Year ending June 2021 presentation

Presenter: Sean West, Chief Financial Officer

Final

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Executive summary

TowerCo sale and separation concluded

c. £1.8bn of the proceeds used to repay debt and derivatives

EBITDA of £332m ahead of guidance

Extension of DTT multiplex licences to 2034

£0.8bn of new and renewed contracts across Media Distribution and Smart Utilities

New strategy and organisational design

Business and financial summary

Arqiva at a glance

We enable mission-critical services in Media Distribution and Smart Utilities

Our End Markets	Media Distribution					Smart Utilities Networks	
	TV (DTT)	Radio	Digital Platforms	Satellite (Direct to Home)	Global Media	Metering Networks	Enterprise Networks
Market positioning	***Sole Provider*** *of digital terrestrial television broadcast transmission services in the UK*	***Sole Provider*** *of national radio broadcasting services and* ***c. 90% Market Share*** *in local radio*	***Market Leader*** *in the commercial MUX market, supporting leading broadcasters*	***Market Leader*** *in third party direct to home satellite distribution and content services*	***UK Market Leader*** *in global media distribution for broadcasters and media transformation services*	***Exclusive Provider*** *of energy smart meter connectivity in the North England and Scotland* ***Leading Position*** *in water metering communications in the UK*	***Established Player*** *With £12m revenue from contracts with enterprise customers*
Contract Length	*TV: c. 20+ years*	*Radio: 8-12 years*	*Digital Platforms and Satellite: 3-6 years*			*4-15 years*	
Orderbook[2]	*£3.6bn*					*£0.3bn*	

Impossible to Replicate Assets & Platforms

- ***1,154*** *TV transmission sites providing* ***98.5%*** *national coverage*
- ***497*** *analogue and* ***508*** *digital radio transmission sites*[1]
- ***1.0 GHz*** *leased capacity on* ***25*** *global satellites*
- *Licence holder for* ***4 out of 5*** *UK national commercial TV & radio MUXes*
- *c.* ***2 million*** *installed smart energy and water meters*

Customers

BBC, Channel 4, ITV, Global, Wireless, Bauer, UKTV, ITV, Discovery Channel, Freesat, BT, Sky, Eurosport, Disney, Thames Water, Anglian Water, Northumbrian Water, Data Communications Company, UK Power Networks

Source: Company Information.
1 Sites may be used for more than one service
2 As of 1st July 2021

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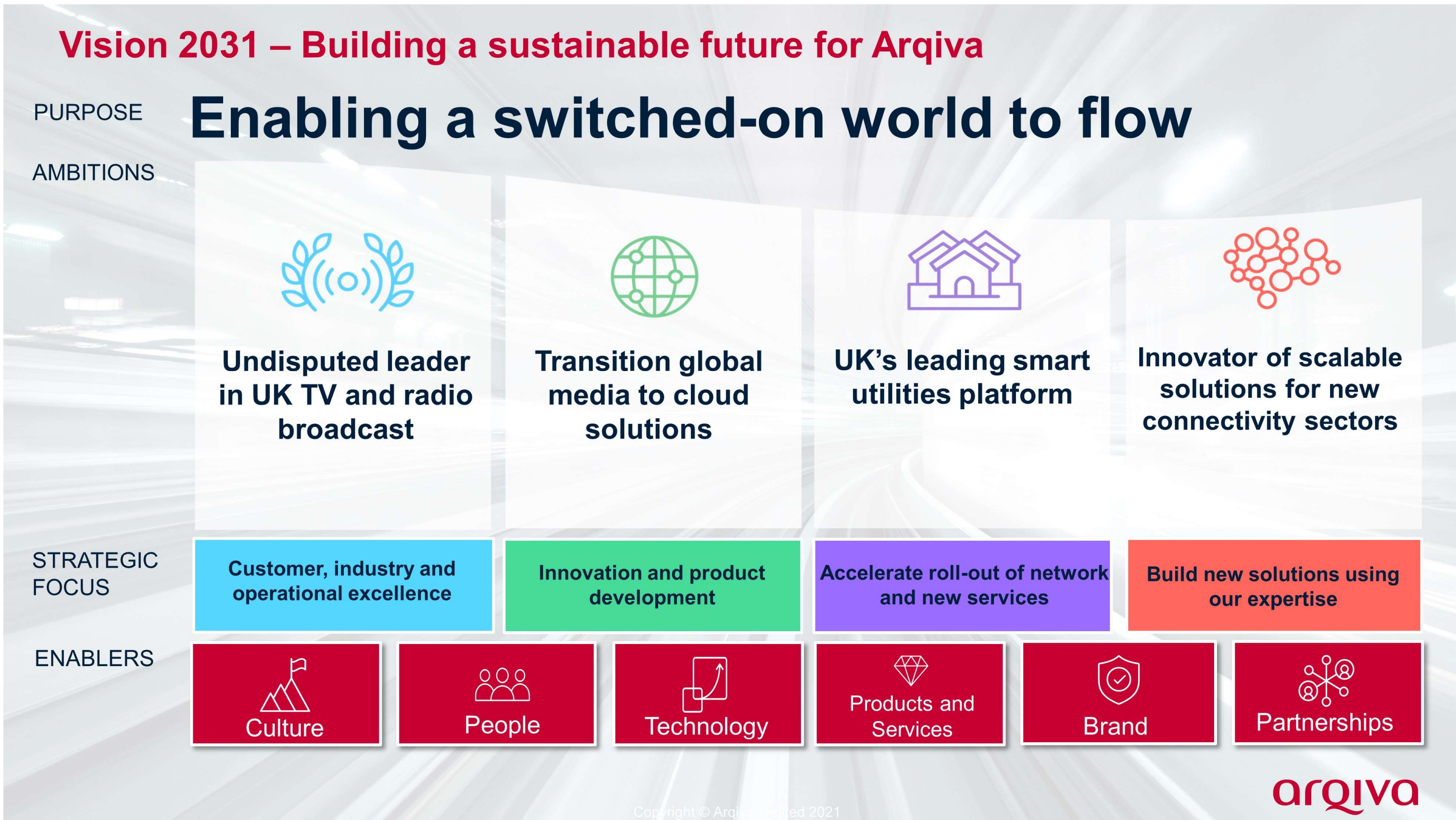
Strategic overview



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Experienced management team

Experienced management team with strong track record and continuity going forward

Paul Donovan 20+

CEO

- **Arqiva** CEO since April 2020
- **Previously advisor and NED on Arqiva's board** since 2017
- **Previous CEO and executive roles at Odeon Cinemas, eir Ireland** and **Vodafone**

Sean West 20+

CFO

- **Arqiva** CFO since May 2019, having joined as Director of Treasury and Corporate Finance in 2015
- Senior corporate finance and treasury positions at ICG and Land Sec
- Fellow of the Association of Corporate Treasurers

Shuja Khan 20+

Chief Commercial Officer

- Joined Arqiva in January 2020
- **Cable & Wireless** Chief Commercial Officer 2017-18
- **Liberty** Global Vice President, Transformation 2016-17
- **Virgin Media** Various commercial leadership roles between 2010-16

Alex Pannell 15+

Executive Director, Commercial Broadcast and Utilities

- Joined Arqiva in 2012
- **BT Group**: 15 years in various commercial and portfolio leadership roles (including Concert, joint venture with AT&T, Global Services and Wholesale division)

Adrian Twyning 10+

Chief of Operations

- Joined Arqiva in March 2021
- **Dixons Carphone**: number of senior operations roles leading large-scale operations and business transformation
- Senior operation roles at British Gas leading 4,000 field operations team

Clive White 30+

Chief Technology and Transformation Officer

- Joined Arqiva in 2018
- **RSA (UK)**: led design/implementation of their transformation journey.
- Several transformation related roles at Lloyds Banking Group, Accenture, AT&T Global Network Services and BSkyB

Vivian Leinster 20+

Chief People Officer

- Joined Arqiva in June 2020
- MS Amlin: Chief People Officer at specialist insurance provider
- Previously spent four years as People Director at Bupa UK, and 10 years in a variety of senior generalist and specialist HR roles at BT.

Note: Number of years represents industry/specialism experience

Financial summary

Performance driven by managed reductions and expected declines in programme activity

Key financials ABPL and AGPL (Junior and Senior)	Full year to June 21 results	Full year to June 20 results	Year on year change
Revenue (total) Revenue (continuous ops.)	**£623m** £618m	**£880m** £655m	↓ **29%** 6%
EBITDA (total)[1] EBITDA (continuous ops)	**£334m** £332m	**£522m** £391m	↓ **36%** 15%
Working capital movement	**£75m**	**£(14)m**	↑ 469%
Capital expenditure	**£(86)m**	**£(115)m**	↓ 25%
Operating cash flow after capital and financial investment activities[2]	**£324m**	**£361m**	↓ 10%
Senior leverage[3]	**2.44x**	**4.17x**	↓
Senior Cashflow[4] ICR	**5.16x**	**2.98x**	↑

Notes
1. "EBITDA" refers to earnings before interest, tax, depreciation and amortisation and excludes exceptional costs
2. "Operating cash flow after capital and financial investment activities" reflect cashflows before interest and financing as detailed on page 17
3. For covenant reporting purposes senior leverage is calculated based on an EBITDA of £332m (FY 20: £520m on a covenant adjusted basis)
4. For the purposes of senior cashflow ICR, cashflow is defined as EBITDA as per note 2 above less: maintenance capex, net corporation tax paid and issuer profit amount payable

Summary

- **Revenue down 6% year on year from continuing operations**
  - TV and radio broadcast remain stable
  - Expected reduction on the 700MHz Clearance programme following completion of major works
  - Lower revenue from DTT multiplexes owing to lower renewal pricing and closure of COM8 interim multiplex
  - New revenues relating to utilisation of broadcast sites by Cellnex
  - Revenue from the Smart Utilities business have increased due to ramp up of activity on water metering contracts won in the prior year and rollout of network and devices partially offset by lower change request activity on our DCC contract
- **Reported EBITDA down 15% year on year from continuing operations**
  - Driven by the reductions in revenue set out above
  - Change in product mix with reducing revenues in high margin areas
  - Increases in cost of sales as a result of power and site costs
  - Offset by cost efficiencies associated with organisational transformation
- **Increase in working capital inflow** driven by the recognition of deferred income associated with the sale of the towers business offset by settlement of the VAT liability in line with government's VAT Covid deferral scheme
- **Operating cash flow after capital and financial investment activities lower**
  - Sale of the towers business
  - Lower operating profit
  - Lower Capex due to completion of projects
- **Senior financial covenants ratios improved**
  - Reflects repayment of debt and derivatives following the sale of the towers business

Highlights from the year – Media Distribution

<table>
<tr><th>Business</th><th>Update</th></tr>
<tr><td>700 MHz Clearance</td><td>• Customer milestones completed in August 2020 - project completion activities will continue until first half of 2022.
• Arqiva continues to have the right to use this spectrum with its DVB-T2 multiplex until June 2022 subject to mobile operators not using the spectrum</td></tr>
<tr><td>DTT and multiplexes</td><td>• TV viewing on the DTT has remained strong during the pandemic with DTT only households increasing by 1.3m over the 5 year period to 2020 and underlying advertising has rebounded strongly post lockdown
• Over 10 contract renewals and new channel launches by Sky Arts and GB News on Arqiva's main DTT multiplexes increased utilisation to 97% at June 2021
  o Majority of new and renewed contract extend to 2026
• Strong underlying long-term support for DTT platform
  o DCMS has announced an extension of all national DTT licences, including Arqiva's two DTT MUX licences to 2034
  o DCMS select committee concluded that due to lack of alternative form of funding for the BBC the Government will have to rely on the TV licence fee for the term of the next Charter</td></tr>
<tr><td>Radio</td><td>• Arqiva provided financial support to Radio customers
  o Recognised and further supported by government
  o With lockdown restrictions easing Arqiva's support ceased at the end of March 2021
  o Trading conditions are improving with customer continuing to launch new stations on Arqiva's local DAB radio MUXes across the country
• Sound Digital MUX launches a 21st station, Boom Radio bringing it to 100% occupancy. Digital One MUX remains at full capacity
• The Government's Radio and Audio Review continues with anticipated completion in Autumn 2021</td></tr>
<tr><td>Low Earth Orbit</td><td>• Arqiva has been developing opportunities in the Low Earth Orbit (LEO) market by way of providing ground stations for gateway connectivity and has secured two customers. Key players are SpaceX, Blue Origins, OneWeb as well as Telesat and ViaSat</td></tr>
</table>

Highlights from the year – Smart Utilities

Business	Update
Anglian Water	• In June 2020, Arqiva was successful in its bids to deliver a smart metering fixed network for Anglian Water and to support a deployment of 789,000 meters across 24 planning zones by 2025, followed by network support to 2040 o As of June 2021 225,000 meters installed
Northumbrian Water	• Arqiva has been selected by Northumbrian Water to deliver an initial roll-out of a smart metering network in Essex o A five-year contract will see Arqiva built and monitor the fixed network infrastructure, delivering connectivity to up to 11,000 domestic meters o The project will support Northumbrian Water to deliver smart meters to its customers and meeting the company's target to ensure domestic meters are smart by 2035
Thames Water	• Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water o Over 540,000 meters installed as at 30th June 2021 and well over 12 million meter readings being delivered per day o Currently the largest smart water metering network in the UK providing coverage across the Thames Water London region o Arqiva's solution has helped Thames Water to prevent 19 million litres per day leakage since April 2020
Smart Energy	• The network now covers 99.5% of premises in Northern England and Scotland as planned • There are currently over 1 million communications hubs operating on the network representing 20% of the total UK installations
New PoCs and water trials	• Leveraging our relationship with utility customers we have developed a number of proofs of concepts (PoCs) including: o Hybrid connectivity (e.g. providing utilities with a PSTN (copper) alternative) o Managed sensors which help to monitor and control networks (e.g. leakage and sewage monitoring) o Data analytics which provides insight to proactively resolve issues and improve service (e.g. reducing leakage targets for water companies) • In the Midlands, Arqiva has been participating in a multi-vendor, multi-technology smart water metering evaluation trials with a major water company

Highlights from the year - Corporate

Business	Update
Separation	• Sale process completed on July 2020 and the Group's operational and asset separation has now largely been completed • Arqiva has continued to provide Transition Services Agreements (TSA) with the majority of the TSAs now exited, remaining TSAs expected to complete by the end 2021
Management changes	• Arqiva has adopted a new integrated organisation structure which better aligns the needs of our customers with services that we provide • Adrian Twyning joined Arqiva as Chief of Operations. Adrian brings significant experience of leading large-scale operations, designing systems and leading sizeable business change. He replaces Neil Taplin, who left the company at the end of March
COVID 19	• Arqiva's business demonstrated resilience throughout Covid pandemic with short-term financial support provided to radio customers • Business continuity plans deployed to support through Covid pandemic have helped to ensure the safety of our staff and the provision of services for our customers • With government restrictions gradually lifting a phased return to office is underway with a more flexible approach through our Work.Life.Smarter initiative.
Transformation	• The Transformation Programme provided the business with industry-leading application and integration across Service Management (ServiceNow), OSS, Asset Management (Siterra) and Financial Management (Oracle ERP) capabilities • For the remainder of 2021 Transformation will continue to deliver incremental enhancements to these applications • We rationalised our London office footprint and we are also reviewing our corporate office utilisation requirements

Detailed financials

Income statement summary (1)

(£m, FY-end 30 June)	Total			Continuing Ops		
	2021	2020	%	2021	2020	%
ABPL and AGPL (Junior and Senior)						
Revenue	**623**	**880**	**(29)%**	**618**	**655**	**(6)%**
Cost of sales	(209)	(246)	(15)%	(207)	(170)	21%
Gross Profit	**415**	**634**	**(35)%**	**412**	**484**	**(15)%**
Operating expenses	(80)	(112)	(15)%	(80)	(93)	(14)%
EBITDA	**334**	**522**	**(36)%**	**332**	**391**	**(15)%**
Exceptional costs	(26)	(35)	(26)%	(26)	(16)	65%
Depreciation	(169)	(207)	(19)%	(168)	(191)	(12)%
Amortisation	(10)	(10)	(7)%	(10)	(10)	(6)%
Other income	9	10	(11)%	9	10	(11)%
Operating profit	**140**	**281**	**(50)%**	**138**	**185**	**(25)%**

Key highlights

- **Revenue down 29% year on year and down 6% from continuing operations** Core TV and radio have remained stable increasing with inflation as well as Smart Utilities revenues increasing from new contract wins in a prior year however the overall decrease is driven by expected reduction on the 700MHz Clearance programme as well as reduced revenue on the main DTT multiplexes owing to lower renewal pricing and closure of COM8 interim multiplex partially offset by new revenues relating to utilisation of broadcast sites by Cellnex
- **Gross profit down 15% year on year from continuing operations** driven by the reductions in revenues as well as increases in cost of sales as a result of power and site costs on broadcast sites together with changes in product mix with reduced revenues in high margin areas
- **Operating expenses 14% down year on year** due to headcount reduction following the sale of the Telecoms business and efficiencies associated with organisational transformation
- **EBITDA down 15% year on year from continuing operations** driven by the reductions in revenue as well as changes in product mix to lower margin areas, offset by cost savings associated with business transformation
- **Exceptional costs down year on year** relate predominantly in the year to the implementation of changes in the organisational design and structure of the business as well as corporate finance and refinancing costs
- **Depreciation and amortisation down year on year** due to reduction in accelerated depreciation from the prior year particularly in connection with assets replaced under the 700MHz clearance programme as it comes to an end
- **Operating profit down 25% year on year from continuing operations** due to EBITDA decrease offset by lower depreciation charge

Income statement summary (2)

(£m, FY-end 30 June)	2021	2020	2021	2020
	ABPL (Junior)		AGPL (Senior)	
Operating profit	**140**	**281**	**140**	**281**
Interest receivable and similar income	1	2	1	2
Net bank loan and other interest	(96)	(200)	(54)	(158)
Other net interest	(37)	(51)	(35)	(49)
Exceptional gain on disposal of discontinued operations	1,038	-	1,038	-
Other gains and losses	(75)	115	(75)	114
Profit/(loss) on ordinary activities after external interest	**971**	**146**	**1,015**	**190**
Interest payable to parent undertakings	(136)	(125)	(180)	(168)
Profit/(loss) on ordinary activities before taxation	**835**	**22**	**835**	**22**
Tax	75	(2)	75	(2)
Profit/(loss) for the financial year	**910**	**20**	**910**	**20**

ABPL key highlights

- **Net bank loan and other interest £114m down year on year** due to the reduced debt principal amounts following the repayment of debt and swaps from the proceeds of the Telecoms business sale
- **Other net interest down £14m year on year** due to reduction in interest on lease obligations following the sale of the Telecoms business
- **Interest payable to parent undertakings up £11m (non-cash) year on year** due to higher interest accrued on outstanding balances.
- **Exceptional gain on disposal of £1,038m** recognised in relation to sale of the Telecoms business for circa £2.0bn net of disposal costs and deferred income generated in relation to future services
- **Other gains and losses of £75m** – principally arises from £8m loss on exit and recouponing of swap arrangements in the year and £56m of related debt repayment costs as well as £11m negative fair value movements recognised in respect of remaining derivative contracts
- **Accounting profit before tax of £835m** includes £364m of non-cash items including depreciation, amortisation, other gains and losses, interest payable to parent undertakings and other net interest charges. Excluding the non-cash charges results in an adjusted profit of £1,199m (2020: £301m).
- **Tax credit of £75m** due to an increase in deferred tax asset recognised

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Cashflow summary

(£m, FY-end 30 June)	2021	2020	2021	2020
	ABPL (Junior)		AGPL (Senior)	
EBITDA	*334*	*522*	*334*	*522*
Exceptional costs and other	*2*	*(33)*	*2*	*(33)*
Working capital	*75*	*(14)*	*75*	*(14)*
Net cash inflow from operating activities	**411**	**475**	**411**	**475**
Net capital expenditure and financial investment	(86)	(115)	(86)	(115)
Operating cash flow after capital and financial investment activities	**325**	**360**	**325**	**360**
Disposal of subsidiary net of cash disposed	1,820	-	1,820	-
Net interest paid and financing charges	(104)	(231)	(62)	(188)
Payment of lease liabilities	(48)	(72)	(48)	(72)
Principal accretion on ILS	(14)	(49)	(14)	(49)
Break costs on early debt repayment and derivatives	(56)	-	(56)	-
Refinancing costs	-	(1)	-	(1)
Cash (outflow)/inflow on redemption of swaps	(513)	5	(513)	5
Net cash flow before financing	**1,410**	**12**	**1,452**	**55**
Movement in external borrowings	(1,261)	51	(1,261)	51
Financing - parent undertakings	-	-	(42)	(42)
Increase/(decrease) in cash	**149**	**64**	**149**	**64**

ABPL key highlights

- **Operating cash flow after capital and financial investment activities £35m down year on year** Lower EBITDA performance has been offset by reduced capex, exceptional costs and increased working capital inflows driven by one off deferred income recognised
- **Capital expenditure down £29m year on year** See overleaf
- **Disposal proceeds** recognised includes cash consideration received on sale of Telecoms business to Cellnex net of cash disposed and deferred income generated in relation to future services
- **Net interest paid and accretion £127m down year on year** driven by lower interest charges following the significant deleveraging at the beginning of the financial year
- Break costs of £56m recognised associated with prepayment of group's senior debt from the Telecoms business sale proceeds
- **Movement in external borrowings and cash outflow on redemption of swaps** reflects the significant deleveraging and exit or recouping of associated derivative instruments utilising the Telecoms sale proceeds

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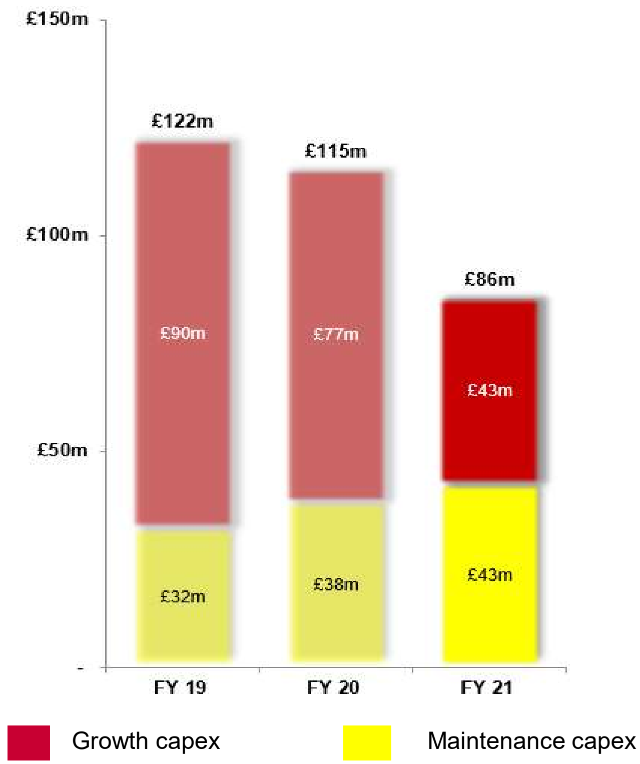
Capex



Note - Growth capex also includes cash sales of fixed assets and change in capital creditors as shown in the table opposite

Capex breakdown:

	FY21	FY20
• 700 MHz Clearance	£6m	£22m
• Energy metering – DCC	£16m	£23m
• Water metering	£3m	£5m
• Other capex from continuous operations	£19m	£19m
• Telecoms	£0m	£6m
Contracted and non-contracted growth capex	**£44m**	**£75m**
• Capital creditors/accruals	£(1)m	£2m
Net Growth capex (as per chart)	**£43m**	**£77m**
Maintenance transformation	£20m	£11m
Maintenance capex	£23m	£27m
Total maintenance capex	**£43m**	**£38m**
Total capex	**£86m**	**£115m**

Growth capex decrease driven by 700MHz Clearance programme coming to an end, lower change requests from DCC and Telecoms capex coming off after the disposal

Maintenance capex includes expenditure associated with structural projects such as mast strengthening, IT and transformation. Transformation has increased as the Group continues to deliver its digital transformation programme.

Covenant reporting and guidance

	30 June 2021		30 June 2022
	September 2020 certificate (projected)	September 2021 certificate (actual)	September 2020 certificate (projected)[2]
EBITDA* - continuing operations[1]	£328m	£332m	£334m
Senior net debt	£848m	£810m	£714m
Senior leverage *(default threshold at 6.0x)*	2.58x	2.44x	2.14x
Senior ICR *(default threshold at 1.55x)*	4.66x	5.16x	5.60x
Senior DSCR *(default threshold at 1.05x)*	2.80x	3.03x	2.70x

Key highlights

- **Senior financial covenants better than guidance for year ending 30 June 2021** due to a combination of better EBITDA performance, higher cash balance and lower debt outstanding than prior year guidance
- Projected covenants reflect the continued decrease in senior debt

Note – All financials are reported as per covenant reporting definitions
*"EBITDA" refers to earnings before interest, tax, depreciation and amortisation and is reported as per covenant reporting definitions.

1. "EBITDA – continuing operations" is presented here on a covenant reporting basis. The £332m for 30 June 2021 is reported as £334m on a reporting basis in the annual 30 June 2021 statutory accounts for APBL and AGPL.
2. No shareholder distribution assumptions were included in the projected covenant ratios

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Financing

Arqiva debt position

£m	Jun-21	Jun-20	Maturity	Structure	Leverage
SENIOR					
Public Bonds (BBB/BBB) [1]	307	333	Dec-32		
Public Bonds (BBB/BBB) [1]	164	164	Dec-37 (exp. Jun-30)		
USPP Series 1[5]	-	203	Jun-25		
USPP Series 2	-	140	Jun-25		
USPP Series 3	192	300	Jun-29	WBS Platform	
USPP Series 4	101	179	Dec-29		
EIB Loan	172	190	Feb-38 (exp. Jun 24)		
Institutional Term Loan	90	180	Feb-38 (exp. Dec 23)		
Capex and Working Capital Facility	-	550	Mar-21		
TOTAL DRAWN SENIOR DEBT[2]	**1,026**	**2,239**			**3.1x[4]**
JUNIOR					
Junior Notes (B- / B1)[3]	625	625	Sep-23		
TOTAL DRAWN DEBT	**1,651**	**2,864**			

Note – all values are reported at their carrying value unless specified otherwise
1. Fitch / S&P
2. Total drawn senior debt on this page represents gross debt. On a covenant reporting basis, gross debt is adjusted for finance leases and the deduction of total cash balances, to give net debt
3. Fitch / Moodys
4. Gross debt leverage as at the end of Jun-21 based on EBITDA as per 30th June 2021 compliance certificate
5. USD debt at a hedged GBPUSD rate of 1.52

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Significantly reduced swaps portfolio

All mandatory breaks have been removed

Summary Terms	Inflation Linked Swaps	Interest Rate Swaps
Overview	ILSs convert fixed rate liabilities into inflation linked liabilities which align with the characteristics of the underlying business	IRSs convert floating rate liabilities into fixed rate liabilities
Notional amount	£682m	£445m
Maturity	2027	IRSs structured to match the maturities of floating rate debt (2024-2029)
Mandatory breaks	None	None
Ranking	Super senior to senior debt (but carries no voting or enforcement rights)	Pari passu with senior debt
Structural Features	Coupon and principal amounts accrete with RPI. Accretion payments paid down annually	N/A
Fair value	£333m	(£7.2m)[1]

1. Represent in-the-money asset position

Any questions?