



Euskaltel Group

**The Group has drawn up a plan to deal with the crisis, which aims to guarantee customers a quality connection, increase services offered to customers for free to help them through confinement and adopt the measures needed to ensure the safety of customers and employees**

## **The Euskaltel Group increases revenue and profitability and finalises its national launch alongside the Virgin brand**

- The Euskaltel Group has had a solid start to the year and closes Q1 with growth in its main operational and financial indicators.
- The operator is ready to kick off its national expansion strategy using the Virgin brand and already has access to over 13 million homes in Spain. Pilot tests have successfully been carried out with customers around Spain who have access to all convergent fixed and mobile phone services, ultra-fast broadband and 4K TV.
- The company saw its sixth consecutive quarter of growth in fixed line customers, with 400 new users, driven mainly by the expansion that has taken place outside the Group's three traditional regions.
- Products under contract in the residential segment rose by 59,000 compared to the same period last year and reflect the Group's solid high-value customer base.
- The Group consolidates its leading position in the mobile phone segment by adding 36,500 new lines. Broadband products are up by 17,000 new lines. There are 16,000 new TV service contracts. The Group's TV penetration is over 70% of its customer base.
- The portfolio of high added-value customers on 3P and 4P contracts continues to grow to the industry's highest levels reflecting its strength, with an average record figure of 3.68 products per user.
- In the business segment, the positive trend continues with a significant increase in SMEs and large accounts.
- Positive revenue growth of 0.1% in Q1 2020 compared to the same period last year, reflecting the second consecutive quarter of revenue growth.

- **Solid rise in profitability.** EBITDA stands at Euros 88 million in Q1 2020, up 8.1% on last year. The EBITDA margin has risen to 51.1% of revenue compared to last year's 47.3%—year-on-year growth of over 380 basis points— and is a benchmark among European companies in the sector.
- **Considerable EBITDA growth has led to greater cash generation.** Operating cash flow stood at Euros 49.1 million (almost 29% of revenue) in Q1, reflecting 5.5% growth.
- **Due to these strong financial results, the company has decided to stick to its dividend policy for 2019 and confirms that its 2020 objectives reported to the market will remain unchanged.** The 2019 dividend will be Euros 0.31 per share. The company will pay out an additional dividend of Euros 0.17 per share on July.
- **The Group has put in place the measures imposed by the government to deal with COVID-19 whilst continuing to offer a high-quality service and increasing customer service levels so as to make the isolation measures more bearable.**

**Bilbao, 22 April 2020.** The Euskaltel Group –comprising the Euskaltel, R and Telecable brands– has today posted its Q1 2020 results, confirming both revenue and profitability growth and opening the door to its immediate national launch using the Virgin brand.

These data confirm that the Euskaltel Group has kicked off 2020 on a strong footing, despite the impact of the COVID-19 pandemic and its effect on the industry in the second half of March as a result of the measures adopted within the state of emergency announced to deal with the pandemic.

### **High value customer base growth**

The company saw its sixth consecutive quarter of growth in fixed line customers, with 400 new users in Q1, driven mainly by the expansion that has taken place outside the Group's three traditional regions, the Basque Country, Galicia and Asturias. The company expects this positive trend to continue throughout the year with the national expansion strategy that will be launched soon.

The high-value customer base has continued to grow in the first quarter of 2020. Products under contract in the residential segment rose by 59,000 compared to the same period last year, reflecting the Group's solid high-value customer base. The portfolio of customers on 3P and 4P contracts continues to increase to the industry's highest levels. In Q1, Euskaltel Group customers signed up for a record 3.68 products per user on average.

The mobile phone segment adds 36,500 new lines. Ultra-fast broadband products are up by 17,000 new lines. 4K TV and the introduction of OTT platforms and services continued to grow with 16,000 new users and penetration of over 70% of the customer base.

The positive trend continues in the business segment with a significant increase in SME customers and large accounts, pushing the customer base to nearly 16,000 in Q1 2020. This is a

result of the simplified, unified sales model and the launch of a wide range of products and services based on the quality and capacity of the company's state-of-the-art fibre optic network.

It is important to note that the COVID-19 crisis has led to a considerable increase in the demands of B2B customers, as companies' teleworking and cyber-security needs have multiplied during this period. The Group's proximity to companies needing these services in the Basque Country, Galicia and Asturias has enabled the urgent rolling out and development of these essential services in the current crisis by Euskaltel, R and Telecable's business teams.

### **Cash generation and EBITDA growth**

The Group begins the year by meeting its financial targets, with the crisis having a limited and controlled impact. Operational and financial improvements, alongside the efficiency measures rolled out and customer base growth, have seen the main operational and financial indicators continue to grow.

The Group has continued the positive trend that began in previous months and has seen positive revenue growth of 0.1% in the first quarter of 2020, compared to the same period in the prior year, reflecting the second consecutive quarter of revenue growth.

The efficiency measures put in place have led to solid profitability growth for the company. EBITDA stands at Euros 88 million in Q1 2020, 8.1% higher than a year ago. The EBITDA margin has risen to 51.1% of revenue compared to last year's 47.3% —year-on-year growth of over 380 basis points— and is a benchmark among European companies in the sector.

Strong EBITDA growth has led to greater cash generation. Operating cash flow stood at Euros 49.1 million —almost 29% of revenue— in Q1, reflecting 5.5% growth.

Thanks to the solid cash flow generation, the cash generated during Q1 2020 has led to continued improvement in the leverage ratio with debt at 4.12 times EBITDA.

### **Additional dividend of Euros 0.17 per share**

Due to these strong financial results, the company has decided to stick to its dividend policy for 2019 and confirms that its 2020 objectives reported to the market will remain unchanged. The 2019 dividend will be Euros 0.31 per share. Having paid shareholders a gross interim dividend of Euros 0.14 per share on 5 February, the company will pay out an additional dividend of Euros 0.17 per share in July. This is the fourth consecutive year that a dividend has been paid out since the company was floated on the stock exchange in July 2015.

The Euskaltel Group's solid financial performance during the quarter, which has enabled the company to maintain its dividend policy, is based on the growth seen in its main financial indicators: strong year-on-year growth in EBITDA of 8%, year-on-year growth of 6% in cash generation and significant deleveraging of up to 4.1x in the quarter.

### **Three-fold COVID-19 plan: safety, connectivity and service**

The Group has put in place the measures imposed by the government whilst continuing to offer a high-quality service and increasing customer service levels so as to make the isolation measures more bearable (#StayAtHome).

Since the start of the COVID-19 crisis in the middle of March, the Euskaltel Group has laid out a plan to deal with this extraordinary situation. The first objective during this month focussed on keeping customers and employees safe, complying with the measures put in place by the government and rolling out internal safety measures, such as working from home. Almost 100% of staff and 90% of call-centre employees are working from home, while 70% of sales points remain open with all safety measures in place to meet the direct service requirements imposed by the government's essential services decree.

The second objective involves keeping customers connected. This means that over 800 technicians from the Euskaltel Group's Systems and Networks teams are working to guarantee a quality network, adapting the Euskaltel network to cope with the extraordinary increase in traffic, providing 24x7 monitoring of traffic to identify usage peaks and to launch the necessary upgrades. This is all done to provide a good user experience, and even more so now when families, businesses and health and emergency services need to be connected.

The company's third objective is strengthening telecommunications services. This work has focussed on helping residential customers deal with family communication and entertainment needs and providing companies with technology advisory services.

With regards residential customers, it is important to highlight the following initiatives:

- The opening up of children's channels and its TV film service to all users, regardless of the bundle under contract.
- The inclusion of a special History Channel module aimed at students through the on-demand video service.
- Free increased mobile allowance of 30 GB for people who are unable to use the fixed network.
- New TV channels, such as the Surf Channel, for all users.
- Increasing the entertainment offering with 100 new films for free on its on-demand video catalogue.
- Free access to the Euskaltel Group's online TV service for all people in hospital, both customers and non-customers.

In terms of the business segment, the company has benefited from its geographical proximity to its customers and has provided tailor-made solutions to meet the increase in demand and services during the crisis via the following measures:

- Strengthening and adapting the network to guarantee continuity of service for companies in the face of increased numbers of employees working from home. Euskaltel has also enabled VPN access, cloud solutions, etc. in record time.

- Free online training platform during this period for business customers via fortnightly campaigns aimed at improving teleworking on topics such as cyber-security, teams, motivation, etc.

### **Network traffic performance during the health crisis**

Phone traffic and data performance during the state of emergency reflect how families are using land lines 90% more than before with average traffic carried by mobile phones increasing by 65%.

Internet access shows an increase in traffic per day of 71% up to 5.3 petabytes (5.3 million GB) compared to the previous average of 3.1 petabytes. One piece of data is particularly graphic — an increase of over 300% in the amount of data used by Whatsapp.

In terms of TV, Euskaltel has found that at the moment, average TV use is 5.4 hours a day, i.e., 45% more than usual. Moreover, time spent watching live TV content has risen by 47% (to 4.5 hours a day) and time spent watching on-demand content has increased by 32 % compared to February. Time spent watching children's content on TV also increased by 54% while family film consumption grew 55%.

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