

# DIGI



**Financial performance**





# Main topics

**DIGI Group's  
Growth**

Track record &  
perspectives

**1**

**DIGI Group's  
Profitability**

**2**

**CAPEX  
trends**

**3**

**Cash-flow  
trends**

**4**

**Capital  
structure**

Net debt &  
Leverage Profile

**5**



# Main topics

**DIGI Group's  
Growth**

Track record &  
perspectives

**1**

**DIGI Group's  
Profitability**

**2**

**CAPEX  
trends**

**3**

**Cash-flow  
trends**

**4**

**Capital  
structure**

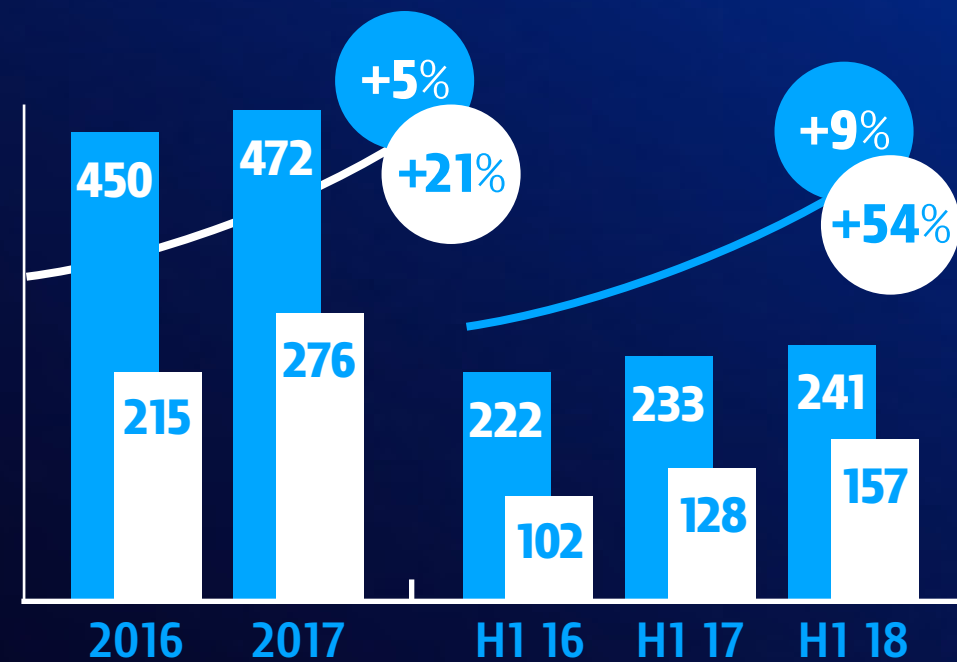
Net debt &  
Leverage Profile

**5**

# Historically double/single-digit growth, stable margins

## Revenue growth

Y-o-Y revenue (m) and growth

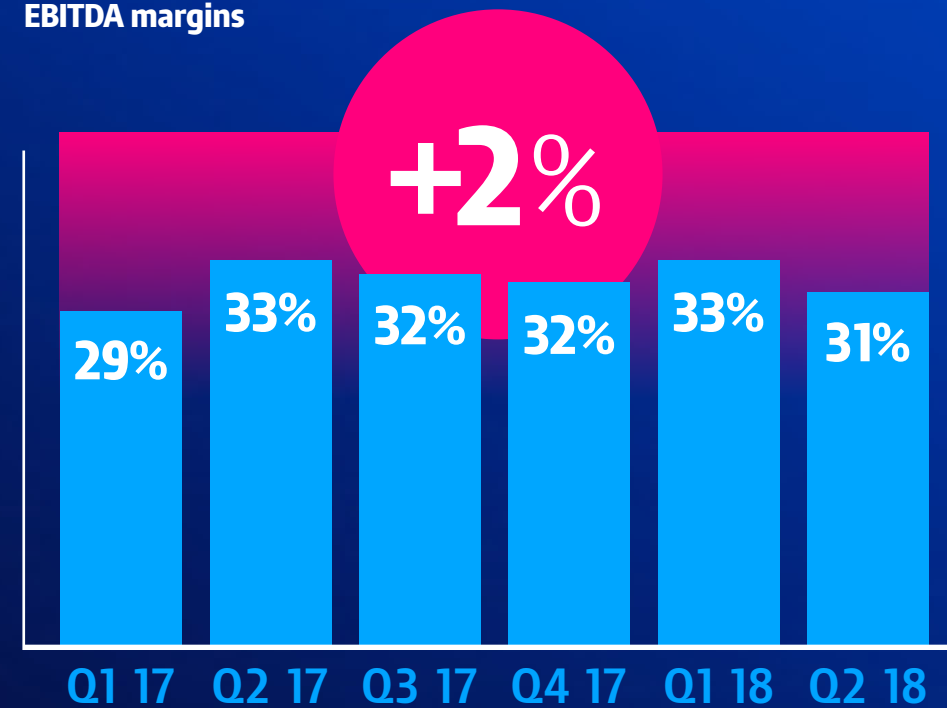


**H1 18 fixed<sup>1</sup>: 3% Y-o-Y growth**  
**H1 18 mobile: 23% Y-o-Y growth**

■ Revenues fixed services  
 ■ Revenues mobile services

## Stable EBITDA margins

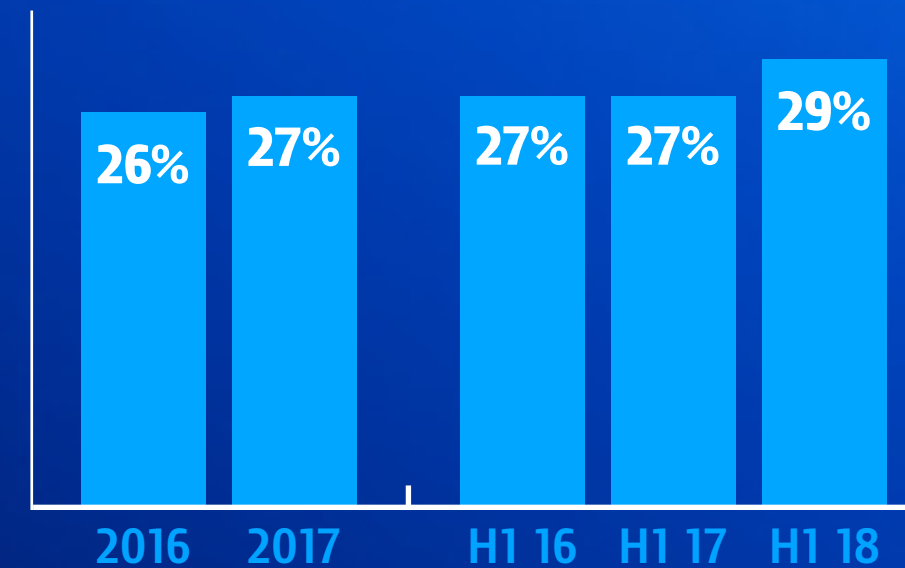
EBITDA margins



**Mainly mobile RO/HU dynamics**

## CAPEX dynamics

CAPEX as % of revenue



**Relatively constant CAPEX % of revenues**  
**Relatively stable recurring capex**  
**H1 18: Mobile network in HU**

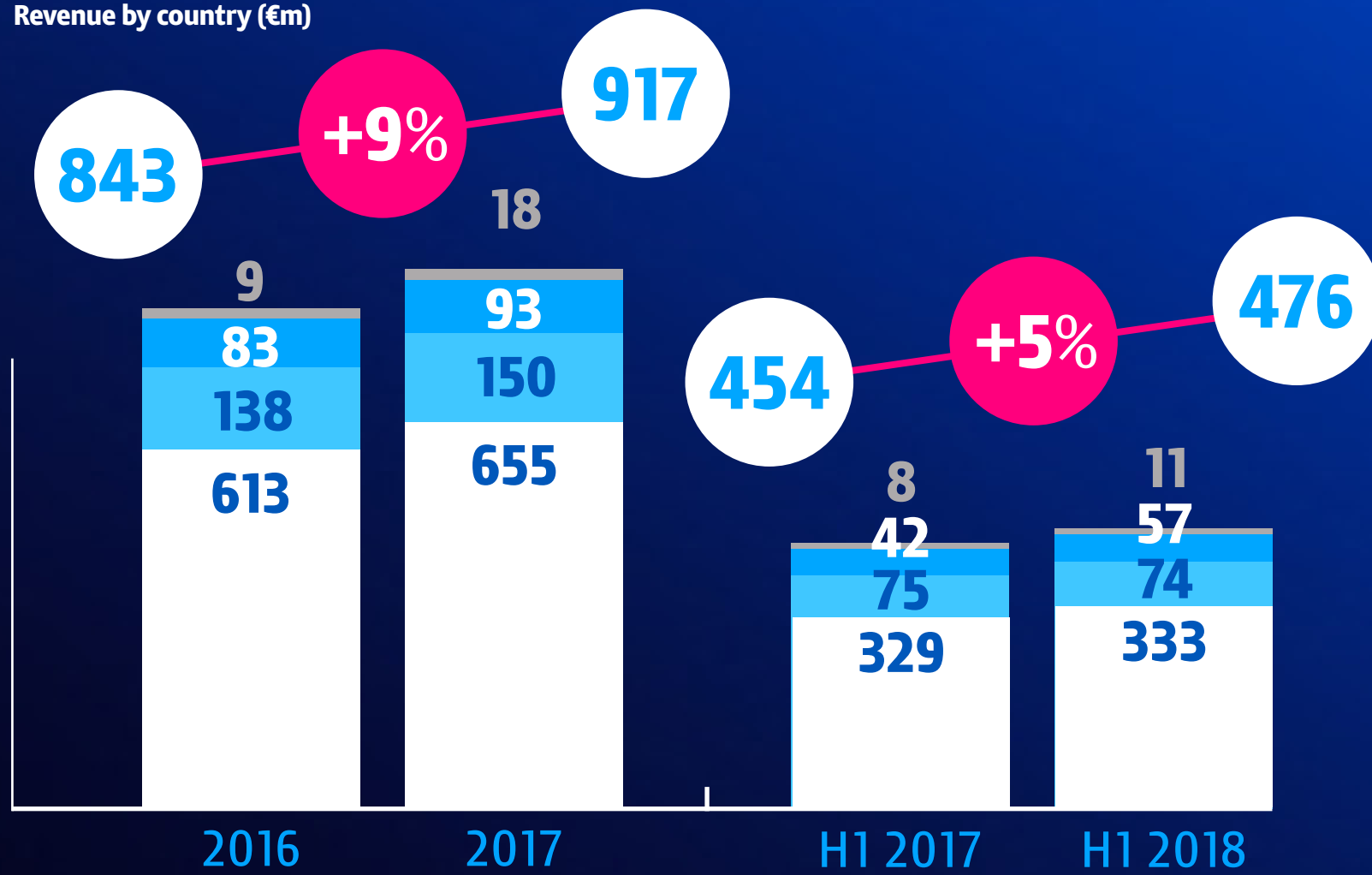
<sup>1</sup> Fixed services include Cable TV, Fixed internet and data and Fixed telephony. Excludes revenues from DTH and Other revenues.



# Track record of strong revenue growth

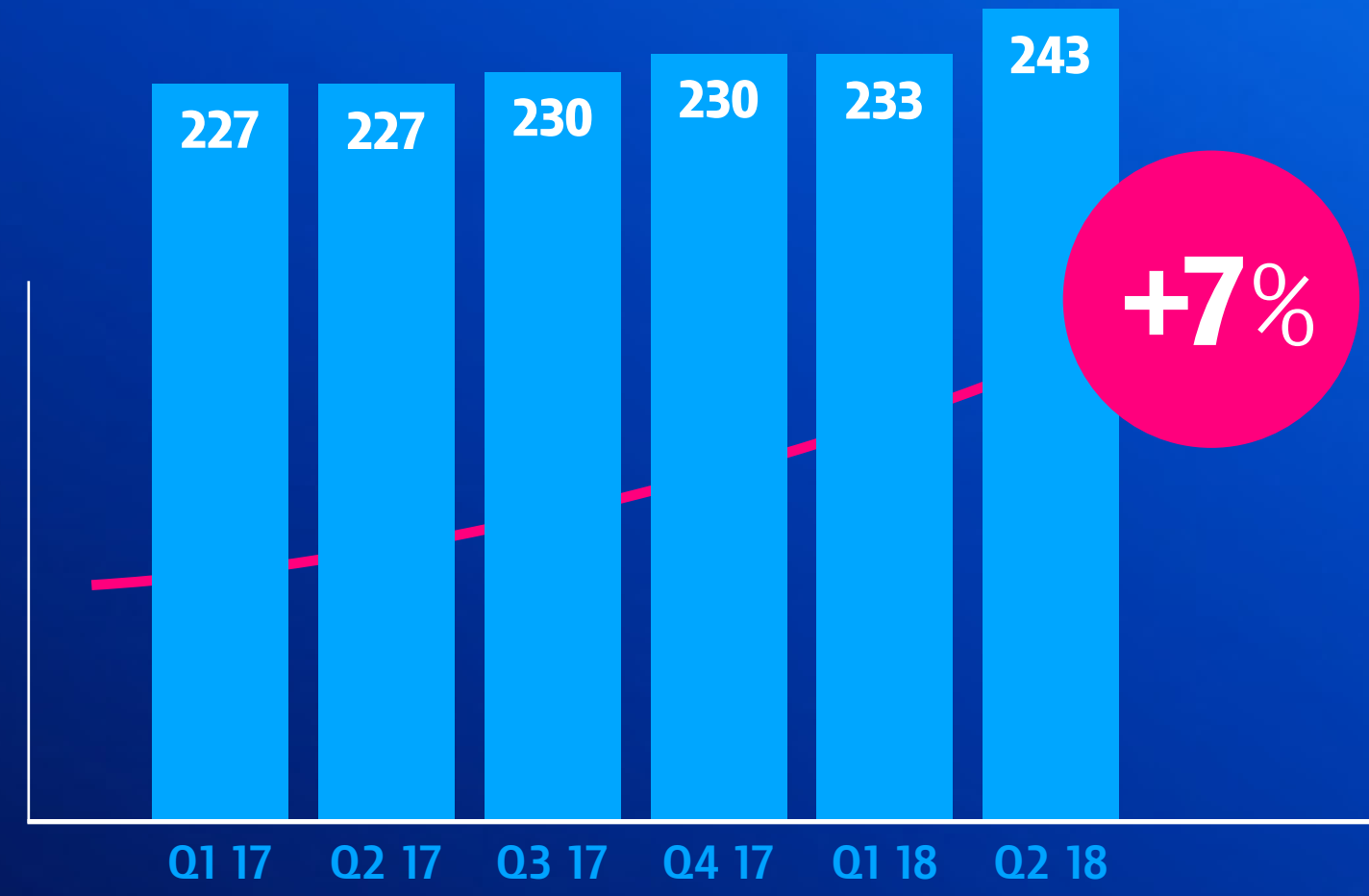
## Annual revenue

Revenue by country (€m)



## Ongoing high revenue growth

Y-o-Y growth (€m)



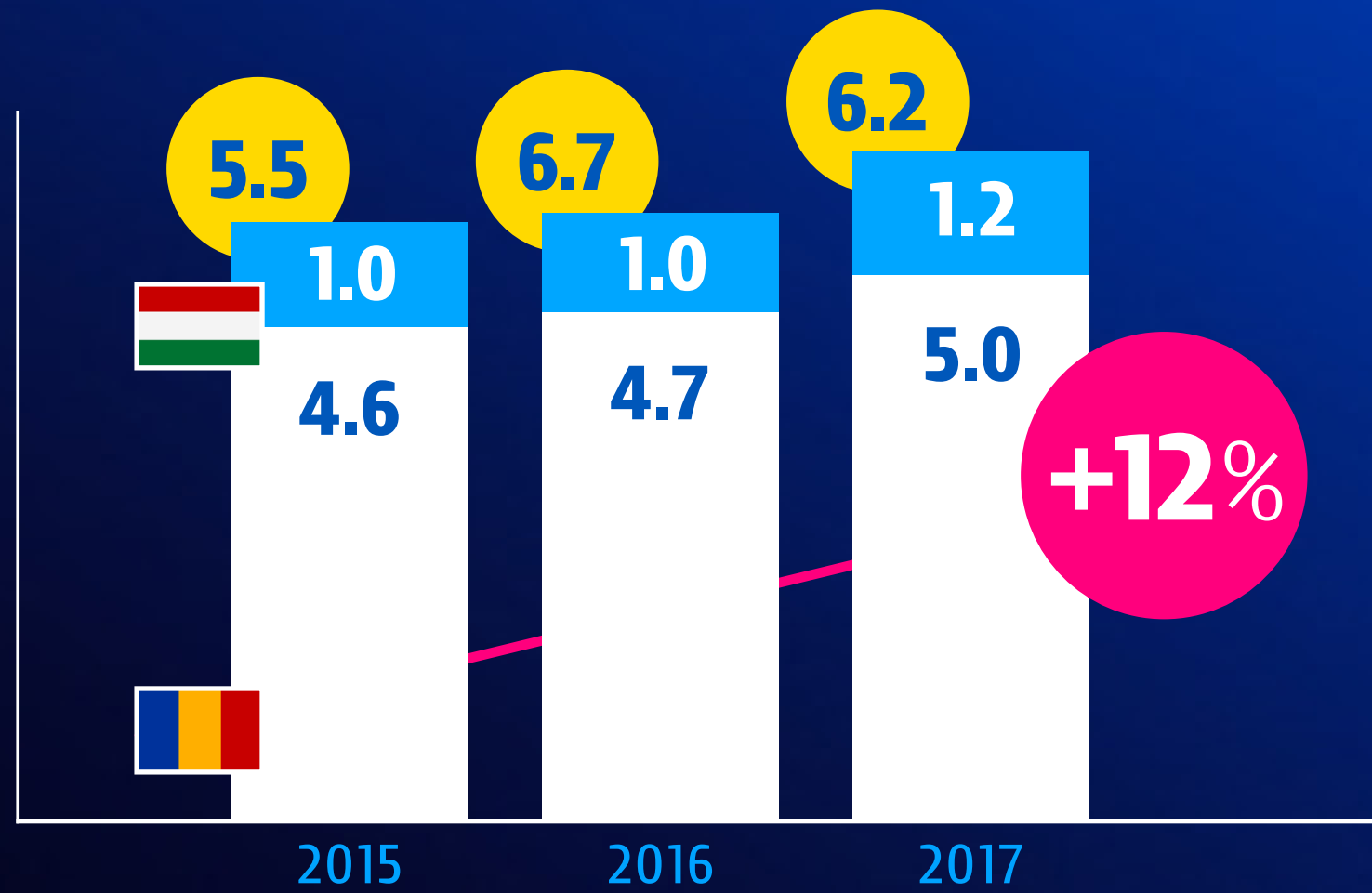
Romania
  Hungary
  Spain
  Italy



# Positive RGU development

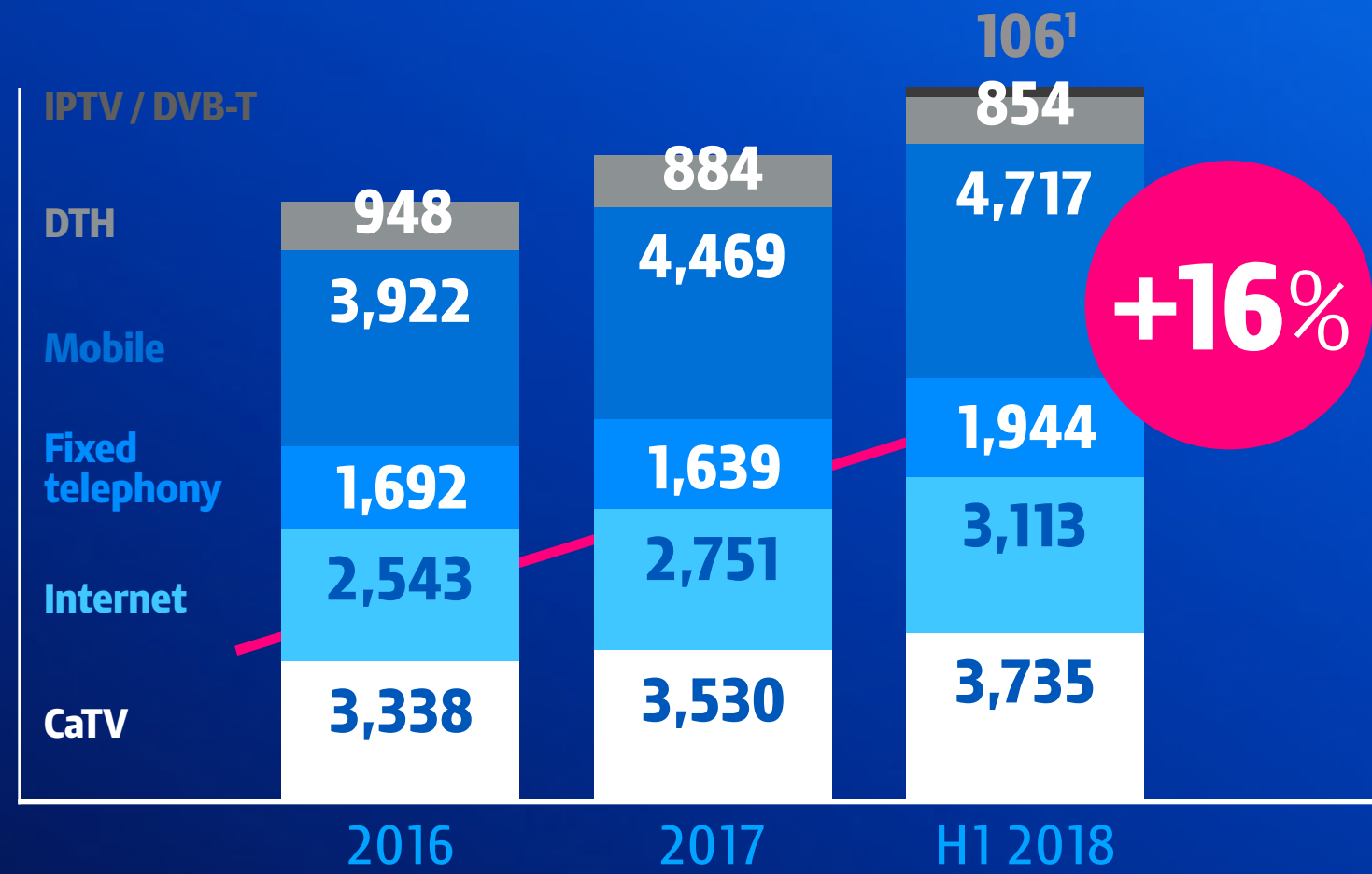
## Homes passed

('m)



## RGUs

('000)

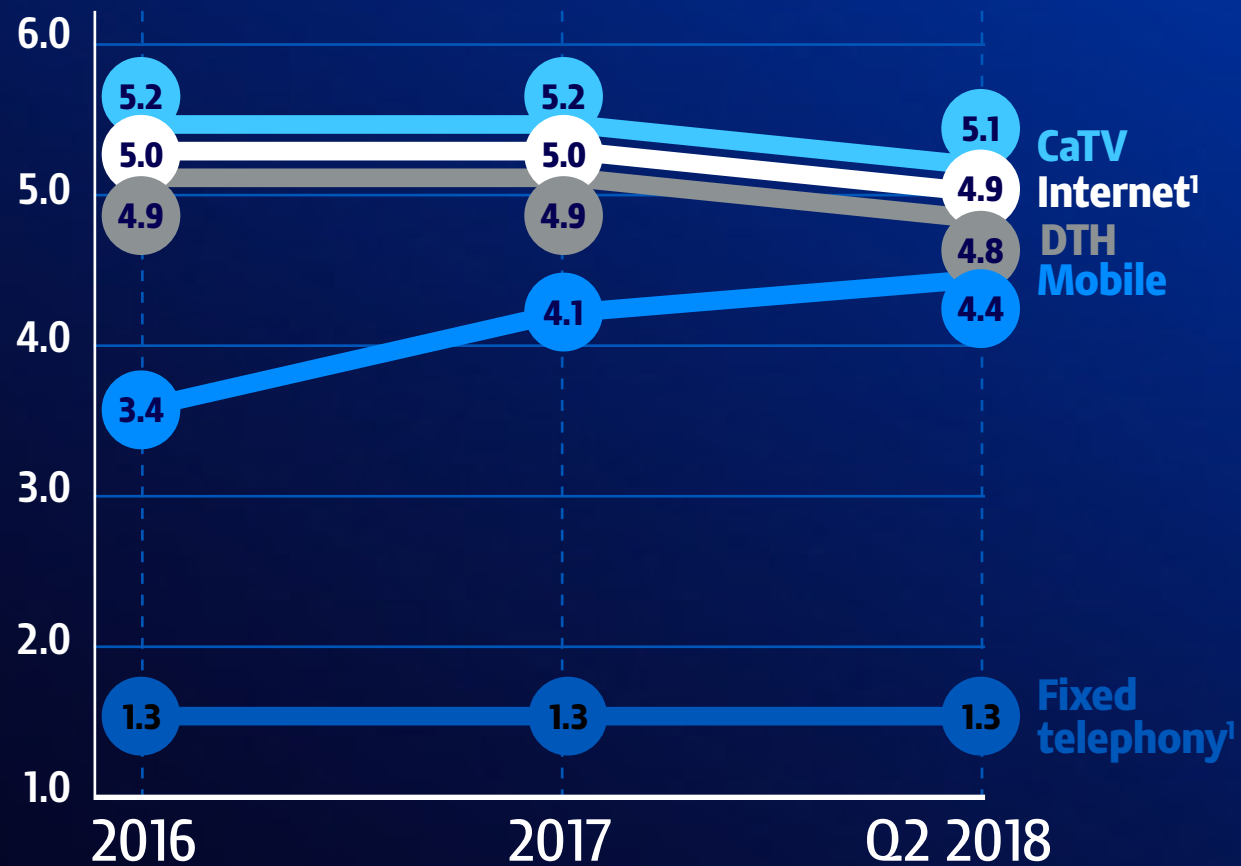


1. Including Invitel RGU's as at 30 June 2018  
Source: Company data

# Romania: RGUs and mobile ARPU driving revenue growth

## Strong growth in mobile ARPU

ARPU, (€ / month)

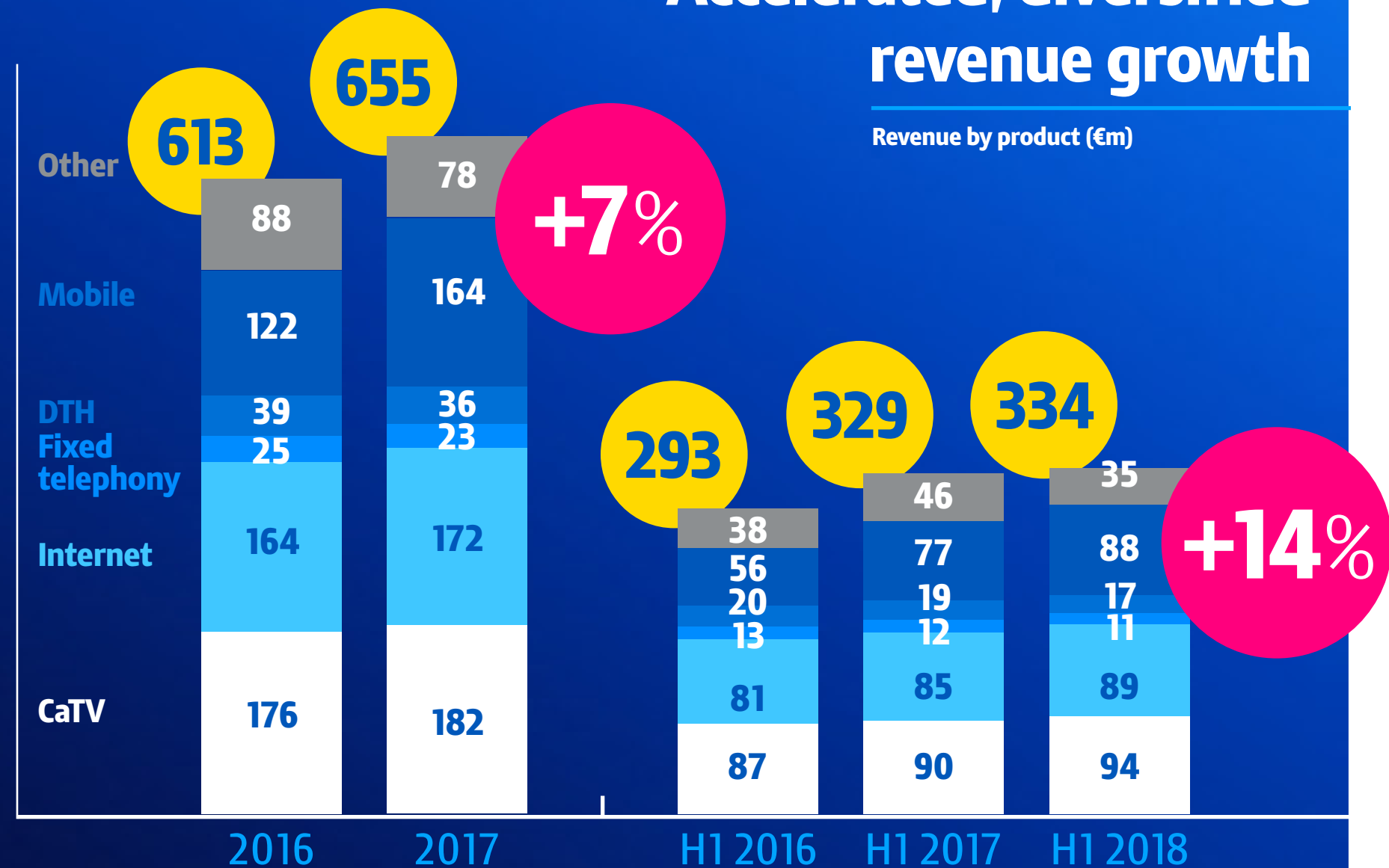


Fx rate fluctuations

1. ARPU for consumer only. Source: Company data

## Accelerated, diversified revenue growth

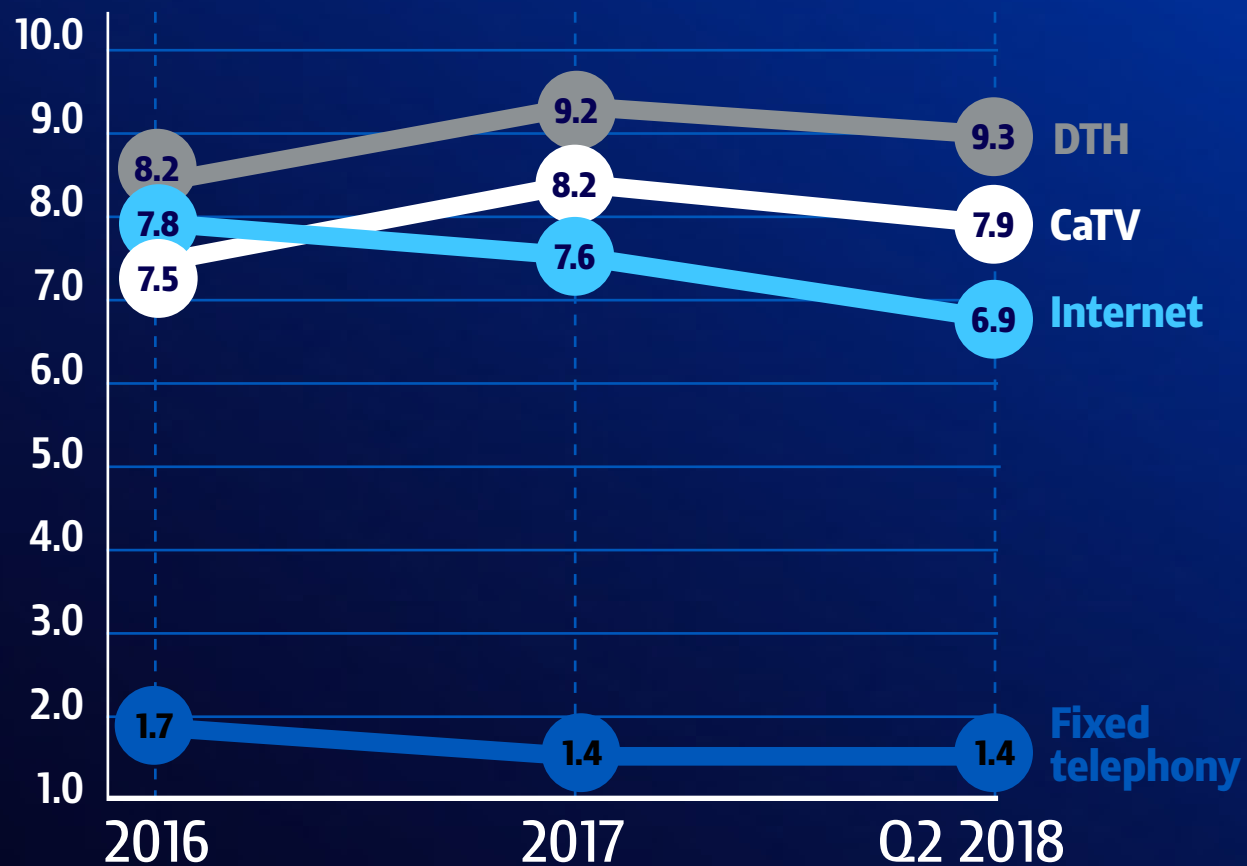
Revenue by product (€m)



# Hungary: Internet RGUs key growth driver

## Broadly stable ARPUs

ARPU, (€ / month)

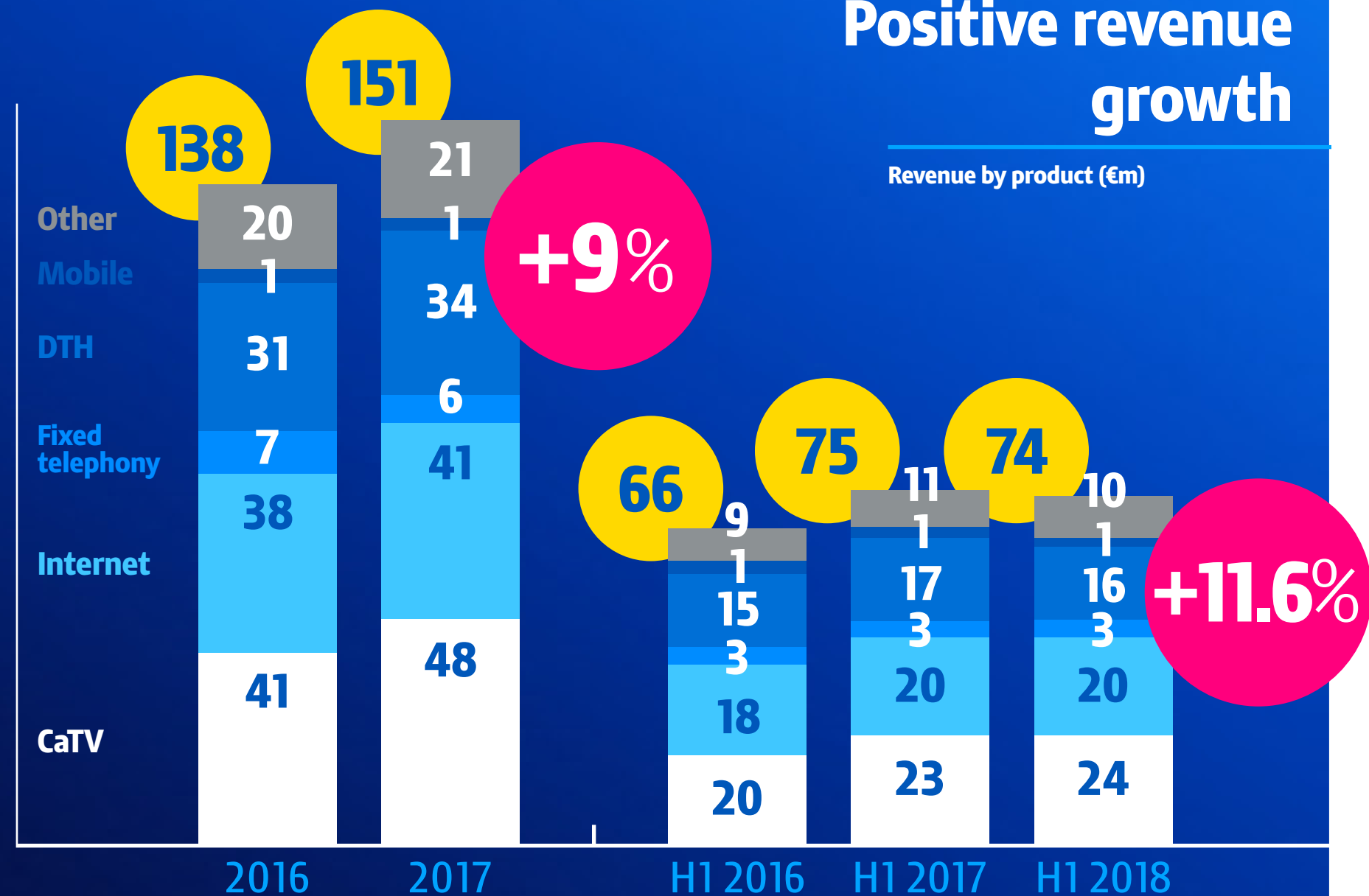


Fx rate fluctuations | Promotions & discounts | Changes in commercial offerings

1. ARPU for consumer only. Source: Company data

## Positive revenue growth

Revenue by product (€m)







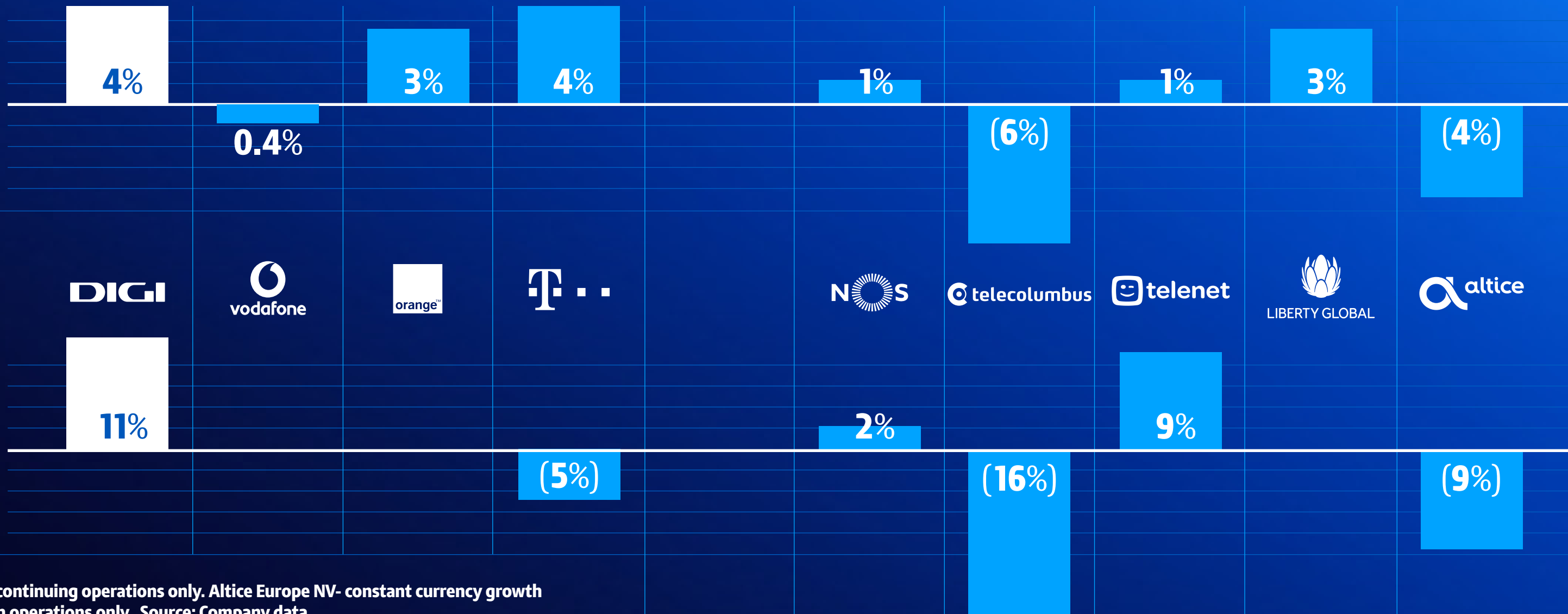
# Constant growth among competitors and peers

Q2 2018 vs Q2 2017

Revenues  
Adj.- EBITDA

## Romanian competitors

## International peers



Note: Data for continuing operations only. Altice Europe NV- constant currency growth  
 1. For Romanian operations only. Source: Company data

# Main topics

---

**DIGI Group's  
Growth**

Track record &  
perspectives

**1**

**DIGI Group's  
Profitability**

**2**

**CAPEX  
trends**

**3**

**Cash-flow  
trends**

**4**

**Capital  
structure**

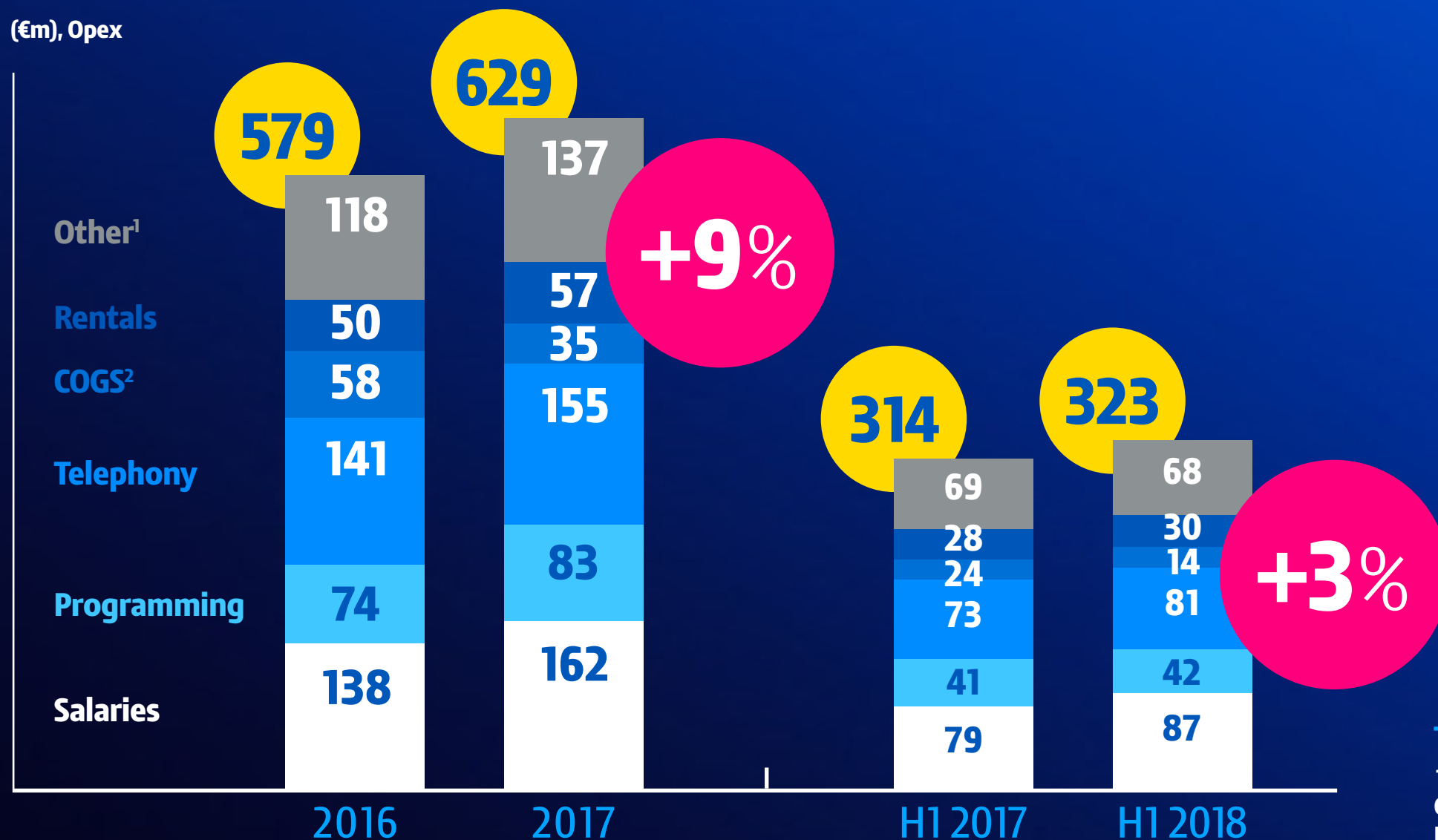
Net debt &  
Leverage Profile

**5**

# Operating costs structure

## OPEX

(€m), Opex



## Key considerations

Advanced infrastructure delivers an efficient cost structure

DIGI Group tries to ensure increased profitability in each business line by carefully managing costs

COGS decreased H1 18 vs H1 17 mostly as a result of the decrease in handset offerings

Telephony costs increased largely as a result of interconnect costs associated with mobile business

Higher salaries costs

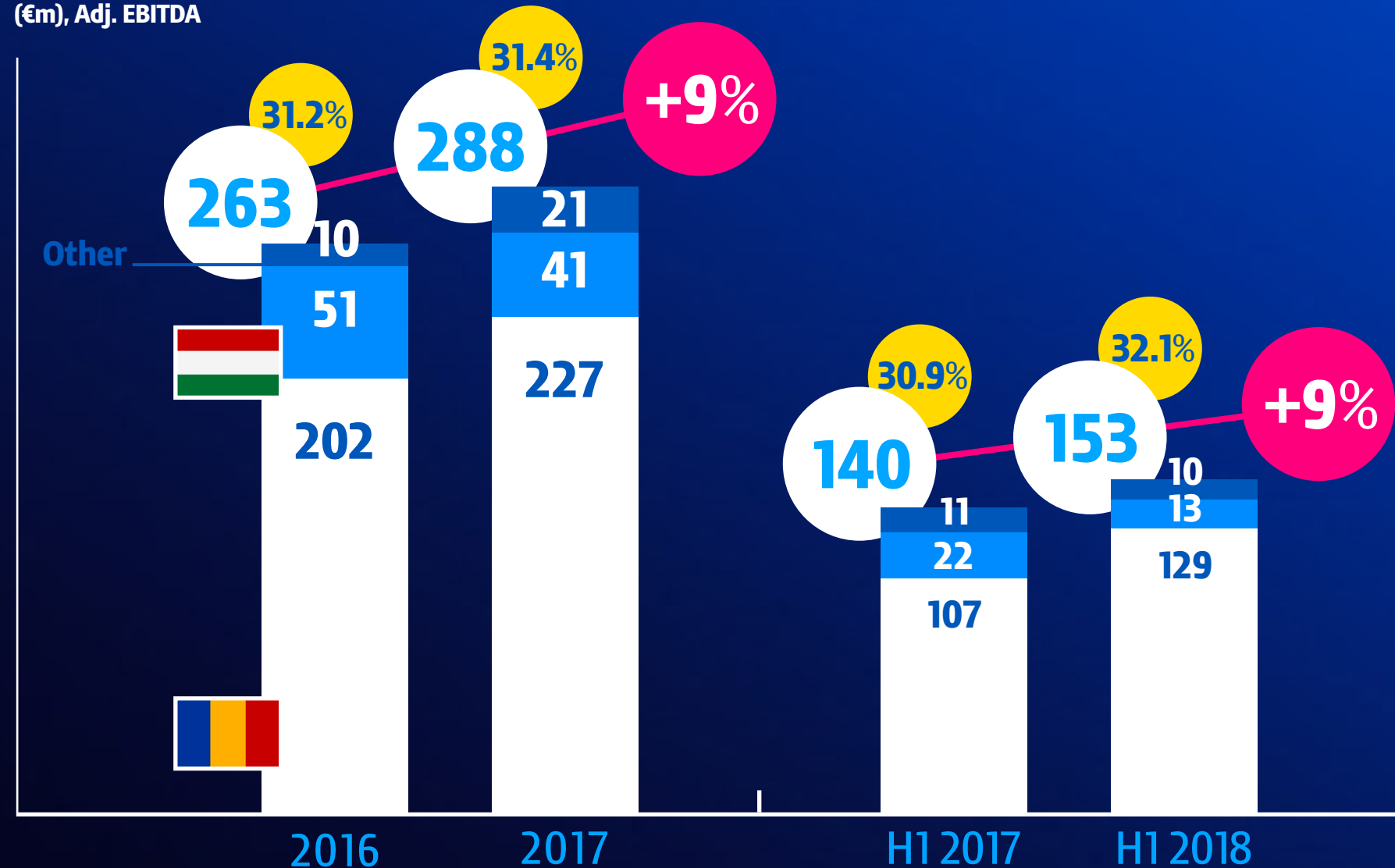
1. Includes: Invoicing and collection expenses, Taxes and penalties, Utilities, Copyrights, internet connection and related services, Other expenses; 2. Predominantly includes handsets and CPEs; Sources: Company data



# Adj. EBITDA reflects mobile expansion

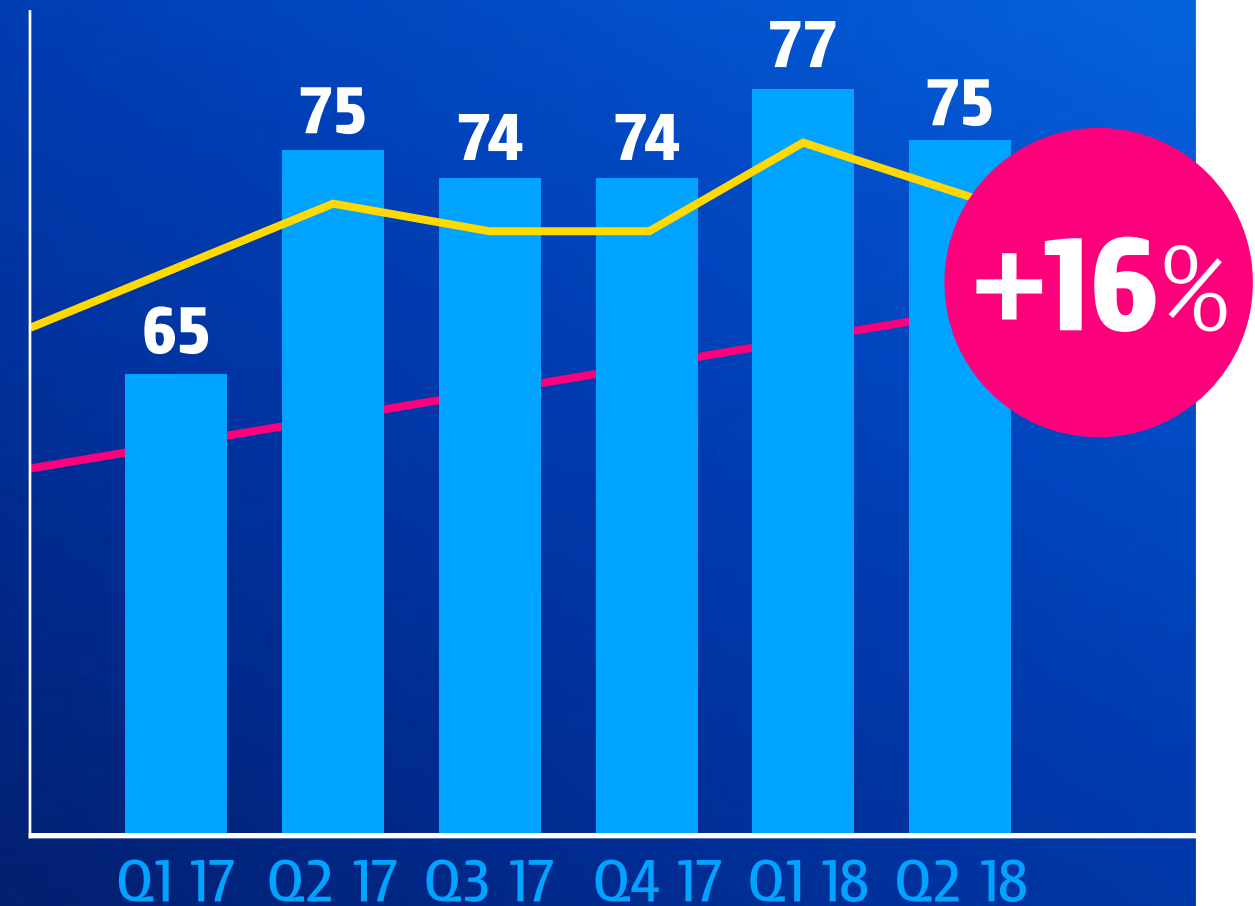
## Annual adj. EBITDA

(€m), Adj. EBITDA



## Growth and stabilized margins

(€m), Adj. EBITDA margin  
Y-o-Y growth



1. "Other" includes Spain, Italy and operating costs of DIGI NV  
Source: Company data



# Analyzing Adj. EBITDA: impact of mobile and other factors

## Mobile RO



### Market share / scale

- Fixed cost efficiency
- Improved on-net traffic ratio

**Own network usage;  
improved coverage & network quality**

**Roam like at home impact**

**Termination rate declined in May 2018**

**Higher ARPU**

## Mobile HU



### Building mobile network on-going

### P&L impact of additional mobile costs: salaries & rent

- €2.3m in the last reported Q

**Extended RGU base after Invitel  
acquisition for cross-selling**



# Main topics

---

**DIGI Group's  
Growth**

Track record &  
perspectives

**1**

**DIGI Group's  
Profitability**

**2**

**CAPEX  
trends**

**3**

**Cash-flow  
trends**

**4**

**Capital  
structure**

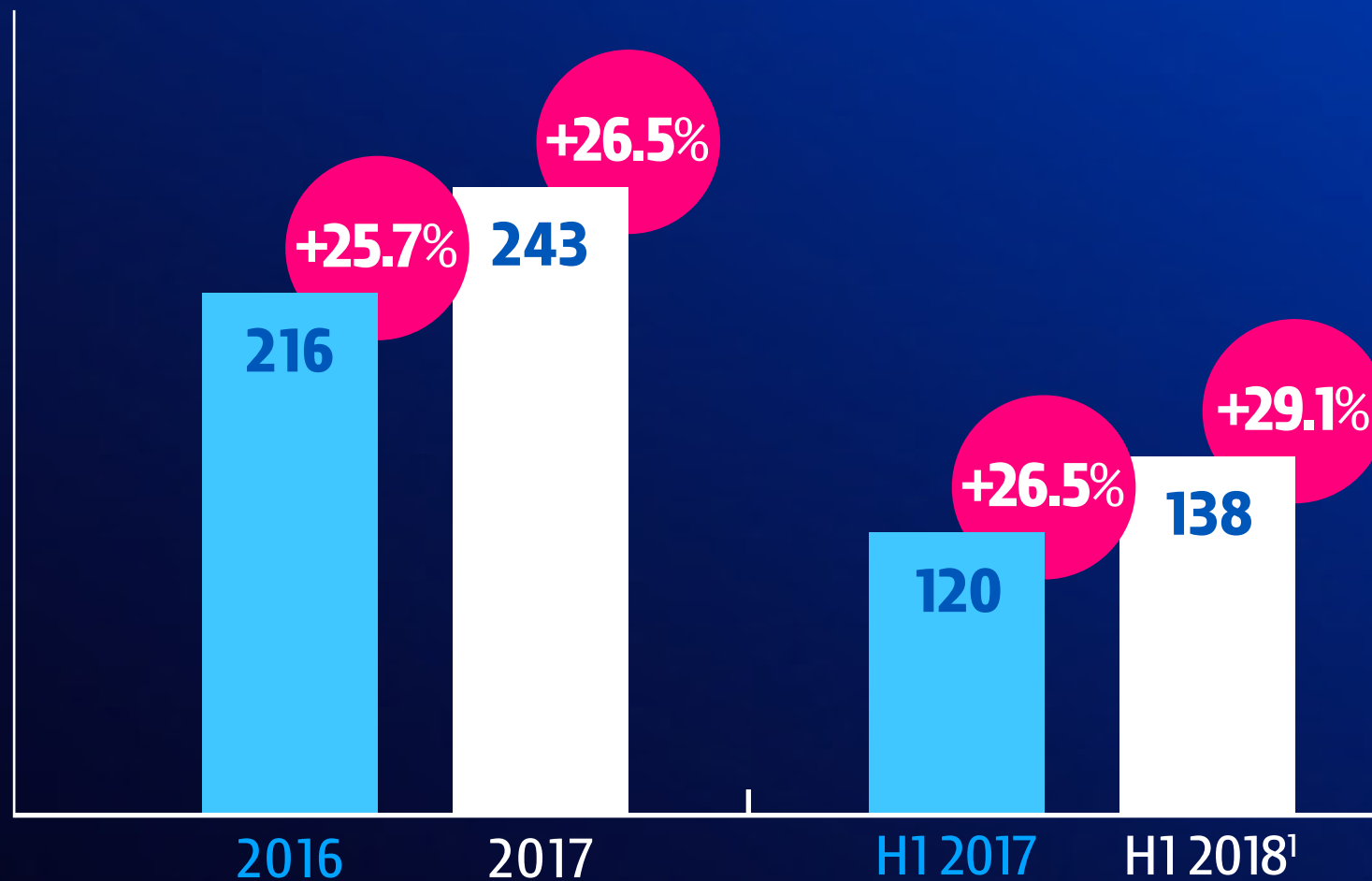
Net debt &  
Leverage Profile

**5**

# CAPEX profile

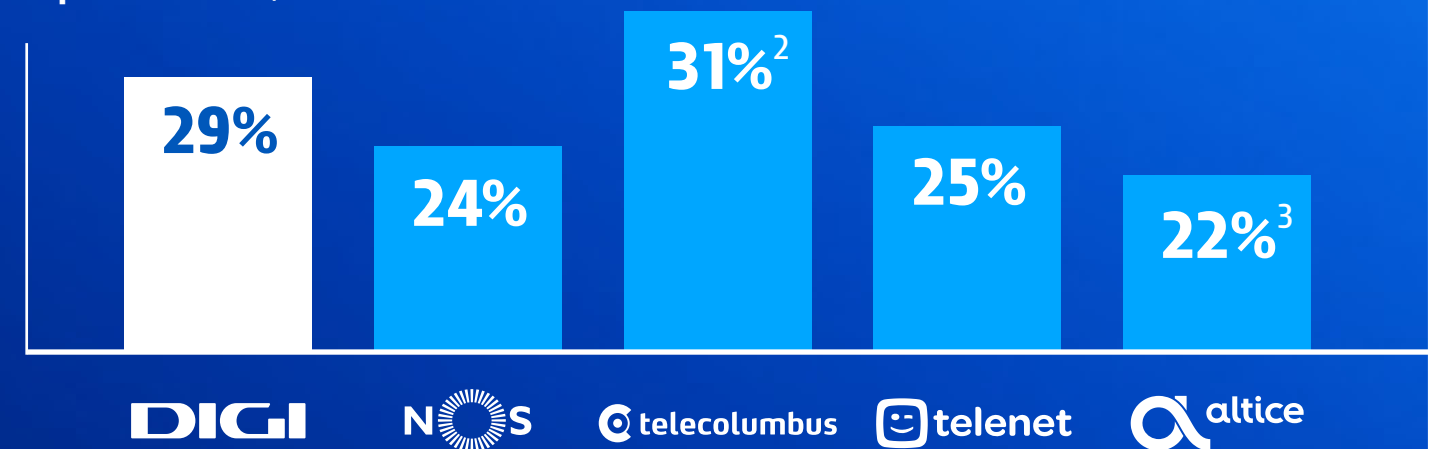
## CAPEX/revenues

(€m) & CAPEX/revenues



## Industry CAPEX profile

Capex/revenues%, Q2 2018



## Key considerations

### Disciplined capex approach

- Focused on highest value projects
- Flexible and agnostic approach

### Fixed network has largely been upgraded

- 90% already FTTB/H
- Most mobile CAPEX invested in Romania
- Some subscriber growth driven CAPEX (SACs, CPEs)

1. Excluding investment made for Invitel's acquisition; 2. Data as at 31 December 2017; 3. Constant currency amounts. Source: Company data

# Main topics

---

**DIGI Group's  
Growth**

Track record &  
perspectives

**1**

**DIGI Group's  
Profitability**

**2**

**CAPEX  
trends**

**3**

**Cash-flow  
trends**

**4**

**Capital  
structure**

Net debt &  
Leverage Profile

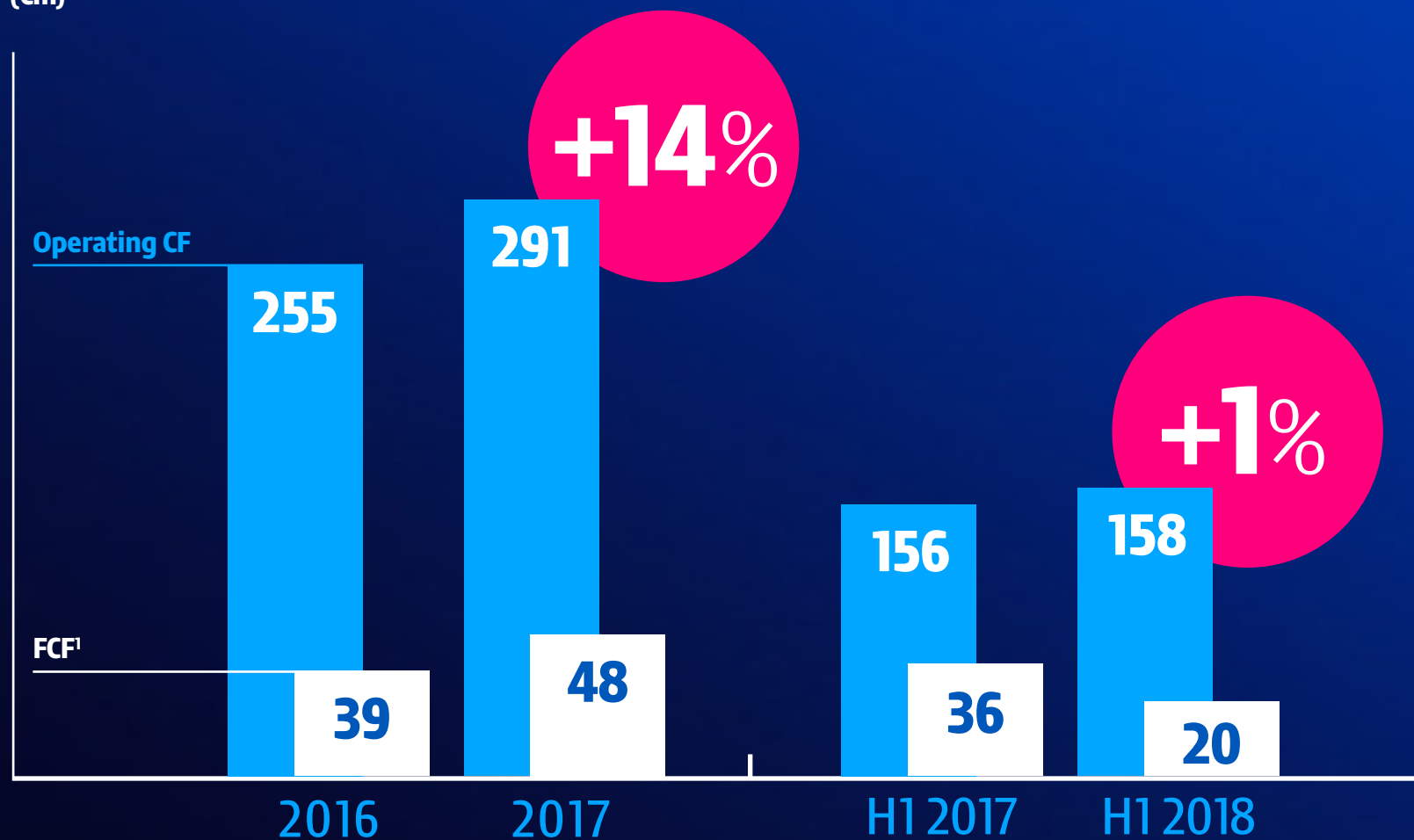
**5**



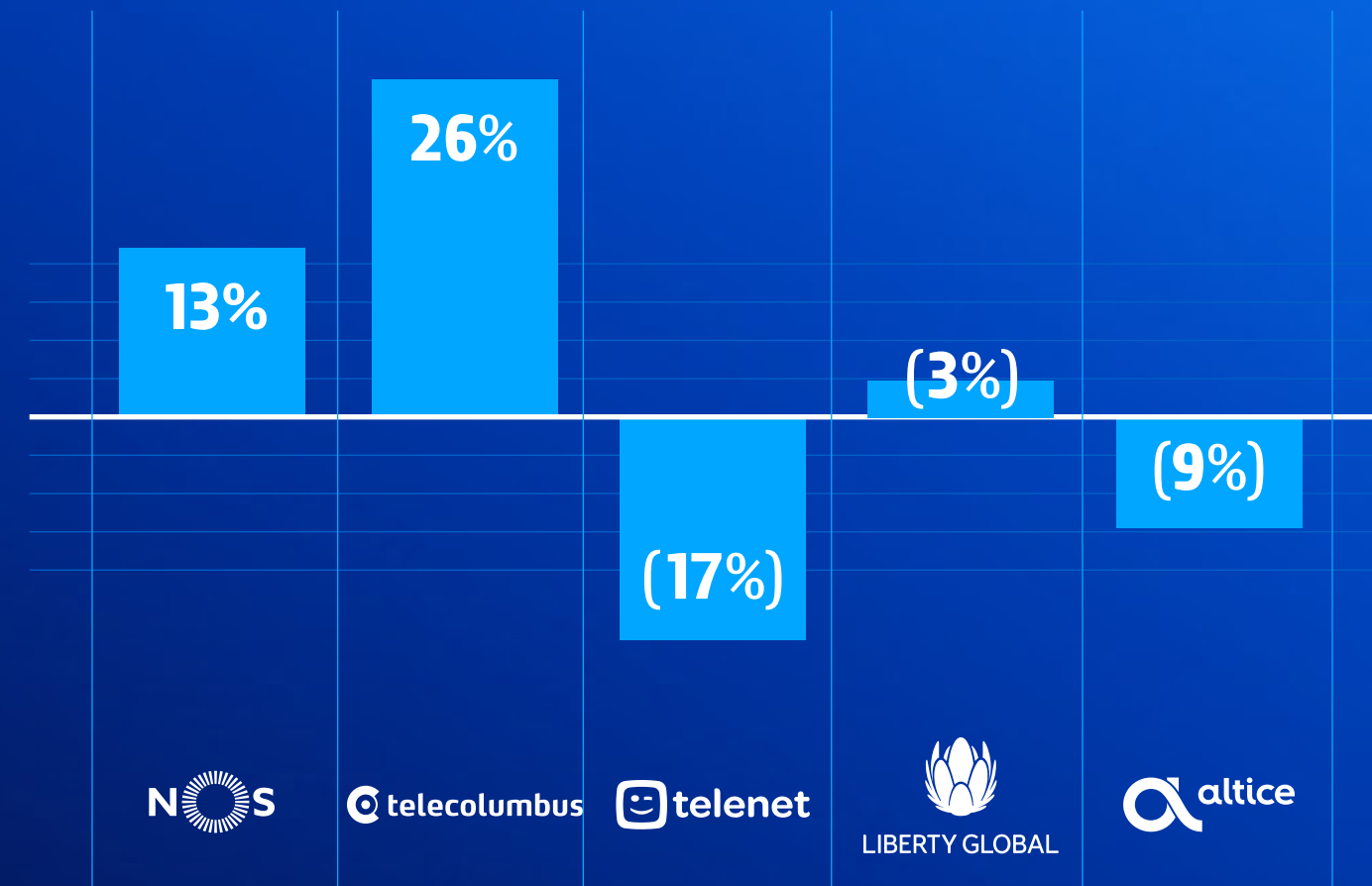
# Strong Operating Cash flow generation

## Operating CF

(€m)



## Peers Operating CF growth



1. Free cash-flow defined as Operating cash-flow-CAPEX



# Additional cash flow items

---

## Working capital

---

**Active working capital management has generated increasing cash inflows**

**Driven by favourable development of accounts payable and receivables**

**Prudent use of bank facilities to manage liquidity needs**

## Taxes

---

**Positive tax environment in Romania with 19% VAT**

**Low corporate tax rates overall (16% in Romania and 9% in Hungary)**



# Main topics

---

**DIGI Group's  
Growth**

Track record &  
perspectives

**1**

**DIGI Group's  
Profitability**

**2**

**CAPEX  
trends**

**3**

**Cash-flow  
trends**

**4**

**Capital  
structure**

Net debt &  
Leverage Profile

**5**

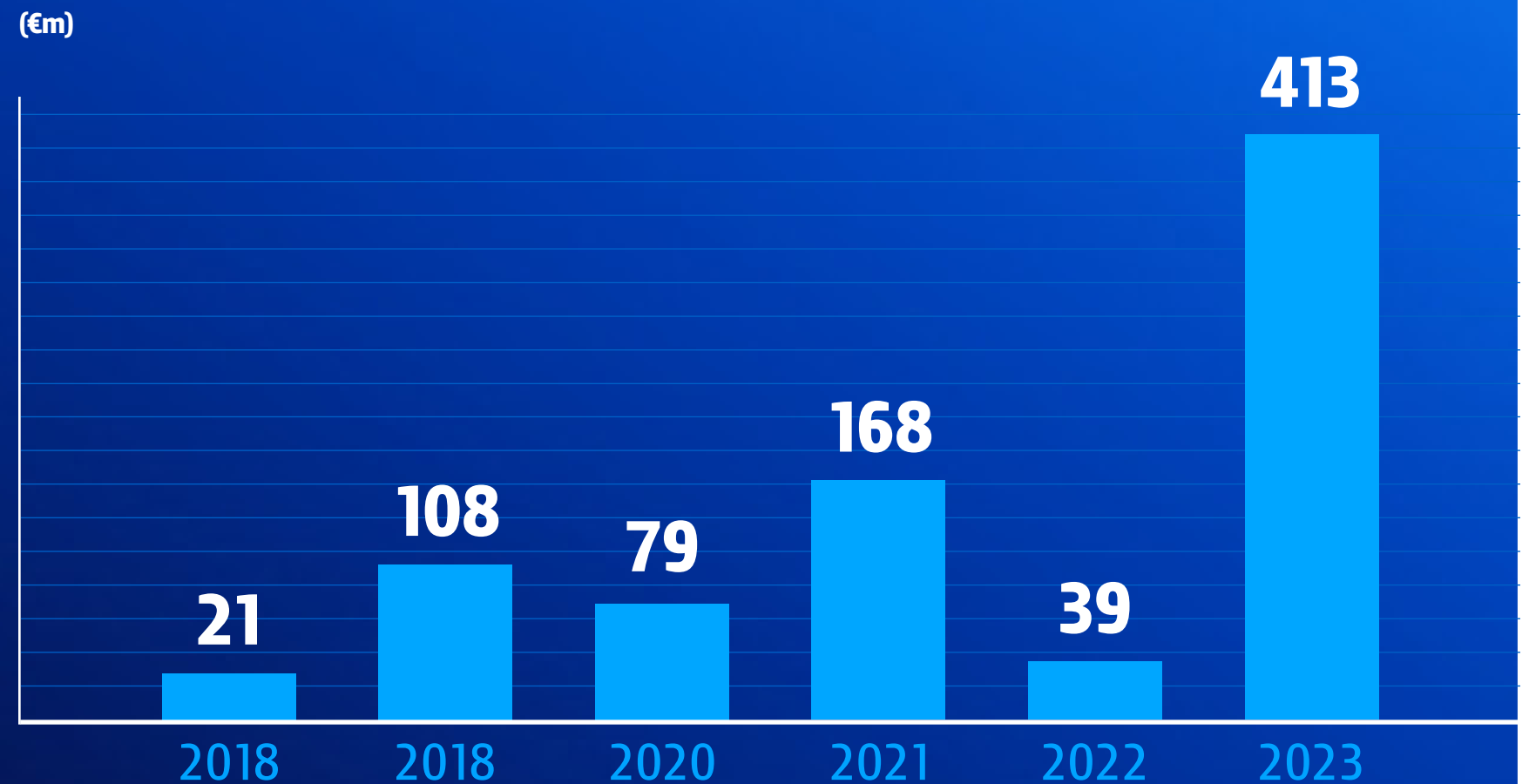


# Conservative capital structure

## Capitalisation<sup>1</sup> as at Q2 2018

Facility	Amount	€m
Senior Secured Notes	350	
Senior Facility 2016	317	
Senior Facility 2018	156	
Other <sup>2</sup>	94	
<b>Total gross debt</b>	<b>917</b>	
Cash	21	
<b>Total gross debt</b>	<b>896</b>	

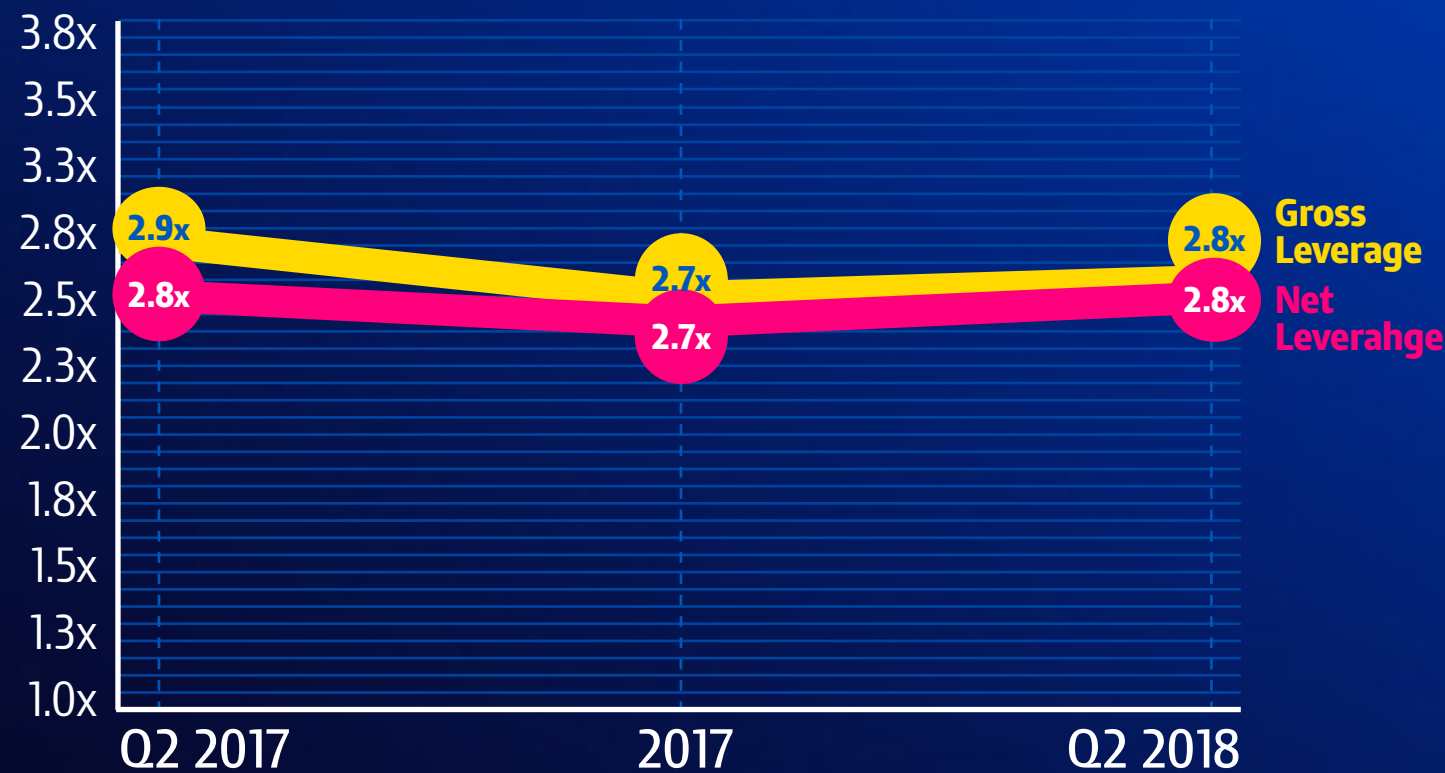
## Maturity profile



1. For the purpose of the Financial Indebtedness and leverage computation as at 30 June 2018, as per the definitions from the Senior Facilities and Notes Indenture, we have included Invitel financial liabilities, cash and annualized EBITDA. 2. Includes financial leases, other long term debt, other short term debt and hedging obligations. Sources: Company data

# Leverage stable and conservative vs peers

## Net Debt to Adj. EBITDA stable



For the purpose of the Financial Indebtedness and leverage computation as at 30 June 2018, as per the definitions from the Senior Facilities and Notes Indenture, we have included Invitel financial liabilities, cash and EBITDA.

## Conservative net debt to adj. EBITDA compared to peers

Q2 2018 Net Leverage<sup>1</sup>

altice		5.8 x <sup>2</sup>
telecolumbus		5.3 x <sup>3</sup>
LIBERTY GLOBAL		4.9 x
telenet		3.8 x <sup>4</sup>
COM HEM		3.6 x <sup>5</sup>
DIGI		2.8 x
NOS <sup>6</sup>		2.0 x

1. Defined as net debt / adj. EBITDA; 2. Altice Europe N.V. Pro Forma Debt Capital Structure; 3. Leverage based on LTM Normalised EBITDA June 2018; 4. Consolidated Annualized EBITDA excludes certain unrealized OPEX synergies with regards to both the BASE and SFR Belux acquisitions, while Net Total Debt includes both lease-related liabilities and vendor financing-related short-term liabilities; 5. Net debt/Underlying EBITDA LTM; 6. Computed based on Net debt and Annualized EBITDA reported on company's website. Source: Company data and financials, Peer reporting



# Capital structure and shareholder returns

## Leverage

**Target leverage of approx 2-3x**

**Maintain strategic flexibility**

**Still headroom compared to our current leverage covenants**

## Shareholder returns

**DIGI adopted a shareholder remuneration policy which reflects the growth opportunities available to its business and the investments required to exploit these opportunities**

**The timing and amount of future dividend payments will depend on :**

- financial condition
- results of operations and
- other matters that we may consider relevant from time to time (such as capital expenditures and market conditions)