Virgin Media O2 publishes first quarter results to 31 March 2023

Virgin Media O2 delivers solid first-quarter results building the foundations for growth in 2023 through our integration and network evolution

London, UK - 10 May 2023

- **Network evolution:** Our 16.3 million Homes Serviceable(i), which increased by 107,800, have access to a gigabit speed network where the average speed is 5x the national average. We continue to future-proof our network evolving towards new fibre homes and remain on-track to deliver 5G services to 50 per cent of the UK(ii) in 2023 whilst also boosting existing capacity
- **Synergies:** We are on-target to deliver over 50 per cent of £540 million run-rate synergies by the end of 2023 with full realisation of the benefits of the migration of Virgin Mobile base onto the Virgin Media O2 network and further synergies crystallised through the migration of the Virgin Mobile base to O2 plans and Mobile backhaul integration delivered through the year
- **Resilient trading performance:** Despite the impact of price rises, our fixed customer base continued to grow as we delivered O2 monthly churn of 1.0 per cent and customers benefited from gigabit speeds and high-value services
- **Solid development year-on-year in Transaction Adjusted Revenue and EBITDA:** Reported Transaction Adjusted Revenue grew 3.9 per cent, a decline of 0.1 per cent excluding the impact of nexfibre construction revenue. Transaction Adjusted EBITDA had another positive quarter of 2.0 per cent growth on a reported basis
- **2023 guidance - nexfibre impact:** During the quarter, we concluded our accounting treatment where nexfibre construction revenue will be reported on a gross basis:
    - Guidance of ‘Revenue growth’ excludes the impact of nexfibre construction revenue (expected to contribute approximately 5 percentage points for 2023)
    - Guidance of ‘mid-single-digit EBITDA growth’ also excludes nexfibre construction
- **2023 guidance:** We expect to deliver growth in Transaction Adjusted Revenue and mid-single-digit Transaction Adjusted EBITDA (before CTC) growth, both exclude the impact of nexfibre construction. Additionally, we predict opex and capex CTC of approximately £150 million and P&E additions of around £2.0 billion. The cash distribution to shareholders is anticipated to be £1.8 to £2.0 billion including cash from recapitalisations to maintain leverage at the upper-end of the 4-5x range

Lutz Schüler, CEO of Virgin Media O2, said:

“In the first quarter we delivered a solid performance as we laid the groundwork for further progress through the remainder of the year.

“As the largest gigabit network in the country our speed leadership continues, with customers taking broadband that is five times faster than the UK average. We continue to invest in the upgrade and expansion of our footprint and we are on-target to cover 80% of the country with full fibre. When coupled with bringing 5G services to more areas and reaching half of the UK(ii) this year, we are playing a big role in future-proofing the UK’s digital infrastructure.

“Our integration activity and the delivery of run-rate synergies is progressing at pace, with the migration of Virgin Mobile customers to O2 plans. We expect further run-rate synergies throughout the year including Mobile backhaul integration using our own fixed network.

“With strong foundations in place and as commercial momentum builds, supported by price increases, we remain on track to meet our 2023 guidance.”

(i) Homes Serviceable introduced as a new key performance indicator replacing Homes Passed, see footnote 3 and glossary for further detail

(ii) Total outdoor population coverage

Focus on the customer

Our customer-first approach was recognised as Virgin Media was named 'Most Popular Broadband Provider', O2 'Most Popular Mobile Network' and giffgaff 'Network of the Year' by Uswitch at their 2023 telecoms awards.

In the first quarter the **Fixed customer base** grew by 20,900 net additions, taking the total base to 5.8 million, supported by a reduced level of customer churn. Demand for fast and high-quality broadband continued, with first quarter **broadband net additions** of 28,800, while the average download speed across our broadband base increased by 36 per cent year-on-year to 315 Mbps - approximately 5 times higher than the national average.

Our **Contract Mobile base** stood at 16.1 million, with a 20,900 net reduction in the first quarter. This was driven by increased seasonal activity notably at the lower end of the consumer market. Meanwhile O2 was listed as the 'best value provider for customer perks' by Uswitch in March, with Priority from O2 continuing to play a key role. O2 monthly contract churn increased to 1.0%, driven by increased large enterprise disconnections, as consumer O2 monthly contract churn remained at the stable and low level of 0.8% despite announcing price rises in the quarter. Virgin Media O2's total mobile base grew to 44.9 million, with 296,900 net additions in the first quarter primarily supported by growth in IoT.

Upgrading the UK's digital infrastructure

In the first quarter our fixed network deployment into new locations continued with 107,800 additional homes serviceable. The deployment was primarily from rollout on behalf of nexfibre, where Virgin Media O2 is the anchor wholesale tenant. The upgrade of our existing network to full-fibre remains on-track, and our serviceable FTTH footprint is set to reach up to 23 million homes in 2028.

In Mobile, we have now reached 50 per cent outdoor 5G population coverage in more than 2,100 towns and cities and we are on-track to deliver 5G services to over 50 per cent of the outdoor UK population in 2023. We also launched our first 5G services on sections of the London Underground, enabling customers to benefit from very high-speed mobile connectivity on the Tube network for the first time. Further rollout is taking place this year with the expectation that we will have covered the entire Tube network by the end of 2024.

Integration continues at pace

In February we announced a multi-million-pound investment to establish a new state-of-the-art UK headquarters in Paddington Central, opening late next year, sitting alongside our existing modern office in Reading. Our office in Slough will close in June this year, with Hammersmith following in the fourth quarter of 2024.

We also commenced the migration of Virgin Mobile customers to O2 plans, with this activity targeted to complete by the end of the year. We remain on track to deliver over 50 per cent of £540 million run-rate synergies by the end of 2023.

Extending support to broader communities

As part of our Better Connections Plan, our ESG strategy, we made consistent strides to develop the value we add to the communities in which we operate.

In the first quarter, we extended the eligibility of our Essential Broadband social tariffs which allows 9.7 million people to access broadband for a price starting from £12.50 per month. As well as this, we were consistent in our contribution towards raising awareness of these products across our online platforms and in customer communications. The successful implementation of a new Government backed automatic verification tool has made it faster and easier for consumers to sign up to these services.

In January, we completed the roll out of defibrillators in over 200 company owned stores across the UK – greatly increasing access to life-saving equipment on hundreds of High Streets in partnership with the British Heart Foundation (BHF). An awareness campaign was also undertaken, with screens outside O2 stores nationwide urging people to learn CPR.

In February, we provided support to those impacted by the earthquake in Türkiye and Syria by crediting back the cost of voice calls and SMS messages for our customers from 6 to 20 February. We're also supporting humanitarian charity Jangala's internet-enabling 'Big Boxes' – funded by Virgin Media O2 – to help provide internet connectivity to support the relief efforts in the countries.

Additionally, in March we announced that we had opened the 1,000th National Databank with Good Things Foundation. The National Databank provides free access to mobile data, texts, and calls, including 20GB of free O2 data – enough for around 220 hours of internet browsing – per month.

Solid first-quarter performance sets platform for growth in 2023

Revenue[1]: First quarter total Transaction Adjusted Revenue of £2,605.8 million increased by 3.9% year-on-year and a decline of 0.1% excluding the effects of nexfibre construction revenue. Mobile revenues increased 3.4% to £1,429.2 million, including an 8.3% increase in handset revenues to £386.9 million and a continuation of service revenue growth following an overall increased Mobile connections base versus the first quarter 2022 and the benefit of contract price rises. Fixed revenues decreased 4.8% to £958.3 million, as Consumer Fixed revenues declined 3.8% to £822.4 million as consumer optimisation continued but did not worsen, while B2B Fixed revenues declined 10.6% to £135.9 million due to a high level of installation revenue for high-capacity data services in first quarter 2022 and a reduction in underlying service revenue. Other revenue increased 83.3% to £218.3 million driven by the addition of nexfibre revenues for which there were no revenues in first quarter 2022 partially offset by decreased Information Communication Technology revenue.

Adjusted EBITDA[1]: First quarter Transaction Adjusted EBITDA increased 2.0% year-on-year to £950.4 million, excluding £20.8 million of opex CTC. The realisation of synergies was partially offset by increased energy costs, nexfibre provided additional Transaction Adjusted EBITDA growth. In the first quarter 2023, Transaction Adjusted EBITDA margin declined to 36.5% compared to 37.2% in the first quarter 2022, due to lower margin nexfibre revenues which did not occur in the corresponding period.

Adjusted EBITDA less Capex[1]: First quarter Transaction Adjusted EBITDA less Capex increased 3.3% year-on-year to £440.9 million, before opex and capex CTC of £45.8 million. This increase was primarily attributable to the aforementioned Transaction Adjusted EBITDA growth as well as a reduced level of ROU asset additions partially offset by an increased level of P&E additions.

Free Cash Flow: There was an adjusted free cash outflow of £751.6 million in the first quarter. Virgin Media O2 made a cash distribution to shareholders of £325.0 million in March 2023.

Full year 2023 guidance: We expect to deliver growth in Transaction Adjusted Revenue and mid-single-digit Transaction Adjusted EBITDA (before CTC) growth, both exclude the impact of nexfibre construction. Additionally, we predict opex and capex CTC of approximately £150 million and P&E additions of around £2.0 billion. The cash distribution to shareholders is anticipated to be £1.8 to £2.0 billion including cash from recapitalisations to maintain leverage at the upper-end of the 4-5x range.

Strong capital structure to support business growth

In March 2023, we entered into a $750.0 million sustainability linked term loan facility (Term Loan Y). Term Loan Y matures on 31 March 2031 and bears interest at a rate of the Secured Overnight Financing Rate (SOFR) plus 3.25% (subject to adjustment based on the achievement or otherwise of certain ESG metrics). The proceeds from Term Loan Y were used to repay £220 million of the outstanding principal amount under Term Loan X. During the period we drew a portion of the RCF which was drawn to pay for Value-Added-Tax purposes and the interest on the debt. This was repaid within the quarter .

In March 2023, we also made a further draw down of £325.0m of Term Loan X. This was used to fund the dividend, also paid in March 2023, of £325.0 million to our shareholders. The remaining proceeds were used for general corporate purposes (including the repayment of the existing debt). At 31 March 2023, our fully-swapped third-party debt borrowing cost was 4.8% and the average tenor of third-party debt (excluding vendor financing) was 6.3 years.

At 31 March 2023, and subject to the completion of the corresponding compliance reporting requirements, the ratios of Net Senior Debt and Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised) were 3.54x and 3.85x, respectively, each as calculated in accordance with the most restrictive covenants, and reflecting the Credit Facility Excluded Amounts as defined in the respective credit agreements. Vendor financing, lease and certain other obligations are not included in the calculation of the company's leverage covenants. If these obligations were included in the leverage ratio calculation, and Virgin Media O2 did not reflect the exclusion of the Credit Facility Excluded Amounts, the ratio of Total Net Debt to Annualised Adjusted EBITDA would have been 4.96x at 31 March 2023.

At 31 March 2023, the company had maximum undrawn commitments equivalent to £1,703 million, including £1,378 million of Revolving Credit Facility (RCF) and £325 million of Term Loan X. When compliance reporting requirements have been completed and assuming no change from 31 March 2023 borrowing levels, it is anticipated that the full borrowing capacity will continue to be available, based on the maximum the company can incur and upstream which is subject to a 4x net senior debt test.

Operating Statistics Summary

	Three months ended 31 March	
	2023	**2022**
<u>Footprint</u>		
Homes Serviceable[(i)]	**16,274,400**	**15,743,800**
<u>Fixed-Line Customer Relationships</u>		
Fixed-Line Customer Relationships	**5,816,400**	**5,760,200**
O/w Broadband Connections	5,682,600	5,595,800
Fixed-Line Customer Relationship net additions	**20,900**	**(8,100)**
O/w Broadband net additions	28,800	(1,000)
Q1 Monthly Transaction Adjusted ARPU per Fixed-Line Customer Relationship	£ 46.35	£ 48.32
<u>Mobile</u>		
Retail Connections	**34,081,600**	**32,595,000**
Mobile	23,880,900	24,011,000
Contract	16,066,700	15,948,600
Prepaid	7,814,200	8,062,400
IoT	10,200,700	8,584,000
Wholesale Connections	**10,865,300**	**10,126,500**
Total Mobile Connections	**44,946,900**	**42,721,500**
Retail net additions	**250,200**	**318,200**
Mobile net additions (losses)	(175,000)	(46,100)
Contract net additions	(20,900)	10,600
Prepaid net losses	(154,100)	(56,700)
IoT net additions	425,200	364,300
Wholesale net additions	**46,700**	**159,900**
Total Mobile net additions	**296,900**	**478,100**

(i) Homes Serviceable introduced as a new key performance indicator replacing Homes Passed, see footnote 3 and glossary for further detail

Financial Results, Transaction Adjusted EBITDA Reconciliation, Property and Equipment Additions and Adjusted Free Cash Flow

The preliminary unaudited selected financial results are set forth below:

	Three months ended 31 March		Increase (decrease)
	2023	2022	
	in £ millions, except % amounts		
Transaction Adjusted Revenue			
Mobile	**1,429.2**	**1,381.7**	**3.4%**
Handset	386.9	357.2	8.3%
Fixed	**958.3**	**1,006.9**	**(4.8%)**
Consumer Fixed	822.4	854.9	(3.8%)
Subscription	807.8	836.5	(3.4%)
Other	14.6	18.4	(20.7%)
B2B Fixed	135.9	152.0	(10.6%)
Other	**218.3**	**119.1**	**83.3%**
Transaction Adjusted Revenue	**2,605.8**	**2,507.7**	**3.9%**
Transaction adjustments(i)	(3.2)	(7.6)	
Total Revenue	2,602.6	2,500.1	4.1%
Transaction Adjusted EBITDA			
Transaction Adjusted EBITDA	**950.4**	**931.7**	**2.0%**
Transaction Adjusted EBITDA as a % of Transaction Adjusted Revenue	36.5%	37.2%	
Opex CTC	(20.8)	(10.4)	
Transaction Adjusted EBITDA including CTC	929.6	921.3	0.9%
Transaction Adjusted EBITDA less Capex			
Transaction Adjusted EBITDA	950.4	931.7	2.0%
Property & equipment additions	478.9	473.0	1.2%
ROU asset additions	30.6	31.7	(3.5%)
Transaction Adjusted EBITDA less Capex	**440.9**	**427.0**	**3.3%**
Transaction Adjusted EBITDA less Capex as a % of Transaction Adjusted Revenue	16.9%	17.0%	
Opex and Capex CTC	(45.8)	(44.0)	
Transaction Adjusted EBITDA less Capex including CTC	395.1	383.0	3.2%
Spectrum license additions	—	—	
Adjusted Free Cash Flow (FCF)			
Adjusted FCF	**(751.6)**	**(319.2)**	

(i) Revenue transaction adjustments relate to the reversal of the write-off of deferred revenue shown in Footnote (i)(b) on page 7.

A reconciliation of net profit to Transaction Adjusted EBITDA is set forth below:

	Three months ended 31 March 2023	2022	Increase (decrease)
	in £ millions, except % amounts		
Net profit (loss)	(289.5)	91.9	
Income tax expense (benefit)	(83.6)	18.2	
Other expense (income), net	(4.2)	1.1	
Share of results of investments accounted for by the equity method	(0.7)	(0.7)	
Finance income	(227.7)	(499.4)	
Finance costs	594.0	435.8	
Operating income (loss)	(11.7)	46.9	
Depreciation and amortisation	912.9	873.7	
Share-based compensation expense	13.6	7.7	
Restructuring and other operating	13.2	6.3	
Cost to capture	20.8	10.4	
Adjusted EBITDA	948.8	945.0	0.4%
Transaction adjustments[i]	1.6	(13.3)	
Transaction Adjusted EBITDA	**950.4**	**931.7**	**2.0%**

A reconciliation of our net cash provided by operating activities to Adjusted Free Cash Flow is set forth below:

	Three months ended 31 March 2023	2022
	in £ millions	
Net cash provided by operating activities	(19.4)	448.3
Operating-related vendor financing additions	624.8	441.1
Capital expenditures, net	(408.1)	(356.9)
Principal payments on vendor financing	(895.3)	(783.3)
Principal payments on certain leases	(53.6)	(68.4)
Adjusted FCF	(751.6)	(319.2)

(i) In connection with the completion of the joint venture, the opening balance sheet of the combined business was reported at its estimated fair value. As such, certain amounts were adjusted to reflect the new basis of accounting (for further information see VMED O2 UK Limited 2022 Annual report note 31). These transaction adjustments therefore reverse the effect of the following:

(a) Deferred commissions and install costs write-off of £1.6 million and £20.9 million for the three months ended 31 March 2023 and 2022, respectively.

(b) Deferred revenue write-off of £3.2 million and £7.6 million for the three months ended 31 March 2023 and 2022, respectively.

Third-Party Debt, Lease Obligations and Cash and Cash Equivalents

The borrowing currency and pound sterling equivalent of the nominal amounts of VMED O2's consolidated third-party debt, lease obligations and cash and cash equivalents is set forth below:

	31 March 2023			31 December 2022
	Borrowing currency		£ equivalent	
			in millions	
Senior and Senior Secured Credit Facilities:				
Term Loan L (SONIA[1] + 3.25%) due 2027	£	400.0	400.0	400.0
Term Loan M (SONIA[1] + 3.25%) due 2027	£	500.0	500.0	500.0
Term Loan N (LIBOR + 2.50%) due 2028	$	3,300.0	2,672.5	2,727.6
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	660.2	664.0
Term Loan Q (LIBOR + 3.25%) due 2029	$	1,300.0	1,052.8	1,074.5
Term Loan R (EURIBOR + 3.25%) due 2029	€	750.0	660.2	664.0
Term Loan X (SONIA[1] + 3.25%) due 2027	£	955.0	955.0	850.0
Term Loan Y (SOFR[2] + 3.25%) due 2031	$	750.0	607.4	—
£1,378 million (equivalent) RCF (SONIA[1] + 2.75%) due 2026	£	—	—	—
VM Financing Facilities (GBP equivalent)	£	110.4	110.4	41.0
Total Senior and Senior Secured Credit Facilities			7,618.5	6,921.1
Senior Secured Notes:				
5.00% GBP Senior Secured Notes due 2027	£	675.0	675.0	675.0
5.50% USD Senior Secured Notes due 2029	$	1,425.0	1,154.0	1,177.8
5.25% GBP Senior Secured Notes due 2029	£	340.0	340.0	340.0
4.00% GBP Senior Secured Notes due 2029	£	600.0	600.0	600.0
4.25% GBP Senior Secured Notes due 2030	£	635.0	635.0	635.0
4.50% USD Senior Secured Notes due 2030	$	915.0	741.0	756.3
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	836.3	841.0
4.25% USD Senior Secured Notes due 2031	$	1,350.0	1,093.3	1,115.8
4.75% USD Senior Secured Notes due 2031	$	1,400.0	1,133.8	1,157.2
4.50% GBP Senior Secured Notes due 2031	£	675.0	675.0	675.0
Total Senior Secured Notes			8,363.4	8,453.1
Senior Notes:				
5.00% USD Senior Notes due 2030	$	925.0	749.1	764.6
3.75% EUR Senior Notes due 2030	€	500.0	440.1	442.6
Total Senior Notes			1,189.2	1,207.2
Vendor financing			2,404.9	2,442.7
Share of CTIL[3] debt			179.0	160.0
Other debt			206.3	199.9
Lease obligations			818.4	839.3
Total third-party debt and lease obligations			20,779.7	20,223.3
Less: unamortised premiums, discounts, deferred financing costs and fair value adjustments, net			(29.2)	(40.0)
Total carrying amount of third-party debt and lease obligations			20,808.9	20,263.3
Less: cash and cash equivalents			279.2	492.0
Net carrying amount of third-party debt and lease obligations			£ 20,529.7	£ 19,771.3
Exchange rate (€ to £)			1.1360	1.1296
Exchange rate ($ to £)			1.2348	1.2099

[1] SONIA (Sterling Overnight Index Average) plus a credit adjustment spread
[2] SOFR (Secured Overnight Financing Rate) plus a credit adjustment spread
[3] CTIL: Cornerstone Telecommunications Infrastructure Limited

Covenant Debt Information[1]

The pound sterling equivalent of the reconciliation from VMED O2's consolidated third-party debt and lease obligations to the total covenant amount of third-party gross and net debt and includes information regarding the projected principal-related cash flows of our cross-currency derivative instruments is set forth below. The pound sterling equivalents presented below are based on exchange rates that were in effect as of 31 March 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	31 March 2023	31 December 2022
	in millions	
Total third-party debt and lease obligations (£ equivalent)	**£ 20,779.7**	**£ 20,223.3**
Vendor financing	(2,269.0)	(2,305.4)
Other debt	(206.3)	(199.9)
CTIL debt	(179.0)	(160.0)
Credit Facility excluded amount	(1,036.4)	(1,063.0)
Lease obligations	(818.4)	(839.3)
Projected principal-related cash payments (receipts) associated with our cross-currency derivative instruments	(234.0)	(443.5)
Total covenant amount of third-party gross debt	**16,036.6**	**15,212.2**
Cash and cash equivalents	(64.8)	(32.0)
Total covenant amount of third-party net debt	**£ 15,971.8**	**£ 15,180.2**

Net Senior Debt to Annualised Adjusted EBITDA and Net Total Debt to Annualised Adjusted EBITDA is set forth below. These ratios calculate Adjusted EBITDA on a last two quarters annualised basis, as of 31 March 2023.

	31 March 2023	Covenant
Net Senior Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.54x	4.00x
Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.85x	5.00x

Forward-Looking Statements

This press release contains forward-looking statements including statements regarding our strategies, future growth ambitions and opportunities, and other information and statements that are not historical fact. Accordingly, one should not place undue reliance on these statements.

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About Virgin Media O2

VMED O2 UK Limited (Virgin Media O2) is an integrated communications provider of broadband internet, video, fixed-line telephony and mobile services to residential customers and businesses in the United Kingdom (U.K.). Virgin Media O2 is a 50:50 joint venture between Liberty Global plc (Liberty Global) and Telefónica, SA (Telefónica).

Liberty Global is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fibre and 5G networks that currently provides over 86 million connections across Europe and the United Kingdom. Liberty Global's businesses operate under some of the best-known consumer brands, including Virgin Media-O2 in the UK, VodafoneZiggo in The Netherlands, Telenet in Belgium, Sunrise in Switzerland, Virgin Media in Ireland and UPC in Slovakia. Liberty Global, through its global investment arm Liberty Global Ventures, has a portfolio of more than 75 companies across content, technology and infrastructure, including strategic stakes in companies like Vodafone, ITV, Televisa Univision, Plume, AtlasEdge and the Formula E racing series.

Telefónica is one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers. With more than 384 million customers, Telefónica operates in Europe and Latin America. Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

Footnotes

1. Formed on 1 June 2021, Virgin Media O2 is a 50:50 joint venture between Liberty Global plc (Liberty Global) and Telefónica, SA (Telefónica). The information provided in this release includes the financial information of VMED O2 UK Limited, a holding company that is not included as a restricted subsidiary for purposes of the facilities agreement and bond indentures governing Virgin Media O2. Disclosures may differ from reporting required under debt covenant arrangements. This release includes the actual IFRS results for Virgin Media O2 for the three months ended 31 March 2023 and the comparative prior year first quarter period.

2. Effective with our second quarter 2022 earnings release and in addition to Transaction Adjusted EBITDA, we introduced the supplementary financial measure Transaction Adjusted EBITDAaL. This metric is presented below:

	Three months ended 31 March		Increase (decrease)
	2023	2022	
	in £ millions, except % amounts		
Transaction Adjusted EBITDAaL			
Transaction Adjusted EBITDA	950.4	931.7	2.0%
Lease depreciation and interest costs	(56.8)	(60.1)	
Transaction Adjusted EBITDAaL	893.6	871.6	2.5%

3. Effective with our first quarter 2023 earnings release, we will report Homes Serviceable to replace the previously reported Homes Passed. This new metric reflects all homes where customers can request and receive a range of our services including those over partner networks - see the relevant definition within the Glossary for further information. Homes Serviceable actual by quarter for 2022 and first quarter 2023 is set forth below:

	Actual Three months ended
Quarter ending:	
31 March 2023	16,274,400
31 December 2022	16,166,600
30 September 2022	15,977,200
30 June 2022	15,859,600
31 March 2022	15,743,800

Glossary

Adjusted EBITDA: Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate operating performance and is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, Adjusted EBITDA is defined as profit (loss) from continuing operations before net income tax benefit (expense), other non-operating income or expenses, share of results of investments accounted for by the equity method, net finance costs, depreciation and amortization, share-based compensation, impairment, restructuring and other operating items and CTC opex costs. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to Virgin Media O2 employees that are settled with Liberty Global and Telefónica shares. Our internal decision makers believe Adjusted EBITDA is a meaningful measure because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (1) readily view operating trends, (2) perform analytical comparisons and benchmarking and (3) identify strategies to improve operating performance. We believe our consolidated Adjusted EBITDA measure, which is a non-GAAP measure, is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other companies.

Adjusted Free Cash Flow: Net cash provided by our operating activities, plus expenses financed by an intermediary, less (i) capital expenditures, as reported in our consolidated statements of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries and (iii) principal payments on certain finance leases. We believe that our presentation of Adjusted Free Cash Flow, which is a non-GAAP measure, provides useful information to our investors because this measure can be used to gauge our ability to service debt and fund new investment opportunities. Adjusted Free Cash Flow should not be understood to represent our ability to fund discretionary amounts, as we have various mandatory and contractual obligations, including debt repayments, which are not deducted to arrive at this amount. Investors should view Adjusted Free Cash Flow as a supplement to, and not a substitute for, IFRS measures of liquidity included in our consolidated statements of cash flows.

ARPU per Fixed-Line Customer: Average Revenue Per Unit is the average monthly subscription revenue per average fixed-line customer calculated by dividing the average monthly subscription revenue from residential cable and SOHO services by the average number of fixed-line customer relationships for the period. Fixed-line customer relationships of entities acquired during the period are normalized. In addition, for purposes of calculating the percentage change in ARPU on a rebased basis, which is a non-GAAP measure, we adjust the prior-year subscription revenue and fixed-line customer relationships to reflect acquisitions and dispositions on a comparable basis with the current year, consistent with how we calculate our growth for Transaction Adjusted Revenue and Transaction Adjusted EBITDA.

B2B: Business-to-Business.

Blended fully-swapped debt borrowing cost: The weighted average interest rate on our aggregate variable- and fixed-rate indebtedness (excluding lease obligations and including vendor financing), including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of deferred financing costs.

Contract Churn: The rate at which contract subscribers relinquish their subscriptions. This is calculated by dividing the proportion of postpaid contract mobile connections who have terminated their contract (Consumer, SMB, Enterprise and Mobile Broadband) for the period by the average base.

Costs to Capture (CTC): Costs to capture generally include incremental, third-party operating and capital-related costs that are directly associated with integration activities, restructuring activities and certain other costs associated with aligning our business processes to derive synergies. These costs are necessary to the joint venture being formed or are incidental to the joint venture formation. As a result, costs to capture may include certain (i) operating costs that are included in Adjusted EBITDA, (ii) capital-related costs that are included in property and equipment additions and in Adjusted EBITDA less Capex and (iii) certain integration related restructuring expenses that are not included within Adjusted EBITDA or Adjusted EBITDA less Capex. Given the achievement of synergies occurs over time, certain of our costs to capture are recurring by nature, and generally incurred within a few years of completing the transaction.

Fixed-Line Customer Relationships: The number of customers who receive at least one of our broadband, video or telephony services, without regard to which or to how many services they subscribe. Fixed-Line Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., a primary home and a vacation home), that individual generally will count as two Fixed-Line Customer Relationships. We exclude mobile-only customers from Fixed-Line Customer Relationships.

Fixed-Mobile Convergence (FMC) penetration: Fixed-mobile convergence penetration represents the number of customers who subscribe to both a fixed broadband internet service and postpaid mobile telephony service, divided by the total number of customers who subscribe to our fixed broadband internet service.

Homes Passed: Homes, residential multiple dwelling units or commercial units that can be connected to our networks without materially extending the distribution plant. Certain of our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results.

Homes Serviceable: Homes, residential multiple dwelling units or commercial units that can be connected to our networks that are technologically capable of providing two-way services (including video, internet and telephony services) or partner networks with which we have a service agreement, where customers can request and receive our services, without materially extending the distribution plant. Certain of our Homes Serviceable counts are based on census data that can change based on either revisions to the data or from new census results.

Broadband Connection: A home, residential multiple dwelling unit or commercial unit that receives internet services over our networks, or that we service through a wholesale network.

IoT Connections: Total number of Machine-to-Machine (M2M) contract mobile connections including Smart Metering (SMIP) contract connections.

Mobile Retail Connections: The number of active SIM cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber counts after periods of inactivity of 90 days. Total number of retail mobile connections includes Consumer, SMB, Enterprise, Mobile Broadband and IoT (comprising M2M and SMIP) and excluding Mobile Wholesale Connections (as defined below).

Mobile Contract: Total number of postpaid contract retail mobile connections including Consumer, SMB, Enterprise and Mobile Broadband but excluding M2M, SMIP and Mobile Wholesale Connections (as defined below).

Mobile Prepaid: Total number of Prepaid retail mobile connections for Virgin Media, O2 and giffgaff brands measured on a conventional basis (activity within 3 calendar months).

Mobile Wholesale Connections: Total number of wholesale MVNO contract connections (Tesco mobile, Sky, Lyca, SMB Wholesale and other).

MVNO: Mobile Virtual Network Operator.

P&E additions: Includes capital expenditures on an accrual basis, amounts financed under vendor financing or lease arrangements and other non-cash additions, but excludes CTC capex costs.

ROU asset: The right-of-use asset is the lessee's right to use an asset over the contracted term of a lease.

SIM: Subscriber Identification Module.

SOHO: Small or Home Office Subscribers.

Transaction Adjusted EBITDA: Adjusted EBITDA which has been normalised for certain adjustments which have been made to more accurately represent the performance of the underlying operations. These adjustments reflect the new basis of accounting in connection with the completion of the joint venture, where the opening balance sheet of the combined business was reported at its estimated fair value.

Transaction Adjusted EBITDA after Leases (Transaction Adjusted EBITDAaL): We define Transaction Adjusted EBITDAaL as Transaction Adjusted EBITDA as further adjusted to include lease related depreciation and interest expense. Our internal decision makers believe Adjusted EBITDAaL is a meaningful measure because it represents a transparent view of our recurring operating performance that includes recurring lease expenses necessary to operate our business. We believe Adjusted EBITDAaL, which is a non-GAAP measure, is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other public companies. Adjusted EBITDAaL should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, IFRS measures of income included in our consolidated statements of profit or loss.

Transaction Adjusted EBITDA margin: Transaction Adjusted EBITDA margin is a non-GAAP metric calculated by dividing Transaction Adjusted EBITDA by total Transaction Adjusted Revenue for the applicable period.

Transaction Adjusted EBITDA less Capex: Transaction Adjusted EBITDA less P&E and ROU asset additions. Adjusted EBITDA less Capex is a meaningful measure because it provides (i) a transparent view of Adjusted EBITDA that remains after our capital spend, which we believe is important to take into account when evaluating our overall performance and (ii) a comparable view of our performance relative to other telecommunications companies. Our Adjusted EBITDA less Capex measure may differ from how other companies define and apply their definition of similar measures. Adjusted EBITDA less Capex should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net profit or loss or other IFRS measures of income. For limitations of this metric see the definition of Transaction Adjusted EBITDA.

YoY: Year-over-year.