

NextGenTel Holding ASA

Q4 2015 presentation

Eirik Lunde, CEO

Felix Konferansesenter, Oslo
11 February 2016

This is NextGenTel Group

Customers

427,000

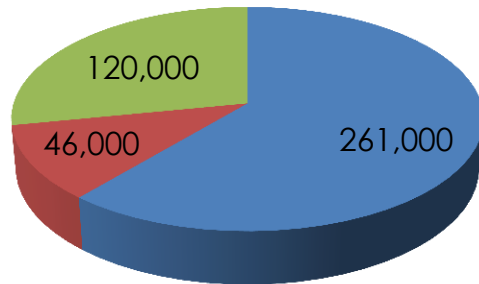
RGUs

Revenues

1,400

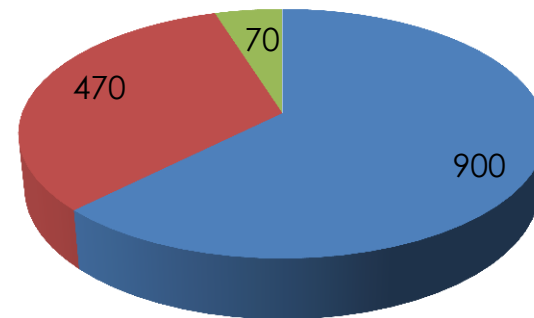
NOK million

Customers break-down



- Norway consumers
- Norway businesses
- International

Revenues break-down



xDSL

Datanet/Ethernet

TV

Fiber

Voice



Q4 2015 in brief

Revenues

347.1

NOK million

EBITDA

57.9¹⁾

NOK million

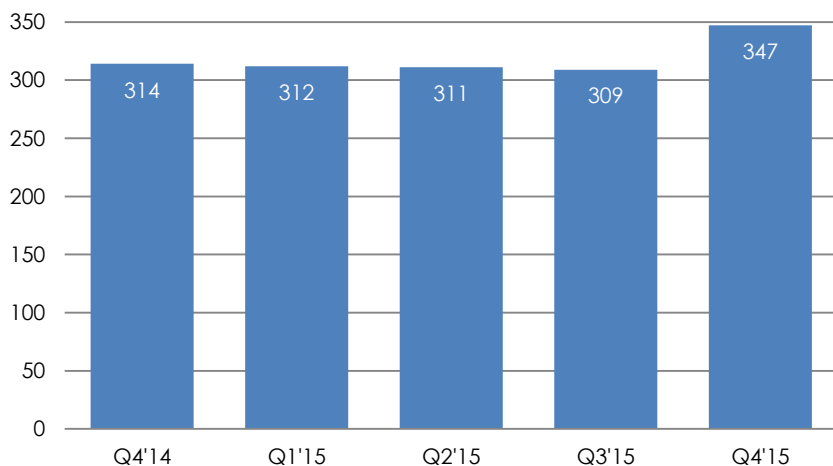
EBIT

27.1¹⁾

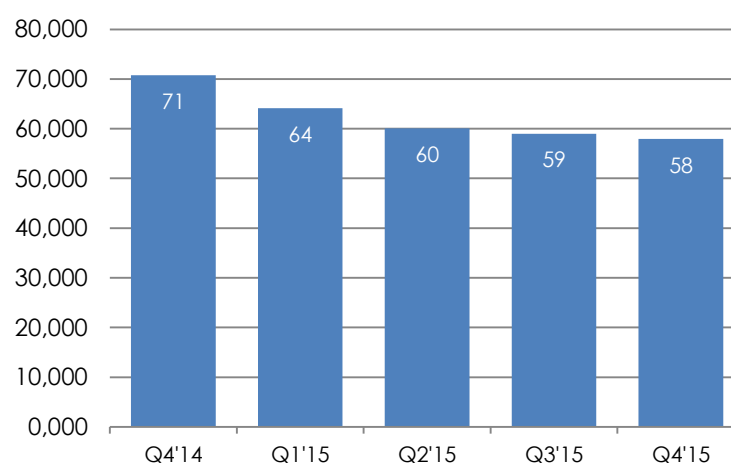
NOK million

Quarterly dividend
of NOK 0.75 per
share paid 3 Dec

Revenues (NOKm)



EBITDA (NOKm)



1) EBITDA and EBIT adjusted for one-off costs related to the acquisition of Kvantel. EBIT adjusted for amortization of excess values related to business combinations (acquisitions of NextGenTel and Kvantel).

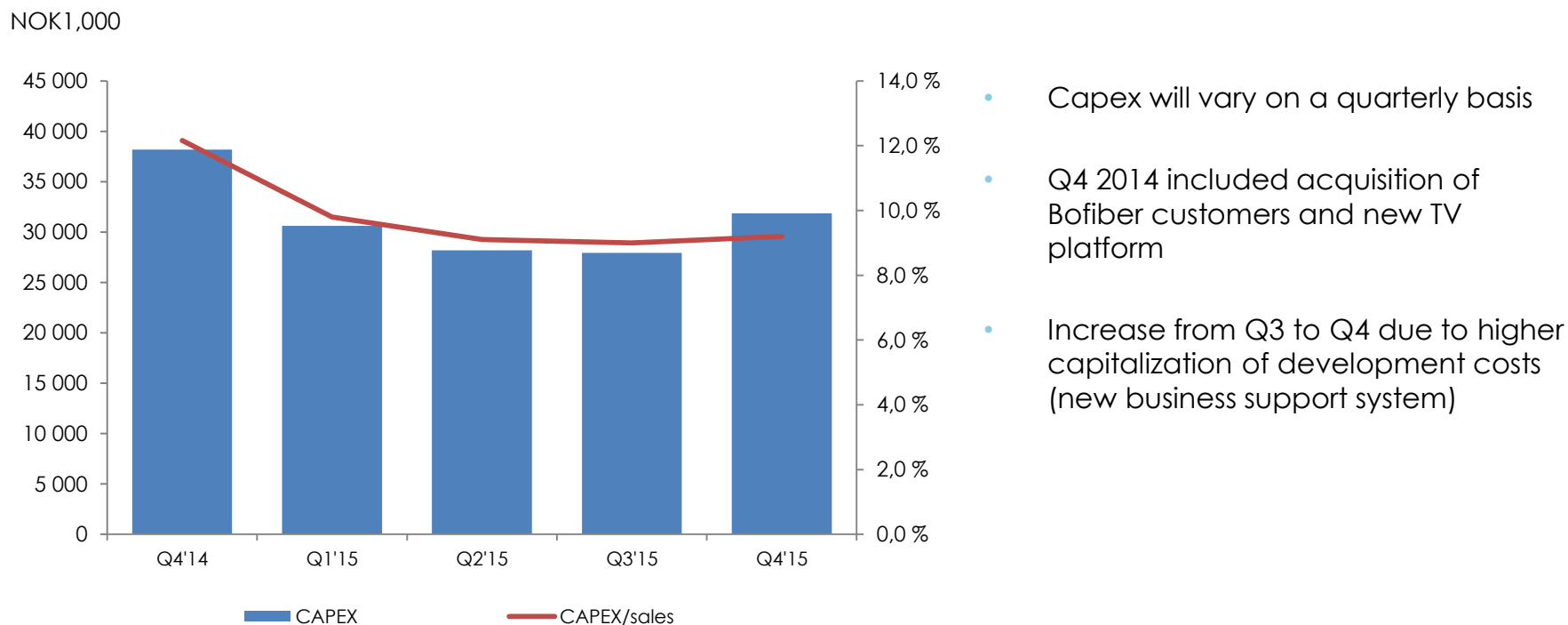
Note: Reported EBITDA for Q4 14 included NOK 10.7 million in reduced LLUB cost (copper rental fee) for the period March – Dec 2014. Q4'14 is adjusted to reflect this.

Impact from Kvantel acquisition on Q4 2015

- The financial results for Kvantel AS and Kvantel Voice AS are included in the consolidated figures with effect from 1 October 2015
- The impact on the Group EBITDA from one-off acquisition costs and from Kvantel's financial results are specified below:

Adjusted EBITDA	NOK million
Reported EBITDA	52.9
One-off acquisition costs	1.2
One-off costs in Kvantel	3.8
EBITDA excl one-offs	57.9
EBITDA Kvantel (excl one-offs)	(1.4)
EBITDA excl one-offs and Kvantel	59.3

CAPEX development



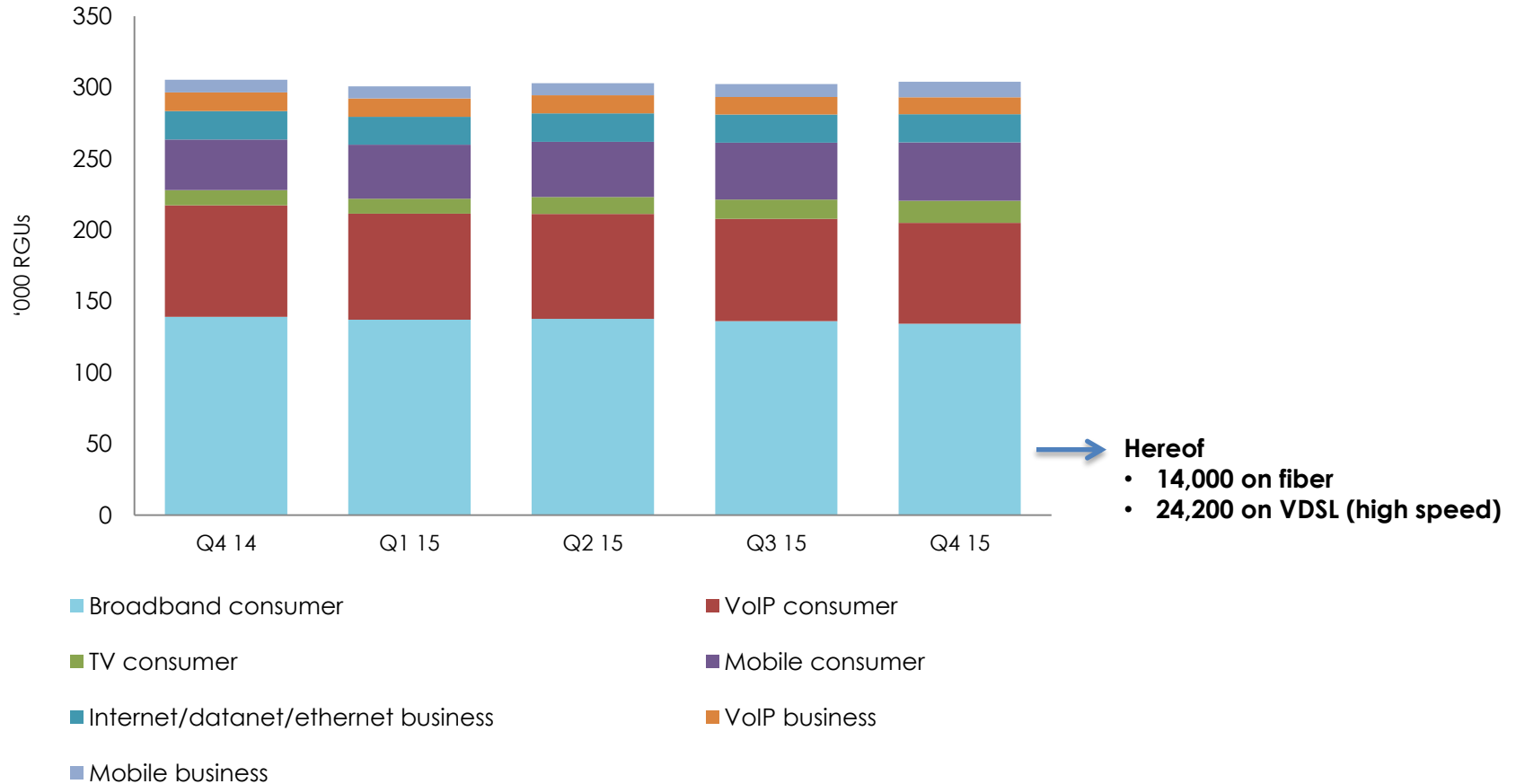
Norway (excl Kvantel) Financials – P&L

NOK million	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total revenue	288.7	292.9	293.7	289.7
Gross profit	145.1	148.7	150.7	147.1
Gross margin	50.2%	50.8%	51.3%	50.8%
Total opex	(89.6)	(91.3)	(94.4)	(89.1)
EBITDA	55.5	57.4	56.3	58.0
D&A	(27.6)	(28.6)	(27.8)	(28.1)
EBIT	27.9	28.8	28.5	29.9
CAPEX	29.7	27.5	28.2	30.6

Comments Q4 vs Q3

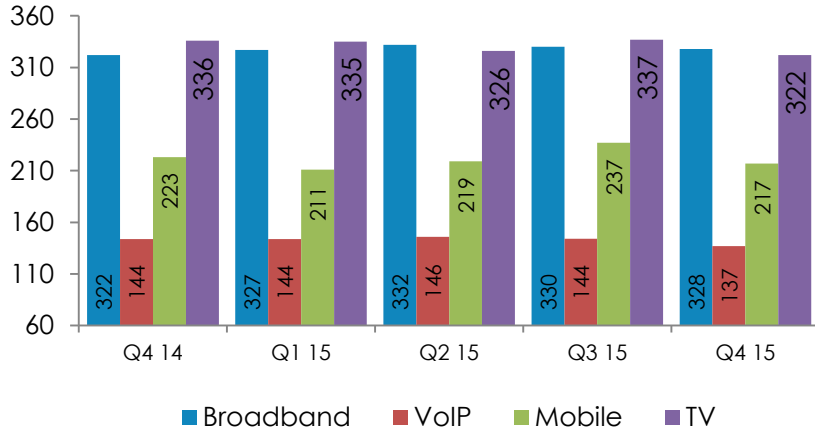
- Revenue decline for the consumer segment (xDSL and VoIP) and a slight increase for the corporate segment (mobile)
- Opex reduction mainly related to higher capitalization of personnel costs (development costs related to new business support system)

Customer base development

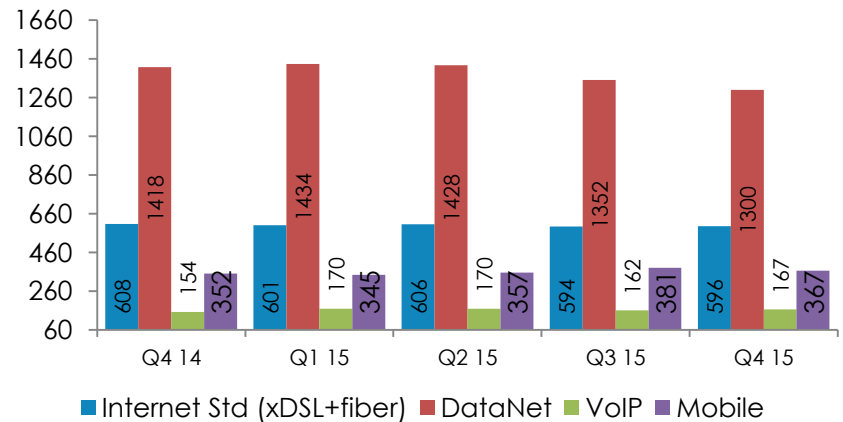


ARPU by product/segment

Consumer segment – monthly ARPU by product (NOK)



Business segment – monthly ARPU by product (NOK)



NextGenTel new growth initiatives

Growth area 1

B2C

MDUs
(Broadband,TV,
mobile)

Growth area 2

B2C

Fiber partners
Telenor fiber
(Broadband,TV, VOIP
Mobile)

Growth area 3

B2C

Vectoring
(Broadband,TV, VOIP
Mobile)

Growth area 4

B2B

Mobile/IN services
SIP/UC
Vectoring
Datatnet/Ethernet

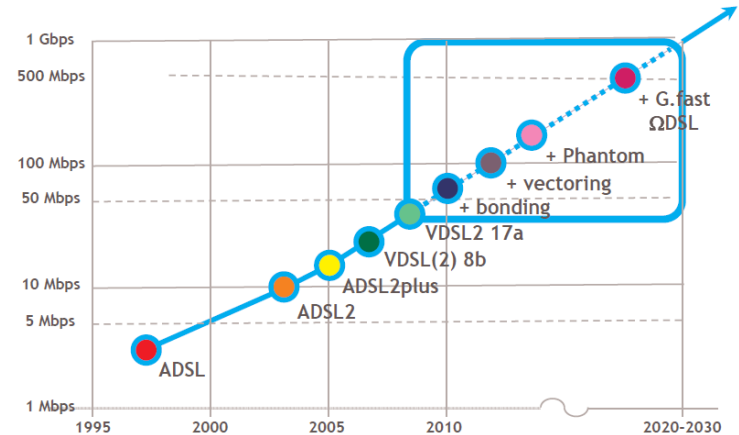


<https://www.nextgentel.no/bedrift/>

Copper broadband technology update

- Both the Department of Transportation and Communication and NKOM support the initiatives from the industry related to Vectoring and G.Fast
 - NKOM has established “Bredbåndsforum” (similar to the Danish model)
 - Two working groups
 - How to modernize the copper network
 - Access to fiber based access networks (regulation of regional “monopolies”)
- Pilot testing being performed together with Telenor
- First deployment of copper lines with new technology expected in H2 2016

EVOLVING COPPER



Safe route into the future: bonding, vectoring, phantom... and more

AT THE SPEED OF IDEAS™

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PROPRIETARY — USE PURSUANT TO COMPANY INSTRUCTION

Alcatel-Lucent

Norway wants to regulate local broadband networks

Samferdselsministeren har sendt Norges innspill til nytt rammeverk for Europas telesektor. Her går han inn for regulering av tilgang til lokale (fiber)nett.

Håvard Fossen 10. des. 2015 - 07:54

Kommentarer (0)

Hovedtrekkene i [det norske innspillet](#) til EU-kommisjonens følger linjene fra mobiloperatørens organisasjon, GSMA, som [vi refererte tirsdag 8. desember](#).

Enkelt forklart er det en oppfordring om å lage et regulatorisk rammeverk som er fleksibelt nok til å gjelde også når virkelighet og teknologi endrer seg i framtida. I tillegg oppfordres EU til å regulere minst mulig, og til å gjøre all regulering teknologinøytral.

Regulering av høyhastighetsnett

Under Tek-konferansen 12. november redegjorde seksjonssjef Daniel Hegland i Nasjonal kommunikasjonsmyndighet (Nkom) for en del av bakgrunnen for det som nå er blitt Norges innspill til EU. Blant annet viste han til et [felles innspill fra](#) de nordiske regulatørene (se særlig kapittel 4.2).

Hegland sa blant annet at det bør vurderes såkalt symmetrisk regulering, særlig når det gjelder aksessnett med høy bredbåndshastighet. I denne sammenheng betyr symmetrisk regulering av moderne aksessnett at lokale fiberaktører, eller operatører med G-fast-teknologi i noder i kobbernettet, må slippe konkurrenter til med tjenester i sine nettverk.

Om akkurat dette er nå Norges offisielle syn overfor EU. I innspillet står det at symmetrisk regulert tilgang til

høyhastighetsnett kan bli en praktisk og effektiv løsning for å sikre sluttkundene valg, og



Seksjonssjef Daniel Hegland i Nasjonal kommunikasjonsmyndighet sa under Tek-konferansen 12. november at symmetrisk regulering bør vurderes, særlig for nett med mer enn 30 Mbit/s.

Foto: Eirik Helland Urke, Insidetelecom.no

ANNONSE

INSIDE TELECOM

Har du lyst til å jobbe med satellittkommunikasjon
Hønefoss

Les også



Fibersatsing skal gi målbar verdiøkning

Når Powel nå lanserer en dedikert fibersatsing, ønsker de at det skal



Ønsker ikke overnasjonal frekvenshåndtering

I Norges innspill til EUs framtidige regulering av telebransjen,



Førstemann til mølla tar kobbernettet

Nasjonal kommunikasjonsmyndighet mener



Norden med én stemme i EU

De nordiske landenes reguleringsmyndigheter har

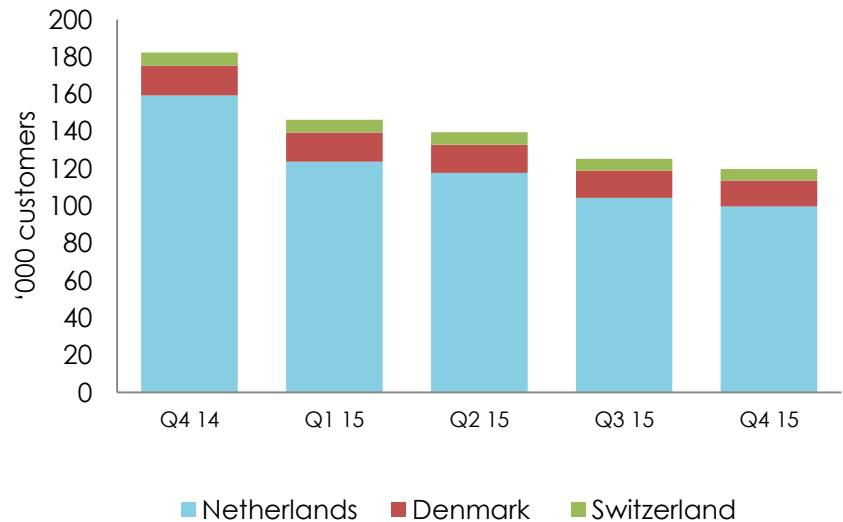
International markets

- Telio brand (DK and CH)
 - Primary focus to maintain customer base and profitability

- Netherlands
 - Migration of KPN ITNS customers completed

NOK million	Q4'15	Q3'15	Q2'15	Q1'15
Total revenue	15.8	16.9	19.3	21.9
Gross profit	9.6	10.3	10.9	12.5
Gross margin	61%	61%	56%	57%

Customer base development



Kvantel acquisition – purchase price allocation

- The following specifies the allocation of the purchase price for the Kvantel acquisitions:

Kvantel purchase price allocation	Kvantel AS	Kvantel Voice AS	Total
Purchase price for the shares	71.1	23.0	94.1
Book value of equity	(10.8)	4.4	(6.4)
<i>Value adjustments:</i>			
Software (depreciated over 5 years)	1.5	0.0	1.5
Customer relationships (amortized over 5 years)	31.0	14.0	45.0
Goodwill	57.5	8.1	65.6
Deferred tax liability	(8.1)	(3.5)	(11.6)

Kvantel restructuring

- The restructuring of Kvantel has developed according to plan during Q4
- Organizational changes will have full impact from 1 March 2016
- Initiatives for reduction in CoGS and backbone costs are ongoing and will show financial impact throughout the year

Dividend

- NextGenTel paid **NOK 4.0 per share in dividend in 2015**. This represents a yield of 11.0% based on average weighted share price for 2015. EPS in 2015 was NOK 2.55.
- The impact of the acquisition of Kvantel leads to an equity ratio of 13.4% as of 31 December 2015. The bank has waived the financial covenant of 15.0% equity ratio at this reporting date. However, the 15.0% covenant, increasing to 17.5% at 30 June 2016, remains.
- To ensure compliance with financial covenants and to allow for possible new acquisitions, the board has in a board meeting 10 February 2016 decided to impose a temporary stop in quarterly dividend distributions. However, the expectation is that the company can resume dividend payments towards the end of 2016.
- The Kvantel acquisition is expected to provide a positive impact on the financial results of the NextGenTel Group and the ability to pay dividends

Summary Q4

- **The Q4 business in brief**

- Financial results adjusted for the Kvantel acquisition in line with previous quarter
- Paid dividend of NOK 0.75 per share
- Revenue growth of 10.6% y-o-y, including Kvantel
- Launch of new services for the corporate market – “Bedriftsnett” (unified communication)
- Kvantel restructuring developing according to plan
- Progress on the regulatory side to facilitate deployment of new copper technology

- **Strategic focus ahead**

- NextGenTel will be seeking organic as well as non-organic growth opportunities in line with the following priorities:
 - Increase the value of the copper (existing customer base)
 - Grow market share in the housing cooperatives segment
 - Pursue opportunities to expand the fiber footprint
 - New business in the corporate segment

Capital markets day

- The company will host a capital markets day on 20 April 2016 focusing on:
 - The current status of the company
 - Strategic focus areas
- Venue and sign-up information to be announced

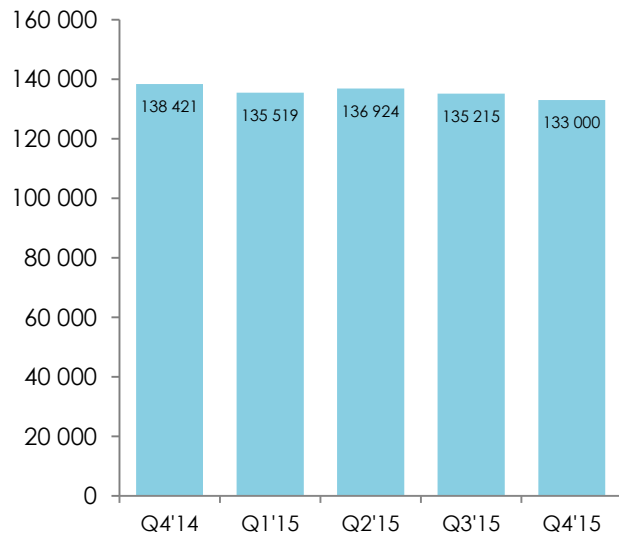
Appendix

Broadband consumers

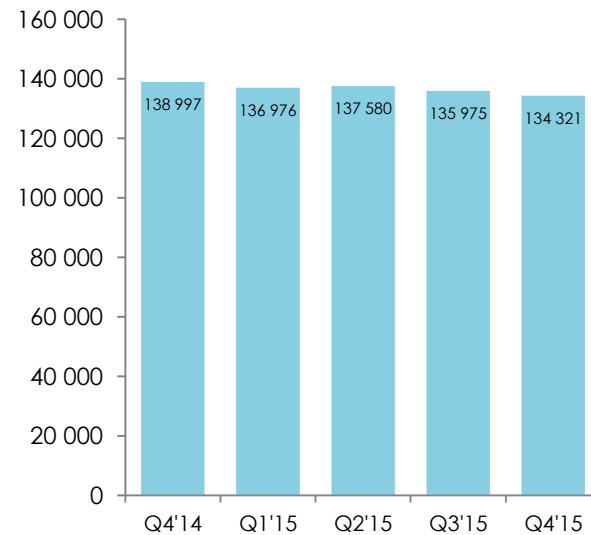
- Access independent broadband with growth opportunities within fiber (FTTH) and collective agreements (“Borettslag”)
- More than 75% of fiber customers choose TV and VoIP (“triple play”)



Revenues (NOKm)



RGUs

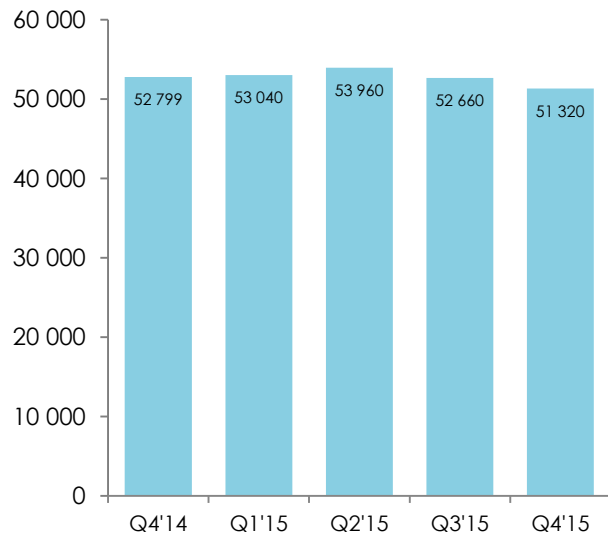


Broadband business

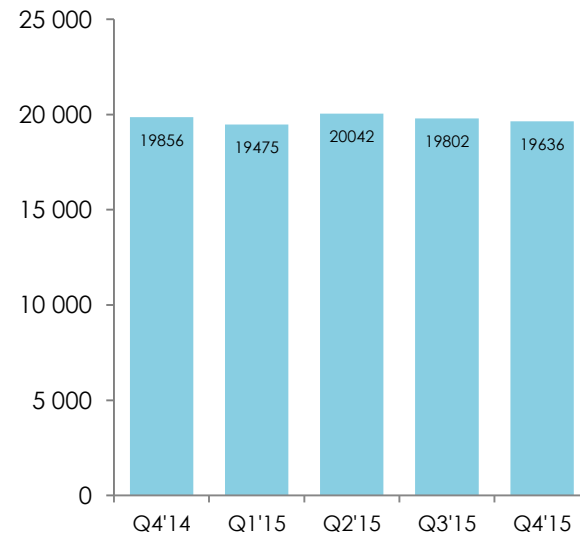
- Increased focus on high ARPU data net shows growing volume sales
- Internet showing stable ARPU levels



Revenues (NOKm)



RGUs

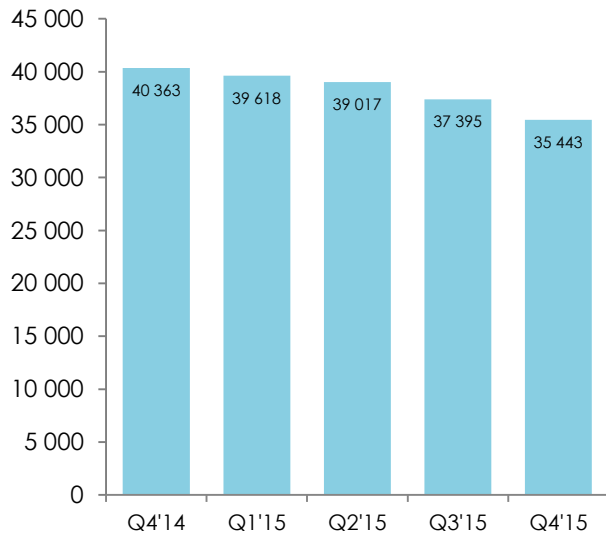


VoIP (consumers and business)

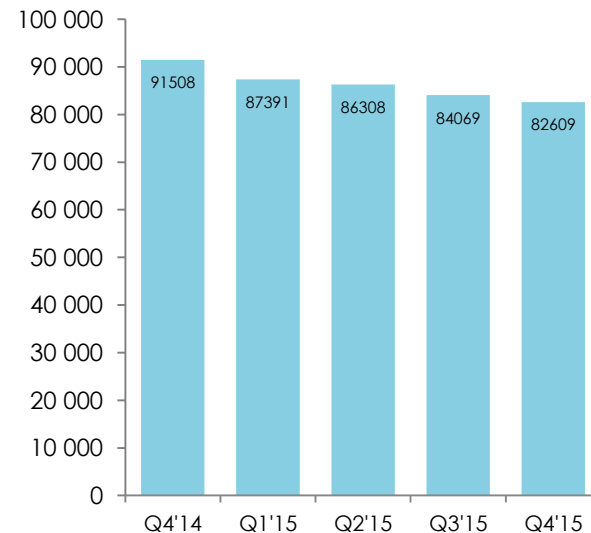
- Following the long term trend of VoIP being replaced by mobile
- Launching a brand new communication platform in 2015 integrating IP and mobile telephony with next generation mobile switchboard (IN/Bedriftsnett), enabling unified communication. This move will strengthen the company's competitiveness



Revenues (NOKm)



RGUs

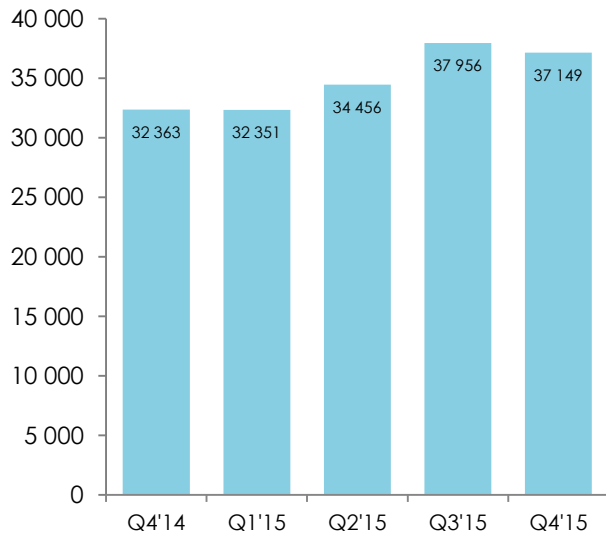


Mobile (consumers and business)

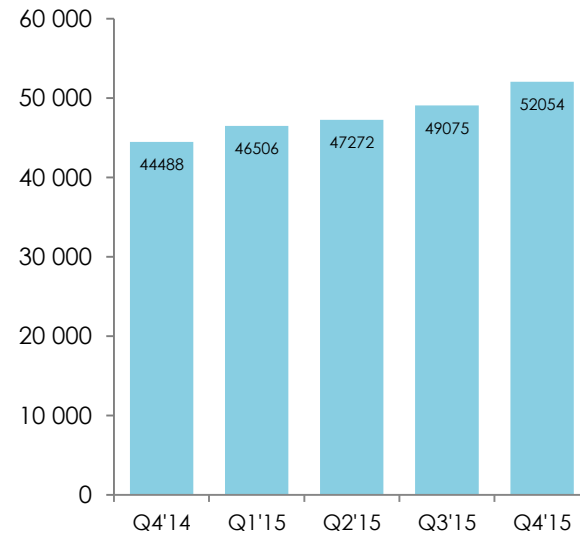
- Building mobile customer base
- Pre-paid service launched – new distribution agreements established
- New services to be launched end 2015 are expected to gain momentum higher up in the SME segment with state of the art new IN-platform – bringing much demanded new end- user features



Revenues (NOKm)



RGUs



Thank
you!

Financial calendar 2016

CMD: 14 January

Q4: 11 February

Q1: 28 April

Q2: 25 August

Q3: 27 October

AGM: 21 April

Investor relations:

www.nextgentelholding.com

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