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Precision addendum

Treatment of 5G in Obelix valuation

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Summary

- The impact of the potential acquisition of 5G spectrum by Obelix has not been taken into account in the valuation exercise performed by Ondra:
 - Amount and structure of initial investment(s) has not been made public yet by regulatory authorities and market estimates are not taken into account Obelix's published Net Debt as of 31 December 2020;
 - Obelix has not provided revenue forecasts attached to 5G
 - More generally, the impact on Obelix peers having already acquired 5G spectrums (notably in the Netherlands, Germany and Italy) is hardly quantifiable, both in terms of revenue streams and share prices
- **Based on brokers's estimates in terms of initial investment only and using assumptions of payment installments benchmarked by recent 5G spectrum auctions in Europe, a "worst case scenario" downwards impact per share could range between €2.0 and €2.5, before accounting for any additional revenues**
- Should Obelix publicly disclose revenue and cost impacts on financial projections, Ondra's valuation exercise could be revised accordingly



5G is not accounted in our valuation of Obelix due to uncertainty on related costs and benefits

Ondra methodology: excluding 5G from valuation...

- **Impact of 5G on valuation could be measured using data related to:**
 - i. Amount required to purchase the license** (understood to be in the €700-€1bn range for Belgium in total, of which €200-€300m for Obelix) – including new 5G spectrum and renewal of 2G/3G/4G
 - ii. Timing of the auction** (understood to be in late 2021 or early 2022 – but could be postponed again)
 - iii. Phasing of the effective cash payment** (upfront or over time)
 - iv. Amount of Capex incurred by the roll-out of 5G infrastructure** (unknown), in perspective with the Obelix/Proximus network sharing agreement
 - v. Phasing of Capex incurred by the roll-out** (unknown)
 - vi. Revenues / EBITDA benefits linked to potential increase in prices, new use cases, or cost savings** (unknown)
- All these items remain **difficult to assess from an outside-in perspective due to limited company disclosure**
- **No clear broker view on the topic either**
- **As such, we decided to exclude 5G from our valuation methodology**

... as its overall impact is hardly quantifiable

Revenues

- **No clear evidence that rolling out 5G enables to increase B2C subscription prices – 5G is rather used as a marketing tool**
- **Most revenue upside expected from the development of digital uses that do not exist yet**, especially for the B2B segment (e.g. IoT), but also B2C (e.g. autonomous driving)

EBITDA

- **Limited margin upside on 5G B2C contracts**
- **No view on EBITDA margin related to new uses' revenues**
- **Less energy consumption of 5G infrastructure could lead to cost savings, but might be offset by increase in data volumes**

Capex

- **5G Capex might be lower than those required for 4G roll-out to due increased efficiency, but the effect could be offset by higher infrastructure density required**
- **Sharing roll-out capex with partners** (e.g. within a network sharing agreement or independent TowerCo once towers are monetized) would also need to be considered

- **To remain consistent in our valuation approach, we excluded 5G spectrum acquisition / related Capex from our analysis, and did not incorporate potential revenues / EBITDA gains in our forecasted financials**
- Empirical evidence in other markets where 5G auction already took place, and where roll-out is currently in progress shows that it is **difficult to draw conclusions on the impact of 5G on companies' financials and their valuation**
- **Further analysis on the 5G topic could be performed based on a 5G business plan that Orange SA or Obelix could eventually share with the market**



Focus on upcoming spectrum auction in Belgium

Band allocation in the upcoming auction

Band / Range	Use	Renewal/Addition
2.6 GHz	• 4G	Renewal <i>Right for regulator to withdraw unused licenses in the band</i>
900, 1,800 and 2,000 MHz	• 2G • 3G	Renewal
700 MHz	• 5G	Addition
1,427-1,517 MHz	• 5G	Addition
3,400-3,800 MHz	• 5G	Addition

- Belgian operators are currently allowed to provide 5G services using a provisional license for which they pay recurring fees
- These provisional licenses will expire once the final auction is completed
- The auction will comprise new spectrum for 5G, as well as renewal of existing licenses for 2G and 3G (expiring in 2021)

Spectrum valuation would decrease if paid over time

- **Amount required to purchase the license** understood to be in the €700-€1bn range for Belgium in total, of which €200-€300m for Obelix – including new 5G spectrum and renewal of 2G/3G/4G
- **Should payment be spread over time, and using a WACC of 7%** (in line with the WACC retained for Obelix' DCF valuation), **NPV of the license** would range from **€100m to €250m**
- **Ignoring any EBITDA upside throughout the duration of the payments, assumed to be spread over 5 to 20 years, the impact per Obelix share could range between €2.0 and €2.5**

- **No clear view on conditions of the spectrum auction in Belgium**
- **In France, under pressure from telecommunication companies, ARCEP agreed to spread the payment of the 5G license over 4 years for the 10 MHz band, and 15 years for the 50 MHz band**
- **Payment over time would result in sharp decrease in NPV of the license**



On average, 5G auction results announcements do not impact share prices

Share price development of telecommunications companies around 5G auction results (-/+ 10 trading days)

