

Euskaltel: A telecom leader in the North of Spain with a national growth opportunity

Grupo Euskaltel



September 2019



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| Euskaltel: a telecom leader with a **major growth opportunity**

Market leadership in the North of Spain delivers **industry-leading returns...**



Market position in the North of Spain

Addressable market
(inhabitants)
~ 6m

Network coverage
(% of households)
71%

Homes passed in
current footprint
(000')
~ 2,300

Telecom
services (000')
~ 2,800

Revenue
(FY18)
€692m

EBITDA margin
(FY18)
49%

EBITDA – capex
(FY18)
€183m

Dividend yield
(FY18)
4%

...while a new roadmap will deliver **accelerated growth and value creation**



New team appointed in June 2019



Integration and efficiency initiatives implemented to **reinforce the actual business**



National expansion opportunity



- Five fully-operational expansion pilots
- Footprint increased to ~3m households
- Opportunity to access 85% of the market in which the company is not yet present

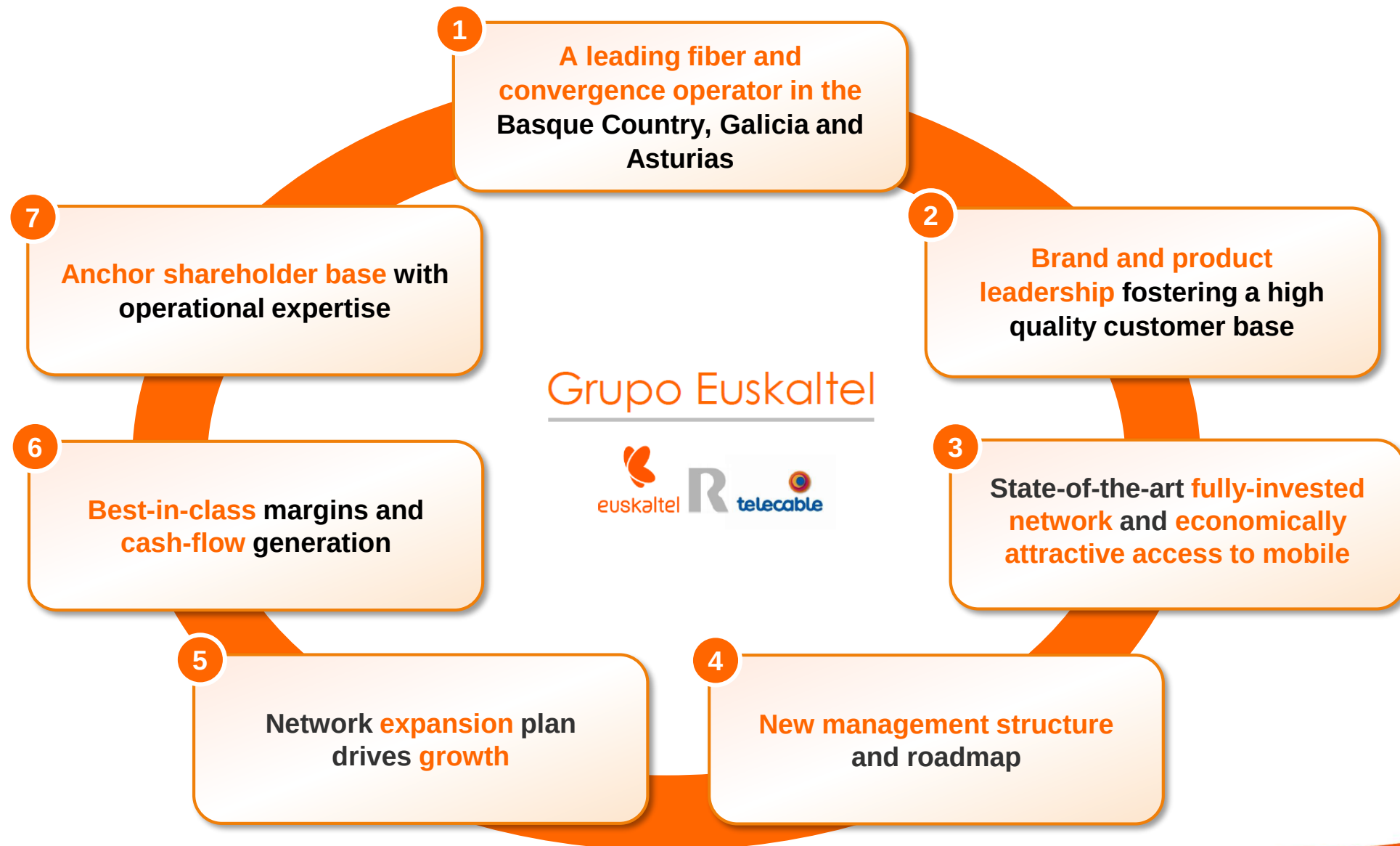


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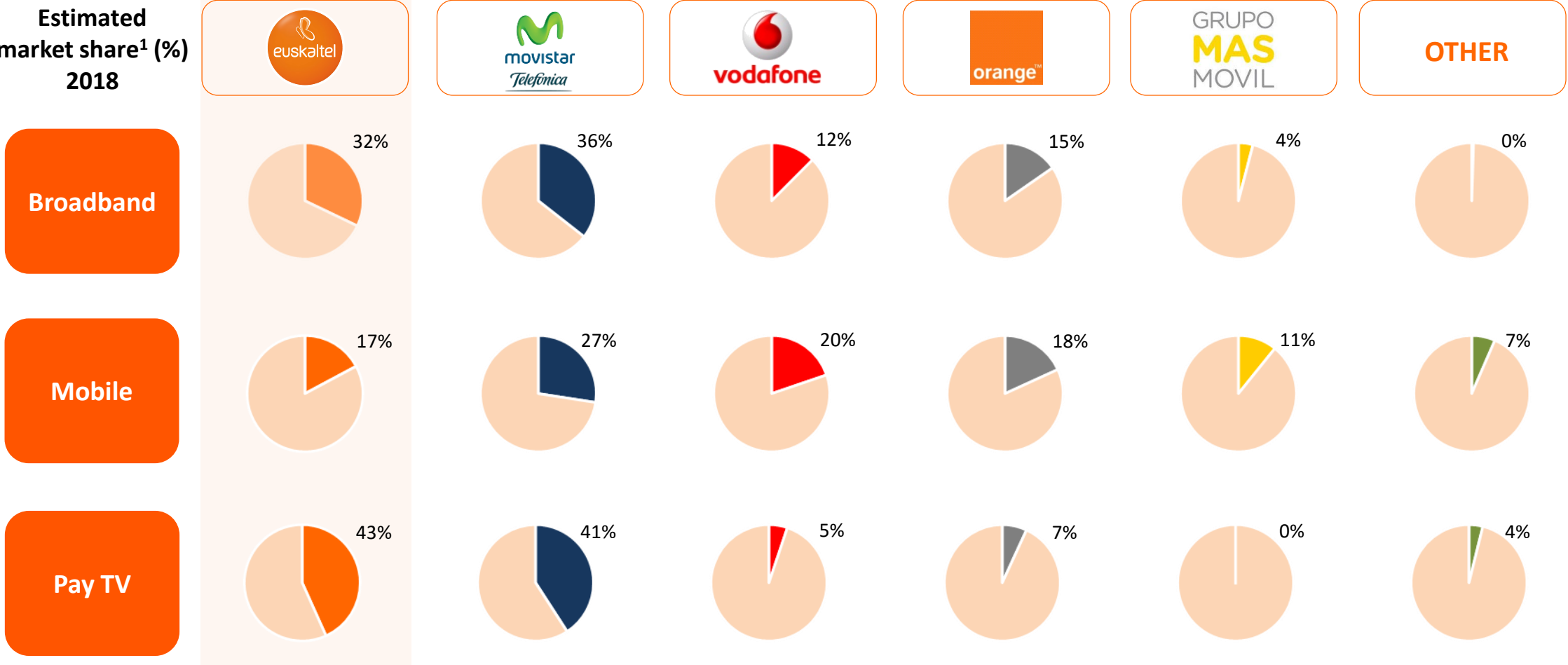


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| A telecommunications leader in the North of Spain



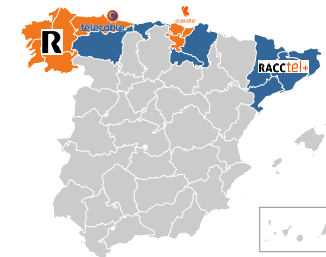
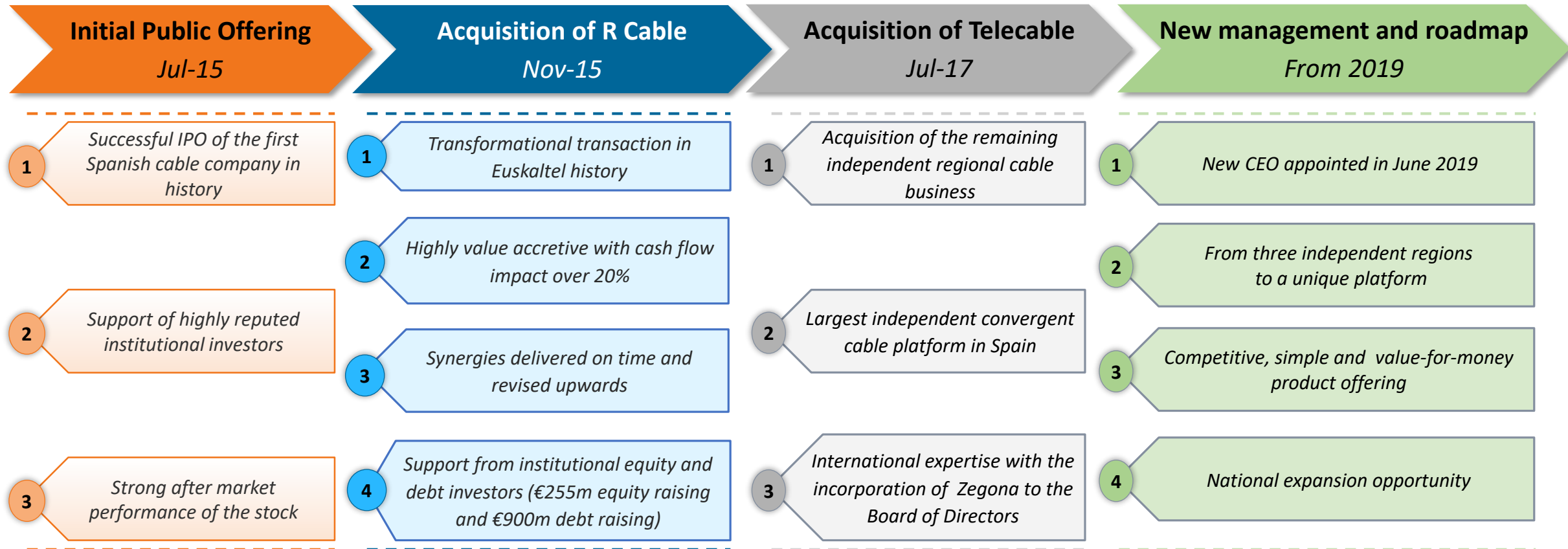
1 | A leading fiber and convergence operator in the North of Spain



Source: Company estimates based on CNMC data.

1. Estimated joint market share in Basque Country, Galicia and Asturias

1 | Strategic milestones



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2 | Three solid brands with a loyal customer base



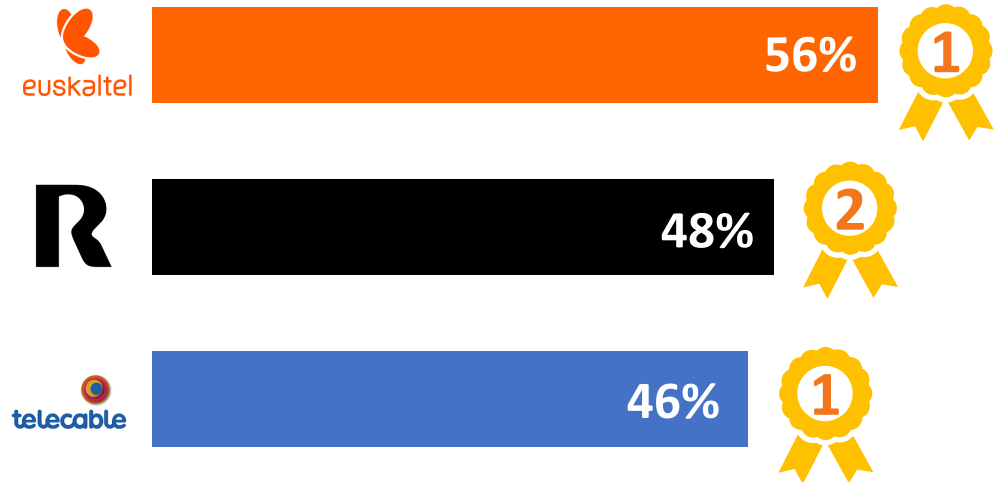
>780k
subscribers



>30%
market share

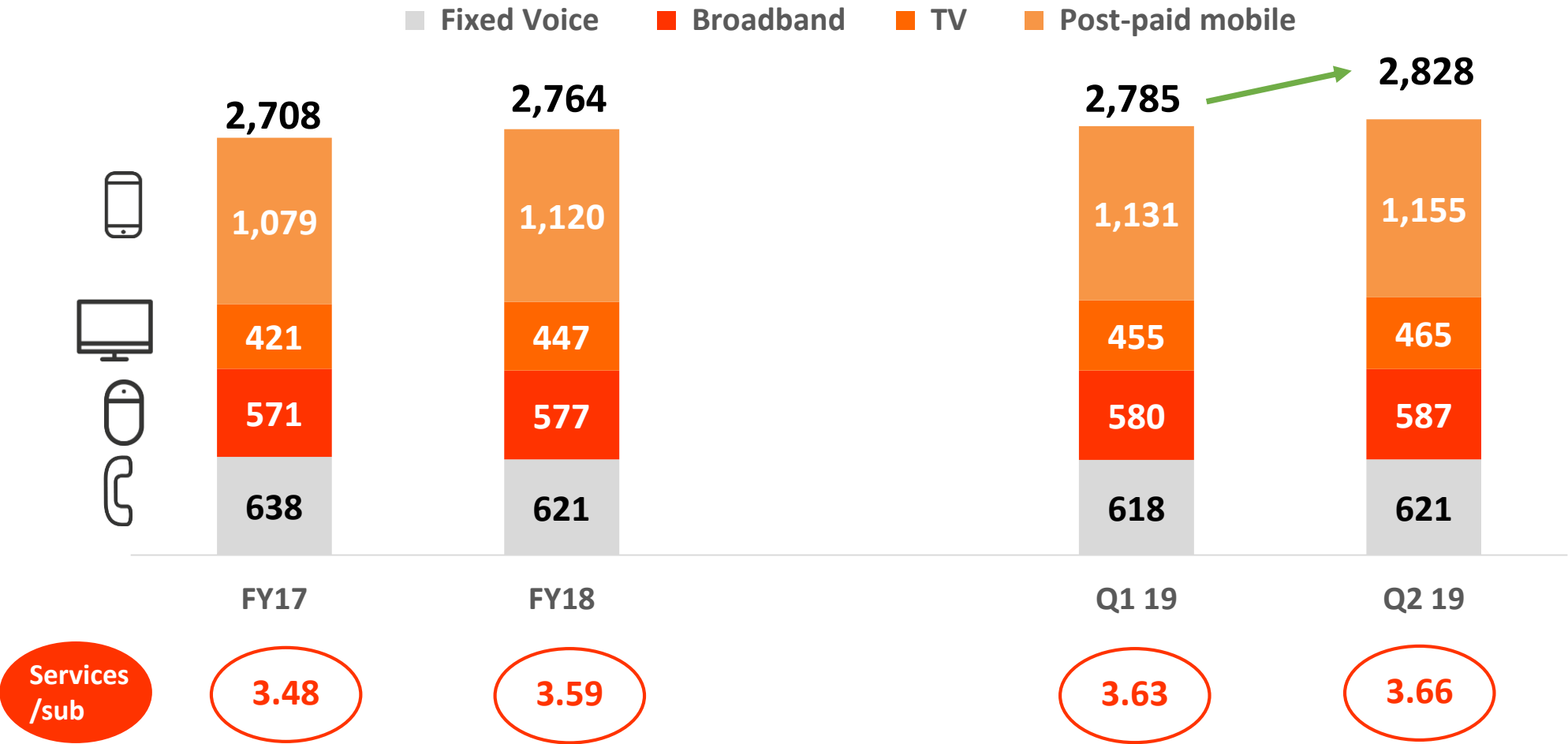


% of customers with a strong relationship with our brands



2 | Highly valuable and convergent customer base

Mass market services (RGUs) per type (in thousands)



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2 | Convergent offer with a leading value proposition focused on the lifetime value of the client



Broad coverage with the fastest broadband offering

- 🔊 **The speed leader** with ultra-fast broadband offering across the entire region (100% DOCSIS 3.1 network)
- 🔊 **Superior network coverage** in the Basque Country, Galicia and Asturias (2.3m homes passed)
- 🔊 **Five** fully operational **expansion pilots**
- 🔊 **Wide offering** of commercial speeds, ranging from **100Mbps to 600Mbps**
- 🔊 **Competitive prices** offering best value for money and superior service to competitors



Highly attractive and competitive mobility proposition

- 🔊 **Full-service, leading MVNO**
- 🔊 Competitive and innovative tariffs to address **real customer needs**
- 🔊 **Largest WiFi network** in the Basque Country, Galicia and Asturias with more than 400k hotspots allowing for data for clients

CONTRÁTALO EN AUTONOMÍA, 33 O EN PLAZA REKALDE, 2



A complete and innovative TV proposition

- 🔊 **High-quality and comprehensive** content offering covering different customer groups' needs with **possibility of adding premium channels**



- 🔊 **OTT platforms:** mitele, NETFLIX, amazon prime video

- 🔊 **First hybrid 4K/UHD** set-top box in Spain



- 🔊 **Enhanced offering** providing a superior and differentiated user experience (PVR, VoD, TV Everywhere)



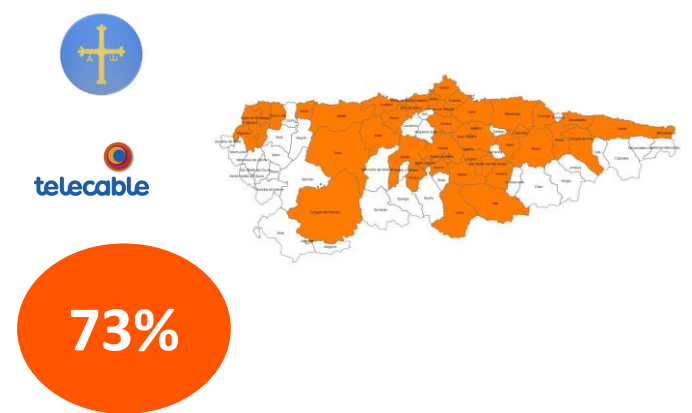
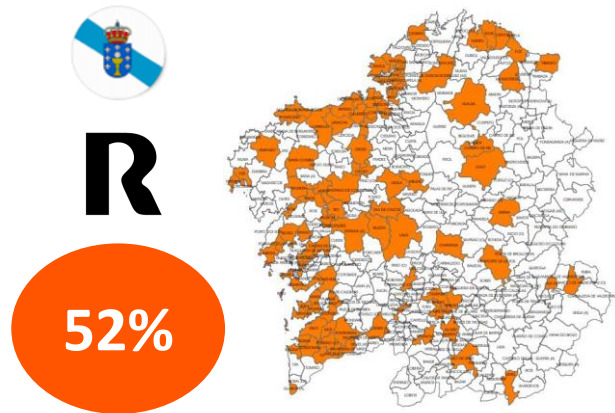
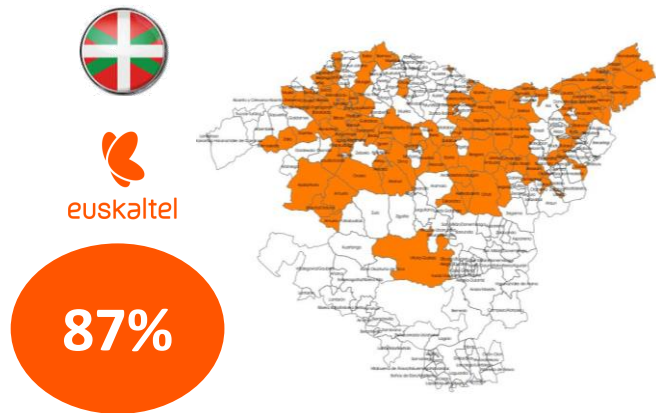
- 🔊 **Increased penetration of superior quality services** (HD, catch-up TV, VOD, network PVR, start over, time shift...)



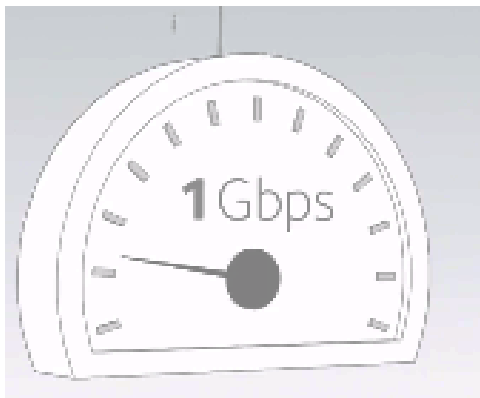
	SMEs	Large Accounts
% total rev. FY18	5%	11%
Strategy	- Traditionally underserved, opening up opportunity for Euskaltel - Standardized solutions leveraging Large Accounts know-how - Focus on high value SMEs (multi-location and high data needs)	- Bespoke product offerings for highly complex solutions - Unique dedicated project team structure to deliver best results and services
Euskaltel competitive advantage	Dedicated SME salesforce and customer care; significant experience providing complex solutions to Large Accounts	Technical capabilities, expertise and highly qualified team to offer end-to-end technological solutions
Customers		

3 | The best network coverage upgraded to the latest technology

Network
coverage by
region
(% of
households)



2.3 million households



100% **Docsis 3.1**
technology

4 | A new roadmap enhances value creation

1

New team appointed

- ✓ **New CEO** appointed in June 5, 2019
- ✓ A **simpler** and **more efficient** structure
- ✓ An **integrated** organization: from three independent regions to a **unique platform**
- ✓ Existing in-house executives reinforced by **new highly experienced hires**

2

Reinforcement of the current business

- ✓ Main focus: **drive profitability and customer experience** in the existing business
- ✓ Leveraging on our **three solid regional brands** (Euskaltel, R Cable and Telecable)
- ✓ Launching **homogeneous offers** under an **integrated network** coverage
- ✓ Improving the current **sales channel mix**: focus on **efficiency**
- ✓ Drive operational KPIs to industry **"best-practice"** levels

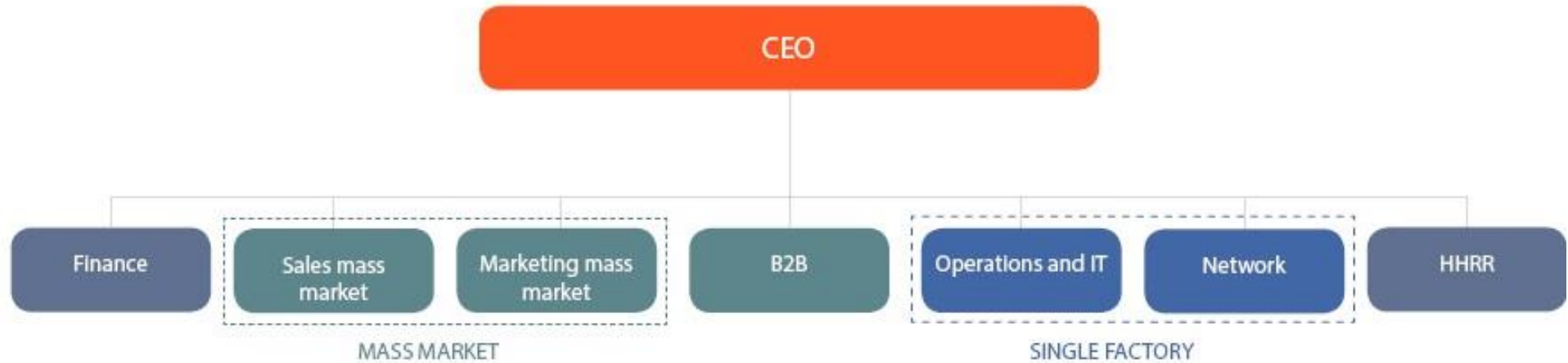
3

National expansion opportunity

- ✓ Five fully operational **national expansion pilots**
- ✓ Leveraging on the company's **single efficient operational model**
- ✓ Opportunity to target an **additional 85% of the Spanish market**
- ✓ Competitive, simple and **value-for-money** product offering
- ✓ Option to use the **Virgin Brand**

A detailed business plan will be developed and announced once approved by the Board of Directors

4 | A new single management and organisational structure in place



- 👉 A new organization aimed at achieving the industry's **best practices**
- 👉 A **leaner simpler** structure: **two business units** (mass market and B2B) addressing the **whole customer footprint as one** instead of the previous three regional businesses
- 👉 **Single technology “factory”** fully integrating network, IT and customer service platforms: opportunity to generate **further synergies, business operating leverage and customer service excellence**

4

New commercial offers have been launched

UN OFERTÓN CON MUCHO FUNDAMENTO

Este Samsung Galaxy A20e te sale a 0€

CONTRATANDO TARIFA 150 min. **4GB** x **12€/mes**

Ven a nuestra tienda en Calle Canga Argüelles 16 y te llevas un Regalo seguro

telecable

un ofertón con moito fundamento

kin este Samsung Galaxy A20e saeche por **0€**

contratando **10GB** extra / mes x **6€/mes**

kon este Samsung Galaxy A50e saeche por **0€**

contratando **20GB** extra / mes

contrátalo en **R.gal | 1445 | tendas R**

ESKAINITZA PAREGABEA ETA FUNDAMENTU HANDIKOA

KIN SAMSUNG GALAXY A20e **0€**

10GB EXTRA / MESE x **6€/MESE**

KON SAMSUNG GALAXY A50e **0€**

20GB EXTRA / MESE x **12€/MESE**

KONTRATATU HEMEN: **EUSKALTEL.EUS | DENDAK | 1717**

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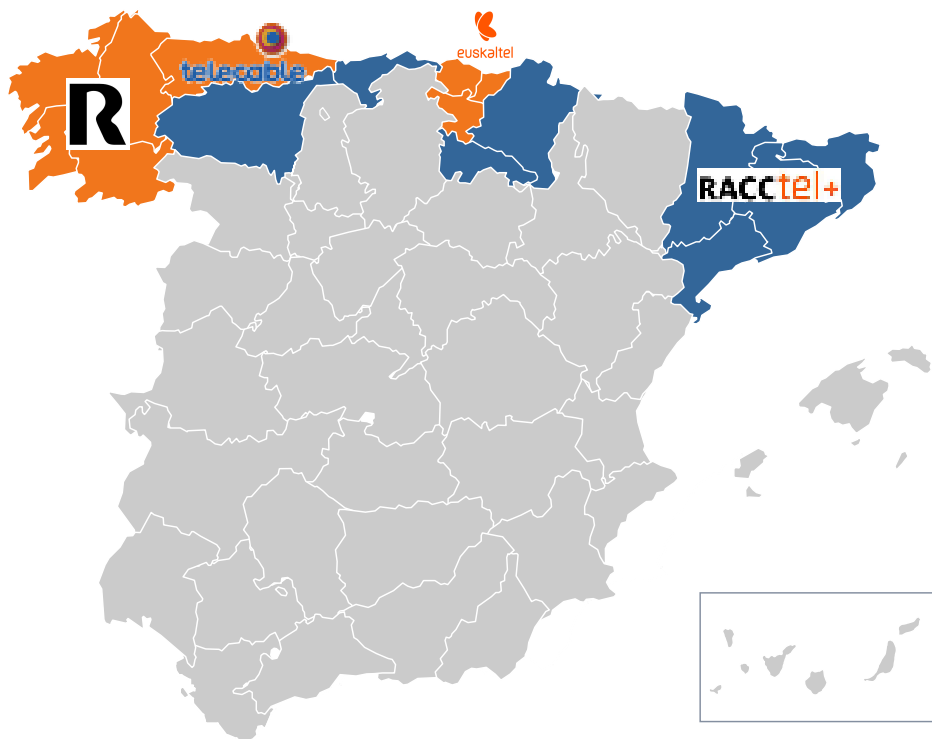
The new offers are **homogeneous** across the three brands

The focus is on **customer value** and an enhanced experience through increased mobile data abundance and higher broadband speeds

5

Network expansion drives growth and profitability

Expansion pilots and a single efficient operational model form the basis of a national expansion project



- Current presence
- Current expansion pilots
- Future expansion opportunity



SINGLE EFFICIENT OPERATIONAL MODEL

- An integrated **management structure** addressing the whole footprint
- A single efficient **technology “Factory”**
- A market leading **quality positioning**



FULLY OPERATIONAL EXPANSION PILOTS

- Five fully operational **expansion pilots**
- Leveraging on the company's **efficient operational model**
- Demand for a **value-for-money proposal** demonstrated



MARKET OPPORTUNITY

- Opportunity to access an additional **85% of the market**
- Network sharing agreements provide **opex/capex flexibility**
- Option to launch **the Virgin brand** nationally



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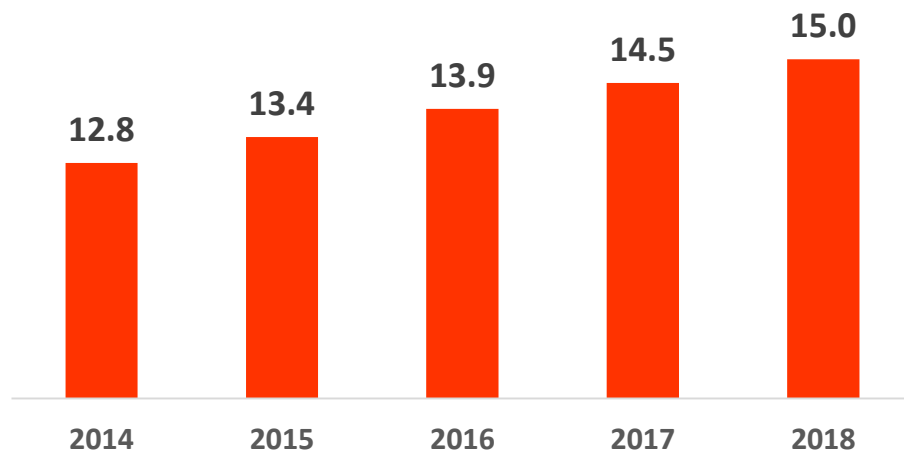
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The Spanish FBB Market is one of the most dynamic in Europe

A large,
growing
and
dynamic
market

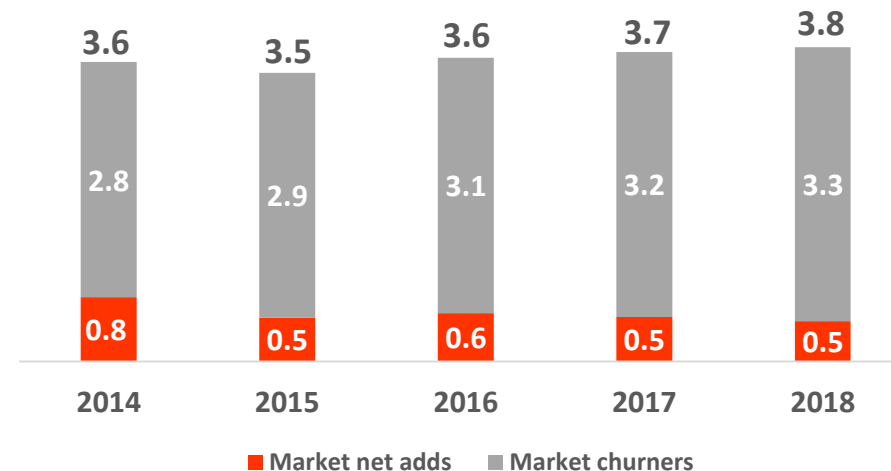
Spanish FBB Market – Evolution of FBB lines

In million lines



Spanish FBB Market – Opportunity to grow

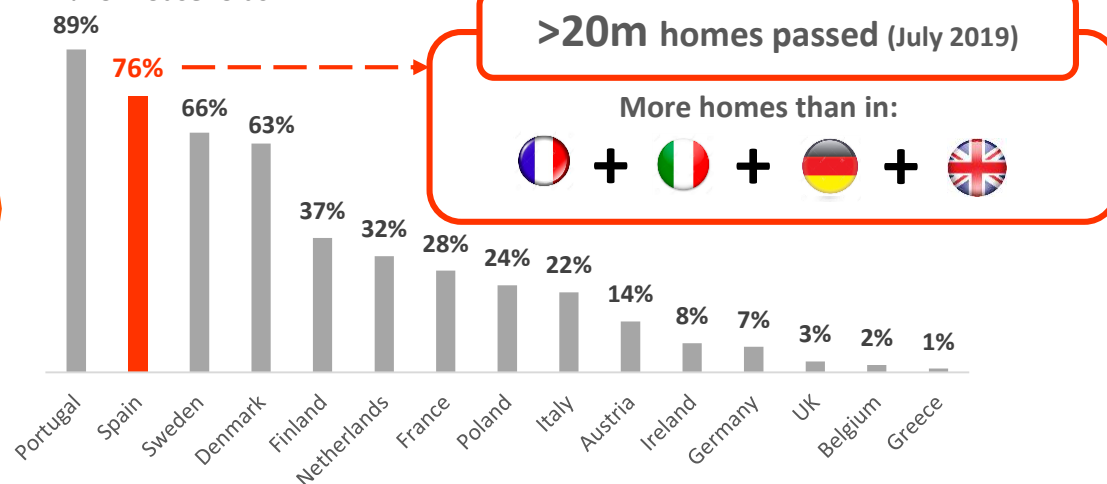
In million lines



Widespread
availability
of fibre
networks
fosters
sharing
agreements

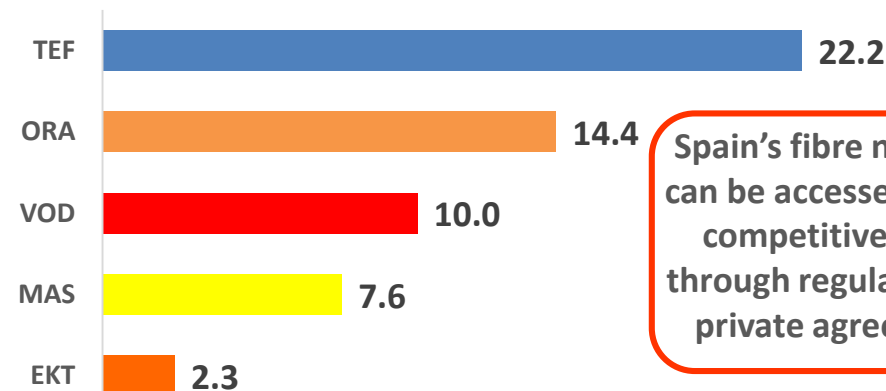
Fibre coverage in Europe

In % of households



Next Generation Networks deployed in Spain

In million households



Spain's fibre networks
can be accessed at very
competitive prices
through regulation and
private agreements



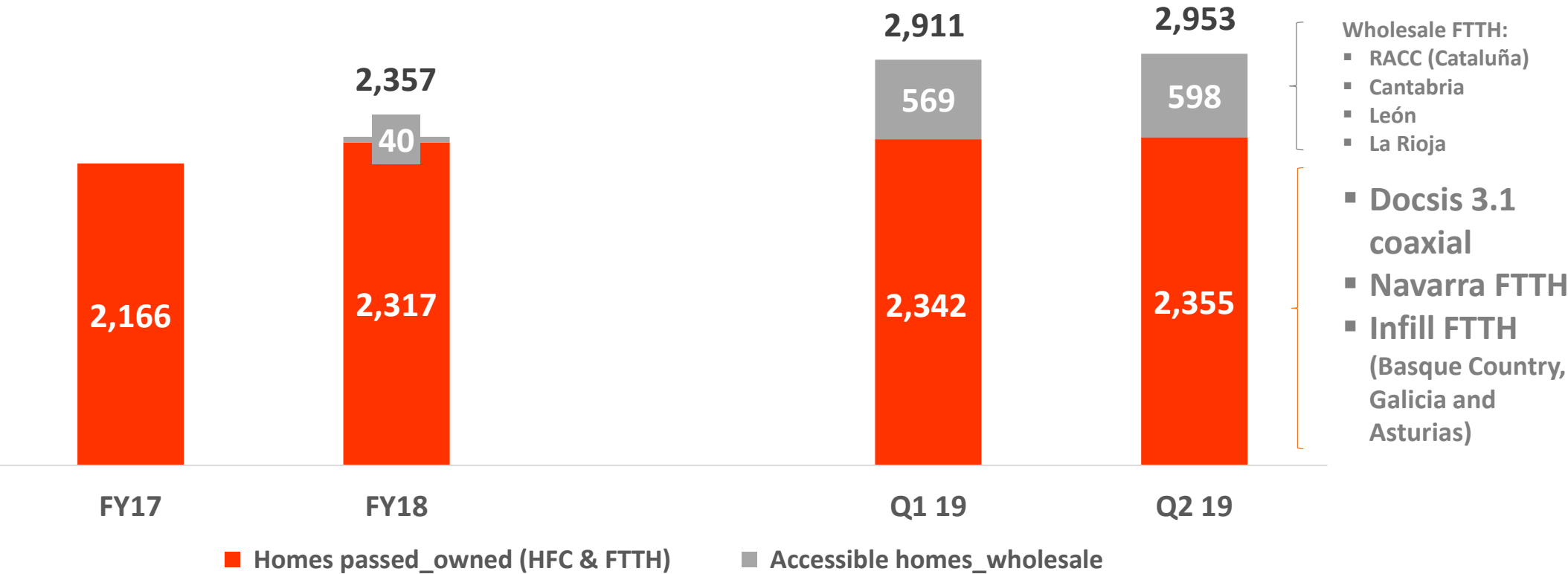
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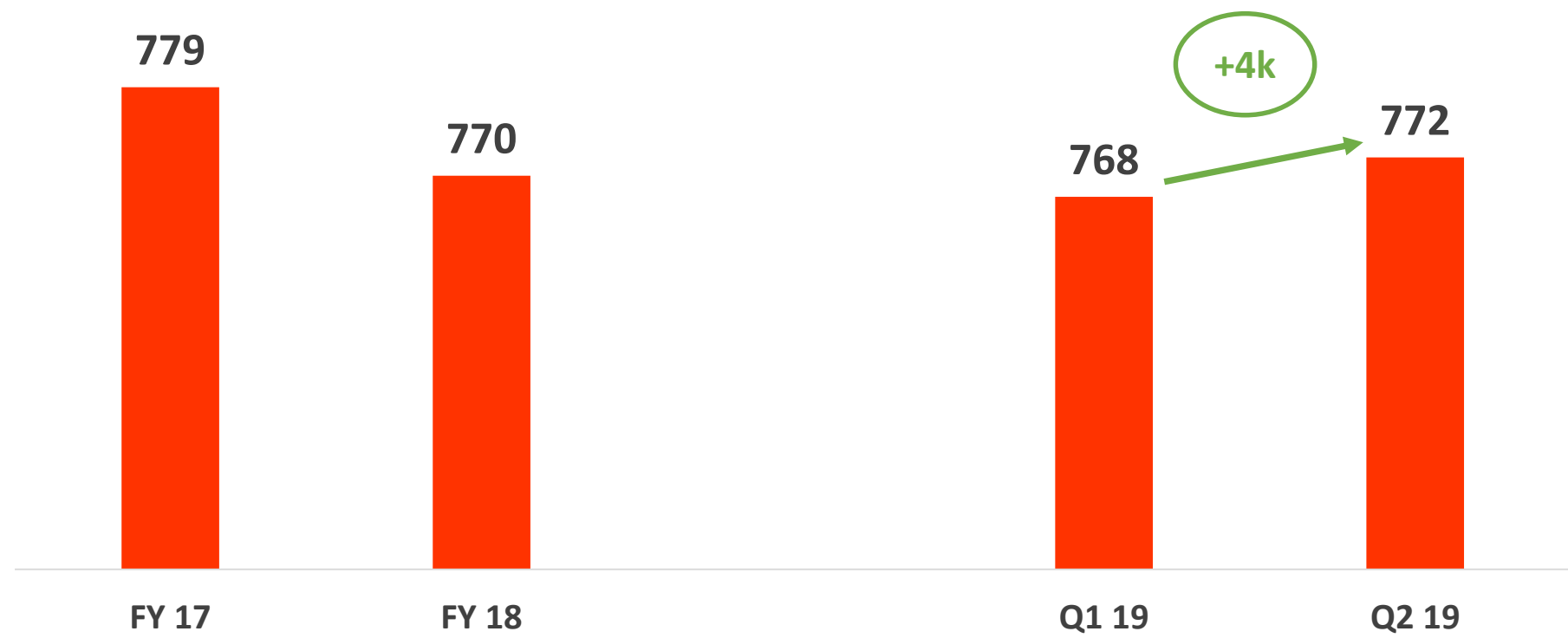
5 | Expansion pilots deliver customer growth opportunities

Current footprint (in thousands households)



5 | Network expansion **boosts customer growth**

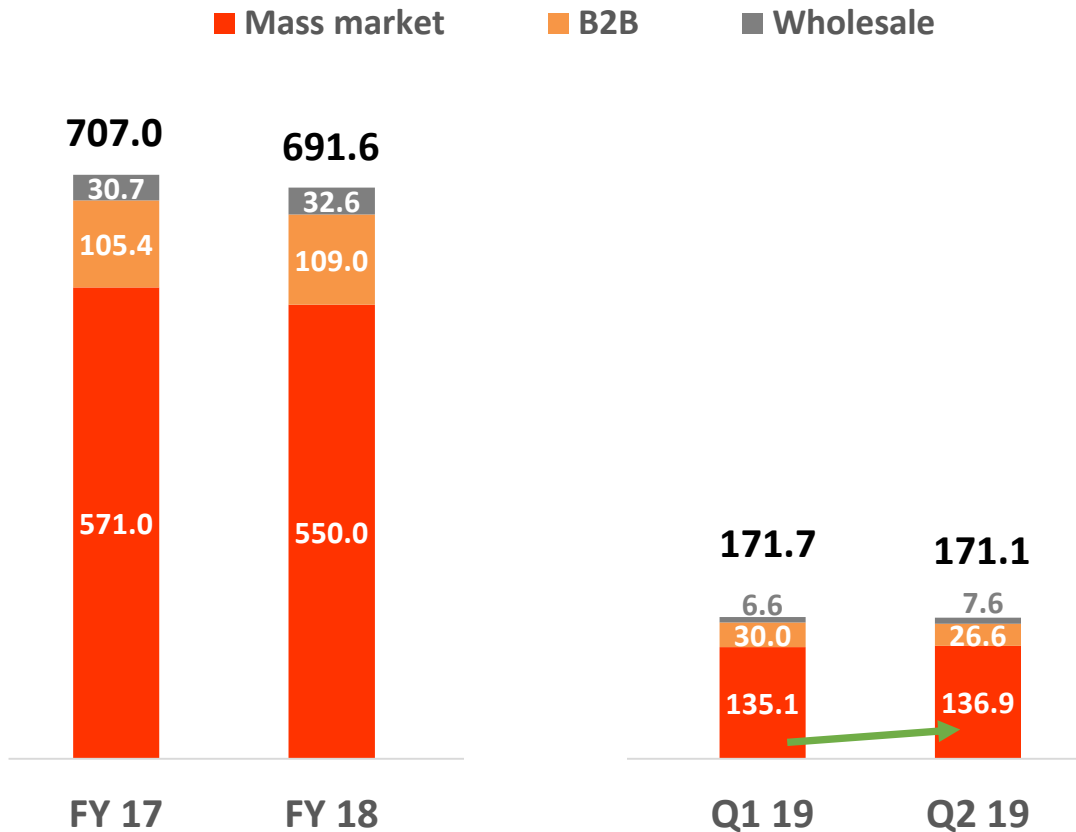
Mass market subscribers¹ (in thousands) 



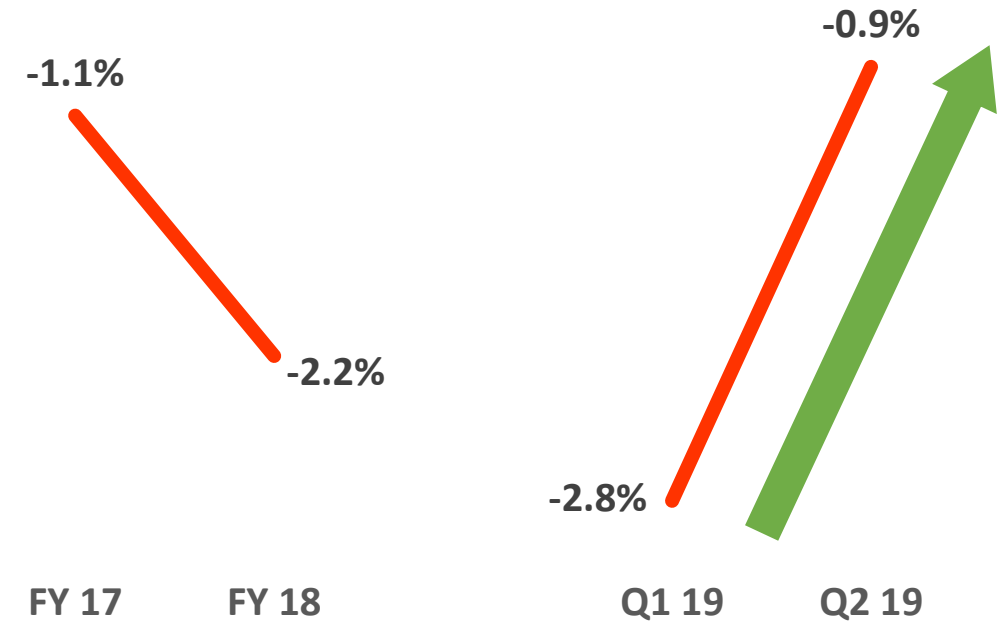
1. Mass market subs = residential subs + SOHO subs + RACC only mobile subs

The revenue growth trend has reversed and approaches **positive territory**

Total revenue breakdown by segment (EURm)

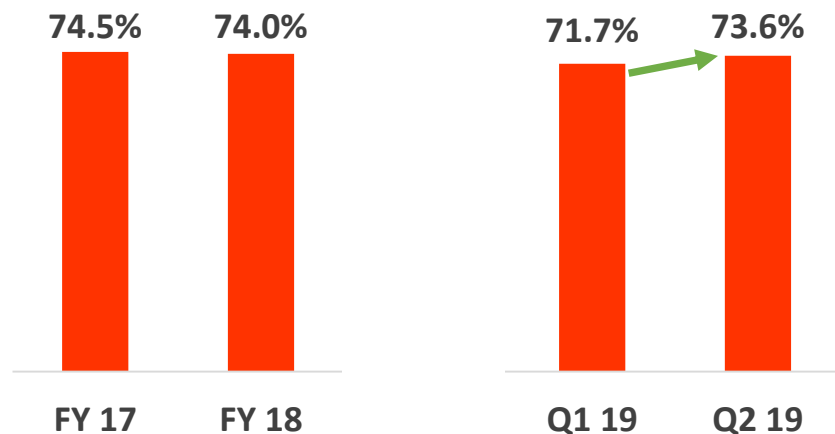


Total revenue evolution YoY (%)

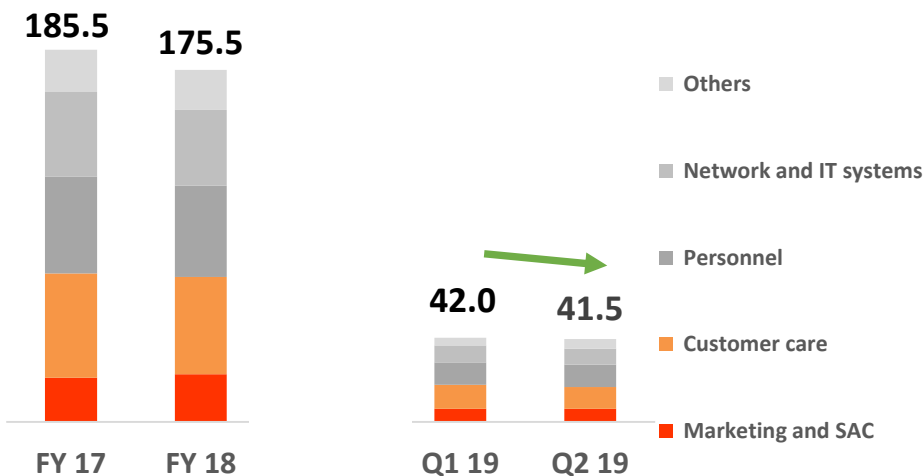


Higher quality revenue and efficient cost management boost profitability

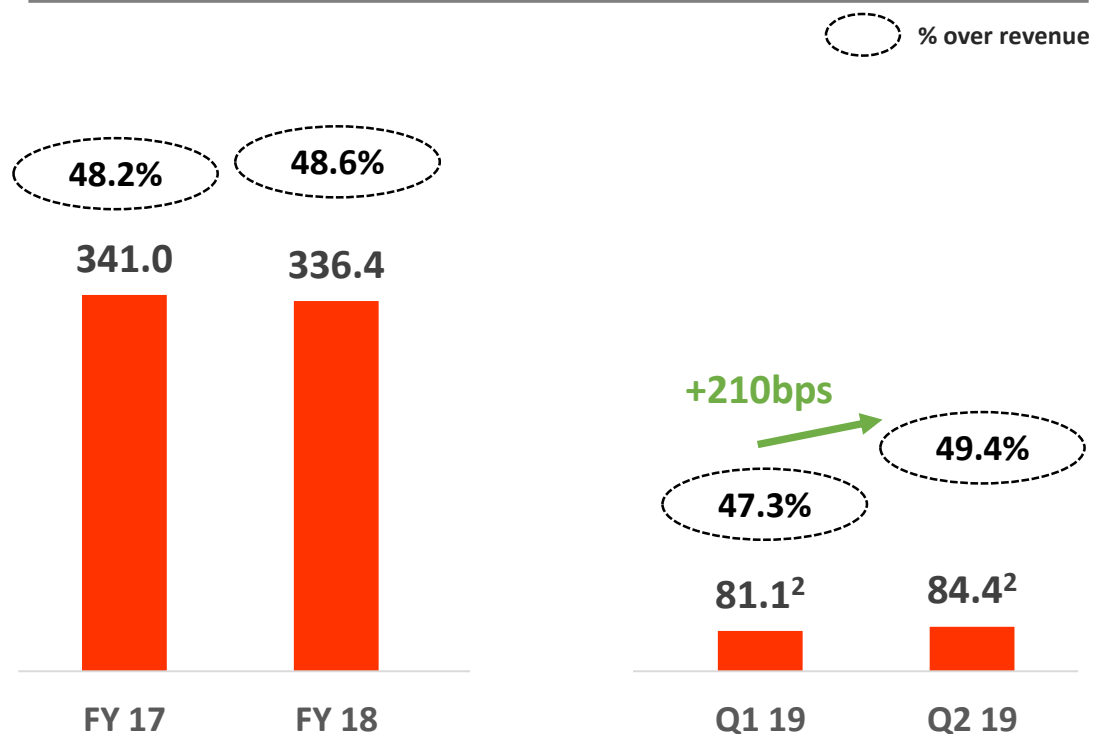
Gross margin (% over revenue)



Selling, general and administrative expenses (EURm)

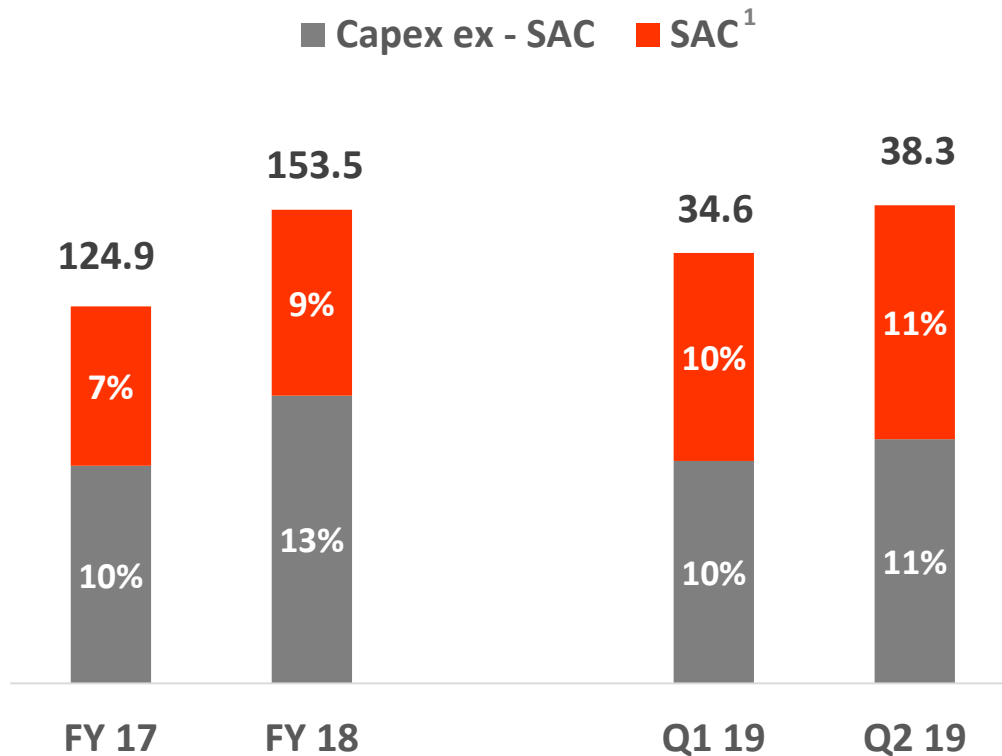


EBITDA¹ (EURm)

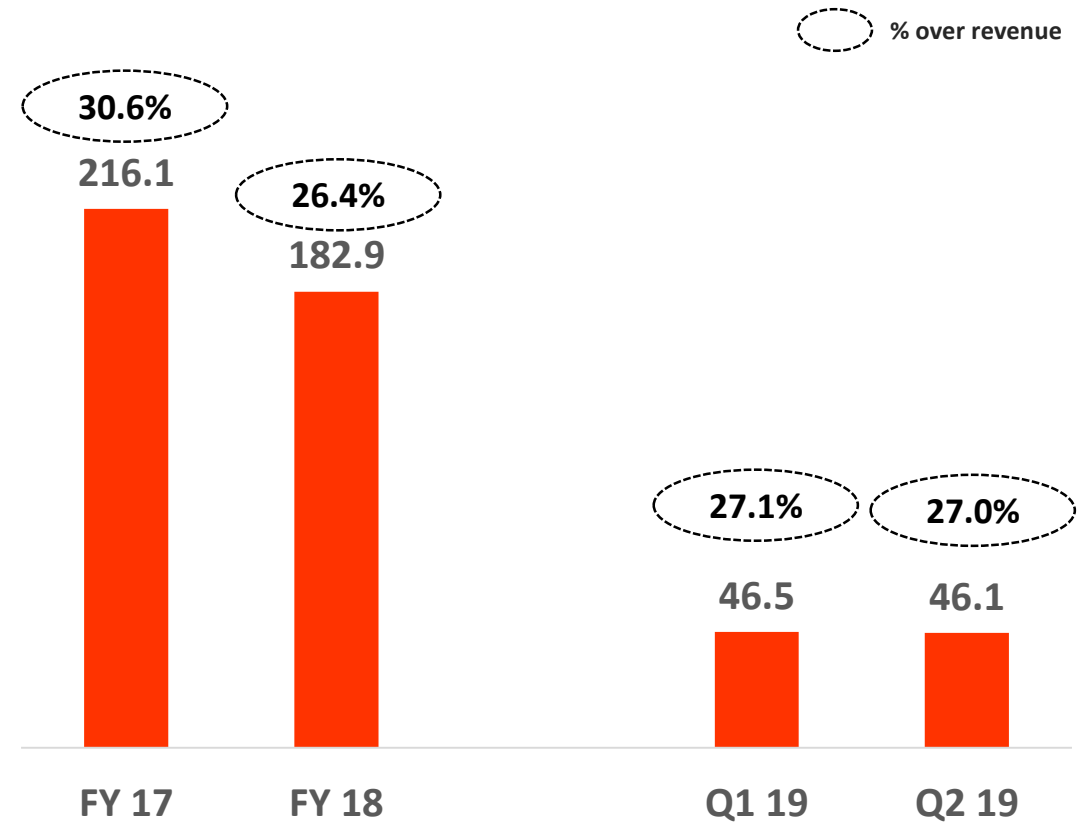


1. EBITDA definition as per 'alternative performance measures': EBIT + depreciation and amortization +/- impairment + other non recurrent results
2. EBITDA post IFRS16

Capex (EURm and as % of revenue)

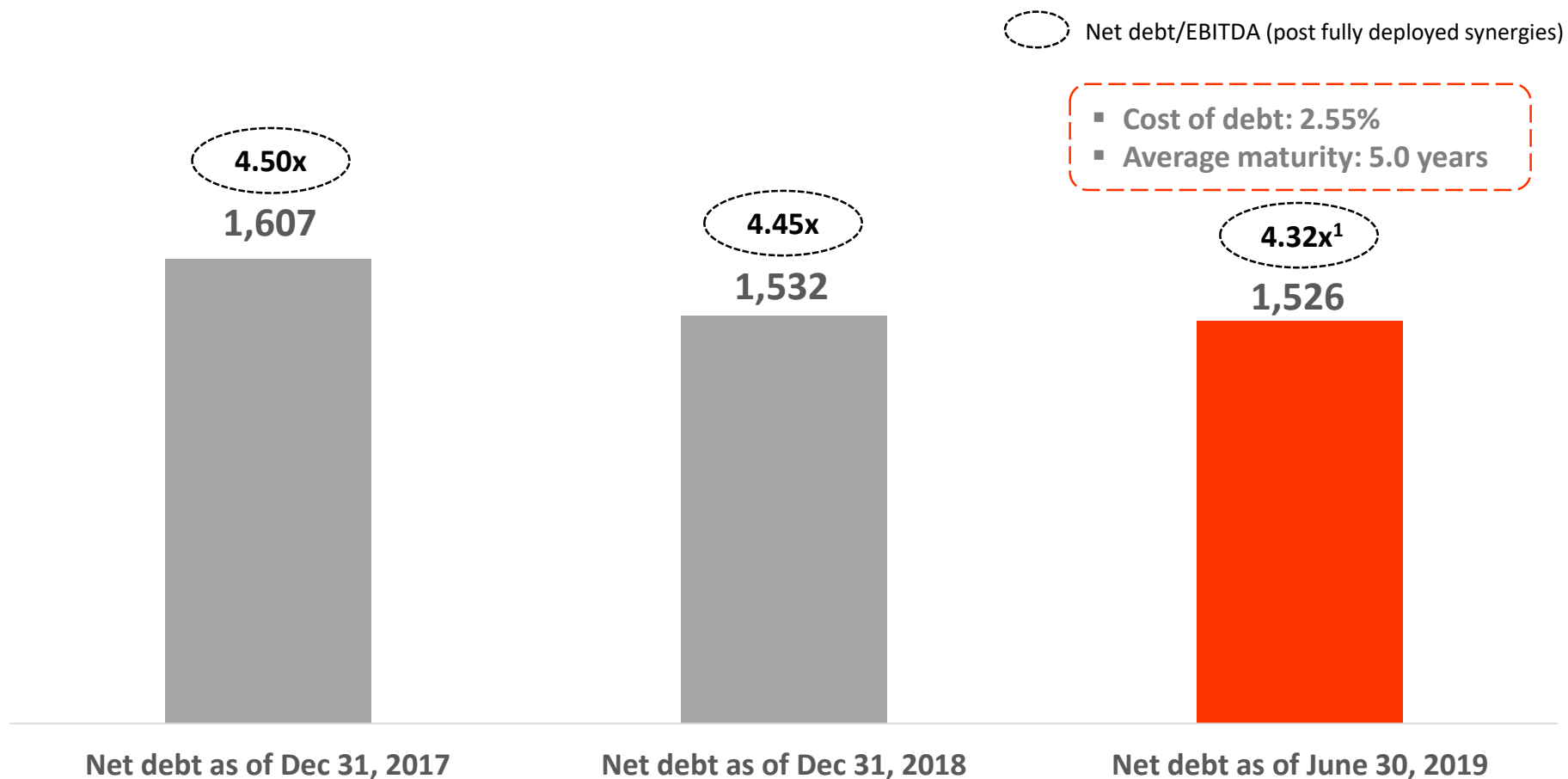


OpCF (EBITDA – capex) (EURm)



1. SAC capex includes commercial costs and customer equipment

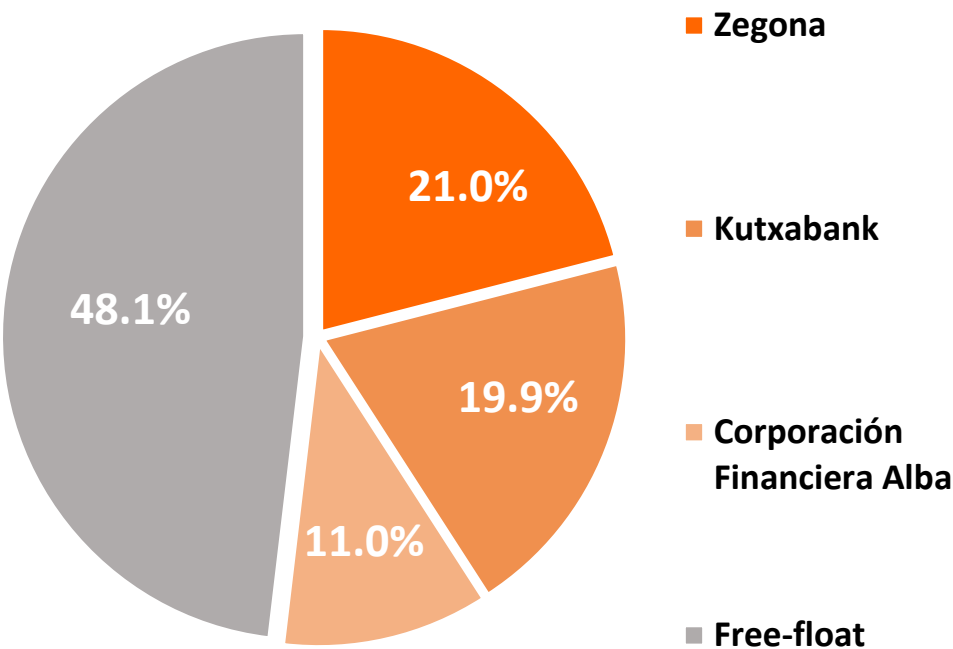
Net debt (EURm)



1. EBITDA adjusted by identified potential synergies

7 | Anchor shareholder base provides stability and experience

Shareholder structure



Board of Directors ¹



1. Proprietary directors in the Board of Directors represent Kutxabank (2), Zegona (2) and Corporación Financiera Alba (1)

| A company with all the assets necessary to **generate shareholder value**

 ORGANIZATION: A **lean and efficient** organization led by **an experienced team**

 PRODUCT: **Homogeneous offers** focused on **customer value**

 BRAND: The **three regional brands** are **key assets** that ensure success

 COMMERCIAL OFFER: A **focused** commercial strategy based on **best practices**

 SINGLE FACTORY: aimed to **support the commercial strategy** and **generate efficiencies**

 EXPANSION: **a new market** offers a major **growth opportunity**



Appendix



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Euskaltel Group consolidated - KPIs (i/iii)

Mass market		Annual		Quarterly					
KPIs	Unit	2017PF	2018	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Homes passed_owned (HFC & FTTH)	#	2,166,001	2,317,385	2,222,026	2,230,073	2,268,286	2,317,385	2,341,655	2,355,173
Accessible homes_wholesale	#	-	39,938	-	-	38,476	39,938	569,092	598,061
Mass market subs ¹	#	778,959	770,143	777,141	778,132	772,298	770,143	767,863	771,855
Total services (RGUs) ²	#	2,708,388	2,764,099	2,730,720	2,765,593	2,743,941	2,764,099	2,784,519	2,827,928
Fixed Voice	#	638,109	620,857	633,208	633,432	622,942	620,857	618,245	621,213
Broadband	#	570,884	576,720	573,125	577,657	573,613	576,720	580,329	586,978
TV	#	420,622	446,664	427,457	437,595	436,517	446,664	454,992	464,848
Post-paid mobile	#	1,078,773	1,119,858	1,096,930	1,116,909	1,110,869	1,119,858	1,130,953	1,154,889
Services (RGUs) per subscriber	#	3.48	3.59	3.51	3.55	3.55	3.59	3.63	3.66
Global ARPU fixed customers (quarterly standalone)	€/month	61.83	60.98	61.42	60.76	61.30	60.43	60.33	60.35

SMEs and Large Accounts		Annual		Quarterly					
KPIs	Unit	2017PF	2018	Q1 18	2Q18	3Q18	4Q18	1Q19	2Q19
Customers	#	14,670	14,827	14,728	14,785	14,801	14,827	14,960	15,133

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	2017PF	2018	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Total revenue	€m	707.0	691.6	176.6	172.7	171.9	170.5	171.7	171.1
Y-o-y change	%	-1.1%	-2.2%	0.4%	-2.0%	-2.7%	-4.3%	-2.8%	-0.9%
o/w Mass market revenue 1	€m	571.0	550.0	138.4	137.7	137.8	136.0	135.1	136.9
Y-o-y change	%	0.3%	-3.7%	-3.0%	-3.6%	-4.0%	-4.2%	-2.4%	-0.6%
o/w B2B revenue	€m	105.4	109.0	28.6	27.5	26.3	26.6	30.0	26.6
Y-o-y change	%	-8.8%	3.5%	9.5%	4.9%	2.8%	-3.0%	4.7%	-3.4%
o/w Wholesale and Other revenue	€m	30.7	32.6	9.6	7.5	7.8	7.9	6.6	7.6
Y-o-y change	%	0.6%	6.4%	33.8%	2.8%	3.7%	-10.5%	-31.2%	2.2%
Gross margin	€m	526.5	511.9	127.8	131.1	125.2	127.9	123.1	125.9
% of total revenue	%	74.5%	74.0%	72.4%	75.9%	72.8%	75.0%	71.7%	73.6%
Selling, General & Admin. Expenses (SG&A)	€m	(185.5)	(175.5)	(43.6)	(46.6)	(41.1)	(44.3)	(42.0)	(41.5)
o/w marketing and SAC	€m	(22.0)	(23.8)	(5.3)	(6.5)	(5.8)	(6.1)	(6.6)	(6.6)
o/w customer care	€m	(52.0)	(48.5)	(11.9)	(12.2)	(12.1)	(12.2)	(12.0)	(10.9)
o/w personnel	€m	(48.2)	(45.5)	(11.3)	(11.2)	(11.3)	(11.7)	(11.1)	(11.1)
o/w network and IT systems	€m	(42.3)	(37.9)	(10.9)	(11.1)	(6.8)	(9.1)	(8.4)	(8.0)
o/w others	€m	(21.0)	(19.8)	(4.2)	(5.5)	(5.0)	(5.1)	(3.9)	(4.9)
Adjusted EBITDA	€m	341.0	336.4	84.2	84.5	84.1	83.6	81.1	84.4
% of total revenue	%	48.2%	48.6%	47.7%	49.0%	48.9%	49.0%	47.3%	49.4%
Y-o-y change	%	-1.3%	-1.3%	0.3%	-0.8%	0.0%	-4.6%	-3.7%	-0.1%
Depreciation and Amortization	€m	(203.2)	(194.8)	(48.8)	(50.6)	(48.2)	(47.2)	(50.2)	(51.0)
Extraordinary items	€m	(27.2)	(11.8)	(2.9)	(3.6)	(1.4)	(3.8)	(2.9)	(7.6)
Net financial expenses	€m	(71.6)	(48.2)	(12.9)	(11.3)	(11.9)	(12.1)	(12.6)	(12.1)
Net profit before taxes	€m	38.9	81.7	19.5	19.0	22.6	20.5	15.4	13.7
Taxes	€m	(9.4)	(18.9)	(4.9)	(4.8)	(4.9)	(4.3)	(3.4)	(2.8)
NET PROFIT	€m	29.5	62.8	14.6	14.2	17.7	16.3	11.9	11.0

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	2017PF	2018	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
EBITDA	€m	341.0	336.4	84.2	84.5	84.1	83.6	81.1	84.4
Capex	€m	(124.9)	(153.5)	(33.9)	(34.0)	(36.1)	(49.4)	(34.6)	(38.3)
% of total revenue	%	-17.7%	-22.2%	-19.2%	-19.7%	-21.0%	-29.0%	-20.2%	-22.4%
Operating Cash Flow	€m	216.1	182.9	50.3	50.5	48.0	34.2	46.5	46.1
% of total revenue	%	30.6%	26.4%	28.5%	29.3%	27.9%	20.0%	27.1%	27.0%
Interests	€m	(52.1)	(40.0)	(8.3)	(11.8)	(10.6)	(9.3)	(12.3)	(9.3)
Working Capital	€m	(10.2)	11.9	(15.6)	2.1	0.0	25.5	(32.0)	15.2
Taxes	€m	(12.8)	(15.1)	5.7	(3.2)	(7.6)	(9.9)	(6.8)	(2.6)
Others	€m	(33.6)	(15.8)	(7.9)	(4.0)	(2.2)	(1.7)	(5.9)	(7.7)
Free Cash Flow	€m	107.5	124.0	24.3	33.6	27.5	38.6	(10.5)	41.8
Dividends	€m	(54.7)	(49.6)	(22.7)	-	(26.9)	-	(25.0)	-
Net debt variation	€m	52.8	74.4	1.6	33.6	0.6	38.6	(35.5)	41.8
NET DEBT	€m	1,606.5	1,532.1	1,604.9	1,571.3	1,570.7	1,532.1	1,567.5	1,525.8

Balance Sheet		Annual		Quarterly					
	Unit	2017PF	2018	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Non-current Assets	€m	2,768.3	2,721.0	2,748.7	2,737.1	2,725.1	2,721.0	2,779.1	2,765.1
Intangible assets	€m	1,343.9	1,335.7	1,345.8	1,338.6	1,337.5	1,335.7	1,332.7	1,329.5
Tangible assets	€m	1,286.3	1,252.4	1,268.8	1,259.4	1,248.7	1,252.4	1,312.2	1,302.7
Financial assets	€m	7.5	7.8	7.6	8.5	8.3	7.8	9.1	9.0
Deferred tax assets	€m	130.6	125.1	126.5	130.6	130.7	125.1	125.1	123.8
Current Assets	€m	136.2	177.7	141.1	145.3	164.4	177.7	144.1	149.5
Inventories	€m	4.1	6.0	4.5	4.3	4.0	6.0	5.7	6.4
Trade and other receivables	€m	73.4	64.3	76.6	70.2	65.6	64.3	66.6	62.5
Cash and cash equivalents	€m	58.7	107.4	60.0	70.9	94.8	107.4	71.8	80.6
TOTAL ASSETS	€m	2,904.6	2,898.7	2,889.8	2,882.4	2,889.5	2,898.7	2,923.3	2,914.6
Total Shareholders' Equity	€m	963.6	974.9	978.7	966.3	983.5	974.9	987.3	967.9
Non-current Liabilities	€m	1,694.4	1,562.2	1,695.0	1,592.4	1,675.3	1,562.2	1,619.7	1,554.7
Long term debt	€m	1,583.4	1,447.3	1,579.8	1,482.9	1,565.1	1,447.3	1,444.9	1,388.5
Provisions	€m	-	-	1.3	-	-	-	-	-
Other non-current liabilities	€m	111.1	114.9	114.0	109.5	110.2	114.9	174.8	166.2
Current Liabilities	€m	246.5	361.6	216.1	323.7	230.7	361.6	316.3	392.0
Short term debt	€m	50.1	154.1	67.5	126.8	68.9	154.1	154.4	185.5
Trade and other payables	€m	196.5	207.5	148.6	196.9	161.8	207.5	161.9	206.5
Total Liabilities	€m	1,940.9	1,923.8	1,911.1	1,916.1	1,906.0	1,923.8	1,936.0	1,946.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	€m	2,904.6	2,898.7	2,889.8	2,882.4	2,889.5	2,898.7	2,923.3	2,914.6

