

# **VIVACOM FIRST QUARTER RESULTS 2016**

*Sofia, 10 May 2016*

# Forward looking statements

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The information contained in this presentation is on consolidated basis as at 31 March 2016, unless otherwise noted.

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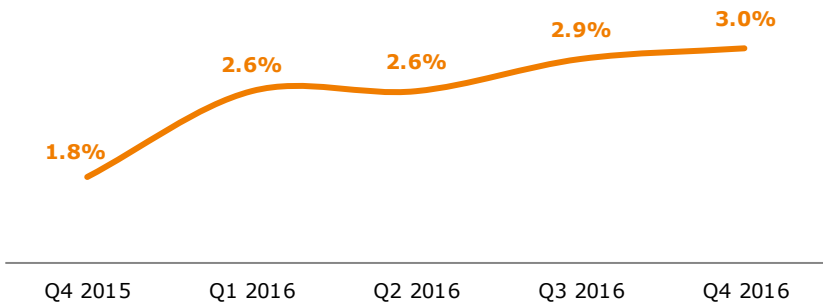
1. Overview
2. Performance highlights
3. Financial review
4. Results outlook for 2016
5. Q&A session

# 1. OVERVIEW

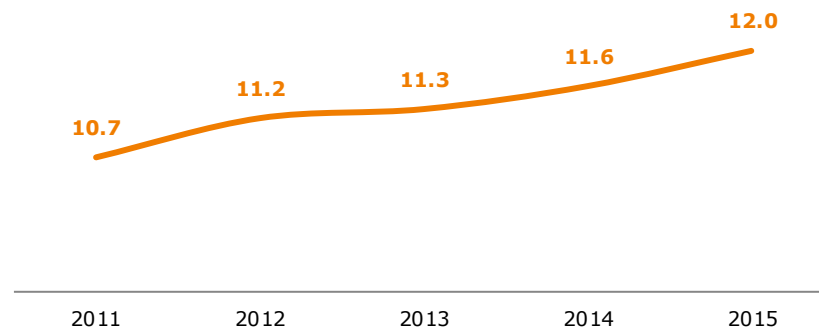
Atanas Dobrev  
Chief Executive Officer

# Macroeconomic environment

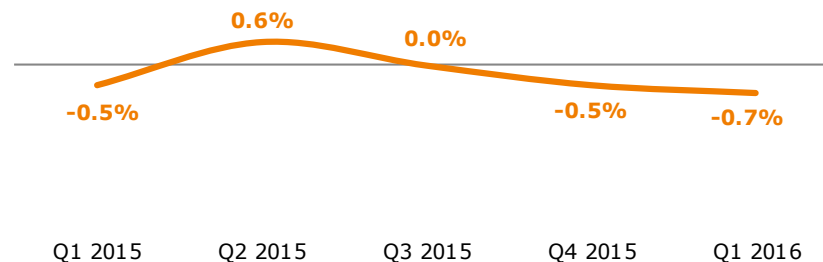
**GDP recovering slowly**  
(%)



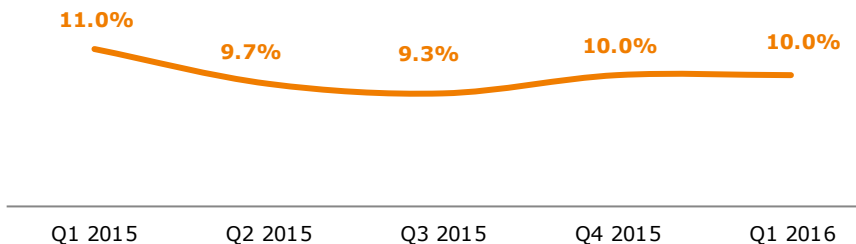
**GDP per capita on the rise**  
(BGN 000s)



**CPI still in negative territory**  
(%)



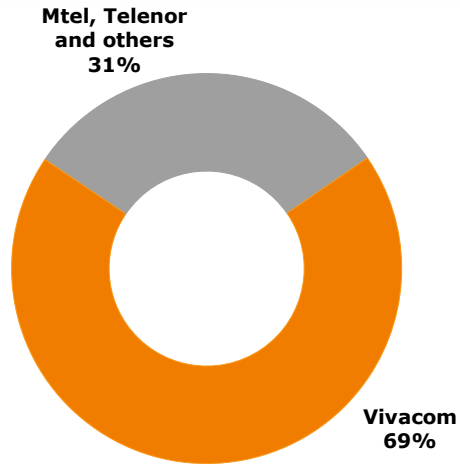
**Unemployment with seasonal increase**  
(%)



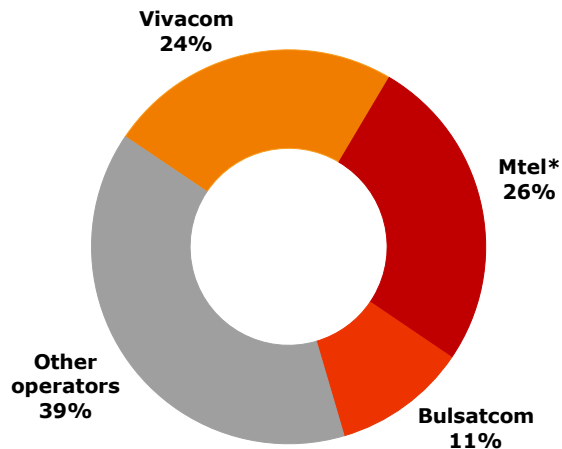
Source: BNB, Employment Agency, NSI  
Unemployment (Employment Agency methodology) calculated as average of the respective monthly figures.

# Company snapshot

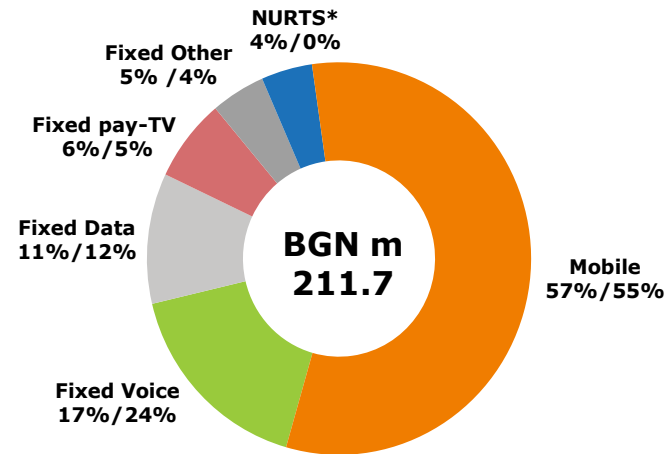
**Incumbent fixed operator with high revenue share**  
 (% share in fixed voice revenue as of Q4 2015)



**Second largest fixed broadband operator**  
 (% fixed broadband subscriber share as of Q4 2015)



**Well diversified and resilient business model**  
 (% of revenue, Q1 2016 / Q1 2015)



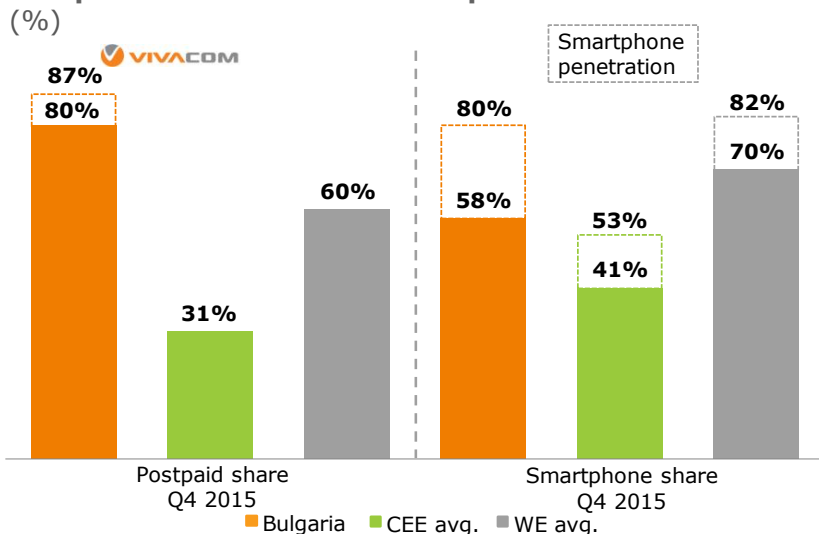
- Leading integrated telecom operator in Bulgaria:
  - #1 in total revenue share
  - #1 in fixed voice - 69% revenue share
  - #2 fixed broadband – 24% subscriber share
  - #1 IPTV operator and #3 pay-TV provider
  - Improved 3G network - 99.95% by population, of which 71.71% with download speed up to 42.2 Mbit/s
  - 4G launched commercially with new spectrum in 1800 MHz, awarded by CRC in May

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

\* Market positions following Mtel's acquisition of Blizoo (completed on Sep 28<sup>th</sup>, 2015). Consolidation started from Q4 2015.

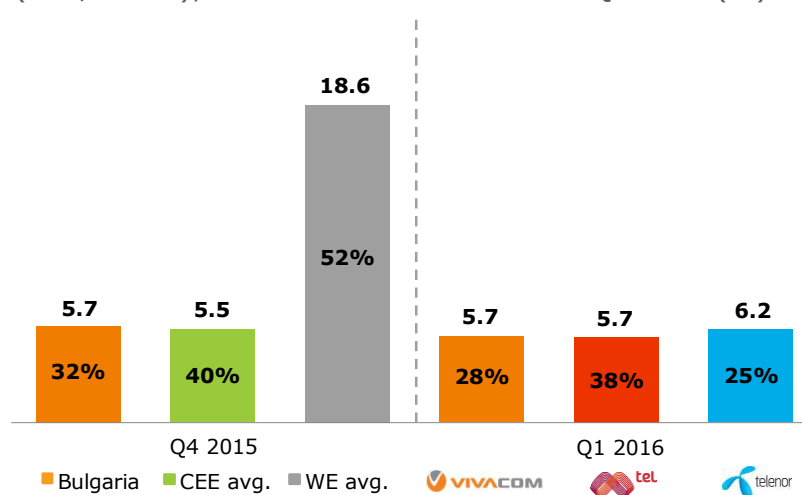
# Market highlights

## Postpaid mobile market with upside in data



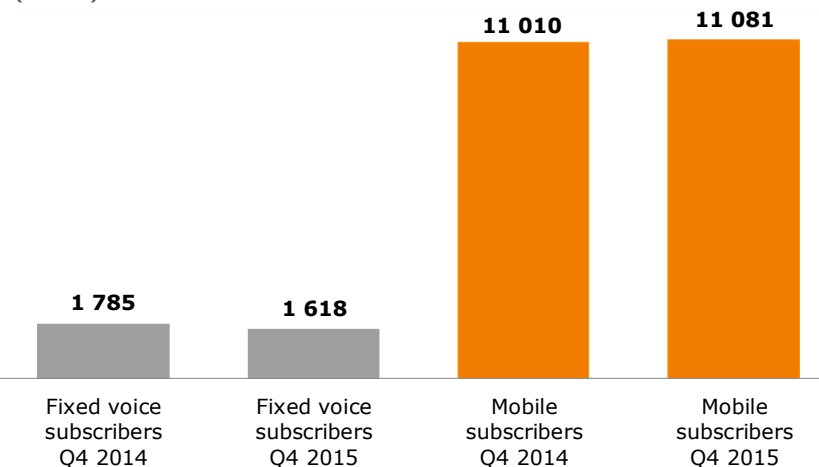
## Mobile blended ARPU and growing share of data

(EUR/month); share of data in ARPU as of Q4 2015 (%)



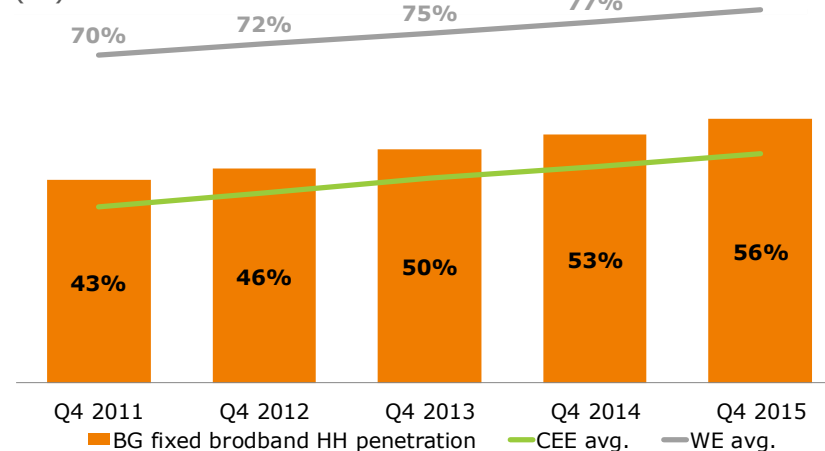
## Fixed voice with substitution to mobile

(000s)



## Fixed broadband penetration growing

(%)



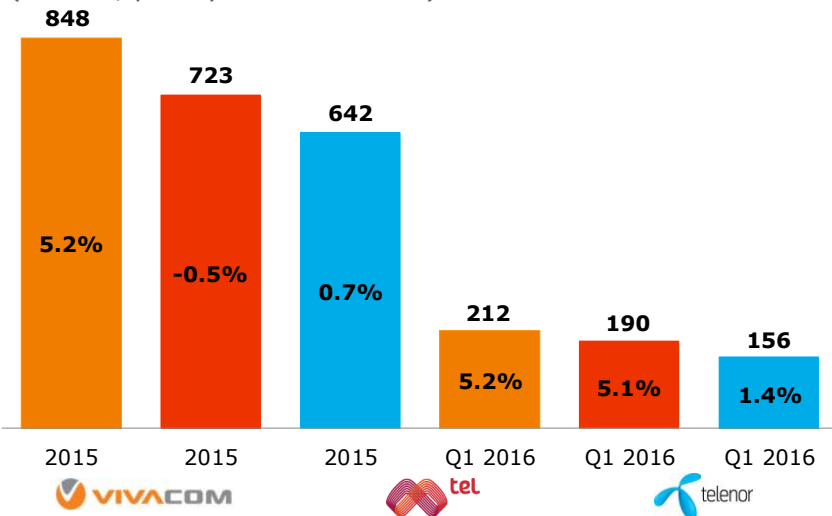
Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Company data, TA reports, Telenor reports  
 All figures are based on active subscribers. Fixed voice subscribers include narrowband and VoBB connections.  
 Smartphone share is defined as number of smartphone divided by number 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 2016, as per official reports.



# Performance overview

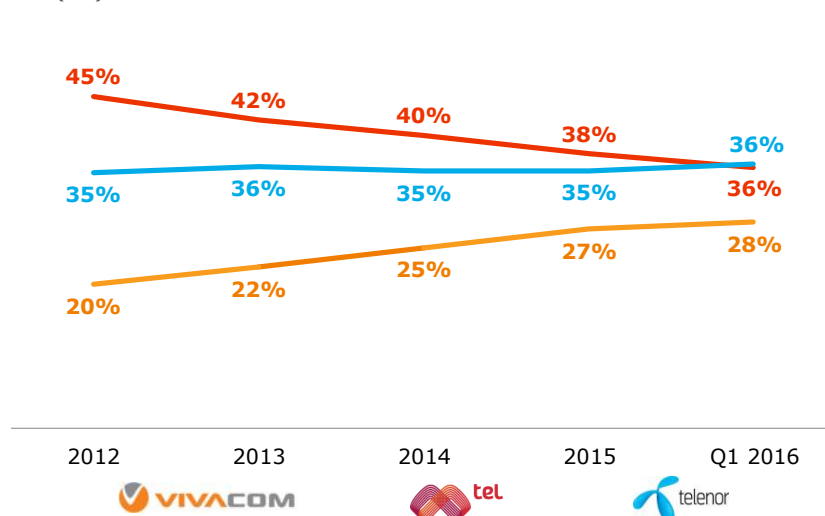
## #1 Telco company on total revenues

(BGN m, prior year variance %)



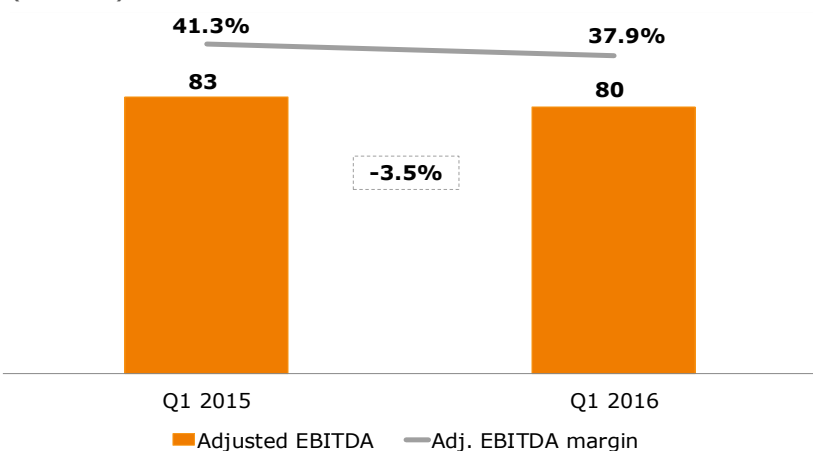
## Gaining share in mobile service revenues

(%)



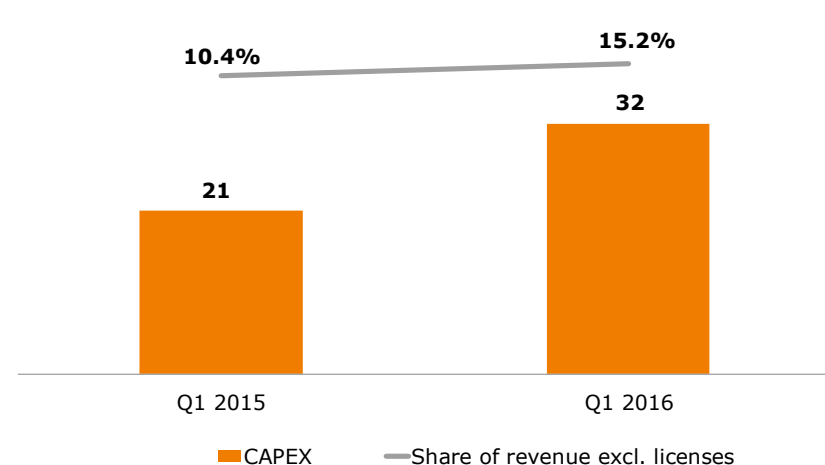
## Adjusted EBITDA led by higher costs in growth areas

(BGN m)



## Focus on SRAN and LTE roll out Capex

(BGN m)



Source: Company data, Telekom Austria reports, Telenor reports

Mobile service revenues calculated as average subscribers multiplied by ARPU's excl. visitor roaming and M2M.

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



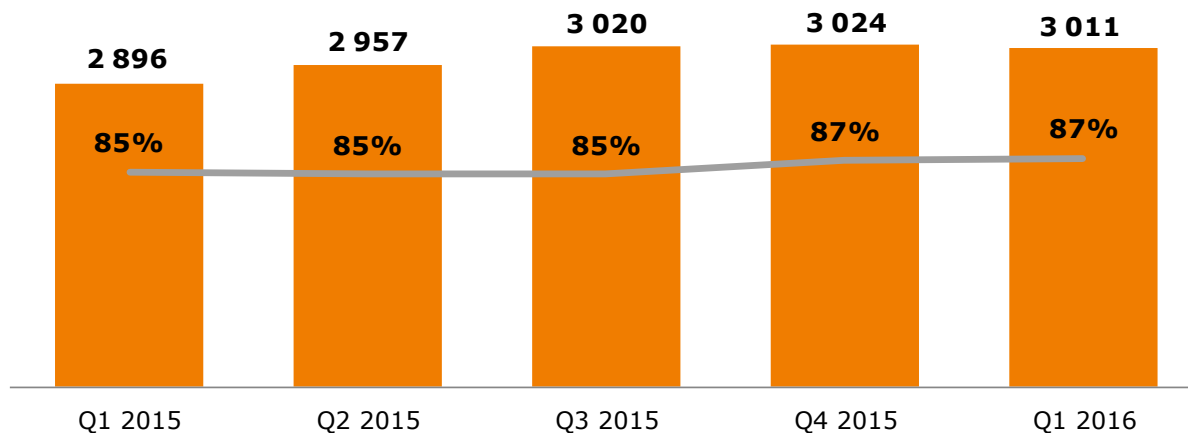
## **2. PERFORMANCE HIGHLIGHTS**



# Mobile key metrics

## Subscribers (000s)

— Postpaid share

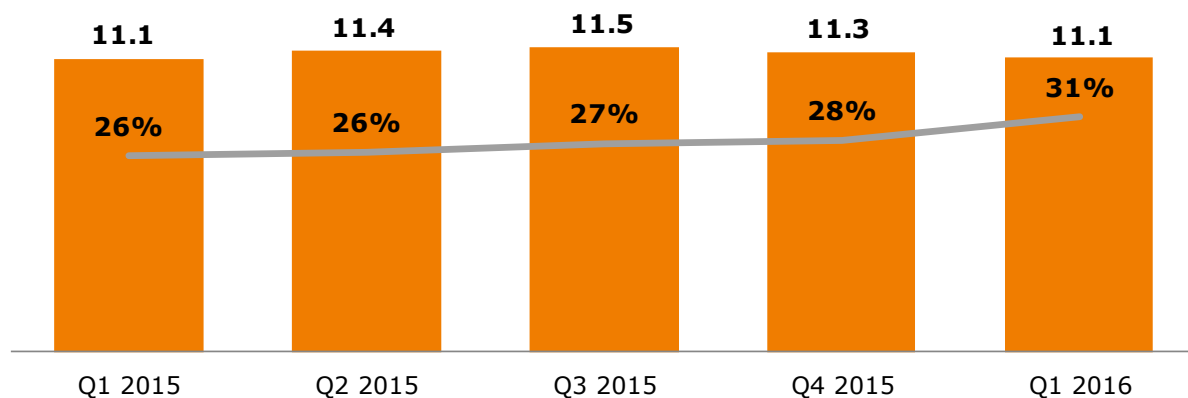


## Highlights

- Mobile subscribers with slight decline driven from prepaid
- Better quality profile with smaller prepaid base and focus on long-term contracts

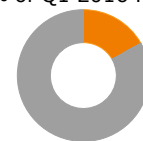
## ARPU blended (BGN)

— Data share



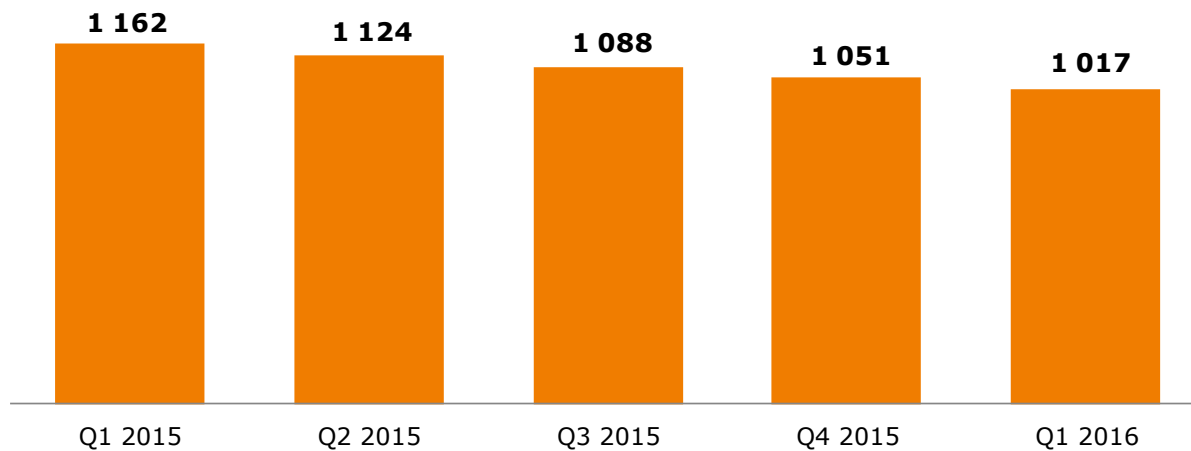
- Stabilized blended ARPU with booming data demand prior to mass market LTE offers

Source: Company data



# Fixed voice key metrics

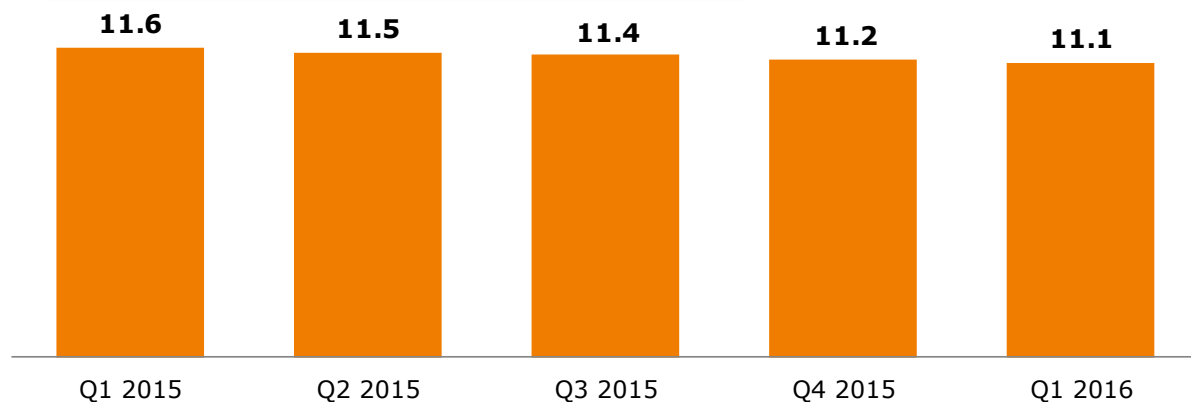
## Subscribers (000s)



## Highlights

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

## ARPU blended (BGN)



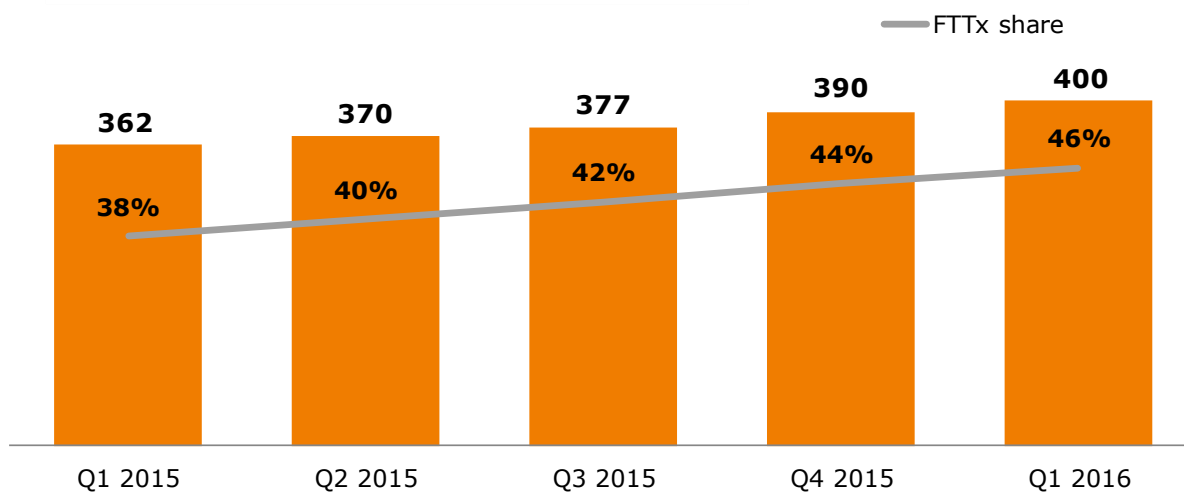
- ARPU with slow decrease due to competitive pressure

Source: Company data



# Fixed broadband key metrics

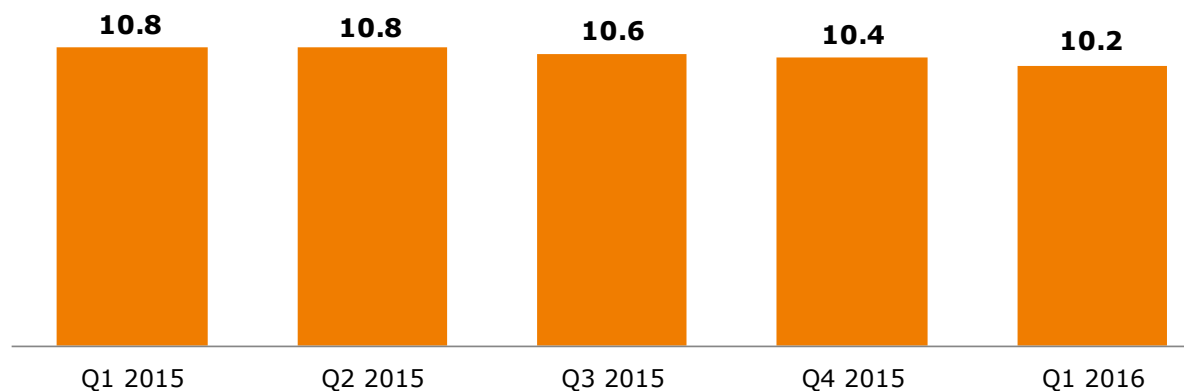
## Subscribers (000s)



## Highlights

- Growing FTTx penetration and take-up rate
- Highly competitive market with many local operators and cheap bundled offers from bigger players

## ARPU blended (BGN)



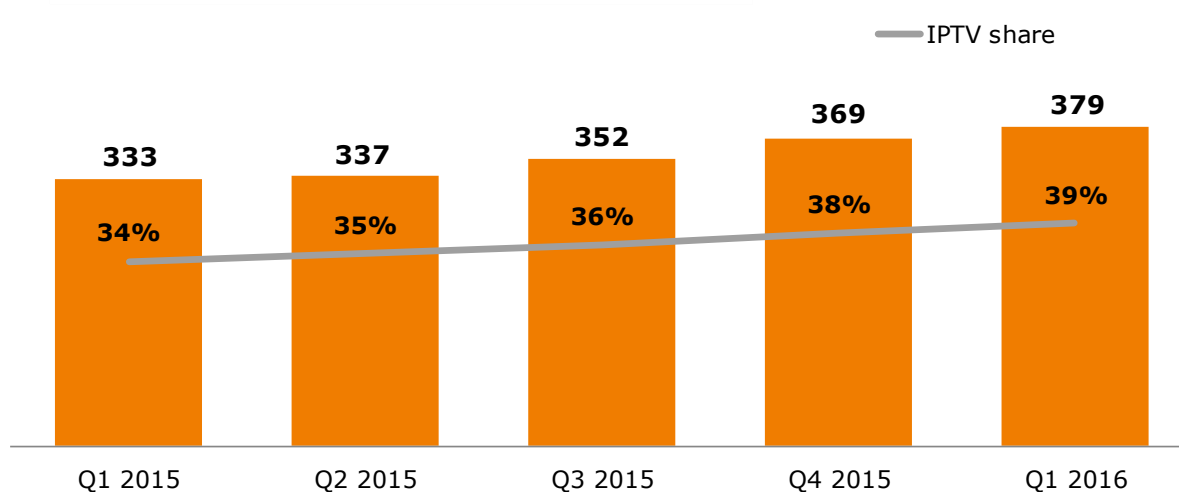
- ARPU pressure from fragmented competition and increased bundling

Source: Company data

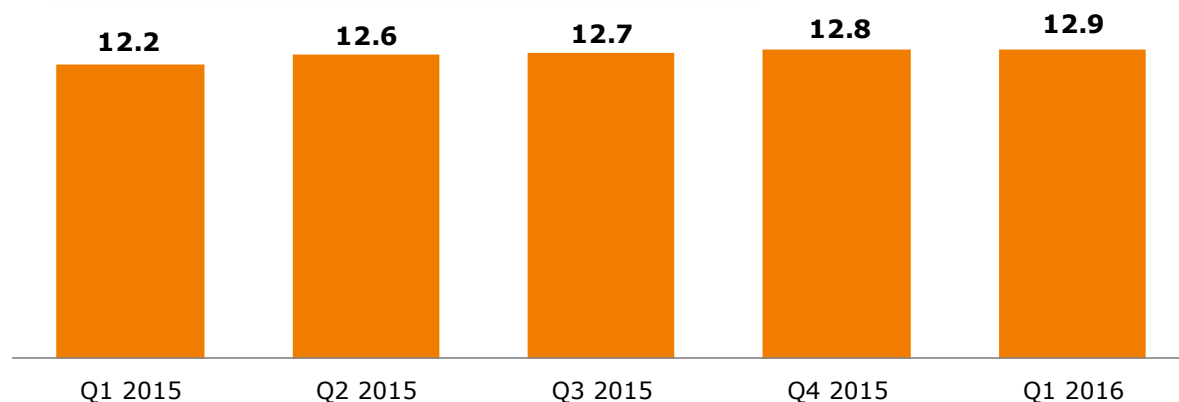


# Fixed pay-TV

## Subscribers (000s)



## ARPU blended (BGN)



## 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
- Blended ARPU increase with growing share of higher MRC and content tariffs, despite high competition and increased bundling

Source: Company data

# 3. FINANCIAL REVIEW

Asen Velikov  
Finance Director

# Financial performance summary

(BGN m)	Q1 2016	Q1 2015	change %
<b>Revenue</b>	<b>211.7</b>	<b>201.3</b>	<b>5.2%</b>
Vivacom	202.6	201.3	0.7%
NURTS	11.0	-	
Eliminations	(1.9)	-	
<b>EBITDA</b>	<b>80.6</b>	<b>84.1</b>	<b>(4.2%)</b>
Other gains, net	(1.7)	(3.9)	
EBITDA adjustments	1.2	2.8	
<b>Adjusted EBITDA</b>	<b>80.1</b>	<b>83.1</b>	<b>(3.5%)</b>
<i>% of revenues</i>	37.9%	41.3%	
Vivacom	75.9	83.1	(8.6%)
NURTS	4.4	-	
Eliminations	(0.2)	-	
<b>Capex</b>	<b>32.1</b>	<b>21.0</b>	<b>(52.9%)</b>
<i>% of revenues, excl. licenses</i>	15.2%	10.4%	
Vivacom	32.1	21.0	(52.7%)
NURTS	0.0	-	
<b>Adjusted EBITDA - Capex</b>	<b>48.0</b>	<b>62.1</b>	<b>(22.6%)</b>

Source: Company data

# NURTS Group financial performance

(BGN m)

Q1 2016

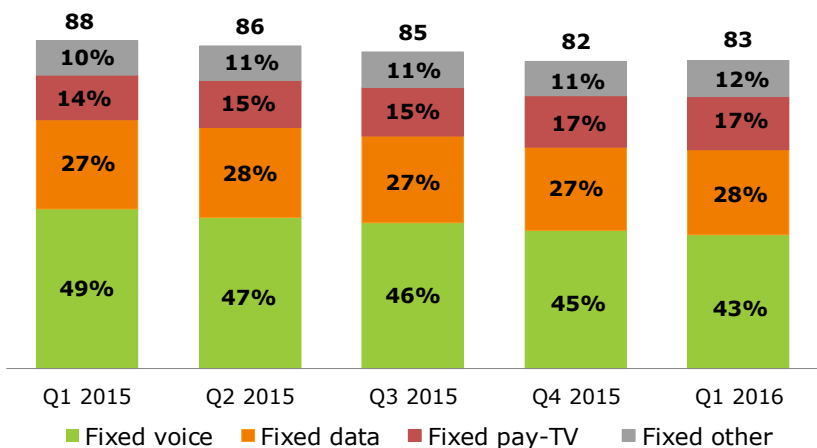
<b>Revenue</b>	<b>11.0</b>
<b>EBITDA</b>	<b>4.6</b>
Other gains, net	<b>(0.2)</b>
EBITDA adjustments	<b>0.0</b>
<b>Adjusted EBITDA</b>	<b>4.4</b>
<i>% of revenues</i>	<i>40.5%</i>
<b>Capex</b>	<b>0.0</b>
<i>% of revenues, excl. licenses</i>	<i>0.4%</i>
<b>Adjusted EBITDA - Capex</b>	<b>4.4</b>

Source: Company data

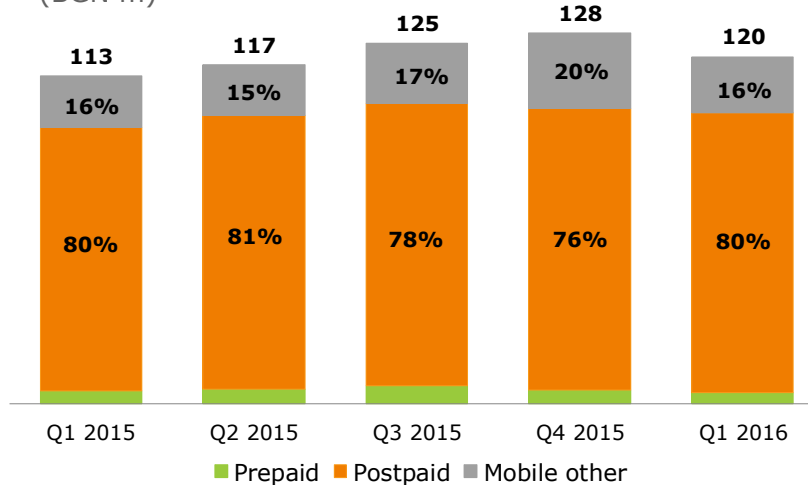


# Revenues

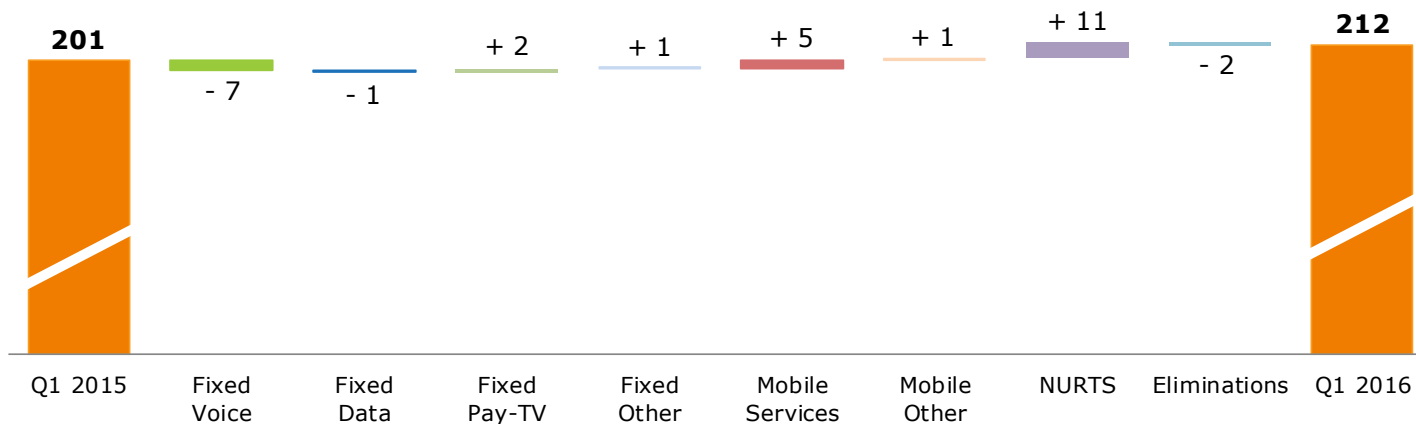
**Revenues Fixed**  
(BGN m)



**Revenues Mobile**  
(BGN m)



**Revenue bridge Q1 2015 – Q1 2016 (BGN m)**

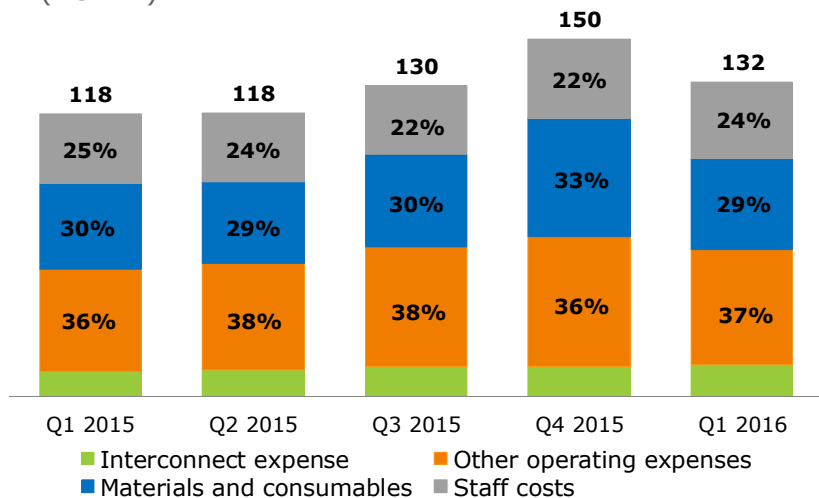


Source: Company data

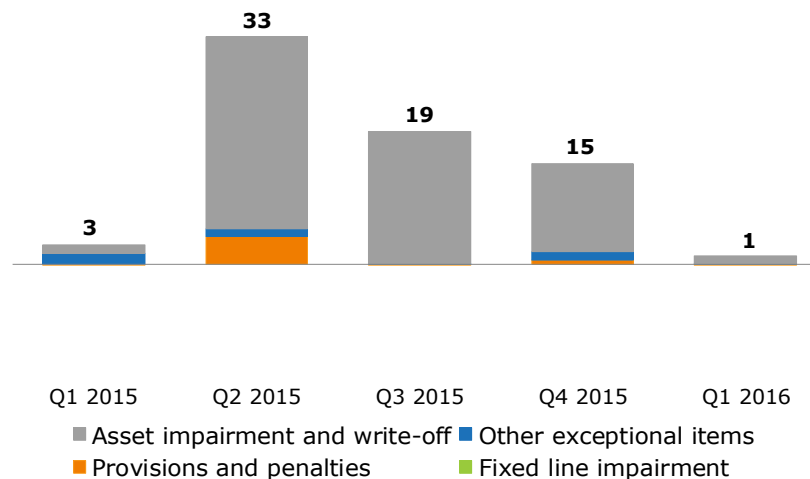


# Operating expenses and adjusted EBITDA

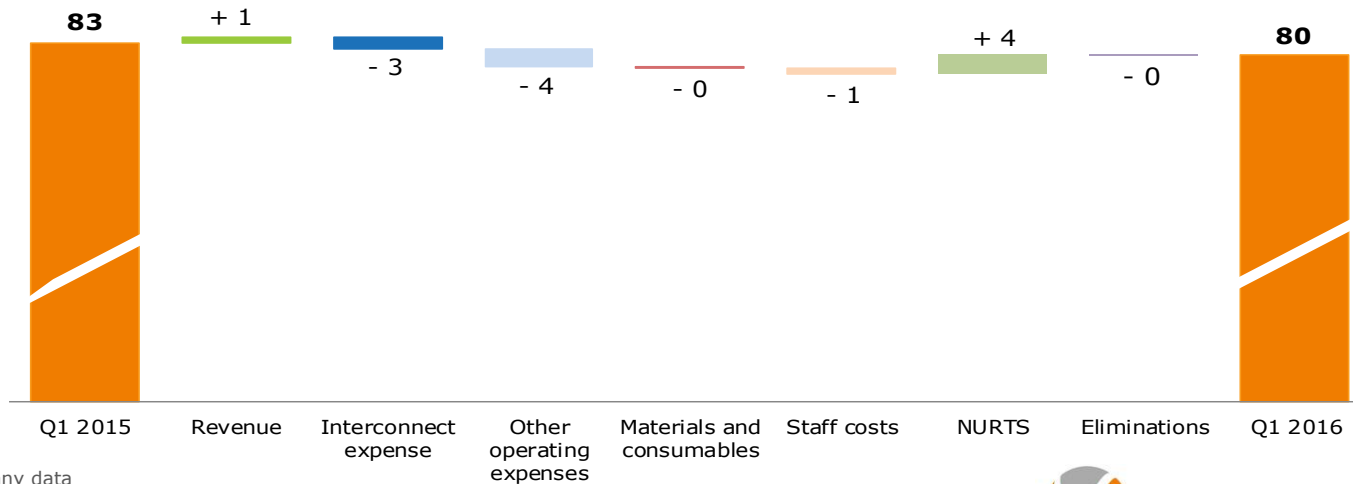
**CoS and Opex**  
(BGN m)



**EBITDA adjustments**  
(BGN m)



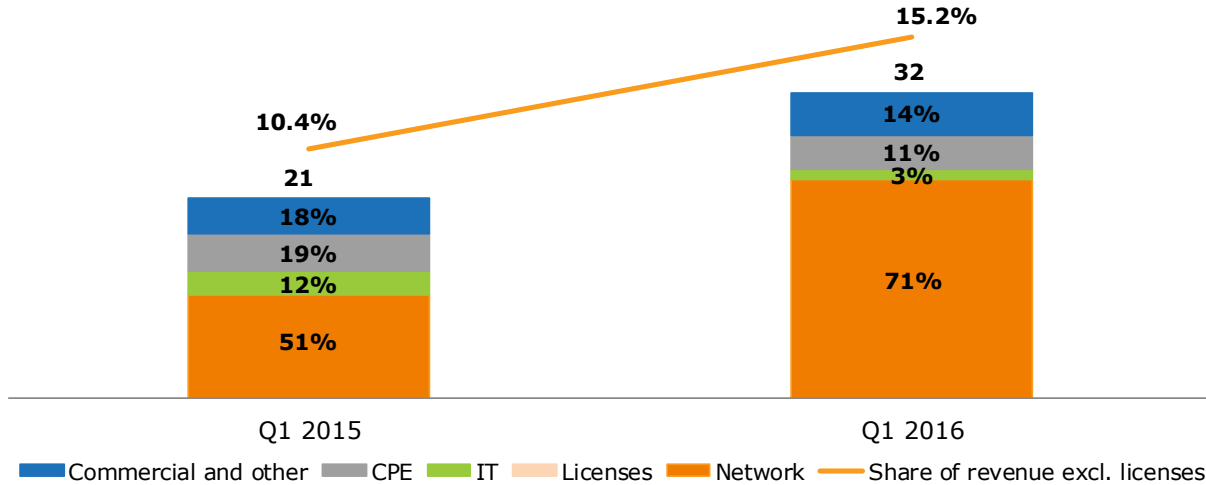
**Adjusted EBITDA bridge Q1 2015 – Q1 2016 (BGN m)**



Source: Company data

# Capex

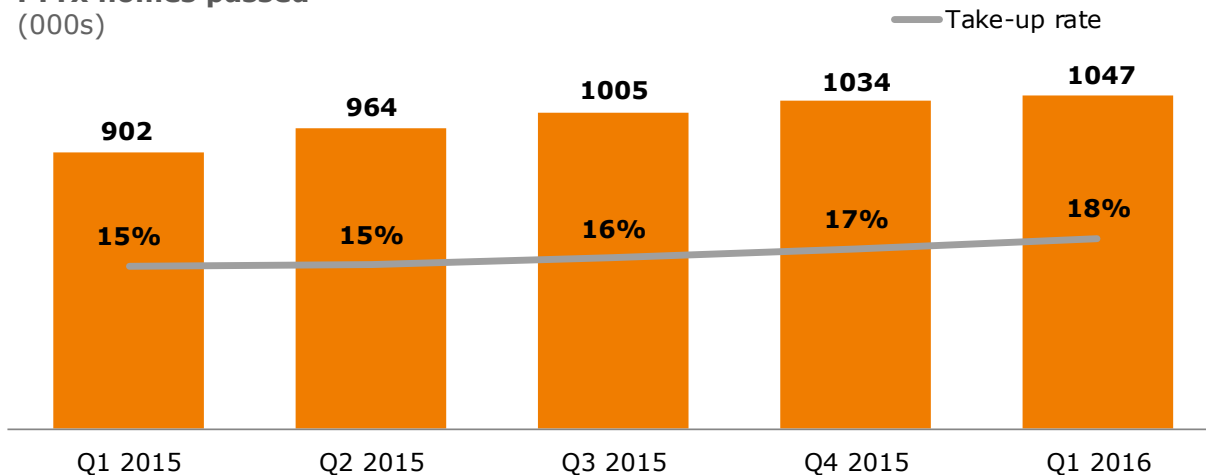
**Capex structure and share of revenue**  
(BGN m)



## Highlights

- Focus on network to improve coverage, capacity, resilience and long-running efficiencies
- LTE and SRAN upgrades in progress

**FTTx homes passed**  
(000s)



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

Source: Company data



# Net debt

(BGN m)	Q1 2016	Q1 2015
Bonds	790.9	787.2
Revolving credit	0.0	9.8
Trade credits	5.9	9.6
Financial lease	0.4	1.5
<b>Total borrowings</b>	<b>797.1</b>	<b>808.0</b>
<b>Total cash and cash equivalents</b>	<b>(101.9)</b>	<b>( 60.2)</b>
<b>Net debt</b>	<b>695.3</b>	<b>747.8</b>
<i>Net Leverage Ratio</i>	<i>2.11</i>	<i>2.25</i>

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

## Results outlook for 2016 - maintained

	2015 actual	2016 guidance
Adjusted EBITDA	BGN 332 m	BGN 325 - 335 m
Capex	BGN 163 m	BGN 210 - 220 m

Source: Company data

# Q&A

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