

ISSUER COMMENT

2 August 2023



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RATINGS

PPF Telecom Group B.V.

Outlook	Negative
Corporate Family Rating	Ba1
Bkd Senior Secured - Dom Curr	Ba1/LGD4

Source: Moody's Investors Service

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PPF Telecom Group B.V.

PPF Group sale of an equity stake in PPF Telecom has no material negative credit implications, outlook remains negative

On August 1, 2023, [Emirates Telecommunications Group Company](#) "e&" (Aa3 stable) announced that it had entered into a binding agreement with PPF Group ("PPF") to acquire a controlling stake (50% + 1 economic share) in [PPF Telecom Group](#)'s (Ba1 negative) service and infrastructure companies in Bulgaria, Hungary, Serbia, and Slovakia ("PPF Telecom"). The upfront cash consideration for the acquisition is €2.2 billion.

The possible negative credit considerations reflect the possibility that the transaction might dilute the asset value of PPF Telecom, depending on how the cash proceeds from the sale are used, the distribution of debt within the group, and any changes to the group's consolidated perimeter. However, the announced transaction also has positive considerations such as the fact that there will be no additional debt within PPF Telecom, keeping leverage at 2x, a new strong controlling shareholder, and a public commitment to retain existing ratings.

PPF Telecom currently has a negative rating outlook reflecting the group's leverage on a fully consolidated basis of around 3.75x, leaving no room for deviation in terms of operating performance. Although the rating is weakly positioned in the rating category, we acknowledge management's track record of executing its strategy and maintaining leverage within the required thresholds.

Upon completion of the transaction, e& will fully consolidate the acquired assets. However, the completion of the transaction remains subject to regulatory approvals and certain closing conditions, which are expected to be met in the first quarter of 2024.

PPF Group is a diverse international investment company with operations in the Czech Republic and 25 additional countries across Europe, North America, Asia, and Africa. Its core lines of business are financial services, telecommunications, media, and e-commerce. The Group is also active in real estate, biotechnology, and transportation products and services.

PPF Telecom Group B.V.'s (PPF Telecom) current Ba1 corporate family rating (CFR) reflects the company's leading position as the integrated incumbent in the [Czech Republic](#) (Aa3 negative). It also reflects a corporate structure that separates service provision from infrastructure management, the group's good geographical diversification in the Central and Eastern European (CEE) region, its higher revenue growth potential than the European average, its financial policy and commitment to maintain leverage within management's public guidance, and its good margins and solid operating cash flow generation.

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