

# MANAGEMENT PRESENTATION

Preliminary Results FY 2021

CHRISTOPH VILANEK, CEO

INGO ARNOLD, CFO

25 February 2022

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.

All figures are based on preliminary calculations before final consolidation and completion of the audit. There may therefore be discrepancies to **the final financial figures to be published on 25 March 2022**.

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freenet AG does not undertake any obligation to publicly update or revise information provided during this presentation.



# AGENDA

**1** BUSINESS

C. VILANEK, CEO

**2** FINANCIALS

I. ARNOLD, CFO

**3** Q&A

# FREENET EXCELS ITS 2021 GUIDANCE

## FINANCIAL PERFORMANCE

in mEUR/ as indicated



- Revenue
- EBITDA
- Free cash flow <sup>1</sup>

2020

2,576.2  
425.9  
201.3

GUIDANCE  
2021

stable  
430 - 445  
215 - 230

PRELIMS  
2021

2,556.3  
447.3  
234.4

YOY  
CHANGE

-0.8%  
+5.0%  
+16.4%

## SUBSCRIBER BASE

in '000s



- Postpaid contracts  
(w/o digital/app-based tariffs)
- waipu.tv subscribers
- freenet TV RGUs

7,078.7  
572.5  
901.9

Moderate  
growth  
Solid growth  
Moderate  
decrease

7,178.0  
722.5  
796.6

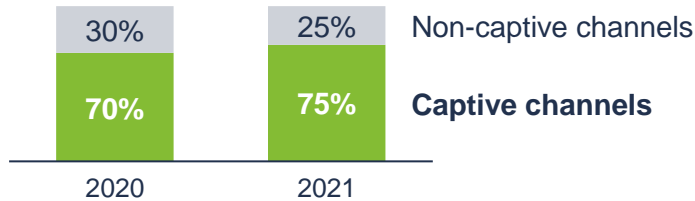
+ 99.3  
+150.1  
-105.3

<sup>1</sup> without Sunrise dividend (46.0 mEUR) and related interest payments syndicated bank loan (10.0 mEUR)

# +130.6 THOUSAND MOBILE SUBSCRIBERS

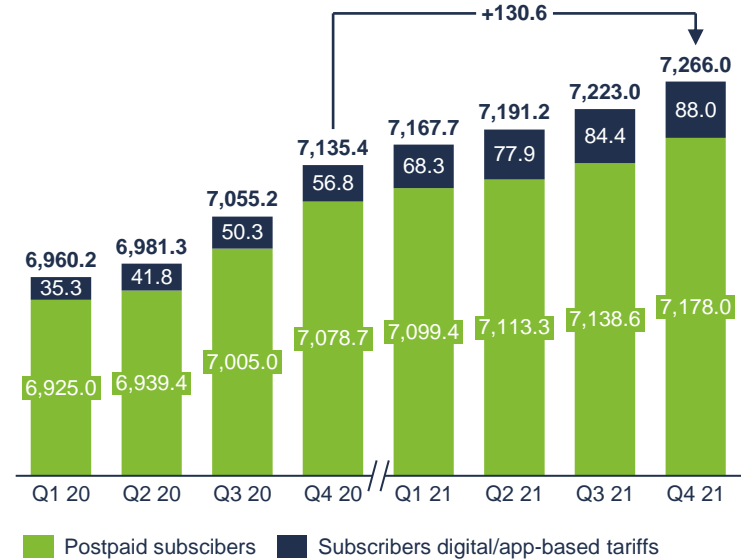
## GOOD PERFORMANCE IN A COVID IMPACTED YEAR

- Lengthy period of lockdown and closed shops
- 5G tariff offerings with Vodafone and T-Mobile
- Introduction of 'Smart Pricing' for all contract renewals
- Growing share of app-based tariff plans and unlimited data
- Brick and mortar share at 39% (2020: 45%)
- Captive channels increased:



## MOBILE SUBSCRIBER DEVELOPMENT

in '000s



# WAIPU.TV DELIVERS 12 MONTHS POSITIVE CONTRIBUTION AND DYNAMIC GROWTH

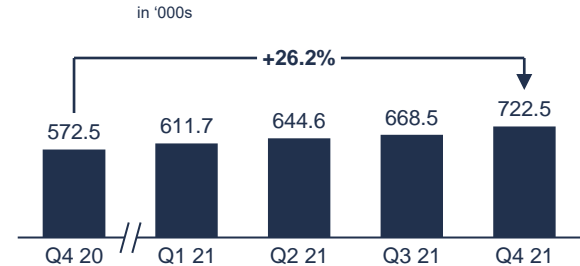
waipu .tv



## OPERATIONAL HIGHLIGHTS

- Launch of waipu.tv 4k stick make waipu.tv to be the cord cutting alternative
- TV campaign with Dieter Bohlen as testimonial in Q4 drives advertising recognition by 33%
- Customer intake of +26.2% yoy from 572.5 thousand to 722.5 thousand subscribers
- Revenue increase of 68.2% in 2021 with EBITDA of 6.3 mEUR (2020: -1.8 mEUR)
- Increasing share of advertising revenues with a planned MRR of 0.6 mEUR at high margin

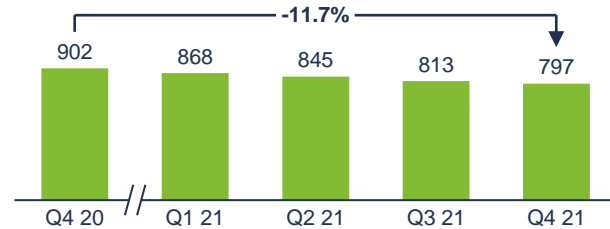
## WAIPU.TV SUBSCRIBERS



# MEDIA BROADCAST BUSINESS WITH STRONGER EBITDA FROM TV AND RADIO

## FREENET TV (RGU)

in '000s



## OPERATIONAL HIGHLIGHTS

### freenet TV

- Focus on EBITDA generation through efficiency gains and slowdown of churn; overall DVB-T2 users in Germany at constant level
- Price increase planned of 2<sup>nd</sup> half of 2022

### B2B

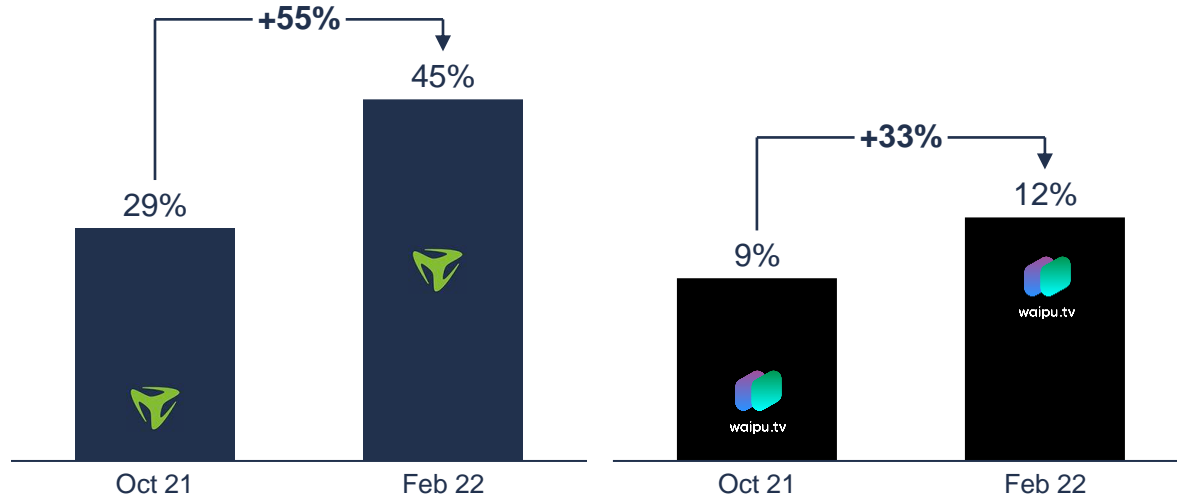
- Several regional DAB platforms licenses won (e.g., Hamburg, NRW)
- Major carriage contracts prolongations
- First 5G project contracts signed

### Digital Radio – ‘Antenne Deutschland’

- All 16 available stations up and running (6 captive)
- Captive channels with strong increase in market share and reach
- AdAudio as owned advertising sales agent up and running

# THE NEW TESTIMONIAL CAMPAIGN PAYS BACK...

- 42 percent of sales reps report active mentioning of Dieter Bohlen from customers in the shops
- Advertising recognition for freenet increases by 55% and 33% for waipu.tv from pre Dieter Bohlen



Basis: Advertising tracking mid-October 2021 n=1000 and Appinio survey early February 2022 n=300



# ...AND HAS ENCOURAGED TO MIGRATE FROM MOBILCOM-DEBITEL TO FREENET



## REASON WHY

- mobilcom-debitel was a compromise in 2008 in order to no loose customers
- The double brand was always a handicap in communication
- Same brand for retail chain and product made messaging complex
- New products such as freenet TV, freenet FUNK, freenet flex, freenet energy did take benefit from overall umbrella brand ATL and SEO/SEA

## FREENET POSITIONING LEVERS SYNERGIES

- freenet is the provider of Digital Lifestyle online and offline
- It delivers its owned branded products but leaves room as a multichannel location for other brands from hardware, through klarmobil or waipu.tv
- Advertising a major umbrella brand is more efficient and effective



# SIGNIFICANT PROGRESS IN INTEGRATING ESG INTO DECISION-MAKING

## ESG KEY FOCUS AREAS

### Environment

- Energy efficiency
- Reduction carbon footprint
- Sustainable packaging

### Governance

- Good governance
- Compliance and integrity
- Data protection/ security

### Employees

- Employer attractiveness
- Skills development
- Diversity

### Customers/ Products

- Service quality and customer satisfaction
- Sustainable product solutions
- Network quality

## HIGHLIGHTS 2021

Awarded LEADING EMPLOYER Germany 2021

Avg. digital learning hours/employee increased by >50%

rephone and Networx Greenline supplement sustainable product portfolio

High customer service level maintained during Corona

>90% of post paid invoices issued digitally

100% renewable energy for broadcasting infrastructure  
Media Broadcast

Approx. -90% GHG emissions (Scope 1+2) and -50% energy consumption (compared to base year 2015)

# OUR SUSTAINABILITY AGENDA FOR 2022

## ESG FOCUS AREAS 2022

Harmonisation of Group-wide measurement model for customer satisfaction

Expansion of digital-first approach (customer communication, products, smart pricing)

Conversion of Top 20 Networx products to Networx Greenline

Expansion of "green electricity procurement" to almost 100% + further electrification of car fleet

Establishment of a regular Group-wide employee satisfaction survey

Implementation of ESG in the Executive Board remuneration system

## MAJOR PROJECT 2022: COMPLETION ESG-ELIGIBLE RENOVATION OF FREENET HQ



**ENERGY-EFFICIENT RENOVATION AND EXPANSION OF 'NEW WORK CONCEPT' REQUIRES INVESTMENT OF ABOUT 10 mEUR**



# CURRENT TRADING IN Q1 22 AND OUTLOOK

## MOBILE COMMUNICATIONS

- Noticeable regulatory headwinds from Telco Act, but final effect not yet clear
- Customer base in January under pressure from pandemic-related shop closures, whereas online performance very satisfying
- February return to normal, Q1 expected to be okay, Q2 on track similar to 2021
- Mobile internet to be launched in Q2, fixed line in Q3
- ATL, POS and BTL transformation to freenet finished in Q3, delivering synergies from Q3

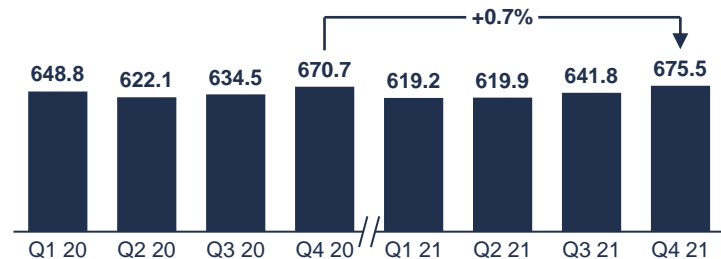
## TV & MEDIA

- waipu.tv with strong start in Q1, expected to grow in subs and ad revenues with increasing dynamic over the year
- freenet TV within expected performance, price increase in Q3
- 'Antenne Deutschland' focussing on strong growth, therefore EBITDA expected to remain negative in FY 2022
- Operational progress in B2B business, based on strong sales funnel to stabilise EBITDA

# GROUP – SIGNIFICANT EBITDA GROWTH IN 2021

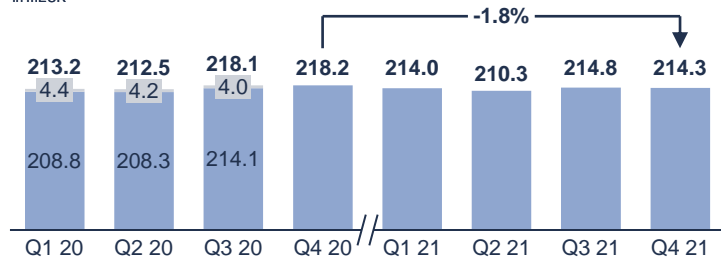
## GROUP REVENUES

in mEUR



## GROUP GROSS PROFIT

in mEUR



■ Gross profit w/o freenet digital (fn digital)

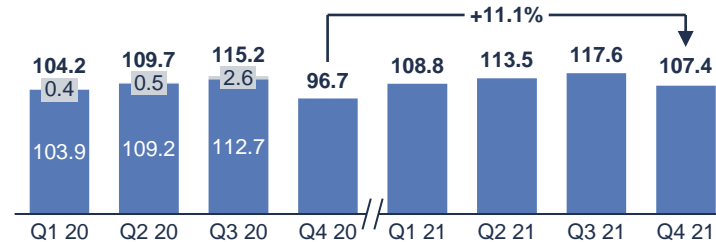
■ fn digital (decons. 30/09/2020)

## FY21 VS. FY20

- Group revenues stable at 2,556.3 mEUR (2020: 2,576.2 mEUR)
- Group gross profit w/o freenet digital up to 853.4 mEUR (2020: 849.5 mEUR) resulting from stable mobile results and growing waipu.tv business
- Group EBITDA w/o freenet digital up 5.9% yoy at 447.3 mEUR (2020: 422.5 mEUR), mainly driven by sustainable cost management and strong TV and Media performance

## GROUP EBITDA

in mEUR

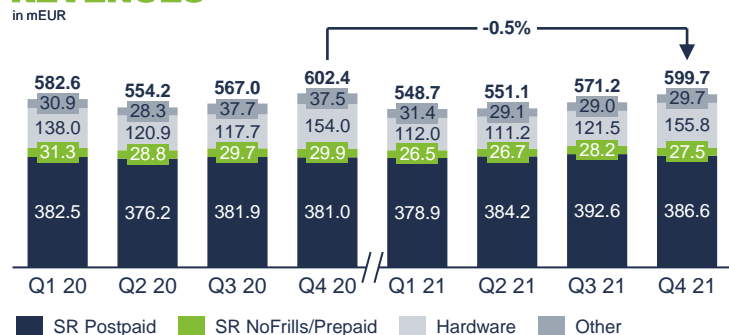


■ EBITDA w/o freenet digital

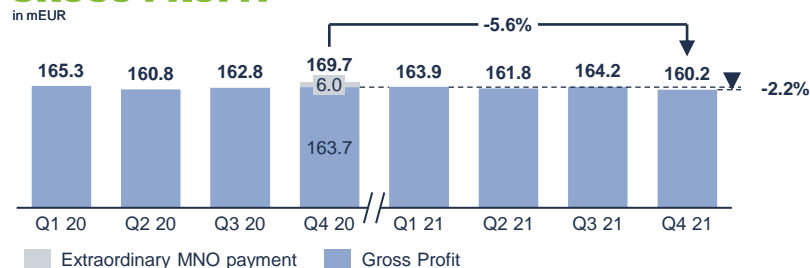
■ fn digital (decons. 30/09/2020)

# MOBILE – ANOTHER QUARTER WITH INCREASING SERVICE REVENUES

## REVENUES



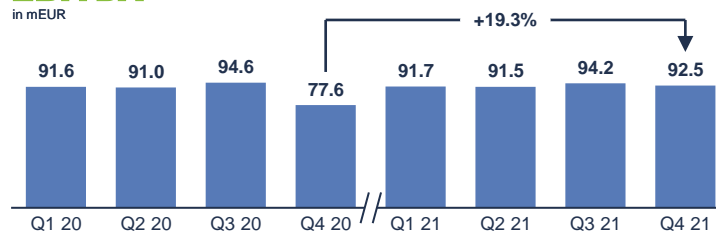
## GROSS PROFIT



## FY21 VS. FY20

- Mobile Communications revenues slightly down (-1.5% yoy) at 2,270.8 mEUR (2020: 2,306.1 mEUR); good shape of the mobile business again confirmed by increasing service revenues postpaid; in 2021 up by 1,4% to 1,542.3 mEUR (2020: 1,521.6 mEUR)
- Gross profit stable at 650.1 mEUR from 652.7 mEUR in 2020 (Q4/20 w/o extraordinary MNO payment and Q4/21 with increased SACs based on Black Friday/Christmas sale)
- EBITDA up +4.3% yoy at 370.1 mEUR (2020: 354.8 mEUR) mainly attributable to a growing valuable customer base, cost efficiency and effects from short-time work

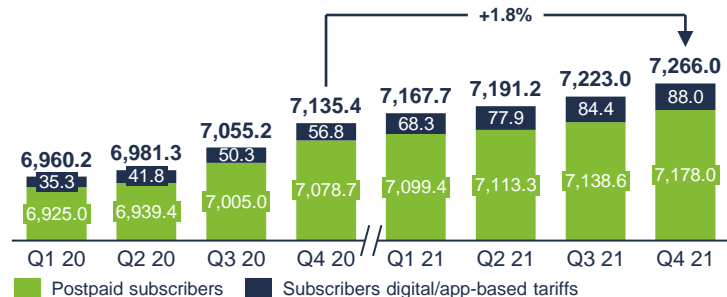
## EBITDA



# MOBILE – DLS REVENUES ABOVE 200 MILLION EUROS

## HIGH-VALUE MOBILE CUSTOMER BASE

in '000s



## ARPU POSTPAID

in EUR

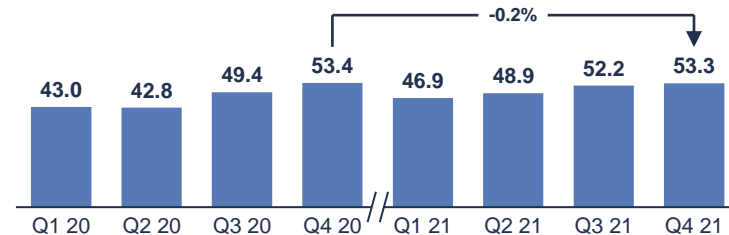


## FY21 VS. FY20

- Growing mobile customer base with comparably high profitability and loyalty (+1.8% yoy to 7,266.0 k)
- Postpaid ARPU stable at 18.1 EUR (2020: 18,2 EUR); pandemic-related weakness in H1/21 compensated by less travel restrictions and smart pricing in H2/21
- High margin Digital Lifestyle revenues up 6.8% yoy at 201.4 mEUR (2020: 188.6 mEUR), high DLS subscription share secures sales contribution

## DIGITAL LIFESTYLE (DLS) REVENUES

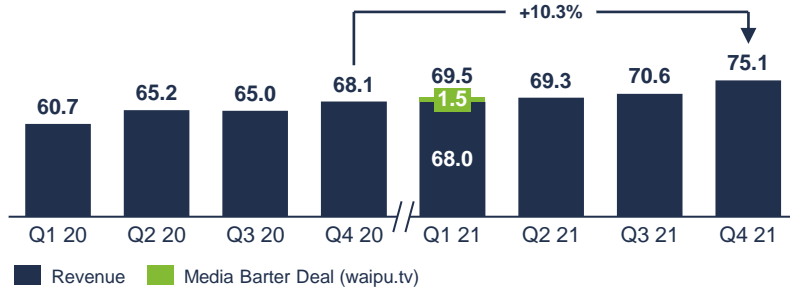
in mEUR



# TV AND MEDIA – CONSIDERABLE CONTRIBUTION FROM WAIPU.TV

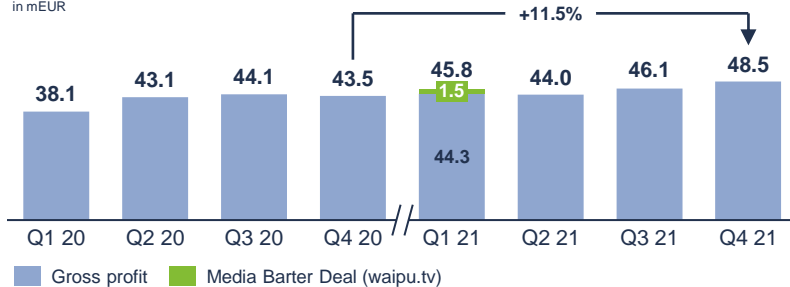
## REVENUES

in mEUR



## GROSS PROFIT

in mEUR

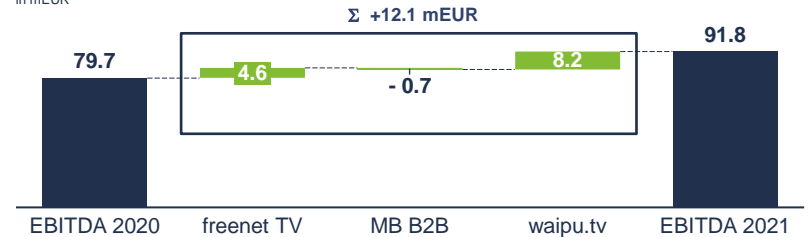


## FY21 VS. FY20

- Strong growth of revenues by 9.9% yoy to 284.5 mEUR (2020: 259.0 mEUR) primarily driven by consistent customer intake at waipu.tv
- Remarkable increase of gross profit: +9.3% yoy to 184.5 mEUR (2020: 168.8 mEUR)
- Significant EBITDA increase of 15.2% yoy to 91.8 mEUR (2020: 79.7) despite higher marketing expense (waipu.tv) and conservative bad debt provisioning (Media Broadcast) in Q4 21

## EBITDA FY20 AND FY21

in mEUR

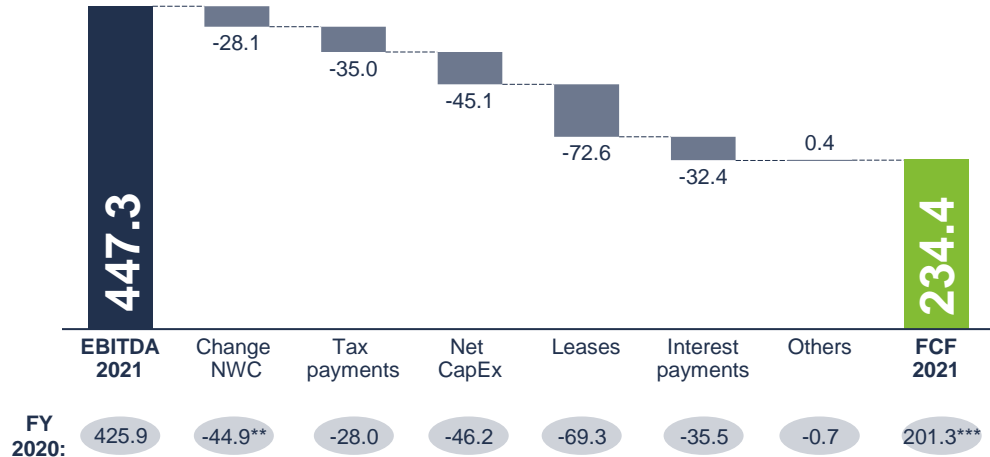




# FCF ABOVE UPPER END OF GUIDED RANGE, DIVIDEND PROPOSAL OF 1.57 EUROS

## FROM EBITDA TO FREE CASH FLOW (FCF)

in mEUR



## DIVIDEND PROPOSAL FOR 2021 ACCORDING TO FINANCIAL POLICY

**80** percent of free cash flow distributed

**187.5** mEUR total distribution

**1.57\*** EUR per dividend-bearing share

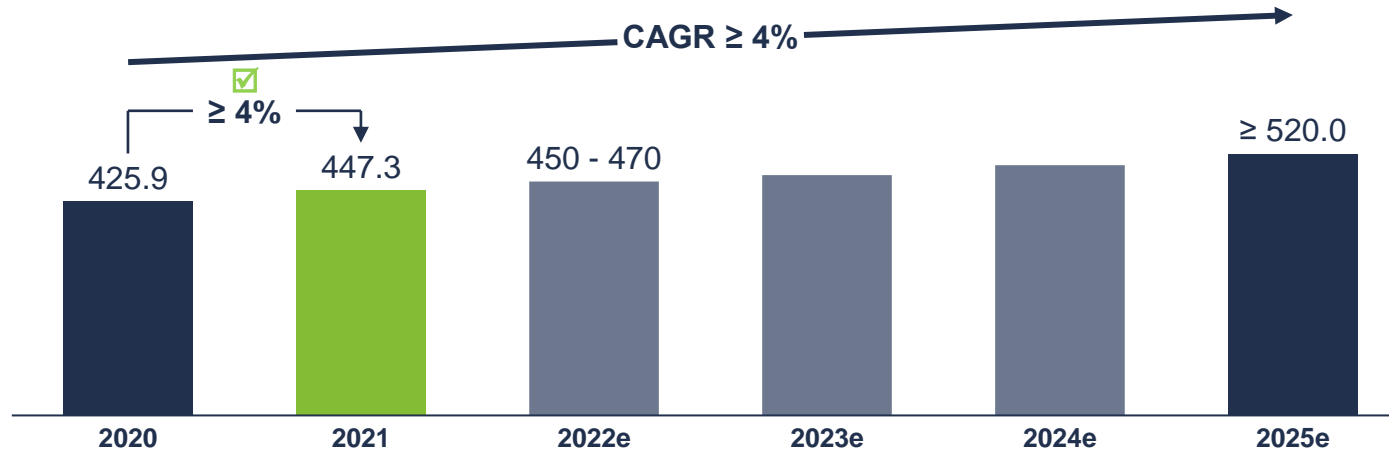
\* Dividend per share to be proposed to the AGM based on the number of shares entitled to dividends at the time of distribution

\*\* including CNWC phasing effect from GRAVIS (12.0 mEUR)

\*\*\* w/o Sunrise dividend (46.0 mEUR) and related interest payments syndicated bank loan (10.0 mEUR)

# EBITDA AMBITION 2025 NOT BACK-END LOADED TOWARDS THE END

ROAD TAKEN IN 2021 TO BE CONTINUED IN 2022,  
AMBITION 2025 REMAINS UNCHANGED



- FY 2021 includes positive effects from short-time compensation countered by personnel restructuring effects in 2021
- Sustainable savings from restructuring reduce headwind from the lack of short-time compensation in 2022

# ZUVERSICHTLICHER AUSBLICK FÜR DAS GESCHÄFTSJAHR 2022

## FINANCIAL GUIDANCE

in mEUR/ as indicated



- Revenue
- EBITDA
- Free cash flow

## PRELIMS 2021

2,556.3  
447.3  
234.4

## GUIDANCE 2022

stable

450 - 470

230 - 250



Mid point guidance approx.  
+4.0% CAGR vs. 2020

Mid point guidance >50.0%  
EBITDA-to-FCF conversion

## SUBSCRIBER GUIDANCE

in '000s



- Postpaid contracts  
(w/o digital/app-based tariffs)
- waipu.tv subscribers
- freenet TV RGUs

7,178.0

722.5

796.6

Moderate  
growth



Solid growth



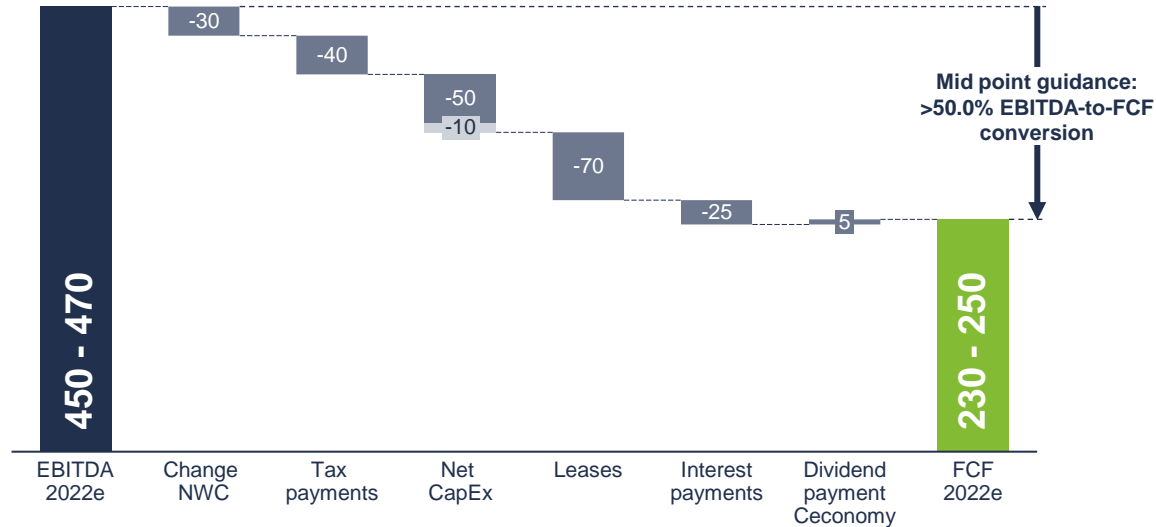
Noticeable  
decrease



# FREE CASH FLOW BRIDGE 2022

## FROM EBITDA TO FREE CASH FLOW

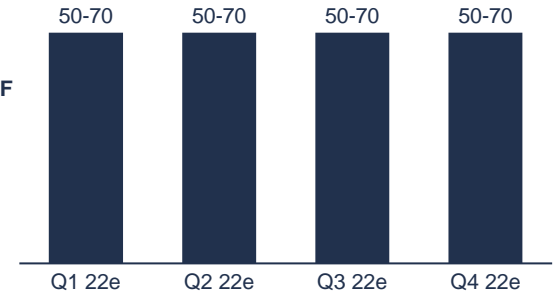
in mEUR



■ Renovation Headquarters Büdelsdorf (EU taxonomy partially eligible CapEx)

## FCF QUARTERLY BREAKDOWN

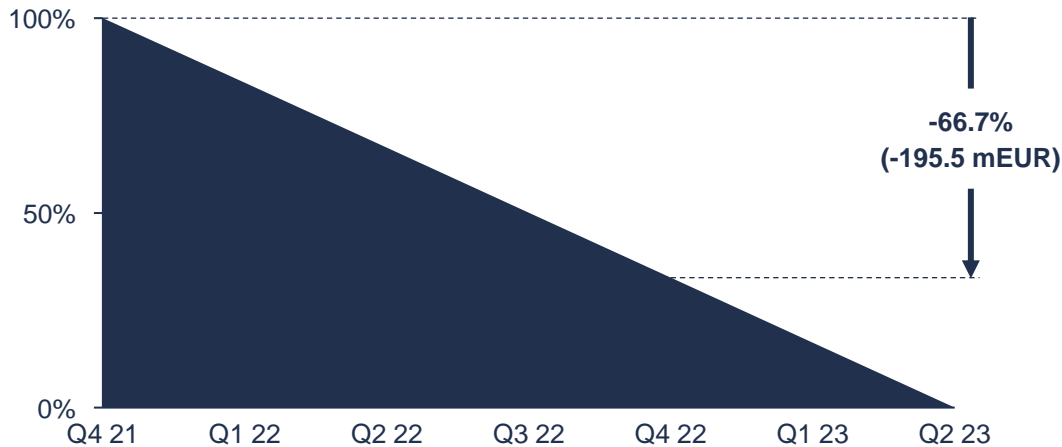
in mEUR



Even quarterly distribution without major deviations expected in FY 2022

# SPECIAL ISSUE 2022: DEPRECIATION OF MOBILCOM-DEBITEL BRAND

## LINEAR MELTDOWN OF BRAND 'MOBILCOM-DEBITEL' DUE TO BRAND TRANSFORMATION



- The mobilcom-debitel brand is used in the Mobile Communications segment and recognised in the balance sheet at 293.2 mEUR as of 31.12.2021
- Linear meltdown of brand over 18 months until end of Q2 23
- Depreciation with negative impact on P/L KPIs (EBIT, EBT, net profit, and EPS) as well as equity ratio; no cash impact!

Introduction of adjusted P/L KPIs (EBIT, EBT, net profit, and EPS) to continue to provide a clear and transparent view of the operating performance of freenet Group

# OPEN FOR YOUR QUESTIONS.

FOR FOLLOW-UP QUESTIONS REACH OUT TO:

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