

# VIVACOM 2017 ANNUAL RESULTS

*Sofia, 8 March 2018*



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

# Forward looking statements

This presentation includes information and statements which are or may constitute forward-looking statements.

These forward-looking statements include all matters that are not historical facts, statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Company and the industry in which the Company operates. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks, uncertainties and assumptions. The Company cautions you that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in, implied or projected by, the forward-looking statements contained in this presentation. The Company does not undertake any obligation, and does not expect, to review or confirm analyst expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.

This presentation does not constitute or form part of, and should not be construed as, an offer or invitation to purchase, sell or issue, or a solicitation of any offer to purchase, sell or subscribe for any securities of the Company or any of its subsidiaries or parent companies nor shall it (or any part of it), nor the fact of its distribution, form the basis of, or be relied on in connection with, or act as any inducement to enter into, any contract or commitment or investment decision whatsoever.

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

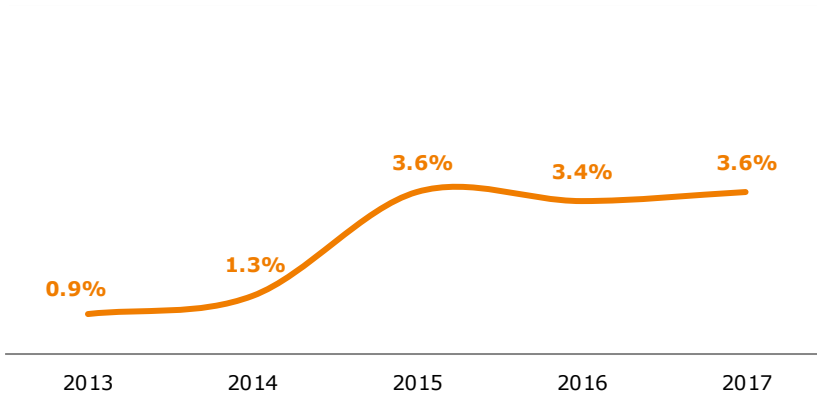
# Table of contents

1. Overview
2. Performance highlights
3. Financial review
4. Results outlook for 2018
5. Q&A session

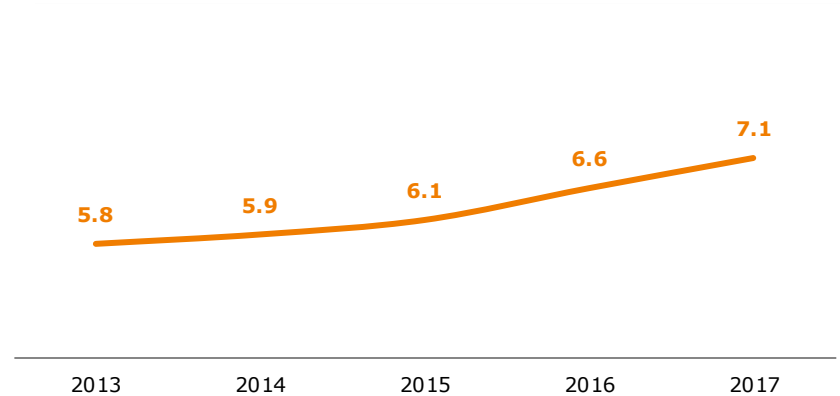
# 1. OVERVIEW

# Macroeconomic environment

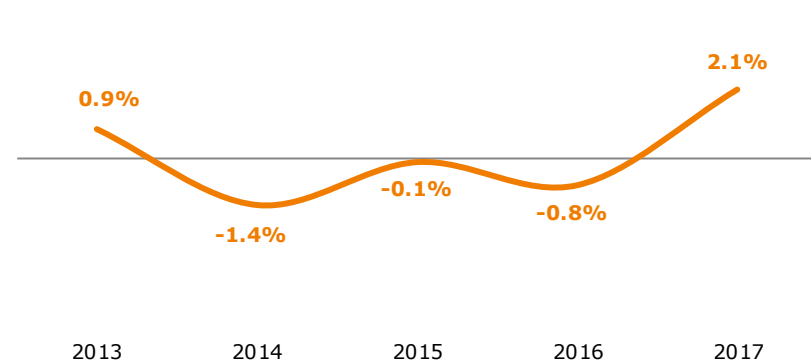
**GDP with sustainable growth**  
(%)



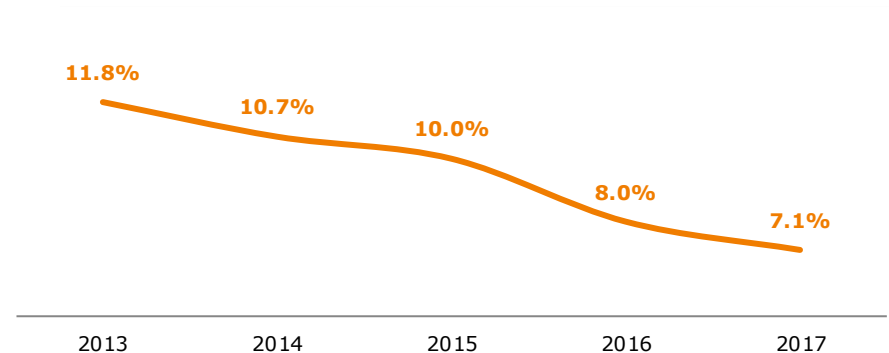
**GDP per capita on the rise**  
(EUR 000s)



**CPI in positive territory**  
(%)



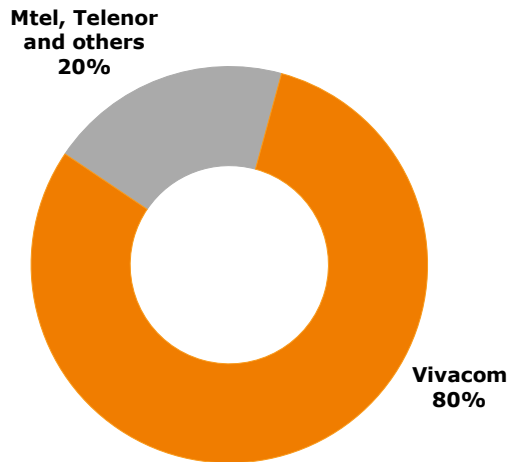
**Unemployment with continuous decrease**  
(%)



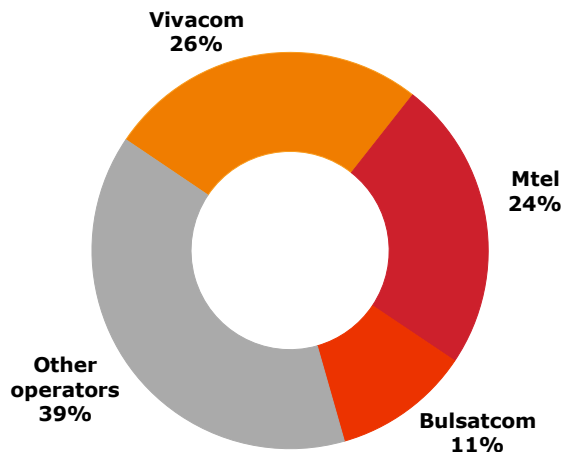
Source: BNB, Employment Agency, Eurostat, NSI  
Data for unemployment in Bulgaria presented as per Employment Agency methodology.  
GDP for 2017 as per preliminary figures by NSI.

# Company snapshot

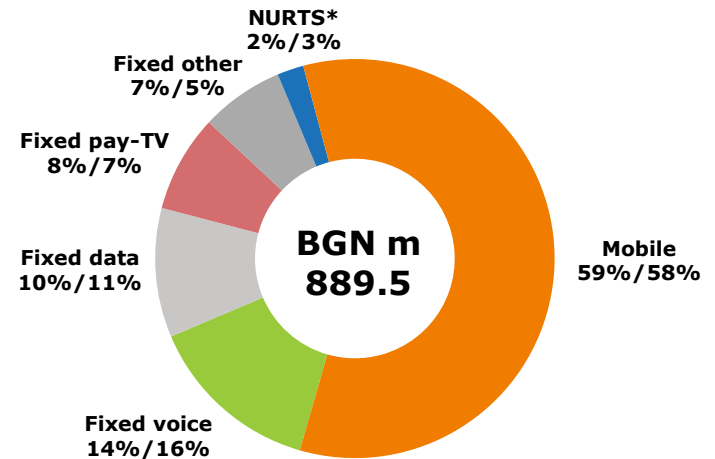
**Incumbent fixed operator with high revenue share**  
(% share in fixed voice revenue as of Q4 2017)



**Market leader in fixed broadband**  
(%, fixed broadband subscriber share as of Q4 2017)



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



- Leading integrated telecom operator in Bulgaria:
  - #1 in total revenues
  - #1 in fixed voice - 80% 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 99% population coverage
  - Bulgaria’s fastest mobile network as measured by Ookla for 2017

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

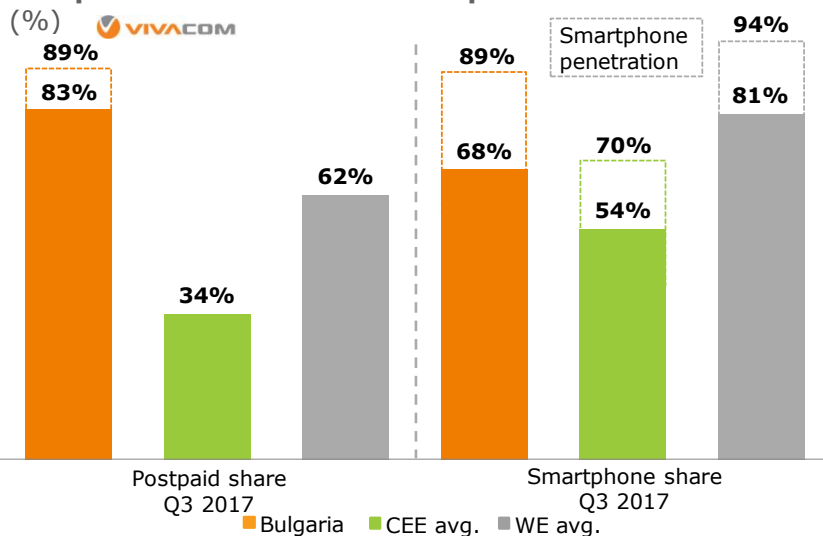
\* NURTS Group revenue with consolidation adjustments.

VIVACOM with 2017 award for Bulgaria’s fastest mobile network by Ookla.

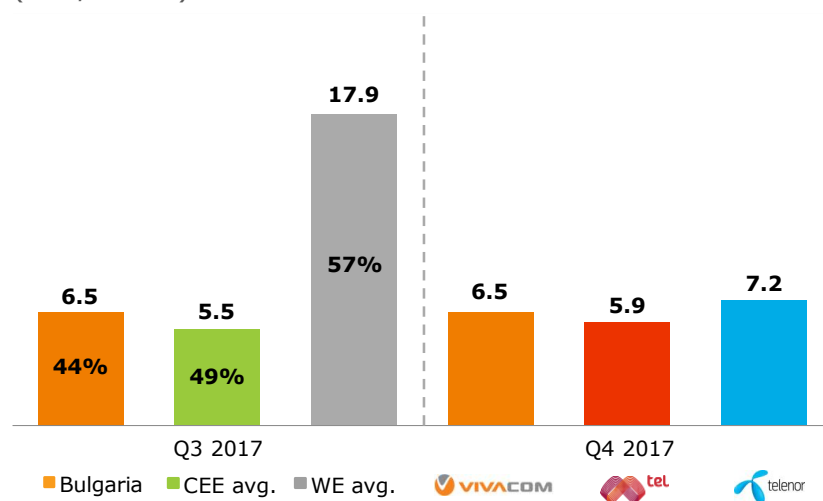


# Market highlights

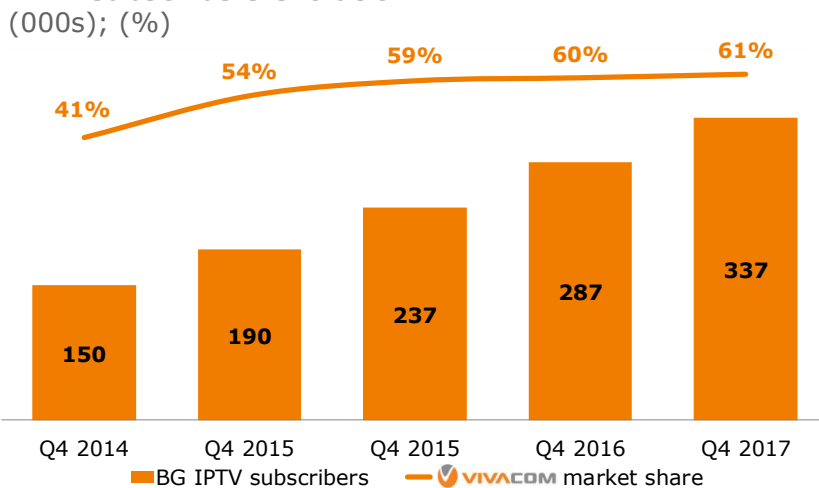
## Postpaid mobile market with upside in data



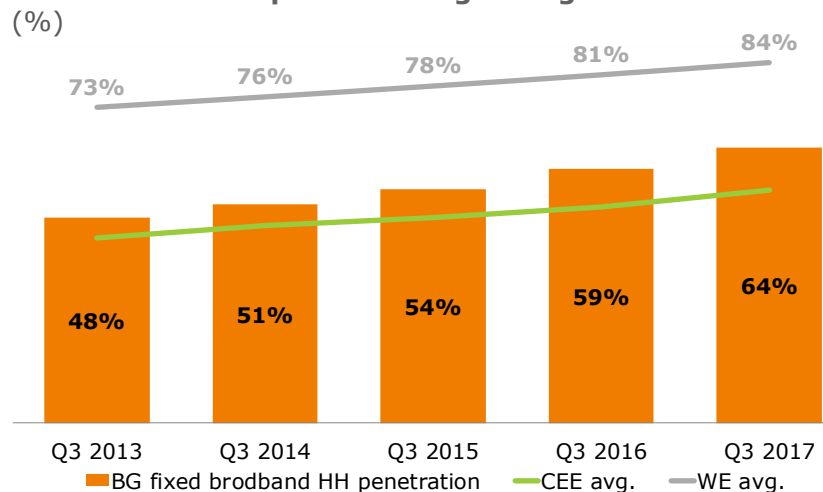
## Mobile blended ARPU and growing share of data



## IPTV subscribers evolution



## Fixed broadband penetration growing



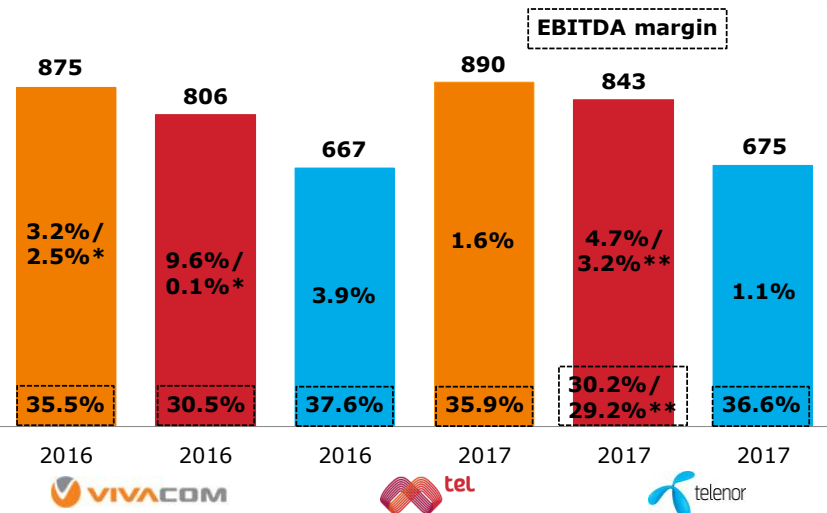
Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Company data, TAG and Telenor reports  
 All figures are based on active subscribers. IPTV defined as pay-TV service delivered over a managed IP network.  
 Smartphone share is defined as number of smartphones divided by number 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 (excluding M2M) are as of Q4 2017.



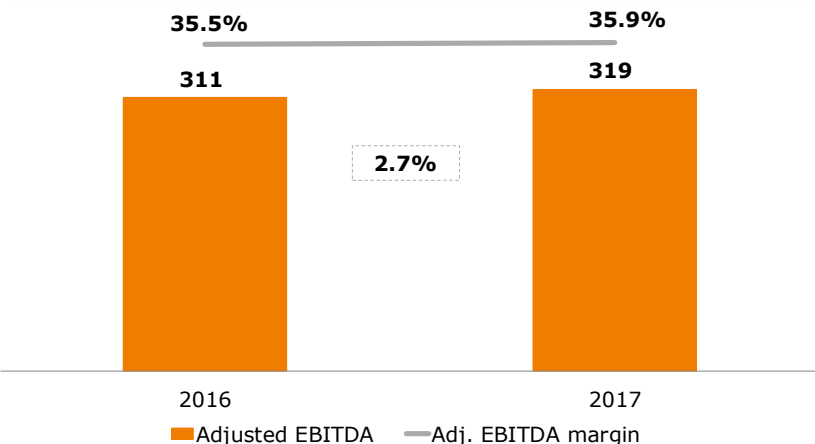
# Performance overview

## #1 Telco company on total revenues

(BGN m, prior year variance %)

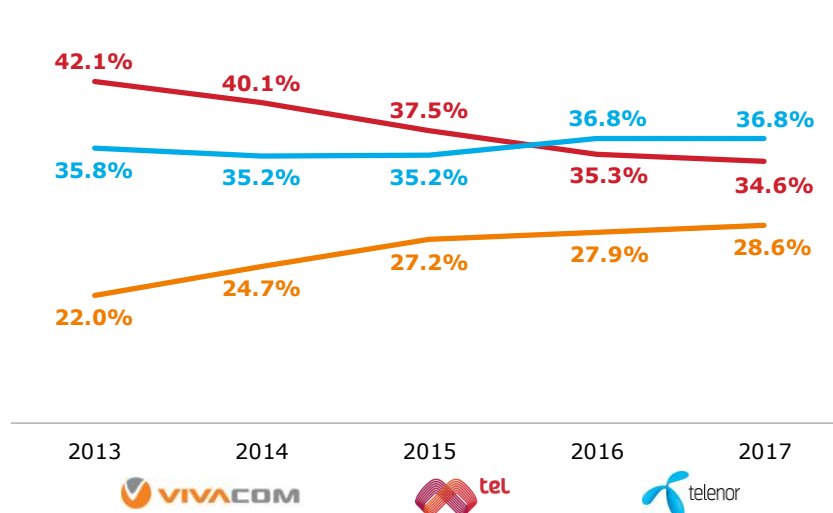


EBITDA supported by improved margins and lower opex (BGN m)

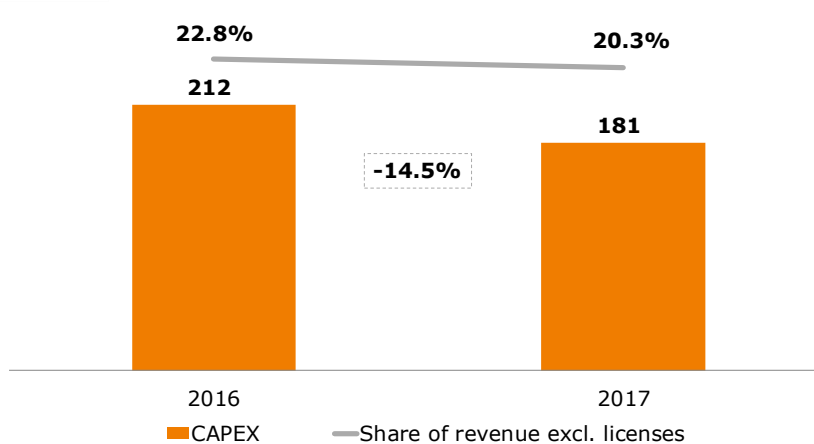


## Gaining share in mobile service revenues

(%)



Capex decreasing with SRAN completion (BGN m)



Source: Company data, TAG reports, Telenor reports

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

\*\* Excluding EUR 5.8 million one-off effect resulting from a legal settlement.

Mobile service revenues exclude visitor roaming and M2M revenues.

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



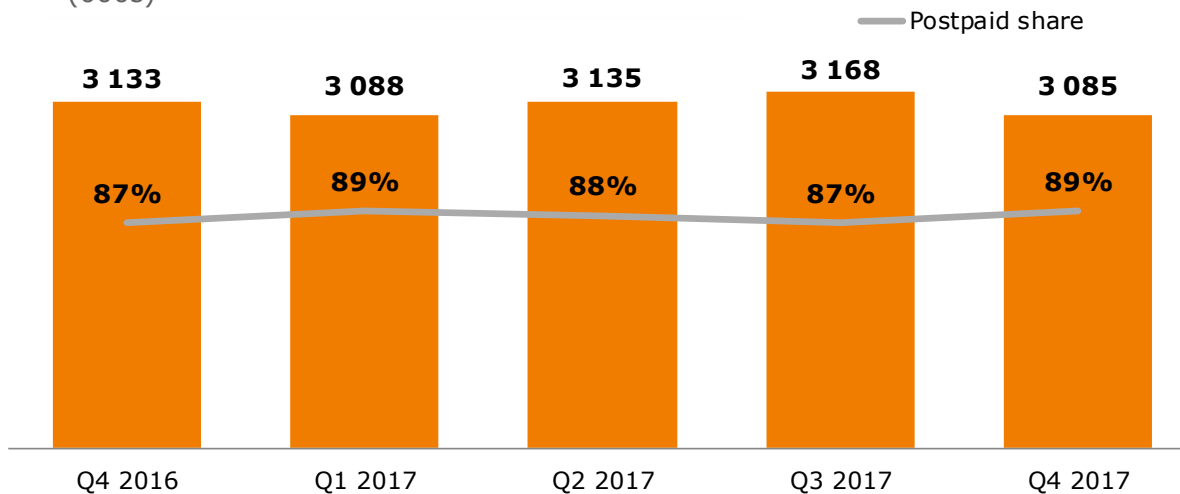


## **2. PERFORMANCE HIGHLIGHTS**



# Mobile key metrics

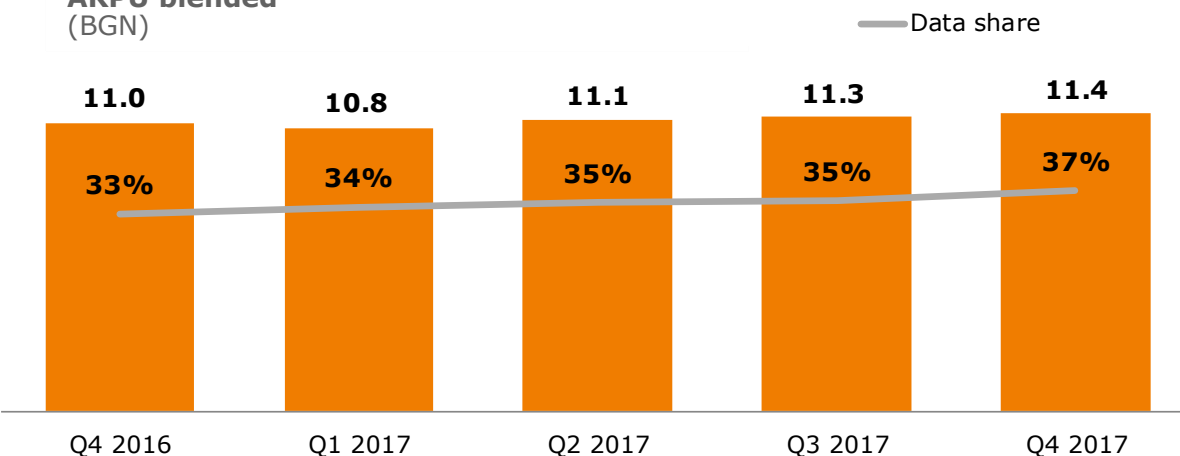
## Subscribers (000s)



## Highlights

- Mobile subscriber base decrease, following the mandatory registration and subsequent clean-up in prepaid
- High quality profile with solid postpaid subscriber base and best MNP balance in 2017

## ARPU blended (BGN)



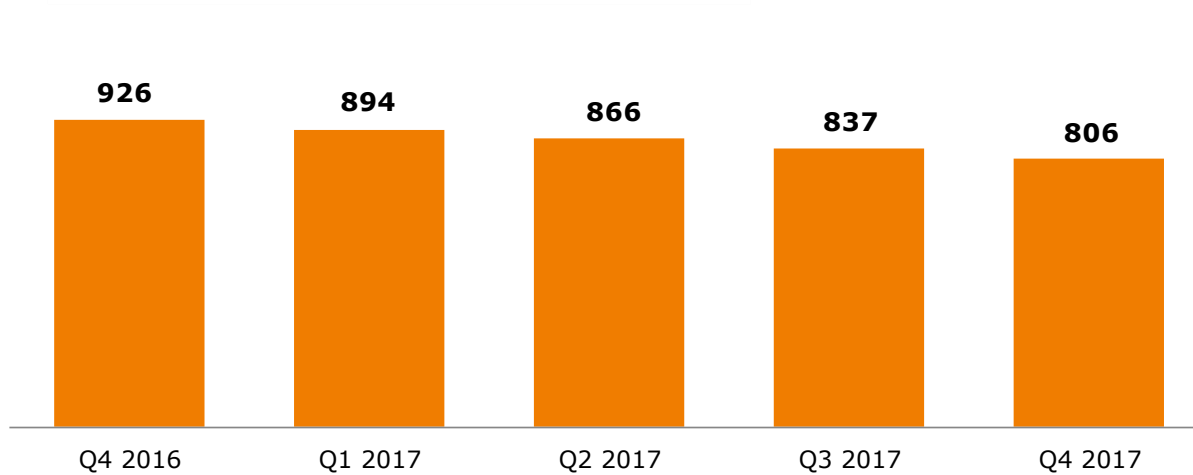
- Blended ARPU increasing on the back of growing data demand

Source: Company data



# Fixed voice key metrics

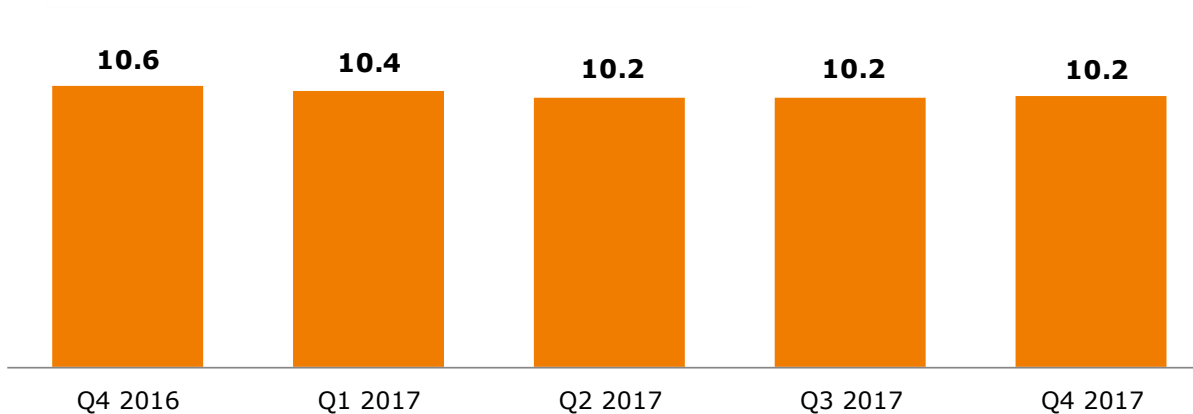
## Subscribers (000s)



## Highlights

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

## ARPU blended (BGN)



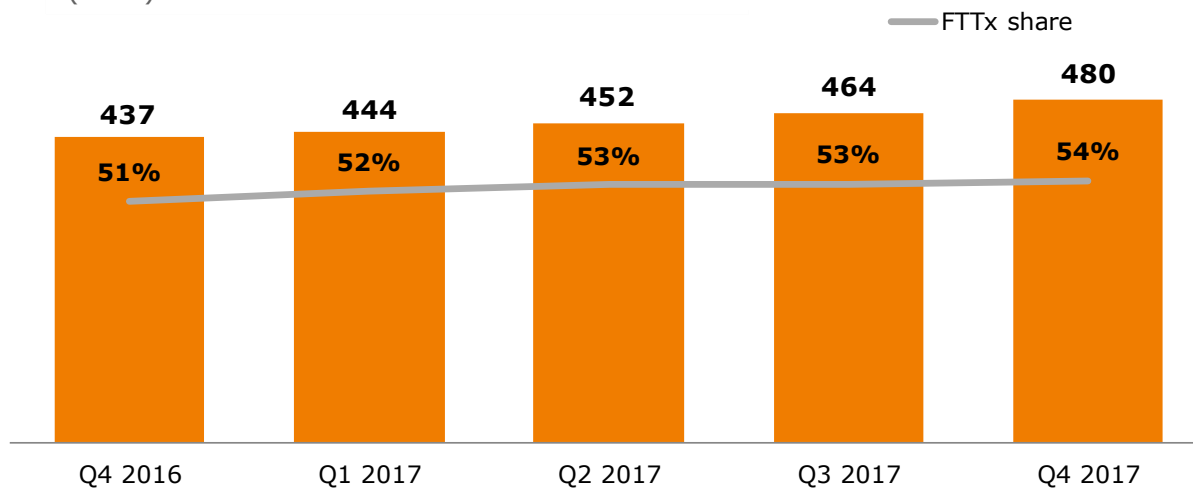
- ARPU stabilizing following introduction of attractive tariffs for customers retention

Source: Company data



# Fixed broadband key metrics

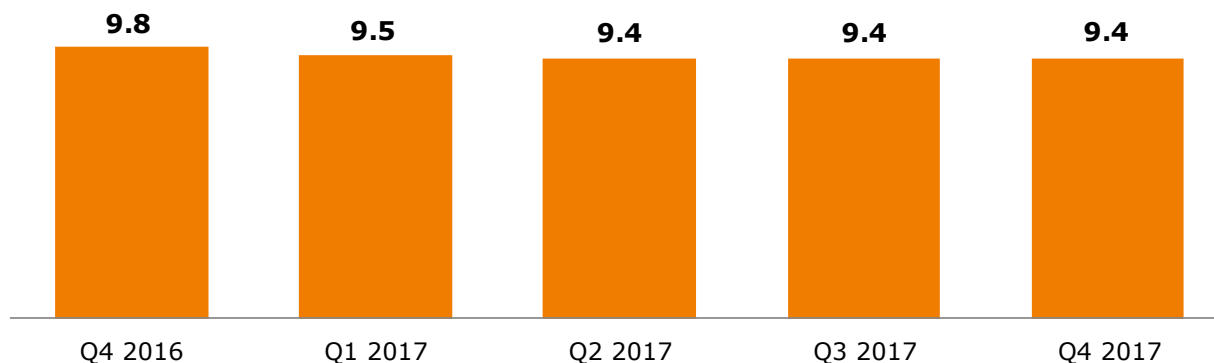
## Subscribers (000s)



## Highlights

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

## ARPU blended (BGN)



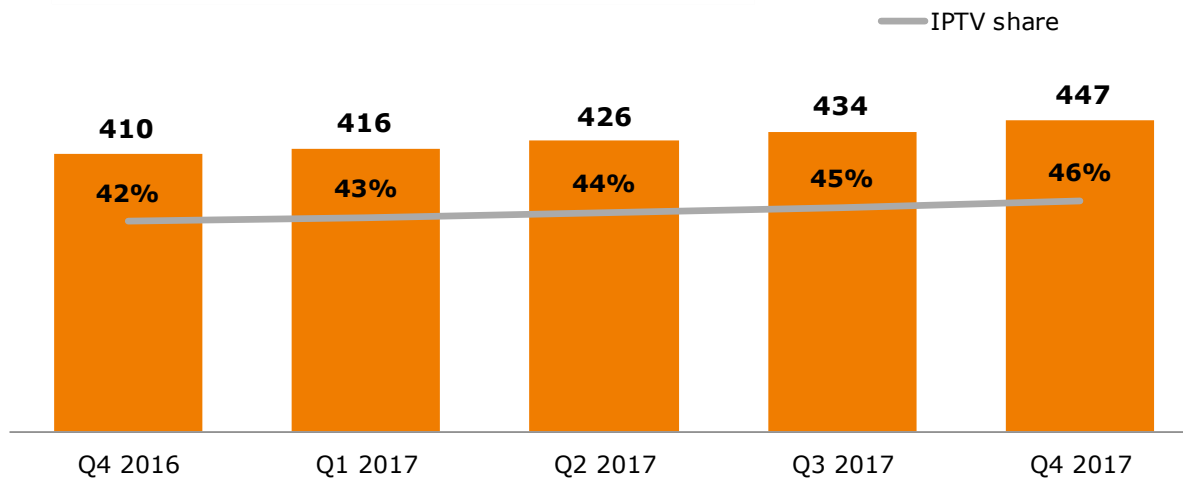
- ARPU stabilizing and remains low due to fragmented competition and increased bundling

Source: Company data



# Fixed pay-TV key metrics

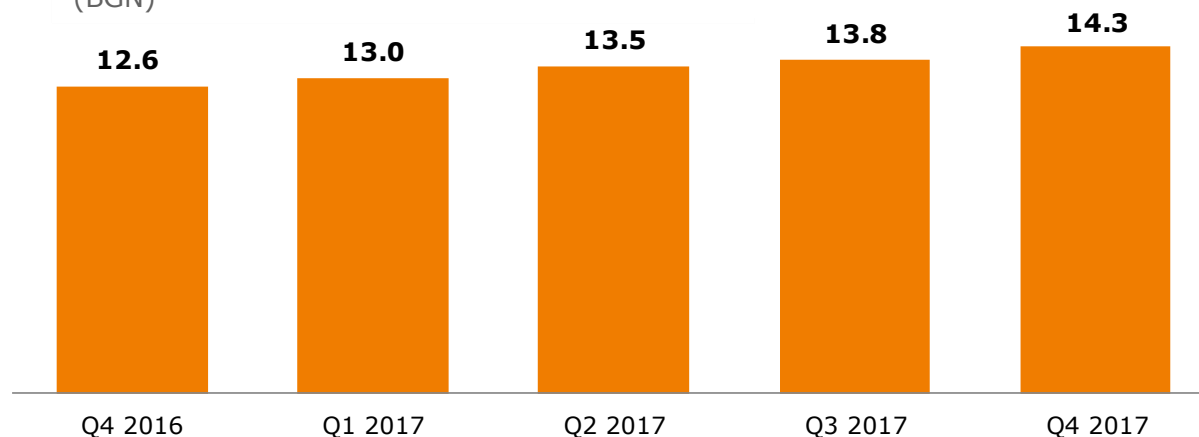
## Subscribers (000s)



## 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)



- Increase in blended ARPU with growing share of tariffs with rich content and HD channels

Source: Company data

# 3. FINANCIAL REVIEW

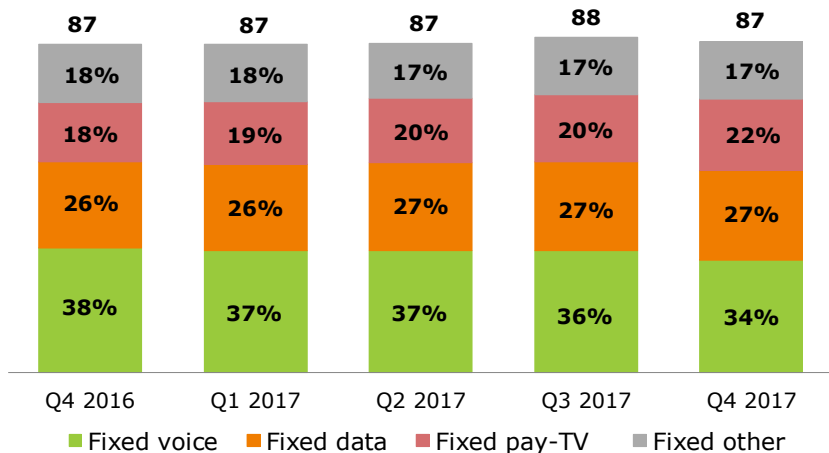
# Financial performance summary

(BGN m)	2017	2016	change %	Q4 2017	Q4 2016	change %
<b>Revenue</b>	<b>889.5</b>	<b>875.3</b>	<b>1.6%</b>	<b>227.5</b>	<b>224.8</b>	<b>1.2%</b>
<b>EBITDA</b>	<b>324.3</b>	<b>281.9</b>	<b>15.1%</b>	<b>67.6</b>	<b>46.0</b>	<b>47.1%</b>
Other gains, net	(17.9)	(5.0)		(1.0)	(1.5)	
EBITDA adjustments	12.4	33.8		5.5	25.8	
<b>Adjusted EBITDA</b>	<b>318.9</b>	<b>310.6</b>	<b>2.7%</b>	<b>72.1</b>	<b>70.3</b>	<b>2.6%</b>
<i>% of revenues</i>	<i>35.9%</i>	<i>35.5%</i>		<i>31.7%</i>	<i>31.3%</i>	
<b>Capex</b>	<b>181.0</b>	<b>211.6</b>	<b>14.5%</b>	<b>55.1</b>	<b>60.9</b>	<b>9.4%</b>
<i>% of revenues, excl. licenses</i>	<i>20.3%</i>	<i>22.8%</i>		<i>24.2%</i>	<i>27.1%</i>	
<b>Adjusted EBITDA - Capex</b>	<b>137.9</b>	<b>99.1</b>	<b>39.2%</b>	<b>16.9</b>	<b>9.4</b>	<b>80.6%</b>

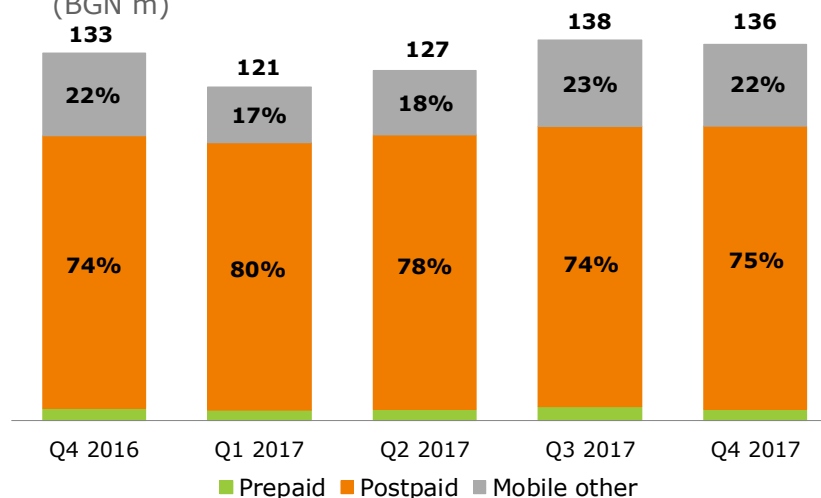
Source: Company data

# Revenues

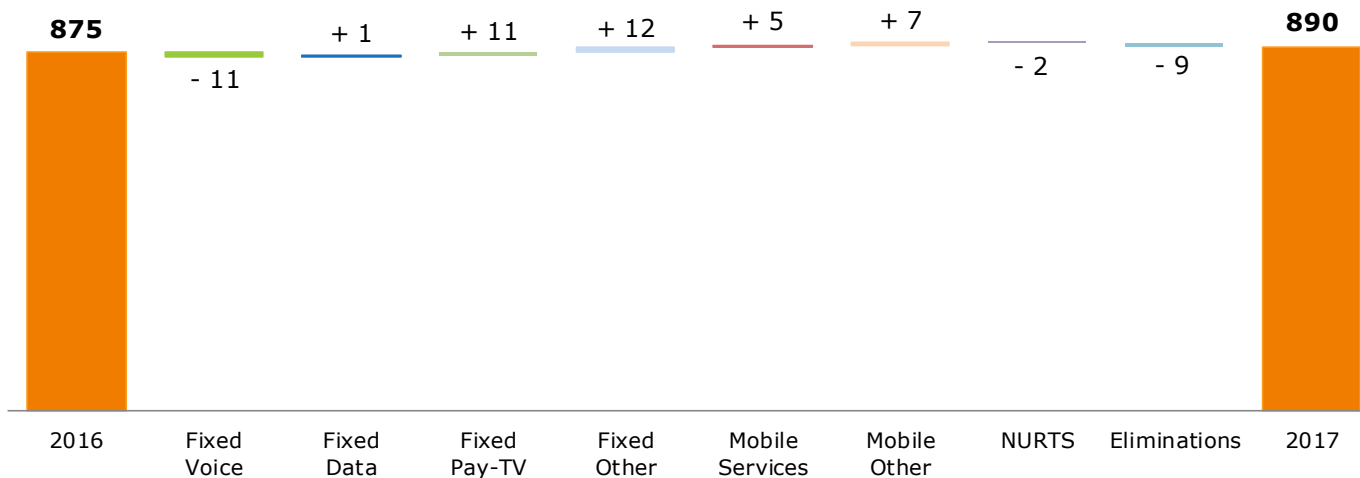
**Revenues Fixed**  
(BGN m)



**Revenues Mobile**  
(BGN m)



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



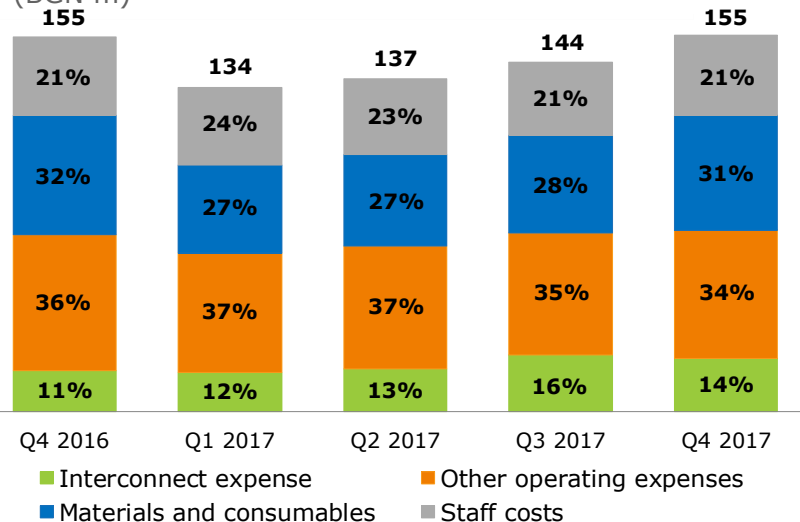
Source: Company data



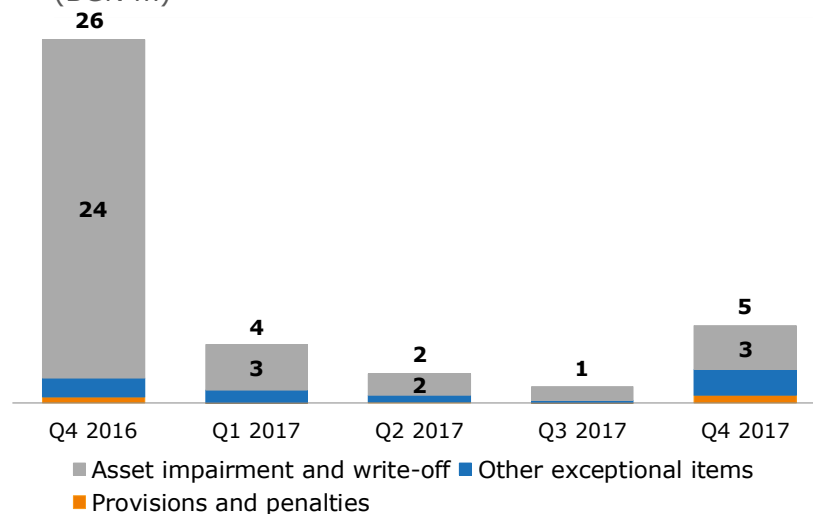


# Operating expenses and adjusted EBITDA

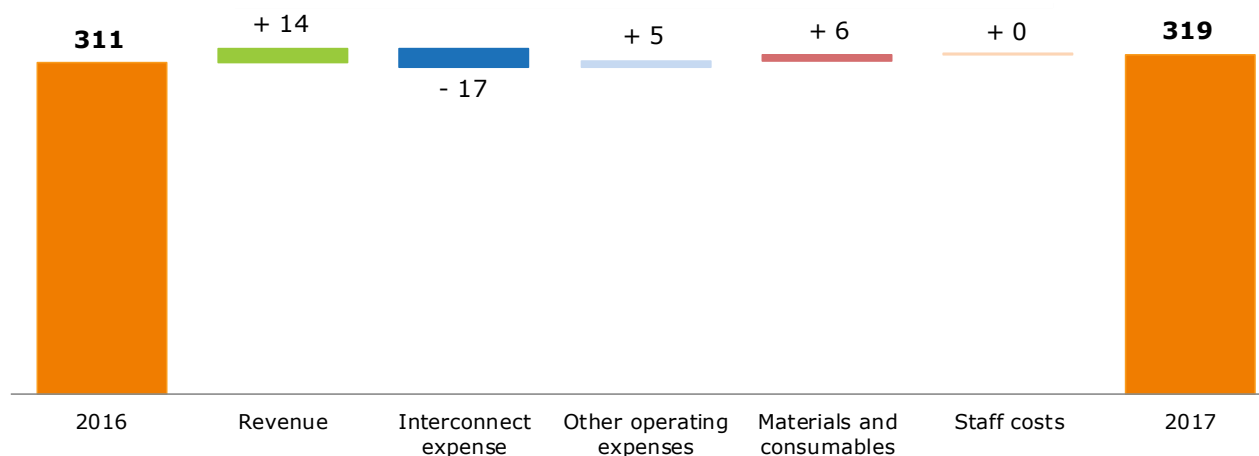
**CoS and Opex**  
(BGN m)



**EBITDA adjustments**  
(BGN m)



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

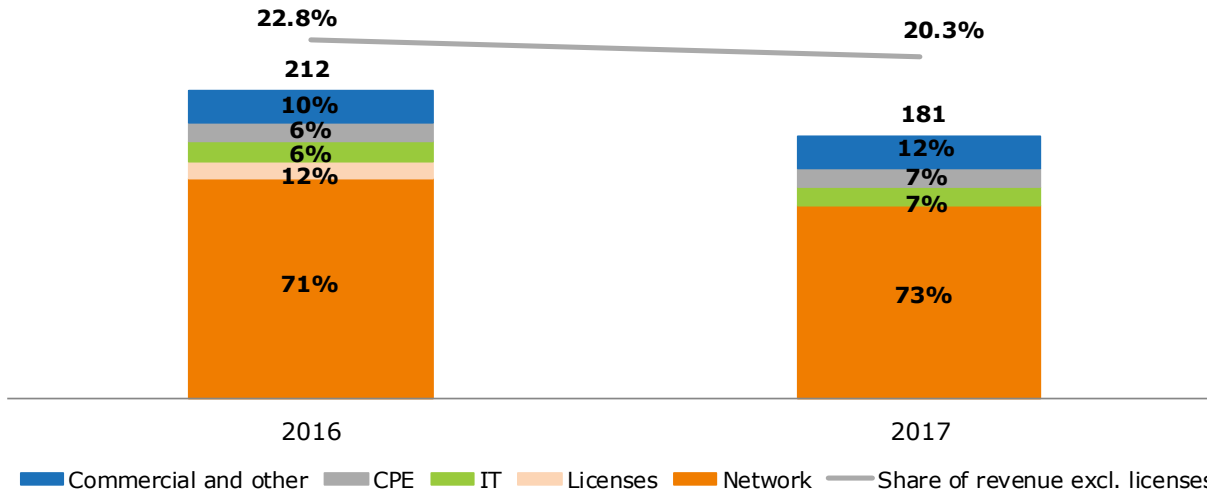


Source: Company data



# Capex

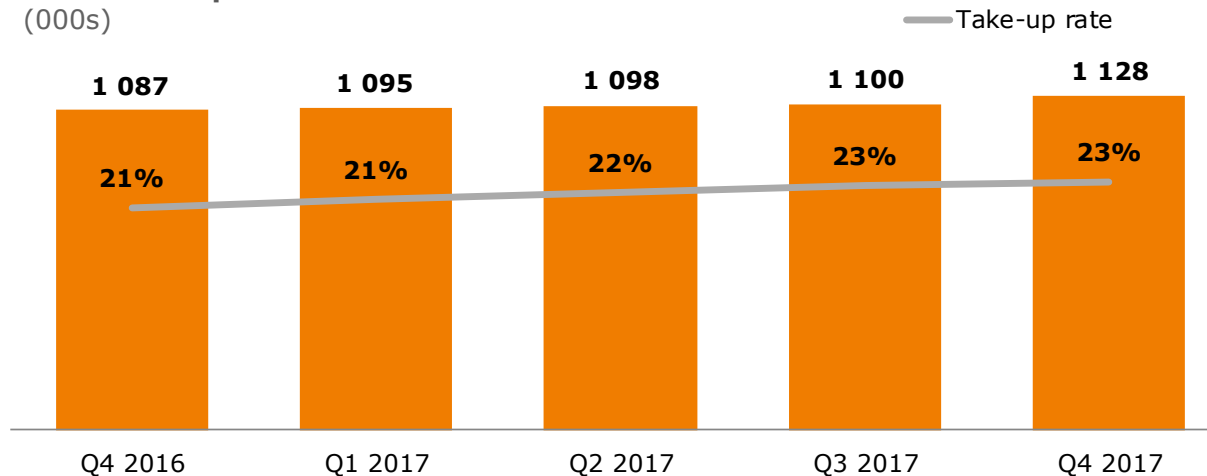
## Capex structure and share of revenue (BGN m)



## Highlights

- Focus on network to improve coverage, capacity, resilience and efficiency
- Vivacom's LTE network received the highest score by GWS for speed measurement in 2016 and by Ookla in 2017

## FTTx homes passed (000s)



- FTTx roll-out in carefully selected areas based on return of investment criteria
- Increase in subscriber FTTx take-up rate
- VDSL launch as part of copper-based network optimization

Source: Company data



## Net debt

(BGN m)	Q4 2017	Q4 2016
Bonds	785.0	780.8
Revolving credit	0.0	0.0
Trade credits	0.0	3.5
Financial lease	3.1	4.5
<b>Total borrowings</b>	<b>788.1</b>	<b>788.8</b>
<b>Total cash and cash equivalents</b>	<b>(176.0)</b>	<b>(72.3)</b>
<b>Net debt</b>	<b>612.1</b>	<b>716.5</b>
<i>Net Leverage Ratio</i>	<i>1.92</i>	<i>2.31</i>

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

## Refinancing status

- ✓ On December 22, 2017 Vivacom entered into a Senior Facilities Agreement (SFA) arranged by Citibank N.A., London Branch and VTB Bank (Europe) SE;
- ✓ The purpose of the SFA is to refinance all amounts due under the existing Senior Secured Notes (SSN), payment of fees and costs under the facility and capital expenditure in respect of the investment and development program;
- ✓ The SFA comprises of:
  - ✓ Term loan Facility A – EUR 119.5 million;
  - ✓ Term loan Facility B – EUR 190.5 million;
  - ✓ Short-term Facility – EUR 20 million;
  - ✓ Revolving Facility – EUR 15 million.
- ✓ Maximum tenor is 5.25 years after the first utilization under the SFA;
- ✓ Interests on the facilities are based on EURIBOR plus margins between 1.25 and 3.75 per cent per annum;
- ✓ Simultaneously with the SFA Vivacom extended the maturity of the existing EUR 35 m RCF with Societe Generale Expressbank AD and reduced the applicable Margin to between 1.05 and 1.75 per cent per annum. The final term of the RCF is 3 years as from the date of first utilization of funds under the SFA;
- ✓ The Company is working towards satisfaction of SFA CPs prior to issuing redemption notice for the SSN

# Results outlook for 2018

	2017 actual	2018 guidance
Adjusted EBITDA	BGN 319 m	BGN 320 - 330 m
Capex	BGN 181 m	BGN 175 - 185 m

Source: Company data

## 5. Q&A

## Analysys Mason Disclaimer

Figures, projections and market analysis from Analysys Mason which are contained in this document are based on publicly available information only and are produced and published by the Research Division of Analysys Mason Limited independently of any client-specific work within Analysys Mason Limited. The opinions expressed in the Analysys Mason material cited herein are those of the relevant Analysys Mason report authors only. Analysys Mason Limited maintains that all reasonable care and skill have been used in the compilation of the publications and figures provided by Analysys Mason's Research Division and cited in this document. However, Analysys Mason Limited shall not be under any liability for loss or damage (including consequential loss) whatsoever or howsoever arising as a result of the use of Analysys Mason publications, figures, projections or market analysis in this document, by Vivacom, its servants, agents, or any recipient of this document or any other third party. The Analysys Mason figures and projections cited in this report are provided for information purposes only and are not a complete analysis of every material fact respecting any company, industry, security or investment. Analysys Mason figures and projections in this document are not to be relied upon in substitution for the exercise of independent judgment. Analysys Mason may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the Analysys Mason material cited in this document. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and Analysys Mason is under no obligation to ensure that such other communications are brought to the attention of any recipient of this document. The Analysys Mason material presented in this document may not be reproduced, distributed or published by any recipient for any purpose without the written permission of Analysys Mason Ltd.