

# Creation of a Leading FTTH Wholesaler in France

November 30, 2018



# Disclaimer

## FORWARD-LOOKING STATEMENTS

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## FINANCIAL MEASURES

This presentation contains references to measures and ratios (the "Non-GAAP Measures"), including Adjusted EBITDA, Capital Expenditure ("Capex") and Operating Free Cash Flow, that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. We present Non-GAAP Measures because we believe that they are of interest to the investors and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Non-GAAP Measures may not be comparable to similarly titled measures of other companies or have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our, or any of our subsidiaries', operating results as reported under IFRS or other generally accepted accounting standards. Non-GAAP measures such as Adjusted EBITDA are not measurements of our, or any of our subsidiaries', performance or liquidity under IFRS or any other generally accepted accounting principles, including U.S. GAAP. In particular, you should not consider Adjusted EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our, or any of our operating entities', operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, or any of our subsidiaries', ability to meet its cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. In addition, these measures may also be defined and calculated differently than the corresponding or similar terms under the terms governing our existing debt.

Adjusted EBITDA is defined as operating income before depreciation and amortization, non-recurring items (capital gains, non-recurring litigation, restructuring costs) and equity based compensation expenses. This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the annual consolidated financial statements in accordance with IAS 1 - Presentation of Financial Statements.

Capital expenditure (Capex), while measured in accordance with IFRS principles, is not a term that is defined in IFRS nor is it presented separately in the financial statements. However, Alice's management believe it is an important indicator for the Group as the profile varies greatly between activities:

- The fixed business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).
- Mobile Capex is mainly driven by investment in new mobile sites, upgrade to new mobile technology and licenses to operate; once engaged and operational, there are limited further Capex requirements.
- Other Capex: Mainly related to costs incurred in acquiring content rights.

Operating free cash flow (OpFCF) is defined as Adjusted EBITDA less Capex. This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating cash flow as presented in the consolidated statement of cash flows in accordance with IAS 1 - Presentation of Financial Statements. It is simply a calculation of the two above mentioned non-GAAP measures.

# The Transaction

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# Creation of a Leading Passive FTTH Infrastructure Wholesaler in France

- ✓ 5 million FTTH homes in medium and low dense areas (AMII<sup>1</sup> area + 12 PINs<sup>2</sup>) awarded to date to SFR
- ✓ 1 million homes built by year-end and the project to roll-out the additional 4 million homes (passive infrastructure only) are transferred to a newly incorporated company (“SFR FTTH”)
- ✓ €1.8 billion non-recourse debt financing secured at SFR FTTH level to finance the roll-out of the 4 million homes (at half the current cost)
- ✓ €3.6 billion equity value<sup>3</sup> and €1.8bn cash proceeds through the sale of a 49.99% stake in SFR FTTH to renowned infrastructure partners (Allianz Capital Partners, AXA Investment Managers – Real Assets, OMERS Infrastructure)
- ✓ SFR FTTH will be the largest alternative FTTH wholesaler in France with Altice France / SFR as a customer, at the same terms and conditions as every other retail operator, with no minimum volume commitment
- ✓ Altice France will be the exclusive technical supplier of SFR FTTH for the roll-out of the 4 million homes as well as the maintenance of the network and B2C and B2B end user connections
- ✓ Closing of the transaction expected H1 2019

**This transaction not only demonstrates the attractiveness of SFR FTTH business model but also crystalizes once more the underlying value of Altice’s infrastructure**

1. AMII: Appel à Manifestation d’Intention d’Investissement  
2. PIN: Public Initiative Network  
3. Estimated equity value at closing

# Altice France – The Largest Very High Speed Fixed Network

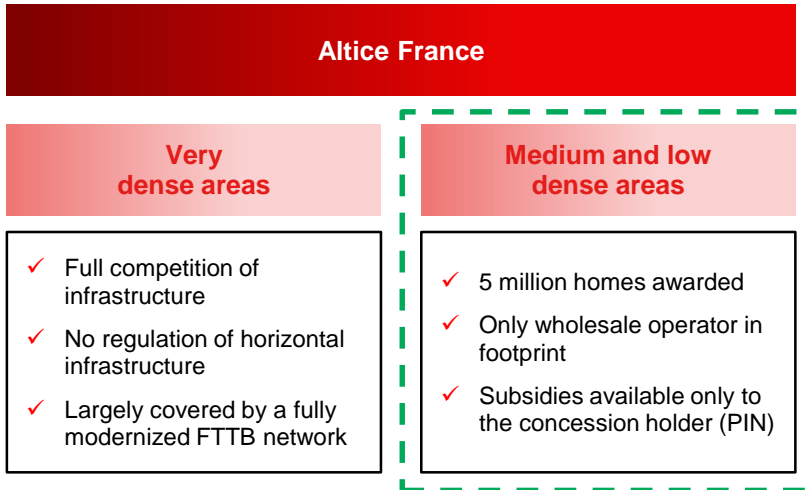
Long term partner of French local territories

- ✓ 100%-owned active network and national backbone
- ✓ 100%-owned fully modernized FTTB network covering 9 million homes delivering up to 1Gb/s (10 million including 1-play homes to be modernized )
- ✓ 100%-owned FTTH network of 2.5 million homes in very dense areas covering 90% of those areas together with over FTTB network
- ✓ **50.01%-owned FTTH network in low and medium dense areas covering 1 million homes by year-end (plus 4 million homes awarded and to be rolled-out in the medium term) and more to be franchised and/or acquire**

**Aligned interests with the French Government and local authorities  
for nationwide deployment of ultra high speed broadband Internet**

# Creation of SFR FTTH

A new open platform dedicated to future infrastructure wholesale business in medium and low dense areas

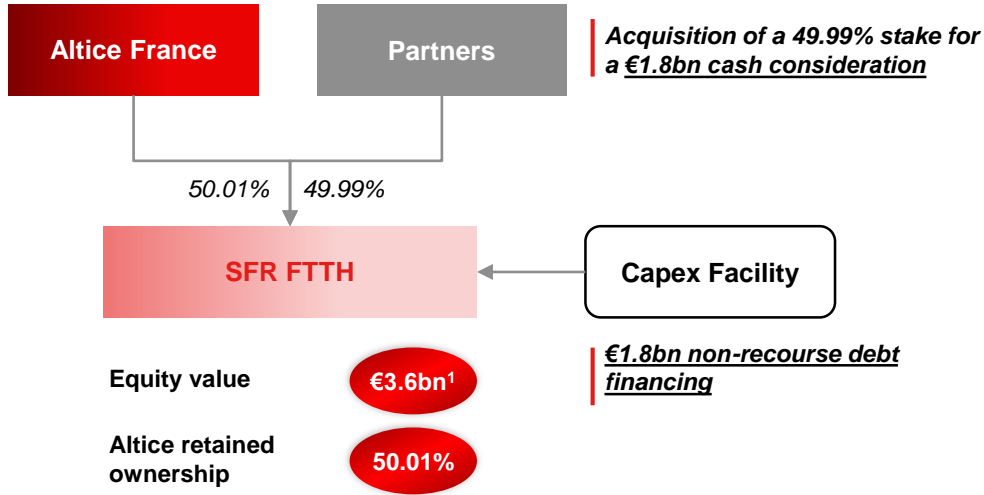


- ✓ **1 million FTTH homes built by year-end and 4 million more awarded**
- ✓ **Altice France to provide technical services to SFR FTTH**  
*Exclusive outsourcing contract for roll-out, B2C and B2B end users connections and maintenance securing additional long-term revenues*
- ✓ **Altice France to become customer of SFR FTTH**  
*At the same terms and conditions as other retail operators, with no volume commitments*

**SFR FTTH to maintain long-term contractual relationships with Altice France**

# Entry of Financial Infrastructure Partners in SFR FTTH

Attractive valuation terms and fully funded project with non-recourse debt



- ✓ **Value crystallization**  
€3.6bn<sup>1</sup> equity value for infrastructure assets in early stages of deployment with low contribution to Altice France EBITDA and negative OpFCF contribution to Altice France
- ✓ **Immediate cash proceeds**  
Altice France receives €1.8bn in cash at closing (49.99% secondary sale)
- ✓ **Secured future financing**  
Future cash-flow needs funded through capex facility at a cost lower to Altice France WACD
- ✓ **Off balance sheet roll-out of fibre while maintaining infrastructure economics**

Major valuation and financing benefits for Altice Europe

1. Estimated equity value at closing

# Financial Partners of the Highest Quality

Long-term and solid infrastructure experienced partners with a strong track-record



- ✓ Allianz Capital Partners is a wholly-owned subsidiary of Allianz SE, one of the largest insurance company worldwide

- ✓ €24 billion of assets under management under its 3 business lines: infrastructure investments, renewable energy investments and fund investments



- ✓ AXA IM is a wholly-owned subsidiary of AXA Group, one of the largest insurance company worldwide

- ✓ €74 billion of assets under management in real estate and infrastructure



- ✓ OMERS Infrastructure is the exclusive infrastructure manager of OMERS, one of Canada's largest pension plans with €63 billion of assets under management

- ✓ €15 billion of capital invested in infrastructure

**Solid track record of investment and operating infrastructure across many verticals, including telecoms, infrastructure, energy, transportation**

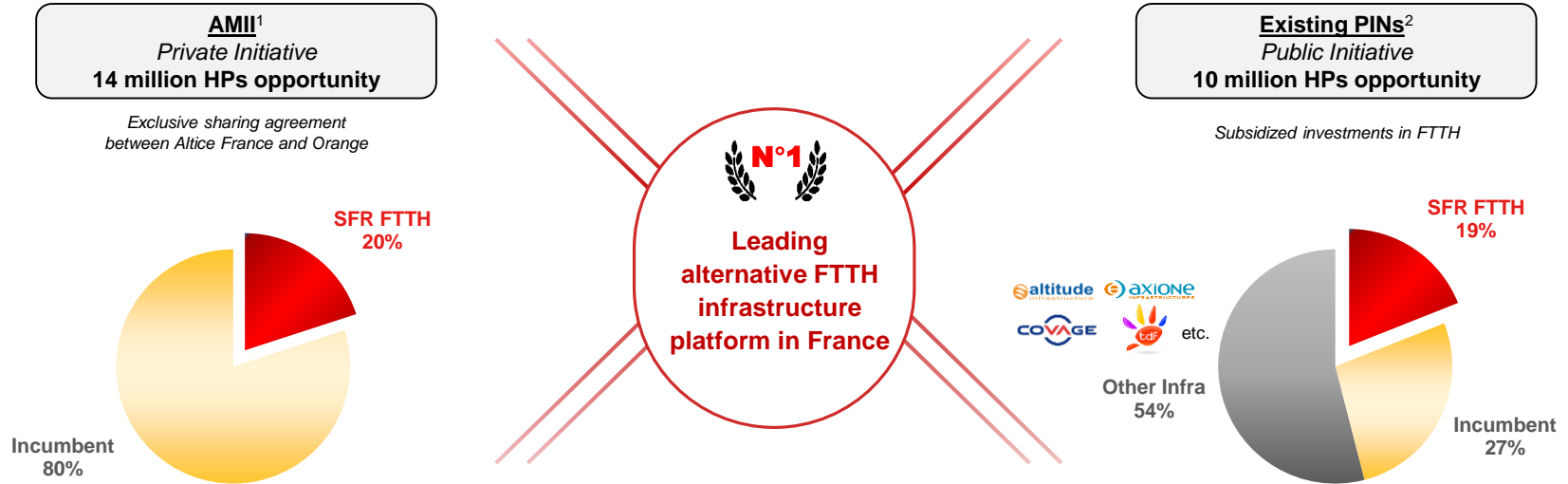


# The Industrial Project

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# Creation of the Leading Alternative French FTTH Platform

With 5 million awarded FTTH homes, SFR FTTH is the leading alternative French FTTH platform in medium and low dense areas

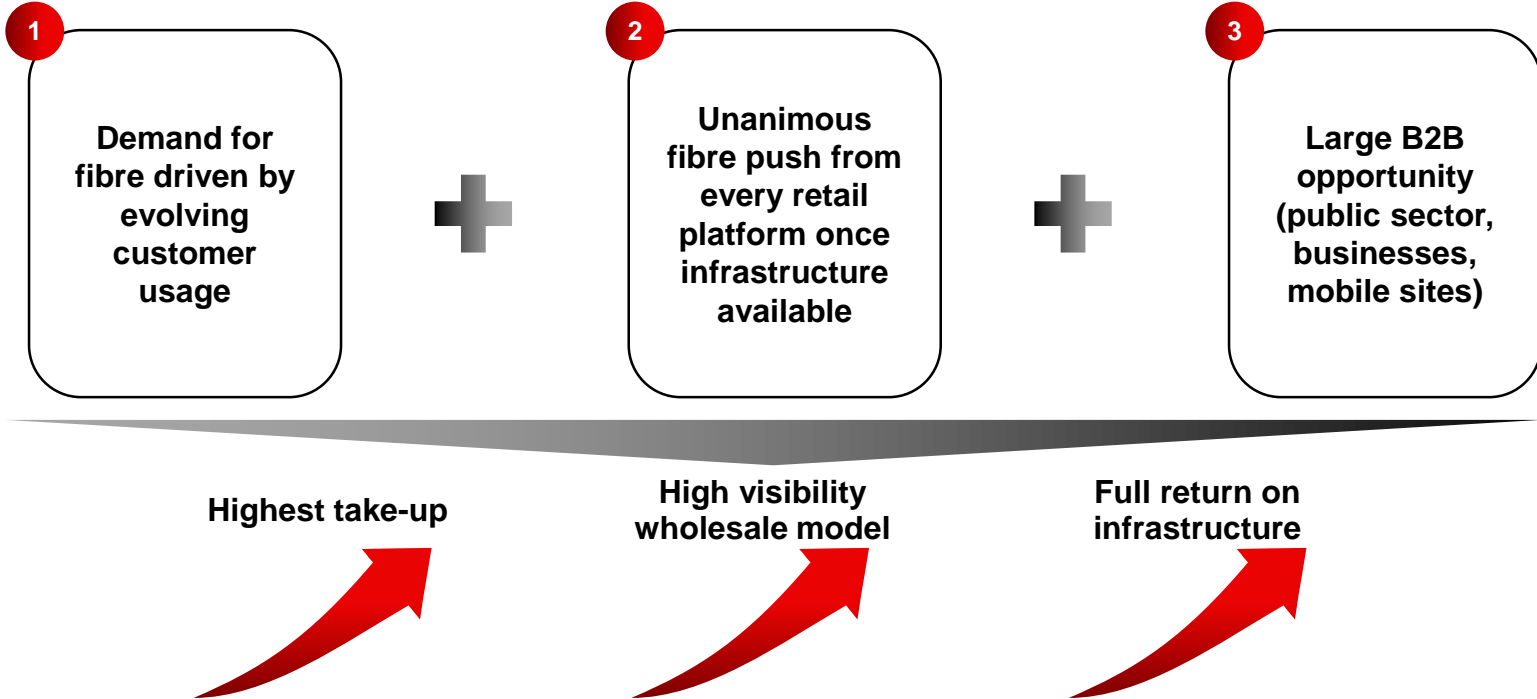


**Significant room for growth: 7 million homes passed yet to be awarded and 5 million homes available for M&A**

1. AMII: Appel à Manifestation d'Intention d'Investissement  
2. PIN: Public Initiative Network

# SFR FTTH Benefits from a Buoyant Retail Market

Attractive wholesale business case and potential for rapid asset monetization



# Only Wholesale FTTH Operator in its Footprint

No business case for “over-builders” comforting strong expected take-up rate and full return for the infrastructure operator

## Medium-dense (AMII)

- ✓ Orange and Altice France committed to support each other’s FTTH roll-out in their respective areas
- ✓ Reluctance from ARCEP and the Government with regards to overbuild

## Low-dense (PINs)

- ✓ Subsidies available only to the concession holder
- ✓ Guidelines for a fair competition between operators

## Regulation

- ✓ Symmetrical regulation applying to all infrastructure operators with an obligation to provide access offer to retail operators (including obligation to offer co-investment hence limiting attractiveness of overbuild)
- ✓ Fair, reasonable and non-discriminatory pricing for each service

**Investment made by Altice and its partners in infrastructure secured by regulation**

# An Independent “Open Network” Approach

Commercial agreements with retail operators are based on a reference offer providing non-discriminatory terms and conditions and no volume commitments for SFR

Reference access offer identical for all retail operators



✓ *Already customer of Altice France FTTH in medium low dense areas*

Open approach and mutualisation guaranteeing highest monetization of SFR FTTH infrastructure

# Long-term Partnership Secured with Altice France

Altice France acting as the industrial partner and a strong anchor customer

## Long-term Industrial Partner

- ✓ Altice France will manage the construction, the B2C/B2B end-user connections and the maintenance of SFR FTTH (c.4 million homes to be built over time, 5 million homes passed to be maintained and all customer connections)
- ✓ Proven Altice know-how in nation-scale fibre roll-out (FTTB upgrade in France, FTTH roll-out in Portugal) through its technical subsidiaries:
  - ✓ Altice Technical Services: historical supplier of Altice in the area of network deployment, upgrade and maintenance. Now fully-owned and consolidated by Altice France
  - ✓ Altice Labs: global R&D center for GPON technology

## Strong Anchor Customer

- ✓ SFR will be a customer of SFR FTTH infrastructure from day one
- ✓ Non-discriminatory terms & conditions
- ✓ No minimum volume commitment

Winning strategy for both Altice France and SFR FTTH

# The Benefits for Altice

# Altice France Will Benefit from Untapped Market Potential

Roll-out of new FTTH homes will enable both SFR retail operator and SFR FTTH to grow their revenues

**Growing number of connectable fibre homes passed (+ 4 million homes)**

**No business case for overbuilders leading to the highest penetration**



**Larger fibre addressable market for SFR (+ 4 million homes)**

**Higher ARPU and lower churn in fibre vs. DSL**

**Fibre wholesale revenues potential**

**Fibre retail revenues potential**



# Altice Europe Delivers on its Commitment to Grow and Deleverage

## Organic Business

- ✓ Positioned for growth in 2019
- ✓ No new one-off cash-flow items; back to recurring business
- ✓ Infrastructure and content reinforcing core business

## Infrastructure

- ✓ Deleveraging from:
  - Proceeds €1.8bn (49.99% of €3.6bn equity value<sup>1</sup>)
  - Construction margin
  - Maintenance margin
  - Off-balance-sheet roll-out of new fibre homes, i.e. less capex
- ✓ Other territories under review

## High Value Stakes

- ✓ 50.01% stake in SFR TowerCo
- ✓ 50.01% stake in SFR FTTH
- ✓ 25% stake in Portuguese towers
- ✓ 3.6% stake in Altice USA<sup>2</sup>

**Committed to target leverage of 4x**

1. Estimated equity value at closing

2. Shares owned directly (c. 0.9%) and through Neptune Holding US LP with c. 1.9% of underlying Altice USA shares attributable to Altice USA management and 2.7% attributable to Altice Europe N.V. (assuming reference share price of \$18.14 as of 28-09-2018 for Altice USA)

# Q&A

# Appendix