



First quarter 2017 results

28 April 2017



Key highlights

1

Market context

- Aggressive **competitive scenario** and discounted offerings ended in January, positive momentum thereafter
- Market rationalisation driving **net customer growth** and price repair to be consolidated in the coming quarters

2

Host migration for R cable customers finished with a successful outcome and certain one-off impact

- 440k mobile lines enjoying 4G and 4G+ coverage in Galicia
- One off loss of **c.1,200 fixed customers** and **c.400 mobile only customers** due to migration issues
- One-off** retention and customer care **effort** in connection with the above have **increased** the commercial costs in the quarter
- Total one-off EBITDA impact of €1m**

3

KPI performance in line with previous quarters

- Record-high RGU penetration: mobile (78.6%), TV (58.6%) and BB (84.5%)**
- Residential ARPU record at €58.57** (+€1.0 YoY) on the back of continued upselling (**66.5% 3P&4P bundles in 1Q17 vs. 64.3% in 1Q16**)
- Total revenue and EBITDA impacted by the decline in Business segment** with the loss of the Basque Government contract
- Churn rate at 15.1%** in line with previous quarters and one-off impact of an additional 1.0% in connection with the host migration (total YTD churn rate at 16.1%)

4

Efficient cost management and synergy delivery

- Successful management of data traffic growth (direct costs down by 3.7% vs last year with mobile data consumption growing 67%)
- Delivery of estimated synergies on track **with initial targets revised upwards by 15% in 2017**

5

Strong cash flow conversion allowing to distribute dividends

- Superior cash conversion rate** (up to 32.1% OpCF / revenues)
- c.€45m OpCF generated in 1Q17**, allowing for the payment of the announced dividends while maintaining the leverage level
- Free Cash Flow of €28.6m** in 1Q 2017 vs. €19.5m in 1Q2016 (+46.6% yoy)
- First interim **dividend distribution of €22.8m**
- C.€135m debt reduction in the last 12 months **reducing leverage to 4.2x¹**

Note:

- EBITDA including fully phased synergies

Consolidated unaudited statutory financial results (Profit & Loss items)

	1Q16 ¹	4Q16	1Q17	1Q17 vs. 1Q16		1Q17 vs. 4Q16	
				€m	% change	€m	% change
Revenue (€m)	141.8	142.5	139.5	(2.3)	(1.6%)	(3.0)	(2.1%)
EBITDA (€m) <i>Margin (%)</i>	69.1 48.7%	71.0 49.8%	68.0 48.8%	(1.1)	(1.5%)	(3.0)	(4.2%)
OpCF (€m)² <i>As % of rev. (%)</i>	47.5 33.5%	42.6 29.9%	44.8 32.1%	(2.7)	(5.7%)	+2.2	5.2%

Note:

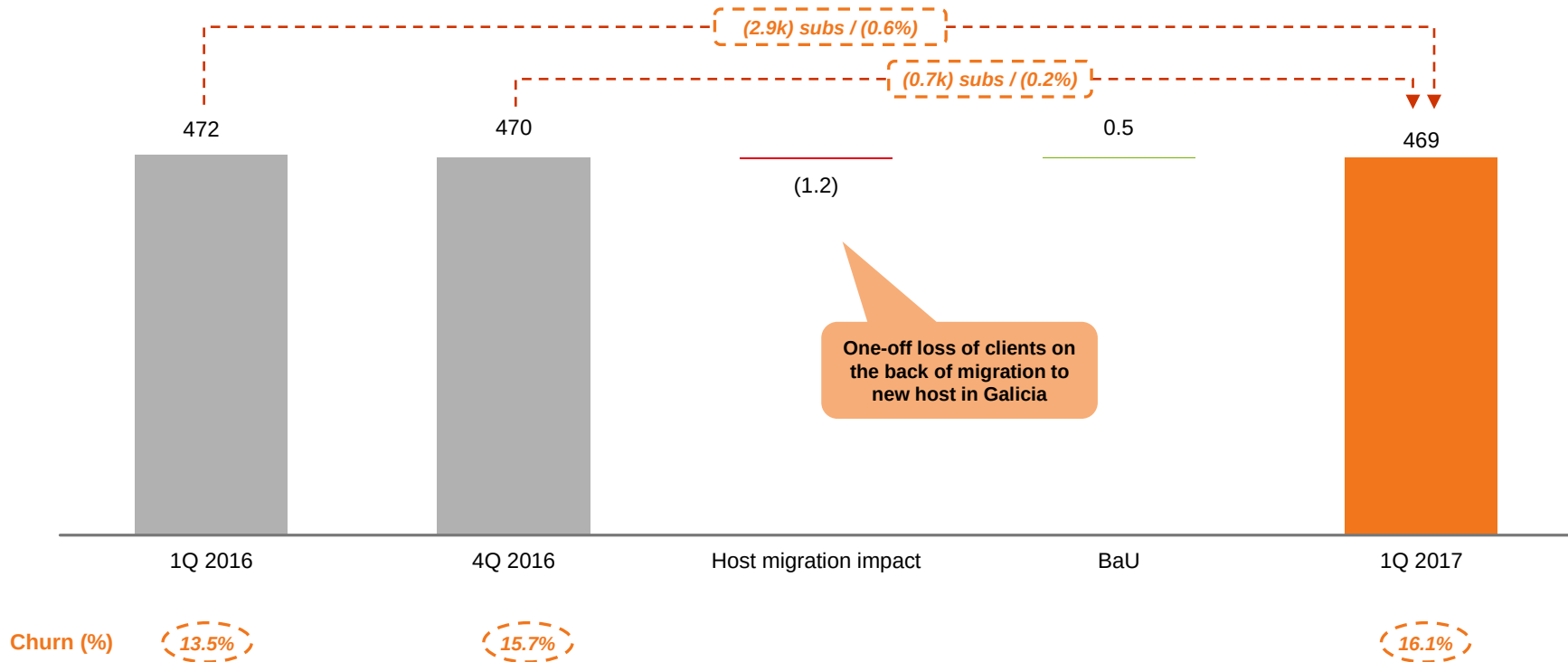
1. 1Q2016 financials adjusted for consolidation effects reflected in the Audited 2016 annual accounts
2. OpCF defined as EBITDA-capex



Operational overview

Flat subscriber evolution with one-off effect from host migration

Fixed residential subscribers evolution¹ ('000)



- Due to the different footprint of the new host, **c.1.200 fixed customers and c.400 mobile only customers have left our company**
- Net subs** ex. migration **increasing** due to the **best gross additions in the first quarter (+18k)** including **1.5k net additions of broadband subs**
- Churn rate at 15.1%** below the previous quarter and one-off impact of an additional 1.0% in connection with the host migration (total YTD churn rate at 16.1%)

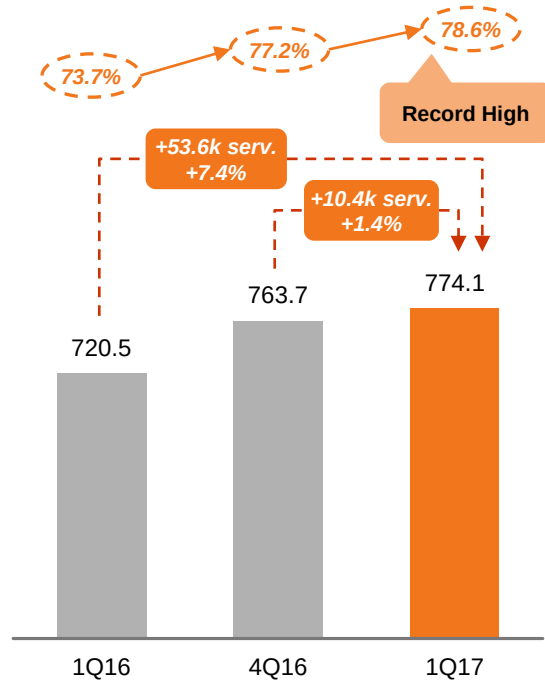
Notes:

1. Excludes mobile-only subscribers

Mobile and bundle penetration driving residential ARPU growth

Residential mobile RGUs ('000)

Residential mobile penetration¹ (%)



Increased 3P/4P penetration (as % of total subscribers)

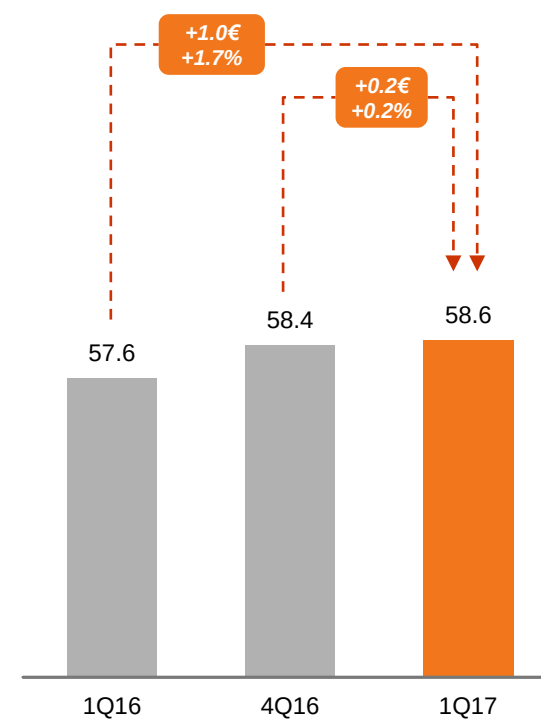
BB subs as % of total subs



TV subs as % of total subs



Consistent ARPU² improvement (€/month)



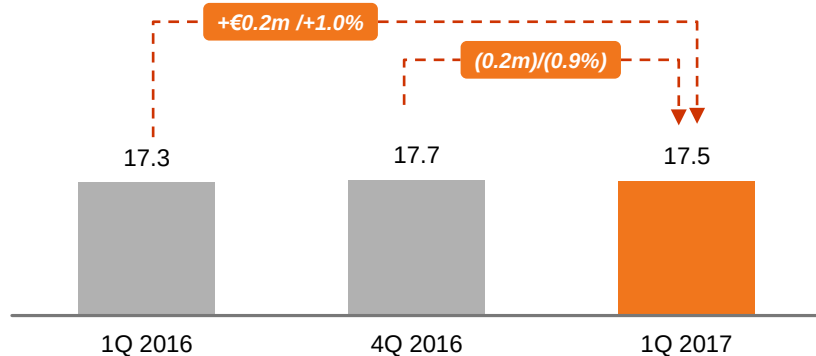
- Record-high for Mobile penetration (78.6%), BB subscriber penetration (84.5%) and TV subscriber penetration (58.5%)
- Positive TV subscribers evolution over the last quarter with +4.1k net adds
- Residential ARPU record at €58.57 (+€1.0 YoY) on the back of continued upselling (66.5% 3P&4P bundles in 1Q17 vs. 64.3% in 1Q16) and certain price repair

Notes:

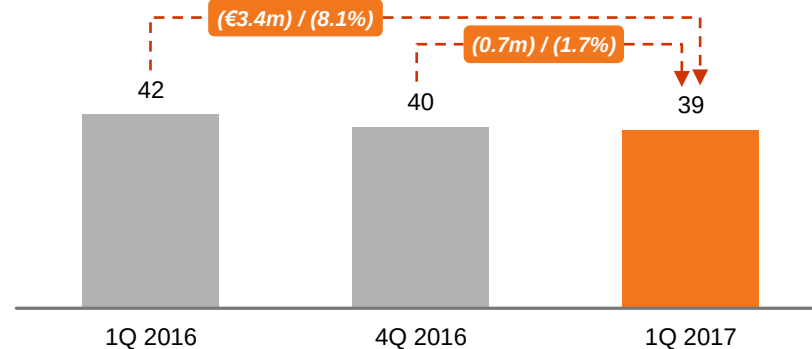
- Residential subscribers with mobile (excluding mobile-only subscribers) as percentage of total fixed subscribers
- Global ARPU based on fixed customers

SOHO and Business segment performance

SoHo Revenue evolution (€m)

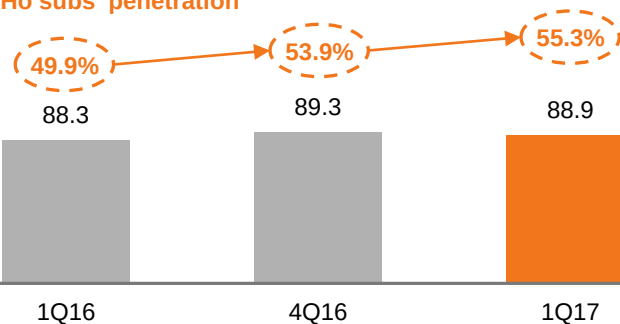


Business revenue evolution (€m)



Subs (000') evolution

4P/3P SoHo subs penetration



New initiatives in the quarter

- Above sector average capture of new SME business
- Expected revenue crystallisation in the coming quarters
- Working on adapting the data centre offering
- Several ongoing projects to integrate Azure and AWS

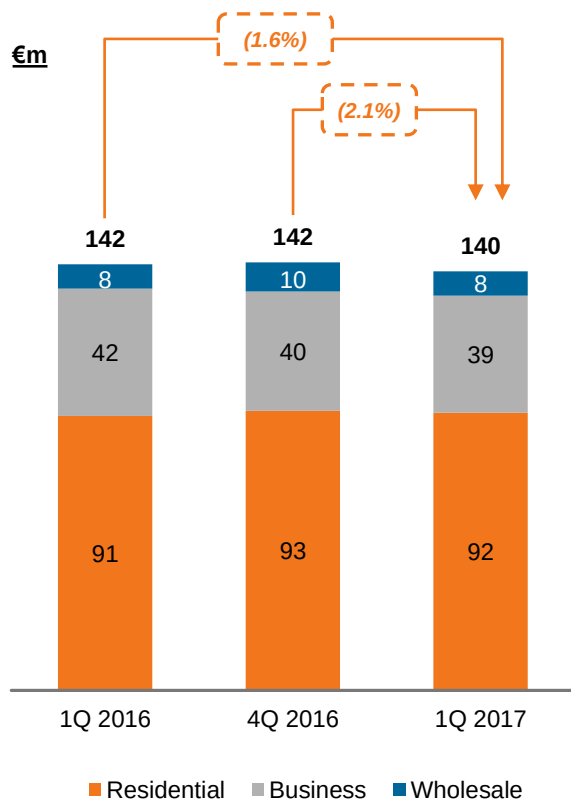
- Sustained growth of SOHO revenue (+1.0% YoY) driven by both increase in customers and ARPU
- Increased number of subscribers and 3P/4P penetration (55.3% in 1Q17)



Financial overview

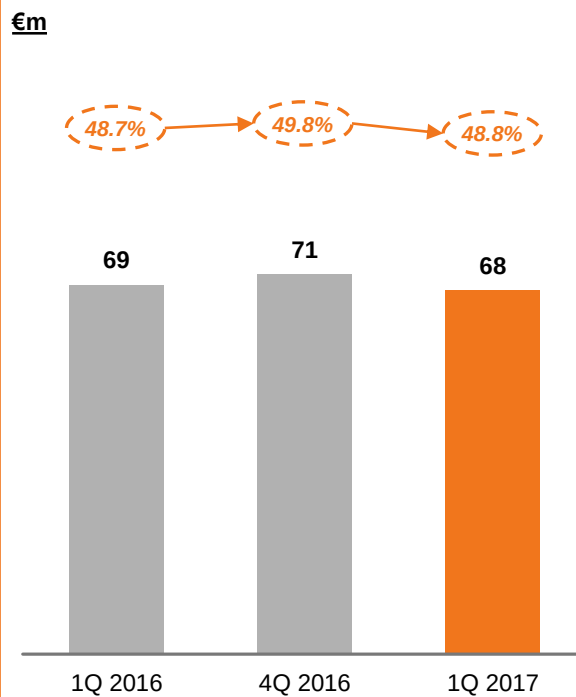
A snapshot of 1Q17 reported financial results

Revenue



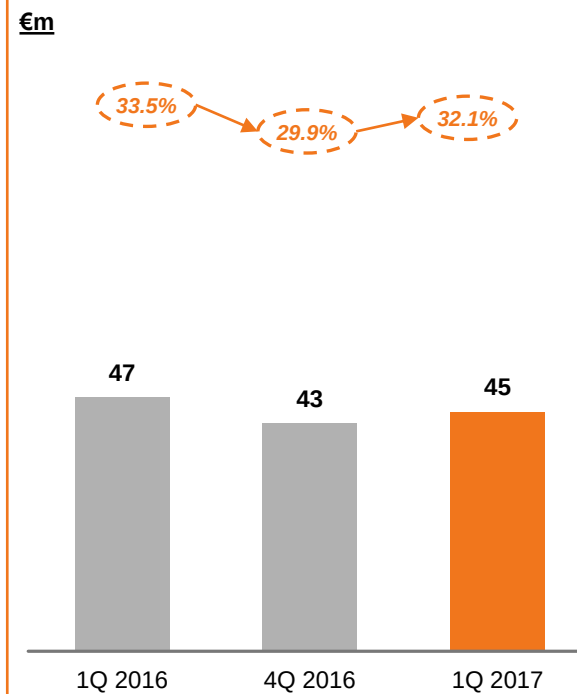
EBITDA and EBITDA margin

EBITDA margin (%)



Cash Flow and Cash Conversion

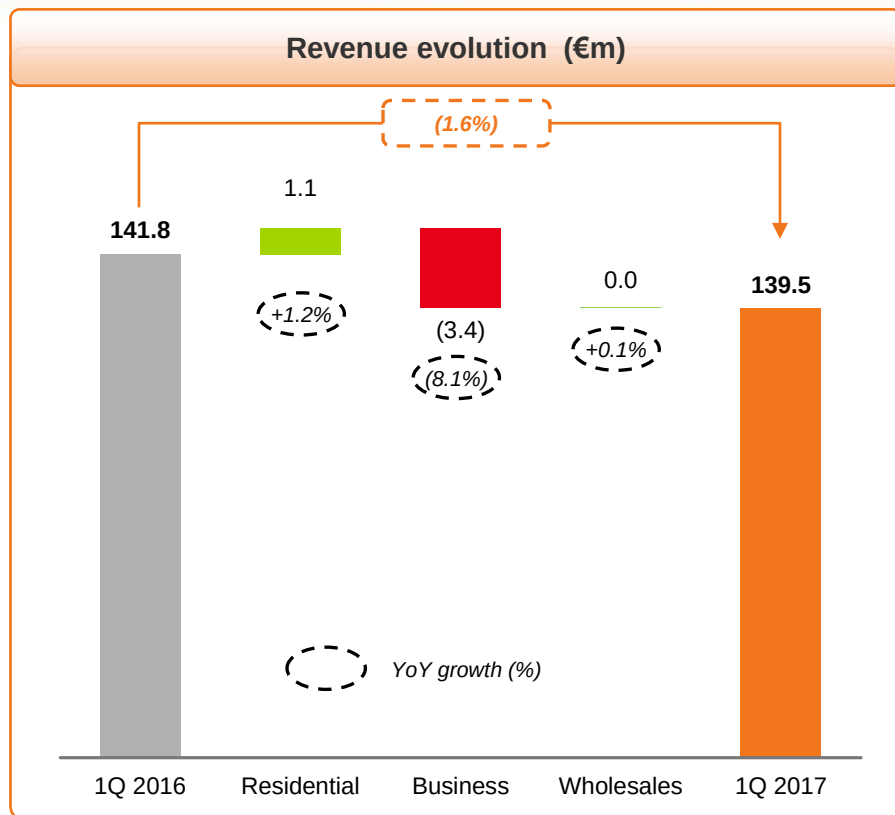
Op Cash Flow over sales (%)



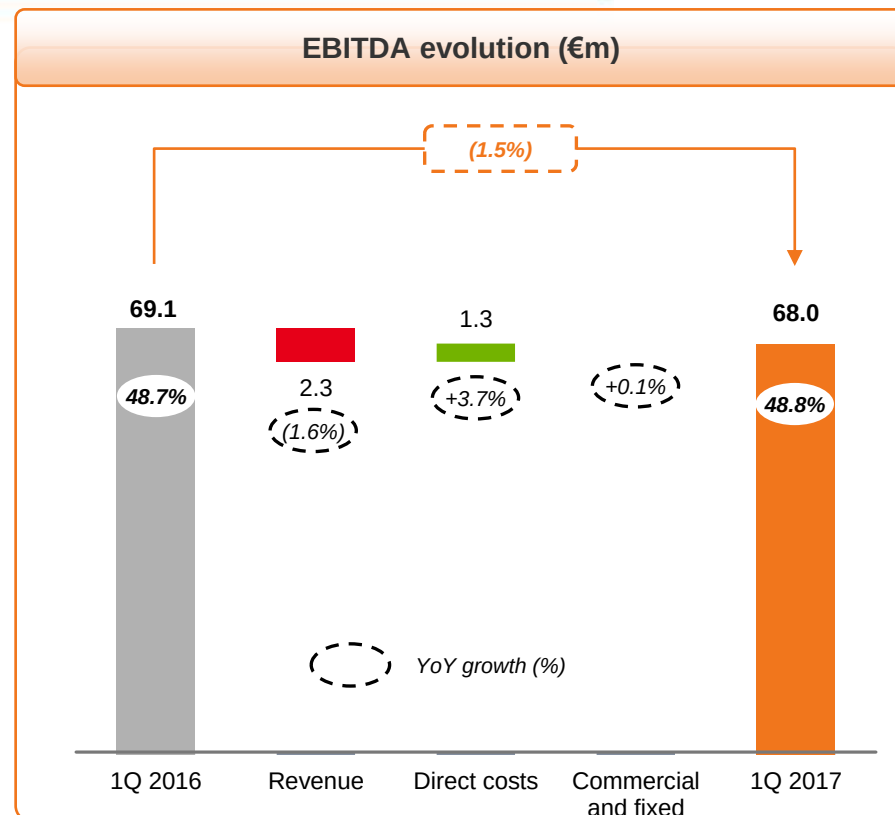
Notes:

1. OpCF defined as EBITDA-capex

Constituents of revenue and EBITDA YoY growth in 1Q 2017



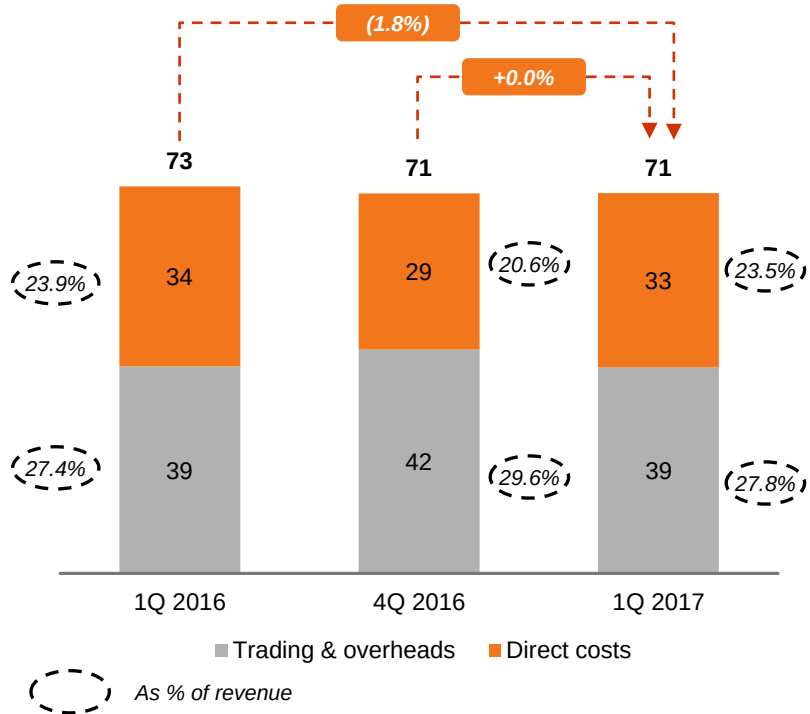
- Revenue growth driven by the residential segment (+1.2% YoY) offset by the evolution of the business segment



- Direct cost management contributing €1.3m to EBITDA
- Fixed costs offsetting increase in commercial costs
- One-off commercial costs of €1m devoted to retention efforts during the host migration program

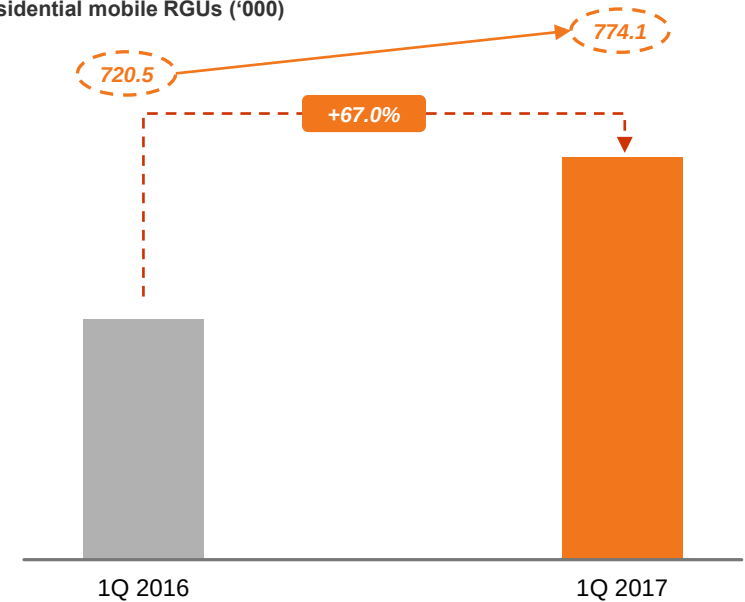
Efficient cost management despite intensive growth in mobile data traffic

Cost structure (€m)



Mobile data traffic

Residential mobile RGUs ('000)



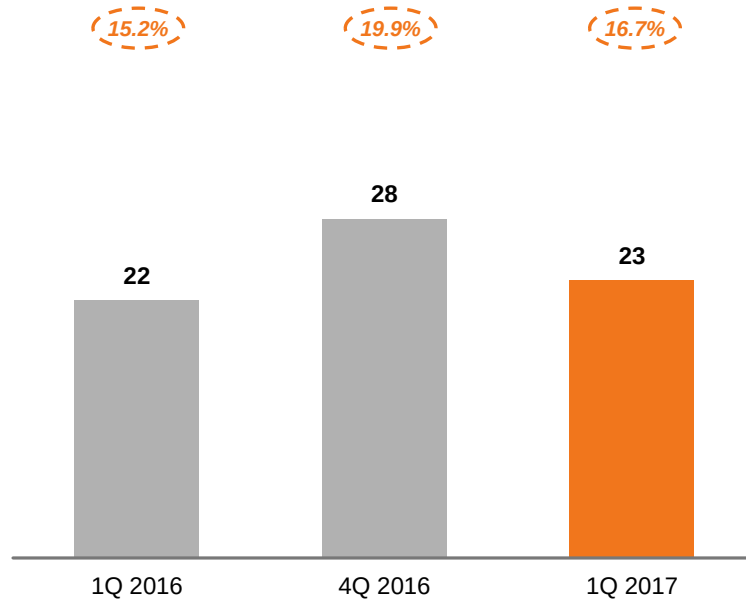
Successful management of data traffic growth (direct costs down by 3.7% vs last year with mobile lines growing by 9% and traffic per line increasing by 53%)

Capex according to plan driving superior cash flow conversion

Capex and OpCF¹ evolution

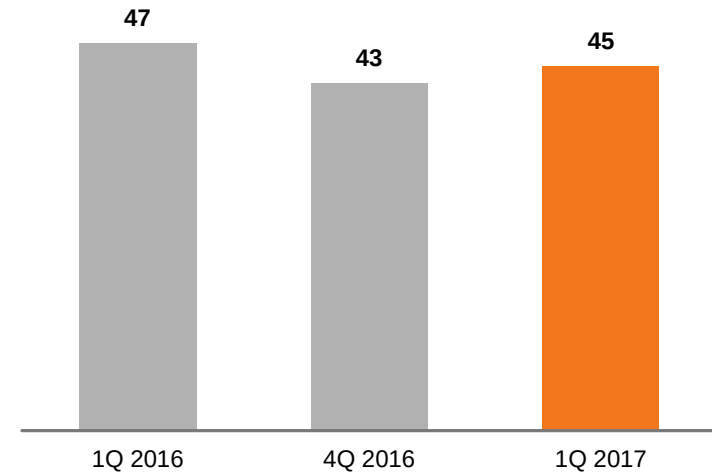
Consolidated capex (€m)

Capex as % of revenue (%)



Consolidated OpCF (€m) and OpCF conversion (%)

OpCF / Sales	33.5%	29.9%	32.1%
OpCF / EBITDA	68.7%	60.0%	65.8%



- Consolidated capex progressively converging to mid-term target levels on an annual basis
- Company working towards minimising seasonality impact and that partly explains growth vs last year
- Cash-conversion rate at sector notch reaching 32.1% OpCF over revenue and 65.8% over EBITDA
- Capex investments in DOCSIS 3.1 technology enabling coverage of 14% of client base as of 1Q17 with the target to double the coverage in the short term

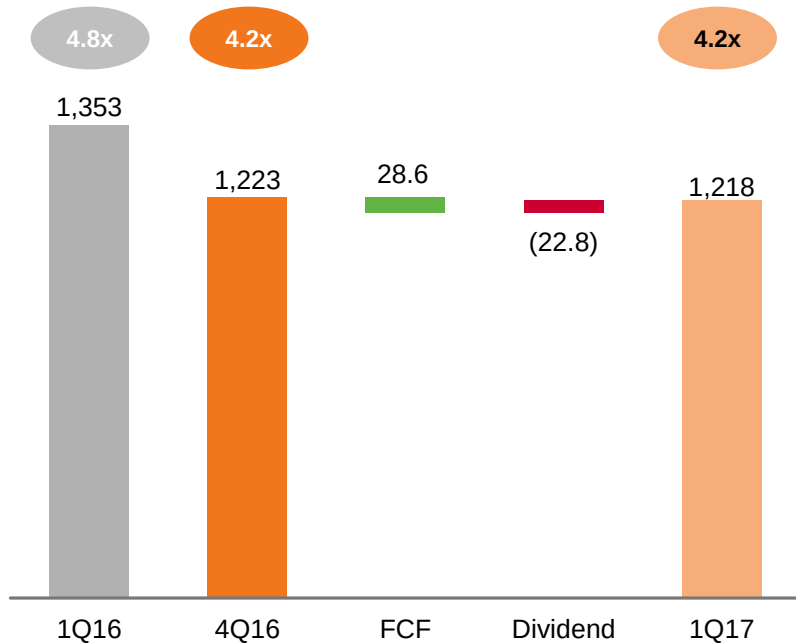
Notes:

- OpCF defined as EBITDA – capex

Net debt evolution

Net debt (€m)

Leverage evolution¹ (ND / LTM EBITDA)



Notes:

1. PF leverage including fully phased synergies

Key cash flow items

YTD OpCF generation of €45m (32.1% conversion over revenues)

Free Cash Flow of €28.6m in 1Q 2017 vs. €19.5m YoY

YTD net interest payments of €10.5m

Payment of interim dividend of 0.15€ per share (€22.8m)

Complementary dividend distribution

Complementary dividend of €0.21 per share (also against 2016 results), to be communicated upon approval by the AGM of the 2016 accounts (in 1H 2017), and in accordance to the dividend policy announced to the market



Appendix I - Euskaltel 1Q17 consolidated results and KPIs

Euskaltel consolidated - KPIs (i/ii)

Residential		Annual			Quarterly				
KPIs	Unit	2014	2015	2016	1Q16	2Q16	3Q16	4Q16	1Q17
Homes passed	#	869,900	1,699,073	1,707,558	1,700,847	1,703,361	1,703,941	1,707,558	1,708,468
Household coverage	%	85%	65%	65%	65%	65%	65%	65%	65%
Residential subs	#	296,023	545,502	546,040	547,009	548,069	548,945	546,040	544,351
o/w fixed services	#	279,212	471,664	469,662	471,837	470,895	471,463	469,662	468,944
as % of homes passed	%	32.1%	27.8%	27.5%	27.7%	27.6%	27.7%	27.5%	27.4%
o/w mobile only subs	#	16,811	73,838	76,378	75,172	77,174	77,482	76,378	75,407
o/w 1P (%)	%	17.8%	21.9%	21.7%	21.7%	21.6%	21.9%	21.7%	21.2%
o/w 2P (%)	%	26.9%	14.8%	12.5%	14.0%	13.3%	12.9%	12.5%	12.3%
o/w 3P (%)	%	35.0%	29.6%	26.4%	29.0%	27.8%	27.0%	26.4%	26.0%
o/w 4P (%)	%	20.3%	33.7%	39.4%	35.3%	37.3%	38.2%	39.4%	40.6%
Total RGUs	#	896,077	1,809,720	1,891,653	1,836,291	1,868,347	1,881,701	1,891,653	1,904,783
RGUs / sub	#	3.0	3.3	3.5	3.4	3.4	3.4	3.5	3.5
Residential churn fixed customers	%	14.8%	14.8%	15.1%	13.5%	14.1%	14.9%	15.1%	16.1%
Global ARPU fixed customers	€/month	53.78	55.97	58.44	57.59	58.10	58.52	58.44	58.57
Fixed Voice RGU's	#	279,691	467,181	462,827	467,280	467,292	465,362	462,827	459,968
as% fixed customers	%	100.2%	99.0%	98.5%	99.0%	99.2%	98.7%	98.5%	98.1%
BB RGU's	#	217,726	389,456	394,810	391,733	392,722	394,738	394,810	396,310
as% fixed customers	%	78.0%	82.6%	84.1%	83.0%	83.4%	83.7%	84.1%	84.5%
TV RGU's	#	124,754	250,191	270,333	256,783	264,899	267,325	270,333	274,408
as% fixed customers	%	44.7%	53.0%	57.6%	54.4%	56.3%	56.7%	57.6%	58.5%
Postpaid lines	#	273,906	702,892	763,683	720,495	743,434	754,276	763,683	774,097
Postpaid customers	#	153,939	412,247	438,953	422,737	433,513	436,737	438,953	443,892
as% fixed customers (only mobile excluded)	%	49.1%	71.7%	77.2%	73.7%	75.7%	76.2%	77.2%	78.6%
Mobile lines / customer	#	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7

SOHO		Annual			Quarterly				
KPIs	Unit	2014	2015	2016	1Q16	2Q16	3Q16	4Q16	1Q17
Subs	#	47,038	88,163	89,322	88,301	89,014	89,076	89,322	88,945
o/w 1P (%)	%	32.7%	28.5%	29.7%	31.7%	30.8%	30.4%	29.7%	28.7%
o/w 2P (%)	%	26.1%	27.0%	16.4%	18.4%	17.5%	16.9%	16.4%	15.9%
o/w 3P (%)	%	31.1%	33.9%	39.7%	38.1%	38.9%	39.3%	39.7%	40.1%
o/w 4P (%)	%	10.2%	10.6%	14.2%	11.8%	12.8%	13.3%	14.2%	15.2%
Total RGUs	#	143,472	278,314	300,713	285,111	292,888	296,335	300,713	303,168
RGUs / sub	#	3.1	3.2	3.4	3.2	3.3	3.3	3.4	3.4
ARPU Global clientes red fija	%	20.3%	21.3%	20.3%	22.3%	21.5%	20.5%	20.3%	24.1%
Global ARPU Fixed customers	€/month	65.0	65.3	65.2	64.9	65.0	65.3	65.2	65.1

SMEs and Large Accounts		Annual			Quarterly				
KPIs	Unit	2014	2015	2016	1Q16	2Q16	3Q16	4Q16	1Q17
Customers	#	5,094	11,518	11,193	11,315	11,262	11,224	11,193	11,084

Selected financial information		Annual			Quarterly				
	Unit	2014	2015	2016	1Q16	2Q16	3Q16	4Q16	1Q17
Total revenue	€m	321.2	349.4	572.9	141.8	144.2	144.4	142.5	139.5
<i>Y-o-y change</i>	%	-4.1%	8.8%	164.0%	78.2%	75.7%	74.6%	35.7%	-1.6%
o/w residential	€m	196.2	215.7	373.1	91.3	93.7	95.0	93.1	92.5
<i>Y-o-y change</i>	%	0.4%	10.2%	173.0%	86.3%	84.5%	83.7%	45.1%	1.2%
o/w Business	€m	93.4	99.3	166.6	42.4	42.8	41.7	39.7	39.0
<i>Y-o-y change</i>	%	-7.7%	6.3%	167.7%	86.3%	82.5%	83.1%	30.8%	-8.1%
o/w Wholesale and Other	€m	24.7	25.4	33.2	8.0	7.8	7.7	9.7	8.1
<i>Y-o-y change</i>	%	-1.7%	0.8%	130.6%	44.3%	39.1%	24.8%	19.6%	0.1%
o/w Other Profit Neutral Revenues	€m	6.9	8.9	-	-	-	-	-	-
<i>Y-o-y change</i>	%	-20.1%	29.5%						
Adjusted EBITDA	€m	155.9	167.0	280.6	69.1	70.3	70.2	71.0	68.0
<i>Y-o-y change</i>	%	0.5%	7.1%	168.0%	83.2%	83.4%	72.7%	41.0%	-1.5%
<i>Margin</i>	%	48.5%	47.8%	49.0%	48.7%	48.7%	48.6%	49.8%	48.8%
Capital expenditures	€m	(42.2)	(53.1)	(95.9)	(21.7)	(24.0)	(21.8)	(28.4)	(23.2)
<i>Y-o-y change</i>	%	1.7%	25.9%	180.5%	137.8%	161.2%	111.8%	15.8%	7.2%
<i>% total revenues</i>	%	-13.1%	-15.2%	-16.7%	-15.2%	-16.7%	-15.1%	-20.0%	-16.7%
Operating Free Cash Flow	€m	113.7	113.9	184.7	47.4	46.3	48.4	42.6	44.8
<i>Y-o-y change</i>	%	0.1%	0.2%	162.1%	65.9%	58.7%	59.5%	65.0%	-5.5%
<i>% EBITDA</i>	%	72.9%	68.2%	65.8%	68.7%	65.7%	69.0%	60.0%	65.8%
Net profit	€m	n/a	7.237	62.1	14.6	15.6	14.7	17.2	13.2

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