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25 April 2024

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RATINGS

CETIN Group N.V.

Domicile	Netherlands
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CETIN Group N.V.

Update to credit analysis

Summary

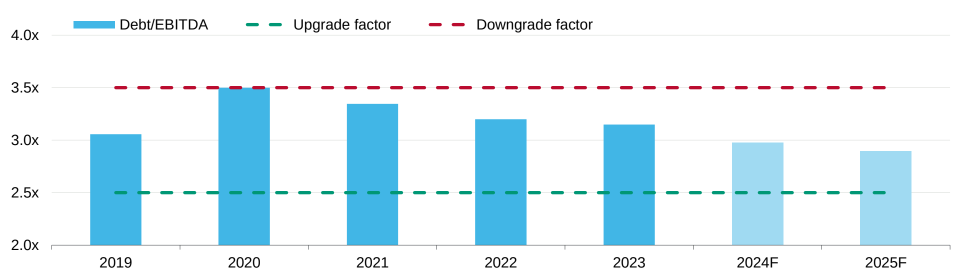
CETIN Group N.V.'s (CETIN Group) Baa2 rating reflects the company's leading position in the telecom market in the Central and Eastern Europe (CEE) region, the solid and predictable operating performance of its subsidiaries, and the group's financial policy of sustaining net reported leverage at or below 3.0x.

The rating also reflects its low free cash flow generation due to high capital spending and dividends payments; the complexity of its group structure with the presence of different credit pools, given the fact that PPF Telecom Group B.V. (PPF Telecom, Ba1 negative) has debt of its own and owns 70% of CETIN Group, which in turn also has debt of its own; the concentrated ownership; and the somewhat aggressive liquidity management of the PPF Telecom Group.

CETIN Group's leverage has sustainably decreased in the last three years, and we expect it to further decrease to around 3.0x by 2024 and 2.9x in 2025 (see Exhibit 1).

Emirates Telecommunications Group Company (doing business as "e&") (Aa3 stable) announced in August 2023 that it had entered into a binding agreement with PPF Group N.V. to acquire a controlling stake (50% + 1 economic share) in PPF Telecom's companies in Slovakia, Hungary, Serbia and Bulgaria, including CETIN Group's subsidiaries in Hungary, Serbia and Bulgaria, for an upfront cash consideration of €2.2 billion. The presence of GIC Private Limited, the Singaporean sovereign wealth fund, which currently owns 30% of CETIN Group, is still subject to final agreement.

Exhibit 1
We expect CETIN Group's gross leverage to remain around 3.0x in 2024 and 2025
Moody's-adjusted gross leverage



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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Leading position in Czechia, Hungary, Bulgaria and Serbia's telecom market, which also provides substantial geographical diversification

» Solid operating performance of its operating subsidiaries

» Long-term contracts with the largest operators in the region, ensuring predictable cash flow

Credit challenges

» Complex group structure, with various credit pools and debt placed at different group entities

» Significant capital spending needs and dividend payments, which constrain free cash flow (FCF)

» Uncertainty regarding the future ownership after the acquisition of an equity stake in PPF Telecom by e&, and the asset dilution linked to the transfer of the Czech assets outside PPF Telecom's perimeter

Rating outlook

The negative rating outlook reflects the parent/subsidiary relationship between PPF Telecom and CETIN Group, with a maximum of a two-notch differential in the ratings between these entities. Following the negative outlook of PPF Telecom, the subsidiaries also carry this outlook on their ratings. In addition, the negative outlook reflects PPF Telecom's somewhat aggressive liquidity management and the possibility that the transaction will dilute the asset value of PPF Telecom.

Factors that could lead to an upgrade

CETIN Group's rating is unlikely to be upgraded unless leverage at PPF Telecom decreases substantially and its liquidity profile improves sustainably, thereby alleviating the financial pressure on CETIN Group.

Overtime, the rating could be upgraded if the company delivers on its business plan, such that its Moody's-adjusted debt/EBITDA drops below 2.5x on a sustained basis. This decrease in leverage is likely to be contingent on the company maintaining a conservative approach to acquisitions and shareholder remuneration.

Factors that could lead to a downgrade

CETIN Group's rating could be downgraded if leverage at PPF Telecom remains at 3.75x or higher on a reported basis, either because of further debt-financed acquisitions or weaker-than-expected performance at the operating subsidiaries.

CETIN Group's rating could also be downgraded if the company's operating performance weakens as a result of pricing pressure, market share losses or reduction in cash flow, or if CETIN Group increases its debt as a result of acquisitions or shareholder distributions, such that its Moody's-adjusted debt/EBITDA increases above 3.5x with no expectation of an improvement. A weakening of the company's liquidity could also strain the rating.

Key indicators

Exhibit 2
CETIN Group N.V.

(in € millions)	2019	2020	2021	2022	2023	2024F	2025F
Revenue	747	714	1,036	1,108	1,241	1,300	1,335
FFO Margin %	40.7%	41.0%	48.2%	46.7%	47.9%	46.6%	46.8%
(EBITDA - Capex) / Interest Expense	10.3x	7.2x	9.7x	4.5x	3.4x	3.0x	3.0x
FCF / Debt	4.8%	-1.1%	-0.7%	-0.3%	-0.1%	-0.1%	0.1%
Debt / EBITDA	3.0x	3.5x	3.3x	3.2x	3.1x	3.0x	2.9x
EBITDA Margin %	44.6%	47.3%	57.8%	56.9%	56.6%	57.5%	57.5%
EBITA / Interest Expenses	n.m.	8.8x	9.8x	6.9x	4.6x	4.5x	4.6x

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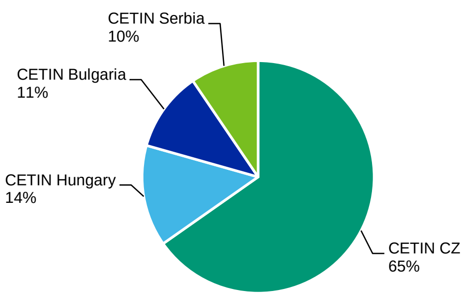
Profile

CETIN Group N.V. (CETIN Group) is a holding company created following the corporate restructuring of PPF Telecom. CETIN Group is 70% owned by PPF Telecom and 30% owned by the Government of Singapore Investment Corporation (GIC). CETIN Group is the 100% owner of the PPF Telecom's infrastructure business in Czechia, Hungary, Bulgaria and Serbia. CETIN Group is headquartered in Prague, Czechia. In 2023, CETIN Group generated revenue of €1.2 billion and EBITDA of €728 million. The company operates and manages fixed and mobile infrastructure in the domestic market and transit infrastructure abroad, with international points of presence in Germany; Austria; Slovakia; the UK; and Hong Kong SAR, China.

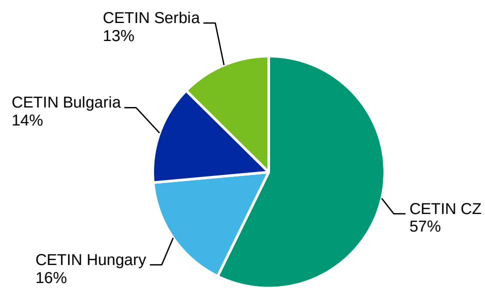
PPF Telecom is a European telecommunications conglomerate with shareholdings in CETIN Group (70%), O2 (100%), and three mobile operators in Hungary (75%), Bulgaria (100%) and Serbia (100%). The group reported €3.8 billion of total revenue and €1.8 billion of EBITDA in 2023. PPF Telecom is ultimately 100% owned by PPF Group, an investment company headquartered in Amsterdam, the Netherlands.

Exhibit 3
CETIN CZ accounts for 65% of CETIN Group's total revenue ...
Revenue breakdown by geography (2023)



Source: Company

Exhibit 4
... and 57% of CETIN Group's EBITDA
EBITDA breakdown by geography (2023)



Source: Company

Detailed credit considerations

PPF Group's sale of an equity stake in PPF Telecom's international assets will impact CETIN Group's corporate structure

In August 2023, e& announced a binding agreement to acquire a controlling stake in PPF Telecom's service and infrastructure assets in Slovakia, Hungary, Serbia and Bulgaria for around €2.2 billion, including CETIN Group's subsidiaries in Hungary, Serbia and Bulgaria. The transaction is awaiting regulatory approvals at national and EU level and is expected to close in 2024. Additionally, it is subject to the consummation of corporate reorganization, the formation of an efficient capital structure, and other customary closing conditions.

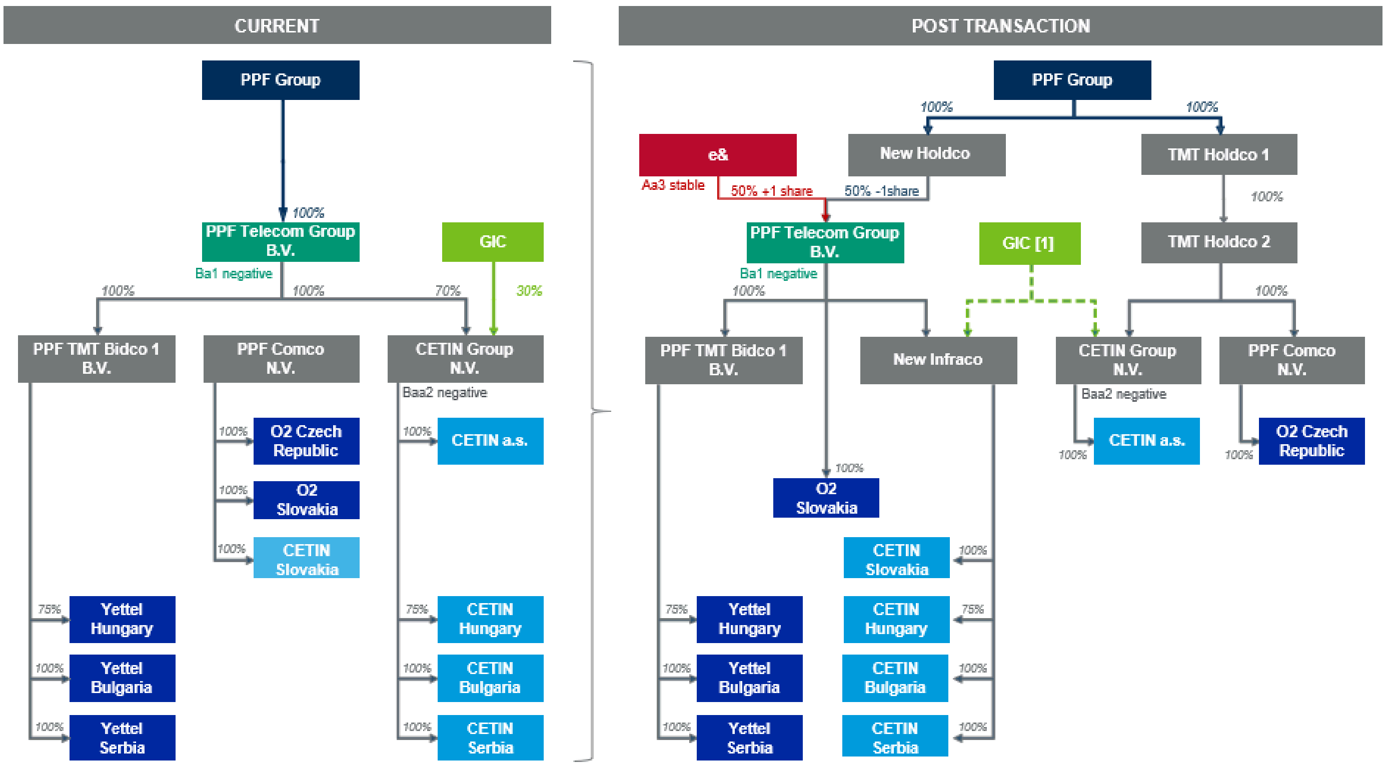
The transaction might dilute the asset value of CETIN Group, which will only retain the Czech assets, although we acknowledge that is the subsidiary with the most valuable assets, with national fixed and mobile network. Final impacts would depend on how the cash proceeds from the sale are used, the distribution of debt within the group, and any changes to the group's consolidated perimeter.

The transaction will lead to a significant change in PPF Telecom's corporate structure (see Exhibit 5). The presence of GIC Private Limited, the Singaporean sovereign wealth fund, which currently owns 30% of CETIN Group, is still subject to final agreement.

Exhibit 5

The transaction will require significant change in corporate structure, separating Czech and international assets

Potential changes in PPF Telecom and CETIN Group's corporate structure



[1] GIC's stake in the telecom infrastructure companies will be subject to final agreement.
Source: Company

Leadership position in Czech telecom market

CETIN Group owns and operates the largest telecommunications infrastructure portfolio in Czechia, comprising both metallic and fibre lines. It divides its business activities into two different business lines: provision of national network services and international transit services.

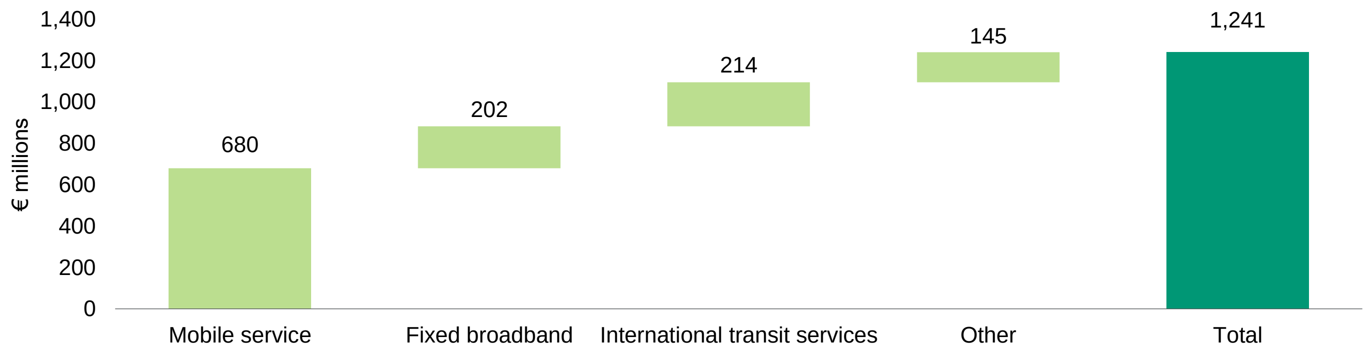
CETIN has passed more than 4 million homes with fixed infrastructure, and around 1.2 million of these are connected via cable or fiber. However, CETIN still relies mostly on alternative technologies to fiber-to-the-home (FTTH), which only represents around 20% of the households connected. This is a relevant lag compared with other peers in more developed European markets.

In the mobile segment, the company's current 4G and 5G coverage extends to 98% and 87% of the Czech population, respectively. This strong position is underpinned by the fact that CETIN provides mobile voice and data services to O2 Czech and T-Mobile through the shared network; it has a partnership with O2 Czech in all downstream retail markets; T-Mobile's fixed broadband services mostly represent a resale of CETIN's xDSL and voice; and CETIN delivers a backbone transport network to numerous alternative network operators and retail service providers, including T-Mobile and Vodafone. CETIN's two key customers, O2 Czech and T-Mobile, are the market leaders in mobile, with estimated market shares of 33% and 37%, respectively, as of September 2024, in terms of retail revenue.

Exhibit 6

Mobile and fixed-line services generated around 71% of CETIN Group's 2023 revenue

Revenue breakdown by segment (2023)



Source: Company

CETIN Hungary, CETIN Bulgaria and CETIN Serbia are the owners and operators of mobile telecommunications infrastructure in their respective countries. They provide mobile network services on a wholesale basis, predominantly for Yettel Hungary, Yettel Bulgaria and Yettel Serbia.

In 2023, CETIN acquired the Czech internet service provider Nej.cz. This transaction has brought additional fixed capacity, mostly FTTH, and market share to the group.

High revenue growth, mainly driven by higher demand for fixed connection and mobile networks

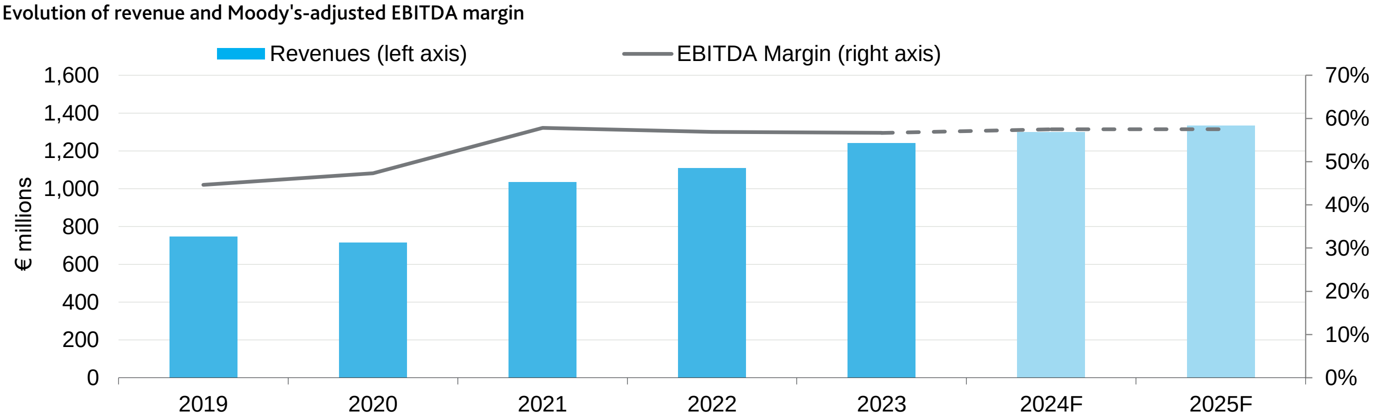
Total CETIN Group's revenue grew by 12% in 2023, mainly driven by underlying cost inflation protection. Additionally, revenue growth was supported by growing data demand, and higher demand for fixed connection. In terms of EBITDA, growth was mainly supported by higher revenue, which kept margins roughly stable. The major part of the company's profitability is secured by long-term take-or-pay contracts for mobile, fixed and data center services.

We expect CETIN Group's consolidated revenue to increase by around 5% in 2024, supported by growth in all countries it operates in. Growth will be driven by increasing data demand, which the company expects to double in the next two years, and incrementally higher fixed capacity. Its Moody's-adjusted EBITDA margin is likely to remain high at around 57% in the next two years.

Exhibit 7

We expect the company's Moody's-adjusted EBITDA margin to remain high at around 57%

Evolution of revenue and Moody's-adjusted EBITDA margin



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Higher capital spending to support future growth

CETIN Group is implementing a major capital spending plan that will provide a strong base for long-term growth. The group aims to gradually upgrade its 5G network in Czechia, Hungary and Bulgaria; and its fixed network, through the investment in the FTTH roll-out in Czechia and replacement of the xDLS technology with fibre.

The updated plan entails accumulated capital investments of around €850 million in the next two years (excluding lease payments), predominantly driven by infrastructure development.

CETIN continues to develop its mobile infrastructure in Czechia as part of its long-term agreement with O2 Czechia, T-Mobile and Vodafone. 5G coverage reached 87% in the country as of December 2023, which we expect to continue to grow as CETIN deploys new sites. The company is slowly upgrading its xDSL and cable DOCSIS connections via FTTH, which currently accounts for just 20% of total households connected, although it organically grew by 73% in 2023.

In Bulgaria, Hungary and Serbia, the main focus remains the mobile segment. In the first two, the company is deploying new sites to increase its 5G coverage, which accounts for 71% in Bulgaria and 39% in Hungary.

CETIN Group's leverage will remain stable as capital spending and dividend payouts slow the pace of leverage reduction

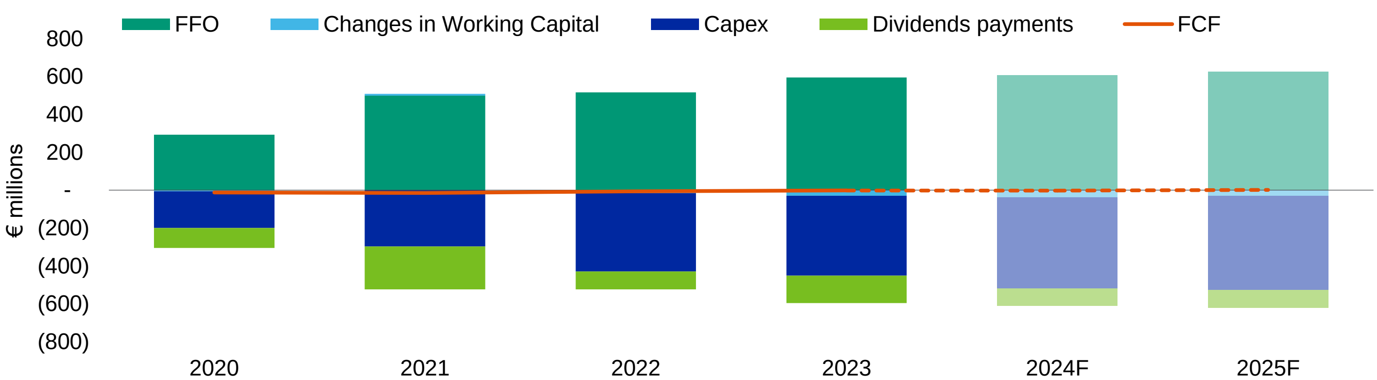
CETIN Group has a financial strategy that targets a reported net leverage of 3.0x (excluding IFRS 16), after distributing all the excess cash generated. We expect CETIN Group's Moody's-adjusted leverage to remain at around or slightly below 3.0x in the next two years, supported by some EBITDA growth. If the company's performance weakens beyond expectations, it can adjust its dividend distribution policy to keep leverage within the target range.

The rating reflects the company's reliable and predictable revenue, based on existing contracts with O2 and T-Mobile. Operating costs are predictable and can be adjusted to accommodate cost increases, implying high certainty with respect to future EBITDA margins.

Exhibit 8

We expect FCF to remain close to breakeven owing to the dividend distribution policy

Moody's-adjusted funds from operations (FFO), capital spending, changes in working capital, dividend payments and FCF



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CETIN Group's credit quality also reflects the financial policies and higher leverage of PPF Telecom

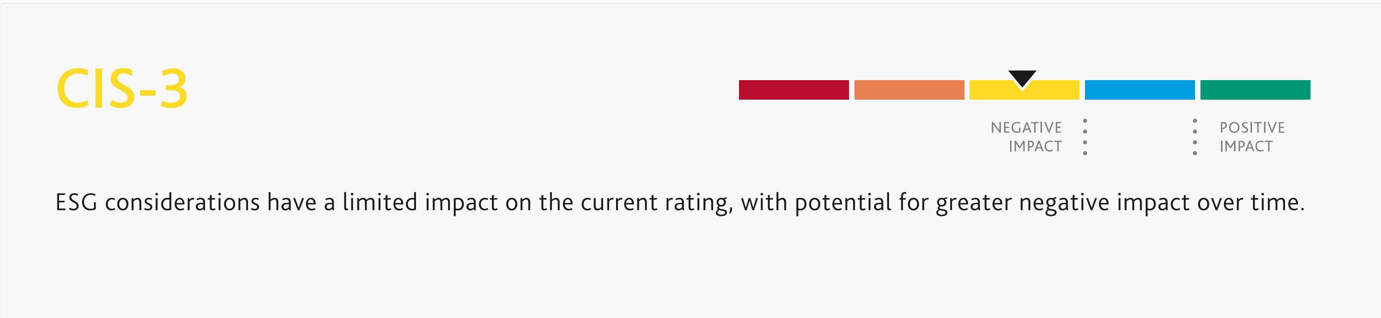
PPF Telecom has a complex structure, with debt allocated across the holding company and operating subsidiaries. As of December 2023, 57% of the debt was raised at PPF Telecom, with the balance being allocated to CETIN Group (38%) and O2 (5%). PPF Telecom is a holding company that relies entirely and exclusively on the cash flow and dividends upstreamed from its operating companies to support its cash needs, mainly interest cost.

There is a limit to how far the credit quality of CETIN Group can be delinked from that of PPF Telecom because the latter owns and controls the former. Therefore, any weakness in the credit quality of PPF Telecom could strain CETIN Group's rating — for example, if there are more debt-financed acquisitions or if the performance of any of PPF Telecom's aggregated subsidiary businesses deteriorates.

ESG considerations

CETIN Group N.V.'s ESG credit impact score is CIS-3

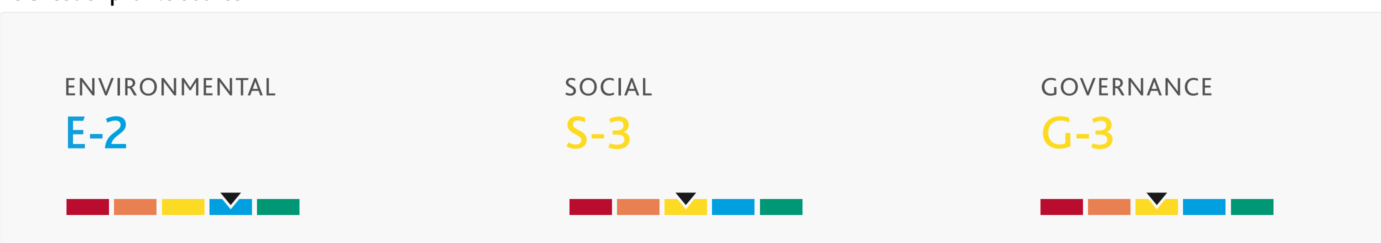
Exhibit 9
ESG credit impact score



Source: Moody's Ratings

CETIN Group's **CIS-3** indicates that ESG considerations have a limited impact on the current rating. Environmental and social risks are manageable, but the company is exposed to governance risks owing to its concentrated ownership, the group's financial policy and PPF Telecom's complex structure.

Exhibit 10
ESG issuer profile scores



Source: Moody's Ratings

Environmental

CETIN Group's **E-2** is driven by its low exposure to environmental risks and it is in line with the overall industry. Its communications infrastructure releases very low levels of carbon emissions. Physical climate risks are also neutral-to-low in the countries where it operates.

Social

CETIN Group's **S-3** reflects its exposure to social risks, arising from its exposure to labour unions and changing of demographic and societal trends towards the use of telecom related technology. The company's exposure to changes in technology and potential obsolescence of its mobile and fixed network is viewed as a long-term risk. This risk is mitigated by strong growth in data usage, which is driving investments in their networks.

Governance

CETIN Group's **G-3** reflects its aggressive liquidity management, with high dividend payments and limited external liquidity resources, together with a complex and evolving corporate structure at PPF Telecom level and a concentrated ownership (70% owned by PPF Telecom). PPF Telecom has a complex structure, with debt allocated across the holding company and the operating subsidiaries. About 57% of debt was raised at PPF Telecom, with the balance being allocated to CETIN Group (38%) and O2 (5%).

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

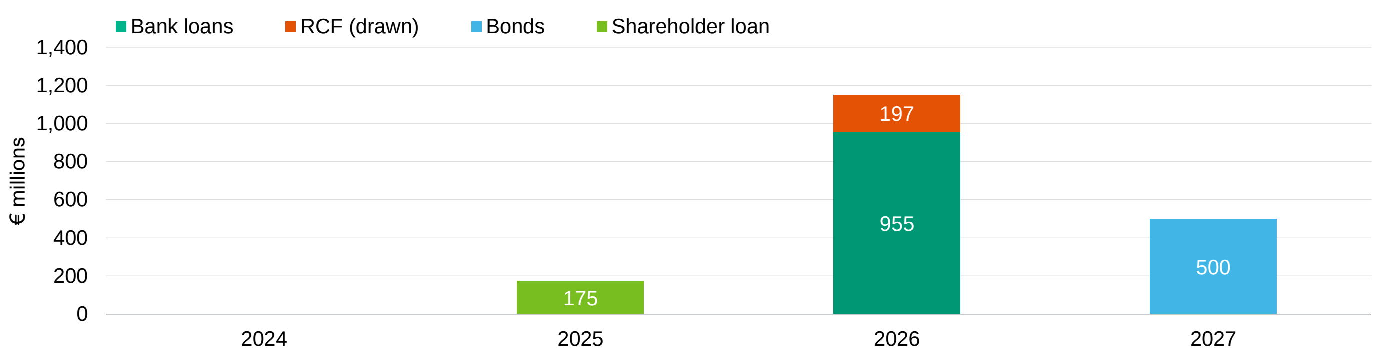
CETIN Group's liquidity is adequate. It is supported by cash and cash equivalents of €75 million as of December 2023, as well as by the company's strong FCF before dividends of around €100 million-€150 million. The company used €197 of its €200 million revolving credit facility (RCF) due August 2026 to repay the €197 million bond that was due in December 2023, which leaves the company with just €3 million of undrawn external liquidity resources. According to its liquidity policy, CETIN needs to hold a minimum technical cash reserve of €30 million. Additional funds may be used for capital investments, debt reduction and dividend distributions, unless net reported leverage is above 3.5x.

However, we view the group's liquidity management as somewhat aggressive, given the absence of alternative sources of liquidity and a debt maturity wall that is building up in 2026 and 2027. Upcoming maturities include a €175 million shareholder loan due 2025 (used to fund the Nej.cz acquisition), which we expect the company to capitalise after the split transaction is closed; two term loans of €444 million and €511 million due 2026; and a €500 million bond due 2027. We expect the group to address its upcoming liquidity needs after the closing of the split transaction, with sufficient time left to fulfill these needs.

Exhibit 11

CETIN Group will face a significant maturity wall in 2026

Company's debt maturity profile as of April 2024



Source: Company

Structural considerations

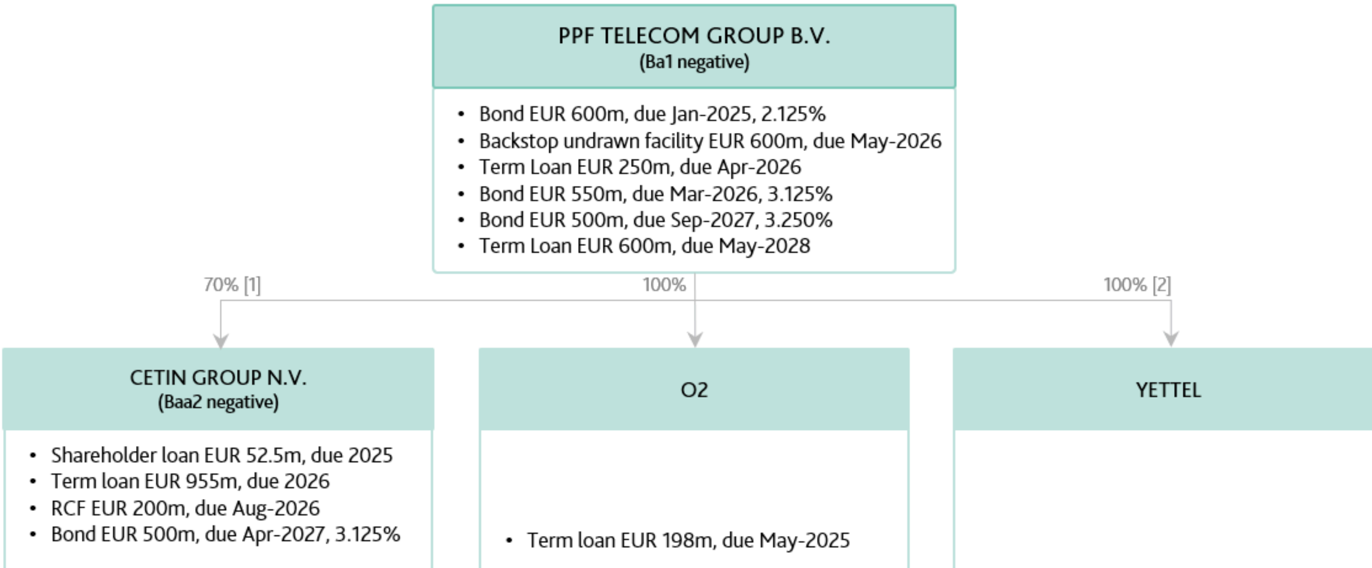
PPF Telecom group has a complex structure, with debt allocated across the holding company and the operating subsidiaries. As of December 2023, 57% of the debt was raised at PPF Telecom (including three bonds amounting to €1.7 billion), with the balance being allocated to CETIN Group (38%) and O2 (5%).

We have considered the rating of CETIN Group relative to PPF Telecom. The two-notch gap reflects the structurally subordinated position of PPF Telecom's bondholders. After the bond repayment at CETIN Czechia, there is no financial debt below CETIN Group. If significant debt is pushed down to CETIN Group's subsidiaries in the future, we could reflect structural subordination by notching down CETIN Group.

Exhibit 12

More than 50% of the group's debt is sitting at the PPF Telecom level

PPF Telecom as of April 2024



[1] Only 75% of CETIN Hungary is currently owned by CETIN Group.
[2] Except for Yettel Hungary, which is 75% owned by PPF Telecom.
Source: Company

Methodology and scorecard

The methodology used to rate CETIN Group was our Communications Infrastructure rating methodology, published in February 2022. The scorecard-indicated outcome for our 12-18-month forward view is Baa3, one notch below CETIN Group's Baa2 rating. The difference reflects the high predictability of its revenue and cash flow.

Exhibit 13

Rating factors

CETIN Group N.V.

Communications Infrastructure Industry Scorecard	Current FY Dec-23		Moody's 12-18 month forward view as of April 2024	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue ($ billions)	1.3	Ba	1.4	Ba
Factor 2 : Business Profile (25%)				
a) Business Model	A	A	A	A
b) Competitive Environment and Business Conditions	A	A	A	A
Factor 3 : Profitability & Efficiency (20%)				
a) FFO Margin	47.9%	Ba	46.7%	Ba
Factor 4 : Leverage & Coverage (30%)				
a) (EBITDA - CAPEX) / Interest Expense	3.4x	Baa	3.0x	Ba
b) FCF / Debt	-0.1%	Caa	0.0%	B
c) Debt / EBITDA	3.1x	Ba	2.9x - 3.0x	Baa
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Baa3
b) Actual Rating Assigned				Baa2

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Appendix

Exhibit 14

Peer comparison

CETIN Group N.V.

	CETIN Group N.V. Baa2 Negative			Chorus Limited Baa2 Stable			PPF Telecom Group B.V. Ba1 Negative			EuroTeleSites AG Baa2 Stable	
(in $ millions)	FY Dec-21	FY Dec-22	FY Dec-23	FY Jun-22	FY Jun-23	LTM Dec-23	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-21	FY Dec-22
Revenue	1,226	1,168	1,342	657	604	612	3,947	3,695	4,078	32	61
EBITDA	709	664	760	481	436	440	1,821	1,735	1,789	12	40
Total Debt	2,279	2,149	2,446	1,760	1,856	2,051	5,652	6,019	6,522	223	225
Cash & Cash Equivalents	94	88	83	55	47	55	710	537	706	2	5
FFO Margin %	48.2%	46.7%	47.9%	61.8%	54.0%	53.6%	36.8%	37.6%	38.2%	29.3%	54.5%
(EBITDA - Capex) / Interest Expense	9.7x	4.5x	3.4x	1.6x	1.0x	0.8x	7.5x	6.7x	5.2x	-36.6x	-11.7x
FCF / Debt	-0.7%	-0.3%	-0.1%	-2.2%	-4.9%	-5.9%	4.5%	-12.4%	3.2%	-34.9%	-23.9%
Debt / EBITDA	3.3x	3.2x	3.1x	4.0x	4.3x	4.5x	3.3x	3.3x	3.6x	19.2x	5.5x
RCF / Debt	13.6%	21.0%	20.3%	17.6%	12.2%	10.7%	15.8%	2.6%	17.7%	4.0%	15.0%

All figures and ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations. LTM = Last 12 months. The forecasts are our opinion and do not represent the views of the issuer.
Source: Moody's Financial Metrics™

Exhibit 15

Moody's-adjusted debt reconciliation

CETIN Group N.V.

(in € millions)	2019	2020	2021	2022	2023
As reported total debt	**1,018.0**	**1,171.0**	**2,003.0**	**2,013.0**	**2,214.0**
Pensions	0.0	1.0	1.0	1.0	0.0
Non-Standard adjustment	(1.0)	0.0	0.0	0.0	0.0
Moody's-adjusted total debt	**1,017.0**	**1,172.0**	**2,004.0**	**2,014.0**	**2,214.0**

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Source: Moody's Financial Metrics™

Exhibit 16

Moody's-adjusted EBITDA reconciliation

CETIN Group N.V.

(in € millions)	2019	2020	2021	2022	2023
As reported EBITDA	**334.2**	**327.0**	**638.0**	**650.0**	**703.0**
Unusual Items - Income Statement	(1.2)	11.0	(39.0)	(20.0)	0.0
Moody's-adjusted EBITDA	**333.0**	**338.0**	**599.0**	**630.0**	**703.0**

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Source: Moody's Financial Metrics™

Exhibit 17

Overview on selected historical and forecasted Moody's-adjusted financial data

CETIN Group N.V.

(in € millions)	2019	2020	2021	2022	2023	2024F	2025F
INCOME STATEMENT							
Revenue	747	714	1,036	1,108	1,241	1,300	1,335
EBITDA	333	338	599	630	703	747	768
Interest expense	18	20	31	48	83	90	90
BALANCE SHEET							
Cash & Cash Equivalents	66	124	83	82	75	72	74
Total Debt	1,019	1,172	2,004	2,014	2,214	2,224	2,224
CASH FLOW							
Capital Expenditures	(147)	(194)	(298)	(413)	(421)	(479)	(498)
Dividends	0	(106)	(226)	(95)	(146)	(90)	(95)
Retained Cash Flow (RCF)	189	187	273	422	449	516	529
RCF / Debt	18.5%	16.0%	13.6%	21.0%	20.3%	23.2%	23.8%
Free Cash Flow (FCF)	221	(13)	(15)	(7)	(2)	(3)	1
FCF / Debt	0.8%	-1.1%	-0.7%	-0.3%	-0.1%	-0.1%	0.1%
PROFITABILITY							
% Change in Sales (YoY)	-3.4%	-4.4%	45.1%	6.9%	12.0%	4.8%	2.7%
EBITDA margin %	44.6%	47.3%	57.8%	56.9%	56.6%	57.5%	57.5%
INTEREST COVERAGE							
EBITDA / Interest Expense	18.3x	16.9x	19.3x	13.1x	8.5x	8.3x	8.5x
(EBITDA - Capex) / Interest Expense	8.9x	7.2x	9.7x	4.5x	3.4x	3.0x	3.0x
LEVERAGE							
Debt / EBITDA	3.1x	3.5x	3.3x	3.2x	3.1x	3.0x	2.9x

Data until 2020 (included) refers to CETIN Czechia.
All figures and ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated.
The forecasts are our opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Ratings

Exhibit 18

Category	Moody's Rating
CETIN GROUP N.V.	
Outlook	Negative
Issuer Rating	Baa2
Senior Unsecured -Dom Curr	Baa2
PARENT: PPF TELECOM GROUP B.V.	
Outlook	Negative
Corporate Family Rating	Ba1
Senior Unsecured -Dom Curr	Ba1/LGD4

Source: Moody's Ratings

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