Virgin Media O2[1] publishes Q1 results to 31 March 2022

Virgin Media O2 focused on product innovation, network investment and synergy realisation to drive growth through 2022

London, UK - 11 May 2022

- Resilient trading performance with delivery of price rises while maintaining a flat customer base
- Industry leading service enhancements as the only mobile network to not charge for EU roaming and the launch of new flexible TV service, Stream from Virgin Media
- Upgrading the UK: added 101k Lightning premises; 5G services now live in over 400 towns/cities
- Improving profitability supported by cost efficiencies and synergies: transaction adjusted EBITDA up 3% to £932 million and transaction adjusted EBITDA less capex up 5% to £427 million in Q1

Lutz Schüler, CEO of Virgin Media O2, said:

"The first quarter has seen us remain focused on delivering and innovating to pave the way for the rest of the year. We have started to ramp up network investments while improving our products and services with big challenger decisions like not reintroducing EU roaming fees. The delivery of fixed and mobile price rises will also support revenue growth and allow continued investment as connectivity demand continues to increase. We're pushing ahead into Q2 with the launch of Stream, our new IP-based TV proposition which evolves traditional TV bundles and offers our broadband customers a flexible and innovative way to get their entertainment whilst offering significant additional value. With Q1 showing solid financial foundations from a stabilising top line and improved profitability, we remain on track to meet our 2022 guidance."

Top-line performance supported by product and service enhancements

The **fixed customer base** ended the quarter at 5.8 million, with an 8,000 net reduction in Q1. Continued growth in Project Lightning areas was offset by declines in the existing footprint. Net adds were lower YoY primarily due to a reduction in gross acquisitions. Importantly total disconnections and Cable rNPS both improved YoY despite the implementation of the company's fixed price rise effective from 1st March. The broadband base was broadly flat at 5.6 million in Q1, however the average speed across the company's broadband base has increased 24% YoY and is now 231 Mbps which remains ~4x higher than the national average.

The **contract mobile base** increased by 11,000 in Q1, whilst total mobile connections increased 478,000 in Q1 due to strong growth in IoT, wholesale and contract connections. O2's monthly contract churn remains low at 0.9%. From 1st April, both O2 and Virgin Mobile delivered price rises with limited impact on volumes to date.

Throughout the quarter the company has continued to invest and innovate to enhance its products and improve customer experience. This included being the only mobile network operator not to reintroduce EU roaming fees, amongst other initiatives.

In April, Virgin Media O2 also announced its new IP-based entertainment service, **Stream from Virgin Media**, offering customers a new way to bring TV channels, video apps and streaming subscriptions together in one place, at great value, delivered entirely through the company's superior broadband. The service is available to new and existing customers taking a broadband only or broadband and home phone package with a £35 one-off activation fee, a 30-day rolling contract and a "Stream credit" which gives customers a 10% saving on their subscriptions when they add them via their Virgin Media bill.

Virgin Media O2 Business switched on a first of its kind multi-site private mobile network with British Sugar in January as part of a seven-year partnership. It also launched 'Success Agreements' for new large enterprise and public sector customers which takes a new approach to typical SLAs, helping to define specific goals or outcomes for individual customers with added flexibility.

Investment in the UK's digital infrastructure continuing at pace

Project Lightning build was 101,000 in Q1, in-line with expectations and higher than the 93,000 premises added in Q4 2021 and 78,000 premises added in Q1 2021. The cumulative Lightning footprint is 2.8 million and the company remains on-track to add over 500,000 Lightning premises in 2022.

Following the completion of **FTTP upgrade** pilots in Q1, the company has now moved to deployment of full fibre across its entire fixed network at a cost of £100 per home with completion in 2028.

Furthermore, **5G services** are now available in over 400 towns and cities and rollout remains on-track to hit 50% population coverage of 5G services by 2023. Boosting 4G also remains a key focus for investment and 4G capacity was upgraded in more than 93,000 postcodes during Q1.

Support for those affected by the events in Ukraine

In light of the events taking place in Ukraine, Virgin Media O2 removed charges for mobile data use in Ukraine and has been crediting back all charges for calls and texts made between Ukraine and the UK. The company has also committed to financial and other support measures including direct donations to the Disasters Emergency Committee Appeal and increased contributions to the charity Migrant Help. Coupled with ongoing work through the National Databank, these measures are providing data and devices to those impacted by the conflict in Ukraine.

The company is also providing job opportunities for anyone with refugee status through a fast-track application process for a diverse mix of more than 1,000 roles located across the country. Applicants will be assisted by dedicated advisors and, to further support job seekers, free English language lessons and medical assistance will be made available as part of a wider package of employee benefits.

Top-line stabilising, improved profitability and a return to growth in adjusted EBITDA less capex

Revenue[1]: Q1 transaction adjusted revenue of £2,507.7 million was broadly flat YoY, an improvement compared to the YoY revenue declines in Q1 2021 and Q4 2021. This performance was supported by increased growth in Mobile revenue which was up 0.9% to £1,381.7 million, including a 4.9% YoY increase in handset revenue. Consumer fixed revenue decreased by 0.4% YoY to £854.9 million. A 1.9% YoY increase in fixed-line customers was offset by a 2.6% YoY decline in transaction adjusted fixed-line customer ARPU due to a change in customer mix. B2B fixed revenue decreased 11.6% YoY to £152.0 million due to a high level of installation revenue for high-capacity data services within Wholesale in Q1 2021, while Other revenue increased 7.6% to £119.1 million underpinned by growth in revenues from O2 business customers along with continued growth related to the company's smart metering programme.

Adjusted EBITDA[1]: Q1 transaction adjusted EBITDA increased 2.6% YoY to £931.7 million, excluding £10.4 million of opex CTC - representing the best full quarter growth rate since Virgin Media O2 was formed. This was due to cost savings following the migration of the Virgin Mobile MVNO base from EE to Vodafone, lower sales commissions and the flow through of cost synergies. Transaction adjusted EBITDA margin improved to 37.2% in Q1 2022 compared to 36.2% in Q1 2021.

Adjusted EBITDA less Capex[1,2]: Transaction adjusted EBITDA less capex increased 4.7% YoY to £427.0 million in Q1, before opex and capex CTC of £44.0 million. This was driven by the aforementioned growth in transaction adjusted EBITDA combined with a modest 2.4% YoY increase in P&E additions to £473.0 million, as the company continued to invest in its fixed and mobile infrastructure, and a reduction in ROU asset additions to £31.7 million in Q1.

Free Cash Flow: There was an adjusted free cash outflow of £319.2 million in Q1.

2022 guidance reaffirmed: The company expects to deliver mid-single-digit growth in pro forma transaction adjusted EBITDA (before CTC), supported by improved top-line growth and the delivery of synergies which will ramp through the year. Expect opex and capex CTC of over £300 million and P&E additions of around £2.1 billion as the company accelerates network investments. The cash distribution to shareholders is anticipated to be £1.6 billion including cash from recapitalisations to maintain leverage at the upper-end of the 4-5x range.

Strong capital structure to support business growth

At 31 March 2022, Virgin Media O2's fully-swapped third-party debt borrowing cost was 4.6% and the average tenor of third-party debt (excluding vendor financing) was 7.2 years.

At 31 March 2022, and subject to the completion of the corresponding compliance reporting requirements, the ratios of Net Senior Debt and Net Total Debt to Annualised pro forma adjusted EBITDA (last two quarters annualised) were 3.23x and 3.55x, 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 EBITDA would have been 4.62x at 31 March 2022.

At 31 March 2022, the company had maximum undrawn commitments of £1,378 million equivalent. When compliance reporting requirements have been completed and assuming no change from 31 March 2022 borrowing levels, it is anticipated that the full borrowing capacity will 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	
	2022	**2021**
Footprint	Actual	Pro forma
Homes Passed	**15,749,700**	**15,386,600**
Fixed-Line Customer Relationships		
Fixed-Line Customer Relationships	**5,760,200**	**5,655,100**
O/w Broadband Connections	5,595,800	5,458,600
Fixed-Line Customer Relationship net additions (losses)	**(8,100)**	**28,400**
O/w Broadband net additions (losses)	(1,000)	38,500
Q1 Monthly Transaction Adjusted ARPU per Fixed-Line Customer Relationship	£ 48.32	£ 49.61
Mobile		
Retail Connections	**32,595,000**	**30,617,700**
Mobile	24,011,000	23,835,400
Contract	15,948,600	15,636,300
Prepaid	8,062,400	8,199,100
IoT	8,584,000	6,782,300
Wholesale Connections	**10,126,500**	**9,350,500**
Total Mobile Connections	**42,721,500**	**39,968,200**
Retail net additions	**318,200**	**281,100**
Mobile net additions (losses)	(46,100)	(10,600)
Contract net additions	10,600	42,100
Prepaid net additions (losses)	(56,700)	(52,700)
IoT net additions	364,300	291,700
Wholesale net additions	**159,900**	**139,600**
Total Mobile net additions	**478,100**	**420,700**

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

The following table reflects preliminary selected financial results for the three months ended 31 March 2022 (actual) and 2021 (pro forma):

	Actual	Pro forma	
	Three months ended 31 March 2022	Three months ended 31 March 2021	Increase/ (decrease)
	in £ millions, except % amounts		
Transaction Adjusted Revenue			
Mobile	**1,381.7**	**1,369.7**	**0.9%**
Handset	357.2	340.5	4.9%
Fixed	**1,006.9**	**1,029.9**	**(2.2%)**
Consumer Fixed	854.9	858.0	(0.4%)
Subscription	836.5	840.4	(0.5%)
Other	18.4	17.6	4.5%
B2B Fixed	152.0	171.9	(11.6%)
Other	**119.1**	**110.7**	**7.6%**
Transaction Adjusted Revenue	**2,507.7**	**2,510.3**	**(0.1%)**
Transaction adjustments[(i)]	(7.6)	(5.2)	
Total Revenue	2,500.1	2,505.1	(0.2%)
Transaction Adjusted EBITDA			
Transaction Adjusted EBITDA	**931.7**	**908.5**	**2.6%**
Transaction Adjusted EBITDA as a % of Transaction Adjusted Revenue	37.2%	36.2%	
Opex CTC	(10.4)	(6.6)	
Transaction Adjusted EBITDA including CTC	921.3	901.9	2.2%
Transaction Adjusted EBITDA less Capex			
Transaction Adjusted EBITDA	931.7	908.5	2.6%
Property & equipment additions	473.0	462.1	2.4%
ROU asset additions	31.7	38.6	(17.9%)
Transaction Adjusted EBITDA less Capex	**427.0**	**407.8**	**4.7%**
Transaction Adjusted EBITDA less Capex as a % of Transaction Adjusted Revenue	17.0%	16.2%	
Opex and Capex CTC	(44.0)	(8.1)	
Transaction Adjusted EBITDA less Capex including CTC	383.0	399.7	(4.2%)
Spectrum license additions	—	448.0	
Adjusted Free Cash Flow (FCF)			
Adjusted FCF	(319.2)		

[(i)] Revenue transaction adjustments relate to the reversal of the deferred revenue write-off as further described in FN (ii)(b)

The following table provides a reconciliation of net profit to Transaction Adjusted EBITDA for the three months ended 31 March 2022 (actual) and 2021 (pro forma):

	Actual	Pro forma	
	Three months ended 31 March 2022	Three months ended 31 March 2021	Increase / (Decrease)
	in £ millions, except % amounts		
Net Profit	91.9	87.2	
Income Tax Expense	18.2	17.8	
Other Expense (Income), net	1.1	—	
Share of Losses of Investments Accounted for by the Equity Method	(0.7)	—	
Finance Income	(499.4)	(236.5)	
Finance Costs	435.8	149.8	
Operating Income	46.9	18.3	
Depreciation and Amortization	873.7	884.7	
Share-based Compensation Expense	7.7	7.2	
Restructuring and other operating	6.3	(0.1)	
Cost to Capture	10.4	6.6	
Adjusted EBITDA	945.0	916.7	3.1%
Transaction Adjustments[(ii)]	(13.3)	(8.2)	
Transaction Adjusted EBITDA	**931.7**	**908.5**	**2.6%**

The following table provides a reconciliation of our net cash provided by operating activities to Adjusted Free Cash Flow for the three months ended 31 March 2022:

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

[(ii)] 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. These transaction adjustments therefore reverse the effect of the following:

(a) Deferred commissions and install costs write-off of £20.9 million and £13.4 million for the three months ended 31 March 2022 and 2021, respectively

(b) Deferred revenue write-off of £7.6 million and £5.2 million for the three months ended 31 March 2022 and 2021, respectively

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

The following table details the borrowing currency and pound sterling equivalent of the nominal amount outstanding of VMED O2's consolidated third-party debt, finance lease obligations and cash and cash equivalents:

	31 March 2022			31 December 2021
	Borrowing currency		£ equivalent	
			in millions	
Senior and Senior Secured Credit Facilities:				
Term Loan P (SONIA[1] + 2.75%) due 2026	£	376.0	376.0	376.0
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	2,511.7	2,438.1
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	632.6	630.9
Term Loan Q (LIBOR + 3.25%) due 2029	$	1,300.0	989.5	960.5
Term Loan R (EURIBOR + 3.25%) due 2029	€	750.0	632.6	630.9
£1,378 million (equivalent) RCF (SONIA[1] + 2.75%) due 2026	£	—	—	—
VM Financing Facilities (GBP equivalent)	£	13.7	13.7	17.8
Total Senior and Senior Secured Credit Facilities			6,056.1	5,954.2
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	1,084.6	1,052.8
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	696.4	676.0
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	801.3	799.2
4.25% USD Senior Secured Notes due 2031	$	1,350.0	1,027.5	997.4
4.75% USD Senior Secured Notes due 2031	$	1,400.0	1,065.6	1,034.4
4.5% GBP Senior Secured Notes due 2031	£	675.0	675.0	675.0
Total Senior Secured Notes			8,080.4	7,964.8
Senior Notes:				
5.00% USD Senior Notes due 2030	$	925.0	704.1	683.4
3.75% EUR Senior Notes due 2030	€	500.0	421.7	420.6
Total Senior Notes			1,125.8	1,104.0
Vendor financing			1,973.0	2,104.7
Share of CTIL[2] debt			172.5	—
Other debt			220.6	206.1
Lease obligations			885.0	927.2
Total third-party debt and lease obligations			18,513.4	18,261.0
Less: unamortised premiums, discounts and deferred financing costs, fair value adjustments, net			(64.0)	(67.0)
Total carrying amount of third-party debt and lease obligations			18,577.4	18,328.0
Less: cash and cash equivalents			222.2	348.9
Net carrying amount of third-party debt and lease obligations			18,355.2	17,979.1
Exchange rate (€ to £)			1.1856	1.1887
Exchange rate ($ to £)			1.3139	1.3535

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

Covenant Debt Information

The following table details the pound sterling equivalent of the reconciliation from Virgin Media O2's consolidated third-party debt 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. The pound sterling equivalents presented below are based on exchange rates that were in effect as of 31 March 2022. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	31 March 2022	31 December 2021
	in £ millions	
Total Third-party Debt and Lease Obligations (£ equivalent)	**18,513.4**	**18,261.0**
Vendor Financing	(1,841.5)	(1,968.8)
Other Debt	(220.6)	(206.1)
CTIL Debt	(172.5)	—
Credit Facility Excluded Amount	(1,010.1)	(1,016.0)
Lease Obligations	(885.0)	(927.2)
Projected Principal-related Cash Payments (Receipts) Associated With Our Cross-currency Derivative Instruments	(15.8)	227.5
Total Covenant Amount of Third-party Gross Debt	**14,367.9**	**14,370.4**
Cash and Cash Equivalents	(39.8)	(47.3)
Total Covenant Amount of Third-party Net Debt	**14,328.1**	**14,323.1**

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.

Contact Information

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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 fiber and 5G networks that currently provides 85 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 UPC in Switzerland, Virgin Media in Ireland and UPC in Eastern Europe. Liberty Global, through its global investment arm Liberty Global Ventures, has a portfolio of more than 75 companies and funds across content, technology and infrastructure, including strategic stakes in companies like ITV, Televisa Univision, Plume, Lionsgate and the Formula E racing series.

Telefónica is one of the world's leading telecommunications service providers. The company offers fixed and mobile connectivity services, as well as a wide range of digital services for individuals and businesses. It is present in Europe and Latin America, where it has more than 345 million customers. Telefónica is a fully private company whose shares are listed on the Continuous Market of the Spanish stock exchanges and on the New York and Lima stock exchanges.

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 (Q1) ended 31 March 2022 and the comparative results for the prior year Q1 period for the company as though the joint venture was created on 1 January 2020. The commentary and YoY growth rates presented in this release are based on a comparison of the actual results for Q1 2022 compared to the pro forma results for Q1 2021. The financial and operating information contained herein is preliminary and subject to change.

2. Effective with the release of our third quarter 2021 earnings we have stopped using the term Operating Free Cash Flow ("OFCF") and now use the term "Transaction Adjusted EBITDA less Capex". As we define the term, Transaction Adjusted EBITDA less Capex has the same meaning as OFCF had previously, and therefore does not impact any previously reported amounts.

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 profit (loss) 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. 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 (a) capital expenditures, as reported in our condensed consolidated statements of cash flows, (b) principal payments on amounts financed by vendors and intermediaries and (c) 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, GAAP measures of liquidity included in our condensed 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 pro forma 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 finance leases and including vendor financing obligations), including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs.

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

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.

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

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

Lightning Premises: Includes homes, residential multiple dwelling units and commercial premises that potentially could subscribe to our residential or SOHO services, which have been connected to our networks as a part of our Project Lightning network extension program in the UK. Project Lightning infill build relates to construction in areas adjacent to our existing network.

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 Prepay 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.

Pro forma: This assumes the joint venture transaction occurred on 1 January 2020 and pushes back purchase price accounting, policy alignment and transaction adjustments to this date. The pro forma financial statements, which have been prepared in accordance with IFRS, do not purport to project the results of operations or financial condition of the UK JV for any future period nor do they purport to represent what the actual results of operations or financial condition of the UK JV would have been had the joint venture transactions occurred on the dates indicated.

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

rNPS: Relationship Net Promoter Score.

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: This is 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 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: This is Transaction Adjusted EBITDA less P&E additions and less 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 earnings or loss or other IFRS measures of income. For limitations of this metric see the definition of Transaction Adjusted EBITDA.

YoY: Year-over-year.