

# **ACQUISITION OF UPC AUSTRIA: CREATING A FIXED-MOBILE CONVERGENCE CHALLENGER IN AUSTRIA**

## **INVESTOR PRESENTATION**

22 December 2017



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# TRANSACTION OVERVIEW – KEY HIGHLIGHTS

## Transaction Rationale

- Transaction establishes T-Mobile Austria as a strong FMC challenger to A1 Telekom Austria, benefiting households and business customers
- Significant potential to accelerate growth in Austria through convergence, providing simple solutions to customers
- Gaining access to dense and well invested cable network
- Meaningful value creation opportunity, with synergy NPV of c. € 0.8 bn (after integration costs), thereof 80 % Cost & Capex related
- Mobile-only to FMC transformation consistent with DT's Leading European TelCo strategy

## Key Terms

- Acquisition of Liberty Global's Austrian assets (UPC Austria) for an Enterprise Value of €1.9bn
- Purchase Price reflects broadly equal sharing of synergies resulting in valuations of:
  - 10.0x EV / 2018E EBITDA<sup>(1)(2)</sup>pre-synergies
  - 6.8x EV / 2018E EBITDA<sup>(1)(2)</sup> adjusted for revenue and opex run-rate synergies
  - 9.7x EV / 2018E OpFCF<sup>(1)(2)</sup> adjusted for revenue, opex and capex run-rate synergies
- Accretive to EPS and FCF from Year 1 onwards

## Timetable

- Transaction is subject to satisfactory approvals from relevant anti-trust authorities and expected to close in H2 2018



# TRANSFORMS T-MOBILE AUSTRIA INTO AN INTEGRATED COMMUNICATIONS CHALLENGER

## 1 Highly attractive standalone business

- UPC Austria is the #1 cable operator in Austria with 1.5m RGUs<sup>(1)</sup>
- Strong cable footprint across urban Austria, with 1.4m homes passed (36% of Austrian households)
- Comprehensive bundled internet/voice and TV services to Austrian households and businesses
- Attractive UPC Austria standalone growth profile

## 2 Strong convergent player in Austria

- Creates highly scaled integrated player in Austria (c. €1.2bn pro-forma LTM Sep'17 revenues)
- T-Mobile Austria national 4G network + UPC Austria with fastest broadband proposition
- Increase customer experience through market leading 4P product portfolio

## 3 Significant potential to accelerate growth in Austria

- Ability to offer powerful products to each company's customer base
- Leverage T-Mobile Austria's strong national brand, distribution network and mobile scale
- Significant upside potential from revenue synergies (NPV of ~€0.2bn after integration costs)

## 4 Significant cost / capex synergies

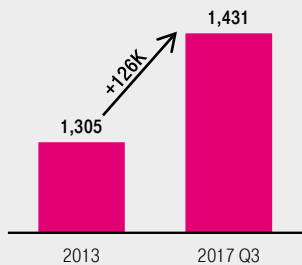
- Meaningful cost / capex synergies NPV of ~€0.6bn (after integration costs)
- Manageable operational execution risk as ~80% of overall synergies from cost and capex efficiencies



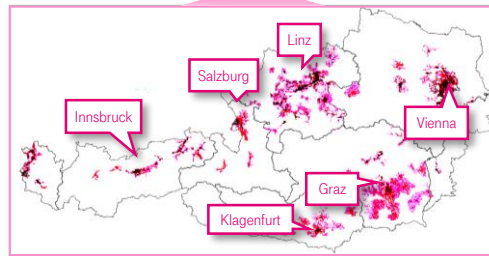
# HIGHLY ATTRACTIVE STANDALONE BUSINESS: UPC IS THE LARGEST CABLE OPERATOR IN AUSTRIA

## Austria's #1 Cable Operator

Video, Broadband and Fixed Line  
RGUs in Thousands  
(excluding Mobile)



UPC is available in 523 municipalities, with 1.4m homes passed (Cable, DSL via A1)



## Key Financials<sup>(1)(2)</sup> – LTM 30 September 2017

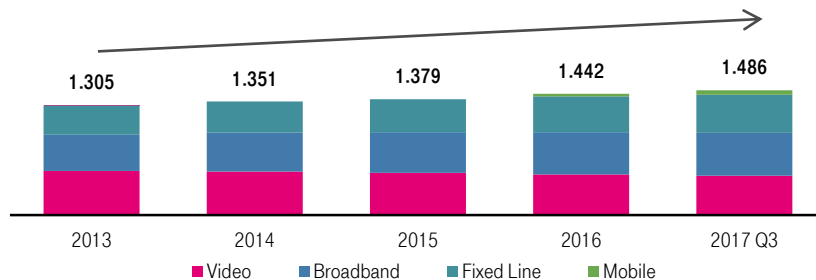
Revenues: ~€ 0.3bn

EBITDA: ~€0.2bn

EBITDA Margin: ~50%<sup>(3)</sup>

## Growing Customer Base

RGUs in Thousands



- (1) Estimated financials under IFRS.
- (2) Adjusted for standalone considerations
- (3) Due to roundings to the nearest € bn figure, margin can not be compared to displayed revenue and EBITDA figures.

## Broad Portfolio Offering

Examples

UPC Broadband  
Up to 300 Mbit/s download speed



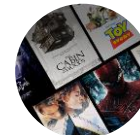
UPC Horizon TV Box  
>150 digital channels



UPC Fixed Line  
VoIP-ready



UPC On Demand



Horizon Go App









Sky Packages



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# COMBINATION TO CREATE DIFFERENTIATED FMC PROPOSITION IN AUSTRIA

	 Austria 	 Austria 	 +  Integrated Communications Challenger	
LTM Revenue <sup>(1)</sup>	~€0.9bn	~€0.3bn <sup>(2)</sup>	~€1.2bn	
LTM EBITDA <sup>(1)</sup>	~€0.3bn	~€0.2bn <sup>(2)</sup>	~€0.5bn	
Customers <sup>(3)</sup> (Market position)	Mobile	5.2m <sup>(4)</sup>	56k	5.3m
	Broadband	0 <sup>(5)</sup>	513k	513k
	Pay-TV	x	373k	373k
	Basic TV	x	95k	95k
	Telephony	x	450k	450k
Network leadership	✓	✓	✓ Leverage network superiority (T-Mobile 4G, UPC DOCSIS 3.0/3.1)	
Nationwide coverage	✓	x	✓ Comprehensive nationwide marketing and coverage	
Attractive TV proposition	x	✓	✓ Strong video brand now combined with nationwide reach	
Quad-Play	x	(✓)	✓ Full and superior Quad-Play offering (top speed, #1 in TV)	
			<b>Market leading complementary business</b>	

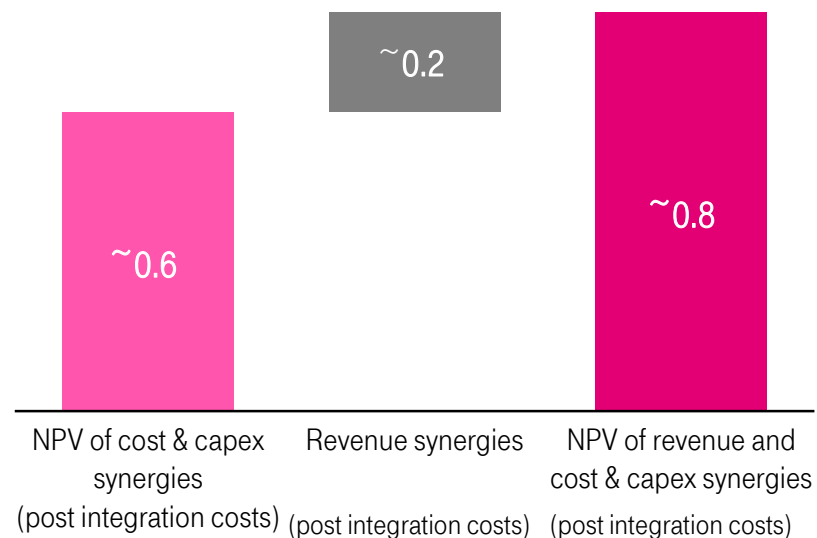
# OVERALL NPV OF SYNERGIES ~€0.8BN (~80% FROM COST AND CAPEX SYNERGIES)

## FULL RUN RATE SYNERGIES EXPECTED IN FOURTH FULL YEAR<sup>(1)</sup>

<b>Cost</b>	~€60m	<ul style="list-style-type: none"> <li>Network and IT integration benefits</li> <li>Wholesale access cost savings: mobile for UPC Austria, Broadband for T-Mobile Austria</li> <li>Optimization of SG&amp;A due to combined and complementing capabilities</li> </ul>
<b>Capex</b>	~€10m	<ul style="list-style-type: none"> <li>Mobile network capex savings (leveraging UPC Austria fiber rich network)</li> <li>Rationalisation of IT spend</li> </ul>
<b>Revenues</b>	~€25m	<ul style="list-style-type: none"> <li>Using national brand, distribution network and mobile scale</li> <li>Offering superior products to combined customer base</li> <li>More competitive product offering with 4P bundling capability</li> <li>Enhanced B2B proposition by leveraging TMAT's capabilities and by cross-selling to UPC's B2B customer base</li> </ul>
<b>Total</b>	~€95m	

## NPV OF SYNERGIES ~€0.8BN AT CLOSING

(€bn)



Transaction valuation reflects broadly equal sharing of synergies between the two parties



**THANK YOU!**



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