

PRESS RELEASE

FY 2018 figures set new records in customer contracts, sales and earnings

- Customer contracts: +1.28 million to 23.85 million contracts
- Sales acc. to IFRS 15: +22.0% to EUR 5.131 billion (pro forma: +10.1%)
- EBITDA acc. to IFRS 15: +22.6% to EUR 1.201 billion (pro forma: +10.5%)
- Two-part dividend proposal against backdrop of ongoing 5G spectrum auction
- Guidance 2019: sales growth of approx. 4%, EBITDA growth of approx. 8% or approx. 12% (including effects from initial application of IFRS 16)

Montabaur, March 27, 2019. United Internet AG maintained its growth trajectory in the fiscal year 2018. The company once again posted improvements in customer contracts, sales, and key earnings figures while also achieving its guidance.

In its fiscal year 2018, United Internet made further strong investments in new customer contracts and the expansion of its existing customer relationships, and thus in sustainable growth. All in all, the number of fee-based customer contracts was raised by 1.28 million to 23.85 million contracts. In its Consumer Access segment, the company added 970,000 contracts (900,000 mobile internet and 70,000 broadband connections), while 1.33 million ad-financed free accounts and 10,000 pay accounts were added in the Consumer Applications segment. The Business Applications segment contributed a further 300,000 contracts – of which 50,000 were from organic growth and 250,000 from the takeover of the Austrian company World4You.

Sales and earnings figures were shaped by the consolidation of Strato and Drillisch, as well as by positive conversion effects from the initial application of IFRS 15 (prior year: IAS 18). The IFRS 15 effects had a positive impact on sales (EUR +283.2 million). The effects of IFRS 15 on earnings were largely offset by expenses for the increased use of smartphones (no or only small one-off customer charges for new contracts and refinancing via higher tariff prices over the contractual term).

Specifically, consolidated sales grew by 22.0%, from EUR 4,206.3 million (acc. to IAS 18) in the previous year to EUR 5,130.8 million (acc. to IFRS 15) in the fiscal year 2018. On a pro forma basis (including Strato and Drillisch for the whole of the previous year), sales rose by 10.1% from EUR 4,660.6 million (acc. to IAS 18) to EUR 5,130.8 million (acc. to IFRS 15).

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 22.6%, from EUR 979.6 million (comparable prior-year figure acc. to IAS 18 without the extraordinary result) to EUR 1,201.3 million (acc. to IFRS 15). On a pro forma basis (including Strato and Drillisch for the whole of the previous year), EBITDA improved by 10.5% from EUR 1,087.1 million (comparable prior-year figure acc. to IAS 18) to EUR 1,201.3 million (acc. to IFRS 15). In the fiscal year 2018, EBITDA includes one-off expenses for integration projects of EUR 41.7 million.

Earnings before interest and taxes (EBIT) increased by 15.2%, from EUR 704.0 million (comparable prior-year figure acc. to IAS 18) to EUR 811.0 million (acc. to IFRS 15). EBIT also includes the above mentioned one-off expenses from integration projects. The difference in percentage growth compared to EBITDA (+22.6%) is due to increased amortization of purchase price allocations (PPA), mainly from the Strato and Drillisch takeovers completed in 2017.

Earnings per share (EPS) for the fiscal years 2017 and 2018 were dominated by various special items. In 2017, non-cash impairment charges on Rocket Internet shares and an extraordinary result in connection with prior-year M&A activities had a net positive impact (EPS effect: EUR +1.14), while there was a negative impact on EPS in the fiscal year 2018 from a non-cash impairment charge on Tele Columbus shares (EPS effect: EUR -1.02). Adjusted for these special items, EPS fell from EUR 2.02 to EUR 1.96. This was due to the first full-year effect of minority interests resulting from the approx. 33% stake of Warburg Pincus in the Business Applications segment and the approx. 27% stake of minority shareholders in 1&1 Drillisch AG, and thus in the Consumer Access segment. In addition, there were increased PPA writedowns relating mainly to the Strato and Drillisch takeovers in 2017, as well as to the acquisition of Versatel. Without consideration of these PPA writedowns, EPS rose by 6.0% from EUR 2.34 in 2017 to EUR 2.48 in 2018.

“All in all, 2018 was an extremely dynamic year in which we once again took important steps to ensure the long-term success of our group. Whereas fiscal year 2017 was dominated by transactions such as the Drillisch merger and takeover of Strato, we worked hard in 2018 on integrating these new company components. At the same time, we continued to successfully drive forward our business divisions and achieved further strong growth in all key operating figures while once again reaching our targets. Moreover, the past year was strongly influenced by preparations for our decision to participate in the 5G spectrum auction,” states Ralph Dommermuth, CEO of United Internet, in his summary of the fiscal year 2018.

Dividend

On January 24, 2019, the Group subsidiary 1&1 Drillisch AG announced that it intended to apply to the German Federal Network Agency (“Bundesnetzagentur”) for admission to take part in the auction on the allocation of mobile frequencies (“5G spectrum auction”) and, in the event of a successful acquisition of spectrum at the auction, to establish and operate a 5G mobile network.

Against the background of the ongoing 5G spectrum auction, and the necessary additional investments in the event of a successful acquisition of spectrum at the auction, the Management Board and Supervisory Board of United Internet will make the following two-part dividend proposal – in accordance with the company’s dividend policy – at the Annual Shareholders’ Meeting on May 23, 2019:

Payment of a dividend of EUR 0.05 per share in the event that 1&1 Drillisch has acquired spectrum during the 5G spectrum auction by May 20, 2019. The dividend is based on the minimum dividend as prescribed by Section 254 (1) of the German Stock Corporation Act

(AktG). On the basis of 200.3 million shares with dividend entitlement (as of December 31, 2018), the total dividend payment for fiscal year 2018 would amount to EUR 10.01 million.

Payment of a dividend of EUR 0.90 (prior year: EUR 0.85) per share in the event that 1&1 Drillisch has not acquired spectrum during the 5G spectrum auction by May 20, 2019. On the basis of 200.3 million shares with dividend entitlement (as of December 31, 2018), the total dividend payment for fiscal year 2018 would amount to EUR 180.27 million.

Outlook 2019

For the fiscal year 2019, the company's Management Board expects consolidated sales to grow by approx. 4% (2018: EUR 5.13 billion). An increase of approx. 8% is anticipated for EBITDA (2018: EUR 1.20 billion) or approx. 12% including effects from the initial application of IFRS 16.

An overview of all key figures and the annual financial statements 2018 are available online (as of March 28, 2019) at www.united-internet.de.

About United Internet

With around 24 million fee-based customer contracts and around 37 million ad-financed free accounts, United Internet AG is a leading European internet specialist. At the heart of United Internet is a high-performance "Internet Factory" with approx. 9,100 employees, of which around 3,000 are engaged in product management, development and data centers. In addition to the high sales strength of its established brands (such as 1&1, GMX, WEB.DE, STRATO, 1&1 Versatel and the brands of Drillisch Online), United Internet stands for outstanding operational excellence with over 61 million customer accounts worldwide.

Contact partner

United Internet AG
Mathias Brandes
Tel: +49 2602 96-1616
presse@united-internet.de

Note

In the interests of clear and transparent reporting, the annual financial statements and interim statements of United Internet AG, as well as its ad-hoc announcements pursuant to Art. 17 MAR, contain additional financial performance indicators to those required under International Financial Reporting Standards (IFRS), such as EBITDA, EBITDA margin, EBIT, EBIT margin and free cash flow. Information on the use, definition and calculation of these performance measures is provided in the Annual Report 2017 of United Internet AG from page 53 onwards.