



Virgin Media O2

Telecommunications, delivering innovative services to the UK population

FIRST BOUGHT

Since fund inception – July 2012.

WHAT IS IT?

The second largest Telecommunication operator in the UK. It provides Gigabit internet, video, fixed-line telephone and mobile services to residential and business customers. Their network now covers 2/3rds of all UK homes and 5G mobile network covers half of the UK population¹. Virgin Media O2 is a 50:50 joint venture between Liberty Global plc and Telefonica S.A.

WHY DO WE OWN IT?

Virgin Media O2 possesses two key competitive advantages – efficient scale and high switching costs – which enable the company to consistently generate stable and positive free cash flow. A solid financial position and credit ratings contribute to its long-term resilience, which we believe allow it to weather short-term challenges and adapt to changing market conditions. For this reason, we do not see competitor attempts at increasing broadband capacity as being successful and believe the market will consolidate. From a geographic standpoint, the UK scores well on our proprietary country vulnerability framework, which quantitatively analyses six key macroeconomic indicators with

KEY POINTS

- Virgin Media O2's main assets are its cable, fibre, and mobile networks which are expensive and hard to replicate for any new entrants to the market.
- The Gigabit serviceable internet footprint now reaches over half of all UK homes and 5G mobile network covers half the UK population.
- Liquidity is strong and leverage is manageable for the stable business profile.

¹ All information can be found on Virgin Media O2's investor relations website.

CONSIDER THE RISKS

Investors should consider the risks that may impact their capital, before investing. The value of your investment may fluctuate from the time of the original investment. Please refer to the risks section enclosed. A decision to invest should take account of all the characteristics and objectives described in the prospectus and KIID/KID and/or offering documents. Please refer to the sustainability related disclosures for information on the commitments of the portfolio: <https://www.wellington.com/en/legal/sfdr>.

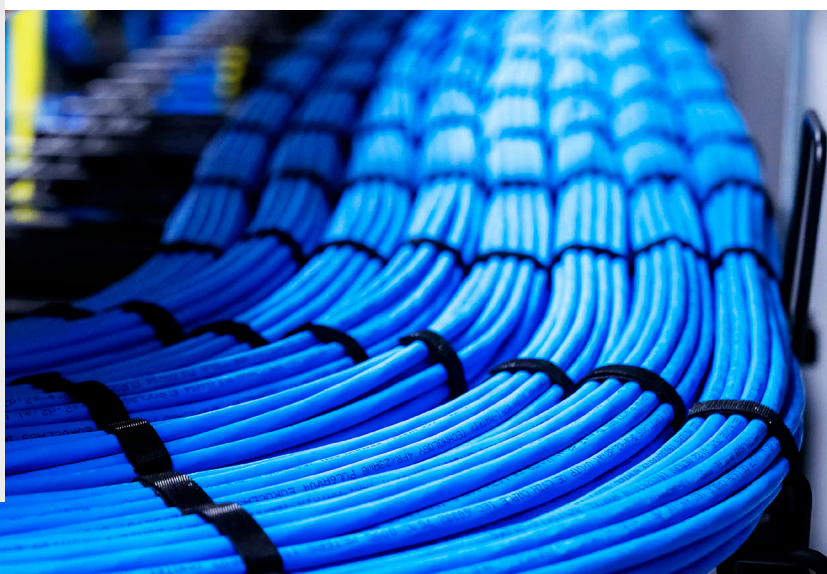
the aim of identifying imbalances or risk factors, suggesting to us that it will remain stable. We are comfortable with the sustainability profile of the company and do not believe Virgin Media O2 faces any material ESG concerns. In summary, Virgin Media O2's sustainable competitive advantage, solid sector and country positioning, and lack of ESG concerns have helped us build conviction in holding this company.

COMPETITIVE ADVANTAGE

We believe Virgin Media O2's position as a leading network owner and operator gives the company a competitive edge, with the cost and effort for competitors to replicate such infrastructure acting as a strong barrier to entry. Their range of differentiated and strategically bundled services creates cross-selling opportunities, making it more difficult for customers to switch to competitors and loyal customers tend to stick with their well-established brand, reducing churn and increasing revenue stability. Virgin Media O2's vertical integration with parent companies, Liberty Global and Telefonica, leads to better resource allocation and cost optimisation, and in our opinion, such integration enhances its competitive position. In summary, we believe Virgin Media O2's economic moat is fortified by its network infrastructure, brand loyalty, product differentiation and strong technical innovation.

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Please refer to the fund prospectus and KIID/KID for a full list of risk factors and pre-investment disclosures.

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