

# TELENET – VENDOR FINANCING

INVESTOR & ANALYST CALL

15 March 2017



# SAFE HARBOR DISCLAIMER

## **Private Securities Litigation Reform Act of 1995.**

Various statements contained in this document constitute “forward-looking statements” as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995. Words like “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expects,” “estimates,” “projects,” “positioned,” “strategy,” and similar expressions identify these forward-looking statements related to our financial and operational outlook (including statements regarding our free cash flow); future growth prospects; and strategies. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors are described in our public filings and include (but are not limited to): potential adverse developments with respect to our liquidity or results of operations. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

Adjusted Free Cash Flow is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission’s Regulation G. For related definitions and reconciliations, see the Investor Relations section of the Liberty Global plc website (<http://www.libertyglobal.com/>). Liberty Global plc is our controlling shareholder.

# EXECUTIVE SUMMARY

## VENDOR FINANCING

- Vendor financing involves the irrevocable transfer of selected receivables - by suppliers on Telenet - to a commercial bank (third-party financier). This occurs in a program managed by Telenet and the commercial bank
- Enables Telenet to extend its payment terms at attractive funding costs, while the supplier is able to realize the proceeds of its sales and strengthen its relationship with Telenet

## FINANCIAL IMPACT

- Vendor financing payment obligations do not constitute financial indebtedness as defined in Telenet's 2015 Amended Senior Credit Facility
- For the full year 2016, the net benefit from the vendor financing program to the Adjusted Free Cash Flow was €34.7 million
- The increase to Telenet's estimated FY 2017 Adjusted Free Cash Flow to €350-€375 million will for a major part be driven by its vendor financing program, driven by:
  - annualization of spend with suppliers on-boarded in 2016,
  - additional suppliers expected to join the vendor financing program, and
  - limited repayments scheduled during the year
- For the medium term, we expect continued - yet moderate - growth in our vendor financing program, leading to a reduced impact on our Adjusted Free Cash Flow

## SCALABLE VENDOR FINANCING PROGRAM

- Current set-up based on a scalable international syndicated financing framework
- Strong supplier base with potential to on-board additional suppliers

A blurred background image of a business meeting. A person in a dark suit and striped tie is visible from the chest down, holding a pen. In the foreground, there is a desk with a laptop, a glass of water, and some papers with charts. The lighting is bright and natural, suggesting a window in the background.

KEY PRINCIPLES

& PRACTICAL IMPLEMENTATION



# VENDOR FINANCE AT A GLANCE

## *What?*

- Program combines early collection for vendors with delayed payment for Telenet, with the commercial bank acting as facilitator:
  - Key Telenet suppliers agree to extended payment terms up to 360 days
  - Receivables are reverse factored to the commercial bank as early as 15 days after invoice date
  - Payment by the commercial bank to the supplier on non-recourse basis
- Full flexibility for Telenet to opt between cash payment on original payment terms and use of vendor financing

## *Benefit for Telenet?*

- Align cash impact of investment programs with the (start-up of the) economic benefits instead of charging investment spending against Adjusted Free Cash Flow when incurred
- Potential to obtain discounts on opex and capex spend where a supplier opts for early payment
- Access a new short-term source of funding at beneficial rates
- Improve Adjusted Free Cash Flow as payments are delayed to as much as 360 days

## *Benefits for the supplier?*

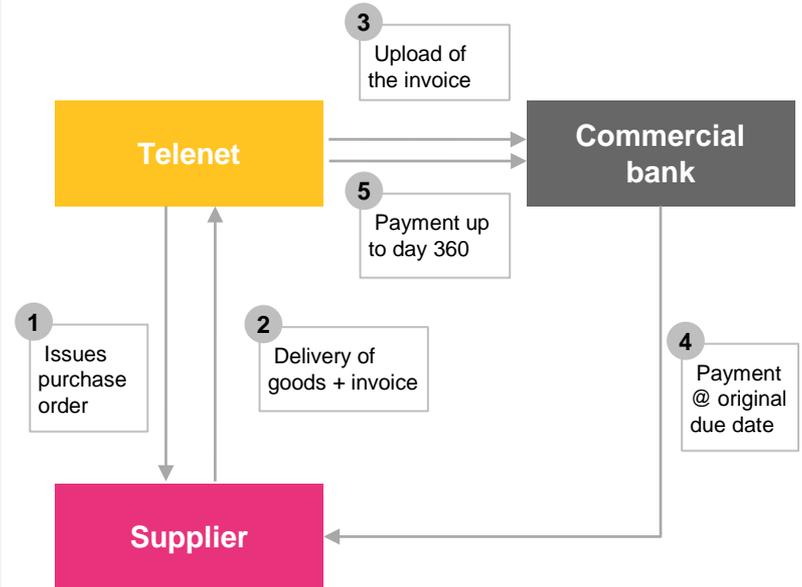
- Chance to strengthen relationship with Telenet (preferred supplier) at no extra cost
- Opportunity to accelerate cash flows and improve working capital management with payment possible at 15 days against a commercial discount
- Reduced credit risk when opting for early payment, allowing cancelation of trade credit insurance

# TRANSACTION STRUCTURE

## Overview of vendor financing process

0. Telenet and supplier enter into an agreement stipulating terms & conditions of vendor financing (payment terms and commercial discount). Supplier enters into an agreement with the commercial bank regarding the non-recourse sale of the supplier's receivables
1. Telenet and supplier agree price for goods/services, often with a discount for early payment, and Telenet issues a purchase order
2. Supplier sends goods and invoice at agreed price and payment terms
3. Telenet uploads invoice to the platform of the commercial bank with a new payment term of up to 360 days from the invoice date
4. The commercial bank pays the supplier and subsequently becomes the owner of the receivable at invoice amount
5. Telenet pays the commercial bank the invoice amount + interest up to 360 days from invoice date

## Illustrative transaction flows



# ADJUSTED FREE CASH FLOW REPORTING IMPACT



# ADJUSTED FREE CASH FLOW<sup>1</sup>

## VENDOR FINANCING IMPACT - 2016 CASH FLOWS

<b>Adjusted Free Cash Flow</b> <i>(in € million)</i>	<b>FY2016</b>	<b>of which VF impacts</b>
Net cash from operating activities	749.1	-
Cash payments for direct acquisition and divestiture costs	9.6	-
<b>Expenses financed by an intermediary</b>	<b>6.2</b>	<b>6.2</b>
<b>Purchases of property and equipment</b>	<b>(303.4)</b>	<b>28.5</b> <sup>2</sup>
<b>Principal payments on capital-related vendor financing obligations</b>	<b>-</b>	<b>-</b>
Purchases of intangibles	(178.6)	-
Principal payments on capital leases (excluding network-related leases assumed in acquisitions)	(1.8)	-
Principal payments on post acquisition additions to network leases	(15.3)	-
<b>Adjusted Free Cash Flow</b>	<b>265.8</b>	<b>34.7</b>

<sup>1</sup> See slide 12 for the definition of Adjusted Free Cash Flow

<sup>2</sup> Property & equipment additions financed through an intermediary in 2016 with payment expected in 2017

# ADJUSTED FREE CASH FLOW<sup>1</sup>

## VENDOR FINANCING IMPACT - OVERALL TREATMENT

### CAPEX

### OPEX

1

**Payment of the supplier by the commercial bank**

Positive impact on the net cash used in investing activities for the equivalent amount

Cash outflows from operations compensated by a corresponding cash inflow in financing activities

 In both cases, the VF amounts are recorded as ST debt<sup>2</sup>

2

**Payment of the commercial bank by Telenet**

The corresponding cash out-flow is recorded in the cash used in financing activities

The corresponding cash out-flow is recorded in the cash used in financing activities

 In both cases, the ST debt<sup>2</sup> is reduced correspondingly

<sup>1</sup> See slide 12 for the definition of Adjusted Free Cash Flow

<sup>2</sup> Vendor financing payment obligations do not constitute financial indebtedness as defined in Telenet's 2015 Amended Senior Credit Facility



**Q & A**

# THANK YOU

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# DEFINITIONS

- a. **EBITDA** is defined as profit before net finance expense, the share of the result of equity accounted investees, the share of the result of equity accounted investees, income taxes, depreciation, amortization and impairment. **Adjusted EBITDA** is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestitures. Operating charges or credits related to acquisitions or divestitures include (i) gains and losses on the disposition of long-lived assets and (ii) due diligence, legal, advisory and other third-party costs directly related to the Company's efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate the Company's underlying performance and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.
- b. **Adjusted Free Cash Flow** is defined as net cash provided by the Company's continuing operations, plus (i) cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and divestitures and (ii) expenses financed by an intermediary, less (i) purchases of property and equipment and purchases of intangibles of its continuing operations, (ii) principal payments on capital-related vendor financing obligations, (iii) principal payments on capital leases (exclusive of network-related leases that were assumed in acquisitions), and (iv) principal payments on post acquisition additions to network leases, each as reported in the Company's consolidated statement of cash flows. Adjusted Free Cash Flow is an additional measure used by management to demonstrate the Company's ability to service debt and fund new investment opportunities and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.
- c. **Net leverage ratio** is calculated as per the 2015 Amended Senior Credit Facility definition, using net total debt, excluding (a) subordinated shareholder loans, (b) capitalized elements of indebtedness under the Clientele and Annuity Fees, (c) any finance leases entered into on or prior to August 1, 2007, and (d) any indebtedness incurred under the network lease entered into with the pure intermunicipalities up to a maximum aggregate amount of €195.0 million, divided by last two quarters' Consolidated Annualized EBITDA.