



**Grupo** Euskaltel

**Its new brand, Virgin telco, records over 101,000 customers in just 10 months on the market**

## **The Euskaltel Group breaks its customer record with revenue up by 1.4% in Q1**

- *The Euskaltel Group has had a solid start to the year and closes Q1 with growth in its key operating indicators for customers and revenue, hitting the targets in its strategic plan.*
- *The Group's revenue is up 1.4% on the previous year, standing at Euros 174.2 million.*
- *In just ten months on the market, Virgin telco has exceeded all expectations: 101,000 customers –80,000 landline and 21,000 mobile phone– and Euros 10.5 million in revenue for the Group.*
- *Solid customer base growth. The Euskaltel Group beats its record of 847,000 mass market customers, up 10.2% on Q1 2020, reflecting the strength of the Group's high-value customer base. This growth is in both the landline and mobile phone customer bases.*
- *By segment, mobile telecommunications has seen the greatest growth in Q1 2021 compared to 2020 with 137,000 new service contracts, followed by ultra-fast broadband with 78,000 more service contracts than in March 2020. TV subscriptions are up by 9,000, with customer base penetration of over 70%. Landline services grew again in the fourth quarter.*
- *The number of high-value product and service subscriptions in the homes of Euskaltel Group customers now stands at a record high of over 3 million. The portfolio of high added-value customers on 3P and 4P contracts continues to reflect the industry's highest levels, showing its strength with an average 3.60 products per user.*
- *The Business market sees the biggest revenue jump on record, with a notable increase of 9% compared to the first quarter of the prior year, up to Euros 32.3 million.*
- *The Euskaltel Group's fibre optic network currently provides coverage to 24 million homes across Spain, driving Virgin telco's rapid growth in the market.*

- *Q1 saw the start of the plan to upgrade the cable network to FTTH at Euskaltel, R and Telecable. This upgrade will be rolled out to 480,000 homes. The network upgrade has already been completed in 45,000 homes in 30 towns across the three markets: the Basque Country, Galicia and Asturias.*
- *The social and economic consequences of Covid-19 have had an impact on the industry. The Group's EBITDA has been affected by the growth of Virgin telco, customer retention campaigns that have impacted ARPU, and the suspension of talks to renegotiate wholesale agreements as a result of the takeover bid launched by Más Móvil. The Euskaltel Group has closed Q1 with EBITDA of Euros 73 million.*
- *The Euskaltel Group has managed to maintain its solid growth in both customer base and revenues, successfully continue with the national expansion plan through the Virgin telco brand, start the process of upgrading the cable network to FTTH in customers' homes, keep paying dividends to its shareholders, and, despite all this, keep its net debt stable. The company's financial position at the end of the quarter is solid.*
- *The company has decided to continue with its dividend policy for 2020. The 2020 dividend will be Euros 0.31 per share. An additional dividend of Euros 0.17 per share will be paid out by the Group. 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.*

**28 April 2021.** This afternoon, the Euskaltel Group –comprising the Euskaltel, R, Telecable and Virgin telco brands– published its Q1 2021 results, which consolidate growth in its key operating indicators, with a significant increase in the Group's customer base, exceeding the record figures seen in recent quarters, and with revenue growth of 1.4% compared to the previous year.

It is worth noting that these results have been obtained in a year characterised by the Covid-19 pandemic, which has affected all social and economic sectors and has consequently had an impact on the telecommunications industry.

Despite this, in Q1 2021, the Euskaltel Group has consolidated its solid customer base growth, hitting a new record of 847,000 mass market customers, an increase of 10.2% compared to those registered in Q1 2020. This growth is in both the landline and mobile phone customer base, reflecting the strength of the high-value customer portfolio.

The successful penetration of the Group's national brand - Virgin telco - and the consolidation of its traditional brands - Euskaltel, R and Telecable - in their regions, have contributed to this solid growth. The Group's national expansion project through the Virgin telco brand, launched at the height of the pandemic on 20 May, is exceeding all initial forecasts month on month, confirming the success of its strategic plan. In just 10 months on the market, Virgin telco has brought in over 100,000 customers –80,000 landline and 21,000 mobile users– and has generated more than Euros 10.5 million of Euskaltel's total revenue.

As well as expanding its customer base, Virgin telco continues to increase the number of services per customer and ARPU. In particular, ARPU has risen over 10% since the brand's launch 10 months ago, and the number of services contracted per customer has grown more than 23% to 3.1 products and services per customer.

At the heart of Virgin telco is a policy of placing the customer at the centre of its offering, allowing customers to decide which products and services they want to subscribe to and adapting its deals to the interests of customers.

On this basis, Virgin telco continues to be the most innovative operator in the market, adding new product and service deals to its bundles so as to offer ongoing value to its customers. As part of its aim to attract high value customers, it launched "Virgin Family" in the first quarter of the year, which continues to grow by including unlimited data, and is the most attractive bundle on the market. It has also offered "Wi-Fi mesh" to households, giving customers maximum Wi-Fi power in their homes. Content from the Amazon Prime service has also been included in its TV deals.

As part of these unique initiatives focused on putting the customer at the centre of its strategy, Virgin telco yesterday announced a landmark agreement with Amazon, whereby its customers can subscribe to service bundles (internet, mobile and TV) through Amazon.es.

### **New customer record**

As a result, the Group has set a new customer base record, with over 847,000 mass market customers, reflecting a 10% increase compared to Q1 of the previous year, with more than 78,000 new customers. Of the Group's total mass market customers, 737,000 are landline users and 110,000 are mobile-only customers.

The number of high-value product and service subscriptions in the homes of Euskaltel Group customers now stands at a record high of over 3 million. Customers in the residential segment have subscribed to 204,000 new services compared to Q1 of the previous year. The portfolio of high added-value customers on 3P and 4P contracts continues to reflect the industry's highest levels, showing its strength with an average of 3.60 products per user.

Mobile telecommunications has seen the greatest growth in Q1 compared to the prior year with 137,000 new service contracts, followed by ultra-fast broadband with 78,000 more service contracts than in March 2020. TV subscriptions are up by 9,000, with customer base penetration of over 70%. Landline services grew again in the fourth quarter.

The Business market sees the biggest revenue jump on record, with a notable increase of 9% compared to Q1 of the previous year, up to Euros 32.3 million and a customer base of 16,000 companies. This growth has been underpinned by the strong demand for quality services and assistance required by businesses, which has become more noticeable during the pandemic.

### **The company's financial position at the end of the quarter is solid**

The social and economic consequences of Covid-19 have had an impact on the industry. The Group's EBITDA has been affected by the growth of Virgin telco, customer retention campaigns that have impacted on ARPU, and the suspension of talks to renegotiate wholesale agreements as a result of the takeover bid launched by Más Móvil. The Euskaltel Group has closed Q1 with EBITDA of Euros 73 million.

With continuous and solid cash flow generation, a low cost of debt (2.6%) and average debt maturity of 3.4 years, the company's financial position at the end of the quarter is solid.

The Group has maintained its solid growth in both customer base and revenues, has successfully continued with the national expansion plan through the Virgin telco brand, has started to upgrade the cable network to FTTH in customers' homes, has continued to pay dividends to its shareholders, and, despite all this, has kept its net debt stable.

It should be noted that the customer retention campaigns rolled out at the end of 2020 by the Group in response to stiff market competition successfully reduced churn. Thanks to these campaigns, 75% of mass market customers in the traditional regions (Basque Country, Galicia and Asturias) currently belong to a Euskaltel loyalty plan. In Q1 2021, churn consequently dropped by 20%, which will lead to continued customer base growth and will reduce customer support costs, with estimated annual savings of Euros 15 million. While these actions had an impact on mass market ARPU, this effect has now stabilised.

### **The Euskaltel Group's fibre optic network gives coverage to over 24 million homes**

Throughout Q1 2021, the Group continued to expand its fibre network footprint to 24 million homes nationwide, driving Virgin telco's rapid growth in the market.

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.

At the same time, this quarter saw the start of the plan to upgrade the coaxial cable network to FTTH at Euskaltel, R and Telecable. This upgrade will be rolled out to 480,000 homes in this first phase. A total of 45,000 households in 30 towns in the Basque Country, Galicia and Asturias have currently benefited from this upgrade.

### **Additional dividend of Euros 0.17 per share**

Due to the solid financial results at the end of last year, the company has decided to continue with its dividend policy for 2020. The 2020 dividend will be Euros 0.31 per share.

Having paid shareholders a gross interim dividend of Euros 0.14 per share on 12 February, the company will pay out an additional dividend of Euros 0.17 per share on the date to be decided by Shareholders at the next Annual General Meeting. 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.

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