



Euskaltel Group

Q2 2019 Results

July 26th, 2019



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The **customer base grows** while profitability increases in the quarter

Services per customer increased to 3.7, record high for the company

Operating KPIs	+4k	Mass market customers ¹ net adds	Expansion plans drive customer growth in the quarter Service take up boosts convergence in the customer base
	+7k	Broadband net adds	
	+24k	Postpaid mobile net adds	
Financials	-0.4%	Revenue (QoQ growth)	Improved revenue quality and cost control drives profitability
	+2%	Gross margin (QoQ growth)	
	+4%	EBITDA (QoQ growth)	
Roadmap	New roadmap implemented		Implementation of the new roadmap already delivering results

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



| A new roadmap enhances value creation

1

New team appointed

- ✓ **New CEO** appointed
- ✓ A **simpler** and **more efficient** structure
- ✓ An **integrated** organization: from three independent regions to a **unique platform**
- ✓ Existing in-house executives reinforced by **new highly experienced hires**

2

Reinforcement of the current business

- ✓ Main focus: **drive profitability and customer experience** in the existing business
- ✓ Leveraging on our **three solid regional brands** (Euskaltel, R Cable and Telecable)
- ✓ Launching **homogeneous offers** under an **integrated network** coverage
- ✓ Improving the current **sales channel mix**: focus on **efficiency**
- ✓ Drive operational KPIs to industry **“best-practice”** levels

3









National expansion opportunity

- ✓ Five fully operational **national expansion pilots**
- ✓ Leveraging on the company's **single efficient operational model**
- ✓ Opportunity to target an **additional 85% of the Spanish market**
- ✓ Competitive, simple and **value-for-money** product offering
- ✓ Option to use the **Virgin Brand**

A detailed business plan will be developed and announced once approved by the board

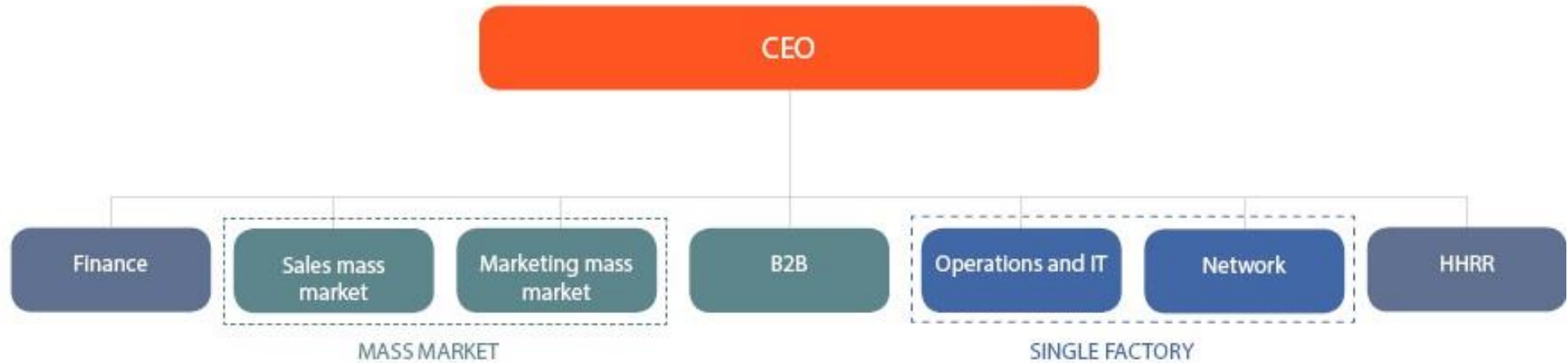


The new roadmap is being implemented

- ✓  **New lean and efficient organization** with a single simplified structure across the three regions.
- ✓  **A new value product offering** with improved broadband speeds and mobile data abundance.
- ✓  **Launching homogeneous offers** in the three regional brands.
- ✓  **Loyalty campaign** launched across the three brands.
- ✓  **Rebalancing of the sales channel mix towards** more efficient channels.
- ✓  **Developing unified management dashboards** across the business.
- ✓  **Re-engineering of the provisioning process** already delivering improvements such as technical faults reduction.
- ✓  **Defining single integrated network, IT and customer service platforms maps** focusing on enhancing customer experience and operational efficiency.

Implemented initiatives will deliver an enhanced customer experience and cost efficiencies

| A new single management and organisational structure in place



- 🔥 A new organization aimed at achieving the industry's **best practices**
- 🔥 A **leaner simpler** structure: **two business units** (mass market and B2B) addressing the **whole customer footprint as one** instead of the previous three regional businesses
- 🔥 **Single technology “factory” fully integrating network, IT and customer service platforms**: opportunity to generate **further synergies, business operating leverage and customer service excellence**

| New commercial offers have been launched

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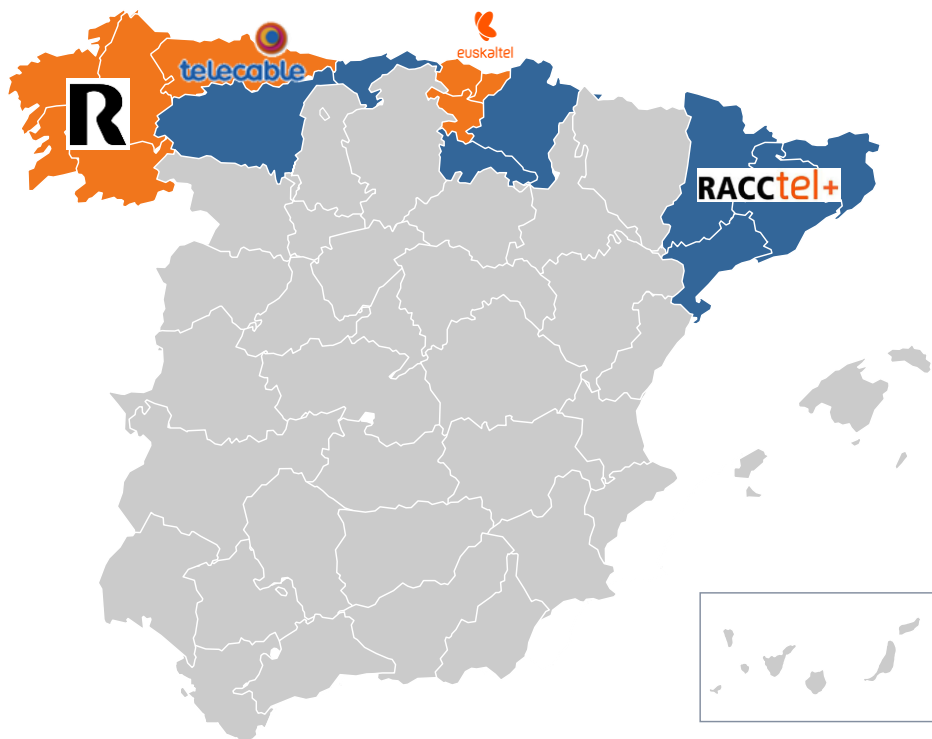
euskaltel

The new offers are **homogeneous** across the three brands

The focus is on **customer value** and an enhanced experience through increased mobile data abundance and higher broadband speeds

Network expansion drives growth and profitability

Expansion pilots and a single efficient operational model form the basis of a national expansion project



SINGLE EFFICIENT OPERATIONAL MODEL

- An integrated **management structure** addressing the whole footprint
- A single efficient **technology “Factory”**
- A market leading **quality positioning**



FULLY OPERATIONAL EXPANSION PILOTS

- Five fully operational **expansion pilots**
- Leveraging on the company's **efficient operational model**
- Demand for a **value-for-money proposal** demonstrated



MARKET OPPORTUNITY

- Opportunity to access an additional **85% of the market**
- Network sharing agreements provide **opex/capex flexibility**
- Option to launch **the Virgin brand** nationally

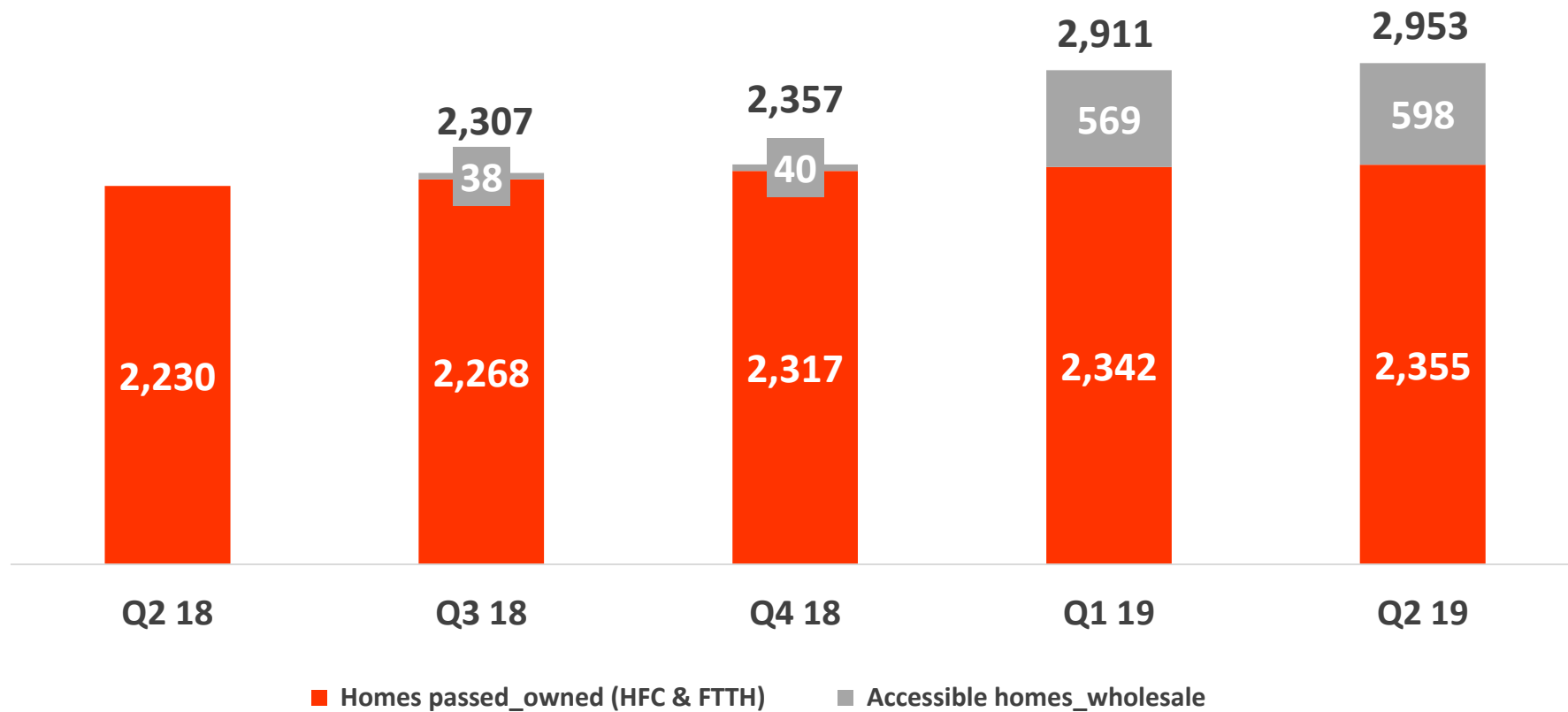
Operating review



Expansion pilots deliver customer growth opportunities

30% yoy footprint increase reaching close to 3 million households

Current footprint (in thousands households)



+723k YoY

+598k YoY

- RACC (Cataluña)
- Cantabria
- León
- La Rioja


+125k YoY

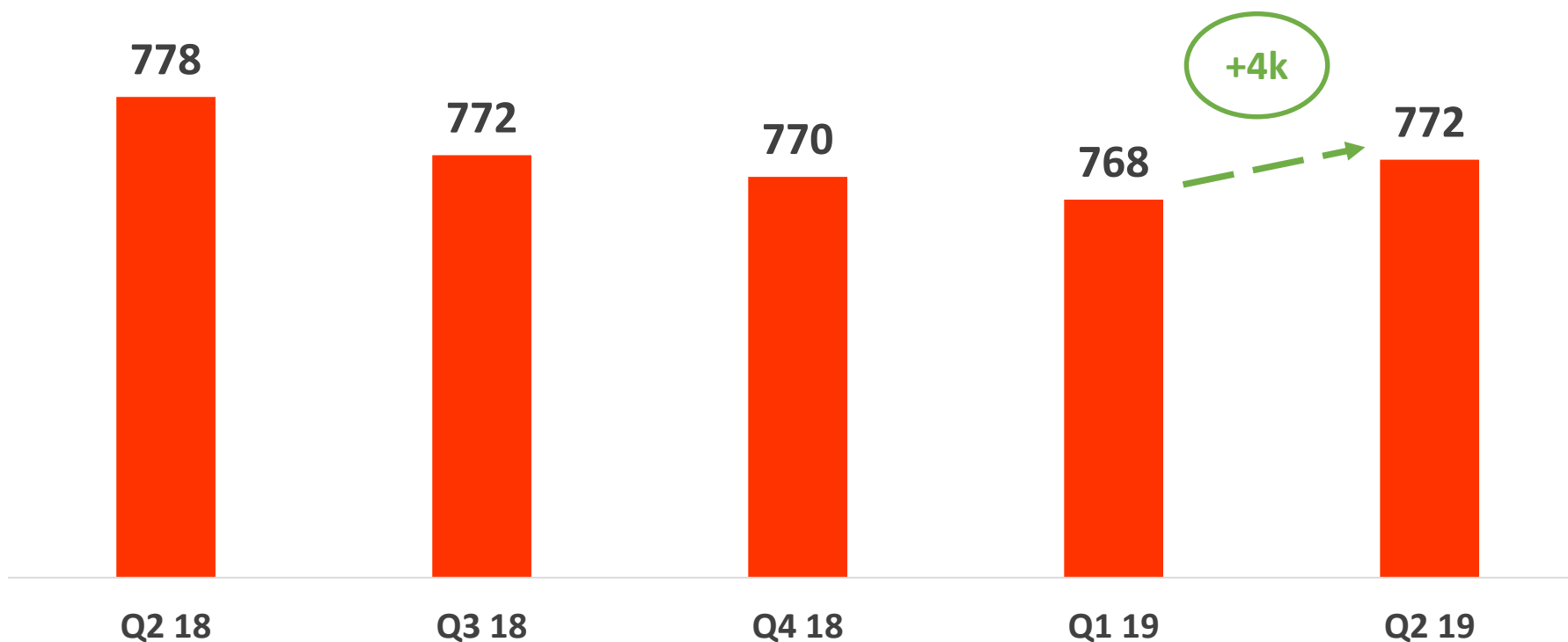
- Navarra
- Infill FTTH



Network expansion is boosting customer growth

+4k net adds in Q2 19

Mass market subscribers¹ (in thousands) 



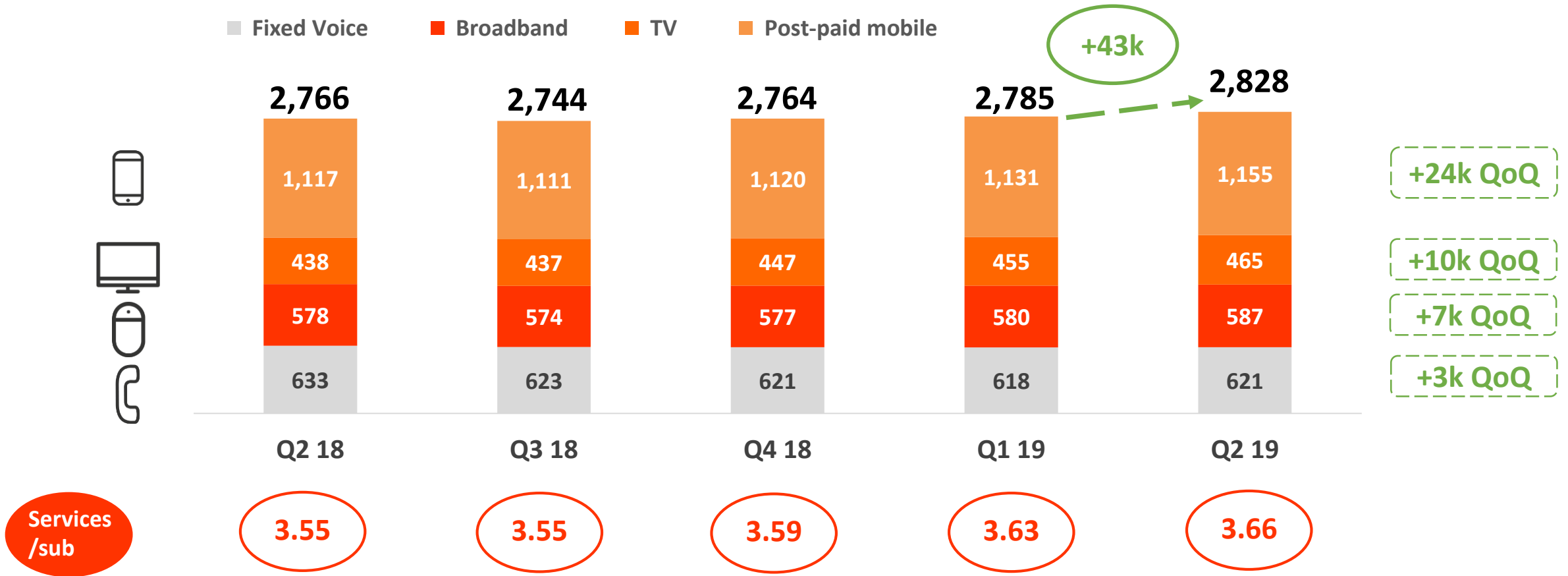
1. Mass market subs = residential subs + SOHO subs + RACC only mobile subs



Mass market growth occurs in high value customers

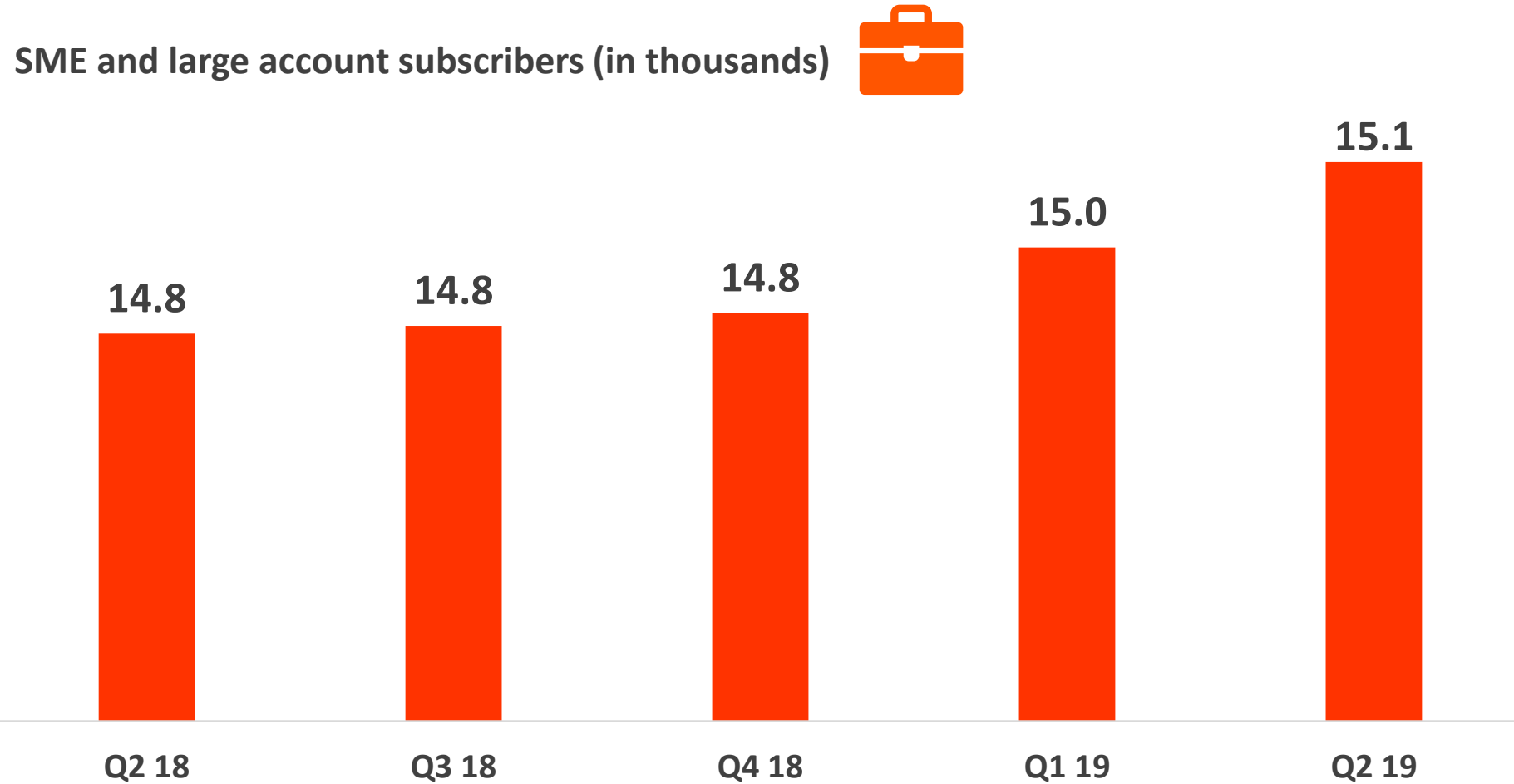
Growth acceleration in broadband, TV and mobile boost mass market services

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

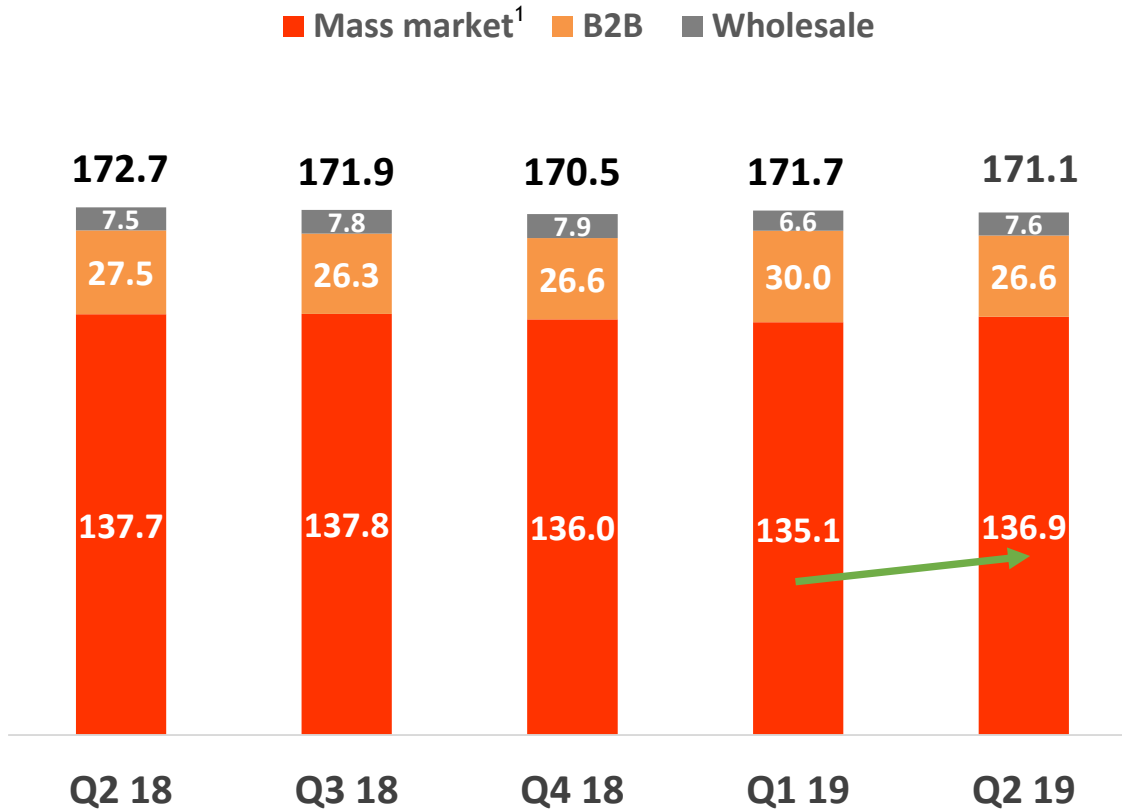


Financial review

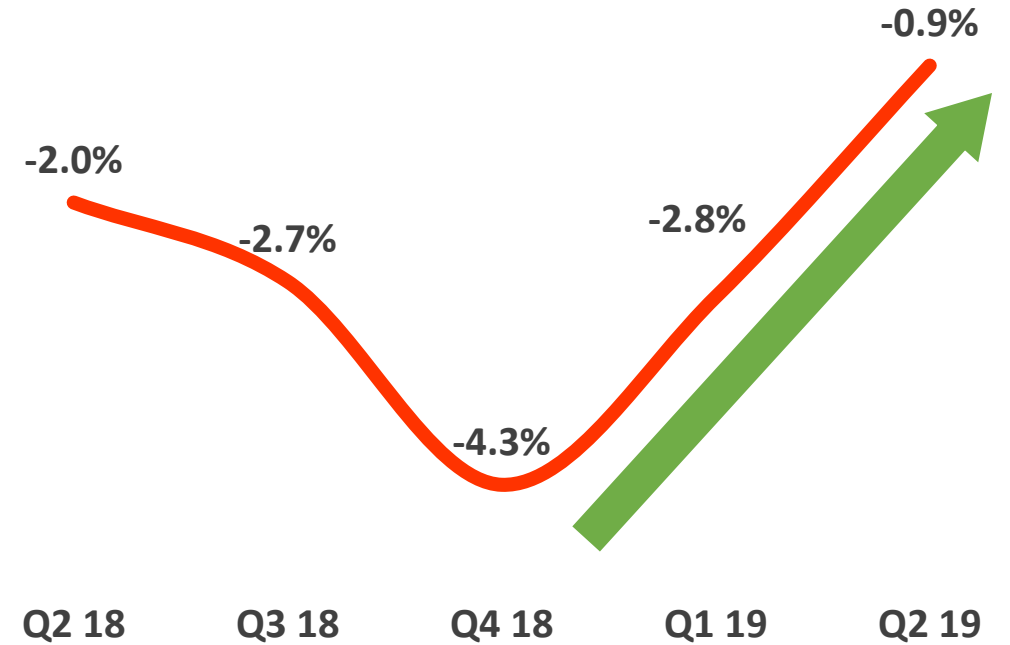


The revenue growth trend has reversed and approaches **positive territory**

Total revenue breakdown by segment (EURm)



Total revenue evolution YoY (%)

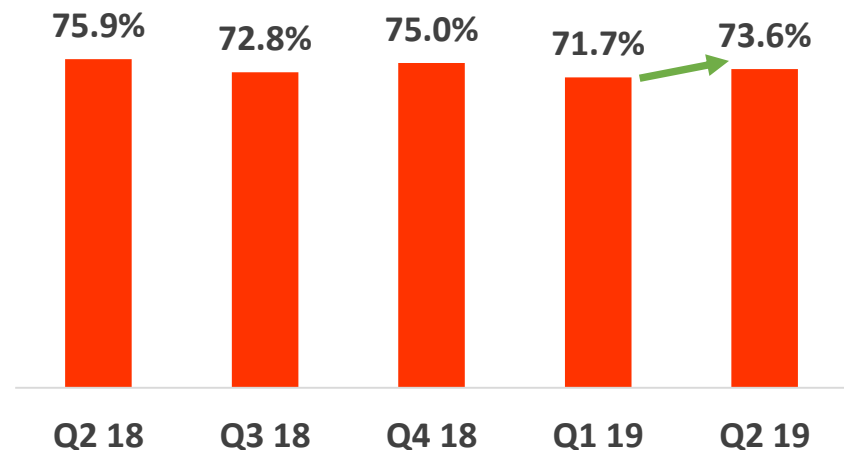


1. Mass market revenue = residential revenue + SOHO revenue + RACC only mobile revenue

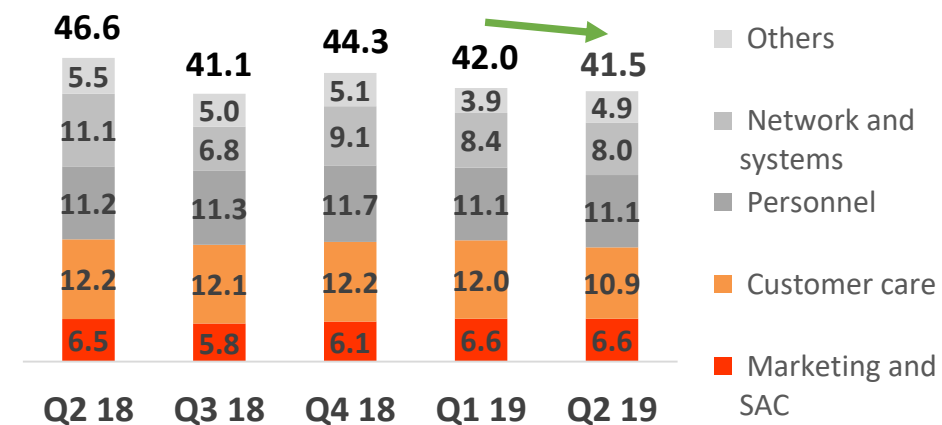


Higher quality revenue and efficient cost management boost profitability

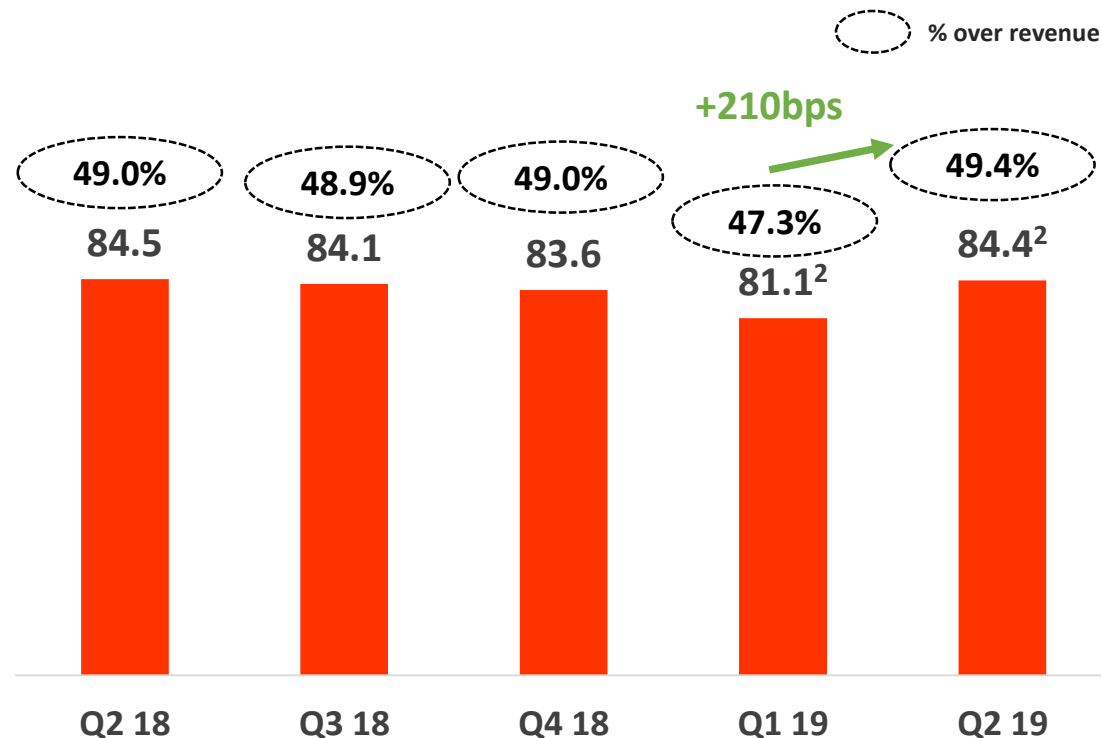
Gross margin (% over revenue)



Selling, general and administrative expenses (EURm)



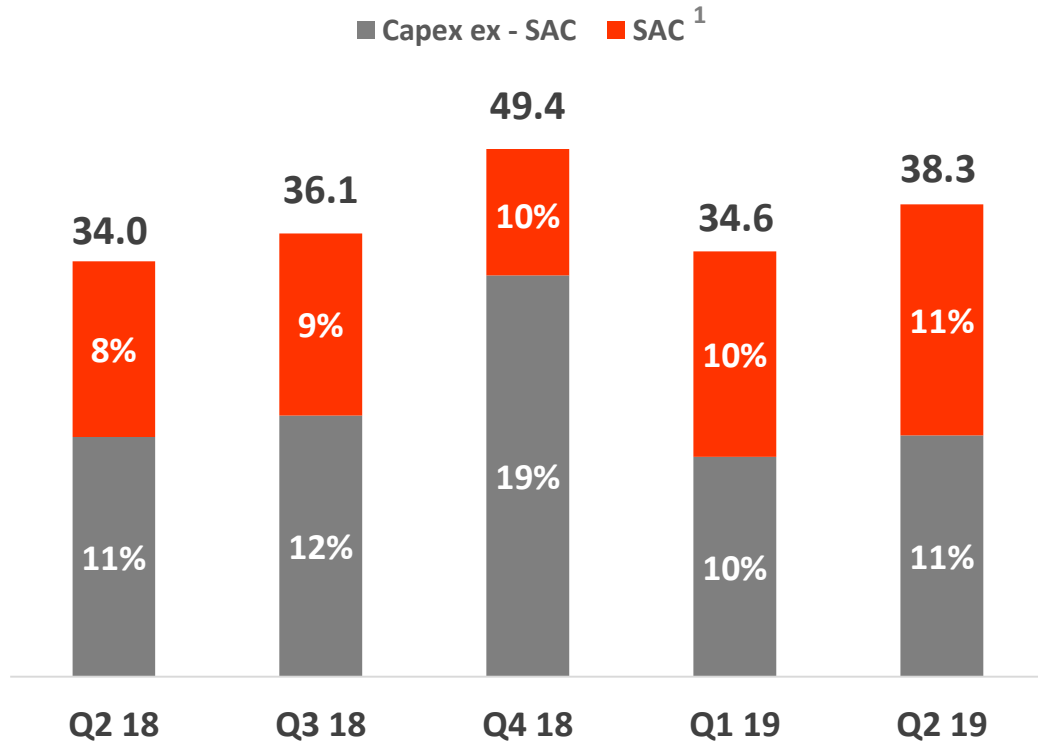
EBITDA¹ (EURm)



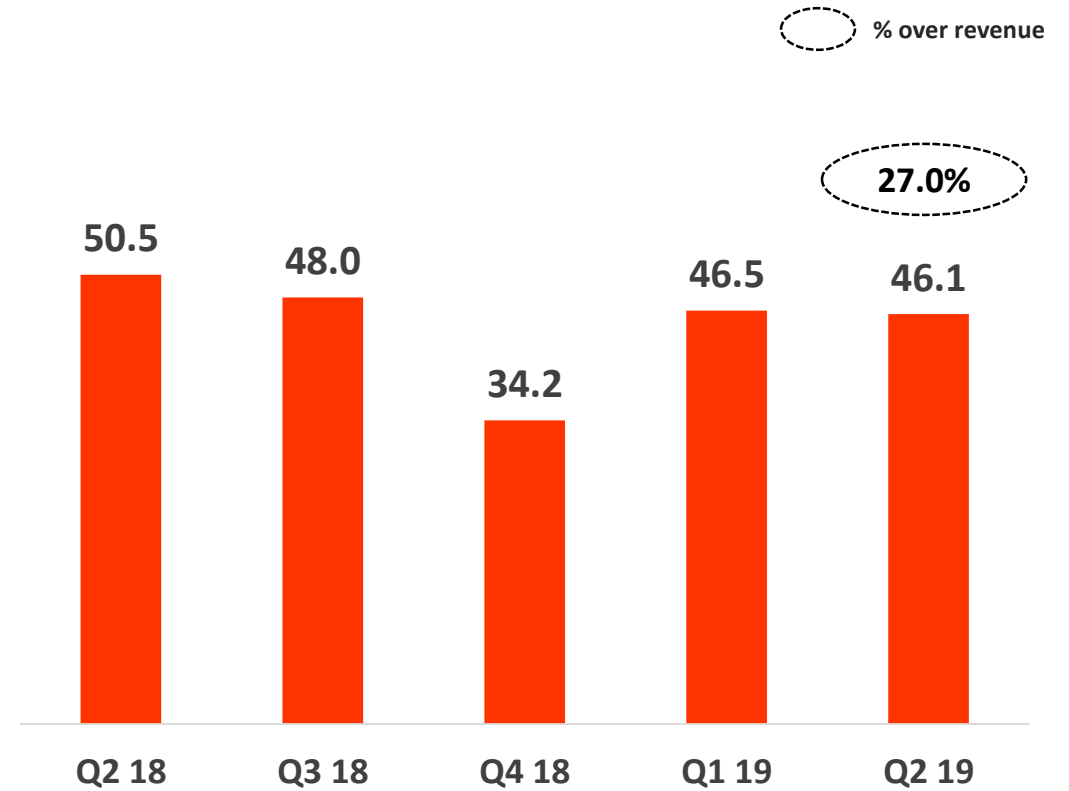
1. EBITDA definition as per 'alternative performance measures': EBIT + depreciation and amortization +/- impairment + other non recurrent results
2. EBITDA post IFRS16

Cash flow generation maintained despite customer growth

Capex (EURm and as % of revenue)



OpCF (EBITDA – capex) (EURm)

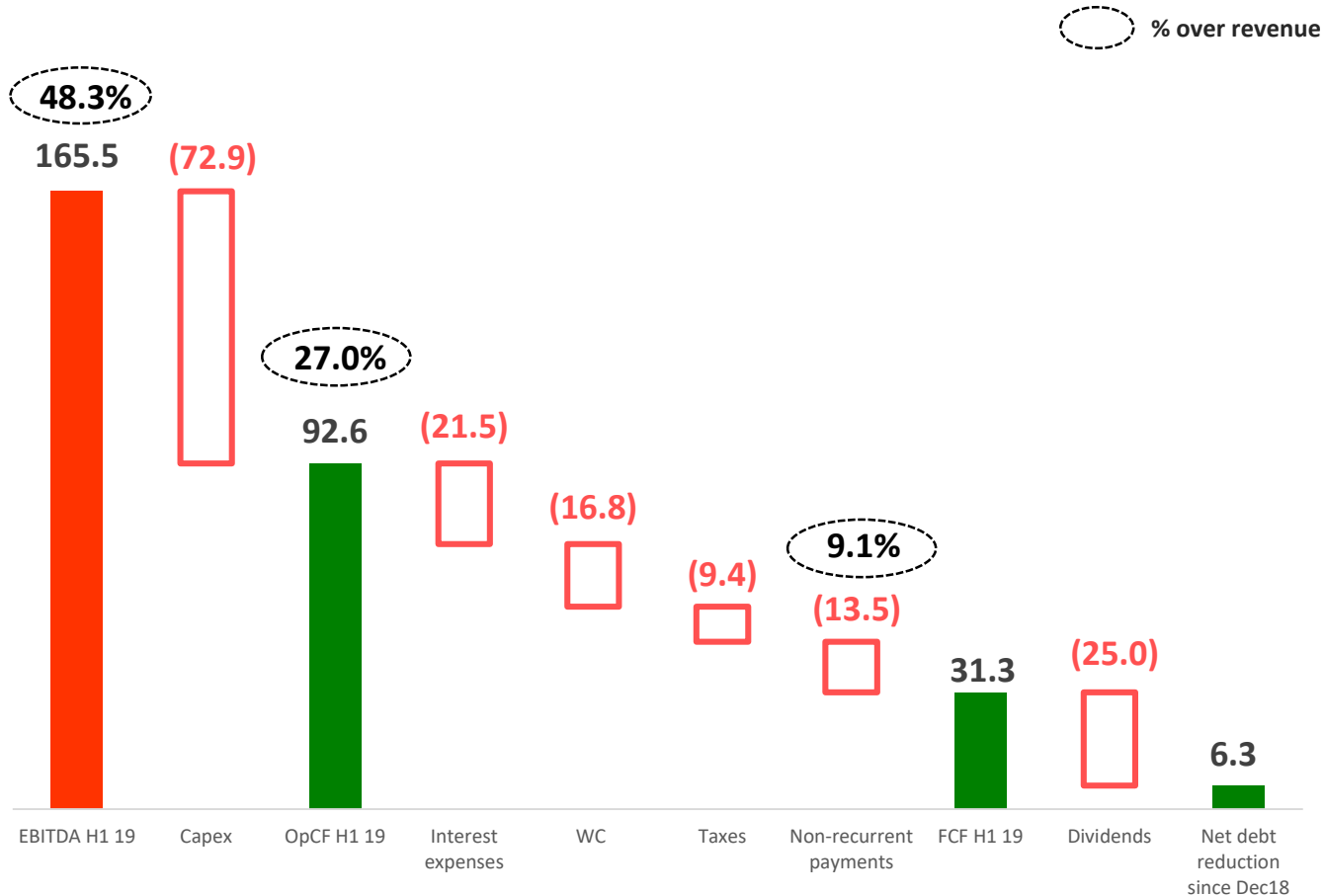


1. SAC capex includes commercial costs and customer equipment

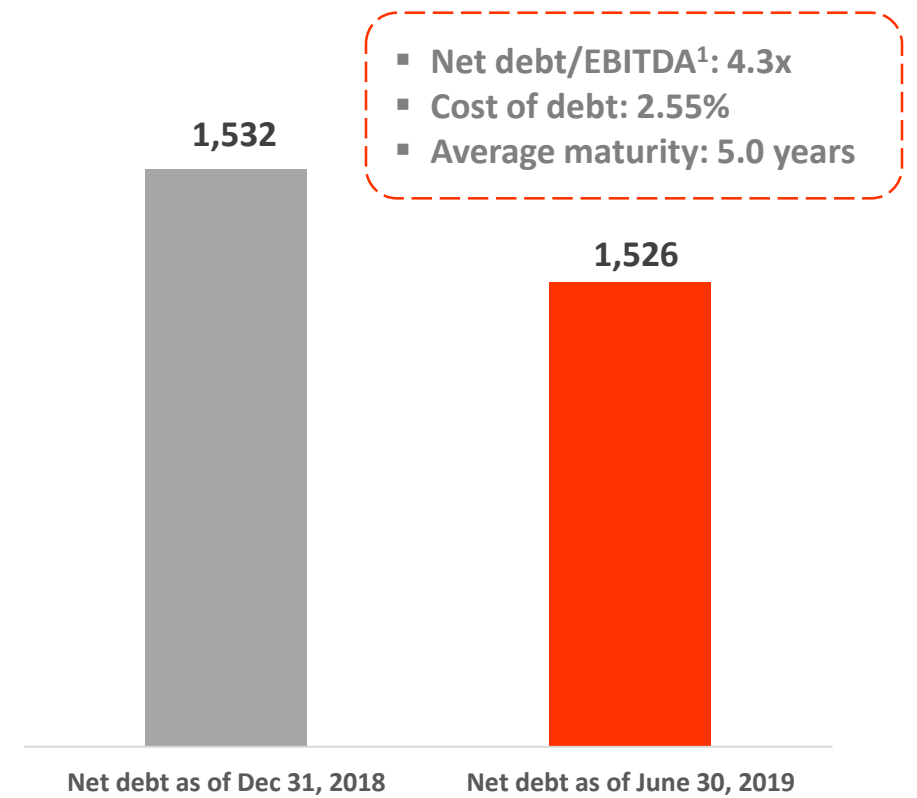


Cash generation allows for **debt reduction** in the semester

H1 19 cash allocation (EURm)



H1 19 net debt (EURm)



1. EBITDA adjusted by identified potential synergies



| **Good quarter results** provide solid ground for new roadmap implementation



Customer growth acceleration driven by expansion plan initiatives



Profitability improved by better quality revenue and cost control



Debt reduction due to solid cash flow generation



New strategic roadmap implemented with key actions already taken place



New management structure implemented and operational



New commercial offer launched and delivering initial results



Initial operational improvements identified and being implemented



Q&A



Grupo Euskaltel

Appendix

Euskaltel Group Q2 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
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
Accessible homes_wholesale	#	-	39,938	-	-	38,476	39,938	569,092	598,061
Mass market subs ¹	#	778,959	770,143	777,141	778,132	772,298	770,143	767,863	771,855
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
Fixed Voice	#	638,109	620,857	633,208	633,432	622,942	620,857	618,245	621,213
Broadband	#	570,884	576,720	573,125	577,657	573,613	576,720	580,329	586,978
TV	#	420,622	446,664	427,457	437,595	436,517	446,664	454,992	464,848
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
Services (RGUs) per subscriber	#	3.48	3.59	3.51	3.55	3.55	3.59	3.63	3.66
Global ARPU fixed customers (quarterly standalone)	€/month	61.83	60.98	61.42	60.76	61.30	60.43	60.33	60.35

SMEs and Large Accounts		Annual		Quarterly					
KPIs	Unit	2017PF	2018	Q1 18	2Q18	3Q18	4Q18	1Q19	2Q19
Customers	#	14,670	14,827	14,728	14,785	14,801	14,827	14,960	15,133

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

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

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

