Vantage Towers AG: Q1 FY23 Quarterly Statement

21 July 2022

Consistent revenue growth across all markets in Q1 FY23

- The successful commercialisation of our business continues:
  - ✓ Added 340[1] net new tenancies in Q1 FY23 resulting in a tenancy ratio of 1.44x (Q1 FY22: 1.41x), continuing the progress towards our medium-term target of >1.50x
  - ✓ Q1 FY23 commercial highlights include agreements for indoor coverage solutions in Germany and the Czech Republic, a new fibre sales agent agreement in Spain, and a Public Protection & Disaster Relief (PPDR) agreement in Greece
- Over 140 new macro sites in Q1 FY23 (vs. 100 in Q1 FY22) delivered in a difficult operational environment. The execution timing of our built-to-suit (BTS) programme continues to be impacted by supply chain challenges and resource constraints. As previously set out, we expected these challenges to persist through FY23, which will require continued close management. We continue to undertake direct measures related to process and operations; supplier and sourcing; steering and control; and organisation and governance
- Our Ground Lease Buyout Programme ("GLBO") continues to progress with over 720 signed contracts and another over 550 commitments in the pipeline across our European footprint since inception, bringing the total to 1,270
- Group Revenue (ex. pass through) of €262.1m in Q1 FY23, a 6.6% year-on-year (YoY) growth driven mainly by other chargeable services to mobile network operators (MNOs), tenancy growth, and inflation escalators
- FY23 guidance reaffirmed: Revenue (ex. pass through) growth of 3.0-5.0% YoY, Adj. EBITDAaL €550m-€570m, and RFCF of €405m-€425m

Performance summary	Q1 FY22 *(unaudited)*	Q1 FY23 *(unaudited)*	Movement
Macro sites	45.6K	45.8k	+0.2k
Tenancy ratio	1.41x	1.44x	+0.03x
Group Revenue ex. pass through (€m)	245.8	262.1	+6.6%

Vivek Badrinath, CEO of Vantage Towers AG, commented:

The financial year 2023 is an important year for Vantage Towers. We are focusing on further investing and accelerating our business to ramp up of our new site build programme and facilitate 1&1's access on our existing sites. In the first quarter, we have seen consistent revenue growth supported by our continued commercialisation of our business and inflation escalators in our contracts. We remain on track to deliver our guidance for the current financial year and our medium-term targets.

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1 Tenancy net additions from 1 April 2022 to 30 June 2022.

Commercial update

Continued commercial momentum across the business

Fully owned segments	DE		ES		GR		Other European Markets		Consolidated[2]	
30 June 2022	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Macro sites	19.4k	19.5k	8.7k	8.5k	4.8k	4.8k	12.7k	12.9k	45.6k	45.8k
Tenancy ratio	1.21x	1.23x	1.74x	1.81x	1.66x	1.69x	1.40x	1.43x	1.41x	1.44x

The decrease in number of sites is mainly driven by the decommissioning of sites in connection with our active sharing agreements

In FY23, we continue to concentrate on our key focus areas: the acceleration of our BTS programme, the rollout of 1&1, the continued commercialisation, and our GLBO efficiency programme.

- **Further commercialisation** leading to 340 net new tenancies[3] in Q1 FY23, taking our tenancy ratio to 1.44x. Of these, more than 130 are non-committed[4] net additions, moving us closer towards our medium-term tenancy target of >1.50x.
- **Powering Europe's digital transformation:** Vantage Towers' consolidated portfolio increased to 45.8k macro sites across the 8 European markets compared to the prior year (Q1 FY22: 45.6k). We added 140 new macro sites in Q1 FY23 after having added over 510 new macro sites in total across our markets in FY22. Whilst the BTS programme accelerated in second half of FY22 (H2 FY22), we continue to have to manage macro site build challenges related to supply chain and resource constraints. As previously set out, we expected these challenges to persist in FY23, which will require continued close management. Hence, we are focused on enhancing our BTS production and continue to undertake direct measures in a number of areas including process and operations; supplier and sourcing; steering and control; and organisation and governance.
- The increase in **new build sites** was partially offset by the previously communicated decommissioning of sites, in particular driven by our active sharing agreement in mainly Spain and Portugal. These create efficiencies in our network whilst our revenues are maintained by our portfolio fee mechanism.
- **Efficiency programme:** Our programme to optimise ground leases through buyouts or long-term right-of-use (GLBO) continues to progress adding ~200 in Q1 FY23 taking the total to over 1,270 contracts since inception across our European footprint, of which over 720 are signed and over 550 commitments remain in the pipeline. The breakdown since inception:
  - ✓ Spain: ~430 contracts signed or committed
  - ✓ Germany: ~360 contracts signed or committed
  - ✓ Other markets: ~480 contracts signed or committed
- **Accelerating future-proof indoor coverage solutions:** We continue enabling high-quality and reliable indoor coverage service for MNOs, Enterprises, and property owners. In Germany, we are deploying a DAS system for a multinational customer to improve the indoor coverage in their headquarters office in Munich. In Czech Republic, we signed a framework agreement with Penta, a real estate developer, to deliver multi-operator DAS solutions for different locations.
- **Creating more value due to portfolio expansion and capabilities:** Our product portfolio is continuously expanding. In addition to our existing partnerships in Portugal and Germany with Vodafone, we signed another fibre sales agent agreement with Lyntia to enhance our site attractiveness in Spain, building on our 5G super-host strategy.
- **Enabling mission critical infrastructure across Europe:** Our ambition is to enable strong digital connectivity across Europe. Through a new agreement in Greece, we will enable secure PPDR services for the citizens and tourists in the country.
- **Accelerating the digitalisation across Europe**: We signed a colocation agreement in Portugal, to host telemetry equipment on Vantage Towers' infrastructure for monitoring a submarine cable, landing in a specific point of shoreline.

2 Consolidated refers to our reporting segments Germany, Spain, Greece, and Other European Markets, in which we have a controlling interest, excluding our joint ventures in Italy and the UK.
3 Tenancy net additions from 1 April 2022 to 30 June 2022.
4 Non-committed refers to tenancies that were not already committed in November 2020 at the Capital Markets Day.

Summary Financial performance

Total Revenue Breakdown in €m	Q1 FY22 (unaudited)	Q1 FY23 (unaudited)	Movement
Macro site revenue	228.3	236.0	+3.4%
Other rental revenue	11.0	10.6	
Energy and other revenue	6.5	15.6	
Revenue (ex. pass through)	**245.8**	**262.1**	**+6.6%**
Capex recharge revenue	2.2	4.8	
Revenue	248.0	266.9	+7.7%

Revenue development accelerated in Q1 FY23, generating a total revenue (ex. pass through) of €262.1m. The respective increase of 6.6% was mainly driven by 'Macro site' and 'Energy and other' revenue. Macro site revenue grew 3.4% YoY in Q1 driven by tenancy growth and our contractual inflation escalators. As previously disclosed, over 95% of our revenue is linked to inflation.

Energy and other revenue grew from €6.5m to €15.6m, mainly driven by other chargeable services to MNOs and a €3m non-recurring energy revenue in Spain.

Moreover, non-Vodafone revenue continues to grow and saw an increase of 16.1% YoY to €51.8m in Q1 FY23 (Q1 FY22: €44.6m).

Segmental Revenues (ex. pass through) in €m	Q1 FY22 (unaudited)	Q1 FY23 (unaudited)	Movement
Germany	120.0	126.4	+5.3%
Spain	42.3	46.3	+9.5%
Greece	31.9	34.0	+6.6%
Other European Markets	51.6	55.4	+7.3%
Consolidated (ex. pass through)	**245.8**	**262.1**	**+6.6%**

In Q1 FY23, we saw consistent revenue growth across all markets driven by other chargeable services to MNOs and the contractual inflation escalators.

In addition, Germany witnessed revenue growth from non-MNO contracts, and Spain from the active sharing agreement and a €3m non-recurring energy revenue.

Vantage Towers co-controlled joint ventures

The Group's co-controlled joint ventures include INWIT (33.2%) and Cornerstone (50%). The financial performance of our equity investments in INWIT and Cornerstone are in line with expectations.

INWIT has again delivered strong revenue growth in the first quarter of 2022, increasing 8.8% YoY to €207.0m. The acceleration of INWIT's organic growth continues with approximately 850 new tenancies added, representing a 9% YoY growth.

Cornerstone delivered a Q1 total revenue[5] of €114.8m[6] (Q1 FY22: €108.5m), an increase of 5.8% YoY, driven by an increase in macro sites and tenancies.

5 In Q1 FY23 the Cornerstone total revenue includes a pass through revenue of €24.0m (Q1 FY22: €22.6m) in total, which consists of recovery of business rates passed through to the tenants and capital expenditure recharges.
6 An average GBP/EUR exchange rate of 1.179376 used for the period of 1 April 2022 to 30 June 2022.

Our Guidance

We confirm our guidance for FY23 as well as our medium-term targets

Measure	FY23 guidance	Medium-term Targets[7]
Tenancy Ratio for Consolidated Vantage Towers	-	>1.50x
Group Revenue (ex. pass through)	3.0%-5.0% YoY	Mid-single digit CAGR
Adj. EBITDAaL	€550m-€570m	High 50s percentage margin (based on Revenue (ex. pass through)
Recurring free cash flow (RFCF)	€405m-€425m	Mid to high single digit CAGR
Net Financial Debt to Adjusted EBITDAaL	-	Flexibility to exceed for growth investment
Net Financial Debt	-	>€1bn leverage capacity[8]

We expect to continue to drive forward the commercialisation of our business in FY23. Whilst leveraging on our strong infrastructure network, we will focus on the execution of our BTS programme and attracting incremental third-party tenants.

In FY23, we will further invest €10-15m in our business, incurring costs to facilitate 1&1's access on our existing sites, accelerate the ramp up of our BTS programme and build out our supporting teams, all ahead of the corresponding revenue contribution from FY24.

We reaffirm our unchanged FY23 Group outlook for Revenue (ex. pass through), adj. EBITDAaL, and RFCF and confirm our medium-term targets underpinned by the BTS programme, strong momentum in tenancy growth, and progress being made in GLBO programme.

7 Medium-term targets of the consolidated group excluding the UK and Italy.
8 Assuming capacity to invest in organic or inorganic opportunities up to leverage of 5.5x Net Financial Debt / Adj. EBITDAaL to maintain investment grade rating.

Alternative Performance Measures

The Group presents financial measures, ratios and adjustments that are not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles on a consolidated basis ("**Non-IFRS Measures**") and on a pro forma basis ("**Alternative Performance Measures**" or "**APMs**").

These Non-IFRS Measures on a consolidated basis and Alternative Performance Measures on a pro forma basis should not be considered as an alternative to the consolidated financial results or other indicators of the Group's performance based on IFRS measures. They should not be considered as alternatives to earnings after tax or net profit as indicators of the Group's performance or profitability or as alternatives to cash flows from operating, investing, or financing activities as an indicator of the Group's liquidity. The Non-IFRS Measures on a combined basis and Alternative Performance Measures on a pro forma basis, as defined by the Group, may not be comparable to similarly titled measures as presented by other companies due to differences in the way the Group's Non-IFRS Measures on a combined basis and Alternative Performance Measures on a pro forma basis are calculated. Even though the Non-IFRS Measures on a consolidated basis and Alternative Performance Measures on a pro forma basis are used by management to assess ongoing operating performance and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of the Group's results or cash flows as reported under IFRS

Definitions

Measure	Definition	Relevance of its Use
Adjusted EBITDA	Adjusted EBITDA is operating profit before depreciation on lease-related right of use assets, depreciation, amortization and gains/losses on disposal for fixed assets, share of results of equity accounted joint ventures, and excluding impairment losses, restructuring costs arising from discrete restructuring plans, other operating income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group.	Management uses Adjusted EBITDA to assess and compare the underlying profitability of the company before charges relating to capital investment, capital structure, tax, and leases. The measure is used as a reference point for cross-industry valuation.
Adjusted EBITDAaL	Adjusted EBITDAaL is Adjusted EBITDA less recharged capital expenditure revenue, and after depreciation on lease-related right of use assets and deduction of interest on lease liabilities. Recharged capital expenditure revenue represents direct recharges to Vodafone of capital expenditure in connection with upgrades to existing sites.	Management uses Adjusted EBITDAaL as a measure of underlying profitability to support the capital investment and capital structure of the Company after the cost of leases, which represent a significant cost for Vantage Towers and its peers. The measure is also used as a reference point for valuation purposes across the broader telecommunication sector.
Adjusted EBITDAaL margin	Adjusted EBITDAaL margin is Adjusted EBITDAaL divided by revenue excluding recharged capital expenditure revenue.	Management uses Adjusted EBITDAaL margin as a key measure of Vantage Towers' profitability and as a means to track the efficiency of the business.
Recurring Operating Free Cash Flow	Recurring Operating Free Cash Flow is Adjusted EBITDAaL plus depreciation on lease-related right of use assets and interest on lease liabilities, less cash lease costs and Maintenance capital expenditure. On a pro forma basis cash lease costs are calculated based on the sum of depreciation on lease-related right of use assets and interest on lease liabilities that were incurred by the Group excluding the effects from lease reassessment of the IFRS 16 lease liability and right of use asset on the sum of the associated depreciation on lease-related right of use assets and interest on lease liabilities, which have a non-cash impact in the respective period. Maintenance capital expenditure is defined as capital expenditure required to maintain and continue the operation of the existing tower network and other Passive Infrastructure, excluding capital investment in new Sites or growth initiatives ("**maintenance capital expenditure**").	Management uses Recurring Operating Free Cash Flow as a measure of the underlying cashflow available to support the capital investment and capital structure of the Company.
Recurring Free Cash Flow	Recurring Free Cash Flow is Recurring Operating Free Cash Flow less tax paid and interest paid and adjusted for changes in operating working capital.	Management uses Recurring Free Cash Flow to assess and compare the underlying cash flow available to shareholders, which could be distributed or reinvested in Vantage Towers for growth as well as reference point for cross industry valuation

Cash Conversion	Cash Conversion is defined as Recurring Operating Free Cash Flow divided by Adjusted EBITDAaL.	Management uses Cash Conversion to assess and compare the capital intensity and efficiency of Vantage Towers.
Net Financial Debt	Net Financial Debt is defined as long-term borrowings, short-term borrowings, borrowings from Vodafone Group companies and mark-to-market adjustments, less cash and cash equivalents and short-term investments and excluding lease liabilities.	Management uses Net Financial Debt to assess the capital structure of Vantage Towers without including the impact of lease liabilities which typically have different types of rights to financial debt and can be impacted by the Company's accounting policies.

Glossary

"Active Equipment"	The customers' equipment used to receive and transmit mobile network signals.
"BTS"	Build-to-suit arrangements which corresponds to committed new build site programs and related services that have been contracted.
"Company"	Vantage Towers AG
"Consolidated Vantage Towers"	The European tower infrastructure business in Germany, Spain, Greece, Portugal, Romania, Czech Republic, Hungary, and Ireland in which Vantage Towers has a controlling interest.
"Cornerstone"	Cornerstone Telecommunications Infrastructure Limited
"DAS"	Distributed Antennae System
"FY22"	Financial year ended 31 March 2022
"FY23"	Financial year ending 31 March 2023
"FY24"	Financial year ending 31 March 2024
"GLBO Programme"	Ground Lease Buy Out Programme
"H2 FY22"	Half-year ended 30 September 2022
"INWIT"	Infrastructure Wireless Italiane S.p.A
"Macro sites"	The physical infrastructure, either ground-based ("Ground Based Tower" or "GBT") or located on a building ("Rooftop Tower" or "RTT") where communications equipment is placed to create a cell in a mobile network including street works and long-term mobile sites.
"Maintenance capital expenditure"	Capital expenditure required to maintain and continue the operation of the existing tower network and other Passive Infrastructure, excluding capital investment in new Sites or growth initiatives.
"MNO"	Mobile network operator
"MSA"	Master services agreement
"Passive Infrastructure"	An installation comprising a set of different elements located at a Site and used to provide support to the Active Equipment.
"PPDR"	Public Protection Disaster Relief
"Q1 FY22"	First quarter ended 30 June 2021

"Q1 FY23"	First quarter ended 30 June 2022
"Site"	The Passive Infrastructure on which Active Equipment is mounted as well as its physical location.
"Tenancy ratio"	The total number of tenancies of Vantage Towers divided by the total number of Macro sites.

Disclaimer on forward looking statements

This announcement contains "forward-looking statements" with respect to Vantage Towers' results of operations, financial condition, liquidity, prospects, growth, and strategies. Forward-looking statements include, but are not limited to, statements regarding objectives, targets, strategies, outlook and growth prospects, including guidance for the financial year ending March 31, 2023, medium-term targets, new site builds, tenancy targets and the tenancy pipeline; Vantage Towers' working capital, capital structure and dividend policy; future plans, events or performance, economic outlook and industry trends.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "could", "may", "should", "expects", "intends", "prepares" or "targets" (including in their negative form or other variations). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. All subsequent written or oral forward-looking statements attributable to Vantage Towers or any member of the Vantage Towers Group, or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Any forward-looking statements are made of the date of this announcement. Subject to compliance with applicable law and regulations, Vantage Towers does not intend to update these forward-looking statements and does not undertake any obligation to do so.

References to Vantage Towers are to Vantage Towers AG and references to Vantage Towers Group are to Vantage Towers AG and its subsidiaries unless otherwise stated.

Rounding

Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.