

# **VIVACOM FIRST QUARTER RESULTS 2017**

*Sofia, 9 May 2017*

# Forward looking statements

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The information contained in this presentation is on consolidated basis as at 31 Mar 2017, unless otherwise noted.

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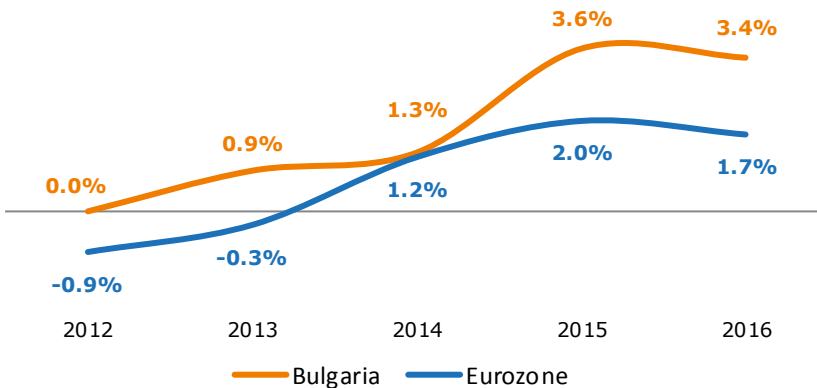
1. Overview
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4. Results outlook for 2017
5. Q&A session

# 1. OVERVIEW

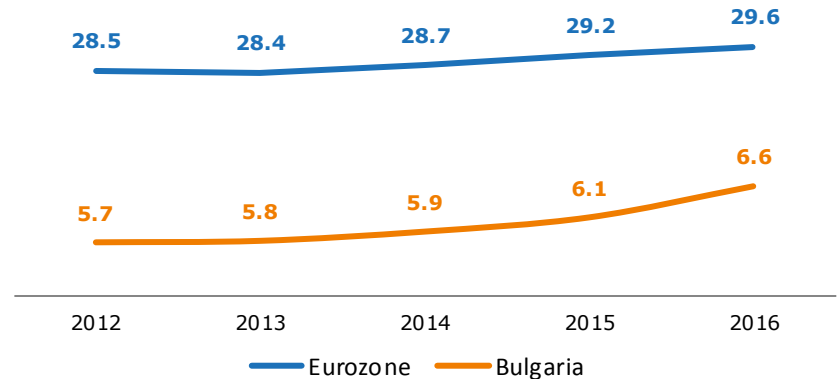
Atanas Dobrev  
Chief Executive Officer

# Macroeconomic environment

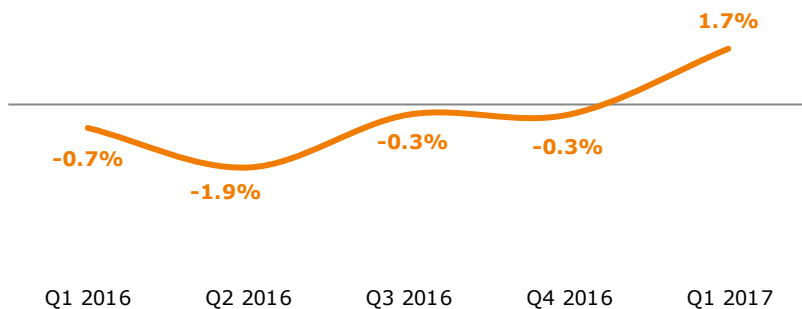
**GDP with sustainable growth**  
(%)



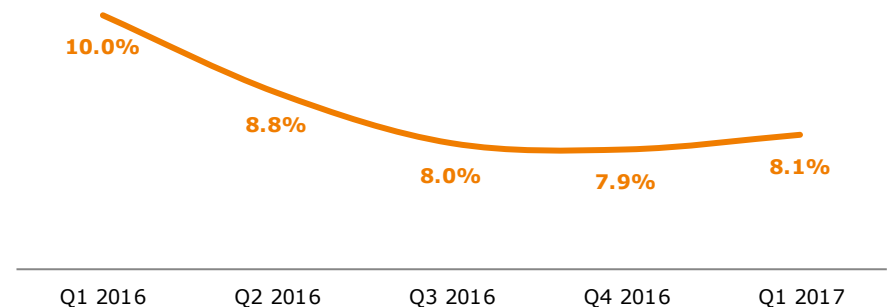
**GDP per capita on the rise**  
(EUR 000s)



**CPI returns to positive territory**  
(%)



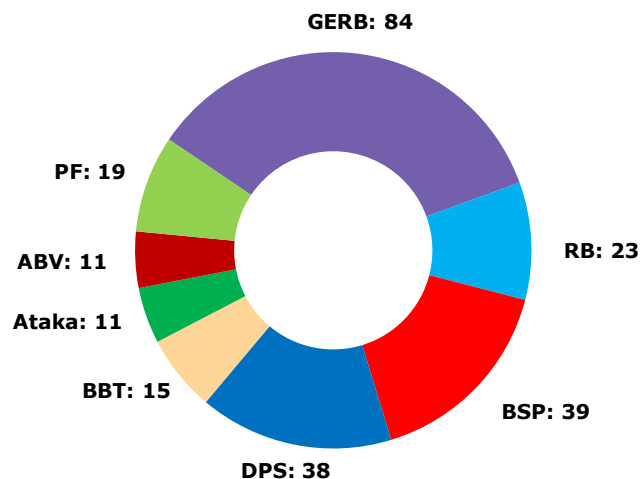
**Unemployment remains low**  
(%)



Source: BNB, Employment Agency, Eurostat, NSI  
Data for unemployment in Bulgaria presented as per Employment Agency methodology.

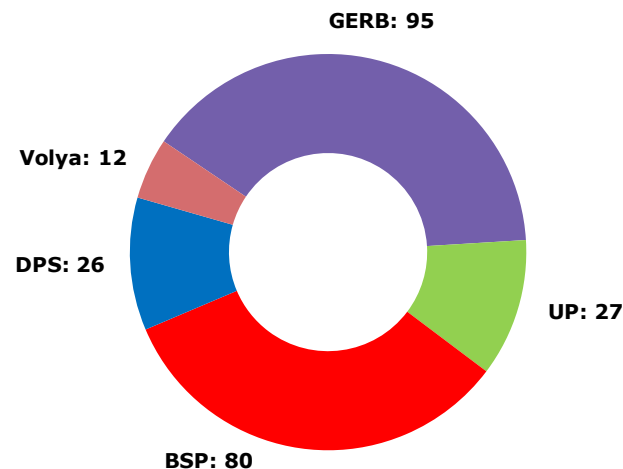
# Political environment

**Bulgarian parliamentary elections - October 2014**  
(MPs)



- 2014 Parliament elections results were very fragmented;
- Coalition government was formed by GERB, supported by RB and PF which resigned in November 2016 after the Presidential election;

**Bulgarian parliamentary elections – March 2017**  
(MPs)

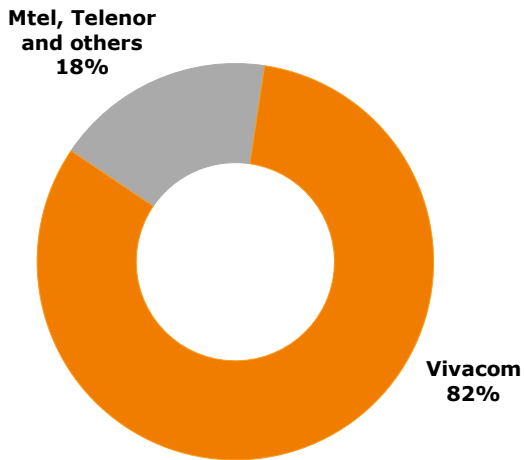


- Last elections on March 26<sup>th</sup> produced more consolidated results, with 5 political parties presented in the Parliament
- New coalition government was voted on May 4<sup>th</sup>, formed by GERB and UP

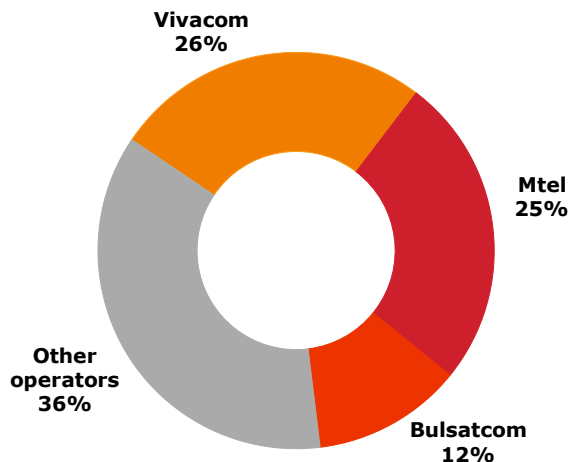
ABV – Alternative for Bulgarian Revival  
 Ataka – Attack (Nationalists)  
 BBT – Bulgaria Without Censorship  
 BSP – Bulgarian Socialists Party  
 DPS – Movement for Rights and Freedoms  
 GERB – Citizens for European Development of Bulgaria  
 PF – Patriotic Front  
 RB – Reformist Block  
 UP – United Patriots (alliance of the nationalists parties PF, Ataka and VMRO)  
 Volya - Will

# Company snapshot

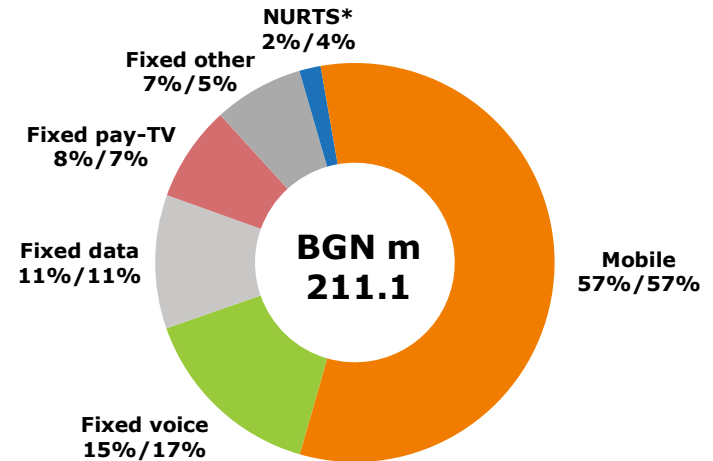
**Incumbent fixed operator with high revenue share**  
 (% share in fixed voice revenue as of Q4 2016)



**Market leader in fixed broadband**  
 (% share in fixed broadband subscriber share as of Q4 2016)



**Well diversified and resilient business model**  
 (% of revenue, Q1 2017 / Q1 2016)



- Leading integrated telecom operator in Bulgaria:
  - #1 in total revenues
  - #1 in fixed voice - 82% revenue share
  - #1 in fixed broadband – 26% subscriber share
  - #1 IPTV operator and #3 pay-TV provider overall
  - Fastest 4G network in the country with 93% population coverage

Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Company data

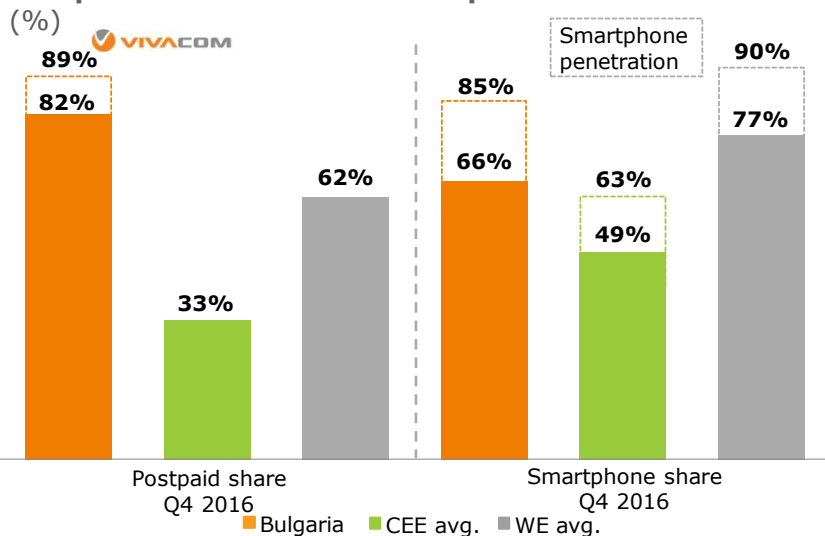
\* NURTS Group revenue with consolidation adjustments.

VIVACOM 4G network received the highest score by Global Wireless Solutions (GWS) for speed measurement done in Sofia, Ruse, Sozopol, Kavarna and settlements on the Bulgarian Black Sea coast. The measurement was performed by GWS's methodology in the period 15.10–15.11.2016.



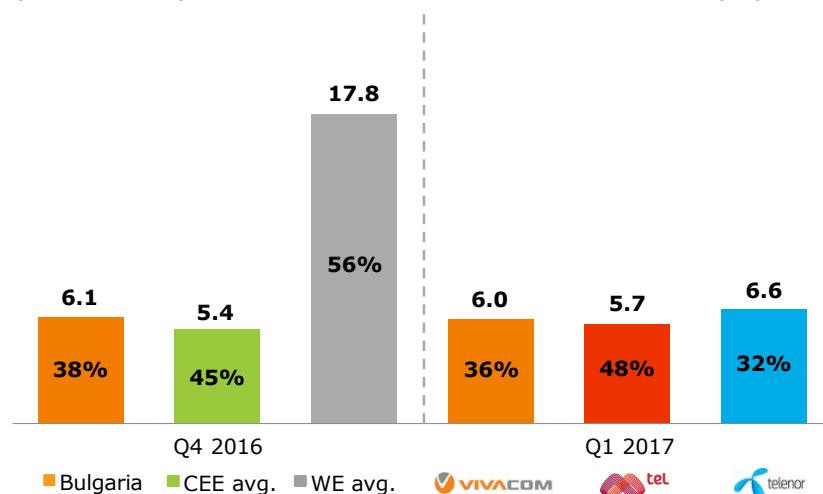
# Market highlights

## Postpaid mobile market with upside in data



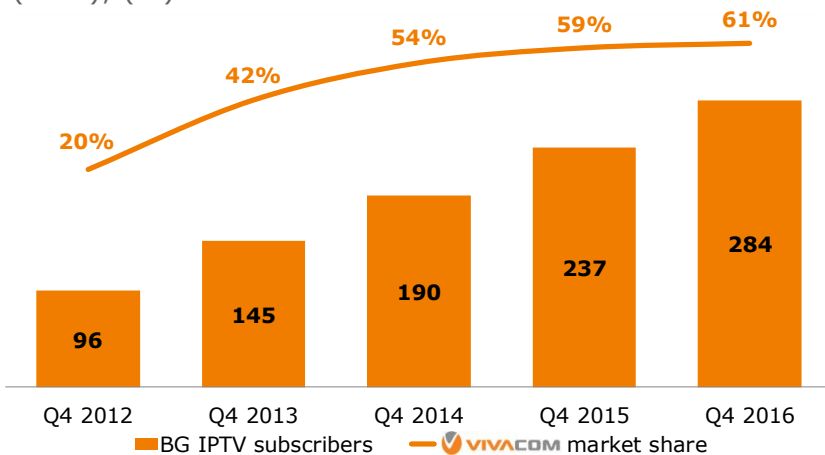
## Mobile blended ARPU and growing share of data

(EUR/month); share of data in ARPU as of Q4 2016 (%)



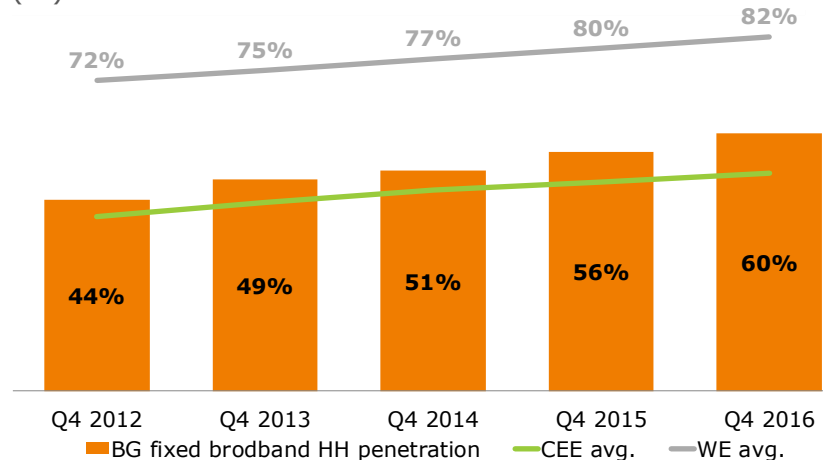
## IPTV subscribers evolution

(000s); (%)



## Fixed broadband penetration growing

(%)



Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Company data, TAG and Telenor reports  
 All figures are based on active subscribers. IPTV defined as pay-TV service delivered over a managed IP network.  
 Smartphone share is defined as number of smartphones divided by number of active mobile handset connections.  
 Smartphone penetration is defined as number of active smartphones divided by population.  
 Company postpaid market share and blended ARPUs by operators are as of Q1 2017, excluding M2M.

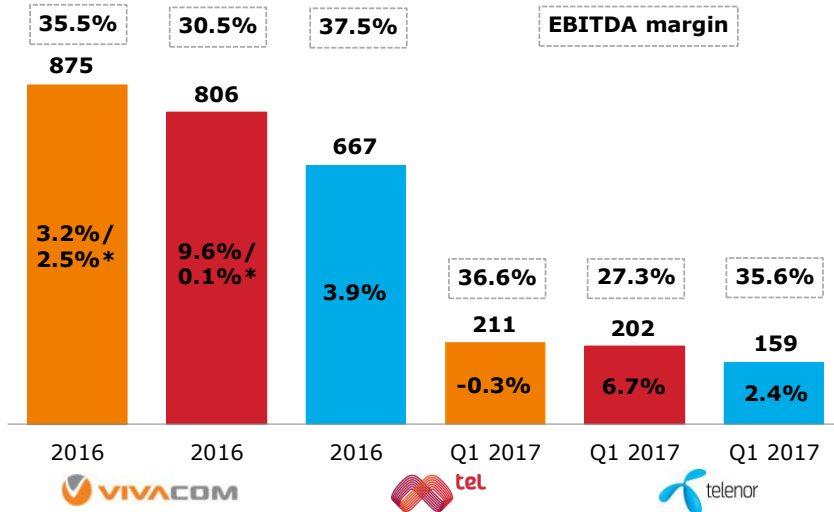




# Performance overview

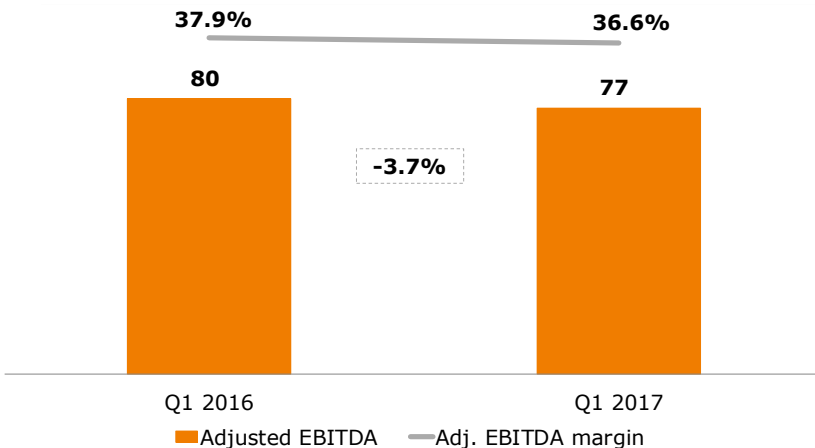
## #1 Telco company on total revenues

(BGN m, prior year variance %)



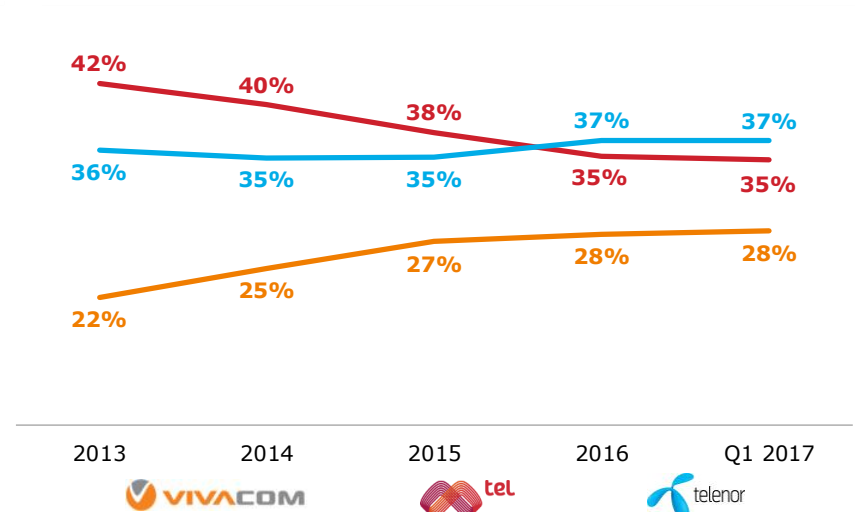
## Adjusted EBITDA with pressures in growth areas

(BGN m)



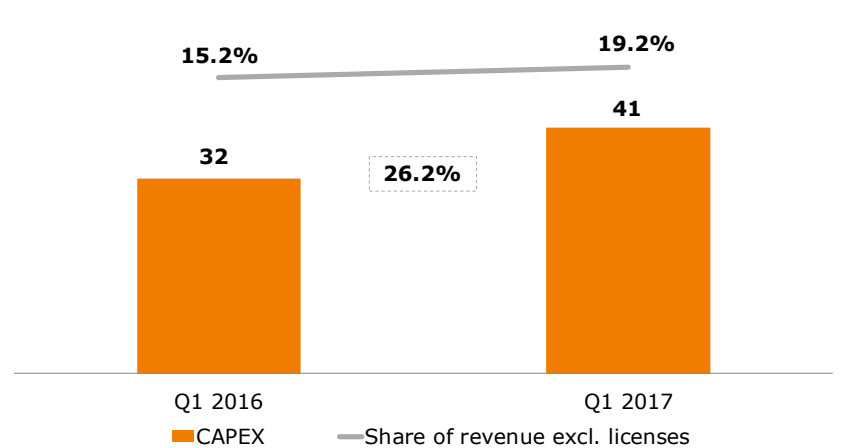
## Gaining share in mobile service revenues

(%)



## Capex with focus on SRAN and LTE roll-out

(BGN m)



Source: Company data, TAG reports, Telenor reports

\* Excluding acquisitions of NURTS by Vivacom and Blizoo by Mtel.

Mobile service revenues exclude visitor roaming and M2M revenues.

Mtel and Telenor mobile service revenues include fixed-wireless voice revenues.

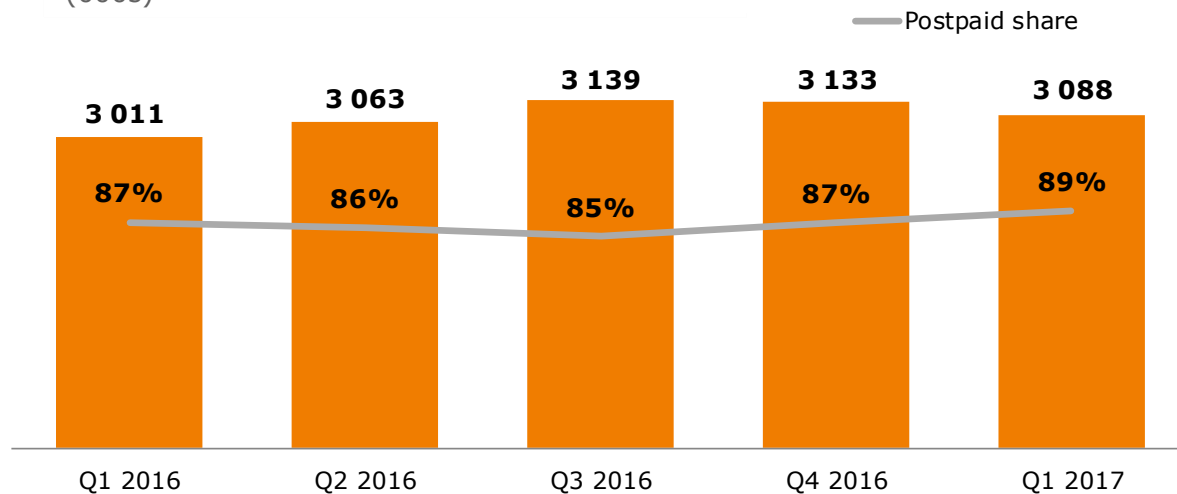


## **2. PERFORMANCE HIGHLIGHTS**



# Mobile key metrics

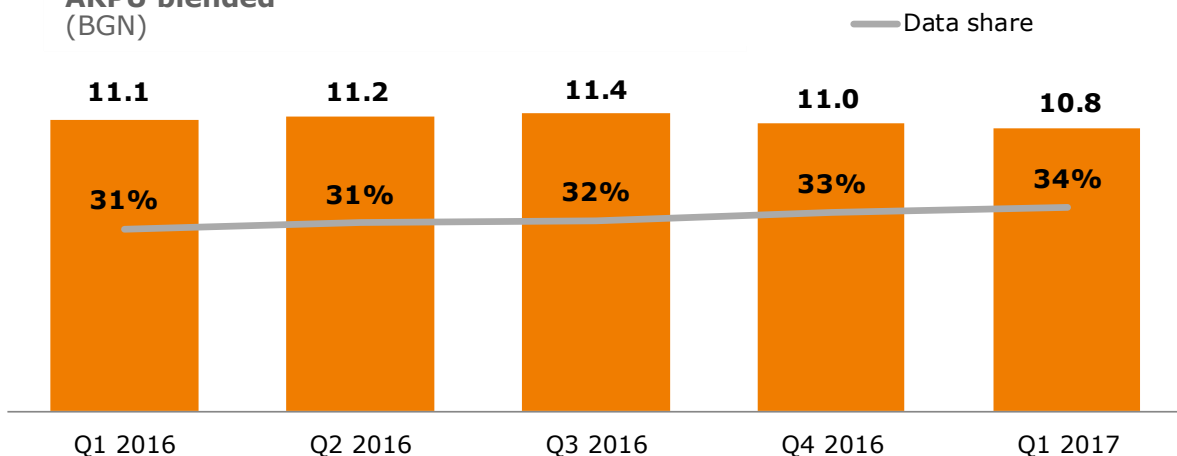
## Subscribers (000s)



## Highlights

- Mobile subscriber base with decrease due to seasonal dynamics in prepaid
- High quality profile with underlined focus on postpaid and best MNP balance in Q1 2017

## ARPU blended (BGN)



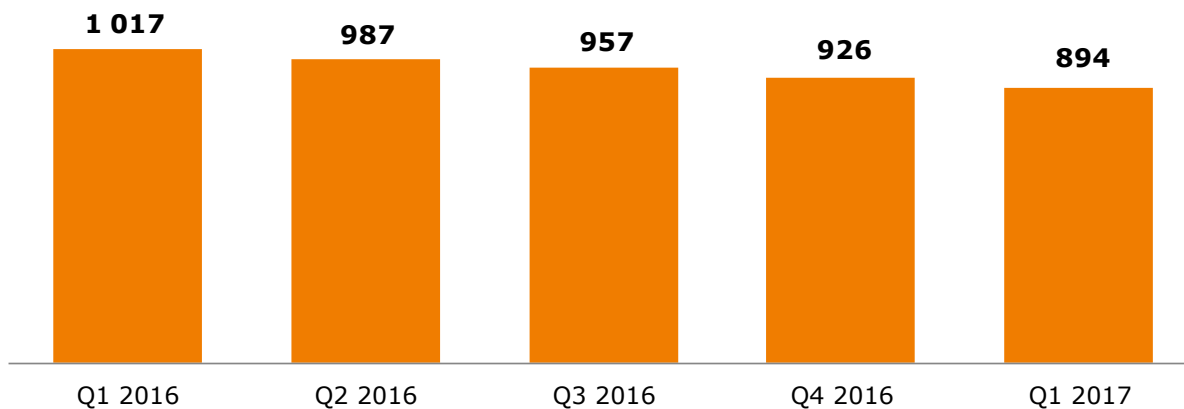
- Blended ARPU with growing data demand and price pressure - mostly in corporate segment

Source: Company data



# Fixed voice key metrics

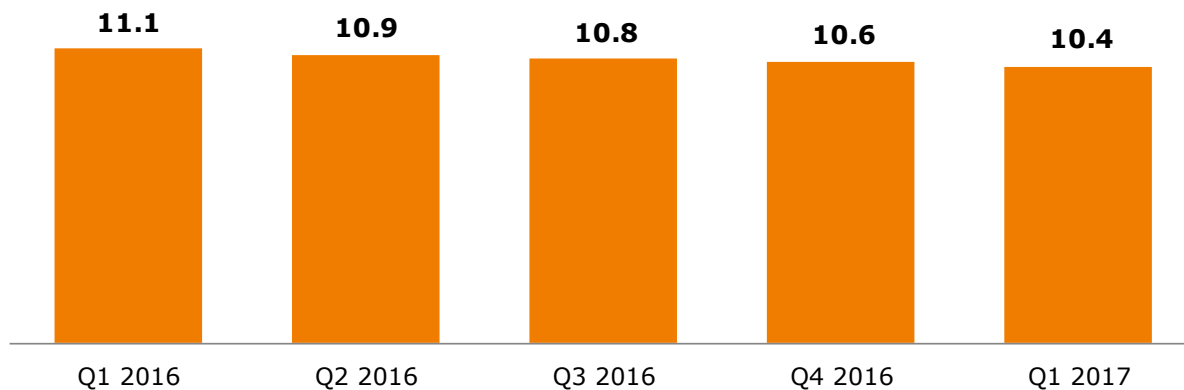
## Subscribers (000s)



## Highlights

- Ongoing fixed to mobile substitution trend
- Pressure from alternative providers with low ARPUs, particularly mobile operators

## ARPU blended (BGN)



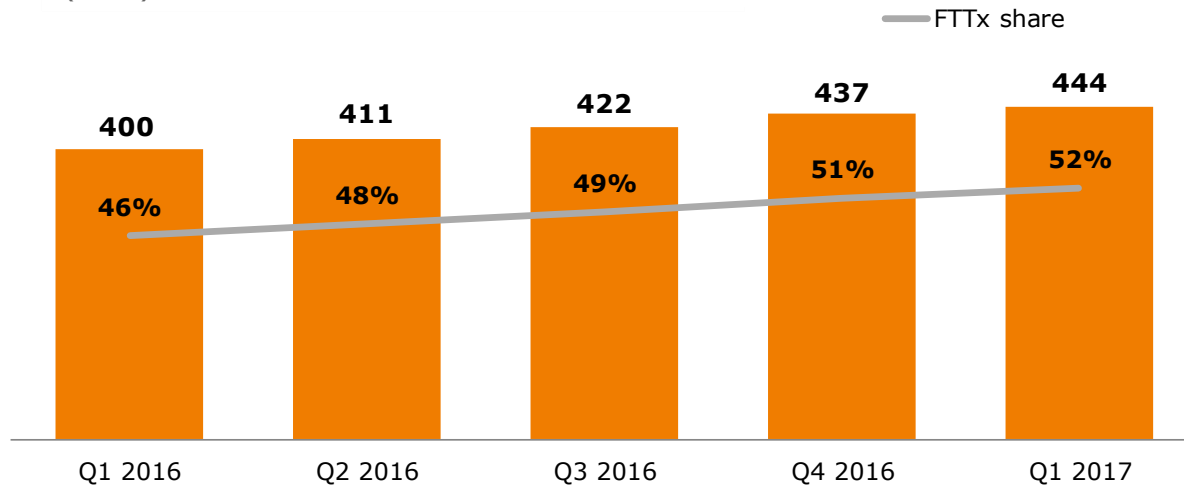
- ARPU with slow decrease due to competitive pressure and bundling

Source: Company data



# Fixed broadband key metrics

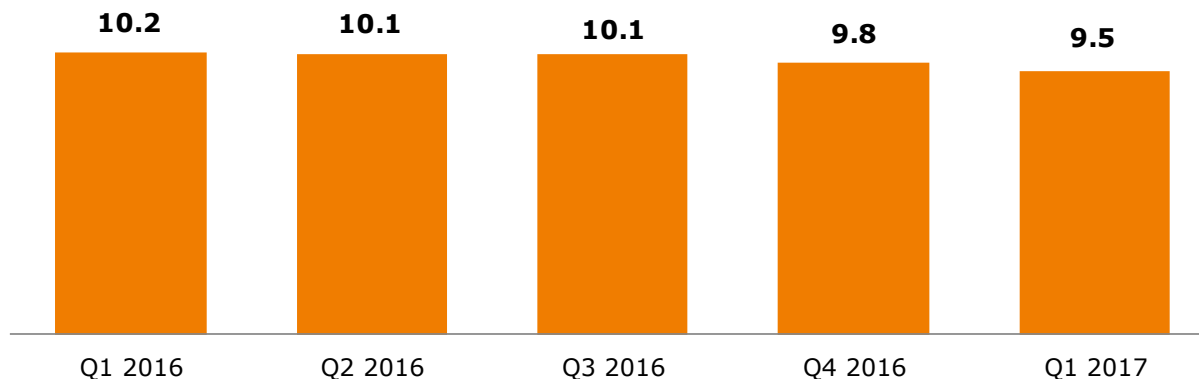
## Subscribers (000s)



## Highlights

- Ongoing shift to high quality and high speed FTTx services supports broadband growth
- Highly competitive market with many local operators and cheap bundled offers from bigger players

## ARPU blended (BGN)



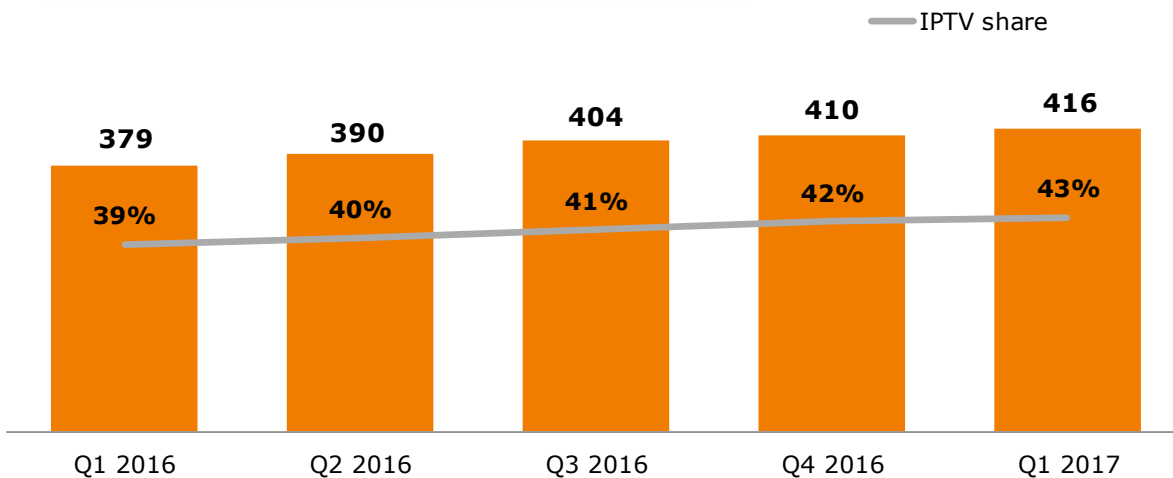
- ARPU pressure from fragmented competition and increased bundling

Source: Company data



# Fixed pay-TV key metrics

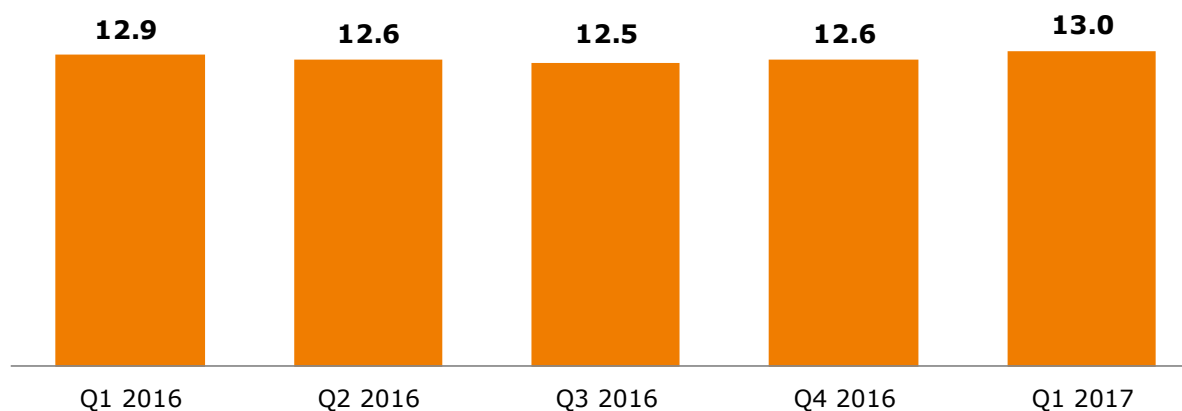
## Subscribers (000s)



## Highlights

- Subscriber acquisition driven by increased demand for high quality services with superior user experience, rich content and HD channels
- Alternative and mass-market players with low cost offers

## ARPU blended (BGN)



- Stable blended ARPU with growing share of higher MRC and content tariffs

Source: Company data

# 3. FINANCIAL REVIEW

Asen Velikov  
Finance Director

# Financial performance summary

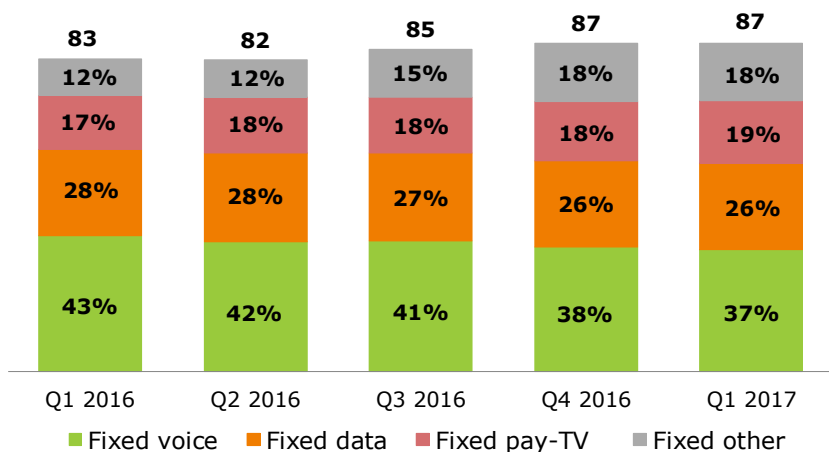
| (BGN m)                              | Q1 2017      | Q1 2016      | change %       |
|--------------------------------------|--------------|--------------|----------------|
| <b>Revenue</b>                       | <b>211.1</b> | <b>211.7</b> | <b>(0.3%)</b>  |
| Vivacom                              | 207.5        | 202.6        | 2.4%           |
| NURTS                                | 9.6          | 11.0         | (12.4%)        |
| Eliminations                         | (6.0)        | (1.9)        |                |
| <b>EBITDA</b>                        | <b>73.4</b>  | <b>80.6</b>  | <b>(8.9%)</b>  |
| Other gains, net                     | (0.3)        | (1.7)        |                |
| EBITDA adjustments                   | 4.1          | 1.2          |                |
| <b>Adjusted EBITDA</b>               | <b>77.2</b>  | <b>80.1</b>  | <b>(3.7%)</b>  |
| <i>% of revenues</i>                 | 36.6%        | 37.9%        |                |
| Vivacom                              | 74.1         | 75.9         | (2.3%)         |
| NURTS                                | 3.5          | 4.4          | (22.3%)        |
| Eliminations                         | (0.4)        | (0.2)        |                |
| <b>Capex</b>                         | <b>40.5</b>  | <b>32.1</b>  | <b>(26.2%)</b> |
| <i>% of revenues, excl. licenses</i> | 19.2%        | 15.2%        |                |
| Vivacom                              | 40.5         | 32.1         | (26.1%)        |
| NURTS                                | 0.1          | 0.0          |                |
| Eliminations                         | -            | -            |                |
| <b>Adjusted EBITDA - Capex</b>       | <b>36.7</b>  | <b>48.0</b>  | <b>(23.6%)</b> |

Source: Company data

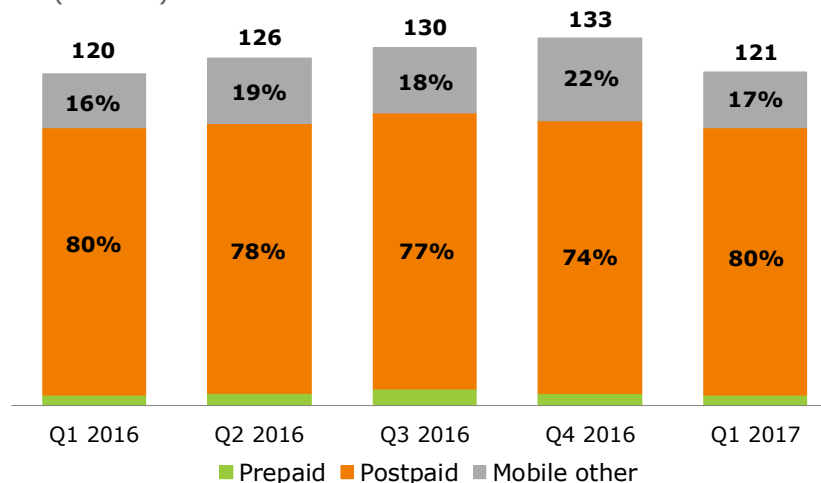


# Revenues

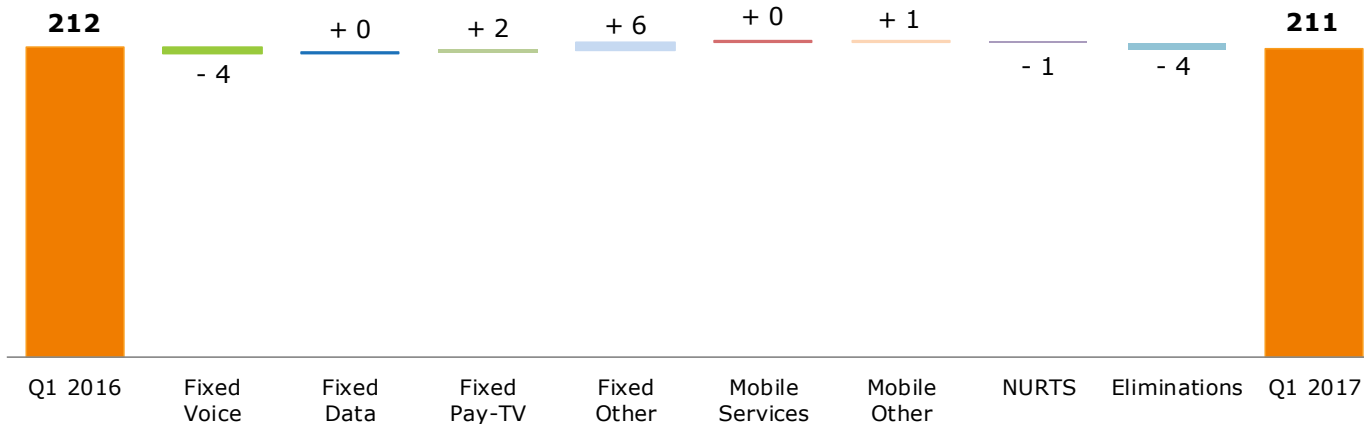
**Revenues Fixed**  
(BGN m)



**Revenues Mobile**  
(BGN m)



**Revenue bridge Q1 2016 – Q1 2017 (BGN m)**

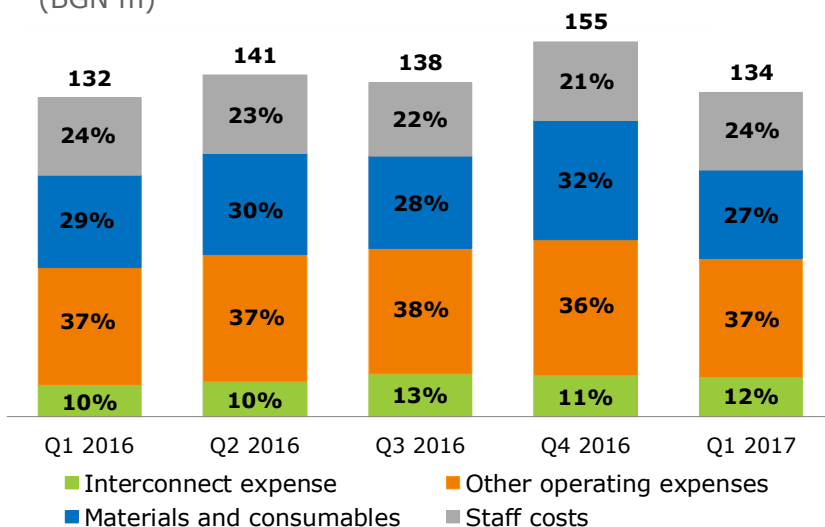


Source: Company data

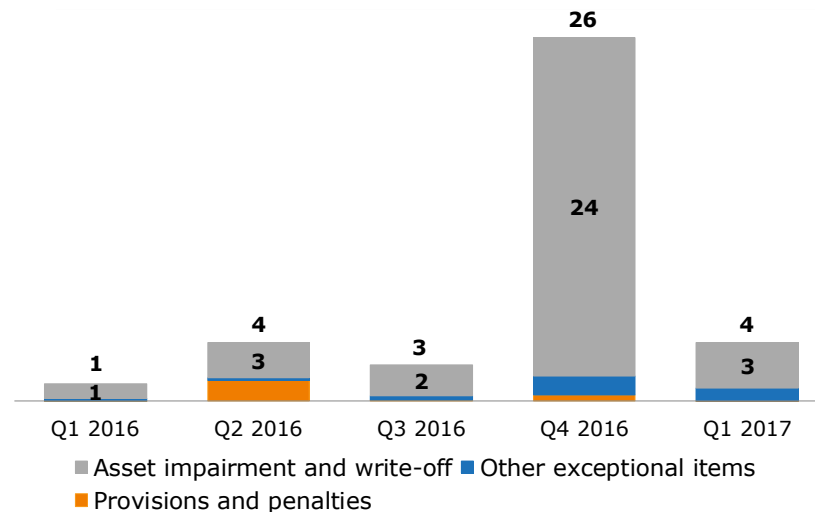


# Operating expenses and adjusted EBITDA

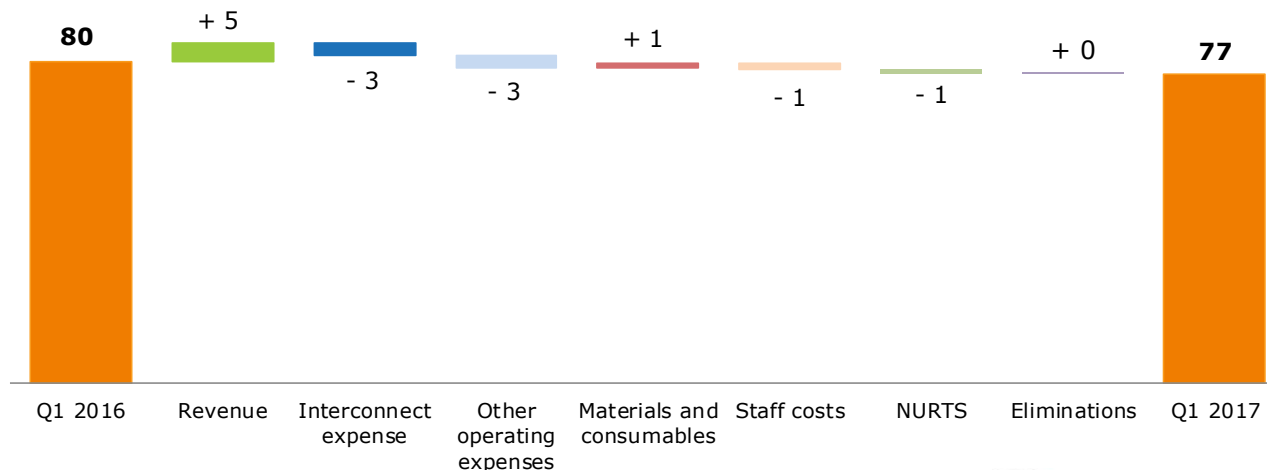
**CoS and Opex**  
(BGN m)



**EBITDA adjustments**  
(BGN m)



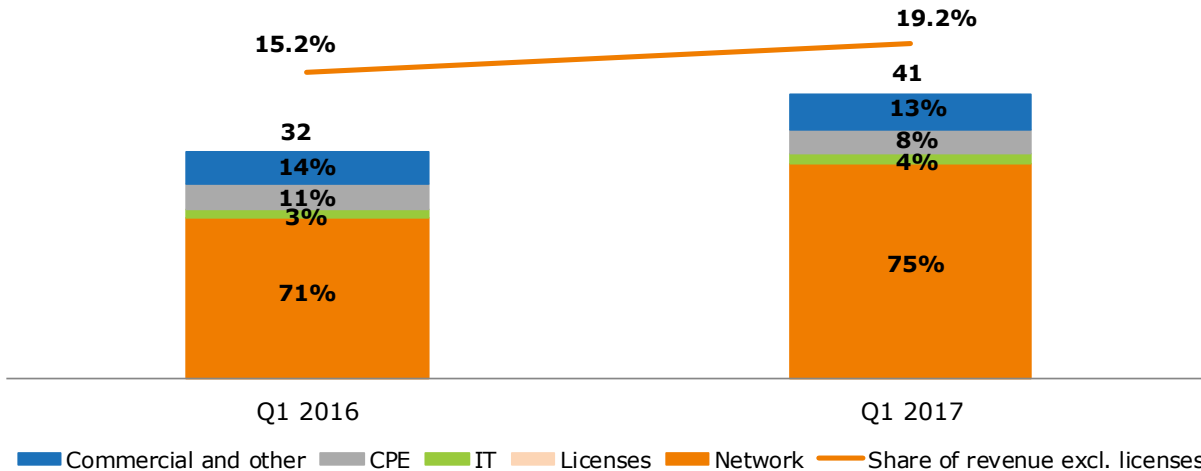
**Adjusted EBITDA bridge Q1 2016 – Q1 2017 (BGN m)**



Source: Company data

# Capex

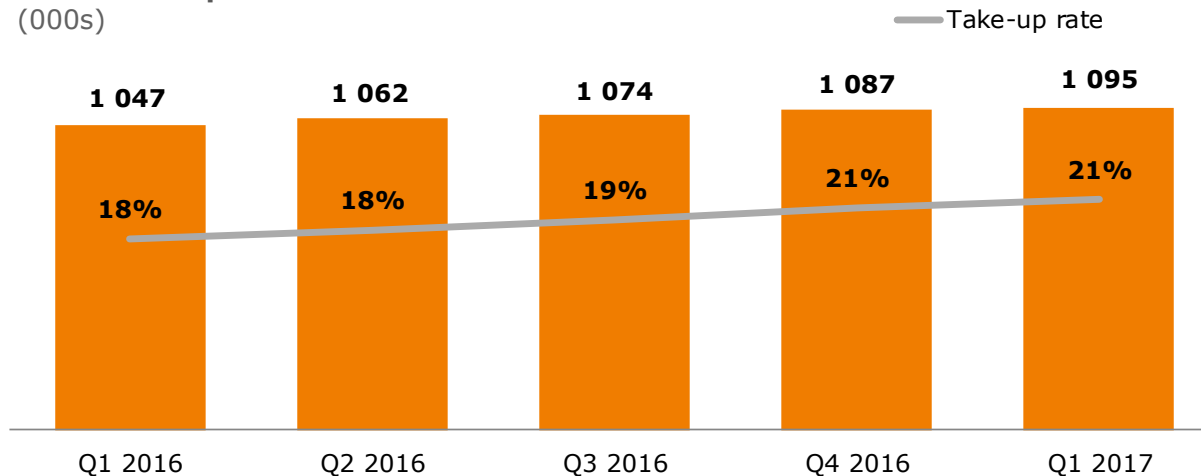
## Capex structure and share of revenue (BGN m)



## Highlights

- Focus on network to improve coverage, capacity, resilience and long-running efficiencies
- Network upgrades in progress:
  - SRAN and LTE
  - FTTx upgrades
  - Fixed core

## FTTx homes passed (000s)



- FTTx roll-out in carefully selected areas based on return of investment criteria
- Increase in subscriber FTTx take-up rate

Source: Company data



# Net debt

| (BGN m)                                | Q1 2017       | Q1 2016        |
|----------------------------------------|---------------|----------------|
| Bonds                                  | 794.8         | 790.9          |
| Revolving credit                       | 0.0           | 0.0            |
| Trade credits                          | 2.6           | 5.9            |
| Financial lease                        | 5.5           | 0.4            |
| <b>Total borrowings</b>                | <b>802.9</b>  | <b>797.1</b>   |
| <b>Total cash and cash equivalents</b> | <b>(73.2)</b> | <b>(101.9)</b> |
| <b>Net debt</b>                        | <b>729.7</b>  | <b>695.3</b>   |
| <i>Net Leverage Ratio</i>              | <i>2.37</i>   | <i>2.11</i>    |

Source: Company data  
Net leverage ratio calculated as ratio of Net debt and LTM Adjusted EBITDA.

# Results outlook for 2017 - maintained

|                 | 2016 actual | 2017 guidance   |
|-----------------|-------------|-----------------|
| Adjusted EBITDA | BGN 311 m   | BGN 310 - 320 m |
| Capex           | BGN 212 m   | BGN 180 - 190 m |

Source: Company data

## 5. Q&A

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