NATIONAL EXPANSION ACCELERATES VALUE CREATION

2020 - 2025 Business Plan

March 10 th, 2020

euskaltel

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Euskaltel's solid existing business, network assets and profitable national expansion drive shareholder value creation

Existing business delivers industry-leading returns

+

Best-in-class owned network assets

+

National expansion accelerates shareholder value creation

>30%
Market share

2.8m
Telecom services

50%
EBITDA margin

€190m
FY19 OpCF

4%
Dividend yield

76%
Owned network coverage

2.3m
Homes passed

100%
Docsis 3.1 technology

- ✔ Building blocks for national expansion now all in place
- ✔ Growth on an integrated platform delivers operational leverage
- ✔ 100% success-based model delivers quick return-on-investment

euskaltel telecable

AGENDA

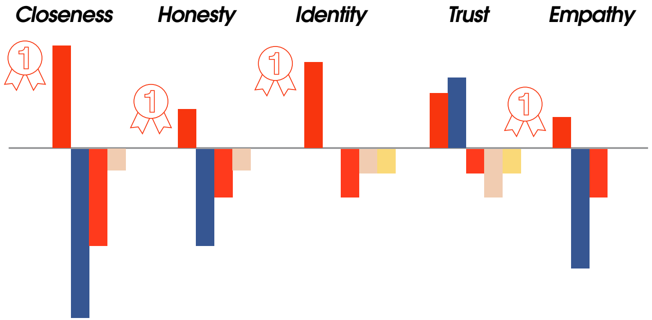
✓ **EXISTING BUSINESS**

NATIONAL EXPANSION

FINANCIAL PROJECTIONS

Euskaltel's brand and service leadership drives market success

Brand attributes market leadership…

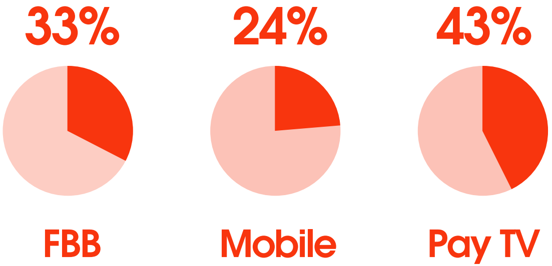


… and customer care leadership…

Source: GFK Q4 2019 brand study (for existing regions only)

... drive market success

Market share(1) %



Source: Company estimates based on CNMC data.

(1): Estimated market share in the Basque Country, Galicia and Asturias in Q3 2019

Euskaltel's solid B2B business provides advanced services to leading customers

>50%
Market share (1)

€110m
FY19 B2B revenue (2)

>15k
Customers

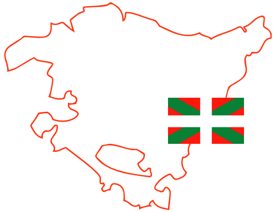
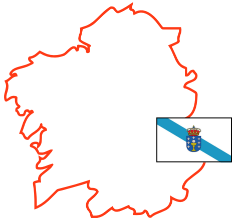
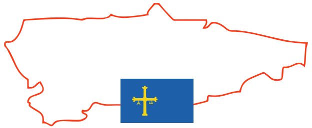
>20 years
Experience

- Digital Services
- Cybersecurity
- Hybrid Cloud
- Advanced Telecom Services

The B2B business continued to experience customer and revenue growth in 2019

(1): Existing regions only (2): B2B revenue grew c.3% in Q4 2019 vs Q4 2018

Euskaltel's best-in-class owned network is a valuable asset

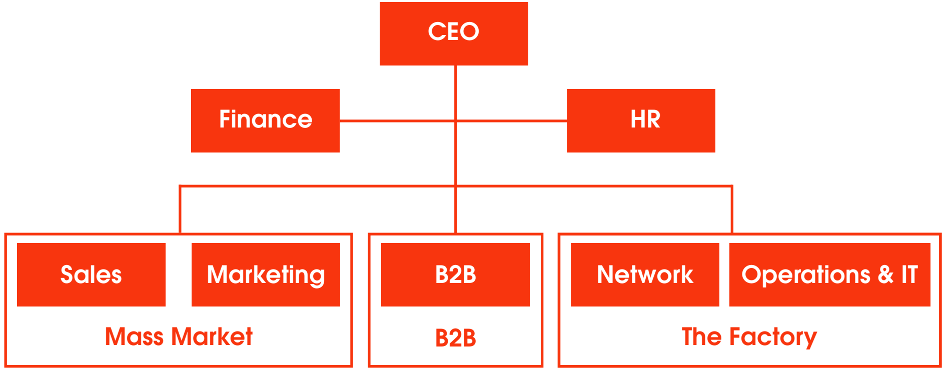
	euskaltel	R	telecable
Owned network coverage (% of households)	81%	71%	77%
Customers connected (thousands)	320k	215k	115k

2.3m owned households

100% Docsis 3.1 technology

Single efficient integrated organization drives operational leverage

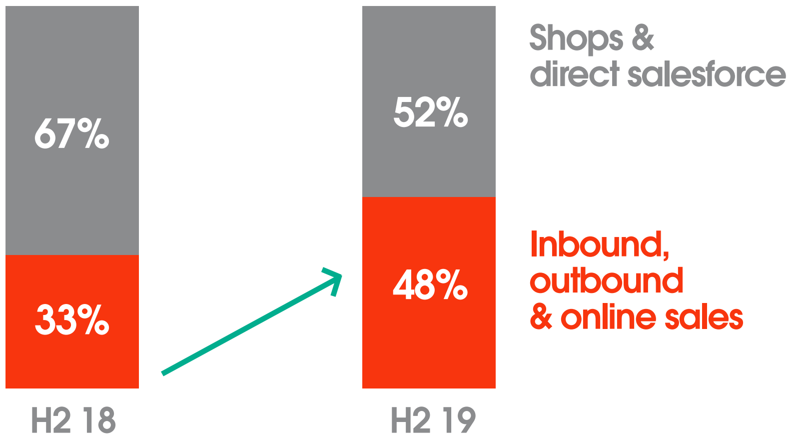
One business, four brands



- **One integrated organization** reduces complexity and delivers increased synergies
- **A single network and operations hub (The Factory)** creates efficiencies and drives operational leverage
- The existing structure **designed to support national expansion** creates further operational leverage

Change in sales channel mix increases gross adds and reduces costs

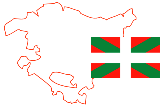
Sales channel mix



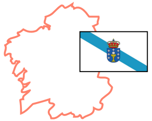
Non face-to-face channels are **50% less costly** than shops and direct salesforce

Euskaltel's wholesale FTTH agreements result in a significant footprint expansion in existing regions

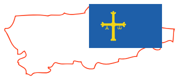
Existing network coverage



81%



71%



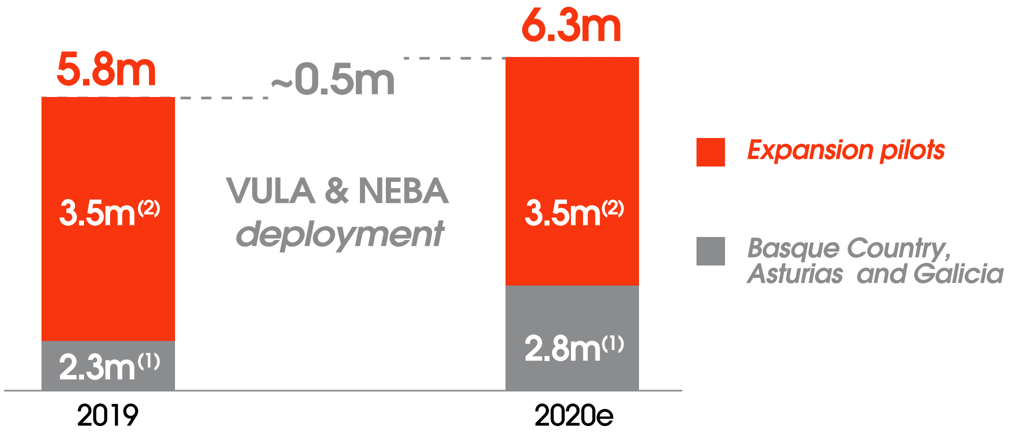
77%

5 EXPANSION PILOTS
(Navarra, Cataluña, León, Cantabria, La Rioja)

55%

Addressable footprint in existing regions

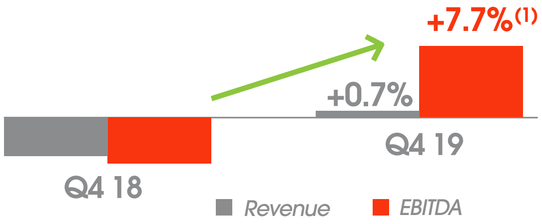
In million homes passed

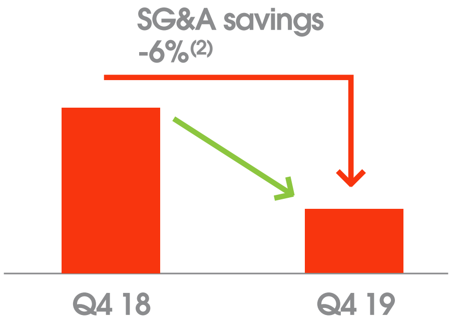


(1): Owned households
(2): Total addressable households including those accessible through wholesale and mutualization agreements

Existing business is back to growth and highly cash generative

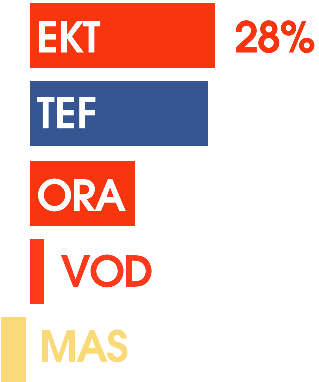
Revenue & EBITDA growth %





Industry leading cash generation

FY 2019 OpCF
% revenue



- Existing business is back to **revenue and EBITDA growth**
- **Operational efficiencies progressing** and delivering results
- **Cash generation** is industry-leading

(1): Q4 19 EBITDA includes €6.9 million of positive one-offs mainly from the renewal of the Orange wholesale agreement
(2): Excluding IFRS 16 positive impact from Q4 19 figures

Footprint expansion and continuing efficiency will drive growth in the existing business

Revenue growth ✓

- 1 – 2 % 2020 – 2025 revenue CAGR
- Customer growth from footprint expansion and neighbouring regions

EBITDA growth ✓

- Further cost reduction and efficiency gains
- Larger scale results in operational leverage

Operating cash-flow growth ✓

- Sales mix improved
- Focus on capex efficiency

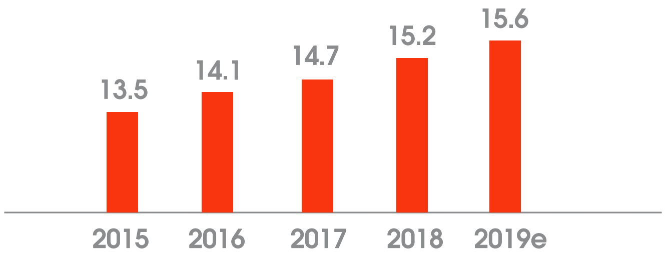
EXISTING BUSINESS

✔ **NATIONAL EXPANSION**

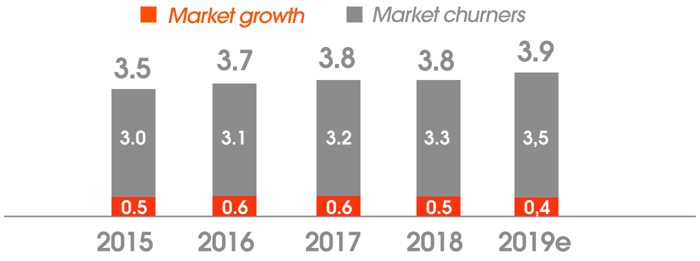
FINANCIAL PROJECTIONS

Spain's FBB and TV markets represent a growth opportunity

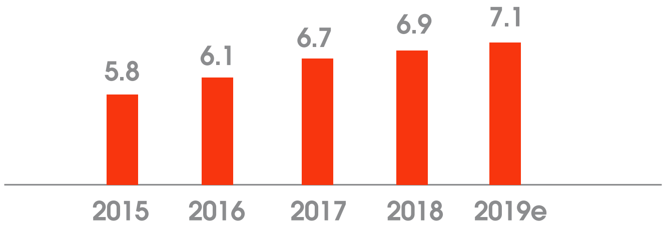
Spanish FBB Market –FBB lines
In million lines



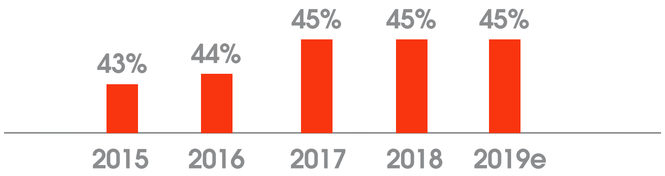
Spanish FBB Market – Opportunity to grow
In million lines



Spanish Pay TV Market – Evolution of subscribers
In million subscribers



Spanish Pay TV Market – Penetration over FBB
In % over FBB lines



Source: CNMC, company estimates

National expansion multiplies the company's addressable market

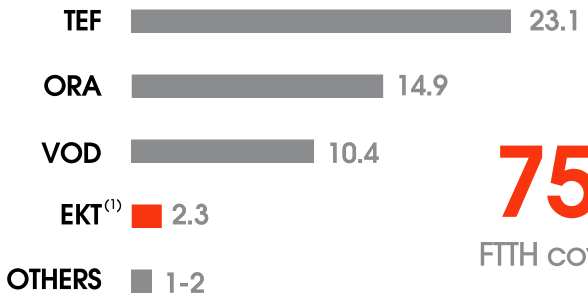
	Existing regions		
Households	2.3M(1)	X 8 addressable market	18.4M
Population	5.8M		47.1M
Broadband accesses	1.9M		15.6M

A larger addressable market combined with operational leverage **will drive profitable growth**

Source: CNMC, INE; existing regions includes data for the Basque Country, Galicia and Asturias
(1): Owned households

A large and efficient FTTH market allows national footprint access at competitive prices

Spain's Next Generation Networks deployed
In million households

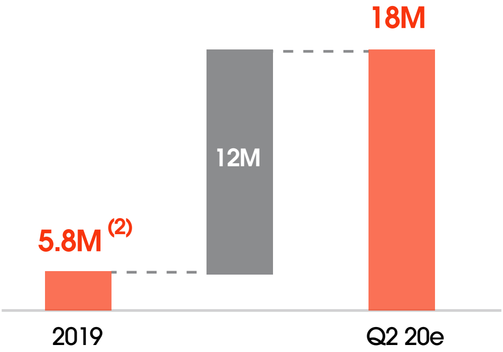


75%

FTTH coverage

Spain is the most active wholesale market in Europe

Euskaltel's addressable footprint
In million households



Addressable footprint multiplies through access to Orange and Telefonica's networks

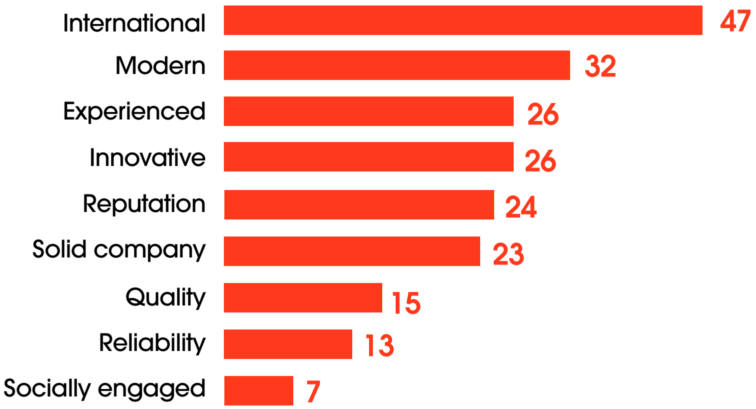
Source: Companies' data , Xataka
(1): Owned households
(2): Total addressable households 2019 including those accessible through wholesale and mutualization agreements

Virgin brand is a powerful accelerator for national expansion

Brand recognition

Source: Research Now Ltd market research

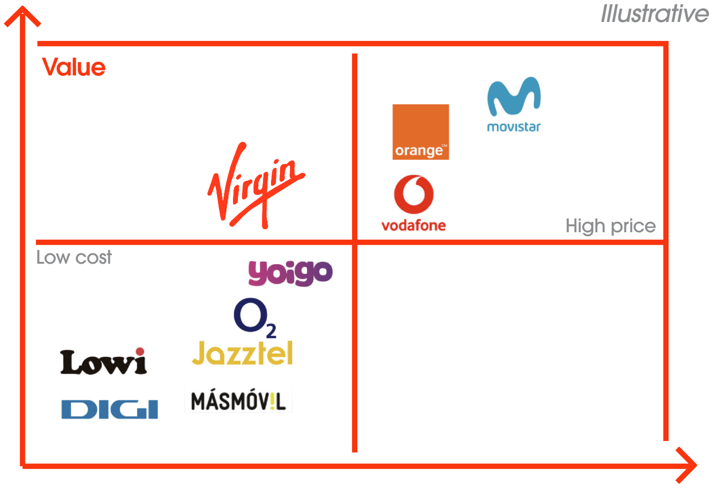
Brand attributes



Source: Virgin brand perception study, GfK, 2019

Euskaltel's Virgin offer has a clear value positioning

Product / Service



Price

- Euskaltel's great service,
- competitive pricing,
- and Virgin brand attributes

equals

value

Virgin product attributes will include high speed FBB, data rich mobile and a strong TV offer

Source: internal analysis

Euskaltel's existing high-quality TV offering is an opportunity for growth

High-quality content offering

FOX HD · TNT HD · AXN White HD · Syfy HD · COSMO HD · EUROSPORT HD · NATIONAL GEOGRAPHIC CHANNEL HD · Discovery Channel

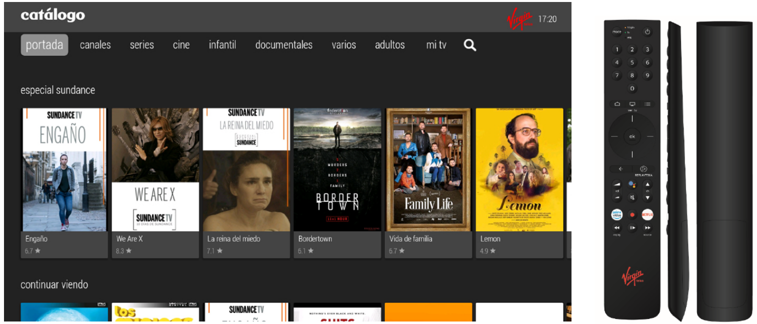
Open platform

NETFLIX · prime video · mitele · YouTube · Spotify · DAZN · LaLiga

Advanced hardware

DECO4K

- 4K UHD
- Catch-up TV
- Video-on-Demand
- Network PVR
- Start-over
- Time shift

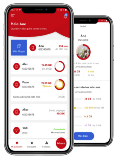


All our customers will have access to **high quality multi-functional TV services**

A multi-channel sales strategy drives efficient customer acquisition

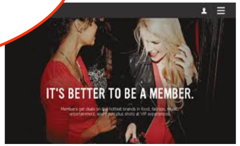
Inbound / Outbound

Online



Efficient sales mix

Stands



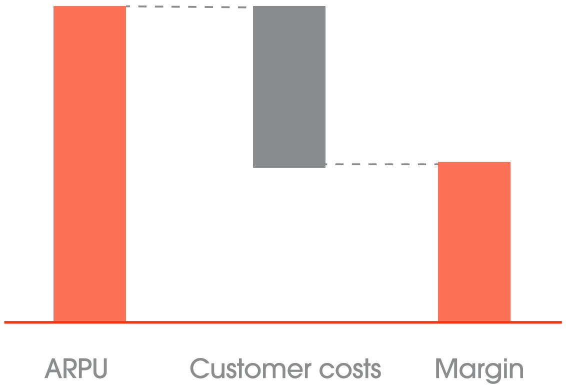
Below-the-line[1]

Strong focus on direct sales and non face-to-face channels allows for **maximum efficiency**

(1): Below-the-line channels include member-get-member, friends & family and other

Success-based "pay-as-you-go" growth model delivers an attractive payback

National expansion convergent customer economics



€300/350
Per add subscriber acquisition cost [1]

✔ Expansion investment almost **100% success-based**

~40%
Margin

✔ Wholesale costs **100% variable**

<2 years
Payback

✔ **Highly attractive return-on-investment**

National expansion costs are 90% variable
as growth leverages on Euskaltel's existing platform

(1): *SAC includes commercial costs, installation and customer equipment (router and set-top-box) for a convergent customer*

AGENDA

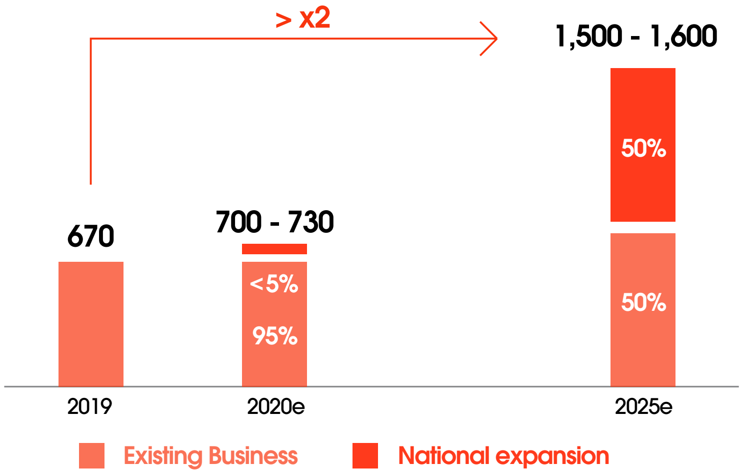
EXISTING BUSINESS

NATIONAL EXPANSION

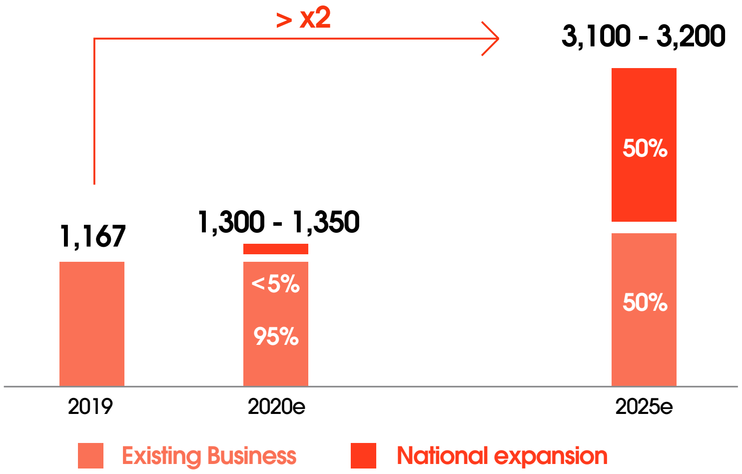
✓ FINANCIAL PROJECTIONS

National expansion will **double the size of the customer base**

Fixed subscribers (Mass market)
EoP in k - % breakdown



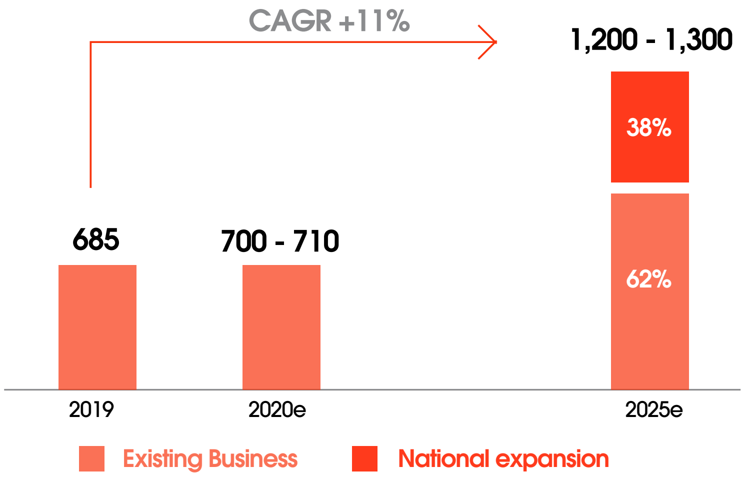
Mobile services
RGUs in k - % breakdown



National expansion customer growth requires **around 5% of the market's FBB gross adds** in the business plan period

Revenue will increase by more than 80% in the business plan period

Revenue - €m



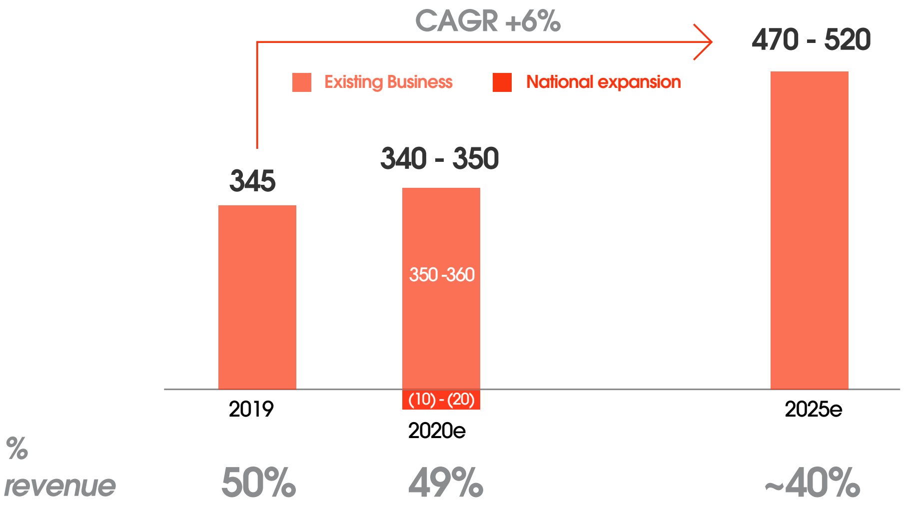
Revenue growth mainly **driven by national expansion**

Profitable growth with healthy customer economics

Existing business contributing positively mainly through footprint expansion

EBITDA grows at 6% CAGR in the 2020-2025 period

EBITDA - €m



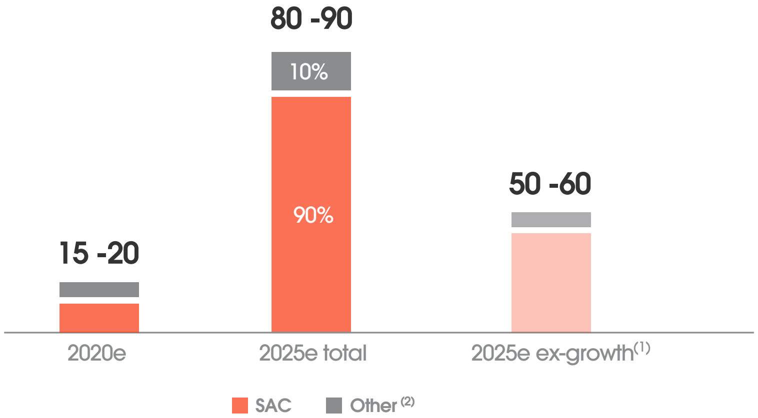
Reaching >25% run-rate EBITDA margin on national expansion

EBITDA growth driven by **national expansion, existing footprint expansion and efficiency improvements**

Continued focus on **improving processes and operations**

Leverage in existing platforms allows for 90% success-based national expansion investments

National expansion investments - *€m*



% revenue <20% ~10%

(1): Investments ex-growth calculated as national expansion investments with zero net adds
(2): Other capex includes network maintenance and IT systems

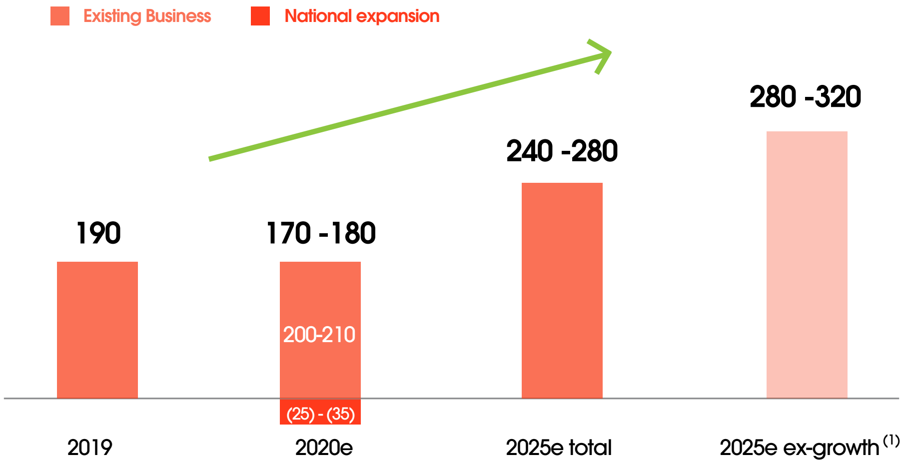
National expansion investments **90% customer growth related**

Ex-growth national expansion investments **c. 10% revenue**

National expansion investments with **continuing growth <20% revenue**

Operating cash flow grows rapidly once national expansion gains scale

OpCF - €m



2020e OpCF impacted by **customer growth investments** in national expansion

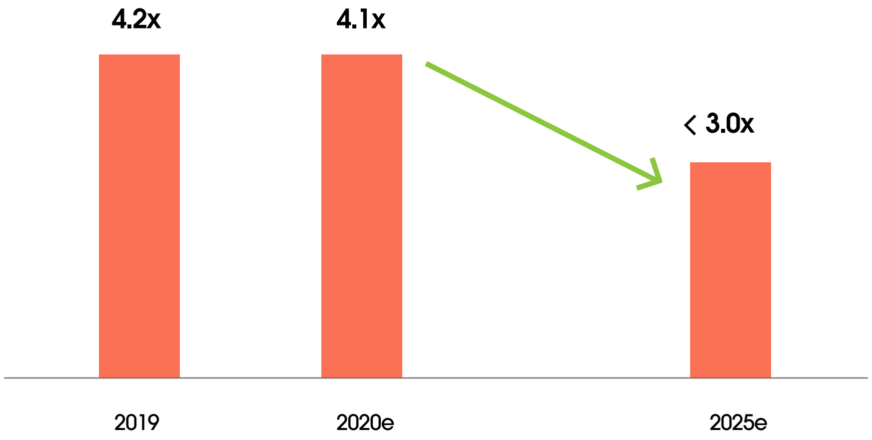
Operational cash flow growth **driven by national expansion and cost efficiencies**

Once growth stabilises **operational cash flow grows rapidly**

(1) : *OpCF ex-growth calculated as OpFC of the company with zero net adds*

The company delevers quickly after the initial years of national expansion

Net debt/EBITDA - *times*



Delivery of operational efficiencies allows to maintain **leverage stable during the initial launch of national expansion**

Once national expansion EBITDA grows **the company delevers quickly**

No changes to capital structure nor shareholder remuneration needed to execute the business plan

National expansion transforms the company into a growth business

	2019		2025e	CAGR '19 - '25
Fixed Subscribers (mass market) (k)	670	x2.3	1,500 - 1,600	+15%
Mobile Services (mass market) (k)	1,167	x2.7	3,100 - 3,200	+18%
Revenue €m	€685m	x1.8	€1,200 - 1,300m	+11%
EBITDA €m	€345m	x1.4	€470 - 520m	+6%

Conclusions

Euskaltel offers a unique combination of assets

- A solid cash-generating and growing existing business ✓
- A best-in-class owned valuable network ✓
- A profitable national expansion strategy ✓

for the delivery of growth and shareholder value creation

EUSKALTEL, S.A.
Investor Relations Office
Tel: +34 94 401 15 56
investor@euskaltel.com
www.euskaltel.com

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