

Bulletin:

e& PPF Telecom's Debt-Funded SBB Serbia Acquisition Will Deplete Rating Headroom

February 25, 2025

This report does not constitute a rating action.

PARIS (S&P Global Ratings) Feb. 25, 2025--e& PPF Telecom Group B.V. (BBB-/Stable/--) has announced its agreement to acquire fixed-broadband provider SBB d.o.o. Serbia (SBB; not rated) from United Group B.V. (B/Positive/--) for €825 million. e& PPF plans to fully fund the acquisition with external debt.

We estimate the acquisition will lead to e& PPF's S&P Global Ratings-adjusted leverage rising to just over 3.0x in 2025, temporarily exceeding thresholds for the rating, before returning to below 3.0x in 2026, in line with the company's financial policy. The rating is supported by our expectation of 13%-15% free operating cash flow (FOCF) to debt in 2025-2026. Although the acquisition somewhat benefits e& PPF's business risk profile, as it improves the revenue market share of Yettel, its Serbian subsidiary, to 35% from 25%, it leaves no headroom for other acquisitions in the near term.

SBB is a leading cable television and broadband internet service provider in Serbia with over 700,000 active customers. The acquisition will complement Yettel's current offering with a combination of mobile and fixed-line businesses, allowing it to compete as a converged operator in the market. As of year-end 2024, we estimate that SBB's fixed broadband operations generated revenue of about €230 million and an EBITDA margin, after leases, of nearly 50%. The acquisition would increase e& PPF's revenue and EBITDA by about 10% from 2025.

The transaction is still subject to regulatory approvals, and we expect it to complete by the end of the second quarter of 2025.

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