# **Telenet** – Q3 2014 Results

## Investor & Analyst Presentation

Oct 23, 2014

# Safe harbor disclaimer

**Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995.**

Various statements contained in this document constitute “forward-looking statements” as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995. Words like “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expects,” “estimates,” “projects,” “positioned,” “strategy,” and similar expressions identify these forward-looking statements related to our financial and operational outlook, dividend policy and future growth prospects, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors include: potential adverse developments with respect to our liquidity or results of operations; potential adverse competitive, economic or regulatory developments; our significant debt payments and other contractual commitments; our ability to fund and execute our business plan; our ability to generate cash sufficient to service our debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; our ability to maintain contracts that are critical to our operations; our ability to respond adequately to technological developments; our ability to develop and maintain back-up for our critical systems; our ability to continue to design networks, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, in a timely manner at reasonable costs and on satisfactory terms and conditions; our ability to have an impact upon, or to respond effectively to, new or modified laws or regulations, pending debt exchange transactions, our ability to make value-accretive investments, and our ability to sustain or increase shareholder distributions in future periods. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

Adjusted EBITDA and Free Cash Flow are non-GAAP measures as contemplated by the U.S. Securities and Exchange Commission’s Regulation G.  For related definitions and reconciliations, see the Investor Relations section of the Liberty Global plc website (http://www.libertyglobal.com/). Liberty Global plc is our controlling shareholder.

# Definitions

**Adjusted EBITDA**: EBITDA is defined as profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestures. Operating charges or credits related to acquisitions or divestures include (i) gains and losses on the disposition of long-lived assets and (ii) due diligence, legal, advisory and other third-party costs directly related to the Company's efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate the Company's underlying performance and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.

**Accrued capital expenditures** are defined as additions to property, equipment and intangible assets, including additions from capital leases and other financing arrangements, as reported in the Company's consolidated statement of financial position on an accrued basis.

**Free Cash Flow** is defined as net cash provided by the operating activities of Telenet's continuing operations less (i) purchases of property and equipment and purchases of intangibles of its continuing operations, (ii) principal payments on vendor financing obligations, (iii) principal payments on capital leases (exclusive of network-related leases that were assumed in acquisitions), and (iv) principal payments on post acquisition additions to network leases, each as reported in the Company's consolidated statement of cash flows. Free Cash Flow is an additional measure used by management to demonstrate the Company's ability to service debt and fund new investment opportunities and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.

**Customer relationships** are equal to the sum of analog and digital basic cable TV subscribers on the Combined Network, including the network covered by the long-term lease with the pure intermunicipalities.

Average monthly revenue (**ARPU**) per revenue generating unit (RGU) and **ARPU per customer relationship** are calculated as follows: average total monthly recurring revenue (including revenue earned from carriage fees and set-top box rentals and excluding interconnection revenue, installation fees, mobile telephony revenue and set-top box sales) for the indicated period, divided by the average of the opening and closing RGU base or customer relationships, as applicable, for the period.

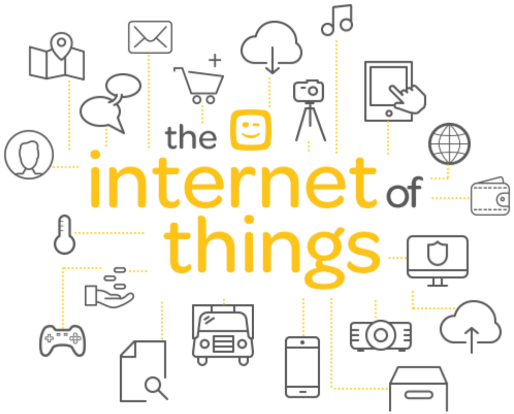
**Net leverage ratio** is calculated as per the 2010 Amended Senior Credit Facility definition, using net total debt, excluding (a) subordinated shareholder loans, (b) capitalized elements of indebtedness under the Clientele and Annuity Fees, (c) any finance leases entered into on or prior to August 1, 2007, and (d) any indebtedness incurred under the network lease entered into with the pure intermunicipalities up to a maximum aggregate amount of EUR 195 million, divided by last two quarters' annualized EBITDA.

# Executive Summary

John Porter, Chief Executive Officer

# Start of “De Grote Netwerf”

## €500 million next-generation network investment program over the next five years, laying the foundations for future healthy growth


- **Investment of €500 million over 5 years** in order to upgrade the existing HFC cable network;
- **Increasing bandwidth** from 600 MHz to 1 GHz, allowing speeds of up to 1 Gbps in the future;
- Tremendous opportunities for increases in data over internet and new digital applications.

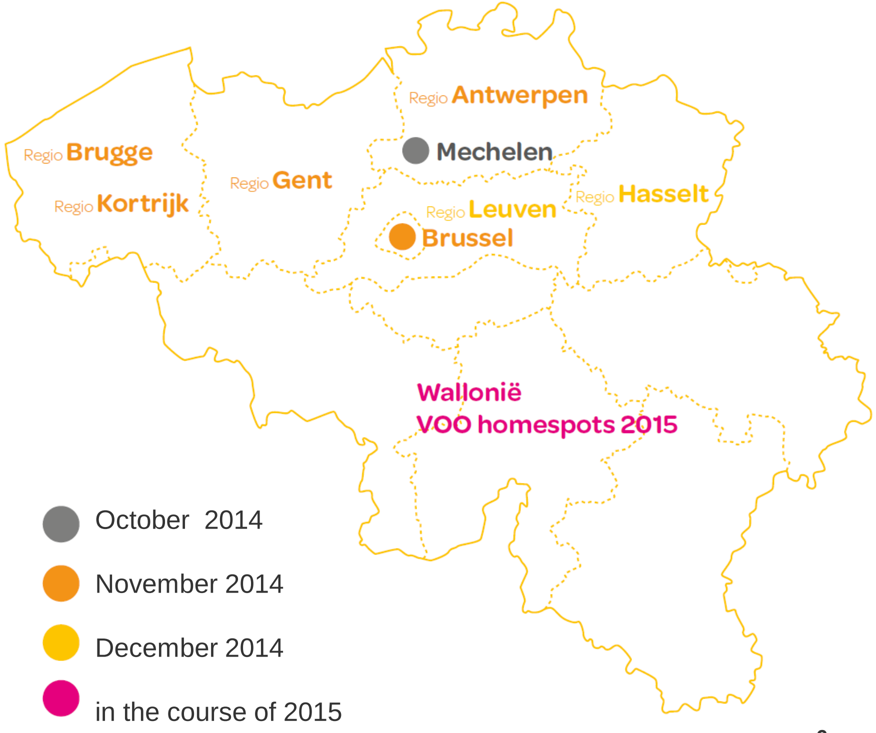
# Telenet first in rolling out EAP technology in Belgium

## Single authentication ensures automatic and seamless WiFi access across the entire Telenet footprint

**Hassle-free connectivity for customers**

- Rolling out the Extensible Authentication Protocol (EAP) across **all our hotspots in Flanders**;
- **Mechelen to become first "smart city"** with 5,000 EAP-enabled Homespots;
- Goal is to equip **all our Homespots by the start of 2015**.

**Increased opportunities to offload a greater proportion of mobile data traffic over WiFi**



# Operational highlights Q3 2014

## Sustained focus on a great customer experience and continuous product enhancements drove annualized churn to their lowest level for a Q3 since 2009

- **"De Grote Netwerf"**, a **€500 million** investment program **over 5 years** in order to increase bandwidth from 600 MHz to 1 GHz, enabling download speeds of up to 1 Gbps;
- **Great progress in churn management** due to continued investments in our products and services, our customers and our network;
- **Lowest annualized Q3 churn since 2009** for nearly all our fixed services;
- **Over 1 million triple-play subscribers** (+11% yoy), reaching around 49% of our customer base;
- **Net subscriber additions to our advanced fixed services**(1) **up 66% sequentially** to 83,400;
- **ARPU per customer relationship** up €2.5, or 5% yoy, to €50.0;
- Further sequential acceleration in **net mobile postpaid additions** to **47,700**, resulting in 868,500 subscribers, representing around 19% of our cable customers.



(1) Advanced fixed services include broadband internet, digital TV and fixed telephony.

# Financial highlights 9M 2014

## FY 2014 outlook reconfirmed, having achieved revenue and Adj EBITDA growth of 4% and 8%

- **Revenue of €1,271.1 million, up 4% yoy**, impacted by (i) lower revenue from standalone handset sales, (ii) lower analog carriage fees and (iii) lower usage-related revenue;
- **Excluding revenue from standalone handsets and analog carriage fees**, revenue growth would have been meaningfully higher;
- **Adjusted EBITDA of €687.4 million, up 8% yoy**, including a nonrecurring favorable €12.5 million benefit from the settlement of certain operational contingencies;
- **Free Cash Flow more than doubled to €209.3 million** as a result of solid Adjusted EBITDA growth, an improvement in our working capital and lower cash capital expenditures;
- **FY 2014 outlook reconfirmed**, having achieved revenue and Adjusted EBITDA growth of 4% and 8%.

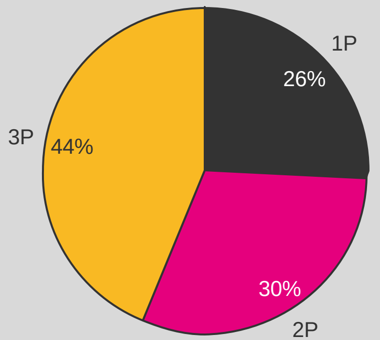
# Operational Highlights

Rob Goyens, VP Strategic Planning,
Treasury and Investor Relations

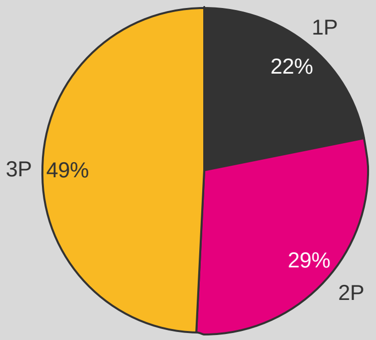
# Multiple-play penetration

## Triple-play subscribers surpass 1 million in Q3 2014, representing around 49% of our customer base now

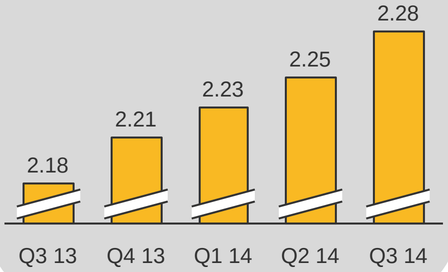
### Customer mix Q3 2013



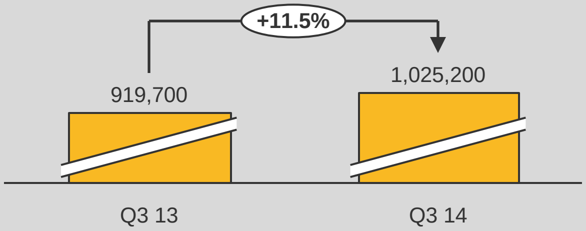

### Customer mix Q3 2014



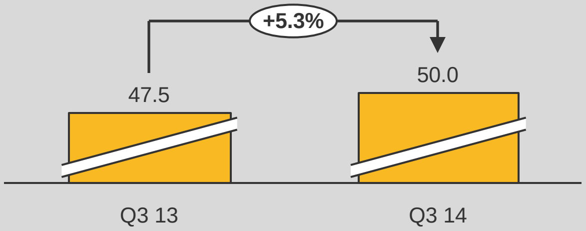

### RGUs per customer relationship(1)




### Triple-play subscribers




### ARPU per customer relationship(1)

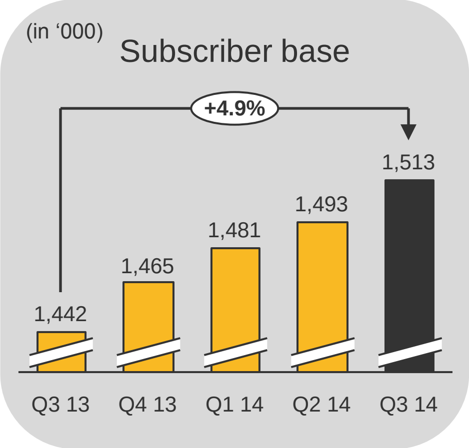


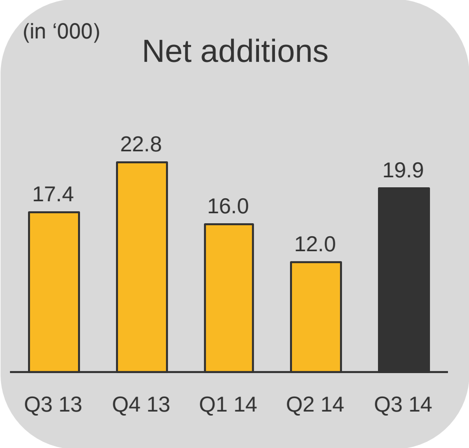


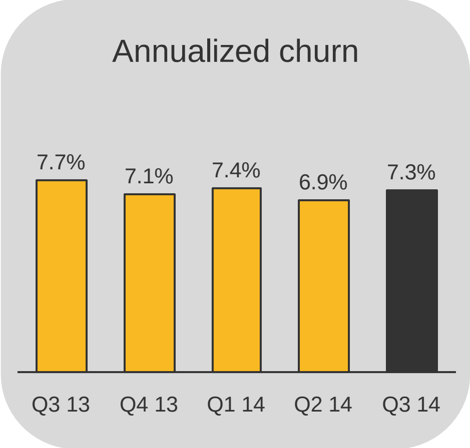

(1) Excludes mobile telephony

# Broadband internet

## More than 1.5 million broadband internet RGUs at Q3 2014 quarter-end




- **Robust net broadband internet subscriber additions of 19,900 in Q3 2014**, +14% yoy and +66% sequentially despite competitive environment;
- We exceeded **1.5 million broadband internet subscribers** at September 30, 2014, +5% yoy, resulting in 52.0% penetration of homes passed by our leading HFC network;
- **Annualized churn of 7.3% in Q3 2014** decreased 40 bps yoy and represented our best Q3 achievement in five years' time;
- **Enhanced customer experience** through recent "Whoppa" speed boost, extensive WiFi coverage, and more recently the **launch of EAP**.

# Broadband internet

## Great and superfast broadband internet experience extended beyond the home thanks to Wi-Free

2003 – 120 Wifi hotspots

2004 – Contract with Belgian railways

2005 – Hotspots in 38 railway stations

2007 – Wifi hotspot at Brussels Airport

2011 – Homespots

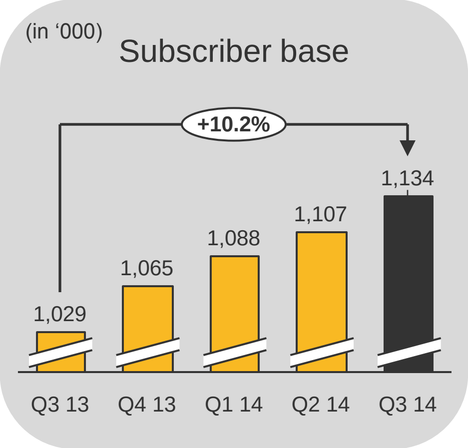
2014 – Cooperation with VOO
Agreement between Liberty Global and Comcast (US)

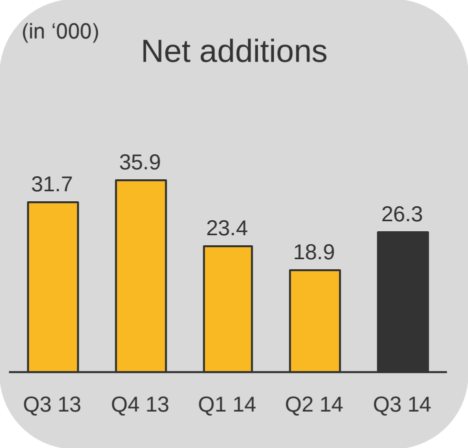

**2014**

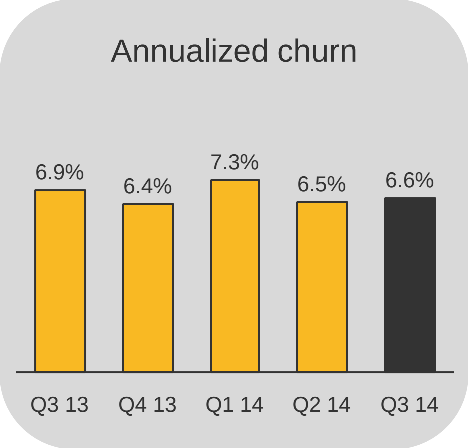
more than **1 million Homespots** & approximately **2,000 hotspots**

# Fixed telephony

## Simplified bundles, free off-peak calling and "Triiing" continue to drive quarterly RGU growth



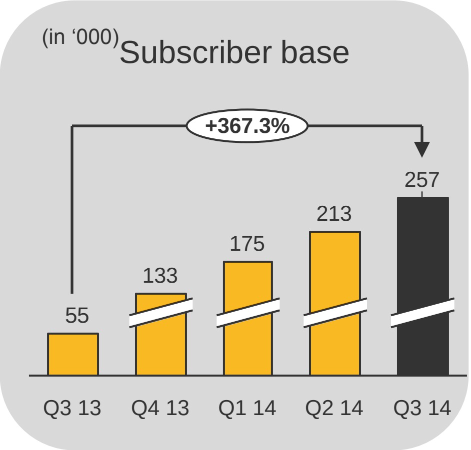

- **26,300 net fixed telephony subscriber additions** in Q3 2014, constituting considerable sequential acceleration;
- **1,133,600 fixed telephony subscribers** at the end of Q3 2014, up 10% yoy, equivalent to a 38.9% penetration of homes passed by our network;
- **Annualized churn of 6.6% in Q3 2014**, down 30 bps yoy, and broadly stable compared to the preceding quarter;
- Our innovative VoIP app "**Triiing**" adds value to our fixed telephony proposition and had **approximately 257,000 registered devices** at September 30, 2014.

# Fixed telephony

## “Triiing” adding value to our fixed telephony proposition

- **Call at no charge** with your mobile over WiFi
- From your app to all fixed and mobile numbers
- No expensive phone calls when abroad as you call using **FreePhone Europe** tariffs

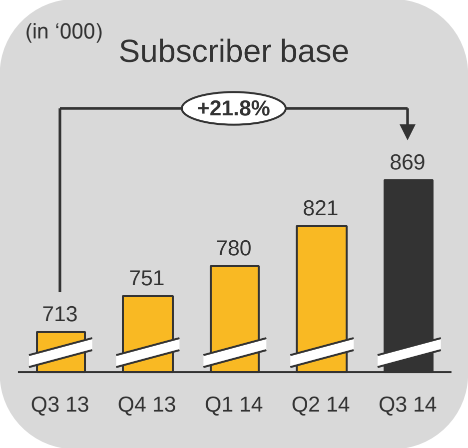
- **Contact list** is automatically synced into the app
- Up to two “Triiing” users with “Whop”, or five users with “Whoppa”
- Possibility to switch from deteriorating WiFi signal to cellular

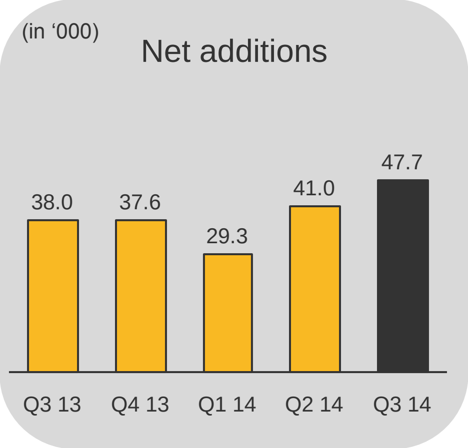


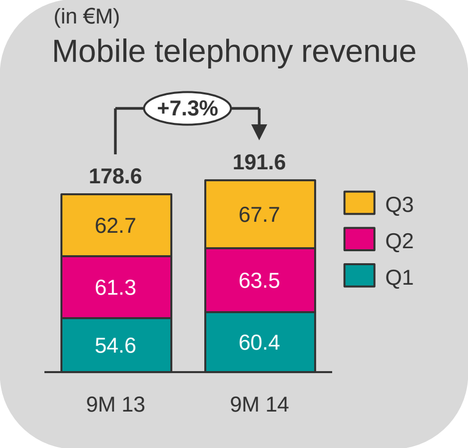


# Mobile telephony

## Improved mobile line-up and successful “Back to School” campaign boosted net mobile postpaid subscriber growth




- **47,700 net mobile postpaid subscribers** in Q3 2014 (+26% yoy), despite a competitive environment;
- **868,500 mobile postpaid subscribers** at September 30, 2014 (+22% yoy), representing around 19% of our cable customer base;
- **Annualized churn** was slightly up sequentially, but **down a solid 430 bps compared to Q3 2013**;
- **Residential mobile telephony revenue reached €191.6 million in 9M 2014** (including €59.4 million of interconnection revenue), up 7% yoy, driven by solid RGU growth, partially offset by a decrease in our mobile ARPU.

# Mobile telephony

## Telenet retails the iPhone 6™ in Flanders through an innovative market campaign #applesmetperen


**Apple iPhone 6 16GB**

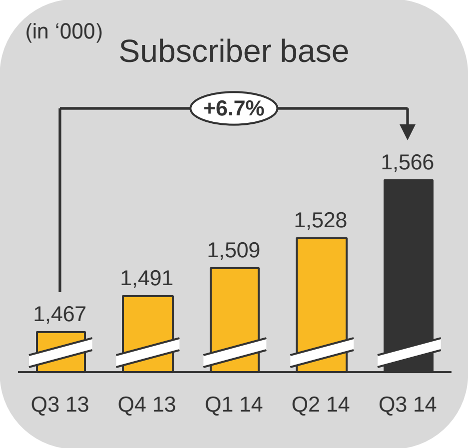
| | |
|---|---|
| €0 / month | €599 |
| €15 / month | €299(1) |
| €25 / month | €99(1) |

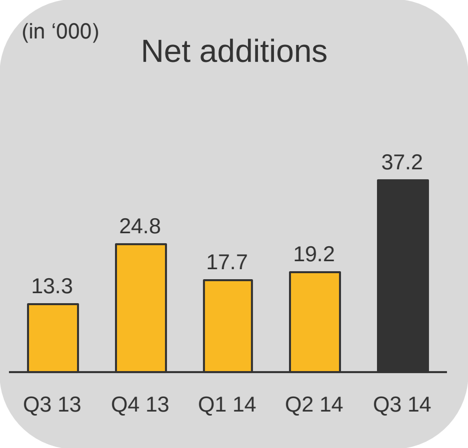


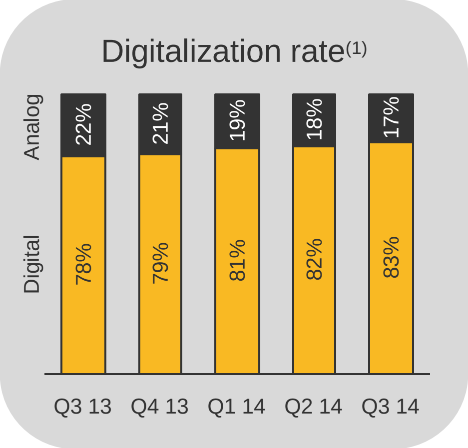

(1) 24-month contract period, in combination with either "King", "King Supersize" or "Kong" subscription

# Digital TV

## Robust net new subscriber growth in Q3 2014 post phasing-out of SD TV platform




- **37,200 net digital TV subscribers added in Q3 2014**, +94% sequentially, following the **phasing-out of our SD ("Standard Digital") video platform** in Q3 2014;
- **Reaching 1,565,500 digital TV subscribers** at September 30, 2014, up 7% yoy;
- Continued traction for our sVOD packages **"Rex" and "Rio" with 127,300 subscribers** at September 30, 2014, up 13% sequentially;
- Active **"Yelo TV"** user base reached **approximately 423,900 users** at September 30, 2014.



(1) Includes basic digital cable TV subscribers

# Digital TV

## Telenet further strengthens its entertainment position with both international and local programming

**International content – Home of HBO**

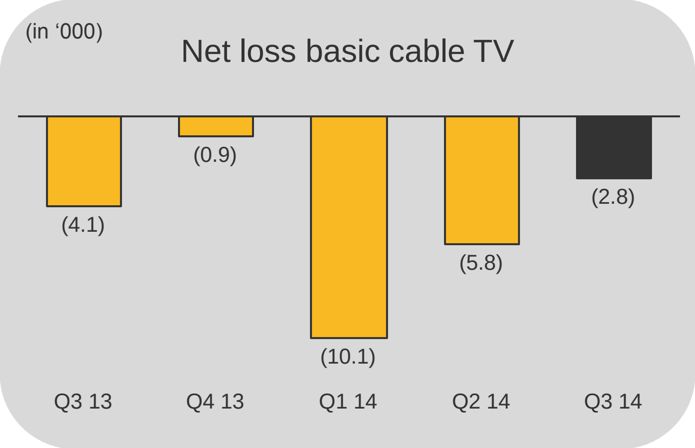
- Exclusive Flemish partner until 2018
- Access to critically-acclaimed original programming such as “Game of Thrones” and “Boardwalk Empire”
- Airing within one day of US premiere
- Includes selection of popular series such as "Band of Brothers" and "The Sopranos” and films from Cinemax

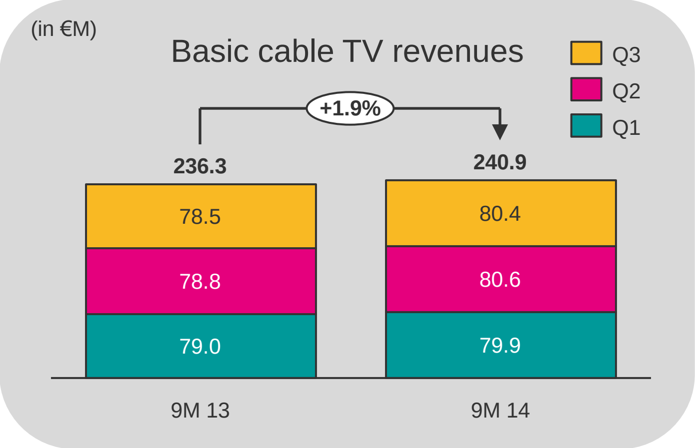

**Local content – Chaussée d’Amour**

- Original TV series of 10 episodes
- In the course of 2016, exclusively available for Rex & Rio subscribers
- Available in entirety for binge viewing
- Financed through our existing STAP program of €30M spread over 4 years

# Basic cable TV

## Continued improvement in net loss rate

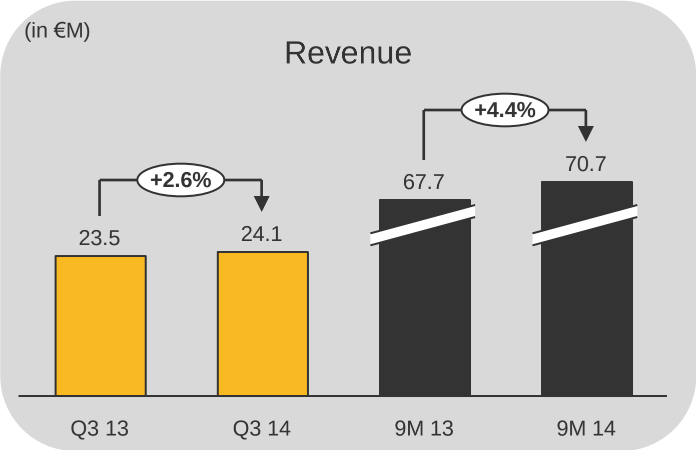


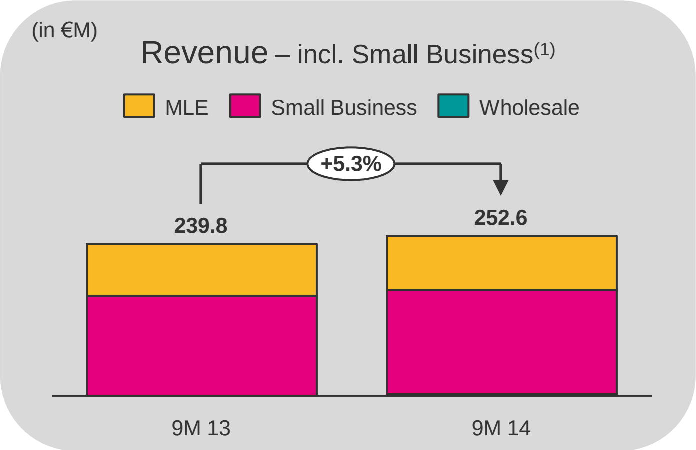




- **2,073,800 basic cable TV subscribers** at September 30, 2014, representing approximately 71% of the homes passed by our network;
- **In Q3 2014**, we experienced a **net loss rate of 2,800 basic cable TV subscribers**, roughly half the net organic loss in Q2 2014 and strong improvement versus Q1 2014;
- We believe our **net organic loss rate represents a solid achievement given the intensely competitive environment**, characterized by the availability of other digital and OTT platforms in our market and competition mainly from low-end offers.

# Business services

## Revenue up 4% yoy to €70.7 million for 9M 2014




- **9M 2014 revenue of €70.7 million, up 4% yoy**, as lower revenue from leased data lines and hosting services was more than offset by higher revenue from wholesale services for mobile, higher security-related revenue and fixed voice;
- **Successful launch of new fixed telephony product offering** for SME and SoHO customers helps to offset continued pricing pressure in this segment;
- Continued focus on **providing integrated connectivity solutions** to business customers, together with **value-added services,** including cloud, hosting and managed security solutions, and a tailor-made personalized service and care offering.



(1) The revenue generated by our small business subscribers over coax products is reported under our residential revenue and is not reflected in our externally reported business services revenue

# Business services

## Unleashing bundling strategy in the SME segment, complemented with tailor-made A-Desk customer service


### FLUO

- Business Internet 160
- FreePhone Europe
- A-Desk

€57.10 / month

### FLUO home

- Business Internet 160
- FreePhone Europe
- A-Desk
- Digital TV

€71.80 / month

### FLUO plus

- Business Internet 200 plus
- FreePhone Europe
- A-Desk
- Digital TV

€83.60 / month

### FLUO mobiel

- **FLUO** home
- Mobile subscription plan (E.g.: King Supersize)

€88.33 / month

# Timeline cable regulation

## Implementation & legal procedures

| | |
|---|---|
| **May/June 2013** | Deadline consultation retail minus |
| **Sep 2013** | Publication of qualitative part |
| **Dec 2013** | Publication of retail-minus |
| **July 2014** | Ready 6 months after Mobistar request |
| **Oct 2014 ?** | Legal decision on annulment |

### Different steps

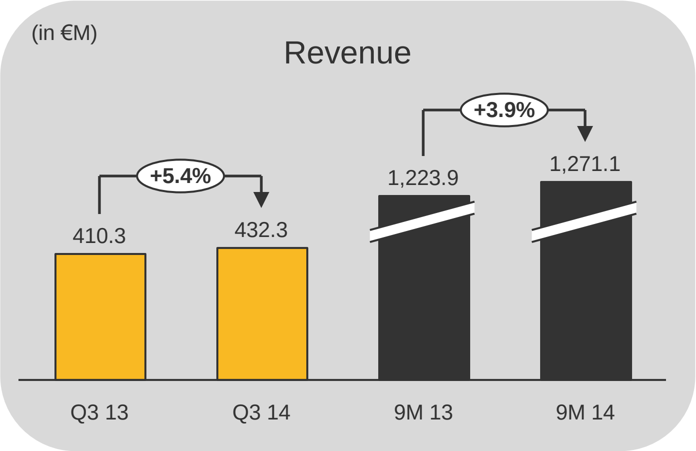
- **Qualitative reference offer (technical elements)**
  - Adopted on September 3, 2013
  - Public statement of Belgacom no interest in analog anymore
- **Quantitative reference offer** (retail-minus)
  - Adopted on December 11, 2013
  - Fixing retail-minus of 30% for TV and 23% for TV and Broadband
- **Mobistar submitted Letter of Intent**:
  - On January 10, Telenet received advance payment from Mobistar
  - Implementation completed on July 10, 2014
- **Legal case**:
  - Pleadings took place Q1 2014
  - Final decision has been postponed. Outcome currently expected end of October 2014

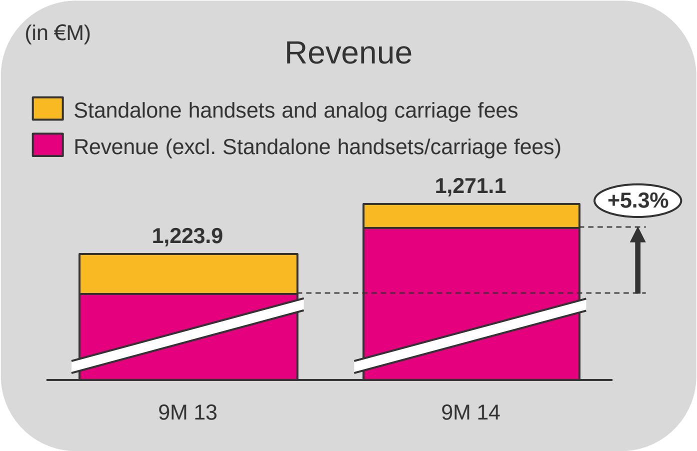
# Financial Highlights

Birgit Conix, Chief Financial Officer

# Revenue up 4% yoy to €1,271.1 million

## Impacted by substantially lower revenue from low-margin standalone handset sales and analog carriage fees

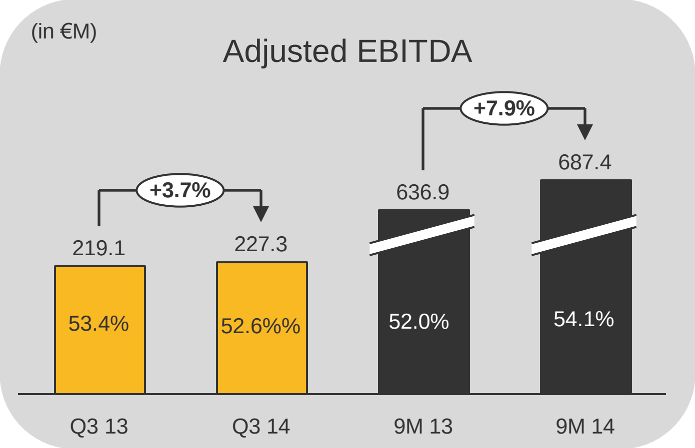


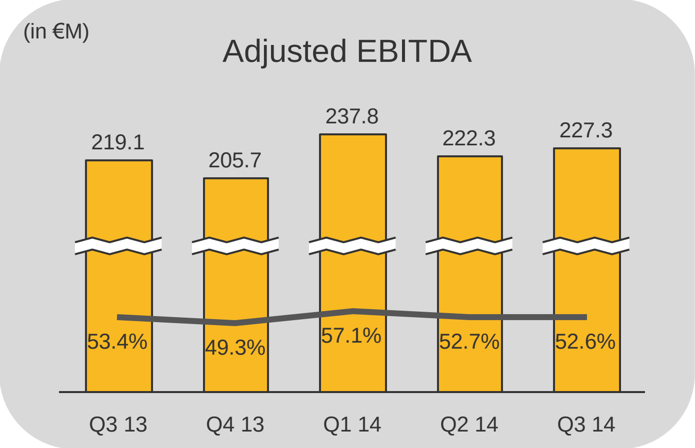




- **Revenue of €1,271.1 million for 9M 2014, up 4% yoy**, impacted by (i) €10.9 million lower revenue from the sale of standalone handsets on which we generally earn a small margin; (ii) €4.4 million lower analog carriage fees, and (iii) lower usage-related revenue;
- **Excluding revenue from standalone handset sales and analog carriage fees**, our revenue growth rate would have been meaningfully higher;
- **Continued sequential improvement in top line growth rate in Q3 2014**, up 5% yoy to €432.3 million, driven by solid RGU growth and higher revenue from set-top box sales but offset to some extent by continued lower revenue from the sale of standalone handsets.

# Adjusted EBITDA of €687.4 million, up 8% yoy

## Driven by solid multiple-play performance, overall control of our overhead expenses and including a €12.5 million nonrecurring benefit

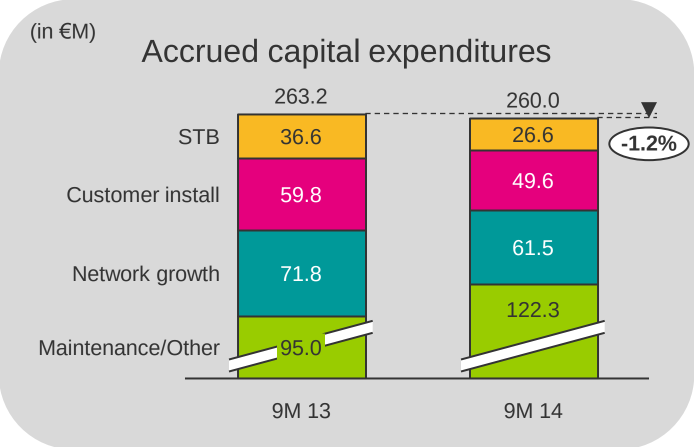


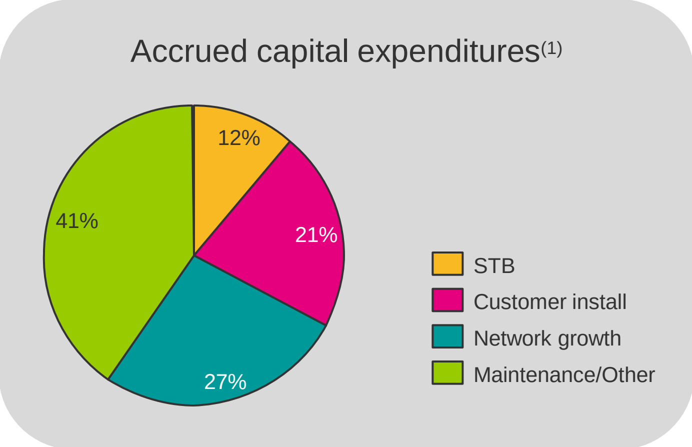




- **8% Adjusted EBITDA growth for 9M 2014 to €687.4 million**, including a nonrecurring €12.5 million benefit. In addition, Adjusted EBITDA growth was also driven by (i) solid multiple-play growth, (ii) relatively lower handset subsidy costs, and (iii) an overall control of our overhead expenses;
- **Adjusted EBITDA of €227.3 million in Q3 2014, up 4% yoy**, as lower advertising, sales and marketing costs were more than offset by higher handset subsidies, higher interconnection expenses as a result of RGU growth and higher costs related to the sale of set-top boxes;
- **Q3 2014 Adjusted EBITDA margin of 52.6% was broadly flat versus Q2 2014**, yet decreased by 80 bps yoy due to timing variances in our handset subsidy campaigns.

# Accrued capital expenditures of €260.0 million

## Representing around 18% of revenue excluding the extension of the Belgian football broadcasting rights, reflecting lower STB expenditures and phasing



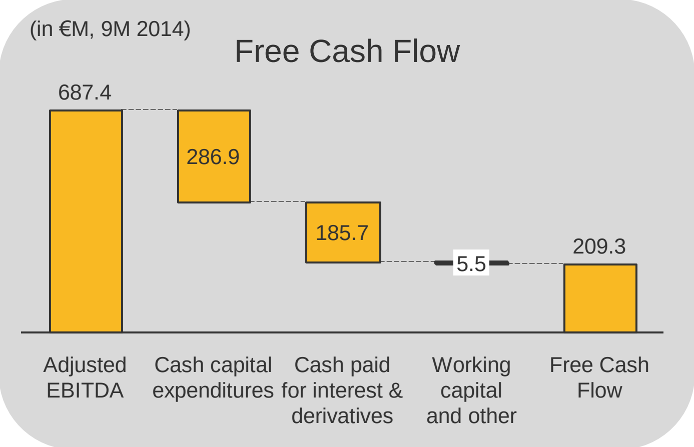

- **Accrued capital expenditures of €260.0 million** for 9M 2014, down 1% yoy, **representing approximately 20% of revenue** (18% excl. the extension of the Belgian football broadcasting rights);
- Accrued capital expenditures in 9M 2014 reflected the **extension of Belgian football broadcasting rights for €28.0 million**, while 9M 2013 reflected the extension of UK Premier League and reversal of set-top box related import duties;
- **Around 59% of our accrued capital expenditures for 9M 2014** (excluding the extension of the Belgian football broadcasting rights) were scalable and/or growth-related.

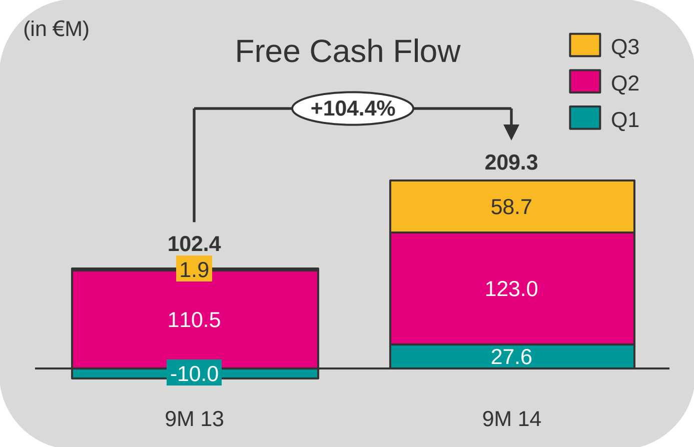


(1) Excluding the renewal of the Belgian football broadcasting rights

# Robust Free Cash Flow of €209.3 million

## Driven by solid 8% Adjusted EBITDA growth, an improvement in our working capital and lower cash capital expenditures due to phasing

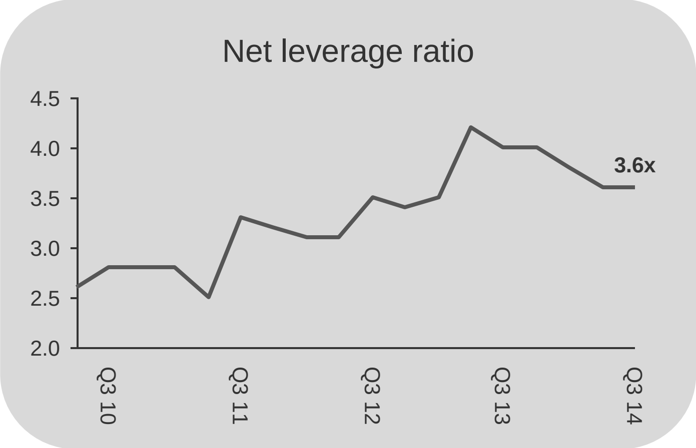


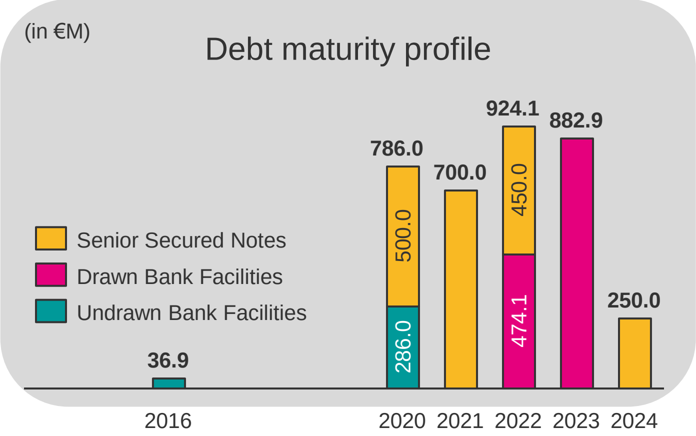




- In 9M 2014, **we generated €209.3 million of Free Cash Flow**, more than double the amount generated in the prior year period when we achieved Free Cash Flow of €102.4 million;
- The robust growth in our Free Cash Flow over 9M 2014 was directly driven by (i) a **solid increase in our Adjusted EBITDA**, (ii) a strong **improvement in our working capital** and (iii) slightly **lower cash capital expenditures** as a result of phasing and timing variances;
- **Confident to deliver on our FY 2014 outlook**, calling for Free Cash Flow of €230.0 to 240.0 million.

# Net leverage ratio of 3.6x at September 30, 2014

## Broadly stable compared to Q2 2014




- At September 30, 2014, our **net leverage ratio was stable sequentially at 3.6x** which is below our covenant at 6.0x and availability test at 5.0x;
- Through **successful refinancing of certain Terms Loans and the Senior Secured Notes due 2016**, concluded in April 2014, we extended our average tenor to 7.8 years at attractive market conditions;
- In April, we also **extended our Revolving Credit Facility** from €158.0 million to €322.9 million, which together with the available cash balance of €237.7 million at the Q3 2014 quarter-end, provides for ample short-term financial flexibility.

# Full Year 2014 outlook reiterated

## Confident to achieve 5-6% Adjusted EBITDA growth for FY 2014

| | As presented on Feb. 13, 2014 | As revised on July 31, 2014 |
|---|---|---|
| **Revenue growth** | **6 – 7%** | **4 – 5%** |
| **Adjusted EBITDA growth** | **5 – 6%** | **5 – 6%** |
| **Accrued capital expenditures** (as % of revenue) | **20 – 21%**(1) | **20 – 21%**(1) |
| **Free Cash Flow** | **€230 – €240 million**(2) | **€230 – €240 million**(2) |

- Reflecting lower revenue from standalone handsets and lower analog carriage fees;
- Anticipate higher growth in H2 2014 driven by mobile, B2B and more favorable comparison for standalone handsets.
- Confident to achieve Adjusted EBITDA growth of 5-6% despite softer revenue outlook as we continue to focus on more cost-effective subscriber acquisitions and overall control of overhead expenses.
- Relatively lower accrued capital expenditures for customer installations and digital TV migrations offset by stable network-related investments.
- Solid Adjusted EBITDA growth and a more effective management of our working capital should drive robust Free Cash Flow growth.



(1) Excluding the impact from the extension of the Belgian football broadcasting rights.
(2) Assuming the tax payment on our 2013 tax return will not be paid until early 2015 and a flat evolution of cash interest expenses.

# Thank you!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