



## **Earnings Presentation – 1H 2018**

26<sup>th</sup> of July 2018

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# MASMOVIL – key highlights

MASMOVIL continues its growth trajectory as leader in client acquisition and client satisfaction



**Growth continues in 1H18; Service Revenue up +17% yoy  
(+23% yoy organic growth<sup>1</sup>)**



**Profitability expanding with 2Q18 EBITDA of 80M€ (24% Margin)  
EBITDA grows organically +44% YoY and +20% QoQ**



**Added 315K mobile postpaid + broadband lines in 2Q18 and 715k  
in 1H18. 90% of FY18 target net adds (800k) already achieved**



**Fiber footprint reaches c.13M BU's,  
Own FTTH network increases to 4.5M BU's (+22% QoQ)**



**Leader in FTTH performance, NPS and 5G spectrum access**

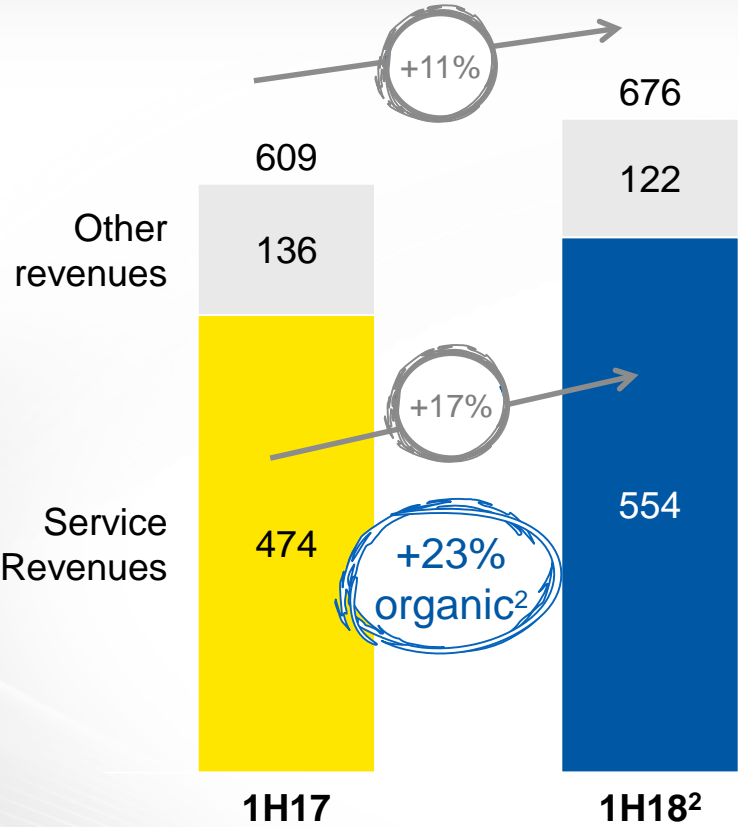


**Reiterated confidence in guidance for FY2018**

# Service Revenues 1H18

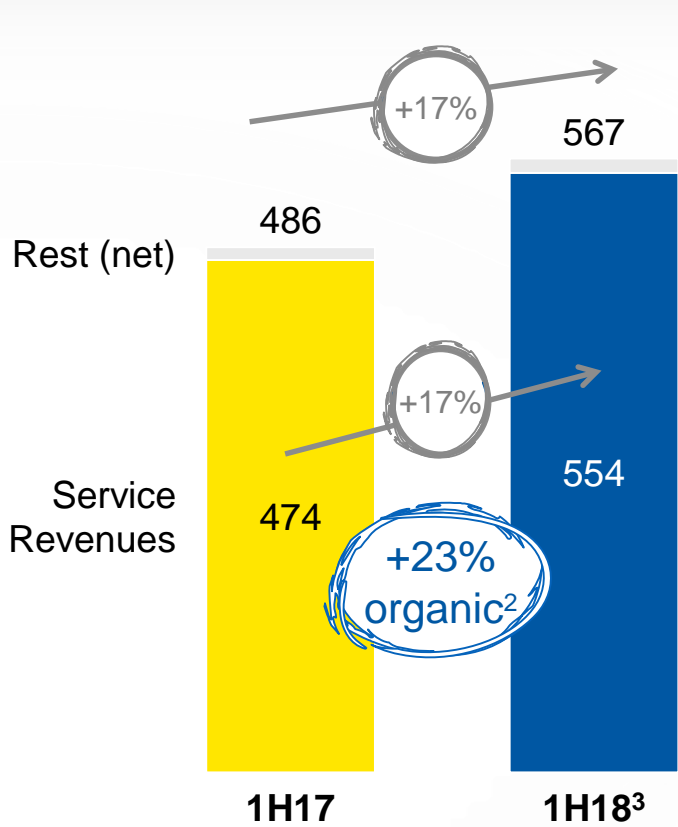
Service Revenues +17% yoy (+23% organic\*). >50% of FY18 Total Service Revenues target achieved 1H17 vs. 1H18; €M

## Revenues



## Net Revenues<sup>1</sup>

○ % YoY growth

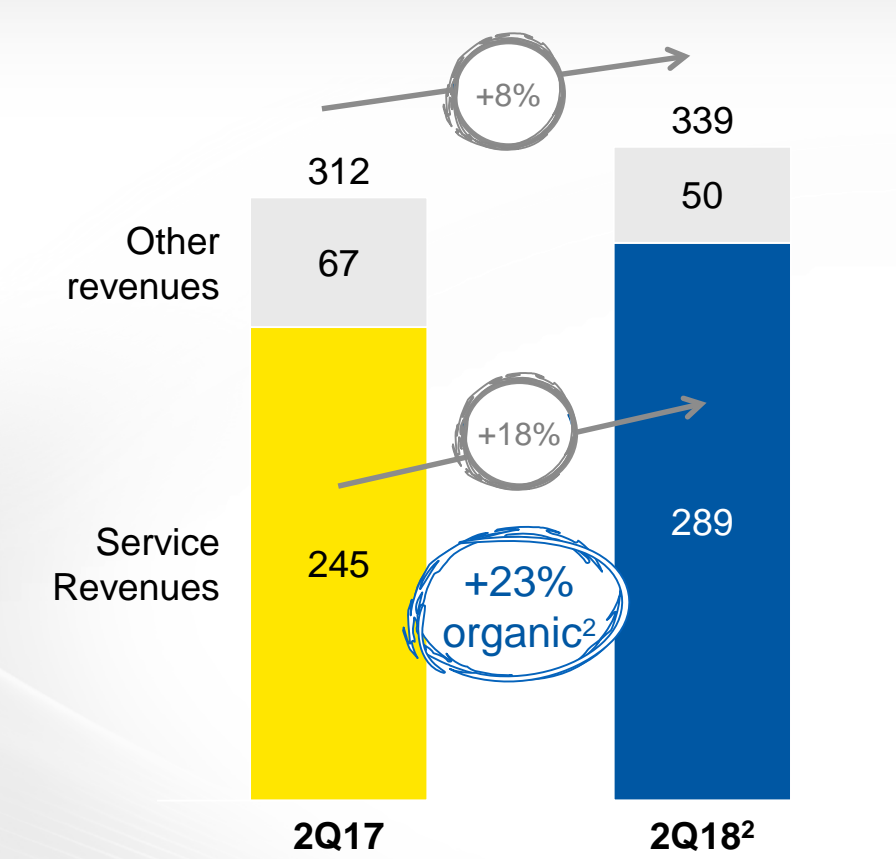


1 Net Revenues: Service Revenues plus gross profit contribution from Equipment and Wholesale Revenues.  
 2 Service Revenues Pre-IFRS15 of 581M€ (+23%). Total Revenues Pre-IFRS15 of 704M€ (+16%); Organic = pre-IFRS15 financials to allow like-for-like comparisons  
 3 Net Revenues Pre-IFRS15 of 594M€ (+22%)

# Service Revenues 2Q18

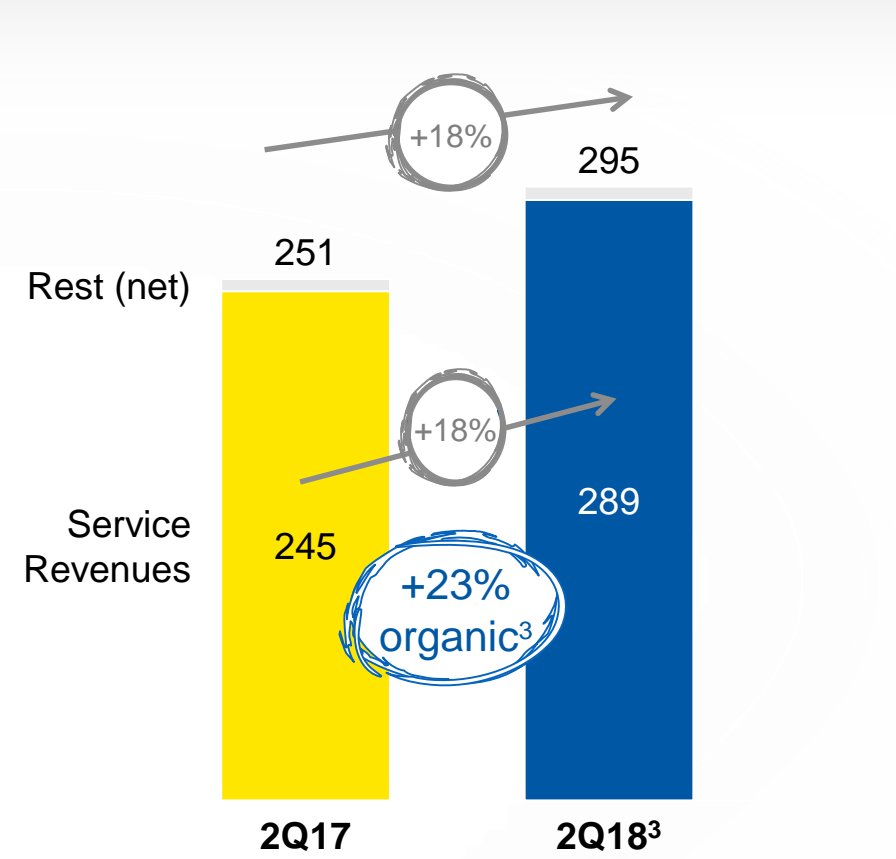
Service Revenues +18% yoy (+23% organic), Total Revenues +8% and Net Revenues +18% YoY  
 2Q17 vs. 2Q18; €M

## Revenues



## Net Revenues<sup>1</sup>

○ % YoY growth



1 Net Revenues: Service Revenues plus gross profit contribution from Equipment and Wholesale Revenues.

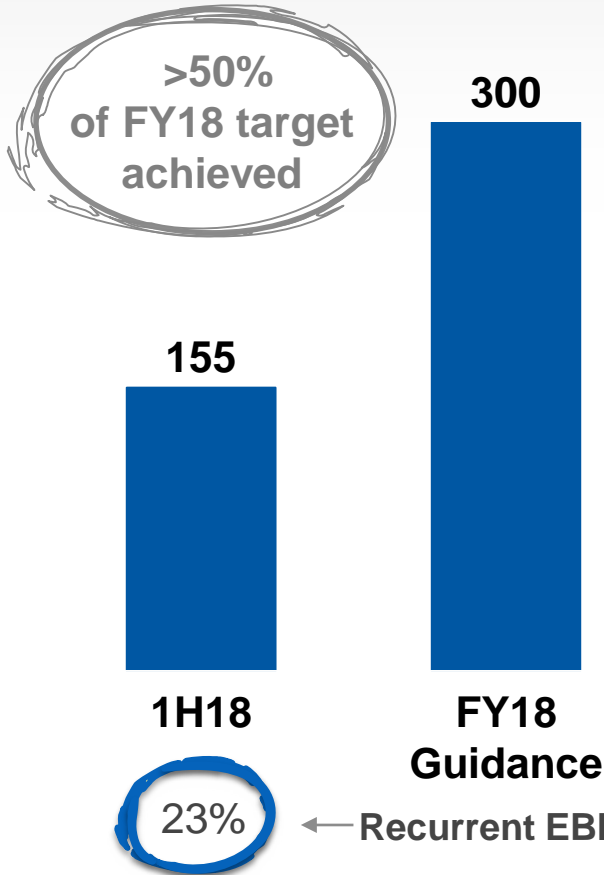
2 Services Revenues Pre-IFRS15 of 300M€ (+23%). Total Revenues Pre-IFRS15 of 350M€ (+13%)

3 Net Revenues Pre-IFRS15 of 306M€ (+22%)

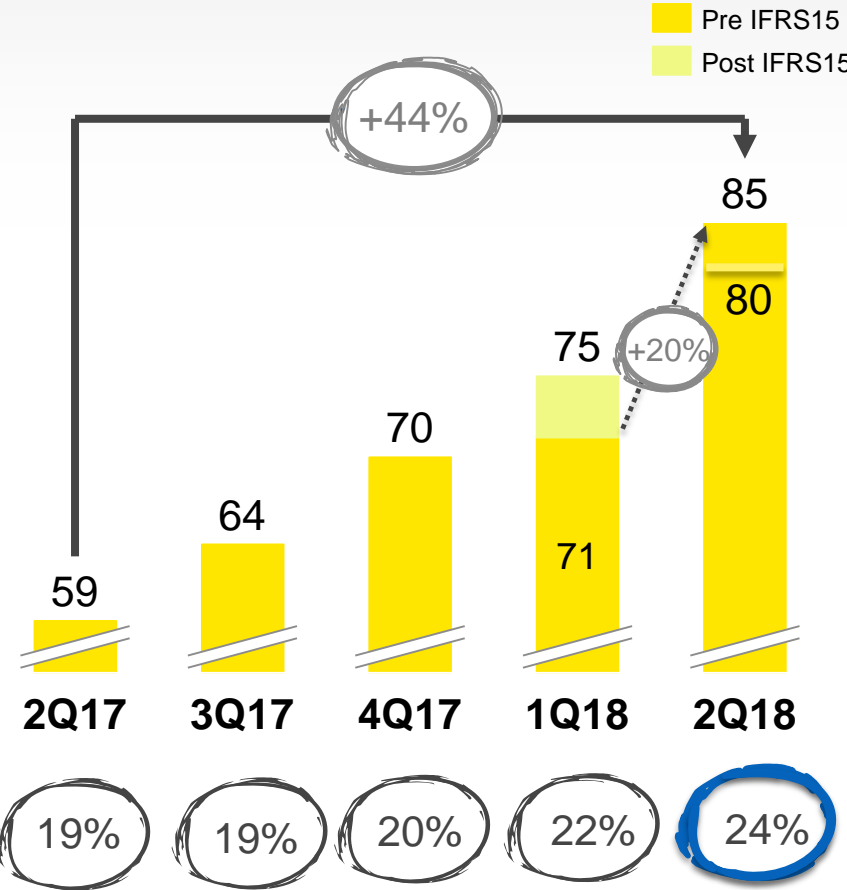
# Recurrent EBITDA 1H18

EBITDA grew 44% organically to 85M€ (Pre-IFRS15) in 2Q18 YoY and 20% QoQ (Pre-IFRS15). EBITDA margin reaches 24% in 2Q18 (23% for 1H18). More than half of FY18 EBITDA target achieved

## 1H18 vs. FY18 guidance



## Evolution by quarter 2Q17/ 2Q18<sup>1</sup>



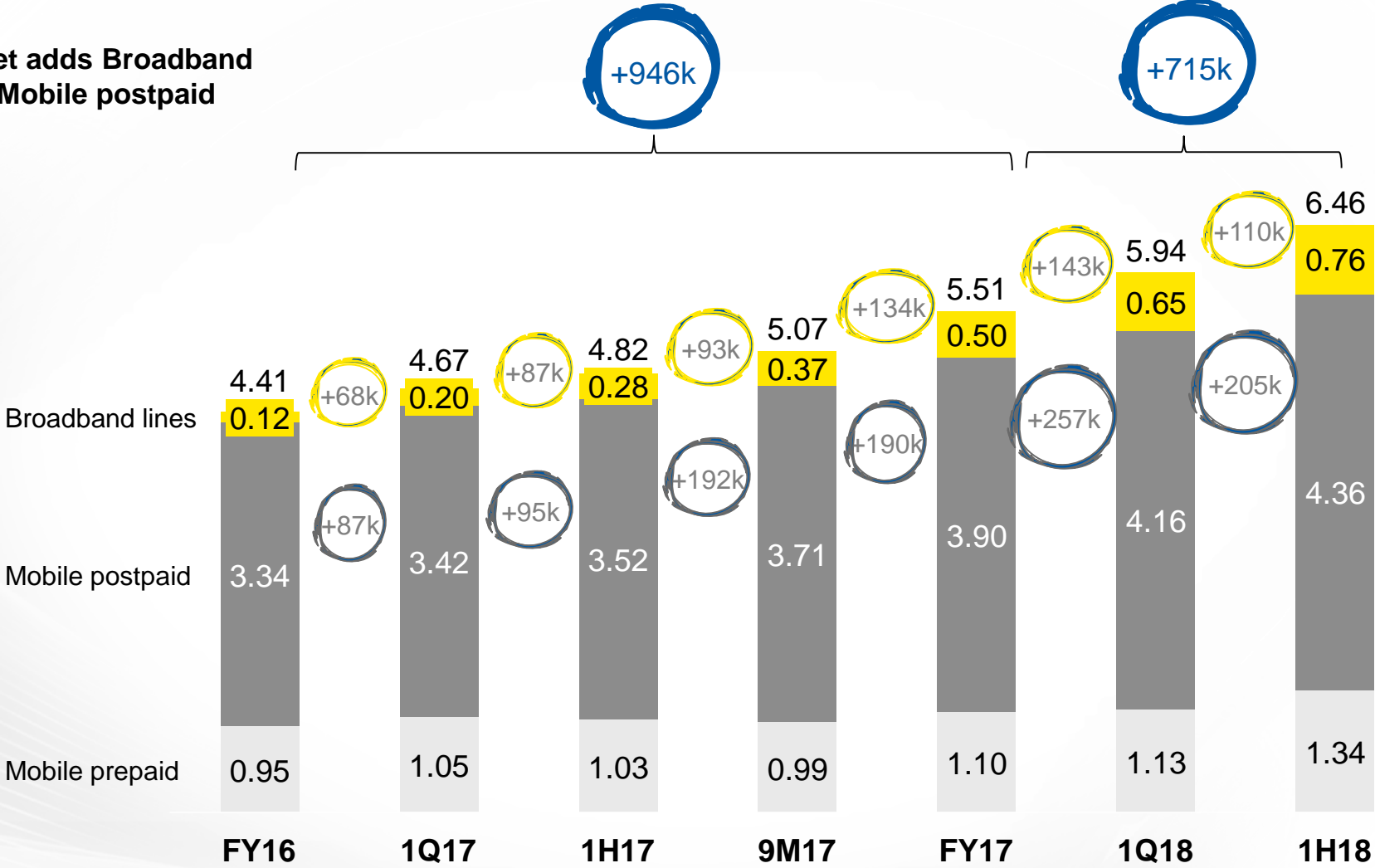
<sup>1</sup> EBITDA Pre-IFRS in 2017. EBITDA Post-IFRS15 of 75M€ in 1Q18 and 80M€ in 2Q18

<sup>2</sup> EBITDA Margin Pre-IFRS15 in 2017 and Post-IFRS15 in 2018

# Evolution of mobile postpaid + broadband lines

All product segments are growing. c.6.5 million total lines. BB and postpaid lines up by 715k in 1H18  
 Million


**Net adds Broadband + Mobile postpaid**

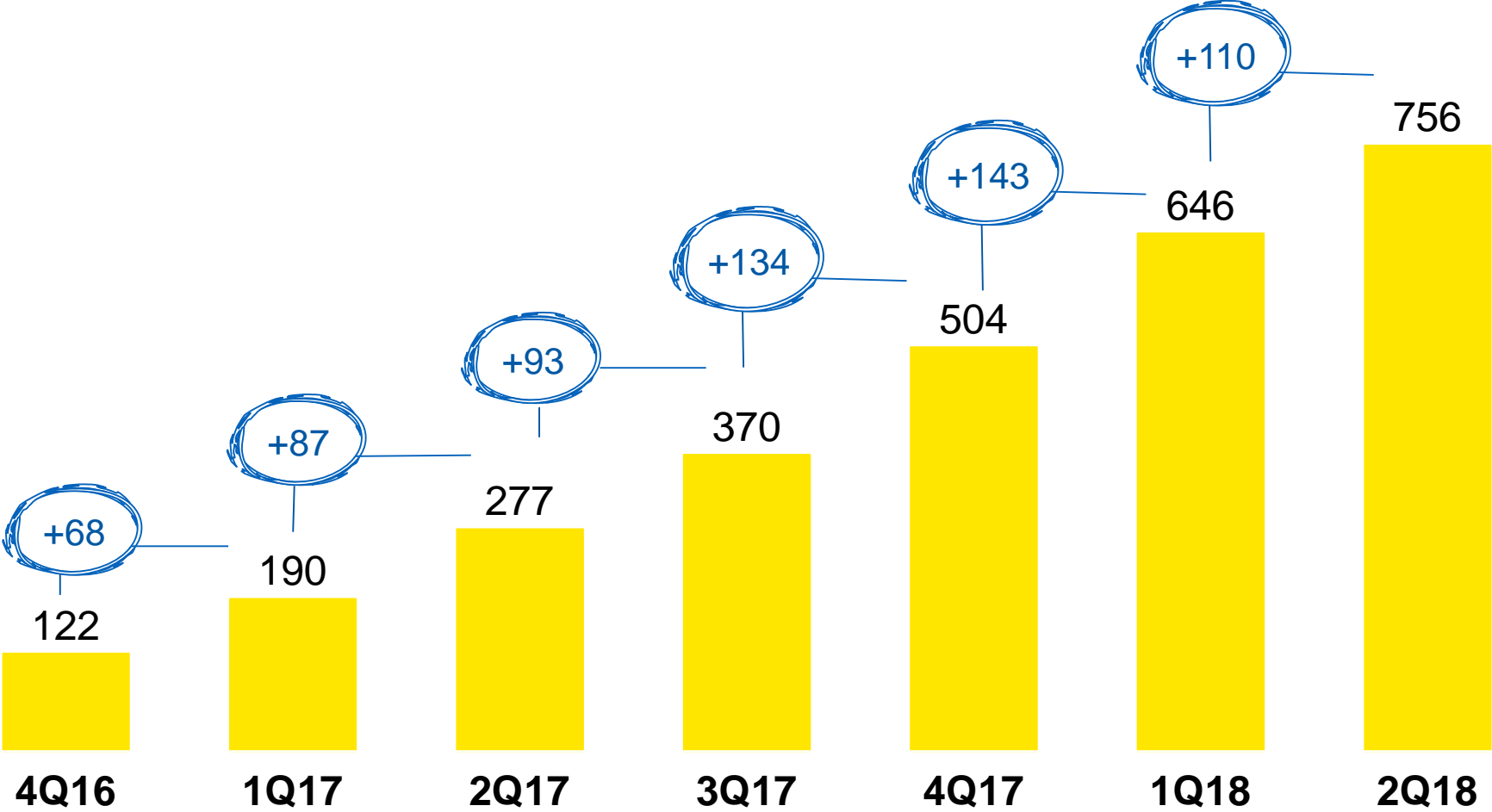


SOURCE: Company

# Net growth broadband lines

MASMOVIL has delivered consistent growth with 110K net BB adds in 2Q18  
Quarterly evolution 4Q16-2Q18; (in 1,000 lines)

 Broadband net adds<sup>1</sup>



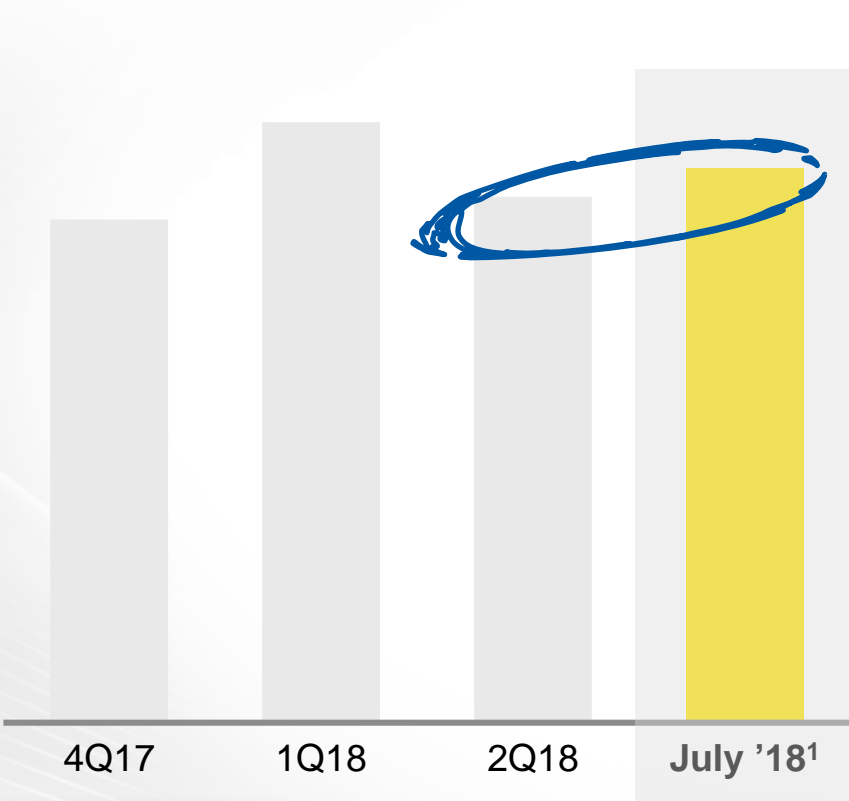
<sup>1</sup> Without WiMAX  
SOURCE: Company



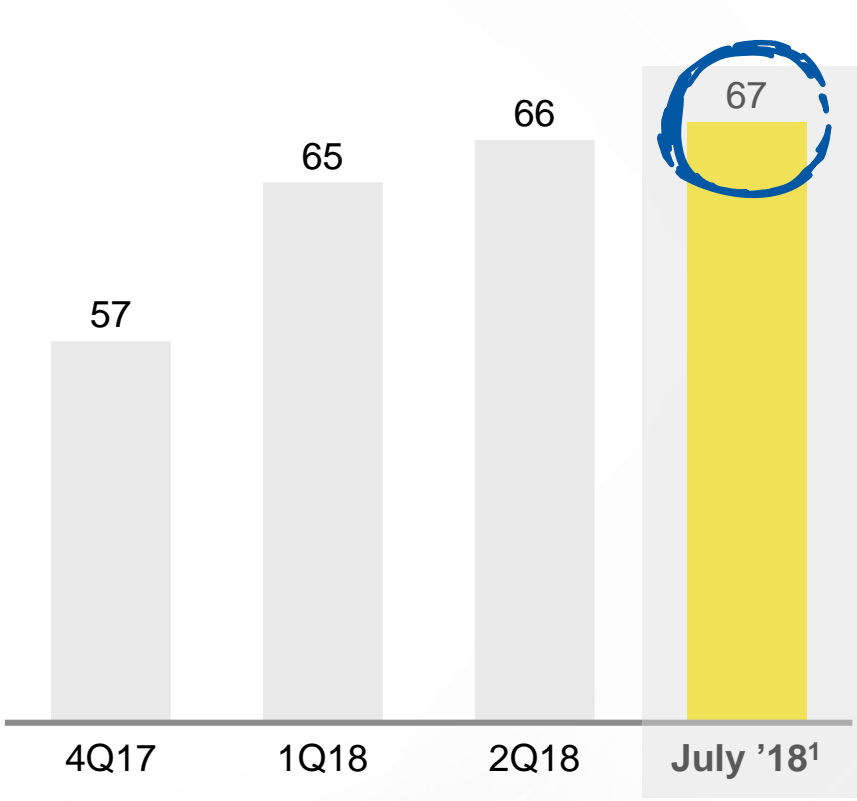
# Continued operating momentum

No sign of slow down over the last few weeks, while quality of new subs continues to increase  
4Q17-July18 1,000 lines

### Weekly BB+mobile orders



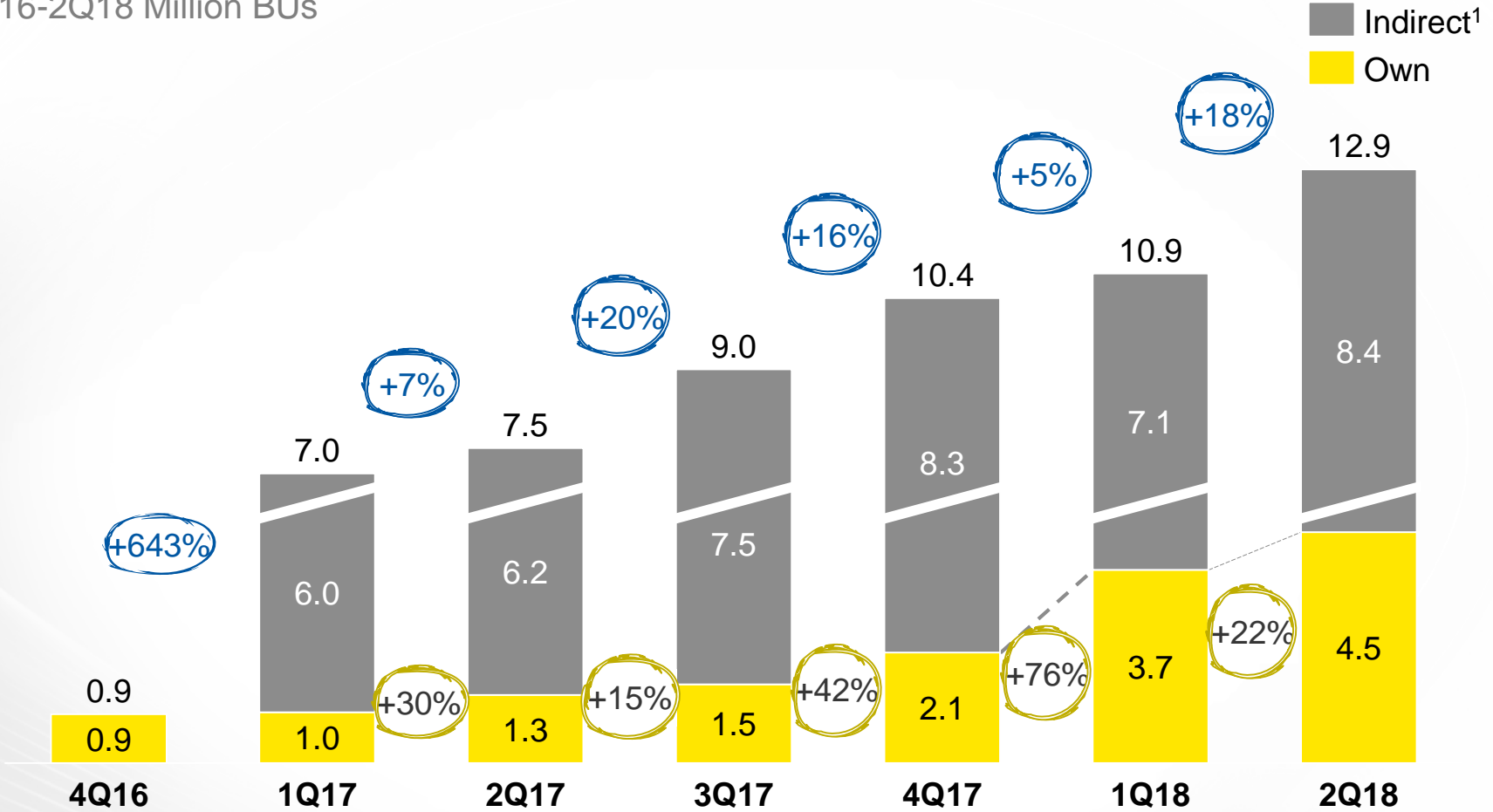
### FTTH as % of BB orders



<sup>1</sup> Based on extrapolated actuals; installations >70% in FTTH  
SOURCE: Company

# Fiber footprint expansion

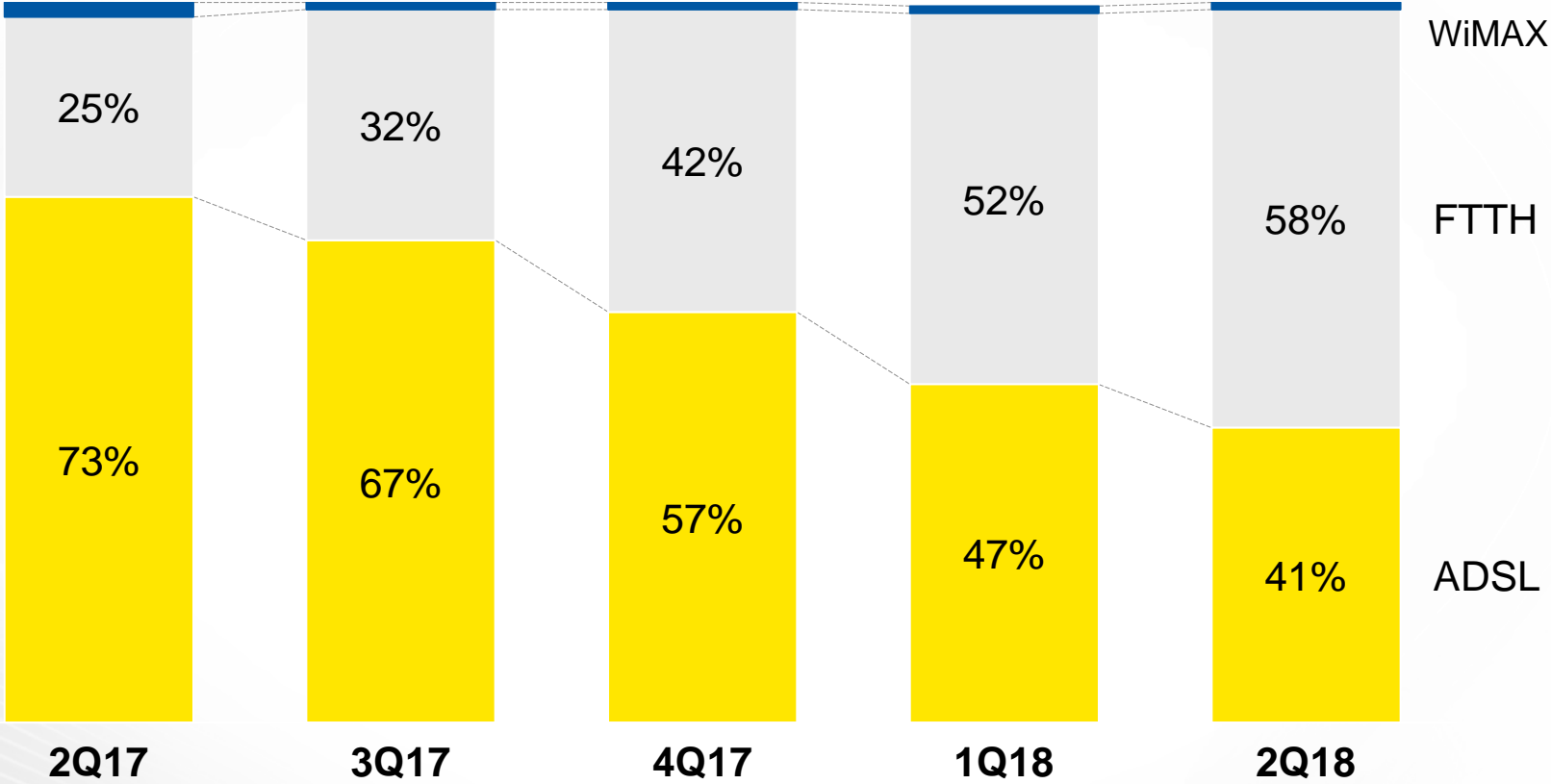
MASMOVIL FTTH footprint grew to 12.9M Building Units (BU's) in 2Q18 with significant increase of own FTTH footprint (+22%) to 4.5M BU's  
 4Q16-2Q18 Million BUs



<sup>1</sup> As of 2Q18, it includes the footprint available under Telefónica's NEBA offer  
 SOURCE: Company

# Broadband access split by technology

FTTH share continues to grow and represents more than 50% of total broadband base 2Q17-2Q18



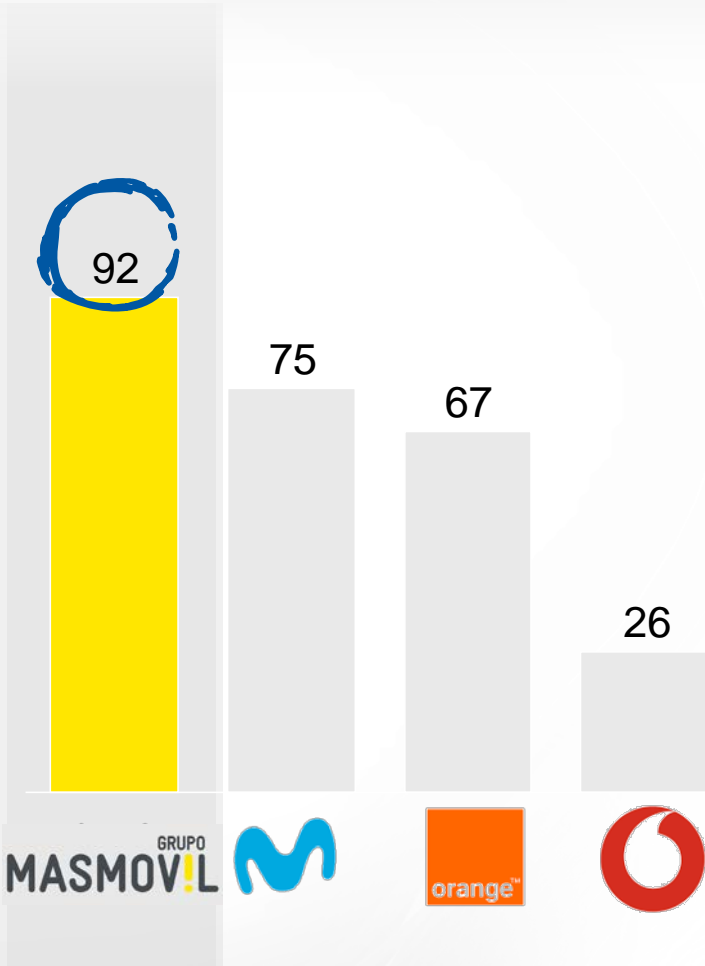
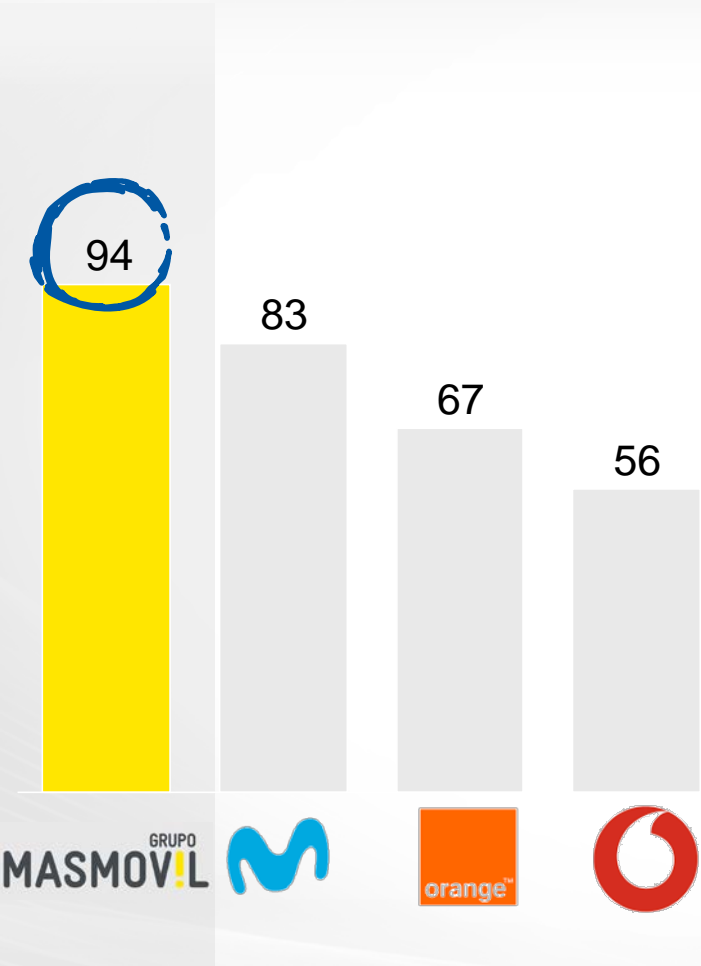
SOURCE: Company; CNMC

# FTTH Network quality rankings

MASMOVIL offer the best FTTH network speeds compared to peers

Download speed (Mb/s)

Upload speed (Mb/s)

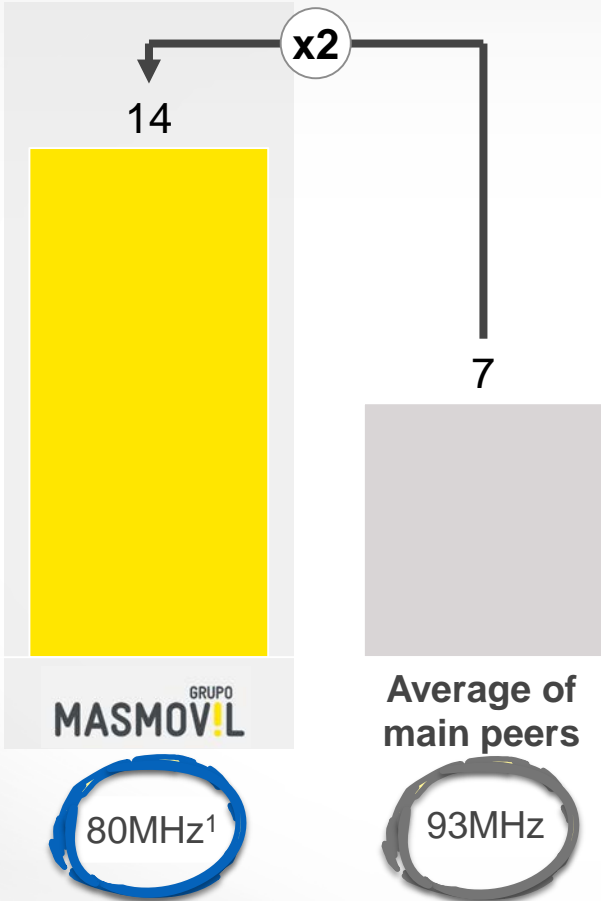


SOURCE: nPerf Study of 11th of July 2018 based on 906k tests that measures maximum capacity of data connections; MASMOVIL also leads in latency

# 5G Spectrum license

MASMOVIL has double 5G spectrum per client than peers and has paid less than 30% of the auction price per MHz

MHz per million mobile client



Price per MHz 2018 (M€/MHz)<sup>2</sup>



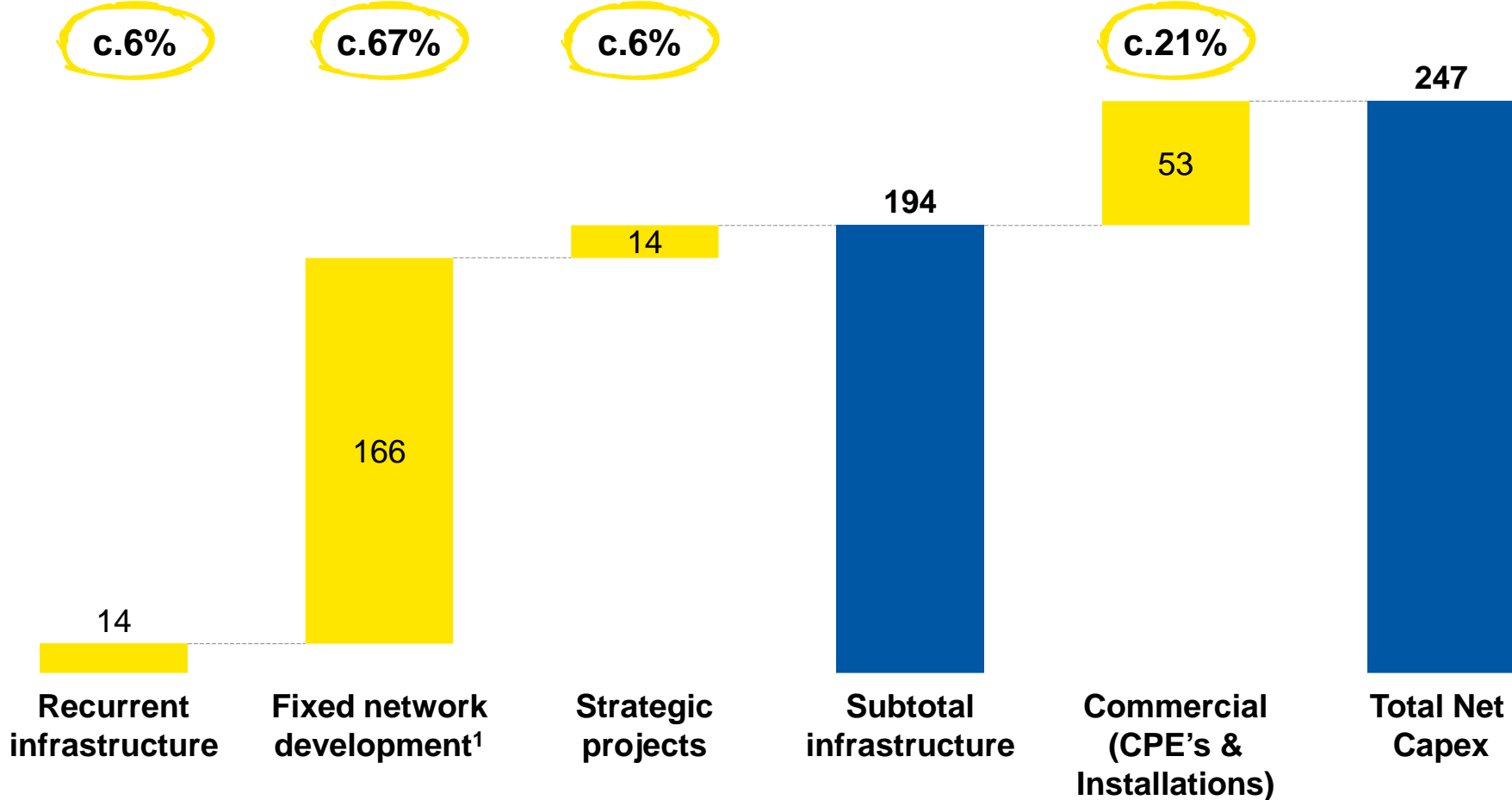
1 Block of 40MHz pending on approval of transfer to MASMOVIL (Eurena spectrum)

2 Auction final price of 438M€ for 200MHz. Assuming no value for spectrum post 2030 and no value of additional businesses, MASMOVIL price is 50% of auction's

SOURCE: Company, Spanish Ministry for Economical Affairs

# Capex 1H18

MASMOVIL invested 247M€, mainly for the expansion of its own FTTH network; c.67% dedicated to fixed network development and c.21% for commercial Capex 1H18; €M

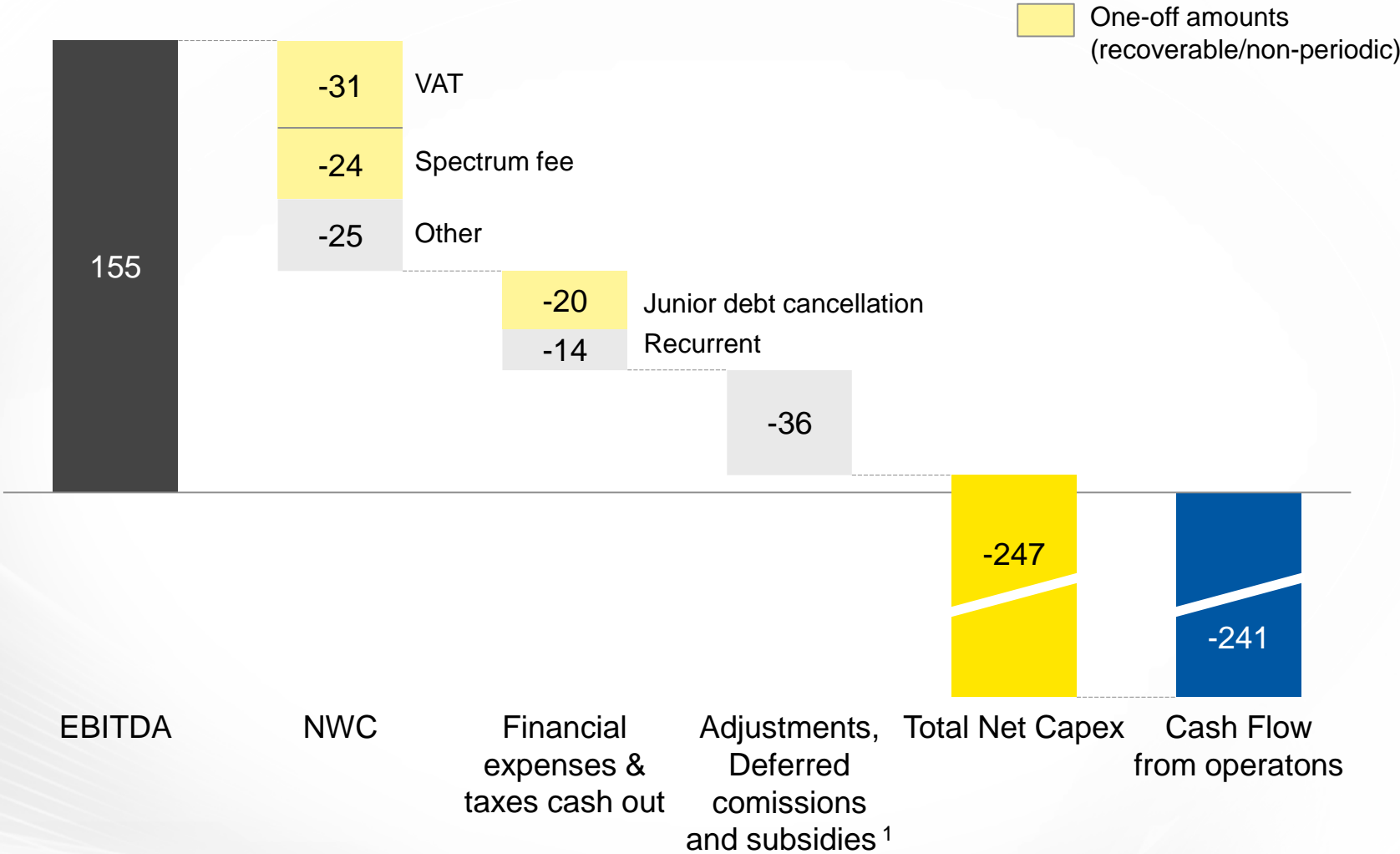


<sup>1</sup> Net of the sale of IRUs. Related to increase of own FTTH network by 2.1 M BU's to a total of 4.5 M BUs

SOURCE: Company

# Cash Flow from operations H1 2018

Significant Capex investment and one-off cash outflows in the first half weights into CF from operations 1H18; €M



<sup>1</sup> Net cash commercial capex under IFRS15

SOURCE: Company

# Change in Net Debt and Net Debt / EBITDA

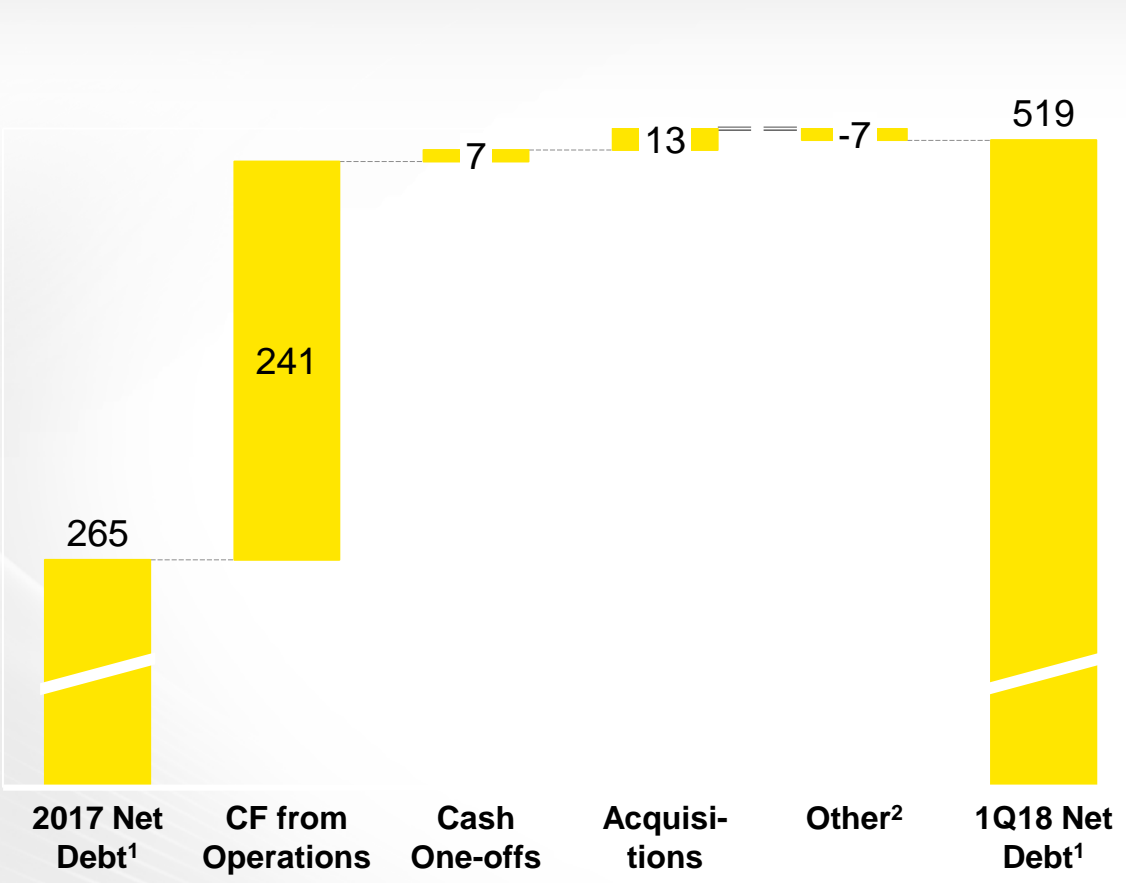
Overall leverage remains low at 1.7x (excluding convertibles)

€M

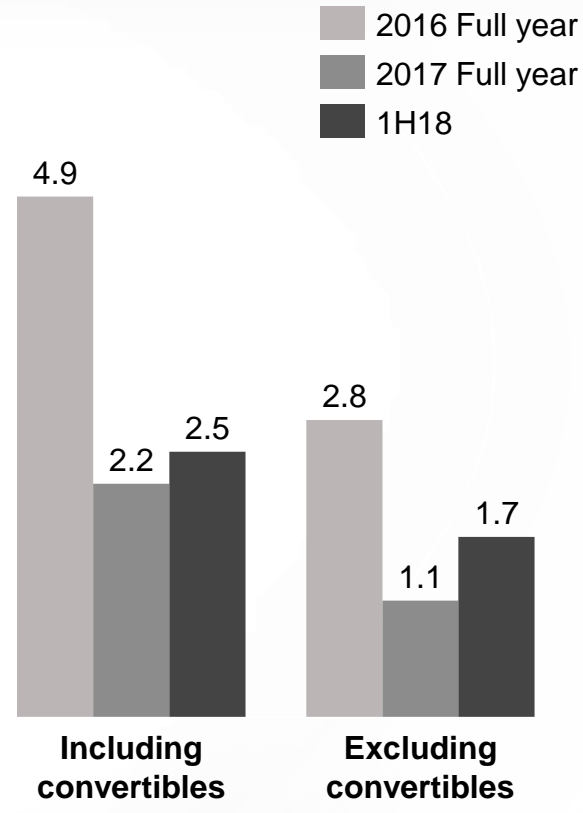


## Change in net debt

## Leverage<sup>3</sup>



## Debt/annualized EBITDA



1 Excluding convertibles





2 Includes PIK interest on junior debt, and cash interest accrued but yet to be paid.

3 Leverage calculated as Net debt excluding convertibles divided by annualized Recurrent EBITDA (1H18 x 2 or 310M€)



# Confidence in 2018 guidance reiterated

We reiterate confidence in FY18 targets and will revise them before or at 3Q18 result presentation

	Guidance for 2018	1H18	Achievement level	On track?
<b>Service Revenues</b> 	Growth in Service Revenues of more than 10% vs. FY17	+17% YoY	>70%	✓
<b>Recurrent EBITDA</b> 	Recurrent EBITDA (before one-off costs) of 300M€	155M€	>50%	✓
<b>Subscribers</b> 	Total combined net increase in fixed broadband & mobile post-paid lines by more than 800k	+715k	>90%	✓
<b>Net Capex</b> 	Net Infrastructure Capex of 305M€ (target: +3 M BU's)	194M€	>80% <sup>1</sup>	✓

<sup>1</sup> FTTH roll-out plan for 2018: to reach 5.1M BU's, up from 2.1M BU's as of the end of 2017  
SOURCE: Company

# Appendix



# Net debt calculation

In spite of heavy investment activities, leverage still at conservative 1.7x Recurrent EBITDA

Million €

(Million €)	FY16	FY17	1H18	1H18-FY17
Short term commercial paper	30	16	-	(16)
Senior debt	347	407	637	230
Bonds	57	33	28	(5)
Junior debt	96	106	-	(106)
Providence convertible	102	115	123	8
ACS convertible	144	139	146	7
Other debts	41	23	17	(6)
Cash & Equivalents	(236)	(320)	(163)	157
<b>Net debt as per Company</b>	<b>582</b>	<b>519</b>	<b>788</b>	<b>269</b>
Providence convertible	(102)	(115)	(123)	(8)
ACS convertible	(144)	(139)	(146)	(7)
<b>ND per Company excl. Converts</b>	<b>336</b>	<b>265</b>	<b>519</b>	<b>254</b>
Leverage (x Recurrent Ebitda) <sup>1</sup>	2.8	1.1	1.7	

<sup>1</sup> Leverage calculated as Net debt excluding convertibles divided by annualized Recurrent EBITDA (1H18x2 for 1H18 or 310M€)

# P&L

MASMOVIL achieved EBITDA of 155M€ and adjusted Net Income of 71M€ in 1H18

Million €

(Million €)	1H17	1H18 <sup>1</sup>	Growth	2Q17	2Q18 <sup>1</sup>	Growth
Service Revenues	473.6	554.0	17%	245.2	288.8	18%
Other revenues	135.6	122.4	-10%	67.1	49.7	-26%
<b>Revenue</b>	<b>609.2</b>	<b>676.5</b>	<b>11%</b>	<b>312.3</b>	<b>338.5</b>	<b>8%</b>
Other operating revenue	14.5	24.4	69%	6.9	10.3	49%
Cost of sales	(461.9)	(477.1)	3%	(230.8)	(233.1)	1%
Other operating expenses	(57.5)	(68.9)	20%	(29.5)	(35.8)	21%
<b>Recurrent EBITDA</b>	<b>104.3</b>	<b>154.9</b>	<b>49%</b>	<b>58.9</b>	<b>79.9</b>	<b>36%</b>
Net one Offs	(16.9)	(7.4)	-56%	(12.0)	(2.0)	-83%
Reported EBITDA	87.3	147.6	69%	46.9	77.9	66%
Depreciation and amortization	(58.7)	(73.3)	25%	(30.2)	(38.2)	26%
Reported EBIT	28.7	74.3	159%	16.7	39.7	138%
Net financial expenses	(172.3)	(35.6)	<i>n.m</i>	(122.8)	(16.5)	<i>n.m</i>
Reported Profit before taxes	(143.6)	38.6	<i>n.m</i>	(106.1)	23.2	<i>n.m</i>
Income tax	(7.7)	(0.3)	<i>n.m</i>	(3.4)	7.0	<i>n.m</i>
Reported Net Income/(Loss)	(151.3)	38.3	<i>n.m</i>	(109.6)	30.2	<i>n.m</i>
Sum of the "Adjustments"	170.0	32.5	<i>n.m</i>	131.0	13.5	<i>n.m</i>
<b>Adjusted Net Income/(Loss)<sup>2</sup></b>	<b>18.7</b>	<b>70.8</b>	<b>279%</b>	<b>21.4</b>	<b>43.7</b>	<b>104%</b>

<sup>1</sup> Post-IFRS figure

<sup>2</sup> Please check *Adjusted earnings per share* slide to obtain the list of adjustments or in the earning release document, page 10 (table 5.2)

# Adjusted earnings per share (fully diluted)

Adjusted Earnings per Share on a fully diluted basis (33.6 million shares) reached 2.11€ in 1H18

Million €, Except EPS

<i>(Million €) (except EPS)</i>	<b>1H18</b>
<b>Reported Net Income/(Loss)</b>	38.3
Operative One-offs	7.4
Financial One-offs	(28.3)
Amortization of acquired customer base & brand	11.8
Management incentive plans (SAR)	23.3
Interest on Providence and ACS debts	29.1
Tax impact of "Adjustments"	(10.8)
<b>Adjusted Net Income/(Loss) fully diluted</b>	<b>70.8</b>
Fully diluted number of shares (million)	33.6
<b>Adjusted EPS (fully diluted) (€)</b>	<b>2.11</b>