

Comisión Nacional del Mercado de Valores

C/ Edison, 4, 28006, Madrid

Attention: Mr Sebastián Albella, Chairman, and Mr Rodrigo Buenaventura, General Director of Markets

In London, on 20 August 2020

Dear Sirs,

We refer to the public takeover bid launched by Lorca Telecom Bidco, S.A.U. (the “**Bidder**”) on all of the shares of Masmovil Ibercom, S.A. (“**Masmovil**”), announced last 1 June 2020 and authorised by this Securities Market National Commission (“**CNMV**”) on 29 July 2020 (the “**Bid**”).

We further refer to the letter submitted by us to the CNMV on 23 June 2020 (CNMV’s entry registration number 2020/067067), and to the two letters submitted by us to the Chairman of the Board of Directors of Masmovil, dated 8 July 2020 and 17 July 2020, copies of which have been delivered to the CNMV by email.

By means of this letter, we would like to emphasize that, having analysed the terms of the prospectus approved in relation to the Bid (the “**Prospectus**”), we consider that the Bid fails to comply, in very material aspects, with the legal regime applicable to takeover bids, and seriously damages the interests of the shareholders of Masmovil, who have been left unprotected. For these reasons, we fully oppose to the terms on which the Bid has been approved, particularly in relation to the issues dealt with in the letters mentioned in the paragraph above. If the terms of the Bid are not amended, we do not intend to accept the Bid. Further, we would emphasize to other shareholders that, even if they reject the Bid in the first instance, they will still have the opportunity (or obligation, if the squeeze-out thresholds are reached) to sell their shares to the Bidder at the current Bid price in the context of the de-listing process.

Without prejudice to the generality of the foregoing, we highlight below some of the issues which we consider most relevant in this regard.

1.- Price of the Bid

After a detailed review of the valuation report published as an annex to the Prospectus, issued by PricewaterhouseCoopers Asesores de Negocio, S.L. (the “**Report**” and “**PWC**”, respectively) on 24 July 2020, we must place on record our strong disagreement with its contents and conclusions, which the CNMV has taken in consideration in order to approve the Bid. In this sense, we attach as Annex 1 to this letter a document detailing the reasons – in a preliminary analysis that will be completed after we can access more detailed information – for our disagreement, from a financial perspective. As a summary, the most problematic aspects of the Report are the following:

1. Significant deviation from company guidance on capital expenditure (CapEx) projections. We believe PWC has significantly overstated Masmovil’s CapEx needs, for 2021 and subsequent years, both with respect to expansion and maintenance CapEx. This belief is in line with Masmovil’s own projections and guidance provided to the market. As a result of this overstatement, in our judgement, PWC’s valuation is four to five euros per share too low.
2. Projected transformation of the working capital profile of the business, from a historically significantly negative working capital position to an equally significant positive one, which entails rapid cash burn in the first four years of PWC’s financial forecast. In our view, the Report deviates in this matter not only from Masmovil’s historical working capital profile, but also from the working capital profiles of telecoms businesses generally. PWC justifies this deviation in overdue liabilities and a projected growth in receivables (with an estimated 730 million euros impact) which have not been disclosed in any way by Masmovil in its financial accounts or otherwise and are in contradiction with past guidance, which has

led analysts to estimate, on average, that the company will generate roughly 600 million euros more free cash flow during 2021-2024 than PWC projects in the Report.

3. Undervaluation of the synergies created by the Lycamobile acquisition, especially as compared to Masmovil's projections. According to guidance provided by management, the Lycamobile acquisition is expected to contribute 75 million euros annually to Masmovil's EBITDA in future years (reaching 70 million euros in 2021). However, the Report includes an EBITDA estimate which is over 30% lower than Masmovil's projections. This disparity in projected EBITDA alone would impact Masmovil's valuation by approximately two euros per share.
4. Inclusion of companies with growth rates dissimilar to that of Masmovil in the "comparables" and "transaction multiples" valuation approaches. Both the companies and the transactions chosen by PWC as "comparable" ones in order to value Masmovil relate to companies that have significantly different growth patterns and business models, which make them, in our view, not useful in a valuation of Masmovil.

As a result of the above and other factors, we believe that PWC's assessment of Masmovil undervalues the company by at least seven to eight euros per share.

We draw attention also to the dissenting vote issued by the member of the Board of Directors of Masmovil, Mr Rafael Domínguez de la Maza, in relation to the price, which is described in the report in relation to the Bid published by the Board of Directors of Masmovil on 6 August 2020.

The inadequacy of the Bid's price is particularly serious in the case at hand for two main reasons. Firstly, the Bid is, as the Prospectus recognises (and as we pointed out in our letter dated 23 June 2020), subject to the protections set out in section 137.2 of the Securities Market Law, which are necessary due to the severe impact that the crisis arising from the COVID-19 pandemic has had on the quotation price of the shares of Masmovil, particularly, and on the Spanish market, generally. This makes CNMV's scrutiny of the offered price particularly relevant, in order to safeguard all interests, and guarantees that, in extraordinary periods such as the present one, voluntary bids cannot be made at a price which is lower than the "equitable" one.

It must be taken into account that the Bidder launched the Bid without taking into consideration or contemplating the special protection granted by section 137.2 of the Securities Market Law, as evidenced by the fact that neither the authorisation request filed on 1 June 2020 nor the Bid's announcement contained any reference to such legal provision. In addition, when dealing with pricing, these documents contemplated the possibility (contrary to such legal provision, in our view) for the Bid to be made even if the price was not considered "equitable", further providing that the Bidder would not be obliged to launch a subsequent mandatory takeover bid in case the 50% acceptance threshold was reached:

"If the CNMV considers that the Bid Price is not an "equitable price", the Bidder will not have the obligation to launch a mandatory takeover bid on the target's shares, provided that the Bid is accepted by holders of shares representing at least 50% of the voting rights to which it was addressed, excluding those held by the Bidder and those held by shareholders that have reached any agreement with the Bidder in relation to the Bid."

This statement demonstrated the Bidder's will to launch the Bid at a price not subject to the regime set out in section 137.2 of the Securities Market Law, which evidences the lack of compliance of the Bid's terms with the legal regime applicable to takeover bids in the most essential aspect: pricing. The reason why the Bidder has not maintained this statement, which is in our opinion clearly contrary to law, in the Prospectus, is because the Bid's price has in theory and apparently been supported as "equitable" due to the Report. In this regard, we would like to highlight again that, in relation to the Report's contents and conclusions, and the consideration of the price as "equitable" we have expressed and reasoned our strong disagreement.

Secondly, the Bid has as its ultimate purpose the de-listing of Masmovil. In case it is successful, therefore, those shareholders that do not accept it will be either forced to sell their shares at the offered price (if the

thresholds required for the squeeze-out are reached), or forced to elect between selling their shares to the Bidder in a sustained purchase order (at the same price), or to become shareholders of a non-listed company controlled by the same entities that, acting in concert, have designed and executed the Bid, in our opinion, without respecting the interests, rights and legitimate expectations of the remaining shareholders.

Still, it is important to note, in this regard that, should the Bid be successful in terms of acceptance, non-accepting shareholders will still have the opportunity (or the obligation, in case the squeeze-out thresholds are reached), at the subsequent de-listing stage, to sell their shares to the Bidder at the Bid's price.

2.- Competing bids

As detailed in our letter dated 23 June 2020, we consider that the terms agreed upon in the irrevocable undertakings entered into between the Bidder and certain significant shareholders of Masmovil make impossible in practice the filing of any competing bids and, additionally, prejudice the system of price determination in a competing bids scenario which, to safeguard shareholders' interests, is set out in both the Securities Market Law and Royal Decree 1066/2007. In particular, this is the case because such irrevocable undertakings include the possibility for the Bidder to match any competing bid.

In particular, it is not possible as the Bidder envisages that the selling shareholders assume the undertaking to *"sell their shares to the Bidder within the first five (5) trading days of the acceptance period"* in case, having a higher competing bid been filed, the Bidder amends the Bid for the price to be *"at least, equal to the price of the higher bid"*. In this sense, we must remember that, in accordance with section 45.3 of Royal Decree 1066/2007, in a scenario of competing bids, the initial Bidder and the remaining competing bidders that have not withdrawn their bids must file in a closed envelope a communication which may include, either their last improvement of the price or their decision not to improve. Given this, and once the envelopes are open and the requirements set out in subsections 4 and 5 of said section 45, if the improvement offered by any of the competing bidders is higher than the improvement offered by the initial Bidder, the scenario envisaged in the irrevocable undertakings would not be possible, given that, in accordance with the competing bids regime set out in Chapter IX of Royal Decree 1066/2007, the initial Bidder would not be authorised to match the improvement made in the closed envelope by the competitor as the Bidder pretends. The initial bidder would only be entitled, if the requirements of subsection 6(a) of section 45 are met (i.e. the improved price offered by the initial Bidder in the closed envelope having not been lower in 2% or more than the highest price offered in the closed envelopes by the competing bidders), to improve the price of its bid in at least 1% in relation to the best price offered in a closed envelope by any of the competitors.

It is clear, in our view, that the will to discourage competing bids by the shareholders that have entered into irrevocable undertakings with the Bidder can only be justified by such shareholders obtaining additional advantages in the Bid (as the possibility to reinvest in the Bidder and benefit from the future evolution of Masmovil), which have not been offered to the remaining shareholders. All of the foregoing entails a clear breach of the principles governing the applicable legislation on takeover bids and damages the interests and rights of all other shareholders.

3.- Conduct of the Board of Directors – conflicts of interest and transactions on shares

As we have pointed out in the letters sent to the CNMV and the Chairman of the Board of Directors of Masmovil, we consider that the arrangements entered into between certain significant shareholders of Masmovil, Masmovil itself, and the Bidder, create a situation of conflict of interest affecting the proprietary directors appointed by the shareholders that have entered into the irrevocable undertakings and the CEO. Notwithstanding the foregoing, both the terms of the Prospectus and those of the report published by the Board of Directors of Masmovil on 6 August 2020 evidence that these conflicts have not been dealt with adequately from a legal standpoint. In addition, Masmovil has repeatedly abstained from replying to our queries on which members of the Board of Directors abstained from deliberating and voting on the arrangements related to the Bid approved prior to the publication of the authorisation request (in particular, to approve the "Agreement in relation to the Bid" and the public endorsement of the Bid by the Board of Directors).

In addition, not only the general corporate law rules have not been complied with in relation to such conflicts, but also, as reflected in the Prospectus (Annex 10) and in the filings made with the CNMV by Board members and other senior managers of Masmovil, both Board members and other senior managers have made transactions on shares of Masmovil during the months of March and April 2020 in very special circumstances:

- on 4 March 2020, certain shareholders of the Bidder delivered a non-binding offer to Masmovil, after having conducted a due diligence process;
- on 16 March 2020, such shareholders and Masmovil entered into a “termination agreement” ending the negotiations due to the impact of the COVID-19 crisis and the declaration of the state of alarm in Spain;
- on 20 April 2020, the Bidder’s shareholders “informed Masmovil, in accordance with the termination agreement, that they were interested in re-starting work” in relation to the Bid.

Considering the information that relevant shareholders, directors and members of the senior management had on the existence and terms of the potential offer and the possibility for works to be restarted, we are seriously concerned to see that, according to the Prospectus and public filings made with the CNMV, several acquisitions took place in such period at prices ranging between 12.50 euros and 14.53 euros. In particular (and as was even reflected by the economic press), several members of the senior management made significant investments as early as 17-20 March 2020, when the quotation price was particularly depressed. These acquisitions, which do not seem to be in line with best corporate governance practices, will generate a substantial and very immediate upside for those Board members and senior managers accepting the Bid with such shares.

4.- Break-up fees payable to the Bidder by Masmovil

As highlighted in our letter dated 23 June 2020, the “Agreement in relation to the Bid” entered into between Masmovil and the Bidder contains (in accordance with the information published in the authorisation request and the Prospectus), two potential compensation mechanisms, payable by Masmovil: (i) a first one in order to compensate the Bidder in case, due to the filing of competing bids (and assuming that other conditions are met), the Bid is not successful; and (ii) a second one payable in a scenario where, with no competing bids having been filed (and assuming the concurrence of other circumstances), the Bid is not successful due to lack of fulfilment of any of the conditions to which it has been made subject.

After properly reviewing the Prospectus, we note that this second compensation mechanism has been maintained on the same terms as had been announced. However, the Prospectus, while declaring that the compensation agreed upon for the competing bids scenario “is compliant with the provisions of section 42.4 of Royal Decree 1066/2007”, remains silent in relation to the second compensation’s compliance with applicable legal provisions.

We interpret the aforementioned silence as an implicit acceptance that such compensation is not compliant with Royal Decree 1066/2007 and that, therefore, it is not in accordance with law. If that is not the case, section 42.4 of Royal Decree 1066/2007 would be left without a purpose, given that its intention is clearly to restrict the circumstances where a target company can agree to pay compensation to the initial bidder, in order to safeguard the possibility for competing bids to be filed and to protect the interests of shareholders in relation to bids that have been arranged by the management.

* * * * *

For all the reasons above (and those detailed in our previous letters), we request again that the Securities Market National Commission, taking into account these issues, procures all necessary amendments and clarifications to guarantee that the Bid and the agreements reached by the Bidder with certain significant shareholders of the target company are compliant with applicable law, promptly informing the market.

If the terms of the Bid are maintained, we hereby declare, in our condition as shareholders of Masmovil, our intention not to accept the Bid. We consider, taking into account the Bid's terms, that the Bidder is undervaluing Masmovil and is not offering to its shareholders the possibility to sell at an equitable price, and consequently, that the lack of success of the Bid is the best option for their interest. Furthermore, we emphasize again for non-accepting shareholders that, shall the Bid still be successful in terms of acceptance, they will still have the possibility (or the obligation, in case the squeeze-out thresholds are reached) to sell their shares to the Bidder at the Bid's price in the context of the de-listing process.

Thanking you in advance for your attention, we will expect your reply, and will be available for any additional information you may require.

Yours faithfully,

Polygon Global Partners LLP



Annex 1

Polygon Statement on PWC's Masmóvil Valuation Report

After careful analysis of PWC's Masmóvil valuation report¹, Polygon's view is that certain aspects of the report lead to a valuation that is significantly lower than the company's actual value.

In its report, PWC relies upon assumptions that seem to disregard Masmóvil's historical performance, as well as the capital needs and financial profiles of businesses in the same and similar industries. More importantly, PWC's projections often depart meaningfully from both Masmóvil's public guidance and the projections of various equity research analysts that follow the company.

In Polygon's view, the most problematic aspects of PWC's valuation report, as set forth in further detail in the sections below, are the following:

1. Significant deviation from company guidance on capital expenditure (CapEx) projections for 2021 and subsequent years.
2. Projected transformation of the working capital profile of the business, from a historically significantly negative working capital position to an equally significant positive one, which entails rapid cash burn in the first four years of PWC's financial forecast.
3. Undervaluation of the synergies created by the Lycamobile acquisition, especially as compared to Masmóvil's projections.
4. Inclusion of companies with growth rates dissimilar to that of Masmóvil in the "comparables" and "transaction multiples" valuation approaches.

As a result of the above and other factors, Polygon believes that PWC's assessment of Masmóvil undervalues the company by at least seven to eight euros per share.

1. CapEx Assumptions

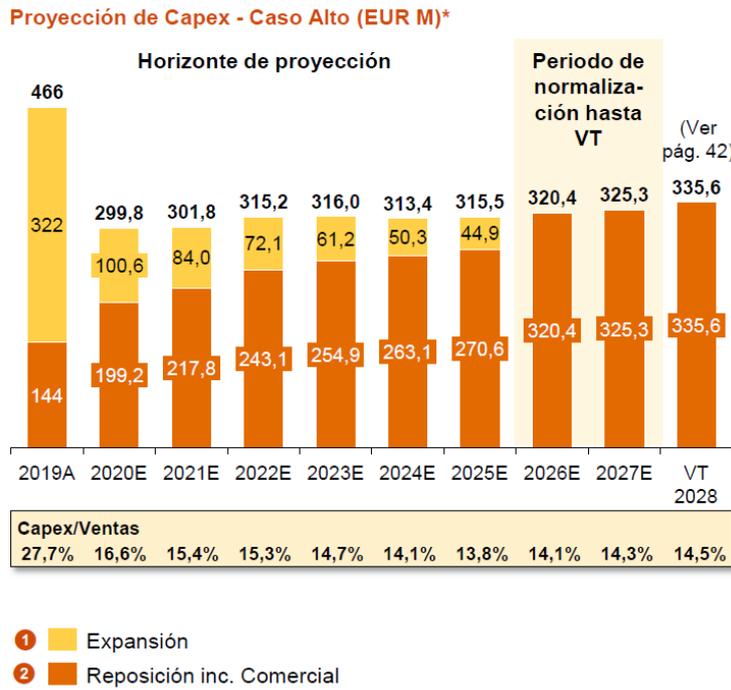
In Polygon's view, PWC has significantly overstated Masmóvil's future CapEx needs, both with respect to expansion and maintenance CapEx.

- Expansion CapEx: Masmóvil has largely completed its fibre footprint and has reached a long-term 5G network agreement with Orange. Each of these factors allow for lower and highly visible CapEx going forward.
- Maintenance CapEx: PWC assumes that the company will need to continue investing to "replenish its asset base" in line with accounting depreciation. However, in the physical telecoms infrastructure space, the longevity of an asset in accounting terms is often much shorter than the asset's actual life. For instance, once a duct is installed to carry fibre, it will virtually never need to be dug up or reinstalled. As such, and in line with Masmóvil's own projections, Polygon's view is that PWC has significantly overstated the company's maintenance CapEx outlook.

¹ In conjunction with its bid to acquire Masmóvil, Lorca Telecom BidCo contracted PWC to produce a report valuing Masmóvil, which PWC completed on July 24, 2020. This report is available on the CNMV website as an annex to the OPA prospectus.

The following graphics present the disparity between PWC’s CapEx projections and Masmovil’s guidance on the same. Note that, for the purposes of this comparison, the less aggressive of PWC’s two CapEx scenarios (i.e., the scenario in which the company would require the least CapEx) is presented.

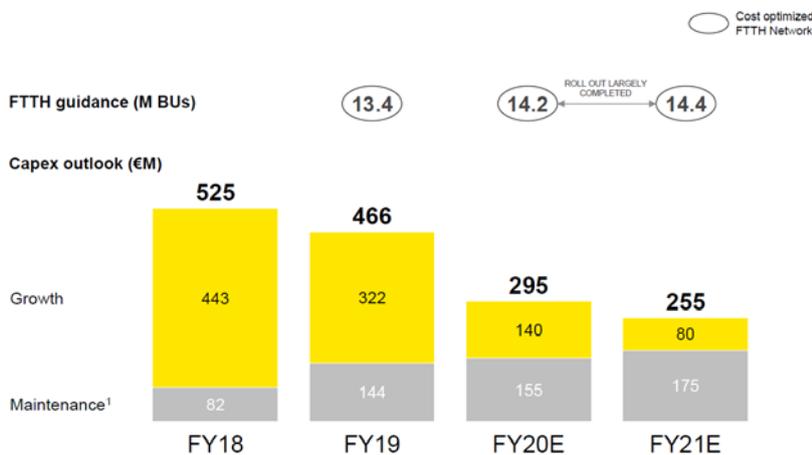
PWC projections:



Masmóvil guidance:

2020-21 Net Capex Outlook Reiterated

Orange agreement eliminates Capex uncertainty and allows for reduced future net capex profile



¹ Includes churn related (replacement) commercial capex and maintenance infrastructure Capex
 Source: Company

Polygon Global Partners LLP
4 Sloane Terrace
London SW1X 9DQ
United Kingdom

T +44 20 7901 8300
F +44 20 7901 8301
www.polygoninv.com



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Recent comments by Masmóvil's CEO further support the company's reduced CapEx guidance throughout 2020, both pre- and post-COVID and pre- and post-offer:

"And we are also in line with what we expect with the CapEx: a significant reduction during the next years, since we have a high visibility on our CapEx both in mobile as well as in fibre." –Masmóvil CEO, FY 2019 results presentation, February 28th, 2020

"We have a very high visibility on our infrastructure CapEx. So, there should be no negative surprise. And also, it's true for deleveraging to reach to 3.2 times for the full year of 2020. In consequence, also we can confirm our equity free cash flow target of more than EUR 2 per share in 2021." –Masmóvil CEO, Q1 results presentation, May 14th, 2020

"We also expect our net investment or CapEx of EUR295 million in 2020, and EUR255 million in 2021, that can be reduced should we finally create the network Company we described before. And we also expect an equity-free cash flow above EUR2 per share in 2021. These targets do not include the potential impact of acquisition of Lycamobile as of recently. And even though these are ambitious goals, we believe that they're realistic and they continue to consolidate Masmóvil as a relevant player in the telecommunication sector in Spain." –Masmóvil CEO, AGM presentation, July 8th, 2020

As a result of PWC's overstatement of Masmóvil's CapEx requirements (by, in Polygon's judgment and based upon company guidance, between EUR 40 to 50 million per year), Polygon estimates that PWC's valuation is four to five euros per share too low on this basis alone.

2. Working Capital Profile

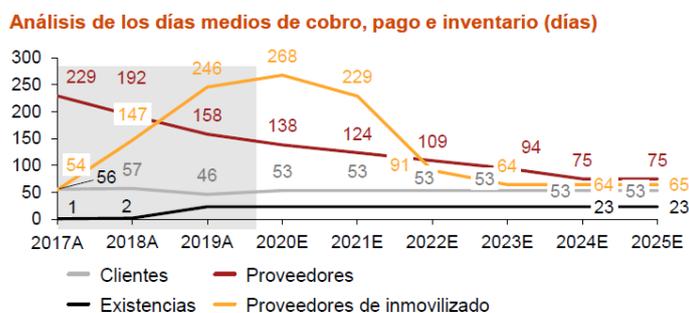
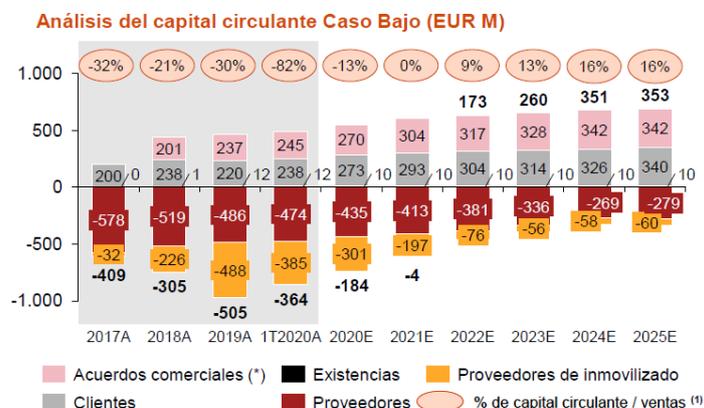
PWC's valuation report also projects a transformation of Masmóvil's working capital profile. Such a transformation would depart both from the company's historical working capital profile and the working capital profiles of telecoms businesses in general.

Telecoms businesses typically have low working capital needs. They generally sell services to customers that pay on a monthly basis, but have obligations that allow for longer payment terms. Thus, these businesses are generally working capital negative, as is presently the case for Masmóvil.

PWC has modelled a significant departure from this profile, presupposing that Masmóvil will have to settle an apparently long-overdue bill with fixed asset suppliers. The PWC report further forecasts a growing receivables account, but does not provide an explanation around the source of such receivables. Notably, neither such an overdue liability nor a projected growth in receivables has been disclosed in any way by Masmóvil in its financial accounts or otherwise.

PWC estimates that these new circumstances will cost Masmóvil EUR 730 million in cash flow generation between July 2020 and the end of 2024. Polygon is of the view that, if such a transformation of the financial profile of Masmóvil were in fact imminent, Masmóvil's Board, management team and/or auditors would have disclosed this, as well as the circumstances that brought such a shift on.

The charts below illustrate the changes that PWC has projected.



(*) Acuerdos comerciales y costes de obtención de contratos con clientes
Fuente: CCAA consolidadas, 1T2020 y análisis PwC.

As a result of its CapEx and working capital assumptions, PWC projects that Masmóvil will burn cash after interest payments in 2021. By contrast, Masmóvil's guidance implies well in excess of EUR 260 million of free cash flow (FCF) (>EUR 2 per share) post interest. The following graphics illustrate the differences between PWC's FCF projections and Masmóvil's public guidance.

PWC projections:

EUR millones	Horizonte de proyección						Periodo de normalización		VT
	9M 2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	
Ventas	1.362,5	1.953,8	2.058,7	2.148,0	2.221,5	2.279,6	2.279,6	2.279,6	2.317,2
EBITDA post NIIF 16	436,3	682,0	736,0	792,7	847,9	877,2	877,2	877,2	891,7
Margen EBITDA post NIIF 16	32,0%	34,9%	35,7%	36,9%	38,2%	38,5%	38,5%	38,5%	38,5%
EBITDA pre NIIF 16	407,0	608,2	662,2	718,9	774,1	803,4	803,4	803,4	816,7
Margen EBITDA pre NIIF 16	29,9%	31,1%	32,2%	33,5%	34,8%	35,2%	35,2%	35,2%	35,2%
EBIT pre NIIF 16 (excluyendo amortización PPA)	229,4	306,5	317,0	337,8	427,0	521,7	515,7	509,6	516,8
Tipo impositivo	24%	24%	24%	24%	25%	25%	25%	25%	25%
Impuestos sobre EBIT	(55,4)	(74,6)	(77,3)	(82,5)	(104,8)	(128,4)	(128,9)	(127,4)	(129,2)
NOPLAT	174,0	231,8	239,7	255,3	322,3	393,3	386,7	382,2	387,6
Amortización	177,6	301,7	345,2	381,1	347,0	281,7	287,7	293,8	299,9
Capex	(202,8)	(301,8)	(315,2)	(316,0)	(313,4)	(315,5)	(320,4)	(325,3)	(335,6)
Var. Capital Circulante	(180,5)	(180,3)	(189,3)	(94,0)	(86,4)	(3,8)	(2,6)	(1,5)	(0,3)
Flujos de Caja Libre	(31,6)	51,4	80,4	226,3	269,5	355,7	351,5	349,2	351,5

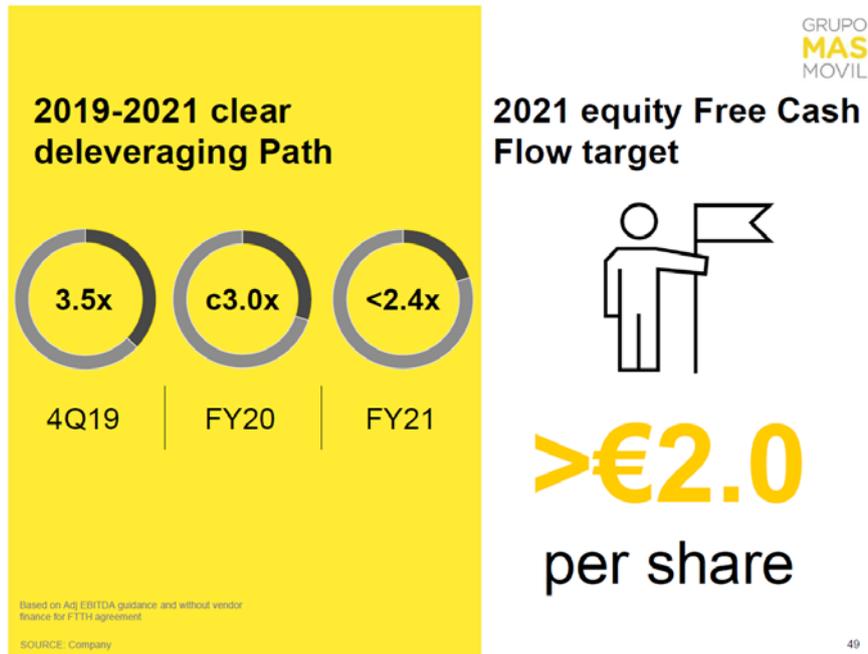
Polygon Global Partners LLP
4 Sloane Terrace
London SW1X 9DQ
United Kingdom

T +44 20 7901 8300
F +44 20 7901 8301
www.polygoninv.com



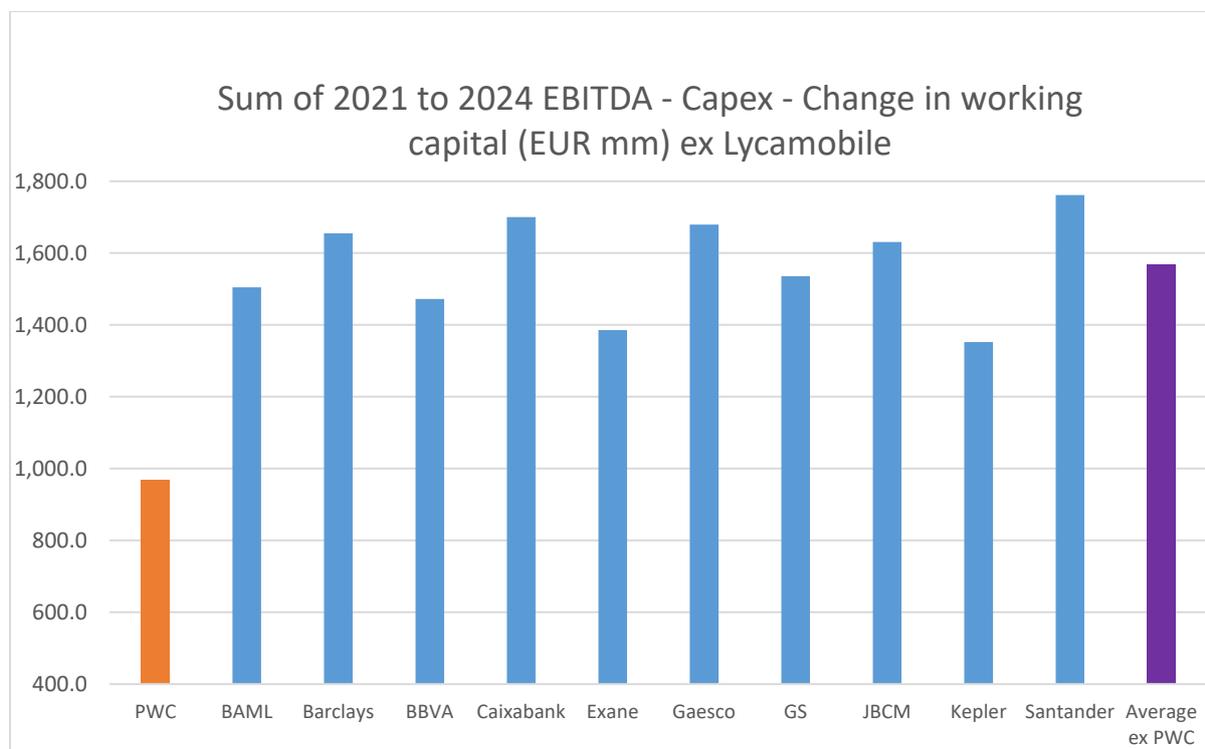
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Masmóvil guidance:



This guidance by Masmóvil's Board was understandably reflected in the FCF projections of equity research analysts who have followed the company closely for years and who have had numerous discussions with the company during that time.

As shown in the chart below, these analysts estimate, on average, that Masmóvil will generate roughly EUR 600 million more FCF during the period from 2021 to 2024 than PWC projects in its report.



Source: PWC report and most recently published projections by various equity analysts.

Polygon is of the view that PWC's valuation is three to four euros per share lower than it would have been if PWC had used working capital assumptions more in line with the company's history and analyst estimates.

3. Lycamobile Acquisition

Polygon's view is that PWC has undervalued the synergies generated by Masmóvil's acquisition of Lycamobile.

According to Masmóvil management in July 2020, the acquisition of Lycamobile is expected to contribute EUR 75 million annually to Masmóvil's EBITDA in future years (reaching EUR 70 million as soon as 2021).

Once again, PWC's valuation report deviates from the company's guidance; PWC's projections indicate that Lycamobile will never reach the EBITDA levels that Masmóvil predicts. Even in 2024, PWC's EBITDA estimate is over 30% lower than Masmóvil's projection for 2021.

The graphics (and the quote from Masmóvil's CEO) below illustrate this disparity.



PWC projections:

EUR M	Histórico		Horizonte de proyección					VT
	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Ventas	137,6	132,0	110,4	112,5	110,4	109,1	108,8	109,3
% variación		(4,1%)	(16,4%)	1,9%	(1,9%)	(1,1%)	(0,3%)	0,5%
MVNO	(60,0)	(39,7)	(23,4)	(13,0)	(14,1)	(14,4)	(15,2)	(15,2)
Otros costes	(30,4)	(28,8)	(28,8)	(28,8)	(28,8)	(28,8)	(28,8)	(28,8)
Margen bruto	47,2	63,5	58,2	70,7	67,4	65,9	64,7	65,3
% margen	34,3%	48,1%	52,7%	62,8%	61,1%	60,4%	59,5%	59,7%
Opex	(19,0)	(19,0)	(16,7)	(15,0)	(15,0)	(15,0)	(15,0)	(15,0)
EBITDA	28,2	44,5	41,6	55,7	52,4	50,9	49,7	50,3
% margen	20,5%	33,7%	37,6%	49,5%	47,5%	46,7%	45,7%	46,0%
One off Integration cost	-	-	-	(10)	-	-	-	-
D&A	(4,0)	(4,0)	(2,7)	(2,7)	(2,7)	(2,6)	(2,6)	(2,6)
EBIT	24,2	40,5	38,9	43,0	49,8	48,3	47,1	47,6
% margen	17,6%	30,7%	35,2%	38,2%	45,1%	44,3%	43,3%	43,6%

Fuente: CCAA consolidadas de 2019, Proyecciones financieras de Lycamobile facilitadas por MásMóvil, análisis PwC y discusiones con la Compañía.

Euro millones	9M 2020	2021E	2022E	2023E	2024E	VT
EBIT	38,9	43,0	49,8	48,3	47,1	47,6
Impuestos sobre EBIT	(9,7)	(10,7)	(12,4)	(12,1)	(11,8)	(11,9)
NOPAT	29,2	32,2	37,3	36,2	35,3	35,7
D&A	2,7	2,7	2,7	2,6	2,6	2,6
CAPEX	(2,7)	(2,7)	(2,7)	(2,6)	(2,6)	(2,6)
Variación en Working Capital	(0,7)	0,1	0,0	(0,1)	(0,1)	-
FCF	28,5	32,3	37,3	36,2	35,3	35,7
Terminal Value						482,3
Periodo de descuento	0,4	1,3	2,3	3,3	4,3	4,3
Factor de descuento	0,97	0,91	0,85	0,79	0,74	0,74
% flujo considerado	76%*	100%	100%	100%	100%	100%
Flujos de caja descontados	21,2	29,5	31,8	28,7	26,0	356,1
FCF descontados periodo de proyección	137,2					
Flujo de caja terminal	356,1					
Enterprise Value	493,3					
(-) Precio pagado	(361,0)					
Valor añadido de la transacción	132,3					
Nº acciones (excluyendo autocartera)	131.366.040					
Impacto por acción	1,01					



Masmóvil guidance:

Lycamobile – a value accretive transaction



The transaction represents an attractive acquisition multiple of <5x EBITDA- CAPEX due to substantial network cost synergies

Attractive standalone business	<ul style="list-style-type: none">• Stable customer base of 1.5m mobile prepaid lines• €132m revenue and €45m EBITDA in FY2019• Significant EBITDA margin expansion in the last years• Lean company with just 85 FTEs mainly in technical and commercial functions
Synergy driven transaction	<ul style="list-style-type: none">• Expected annual run-rate synergies of €30m from migrating Lycamobile's customers traffic to MASMOVIL's network and reduction of headquarter cost allocation to reach a run-rate EBITDA of €75m (€70m already in 2021)• MASMOVIL has a proven integration track record including previous successful customer network migrations
Prepaid market opportunity	<ul style="list-style-type: none">• The mobile prepaid market in Spain is currently a relatively stable industry of around €700m of revenues per year• The acquisition of Lycamobile reinforces MASMOVIL's position in the prepaid segment in Spain
Maximizing value creation	<ul style="list-style-type: none">• Enterprise value of €372m on a debt-free cash-free basis• 8.2x EV/ EBITDA pre-synergies and <5x EV/ EBITDA-CAPEX post-synergies• Fully debt financed without material increase in the Group's leverage profile• Agreement to use the Lycamobile brand in the long term

“So that means, that we are very positive that we can create run rate synergies of EUR 30 million, meaning increasingly EBITDA from EUR 45 million to EUR 75 million. And the time to synergy is very short. We believe we will be able to have a EUR 70 million run rate already in 2021. [...] And that means that this transaction increases by approximately 20% our EBITDA free cash flow guidance that we gave for 2021” –Masmóvil CEO, Lycamobile acquisition presentation, March 2nd, 2020

Polygon estimates that PWC's valuation is roughly two euros per share too low as a result of PWC's underestimation of the run rate synergies resulting from the Lycamobile acquisition.

4. Comparables Valuation Approach

Polygon agrees with PWC that the discounted cash flow method (DCF) is the best way to value a company. However, it is worth noting that PWC's analysis of comparable companies and comparable transaction multiples departs, in Polygon's view, from the most reasonable comparables approach.

PWC's selection of "comparable" companies and transactions used to value Masmóvil was based upon whether the companies are or were "challengers" in their markets, as Masmóvil is. Polygon believes, however, that the rate at which these comparable companies grow is equally or more important to the analysis. In each case, the growth rate of the companies PWC selected for comparison fall far short of that of Masmóvil.

On average, the companies PWC used in its comparables analysis grow their top line at 0-1% per year. To use this subset of European companies to value the fastest-growing major telecoms operator in Europe (with historical top-line growth in excess of 15% *per annum*), is, in Polygon's view, an intrinsically flawed approach, especially when taking into account that even PWC projects Masmóvil to grow at a rate of over 5% *per annum* in the medium term.

The same flaw is inherent with respect to the list of transaction multiples PWC presents. Only a small portion of these experienced any substantial growth when they were acquired; nearly all of the others experienced negative or insignificant growth.

The charts below indicate the companies and transactions that PWC used in this analysis.

Compañía	País	EV/EBITDA 2019 (Pre impacto IFRS 16)	EV/EBITDA 2019 (Post impacto IFRS 16)	EV/EBITDA LTM Marzo 2020	EV/EBITDA 2020 (Post impacto IFRS 16)
Euskaltel, S.A.	España	9,1x	9,1x	8,0x	8,0x
Vodafone Group Plc	Reino Unido	6,6x	7,0x	5,0x	6,5x
freenet AG	Alemania	10,8x	11,0x	9,6x	9,7x
TalkTalk Telecom Group PLC	Reino Unido	8,4x	9,1x	7,6x	7,6x
NOS, S.G.P.S., S.A.	Portugal	6,2x	6,0x	4,4x	4,7x
iliad S.A.	Francia	n.d.	8,0x	n.d.	9,7x
Sunrise Communications Group AG	Suiza	7,9x	7,8x	7,8x	7,8x
Telenet Group Holding NV	Bélgica	7,1x	7,3x	6,7x	6,8x
Tele2 AB (publ)	Suecia	12,8x	11,9x	11,8x	11,1x
Digi Communications N.V.	Rumania	4,2x	4,0x	3,9x	4,2x
Media sin anómalos		8,0x	8,1x	7,0x	7,6x
Media con anómalos		8,1x	8,1x	7,2x	7,6x

Fecha	Adquirida	País	Adquiriente	EV (EUR M)	% adq.	EV/ EBITDA (pre IFRS 16)	% margen EBITDA	Player
02/03/2020	Lycamobile Spain	España	MásMóvil Ibercom, S.A.	361	100%	8,1x	34%	Challenger
21/08/2019	DNA Oyj	Finlandia	Telenor ASA	3.368	54%	11,4x	32%	Challenger
21/11/2018	Lebara Spain	España	MásMóvil Ibercom, S.A.	n.d.	100%	7,5x	n.d.	Challenger
15/10/2018	Get ASA/TDC Norway AS	Noruega	Telia Company AB	2.224	100%	12,4x	43%	Challenger
07/09/2018	Wind Tre S.p.A.	Italia	CK Hutchison Holdings Limited	16.264	50%	7,7x	36%	Challenger
03/09/2018	MTN Cyprus Limited	Chipre	Monaco Telecom S.A.M.	260	100%	8,0x	n.d.	Challenger
31/07/2018	UPC Austria GmbH	Austria	T-Mobile Austria GmbH	1.900	100%	9,5x	n.d.	Challenger
30/05/2018	Invitel Távközlési ZRT.	Hungría	DIGI Távközlési és Szolgáltató Kft.	135	100%	6,2x	n.d.	Challenger
04/05/2018	TDC A/S	Dinamarca	PFA Pension, forsikringsaktieselskab	8.113	100%	7,3x	41%	Incumbent
09/04/2018	eir Limited	Irlanda	Davidson; Iliad SA; Anchorage; NJJ	3.500	100%	6,7x	40%	Challenger
26/07/2017	TeleCable de Asturias S.A.U.	España	Euskaltel, S.A.	670	100%	10,3x	47%	Challenger
31/01/2017	More Minutes, S.A	España	MásMóvil Ibercom, S.A.	42	100%	7,6x	n.d.	Challenger
31/10/2016	TDC Sverige AB	Suecia	Tele2 Sverige AB	293	100%	7,3x	12%	Challenger
05/10/2016	Xfera Móviles, S.A.	España	MásMóvil Ibercom, S.A.	612	100%	7,4x	n.d.	Challenger
13/09/2016	Pepemobile S.L.	España	MásMóvil Ibercom, S.A.	158	100%	12,1x	20%	Challenger
17/08/2016	GO p.l.c.	Malta	TT ML LIMITED	385	65%	7,4x	38%	Challenger
11/02/2016	BASE Company NV	Bélgica	Telenet Group Holding NV	1.324	100%	8,9x	25%	Challenger
29/01/2016	EE Limited	Reino Unido	BT Group plc	16.463	100%	7,6x	22%	Challenger
			Promedio (Europa)			8,5x		
			Promedio (España)			8,8x		

Fuente: S&P, análisis PwC

Given the lack of nuance in the PWC comparables analysis, with specific reference to the issue of comparability of growth patterns and business models, Polygon's view is that such analysis is not useful in a valuation of Masmóvil.

For all of the reasons stated above, Polygon is of the opinion that PWC's valuation report, and therefore the CNMV's reliance on such report, was inherently flawed, and that the



Polygon Global Partners LLP
4 Sloane Terrace
London SW1X 9DQ
United Kingdom

T +44 20 7901 8300
F +44 20 7901 8301
www.polygoninv.com

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valuation range that PWC presented was significantly lower than a more sound approach would have produced.