

Zegona Investor update

October 2019



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Key messages

- A** Euskaltel provides opportunity for significant value creation
- B** Zegona continues to see many attractive investment opportunities
- C** There are compelling reasons to invest in Zegona



Attractive Spanish market dynamics

1

Strong Macro Environment

- ❑ Spain's economy amongst the fastest growing in Europe
- ❑ Growth of 2.5% in 2018, and continuing at over 2% in 2019
- ❑ Unemployment down to 14%, 450k jobs created in 2018
- ❑ Socialists and Popular Party both pro business

2

Industry Price Repair

- ❑ Multi-year trend of sustained price rises
- ❑ 'More for more strategy' across the market
- ❑ Telefonica Fusion ARPU +6%, Orange ARPU +4% since 2017²
- ❑ MasMovil raised prices €1-2 for new customers in Q1 2019

3

Rational Competitive Landscape

- ❑ >90% of market controlled by three players
- ❑ Major operators focussed on financial returns
- ❑ Fiber overbuild has slowed significantly since 2016¹
- ❑ Highly converged market drives stability

4

Favourable Market Growth

- ❑ Broadband +3.4%, Pay TV + 3.4%, Mobile +4.8%³
- ❑ Over 50% households have broadband without PayTV (8m homes)
- ❑ 25% of households still have DSL, ongoing shift to Fibre and Cable⁴
- ❑ 21% of mobile customers still prepaid, ongoing shift to postpaid⁵

1 New homes added by Movistar, Orange and Vodafone declined 47% between 2016 and 2018, source CNMC

2 Reported ARPU H1 2019 vs H1 2017 (Fixed ARPU for Orange)

3 Growth in Spanish Broadband subs, Pay TV subscribers, Mobile postpaid lines from end 2017 to end 2018, source CNMC

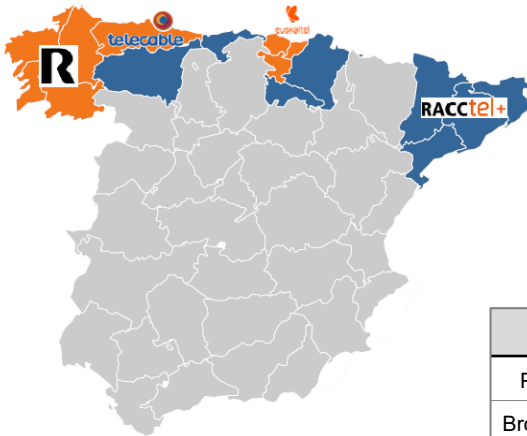
4 DSL share of total broadband lines decreased from 34% at end 2017 to 25% at end 2018, a change of -9%, source CNMC

5 Prepaid share of mobile market decreased from 22.2% at end 2017 to 21% at end 2018, source CNMC

Euskaltel is a leader in its markets

Euskaltel – Northern Spanish Champion

- ❑ **Leading quad-play** provider in North of Spain
- ❑ **High quality local brands**
- ❑ **Advanced cable network** covering 65% of households
- ❑ **High penetration of converged services** – 81% converged customers



■ Current presence
■ Current expansion pilots
■ Future expansion opportunity

	Market Share ¹	Position
Pay TV	43%	
Broadband	32%	
Mobile	21%	

Strong Financial/Operating Profile ²

KPIs	2018
Homes Passed (k) ³	2,357
Residential customers (k)	658
Residential ARPU (€/month)	60
3P and 4P penetration	70%
Churn	17%
Mobile penetration	81%

Financials (€m)

Revenue	692
EBITDA	336
Cash Flow ⁴	183
Cash Conversion ⁵	54%
Net Debt/EBITDA	4.45x
Dividend paid (€/share)	50 (0.278)

¹ Euskaltel Group market shares in Euskaltel's core regions as at end 2018, based on CNMC data

² All KPI and financial information as defined by Euskaltel in the 2018 Euskaltel Annual Report

³ As of H1 2019, Homes Passed increased to 2,953k

⁴ €220m excluding expansion and integration capex of €37m

⁵ 65% excluding expansion and integration capex of €37m



New roadmap enhances Euskaltel value creation opportunity

Key Components

1 Deliver Significant Productivity Improvements

- Simpler, more efficient structure
- Integrated organisation for 3 regional brands

2 Drive Topline Growth in Existing Regions

- Invest in customer focused improvements
- Create specialist sales driven organisation
- Roll-out to under-served homes in existing regions

3 Launch National Expansion

- Euskaltel is uniquely positioned for National Expansion
- Opportunity to access other 87%³ of the Spanish market
- Success based investment approach

Key Enablers

Ex-Jazztel Leadership

- José Miguel García, ex Jazztel CEO
- Other core members of ex Jazztel leadership
- Proven track record - €2.8bn¹ value creation



- Option to use Virgin Brand for National Expansion
- 2nd Brand within current regions
- 80% Virgin brand awareness² in Spain

Zegona Team

- Strong insight into Spanish market and Euskaltel
- Deep sector knowledge and experience
- Track record of operational improvements

1 Jazztel valued at €0.6bn in 2006, sold to Orange in 2015 for €3.4bn equity value

2 Source: Research Now Ltd, Dec 2017, representative consumers aged 25 to 65 commissioned by Virgin Group

3 Proportion of total broadband lines outside of Euskaltel's 3 core regions as a percentage of total broadband lines in Spain, end 2017, source CNMC



Zegona has strengthened its position in Euskaltel

Largest shareholder

- Zegona the largest shareholder with more than 20%
- Shareholder relationship agreement with Talomon

Board representation

- Eamonn O'Hare appointed to the board
- Robert Samuelson appointed as second Zegona director
- Zegona representation on all Board Committees

Management changes

- José Miguel García appointed to the board
- José Miguel García appointed CEO
- Simplified management structure with clearly defined functions reporting to CEO

A Positive change is now happening

1

**Deliver Significant
Productivity
Improvements**

- ✓ **New rationalised management team in place with clear accountabilities**
- ✓ **Moving to single technical platform**
- ✓ **Integrated sales strategy**

2

**Drive Topline Growth
in Existing Regions**

- ✓ **Focus on reducing churn and growing ARPU**
- ✓ **Attractive new customer offers** – e.g. 500Mbps, 20GB mobile data, TV at a competitive price
- ✓ **Free speed upgrades** – minimum 100Mbps for all customers
- ✓ **'More for more' price rises successfully implemented**

3

**Launch National
Expansion**

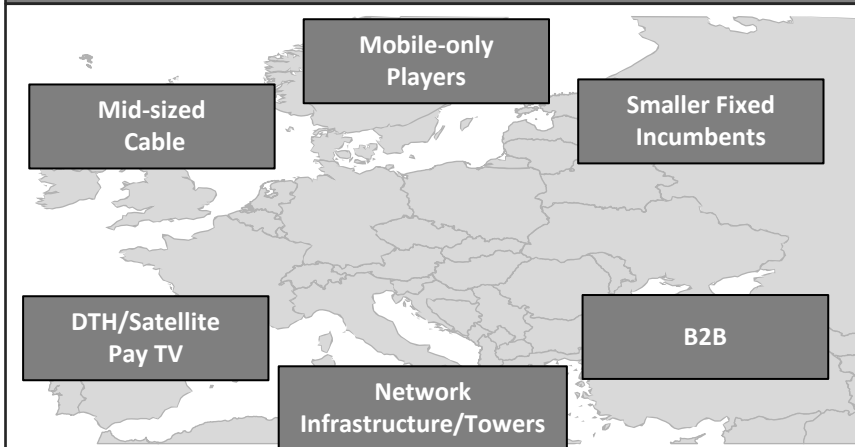
- ✓ **Market research results show Virgin brand will work well in Spain**
- ✓ **Five fully operational expansion pilots launched**
- ✓ **Customer appetite for Euskaltel's proposition demonstrated**

Zegona continues to see many attractive investment opportunities

Underlying trends create attractive opportunities

- ❑ Demand for data and speed growing exponentially
- ❑ Poor industry returns
- ❑ Industry consolidation continuing
- ❑ Convergence driving M&A
- ❑ Large operator strategies driving rationalisation

A broad universe of assets



... and Zegona is well placed to capitalise

- ❑ Skilled management team with extensive real world senior operational and public company management experience
- ❑ Shareholder value based 'Buy-Fix-Sell' strategy
- ❑ Track record of delivery - Entrepreneurial focus
- ❑ Investment flexibility opens a wider universe of attractive assets (€1-3bn equity value range)
- ❑ Strong financial discipline
- ❑ Strong roster of major global equity investors and good access to debt financing



Compelling reasons to invest in Zegona

1 Access to the Euskaltel value creation opportunity

- ❑ Euskaltel 2018 EBITDA-capex multiple pre expansion is only 13.5x¹
- ❑ Euskaltel 2018 Equity FCF yield of 11.1%/8.6% pre/post expansion capex¹
- ❑ New roadmap for growth being implemented

2 Zegona trades at a significant discount to Euskaltel look-through value

- ❑ 41% upside potential implied for Zegona shareholders compared to look-through value²
- ❑ Zegona is free to dividend Euskaltel shares in-specie to its shareholders at any time

3 Attractive dividend

- ❑ Zegona committed to passing through entire Euskaltel dividend³

4 Exposure to Euro denominated assets

- ❑ Zegona shares are GBP denominated but provide exposure to 100% Euro based earnings

5 Access to other deals

- ❑ Zegona sees many other attractive investment opportunities across Europe

1 Based on Euskaltel share price of €8.10, Net Debt as at 30th June 2019, Expansion and integration capex of €37m in 2018

2 Value implied by Zegona's Euskaltel ownership, net cash position and expected proceeds from contingent consideration as at 30th June 2019, revalued using the Euskaltel share price and GBP/Euro FX rate as at 30th September 2019 compared to Zegona's equity market capitalisation as at 30th September 2019

3 Euskaltel paid total dividends of €49.6m (€0.278 per share) in 2018