



euskaltel



The leading fiber and convergence operator in the North of Spain

6 October 2015

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This Presentation contains financial information derived from Euskaltel's unaudited financial statements for the six-month periods ended June 30, 2014 and June 30, 2015, as well as certain unaudited pro-forma financial information of the combined entity resulting from the combination of R Cable with Euskaltel for the 12-month period ended 31 December 2014. None of this financial information has been audited by our auditors.

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Transaction summary (1/2)

Key terms

- ✎ Euskaltel has reached a definitive agreement to acquire 100% of R Cable, the largest cable operator in Galicia and the second largest regional operator in Spain, from CVC and Abanca
- ✎ Enterprise value of €1,190m
 - Purchase price represents a 10.8x FV/EBITDA 2014 pre-synergies, or below 8.5x adjusted for synergies
- ✎ 100% cash consideration, mitigating potential overhang

Financing

- ✎ Total consideration to be financed with:
 - €35m of cash on balance sheet
 - €600m of additional debt under the existing Facilities Agreement (already signed)
 - €300m new institutional debt, underwritten by 4 banks
 - €255m capital increase fully underwritten by Citi and UBS
- ✎ Envisaged financing structure will diversify Euskaltel's funding sources and contribute to elevating the company's profile within the financial community and, more specifically, the European cable sector
- ✎ Starting leverage approximately at 5.0x and expected to decrease to 3.0-4.0x in the next 18 months, in line with Euskaltel's financial policy and prudent approach towards leverage
- ✎ Shareholder distribution to start from 2017 onwards, in line with the stated distribution policy at IPO

Key dates before closing

- ✎ Recommended transaction approved by Euskaltel's Board of Directors
- ✎ Transaction conditional on approval by Euskaltel Shareholders Meeting, to take place no later than November
- ✎ Transaction subject to approval from domestic antitrust authorities (expected by mid November)

Due diligence

- ✔ Satisfactory completion of due diligence process
 - Confirmation of the estimated synergies announced in July following the due diligence process
- ✔ Better than expected operating performance:
 - Increased momentum in customer net adds
 - ARPU improvements resulting from recent price increases in line with market trends
 - Improved churn below 2014 levels

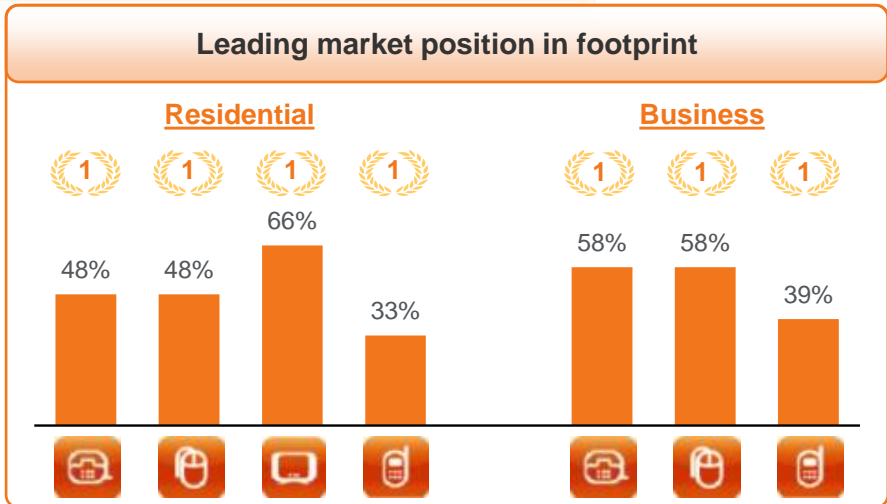
Shareholder support

- ✔ Undertaking from Kutxabank, Corporación Financiera Alba and Management to vote in favour of the transaction at the upcoming Shareholders Meeting
- ✔ Abanca has expressed its intention to reinvest proceeds from the sale of R Cable in Euskaltel for an amount of at least €80m
- ✔ Alignment of shareholder base with long term objectives of Euskaltel

R Cable: the leading fiber and convergence operator in Galicia

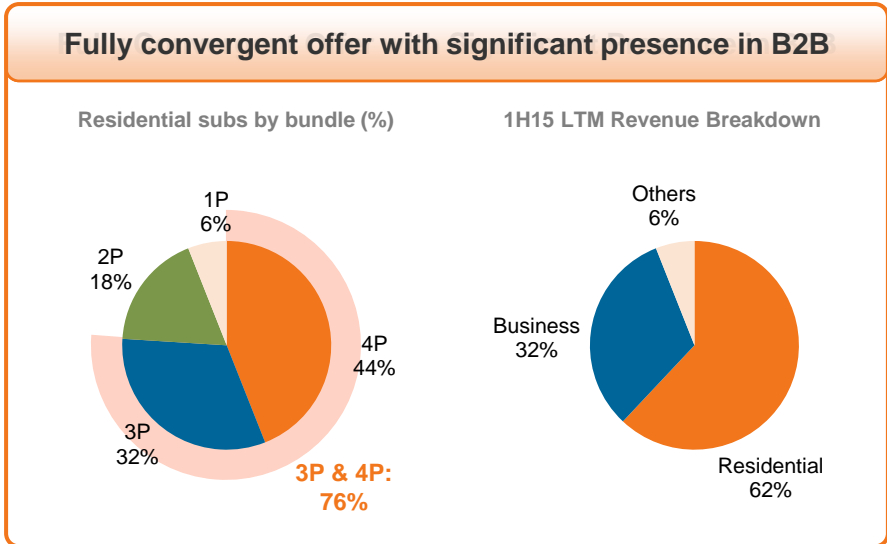


Key metrics ⁽¹⁾	
Homes Passed ('000s):	748
Residential Subscribers ('000s):	251
RGU/Sub (x):	3.0x
Revenue (€m):	244
Adj. EBITDA ⁽⁴⁾ (€m):	110
Adj. EBITDA Margin (%):	45%
OpFCF conversion ⁽²⁾ (%):	53%



R Cable at a glance

- Sole local cable operator** in Galicia
 - Population: 2.8m
 - GDP/Capita (€'000s): 20.0 (23.8 in R Cable's footprint)
 - Unemployment: 20.9%
- Fully-invested fiber network covering c.65% population** and 51% of households
- Penetration: 26.4%**
 - Scattered population providing R's network a natural protection
- Local brand well regarded** in the region
- Highest mobile penetration (75% of fixed customers)** in R's footprint (full MVNO) and 4G
 - Targeted mobile penetration already achieved



Source: INE (Spanish statistical office), Company estimates.

(1) 2014 data.

(2) Defined as (EBITDA – Capex) / EBITDA.

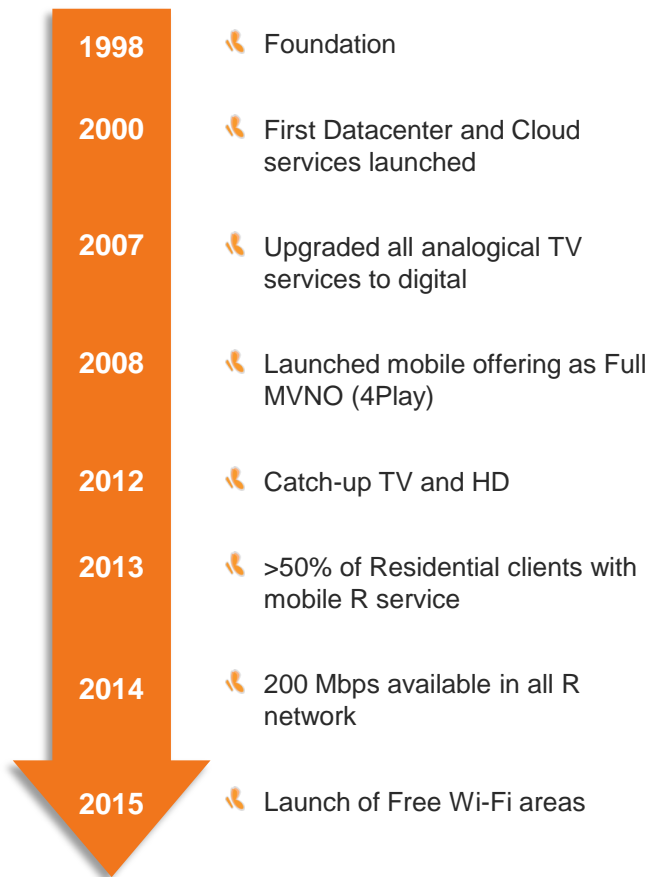
(3) Possibility to upgrade to 300 Mbps with limited CapEx investment. Out of total 936k premises passed, only 279k premises would require additional investments (c.€1.4m) to upgrade speed to 300Mbps.

(4) Adjusted for non-cash accruals and SAC capitalisation.



R Cable: key operational metrics and milestones

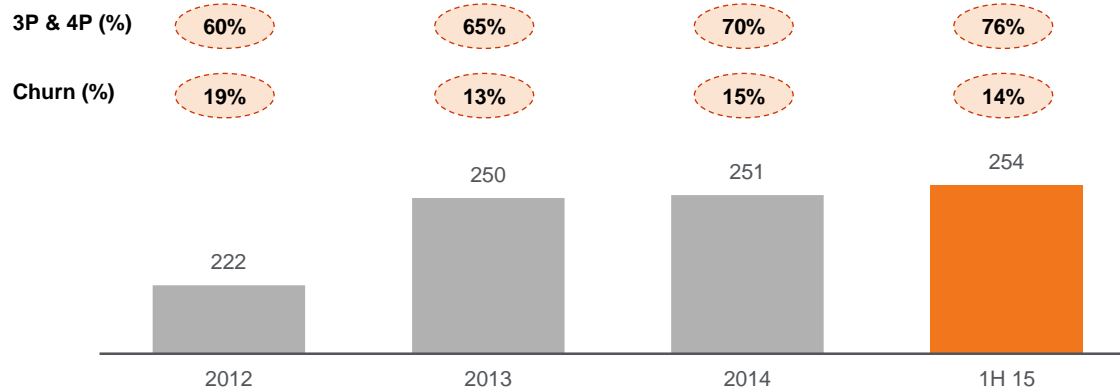
Key milestones



Leading convergent operator, #1 across all segments

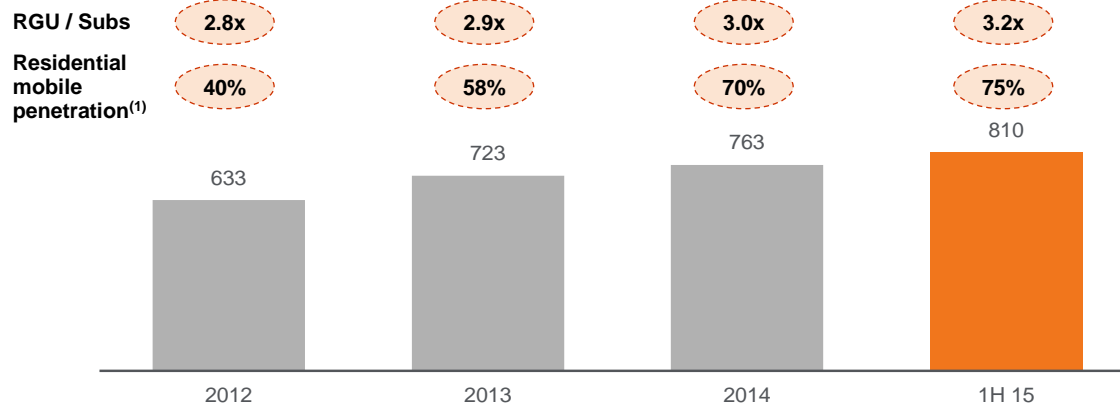
Steady subscriber increase on the back of successful convergent proposition

Residential subs ('000)



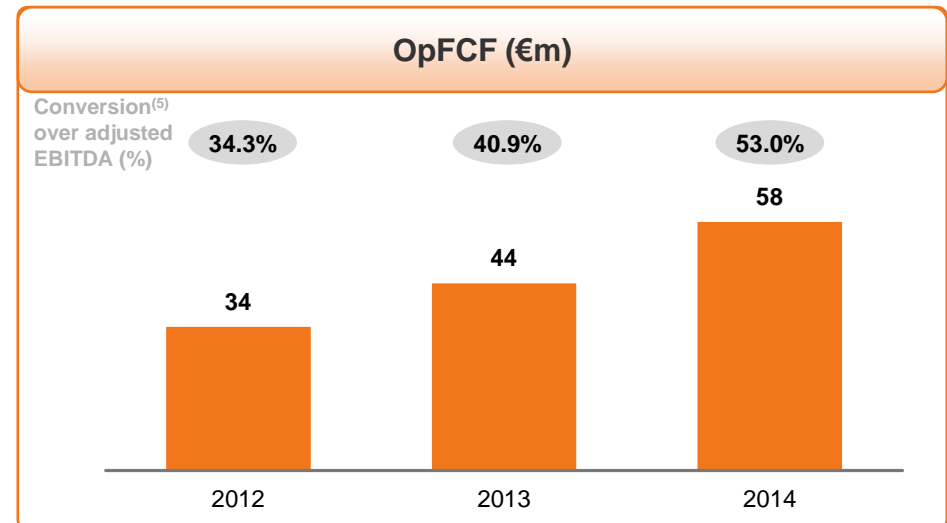
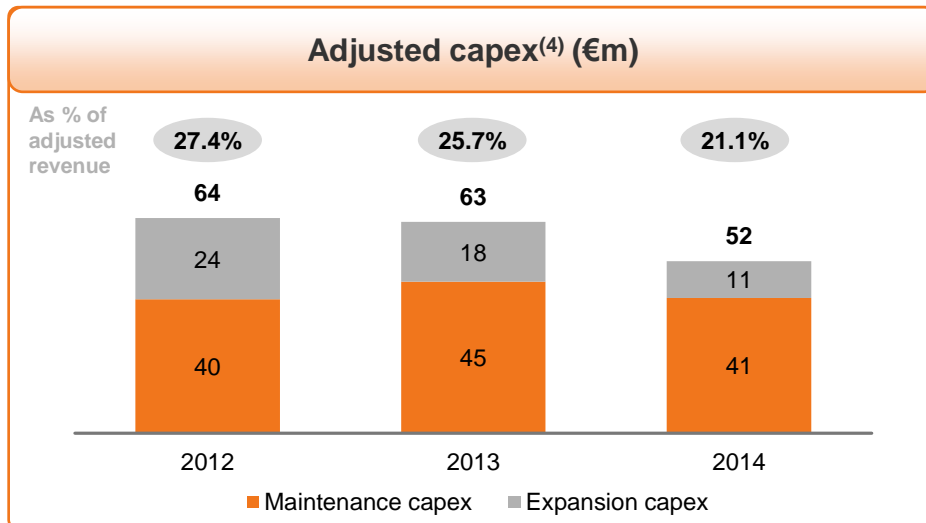
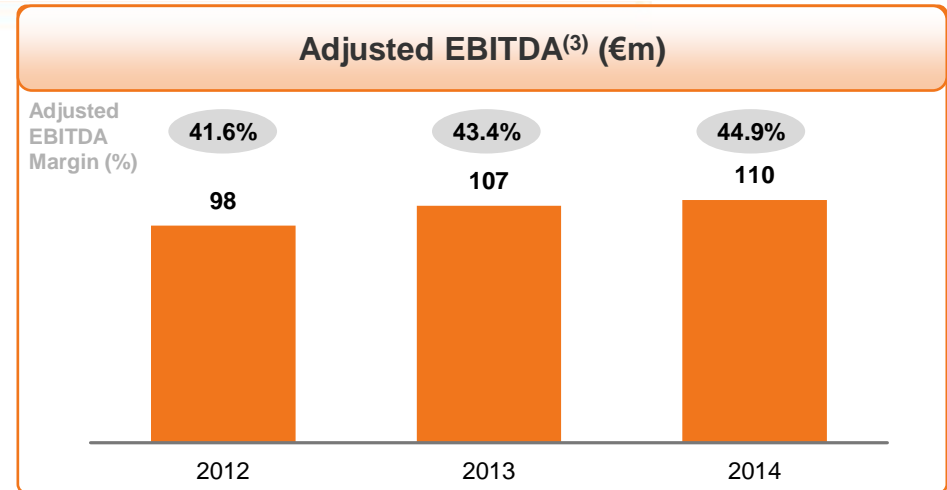
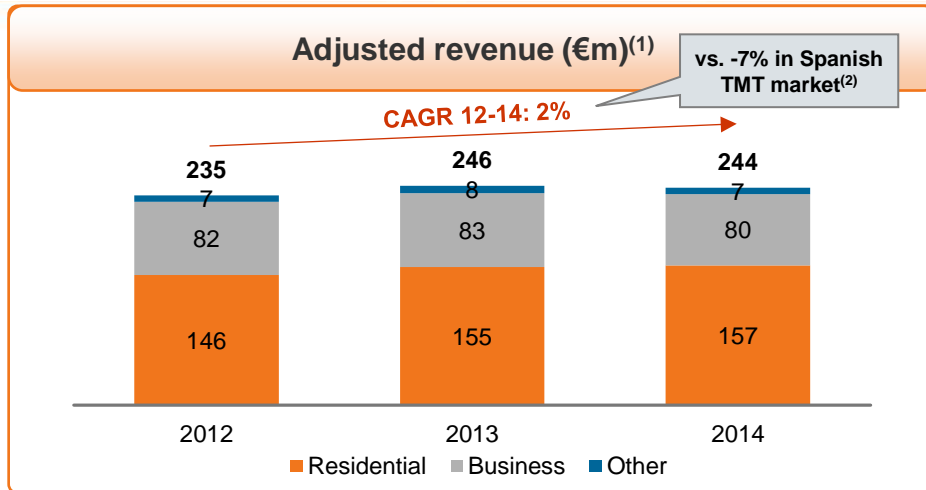
Mobile strategy as the key driver for product penetration increase

Residential RGUs ('000)



(1) Measured as residential fixed subscriber with mobile (excluding mobile only) over total fixed subscribers.

R Cable: resilient performance with proven ability to outperform the market



Source: Company information.

(1) Excluding handset accruals effect (+€9.1m in 2012, -€5.4m in 2013 and -€10.0m in 2014)

(2) CNMC data, market in which Euskaltel operates. Based on total sector revenue including retail and wholesale revenue

(3) Unaudited figures. Adjusted for SAC activation (+€8.0m in 2012, +€9.6m in 2013 and +€7.9m in 2014), handset accruals (-€9.1m in 2012, +€5.4m in 2013 and +€10.0m in 2014) and one-off items (-€3.5m in 2012, +€0.4m in 2013 and -€0.1m in 2014)

(4) Unaudited figures. Includes SAC activation related capex (+€8.0m in 2012, +€9.6m in 2013 and +€7.9m in 2014)

(5) Measured as (adjusted EBITDA – adjusted Capex) / adjusted EBITDA.

The integration of R Cable is a strategic milestone for Euskaltel...

1

Complementary fit to increase scale and operating leverage

- 👉 The transaction **reinforces Euskaltel as the consolidator** of the regional cable in the North of Spain
- 👉 **Increased size and scale to** enhance Euskaltel's and R Cable 's purchase and negotiating power and competitiveness

2

Customer focused, quality-driven offer on the back of state-of-the-art network and strong local brands

- 👉 Creation of the **leading regional cable operator in the north of Spain**, with an addressable market of c.5 million people
- 👉 **Fully convergent offer**, increasing customer loyalty with future cross-selling / up-selling opportunities
- 👉 **Superior network investment and coverage** in both regions
- 👉 **Best-in-class distribution** channels and **superior customer service**
- 👉 Unique positioning based on **well-established local brands**
- 👉 Proven track record and capabilities in the **business segment** in the Basque Country and Galicia

3

Best positioned to benefit from improving macro trends

- 👉 **Spanish real GDP growth** to exceed the EU in the near term, with a strong push from **increasing private consumption**
- 👉 Euskaltel and R Cable operate in **attractive regions with higher GDP per capita and lower unemployment** levels compared to the Spanish average
- 👉 **Spanish telecommunications market** is expected to grow in 2015 in terms of total revenues after various years of continuous declines, showing early **signs of price repair**

4

Value creation for Euskaltel shareholders through best practices and synergies

Business processes re-engineering

Sharing of systems and technologies

Optimisation of contractual relationships with suppliers

Increase scale and negotiation capacity

Unified investment strategies

Implementation of efficiencies and sharing of best practices

🔗 The integration of both players would lead to the realisation of **significant synergies** based on Euskaltel's preliminary analysis:

- **Direct costs:** mobile host costs, interconnection costs, TV content, purchasing, fixed network operations
- **Commercial & structure costs:** SAC, sales channel mix, IT and other administrative costs
- **Capex:** installation and home equipment, network deployment, 4G roll-out, sales channel mix, new services

🔗 Transaction unlocks significant **value for Euskaltel's shareholders**

🔗 **NPV** of estimated opex and capex synergies amounts to **c.€300m**

🔗 **EqFCF accretive** deal from first year of operation

5

Balance sheet optimization through efficient financing structure








🔗 **Efficient financing structure** post acquisition at an attractive cost with no debt maturities in the next 18 months

🔗 Business expected to **delever to 3.0-4.0x within the next 18 months**, with shareholder distribution to start from 2017 onwards, **in line with the stated distribution policy**

🔗 Institutional debt increases Euskaltel's **flexibility and funding sources**

🔗 Creation of **distributable reserves** at Euskaltel level

1 Complementary fit to increase scale and operating leverage

			 + 
Addressable market (<i>inhabitants</i>)	2.2m	2.8m	5.0m
Market position	 1 fixed service operator	 1 in respective region	 1 in respective region
Residential RGUs ('000)s	968	810	1,778
RGUs / subscriber	3.2x	3.2x	3.2x
3P/4P Penetration	61%	76%	67%
ARPU (€/month)	55.5	55.7	55.6
Churn	12%	14%	13%
Fixed penetration ⁽¹⁾	32%	26%	29%
Mobile penetration over fixed customer ⁽²⁾	59%	75%	66%









Complementary fit with no market overlap and benefiting from increased size and scale

Note: 1H 2015 figures.

(1) Measured as residential fixed subscribers over homes passed.

(2) Measured as residential fixed subscriber with mobile (excluding mobile only) over total fixed subscribers.

2 Customer focused, quality-driven offering on the back of state-of-the-art network...

								
Coverage (%HH)	85%	51%	35%	39%	61%	36% ⁽¹⁾	81%	47%
% of EuroDOCSIS 3.0	100%	100% ⁽²⁾	58%	92%	100%	51% ⁽³⁾	100% ⁽⁴⁾	100%
Access capacity (MHz)	862	862	862	862	600 ⁽⁵⁾	862	750	862
Households per node (avg.)	c.500	c.280	n.a.	c.580	c.580	n.a.	n.a.	c.500
Fully-owned backbone network	✓	✗ ⁽⁶⁾	✗	✗	✗	✗	✗	✗
4G license	✓	✓	✓ via SFR	✗	✗ ⁽⁷⁾	✗	✓ via Optimus	✓ via Optimus
Fixed assets / cable subscribers ⁽⁸⁾ (€k)	2.3	2.3	1.3	0.4	0.8	0.2	1.1	2.2
Fixed assets / home provisionable ⁽⁸⁾ (€k)	0.9	0.8	0.1	0.4	0.2	0.4	0.5	0.1

Future-proof network supports success-based capex and 14-15% capex over revenues going forward

Source: Company filings.

(1) In Core regions (as defined by Telecolumbus).

(2) DOCSIS 3.0.

(3) 94% of households connected fully upgraded for two-way connectivity of which 54% upgraded to DOCSIS 3.0.

(4) EuroDOCSIS NGN.

(5) In August 2014, announced upgrade to 1 GHz in Flanders by 2019.

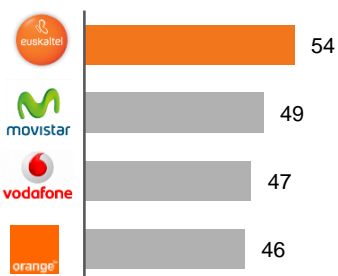
(6) Part of the backbone is rented under irrevocable use rights of use until 2025 with an annual cost of €2.9m, of which €2.4m relate to optic fiber.

(7) Excluding BASE as transaction not completed yet.

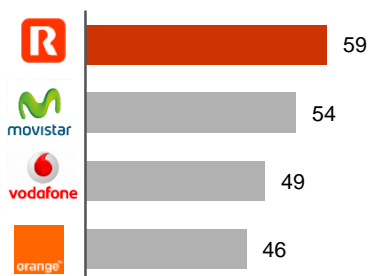
(8) Fixed assets includes Property, Plant and Equipment and Intangible assets; excluding goodwill. Residential and SoHos fixed services subscribers.

Brands attractiveness in respective footprint

Basque Country

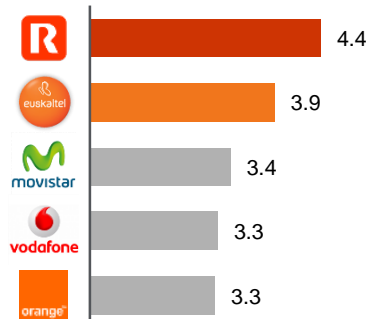


Galicia

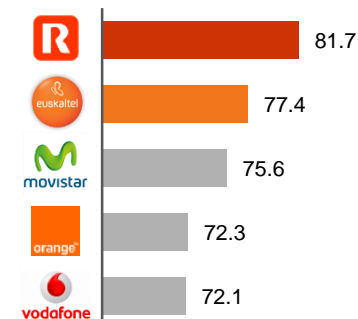


Best customer care and service quality

Customer Care Valuation⁽¹⁾

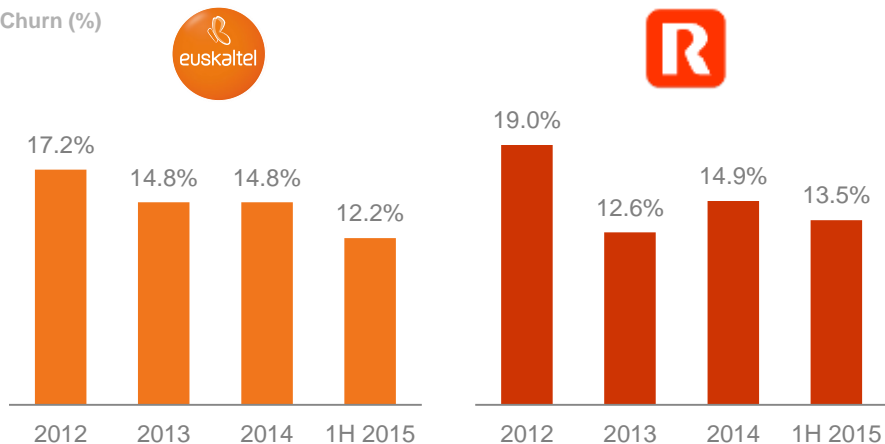


Quality of BB Service



Increasing customer loyalty

Churn (%)



Brand deeply rooted with emotionally attached customers

Proximity to Client

Value for Money

Commitment

Identification

Cultural fit

Innovative

Source: Company information, GFK, "Brand Potential Index", Spanish Internet Association.

(1) Measured as % of population covered, household coverage of 51%.

3 Best positioned to benefit from macro tailwinds and significant penetration upside

Wealthy, fast growing regions with GDP per capita above Spanish average and lower unemployment

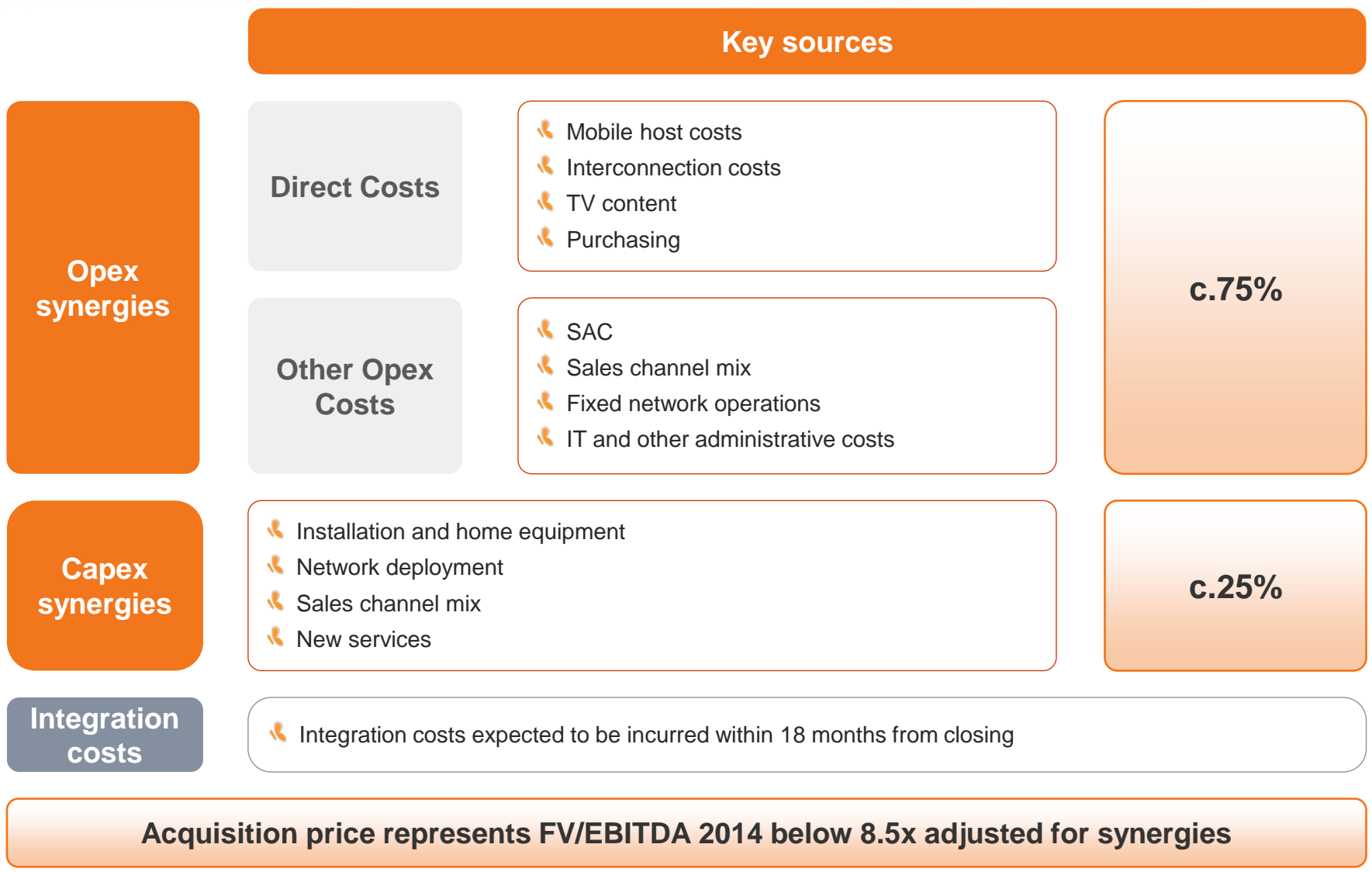
Spanish GDP sustained growth expected on the back of increasing private consumption

Rebounding dynamics of the Spanish telecommunication market, with convergence and market consolidation driving market repair

Broadband and Pay TV penetration significantly below European average

Significant room for further market development on the back of economic recovery to reach penetration levels in line with other mature European cable markets

4 Tangible synergies to create value through the integration of Euskaltel and R Cable



Source: Euskaltel estimates.

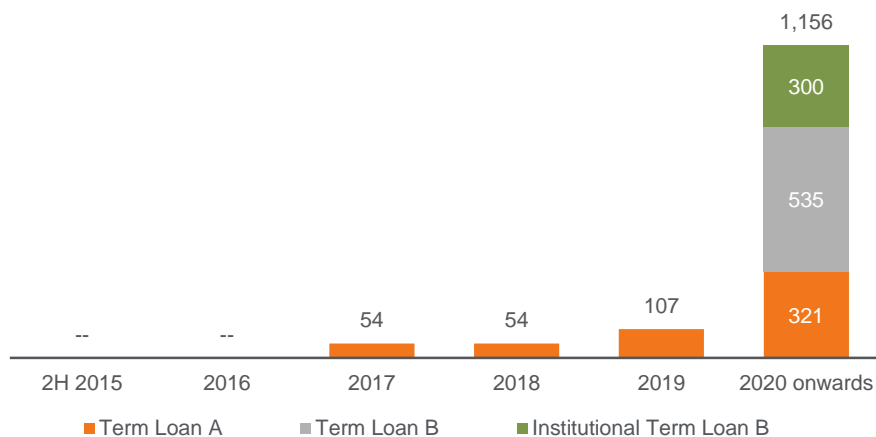


5 Balance sheet optimization through efficient financing structure

Proforma capital structure

- 🔊 **Pro forma debt structure** post-acquisition amounts to €1,370m:
 - 🔊 Existing Term Loan A increased up to €535m
 - 🔊 Existing Term Loan B increased up to €535m
 - 🔊 €300m of new institutional Term Loan B
- 🔊 **Strong liquidity** with available RCF

Starting leverage approximately at 5.0x and expected to decrease to 3.0-4.0x in the next 18 months



Prudent and clear financial policy

- 🔊 **Continue management focus on cash generation**, shifting priority towards balance sheet deleveraging
- 🔊 Approach to leverage as per IPO guidance
 - 🔊 Targeted leverage of **3.0x-4.0x ND/EBITDA**
 - 🔊 **Focus on debt repayment** post acquisition of R Cable
- 🔊 Maintain strong financial **flexibility** through **targeted capex**
 - 🔊 Euskaltel and R Cable have a **fully invested and upgraded network**
 - 🔊 **Success based** future capex to support **strong cash flow generation**
- 🔊 Maintain **strong liquidity** with RCF
- 🔊 **Excess cash** once leverage brought back to 3.0-4.0x to be **returned to shareholders**
 - 🔊 **Shareholder distribution within the target range from 2017 onwards** in line with the stated distribution policy at IPO

Indicative transaction timeline

	Milestones	Tentative dates	Status
1	Due-Diligence process	3Q 15	✓
2	Preparation of combined BP	3Q 15	✓
3	Preparation, negotiation and execution of all legal documentation	3Q 15	✓
4	Shareholders meeting	November	
5	Expected domestic antitrust clearance	Mid November	
6	Expected closing	Before year end	

The regional fiber and convergence Champion

1

Leading fiber and convergence operator in the Basque Country and Galicia

2

Supportive macro dynamics in relevant regions and rebounding telecom dynamics

3

Attractive brands with loyal and emotionally attached customer base

4

State-of-the-art fiber network fully invested, providing best-in-class service and acting as an entry barrier

5

Growth momentum underway with further upside from pricing, up-selling, cross-selling and further increasing penetration

6

Balance sheet optimization through efficient financing structure

7

Improved access to debt and equity capital markets increasing financial flexibility



Thank you!