

# NextGenTel Holding ASA

## Q3 2016 presentation

Eirik Lunde, CEO

Thon Hotel Vika Atrium, Oslo  
27 October 2016

# This is NextGenTel Group

Customers

389,000

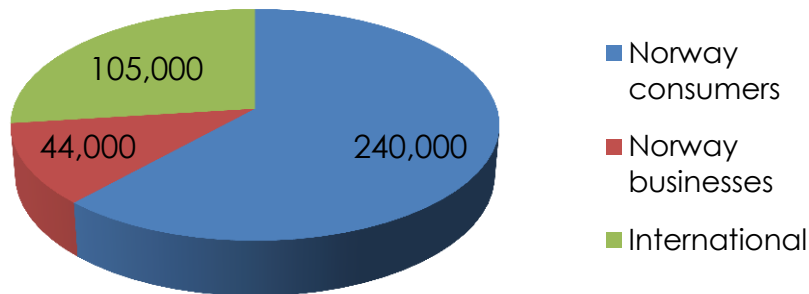
RGUs

Revenues

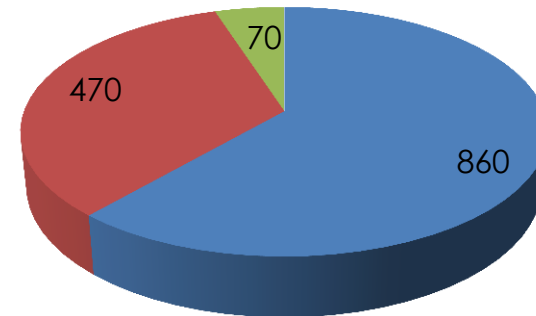
~1,400

NOK million

Customers break-down



Revenues break-down



xDSL



Datacom



TV



Fiber



Voice



# Q3 2016 in brief

Revenues

339.0

NOK million

EBITDA

56.3

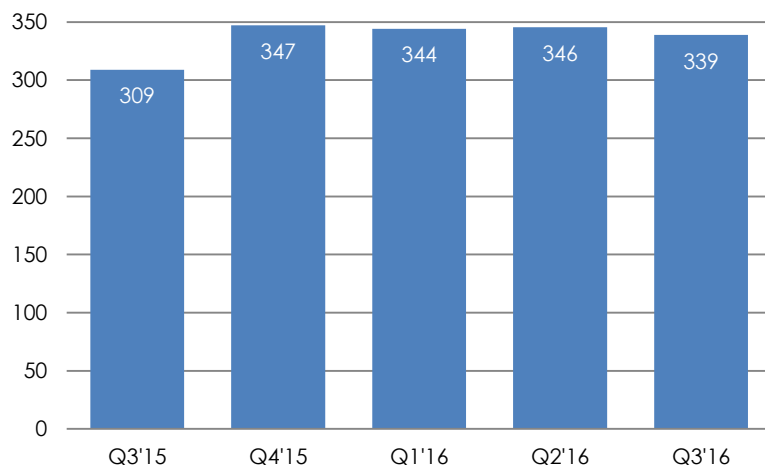
NOK million

EBIT

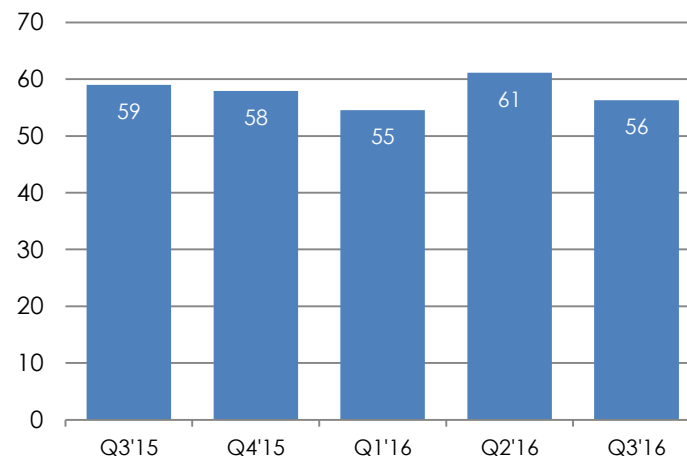
25.4<sup>1)</sup>

NOK million

Revenues (NOKm)



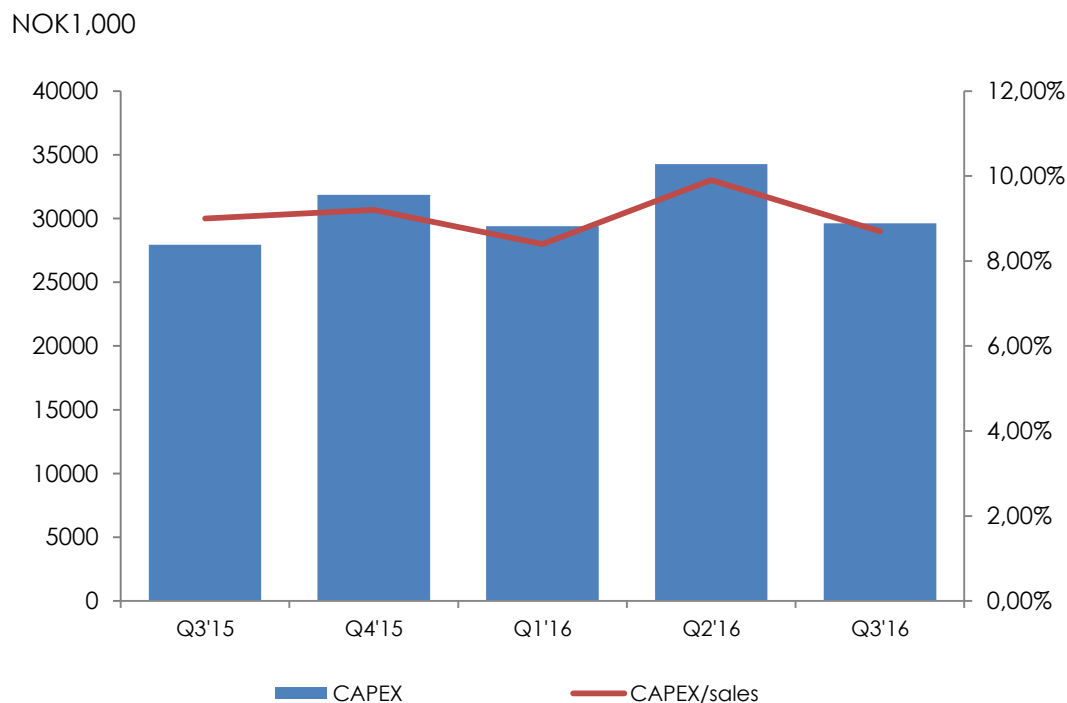
EBITDA (NOKm)



1) EBIT adjusted for amortization of excess values related to business combinations (acquisitions of NextGenTel and Kvantel).

Note: EBITDA Q4'15 adjusted for none-recurring acquisition costs

# CAPEX development



- Quarterly variations in capex depending on maintenance needs, customer inflow, changes in customer equipment, development projects etc
- Update on FY 2016 target
  - Tangible capex expected to be reduced by NOK 20 million during 2016
  - Higher than expected capitalization of development costs related to new Business Support System
  - NextGenTel reduces capex by NOK 13 million during 2016 and thereby absorbing the capex added from the acquisition of Kvantel
- Including the full-year effect from Kvantel (consolidated from 1 Oct 2015), estimated capex for 2016 for the Group is NOK 117 million (2015: NOK 119 million)

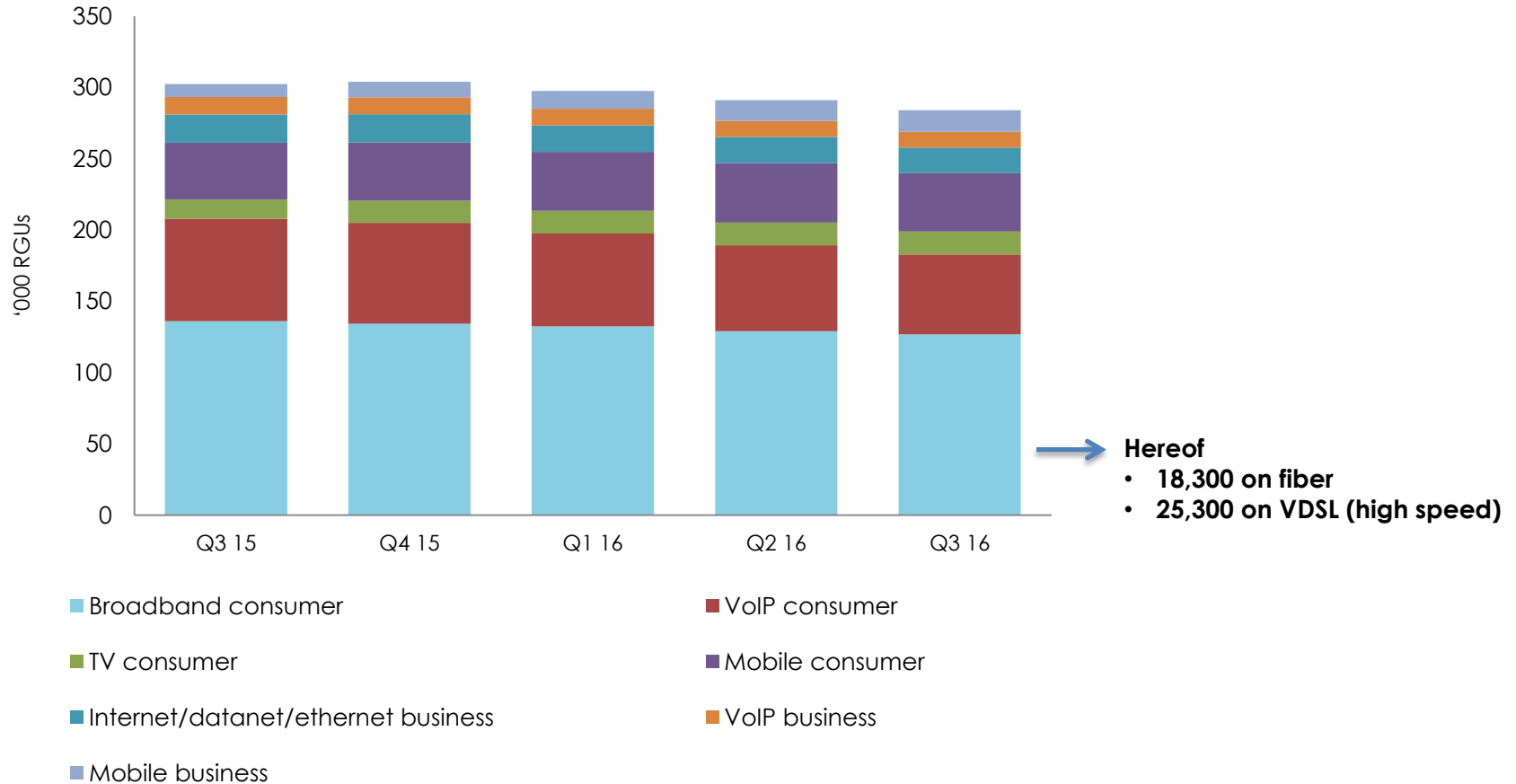
# Norway (excl Kvantel) Financials – P&L

| NOK million   | Q3<br>2016    | Q2<br>2016 | Q1<br>2016 | Q4<br>2015          | Q3<br>2015 |
|---------------|---------------|------------|------------|---------------------|------------|
| Total revenue | <b>283.9</b>  | 287.7      | 286.9      | 288.7               | 292.9      |
| Gross profit  | <b>131.4</b>  | 136.8      | 136.7      | 141.7 <sup>1)</sup> | 148.7      |
| Gross margin  | <b>46.3%</b>  | 47.5%      | 47.6%      | 49.1%               | 50.8%      |
| Total opex    | <b>(86.9)</b> | (84.1)     | (88.9)     | (89.6)              | (91.3)     |
| EBITDA        | <b>44.5</b>   | 52.7       | 47.8       | 52.1                | 57.4       |
| D&A           | <b>(27.7)</b> | (25.8)     | (26.9)     | (27.6)              | (28.6)     |
| EBIT          | <b>16.8</b>   | 26.9       | 20.9       | 24.5                | 28.8       |
| CAPEX         | <b>29.7</b>   | 31.2       | 26.8       | 29.7                | 27.5       |

- Gross profit in Q3 2016 negatively affected by lower revenues (partly due to seasonality) and reduced margin (mobile)
- Mobile business subscriber base increased from 9,100 to 15,200 y-o-y
- Lower capitalization of development costs affects opex negatively compared to Q2 (NOK 4.5 million). Underlying personnel cost is reduced compared to Q2

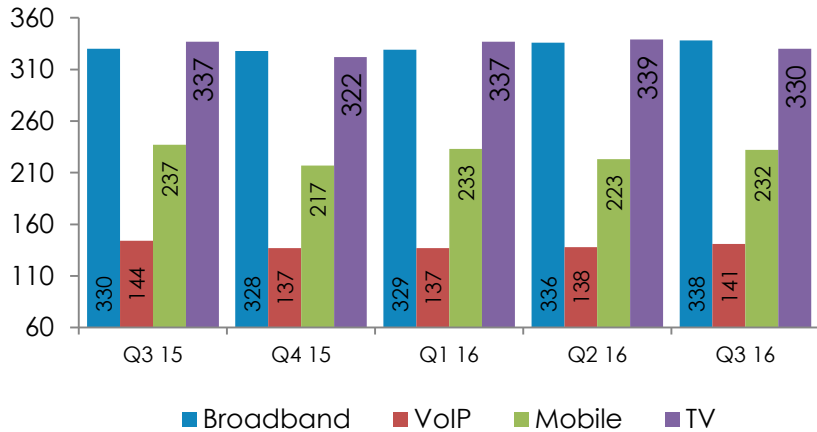
<sup>1)</sup> Adjusted for one-off items

# Customer base development

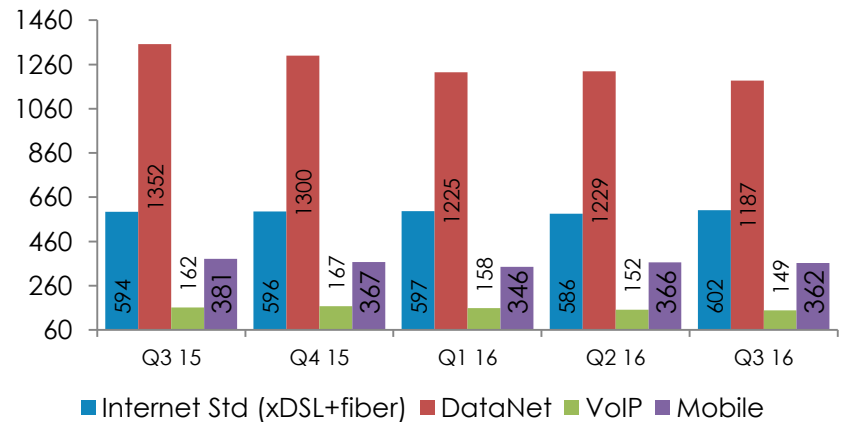


# ARPU by product/segment

Consumer segment – monthly ARPU by product (NOK)



Business segment – monthly ARPU by product (NOK)



# Kvantel

| NOK million   | Q3<br>2016    | Q2<br>2016 | Q1<br>2016 |
|---------------|---------------|------------|------------|
| Total revenue | <b>44.3</b>   | 45.2       | 45.5       |
| Gross profit  | <b>17.5</b>   | 18.2       | 17.0       |
| Gross margin  | <b>39.6%</b>  | 40.3%      | 37.3%      |
| Total opex    | <b>(11.3)</b> | (13.1)     | (15.2)     |
| EBITDA        | <b>6.2</b>    | 5.1        | 1.8        |
| D&A           | <b>(3.2)</b>  | (3.0)      | (3.2)      |
| EBIT          | <b>3.0</b>    | 2.1        | (1.4)      |
| CAPEX         | <b>6.2</b>    | 2.4        | 1.9        |

- The restructuring of Kvantel develops according to plan
- Organizational changes had full impact from the beginning of Q2 2016
- Initiatives for reduction in CoGS and backbone costs have been implemented and the financial results are according to plan
- Higher capex in Q3 from capitalization of development costs



# Modernization of the copper network

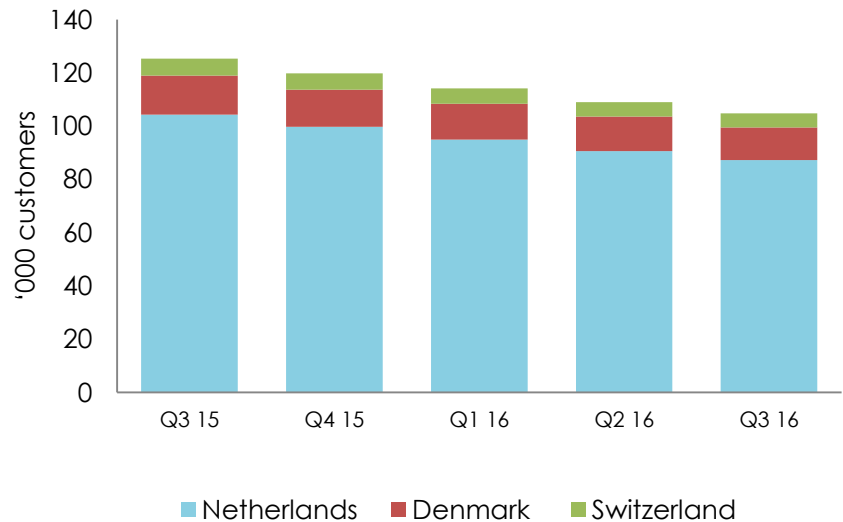
- Negotiations between xDSL operators are being done via
  - Bredbåndsforum
    - Organized by NKOM, the national regulator
  - Bilateral discussions
- Letter of intent signed between Telenor and NextGenTel (30.10.2015) regarding high-speed pilot in Garten
  - Garten is operational and NextGenTel customers are migrated to Telenor infrastructure
- Timeframe
  - The company has had expectation to finalize an agreement with Telenor by the end of September. This did not materialize; however, the company continues its efforts to come to an agreement with Telenor and to find a solution for the industry
  - If and when such an agreement is in place, the Norwegian Communications Authority (NKOM) still has to conclude on the regulatory consequences for the industry

# International markets

- Primary focus to maintain customer base and profitability

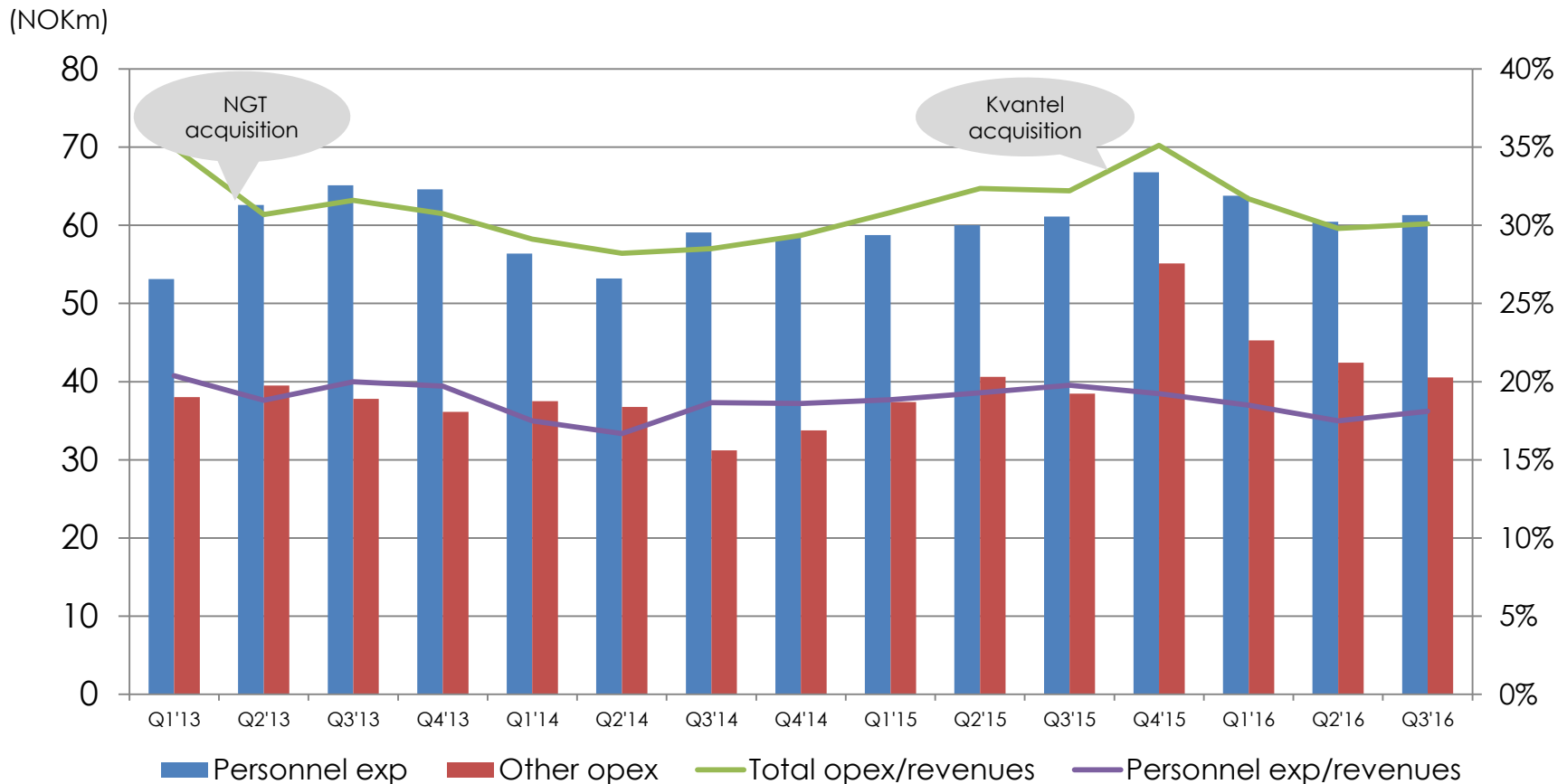
| NOK million   | Q3'16       | Q2'16 | Q1'16 | Q4'15 | Q3'15 |
|---------------|-------------|-------|-------|-------|-------|
| Total revenue | <b>14.3</b> | 14.6  | 15.9  | 15.8  | 16.9  |
| Gross profit  | <b>8.8</b>  | 8.9   | 9.7   | 9.6   | 10.3  |
| Gross margin  | <b>62%</b>  | 61%   | 61%   | 61%   | 61%   |

Customer base development



# Opex – planned reductions

- Efficiency gains from implementation of new business support system
- Plan to reduce total opex to 29% of revenues by end 2017 (estimated effects of NOK 5 and 10 million in 2016 and 2017 respectively)



# Dividend

- Status key metrics as of 30 September
  - Equity ratio of 19.13% (financial covenant 17.50%)
  - Net interest-bearing debt/EBITDA 1.17 (covenant <1.75)
  - Annualized capex NOK 117 million (covenant <NOK 150 million)
- The Board will consider dividend payment in connection with release of the financial results for Q4 2016

# Highlights Q3

- Operations
  - Underlying personnel costs reduced
  - Increase in mobile customer base and revenues
- Financials
  - Kvantel EBITDA according to plan
  - Strong free cash flow of NOK 34.5 million, NOK 1.49 per share
  - Paid NOK 35 million in debt installment
  - NOK 57.8 million in cash
  - Equity ratio 19.13%
- Still strong belief in modernization of the copper network and related agreement with Telenor

Thank  
you!

**Financial calendar 2017**

**Q4 2016**

Wednesday 15 February at 09:00

**Annual general meeting**

Thursday 20 April at 15:00

**Q1 2017**

Thursday 4 May at 09:00

**Q2 2017**

Wednesday 16 August at 09:00

**Q3 2017**

Friday 27 October at 09:00

Investor relations:  
[www.nextgentelholding.com](http://www.nextgentelholding.com)

# Disclaimer

- By reading this document (the "Presentation"), or attending any oral presentation held in relation thereto, the recipient agrees to be bound by the following terms, conditions and limitations.
- The Presentation has been prepared by NextGenTel Holding ASA (the "Company") exclusively for information purposes. The Presentation does not constitute, and should not be construed as, an offer to sell or a solicitation of an offer to buy any securities of the Company in any jurisdiction.
- The release, publication or distribution of this Presentation or the information contained herein may be restricted by law in certain jurisdictions, and persons into whose possession this Presentation comes are required to inform themselves about and comply with any such restrictions.
- The information contained in the Presentation has not been independently verified. While this information has been prepared in good faith, no representation or warranty (express or implied) is made as to the accuracy or completeness of any information contained herein. None of the Company or its subsidiary undertakings, affiliates or advisors, or any such person's directors, officers or employees shall have any liability for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with the Presentation. The recipient acknowledges that it will be solely responsible for its own assessment of the market and the market position of the Company and that it will conduct its own analysis and be solely responsible for forming its own view of the potential future performance of the Company's business. The content of this Presentation are not to be construed as legal, business, investment or tax advice. Each recipient should consult with its own professional advisors for any such matters and advice.
- This Presentation contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that are expressed or implied by statements and information in the Presentation, including, among others, risks or uncertainties associated with the Company's business, segments, development, growth management, financing, market acceptance and relations with customers, and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environments, and fluctuations in currency exchange rates and interest rates. None of the Company or any of its subsidiary undertakings, affiliates or, advisors, or any such person's directors, officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor do any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.
- The securities of the Company have not been, and will not be, registered under the United States Securities Act of 1933 (the "U.S. Securities Act"), and may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act.
- This Presentation is dated 27 October 2016. Neither the delivery of this Presentation nor any further discussions of the Company with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since such date.
- This Presentation is subject to Norwegian law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Norwegian courts.