



**PLAY**

# **PLAY COMMUNICATIONS**

Q3 2020 Results Investor Presentation

4 November 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.)



# Key achievements

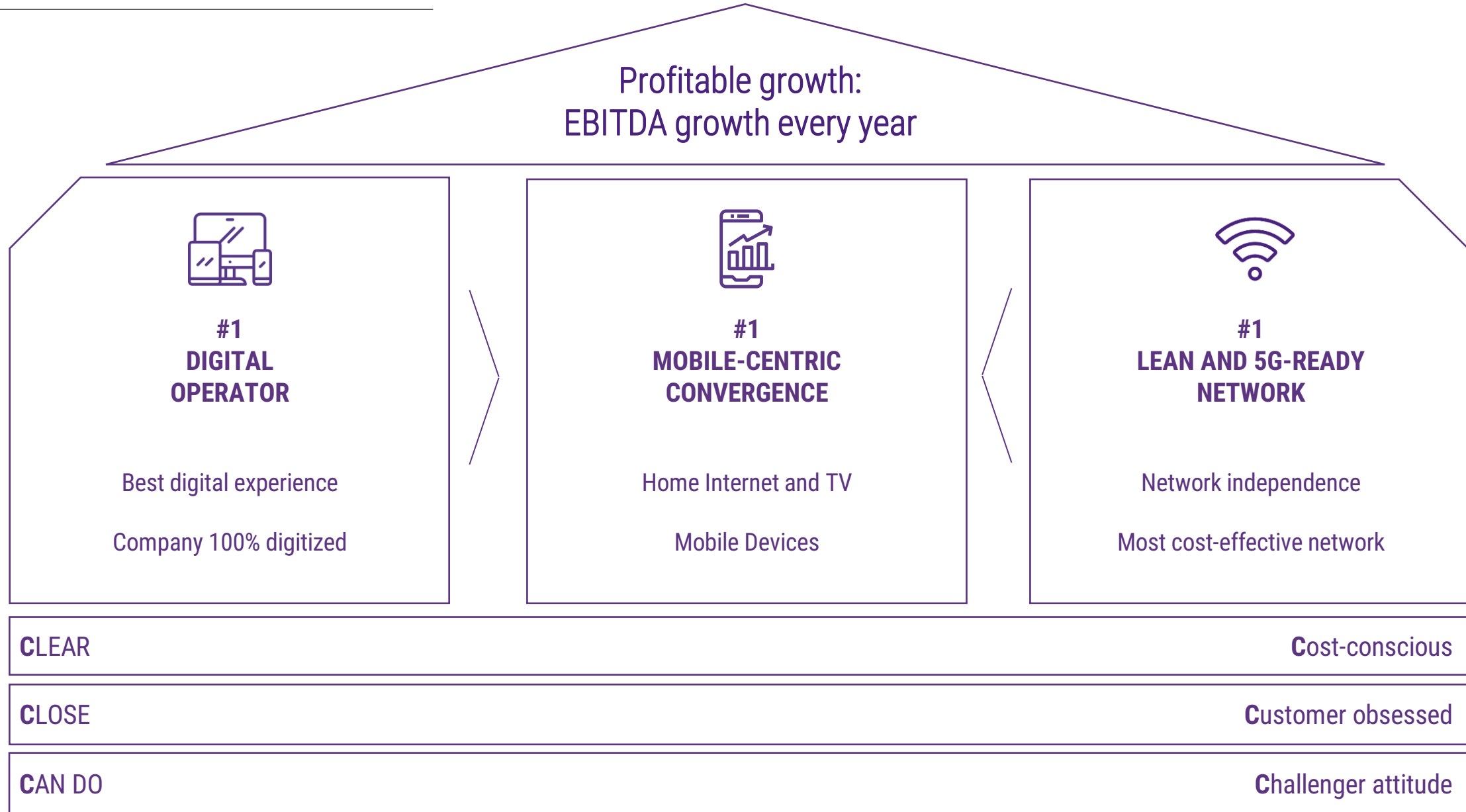
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- Total revenue up by 0.4% in Q3 and by 1.2% YTD, to PLN 5,302m
- Further growth of adjusted EBITDA to PLN 664m in Q3 (+2.9% YoY) and to PLN 1,901m YTD (+1.9 YoY)
- FCFE amounted to PLN 211m in Q3, on the backdrop of one-offs (foreseen higher cash capex and negative working capital change)
- Reported subscriber base increased by 1.9% YoY to 15.4m and active base up by 2.9% YoY to 12.9m (mostly thanks to Virgin Mobile)
- Blended ARPU\* up 1.3% YoY to PLN 34.3 in Q3

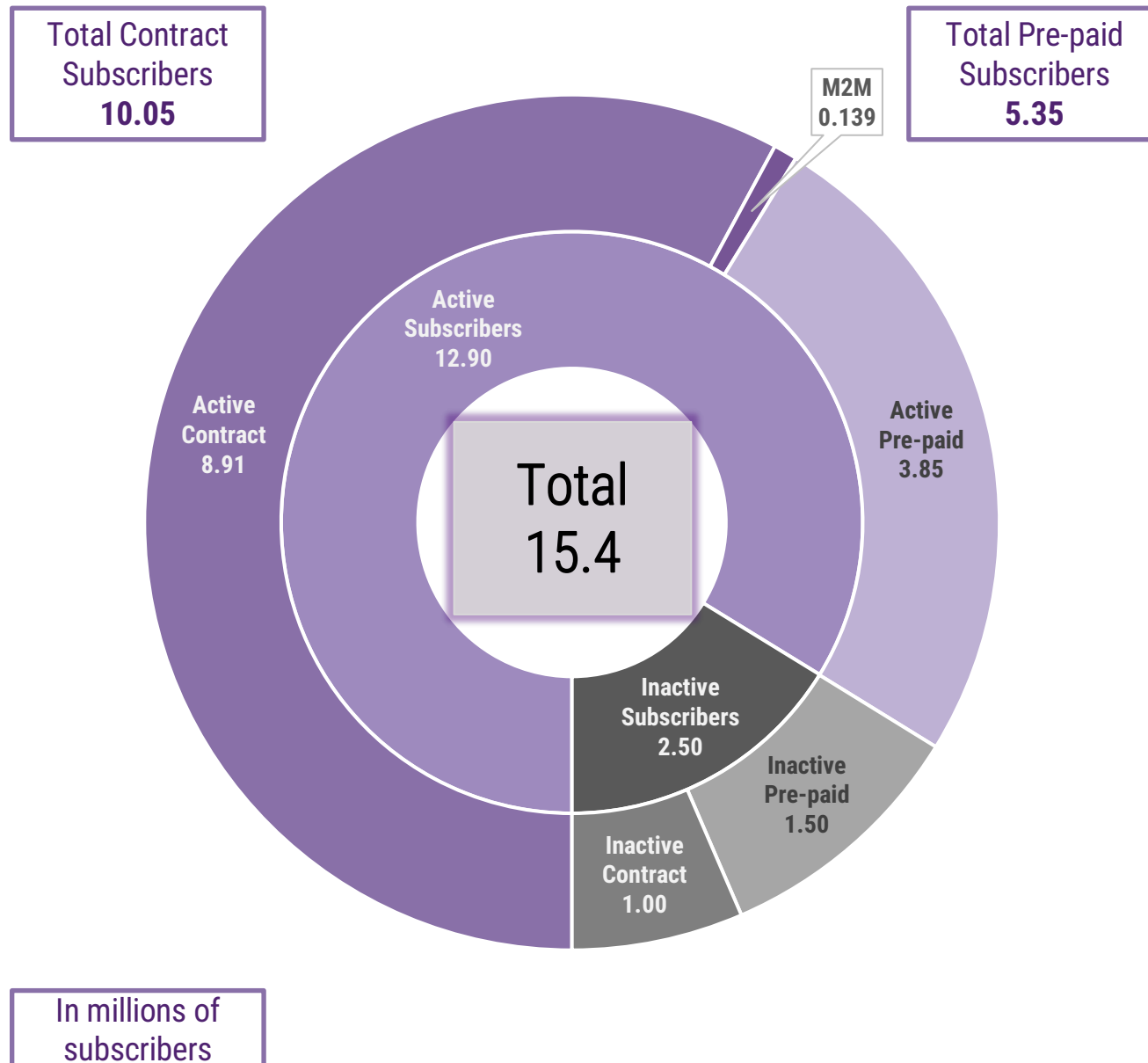


\* Based on revised definition of active base with activity period for certain types of SIM cards shortened to 30 days – impacting also ARPU

# PLAY 2022 strategy



# Customer bases growing despite COVID-19 lockdown



- Contract customer base excl. M2M increased to 9.9m (+1% YoY), including 8.9 million active contract subscribers (stable YoY).
- Active pre-paid customer base up by 6.5% YoY, mainly thanks to acquisition of Virgin Mobile Poland.
- Virgin's customer base at the end of Q3 was approx. 460 thousand reported subscribers including ca. 360 thousand active customers.
- *Revised definition of active customers base with activity period for certain types of SIM cards shortened to 30 days – impacting also ARPU*

# Continuous increase of existing customer base value

Blended ARPU in Q3



**PLN 34.3<sup>1</sup>**

**+1.3% YoY**

Contract ARPU up by  
1% YoY to PLN 39.6 in Q3

Contract churn in Q3



**0.73%<sup>2</sup>**

Contract churn  
broadly stable YoY

Bundled share in Q3



**38.8%**

**-1.1pp YoY**

(excl. Virgin customer base)

<sup>1</sup> Presented for active subscribers on average monthly basis over the period of Q3 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



# Back to school season rich in attractive offers

## EXTENDED CONTRACT OFFERS



Introducing 36 and 48-months instalment plan for new customers with a lower monthly handset payment.

## PRE-PAID OFFER FOR NEWCOMERS



100GB additional data only for new pre-paid customers.

## SMART BUSINESS IDEAS

**PLAY**

dla Firm

New Contract offer for business customers  
2 SIM cards with unlimited voice calls and texts in EU + 1 SIM card with 100GB of data.

## ANTI-FRAUD



Implementation of IMEI Check System to block remotely handsets sold on instalments in case of fraud detection.

# Play continues disrupting the market of Home Services

## MOBILE HOME INTERNET



Introducing PLN 35 price point for both MBB or FBB Home internet

+ upgraded Netbox packages as from PLN 70 per month  
+ special offers for rural areas.

## FIXED BROADBAND



2,500 customers at the end of Q3 (+ 400% QoQ)

Sales driven by attractive campaign and offers:  
PLN 35 per month for 150 Mbps  
PLN 55 per month for 600 Mbps.

## PLAY NOW TV BOX



83,000 customers at the end of Q3 (+ 40% QoQ)

Introducing PLN 35 price point for all TV packages (vs. 65 per month for separately).

Introducing upgraded new TV Now BOX with 4-core processor and 16 GB memory.

## PLAY NOW TV BOX CONTENT



New channels:

Polsat, TV4 (October)

France 25, AXN Black and AXN White (September)

TV PULS and TV PULS 2 (July)

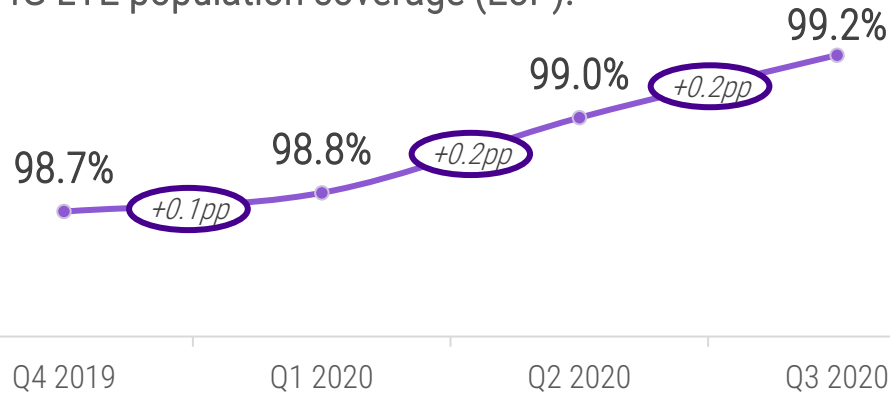
# Network roll-out and upgrades

## NETWORK ROLL-OUT...

- Number of sites (EoP<sup>1</sup>):



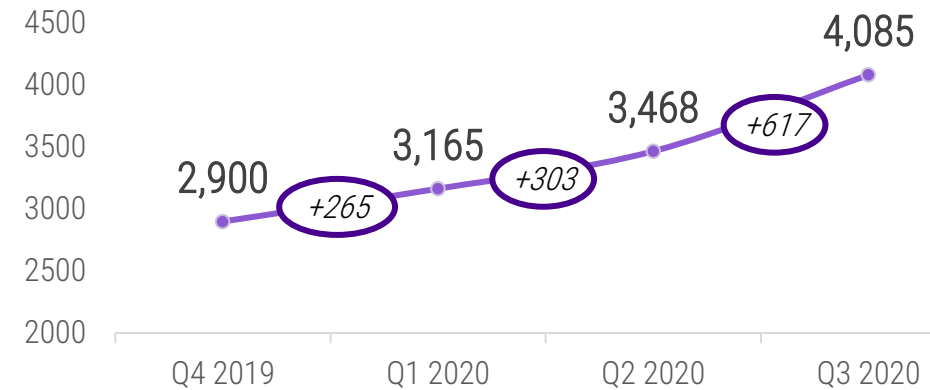
- 4G LTE population coverage (EoP):



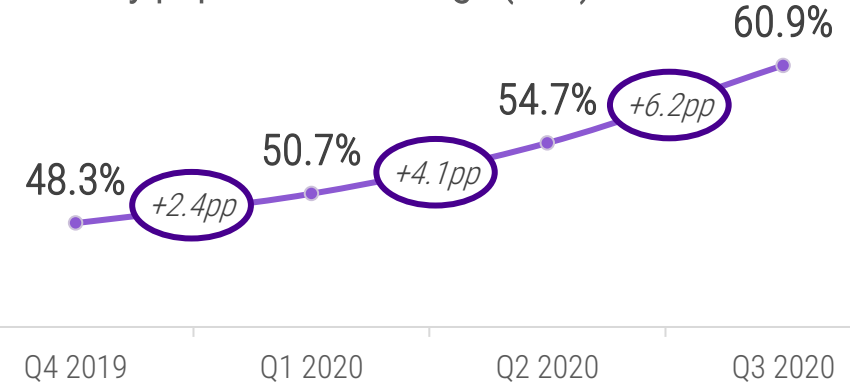
<sup>1</sup> End of Period

## ...AND IMPLEMENTATION OF 5G READY

- Number of 5G Ready sites (EoP):



- 5G Ready population coverage (EoP):



# Status of PLAY 5G development

## PLAY 5G NETWORK ROLL-OUT

PLAY 5G Legacy available in **58 polish cities**  
(566 base stations)

**13.2%** population coverage



## PREPARATION FOR 5G C-BAND AUCTION

On stand-by regarding 5G C-band auction,  
expected in 2021

**265 new sites** connected to **fiber backhaul**  
o/w 120 in Q3 thanks to 3S, providing a third of  
all Play's urban sites with fiber connectivity

## CYBERSECURITY LAW PROJECT

Ongoing consultations about **National  
Cybersecurity Law Project**, to be discussed by  
Polish Parliament in coming weeks.

**The Law may impact network equipment decision**,  
while Play is using Huawei and Ericsson for base  
stations.

# Further progress in digital in Q3

## PLAY24

24

5.06 million active accounts  
(vs 4.91 million EoP Q2)



## ONLINE PAYMENTS & TOP-UPS



14.5% of invoices paid via online channels (vs. 13.1% EoP Q2)

13.1% of top-ups value via online channels (vs. 12.8% EoP Q2)

## ONLINE RETENTION



5,79% digital B2C retention  
(vs. 11.32% EoP Q2 lockdown period)

## E-INVOICE



74% of e-invoice with B2B partners  
(vs. 73% EoP Q2 2020).

23% of all e-invoices booked automatically using robot in Q3.

# Consolidation and integration of Virgin Mobile Poland

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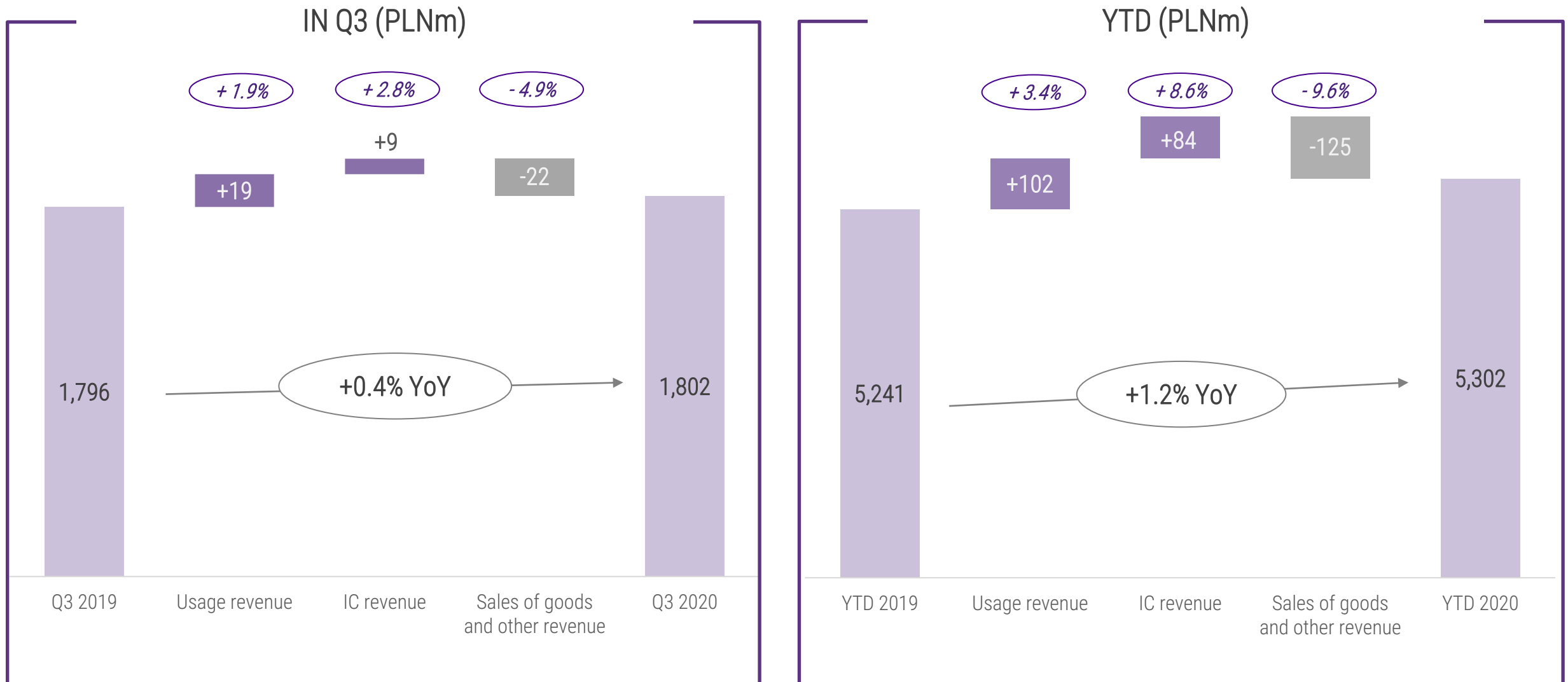
- On 9<sup>th</sup> August 2020 Play concluded acquisition of 100% shares in Virgin Mobile Poland for cash consideration of PLN 35.7m:
  - PLN 31.2m paid to the sellers.
  - Remaining amount of PLN 4.5m restricted on escrow until closing Accounts procedures are complete.
- Play Group recognised:
  - 459 thousand reported and 358 thousand active customers at the end of Q3;
  - 71 thousand contract subscribers at the end of Q3.
- Integration of Virgin Mobile Sales and Marketing processes within PLAY Group already started.

# FINANCIAL PERFORMANCE

Marcin Szul  
CFO of Play (P4 Sp. z o.o.)



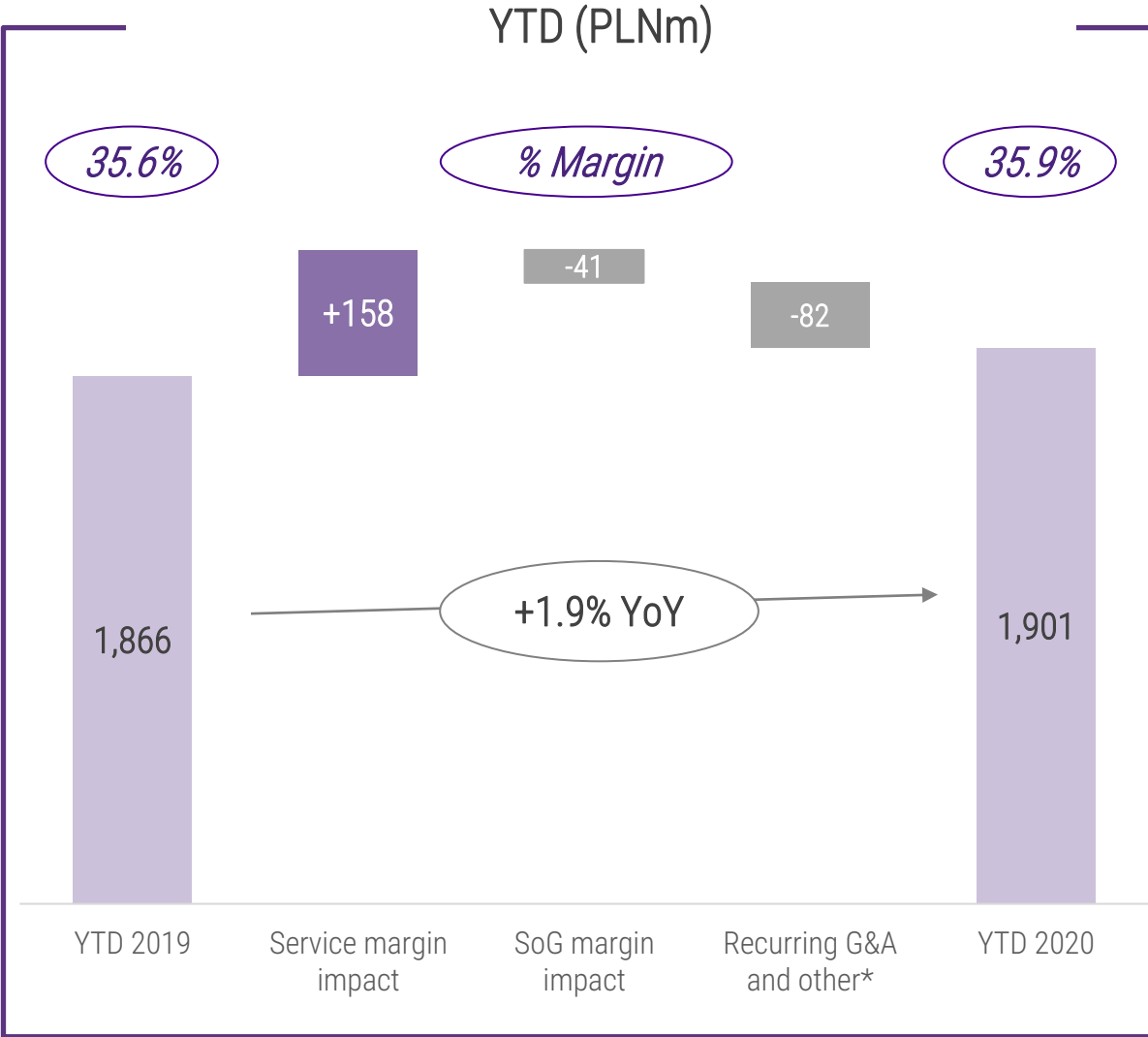
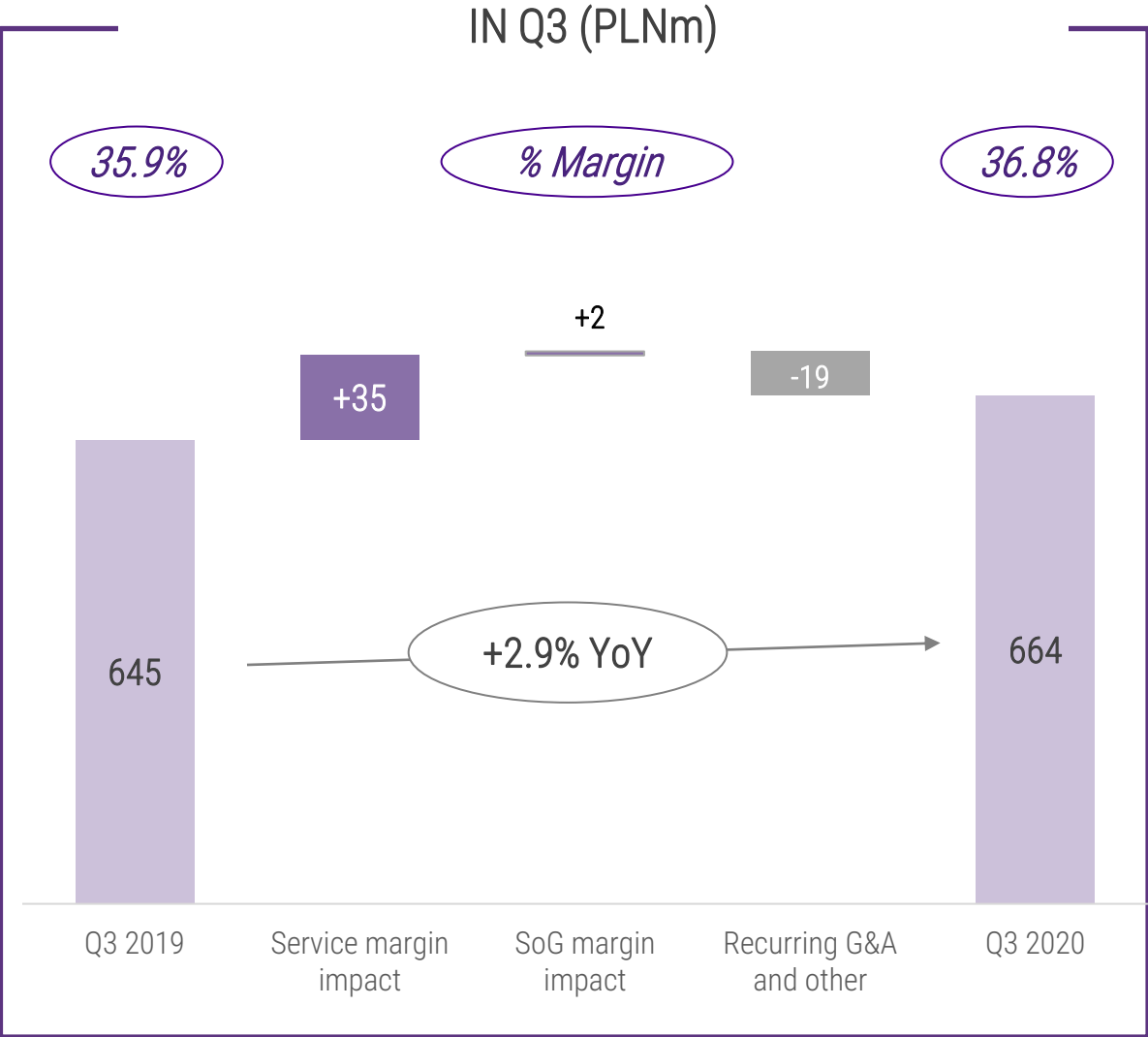
# Revenue increase YoY impact of service revenue partly offset by lower handset sales



Net impact of consolidating Virgin Mobile is PLN 2m in both Q3 and YTD.

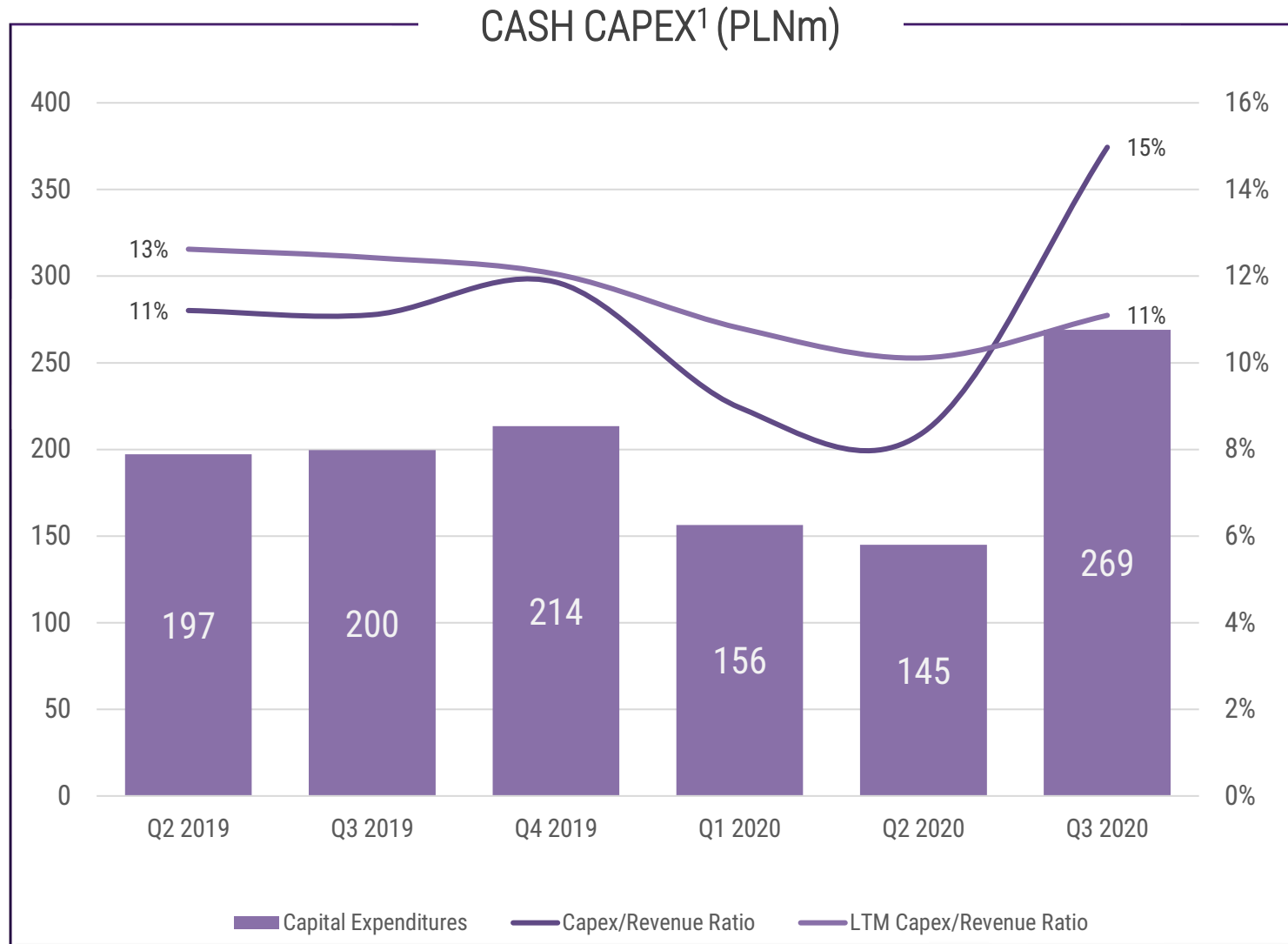


# Adj. EBITDA improved YoY driven by higher service margin



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

# Higher cash capex in Q3 with accelerated network roll-out and upgrades



- Cash capex higher in Q3 as a result of anticipated ramp up of investments pushed from H1 due to cancellation of 5G C-band auction
- Roll-out and upgrades in Q3:
  - 223 new base stations
  - 617 new 5G Ready sites
  - 120 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

# Q3 FCFE reflects acceleration of cash capex spend and working capital change

<i>PLN millions</i>	Q3 2019	Q3 2020	Change (%)	YTD 2019	YTD 2020	Change (%)
Adjusted EBITDA	645	664	3%	1,866	1,901	2%
Total cash capital expenditures <sup>1</sup>	(200)	(269)	35%	(635)	(571)	-10%
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	128	(24)	<-100%	80	26	-68%
Cash interest <sup>2</sup>	(65)	(34)	-48%	(195)	(148)	-24%
Cash taxes	(36)	(67)	86%	(193)	(301)	56%
Lease payments	(63)	(59)	-5%	(164)	(175)	6%
<b>Free cash flow to equity (post lease payments)</b>	<b>409</b>	<b>211</b>	<b>-48%</b>	<b>759</b>	<b>732</b>	<b>-4%</b>

FCFE (post lease payments) for Q3 lower by 48.5% YoY as a combination of:

- Higher cash capex
- Negative impact of change in net working capital mainly due to stable levels of inventory and receivables in Q3 2020 vs. decreases in Q3 2019
- Lower cash interest on better avg. interest rate and optimisation of SFA
- Higher cash taxes

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

<sup>2</sup> Comprising cash interest paid on loans, notes 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*

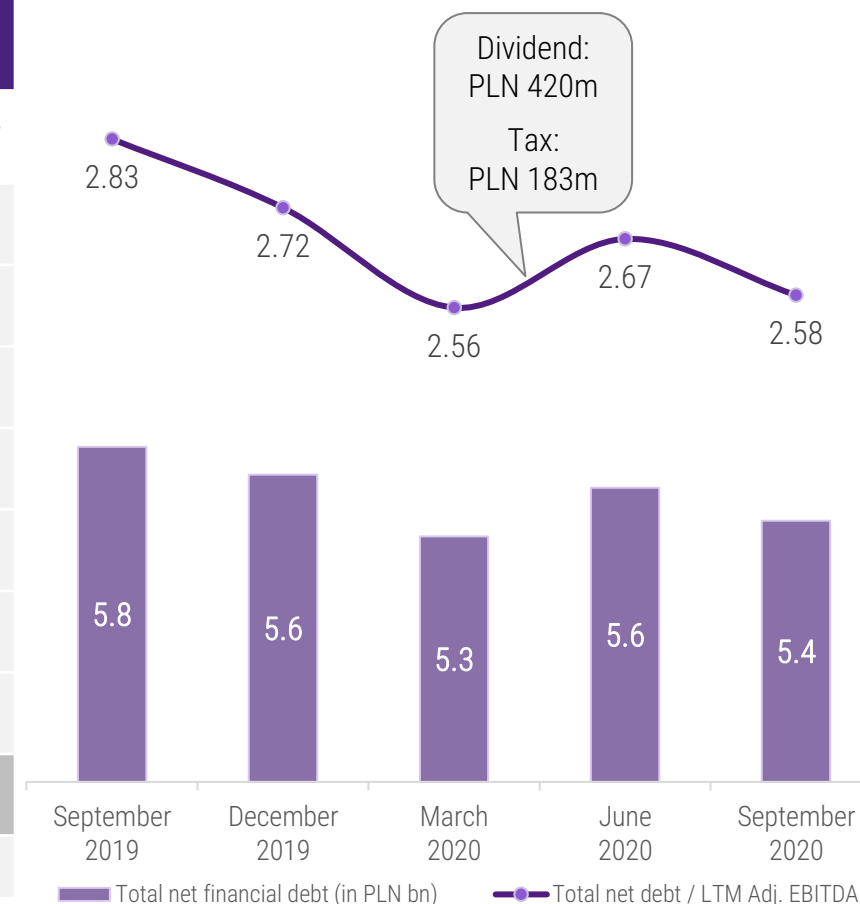
# Summary of financials

<i>PLN millions</i>	Q3 2019	Q3 2020	Change %	YTD 2019	YTD 2020	Change %
<b>Operating Revenue</b>	<b>1,796</b>	<b>1,802</b>	<b>0.4%</b>	<b>5,241</b>	<b>5,302</b>	<b>1.2%</b>
Service revenue	1,351	1,379	2.1%	3,942	4,128	4.7%
Sales of goods and other revenue (Handsets)	445	423	(4.9%)	1,299	1,174	(9.6%)
<b>Expenses</b>	<b>(919)</b>	<b>(894)</b>	<b>(2.7%)</b>	<b>(2,676)</b>	<b>(2,629)</b>	<b>(1.8%)</b>
Interconnect costs	(334)	(336)	0.5%	(1,002)	(1,063)	6.1%
National roaming	(49)	(42)	(15.4%)	(138)	(115)	(16.8%)
COGS (Handsets)	(373)	(349)	(6.3%)	(1,050)	(966)	(8.0%)
Contract costs, net (Commissions)	(100)	(106)	5.5%	(302)	(311)	3.1%
Other services costs, incl. Int' roaming and content	(62)	(61)	(1.7%)	(185)	(174)	(5.7%)
<b>Contribution margin</b>	<b>877</b>	<b>909</b>	<b>3.6%</b>	<b>2,565</b>	<b>2,673</b>	<b>4.2%</b>
G&A and other <sup>1</sup>	(241)	(258)	6.8%	(715)	(794)	11.1%
<b>EBITDA</b>	<b>636</b>	<b>651</b>	<b>2.4%</b>	<b>1,850</b>	<b>1,878</b>	<b>1.6%</b>
EBITDA adjustments	9	12	36.8%	16	22	39.9%
<b>Adjusted EBITDA</b>	<b>645</b>	<b>664</b>	<b>2.9%</b>	<b>1,866</b>	<b>1,901</b>	<b>1.9%</b>
Depreciation and amortization	(227)	(245)	8.0%	(664)	(719)	8.2%
Finance income and costs	(94)	(57)	(39.2%)	(260)	(232)	(10.7%)
<b>Profit before tax</b>	<b>315</b>	<b>349</b>	<b>10.8%</b>	<b>925</b>	<b>927</b>	<b>0.3%</b>
Income tax charge	(82)	(79)	(3.4%)	(224)	(212)	(5.5%)
<b>Net profit</b>	<b>233</b>	<b>270</b>	<b>15.7%</b>	<b>701</b>	<b>715</b>	<b>2.1%</b>
<b>Earnings per share (PLN)</b>	<b>0.9</b>	<b>1.1</b>	<b>15.6%</b>	<b>2.8</b>	<b>2.8</b>	<b>2.0%</b>

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

# Strong cash generation allows for debt reduction and deleveraging

	As of December 31, 2019		As of March 31, 2020, unaudited		As of June 30, 2020, unaudited		As of September 30, 2020, unaudited	
	PLNm	xLTM Adj. EBITDA	PLNm	xLTM Adj. EBITDA	PLNm	xLTM Adj. EBITDA	PLNm	xLTM Adj. EBITDA
Senior term loan <sup>1</sup>	5,155.3	2.12x	5,155.3	2.09x	5,396.3	2.20x	5,220.7	2.11x
Notes	751.4	0.31x	758.0	0.31x	750.7	0.31x	754.6	0.31x
Revolving credit facilities drawn	-	-	-	-	-	-	-	-
Other debt	26.7	0.01x	20.9	0.01x	18.3	0.01x	13.8	0.01x
- Cash and cash equivalents	(294.3)	-0.12x	(625.9)	-0.25x	(599.2)	-0.24x	(593.7)	-0.24x
<b>Total net financial debt</b>	<b>5,639.1</b>	<b>2.31x</b>	<b>5,308.4</b>	<b>2.15x</b>	<b>5,566.2</b>	<b>2.27x</b>	<b>5,395.3</b>	<b>2.18x</b>
Leases <sup>2</sup>	991.5	0.41x	996.5	0.40x	975.6	0.40x	978.0	0.40x
<b>Total net debt</b>	<b>6,630.6</b>	<b>2.72x</b>	<b>6,304.9</b>	<b>2.56x</b>	<b>6,541.8</b>	<b>2.67x</b>	<b>6,373.3</b>	<b>2.58x</b>
LTM Adj. EBITDA	2,436.1		2,466.9		2,452.8		2,471.3	



<sup>1</sup> principal amount plus interest; <sup>2</sup> including IFRS 16 impact, capitalization of leases

# CONCLUSIONS

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



# TowerCo

1

February 2020

Decision to prepare the carveout of Play's existing and future passive network infrastructure and to establish a dedicated subsidiary („TowerCo”) to host them.

2

June 2020

Acquisition of 100% of a shelf company, Polska Grupa Wieżowa S.A., for the sole purpose of potentially hosting and operating the passive infrastructure from Play.

3

October 2020

Consent to separation of organised part of enterprise

4

To be continued

Depending on the outcome of Iliad's tender offer.

*Continuous operational, technical and legal preparations*



PLAY

# FY 2020 Guidance in perspective of YTD results

	FY 2020 Guidance	9m 2020 Result	Status
Revenue	+ 2-3% YoY	+ 1.2% YoY	Growth below original guidance due to lower sales of handsets
Adj. EBITDA	PLN 2.5-2.6bn	PLN 1.9bn	Confirmed
Cash CAPEX <sup>1</sup>	PLN 850-900m <i>(~12% of revenue)</i>	PLN 571m <i>(~11% of revenue)</i>	Confirmed
FCFE <sup>2</sup>	> PLN 800m	PLN 732m	Confirmed
Distribution to Shareholders	40-50% of FCFE	45% of 2019 FCFE paid in Q2	Confirmed

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

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



# Q&A Session

