

GRUPO  
**MAS**  
MOVIL

## Acquisition of Lycamobile Spain

March 2, 2020

**Lycamobile**

**yoigo**

MÁSMÓVIL

**pepephone**

llamaya\*

LEBARA

# Lycamobile – a value accretive transaction



The transaction represents an attractive acquisition multiple of <math><5\times\text{EBITDA}</math>- CAPEX due to substantial network cost synergies

## Attractive standalone business

- Stable customer base of **1.5m** mobile prepaid lines
- **€132m revenue** and **€45m EBITDA** in FY2019
- Significant **EBITDA margin expansion** in the last years
- **Lean company** with just **85 FTEs** mainly in technical and commercial functions

## Synergy driven transaction

- Expected **annual run-rate synergies** of **€30m** from migrating Lycamobile's customers traffic to MASMOVIL's network and reduction of headquarter cost allocation to reach a **run-rate EBITDA of €75m** (€70m already in 2021)
- MASMOVIL has a **proven integration track record** including previous successful customer network migrations

## Prepaid market opportunity

- The mobile prepaid market in Spain is currently a relatively **stable industry** of around **€700m of revenues** per year
- The acquisition of Lycamobile **reinforces MASMOVIL's position** in the prepaid segment in Spain

## Maximizing value creation

- **Enterprise value** of **€372m** on a debt-free cash-free basis
- **8.2x EV/ EBITDA** pre-synergies and **<math><5\times\text{EV/ EBITDA-CAPEX}</math>** post-synergies
- Fully debt financed **without material increase** in the Group's leverage profile
- Agreement to use the **Lycamobile brand** in the long term

# Lycamobile - an attractive standalone asset



One of the largest independent MVNOs in Spain

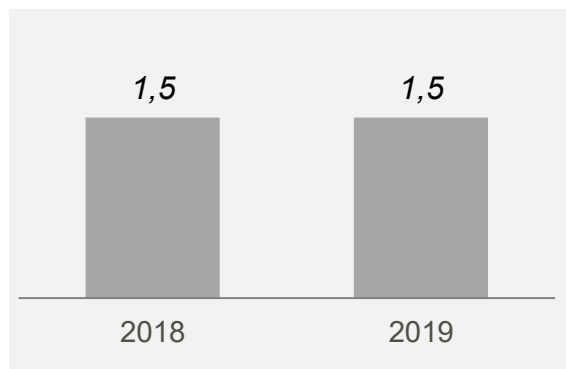
## About Lycamobile Group

- Lycamobile Group is the world's largest international MVNO with presence in **23 countries** and more than **15m** customers. It started operations in Spain in the year 2010
- Initially launched for the expatriate communities in Europe, Lycamobile has become a **global brand** primarily focused on providing mobile services at **affordable prices**

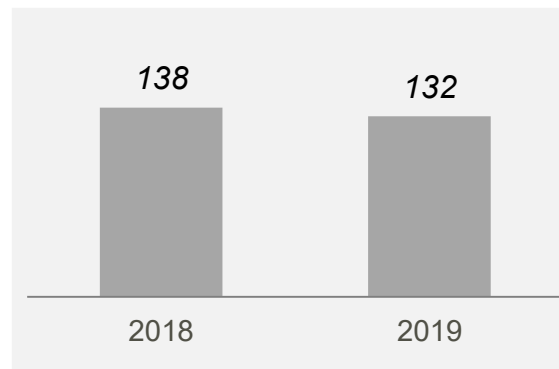
## Opportunity at a glance

- The prepaid market in Spain has a revenue of **~€700m** with more than **11m** customers in 2019YE
- After years of customer and revenue loss, the Spanish **market has stabilized during the last 2 years**
- Lycamobile has been able to maintain the number of customers and increase profitability during the last year

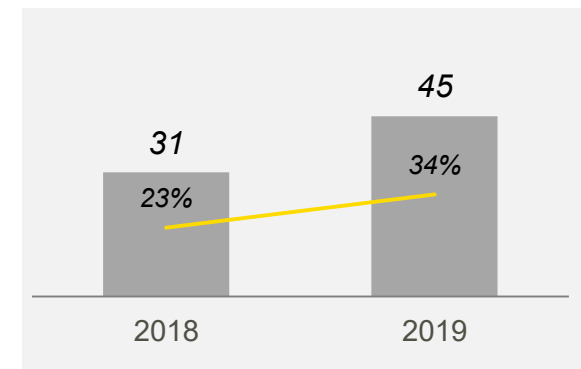
## Customers (€m)



## Revenue (€m)



## EBITDA (€m) & Margin (%)



Source: Company information

# Relevant contractual cost savings

Limited execution risk to achieve the expected synergies

## Transaction rational


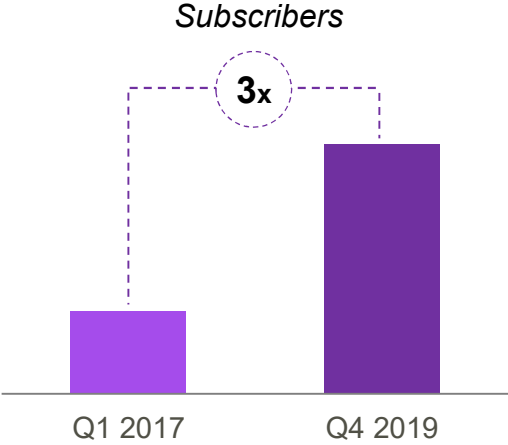

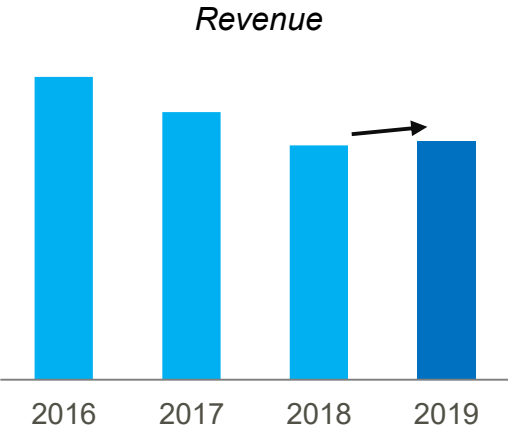
- MASMOVIL will generate **relevant cost synergies** by migrating the mobile traffic to its own network and elimination former headquarter cost allocations
- Lycamobile is a full MVNO which **simplifies** the migration process w/o SIM card change
- MASMOVIL has a **clear strategy** in the prepaid segment and a proven track record integrating and turning around MVNO's like Llamaya and Lebara



Driver	Description	Run-rate
Direct cost savings	<ul style="list-style-type: none"> <li>• Migration of mobile traffic to MASMOVIL's network &amp; NRA agreements &amp; reduction of headquarter cost allocations</li> </ul>	€30m
Integration costs	<ul style="list-style-type: none"> <li>• Strong management experience minimising execution risk</li> <li>• Limited integration cost expected to be incurred within 12 months from closing</li> </ul>	
Other synergies	<ul style="list-style-type: none"> <li>• Sales channel mix optimization</li> <li>• Rationalise operating expenses</li> </ul>	

# Proven turnaround track record - examples

Initial synergy targets fully achieved by MASMOVIL in previous MVNO acquisitions

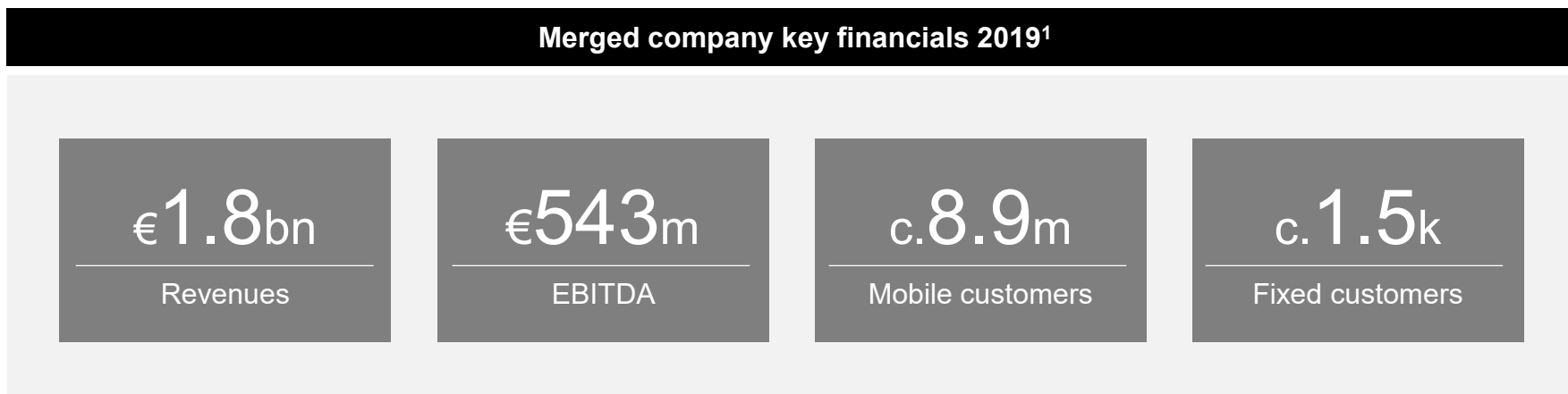
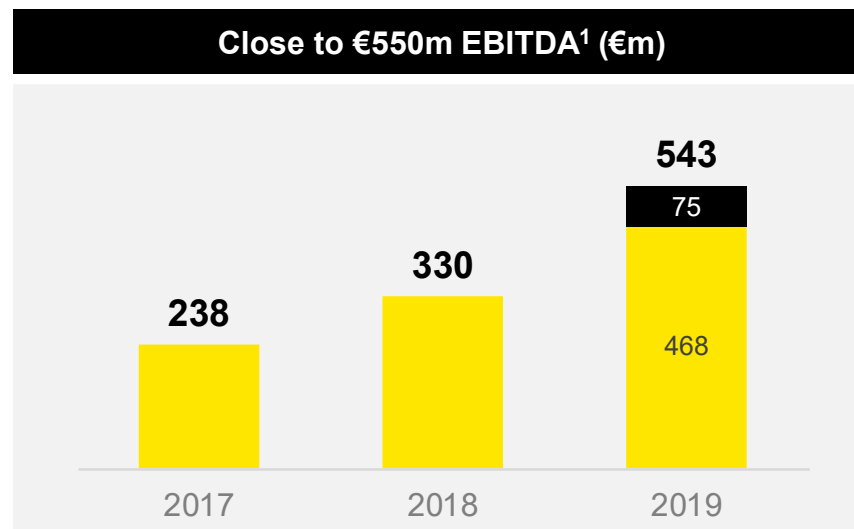
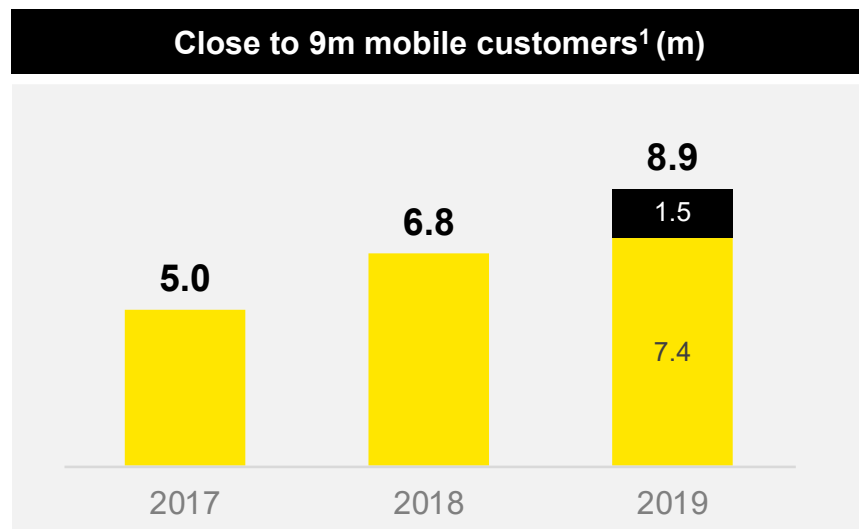
	Acquisition	KPI evolution	Key milestones achieved
 Jan 2017	<p><b>€42m</b> Enterprise value</p> <p><b>7.6x</b> EV/2016 EBITDA</p> <p><b>4x</b> EV/2016 EBITDA<sup>1</sup></p>	<p>Subscribers</p>  <p>Q1 2017      Q4 2019</p>	<ul style="list-style-type: none"> <li>✓ Initial EBITDA expectation at the time of the acquisition (€10m) <b>exceeded by more than 100%</b></li> <li>✓ <b>Synergy target fully achieved</b></li> <li>✓ Successful prepaid services <b>commercial turnaround</b></li> <li>✓ <b>Postpaid</b> services launched</li> </ul>
 Nov 2018	<p><b>€55m</b> Enterprise value</p> <p><b>7.5x</b> EV/2018 EBITDA</p> <p><b>2.3x</b> EV/2018 EBITDA<sup>1</sup></p>	<p>Revenue</p>  <p>2016    2017    2018    2019</p>	<ul style="list-style-type: none"> <li>✓ <b>On track</b> to achieve targeted EBITDA of €24m in 2020YE</li> <li>✓ <b>Synergy target fully achieved</b></li> <li>✓ Revenue <b>growth path recovered</b> in 2019</li> </ul>

<sup>1</sup> Post-synergies EBITDA multiple

# Size of MASMOVIL Group post transaction



MASMOVIL will have close to €2bn revenues, €550m EBITDA and 9m mobile lines



<sup>1</sup> 2019 Proforma figures including Lycamobile customers and EBITDA once expected synergies are achieved

# Key facts on value accretive transaction

Attractive post-synergies transaction multiple at <5x EBITDA-CAPEX

	Value	Transaction multiples
<b>Value creation &amp; Transaction multiples</b>	<p><b>€372m</b></p> <p>Enterprise value (EV)</p>	<p><b>8.2x</b></p> <p>EV/EBITDA-CAPEX. Pre-synergies</p>
		<p><b>&lt;5x</b></p> <p>EV/EBITDA-CAPEX. Post-synergies<sup>1</sup></p>
<b>Financing</b>		<ul style="list-style-type: none"> <li>The transaction will be funded by bank debt that has been guaranteed by two leading international financial institutions</li> </ul>
<b>Payment conditions</b>		<ul style="list-style-type: none"> <li>The payment will be spread over three instalments:               <ul style="list-style-type: none"> <li>€307m at closing,</li> <li>€30m - six months after closing,</li> <li>€35m of final payment - twelve months after closing</li> </ul> </li> </ul>
<b>Conditions</b>		<ul style="list-style-type: none"> <li>Subject to satisfactory Antitrust clearance</li> </ul>
<b>Timeline</b>		<ul style="list-style-type: none"> <li>Closing expected at end of Q2 2020</li> </ul>

<sup>1</sup> Annualized EBITDA once all expected contractual savings are achieved from 2022 onwards