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ZEGONA COMMUNICATIONS PLC ("Zegona")

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MASMOVIL OFFER TO ACQUIRE EUSKALTEL VALUES ZEGONA AT £1.70 PER SHARE[1]

Zegona Communications plc ("Zegona") today announces that a wholly-owned subsidiary of MasMovil Ibercom, S.A.U. ("MasMovil"), a portfolio company of the private equity funds KKR, Providence and Cinven, has launched a tender offer to acquire 100% of Euskaltel, S.A. ("Euskaltel") for €11.17 per share in cash (the "Offer"). Euskaltel is Zegona's Spanish telecoms investment and its main asset. Zegona is the lead shareholder in Euskaltel, owning 21.4% of the company (38.3 million shares).

Attractive valuation for Euskaltel

- MasMovil's Offer at €11.17 per share in cash values Euskaltel's equity at €2.0 billion, equating to an Enterprise Value of €3.5 billion[2]
- The transaction represents a 27% premium to Euskaltel's 30-day VWAP[3]
- The transaction values Euskaltel at 10.1x EBITDA and 21x Operating Cash Flow, a significant premium to European telecommunications multiples[4]

Substantial value creation for Zegona shareholders

- The Offer values Zegona's 21.4% shareholding at c.€428 million
- This equates to a Zegona Underlying Asset Value of £1.70 per share[1], which represents an 80% premium to Zegona's current share price (94.5p)[5]
- The Offer represents a return on Zegona's Net Invested Capital of 87%[6]

Euskaltel's largest shareholders committed to transaction

- Euskaltel's three largest shareholders (Zegona, Kutxabank and Alba), who own over 52%, have entered into irrevocable undertakings to tender all their shares
- Approach considered friendly and attractive by Euskaltel's Board - Euskaltel has entered into a Collaboration Agreement with MasMovil in relation to the Offer

Eamonn O'Hare, Zegona's Chairman and CEO commented:
"When we originally invested in Spain in 2015, we identified the opportunity for substantial value creation, with further upside potential from industry consolidation. In 2019, we became Euskaltel's largest shareholder and, through the introduction of José Miguel García as CEO and Board representation, we implemented our plan to drive significant change in the business. This included realising synergies from the combination of the three northern Spanish CableCos, getting the combined business back to growth and expanding nationally by launching the Virgin telco brand. Today's offer underscores the success of our strategy in Spain and provides significant value creation for Zegona shareholders."

Enquiries

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About Zegona

Zegona was established in 2015 with the objective of investing in businesses in the European Telecommunications, Media and Technology sector and improving their performance to deliver attractive shareholder returns. Zegona is led by former Virgin Media executives Eamonn O'Hare and Robert Samuelson.

Zegona's first transaction was the €640m acquisition of Telecable in August 2015, the leading quad-play telecommunications operator in Asturias, Spain. In 2017, Zegona sold Telecable for a total consideration of up to €701 million[7] to the northern Spanish telecoms group Euskaltel. As part of the transaction, Zegona returned £140 million of capital to its shareholders and became a 15% shareholder in Euskaltel.

In 2019, Zegona became the largest shareholder in Euskaltel and through the introduction of José Miguel García as CEO implemented a plan to drive significant change in the business including the introduction of the Virgin telco brand to expand nationally.

About Euskaltel

Euskaltel is the leading converged telecommunications provider in northern Spain and has recently expanded to offer services nationally. It provides high speed broadband, data-rich mobile, advanced TV and fixed communications services to residential and business customers under the Euskaltel, R Cable, Telecable and Virgin telco brands. Euskaltel is a public company traded on the stock markets of Bilbao, Madrid, Barcelona and Valencia.

Notes:

1. Zegona's Underlying Asset Value per share is a computation of the Sterling equivalent of the value of Zegona's investment in Euskaltel at the Offer price of €11.17 per share, the contingent consideration (which is expected by Zegona to be paid no later than 15 days after the settlement of the Offer at the value of €8.654 million, which is the liability to Zegona recorded in Euskaltel's Financial Statements for the year ended 31 December 2020) and its estimated cash and cash equivalents net of its bank borrowings as at 26 March 2021, divided by the total number of Zegona shares outstanding, translated where relevant using a £/€ exchange rate of 1.168. Other assets and liabilities are not included in the calculation but historically have not been material. The calculation also includes no value (liability) for Zegona's management incentive scheme
2. Euskaltel's Enterprise Value is based on the Offer price of €11.17 per share, its total number of shares outstanding of 178,645,360 and Euskaltel's reported net debt at the end of 2020 of €1,454.8 million
3. Euskaltel's 30-day Volume Weighted Average Price (VWAP) of €8.82, based on the closing prices and reported trading volumes for the 30 trading days up to 26 March 2021
4. Euskaltel multiples based on its Enterprise Value divided by its reported 2020 EBITDA (as defined by Euskaltel) of €342.8 million and reported 2020 Operating Cash Flow (as defined by Euskaltel as EBITDA-Capex) of €164.5 million. Comparable European Cable company multiples of 6.7x 2020 EBITDA and 13.3x 2020 Operating Cash Flow (Source: Citigroup)
5. Premium to Zegona's share price at market close on 26 March 2021 of 94.5 pence
6. Return on Zegona's Net Invested Capital represents the value of Zegona's main assets implied by the Offer against the net shareholder investment in Zegona. It is calculated as the percentage by which Zegona's Underlying Asset Value exceeds Zegona's Net Invested Capital. Zegona's Net Invested Capital represents the net amount of all shareholder subscriptions less all returns to shareholders, including dividends, capital returns and share buy-backs since Zegona's initial quotation on the AIM Market in March 2015. As at 26 March 2021, Zegona's Net Invested Capital was £198.5 million
7. Total value of up to €701 million comprised an Enterprise Value of €686 million and a contingent deferred payment of up to €15 million related to tax assets acquired

Further Details on the Transaction

Irrevocable Undertakings

Zegona and MasMovil entered into an irrevocable agreement on 27 March 2021 by virtue of which MasMovil has undertaken to launch the Offer and the Zegona to accept the Offer and tender its shareholding during the acceptance period (the "Irrevocable Undertaking"). Kutxabank (19.9% shareholder in Euskaltel) and Alba (11% shareholder in Euskaltel) have signed substantially equivalent irrevocable undertakings, resulting in over 52% of Euskaltel's total outstanding shares being subject to irrevocable undertakings to tender in the Offer.

The main terms of the Irrevocable Undertaking are as follows:

Obligations on the offeror, MasMovil, include amongst others:

1. Announcement of the Offer
   Formal announcement of the Offer to be made before market opening on the business day following the signing of the Irrevocable Undertaking. Offer to be at €11.17 per share in cash and for 100% of Euskaltel
2. No right to withdraw the Offer without the authorisation of Zegona if any conditions are required for regulatory approvals
3. Regional and customer commitments
   A range of commitments in the event that the Offer is successful and MasMovil is the controlling shareholder of Euskaltel, including to maintain Euskaltel's Basque headquarters and not execute a mass redundancy programme for a period of at least five years, to prioritise the deployment of a 5G network in the Basque Region, and to promote actions to ensure prompt access for Euskaltel's customers to ultra-fast FTTH broadband services
4. Limitation on the subsequent sale of Euskaltel
   An undertaking not to sell, directly or indirectly, Euskaltel's shares to a third party at a price higher than that finally paid in the Offer within a period of 2 years from settlement of the Offer, save in the event of an eventual sale or IPO of MasMovil Ibercom, S.A.U.

Obligations on Zegona include amongst others:

1. Disposal of the Shares
   Zegona has committed to tender all its Euskaltel shares in the Offer during the acceptance period and not to sell or transfer its Euskaltel shares during the period of the Offer
2. Exercise of voting rights in relation to the Offer
   Zegona has undertaken to use its voting rights in Euskaltel to vote against any resolution that could prevent or frustrate the Offer or which could significantly reduce the synergies available

Breach:

In the event of a material breach of the Irrevocable Undertaking by either party, the breaching party shall pay the non-breaching party, as liquidated damages, an amount equivalent to 15% of the value of Zegona's Euskaltel shareholding as calculated at the Offer price. This is not an exhaustive remedy for wilful misconduct, gross negligence or fraud.

Conditions

The Offer is subject to the following conditions:

1. Regulatory approvals
2. The acceptance of the Offer by a number of shares representing at least 75% plus one share of the total outstanding share capital of Euskaltel

Timing

The Spanish tender offer process is expected to take around 6 months from announcement to settlement. However, this timeline can be impacted by any delays in regulatory reviews and approvals and if there are competing offers.

IMPORTANT NOTICES

Zegona is listed on the standard listing segment of the Official List of the Financial Conduct Authority and the Main Market for listed securities of the London Stock Exchange. This announcement has been prepared in accordance with English law, the Listing Rules and the Disclosure Guidance and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England. The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "envisages", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements contained in this announcement based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the Listing Rules, Prospectus Rules, the Disclosure Guidance and Transparency Rules or other applicable legislation or regulation, Zegona does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

Underlying Asset Value per share

The Underlying Asset Value per share of Zegona is a calculation, not a forecast value for Zegona's shareholders. There can be no assurance that such a value will be achieved and investors should place no reliance on such value when making an investment decision. Nothing in this announcement is intended, or is to be construed, as a forecast of the expected value to Zegona's shareholders.