



## **1Q16 Results**

28 April 2016



# 1Q16 Key highlights<sup>1</sup>

- 1 **Inflexion point in residential subs (+1.5k vs. 4Q15), both in fixed and mobile customers, providing high value products to our customers (80% of gross adds in 3P/4P bundles)** ✓
- 2 **Solid RGU growth of +153k (+9.1% YoY) particularly in TV (+30k new TV customers YoY)** ✓
- 3 **Mobile penetration reaching 73.7% (+115k new lines YoY) driving churn down to 13.5%** ✓
- 4 **ARPU increase to 57.6€ (+2.4€ YoY and +1.6€ vs. 4Q15)** ✓
- 5 **Efficient cost operations driving gross margin up to 75.9% (+300bps YoY LfL)** ✓
- 6 **Strong EBITDA performance (+9.3% YoY) and margin expansion to 48.6%** ✓
- 7 **Superior operating cash conversion rates remain at c.69% (vs. 51% in 4Q15)** ✓
- 8 **Synergies delivery on track; most of the impact yet to be reflected in the financial results** ✓

**Note:**

1. Comparison versus previous periods on a LfL basis

- 🔊 On November 27<sup>th</sup>, 2015, Euskaltel acquired 100% of the shares in R Cable y Telecomunicaciones Galicia, S.A.
- 🔊 As a result of this business combination, a new accounting group including both companies was created. Therefore, consolidated financial information included in this document is presented following Euskaltel's accounting principles regarding consolidation requirements. As a result:
  - 🔊 The 1Q15 financial information included in this presentation reflects only Euskaltel's standalone performance for that period
  - 🔊 The 4Q15 financial information included in this presentation comprises Euskaltel's 4Q15 standalone performance and that of R Cable's for the period from 27-November-2015 to 31-December-2015
  - 🔊 The 1Q16 presented financials comprise consolidated financials for Euskaltel and R Cable from 1-January-2016 to 31-March-2016
  - 🔊 Where appropriate, the pro forma including 1Q15 non-audited contribution of R-Cable is added to that of Euskaltel for the same period for comparability purposes

## Key financial information 1Q16 and 1Q15

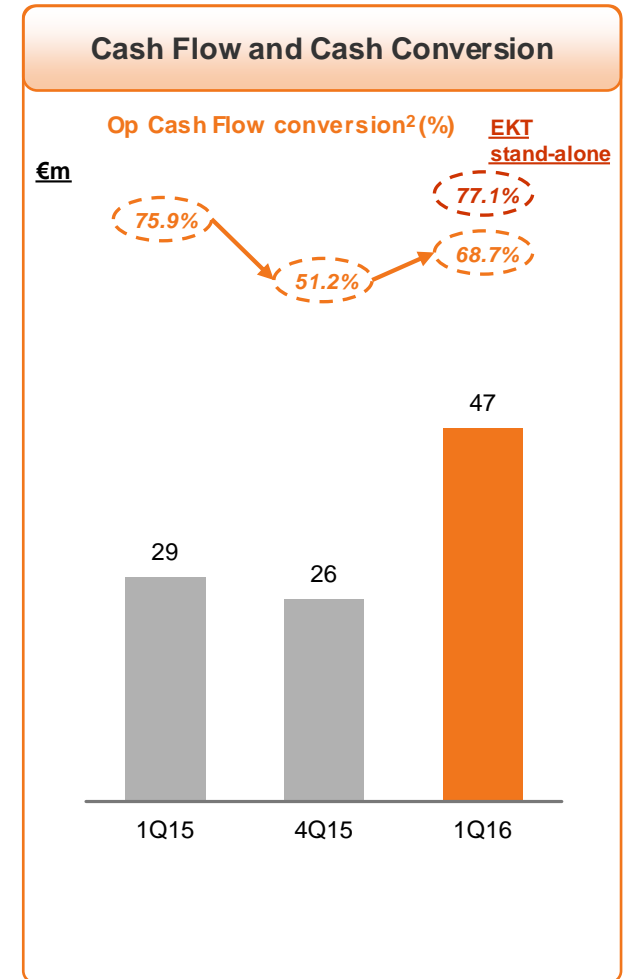
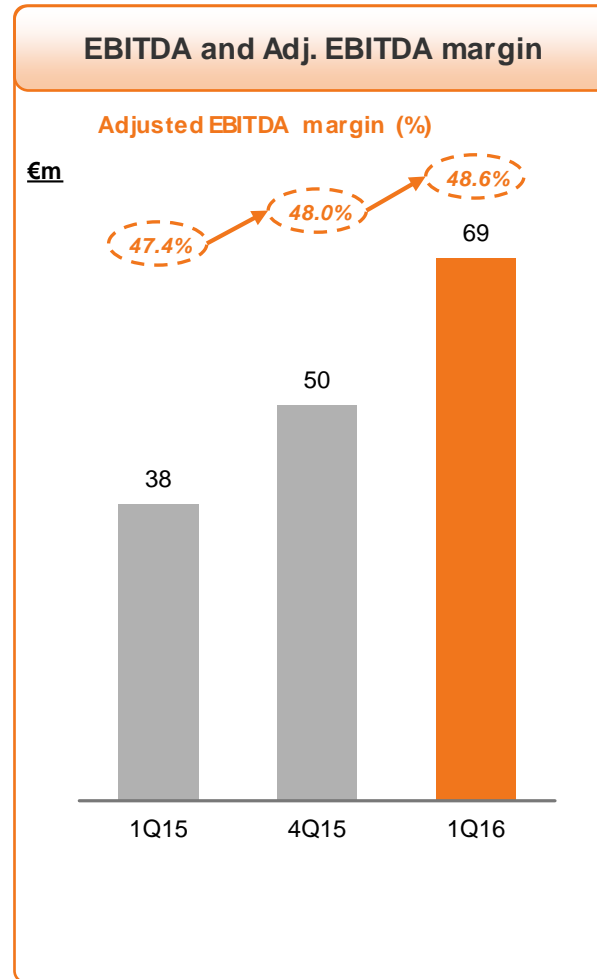
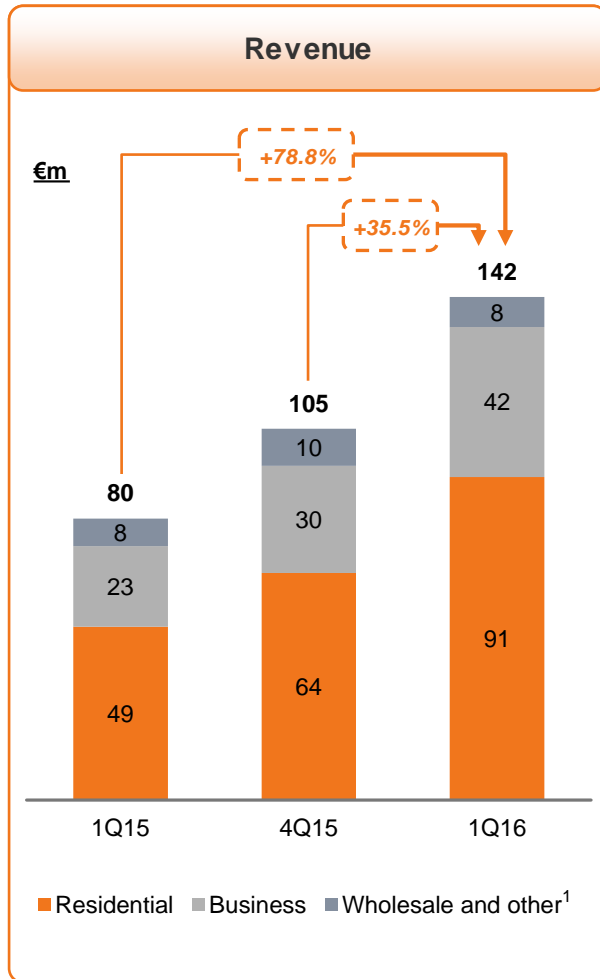
<u>€m</u>	<u>1Q16</u> <sup>1</sup>	<u>1Q15</u> <sup>2</sup>	<u>1Q16 vs. 1Q15</u>	
			<u>€m</u>	<u>%</u>
<b>Total Revenue</b>	<b>142.2</b>	<b>79.6</b>	<b>62.6</b>	<b>78.7%</b>
Residential	91.4	49.0	42.4	86.4%
Business	42.5	22.8	19.7	86.4%
Wholesale & Other	8.4	7.8	0.6	8.3%
<b>EBITDA</b>	<b>69.1</b>	<b>37.7</b>	<b>31.4</b>	<b>83.3%</b>
<i>Ebitda Margin (%)</i>	<i>48.6%</i>	<i>47.4%</i>	<i>1.2 pp</i>	
<b>OpFCF</b>	<b>47.5</b>	<b>28.6</b>	<b>18.9</b>	<b>65.9%</b>
<i>Conversion rate (%)</i>	<i>68.7%</i>	<i>75.9%</i>	<i>-7.2 pp</i>	
<b>Net income</b>	<b>14.6</b>	<b>1.2</b>	<b>13.3</b>	<b>1074.9%</b>
<b>Net Financial Debt</b>	<b>1,353.0</b>	<b>221.9</b>	<b>1,131.1</b>	

**Notes:**

1. Euskaltel and R Cable
2. Euskaltel standalone

# A snapshot of 1Q16 reported financial results

## Significant R Cable Contribution

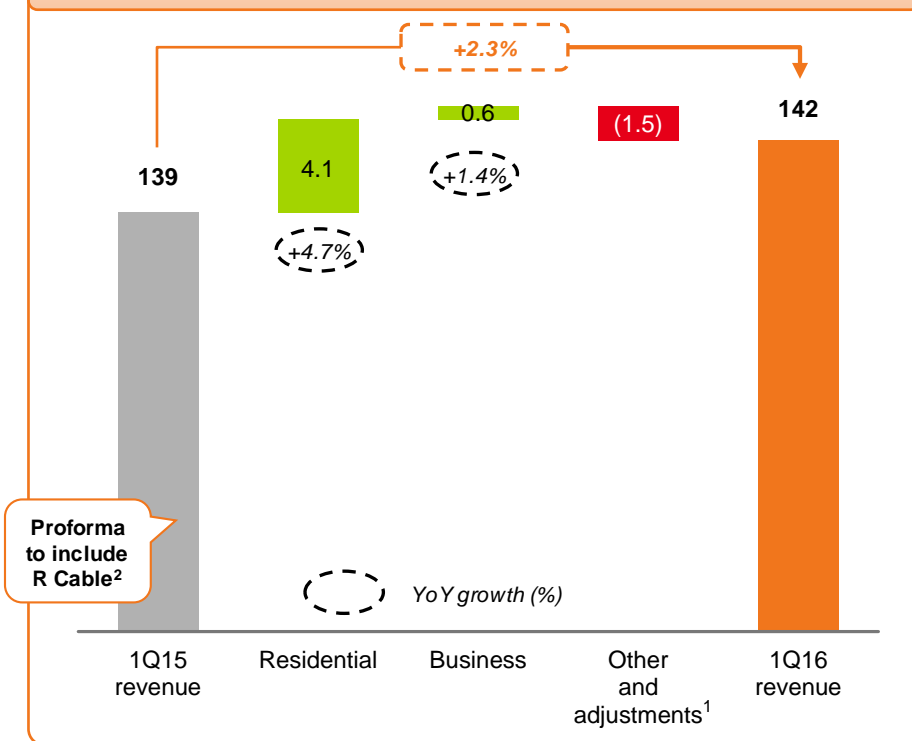


**Notes:**

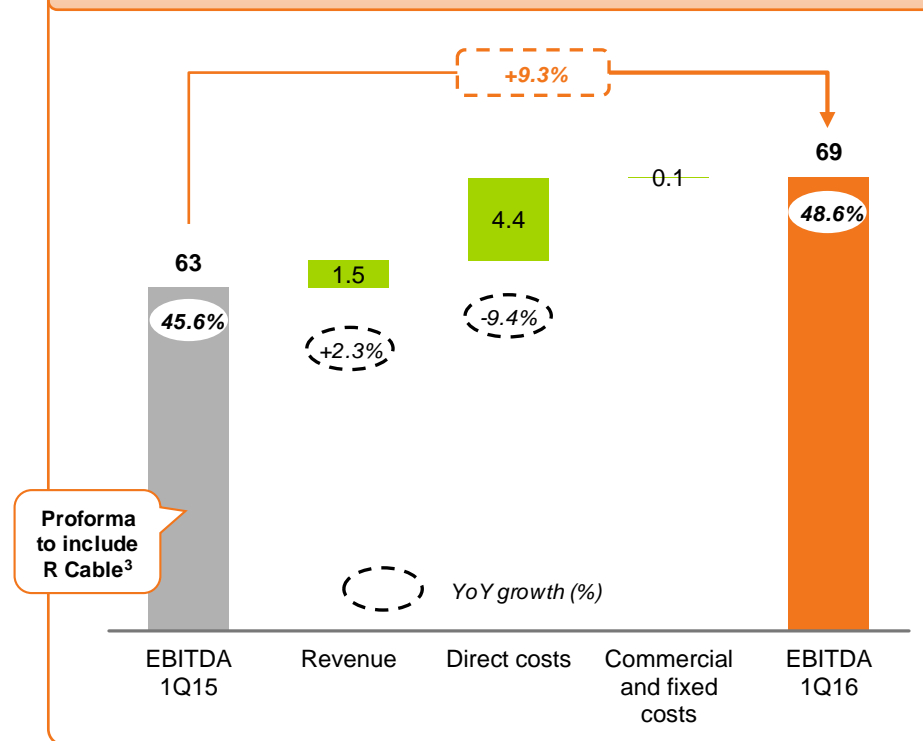
- Includes RACC, services to Telecable, other corporate revenue and TREI
- OpCF conversion defined as (EBITDA-capex)/EBITDA

# Constituents of revenue and EBITDA growth

## Revenue evolution (vs. Q1-2015) (€m)



## EBITDA evolution (vs. Q1-2015) (€m)



- Revenue growth mainly driven by the residential segment (+4.7% YoY)
- Positive contribution of business segment (+1.4% YoY)

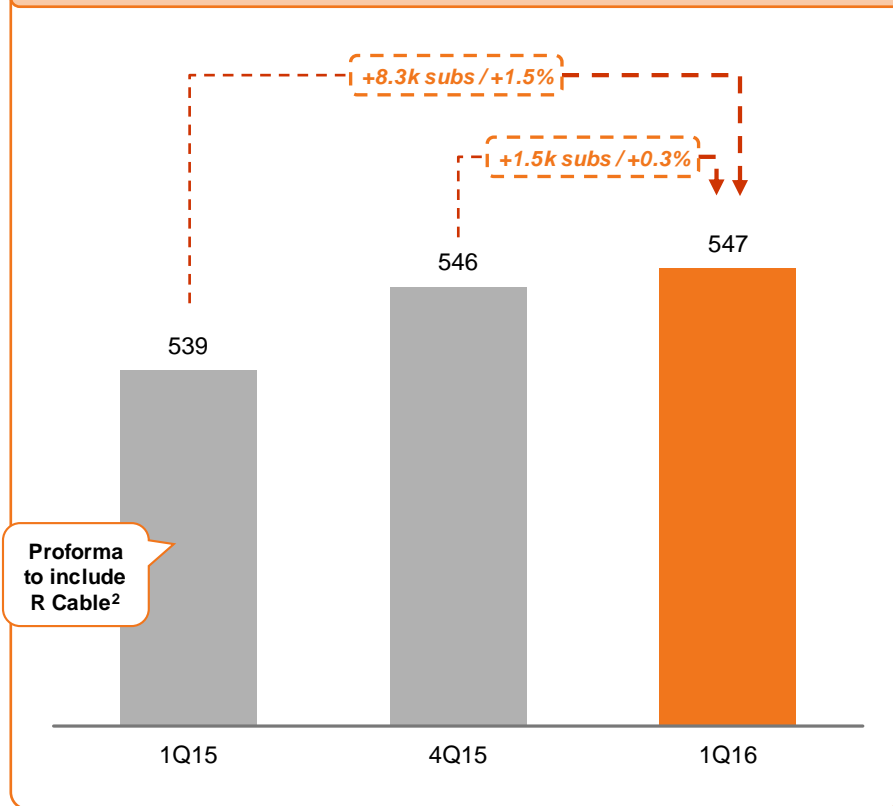
- Revenue growth of 2.3% contributing €1.5m to EBITDA
- Direct cost reduction of 9.4% contributing €4.4m to EBITDA

### Notes:

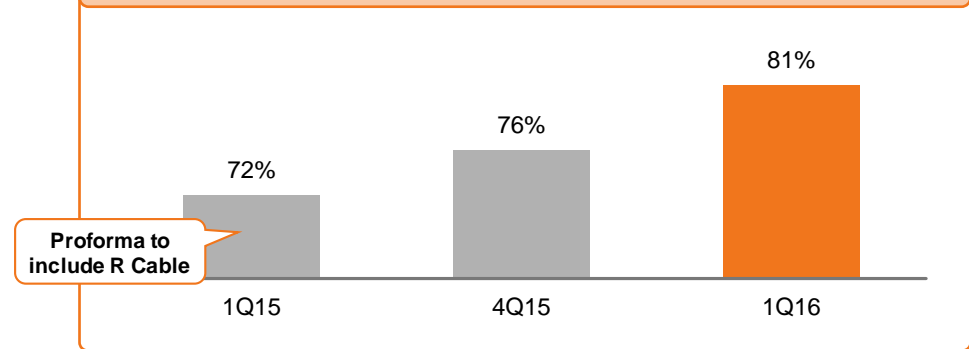
- Mainly refer to neutral profit revenues
- Includes €58.9m of R Cable revenue as of 1Q15
- Includes €25.5m of R Cable EBITDA as of 1Q15

# Residential subs growth focused on providing high-value products to our customers

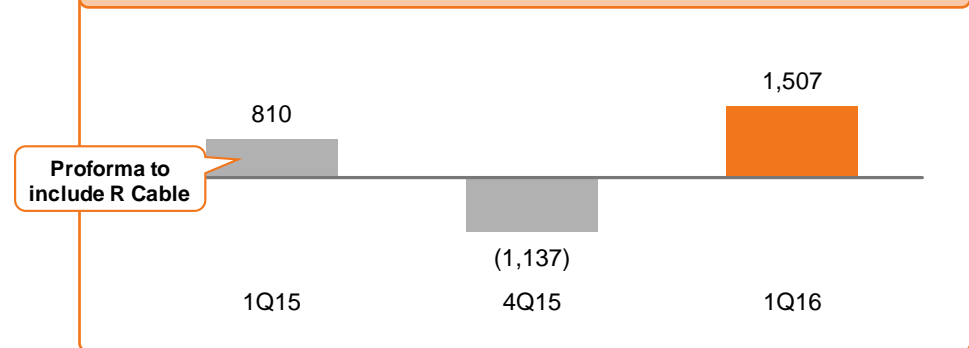
## Residential subscribers evolution<sup>1</sup> ('000)



## 3P&4P as % of new customers



## Net customer additions (# subs)



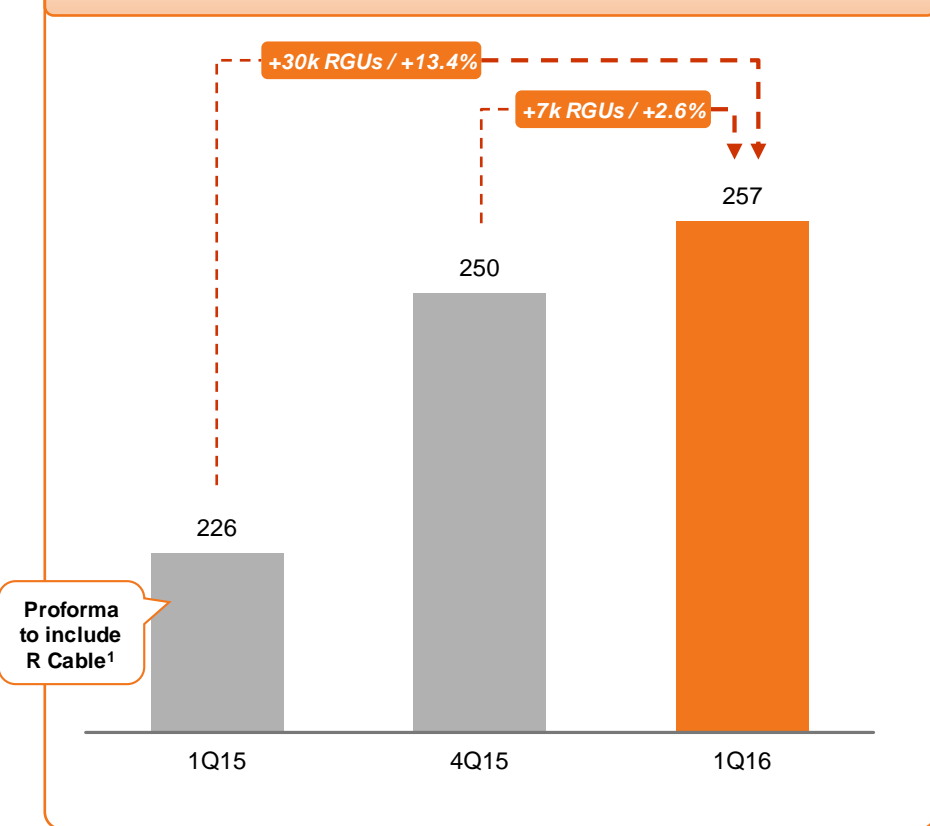
- Consistent subscribers growth (+16k gross adds in 1Q16, +24% growth LfL)
- Focus on high-value products to our customers (81% of gross adds acquiring 3P/4P bundles, of which 60% acquire TV services)
- Recovery of net adds growth vs. 4Q15 (+1.5k subs) both in fixed (+0.2k) and mobile only subs (+1.3k)

### Notes:

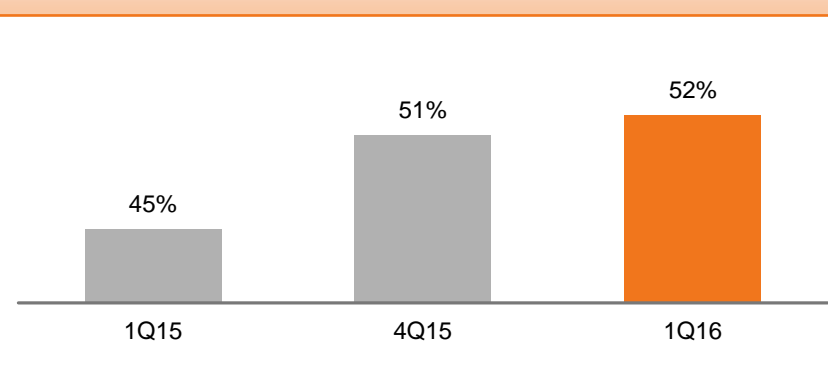
- Includes mobile-only subscribers
- Includes c.243k residential subs from R Cable as of 1Q15

# Attractive TV proposition with successful customer intake

## Evolution of residential TV RGUs ('000)



## TV Subs as % of total subscriber base



## Recently launched TV functionalities and premium content



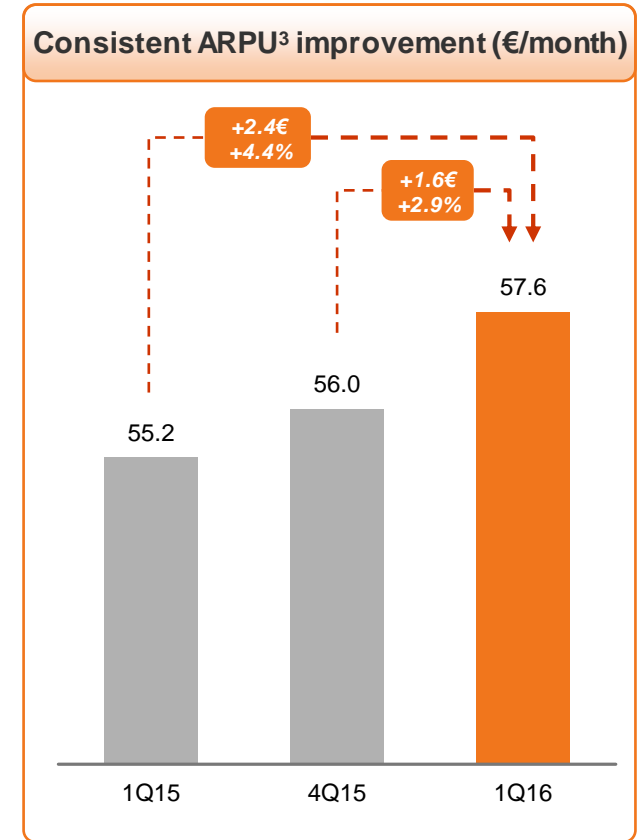
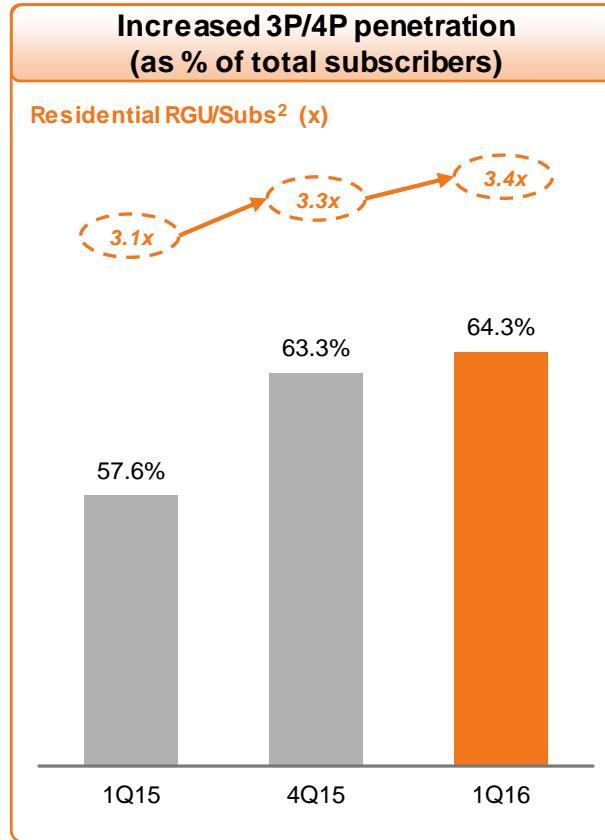
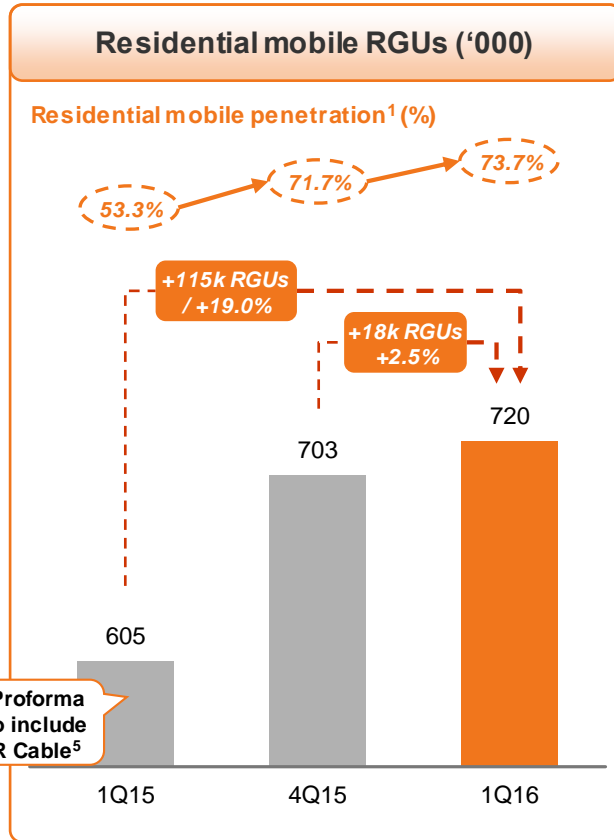
- Strong performance of our TV offering with 13.4% growth in RGUs over the year (52% of our subscriber base)
- In 1Q16, intake has accelerated with 60% of new customers acquiring TV services
- Our approach to future content investment will always remain disciplined, focused on customer value and subject to prevailing market conditions

### Notes:

1. Includes c.102k resi Pay-TV RGUs from R Cable as of 1Q15



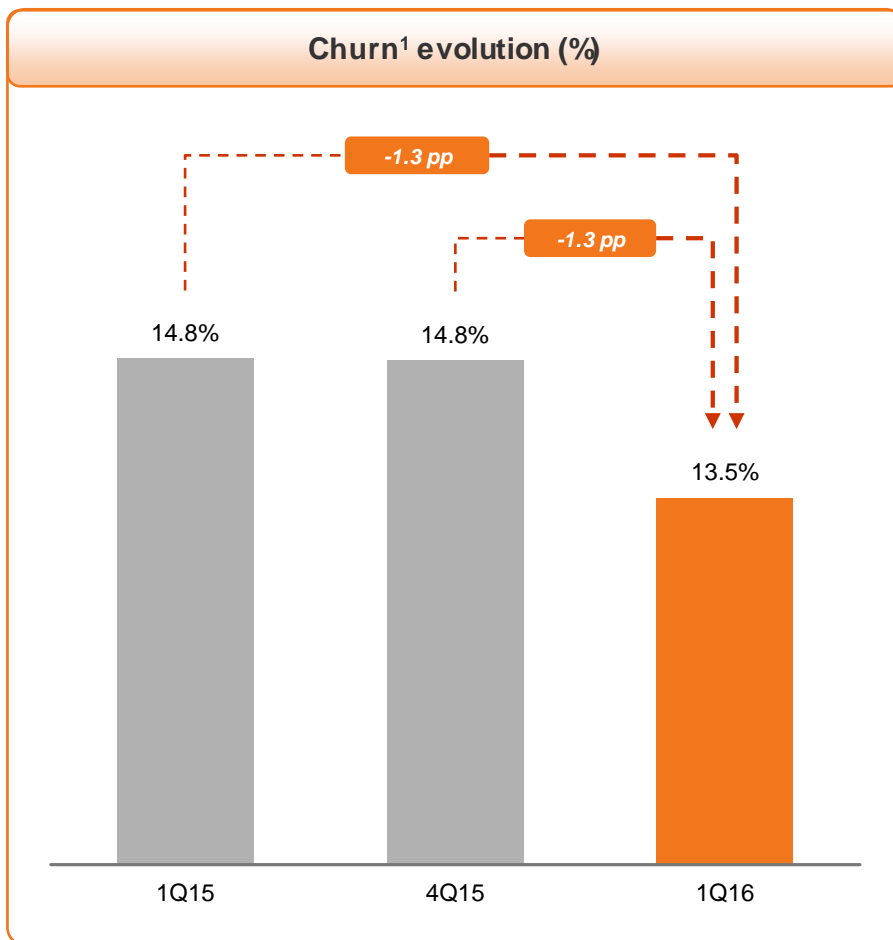
# Consistent mobile and bundle penetration driving ARPU growth



- Successful mobility strategy resulting in +115k new mobile lines (+19% YoY)
- Data transmitted over our outdoor WiFi network was equivalent to more than 20%<sup>4</sup> of total traffic on mobility
- Sustained growth in RGU/subs supported by 3P/4P penetration (64.3%) and consistently driving ARPU increase (+2.4€ YoY)

#### Notes:

- Residential subscribers with mobile (excluding mobile-only subscribers) as percentage of total fixed subscribers
- Total RGUs (including mobile-only) / total subs (including mobile only)
- Global ARPU based on fixed customers
- Data as of Feb-16
- Includes c.309k resi mobile RGUs from R Cable as of 1Q15



**Note:**

1. Churn based on fixed clients

1

Strategy focused on high value proposition adapted to each customer segment with increased penetration of bundles with lower churn rates

2

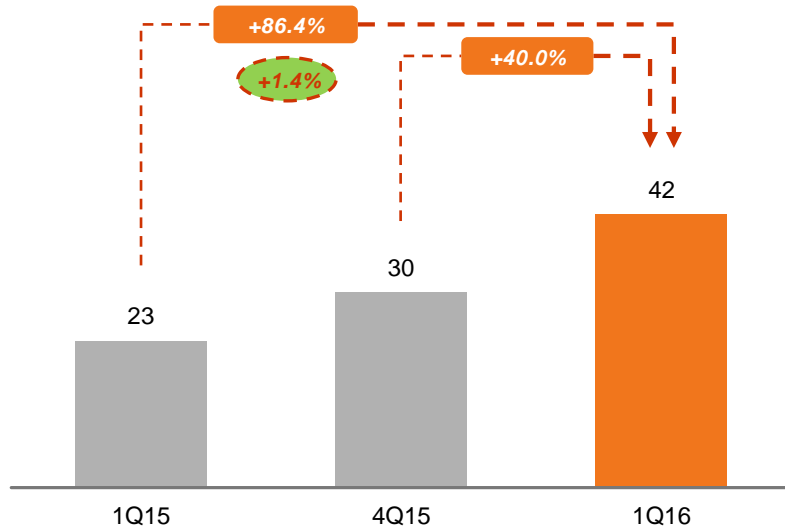
Full mobility experience as a key element for an improved customer satisfaction and retention

- Increasing number of mobile lines per household
- Successful intake of outdoor wifi services

# Business segment has stabilised

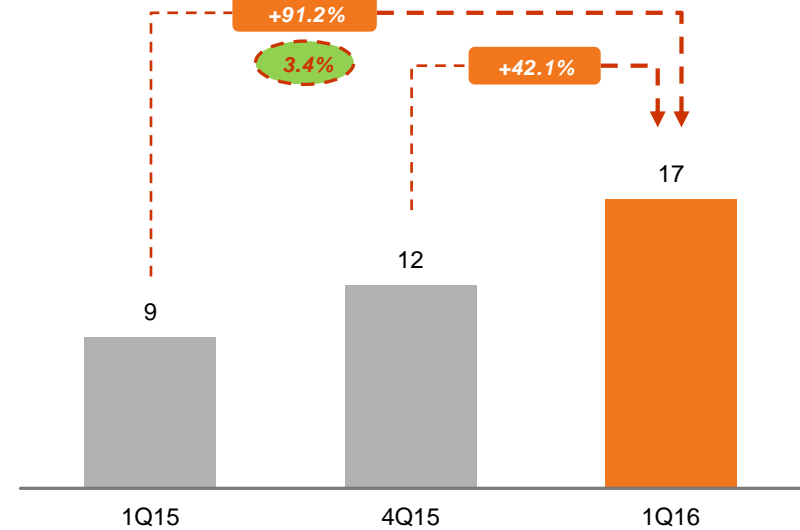
## Business segment revenue evolution<sup>1</sup>


Business revenue (€m)



## SOHO revenue evolution

SOHO revenue (€m)



 Proforma figures assuming full consolidation of R Cable in 1Q15 and 4Q15

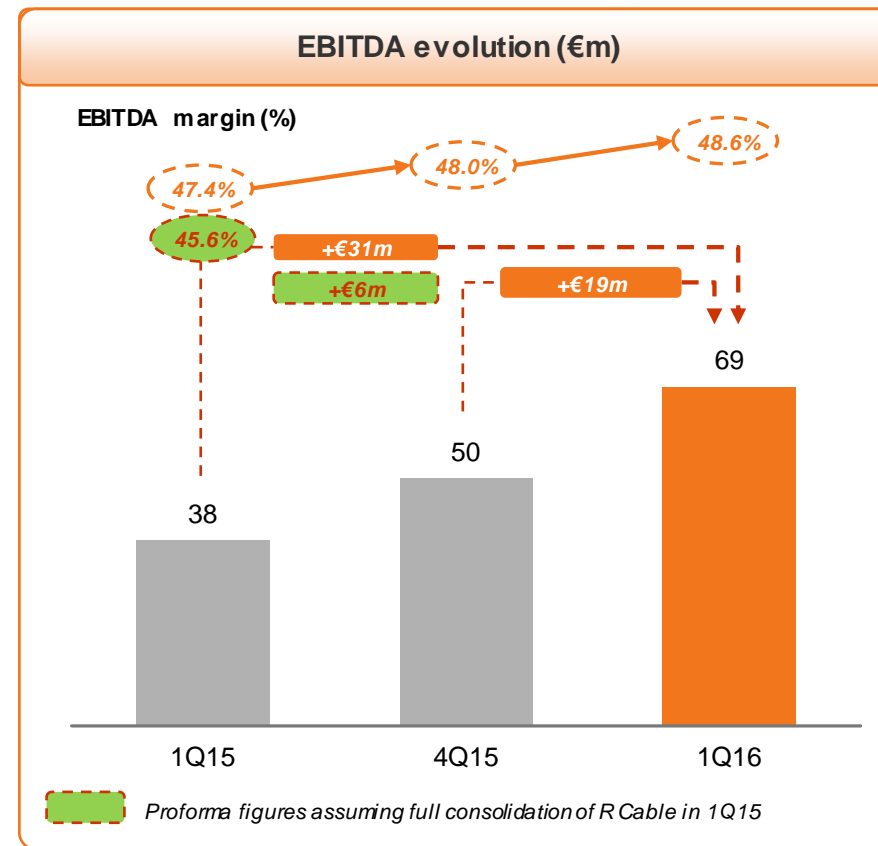
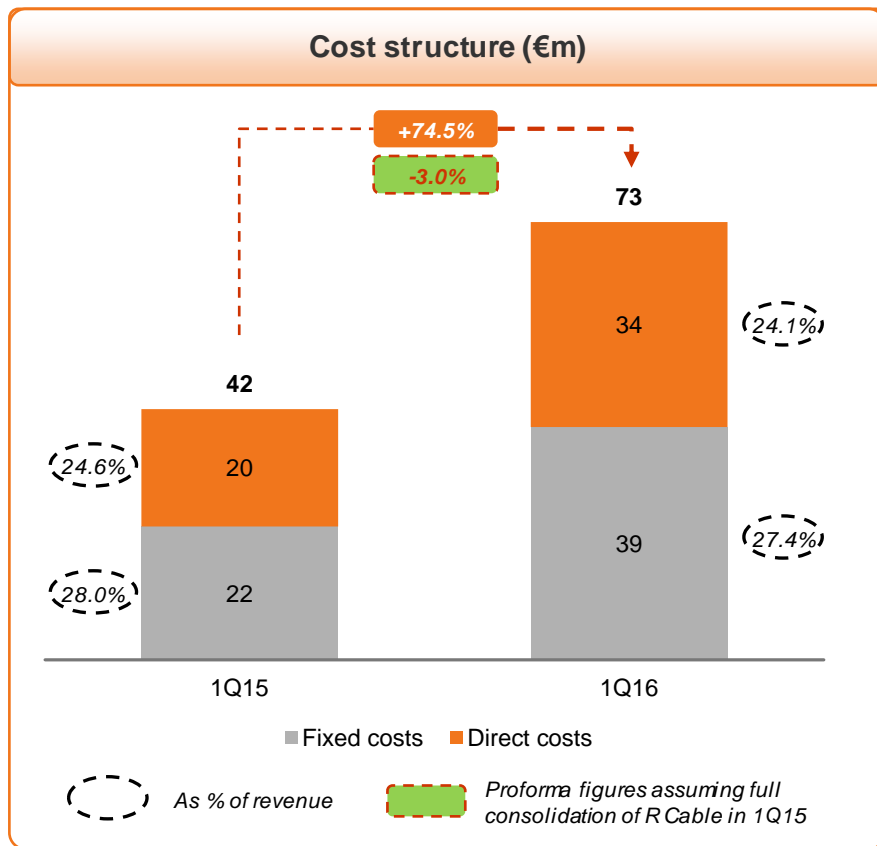
- Business segment revenue growth (+1.4% LfL)
- Strategy focused on proximity and penetration of value-added services (cloud, hosting, security, etc.)

- Net subscriber growth of 59 subs YoY (LfL)
- Global ARPU of €65 and LfL growth of 4.1%, driven by consistent bundling and mobility strategy similar to residential segment

**Note:**

1. Includes SOHO, SMEs and Large Accounts

# Efficient cost management driving EBITDA growth and margin expansion



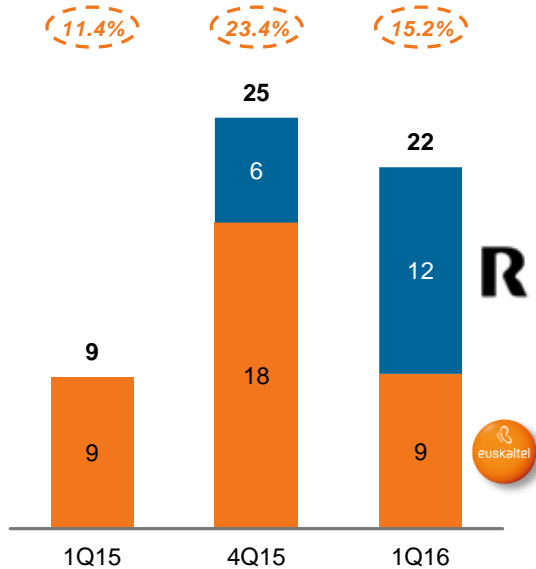
- 🔔 Direct costs reduction (-9.4% LfL) while new mobile lines increased by 19% YoY
  - 🔔 Reduction mainly driven by savings in interconnection costs, optimisation of handset purchases and the decision not to acquire football content
- 🔔 Strong EBITDA evolution (+9.3% LfL) with consistent margin expansion (300 bps LFL and +120 bps vs Euskaltel standalone in the previous year)

# Capex according to plan driving superior cash flow conversion

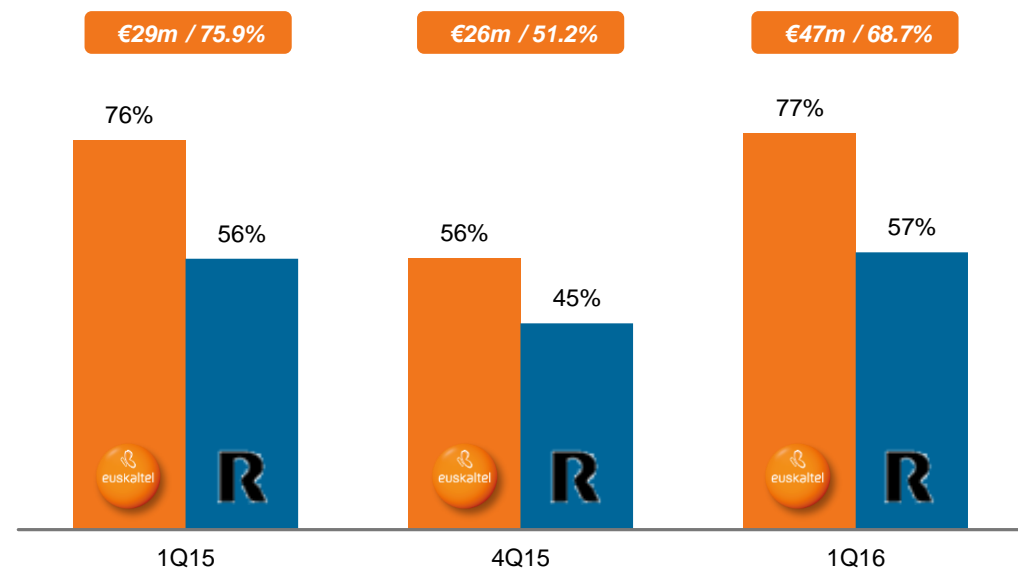
## Capex and OpCF<sup>1</sup> evolution

### Consolidated capex (€m)

#### Capex as % of revenue (%)



### Consolidated OpCF (€m) and OpCF conversion<sup>2</sup> (%)



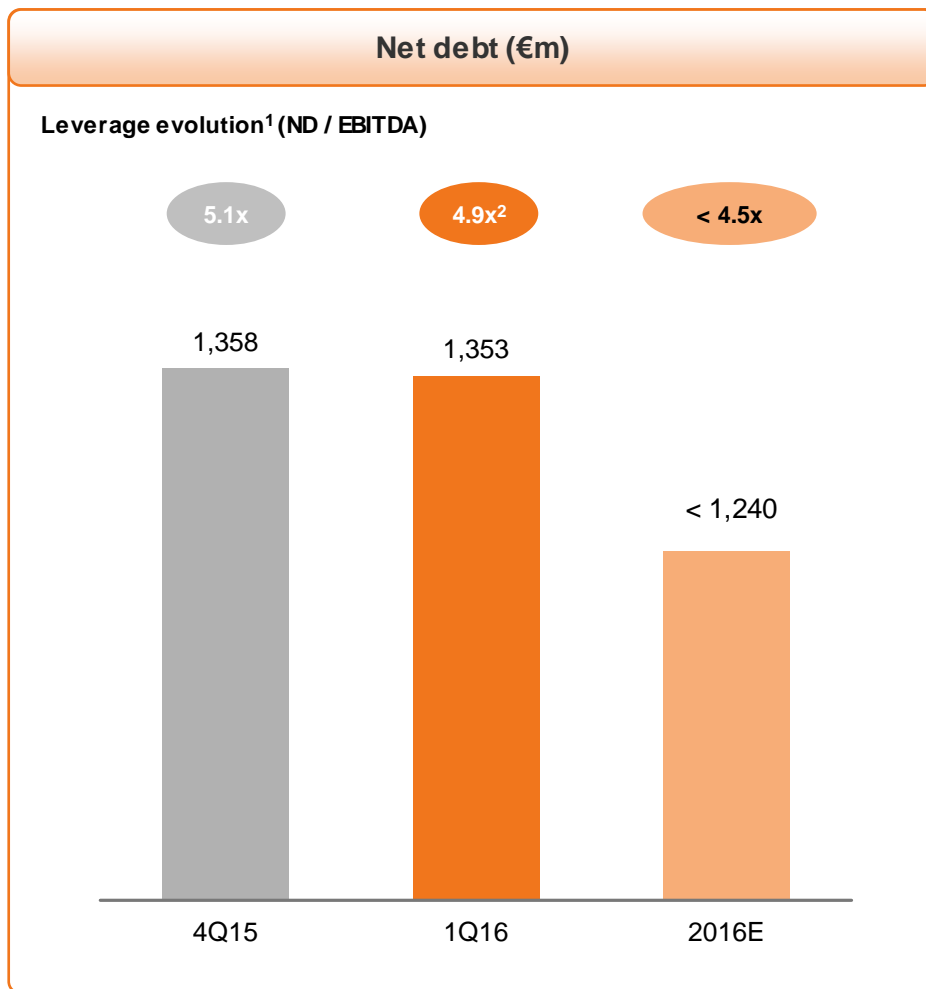
🔗 R-Cable capex converging to Euskaltel stand-alone levels

🔗 Improved performance of the operating cash conversion in both Euskaltel (+21%) and R Cable (+12%)

#### Note:

1. OpCF defined as EBITDA – capex
2. OpCF conversion defined as (EBITDA – capex) / EBITDA

# Net debt evolution



**Notes:**

1. Leverage excluding synergies
2. Leverage calculated over annualised EBITDA (4x 1Q16 EBITDA of €69m)

1

OpCF generation of €47m (69% conversion)

2

WC change of c.€16m as expected driven by business seasonality to be reverted in the coming months

3

Extraordinary payments of c.€14m related to the acquisition of R Cable

4

Net interest payment of c.12m

5

Distribution to shareholders expected to start in 2017 on the back of 2016 results



## **Appendix I - Euskaltel 1Q16 consolidated results and KPIs**

# Euskaltel consolidated - KPIs (i/ii)

Residential				
KPIs	Unit	2013	2014	2015
Homes passed	#	866,716	869,900	1,642,573
Household coverage	%	84%	85%	62%
Residential subs	#	298,495	296,023	545,502
o/w fixed services	#	284,105	279,212	471,664
as % of homes passed	%	32.8%	32.1%	28.7%
o/w mobile only subs	#	14,390	16,811	73,838
o/w 1P (%)	%	23.1%	17.8%	21.9%
o/w 2P (%)	%	35.8%	26.9%	14.8%
o/w 3P (%)	%	31.8%	35.0%	29.6%
o/w 4P (%)	%	9.4%	20.3%	33.7%
Total RGUs	#	769,036	896,077	1,809,720
RGUs / sub	#	2.6	3.0	3.3
Residential churn fixed customers	%	14.8%	14.8%	14.8%
Global ARPU fixed customers	€/month	53.3	53.8	56.0
Fixed Voice RGUs	#	284,311	279,691	467,181
as% fixed customers	%	100.1	100.2	99.0%
BB RGUs	#	215,520	217,726	389,456
as% fixed customers	%	75.9%	78.0%	82.6%
TV RGUs	#	56,992	124,754	250,191
as% fixed customers	%	20.1%	44.7%	53.0%
Postpaid lines	#	212,213	273,906	702,892
Postpaid customers	#	126,016	153,939	412,247
as% fixed customers (only mobile excluded)	%	39.3%	49.1%	71.7%
Mobile lines / customer	#	1.7	1.8	1.7

SOHO				
KPIs	Unidad	2013	2014	2015
Subs	#	46,317	47,038	88,163
o/w 1P (%)	%	35.0%	32.7%	28.5%
o/w 2P (%)	%	29.9%	26.1%	27.0%
o/w 3P (%)	%	30.0%	31.1%	33.9%
o/w 4P (%)	%	5.1%	10.2%	10.6%
Total RGUs	#	133,079	143,472	278,314
RGUs / sub	#	2.9	3.1	3.2
Global ARPU Fixed customers	€/month	68.2	65.0	65.3

SMEs and Large Accounts				
KPIs	Unit	2013	2014	2015
Customers	#	5,251	5,094	11,518

	1Q15	2Q15	3Q15	4Q15	1Q16
Homes passed	872,053	873,254	876,937	1,642,573	1,700,847
Household coverage	85%	85%	85%	62%	62%
Residential subs	295,360	300,751	298,419	545,502	547,009
o/w fixed services	278,051	282,890	279,353	471,664	471,837
as % of homes passed	31.9%	32.4%	31.9%	28.7%	28.7%
o/w mobile only subs	17,309	17,861	19,066	73,838	75,172
o/w 1P (%)	17.6%	17.3%	17.5%	21.9%	21.7%
o/w 2P (%)	24.8%	21.5%	19.3%	14.8%	14.0%
o/w 3P (%)	35.5%	36.6%	36.6%	29.6%	29.0%
o/w 4P (%)	22.1%	24.6%	26.5%	33.7%	35.3%
Total RGUs	918,120	968,023	982,290	1,809,720	1,836,291
RGUs / sub	3.1	3.2	3.3	3.3	3.4
Residential churn fixed customers	14.8%	12.2%	13.9%	14.8%	13.5%
Global ARPU fixed customers	55.2	55.5	55.8	56.0	57.6
Fixed Voice RGUs	278,516	283,341	279,792	467,181	467,280
as% fixed customers	100.2%	100.2%	100.2%	99.0%	99.0%
BB RGUs	218,391	224,361	222,288	389,456	391,733
as% fixed customers	78.5%	79.3%	79.6%	82.6%	83.0%
TV RGUs	124,729	127,660	127,802	250,191	256,783
as% fixed customers	44.9%	45.1%	45.7%	53.0%	54.4%
Postpaid lines	296,484	332,661	352,408	702,892	720,495
Postpaid customers	165,411	185,203	194,926	412,247	422,737
as% fixed customers (only mobile excluded)	53.3%	59.2%	63.0%	71.7%	73.7%
Mobile lines / customer	1.8	1.8	1.8	1.7	1.7

	1Q15	2Q15	3Q15	4Q15	1Q16
Subs	47,136	47,932	47,775	88,163	88,301
o/w 1P (%)	32.1%	30.3%	29.7%	28.5%	31.7%
o/w 2P (%)	23.9%	21.9%	20.4%	27.0%	18.4%
o/w 3P (%)	32.9%	35.2%	36.9%	33.9%	38.1%
o/w 4P (%)	11.1%	12.6%	13.0%	10.6%	11.8%
Total RGUs	147,585	155,881	158,589	278,314	285,111
RGUs / sub	3.1	3.3	3.3	3.2	3.2
Global ARPU Fixed customers	64.4	65.1	65.4	65.3	64.9

	1Q15	2Q15	3Q15	4Q15	1Q16
Customers	5,041	5,072	5,053	11,518	11,486



Selected financial information									
	Unit	2013	2014	2015	1Q15	2Q15	3Q15	4Q15	1Q16
<b>Total revenue</b>	€m	<b>334.9</b>	<b>321.2</b>	<b>349.4</b>	<b>79.6</b>	<b>82.1</b>	<b>82.7</b>	<b>105.0</b>	<b>142.2</b>
Y-o-y change	%	-2.3%	-4.1%	8.8%				1.4%	78.7%
o/w residential	€m	195.4	196.2	215.7	49.0	50.8	51.7	64.2	91.4
Y-o-y change	%	-2.9%	0.4%	10.2%				2.6%	86.4%
o/w Business	€m	101.2	93.4	99.3	22.8	23.4	22.8	30.3	42.5
Y-o-y change	%	-1.6%	-7.7%	6.3%				0.9%	86.4%
o/w Wholesale and Other	€m	29.7	24.7	25.4	5.6	5.6	6.2	8.1	8.4
Y-o-y change	%	2.8%	-1.7%	0.8%				-11.6%	51.3%
o/w Other Profit Neutral Revenues	€m	8.6	6.9	8.9	2.2	2.3	2.0	2.4	0.0
Y-o-y change	%	-12.3%	-20.1%	29.5%				36.3%	-100.0%
<b>Adjusted EBITDA</b>	€m	<b>155.1</b>	<b>155.9</b>	<b>167.0</b>	<b>37.7</b>	<b>38.3</b>	<b>40.6</b>	<b>50.4</b>	<b>69.1</b>
Y-o-y change	%	15.2%	0.5%						83.3%
Margin	%	46.3%	48.5%	47.8%	47.4%	46.7%	49.2%	48.0%	48.6%
<b>Capital expenditures</b>	€m	<b>(41.5)</b>	<b>(42.2)</b>	<b>(53.1)</b>	<b>(9.1)</b>	<b>(9.2)</b>	<b>(10.3)</b>	<b>(24.6)</b>	<b>(21.6)</b>
Y-o-y change	%	-65.2%	1.7%						137.8%
% total revenues	%	-12.4%	-13.1%	-15.2%	-11.4%	-11.2%	-12.4%	-23.4%	-15.2%
<b>Operating Free Cash Flow</b>	€m	<b>113.6</b>	<b>113.7</b>	<b>113.9</b>	<b>28.6</b>	<b>29.1</b>	<b>30.4</b>	<b>25.8</b>	<b>47.5</b>
Y-o-y change	%	632.9%	0.1%						65.9%
% EBITDA	%	73.2%	72.9%	32.6%	36.0%	35.5%	36.7%	24.6%	33.4%

# Disclaimer

This presentation (the "Presentation") has been prepared and is issued by, and is the sole responsibility of Euskaltel, S.A. ("Euskaltel" or "the Company"). For the purposes hereof, the Presentation shall mean and include the slides that follow, any prospective oral presentations of such slides by the Company, as well as any question-and-answer session that may follow that oral presentation and any materials distributed at, or in connection with, any of the above.

The information contained in the Presentation has not been independently verified and some of the information is in summary form. No representation or warranty, express or implied, is made by Euskaltel or its affiliate R Cable and Telecommunications Galicia, S.A. ("R Cable" and, together with Euskaltel, the "Euskaltel Group"), nor by their directors, officers, employees, representatives or agents as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions expressed herein. None of Euskaltel nor R Cable, nor their respective directors, officers, employees, representatives or agents shall have any liability whatsoever (in negligence or otherwise) for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of the Presentation or its contents or otherwise arising in connection with the Presentation, save with respect to any liability for fraud, and expressly disclaim any and all liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in connection with the accuracy or completeness of the information or for any of the opinions contained herein or for any errors, omissions or misstatements contained in the Presentation.

Euskaltel cautions that this Presentation contains forward looking statements with respect to the business, financial condition, results of operations, strategy, plans and objectives of the Euskaltel Group. The words "believe", "expect", "anticipate", "intends", "estimate", "forecast", "project", "will", "may", "should" and similar expressions identify forward-looking statements. Other forward-looking statements can be identified from the context in which they are made. While these forward looking statements represent our judgment and future expectations concerning the development of our business, a certain number of risks, uncertainties and other important factors, including those published in our past and future filings and reports, including those with the Spanish Securities and Exchange Commission ("CNMV") and available to the public both in Euskaltel's website ([www.euskaltel.com](http://www.euskaltel.com)) and in the CNMV's website ([www.cnmv.es](http://www.cnmv.es)), as well as other risk factors currently unknown or not foreseeable, which may be beyond Euskaltel's control, could adversely affect our business and financial performance and cause actual developments and results to differ materially from those implied in the forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

The information contained in the Presentation, including but not limited to forward-looking statements, is provided as of the date hereof and is not intended to give any assurances as to future results. No person is under any obligation to update, complete, revise or keep current the information contained in the Presentation, whether as a result of new information, future events or results or otherwise. The information contained in the Presentation may be subject to change without notice and must not be relied upon for any purpose.

This Presentation contains financial information derived from Euskaltel's audited consolidated financial statements for the twelve-month period ended December 31, 2015 as well as from Euskaltel's unconsolidated audited financial statements for the twelve-month period ended December 31, 2015, 31 December, 2014, 31 December 2013 and 31 December 2012, and from R Cable's individual audited financial statements for the twelve-month period ended December 31, 2015. Financial information by business areas is presented according to internal Euskaltel's criteria as a result of which each division reflects the true nature of its business. In addition, the Presentation contains Euskaltel's unaudited quarterly financial information for 2014 and 2015 by business areas prepared according to internal Euskaltel's criteria. These criteria do not follow any particular regulation and can include internal estimates and subjective valuations which could be subject to substantial change should a different methodology be applied.

Market and competitive position data in the Presentation have generally been obtained from industry publications and surveys or studies conducted by third-party sources. There are limitations with respect to the availability, accuracy, completeness and comparability of such data. Euskaltel has not independently verified such data and can provide no assurance of its accuracy or completeness. Certain statements in the Presentation regarding the market and competitive position data are based on the internal analyses of Euskaltel, which involve certain assumptions and estimates. These internal analyses have not been verified by any independent source and there can be no assurance that the assumptions or estimates are accurate. Accordingly, no undue reliance should be placed on any of the industry, market or Euskaltel's competitive position data contained in the Presentation.

You may wish to seek independent and professional advice and conduct your own independent investigation and analysis of the information contained in this Presentation and of the business, operations, financial condition, prospects, status and affairs of Euskaltel and R Cable. Euskaltel is not nor can it be held responsible for the use, valuations, opinions, expectations or decisions which might be adopted by third parties following the publication of this Presentation.

No one should purchase or subscribe for any securities in the Company on the basis of this Presentation. This Presentation does not constitute or form part of, and should not be construed as, (i) an offer, solicitation or invitation to subscribe for, sell or issue, underwrite or otherwise acquire any securities, nor shall it, or the fact of its communication, form the basis of, or be relied upon in connection with, or act as any inducement to enter into any contract or commitment whatsoever with respect to any securities; or (ii) any form of financial opinion, recommendation or investment advice with respect to any securities.

The distribution of this Presentation in certain jurisdictions may be restricted by law. Recipients of this Presentation should inform themselves about and observe such restrictions. Euskaltel disclaims any liability for the distribution of this Presentation by any of its recipients.

By receiving or accessing to this Presentation you accept and agree to be bound by the foregoing terms, conditions and restrictions.