

# GRUPO MASMOVIL

## FULL YEAR 2016 FINANCIAL RESULTS

April 28th, 2017 | Madrid

MÁSMÓVIL

yoigo

pepephone  
.com

# Key Highlights

## **Consolidated 4<sup>th</sup> Operator Position in Spain**

*Acquired Yoigo and Pepephone*

## **>8% mobile market share**

*The mobile market share has grown from 1% in 2015 to 8.3% in 2016*

## **Entered convergent market**

*Launched convergent bundles under MASMOVIL brand*

## **One of the fastest growing operators in European Telecoms**

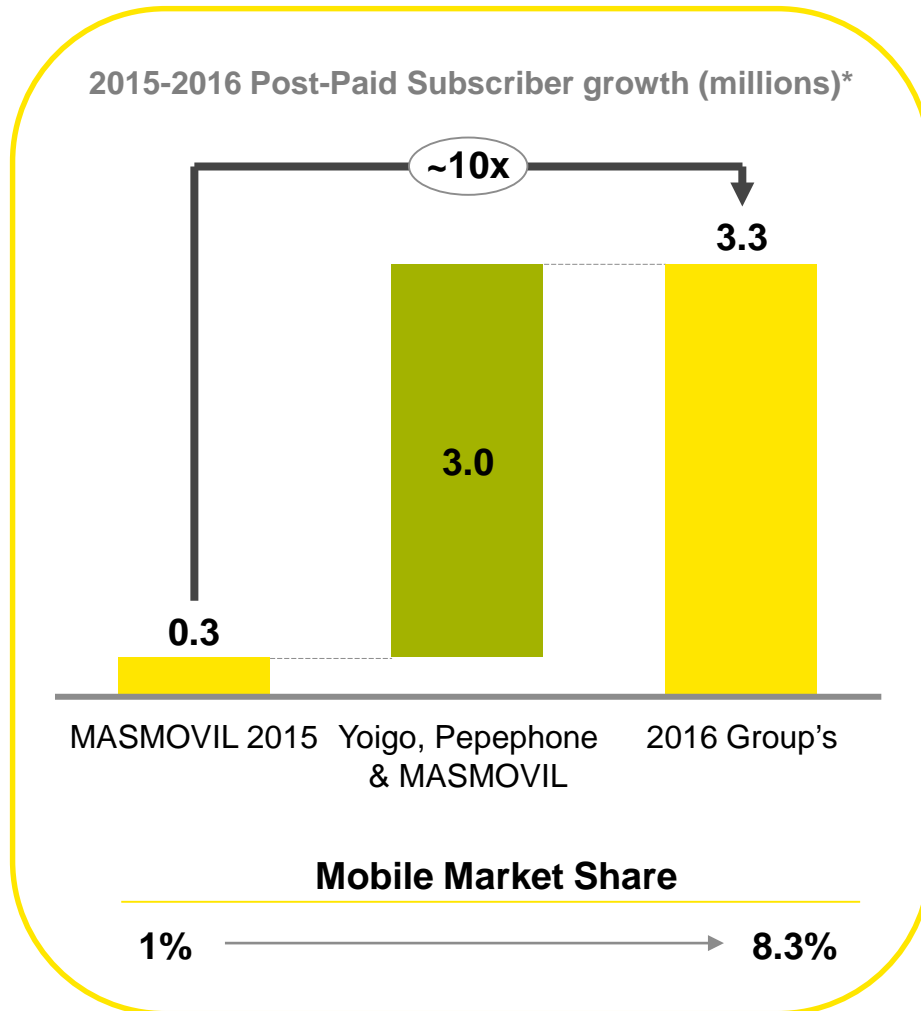
*Delivered ProForma Service Revenue and EBITDA growth of 8% and 16% in 2016 respectively*

## **Momentum to continue with 2017 EBITDA expected to be > €200m**

*Represents 70% yoy PF EBITDA growth driven by subscriber increase and cost savings*

# 2016 has been a transformational year

Acquisitions and entry into the convergent market mark new beginning for the company



**MÁSMÓVIL**  
*In 2015*

- MVNO with price value proposition to customers

+

**yoigo**  
**pepephone.com**

- Own mobile network
- + 3.0m post-paid subscribers

**MÁSMÓVIL**  
+

**Broadband Footprint**

- Remedies from Orange in 2015 (FTTH / ADSL)
- New FTTH wholesale and co-investment contract with Orange

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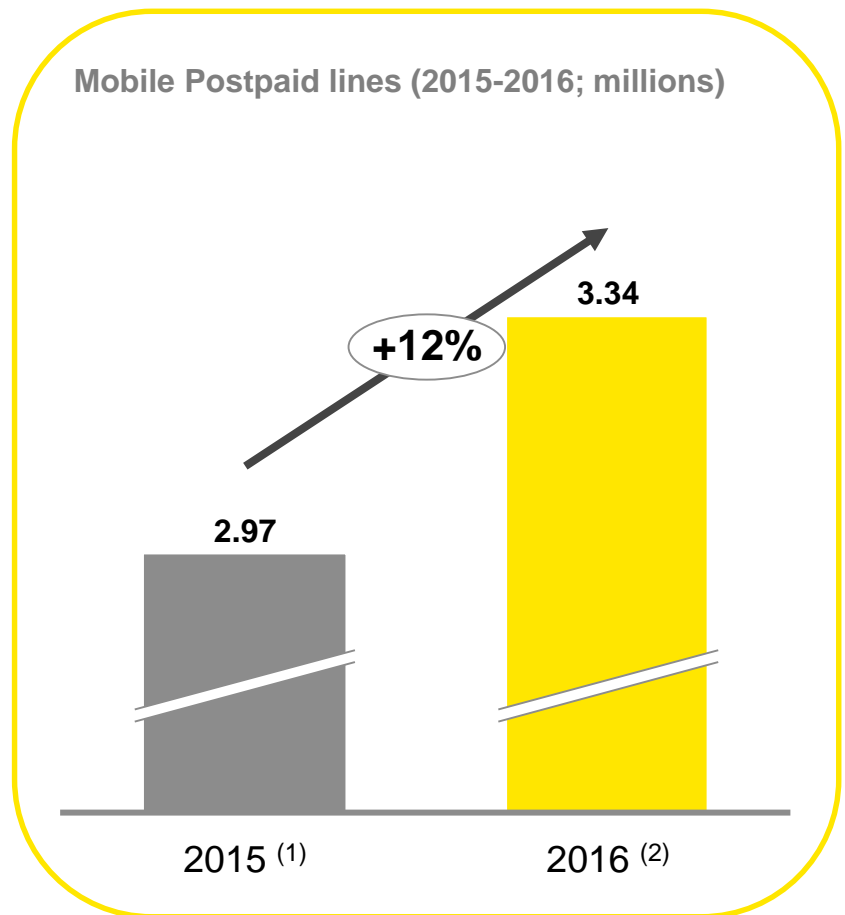
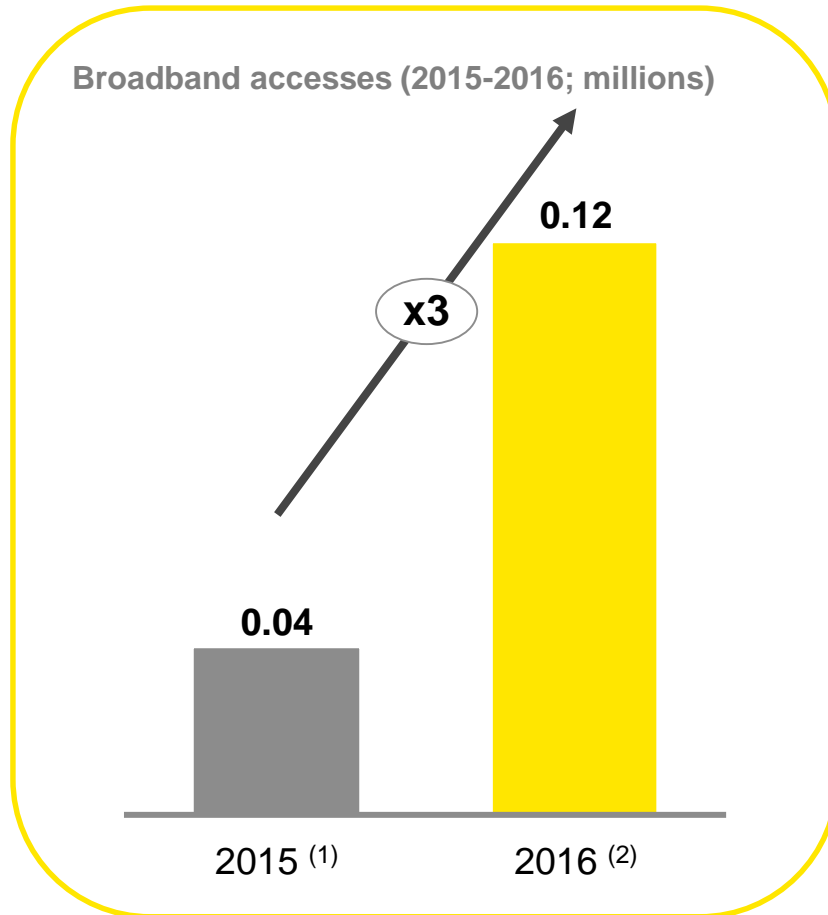
GRUPO  
**MASMOVIL**

**4<sup>th</sup> Convergent Operator in Spain**

\* Total client evolution (incl. prepaid): c.0.5m (2015) to 4.3m (2016)

# One of the fastest growing operators

BB accesses increased by x3; Mobile postpaid +12% between 2015 and 2016



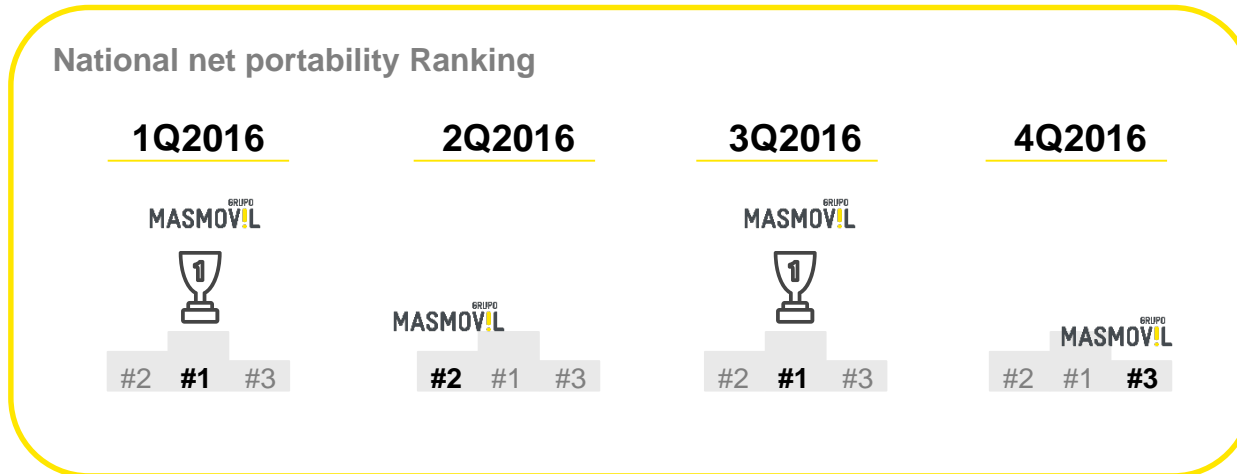
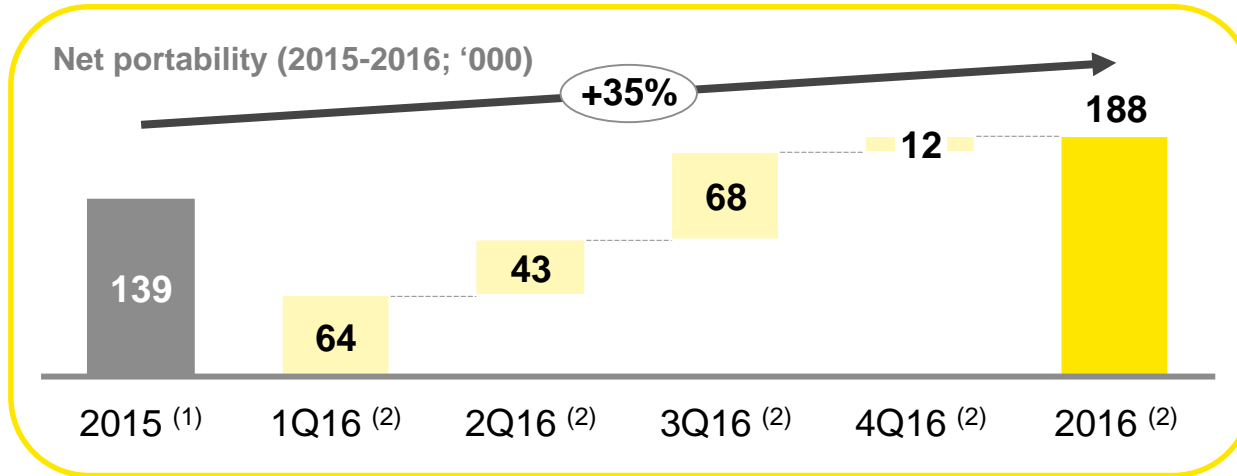
(1) Aggregated

(2) Proforma

Source: Internal information

# Leading recruiter of mobile subscriber in 2016

MASMOVIL has lead the league table for mobile client acquisitions in 2016



(1) Aggregated

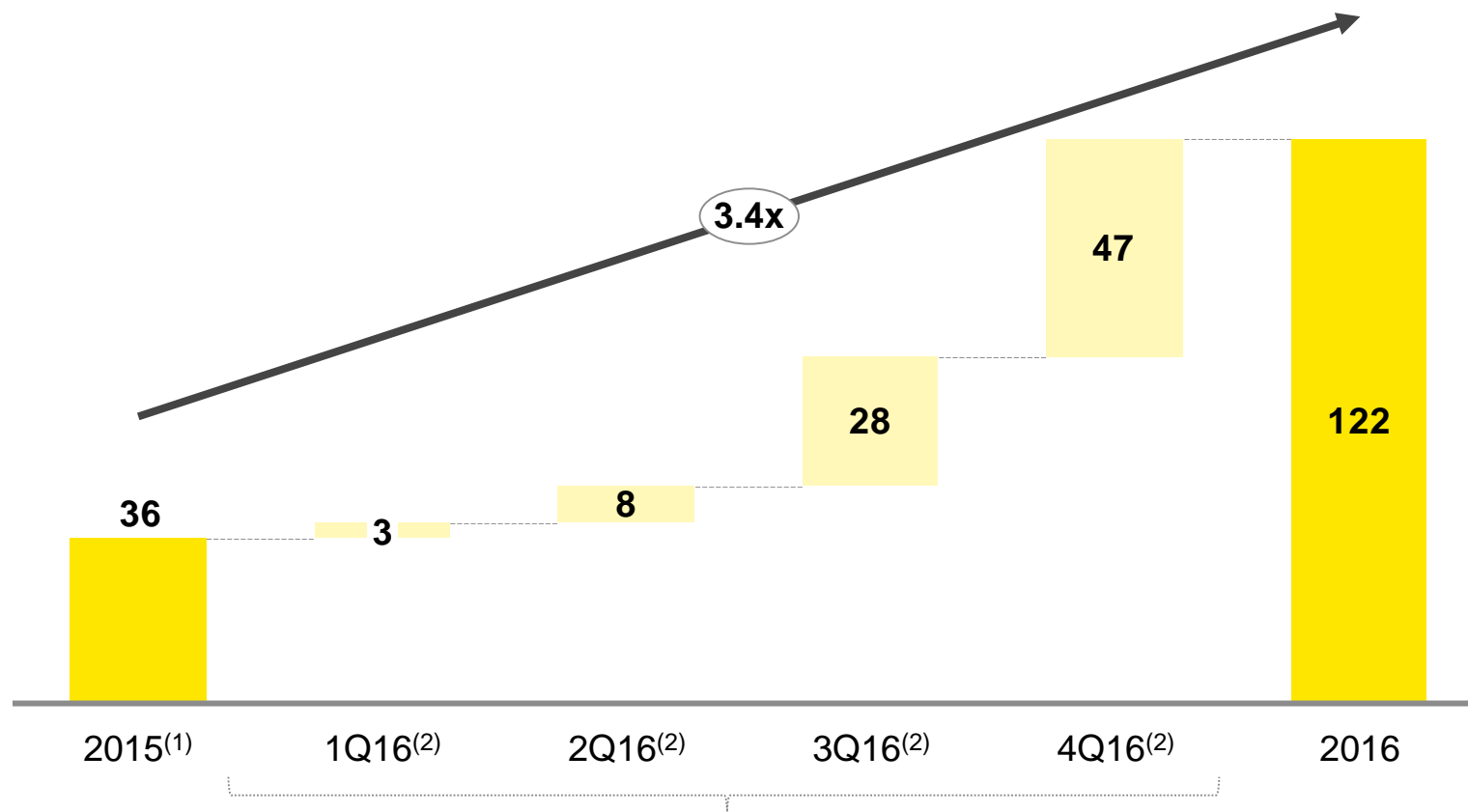
(2) Proforma

Source: Internal information & CNMC

# Convergent launch fuels operating momentum

Broadband net adds have been accelerating each quarter

Broadband subscribers (2015-2016; '000)



(1) Aggregated

(2) Proforma

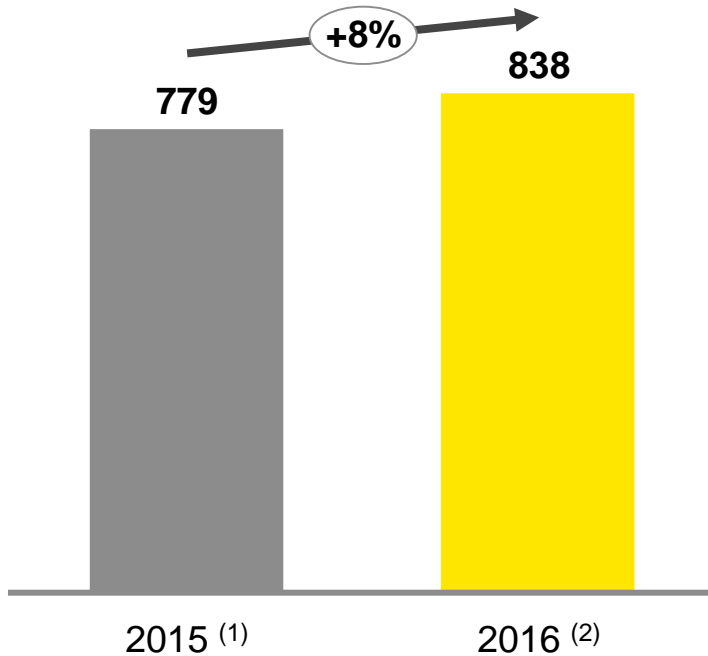
Source: Internal information

Quarterly Net BB adds

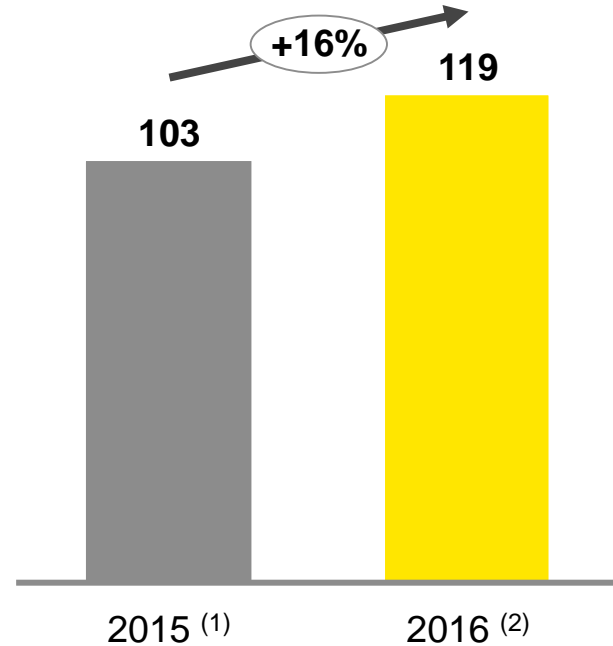
# Solid financial performance

One of the highest growth rates in Europe in terms of Service Revenues and EBITDA

Service Revenues (2015-2016; M€)



Recurrent EBITDA (2015-2016; M€)



(1) Aggregated

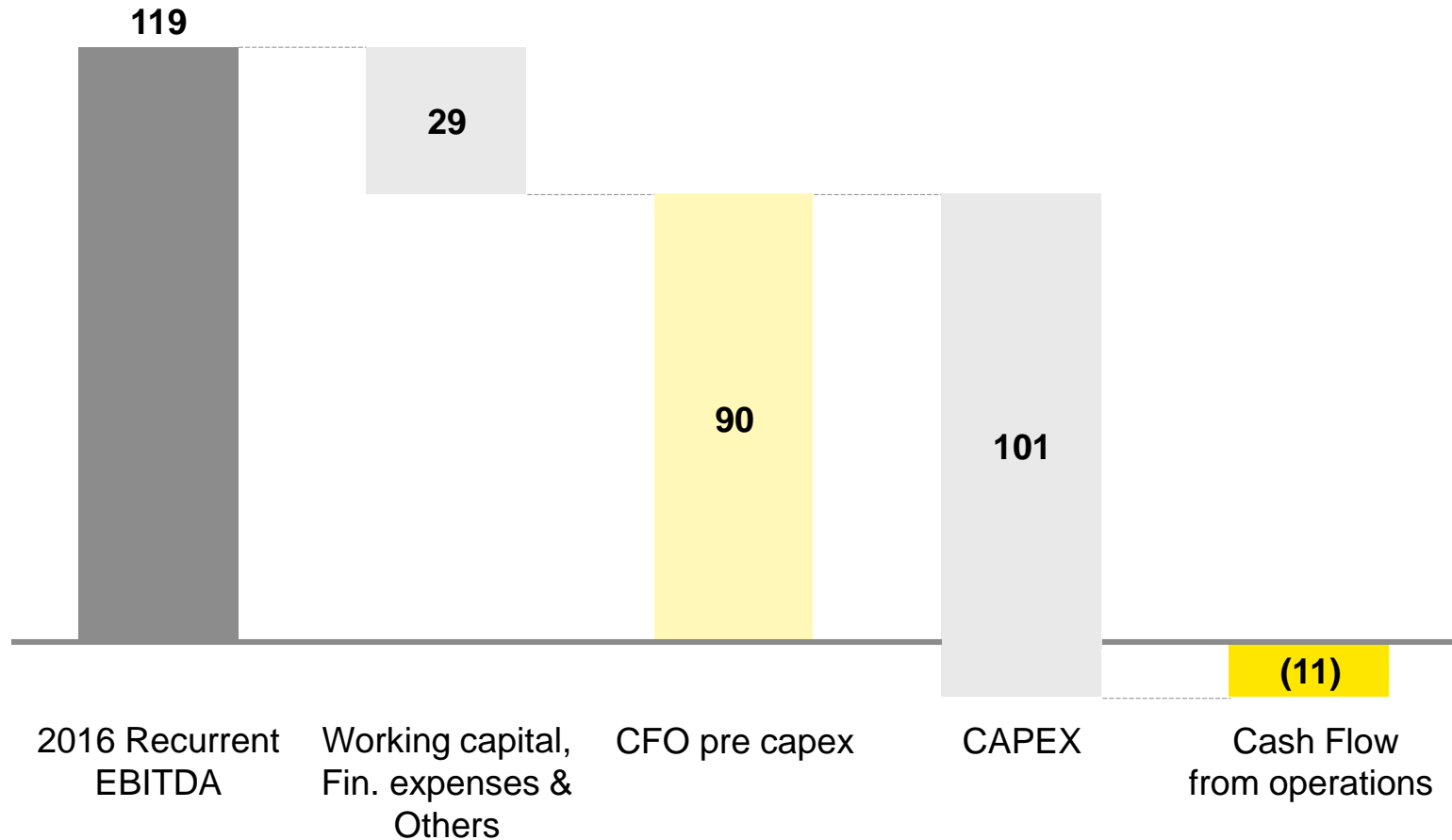
(2) Proforma

Source: Internal information

# All CF from operations invested in CAPEX **MASMOVIL** GRUPO

MASMOVIL continues to invest in the development of infrastructure

Free Cash Flow calculation (2016; €M)

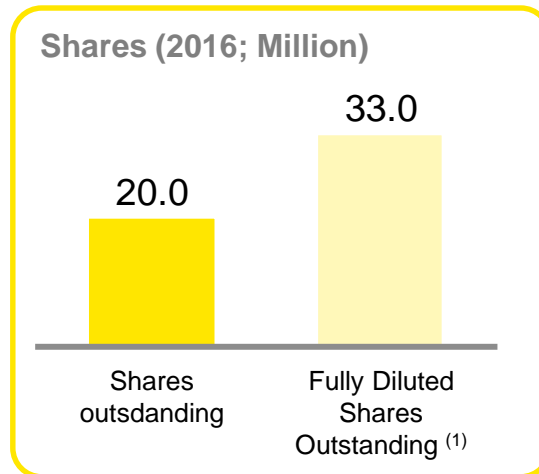
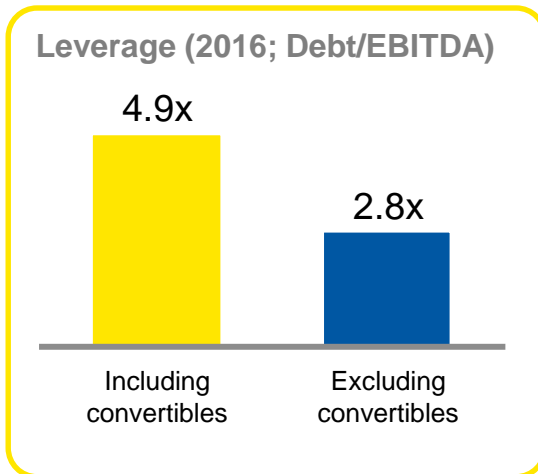
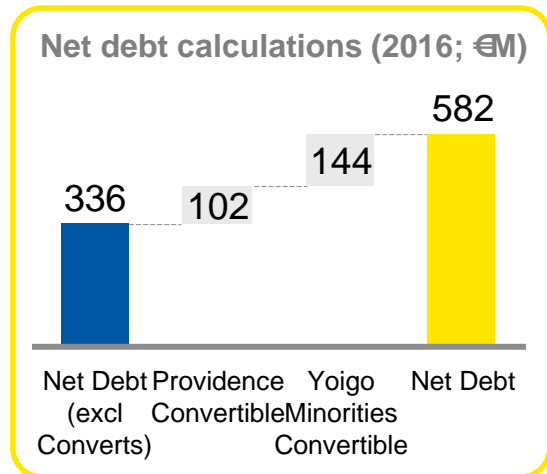
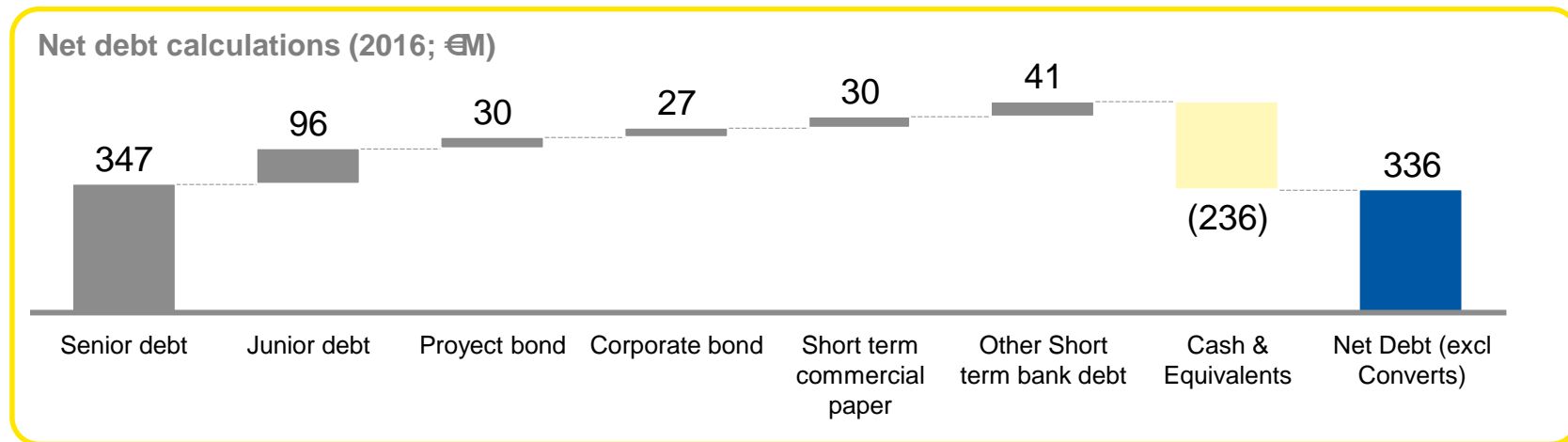


Source: Internal information



# Net debt at 336M€ excluding convertibles

ND of 582M€ down to 336M€ if “deep-in-the-money” converts excluded; fully diluted shares up to 33.0M



(1) Calculated based on average number of shares plus conversion of outstanding convertibles as of March 2017 plus the exercise of MASMOVIL ESOP

Source: Internal information

# NRA driving EBITDA margin expansion

Substantial EBITDA savings to be achieved in 2017



## Previous situation

- Even though Yoigo has invested in its own network, the company still has to rely on a roaming partner to provide nationwide coverage
- Both Masmovil and Pepephone are MVNOs and therefore do not have their own network to carry the traffic
- The focus of the companies is more on sales and marketing as opposed to maintaining network infrastructure

## NRA Provider 2016



## % of Data Traffic Carried by Roaming Partner

c.40%

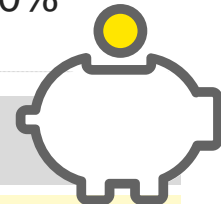
100%

100%

## Impact of new NRAs

**Substantial savings!**

***New NRAs will reduce total host costs to network partners by more than €60m in the next 12 months.***



# Agreements with Orange & Telefónica

Both agreements support Group's strategy as the 4<sup>th</sup> national operator

## ORANGE: global agreement based on 3 pillars

### NRA

- Renegotiation of national roaming prices

### Site Sharing

- Agreement for site sharing at competitive economics to support mobile network build out in the long term

### FTTH

- Co-Invest1 agreement with Orange for total of 800-1,000k BU's by 2019
- Co-Invest2 agreement allows MASMOVIL to increase FTTH footprint
- Wholesale access agreement on full national Orange FTTH network

## TELEFÓNICA: NRA partnership agreement

### NRA

- Sound economics and elimination of migration risks
- Service quality and coverage enhancements

# Near term focus areas

Solidifying our position as the 4<sup>th</sup> Operator in Spain

**Assure Excellent Customer Service**

**Increase ARPU through Convergence**

**Develop Coherent Brand Strategy**

**Integrate Yoigo and Pepephone**

**Continue Expansion of FTTH Network**

**Realize Synergies**

# Long term strategy

Strengthen our position as the 4<sup>th</sup> Operator in Spain

## Clients First

**Design our actions, product and services with a clear customer first focus**

## Value Creation

**Create value in the market and for the client through convergence and innovative service propositions**

## Brand Variety

**Effectively address different segments in Spain through current portfolio of brands**

## Digital Leader

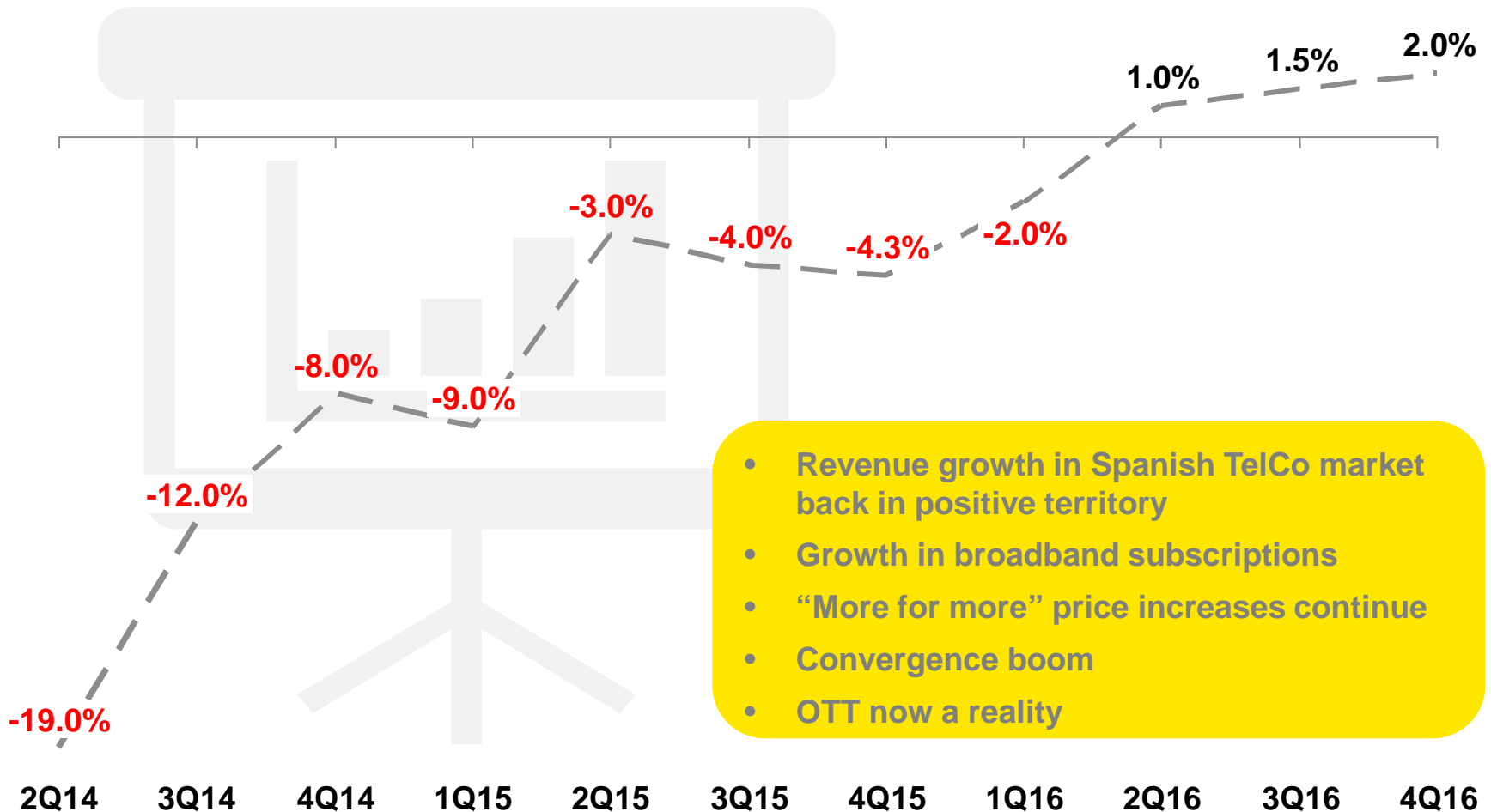
**Establish MASMOVIL as digital leader**

## Network Coverage

**Continue to increase mobile and FTTH network coverage using partnership agreements and own deployment**

# Markets dynamics provide tailwind

## Service Revenues Spanish Telco Market (2Q14 – 4Q16)



Source: Internal analysis and estimate (Q4 0216) & CNMC

# Guidance for 2017

**Subscribers**

**Total combined net increase in fixed broadband lines and post-paid mobile lines by 500k**

**Service Revenues**

**Growth in Service Revenues of more than 10% vs 2016 Proforma Service revenues (838M€)**

**Recurrent EBITDA**

**Recurrent EBITDA of more than 200M€ vs. 119M€ (Proforma) in 2016**

# Appendix



# P&L statements

16% Proforma EBITDA growth in 2016 (before savings); 5% Total proforma revenue growth

(M€)	Pro forma 2016	Aggregated 2015	% Growth	Reported 2016	Reported 2015	%Growth
Revenue	1,120.5	1,070.7	5%	401.0	130.2	<i>n.m.</i>
Other operating revenue	3.0	14.8	<i>n.m.</i>	9.8	3.1	<i>n.m.</i>
Cost of sales	(889.1)	(873.6)	2%	(262.9)	(89.5)	<i>n.m.</i>
Other operating expenses	(115.5)	(109.0)	6%	(147.3)	(33.0)	<i>n.m.</i>
<b>Recurrent EBITDA</b>	<b>118.9</b>	<b>102.8</b>	<b>16%</b>	<b>31.3</b>	<b>10.9</b>	<i>n.m.</i>
One Offs	(30.6)	-	-	(30.6)	-	-
Reported EBITDA	88.3	102.8	<i>n.m.</i>	0.7	10.9	<i>n.m.</i>
Depreciation and amortization	(106.6)	(82.7)	<i>n.m.</i>	(41.2)	(10.4)	<i>n.m.</i>
Reported EBIT	(18.3)	20.1	<i>n.m.</i>	(40.5)	0.5	<i>n.m.</i>
<b>Recurrent EBIT</b>	<b>12.3</b>	<b>20.1</b>	<i>n.m.</i>	<b>(9.9)</b>	<b>0.5</b>	<i>n.m.</i>
Net financial expenses	(26.2)	(11.2)	<i>n.m.</i>	(20.5)	(2.5)	<i>n.m.</i>
<b>Profit before taxes</b>	<b>(44.5)</b>	<b>8.9</b>	<i>n.m.</i>	<b>(61.0)</b>	<b>(2.0)</b>	<i>n.m.</i>
Income tax	4.8	(2.8)	<i>n.m.</i>	3.0	0.5	<i>n.m.</i>
Net Income/(Loss)	(39.7)	6.1	<i>n.m.</i>	(58.1)	(1.5)	<i>n.m.</i>
One Offs (post tax)	(27.3)	-	<i>n.m.</i>	(29.1)	-	<i>n.m.</i>
<b>Recurrent net income</b>	<b>(12.4)</b>	<b>6.1</b>	<i>n.m.</i>	<b>(29.0)</b>	<b>(1.5)</b>	<i>n.m.</i>

Source: Internal information

# Balance sheet

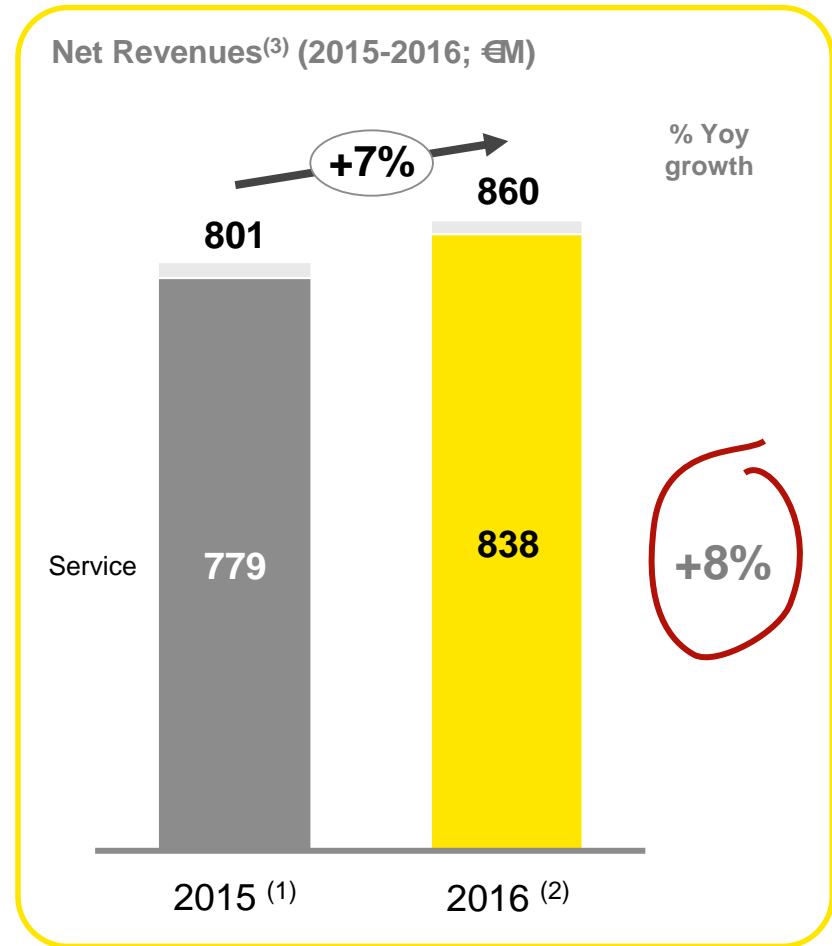
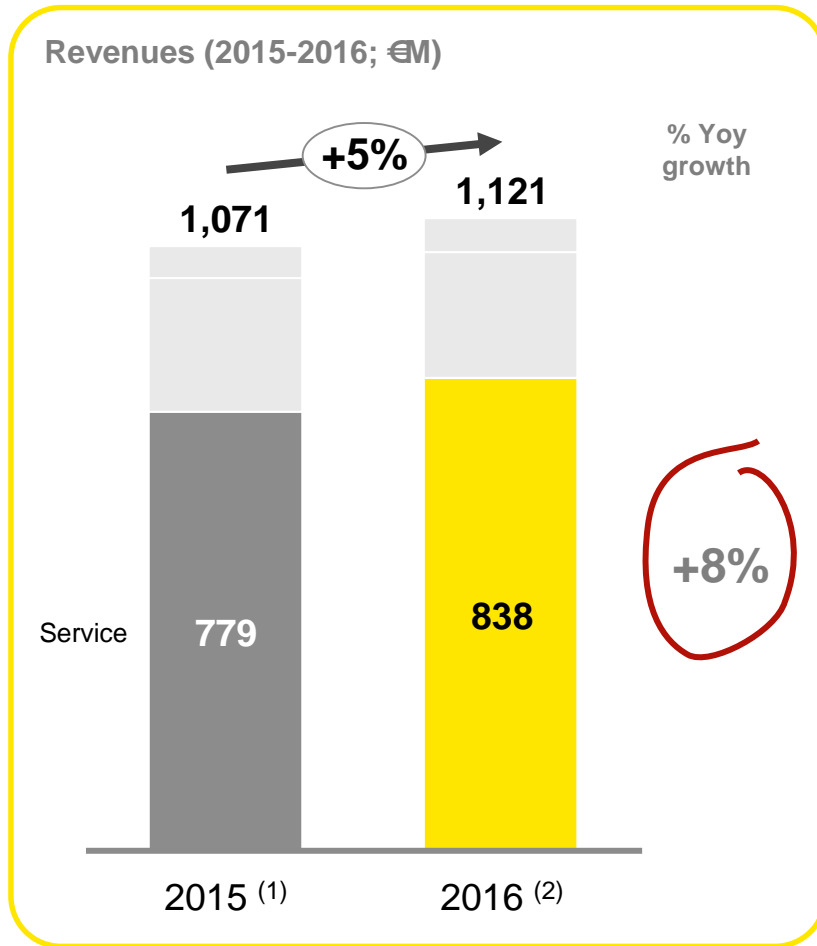
(M€)

	Reported 2016	Reported 2015	Variance
<b>Non current assets</b>	<b>1,425.5</b>	<b>234.2</b>	1,191.3
Intangible assets	737.3	122.0	615.3
Property, plant and equipment	403.9	96.1	307.9
Other non current assets	48.5	2.9	45.5
Deferred tax assets	235.8	13.2	222.6
<b>Current assets</b>	<b>437.3</b>	<b>156.7</b>	280.7
Inventories	1.6	0.6	1.0
Trade and other receivables	191.6	120.8	70.8
Other current assets	8.0	4.8	3.3
Cash and cash equivalents	236.1	30.5	205.6
<b>Total assets</b>	<b>1,862.8</b>	<b>390.9</b>	1,471.9
<b>Equity</b>	<b>255.6</b>	<b>89.0</b>	166.6
Share capital	2.0	1.2	0.8
Additional paid in capital	246.7	87.5	159.2
Reserves and other equity instruments	7.0	0.4	6.6
<b>Non-current liabilities</b>	<b>931.6</b>	<b>135.7</b>	795.9
Long term debt	502.0	56.2	445.8
Other financial non-current liabilities	182.0	3.9	178.1
Provisions	101.2	0	
Other non-financial non-current liabilities	87.1	70.7	16.4
Deferred tax liabilities	59.4	5.0	54.4
<b>Current liabilities</b>	<b>675.6</b>	<b>166.2</b>	509.4
Current portion of long term debt	43.7	120.9	(77.3)
Other financial current liabilities	208.9	3.5	205.4
Provisions	39.2	0	
Trade and other payables	378.9	39.7	339.2
Other non-financial current liabilities	4.9	2.1	2.8
<b>Total equity and liabilities</b>	<b>1,862.8</b>	<b>390.9</b>	1,471.9

Source: Internal information

# Service revenues +8% yoy, best growth indicator

Service revenues growth highlights underlying momentum



(1) Aggregated

(2) Proforma

(3) Net Revenues: Service revenues plus gross profit contribution from Equipment and Wholesale revenues

Source: Internal information