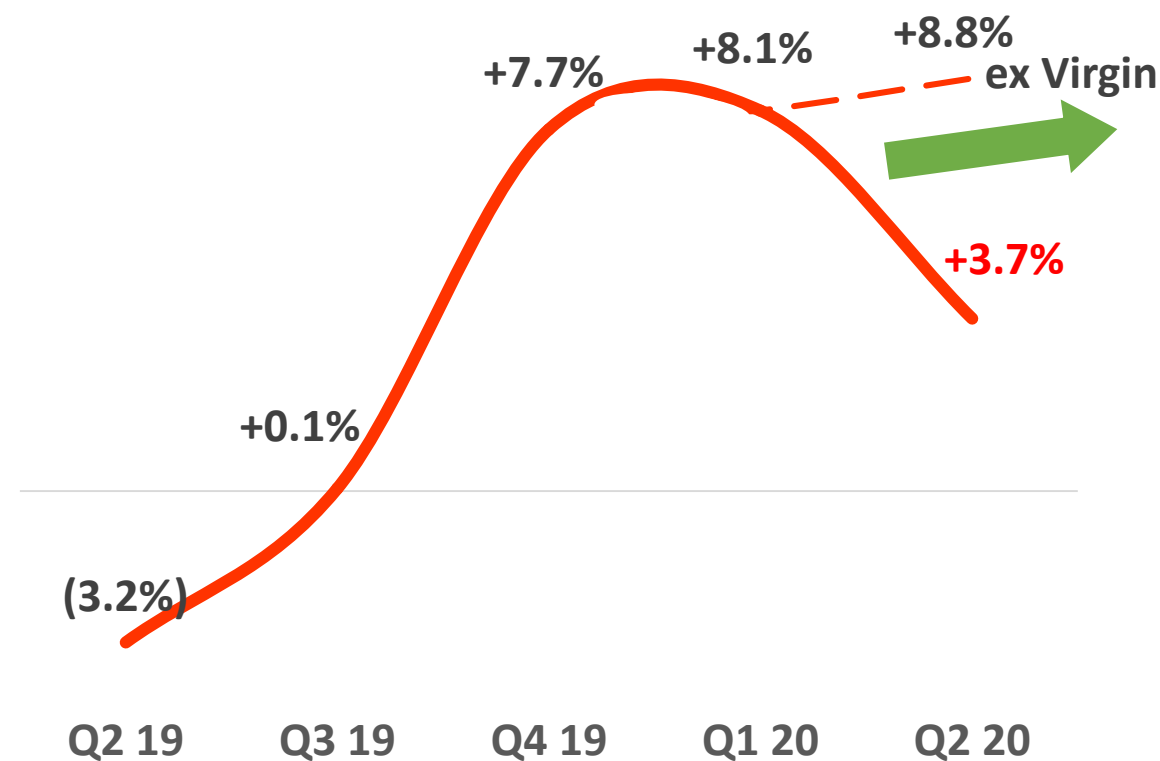
Traditional business record profitability results in for continued EBITDA growth

EBITDA¹ (EURm)



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

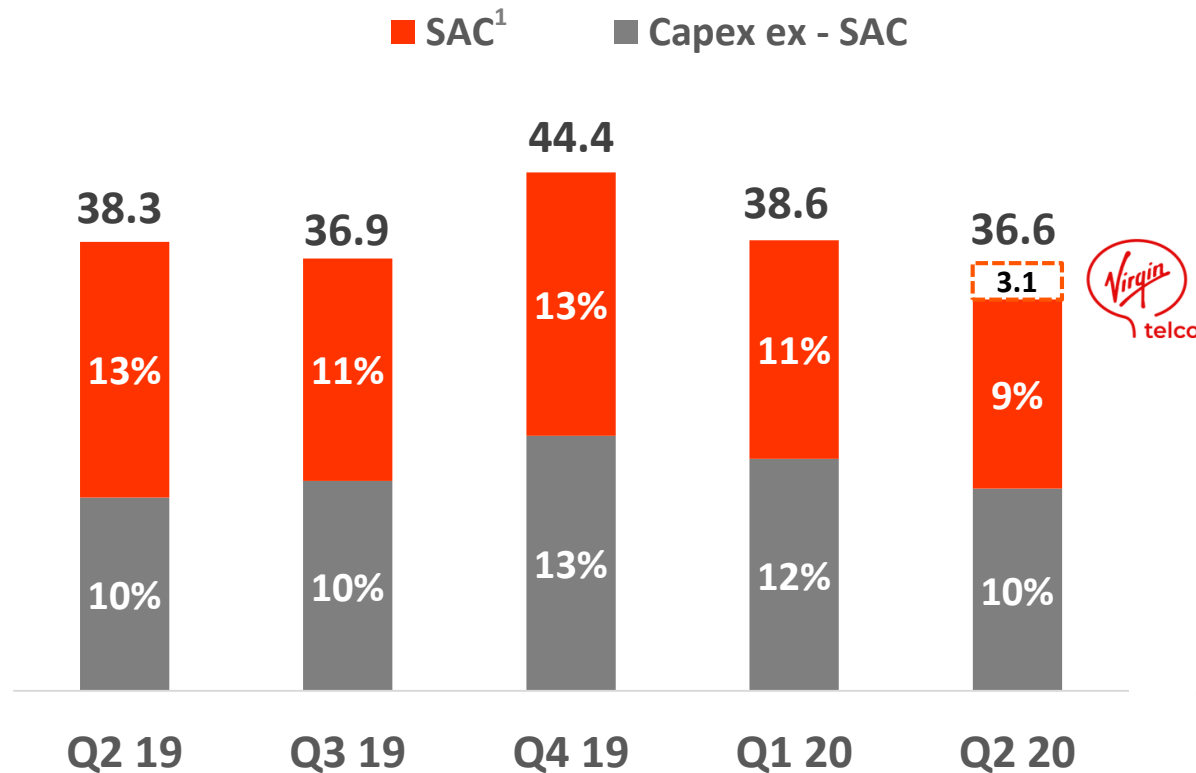
Total EBITDA evolution³ YoY (%)



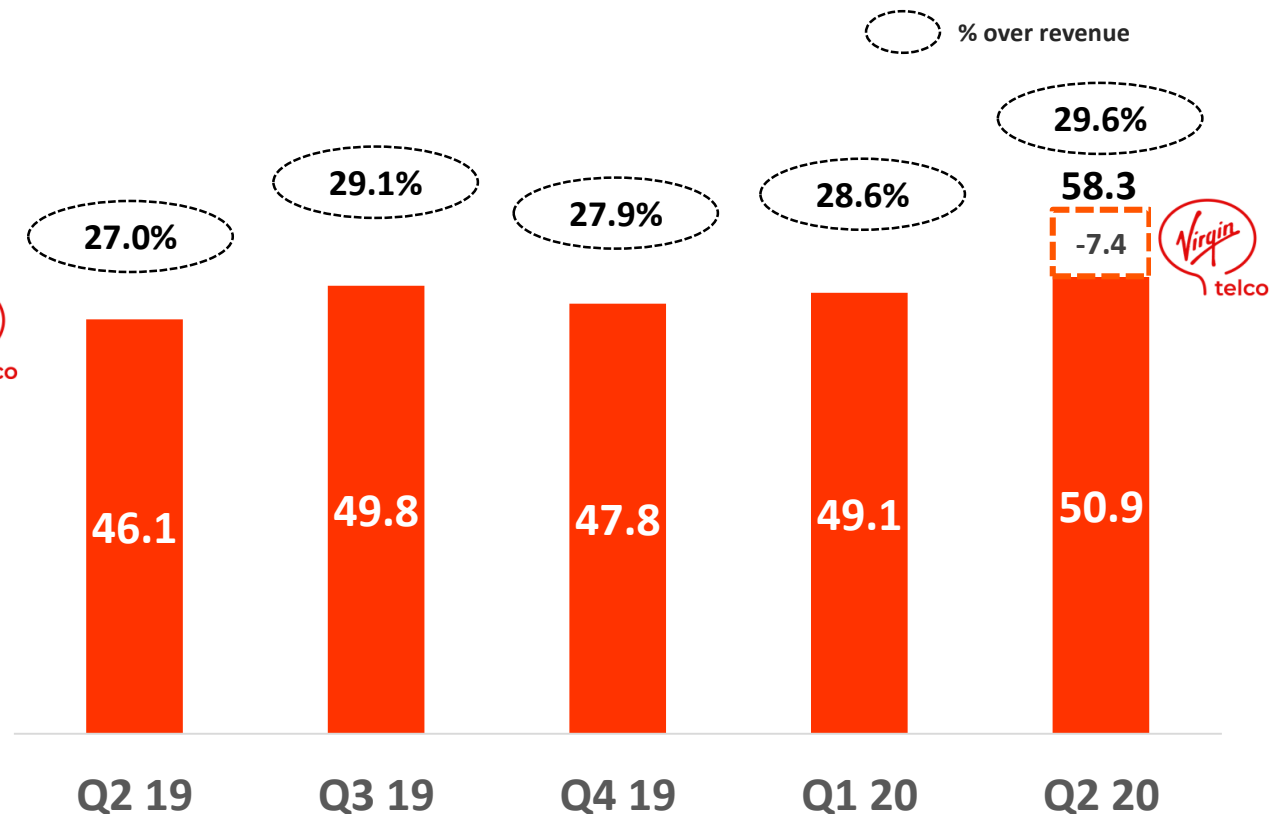
3. EBITDA evolution excluding the impact of IFRS 16 (€10.1m in the year) in 2019 from reported EBITDA

| Cash flow generation surpasses €50 million in the quarter

Capex (EURm and as % of revenue)



OpCF (EBITDA – capex) (EURm)



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

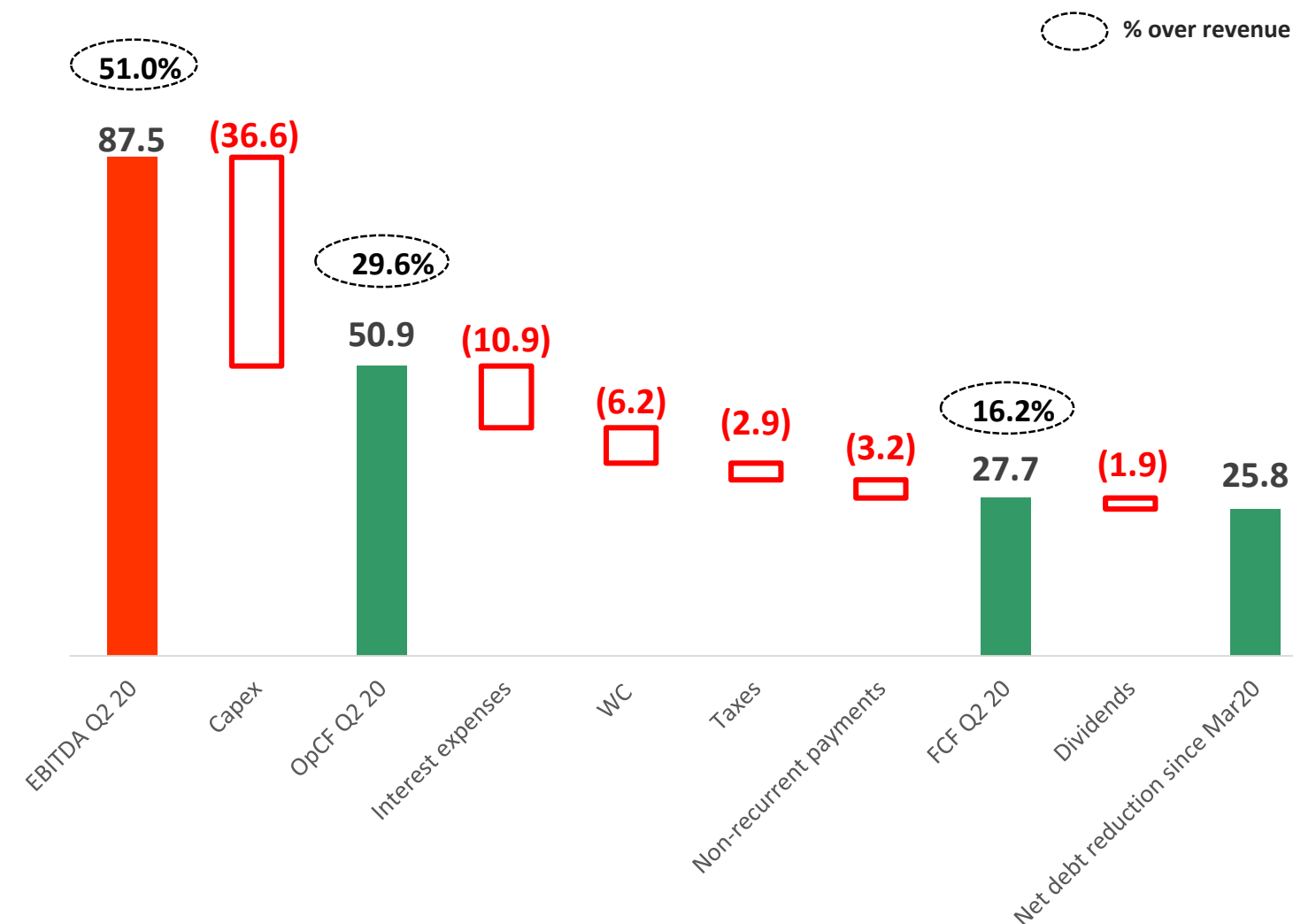


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Strong cash flow generation allows for **continued deleverage in the quarter**

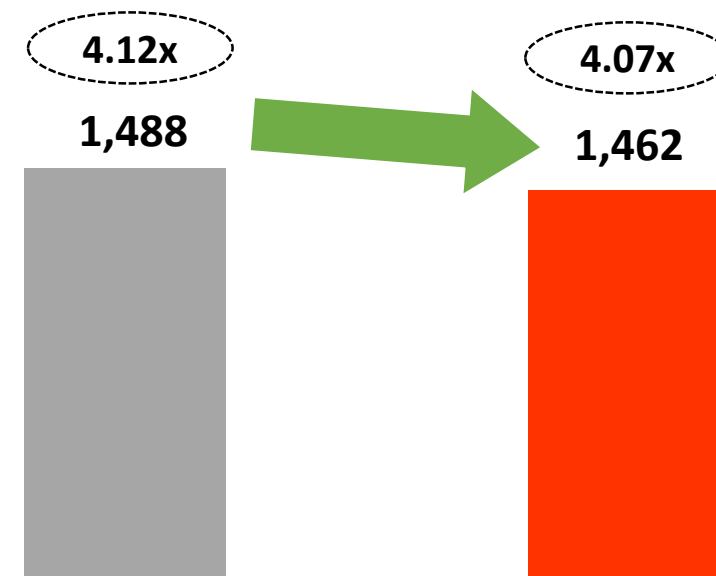
Q2 20 cash allocation (EURm)



Q2 20 net debt (EURm)

Net debt/
EBITDA¹

- Cost of debt: 2.62%
- Average maturity: 4.1 years²



Net debt as of March 31, 2020

Net debt as of June 30, 2020

1. EBITDA adjusted by identified potential synergies

2. €215m amortising TLA replaced in July 2020 with bullet loan due in December 2023

| Q2 2020 results deliver a strong growth and profitability combination



Strategic roadmap successfully implemented ahead of expectations



Traditional business improvement delivers record profitability



Successful launch of Virgin telco results in record customer growth



Accelerating Virgin telco customer adds create significant growth driver



Continued efficiency implementation drives strong EBITDA growth



Strong cash flow generation results in continued deleverage



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Q&A



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Appendix

Euskaltel Group Q2 2020 consolidated results and KPIs



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Euskaltel Group consolidated - KPIs (i/iii)

Mass market		Annual	Quarterly					
KPIs	Unit	2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Homes passed_owned (HFC & FTTH)	#	2,468,822	2,341,655	2,355,173	2,360,891	2,468,822	2,482,870	2,492,121
Accessible homes_wholesale	#	3,310,812	569,092	598,061	2,999,183	3,310,812	11,050,114	16,216,808
Mass market subs ¹	#	770,865	767,616	771,646	771,167	770,865	768,891	782,171
o/w fixed services subs	#	669,317	661,558	666,138	667,022	669,317	669,678	681,002
o/w mobile only subs	#	101,548	106,058	105,508	104,145	101,548	99,213	101,169
Total services (RGUs) ²	#	2,848,267	2,773,355	2,831,942	2,833,547	2,848,267	2,849,455	2,889,293
Fixed Voice	#	606,809	610,105	612,549	609,981	606,809	599,972	600,982
Broadband	#	593,338	579,523	586,080	589,090	593,338	596,292	607,483
TV	#	484,957	456,119	481,896	479,639	484,957	489,090	496,740
Post-paid mobile	#	1,163,163	1,127,608	1,151,417	1,154,837	1,163,163	1,164,101	1,184,088
Services (RGUs) per subscriber	#	3.69	3.61	3.67	3.67	3.69	3.71	3.69
Global ARPU fixed customers (quarterly standalone)	€/month	60.07	59.98	60.00	60.37	60.07	60.04	59.99

SMEs and Large Accounts		Annual	Quarterly					
KPIs	Unit	2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Customers	#	15,763	15,460	15,633	15,708	15,763	15,904	15,993

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.



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Euskaltel Group consolidated – Consolidated financials (ii/iii)

Profit and Loss Statement		Annual	Quarterly					
	Unit	2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Total revenue	€m	685.5	171.7	171.1	171.1	171.6	171.8	171.6
Y-o-y change	%	-0.9%	-2.8%	-0.9%	-0.4%	0.7%	0.1%	0.3%
o/w Mass market revenue ¹	€m	542.1	134.0	136.0	136.4	135.7	133.6	135.4
o/w B2B revenue	€m	110.9	30.3	27.0	26.5	27.1	29.7	28.2
o/w Wholesale and Other revenue	€m	32.5	7.4	8.0	8.3	8.8	8.5	8.0
Gross margin	€m	510.0	123.6	127.4	126.6	132.3	124.9	127.3
% of total revenue	%	74.4%	72.0%	74.5%	74.0%	77.1%	72.7%	74.2%
Selling, General & Admin. Expenses (SG&A)	€m	(165.4)	(42.5)	(43.0)	(39.9)	(40.1)	(37.2)	(39.8)
o/w marketing and SAC	€m	(18.7)	(5.2)	(5.5)	(3.6)	(4.4)	(3.0)	(6.9)
o/w customer care and sales	€m	(52.5)	(14.2)	(13.1)	(13.0)	(12.2)	(11.2)	(10.9)
o/w personnel	€m	(44.8)	(11.6)	(11.7)	(10.7)	(10.8)	(10.0)	(10.2)
o/w network and IT systems	€m	(37.7)	(9.7)	(9.5)	(9.0)	(9.4)	(9.7)	(9.6)
o/w other indirect costs	€m	(11.8)	(1.8)	(3.2)	(3.6)	(3.2)	(3.4)	(2.2)
Adjusted EBITDA	€m	344.5	81.1	84.4	86.8	92.2	87.7	87.5
% of total revenue	%	50.3%	47.3%	49.4%	50.7%	53.8%	51.1%	51.0%
Y-o-y change	%	2.4%	-3.7%	-0.1%	2.6%	10.4%	8.1%	3.7%
Depreciation and Amortization	€m	(202.7)	(50.2)	(51.0)	(51.1)	(50.4)	(49.9)	(50.4)
Extraordinary items	€m	(21.0)	(2.9)	(7.6)	(5.2)	(5.3)	(2.2)	(2.1)
Net financial expenses	€m	(49.3)	(12.6)	(12.1)	(12.4)	(12.1)	(11.9)	(14.8)
Net profit before taxes	€m	71.5	15.4	13.7	18.0	24.4	23.7	20.2
Taxes	€m	(9.5)	(3.4)	(2.8)	1.0	(4.3)	(4.6)	(3.8)
NET PROFIT	€m	62.0	11.9	11.0	19.0	20.1	19.1	16.4

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.



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Euskaltel Group consolidated – Consolidated financials (iii/iii)

Cash Flow Statement		Annual	Quarterly					
	Unit	2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
EBITDA	€m	344.5	81.1	84.4	86.8	92.2	87.7	87.5
Capex	€m	(154.3)	(34.6)	(38.3)	(36.9)	(44.4)	(38.6)	(36.6)
% of total revenue	%	-22.5%	-20.2%	-22.4%	-21.6%	-25.9%	-22.5%	-21.3%
Operating Cash Flow	€m	190.3	46.5	46.1	49.8	47.8	49.1	50.9
% of total revenue	%	27.8%	27.1%	27.0%	29.1%	27.9%	28.6%	29.6%
Interests	€m	(42.1)	(12.3)	(9.3)	(11.4)	(9.1)	(11.2)	(10.9)
Working Capital	€m	(7.4)	(32.0)	15.2	1.1	8.4	(7.3)	(6.2)
Taxes	€m	(16.8)	(6.8)	(2.6)	(1.0)	(6.4)	(7.0)	(2.9)
Others	€m	(23.0)	(5.9)	(7.7)	(5.3)	(4.2)	(2.1)	(3.2)
Free Cash Flow	€m	101.1	(10.5)	41.8	33.3	36.5	21.5	27.7
Dividends	€m	(55.3)	(25.0)	-	(30.3)	-	(23.1)	(1.9)
Net debt variation	€m	45.8	(35.5)	41.8	3.0	36.5	(1.6)	25.8
NET DEBT	€m	1,486.3	1,567.5	1,525.8	1,522.8	1,486.3	1,487.8	1,462.0

Balance Sheet		Annual	Quarterly					
	Unit	2019	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Non-current Assets	€m	2,749.0	2,779.1	2,765.1	2,754.5	2,749.0	2,738.0	2,725.3
Intangible assets	€m	1,324.2	1,332.7	1,329.5	1,324.9	1,324.2	1,322.4	1,318.4
Tangible assets	€m	1,288.8	1,312.2	1,302.7	1,292.9	1,288.8	1,280.5	1,272.9
Financial assets	€m	8.9	9.1	9.0	8.4	8.9	8.0	6.9
Deferred tax assets	€m	127.1	125.1	123.8	128.3	127.1	127.1	127.1
Current Assets	€m	168.2	144.1	149.5	158.8	168.2	174.4	206.0
Inventories	€m	4.2	5.7	6.4	6.1	4.2	5.7	4.8
Trade and other receivables	€m	65.8	66.6	62.5	71.4	65.8	70.9	78.7
Cash and cash equivalents	€m	98.2	71.8	80.6	81.3	98.2	97.9	122.5
TOTAL ASSETS	€m	2,917.3	2,923.3	2,914.6	2,913.4	2,917.3	2,912.4	2,931.3
Total Shareholders' Equity	€m	982.0	987.3	967.9	986.8	982.0	1,001.1	987.6
Non-current Liabilities	€m	1,533.9	1,619.7	1,554.7	1,558.6	1,533.9	1,532.8	1,577.6
Long term debt	€m	1,369.0	1,444.9	1,388.5	1,390.1	1,369.0	1,370.3	1,416.3
Provisions	€m	-	-	-	-	-	-	-
Other non-current liabilities	€m	164.9	174.8	166.2	168.5	164.9	162.5	161.3
Current Liabilities	€m	401.4	316.3	392.0	367.9	401.4	378.5	366.1
Short term debt	€m	195.3	154.4	185.5	192.1	195.3	194.7	149.4
Trade and other payables	€m	206.1	161.9	206.5	175.8	206.1	183.8	216.8
Total Liabilities	€m	1,935.3	1,936.0	1,946.7	1,926.5	1,935.3	1,911.3	1,943.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	€m	2,917.3	2,923.3	2,914.6	2,913.4	2,917.3	2,912.4	2,931.3

