

# Vantage Towers

## Contracts, organisation and operations

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17<sup>th</sup> November 2020



# 3

## Contracts, organisation and operations

# Agenda

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1 Introduction and key investment highlights

2 Portfolio overview

3 Contracts, organisation and operations

4 ESG

5 Market backdrop and commercial focus

6 Understanding our financials and growth drivers

Conclusion and Q&A

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# Contracts, organisation and operations highlights

1

Long term, inflation linked Master Service Agreements ("MSAs") with Vodafone provide **secure revenue** over contract lifetime (8+8+8+8)

2

New site built-to-suit ("BTS") commitments (7.1k towers<sup>1</sup>) with protected economics over the next 5 years and preferred supplier status thereafter

3

Organisation in place to **actively manage ground lease costs** with clear **plan to drive efficiency gain**

4

**Efficient** organisation and **flexible** operating model, benefitting from in-house specialised capabilities and Vodafone's scale and systems

5

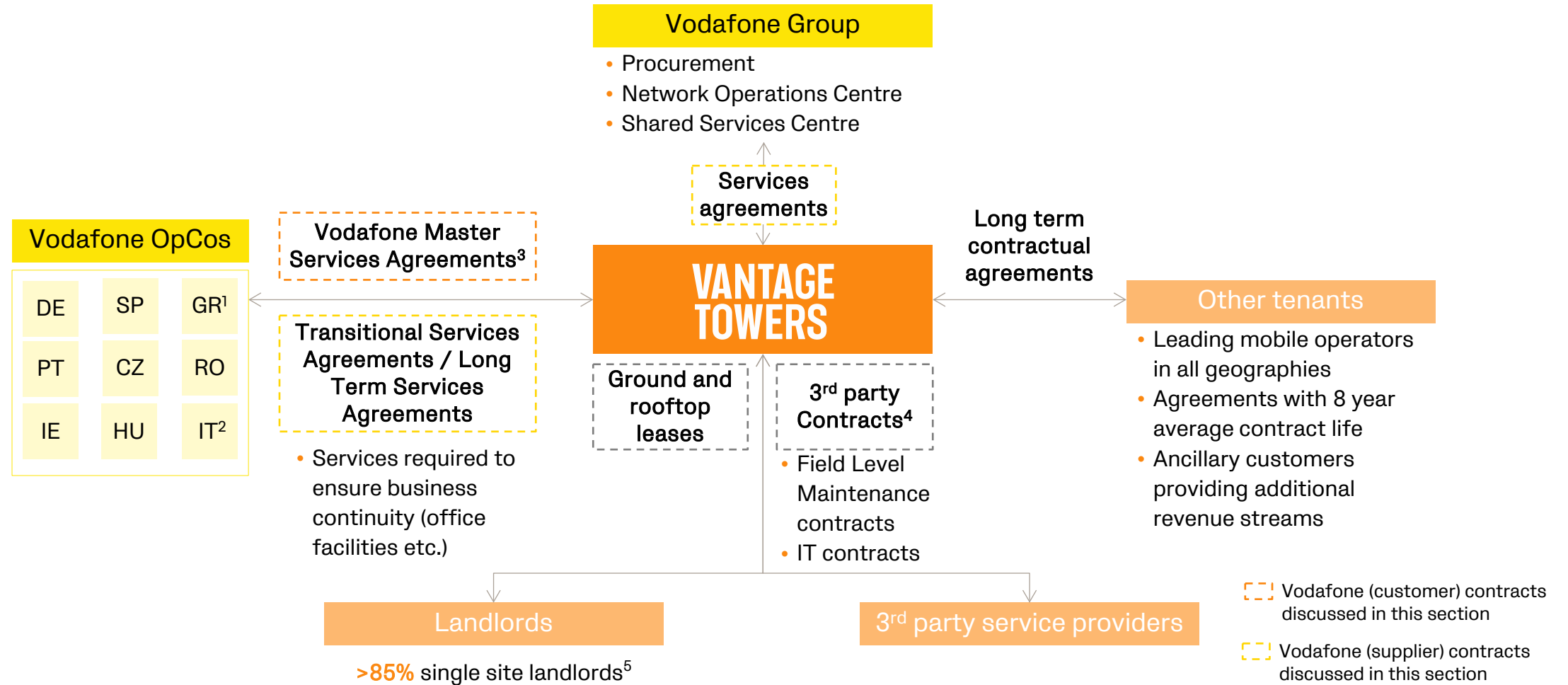
Building **best-in-class tools** to enhance management of the portfolio and deliver superior insight and services for our customers

## Notes

1 6,850 from Vodafone and 250 from Wind Hellas

# Key contracts

# Our key contracts | Overview



**Source** Company information as of Mar-20  
**Notes**

1 One combined agreement covering the TSA and LTA applicable for Greece




2 MSA with INWIT; no Transitional Services Agreements / Long Term Services Agreements in place with INWIT

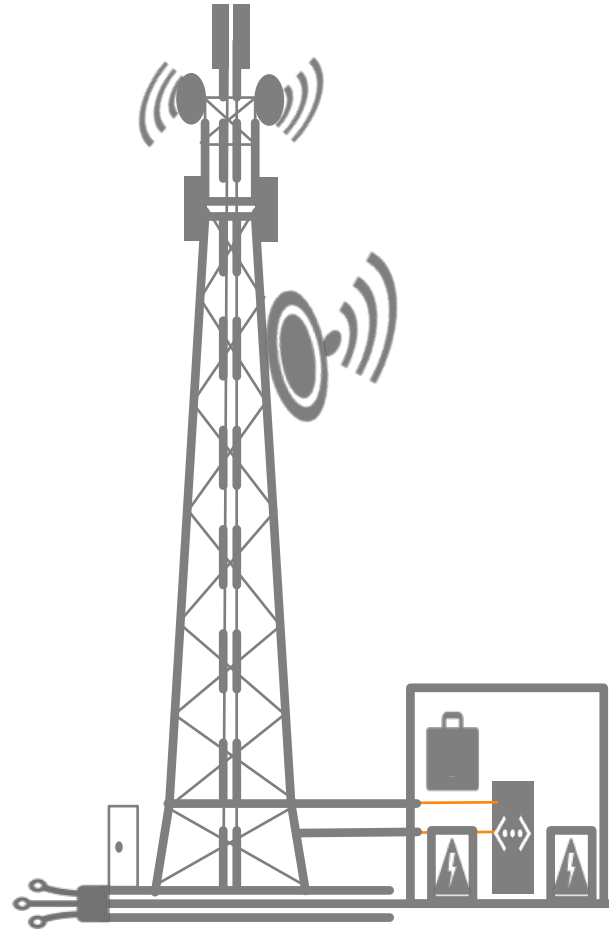
3 Limited number of contracts in Czech Republic and Romania are Portfolio Management Agreement ("PMA"), where Vodafone retains the legal ownership of the tower, but Vantage Towers operates it and receives the economic benefit of the tower





4 3<sup>rd</sup> party contract service provided under Long Term Services Agreements

5 Number of landlords with a single lease divided by total number of macro sites; exclude Italy; approximate as data not de-duplicated

# MSAs | Overview of services provided

 <p><b>Hosting space</b></p>	<ul style="list-style-type: none"> <li>Offering space and managing allowances up to standard configuration, and free to market spare capacity (beyond standard configuration<sup>1</sup>) to other tenants</li> </ul>
 <p><b>Electromagnetic field</b></p>	<ul style="list-style-type: none"> <li>Ensure the site can accommodate standard configuration electromagnetic field levels whilst anchor tenants are responsible for electromagnetic field output compliance of their active equipment</li> </ul>
 <p><b>Operations &amp; maintenance</b></p>	<ul style="list-style-type: none"> <li>Upgrade and alterations, general and reactive site maintenance as well as access management relating to passive infrastructure</li> </ul>



 <p><b>Site modification</b></p>	<ul style="list-style-type: none"> <li>Implements upgrades above standard configuration and recharges to anchor tenants<sup>2</sup></li> </ul>
 <p><b>Built to suit</b></p>	<ul style="list-style-type: none"> <li>Identification, design, planning, acquisition and build in respect of new sites</li> </ul>
 <p><b>Fibre<sup>3</sup></b></p>	<ul style="list-style-type: none"> <li>Offer wholesale or self-build fibre to the site</li> </ul>
 <p><b>Energy</b></p>	<ul style="list-style-type: none"> <li>Provision of energy services and power supply management, including air conditioning systems and battery back-up</li> </ul>

■ Service included in MSA fee

■ Service requires additional fee

**Notes**

- Standard configuration –technology agnostic configuration designed to accommodate any radio system (including M-MIMO)
- Vantage Towers applies an additional recurring charge to the extent the upgrade exceeds standard configuration
- Provided as an extra service outside of MSA

# Vodafone MSAs | Underpin revenue predictability and growth



## Structure

- One MSA per country covering all sites included in country perimeter



## Contracted cash flows

- 32 years (8+8+8+8 years with automatic renewal<sup>1</sup>)



## In-built growth

- Inflation-linked growth (CPI floor: 0% / CPI cap: 2%)<sup>2</sup>



## Protections against sharing impact

- Uplift in anchor fee for active sharing tenancies (including on existing sites)<sup>3</sup>



## New sites commitment

- Upfront commitment of 6.85k new build sites across all markets over 5 years
- Rights of first offer in respect of all future uncommitted new sites

### Notes

- <sup>1</sup> Vodafone not required to renew each 8 year period; Renewal rights materially "all-or-nothing", Vodafone has the right to exit 5% of sites on first renewal and 10% of sites on subsequent renewals; such exit rights are in addition to the annual exit allowance of 0.5%
- <sup>2</sup> Exceptions for Germany, where the floor is -2% to comply with local law and Hungary, where the cap is 3% due to long term inflation running higher than the Eurozone
- <sup>3</sup> Uplift may be lower in certain cases involving mixed active-passive sharing and other active sharing types



# Vodafone MSAs | Balanced and benchmarked to market precedents

<p><b>Strategic and critical site premiums</b></p>	<ul style="list-style-type: none"> <li>✓ <b>Adequate compensation</b> for Vantage Towers for sites where Vodafone retains special rights:             <ul style="list-style-type: none"> <li>– <u>Strategic site</u><sup>1</sup> premium: step-up fee, sites limited to 10% of the portfolio</li> <li>– <u>Critical site</u><sup>2</sup> premium: step-up fee, sites limited to 10% of the portfolio in most of the countries</li> </ul> </li> </ul>
<p><b>Lease recovery on expensive sites</b></p>	<ul style="list-style-type: none"> <li>✓ Vantage Towers <b>recoups part of the ground lease cost</b>, when above a certain threshold to protect its returns</li> </ul>
<p><b>Capex upgrades</b></p>	<ul style="list-style-type: none"> <li>✓ <b>Within standard configuration: Vodafone compensates Vantage Towers for passive upgrades</b> via capex recharges</li> <li>✓ <b>Above standard configuration: Vantage Towers recoups costs through additional loading fees</b></li> </ul>
<p><b>Anchor tenant discount</b></p>	<ul style="list-style-type: none"> <li>✓ Discount on anchor fee of up to 15% when another mobile network operator customer installs additional equipment</li> <li>✓ Incentivises assistance from anchor tenant in lease-up of towers whilst leaving majority of benefit with Vantage Towers</li> </ul>

**Notes**

- 1 Vodafone consent required to add an extra tenant or equipment
- 2 Stricter power availability levels and liability caps

# Vodafone MSAs | New sites commitment from Vodafone



## Volume commitment

- Expected committed demand of 6.85k new sites over FY22-26
  - c.5.5k in Germany of which 2k white spots under coverage obligations
  - up to 10% of the volumes can be deferred for a period of 12 months after FY26



## Pricing protection

- Pricing in line with anchor fees in the MSAs for standard configuration macro sites
- Anchor fee adjustment if build capex exceeds thresholds



## Geographic mix

- Ability for Vodafone to amend geographic mix across markets excluding Germany



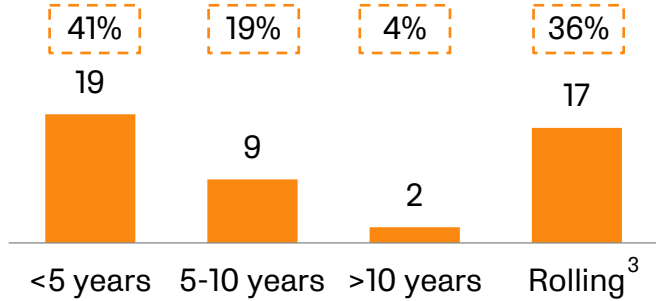
## Preferred supplier

- Right of first offer (ROFO) in respect of all future uncommitted new sites

# Leases | Long term contracts with relatively standard terms

## Long residual average lease tenure

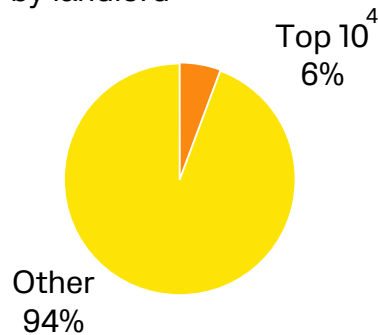
# of leases by remaining term ('000)<sup>1,2</sup>



▭ % of total

## Fragmented landlord base

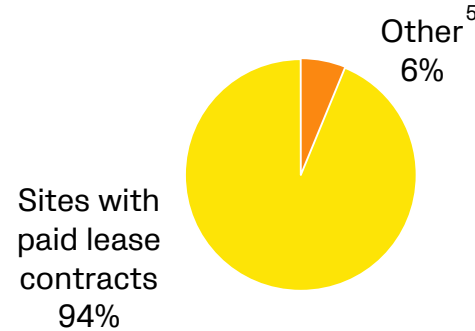
Contracts by landlord<sup>1</sup>



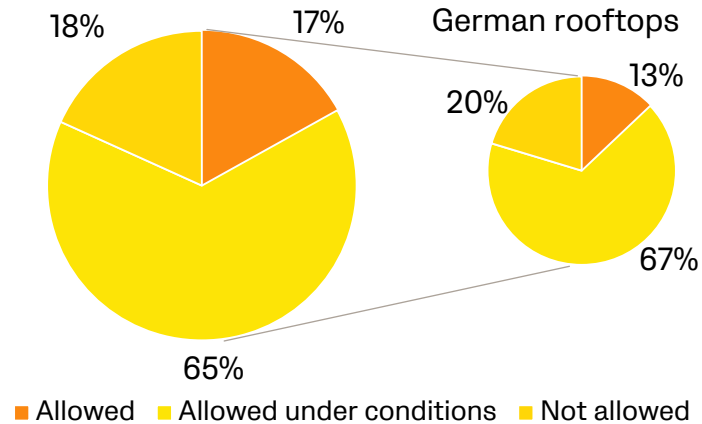
Source Company information as of 30-Sep-20  
Notes

- 1 Excl. Italy
- 2 Expired contracts are not included in the totals but typically expired contracts continue on a rolling basis until terminated by either party
- 3 Common in Germany, structured as leases without an end date and typically have an exclusionary period of c. 10/15 years where contract can only be terminated for cause, after expiration of exclusionary period contract can be terminated by either party serving a notice; includes both leases that are within the

## Small portion of sites owned<sup>1</sup>



## Contracts allow for tenants lease-up<sup>1,6</sup>



- 4 exclusionary period and on a rolling basis
- 5 Top 10 include largest 10 landlords in each market
- 6 Incl. Vodafone owned sites and sites without a lease
- 6 Based on a sample of 21.5k contracts, samples for each country weighted by the country's number of towers

- ✓ Majority<sup>1</sup> of the leases still have >5 years maturity providing visibility on costs
- ✓ Ability to proactively renegotiate leases to improve terms
  - buy out or duration extension in return for lower pricing
  - 5G as a potential catalyst for renegotiation
- ✓ Low landlord concentration with majority of contracts with individual landlords
- ✓ Contractual terms of leases generally standard
  - Sub-lease rights across a substantial proportion of the portfolio, although some come with cost and/or approval requirements (e.g. Germany)
- ✓ Pricing partially linked to CPI

# Leases | Proactive lease management

## Lease optimisation program



Optimise the real estate portfolio through land / rights of use renegotiation and land acquisition



c.10% of the portfolio identified by Vantage Towers' team for land acquisition in medium term



Dedicated in-house team in each country, partnering with external experts



## Scope and process overview

When unable to acquire land for ground based towers, rights of use is an alternative

Scope	Buy-out	Rights of Use
	<ul style="list-style-type: none"> <li>Ground based towers</li> <li>Freehold</li> </ul>	<ul style="list-style-type: none"> <li>Rooftop towers</li> <li>Long-term leasehold (up to 30+ years)</li> </ul>
Identification	<ul style="list-style-type: none"> <li>Based on lease expiry – prioritise sites owned by individual landlords</li> </ul>	
Proofing	<ul style="list-style-type: none"> <li>External experts analysis based on parameters set by Vantage Towers</li> </ul>	
Assessment	<ul style="list-style-type: none"> <li>Landlords' willingness to sell or enter into long-term rights of use</li> </ul>	
Preparation	<ul style="list-style-type: none"> <li>Preparation of decision template                             <ul style="list-style-type: none"> <li>– Purchase price / payback period</li> <li>– Land area</li> <li>– Revenue from tenants and upsell potential</li> <li>– Geolocation attractiveness</li> <li>– Transaction cost and complexity</li> </ul> </li> </ul>	
Signing	<ul style="list-style-type: none"> <li>Signing of contract</li> </ul>	

# Leases | Spain and Germany buy-out / rights of use pilot programme

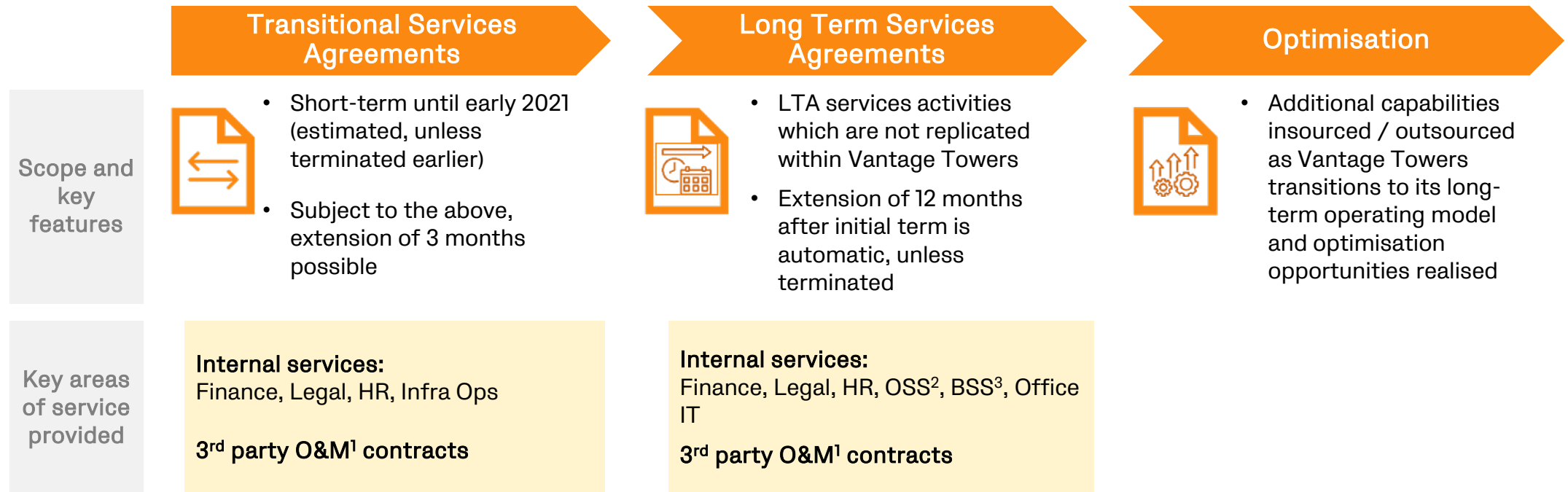
Pilot programmes ongoing in Spain and Germany, leveraging key learnings from INWIT, which has a strong track record in Italy

	Spain pilot	Germany pilot
Pilot initiation	<ul style="list-style-type: none"> <li>July 2020</li> </ul>	<ul style="list-style-type: none"> <li>September 2020</li> </ul>
Scope	<ul style="list-style-type: none"> <li>Initial scope: c.400 sites</li> <li>Further extended by c.1,500 sites recently</li> </ul>	<ul style="list-style-type: none"> <li>600 ground-based towers (buy-out)</li> <li>250 rooftop towers (rights of use)</li> </ul>
Assessment of initial interaction	<ul style="list-style-type: none"> <li>c.60% of the landlords contacted are engaging</li> </ul>	<ul style="list-style-type: none"> <li>c.60% of the landlords contacted are engaging</li> </ul>
Success rate	<ul style="list-style-type: none"> <li>10-15% of the initial scope</li> <li>Excludes landlords with whom negotiation timeline has been impacted by COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>Discussions ongoing</li> </ul>

Source Company information

# TSAs and LTAs | Efficient operations by leveraging existing Vodafone systems and services

- Transitional Services Agreements ("TSAs") and Long Term Services Agreements ("LTAs") define **essential services in support functions** following the legal separation
- Provide support on a **cost-efficient** basis by leveraging Vodafone's procurement scale
  - Only a limited range of capabilities are leveraged from Vodafone Group as necessary



**Source** Company information

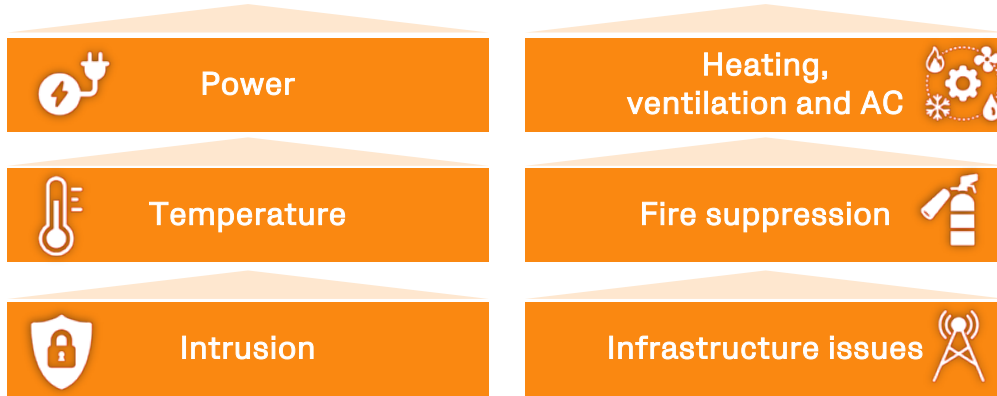
**Notes**

- 1 Operations & maintenance
- 2 Operations Support Systems
- 3 Business Support Systems

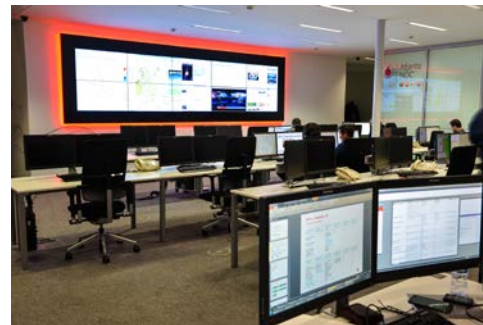
# Field level maintenance | Delivering a consistent and high quality O&M

## Network Operations Centres ("NOCs") delivered through Vodafone shared services

Key events being monitored 24/7 by NOCs:






Portugal Office



Romania Office

## Specialised external providers for Field Level Maintenance ("FLM") services

A mix of suppliers provide FLM services:

-  FLM strategy is to split out passive maintenance scope and create a distinct Vantage Towers FLM contract for all markets
-  The timing for the split depends on the residual duration of the existing contracts
-  This will enable process optimisation, also leveraging Vantage Towers IT portfolio (TIMS<sup>1</sup>, Digital Twin etc.)

Source Company information

Notes

<sup>1</sup> Tower Information Management System

# Contracts | Key take-aways

## Master Services Agreements

- ✓ **Separate Master Services Agreements** for each local market in scope
  - Largely standardised across markets
- ✓ **Arm's length terms benchmarked to market precedents**
- ✓ **Negotiated to provide Vantage Towers with autonomy to pursue growth and profitability**

## Transitional Services Agreements / Long Term Services Agreements

- ✓ **Separate contracts to define essential services in support functions**
- ✓ **Designed to leverage existing Vodafone systems and services on a cost efficient basis**

## Ground and rooftop leases

- ✓ **Long-term contracts with limited landlord concentration** underpinning costs visibility
- ✓ **Standardised lease contracts across the portfolio**
- ✓ **Scope for optimisation with a proactive approach**
  - Focus on re-negotiating leases with landlords
  - Ground Lease optimisation programme in place







## Operations & Maintenance

- ✓ **Preventative maintenance activities planning and execution is managed by Vantage Towers directly with the support of the Field Level Maintenance supplier**
- ✓ **Coordination** among Vodafone, Network Operations Centre, Vantage Towers and Vantage Towers' Field Level Maintenance suppliers to manage access to the sites where activities have to be carried out
- ✓ **Scope for optimisation** through adopting remote monitoring and digitization to reduce site visits









# Organisation and operations

# Delivering our strategy | Starting from clear organisational design principles

 <p><b>One TowerCo</b></p>	 <p><b>Fit for our new purpose</b></p>	 <p><b>Empowered in driving growth and quality of service</b></p>	 <p><b>Standardisation</b></p>	 <p><b>Efficient</b></p>	 <p><b>Business ready</b></p>
<ul style="list-style-type: none"> <li>✓ Well defined governance and working relationship between TopCo and countries</li> <li>✓ Collaborative, dynamic and innovative culture</li> </ul>	<ul style="list-style-type: none"> <li>✓ Agile, B2B asset management focused TowerCo business</li> <li>✓ Strong TowerCo capabilities, from B2B relationships to proactive account management</li> </ul>	<ul style="list-style-type: none"> <li>✓ Empower country MDs to deliver growth and operational targets</li> <li>✓ Freedom for local TowerCos to pursue new business and increase tenancy ratios</li> </ul>	<ul style="list-style-type: none"> <li>✓ Tailored country blueprint, allowing for local opportunities and practices, maximising impact</li> <li>✓ Unified &amp; agile IT landscape to optimise time-to-market</li> </ul>	<ul style="list-style-type: none"> <li>✓ Leveraging group capabilities e.g. Shared Services, Supply-chain management, EVO<sup>1</sup></li> <li>✓ Continuous focus on efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>✓ Management in place and driving strategy</li> <li>✓ Completed build of new capabilities to support separation</li> </ul>

## Vantage Towers is independent but enjoys benefits of shared services with Vodafone Group

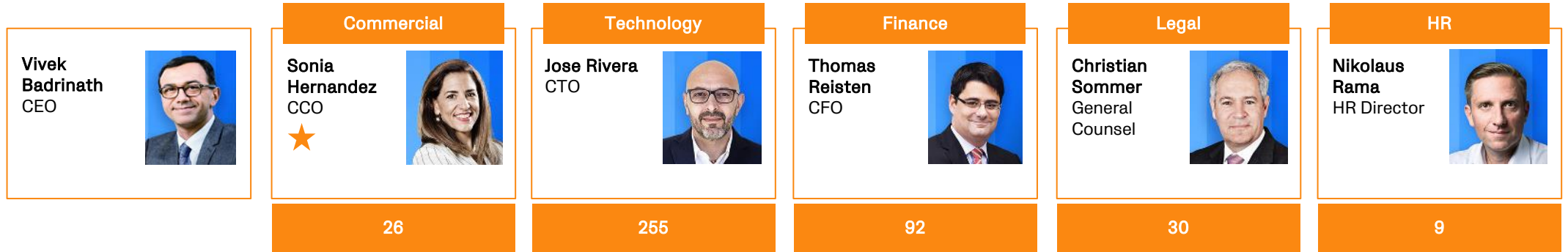
 <p>Shared service centre</p>	 <p>Procurement</p>	 <p>HR operations</p>
 <p>Insurance</p>	 <p>IT</p>	 <p>Global best practices</p>

**Notes**

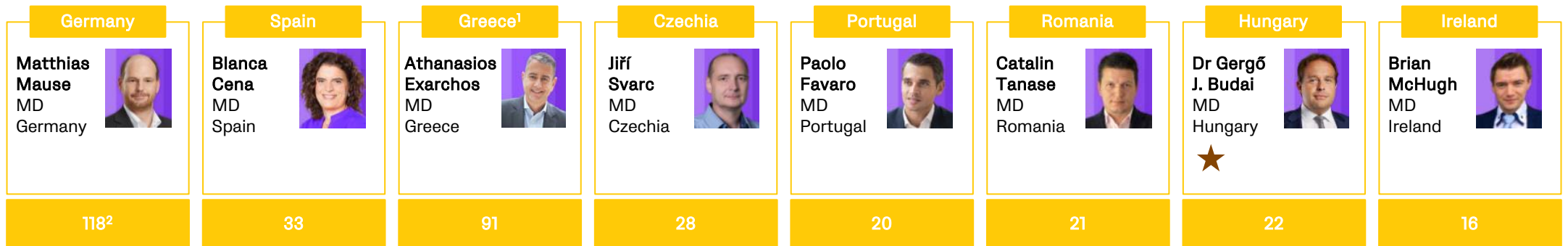
<sup>1</sup> EVO is a business transformation programme, which introduced a common operator model called "The Future State Operating Model" used across, Finance, Supply Chain and Human Resources processes globally

# One TowerCo | High level of standalone capabilities created

## Group operations



## Local operations



★ On INWIT board

★ Chapter lead for Other European Markets<sup>3</sup>

Source Company information

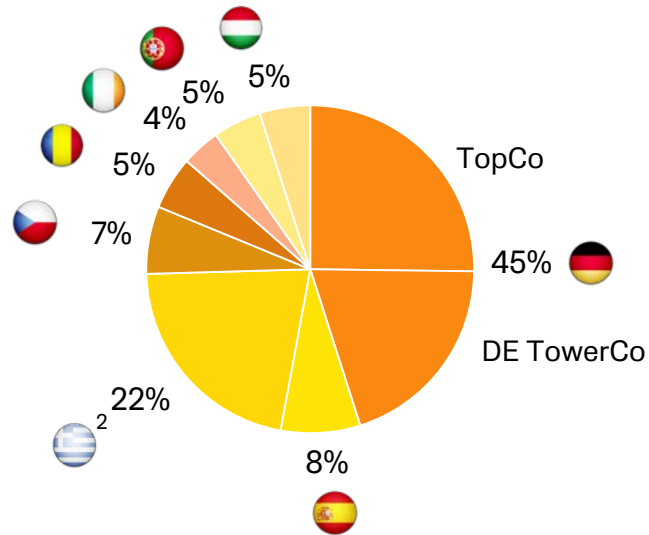
Notes

- 1 Closing of acquisition in Greece pending regulatory approval
- 2 Excl. TopCo FTEs located in Germany
- 3 Czech Republic, Portugal, Romania, Hungary and Ireland

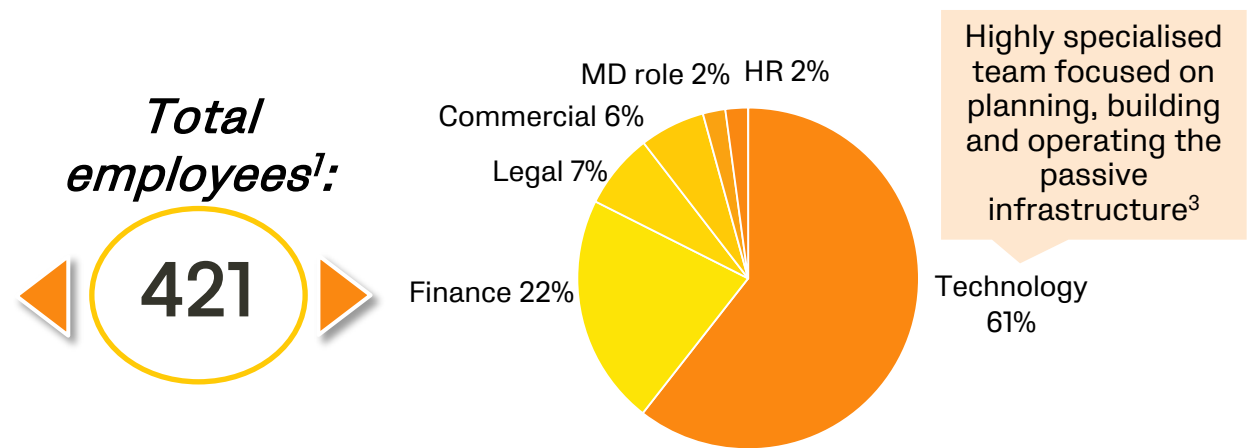
# Fit for our new purpose | Lean and well distributed employee structure

Dimensioned to support our medium-term growth

Geographic split (across TowerCo roles)



Functional split (across TowerCo roles)



- Largest share in Germany (45%)



- Designed as a lean organisation – with majority of employees in the technology function
- Dedicated Commercial team
- Robust finance function to support with other smaller enabling functions providing critical business services

Source Company information


Note

1 Run rate FTEs, excluding Italy latest available headcount of c.340

2 Closing of acquisition in Greece pending regulatory approval

3 Incl. Infrastructure (Planning & Deployment), Operations (Partner Management), IT, Health & Safety, Energy Management and Technology Innovation

# People | Multi-skilled and diverse team at the centre of our culture

 Entrepreneurial spirit and collaborative culture	 Openness to change and to experiment	 Empowered leaders
 'Big' & 'small' ethos – leveraging the best of the <b>scale</b> of Vodafone with a <b>start-up</b> mentality	 Focus on <b>growth opportunities</b> for our people	 <b>Borderless</b> mind-set



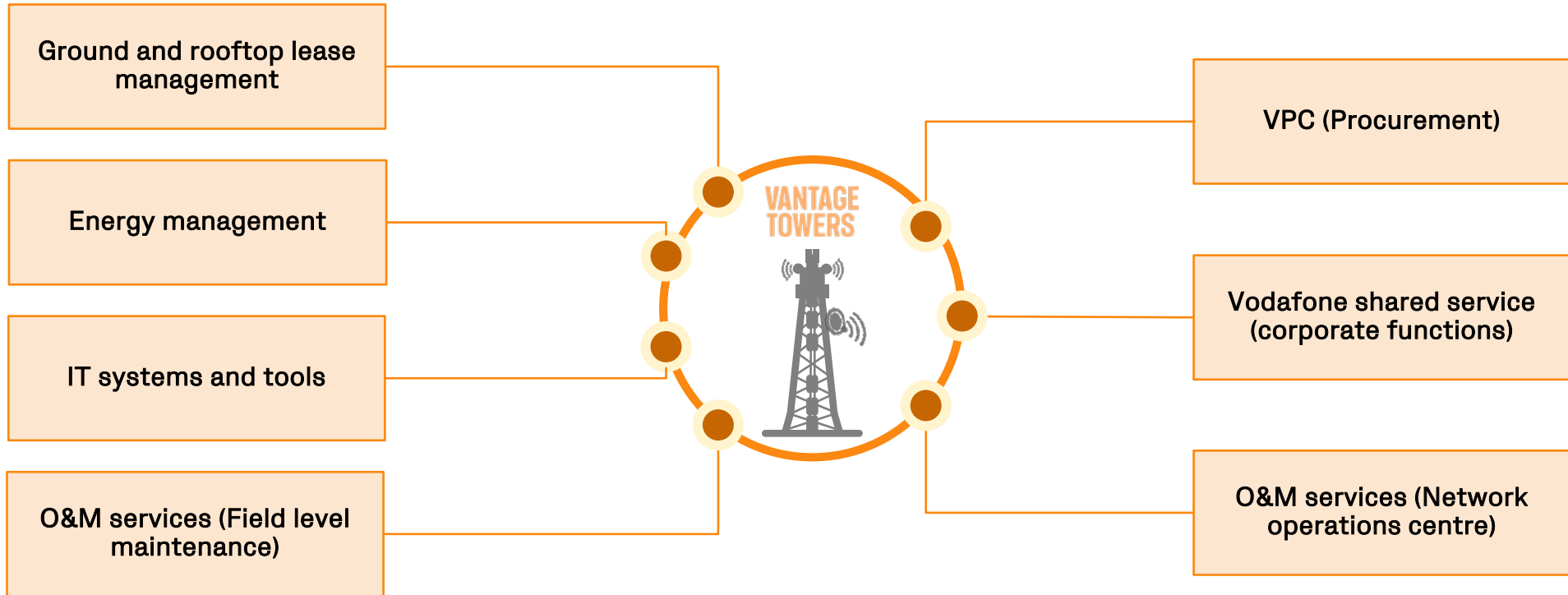
<p>How we work to achieve this</p>	<p>Building a <b>diverse team</b> with the <b>optimal talent mix</b></p>	<p>Enabling leaders to <b>operate with speed</b> and accountability to deliver on <b>growth initiatives</b></p>	<p>Creating <b>growth and development opportunities</b> for our people</p>
<p>First goal posts</p>	<p>At least <b>30% female employees</b></p>	<p><b>Leadership development support</b></p>	<p>Focused <b>development plans</b> for our <b>infrastructure teams</b></p>

Source Company information

# Efficient and flexible operating model

Best-in-class tools and practices at Vantage Towers...

...and leveraging Vodafone's scale and systems



Delivering synergies and operational excellence through shared services



Sourcing best deals available for top quality equipment



Enhancing automation across the portfolio

Source Company information

# Driving growth and quality of service | Shift to a more proactive approach

A shift from reactive response to competitors mindset to proactive identification of Mobile Network Operators ("MNOs") customer site requirements



- **Site collocation** requests assessed on a **reactive basis** or where a **reciprocal collocation request** (including collocation of Vodafone equipment on another Mobile Network Operator's towers) is made
- Vodafone team focused on maintaining a network edge
- Vodafone has an **extensive network and radio planning** team that identifies their **current and future hosting requirements**

Source Company information

As a separate business, Vantage Towers has a newly established Commercial team responsible for:

- ✓ Lead business development (e.g. maximising collocation opportunities)
- ✓ Predicting customer needs

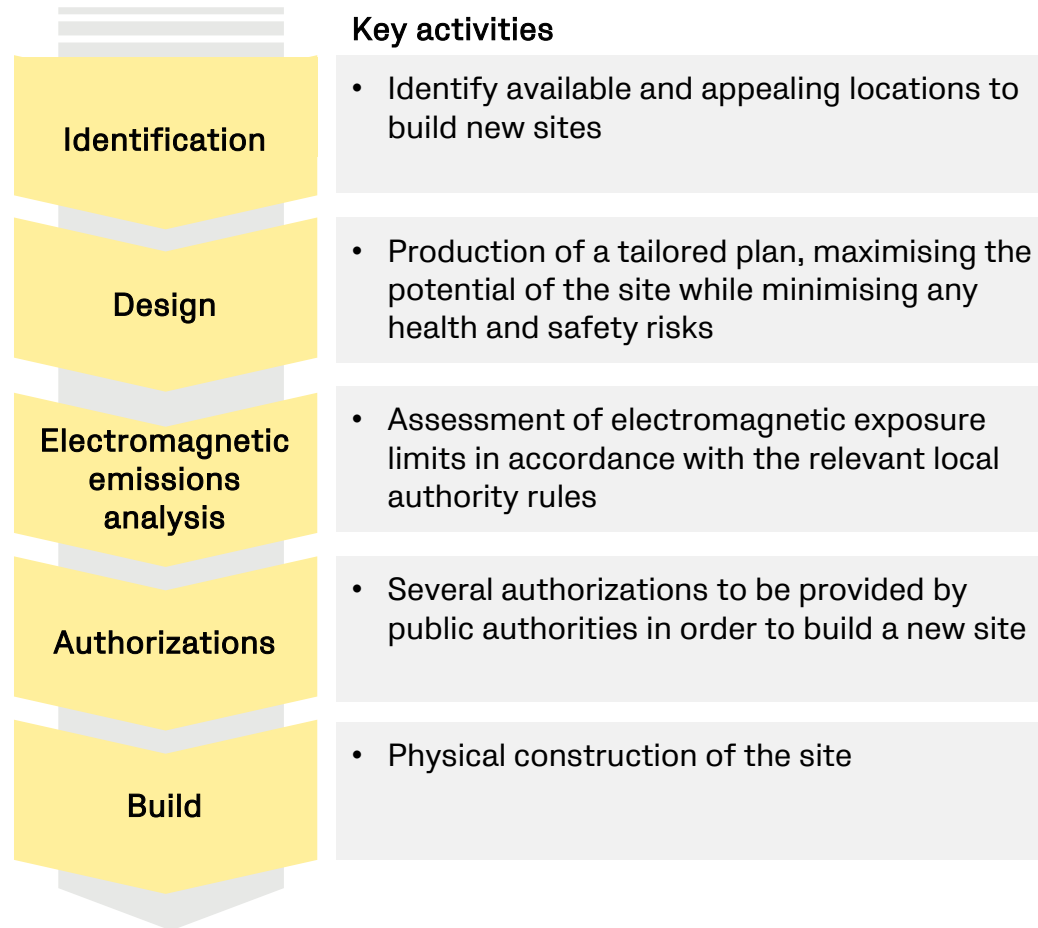
Leveraging the following capabilities...

- Market intelligence
- Geolocation analysis
- Coverage gap identification
- Solution design

# Driving growth and quality of service | Built to grow

Clear process to deliver towers once a customer contract is signed

## Indicative process to build a new site



6-24 months depending on the market

## Vantage Towers capabilities to meet deployment targets



Source Company information

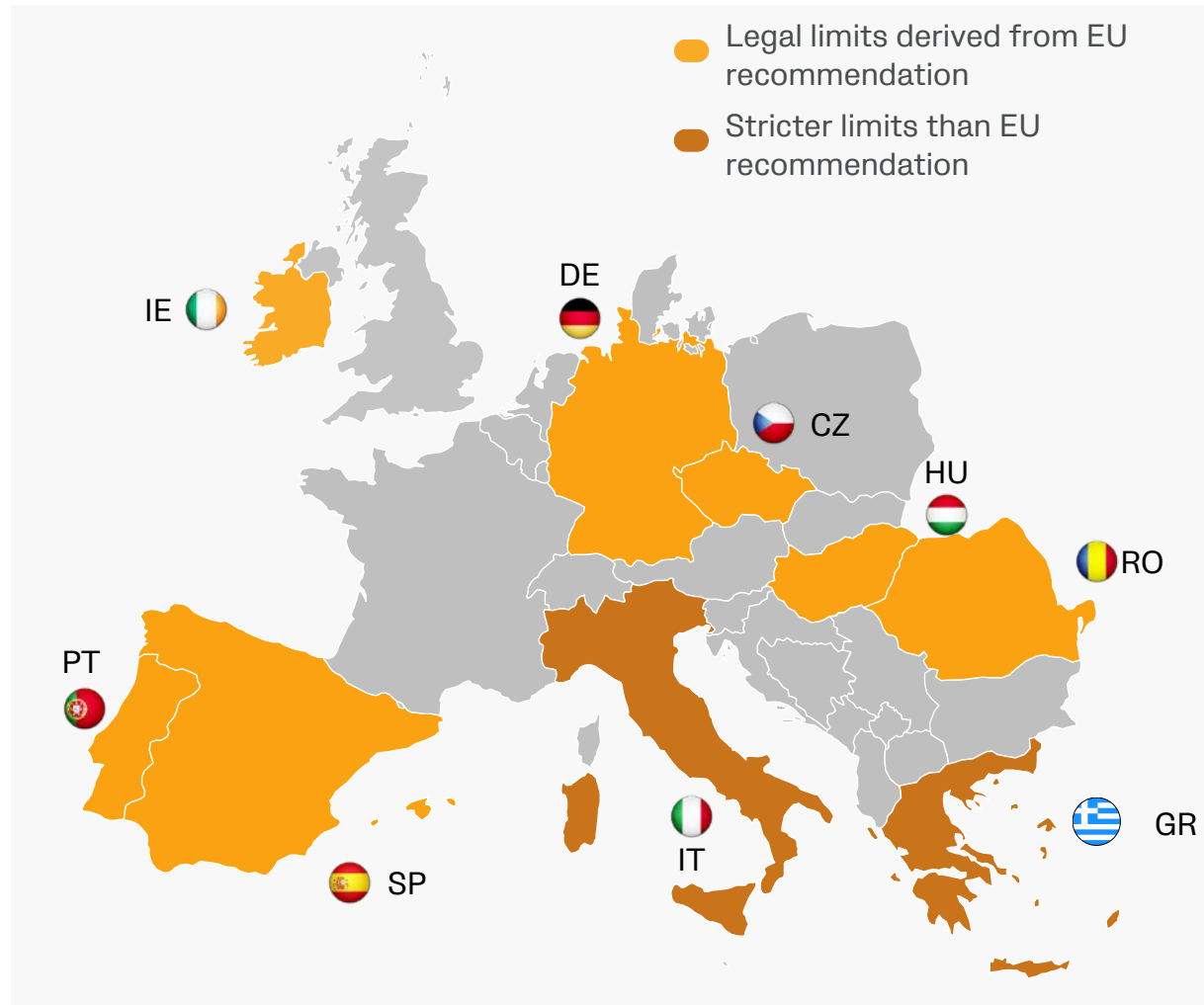
Notes

1 Excl. Italy



# EMF regulation across our geographic footprint

Positive recent scientific developments continue to support the increase in tenancy ratios based on capacity analysis of the portfolio








Source Company information, ICNIRP publications and press releases, GSMA publications

- ✓ EMF limits applied in most countries are based on the International guidelines of International Commission on non-ionizing Radiation Protection (ICNIRP) issued in 1998
- ✓ Some countries have adopted national limits lower than ICNIRP guidelines
- ✓ Following a recent review of science, ICNIRP indicated that existing guidelines remain safe, providing high level of protection
- ✓ Economic pressure due to COVID-19 and benefits from 5G rollout in local markets is also key for implementing a harmonised approach
- ✓ 5G technology are more efficient from an EMF perspective (active antennas) since it focuses on users and additionally smart Power Lock is also available to address possible EMF capacity constraints on site

# Best-in-class systems | Providing the best tools to the workforce to drive productivity

## Roadmap to implement world class tools to drive productivity

1	TIMS	 <ul style="list-style-type: none"> <li>• One integrated software suite with common data and workflow structure across local TowerCos</li> <li>• Supporting <b>end-to-end</b> operational processes and workflow</li> <li>• Minimum Viable Product (MVP) rolled out to markets in July 2020</li> <li>• Full scope roll out across all markets expected by May 2021 incl. mobile workforce enablement</li> </ul>
2	Customer portal	 <ul style="list-style-type: none"> <li>• <b>Customer portal for tenants (MNOs)</b> to offer site &amp; service portfolio and to manage interactions in a digitalised way</li> <li>• Browse and search Vantage Towers site portfolio and display basic site information</li> <li>• Initiate service requests and exchange information and documents</li> </ul>
3	Digital Twin	 <ul style="list-style-type: none"> <li>• <b>3D digital representation</b> of physical sites on computers to significantly reduce the need for, and cost of, site visits</li> <li>• Currently in concept phase, with management approval expected in December 2020 – implementation and integration of software expected in Q2 2021</li> </ul>
4	Customer Relationship Management	 <ul style="list-style-type: none"> <li>• Customer Relationship Management solution to <b>Commercial team</b> in lead and account management activities</li> <li>• Minimum Viable Product (MVP) rolled out in October 2020</li> </ul>
5	Customer demand forecasting	 <ul style="list-style-type: none"> <li>• Software to perform <b>geolocation-based analytics</b> and indoor radio planning to support the sales process, enabling a more proactive sales approach, faster time-to-market and lower deployment cost</li> </ul>
6	NSS	 <ul style="list-style-type: none"> <li>• Software to enable end to end visibility of <b>supply chain and procurement</b></li> <li>• NSS delivers greater visibility of materials - improving Lead Times, Service Levels and Capex efficiency</li> </ul>

Real-time reporting



Site roll-out updates on-the-go



Site analytics



3D digital representation



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# Disclaimer (1/3)

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