Vantage Towers AG: Q3 FY23 Quarterly Statement

31 January 2023

Sustained organic revenue growth and continued progression in new macro site build

- Commercialisation of our business continues:
  - ✓ Added 440[1] net new tenancies in Q3 FY23. 1,150 net new tenancies in 9M FY23 resulting in a tenancy ratio of 1.45x, more than halfway to our medium-term target of >1.50x since IPO
  - ✓ We have increased our commercial footprint with ancillary revenue opportunities providing indoor coverage solutions, fixed wireless access and fibre networks
- 660 new macro sites delivered in 9M FY23 (vs. 320 in 9M FY22) of which 410 were in Germany. Momentum sustained in Q3 FY23 with 260 new sites in line with 260 new sites in Q2 FY23 (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
- Our Ground Lease Buyout Programme ("GLBO") continues to progress with over 1,040 signed contracts and additional 760 commitments in the pipeline across our European footprint since inception. Increasing the total to 1,800 representing 40% of the GLBO target[2]
- Group Revenue (ex. pass through) of €263.7m in Q3 FY23, a 4.8% year-on-year (YoY) growth mainly driven by inflation escalators and tenancy growth. Overall, we saw Group Revenue (ex. pass through) grow 5.6% YoY in 9M FY23
- Confident towards the upper half of FY23 guidance: Group Revenue (ex. pass through) growth of 3.0-5.0%, Adj. EBITDAaL €550m-€570m, and RFCF of €405m-€425m

Performance summary	Q3 FY22 *(unaudited)*	Q3 FY23 *(unaudited)*	YoY Movement
Macro sites	45.7k	46.0k	0.3k
Tenancy ratio	1.43x	1.45x	0.02x
Group Revenue ex. pass through (€m)	251.6	263.7	4.8%
	9M FY22 *(unaudited)*	**9M FY23** *(unaudited)*	**YoY Movement**
Group Revenue ex. pass through (€m)	745.6	787.2	5.6%

Vivek Badrinath, CEO of Vantage Towers AG, commented:

"*We have seen our macro site new build programme sustain the momentum from the previous quarter and deliver new sites. Furthermore, we continue to add new tenancies and have seen our revenue grow 5.6% year-to-date on the back of continued commercial momentum and our industrial approach. We are confident towards the upper half of our FY23 guidance and remain on track to deliver our medium-term targets while building our position as one of the leading tower companies in Europe.*"

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1 Tenancy net additions from 1 October 2022 to 31 December 2022.
2 GLBO programme to target 10% of the consolidated portfolio of macro sites.

Commercial update

Continued commercial momentum across the business

Fully owned segments	DE		ES		GR		Other European Markets		Consolidated[3]	
31 December 2022	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
Macro sites	19.4k	19.7k	8.6k	8.4k	4.8k	4.9k	12.8k	13.0k	45.7k	46.0k
Tenancy ratio	1.22x	1.24x	1.77x	1.83x	1.68x	1.70x	1.42x	1.45x	1.43x	1.45x

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

- **Further commercialisation** with 440 net new tenancies[4] in Q3 FY23. In 9M FY23, we have added 1,150 net tenancies of which more than 300 are non-committed[5] net additions. Since IPO, we have added more than 1,800 non-committed tenancies helping to deliver a closing tenancy ratio of 1.45x, more than half-way to our medium-term target of >1.50x (compared to 1.39x in March 2021).
- **Powering Europe's digital transformation:** Vantage Towers' consolidated portfolio increased to 46.0k macro sites across the eight European markets. In 9M FY23, we added 660 new macro sites of which 410 were in Germany. Whilst the BTS programme sustained momentum in Q3 and Q2 FY23 with 260 new sites each quarter, we continue to closely manage the new site build programme and 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 400 decommissioning of sites, 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.
- Our **programme to optimise ground leases** through buyouts or long-term right-of-use (GLBO) continues to progress. We added 290 new contracts and commitments in Q3 FY23 taking the total to over 1,800 since inception, of which over 1,040 are signed and 760 commitments remain in the pipeline.
- **Empowering Europe's digitalisation:** in the Czech Republic, we signed a new contract with ČEZ's Telco Pro Services to enable their Public Protection and Disaster Relief (PPDR) network. Two new agreements were reached in Hungary with our existing customers to deliver additional tenancies. In Ireland, we signed a 10-year agreement with National Broadband Ireland to support their high-speed fibre network expansion plan across the country. In Greece, we signed a new agreement with SkyTelecom to host their fixed wireless access network.
- **Accelerating better indoor coverage solutions:** we continue our initiatives in indoor coverage (DAS) across our markets. In Greece, we reached a new agreement with one of the largest paint producers of the country to install DAS to cover a 12,000 sqm factory indoor space. In the Czech Republic, we signed a framework agreement with multiple mobile operators to share DAS sites.

3 Consolidated refers to our reporting segments Germany, Spain, Greece, and Other European Markets, in which we have a controlling interest..
4 Tenancy net additions from 1 October 2022 to 31 December 2022.
5 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	Q3 FY22 *(unaudited)*	Q3 FY23 *(unaudited)*	YoY (%)	9M FY22 *(unaudited)*	9M FY23 *(unaudited)*	YoY (%)
Macro site revenue	230.8	240.6	4.3%	687.5	715.2	4.0%
Other rental revenue	9.2	10.9		31.4	32.3	
Energy and other revenue	11.6	12.1		26.8	39.8	
Group Revenue (ex. pass through)	**251.6**	**263.7**	**4.8%**	**745.6**	**787.2**	**5.6%**
Capex recharge revenue	3.2	5.1		8.3	14.9	
Group Revenue	254.7	268.8	5.5%	753.9	802.1	6.4%

Group Revenue (ex. pass through) grew 4.8% YoY in Q3 FY23 to €263.7m, mainly driven by 'Macro site' revenue. Macro site revenue grew by 4.3% YoY in Q3 FY23 driven by inflation escalators, increased tenancies and new site growth.

In 9M FY23, Group Revenue (ex. pass through) increased by 5.6% YoY to €787.2m mainly driven by inflation escalators, tenancy growth and other chargeable services to mobile network operators (MNOs). As previously disclosed, over 95% of our revenue is linked to inflation.

Moreover, non-Vodafone revenue continues to grow to €51.0m in Q3 FY23, an increase of 11.2% YoY. In 9M FY23, non-Vodafone revenue grew 11.4% YoY to €153.0m.

Segmental Revenues (ex. pass through) in €m	Q3 FY22 *(unaudited)*	Q3 FY23 *(unaudited)*	YoY (%)	9M FY22 *(unaudited)*	9M FY23 *(unaudited)*	YoY (%)
Germany	121.6	129.0	6.1%	362.2	383.1	5.8%
Spain	43.8	44.0	0.5%	127.2	135.8	6.7%
Greece	33.6	35.9	6.8%	99.0	105.9	7.0%
Other European Markets	52.6	54.8	4.1%	157.2	162.4	3.3%
Group Revenue (ex. pass through)	**251.6**	**263.7**	**4.8%**	**745.6**	**787.2**	**5.6%**

In 9M FY23, we saw consistent revenue growth across all markets driven by contractual inflation escalators, tenancy growth and other chargeable services to MNOs.

Germany generated revenue growth from ramp-up in new site build and non-MNO contracts. Spain realised additional revenues from the active sharing agreement and 5G upgrades. In Q3 FY23, Spain saw revenue growth of 0.5% YoY following a strong Q3 in the prior year, but nonetheless, delivering strong YoY growth of 6.7% for 9M FY23.

Vantage Towers' associate and joint venture investments

The Group has a 33.2% equity interest in Infrastrutture Wireless Italiane S.p.A (INWIT) in Italy and a 50% equity interest in Cornerstone Telecommunications Infrastructure Limited (Cornerstone) in the UK.

INWIT[6] delivered a strong Q3 2022 with revenue growing by 8.4% YoY to €214.8m. INWIT built more than 110 new sites in Q3 and saw further progress in their lease cost efficiency programme. In 9M 2022, INWIT's revenue increased by 8.8% YoY to €632.5m.

In Q3 FY23[7], Cornerstone delivered 4.4% YoY growth in total revenue to €114.6m driven by an increase in new sites and tenancies. In 9M FY23 total revenue increased to €343.5m[8], with revenue ex pass through increasing 4.0% to €271.0m.

6 INWIT results have been extracted from the INWIT Q3 Financial Results Investor Presentation available at https://www.inwit.it/en/investors/presentations-and-webcasts/. Q3 and 9M 2022 refer to the third quarter and first nine months ended 30 September 2022 to the financial year ending 31 December 2022.
7 Cornerstone's Q3 FY23 and 9M FY23 refer to the third quarter and first nine months ended 31 December 2022 to the financial year ending 31 March 2023.
8 Cornerstone revenue includes pass through revenue of €72.5m which consists of recovery of business rates passed through to the tenants.

Our Guidance

Confident towards the upper half of our FY23 guidance and reaffirm our medium-term targets

Measure	FY23 Guidance	Medium-term Targets[9]
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[10]

We are confident towards the upper half of our FY23 guidance 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.

9 Medium-term targets of the consolidated group excluding the UK and Italy.
10 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.

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 EBITDAaL plus 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.

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
"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
"Q3 FY22"	Third quarter ended 31 December 2021
"Q1 FY23"	First quarter ended 30 June 2022

"Q2 FY23"	Second quarter ended 30 September 2022
"Q3 FY23"	Third quarter ended 31 December 2022
"Tenancy ratio"	The total number of tenancies divided by the total number of Macro sites.
"9M FY22"	Nine months ended 31 December 2021
"9M FY23"	Nine months ended 31 December 2022

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.