

Euskaltel Group Q2 2021 results

July 27, 2021



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Euskaltel Group



| Status of the **voluntary takeover bid for Euskaltel's share capital**



On 28th March 2021 MasMóvil announced **its intention to launch a voluntary takeover bid for 100% of Euskaltel's share capital. Shareholders representing 52,32% of the share capital have agreed to accept the bid. MasMóvil stated in the announcement its intention to delist Euskaltel if the offer is successful. The bid is subject to a minimum acceptance of 75% of the share capital.**



On June 18th, as a result of the 0.17 euros gross dividend paid by Euskaltel on June 17th, MásMóvil announced the **adjustment of the takeover price** to 11.00 euros per share.

All regulatory approvals needed for the takeover have been obtained:



- On May 20th, the **Serbian antitrust authorities** unconditionally cleared the takeover
- On June 15th the **Spanish Secretary of State for Telecommunications** authorised the transfer of the private right of use of the public radioelectric domain
- On June 16th the Spanish antitrust authorities, **the CNMC**, unconditionally cleared the takeover
- On June 22nd, the Spanish Council of Ministers (**Consejo de Ministros**) authorised the foreign investment in Euskaltel
- On July 5th, the Spanish stock market regulator, **the CNMV**, authorised the takeover



As a result of obtaining all the regulatory approvals, on July 5th **MásMóvil published the takeover's prospectus** (Folleto Explicativo), which includes all the details of the terms of the offer and the plans of MásMóvil for Euskaltel. The prospectus includes the details for **the acceptance period of the takeover**, which will run from July 7th to July 30th, both inclusive.



On July 12th, and according to Spanish takeover regulation, **Euskaltel's Board of Directors published its report on the takeover.** Based on its observations and opinions, the Board has issued a favourable opinion on the takeover. The report also includes the opinion of Euskaltel's financial advisors, Citi and JP Morgan, which consider the takeover price as fair, as well as the opinion received from the employees' representative as legally established.



Euskaltel's BoD continues to be bound by the passivity rule (not to enter into any action which could jeopardize the takeover) **and collaborates** with the bidder as agreed.



The takeover process has caused the **suspension of the FibreCo SPV award** and the **suspension of the renegotiation of wholesale agreements.** These suspensions continue to have a significant impact in the company's EBITDA and cash flow in Q2 2021.



Strong customer momentum continues while **EBITDA is back to growth**

Operating KPIs (Q2 21 vs Q2 20)

+71k	Mass Market fixed customers net adds	✓
+113k	Virgin telco fixed and mobile customers	✓
+6m	Addressable households	✓

Mass market **customer growth continues at a strong pace**

Virgin telco surpasses 120k fixed and mobile customers in its first year in operation, well above expectations

Financials (Q2 21)

€55	Fixed customers ARPU (€/month)	✓
€174m	Revenue	✓
€74m	EBITDA	✓
€79m	EBITDA ex Virgin	✓
€1,510m	Net debt	✓

ARPU grows +0.6% qoq driven by the good performance of Virgin and the traditional business

Virgin telco success drives 1.5% yoy **revenue growth**

EBITDA grows 1.2% qoq driven by efficiencies in the **traditional business which** partly offset the impact from Virgin growth, 2020 customer loyalty campaigns and the suspension of the renegotiations of wholesale agreements

Net debt impacted by Virgin growth, the FTTH upgrade and the advance of the dividend payment



euskaltel

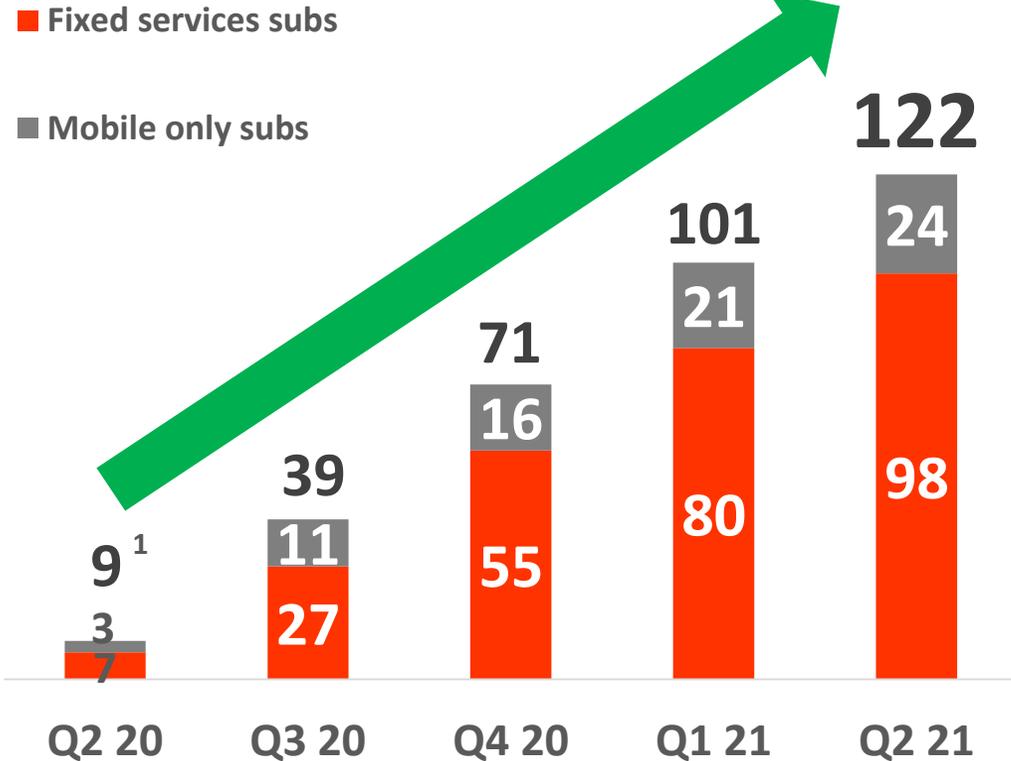


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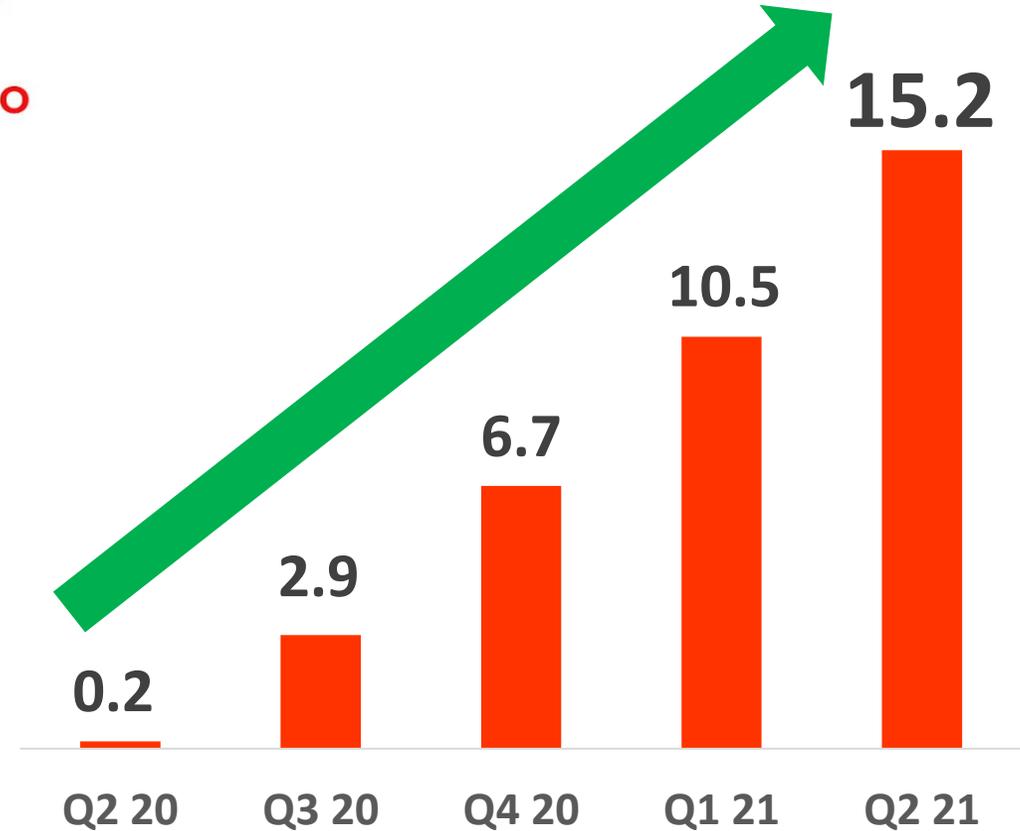


Virgin telco surpasses 120k customers after one year in operation

Virgin telco – customers EOP (000s)



Virgin telco – revenue (EURm)

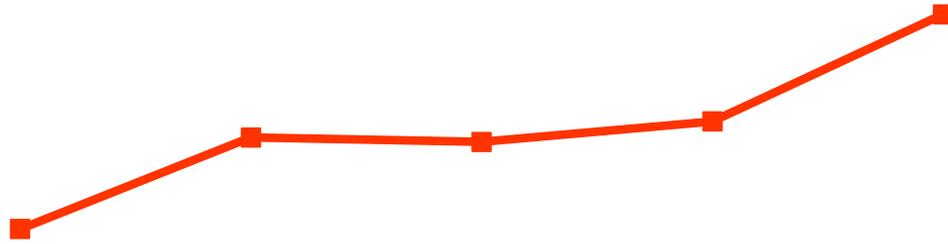


1. Virgin telco launched on 20th May 2020



Virgin telco's customers have increased both services and ARPUs

Virgin telco's convergent ARPU (€/month)



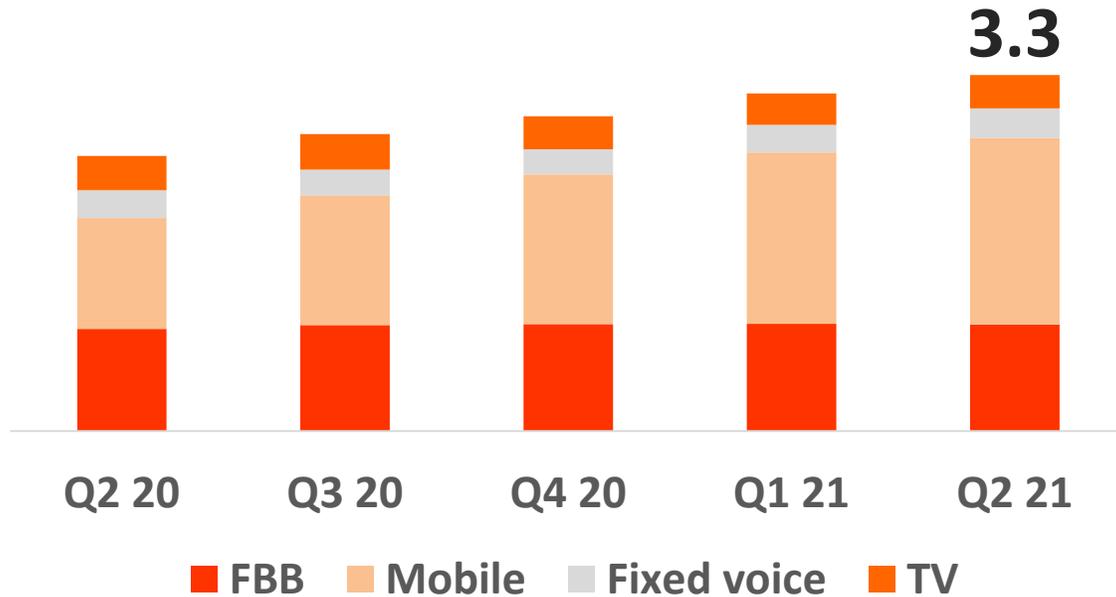
+18%

Q2 21 vs Q2 20



Virgin telco's customers continue to add services to their convergent packs, pushing ARPUs and value

Virgin telco's convergent services per customer



+30%

Q2 21 vs Q2 20

Jamás volveré a pagar por el teléfono fijo

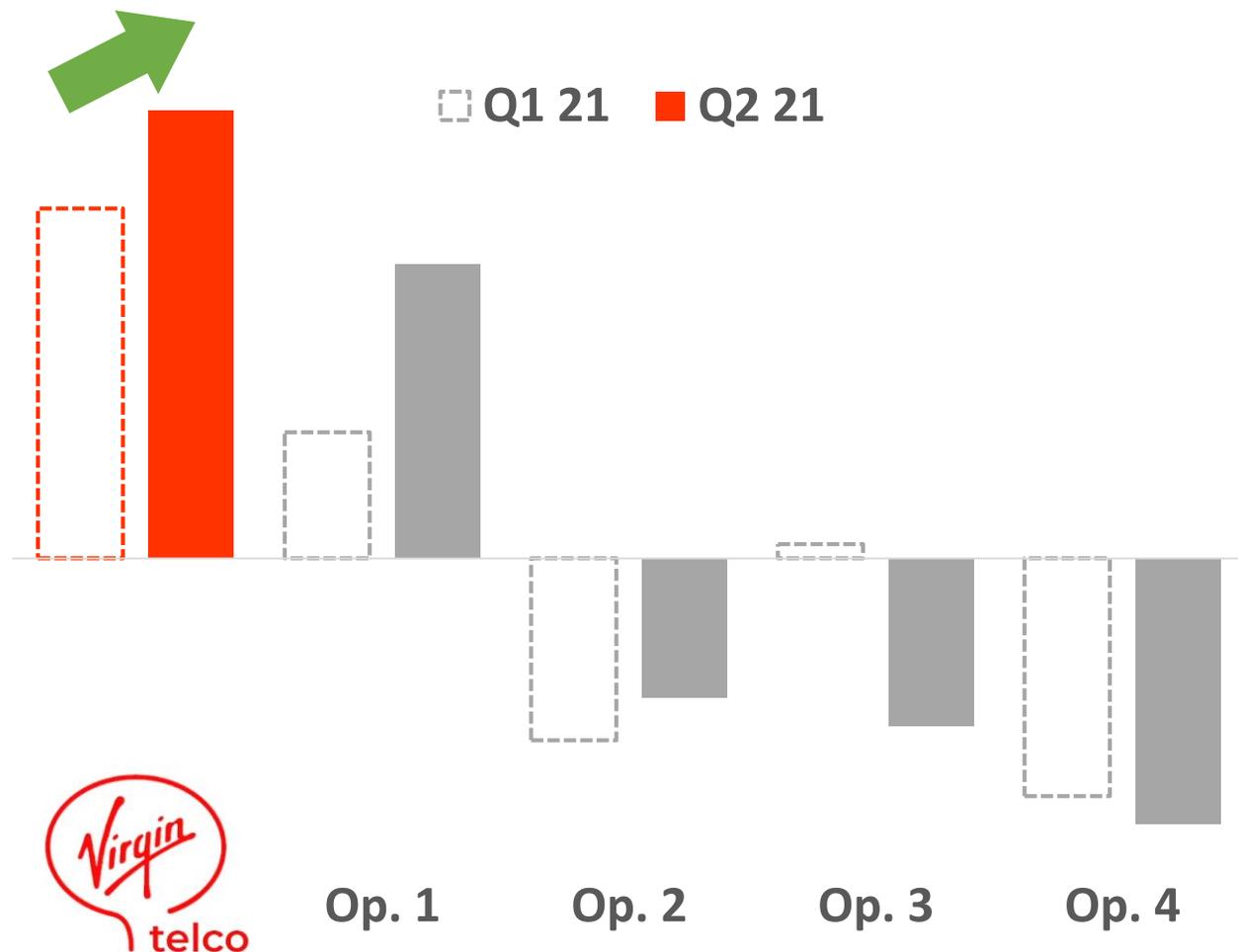
Fibra 300 Mb	Móvil 25 GB Acumulables	★★★★★ "UNA OFERTA IRRESISTIBLE" ★★★★★ "LO MEJOR EN PELIS Y SERIES"
amazon prime	TV Premium	

43 € /MES 12 MESES

HAZTE VIRGIN TELCO

Virgin telco further strengthens its leadership NPS position in the quarter

Main operators net promoter scores (Q2 21 vs Q1 21)



Source: Q2 2021 GfK Euskaltel customers loyalty report

✓ Outstanding value-for-money positioning, customer care excellence and superior quality of service have lifted Virgin telco to top NPS position in the Spanish market in record time

✓ Innovation and continuous service improvement further increase NPS leadership versus competitors in the quarter

Operating review



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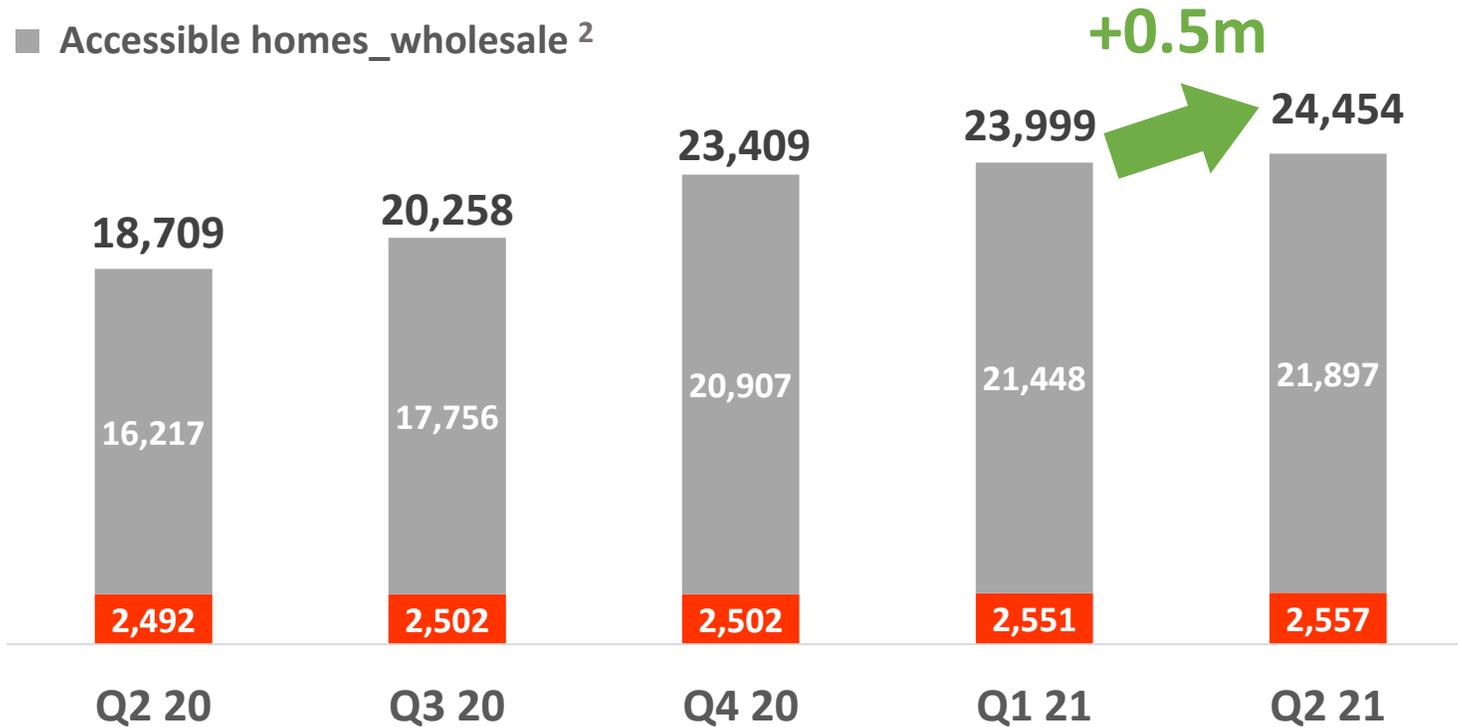


| Euskaltel continues to add coverage at a national level

Current footprint (000s households)

■ Homes passed_owned (HFC & FTTH) ¹

■ Accessible homes_wholesale ²



More than 24m household coverage drives fast Virgin telco growth

Recent new FTTH footprint additions reduce costs and drive profitability

1. HFC, owned FTTH plus co-investment FTTH household coverage

2. Orange, Telefónica and Adamo wholesale

| The FTTH upgrade has accelerated in the quarter



FTTH upgrade works expanded to more than 100 municipalities across the company's three traditional regions



More than 340k households (~15% of total) already upgraded to FTTH

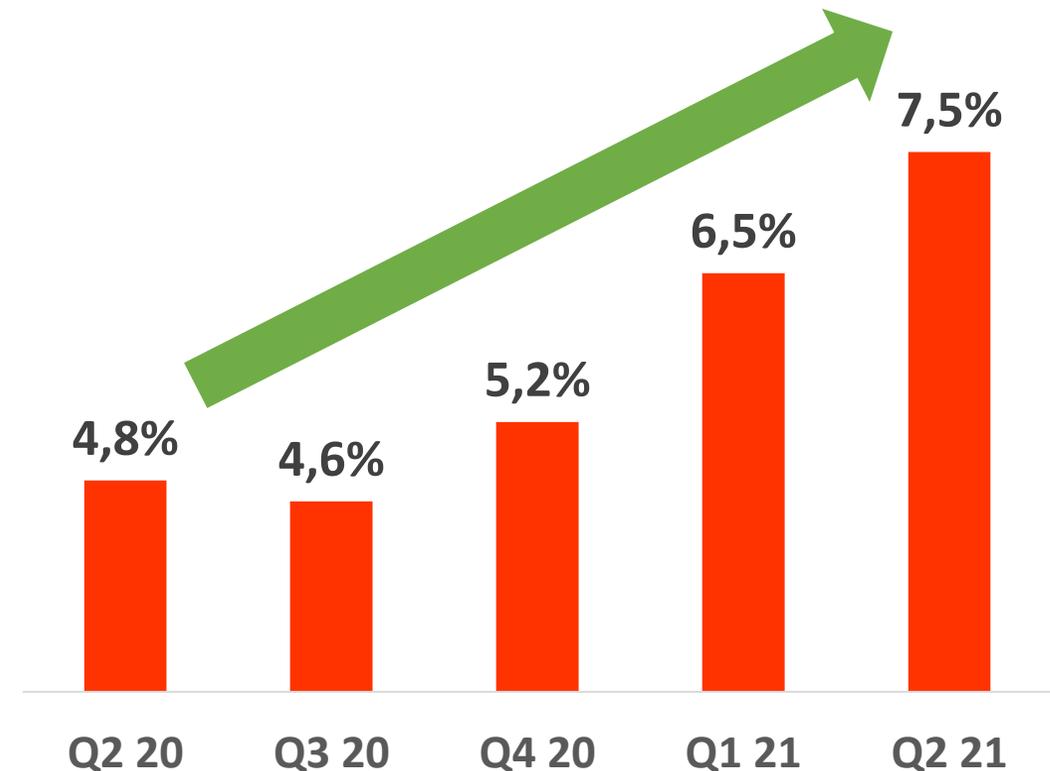
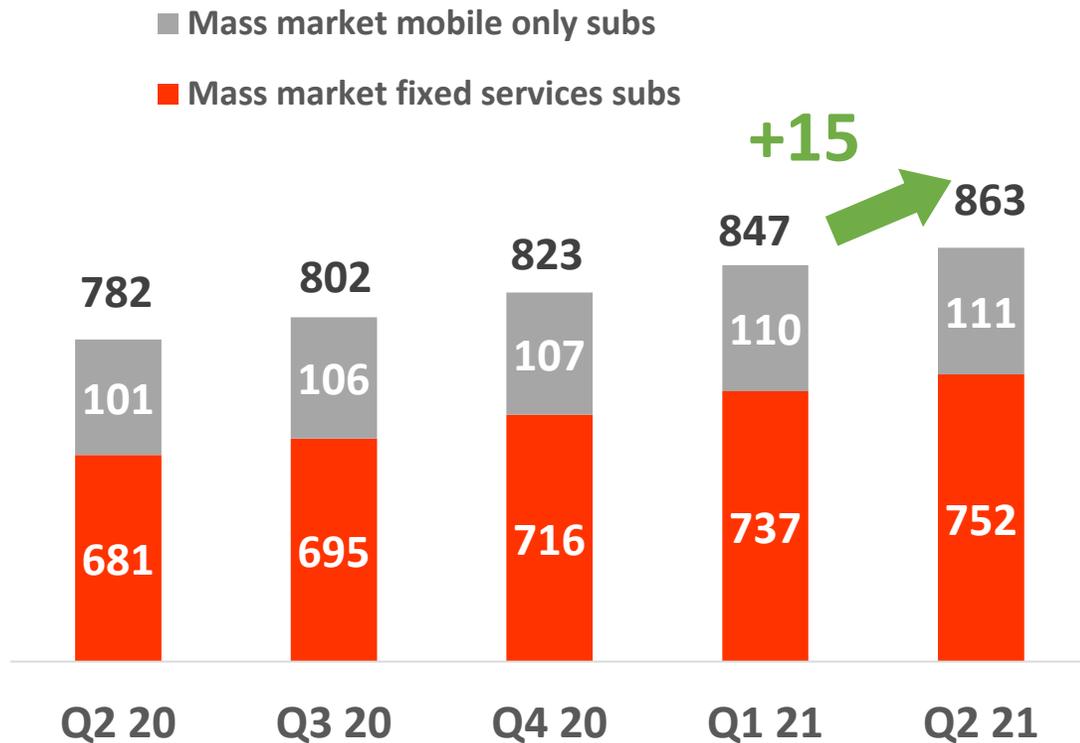


The first 11k customers have been migrated to the new Fibra Max product

Euskaltel emerges from COVID market downturn as a **customer growth leader**

Mass market subscribers (000s)

Share of inbound mobile number portabilities (%)

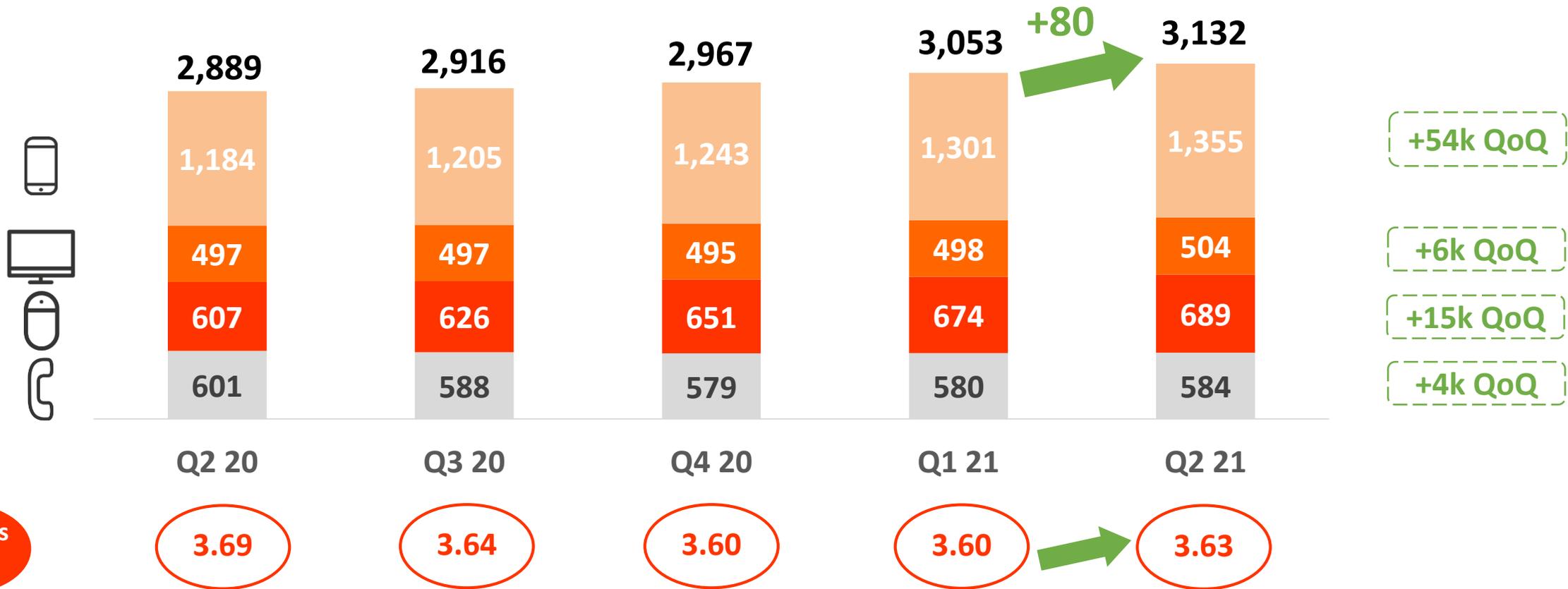


Driven by Virgin telco, **Euskaltel keeps increasing its share of market customer additions**, to reach a record 7.5% in Q2 21

Virgin telco drives a strong increase in services per customer

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

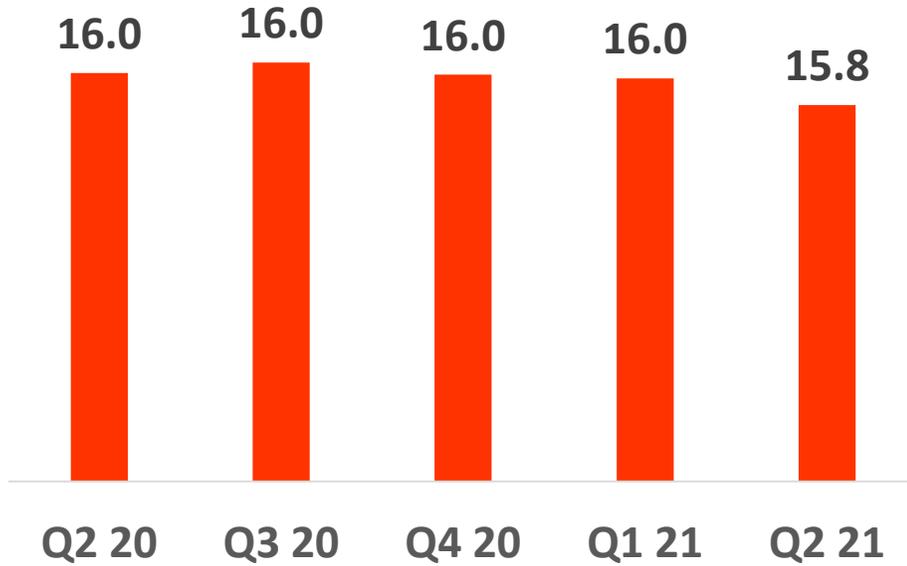
■ Fixed Voice ■ Broadband ■ TV ■ Post-paid mobile



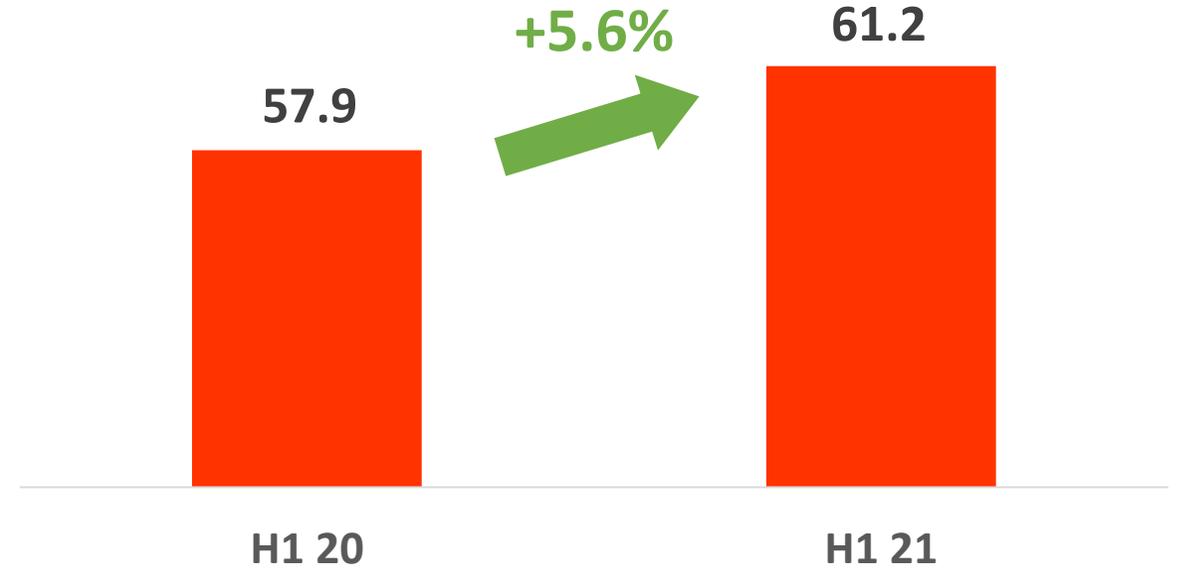
The B2B business continues with **strong revenue growth** in H1 2021



SME and large account subscribers (000s)



SME and large account revenue (EURm)



Increased demand from large accounts, though SMEs impacted by COVID



Strong B2B revenue growth in H1 2021 (+5.6% yoy)



Financial review



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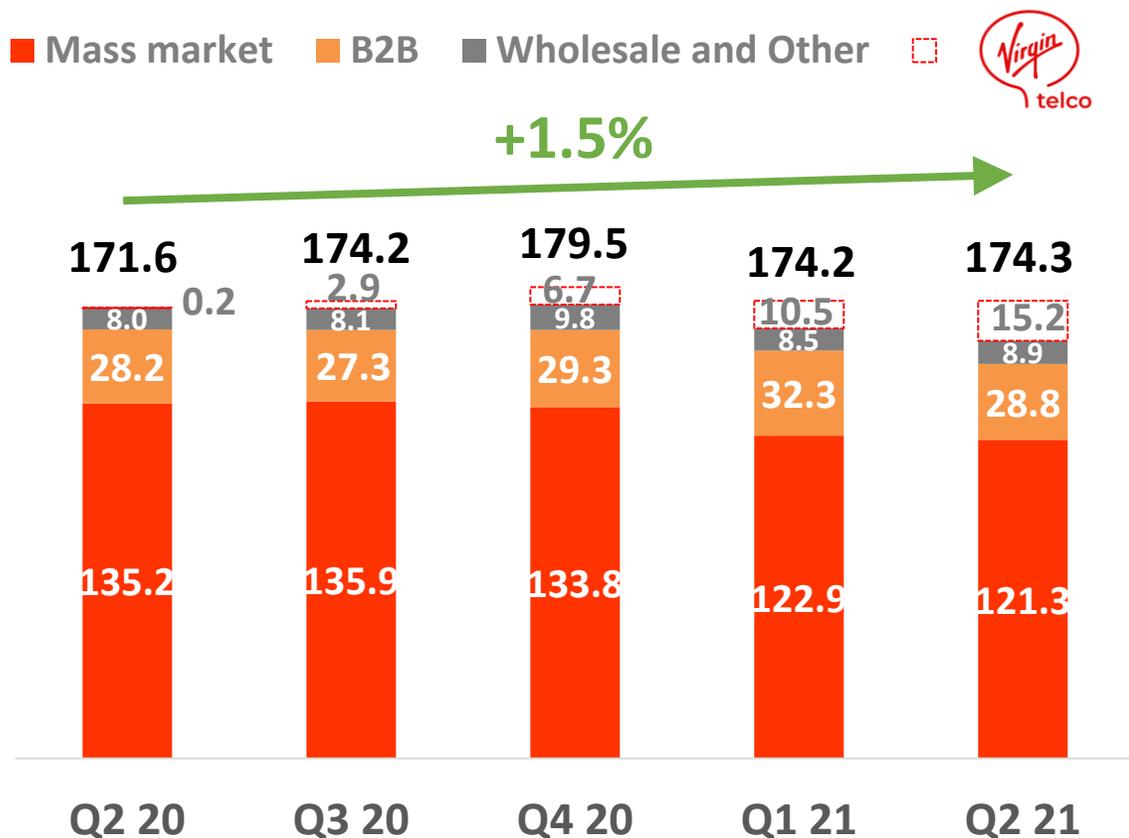


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| 1.5% yoy revenue growth driven by Virgin telco

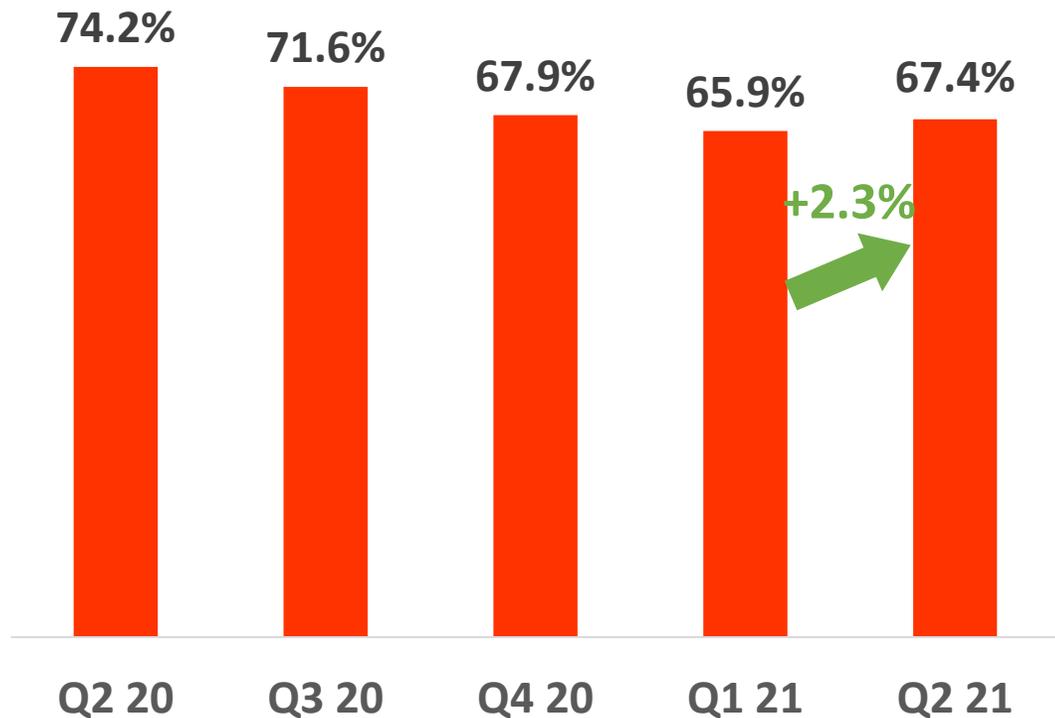
Total revenue breakdown by segment (EURm)



- ✓ Strong Virgin telco customer and ARPU growth drives revenue
- ✓ Highly successful 2020 customer loyalty campaigns lead to traditional business ARPU growth and customer base stability, with churn down to pre-COVID levels
- ✓ July 1st tariff repositionings expected to positively impact ARPUs going forward
- ✓ B2B experiences yoy revenue growth despite impact from SMEs

Gross margin increases 2.3% qoq despite Virgin telco growth

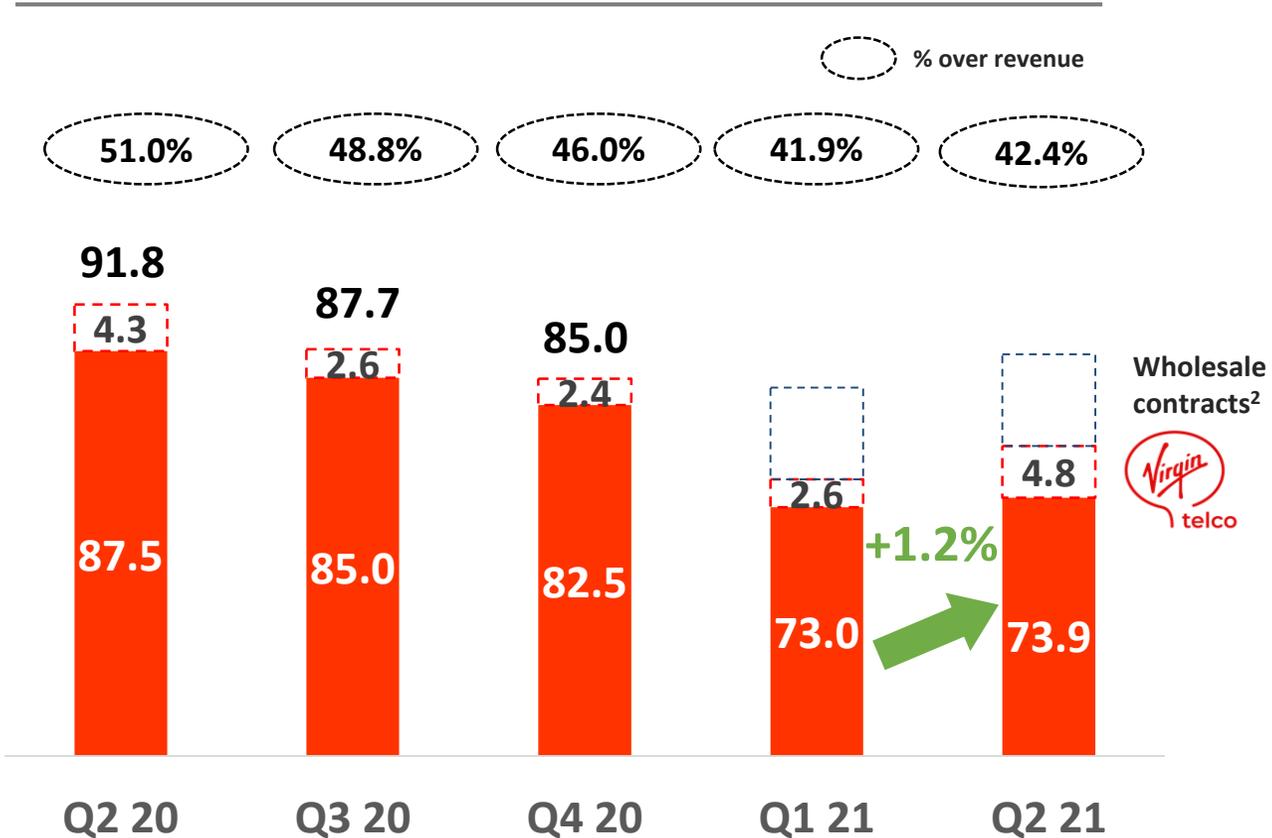
Gross margin (% over revenue)



- ✓ **Good performance in the traditional business** drives gross margin increase in the quarter
- ✓ **Higher ARPUs, efficiency delivery and seasonally lower low margin equipment sales** drive the traditional business margin
- ✓ **Traditional business performance offsets strong growth in lower margin Virgin telco**

| EBITDA grows 1.2% qoq as good performance in the traditional business offsets costs of Virgin telco growth investment

EBITDA¹ (EURm)

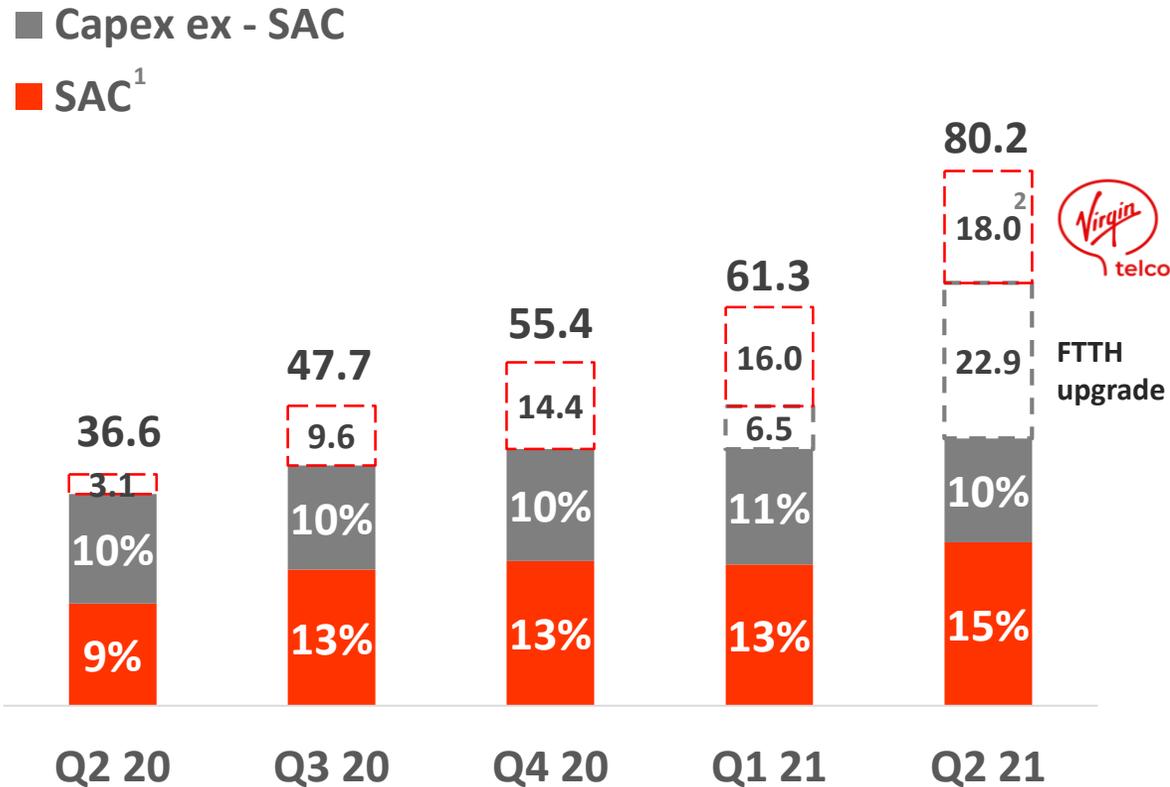


1. EBITDA: Results from operating activities + depreciation and amortisation +/- losses on the disposal and derecognition of assets + indemnities and other remuneration + other non-recurring results
2. Renegotiation of wholesale contracts suspended in Q1 2021 due to takeover process

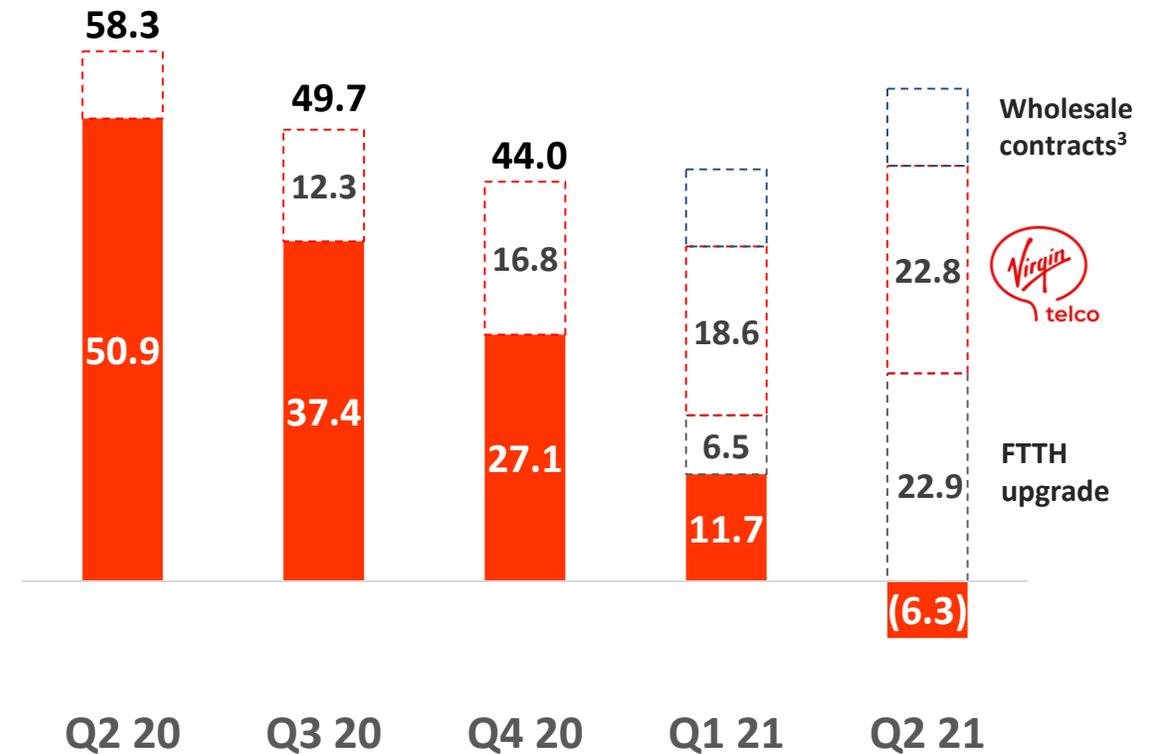
- ✓ Highly effective growth strategy and successful customer loyalty campaigns lead **EBITDA back to growth in Q2 2021**
- ✓ **Strong performance in traditional business EBITDA**, as customer base and ARPUs stabilise while efficiencies continue to be implemented
- ✓ EBITDA in the quarter continues to be impacted by the **suspension of the renegotiations of the wholesale agreements**

| Strong customer growth and the FTTH upgrade of 340k homes drive capex in the quarter

Capex (EURm and as % of revenue)



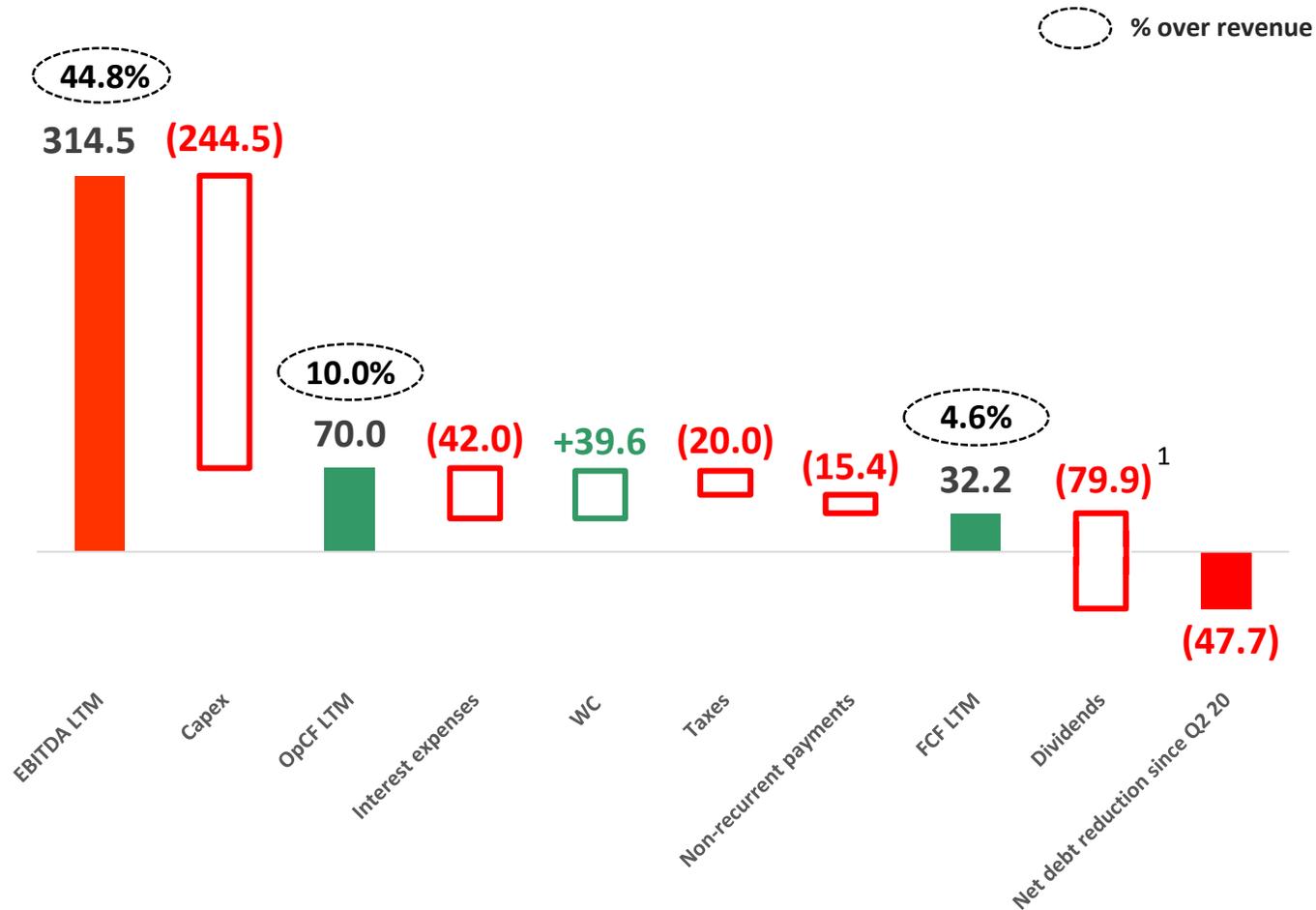
OpCF (EBITDA – capex) (EURm)



1. SAC capex includes commercial costs, customer installation and customer equipment
2. Out of which €16.4m SAC and €1.6m non-SAC Capex
3. Renegotiation of wholesale agreements suspended in Q1 2021 due to takeover process

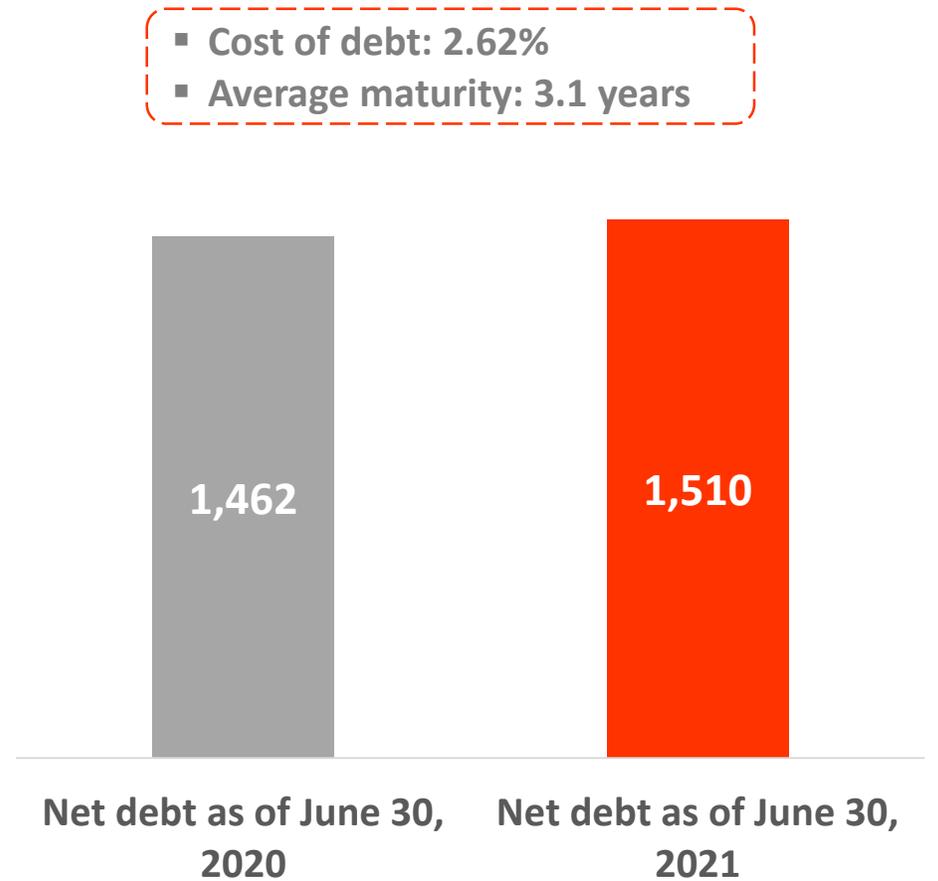
| Positive annual FCF generation while investing in strong customer growth and rapid FTTH deployment

LTM cash allocation (EURm)



1. Complementary dividend of €0.17/share against 2020 results distributed in June 17, 2021, whilst in previous years paid in Q3

Q2 2021 net debt (EURm)



| Highly effective profitable growth strategy delivers strong cash flow generation



Strong Virgin telco customer growth continues while customer ARPU and value increases



At 6% yoy B2B delivers record revenue growth in H1



Cable to FTTH upgrade significantly accelerates in the quarter



Highly successful 2020 customer loyalty campaigns lead to ARPU growth and customer base stability in the traditional business



1.5% yoy revenue growth driven by Virgin telco and traditional business stability



A highly effective growth strategy delivers €32 million of annual free cash flow while investing in growth and FTTH upgrade



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Q&A



Euskaltel **Group**

Appendix

Euskaltel Group Q2 2021 consolidated results and KPIs



Euskaltel Group consolidated - KPIs (i/iii)

Mass market		Annual	Quarterly					
KPIs	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Homes passed_owned (HFC & FTTH)	#	2,502,348	2,482,870	2,492,121	2,502,348	2,502,348	2,550,919	2,557,067
Accessible homes_wholesale	#	20,907,103	11,050,114	16,216,808	17,756,150	20,907,103	21,448,156	21,896,844
Mass market subs ¹	#	823,313	768,891	782,171	801,677	823,313	847,373	862,758
o/w fixed services subs	#	716,373	669,678	681,002	695,402	716,373	736,905	751,656
o/w mobile only subs	#	106,940	99,213	101,169	106,275	106,940	110,468	111,102
Total services (RGUs) ²	#	2,966,849	2,849,455	2,889,293	2,915,675	2,966,849	3,052,540	3,132,170
Fixed Voice	#	578,669	599,972	600,982	588,139	578,669	579,579	583,803
Broadband	#	650,717	596,292	607,483	626,290	650,717	673,881	689,330
TV	#	494,614	489,090	496,740	496,572	494,614	497,636	504,016
Post-paid mobile	#	1,242,849	1,164,101	1,184,088	1,204,674	1,242,849	1,301,444	1,355,021
Services (RGUs) per subscriber	#	3.60	3.71	3.69	3.64	3.60	3.60	3.63
Global ARPU fixed customers (quarterly standalone)	€/month	59.07	60.04	59.99	59.51	56.74	54.96	55.28

SMEs and Large Accounts		Annual	Quarterly					
KPIs	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Customers	#	15,985	15,904	15,993	16,044	15,985	15,967	15,837

1. Mass market subs = residential subs + SOHO subs + RACC only mobile subs
2. Mass market services = residential services + SOHO services + RACC only mobile services



Euskaltel Group consolidated – Consolidated financials (ii/iii)

Profit and Loss Statement		Annual	Quarterly					
	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Total revenue	€m	697.1	171.8	171.6	174.2	179.5	174.2	174.3
Y-o-y change	%	1.7%	0.1%	0.3%	1.8%	4.6%	1.4%	1.5%
o/w Mass market revenue	€m	548.2	133.6	135.4	138.8	140.5	133.4	136.5
o/w B2B revenue	€m	114.5	29.7	28.2	27.3	29.3	32.3	28.8
o/w Wholesale and Other revenue	€m	34.4	8.5	8.0	8.1	9.8	8.5	8.9
Gross margin	€m	498.9	124.9	127.3	124.7	121.9	114.7	117.4
% of total revenue	%	71.6%	72.7%	74.2%	71.6%	67.9%	65.9%	67.4%
Selling, General & Admin. Expenses (SG&A)	€m	(156.2)	(37.2)	(39.8)	(39.7)	(39.5)	(41.7)	(43.5)
o/w marketing and SAC	€m	(25.5)	(3.0)	(6.9)	(7.0)	(8.7)	(6.0)	(7.2)
o/w customer care and sales	€m	(47.0)	(11.2)	(10.9)	(12.6)	(12.4)	(13.1)	(11.5)
o/w personnel	€m	(39.9)	(10.0)	(10.2)	(9.9)	(9.8)	(9.6)	(10.8)
o/w network and IT systems	€m	(39.5)	(9.7)	(9.6)	(10.1)	(10.1)	(10.6)	(10.7)
o/w other indirect costs	€m	(4.3)	(3.4)	(2.2)	(0.2)	1.4	(2.3)	(3.3)
Adjusted EBITDA	€m	342.8	87.7	87.5	85.0	82.5	73.0	73.9
% of total revenue	%	49.2%	51.1%	51.0%	48.8%	46.0%	41.9%	42.4%
Y-o-y change	%	-0.5%	8.1%	3.7%	-2.0%	-10.6%	-16.7%	-15.5%
Depreciation and Amortization	€m	(207.2)	(49.9)	(50.4)	(49.3)	(57.6)	(62.3)	(63.3)
Extraordinary items	€m	(10.0)	(2.2)	(2.1)	(3.1)	(2.6)	(3.2)	(7.4)
Net financial expenses	€m	(58.9)	(11.9)	(14.8)	(12.4)	(19.7)	(11.6)	(12.0)
Net profit before taxes	€m	66.7	23.7	20.2	20.2	2.5	(4.1)	(8.8)
Taxes	€m	12.7	(4.6)	(3.8)	(3.6)	24.7	2.0	5.4
NET PROFIT	€m	79.4	19.1	16.4	16.6	27.2	(2.1)	(3.4)
Accelerated depreciation (network retrofit)	€m						12.5	12.6
Tax effect (network retrofit)	€m						(3.1)	(3.1)
ADJUSTED NET PROFIT	€m						7.3	6.1

1. Mass market revenue = residential revenue + SOHO revenue + RACC only mobile revenue



Euskaltel Group consolidated – Consolidated financials (iii/iii)

Cash Flow Statement		Annual	Quarterly					
	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
EBITDA	€m	342.8	87.7	87.5	85.0	82.5	73.0	73.9
Capex	€m	(178.3)	(38.6)	(36.6)	(47.7)	(55.4)	(61.3)	(80.2)
% of total revenue	%	-25.6%	-22.5%	-21.3%	-27.4%	-30.9%	-35.2%	-46.0%
Operating Cash Flow	€m	164.5	49.1	50.9	37.4	27.1	11.7	(6.3)
% of total revenue	%	23.6%	28.6%	29.6%	21.5%	15.1%	6.7%	-3.6%
Interests	€m	(43.8)	(11.2)	(10.9)	(11.2)	(10.5)	(10.1)	(10.3)
Working Capital	€m	(0.5)	(7.3)	(6.2)	3.2	9.8	0.5	26.1
Taxes	€m	(23.5)	(7.0)	(2.9)	(3.0)	(10.6)	(4.9)	(1.5)
Others	€m	(10.0)	(2.1)	(3.2)	(2.2)	(2.6)	(3.2)	(7.4)
Free Cash Flow	€m	86.9	21.5	27.7	24.4	13.2	(5.9)	0.6
Dividends	€m	(55.3)	(23.1)	(1.9)	(30.3)	-	(25.0)	(24.6)
Net debt variation	€m	31.5	(1.6)	25.8	(6.0)	13.2	(30.9)	(24.0)
NET DEBT	€m	1,454.8	1,487.8	1,462.0	1,468.0	1,454.8	1,485.7	1,509.6

Balance Sheet		Annual	Quarterly					
	Unit	2020	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Non-current Assets	€m	2,721.0	2,738.0	2,725.3	2,726.4	2,721.0	2,720.5	2,740.3
Intangible assets	€m	1,326.1	1,322.4	1,318.4	1,319.5	1,326.1	1,334.6	1,343.9
Tangible assets	€m	1,261.1	1,280.5	1,272.9	1,273.0	1,261.1	1,252.1	1,257.8
Financial assets	€m	7.4	8.0	6.9	6.0	7.4	7.3	7.3
Deferred tax assets	€m	126.5	127.1	127.1	127.9	126.5	126.5	131.4
Current Assets	€m	233.8	174.4	206.0	208.0	233.8	212.5	202.5
Inventories	€m	2.8	5.7	4.8	6.6	2.8	2.9	3.7
Trade and other receivables	€m	103.6	70.9	78.7	83.9	103.6	113.6	110.5
Cash and cash equivalents	€m	127.4	97.9	122.5	117.5	127.4	95.9	88.3
TOTAL ASSETS	€m	2,954.8	2,912.4	2,931.3	2,934.4	2,954.8	2,933.0	2,942.8
Total Shareholders' Equity	€m	1,009.2	1,001.1	987.6	1,005.9	1,009.2	1,008.6	976.2
Non-current Liabilities	€m	1,543.4	1,532.8	1,577.6	1,575.4	1,543.4	1,540.4	1,537.1
Long term debt	€m	1,420.2	1,370.3	1,416.3	1,416.8	1,420.2	1,421.0	1,421.5
Provisions	€m	-	-	-	-	-	-	-
Other non-current liabilities	€m	123.2	162.5	161.3	158.6	123.2	119.3	115.6
Current Liabilities	€m	402.1	378.5	366.1	353.1	402.1	384.0	429.5
Short term debt	€m	149.9	194.7	149.4	150.1	149.9	149.8	168.2
Trade and other payables	€m	252.3	183.8	216.8	203.0	252.3	234.2	261.4
Total Liabilities	€m	1,945.6	1,911.3	1,943.7	1,928.4	1,945.6	1,924.4	1,966.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	€m	2,954.8	2,912.4	2,931.3	2,934.4	2,954.8	2,933.0	2,942.8

