



Grupo Euskaltel

The Euskaltel Group closes the second quarter with record growth in the customer base and profitability, net profit having risen by 50%

- *In only a year, the Euskaltel Group has exceeded all the strategic roadmap targets, growth in the customer base and profitability having hit an all-time high.*
- *Revenues were again up on the previous year, for the third consecutive quarter. In Q2 2020, revenues rose by 0.3% on the same quarter of 2019 to reach Euros 171.6 million.*
- *The traditional business posted a record profitability with EBITDA totalling Euros 92 million, having risen for the fourth consecutive quarter at 51% revenue margin.*
- *Operating cash flow grew by 10.4% on the previous year to reach Euros 50.9 million or 29.6% of revenues, a clear benchmark in the industry.*
- *In Q2 2020, the Euskaltel Group made a net profit of Euros 16.4 million as compared with Euros 11 million in the second quarter of the previous year, representing 50% year-on-year growth. At 30 June 2020, net profit for the first six months amounted to Euros 35.5 million, 55% up on the Euros 22.9 million posted in the first half of 2019.*
- *Record customer base growth. From March to June, the Group won 11,300 new customers, 4,800 in the Group's traditional markets and 6,500 from Virgin telco scarcely a month after the nationwide launch.*
- *Residential segment services contracted rose by 40,000 on the same date of the previous year. High-value products and services in homes now total 2.9 million.*

- ***The Group is now in nearly 19 million Spanish homes which, together with the Virgin launch, means that growth opportunities have increased eightfold-***

Bilbao, 23 July 2020. The Euskaltel Group –comprising the Euskaltel, R, Telecable and Virgin telco brands– this evening announced the results for the second quarter of 2020, which confirm record growth in the customer base and profitability, thanks to achieving, in only one year, all the strategic milestones contained in the roadmap presented and launched a year ago so as to allow Euskaltel to grow profitably and generate shareholder value.

The company's strategic roadmap was based on three main focus areas: designing a simple, efficient organisation; bolstering the traditional business; and launching a new telecommunications brand in the Spanish market. The achievement of these milestones sooner than expected brought positive results in a quarter marked by the social and economic impact of the COVID 19 pandemic; a quarter in which the Group successfully initiated its national expansion plan through the Virgin telco brand.

Q2 results confirm the Group's business growth trend observed in recent quarters. Revenues were again up on the previous year, for the third consecutive quarter. In Q2 2020, revenues rose by 0.3% on the second quarter of 2019 to reach Euros 171.6 million.

Record profitability

One of the main strategic roadmap achievements is profitability at record levels, the Company's traditional business having posted EBITDA of Euros 91.8 million for the quarter, reflecting growth of 8.8% on the previous year. Including the costs of Virgin telco's nationwide launch, quarterly EBITDA amounted to Euros 87.5 million, having grown 3.7% on the previous year and for four consecutive quarters, at a revenue margin of 51%.

This strong growth in EBITDA, combined with the efficiency policy and careful management of investments, resulted in 10.4% operating cash flow growth on the previous year to reach Euros 50.9 million or 29.6% of revenues, which is a clear industry benchmark. Setting aside the impact of the Virgin telco launch, operating cash flow would have hit an all-time high at Euros 58.3 million.

Thank to this strong operating cash flow, the company's deleveraging process can continue, net debt having decreased by Euros 25.8 during the quarter. So net debt stands at 4.07x EBITDA as compared with 4.12x in the previous quarter.

Euskaltel will also save Euros 150 million in depreciation and amortisation charges during the period 2020-2022 thanks to the Euros 215 million debt refinancing agreement signed on 9 July, average corporate debt maturities having been extended from 3.9 years to 4.1 years.

All these aspects –strong EBITDA growth, controlled capex, powerful operating cash flow and debt reduction– assure the company a solid balance sheet with which to press on towards the profitable growth goals described in the business plan.

The efficiencies deployed to date have brought better-than-expected results and should carry on bearing fruit in the future thanks to numerous long-term efficiency initiatives already in progress. These initiatives are focused on the further optimisation of sales channels, customer process improvement through digitalisation, optimised management of network agreements,

integration of network and operations providers, implementation of customer self-provisioning and integration of computer systems in the company's three regions.

Solid cash generation by the company has allowed a dividend of Euros 0.31 per share to be paid out for a total of Euros 55 million, entailing a 4% dividend yield. This is the fourth consecutive year that a dividend has been paid out since the company was floated on the stock exchange in July 2015. This dividend distribution also reflects the Group's commitment to shareholder value.

Thanks to the quality of revenues and the containment of costs, in Q2 2020 the Euskaltel Group posted a net profit of Euros 16.4 million, 50% up on the Euros 11 million recorded in the second quarter of the previous year. At 30 June 2020, net profit for the first six months amounted to Euros 35.5 million, 55% higher than the figure of Euros 22.9 million recognised in the first half of 2019.

Record customer base growth

One of the most outstanding aspects of Q2 2020 was the record growth in the Group's customer base. From March to June, the Group won 11,300 new customers, 4,800 in the Group's traditional markets and 6,500 from Virgin telco scarcely a month after the nationwide launch. In total, the Group has a fixed-service customer base of 681,000 users.

The launch of the Euskaltel Group's new brand, Virgin telco, to compete in the national market was precisely the industry talking point during the quarter. Through a policy of flexible products and services allowing customers to decide which to contract, Virgin telco progressed week by week to reach 6,500 customers just a month after the launch. This strong growth is continuing in July, so the company expects the number of new Virgin customers in July to exceed June, despite the effect of seasonality.

This trend will continue to rise as the network's coverage footprint extends to reach 100% of the Spanish market. The Euskaltel Group currently has access to 19 million homes in Spain, a figure that will grow further in the coming months, both in the traditional markets –Basque Country, Galicia and Asturias– and in the pilot projects in Navarre, Catalonia, La Rioja, Cantabria and León, as well as in the rest of the country, thanks to agreements with other operators that will boost the number of homes able to access the Group's products and services. Growth in network coverage and optimisation of network management are key levers for future progress in the company's customer base and profitability.

The high-value customer base is still growing

The Company's high-value customer base continued to grow in the second quarter. Residential services contracted rose by 40,000 on the same period of the previous year, confirming the acceptance of our high-value products and services in homes, now totalling nearly 2.9 million. The solidity of the Group's high-value customer base is reflected in 3P and 4P contracts, which continue to grow, having reached the highest levels in the industry. In Q2 2020, Euskaltel Group customers signed up for an average of 3.69 products per user.

By product segment, ultra-fast broadband grew by 11,000 new service contracts to reach 607,000. In the last three months, pay TV services rose by 8,000 to nearly 500,000 TV products contracted. Mobile phone services increased by a solid 20,000 lines to 1.18 million mobile telephone lines contracted and even landline phone products rose by 1,000 to reach 601,000.

A similar trend was observed in the corporate market, where growth was driven by fierce demand for telecommunications services during the quarter, the B2B customer base passing the

16,000 mark. This increase in customers, together with growth in specific business services, led to a 4.4% annual improvement in corporate revenues.

FTSE4Good IBEX sustainability index

On 22 June, the Euskaltel Group was rewarded by inclusion in the FTSE4Good IBEX sustainability index, one of the most prestigious sustainability indexes in the world, which highlights Spanish companies that lead corporate social responsibility practices and provides investors with information on companies that meet environmental, social and corporate governance (ESG) best practices on a global level.

Forming part of the FTSE4Good IBEX sustainability index entails significant acknowledgement of Euskaltel's efforts to assimilate corporate governance and sustainability practices into the Group's management and of its commitment to corporate social responsibility, which are integrated throughout the organisation and aligned with its objectives.

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