



PLAY

PLAY COMMUNICATIONS

Q3 2019 Results Investor Presentation

12 November 2019

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Agenda

BUSINESS PERFORMANCE

FINANCIAL PERFORMANCE

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Q&A SESSION

BUSINESS PERFORMANCE

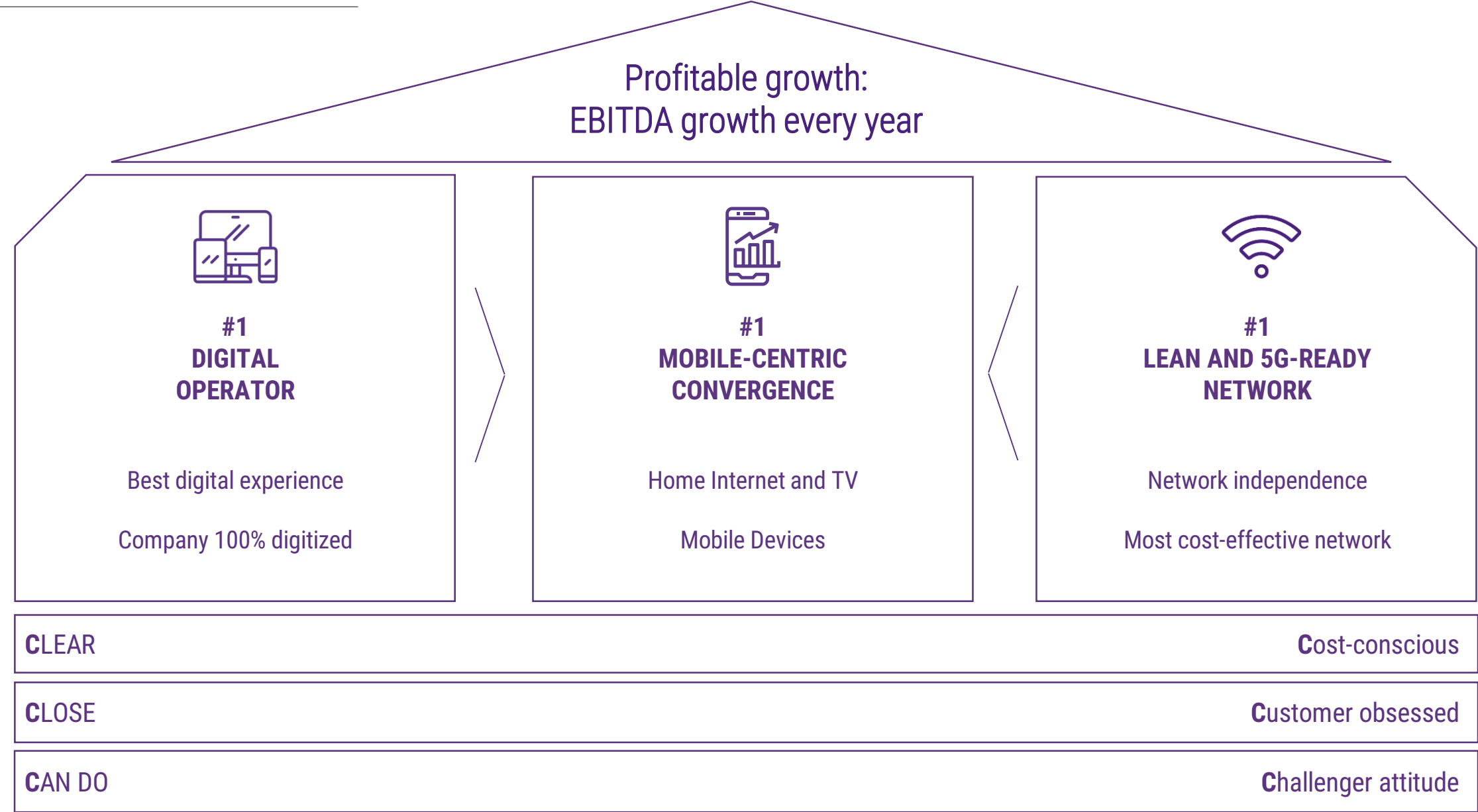
Jean-Marc Harion
CEO of Play (P4 Sp. z o.o.)



Summary of achievements in Q3

- The highest quarterly Adjusted EBITDA and FCFE in PLAY's history
- Operating revenue increase of 5.2% YoY
- Blended ARPU up 2.8% YoY
- Contract share up by 0.8pp and churn stable
- 5G Ready population coverage up by 30pp
- Net profitability and cash generation up YoY by 23% and 126%, respectively
- Leverage decreased to 2.8x EBITDA

PLAY 2022 strategy



Further progress in digital

PLAY24

24

4.3 million active users.
Ranked the best telco selfcare app in Poland
(4.8 Google Play / 4.6 App Store).
Recently enriched with invoice drill-down,
prepaid tariff plan change and dark mode.

ONLINE RETENTION



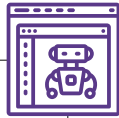
6% digital B2C retention
(vs. 4.9% EoP Q2)
thanks to Online multisim retention
functionality including handset purchase

PoS DIGITALISATION



76% fully digitilised transactions
(vs. 40% EoP Q2)
thanks to introduction of E-signature
in Points of Sales

E-INVOICE



60% of e-invoice with B2B partners
(vs. 46% EoP Q2)

Enrichment of mobile-centric products and services portfolio

PLAY HOMEBOX TV



Our mobile-centric package combining mobile plan with Wireless to the Home (WTTH) now available in an extended option including Play NOW TV with TV BOX

BIZNES BOX PRO



Richer data solution for SME reflecting upon more-for-more strategy: higher data mobile plans and data transmission packages combined with optional smartphones and routers

PLAY NOW TV BOX



7 new channels and 2 new VoD libraries
>20k active subscribers
watching time > 120 minutes per day per user (after 4 months)

PLAY360 & PLAY360 MAX



Phone repair and Value-Added Services package now expanded with all-in offer for high-end smartphone users

Accelerated preparation for 5G

5G READY



30% of PLAY network sites upgraded to 5G READY, providing 43% population coverage with Internet speeds of up to 900 Mbps

5G



5G friendly user tests performed in Toruń in Q2, consumer tests initiated in October

5G deployment in Legia Stadium (Warsaw) with Ericsson on target to launch in Q1 2020

NETWORK SYNCHRONISATION



5G prerequisite real-time network synchronisation implemented in 100% of PLAY network sites

NETWORK ROLL-OUT

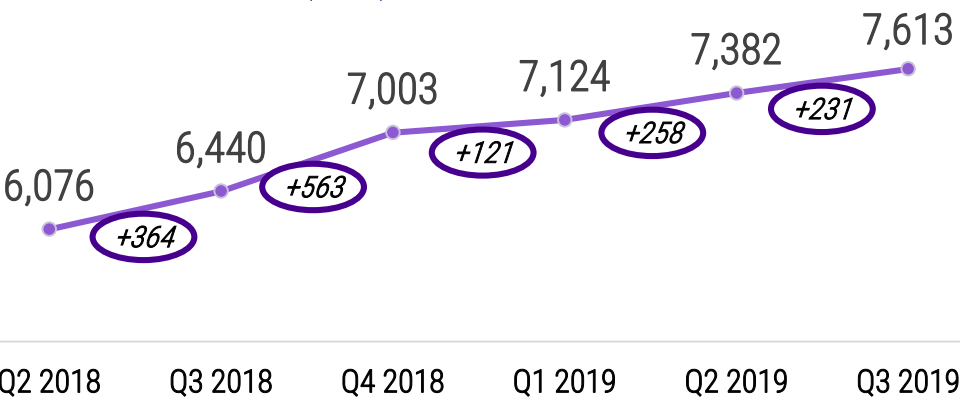


~610 new sites added to PLAY footprint in 9 months of 2019, providing 98.4% population coverage with own LTE network

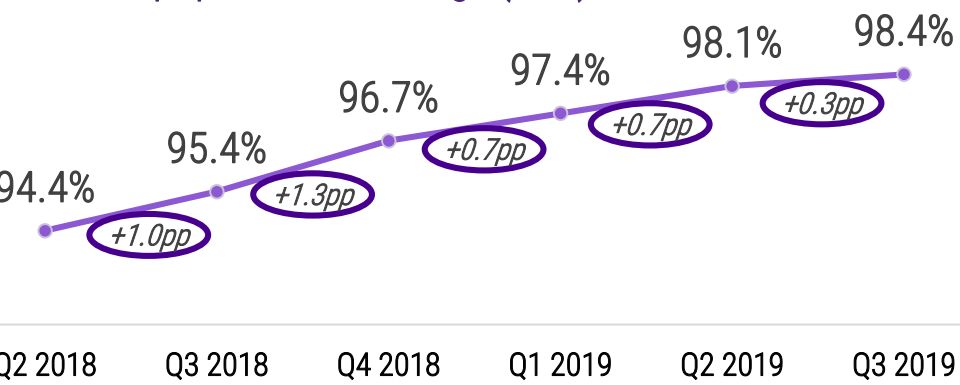
Network roll-out and upgrades

Network roll-out...

■ Number of sites (EoP):

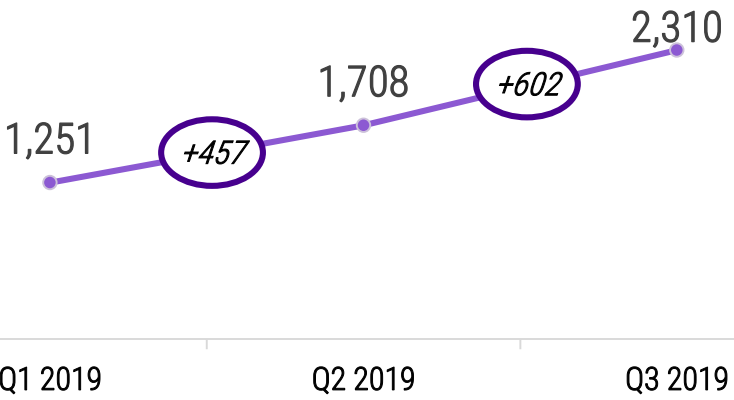


■ 4G LTE population coverage (EoP):

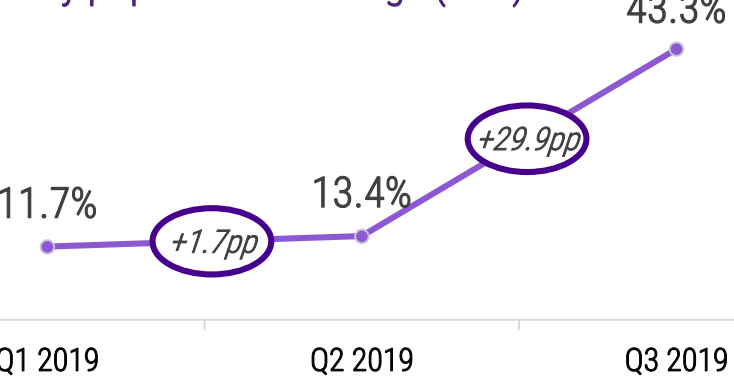


...and implementation of 5G READY

■ Number of 5G Ready sites (EoP):



■ 5G Ready population coverage (EoP):



Progress of National Roaming switch off

ON TRACK TO FULL SWITCH OFF EoY 2021

28 cities with one National Roaming network switched off

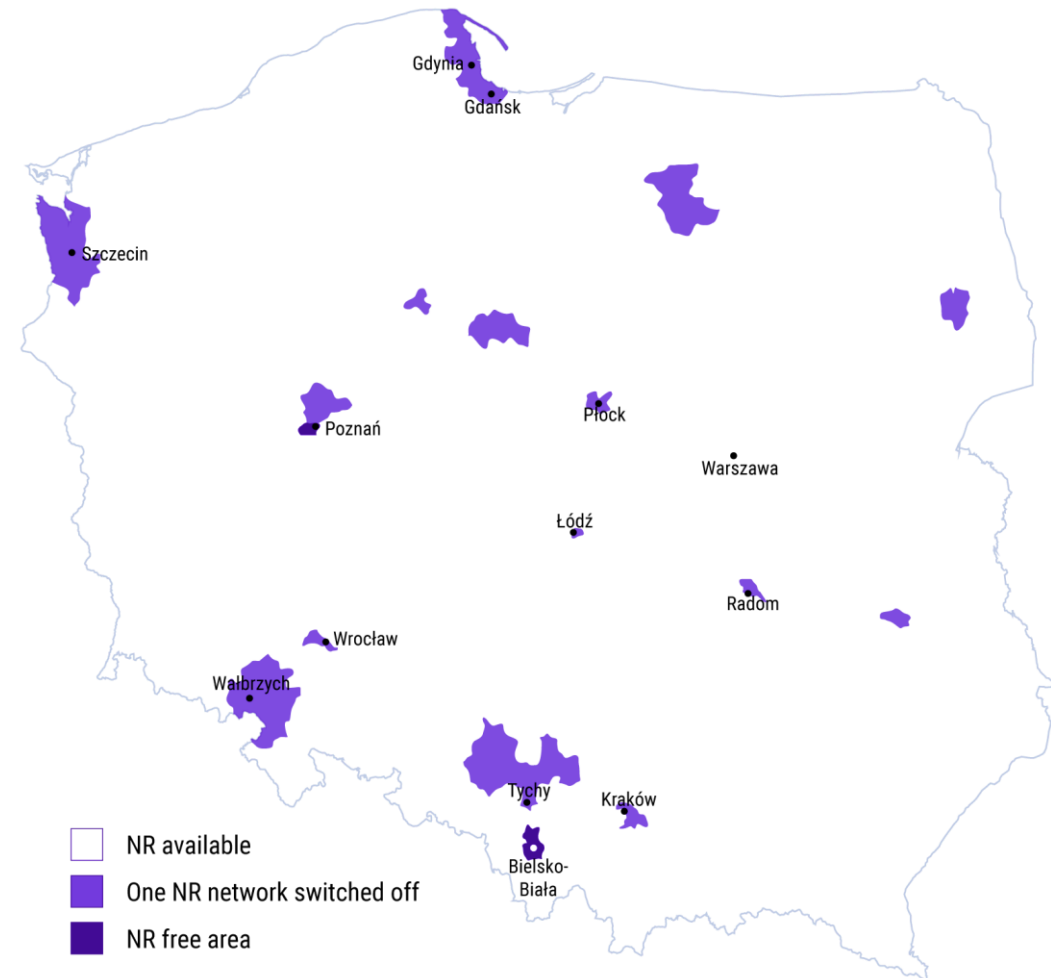
- 20% of population
- 66% of total traffic transferred to PLAY

Full National Roaming switch off in 4 cities

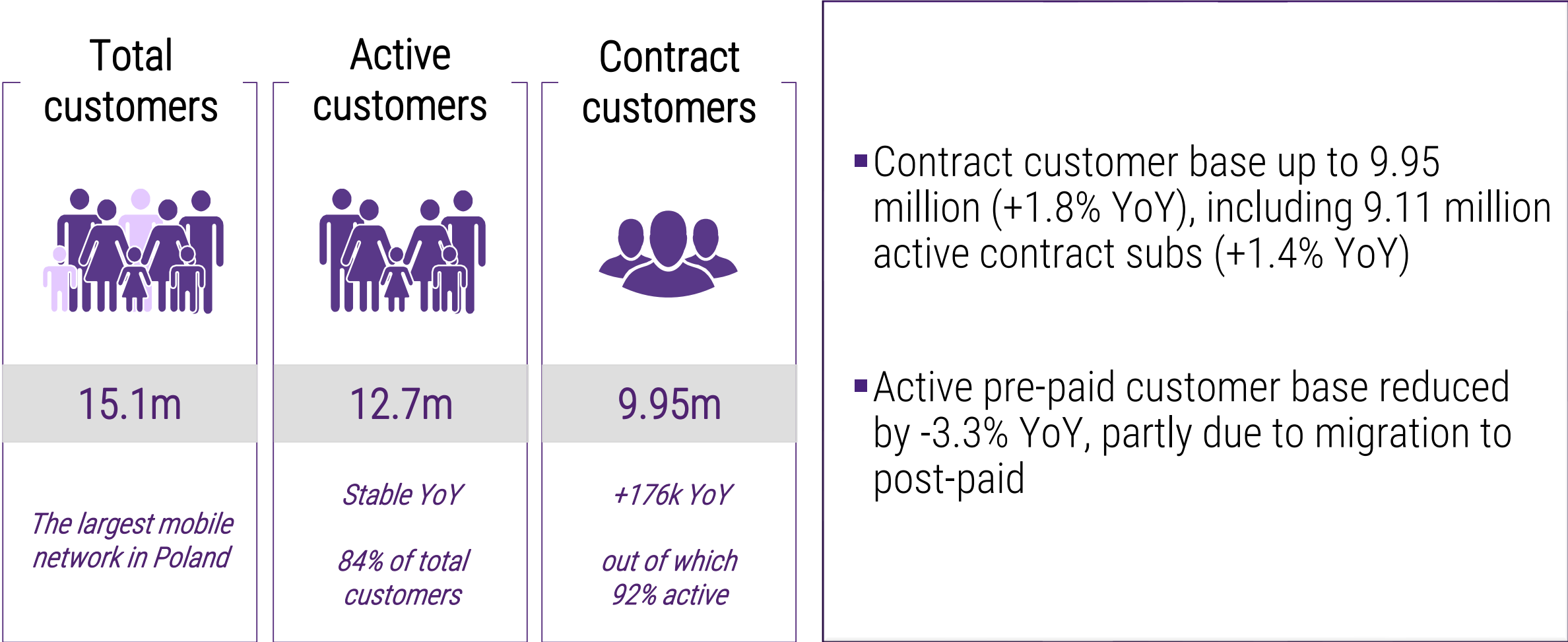
- 3% of population
- All customers transferred to PLAY network

Overall National Roaming traffic decreased YoY by 42% for Data on Device and 48% for voice

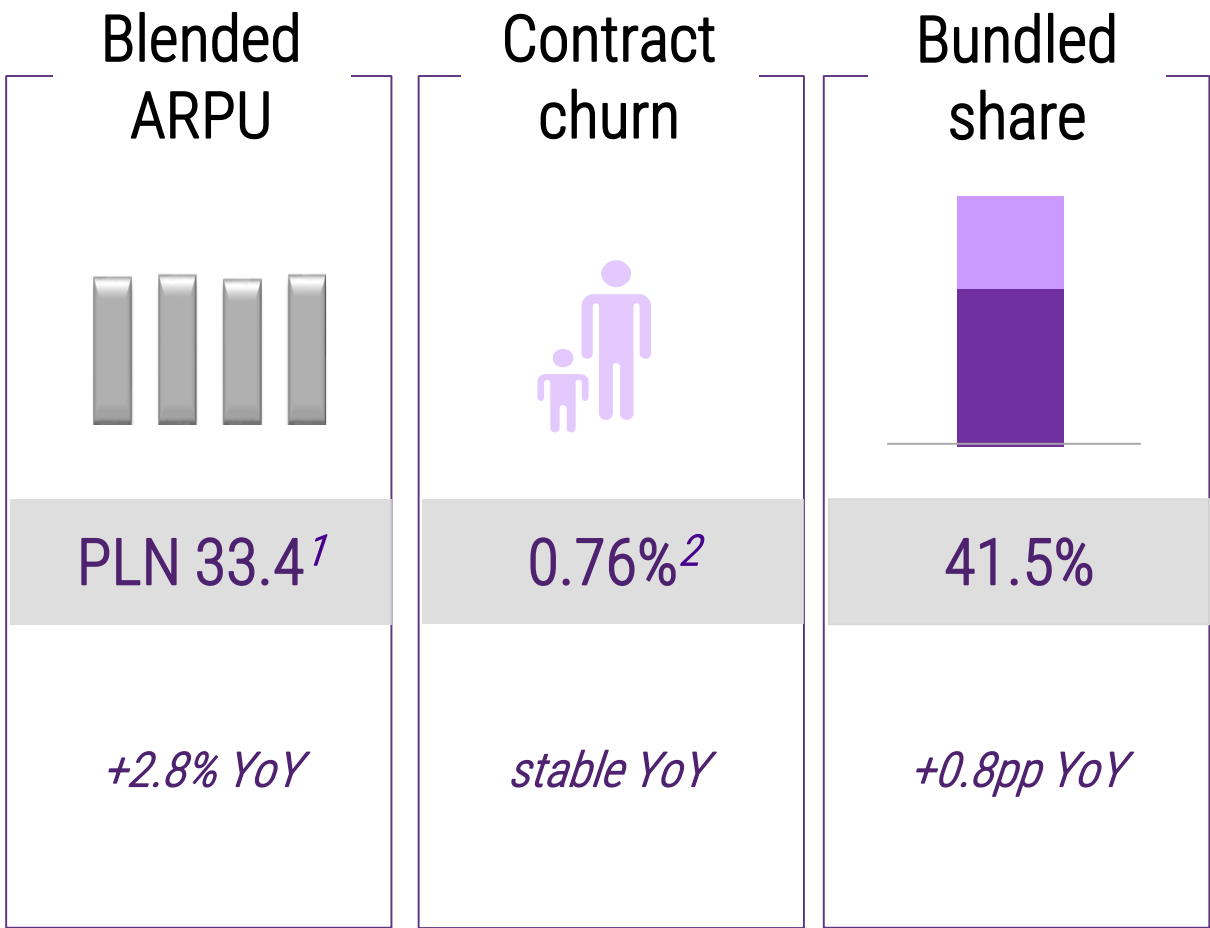
National Roaming with Polkomtel to end EoY 2019



Customer base reflecting continuous focus on contract subscribers



Spotlight on increasing existing customer base value

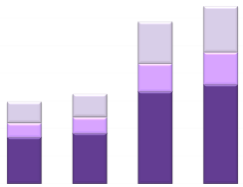





- Contract ARPU up to PLN 38.3 in Q3
- Contract churn stable YoY at 0.76% in Q3
- 41.5% share of bundled SIM cards drive increase in ARPA

¹ Presented for active subscribers on average monthly basis over the period of Q3 2019; for detailed definition please refer to the Report;

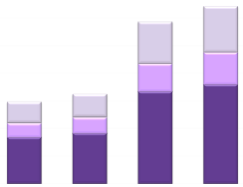



² Presented for reported subscribers on an average monthly basis; for detailed definition please refer to the Report

Q3: Further strong performance across all financial metrics

Key financial figures for Q3 2019			
Operating Revenue	Adjusted EBITDA	Net profit	FCFE
			
PLN 1,796m	PLN 645m	PLN 233m	PLN 409m
+5.2% YoY Usage revenue +6.2% YoY	+16.1% YoY Margin 35.9%	+22.8% YoY Margin 13.0%	+126.2% YoY

- Revenue up by 5.2% YoY driven by 6.2% increase in usage revenue and 6.4% growth in sales of goods
- Adjusted EBITDA improved thanks to revenue growth and decrease in national & international roaming costs, partially offset by G&A
- Net profit up by 23% YoY, boosted by higher adj. EBITDA, coupled with lower interest, but higher D&A and tax
- FCFE more than doubled YoY fueled by positive working capital change driven by lower trade receivables and inventories

9m: Sound results driving further upgrade in FY guidance

Key financial figures for 9m 2019			
Operating Revenue	Adjusted EBITDA	Net profit	FCFE
			
PLN 5,241m	PLN 1,866m	PLN 701m	PLN 759m
+4.2% YoY Usage revenue +5.3% YoY	+14.9% YoY Margin 35.6%	+29.1% YoY Margin 13.4%	+25.9% YoY

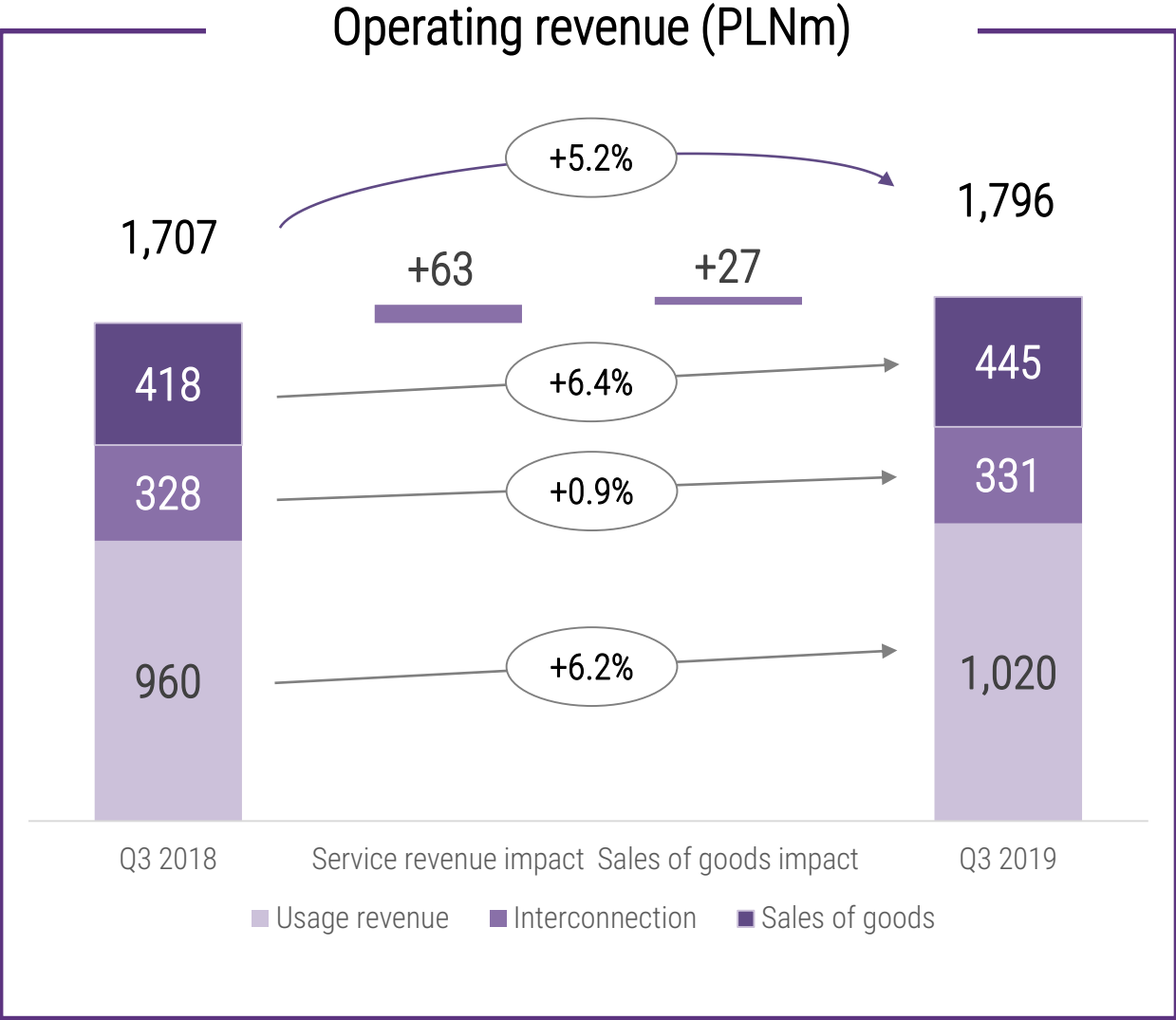
- Revenue up by 4.2% YoY
- Adjusted EBITDA increase through further revenue growth and improved cost base
- Net profit up by 29.1% YoY
- FCFE on track to overperform the original guidance, up by 26% YoY despite higher cash capex and cash taxes, fuelled by improvements in Adjusted EBITDA and trade receivables positively impacting net working capital

FINANCIAL PERFORMANCE

Holger Püchert
CFO of Play (P4 Sp. z o.o.)

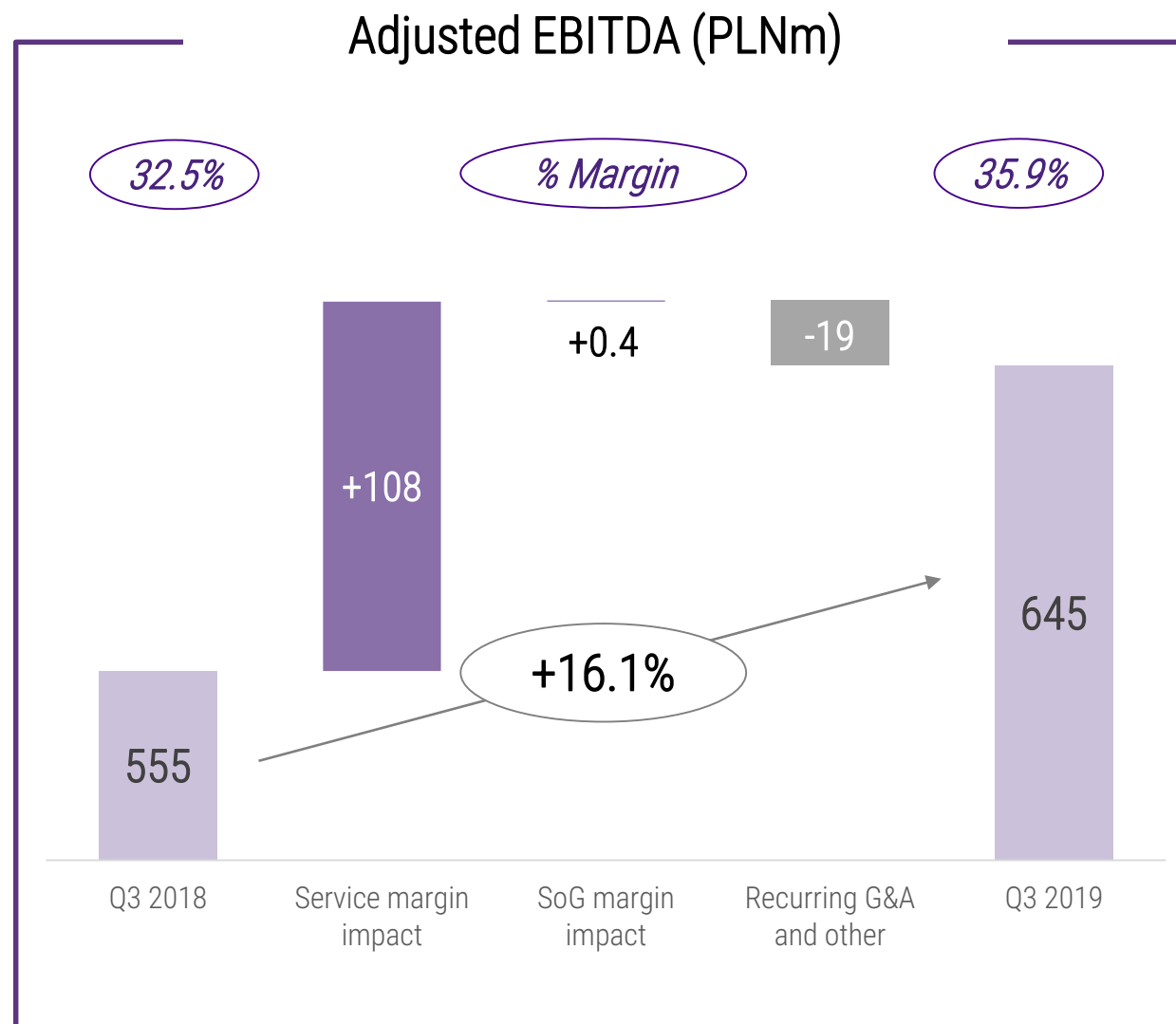


Further revenue increase across all lines



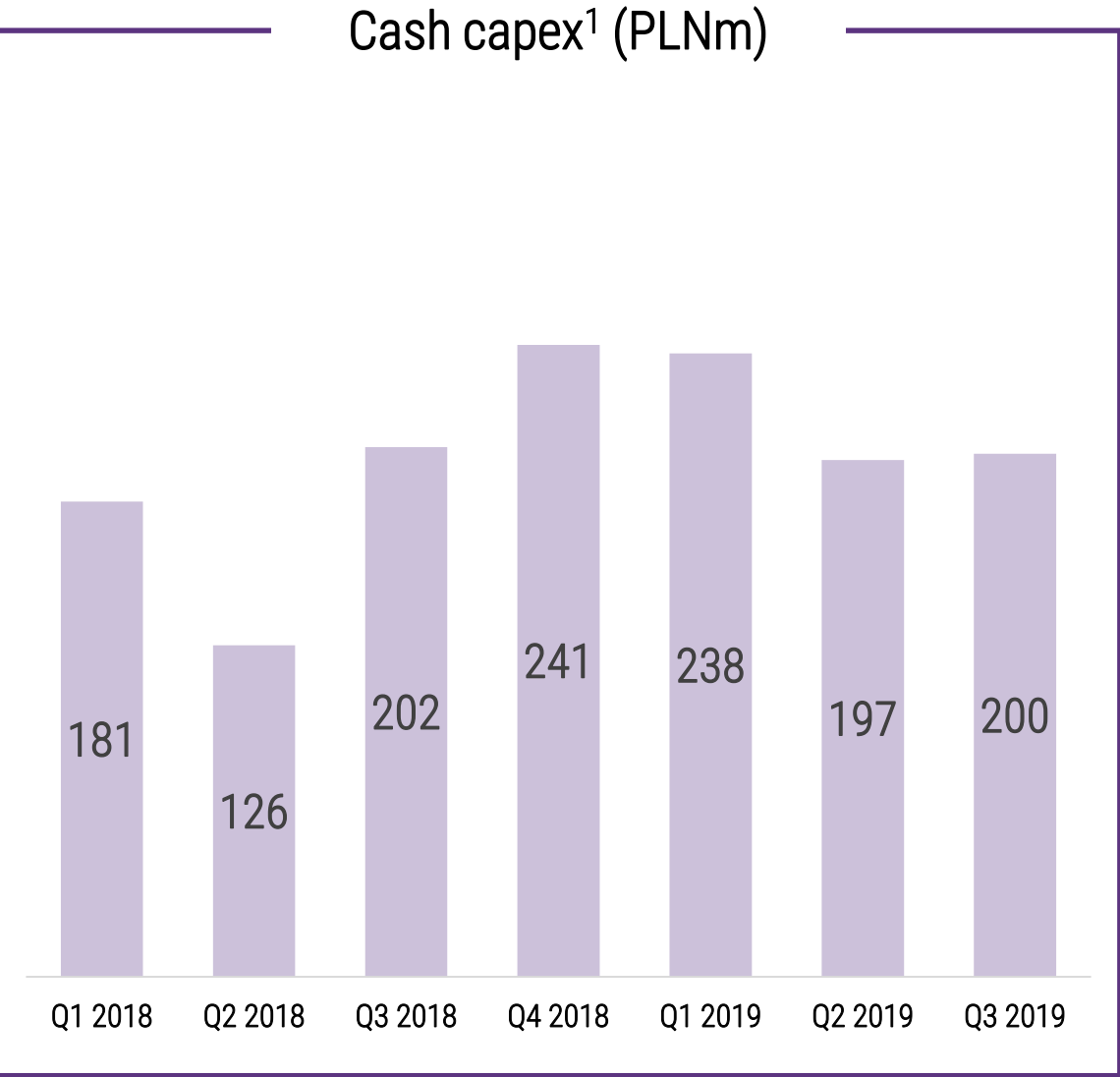
- Usage revenue growth accelerated in Q3 to 6.2% YoY bringing 9m'19 to +5.3% YoY
- Sales of goods and other revenue improved in Q3 by 6.4% YoY driving 9m'19 growth to 4.4% YoY
 - Stable share of terminal offers sold in acquisition and retention, further fuelled by wholesale transactions

Adjusted EBITDA driven by improving service margin



- Adj. EBITDA was 16.1% higher YoY in Q3 reflecting mainly:
 - strong growth in service margin driven by both revenue increase as well as lower national and international roaming costs,
 - partially offset by higher G&A costs.
- 9m adj. EBITDA arrived at PLN 1.87bn, up by 14.9% YoY
- Significant improvement of Adj. EBITDA margin to 35.9% in Q3 and 35.6% in 9m'19

Cash capex driven by network roll-out and upgrade



- 231 new sites (net) launched in Q3, on track to full year target.
- More than 600 sites upgraded to 5G Ready functionality in Q3.

¹ Excl. cash outflows in relation to frequency reservation acquisition

Summary of financials

PLN millions	Q3 2018	Q3 2019	Change (%)	9m 2018	9m 2019	Change (%)
Operating Revenue	1,707	1,796	5.2%	5,032	5,241	4.2%
Usage revenue	960	1,020	6.2%	2,809	2,958	5.3%
Interconnection revenue	328	331	0.9%	979	984	0.5%
Sales of goods and other revenue (Handsets)	418	445	6.4%	1,244	1,299	4.4%
Expenses	(947)	(919)	(2.9%)	(2,780)	(2,676)	(3.7%)
Interconnect costs	(343)	(334)	(2.6%)	(1,017)	(1,002)	(1.5%)
National roaming	(73)	(49)	(32.7%)	(205)	(138)	(32.7%)
COGS (Handsets)	(347)	(373)	7.5%	(1,012)	(1,050)	3.7%
Contract costs, net (Commissions)	(102)	(100)	(2.3%)	(319)	(302)	(5.3%)
Other services costs, incl. Int' roaming and content	(81)	(62)	(23.3%)	(226)	(185)	(18.3%)
Contribution margin	760	877	15.4%	2,252	2,565	13.9%
G&A and other ¹	(216)	(241)	11.6%	(635)	(715)	12.7%
EBITDA	544	636	17.0%	1,618	1,850	14.3%
EBITDA adjustments	12	9	(23.1%)	6	16	149.2%
Adjusted EBITDA	555	645	16.1%	1,624	1,866	14.9%
Depreciation and amortization	(198)	(227)	14.6%	(585)	(664)	13.7%
Finance income	5	1	(86.1%)	2	1	(45.1%)
Finance costs	(93)	(95)	1.9%	(284)	(261)	(8.0%)
Profit before tax	257	315	22.3%	751	925	23.2%
Income tax charge	(68)	(82)	21.0%	(208)	(224)	7.7%
Net profit	190	233	22.8%	542	701	29.1%
Earnings per share (PLN)	0.75	0.92	22.7%	2.14	2.76	29.0%

¹ Other operating income less other operating costs

FCFE (post lease payments)

(PLNm)	Q3 2018	Q3 2019	Change (%)	9m 2018	9m 2019	Change (%)
Adjusted EBITDA	555	645	16.1%	1,624	1,866	14.9%
Cash capital expenditures ¹	(202)	(200)	(1.2%)	(510)	(635)	24.5%
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	(11)	128	n/a	(35)	80	n/a
Cash interest ²	(71)	(65)	(7.6%)	(214)	(195)	(9.0%)
Cash taxes	(38)	(36)	(4.5%)	(106)	(193)	83.0%
Lease payments	(53)	(63)	17.4%	(156)	(164)	5.3%
Free cash flow to equity (post lease payments)	181	409	126.2%	603	759	25.9%

FCFE (post lease payment) for Q3 2019 higher by 126% YoY as a result of:

- Higher Adjusted EBITDA
- Stable cash capex
- Positive change in working capital thanks to lower trade receivables and inventories

¹ Cash capital expenditures excluding cash outflows in relation to frequency reservation acquisitions and purchase price for acquisition of 3S Group (PLN 335m)

² Comprising cash interest paid on loans, and other debt

The measures presented are not comparable to similarly titled measures used by other companies. Free cash flow to equity (post lease payments) does not reflect all past expenses and cash outflows as well as does not reflect the future cash requirements necessary to pay significant interest expense, income taxes, or the future cash requirements necessary to service interest or principal payments, on our debts. We encourage you to review our financial information in its entirety and not rely on a single financial measure. See in Report "Presentation of Financial Information—Non-IFRS Measures" for an explanation of certain limitations to the use of these measures

Leverage

	As of September 30, 2018		As of December 31, 2018		As of June 30, 2019		As of September 30, 2019	
	PLNm	xLTM Adj. EBITDA ⁴	PLNm	xLTM Adj. EBITDA ³	PLNm	xLTM Adj. EBITDA ²	PLNm	xLTM Adj. EBITDA ¹
Senior term loan ⁵	6,054	2.8x	6,052	2.8x	5,880	2.5x	5,772	2.4x
Other debt	33	0.0x	30	0.0x	31	0.0x	63	0.0x
- Cash and cash equivalents	(154)	(0.1x)	(354)	(0.2x)	(127)	(0.1x)	(46)	(0.0x)
Total net financial debt	5,933	2.70x	5,728	2.65x	5,784	2.50x	5,789	2.41x
Leases ⁶	955	0.4x	985	0.5x	993	0.4x	1,011	0.4x
Total net debt	6,888	3.14x	6,713	3.11x	6,777	2.93x	6,800	2.83x

- PLN 347m of senior term loan repaid in 9m 2019
- PLN 368m of dividend paid in Q2 2019

Lower leverage thanks to solid cash generation, continuous repayment of senior term loan and increase in adj. EBITDA

¹ LTM Adj. EBITDA as of September 30, 2019 of PLN 2,401m; ² LTM Adj. EBITDA as of June 30, 2019 of PLN 2,312m; ³ LTM Adj. EBITDA as of December 31, 2018 of PLN 2,159m;

⁴ LTM Adj. EBITDA as of September 30, 2018 of PLN 2,194m; ⁵ principal plus interest; ⁶ including IFRS 16 impact, capitalization of leases

CONCLUSIONS

Jean-Marc Harion
CEO of Play (P4 Sp. z o.o.)



FY Guidance Status – Second Upgrade in 2019

	FY 2019 Original Guidance	FY 2019 Guidance after Q2'19 results	9m 2019 Results	FY 2019 Guidance after Q3'19 results
Revenue	Growth below 2018 result	Confirmed	+4.2%	Close to +2.5%
Adj. EBITDA	PLN 2.2-2.3bn	PLN 2.3-2.4bn	PLN 1.9bn	> PLN 2.4bn
Cash CAPEX ¹	Up to PLN 800m	PLN 800-830m	PLN 633m	~ PLN 850m
FCFE ²	PLN 670-750m	PLN 770-830m	PLN 759m	> PLN 900m
Distribution to Shareholders	40-50% of FCFE	Confirmed	45% of 2018 FCFE (PLN 368m) paid in Q2'19	Confirmed

1 Play defines Cash Capex without frequency reservation cash outlays

2 Post-lease payments, excluding cash out for purchase of 3S, which we exclude from FCFE calculation as exceptional item

Q&A Session

