

Highlights

- ⊙ At the close of 4Q18, RGUs totaled 8 million, an 11.6% increase compared to 4Q17; RGUs per unique subscriber reached 2.21.
- ⊙ The Internet segment reached 317 thousand net adds, up 12.1% compared to 4Q17, while the Telephony and Video segments registered 346 thousand and 162 thousand net new subscribers, or 23.6% and 5.3% higher, respectively.
- ⊙ ARPU per unique subscriber was Ps. 386.2, a record figure for the Company, representing 3.9% growth compared to 4Q17, and continuing with its positive growth trend.
- ⊙ Consolidated EBITDA for 4Q18 reached Ps. 2,281 million, up 6.2% compared to 4Q17; on an annual basis, this figure rose by 13.7% to reach Ps. 9,446 million.
- ⊙ The Corporate Telecom segment continued its positive trend, mainly as it pertains to Metrocarrier, which experienced revenue growth of 50.4% compared to 4Q17; on an annual basis, this business unit increased by 64.3%, representing record growth.

Guadalajara, Jalisco, Mexico, February 21, 2019 - Megacable Holdings S.A.B. de C.V. ("Megacable" or "the Company") (BMV:MEGA.CPO) announced today its financial results for the fourth quarter of 2018 (4Q18) and for the full year 2018 (2018). Figures were prepared in accordance with International Financial Reporting Standards (IFRS). All figures are expressed in thousands of Mexican pesos (Ps.), unless otherwise indicated.

Consolidated Financial Results

	4Q18	4Q17	% Var
Income	5,057,097	4,466,840	13.2%
EBITDA	2,280,748	2,146,775	6.2%
EBITDA Margin	45.1%	48.1%	
Net Profit	1,017,067	847,179	20.1%
Cash and short-term investments	3,330,867	3,167,661	5.2%
Net Debt	572,484	890,949	(35.7%)
CAPEX	1,489,123	1,779,050	(16.3%)
Mkt. Cap (Ps. Millions)	75,860	68,821	10.2%
Subscribers			
Video	3,202,184	3,040,278	5.3%
Internet	2,942,403	2,625,041	12.1%
Telephony	1,812,881	1,466,535	23.6%
Other Data			
Home Passed	8,427,917	8,135,428	3.6%
Network Kilometers	58,819	56,287	4.5%
Employees	19,822	18,513	7.1%

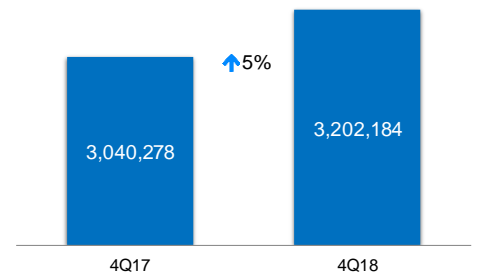
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During the month of November, the Company suffered a cyber-attack. While this did not impact services, it did, however, temporarily affect some of our systems, mainly in terms of the ability to collect payments and communicate with subscribers, which generated slowdowns in sales rates as well as in collections. This resulted in lower-than-expected subscriber and revenue growth for the quarter, as well as additional one-time expenses derived from the commercial strategies we carried out to capture such subscribers during December, and the implementation of additional mechanisms to secure our systems. Nevertheless, the Company was fortified in the sense that we are confident that the existing cyber-security systems and mechanisms worked correctly, thereby diminishing the impact of this event, and the return to normal operations took place quickly.

Video Subscribers

At the close of 4Q18, the video segment reached 3'202,184 subscribers, a 5.3% increase, 162 thousand net adds compared to 4Q17; which continued with the upward trend, despite the cyber-attack mentioned previously. When compared to 3Q18, subscribers for this segment grew by 0.7%, or 23 thousand net adds during the quarter.

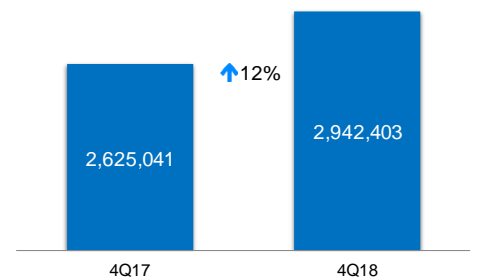
At the close of 2018, 81% of total subscriptions have been digitalized, through 4.9 million set-top boxes (STB). Xview reached 443 thousand net subscribers at the close of the year, which represented subscriber growth of 12.1%, or 48 thousand net adds, compared to 3Q18. The Company continues to work on increasing its current content and improving performance of this platform, therefore, maintaining the highest level of customer satisfaction.



Internet Subscribers

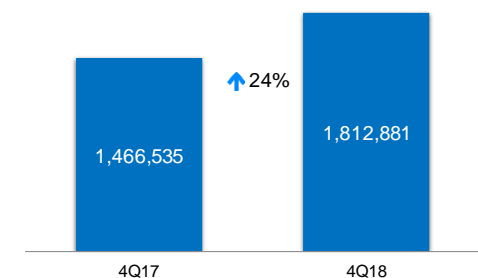
During 4Q18, the Internet segment continued to drive Megacable's overall subscriber growth, increasing by 12.1%, or 317 thousand net adds, to reach 2'942,403 subscribers. Compared to 3Q18, the Company registered 49 thousand net adds, up 1.7%.

This segment continues to experience an upward trend, with growth that surpassed that of the industry. Megacable is focused on remaining as the market's top option, offering competitive rate offerings, and a reliable service at higher speeds, based on the needs of its subscribers.



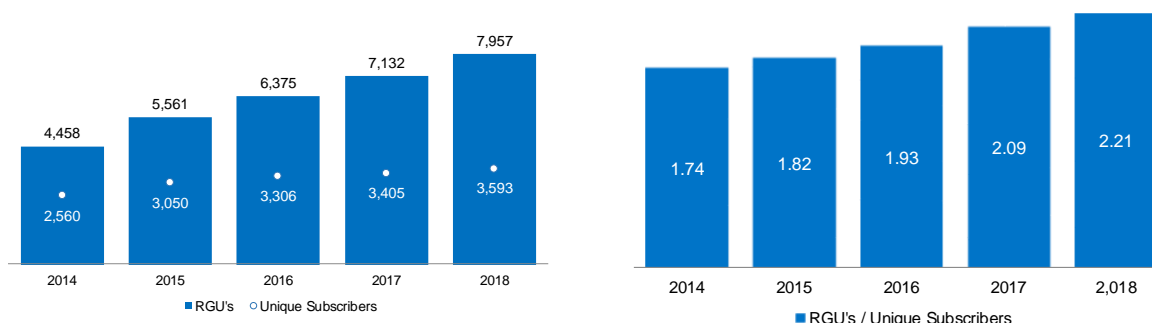
Telephony Subscribers

At the close of 4Q18, the Telephony segment reached 1'812,881 subscribers, representing a significant 23.6% growth, or 346 thousand net adds year-over-year. This segment increased by 4.3% or 75 thousand net additions in 4Q18 compared to 3Q18. This result was mainly driven by the Company's successful bundling strategy.



Unique Subscribers and Revenue Generating Units (RGUs)

At the close of 2018, RGUs reached 7'957,468, up 11.6% compared to 2017. This reflected increases experienced throughout the Company's three massive market segments, despite the impact of the cyber situation experienced last November, as previously mentioned. As a result of the aforementioned, RGUs per unique subscriber reached 2.21, a n increase compared to 4Q17.



Churn Rate

At the close of 4Q18, the churn rate of all segments decline significantly when compared to 4Q17 and 3Q18, mainly due to a focus on the recovery of our clients in the face of the complexity of attracting new clients during the contingency period. Video decreased to 1.9%, a decline of 50 basis points when compared 4Q17 and 80 basis points compared to 3Q18. Likewise, the Internet segment churn rate decreased by 50 basis points when compared to 4Q17 and by 80 basis points versus 3Q18. Additionally, Telephony improved by 210 basis points compared to 4Q17 and by 110 basis points compared to 3Q18.

	4Q18	4Q17	3Q18
Video	1.9%	2.4%	2.7%
Internet	2.0%	2.5%	2.6%
Telephony	2.8%	4.9%	3.9%

Revenues

Total 4Q18 revenues reached Ps. 5,057 million, a 13.2% increase compared to 4Q17; despite the cyber-attack experienced in November, the Company achieved the estimates outlined for the year. During the quarter, revenues from the massive market grew by 11.1%, mainly as a result of greater revenues throughout the three services provided, particularly Internet. Revenues for the corporate segment grew by 23.9%.

	4Q18	4Q17	%Var	12M18	12M17	%Var
Video	2,091,087	1,933,302	8%	8,137,400	7,458,583	9%
Internet	1,572,629	1,357,790	16%	6,079,926	5,146,963	18%
Telephony	433,700	400,813	8%	1,669,224	1,647,161	1%
Others	32,486	26,433	23%	100,593	96,658	4%
Total Mass Market	4,129,902	3,718,339	11%	15,987,143	14,349,365	11%
Corporate	927,195	748,501	24%	3,448,543	2,652,495	30%
Total excluding non-recurrent	5,057,097	4,466,840	13%	19,435,686	17,001,860	14%
HO1A CFE	-	-	-	-	161,999	-
Non-recurrent	-	-	-	99,315	74,322	34%
Total	5,057,097	4,466,840	13%	19,535,001	17,238,180	13%

ARPU

ARPU per unique subscriber continued with an upward trend by reaching Ps. 386.2, a record level for Megacable, which represented 3.9% growth compared to 4Q17. This result was due to a greater number of RGU's per subscriber, driven by a strategy of focusing on triple-play packages, rate increases for existing subscribers, as well as the contribution of additional services. When compared to 4Q17, ARPU for the Video segment increased 1.2%, while Internet grew by 1.5% and Telephony declined mainly due to bundling subscriber growth and the corresponding discounts.

	4Q18	4Q17	% Var	3Q18	% Var
ARPU (1) (Ps.)					
Unique subscribers of cable	386.2	371.7	4%	377.8	2%
Video	219.1	216.5	1%	214.7	2%
Internet	179.8	177.2	1%	178.2	1%
Telephony	81.0	94.2	-14%	84.7	-4%

Notes:

(1) ARPU, or average revenue per unit for each segment, is the result of calculating total revenue per each segment for the period, divided by the average number of subscribers for the corresponding period.

Corporate Telecom Segment Revenues

Corporate Telecom segment revenues increased 25.9% compared to 4Q17, representing 16.6% of Megacable's total revenues, versus 15.0% in 4Q17. During this quarter, Metrocarrier reached outstanding 50.4% growth, as a result of an expanded services portfolio. Likewise, ho1a revenues rose by 13.3% compared to 4Q17, mainly due to the completion of projects during the quarter. MCM rose by 8.2%.

	4Q18	4Q17	%Var	12M18	12M17	%Var
Metrocarrier	388,167	258,114	50%	1,548,092	942,169	64%
HO1A	203,039	179,160	13%	639,248	572,678	12%
MCM	250,528	231,528	8%	960,357	838,737	15%
Telecom Corporate (ex. CFE)	841,733	668,802	26%	3,147,697	2,353,584	34%
HO1A CFE	-	-	NA	-	161,999	-100%
PCTV	85,462	79,700	7%	300,846	298,910	1%
Total	927,195	748,501	24%	3,448,543	2,814,493	23%

Costs & Expenses

In 4Q18, operating expenses increased by 19.0%, as a result of the non-recurrent efforts recorded during the period due to the cyber-situation experienced in November. Cost of services increased by 20.3% compared to 4Q17, as a result of higher extraordinary costs at ho1a and PCTV. Costs for cable operations increased by 14.7%, which is in line with revenue growth.

EBITDA

In 4Q18, Adjusted EBITDA for the cable operations reached Ps. 2,162 million, or 9.7% growth, compared to 4Q17. This represented an EBITDA margin of 47.9%. Likewise, consolidated EBITDA reached Ps. 2,281 million, representing a 6.2% increase compared to 4Q17, with a Consolidated EBITDA margin of 45.1%. It is worth noting that EBITDA was affected by the lower-than-expected revenue growth, as well as by the one-time costs and expenses aforementioned.

	4Q18	4Q17	%Var	12M18	12M17	%Var
CONSOLIDATED						
Consolidated operating profit	1,363,863	1,319,526	3%	6,158,647	5,618,386	10%
Plus consolidated depreciation and amortization	916,885	827,249	11%	3,287,342	2,688,429	22%
Consolidated EBITDA (1)	2,280,748	2,146,775	6%	9,445,990	8,306,815	14%
Consolidated EBITDA Margin	45.1%	48.1%		48.4%	48.2%	
CABLE OPERATIONS						
Non Cable Operations	118,838	175,964	-32%	503,108	493,541	2%
Cable Adjusted EBITDA (2)	2,161,910	1,970,811	10%	8,942,882	7,813,274	14%
EBITDA Margin of Cable	47.9%	49.6%		50.7%	50.8%	

Notes:

(1) Consolidated EBITDA is calculated by adding to the net income/loss the following: depreciation and amortization, net comprehensive financing income, other net income, non-recurring expenses (income) total income tax, workers profit sharing, equity in income of associated companies and minority interest.

(2) Adjusted EBITDA for the Cable operations is calculated by subtracting MCM, PCTV and Ho1a EBITDA from Consolidated EBITDA

Net Income

Net income for the quarter reached Ps. 1,017 million, a 20.1% increase compared to Ps. 848 million in 4Q17. This result, which was above EBITDA growth, was due to a lower effective tax rate compared to 4Q17, which resulted in a benefit during the quarter. However, for the full year period, the same rate was registered during both years.

Net Debt

Megacable's Net Debt was Ps. 572 million, a 16.7% decline compared to 3Q18, mainly due to the cash generated during the quarter. Total debt is mainly comprised of two loans maturing in July 2019, for a total of Ps. 3,700 million.

	4Q18	4Q17	3Q18
Short Term Debt	3,778,569	131,833	3,791,083
One year maturity of long-term bank loans	3,778,569	131,833	3,791,083
Long-Term Debt	124,782	3,926,777	152,720
Bank Loans	120,310	3,920,878	148,172
Accounts Payable	4,471	5,900	4,548
Total Debt	3,903,351	4,058,610	3,943,803
Cash and Short-Term Investments	3,330,867	3,167,661	3,256,330
Net Debt	572,484	890,949	687,473

Net Comprehensive Financing Result

The Company reported a negative net financing result of (Ps. 11.6 million) during 4Q18, comprised of Ps. 16.7 million in net interest expense and a net exchange gain of Ps. 5.1 million.

	4Q18	4Q17
Net Exchange Loss (Profit)	(5,110)	(49,699)
Interest Income	86,672	62,739
Interest Expense	103,368	96,819
Net Comprehensive Financial Result	(11,586)	15,618

CAPEX

Megacable invested Ps. 1,489 million during 4Q18, for a total Ps. 5,753 million during the year, which represented 29.4% of the revenues for the quarter and 29.5% of accumulated revenues, including the submarine cable and data center projects. Investments during the quarter were mainly allocated towards increasing network capacity, as well as the modernization and construction of new network kilometers and the purchase of subscriber equipment.

Stock Information

Ticker MEGACPO	CPO's	"A" Series
Total Shares (thousands)	853,789	1,721,356
Outstanding shares (thousands)	411,940	829,891
Shares in treasury (thousands)	234	467
2 Series "A" Shares =		1 CPO
Mkt. Cap (In Ps. millions)		\$ 75,860
Closing price (Ps) *		\$ 88.14
Free float		48%
As of December 31st, 2018		

* Source: Infosel

Disclaimer

This press release contains forward-looking statements regarding the Company's results and future prospects which are subject to risk and uncertainty. Therefore, these results and statements may differ due to various factors. Moreover, figures in this report may vary due to rounding.

Conference Call

Megacable will hold its 4Q18 Earnings Conference Call on Friday, February 22, 2019 at 10:00 am (Central Time) / 11:00am (Eastern Time).

To access the call, please dial:

from within the U.S. 1-877-830-2576

from outside the U.S. 1-785-424-1726

Conference ID Number: MEGA

Balance Sheet

	as of December 31	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	3,330,867	3,167,661
Accounts receivable from customers and other, net	1,834,051	1,382,885
Recoverable taxes	406,654	613,873
Inventories	603,807	426,960
Total Current Assets	6,175,379	5,591,379
NON-CURRENT ASSETS		
Investment in shares of associated companies	311,777	147,486
Accounts receivable from customers and other long-term, net	115,206	-
Property, systems and equipment, net	26,890,352	24,848,695
Goodwill, net	4,378,397	4,378,397
Deferred Taxes	27,755	44,780
Other assets	324,350	410,370
Affiliated and associated companies	1,185,076	1,027,123
Total Assets	39,408,290	36,448,230
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
One year maturity of long-term liabilities	3,778,569	131,833
Suppliers	1,921,046	1,561,165
Short-term affiliated and associated companies	173,476	350,624
Accounts payable and accrued expenses payable	1,976,679	1,835,163
Total Current Liabilities	7,849,770	3,878,784
LONG TERM LIABILITIES		
Bank loans	120,310	3,920,878
Labor obligations	225,113	218,928
Accounts payable	4,471	5,900
Deferred taxes	1,896,867	1,569,587
Affiliated and associated companies	661,561	603,608
Total Long-Term Liabilities	2,908,324	6,318,900
Total Liabilities	10,758,094	10,197,684
STOCKHOLDERS' EQUITY		
Capital Stock	910,244	910,244
Net Premium on the placement of shares	2,117,560	2,117,560
Retained Earnings	24,174,882	21,581,654
Minority Interest	958,678	1,152,256
Legal Reserve	488,832	488,832
Total Stockholders' Equity	28,650,196	26,250,546
Total Liabilities & Stockholders' Equity	39,408,290	36,448,230

Income Statement

	4Q18	4Q17	% Var
Income	\$ 5,057,097	\$ 4,466,840	13%
Cost of Services	1,390,054	1,155,227	20%
Gross Profit	\$ 3,667,043	\$ 3,311,614	11%
Operating and General Expenses	1,386,295	1,164,839	19%
EBITDA	\$ 2,280,748	\$ 2,146,775	6%
Depreciation and amortization	916,885	827,249	11%
Operating Profit	\$ 1,363,863	\$ 1,319,526	3%
Other income (expenses), net	17,726	34,363	(48%)
Comprehensive Financing Income, Net	11,586	-	174%
Non ordinary Items	-	-	100%
Income Before Income Tax and Minority Interest	\$ 1,370,003	\$ 1,375,355	(0%)
Income Tax	301,405	491,271	(39%)
Net Profit	\$ 1,068,597	\$ 884,084	21%
Net income attribute to:			
Non-Controlling interest	51,530	36,905	40%
Controlling interest	1,017,067	847,179	20%
	\$ 1,068,597	\$ 884,084	21%

	12M18	12M17	% Var
Income	\$ 19,535,001	\$ 17,238,180	13%
Cost of Services	5,043,944	4,418,927	14%
Gross Profit	\$ 14,491,057	\$ 12,819,254	13%
Operating and General Expenses	5,045,067	4,512,439	12%
EBITDA	\$ 9,445,990	\$ 8,306,815	14%
Depreciation and amortization	3,287,342	2,688,429	22%
Operating Profit	\$ 6,158,647	\$ 5,618,386	10%
Other income (expenses), net	47,973	95,570	(50%)
Comprehensive Financing Income, Net	84,875	403	NA
Non ordinary Items	-	-	100%
Income Before Income Tax and Minority Interest	\$ 6,121,745	\$ 5,719,402	7%
Income Tax	1,346,788	1,270,523	6%
Net Profit	\$ 4,774,957	\$ 4,448,879	7%
Net income attribute to:			
Non-Controlling interest	173,775	172,669	1%
Controlling interest	4,601,182	4,276,210	8%
	\$ 4,774,957	\$ 4,448,879	7%

Income Statement per Segment

	4Q18	4Q17	% Var
CABLE OPERATIONS			
Income	\$ 4,518,069	\$ 3,976,453	14%
Cost of Services	1,167,938	1,018,101	15%
Gross Profit	3,350,131	2,958,352	13%
Operating and General Expenses	1,188,221	987,541	20%
EBITDA	\$ 2,161,910	\$ 1,970,811	10%
	48%	50%	
OTHER			
Income	539,028	490,388	10%
MCM	250,528	231,528	8%
HO1A	203,039	179,160	13%
HO1A CFE	-	-	NA
PCTV	85,462	79,700	7%
Cost of Services	222,116	137,126	62%
MCM	32,095	30,401	6%
HO1A	150,404	89,746	68%
HO1A CFE	-	-	NA
PCTV	39,617	16,978	133%
Gross Profit	316,913	353,262	(10%)
Operating and General Expenses	198,074	177,298	12%
MCM	116,530	107,545	8%
HO1A	39,302	24,201	62%
PCTV	42,243	45,552	(7%)
EBITDA			
MCM	101,903	93,582	9%
HO1A	13,333	65,213	(80%)
HO1A CFE	-	-	NA
PCTV	3,602	17,169	(79%)
EBITDA	\$ 118,838	\$ 175,964	(32%)
	22%	36%	
TOTAL OPERATION			
Income	5,057,097	4,466,840	13%
Cost of Services	1,390,054	1,155,227	20%
Gross Profit	3,667,043	3,311,614	11%
Operating and General Expenses	1,386,295	1,164,839	19%
EBITDA	\$ 2,280,748	\$ 2,146,775	6%
	45%	48%	

Income Statement per Segment

	12M18	12M17	% Var
CABLE OPERATIONS			
Income	\$ 17,634,550	\$ 15,365,856	15%
Cost of Services	4,360,871	3,698,517	18%
Gross Profit	13,273,679	11,667,339	14%
Operating and General Expenses	4,330,797	3,854,065	12%
EBITDA	\$ 8,942,882	\$ 7,813,274	14%
	51%	51%	
OTHER			
Income	1,900,451	1,872,324	2%
MCM	960,357	838,737	15%
HO1A	639,248	572,678	12%
HO1A CFE	-	161,999	(100%)
PCTV	300,846	298,910	1%
Cost of Services	683,073	720,409	(5%)
MCM	114,755	123,619	(7%)
HO1A	440,685	342,066	29%
HO1A CFE	-	133,328	(100%)
PCTV	127,633	121,396	5%
Gross Profit	1,217,378	1,151,915	6%
Operating and General Expenses	714,270	658,374	8%
MCM	437,073	407,476	7%
HO1A	127,483	97,367	31%
PCTV	149,714	153,531	(2%)
EBITDA			
MCM	408,528	307,642	33%
HO1A	71,081	133,245	(47%)
HO1A CFE	-	28,671	(100%)
PCTV	23,499	23,982	(2%)
EBITDA	\$ 503,108	\$ 493,541	2%
	26%	26%	
TOTAL OPERATION			
Income	19,535,001	17,238,180	13%
Cost of Services	5,043,944	4,418,927	14%
Gross Profit	14,491,057	12,819,254	13%
Operating and General Expenses	5,045,067	4,512,439	12%
EBITDA	\$ 9,445,990	\$ 8,306,815	14%
	48%	48%	