

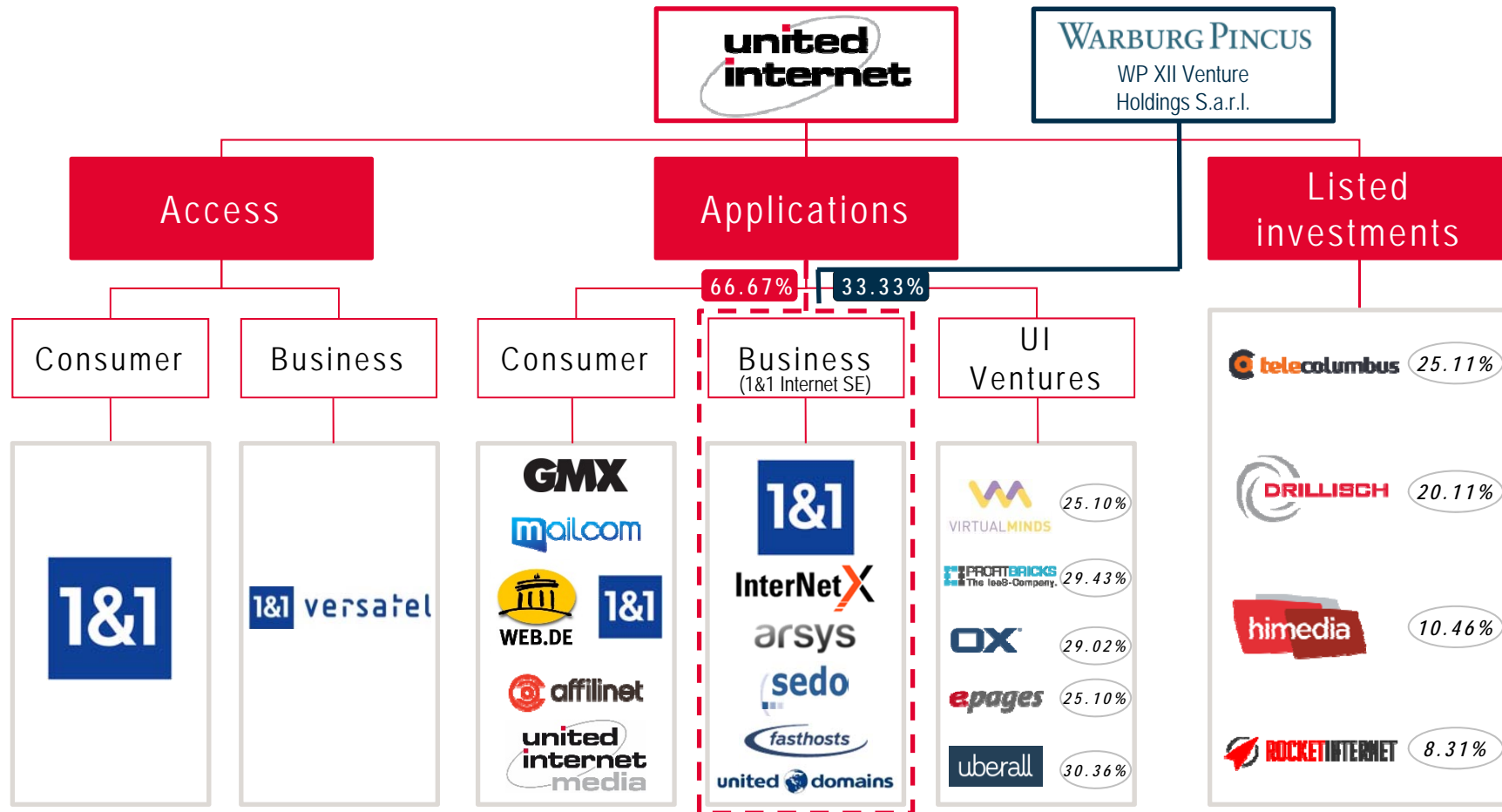
UNITED INTERNET

Business Applications –  
Strategic Partnership with  
Warburg Pincus

November 8, 2016



# 1&1 INTERNET SE WITHIN UNITED INTERNET GROUP



## KEY TRANSACTION HIGHLIGHTS

- **United Internet announced today the formation of a strategic partnership with WP XII Venture Holdings S.a.r.l., an affiliate of private equity funds managed by Warburg Pincus LLC (collectively “Warburg Pincus” and “WP”) in its Business Applications segment (“1&1 Internet SE”), as part of which WP will acquire a 33.33% stake in 1&1 Internet SE**
  - Enterprise value of €2.55bn represents a premium multiple of ~12.5x FV / EBITDA 2016E
  - As part of the transaction structure United Internet is granting an intercompany loan of €1.2bn on terms in line with market conditions for a standalone loan for comparable assets
  - The agreed equity purchase price is up to €450m for the 33.33% stake
  - An initial amount of €334m is expected to be paid in the first half of 2017
  - Up to a further €116m will be paid at later stages subject to certain performance milestones and foreign exchange rate movements
  - René Obermann (Managing Director, Warburg Pincus International LLC) will become a member of the Supervisory Board of 1&1 Internet SE post closing of the transaction
  - The transaction is subject to anti-trust approval by the relevant bodies
- **1&1 Internet will benefit from Warburg Pincus’s strong sector experience in the technology and internet space and its access to senior industry experts**
- **1&1 Internet has a clear strategy to build its position as the leading European web hosting company and to strengthen its position amongst the leading players globally through accelerating organic growth and M&A**
- **The transaction provides 1&1 Internet SE with the flexibility for future strategic options including a potential IPO within the next years**

# TRANSACTION RATIONALE

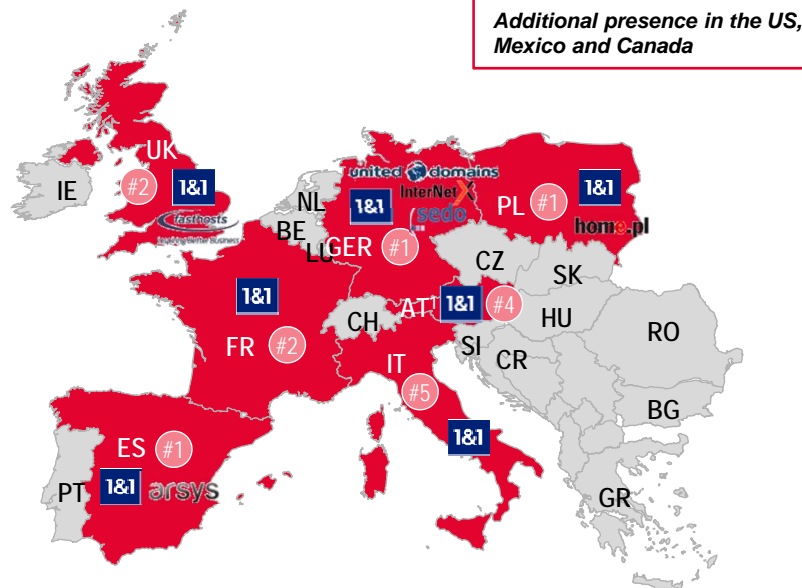
- 1 WP experience**
  - Benefit from WP's deep and global sector experience in hosting, online and relevant software sectors
    - Active supervisory board & committee members
    - Access to senior industry experts
- 2 Expand leading product offering for customers in Europe**
  - Jointly expand 1&1 Internet's leading product offering across its footprint
    - #1 in Germany, Spain and Poland
    - #2 in France and the UK
    - Good market positions in Mexico, Austria, Italy and the US
- 3 Investment in future growth**
  - Further invest in product portfolio to drive acceleration of organic growth momentum
  - Jointly assess efficiency improvements and consolidate existing technology platforms
  - Further roll-out and ramp-up of cloud-based infrastructure and products
- 4 M&A consolidation platform**
  - Leverage M&A platform to participate in consolidation of the highly fragmented European web hosting market
  - Ongoing market monitoring and evaluation of potential acquisition targets
- 5 Jointly assess potential IPO**
  - The transaction provides 1&1 Internet SE with the flexibility for future strategic options including a potential IPO within the next years

# 1&1 AS EUROPEAN MARKET LEADER

## Complementary brands



## International footprint



<sup>1</sup> Austria served via Germany

■ 1&1 Internet footprint  
# Market position

## Assets

Leading webhosting brands in Europe including international operations in the US, Canada and Mexico

Broad product portfolio

7 data centres and 70,000 servers

Approximately 6m customers

## Product portfolio

Webhosting	Website builder	eCommerce
VPS	Dedicated server	Cloud server
Domains	Productivity	Online marketing

# ATTRACTIVE ORGANIC AND INORGANIC GROWTH OPPORTUNITIES IN THE EUROPEAN WEBHOSTING MARKET



- 33 million SMBs (< 20 FTE) need a trusted partner



- Supporting of digital transformation of SMBs: from digital marketing to back-office applications



- Increase customer base and value through expansion of service offering, demand-based up- and cross-selling and continuous improvements of customer satisfaction



- Further market consolidation in the highly fragmented European webhosting market via M&A



<sup>1</sup> Companies with less than 20 FTEs

## SUMMARY TERMS OF THE TRANSACTION

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<b>Perimeter</b>	<ul style="list-style-type: none"><li>▪ Divestment of 33.33% stake in 1&amp;1 Internet SE to WP XII Venture Holdings S.a.r.l., an affiliate of private equity funds managed by Warburg Pincus LLC</li><li>▪ Participation will be implemented through newly founded holding structure</li></ul>
<b>Enterprise value</b>	<ul style="list-style-type: none"><li>▪ Enterprise value of €2.55bn represents premium multiple of c.12.5x EBITDA 16E</li></ul>
<b>Intercompany leverage</b>	<ul style="list-style-type: none"><li>▪ As part of the transaction structure United Internet is granting an intercompany loan of €1.2bn at closing</li><li>▪ Both quantum and interest rate are in line with market standards for comparable assets</li></ul>
<b>Equity purchase price</b>	<ul style="list-style-type: none"><li>▪ Equity purchase price of up to €450m for the 33.33% stake</li></ul>
<b>Transaction structure</b>	<ul style="list-style-type: none"><li>▪ An initial amount of €334m is expected to be paid in the first half of 2017</li><li>▪ Up to a further €116m will be paid at later stages subject to certain performance milestones and foreign exchange rate movements</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>▪ Warburg Pincus will have representation on Supervisory Board of 1&amp;1 Internet SE in proportion to its ownership</li></ul>
<b>Conditions &amp; closing</b>	<ul style="list-style-type: none"><li>▪ Subject to regulatory approval by relevant anti-trust authorities</li></ul>
<b>Impact on United Internet</b>	<ul style="list-style-type: none"><li>▪ United Internet will continue to fully consolidate 1&amp;1 Internet post transaction in its quarterly and annual accounts</li></ul>

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Our success story  
continues!

