# Vantage Towers FY22 Q3 Trading Update Live Q&A

Tuesday, 1st February 2022

# FY22 Q3 Trading Update Live Q&A

Vivek Badrinath

*Chief Executive Officer, Vantage Towers*

**Welcome**

Good morning everyone and welcome to our analyst call. This is following our Q3 results announcement this morning. Before we jump into Q&A as we always do, I just thought I would give you a quick summary of what we think are the key highlights of this quarter.

**Key Highlights**

*Agreement with 1&1*

The first thing to say is that it was indeed yet another exciting quarter for Vantage Towers. This was the quarter where we signed this landmark agreement with 1&1 in Germany, positioning us as a partner of the Drillisch team for the provision of at least 3,800 and potentially up to 5,000 existing sites. This is a major milestone for organic growth in what is our largest market, Germany.

*Commercialisation*

Furthermore, this quarter once again we have progressed commercialisation and there is a bit of repetition in my quarterly discussions with you. A big priority commercialising our portfolio and indeed very pleased that we continued to deepen our relationships with MNOs. Also, in the other than mobile operator space with a number of agreements announced.

*Tenancies*

In Q3 we added 600 new tenancies. We added more tenancies than in the previous two quarters and that takes our year-to-date tenancy ratio to 1.43x compared to 1.39x in the previous year. As you can see, continued momentum on the commercial side in terms of commercialising our assets.

*Ground lease buyout programme*

Also, very pleased with our ground lease buyout programme, which is progressing, I would say, nicely. 360 signatures in Spain and Germany, over 100 signatures in other markets, so yet another quarter of progression in this space. We do have 390 commitments in our execution pipeline which means handshakes with landlords that will lead to buyouts and legal transactions in the coming months. There is the firm commitment, which is the agreement we get with the landlord, I call that the handshake. Then there are of course the administrative steps because you are in the real estate space. That leads to the closing of the transaction and to the signing figure. The signing figure hence is 360 in Spain and Germany, and 100 in the other markets.

*Financial results*

We also delivered on our financial results. Our revenues ex-pass through increased by 3.1% to €746 million in the nine months. As you can see a progression of our revenue quarter over quarter. It was an improvement of those trends which puts us in a good stead for the end of the year. Our non-Vodafone revenue grew by 6% to €125 million and that is another proof point of the progression of our commercial activity beyond Vodafone.

*BTS programme*

The BTS programme also accelerated in Q3 delivering 130 macro sites after 90 in the previous quarter and 100 in the first quarter. Some progression but it is fair to say that it is also challenging. It is challenging from a supply chain point of view. We are seeing some minor short-term slippages, things that require our constant focus. The supply chain, as you know, worldwide is rather stretched in terms of availability of people and also of materials in some cases. We are very close to the subject, but it is fair to say that it is a challenging period for the Build to Suit programme.

It is also important to highlight that however the overall plan for Build to Suit remains confirmed. These are I would say short-term slippages of the final delivery of individual sites, nothing systemic, nothing broader than these challenges. We reaffirm our planned delivery of 7,100 build to suit sites until the end of 2026. That is unchanged.

*FY22 Guidance*

Of course, also my pleasure to reaffirm our guidance for fiscal 2022 at revenue between €995 million and €1,010 million. EBITDA after leases margin broadly stable versus prior year and recurring free cash flow which you will recall we had uplifted in the previous quarter is confirmed at €405-415 million. That is the headlines of our Q3 and with this I would like to open the floor for your questions. I remind you as usual that we aim to take one question at a time per analyst to allow enough time for all your colleagues to be able to take part in this session. Thank you very much.

## Q&A

**David Wright (Bank of America Merrill Lynch):** Good morning Vivek, Thomas, thank you very much for taking our questions. To elaborate a little on the supply chain, where exactly is the bottleneck? How much do you think it does drag into the fiscal 2023? One question might be if there is some challenge with the capex why might we not expect the cash flow to be a little higher? I guess that is ex the growth, but I am wondering how it filters through the financials. Any more colour you can give on supply chain and how much this could drag into the fiscal 2023. Thank you very much.

**Vivek Badrinath:** It is a variety of annoying inconvenience - issues. Nothing systemic but lots of little things. We do live in slightly different times and it hits in various places. Usually it translates into short-term slippages of bringing all the pieces together for the final availability of a site. Once again, nothing systemic but it is basically two categories. Availability of people and availability of materials. Availability of people could be to put in place the electricity connection gets shifted by a week or two because a crew or a team is not complete for pandemic reasons. It could be on the construction side the availability of the full crew or of the crew that brings the crane gets delayed by a few days or few weeks. All those things need to come together at the end for the site to be ready for installation. That is on the people side. Minor shifts of the various crews that may be needed to deliver the site. On the materials side the logistics and supply chains are tense on materials.

What we are doing is we are taking action of course on both of these sides. On the people side by working very closely with our partners to secure availabilities, confirm them and try to de-risk each and every one of these steps. That is a very active programme that the team in

Germany is doing. On the materials side looking at how to simplify the supply chain. Things like warehousing more raw material or pre-assembled towers earlier. Standardising our format so that we can mix and match or swap equipment from one site to the other to compensate for sluggish supply chain issues. And indeed, be able to have equipment that can be put on a site. Sorry, long answer because it is a variety of subjects. Mainly people and material, nothing that is not manageable or to be mitigated. That is why it does not impact our long-range view of the BTS programme which we see as a very important opportunity for the company of 7,100 sites by 2026. More of a short-term shift which means that our ramp up is not as fast as we would have hoped but we are working hard to get the pace back to the right level.

**Thomas Reisten:** I think it is important to note as well that obviously standardisation decoupling the logistics process with warehousing will help us to counteract any pricing increases actually that you might see there on a per tower basis. We believe that we can drive down procurement costs actually from that perspective and stay in line with our expectations on a per tower construction point.

You have asked as well in terms of cash flow, so our recurring free cash flow is not affected by them because it is mainly consisting obviously of EBITDA after leases minus the maintenance capex and the respective operational working capital. However, you would see then some phasing changes in the context of the free cash flow obviously. Other than that, I think it's really important to note then that we believe that we will be achieving actually the rollout of the 7,100 BTS sites by the end of fiscal year 2026. Even we have said in the past already that the ramp up of the acceleration phase is actually going to be finalised by the end of the next fiscal year, fiscal year 2023, from which onwards we actually will have run rate pace then for the rollout of the BTS programme.

**David Wright:** We should expect to continue. Very good, thank you guys.

**Robert Grindle (Deutsche Bank):** Hello there, good morning, thank you. A very quick follow-up to David's question before I ask my own. You are not worried about the long-term. It seems pretty minor stuff but if the delays persist into months would you suffer any penalties, or can you claim force majeure because a lot of this is Covid-related? Then my actual question is, congratulations on the Drillisch deal. Will you have to spend much to get the sites ready for 1&1's tenancies and when might you get the visibility on the extension of the contract? Is that nearer-term or only really after a few years? Thank you.

**Vivek Badrinath:** First of all, no it is not a matter of penalties. We are working very closely with our customers to improve the situation on this. We are talking about getting the sites on air and working hard with them on that. There is a lot of pressure on the system to make things work but that is where it is. It is going to mean a steep 2023, that is what it means. We need to double up on the production and that is what the team is enthusiastically getting behind. That is what we are doing.

On the 1&1 contract there is some level of investment. It fits within the business case that we have taken in hand but let us recall these are mainly co-locations so very different from standing up. This is in the majority co-locations on existing sites so some level of upgrade but as you will recall I have always said from the beginning of our journey together in the Capital Markets Day, upgrading the site to accommodate another tenant is the happiest moment a CEO of a tower company can have in spending capex because it is a very pleasantly accretive way of doing business. If that is not standard business, I do not know what is. There is some capex. It fits in the case. It is relevant for us, but these are good co-location businesses.

In terms of the numbers, the committed number is 3,800. The commercial terms apply up to 5,000. It is very early in the day for us to see the pace of the rollout. It is fair also to say that Drillisch is also looking at the market apparently so it is very early for us to see where and how they will allocate any additional volume. It is definitely not in the short-term that we will see a move from the 3,800 committed, is my intuition at this point.

**Thomas Reisten:** That is on the volume part of the extension. It runs obviously for 20 years as we were announcing as well. That extension is obviously quite a bit in the future. I will be watching it from my lounge chair to be honest.

**Robert Grindle:** Me too.

**Sam McHugh (Exane):** Hi guys. Just to follow up on the site building and the supply issues, a bit more specifically I think consensus has you rolling out somewhere in the region of 300 or 400 sites in the next four or five quarters. Obviously, we have just seen 130 or so in this quarter so how should we think about that ramp up? Is 300-400 a bit too optimistic now and is that the message? Any kind of guidance you could help on the run rate in the next few quarters would actually be super-helpful. I know the long run is unchanged but the near-term would be helpful to get a bit more colour if we can please.

**Vivek Badrinath:** We are working hard on a number of projects to indeed increase the run rate. It is a bit early for us to start to come out to the market with the full estimate. There are a number of activities that we are putting in place. We are driving them as a programme. The modelling is not simple, to be fair. It is not hard, but it is not simple. You have got to look at your pipeline of acquisitions, plans, permits. Permitting is pretty choppy right now. There are a number of permitting activities that are also impacted by the decision speed of the authorities and so on, which is not steady state yet. Especially with the perturbation. You need to put all of those together before you can really model the speed of ramp up. It is fair to say we are putting ramp up activities on each and every one of these steps, but it is a bit early for us to give you a forecast on.

**Thomas Reisten:** Yes, so maybe what could help you is that we will reach run rate rollouts towards the end of fiscal year 2023. If you think about this more from a monthly phasing point of view that means that we will continue to ramp up on a monthly basis actually in the next year as well or quarterly if you so wish. Then afterwards you will have achieved a more stable run rate which should help you distribute that a bit better or closer to where we believe actually the ramp up would be.

**Sam McHugh:** Super clear guys, thank you.

**James Ratzer (New Street Research):** Good morning Vivek, Thomas. My question really is around potential M&A and the tower landscape. I think since your Q2 results we have had your largest shareholder Vodafone, Deutsche Telekom and Orange all talking about interest in industrial partners with regards to tower assets. Obviously that story seemed to get a little bit of a boost again with a Bloomberg story last week. We would love to get your thoughts on anything you can share around how you are thinking about those potential transactions and in particular how you would see the benefits to Vantage shareholders if any of those industrial mergers were to take place? Thank you.

**Vivek Badrinath:** Yes, first and foremost lots of people seem to be talking about the subject, so I am not sure I have much to add to the choir but let me try at least a few thoughts. There is nothing specific to announce or disclose and if there were, we would. There are conversations between players and statements made by big industrial players in the sector who are also my customers and for one of them a shareholder. I would refer you to them for that. However, we are big already. We are 82,000 towers so it is not that we are in the insufficient scale category. We have enough scale to do pretty much what we embarked on doing, which is having procurement size, absorbing the central fixed costs, and optimising the commercial costs, the IT costs and so on. At this scale we have already got a pretty efficient shop. It does deliver operational leverage by the fact that we have got some spread and some best practice sharing, some deals that we can do across countries and all those things. It is not that it is an existential point for us that we absolutely need to increase scale otherwise we are at the risk of being irrelevant or inefficient. Which is a good place to start with because that means that it indeed allows us to ask ourselves the right questions on deals, whether they are indeed satisfactory and relevant for our shareholders.

That said, do I see value in consolidation? First of all, these are one-way streets in many cases so if there is an opportunity for the sector to consolidate and it happens in this period of say 2022 and subsequent years, are we relevant to being a part of it? Yes, we are one of the big guys in towers in Europe and I think that is something that means that we should certainly consider such opportunities. What will it allow? I would say two things. A bit more scale again so leveraging our good practices, bringing efficiencies to more operations because of the number of countries where you operate. A bit of procurement efficiency once again. IT never a huge amount. In towers it is not huge, but it is there and so having a single IT platform does bring efficiencies to any business because it is optimised for the specific needs of the tower industry. I would say that is the industrial benefit.

There is another benefit which I see which I tried to cover last time I think as well. This notion that this allows you to be an efficient platform to deploy capital across Europe at various phases. The more countries you have the broader your platform is able to deploy. What does that mean? In a country like Germany you have a new entrant coming in, you have to deploy a bit of capital to get them on your rooftops or you have a build to suit programme that is pretty ambitious where you have to deploy people, resources and for instance to accelerate your build to suit programme, you bring in people also from other geographies at certain points in time, you have a broader platform to go and accelerate your capital deployment. Whereas you will have other markets which at a given point of time do not carry intrinsically much growth, either because they are before a 5G option or because the traffic growth is a bit more stable or because the spectrum allocation means that tenancies are not forthcoming or the market structure does not enable. You have a platform above this at a European level which goes in and is able to deploy capital in the geographies where there is action at the time when there is action. There that breadth is quite relevant. I think there is something there versus being locked into a single country where your economics and the cash that you generate from your business you are trying to find an outlet for it in the market if you really want to create shareholder value. We have broader opportunities to create value for our shareholders because we have more places where we can deploy interesting capital because deploying capital in towers is enjoyable because the return is certain. You do not return capital unless you have a revenue on the other side, so it is really good projects to put money into.

We would welcome broadening if it works for our shareholders to do the broadening and certainly would see operational value in it as the management of the organisation to bring good performance out of that.

**James Ratzer:** Thank you.

**Emmet Kelly (Morgan Stanley):** Two years later and I am still on mute. Sorry about that. My question is regarding the ground lease buyout programme. Can you maybe just give us a few words about the ground lease buyout in terms of the dynamics you are seeing there? Are you buying freehold on land at the moment? Are you extending leases? Are you maybe almost threatening landlords to move locations to get a discount? Could you also maybe just tie it in with the rooftop argument as well? As you do these ground lease renegotiations are the negotiations taking place as well with landlords to allow multi tenants on your rooftop which will enable you to maybe scale up maybe the rooftops over time?

**Thomas Reisten:** Yes, let us start at the beginning of your question. What are we really buying? There is a good mix between straight away buying out the land and acquiring longer-term rights of use. They are of a completely different length. It depends on country; it depends on the individual situation there as well. However, it is a good mix between the two of them. Obviously then when you talk about rooftops this is something that is absolutely in the area of longer-term rights of use. Do we have to pressure our landlords? Not really. Our acquisition teams discuss with the landlords basically the advantages that the landlords actually have from this. Wherever landlords would like to release some capital they are very, very willing to engage on this. That then obviously is an opportunity for both of us. On the one hand saving leases on an ongoing basis by doing this upfront payment which is either an acquisition or a longer-term right of use. On the other hand, the landlord actually releases that capital, so it is a win-win situation. In particular, let me emphasise the point that over 85% of our landlords are single-site landlords. There is certainly some negotiation dynamic that is very positive for us in that context. Having said that, it is not about pressuring them and things like that, definitely not.

**Vivek Badrinath:** In the early days of this programme, if I can add, we were really going with those who are willing. The beauty of this programme is that we are rolling it out across our footprint and as you can see progression beyond Germany and Spain it is starting to pick up good momentum. We are not putting pressure on the market. We are catching those who are willing at the right IRRs because we have got a journey where we want to deploy capital on this programme GLBO but we can be pretty demanding on the IRRs and doing the deals with those who would prefer cash upfront right now, rather than being in a negative negotiation.

**Thomas Reisten:** Yes, so that is the general trend on that. If you think about some fewer situations where a landlord might really want to increase the rent very significantly then certainly, we would actually consider moving away. That then is a scenario where the IRR is incredibly important for us to continue to monitor and all of the other KPIs that we will monitor in that context. We will do the right thing for the company.

**Emmet Kelly:** Can I just ask in terms of the scale of the operation, you have I would say roughly 45,000 sites consolidated within the Group. That is a hell of a lot of sites and you said most of them are single tenant landlords. How do you manage just the sheer volume? Do you need to outsource this to third parties or do you deal with radius companies like them? How does this work? Is there maybe scope for the industry to get together with other tower companies? How should we think about this in terms of the big picture?

**Thomas Reisten:** Certainly, we need internal coordination that is very efficient and effective in order to safeguard our financials and our strategy behind that. We do have internal resources, but we do as well use a mix of internal and external resources. Again, it is pretty different from country to country in order to then approach the landlords.

**Vivek Badrinath:** You fine-tune the commission process with each of the vendors, but it works. There are land negotiators across Europe, and we work with them, keeping a control tower on our side, both on the deals, on the commissions and on the commercial effort that is being placed. I call it commercial because it is actually getting to a deal.

**Thomas Reisten:** The success is obviously increasing as well so if you think about it Q1 we were 390 total agreed or signed, Q2 590 and now 850. It is continuously accelerating, which is indeed what we were expecting, and we will continue to drive that acceleration forward to achieve then the 10% that we are targeting.

**Emmet Kelly:** Thank you very much. Thank you.

**Jerry Dellis (Jefferies):** Good morning everybody. Thank you for taking my questions. My first question was really to do with the supply chain issues again I am afraid. I just wondered whether you perceive there is a scenario in which things get worse before they get better. Then thinking secondly about the revenue trajectory into FY23, what can you tell us please about the pipeline of tenancy net adds that you have which may give you comfort as to where maybe revenue growth holds up in the first half against the consensus expectation for next year which I think is revenue growth of between 6% and 7%? Thank you.

**Vivek Badrinath:** The second one I do not think we are yet at the point where we provide guidance for 2023. We are not supposed to, right Thomas?

**Thomas Reisten:** Yes, we will come back on the revenue guidance obviously with the full-year results, so the next quarter expect us to give guidance.

**Vivek Badrinath:** On the first one we cannot forecast pandemics and supply chain at the macro level in a massive way, but it is fair to say we are increasing our delivery. This quarter it is 130, the previous one was 90 and the previous one was 100. I would say we are in a progression mode. As I said earlier, there is no systemic point. There are a number of places where things can shift and go wrong, on which we need to put more controls to mitigate those risks, either by diversifying our supplies, by micro-managing the availability of crews on the ground in a certain town and hoping that they have worn a mask the week before so that they do not miss their appointment because they are stuck at home. That is the kind of stuff that we are dealing with. All very real-life operational problems. Each one of them has a number of mitigation solutions. We are going in with a programme to put these mitigations solutions on each and every one of these little incremental steps that ultimately lead to a tower being stood up on a concrete foundation with the equipment and the power all in place. That is what it is. That is why I would say if there was something systemic, I would be thinking through that question but looking at the way that the issues are it is more a question of tightening each and every bolt across the system.

**Thomas Reisten:** Maybe I can expand a little bit actually on what I have said earlier in terms of this acceleration phasing which as well gives you some indication on next year. If you think about the acceleration of the rollout as we have been saying in the past you will reach run rate speed by the end of fiscal year 2023. Really reiterating what I said earlier today already, over the next few quarters we will continue our acceleration from where we are at this point in time. Expect us to accelerate the BTS rollout as well on an ongoing basis before we then reach the run rate towards the end of the fiscal year. Then from there onwards we would be at the run rate speed. That gives you some indication on the respective revenue obviously as well.

It is important to note maybe in the overall context as well, if you think about 1&1 as an example, we will prepare for that rollout and we have been talking as well that we are investing into some studies, that we are continuing to analyse actually where to roll out these co-tenancies as well and reassure us that we will actually know exactly how the landlord is going to react by doing analysis there. What I am saying is basically that we will continue to invest into this as well, not only from a capex point of view but as well from a cost point of view in order to prepare us for that further roll out of these co-tenancies into the next year as well. Those are some things that just operationally are happening as we speak and that will actually continue into the next year. I hope that gives you some anchor points for your question.

**Jerry Dellis:** Thank you.

**Simon Coles (Barclays):** Hi Vivek, Thomas, thanks for taking the question. You commented on it still being a bit early on the phasing of 1&1 but I was wondering given they are using O-RAN and they have got a partner in Rakuten in helping them build out the network, it is a slightly different sort of process I imagine to working with a normal mobile operator in Europe. I am wondering if you can provide a bit more colour on does it make it more difficult? Does it make it easier to think they could actually deploy more quickly than we have seen other operators in Europe in the past few years? Do you have to provide any extra services given the technologies that they are using? Any colour around that would be great, thank you.

**Vivek Badrinath:** On the first part it is a bit early. We are ramping it up, working well, good collaboration at a technical level, good dialogue so no, nothing to report. I would say not enough data points to see if it is harder or easier than the rest. The installation part is not miles away from what we are used to. You are talking antennas and electronics on site. There is also synchronisation with the fibre that needs to be done but nothing that we have not seen elsewhere. There is no conceptual big gap on the part that pertains to us. Configuration, turning on, tuning, etc I am less expert on but that is more on the relationship with 1&1 and Rakuten and they will work on that. Too early to say in terms of return of experience on this one but certainly good technical collaboration. I am feeling pretty confident that everybody wants to make it happen on time and on schedule. That is what I am seeing today.

The second part to your question was whether we have to provide any extra services. No, not at this point. We are open. When we designed the process, we synchronised deliveries of equipment on site and things like that. It is more logistical stuff than anything else. Nothing on the radio or IT side that we are involved in that is in Rakuten and operator side. Looking forward to it. It is an exciting project.

**Simon Coles:** Thanks very much.

**Usman Ghazi (Berenberg):** Hi guys. I have just got a follow-up on the 1&1 question and then I have got my own question. Following up on Simon's question I wanted to know if 1&1 wanted to go faster than the current timeline of 3,800 sites by 2025 and wanted them by 2024 or 2023 and assuming they have the capability internally and the capex budget to do that, is Vantage in a position to deliver these sites earlier than 2025? Or is it just that landlord approvals, etc will take time so it is 2025 that you can deliver the 3,800 sites by?

**Vivek Badrinath:** To that one, at this point we are gearing up for the 3,800 for this period and the candid answer to your question is it depends because it depends on what sites. There are some sites that are easy to provision and others which are harder, so it depends which category you are in. The things that you have got to take care of are landlord approval and in some cases upgrades or adaptations of the rooftop. Depending on how complex it is some of them could be easier and could be done first. Some of them could require more time so I would say it is hard to answer your question because it really depends on where the demand is not how much the demand is.

**Usman Ghazi:** Okay, that is clear. Then my question was just on M&A. Clearly there is a benefit, as you have indicated, if there is a deal on the table but I wanted to understand what your red lines would be if you are willing to say given there are several opportunities on the table. It would be good to understand what the red lines are for you internally when you are looking at these opportunities.

**Vivek Badrinath:** Well the main red lines apply to our shareholders. It is what they want to do in terms of ownership, what they want to do in terms of shareholder rights, etc. For us we are very open-minded. It needs to be accretive and favourable to our shareholders. That is about as far as it goes. What would management be looking at in a combination of this nature which essentially is one where the shareholders are looking at accretion that it would generate? We would be looking at being able to deploy operationally in an efficient way across a broader footprint and having as few constraints as possible on driving operational efficiencies across the system. That is what we would be looking for.

**Thomas Reisten:** A strategic fit I guess with the quality of our network, the way that we are positioned here with really great tenants that are rated very well as well. I think overall it needs to be accretive and in the context of the strategic fit analyse that.

**Vivek Badrinath:** Indeed, a very good point that, Thomas. We are trying to keep the company to the identity that we have expressed to you over the last couple of years, which is we have one of the stronger grids in the market, number one of number two which means we have attractive locations to on an ongoing basis continue to grow tenancies with a very high proportion of investment grade customers and indeed a very clear visibility on our revenue flows for the long-run. That is what we stand for so any combination what we would be expecting is that we keep this logic of a Europe-based tier-1 supplier in the geographies where we operate. That is the strategic fit that we would be looking for.

**Usman Ghazi:** Thank you very much.

**Nick Delfas (Redburn):** Hi, thanks very much. A quick one on inflation. I want to understand, let us say inflation is currently 5% in Germany, which inflation rate do you exactly take for the year ahead? Is that a March inflation for starting in April? How does that impact also your ground leases? Do they typically all upgrade with inflation at the same time? Thanks very much.

**Vivek Badrinath:** Thomas, I was supposed to give you a t-shirt about inflation, but I have not done that yet. You can go ahead.

**Thomas Reisten:** Obviously you look at the 12 months January to December in that inflation rate. Then you see where we will end up at the end of that December. Then from there onwards you actually look at the situation with regards to the MSA. The cap is pretty clearly in Germany as an example at 2%. From there I think you can take your considerations what the next year might be from that perspective. We have not yet announced that.

**Nick Delfas:** To end December for the year starting 1st April.

**Thomas Reisten:** That is right. You look at the January to December numbers.

**Nick Delfas:** And for ground leases those will uprate with CPI?

**Thomas Reisten:** It is a mixture. It is a mixture of them automatically increasing and on the other hand some are not automatic increases as well. Overall, what we have seen in the past is that the adjustments have not come through in line with inflation. Then I would remind you of the GLBO programme that we have spoken about earlier as well and the success we have in that space which clearly allows us to moderate any inflationary trends that we get on the leases. All of the cost initiatives and GLBO, one of the most important ones actually in our context, and with the leases obviously forming such a large component of our costs at over two-thirds, then as a consequence this is really important for us to continue to drive and to continue to accelerate, which is exactly what we have been doing in the third quarter. If you take that into account, we are confident that we can actually achieve our medium-term objectives of high-50%s margin. Whilst inflation is at least a temporary topic here, we have tools in our hands that we can use and are using in order to manage that.

**Nick Delfas:** Great, thanks very much indeed.

**Luigi Minerva (HSBC):** Hello good morning Thomas and Vivek. My question is on M&A and I wanted to get your views on the way the competition authorities are approaching market definition. We have different examples from France, UK and in some cases the market definition only looks at independent tower cos so I would be interested to know your views on that approach. Sometimes it seems a bit strict. Then specifically if we were to think about Germany I am wondering whether a combination with another substantial platform, for example Vantage and GD Towers, how do you see the trade-off there between potential remedies and synergies and whether such a combination essentially would see remedies offsetting the synergies potential. Thank you.

**Vivek Badrinath:** In a way you have given all the pointers to the answer in a nutshell because as you can see first thing indeed it is fair to say that we do not yet see a pan-European doxa on the subject and for good reason. It really depends as much on the competitive situation in the market as it depends on the rollout which is why you see CMA in the UK. To be fair, taking into account only independent tower cos is probably something that we see less and less of in the coming years, in my view. If you look at when we started less than 50% of the towers were in tower cos. Today 75% are in tower cos in Europe. The journey is started. Look at the behaviours of the tower cos. We did sign a contract with 1&1. If there is a pointer, that is one. I think this notion of independent versus non-independent was a very nice 2019 point of debate, but I do not think it is a 2022 point of debate. I think that thing will evolve.

Then it is about market by market. I will point you to Italy and INWIT. That deal was agreed. INWIT is working very hard with Iliad and TIM and Vodafone to ensure that indeed the open access nature of INWIT is completely put in place. For regulators have an issue, an independent tower co which has a strong presence on the open access site is pro-competitive all said and done. A pointer, 1&1, a new entrant comes in. Ability to roll out network using existing infrastructure is an enhancement to the competitive nature of the market, which is what they typically look for on the retail side, on the downstream side. I think the conversation can only be open because having tower cos that enable operators to have space brings down an entry barrier and that is good for them. Then it is about market by market.

Then on your last question which is what if Vantage and GD Towers in Germany, I would only say the jury is out. It is for the authorities, in a hypothetical transaction if it were to occur, to make up their mind. However, it is a fact that I would not expect anything else than an open access provider which is our nature in any transaction of that sort. Then it is a conversation about how that could play out.

Then nature of remedies, the French case was very specific because they took a very specific read and breakdown of the market. I am not sure that formula is in EU law in any way, so it is something that was more of an analysis tool for them.

**Luigi Minerva:** Thank you very much.

**Georgios Ierodiaconou (Citigroup):** Good morning and thank you for taking my question. It is actually if you do not mind a follow-up after Luigi's question first, which is just to confirm that when you are looking at your options is it fair to conclude that anti-trust considerations are not a main worry for you because you gave us a number of reasons why in Germany there should be a merger potentially allowed? Do you give it 100% probability and therefore that is something you are willing to pursue or is it something you have doubts and therefore there could be some discounting if you would ever have negotiations for something like this to materialise? My question is actually another follow-up which is on the tenancy growth that was discussed earlier. I was curious if you could give us a bit of an idea of the mix between MNO and non-MNO tenants that you are adding both in the agreements and in the existing numbers. I know from the disclosures of your Italian subsidiary that there could be different ARPUs between different kinds of customers. I would be curious to hear any exposures on that. Thank you.

**Vivek Badrinath:** On the first one, I certainly cannot say the probability is 100%. It is a new area as Luigi mentioned so there is still a bit of case law to be built on this. INWIT is the one big precedent of this nature I guess that we have, which was favourable. It is definitely a conversation that is worth having, where we think that on the balance it is pro-competitive to have open access tower cos providing services to all MNOs and that if they are strong and efficient that brings down the cost of infrastructure for the industry. We do believe that there is a case. Now, the case is to be judged by those who judge the case not by those who bring it forward so I will be humble at that point in time and certainly not prejudge or pre-calculate probabilities of somebody else's decision. That is where I leave it. We certainly think that there are lots of good arguments for saying that a strong tower co is good for the telecom sector. It is good for digitising Europe because it makes better use of the capital that has been rolled out and it helps people to compete without spending as much money as if they had to build everything on their own.

**Thomas Reisten:** Exactly. On the tenancies first of all let me say it is a good mix of both MNO tenancies on the one hand and OTMO tenancies on the other hand. Then if you think back to when we set out to go on this journey during the IPO what we have said there is that our revenue guidance that we actually had set out at that point in time did not really include a lot of OTMO. We were more on the MNO side, so we were very cautious and conservative on the OTMO component of our future tenancies and revenue growth. From that perspective you have seen us doing that actually pretty well and actually exceeding expectations I think it is really fair to say compared to what we have been seeing during the IPO. That gives you an indication from that perspective.

On the other hand, then you were talking about ARPU or actually the revenue contribution that such OTMOs actually provide. I think what we have to consider in that context is that the space that they occupy on a given tower is significantly less than an MNO would actually be taking up as well. You have relatively easy additions in that space that give you a really health revenue contribution, albeit obviously a lower one than an MNO would give you. However, the space that they occupy is significantly less as well so if you take all of that into account they are a very, very good addition to our revenue growth and secondly from a profitability point of view actually very profitable business for us as well. Then there is a healthy mix between the two.

**Georgios Ierodiaconou:** If I could confirm from your statements given the 1&1 agreement and better take up on the non-MNO side that means your tenancy ratio targets appear relatively conservative now. Is that a fair conclusion?

**Thomas Reisten:** What we have said through the 1&1 announcement was that certainly we are now confident that we can actually achieve our mid-term guidance towards the upper end of that guidance. That is what we have stated so far, and it is really what I can confirm to you. It is definitely towards the upper end of that guidance.

**Vivek Badrinath:** Right, I think that was indeed the last question in the sequence, but I am really thankful for all the good questions. Just to conclude we are on a journey. Q3 of course is a revenue statement. We will see you again on the full-year results but we are progressing commercialisation, GLBO ramping up, operational work going on to strengthen our BTS programme to overcome the short-term supply chain issues that we are facing and to accelerate our ramp up as we go forward. Hence, guidance is reconfirmed for the full year. Looking forward to seeing you on the other side of our very active fourth quarter. Lots of good things happening. The 1&1 co-location programme is very exciting for us and indeed standing it up is one of the big priorities. Once again, a very active quarter in Vantage Towers with good progression along the lines of the strategy and the directions that we have given you from the beginning of our listed company journey. Thank you very much for your attention today.

Thomas Reisten: Thank you.

[END OF TRANSCRIPT]