



Press release  
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## Planned strategic investment of Grupa Cyfrowy Polsat – acquisition of a block of shares in Netia

### New services, new market and boost to implementation of a convergent operator strategy

Cyfrowy Polsat placed purchase orders for a combined block of approximately 32% of shares in Netia from its two major shareholders. The total purchase price has been set at PLN 638.8 million. Cyfrowy Polsat intends also to announce a tender offer in order to achieve a stake of no more than 66% of the total number of votes at the General Meeting of Netia. Cyfrowy Polsat Group, the largest Polish privately owned company based on Polish capital, is pursuing another strategic investment aimed at expanding its multiplay offer and boosting the implementation of its convergent operator strategy.

*“To us Netia represents valuable infrastructure, attractive client base and entry point to an entirely new market. It is a potential amalgamation of two perfectly complementary businesses and a natural step in the development of our Group, one that will let us offer our existing and future clients new services and add attractive new elements to our package of integrated services available for all Poles”* says **Tobias Solorz, President of the Management Board of Cyfrowy Polsat S.A., Polkomtel Sp. z o.o.**

Netia perfectly fits the mission, vision and strategic goals of Cyfrowy Polsat Group and gives it strong support in 3 areas:

#### 1. Valuable infrastructure:

- Nationwide telecommunication infrastructure:
  - 20 thousand kilometers of backbone optic fiber network,
  - municipal optic fiber infrastructure in 48 largest Polish cities,
  - last mile network reaching presently 2.5 million locations.
- Infrastructure allowing Polsat Group to quickly and effectively increase the capacity of its mobile network.
- Better flexibility in telecommunication network development planning – investments targeted both at mobile and optic fiber technologies.

#### 2. Attractive client base

- Base of almost 1 million clients in the B2C segment gives a great cross-selling potential for products of Polsat Group as part of the multiplay strategy.
- 25 thousand B2B clients and direct access to more than 800 major office buildings in Poland (using existing cables).



### 3. Entirely new market

- Location of Netia's existing clients and reach of its last mile infrastructure opens an entirely new market for Polsat Group – large cities and urban areas.

#### **Better flexibility in telecommunication network development**

*“Netia has an expanded, nationwide fixed line infrastructure. Its 20 thousand kilometers of backbone network across Poland will be a very valuable asset to us – it would take us years and huge capital expenditures to develop an equivalent grid”* comments **Tobias Solorz**.

In addition to the backbone network, Netia has equally large, nationwide last mile network reaching today more than 2.5 million locations in Poland, including 800 major office buildings. Upon finalization of the transaction it will give a very strong leg up to the development of the telecom network of Cyfrowy Polsat Group. It will facilitate increasing the capacity of its mobile network in densely populated areas and take off some load where, after the transaction, a fixed line Internet access will be made available to the clients of Cyfrowy Polsat Group. At the same time, with the sophisticated infrastructure of Netia it will be possible to efficiently continue the development of both fixed and mobile networks in the future, where the Group sees potential for further growth of its business.

*“We will achieve greater flexibility in planning the development of our telecommunication network and an ability to implement targeted investments both in mobile and optic fiber technologies. What is important, the currently implemented mid-term business development plan of Netia perfectly completes the investment plans of our Group and will let us implement them even more effectively, with benefits to both our clients and shareholders”* say **Tobias Solorz**.

#### **New services and new market for Cyfrowy Polsat Group**

*“Fixed line Internet will perfectly complete our portfolio of services, which, after the transaction is finalized, will be made available to almost one million clients of Netia. We will significantly strengthen our offer for business clients as well. Additionally, with the new services included in our portfolio we will bring the multiplay offer to a new market of large cities, so far populated by large cable network operators only”* says **Tobias Solorz**.

Cyfrowy Polsat Group has been consequently pursuing the multiplay operator strategy in the recent years, *inter alia*, by expanding the portfolio of its services and offering, together with Plus mobile network, the smartDOM program with its attractive discounts for each service added from the Group portfolio. At present, the Group offers 9 different products and services: the flagship services of pay TV, mobile telephony and LTE Internet, as well as electricity, gas, house monitoring, banking and insurance services, telecommunication equipment, radio, television and white goods. For years its main purposes have been to continuously develop its multiplay offer and cross-sell services to contract customers.

Fixed line Internet from Netia will therefore be a natural step in the development of Cyfrowy Polsat Group's multiplay offer and its attractive addition, improving the accessibility of the offer to both individual and business clients, adding to its variety and flexibility. Upon completion of the transaction the clients of Cyfrowy Polsat Group and Netia alike will have access to new, attractive services at reasonable prices, even more complete packages of convergent services and perceptible added benefits, such as lower bills for converged services, ease to shop around in the broad shopping network both through traditional and electronic channels, simplified customer service process, etc.



The fixed line infrastructure of Netia available in 800 major office buildings in Poland will give Cyfrowy Polsat Group, after the transaction is completed, a unique opportunity to create a flexible and comprehensive offer for business clients.

All these elements together create a great potential for future development and growth in the segments of services provided to individual and business customers of the Group.

### **Very good economic balance**

Another argument in favor of the investment in the block of shares of Netia is that Cyfrowy Polsat Group expects to achieve many synergies in the years 2019-2023, with a total value of approximately PLN 800 million. The company's very good financial health is an additional benefit.

*"Netia is in very good financial condition with low indebtedness. We believe that the transaction will generate noticeable operational and financial synergies and let us run the planned investment along with debt restructuring efforts and achieve the moment when we will pay dividend in the future"* says **Katarzyna Ostap-Tomann, Member of the Management Board, Finance, Cyfrowy Polsat S.A., Polkomtel Sp. z o.o., Telewizja Polsat Sp. z o.o.**

### **Key parameters of the transaction**

Cyfrowy Polsat and the shareholders of Netia concluded an agreement concerning a sale of approximately 32% of shares in Netia, and the Group is planning to announce a tender offer for another block of approximately 33% on the second stage of the transaction, so as to eventually acquire no more than 66% of votes at the General Meeting of Netia.

Terms of the transaction:

- Valuation of the block of shares in Netia using DCF method, peer companies and comparable transactions; the valuation reflects partly cumulative synergies in the years 2019-2023 at a level of approximately PLN 800 million.
- The purchase price agreed in a total amount of PLN 638.8 million which implies a valuation of the whole enterprise EV at PLN 2,226.4 million. The equity value is therefore PLN 5.77 per share with the EV/EBITDA ratio – 5.9x (5.6x for peer companies and 6.9x for comparable transactions).
- The transaction will be funded using own financial resources of Polsat Group and a revolving loan.

### **Many synergies and benefits**

In relation to the pursued transaction Cyfrowy Polsat Group expects to benefit from various synergies in the years 2019-2023, with a total value of approximately PLN 800 million:

- With respect to CAPEX – PLN 250 million as a result of, among other things:
  - own manufacturing of set top boxes, modems and routers,
  - using the negotiation strength of both firms,
  - increasing the effectiveness of outlays on the development of the telecommunication network.
- In the area of revenues and costs – approximately PLN 550 million in total (EBITDA level):
  - Earnings:
    - ✓ adding FTTH/DOCSIS fixed line Internet access to the smartDOM offer,
    - ✓ cross-selling products and services among individual and business clients,



- ✓ increasing sales effectiveness in Netia through access to the developed sales network of Cyfrowy Polsat Group.
- Operating expenses:
  - ✓ using effect of scale to optimize content procurement and production costs,
  - ✓ increasing effectiveness of marketing efforts,
  - ✓ optimizing selling expenses, costs of maintaining and servicing clients,
  - ✓ decreasing the number of sales points where the locations overlap,
  - ✓ limiting technical costs, including wholesale access to external infrastructure and MVNO,
  - ✓ integration of engineering and IT departments,
  - ✓ remaining, including back office, VAS and new products of the Group, e.g. IPTV.

#### **Unique media and telecommunication group**

*“This is yet another milestone in the development of our Group and a crucial moment in the history of implementation of the multiplay operator strategy. We expanded our Group by including Telewizja Polsat, IPLA, Plus and Midas Group, creating a unique offer among the media and telecommunication operators. The plans to acquire a majority stake in Netia, that we are announcing today, perfectly fit our mission to provide Polish families, individuals and business clients with equipment and services essential in their day-to-day routines, as well as the television content desired by Poles, available in all their favorite technologies, across various hardware platforms. And there is more to come, we have lots of new ideas and we will share the detailed goals and assumptions for the forthcoming years after we achieve the majority portfolio in Netia, which we hope should be possible as early as in the beginning of 2018” concludes **Tobias Solorz**.*

The legal counsel to Cyfrowy Polsat in this transaction was Greenberg Traurig Grzesiak sp. k., and the financial advisor – Trigon.

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