

# Management Presentation Results H1/Q2 2019

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09 August 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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# H1/2019 results corresponding to full-year guidance 2019

**Revenue** in EUR million

1,389

**EBITDA** in EUR million

215.5

**Free cash flow** in EUR million

126.7

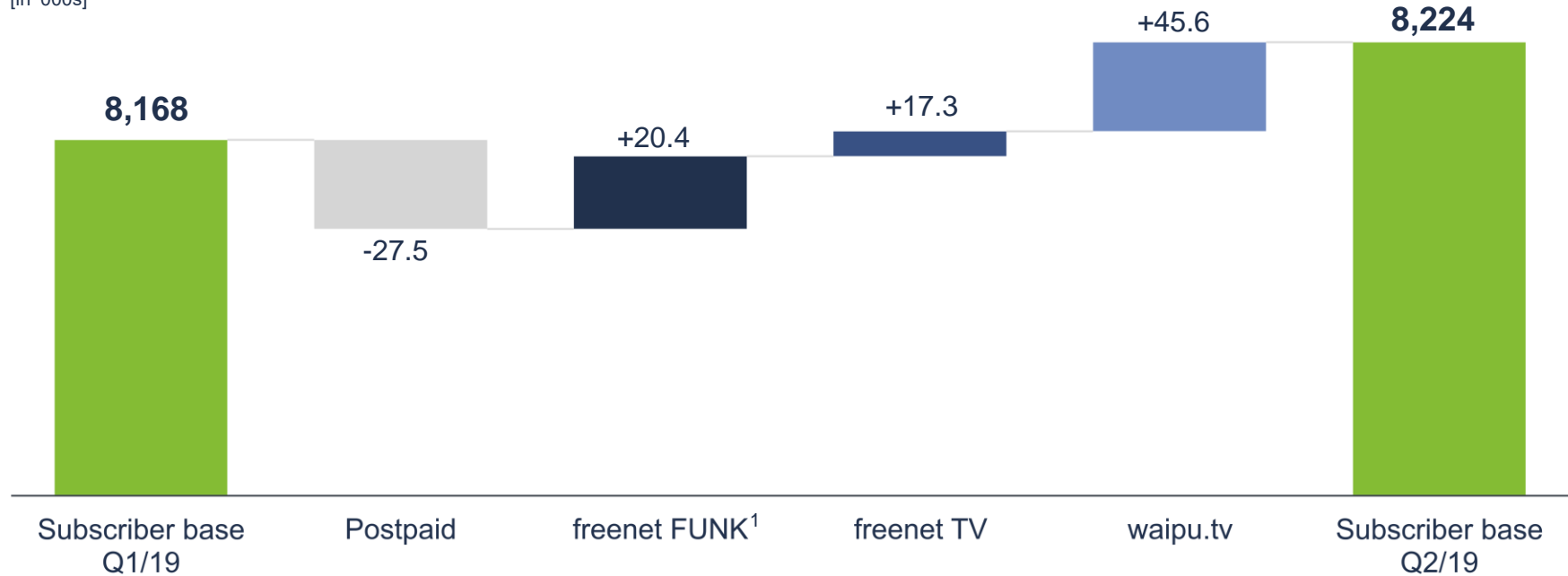
**Subscriber base<sup>1</sup>** in thousand

8.224

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

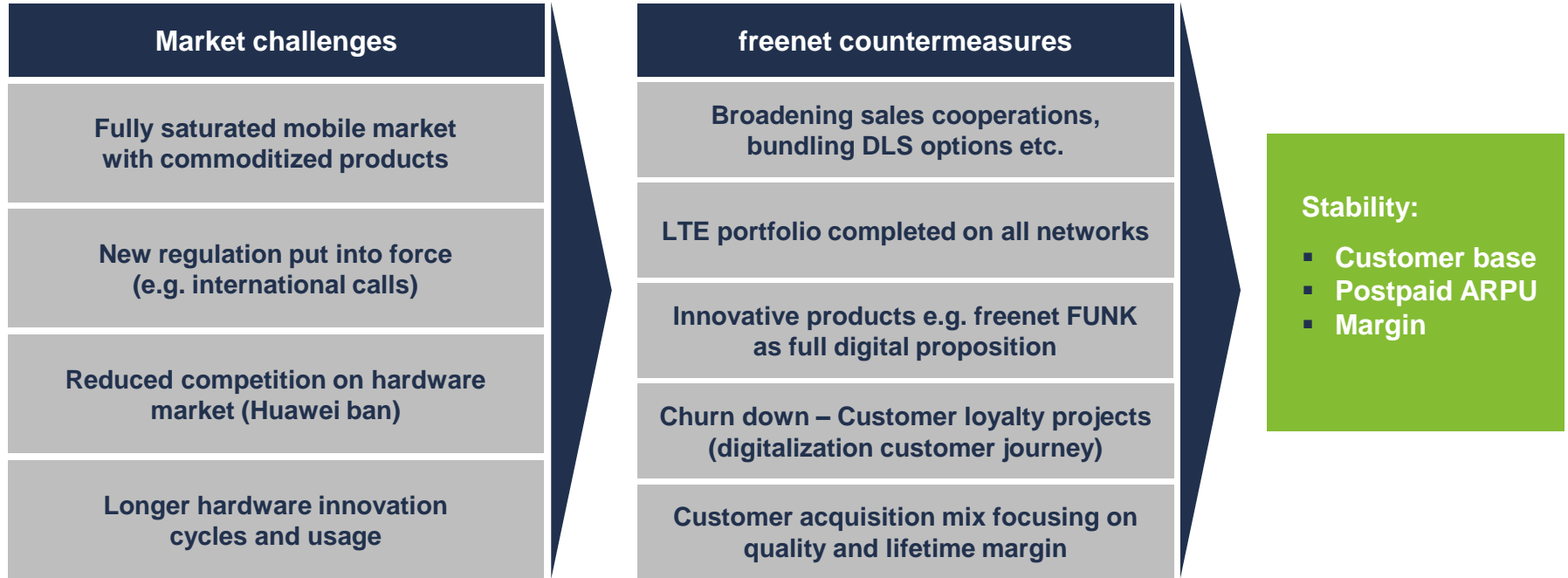
# Group subscriber base growing by +55,730 in Q2

Group subscriber base  
[in '000s]



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

# Active management of mobile market challenges



# TV & Media – waipu.tv with remaining strong momentum

## waipu.tv Registered customers

[in '000]



## waipu.tv Subscribers

[in '000]



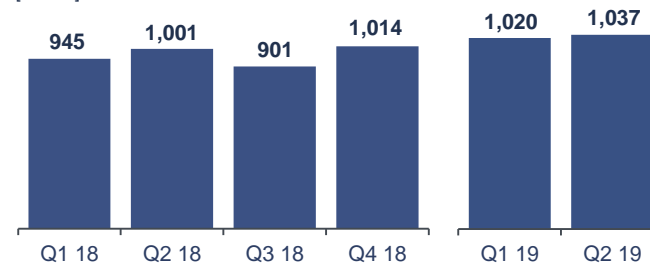
<sup>1</sup> RGU as the abbreviation for "Revenue Generating Unit" refers to freenet TV subscribers who purchased and also activated the freenet TV access

### H1/2019 vs. H1/2018 comparison:

- **waipu.tv** added 923,900 registered customers (+112.1%).
- Contained **subscribers** almost **doubled** to 331,900 in the last twelve months (+157,600 or 90.4%).
- freenet TV with 1,037,500 **freenet TV subscribers (RGU<sup>1</sup>)** – **stable** and slightly above long-term target (> 1.0 million RGUs).

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

[in '000]



# Continuous innovation of waipu.tv's best-in-class product features

## New features launched in Q2/19

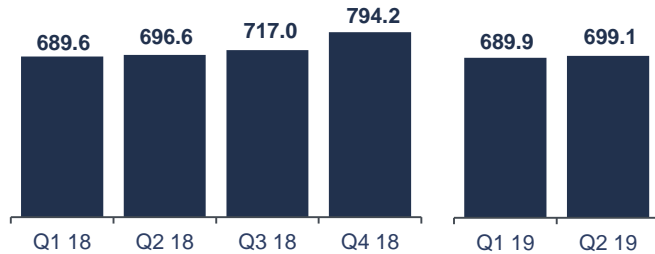
- Successful launch of O2 sales partnership (O2 TV powered by waipu.tv)
- waipu.tv now available as Apple TV app and Android TV app
- Instant restart function launched
- Extension of proprietary channel assets by popular genres (incl. cooking and childrens' content)
- Launch of prototype for content library on Android ("waiputhek")

## Upcoming feature and content extensions H2/19

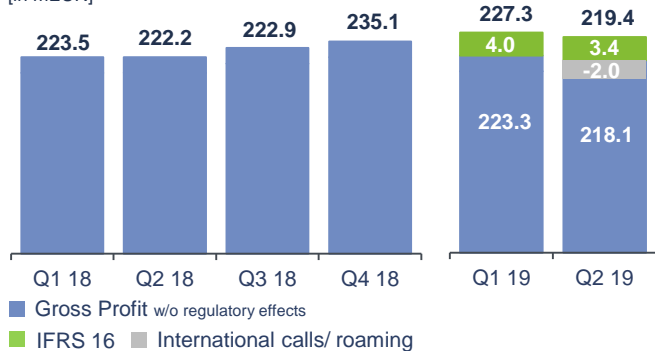
- Addressable tv programmatic booking
- Voice enabled user interface
- Launch of first foreign language and ethnic channel package
- Launch of further proprietary channel assets (including wellness, fashion and lifestyle, nature and documentaries)

# Stable Group performance as expected

Revenue  
[in mEUR]



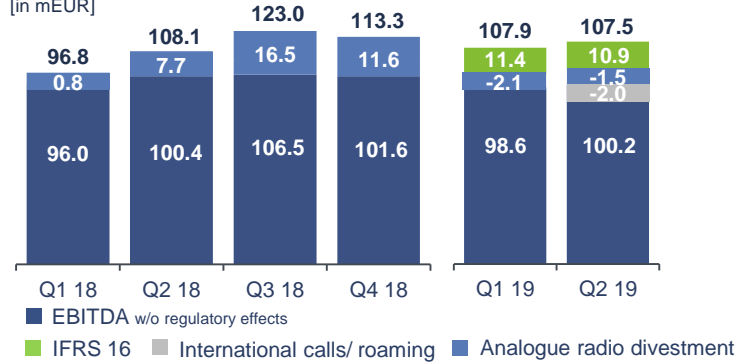
Gross profit  
[in mEUR]



## H1/2019 vs. H1/2018 comparison:

- Revenue slightly up 2.8 mEUR to 1,389.0 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 -4.3 mEUR to 441.4 mEUR and EBITDA +2.4 mEUR to 198.8 mEUR.

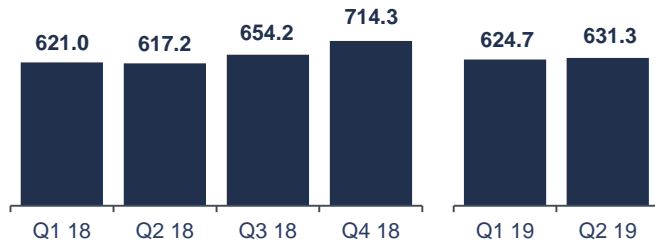
EBITDA  
[in mEUR]



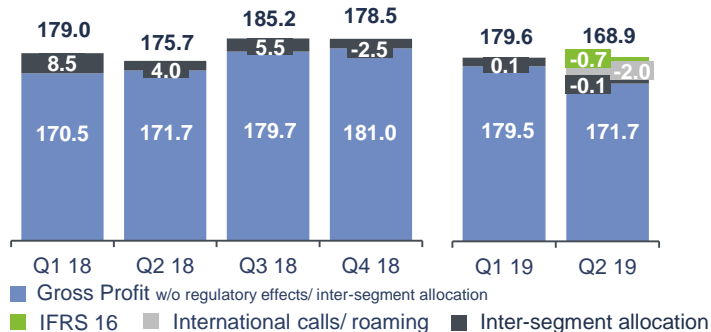


# Mobile – Regulatory effect forming headwind for financial KPIs

Revenue  
[in mEUR]



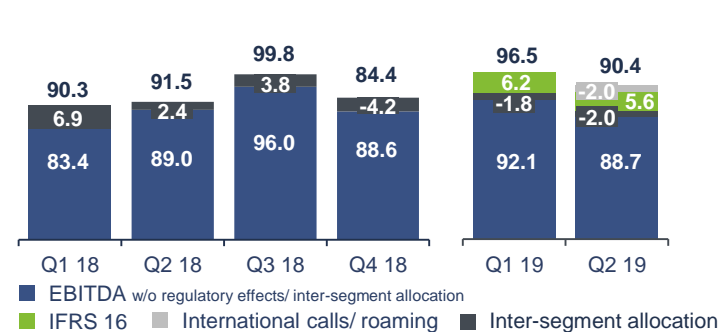
Gross profit  
[in mEUR]



## H1/2019 vs. H1/2018 comparison:

- Revenue** up 17.8 mEUR to 1,256.0 mEUR due to low-margin hardware sales; high-margin service revenue +2.0 mEUR (772.5 mEUR vs. 770.4 mEUR); details see Appendix.
- Gross profit** adjusted by regulatory effects and without inter-segment allocation increased by 8.9 mEUR to 351.2 mEUR mainly due to lower subscriber acquisition cost.
- EBITDA** without extraordinary effects increased by 8.4 mEUR to 180.8 mEUR based on gross profit development.

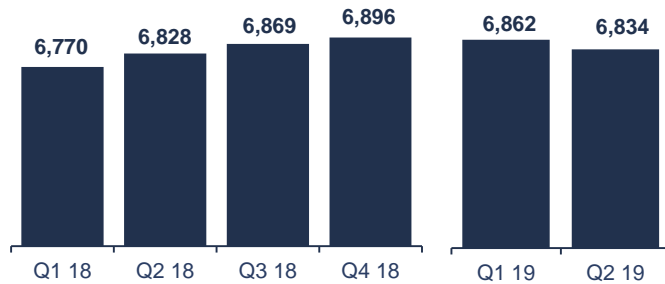
EBITDA  
[in mEUR]



# Mobile – Net adds impacted by Q1, but trend reversing

## Postpaid Customers

[in '000]

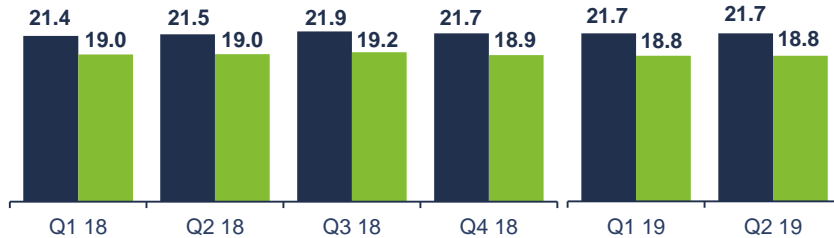


### H1/2019 vs. H1/2018 comparison:

- **Postpaid customer** -62,000 net adds reaching H1/18 customer level. Negative momentum of Q1/19 slowed down. **freenet FUNK** customers +20,400 added in Q2/19 not included.
- **Postpaid ARPU** without hardware stable at 18.8 euros. Enlarged quality initiatives since Q1/19 should show effects during H2/19.
- Demand for value added services unchanged. **Digital Lifestyle** revenues slightly up 1.7 mEUR to 86.7 mEUR.

## Postpaid ARPU

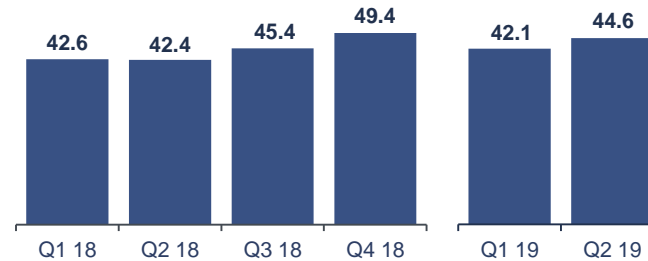
[in EUR]



■ ARPU incl. hardware ■ ARPU without hardware

## Digital Lifestyle revenues

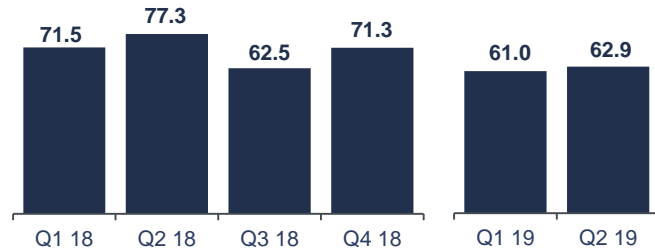
[in mEUR]



# TV & Media – Analogue radio divestment continues impact

## Revenue

[in mEUR]



## Gross profit

[in mEUR]



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

### H1/2019 vs. H1/2018 comparison:

- **Revenue** down 24.8 mEUR to 123.9 mEUR mainly based on missing analogue radio revenues.
- **Gross profit** adjusted by IFRS 16 and without inter-segment allocations decreased by 11.3 mEUR to 74.6 mEUR effected by regulatory and operational developments.
- Without inter-segment allocations, IFRS 16 and divestment of analogue radio **EBITDA** decreased by 2.8 mEUR based on Q1/19 development (content cost path and SAT guarantee payments).

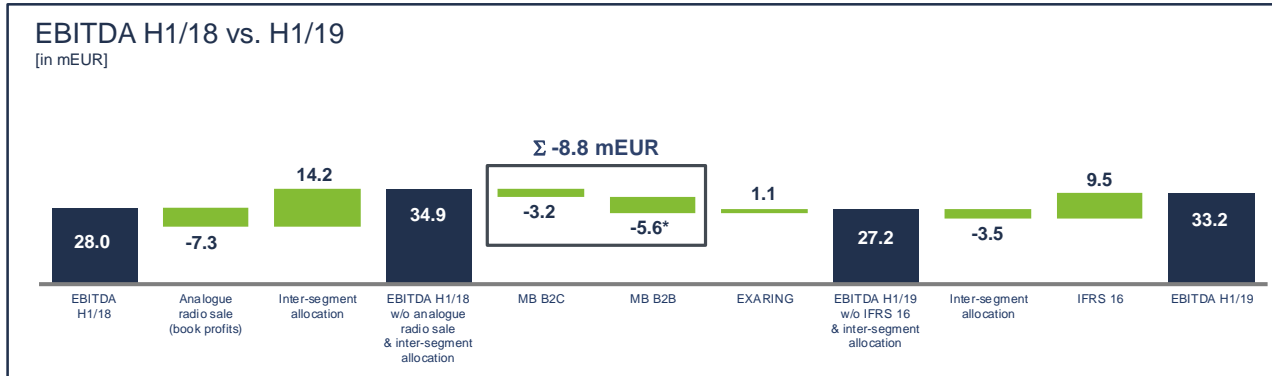
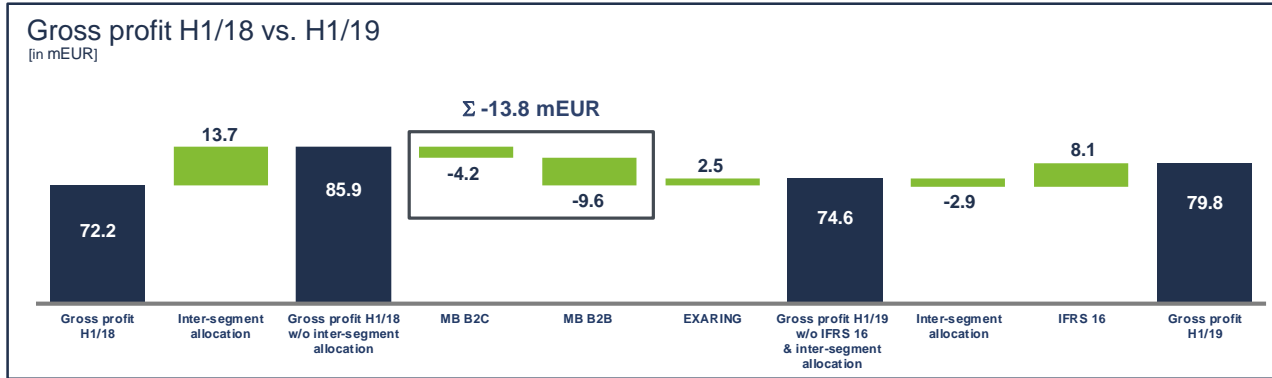
## EBITDA

[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 Q2



- Gross profit** without IFRS 16 and inter-segment allocation decreased by 11.3 mEUR to 74.6 mEUR mainly induced by:
  - MB B2C: Higher content cost from freenet TV
  - MB B2B: Mainly missing operational results from analogue radio business
- EBITDA** without IFRS 16 and inter-segment allocation decreased to 27.2 mEUR (H1/18: 34.9 mEUR). Partly compensation of negative gross profit deviation with reduced marketing spend and lower personnel cost.
- EXARING** continues to improve in Q2.

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

# 2019 EBITDA impacted by regulation with persisting effect in mobile

## Analogue radio (TV & Media)

- Missing operational results in Q1/2019
- Follow-up costs from divestment
- EBITDA effects (yoy) in 2019 w/o book profits sale (mEUR):

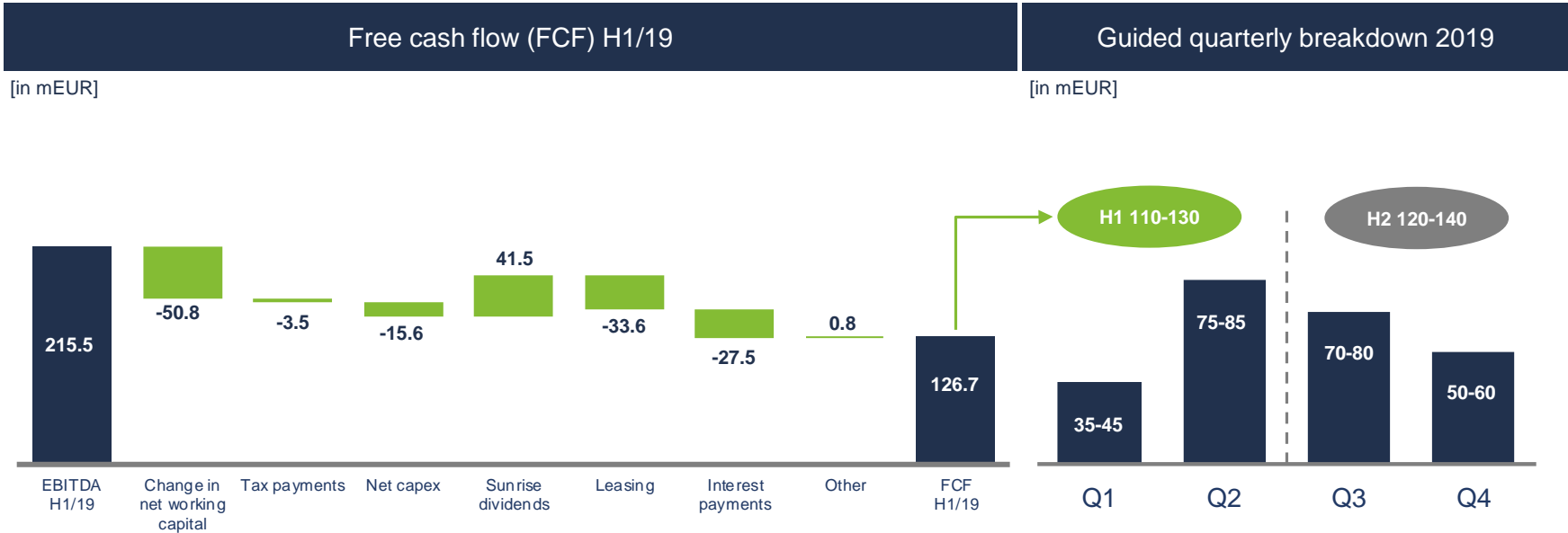
Q1	Q2	Q3e	Q4e	FYe
-3	-2	+/-0	+/-0	-5

## 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	Q3e	Q4e	FYe
0	-2	-5	-5	-12

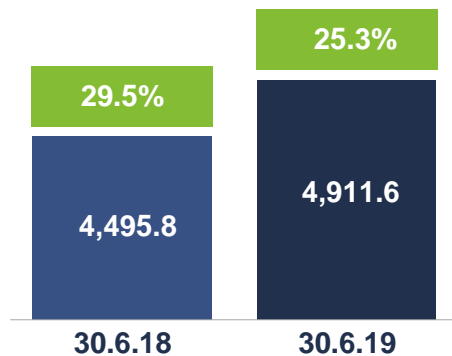
# Free cash flow fully in guided range



- Working capital actively managed due to lower tax and net CAPEX in H1/19
- Catch-up effects expected in second-half of 2019
- In general, free cash flow fully within guided range and on track to meet full year guidance

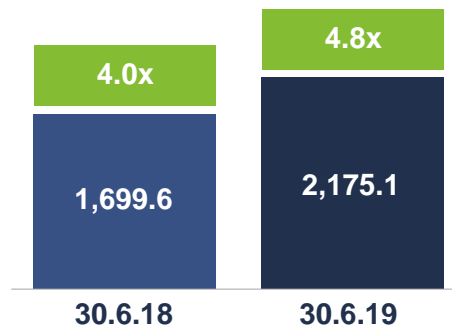
# Main financial KPIs: Equity ratio, net debt & leverage

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



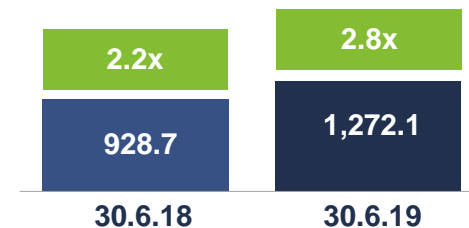
Higher total assets as direct consequence of IFRS 16 caused lower equity ratio

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

# Results H1/Q2 2019 – Q&A session

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

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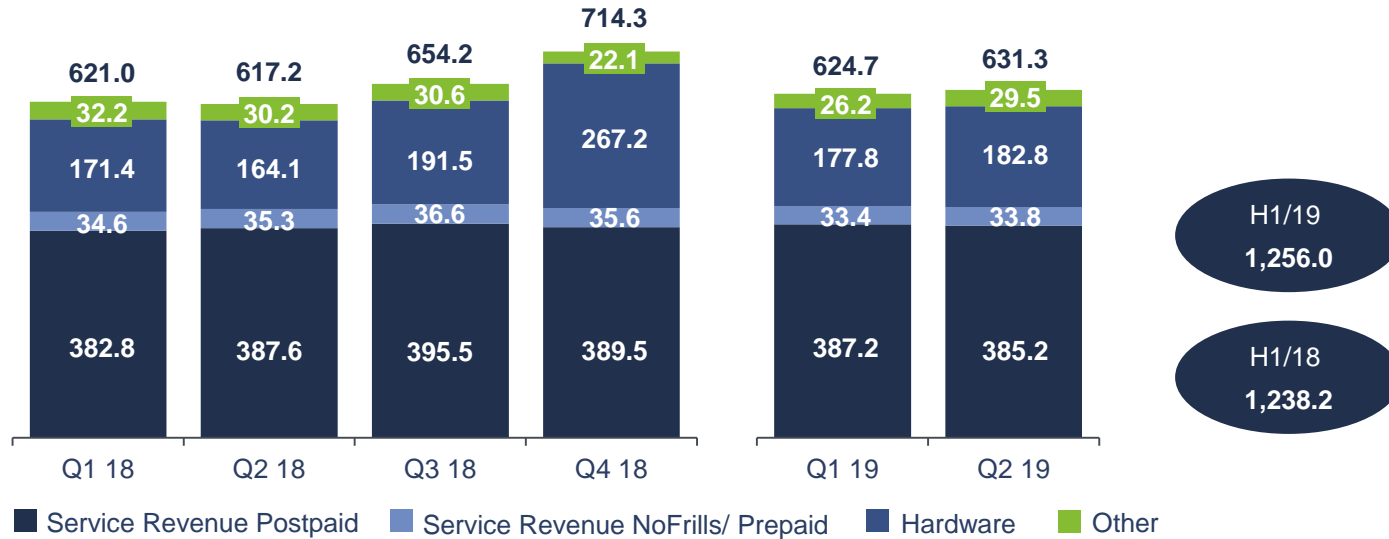


# Appendix

# Mobile – detailed revenue split, service revenues stable

## Revenue split

[in mEUR]



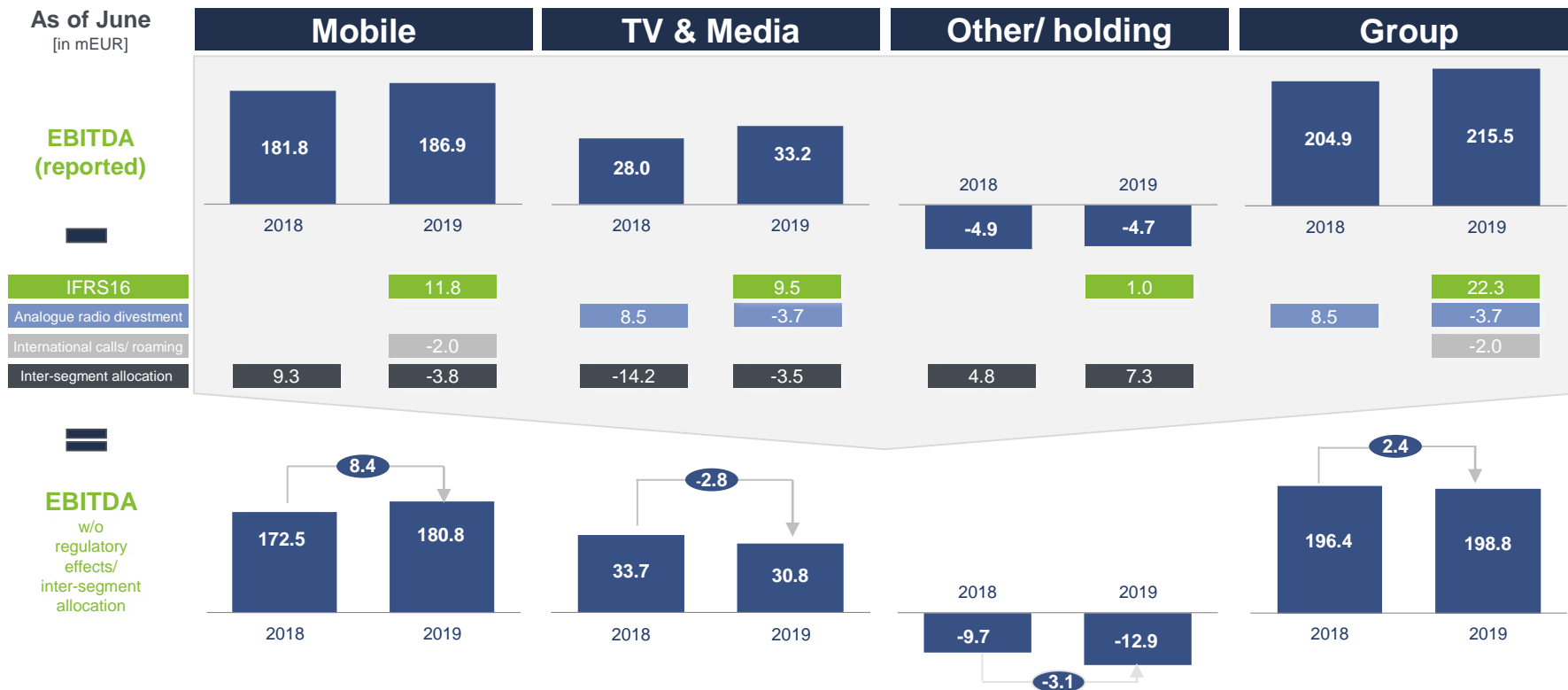
# Financial statements – P&L (shortened)

[in mEUR]

	H1 2019	H1 2018	Q2 2019	Q2 2018
Revenue	1,389.0	1,386.2	699.1	696.6
Gross profit	446.7	445.8	219.4	222.2
EBITDA	215.5	204.9	107.5	108.1
EBIT	138.2	138.1	68.8	77.9
EBT	123.1	125.1	62.0	70.8
Group result	111.6	108.0	55.5	61.3
Earnings per share (EUR)	0.91	0.89	0.45	0.50

# Segment changes evaporate at adjusted level, stability given

As of June  
[in mEUR]



# Financial statements – Cashflow statement (shortened)

[in mEUR]

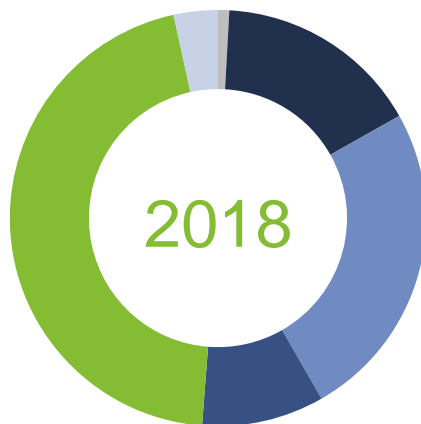
	H1 2019	H1 2018	Q2 2019	Q2 2018
<b>Cash flows from operating activities</b>	182.2	169.5	109.5	114.8
<b>Cash flows from investing activities</b>	-12.6	-23.8	-8.8	-12.6
thereof net capex	-15.6	-23.5	-8.7	-12.5
<b>Cash flows from financing activities</b>	-267.4	-222.1	-231.8	-216.7
Net change in cash funds	-97.7	-76.4	-131.1	-114.5
<b>Free cash flow<sup>1</sup></b>	<b>126.7</b>	<b>135.1</b>	<b>81.5</b>	<b>96.8</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.

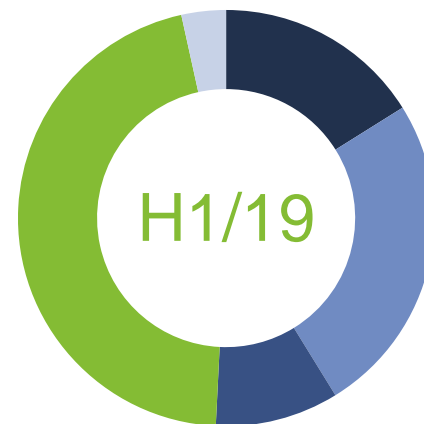
## Financing and maturity structure end of H1/19



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	0.0	0
2020	274.5	16
2021	428.0	25
2022	163.5	10
2023	780.0	46
beyond	59.0	3
<b>Total</b>	<b>1,705.0</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