

# FY 2015 Strategy & Results Presentation

March 10, 2016

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## FY 2015 Highlights

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OPERATIONAL  
PERFORMANCE

## Strong commercial momentum

- Broadband – 270k net adds
- Mobile – 1.6m net adds / subscriber base up by 16%

## Acceleration in NGN rollouts

- c.25% of subscriber base now has access to VDSL2
- > 200k FTTH subscribers as of today
- 3.7m 4G subs with 3.2GB monthly data usage



FINANCIAL  
PERFORMANCE

## Robust financial performance

- €4.4bn revenues
- €1.5bn EBITDA – Margin up by 3 pp to 33.8%
- 0.80x leverage

Broadband subscribers 6.1m

Market share<sup>(1)</sup> 24%

Mobile subscribers 11.7m

Market share<sup>(2)</sup> 17%

4G population coverage



Services revenues +7.4%

Mobile services revenues c.+20%

EBITDA +16%

**Outperforming the market with a unique long-term model**

<sup>(1)</sup> Company estimates

<sup>(2)</sup> Mobile market in Metropolitan France excl. M2M

# Delivering a Strong Commercial Performance



Subscriber KPIs	Dec. 2013	Dec. 2014	Dec. 2015
- Broadband	5,640,000	5,868,000	6,138,000
% VDSL2			24%
- Mobile	8,040,000	10,105,000	11,685,000
4G		1.7m	3.7m
Average 4G data usage		1.8 GB/month	3.2 GB/month
Total number of subscribers	<b>13,680,000</b>	<b>15,973,000</b>	<b>17,823,000</b>

## Other Broadband KPIs (end of period)

Broadband ARPU (incl. promos)	€36.00	€35.10	€34.50
Freebox Revolution ARPU (excl. promos)	> €38.00	> €38.00	> €38.00



## Free, an iconic and well-established brand for French consumers

- Iliad ranked 49<sup>th</sup> on the Forbes' World's Most Innovative Companies ranking (September 2015)
- Preferred brand in the Telecom industry – Toluna / Challenges ranking (January 2015)
- Best brand changing everyday life in the Telecom industry – Most Influential Brands 2015 IPSOS
- Most genuine brand in the Telecom industry – '4<sup>ème</sup> Observatoire de l'Authenticité 2015', Makheia Group

## A high-quality & innovative customer experience

- Free Centers ranked as the Best Retail Stores in Telecommunication in 2015-2016 – for the 3<sup>rd</sup> consecutive year
- Face-to-Free service (assistance via webcam) awarded 'Palme de l'Expérience Client/Citoyen 2015' (Palme de la Relation Client AFRC)
- Best online experience: Webshop of the year, 2015-2016, Telecommunication Category

# Broadband Business

# Broadband: Strong Performance

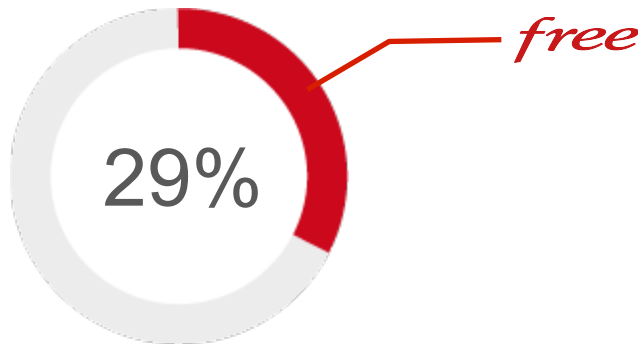
## Growth in net adds FY 2015 vs. FY 2014

+18%



*free*

## Iliad FY 2015 net adds market share\*



- Better net adds in 2015 vs 2014, driving a re-acceleration of growth in broadband
- Broadband market share up to 24%\*
- Excellent results for the broadband business, despite commercial aggressiveness in the market, with many promotional offerings from competitors
- Successful launch of the Freebox mini 4K that did not impair the success of the premium offer

**A solid commercial performance despite a very competitive environment**

\* Company estimates / market = 4 main operators



# Successful Replacement of the Entry-Price Product



## Freebox mini 4K – launch of the most innovative entry-price product

- First triple-play box in the world with 4K & Android TV™
- ADSL2+/VDSL2/FTTH – WiFi up to 450 Mbps
- Compact format: 11 x 15 x 3.5cm
- 4K – Ultra High Definition Player
- Powered by Android TV™ – Google™ Cast ready
- Calls to landlines in 106 countries
- More than 200 TV channels included, o/w 50 HD channels
- Freebox Replay
- Voice search remote control
- Hotline & Home technical assistance



## Offering the broadest TV catalog

- 4K TV Channel: Festival 4K also available for Freebox Revolution (Multi-TV)
- More than 115 HD channels
- Nearly 70 replay channels
- More than 245 foreign channels
- 490 channels in total
- Exclusive services: new Canalplay™ interface, video games streaming...

# A State-of-the-Art Infrastructure Network



## 96,000 km of long-distance transmission network

- Entirely built with optical fiber
- 'Infinite' transmission capacity
- Full control over the dense dark optical fiber network

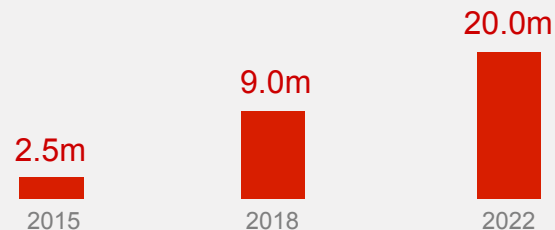
## Leading operator in terms of unbundling footprint

- More than 8,000 unbundled central offices
  - ⇒ c.1,500 opened in 2015
- Unbundling footprint of nearly 90% of the French population
- Iliad is willing to expand its DSL footprint, particularly in less densely populated areas

## An ambitious FTTH plan

- Boosting appetite for Fiber
- Accelerating FTTH deployment
- ⇒ > 200k FTTH subs in very densely populated areas as of today
- A strategy to become a leading ultra fast broadband provider

Target for FTTH homes passed



- Commercial opening in medium populated areas in 2016
- ⇒ Agreement to cover 4.5m homes
- ⇒ Pushing further alongside historical operator beyond the first 4.5m homes

## Full VDSL2

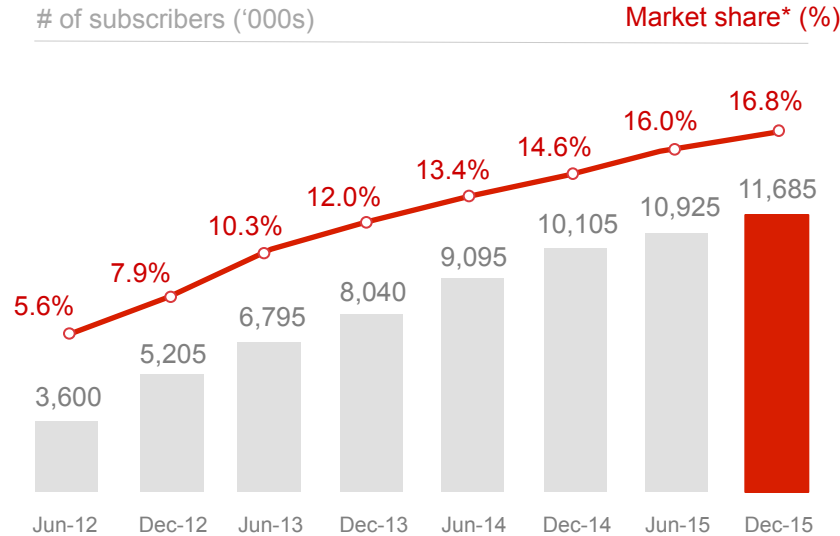
- All of our subscriber connection nodes now have VDSL2 equipment
- Freebox mini 4K / Revolution are VDSL2 compatible
- c.25% of subscriber base has access to VDSL2, enabling higher Internet speeds



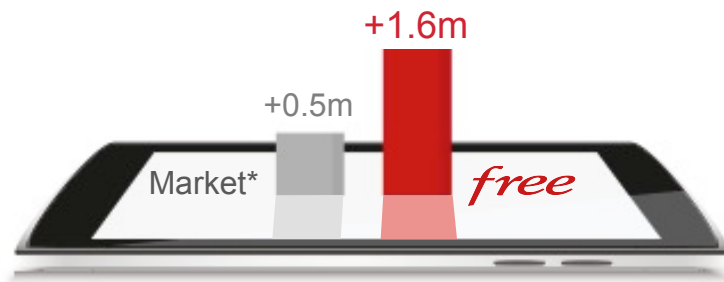
**Ready to step-up the pace of subscriber migrations**

# Mobile Business

# Mobile: 17% Market Share



## FY 2015 net adds



**17% market share at end-December 2015, with 11.7m subscribers**

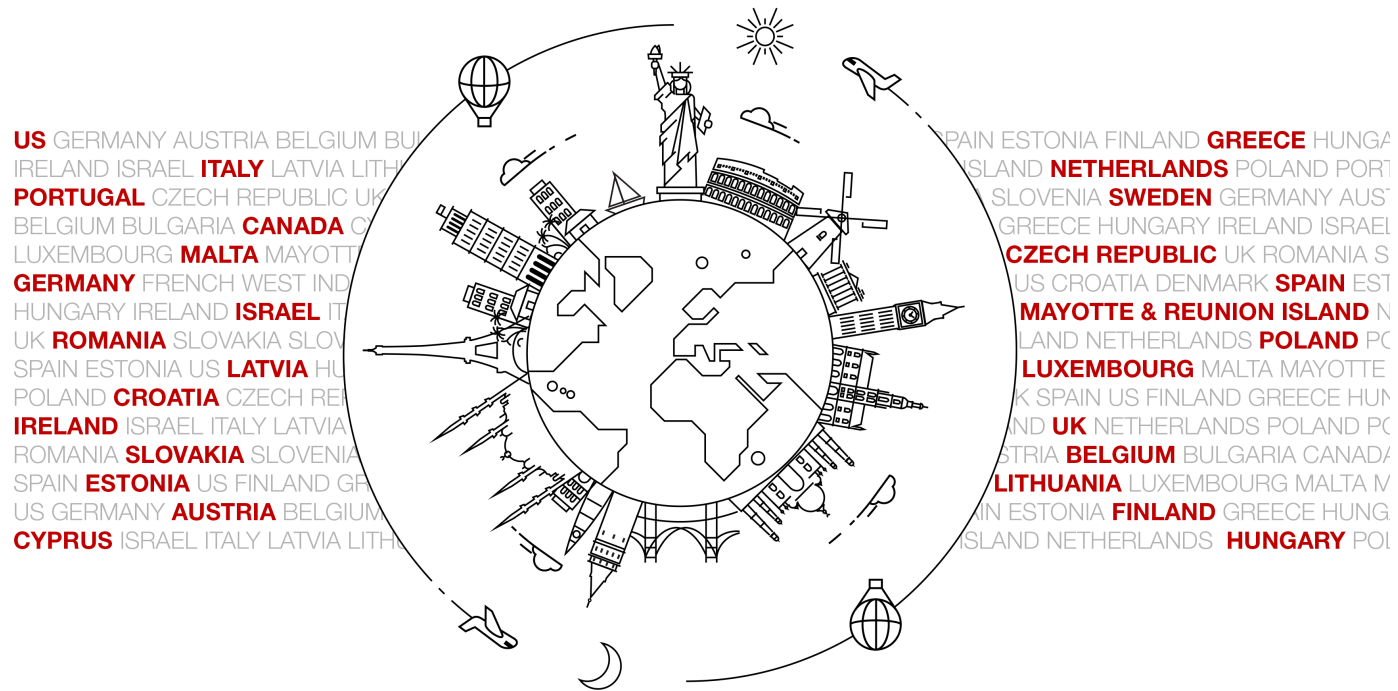
- Leading recruiter since launch in January 2012
- Outperforming the market – 1.6m net adds
- On track to achieve our target long-term market share of 25%

**Positive changes in the subscriber mix, in line with our goals**

- Improved subscriber mix with more new subscribers taking up the €19.99 plan
- First subscribers moving up from the €2 plan to the €19.99 plan in 2015

**Undisputed leader for recruitments, still outperforming the market**

# An Enhanced Offer for our Subscribers



## 1<sup>st</sup> no-commitment mobile plan including roaming in all EU countries & the US

- Free Mobile Plan subscribers can now use their offer for 35 days/year per country at no extra cost (SMS/MMS, calls & 3GB of 3G Internet) across the EU as well as in the US, French overseas departments, Canada and Israel
- Unlimited messages from Europe and French overseas departments to French mobiles

# Simple, Attractive and Best Value-for-Money Plans



## Current Offer

Free Mobile Plan  
**€ 19.<sup>99</sup>**/month  
no commitment

- **Unlimited calls**  
(Landline: 100 destinations)
- **Unlimited SMS**
- **Unlimited MMS**
- **50GB of 4G Internet**
- **Roaming in the EU & US**

Up to 4  
Free Mobile Plans  
Freebox  
Subscriber **€ 15.<sup>99</sup>**/month  
no commitment

## 4 years after launch:

- Calls: + 60 destinations
- Data: + 47GB
- Roaming included in the EU, Canada, Israel, French overseas departments & the US
- €15.99 discounted price extended to 4 plans

**Constantly bringing more value to our customers, for the same price**



# Strong Step-up in 3G and 4G Deployment Confirmed

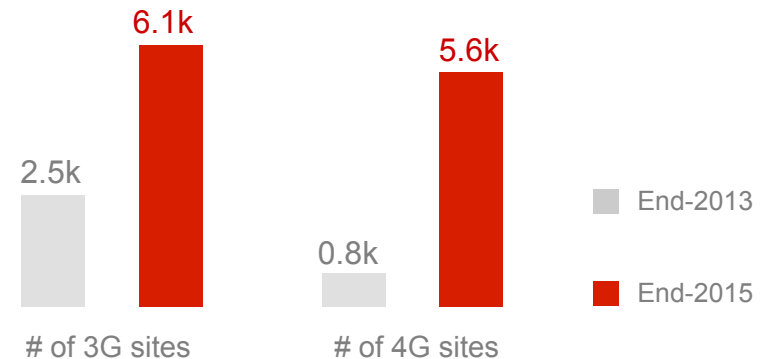
## Intensive capex to rapidly roll-out a state-of-the-art mobile network

- 6.1k 3G sites as of end-2015 (2.4x more than 2 years ago)
- Strong step-up in 4G deployment in 2015 with 3.5k new 4G sites, totaling 5.6k sites as of end-2015
- A network designed from the outset to use the latest technologies (all-IP NGN) with a majority fiber backhaul

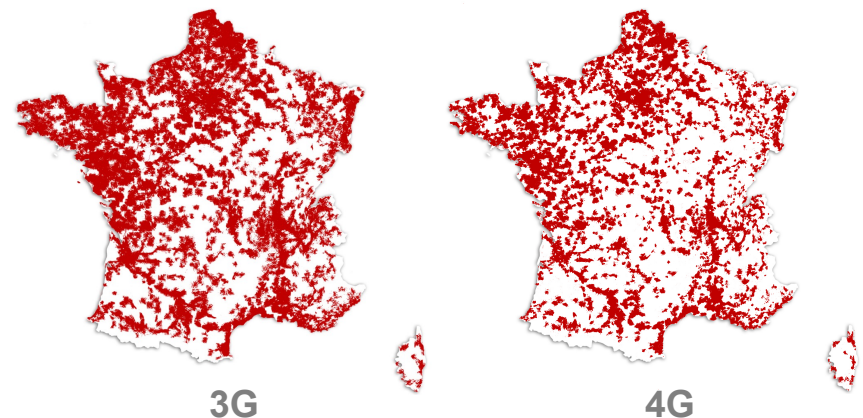
## Rapidly increasing coverage

- 83% 3G French population coverage vs. 75% at end-2014
- 63% 4G French population coverage vs. c.40% at end-2014

Number of 3G/4G sites (2013-2015)



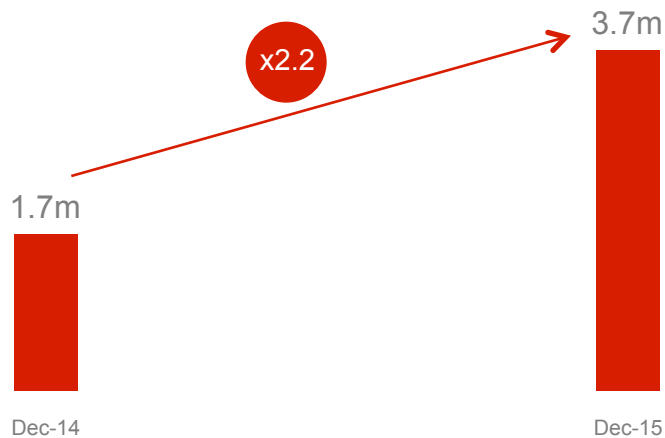
French population 3G/4G coverage as of end-2015



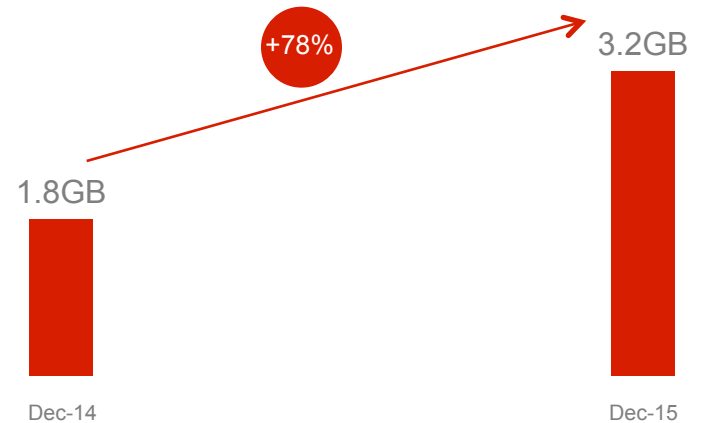
**Iliad will meet its coverage commitments for both 3G & 4G**

# Moving Fast on 4G Data Usage

Nb. of 4G subscribers (m)



Average 4G subscribers' data usage (GB/month)



## High pace of 4G deployment driving strong growth in 4G data usage

- +2m subscribers during 2015, with 3.7m 4G subscribers as of end-December
- Nearly 1/3 of subscriber base on 4G
- Average 4G monthly data usage of 3.2GB vs 1.8GB as of end-2014

**Rapidly growing 4G subscriber base, with increasing data usage**

# A Very Sustainable Frequency Portfolio

*free*



Low-band spectrum	30MHz	60MHz	50MHz	50MHz
High-band spectrum	80MHz	120MHz	110MHz	100MHz
<b>Total spectrum</b>	<b>110MHz</b>	<b>180MHz</b>	<b>160MHz</b>	<b>150MHz</b>
Number of subscribers	11.7m	28.4m	21.8m*	11.9m

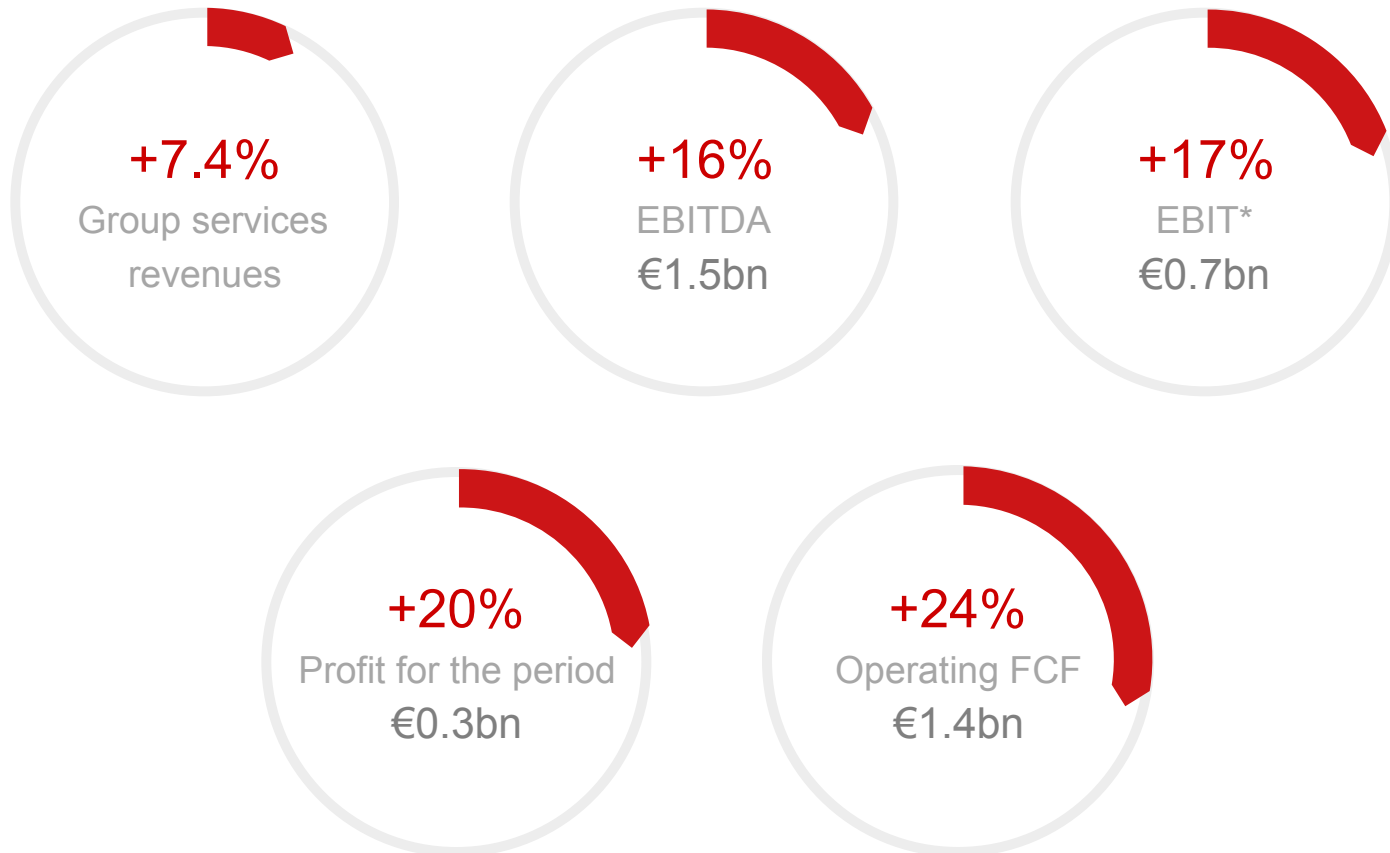
## Strengthened portfolio in 2015

- Additional 10MHz (duplex) in the 700MHz frequency band
- Additional 15MHz (duplex) in the 1,800MHz frequency band from May 2016 (following the Arcep decision on the refarming process on July 30, 2015)

**A solid frequency portfolio backing our long-term goals**

# Financial Performance

# An Even Stronger Financial Performance

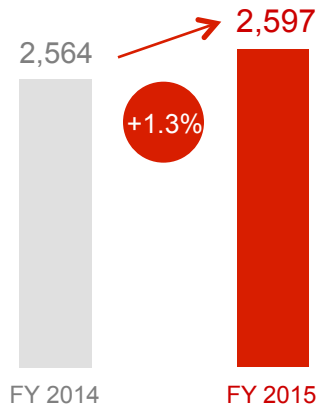


**Leading to growth in key indicators**

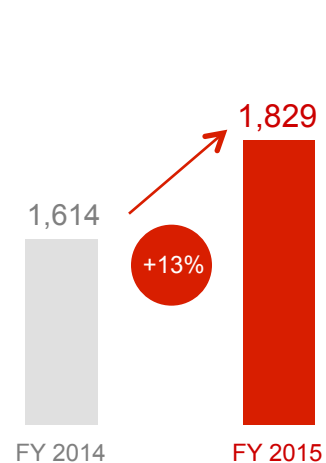
\*Excl. other operating income and expenses

# Solid Revenue Growth Driven by Mobile

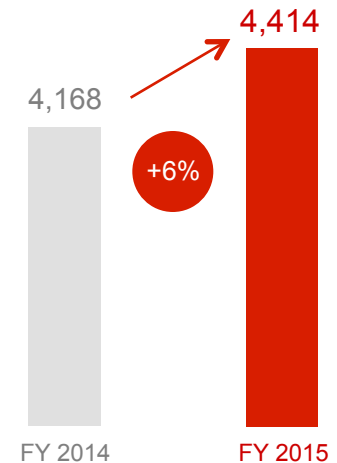
## Broadband revenues



## Mobile revenues **+19.1%** Service revenues



## Group revenues **+7.4%** Service revenues



### Ongoing growth for Broadband activities

- + Growing subscriber base with 270k net adds
- + ARPU stabilizing at €34.50
- + Re-acceleration for broadband revenue growth in 2H 2015

### Strong and sustainable growth in Mobile revenues, up by 13%

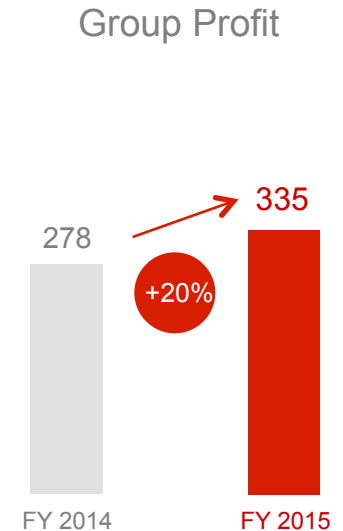
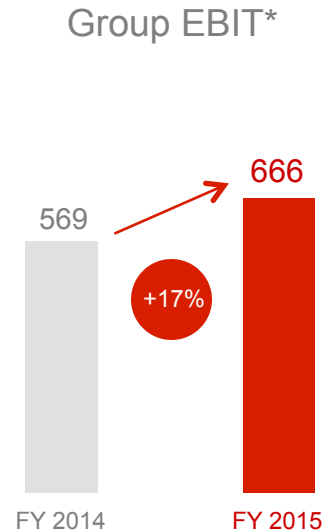
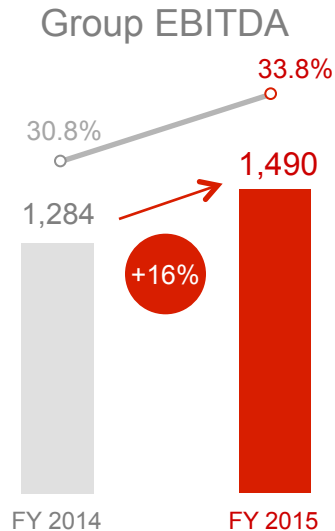
- + 1.6m new subscribers
- + Higher-value subscriber mix driving services revenue up by 19%
- + Increasing 3G/4G coverage
- Decrease in handset revenues

### 7.4% growth in services revenues in 2015

- + Market share gains both in broadband and mobile
- + Mobile now represents more than 40% of Group revenues, just 4 years after its launch

**Top line growth at a record level, with revenues over €4.4bn**

# Profitability Moving Upwards



## Steady EBITDA growth and a sharp rise in margin (+3 pp)

- + Growing Mobile EBITDA led by better 3G/4G coverage and an improving subscriber mix
- Dilutive impact of opportunistic flash sales

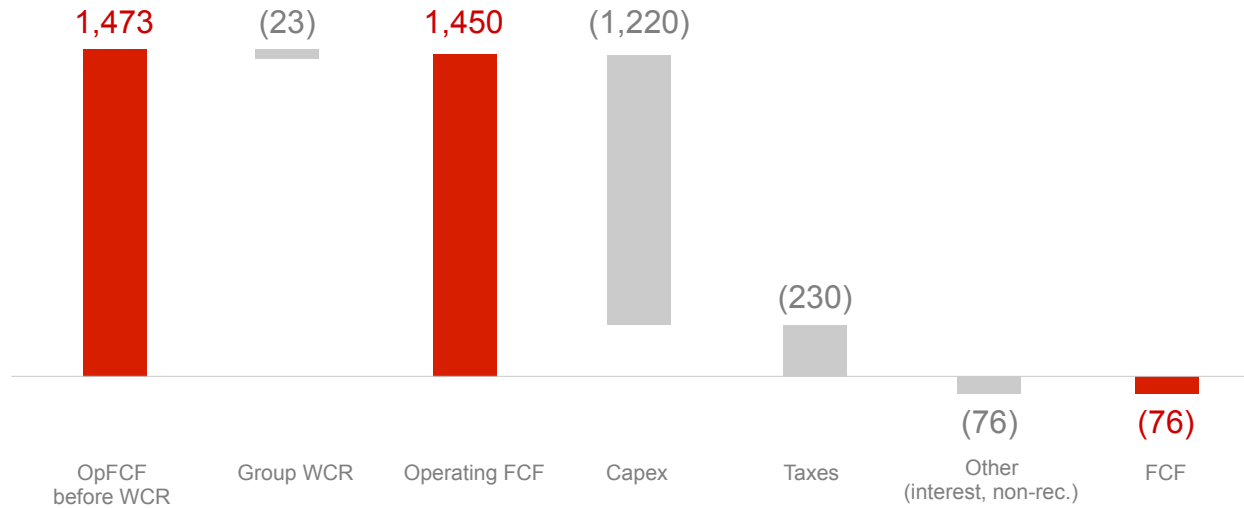
## A 17% year-over-year increase in Group EBIT, in line with EBITDA growth

- Higher D&A due to new assets in both broadband and mobile

## A sharp 20% increase in Group profit

- + In line with Group EBIT
- + Lower interest payments during the year
- Negative impact of increase in corporate tax rate

# Strong Operating FCF Generation



- Operating Free Cash Flow before WCR up by 19% vs 2014, reaching €1.5bn
- Decrease in WCR thanks to the levelling-off of the negative impact related to mobile phone rentals
- Capex uplift due to the accelerated deployment of broadband and mobile NGNs
- Taxes up in line with the increase in profit for the period
- Decrease in interest paid

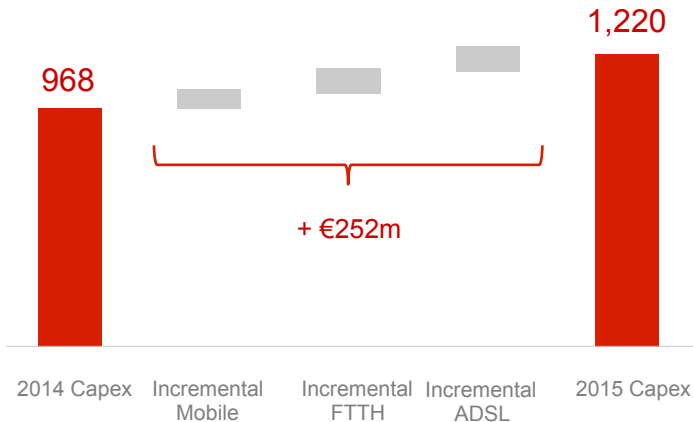
**Strong OpFCF ploughed back into growth capex**



# An Ambitious Plan to Move Towards Broadband & Mobile NGNs *iliad*

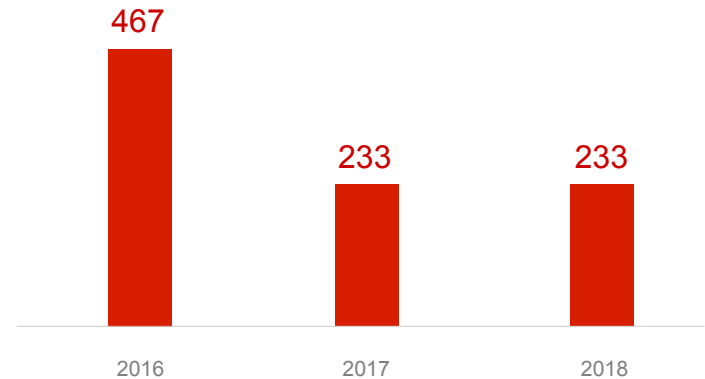
YoY change in capex by activity – 2014-2015 (€m)

Capex up by 26% to €1.2bn



Forecast 700MHz-related cash-out (€m)

10MHz acquired for €933m

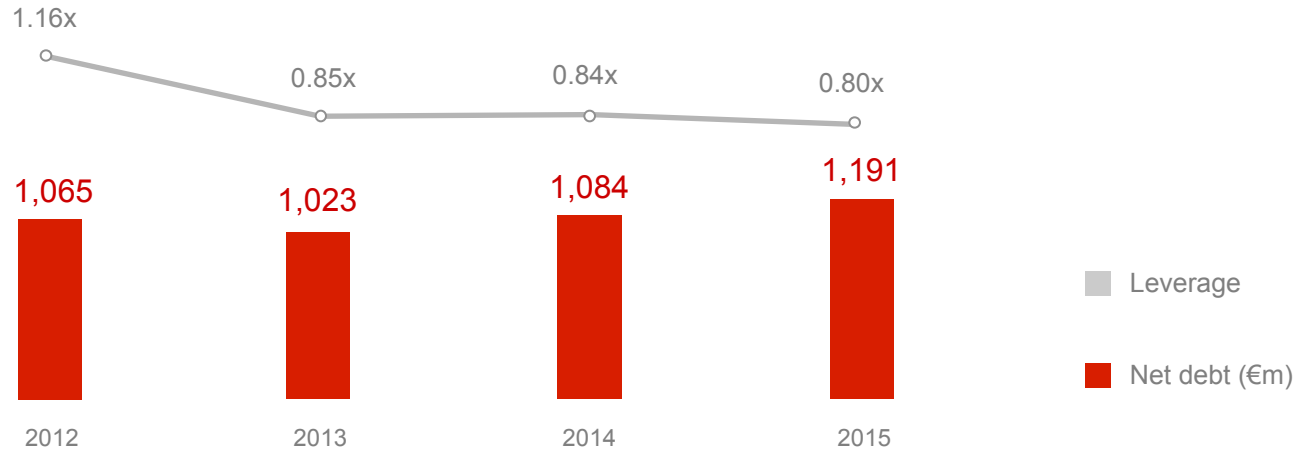


## Increase in capex equally distributed between Mobile, FTTH and ADSL

- Increase in Mobile capex due to the acceleration of the 3G/4G deployments
- FTTH capex up in line with the expansion of the Group's FTTH coverage
- Consistent year-over-year increase in ADSL capex due to the launch of the Freebox mini 4K

**Slight increase in capex (excl. spectrum) planned for 2016, backing the Group's strategy to become a strong NGN player over the coming years**

# Group Strategy Backed by a Flexible Financial Structure



## A unique positioning based on growth and long-term visibility

- Recurring revenues
- Critical mass in both businesses
- Profitable growth model
- Entrepreneurship-owned company

## A very solid financial structure

- Total equity of €2.6bn
- Leverage kept below 1x EBITDA
- Strong liquidity position (>€2.6bn) with diversified financing sources, securing 700MHz cash-out
- ⇒ Existing €1.4bn term loan extended up to 2022
- ⇒ €650m 7-year bond placed in Dec. 2015, maturity 2022
- ⇒ €500m term loan issued in Jan. 2016, maturity 2021

**One of the lowest leveraged European Telcos, with secured and diversified sources of financing**

# Balance Sheet Movements

## Assets

<i>in €m</i>	2014	2015
Goodwill	215	215
Intangible assets	1,235	2,253
Property, plant & equipment	2,788	3,229
Other non-current assets	29	58
<b>Non-current assets</b>	<b>4,266</b>	<b>5,755</b>
Inventories	27	26
Trade & other receivables	567	684
Other current assets	13	3
Cash & cash equivalents	137	720
<b>Current assets</b>	<b>745</b>	<b>1,433</b>
Assets held for sale	34	26
<b>Total assets</b>	<b>5,045</b>	<b>7,214</b>

## Equity & Liabilities

<i>in €m</i>	2014	2015
<b>Total equity</b>	<b>2,315</b>	<b>2,637</b>
<i>o/w minority interests</i>	3	3
Long-term financial liabilities	890	965
Other non-current liabilities	319	934
<b>Non-current liabilities</b>	<b>1,209</b>	<b>1,899</b>
Short term provisions	95	99
Short-term financial liabilities	332	947
Trade & other payables	1,095	1,626
Other current liabilities	-	5
<b>Current liabilities</b>	<b>1,521</b>	<b>2,678</b>
<b>Total equity &amp; liabilities</b>	<b>5,045</b>	<b>7,214</b>

- Increase in intangible assets mainly due to 700MHz and 1,800MHz frequencies
- Increase in PP&E mainly due to mobile and FTTH network rollouts
- Increase in trade & other receivables partly due to phone rental offerings
- Increase in cash & cash equivalents reflecting the €650m bond issue carried-out at end-2015

- Increase in equity reflecting growth in profit in FY2015
- €650m bond included in long-term financial liabilities, partially offset by the transfer of the €500m bond due June 2016 to short-term financial liabilities
- Increase in other non-current liabilities due to 700MHz and 1,800MHz frequencies
- Rise in payables mainly due to the €467m installment payable for the 700MHz frequencies in 2016

## **Broadband**

- Achieve a 25% share of the landline broadband market in the long term
- 9m connectible FTTH sockets by end-2018 and 20m by end-2022

## **Mobile**

- Deploy more than 1,500 sites in 2016
- Reach a 4G coverage rate of around 75% of the French population by end-2016
- Achieve a 25% market share in the long term

## **Group**

- Slight increase in 2016 capex (excl. spectrum) vs 2015
- Achieve consolidated EBITDA margin of over 40% by the end of the decade