

Management's Discussion and Analysis of Financial Condition and Results of Operations of Cable Onda

The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited interim condensed consolidated financial statements as of March 31, 2020 and 2019 and the notes.

Overview

Founded in 1990, we are one of the leading providers of residential Pay-TV, fixed broadband Internet, fixed telephony and mobile services in Panama, to B2C and B2B customers. Through our "Cable Onda" brand, we are the largest fixed broadband Internet provider in Panama, with almost three times as many subscribers as the second-largest provider, and the largest fixed telephony provider in the country to B2C residential consumers. Through our subsidiary Telefónica Móviles Panama S.A, we provide mobile communications services across the most extensive 2G, 3G and 4G networks in the country. We also offer B2B services to governmental and SME corporate customers, including fixed Internet, cloud solutions, backup solutions, outsourcing of both IT department management and operations, personalized IT projects, and cybersecurity. We have approximately 348,000 customers in the cable PayTV market and 345,000 customers in the broadband internet market. We are the mobile market leader by number of subscribers in Panama serving more than 1.7 million subscribers as of March 31, 2020.

Throughout our 29-year history, we have experienced significant growth, primarily through strategic acquisitions. Our strategic acquisitions have helped us strengthen our position as one of the leading telecommunications providers in Panama. Our growth has also been driven by our consistent investments to maintain, expand and upgrade our network capabilities to allow us to offer advanced communications and entertainment services with a high degree of reliability and customer satisfaction. As a result of these investments, our network today is entirely digital, employs the DOCSIS 3.0 standard. Our network also includes more than 10,000 km of HFC and more than 5,000 km of fiber. Our network passes more than 800,000 HFC homes in Panama.

Recent Business Developments

On August 29, 2019 we acquired 100% of the share capital of Telefónica Móviles Panama S.A ("Telefónica Panamá") for \$593.6 million from Telefónica Centroamérica Inversiones, S.L., which is owned, directly and indirectly by Telefónica S.A. ("Telefónica Panamá Acquisition"). We believe the Telefónica Panamá acquisition is consistent with our strategy to increase market leadership, enhance our existing mobile services, continue improving and increasing mobile and fixed network coverage and capacity, as well as to diversify our sources of cash flow.

On November 1, 2019 Cable Onda completed a bond debt offering under the Rule 144A and Regulation S, of \$600 million aggregate principal amount of 4.500% senior unsecured notes due January 30, 2030 (the "Notes"). We intend to use the net proceeds from the offering of the Notes to partially finance the acquisition of Telefónica Panamá, to refinance debt, and for general corporate purposes. The Notes are listed on the Panama Stock Exchange and the Luxembourg Stock Exchange.

The Notes were sold within the United States to qualified institutional buyers in reliance to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance to Regulation S under the Securities Act.

Results of operations

The following table sets forth certain income statement items and operating information for the periods or at the dates indicated:

<i>(in thousands of \$)</i>	Three months ended March 31		
	2020	2019	% Change
Revenue	150,017	98,467	52.4%
Costs and expenses	117,682	79,114	48.7%
Programming and operating costs	35,722	21,479	66.3%
Depreciation and amortization	37,821	23,775	59.1%
Personnel expenses	17,012	13,789	23.4%
General, sales and administrative expenses	27,128	20,072	35.2%
Income from operations	32,335	19,352	67.1%
Financial expense	13,300	3,678	261.6%
Profit before income tax	19,035	15,675	21.4%
Income tax	(3,744)	(4,034)	-7.2%
Net income	15,290	11,641	31.4%
Attributable to:			
Controlling interest	15,273	11,662	31.0%
Non-controlling interest	18	(21)	-183.4%
Operating Data (in thousands)			
RGUs Cable and other fixed	968	950	1.9%
Total			
ARPUs Cable and other fixed			
Total	\$45.9	\$46.1	-0.3%
ARPUs B2C Mobile			
Total	\$8.5	N/A	N/A
ARPUs Mobile (B2C + B2B)			
Total	\$9.6	N/A	N/A

Revenue

Total revenue increased by 52.4%, or \$51.6 million, from \$98.5 million for the three months ended March 31, 2019 to \$150.0 million for the three months ended March 31, 2020, primarily as a result of the acquisition completed during the fiscal year 2019 of Telefonica Moviles Panama, which generated \$55.5 million (for the three months ended March 31, 2020) from mobile communications services and sales of mobile devices.

Revenue from data transmission, Internet and data center increased by 2.8% for the three months ended March 31, 2020, while TV subscriptions revenue decreased by 10.5% and fixed-line services revenue fell by 12.3%. The increase in revenue from data transmission, Internet and data center is mainly due to the increase in internet consumption along with a lower churn and an increasing ARPU.

Data transmission, Internet and data center revenue accounted for 30.3% of total revenue in Q1 2020, compared to 44.9% in Q1 2019, while revenue from TV subscriptions accounted for 22.8% of total revenue in Q1 2020, compared to 38.8% in 2019. Fixed-line services revenue accounted for 6.9% of total revenue in Q1 2020, compared to 12.0% in Q1 2019. Mobile service revenue as a share of total revenue was 34.3% in Q1 2020 and sale of mobile devices as a share of total revenue was 2.8% for the same period.

Programming and operating costs

Programming and operating costs increased by 66.3%, or \$14.2 million, from \$21.5 million in Q1 2019 to \$35.7 million in Q1 2020, primarily as a result of an increase on telephony costs of \$9.8, driven by the acquisition of Telefonica Moviles customers base. As a percentage of revenue, Q1 2020 programming and operating costs increased from 21.8% to 23.8% in Q1 2019.

Depreciation and amortization

Depreciation and amortization increased by 59.1%, or \$14.0 million, to \$37.8 million in Q1 2020 from \$23.8 million in Q1 2019. The increase was primarily as a result of the increase in property, plant and equipment as well as right of use assets because of the acquisition of Telefonica Moviles Panama. As a percentage of revenues, depreciation and amortization had a slight increase of 1.1% from 24.1% in Q1 2019 to 25.2% in Q1 2020.

Personnel expenses

Personnel expenses increased by 23.4%, or \$3.2 million, to \$17.0 million in Q1 2020 from \$13.8 in Q1 2019. The increase was primarily a result of the consolidation of Telefonica Moviles payroll on the profit and loss statement. As a percentage of revenues, personnel expenses decreased 2.7%, from 14.0% in Q1 2019 to 11.3% for 2020, as a result of the company's efficiency plan.

General, sales and administrative expenses

General, sales and administrative expenses increased by 35.2%, or \$7.1 million, to \$27.1 million in Q1 2020 from \$20.1 in Q1 2019. The increase in general, sales and administrative expenses was mainly driven by the merger and acquisition costs related to the Telefonica Moviles transaction, as well as the consolidation of Telefonica Moviles figures on the profit and loss statement. As a percentage of revenues, general, sales and administrative expenses decreased from 20.4% in Q1 2019 to 18.1% in Q1 2020.

Income from operations

Income from operations increased by 67.1% for the three months ended March 31, 2020, primarily due to a 52.4% increase in revenues as a result to the acquisition of Telefonica Moviles Panama.

Financial expense

Financial expense, which includes interest expense, net of interest income increased by 261.6%, or \$9.6 million, from \$3.7 million for Q1 2019 to \$13.3 million for 2020. This increase was mainly driven by an increase in financial expenses related to the \$600m bond issued in Q4 2019.

Income tax

Estimated Income tax expense was \$3.7 million, a decrease of 7.2%, or \$0.3 million, for the three months ended March 31, 2020 compared to the estimated income tax of \$4.0 million for the three months ended March 31, 2019.

Net income

As a result of the foregoing, net income for three months ended March 31, 2020 was 15.3 million, a 31.4% increase compared with our income of \$11.6 million for the three months ended March 31, 2019, as shown above the main drivers are: the increase in revenue (\$51.6 million), the increase in cost and expenses (\$38.6 million) and the increase in financial expenses due to debt issued for the acquisition of Telefonica Moviles Panama (\$9.6 million).

Liquidity and capital resources

Historically we have relied, and in the future, we intend to continue to rely primarily on, cash from operations and external bond and bank financings to fund our operations, capital expenditures and working capital requirements.

We believe that our sources of liquidity are sufficient for our present requirements for the next 12 months. Although we believe that we should be able to meet our debt service obligations and fund our operating requirements in the future through cash flow from our operations, we may seek additional financing in the capital markets from time to time, depending on market conditions and our financial requirements. We intend to continue to focus on investments in property, systems and equipment (fixed assets) and working capital management, including the timely collection of accounts receivable and efficient management of accounts payable.

Capital expenditures

Our capital expenditures on property, plant and equipment for the period ended March 31, 2020 were \$18.9 million, mostly driven by investments on CPEs, installation cost and IT equipment and core network expansion for \$15.3 million.

Cash flows

The table below sets forth our cash flows for the periods indicated:

<i>(in thousands of \$)</i>	Three months ended March 31		
	2020	2019	% Change
Net cash provided by operating activities	37,760	46,983	-19.6%
Net cash provided by (used in) investing activities	-20,002	-53,634	-62.7%
Net cash provided by (used in) financing activities	-4,092	18,136	-122.6%
Net (decrease) increase in cash and cash equivalents	13,666	11,485	19.0%
Cash and cash equivalents at the end of the period	74,359	17,971	313.8%

Three months ended March 31, 2020 and 2019

For Q1 2020, cash provided by operating activities was \$37.8 million compared to \$46.9 million in Q1 2019. The decrease was mainly due to \$11.1 million interest paid, related to the \$600m bond issued in Q4 2019, for the acquisition of Telefonica Moviles Panama.

For Q1 2020, cash used in investing activities was \$20.2 million compared to \$53.6 million used in Q1 2019, mainly due to timing on acquisition of tangible assets.

For Q1 2020, cash provided by financing activities was \$4.0 million compared to \$18.1 million used in financing activities in Q1 2019. The decrease in cash provided by financing activities during Q1 2020, is mainly due to the \$19.5 million loan acquired in Q1 2019 for working capital purposes.

For 2020, cash and cash equivalents increased by \$13.7 million. We had closing cash of \$74.4 million as of March 31, 2020, compared to \$17.9 million as of March 31, 2019, mainly because there were no dividends paid in 2019 neither in Q1 2020.