



Q2 2020 Results

18 August 2020

Tele Columbus AG

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All figures in this presentation are calculated based on exact numbers and results are rounded to appropriate accuracy.

Agenda

1. Key Messages

Dr Daniel Ritz (CEO)

2. Operational Update & KPIs

Dr Daniel Ritz (CEO)

3. Financial Performance

Eike Walters (CFO)

4. Outlook & Strategy Update

Dr Daniel Ritz (CEO)

5. Q&A

Key Messages – Q2 2020

Operational

- Solid H1 performance, so far no negative impact due to COVID-19
 - Fifth consecutive quarter of positive Internet net adds, Internet & Telephony quarterly net adds increasing sequentially and year-on-year
 - CATV quarterly net adds improving seasonally as guided, TV trends remain challenging
 - PŸUR ranked #2 in recent *connect* test on fixed-line broadband customer service
-

Financial

- Confirming FY 2020 Guidance pro-forma strategic review one-off costs
 - Q2 core revenues down 1% year-on-year, B2B continues to grow 14% year-on-year
 - Reported EBITDA up 13% year-on-year in Q2 due to significantly lower non-recurring costs
 - Q2 capex flat year-on-year, on track to meet FY 2020 guidance
 - Successful RCF replacement followed by favourable rating agency actions
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Strategic

- “Fiber Champion” strategy defined with three interconnected pillars “FTTB/H Upgrade”, “Penetration Upside” and “Long-term customer relationships”
- Working with advisers on a long-term financing structure to de-lever and create a sustainable capital structure, fund growth plan and fiber roll out
- Comprehensive funding update to the market in Q4 2020

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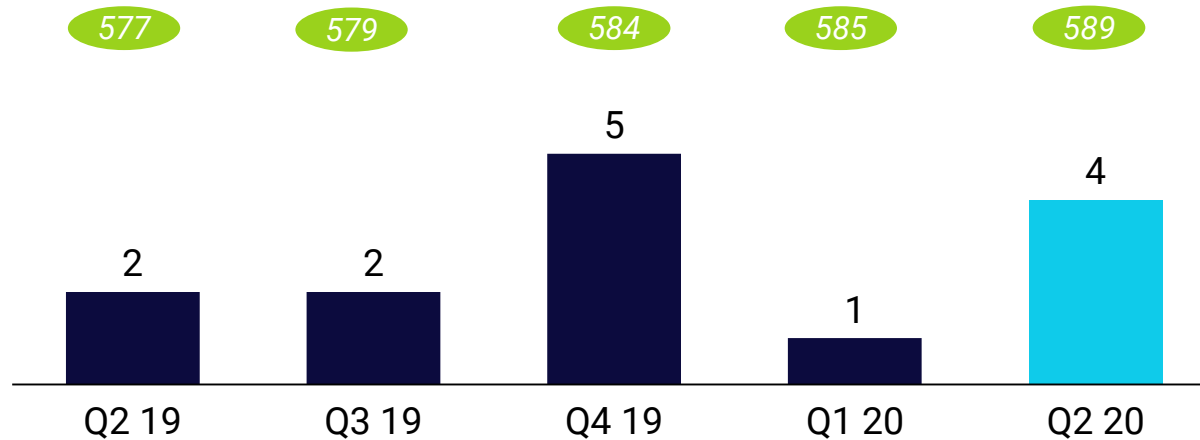
Dr Daniel Ritz (CEO)

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Operational Update & KPIs: Solid growth in IP net adds

Internet¹ RGU net change

Thousands, rounding differences might occur

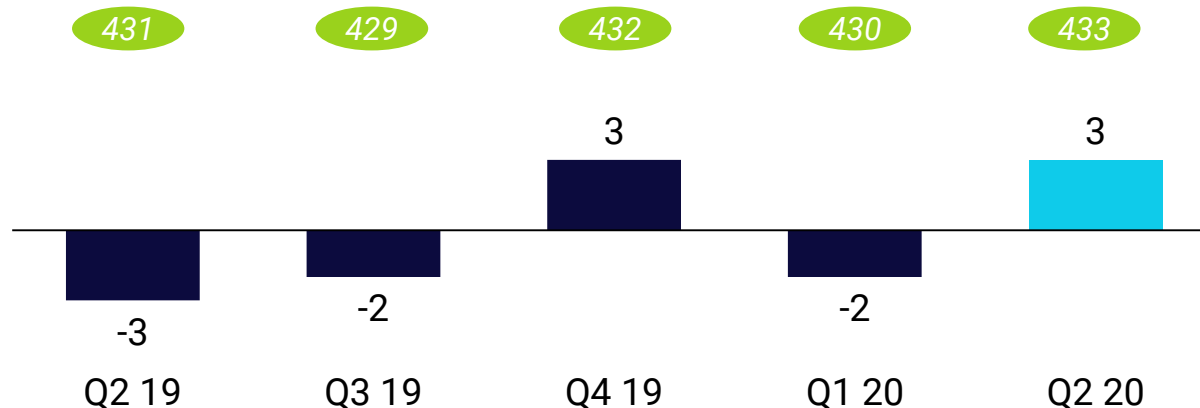


Internet

- Fifth consecutive quarter of positive IP net adds
- Acceleration of net add growth sequentially and year on year

Telephony² RGU net change

Thousands, rounding differences might occur



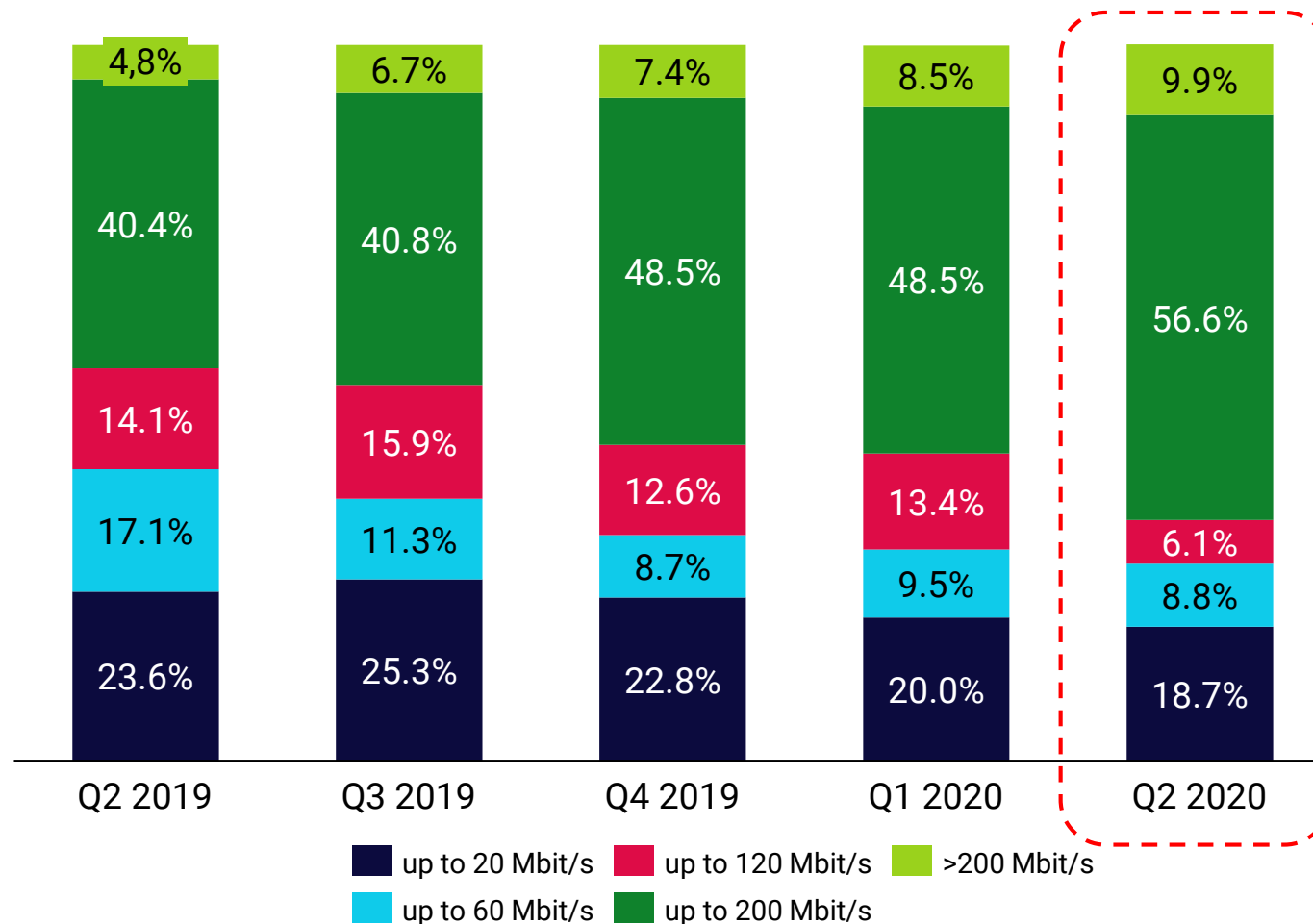
Telephony

- Good net add momentum in Q2
- Pandemic shows that fixed-line telephony does remain relevant

Operational Update & KPIs: Quarterly gross add mix continues to improve

Quarterly gross adds¹

Ordered bandwidth as % of total gross adds, rounding differences might occur



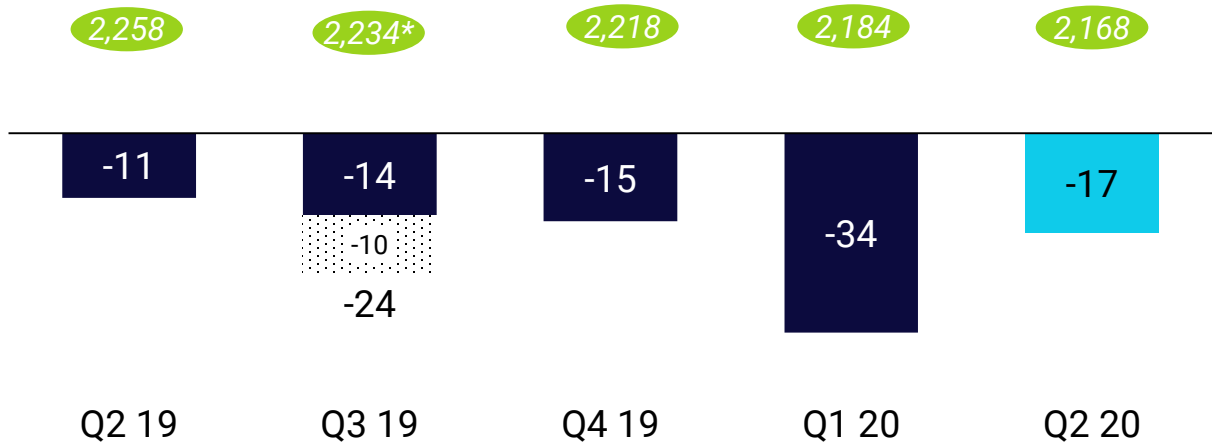
- Ongoing trend towards higher bandwidth visible in gross adds
- Now more than 2/3 of gross adds choose tariffs of 200 Mbit/s or more
- ~80% of new customers opt for 24 month tariffs, higher bandwidth overcompensates discount



Operational Update & KPIs: TV trends remain challenging

CATV RGUs net change

Thousands, rounding differences might occur

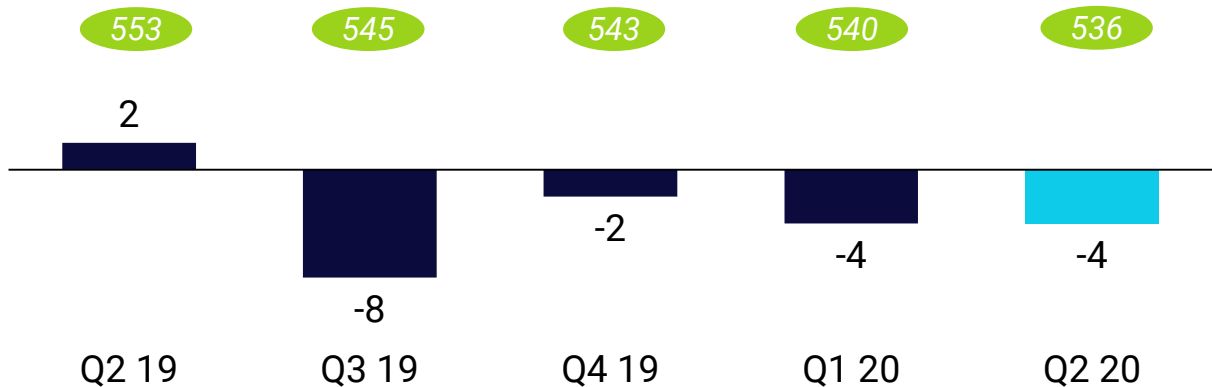


CATV

- Seasonally improving trends, as guided
- Linear TV customer base continues to erode slowly

Premium TV RGUs net change

Thousands, rounding differences might occur



Premium TV

- Continuation of recent negative net add trend
- Current PÿUR product offering is not competitive

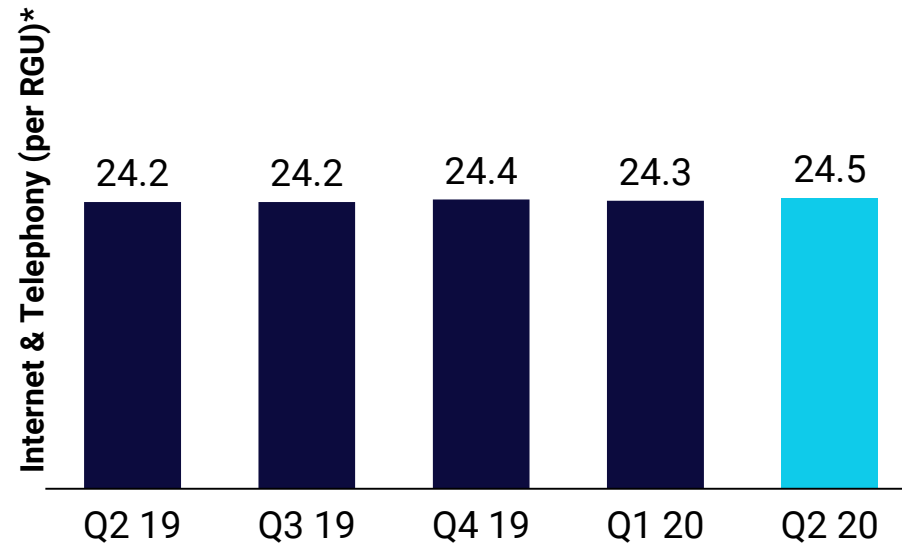
#,### Absolute RGUs, thousands

*) these 10k RGUs were part of the disconnection of unprofitable and cancelled Homes Connected as well as legacy HI contract adjustments, thousands

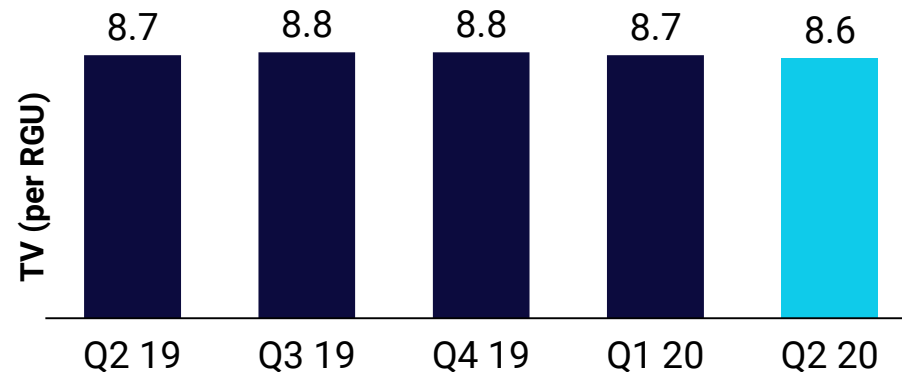
Operational Update & KPIs: Recent ARPU trends continue

ARPUs

EUR, rounding differences might occur

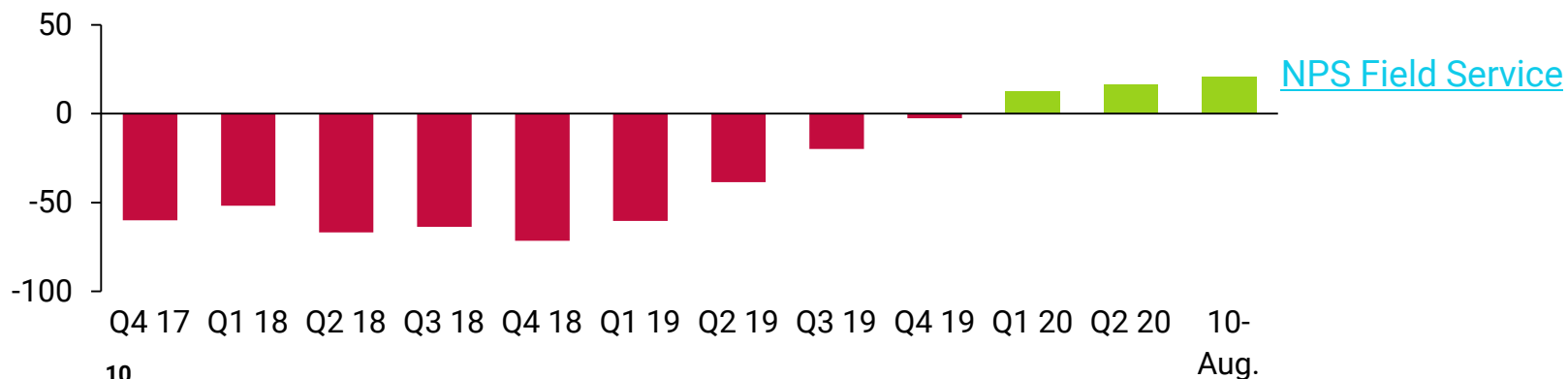
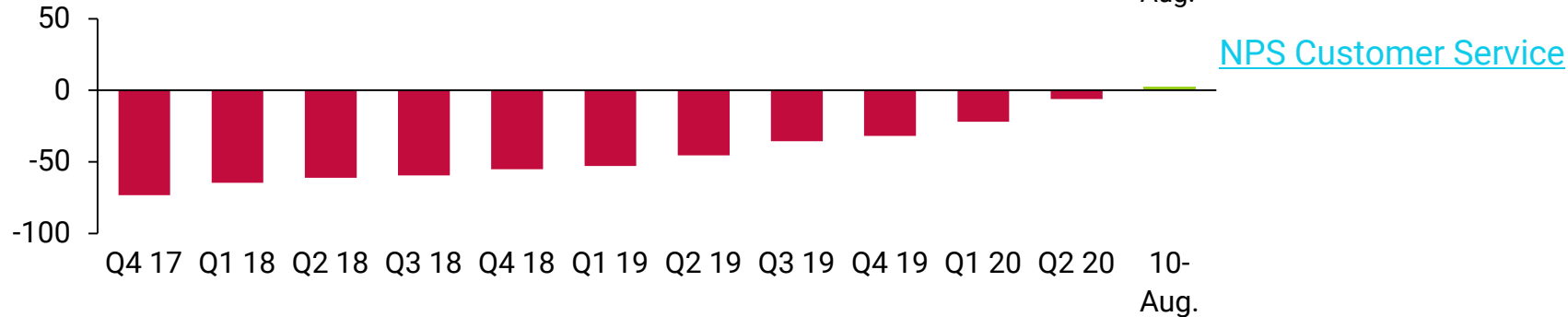
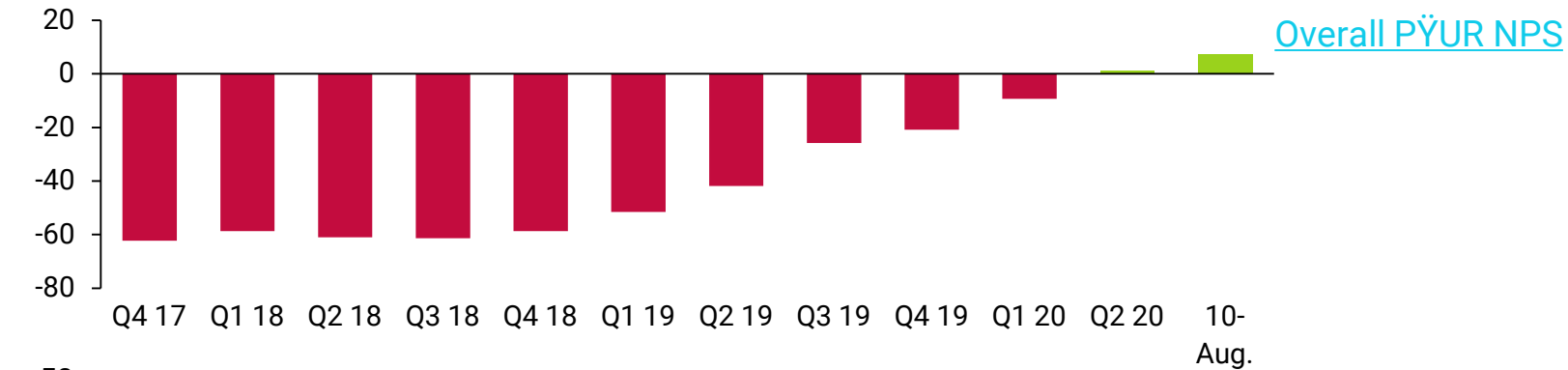


- Slight year-on-year ARPU growth driven by improving gross add mix (compare slide 7) as well as improving sequential development



- Stable sequential and year-on-year development in a structurally challenging market

Operational Update & KPIs: NPS improves further, “very good” in *connect* test

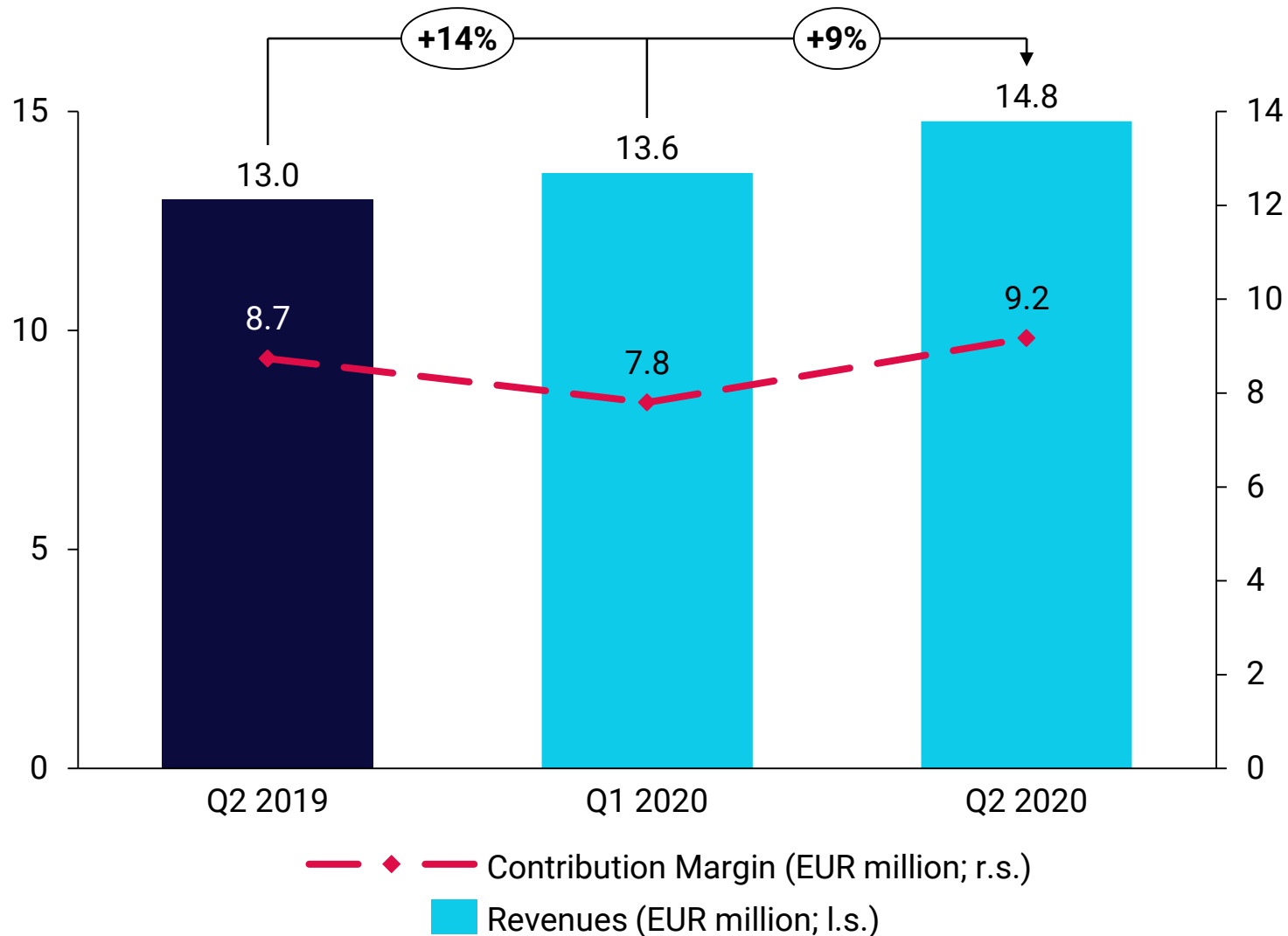


- PŸUR ranked #2 among six ISPs, rated “very good”, only one point behind the winner
- PŸUR ahead of the winner on waiting time and availability



*) Measuring Shop Sales NPS only started per Q1 2019; data for April–May 2020 not representative due to small sample size in relation to temporary shop closures

Operational Update & KPIs: PÿUR Business continues to grow double-digit



- Healthy demand for B2B services despite COVID-19
- Continued double-digit revenue growth year-on-year in Q2 2020
- Sequential improvement as indicated in both topline and contribution margin
- Sequential margin improvement driven by more favourable product mix

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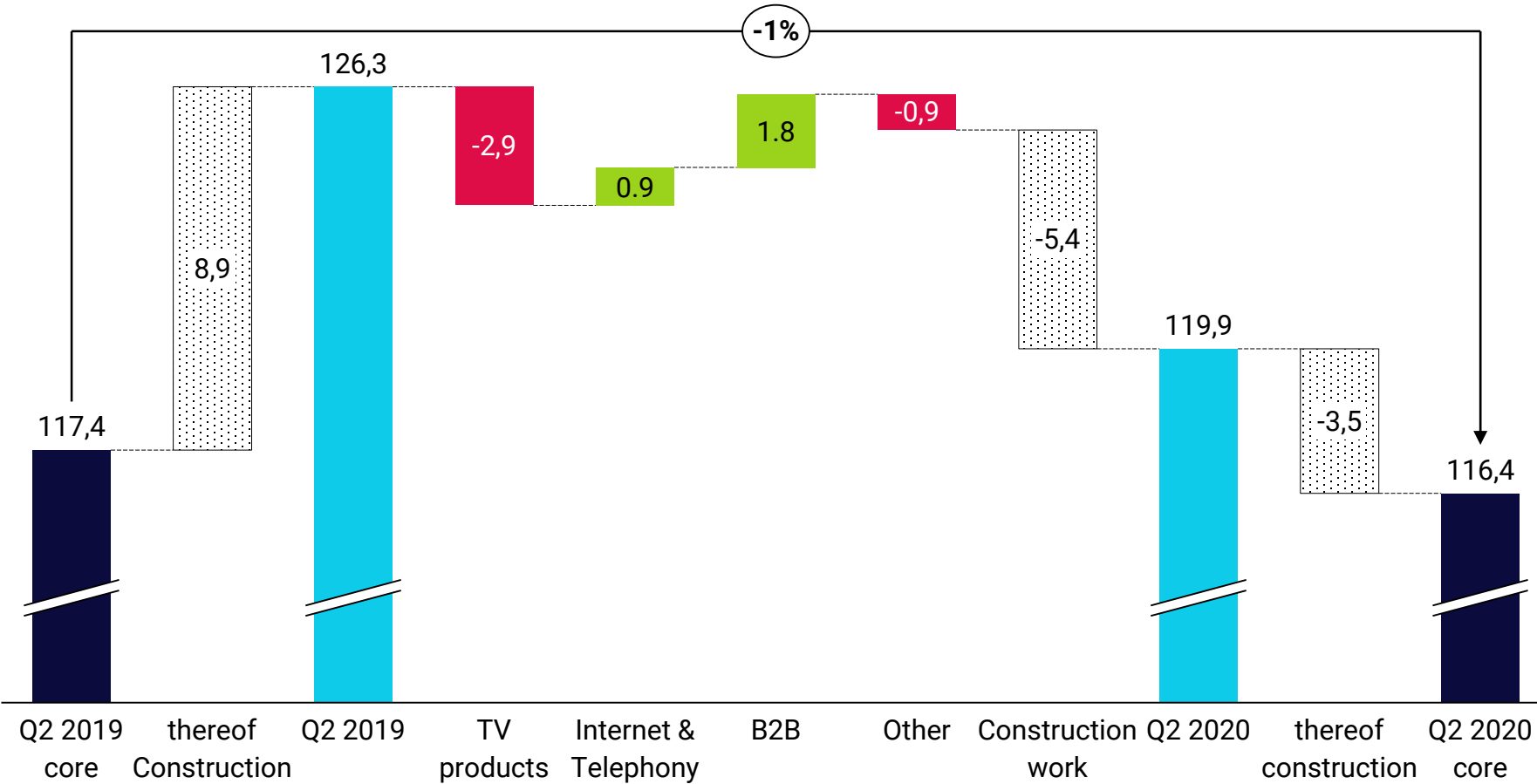
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Financial Performance: TV remains challenging, while IP and B2B revenues grow

Revenues

EUR millions, rounding differences might occur

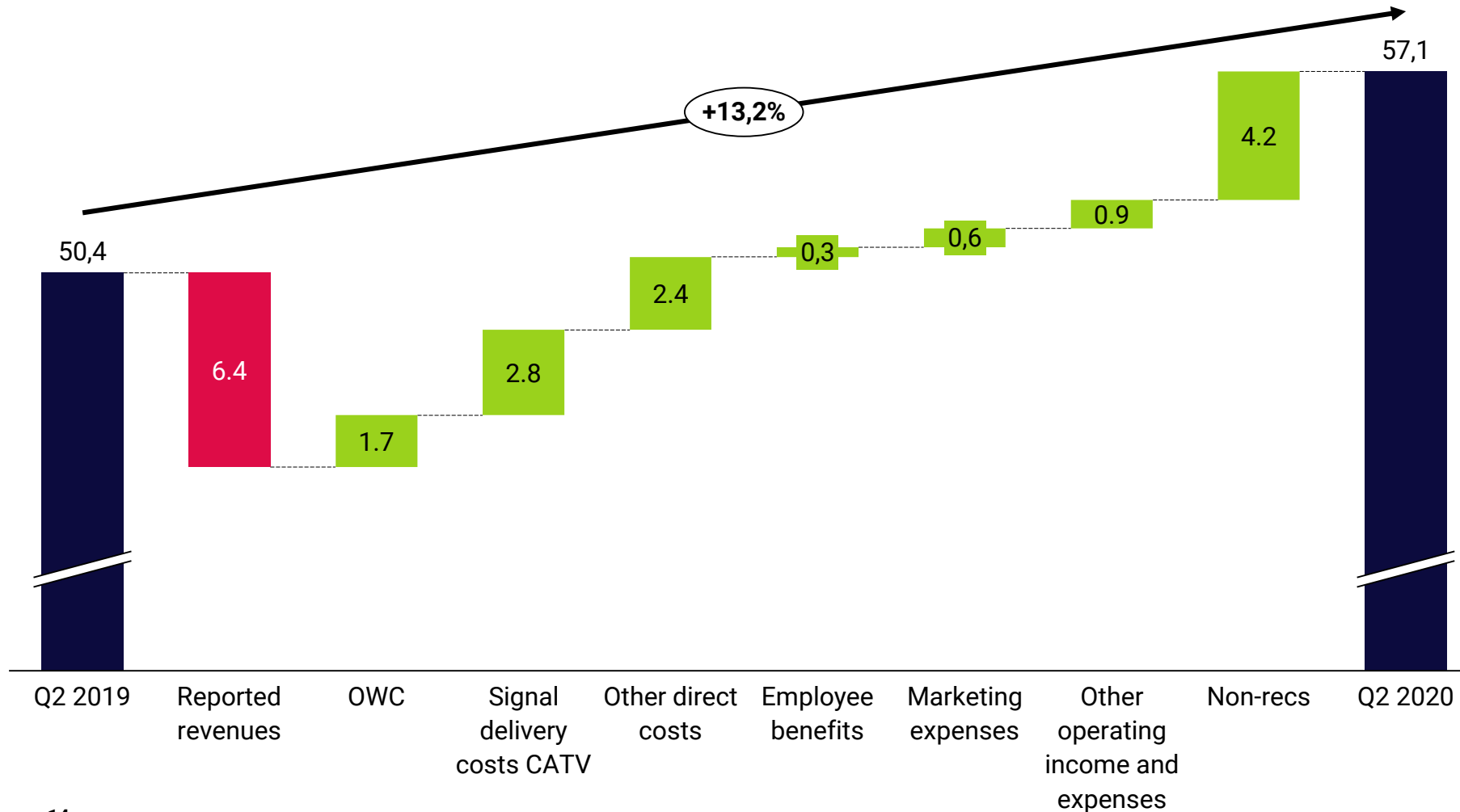


- Q2 core revenues of EUR 116,4 million (excl construction work) down 1% year on year
- Recent TV trends continue amid a structurally challenged market environment
- Internet & Telephony with good momentum posting 3% growth y-o-y
- B2B revenues increasing strongly by 14% y-o-y

Financial Performance: EBITDA bridge

Reported EBITDA

EUR millions, rounding differences might occur

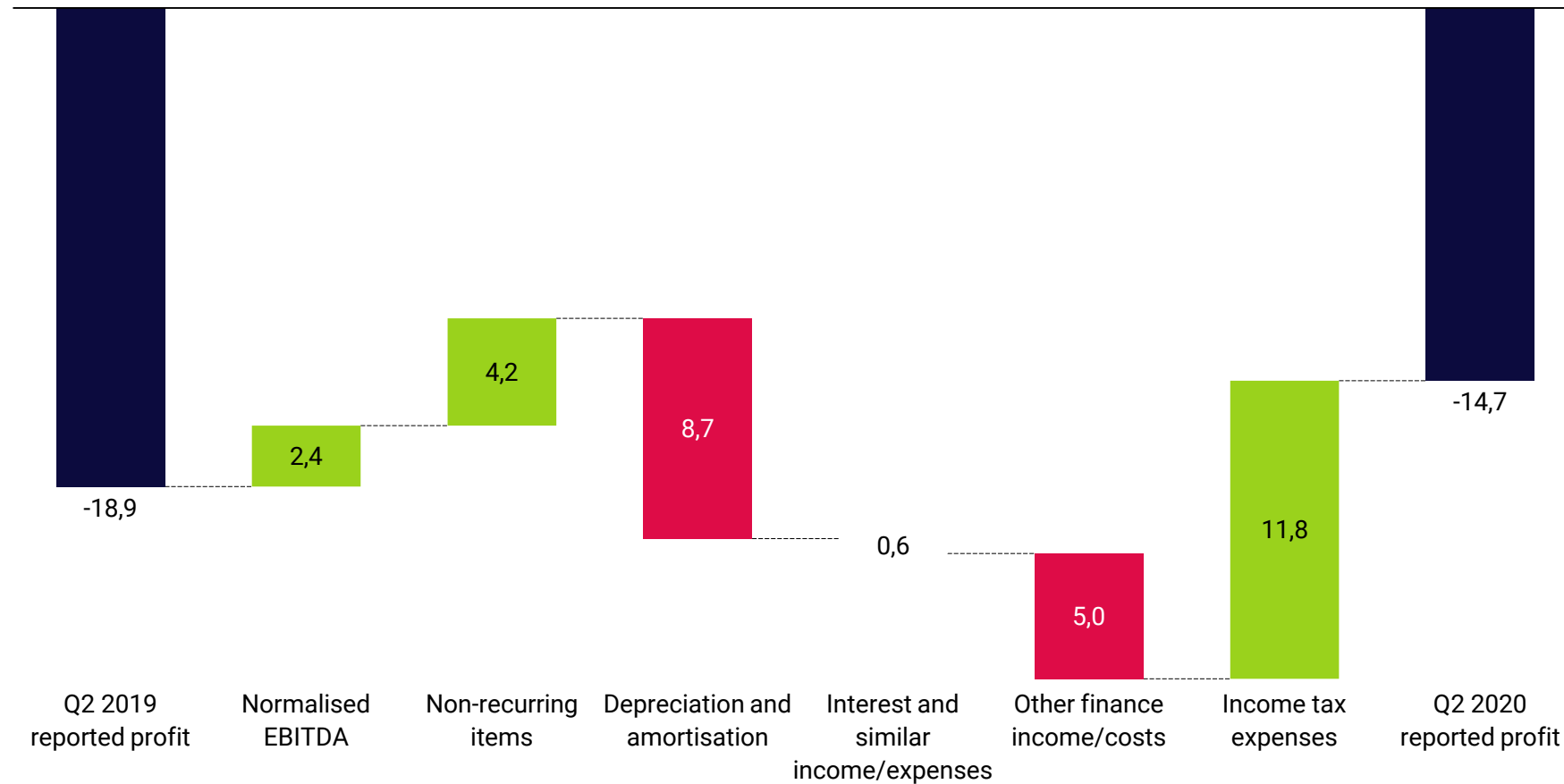


- Other direct costs decrease in relation to phase out of construction revenues
- Non-recurring items down by EUR 4,2 million y-o-y to EUR 3,7 million in Q2
- EBITDA up 13% y-o-y driven by profitable revenue growth and tight cost management

Financial Performance: Improved EBITDA results in lower net loss

Reported profit

EUR millions, rounding differences might occur

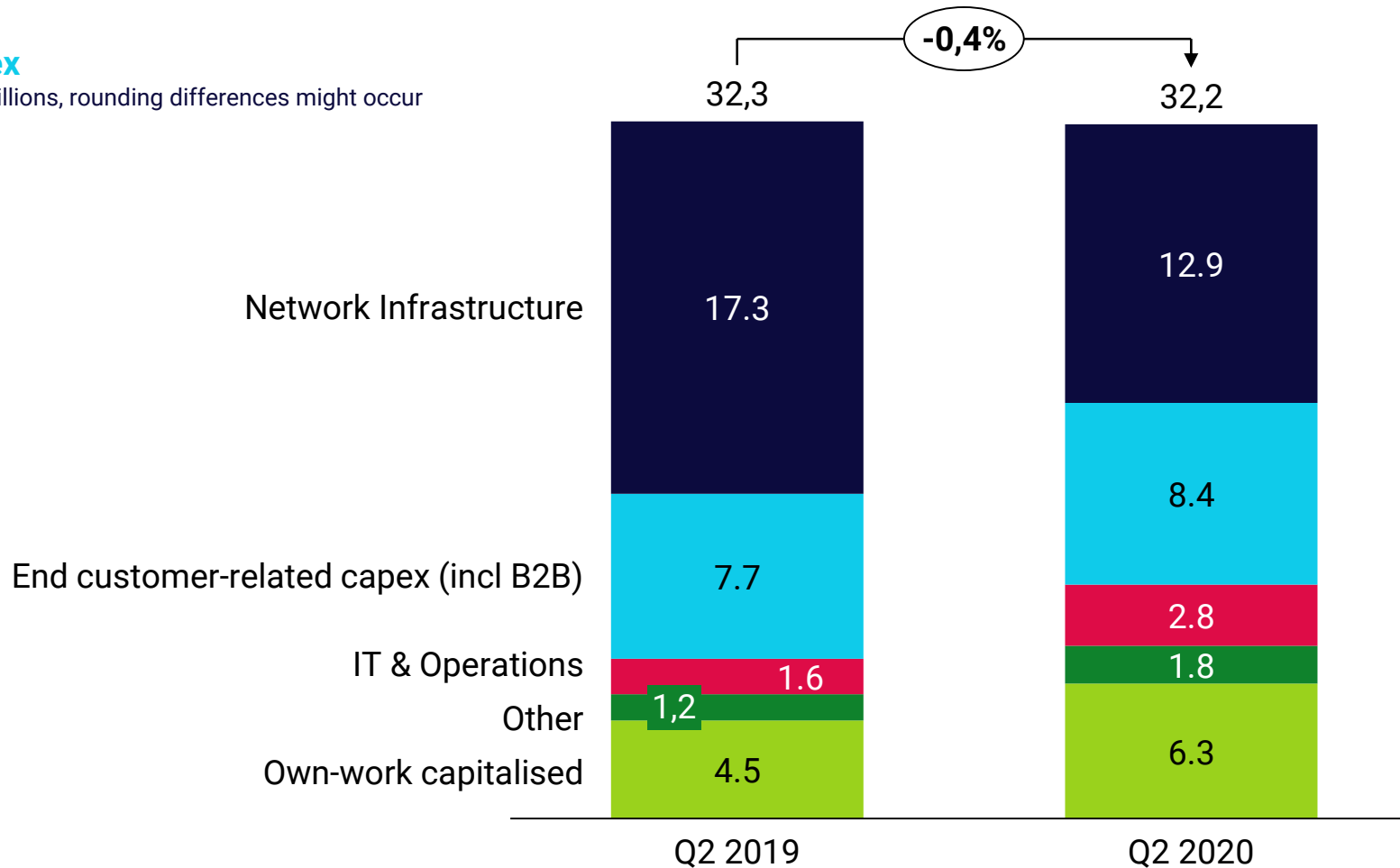


- Main drivers:
 - Strongly decreased non-recurring items
 - Annualising effect of higher D&A in relation to a retrospective adjustment of activated construction work, hence comparable base in H1 2019 too low
 - Re-valuation of embedded derivatives (non-cash) as well as adjustment of deferred taxes (non-cash)

Capex: Conscious capex spend in Q2

Capex

EUR millions, rounding differences might occur



- >40% of investments are network-related
- With Q2 capex on track to meet FY 2020 guidance

Leverage and liquidity

Pro Forma Capitalisation table

		Per 31 March 2020		Per 30 June 2020	
	Terms ¹	Maturity	EURm ^{2,3}	Leverage ⁵	
Cash			(11)	(0.05x)	(10) (0.04x)
RCF (€50m)	E+375bps	Jan 2021	-	-	- -
New Term Loan	E+425bps	Oct 2023	75	0.32x	75 0.32x
First Lien Term Loan	E+300bps	Oct 2024	707	3.03x	707 3.04x
Senior Secured Notes	3.875%	May 2025	650	2.78x	650 2.79x
Other			3	0.01x	3 0.01x
Net debt			1,424	6.10x	1,425 6.12x

- Recent announcement of new EUR 50 million bespoke liquidity solution to replace existing RCF
- EUR 79 million of available cash per early August with RCF undrawn and hence fully available

Clear improvement in cash generation visible

¹ Lower terms apply in case of deleveraging; ticking fee applies on undrawn amount; ² Excluding non-controlling interest, finance leases and restricted cash; ³ €1.1bn are hedged long term until December 2020 since February 2016 – the variable underlying interest rate base (EURIBOR) is capped at 75bp; ⁴ Leverage based on LTM Normalised EBITDA of €232.7m (excluding IFRS changes); Rounding differences might occur; ⁵ Leverage based on LTM Normalised EBITDA of €232.7m (excluding IFRS changes); Rounding differences might occur

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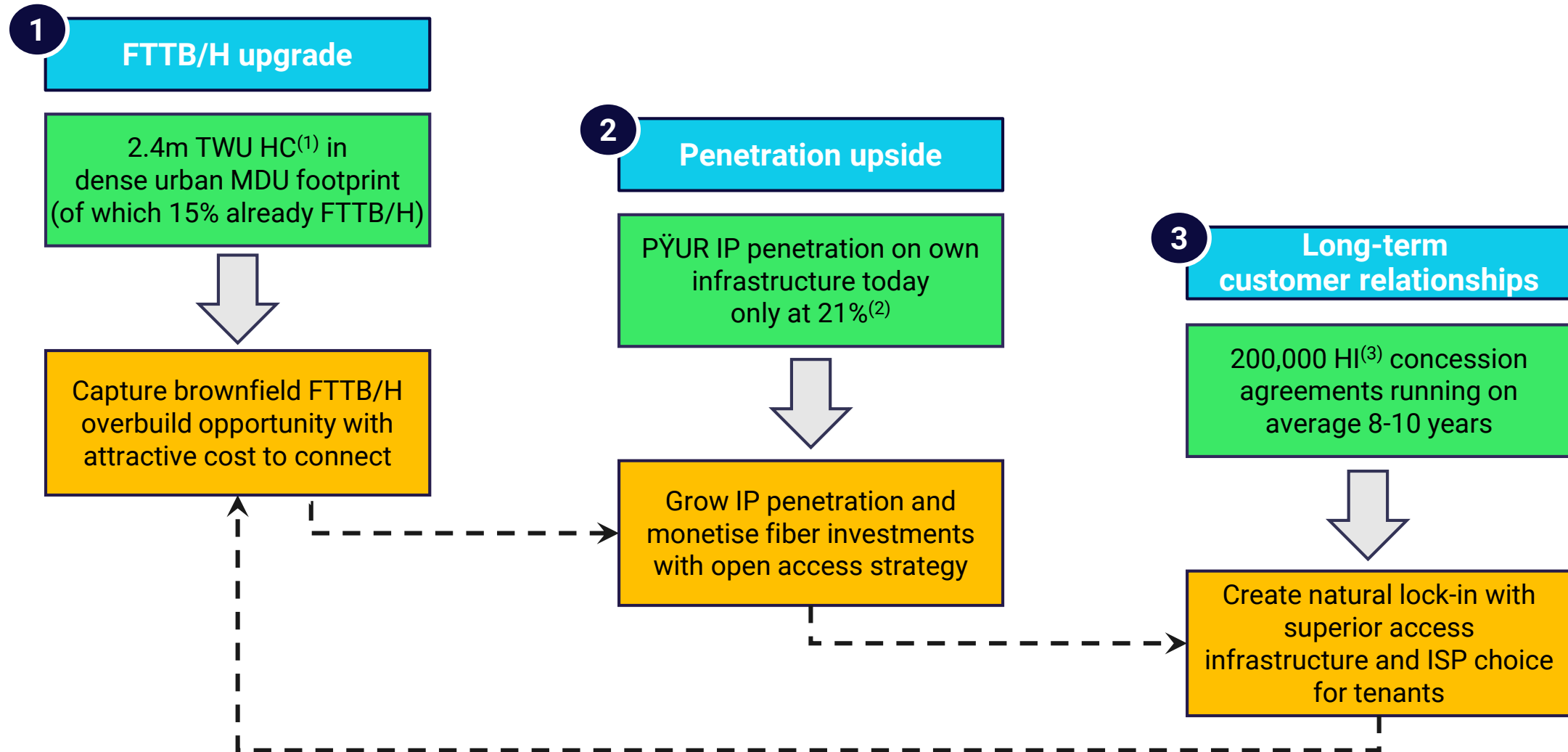
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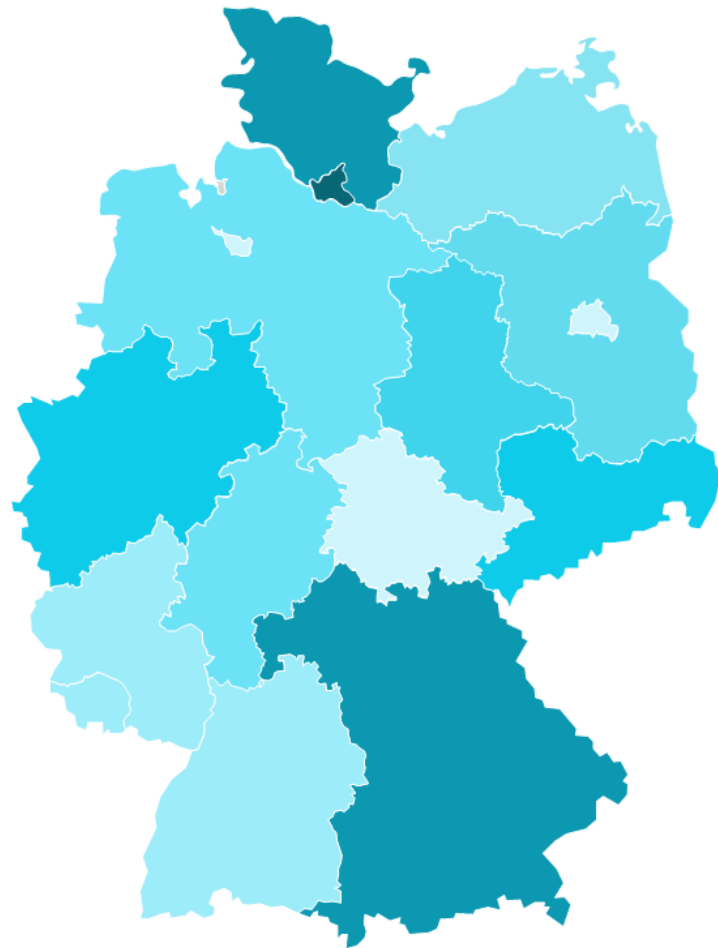
Confirming FY 2020 Guidance pro-forma strategic review one-off costs

Metric Financials (m EUR)	FY 2019	Guidance FY 2020 ³	Mid-Term (unchanged)
Total revenues	499 ¹	465-475	Low to mid-single digit % growth yoy
Reported EBITDA	214 ²	225-230	Mid-single digit % growth yoy
Capex	162 ² (32% of total revenues)	140-150	Decreasing as a % of revenues

Recap: Tele Columbus future strategy builds on three interconnected pillars leading to a wide scale fiber roll out



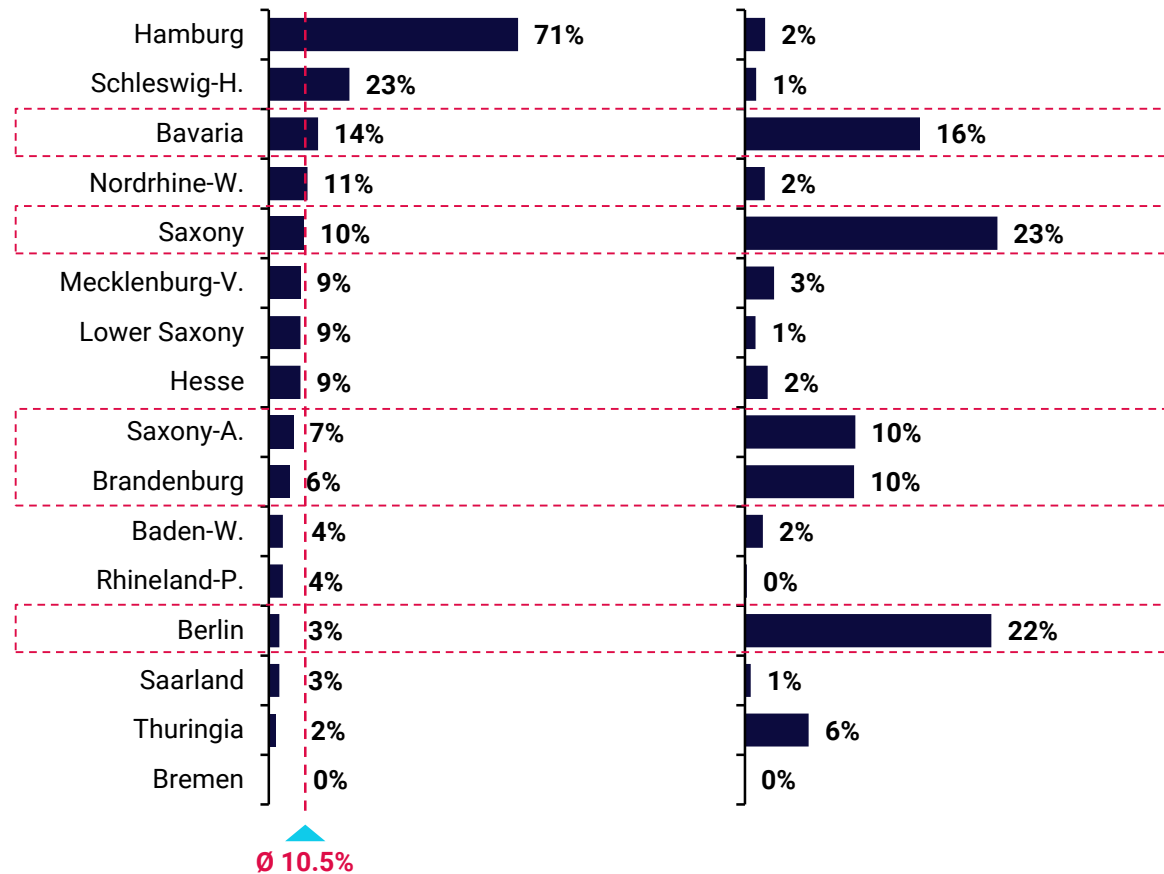
1 More than 80% of our TWU HC are located in five federal states with today each less than 15% FTTB/H coverage





low → high : FTTB/H Coverage

% FTTB/H coverage by federal state¹

%-share of TC's total TWU HC² by federal state

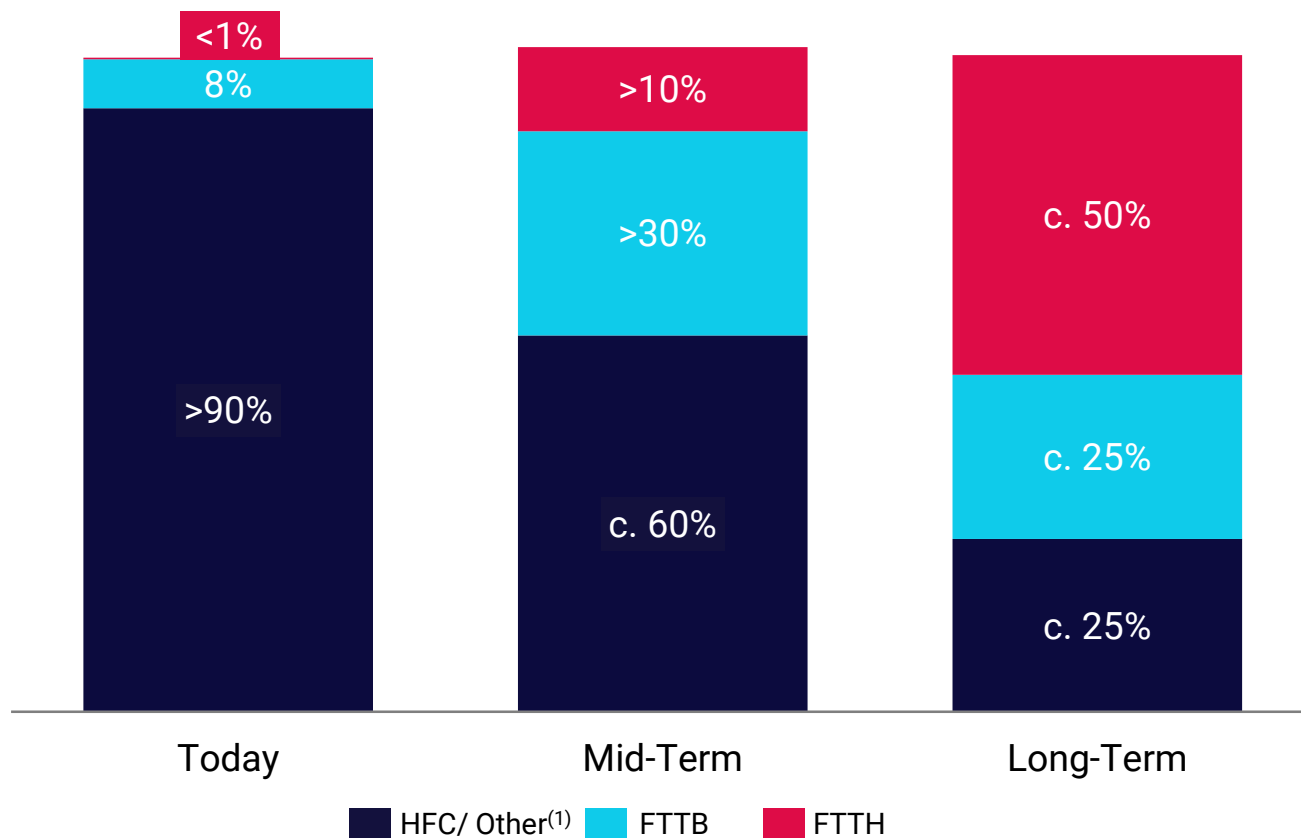


1 FTTB/H upgrade: we developed a tailored and granular approach at city level how to overbuild our existing footprint with fibre

	Description	Goals	Example Cities
Big Cities	<ul style="list-style-type: none">■ Most important and largest cities in the footprint■ High proportion of back-channel-capable (own) network■ Relatively high intensity of competition	<ul style="list-style-type: none">✓ Secure current positioning from competitors through fibre optic upgrade✓ Overbuild/upgrade takes place opportunistically where large Housing Association contracts are up for renewal	 <p>Berlin</p> <ul style="list-style-type: none">■ Tele Columbus' largest network with 550,000+ households■ ~90% are already upgraded to DOCSIS 3.1 and partially to FTTB
Value Cities	<ul style="list-style-type: none">■ Medium-sized cities within our footprint■ Critical mass of >1,000 homes connected■ Moderate level of competition	<ul style="list-style-type: none">✓ Use existing fiber optic infrastructure and lower competitive intensity to create a local infrastructure monopoly✓ Additional potential to opportunistically expand footprint to adjacent homes and capture potential for B2B business (e.g. business parks)	 <p>Bitterfeld-Wolfen</p> <ul style="list-style-type: none">■ C. 16,000 connected households out of c. 20,000 housing units in the entire city■ >95% upgraded for two-way communication

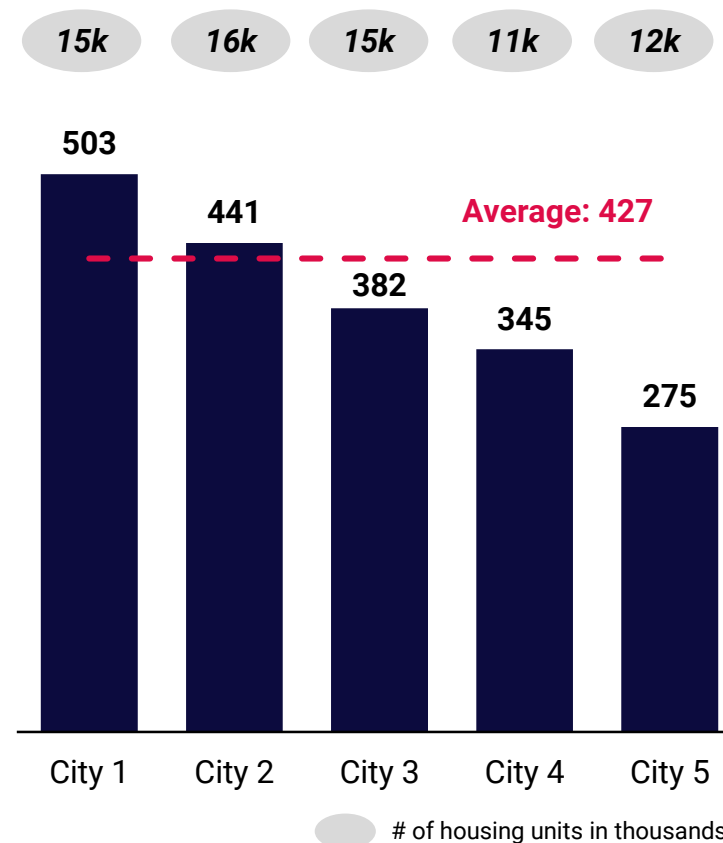
1 FTTB/H upgrade: in the long-term we aim to connect 75% of our HC to fiber, at an attractive unitary cost to connect

Technology split of Tele Columbus HC footprint



Unitary cost to connect for FTTB in real life projects

Capex (€ per Housing Unit)



2 Penetration upside: opening up the network to other ISPs to drive volume

Overview of Open Access Strategy

- Voluntarily relinquish exclusivity awarded through concession agreement
- Provide access to other ISPs through TC infrastructure, enabling them to market Internet services to households
- Fiber as superior infrastructure, capable of delivering *x-times* gigabit speed, acts as pull-factor for ISPs
- Long-term contracts with agreed wholesale fees that are paid by the wholesale taker to TC



Expected Benefits

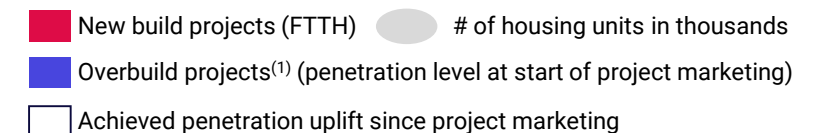
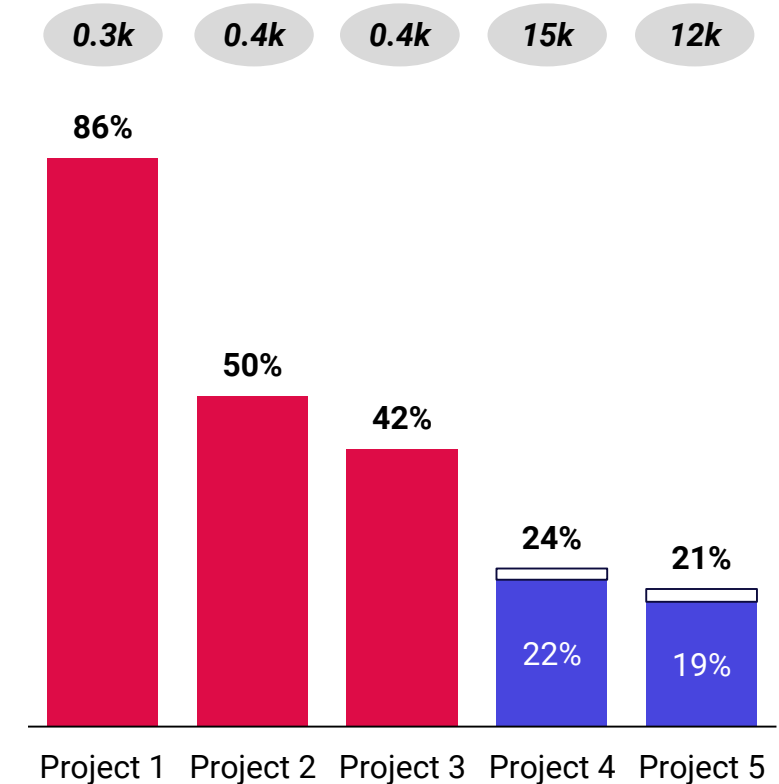
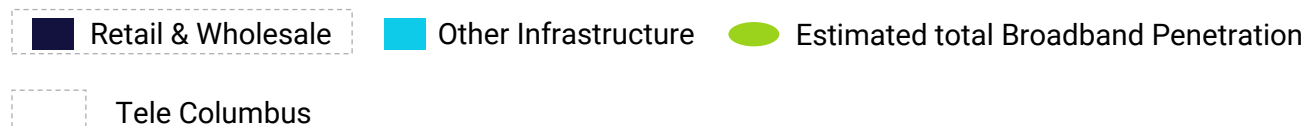
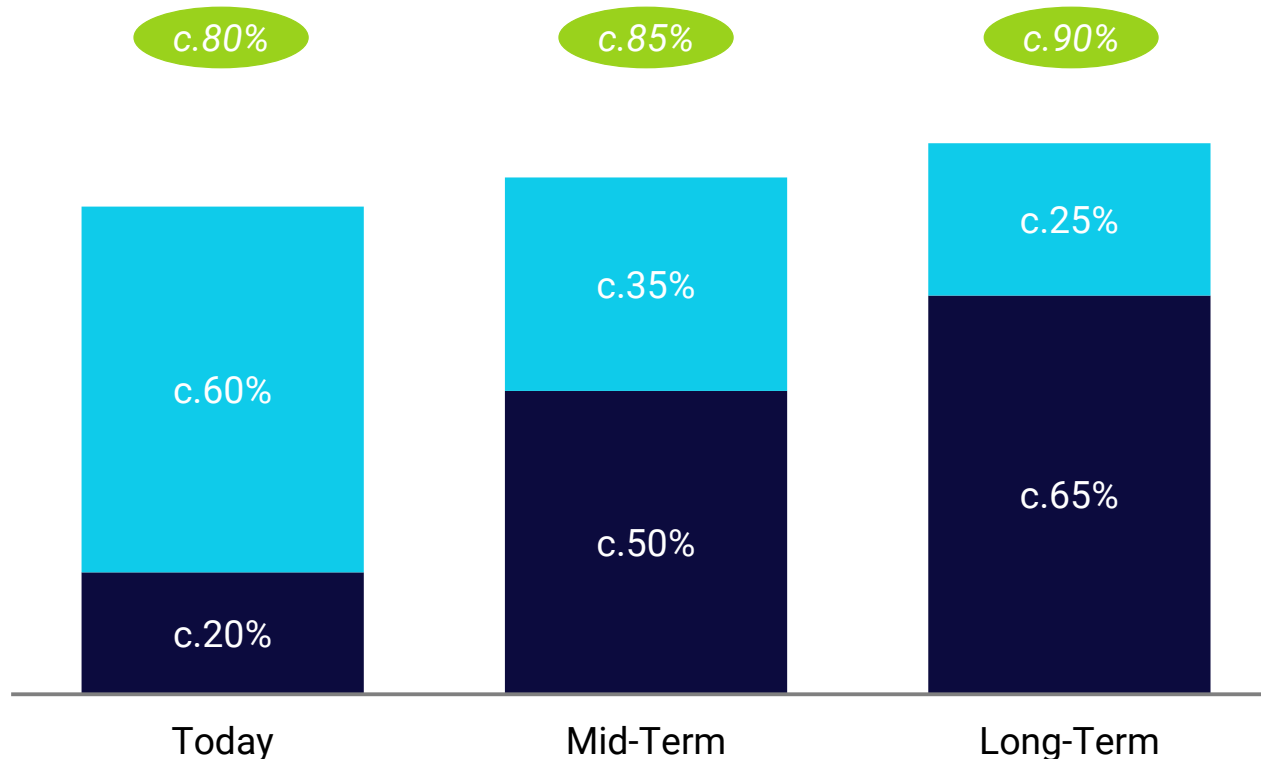
- ✓ Provide tenants with freedom of choice with regards to their ISP
- ✓ Reduces incentive to roll out competing fiber infrastructure
- ✓ Leverage marketing & sales capabilities of other ISPs to increase network utilisation, **share execution** risk on retail side
- ✓ Generate additional revenues to refinance planned fiber investments

2 Penetration upside: we plan to increase IP penetration in our network to 65% in the long term, underpinned by results of initial projects (retail only)

IP penetration of TC TWU HC in Big and Value Cities

IP penetration achieved in new build / overbuild projects

Current penetration



3 Long-term customer relationships: we are the partner of choice for Housing Associations

**Housing
Associations
Expect a Reliable
Contract Partner**

✓ Very loyal customer base

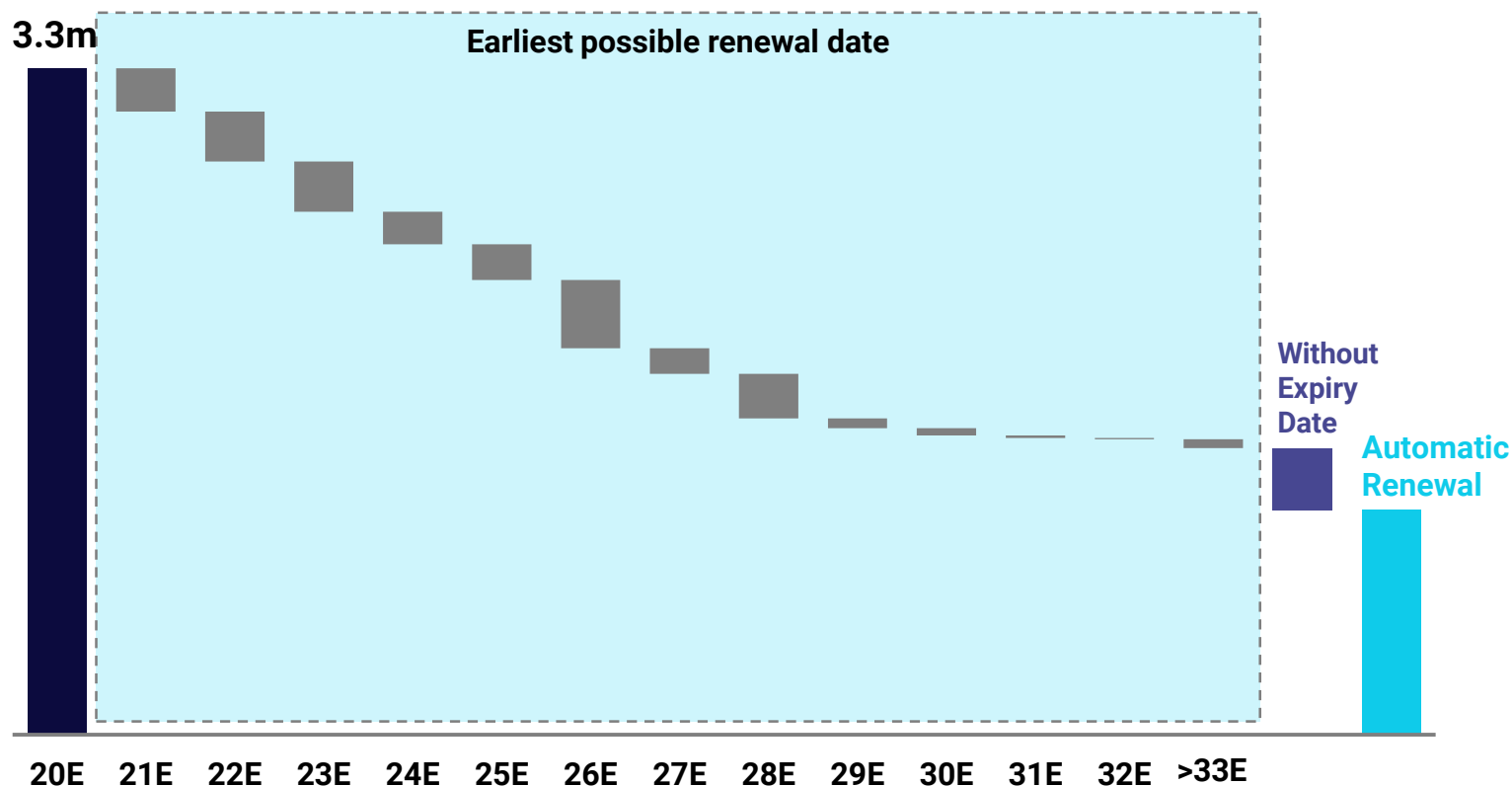
- Housing industry requirements: **satisfied tenants**
 - Hence, the **expectations are**: efficient infrastructure, attractive products, good customer service
- Many of the business relationships with Housing Associations **have existed for over 20 years leading to high barriers to entry for other competitors**

**Exclusive Access
to In-house (L4)
High-speed BB
Infrastructure**

✓ Long contract durations & exclusivity through concession agreements

- Typically, long-dated contracts **with average durations of between 8-10 years**
- **No other cable competitor** has access to building once concession is awarded
- **Pole position** for Internet and Telephony up-sell
- **Sole competition** from DSL products

3 Long-term customer relationships: favorable contract waterfall and growing demand by Housing Associations for fiber overbuild in contract prolongations



Sizeable overbuild
project with a housing association

“WOGETRA eG Leipzig and Tele Columbus, a leading fibre network operator in Germany, agreed on prolonging their cooperation. [...] Tele Columbus will continue to provide high-speed Internet [...] to more than 7,000 households. [...] Moreover, all WOGETRA premises will be upgraded to FTTB (fibre to the building) with fibre connections directly into the buildings.”

Tele Columbus, 20 March 2020

With strategy defined and short-term priorities covered, we are working to put in place the long-term financing structure

Current Status

- ✓ “Fiber Champion” strategy defined
- ✓ Financing for current business secured
- ✓ Operational development progressing in the right direction

Long-term financing structure

- Working with advisers on a long-term financing structure in order to:
 - De-lever and create a sustainable capital structure
 - Fund growth plan and fibre roll out
- In the process of evaluating multiple funding options

COMPREHENSIVE FUNDING UPDATE IN Q4 2020

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Backup

