



**PLAY**

# **PLAY COMMUNICATIONS**

Q1 2020 Results Investor Presentation

12 May 2020

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# Agenda

**BUSINESS PERFORMANCE**

**FINANCIAL PERFORMANCE**

**CONCLUSIONS**

**Q&A SESSION**

# BUSINESS PERFORMANCE

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



# Summary of achievements in Q1

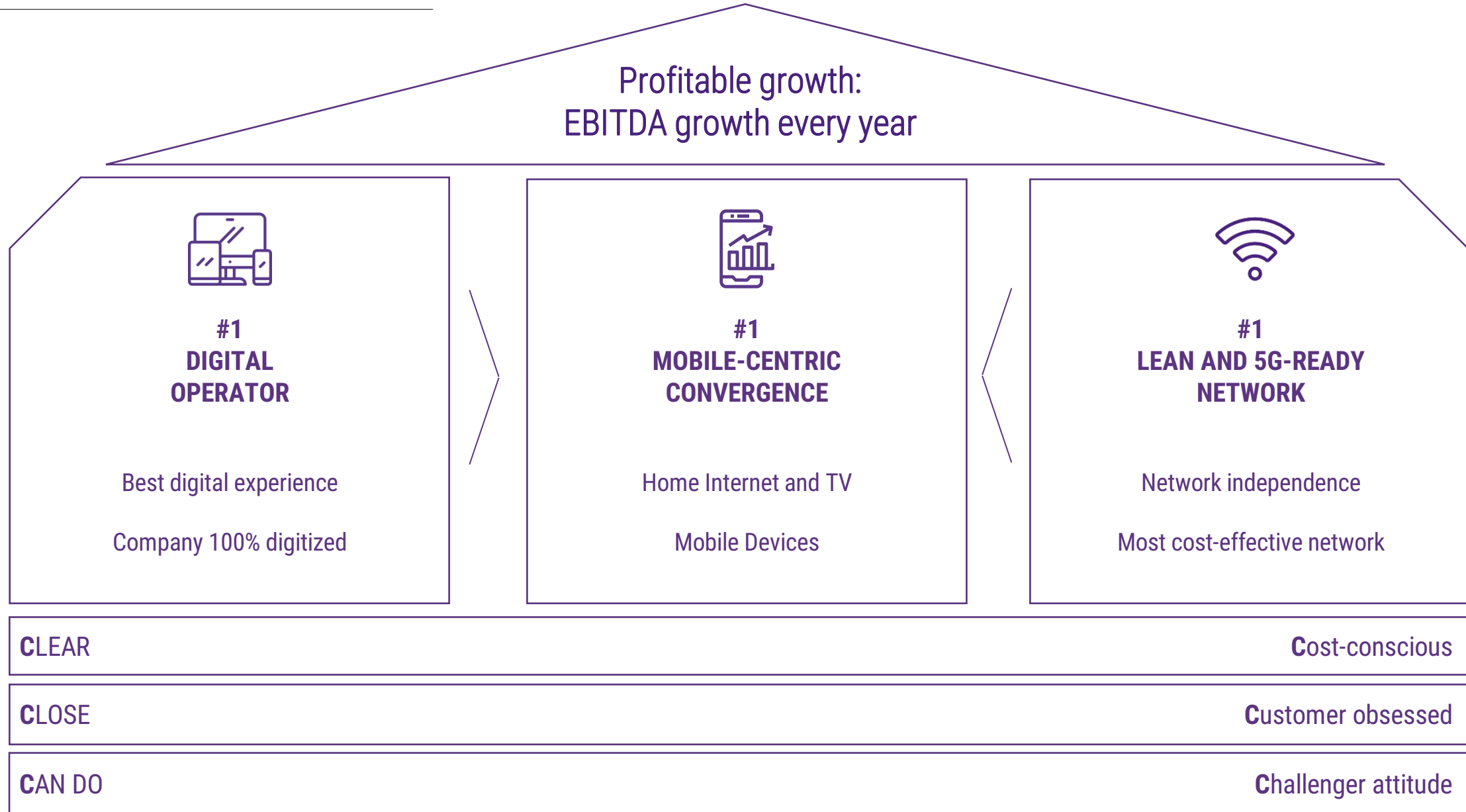
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- Operating revenue up by 3.5% YoY with usage revenue growth of 6.7% and sales of goods and other revenue suffering 9.6% decline on the back of COVID-19 lockdown
- Adj. EBITDA reached 607m PLN, up 5.3% YoY
- FCFE of nearly 341m PLN (+89% YoY) fuelled by adj. EBITDA growth, lower cash capex and positive change in working capital
- 15.2m reported and 12.6m active customers\* (+1.1% and +1.0% YoY), both including 132k M2M SIM cards
- Blended ARPU\* up 4.7% YoY to PLN 33.8
- Contract churn stable at 0.75%



\* Based on revised definition of active base with activity period for certain types of SIM cards shortened to 30 days – impacting also ARPU

# PLAY 2022 strategy



# COVID-19 pandemic – Business Continuity measures

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- ✓ Play has activated its Business Continuity Management team immediately upon start of the lockdown.
- ✓ Key business, network and financial processes are closely monitored for their efficiency taking into account high scale of remote work performed by the Group's employees.
- ✓ The Company has enabled home working for most of its employees, including call centres and IT teams.
- ✓ Network maintenance teams continue field operations in order to secure continuous and high quality of service to our customers.
- ✓ The employees working in the points of sales, the warehouse or in network operations, apply and respect all safety rules recommended by the Government and the Ministry of Health.





# COVID-19 pandemic impact

Areas of concern	Impact on business
Traffic	Voice +34%, data +19%, no impact on QoS
Distribution network	Less than half of PoS closed (reopened on May 4th with precautionary measures in place), traffic in PoS significantly lower (till reopening)
Digital channels	Visits to play.pl +20%, 5.0m accounts of Play24 app
ARPU	Few percent above expectations, both contract and prepaid
Revenues	Service revenue few percent above plan, driven mainly by increase in traffic from other operators International roaming revenue and costs comparable to pre-pandemic months Sales of handsets ~30% lower than planned
Operating costs	Contained, with one-off bad debt provisions booked in Q1
Investments, capex and cash generation	On track



# PLAY continues to enhance its mobile-centric offerings...

## FIXED BROADBAND TO HOME

Fixed Broadband Internet offer on Vectra and soon Multimedia's networks (3.9m households in urban areas)

Available through PLAY Points of Sales, website and telesales, starting from PLN 50 per month



## PLAY NOW TV

Premium content upgrades including sports, science, exploration, adventure and news with enhanced interface functionality

47 thousand customers at the end of Q1, up by 47% QoQ



## #GamersGonnaPLAY

Online gaming purchases with discount and option to be charged to PLAY's invoice without risk of providing credit card or bank account details online



## PRESALES OF 5G HANDSETS

First 5G handsets from leading global manufacturers available on presales in PLAY's sales network



# ... and reflects upon the lockdown on COVID-19 pandemic

## FREE DATA PACKAGES



Free additional 10GB per month data transmission allowance to support our customers during COVID-19 lockdown

## PLAY NOW TV



40 premium TV channels and 6 months of Amazon Prime Video for free within PLAY NOW & PLAY NOW TV BOX services

## SENIOR CITIZENS' SUPPORT



Extension of senior customers' prepaid accounts activity till the end of June and extra two-week delay allowance for contract payments

## STUDENTS' SUPPORT



Free additional data packages of up to 200GB dedicated to online learning launched in April

# Preparation for 5G

## 5G READY



40% of PLAY network sites upgraded to 5G READY, providing 51% population coverage with Internet speeds of up to 900 Mbps

## 5G IS HERE



500 network sites technically ready for 5G on 2100 MHz Band  
Commercial launch pending wider availability of terminals.  
Waiting for new C-band spectrum auction timeline.

## FIBER BACKHAUL ROLL-OUT



Continuous development of fiber optic network with 88 new base stations connected in Q1'20

Investment process started in Warsaw and Tricity agglomerations

## NETWORK ROLL-OUT



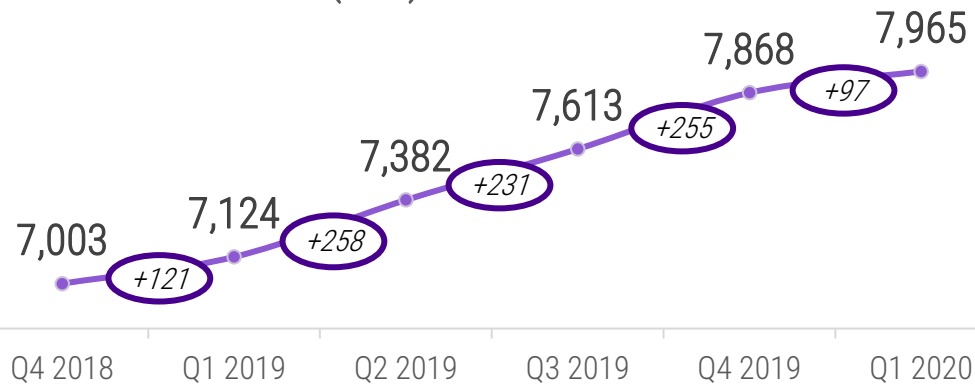
97 new sites on air in Q1 2020, providing LTE population coverage on own network of 98.8%

126 additional sites ready but not on air in Q1 due to CV-19 restrictions impacting formal use permits and EMF measurements

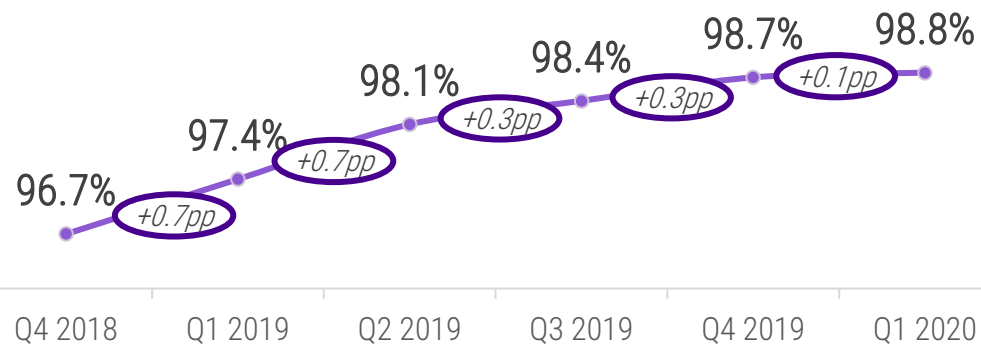
# Network roll-out and upgrades – 8,000 sites reached on 20 April

## NETWORK ROLL-OUT...

- Number of sites (EoP):

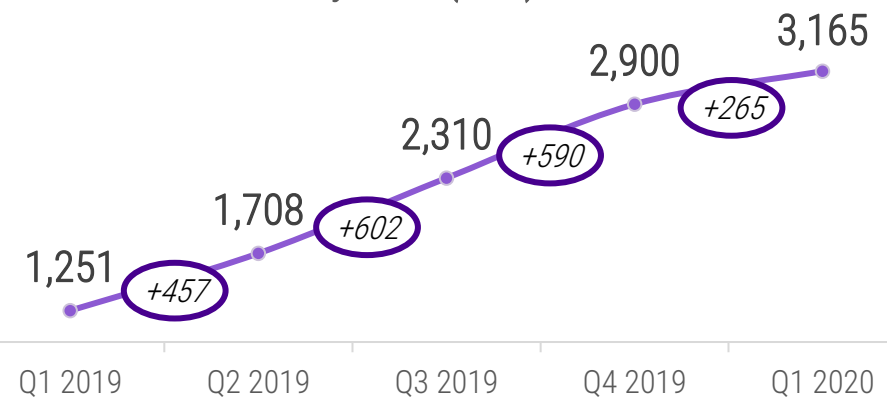


- 4G LTE population coverage (EoP):

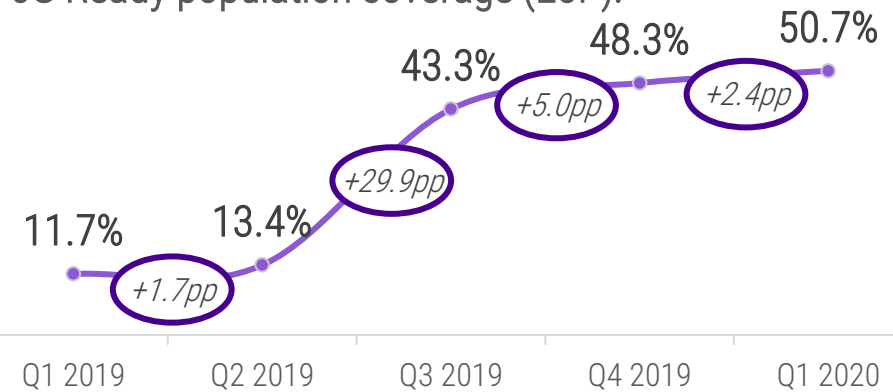


## ...AND IMPLEMENTATION OF 5G READY

- Number of 5G Ready sites (EoP):



- 5G Ready population coverage (EoP):



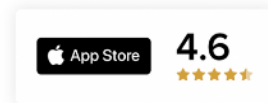
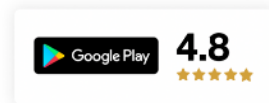
# Further progress in digital

## PLAY24

24

5.0 million active accounts  
(vs 4.9 mln EoP Q4 2019)

Recently enriched with retention functionality  
for MIX offers and SOHO customers

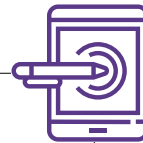


## ONLINE RETENTION



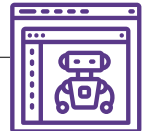
6,6% digital B2C retention  
(vs. 5% EoP Q4)

## PoS DIGITALISATION



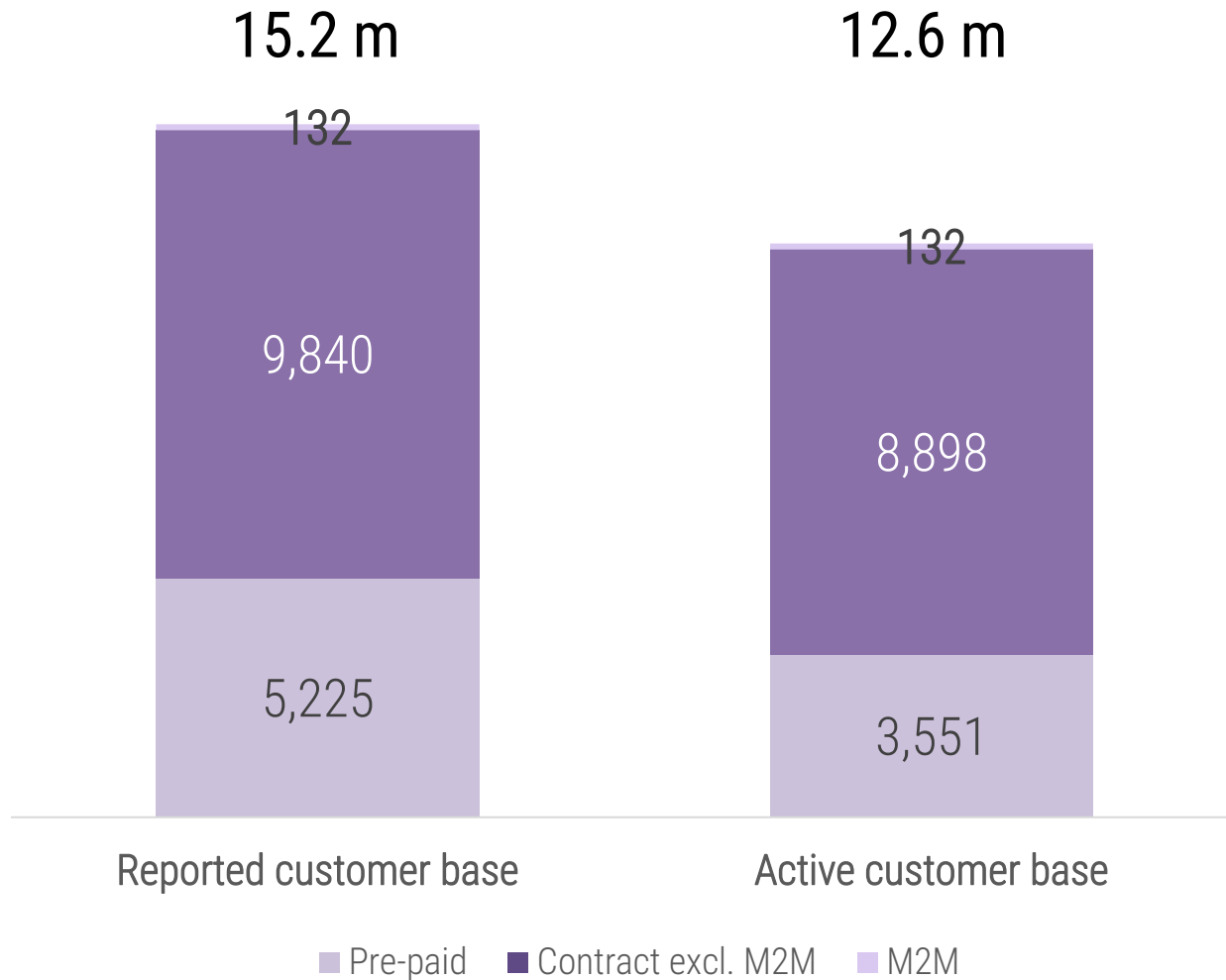
82% fully digitalized transactions  
(vs. 80% EoP Q4 2019)

## E-INVOICE



70% of e-invoice with B2B partners  
(vs. 66% EoP Q4 2019).  
14% of all invoices booked automatically using robot.

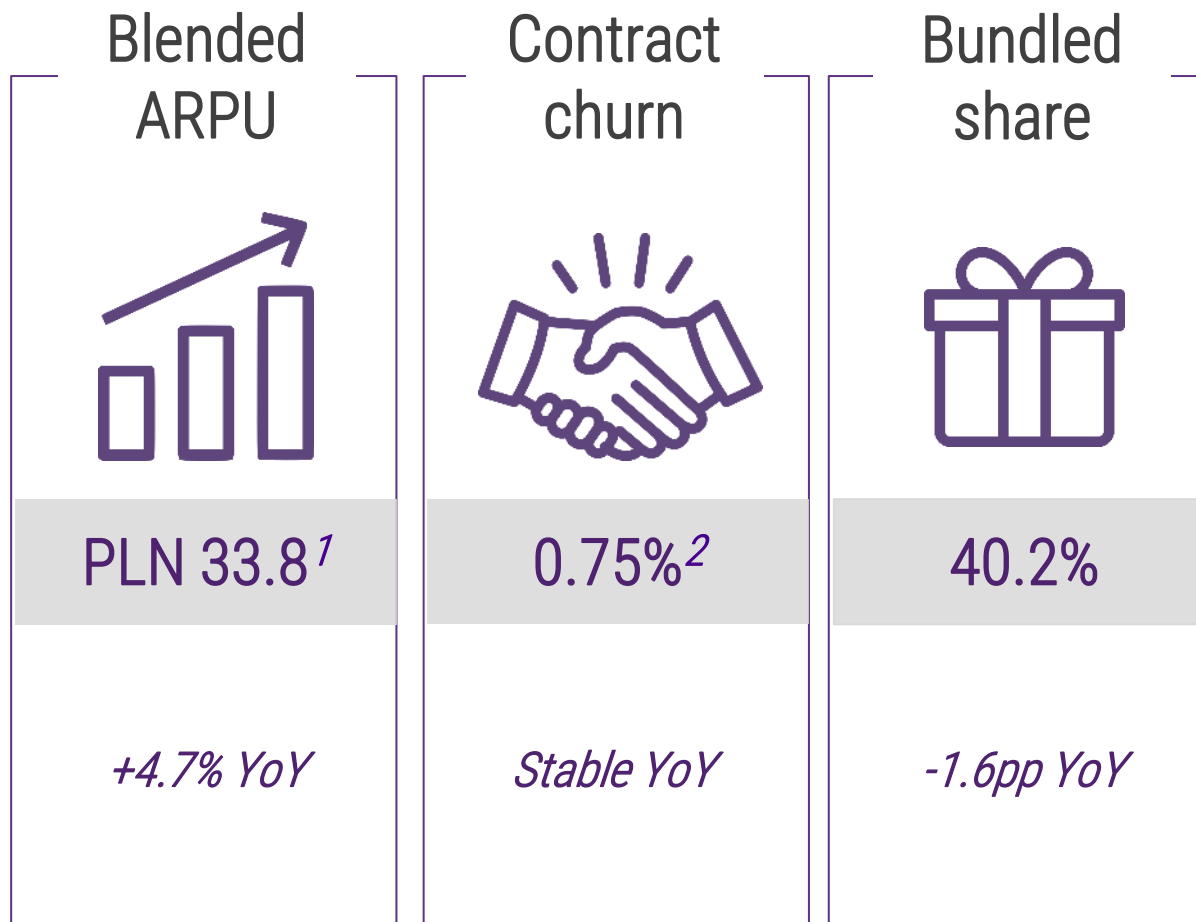
# Customer base reflecting continuous focus on contract subscribers



Data on chart in thousands

- Contract customer base excl. M2M up to 9.8 million (+0.4% YoY), including 8.9 million active contract subs (+2.0% YoY)
- Active pre-paid customer base reduced by 1.7% YoY, partly due to migration to post-paid
- Revised definition of active customers base with activity period for certain types of SIM cards shortened to 30 days – impacting also ARPU

# Spotlight on increasing existing customer base value



- Contract ARPU in Q1 2020 up by 3.7% YoY to PLN 39.2
- Contract churn stable at 0.75%
- Slight decrease in bundled share due to change in reporting of mobile internet bundles
- Earlier mentioned active base restatement resulted in slight change of churn rate

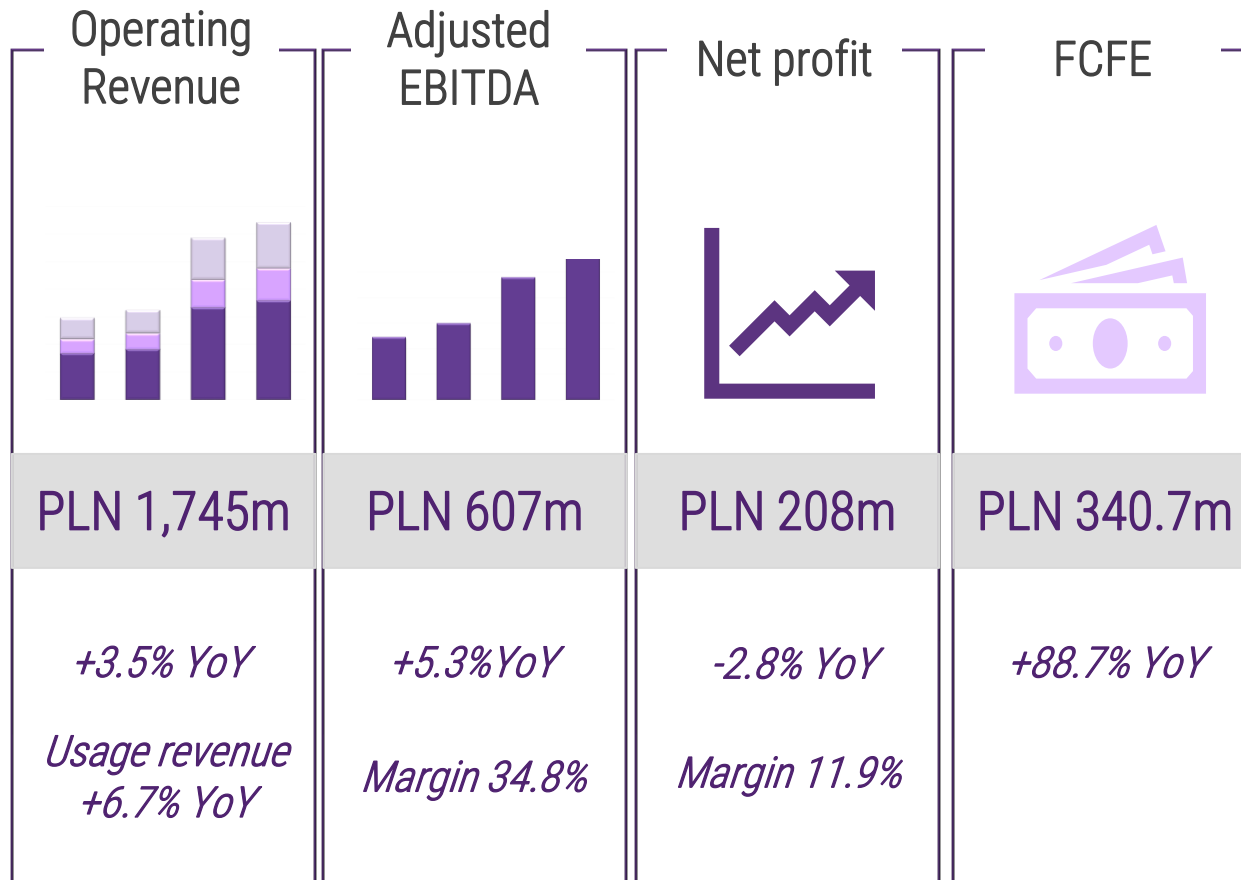
<sup>1</sup> Presented for active subscribers on average monthly basis over the period of Q1 2020; for detailed definition please refer to the Report;

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



# Solid quarterly results

## Key financial figures for Q1 2020



- Revenue grew 3.5% YoY, increased service revenue offset by sales of goods and other revenue
- Adjusted EBITDA increase mainly thanks to strong service revenue as well as decrease in national roaming cost
- FCFE up by 88.7% fuelled by adj. EBITDA growth, lower cash capex and positive change in working capital

# Acquisition of Virgin Mobile Poland

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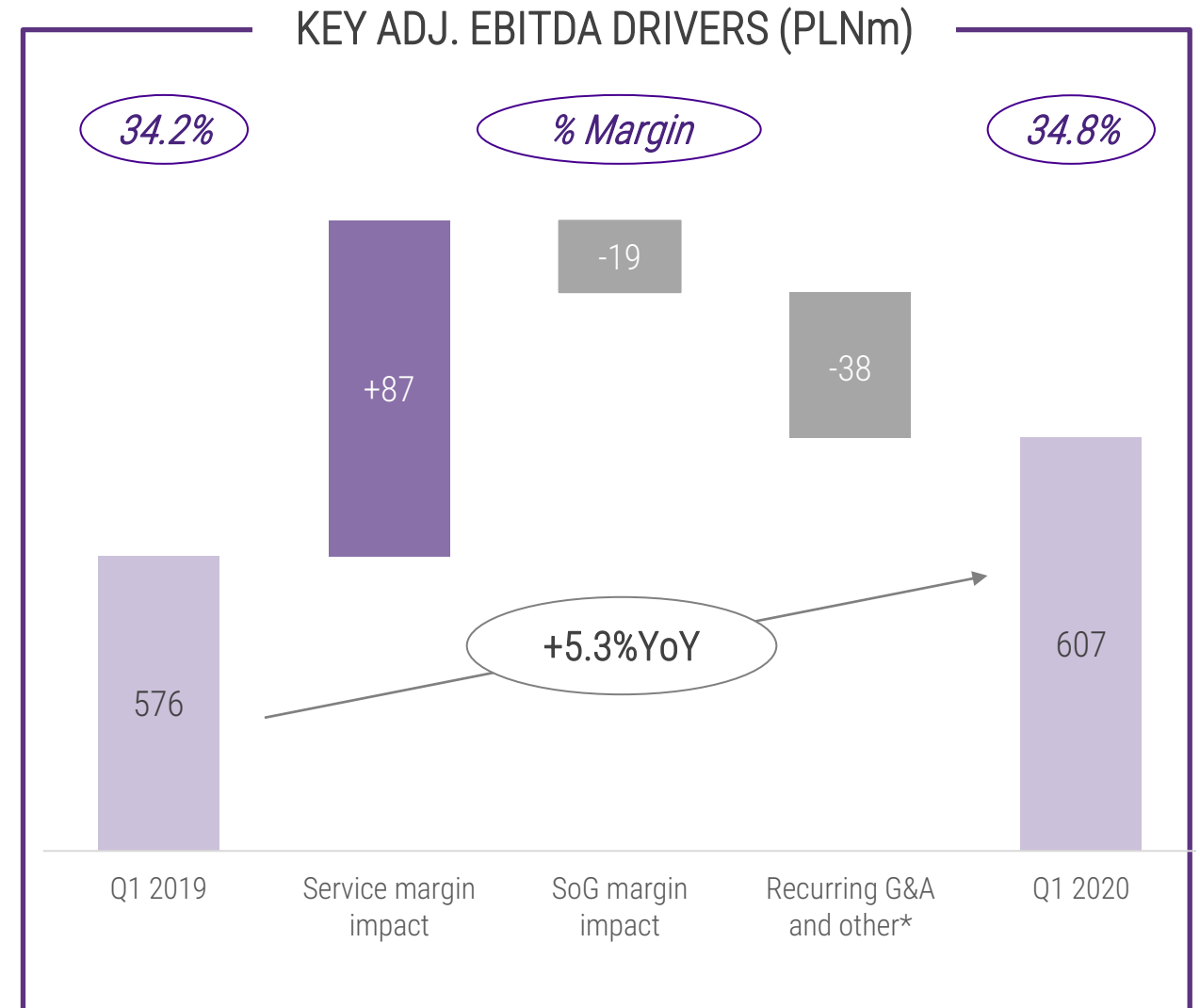
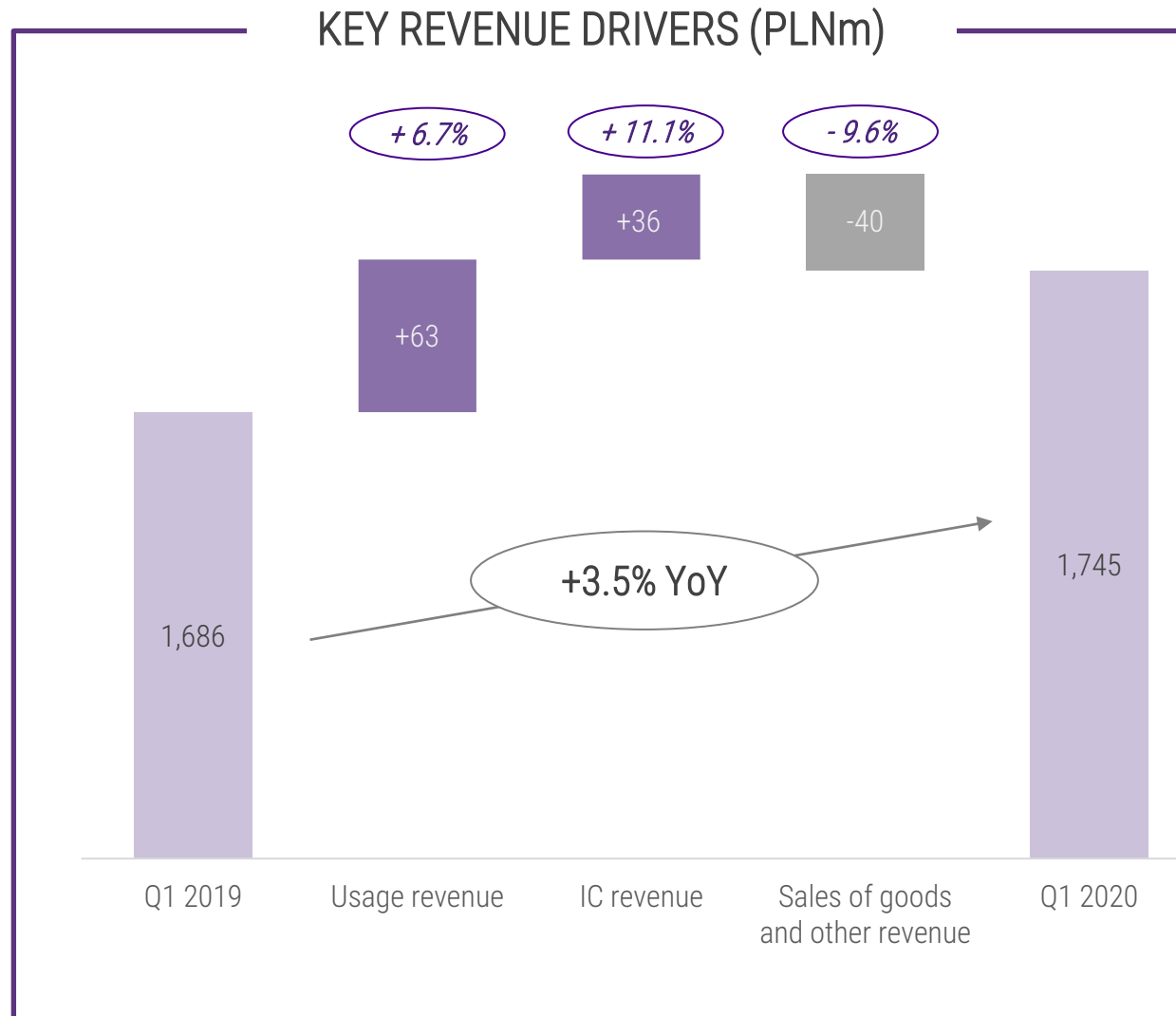
- ✓ On 22<sup>nd</sup> April 2020 Play entered into the Preliminary Share Sale and Purchase Agreement to acquire 100% shares in Virgin Mobile Poland.
- ✓ The acquisition cash price of 100% ownership in Virgin Mobile Poland (on a debt-free and cash-free basis) was set at EUR 13.4 million (PLN 60.7 million).
- ✓ The acquisition will be financed from own cash and financing available to PLAY and will be subject to certain closing accounts adjustments.
- ✓ Acquisition of Virgin Mobile Poland after costs of integration and foreseen synergies is expected to provide incremental contribution to Play's adjusted EBITDA and FCFE within 24 months from acquisition.
- ✓ Acquisition of Virgin Mobile Poland requires antimonopoly consent of the President of the Office of Competition and Consumer Protection.

# FINANCIAL PERFORMANCE

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

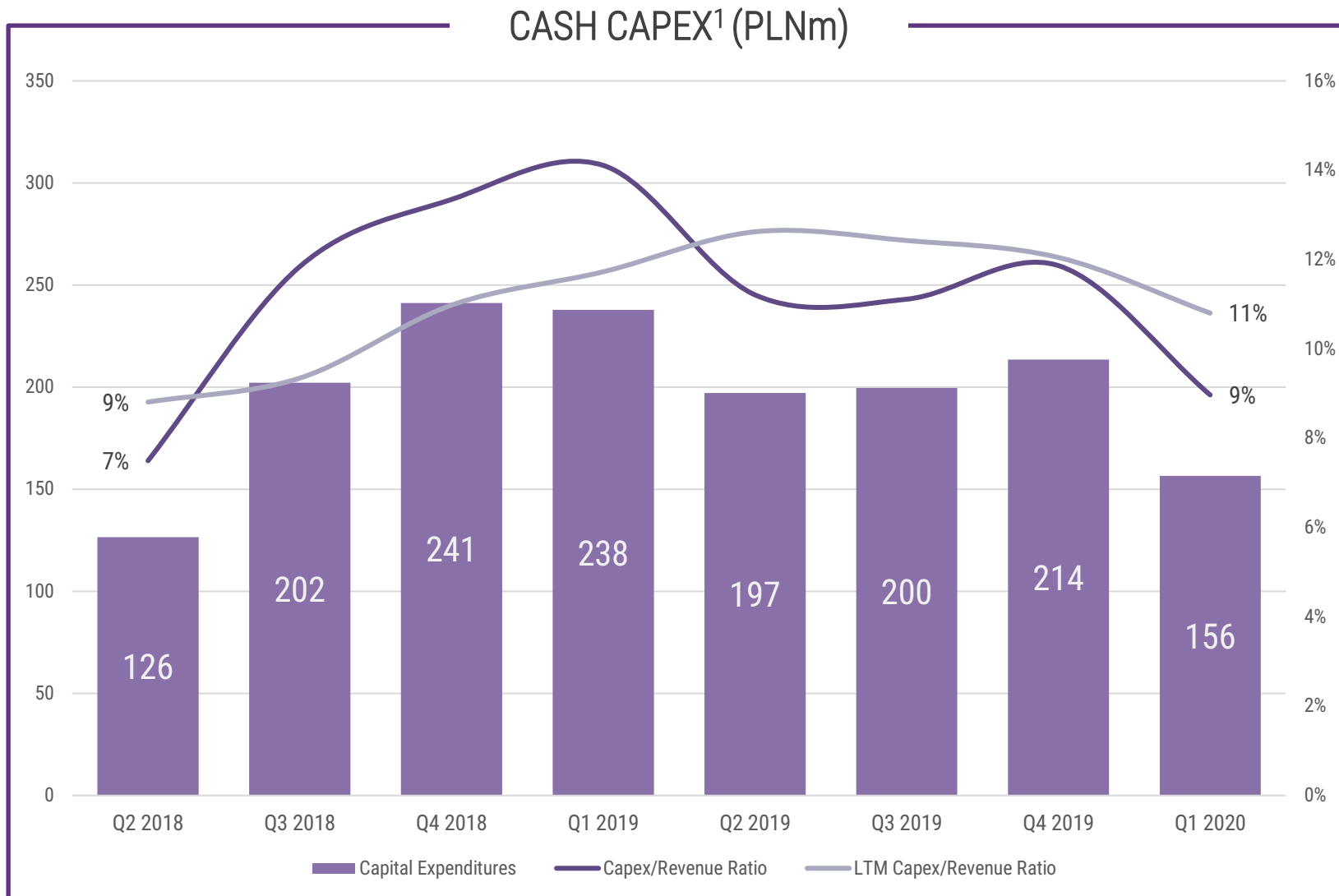


# Revenue and EBITDA breakdown



\* Including bad debt provisions and impairment of contract assets increased one-off by PLN 33m YoY

# Cash capex reflects network roll-out and 5G Ready upgrade



- Cash capex lower YoY in Q1 due to no overflow from Q4'19
- 97 new base stations
- 265 sites upgraded to 5G Ready technology
- 88 new sites connected to fiber backhaul
- LTM cash capex to revenue at ~11%

<sup>1</sup> Excl. cash outflows in relation to frequency reservation acquisition

# Summary of financials

<i>PLN millions</i>	Q1 2019	Q1 2020	Change %
<b>Operating Revenue</b>	<b>1,686</b>	<b>1,745</b>	<b>3.5%</b>
Service revenue	1,268	1,367	7.8%
Sales of goods and other revenue (Handsets)	418	377	(9.6%)
<b>Expenses</b>	<b>(867)</b>	<b>(859)</b>	<b>(1.0%)</b>
Interconnect costs	(330)	(355)	7.5%
National roaming	(44)	(35)	(22.2%)
COGS (Handsets)	(328)	(306)	(6.6%)
Contract costs, net (Commissions)	(103)	(104)	1.1%
Other services costs, incl. Int' roaming and content	(62)	(59)	(4.6%)
<b>Contribution margin</b>	<b>819</b>	<b>886</b>	<b>8.2%</b>
G&A and other <sup>1</sup>	(245)	(281)	14.9%
<b>EBITDA</b>	<b>574</b>	<b>605</b>	<b>5.4%</b>
EBITDA adjustments	3	3	(7.2%)
<b>Adjusted EBITDA</b>	<b>576</b>	<b>607</b>	<b>5.3%</b>
Depreciation and amortization	(216)	(233)	7.9%
Finance income and cost	(83)	(93)	11.9%
<b>Profit before tax</b>	<b>274</b>	<b>279</b>	<b>1.5%</b>
Income tax charge	(61)	(71)	16.3%
<b>Net profit</b>	<b>214</b>	<b>208</b>	<b>(2.8%)</b>
<b>Earnings per share (PLN)</b>	<b>0.8</b>	<b>0.8</b>	<b>(2.9%)</b>

<sup>1</sup> Other operating income less other operating costs

# FCFE fueled by adjusted EBITDA despite higher cash capex & taxes

	Q1 2019	Q1 2020	Change (%)	
Adjusted EBITDA	576	607	5%	<p>FCFE (post lease payments) for Q1 2020 higher by 89% YoY as a combination of:</p> <ul style="list-style-type: none"> <li>▪ Increased Adjusted EBITDA</li> <li>▪ Lower cash capex – no overflow from Q4'19</li> <li>▪ Decline in contract assets driven by lower sales of handsets</li> <li>▪ Lower cash interest on lower net debt and better avg. interest rate</li> <li>▪ Higher cash taxes and lease payments</li> </ul>
Total cash capital expenditures <sup>1</sup>	(238)	(156)	(34%)	
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	(5)	56	n/a	
Cash interest <sup>2</sup>	(66)	(56)	(15%)	
Cash taxes	(36)	(51)	41%	
Lease payments	(50)	(59)	17%	
<b>Free cash flow to equity (post lease payments)</b>	<b>181</b>	<b>341</b>	<b>89%</b>	

<sup>1</sup> Cash capital expenditures excluding cash outflows in relation to frequency reservation acquisitions

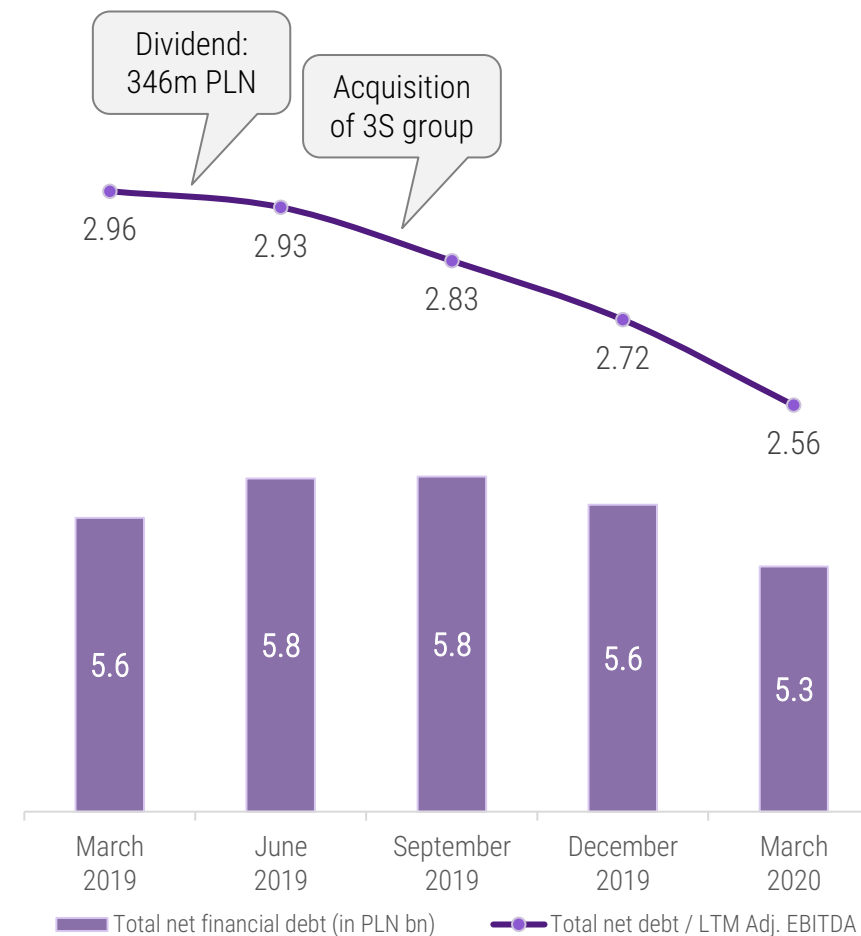
<sup>2</sup> Comprising cash interest paid on loans, and other debt

*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*



# Deleveraging thanks to high cash generation and adj. EBITDA growth

	As of March 31, 2019, unaudited		As of September 30, 2019, unaudited		As of December 31, 2019		As of March 31, 2020, unaudited	
	PLNm	xLTM Adj. EBITDA <sup>1</sup>	PLNm	xLTM Adj. EBITDA <sup>2</sup>	PLNm	xLTM Adj. EBITDA <sup>3</sup>	PLNm	xLTM Adj. EBITDA <sup>4</sup>
Senior term loan <sup>5</sup>	5,880.1	2.65x	5,771.7	2.40x	5,155.3	2.12x	5,155.3	2.09x
Notes	-	-	-	-	751.4	0.31x	758.0	0.31x
Revolving credit facilities drawn	-	-	36.5	0.02x	-	-	-	-
Other debt	24.6	0.01x	26.3	0.01x	26.7	0.01x	20.9	0.01x
- Cash and cash equivalents	(334.2)	-0.15x	(45.8)	-0.02x	(294.3)	-0.12x	(625.9)	-0.25x
<b>Total net financial debt</b>	<b>5,570.5</b>	<b>2.51x</b>	<b>5,788.6</b>	<b>2.41x</b>	<b>5,639.1</b>	<b>2.31x</b>	<b>5,308.4</b>	<b>2.15x</b>
Leases <sup>6</sup>	998.2	0.45x	1,011.2	0.42x	991.5	0.41x	996.5	0.40x
<b>Total net debt</b>	<b>6,568.6</b>	<b>2.96x</b>	<b>6,799.8</b>	<b>2.83x</b>	<b>6,630.6</b>	<b>2.72x</b>	<b>6,304.9</b>	<b>2.56x</b>



Dividend distribution of 420m PLN on 12<sup>th</sup> May 2020

<sup>1</sup> LTM Adj. EBITDA as of March 31, 2019 of PLN 2,217 m; <sup>2</sup> LTM Adj. EBITDA as of September 30, 2019 of PLN 2,401m; <sup>3</sup> LTM Adj. EBITDA as of December 31, 2019 of PLN 2,436m; <sup>4</sup> LTM Adj. EBITDA as of March 31, 2020 of PLN 2,467m; <sup>5</sup> principal plus interest; <sup>6</sup> including IFRS 16 impact, capitalization of leases

# CONCLUSIONS

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



# 2020 Guidance unchanged despite uncertainties related to COVID-19

	FY 2020 Guidance	COVID-19 impacts assumptions
Revenue	+ 2-3% YoY	Higher Service revenue but lower Handsets revenue
Adj. EBITDA	PLN 2.5-2.6 bn	Higher Service margin but lower Handsets margin
Cash CAPEX <sup>1</sup>	PLN 850-900m (~12% of revenue)	Network roll out ambition confirmed for 2020
FCFE <sup>2</sup>	> PLN 800m	Positive working capital change
Distribution to Shareholders	40-50% of FCFE	No change to the policy

<sup>1</sup> Play defines Cash Capex without frequency reservation cash outlays

<sup>2</sup> Post-lease payments

# Q&A Session

