

# MANAGEMENT PRESENTATION

Q3 Results for 2020

CHRISTOPH VILANEK, CEO

INGO ARNOLD, CFO

06.11.2020 Analyst and Investor Conference Call

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# AGENDA

**1** ACHIEVEMENTS Q3 & OUTLOOK

C. VILANEK, CEO

**2** FINANCIALS Q3

I. ARNOLD, CFO

**3** Q&A SESSION

# GROWTH IN SUBSCRIBERS, EBITDA AND FCF

**8,507** <sup>000's</sup>

SUBSCRIBER BASE

**329.2** <sup>mEUR</sup>

EBITDA

**220.2** <sup>mEUR</sup>

FREE CASH FLOW

yoy change

**+207.5** <sup>000's</sup>

SUBSCRIBER BASE

**+3.4** <sup>mEUR</sup>

EBITDA

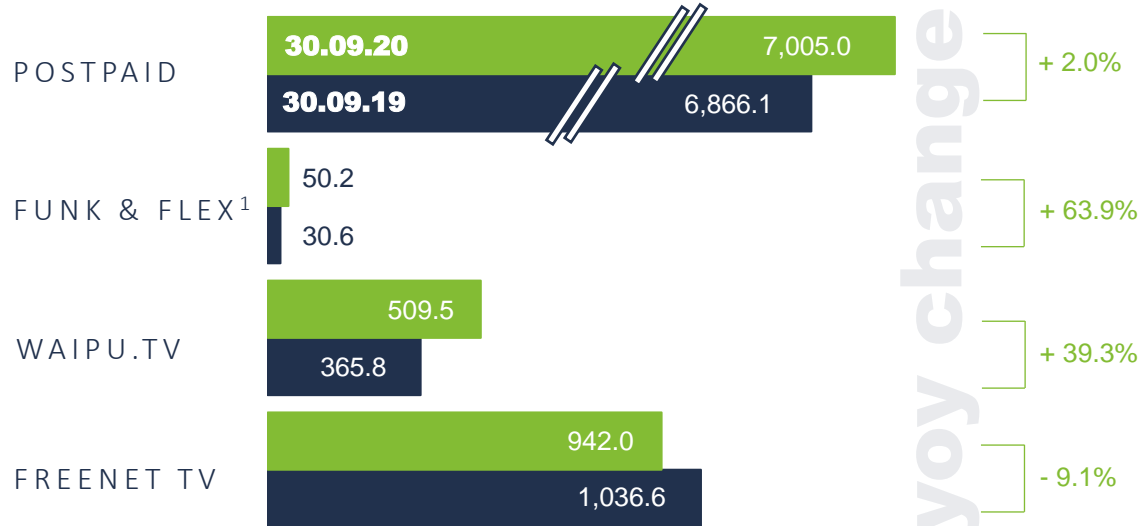
**+21.0** <sup>mEUR</sup>

FREE CASH FLOW

# CONTINUOUS GROWTH OF SUBSCRIBER BASE

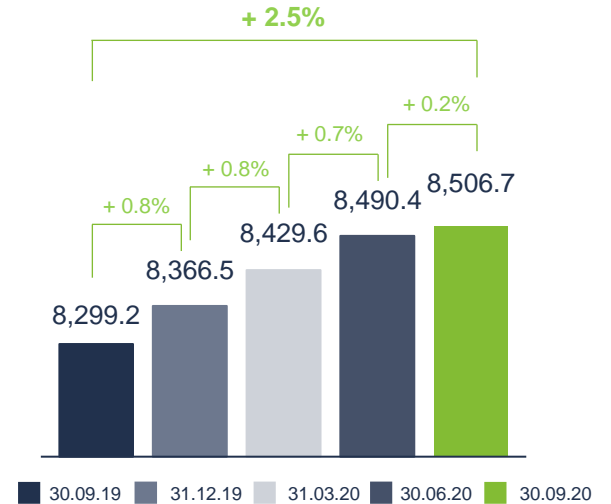
## DEVELOPMENT PER PRODUCT TYPE

in '000s



## TOTAL SUBSCRIBER BASE

in '000s



<sup>1</sup> ARPU comparable to postpaid contracts, but not yet counted within postpaid base

# KEY ACHIEVEMENTS OF 3<sup>RD</sup> QUARTER

## MOBILE COMMUNICATIONS

- Measurements to adapt to the new normal (Corona limitations) worked well with subscriber growth at reasonable acquisition costs
- freenet Flex launched as second App-based tariff plan with easy-to-use fast sales process and customer journey
- Netflix subscription bundles for key tariff plans at mobilcom-debitel as well as klarmobil
- ESG - expansion of product portfolio with Fairphone 3+
- GRAVIS becomes Apple Education partner

## TV AND MEDIA

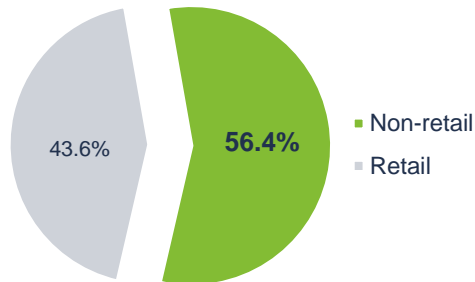
- waipu.tv launches bundles with global No 1 in VOD - Netflix
- DAB – start of 2nd nationwide DAB+ multiplex - 64 transmitter sites on air since 5th October; seven more to follow

## GROUP

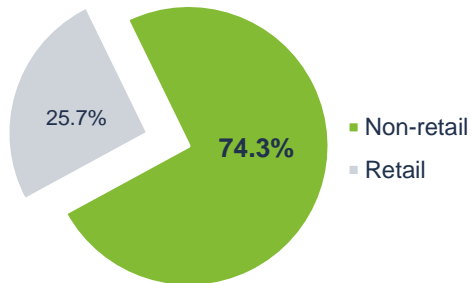
- Successful tender of Sunrise shares to LGI at a price of CHF 110 per share
- Start of share buy back with a total volume of up to 100 mEUR

# NON-RETAIL CONTINUOUSLY GAINING SHARE

## GROSS ADDS (GA)



## RENEWAL (RN)



## FREENET'S MULTI CHANNEL STRATEGY

### USP of Non-retail – Direct to Consumer (solution-oriented, demand-driven)

- Combination of online, social media, app and phone
- Daily optimization BI/AI based
- Easy, immediate implementation of new prices, tariffs, campaigns

➡ Way more competition and high transparency

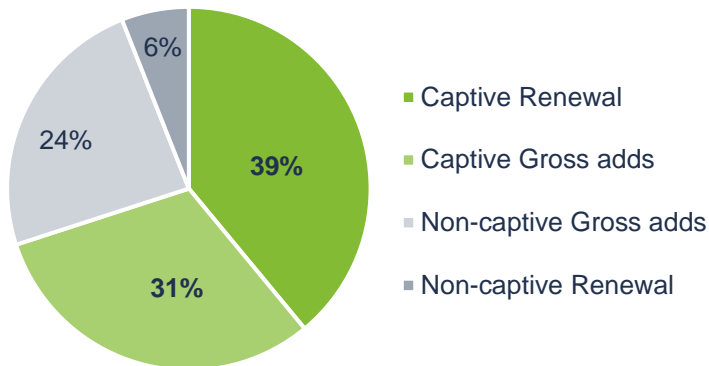
### USP of Retail – Brick & Mortar (strongly relationship-based)

- Upselling (warranty, insurance)
- Cross-Selling (DLS options)
- Attachment rate (accessories, hardware)

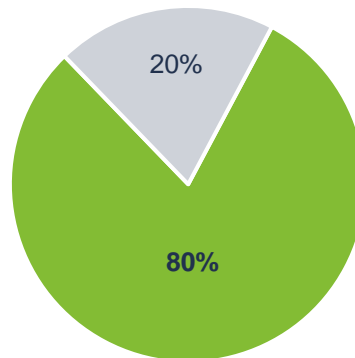
➡ Conversion high two-digit percentage still better than online

# MORE THAN 70% OF CUSTOMER TRANSACTIONS IN CAPTIVE CHANNELS

## 70% OF ALL MOBILE TRANSACTIONS



## 80% OF ALL TV TRANSACTIONS



waipu .tv



## ADVANTAGES CAPTIVE CHANNELS

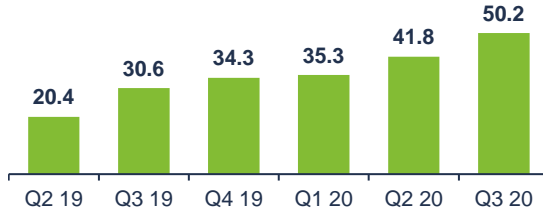
- Direct customer access and advertising permission
- Improved up-selling potential in the lifecycle
- Higher LCEs and retention rates
- Lower distribution costs



# SECOND APP BASED TARIFF LAUNCHED

## ONGOING POSITIVE TREND OF DIGITAL/APP-BASED TARIFFS

in '000s



- Overall ARPU above/in line with postpaid ARPU

## FREENET FLEX SUCCESSFULLY LAUNCHED

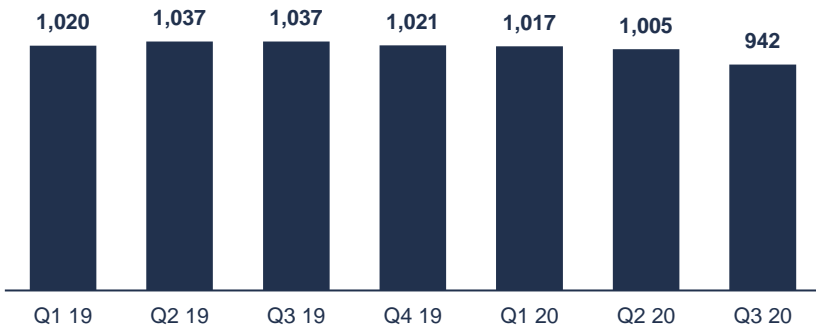
- Vodafone network – activations:
  - 5GB LTE 50% of activations
  - 10GB LTE 30% of activations
  - 15GB LTE 20% of activations
- Combined TV campaign of freenet TV and freenet FLEX



# PRICE INCREASE OVERCOMPENSATING CHURN EFFECT

## FREENET TV SUBSCRIBERS (RGU)

in '000s



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

## TWO EFFECTS ON RGU BASE

- Price increase cleans out low- and non-users
- Continuous switch-off of satellite customers (-14,000 before end of 2020)

## CONSEQUENCES

- Expected base by year-end: around 900k (price induced churn)
- Price increase remains financially beneficial with a yearly gross profit effect of more than 5 mEUR (even in scenarios with higher churn rates than expected)



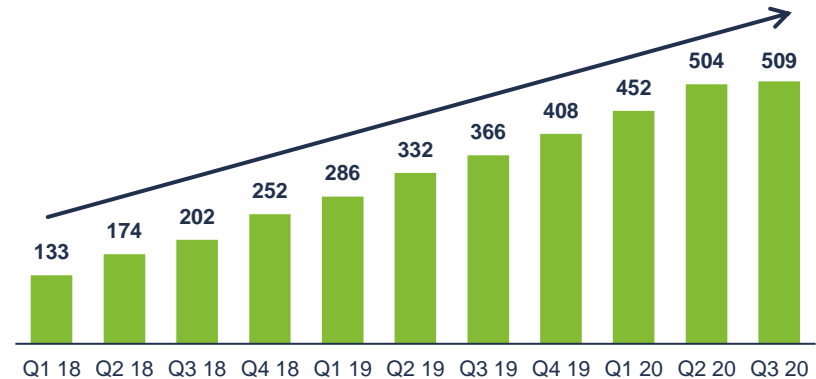
# WAIPU.TV DEVELOPED AS EXPECTED IN Q3 – RUN-RATE WILL ACCELERATE IN Q4

## FOCUS ON QUALITY AND EBITDA

- 2020 winner of prestigious German Fairness Award for the category premium television platform
- Positive monthly EBITDA contribution since May
- Launch of Netflix bundle
- Launch of new flagship tariff '*Perfect Plus*' combining best-in-class linear content with must-see pay-tv entertainment from WarnerMedia, NBC Universal, P7S1
- Price increases in low end plan, to be followed for Perfect and Netflix bundles

## WAIPU.TV SUBSCRIBERS

in '000s



**Subscriber base +143,700 or +39.3 per cent yoy;  
+ 5,400 subscribers gained in Q3**

# OUTLOOK FOR 4<sup>TH</sup> QUARTER/ YEAR-END

## MOBILE COMMUNICATIONS

- No price pressure or significant changes to the market
- Slow start of 5G devices including services with mass customers
- We expect further growing subscriber base in Q4
- Gravis taking advantage from new innovations and launches from Apple

## TV AND MEDIA

- Growth in waipu.tv customer base heading for  $\geq 550,000$  per December 31<sup>st</sup>
- freenet TV RGU ~900,000 subscriber expected per year-end

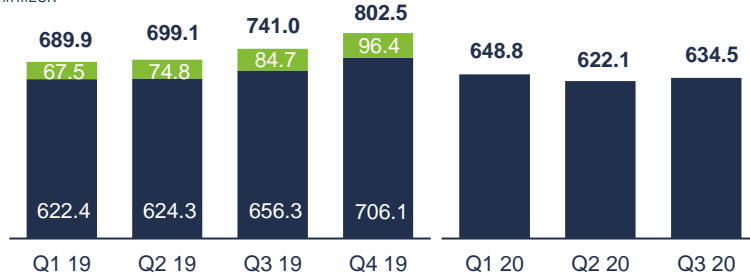
## GROUP

- All parameters (except freenet TV RGU) of original guidance should be met
- Completion of Sunrise transaction expected

# STRONG EBITDA DEVELOPMENT

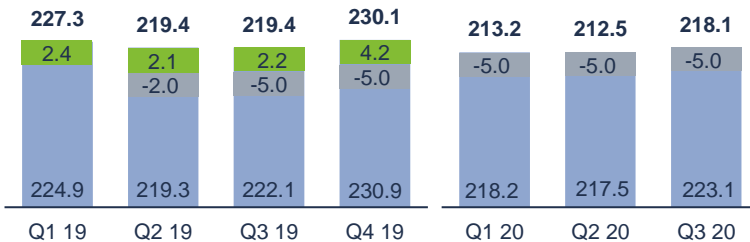
## REVENUE

in mEUR



## GROSS PROFIT

in mEUR

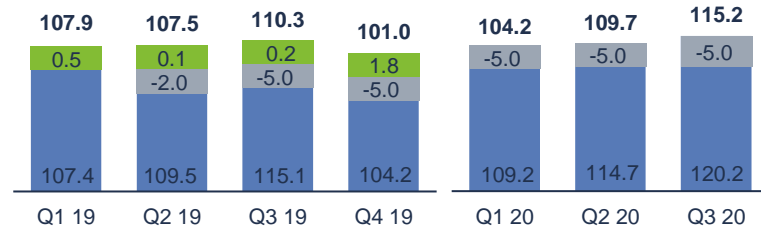


## FIRST NINE MONTHS BETTER THAN GUIDED

- Revenue w/o Motion TM yoy stable at 1,905.5 mEUR (2019: 1,903.0 mEUR).
- Gross profit w/o Motion TM and regulatory effects slightly down to 658.9 mEUR (-1.1 per cent yoy) driven by mobile.
- EBITDA w/o Motion TM and regulatory effects increased to 344.2 mEUR (+3.7 per cent yoy) despite COVID-19 effects based on positive developments in each single segment.

## EBITDA

in mEUR

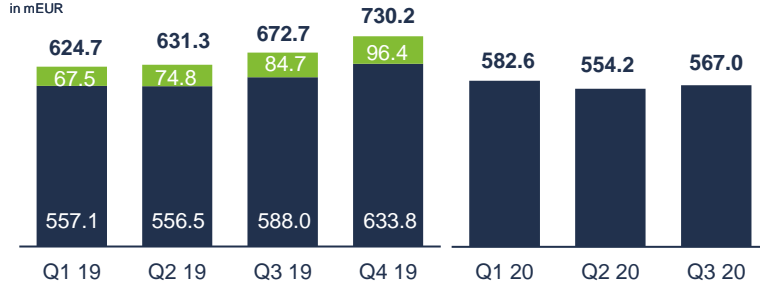


- Gross Profit w/o Motion TM and reg. effects
- EBITDA w/o Motion TM and reg. effects
- International calls/ roaming
- Motion TM

# MOBILE SEGMENT MANOEUVERS SAFELY THROUGH THE CRISIS

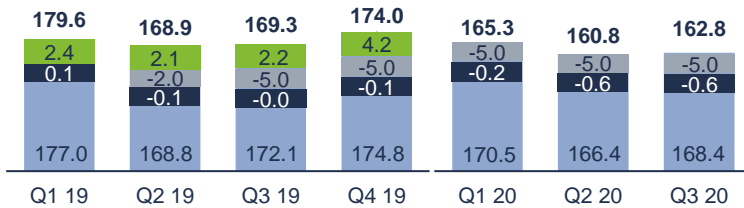
## REVENUE

in mEUR



## GROSS PROFIT

in mEUR

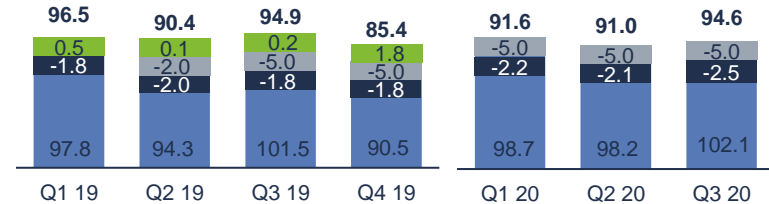


## STILL NO COVID-19 IMPACT VISIBLE

- COVID-19 crisis has not harmed mobile business performance
- 9M20 revenue w/o Motion TM stable at 1,703.8 mEUR (9M19: 1,701.7 mEUR)
- Gross profit w/o effects declined by 12.7 mEUR (-2.4 per cent yoy) to 505.3 mEUR: Half is linked to an extraordinary hardware bonus received in Q1 19 and the remainder trace back to various effects incl. roaming/lower usage/MNP.
- EBITDA w/o effects reported at 299.0 mEUR increased by 5.4 mEUR compared to the same period last year (293.6 mEUR) based on efficiency measures.

## EBITDA

in mEUR

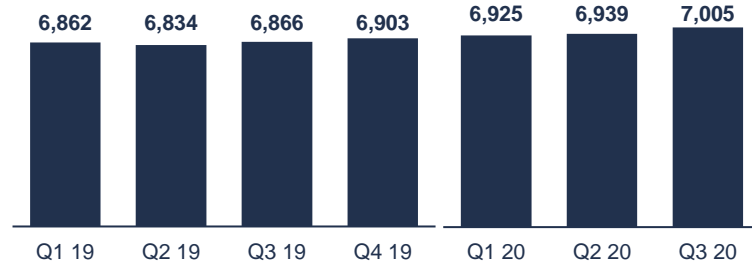


- Gross Profit w/o Motion and reg. effects
- International calls/ roaming
- Motion TM
- Inter-segment allocation
- EBITDA w/o Motion, reg. effects and inter-segment allocation

# ARPU AND DLS REVENUE IMPROVED

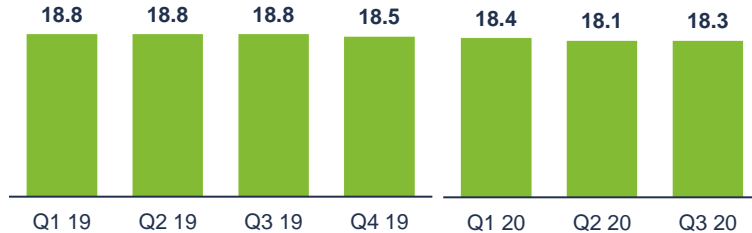
## POSTPAID CUSTOMERS

in '000s



## ARPU POSTPAID

in EUR

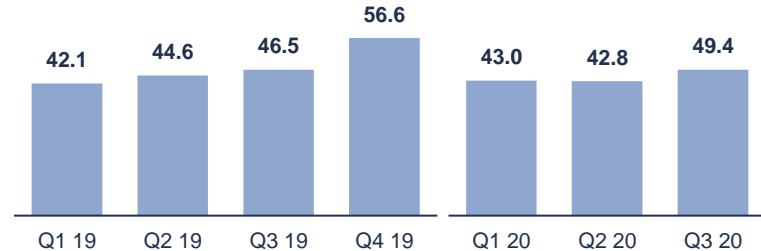


## DEVELOPMENT WITHIN GUIDANCE

- Number of postpaid contracts increased ytd by 102,000 customers (+138,800 compared to 9M19) 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.
- Despite challenging environment, revenues from DLS products increased by 2.0 mEUR (+1.5 per cent) compared to 9M19.

## DIGITAL LIFESTYLE (DLS) REVENUES

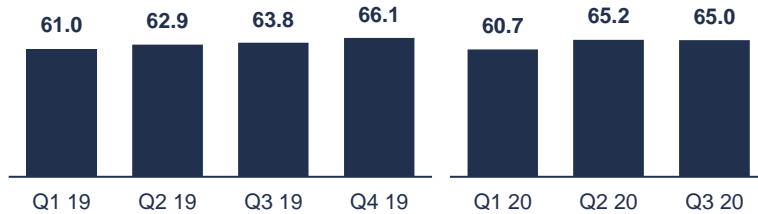
in mEUR



# TV & MEDIA INCREASINGLY CONTRIBUTES TO GROUP EBITDA

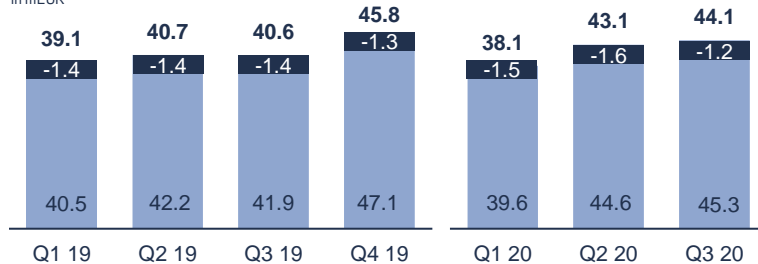
## REVENUE

in mEUR



## GROSS PROFIT

in mEUR

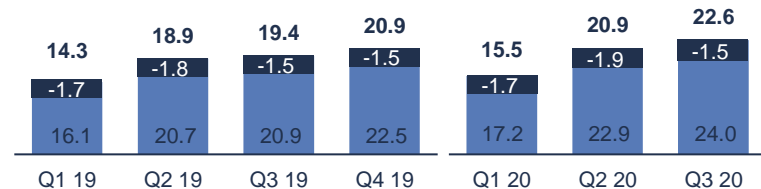


## EXPECTATIONS MET IN ALL AREAS

- Revenue in TV & Media segment increased by 1.7 per cent or 3.2 mEUR yoy to 190.9 mEUR mainly due to EXARING (waipu.tv).
- Gross profit increased by 4.0 per cent or 4.8 mEUR yoy to 125.2 mEUR as a result of the positive EXARING contribution.
- EBITDA develops in line with gross profit accompanied by slight cost base improvements.

## EBITDA

in mEUR



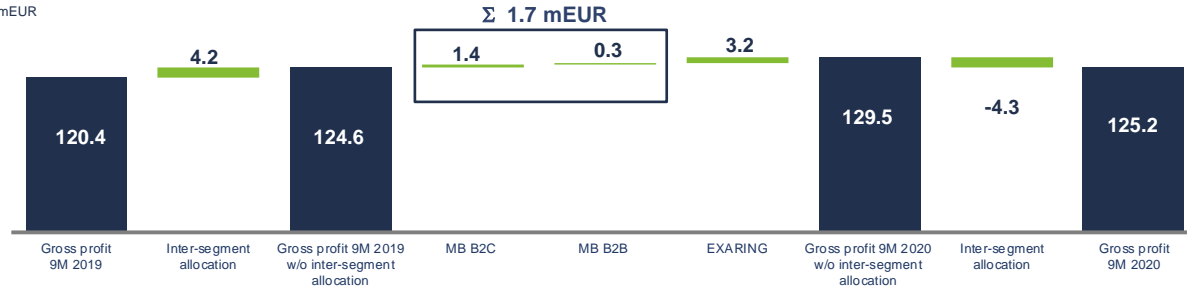
- Gross Profit w/o inter-segment allocation
- EBITDA w/o reg. effects and inter-segment allocation
- Inter-segment allocation



# TV & MEDIA IMPROVEMENT DRIVEN BY IPTV

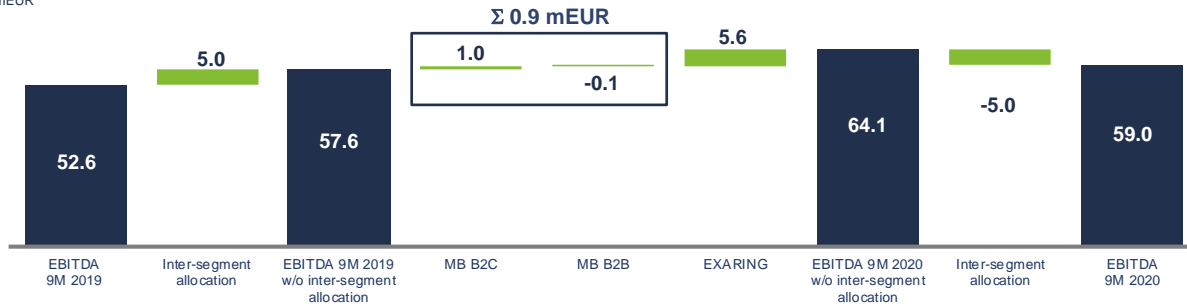
## GROSS PROFIT 9M19 VS 9M20

in mEUR



## EBITDA 9M19 VS 9M20

in mEUR

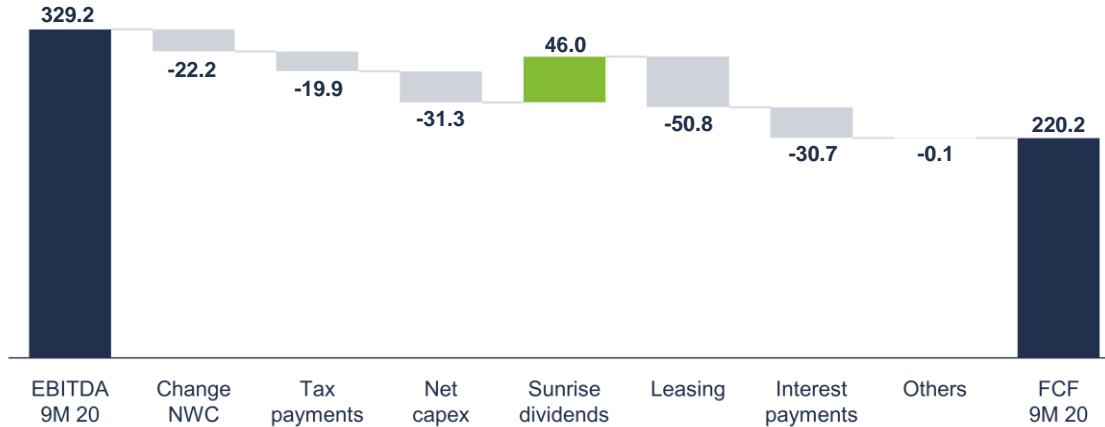


- Gross profit w/o inter-segment allocation rose by 4.9 mEUR 129.5 mEUR mainly induced by:
  - Media Broadcast: higher profit from freenet TV (RGU) and digital radio business.
  - EXARING: Higher B2C revenues due to higher number of paying user.
- EBITDA w/o inter-segment allocation increased by 6.4 mEUR to 64.1 mEUR due to:
  - Media Broadcast: Higher gross profit over-compensated by missing non-recurring profit-effects from 2019.
  - EXARING: Higher B2C revenues and lower marketing spending lead to positive EBITDA development.

# FREE CASH FLOW WELL ON TRACK

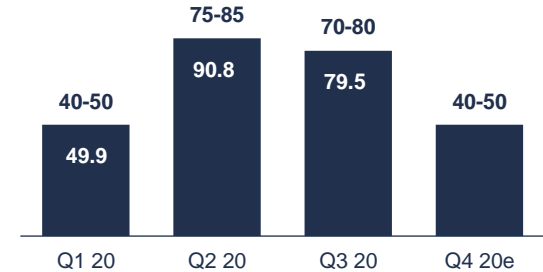
## FREE CASH FLOW (FCF)

in mEUR



## EXPECTED VS ACTUAL QUARTERLY BREAKDOWN

in mEUR

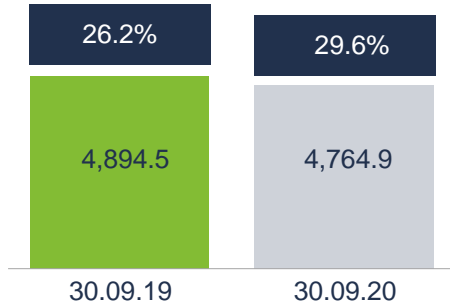


- Positive month-end effects on change in NWC in September 20, but rebound to June 20 levels probable
- Tax payments still under average and expectations; catch-up in Q4 still possible (but 50 mEUR very unlikely)
- Q3 CAPEX-catch up as scheduled; repetition in Q4 expected

# OTHER MAIN FINANCIAL KPIs

## TOTAL ASSETS & EQUITY RATIO

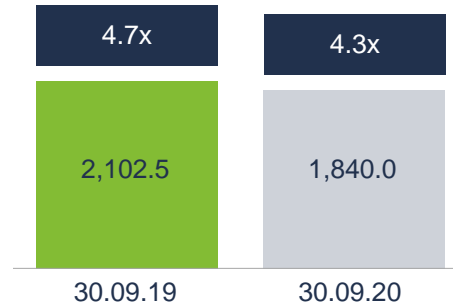
in mEUR/ as indicated



Equity ratio rose primarily due to the dividend suspension resulting in an increase of the equity base.

## NET DEBT & LEVERAGE\*

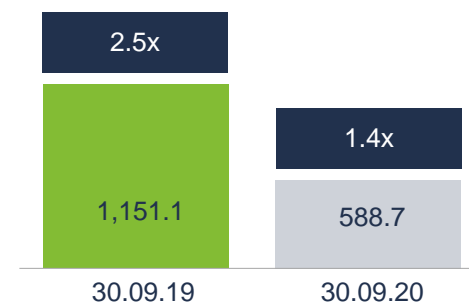
in mEUR/ as indicated



Leverage was also gradually improved due to the dividend suspension and the continued strong free cash flow generation.

## ADJ. NET DEBT & LEVERAGE\*

in mEUR/ as indicated



Deducting the increased market values of equity investments and considering the public offer of Liberty Global for Sunrise leads to further reduction of the adjusted leverage.

\* The last twelve months (i.e. October 2019 to September 2020 or October 2018 to September 2019 for the previous year) are used for the period-related parameter EBITDA.

# FINANCIAL GUIDANCE FULLY CONFIRMED

## SUBSCRIBER GUIDANCE ADJUSTED...






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

## GUIDANCE 2020

Moderate increase  
Stable  
Solid growth

## ADJUSTED GUIDANCE

Moderate increase   
**Significant decrease**   
 Solid growth 

## ... WITHOUT ANY IMPACT ON FINANCIAL GUIDANCE






in mEUR

- Revenue
- EBITDA
- Free cash flow

## GUIDANCE 2020

stable  
415 - 435  
235 - 255

## GUIDANCE REITERATED

stable   
 415 - 435   
 235 - 255 

# OPEN FOR YOUR QUESTIONS.

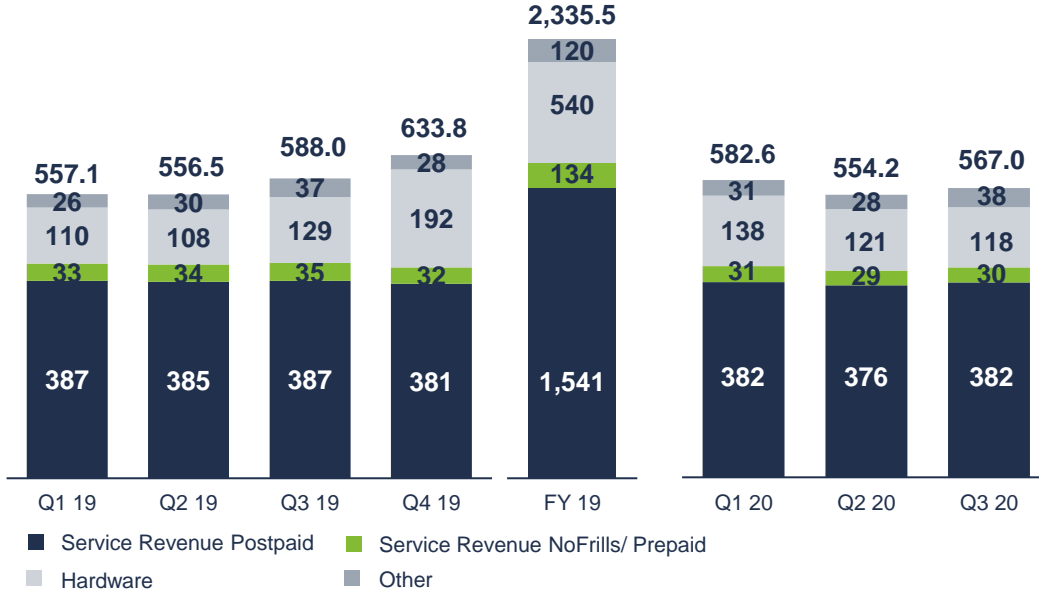
FOR FOLLOW-UP QUESTIONS REACH OUT TO:

freenet AG  
Investor Relations & ESG  
[investor-relations@freenet.ag](mailto:investor-relations@freenet.ag)  
[www.freenet-group.de](http://www.freenet-group.de)  
Tel.: +49 (0) 40 513 06 778

# MOBILE – DETAILED REVENUE SPLIT

## REVENUES W/O MOTION TM

in mEUR



# RESHAPED FINANCIAL ARCHITECTURE AFTER SUNRISE DIVESTMENT

## 1 – DIVESTMENT SHARES

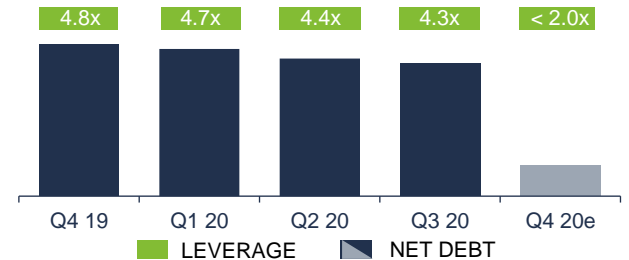
- Purchased in 2016 c. 11.05m or 24.42 per cent in Sunrise's shares
- Entry price was 72.95 CHF per share – volume of 806 mCHF or 738 mEUR
- Received total dividends of 189.0 mEUR
- Risky takeover of UPC by Sunrise in 2019 successfully avoided
- Created significant shareholder value for freenet shareholders

## 2 – PAYMENTS

- Liberty made public tender offer of 110 CHF per share
- freenet has committed itself to accept the voluntary cash tender offer
- With >96.0 per cent acceptance rate minimum threshold reached on October 28<sup>th</sup>
- ComCom approved deal on October 29<sup>th</sup>
- Payment of 1.216 bnCHF (approx. 1.1 bnEUR) expected in Q4 20

## REDUCTION NET DEBT & LEVERAGE

- c. 300 mEUR share price gains
- c. 800 mEUR to repay existing debt
- Strengthened capital base reached
- Both leverage and net debt will decrease significantly – below sector average



# STATUS SHARE BUYBACK

## KEY POINTS

- Volume: 100 mEUR
- Duration: September 1<sup>st</sup> until end of December 2020 at the latest
- Quantity: up to 5.0m shares respectively 3.9 per cent of shares outstanding
- The repurchased shares are to be cancelled and the share capital reduced

## INTENTION

- Contribute an alternative to the suspended dividend 2019 (paid out in 2020)
- Sending clear signal to capital markets

### Current status (05.11.20):

Shares bought back:	1.6 mn
Average price:	17.63 EUR
Aggregated volume:	28.8 mEUR