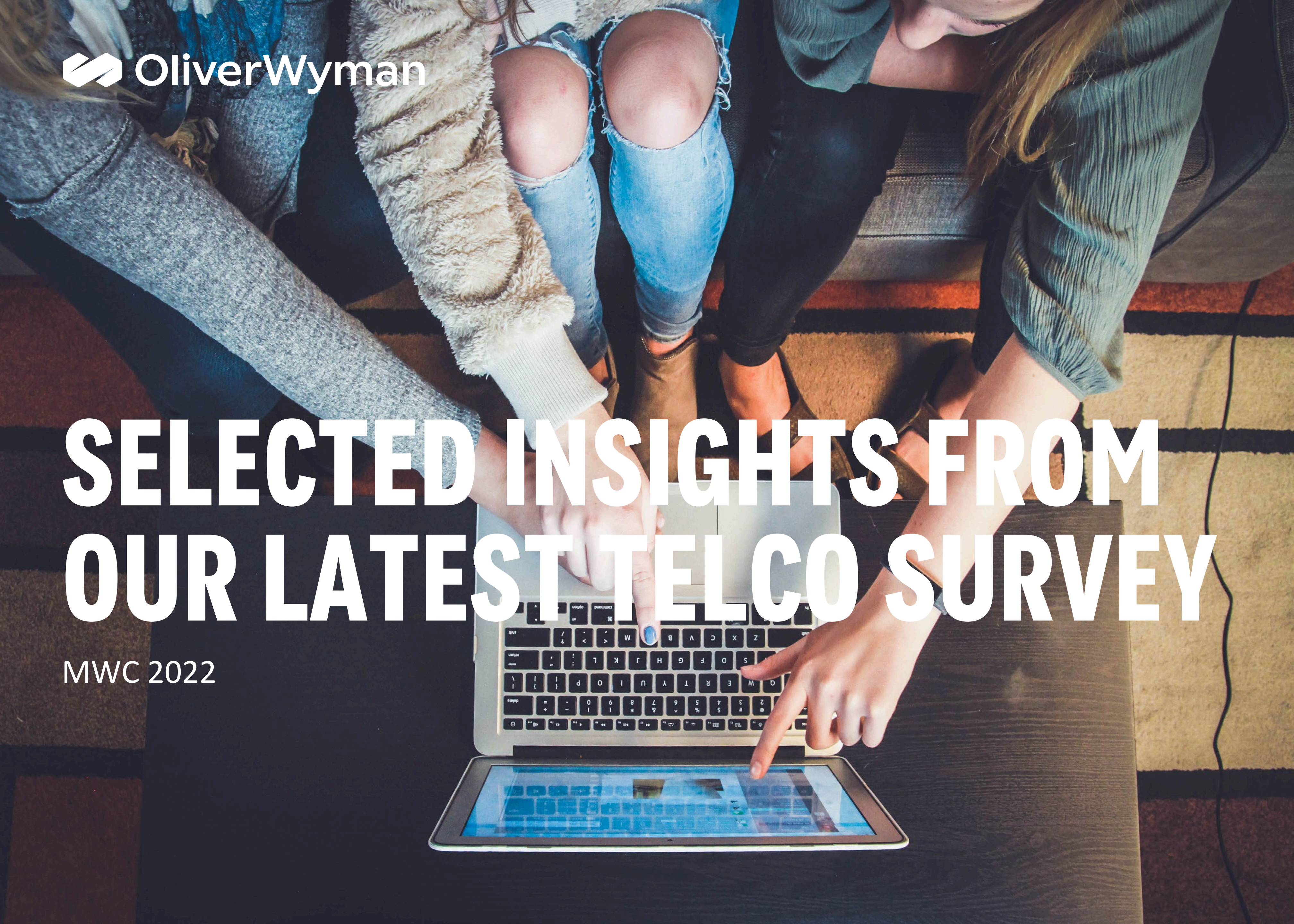


OliverWyman

SELECTED INSIGHTS FROM OUR LATEST TELCO SURVEY

MWC 2022

CONFIDENTIALITY

MEETING YOU TODAY

PILAR DE ARRIBA
Partner, Madrid office

AUGUSTO BAENA
Partner, Madrid office

Duration: 45 mins (40 mins presentation + 5 mins Q&A)

01 A panoramic view of telco market dynamics – zoom on the Spanish market

02 Selected insights on Consumer preferences and how they have evolved during the pandemic

FOUR FACTORS ARE SHAPING THE SPANISH MARKET DYNAMICS

1. **87%** — **CONVERGENCE PENETRATION** – HIGHEST IN EUROPE – WITH ACTIVE ROLE OF LOW COST BRANDS

2. **€1bn/yr** — **ANNUAL REVENUE EROSION OF RETAIL MARKET REVENUE** SINCE 2018 DUE TO SECTOR HYPERCOMPETITION

3. **70M+** — **HOUSEHOLDS WITH FTTH ACCESS** – HIGHEST IN THE WORLD – DRIVEN BY THE LOW DEPLOYMENT COSTS

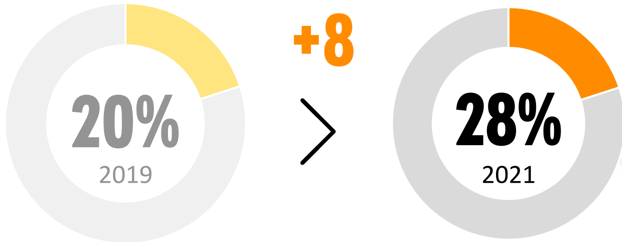
4. **13-15%** — **CAPEX INTENSITY** WITH QUESTIONABLE RETURNS EVEN WITH THE GROWING PRESENCE OF INFRACOS

MARKET CONSOLIDATION, UNDER REASONABLE RULES, SHOULD LEAD TO A BETTER INVESTMENT CLIMATE TO COVER SPANISH ECONOMY FUTURE INVESTMENT MINIMIZING THE NEED FOR GOVERNMENT FUNDING

1 SPAIN IS THE EUROPEAN COUNTRY WITH HIGHER PENETRATION OF CONVERGED OFFERS

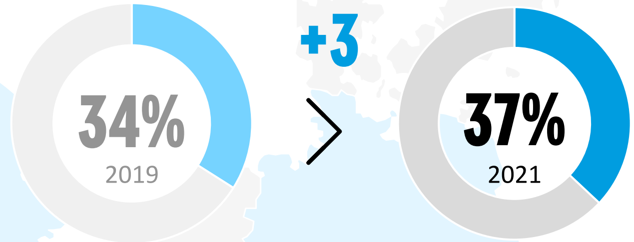
% **FMC OVER FBB** (active + passive)

UK



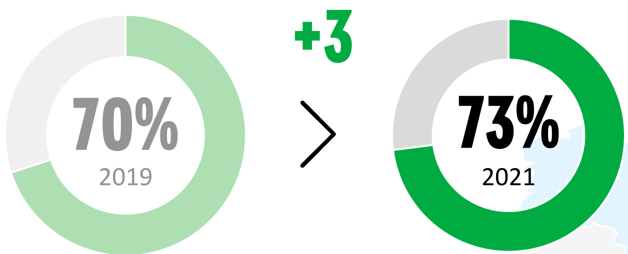
- **Fragmented market** across traditionally **fixed-only** and **mobile-only** where **only the leader could push for convergence** using its own infrastructure
- **Recent partnership Virgin/O2** fosters **consolidation of fixed + mobile** households

DE



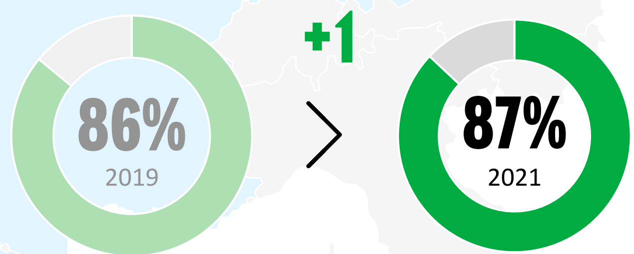
- **FMC consolidation progressing YoY (VF/O2 +3pp)** mainly from passive (active FMC moderate evolution of+1pp DT/VF)
- **FMC is primarily a main brand game** in Germany, with second brands acting as standalone MVNOs

FR



- **Mature FMC market with** similar **FMC rates** across main MNOs (Orange, Free, SFR, Bouygues), stagnating evolution observed in active FMC (ORA 54%, -1pp YoY)
- **2nd brands following closely** (e.g. Sosh, 70% FMC rate), supporting main brands convergence strategy either as FMC attackers or lower cost mobile cross-sells

ES



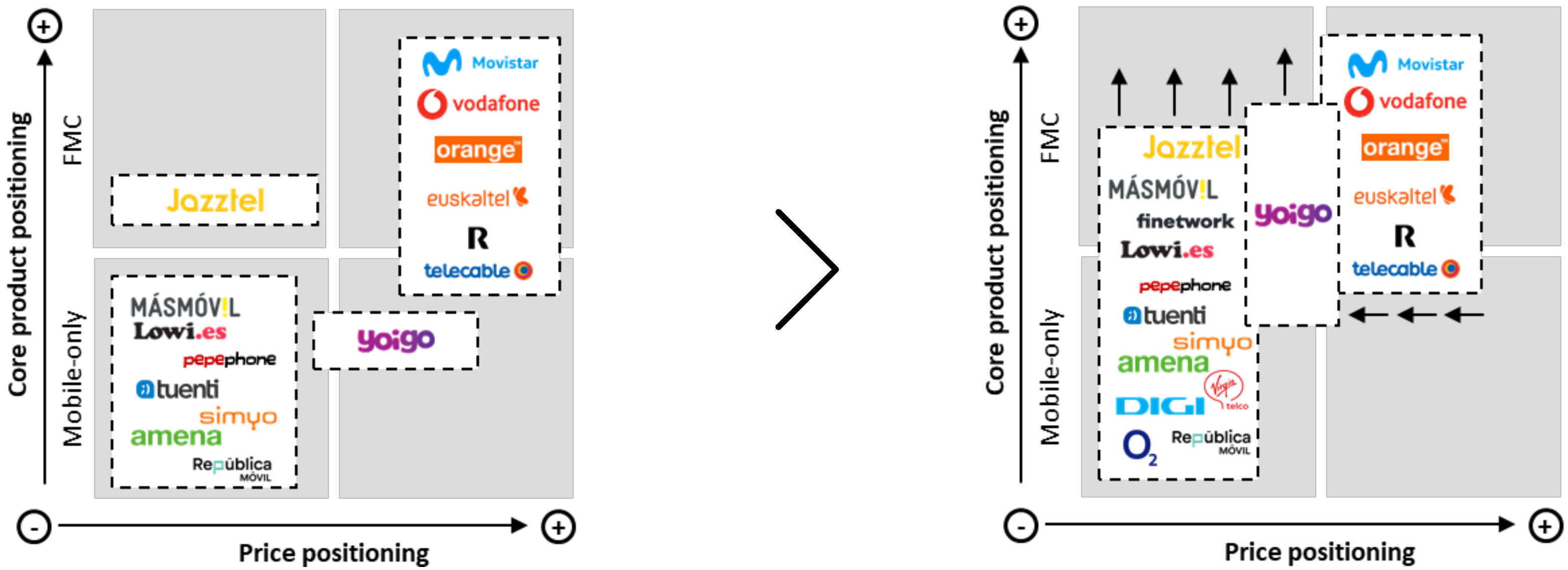
- **Most mature FMC market,** with most operators at +80% FMC penetration
- **2nd brands actively supporting convergence** as FMC attackers, although generally with low market shares

Note: FMC penetration rates as % of active + passive over FBB unless stated otherwise
Source: Oliver Wyman Telco Customer Survey 2019, 2021, operators' investor relations

1 CONVERGENCE IS THE PREVALENT STRATEGY EVEN FOR LOW-COST BRANDS DUE TO A VERY COMPETITIVE WHOLESALE MARKET

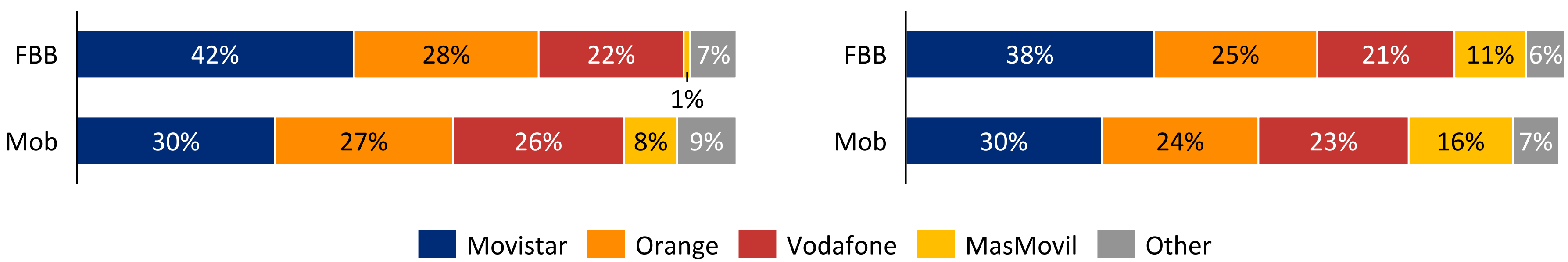
Residential market convergent positioning evolution

2014 - 2016 | 2017 - Current



Subscriber market share

2016[1] | Current

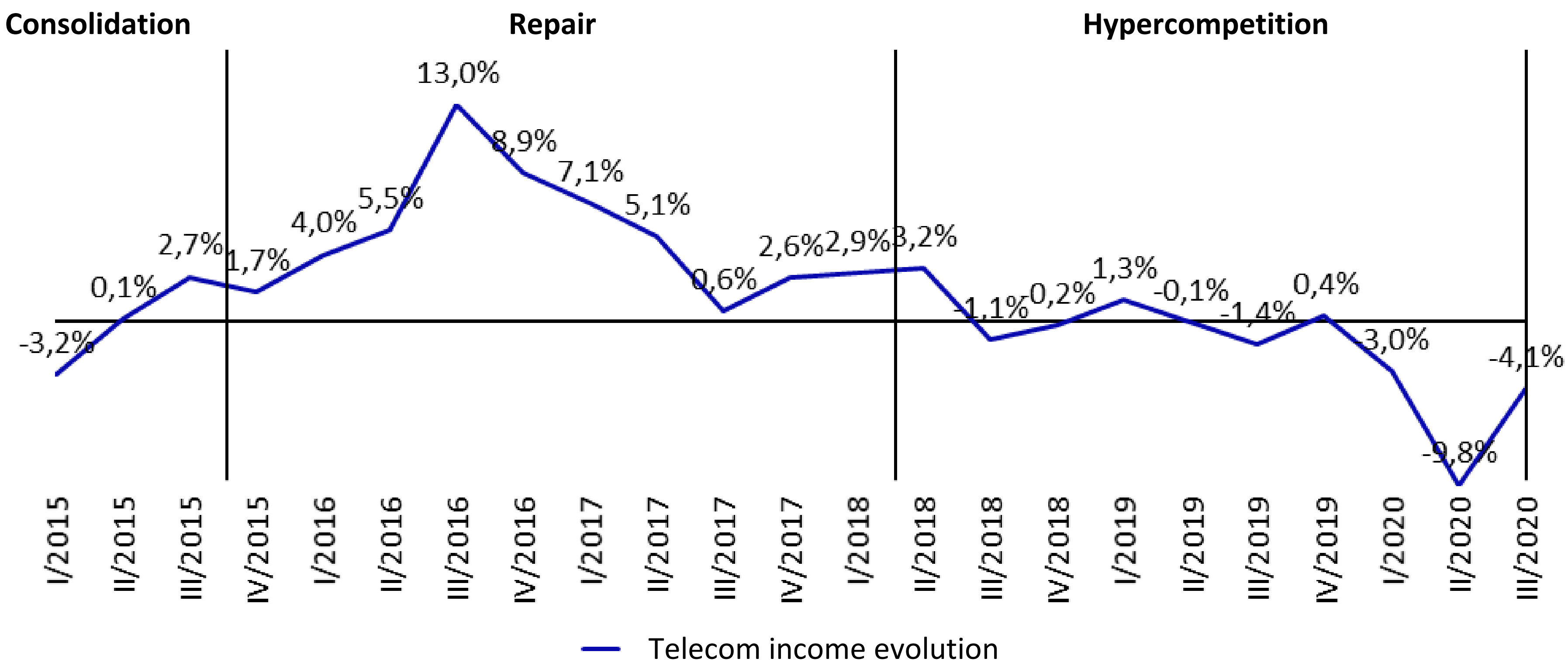


1. Movistar, Vodafone and Orange market shares include their 2nd Brands ; Source: CNMC, Barlovento Communication, Oliver Wyman analysis

SECTOR RETAIL REVENUES DECLINE BY EUR ~1BN PER YEAR FROM 2018 DUE TO HYPERCOMPETITION

Market Revenue growth in Spain

Q1 2015 to Q3 2020, % change of quarterly income yoy



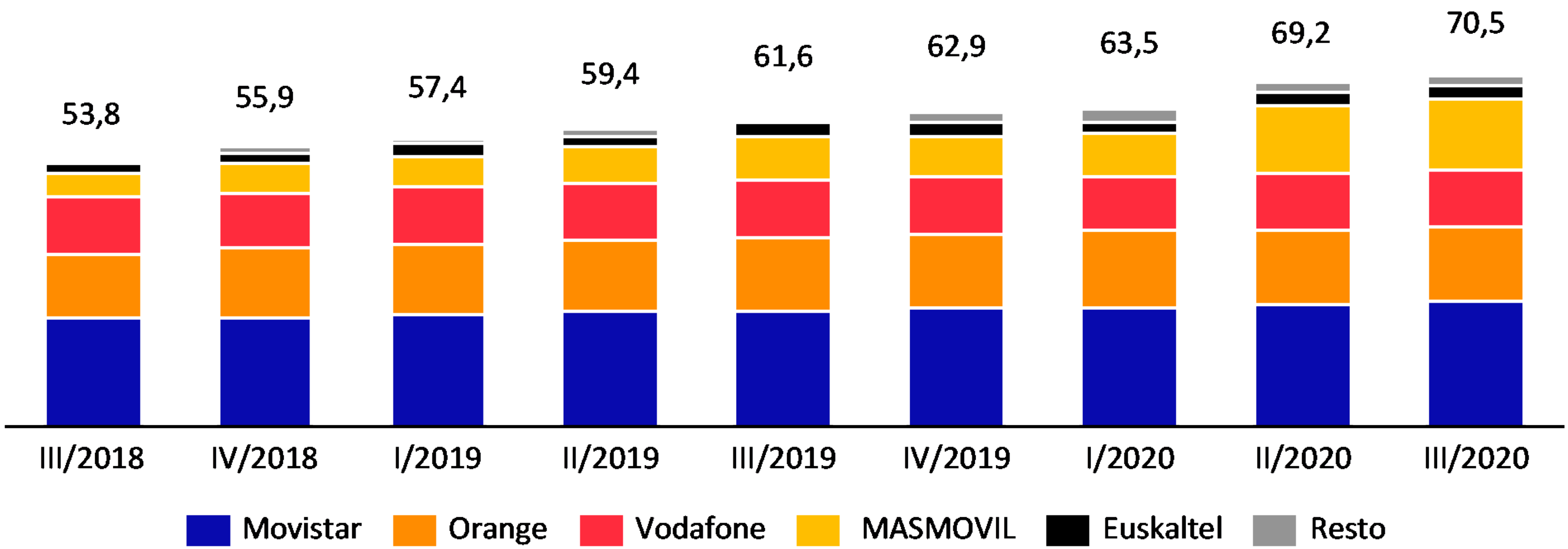
Source: CNMC, Feb 2021

3

70M+ HOUSEHOLDS WITH FTTH ACCESS – AMONG HIGHEST IN THE WORLD – DRIVEN BY THE LOW DEPLOYMENT COSTS

Evolution of Households FTTH coverage

Q3 2018 to Q3 2020 in M households

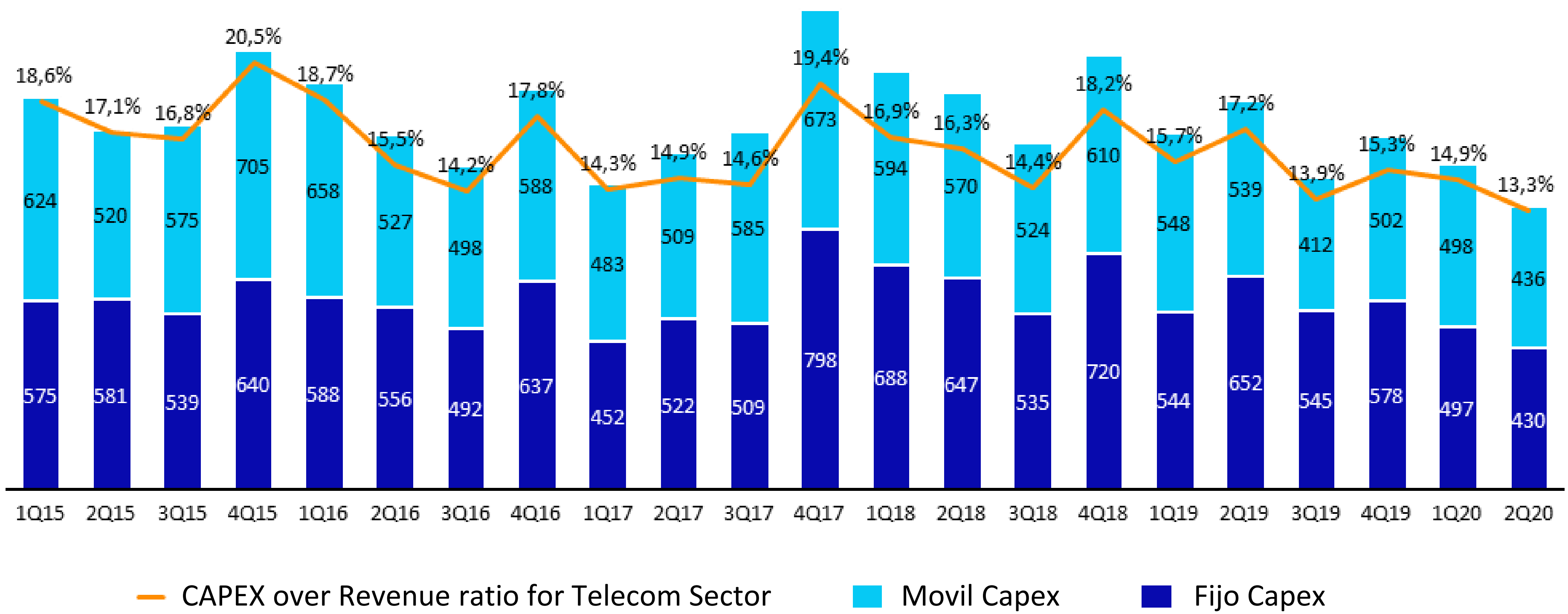


Source: CNMC, Feb 2021

4 13% TO 15% CAPEX INTENSITY WITH QUESTIONABLE RETURNS EVEN WITH THE GROWING PRESENCE OF INFRACOS THAT INCREASE CAPITAL EFFICIENCY

Spanish operators CAPEX and CAPEX over Revenue ratio

Q1 2015 to Q2 2020, in EUR BN and %



Source: CNMC; Oliver Wyman analysis, Omedia

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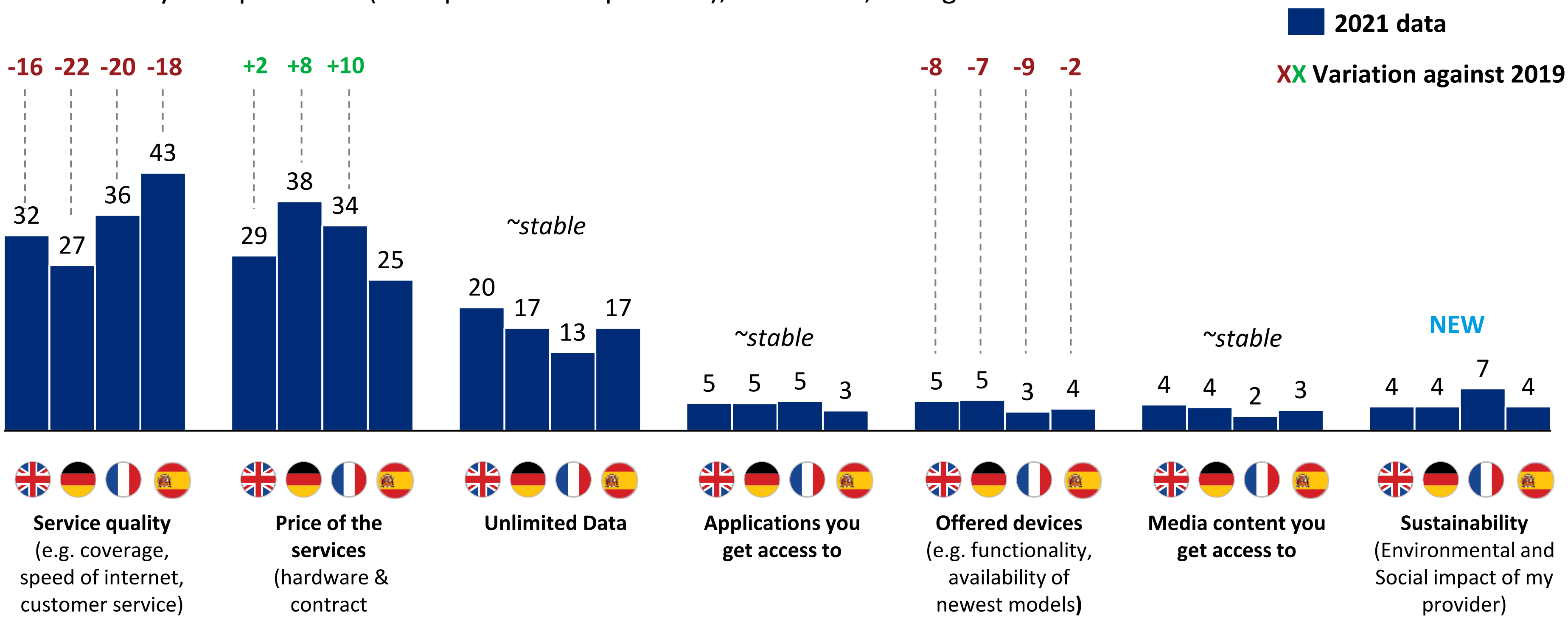
WHAT MATTERS MOST IN TELCOS VALUE PROPOSITION ?

Q: What is most important to you in a telecommunications service provider offering?
% of country's respondents (multiple answers possible); 2021 data, change vs 2019



QUALITY REMAINS THE MOST RELEVANT ELEMENT IN TELCOS' VALUE PROPOSITION BUT OUR SURVEY REFLECTS A STRONG REBALANCE TOWARDS PRICE

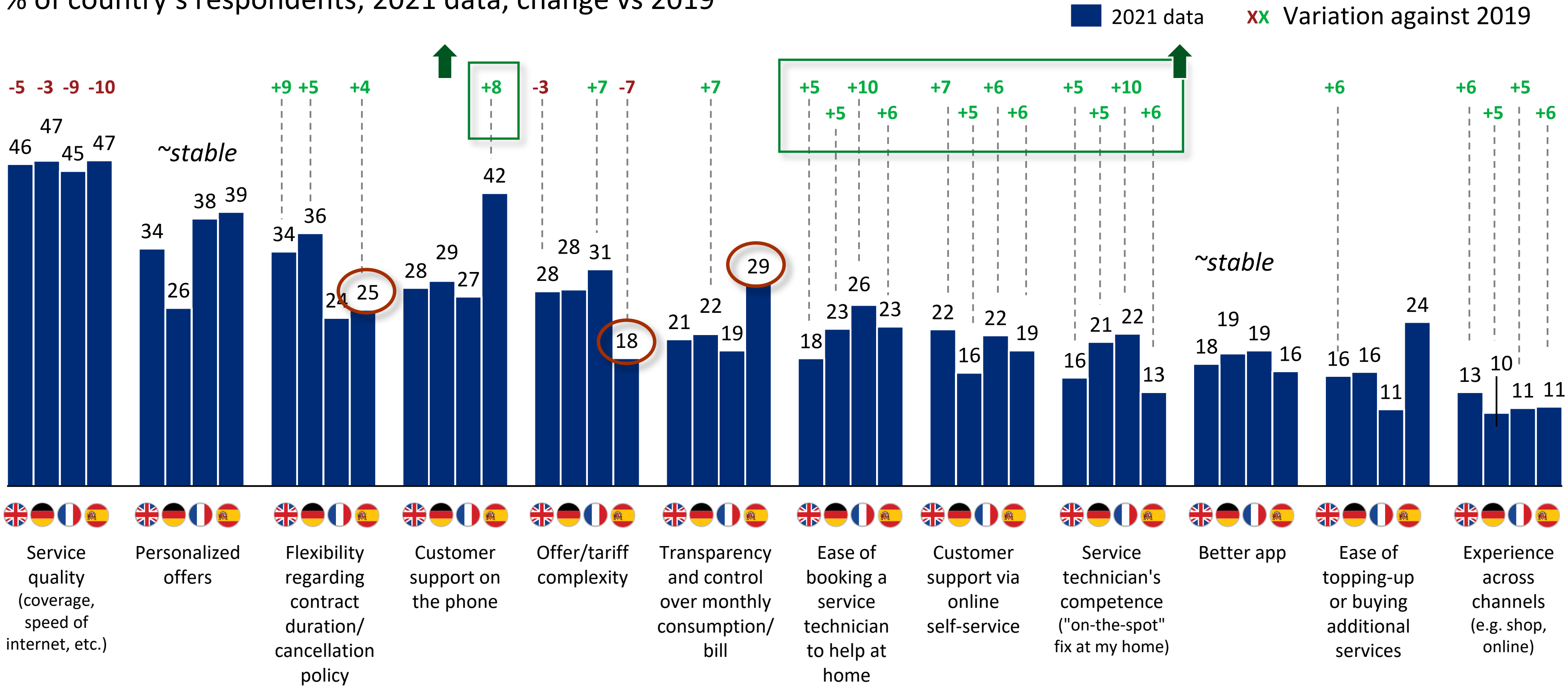
SPAIN REMAINS THE MOST QUALITY-ORIENTED WHEREAS GERMANY IS THE MOST PRICE SENSITIVE COUNTRY

Trend for *Unlimited Data and Sustainability* not available
Source: Oliver Wyman Telco 2019 and 2021 Surveys, Oliver Wyman

WHERE CAN OPERATORS IMPROVE THE MOST ?

Q: Should you be able to change something with your telco operator <u>(apart from price!)</u>, what would you improve?

% of country's respondents; 2021 data, change vs 2019



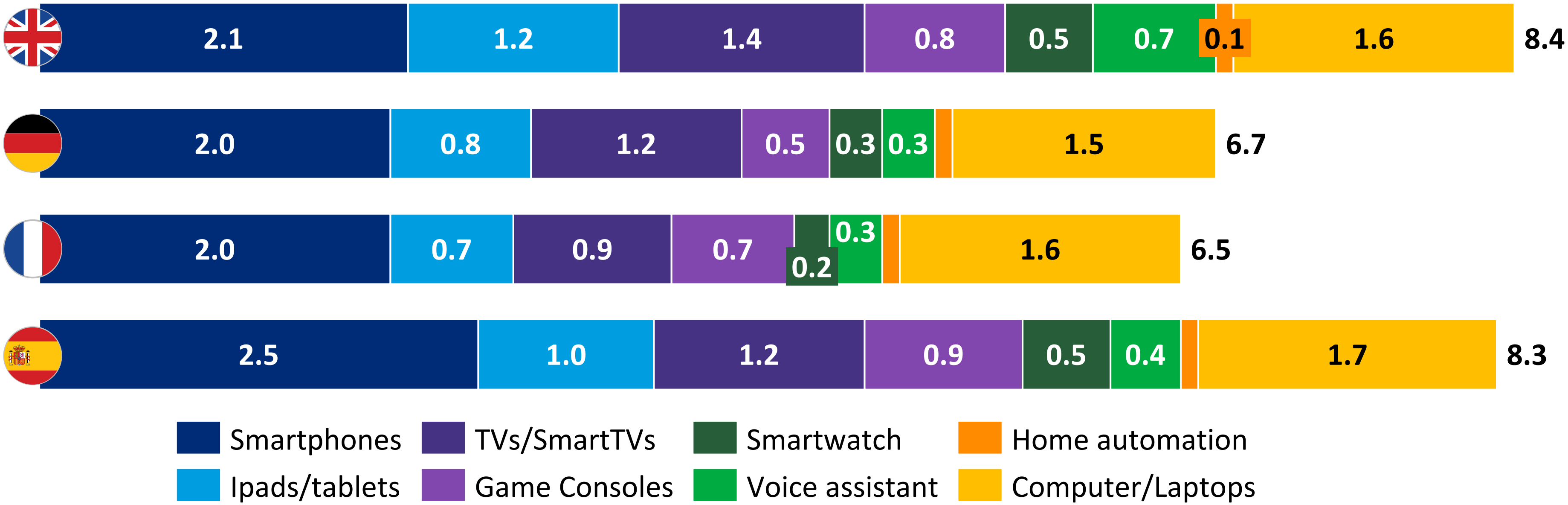
WE SEE CONCERNS ABOUT CUSTOMER SERVICE SUPPORT AND EASE OF USE RISING MATERIALLY ACROSS GEOS
IN SPAIN PARTICULARLY, THE PREDOMINANCE OF ALL-IN BUNDLES AND ELIMINATION OF MANDATORY PERMANENCE MAKE CONTRACT FLEXIBILITY AND OFFER CLARITY BE BETTER PERCEIVED VS. OTHER EU COUNTRIES ALTHOUGH PRICING FLEXIBILITY IS STATED TO BE AMONG THE TOP 3 CONCERNS

Trend for *Personalized offers* and *Better app* not available
Source: Oliver Wyman Telco 2019 and 2021 Surveys, Oliver Wyman

HOW MANY CONNECTED DEVICES PER USER ?

Q: How many devices connected to the internet do you have at home in the following categories

Average number of devices per respondent (respondents could have >1 devices per type, e.g. 2 smartphones); 2021

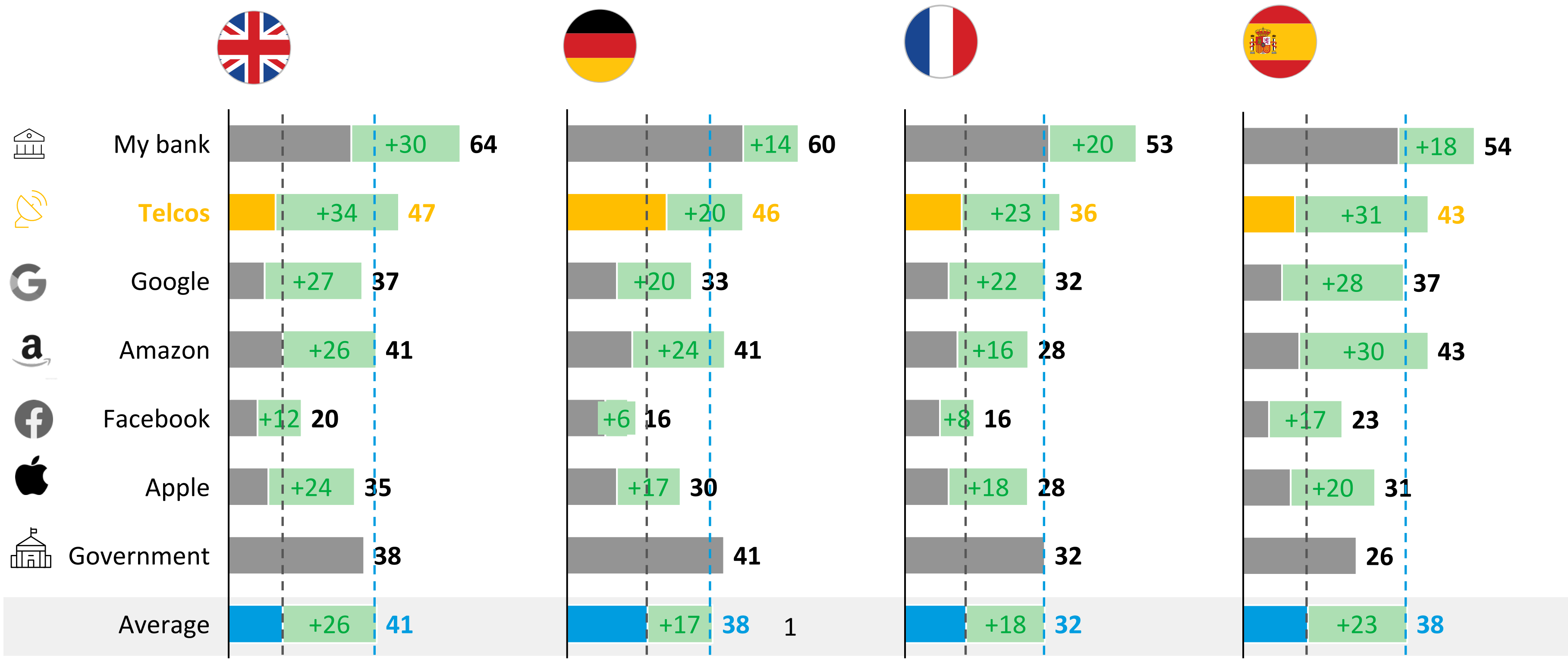


NETWORK QUALITY REMAINS A CORE DEMAND AS THE NUMBER OF DEVICES CONNECTED IN EACH HOUSEHOLD CONTINUE TO GROW AND THE NEW TYPES OF USE (GAMING, TV) ARE INCREASINGLY INTENSE IN THE USE OF DATA AND SENSITIVE TO LATENCY

Source: Oliver Wyman Telco 2021 Survey, Oliver Wyman

WHO DO WE TRUST TO GUARD OUR DATA?

Q: How much do you trust the following companies with regards to protecting your personal data and privacy?
% of country's respondents; 2021 data, change vs 2019



TELCOS EXPERIENCE THE MOST REMARKABLE INCREASE IN TRUST AND BECOME 2ND AFTER BANKS BUT RANKING SIGNIFICANTLY BETTER THAN LARGE TECHS

Trend for Government not available
Source: Oliver Wyman Telco 2019 and 2021 Surveys, Oliver Wyman

KEY TAKEAWAYS

1. Telecom sector in Spain is currently in hypercompetitive phase that is wiping off almost EUR 1bn per year of retail revenue

2. Investment intensity continues being high, and low return in investment could put pressure on future 5G deployments and its expected impact on Spanish digital economy

3. When choosing operators, consumers still put quality of service as the most important criterion, but importance of price has grown significantly in the last period

4. Telecom operators are the second must trusted entities (after banks, and above big techs and even governments) to guard our private data

Q&A

QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS

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A business of Marsh McLennan

Backup

METHODOLOGICAL REMARKS AND CAVEATS

- Scope of the survey is B2C and covers both postpaid and prepaid mobile subscriptions
- FMC penetration rates as % of active + passive over FBB unless stated otherwise (active = bundled with a discount)
- Sample Size per country

Sample size	905	906	2021	921

- Respondents could select more than 1 FBB provider in the questionnaire
  - *Which of these fixed broadband providers is used in your household?*
- "Main mobile line" is self-reported by survey respondent
  - *Please indicate the primary mobile service provider for your household (also called a carrier or wireless brands).*
- Adjustments have been done to aggregated responses to reflect real market data as reported by operators and regulators – e.g. penetration, market shares