CIAM
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Telenet Group Holding NV
Attn: Board of Directors
Neerveldstraat 107
1200 Brussels

By email:

Mr. Bert de Graeve, Chairman of the Board of Directors
Mr. John Porter, CEO & Member of the Board of Directors
Mr. Eric Ven den Eden, CFO
Mr. Rob Goyens, VP Treasury, Investor Relations & Structured Finance

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Paris, 27th February 2020,

Dear Mr. Chairman and Members of the Board of Directors,

Funds managed by CIAM (including the CIAM Fund, CIAM Opportunities Offshore Fund and Satellite Event Driven UCITS Fund) collectively hold a total of 1,447,600 shares representing an equity stake of 1.26% in Telenet Group Holding NV ("Telenet", the "Company").

CIAM seeks to invest in undervalued, high-quality companies, wherein our in-depth financial analysis reveals significant upside in the share price.

As an active shareholder, we regularly engage in a constructive dialogue with the boards and management teams of the companies we invest in, to ensure they use the full range of actionable levers they have at their disposal to create value for all shareholders. Since having invested in Telenet, we have had a number of meetings with the Company's management to share our views on the Company's strategy, governance and financials.

However, we feel that the significant underperformance of Telenet's share price requires a different form of engagement, to allow us to discuss the matter openly with all minority shareholders.

We would like to express our **strong concern regarding Telenet's financial performance** and **ask the Board of Directors to propose an additional €970m shareholder remuneration ahead of the AGM** in the form of an extraordinary dividend payment. We also **encourage all minority shareholders in Telenet to publicly endorse our request** and engage in a proactive discussion with the Company.

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Our analysis of the situation and the arguments supporting our request are as follows:

I. Since the promising and forward-looking Capital Markets Day on 5th December 2018, Telenet's share price has declined by 16.4%[1], while its converged-cable peers (Tele2, Altice Europe, Euskaltel and NOS) and Belgian competitors (Proximus and Orange Belgium) have seen their share prices increase by an average of 28.1% and 1.5%, respectively (see. Exhibit 1). Moreover, due to the share price underperformance and despite best-in-class profitability, Telenet is currently trading at a depressed valuation level of 11.0x EV/OpFCF 2020e (see Exhibit 2).

We believe that this underperformance is not a consequence of regulatory headwinds and is wholly attributable to management's poor execution and lack of "pro-share price" behavior.

Imperfect execution materialized in disappointing business trends (FY 2019's EBITDA contraction of 4% from 1% in Q3 and 2% in Q2, Q4's miss on margin and Q3's loss of 1,900 broadband subs after 3,000 losses in Q2) and a disappointing guidance for 2020 (1-2% growth) as the cause of investors' capitulation driving the share price decline recently.

Moreover, we regret the lack of ambition and paradoxical tone of the last conference call, where Erik Van den Enden commented on a "*healthy future profitable growth*" that would finally translate into a *"stable revenue and adjusted EBITDA growth of around 1%"*. This guidance is very conservative when considering the 6.5% to 8% OpFCF CAGR over 2018-2021 outlook at the last CMD. As a side note, we are also surprised by the small amount dedicated to share buyback (€55m) at a time when the stock is trading at €36, while the company conducted a substantial part of its latest share repurchase program ("Share Repurchase Program 2018bis" of €300m) in the €43-50.

We believe that the management is extremely unambitious and is solely focused on meeting conservative expectations. We suspect that Liberty Global, the majority owner of Telenet, is satisfied with this *status quo* in the share price (*see Lucerne Capital Management's Letter to the Board of Directors, 8 May 2018*[2]), and uses its influence over the governing bodies to avoid taking the required actions to revert the share price trajectory.

[1] All figures as of markets close of 27/02/2020
[2] http://www.lucernecap.com/wp-content/uploads/2019/10/TNET-Board-May-2018.pdf

II. As a result of the above, close to 60% of the sell-side analysts following the Company maintain a neutral tone[3] on the Telenet share:

- Kepler Cheuvreux, Matthijs Van Leijenhorst (12/02/2020)

"The outlook for 2020 seems ok and is slightly ahead of expectations. Then again, the dividend fell slightly short. Overall, we foresee no significant changes to market estimates."

- Morgan Stanley, Nawar Cristini (12/02/2020)

"Telenet has underperformed the sector since mid-June 2019, and valuation is starting to look attractive vs. peers… but unexciting list of catalysts ahead."
"Q4 mixed. 2020 guidance reassuring on revs & EBITDA but consensus on the high-end of the FCF range."

- Exane, Alexandre Roncier (12/02/2020)

"This is the first time in the last 7 quarters that the cable operators missed on margin. Similarly, the company announced a final gross dividend of EUR143m (EUR1.30 per share) and a EUR55m share buy-back program in 2020, overall 5-10% below consensus expectations of EUR242m and 43m respectively."

- Bank of America, David Wright (13/02/2020)

"TNET is now broadly ex-growth (rev guidance 'stable', EBITDA +1%, OpFCF +2%) […] and faced increasing competitive pressures through 2020 from cable wholesale and a revitalised Voo."
"We maintain our Underperform rating as Telenet transitions into incumbent status, i.e. ex-growth with regulatory and competitive pressures."

- Barclays, Simon Coles (17/02/2020)

"At is capital markets day in 2018, Telenet provided its midterm outlook which indicated material OpFCF growth in the coming years. However, most of this was driven by a material decline in capex […]. With OBEL and PROX teaming on 5G, we struggle to see how capex for Telenet can decline."
"We are EW on TNET, viewing the near-term outlook as clouded by a likely low growth 2019, plus risks around a potential new 4th mobile player and lower cable wholesale fees in 2019."

[3] Source: Bloomberg consensus as at 26/02/2020

III. As of 27th February 2020, equity investors in Telenet lost €1,05bn in value since December 2018. In our view, the extremely small €55m share buyback and payout ratio of 53% of Adj. FCF (at the bottom-end of the target range of 50-70% set at the CMD) in the first year of ordinary dividend distribution both fail to compensate shareholders for the loss of value incurred. We estimate that investors have been (or will be) returned a total of €377m:
- €206.4m in dividends
- €55m through the "Share Repurchase Program 2020"
- €116m through the "Share Repurchase Program 2018bis".

Moreover, according to Liberty's filing[4] (see Exhibit 3), VodafoneZiggo generated an Adjusted Free Cash Flow of €469.4m under the company's definition (same as Telenet). In its Q4/FY release[5], VodafoneZiggo disclosed having distributed €585m in cash returns to shareholders in 2019. Our reading of the previous releases suggests that dividends represented c. €300m out of the €469m, implying an Adj. FCF payout ratio of 64% (compared to 53% at Telenet). Finally, VodafoneZiggo ended the year with a net leverage ratio of 4.8x, well above Telenet's 4.0x.

Given the similarities of these two corporates and their markets, as well as their comparable leading position on the broadband market, we see no reason why they should operate under different leverage ratios and why the minority shareholders (Telenet) or partner in JV (VodafoneZiggo) should have a differentiated treatment.

In light of this assessment, and considering that:
- **Telenet does not have any planned M&A activity;**
- **Telenet is immune from the ongoing Covid-19 outbreak;**
- **Telenet is supposed to decrease capital intensity;**
- **Telenet will not face any major impact from spectrum renewal before 2021;**

We ask the Board of Directors to propose the payment of an extraordinary dividend of €970m ahead of the next AGM (29th April 2020).

This extraordinary dividend shall be financed with:

- **<u>€130m from the remaining part of the 2019 Adj. Free Cash Flow</u> as per the guidelines of the last CMD regarding the use of extra cash;**
- **<u>€840m from the releveraging of the balance sheet</u> towards the upper end of the targeted net leverage range (4.5x Adjusted. EBITDA 2020e).**

[4] Page 19 - https://www.libertyglobal.com/wp-content/uploads/2020/02/Liberty-Global-Q4-2019-Investor-Call-Presentation.pdf
[5] Page 5 - https://www.libertyglobal.com/wp-content/uploads/2020/02/VodafoneZiggo-Fixed-Income-Q4-2019-Release.pdf

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We would also like to emphasize that, as part of our investment principles, CIAM values best-in-class and transparent corporate governance practices as expressed in our 18th November 2019 press release[6]. Therefore, we will continue to support any campaign aimed at improving the governance policies or act for governance changes at Telenet.

In conclusion, we reiterate our confidence in Telenet's business prospects and trust that the governing bodies of the Company will take account of the necessary actions to implement.

We remain at your disposal for continued dialogue and we look forward to hearing from you.

Yours sincerely,

Catherine Berjal
CEO

[6] https://www.ci-am.com/news/2019/11/18/telenet-ciam-supports-appointment-of-independent-corporate-governance-specialist

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APPENDIX

Exhibit 1: Telenet has underperformed its cable & Belgium peers

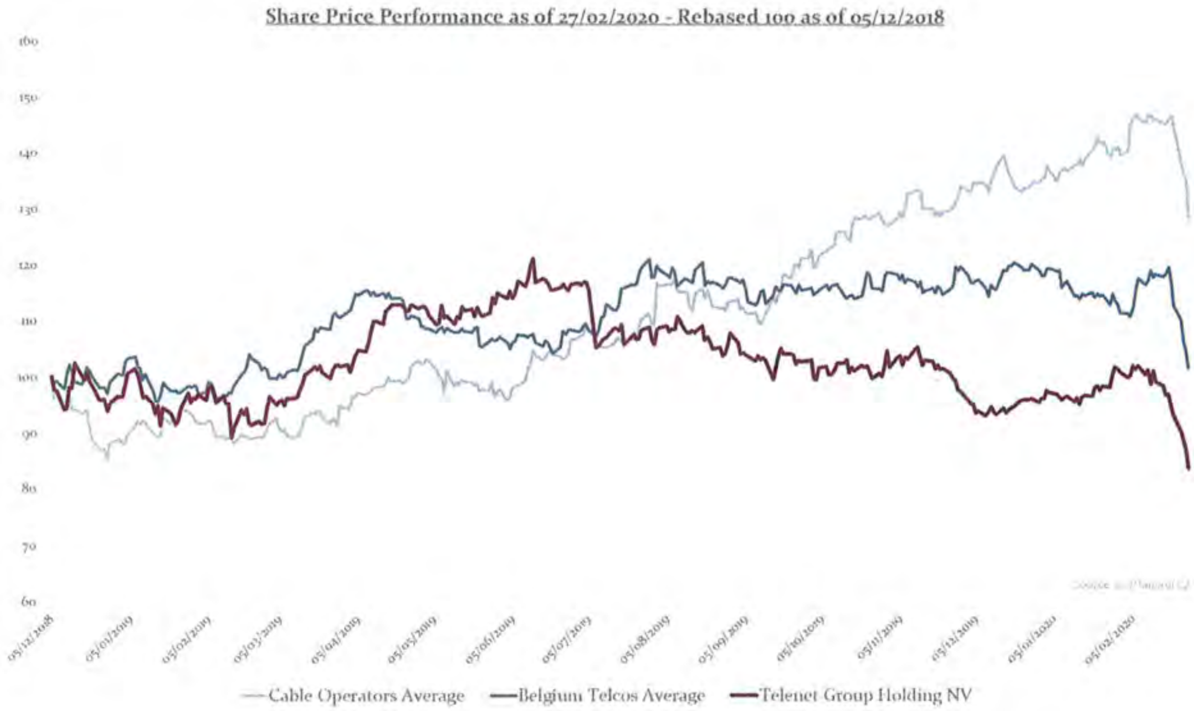
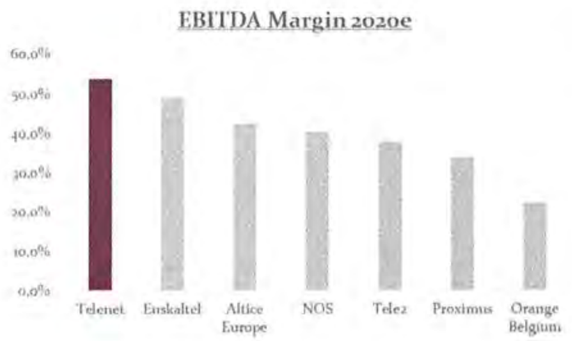
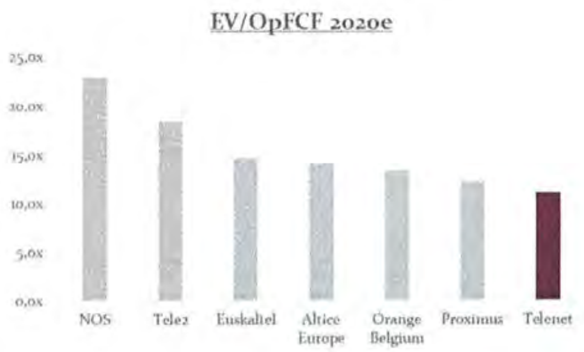


Exhibit 2[7]: Telenet has the best margin profile but trades at a steep discount to peers





[7] Source: S&P Capital IQ

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Exhibit 3: VodafoneZiggo Adjusted Free Cash Flow (Source: Liberty Q4 Presentation)

		Year ended December 31, 2019
		in millions
Net cash provided by operating activities	€	1,311.2
Expenses financed by an intermediary		652.3
Interest payments on shareholder loans		89.9
Capital expenditures, net		(320.9)
Principal payments on amounts financed by vendors and intermediaries		(1,253.4)
Principal payments on finance leases		(9.7)
Adjusted FCF	€	469.4

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About CIAM

CIAM is a pan-European asset manager co-founded by Catherine Berjal and Anne-Sophie d'Andlau in 2010 and has offices in London and Paris. The fund's strategy is event-driven, focused on merger arbitrage and special situations. CIAM's investor base includes family offices, institutional investors and private banks. CIAM manages three vehicles. The flagship CIAM Opportunities Fund implements a strong conviction portfolio based on proprietary research, focused on careful assessment of risk. CIAM aims to provide truly uncorrelated returns through unlocking value in companies to benefit investors and other shareholders. The fund donates 25% of its annual performance fees to charities dedicated to improving children's health and education across the world.

CIAM is an AIFM regulated by the AMF in France and registered with the FCA in the UK. CIAM manages the SICAV-SIF CIAM Opportunities Fund under CSSF's supervision.