



## **Earnings Presentation – Q3 2018**

October 29<sup>th</sup>, 2018

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# MASMOVIL – key highlights

MASMOVIL continues its growth trajectory and manifests itself as the market leader in client acquisitions and client satisfaction



***Growth continues in 9M18: Service Revenues up +17% YoY (+22% YoY organic growth)***



***3Q18 EBITDA of 85M€, (23% margin) and +5M€ QoQ growth. Organic EBITDA growth +38% YoY***



***Leader in mobile and broadband portabilities in 2017 & 2018***



***Net adds: c.291K mobile postpaid + broadband lines in 3Q18 and >1M in 9M18.***



***Fiber footprint reaches c.14.4M BUs. Own FTTH network increases to 5.8M BUs (+29% QoQ) proforma for Vodafone deal***

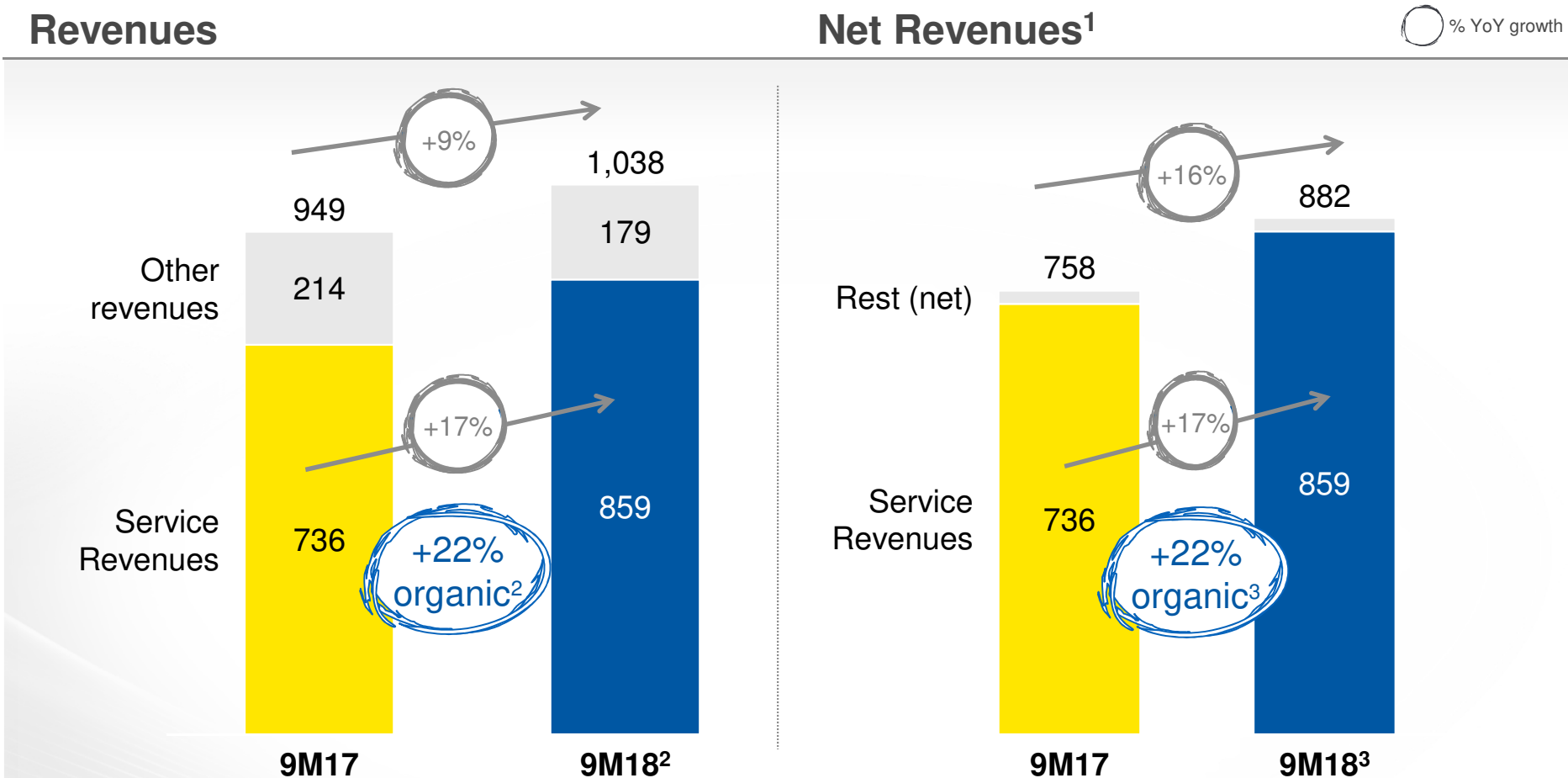


***Guidance update for FY18 given strong business performance***

# Service Revenues 9M18

Service Revenues +17% YoY (+22% organic); >80% of FY18 Total Service Revenues target achieved  
9M17 vs. 9M18; €M

○ % YoY growth



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

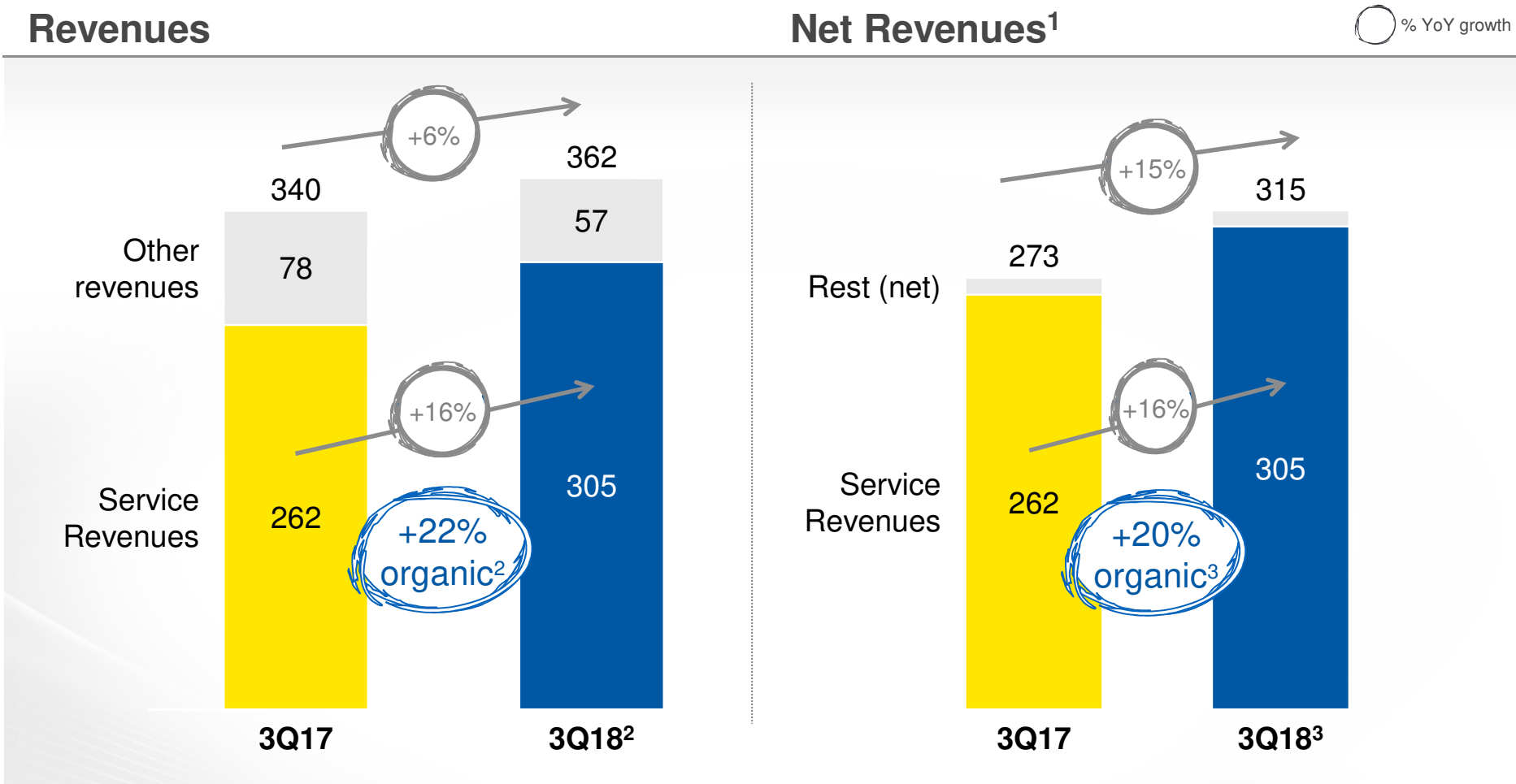
2 Service Revenues Pre-IFRS15 of 899M€ (+22%). Total Revenues Pre-IFRS15 of 1,079M€ (+14%); Organic = Pre-IFRS15 financials to allow like-for-like comparisons

3 Net Revenues Pre-IFRS15 of 923M€ (+22%)

# Service Revenues 3Q18

Service Revenues +16% YoY (+22% organic); Net Revenues +15% YoY (+20% organic)  
3Q17 vs. 3Q18; €M

○ % YoY growth



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

2 Services Revenues Pre-IFRS15 of 318M€ (+22%). Total Revenues Pre-IFRS15 of 375M€ (+10%)

3 Net Revenues Pre-IFRS15 of 328M€ (+20%)

# Recurrent EBITDA 9M18

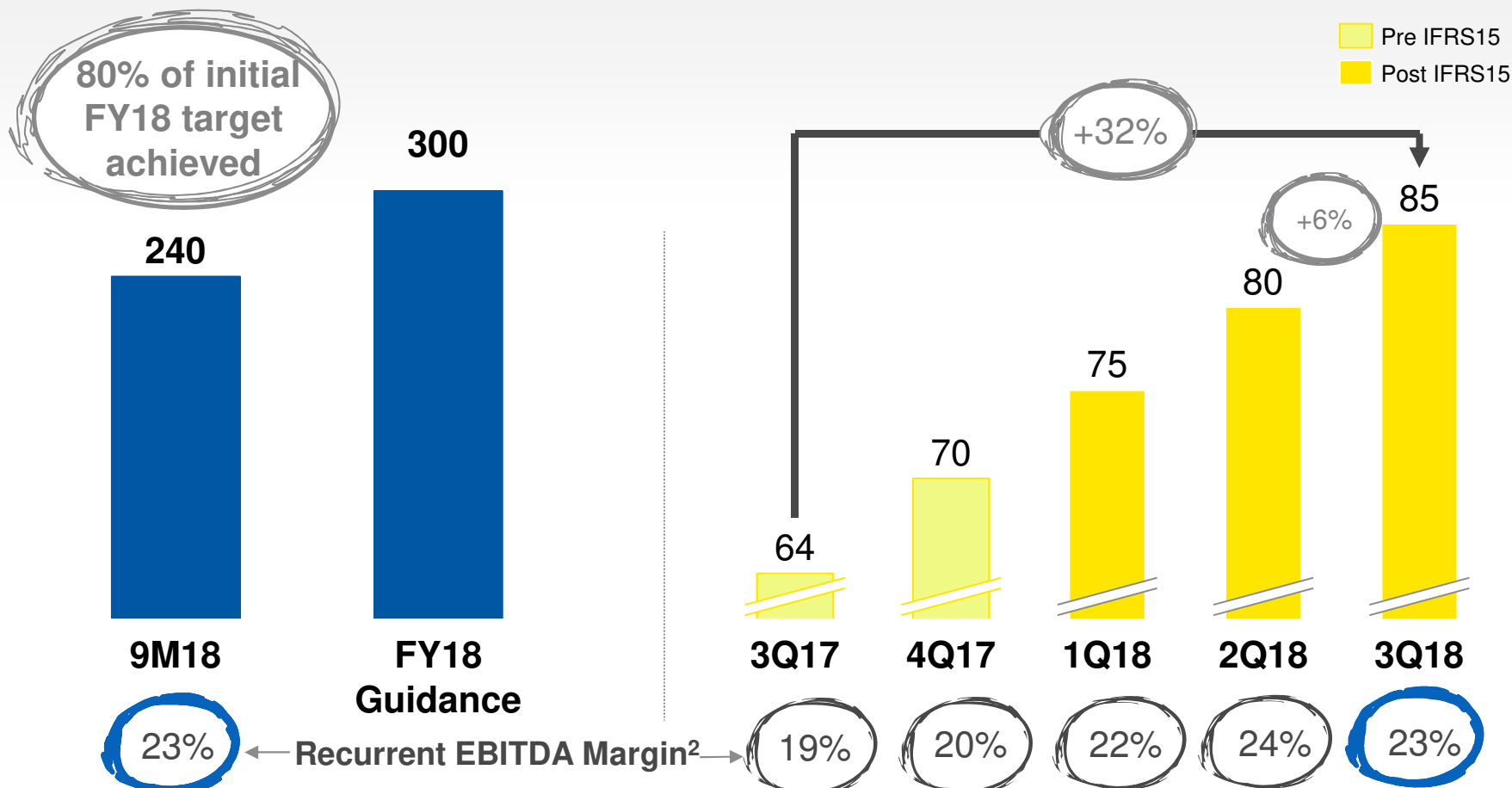
EBITDA grew 32% YoY (+38% organically) and 6% QoQ to 85M€ in 3Q18

EBITDA margin reaches 23% in 3Q18 & 9M18; 80% of initial FY18 EBITDA target achieved

€M

9M18 vs. FY18 initial guidance

Evolution by quarter 3Q17/ 3Q18<sup>1</sup>



<sup>1</sup> EBITDA Pre-IFRS15 of 71M€ in 1Q18, 85M€ in 2Q18 and 88M€ in 3Q18 (+38% organic growth YoY)

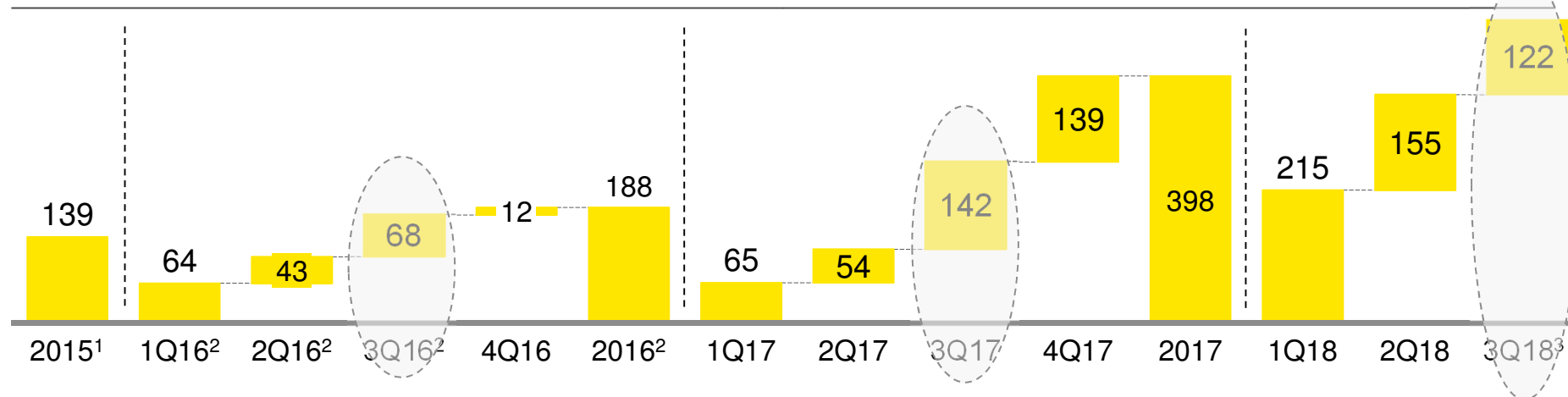
<sup>2</sup> EBITDA Margin Pre-IFRS15 in 2017 and Post-IFRS15 in 2018

# Net mobile portabilities

MASMOVIL has been leading the ranking for net mobile portabilities for 7 consecutive quarters  
 We also have been the market leader in terms of fixed portings in 2017 and 2018

## Net mobile portability

000's



## National net portability ranking



1 Aggregated

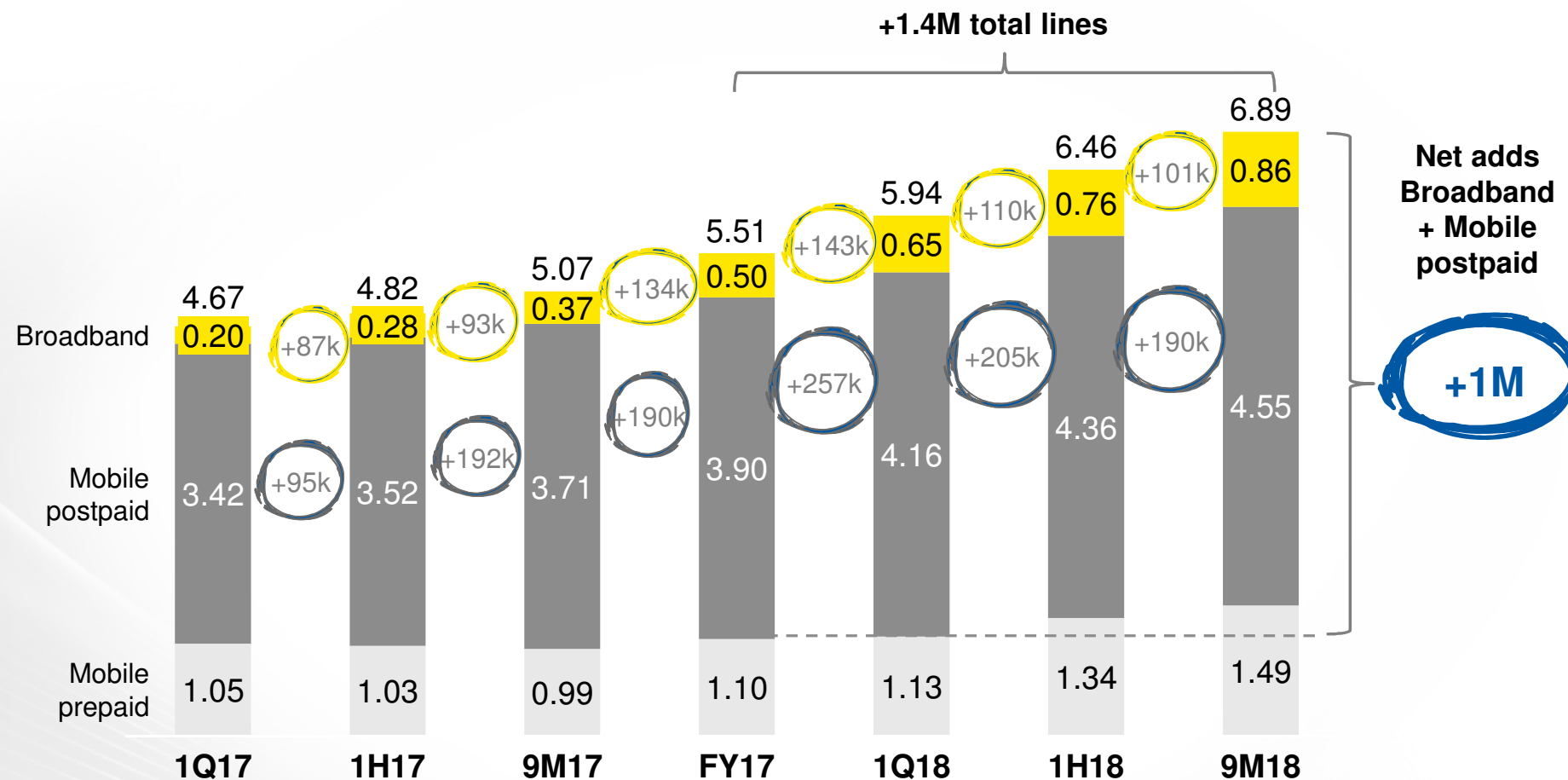
2 Proforma for acquisitions of Yoigo & Pepephone

3 According to press coverage

SOURCE: Internal analysis and estimate & CNMC

# Evolution of mobile postpaid + broadband lines

All product segments are growing YTD by c.1.4 million lines to reach a total of c.6.9M lines  
 Broadband (+354k) and postpaid (+652k) lines are up by more than 1 million in 9M18  
 Million lines

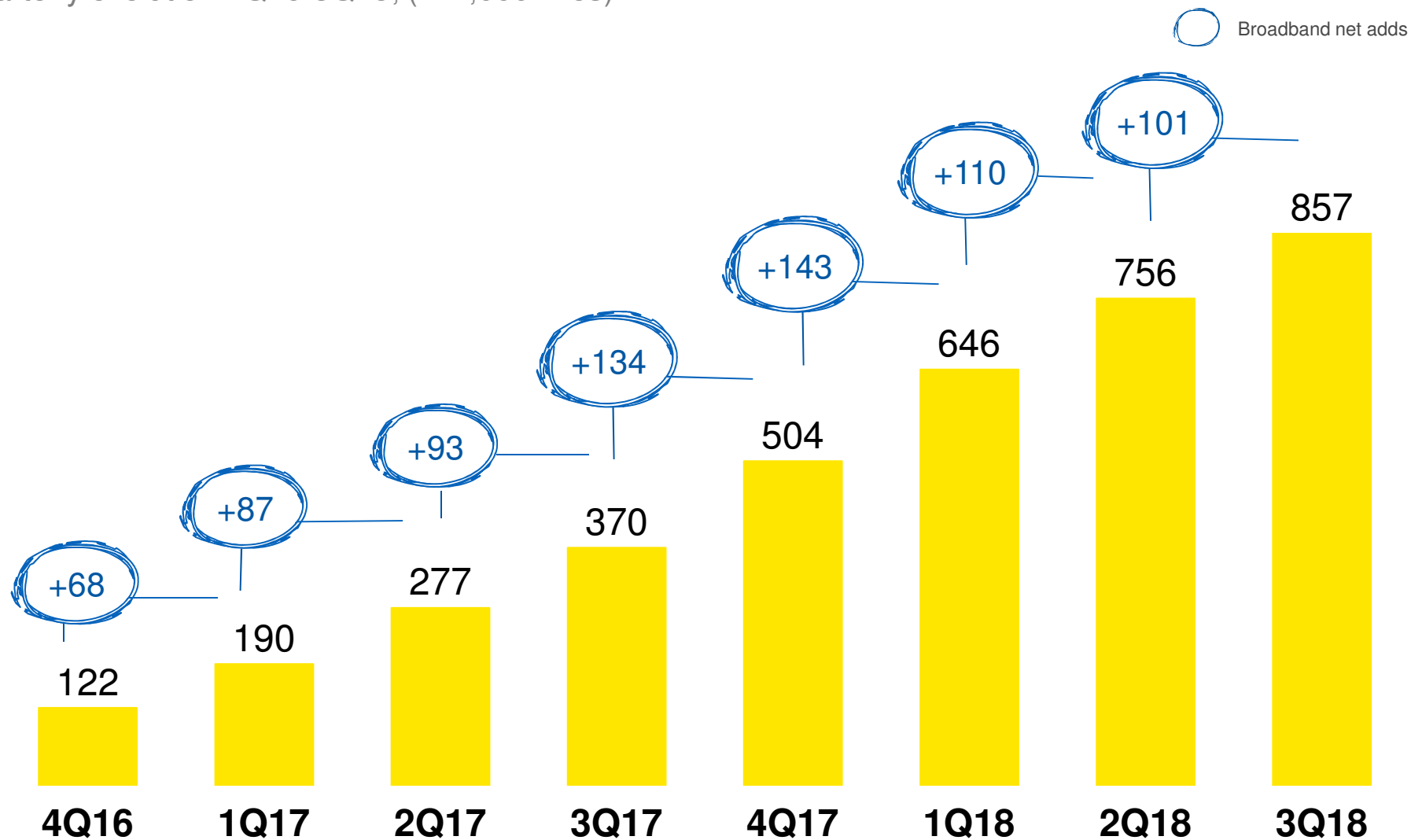




# Net growth broadband lines

MASMOVIL has delivered consistent growth with 101K net BB adds in 3Q18

Quarterly evolution 4Q16-3Q18; (in 1,000 lines)



# Fiber footprint expansion

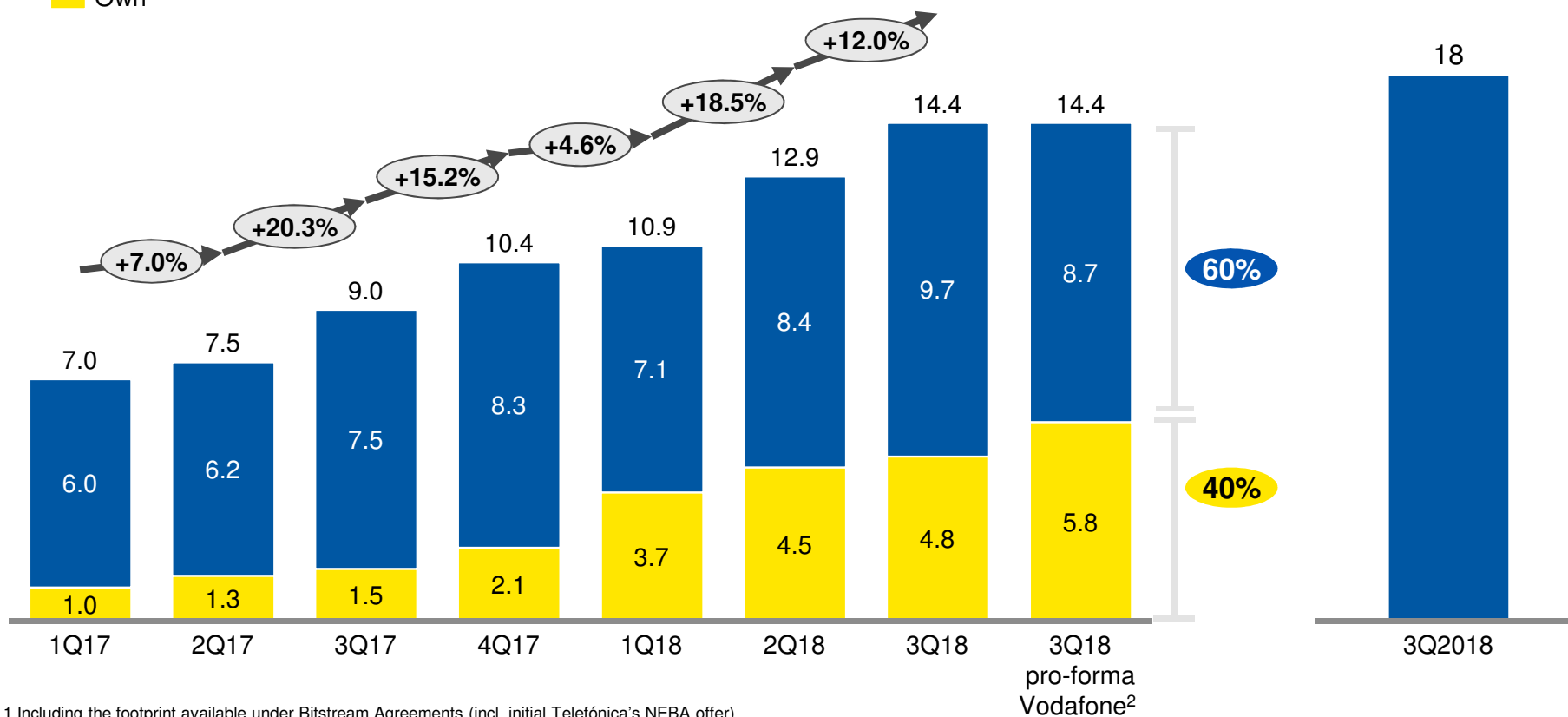
Our FTTH footprint continues to show significant growth

Million BUs

## FTTH

## ADSL

- Indirect<sup>1</sup>
- Own

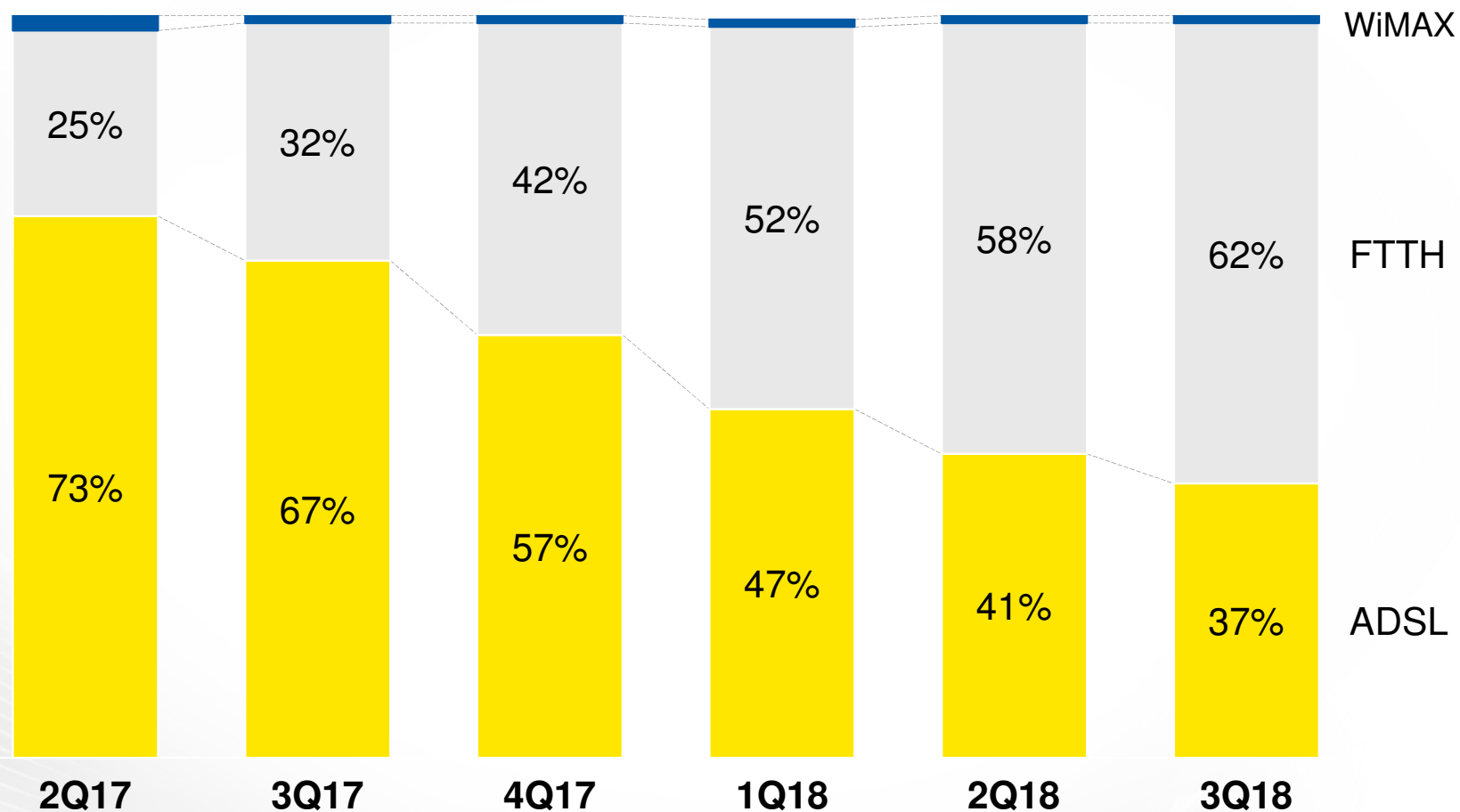


<sup>1</sup> Including the footprint available under Bitstream Agreements (incl. initial Telefónica's NEBA offer)  
<sup>2</sup> 942K to be acquired in 4Q18 and commercially operational in 1Q19

SOURCE: Internal analysis and estimate & CNMC

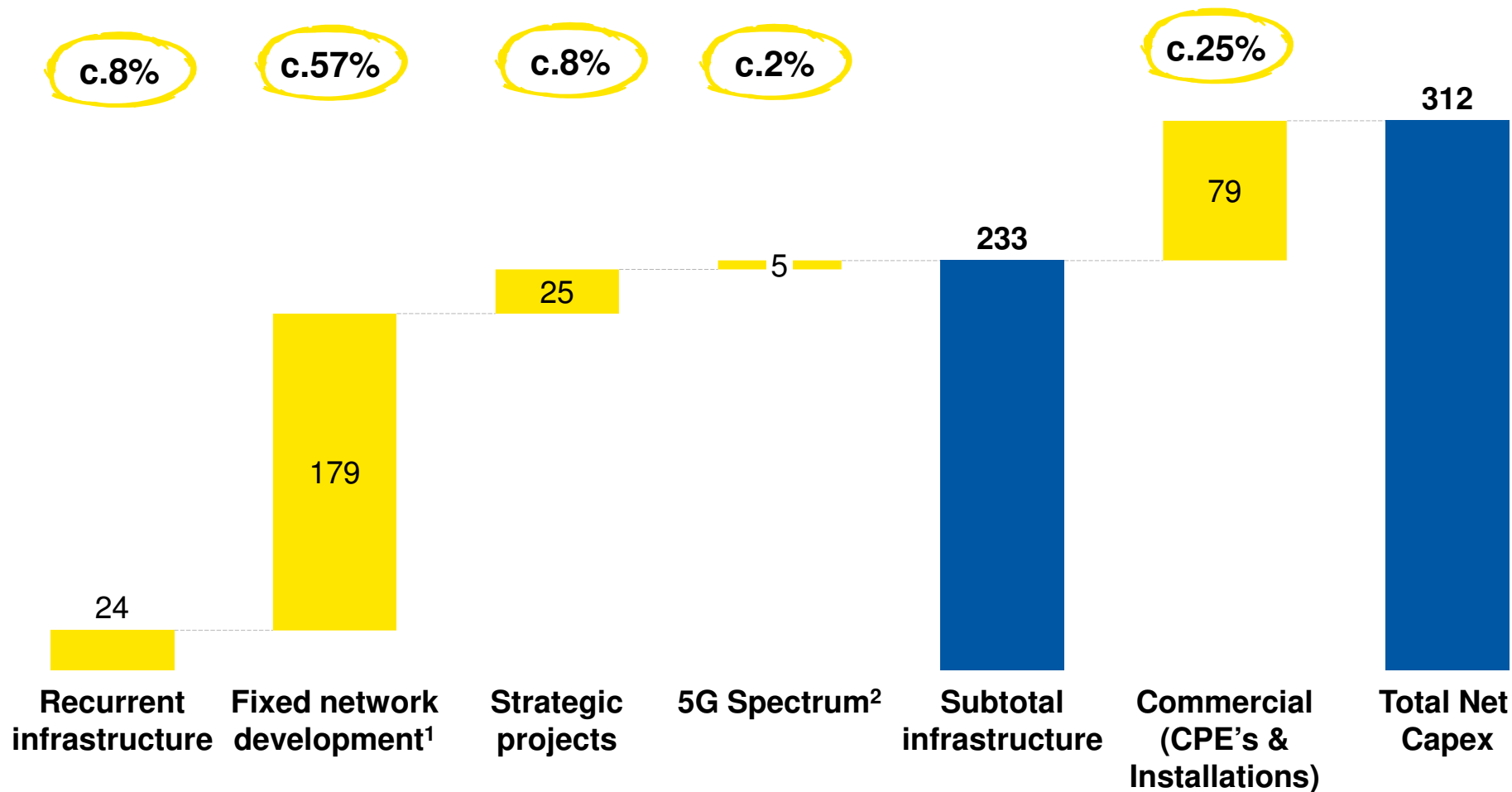
# Broadband access split by technology

FTTH share continues to grow and represents more than 60% of total broadband base  
2Q17-3Q18



# Capex 9M18

MASMOVIL invested 312M€, mainly for the expansion of its own infrastructure and higher client growth 9M18; €M



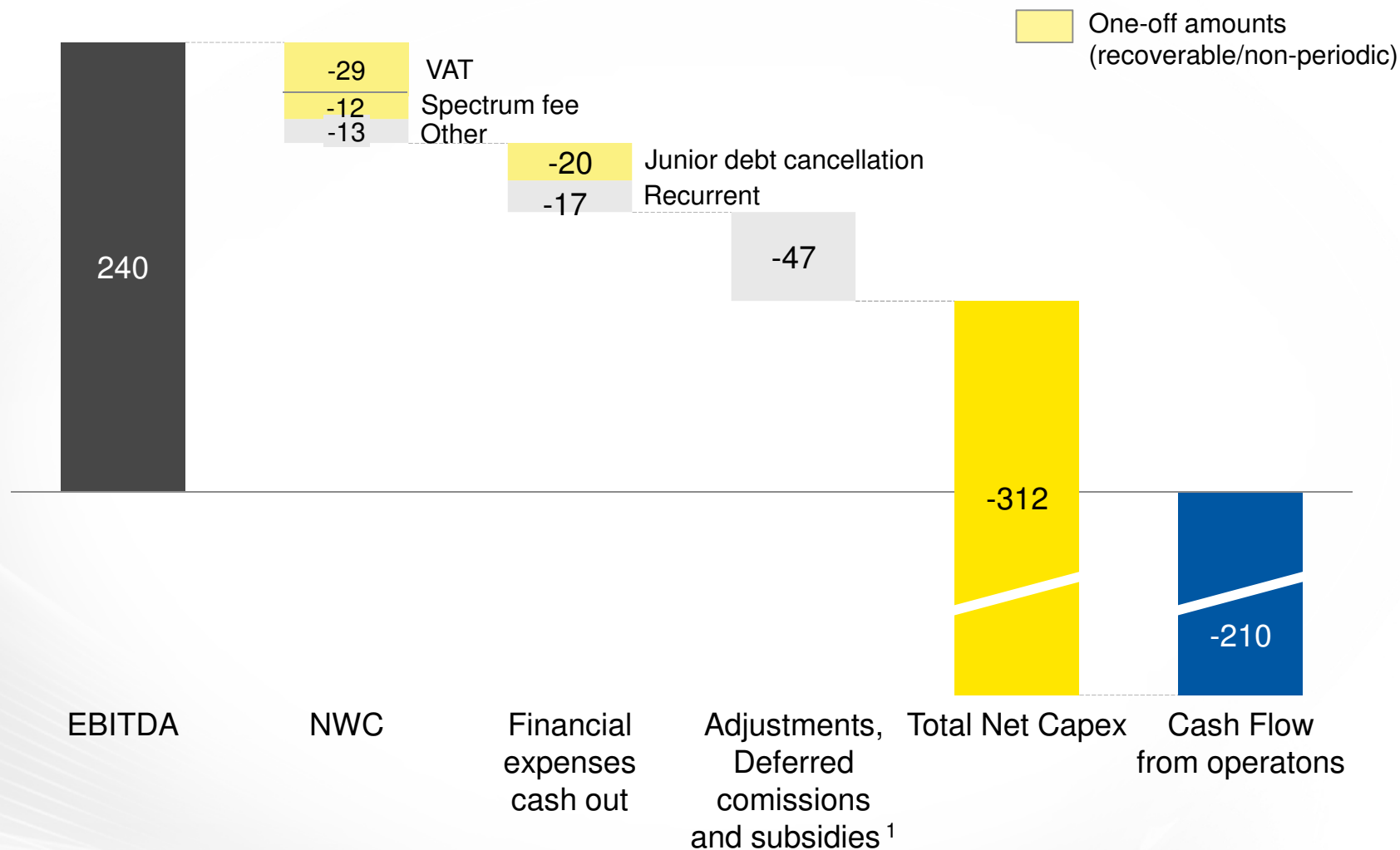
1 Net of IRUs sales. Related to increase of own FTTH network by 2.7M BUs to a total of 4.8M Bus

2 First payment of partial acquisition of 5G spectrum

SOURCE: Company

# Cash Flow from operations 9M18

Significant Capex investment and one-off cash outflows in 9M18 impacted CF from operations 9M18; €M



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

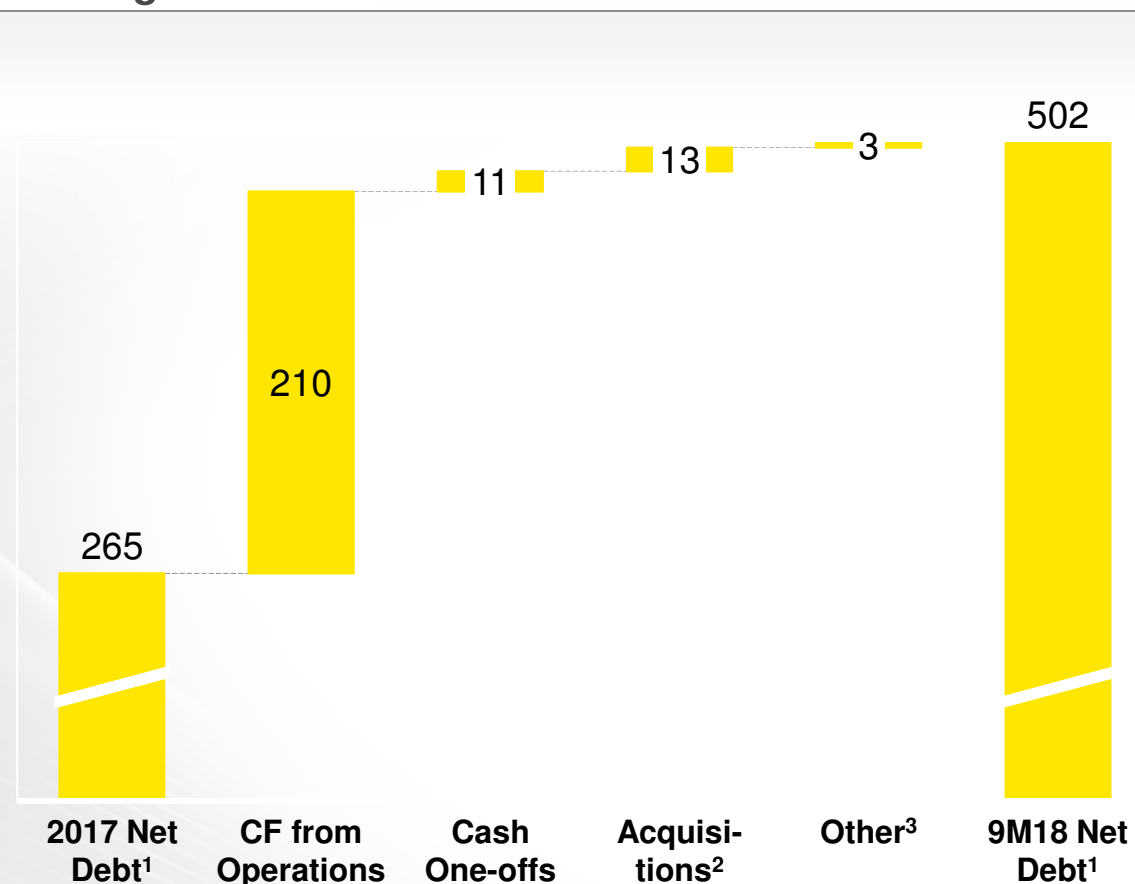
SOURCE: Company

# Change in Leverage

Overall leverage remains low at 1.5x Net Debt/Recurrent EBITDA (excluding convertibles)

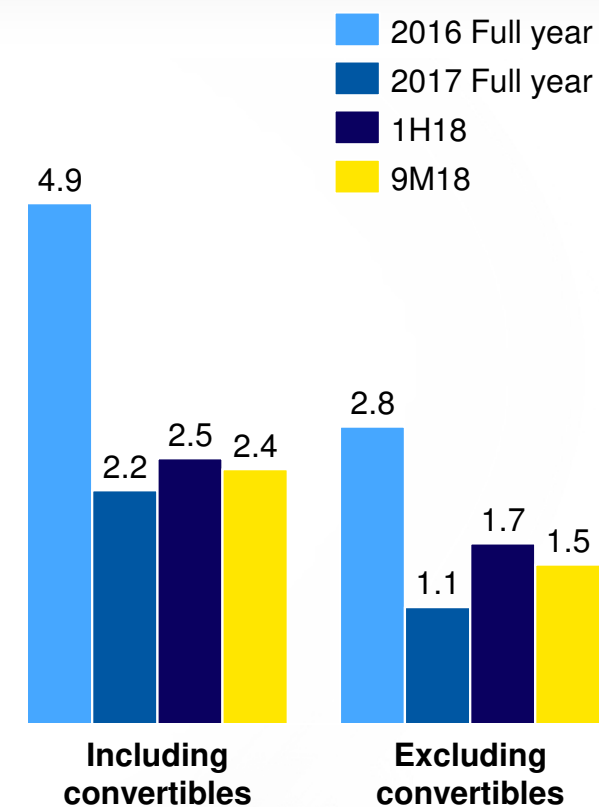
€M

## Change in net debt



## Leverage<sup>4</sup>

Debt/Annualized EBITDA



1 Excluding convertibles.

2 Cash outflow from 5G Spectrum acquisition considered as M&A





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

4 Leverage calculated as Net debt excl convertibles divided by annualized Recurrent EBITDA at reporting moment (For 9M18: Updated FY18 EBITDA guidance of 330M€)

SOURCE: Company

# 2018 Guidance: progress and increase of Guidance

Given positive 9M18 performance, MASMOVIL increases its 2018 Guidance significantly in all lines

	Concept	9M18	Previous	Revised
<b>Service Revenues</b> 	Growth in service revenues (FY17)	+17%	+10%	+17%
<b>Recurrent EBITDA</b> 	Recurrent EBITDA (before one-off costs)	240M€	300M€	330M€
<b>Subscribers</b> 	Total combined net increase in fixed broadband & mobile post-paid lines	>1,000K	+800k	+1,250K
<b>Net Capex</b> 	Net Infrastructure Capex	233M€ +2.7M FTTH BU's	305M€ <sup>1</sup> +3M FTTH BU's	405M€ <sup>2</sup> +4M FTTH BU's

<sup>1</sup> Initial FTTH roll-out plan (before Vodafone agreement) to reach 5.1M BUs in 2018

<sup>2</sup> Updated FTTH roll-out Plan: includes Vodafone agreement on 942k BUs and acquisition of 5G spectrum (3.5GHz) to be accounted for in FY18

SOURCE: Company

# Appendix





# Net debt calculation

In spite of heavy investment activities, leverage is still at a conservative level with 1.5x

Million €

€M	FY16	FY17	9M18	9M18-FY17
Short-term commercial paper	30	16	-	(16)
Senior debt	347	407	681	275
Bonds	57	33	27	(6)
Junior debt	96	106	-	(106)
Providence convertible	102	115	127	12
ACS convertible	144	139	150	11
Other debts	41	23	16	(7)
Cash & cash equivalents	(236)	(320)	(223)	97
<b>Net Debt</b>	<b>582</b>	<b>519</b>	<b>779</b>	<b>260</b>
Providence convertible	(102)	(115)	(127)	(12)
ACS convertible	(144)	(139)	(150)	(11)
<b>Net Debt (excl. convertibles)</b>	<b>336</b>	<b>265</b>	<b>502</b>	<b>237</b>
<i>x Recurrent EBITDA <sup>(1)</sup></i>	<i>2.8x</i>	<i>1.1x</i>	<i>1.5x</i>	

<sup>1</sup> Leverage calculated as Net debt excluding convertibles divided by updated FY18 Recurrent EBITDA guidance for 9M18 of 330M€.

# P&L

MASMOVIL achieved an EBITDA of 240M€ and an adjusted Net Income of 106M€ in 9M18

Million €

€M	9M17	9M18 <sup>(1)</sup>	Growth	3Q17	3Q18 <sup>(1)</sup>	Growth
Service Revenues	735.6	859.0	17%	262.0	305.0	16%
Other revenues	213.6	179.3	(16%)	78.0	56.8	(27%)
<b>Revenue</b>	<b>949.2</b>	<b>1,038.3</b>	<b>9%</b>	<b>340.0</b>	<b>361.8</b>	<b>6%</b>
Other operating revenue	22.1	33.7	53%	7.6	9.2	21%
Cost of sales	(714.7)	(729.9)	2%	(252.8)	(252.8)	0%
Other operating expenses	(88.2)	(102.5)	16%	(30.8)	(33.7)	9%
<b>Recurrent EBITDA</b>	<b>168.4</b>	<b>239.6</b>	<b>42%</b>	<b>64.1</b>	<b>84.6</b>	<b>32%</b>
Net one-offs	(24.1)	(11.1)	(54%)	(7.2)	(3.7)	(49%)
<b>Reported EBITDA</b>	<b>144.2</b>	<b>228.5</b>	<b>58%</b>	<b>56.9</b>	<b>80.9</b>	<b>42%</b>
Depreciation and amortization	(90.5)	(114.8)	27%	(31.8)	(41.5)	30%
<b>Reported EBIT</b>	<b>53.8</b>	<b>113.7</b>	<b>111%</b>	<b>25.1</b>	<b>39.4</b>	<b>57%</b>
Net financial expenses	(187.8)	(55.4)		(15.6)	(19.7)	27%
Reported Profit before taxes	(134.1)	58.3		9.5	19.7	107%
Income tax	(14.0)	(1.6)	<i>n.m</i>	(6.3)	(1.4)	
Reported Net Income/(Loss)	(148.1)	56.7		3.3	18.3	<i>n.m</i>
Sum of the "Adjustments"	193.2	49.5		23.2	17.1	
<b>Adjusted Net Income/(Loss)<sup>2</sup></b>	<b>45.1</b>	<b>106.2</b>	<b>135%</b>	<b>26.5</b>	<b>35.4</b>	<b>34%</b>

1 Post-IFRS figure

2 Please see *Adjusted Earnings per Share* slide to obtain the list of adjustments or earning release document (page 11, table 5.2)

# Adjusted earnings per share (fully diluted)

Adjusted Earnings per Share reached 3.15€ on a fully diluted basis (33.7 million shares) in 9M18

Million € (Except EPS)

M€, unless otherwise stated	9M18
<b>Reported Net Income/(Loss)</b>	<b>56.67</b>
Operative one-offs	11.06
Financial one-offs	(28.3)
Amortization of acquired customer base & brand	17.8
Management incentive plans (SAR)	29.7
Interest on Providence and ACS debts	35.8
Tax impact of "Adjustments"	(16.52)
<b>Adj. Net Income/(Loss)</b>	<b>106.2</b>
Fully diluted number of shares (million)	33.7
<b>Adj. EPS (fully diluted,€)</b>	<b>3.15</b>

+49.5M€