

# Management presentation Q2 2016 results

**Christoph Vilanek, CEO and Joachim Preisig, CFO**

11 August 2016 | **Analyst and Investor conference call**

**freenet** GROUP

MOBILCOM-DEBITEL / KLARMOBIL.DE / GRAVIS / FRENET.DE / FRENET DIGITAL / MEDIA BROADCAST / MFE ENERGIE / MOTION TM

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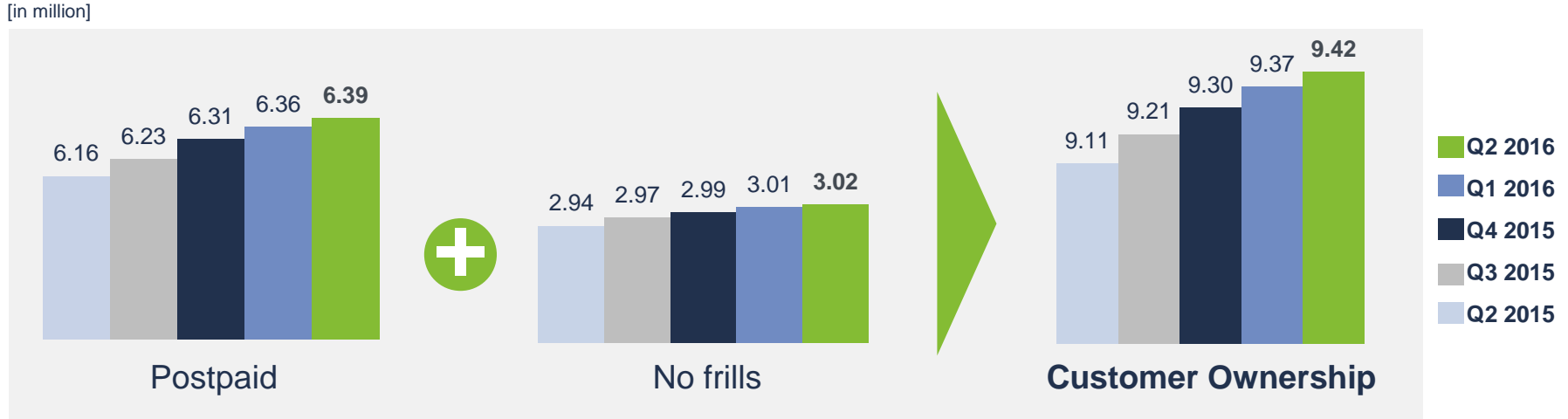
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## Key achievements in Q2 2016

- **Significant growth in Customer Ownership** by 50,000 in Q2 2016 (+313,000 yoy) mainly driven by strong increase of **valuable postpaid customers** by 39,000 (+232,000 yoy)
- **Continued stabilisation of postpaid ARPU** – currently at 21.4 euros and stable yoy; slight decrease of 0.1 euros compared to Q1 2016 because of seasonal effects
- **Revenue** at 807.7 million euros (previous year: 752.5 million euros) based on stable mobile communications business, higher valuable Digital Lifestyle revenue and revenue contribution from the new segment “TV and Media”
- **EBITDA increased** by 15.7 million euros yoy to 104.8 million euros
- **Free cash flow rose** yoy by 56.5 per cent to 115.9 million euros – includes dividend payment of 30.1 m€ of Sunrise Communications Group AG

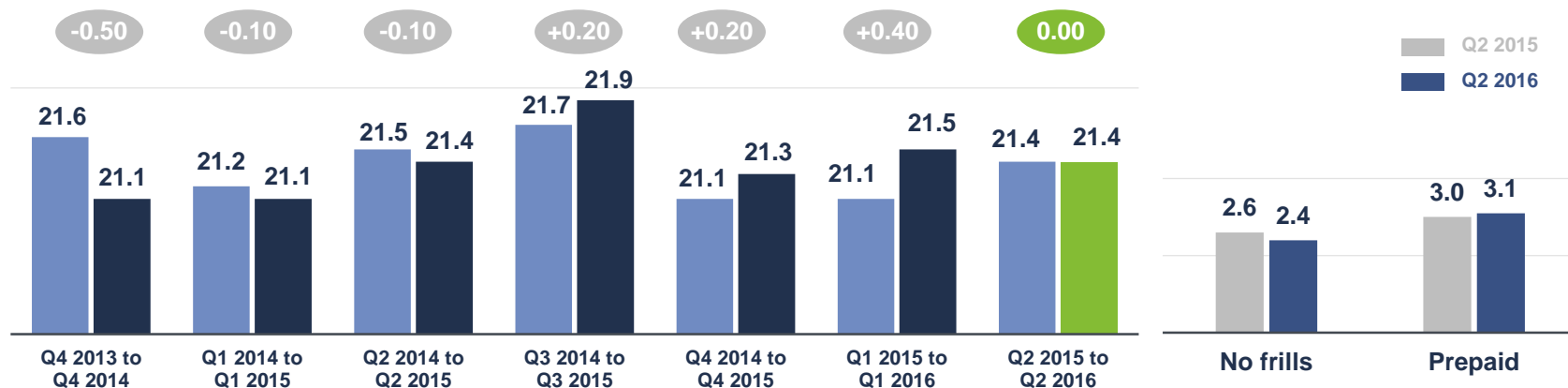
# Further growth in Customer Ownership (+3.4 per cent)



- Improvement of customer ownership driven by disproportionate increase of **postpaid customers** by 3.8 per cent (+232,000 yoy) and an increase of the **no-frills customer base** by 2.8 per cent (+81,000 yoy)
- Decline of **prepaid customer base** to 2.67 million as a result of further deactivation of inactive SIM-Cards
- **Total customer base at 12.09 million** – below previous years' figure of 12.38 million

# ARPU stabilisation confirms focus on valuable customer relations

[EUR/month]



## Postpaid ARPU

- At 21.4 euros on the same level as previous year
- Data revenue** share at 33.80%

## No frills ARPU

- At 2.4 euros on par with Q1 2016, Q4 2015 and Q1 2015

## Prepaid ARPU

- Increased by 0.2 euros compared to previous quarter, slightly outperforming the previous years' figure

# Core business continues to perform according to our internal plan

## Channels

- Overall satisfying performance in all channels concerning gross adds and renewals
- Year-on-year increase in brick and mortar with 50/50 share of new and existing customers
- Online very price sensitive due to ongoing competition of other MVNO players

## Tariffs

- Subsidy business driven by Samsung product launches and attractive bundles
- Stepwise increase of included data volume with all three networks
- LTE available in all networks, maximum speed in Telefonica LTE due to merger remedy
- Most attractive SIM-only offers in Vodafone network via freenet mobile brand

## DLS

Digital lifestyle

- New products launches in content offerings e.g. flat rate for more than 1,600 magazines
- Prelaunch testing of IPTV product with promising results
- Overall positive performance in accordance with internal planning

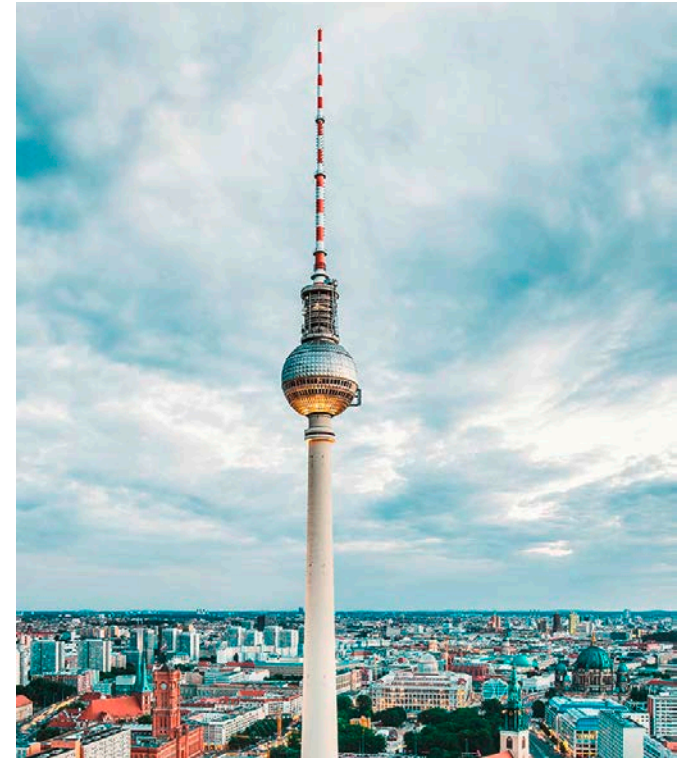
## Brand

- Prompted brand recognition above 80% and more than 40% of those that remember the advertising and or the brand recognise mobilcom-debitel as “more than a mobile phone service provider”

# DVB-T2 preparation goes with full speed

## MEDIA BROADCAST

- 38 out of 61 DVB-T2 locations in pilot operation up and running
- 6 channels in full HD transmission running
- Coverage of 24 million users via room antenna and 55 million via roof antenna
- freenet TV connect (HbbTV based on demand platform) in beta testing
- 13 vendors contracted for set top boxes, current supply chain forecast above 3.3 million units, C+ module bundling with 2 TV brands
- Listing in all relevant retail and online stores
- Pre IFA press event with very positive feedback mid July; full scale booth at IFA in the 2<sup>nd</sup> week of September in Berlin







# Shareholding in Sunrise Communications Group AG

## Sunrise

- **Shareholding in Sunrise increased** by 0.73% (former Sunrise Management shares) - from 23.83% to actually 24.56% in April 2016
- **Sunrise dividend pay-out** – Cash inflow of 30.1 million euros in April 2016; resulting in an increase of operating cash flow and free cash flow



**Sunrise TV** – television  
the smart way



**Internet** – the fastest  
Internet at the best price



**Mobile** – switch  
subscriptions at any time



**Landline**



Promising comprehensive business model – Digital TV, Internet, Mobile and Landline network

Multiple-brand strategy (B2B and B2C) with focus on customer service

Continuous product development and innovations by expanding partnerships in all business areas

# Financial statements

## Income statement

[in EUR million]

	1 <sup>st</sup> half 2016	1 <sup>st</sup> half 2015	Q2 2016	Q2 2015
<b>Revenue</b>	<b>1,556.9</b>	<b>1,501.0</b>	<b>807.7</b>	<b>752.5</b>
<b>Gross profit</b>	<b>412.1</b>	<b>377.8</b>	<b>219.9</b>	<b>186.4</b>
<b>EBITDA</b>	<b>194.0</b>	<b>175.1</b>	<b>104.8</b>	<b>89.1</b>
Depreciation and amortisation	-56.8	-34.2	-35.1	-18.8
EBIT	131.6	140.9	64.4	70.3
Interest result	-33.1	-19.3	-21.3	-9.7
EBT	98.6	121.6	43.0	60.6
Taxes on income	2.4	-10.5	6.6	-5.7
Group result	101.0	111.1	49.6	54.9
Earnings per share (€)	0.81	0.86	0.40	0.42

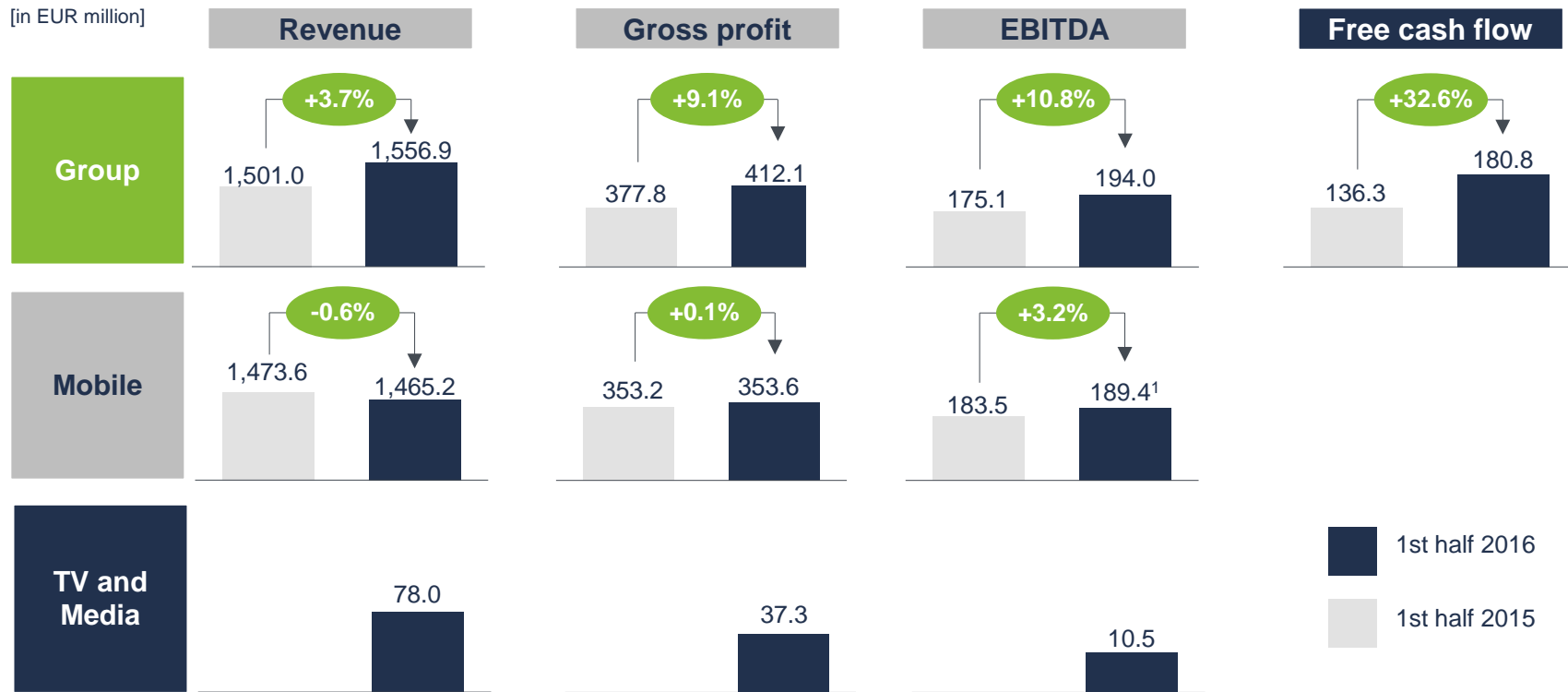
**Revenue** improved by 55.1 m€ due to stable mobile communications business, rise in valuable DLS revenue and contribution from new segment “TV and Media”

**Depreciation and amortisation** increased by 16.4 m€ yoy mainly as a result of the increase in property, plant and equipment and intangible assets related to the recent transactions (Media Broadcast and EXARING) and the associated purchase price allocations.

Increase of **interest expenses** by 11.6 m€ mainly attributable to non-current liabilities of Media Broadcast and the refinancing in connection with the recent acquisitions in March 2016

# Key performance indicators and segment overview

[in EUR million]

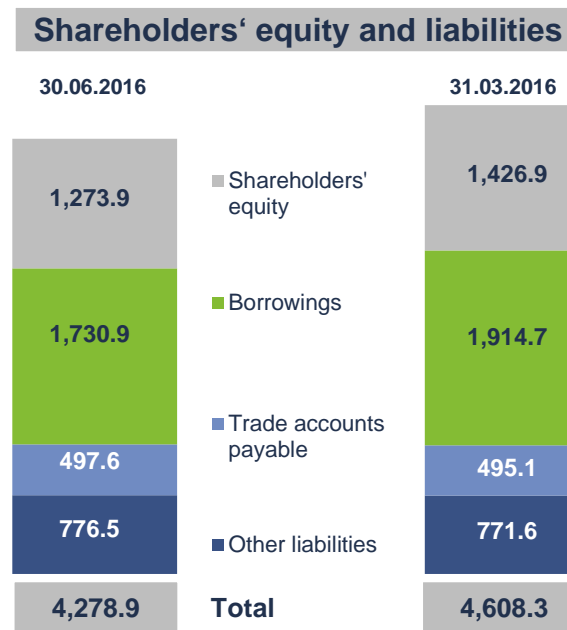
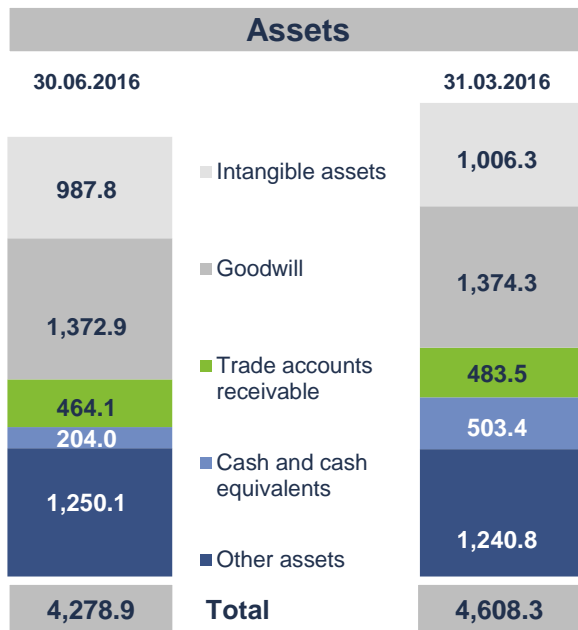


1) Including proceeds from Sunrise 6.1 m€

# Financial statements

## Balance sheet

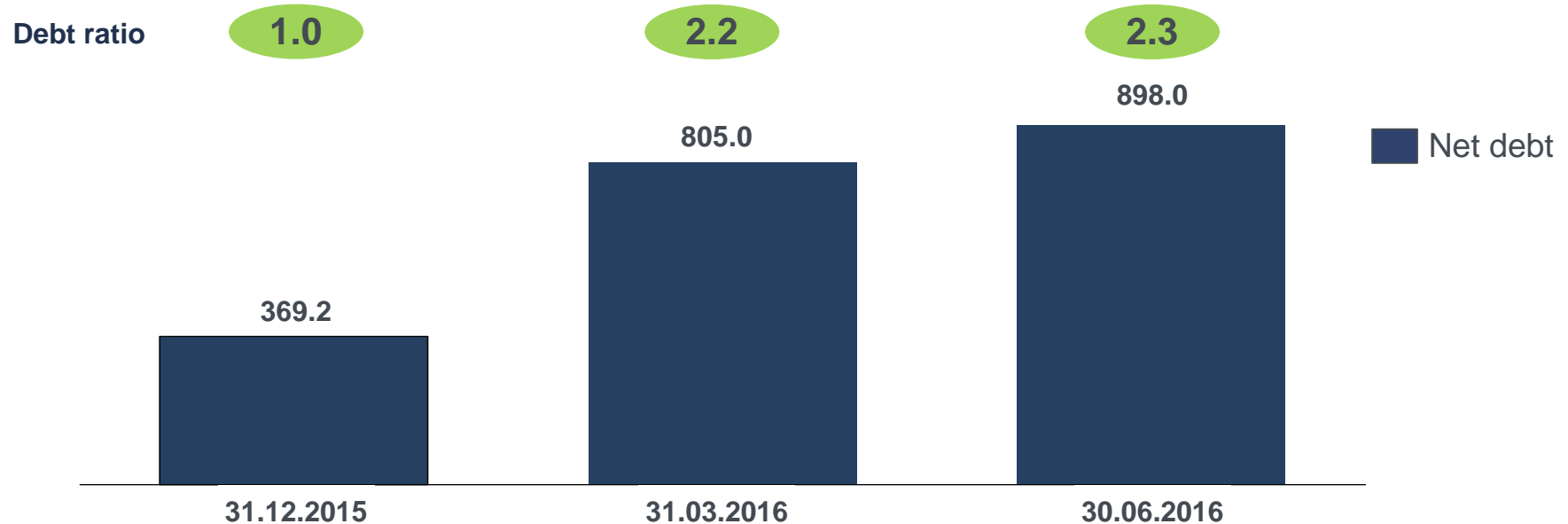
[in EUR million]



- Equity ratio at 29.8 per cent as of 30 June 2016 (31.0 per cent as of 31 March 2016)

# Current debt ratio inside the target range between 1.0 – 2.5

[in EUR million]



1) Net debt is defined as financial debt minus cash and cash equivalents minus market value of freenet's share in Sunrise Communication Group AG on the reference date (stock market price = closing price according to Frankfurt stock exchange on the reference date).

2) Debt ratio is defined as net debt divided by the EBITDA of the last twelve months.

# Financial statements

## Cash flow

[in EUR million]	1 <sup>st</sup> half 2016	1 <sup>st</sup> half 2015	Q2 2016	Q2 2015
Cash flow from operating activities	205.5	151.2	133.6	80.7
Cash flow from investing activities	-839.0	-14.4	-39.7	-6.5
thereof net capex	-24.7	-14.9	-17.7	-6.6
Cash flow from financing activities	567.8	-124.6	-393.3	-123.1
Change in cash and cash equivalents	-65.7	12.1	-299.4	-48.9
<b>Free cash flow<sup>1</sup></b>	<b>180.8</b>	<b>136.3</b>	<b>115.9</b>	<b>74.1</b>

**Cash flow from investing activities** at -39.7 m€ mainly due to pay out of 22.1 m€ for a further share capital of 0.73 per cent in Sunrise.

**Cash flow from financing activities** – Dividend payout rose by 6.4 m€ from 192.0 m€ to 198.4 m€ yoy; repayment of the bond with (nominal value of 400.0 m€ plus related expired interests); Net-Cash inflow of 239.3 m€ from borrowings.

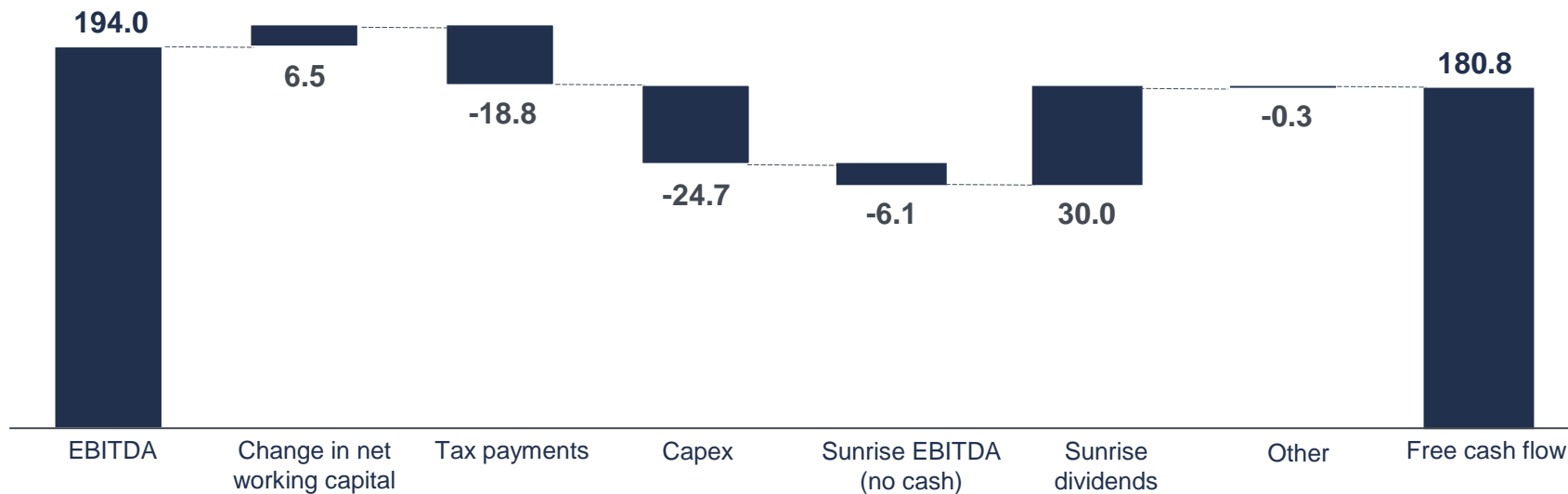
As a result **free cash flow** increased by 41.8 m€ yoy

1) Free cash flow is defined as cash flow from operating activities, minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.

# Detailed Bridge from EBITDA to free cash flow







## Q1 – Q2 2016

[in EUR million]



FY 2015	370.2	- 10.3	- 44.3	- 30.4		- 0.6	284.5
FY 2016e	>400	0	- 55	- 55	-10	30	330

# Guidance 2016 confirmed and clear dividend pay out statement

	Customer ownership	Postpaid ARPU	Group revenue	Group EBITDA	Free cash flow (FCF) <sup>1</sup>	Dividend pay out
Guidance 2016				> 400.0 m€ <sup>2</sup>	~300.0 m€ <sup>3</sup>	1.60 €/share <sup>4</sup>
Results 2015	+ 376,000	21.4 €	3,117.9 m€	370.2 m€	284.5 m€	1.55 €/share <sup>5</sup>
Guidance 2015				370 m€	280 m€	50-75% of FCF

1) Free cash flow is defined as cash flow from operating activities, minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.

2) As before, we assume that the consolidation of the Sunrise-shares will lead proportionally in the financial year 2016 to **additional EBITDA** of around 10 million

3) Dividend payment of 30.1 m€ from Sunrise Communications Group AG are not included.

4) Dividend of 1.60 euros per dividend-bearing share for the financial year 2016 to be proposed by the Executive Board

5) Dividend of 1.55 euros per dividend-bearing share resolved by the Annual General Meeting on 12 May 2016



# freenet Group management

## We take time for your questions



**Christoph Vilanek, CEO**

- **CEO of freenet AG since 2009**
- Management positions at debitel AG since 2005
- Consultant for telecommunication with McKinsey&Company since 2001
- Management positions in Direct Marketing and Media 1991 - 2001



**Joachim Preisig, CFO**

- **CFO of freenet AG since 2010**
- CFO of debitel AG since 2006
- CFO of T-Mobile/ Head of Group Controlling at Deutsche Telekom AG since 2002
- CFO at O<sub>2</sub> since 1996

# Thank you.

Hollerstrasse 126  
24782 Büdelsdorf  
[www.freenet-group.de](http://www.freenet-group.de)

Investor Relations  
+49 (0) 40 513 06 778  
[investor.relations@freenet.ag](mailto:investor.relations@freenet.ag)

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# BACK UP

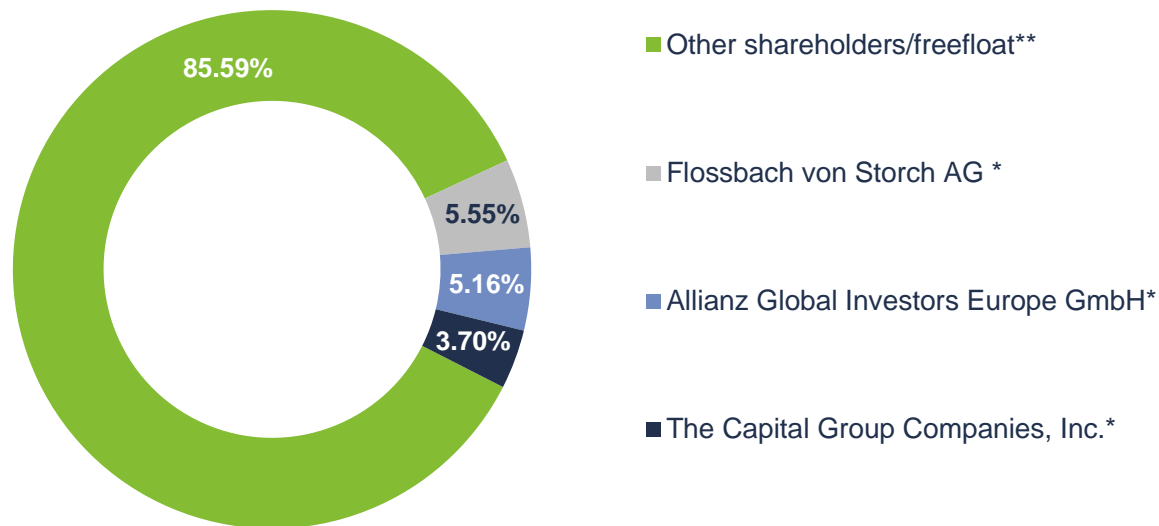
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# Shareholder structure

## Major shareholders of freenet AG

As of 11 August 2016



\* Including attributions according to German Securities Trading Act

\*\* The free float according to Deutsche Börse AG amounts to 89.29%

# Refinancing against the background of the acquisitions

[in EUR million]

Promissory notes 2015	tranche 1 (fix)	tranche 2 (fix)	tranche 3 (var.)
Volume	50.0	25.0	25.0
Interest rate p.a.	1.79%	1.33%	1.05%
Maturity	2022	2020	2020

Promissory notes 2016	tranche 1 (fix)	tranche 2 (var.)	tranche 3 (fix)	tranche 4 (var.)	tranche 5 (fix)	Bank loan 2016 (Facilities Agreement)	tranche 1 (var.)	tranche 2 (var.)	tranche 3 (var.)
Volume	264.0	179.0	78.5	15.0	23.5	Volume	240.0	800.0	100.0
Interest rate p.a.	1.03%	1.00%	1.45%	1.20%	1.95%	Interest rate p.a.	0.80%	2.10%	1.80%
Maturity	2021	2021	2023	2023	2026	Maturity	2017	2019	2021