



# 2017 Investor Day

Euskalduna Conference Centre - 2017/11/13

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# Today's agenda



Timetable		Agenda	Speaker
1	12:00 – 12:10	Introduction	F. Arteche
2	12:10 – 13:00	What's next? Our strategy going forward	F. Arteche
3	13:00 – 14:00	Review by theme	
		Maintain our leadership in residential through best customer experience	K. Unanue
		Back to growth in business	I. Fernández de la Calle
		Network ready for future excellence	N. Ojinaga
		System and processes unification: one company, local brands	J. Pérez
		Growth through expansion	F. Arteche K. Unanue
Lunch Break: 14:00 – 15:00			
4	15:00 – 15:30	Financial performance and guidance	J. A. de las Fuentes
5	15:30 – 16:00	Wrap-up / Q&A	F. Arteche

# Presenting team



Francisco Arteche  
*CEO*



J. Ander de las  
Fuentes  
*CFO*



Jesús Pérez  
*CIO*



Koldo Unanue  
*Euskadi Business  
Unit Director*



Norberto Ojinaga  
*CTO*



Isidro Fernández  
de la Calle  
*B2B Enterprise  
Marketing*





# Introduction

CEO

Francisco Arteche



# Strategic milestones

## Initial Public Offering Jul-15

- 1 Successful IPO of the first Spanish cable company<sup>1</sup> in history
- 2 Support of highly reputed institutional investors
- 3 Strong after market performance of the stock



## Acquisition of R Cable Nov-15

- 1 Transformational transaction in Euskaltel history
- 2 Fully consistent with consolidation strategy
- 3 Highly value accretive with cash flow impact over 20%
- 4 Synergies delivered on time and revised upwards
- 5 Support from institutional equity and debt investors (€255m equity raising and €900m debt raising)



## Platform creation Dec-15 / Today

- 1 Acquisition of the remaining independent regional cable business
- 2 Largest independent convergent cable platform in Spain
- 3 Governance support with the incorporation of Zegona's and John James' international expertise



**Note**  
1. On a Spanish stock exchange

# We have built a 2x larger business since IPO...

Subscribers ('000)

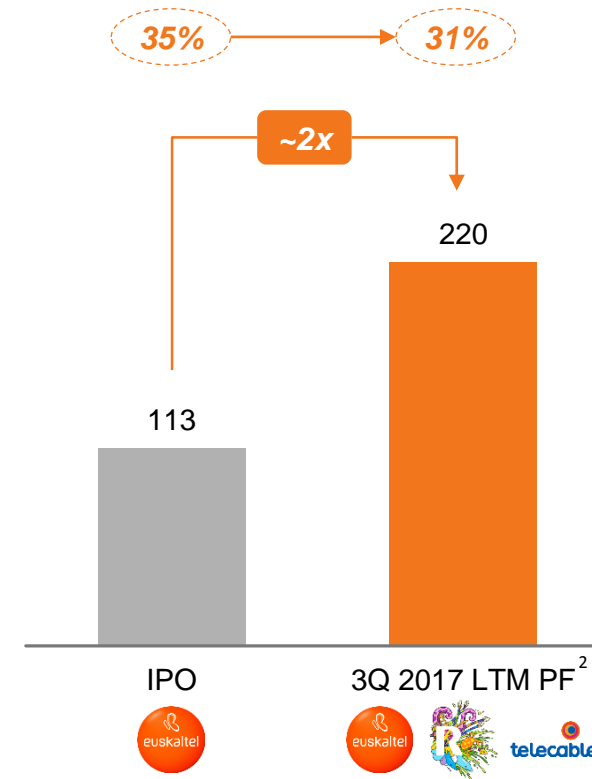
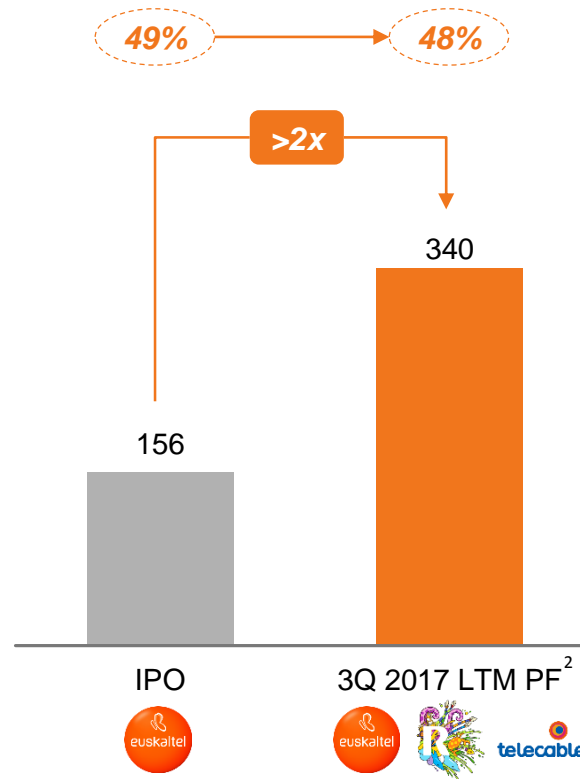
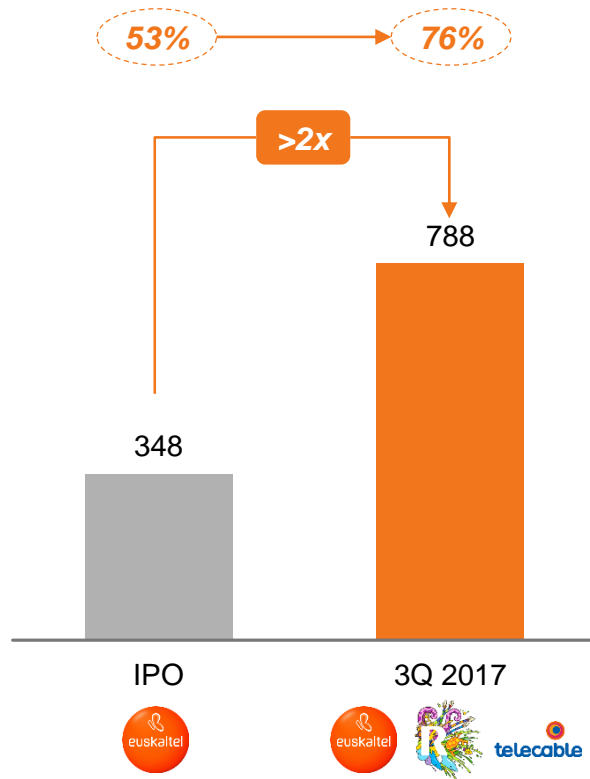
EBITDA<sup>1</sup> (€m)

OpCF<sup>3</sup> (€m)

Mobile penetration (%)

EBITDA margin (%)

As % of revenue (%)

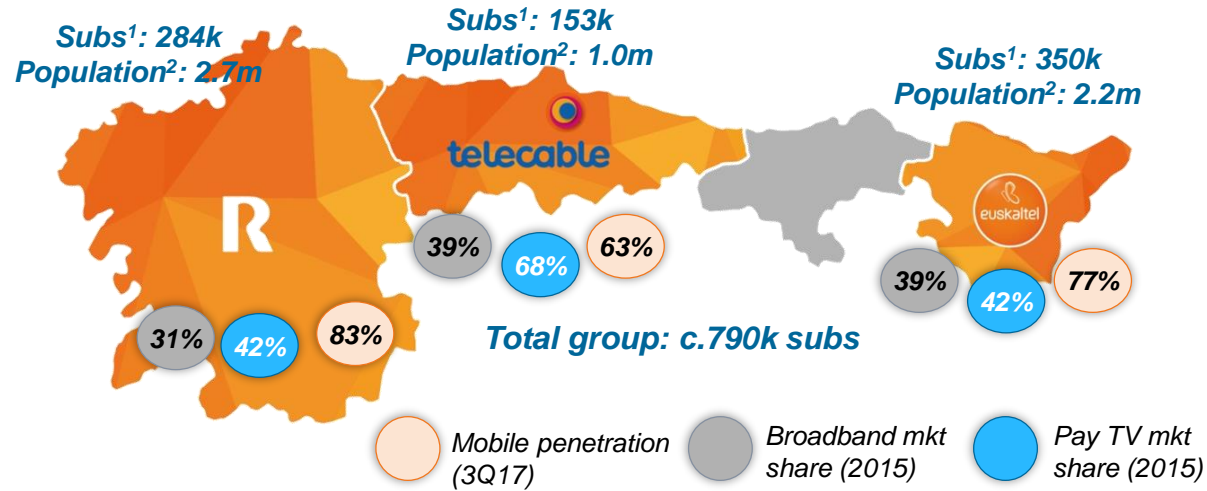


## Notes

1. Unaudited figures. Adjusted for management fees, M&A expenses, transaction bonuses and other extraordinary items (+€2.8m in 2016)
2. Unaudited preliminary pro-forma figures for the acquisition of Telecable
3. Throughout the presentation, OpCF defined as (EBITDA – capex)

# ... becoming the leading platform in the north of Spain

## Geographical complementarity



## Consistently leading market position in our regions

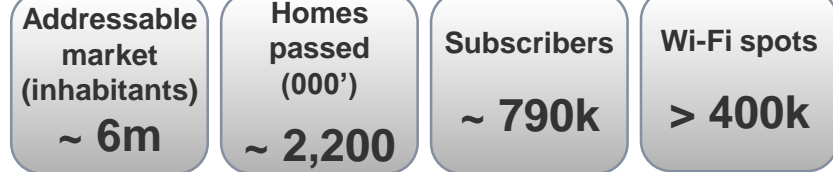


Source INE, CNMC, Company internal estimates

### Notes:

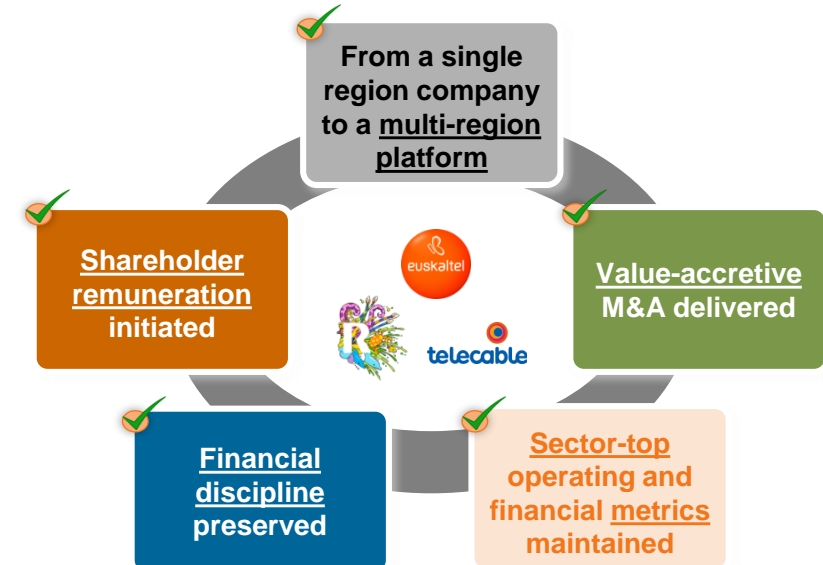
1. Total subscribers (Residential + business) figures as of Sept-17
2. 2016 data from INE
3. 3<sup>rd</sup> operator in the Basque country
4. 4<sup>th</sup> operator in Asturias

## Key metrics



**Market position**  
(in respective regions)

## Key achievements





# Current market valuation offers attractive potential....

... by fixing the issues that the market currently perceives

## Residential



- Deliver an **attractive and competitive offering** in a new competition scenario
- Address **churn** issues in Galicia and Asturias
- Re-boost **brand equity**

## Communication



- Visibility on mid-term strategy
- Performance traceability

## Cash flow



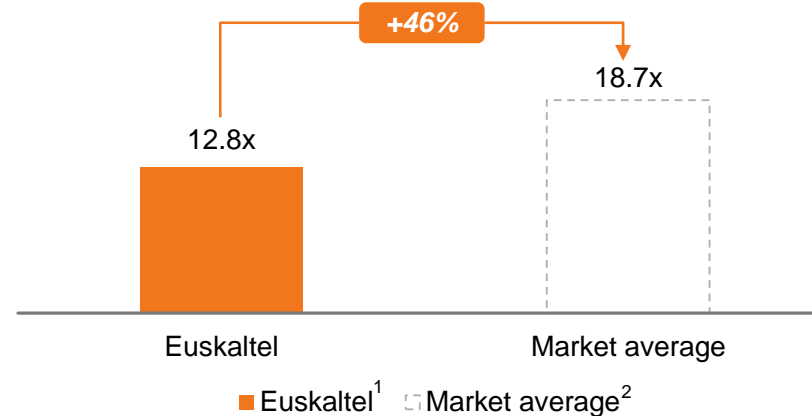
- Develop a **smart capex** strategy
- Balance **cash flow optimization** with value-accretive growth projects

## B2B

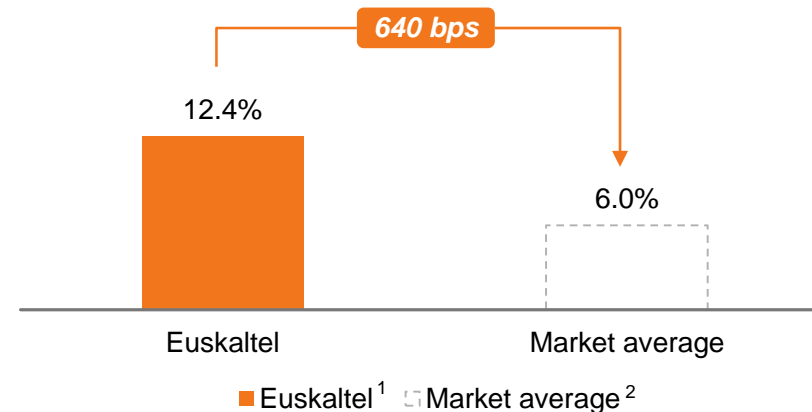


- Demonstrate our **readiness to compete** in a transforming ICT market
- Implement a **unified B2B strategy**

### 2017E EV / OpCF (x)



### 2017E EqCF yield (%)



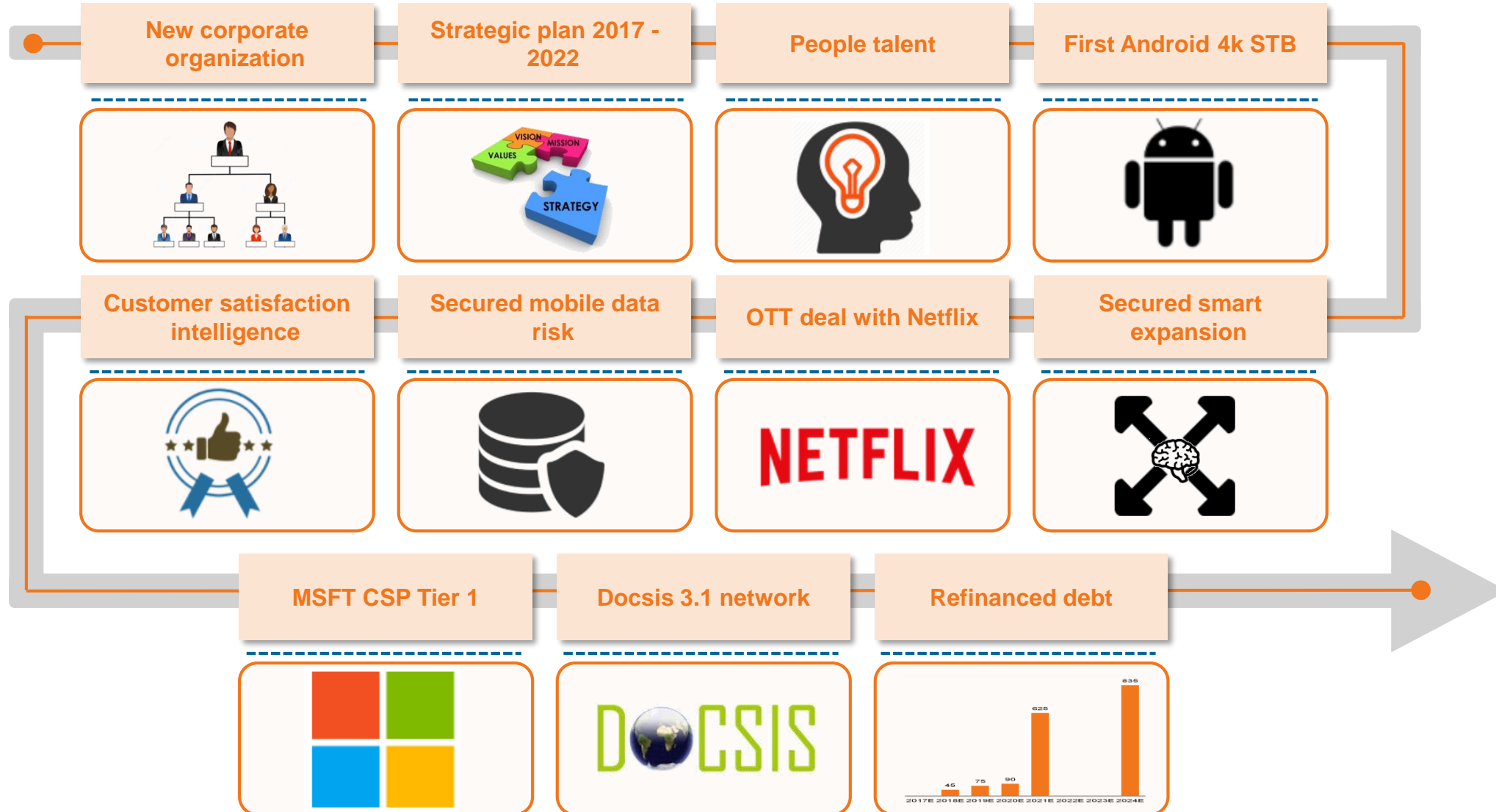
% % upside on current share price to reach sector average

Source Bloomberg as of Nov-17

Note

- Euskaltel multiple is a LTM Sep-17 proforma figure
- Market average based on Telenet, NOS and Com Hem

# Milestones achieved in 2017





# What's next? Our strategy going forward

CEO

Francisco Arteché

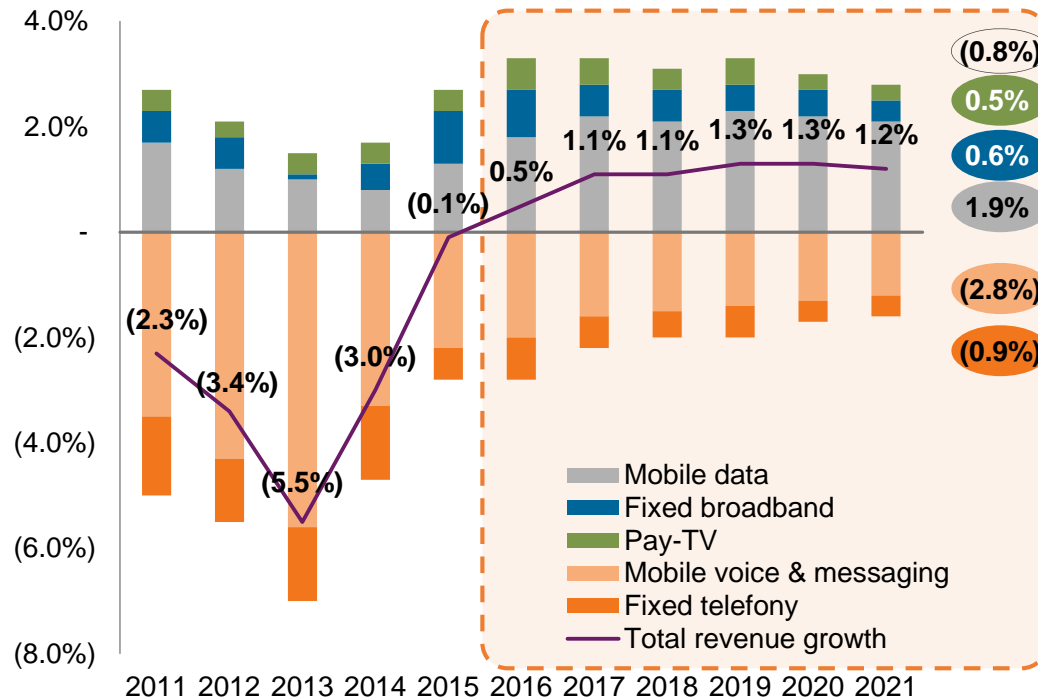


# Market context : data and TV driven market with increased competition



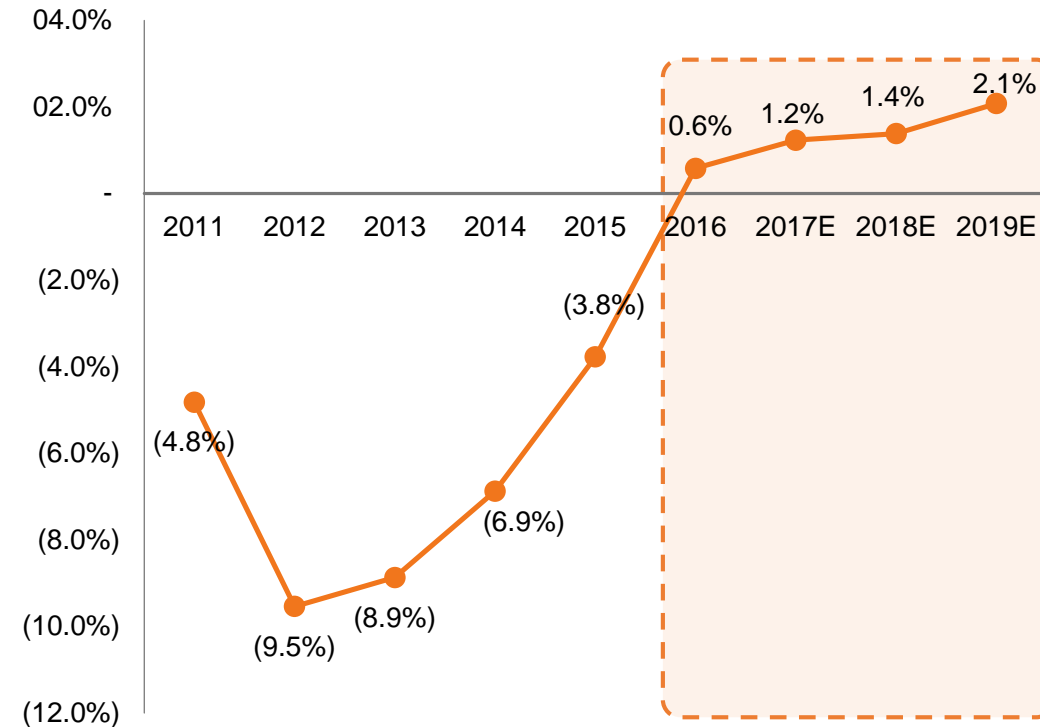
## Contribution to growth

CAGR 11A-21E



Data and TV driving moderate industry growth

## Spanish telecom sector<sup>1,2</sup>



Moderate growth expected for the coming years

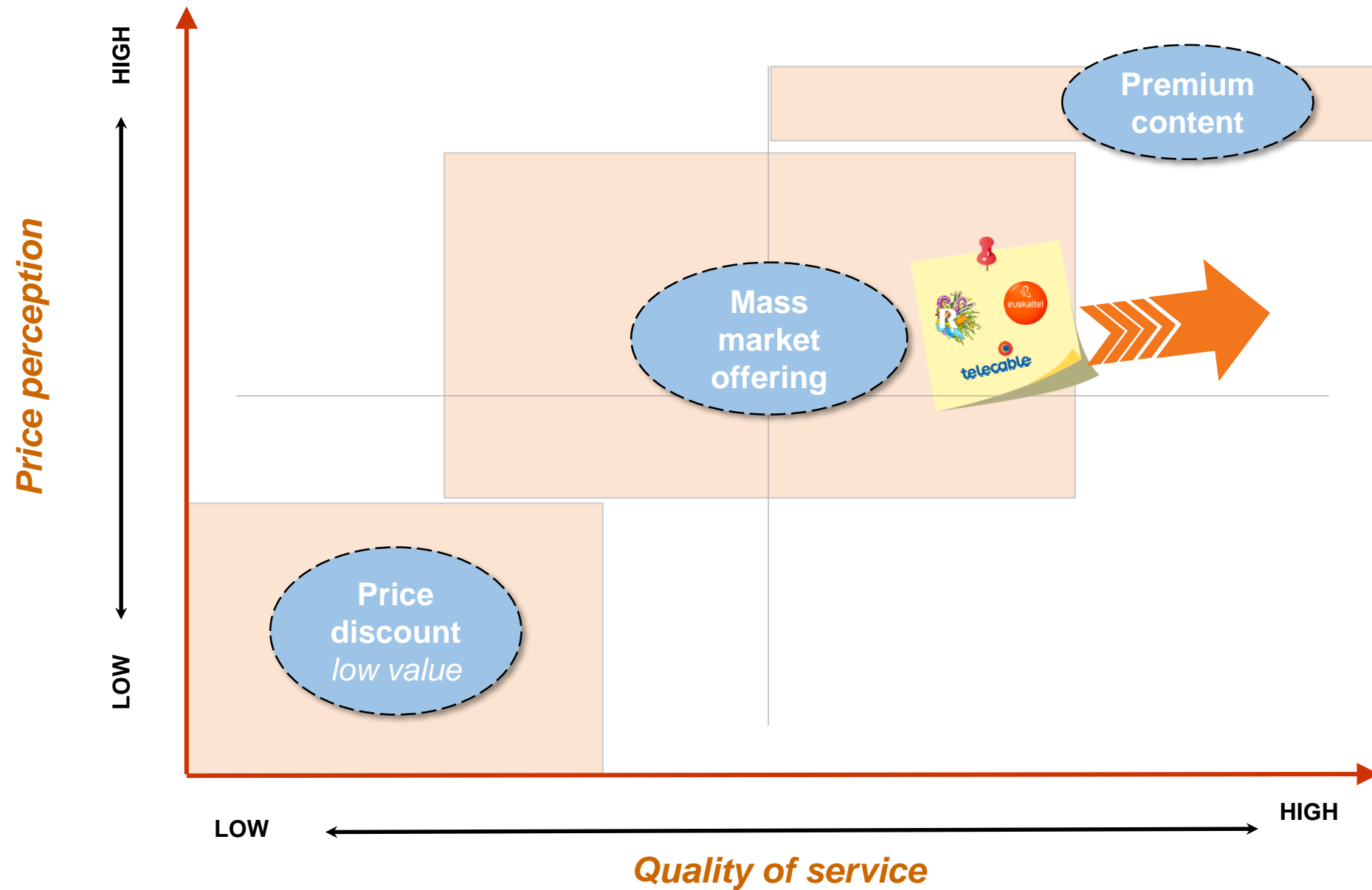
Source Arthur D. Little (2015), CNMC

### Notes:

- Revenue growth over the 2011A - 2019E period calculated as the evolution of the aggregated revenues of the 5 main Spanish competitors (Euskaltel, Movistar, Vodafone, Orange, MásMovil). The series has been adjusted for Ono and Jazztel acquisitions by Vodafone and Orange. Estimates for 2017E-2019E based on a selection of broker projections for each of the above mentioned companies.
- 2016 growth excluding Euskaltel, Masmovil and Orange growth. 2017 growth excludes Masmovil



# Our position vs competition



# Our Vision and Mission



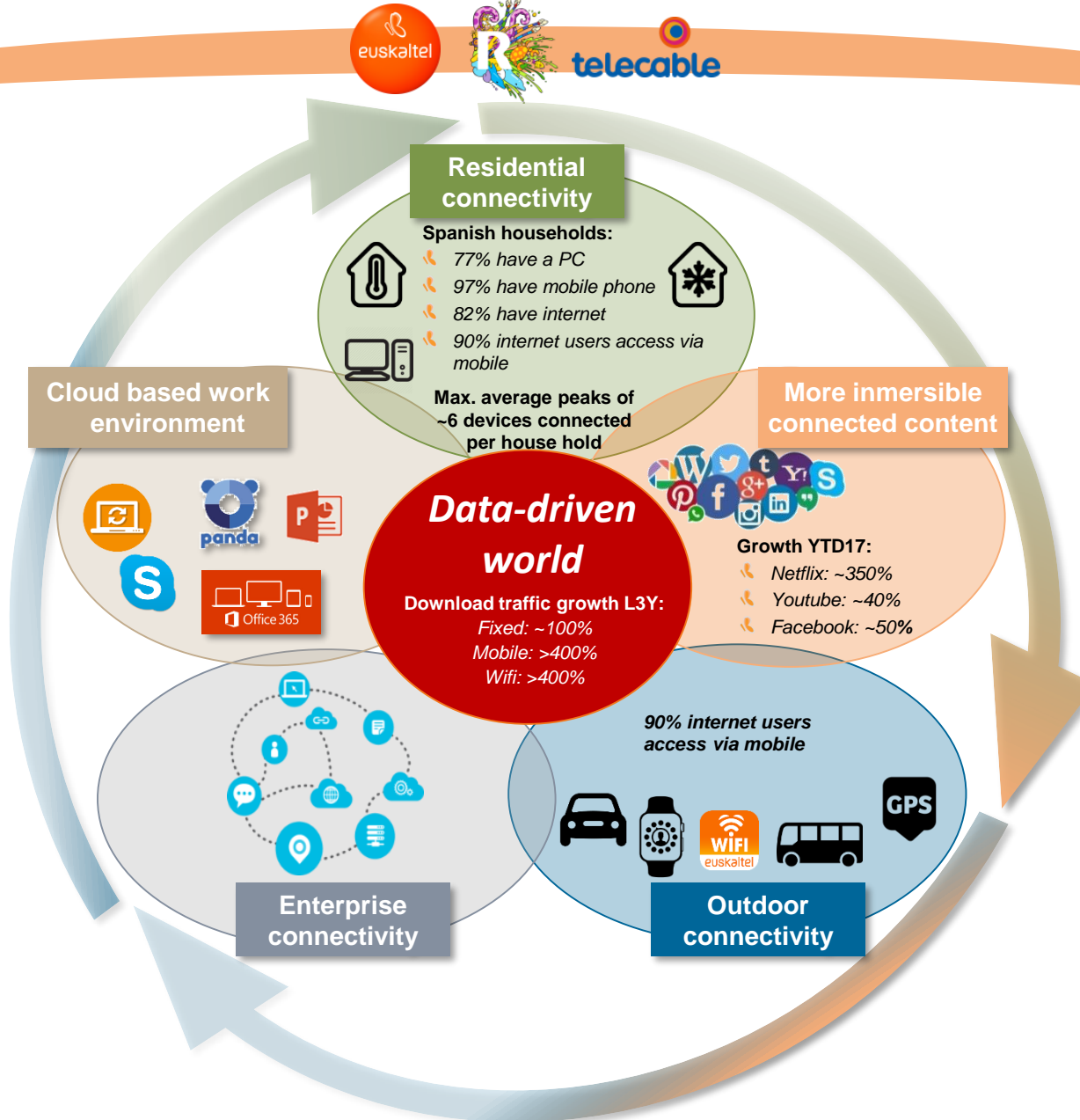
telecable

## Vision

We believe in an increasingly digital and interconnected world in which the combination of devices and technologies facilitate the day-to-day of our customers

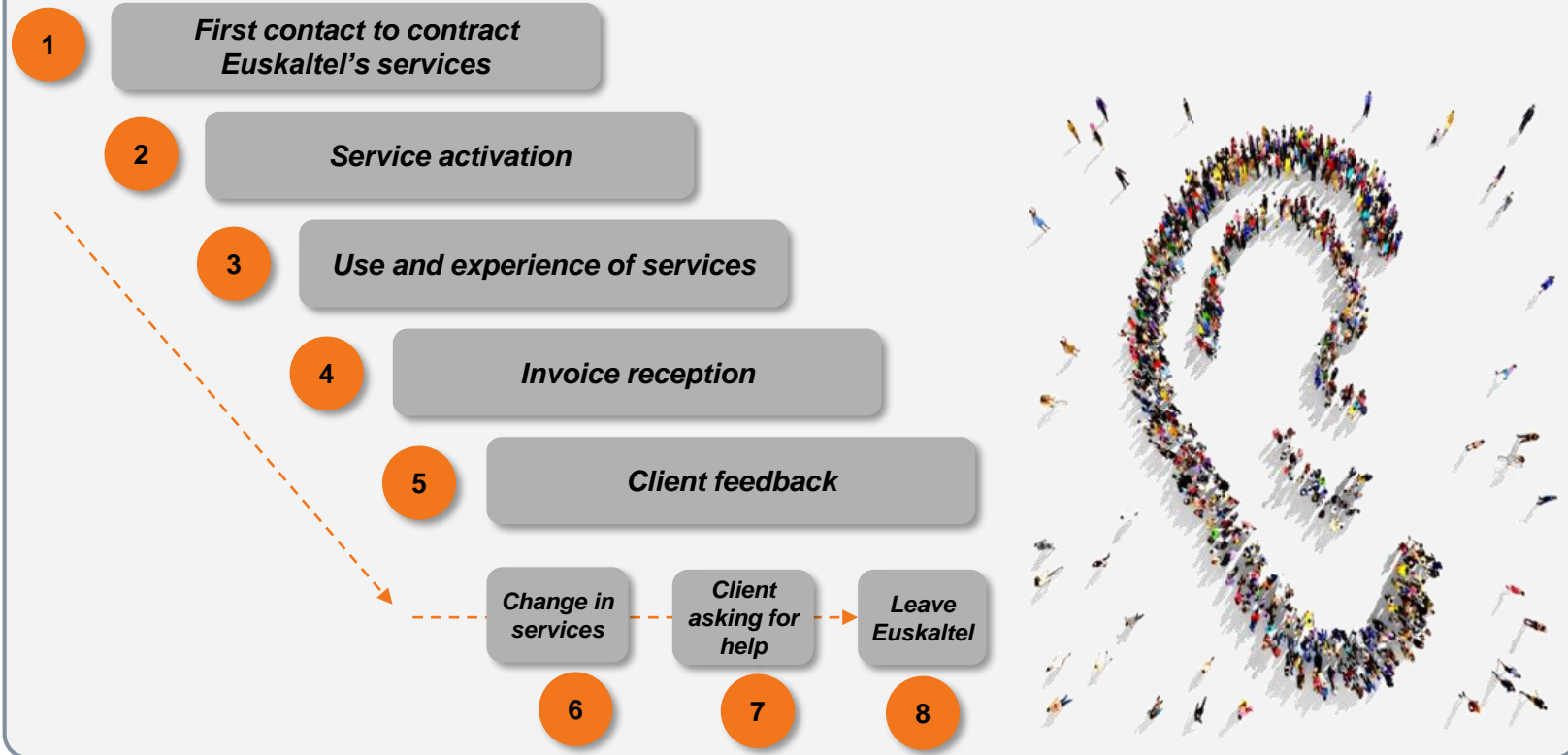
## Mission

We work hand in hand with our customers to provide them with the best digital solutions to enrich their daily lives and their businesses





We apply our 4 values at each of the 8 moments of the customer experience



An operator who listens... and responds accordingly, delighting the customer

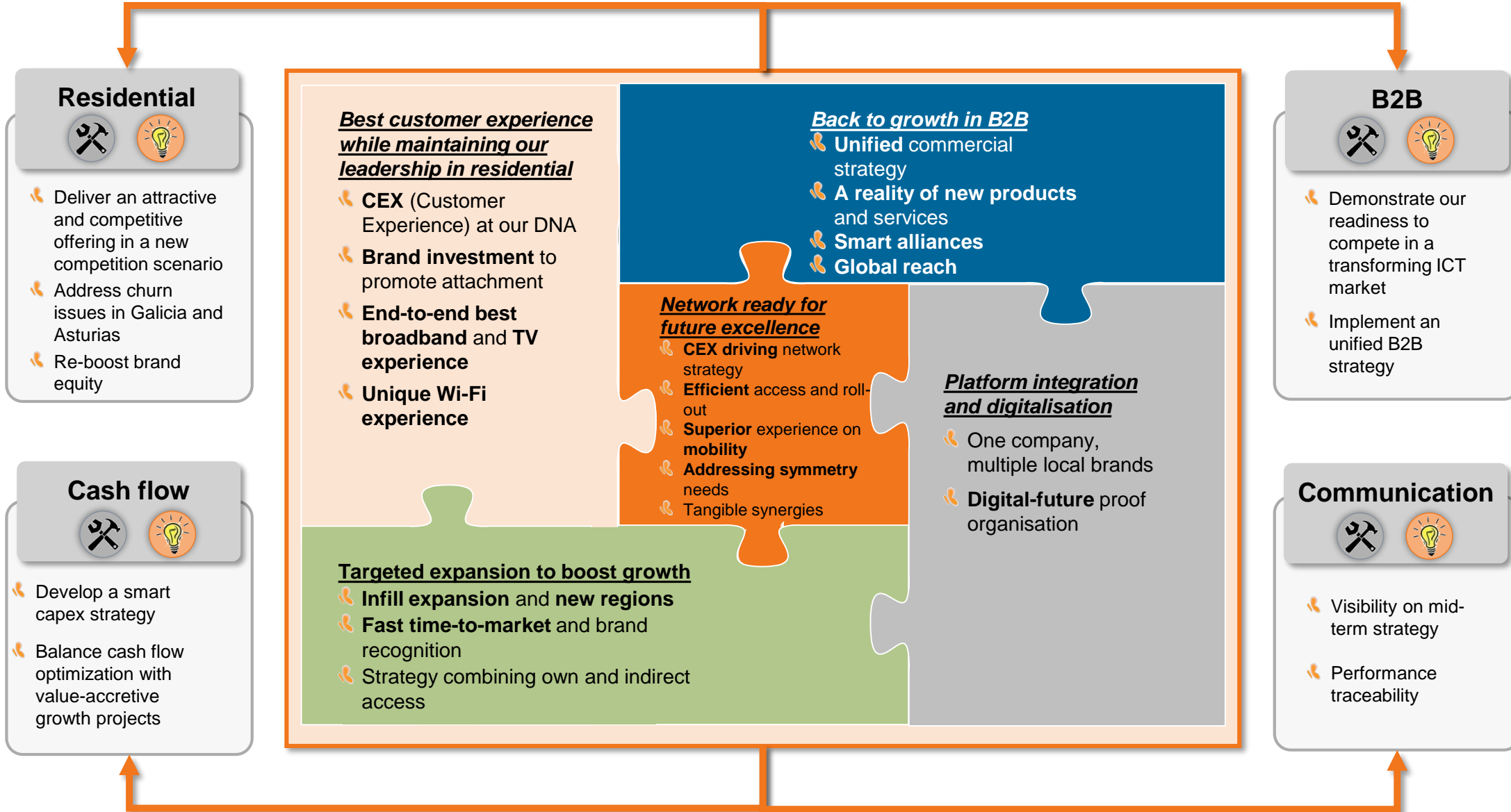
# Pillars of our strategy



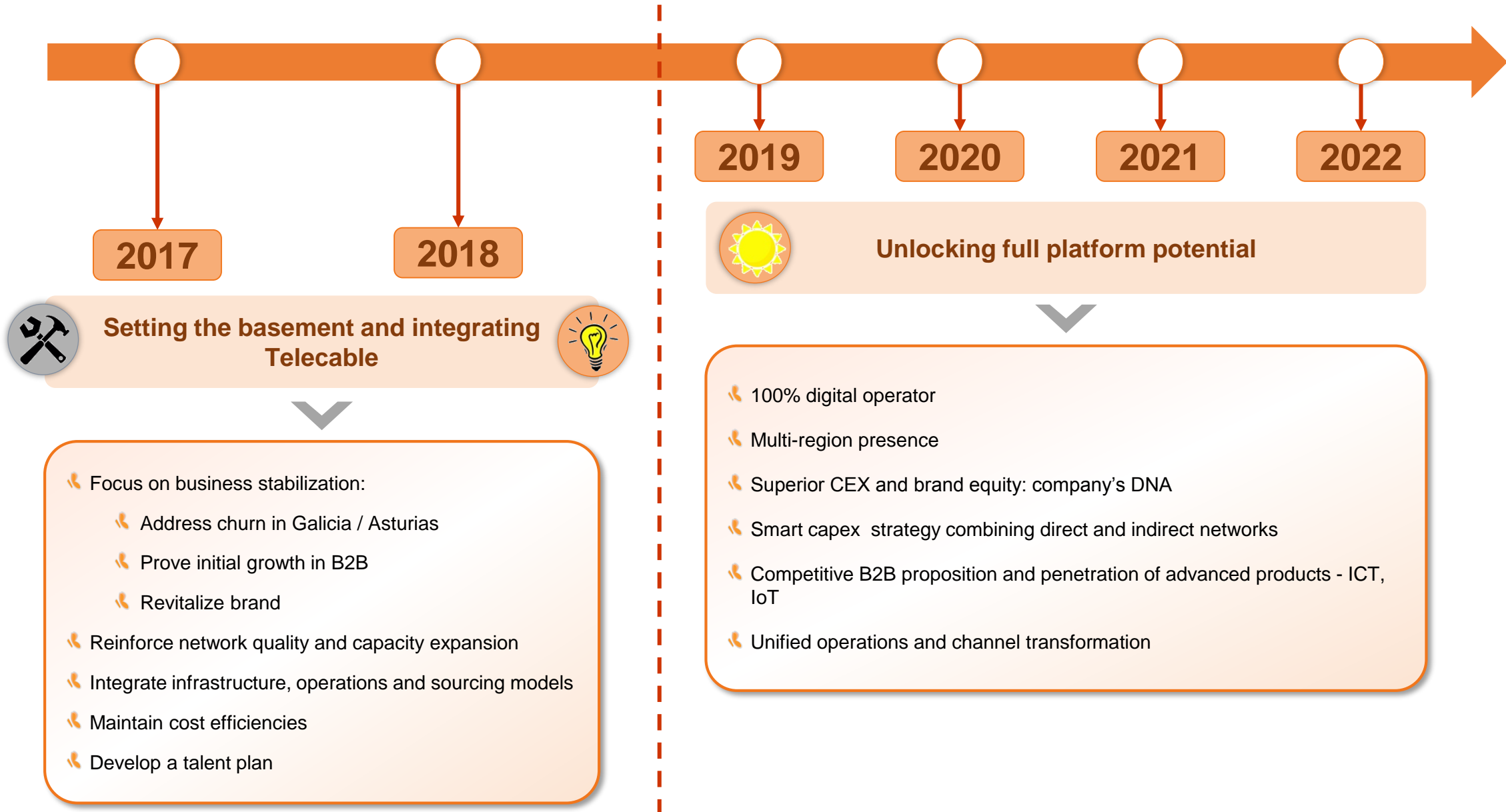
> 30 projects across the group



# Reinforced focus around 5 key areas to deliver in our 4 key challenges



# Implementation phases and priorities



# Conclusion



1

Euskaltel has delivered its ambitious organic and inorganic targets in record-time since the IPO



2

Euskaltel has become a real multi-region platform, deeply rooted in its core markets, but fully prepared to grow and enter new markets



3

We are competing in an evolving scenario that offers new challenges, but also great opportunities



4

We have defined a clear and comprehensive strategy focused on value generation through customer experience, growth and efficiencies, to which the entire organisation is committed



5

The results of the implementation will offer sustained mid/long-term value creation potential to our shareholders



# Presentation of the key speakers



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# Maintain our leadership in residential: best customer experience

## Residential

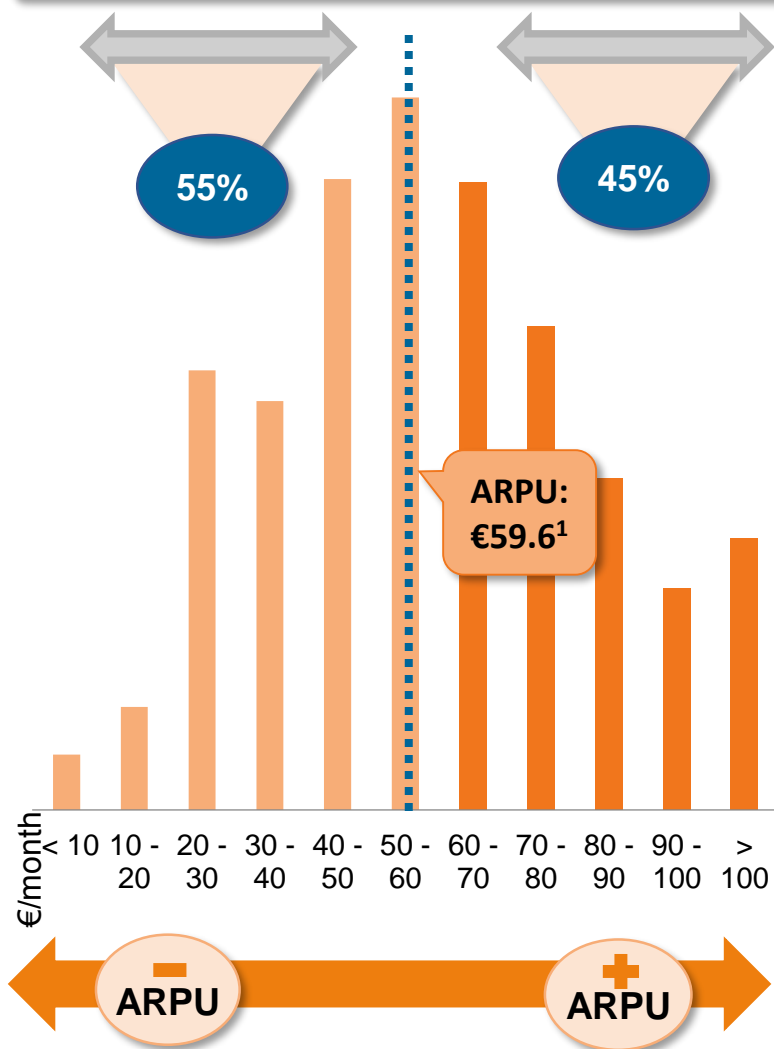
Koldo Unanue



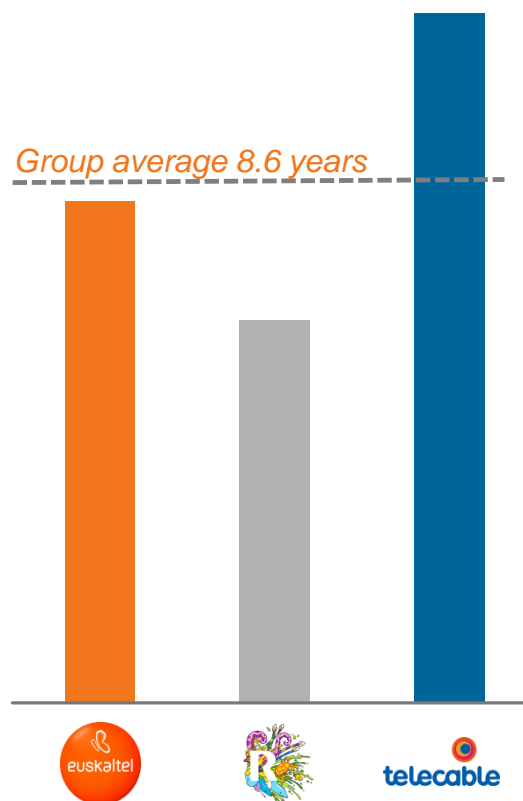
# High valuable, longstanding customer base and best-in-class brand perception



## Distribution of our customer base within our ARPU bands<sup>1</sup>

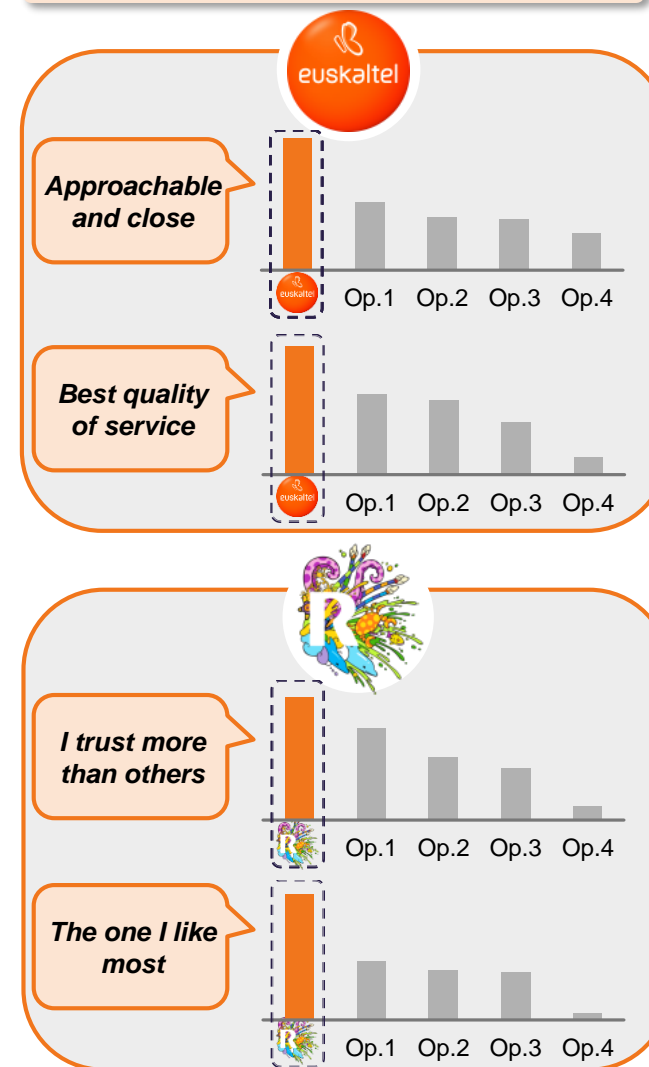


## Average seniority of the group's client base



Highly valuable customer base

## Brand recognition<sup>2</sup>



Note






1. ARPU as of 3Q 2017 of the combined entity (Euskaltel + R Cable + Telecable)

2. Kantar media independent study (period of study 1H17)

# Our product positioning versus competition



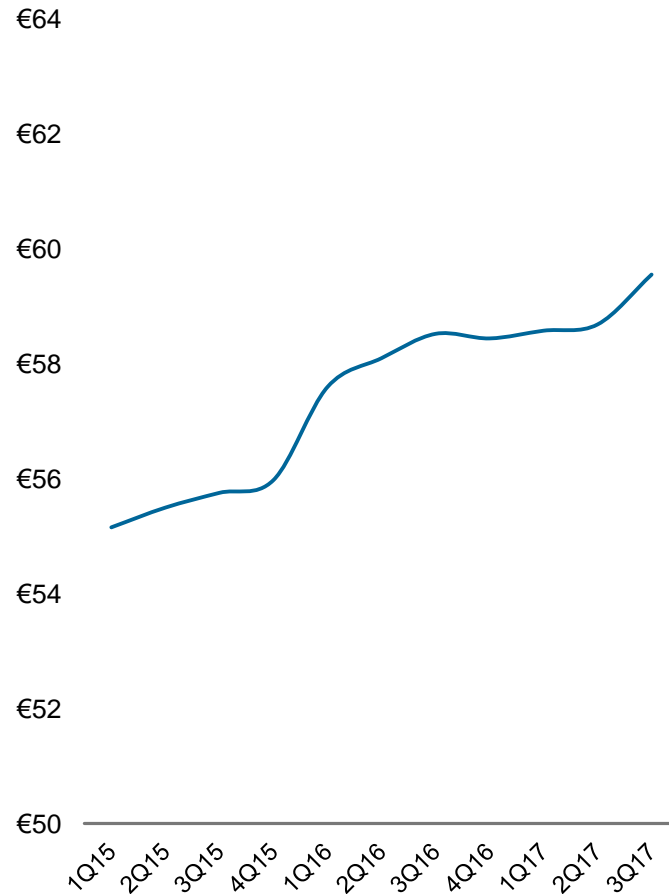
## Pricing benchmarking

	 												
	Basic	Medium	Family (2 mobile lines)		Basic	Family (2 mobile lines)		Basic	Family (2 mobile lines)		Basic	Family (2 mobile lines)	
Broadband	60Mbps	200Mbps	350Mbps		50Mbps	300Mbps		50Mbps	300Mbps		50Mbps	120Mbps	
	EuroDcsis 3.0	EuroDcsis 3.0	EuroDcsis 3.0		xDSL / Fiber	Fiber		xDSL / Fiber Fiber	Fiber		xDSL / Fiber	Fiber	
Pay TV	TDT + 9 extra channels	>70 Channels	>90 Channels		TDT Channels	>80 Channels Football		--	>40 Channels Football		--	>60 Channels	
	Online only	4K STB + Catch Up + VOD	4K STB + Catch Up + VOD		Catch Up + VOD OTT	STB HD + Catch Up + VOD		--	STB HD + Catch Up + VOD		--	STB HD + Catch Up + VOD	
	Edonon multidevice	Edonon multidevice	Edonon multidevice		Yomvi multidevice	Yomvi multidevice		--	OTT Football (+€9.95)		--	Multidevice	
Mobile	200 min	Unlimited	Unlim.	Unlim.	200 min	Unlim.	Unlim.	200 min	Unlim.	Unlim.	200min	Unlim..	Unlim.
	4 GB	10 GB	10 GB	10 GB	2 GB	10 GB	10 GB	3 GB	8 GB	8 GB	6 GB	10 GB	10 GB
	+Outdoor free Wi-Fi	+Outdoor free Wi-Fi	+Outdoor free Wi-Fi		--	--		--	--		Chat Zero	Chat Zero	
Fixed	Unlimited fixed+ 1,100 min mobile	Unlimited fixed 1,100 min mobile	Unlimited fixed 1,100 min mobile		Unlimited fixed	Unlimited fixed 550min mobile		Unlimited fixed 1,000min mobile	Unlimited fixed 1,000min mobile		Unlimited fixed & mobile	Unlimited fixed & mobile	
Price (€/month) (VAT Included)	51	71	103		45	120		49	105		53	102	

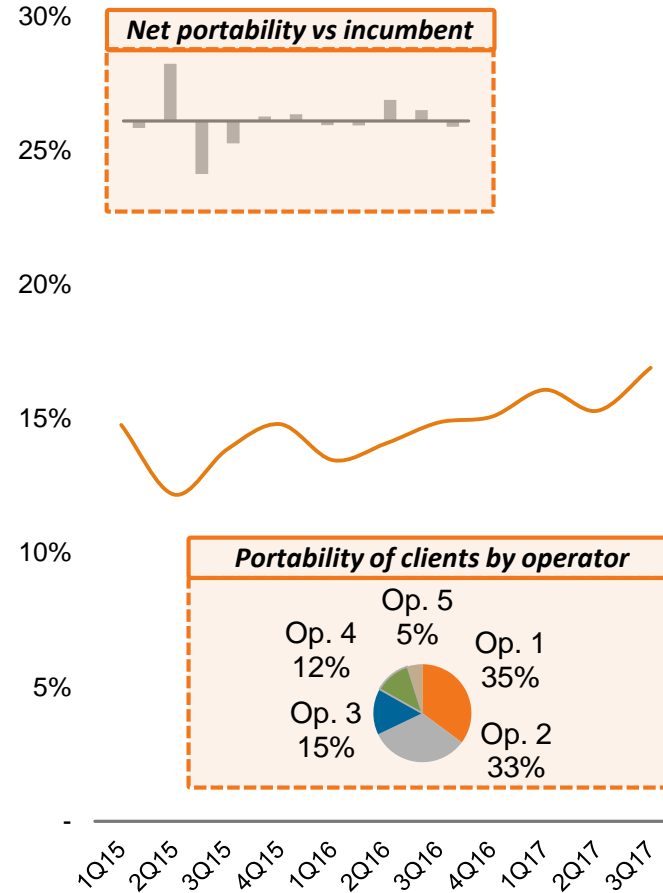
# Track-record of ARPU improvement and managed churn



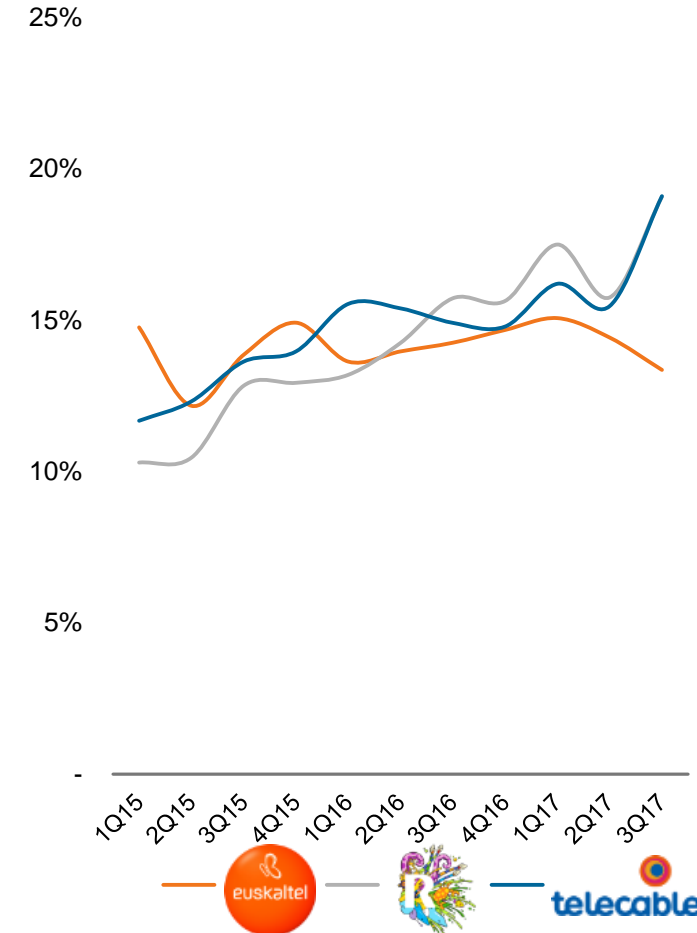
Group ARPU evolution<sup>1</sup>



Group churn evolution<sup>1</sup>



Churn evolution by region<sup>1</sup>



Source Company information

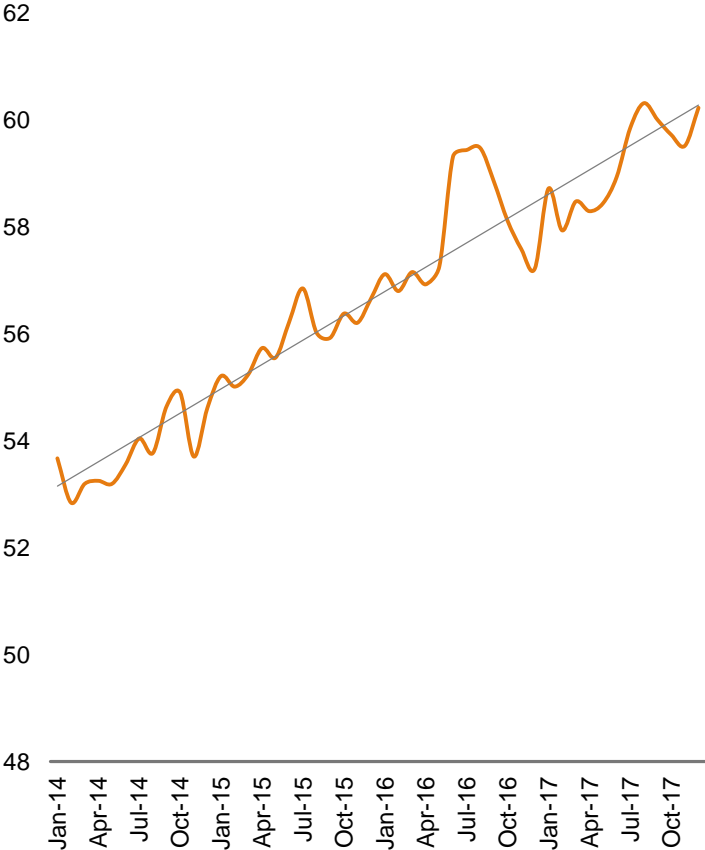
Note

1. TLC Churn & ARPU in line with TLC management's calculation method before acquisition

# Basque Country proves our ability to compete in current market

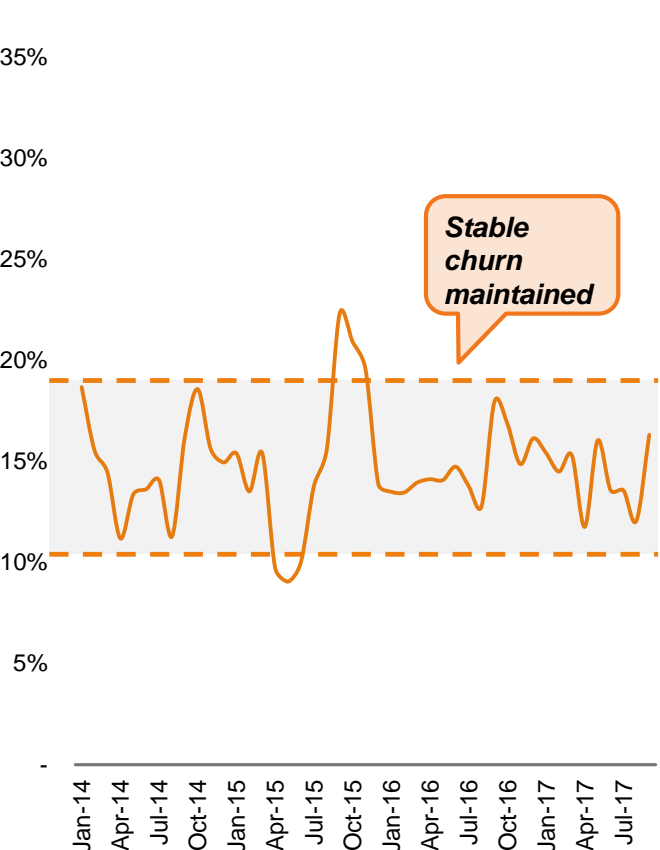


ARPU evolution in the Basque Country (€/month)



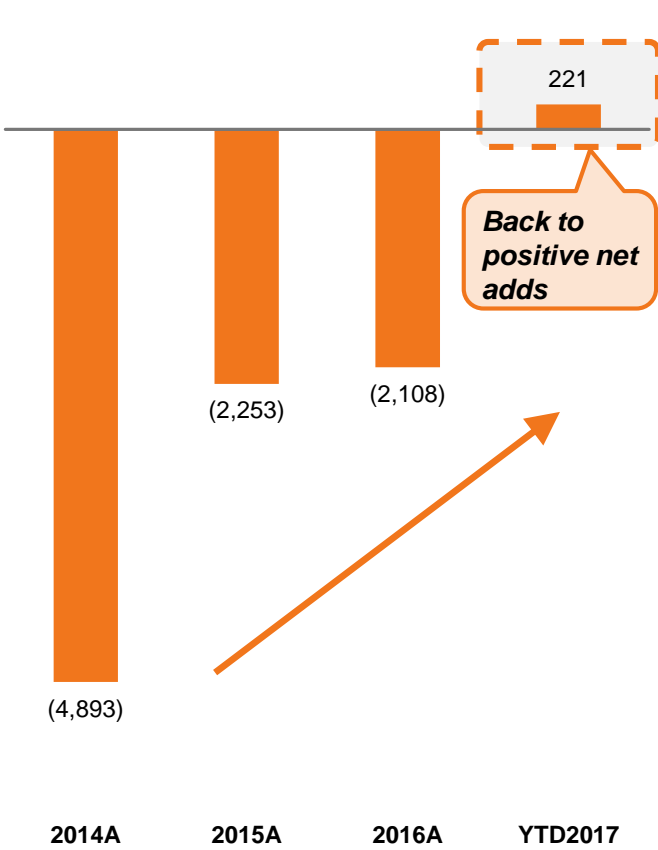
We are growing ARPU

Churn evolution in the Basque Country (%)



Stable churn maintained

Net adds evolution in the Basque Country ('000)

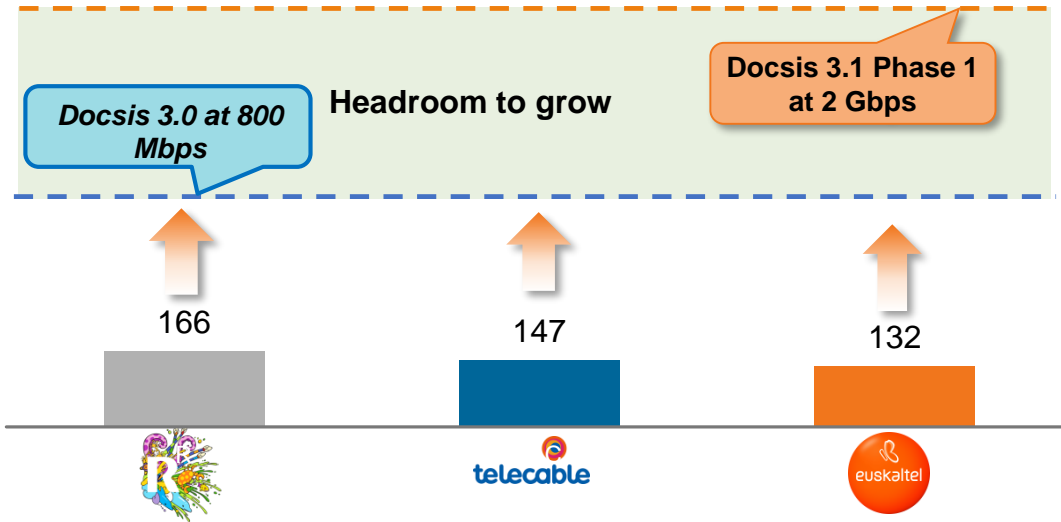


Improving our competitiveness vs. our competitors

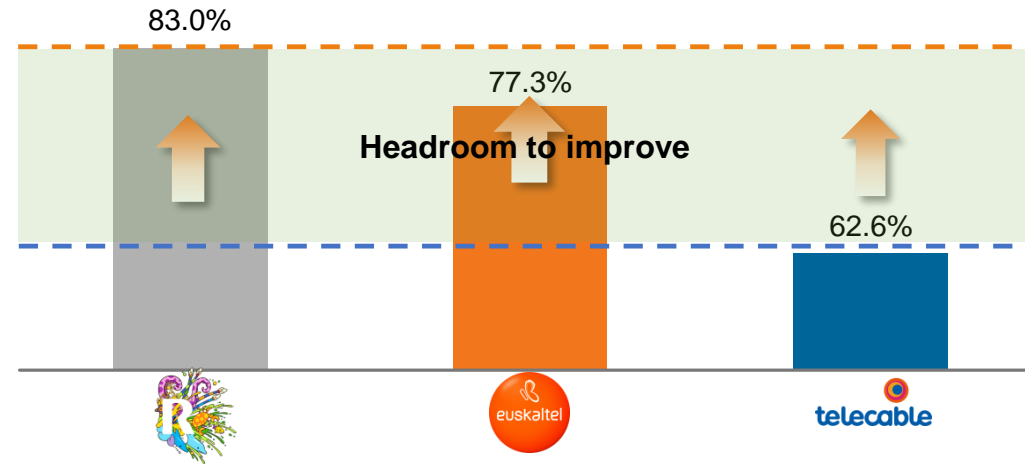


# 4 Key levers to grow ARPU...

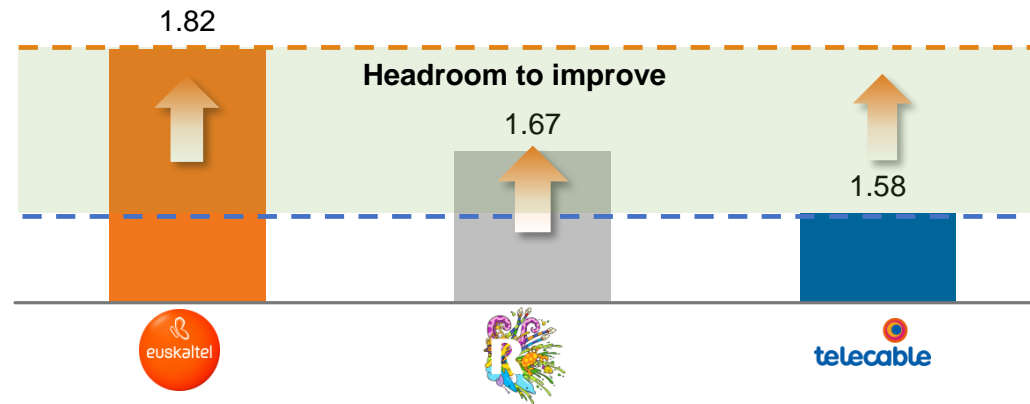
Average speed contracted – Mbps (YTD 3Q17)



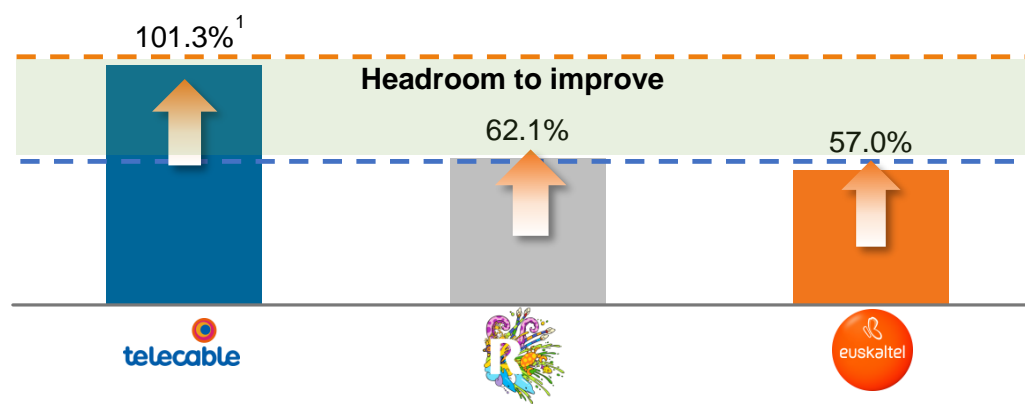
Mobile penetration (3Q17)



Mobile lines per household (3Q17)



TV Penetration (3Q17)

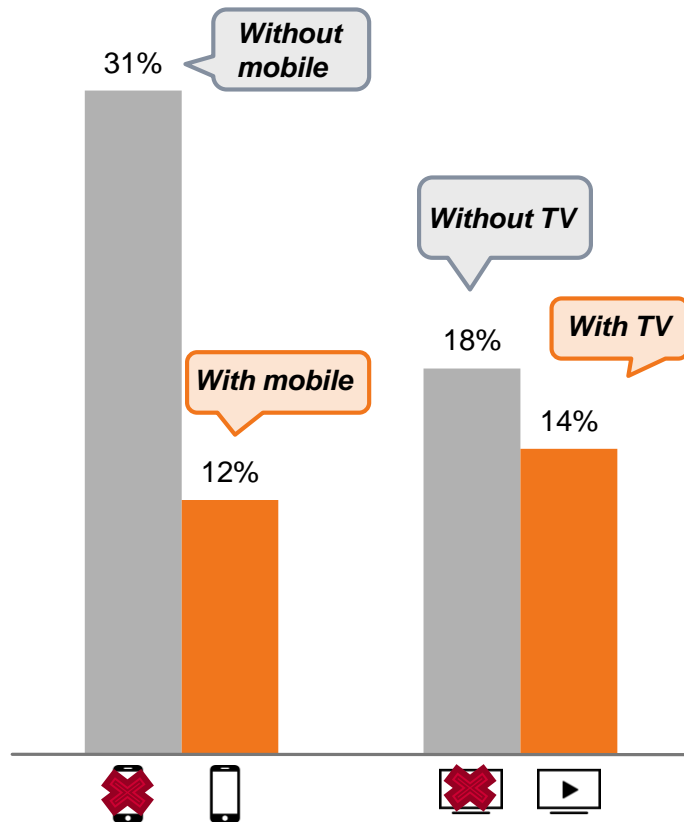


**Note**

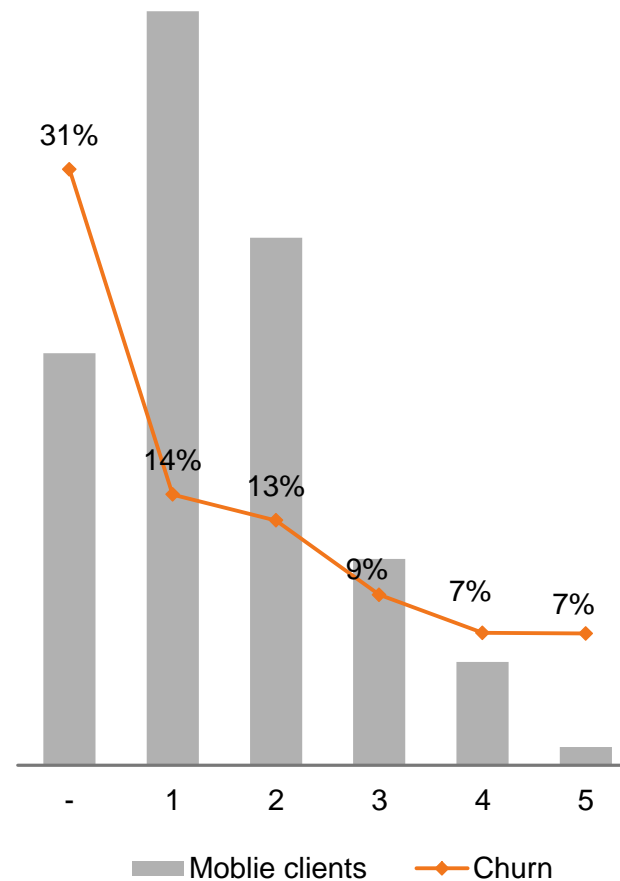
1. For TLC's clients, it is mandatory to subscribe to TV RGU which explains TV penetration exceeding 100%

# ... and to manage churn

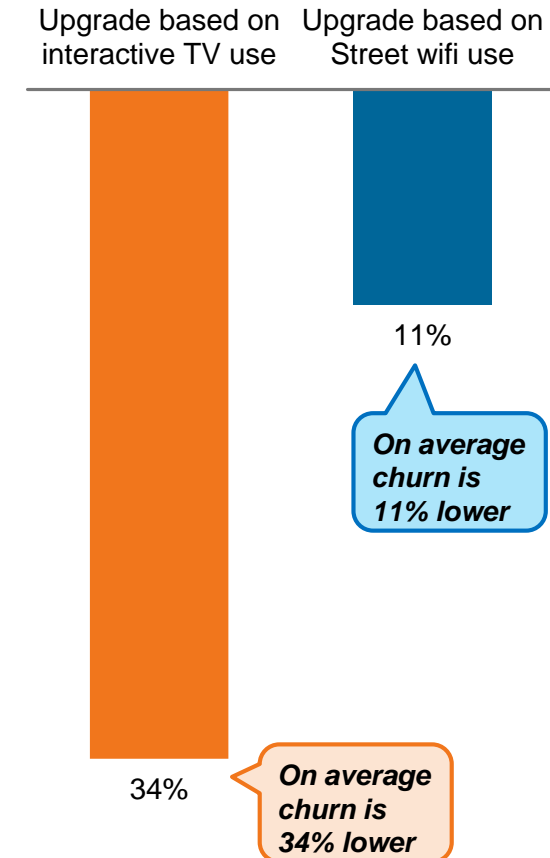
Churn depending on Mobile or TV sub<sup>1</sup>



Churn depending on # of lines (000')<sup>1</sup>



Interactive TV use and Street Wi-Fi use



Source Company information

Notes:

1. Euskaltel + R Cable YTD 3Q 2017 average

# Strategy focused on our providing differential experience



## TV experience



- 👉 HD and evolution to 4K
- 👉 Nearly 100% of content available in VOD and Catchup
- 👉 Android TV with 3000 TV Apps

## Wi-Fi experience



### Wi-Fi on holidays:

- 👉 Free 10GB data individually activated by each family when they go on holidays (2 x 15 days every year)

### Best experience at home:

- 👉 Wi-Fi quality audit, house monitoring

### Wi-Fi in the Streets:

- 👉 400,000 Wi-Fi spots with unlimited
- 👉 Access for our Internet+Mobile customers

## Digital home experience



### Location and monitoring:

- 👉 Kids location and Home monitoring from your mobile
- Older relatives monitoring

### Buy Hardware:

- 👉 Service is free for our Internet+Mobile customers

### Growing set of sensors:

- 👉 Smoke, Door & Window, Movement, Smart Plugs, HD Camera

# Summary



1

**We enjoy a highly valuable, locally-rooted, high ARPU customer base and a superior brand recognition associated to quality**



2

**We have proved the ability to compete in the current competitive scenario, as well as commercial momentum and churn management in the Basque Country**



3

**We have implemented a unified commercial strategy to address churn in Galicia by replicating the successful strategy in Basque Country**



4

**We have sufficient room to grow ARPU through increase of product penetration**



5

**Our differential services vs. our competition will let us continue at the forefront of customer perception and recognition**





# Back to growth in business

## Business

Isidro Fernández de la Calle



# Unified B2B strategy



		1 Large accounts	2 SMEs	3 SoHo
Challenges at a glance	Objective	<ul style="list-style-type: none"> <li>Increase revenue</li> </ul>	<ul style="list-style-type: none"> <li>Gain new clients</li> <li>Increase revenue</li> </ul>	<ul style="list-style-type: none"> <li>Defend our current position</li> <li>Grow through expansion</li> </ul>
	Strategy	<ul style="list-style-type: none"> <li>Enhance current clients value with services (Wi-Fi, cloud, digital transformation)</li> <li>New clients acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Increase market share in current footprint</li> <li>New clients through indirect access in current footprint</li> <li>ARPU increase via VAS</li> </ul>	<ul style="list-style-type: none"> <li>Expansion</li> <li>Development of ARPU</li> <li>Retention and loyalty build-up of clients through new services</li> </ul>
	Action plan	<ul style="list-style-type: none"> <li>Extend cloud and Wi-Fi portfolio to the whole group</li> <li>Alliances (e.g. Microsoft)</li> <li>Digital transformation projects (IoT, big data, RPA)</li> </ul>	<ul style="list-style-type: none"> <li>Standardize product offering throughout the group</li> <li>Tackle our weak links</li> <li>Add new VAS</li> <li>Launch indirect FTTH</li> </ul>	<ul style="list-style-type: none"> <li>Indirect FTTH access</li> <li>Expansion plans</li> <li>New offer and focus on current portfolio</li> </ul>
Operating data	#clients	~ 600	~ 14,000	~ 100,000
	Revenue <sup>1</sup>	€69m	€36m	€87m
	% business revenue	36%	19%	45%

Note:

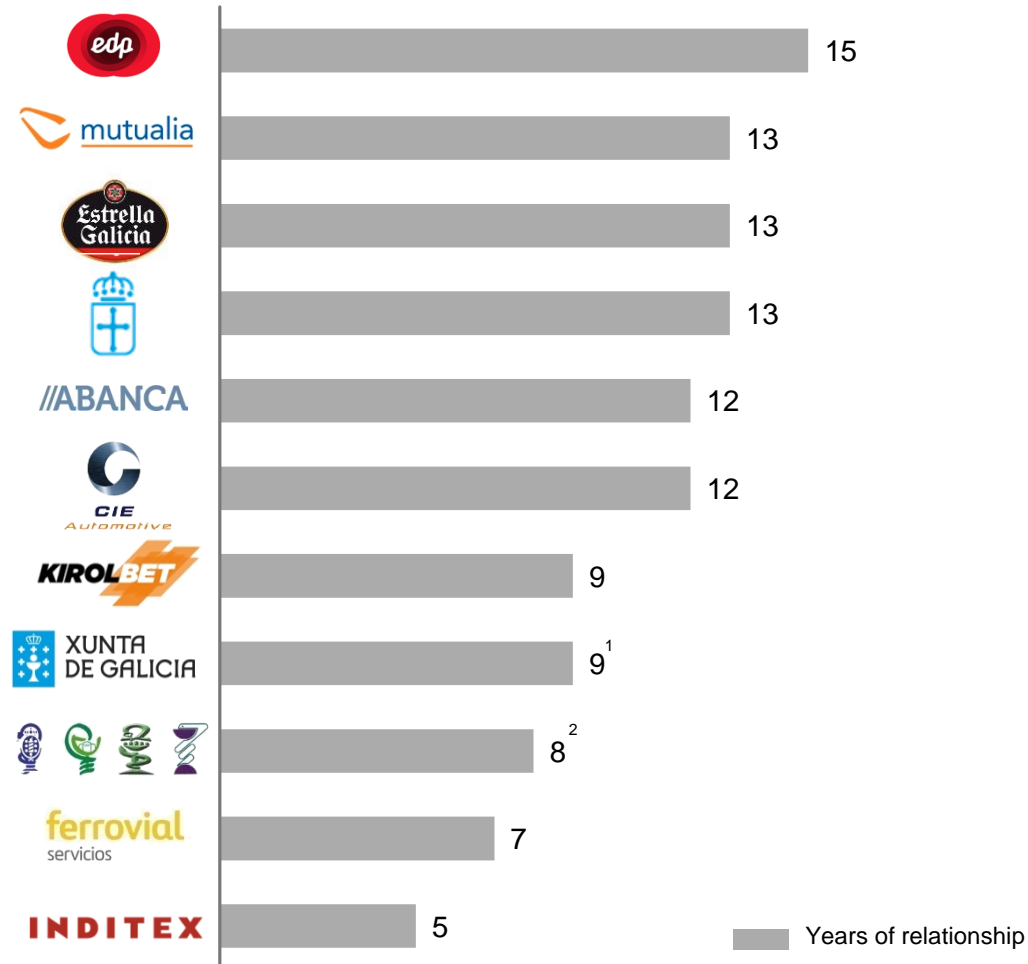
1. Pf LTM 3Q 2017



# We know how to deal with large accounts

We have a loyal customer base...

## Selection of loyal B2B clients



... and we continue to gain and renew top clients



**BOSCH**



### Note:

1. Renewed in 2017
2. Renewed in 2016

# Our services can be offered everywhere: case study



Description and key metrics

## Customer need

Multi-brand catering, in the sectors of Fast Food, Casual Dining and Traditional Food

Headquartered in Madrid, **465 premises in Spain**, and a total of **5 contact centers** in Madrid, Catalunya and Comunidad Valenciana

# of employees: 14,200

Revenue 2016: €500m

Problematic

The client required a full communication services offer, including voice, data solution, datacenter management and unified Wi-Fi services



## Our adapted offering

**Voice and data solution**, to support the premises of all Spain, both main and backup communications

**Main and backup** circuits between headquarters and external **datacenter**

**Intelligent voice platform** enabling a better service at the contact center

Development of **Wi-Fi solutions** for different brands

### Ongoing project:

TV channel development for a chain of restaurants

1 Large Accounts

Service rendering billing for 2017: €700,000

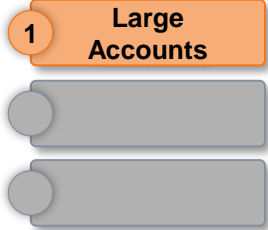
# LA: Growth driven by client growth and innovative product offering



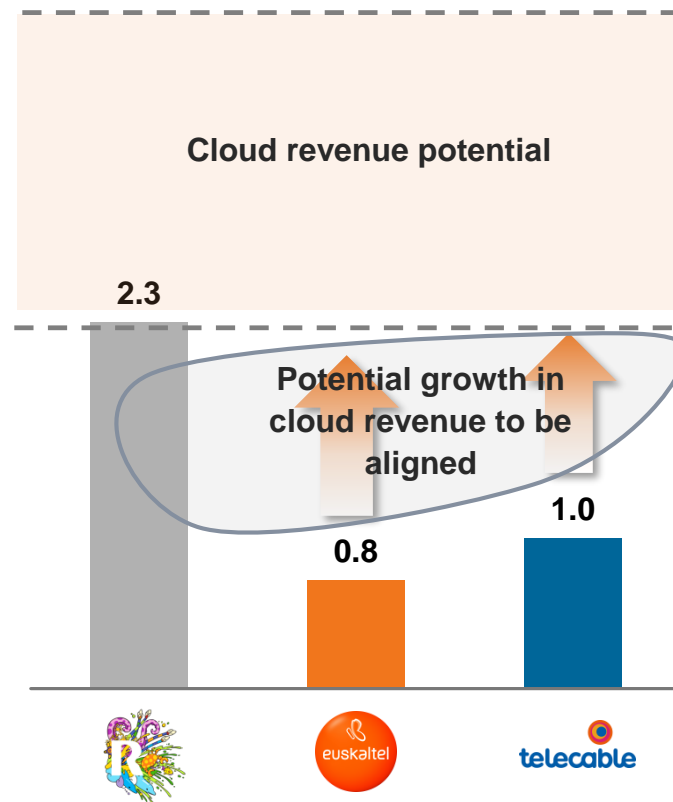
Our objective: continue growing on the back of new products

Room for improvement sharing best practices

New product offering



Cloud revenue by region (€m)



Wi-Fi as a service

- 100% managed Wi-Fi service with no investment
- Client Wi-Fi synergies
- Over 350,000 daily users
- Over 400,000 APs



Process automatization



Big Data + IoT

# Hybrid cloud: case study



## Customer need

### Description and key metrics

One of the **largest canneries in the world**, with presence in **over 9 countries**

Headquartered in Galicia, **3 externalized data centers** (2 in Spain and 1 in Brazil)

**# of employees:** 4,300

**Revenue 2016:** €576m

### Problematic

In need of integrated tools typical of a company with logistics activity such as datacenter, international communications and security services



## Our adapted offering

- Voice IP international solution and telephone office management
- Data coverage for the whole group
- Data center management
- Security service with a **Virtual Firewall**
- Corporate **Wi-Fi service** for national and international premises
- Corporate email based on Office 365

### Ongoing project:

- Hybridization with Azure's platform

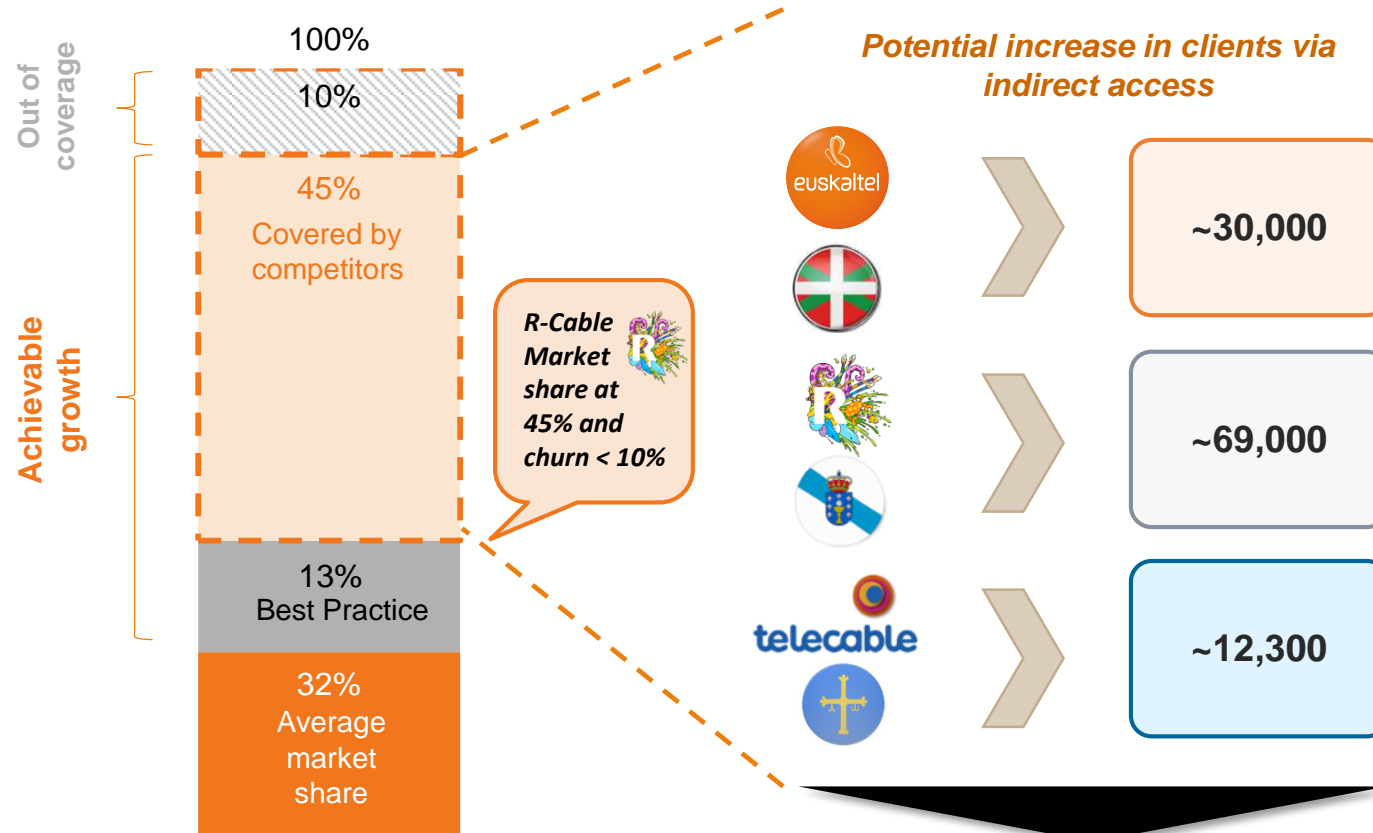
## 1 Large Accounts

**Service rendering billing for 2017: €230,000**

# Growth driven by client growth and value-add products and services



Market shares across SME segment to be balanced



~€15m potential new revenue if best practice is reached

Over 110,000 potential new clients through indirect access

Clear potential to increase ARPU

2 SMEs

Today → Simple and basic access



Tomorrow → Additional value add services



Additional value add services to increase future ARPU

# SMEs: Addressing customer needs proactively

## Symmetry

What if a client requires symmetry?



Combined offer

FTTH



+

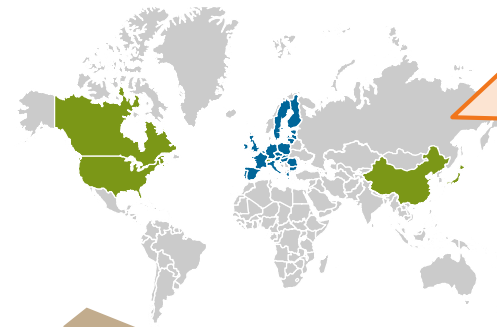
HFC



*Higher value add*

## Mobile connectivity

*Renegotiation of host agreement to align data offering to current market conditions*



Our current agreement covers 80% of worldwide roaming traffic

2015



2017



✓ Best latency

✓ 100% availability

✓ Z5: over 90% cost reduction

✓ Eurotariff: over 75% cost reduction



## New approach to SoHo

**Before**

*Same offer as for Residential*

**Now**

*New adapted offer including  
Value Added Services*

**Increase ARPU**

**Reduce churn**

## Examples of new product offering based on each target segment

### Solución Profesional



**Office 365** € 12.90

### Solución Comercio



**3Ollor** € 10.90

### Solución Negocio Sala



**Wi-Fi pro** € 9.90

**Promo TV** € 14.90

### Solución Horeca



**Wi-Fi pro** € 9.90

**3Ollor** € 10.90

**3 SOHO**

### Combo X – €69<sup>1</sup>

- Fixed Line (optional)
- 200Mbps Broadband speed
- Unlimited calls + 10GB
- Professional maintenance
- Fax IP
- Additional SIM
- Multiring
- Shared voicemail
- Takeaway data – 10GB

**Note:**

1. Included in every solution

# Summary



1

**Re-formulated growth strategy aiming to deliver tangible results by cross-fertilisation of practices among regions and a renewed commercial approach**



2

**Our products and solutions ready to serve clients outside current footprint**



3

**We have proactively addressed symmetry and international mobility issues to offer a competitive proposition**



4

**Large Accounts and SME upselling through newly launched VAS that are already proving traction among customers**



5

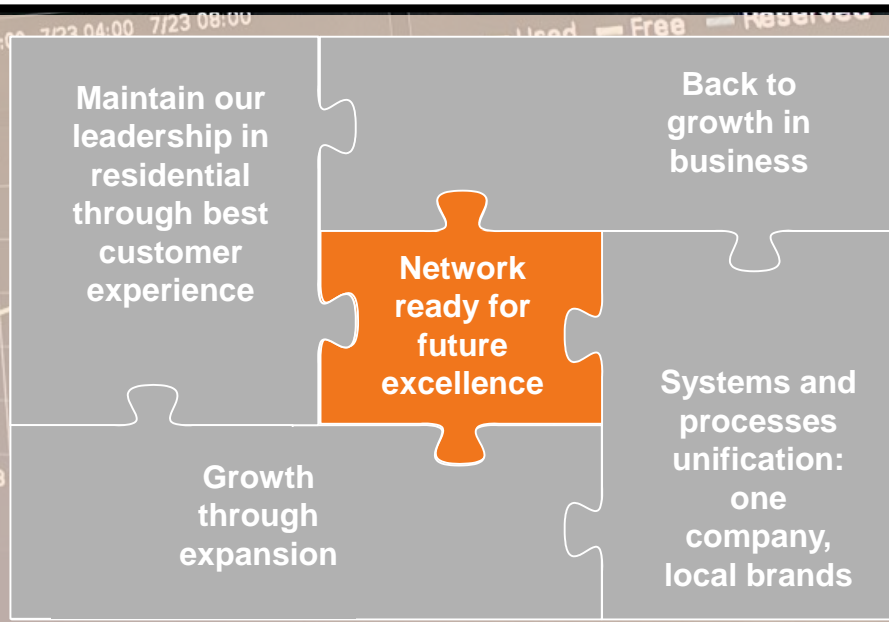
**SoHo strategy will mirror B2C but incorporate additional VAS to drive up ARPU and loyalty**





# Network ready for future excellence

CTO  
Norberto Ojinaga



# Network strategy focused on customer excellence



## Unparalleled coverage, quality and recognition...

### ✓ c.80% coverage

- 🔧 Access to high capillarity areas
- 🔧 > 400k Wi-Fi client hotspots
- 🔧 100% Docsis 3.0

### ✓ Quality of service

- 🔧 Fail-safe architecture
- 🔧 Less than 500 HH per node

### ✓ Recognition

- 🔧 Consistently top ranked by Netflix Indicator

## ... fully prepared for future challenges

### ✓ symmetry and capacity growth

- 🔧 Symmetry no longer a threat
- 🔧 Capacity addressed through targeted upgrades
- 🔧 Full Docsis 3.1 roll-out by end 2018

### ✓ Expansion and access strategy

- 🔧 Limited capex requirements for network upgrade and expansion
- 🔧 Agreement with Orange minimising network upfront investments

### ✓ Superior experience in mobility

- 🔧 Attractive terms of mobile host agreement ensuring sufficient headroom to absorb data growth
- 🔧 c.15% of 4G traffic channeled through our own 4G network
- 🔧 Own 4G network

### ✓ Synergies execution on track

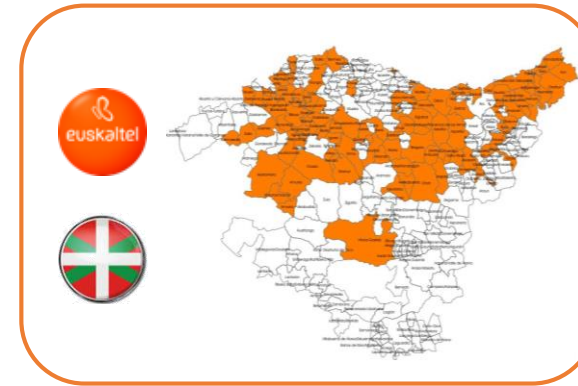
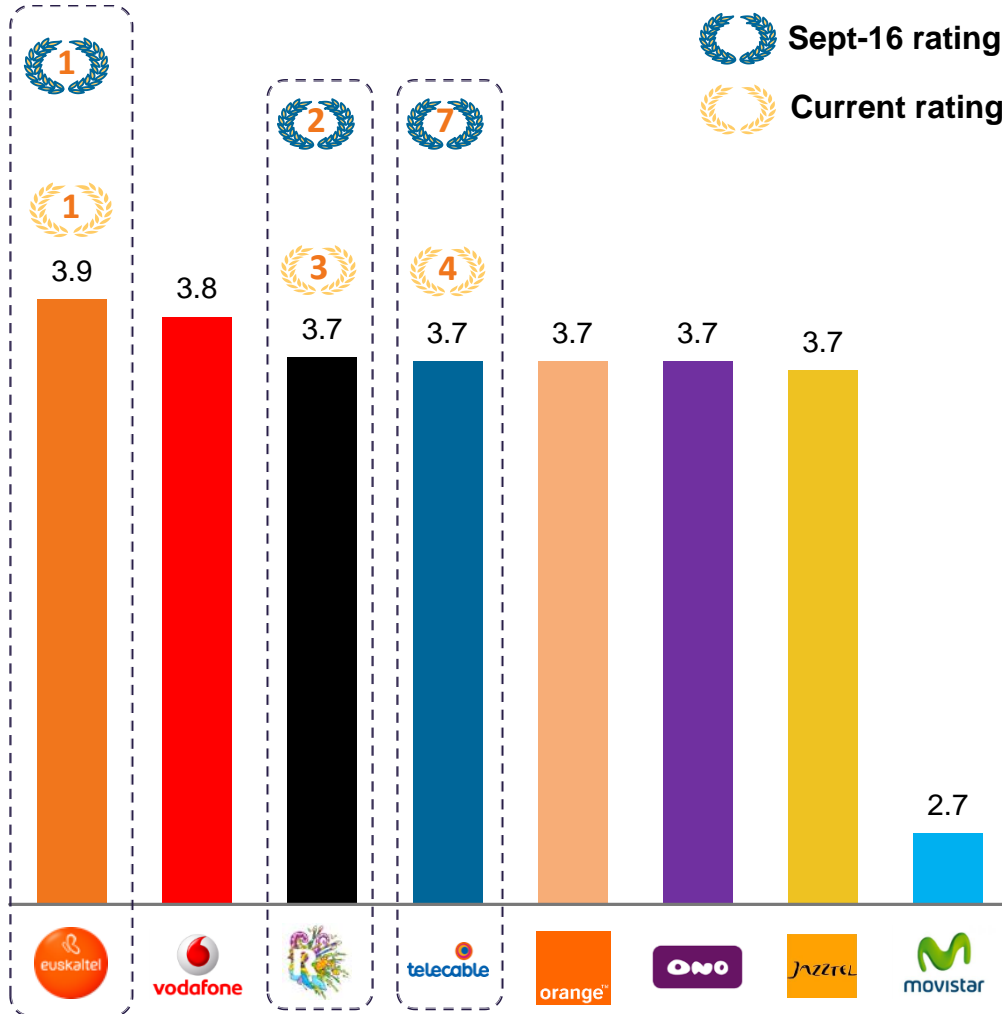
- 🔧 Detailed roadmap of synergies to be delivered by 2018, and beyond



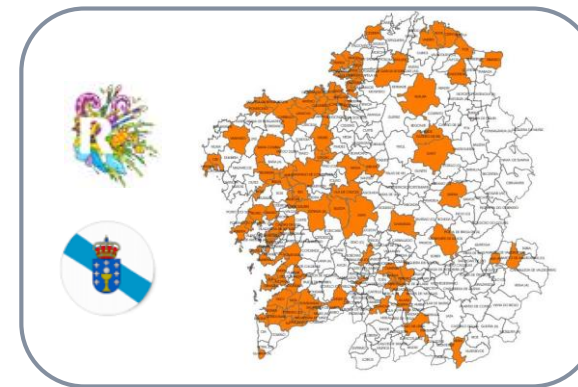
# Our network has a unparalleled coverage and recognition



## September 2017 Netflix indicator



- Coverage** to c.87% of households
- Cable-modems:** 269k
- Wi-Fi spots:** 187k
- STB:** 180k

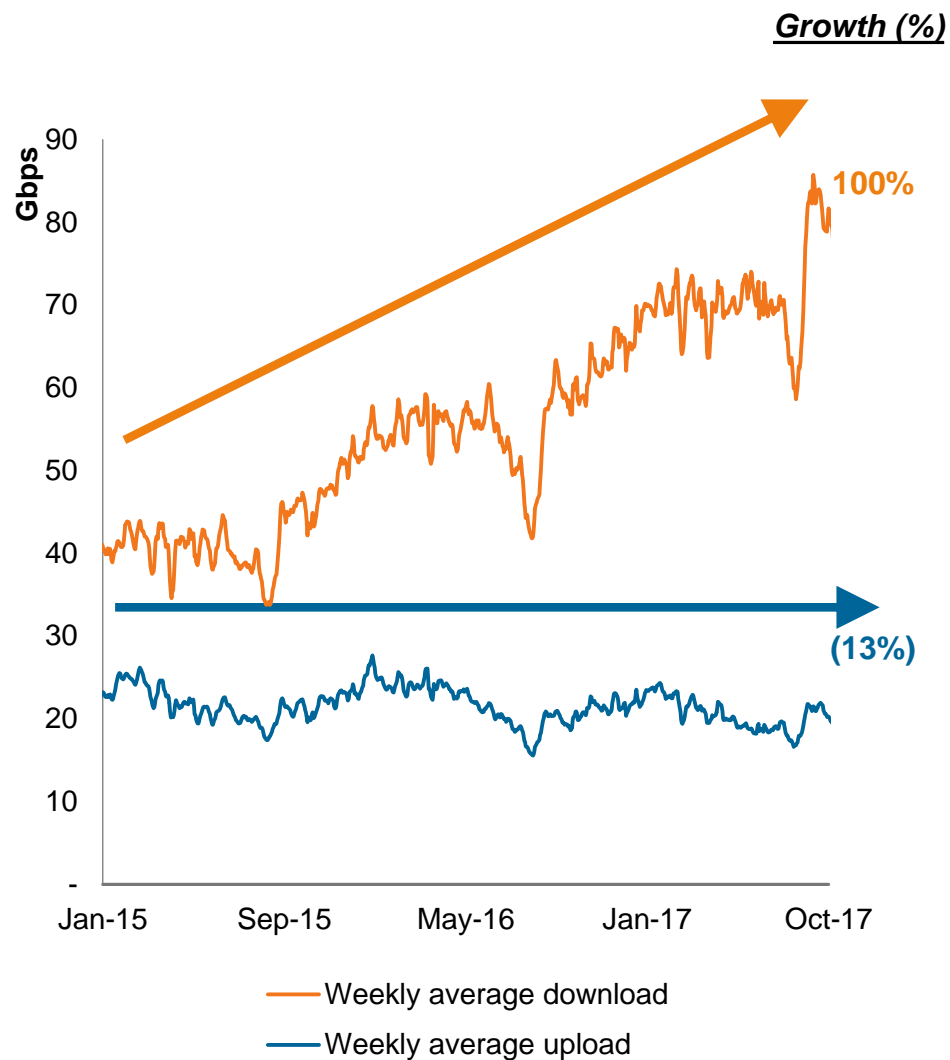


- Coverage** to c.52% of households
- Cable-modems:** 193k
- Wi-Fi spots:** 132k
- STB:** 135k

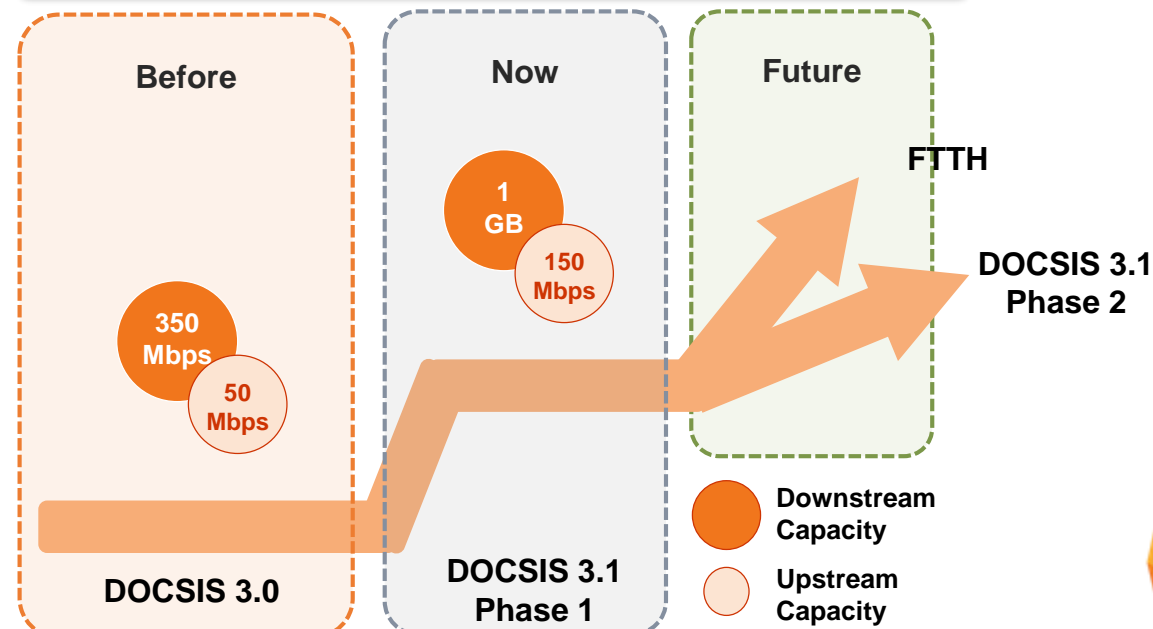


- Coverage** to c.73% of households
- Cable-modems:** 114k
- Wi-Fi spots:** 104k
- STB:** 50k

## Broadband traffic evolution



## Roadmap



## Docsis 3.1 development by region



100% deployed by end 2018



## Our strategy: "smart capex"

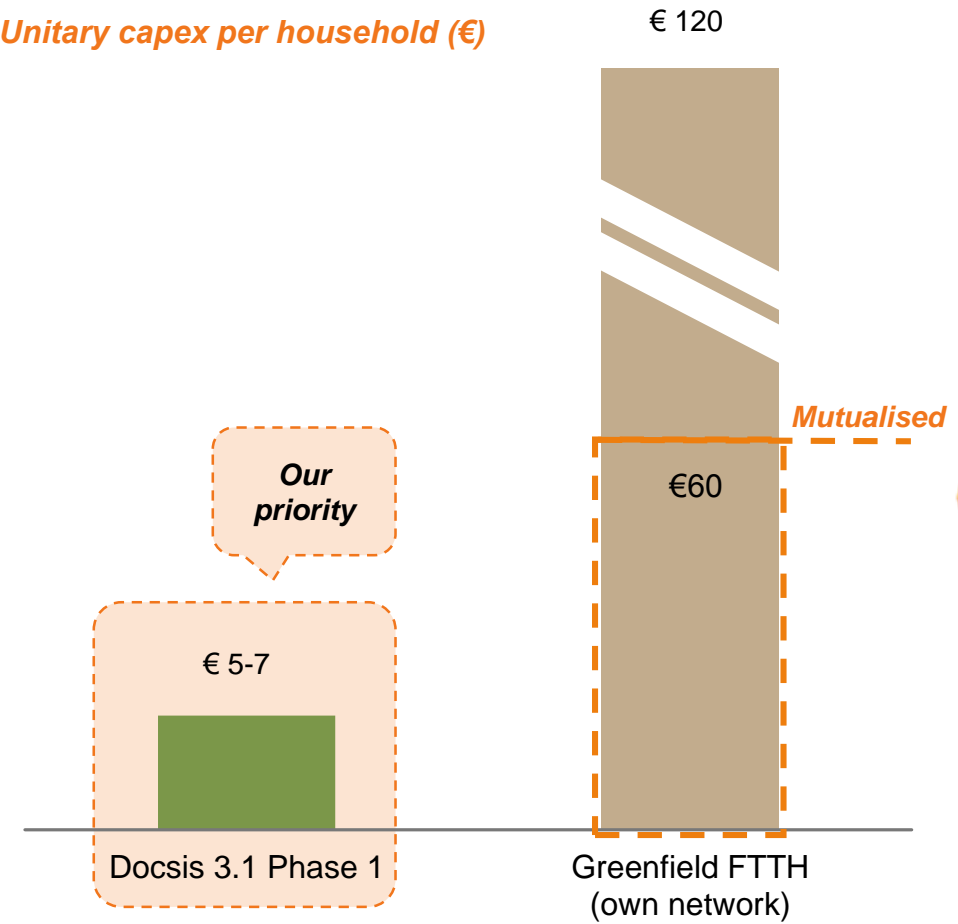
	Technologies	UIs - HH	Capex / opex
Current footprint	Docsis 3.1 Phase I	2,200,000	€10-15m
	Indirect FTTH access	On B2B demand	Low (mainly Opex)
New footprint	FTTH Infill expansion: (own network)	80,000	€10m
	New regions: Indirect FTTH access	150,000 (mutualised)	€10m
		350,000 (indirect access)	Low (mainly opex)
	Total expansion capex estimate		€20m <sup>1</sup>

## Note:

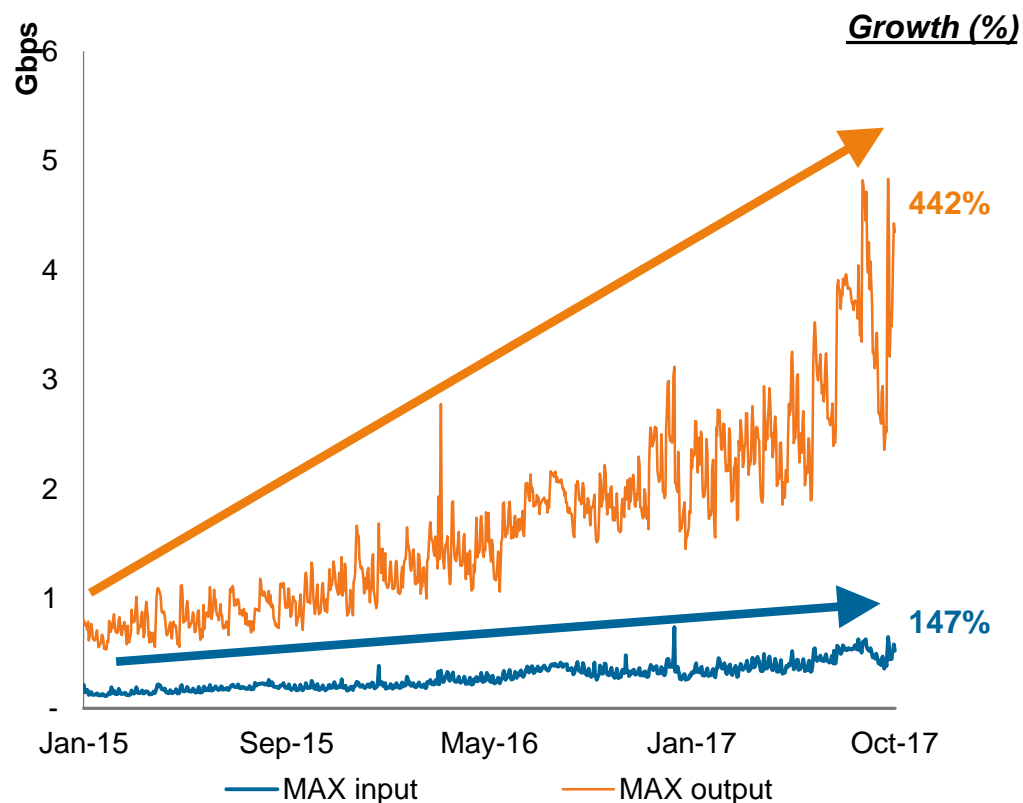
1. Includes only network access capex

## Comparison of economics

Unitary capex per household (€)

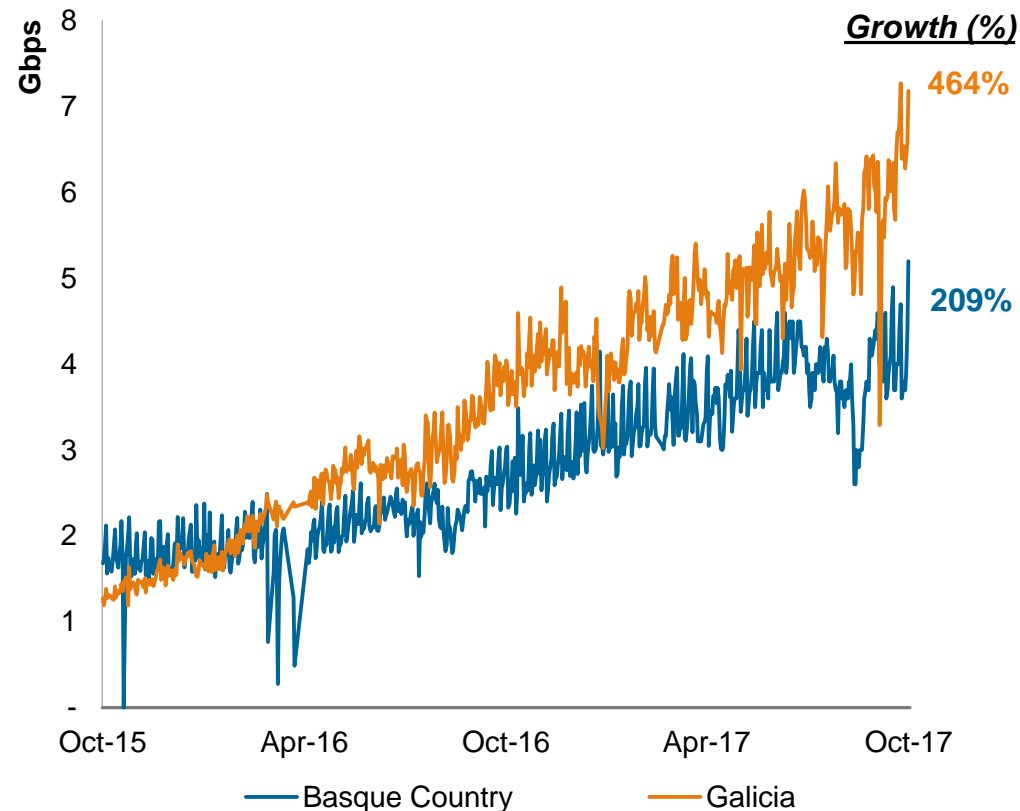


## Mobile traffic evolution<sup>1</sup>



c.15% of total 4G traffic offloaded to our own 4G network  
c.50% of our mobile lines use our own 4G network

## Wi-Fi traffic evolution



Wi-Fi everywhere as a loyalty element reducing churn

Source Company information

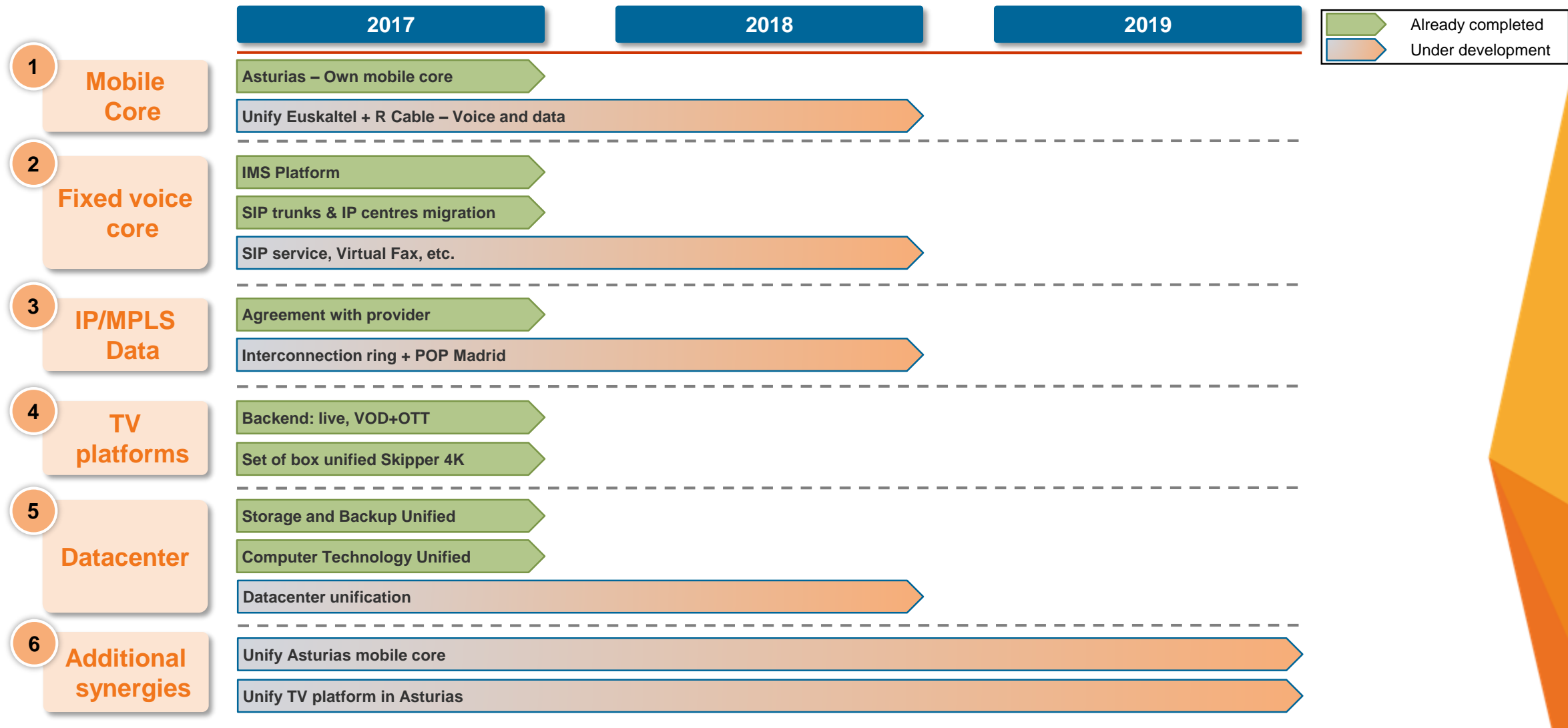
Note:

1. Mobile traffic based on Euskaltel data consumption

## 4 Synergies execution on track



telecable



**Synergies plan on track and according to expected calendar**

# Summary



1

Our network is fully prepared for the renewed challenges driven by market needs



2

Our approach to network expansion will be disciplined and focused on short pay-back periods (“smart capex”)



3

Our cable network will be totally upgraded to Docsis 3.1 by the end of 2018 and FTTH will be deployed on a targeted basis



4

Fully upgraded 4G / Wi-Fi network to provide superior experience on mobility



5

Visible synergies on track to be delivered





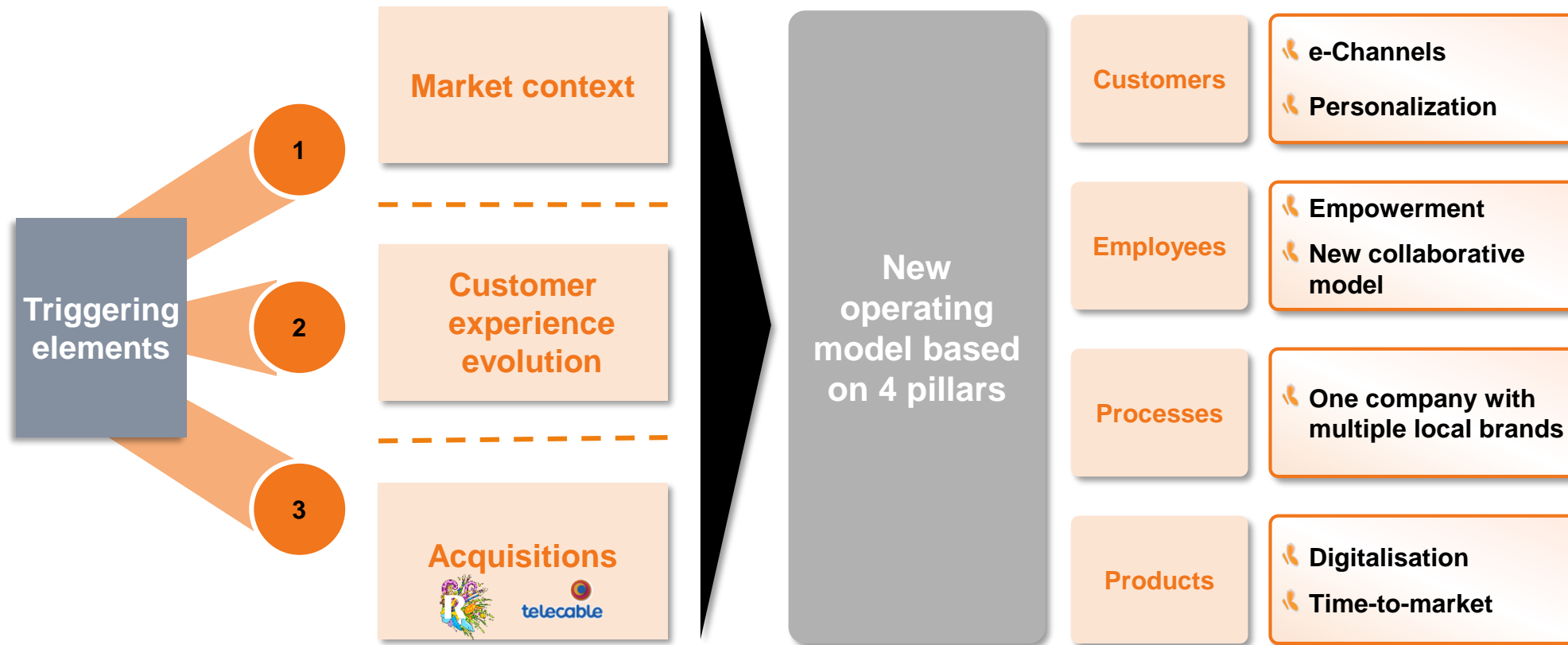
# Systems and processes unification: one company, local brands

CIO

Jesús Pérez



# Triggering elements and pillars



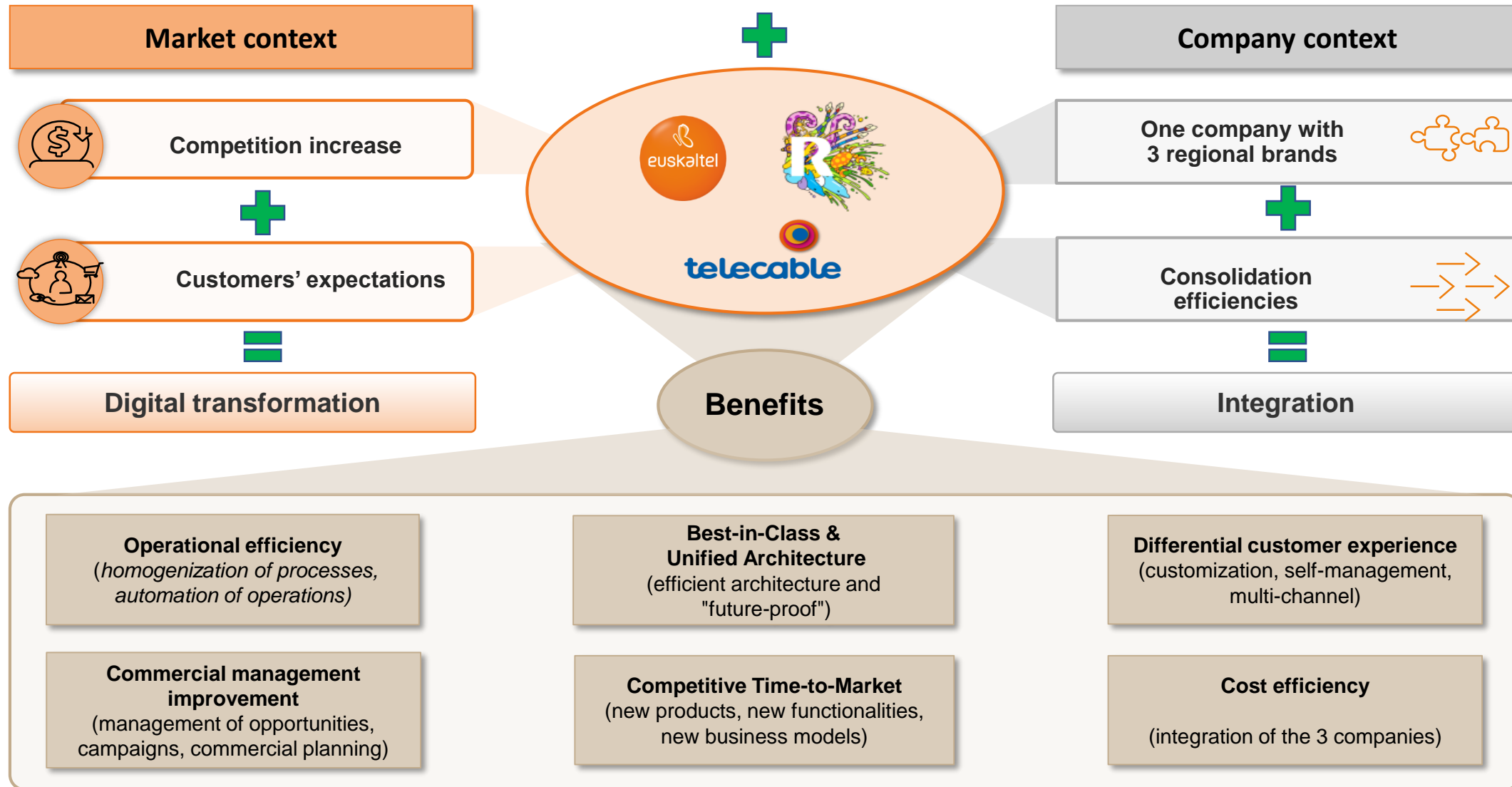
3 key elements triggering the need for the transformation to happen



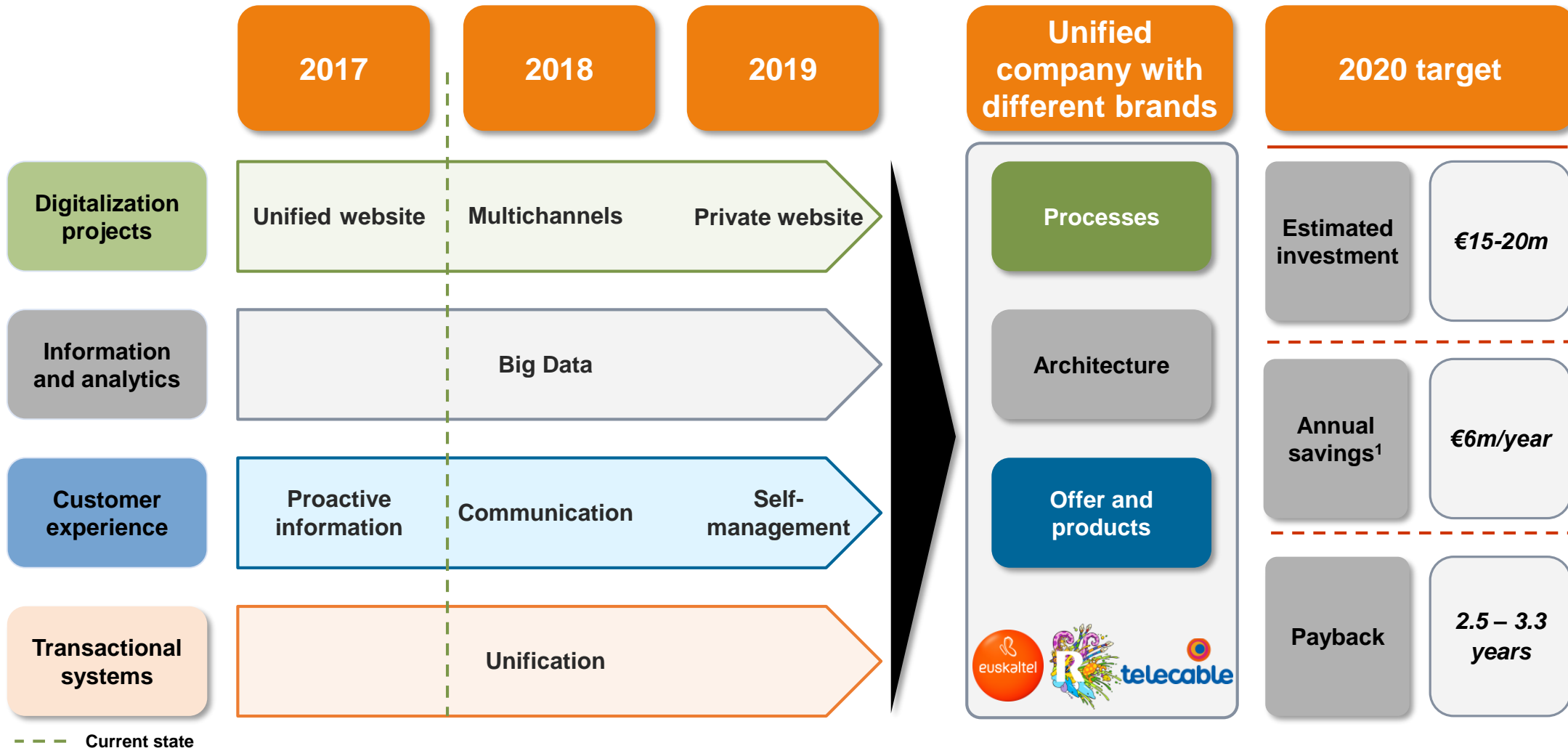
# Important benefits expected from IT Systems and Digital Transformation



## Why a digital transformation and IT systems integration?



# 2 year plan (2018-2019) to digitalise and integrate IT systems



**The digital IT systems and processes transformation is key for the successful execution of the 2017 – 2019 Strategic Plan**

**Note:**

1. IT savings from 2020 onwards

# Summary



**1** Unification: one company / three (or more) local brands



**2** Common customer experience across regions and products



**3** Digital future proof processes, architecture and client relationship



**4** Tangible execution time-line with a defined set of objectives to be achieved by 2019







# Growth through expansion

**CEO**

Francisco Arteché

**Residential**

Koldo Unanue



# Expansion strategy



Market shares across all segments to be balanced



Pillars of the expansion strategy

1

Disciplined



2

Value-accretive



3

Fast time-to-market



4

Ability to leverage brand equity



5

Consistent with overall strategy

Expansion plan will add over 500,000 households



# A two-fold approach

## Two-fold strategy

### Infill projects



- 🔧 Agreement with Orange
- 🔧 Targeted deployment (FTTH – HFC)
- 🔧 Support from regional governments
- 🔧 Limited competition in targeted areas

80,000 residential premises  
6,200 enterprises

### New regions



- 🔧 Agreement with Orange (mutualised / indirect access model)
- 🔧 Fast time-to-market
- 🔧 Well-defined commercial plan

5 year roll out plan  
Break-even in 2-3 years  
Project IRR > 15%

### Key details of the agreement with Orange

- ✓ Framework agreement with leading operator
- ✓ Flexible agreement in terms of:
  - 🔧 Economics: Indirect (opex) vs. co-investment (capex)
  - 🔧 Products and services
- ✓ Symmetric and up to 1 GB
- ✓ ICX services included
- ✓ No difference in customer experience



# NAVARRA EXPANSION

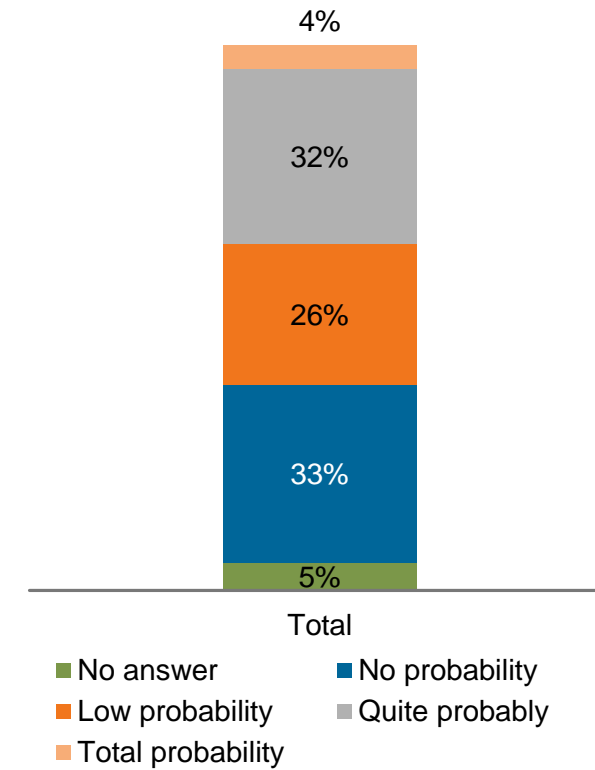
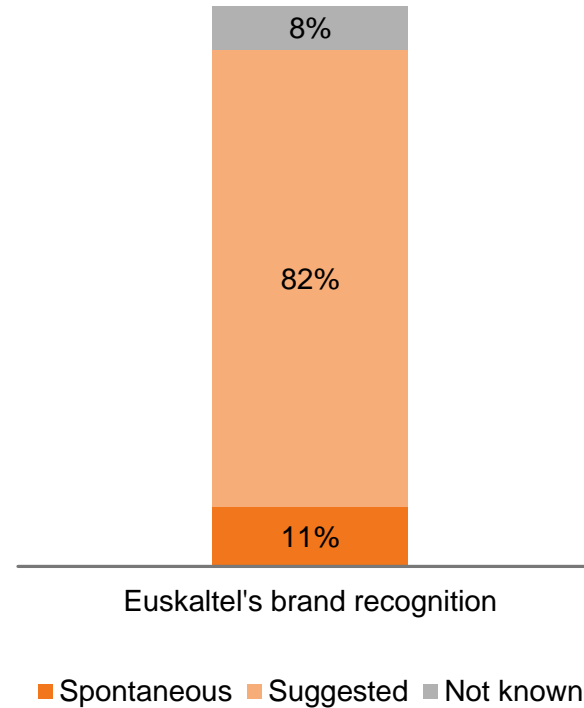
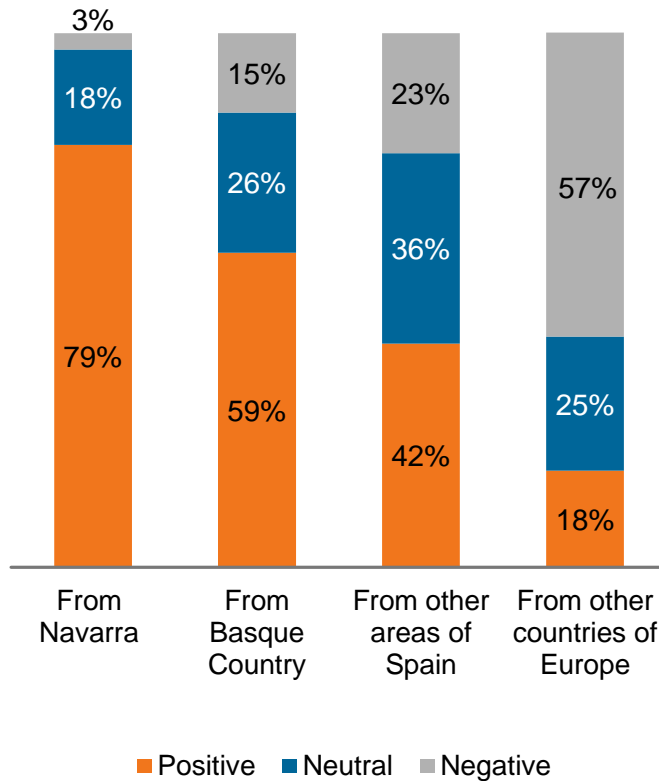
# Why Navarra?



## Attitude towards Basque Companies

## Euskaltel brand awareness

## Ready to purchase



Source Company information



# Preliminary household delivery calendar

January 2018

December 2022

Households delivered  
~ 78,500

Households delivered  
~ 150,000

Key regions:

*Pamplona*  
*Ansoain*

Key regions:

*Tudela*  
*Estella / Lizarra*  
*Valle de Egüés*  
*Altsasu / Etxarri-Aranatz / Huarte*  
*Burlada*  
*Zizur Mayor*

Objective: ~ 150,000 households delivered by Dec-22



## Key marketing initiatives

### Sale channels



*Push & Pull*



*Local salesforce*

### Products



*Euskaltel standard products*



*Ad-hoc promotional campaigns*

### Media agreements



*Extend our Basque Country media agreements*



*ATL & BTL campaigns*

### Public relationship program



*Public institutions*



*Educational institutions*



*Culture / sport*



Store

Shopping  
Gallery

Pop Up Store

# Key targets



## 2022E target

Households delivered

~ 150,000

Clients

~ 30,000

Penetration

~ 20%

Investment

€10m (excluding SAC)

Payback

< 6 years

Target IRR

> 25%

# Summary



1

**Strong similarities between Navarra and Basque Country markets**



2

**Low capex requirements to launch Euskaltel brand in Navarra**



3

**Clear operational and commercial synergies with our ongoing business in the Basque Country**





# Financial performance and guidance

CFO

Jon Ander de las Fuentes



# Strong operational and financial profile while doubling size



Statutory figures		IPO (Mar-15)	FY2015	FY2016	Current (LTM 3Q17)
KPIs	3P / 4P (%)	57.6%	63.3%	65.8%	67.6%
	Mobility (%) <sup>1</sup>	53.3%	71.7%	77.2%	76.1%
	ARPU (€) <sup>2</sup>	€55.7	€56.0	€58.4	€59.6
Financial statements	EBITDA (€m)	€156m	€167m	€281m	€290m
	EBITDA Margin (%)	48.7%	47.8%	49.0%	49.5%
	OpCF (€m)	€113m	€114m	€185m	€192m
	OpCF margin (%)	35.1%	32.6%	32.2%	32.7%
	Net income <sup>3</sup> (€m)	€37m	€7m	€62m	€47m
	EPS <sup>3</sup> (€)	€0.29	€0.13	€0.72	€0.46
	Eq. CF per share <sup>3</sup> (€)	€0.69 <sup>4</sup>	€0.23	€0.87	€0.76

## Notes:

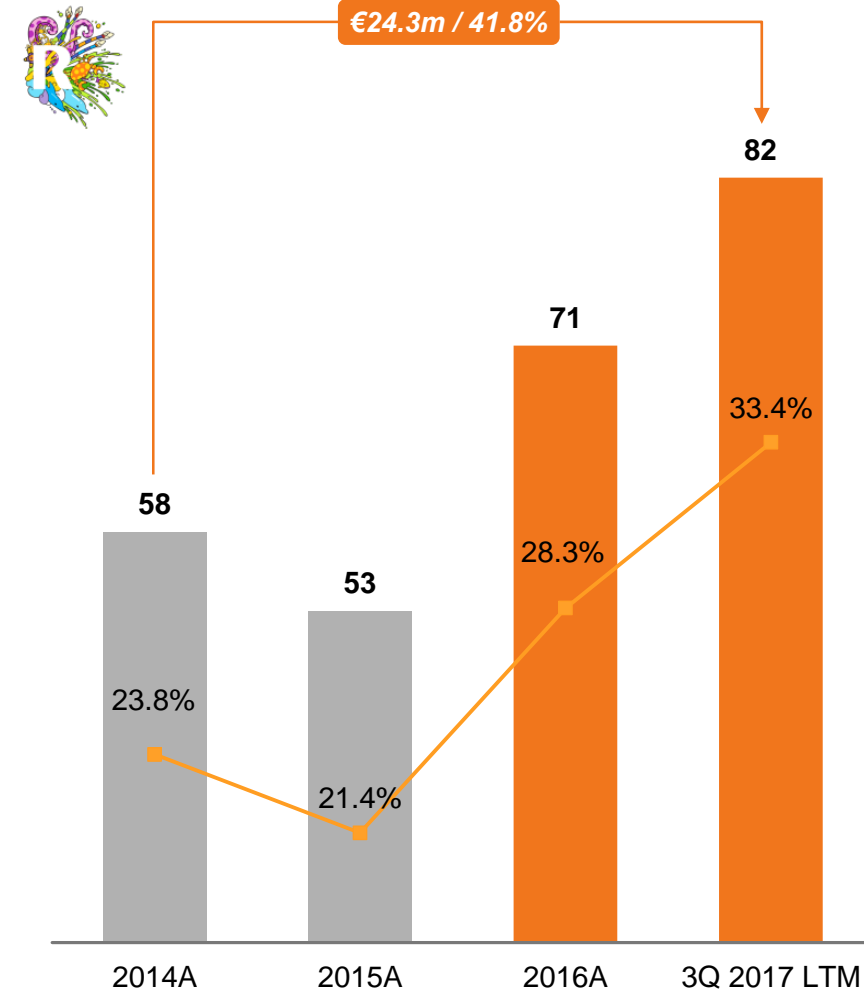
1. Mobile penetration as a percentage of fixed-line customers
2. For the residential segment
3. Statutory figures including extraordinary and non-recurrent elements
4. EqCF per share at IPO calculated as of 31-Dec-2014

# Value-accretive M&A delivered



	R cable	Telecable
<b>Announcement date</b>	Jul-15	May-17
<b>EV/ EBITDA<sup>1</sup></b> <i>(post-synergies)</i>	9.2x	8.5x
<b>Delta vs. market average<sup>2</sup></b>	0.4x below market average	1.3x below market average
<b>Synergies a % of total opex and capex<sup>3</sup></b>	~5%	~4% <b>Ongoing</b>
<b>Leverage PF transaction</b>	~5.1x	~4.5x
<b>EqCF Accretion</b> <i>(fully phased synergies)</i>	>15%	>6-7%

## R Cable OpCF (€m) and cash conversion (%)

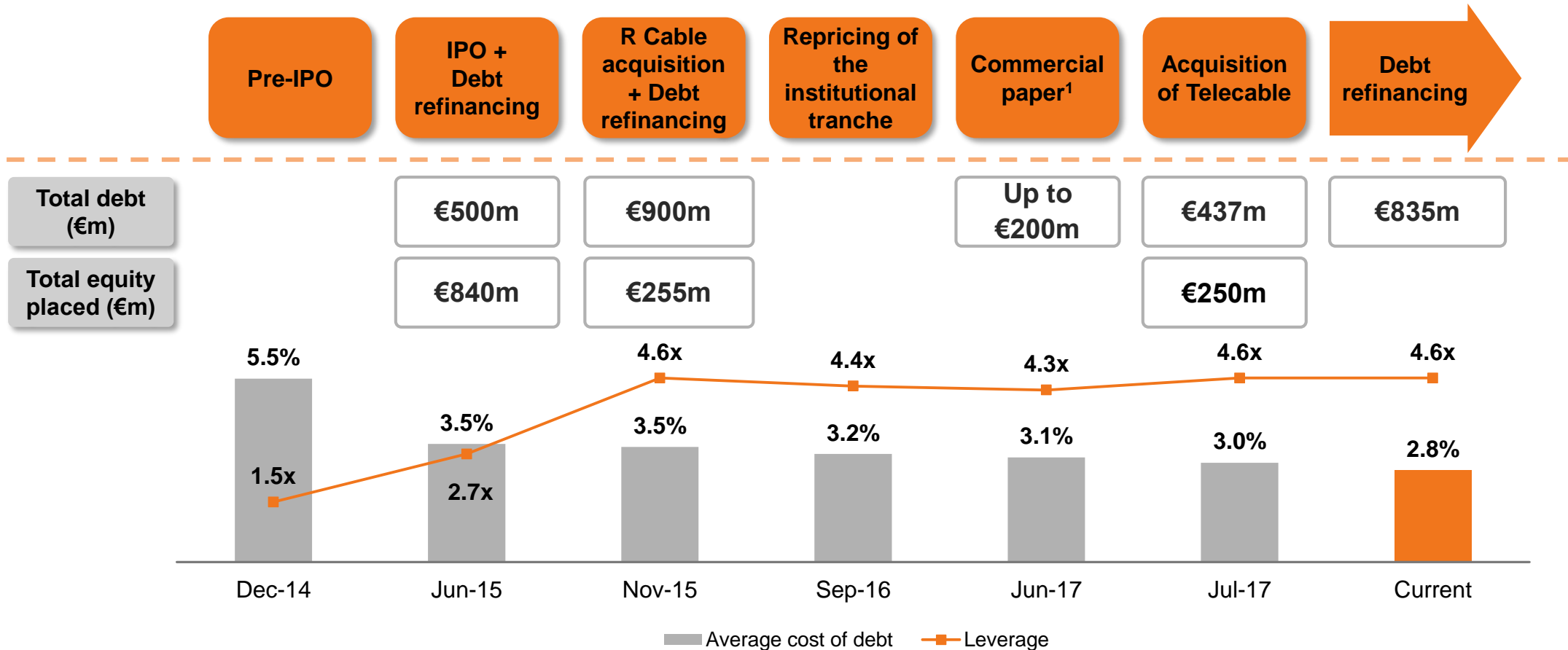


Source Company information, Factset

Note:

- EV/EBITDA calculated as EBITDA last financial year pro forma for fully phased opex synergies
- Delta versus market average based on Telenet, Com Hem, Telecolumbus and Liberty Global at the time of the transaction for R Cable (9.6x) and current market multiples for Telecable (9.8x)
- Based on synergies level announced at the time of the transaction and PF combined figures based on latest historical (Dec-14 for R Cable and Dec-16 for Telecable) excluding implementation costs

# Strong support from debt and equity capital markets



**S&P Global**  
**MOODY'S**



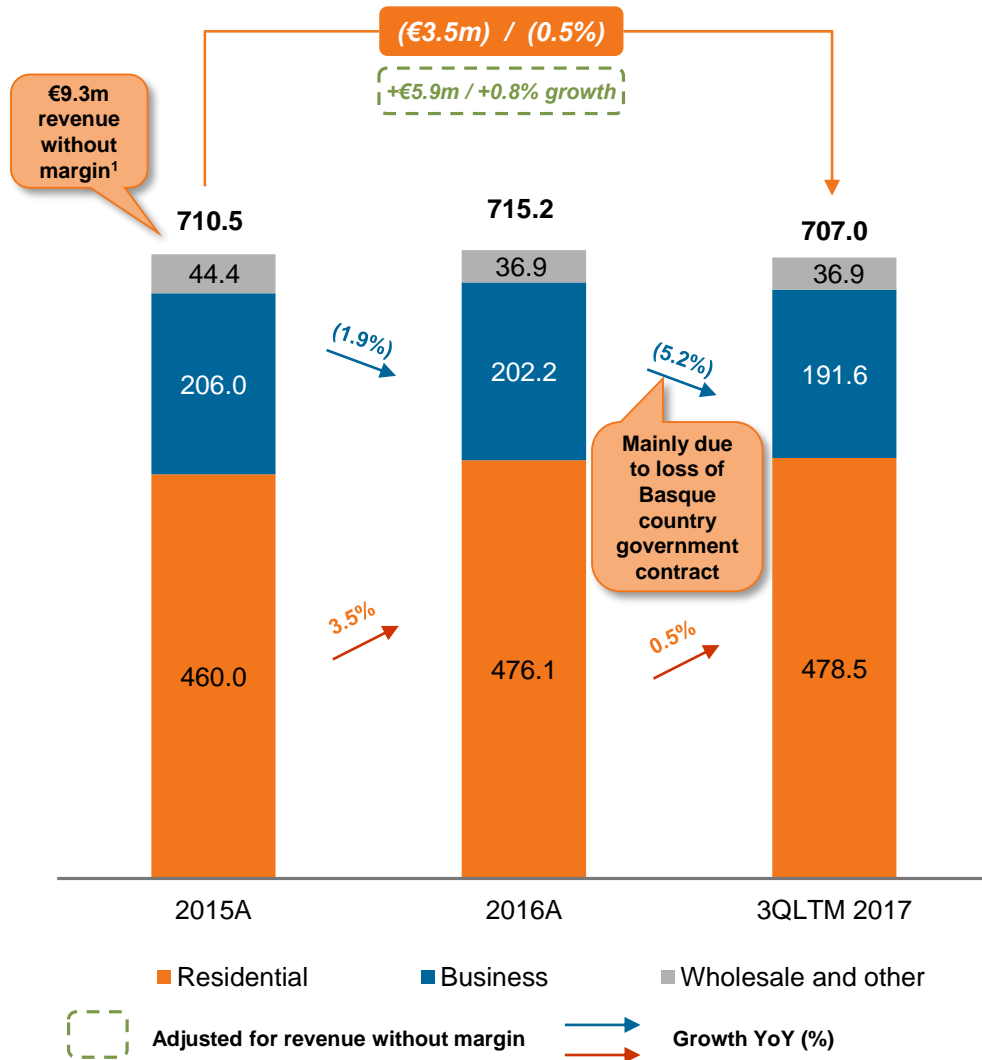
Source: Company information

Note:

1. Commercial paper issued as of Mar-17

# Proforma revenue and outlook

## Proforma revenue evolution



Source Company information

Note:

1. Change of accounting method in 2016: revenue without margin no longer accounted for (2015 revenue without margin included in €713m revenue at €9.3m)

## Revenue outlook



Stable - Low single digit revenue growth

### Residential

- 🔥 Stable net subscriber evolution preserving current market share
- 🔥 Target churn below 14% amid implementation of specific measures in Galicia and Asturias
- 🔥 ARPU growth linked to attractive value proposals
  - 🔥 Increase 3P&4P penetration in existing customer base
  - 🔥 New services will include
    - 🔥 Increase mobile offering and penetration in Asturias
    - 🔥 Improved TV functionalities and 4K Deco
    - 🔥 New products penetration: Home connectivity, on-street Wi-Fi...
- 🔥 Revenue of new regions to amount for 5% of total revenue by 2022
  - 🔥 Around 10-15% subscriber penetration over targeted new regions

### Business

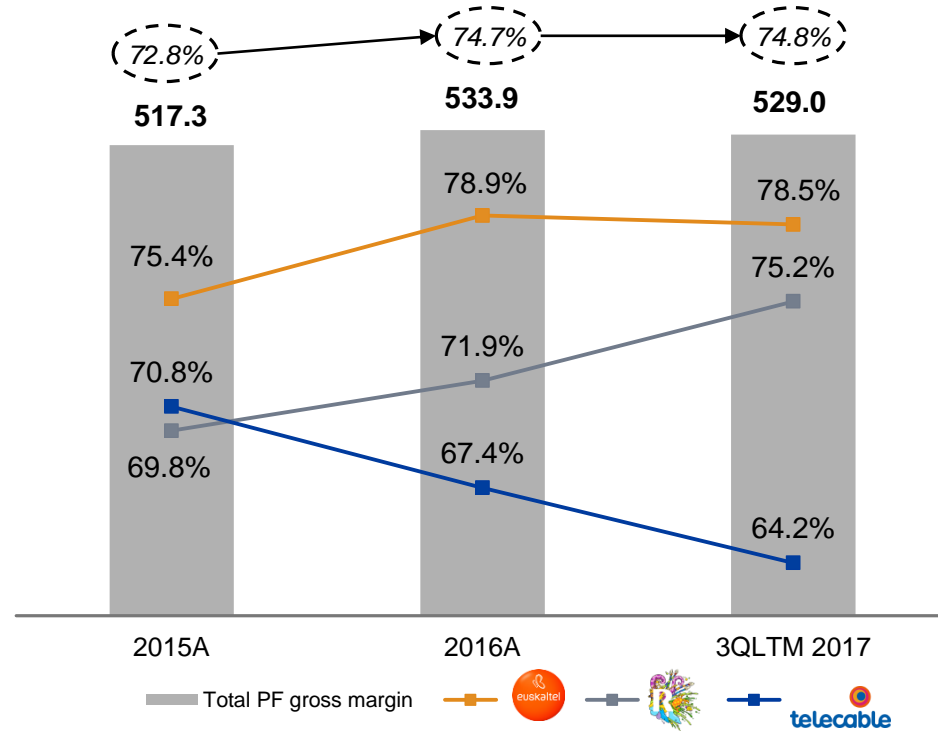
- 🔥 SoHo will mirror similar trends than residential
- 🔥 Renewed commercial push in SMEs and LA targeting to drive superior growth rates than residential over the medium term
  - 🔥 Penetration of hybrid-cloud, security, big data and alliances
- 🔥 Targeted commercial offering in new expansion areas

# Proforma Gross margin and EBITDA outlook



## Proforma gross margin outlook (€m)

Gross margin as a % of sales (%)



Efficient management of Content and ITX costs driving gross margin over 75% in the medium term



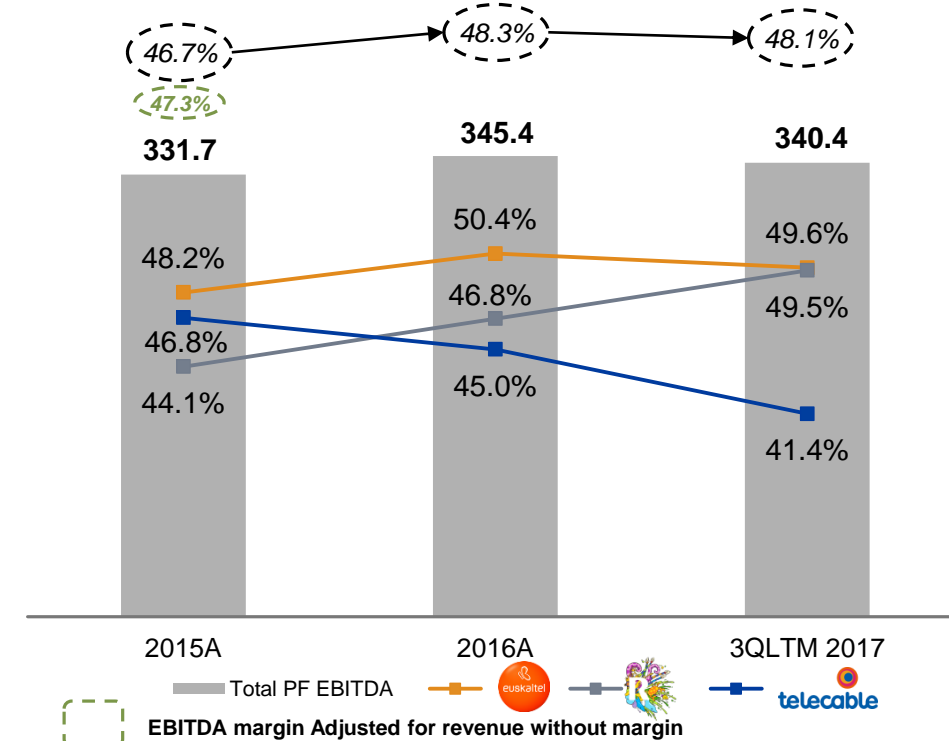
TV strategy focused on functionality and customer experience with disciplined approach to new content investment



Sufficient data allowances under current host agreements to mitigate ITX costs growth

## Proforma EBITDA outlook (€m)

EBITDA margin (%)



Integration synergies and structure optimisation driving EBITDA margin c.50% in the medium term



Renewed commercial effort in brand equity and expansion



Unified organisation leading to leaner and more flexible operations



Systems integration, network management and talent management driving structure optimisation

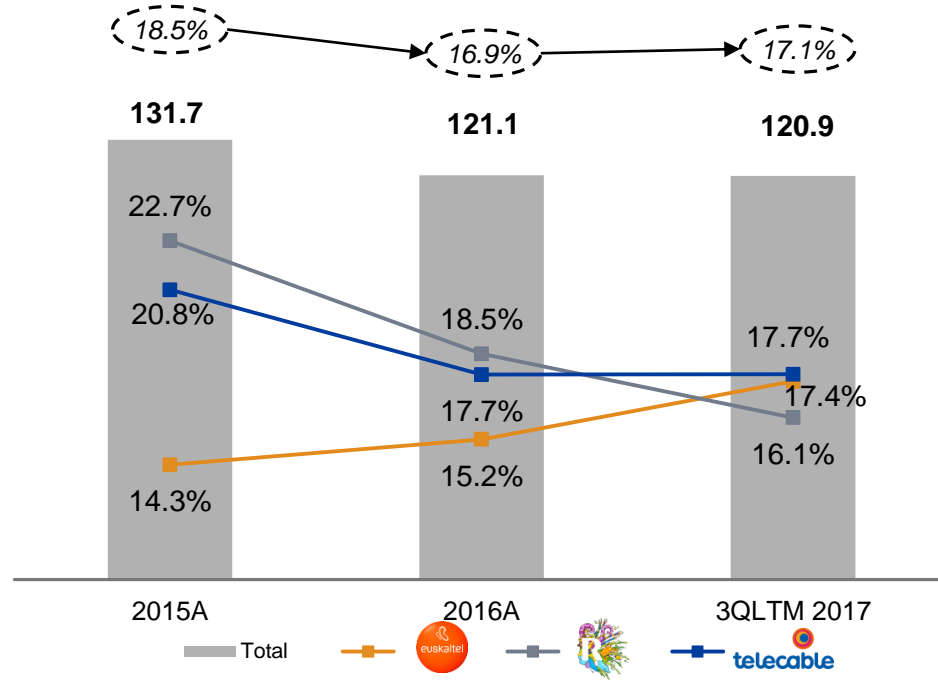


# Proforma capex, capex breakdown and outlook



## Proforma capex

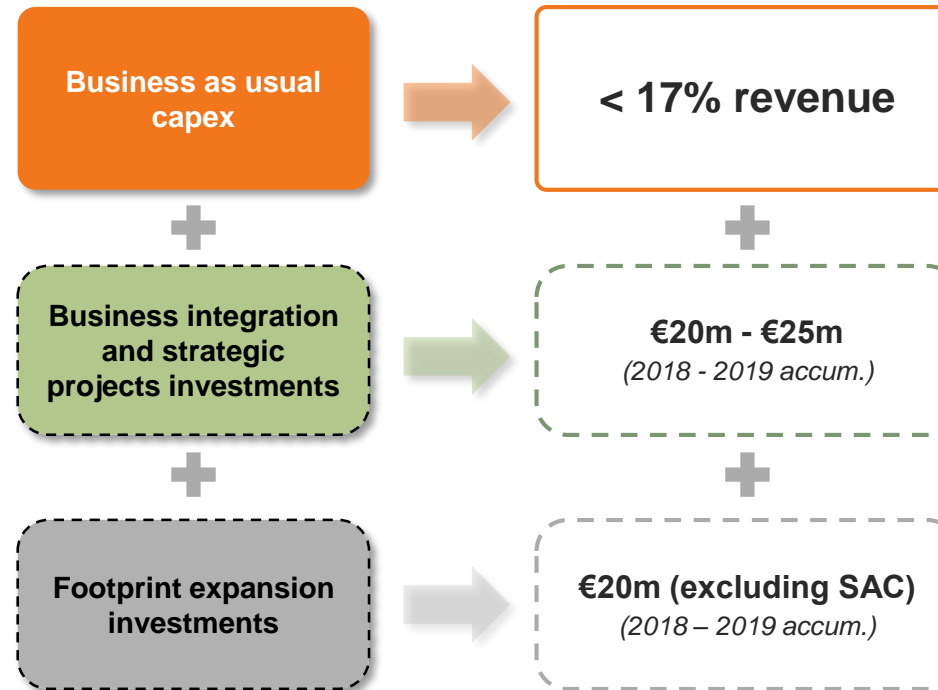
Capex (as a % of sales)



✓ Recurrent capex to remain in the 16-17% revenue range once platform integration has concluded

Source Company information

## Capex breakdown and outlook

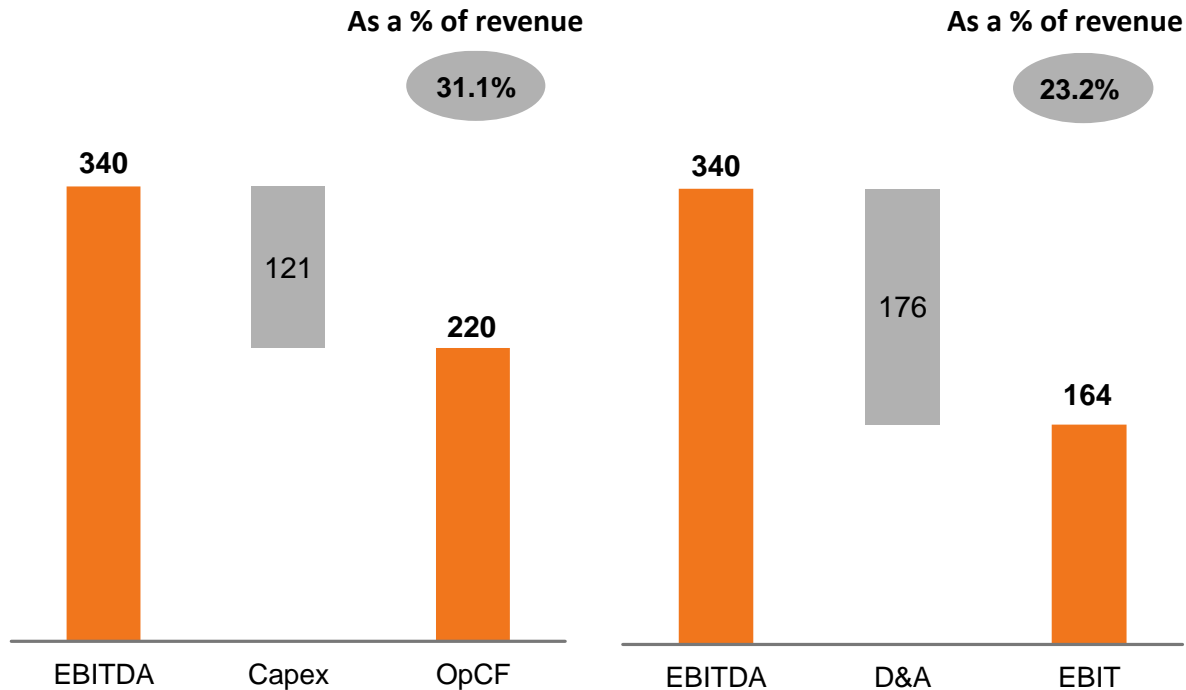


✓ Business as usual capex expected to remain below 17% of revenue

✓ Additional extraordinary capex to be incurred in 2018-2019 period corresponding to business integration, strategic projects and footprint expansion investments

# Cash flow and EBIT bridge

## PF OpCF and EBIT bridge LTM 3Q 2017



## Outlook



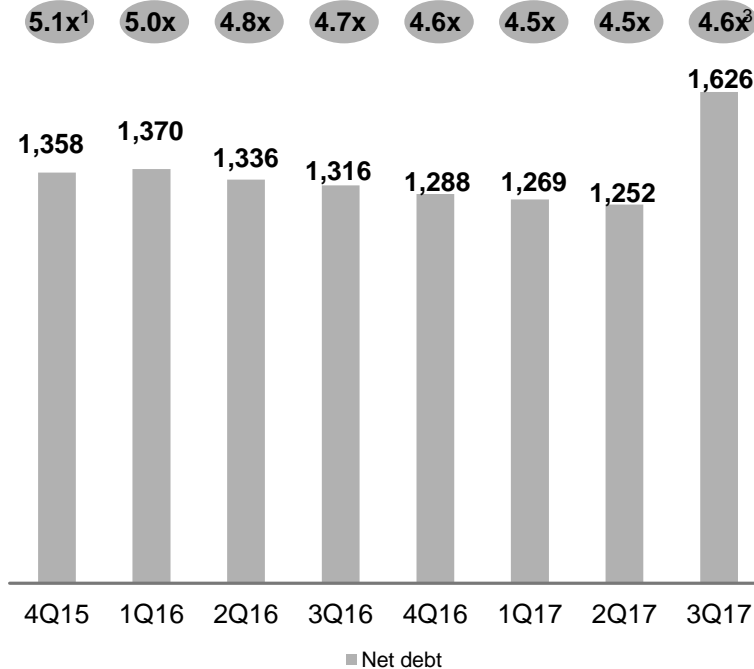
OpCF margin in 2018 – 2019 affected by extraordinary elements but expected to converge to 30% in the medium term



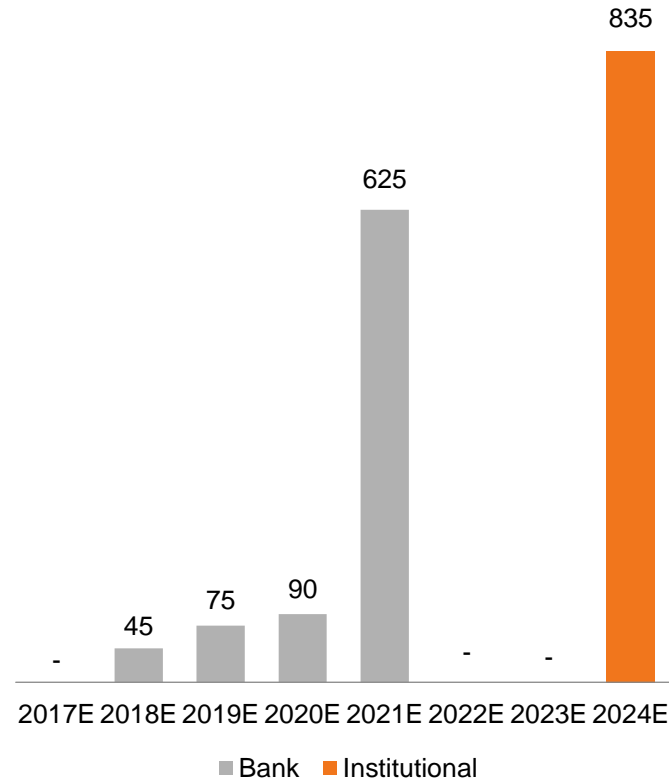
D&A impacted by the PPA amortisation of Telecable

# Capital structure and distribution policy

## Our robust deleveraging capacity ...



## ... and the balanced maturity profile<sup>2</sup>...



## ... reinforces our announced financial and distribution policy

✓ **Target leverage < 4x by 2019E**

✓ **Maximize net income pay out**

✓ **Room to accelerate cash distribution to shareholders when leverage is reduced to 3-4x**

Source Company information

Note:

- 2015 leverage based on adjusted 2015 annual EBITDA of Euskaltel (€158.1m) and R Cable (€108.6m) excluding potential synergies
- Maturity profile displayed is post 3Q 2017, including the €835m refinancing announced on November 10<sup>th</sup> 2017
- Leverage including fully phased synergies



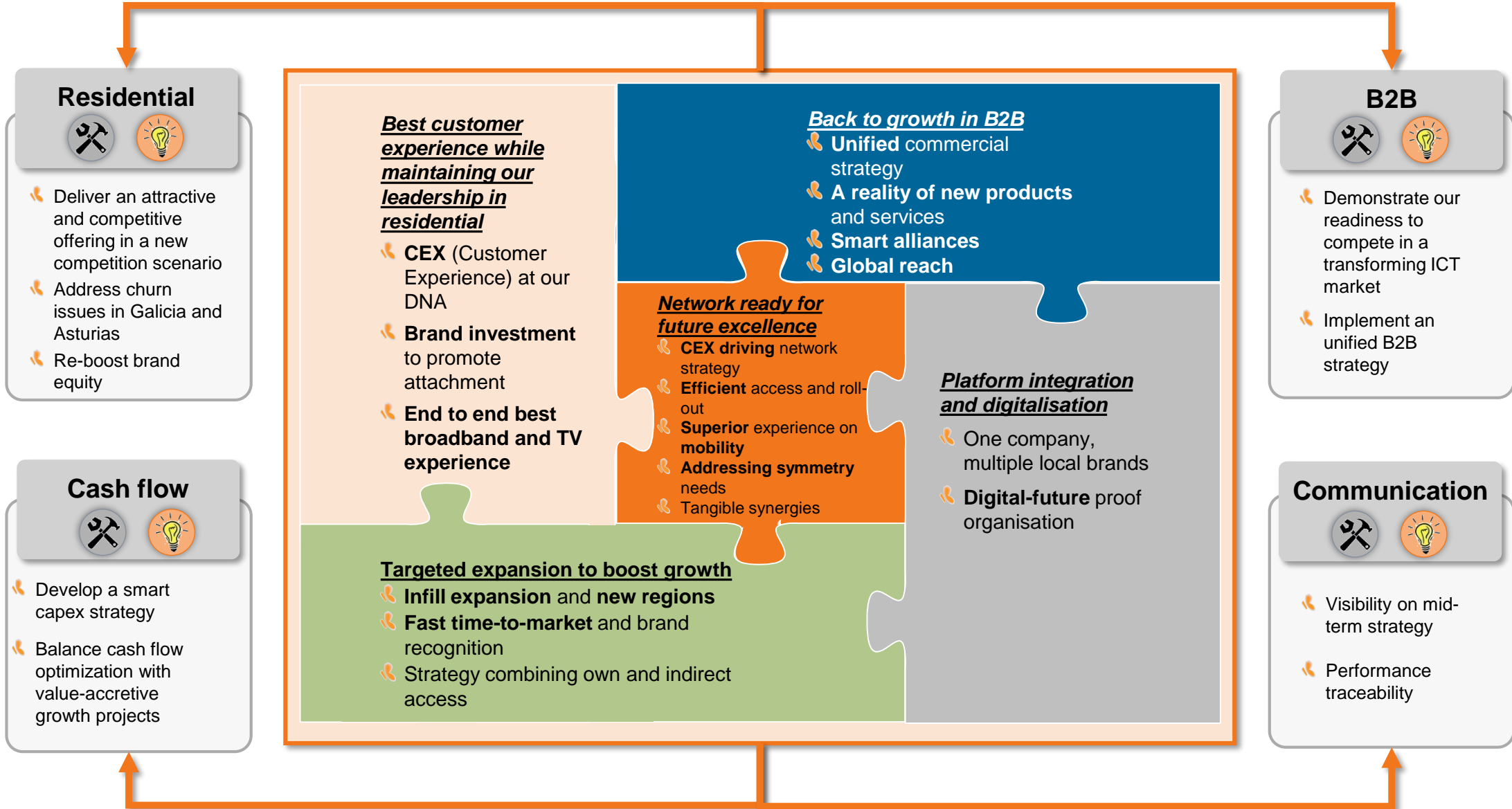
# Closing remarks

CEO

Francisco Arteché



# Closing remarks







# Q & A





**Thank you for  
your support**