

COMUNICACIÓN DE HECHO RELEVANTE

GRUPO MASMOVIL

31 de mayo de 2017

En virtud de lo previsto en el artículo 17 del Reglamento (UE) nº 596/2014 sobre abuso de mercado y en el artículo 228 del texto refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, y disposiciones concordantes, así como en la Circular 15/2016 del Mercado Alternativo Bursátil (MAB), así como las circulares correspondientes del Mercado Alternativo de Renta Fija (MARF), ponemos en su conocimiento el siguiente Hecho Relevante relativo a la sociedad MASMOVIL IBERCOM, S.A. (en adelante “**Grupo MASMOVIL**”, “**MASMOVIL**” o “**la Compañía**” indistintamente).

Presentación Foro Midcap BME

En Madrid, a 31 de mayo de 2017



D. Meinrad Spenger
Consejero Delegado de MASMOVIL IBERCOM, S.A.

MÁSMÓV!L

BME – MidCap Conference

May/June 2017

THE 4TH OPERATOR
CLEAR VALUE CREATION OPPORTUNITIES

Legal disclaimer

This document is for information purposes only and does not constitute an offer to sell, exchange or buy, nor is it an invitation to formulate concrete purchase offers, on stocks issued by any of the mentioned companies.

This financial information has been prepared in accordance with common reporting standards, however, being unaudited information, it is preliminary and therefore subject to change in the future.

The information contained herein may include statements regarding intentions, expectations or future projections. All statements other than those based on historical facts are forward-looking statements, including, amongst others, those regarding our financial position, business strategy, management plans and objectives for future operations. Such intentions, expectations or future projections are subject, as such, to risks and uncertainties that could determine what occurs and therefore result in a deviation from the current expectations.

These risks include, amongst others, seasonal fluctuations that can change demand, industry competition, economic and legal conditions, restrictions to free trade and / or political instability in the different markets where the MASMOVIL operates or in the countries where the Group's products and services are distributed.

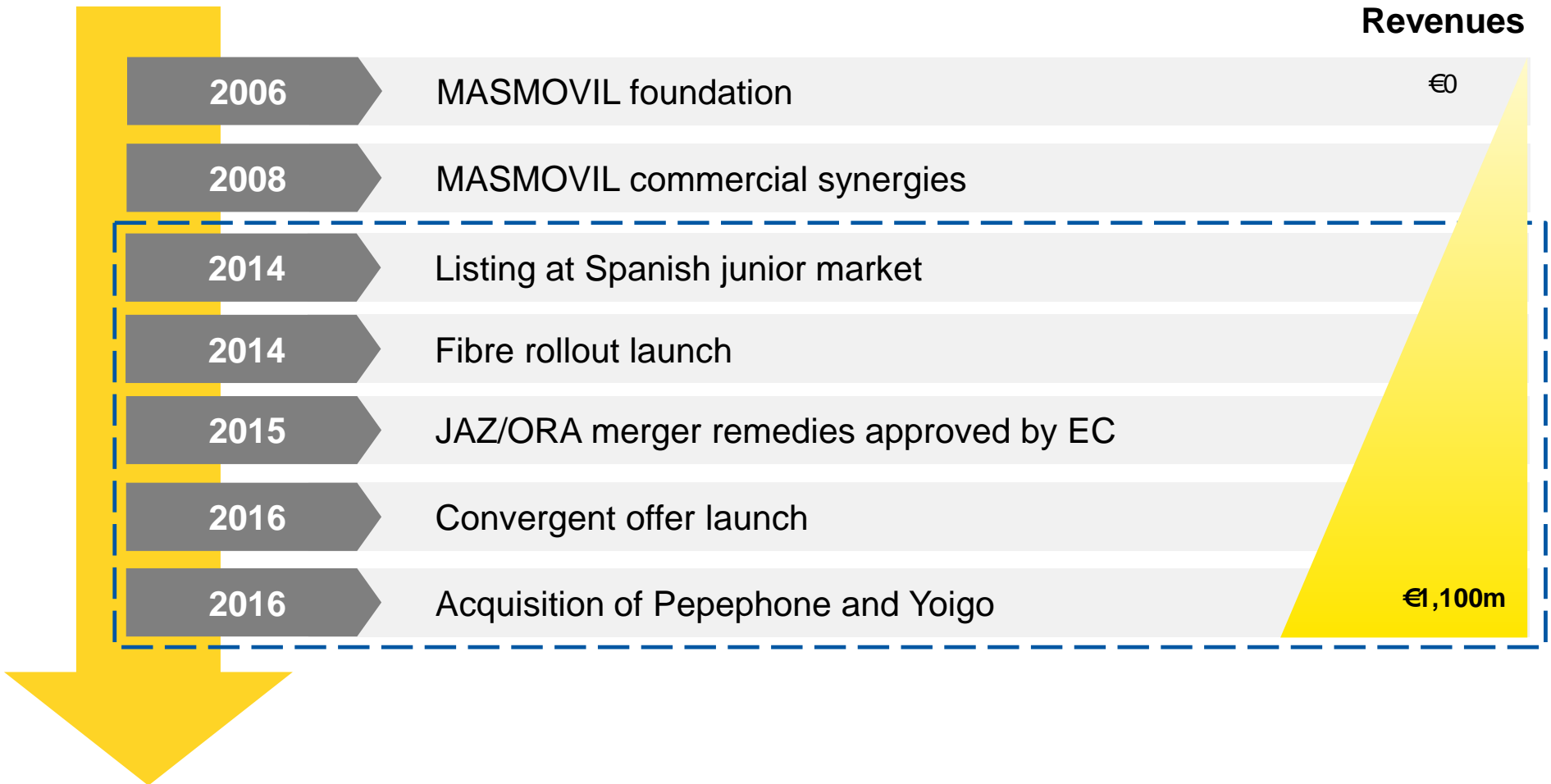
MASMOVIL does not commit to issue updates or related revisions to future projections included in this Financial Information, expectations, events, conditions or circumstances on which these projections are based.

However, MASMOVIL will apply its best efforts to provide information about these and other factors that could affect the projection statements, the business and financial results of the Company, in the documents it submits to the MAB (Mercado Alternativo Bursátil) in Spain. All those who may be interested are invited to consult the said documents.

- **Brief description and history of Masmovil Group**
- **Competitive landscape: growth finally coming back**
- **First value creation opportunity: Broadband and Convergency**
- **Second value creation opportunity: New NRA**
- **Third value creation opportunity: Deleveraging the balance sheet**
- **2017 Guidance**

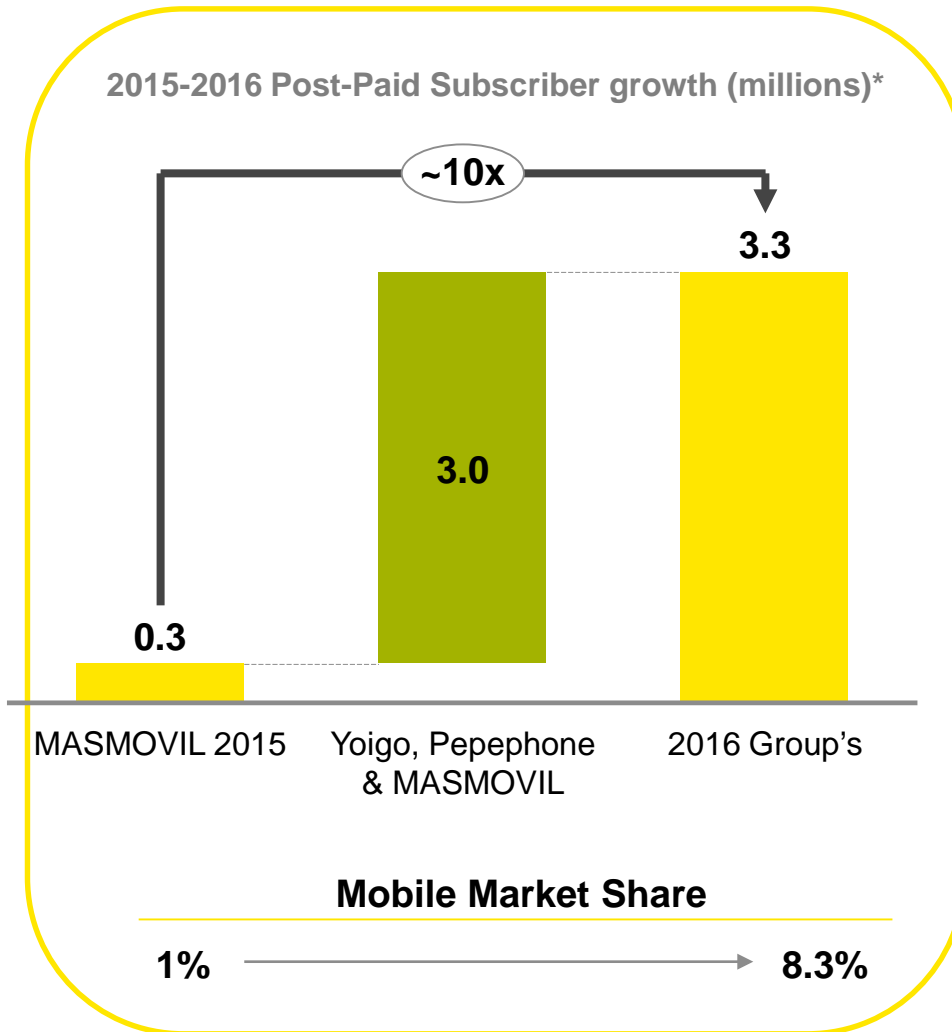
MASMOVIL was founded 10 years ago

First case of a MVNO acquiring a MNO in Europe



2016 has been a transformational year

Acquisitions and entry into the convergent market mark new beginning for the company



* Total client evolution (incl. prepaid): c.0.5m (2015) to 4.3m (2016)

MÁSMÓVIL
In 2015

- MVNO with price value proposition to customers

+

yoigo
pepephone
.com

- Own mobile network
- + 3.0m post-paid subscribers

MÁSMÓVIL
+

**Broadband
Footprint**

- Remedies from Orange in 2015 (FTTH / ADSL)
- New FTTH wholesale and co-investment contract with Orange

=

GRUPO
MASMOVIL

**4th Convergent
Operator in Spain**

Value accretive transactions with balanced funding

Transaction multiples and funding structure

€**.750**m¹

Enterprise value (EV)

Post direct cost savings

5.1x

EV/2015 EBITDA²

6.2x

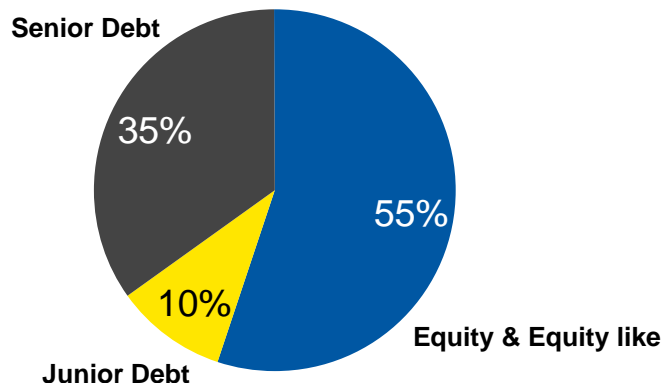
EV/2015 OpFCF²

Funding structure

3.1x

NFD³/2015 EBITDA²

Financing⁽⁴⁾



Direct cost savings

>€60m

Integration costs

<€50m

¹ An additional earn-out of up to €96m will be paid in 2020 if the company reaches €300m 2019 EBITDA (no payment due under €210m EBITDA)

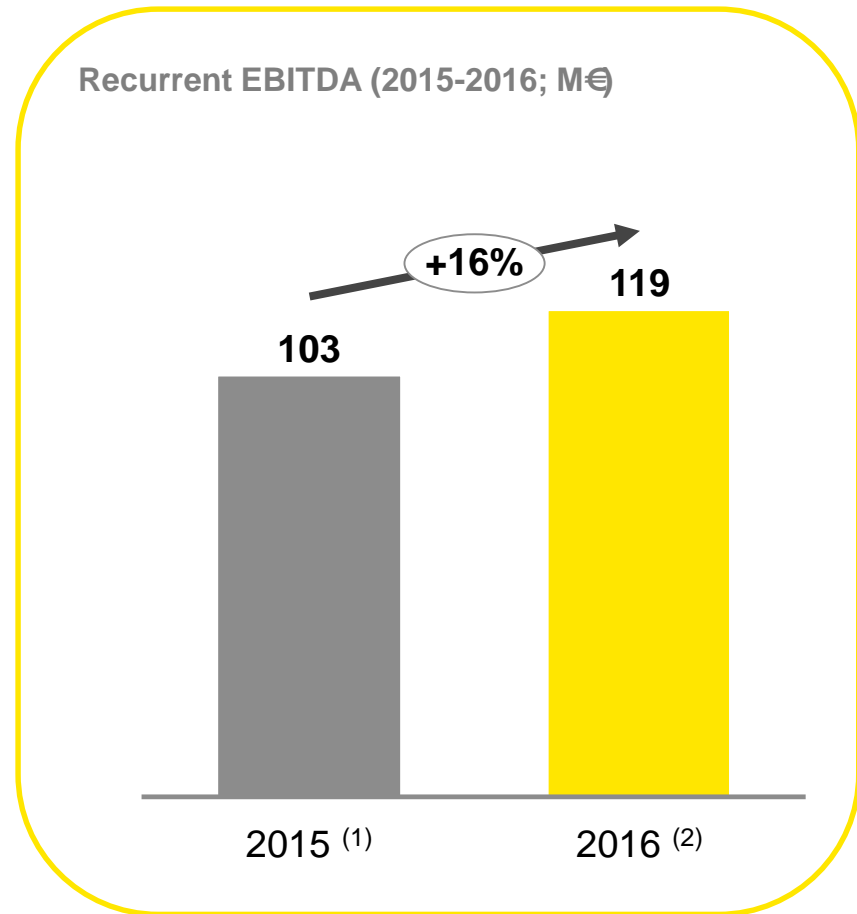
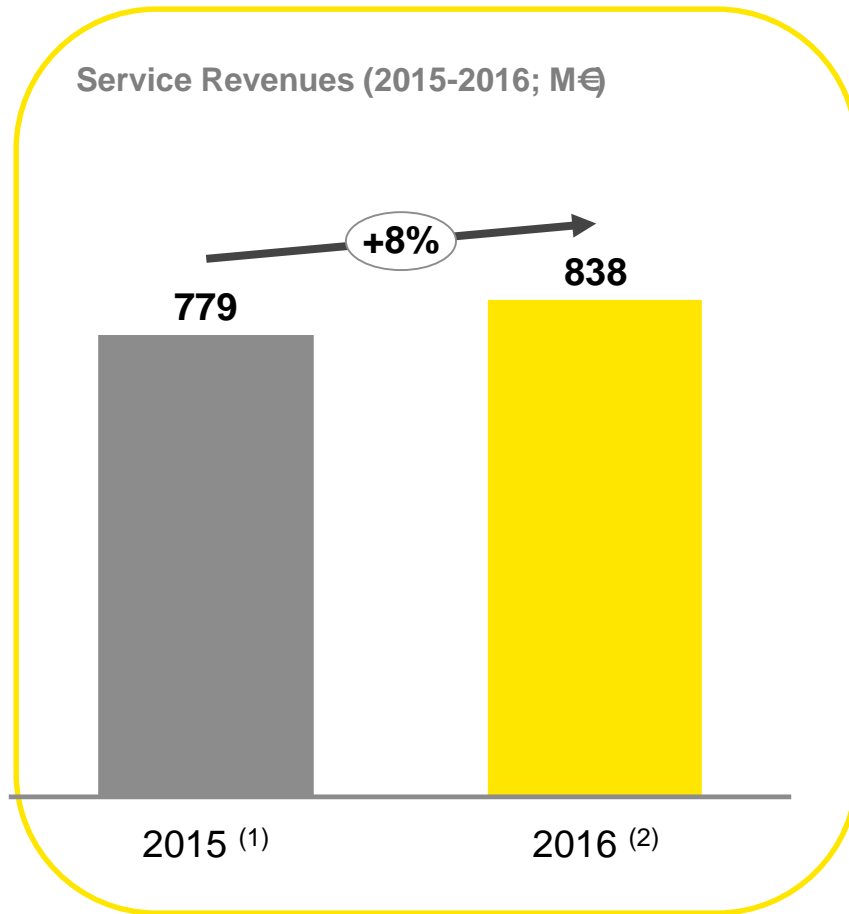
² Adjusted for direct cost savings without additional synergies, Proforma 2015 data post deals. NFD for the deals plus integration costs

³ Net financial debt related to the deals plus integration costs

⁴ Including bank debt with proceeds used as collateral

Solid financial performance

One of the highest growth rates in Europe in terms of Service Revenues and EBITDA



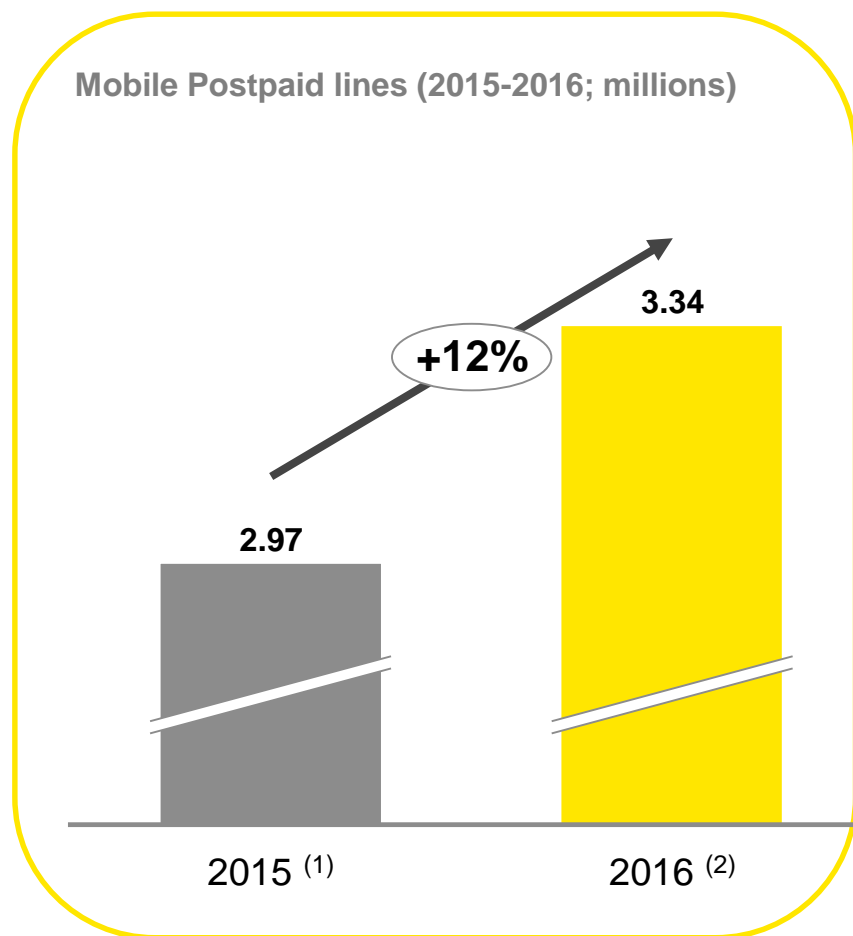
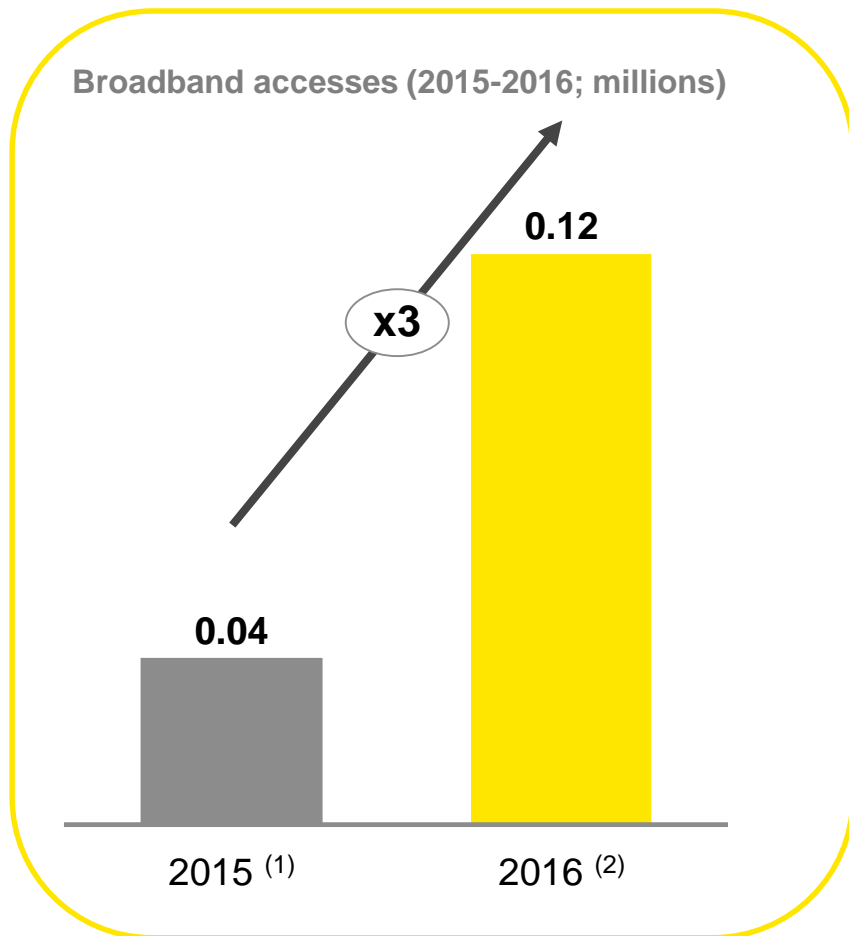
(1) Aggregated

(2) Proforma

Source: Internal information

One of the fastest growing operators

BB accesses increased by x3; Mobile postpaid +12% between 2015 and 2016



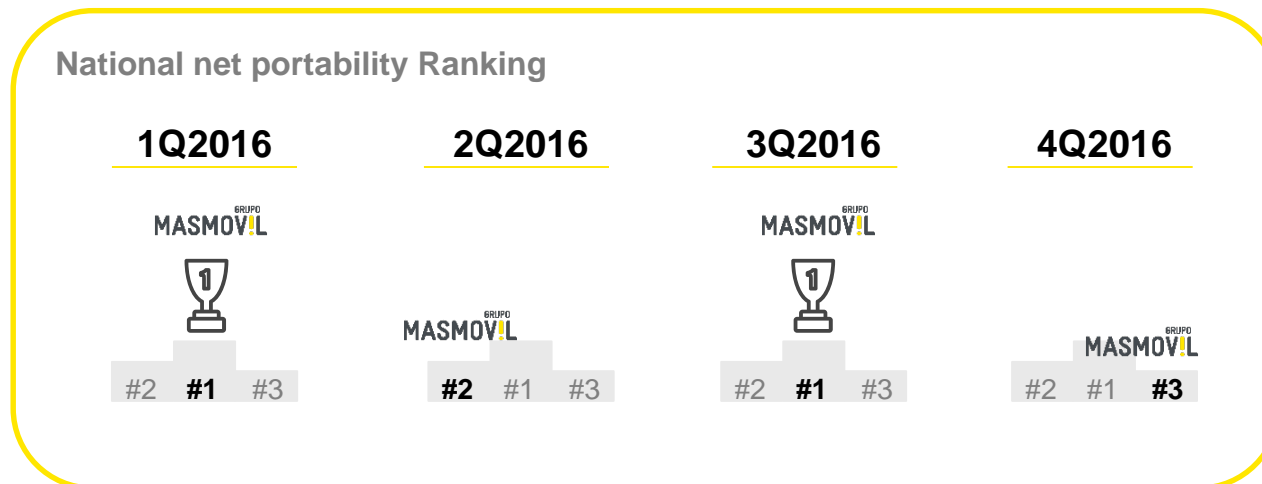
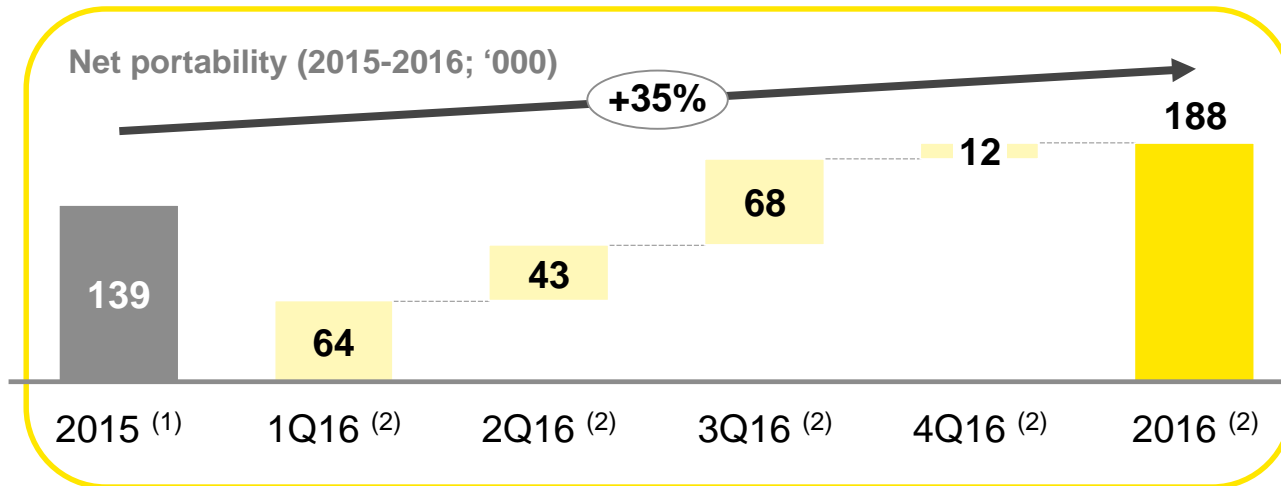
(1) Aggregated

(2) Proforma

Source: Internal information

Leading recruiter of mobile subscriber in 2016

MASMOVIL has lead the league table for mobile client acquisitions in 2016



(1) Aggregated

(2) Proforma

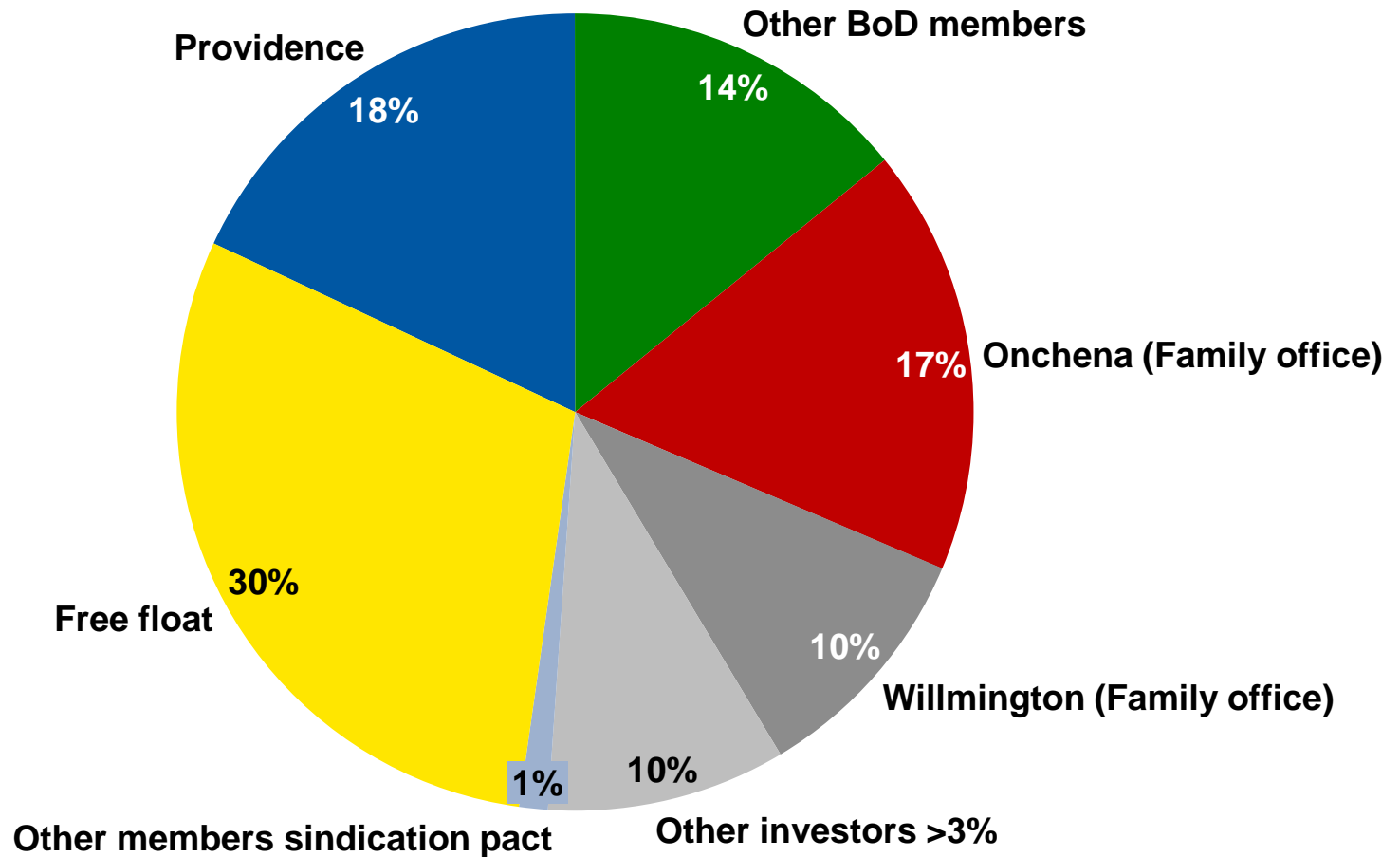
Source: Internal information & CNMC

Supportive shareholding base

Providence is main shareholder from 2016 capital increase

Market Cap : €1,100m

At 17 May 2017

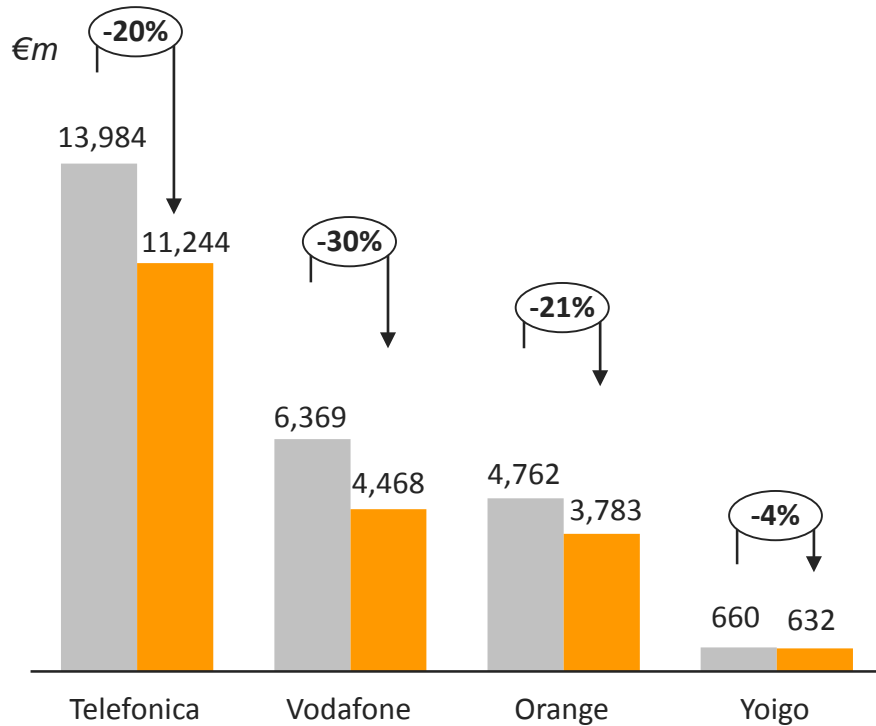


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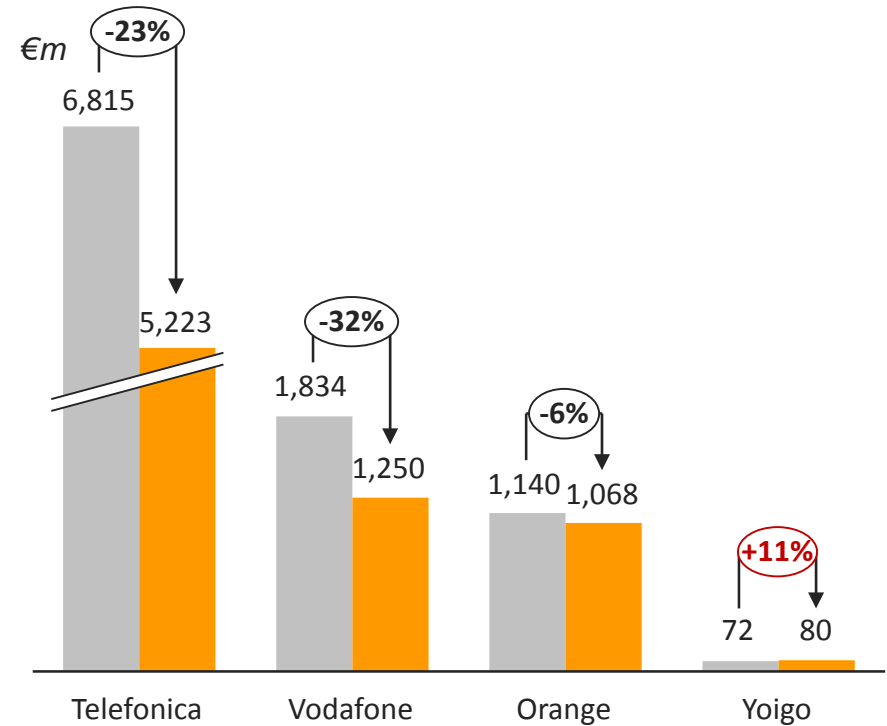
Spanish market has been very tough in the last years

The Big 3 Operators have lost 6% - 32% of EBITDA during the price war. Yoigo is the only company that has grown EBITDA over this period (+11%)

Service Revenues ⁽¹⁾
2012 - 2015



Total EBITDA
2012 - 2015



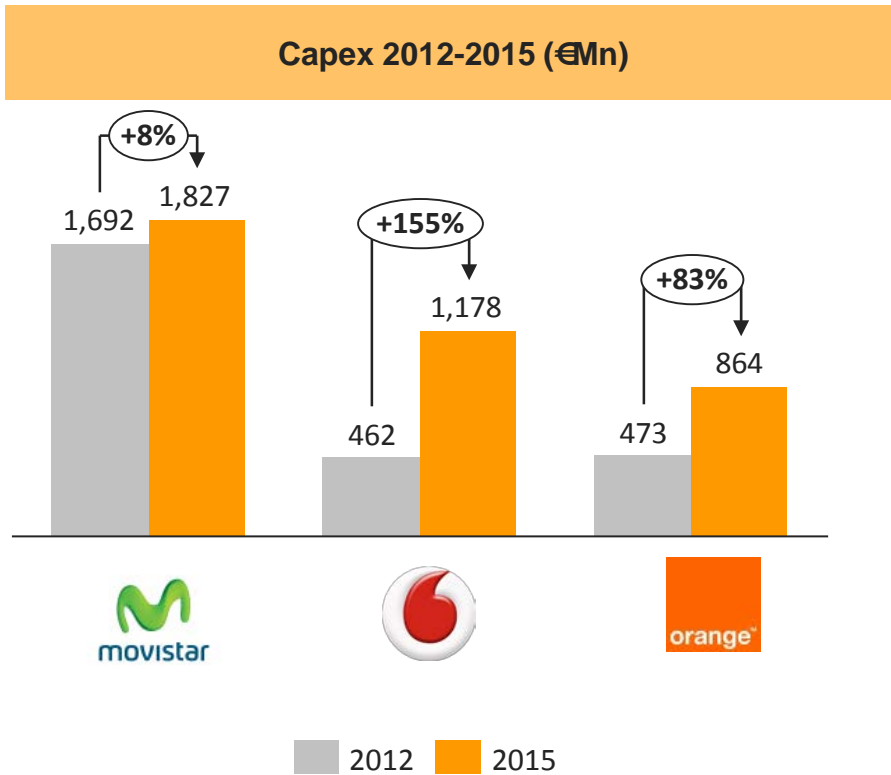
■ 2012 ■ 2015

Sources: Operators' annual reports
(1) Service Revenues = Total Revenues - Equipment Sales

Huge investments made to rationalize competitive dynamics

Increase in Capex / M&A Investments over the last 3 years will need to be amortized

- Significant investments made by TEF, Vodafone and Orange in M&A, content, FTTH and LTE network deployment suggest that they each have strong incentives to remain rational with pricing strategy.



- The incumbents have spent more than €11bn in consolidating the market:**
 - TEF bought Canal+ for €1Bn in 2014/15
 - Vodafone bought Ono for €7.2Bn in 2014
 - Orange bought Jazztel for €3.3Bn in 2015
- In addition, they invested €3.3bn in football rights...**
 - Rights to LaLiga were sold for €2Bn to TEF, Vodafone and Orange
 - TEF separately has invested €1.2Bn to buy exclusive rights for UEFA Champions league, Europe League etc.
- ... with more investments planned to upgrade the current networks:**
 - TEF invested €7.5Bn in NGN¹ between 2010-2014 and plans to invest €3.5Bn in 2016-2017
 - Orange has invested around €1.7bn in FTTH to pass 14Mn households. In Jan 2016 the company announced an investment €400Mn in 4G deployment

Note: Vodafone's financials corresponds to reported fiscal year starting on April 1st and ending on March 31st

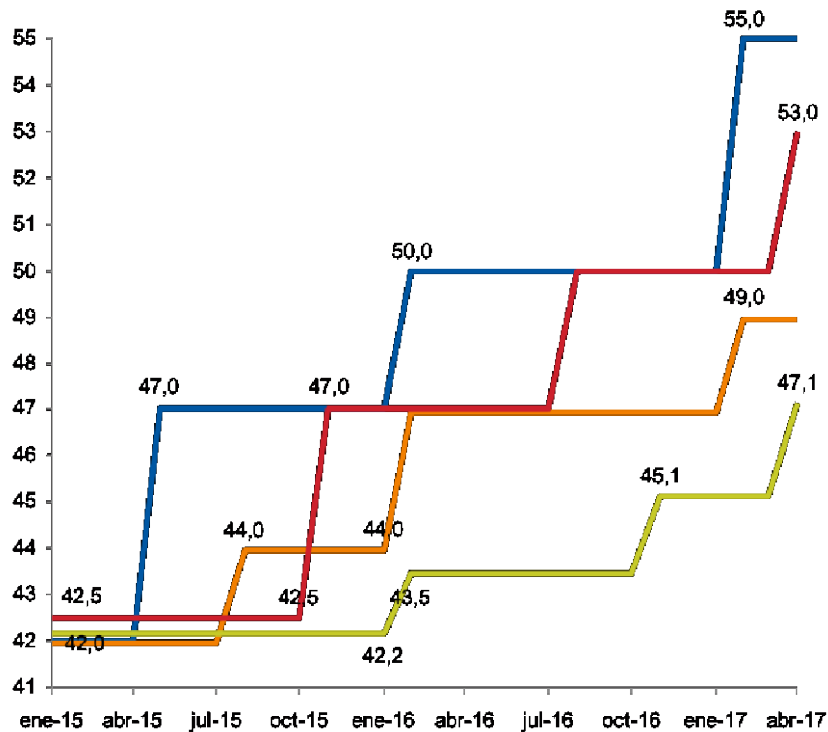
Source: Operator's annual reports, press releases, Oliver Wyman analysis

(1) New Generation Network

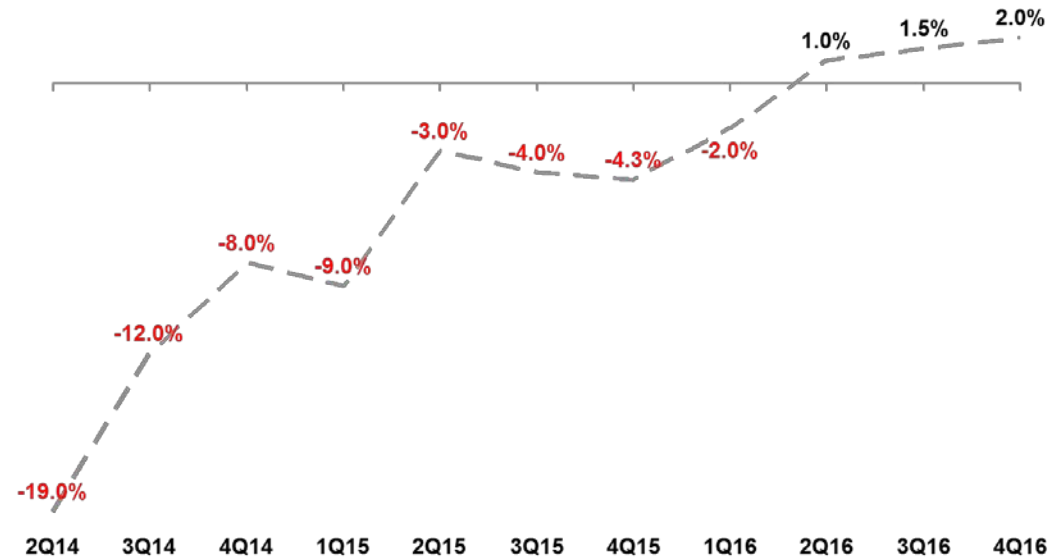
... that have allowed for tariff inflation

All operators are now focused on generating a return on recent M&A and Capex investments through pricing

Prices for 50Mb 3P service (€/month)



Service Revenues Spanish Telco Market (2Q14 – 4Q16)

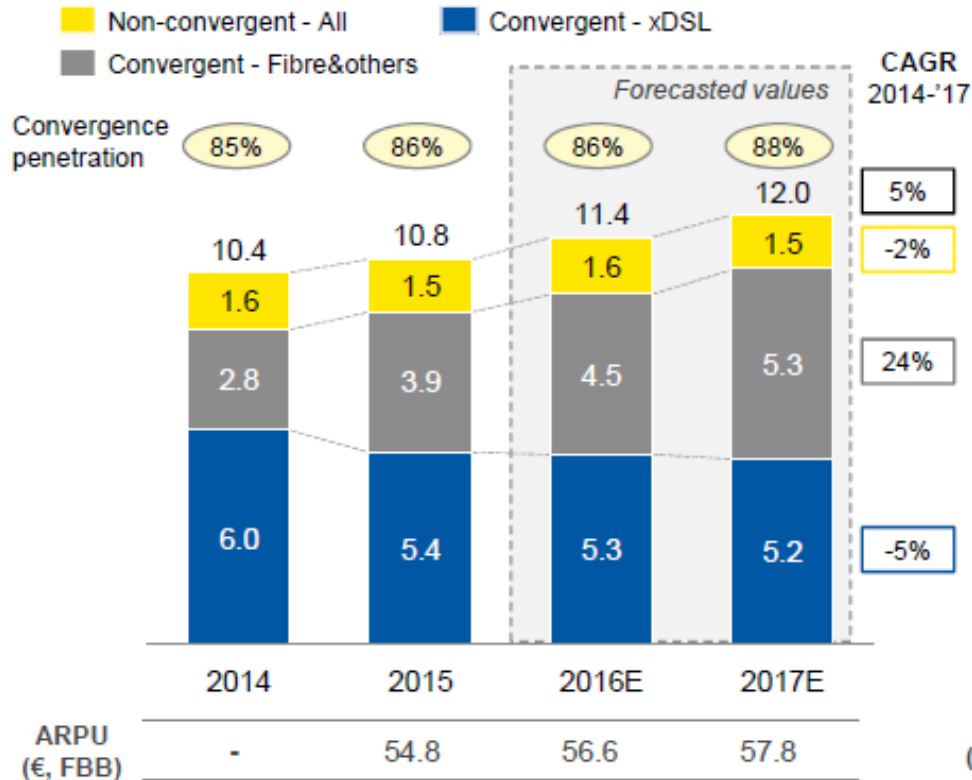


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Convergency is the name of the game

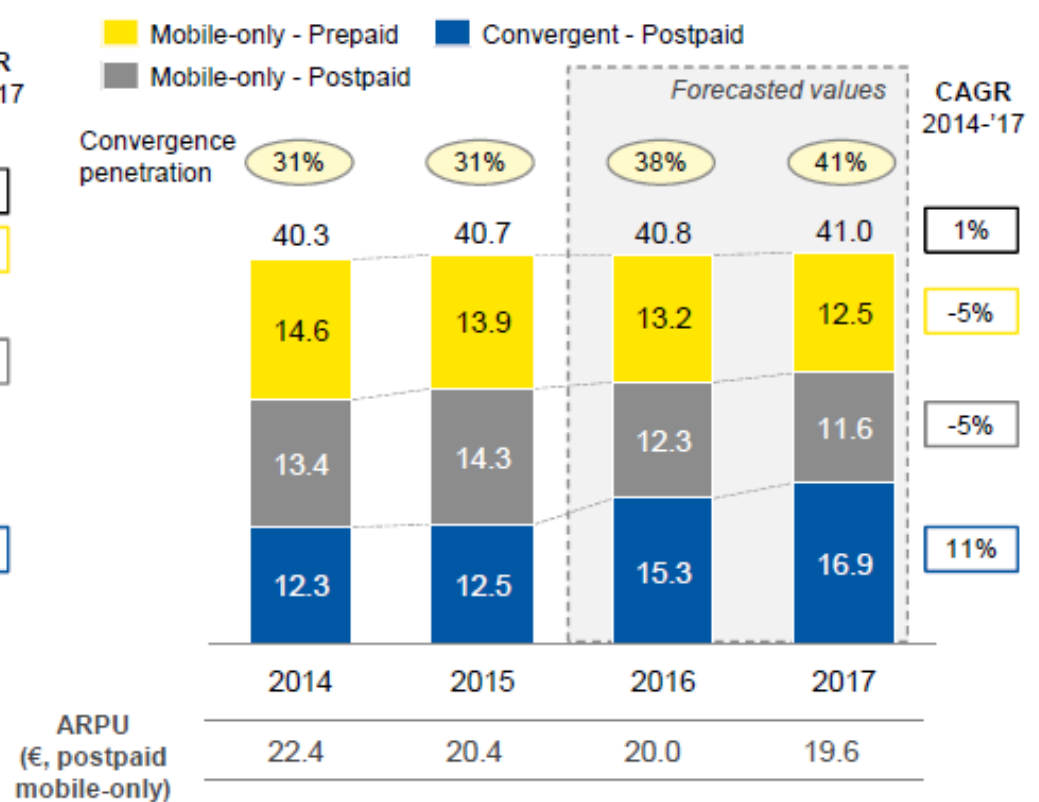
Fixed broadband market is the one gaining share

Fix broadband market evolution (2014-2017E, million of customers)



- **Total FBB lines** estimated to grow at a **5% CAGR** and **convergence penetration**, showing signs of saturation, is **expected to reach 88% 2017 EoY** (90% only by 2020)
- **Fiber is quickly gaining traction** (migrations and higher demand for speed) and expected to be 50%-50% with xDSL by 2017 EoY
- **ARPU slightly growing** due to higher #SIMs per HH and the TOP3 with no incentive to reduce price as would erode their 4P ARPU

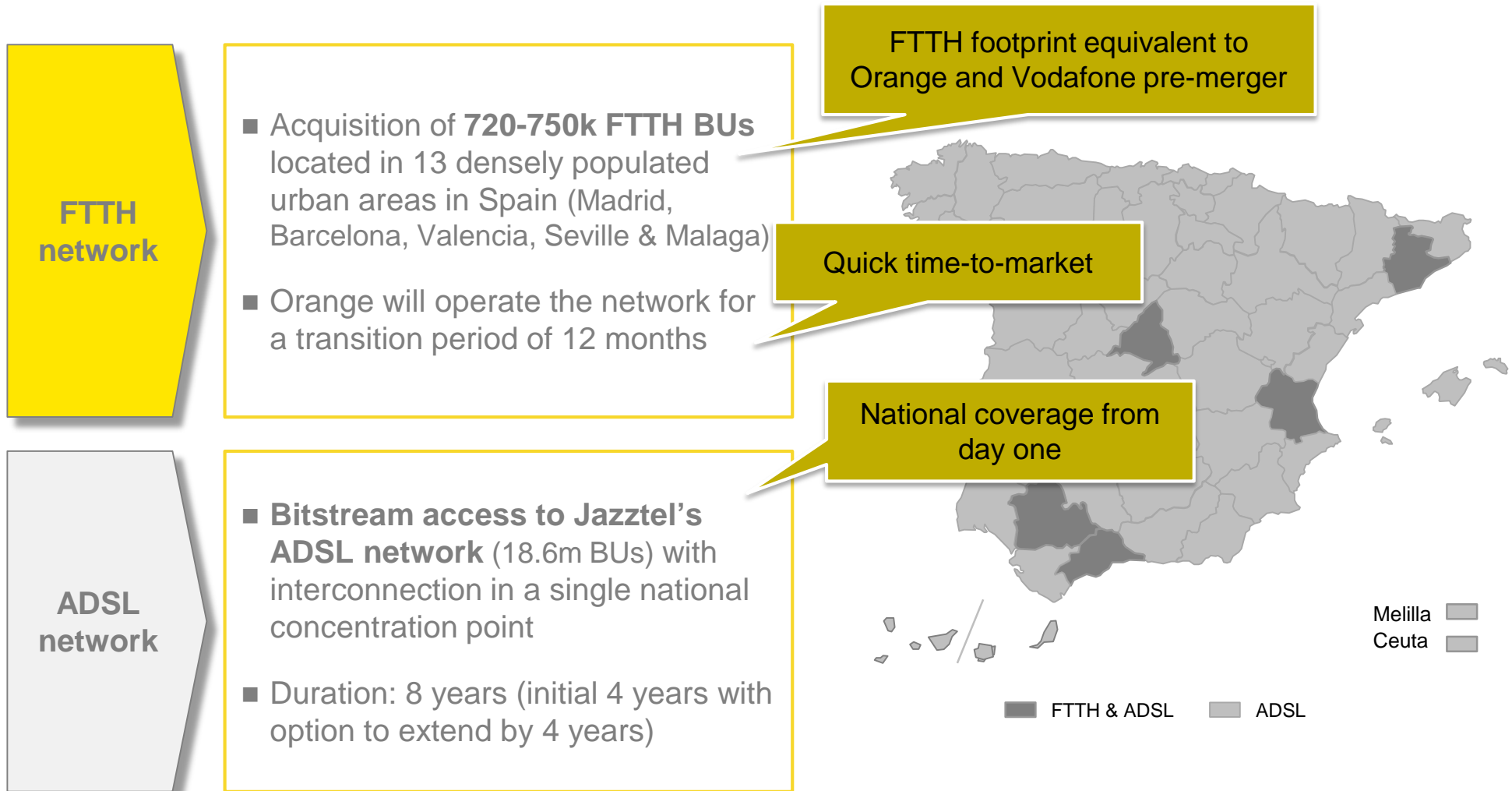
Mobile market evolution (2014-2017E, million of customers)



- Even though mobile market volume remains **stable as a whole...**
- ... dynamics are driven by the evolution of both **prepaid and postpaid mobile-only lines, both decreasing (-5% CAGR)**; and being **absorbed into convergent packs** (estimated in 2017 as 1.4 times 2014)
- Despite the slight decrease in **mobile-only postpaid ARPU** (due to low value prepaid migrations and leakage of high value ones towards 3/4P), this segment **will remain sizeable**

The remedies was the first step to compete effectively in the Spanish broadband market...

MASMOVIL's FTTH and xDSL footprint on day one



... with FTTH footprint from day one thanks to the Remedies...

MASMOVIL's FTTH coming from the remedies

Description	<ul style="list-style-type: none">■ Acquisition of FTTH network with c.825k FTTH BUs passed (could reach up to 1,000k)■ BU located in 13 densely populated urban areas in Spain (Madrid, Barcelona, Valencia, Seville & Malaga)■ Network capable of serving 70% of such BUs at the same time■ Orange could operate the network for a transition period of 12 months until MASMOVIL takes over
Transaction	<ul style="list-style-type: none">■ MASMOVIL pays €89m to Orange for FTTH network■ Orange pays €69m to MASMOVIL for IRU (max. 40% of the network capacity) on network■ Net price of €20m compares to €100m network replacement cost (approx. €130/€140 per BU)
Economics	<ul style="list-style-type: none">■ MASMOVIL/Orange share maintenance costs proportionally to their respective clients in the network (which implies that Orange pays initially all maintenance costs)■ Orange to assume minimum of 40% of network maintenance■ ORANGE might develop additional BUs in MASMOVIL network to reach approx. 1,000k BUs (at similar cost per BU to MASMOVIL than initial 730k, i.e. €27 per BU)

... full national coverage with xDSL ...

MASMOVIL's xDSL from the remedies

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Description</p>	<ul style="list-style-type: none"> ■ MASMOVIL buys an IRU on Jazztel's xDSL network ■ Bitstream access to Jazztel's xDSL network that reaches 18.6m Bus (1,123 exchanges)
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Transaction</p>	<ul style="list-style-type: none"> ■ MASMOVIL pays to Orange €29m for unlimited ports ■ Orange agrees to expand the network when required ■ Extension: 8 years (initial 4 years with option to extend by 4 years). ■ Payment for IRU back loaded (30% repaid in first 4 years and 70% in last 4 years) ■ VAT is financed by Orange for the 8 years of the contract
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Economics</p>	<ul style="list-style-type: none"> ■ Orange grants interconnection in a single national concentration point ■ MASMOVIL pays Orange: <ul style="list-style-type: none"> ■ Monthly access fee per line of €10.64 (in line with cost supported by traditional players) ■ Set-up fee of €39.2 per customer ■ Cancellation fee of €24.9 per customer

... complemented now with our own development and the global agreement with Orange

We have continued to expand the footprint from the “remedies”

...reaching c.950k BU's by the end of 2016



The global agreement with Orange has three elements

NRA

- Renegotiation of national roaming prices for the New Masmovil Group, becoming the main source of contract renegotiation savings

Site Sharing

- Agreement for site sharing with competitive economics, allowing for a flexible management of mobile network expansion

FTTH

- Co-Invest1 agreement with Orange implies a total footprint of 800-1,000k BU's by 2019
- Co-Invest2 agreement allows Masmovil to increase footprint with additional optional BU's by 2019
- Bitstream agreement on Orange FTTH network

...with bitstream agreement as key piece for commercial strategy

MASMOVIL's bitstream agreement with Orange

Description

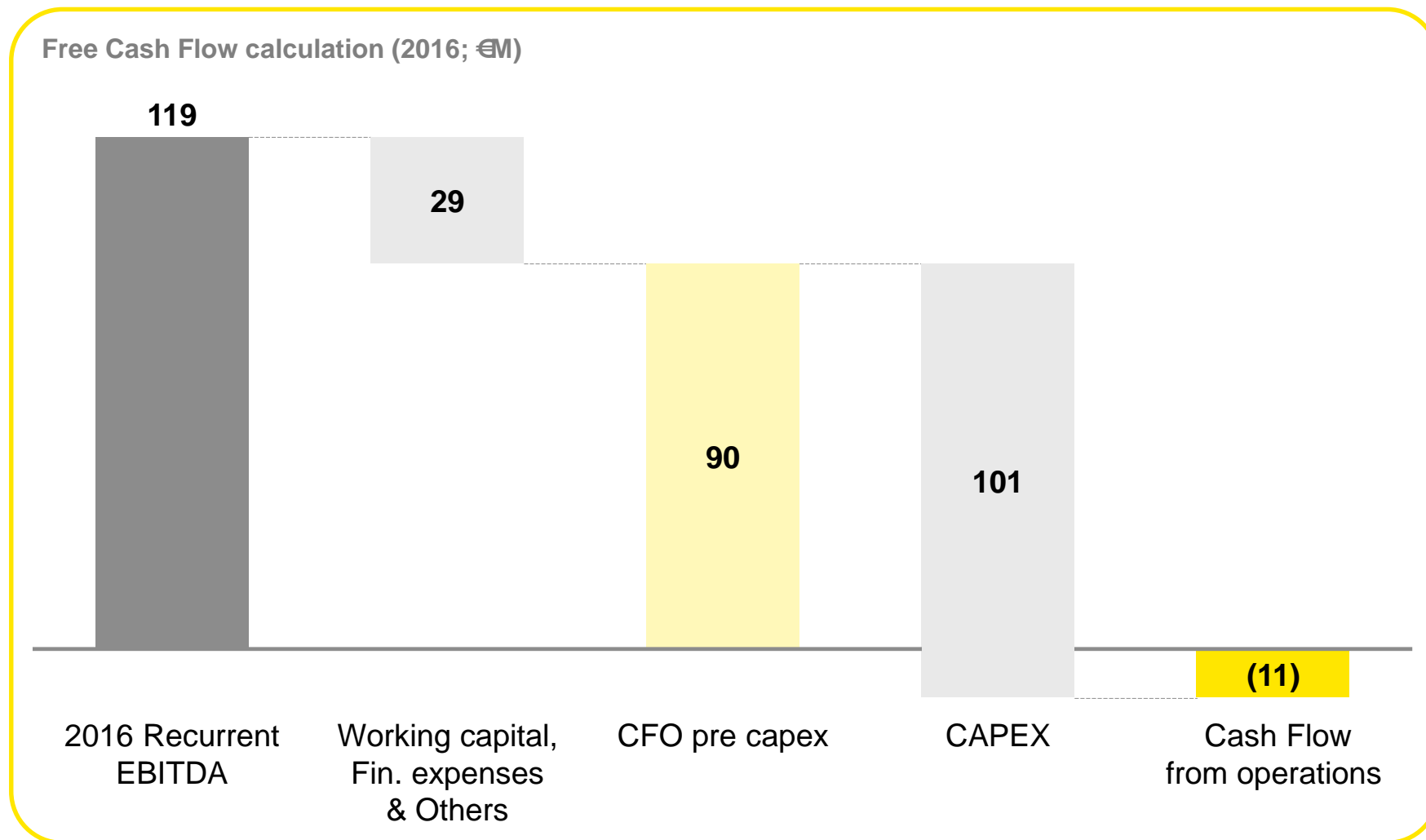
- VULA-like service (transmission costs not included)
- Access to all **Orange** FTTH footprint including liberalized cities
- Maximum of 250k customers in liberalized cities (first 3 years)

Transaction

- Duration: 10 years
- Access to full current and future network
- Limit: 250,000 in liberalized area (66 big cities) in first 3 years after signing.
 - This limit will hardly apply in praxis.
- Monthly price per customer with nominal prices (w/o discounts) always below regulated prices (VULA), and at economically interested levels
- Voucher: A voucher available for discount on FTTH services 2018-19

All 2016 CF from operations invested in CAPEX

MASMOVIL continues to invest in the development of infrastructure

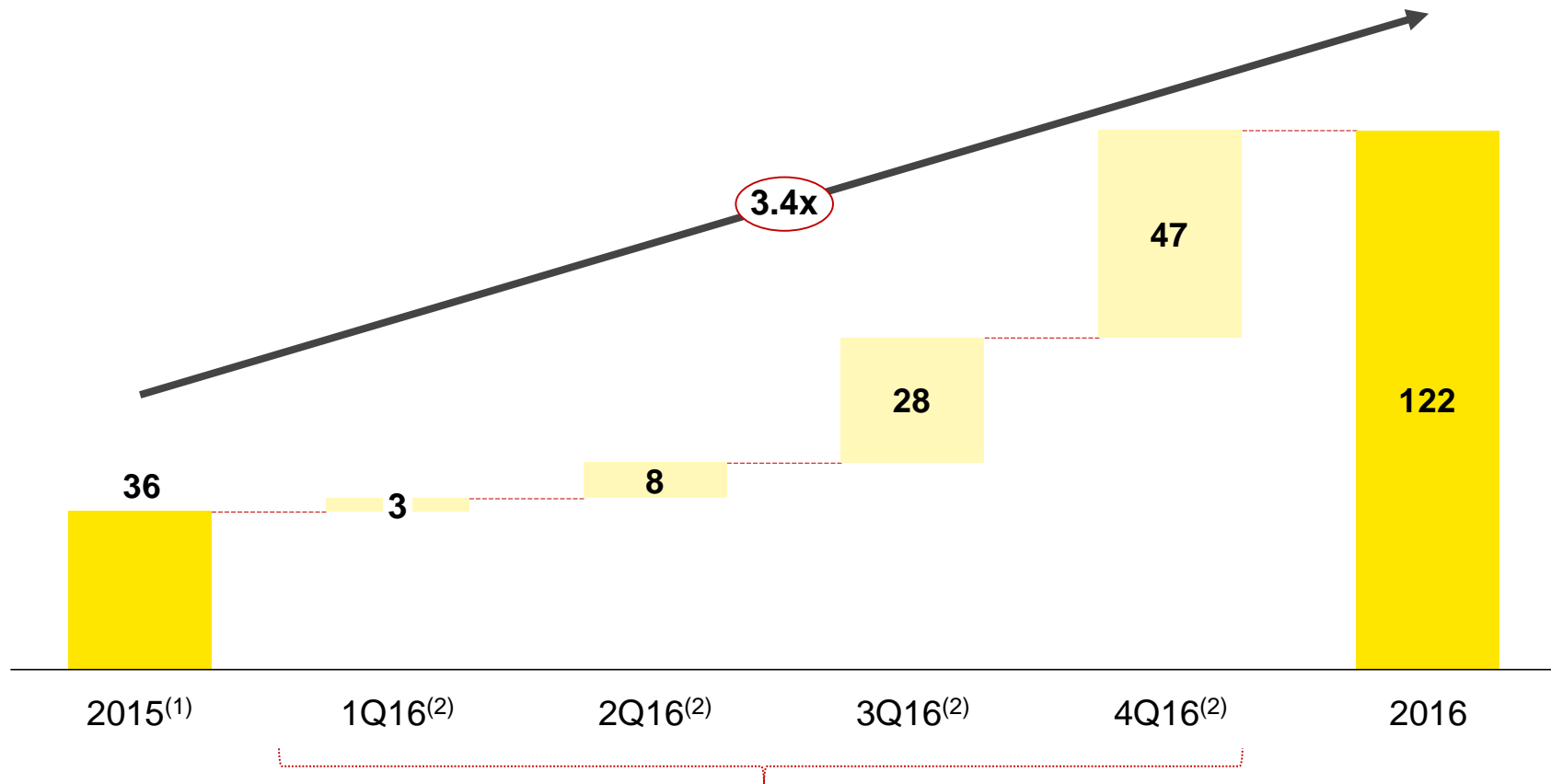


Source: Internal information

Convergent launch fuels operating momentum MÁSMÓVIL

Broadband net adds have been accelerating each quarter

Broadband subscribers (2015-2016; '000)



(1) Aggregated

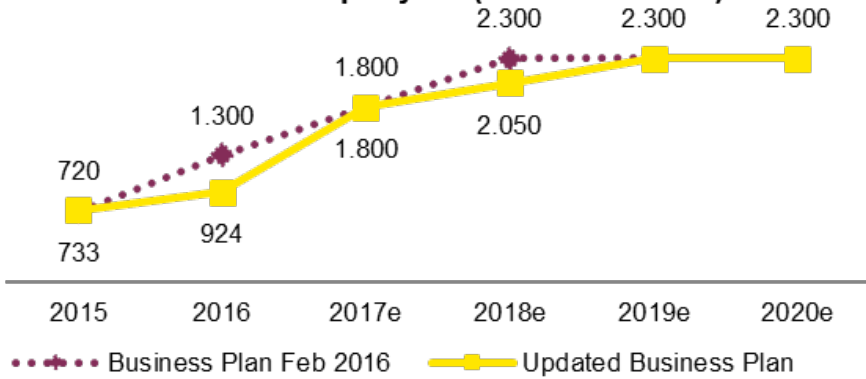
(2) Proforma

Source: Internal information

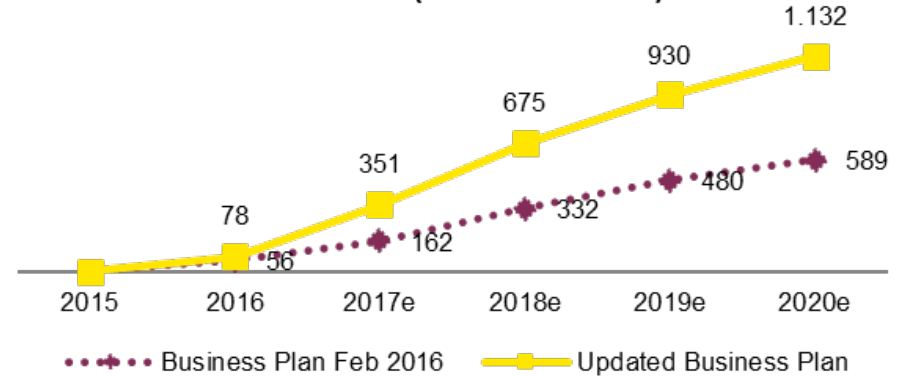
Quarterly Net BB adds

BUSINESS PROFILE

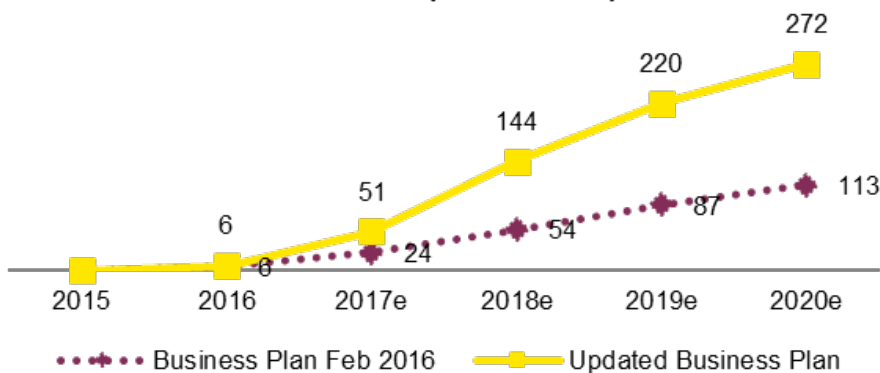
Addressable BUs per year (EUR thousands)



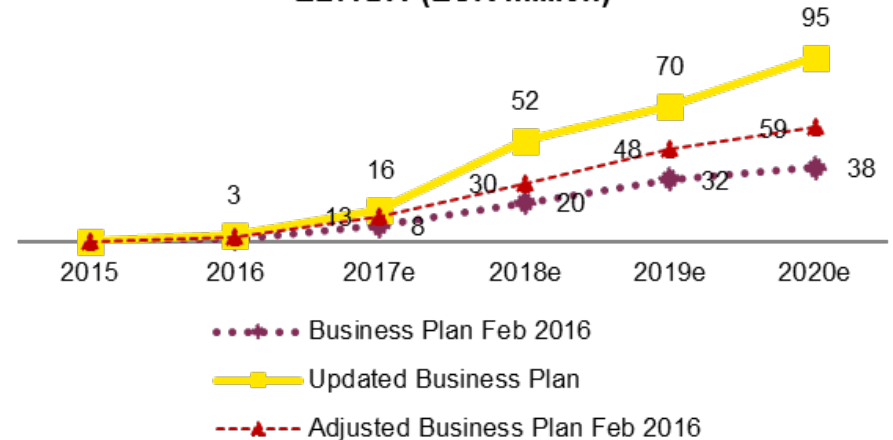
Customers (EUR thousands)



Revenues (EUR million)



EBITDA (EUR million)



¹ Notification and Rating Upgrade 10 February 2017

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NRA driving EBITDA margin expansion

Substantial EBITDA savings to be achieved in 2017



Previous situation

- Even though Yoigo has invested in its own network, the company still has to rely on a roaming partner to provide nationwide coverage
- Both Masmovil and Pepephone are MVNOs and therefore do not have their own network to carry the traffic
- The focus of the companies is more on sales and marketing as opposed to maintaining network infrastructure

NRA Provider 2016



% of Data Traffic Carried by Roaming Partner

c.40%

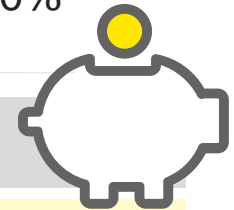
100%

100%

Impact of new NRAs

Substantial savings!

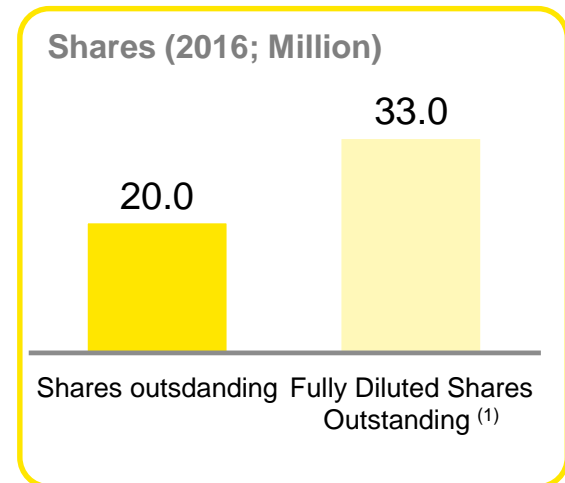
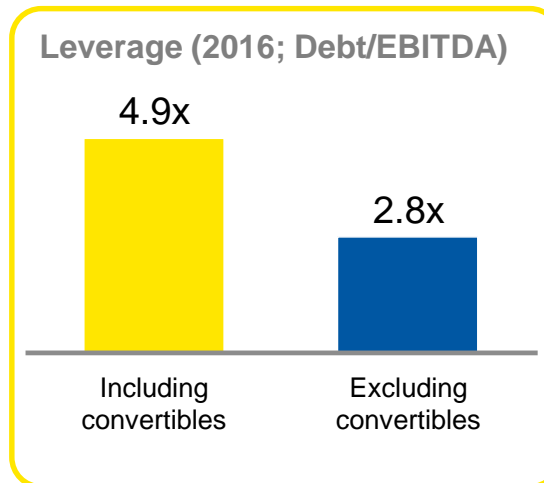
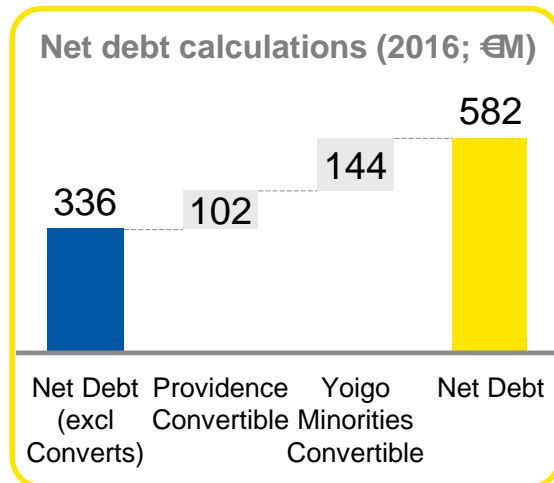
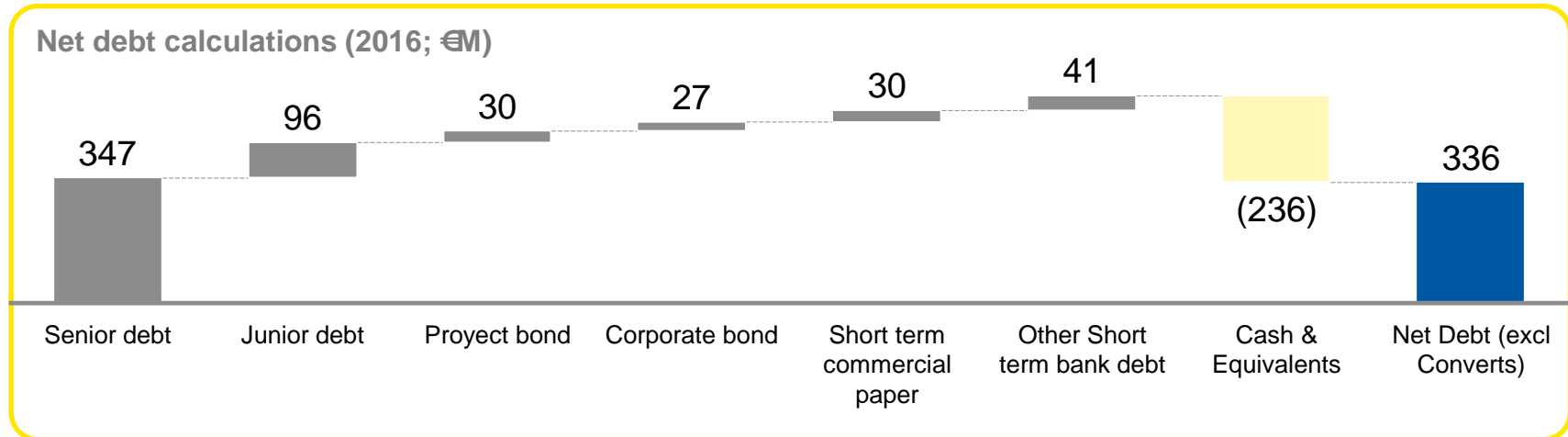
New NRAs will reduce total host costs to network partners by more than €60m in the next 12 months.



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Leverage non-demanding; sharp reduction in 2017 MASMOVIL

ND of 582M€ down to 336M€ if “deep-in-the-money” converts excluded; fully diluted shares up to 33.0M



(1) Calculated based on average number of shares plus conversion of outstanding convertibles as of March 2017 plus the exercise of MASMOVIL ESOP

Source: Internal information

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Near term focus areas

Solidifying our position as the 4th Operator in Spain

Assure Excellent Customer Service

Increase ARPU through Convergence

Develop Coherent Brand Strategy

Integrate Yoigo and Pepephone

Continue Expansion of FTTH Network

Realize Synergies

Long term strategy

Strengthen our position as the 4th Operator in Spain

Clients First

Design our actions, product and services with a clear customer first focus

Value Creation

Create value in the market and for the client through convergence and innovative service propositions

Brand Variety

Effectively address different segments in Spain through current portfolio of brands

Digital Leader

Establish MASMOVIL as digital leader

Network Coverage

Continue to increase mobile and FTTH network coverage using partnership agreements and own deployment

Guidance for 2017

