Virgin Media O2[1] publishes Q4 and full year results to 31 December 2022

Virgin Media O2 delivers full year 2022 guidance following a strong performance in Mobile and synergy development

London, UK - 23 February 2023

- **2022 guidance achieved:** Ended year at the high-end of our guidance of mid-single-digit Transaction Adjusted EBITDA with growth of 6.3 per cent[(i)] and improved revenue trends versus 2021. Opex and capex CTC of over £300 million; P&E additions of £2.1 billion; shareholder dividend of £1.6 billion
- **Commercial momentum:** Customer growth in both Fixed and Mobile in 2022: 27,000 fixed net adds taking the base to 5.8 million and 142,000 Mobile contract net adds with the total Mobile base at 44.7 million
- **Expanding and upgrading our networks:** UK's largest gigabit network covering a total of 16.1 million premises; added 519,000 fixed premises[(ii)] in 2022 and our fibre upgrade activity is progressing well; 5G connectivity now available in over 1,600 towns and cities
- **Synergies milestone accomplished:** Exceeded target of 30 per cent of annualised run-rate £540 million synergies and we are on track to achieve over 50 per cent by the end of 2023
- **Made continued progress against our ESG strategy, the Better Connections Plan:** Became one of the first UK businesses to achieve the 'Advancing' level of the Carbon Trust's Route to Net Zero Standard, while we continue to support our people, customers and communities through a rising cost-of-living
- **Full year 2023 guidance:** Expect to deliver growth in Transaction Adjusted Revenue and mid-single-digit Transaction Adjusted EBITDA (before CTC) growth, with the first quarter impacted by phasing. Additionally, we predict opex and capex CTC of approximately £150 million and P&E additions of around £2.0 billion. The cash distribution to shareholders is anticipated to be £1.8 to £2.0 billion including cash from recapitalisations to maintain leverage at the upper-end of the 4-5x range

Lutz Schüler, CEO of Virgin Media O2, said:

"In our first full year as Virgin Media O2, we reinforced our position as the biggest challenger in the market. We delivered a strong performance against our guidance, took big steps forward in our integration plans, hit our synergy targets, and showed the commercial momentum of our merged business despite a challenging macroeconomic backdrop.

"We invested £2.1 billion in 2022 to deliver even more for our customers while bringing gigabit speeds and 5G to new parts of the country, with plans to accelerate the rollout this year – providing more choice and enhancing competition like never before. This investment, combined with continued innovation and our unwavering customer-first approach, delivered an increase in our fixed and mobile contract bases, as well as driving convergence with 1.3 million people now taking one of our Volt bundles.

"We have firm foundations in place, a clear strategy and a team that's focused on building long-term commercial momentum and I'm confident we'll deliver our 2023 guidance."

(i) Includes one-off release of £30 million in the third quarter, following the resolution of a legal matter for which there was no impact on cash
(ii) Includes 24,100 premises transferred to nexfibre by 31 December 2022. 494,700 remain on VMO2 network

Continued subscriber growth driven by demand for connectivity

We have taken strong steps forward in developing our offerings across Mobile and Fixed but also our converged proposition.

Our **Fixed customer base grew** by 27,000 in 2022, with 16,000 net additions in the fourth quarter. This was driven by increased demand which led to 57,000 broadband net additions in the full year, including 23,000 in the fourth quarter. Our continued speed leadership was demonstrated by an increase in average speeds across the broadband base of 41 per cent year-on-year to 301 Mbps - approximately 5 times higher than the national average. Contributing to this uplift was our decision in the fourth quarter to give millions of our M100 and M200 customers a download and upload speed boost at no extra cost.

Contract **Mobile net additions** were 142,000 in full-year 2022, with a strong 71,000 gain in the key fourth quarter trading period as Black Friday and Christmas sales showed continued signs of demand, particularly in the upper end of the market. The total mobile base grew to 44.7 million in full year 2022, with 2.4 million net additions supported by growth in contract, IoT and Wholesale, partially offset by prepaid.

In consumer, our flagship converged Volt bundles have continued to perform well with 1.3 million customers now taking the products in a little over one year since the original launch. In the second quarter, we launched our “Get More” proposition for medium businesses which includes tech and device benefits to those who combine Virgin Media and O2 business services. In the fourth quarter, we announced a series of new benefits for small businesses taking Volt bundles with services ranging from 4G back-up solutions to speed and mobile data boosts.

Upgrading the UK’s digital infrastructure

Investment to **expand our fixed network into new areas** continued as we passed 519,000 new premises in 2022, meeting our stated full year build targets, with an acceleration of rollout in the fourth quarter to pass 188,000 premises. These passed premises in 2022 include 24,000 premises that were subsequently transferred to the new fibre joint venture, nexfibre, which was announced by Telefónica, Liberty Global and InfraVia Capital Partners in July, with the transaction completing in December. Virgin Media O2 is the anchor tenant of this joint venture and will provide build services to nexfibre.

The deployment of full fibre to upgrade our existing Virgin Media O2 network gained traction in 2022 as we remain on track to complete our entire network upgrade by 2028.

In Mobile, we have expanded **5G connectivity** to more than 1,600 towns and cities as well as boosting 4G capacity in 725,000 postcodes during 2022. We are set to deliver 5G services to 50 per cent of the UK population in 2023.

Synergies delivery continues as major milestone accomplished

We exceeded our **30 per cent of £540 million run-rate synergies target** which included completing the movement of all Virgin Mobile traffic onto our O2 network. Virgin Mobile migrations to O2 plans will initiate in March 2023 and complete by the end of the year. Additionally, total synergies will continue to increase in 2023 and we are targeting over 50 per cent of run-rate at the end of the year which is supported by further mobile backhaul integration utilising the company’s own fixed network.

Innovating to support customer experience

We remain focused on enhancing customer experience. Innovative product development has been at the heart of our fixed offering, with the launch of the UK’s fastest WiFi guarantee and TV Stream from Virgin Media in 2022. O2’s monthly contract churn remains at market low levels of just 0.9% (O2 consumer: 0.8%) and through the year we’ve made bold decisions to differentiate. Key highlights include being the only major UK network not to reintroduce EU roaming charges and allowing O2 customers to upgrade their handset at any point with our new ‘Switch Up’ proposition. Virgin Media O2 Business has also continued to build its product portfolio to meet customer needs, such as switching on the UK’s first 5G-connected hospital and launching national high-capacity wholesale services.

Putting sustainability at the heart of what we do

In May we launched our combined ESG strategy, the Better Connections Plan, which outlines our bold commitments to a zero carbon future, a circular economy and connected communities, with progress starting at pace.

In December, we became the first telecoms provider, and one of only three UK businesses, to achieve Carbon Trust certification for action towards net zero emissions. Carbon Trust’s Route to Net Zero Standard is a robust and challenging certification to help companies manage and reduce carbon emissions and share progress.

We championed our commitment to a circular economy by launching a “Time After Time” fund with environmental charity, Hubbub, to fund eco projects that tackle e-waste and help old devices to be reused. This enables any charity, social enterprise, local authority or community organisation running e-waste initiatives to apply for grants of between £10,000 to £75,000.

Against a rising cost of living, we also continued to support customers, communities and our people including, in the fourth quarter, bringing the National Databank to the High Street for the first time in a ten O2 store trial, as well as putting the initiative front and centre of O2’s Christmas marketing campaign. Virgin Media O2 founded the National Databank with Good Things Foundation, and has committed to donating 61 million GB of free O2 data by the end of 2025. Through our stores and a network of 1,000 participating community partners nationwide, we have already issued 35,000 vouchers (each 20GB), over 60,000 SIMs, and connected over 7,500 people. In addition, we reduced the cost of our Essential Broadband social tariff for those in receipt of Universal Credit and introduced a new, faster 54Mbps tier for just £20 per month.

Accelerating profitability growth supported by synergies

Revenue[1]: Full year 2022 total Transaction Adjusted Revenue was £10,381.9 million with increased Mobile service revenue offset by a decline in Fixed, resulting in flat revenues year-on-year.

Fourth quarter total Transaction Adjusted Revenue of £2,731.8 million increased by 0.4% year-on-year. Total Mobile revenues increased by 1.8% to £1,608.8 million, service revenues increased 5.0% driven by price rises in April and an increased customer base. This was partially offset by a decline in Fixed of 4.2% to £976.6 million due to a change in consumer customer mix alongside continued decline in B2B Fixed.

Adjusted EBITDA[1]: Full year 2022 Transaction Adjusted EBITDA increased 6.3% year-on-year to £3,905.4 million, before £74.6 million of opex cost to capture “CTC”, with key drivers of growth being the realisation of synergies, cost efficiencies and a one-off release of £30 million in the third quarter, following the resolution of a legal matter for which there was no impact on cash. This was partially offset by increased energy costs.

Fourth quarter Transaction Adjusted EBITDA increased 10.2% year-on-year to £1,010.5 million, excluding £33.6 million of opex CTC. Growth was supported by the realisation of synergies and cost efficiencies, partially offset by increased energy costs. In the fourth quarter 2022, Transaction Adjusted EBITDA margin improved to 37.0% compared to 33.7% in the fourth quarter 2021.

Adjusted EBITDA less Capex[1]: Virgin Media O2 delivered Transaction Adjusted EBITDA less Capex of £1,743.5 million in 2022, increasing 35.0% year-on-year, before opex and capex CTC of £320.7 million.

P&E additions were £2,061.3 million, investing in capital projects to deliver future growth and network expansion, alongside ROU asset additions of £100.6 million.

Fourth quarter Transaction Adjusted EBITDA less Capex increased 37.7% year-on-year to £437.2 million, before opex and capex CTC of £113.4 million. This increase was primarily attributable to Transaction Adjusted EBITDA growth as well as a reduced level of ROU asset additions and P&E additions.

Free Cash Flow: Adjusted free cash flow was £666.0 million for the year ended 31 December 2022 with an inflow of £405.2 million in the fourth quarter. We made a cash distribution to shareholders of £770.0 million in the fourth quarter and £1,600.0 million for the year ended 31 December 2022.

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

Strong capital structure to support business growth

At 31 December 2022, our fully-swapped third-party debt borrowing cost was 4.7% and the average tenor of third-party debt (excluding vendor financing) was 6.5 years.

At 31 December 2022, 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 3.27x and 3.57x, respectively, each as calculated in accordance with the most restrictive covenants, and reflecting the Credit Facility Excluded Amounts as defined in the respective credit agreements. Vendor financing, lease and certain other obligations are not included in the calculation of the company's leverage covenants. If these obligations were included in the leverage ratio calculation, and Virgin Media O2 did not reflect the exclusion of the Credit Facility Excluded Amounts, the ratio of Total Net Debt to Annualised Adjusted EBITDA would have been 4.66x at 31 December 2022.

At 31 December 2022, the company had maximum undrawn commitments equivalent to £2,028 million, including £1,378 million of Revolving Credit Facility (RCF) and £650 million of Term Loan X. When compliance reporting requirements have been completed and assuming no change from 31 December 2022 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

	Actual		Actual	Pro forma
	Three months ended 31 December		Year ended 31 December	
	2022	2021	2022	2021
Footprint				
Homes Passed	**16,144,600**	**15,649,900**	**16,144,600**	**15,649,900**
Fixed-Line Customer Relationships				
Fixed-Line Customer Relationships	**5,795,500**	**5,768,300**	**5,795,500**	**5,768,300**
O/w Broadband Connections	5,653,800	5,596,800	5,653,800	5,596,800
Fixed-Line Customer Relationship net additions	**15,500**	**52,700**	**27,200**	**141,600**
O/w Broadband net additions	22,700	60,400	57,000	176,700
Q4 Monthly Transaction Adjusted ARPU per Fixed-Line Customer Relationship[(i)]	£ 47.07	£ 48.71		
Mobile				
Retail Connections	**33,831,400**	**32,276,800**	**33,831,400**	**32,276,800**
Mobile	24,055,900	24,057,100	24,055,900	24,057,100
Contract	16,087,600	15,938,000	16,087,600	15,938,000
Prepaid	7,968,300	8,119,100	7,968,300	8,119,100
IoT	9,775,500	8,219,700	9,775,500	8,219,700
Wholesale Connections	**10,818,600**	**9,966,600**	**10,818,600**	**9,966,600**
Total Mobile Connections	**44,650,000**	**42,243,400**	**44,650,000**	**42,243,400**
Retail net additions	**323,500**	**412,200**	**1,554,600**	**1,940,200**
Mobile net additions (losses)[(i)]	(130,300)	(36,200)	(9,300)	211,100
Contract net additions[(i)]	71,100	128,700	141,500	343,800
Prepaid net losses	(201,400)	(164,900)	(150,800)	(132,700)
IoT net additions[(i)]	453,800	448,400	1,563,900	1,729,100
Wholesale net additions	**171,400**	**193,000**	**852,000**	**755,800**
Total Mobile net additions	**494,900**	**605,200**	**2,406,600**	**2,696,000**

[(i)] Movements exclude the impact of a reclassification of 8,100 connections to the third quarter closing base. This increases Contract connections and decreases IoT connections - there is no change at a total or net additions Retail Connections level.

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 and year ended 31 December 2022 (actual) and 2021 (pro forma, as applicable):

	Actual			Actual	Pro forma	
	Three months ended 31 December		Increase (decrease)	Year ended 31 December		Increase (decrease)
	2022	2021		2022	2021	
	in £ millions, except % amounts					
Transaction Adjusted Revenue						
Mobile	**1,608.8**	**1,580.5**	**1.8%**	**5,913.7**	**5,812.1**	**1.7%**
Handset	503.3	527.7	(4.6%)	1,614.6	1,629.0	(0.9%)
Fixed	**976.6**	**1,019.0**	**(4.2%)**	**3,970.7**	**4,110.3**	**(3.4%)**
Consumer Fixed	831.8	858.5	(3.1%)	3,402.9	3,455.5	(1.5%)
Subscription	816.9	839.0	(2.6%)	3,333.9	3,377.3	(1.3%)
Other	14.9	19.5	(23.6%)	69.0	78.2	(11.8%)
B2B Fixed	144.8	160.5	(9.8%)	567.8	654.8	(13.3%)
Other	**146.4**	**120.7**	**21.3%**	**497.5**	**460.9**	**7.9%**
Transaction Adjusted Revenue	**2,731.8**	**2,720.2**	**0.4%**	**10,381.9**	**10,383.3**	**—%**
Transaction adjustments(i)	(3.6)	(8.7)		(21.9)	(30.1)	
Total Revenue	2,728.2	2,711.5	0.6%	10,360.0	10,353.2	0.1%
Transaction Adjusted EBITDA						
Transaction Adjusted EBITDA	**1,010.5**	**917.3**	**10.2%**	**3,905.4**	**3,673.0**	**6.3%**
Transaction Adjusted EBITDA as a % of Transaction Adjusted Revenue	37.0%	33.7%		37.6%	35.4%	
Opex CTC	(33.6)	(30.2)		(74.6)	(59.2)	
Transaction Adjusted EBITDA including CTC	976.9	887.1	10.1%	3,830.8	3,613.8	6.0%
Transaction Adjusted EBITDA less Capex						
Transaction Adjusted EBITDA	1,010.5	917.3	10.2%	3,905.4	3,673.0	6.3%
Property & equipment additions	545.2	563.2	(3.2%)	2,061.3	1,977.2	4.3%
ROU asset additions(ii)	28.1	36.5	(23.0%)	100.6	404.1	(75.1%)
Transaction Adjusted EBITDA less Capex	**437.2**	**317.6**	**37.7%**	**1,743.5**	**1,291.7**	**35.0%**
Transaction Adjusted EBITDA less Capex as a % of Transaction Adjusted Revenue	16.0%	11.7%		16.8%	12.4%	
Opex and Capex CTC	(113.4)	(82.4)		(320.7)	(133.6)	
Transaction Adjusted EBITDA less Capex including CTC	323.8	235.2	37.7%	1,422.8	1,158.1	22.9%
Spectrum license additions	—	—		—	448.0	
Adjusted Free Cash Flow (FCF)						
Adjusted FCF	**405.2**	**111.3**		**666.0**		

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

(ii) ROU asset additions for the year ended 31 December 2021 include £309.6 million related to the renewal of the Cornerstone agreement in January 2021

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

	Actual			Actual	Pro forma	
	Three months ended 31 December		Increase (decrease)	Year ended 31 December		Increase (decrease)
	2022	2021		2022	2021	
	in £ millions, except % amounts					
Net profit (loss)	(421.9)	(109.5)		425.2	12.3	
Income tax expense (benefit)	(291.1)	(57.4)		7.2	(231.9)	
Other expense (income), net	3.7	(0.8)		3.6	(1.9)	
Share of results of investments accounted for by the equity method	0.5	—		(0.7)	(0.2)	
Finance income	(793.9)	(100.9)		(4,260.4)	(700.3)	
Finance costs	1,517.6	254.0		4,022.0	1,005.4	
Operating income (loss)	14.9	(14.6)		196.9	83.4	
Depreciation and amortisation	924.8	893.3		3,553.9	3,507.5	
Share-based compensation expense	12.4	8.2		43.6	41.3	
Restructuring and other operating	24.7	20.6		62.6	46.8	
Cost to capture	33.6	30.2		74.6	59.2	
Adjusted EBITDA	1,010.4	937.7	7.8%	3,931.6	3,738.2	5.2%
Transaction adjustments[i]	0.1	(20.4)		(26.2)	(65.2)	
Transaction Adjusted EBITDA	**1,010.5**	**917.3**	**10.2%**	**3,905.4**	**3,673.0**	**6.3%**

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 December 2022 and 2021 and the year ended 31 December 2022:

	Three months ended 31 December		Year ended 31 December
	2022	2021	2022
	in £ millions		
Net cash provided by operating activities	1,045.9	862.3	2,953.6
Operating-related vendor financing additions	258.8	254.3	1,765.8
Capital expenditures, net	(451.0)	(386.5)	(1,522.3)
Principal payments on vendor financing	(418.3)	(600.8)	(2,333.6)
Principal payments on certain leases	(30.2)	(18.0)	(197.5)
Adjusted FCF	405.2	111.3	666.0

[i] In connection with the completion of the joint venture, the opening balance sheet of the combined business was reported at its estimated fair value. As such, certain amounts were adjusted to reflect the new basis of accounting. These transaction adjustments therefore reverse the effect of the following:

[a] Deferred commissions and install costs write-off of £3.5 million and £29.1 million for the three months ended 31 December 2022 and 2021, respectively, and £48.1 million and £95.3 million for the year ended 31 December 2022 and 2021, respectively

[b] Deferred revenue write-off of £3.6 million and £8.7 million for the three months ended 31 December 2022 and 2021, respectively, and £21.9 million and £30.1 million for the year ended 31 December 2022 and 2021, respectively

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

The following table details 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:

	31 December 2022			30 September 2022
	Borrowing currency		£ equivalent	
			in millions	
Senior and Senior Secured Credit Facilities:				
Term Loan P (SONIA[1] + 2.75%) due 2026	£	—	£ —	£ 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	2,727.6	2,965.0
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	664.0	659.7
Term Loan Q (LIBOR + 3.25%) due 2029	$	1,300.0	1,074.5	1,168.0
Term Loan R (EURIBOR + 3.25%) due 2029	€	750.0	664.0	659.7
Term Loan X[2] (SONIA[1] + 3.25%) due 2027	£	850.0	850.0	—
£1,378 million (equivalent) RCF (SONIA[1] + 2.75%) due 2026	£	—	—	—
VM Financing Facilities (GBP equivalent)	£	41.0	41.0	11.4
Total Senior and Senior Secured Credit Facilities			6,921.1	6,739.8
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	1,177.8	1,280.3
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	756.3	822.1
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	841.0	835.6
4.25% USD Senior Secured Notes due 2031	$	1,350.0	1,115.8	1,212.9
4.75% USD Senior Secured Notes due 2031	$	1,400.0	1,157.2	1,257.9
4.50% GBP Senior Secured Notes due 2031	£	675.0	675.0	675.0
Total Senior Secured Notes			8,453.1	8,813.8
Senior Notes:				
5.00% USD Senior Notes due 2030	$	925.0	764.6	831.1
3.75% EUR Senior Notes due 2030	€	500.0	442.6	439.8
Total Senior Notes			1,207.2	1,270.9
Vendor financing			2,442.7	2,416.2
Share of CTIL[3] debt			160.0	150.0
Other debt			199.9	207.9
Lease obligations			839.3	838.7
Total third-party debt and lease obligations			20,223.3	20,437.3
Less: unamortised premiums, discounts, deferred financing costs and fair value adjustments, net			(40.0)	(66.8)
Total carrying amount of third-party debt and lease obligations			20,263.3	20,504.1
Less: cash and cash equivalents			492.0	307.5
Net carrying amount of third-party debt and lease obligations			£ 19,771.3	£ 20,196.6
Exchange rate (€ to £)			1.1296	1.1369
Exchange rate ($ to £)			1.2099	1.1130

[1] SONIA (Sterling Overnight Index Average) plus a credit adjustment spread
[2] Update of labelling to Term Loan X, previously named Term Loan A. There are no changes to any underlying terms.
[3] CTIL: Cornerstone Telecommunications Infrastructure Limited

Covenant Debt Information[1]

The following table details 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. The pound sterling equivalents presented below are based on exchange rates that were in effect as of 31 December 2022. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	31 December 2022	30 September 2022
	in millions	
Total third-party debt and lease obligations (£ equivalent)	**£ 20,223.3**	**£ 20,437.3**
Vendor financing	(2,305.4)	(2,271.7)
Other debt	(199.9)	(207.9)
CTIL debt	(160.0)	(150.0)
Credit Facility excluded amount	(1,063.0)	(1,069.3)
Lease obligations	(839.3)	(838.7)
Projected principal-related cash payments (receipts) associated with our cross-currency derivative instruments	(443.5)	(1,189.0)
Total covenant amount of third-party gross debt	**15,212.2**	**14,710.7**
Cash and cash equivalents	(32.0)	(36.3)
Total covenant amount of third-party net debt	**£ 15,180.2**	**£ 14,674.4**

The following table provides Net Senior Debt to Annualised Adjusted EBITDA and Net Total Debt to Annualised Adjusted EBITDA. These ratios calculate Adjusted EBITDA on a last two quarters annualised basis, as of 31 December 2022.

	31 December 2022	Covenant
Net Senior Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.27x	4.00x
Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.57x	5.00x

Forward-Looking Statements

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

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About Virgin Media O2

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

Liberty Global is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fibre and 5G networks that currently provides over 86 million connections across Europe and the United Kingdom. Liberty Global's businesses operate under some of the best-known consumer brands, including Virgin Media-O2 in the UK, VodafoneZiggo in The Netherlands, Telenet in Belgium, Sunrise in Switzerland, Virgin Media in Ireland and UPC in Slovakia. Liberty Global, through its global investment arm Liberty Global Ventures, has a portfolio of more than 75 companies across content, technology and infrastructure, including strategic stakes in companies like 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 383 million customers, Telefónica operates in Europe and Latin America. Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

Footnotes

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

   This release includes the actual IFRS results for Virgin Media O2 for the three and year ended 31 December 2022. The comparative results for the prior year third quarter period for the company are also actual IFRS results, however, the results for the year ended 31 December 2021 are 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 fourth quarter 2022 compared to the actual results for fourth quarter 2021. The financial and operating information contained herein is preliminary and subject to change.

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

	Actual			Actual	Pro forma	
	Three months ended 31 December		Increase (decrease)	Year ended 31 December		Increase (decrease)
	2022	2021		2022	2021	
	in £ millions, except % amounts					
Transaction Adjusted EBITDAaL						
Transaction Adjusted EBITDA	1,010.5	917.3	10.2%	3,905.4	3,673.0	6.3%
Lease depreciation and interest costs	(60.6)	(62.5)		(237.7)	(243.9)	
Transaction Adjusted EBITDAaL	949.9	854.8	11.1%	3,667.7	3,429.1	7.0%

Glossary

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

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

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

B2B: Business-to-Business.

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

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

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

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

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

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

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

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

MVNO: Mobile Virtual Network Operator.

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

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

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

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

YoY: Year-over-year.