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Fitch: PPF Telecom Group's Changes to Guarantees, Covenants Rating-Neutral

Fitch Ratings-London-13 July 2021: PPF Telecom Group B.V.'s (PPF TG; BBB-/Stable) proposed changes to guarantees and covenants would have no impact on the company's ratings, Fitch Ratings says. The covenants would limit the amount of higher-ranking debt to a level that, under the current business mix, will not create structural subordination of debt held by PPF TG. This is offset by the application of leverage covenants to a greater proportion of the group.

PPF TG is seeking consent from its bond investors not to re-instate certain guarantees that are provided by some of its subsidiaries to PPF TG notes. These guarantees are set to fall away in any case, should PPF TG's debt become unsecured. PPF TG proposes an alternative covenant arrangement that reduces existing leverage covenants and extends their application to intermediate parental holding companies in the group structure.

PPF TG is restructuring its telecoms operations into two business lines: a customer facing, commercial retail segment (held under PPF Telco B.V. and PPF TMT Bidco 1 B.V.); and a wholesale, infrastructure arm housing network infrastructure and mobile towers (held by CETIN Group B.V.). The move aims to improve execution along differing management competencies while increasing transparency of the underlying asset value.

PPF TMT Bidco 1, PPF Telco B.V and CETIN Group B.V are intermediate holding subsidiaries within PPF TG's group structure and are currently required to guarantee PPF TG's debt if they incur any additional indebtedness. PPF TG is seeking consent to remove the reinstatement of these guarantees so as to be able to have the option to raise further debt at the intermediate subsidiary level without reinstating the guarantees.

PPF TG proposes to amend existing leverage covenants in light of the proposed change to guarantees. Currently, operating subsidiaries O2 Czech Republic and CETIN a.s. (BBB/Stable) have a joint "silo" net debt to EBITDA covenant of 2.5x. PPF TG proposes to change this to 2.2x and have the application of the covenant extend to include its respective intermediate holding-company

parents PPF Telco B.V and CETIN Group B.V. with all its subsidiaries. Existing silo leverage covenant at PPF TMT Bidco 1 B.V will remain unchanged at 1.0x.

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