

ISSUER COMMENT

13 February 2025

Contacts

Mikhail Shipilov, CFA +971.4.237.9561
VP-Senior Analyst
mikhail.shipilov@moodys.com

Rehan Akbar, CFA +971.4.237.9565
Associate Managing Director
rehan.akbar@moodys.com

Carlos Winzer +34.91.768.8238
Senior Vice President
carlos.winzer@moodys.com

Hormazd Motafram +971.4.237.9564
Ratings Associate
hormazd.motafram@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Emirates Telecommunications Grp Co PJSC, e& PPF Telecom Group B.V.

Acquisition of SBB is a strategic fit, will modestly weaken credit metrics

On 12 February, [Emirates Telecommunications Group Co PJSC](#) (e&, Aa3 stable) said its subsidiary [e& PPF Telecom Group B.V.](#) (e& PPF Telecom, Ba1 stable) signed a binding agreement with [United Group B.V.](#) (B2 stable) to acquire SBB d.o.o. Serbia (SBB) for a consideration of €825 million on a cash-free, debt-free basis. The transaction represents a strategic fit for both e& PPF Telecom and e& and will not materially weaken their credit metrics.

The entire transaction will be financed through debt to be raised by e& PPF Telecom.

SBB is a leading cable television and broadband internet service provider in Serbia with over 700,000 subscribers. The company generated €244 million in revenue and 50% EBITDAaL margin in 2023. The acquisition will add 12% to e& PPF Telecom's revenue and 2% to e&'s revenue, based on 2023 financials.

The transaction will increase the scale of e& PPF Telecom and complements its Serbian mobile service subsidiary Yettel, creating a leading converged operator, with mobile, fixed broadband and Pay-TV offerings in a growing market. The deal will strengthen e& PPF Telecom's market and competitive position in Serbia because of more comprehensive offerings to meet evolving needs of customers. After the acquisition, e& PPF Telecom's Serbian operation will have around 31% market share in fixed broadband connections and a 43% market share in Pay-TV, based on 2023 market shares. We expect that significant synergies can be realised in operating expenses and mobile cross-selling opportunities from Yettel to SBB customers. The deal also enhances the contribution of the Serbian business to e& PPF's total EBITDA, which increases from 28% to some 38% and, therefore, becomes the biggest contributor to the group.

The transaction also aligns with e&'s ambitions to accelerate its international growth and diversify into new geographies. Central and Eastern Europe has robust macroeconomic fundamentals and stable currencies compared with e&'s existing international operations in French-speaking African markets, Pakistan and Egypt. Central and Eastern Europe also offers a stable regulatory environment, healthy competition, growth potential and promising returns on invested capital. This deal follows e&'s €2.35 billion acquisition of a controlling stake in e& PPF Telecom, a telecommunications operator in Bulgaria, Hungary, Serbia and Slovakia, which e& completed in October 2024.

e& PPF Telecom's leverage will increase but remain within its financial policy. The company's net leverage target is 2.0x (equivalent to Moody's-adjusted gross leverage of 3.1x), with M&A flexibility of up to 2.5x for 12-18 months. On a pro forma basis, we estimate that its net leverage was 1.8x as of year-end 2024. With the additional €825 million debt raised to

acquire SBB and EBITDA contribution from SBB, we estimate that pro forma combined net leverage will increase to 2.4x (Moody's-adjusted gross leverage of 3.5x). We expect that the company will delever back to around 2.0x (Moody's-adjusted gross leverage of 3.1x) in the next 12-18 months after the deal closes.

e& PPF Telecom's liquidity is supported by a cash balance of around €200 million and the €1.2 billion revolving credit facility (RCF), due in 2029. We expect part of the RCF to have been used to refinance the €600 million Eurobond, which matured in January 2025. The company faces maturities in 2026 (€550 million) and 2027 (€500 million), that will need to be refinanced in due course. Therefore, currently, they have EUR 600m RCF still available to cover 2026 maturities. We expect further refinancing to take place in order to meet future debt maturities.

The transaction, which we expect to close by mid-2025, is subject to regulatory approvals and customary closing conditions.

The deal will modestly weaken e&'s consolidated credit metrics. Prior to the announcement, we had forecasted e&'s Moody's-adjusted net leverage at 1.6x in 2025 and 1.5x in 2026 and its interest coverage, measured as Moody's-adjusted (EBITDA minus capex)/interest expense, at 4.9x in 2025 and 5.2x in 2026. Adjusted net leverage was 1.3x and interest coverage was 3.8x as of September 2024. We estimate the transaction will increase e&'s net leverage by 0.05x-0.10x and decrease its interest coverage by around 0.10x in 2025-26.

The small increase in leverage will be in line with e&'s financial policy and its commitment to deleverage over the next 18 months. In November 2024, shareholders approved a temporary increase in the company's borrowing cap to 2.0x reported net debt/EBITDA from a long-standing 1.5x. At the same time, e& committed to reverting the cap to 1.5x by May 2026. The temporary increase was intended to provide financial flexibility to execute and integrate ongoing M&As.

e& is the incumbent integrated telecommunications service provider in the UAE and has stakes in telecom companies throughout the Middle East, Africa, Asia and Europe. The company generated AED53.8 billion (\$14.6 billion) in 2023. The federal government of the UAE owns a 60% stake in e& indirectly through the Emirates Investment Authority.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

© 2025 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at ir.moody.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

REPORT NUMBER 1438567

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454