



## **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

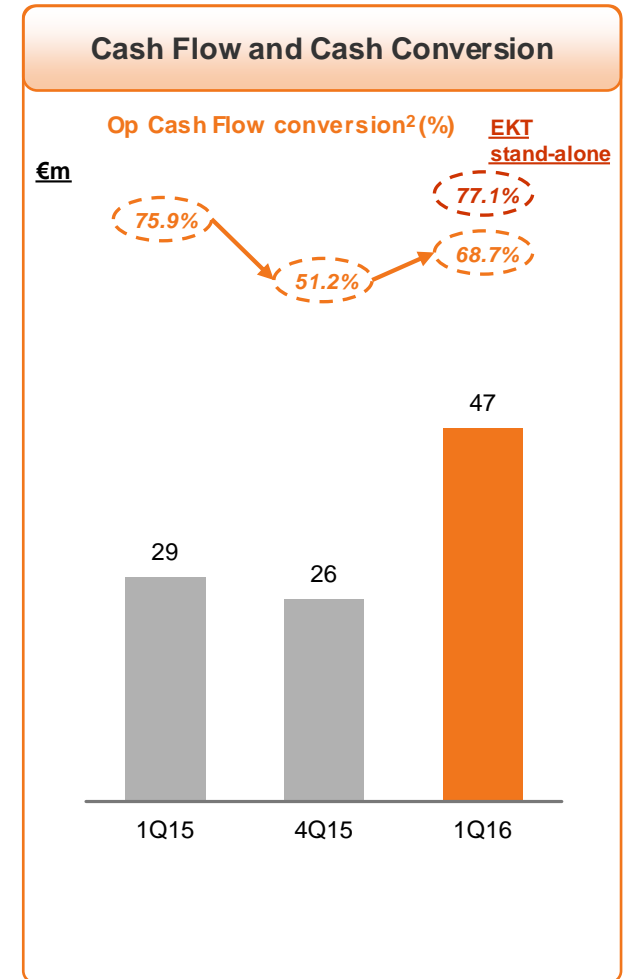
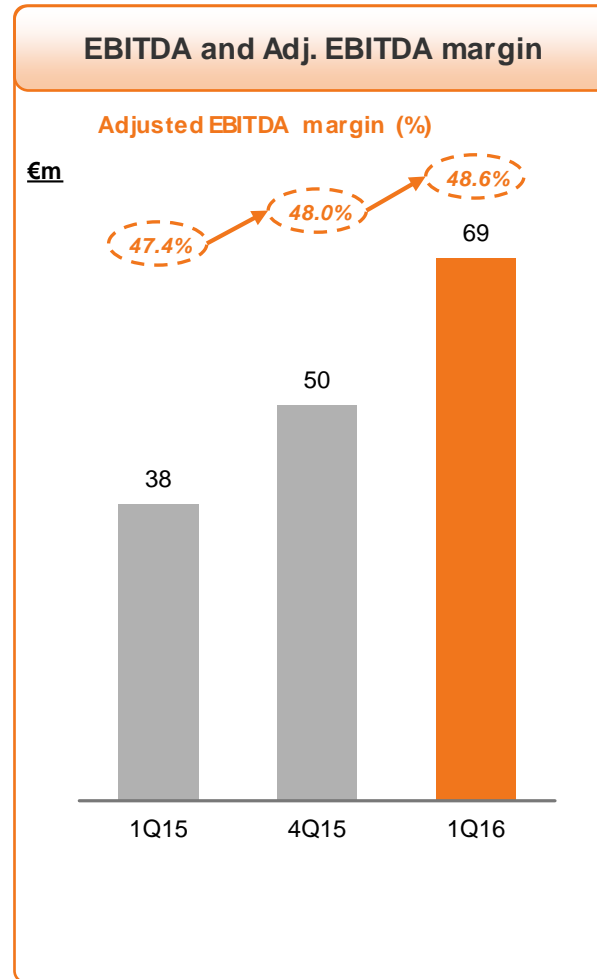
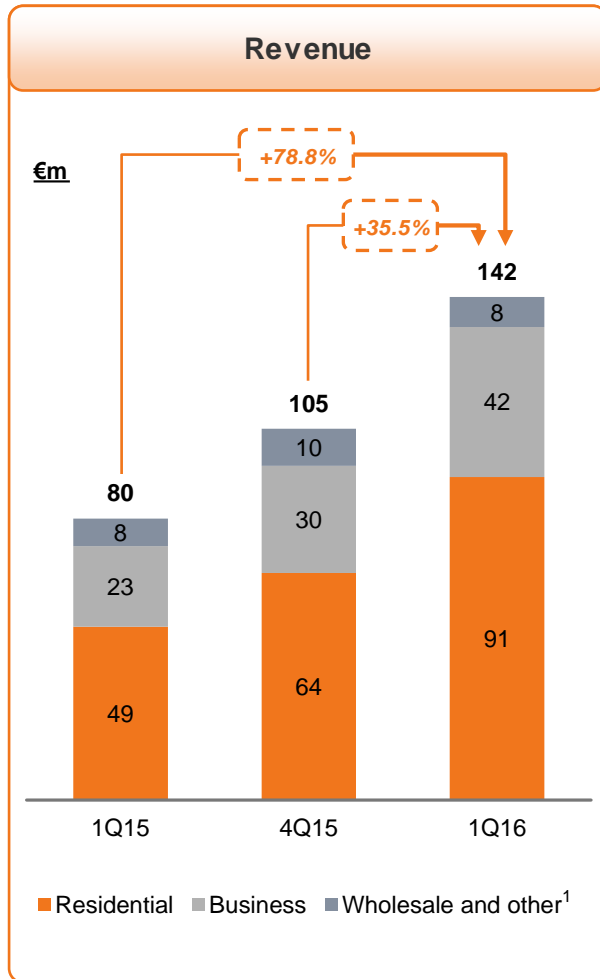
<u>€m</u>	<u>1Q16</u> <sup>1</sup>	<u>1Q15</u> <sup>2</sup>	<u>1Q16 vs. 1Q15</u>	
			<u>€m</u>	<u>%</u>
<b>Total Revenue</b>	<b>142.2</b>	<b>79.6</b>	<b>62.6</b>	<b>78.7%</b>
Residential	91.4	49.0	42.4	86.4%
Business	42.5	22.8	19.7	86.4%
Wholesale & Other	8.4	7.8	0.6	8.3%
<b>EBITDA</b>	<b>69.1</b>	<b>37.7</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

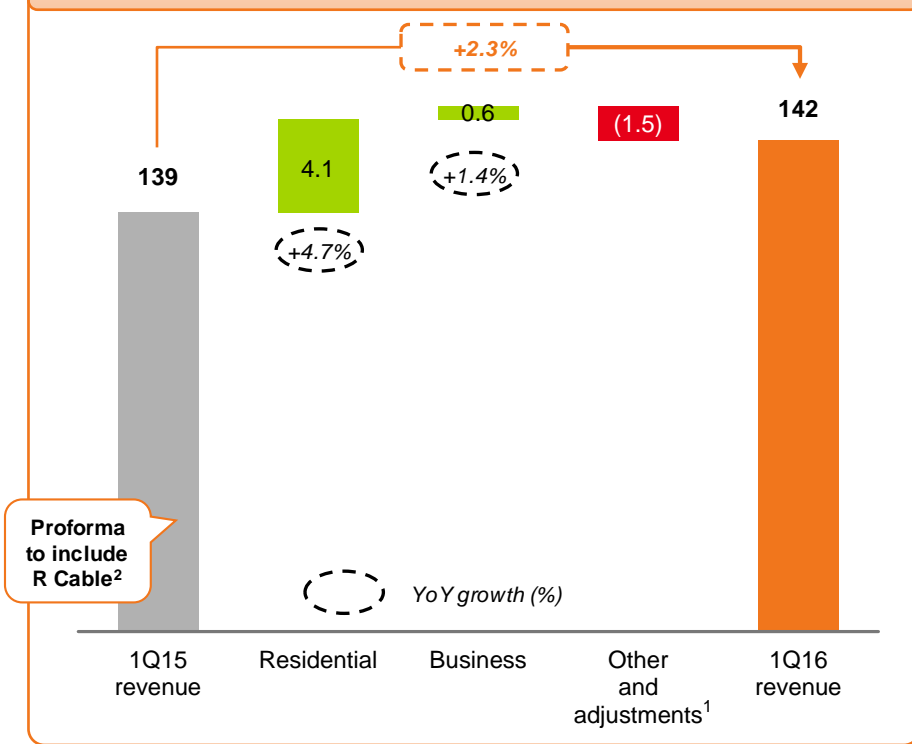


**Notes:**

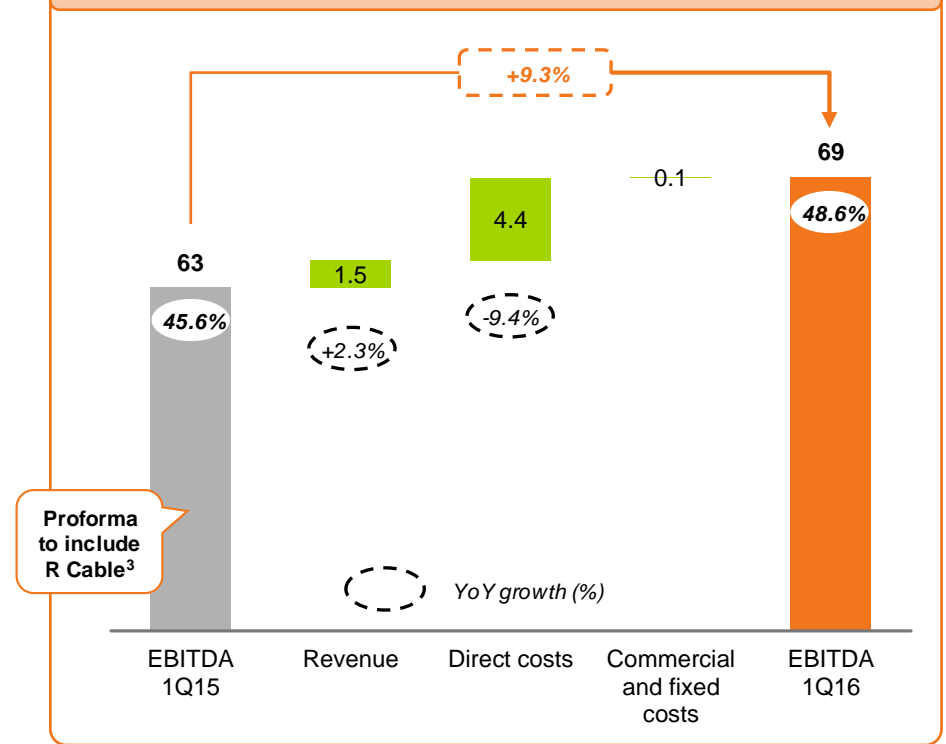
1. Includes RACC, services to Telecable, other corporate revenue and TREI
2. OpCF conversion defined as (EBITDA-capex)/EBITDA

# 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

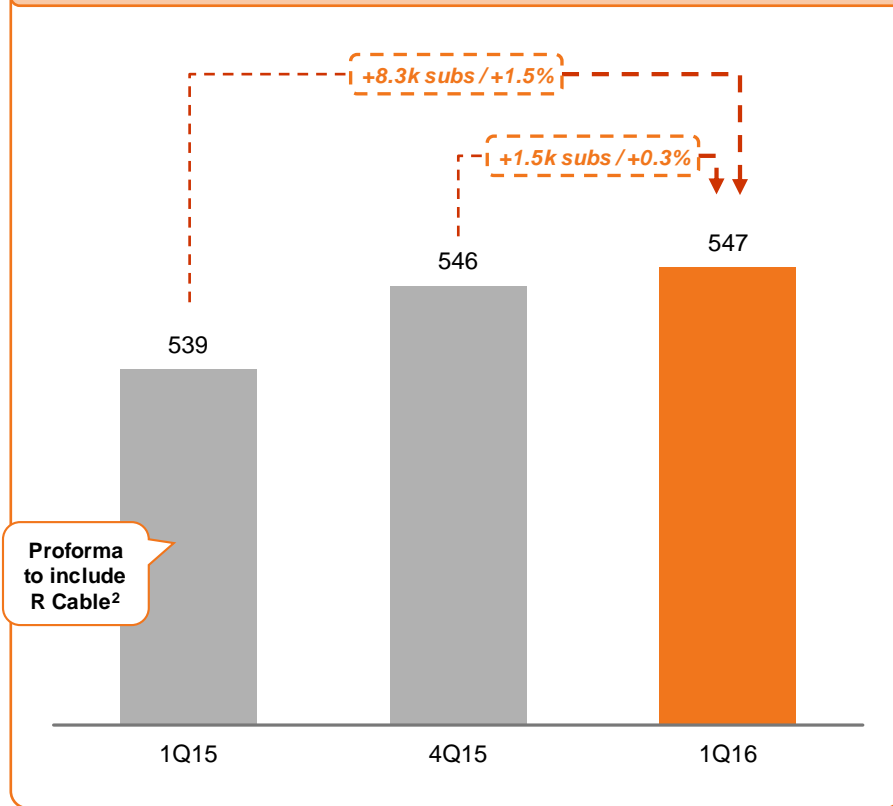
### Notes:

- 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

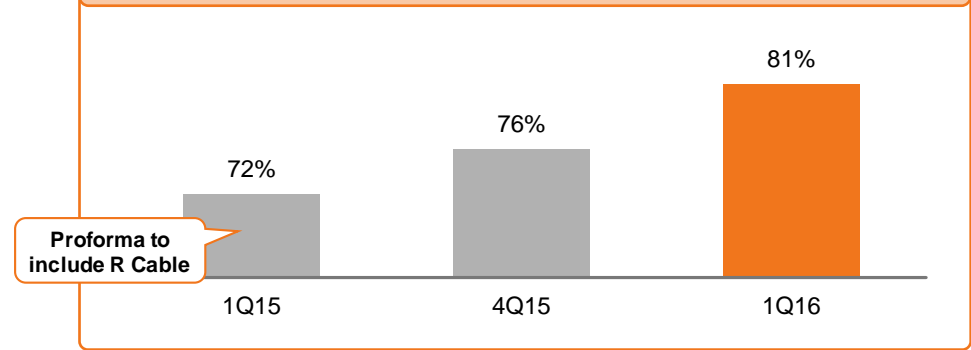


# Residential subs growth focused on providing high-value products to our customers

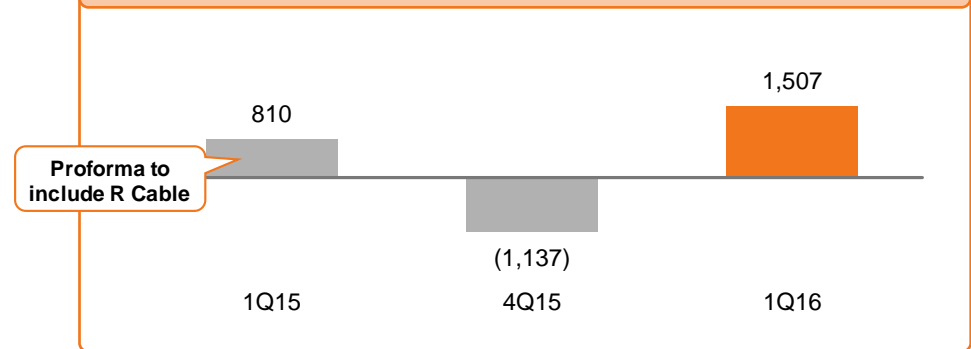
## Residential subscribers evolution<sup>1</sup> ('000)



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



## Net customer additions (# subs)



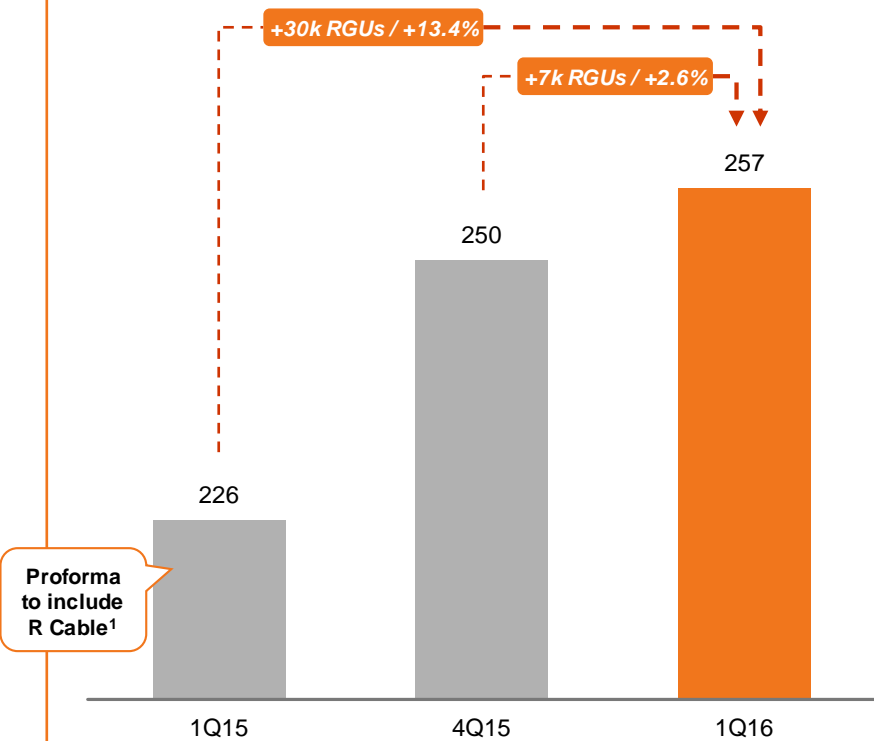
- Consistent subscribers growth (+16k gross adds in 1Q16, +24% growth LfL)
- Focus on high-value products to our customers (81% of gross adds acquiring 3P/4P bundles, of which 60% acquire TV services)
- Recovery of net adds growth vs. 4Q15 (+1.5k subs) both in fixed (+0.2k) and mobile only subs (+1.3k)

### Notes:

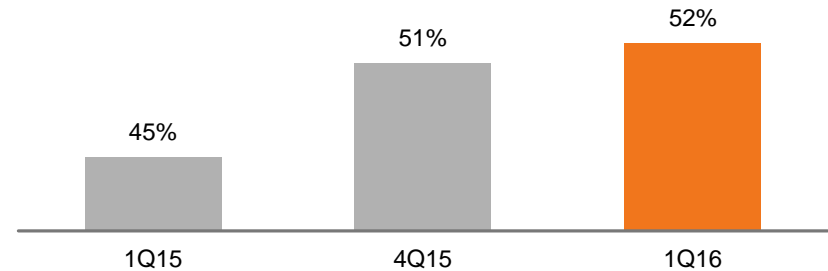
- Includes mobile-only subscribers
- Includes c.243k residential subs from R Cable as of 1Q15

# 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



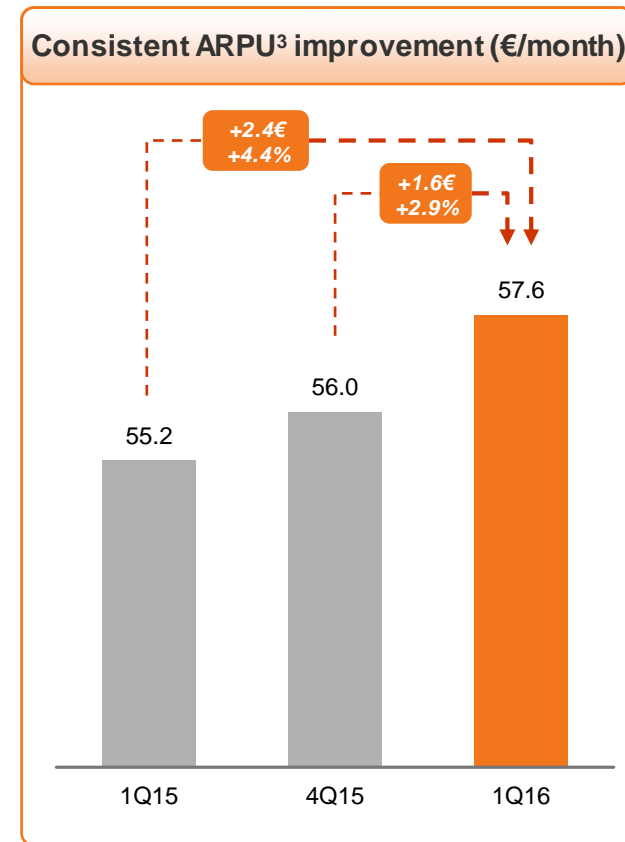
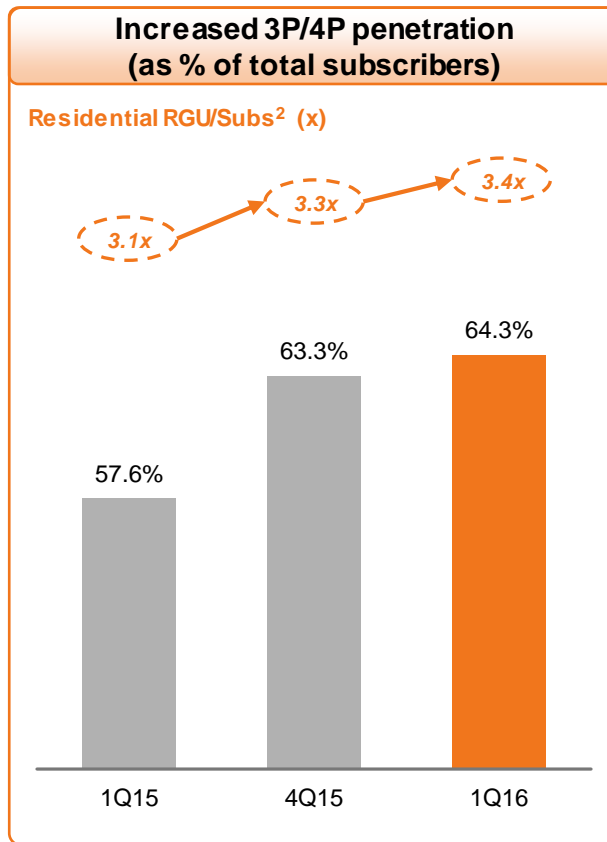
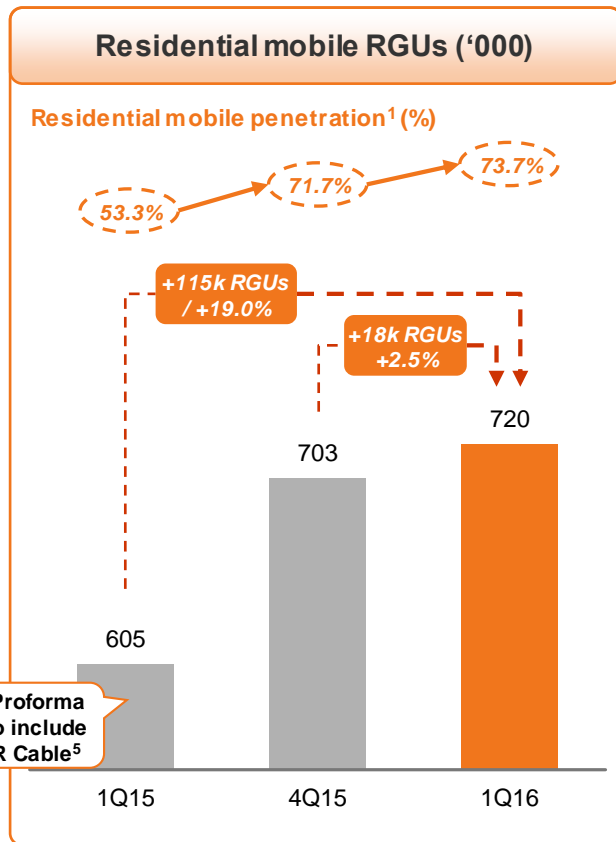
- Strong performance of our TV offering with 13.4% growth in RGUs over the year (52% of our subscriber base)
- In 1Q16, intake has accelerated with 60% of new customers acquiring TV services
- Our approach to future content investment will always remain disciplined, focused on customer value and subject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

### Notes:

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



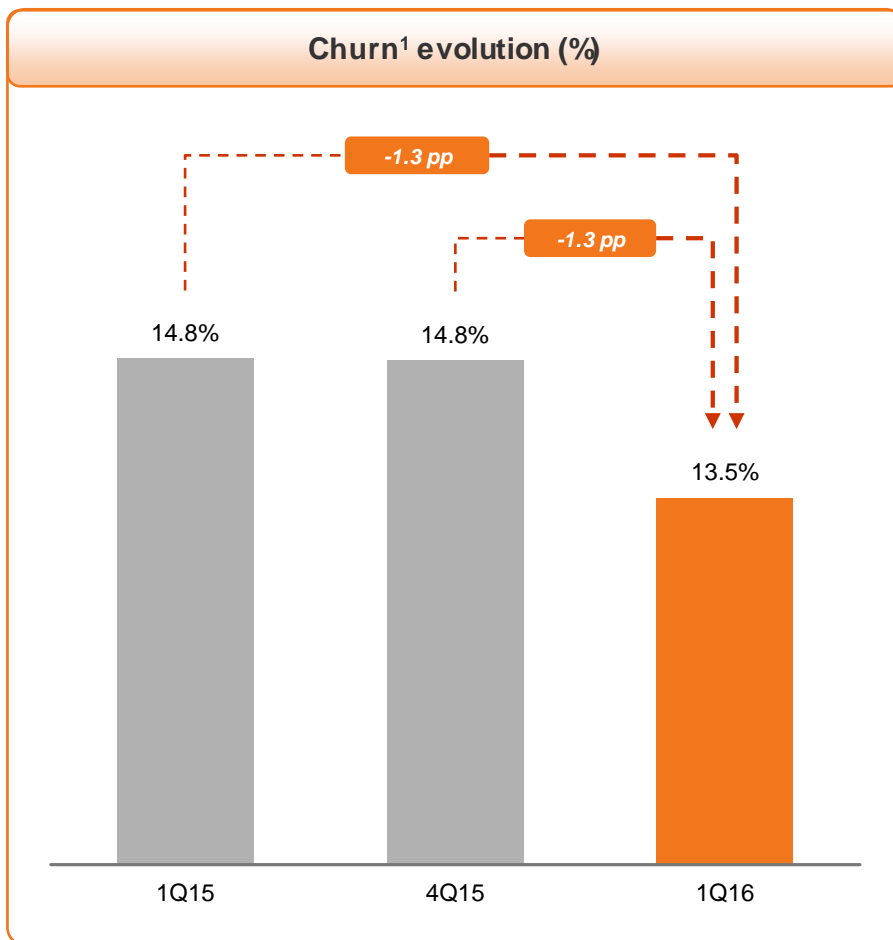
# Consistent mobile and bundle penetration driving ARPU growth



- 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

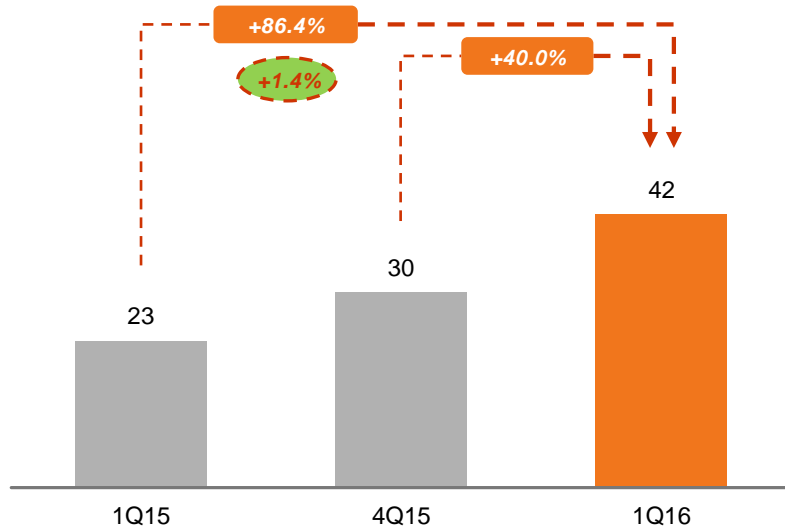
**Full mobility experience as a key element for an improved customer satisfaction and retention**

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

# Business segment has stabilised

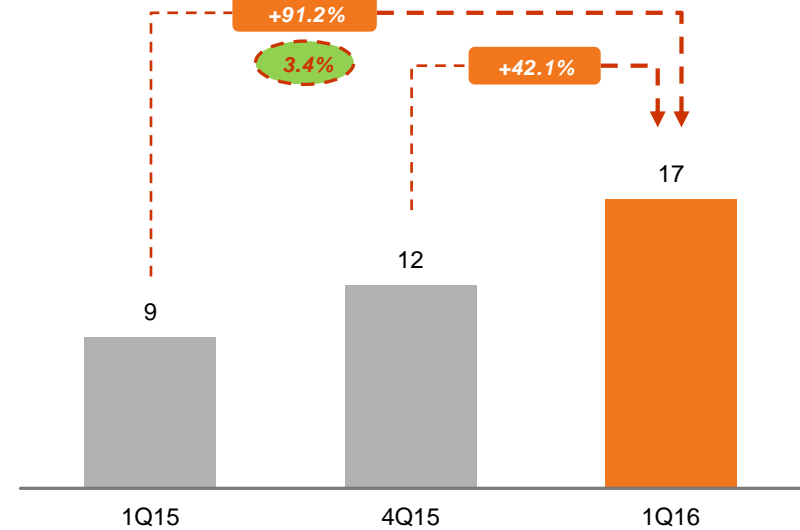
## Business segment revenue evolution<sup>1</sup>


Business revenue (€m)



## SOHO revenue evolution

SOHO revenue (€m)



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

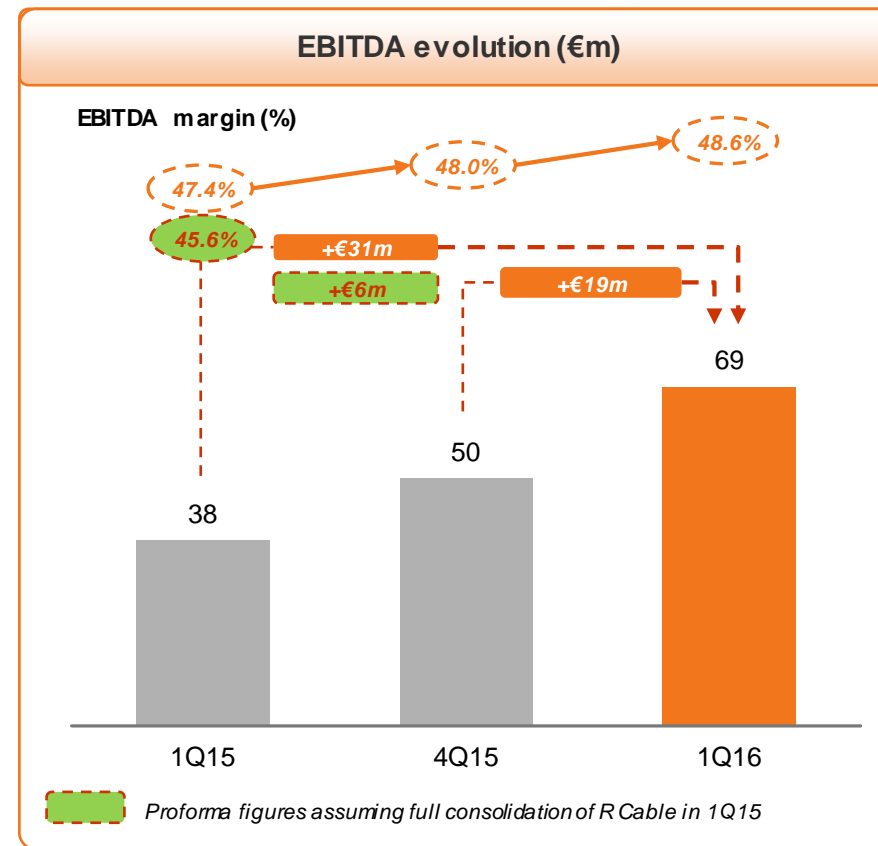
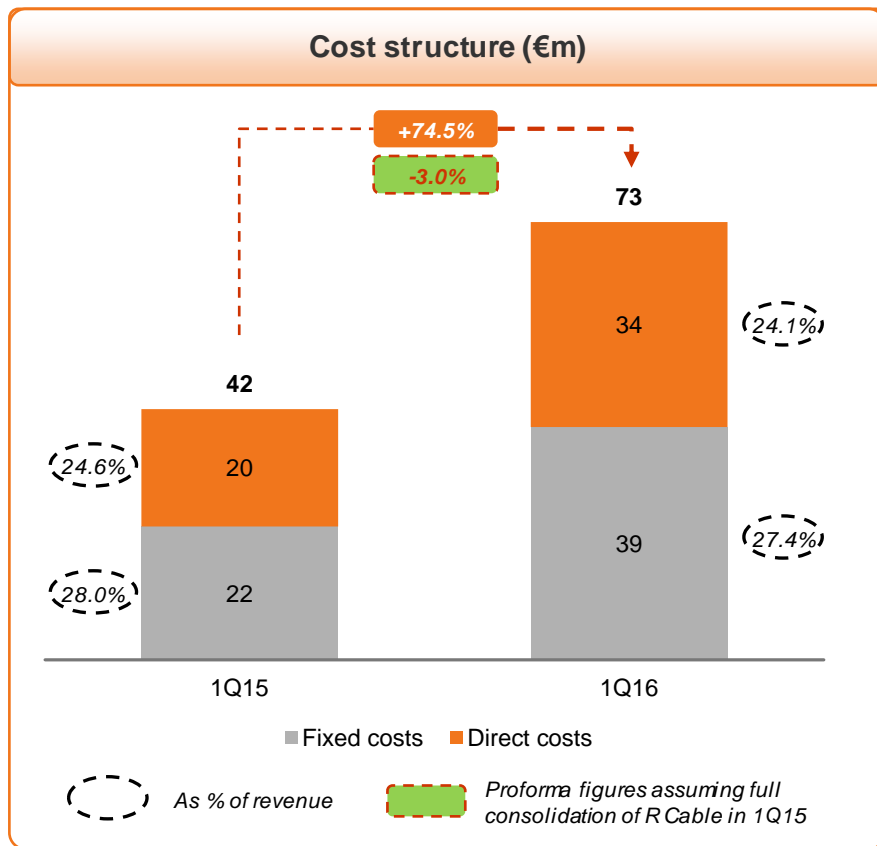
- Business segment revenue growth (+1.4% LfL)
- Strategy focused on proximity and penetration of value-added services (cloud, hosting, security, etc.)

- 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



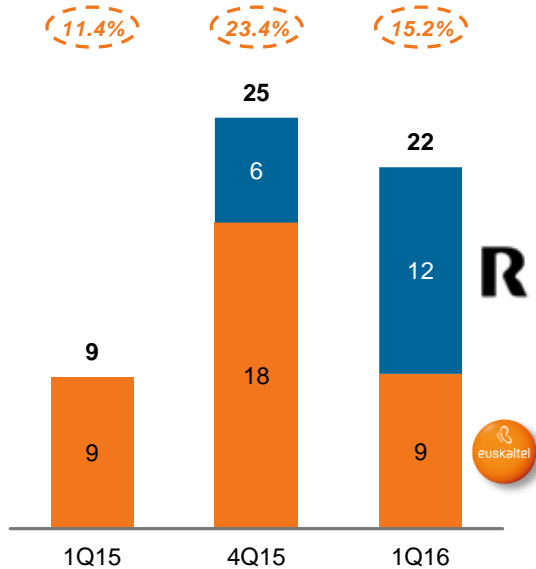
- Direct costs reduction (-9.4% LfL) while new mobile lines increased by 19% YoY
  - Reduction mainly driven by savings in interconnection costs, optimisation of handset purchases and the decision not to acquire football content
- Strong EBITDA evolution (+9.3% LfL) with consistent margin expansion (300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

# Capex according to plan driving superior cash flow conversion

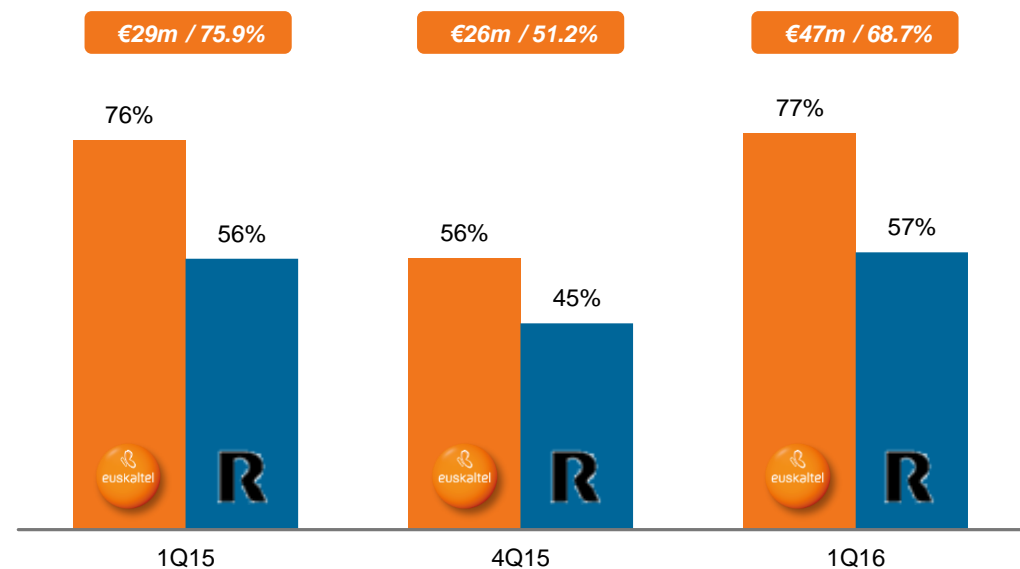
## Capex and OpCF<sup>1</sup> evolution

### Consolidated capex (€m)

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



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

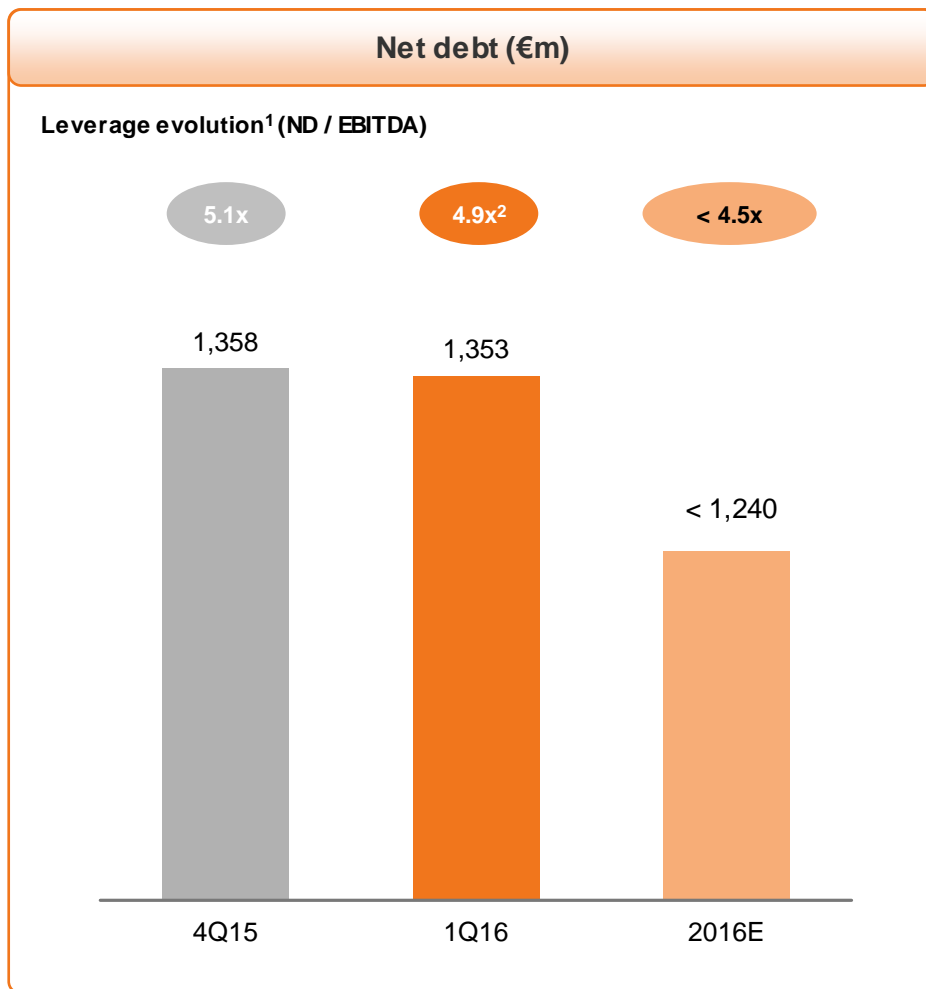


🔗 R-Cable capex converging to Euskaltel stand-alone levels

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

#### Note:

- OpCF defined as EBITDA – capex
- OpCF conversion defined as (EBITDA – capex) / EBITDA



**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	1Q15	2Q15	3Q15	4Q15	1Q16
Homes passed	#	866,716	869,900	1,642,573	872,053	873,254	876,937	1,642,573	1,700,847
Household coverage	%	84%	85%	62%	85%	85%	85%	62%	62%
Residential subs	#	298,495	296,023	545,502	295,360	300,751	298,419	545,502	547,009
o/w fixed services	#	284,105	279,212	471,664	278,051	282,890	279,353	471,664	471,837
as % of homes passed	%	32.8%	32.1%	28.7%	31.9%	32.4%	31.9%	28.7%	28.7%
o/w mobile only subs	#	14,390	16,811	73,838	17,309	17,861	19,066	73,838	75,172
o/w 1P (%)	%	23.1%	17.8%	21.9%	17.6%	17.3%	17.5%	21.9%	21.7%
o/w 2P (%)	%	35.8%	26.9%	14.8%	24.8%	21.5%	19.3%	14.8%	14.0%
o/w 3P (%)	%	31.8%	35.0%	29.6%	35.5%	36.6%	36.6%	29.6%	29.0%
o/w 4P (%)	%	9.4%	20.3%	33.7%	22.1%	24.6%	26.5%	33.7%	35.3%
Total RGUs	#	769,036	896,077	1,809,720	918,120	968,023	982,290	1,809,720	1,836,291
RGUs / sub	#	2.6	3.0	3.3	3.1	3.2	3.3	3.3	3.4
Residential churn fixed customers	%	14.8%	14.8%	14.8%	14.8%	12.2%	13.9%	14.8%	13.5%
Global ARPU fixed customers	€/month	53.3	53.8	56.0	55.2	55.5	55.8	56.0	57.6
Fixed Voice RGUs	#	284,311	279,691	467,181	278,516	283,341	279,792	467,181	467,280
as% fixed customers	%	100.1	100.2	99.0%	100.2%	100.2%	100.2%	99.0%	99.0%
BB RGUs	#	215,520	217,726	389,456	218,391	224,361	222,288	389,456	391,733
as% fixed customers	%	75.9%	78.0%	82.6%	78.5%	79.3%	79.6%	82.6%	83.0%
TV RGUs	#	56,992	124,754	250,191	124,729	127,660	127,802	250,191	256,783
as% fixed customers	%	20.1%	44.7%	53.0%	44.9%	45.1%	45.7%	53.0%	54.4%
Postpaid lines	#	212,213	273,906	702,892	296,484	332,661	352,408	702,892	720,495
Postpaid customers	#	126,016	153,939	412,247	165,411	185,203	194,926	412,247	422,737
as% fixed customers (only mobile excluded)	%	39.3%	49.1%	71.7%	53.3%	59.2%	63.0%	71.7%	73.7%
Mobile lines / customer	#	1.7	1.8	1.7	1.8	1.8	1.8	1.7	1.7
SOHO									
KPIs	Unidad	2013	2014	2015	1Q15	2Q15	3Q15	4Q15	1Q16
Subs	#	46,317	47,038	88,163	47,136	47,932	47,775	88,163	88,301
o/w 1P (%)	%	35.0%	32.7%	28.5%	32.1%	30.3%	29.7%	28.5%	31.7%
o/w 2P (%)	%	29.9%	26.1%	27.0%	23.9%	21.9%	20.4%	27.0%	18.4%
o/w 3P (%)	%	30.0%	31.1%	33.9%	32.9%	35.2%	36.9%	33.9%	38.1%
o/w 4P (%)	%	5.1%	10.2%	10.6%	11.1%	12.6%	13.0%	10.6%	11.8%
Total RGUs	#	133,079	143,472	278,314	147,585	155,881	158,589	278,314	285,111
RGUs / sub	#	2.9	3.1	3.2	3.1	3.3	3.3	3.2	3.2
Global ARPU Fixed customers	€/month	68.2	65.0	65.3	64.4	65.1	65.4	65.3	64.9
SMEs and Large Accounts									
KPIs	Unit	2013	2014	2015	1Q15	2Q15	3Q15	4Q15	1Q16
Customers	#	5,251	5,094	11,518	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%

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