Altice France (SFR) Q2 2023 Results

August 8, 2023

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FORWARD-LOOKING STATEMENTS

Certain statements in this presentation constitute forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this presentation, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things: our future financial conditions and performance, results of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; and future developments in the markets in which we participate or are seeking to participate. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “could”, “estimate”, “expect”, “forecast”, “intend”, “may”, “plan”, “project” or “will” or, in each case, their negative, or other variations or comparable terminology. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will be achieved or accomplished. To the extent that statements in this presentation are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements including risks referred to in the Altice France Holding S.A. or Altice France S.A., as the case may be, annual and quarterly financial statements.

FINANCIAL MEASURES

SFR refers to the Altice France Holding Restricted Group. Altice France Holding S.A. is a subsidiary of Altice Luxembourg S.A. Altice France Holding S.A. holds 100% less one share of Altice France S.A. and Altice Luxembourg S.A. holds one share of Altice France S.A. The perimeter of consolidation for this presentation, the Altice France Holding Restricted Group, consists of Altice France Holding S.A., Altice France S.A. and its consolidated entities, excluding the legal entity that has been declared as an ‘unrestricted subsidiary’, SportsCoTV S.A.S, the company that houses the Altice TV activity.

This presentation contains measures and ratios (the “Non-GAAP Measures”), including Adjusted EBITDA, Capital Expenditure (“Capex”) and Operating Free Cash Flow, that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. We present Non-GAAP Measures because we believe that they are of interest to the investors and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Non-GAAP Measures may not be comparable to similarly titled measures of other companies or have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our, or any of our subsidiaries’, operating results as reported under IFRS or other generally accepted accounting standards. Non-GAAP measures such as Adjusted EBITDA are not measurements of our, or any of our subsidiaries’, performance or liquidity under IFRS or any other generally accepted accounting principles, including U.S. GAAP. In particular, you should not consider Adjusted EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our, or any of our operating entities’, operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, or any of our subsidiaries’, ability to meet its cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. In addition, these measures may also be defined and calculated differently than the corresponding or similar terms under the terms governing our existing debt.

Adjusted EBITDA is defined as operating profit before depreciation, amortization and impairment, other expenses and income (capital gains, non-recurring litigation, restructuring costs), share-based expenses and after operating lease expenses (i.e., straight-line recognition of the rent expense over the lease term as performed under IAS 17 *Leases for operating leases*). This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect the operating results, which is also presented within the Altice France Holding S.A. or Altice France S.A., as the case may be, annual and quarterly financial statements in accordance with IAS 1 - *Presentation of Financial Statements*. All references to EBITDA in this presentation are to Adjusted EBITDA, as defined in this paragraph.

Capital expenditure (Capex), while measured in accordance with IFRS principles, is not a term that is defined in IFRS. However, management believes it is an important indicator as the profile varies greatly between activities:

- The fixed business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable Capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc.).
- Mobile Capex is mainly driven by investment in new mobile sites, upgrade to new mobile technology and licenses to operate; once engaged and operational, there are limited further Capex requirements.
- Other Capex: Mainly related to costs incurred in acquiring content rights.

Operating free cash flow (OpFCF) is defined as Adjusted EBITDA less Capex. This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating cash flow as presented in the consolidated statement of cash flows in accordance with IAS 1 - *Presentation of Financial Statements*. It is simply a calculation of the two above mentioned non-GAAP measures.

Adjusted EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Adjusted EBITDA as reported by us to Adjusted EBITDA of other companies. Adjusted EBITDA as presented herein differs from the definition of “Consolidated Combined Adjusted EBITDA” for purposes of any of the indebtedness of the Altice France Holding Restricted Group. The financial information presented in this presentation, including but not limited to, the quarterly financial information, pro forma financial information as well as Adjusted EBITDA and OpFCF is unaudited.

SFR altice

Update on the Ongoing Investigation in Portugal

- **As part of an ongoing investigation, the Portuguese authorities are investigating allegations of harmful practices and misconduct, notably private corruption, by certain individuals and entities related to Altice Portugal - a subsidiary of Altice International -, of which Altice Portugal is allegedly a victim.**
- **Immediate action has been taken across jurisdictions to protect the interests of the group and all stakeholders:**
  - Investigations in Portugal and across other jurisdictions, including France, launched under the authority of a global investigation committee, to perform a thorough, independent and broad investigation in relevant jurisdictions (Ropes & Gray and DLA Piper France appointed as global co-ordinating counsel by Next Alt, with local counsel in addition to other advisors in local jurisdictions).
  - A small number of key legal representatives, managers and employees in Portugal and abroad have been placed on leave while this investigation is conducted, internal organisation reconfigured with the appropriate individuals covering the relevant positions.
  - Full review and thorough reinforcement of the approval process on all procurement, payments, purchase orders and related processes. Altice and its subsidiaries have already started transitioning from suppliers potentially implicated by the Portuguese authorities' investigation.
- **Altice France will provide any material updates as appropriate and permissible in due course, with transparency throughout the process.**
- **Patrick Drahi and management team to host investor meetings in London and New York in September 2023.**

Altice France Current Organisational Set-up

Simplified legal organisational chart

Patrick Drahi – Controlling shareholder

- Next Alt
  - 90% → Altice Group Lux
  - 100% → Altice France Holding
  - 100% → Altice France
    - 100% → Telecom (SFR)
    - 100% → Media (BFMTV / RMC)
    - 50.01% → XpFibre

Full local operating team

Operating team

Arthur Dreyfuss (37 years old)
Chairman & CEO Altice France

Mathieu Cocq (48 years old)
CEO Telecom

Benjamin Haziza (44 years old)
CFO

Éric Pradeau (54 years old)
Head of B2C

Emmanuel Pugliesi (47 years old)
Head of B2B

Olivier Tailfer (47 years old)
CTO

Expert corporate overlay

Corporate team

- **Consolidation & public reporting**
- **Board controlling**
- **Corporate finance incl. treasury**
- **Corporate legal**
- **Corporate tax**
- **M&A**
- **Investor relations & communications**

Q2 2023 Summary

Financials trends in Q2 2023:

- **Total revenue declined by -2.6% YoY**
- **Total EBITDA declined by -5.7% YoY**
- **Total OpFCF declined by -4.1% YoY**

€1.4 billion liquidity and no material debt maturity before 2025

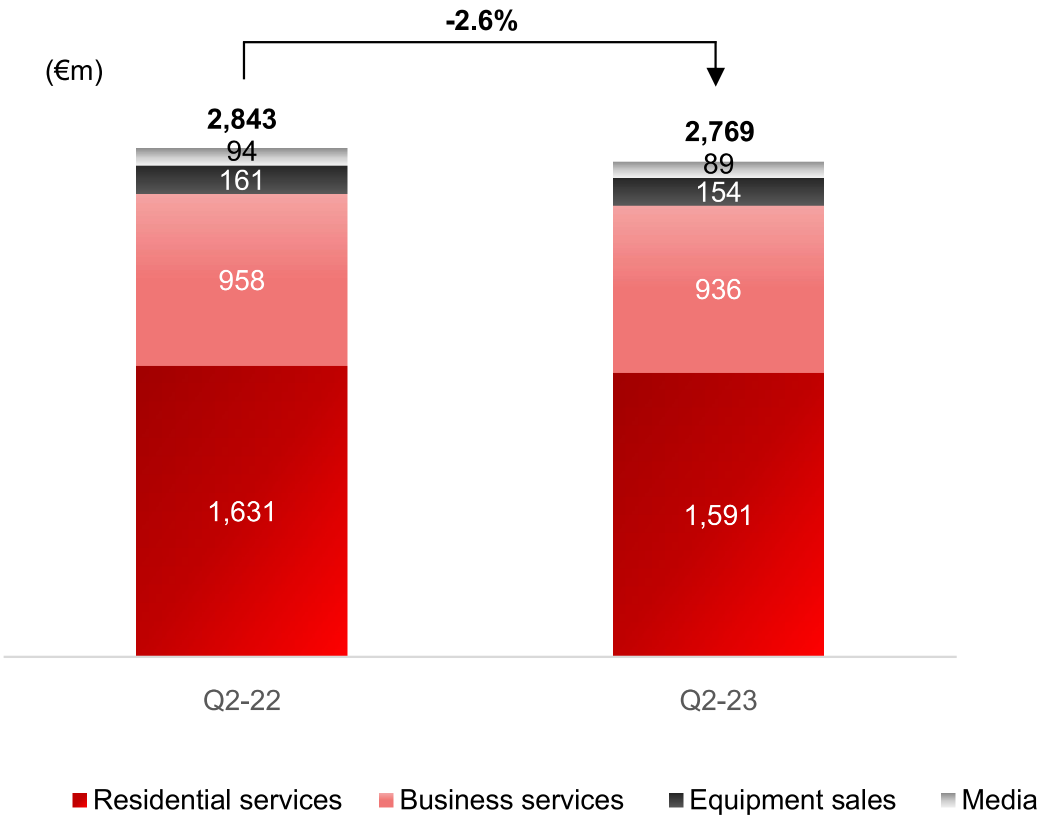
Pro forma net leverage of 6.3x on an L2QA basis and 6.0x on an LTM basis at the end of Q2 2023

Guidance reiterated:

- **Mid-term: organic operating free cash flow growth of €1 billion, underpinned by revenue, EBITDA growth and Capex reduction (excluding impacts related to XpFibre)**
- **Target leverage of 4.5x net debt to EBITDA**

For footnotes see slide 21

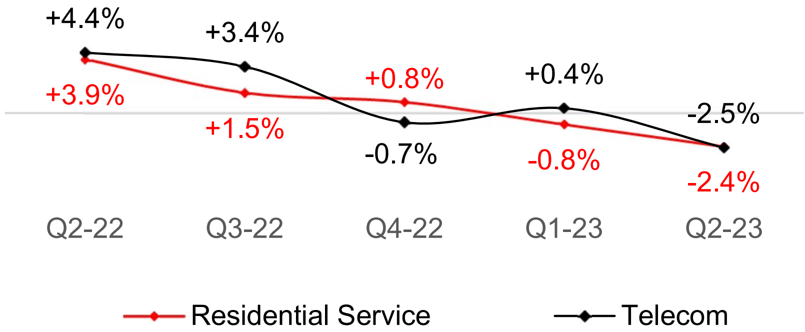
Revenue Trends



Q2 2023 revenue trends YoY

- **Telecom: -2.5%**
  - Residential services: -2.4%
  - Residential equipment: -4.5%
  - Business services: -2.3%
- **Media: -5.3%**

Revenue growth evolution YoY



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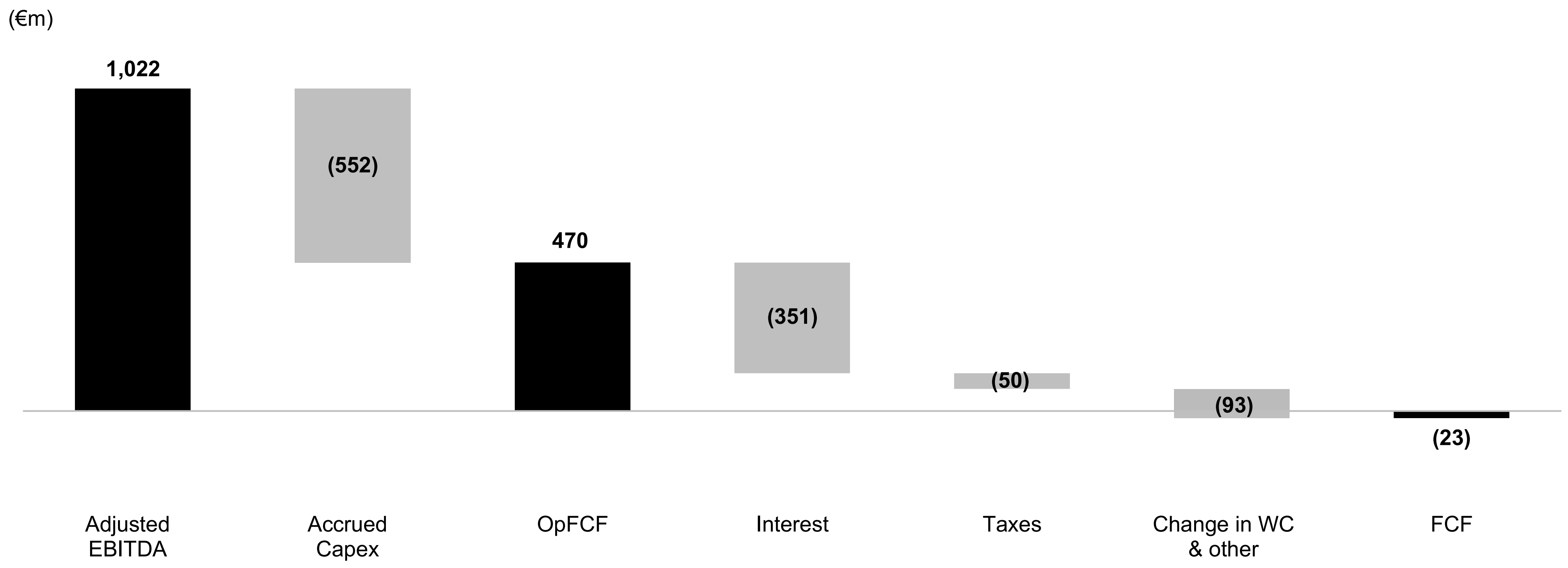
Summary Financials

€m	Q2-22	Q2-23	*Growth YoY*
Residential services	*1,631*	*1,591*	*-2.4%*
Residential equipment	*161*	*154*	*-4.5%*
Business services	*958*	*936*	*-2.3%*
Telecom	2,749	2,681	*-2.5%*
Media	94	89	*-5.3%*
Revenue	**2,843**	**2,769**	***-2.6%***
Telecom	1,052	995	*-5.4%*
Media	32	27	*-16.4%*
EBITDA	**1,084**	**1,022**	***-5.7%***
Telecom	582	543	*-6.8%*
Media	12	10	*-20.8%*
Accrued Capex	**594**	**552**	***-7.0%***
Telecom	470	453	*-3.7%*
Media	20	17	*-13.8%*
Total OpFCF	**490**	**470**	***-4.1%***

For footnotes see slide 21

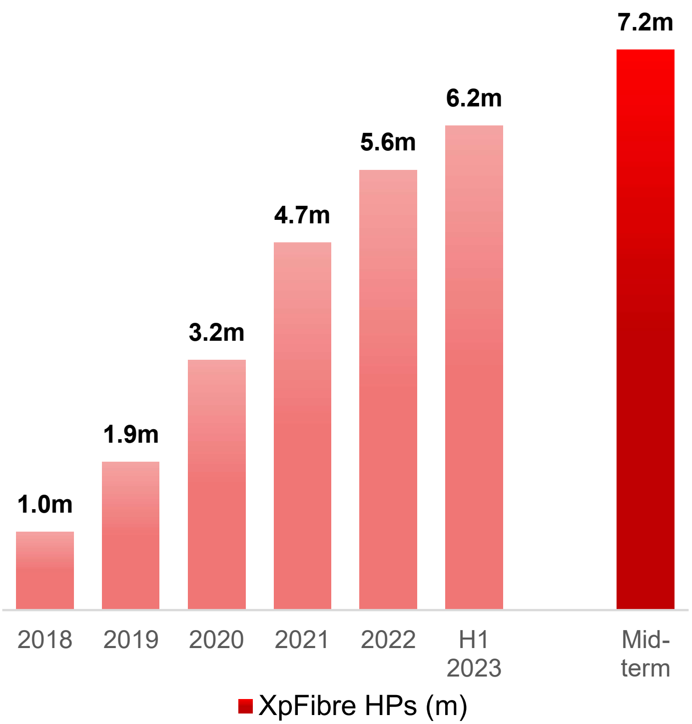
Q2 2023 Free Cash Flow



FCF excluding spectrum, IRUs and significant litigation paid and received

Update on XpFibre

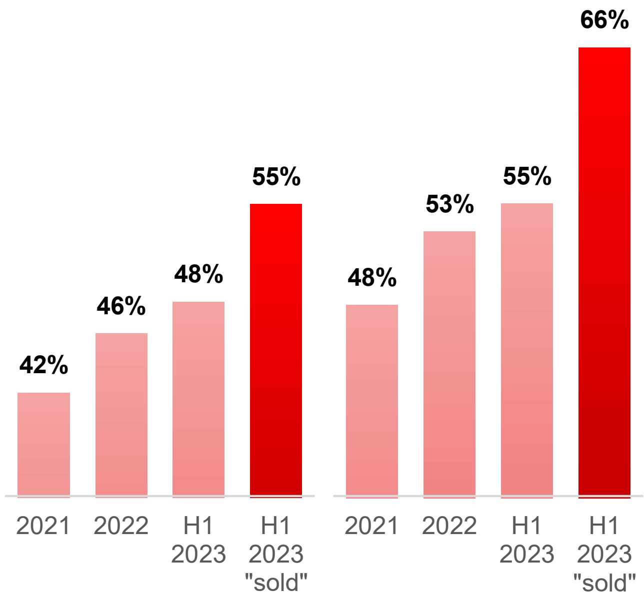
Network rollout on track



Penetration rates

Total XpFibre
(84% built)

Medium dense areas only (2.8m HPs)
(100% built since 2021)



Attractive mid-term financial profile

Penetration >85%

Revenue: > €0.9bn

EBITDA: > €0.6bn

FY 2023E

EBITDA: €0.3bn

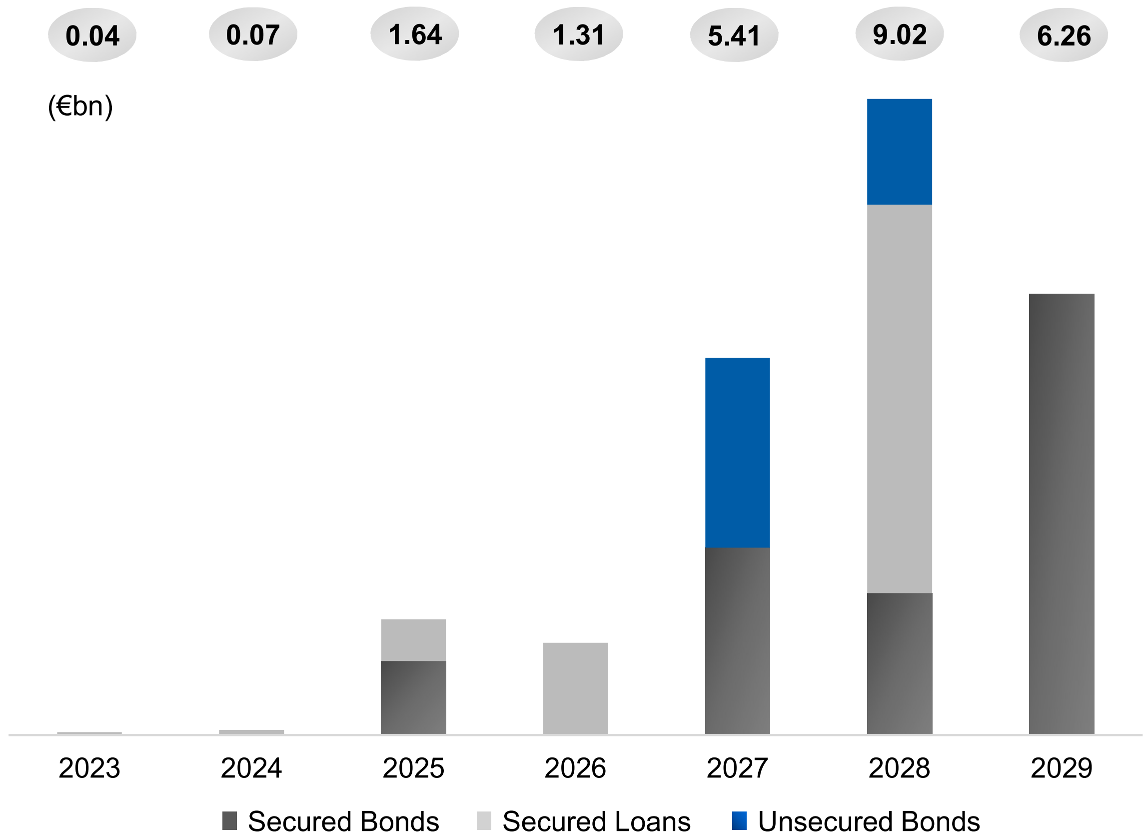
Net debt end 2023: €2.5bn area

Not consolidated today
Path to control (call option)

For footnotes see slide 21

SFR Capital Structure and Debt Maturity

Altice France	
Net debt	€23,861m
WAL	4.6 years
WACD	5.6%
Fixed interest	84%
Net leverage (LTM)	6.0x
Net leverage (L2QA)	6.3x
Liquidity	€1.4bn
Unsecured	
Net debt	€4,191m
WAL	4.1 years
WACD	6.3%
Net leverage (L2QA)	1.1x
Secured	
Net debt	€19,670m
WAL	4.7 years
WACD	5.5%
Net leverage (L2QA)	5.2x



For footnotes see slide 21

Deleveraging & Maturity Profile

Multiple inorganic levers & refinancing options

Focus on	Levers
2025 & 2026 maturities	Sell non-core assets (Datacentres, other options)
Inorganic deleveraging by 1x within 12 months	XpFibre optionality (reconsolidation, recap, other)
Restore cost of debt, including unsecured debt	Strategic equity options
Continued extension of maturity of capital structure	Consolidation
	Shareholder equity

Whatever it takes

in due time and in the right manner

Q&A

Appendix

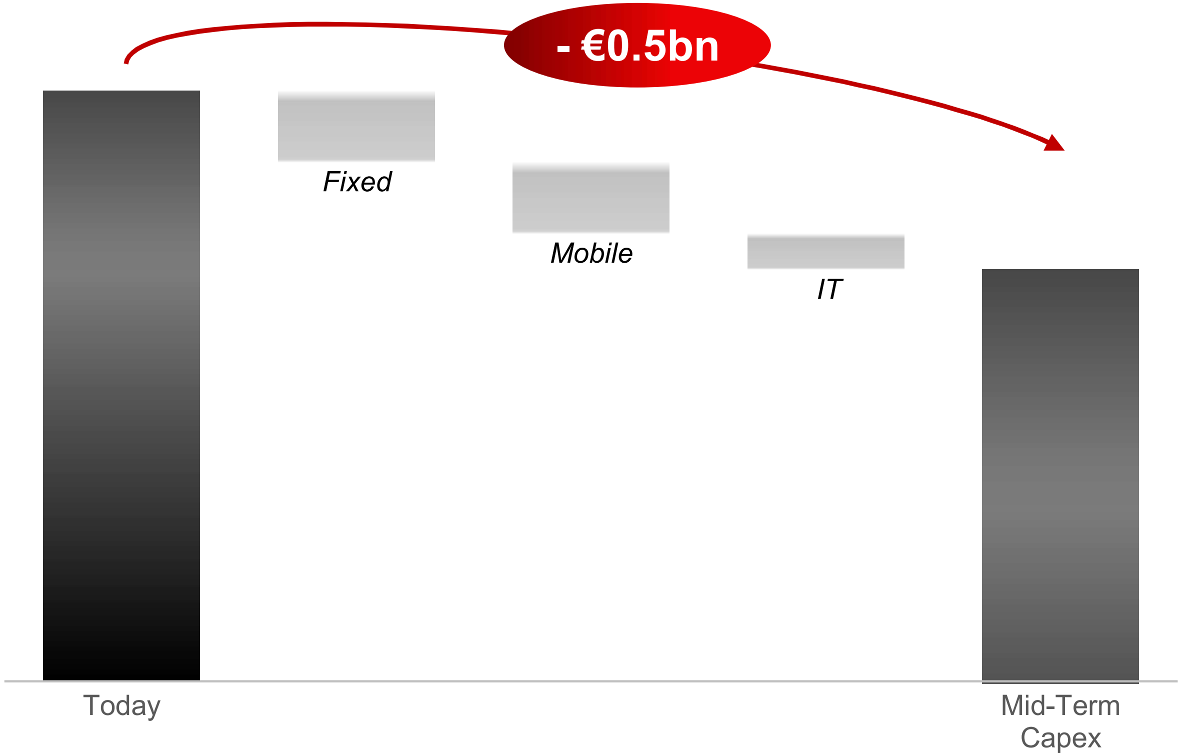
Mid-term EBITDA Growth: + €0.5bn

Revenue growth	• Service revenue growth driven by residential subscriber and ARPU growth • B2B revenue growth (excluding construction activity)
Op. Cost control	• Ongoing fibre migration will result in lower churn and less operating expenses
Cost savings	• IT simplification to drive additional cost savings • Further digitalization to drive better customer experience and improved returns

Organic EBITDA growth from core activities: + €0.5bn (excluding construction activity)

For footnotes see slide 21

Mid-term Capex Reduction



- ✓ **Fixed – migration to fibre largely completed leading to lower churn and lower customer Capex (installations, CPE), Box / App evolution**
- ✓ **Mobile – vendor upgrade and 5G investment cycle completed**
- ✓ **IT – simplification and increased digitalization**

Mid-term Financial Objectives

Revenue growth	• Service revenue growth • B2B revenue growth (excluding construction activity)	+ €0.5bn	Organic OpFCF + €1bn
EBITDA growth	• Operating leverage of core business with cost control driving EBITDA growth • Organic EBITDA growth from core activities: + €0.5bn (excluding construction activity)		
Capex reduction	• Peak Capex in FY-21 to FY-23 • Mid-term reduction post migration to fibre, mobile upgrade and IT simplification	- €0.5bn	
Other Cash Flow items	• Phasing out of non-recurring cash outs (5G spectrum, Altice TV funding, restructuring) • Future cash flows from XpFibre compensate loss of contribution of construction activity	+ €0.4bn	Other CF items + €0.4bn
M&A	• No acquisitions needed		
Leverage	• Unchanged leverage target of 4.5x net debt to EBITDA		

For footnotes see slide 21

Reconciliation to Swap Adjusted Debt as of June 30, 2023

€m	Actual	Pro Forma
Total debenture and loans from financial institutions	**23,515**	**23,515**
Value of debenture and loans from financial Institutions in foreign currency converted at closing FX rate	-19,296	-19,296
Value of debenture and loans from financial institutions in foreign currency converted at hedged rate	19,647	19,647
Transaction costs	233	233
Total swap adjusted value of debenture and loans from financial institutions	**24,099**	**24,099**
Commercial paper	3	3
Overdraft	4	4
Other debt and leases	52	52
Gross debt consolidated	**24,158**	**24,158**
Cash	-362	-297
Net debt consolidated	**23,796**	**23,861**

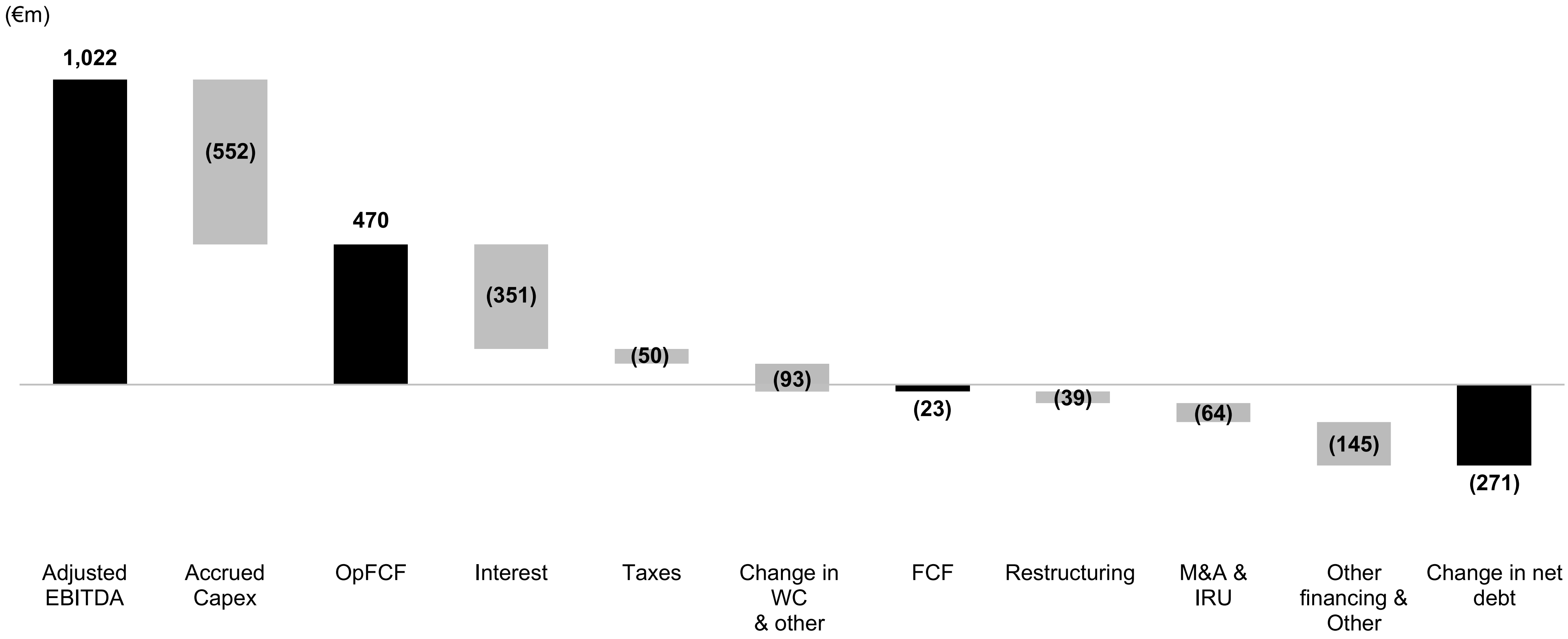
For footnotes see slide 21

Pro Forma Leverage Reconciliation as of June 30, 2023

€m	Actual	Pro Forma
Gross debt consolidated	**24,158**	**24,158**
Cash	-362	-297
Net debt consolidated	**23,796**	**23,861**
LTM EBITDA consolidated pro forma	**3,991**	**3,991**
Net leverage		6.0x
L2QA EBITDA consolidated pro forma	**3,759**	**3,759**
Net leverage		6.3x

For footnotes see slide 21

Q2 2023 Free Cash Flow and Change in Net Debt



FCF excluding spectrum, IRUs and significant litigation paid and received

Non-GAAP Reconciliation to Unaudited Consolidated Interim Financial Statements GAAP Measures

€m	Q1-23	Q2-23
Revenue	**2,740**	**2,769**
Purchasing and subcontracting costs	-732	-755
Other operating expenses	-588	-437
Staff costs and employee benefits	-287	-274
Total	**1,133**	**1,303**
Share-based expense	-	-
Rental expense operating lease	-276	-280
Adjusted EBITDA	**857**	**1,022**
Depreciation, amortisation and impairment	-788	-858
Share-based expense	-	-
Other expenses and income	-9	-20
Rental expense operating lease	276	280
Operating profit/(loss)	**336**	**425**

Capital expenditure (accrued) - Financial Statements	**593**	**562**
New IRU	-4	-10
Capital expenditure (accrued) - Investor Presentation	**589**	**552**

For footnotes see slide 21

Footnotes

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Accrued Capex in Q2 2023 excludes accruals related to the acquisition of a new IRU for an amount of €10 million	Slides 3, 5, 6, 18, 19
€1.4 billion liquidity includes €1.1 billion of undrawn revolvers and €0.3 billion of cash. The cash position is pro forma for the deferred consideration of €65 million, expected to be paid by 2024, related to the acquisition of Coriolis	Slides 3, 7
SFR capital structure and debt maturity refers to the Altice France Holding Restricted Group, comprised of Altice France Holding (Unsecured) and Altice France (Secured) Leverage is shown on an L2QA basis SFR (Altice France Holding Restricted Group) net debt is presented pro forma for the deferred consideration of €65 million, expected to be paid by 2024, related to the acquisition of Coriolis Altice France net debt excludes operating lease liabilities recognized under IFRS 16 and Altice France gross debt is net of swaps	Slides 3, 7, 16, 17
Interest as shown includes Altice France Holding interest	Slides 6, 18
Maturity profile as shown excludes other debt, leases and overdraft (c.€56 million) and is shown unswapped	Slide 7
H1 2023 “sold” as shown reflects what the network penetration would be on the XpFibre network if we assume the existing IRU tranches already sold are fully penetrated	Slide 8
Organic growth excluding the contribution of construction activities, related to the construction of the XpFibre FTTH network. The decline in the construction contribution will be offset by the contribution of SFR’s interest in XpFibre (Altice France owns a 50.01% interest in the XpFibre joint venture, which is consolidated using the equity method in the financial statements)	Slides 13, 15