

# UNITED INTERNET

**Creating a strong #4  
player in the German  
telco market –  
Strategic Combination with  
Drillisch AG**

*May 12, 2017*



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# TRANSACTION OVERVIEW – KEY HIGHLIGHTS

- **United Internet AG and Drillisch AG announce the combination of 1&1 Telecommunication SE with Drillisch AG by way of a contribution-in-kind**
  - Creating a strong #4 player in the German telco market with revenues of >€3.2bn and more than 12 million subscribers<sup>1</sup>
  - Expected pro-forma EBITDA 2017E of the combined entity of c. €630-640mm
  - Significant value creation opportunity with expected run-rate EBITDA synergies increasing from 2018 onwards to c. €150m p.a. in 2020 and to c. €250m p.a. by 2025
- **Transaction will be executed in two steps – valuation of 1&1 Telecommunication SE agreed at €5.85bn**
  - Drillisch AG acquiring a 7.75% stake in 1&1 Telecommunication SE by issuing 9.1m new shares from its authorised capital (capital increase by way of contribution-in-kind no. 1)
  - The remaining 92.25% stake will be transferred post Drillisch AG's EGM (July 25, 2017) approving the creation of additional 107.9m shares (capital increase by way of contribution-in-kind no. 2)
- **In parallel United Internet AG is announcing its intention to launch a cash offer of €50 per share to Drillisch AG's shareholders**
  - 8.2% premium to Drillisch AG's 3m VWAP of €46.20<sup>2</sup>
- **Post full transaction United Internet AG will hold a stake of at least 72.7% in the combined Drillisch/1&1 business**
- **Supervisory Board of United Internet AG as well as Drillisch AG's Management and Supervisory Board are supportive of the transaction**
- **Closing of full transaction expected in Q4 2017**, subject to approval by Drillisch's EGM and clearance by the German Federal Cartel Office ("Bundeskartellamt")

# COMBINATION OF TWO HIGH-GROWTH MOBILE PLAYERS INTO ONE FULL-SERVICE PROVIDER



- ✓ Well-known and trusted brand
- ✓ Track record of strong growth
- ✓ Successful focus on powerful online sales channels
- ✓ Best-in-class customer service and satisfaction
- ✓ Broad product portfolio of fixed broadband and mobile products

## Strong #4 player in the German telco market with...

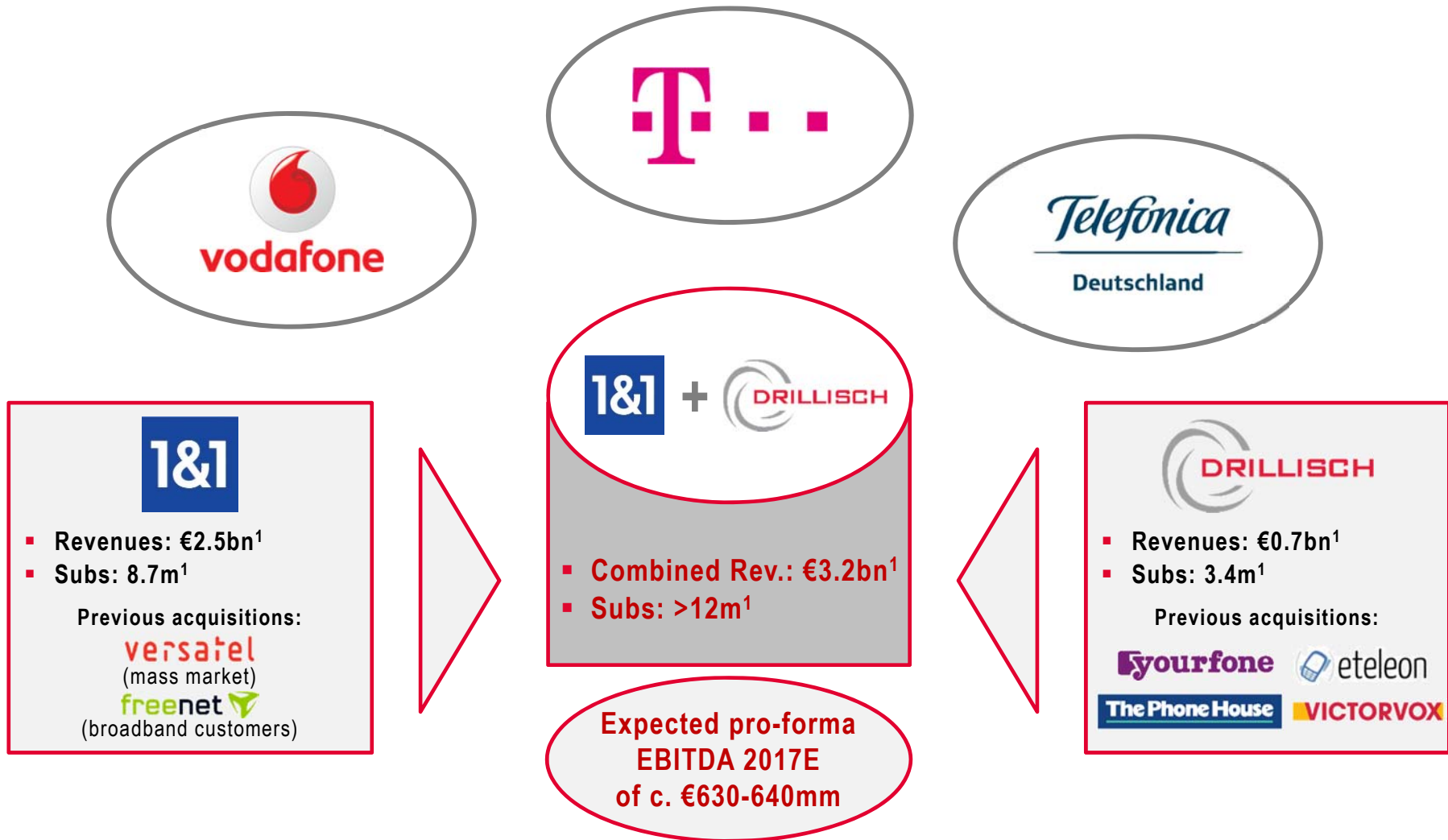
- Efficient utilization of network capacities available to Drillisch through TEFD contract
- Infrastructure utilization of affiliate company 1&1 Versatel (second largest fibre-optic network in Germany) through Drillisch sales channels
- First-class product and service quality
- Great value for money
- Leading online sales channels complemented by shop network across Germany
- Broad product and brand portfolio
- Significant market share in the German fixed broadband and mobile market



- ✓ Secured long-term access to future technologies
- ✓ Flexibility through multi-brand strategy
- ✓ Track record of strong growth
- ✓ Combination of successful online and offline sales channels

United Internet and Drillisch are creating an integrated and powerful telecommunications provider with long-term access to future-proof broadband and mobile infrastructure

# DRIVING THE NEXT LEVEL OF CONSOLIDATION IN THE GERMAN TELCO MARKET – CREATING A STRONG #4 PLAYER



<sup>1</sup> Based on 2016 reported figures

# COMBINATION WILL LEAD TO SIGNIFICANT SHAREHOLDER VALUE CREATION

1

## Creating a strong #4 player in the German telco market

- The largest MBA MVNO in the German telco market and number three in fixed broadband
- Powerful combined online and offline distribution platform
- Diverse brand portfolio covering all relevant segments of the German market

2

## Significant synergy potential

- Efficient utilization of existing MBA MVNO contract
- Advanced mobile product portfolio and cross-selling
- Joint procurement and efficiency of combined operations

3

## Superior growth prospects

- Two fastest growing German mobile players join forces translating into attractive top-line growth levels
- Strong and growing free cash flow generation

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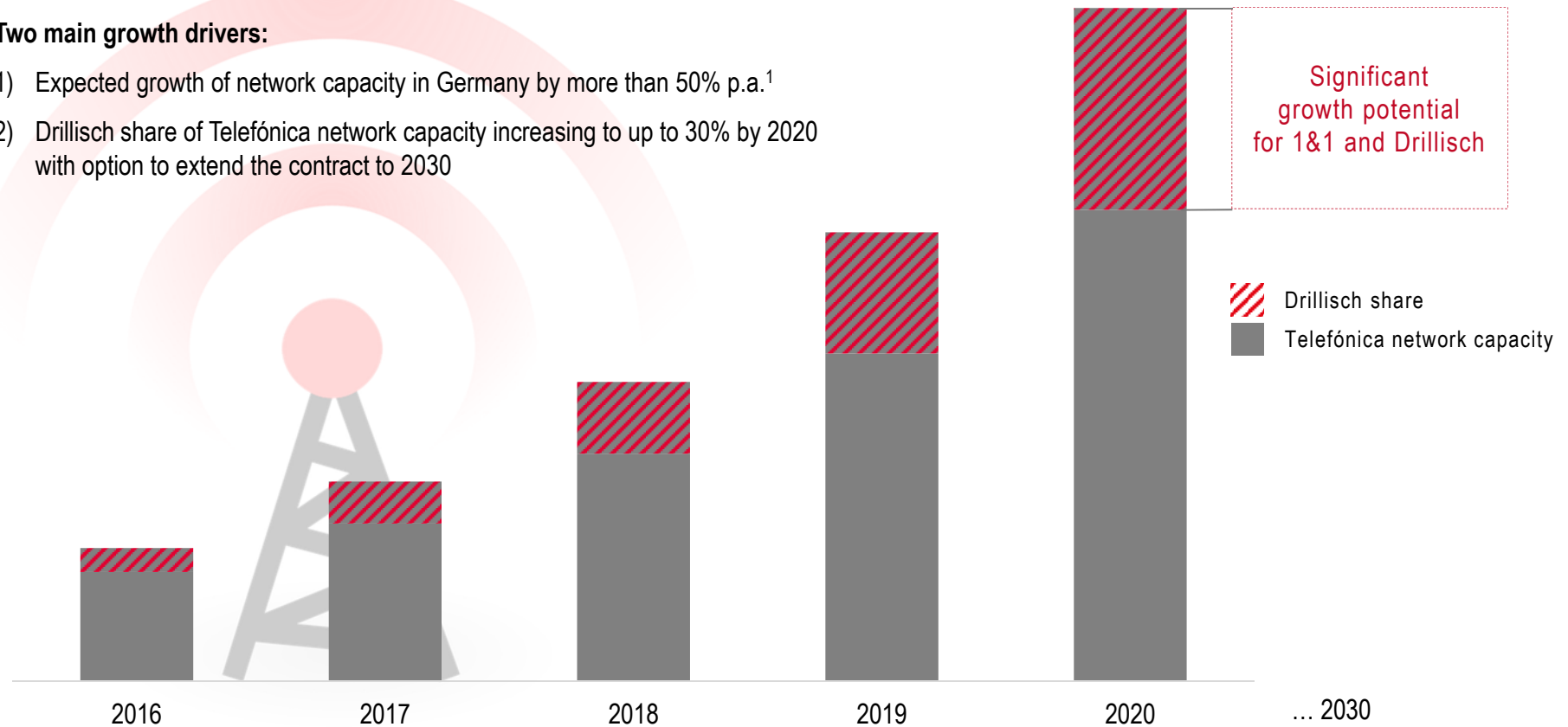
## Operational excellence

- Best-in-class product quality and customer service underpinned by several awards (e.g. *PC Magazin* "Bester Internet-Provider 2016", *Die Welt* "Service-Champions 2016", *TÜV Saarland* "2016: Kundenerteil Preis/Leistung Sehr Gut")
- Combining two lean organizational structures and leveraging best practices and scale

# STRONG GROWTH OPPORTUNITIES AT ATTRACTIVE TERMS DUE TO SHARED ACCESS TO TEFD NETWORK THROUGH MBA MVNO CONTRACT

## Two main growth drivers:

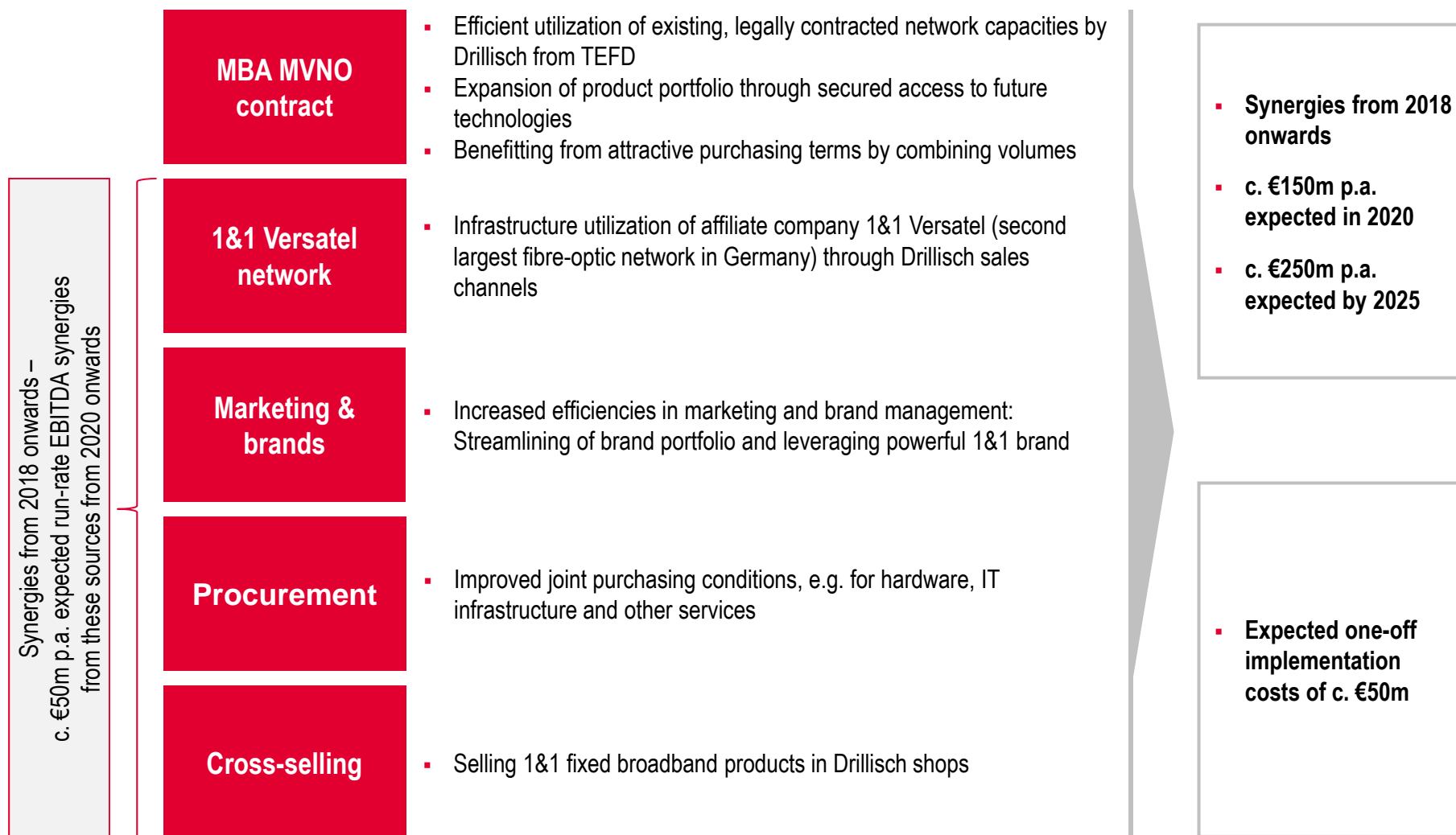
- 1) Expected growth of network capacity in Germany by more than 50% p.a.<sup>1</sup>
- 2) Drillisch share of Telefónica network capacity increasing to up to 30% by 2020 with option to extend the contract to 2030



Full access to cutting-edge network technologies at attractive terms for Drillisch and 1&1 creates significant synergies and growth opportunities for the combined company

<sup>1</sup> Source: Telefónica

# KEY SOURCES OF EXPECTED SYNERGIES (POST SUCCESSFUL COMPLETION OF FULL TRANSACTION)





## PROPOSED MANAGEMENT TEAM OF COMBINED COMPANIES



**André Driesen**



**Ralph Dommermuth (CEO)**



**Martin Witt**

- Post closing of the full transaction (capital increase II) and subject to Supervisory Board approval, the management team of the combined company is planned to consist of Ralph Dommermuth, Martin Witt and André Driesen
- Vlasios Choulidis is expected to leave Drillisch's Management Board post full transaction and join the Supervisory Board of the combined company

# 1 CONTRIBUTION OF 1&1 TELECOMMUNICATION SE INTO DRILLISCH AG – KEY PARAMETERS

## Transaction terms

- 1&1 Telecommunication SE valued at €5.85 billion on a debt and cash free basis
  - 1&1 Versatel's Mass Market customers will be part of the transaction perimeter
- Drillisch is valued at €50 per share implying a total equity value of €3.0 billion on a fully diluted basis

## Listing & dividend policy

- Drillisch remains listed post full transaction with United Internet AG as main shareholder ( $\geq 72.7\%$ )
  - Provides current Drillisch AG shareholders with an opportunity to fully participate in future synergies
  - No Domination and Profit/Loss Transfer Agreement planned between United Internet AG and Drillisch AG
- Drillisch intends to implement a shareholder friendly dividend policy

## Future governance

- Post closing of the full transaction (capital increase II) and subject to Supervisory Board approval, the management team of the combined company is planned to consist of Ralph Dommermuth (CEO of United Internet AG), Martin Witt (CEO of 1&1 Telecommunication SE) and André Driesen (CFO of Drillisch AG)
- Vlasios Choulidis is expected to leave Drillisch's Management Board post full transaction and join the Supervisory Board of the combined company

## Closing

- Closing of full transaction subject to clearance by the German cartel authorities as well as Drillisch's EGM approval

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## ANNOUNCEMENT OF INTENTION TO LAUNCH A VOLUNTARY CASH OFFER OF €50 PER DRILLISCH AG SHARE

### Transaction structure

- All cash voluntary takeover offer pursuant to sections 29 et seq. WpÜG for the acquisition of all shares held by the shareholders of the Drillisch AG
- Offer price of €50 per Drillisch share, which represents a 8.2% premium over Drillisch's 3-month VWAP<sup>1</sup>
  - All-cash structure enables Drillisch's investors with a short-term investment horizon to exit at an attractive price in line with all-time high
  - Investors with a long-term investment horizon can stay invested and benefit from the significant synergy upside of the combined company
- No minimum acceptance threshold

### Timing

- 12. May 2017: Announcement of intention of public offer for Drillisch
- Mid May 2017 (expected): Filing of offer documentation with BaFin
- End of May 2017 (expected): Publication of offer documentation
- End of June (expected): End of offer period

### Other

- Takeover offer under the condition of approval by the German Federal Cartel Office ("Bundeskartellamt")

<sup>1</sup> Calculated based on Drillisch's 3-month VWAP of €46.20 as of May 11, 2017

# ALL STAKEHOLDERS WILL BENEFIT FROM THE TRANSACTION

## Investors

- Substantial value creation potential through significant synergies benefitting United Internet as well as Drillisch shareholders
  - Expected run-rate EBITDA synergies increasing from 2018 onwards to c. €150m p.a. in 2020 and to c. €250m p.a. by 2025
- Creation of a strong #4 player in the German telco market with substantial future growth potential
- Secured access to future technologies through TEFD provides foundation to expand market position
- Free cash flow growth profile will support attractive shareholder returns
- United Internet will fully consolidate Drillisch post closing of full transaction
- The transaction will be accretive to United Internet's EPS from year 2 post closing

## ALL STAKEHOLDERS WILL BENEFIT FROM THE TRANSACTION (CONT'D)

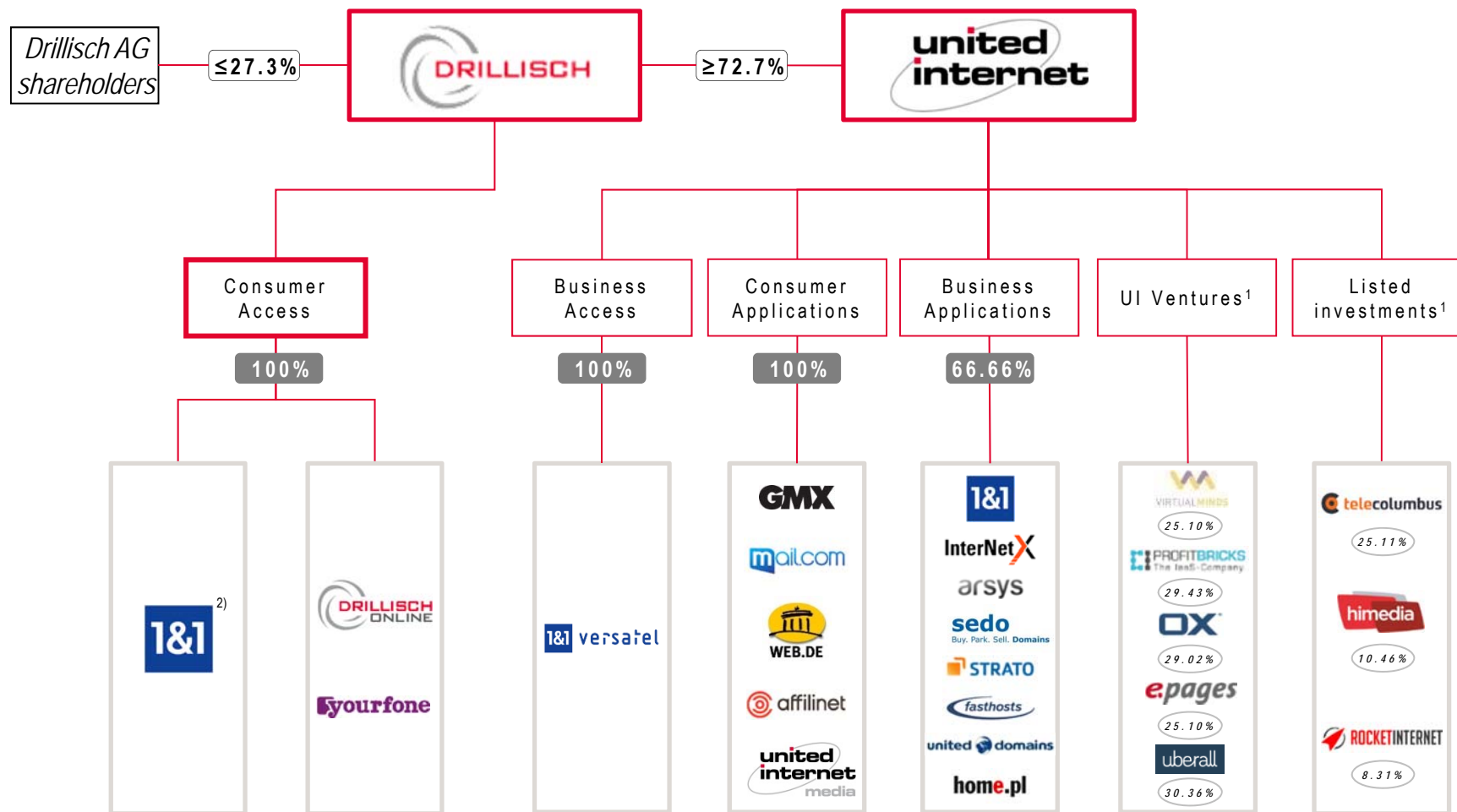
### Customers

- United Internet's well-known high quality products and customer service to be extended to all customers of the combined group
- Well established and complementary product portfolio to cater to a broad range of customers
- Enhanced scale and brand portfolio allows to design products for all customer needs
- Large distribution network covering all online and offline channels including a comprehensive retail store network
- Long-term access to all future mobile technologies and excellent broadband infrastructure

### Employees

- Part of an entrepreneurial and innovative environment
- Opportunity to be part of an even bigger group operating in fast-paced industries with an international footprint
- National and international career development opportunities
- Attractive opportunities regarding employment at all locations

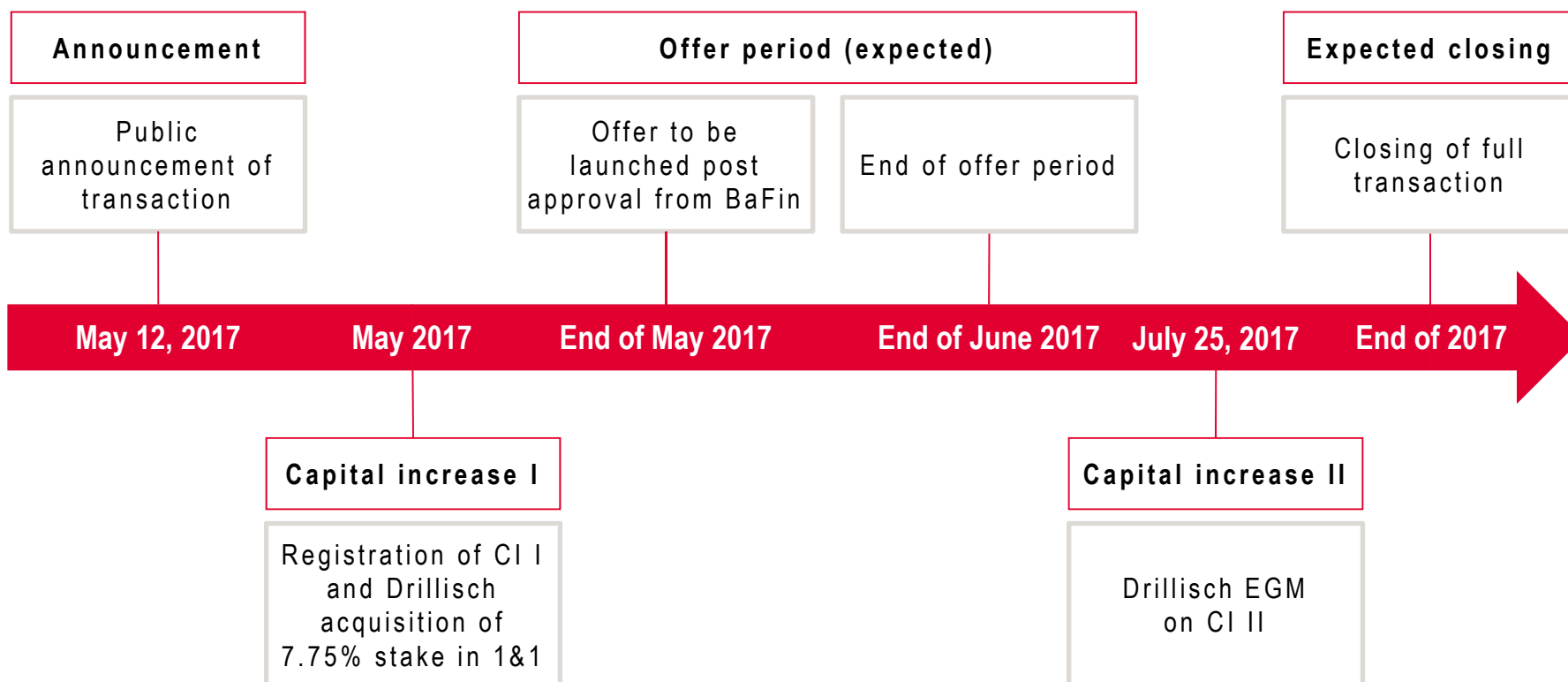
# TARGET STRUCTURE POST FULL TRANSACTION



**Drillisch AG remains an independent listed company, full consolidation by United Internet AG**

<sup>1</sup> As of 31 December 2016; <sup>2</sup> Incl. 1&1 Versatel mass market  
 14 Company Presentation

# TRANSACTION TIMELINE AND KEY EVENTS



**UNITED INTERNET**

**Our success story  
continues!**

