

Euskaltel Group Q4 2020 results

February 25, 2020



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| 2020 marks the return of Euskaltel to significant growth

Operating KPIs (FY20 vs FY19)

+47k

Mass Market fixed customers net adds



Mass market **customer growth multiplied in 2020**

+71k

EoY Virgin telco fixed and mobile customers



Virgin telco's growth continues to accelerate **beating year-end target by over 50%**

+18m

Addressable households

Financials (FY20 vs FY19)

+1.7%

Revenue
(YoY growth)



Virgin telco success drives the **return to revenue growth**

-0.5%

EBITDA
(YoY growth)



Year-end EBITDA target met despite COVID-19

+2.3%

EBITDA ex Virgin
(YoY growth)



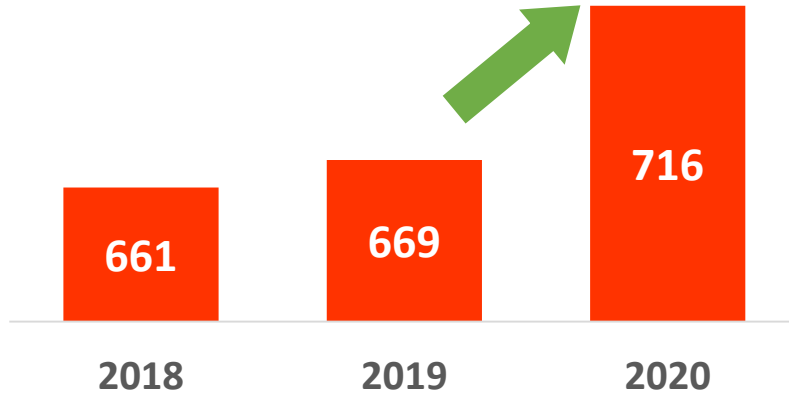
The company continues on a **clear deleveraging path**

-2.1%

Net debt
(YoY growth)

| Euskaltel's growth has significantly accelerated in 2020

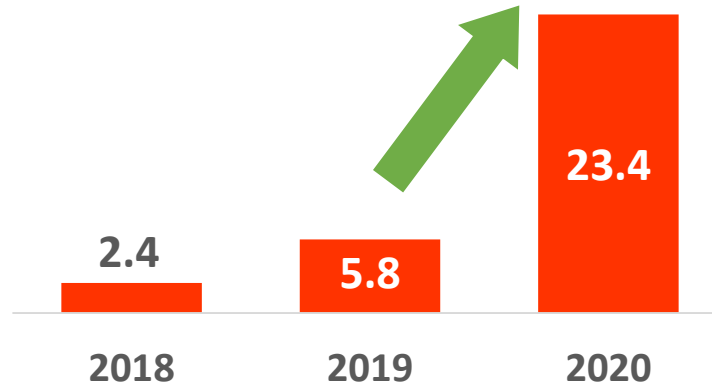
Fixed customers (000s)



+47k

Fixed customers
Net adds

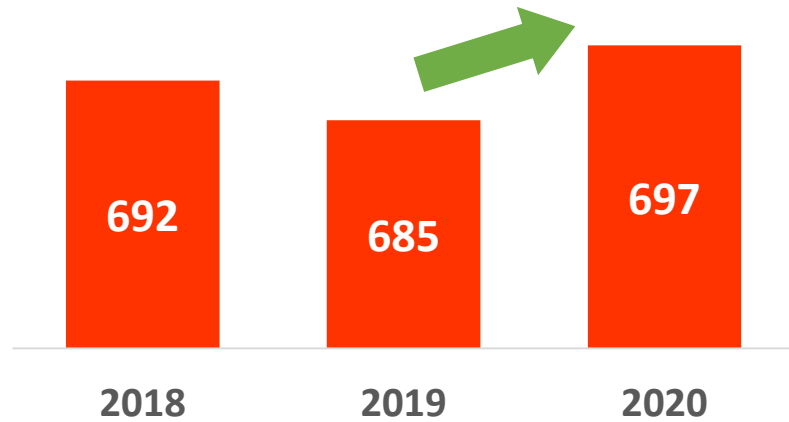
Households covered (m)



+18m

Household
coverage

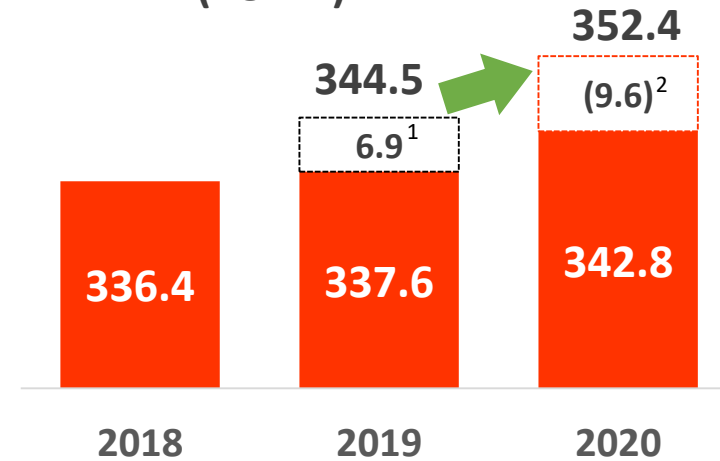
Revenue (EURm)



+1.7%

YoY revenue growth

EBITDA (EURm)



+2.3%

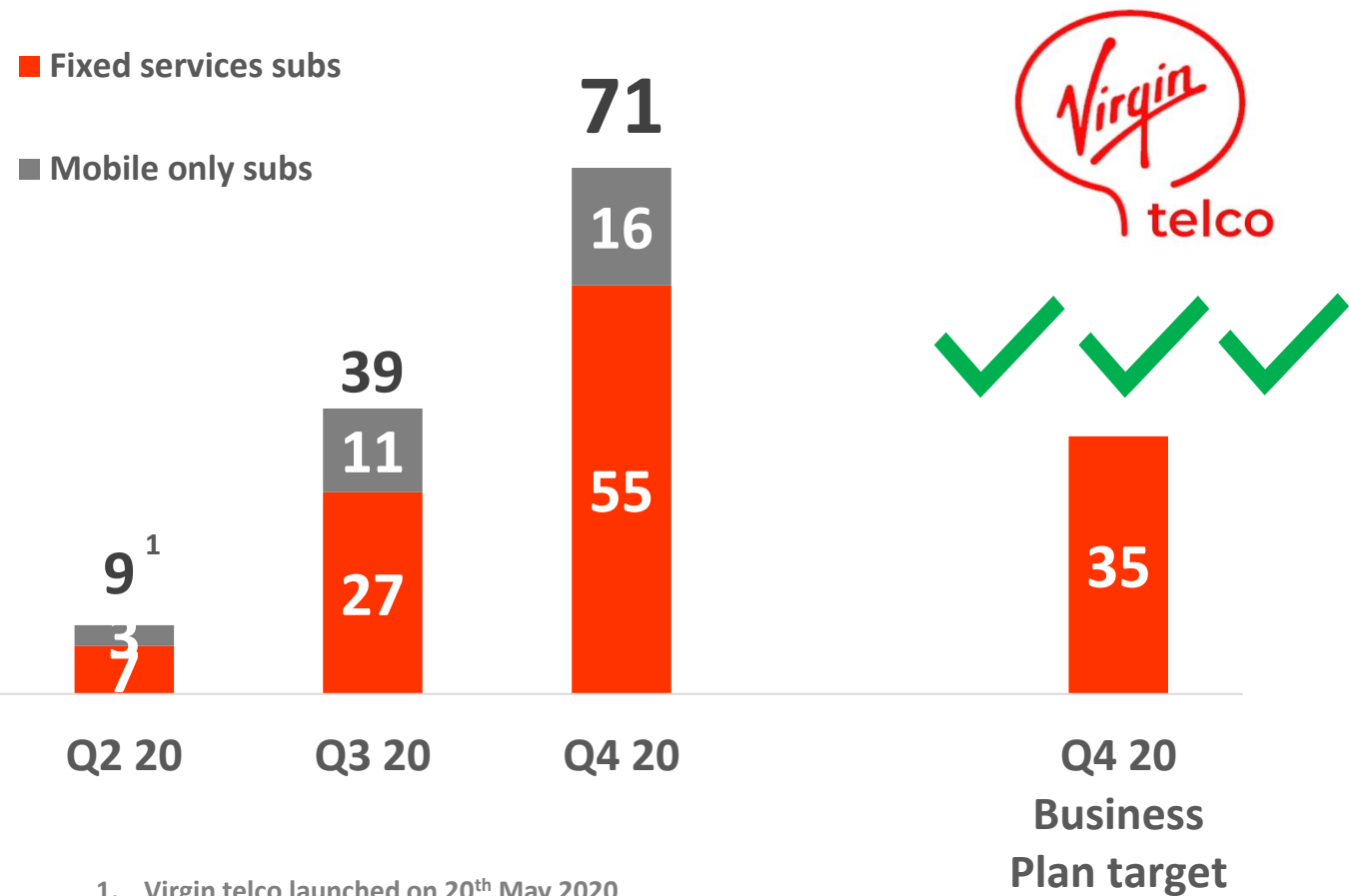
YoY EBITDA growth
(excl. Virgin Telco)

1. €6.9m positive impact on 2019 EBITDA from the renewal of the Orange wholesale agreement
2. €9.6m negative EBITDA in 2020 related to launch / early growth of Virgin telco

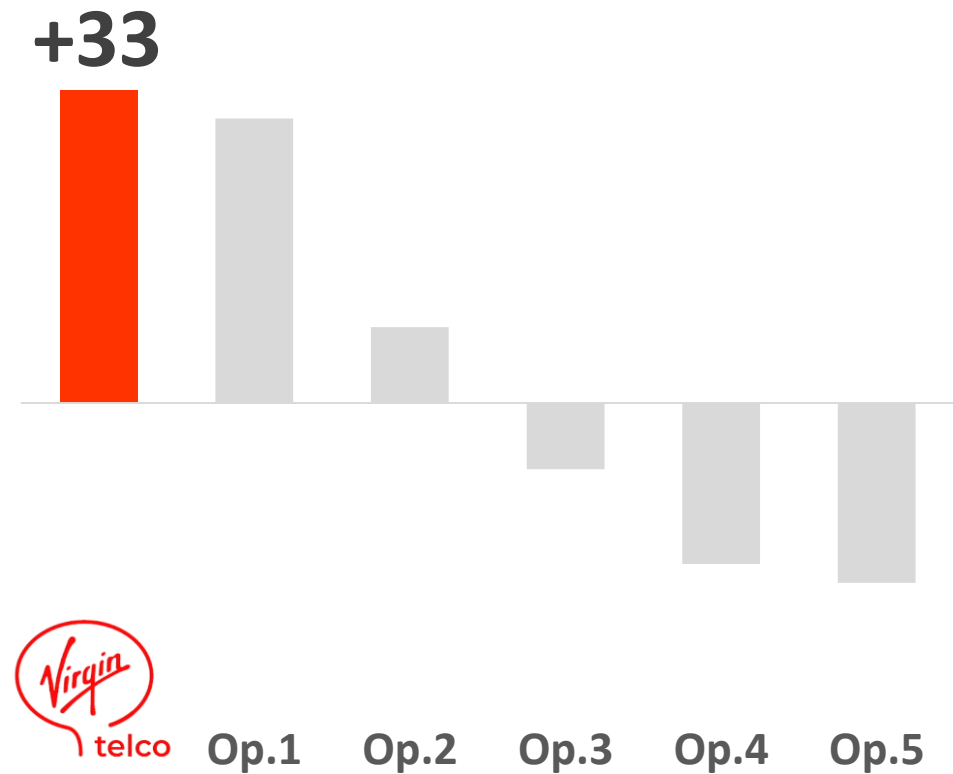


| Virgin telco surpasses its 2020 target by more than 50% and leads the market's NPS in just 7 months in operation

Virgin telco – customers EOP (000s)



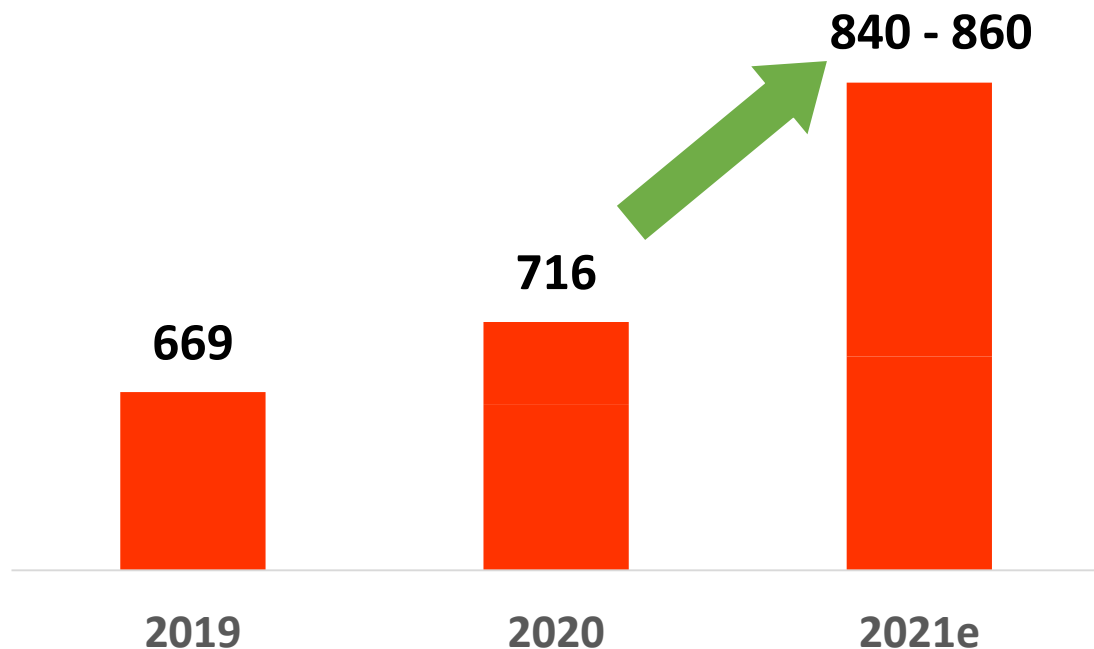
Net Promoter Score (Q4 20)²



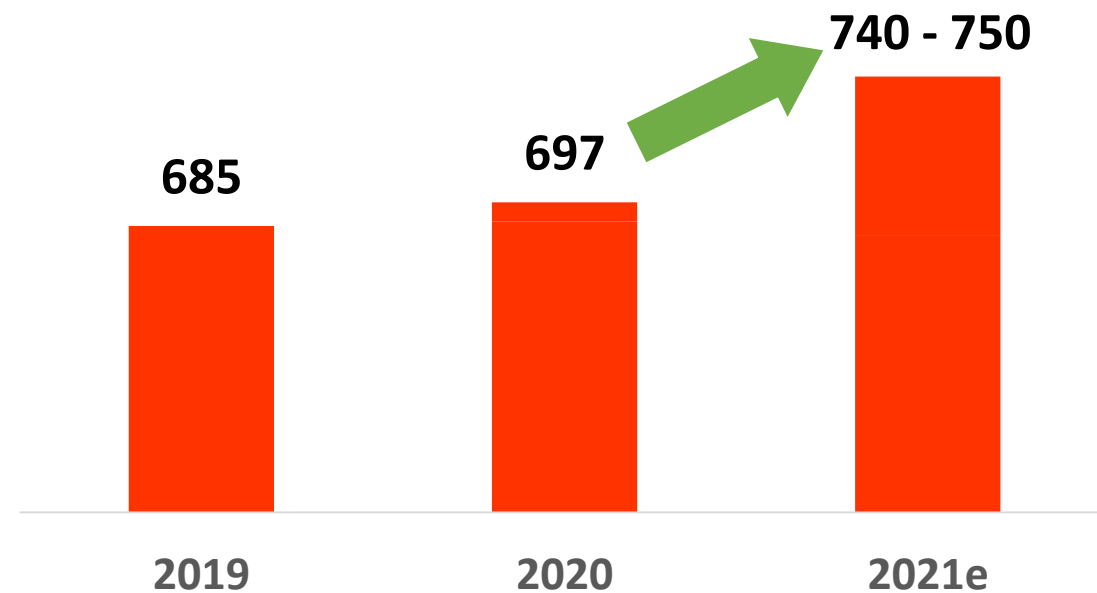
2. Source: GFK Q4 2020 NPS report

| Growth will continue in 2021 driven by Virgin telco's success

Mass market fixed customers (000s)



Revenue (EURm)



Full-year Virgin telco growth will drive **strong revenue growth in 2021**

| Virgin telco continues to push **value increasing initiatives**

FAMILY

La solución para tener lo mejor y ahorrar de verdad.

300 Mb

50 GB
Llamadas ilimitadas



y cada línea adicional

50 GB
Llamadas ilimitadas

45 €
/MES
PRECIO FINAL

6 €
/MES
PRECIO FINAL



New 'Family' convergent offer already represents **more than 25% of gross adds...**



...bringing **high-value customers** and **significantly enhancing ARPU...**

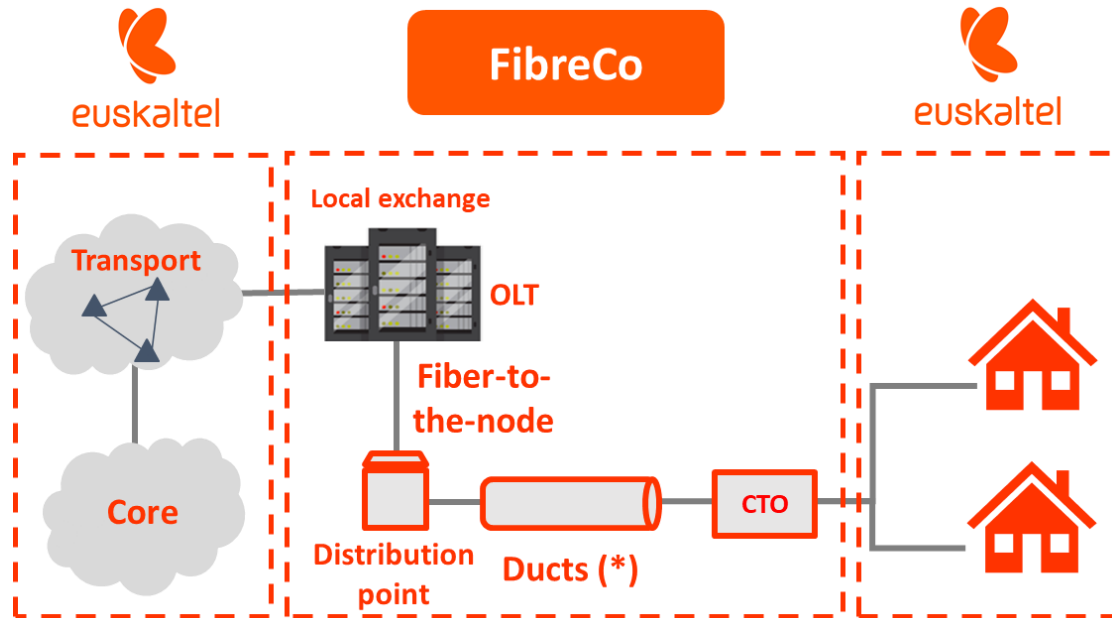


...while still using **highly-efficient sales channels**

New offers drive Virgin telco's **value journey**



Process to set up FibreCo and sell less than 50% well advanced



(*): ducts remain the property of Euskaltel and are leased to FibreCo

FibreCo unlocks significant value
for Euskaltel shareholders

FibreCo creates **significant value** for Euskaltel:

- ✓ Low cost **fibre upgrade**
- ✓ Additional FTTH **wholesale customers**
- ✓ ~€20m/year **network related cost savings**
- ✓ Further **growth opportunities**

Investor discussions **well advanced**

- ✓ Shortlist of **highly motivated investors**
- ✓ **Finalising** deal terms

Anticipate being able to make **a formal announcement** within coming weeks

Operating review



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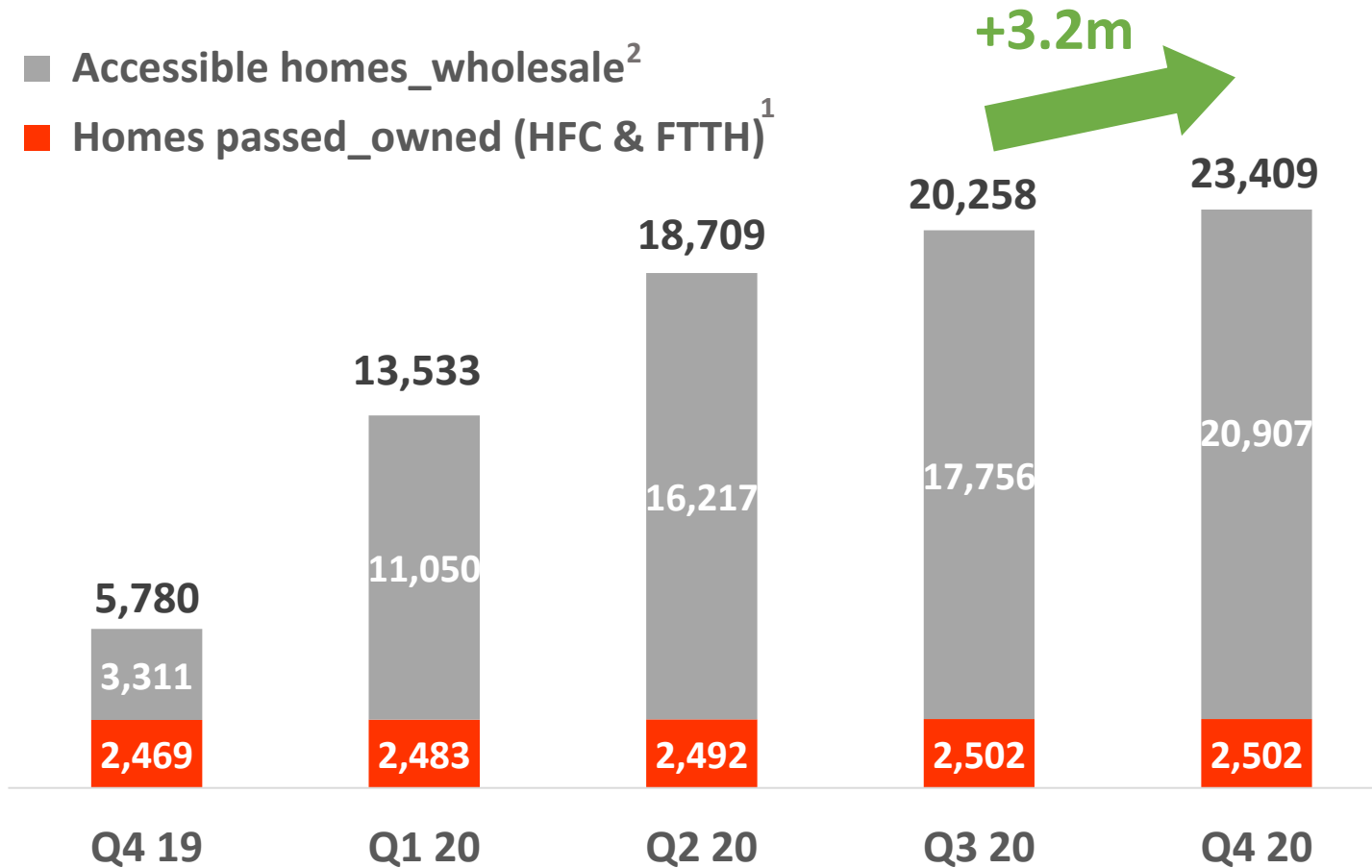


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| Euskaltel surpasses its coverage targets driving faster and more profitable growth than expected

Current footprint (000s households)



✓ 5m more household coverage than expected drives **faster Virgin telco growth**

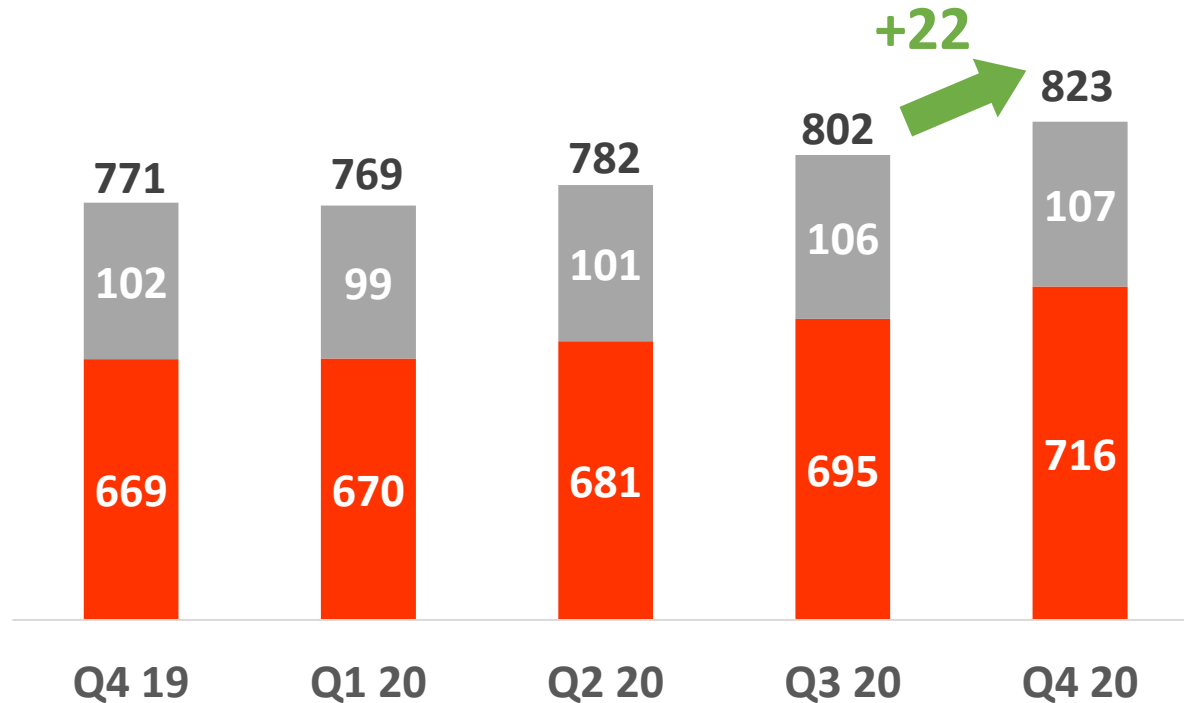
✓ Recent new footprint additions **reduce wholesale costs and drive profitability**

1. HFC, owned FTTH plus co-investment FTTH household coverage
2. Orange, Telefónica and Adamo wholesale

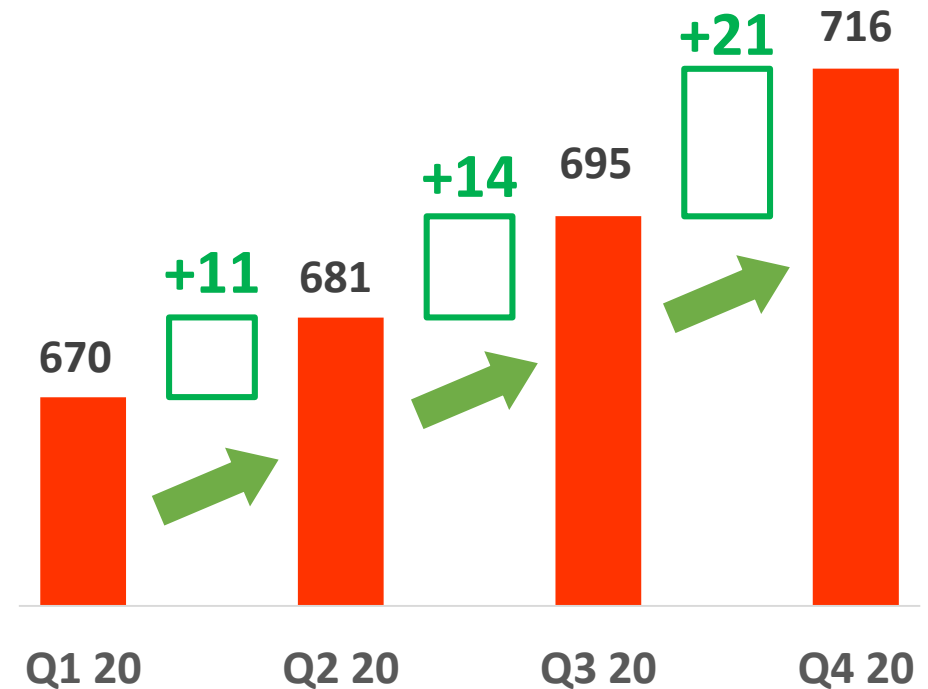
Euskaltel's customer growth continues to accelerate in the quarter

Mass market subscribers (000s)

■ Mass market fixed services subs ■ Mass market mobile only subs



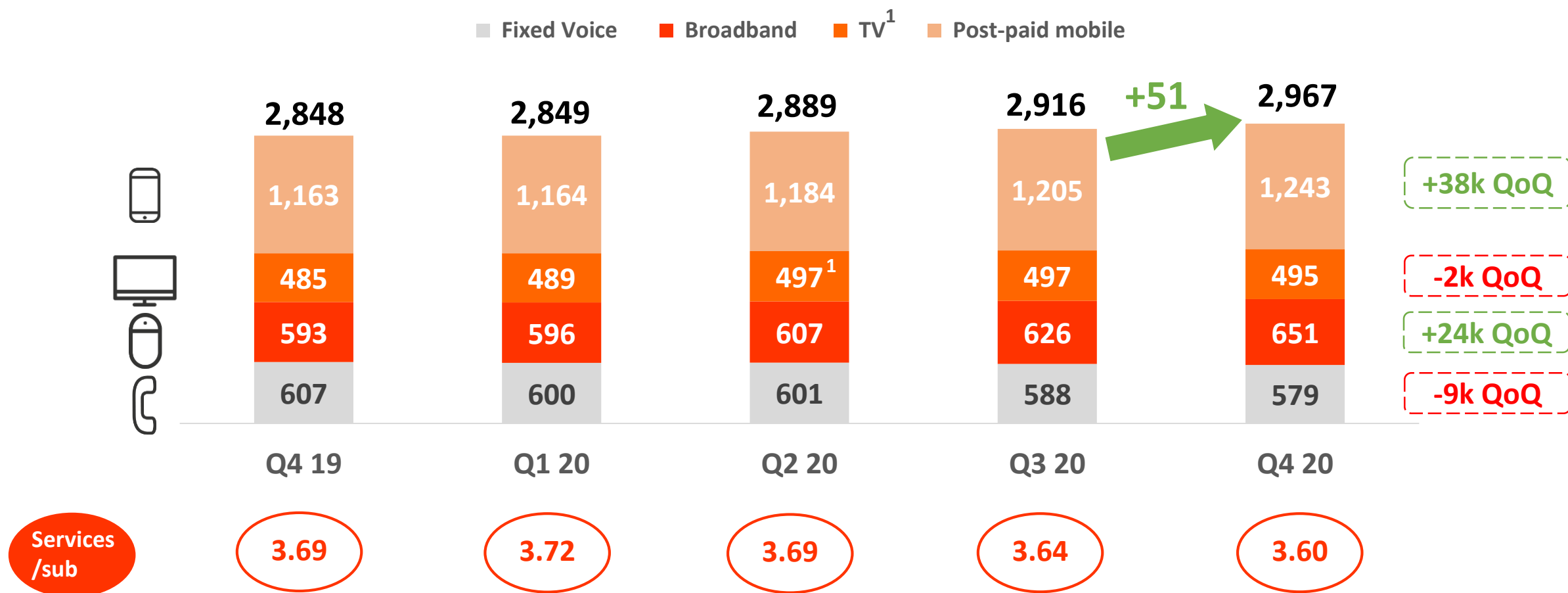
Mass market fixed subscribers (000s)



Total fixed customer net adds reach 47k in the year

Record customer growth drives strong service take-up

Mass market services (RGUs) per type (000s)



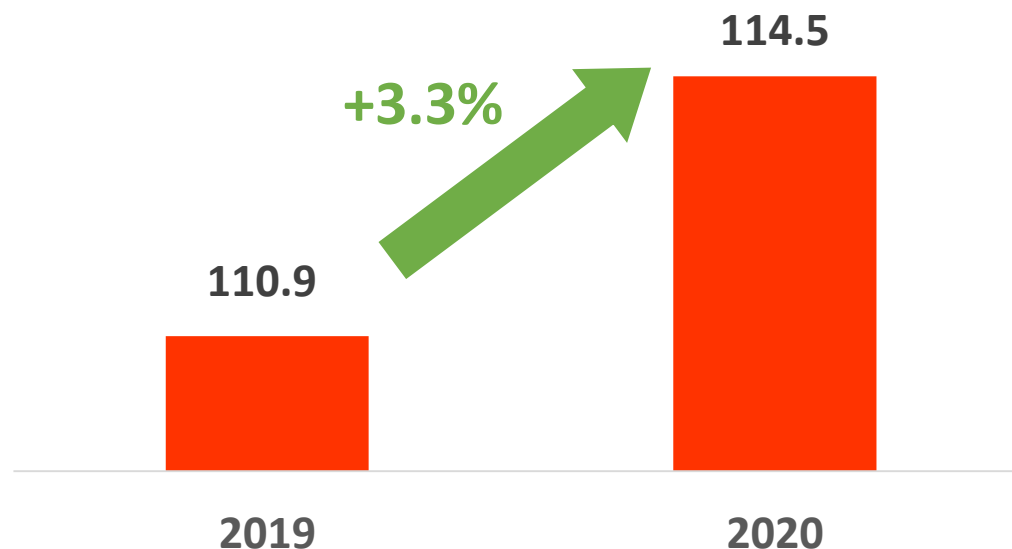
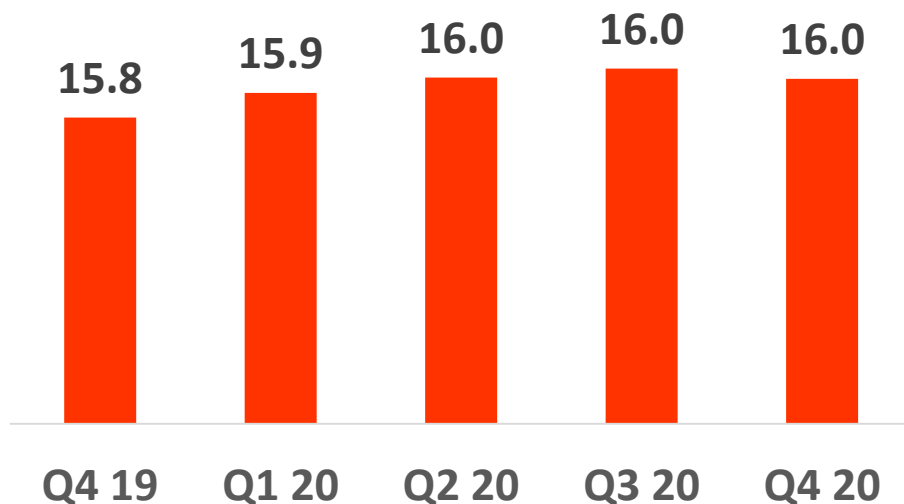
1. TV services figures increase by the not previously accounted second TV services

| Revenue growth accelerates in the B2B business

SME and large account subscribers (000s)



SME and large account revenue (EURm)



Increased service demand from large accounts compensates COVID impact



B2B revenue growth significantly accelerates in 2020 (+3.3% vs +0.9% in FY 19)

Financial review



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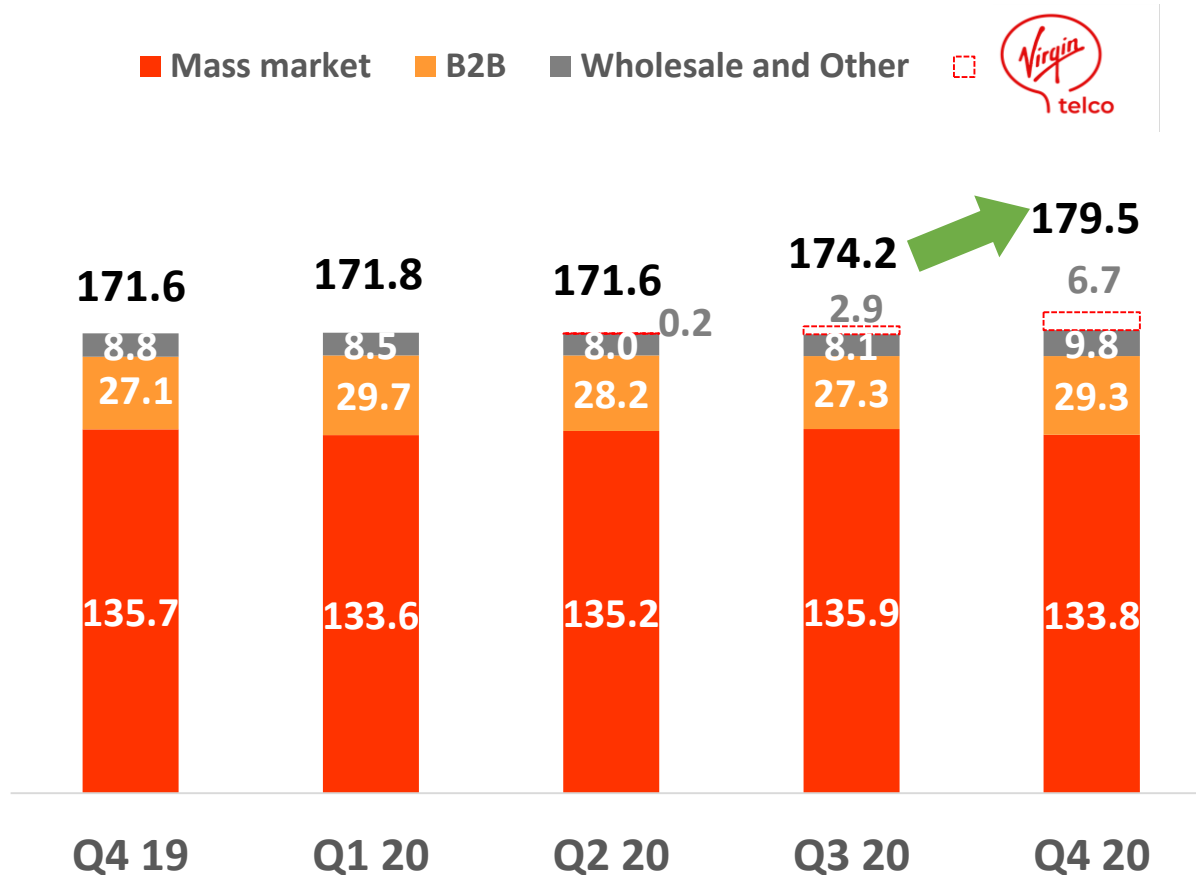


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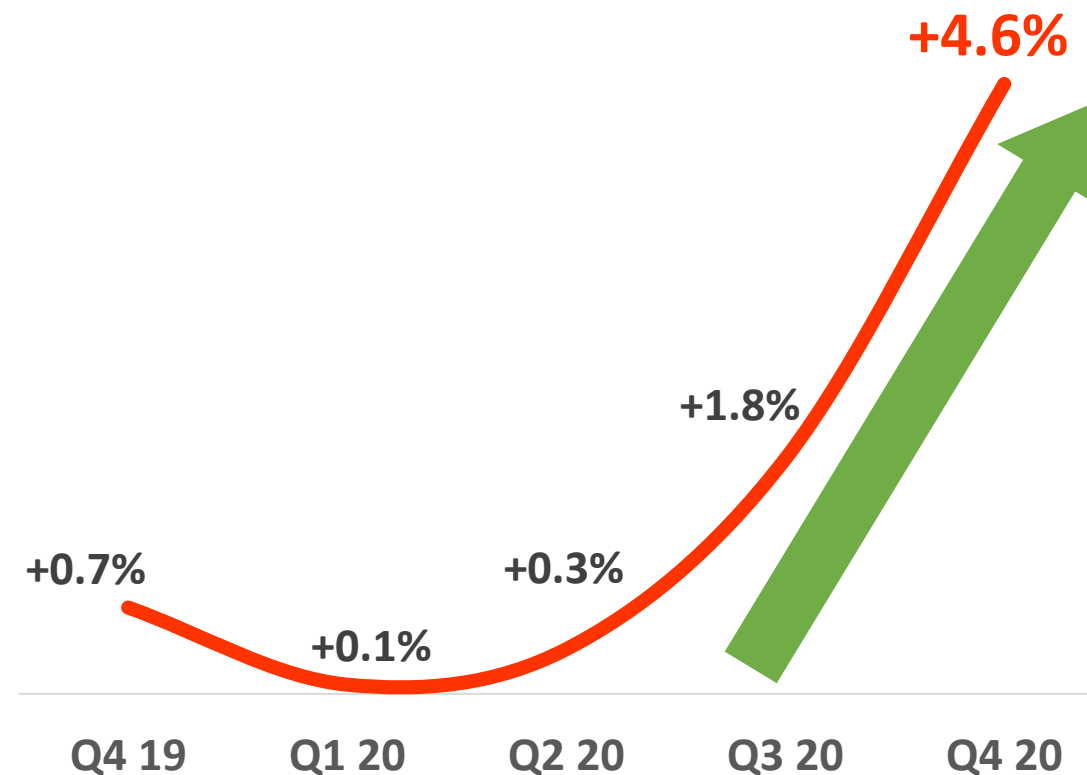


Quarterly revenue growth accelerates to 5% yoy

Total revenue breakdown by segment (EURm)



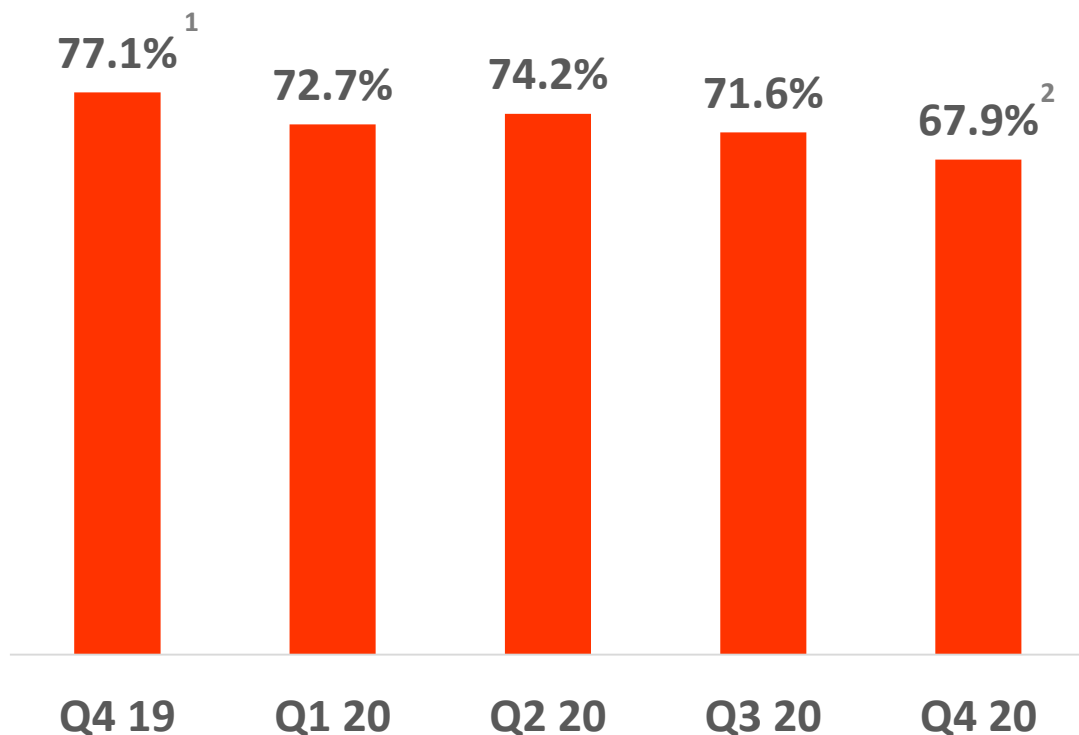
Total revenue evolution YoY (%)



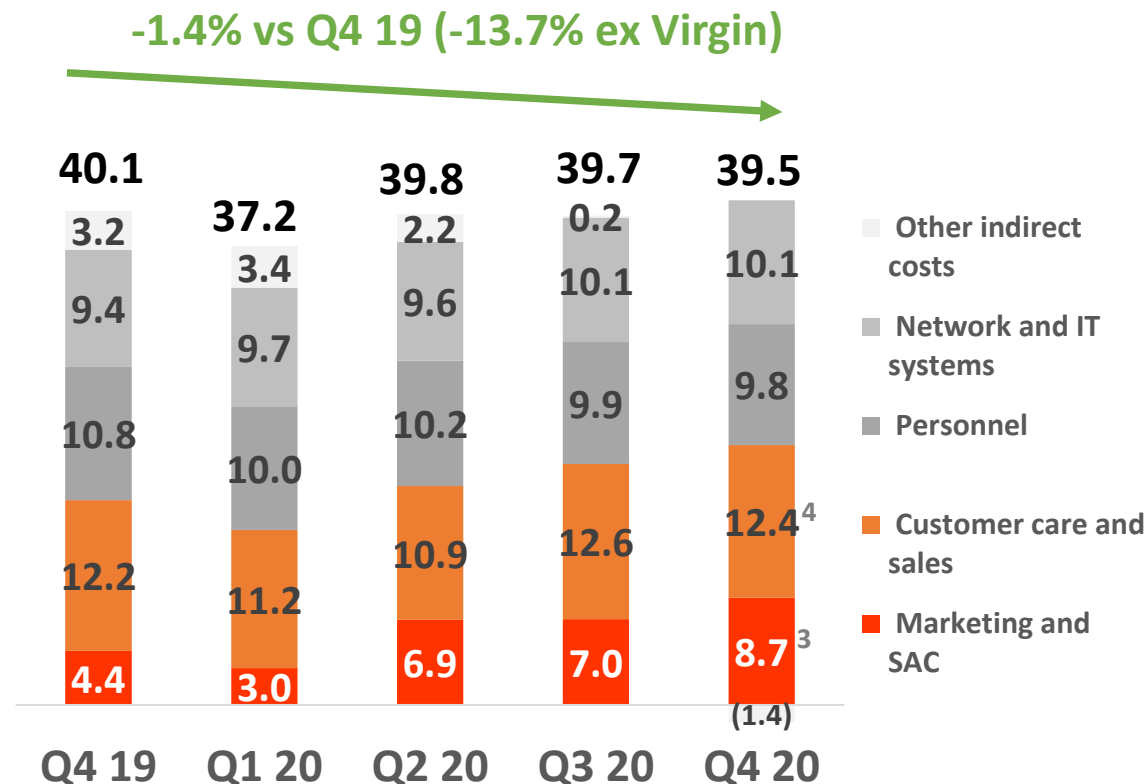
Costs continue on a downward path despite strong Virgin telco growth

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. Gross margin impacted by increase in customer equipment sales

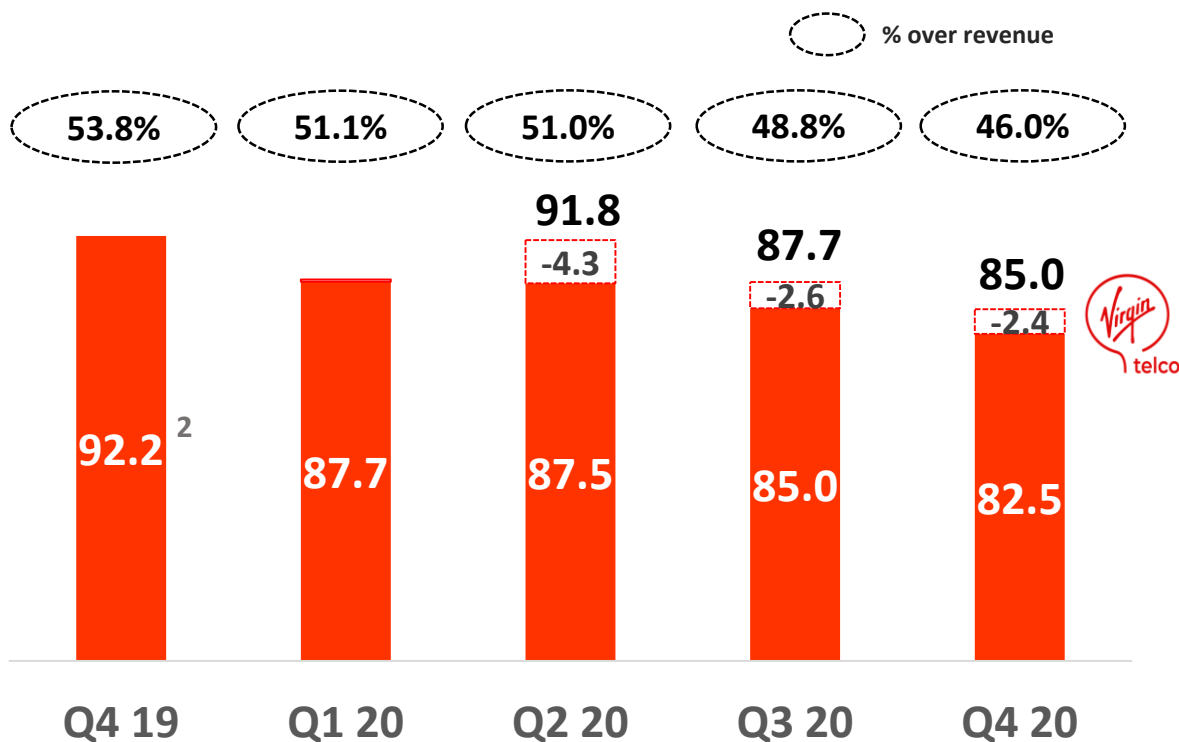


3. Includes €3.5m of Virgin telco marketing costs
4. Includes €0.9m of Virgin telco customer care costs



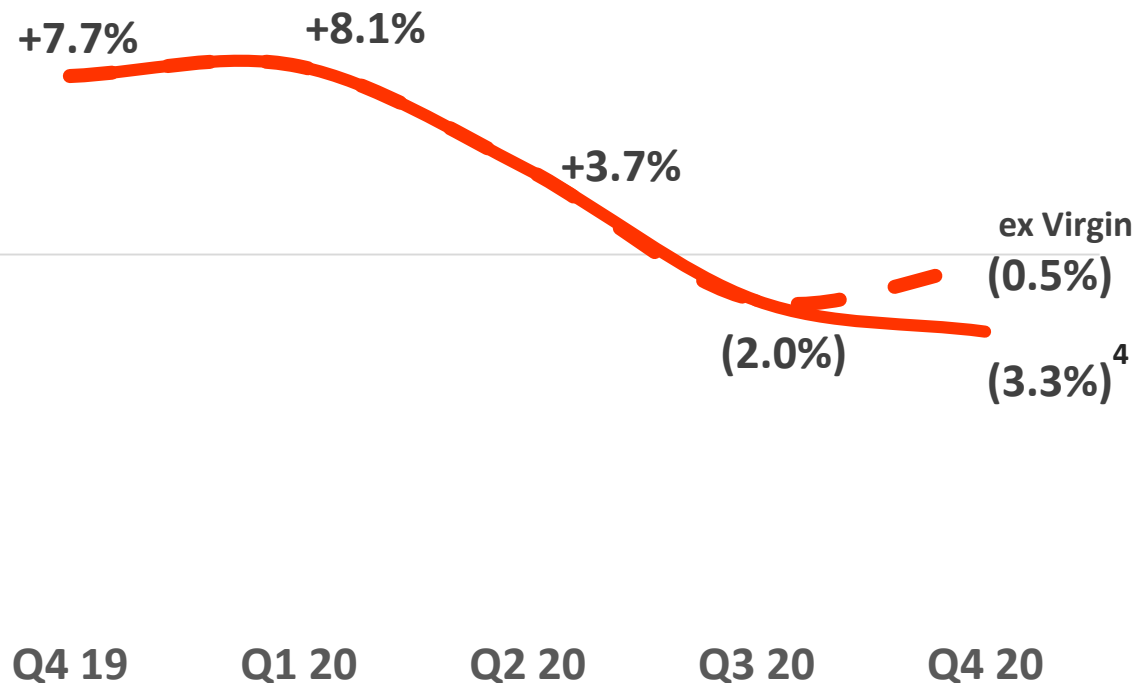
| Euskaltel delivers EBITDA target for the year

EBITDA¹ (EURm)



1. EBITDA: Results from operating activities + depreciation and amortisation +/- losses on the disposal and derecognition of assets + indemnities and other remuneration + other non-recurring results
2. Q4 19 EBITDA includes €6.9 million of positive impacts mainly from the renewal of the Orange wholesale agreement

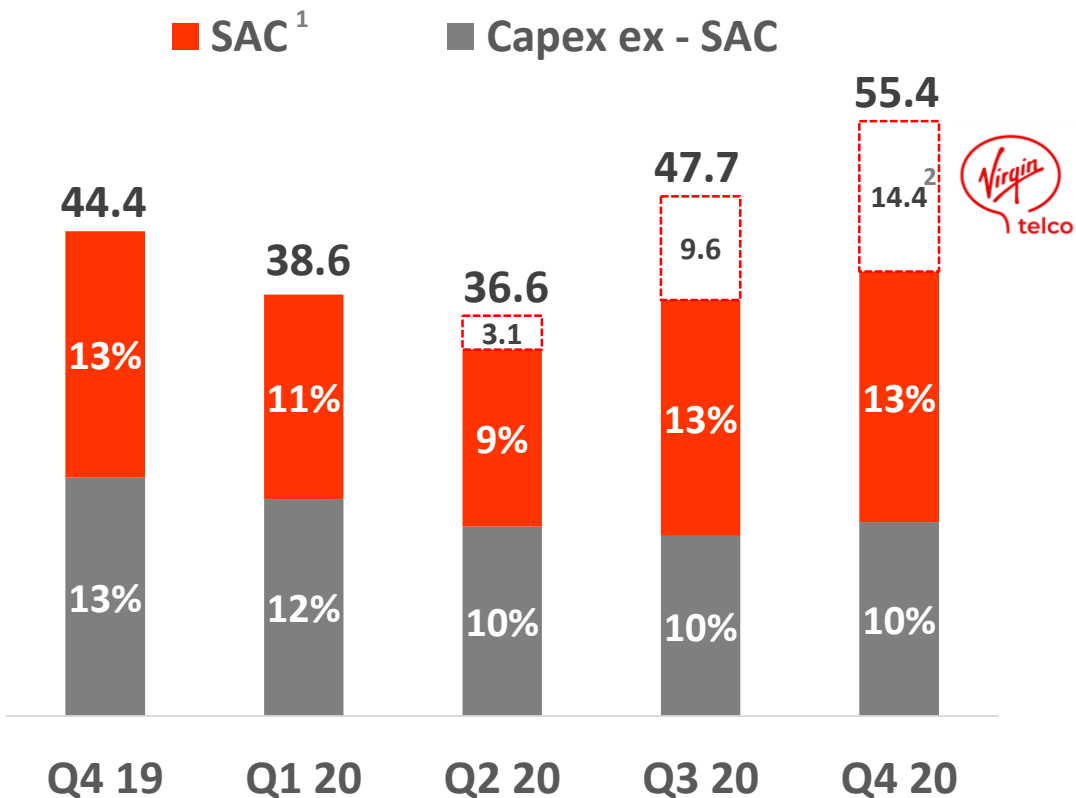
Total EBITDA evolution³ YoY (%)



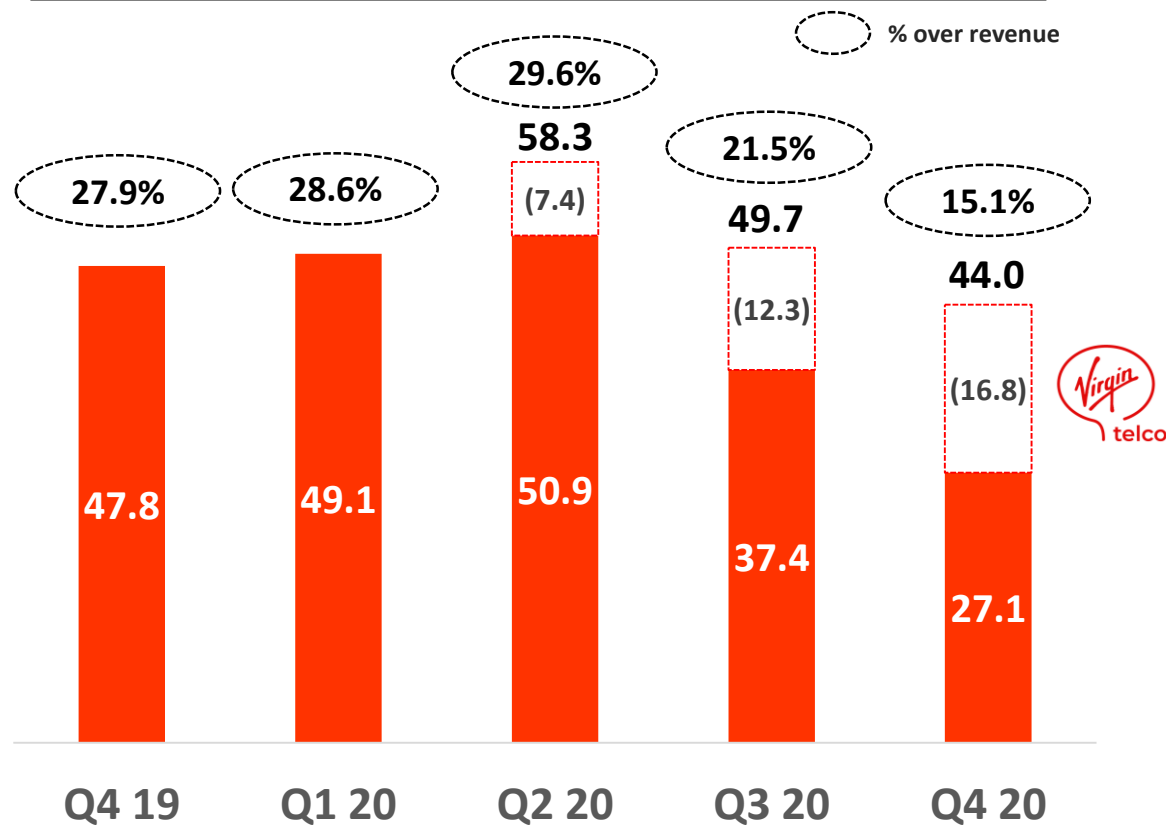
3. EBITDA evolution excluding the impact of IFRS 16 (€10.1m in the year) in 2019 from reported EBITDA
4. EBITDA evolution excluding the €6.9 million of positive impacts in Q4 19

| Virgin telco's faster than expected growth drives Capex in the quarter

Capex (EURm and as % of revenue)



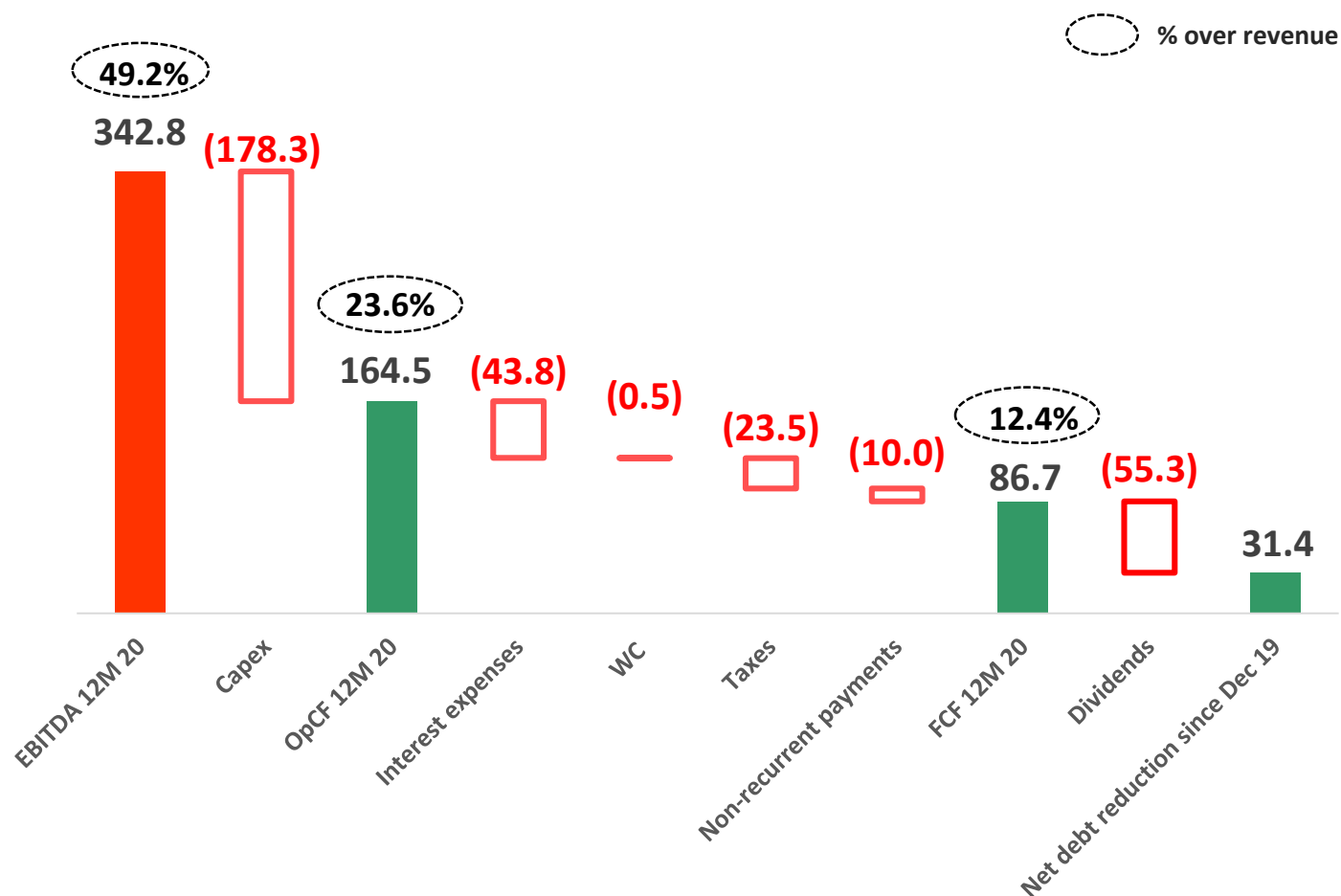
OpCF (EBITDA – capex) (EURm)



1. SAC capex includes commercial costs, customer installation and customer equipment
2. Out of which €12.7m SAC and €1.7m non-SAC Capex

The company continues to delever despite strong growth

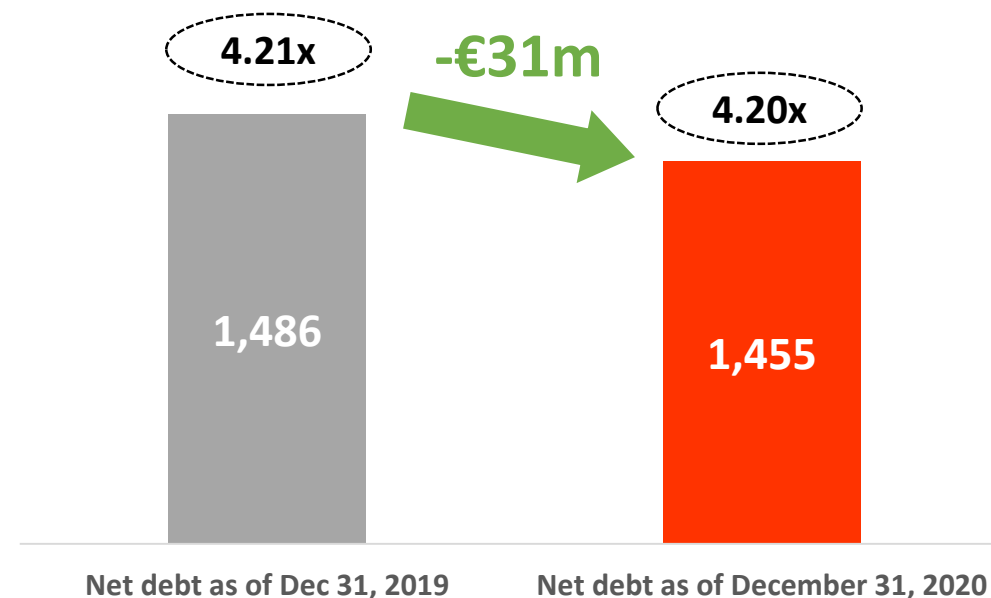
FY 2020 cash allocation (EURm)



2020 net debt (EURm)

Net debt/
EBITDA¹

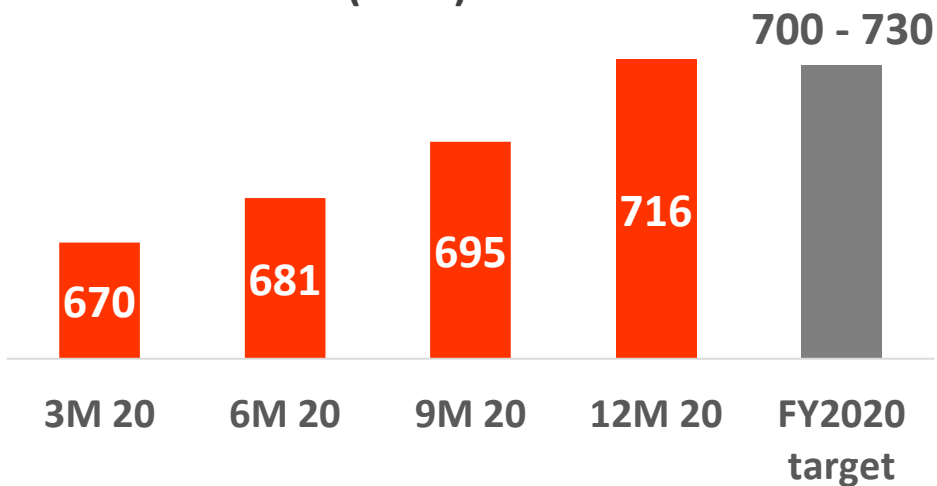
- Cost of debt: 2.62%
- Average maturity: 3.6 years²



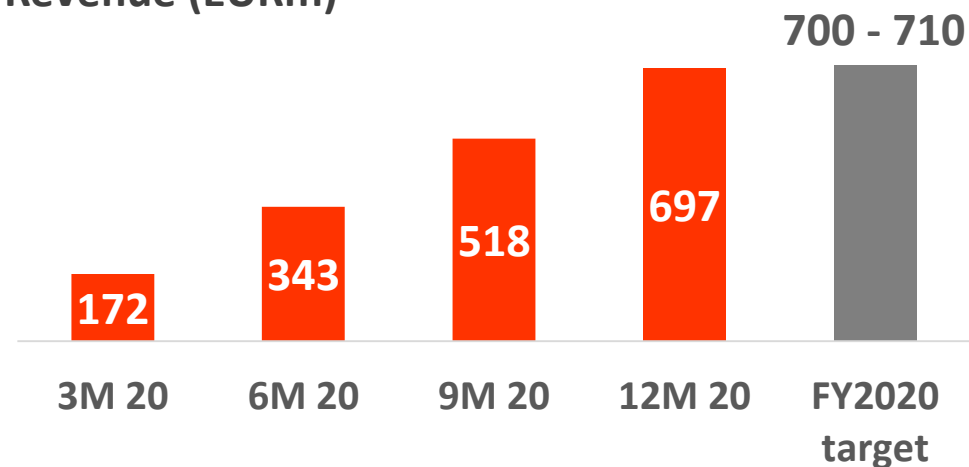
1. EBITDA adjusted by identified potential synergies
2. €215m amortising TLA replaced in July 2020 with bullet loan due in December 2023

Euskaltel meets 2020 guidance

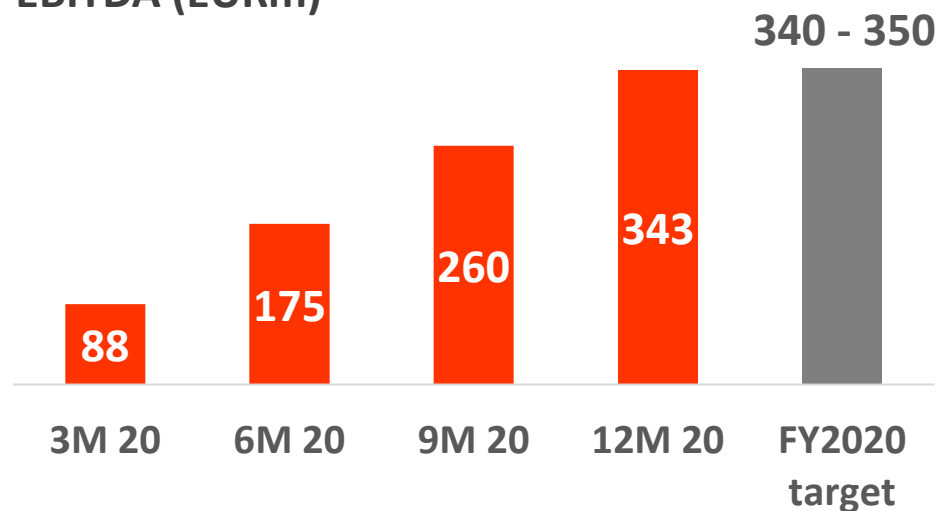
Fixed customers (000s)



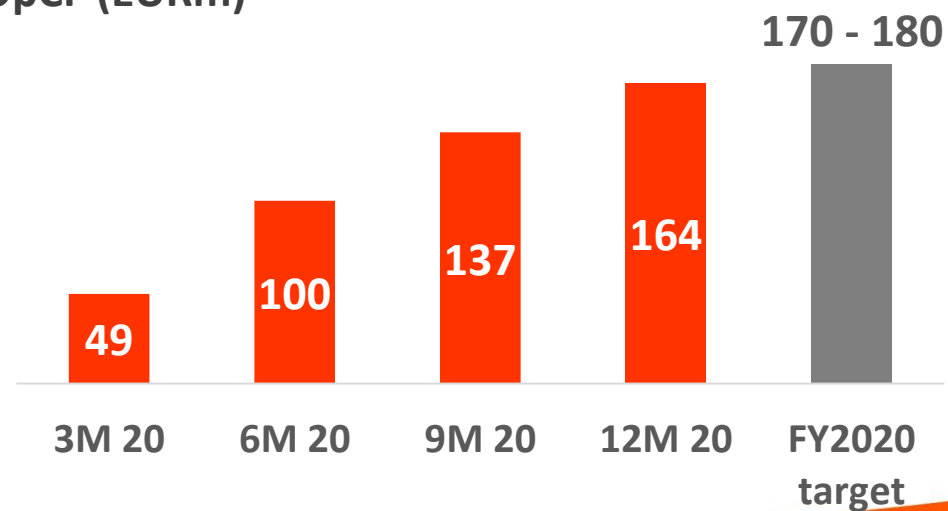
Revenue (EURm)



EBITDA (EURm)



OpCF (EURm)



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| Euskaltel delivers **significant growth** in 2020



Virgin telco success drives **better than expected customer growth**



FibreCo launched



B2B growth accelerates



Revenue growth takes-off in the year



Sustained EBITDA performance in the year



Deleverage continues despite Virgin telco launch and growth



Full-year targets fulfilled



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Q&A



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Appendix

Euskaltel Group Q4 2020 consolidated results and KPIs



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Euskaltel Group consolidated - KPIs (i/iii)

Mass market		Annual		Quarterly							
KPIs	Unit	2019	2020	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Homes passed_owned (HFC & FTTH)	#	2,468,822	2,502,348	2,341,655	2,355,173	2,360,891	2,468,822	2,482,870	2,492,121	2,502,348	2,502,348
Accessible homes_wholesale	#	3,310,812	20,907,103	569,092	598,061	2,999,183	3,310,812	11,050,114	16,216,808	17,756,150	20,907,103
Mass market subs ¹	#	770,865	823,313	767,616	771,646	771,167	770,865	768,891	782,171	801,677	823,313
o/w fixed services subs	#	669,317	716,373	661,558	666,138	667,022	669,317	669,678	681,002	695,402	716,373
o/w mobile only subs	#	101,548	106,940	106,058	105,508	104,145	101,548	99,213	101,169	106,275	106,940
Total services (RGUs) ²	#	2,848,267	2,966,849	2,773,355	2,831,942	2,833,547	2,848,267	2,849,455	2,889,293	2,915,675	2,966,849
Fixed Voice	#	606,809	578,669	610,105	612,549	609,981	606,809	599,972	600,982	588,139	578,669
Broadband	#	593,338	650,717	579,523	586,080	589,090	593,338	596,292	607,483	626,290	650,717
TV	#	484,957	494,614	456,119	481,896	479,639	484,957	489,090	496,740	496,572	494,614
Post-paid mobile	#	1,163,163	1,242,849	1,127,608	1,151,417	1,154,837	1,163,163	1,164,101	1,184,088	1,204,674	1,242,849
Services (RGUs) per subscriber	#	3.69	3.60	3.61	3.67	3.67	3.69	3.71	3.69	3.64	3.60
Global ARPU fixed customers (quarterly standalone)	€/month	60.11	59.07	59.98	60.00	60.37	60.07	60.04	59.99	59.51	56.74

SMEs and Large Accounts		Annual		Quarterly							
KPIs	Unit	2019	2020	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Customers	#	15,763	15,985	15,460	15,633	15,708	15,763	15,904	15,993	16,044	15,985

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	2020	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Total revenue	€m	685.5	697.1	171.7	171.1	171.1	171.6	171.8	171.6	174.2	179.5
Y-o-y change	%	-0.9%	1.7%	-2.8%	-0.9%	-0.4%	0.7%	0.1%	0.3%	1.8%	4.6%
o/w Mass market revenue ¹	€m	542.1	548.2	134.0	136.0	136.4	135.7	133.6	135.4	138.8	140.5
o/w B2B revenue	€m	110.9	114.5	30.3	27.0	26.5	27.1	29.7	28.2	27.3	29.3
o/w Wholesale and Other revenue	€m	32.5	34.4	7.4	8.0	8.3	8.8	8.5	8.0	8.1	9.8
Gross margin	€m	510.0	498.9	123.6	127.4	126.6	132.3	124.9	127.3	124.7	121.9
% of total revenue	%	74.4%	71.6%	72.0%	74.5%	74.0%	77.1%	72.7%	74.2%	71.6%	67.9%
Selling, General & Admin. Expenses (SG&A)	€m	(165.4)	(156.2)	(42.5)	(43.0)	(39.9)	(40.1)	(37.2)	(39.8)	(39.7)	(39.5)
o/w marketing and SAC	€m	(18.7)	(25.5)	(5.2)	(5.5)	(3.6)	(4.4)	(3.0)	(6.9)	(7.0)	(8.7)
o/w customer care and sales	€m	(52.5)	(47.0)	(14.2)	(13.1)	(13.0)	(12.2)	(11.2)	(10.9)	(12.6)	(12.4)
o/w personnel	€m	(44.8)	(39.9)	(11.6)	(11.7)	(10.7)	(10.8)	(10.0)	(10.2)	(9.9)	(9.8)
o/w network and IT systems	€m	(37.7)	(39.5)	(9.7)	(9.5)	(9.0)	(9.4)	(9.7)	(9.6)	(10.1)	(10.1)
o/w other indirect costs	€m	(11.8)	(4.3)	(1.8)	(3.2)	(3.6)	(3.2)	(3.4)	(2.2)	(0.2)	1.4
Adjusted EBITDA	€m	344.5	342.8	81.1	84.4	86.8	92.2	87.7	87.5	85.0	82.5
% of total revenue	%	50.3%	49.2%	47.3%	49.4%	50.7%	53.8%	51.1%	51.0%	48.8%	46.0%
Y-o-y change	%	2.4%	-0.5%	-3.7%	-0.1%	3.2%	10.4%	8.1%	3.7%	-2.0%	-10.6%
Depreciation and Amortization	€m	(202.7)	(207.2)	(50.2)	(51.0)	(51.1)	(50.4)	(49.9)	(50.4)	(49.3)	(57.6)
Extraordinary items	€m	(21.0)	(10.0)	(2.9)	(7.6)	(5.2)	(5.3)	(2.2)	(2.1)	(3.1)	(2.6)
Net financial expenses	€m	(49.3)	(58.9)	(12.6)	(12.1)	(12.4)	(12.1)	(11.9)	(14.8)	(12.4)	(19.7)
Net profit before taxes	€m	71.5	66.7	15.4	13.7	18.0	24.4	23.7	20.2	20.2	2.5
Taxes	€m	(9.5)	12.7	(3.4)	(2.8)	1.0	(4.3)	(4.6)	(3.8)	(3.6)	24.7
NET PROFIT	€m	62.0	79.4	11.9	11.0	19.0	20.1	19.1	16.4	16.6	27.2

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	2020	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
EBITDA	€m	344.5	342.8	81.1	84.4	86.8	92.2	87.7	87.5	85.0	82.5
Capex	€m	(154.3)	(178.3)	(34.6)	(38.3)	(36.9)	(44.4)	(38.6)	(36.6)	(47.7)	(55.4)
% of total revenue	%	-22.5%	-25.6%	-20.2%	-22.4%	-21.6%	-25.9%	-22.5%	-21.3%	-27.4%	-30.9%
Operating Cash Flow	€m	190.3	164.5	46.5	46.1	49.8	47.8	49.1	50.9	37.4	27.1
% of total revenue	%	27.8%	23.6%	27.1%	27.0%	29.1%	27.9%	28.6%	29.6%	21.5%	15.1%
Interests	€m	(42.1)	(43.8)	(12.3)	(9.3)	(11.4)	(9.1)	(11.2)	(10.9)	(11.2)	(10.5)
Working Capital	€m	(7.4)	(0.5)	(32.0)	15.2	1.1	8.4	(7.3)	(6.2)	3.2	9.8
Taxes	€m	(16.8)	(23.5)	(6.8)	(2.6)	(1.0)	(6.4)	(7.0)	(2.9)	(3.0)	(10.6)
Others	€m	(23.0)	(10.0)	(5.9)	(7.7)	(5.3)	(4.2)	(2.1)	(3.2)	(2.2)	(2.6)
Free Cash Flow	€m	101.1	86.9	(10.5)	41.8	33.3	36.5	21.5	27.7	24.4	13.2
Dividends	€m	(55.3)	(55.3)	(25.0)	-	(30.3)	-	(23.1)	(1.9)	(30.3)	-
Net debt variation	€m	45.8	31.5	(35.5)	41.8	3.0	36.5	(1.6)	25.8	(6.0)	13.2
										0	
NET DEBT	€m	1,486.3	1,454.8	1,567.5	1,525.8	1,522.8	1,486.3	1,487.8	1,462.0	1,468.0	1,454.8

Balance Sheet		Annual		Quarterly							
	Unit	2019	2020	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Non-current Assets	€m	2,749.0	2,721.0	2,779.1	2,765.1	2,754.5	2,749.0	2,738.0	2,725.3	2,726.4	2,721.0
Intangible assets	€m	1,324.2	1,326.1	1,332.7	1,329.5	1,324.9	1,324.2	1,322.4	1,318.4	1,319.5	1,326.1
Tangible assets	€m	1,288.8	1,261.1	1,312.2	1,302.7	1,292.9	1,288.8	1,280.5	1,272.9	1,273.0	1,261.1
Financial assets	€m	8.9	7.4	9.1	9.0	8.4	8.9	8.0	6.9	6.0	7.4
Deferred tax assets	€m	127.1	126.5	125.1	123.8	128.3	127.1	127.1	127.1	127.9	126.5
Current Assets	€m	168.2	233.8	144.1	149.5	158.8	168.2	174.4	206.0	208.0	233.8
Inventories	€m	4.2	2.8	5.7	6.4	6.1	4.2	5.7	4.8	6.6	2.8
Trade and other receivables	€m	65.8	103.6	66.6	62.5	71.4	65.8	70.9	78.7	83.9	103.6
Cash and cash equivalents	€m	98.2	127.4	71.8	80.6	81.3	98.2	97.9	122.5	117.5	127.4
TOTAL ASSETS	€m	2,917.3	2,954.8	2,923.3	2,914.6	2,913.4	2,917.3	2,912.4	2,931.3	2,934.4	2,954.8
Total Shareholders' Equity	€m	982.0	1,009.2	987.3	967.9	986.8	982.0	1,001.1	987.6	1,005.9	1,009.2
Non-current Liabilities	€m	1,533.9	1,543.4	1,619.7	1,554.7	1,558.6	1,533.9	1,532.8	1,577.6	1,575.4	1,543.4
Long term debt	€m	1,369.0	1,420.2	1,444.9	1,388.5	1,390.1	1,369.0	1,370.3	1,416.3	1,416.8	1,420.2
Provisions	€m	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	€m	164.9	123.2	174.8	166.2	168.5	164.9	162.5	161.3	158.6	123.2
Current Liabilities	€m	401.4	402.1	316.3	392.0	367.9	401.4	378.5	366.1	353.1	402.1
Short term debt	€m	195.3	149.9	154.4	185.5	192.1	195.3	194.7	149.4	150.1	149.9
Trade and other payables	€m	206.1	252.3	161.9	206.5	175.8	206.1	183.8	216.8	203.0	252.3
Total Liabilities	€m	1,935.3	1,945.6	1,936.0	1,946.7	1,926.5	1,935.3	1,911.3	1,943.7	1,928.4	1,945.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	€m	2,917.3	2,954.8	2,923.3	2,914.6	2,913.4	2,917.3	2,912.4	2,931.3	2,934.4	2,954.8



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