



Euskaltel Group Q3 2020 results

October 27th, 2020



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Euskaltel **Group**



Euskaltel delivers another quarter of **record customer growth**

Operating KPIs (Q3 20 vs Q2 20)

| | |
|--------|---------------------------------------|
| +29.4k | Virgin telco customers net adds |
| +20.9k | Virgin telco fixed customers net adds |
| +1.5m | Addressable households |



Strong Virgin telco growth ahead of expectations in Q3



National coverage increase supports Virgin telco's commercial success

Financials

| | |
|-------|-------------------------------|
| +1.8% | Revenue (YoY growth) |
| -2.0% | EBITDA (YoY growth) |
| +1.1% | EBITDA ex Virgin (YoY growth) |
| -3.6% | Net debt (YoY growth) |



Virgin telco success drives **strong revenue growth** in the quarter



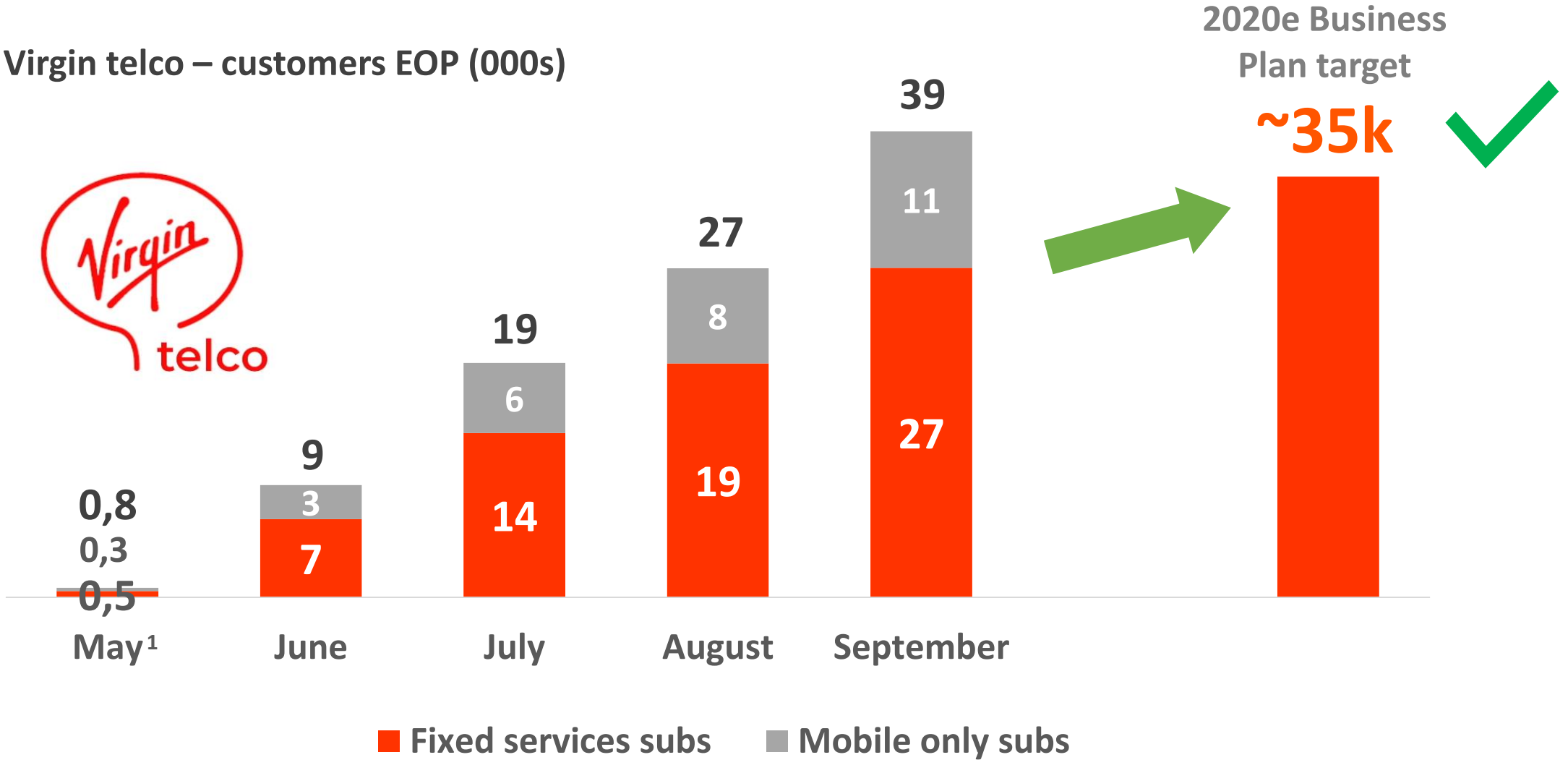
Traditional business EBITDA maintains growth in the quarter



The company continues on a **clear deleveraging path**

Strong Virgin telco growth nearly reaches full-year customer base target

Virgin telco – customers EOP (000s)



1. Virgin telco launched on 20th May 2020

| Euskaltel has signed a **go-to-market agreement** with Netflix

NETFLIX FAN
NETFLIX + 10 GB extra/mes
6 MESES DE REGALO

Y con UN MES GRATIS en
FIBRA y MÓVIL

Virgin telco

NETFLIX



Netflix Fan combines **top-quality content with extra mobile data**



Euskaltel's high-quality TV combines with top content providers to create **Virgin telco's leading TV proposition**

Innovative go-to-market agreements will **further drive Virgin telco's growth**

Recent network agreements provide significant upsides to the business plan

Business plan upsides



- Access to 5G technology as an MVNO
- From January 2022 or earlier and with a previous negotiation with Orange in the case of an Orange massive launch

5G

access



5G access



- Access to 1.8m homes of the additional fiber deployment of Orange Spain
- Deployment to be completed before the end of 2023

1.8m

FTTH homes



Improved economics



- Access to Adamo's 1m homes national FTTH footprint
- Extendible to 500k additional homes by year end

1.5m

FTTH homes



Improved economics



Increased footprint



- Access to NEBA FTTH in areas exempt from regulation



Increased footprint

Recently signed agreements result in increased Virgin telco's growth and profitability potential



telecable



Operating review



euskaltel



telecable

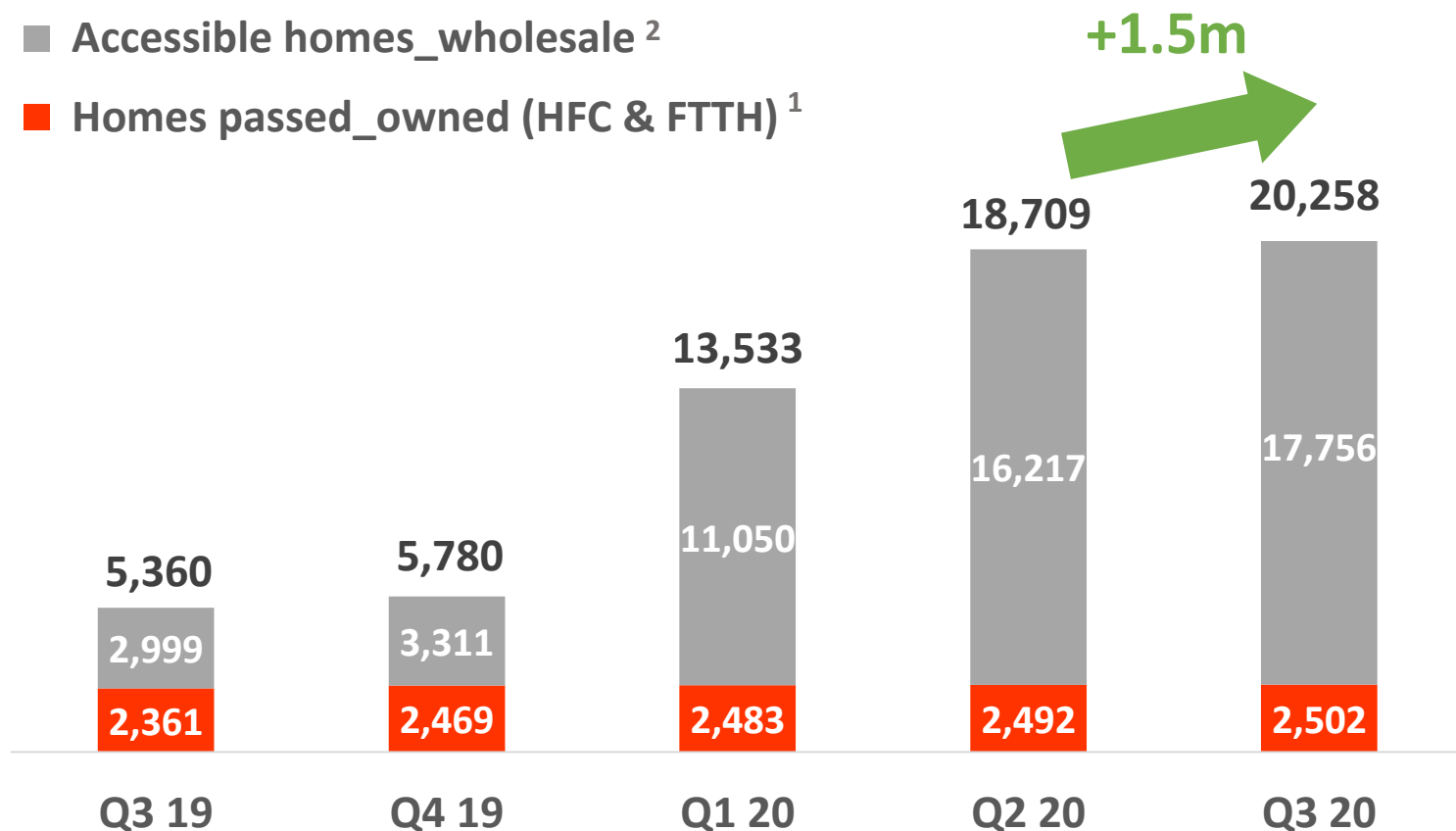


Continued coverage increase drive further growth opportunities

Current footprint (000s households)

■ Accessible homes_wholesale ²

■ Homes passed_owned (HFC & FTTH) ¹



✓ Increased coverage drives **Virgin telco's additional growth potential**

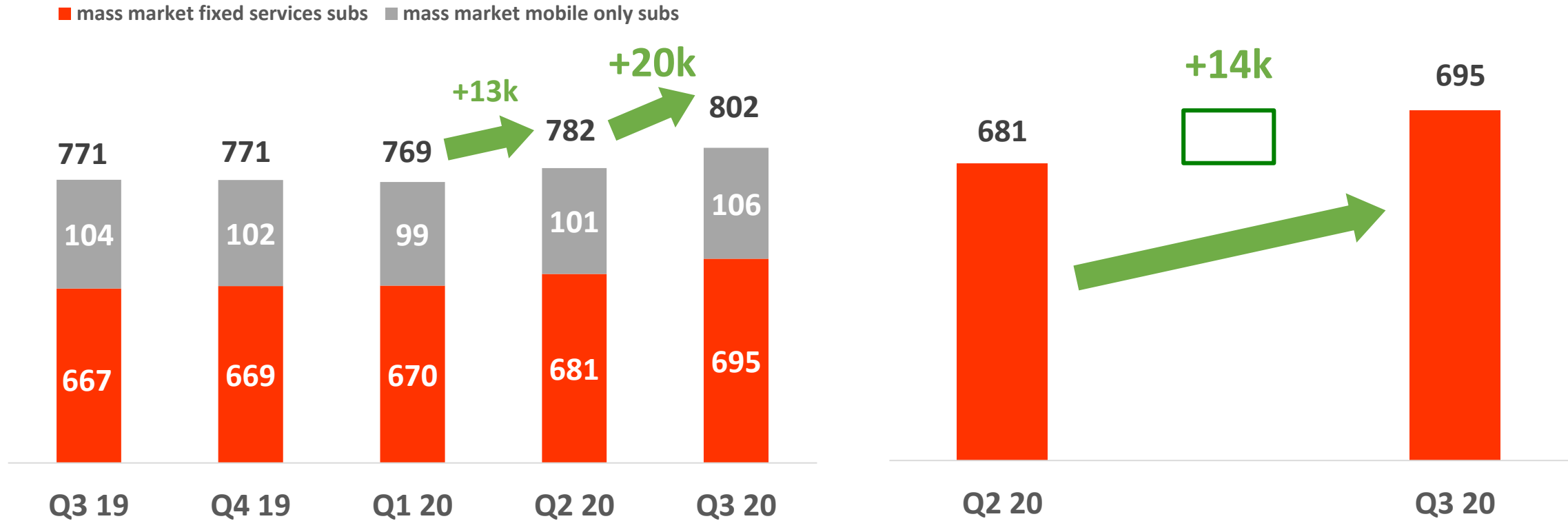
✓ New wholesale agreements signed allow for **faster growth and increased profitability**

1. HFC, infill FTTH plus FTTH co-investment household coverage
 2. Orange bitstream wholesale plus Telefónica's VULA & NEBA coverage

Virgin telco drives another **customer growth record** in the quarter

Mass market subscribers (000s)

Mass market fixed subscribers (000s)

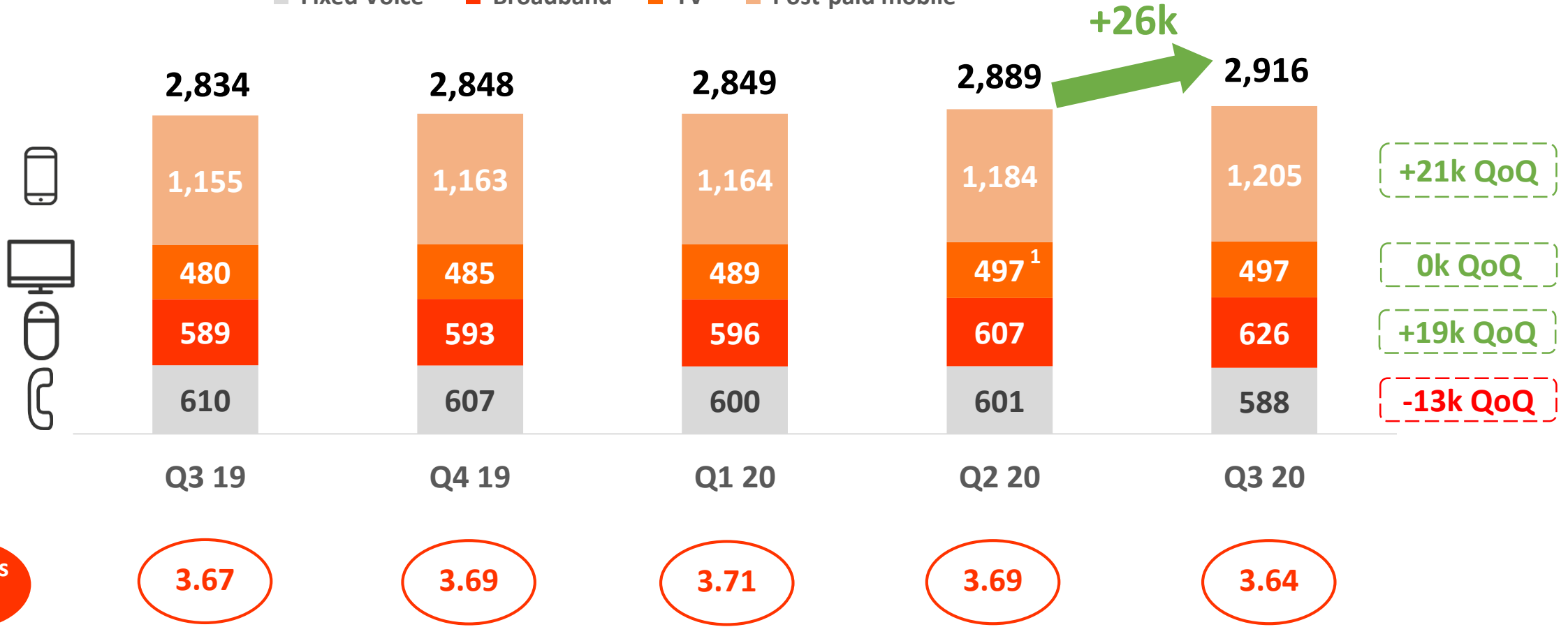


Strong Virgin telco sales ramp-up is **transforming the company's growth profile**

Record customer growth drives strong service take-up

Mass market services (RGUs) per type (000s)

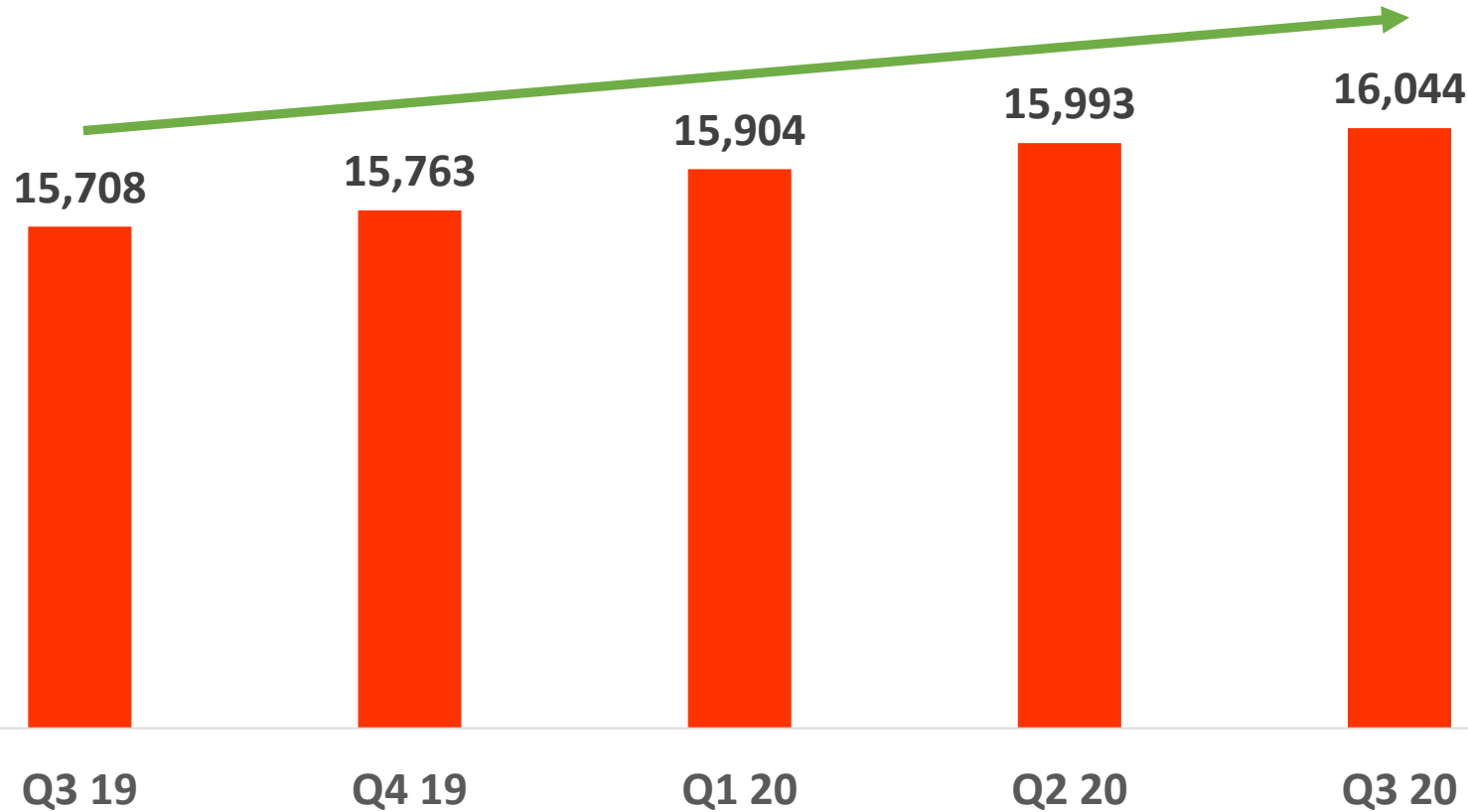
■ Fixed Voice ■ Broadband ■ TV¹ ■ Post-paid mobile



1. TV services figures increase by the not previously accounted second TV services

SME and large accounts continue its **strong performance in the quarter**

SME and large account subscribers



- ✓ Increased service demand drives a **strong B2B quarter**
- ✓ **Customer base grows** in the quarter despite COVID and seasonality
- ✓ +3% yoy B2B revenue growth result in **highest ever third quarter B2B revenue**



Financial review



euskaltel

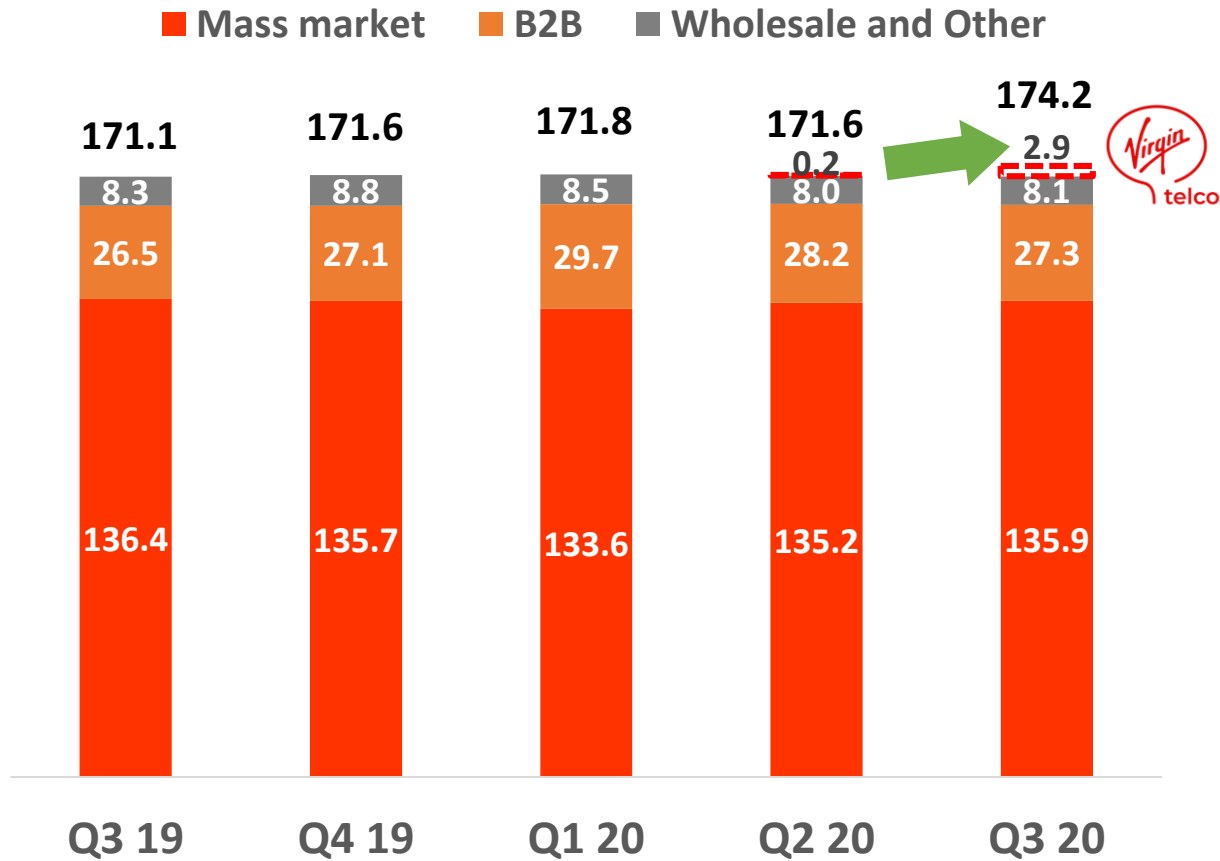


telecable

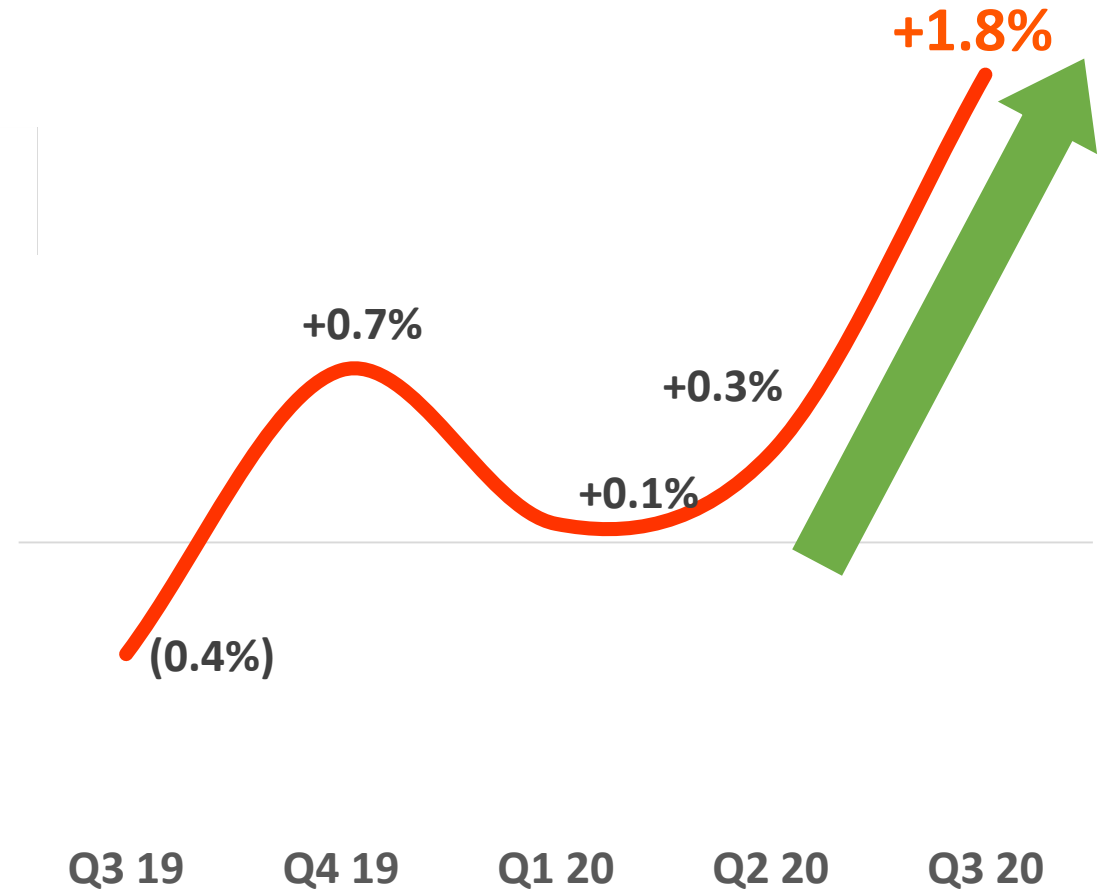


Virgin telco drives the quarter's revenue growth take-off

Total revenue breakdown by segment (EURm)

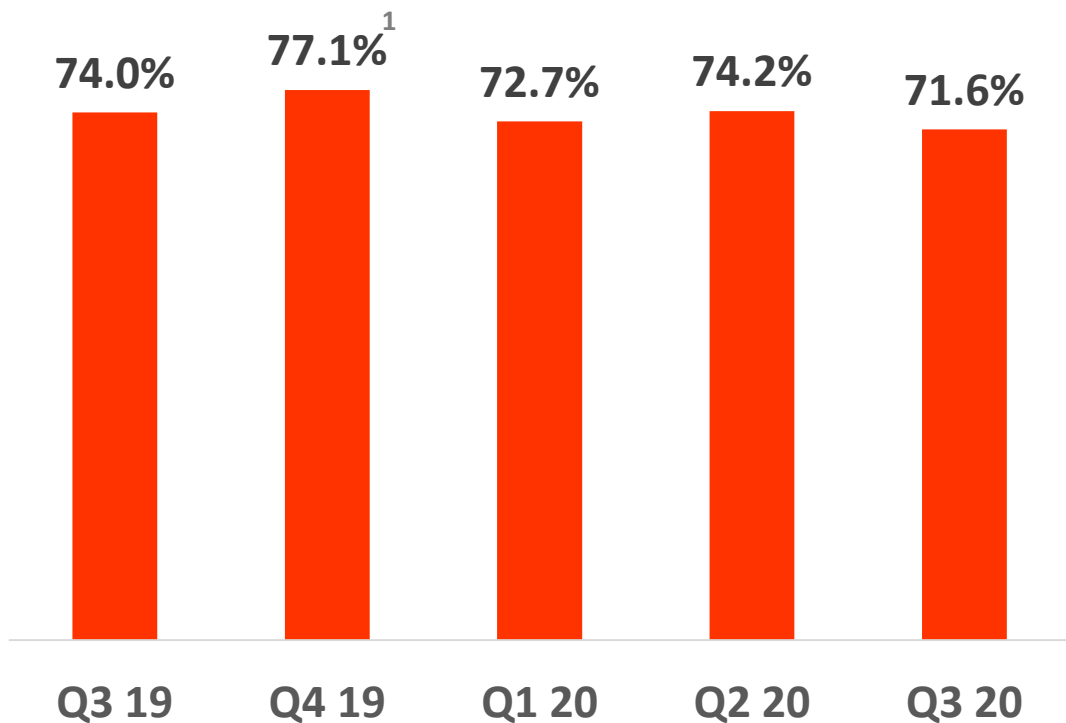


Total revenue evolution YoY (%)

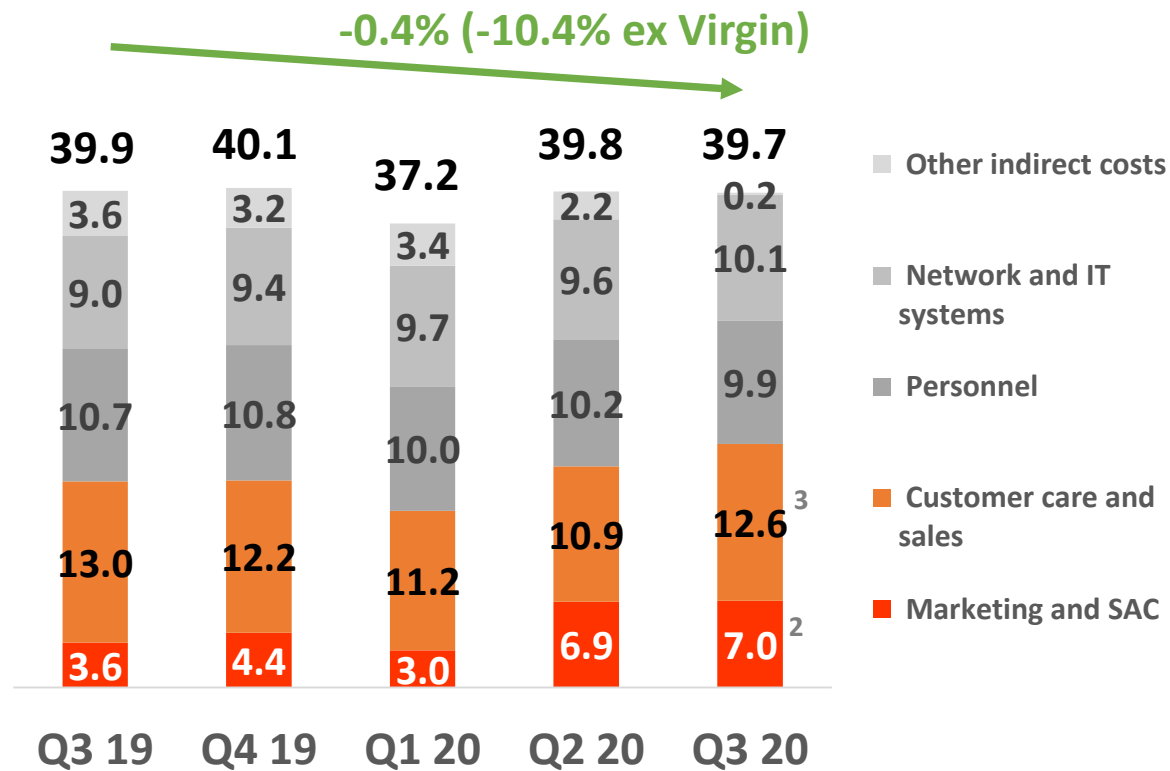


Strong cost control offsets Virgin telco's growth costs

Gross margin (% over revenue)



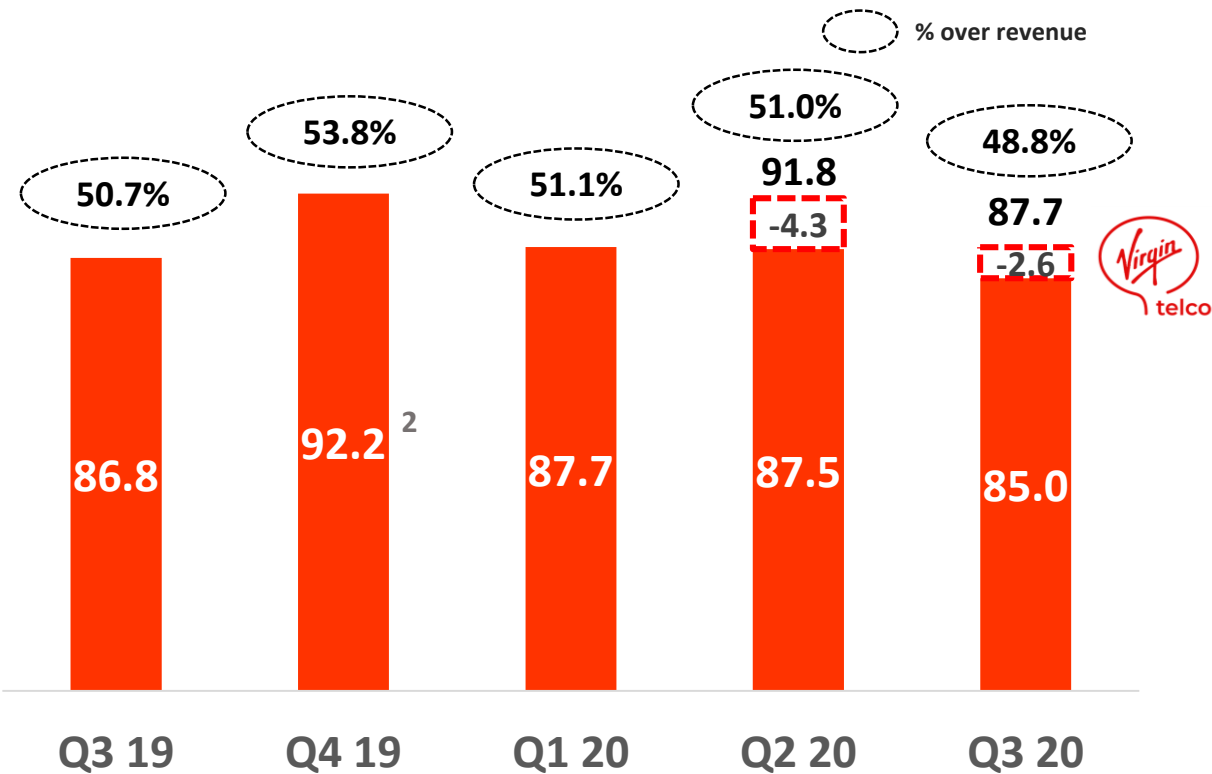
Selling, general and administrative expenses (EURm)



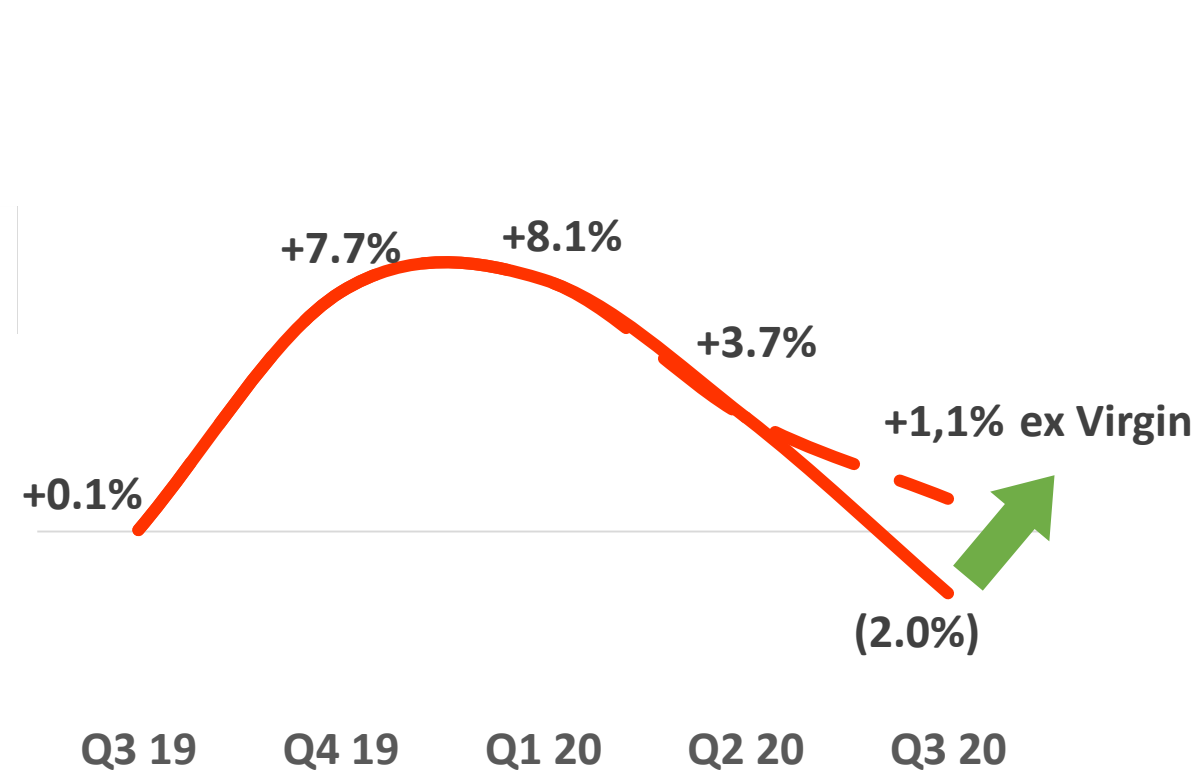
1. Gross margin includes €6.9 million of positive impacts mainly from the renewal of the Orange wholesale agreement
2. Includes €2.8m of the Virgin telco marketing
3. Includes €0.6m of the Virgin telco customer care costs

Traditional business EBITDA continues to grow in the quarter

EBITDA¹ (EURm)



Total EBITDA evolution³ YoY (%)

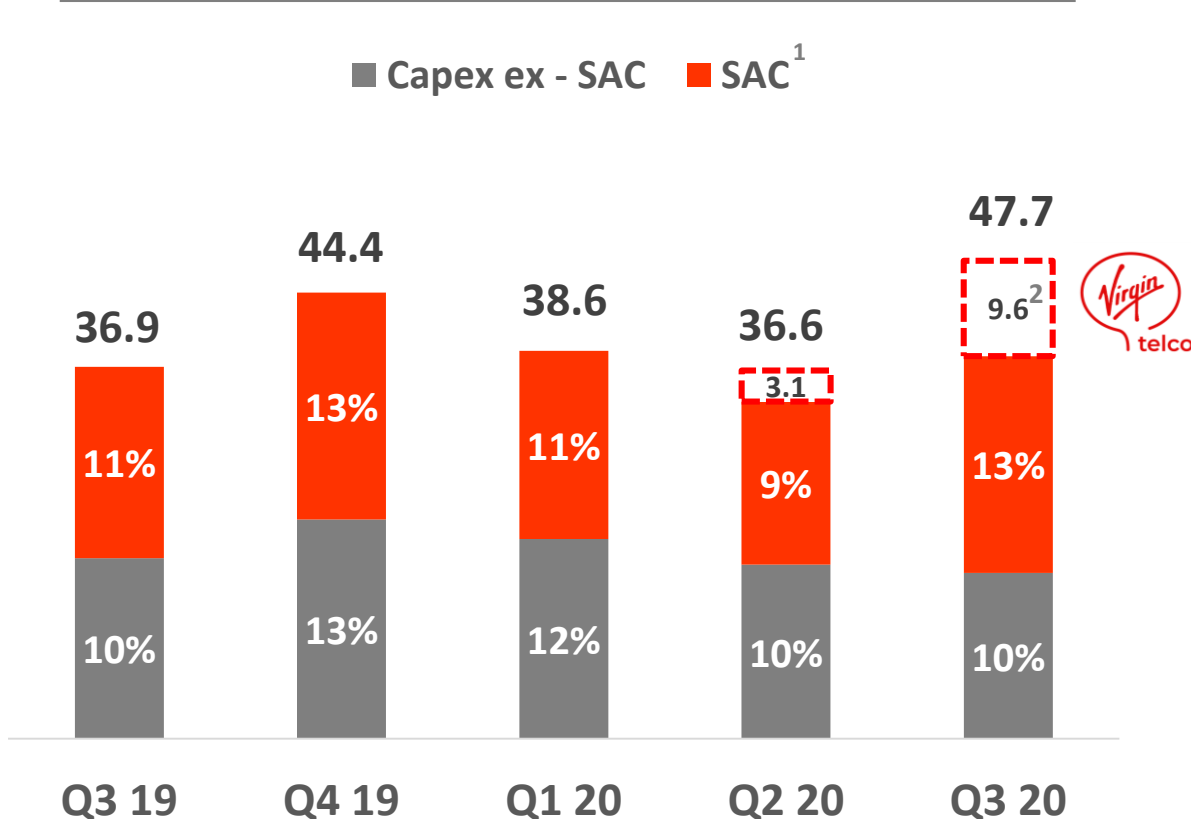


- EBITDA definition as per 'alternative performance measures': EBIT + depreciation and amortization +/- impairment + other non recurrent results
- Q4 19 EBITDA includes €6.9 million of positive impacts mainly from the renewal of the Orange wholesale agreement

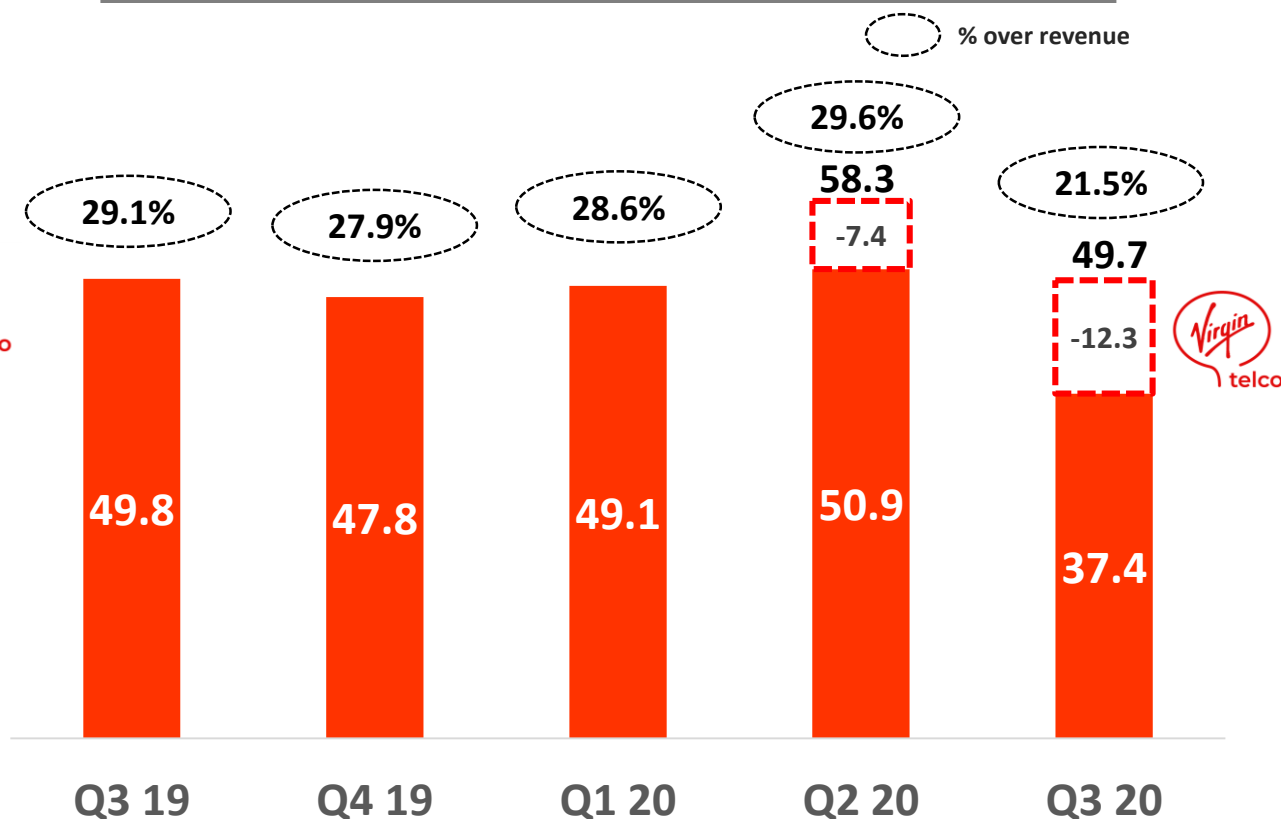
3. EBITDA evolution excluding the impact of IFRS 16 (€10.1m in the year) in 2019 from reported EBITDA

Virgin telco's faster than expected growth drives Capex in the quarter

Capex (EURm and as % of revenue)



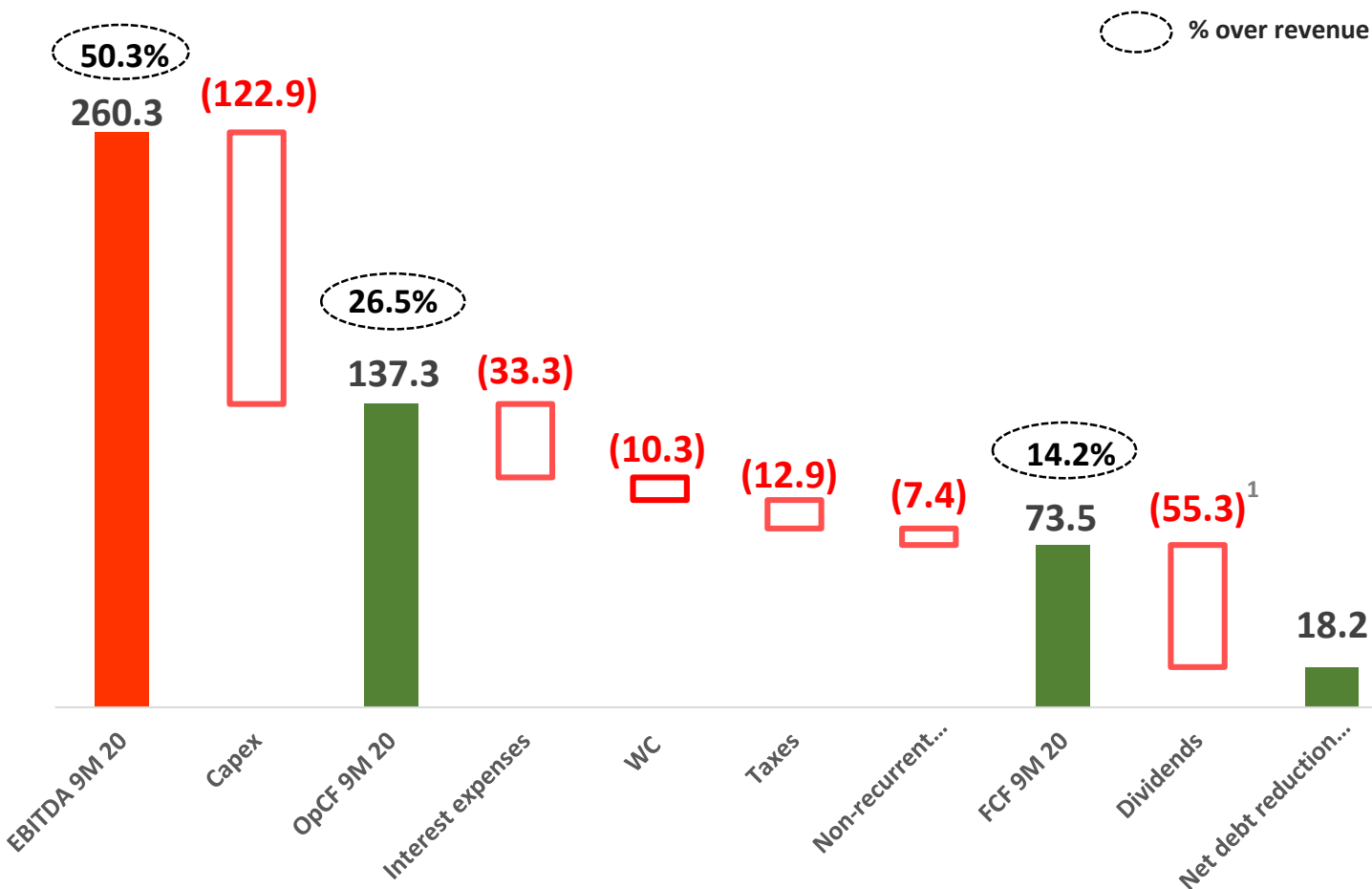
OpCF (EBITDA – capex) (EURm)



1. SAC capex includes commercial costs, customer installation and customer equipment
2. Out of which €7.9m SAC and €1.7m non-SAC Capex

The company continues on a **clear deleverage path** despite strong growth

9M 20 cash allocation (EURm)

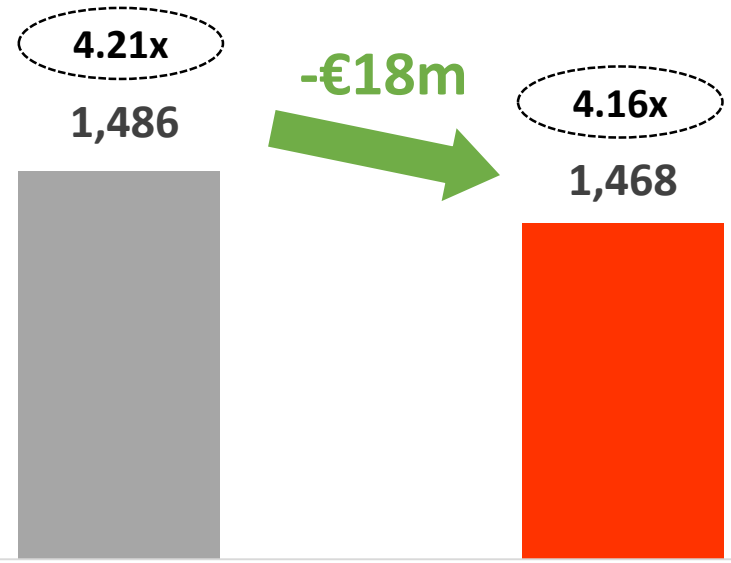


1. 9M 20 dividend represents 100% of dividend payout for the year

9M 20 net debt (EURm)

Net debt/
EBITDA²

- Cost of debt: 2.62%
- Average maturity: 3.9 years³

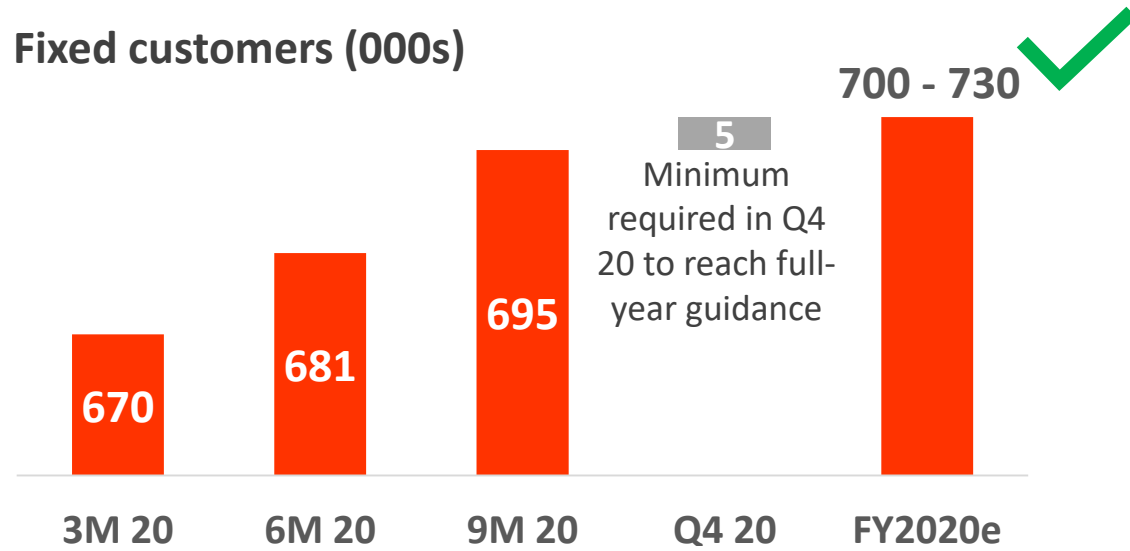


Net debt as of Dec 31, 2019 Net debt as of September 30, 2020

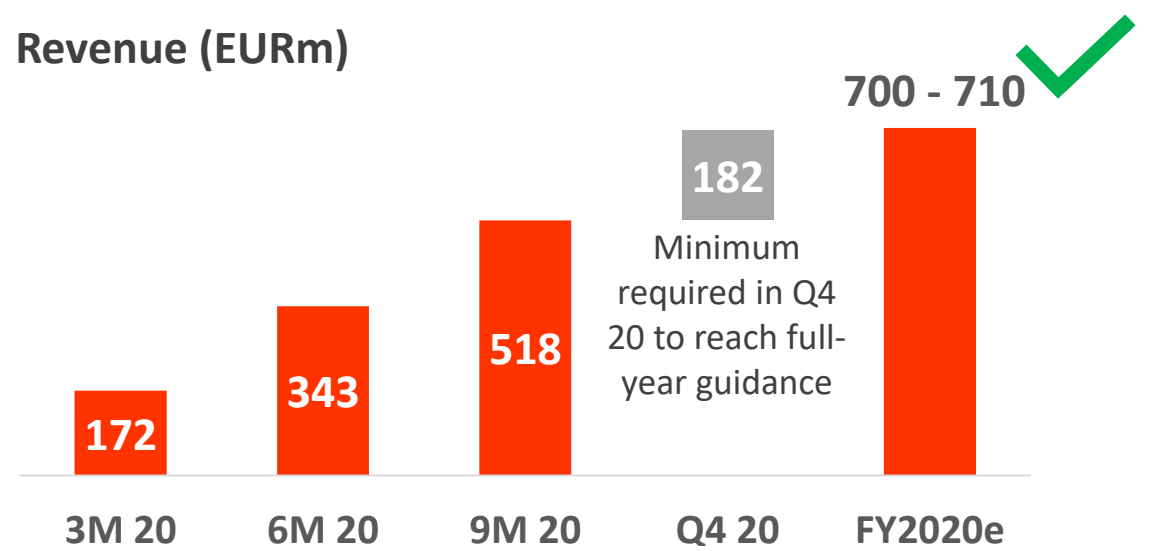
- EBITDA adjusted by identified potential synergies
- €215m amortising TLA replaced in July 2020 with bullet loan due in December 2023

Q3 2020 results in-line to reach full-year guidance

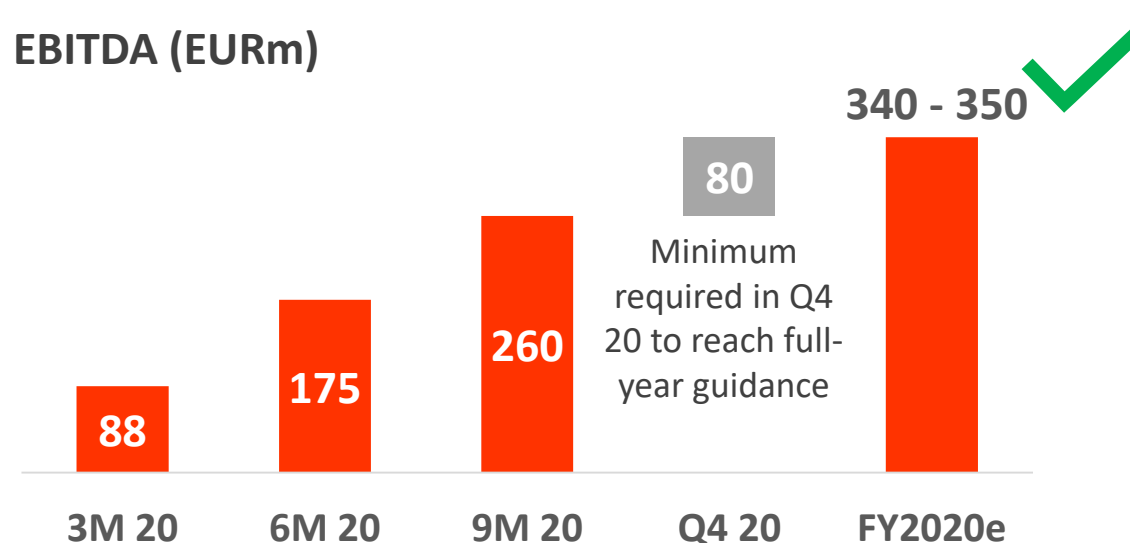
Fixed customers (000s)



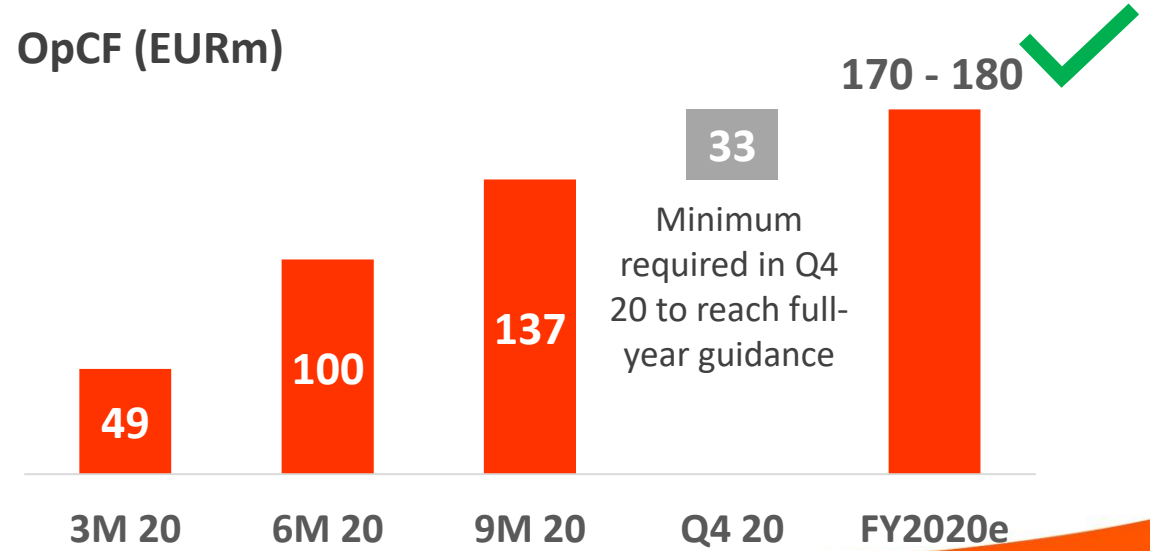
Revenue (EURm)



EBITDA (EURm)



OpCF (EURm)



| Strong Q3 2020 results driven by the initial success of Virgin telco

 Continued Virgin telco success delivers **another customer growth record** ✓

 Sales and network initiatives assure **improved future growth and profitability** ✓

 Virgin telco's success drives **revenue growth take-off** in the quarter ✓

 Traditional business drives **sustained EBITDA performance** in the quarter ✓

 **Clear deleverage path continues** despite strong growth ✓

 Strong quarter results in-line to **deliver full-year targets** ✓

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Q&A



Euskaltel **Group**

Appendix

Euskaltel Group Q3 2020 consolidated results and KPIs



Euskaltel Group consolidated - KPIs (i/iii)

| Mass market | | Annual | Quarterly | | | | | | |
|--|---------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|
| KPIs | Unit | 2019 | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 |
| Homes passed_owned (HFC & FTTH) | # | 2,468,822 | 2,341,655 | 2,355,173 | 2,360,891 | 2,468,822 | 2,482,870 | 2,492,121 | 2,502,348 |
| Accessible homes_wholesale | # | 3,310,812 | 569,092 | 598,061 | 2,999,183 | 3,310,812 | 11,050,114 | 16,216,808 | 17,756,150 |
| Mass market subs ¹ | # | 770,865 | 767,616 | 771,646 | 771,167 | 770,865 | 768,891 | 782,171 | 801,677 |
| o/w fixed services subs | # | 669,317 | 661,558 | 666,138 | 667,022 | 669,317 | 669,678 | 681,002 | 695,402 |
| o/w mobile only subs | # | 101,548 | 106,058 | 105,508 | 104,145 | 101,548 | 99,213 | 101,169 | 106,275 |
| Total services (RGUs) ² | # | 2,848,267 | 2,773,355 | 2,831,942 | 2,833,547 | 2,848,267 | 2,849,455 | 2,889,293 | 2,915,675 |
| Fixed Voice | # | 606,809 | 610,105 | 612,549 | 609,981 | 606,809 | 599,972 | 600,982 | 588,139 |
| Broadband | # | 593,338 | 579,523 | 586,080 | 589,090 | 593,338 | 596,292 | 607,483 | 626,290 |
| TV | # | 484,957 | 456,119 | 481,896 | 479,639 | 484,957 | 489,090 | 496,740 | 496,572 |
| Post-paid mobile | # | 1,163,163 | 1,127,608 | 1,151,417 | 1,154,837 | 1,163,163 | 1,164,101 | 1,184,088 | 1,204,674 |
| Services (RGUs) per subscriber | # | 3.69 | 3.61 | 3.67 | 3.67 | 3.69 | 3.71 | 3.69 | 3.64 |
| Global ARPU fixed customers (quarterly standalone) | €/month | 60.07 | 59.98 | 60.00 | 60.37 | 60.07 | 60.04 | 59.99 | 59.51 |

| SMEs and Large Accounts | | Annual | Quarterly | | | | | | |
|-------------------------|------|--------|-----------|--------|--------|--------|--------|--------|--------|
| KPIs | Unit | 2019 | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 |
| Customers | # | 15,763 | 15,460 | 15,633 | 15,708 | 15,763 | 15,904 | 15,993 | 16,044 |

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

Note: The change in 2019 subs and ARPU figures is due to a reclassification of 0.2k subs from mass market to SMEs and a recognition of not previously reported 0.3k SME subs.



Euskaltel Group consolidated – Consolidated financials (ii/iii)

| Profit and Loss Statement | | Annual | Quarterly | | | | | | |
|---|------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Unit | 2019 | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 |
| Total revenue | €m | 685.5 | 171.7 | 171.1 | 171.1 | 171.6 | 171.8 | 171.6 | 174.2 |
| Y-o-y change | % | -0.9% | -2.8% | -0.9% | -0.4% | 0.7% | 0.1% | 0.3% | 1.8% |
| o/w Mass market revenue ¹ | €m | 542.1 | 134.0 | 136.0 | 136.4 | 135.7 | 133.6 | 135.4 | 138.8 |
| o/w B2B revenue | €m | 110.9 | 30.3 | 27.0 | 26.5 | 27.1 | 29.7 | 28.2 | 27.3 |
| o/w Wholesale and Other revenue | €m | 32.5 | 7.4 | 8.0 | 8.3 | 8.8 | 8.5 | 8.0 | 8.1 |
| Gross margin | €m | 510.0 | 123.6 | 127.4 | 126.6 | 132.3 | 124.9 | 127.3 | 124.7 |
| % of total revenue | % | 74.4% | 72.0% | 74.5% | 74.0% | 77.1% | 72.7% | 74.2% | 71.6% |
| Selling, General & Admin. Expenses (SG&A) | €m | (165.4) | (42.5) | (43.0) | (39.9) | (40.1) | (37.2) | (39.8) | (39.7) |
| o/w marketing and SAC | €m | (18.7) | (5.2) | (5.5) | (3.6) | (4.4) | (3.0) | (6.9) | (7.0) |
| o/w customer care and sales | €m | (52.5) | (14.2) | (13.1) | (13.0) | (12.2) | (11.2) | (10.9) | (12.6) |
| o/w personnel | €m | (44.8) | (11.6) | (11.7) | (10.7) | (10.8) | (10.0) | (10.2) | (9.9) |
| o/w network and IT systems | €m | (37.7) | (9.7) | (9.5) | (9.0) | (9.4) | (9.7) | (9.6) | (10.1) |
| o/w other indirect costs | €m | (11.8) | (1.8) | (3.2) | (3.6) | (3.2) | (3.4) | (2.2) | (0.2) |
| Adjusted EBITDA | €m | 344.5 | 81.1 | 84.4 | 86.8 | 92.2 | 87.7 | 87.5 | 85.0 |
| % of total revenue | % | 50.3% | 47.3% | 49.4% | 50.7% | 53.8% | 51.1% | 51.0% | 48.8% |
| Y-o-y change | % | 2.4% | -3.7% | -0.1% | 2.6% | 10.4% | 8.1% | 3.7% | -2.0% |
| Depreciation and Amortization | €m | (202.7) | (50.2) | (51.0) | (51.1) | (50.4) | (49.9) | (50.4) | (49.3) |
| Extraordinary items | €m | (21.0) | (2.9) | (7.6) | (5.2) | (5.3) | (2.2) | (2.1) | (3.1) |
| Net financial expenses | €m | (49.3) | (12.6) | (12.1) | (12.4) | (12.1) | (11.9) | (14.8) | (12.4) |
| Net profit before taxes | €m | 71.5 | 15.4 | 13.7 | 18.0 | 24.4 | 23.7 | 20.2 | 20.2 |
| Taxes | €m | (9.5) | (3.4) | (2.8) | 1.0 | (4.3) | (4.6) | (3.8) | (3.6) |
| NET PROFIT | €m | 62.0 | 11.9 | 11.0 | 19.0 | 20.1 | 19.1 | 16.4 | 16.6 |

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

Note: 2019 revenue figures impacted by a reclassification due to reporting changes to more accurately reflect the integration of the 3 companies. Change in 2019 gross margin and SG&A figures is due to an expenses reclassification due to reporting changes to more accurately reflect the integration of the 3 companies.



Euskaltel Group consolidated – Consolidated financials (iii/iii)

| Cash Flow Statement | | Annual | Quarterly | | | | | | |
|---------------------|------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Unit | 2019 | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 |
| EBITDA | €m | 344.5 | 81.1 | 84.4 | 86.8 | 92.2 | 87.7 | 87.5 | 85.0 |
| Capex | €m | (154.3) | (34.6) | (38.3) | (36.9) | (44.4) | (38.6) | (36.6) | (47.7) |
| % of total revenue | % | -22.5% | -20.2% | -22.4% | -21.6% | -25.9% | -22.5% | -21.3% | -27.4% |
| Operating Cash Flow | €m | 190.3 | 46.5 | 46.1 | 49.8 | 47.8 | 49.1 | 50.9 | 37.4 |
| % of total revenue | % | 27.8% | 27.1% | 27.0% | 29.1% | 27.9% | 28.6% | 29.6% | 21.5% |
| Interests | €m | (42.1) | (12.3) | (9.3) | (11.4) | (9.1) | (11.2) | (10.9) | (11.2) |
| Working Capital | €m | (7.4) | (32.0) | 15.2 | 1.1 | 8.4 | (7.3) | (6.2) | 3.2 |
| Taxes | €m | (16.8) | (6.8) | (2.6) | (1.0) | (6.4) | (7.0) | (2.9) | (3.0) |
| Others | €m | (23.0) | (5.9) | (7.7) | (5.3) | (4.2) | (2.1) | (3.2) | (2.2) |
| Free Cash Flow | €m | 101.1 | (10.5) | 41.8 | 33.3 | 36.5 | 21.5 | 27.7 | 24.4 |
| Dividends | €m | (55.3) | (25.0) | - | (30.3) | - | (23.1) | (1.9) | (30.3) |
| Net debt variation | €m | 45.8 | (35.5) | 41.8 | 3.0 | 36.5 | (1.6) | 25.8 | (6.0) |
| NET DEBT | €m | 1,486.3 | 1,567.5 | 1,525.8 | 1,522.8 | 1,486.3 | 1,487.8 | 1,462.0 | 1,468.0 |

| Balance Sheet | | Annual | Quarterly | | | | | | |
|---|------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Unit | 2019 | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 |
| Non-current Assets | €m | 2,749.0 | 2,779.1 | 2,765.1 | 2,754.5 | 2,749.0 | 2,738.0 | 2,725.3 | 2,726.4 |
| Intangible assets | €m | 1,324.2 | 1,332.7 | 1,329.5 | 1,324.9 | 1,324.2 | 1,322.4 | 1,318.4 | 1,319.5 |
| Tangible assets | €m | 1,288.8 | 1,312.2 | 1,302.7 | 1,292.9 | 1,288.8 | 1,280.5 | 1,272.9 | 1,273.0 |
| Financial assets | €m | 8.9 | 9.1 | 9.0 | 8.4 | 8.9 | 8.0 | 6.9 | 6.0 |
| Deferred tax assets | €m | 127.1 | 125.1 | 123.8 | 128.3 | 127.1 | 127.1 | 127.1 | 127.9 |
| Current Assets | €m | 168.2 | 144.1 | 149.5 | 158.8 | 168.2 | 174.4 | 206.0 | 208.0 |
| Inventories | €m | 4.2 | 5.7 | 6.4 | 6.1 | 4.2 | 5.7 | 4.8 | 6.6 |
| Trade and other receivables | €m | 65.8 | 66.6 | 62.5 | 71.4 | 65.8 | 70.9 | 78.7 | 83.9 |
| Cash and cash equivalents | €m | 98.2 | 71.8 | 80.6 | 81.3 | 98.2 | 97.9 | 122.5 | 117.5 |
| TOTAL ASSETS | €m | 2,917.3 | 2,923.3 | 2,914.6 | 2,913.4 | 2,917.3 | 2,912.4 | 2,931.3 | 2,934.4 |
| Total Shareholders' Equity | €m | 982.0 | 987.3 | 967.9 | 986.8 | 982.0 | 1,001.1 | 987.6 | 1,005.9 |
| Non-current Liabilities | €m | 1,533.9 | 1,619.7 | 1,554.7 | 1,558.6 | 1,533.9 | 1,532.8 | 1,577.6 | 1,575.4 |
| Long term debt | €m | 1,369.0 | 1,444.9 | 1,388.5 | 1,390.1 | 1,369.0 | 1,370.3 | 1,416.3 | 1,416.8 |
| Provisions | €m | - | - | - | - | - | - | - | - |
| Other non-current liabilities | €m | 164.9 | 174.8 | 166.2 | 168.5 | 164.9 | 162.5 | 161.3 | 158.6 |
| Current Liabilities | €m | 401.4 | 316.3 | 392.0 | 367.9 | 401.4 | 378.5 | 366.1 | 353.1 |
| Short term debt | €m | 195.3 | 154.4 | 185.5 | 192.1 | 195.3 | 194.7 | 149.4 | 150.1 |
| Trade and other payables | €m | 206.1 | 161.9 | 206.5 | 175.8 | 206.1 | 183.8 | 216.8 | 203.0 |
| Total Liabilities | €m | 1,935.3 | 1,936.0 | 1,946.7 | 1,926.5 | 1,935.3 | 1,911.3 | 1,943.7 | 1,928.4 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | €m | 2,917.3 | 2,923.3 | 2,914.6 | 2,913.4 | 2,917.3 | 2,912.4 | 2,931.3 | 2,934.4 |