VANTAGE TOWERS

Vantage Towers AG: FY23 Half Year results

14 November 2022

Delivering robust 6% Group revenue growth in H1 and further progressing macro site new build in Q2

- Vantage Towers welcomes creation of a Joint Venture ("JV") by Vodafone with GIP and KKR, which will hold Vodafone's 81.7% stake. JV to launch voluntary takeover offer for outstanding shares at €32
- Commercialisation of our tower footprint continues:
  - ✓ Added 710 net new tenancies in H1 FY23 resulting in a closing tenancy ratio of 1.45x, more than half-way to our medium-term target of >1.50x (compared to 1.39x at March 2021)
  - ✓ We increased our commercial footprint with ancillary revenue opportunities providing indoor coverage solutions, high-speed broadband internet, and fibre agreements
- Over 400 new macro sites delivered in H1 FY23 (vs. 190 in H1 FY22 and 320 in H2 FY22) in a difficult operating environment. In H1 FY23, 260 new sites were delivered in Germany. Acceleration in Q2 FY23 with 260 new sites vs. 140 in Q1 FY23. We continue to closely manage the new macro site build programme (Built to suit, "BTS") and undertake direct measures to accelerate production and manage cost
- Our Ground Lease Buyout ("GLBO") programme continues to progress with over 860 signed contracts and additional over 640 commitments in the pipeline across our European footprint since inception, increasing the total to over 1,500
- Delivering on our financials:
  - ✓ H1 FY23 Group Revenue (ex. pass through) at €523.6m, up 6.0% year-on-year (YoY) driven by inflation escalators, tenancy growth and other chargeable services to mobile network operators (MNOs)
  - ✓ H1 FY23 adj. EBITDAaL at €272.7m (+1.8% YoY) and margin at 52.1% reflecting investment costs in FY23 to accelerate the BTS programme and the 1&1 rollout, all ahead of the corresponding revenue contribution from FY24 onwards
  - ✓ H1 FY23 RFCF (Recurring Free Cash Flow) at €220.2m reflecting good adj. EBITDAaL conversion (80.7%) and normalisation of working capital and cash tax payments relative to H1 FY22. Strong basis to deliver FY23 RFCF guidance
- FY23 guidance reaffirmed: Group Revenue (ex. pass through) growth of 3.0-5.0% YoY; Adj. EBITDAaL of €550m-€570m EUR and RFCF of €405m-€425m

Consolidated financial results summary in €m	H1 FY22 (unaudited)	H1 FY23 *(unaudited)*
Group Revenue	499.2	533.3
Operating Profit	257.3	282.5
Profit Before Tax	219.4	244.2
Cash generated by operations	440.5	413.2

Financial Performance in €m[1]	H1 FY22 *(unaudited)*	H1 FY23 *(unaudited)*	Movement
Group Revenue ex. pass through	494.1	523.6	6.0%
Adj. EBITDA	427.4	443.8	3.8%
Adj. EBITDAaL	267.7	272.7	1.8%
Recurring Free Cash Flow	284.4	220.2	

Vivek Badrinath, CEO of Vantage Towers, commented:

"We look back on a solid first half of the year with Group Revenue growth of 6.0% driven by inflation escalators, tenancy growth as well as chargeable services to mobile operators. We have seen further acceleration of our new macro site build programme with improved delivery in Germany. For the second half of the year, we will further invest in the acceleration of the built-to-suit programme and the 1&1 rollout – focusing on production and delivery. We remain on track to deliver our guidance for the current financial year and our medium-term targets, and believe that the new joint venture will enable Vantage Towers to further enhance its position as one of the leading tower companies in Europe."

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1 The non-IFRS measures presented in this announcement are defined and reconciled on pages 5-8.

Commercial update

Continued commercial momentum across the business

Fully owned segments	DE		ES		GR		Other European Markets		Consolidated [2]	
30 September 2022	H1 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22	H1 FY23
Macro sites	19.4k	19.6k	8.6k	8.5k	4.8k	4.9k	12.8k	13.0k	45.6k	45.9k
Tenancy ratio	1.22x	1.24x	1.75x	1.81x	1.66x	1.70x	1.40x	1.43x	1.42x	1.45x

In H1 FY23 we continued to concentrate on our key focus areas: the acceleration of our BTS programme, the rollout of 1&1, the GLBO efficiency programme, and the continued commercialisation of our business.

- **Further commercialisation** with 370 net new tenancies added in Q2 FY23. In total, we have added 710 net tenancies in H1 FY23 taking our closing tenancy ratio to 1.45x compared to 1.42x in H1 FY22. Of these, more than 200[3] were non-committed net additions in H1 FY23 and we are more than half-way to our medium-term target of >1.50x (compared to 1.39x at IPO in March 2021).
- **Powering Europe's digital transformation:** Vantage Towers' consolidated portfolio increased to 45.9k macro sites across our eight European markets. In H1 FY23, we added over 400 new macro sites. Whilst the BTS programme accelerated to 260 new sites in Q2, after having added 140 new sites in Q1 FY23, we continue to have to manage macro site build challenges and expect these to persist in FY23. 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 decommissioning, in particular driven by the active sharing agreements of our anchor tenant, mainly in Spain and Portugal. This type of decommissioning creates efficiencies in our network since 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 over 220 contracts and commitments in Q2 FY23 taking the current total to over 1,500 since inception across our European footprint, of which over 860 are signed and over 640 commitments remain in the pipeline.
- **Accelerating a sustainably connected Europe:** we continue to expand our customer reach across our footprint in Europe – for example in Greece, we signed a new agreement with Nowhere Networks, a company that offers fast communication solution for ships globally, to host directional antennas on our towers enabling high speed broadband internet on ships. In Germany, we reached an agreement with McKay Brothers, an operator of low latency wireless networks, to provide improved networks for high-frequency trading. In Spain, we reached new colocation agreements with a fibre service provider, Adamo, to support their fibre network expansion especially in rural areas.
- **Increasing momentum for indoor coverage solutions:** in Romania, we signed a new colocation agreement for our existing DAS (Distributed Antenna System) sites. Furthermore, in Spain, we have reached an agreement with La Paz University Hospital to study and propose a solution for multi-operator indoor mobile coverage in the centre's facilities. In Hungary, we signed an agreement to provide the DAS solutions of the Budapest National Athletics Stadium that has been built for the 2023 Athletics World Championship.
- **Expanding our product portfolio with new partnerships**: in addition to our existing fibre partnerships with Vodafone in Portugal and Germany, Lyntia in Spain, and 1&1 Versatel in Germany – we signed another fibre sales agent agreement with VDI-Channel (a company belonging to Grupo Amper) to expand our capabilities in Spain.

2 Consolidated refers to our reporting segments Germany, Spain, Greece, and Other European Markets, in which we have a controlling interest.
3 Non-committed refers to tenancies that were not already committed in November 2020 at the Capital Markets Day.

Group Summary Financial Results

Total Revenue Breakdown in €m	H1 FY22 (unaudited)	H1 FY23 (unaudited)	Movement
Macro site revenue	456.7	474.6	3.9%
Other rental revenue	22.2	21.3	
Energy and other revenue	15.1	27.7	
Group Revenue (ex. pass through)	**494.1**	**523.6**	**6.0%**
Capex recharge revenue	5.1	9.7	
Group Revenue	499.2	533.3	6.8%

Group Revenue (ex. pass-through) grew 6.0% YoY in H1 FY23, mainly driven by 'Macro site' and 'Energy and other' revenue. Macro site revenue grew 3.9% YoY in H1 FY23 accelerating in Q2 (+4.5%) vs. Q1 (+3.4%) driven by our contractual inflation escalators and tenancy growth. As previously disclosed, over 95% of our revenue is linked to inflation.

'Energy and other' revenue grew from €15.1m to €27.7m, mainly driven by other chargeable services to MNOs in H1.

Moreover, non-Vodafone revenue continues to grow and saw an increase of 11.5% YoY to €102.1m in H1 FY23 (H1 FY22: €91.5m).

Segmental Revenues (ex. pass through) in €m	H1 FY22 (unaudited)	H1 FY23 (unaudited)	Movement
Germany	240.6	254.1	5.6%
Spain	83.4	91.8	10.0%
Greece	65.4	70.1	7.1%
Other European Markets	104.6	107.7	3.0%
Group Revenue (ex. pass through)	**494.1**	**523.6**	**6.0%**

In H1 FY23 we saw consistent revenue growth across all markets driven by contractual inflation escalators, tenancy growth, and other chargeable services to MNOs.

Germany also generated revenue growth from non-MNO contracts and Spain realised additional revenues from the active sharing agreement and incremental energy revenue as previously disclosed in Q1.

Adjusted EBITDA increased from €427.4m to €443.8m (+3.8%) with the adjusted EBITDA margin lower at 83.2% (H1 FY22: 85.6%) reflecting revenue mix and increases in non-lease operating expenses. As previously communicated, we expect to invest €10-15m in our business in FY23 to ramp up our BTS programme, to facilitate 1&1's access on our existing sites, and build out our supporting teams, all ahead of the corresponding revenue contribution from FY24 onwards. In H1 FY23, adjusted EBITDAaL increased 1.8% YoY with a corresponding margin of 52.1%. Our ground lease expenses increased by 4.4% YoY to €161.3m reflecting our macro site and tenancy growth alongside inflation escalators, which were partly offset by savings from the GLBO programme.

Recurring operating free cash flow (OpFCF) increased from €288.6m to €296.8m (+2.8% YoY) while recurring free cash flow (RFCF) stood at €220.2m in H1 FY23 reflecting good adj. EBITDAaL conversion (80.7%) and normalisation of working capital and cash tax payments relative to H1 FY22. Our FY23 guidance for RFCF remains unchanged at €405-425m.

Net Debt increased to €2,047.9m at H1 FY23 compared to €1,895.9m at FY22, mostly reflecting the €319m dividend paid in August offset by dividends received from the Company's associate and co-controlled joint venture investments.

Vantage Towers' associate and joint venture

30 September 2022 in €m	INWIT (i, ii)		Cornerstone (iii)	
Associate and co-controlled joint venture	100% Share (Unaudited)	33.2% Share (Unaudited)	100% Share (Unaudited)	50% Share (Unaudited)
Revenue	417.7	138.7	228.9	114.5
Adj. EBITDA	379.8	126.1	147.3	73.6
Adj EBITDAaL	282.8	93.9	62.8	31.4
Recurring Free Cash Flow(iv)	227.7	75.6		

(i) INWIT is now classified as an associate investment following the termination of the Shareholder Agreement with Daphne3 in August 2022.
(ii) INWIT results have been extracted from the INWIT Q2 Financial Results Investor Presentation available at www.inwit.it/en/investors/presentations-and-webcasts and refer to their half year ended 30 June 2022.
(iii) Cornerstone revenue includes pass through revenue which consists of recovery of business rates passed through to the tenants.
(iv) Cornerstone RFCF figures will be published in our half year financial report in December 2022.

The performance of both companies is in line with our expectations.

INWIT delivered solid financials and confirmed their targets for the current financial year. INWIT added 1.2k new tenants and more than 170 new sites between 1 January 2022 and 30 June 2022, bringing the tenancy ratio to 2.1x with a total of 23k sites. The INWIT renegotiation and land acquisition programme continues with a further 650 agreements.

Between 1 April 2022 and 30 September 2022, Cornerstone delivered total revenue of €228.9m driven by increase in new sites and tenancies.

Our Group Guidance

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

Measure	FY23 guidance	Medium-term Targets [4]
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 Group 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 [5]

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

4 Medium-term targets of the Consolidated Group excluding INWIT and Cornerstone.
5 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.

APPENDIX

Consolidated Vantage Towers in €m	H1 FY22 (Unaudited)	H1 FY23 (Unaudited)
Group Revenue (ex. pass through)	**494.1**	**523.6**
Capex recharge revenue	5.1	9.7
Group Revenue	**499.2**	**533.3**
Maintenance costs	(20.1)	(21.3)
Staff costs	(19.5)	(28.3)
Other operating expenses	(32.2)	(39.9)
Adj. EBITDA	**427.4**	**443.8**
margin	*85.6%*	*83.2%*
Capex recharge revenue	(5.1)	(9.7)
Ground lease expense	(154.5)	(161.3)
Adj. EBITDAaL	**267.7**	**272.7**
margin	*54.2%*	*52.1%*

Consolidated Vantage Towers in €m	H1 FY22 (Unaudited)	H1 FY23 (Unaudited)
Adj. EBITDA	**427.4**	**443.8**
Capex recharge revenue	(5.1)	(9.7)
Cash cost of leases	(120.8)	(126.6)
Maintenance capex	(12.9)	(10.6)
Recurring OpFCF	**288.6**	**296.8**
Change in Operating Working Capital	11.0	(33.2)
Tax paid	(14.7)	(40.3)
Interest paid	(0.5)	(3.1)
Recurring free cash flow (RFCF)	**284.4**	**220.2**

Non-IFRS Measures - Unaudited

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**").

These Non-IFRS Measures on a consolidated 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 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 are calculated. Even though the Non-IFRS Measures 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 associates and 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 ground 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 Group 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 EBITDAaLplus depreciation on ground lease-related right of use assets and interest on lease liabilities, less cash lease costs and maintenance capital expenditure. 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 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.

Reconciliations of Non-IFRS measures

Adjusted EBITDA

The table below sets forth the reconciliation of the Group's non-IFRS measure adjusted EBITDA on a consolidated basis to profit before tax in the consolidated income statements for the periods indicated.

In €m	H1 FY22	H1 FY23
Profit before tax	219.4	244.2
Interest on lease liabilities	26.9	27.3
Net financial costs	7.3	10.9
Other non-operating expenses	3.7	0.1
Operating Profit	**257.3**	**282.5**
Share of results of equity accounted associates and joint ventures	(19.9)	(37.9)
Amortisation of intangibles	4.5	8.7
Depreciation on property, plant & equipment	57.6	54.6
Depreciation on ground lease related right of use assets	127.6	134.0
Gain/loss on disposal of property, plant & equipment	0.3	0.2
One-off and other items	-	1.6
Adjusted EBITDA	**427.4**	**443.8**

Adjusted EBITDAaL

The table below sets forth the reconciliation of the Group's non-IFRS measure adjusted EBITDAaL on a consolidated basis to profit before tax in the consolidated income statements for the periods indicated.

In €m	H1 FY22	H1 FY23
Profit before tax	219.4	244.2
Net financial costs	7.3	10.9
Other non-operating expenses	3.7	0.1
Share of results of equity accounted associates and joint ventures	(19.9)	(37.9)
Amortisation of intangibles	4.5	8.7
Depreciation on property, plant & equipment	57.6	54.6
Recharged capital expenditure revenue	(5.1)	(9.7)
Gain/loss on disposal of property, plant & equipment	0.3	0.2
One-off and other items	-	1.6
Adjusted EBITDAaL	**267.7**	**272.7**

Recurring Operating Free Cash Flow and Recurring Free Cash Flow

The table below sets forth the reconciliation of the Group's non-IFRS measures Recurring Operating Free Cash Flow and Recurring Free Cash Flow to adjusted EBITDA for the periods indicated.

In €m	H1 FY22	H1 FY23
Adjusted EBITDA	**427.4**	**443.8**
Recharged capital expenditure revenue	(5.1)	(9.7)
Cash cost of leases	(120.8)	(126.6)
Maintenance capex	(12.9)	(10.6)
Recurring Operating Free Cash Flow	**288.6**	**296.8**
Net Tax paid	(14.7)	(40.3)
Interest paid (excluding interest paid on lease liabilities)	(0.5)	(3.1)

Changes in operating working capital	11.0	(33.2)
Recurring Free Cash Flow	**284.4**	**220.2**

Net Financial Debt

The table below sets forth the calculation of the Group's non-IFRS measure Net Financial Debt from the Consolidated statement of financial position as at 31 March 2022 and 30 September 2022.

In €m	As at 31 March 2022	As at 30 September 2022
Bonds	**(2,189.5)**	**(2,194.7)**
Cash and cash equivalent	21.7	3.3
Cash deposits held with related parties	272.3	144.0
Mark to market derivative financial instruments	(0.5)	(0.5)
Net Financial Debt	**(1,895.9)**	**(2,047.9)**

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
"H1 FY22"	First half-year ended 30 September 2021
"H2 FY22"	Second half-year ended 31 March 2022
"H1 FY23"	First half-year ended 30 September 2022
"INWIT"	Infrastrutture 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 streetworks 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.
"Passive Infrastructure"	An installation comprising a set of different elements located at a Site and used to provide support to the Active Equipment.
"Q1 FY23"	First quarter ended 30 June 2022
"Q2 FY23"	Second quarter ended 30 September 2022
"Site"	The Passive Infrastructure on which Active Equipment is mounted as well as its physical location.

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.