



Euskaltel Group

Q3 2019 Results

October 29th, 2019



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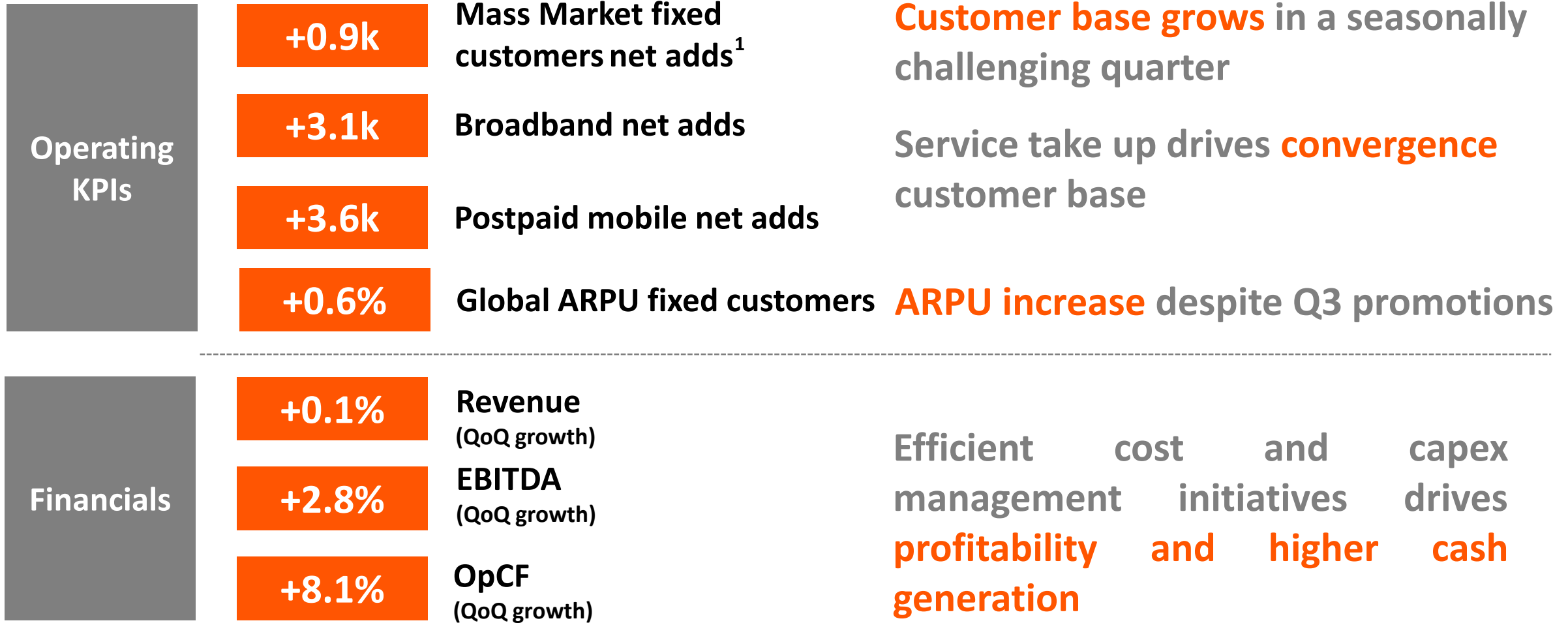
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Management efficiency initiatives **boosts profitability and cash generation** in the quarter

Customers and revenue grow in a seasonally challenging quarter



1. Mass market fixed subs = residential fixed subs + SOHO fixed subs (exc. only mobile subs)

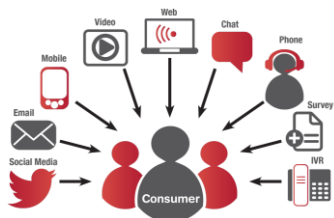


Early results of the roadmap implementation have been achieved in Q3 19

Mass market

Sales

- ✓ Sales channels efficiency: telemarketing, online and inbound customer additions +49% yoy
- ✓ Introduction of new specialized sales channels and simplification of the existing channel map
- ✓ Churn reduction vs expected thanks to proactive promotion management and mobile handset financing
- ✓ Implementation of a unified sales remuneration model



Marketing

- ✓ Elimination of non-profitable Telecable's football content with less churn than expected
- ✓ Introduction of MiTelePlus football app on the set top box allows for customers to access all football content
- ✓ +€1.5 price increases implemented
- ✓ Transformation of websites with conversion rate optimization criteria



B2B

- ✓ SME pricing repositioning resulting in €500k revenue increase per year
- ✓ Simplification and unification of SMEs' commercial model, resulting in +€500k savings per year
- ✓ Alignment of sponsorship expenses with business generation targets



The factory

Operations & IT systems

- ✓ Optimization of the provisioning process resulting in industry best-practice times
- ✓ Continuous improvement in technical support service KPIs:
 - i. call rate reduction
 - ii. increase of First Time Resolution
 - iii. troubleshooting time reduction
- ✓ Back-office operations improvement results in >20% savings vs H1 19



Network

- ✓ Single efficient operational model implemented: unified in existing and expansion regions based on an agreement with ZTE until 2024
- ✓ Definition of a single integrated network: network service platform integration results in cost reduction and operational efficiencies
- ✓ Homogeneous offering: increase and homogenization of broadband speeds
- ✓ Improvement in broadband quality to record-high KPIs despite increased broadband speeds

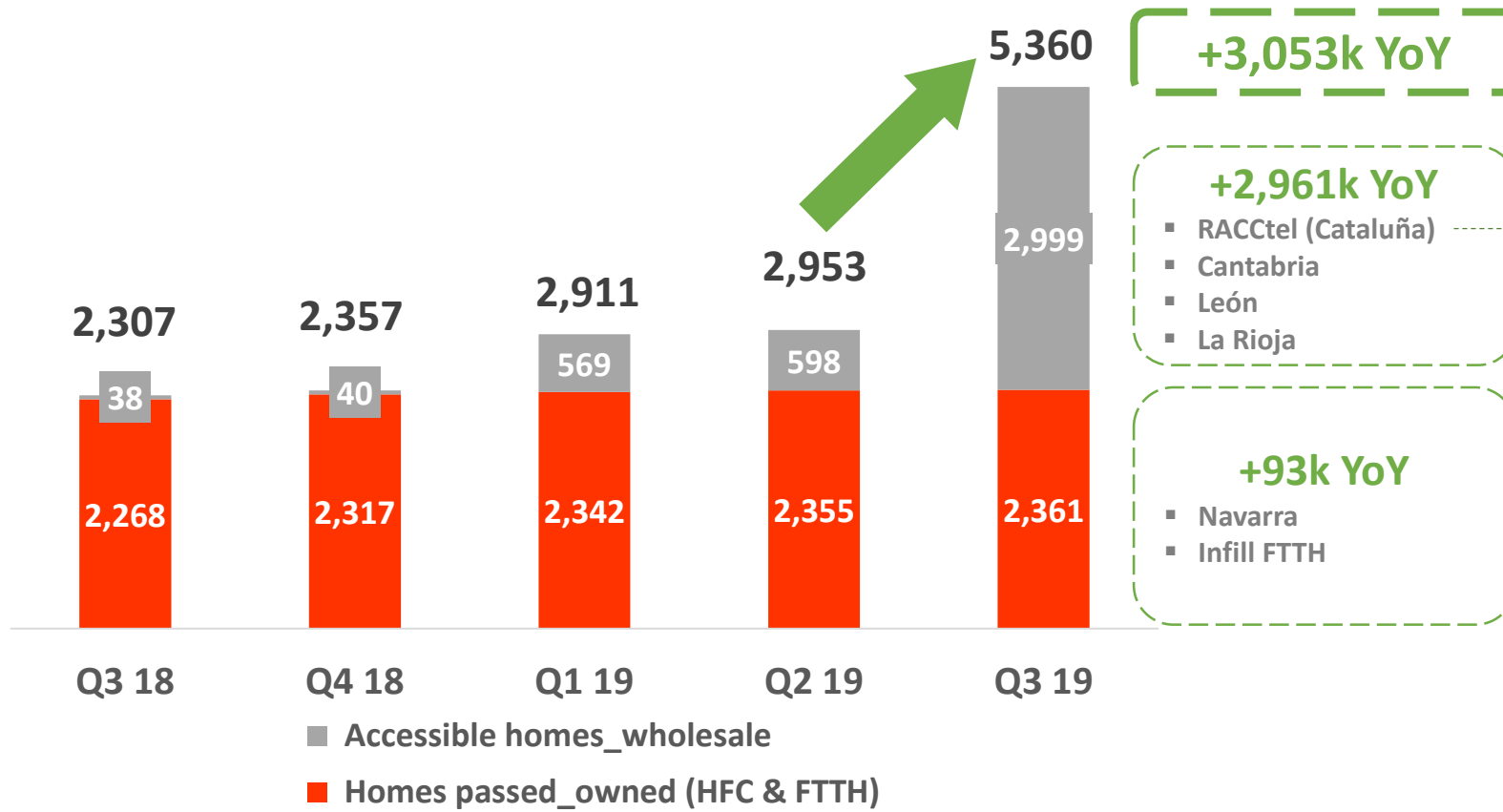
Operating review



Rapid extension of expansion pilots delivers customer growth opportunities

2.4m HH expansion in Cataluña shows ability to offer services in wider coverage via wholesale agreements

Current footprint (in thousands households)



Efficient deployment in Cataluña provides solid ground for national expansion



Pack FAMILLY

TV ocio + DECO 4K	FIJO Llamadas a fijos y móviles	500GB Megas + WiFi Premium	20GB Llamadas ilimitadas	44'9€ /mes 3 primeros meses
Servici Tècnic Prèmium gratuït				Y líneas de móvil adicionales 5GB Llamadas ilimitadas 9'9€ /mes cada una
Lo quiero				

Take away

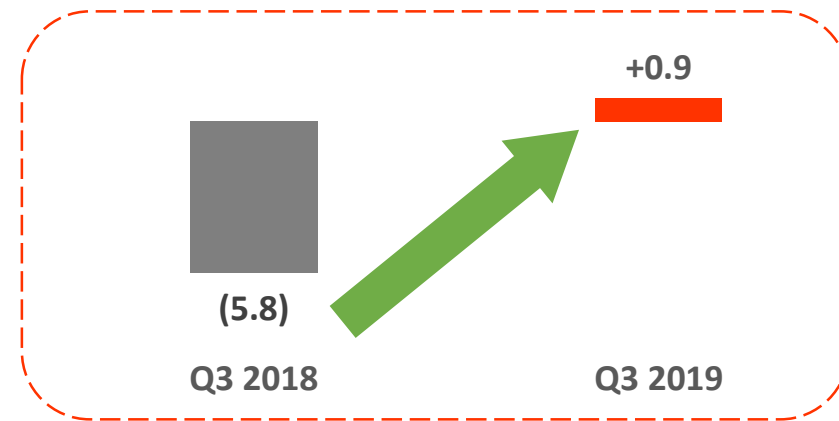
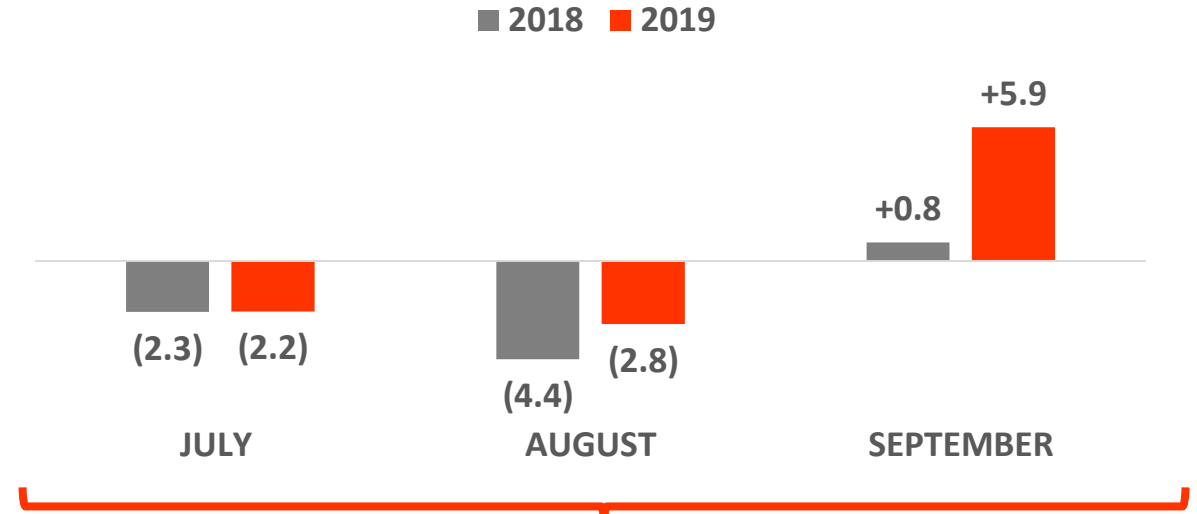
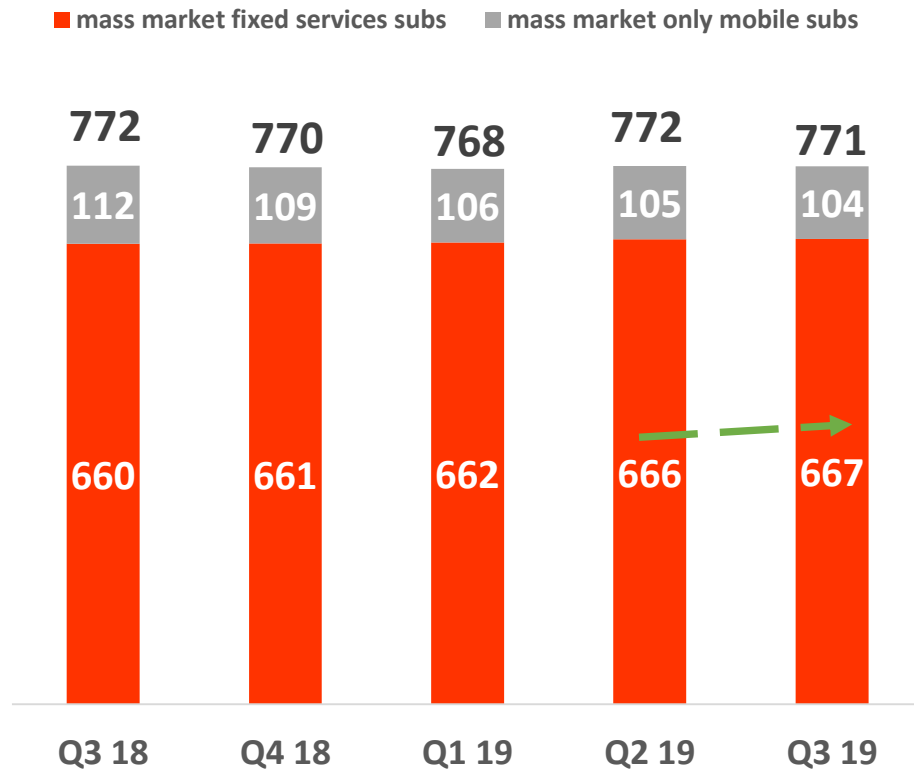
500 MEGAS de Internet	+ 20GB llamadas ilimitadas	39'9€ /mes tarifa 3 meses
Lo quiero		

Fixed customer base growth in a seasonally challenging quarter



Mass market subscribers¹ (in thousands)

Q3 2019 mass market fixed net adds per month (in thousands)



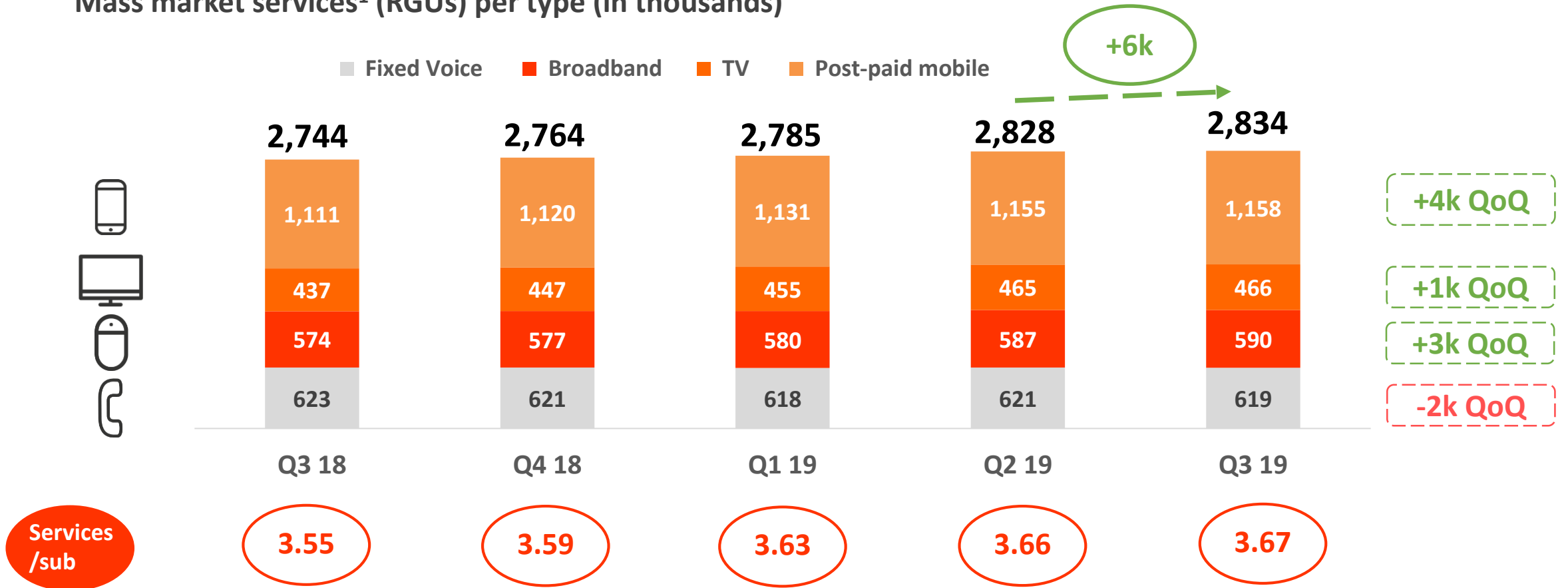
1. Mass market subs = residential subs + SOHO subs + RACC only mobile subs



Increased service penetration drives a convergent customer base

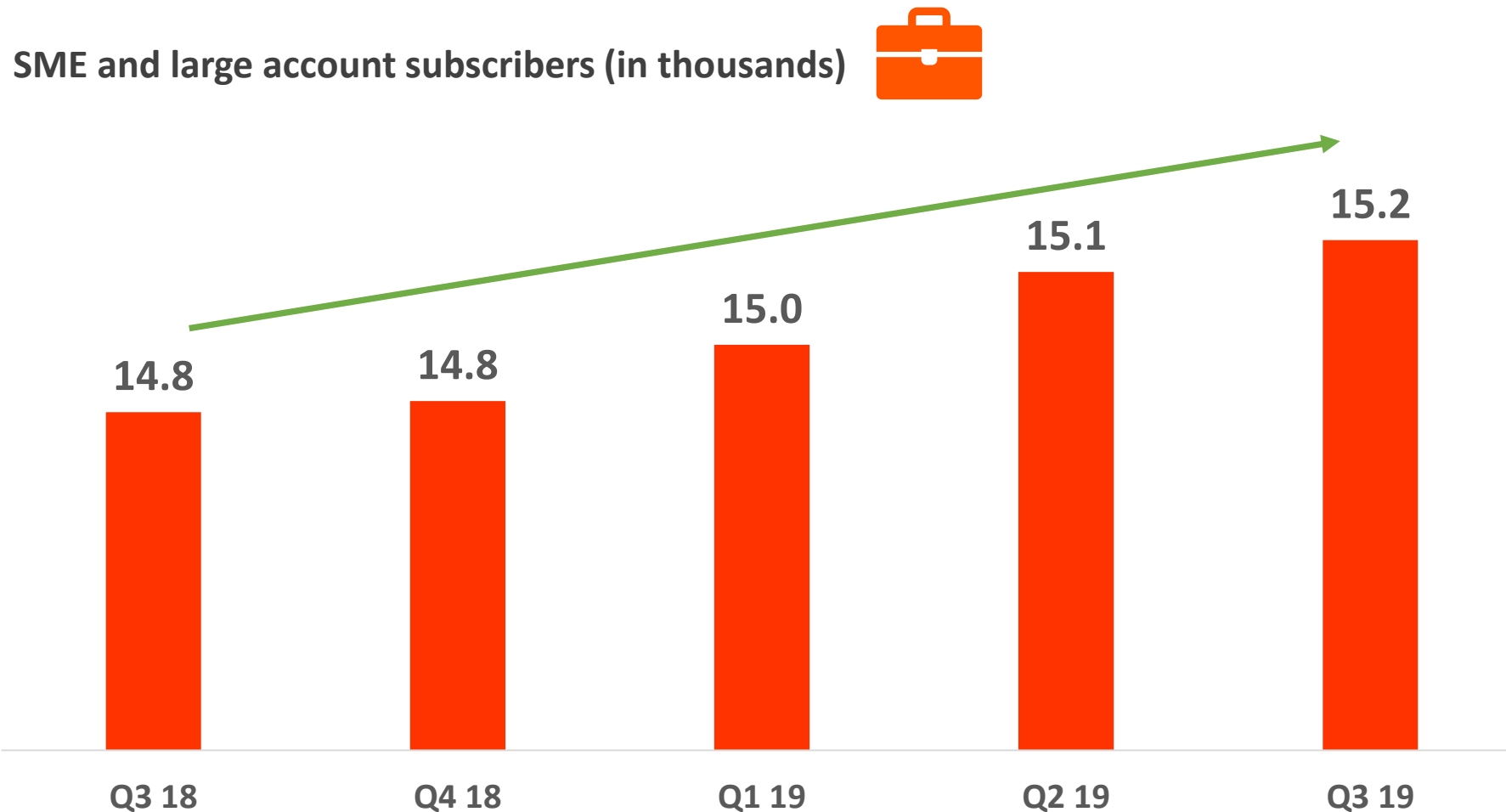
Broadband, mobile and TV services increase by 6k in the quarter

Mass market services¹ (RGUs) per type (in thousands)



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

| SME and large accounts customer growth continues on a positive trend

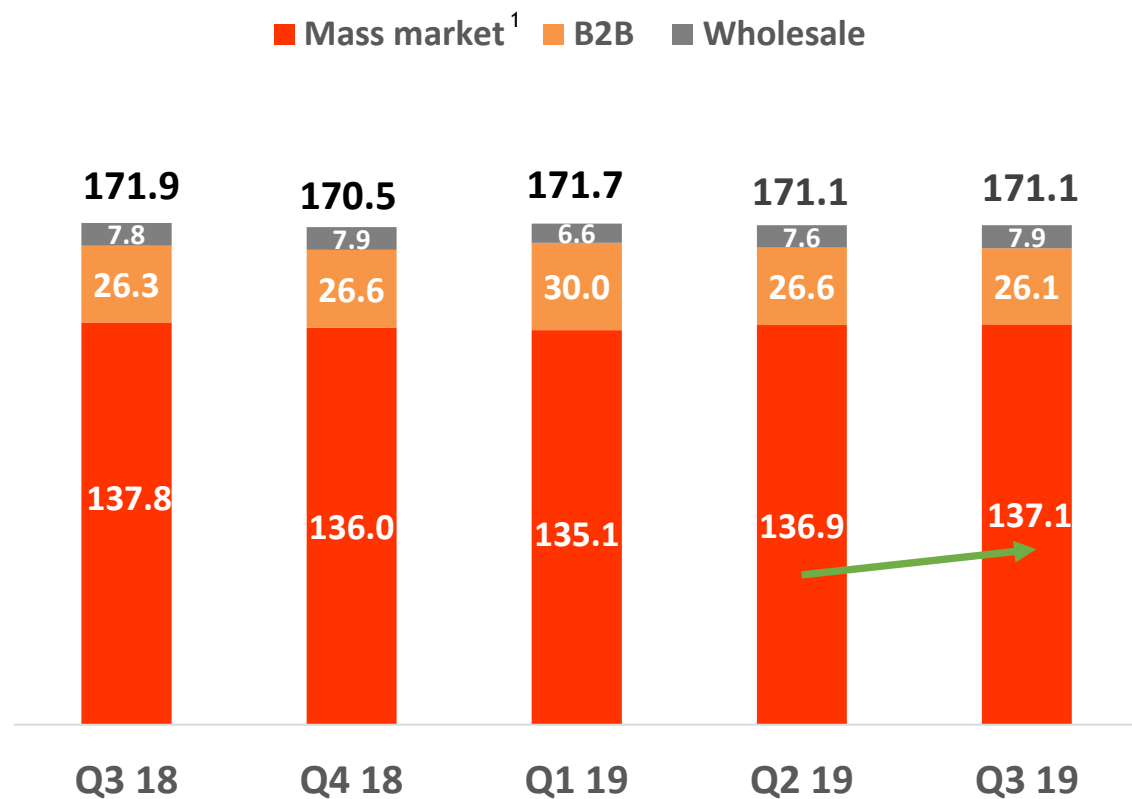


Financial review

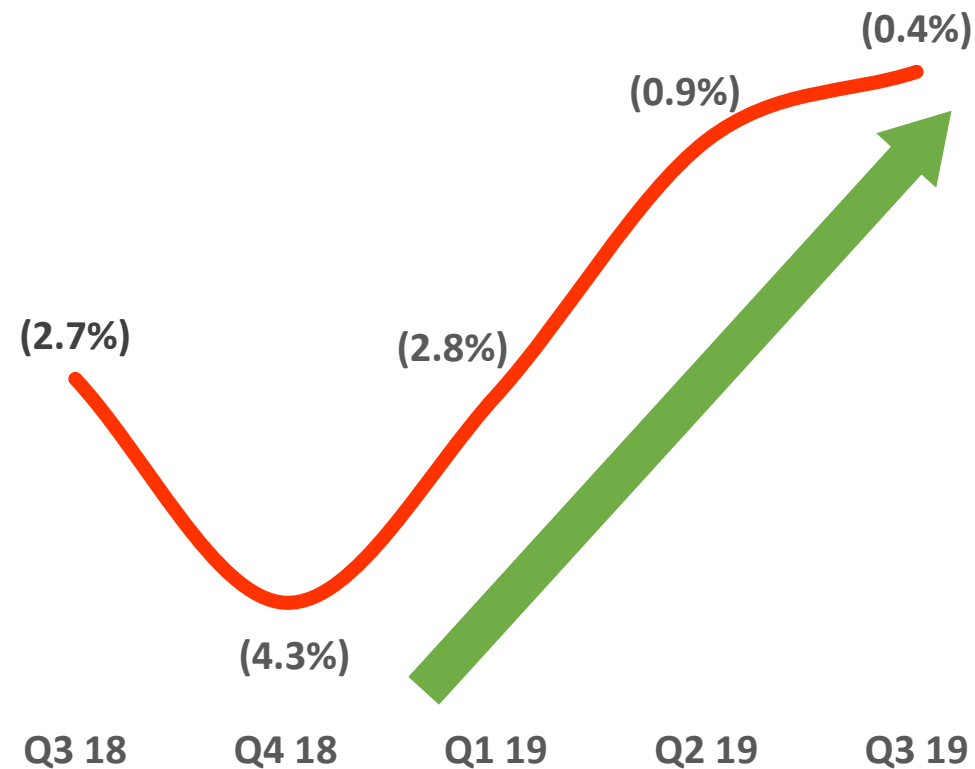


Revenue growth continues to improve and approaches positive territory

Total revenue breakdown by segment (EURm)



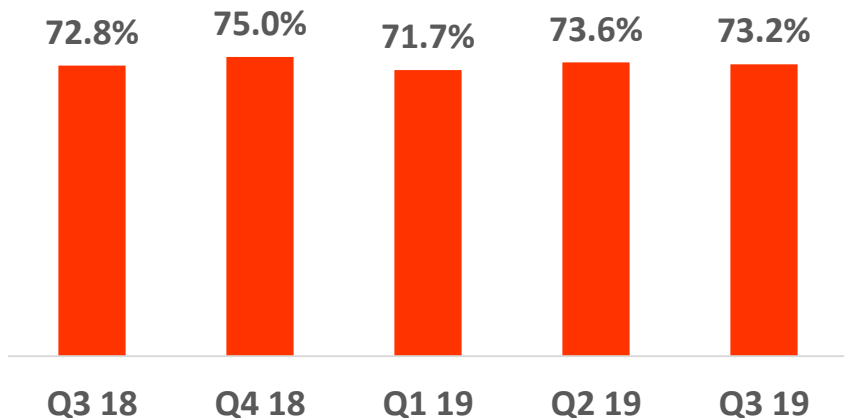
Total revenue evolution YoY (%)



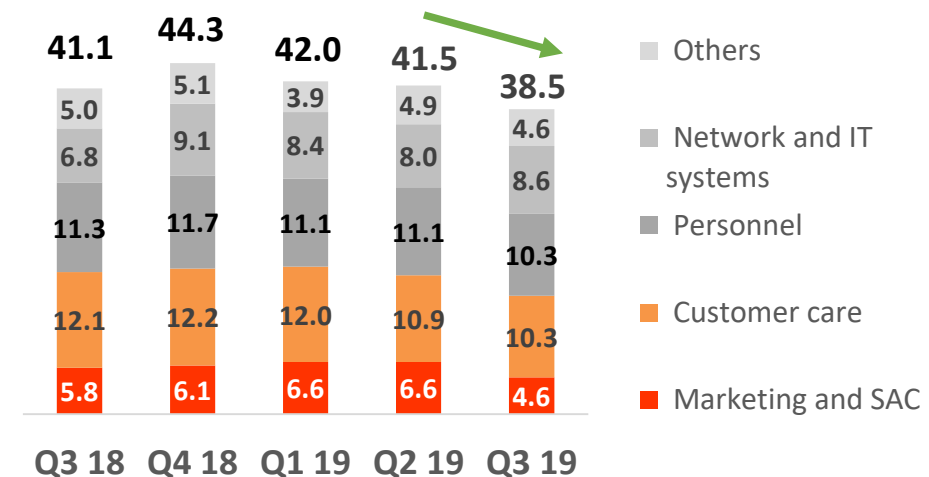
1. Mass market revenue = residential revenue + SOHO revenue + RACC only mobile revenue

SG&A efficiencies drive a 3% qoq EBITDA growth

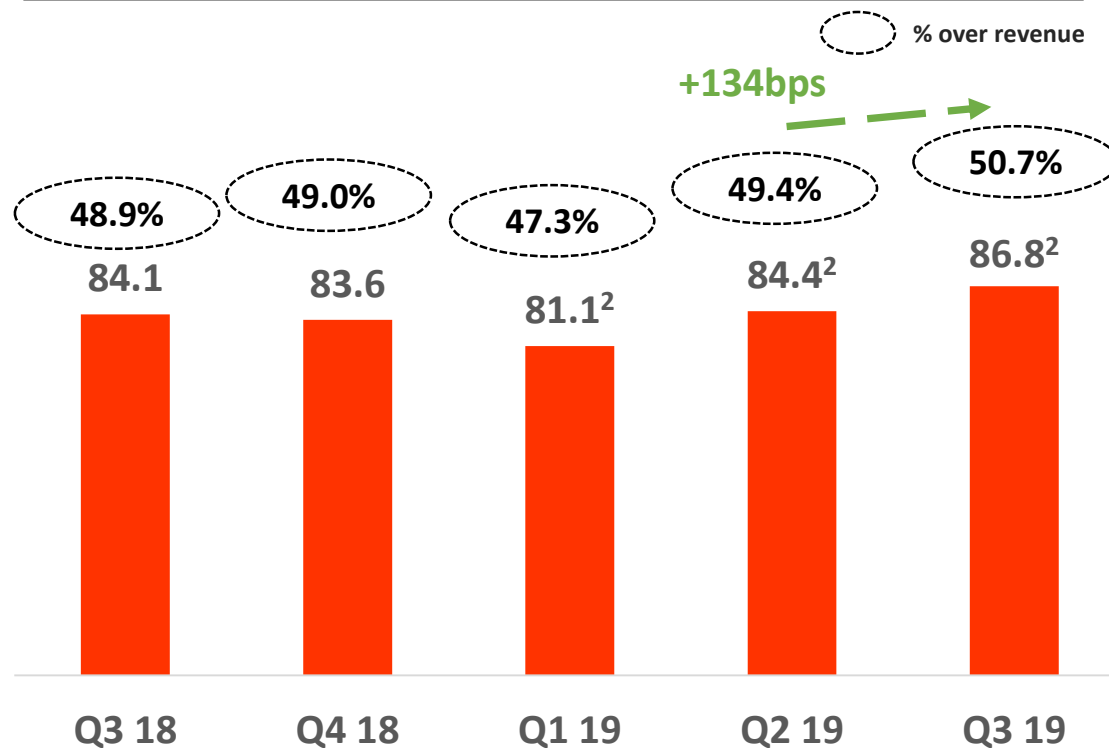
Gross margin (% over revenue)



Selling, general and administrative expenses (EURm)



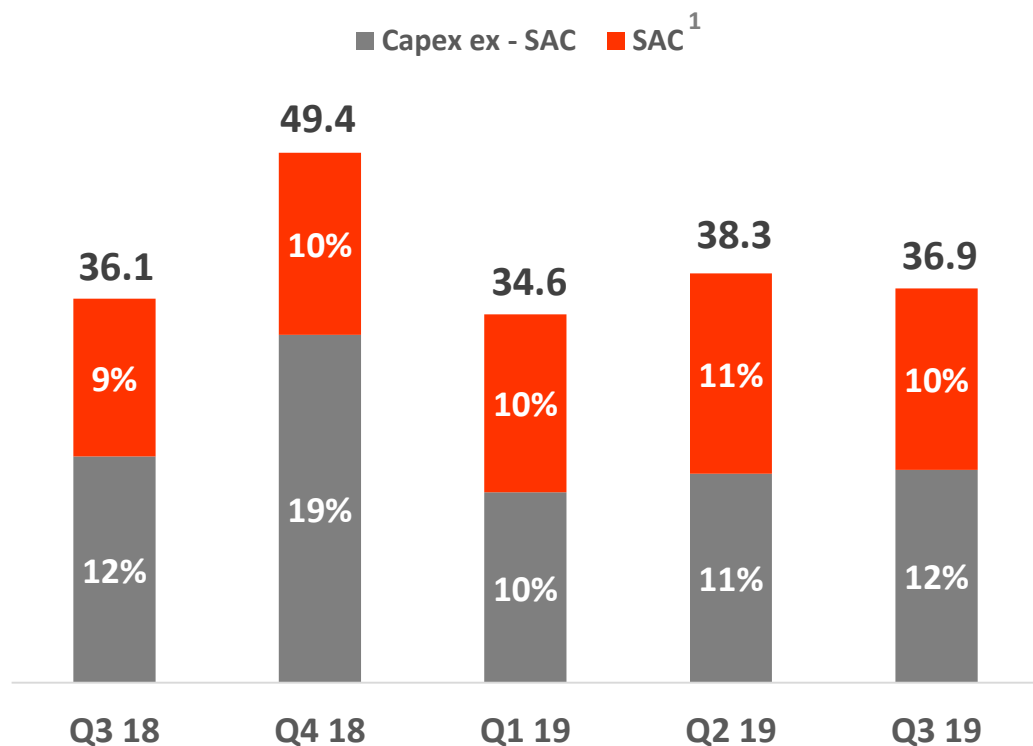
EBITDA¹ (EURm)



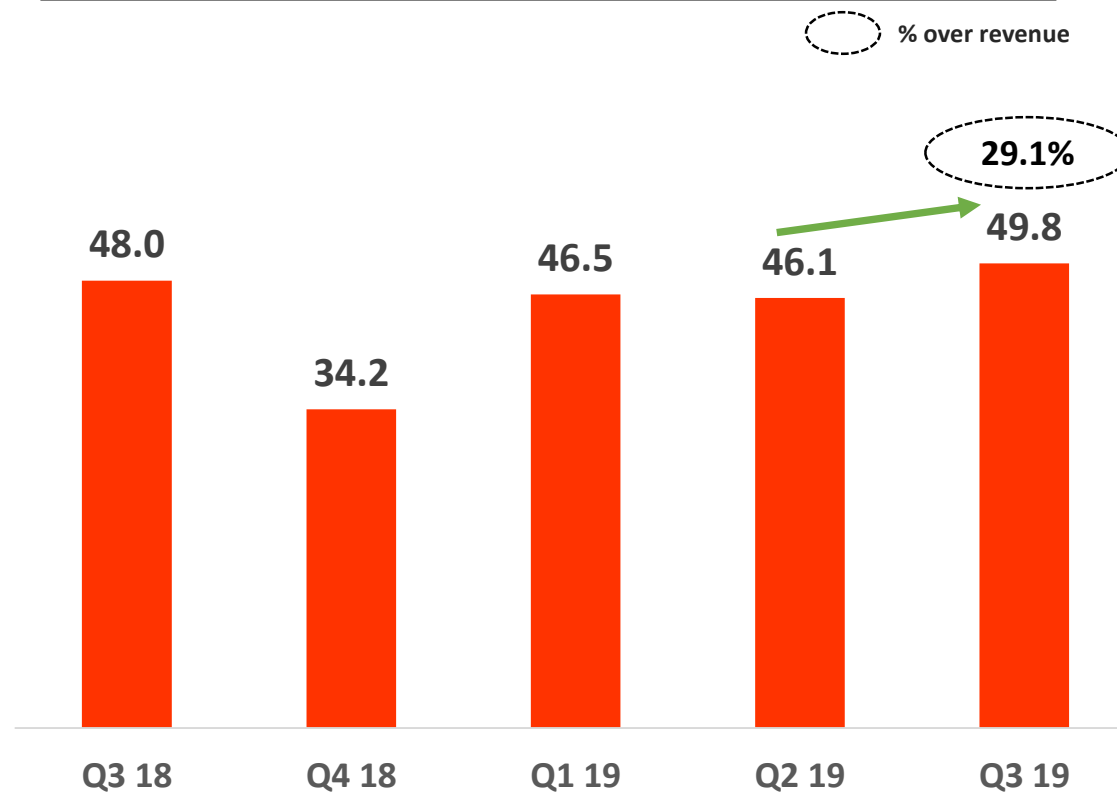
1. EBITDA definition as per 'alternative performance measures': EBIT + depreciation and amortization +/- impairment + other non recurrent results
2. EBITDA post IFRS16

Cash flow generation grows more than 8% in Q3 19

Capex (EURm and as % of revenue)



OpCF (EBITDA – capex) (EURm)

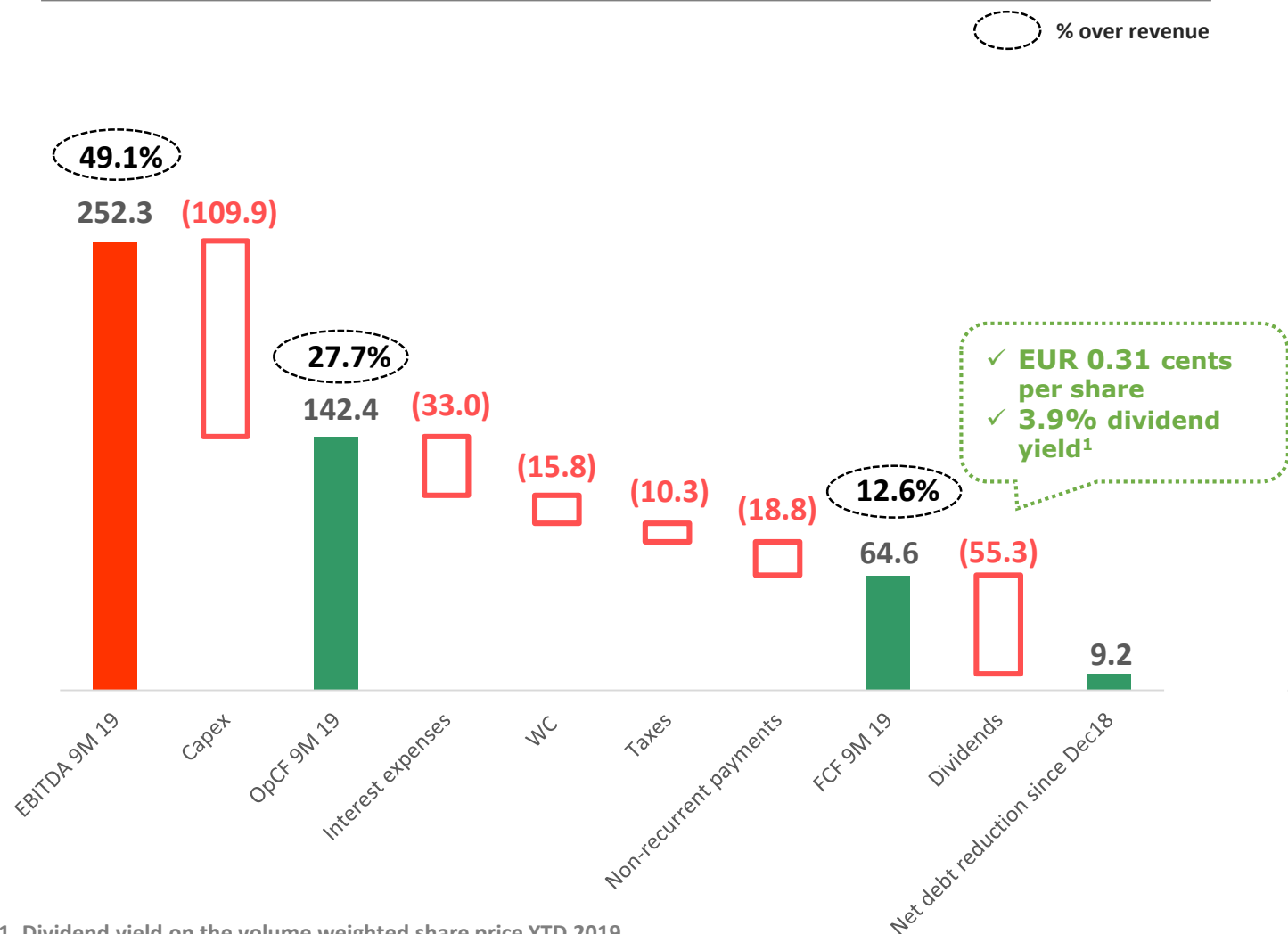


1. SAC capex includes commercial costs and customer equipment

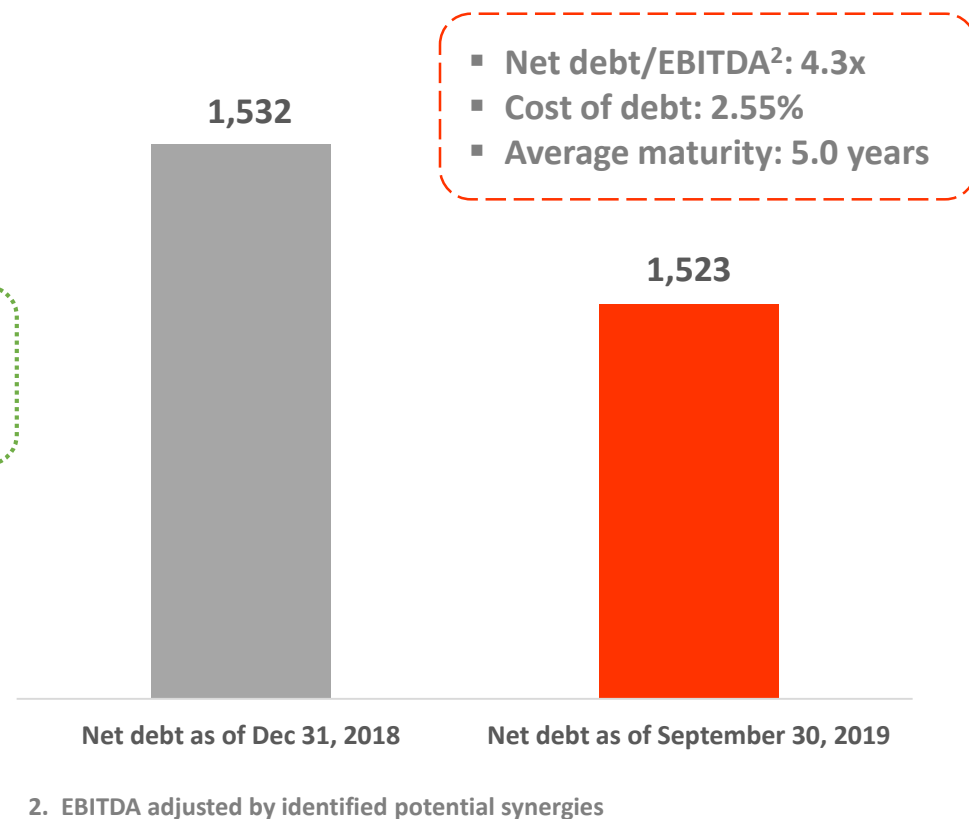


Cash generation allows for **debt reduction** in the first nine months

9M 19 cash allocation (EURm)



9M 19 net debt (EURm)



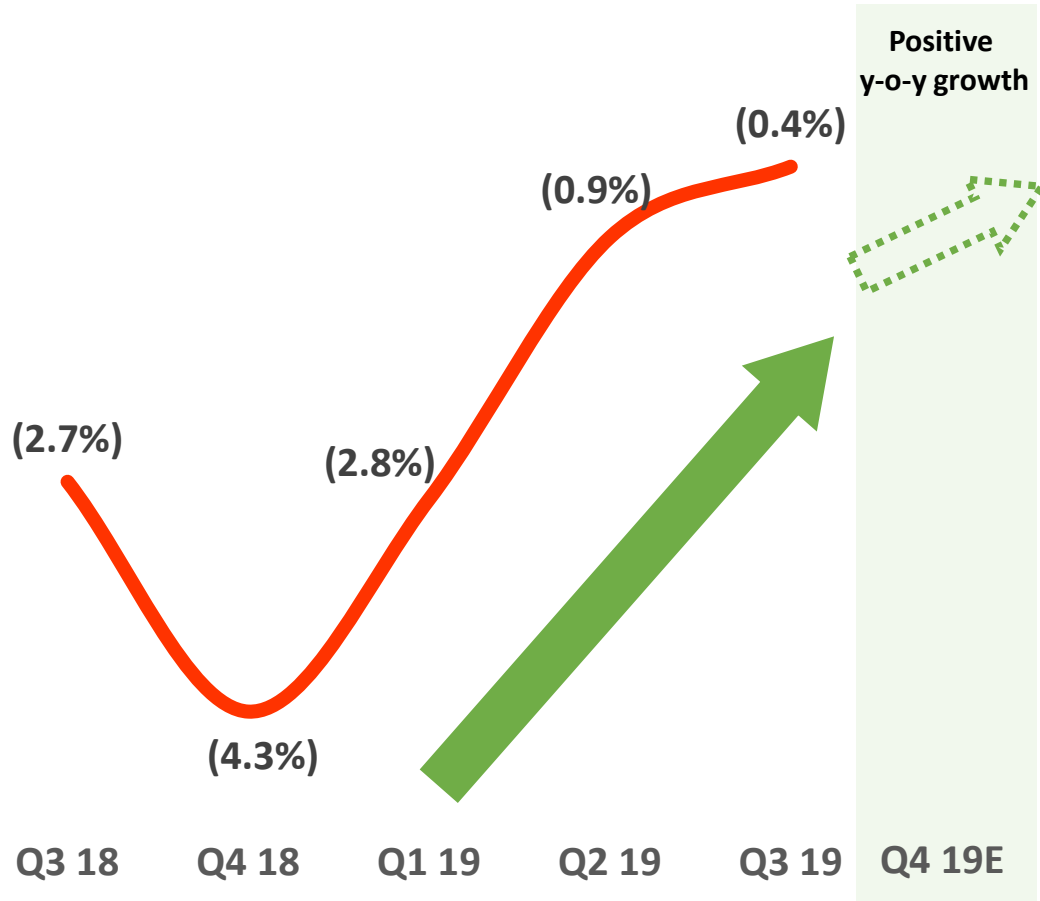
2020 interim dividend

- 👉 Distribution of an interim dividend of **EUR 0.14 per share** against 2019 results approved by the Board of Directors on 29 October 2019 to be paid in February 2020.
- 👉 Total dividend to be communicated upon approval of the 2019 accounts by the AGM (in 1H 2020).

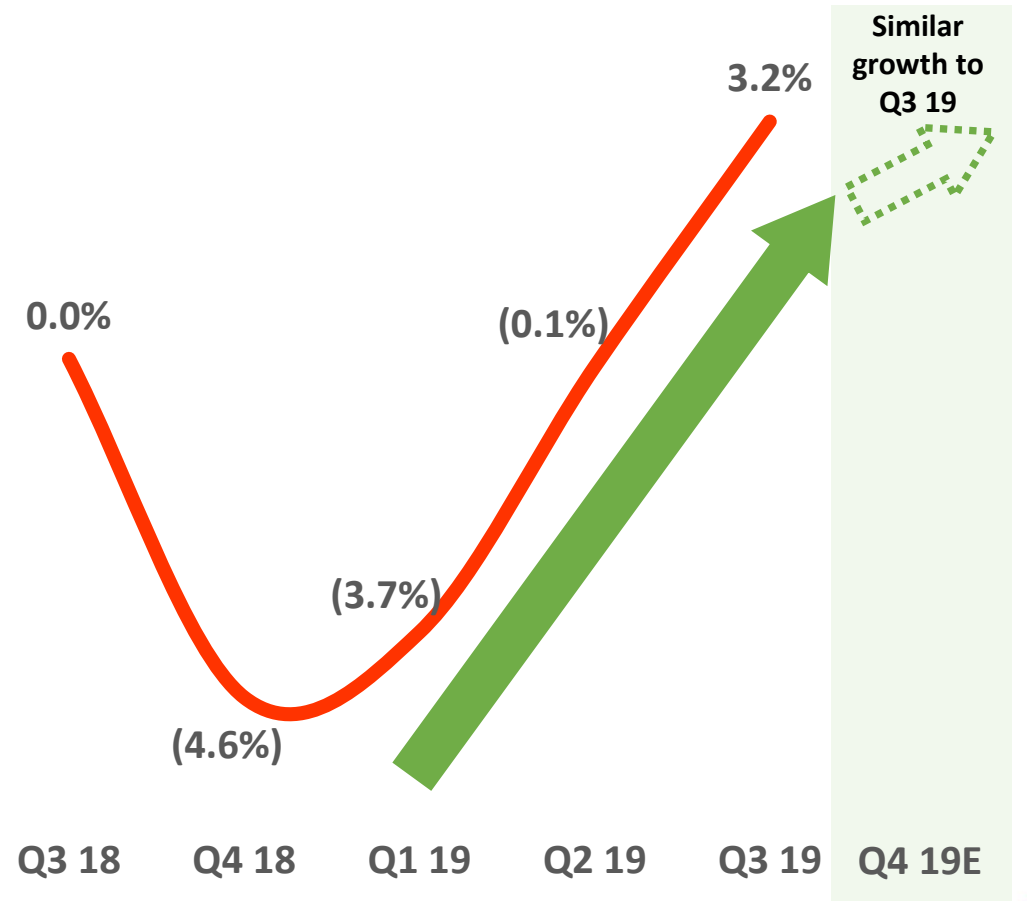
Q4 2019 revenue and EBITDA outlook

Improved business trends drive a positive financial outlook

Total revenue evolution YoY (%)



Total EBITDA evolution YoY (%)



| Q3 results show first achievements of the new roadmap implementation



Operational improvements being implemented and delivering results



Customer and revenue growth in a seasonal quarter



Efficient management results in **significant cost savings**



Improved EBITDA and stable capex drive **strong cash flow generation**



Debt reduction continued as a result of cash generation



Improved financial trends allow for a **positive Q4 19 outlook**



Q&A



Grupo Euskaltel

Appendix

Euskaltel Group Q3 2019 consolidated results and KPIs



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	Q3 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	2,360,891
Accessible homes_wholesale	#	-	39,938	-	-	38,476	39,938	569,092	598,061	2,999,183
Mass market subs ¹	#	778,959	770,143	777,141	778,132	772,298	770,143	767,863	771,855	771,376
o/w fixed services subs	#	664,427	660,914	663,949	666,281	660,487	660,914	661,950	666,492	667,376
o/w only mobile subs	#	114,532	109,229	113,192	111,851	111,811	109,229	105,913	105,363	104,000
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	2,833,873
Fixed Voice	#	638,109	620,857	633,208	633,432	622,942	620,857	618,245	621,213	619,046
Broadband	#	570,884	576,720	573,125	577,657	573,613	576,720	580,329	586,978	590,077
TV	#	420,622	446,664	427,457	437,595	436,517	446,664	454,992	464,848	466,273
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	1,158,477
Services (RGUs) per subscriber	#	3.48	3.59	3.51	3.55	3.55	3.59	3.63	3.66	3.67
Global ARPU fixed customers (quarterly standalone)	€/month	61.83	60.98	61.42	60.76	61.30	60.43	60.33	60.35	60.72

SMEs and Large Accounts		Annual		Quarterly						
KPIs	Unit	2017PF	2018	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Customers	#	14,670	14,827	14,728	14,785	14,801	14,827	14,960	15,133	15,208

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	Q3 19
Total revenue	€m	707.0	691.6	176.6	172.7	171.9	170.5	171.7	171.1	171.1
Y-o-y change	%	-1.1%	-2.2%	0.4%	-2.0%	-2.7%	-4.3%	-2.8%	-0.9%	-0.4%
o/w Mass market revenue ¹	€m	571.0	550.0	138.4	137.7	137.8	136.0	135.1	136.9	137.1
Y-o-y change	%	0.3%	-3.7%	-3.0%	-3.6%	-4.0%	-4.2%	-2.4%	-0.6%	-0.5%
o/w B2B revenue	€m	105.4	109.0	28.6	27.5	26.3	26.6	30.0	26.6	26.1
Y-o-y change	%	-8.8%	3.5%	9.5%	4.9%	2.8%	-3.0%	4.7%	-3.4%	-0.6%
o/w Wholesale and Other revenue	€m	30.7	32.6	9.6	7.5	7.8	7.9	6.6	7.6	7.9
Y-o-y change	%	0.6%	6.4%	33.8%	2.8%	3.7%	-10.5%	-31.2%	2.2%	1.8%
Gross margin	€m	526.5	511.9	127.8	131.1	125.2	127.9	123.1	125.9	125.2
% of total revenue	%	74.5%	74.0%	72.4%	75.9%	72.8%	75.0%	71.7%	73.6%	73.2%
Selling, General & Admin. Expenses (SG&A)	€m	(185.5)	(175.5)	(43.6)	(46.6)	(41.1)	(44.3)	(42.0)	(41.5)	(38.5)
o/w marketing and SAC	€m	(22.0)	(23.8)	(5.3)	(6.5)	(5.8)	(6.1)	(6.6)	(6.6)	(4.6)
o/w customer care	€m	(52.0)	(48.5)	(11.9)	(12.2)	(12.1)	(12.2)	(12.0)	(10.9)	(10.3)
o/w personnel	€m	(48.2)	(45.5)	(11.3)	(11.2)	(11.3)	(11.7)	(11.1)	(11.1)	(10.3)
o/w network and IT systems	€m	(42.3)	(37.9)	(10.9)	(11.1)	(6.8)	(9.1)	(8.4)	(8.0)	(8.6)
o/w others	€m	(21.0)	(19.8)	(4.2)	(5.5)	(5.0)	(5.1)	(3.9)	(4.9)	(4.6)
Adjusted EBITDA	€m	341.0	336.4	84.2	84.5	84.1	83.6	81.1	84.4	86.8
% of total revenue	%	48.2%	48.6%	47.7%	49.0%	48.9%	49.0%	47.3%	49.4%	50.7%
Y-o-y change	%	-1.3%	-1.3%	0.3%	-0.8%	0.0%	-4.6%	-3.7%	-0.1%	3.2%
Depreciation and Amortization	€m	(203.2)	(194.8)	(48.8)	(50.6)	(48.2)	(47.2)	(50.2)	(51.0)	(51.1)
Extraordinary items	€m	(27.2)	(11.8)	(2.9)	(3.6)	(1.4)	(3.8)	(2.9)	(7.6)	(5.2)
Net financial expenses	€m	(71.6)	(48.2)	(12.9)	(11.3)	(11.9)	(12.1)	(12.6)	(12.1)	(12.4)
Net profit before taxes	€m	38.9	81.7	19.5	19.0	22.6	20.5	15.4	13.7	18.0
Taxes	€m	(9.4)	(18.9)	(4.9)	(4.8)	(4.9)	(4.3)	(3.4)	(2.8)	1.0
NET PROFIT	€m	29.5	62.8	14.6	14.2	17.7	16.3	11.9	11.0	19.0

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	Q3 19
EBITDA	€m	341.0	336.4	84.2	84.5	84.1	83.6	81.1	84.4	86.8
Capex	€m	(124.9)	(153.5)	(33.9)	(34.0)	(36.1)	(49.4)	(34.6)	(38.3)	(36.9)
% of total revenue	%	-17.7%	-22.2%	-19.2%	-19.7%	-21.0%	-29.0%	-20.2%	-22.4%	-21.6%
Operating Cash Flow	€m	216.1	182.9	50.3	50.5	48.0	34.2	46.5	46.1	49.8
% of total revenue	%	30.6%	26.4%	28.5%	29.3%	27.9%	20.0%	27.1%	27.0%	29.1%
Interests	€m	(52.1)	(40.0)	(8.3)	(11.8)	(10.6)	(9.3)	(12.3)	(9.3)	(11.4)
Working Capital	€m	(10.2)	11.9	(15.6)	2.1	0.0	25.5	(32.0)	15.2	1.1
Taxes	€m	(12.8)	(15.1)	5.7	(3.2)	(7.6)	(9.9)	(6.8)	(2.6)	(1.0)
Others	€m	(33.6)	(15.8)	(7.9)	(4.0)	(2.2)	(1.7)	(5.9)	(7.7)	(5.3)
Free Cash Flow	€m	107.5	124.0	24.3	33.6	27.5	38.6	(10.5)	41.8	33.3
Dividends	€m	(54.7)	(49.6)	(22.7)	-	(26.9)	-	(25.0)	-	(30.3)
Net debt variation	€m	52.8	74.4	1.6	33.6	0.6	38.6	(35.5)	41.8	3.0
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	1,522.8

Balance Sheet		Annual		Quarterly						
	Unit	2017PF	2018	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 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	2,754.5
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	1,324.9
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	1,292.9
Financial assets	€m	7.5	7.8	7.6	8.5	8.3	7.8	9.1	9.0	8.4
Deferred tax assets	€m	130.6	125.1	126.5	130.6	130.7	125.1	125.1	123.8	128.3
Current Assets	€m	136.2	177.7	141.1	145.3	164.4	177.7	144.1	149.5	158.8
Inventories	€m	4.1	6.0	4.5	4.3	4.0	6.0	5.7	6.4	6.1
Trade and other receivables	€m	73.4	64.3	76.6	70.2	65.6	64.3	66.6	62.5	71.4
Cash and cash equivalents	€m	58.7	107.4	60.0	70.9	94.8	107.4	71.8	80.6	81.3
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	2,913.4
Total Shareholders' Equity	€m	963.6	974.9	978.7	966.3	983.5	974.9	987.3	967.9	986.8
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	1,558.6
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	1,390.1
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	168.5
Current Liabilities	€m	246.5	361.6	216.1	323.7	230.7	361.6	316.3	392.0	367.9
Short term debt	€m	50.1	154.1	67.5	126.8	68.9	154.1	154.4	185.5	192.1
Trade and other payables	€m	196.5	207.5	148.6	196.9	161.8	207.5	161.9	206.5	175.8
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	1,926.5
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	2,913.4

