

MANAGEMENT PRESENTATION

Preliminary Results for FY 2020

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INGO ARNOLD, CFO

25 February 2021

Analyst and Investor Conference Call

CAUTIONARY STATEMENT

This presentation contains forward-looking statements which involve risks and uncertainties. The actual performance, results and timing of the business of freenet AG could differ materially from the expectations regarding performance, results and timing expressed in this presentation.

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AGENDA

1 BUSINESS

C. VILANEK, CEO

2 FINANCIALS

I. ARNOLD, CFO

3 Q&A

STABLE FINANCIALS IN COMBINATION WITH STRONG CUSTOMER GROWTH IN 2020

8,610 000's

SUBSCRIBER BASE

425.9 mEUR

EBITDA

237.3 mEUR

FREE CASH FLOW

+243.3 000's

STRONG CUSTOMER INTAKE

-0.90 mEUR

STABLE

-11.7 mEUR

WORKING CAPITAL PHASING

yoy change

KEY ACHIEVEMENTS IN FY 2020

MOBILE COMMUNICATIONS

- Extension of new pure digital/app-based portfolio by freenet Flex tariff
- Extension of digital lifestyle portfolio: Netflix subscription bundles for mobilcom-debitel and klarmobil key tariff plans
- LTE migration finalized

GROUP

- Seamless balance between channels, omnichannel transformation successfully implemented
- Digitalization with huge progress e.g. chat bots in customer service, cross-channel customer sensitive renewal offering
- Initiatives on ESG, diversity and adoption to new normal

TV AND MEDIA

- waipu.tv launches VoD-bundles with Netflix, expands channel offering and starts sales cooperation with Telefónica Deutschland for Turkish channel portfolio
- Profitable implementation of price increase for freenet TV
- Digital radio: Start of 2nd nationwide DAB+ multiplex, Marketing of radio programs by 'Antenne Deutschland'
- Placement of a promissory note loan (volume: 345 mEUR) despite difficult market environment in July
- Sale of Sunrise shares to Liberty Global for in total ~1.1 bnEUR in November
- Shareholder reimbursed for suspended dividend 2019

CORONA CHALLENGE SUCCESSFULLY MANAGED

MAIN CHALLENGES

Health protection

Retail shop closures
& short-time work

Efficient mobile work
and meeting culture

Suspension of
dividend for FY 2019

ACTIONS TAKEN

- Prompt execution of new work safety standards for SARS-CoV-2
- Hygiene rules, information signs, provision of face masks and disinfection
- Shift to online sales with subscriber growth at reasonable acquisition costs
- Strategic focus on churn reduction and renewals
- Short-time allowance with compensation to 100% net salary for all affected employees
- Upgrade of digital infrastructure with customized solutions
- Board commitment for modified working situations to facilitate the new normal
- (Subsequent) total distribution of 80% free cash flow for FY 2019:
 - Implementation of 2 share buyback programs
 - Special dividend proposal for FY 2020

OPERATIONAL ADAPTABILITY TRANSLATES INTO DELIVERY ON PROMISE

SCENARIO

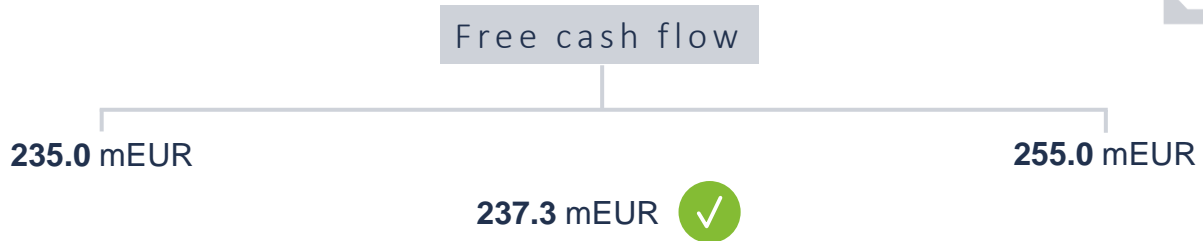
GUIDANCE

ACTUAL



GUIDANCE

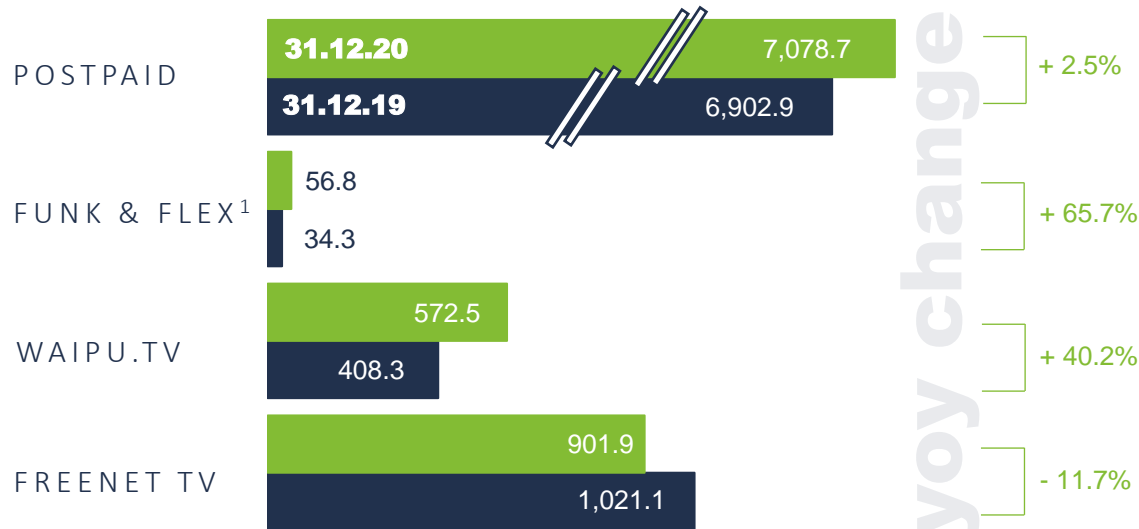
ACTUAL



STRONG Q4 GROWTH IN POSTPAID AND WAIPU.TV

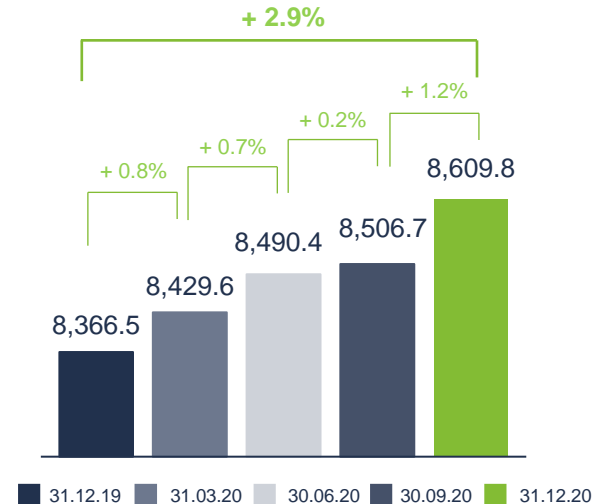
DEVELOPMENT PER PRODUCT TYPE

in '000s



TOTAL SUBSCRIBER BASE

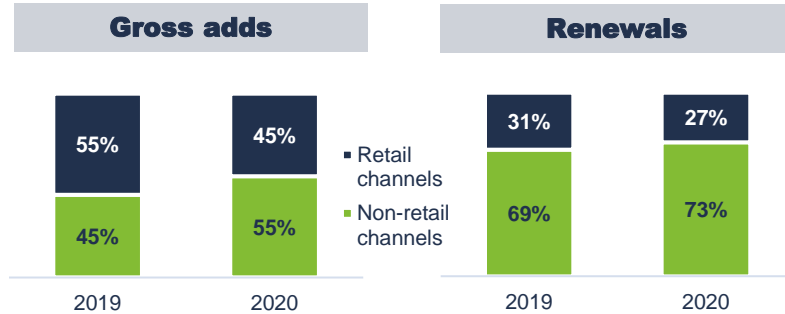
in '000s



¹ ARPU comparable to postpaid contracts, but not yet counted within postpaid base

BALANCE OF RETAIL AND NON-RETAIL ADJUSTED TO CHALLENGING SITUATION

IMMEDIATE ADAPTION TO NEW SITUATION



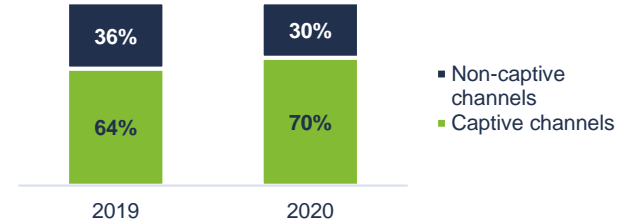
NON-RETAIL

- Solution-oriented, demand-driven
- Daily optimization BI/AI based
- Immediate implementation of new prices/tariffs/campaigns
- Combination of online/social media/app/phone
- High competition

RETAIL

- Strongly relationship-based
- Upselling (e.g. warranty/insurance)
- Cross-Selling (e.g. DLS options)
- Attachment rate (accessories/hardware)
- Conversion high two-digit percentage still better than online

TRANSACTIONS VIA CAPTIVE CHANNELS EXPANDED



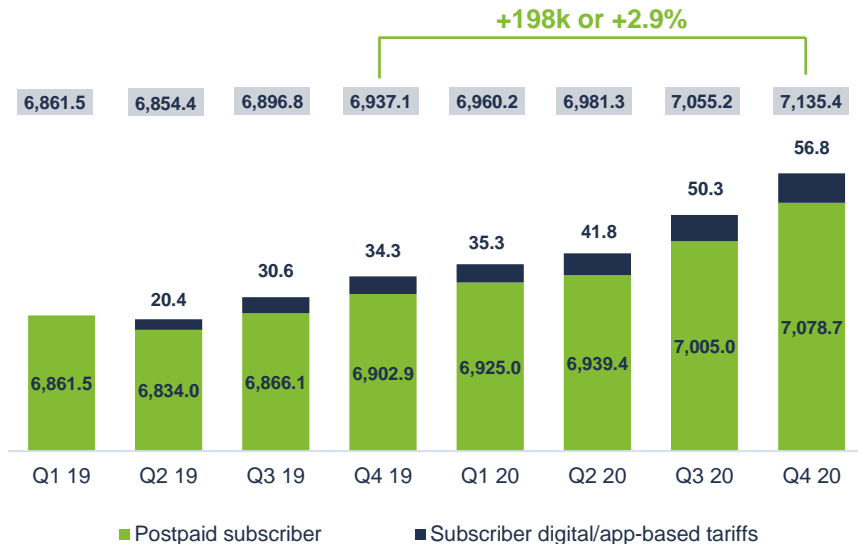
ADVANTAGES OF CAPTIVE SALES CHANNELS

- Direct customer access and advertising permission
- Improved up-selling potential in the lifecycle
- Higher LCEs and retention rates
- Lower distribution costs

APP-BASED TARIFFS ADDING ADDITIONAL GROWTH TO PROFITABLE CUSTOMER BASE

PROFITABLE MOBILE CUSTOMER BASE

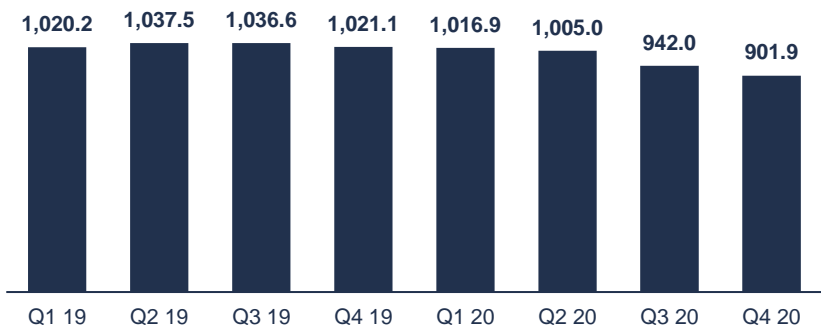
in '000s



LONGTAIL-BUSINESS FREENET TV: PRICING STRATEGY ADDS PROFITABILITY

FREENET TV SUBSCRIBERS (RGU)

in '000s



EFFECTS AND CONSEQUENCES

- Price increase further cleans out low- and non-users
- Price induced churn led to expected subscriber base of around 900k at the end of 2020
- Profitability of the business could be increased
- Switch-off of satellite customers (-14,000)



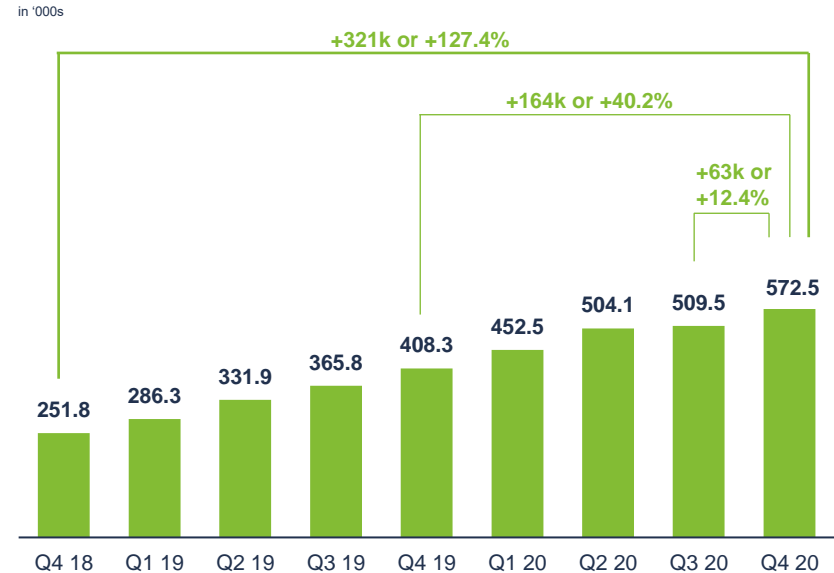
Price increase of 20% in May 2020
from 5.75 to 6.99 EUR/month

WAIPU.TV WITH STRONGEST QUARTER SINCE START IN 2016 (+63.000)

FOCUS ON QUALITY AND EBITDA

- 2020 winner of prestigious German Fairness Award for the category premium television platform
- Positive EBITDA contribution since May 2020 in each single month
- Launch of bundle combining waipu.tv with Netflix
- Launch of new flagship tariff '*Perfect Plus*' combining best-in-class linear content with must-see pay-tv entertainment from WarnerMedia, NBC Universal, and ProSiebenSat.1
- Successful price increase in entry-level product (Comfort)

SUBSCRIBER BASE DOUBLED IN 2 YEARS



OPERATIONAL GOALS FOR FY 2021

MOBILE COMMUNICATIONS

- Continued focus on churn reduction and customer service in captive sales channels
- Omnichannel 2.0 incorporating 'Corona learnings' e.g. customer consultation by video and audio out of the shop, increase in online attach rates, push of click and collect
- Flood stream expected in retail after proper re-optioning
- Provision of 5G with Vodafone from April 2021

SUSTAINABLE SUBSCRIPTION BUSINESS



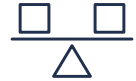
TV & MEDIA

freenet TV and Digital radio (DAB+)

- Focus on customer renewal and retention
- Further price adjustments to be considered
- Focus based on total gross margin

waipu.tv

- Continuous elevation of TV channels to accelerate growth
- Intended extension of shareholding in EXARING

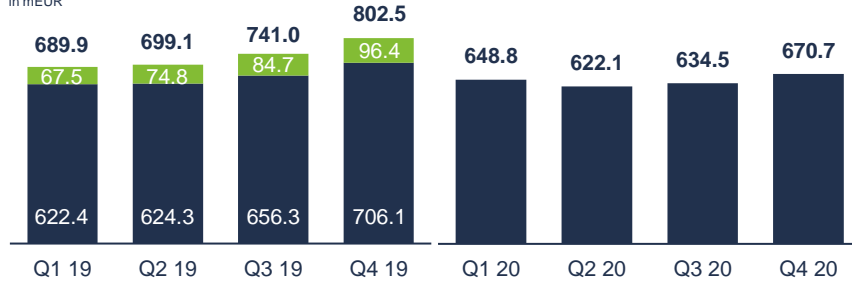


GROWTH BUSINESS

VERY RESILIENT FINANCIALS IN 2020

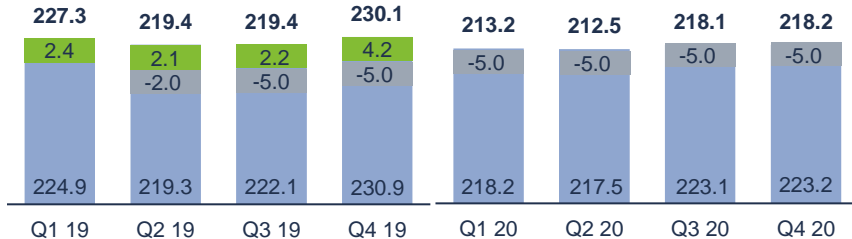
REVENUE

in mEUR



GROSS PROFIT

in mEUR

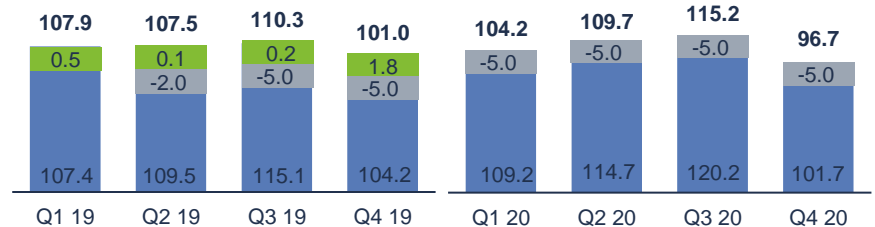


FY20 VS. FY19

- Revenue nearly stable at 2,576.2 mEUR (2,609.1 mEUR (adj.) in 2019) based on stable development in all segments.
- Gross profit (adj.) down to 882.0 mEUR (2019: 897.2 mEUR) linked to the development in the mobile segment; stabilization during 2020.
- EBITDA (adj.) with 445.9 mEUR (2019: 436.2 mEUR) up, due to cost savings.

EBITDA

in mEUR

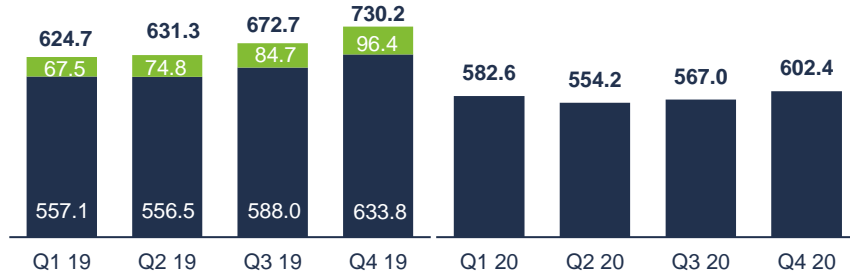


- Gross Profit w/o Motion TM and reg. effects
- EBITDA w/o Motion TM and reg. effects
- International calls/ roaming
- Motion TM

STRONG MOBILE PERFORMANCE IN 2020

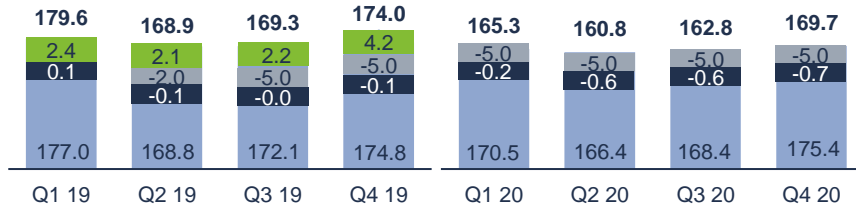
REVENUE

in mEUR



GROSS PROFIT

in mEUR

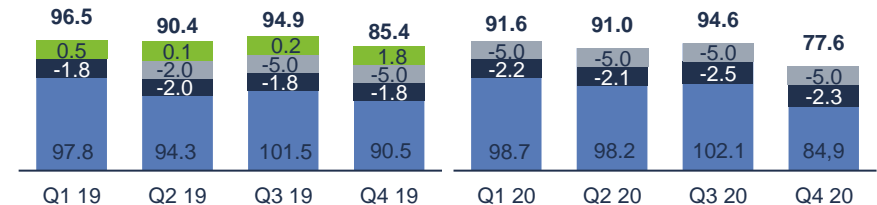


FY20 VS. FY19

- Revenue nearly stable at 2,306.1 mEUR (vs. 2,335.5 mEUR (adj.) in 2019); slight decrease mainly due to GRAVIS Store closure in Q4/20.
- Gross profit (adj.) slightly down by 12.0 mEUR to 680.8 (2019: 692.8 mEUR); but Q4/20 positive compared to Q4/19.
- EBITDA (adj.) as expected stable vs. 2019 at 383.9 mEUR (2019: 384.1 mEUR). Cost savings during 2020 partly compensated by conservative bad debt provisioning in Q4/20.

EBITDA

in mEUR

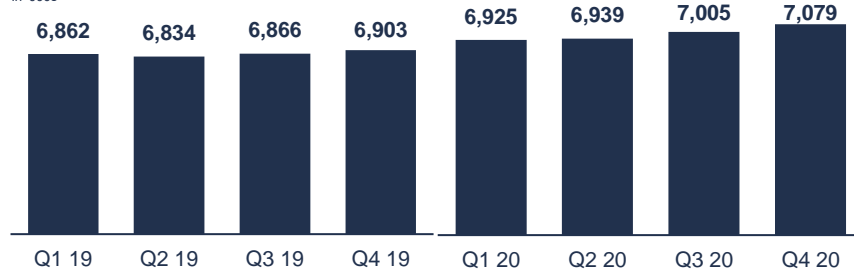


- Gross Profit w/o Motion and reg. effects
- International calls/ roaming
- Motion TM
- Inter-segment allocation
- EBITDA w/o Motion, reg. effects and inter-segment allocation

STRONG CUSTOMER INTAKE ACCOMPANIED BY BOTH STABLE, ARPU & DLS REVENUE

POSTPAID CUSTOMERS

in '000s



ARPU POSTPAID

in EUR

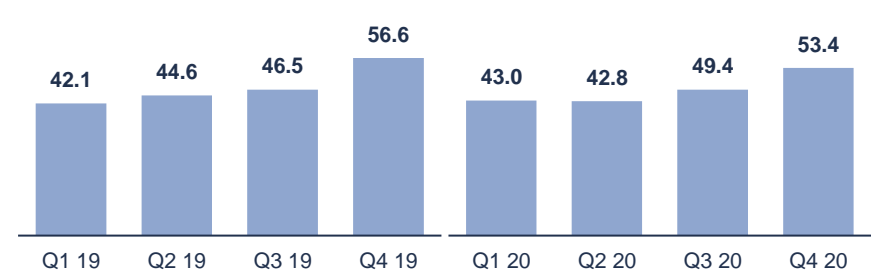


FY20 VS. FY19

- Number of postpaid contracts increased by 176,000 customers in 2020 based on a very flexible sales model which allows to switch between retail and non-retail if required.
- ARPU stable not putting into consideration regulatory impact from international calls and less roaming/usage (without EBITDA-effect) triggered by COVID-19.
- DLS revenue stable at 188.6 mEUR (2019: 189.9 mEUR) as share of subscription revenue could be increased.

DIGITAL LIFESTYLE (DLS) REVENUES

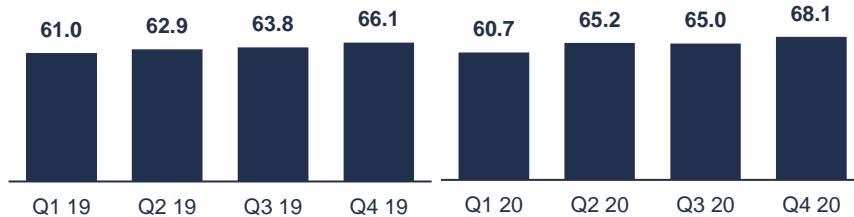
in mEUR



WAIPU.TV PUSHES TV & MEDIA SEGMENT EBITDA-MARGIN TO LEVELS ABOVE 30%

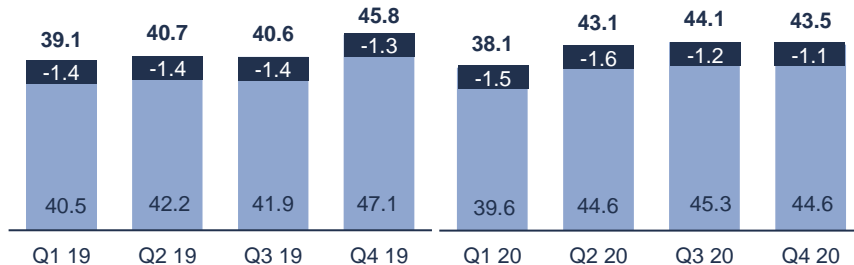
REVENUE

in mEUR



GROSS PROFIT

in mEUR

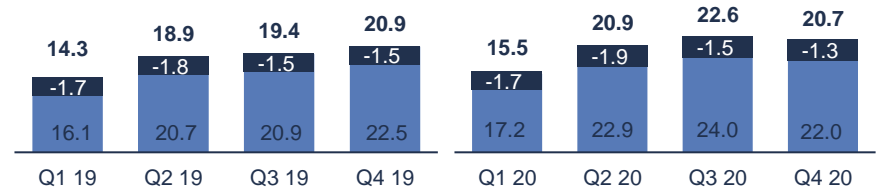


FY20 VS. FY19

- Revenue increase by 5.1 mEUR to 259.0 mEUR (2019: 253.9 mEUR), mainly due to positive subscriber development of waipu.tv and freenet TV price increase.
- Gross profit (adj.) increased to 174.2 mEUR after 171.8 mEUR in 2019 (+2.4 mEUR) mainly as result of the positive EXARING contribution.
- EBITDA (adj.) up 5.9 mEUR to 86.0mEUR (2019: 80.1 mEUR). Cost base improvements add further value.

EBITDA

in mEUR

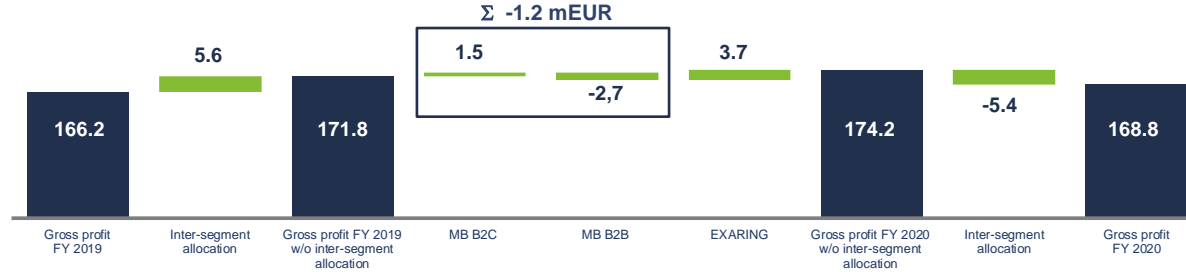


- Gross Profit w/o inter-segment allocation
- EBITDA w/o inter-segment allocation
- Inter-segment allocation

TV & MEDIA: FOCUS TOPICS SUCCESSFUL

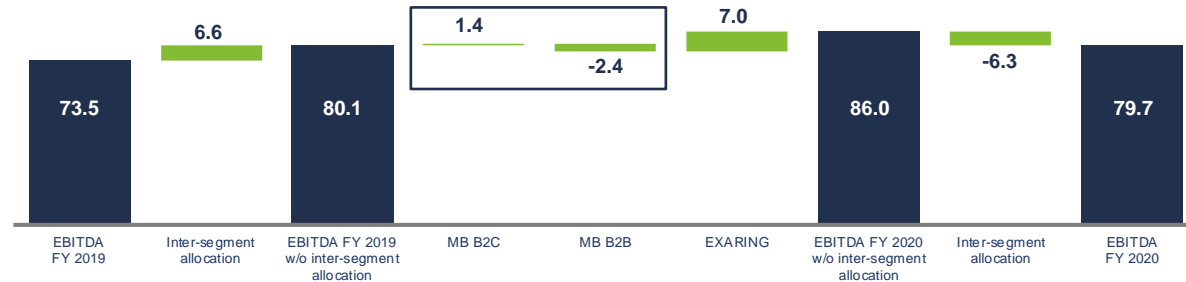
GROSS PROFIT FY 19 VS. FY 20

in mEUR



EBITDA FY 19 VS. FY 20

in mEUR



Media Broadcast:

Increasing results from freenet TV business basically triggered by the price adjustment in Q2 2020.

Gross profit from B2B segment suffers from missing revenues in the event business especially due to COVID-19.

EXARING:

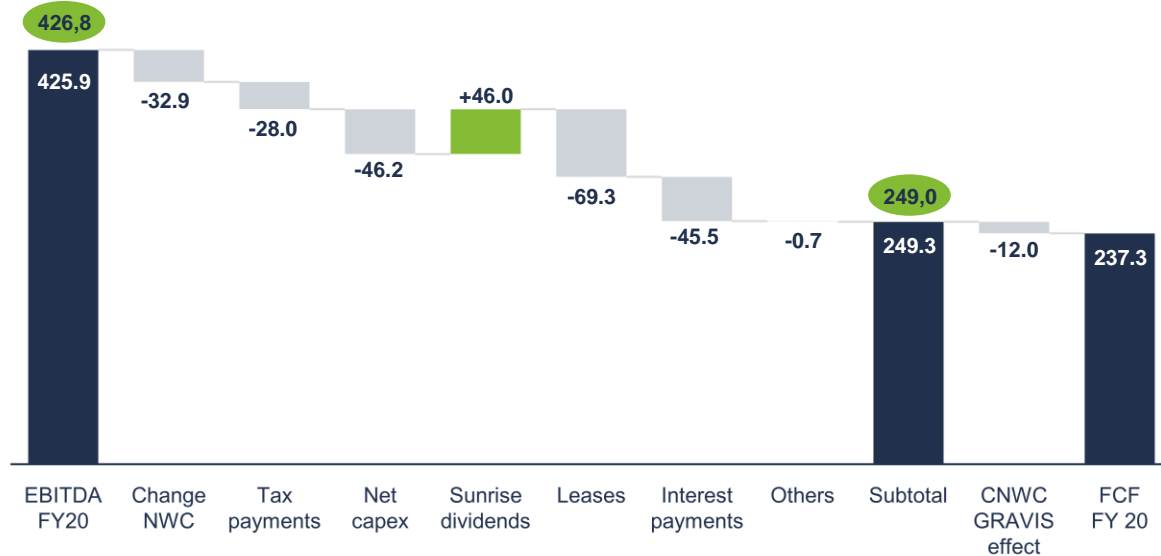
Higher B2C revenues due to higher number of paying users led to higher gross profit.

Lower marketing spending contributed to even stronger EBITDA growth.

FREE CASH FLOW IN Q4 HAMPERED BY A WORKING CAPITAL PHASING EFFECT

FROM EBITDA TO SUSTAINABLE FREE CASH FLOW (FCF)

in mEUR



FY2019

CASH-TO-CASH CYCLE GRAVIS

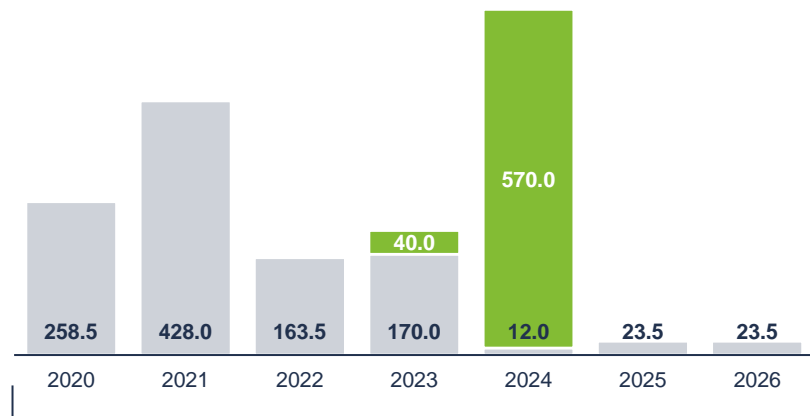


Impact from store closure from 16 December
(phasing effect)

DEBT RELIEF AND MATURITY STRUCTURE OPTIMIZATION...

SITUATION BEFORE REFINANCING AND SUNRISE DIVESTMENT

In mEUR

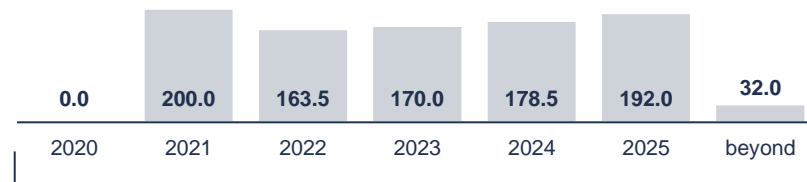


Σ 1,689.0 bank gross debt - 133.7 cash = 1,555.3 bank net debt

■ Promissory notes ■ Syndicated bank loan (excl. 300 mEUR RCF)

SITUATION YEAR-END 2020

In mEUR

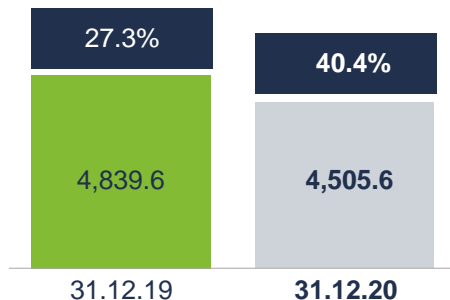


Σ 936.0 bank gross debt - 666.9 cash = 269.1 bank net debt

...LEADS TO CONSIDERABLE IMPROVEMENT OF KEY FINANCIAL KPIS

TOTAL ASSETS & EQUITY RATIO

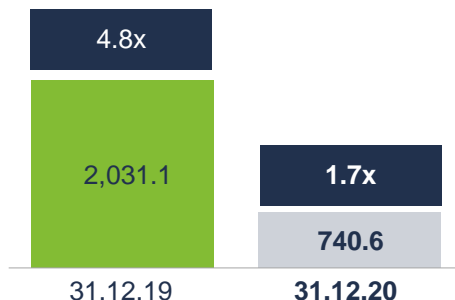
in mEUR/ as indicated



Equity ratio up based on the strong increase of Group result in connection with the suspended dividend for FY 2019 and the sale of the Sunrise stake.

NET DEBT & LEVERAGE*

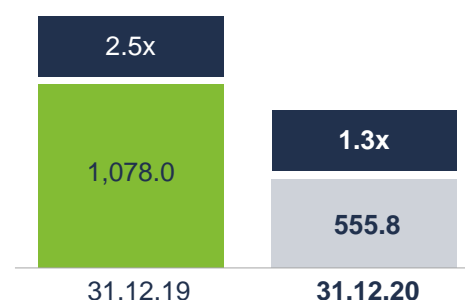
in mEUR/ as indicated



Leverage decreased significantly mainly due to the sale of the Sunrise investment - primarily utilized for the repayment of promissory notes as well as a syndicated bank loan.

ADJ. NET DEBT & LEVERAGE*

in mEUR/ as indicated



Deducting increased market value of CECONOMY leads to further leverage reduction.

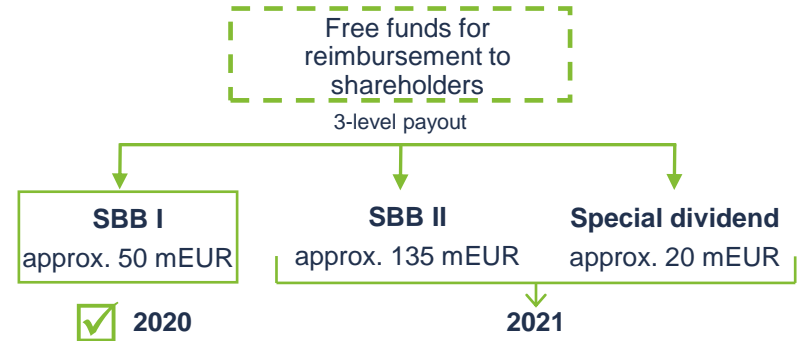
* For the period-related parameter EBITDA the last twelve months (i.e. January to December 2020 or January to December 2019 for the previous year) are used.

SHARE BUYBACKS AND SPECIAL DIVIDEND TO COMPENSATE FOR SUSPENSION IN 2020

DIVIDEND PAYMENT SUSPENDED IN 2020

Dividend FY 2019	Dividend per share	Dividend absolut
Announced/ expected	1.65 EUR	~ 211.0 mEUR
Distributed (according to resolution of AGM)	0.04 EUR	~ 5.0 mEUR
Retained	1.61 EUR	~ 206.0 mEUR

PROPOSED COMPENSATION IN FY 2021



SHAREHOLDER REIMBURSEMENT

- Refinancing at a favorable interest rate level and reduced cluster risks from the financing allow for reimbursing suspended dividend 2019
- Suspended dividend reimbursed via 2 share buyback programs plus special dividend of 0.15 EUR per share

FINANCIAL GUIDANCE FOR FY 2021 SHOWS STABILITY AND CONTINUITY

SUBSCRIBER GUIDANCE

in '000s



- Postpaid customer (w/o digital/app-based tariffs)
- freenet TV RGU
- waipu.tv subscriber

**ACTUAL
2020**

**GUIDANCE
2021**

7,078.5	Moderate increase	▲
901.9	Moderate decrease	▼
572.5	Solid growth	▲▲

FINANCIAL GUIDANCE

in mEUR



- Revenue
- EBITDA
- Free cash flow (w/o Sunrise)

**ACTUAL
2020**

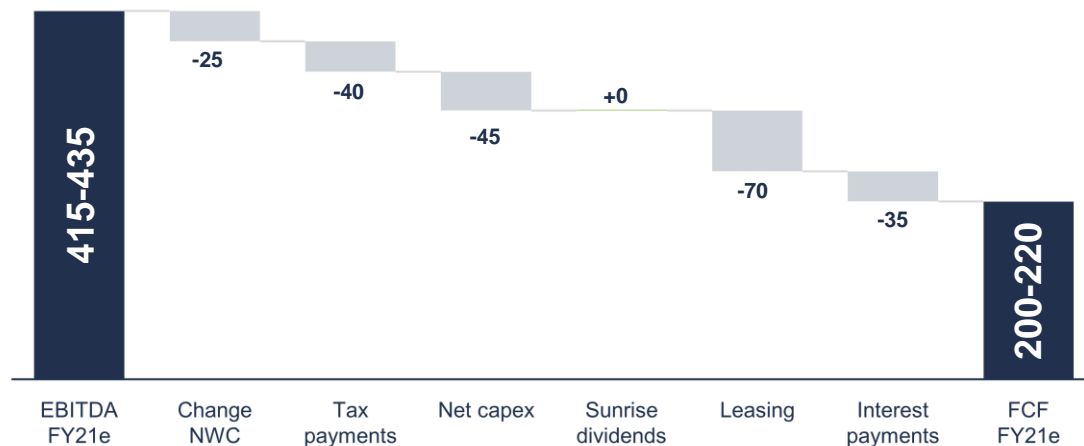
**GUIDANCE
2021**

2,576.2	stable	▬
425.9	415-435	▬
201.3	200-220	▬

FREE CASH FLOW BRIDGE AND QUARTERLY BREAKDOWN IN FY 2021

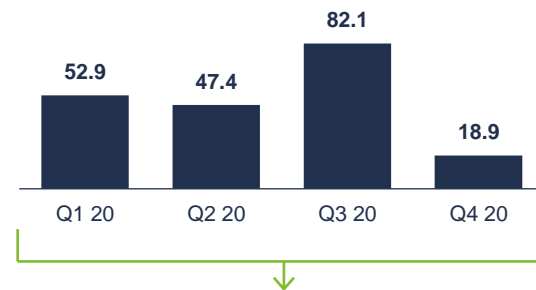
FREE CASH FLOW (FCF) FY 2021

in mEUR



QUARTERLY BREAKDOWN 2020 (W/O SUNRISE)

in mEUR



Smoothing quarterly distribution to 45-60 mEUR in 2021 intended

FINANCIAL POLICY GUARANTEES STABILITY

ONGOING ATTRACTIVE DIVIDEND POLICY LINKED TO OPERATIONAL PERFORMANCE

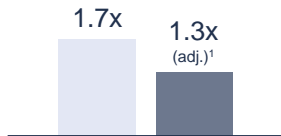
LEVERAGE

UPPER LIMIT

≤ 3.0x



PRELIMINARY RESULT 2020



¹ Net debt reduced by market value of equity investments

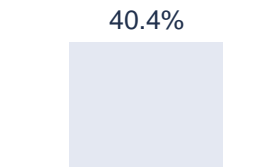
EQUITY RATIO

LOWER LIMIT

> 25.0%



PRELIMINARY RESULT 2020

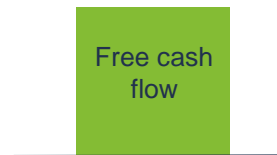


DIVIDEND

DIVIDEND POLICY

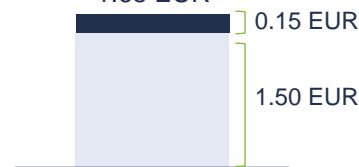
80% of

Free cash flow



PROPOSED DIVIDEND FOR 2020²

1.65 EUR



80% of Free cash flow

² Dividend of 1.50 euros per dividend-bearing share for the financial year 2020 (80% of Free Cash Flow 2020) plus special dividend of 0.15 euros to be proposed by the Executive Board to the AGM

OPEN FOR YOUR QUESTIONS.

FOR FOLLOW-UP QUESTIONS REACH OUT TO:

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MOBILE – REVENUE SPLIT

REVENUES W/O MOTION TM

in mEUR

