

NON-RATING ACTION COMMENTARY

e& PPF TG Rating Unaffected by Acquisition of SBB, Market Position Strengthened

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e& PPF Telecom Group B.V.'s (BBB/Stable) 100% acquisition of Serbia Broadband d.o.o. (SBB), a leading cable television and broadband internet service provider in Serbia, is likely to have no impact on e& PPF TG's rating, Fitch Ratings says. The acquisition should strengthen the company's market position through increased scale and an improved network-based convergent offering. The transaction will likely mean leverage exceeds the thresholds of the rating, but the company's organic deleveraging capacity should enable it to reverse this rise within 12 to 18 months.

The acquisition positions e& PPF TG as a stronger entity in the Serbian telecom market, enabling it to leverage SBB's established broadband and pay-TV services to complement its growing broadband services and existing leading mobile operations under the Yettel brand. This strategic move enhances e& PPF TG's operational profile, integrating mobile and fixed-line services to create a leading converged operator in Serbia. We expect e& PPF TG's market share in the fixed-line and pay-TV segments to rise significantly post-transaction, to around 31% and 43% respectively, from 4.4% and 3.9% at end-2023.

Fitch's pro forma base case projects post-transaction net leverage (as defined by Fitch) rising to 2.6x at end-2025, from 2.0x at end-2024, before declining to 2.3x by end-2026. The group's financial policy allows for reported net leverage flexibility up to 2.5x for a 12- to 18-month period for strategic mergers and acquisitions, maintaining targeted net leverage of around 2.0x. Fitch anticipates that the company will manage its capital structure through dividend flexibility.

Post-transaction, Fitch expects Serbia to contribute around 34% of group EBITDAaL, up from 27% at end-2023, surpassing Hungary and Bulgaria, which we project to contribute

27% and 25%, respectively.

The announced transaction involves a total consideration of EUR825 million, funded entirely through new external debt, aligning with e& PPF TG's financial policy. The transaction is set to close in summer 2025 and is contingent upon regulatory approval in Serbia.

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