

**An excellent year closes following the successful launch of its new brand, Virgin telco**

## **The Euskaltel Group achieves record customer and revenue figures with net profit up by 28%**

- *Net profit for 2020 rises to €79.4 million, an increase of 28% on the €62 million reported in 2019.*
- *The Group's revenue is up 1.7% on the previous year to the record figure of €697.1 million. This is the fifth consecutive quarter of revenue growth on a year-on-year basis and the company's largest revenue growth in recent years.*
- *2020 was the launch year for Virgin telco and the Group confirms the new brand's progress, which has exceeded expectations by far with over 71,000 new customers in just 7 months, outstripping the target for the end of 2020 by over 50%.*
- *The Euskaltel Group hits a record 823,000 mass market customers, 7% more than in 2019.*
- *By segment, mobile telecommunications has seen the greatest growth with 80,000 more service contracts and 7% growth, followed by ultra-fast broadband with 58,000 more service contracts than in 2019, representing an increase of 10%. High value products and services in homes now stand at a record figure of almost 3 million.*
- *The Business market sees the biggest revenue jump in its history, with a significant increase of 3.3% in 2020 and 1.4% customer base growth, taking the Group's corporate customers to 16,000.*
- *The Euskaltel Group's fibre optic network currently covers over 23.4 million homes across Spain, with 18 million homes added in 2020.*
- *2020's results confirm the Group's growth path seen in past quarters and they meet the objectives set out in its strategic plan for the year.*

**25 February 2021.** The Euskaltel Group –comprising the brands Euskaltel, R, Telecable and Virgin telco- has this afternoon published its 2020 results, consolidating the growth recorded by the company over the last few years, with record figures in terms of customer base, revenue and results, thus meeting the objectives set out in its strategic plan for the year.

The successful Virgin telco launch and maintaining business in the local markets have been key to the Group's growth. This year's activity has been impacted by the constraints arising from the global pandemic, but the Euskaltel Group continued with its national expansion plan through the Virgin telco brand, which it presented to the market on 20 May. The year-end results confirm an excellent year for the Group following the launch of its new brand, which had exceeded all expectations by the end of the year, registering over 71,000 new customers in just 7 months and outstripping the target set for the end of 2020 by more than 50%.

Based on a customer-centred policy, adapting its range of products and services to allow customers to decide which products they want to sign up to, Virgin telco has consistently moved forward since its launch, winning over the market week after week to become the operator with the most satisfied customers, according to the Net Promoter Score indicator.

Virgin Telco continues to bring product and service propositions to market that will further drive its growth and customer satisfaction. The latest proposal to attract high value customers is the "Family" offer, aimed at users with various service needs, typically including more than 2 mobile lines in the convergent bundle. Almost a third of new Virgin telco customers have signed up for this product and they have done so using highly efficient sales channels, mainly via the website and telemarketing.

In 2020, the Euskaltel Group recorded the largest revenue growth in the last few years. Building on the foundations of continued growth in Virgin telco's customer base and the strength of the Group's brands –Euskaltel, R and Telecable–, the company managed to increase revenue in its original markets by 1.7% to a record €697.1 million, compared to €685 million in 2019, which reflected a decrease of 0.9%. At 2020 year-end, the Euskaltel Group recorded the fifth consecutive quarter of revenue growth on a year-on-year basis and the company's largest revenue growth in recent years.

This revenue increase has been driven by Virgin telco's strong customer growth which, just seven months after its launch, has changed the company's revenue growth profile. Virgin telco's telecommunications revenue grew to €7 million in the last quarter of the year, in line with the significant rise seen in customer numbers, which are expected to continue increasing in the coming months. In just seven months on the market, Virgin telco has generated revenue of around €10 million. Furthermore, revenue from the company's traditional business has also seen positive year-on-year growth of 0.3% due mainly to the solid performance of B2B business thanks to stable customer revenue and excellent results in the business services segment.

### **The Euskaltel Group's financial position at 2020 year-end is very solid**

Thanks to revenue quality and cost control management, the Euskaltel Group's net result for 2020 reached a record €79.4 million, compared to the €62 million recorded in 2019, which is an increase of 28%.

Despite the impact of Covid-19, the Group has met its EBITDA target for the year of €343 million. Excluding the expected impact of one-off costs relating to the launch of the new brand in Spain, EBITDA would have stood at €352.4 million, growing 2.3% year-on-year. Similarly, excluding the impact of the Virgin telco launch, traditional cash flow generation would have been €44 million, a ratio of over 25% of revenue.

Continued cash flow generation allows the Euskaltel Group to continue on a clear deleveraging path. The company reduced its debt by €31 million in 2020 (over 2% net debt reduction), which represents 4.20 times EBITDA. The company has achieved this result despite the impact of the

Virgin telco launch and a dividend distribution of over €55 million in 2020. As a result, the Euskaltel Group's financial position at 2020 year-end is very solid.

With solid and continuous cash flow generation, a low cost of debt (2.6%), and an average debt maturity of 3.6 years, the company's financial position at the end of the year is very solid and the results are in line with the targets announced to the market in its strategic plan, reflecting the Group's commitment to generating value for shareholders.

### **New customer record**

The Euskaltel Group hit a new customer base record in 2020, exceeding 823,000 mass market customers, up 7% on the previous year, with more than 53,000 new users, of which 47,000 are landline customers. Of the Group's total mass market customers, 716,000 are landline customers and 107,000 are mobile-only customers.

The company's high-value customer base has continued to grow in 2020. Customers in the residential segment have signed up for 120,000 new services compared to the previous year. The number of high-value product and service contracts in homes now stands at a record high of almost 3 million. In 2020, Euskaltel Group customers signed up for a record 3.60 products per user on average.

With regard to the product segments most in demand from customers, the greatest growth was in mobile telecommunications, with 80,000 more services contracted and 7% more than in 2019. In total, customers of the Euskaltel Group's different brands signed up to 1.25 million mobile lines in 2020, reflecting the high level of convergence in the company's customer base.

The Group's ultra-fast broadband service grew by 10% compared to the previous year, with 58,000 more services, reaching 651,000 broadband products under contract. Pay TV has also registered 2% growth in one year, with around 500,000 products under contract by the end of 2020.

Furthermore, the Business market sees the biggest revenue jump in its history, with a significant increase of 3.3% in 2020, increasing turnover from €110 million in 2019 to €114.5 million at year-end.

The 1.4% customer base growth in this segment was significant, and the year closed with 16,000 corporate customers for the Group, even though 2020 was such a difficult year due to the impact of the pandemic on the country's business fabric. Strong demand for B2B telecommunications services, as a result of ongoing remote working practices and the Euskaltel Group's solid commitment to quality service and attentive customer care for companies, has consolidated the position of the Group's B2B division in the market, driving excellent results in the Business segment in 2020.

### **Outlook for 2021: customer and revenue growth**

In view of the Group's performance in 2020, and the market success of Virgin telco, Euskaltel expects a significant boost in 2021, both in terms of customer numbers and revenue.

In 2021, the Euskaltel Group expects to more than double the number of net registrations achieved in 2020, with growth of around 18% reaching figures of between 840,000 and 860,000 mass market landline customers, compared to 716,000 in 2020.

In terms of revenue, the Euskaltel Group's forecast is to exceed the 2020 increase with growth of over 6% to reach revenue of between €740 and €750 million by the end of 2021, compared to €697 million in 2020.

### **The Euskaltel Group's fibre optic network covers over 23 million homes**

In 2020, the Group continued to expand the footprint of its fibre optic network to over 18 million new homes nationwide, thanks to agreements reached with other operators. The Euskaltel Group already currently covers more than 23 million homes across Spain through its brands Euskaltel, R, Telecable and Virgin telco.

Increased network coverage and enhanced network management are key drivers for continued, profitable growth in the company's customer base and reflect the company's enormous potential for growth and profitability.

### **Euskaltel creates FibreCo, the largest wholesale fibre optic company in northern Spain**

During the presentation of 2020 results, the Euskaltel Group announced the creation of the largest and most advanced wholesale fibre optic network company in the north of Spain: FibreCo

FibreCo will be an important value creator for the Euskaltel Group: it will bring new business to the company with new wholesale FTTH customers, it will generate over €20 million a year in network savings and it will bring more growth opportunities.

The process to set up FibreCo by bringing in a new investor with a stake of less than 50% in the new company is well advanced and will be announced when the process is completed, which is expected to be in the coming weeks.

FibreCo's creation is a transformational project for Euskaltel and has the potential to unlock significant value for Euskaltel's shareholders. This transaction will finance the upgrade of the cable network to fibre optic, as well as promoting other projects that generate value for shareholders and helping reduce leverage.

### **It will offer 5G services to its customers**

In addition to these agreements that expand the Euskaltel Group's fibre optic network footprint, in 2020 the Company announced an agreement with Orange that will allow the Group to offer its customers 5G mobile technology as a Mobile Virtual Network Operator hosted on the Orange network from 1 January 2022, although both parties may agree to bring this date forward to when Orange launches the 5G Service on a commercial basis and on a mass scale.

The Euskaltel Group therefore guarantees its customers access to the most advanced mobile telecommunications services via a quality 5G network, and secures the necessary capacity to respond to all new mobile data service needs that users might have in the future.

In this same area, Euskaltel manages and coordinates the "5G Euskadi" project, which has received aid from the Spanish Government's programme for the development and implementation of new technology. This is the first real 5G pilot project (Stand Alone) in the Basque Country and it stems from the commitment to promote innovation and industrial transformation in the Basque Country's largest companies and technology centres. Euskaltel coordinates a consortium of 13 partners from the ecosystem comprised of telecommunications operators, network equipment suppliers, universities, research centres, public institutions and private companies.

Within the framework of the "5G Euskadi" project, a 5G infrastructure pilot with network deployment for a mobile virtual operator is being set up, whereby Euskaltel provides the key network management elements (CORE) and its current host provider (Orange), the radio access part.

This Euskaltel technology will allow for real 5G services to be offered to the Euskaltel Group's customers in the future, both in the residential and business segments, and will make it easier for the Basque Country's industrial fabric to improve its competitiveness in the future.

#### **Profitability and value creation for the shareholder**

On 12 February, the Euskaltel Group paid out an interim dividend against 2020 results for a gross amount of €0.14 per share outstanding with dividend rights.

A total interim dividend amount of Euros 25 million was paid by the operator to shareholders.

This is the fifth consecutive year that a dividend has been paid out since the company was floated on the stock exchange in July 2015. Moreover, this dividend payout demonstrates the Group's commitment to profitability and value generation for investors.

The final dividend to be paid against 2020 results will be determined at the General Shareholders' Meeting to be held in 2021 following a proposal from the Board of Directors.

#### **The Euskaltel Group joins the IBEX TOP DIVIDENDO® index**

As noted earlier, on 1 February Euskaltel joined the IBEX TOP DIVIDENDO® index following the ordinary review by the Technical Advisory Committee for IBEX TOP DIVIDENDO® at their meeting held on 26 January, in accordance with the Technical Standards for Compiling and Calculating IBEX Indices.

This decision reflects Euskaltel's good track record in terms of profitability, which is once again confirmed by its dividend policy, as a result of the company's solid results.

The IBEX TOP DIVIDENDO® is made up of the 25 securities with the highest dividend yield from those included in the IBEX 35, the IBEX Medium Cap and the IBEX Small Cap indices, provided they have an ordinary dividend payment track record of at least 2 years. The weighting of components is based on the ordinary gross dividends paid out in the last 12 months and is adjusted for free float and liquidity, capped at 10%.

## **Euskaltel joins the FTSE4Good IBEX index**

Euskaltel's joining the IBEX TOP DIVIDENDO stands alongside its inclusion in the FTSE4Good IBEX sustainability index (since June 2020), another of the company's milestones. The FTSE4Good IBEX is one of the most prestigious sustainability indexes in the world, highlighting 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.

## **IBEX MEDIUM CAP® index**

Similarly, since 2019 Euskaltel has been part of the IBEX MEDIUM CAP® index, alongside the 20 listed companies (excluding Ibex 35 securities) with the highest free float-adjusted capitalisation and which meet the required liquidity ratios.

## **Euskaltel is in the ranking of the 150 most valuable telecommunications brands in the world**

Alongside solid performance in terms of profitability, the strength of the Euskaltel brand has now been recognised. It is now among the 150 most valuable telecommunications brands in the world, according to the "**Telecoms 150 2021**" report by Brand Finance, an independent consultancy firm that values intangible assets. Their rankings comply with ISO 10668 and ISO 20671 for brand valuation and assessment, respectively, and their brand value database is used to create one of the indicators for the UN's Global Innovation Index (GII).

The report highlights Euskaltel's current positive brand trajectory, emphasising that it has the highest growth in brand strength value (+5.7 points), which is much higher than other telecommunications brands in Spain. The Brand Finance report stresses Euskaltel's good performance in several areas (national expansion, Virgin telco launch, dividend distribution, positive financial results), "*so much so that this year it has managed to enter the list of most valuable companies worldwide in an industry that is as competitive and internationally fragmented as telecommunications*".