

# Management Presentation Results 9M/3Q19

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07 November 2019 | **Analyst and Investor Conference Call**

**freenet** GROUP

MOBILCOM-DEBITEL / KLARMOBIL.DE / GRAVIS / FREENET.DE / EXARING AG / MEDIA BROADCAST / FREENET DIGITAL / FREENET ENERGY / MOTION TM

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## Results on track to meet full-year guidance 2019

**Revenue** in EUR million

2,130

**EBITDA** in EUR million

325.8

**Free cash flow** in EUR million

199.2

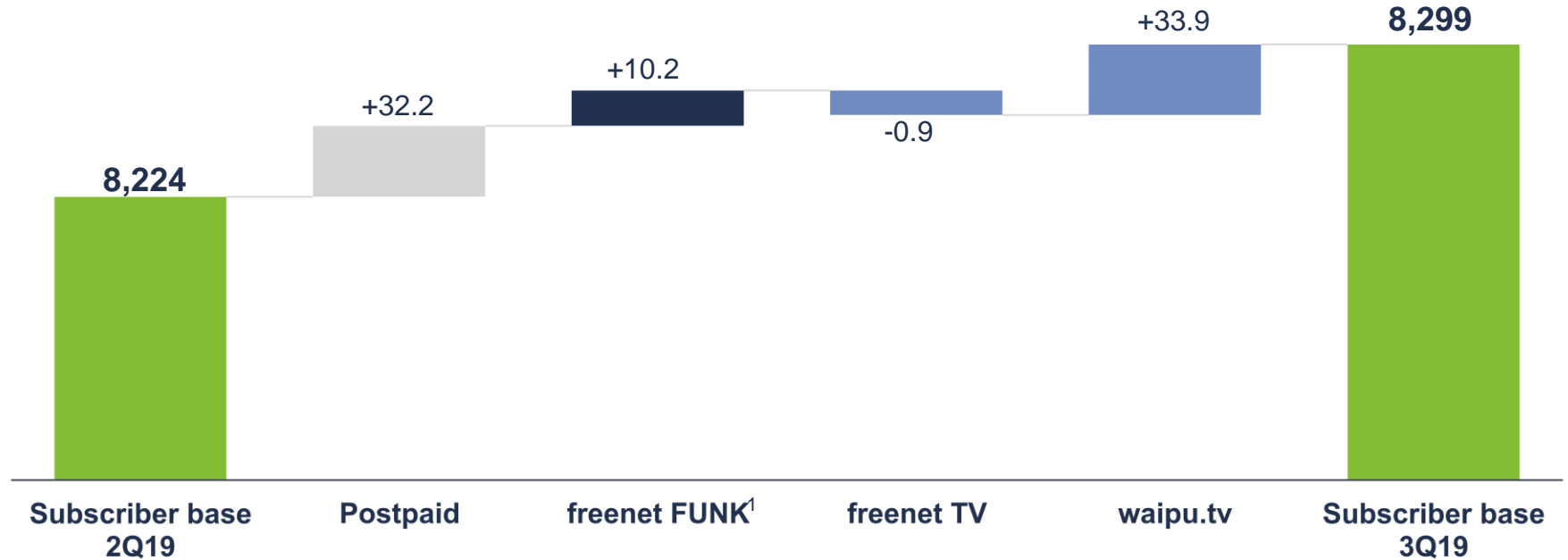
**Subscriber base<sup>1</sup>** in million

8.299

<sup>1</sup> Postpaid customers, freenet FUNK customers, freenet TV RGUs and waipu.tv subscribers

# Group subscriber base growing by 75,500 in 3Q19

Group subscriber base  
[in '000s]

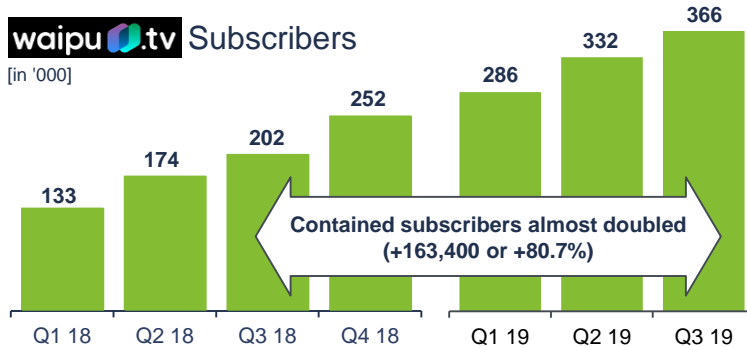
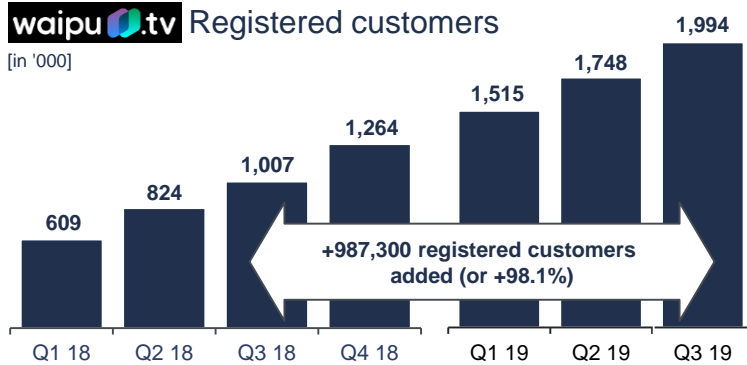


<sup>1</sup> ARPU comparable to postpaid contracts, but not counted within postpaid base

# Countermeasures effective – Postpaid net adds positive again

Mobile market challenges	freenet countermeasures	Status end of 3Q19
<ul style="list-style-type: none"><li>▪ Fully saturated mobile market with commoditized products</li><li>▪ New regulation put into force (e.g. international calls)</li><li>▪ Reduced competition on hardware market (Huawei ban)</li><li>▪ Longer hardware innovation cycles and usage</li></ul>	<ul style="list-style-type: none"><li>▪ Broadening sales cooperations, bundling DLS options etc.</li><li>▪ LTE portfolio completed on all networks</li><li>▪ Innovative products e.g. freenet FUNK as full digital proposition</li><li>▪ Churn down – Customer loyalty projects (digitalization customer journey)</li><li>▪ Customer acquisition mix focusing on quality and lifetime margin</li></ul>	<ul style="list-style-type: none"><li>▪ Sales agreement for VF and TEFD signed with Expert SE</li><li>▪ DLS strongest 3Q result since 2013</li><li>▪ Majority of customer base changed to LTE for free by year-end</li><li>▪ freenet FUNK +31k w/o marketing; FUNK technology to be used for other tariffs before end of the year</li><li>▪ Volume increase in Media Markt/Saturn and indirect online channels</li><li>▪ More rigid use of discounts and dealer commissions</li></ul>

# Number of waipu.tv subscribers already above FY plans

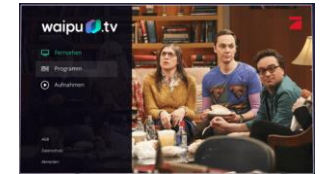


## Some operational KPI highlights:



**31%** of all users **use** the newly introduced **waiputhek**

**Average** duration of daily waipu.tv **usage** per subscriber **up 40%** since 3Q18



**ADAC**



**Consumption** of unique **NewTV** channels e.g. Bild or ADAC **up 66%** since March 2019

# waipu.tv as aggregation platform for linear entertainment growing

## New features launched in 3Q19

- Launch of Germany's largest Turkish language package with over 30 channels
- Launch of further proprietary channel assets (including wellness, crime series (bing watching), fashion and lifestyle, nature and documentaries)
- Joint presentation of voice enabled user interface feature with Amazon at IFA consumer trade fair in Berlin
- Roll-out of personal video library feature ("Waiputhek")

## Upcoming in 4Q19

- Distribution of 14 regional German channels on a transmission fee basis
- Launch of even more channel assets with genres including music, documentaries and celebrity news
- Launch of a feature allowing artificial intelligence based filtering of electronic programming guides based on viewers/content preferences

# waipu.tv's Turkey package adds significant customer potential

## Key facts about "Türki Paketi"

9.99€

Attractive initial pricing modell,  
no buy-through product

30+

Largest Turkish language package in  
Germany with over 30 channels in HD

800k+

Turkish TV households in Germany

>50%

Turkish TV households addressable  
by freenet/waipu customer base

30 türkische TV-Sender  
26 in HD

Yeni bir televizyon deneyimine hazır olun.  
Fernsehen wie noch nie.

waipu.tv

Türk Paketi

Starter-Angebot  
9,99 € / Monat\*

nur 12,99 € / Monat\*

- ✓ 30 türkische TV-Sender: atv avrupa, EuroD, TRT Türk, EuroStar, vvm.
- ✓ Die meisten türkischen Sender in HD-Qualität
- ✓ Ein Account für die ganze Familie – bis zu 4 Geräte gleichzeitig
- ✓ Über 50 deutsche Sender in SD-Qualität: Das Erste, ZDF, Kika, Phoenix, vvm.
- ✓ Persönliche Programm-Tipps
- ✓ Pause- und Restart-Funktion
- ✓ 100 Stunden Aufnahmespeicher

nur 19,99 € / Monat\*

Perfect + Türk Paketi und Perfect Paket in einem Angebot: Mehr Fernsehen geht nicht.

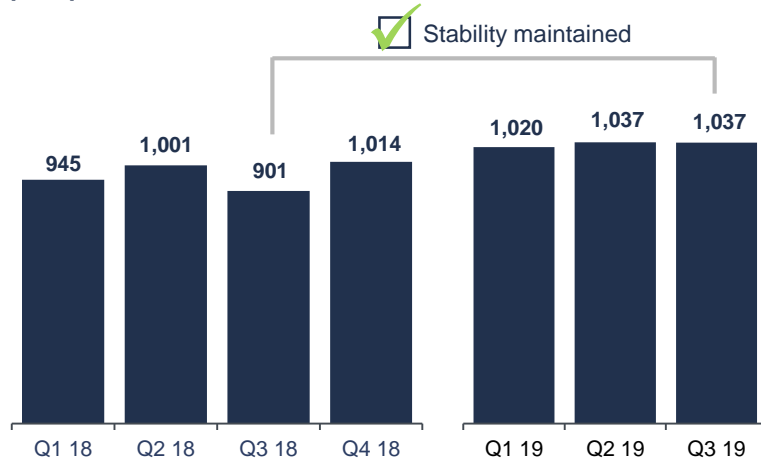
\* bei einer Mindestvertragslaufzeit von 24 Monaten. Die Vertragslaufzeit verlängert sich automatisch um weitere 12 Monate, bis hin 30 Tage vor Ablauf der Vertragslaufzeit keine Kündigung erfolgt. Alle Preise inklusive der gesetzlichen Mehrwertsteuer. Weiterführende Informationen zu den Paketen unter [www.mhd.de/waipu.tv](http://www.mhd.de/waipu.tv) waipu.tv ist ein Service der E-KATHO AG, Leopoldstraße 230, 80801 München, weitere Informationen unter [www.waipu.tv](http://www.waipu.tv)



# Voucher push back freenet TV anticipated and averted

## freenet TV Subscribers (RGU<sup>1</sup>)

[in '000]



### 9M19 vs. 9M18 comparison:

- freenet TV subscribers (RGU<sup>1</sup>) show **no voucher push back** (+135,100 or 15.0%) and still above long-term target (> 1.0 million RGUs)
- Promotions and discounts significantly reduced
- Testing of combined offer with waipu.tv under investigation



<sup>1</sup> RGU as the abbreviation for "Revenue Generating Unit" refers to freenet TV subscribers who purchased and also activated the freenet TV access

# Regulatory effects announced in August are taking place in Q3

## Analogue radio (TV & Media)

- Missing operational results in H1/2019
- Follow-up costs from divestment
- EBITDA effects (yoy) in 2019 w/o book profits sale (mEUR):

Q1	Q2	Q3	Q4e	FYe
-3	-2	+/-0	+/-0	-5

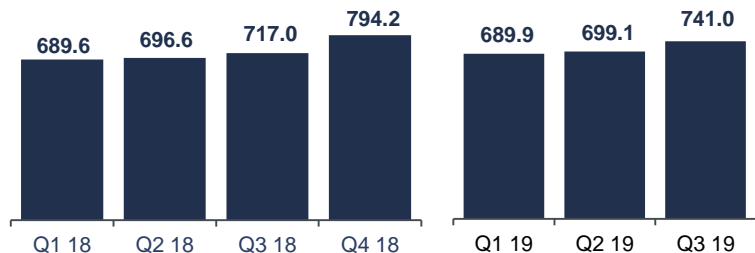
## International Calls/ Roaming (Mobile)

- EU international calls/ roaming regulation
- International call regulation effective since 15 May 2019
- EBITDA effects (yoy) in 2019 (mEUR):

Q1	Q2	Q3	Q4e	FYe
0	-2	-5	-5	-12

# Group performance adjusted by regulatory effects steady

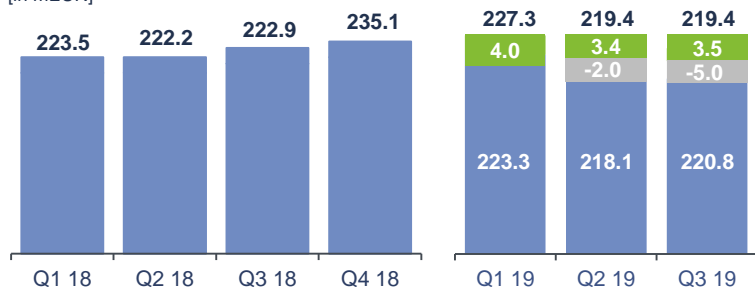
Revenue  
[in mEUR]



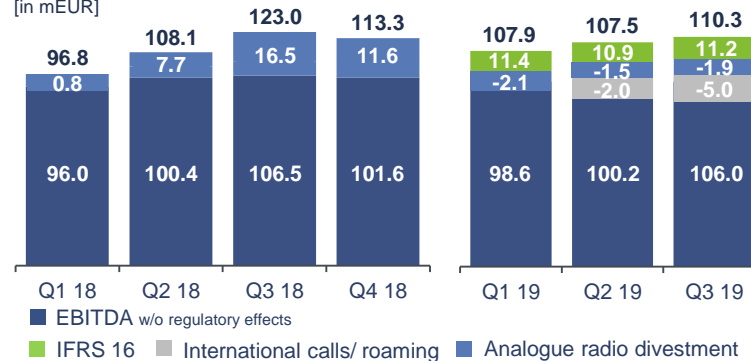
## 9M19 vs. 9M18 comparison:

- Revenue up 26.7 mEUR to 2,130.0 mEUR.
- Gross profit and EBITDA impacted by effects from inevitable regulatory changes: IFRS 16, international calls/ roaming and analogue radio divestment.
- Adjusted by regulatory effects both, gross profit and EBITDA, developed almost steady: Gross profit -1.0 per cent to 662.1 mEUR and EBITDA +1.9 mEUR to 304.8 mEUR.

Gross profit  
[in mEUR]



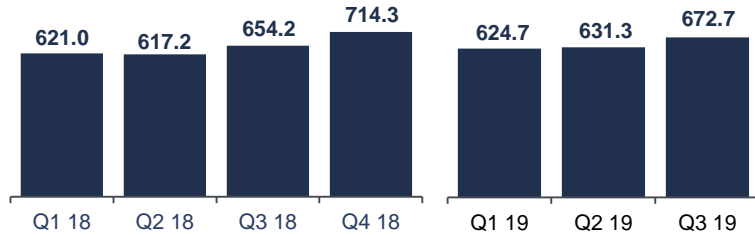
EBITDA  
[in mEUR]



# Mobile – Stable running engine...

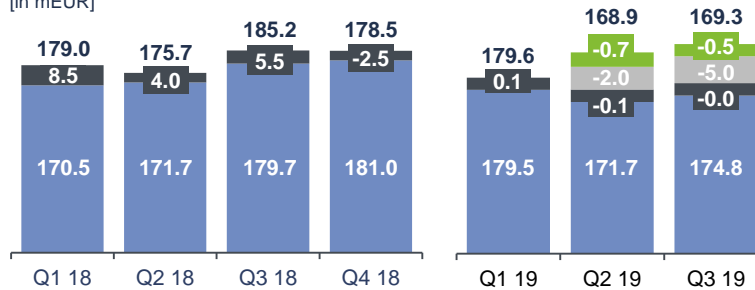
## Revenue

[in mEUR]



## Gross profit

[in mEUR]



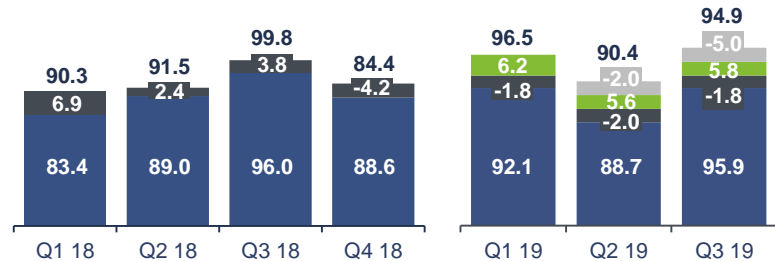
■ Gross Profit w/o regulatory effects/inter-segment allocation  
 ■ IFRS 16 ■ International calls/roaming ■ Inter-segment allocation

## 9M19 vs. 9M18 comparison:

- **Revenue** up 36.3 mEUR to 1,928.7 mEUR due to low-margin hardware sales; high-margin postpaid service revenue -6.3 mEUR due to international calls (1,159.7 mEUR vs. 1,166.0 mEUR).
- **Gross profit** adjusted by regulatory effects and without inter-segment allocation increased by 4.0 mEUR to 526.0 mEUR mainly due to lower subscriber acquisition costs in 1Q19.
- **EBITDA** without extraordinary effects increased by 8.3 mEUR to 276.7 mEUR based on gross profit development.

## EBITDA

[in mEUR]

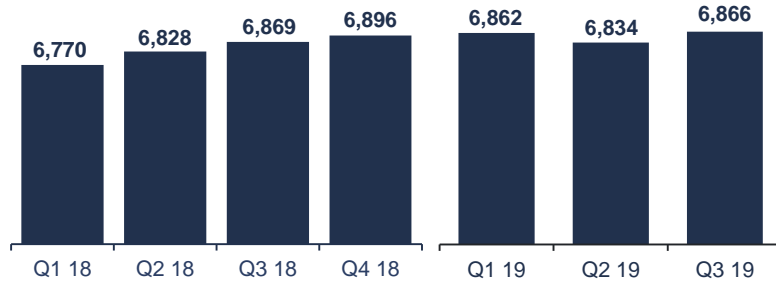


■ EBITDA w/o regulatory effects/inter-segment allocation  
 ■ IFRS 16 ■ International calls/roaming ■ Inter-segment allocation

# Mobile – ...with postpaid net adds bouncing back

## Postpaid Customers

[in '000]

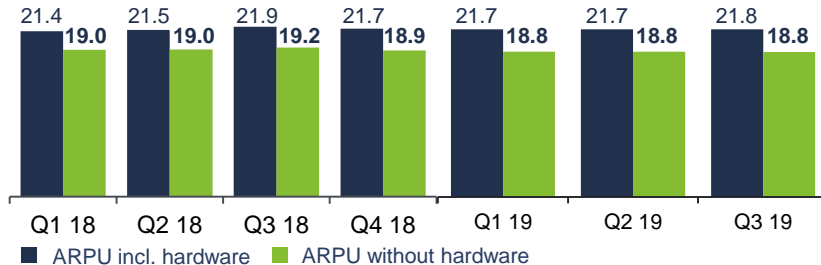


### 9M19 vs. 9M18 comparison:

- **Postpaid customer** development positive again (+32,200 in 3Q19) reaching 3Q18 customer level. Guidance in sight. **freenet FUNK** customers +10,200 added in 3Q19 not included (Total active: >30,600).
- **Postpaid ARPU** without hardware at 18.8 euros moves stable forward, but slightly below 3Q18 (international calls impact).
- Demand for value added services unchanged. **Digital Lifestyle** revenues slightly up 2.8 mEUR to 133.2 mEUR.

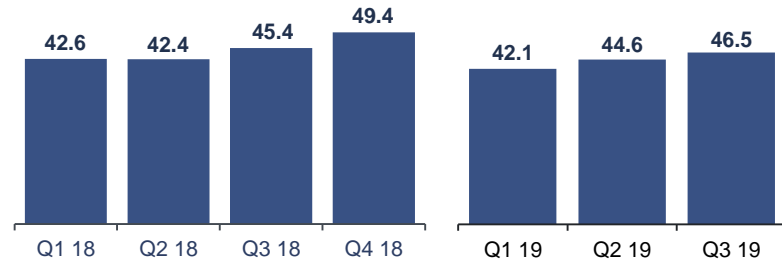
## Postpaid ARPU

[in EUR]



## Digital Lifestyle revenues

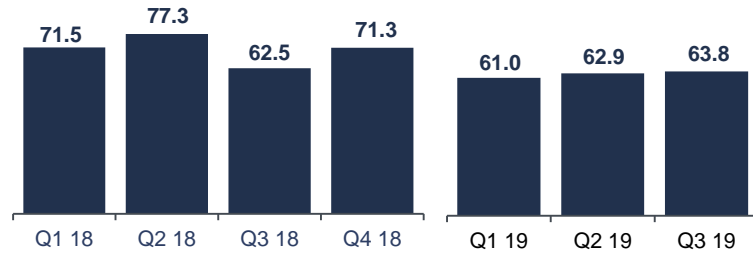
[in mEUR]



# TV & Media – On the way to continuity

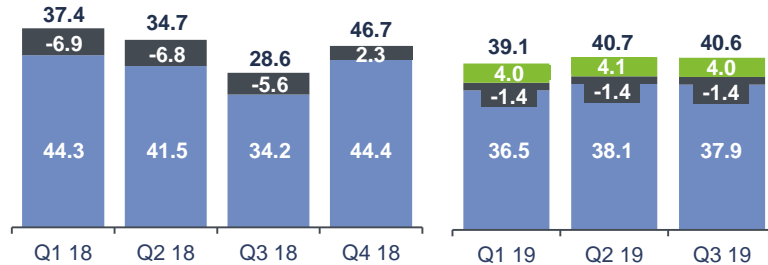
## Revenue

[in mEUR]



## Gross profit

[in mEUR]



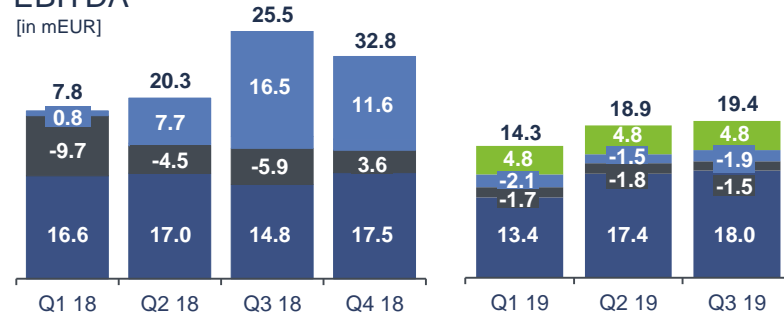
■ Gross Profit w/o regulatory effects/inter-segment allocation  
 ■ IFRS 16 ■ Inter-segment allocation

### 9M19 vs. 9M18 comparison:

- **Revenue** down 23.5 mEUR to 187.8 mEUR mainly based on missing analogue radio revenues from H1/2019.
- **Gross profit** adjusted by IFRS 16 and without inter-segment allocations decreased by 7.5 mEUR to 112.5 mEUR effected by regulatory and operational developments.
- Without inter-segment allocations, IFRS 16 and divestment of analogue radio **EBITDA** stable at 48.8 mEUR (though content cost path and SAT guarantee payments).

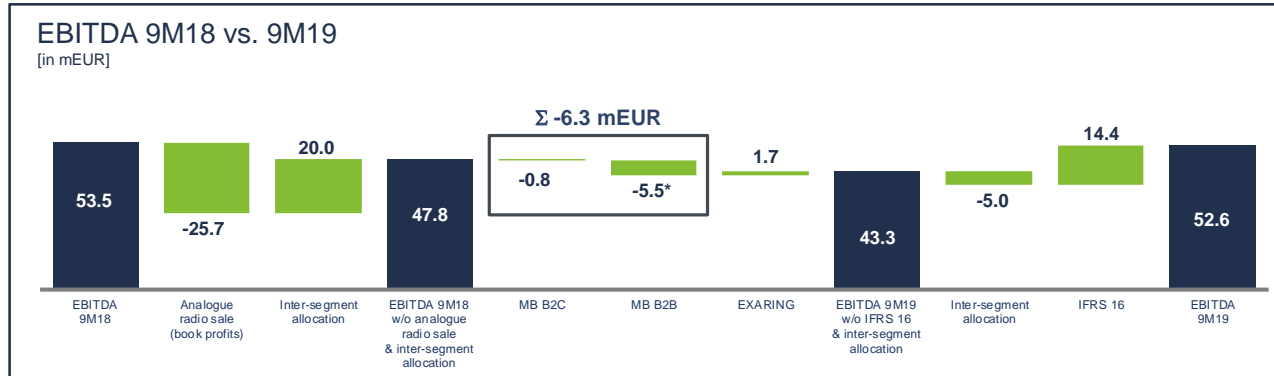
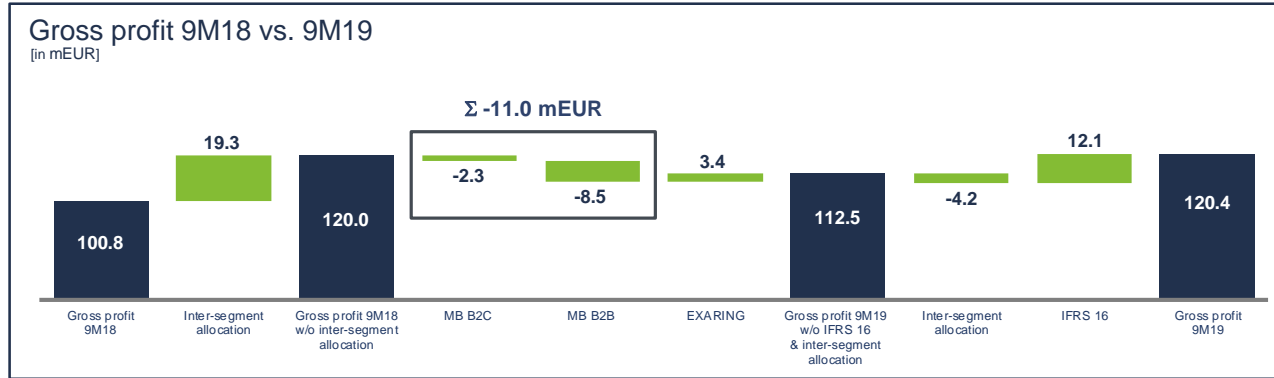
## EBITDA

[in mEUR]



■ EBITDA w/o regulatory effects/inter-segment allocation  
 ■ Analogue radio divestment ■ IFRS 16 ■ Inter-segment allocation

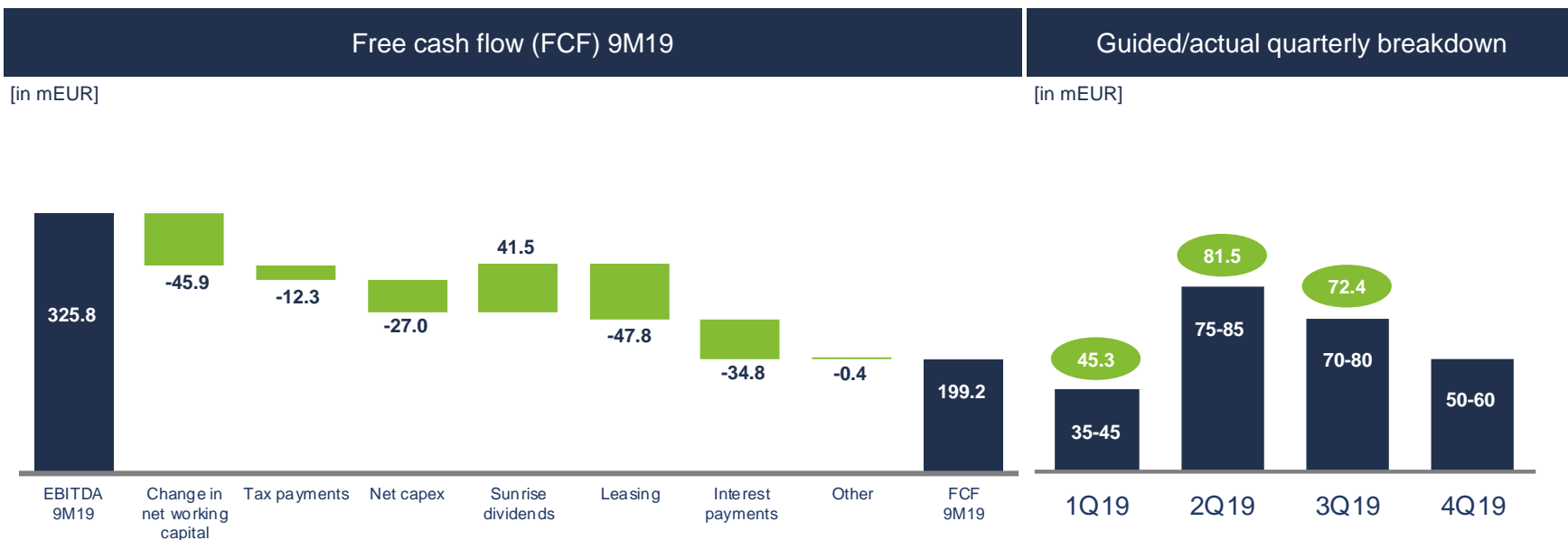
# TV & Media – Without analogue radio effects picture stable in Q3



\* Compared to previous slide, MB B2B includes -5.0 mEUR operational result from analogue radio.

- Gross profit** without IFRS 16 and inter-segment allocation decreased by 7.5 mEUR to 112.5 mEUR mainly induced by:
  - MB B2C: Higher content costs from freenet TV
  - MB B2B: Mainly missing operational results from analogue radio business
- EBITDA** without IFRS 16 and inter-segment allocation decreased by 4.6 mEUR to 43.3 mEUR. Partly compensation of negative gross profit deviation with reduced marketing spend and lower personnel costs.
- EXARING** still runs over negative budget in 3Q19.

# Free cash flow fully in guided range

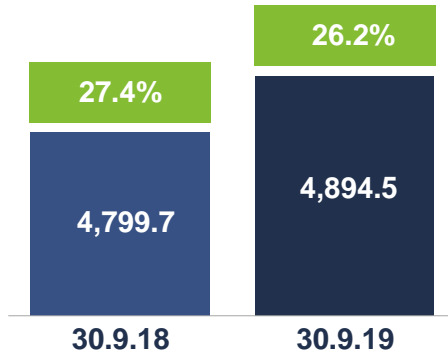


- Slight catch-up of net CAPEX in 3Q19, which was expected
- Tax payments still under average and expectations, but catch-up expected in 4Q19
- In general, free cash flow fully within guided range and on track to meet full year guidance



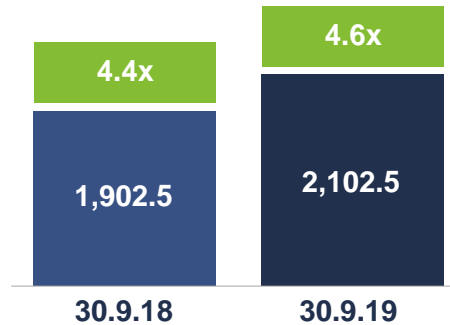
# Main financial KPIs: Equity ratio, net debt & leverage

**Total assets & Equity ratio**  
[in mEUR]



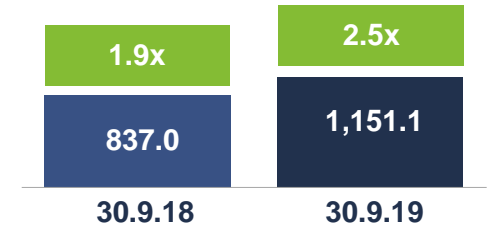
Higher total assets as direct consequence of IFRS 16 caused lower equity ratio

**Net debt & Leverage\***  
[in mEUR]



Leverage increase due to inclusion of net lease liabilities (IFRS 16)

**Adj. Net debt & Leverage\***  
[in mEUR]



Deducting market values of equity investments lowers net debt

\* The last twelve months (i.e. October 2018 to September 2019 or October 2017 to September 2018 for the previous year) are used for the period-related parameter EBITDA (according to the new definition). The last twelve months EBITDA for October 2018 to September 2019 include a linear extrapolation of the current IFRS 16 EBITDA effect in order to improve the informative value of the KPI.

# Results 9M/3Q19 – Q&A session

**For any follow-up questions reach out to:**

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[www.freenet-group.de](http://www.freenet-group.de)

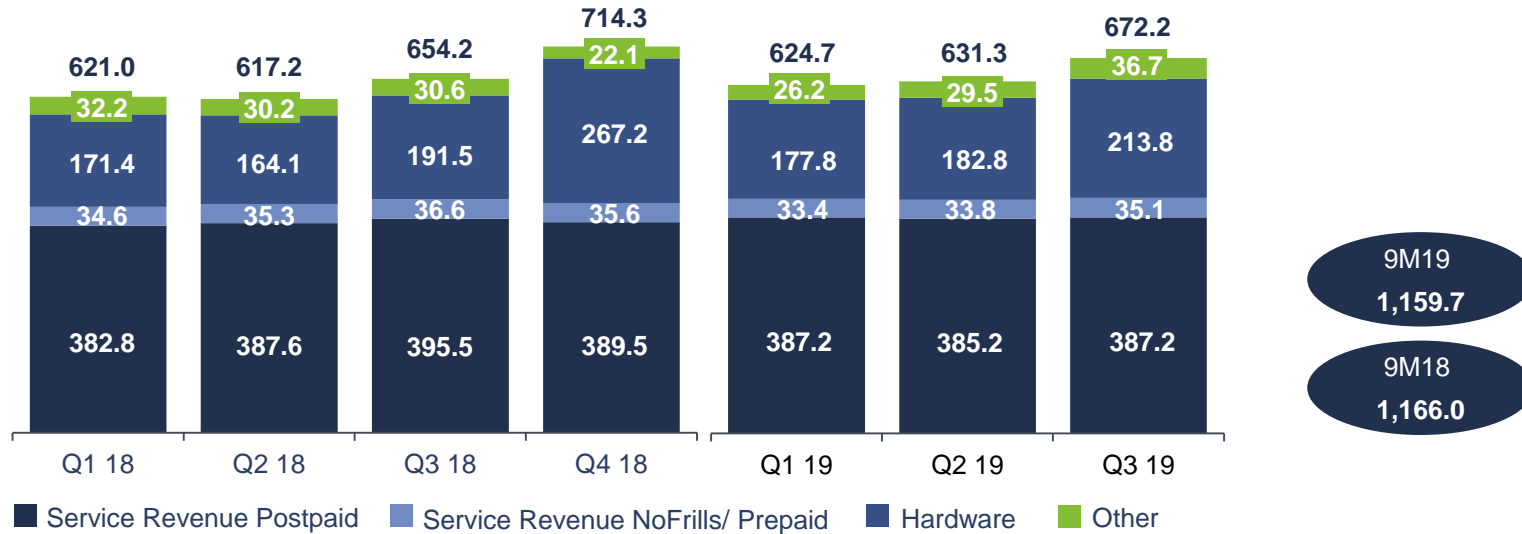
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# Appendix

# Mobile – Detailed revenue split, service & hardware revenues

Revenue split  
[in mEUR]

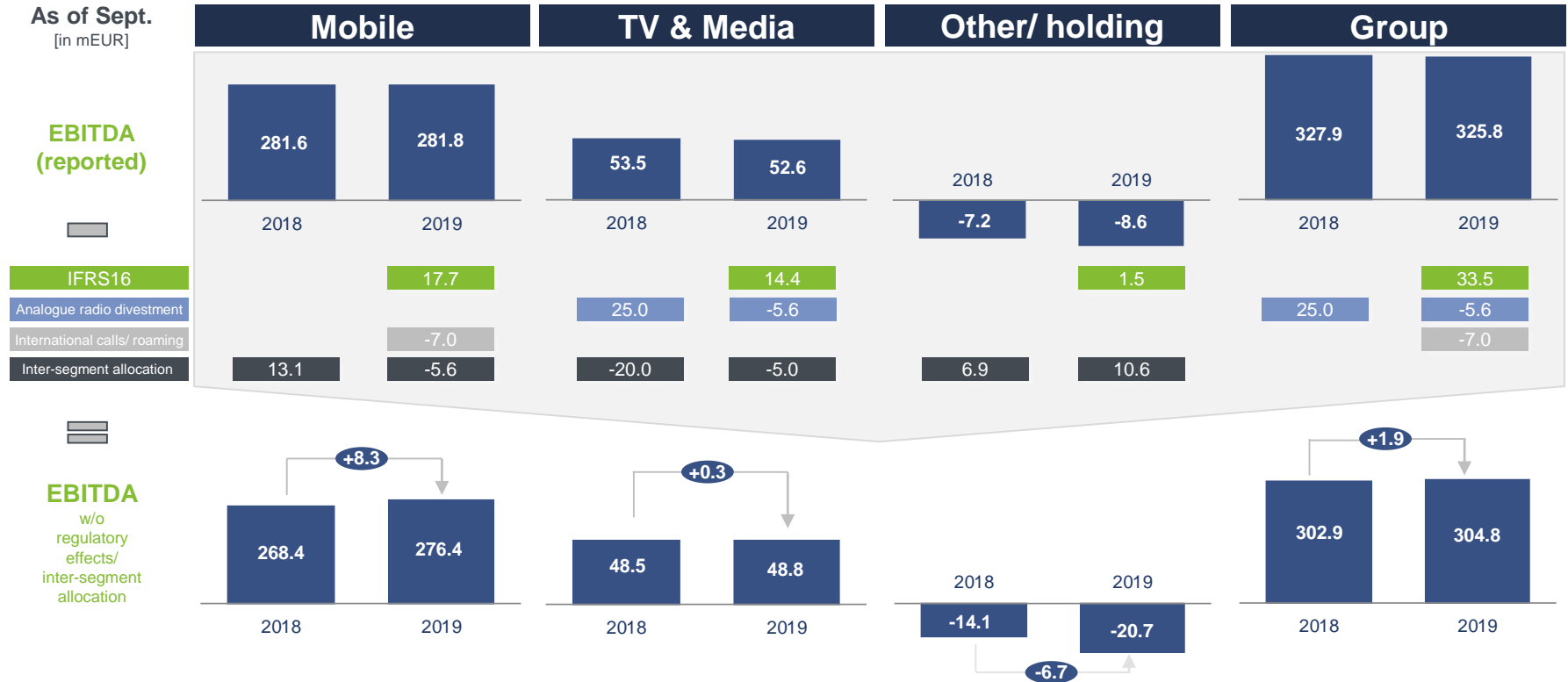


## Financial statements – P&L (shortened)

[in mEUR]

	Q1-Q3 2019	Q1-Q3 2018 restated	Q3 2019	Q3 2018 restated
Revenue	2,130.0	2,103.3	741.0	717.0
Gross profit	666.1	668.6	219.4	222.9
EBITDA	325.8	327.9	110.3	123.0
EBIT	210.2	230.6	72.1	92.4
EBT	189.3	162.6	66.2	37.5
Group result	169.3	148.1	57.6	40.0
Earnings per share (EUR)	1.38	1.22	0.46	0.33

# Segment changes evaporate at adjusted level, underlying stable



# Financial statements – Cashflow statement (shortened)

[in mEUR]

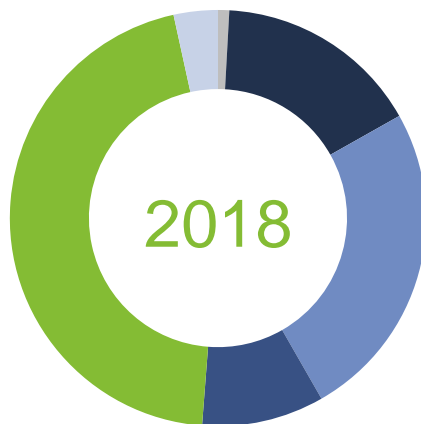
	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018
<b>Cash flows from operating activities</b>	<b>284.9</b>	<b>260.1</b>	<b>102.6</b>	<b>90.6</b>
<b>Cash flows from investing activities</b>	<b>-24.1</b>	<b>-311.5</b>	<b>-11.5</b>	<b>-287.7</b>
thereof net capex	-27.0	-33.7	-11.4	-10.1
<b>Cash flows from financing activities</b>	<b>-286.2</b>	<b>48.0</b>	<b>-18.8</b>	<b>270.0</b>
Net change in cash funds	-25.4	-3.4	72.4	72.9
<b>Free cash flow<sup>1</sup></b>	<b>199.2</b>	<b>210.1</b>	<b>72.4</b>	<b>75.0</b>

<sup>1</sup> Free cash flow is defined as cash flows 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, minus repayments of lease liabilities.

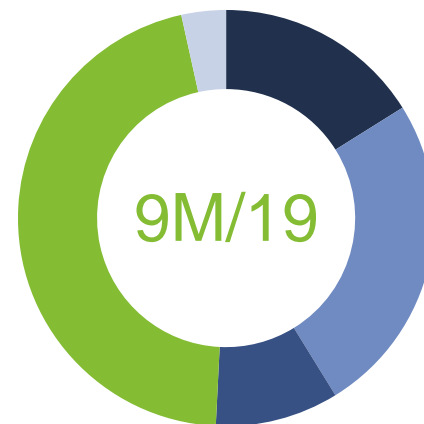
# Financing and maturity structure end of September 2019



Maturity	mEUR	%
2018	0.0	0
2019	54.5	3
2020	274.5	16
2021	443.0	26
2022	773.5	46
beyond	129.0	8
<b>Total</b>	<b>1,674.5</b>	<b>100</b>



Maturity	mEUR	%
2019	15.0	1
2020	274.5	16
2021	428.0	25
2022	163.5	10
2023	780.0	45
beyond	59.0	3
<b>Total</b>	<b>1,720.0</b>	<b>100</b>



Maturity	mEUR	%
2019	16.0	1
2020	258.5	13
2021	428.0	21
2022	163.5	8
2023	1080.0	54
beyond	59.0	3
<b>Total</b>	<b>2,005.0</b>	<b>100</b>

Note: Figures do not include revolving credit facilities.



# KPI Guidance & Financial Policy (1/2)

		Group			
in mEUR/ as indicated		Revenue	EBITDA	Free cash flow	Dividend Payout
Guidance 2019		stable <sup>a</sup>	420 - 440 <sup>b</sup>	240 - 260 <sup>c</sup>	1.65 EUR/share <sup>d</sup>
Results 2018		<b>2,897.5</b> (excl. IFRS 15: 3,659.2)	<b>Adj. EBITDA: 402.2</b> (excl. Sunrise: 441.3)	<b>New FCF logic: 263.8</b> (excl. Sunrise: 289.2)	<b>1.65 EUR/share<sup>e</sup></b>

<sup>a</sup> Based on revenue including IFRS 15

<sup>b</sup> Including IFRS 16 (approximately 30-40 mEUR)

<sup>c</sup> Based on new free cash flow definition applicable from 2019

<sup>d</sup> Dividend proposition of 1.65 euros per dividend-bearing share for the financial year 2019, given that the business runs stable (within Guidance)

<sup>e</sup> Dividend of 1.65 euros per dividend-bearing share for the financial year 2018 to be proposed by the Executive Board

## KPI Guidance & Financial Policy (2/2)

	Mobile Communications		TV and Media		Financial Policy	
	Postpaid customer	Postpaid ARPU	waipu.tv subscriber	freenet TV subscriber (RGU)	Leverage	Equity ratio
in EUR/ as indicated						
Guidance 2019	moderate increase	stable <sup>a</sup>	> 350,000	> 1,000,000	< 3.5 <sup>b</sup>	> 25% <sup>c</sup>
Results 2018	+185,000	21.6 (w/o hardware: 19.0)	251,800	1,014,000	1.3 (New leverage definition: 4.2 incl. DFMG)	27.6%

<sup>a</sup> ARPU without hardware (IFRS 15)

<sup>b</sup> Mid-term target based on new leverage definition including IFRS 16

<sup>c</sup> Including IFRS 16