

# VIVACOM SECOND QUARTER RESULTS 2017

*Sofia, 8 August 2017*



**SPEEDTEST**  
by OOKLA  
**AWARDS  
WINNER**

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The information contained in this presentation is on consolidated basis as at 30 Jun 2017, unless otherwise noted.

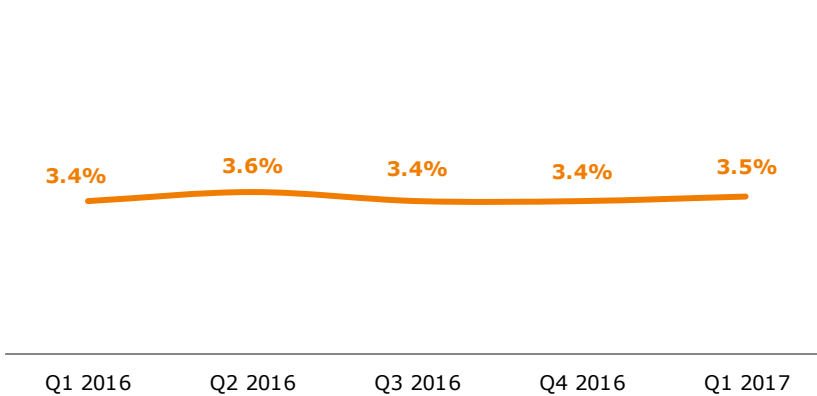
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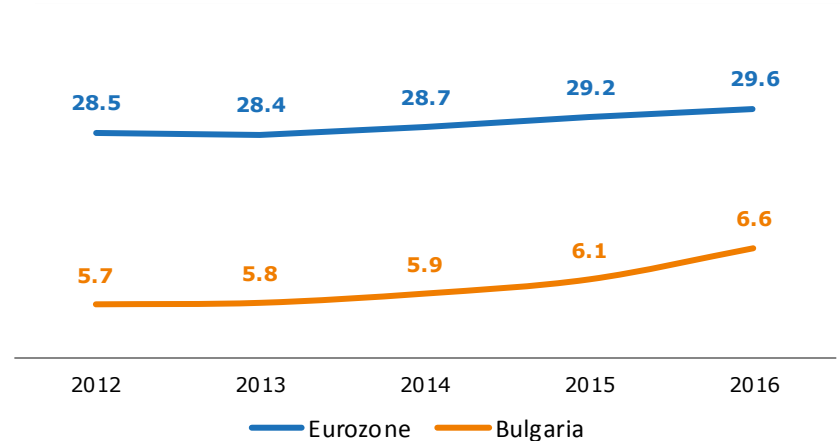
# 1. OVERVIEW

# Macroeconomic environment

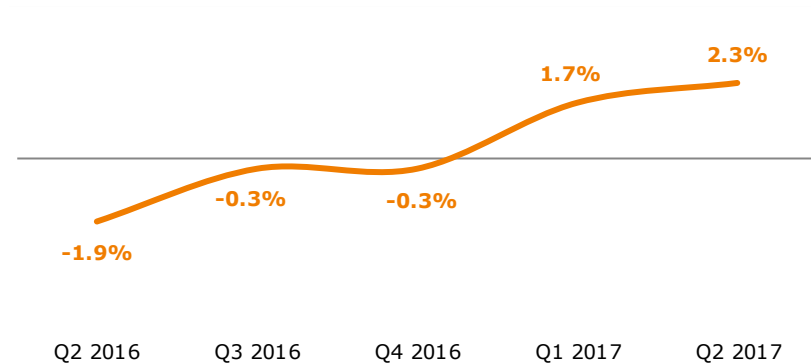
## GDP with sustainable growth (%)



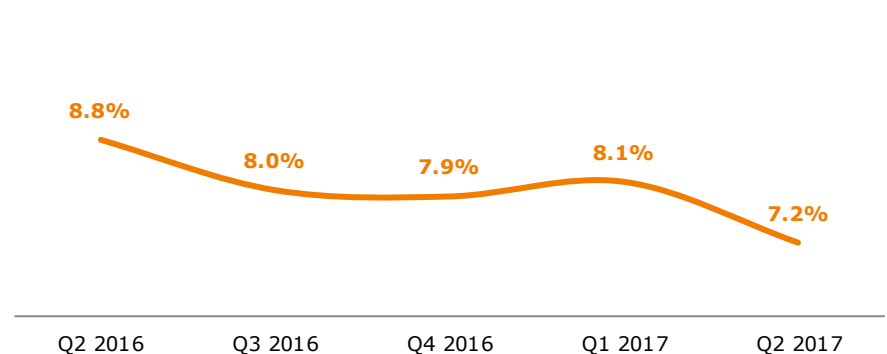
## GDP per capita on the rise (EUR 000s)



## CPI returns to positive territory (%)



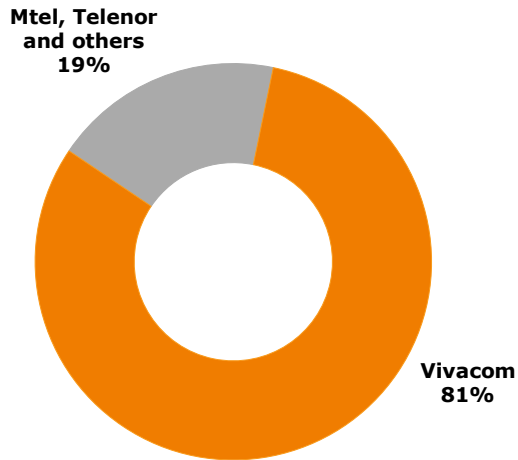
## Unemployment remains low (%)



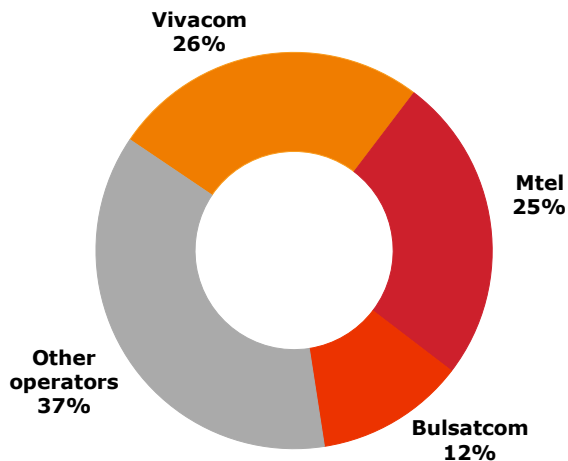
Source: BNB, Employment Agency, Eurostat, NSI  
Data for unemployment in Bulgaria presented as per Employment Agency methodology.

# Company snapshot

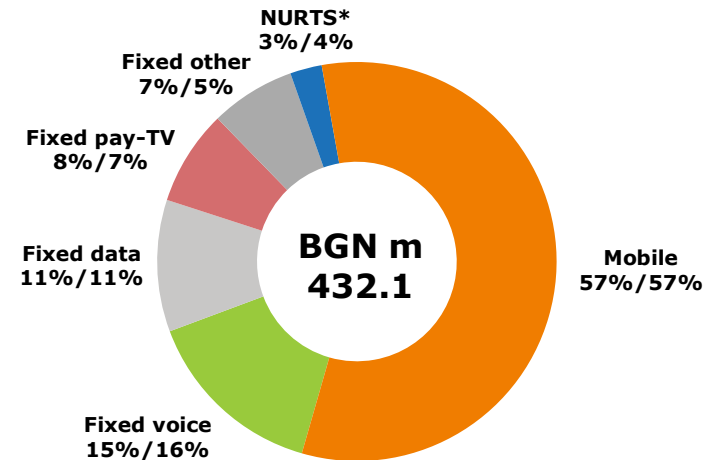
**Incumbent fixed operator with high revenue share**  
 (% share in fixed voice revenue as of Q1 2017)



**Market leader in fixed broadband**  
 (% fixed broadband subscriber share as of Q1 2017)



**Well diversified and resilient business model**  
 (% of revenue, H1 2017 / H1 2016)



- Leading integrated telecom operator in Bulgaria:
  - #1 in total revenues
  - #1 in fixed voice - 81% 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 94% population coverage
  - Bulgaria’s fastest mobile network by Ookla for the first half of 2017

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

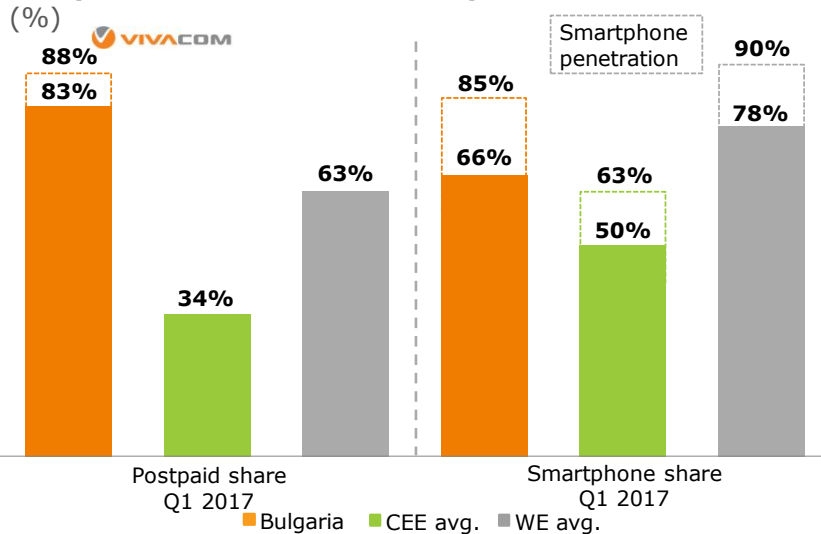
\* NURTS Group revenue with consolidation adjustments.

On July 12, 2017 VIVACOM received the 2017 award for Bulgaria’s fastest mobile network by Ookla for the first half of 2017.

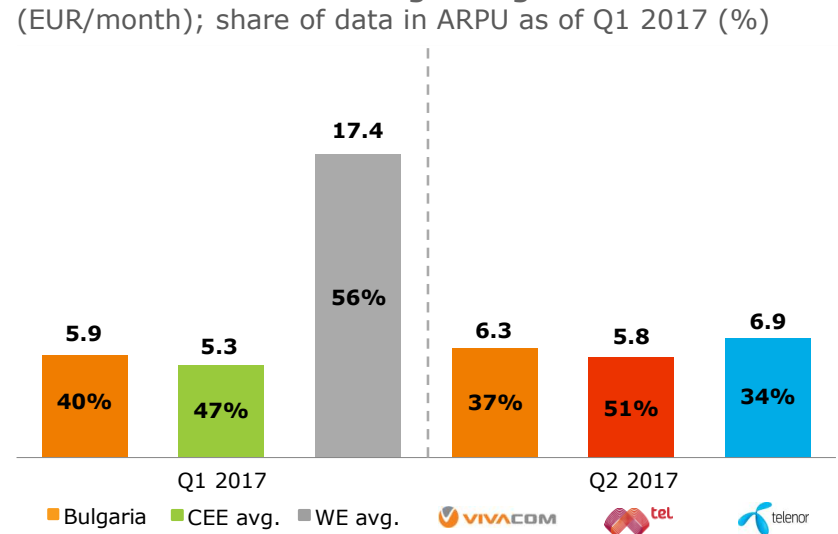
VIVACOM 4G network received the highest score by Global Wireless Solutions (GWS) for speed measurement done in major cities and settlements on the Bulgarian Black Sea coast. The measurement was performed by GWS’s methodology in the period 15.10–15.11.2016.

# Market highlights

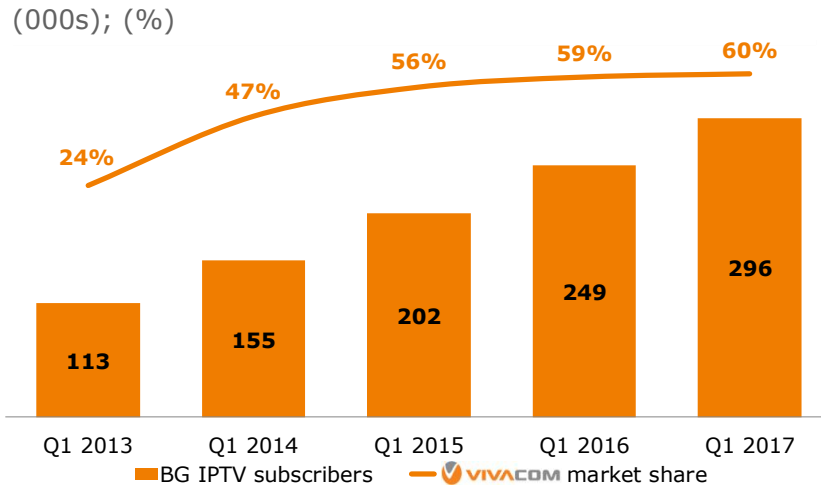
## Postpaid mobile market with upside in data



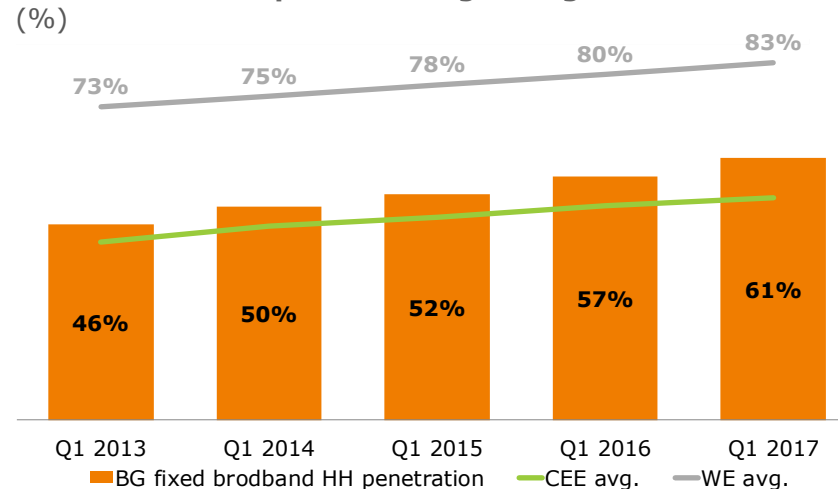
## Mobile blended ARPU and growing share of data



## IPTV subscribers evolution



## Fixed broadband penetration growing



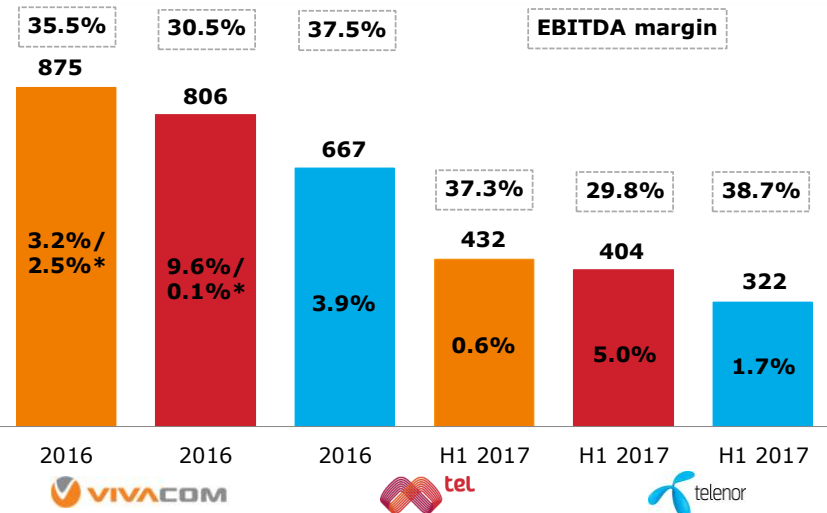
Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Company data, TAG and Telenor reports  
 All figures are based on active subscribers. IPTV defined as pay-TV service delivered over a managed IP network.  
 Smartphone share is defined as number of smartphones divided by number 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 Q2 2017, excluding M2M.



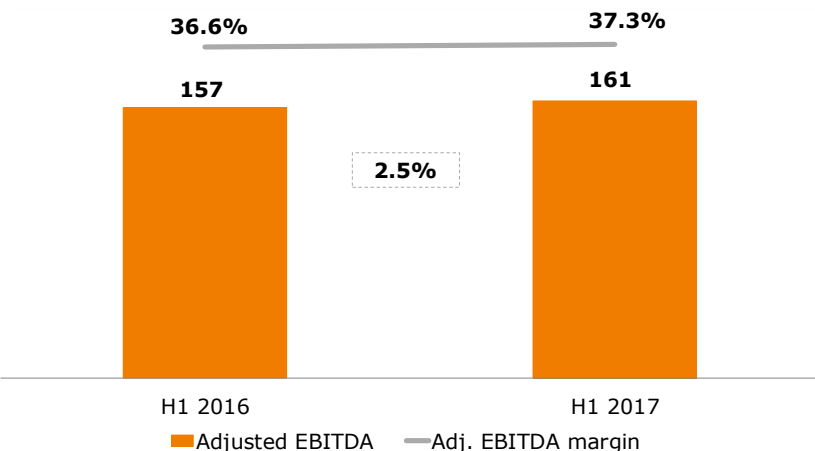
# Performance overview

## #1 Telco company on total revenues

(BGN m, prior year variance %)

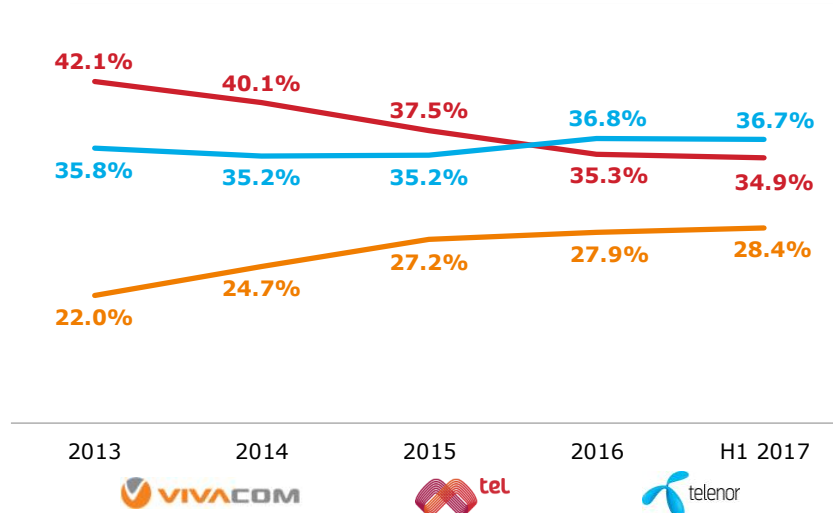


EBITDA supported by improved margins and collection (BGN m)



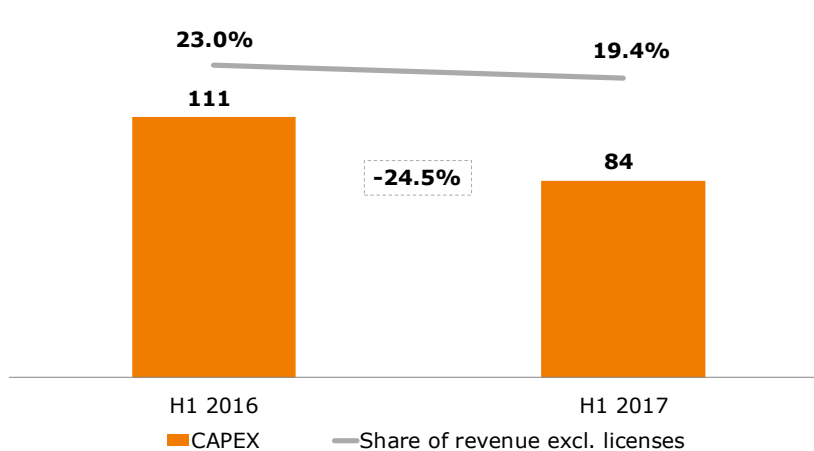
## Gaining share in mobile service revenues

(%)



## Capex decreasing with SRAN completion

(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.





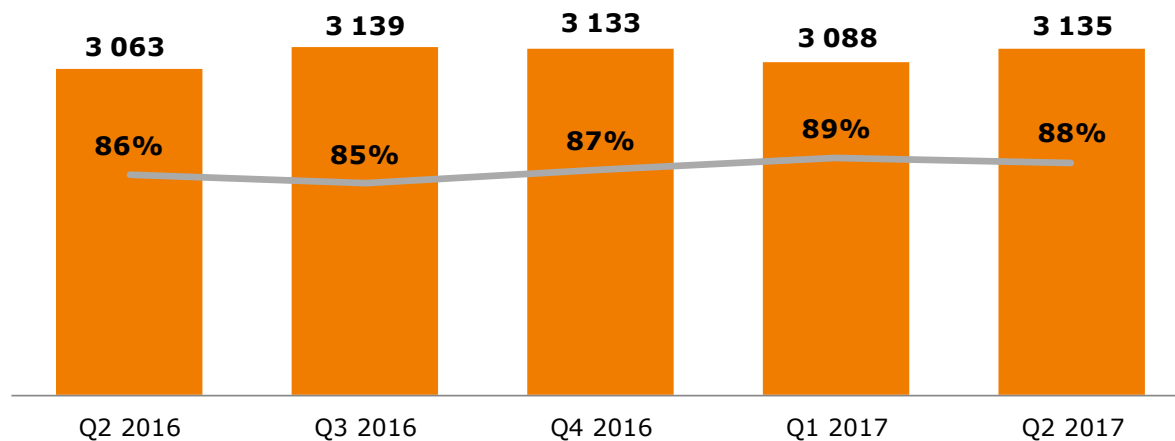
## **2. PERFORMANCE HIGHLIGHTS**



# Mobile key metrics

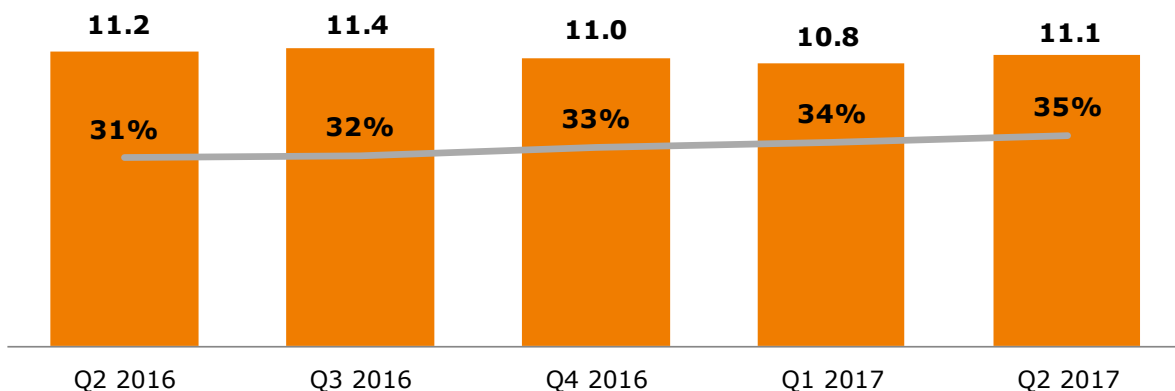
## Subscribers (000s)

— Postpaid share



## ARPU blended (BGN)

— Data share



## Highlights

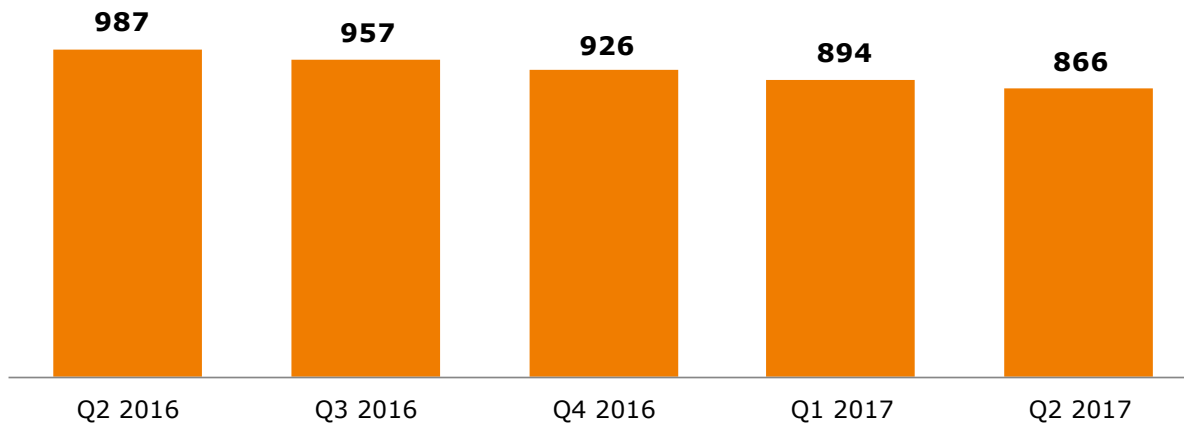
- Growing mobile subscribers with underlined focus on postpaid and best MNP balance in H1 2017
- Seasonal dynamics in prepaid with expected subscribers cleanup in Q3 2017, following the mandatory registration of the prepaid base (approx. 133 thousand subscribers)
- Blended ARPU relatively stable with growing data demand and price pressure - mostly in corporate segment

Source: Company data



# Fixed voice key metrics

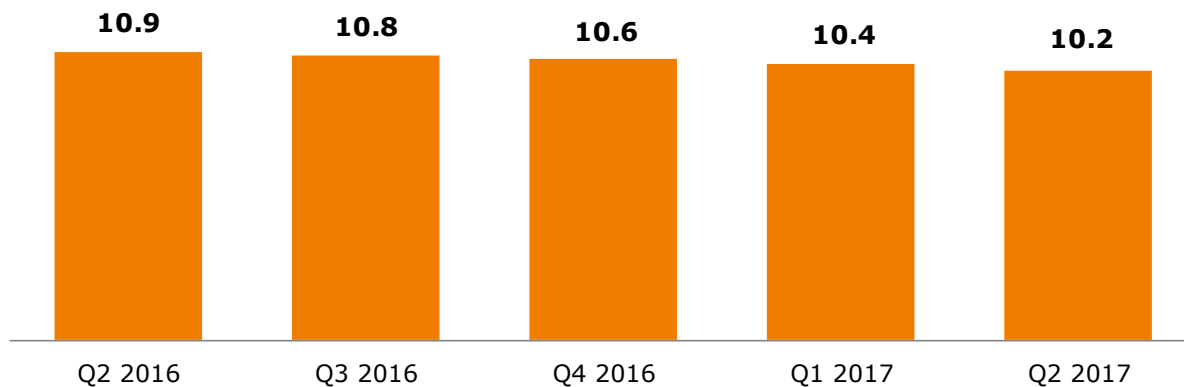
## Subscribers (000s)



## Highlights

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

## ARPU blended (BGN)



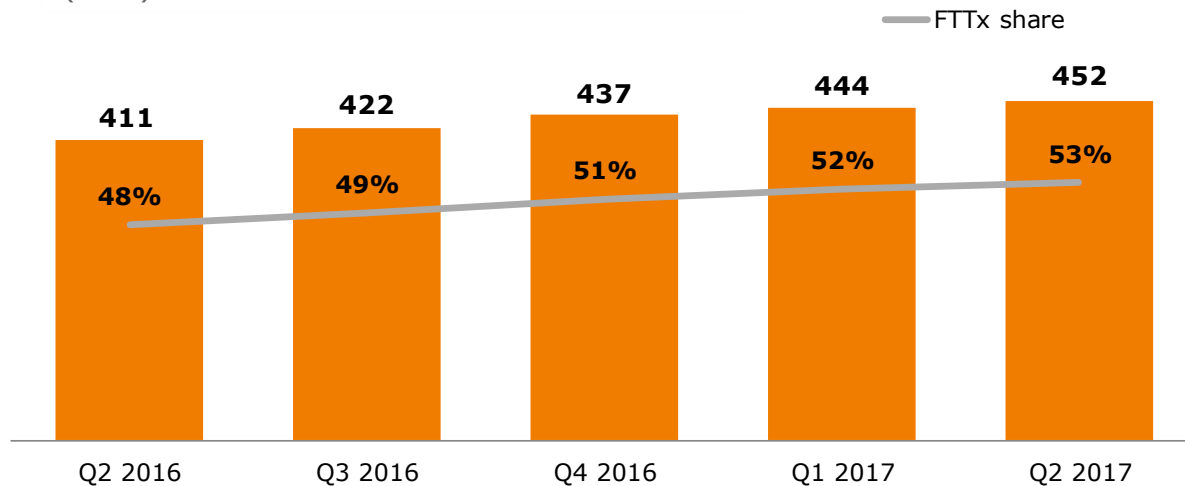
- ARPU with slow decrease due to competitive pressure

Source: Company data



# Fixed broadband key metrics

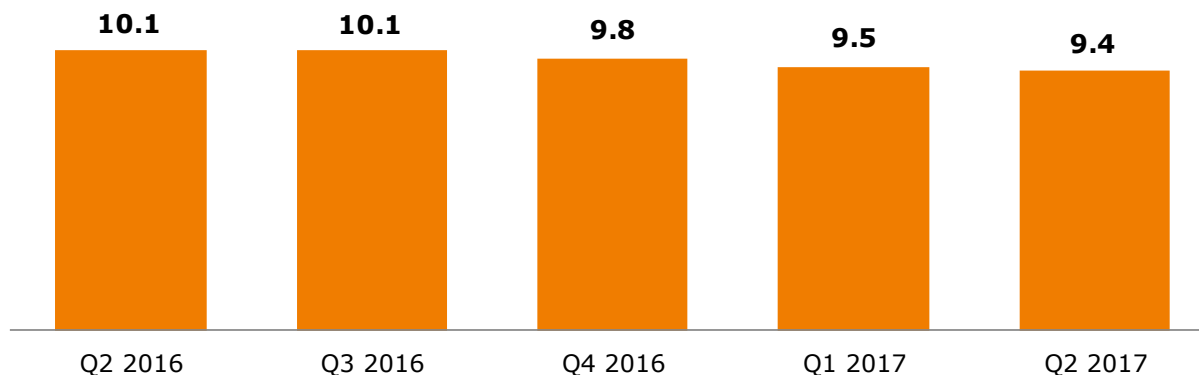
## Subscribers (000s)



## Highlights

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

## ARPU blended (BGN)



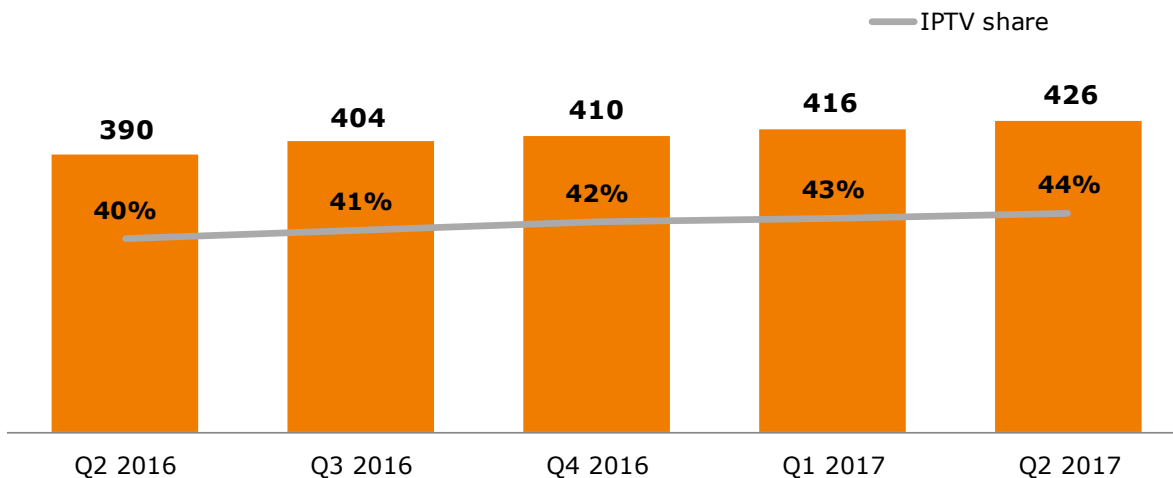
- ARPU pressure from fragmented competition and increased bundling

Source: Company data



# Fixed pay-TV key metrics

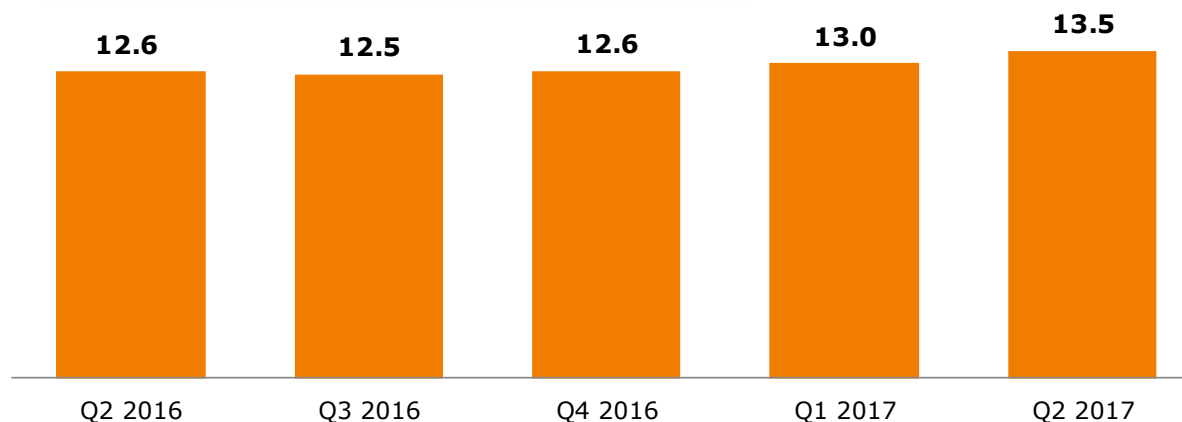
## Subscribers (000s)



## 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 tariffs with exclusive content

Source: Company data

## **3. FINANCIAL REVIEW**

# Financial performance summary

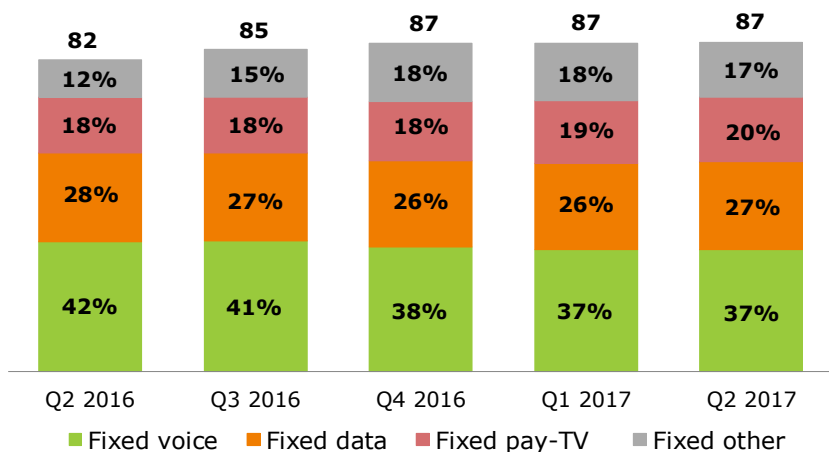
(BGN m)	H1 2017	H1 2016	change %	Q2 2017	Q2 2016	change %
<b>Revenue</b>	<b>432.1</b>	<b>429.6</b>	<b>0.6%</b>	<b>221.0</b>	<b>217.9</b>	<b>1.4%</b>
Vivacom	421.0	410.7	2.5%	213.5	208.1	2.6%
NURTS	22.5	22.6	(0.6%)	12.9	11.6	10.4%
Eliminations	(11.4)	(3.7)		(5.4)	(1.9)	
<b>EBITDA</b>	<b>162.9</b>	<b>154.1</b>	<b>5.7%</b>	<b>89.5</b>	<b>73.5</b>	<b>21.7%</b>
Other gains, net	(7.9)	(2.3)		(7.6)	(0.6)	
EBITDA adjustments	6.2	5.4		2.1	4.2	
<b>Adjusted EBITDA</b>	<b>161.2</b>	<b>157.2</b>	<b>2.5%</b>	<b>84.0</b>	<b>77.1</b>	<b>9.0%</b>
<i>% of revenues</i>	<i>37.3%</i>	<i>36.6%</i>		<i>38.0%</i>	<i>35.4%</i>	
Vivacom	150.9	148.5	1.6%	76.8	72.6	5.7%
NURTS	10.6	9.0	18.6%	7.2	4.5	58.6%
Eliminations	(0.4)	(0.3)		(0.0)	(0.1)	
<b>Capex</b>	<b>83.9</b>	<b>111.0</b>	<b>24.5%</b>	<b>43.3</b>	<b>78.9</b>	<b>45.1%</b>
<i>% of revenues, excl. licenses</i>	<i>19.4%</i>	<i>23.0%</i>		<i>19.6%</i>	<i>30.6%</i>	
Vivacom	83.6	110.8	24.5%	43.2	78.7	45.2%
NURTS	0.2	0.2		0.2	0.2	
Eliminations	-	-		-	-	
<b>Adjusted EBITDA - Capex</b>	<b>77.3</b>	<b>46.2</b>	<b>67.4%</b>	<b>40.7</b>	<b>(1.8)</b>	

Source: Company data

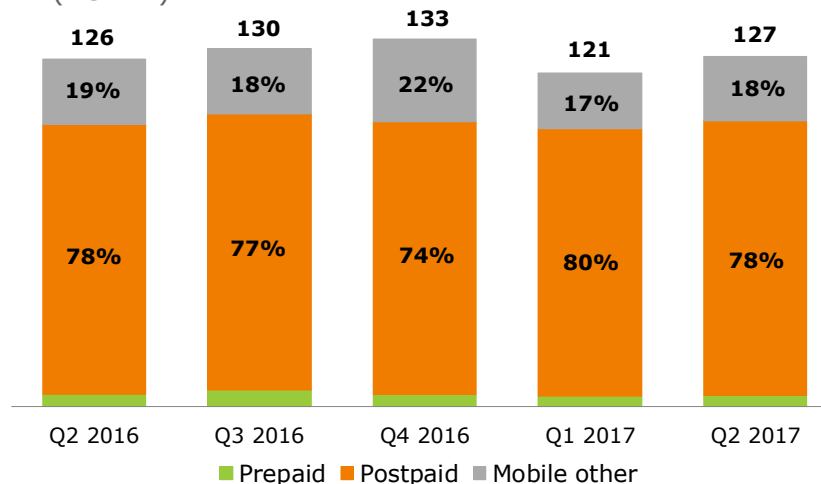


# Revenues

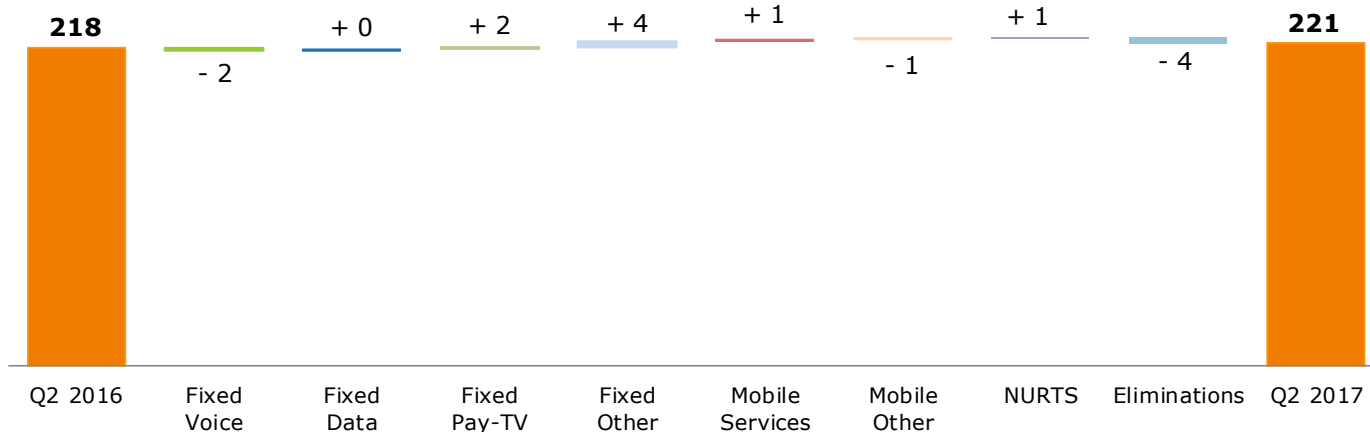
**Revenues Fixed**  
(BGN m)



**Revenues Mobile**  
(BGN m)



**Revenue bridge Q2 2016 – Q2 2017 (BGN m)**

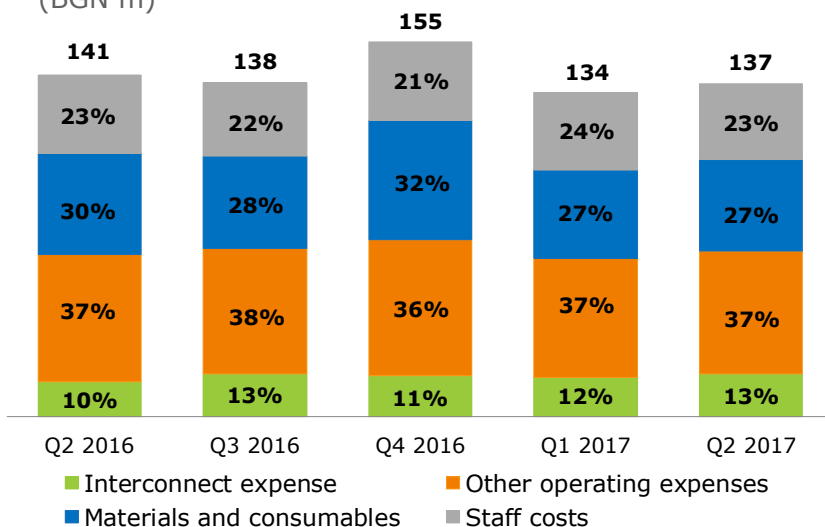


Source: Company data

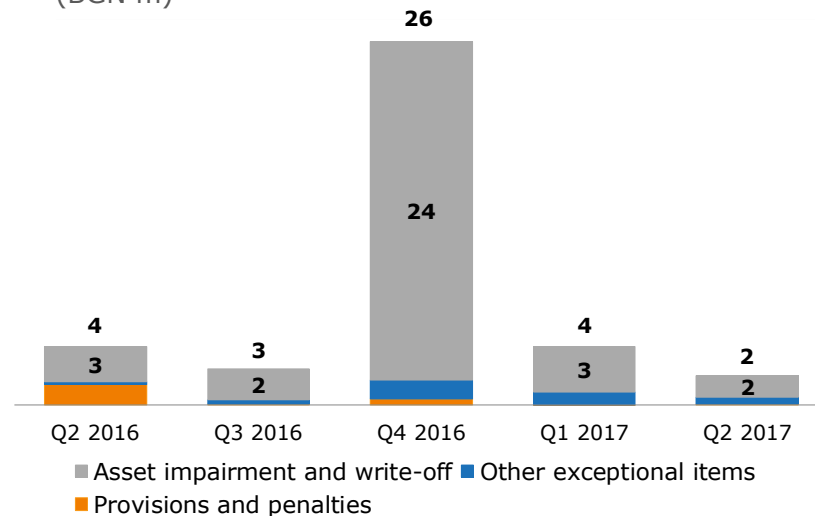


# Operating expenses and adjusted EBITDA

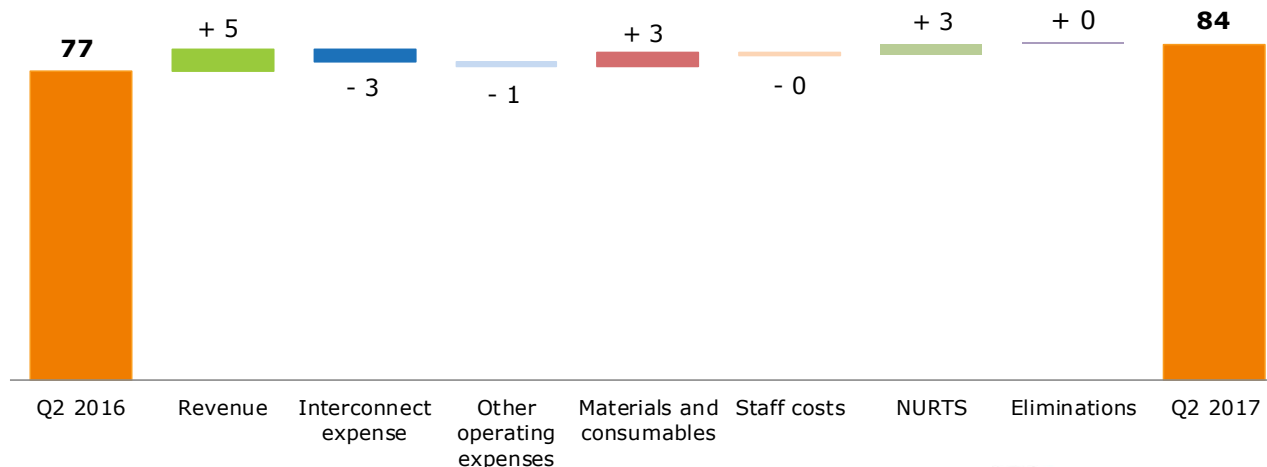
**CoS and Opex**  
(BGN m)



**EBITDA adjustments**  
(BGN m)



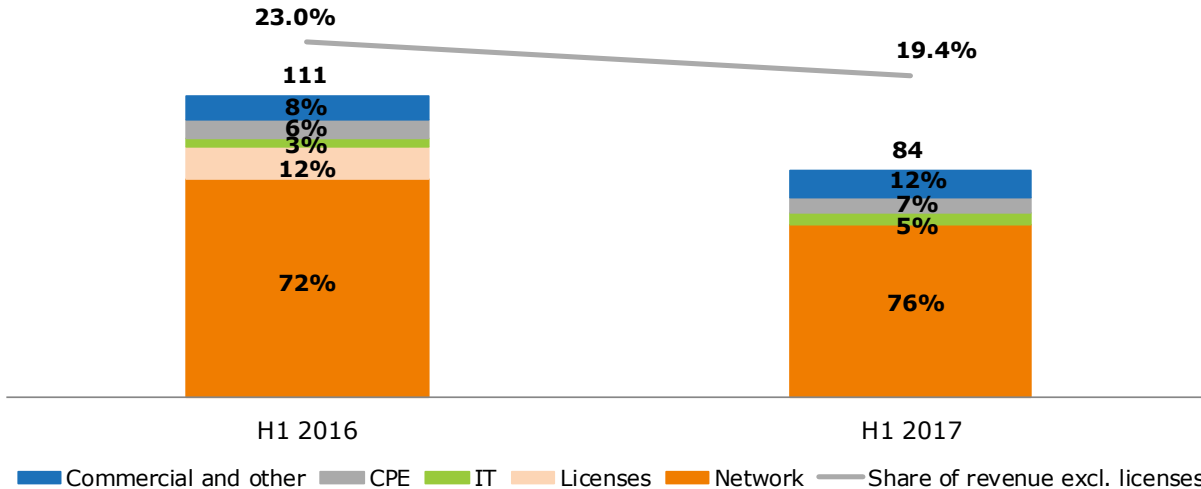
**Adjusted EBITDA bridge Q2 2016 – Q2 2017 (BGN m)**



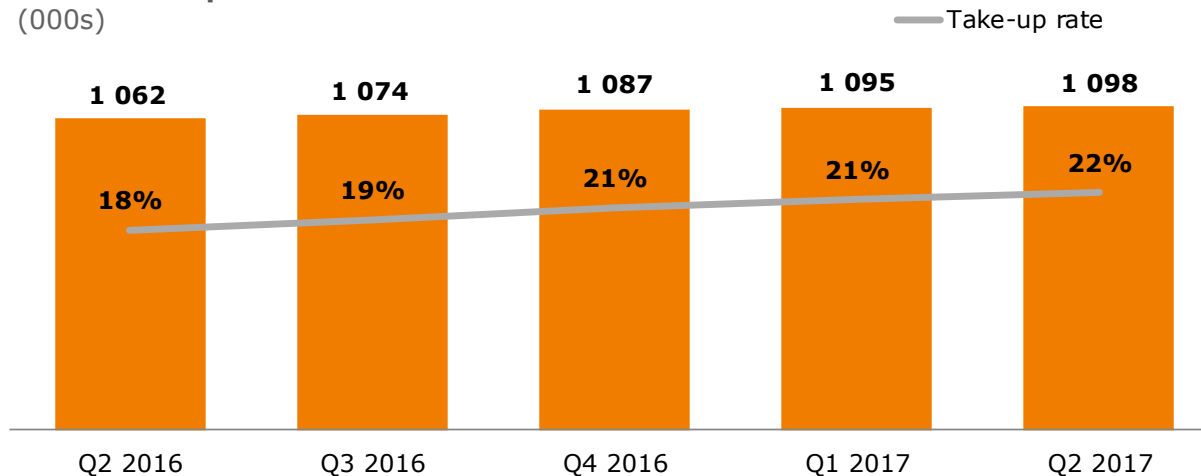
Source: Company data

# Capex

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



## FTTx homes passed (000s)



Source: Company data

## Highlights

- Focus on network to improve coverage, capacity, resilience and long-running efficiencies
- Mobile network upgrade and SRAN swap completed
- Vivacom's LTE network received the highest score by GWS for speed measurement in 2016 and by Ookla in 2017
- FTTx roll-out in carefully selected areas based on return of investment criteria
- Increase in subscriber FTTx take-up rate

# Spectrum

## ✓ **Current holdings:**

- ✓ 900 MHz – 2 x 11.2 MHz;
- ✓ 1800 MHz – 2 x 15 MHz;
- ✓ 2100 MHz - 2 x 15 MHz.

## ✓ **LTE spectrum availability:**

### ✓ **700 MHz:**

- ✓ Currently occupied for public security, defense purposes and DVB-T;
- ✓ European Parliament has adopted a decision for dedication of 700 MHz for mobile broadband only as of 30 June 2020 (waived for public order, public security and defense);
- ✓ 2 x 20 MHz expected to be released for civil usage from 2019, following refarming of DVB-T spectrum.

### ✓ **800 MHz:**

- ✓ 2 x 20 MHz is still occupied for military purposes without visibility for release term;
- ✓ 2 x 10 MHz available for civil needs - subject to an auction if joint tests of each operator with the military services exclude interferences. The auction is currently expected in 2019.

### ✓ **1800 MHz:**

- ✓ 2 x 10 MHz currently available as Bulsatcom failed to pay the one-off fee in May 2017;
- ✓ 2 x 15 MHz might be released from Max Telecom.

### ✓ **2600 MHz:**

- ✓ 2 x 70 MHz free for mobile network operations, but considered expensive by the operators;
- ✓ Vivacom has a temporary permission to test the band – 2 x 20MHz.

# Net debt

(BGN m)	Q2 2017	Q2 2016
Bonds	782.8	778.9
Revolving credit	0.0	0.0
Trade credits	1.8	5.1
Financial lease	5.2	0.4
<b>Total borrowings</b>	<b>789.8</b>	<b>784.4</b>
<b>Total cash and cash equivalents</b>	<b>(104.9)</b>	<b>(84.6)</b>
<b>Net debt</b>	<b>684.9</b>	<b>699.8</b>
<i>Net Leverage Ratio</i>	<i>2.18</i>	<i>2.18</i>

- ✓ The call price on our bonds steps down to par on November 15, 2017
- ✓ We are monitoring the debt markets, which continue to be very strong, for an opportunistic refinancing

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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