Virgin Media O2[1] publishes Q1 results to 31 March 2024

Virgin Media O2 sets up for 2024 execution with focused investments in Q1

London, UK - 2 May 2024

- **Financial performance:** Improved service revenue performance across mobile and consumer fixed ahead of price rise implementation, low-margin handset and B2B fixed revenue headwinds driving a 4.3% revenue decrease excluding nexfibre construction. Adjusted EBITDA decreased 1.6% excluding nexfibre construction as Virgin Media O2 invests in future growth drivers
- **Trading update:** Low customer activity quarter driving stable fixed-line customer base and net reduction in mobile contract base
- **Network evolution:** Increased network investment as deployment of 5G and fibre continued at pace. FTTP homes serviceable footprint increased by 194,000 in Q1, as Virgin Media O2 build accelerates by 80% year-over-year

Lutz Schüler, CEO of Virgin Media O2, said:

"While there is much to do in the remainder of the year, we are gathering momentum in accelerating fibre build and marketing the nexfibre footprint, launching new services to enhance and improve customer experience, and progressing wider IT efficiency programmes as we continue our digital transformation.

"Ahead of price rise implementation, we delivered improved service revenue growth across both mobile and consumer fixed. Our teams also continue to innovate as shown by the targeted launch of 5G Standalone and a new 2Gbps broadband service on the nexfibre network in Q1, highlighting the future evolution of our networks as demand rises and new technologies emerge.

"Our performance in Q1 sets the foundations for our full year guidance as we make key investments to support future growth."

Service revenues supported by offering enhancements

The **fixed-line customer base** ended the quarter at 5.8 million, with a small net reduction of 2,000 in Q1 primarily driven by lower gross additions, as a slowdown in customer activity in the fixed market offset growth in nexfibre areas. Virgin Media's premium ARPU per fixed-line customer relationship was broadly stable for the second consecutive quarter at £46.25, ahead of price rises being implemented in Q2. The broadband customer base grew by 5,300 in Q1, while growth in broadband speeds continued, as average download speeds increased 17% year-over-year to 368Mbps. In line with its continued broadband innovation, Virgin Media O2 became the first major UK provider to publicly launch a residential 2Gbps service in February, with the new services initially available across the nexfibre network.

The **contract mobile base** reduced by 74,500, ending Q1 at 16.0 million. This was driven by a reduction in handset sales and disconnections related to the decommissioning of a legacy billing system, while Q1 O2 monthly contract churn remained stable at 1.2%. Total mobile connections grew to 45.1 million, as growth in IoT and wholesale were partially offset by a reduction in contract and prepaid connections.

Ramping up fibre build pace to upgrade the UK's digital infrastructure

Virgin Media O2 continued the **evolution of its fixed and mobile networks**. The total serviceable fixed network footprint increased by 194,000 FTTP homes in Q1, continuing high-quality build to the nexfibre network and representing an increase in build pace of 80% year-over-year. Following the end of the quarter, the milestone of one million nexfibre premises built was achieved in April, highlighting the ramp up of the Virgin Media O2 fibre build capability. The pace of fibre upgrade activity across the existing Virgin Media O2 footprint also increased year-over-year, as planning for the fixed NetCo announced last quarter continued. In mobile, investment in 5G coverage and capacity also continued in Q1, as next generation 5G Standalone was switched on in 14 cities across the country.

Reducing e-waste while supporting communities

In March, the company announced that O2 Recycle had expanded its scope to cover games consoles, in addition to mobiles, tablets and other devices. Unwanted tech can be sent to O2 Recycle, where the device can be repaired, refurbished and resold, or recycled – with zero parts going to landfill. Additionally, Virgin Media O2 and environmental charity, Hubbub, are providing hundreds of recycled tablets and smartphones to help people in need, powered by free O2 mobile data.

2024 guidance

2024 guidance reiterated, as the company expects:

- Stable to declining revenue and a low to mid-single-digit decline in Adjusted EBITDA, both excluding the impact of nexfibre construction
- P&E additions of £2.0 to £2.2 billion, with opex and capex CTC of less than £150 million
- Cash distributions to shareholders of around £850 million supported by proceeds of the minority sale of CTIL in Q3 2023 and around £500 million of Adjusted Free Cash Flow. Targeting being in line with the 4x to 5x leverage range in the medium term

Targeted investments in future growth drivers

Revenue: Q1 total Revenue decreased 0.5% year-over-year to £2,588.8 million, as revenue excluding the impact of nexfibre construction decreased 4.3%. The primary driver was low-margin handset revenue which decreased 24.6%, offsetting another quarter of growth in mobile service revenue, as total mobile revenue decreased 4.7% to £1,362.7 million. Consumer fixed revenue increased 0.1% year-over-year to £822.9 million, supported by a stabilisation of consumer fixed ARPU. B2B fixed revenue decreased 18.7% to £108.7 million driven by pricing headwinds and a reduced level of revenue related to long-term leases of a portion of the fixed network. Other revenue increased 35.5% to £294.5 million driven by increased nexfibre construction revenue, partially offset by reduced ICT revenue.

Adjusted EBITDA: Q1 Adjusted EBITDA decreased 1.4% year-over-year to £935.4 million, or a 1.6% decrease excluding nexfibre construction, prior to £9.7 million of opex CTC. This was driven by B2B fixed headwinds and investment in IT and digital efficiency programmes partially offset by growth in mobile service revenue. In addition, after a related-party contract change was agreed in the quarter, approximately £11.6 million of CPE hardware and essential software costs were capitalised, improving Adjusted EBITDA with a corresponding increase in P&E additions, with no impact on Free Cash Flow. Q1 2024 Adjusted EBITDA margin decreased to 36.1% compared to 36.5% in Q1 2023, driven by an increased level of lower margin nexfibre construction revenue. Adjusted EBITDA including CTC decreased 0.2% to £925.7 million, with a reduced level of opex CTC.

Adjusted EBITDA less Capex: Q1 Adjusted EBITDA less Capex decreased 30.0% year-over-year to £307.3 million, before opex and capex CTC of £29.1 million. This was driven by increased P&E additions as investment in both the fixed and mobile network increased, increased ROU asset additions with a significant new property lease in the quarter, and the aforementioned decrease in Adjusted EBITDA.

Adjusted Free Cash Flow: There was Adjusted FCF outflow of £738.7 million for the quarter ended 31 March 2024, with a seasonal outflow in Q1.

Refinancing activity supports capital structure

At 31 March 2024, the company's fully-swapped third-party debt borrowing cost was 5.0% and the average tenor of third-party debt (excluding vendor financing) was 5.5 years.

The company further strengthened its capital position with financing activity completed in the quarter. This started in January, through a €20.0 million draw down under Term Loan Z, with the proceeds to be used for refinancing. In February, the 2026 tranche of the Revolving Credit Facility was reduced by £54.2 million. In March, certain lenders under Term Loan X, due 2027, entered into a new commitment labelled Term Loan X1 due 2029. The principle amount of Term Loan X1 is £750.0 million, including £33.7 million additional borrowing to be used for refinancing.

Following the end of Q1 further refinancing has taken place continuing the proactive and opportunistic approach. In April 2024, Virgin Media O2 issued €600.0 million and $750.0 million principal amounts of Senior Secured Notes. These were issued at par, mature on 15 April 2032, and bear an interest of 5.625% and 7.75%, respectively. The proceeds from these 2032 Senior Secured Notes are to purchase and cancel or repay existing 2027 maturing debt. As per policy, the interest and foreign currency risk of such refinancing activity is mitigated through a derivative portfolio.

At 31 March 2024, and subject to the completion of the corresponding compliance reporting requirements, the ratios of Net Senior Debt and Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised) were 3.62x and 3.92x, respectively, each as calculated in accordance with the most restrictive covenants, and reflecting the Credit Facility Excluded Amounts as defined in the respective credit agreements. Vendor financing, lease and certain other obligations are not included in the calculation of the company's leverage covenants. If these obligations were included in the leverage ratio calculation, and Virgin Media O2 did not reflect the exclusion of the Credit Facility Excluded Amounts, the ratio of Total Net Debt to Annualised Adjusted EBITDA would have been 5.13x at 31 March 2024.

At 31 March 2024, the company had maximum undrawn commitments of £1,378.0 million equivalent. When compliance reporting requirements have been completed and assuming no change from 31 March 2024 borrowing levels, it is anticipated that the full borrowing capacity will continue to be available, based on the maximum the company can incur and upstream which is subject to a 4x net senior debt test.

Operating Statistics Summary

	Three months ended 31 March	
	2024	**2023**
Footprint		
Homes Serviceable[(i)]	**17,193,700**	**16,274,400**
Fixed-Line Customer Relationships		
Fixed-Line Customer Relationships[(ii)]	**5,824,800**	**5,816,400**
O/w Broadband Connections[(ii)]	5,722,900	5,682,600
Fixed-Line Customer Relationship net (losses) additions	**(2,000)**	**20,900**
O/w Broadband net additions	5,300	28,800
Q1 Monthly ARPU per Fixed-Line Customer Relationship	£ 46.25	£ 46.35
Mobile		
Retail Connections	**35,373,500**	**34,081,600**
Mobile	23,484,200	23,880,900
Contract	15,988,600	16,066,700
Prepaid	7,495,600	7,814,200
IoT	11,889,300	10,200,700
Wholesale Connections	**9,709,800**	**10,865,300**
Total Mobile Connections	**45,083,300**	**44,946,900**
Retail net additions[(iii)]	**157,200**	**250,200**
Mobile net losses[(iii)]	(196,800)	(175,000)
Contract net losses[(iii)]	(74,500)	(20,900)
Prepaid net losses	(122,300)	(154,100)
IoT net additions[(iii)]	354,000	425,200
Wholesale net additions	**64,900**	**46,700**
Total Mobile net additions	**222,100**	**296,900**

(i) Excludes Upp premises where integration is underway. Once complete, premises will be transferred to nexfibre and included in Virgin Media O2's homes serviceable footprint.

(ii) Excludes Upp customers.

(iii) Movements exclude the impact of a reclassification of 59,200 connections to the Q4 2023 closing base. This increases IoT connections and decreases Contract connections - there is no change at a base or net additions Total Mobile Connections level.

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

The preliminary unaudited selected financial results are set forth below:

	Three months ended 31 March		Increase (decrease)
	2024	2023	
	in £ millions, except % amounts		
Revenue			
Mobile	**1,362.7**	**1,429.2**	**(4.7%)**
Handset	291.9	386.9	(24.6%)
Fixed	**931.6**	**956.1**	**(2.6%)**
Consumer Fixed	822.9	822.4	0.1%
Subscription	807.7	807.8	—%
Other	15.2	14.6	4.1%
B2B Fixed	108.7	133.7	(18.7%)
Other	**294.5**	**217.3**	**35.5%**
Total Revenue	**2,588.8**	**2,602.6**	**(0.5%)**
Adjusted EBITDA			
Adjusted EBITDA	**935.4**	**948.8**	**(1.4%)**
Adjusted EBITDA as a % of Revenue	36.1%	36.5%	
Opex CTC	(9.7)	(20.8)	
Adjusted EBITDA including CTC	925.7	928.0	(0.2%)
Adjusted EBITDA less Capex			
Adjusted EBITDA	935.4	948.8	(1.4%)
Property & equipment additions	552.0	478.9	15.3%
ROU asset additions	76.1	30.6	148.7%
Adjusted EBITDA less Capex	**307.3**	**439.3**	**(30.0%)**
Adjusted EBITDA less Capex as a % of Revenue	11.9%	16.9%	
Opex and Capex CTC	(29.1)	(45.8)	
Adjusted EBITDA less Capex including CTC	278.2	393.5	(29.3%)
Adjusted Free Cash Flow (FCF)			
Adjusted FCF	**(738.7)**	**(751.6)**	

A reconciliation of net profit (loss) to Adjusted EBITDA is set forth below:

	Three months ended 31 March		Increase (decrease)
	2024	2023	
	in £ millions, except % amounts		
Net profit (loss)	19.3	(289.5)	
Income tax (benefit) expense	16.7	(83.6)	
Other income, net	(3.2)	(4.2)	
Share of results of investments accounted for by the equity method	(0.7)	(0.7)	
Finance income	(244.6)	(227.7)	
Finance costs	405.0	594.0	
Operating income (loss)	192.5	(11.7)	
Depreciation and amortisation	729.5	912.9	
Share-based compensation expense	(3.4)	13.6	
Restructuring and other operating	7.1	13.2	
Costs to capture	9.7	20.8	
Adjusted EBITDA	**935.4**	**948.8**	**(1.4%)**

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

	Three months ended 31 March	
	2024	2023[i]
	in £ millions	
Net cash provided (used) by operating activities	42.1	(23.7)
Operating-related vendor financing additions	802.8	651.5
Capital expenditures, net	(415.4)	(430.5)
Principal payments on vendor financing	(1,115.3)	(895.3)
Principal payments on certain leases	(52.9)	(53.6)
Adjusted FCF	**(738.7)**	**(751.6)**

(i) Prior year balances have been restated with an amount recognised within Q4 2023 re-phased for comparability purposes. There is no change to total Adjusted Free Cash Flow. See item 5 within the Footnote section for further details.

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

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

	31 March 2024			31 December 2023
	Borrowing currency		£ equivalent	
			in millions	
Senior and Senior Secured Credit Facilities:				
Term Loan L (SONIA[i] + 3.25%) due 2027	£	296.1	£ 296.1	£ 296.1
Term Loan M (SONIA[i] + 3.25%) due 2027	£	258.7	258.7	258.7
Term Loan N (Term SOFR[ii] + 2.50%) due 2028	$	3,300.0	2,613.8	2,585.6
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	641.3	650.2
Term Loan Q (Term SOFR[ii] + 3.25%) due 2029	$	1,300.0	1,029.7	1,018.6
Term Loan R (EURIBOR + 3.25%) due 2029	€	750.0	641.3	650.2
Term Loan X (SONIA[i] + 3.25%[iii]) due 2027	£	236.9	236.9	1,000.0
Term Loan X1 (SONIA[1] + 3.25%[iii]) due 2029	£	750.0	750.0	—
Term Loan Y (Term SOFR[ii] + 3.25%[iii]) due 2031	$	1,250.0	990.0	979.4
Term Loan Z (EURIBOR + 3.50%[iii]) due 2031	€	720.0	615.7	606.8
£54 million million (equivalent) RCF (SONIA[i] + 2.75%) due 2026	£	—	—	—
£1,324 million (equivalent) RCF (SONIA[i] + 2.75%[iii]) due 2029	£	—	—	—
VM Financing Facilities (GBP equivalent)	£	103.0	103.0	37.0
Total Senior and Senior Secured Credit Facilities			8,176.5	8,082.6
Senior Secured Notes:				
5.00% GBP Senior Secured Notes due 2027	£	457.5	457.5	457.5
5.50% USD Senior Secured Notes due 2029	$	1,425.0	1,128.6	1,116.5
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	724.7	716.9
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	812.4	823.6
4.25% USD Senior Secured Notes due 2031	$	1,350.0	1,069.3	1,057.7
4.75% USD Senior Secured Notes due 2031	$	1,400.0	1,108.9	1,096.9
4.50% GBP Senior Secured Notes due 2031	£	675.0	675.0	675.0
Total Senior Secured Notes			8,031.4	7,999.1
Senior Notes:				
5.00% USD Senior Notes due 2030	$	925.0	732.6	724.8
3.75% EUR Senior Notes due 2030	€	500.0	427.6	433.5
Total Senior Notes			1,160.2	1,158.3
Vendor financing			2,904.3	2,991.2
Share of CTIL debt			187.0	188.0
Other debt			300.1	293.7
Lease obligations			757.7	750.8
Total third-party debt and lease obligations			**21,517.2**	**21,463.7**
Less: unamortised premiums, discounts, deferred financing costs and fair value adjustments, net			(0.7)	(5.7)
Total carrying amount of third-party debt and lease obligations			**21,517.9**	**21,469.4**
Less: cash and cash equivalents			260.0	875.6
Net carrying amount of third-party debt and lease obligations			**£ 21,257.9**	**£ 20,593.8**
Exchange rate (€ to £)			1.1694	1.1535
Exchange rate ($ to £)			1.2626	1.2763

(i) SONIA (Sterling Overnight Index Average) plus a credit adjustment spread
(ii) Term SOFR (Term Secured Overnight Financing Rate) plus a credit adjustment spread
(iii) Rates are subject to adjustment based upon the achievement or otherwise of certain ESG metrics

Covenant Debt Information[1]

The pound sterling equivalent of the reconciliation from VMED O2's consolidated third-party debt and lease obligations to the total covenant amount of third-party gross and net debt and includes information regarding the projected principal-related cash flows of our cross-currency derivative instruments is set forth below. The pound sterling equivalents presented below are based on exchange rates that were in effect as of 31 March 2024 and 31 December 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	31 March 2024	31 December 2023
	in millions	
Total third-party debt and lease obligations (£ equivalent)	**£ 21,517.2**	**£ 21,463.7**
Vendor financing	(2,799.8)	(2,875.5)
Other debt	(300.1)	(293.7)
CTIL debt	(187.0)	(188.0)
Credit Facility excluded amount	(1,052.0)	(1,110.2)
Lease obligations	(757.7)	(750.8)
Projected principal-related cash payments associated with our cross-currency derivative instruments	59.9	117.7
Total covenant amount of third-party gross debt	**16,480.5**	**16,363.2**
Cash and cash equivalents	(4.9)	(209.7)
Total covenant amount of third-party net debt	**£ 16,475.6**	**£ 16,153.5**

Net Senior Debt to Annualised Adjusted EBITDA and Net Total Debt to Annualised Adjusted EBITDA is set forth below. These ratios calculate Adjusted EBITDA on a last two quarters annualised basis as of 31 March 2024.

	31 March 2024	Covenant
Net Senior Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.62x	4.00x
Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.92x	5.00x

Forward-Looking Statements

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

Contact Information

Virgin Media O2 Investor Relations:		**Virgin Media O2 Corporate Communications:**	
Thomas McLeod	+44 333 000 2912	James Lusher	+44 333 000 2900

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 Ltd. (Liberty Global) and Telefónica, SA (Telefónica).

Liberty Global is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fibre and 5G networks, and currently provides over 85 million(i) connections across Europe. Liberty Global's businesses operate under some of the best-known consumer brands, including Sunrise in Switzerland, Telenet in Belgium, Virgin Media in Ireland, UPC in Slovakia, Virgin Media-O2 in the U.K. and VodafoneZiggo in The Netherlands. Through its substantial scale and commitment to innovation, Liberty Global are building Tomorrow's Connections Today, investing in the infrastructure and platforms that empower its customers to make the most of the digital revolution, while deploying the advanced technologies that nations and economies need to thrive. Liberty Global Ventures, its global investment arm, has a portfolio of more than 75 companies and funds across the content, technology and infrastructure industries, including stakes in companies like ITV, Televisa Univision, Plume, AtlasEdge and the Formula E racing series.

Telefónica is one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers. With more than 388 million customers, Telefónica operates in Europe and Latin America. Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

(i) Represents aggregate consolidated and 50% owned non-consolidated fixed and mobile subscribers. Includes wholesale mobile connections of the Virgin Media O2 JV and B2B fixed subscribers of the VodafoneZiggo JV.

Footnotes

1. Formed on 1 June 2021, Virgin Media O2 is a 50:50 joint venture between Liberty Global Ltd. (Liberty Global) and Telefónica, SA (Telefónica). The information provided in this release includes the financial information of VMED O2 UK Limited, a holding company that is not included as a restricted subsidiary for purposes of the facilities agreement and bond indentures governing Virgin Media O2. Disclosures may differ from reporting required under debt covenant arrangements. This release includes the actual IFRS results for Virgin Media O2 for the three months ended 31 March 2024 and 2023.

2. In addition to Adjusted EBITDA, the supplementary financial measure Adjusted EBITDAaL is set forth below:

	Three months ended 31 March		Increase (decrease)
	2024	2023	
	in £ millions, except % amounts		
Adjusted EBITDAaL			
Adjusted EBITDA	935.4	948.8	(1.4%)
Lease depreciation and interest costs	(56.5)	(56.8)	
Adjusted EBITDAaL	878.9	892.0	(1.5%)

3. There is a £0.1 million amount within the net profit for the quarter ended 31 March 2024 attributable to the Non-Controlling Interest.

4. Effective in Q1 2024 reporting, transaction adjustments will no longer be reported. Below presents 2023 revenue breakdown on a reported revenue basis:

	Three months ended				Year ended
	31 March	30 June	30 September	31 December	31 December
	2023				
	in £ millions				
Revenue					
Mobile	**1,429.2**	**1,493.8**	**1,504.7**	**1,521.6**	**5,949.3**
Handset	386.9	357.7	374.0	402.5	1,521.1
Fixed	**956.1**	**960.4**	**961.8**	**994.4**	**3,872.7**
Consumer Fixed	822.4	832.4	838.6	831.8	3,325.2
Subscription	807.8	818.1	823.1	817.6	3,266.6
Other	14.6	14.3	15.5	14.2	58.6
B2B Fixed	133.7	128.0	123.2	162.6	547.5
Other	**217.3**	**256.1**	**302.6**	**314.7**	**1,090.7**
Total Revenue	**2,602.6**	**2,710.3**	**2,769.1**	**2,830.7**	**10,912.7**

5. Prior year quarterly balances within our reconciliation of our net cash provided or (used) by operating activities to Adjusted Free Cash Flow have been restated. Specifically, an amount recognised within Q4 2023 has been re-phased. There is no change to total Adjusted Free Cash Flow or Year ended 31 December 2023 balances. Below presents the revised 2023 balances.

	Three months ended				Year ended
	31 March	30 June	30 September	31 December	31 December
			2023		
			in £ millions		
Net cash provided (used) by operating activities	(23.7)	946.7	661.4	1,094.7	2,679.1
Operating-related vendor financing additions	651.5	716.2	544.7	597.5	2,509.9
Capital expenditures, net	(430.5)	(365.2)	(410.3)	(230.6)	(1,436.6)
Principal payments on vendor financing	(895.3)	(781.8)	(492.4)	(641.7)	(2,811.2)
Principal payments on certain leases	(53.6)	(55.4)	(54.6)	(55.5)	(219.1)
Adjusted FCF	**(751.6)**	**460.5**	**248.8**	**764.4**	**722.1**

Glossary

5G Population Coverage: The percentage of the UK outdoor population with access to 5G services.

5G Towns & Cities: The number of UK locations with over 50% outdoor population coverage.

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

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

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

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

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

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

B2B: Business-to-Business.

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

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

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

CTIL: Cornerstone Telecommunications Infrastructure Limited.

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.

FTTH: Fibre to the home.

FTTP: Fibre to the premise.

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

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

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

Mbps: Megabits per second.

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

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

Mobile Prepaid: Total number of Prepaid retail mobile connections for 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 Mobile, SMB Wholesale and other).

MVNO: Mobile Virtual Network Operator.

P&E additions: P&E additions are defined as tangible and intangible asset additions, excluding capex CTC, and ROU asset additions. Capex CTC are capital-related costs that are directly associated with integration and aligning our business processes to derive synergies. We believe this is a key metric to understand our total capital expenditure and allows for a more meaningful comparison of trends from period to period.

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

Scope 1 & 2 Carbon Emissions: Metric tons of (Carbon Dioxide emissions) CO_2e. Direct emissions (Scope 1) from fuel consumption and leakage of refrigerant gases in our operations, as well as indirect emissions from secondary energy sources (Scope 2).

SIM: Subscriber Identification Module.

SOHO: Small or Home Office Subscribers.

YoY: Year-over-year.