



# January – June 2016 Results

29<sup>th</sup> July 2016

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# H1 2016 Business Performance

Jose Manuel Aisa – CFO and M&A Director

**Continued strong performance in line with expectations**

**M&A execution through value accretive acquisitions in new markets (Netherlands & France)**

**Poised to play a central role in the European tower landscape**

**DAS: first steps to become the European leader**

**Efficiency plan on track and recovery of TV revenues**

**Cellnex included in the IBEX 35 index**

*Continued strong performance in line  
with expectations*

## Telecom Site Rental (TSR)

- ✓ **Strong performance driven by sustained organic growth**  
(+2% new PoPs from December 2015 to June 2016)
- ✓ **DAS (Distributed Antenna Systems) activity to be boosted by recent Commscon acquisition**  
83 DAS projects already deployed, several additional projects under analysis (shopping centers, skyscrapers)
- ✓ **Continued analysis of fiber backhauling projects**
- ✓ Potential new opportunities arising from the consolidation of the **fourth mobile operator** role across Europe
- ✓ **Tower rationalization projects under ongoing discussions**

## Broadcast Infrastructure

- ✓ **National MUXs tender process successfully completed**
- ✓ **All 6 new TV channels already broadcasting and revenues recovered from the beginning of April**

## Network Services & Others (NSO)

- ✓ **Continued solid performance mainly due to high activity in the connectivity and PPDR businesses**
- ✓ **Active commercial approach**  
Analysis of additional services leveraging on our Telecom Site Rental platform in new countries

## Additional value creation levers

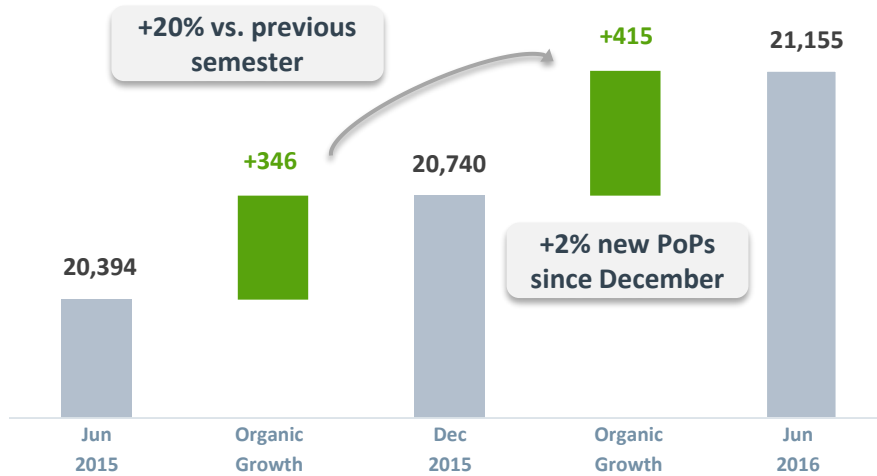
- ✓ **Progress on the implementation of the efficiency plan**  
Landlords approached with contract renegotiation proposals  
Cash advances already in place



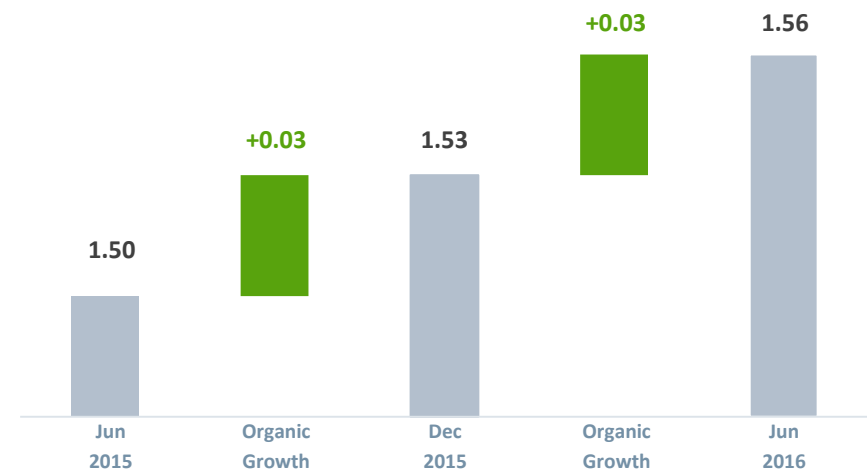
# H1 2016 Business Performance

## Main KPIs

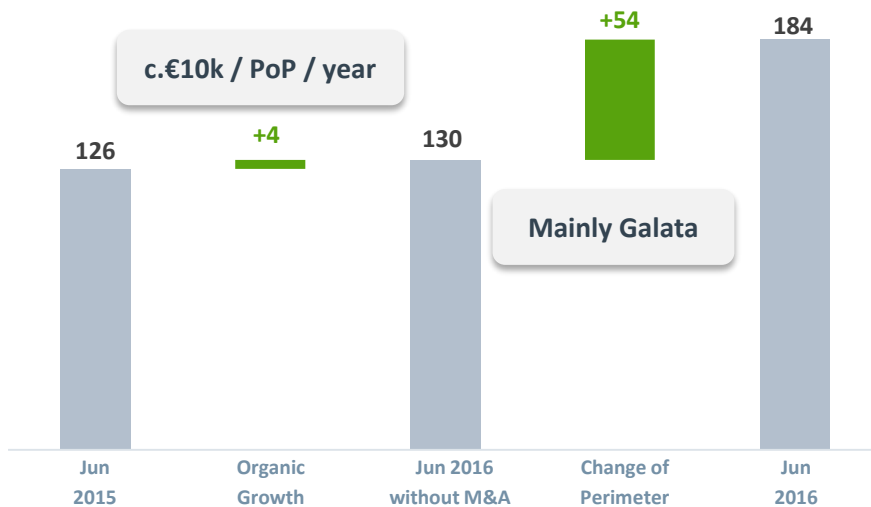
### PoPs



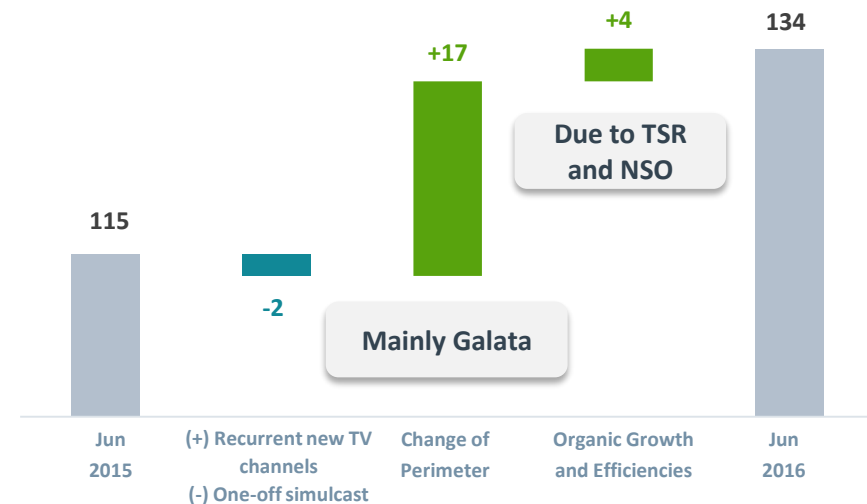
### Tenancy Ratio



### Telecom Site Rental Revenues (€Mn)



### Adjusted EBITDA (€Mn)



# H1 2016 Business Performance

## Recurring Levered Free Cash Flow (RLFCF)

*Strong conversion ratio of EBITDA into RLFCF of 94%*

Figures in €Mn	June 2015	June 2016
Telecom Site Rental	126	184
Broadcast Infrastructure	119	113
Network Services & Others	40	41
<b>Revenues</b>	<b>285</b>	<b>338</b>
Staff Costs	-44	-49
Repairs and Maintenance	-13	-13
Rental Costs	-54	-79
Utilities	-25	-33
General and Other Services	-34	-31
<b>Operating Costs</b>	<b>-170</b>	<b>-205</b>
<b>Adjusted EBITDA</b>	<b>115</b>	<b>134</b>
Maintenance Capex	-2	-3
Change in Working Capital	2	0
Interests Paid	-6	-3
Tax Paid	-7	-2
<b>RLFCF</b>	<b>102</b>	<b>126</b>
<i>Cash Conversion</i>	<i>88%</i>	<i>94%</i>
<b>Non-M&amp;A Expansion Capex</b>	<b>-13</b>	<b>-23</b>
<b>Non-Recurring Expenses</b>	<b>-13</b>	<b>-9</b>

- ✓ **Telecom Site Rental up** due to **organic growth** and **acquisitions**
- ✓ **Broadcast revenues** in line with Q1 2016, plus revenues associated with **6 new DTT channels**
- ✓ **Increase in Network Services & Others** mainly due to higher activity in connectivity business
- ✓ **Like for like OPEX flat when compared to June 2015.** Increase mainly due to 3 months of Galata (-€34Mn)
- ✓ **Strong Adjusted EBITDA growth (+17% increase)**
- ✓ **Maintenance Capex below guidance** of 3% on total revenues
- ✓ Proactive management of **working capital (tending to neutral)**
- ✓ **Interest payments well contained** (payments associated with current capital structure due later in the year)
- ✓ **Taxes** reflect the positive impact of **management measures**
- ✓ **Non-M&A Expansion Capex** mainly associated with cash advances (€12Mn) in the context of the efficiency plan

(1) Cash advances ground leases (€12Mn) + tower adaptation for new tenants (€1Mn) + new TV channels (€2Mn) + connectivity services (€3Mn) + other efficiency measures and IT spin-off (€4Mn)

(2) M&A expenses €6Mn (inorganic growth projects), non-cash effect of prepaid energy (€2Mn) and non-cash effect of prepaid rental costs (€1Mn) – please see appendix

# H1 2016 Business Performance

## Balance Sheet and Consolidated Income Statement

Balance Sheet (€Mn)	Dec 2015	June 2016
<b>Non Current Assets</b>	<b>1,808</b>	<b>1,775</b>
Fixed Assets	1,519	1,472
Goodwill	216	228
Other Financial Assets	73	75
<b>Current Assets</b>	<b>219</b>	<b>366</b>
Debtors and Other Current Assets	168	170
Cash and Cash Equivalents	51	196
<b>Total Assets</b>	<b>2,027</b>	<b>2,141</b>
<b>Net Equity</b>	<b>538</b>	<b>549</b>
<b>Non Current Liabilities</b>	<b>1,290</b>	<b>1,379</b>
Bond Issues	593	593
Borrowings	377	457
Deferred Tax Liabilities	184	182
Other Creditors & Provisions	136	147
<b>Current Liabilities</b>	<b>199</b>	<b>213</b>
<b>Total Liabilities</b>	<b>2,027</b>	<b>2,141</b>
<sup>(1)</sup> <b>Net Debt</b>	<b>927</b>	<b>872</b>
<b>Annualized Net Debt / Annualized Adjusted EBITDA</b>	<b>3.7x</b>	<b>3.3x</b>

### Net debt decreases to 3.3x annualized EBITDA

Cellnex has joined the list of corporate bonds eligible for the European Central Bank purchase program

#### Detail of debt as of 30<sup>th</sup> June 2016 (current and non-current tranches)

- ✓ Bond: €610Mn (including accrued interests)
- ✓ Loans: €248Mn
- ✓ Revolving credit facilities: €210Mn (limit of €375Mn)

<sup>(1)</sup> PROFIT grants and loans excluded

- ✓ Payment in July 2016 of a final dividend of €0.047 gross per share
- ✓ Along with interim dividend, total distribution of c.€20Mn (c.20% of RLFCF generated during the second half of 2015)

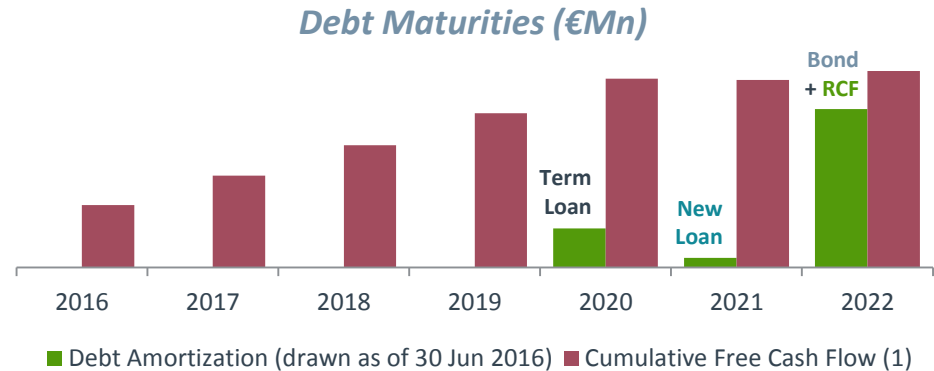
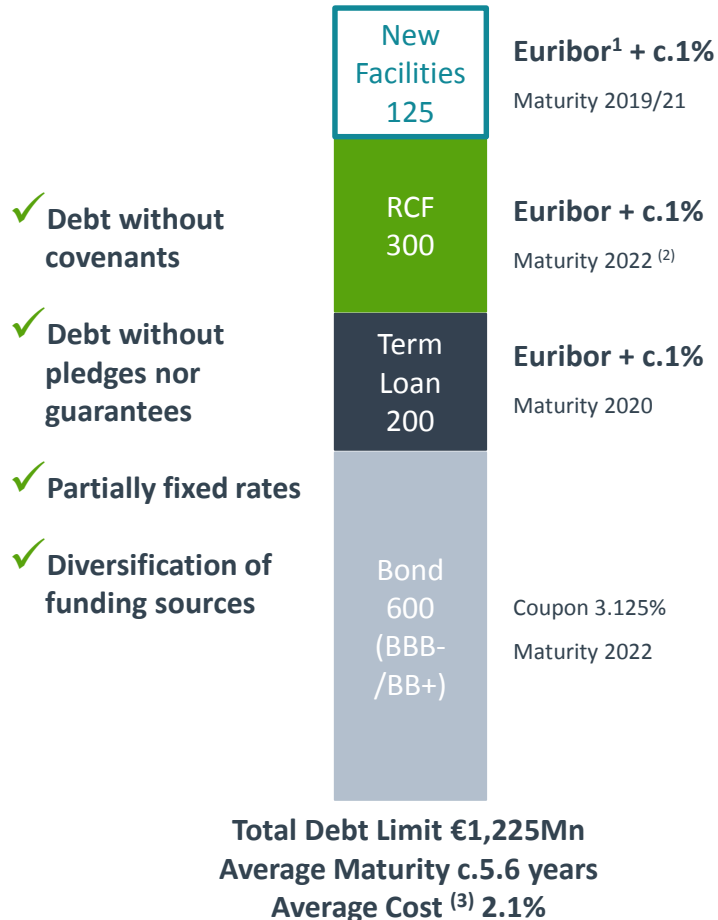
Income Statement (€Mn)	June 2015	June 2016
<b>Revenues</b>	<b>285</b>	<b>338</b>
<b>Operating Costs</b>	<b>-170</b>	<b>-205</b>
Non-recurring items	-13	-9
Depreciation & amortisation	-72	-83
<b>Operating profit</b>	<b>30</b>	<b>42</b>
Net Interest	-7	-15
Corporate Income Tax	-4	-2
<sup>(2)</sup> Non-Controlling Interests	0	0
<b>Net Profit Attributable</b>	<b>18</b>	<b>24</b>

- ✓ D&A includes amortization of Galata (3 months in 2016)
- ✓ Net interest = €12Mn non-cash interest on borrowings (bond) + €3Mn cash interest

<sup>(2)</sup> Non controlling interests in Galata (10%) and Adesal (40%)



*New long-term liquidity lines at c.1% cost signed, allowing for further growth opportunities*



**No refinancing risk due to long term maturities**

**Improved liquidity**

**Improved outlook**  
**Fitch BBB- stable outlook**  
**S&P BB+ positive outlook**

**Recent M&A deals financed at c.1% marginal cost**

(1) Term Loan Euribor 3M; RCF Euribor 1M; New facilities Euribor 1M and 3M; floor of 0% applies  
 (2) Maturity: 5 years with 2 extensions of 1 year to be mutually agreed  
 (3) Considering current 3 month Euribor rates; cost over full financing period to maturity

<sup>(1)</sup> Cumulative FCF = RLFCF – Expansion Capex – Debt amortization previous year – Dividends

# M&A Update

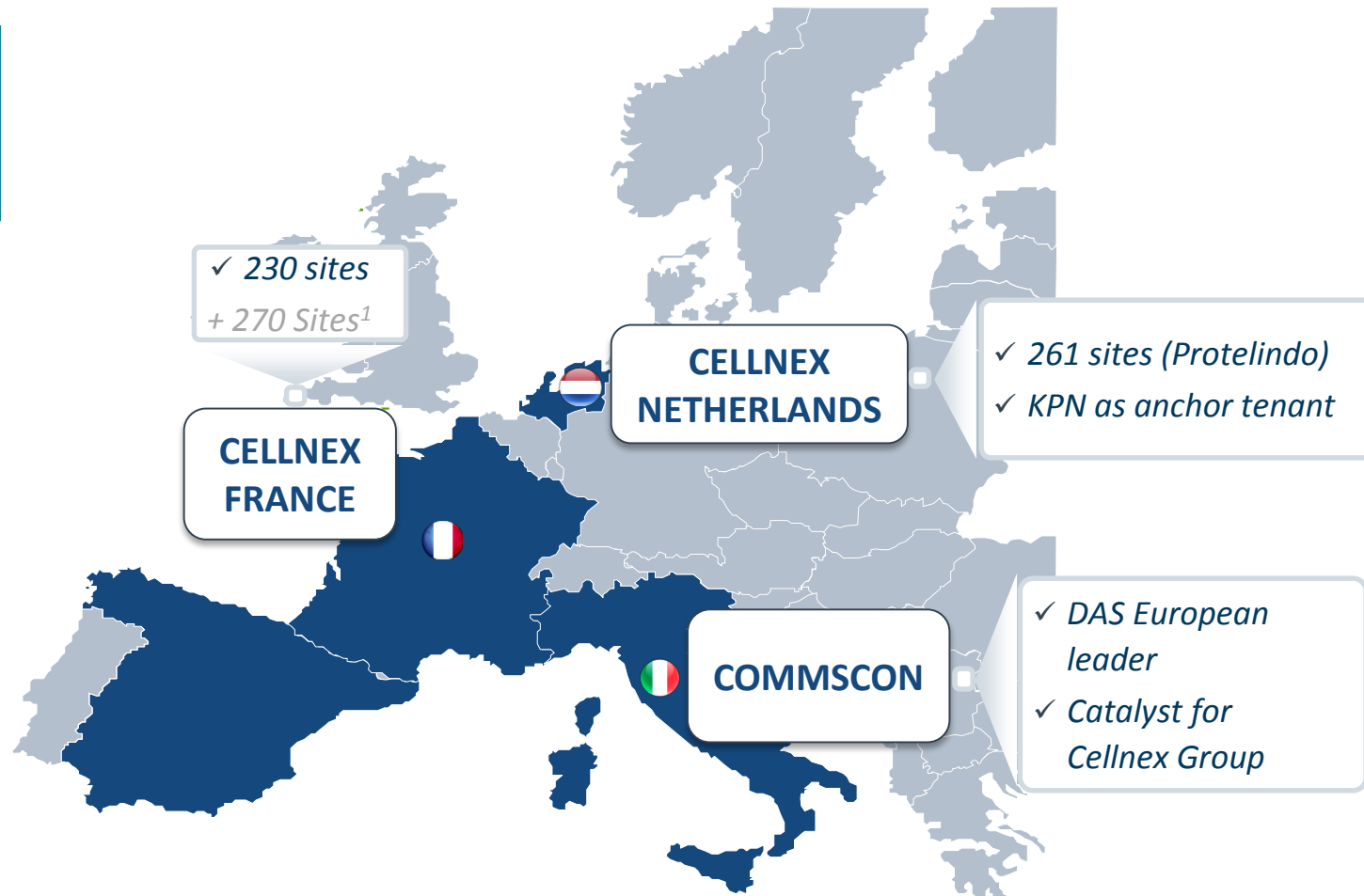
## European expansion setting the foundations for further in-country consolidation

First steps into dynamic markets

Diversification into strong credit rating countries

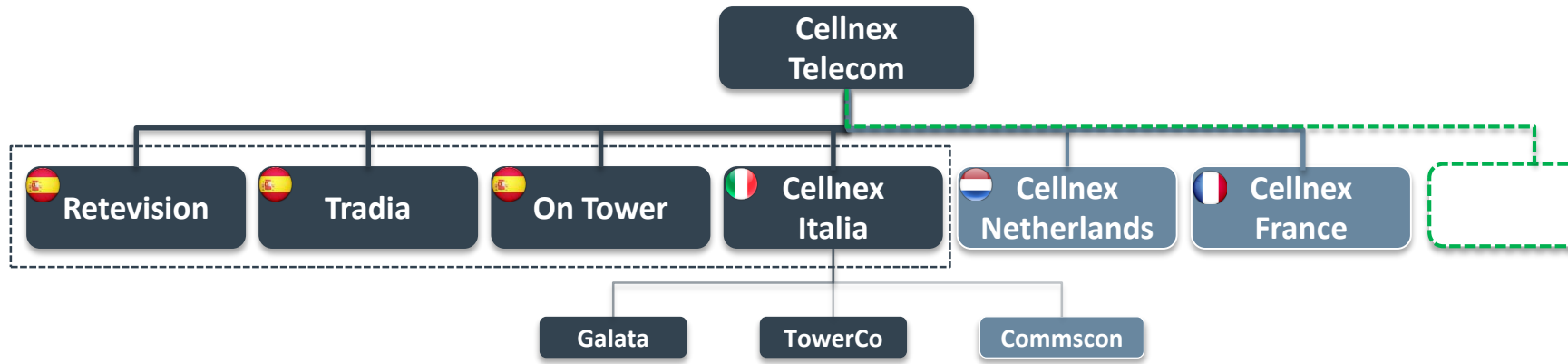
Potential for further consolidation

Delivery on Cellnex equity story

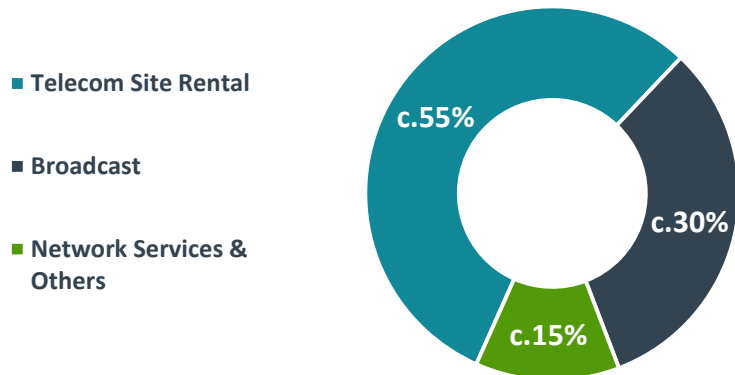


(1) The agreement allows for an extension that could bring the total number of towers acquired to 500, as towers are gradually transferred into Cellnex France

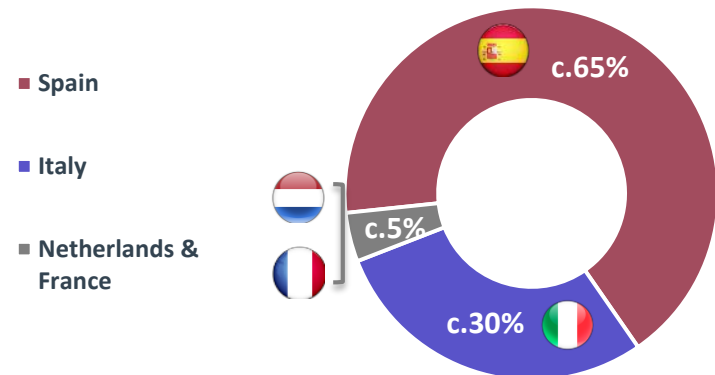
*Improved business risk profile: geographical diversification, new clients, higher exposure to telecom site rental*



### Proforma Revenues Contribution



### Proforma EBITDA Contribution



*High conversion ratio (c.85%) of EBITDA into RLFCF  
New deals generate €12Mn of incremental RLFCF on a full year basis  
(c.10% of the RLFCF generated in the first semester of 2016)*

	Total <sup>1</sup>
EBITDA 2017E (€Mn)	c.14.5
Maintenance Capex	2% on total revenues
Working Capital & Taxes	Tending to neutral
Interest expenses <sup>2</sup>	c.0.8% after tax
<b>RLFCF (€Mn)</b>	<b>c.12</b>

(1) Cellnex Netherlands + Cellnex France + Commscon

(2) Companies 100% owned by Cellnex Telecom S.A. and funded with debt at corporate level with current credit facilities (Euribor + 100bps)

Assets  
valuation

RLFCF per share  
accretion

Low double digit  
equity IRR on a  
stand-alone basis

Increased  
deleveraging  
capacity

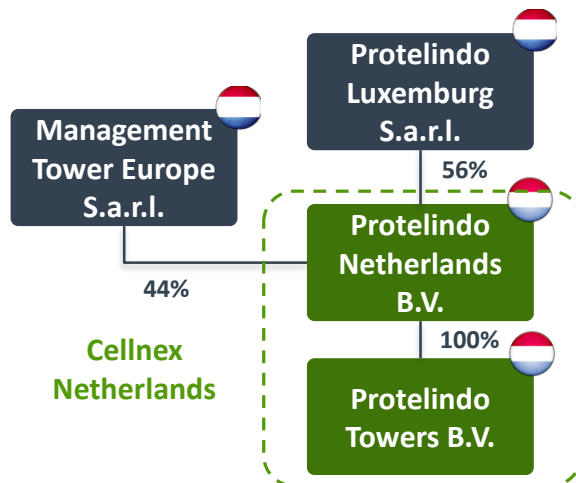
## Strategic towers linked to a strong anchor tenant in an advanced and dynamic market in terms of mobile broadband penetration

### Asset Description

- Acquisition of 100% of the share capital of Protelindo Netherlands B.V.
- 261 towers in the Netherlands
- Tenancy ratio 1.88
- 80% of sites located next to main roads
- KPN as anchor tenant
- Other tenants: T-Mobile, Vodafone, Tele2
- Contribution from 1st July 2016

### Key Highlights and Drivers

- EV of €109Mn<sup>1</sup> on a cash and debt-free basis
- 2017E EBITDA c.€8Mn
- EV/EBITDA = 13.6x
- High proportion of revenues guaranteed with main clients until 2027/2028
- CPI-indexed fees with a floor at 0%
- 20% of sites overlaps with existing networks



<sup>(1)</sup> Transfer Tax excluded from this figure, but included in IRR calculation



## *Industrial project setting the foundations for a long-term partnership with a key European player*

### Asset Description

- Acquisition of 230 towers in France; closing of this initial package expected for mid-September
- Additional 270 towers to be closed approximately by year end
- The total portfolio of towers (500) to be gradually transferred from its respective closing to Cellnex France as waiver from landlords is achieved
- Tenancy ratio 1.26 for 500 towers
- Nationwide coverage
- Bouygues as anchor tenant
- Improvement of Business Risk Profile

### Key Highlights and Drivers

- EV of €80Mn<sup>1</sup> on a cash and debt-free basis
- EBITDA c.€5Mn on a recurrent basis once 230 towers are transferred
- Acquisition of assets (as opposed to shares); therefore, full price is tax deductible and no taxes will be paid for the next years (13.8x adjusted EV/EBITDA multiple)
- Contract length with Bouygues 20 years starting from contribution
- 2% annual fixed fee escalator
- Preemptive rights to build up to 250 additional towers for Bouygues
- All-MNO agreement to remove coverage gaps and ongoing roll-out of 4G networks
- Densification initiatives expected to accelerate over the coming years



<sup>(1)</sup> Transfer Tax excluded from this figure, but included in IRR calculation

## *Unique platform to lead the European DAS landscape, providing Cellnex with a competitive advantage in a developing market*

### **Asset Description**

- Acquisition of 100% of the share capital of Commscon
- 949 nodes
- Commscon provides full-service DAS projects in Italy
- Acquisition of both technological and commercial capabilities
- Main clients are MNOs and venue owners
- Contribution from 22nd June 2016

### **Opportunities**

- Future growth driver of new telecom site rental (TSR) revenues
- Opportunity to accelerate Cellnex leadership as a DAS provider
- Technological platform for further growth in DAS and future Small Cells development
- Business model replication across Europe

### **Key Highlights and Drivers**

- EV: €19Mn
- EBITDA 2017E: €1.5Mn
- Proven track record, skilled team, projects already in place
- Strategic exclusive agreements already signed with significant customers
- The Small Cells market for busy open-air spaces and closed areas will be one of the main vectors of telecom infrastructure growth in the coming years
- Expertise and know-how in projects such as:



**Stadio Meazza San Siro di Milano**  
Multioperator  
Full service



**Aeroporto di Malpensa**  
Single operator  
Supply and Maintenance

## Delivering on our equity story



### Market Entry Acquisition

### Further Acquisitions



#### Rural Towers ✓

- Acquisition of 1,000 rural sites

#### Volta ✓

- Acquisition of 1,854 urban sites
- 221 sites for rationalization

#### Volta Extended ✓

- Acquisition of 1,390 sites in both rural and urban locations



#### TowerCo ✓

- Acquisition of 306 distinct sites in Italy

#### Galata ✓

- Acquisition of 7,377 highly attractive sites

#### Commscon ✓

- Acquisition of DAS development company



#### Protelindo ✓

- Acquisition of 261 sites



#### Bouygues ✓

- Acquisition of 230 sites



New opportunities in attractive markets with tower outsourcing potential

# Final Remarks

**Continued strong performance in line with expectations**

**M&A execution through value accretive acquisitions in new markets (Netherlands & France)**

**Poised to play a central role in the European tower landscape**

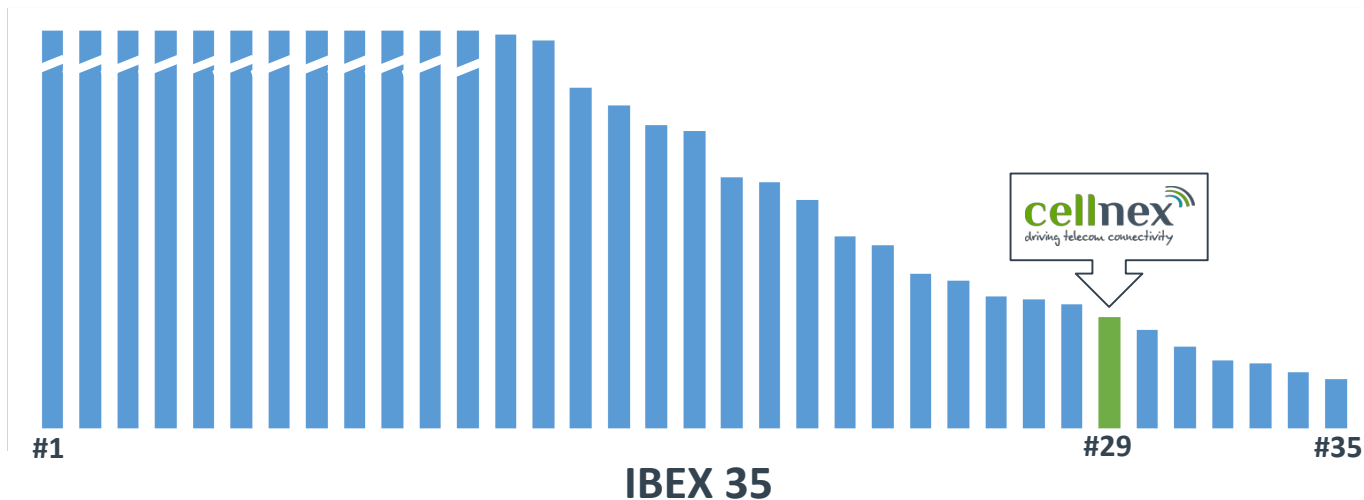
**DAS: first steps to become the European leader**

**Efficiency plan on track and recovery of TV revenues**

**Cellnex included in the IBEX 35 index**

## Cellnex included in the IBEX 35 index from 20<sup>th</sup> June 2016

Cellnex is in the 29th position according to the average market cap applicable to the Index



Additionally, Cellnex has entered into a liquidity enhancement contract in order to reduce share price volatility and execution risk

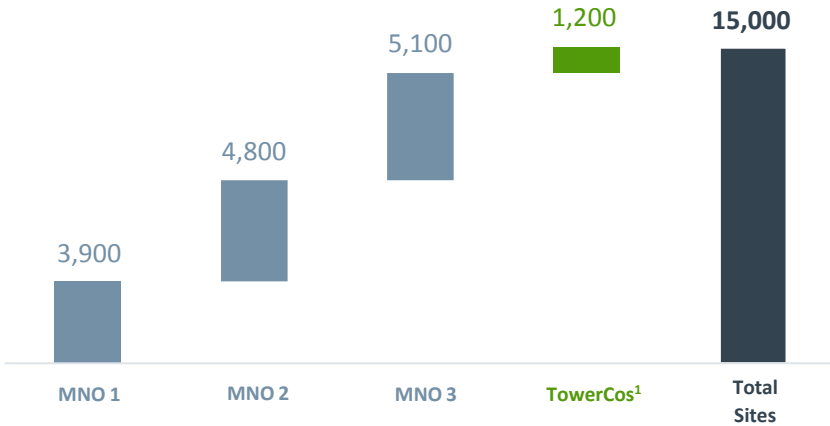


# *Appendix*

# Market Description Netherlands & France

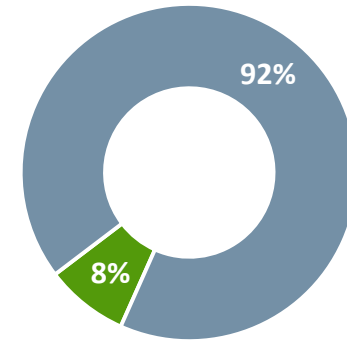


## Proprietary sites by MNO



<sup>(1)</sup> TowerCos include OTC, Shere Masten and Indonesia Protelindo

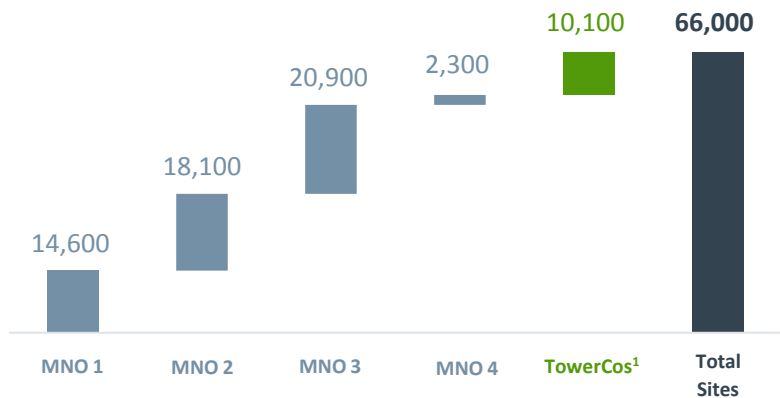
## Market share



■ TowerCos ■ MNOs

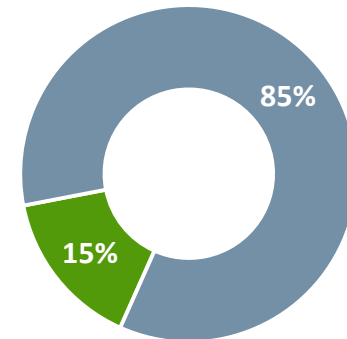


## Proprietary sites by MNO



<sup>(1)</sup> TowerCos include TDF, Antin Infrastructure Partners, Itas Tim and Towercast

## Market share



■ TowerCos ■ MNOs

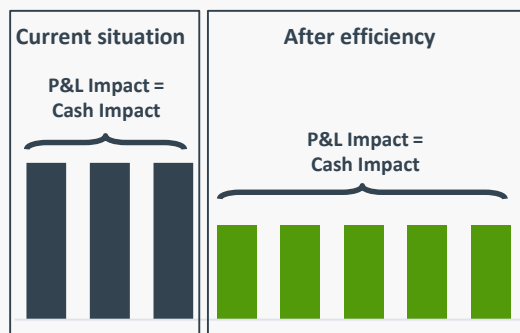
- ✓ Cellnex actively monitors the credit market conditions
- ✓ Companies with similar rating structure used as benchmark offer tighter spreads
  - ✓ Same credit ratings: Fitch (BBB-) and S&P (BB+)
  - ✓ Benchmark companies are eligible for the ECB purchase program
- ✓ However, benchmark bonds (same maturity) trade c.30bps tighter (average gap between yields c.75bps)

## Bond Yield Evolution



## ✓ Rent renegotiation

Aiming at reducing annual lease and extending contract duration

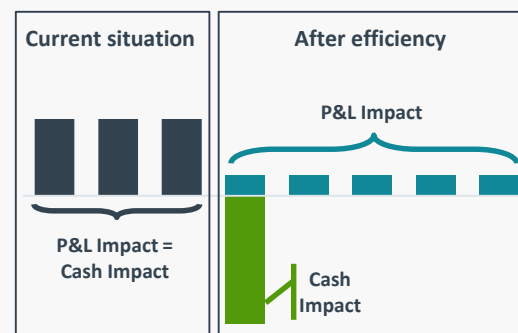


### Accountancy effect

- P&L impact equals Cash impact as there is no upfront associated payment
- Cost recognition after the renegotiation reflects the revised annual fee associated with the ground lease

## ✓ Cash advance

Reduction of annual rent and extension of contract duration through initial investment (cash out)



### Accountancy effect

- P&L impact different from Cash impact
- Upfront payment for a number of lease years
- P&L impact is the accrued cost associated with the use of the land
- For EBITDA adjusted purposes the latter cost needs to be removed, as it is a non-cash item

# DAS (Distributed Antenna System)

## How does it work?

Venue owners give rights to Cellnex to commercialize its services

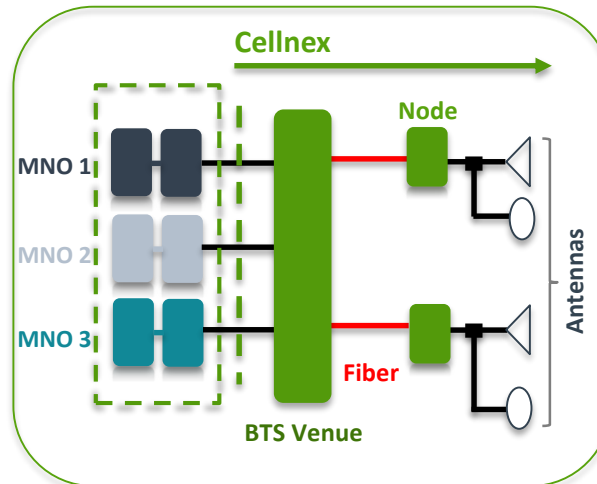
Cellnex deploys and manages the DAS system in the venue

MNOs connect to Cellnex' system

### Venue owners



### Customers



Cellnex pays a rental fee to the venue owner (in some cases the venue owner pays for the system)

Cellnex deploys Capex and incurs the Opex of managing the system<sup>1</sup>

Service fee paid by MNO to Cellnex


<sup>(1)</sup> System consists of BTS venue (technical room) + fiber connectivity + nodes + antennas

Term	Definition
Advances to customers	The amounts paid for sites to be dismantled and the estimated future decommissioning costs relate to deferred commercial costs for the purpose of entering into an agreement with the relevant MNO that will generate future economic benefit in our pre-existing infrastructure. These amounts are therefore considered as a deferred commercial cost on account of future income from our customers. The term used to describe these deferred costs on our consolidated balance sheet is “advances to customers”
Adjusted EBITDA	Profit from operations before D&A and after adding back noncash items (such as advances to customers) and non-recurring items
Anchor tenant	Anchor tenants are telecom operators from which the Company has acquired assets
Backhauling	In a telecommunications network the backhaul portion comprises the intermediate links between the backbone network and the subnetworks. Cell phones communicating with a single cell tower constitute a subnetwork and the connection between the cell tower and the rest of the network begins with a backhaul link
Built-to-Suit	Process of building up sites on behalf of one or more telecom operators who will then use those sites under site rental agreements
DAS	A distributed antenna system is a network of spatially separated antenna nodes connected to a common source via a transport medium that provides wireless service within a geographic area or structure
DTT	Digital terrestrial television
Galata	Stock purchase agreement between Cellnex and Wind for the acquisition of 90% of the capital stock of Wind’s wholly owned subsidiary Galata for a cash consideration of €693Mn
Maintenance Capex	Capex in relation to maintenance investments in existing tangible or intangible assets, such as investment in infrastructure, equipment and information technology systems, and are primarily linked to keeping sites in good working order, but which excludes investment in increasing the capacity of sites
MUX	Multiplex, a system of transmitting several messages or signals simultaneously on the same circuit or channel
Node	A node receives the optical signal from the BTS venue and transforms it into radio frequency signal and then transfers it to antennas after amplifying it
Non-M&A Expansion Capex	Expansions to the network of tower infrastructure for site rental, equipment for radio broadcasting, the broadcasting of network services and other, and the radio communications network in pre-existing projects that generate additional income
PoP	Points of presence, an artificial demarcation point or interface point between communicating entities. Each tenant on a given site is considered a PoP



Term	Definition
Rationalization	Process consisting on decommissioning one site and moving equipment to another one, so that out of two sites only one remains
RLFCF	Recurring Operating Free Cash Flow plus/minus changes in working capital, plus interest received, minus interest expense paid and minus income tax paid
Recurring Operating FCF	Adjusted EBITDA minus Maintenance Capex
Simulcast	Broadcasting of programs or events across more than one medium, or more than one service on the same medium, at exactly the same time
Tenancy Ratio	Average number of PoPs per site, taking into account changes in the consolidation perimeter

# Additional information available on Investor Relations section of Cellnex' website




The screenshot shows the top navigation bar of the Cellnex website. The logo is on the left, and the navigation menu includes: Home, Customer access, Site map, Intranet, ESP, ENG, CAT, IT, About Cellnex Telecom, Products and Services, Investor Relations, and Press room. Below the navigation bar, the main content area features the heading "H1 2016 Results". Under this heading, there are two download links: "Backup Excel File" with an Excel icon and "H1 2016 Consolidated Interim Financial Statements" with a PDF icon. To the right of these links, contact information for Investors & Shareholders is provided, including the address, phone number, and email address.

cellnex  
driving telecom connectivity

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## H1 2016 Results

 *Backup Excel File*

 *H1 2016 Consolidated Interim Financial Statements*

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