

MIKE FRIES, CEO OF LIBERTY GLOBAL ON 'BLOOMBERG MARKETS: THE CLOSE' ON 11 MAY 2020 DISCUSSING THE VIRGIN MEDIA-O2 MERGER.

Matt Miller: How do you pull off a merger in a lockdown? We spoke to Mike Fries, Liberty Global CEO, about exactly that. It's a \$30 billion deal between Liberty's UK broadband network Virgin Media and O2, the UK wireless business of Spain's Telefónica. Listen to Fries in this exclusive interview.

Mike Fries: There's no relationship between the balance sheet and what we deliver to consumers. As you know, we run our businesses in Europe at 4-5x leverage. The key is generating free cashflow, and we will generate meaningful free cashflow from this combination. We each already generate meaningful free cashflow, so we're producing cash at the end of every year - there's no deficit, there's no impact whatsoever. We invest, you know, 20 plus percent of our revenue into our networks, our consumers, and innovation and technology every single year. So I don't see any impact between the balance sheet and consumers benefiting.

Ed Hammond: And on that investment, Mike, you talked about this £10 billion that the combined company is going to be rolling out into 5G. How has the current crisis changed some of the expectations both about your ability to invest and deploy that coming into 5G? But also perhaps in the way that the government is going to be issuing 5G – do they increase some of the cost for spectrum as a way of clawing back some of the revenue that they're going to need to fill the budget whole left by the crisis?

MF: Well listen, every country is handling it differently. For the most part, I think it has been an eye-opener for regulators and government that their broadband providers, their mobile providers are critical and essential infrastructure. So I don't believe there's anybody looking to penalise or in any way to make it harder to develop next generation infrastructure. Quite the opposite, trying to make it easier, trying to ensure, that companies have the resources and spectrum they need to deliver even better, faster, more reliable services, so...

ED: Easier, but potentially more expensive, right?

MF: I'm not so sure. I mean generally speaking, if you look at the price of broadband today versus what you were getting 10, 15, 20 years ago or even 5 years ago – we're offering on average in the UK 150 megabits per second, it's the average speed our customers are paying for and getting today, for ARPU's that are not meaningfully higher than when they were paying for 5 megabits or 10 megabits. So the price per megabit has come down materially and the quality of services has only gotten better. I see that trend continuing because it has to continue. It's a competitive market, we're going to compete with BT, Vodafone, Sky and this combination needs to be about putting customers first and pricing is a big part of that.

ED: Mike, I want to talk about BT, because as you say this does put you much more line with competition against them because you are going to be now this combined mobile and broadband operator. Philip Jansen said last week that they were actually going to be cutting the dividend for a period of time because of some of the headwinds created by the COVID crisis. Are you going to face similar headwinds and if so, what do you do to mitigate?

MF: I can't speak for BT's specific challenges or opportunities. It's a great company and also a great CEO, so let's say that. On the other hand, we don't pay a dividend today and this JV will have a 50:50 ownership structure and it won't be publicly traded, so we don't have the legacy headwinds, if you will, of our capital structure or our dividend. We also I think, are very nimble – we have been able to build networks right through the crisis. As an essential service, we have crews in the streets extending our 1gig platform, pushing broadband out to other communities and so I think for the most part – I won't say business as usual – but the headwinds for us are very different. Competition is a headwind, for sure. There are some specific things that we pay taxes on and things like that in the UK on our networks, but I think the organic headwinds are manageable here.