



# Financial results

## Q3 2019

7 November 2019

Cyfrowy Polsat S.A. Capital Group



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# Disclaimer



This presentation may include forward-looking statements, understood as all statements (other than statements of historical facts) regarding our financial results, business strategy, plans and objectives pertaining to our future operations (including development plans related to our products and services). Such forward-looking statements do not constitute a guarantee of future performance and involve risks and uncertainties which may affect the fulfilment of these expectations, as by their nature they are subject to many factors, risks and uncertainties. The actual results may be materially different from those expressed or implied by such forward-looking statements. Even if our financial results, business strategy, plans and objectives pertaining to our future operations are consistent with the forward-looking statements included herein, this does not necessarily mean that these statements will be true for subsequent periods. These forward-looking statements express our position only as at the date of this presentation.

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# Agenda

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1. Key events in Q3'19
2. Operating results
3. Financial results
4. Summary and Q&A



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# 1. Key events in Q3'19

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# Key events in Q3'19



Start of sales of OTT Web TV offer, together with the EVOBOX STREAM set-top box.



Inclusion of channels Canal+3 and 4, featuring PKO BP Ekstraklasa football premiership matches, in Cyfrowy Polsat's offer hence making it more attractive



Excellent results of sales of mobile services and smartphones



JV agreement with Discovery and TVN regarding the launch of a joint OTT streaming platform



## 2. Operating results



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## 2.1 Broadcasting and TV production segment

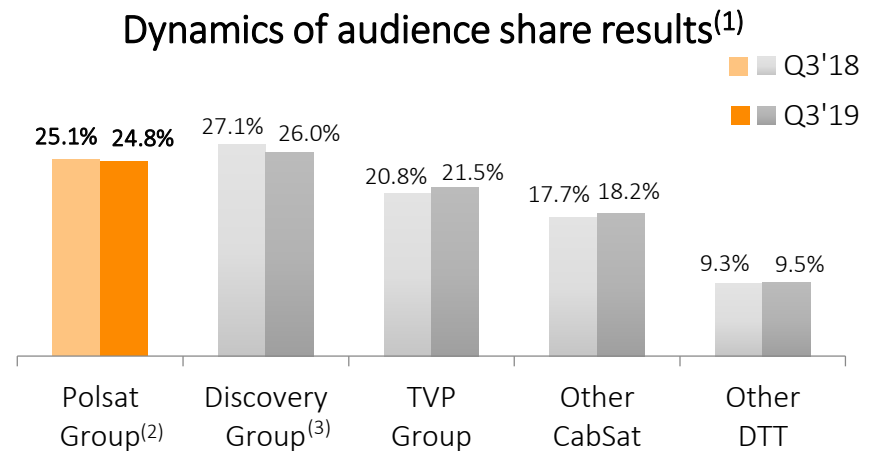
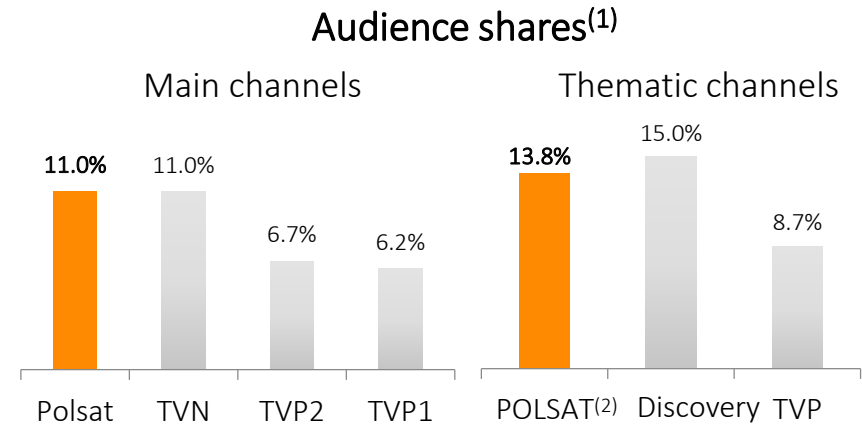


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# Viewership of our channels in Q3'19



- Polsat Group and its main channel are the viewership leaders in the commercial group



Source: NAM, All 16-49, all day, SHR%, including Live+2<sup>(1)</sup>, internal analyses

Note: (1) Audience shares include both live broadcasting and broadcasting during 2 consecutive days (i.e. Time Shifted Viewing)

(2) Including Eleven channels and Superstacja (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat

(3) Pro forma, TVN Group channels and Discovery Networks Europe



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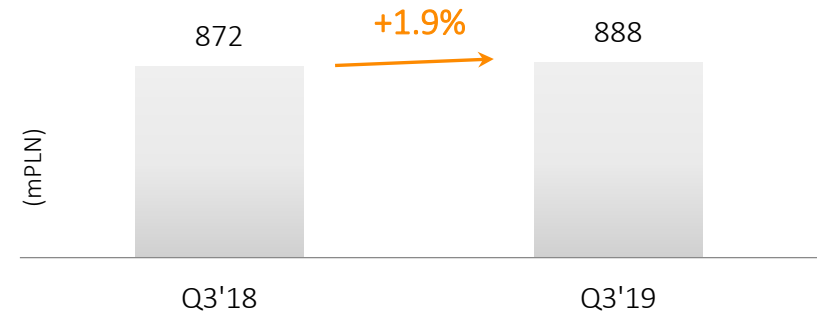


# Position on the advertising market in Q3'19

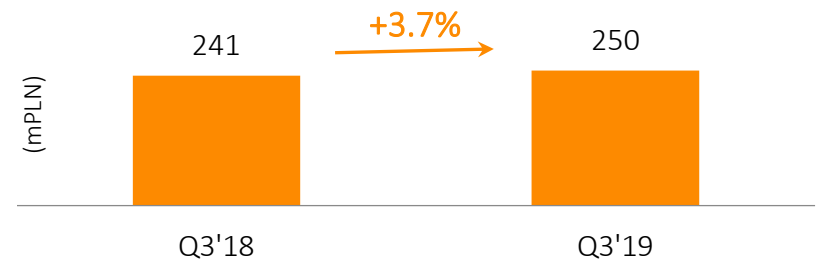


- Revenue from TV advertising and sponsorship generated by Polsat Group grew faster than the market, i.e. by 3.7% YoY
- As a result, our share in the TV advertising and sponsorship market increased to 28.1%

Market expenditures on TV advertising and sponsorship



Revenue from advertising and sponsorship of TV Polsat Group<sup>(1)</sup>



Source: Starcom, spot advertising and sponsorship; TV Polsat; internal analyses  
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

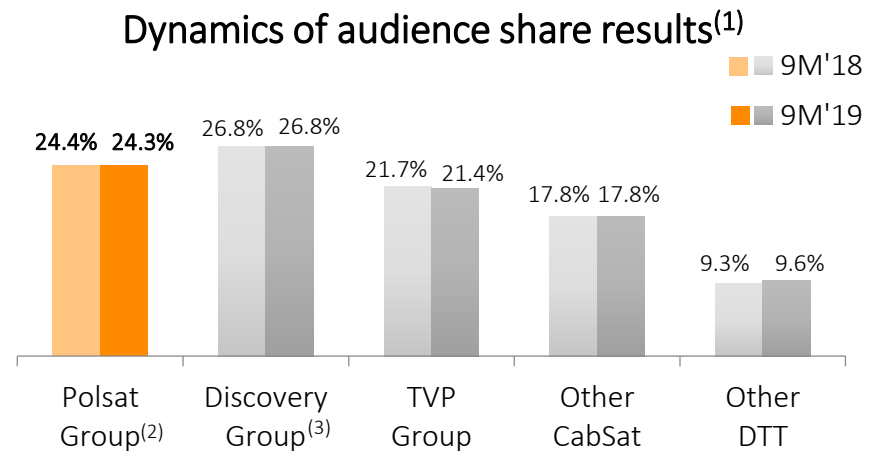
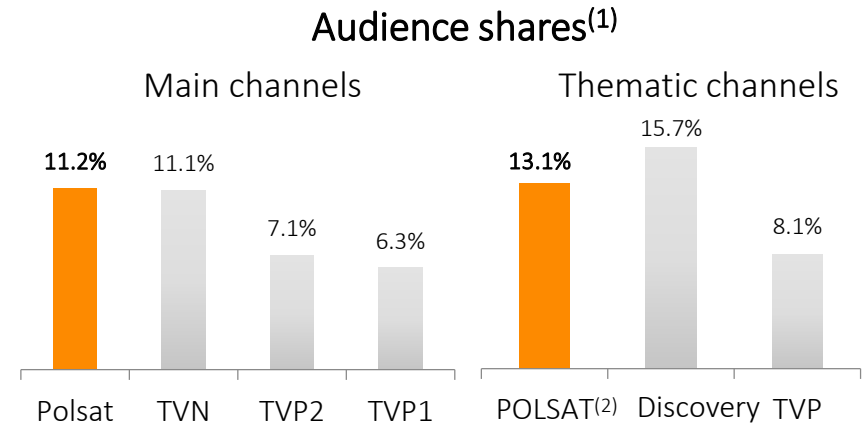


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# Viewership of our channels in 9M'19



- Polsat Group's viewership in line with its strategy



Source: NAM, All 16-49, all day, SHR%, including Live+2<sup>(1)</sup>, internal analyses

Note: (1) Audience shares include both live broadcasting and broadcasting during 2 consecutive days (i.e. Time Shifted Viewing)

(2) Including Eleven and Superstacja channels (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat

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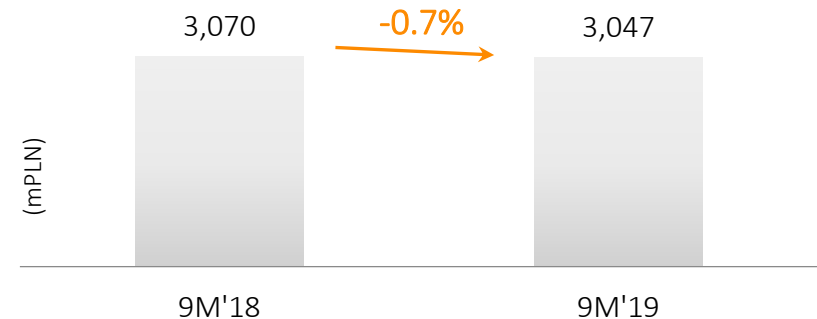


# Position on the advertising market in 9M'19

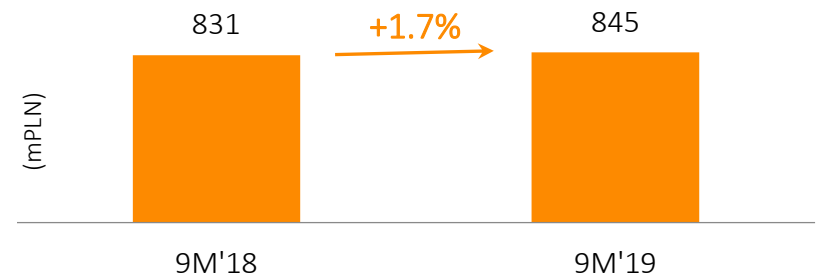


- Against the backdrop of the market declining by 0.7%, revenue from TV advertising and sponsorship generated by Polsat Group grew by 1.7% YoY
- As a result, our share in the TV advertising and sponsorship market increased to 27.7%

Market expenditures on TV advertising and sponsorship



Revenue from advertising and sponsorship of TV Polsat Group<sup>(1)</sup>



Source: Starcom, spot advertising and sponsorship; TV Polsat; internal analyses  
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition





## 2.2 Services to individual and business customers

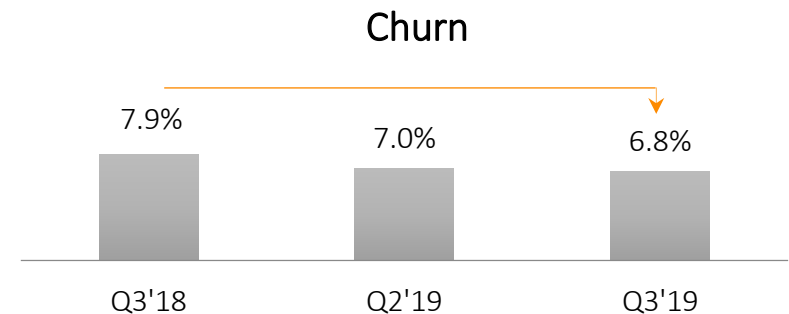
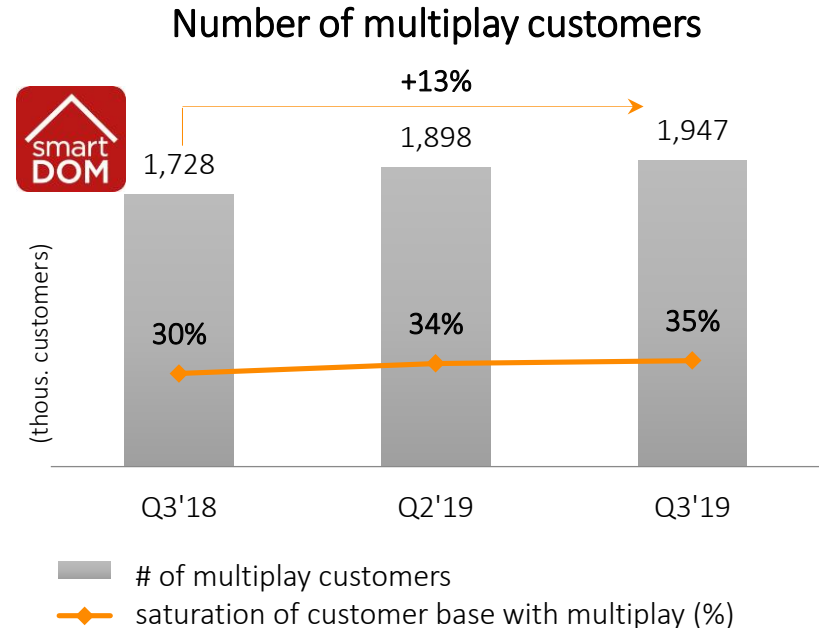


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# Almost 2 million multiplay customers



- Consistent implementation of our multiplay strategy results in a stable increase in the number of customers with bundled services by 220K YoY
- The number of RGUs owned by these customers increased to 5.89m
- Another quarter of record low churn level – mainly due to our multiplay strategy

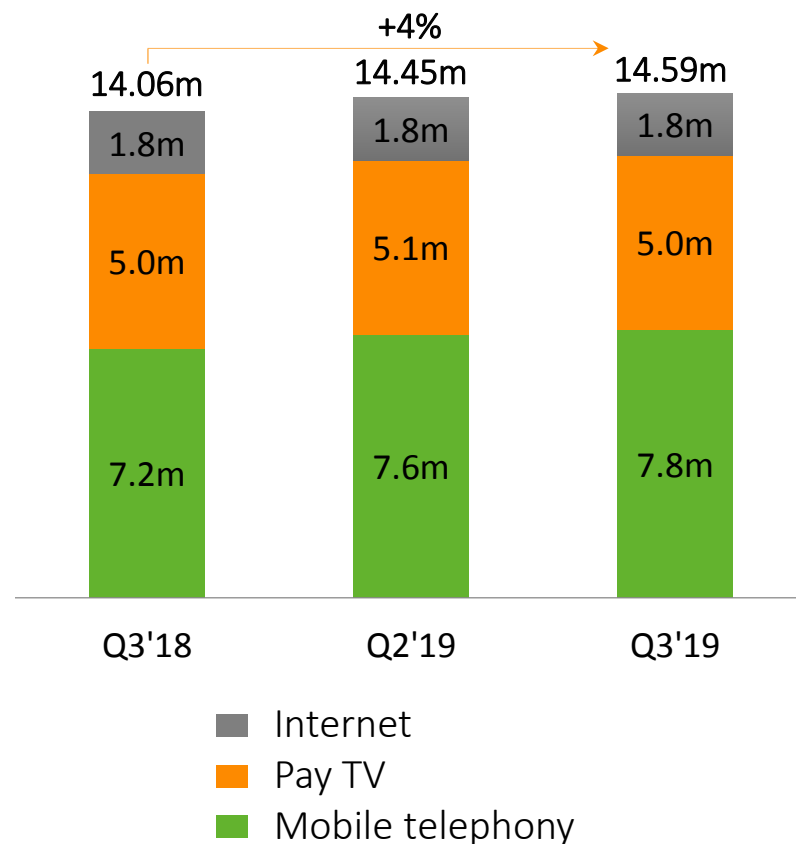


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# We sold over half a million additional services



- An increase in the number of contract services by 531K YoY
- The dynamic growth of voice services as a result of positive impact of our multiplay strategy and the new simple Plus tariffs which were launched in February 2018, supported by good sales in the B2B segment (m2m)
- Stable base of pay TV and Internet services

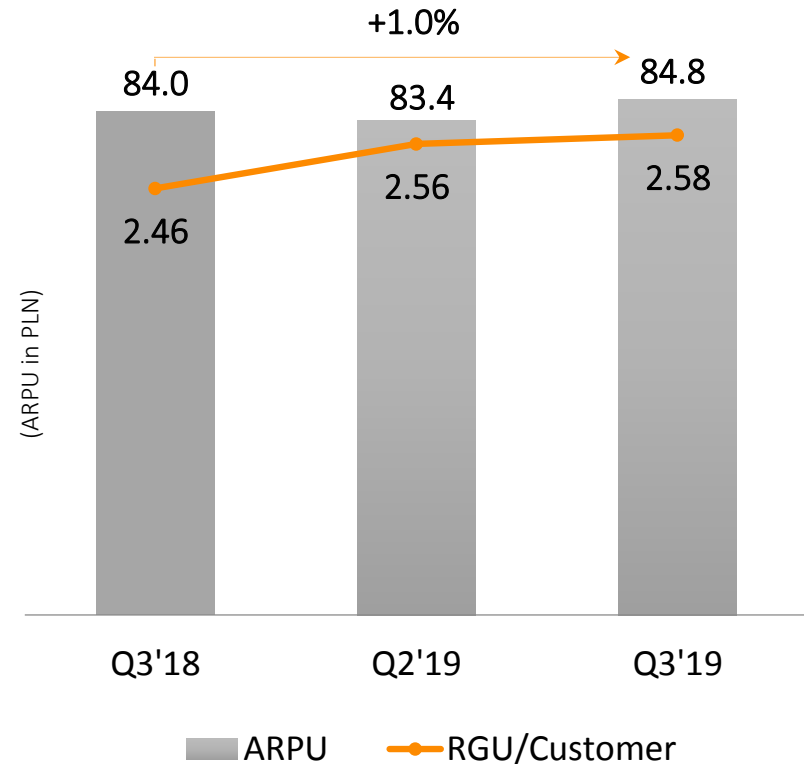


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# Growth of ARPU thanks to the consistent implementation of the multiplay strategy



- ARPU increase by 1.0% YoY
- Effective upselling of products under our multiplay strategy continues to be reflected in the growing RGU saturation per customer ratio

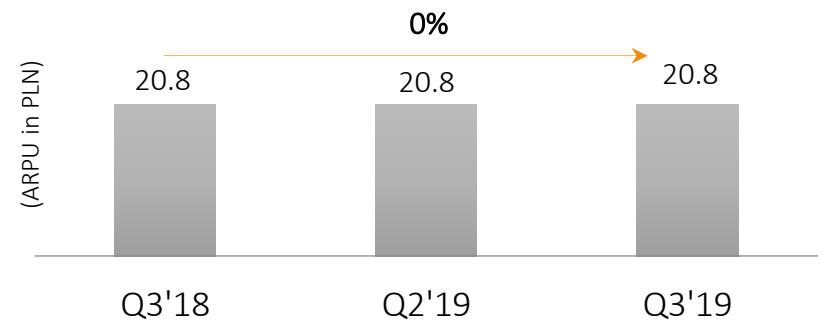
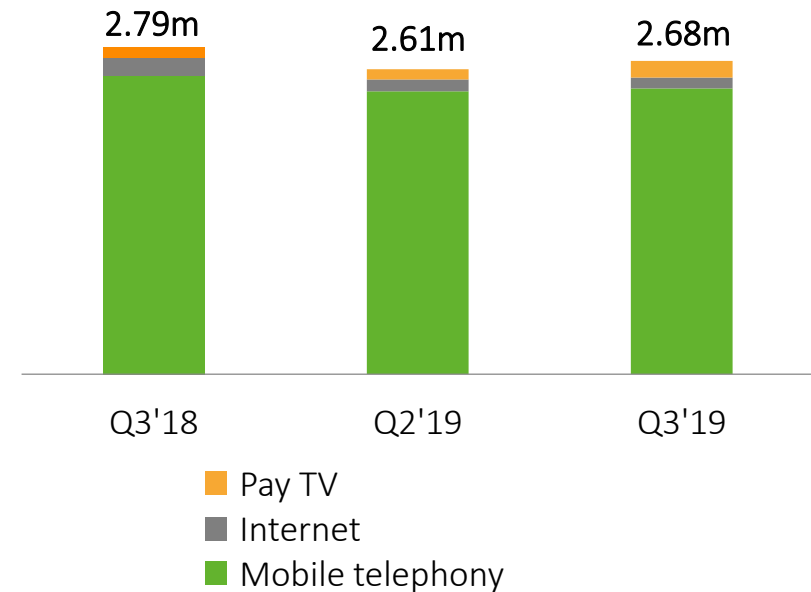


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# High ARPU, growth of the prepaid base



- Growth of the number of provided prepaid services (QoQ), mainly thanks to the high sale of IPLA packages
- High and stable ARPU level

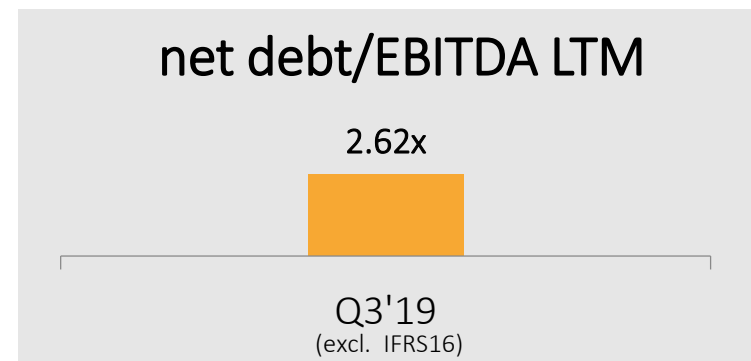
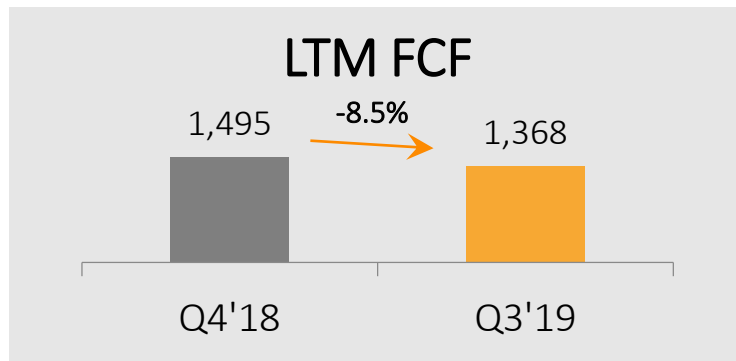
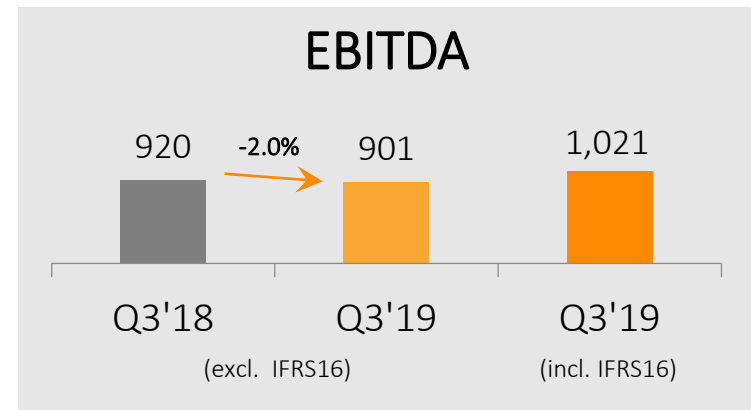
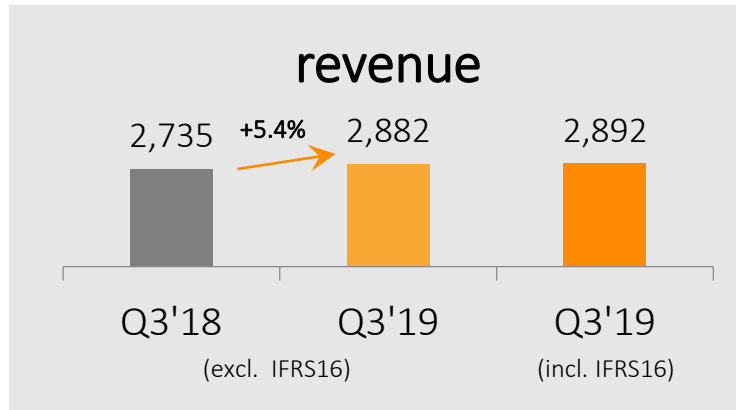




# 3. Financial results

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# Results of the Group in Q3'19



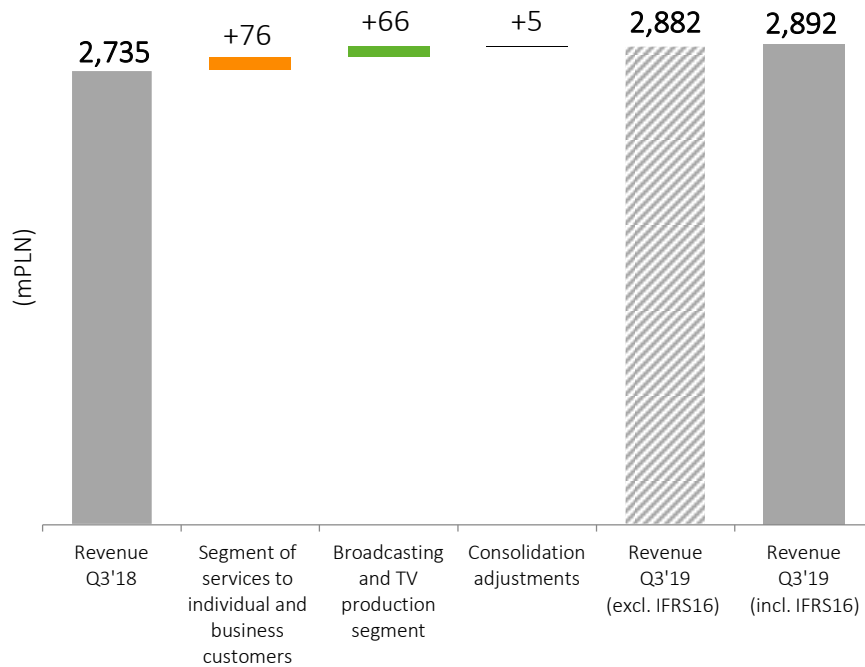
# Revenue and EBITDA – change drivers



## Revenue

YoY change

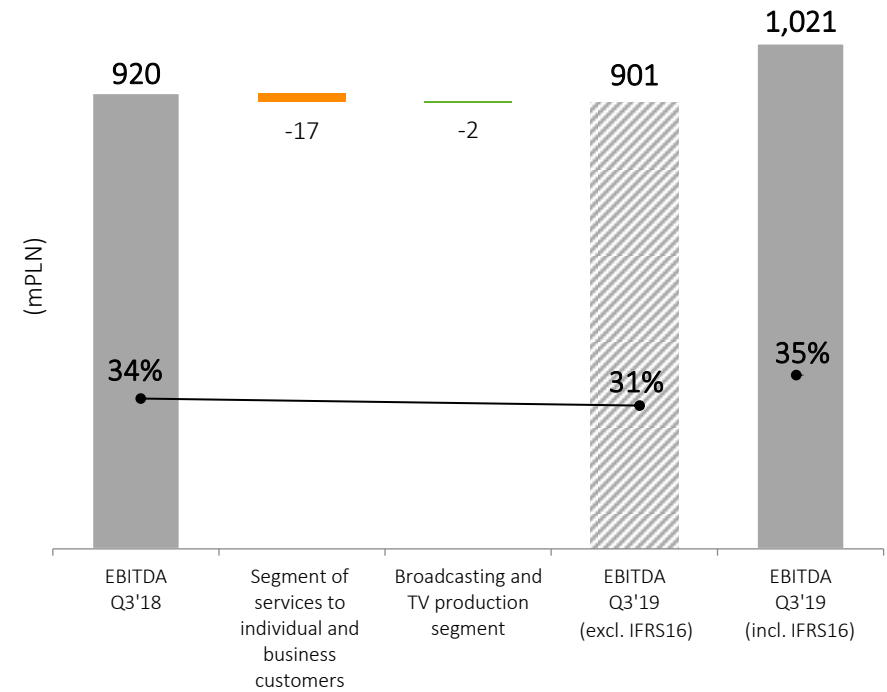
**+5%**  
**+147 m**



## EBITDA

YoY change

**-2%**  
**-19 m**



●—● EBITDA margin

Source: Consolidated financial statements for the 9-month period ended 30 September 2019 and internal analyses  
Note: consolidation of Netia S.A. from 22 May 2018



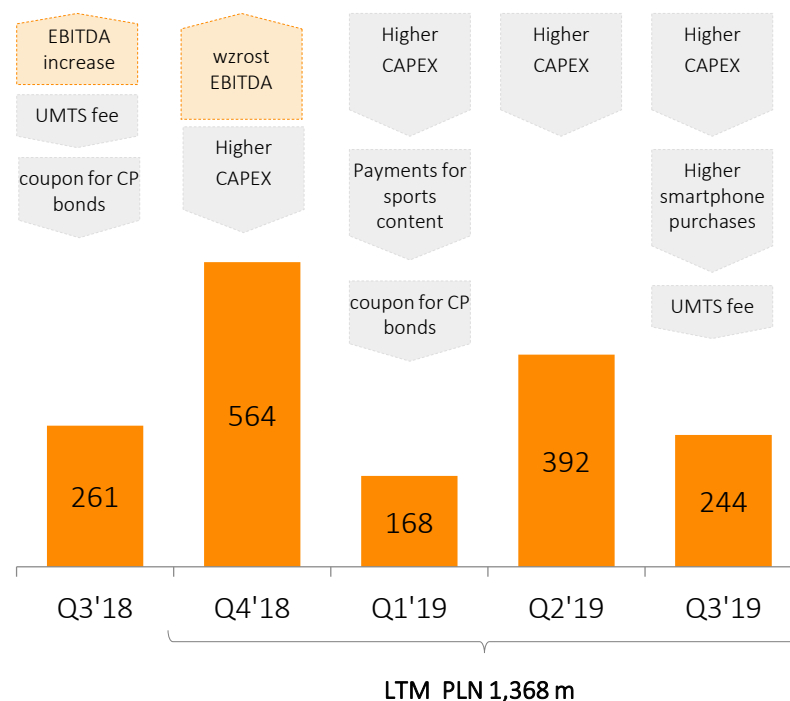
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# FCF under higher level of CAPEX and purchase of equipment for customers



mPLN	Q3'19	9M'19
Net cash from operating activities	770	2,173
Net cash used in investing activities	-450	-1,182
Payment of interest on loans, borrowings, bonds and commissions	-157	-362
<b>FCF after interest</b>	<b>163</b>	<b>629</b>
Acquisition of stakes/shares and share capital increase	11	106
Flat-rate tax on the interest and discount (RB 24/2019)	70	70
<b>Adjusted FCF after interest</b>	<b>244</b>	<b>805</b>

## Adjusted FCF after interest

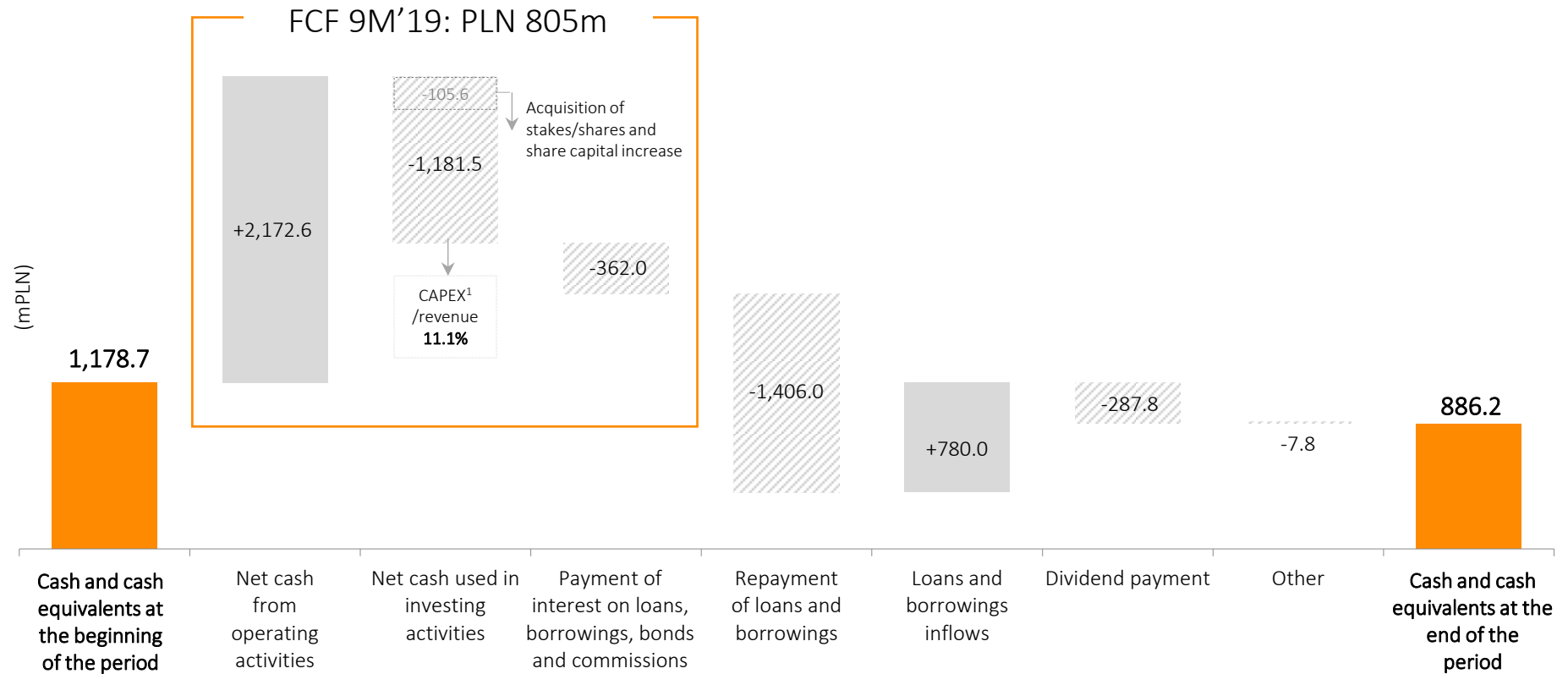


Source: Consolidated financial statements for the 9-month period ended 30 September 2019 and internal analyses; FCF excl. IFRS16



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# Cash flow statement in 9M'19



Source: Consolidated financial statements for the 9-month period ended 30 September 2019 and internal analyses; FCF excl. IFRS16

Note: (1) Expenses on the acquisition of property, plant and equipment and intangible assets

# The Group's debt

mPLN	Carrying amount as at 30 Sep'19	Carrying amount as at 30 Sep'19
	excl. IFRS16, in accordance with the requirements of the Combined SFA	incl. IFRS16
Combined Term Facility	8,854	8,854
Revolving Facility Loan	750	750
Series B Notes	1,013	1,013
Leasing and other	29	1,364
<b>Gross debt</b>	<b>10,646</b>	<b>11,981</b>
Cash and cash equivalents <sup>1</sup>	(886)	(886)
<b>Net debt</b>	<b>9,760</b>	<b>11,095</b>
EBITDA LTM	3,724 <sup>2</sup>	4,076
<b>Total net debt / EBITDA LTM</b>	<b>2.62x</b>	<b>2.72x</b>
Weighted average interest cost <sup>3</sup>	3.3%	

<sup>1</sup> This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.

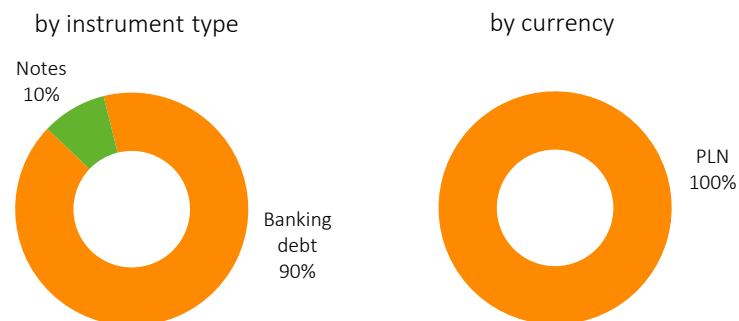
<sup>2</sup> accordance with the requirements of the Combined SFA, the calculation excludes the impact from the implementation of IFRS 16 binding from January 1, 2019. The exclusion concerns both the calculation of EBITDA LTM and the calculation of debt.

<sup>3</sup> Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series B Notes, excluding hedging instruments, as at September 30, 2019 assuming WIBOR 1M of 1.63% and WIBOR 6M of 1.79%.

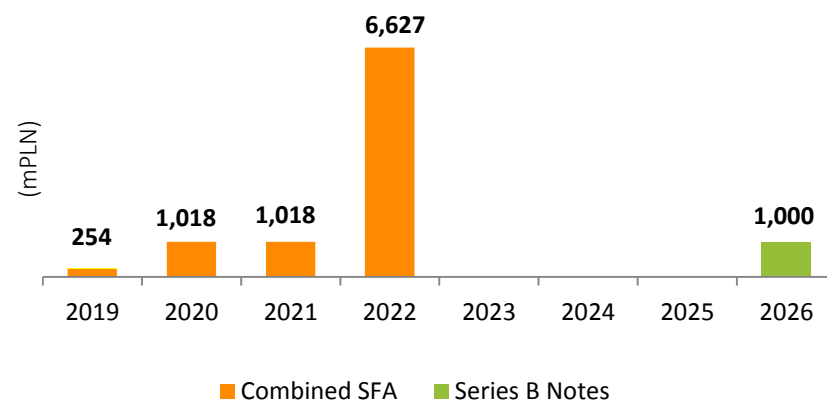
<sup>4</sup> Nominal value of the indebtedness as at 30 September 2019 (excluding the Revolving Facility Loan and leasing).

Source: Consolidated financial statements for the 9-month period ended 30 September 2019 and internal analyses

## Debt structure<sup>4</sup>



## Debt maturing profile<sup>4</sup>



# 4. Summary and Q&A

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# Summary



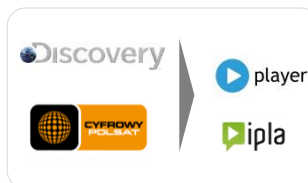
Promising sales results of the new, flexible web TV offer with the EVOBOX STREAM set-top box. For Everyone. Everywhere.



Excellent results of our multiplay strategy: nearly 2m customers / 531K new services (RGUs) / ARPU growth to PLN 84.8 / record-low churn of 6.8%



High growth of revenue, content-related investments and stable EBITDA, enable high dividend payout



Cyfrowy Polsat and Discovery/TVN are jointly creating a new OTT streaming platform, offering extensive choice of content



# 5. Additional information:

## Financial results excl. IFRS16

# Results of the segment of services to individual and business customers

Excluding IFRS16



mPLN	Q3'19	YoY change
Revenue	2,505	3%
Operating costs <sup>(1)</sup>	1,700	5%
EBITDA	809	-2%
EBITDA margin	32.3%	-1.7pp

- Results achieved by the segment have been generated thanks to revenue growth from high sales of smartphones to Plus customers, stable EBITDA in Netia and the investments related to the purchase of access to the channels broadcasting the matches of PKO BP Ekstraklasa Polish football premiership

Source: Consolidated financial statements for the 9-month period ended 30 September 2019 and internal analyses

Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



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# Results of the broadcasting and TV production segment

Excluding IFRS16



mPLN	Q3'19	YoY change
Revenue	441	17%
Operating costs <sup>(1)</sup>	348	24%
EBITDA	92	-2%
EBITDA margin	20.9%	-4.2pp

- The segment's results were affected by the addition of new TV channels to the wholesale portfolio, including in particular the Polsat Sport Premium packages

Source: Consolidated financial statements for the 9-month period ended 30 September 2019 and internal analyses

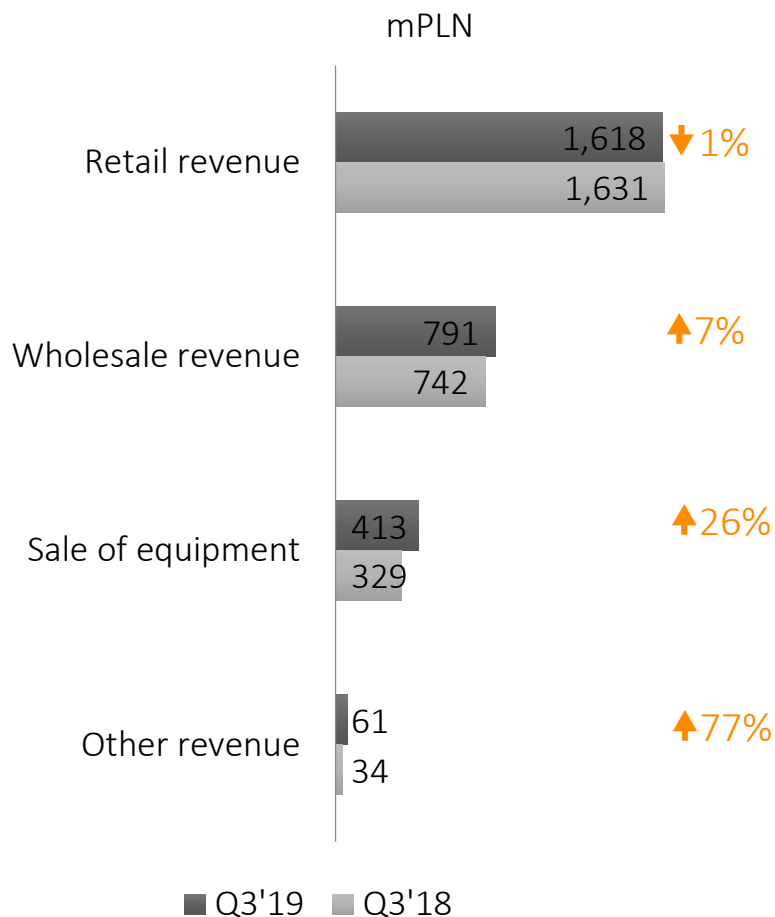
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



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# Revenue structure

Excluding IFRS16



- The decrease of **retail revenue** was primarily due to lower revenue from voice services which was partly compensated by higher revenue from pay TV and data transmission services.
- The increase in **wholesale revenue** was triggered primarily by the inclusion of new TV channels in our wholesale offering, in particular the Polsat Sport Premium packages, which resulted in higher revenue from cable and satellite operators. Furthermore, we recorded higher revenue from advertising and sponsoring and from the sale of programming sublicenses for sports events. In turn, we recorded a year-on-year decrease in revenues from providing national roaming services to the operator of Play network.
- Higher revenue from **sale of equipment**, mainly due to year-on-year higher sales volumes and an increasing share of more expensive models among end-user devices sold, which was also reflected in the higher cost of equipment sold.

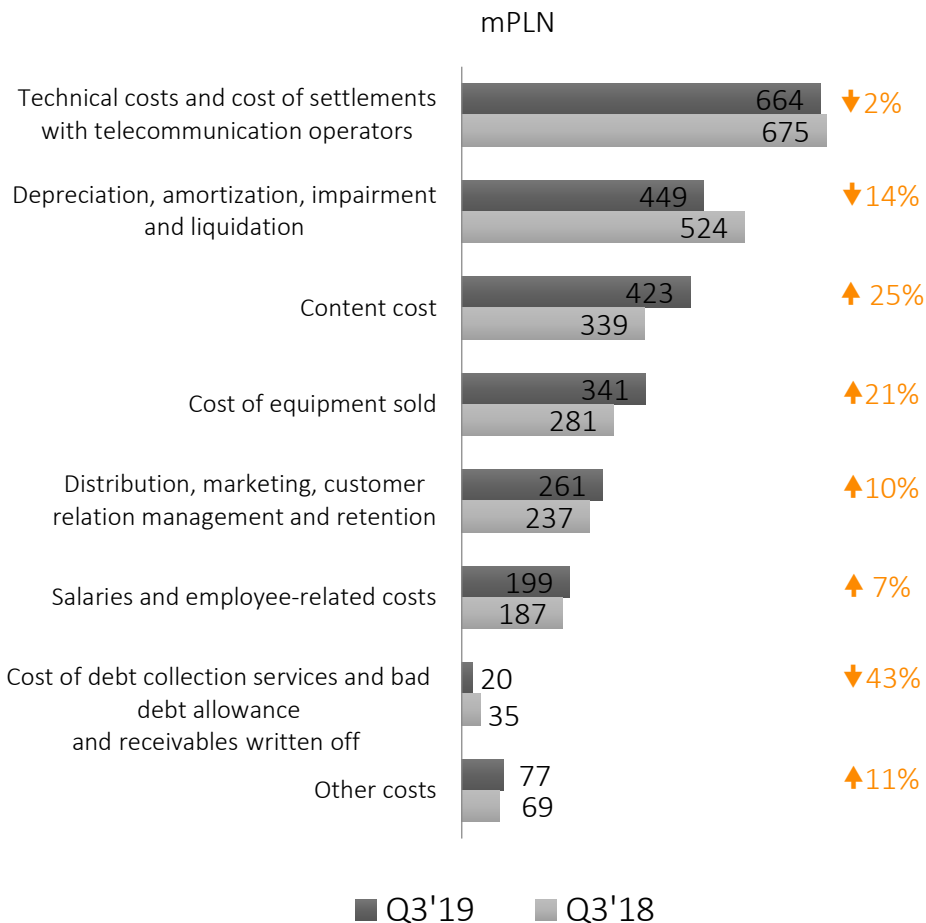
Source: Consolidated financial statements for the 9-month period ended 30 September 2019 and internal analyses



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# Operating costs structure

Excluding IFRS16



- Lower **depreciation, amortization, impairment and liquidation costs** due to, among others, the termination of the amortization period related to the 800 MHz bandwidth license and the extension of depreciation periods of certain elements of the mobile network.
- The increase in **content costs** was mostly the result of higher cost of internal and external production associated with the enriched autumn scheduling of the main channel and higher amortization of sports rights related to, in particular, the Polsat Sport Premium channels launched in August 2018 which broadcast, among others, football games of the UEFA Champions League and the UEFA Europa League. Higher cost of programming licenses, due to, among others, a decision to purchase broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels airing the PKO BP Ekstraklasa football games, higher cost of amortization of film licenses as well as a cumulation of volleyball events in Q3'19 were additional factors contributing to the increase of content costs.
- Higher **cost of equipment sold** as a consequence of higher sales volumes of equipment sold and a higher share of more expensive models among end-user devices sold.
- Higher **distribution, marketing, customer relation management and retention costs** was mainly due to higher marketing costs and higher cost of sales commissions.

Source: Consolidated financial statements for the 9-month period ended 30 September 2019 and internal analyses



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# Glossary



## RGU (Revenue Generating Unit)

Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.

## Customer

Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a **contract model**.

## Contract ARPU

Average monthly revenue per **Customer** generated in a given settlement period (including interconnect revenue).

## Prepaid ARPU

Average monthly revenue per **prepaid RGU** generated in a given settlement period (including interconnect revenue).

## Churn

Termination of the contract with **Customer** by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model.

Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.

## Usage definition (90-day for prepaid RGU)

Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero 2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.





# Contact

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