



# DRILLISCH AG

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Company Presentation  
9M 2017

**This presentation contains statements and forecasts related to future developments; they express the current assessments of the Drillisch AG management.**

These assessments and statements may be subject to changes and/or uncertain general conditions which, in the majority of cases, are difficult to predict and are beyond the control of Drillisch AG.

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In accordance with the IFRS (cf. IFRS 3, no. 6), the acquisition of the shares of 1&1 stock by Drillisch is to be classified as a reverse acquisition. In the accounting, it is assumed that 1&1, the economic acquiree, has acquired the shares of Drillisch stock. Consequently, the previous Drillisch Group as the acquired company is included in the consolidated financial statements only proportionately for the period from the moment at which control is obtained.

In the report per 30 September 2017, the business of Drillisch is disclosed for one month only. The business of 1&1, on the other hand, is disclosed as the values for the full 9 months of the period. The consequence is that there is no longer any comparability of the balance sheet and comprehensive income statement of previous Drillisch financial statements, and in future the accounting principles of 1&1 must be applied. The date of the registration of Capital Increase II in the Commercial Register, 8 September 2017, is simultaneously the acquisition date.



Highlights



Financial Indicators



Outlook

## **Successful conclusion of the acquisition of 1&1**

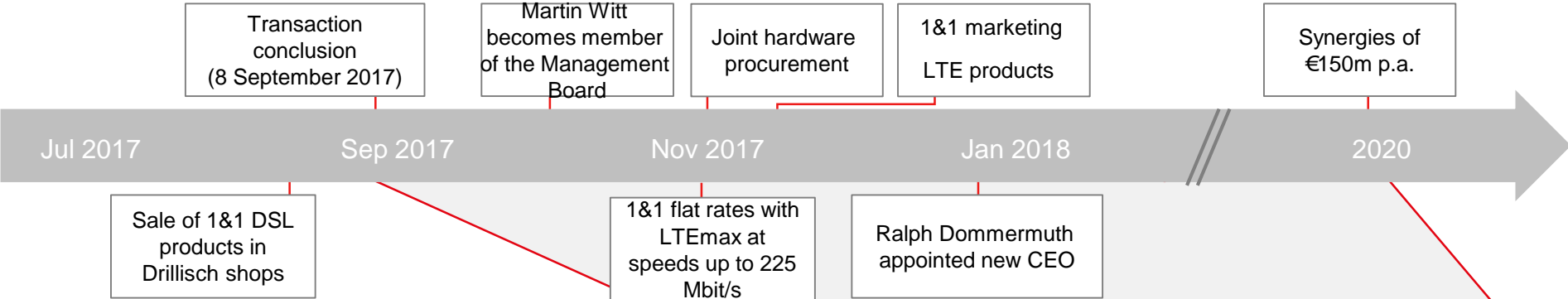
- Successful conclusion of the 1&1 acquisition per 8 September 2017
- Management team strengthened by Martin Witt since 1 October 2017
- Integration of 1&1 in the Drillisch Group successfully started
  - 1&1 products have been offered in Yourfone shops since 5 July 2017
  - Additional synergies result from the joint procurement of hardware
  - 1&1 mobile products with LTEmax at speeds up to (225 Mbit/s) marketed since November under MBA contract
- Aggregate adjusted EBITDA: forecast of €630m-€640m for 2017 confirmed

## **Drillisch - the strong fourth force on the German telecommunications market**

- Powerful full-service telecommunications provider under the umbrella of United Internet AG
- Unlimited access to all current and future technologies in the TEF D network
- Expansion of product portfolio by the addition of convergence products (DSL, TV and content)
- On a peer level with the network operators, but with significantly lower CAPEX requirements

Continuation of the successful Company history with the acquisition of 1&1

# Next steps in the integration of 1&1



**Drillisch (to September 2017)**

<b>Brands</b>	Premium mobile brands <b>smartmobil.de</b> <b>yourfone</b> and established secondary brands <sup>(1)</sup>
<b>Products</b>	Postpaid Prepaid
<b>Competitors</b>	<b>1&amp;1</b> <b>freenet</b> <b>ALDI TALK</b>

**Drillisch (from September 2017)**

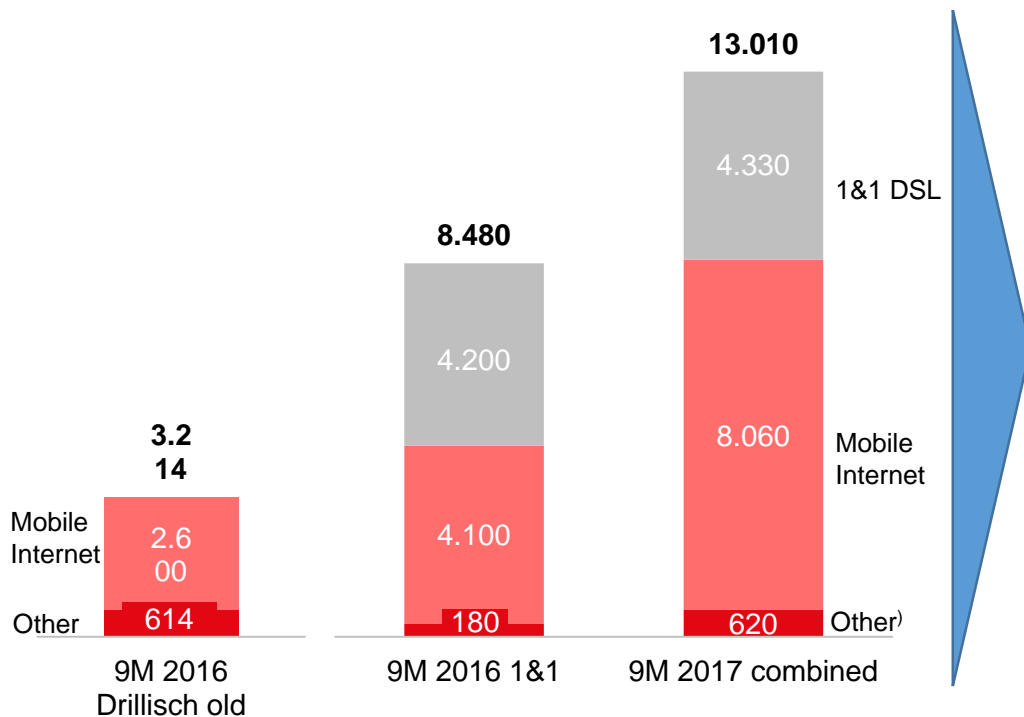
<b>Brands</b>	Premium mobile brands <b>1&amp;1</b> <b>yourfone</b> <b>smartmobil.de</b> and established secondary brands <sup>(2)</sup>
<b>Products</b>	Postpaid Prepaid DSL Convergence (mobile + DSL)
<b>Competitors</b>	<b>T..</b> <b>Telefonica Deutschland</b> <b>vodafone</b>

(1) Incl. Winsim, Discosurf, Simply, McSim, maxim, DeutschlandSIM, PremiumSIM, DiscoTel, Hello mobil and DiscoPlus.  
 (2) Incl. web.de, GMX, Winsim, Discosurf, Simply, McSim, maxim, DeutschlandSIM, PremiumSIM, DiscoTel, Hello mobil and DiscoPlus.

**Drillisch and 1&1 both demonstrating strong subscriber development**

**Additional potential for operating growth and enhanced efficiency**

Subscribers (thousand)



**Improved utilisation of capacity**

**Portfolio of DSL and bundled products**

**Cost synergies (e.g. purchasing, marketing)**

(1) Volume-based MVNO contracts, MSP Contracts and Discontinued Product Lines



## Forecasts by the beat

- Drillisch's 9-month results in line with expectations  
**Stand-Alone** EBITDA 2017 forecast remains at €160m-€170m
- EBITDA adjusted Drillisch combined €520-€530 million
- Integration of 1&1 in Drillisch successfully started
- Increasing profitability through subscriber growth and improved customer mix



## Strong balance sheet structure

- Strong balance sheet structure with low indebtedness
- High financial and strategic flexibility



## Strong cash flow

- Low investment expenses
- Strong EBITDA/free cash flow ratio
- Appropriate sharing of corporate success with shareholders



- Pursuant to the IFRS that are to be applied; The acquisition of 1&1 by Drillisch AG is to be evaluated as a reverse acquisition.
- For this reason, the results of 1&1 from the first 9 months of 2017 and results of Drillisch AG as of the time of acquisition (8 September 2017) are disclosed in the figures for the 9 months.
  - It is no longer possible to compare the balance sheet and the comprehensive income statement from previous Drillisch financial statements.

## Financial indicators for the first 9 months<sup>1</sup>

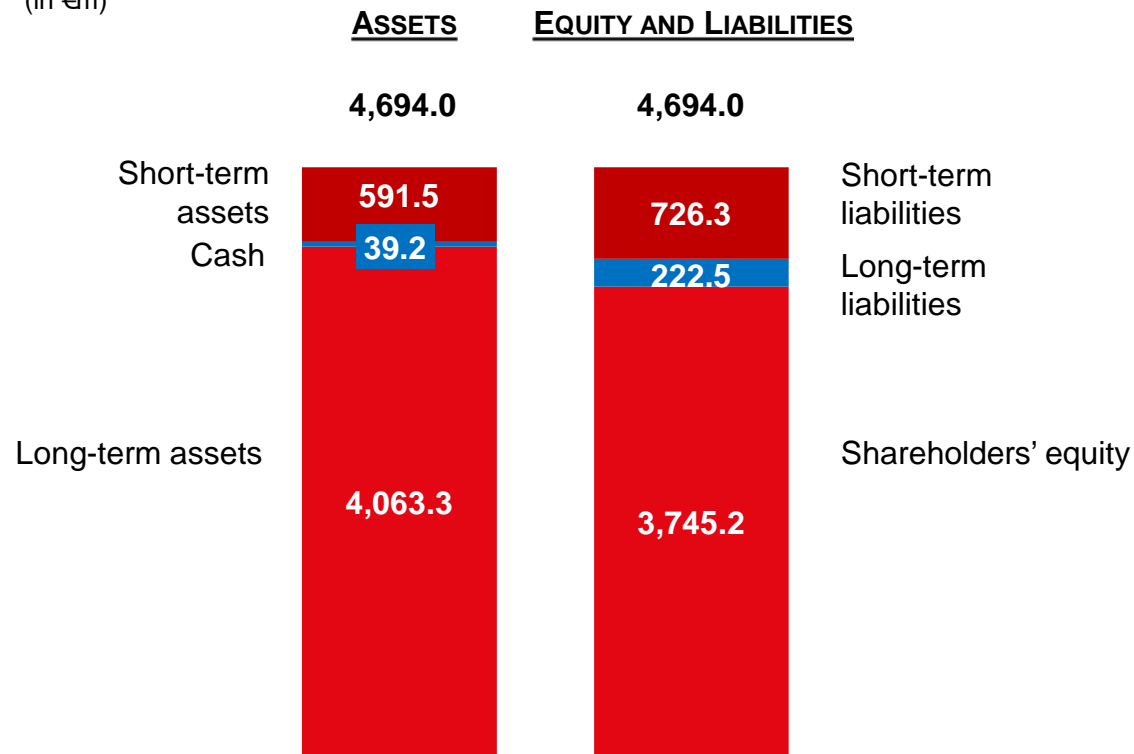
(in €m)	9M 2017	9M 2016
Subscribers total	13.02 million	8,48 million
Thereof subscribers in current product lines	12.39 million	8.30 million
Revenue	1,965.2	1,788.4
EBITDA	352.7	282.9
<i>Margin</i>	17.9%	15.8%
EBIT	328.9	277.0
<i>Margin</i>	16.7%	15.5%
Cash flow from current business activities	299.5	44.0
Cash flow from investment activities	25.2	(22.8)
Cash flow from financing activities	(185.9)	(37.8)
Free cash flow <sup>(2)</sup>	290.9	21.2

(1) From ongoing activities

(2) Definition of FCF: cash flow from current business activities less CAPEX.

## 30 September 2017

(in €m)

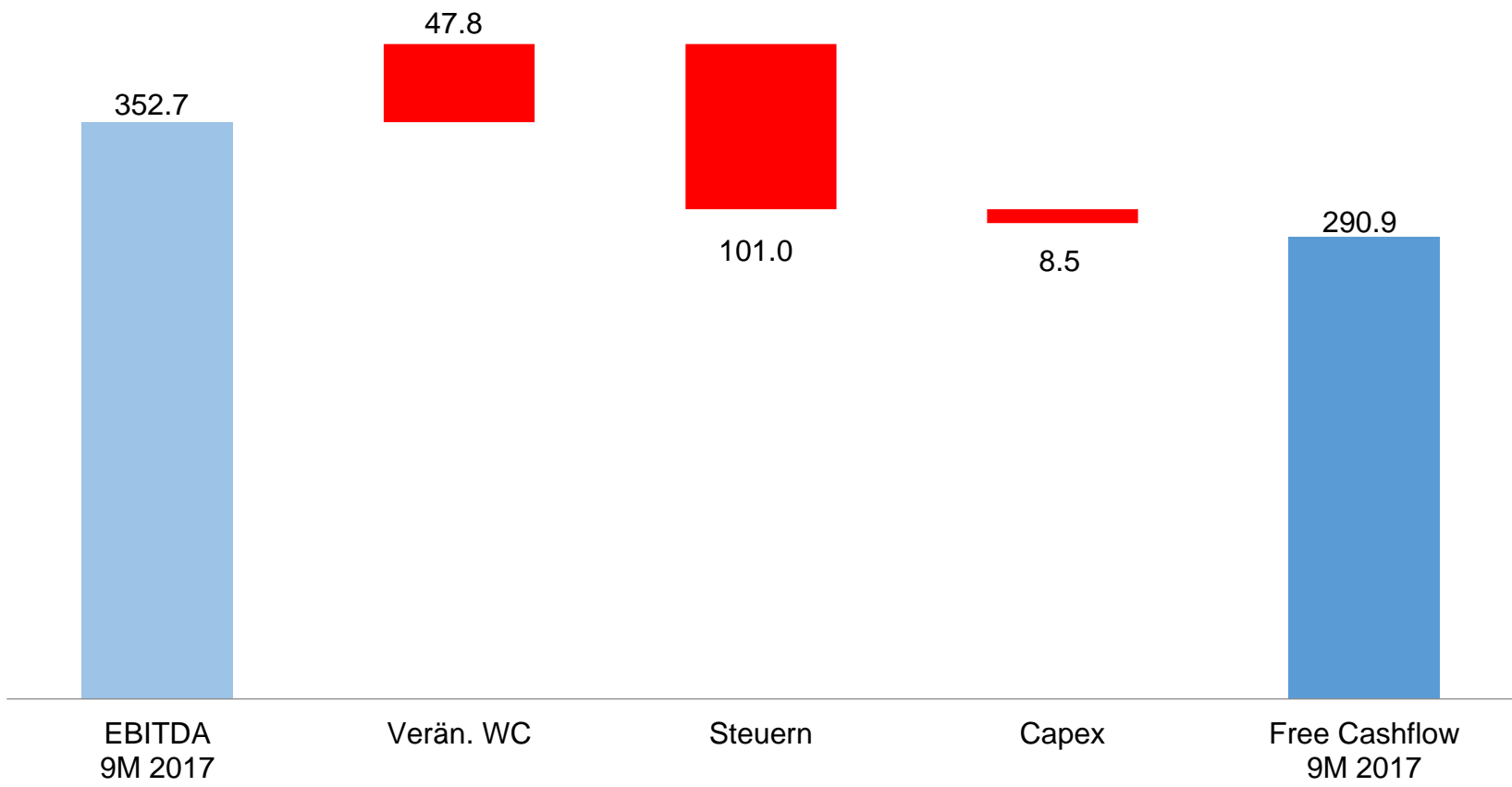


- ✓ 1&1 acquisition financed from equity
- ✓ Low level of indebtedness
- ✓ High equity ratio permits high financial flexibility

## Equity ratio 79.8%

# Free cash flow bridge

(in €m)



Strong FCF supports financial flexibility and dividend policy

## Creation of No. 4 on the German telecommunications market

- Current brand and product portfolio supplemented by the strong premium brand 1&1
- Strong market position in mobile services and DSL segment (convergence)
- Address of all customer segments
- Best value for money in conjunction with outstanding service quality
- Leading online distribution in combination with additional coverage offline
- Access to the second largest fibre network in Germany (Versatel)

**Strong fourth force on the German telecommunications network  
with sustained profitability displaying increasing growth**

✓ Acquisition of 1&1 completed - integration of 1&1 started

✓ EBITDA forecast for combined Drillisch Group of €520-€530 million <sup>(1)</sup>  
Aggregated EBITDA (adjusted) forecast of €630m-€640m for the combined Drillisch and 1&1

✓ Significant potential for growth and increased efficiency

(1) EBITDA forecast 2017 of €520m to €530m based on newly applied accounting method of a reverse acquisition (see remarks on financial indicators). Previously announced EBITDA forecast stand alone of €160m-€170m confirmed as well



# DRILLISCH AG

Thank you for your  
attention!

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Drillisch AG brands:

