



8 August 2023

# PPF Telecom Group, CETIN Group Investor call

(updated with Fitch commentary on CETIN Group)

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# Meet the presenters



## Balesh Sharma

*Chief Executive Officer*

*27 years experience in telco*

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- Vodacom South Africa, Managing Director
- Vodafone Idea, India, CEO
- Vodafone Czech Republic, CEO
- Vodafone Malta, CEO



## Lukáš Kubesa

*Financial manager*

*7 years experience in telco, CETIN and PPF,  
14 years in finance*

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- Financial Manager of PPF Telecom Group (since 2018)
- Head of Financial reporting of CETIN (2016-2018)
- Senior financial reporting specialist at Raiffeisenbank CZ (2012-2016)
- Senior Audit Associate at PwC (2009-2012)



## Jan Tomaník

*Investment manager of PPF Group*

*11 years experience in telco M&A*

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- Acquisition of Telenor CEE
- Structural separation of O2 and CETIN and subsequent refinancing
- Acquisition of Telefónica O2 CR
- Czech 4th mobile operator project

# Strategic rationale of PPF' partnership with e&

## A partnership to grow PPF Telecom Group's regional leadership further

1

### NEW STRONG SHAREHOLDER JOINING FORCES WITH PPF

- PPF joins forces with **new strong majority shareholder e&**, which brings impressive telco presence, best-in-class industry knowledge and access to innovation
- Transaction allows PPF to:
  - lock-in portion of value generated since acquisition of its telco assets in 2014 and 2018, but at the same time
  - keeping economic exposure via its retained stake to further grow the business, additionally supported by synergies with e&

3

### PPF MANAGEMENT EXPERTISE

- e& and PPF retain Balesh Sharma, current CEO of PPF Telecom Group
- Continuity of the operations is assured
- Partnership to continue drawing from broad expertise of PPF Telecom Group's teams with proven track record in the region:
  - Lean group structure
  - Structural separation of ComCos and NetCos
  - Network sharing

2

### SYNERGIES AND OPERATIONAL ENHANCEMENTS

- Leveraging e&'s expertise in best-in-class digital, IoT, and B2B services
- Enhancing customer offerings and experience, digital and lifestyle products
- Merging know-how in customer value management
- Efficiencies from scope in vendor relationships and procurement, including wholesale and roaming
- Cross-continent learning and career development opportunities for top talents

4

### FOUNDATION FOR FURTHER GROWTH

- Shared ambition to build a major telecommunications business in Central and Eastern Europe together with e&
- Gaining the capacity for further expansion of the business,
  - while remaining within the range of the financial policy and
  - with joint aim of e& and PPF to maintain PPF Telecom Group's current ratings

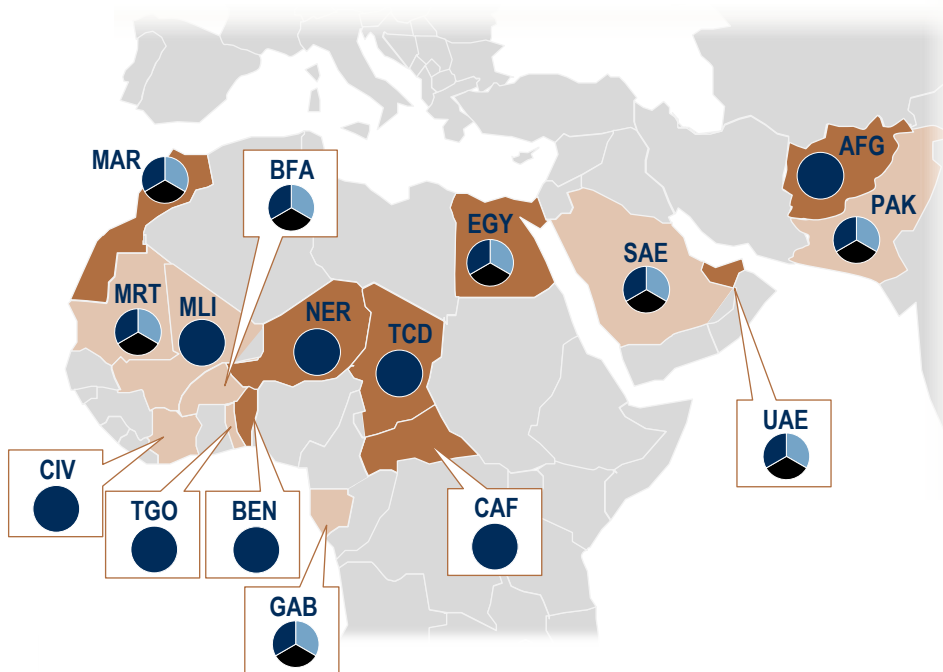
# e& at a glance

UAE telecommunication company, operating across 16 countries

## GEOGRAPHICAL PRESENCE 2022

Ownership: ■ > 50% ■ <= 50%

Business: ■ Mobile ■ Fixed ■ Internet



### Investment grade credit rating 1Q 2023

**S&P Global**  
Ratings  
Rating: AA-  
Outlook: Stable

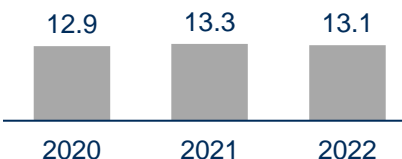
**Moody's**  
Rating: Aa3  
Outlook: Stable

Source: e& data, Bloomberg  
EUR/AED 4.00  
[1] As of 25-July 2023 closing price

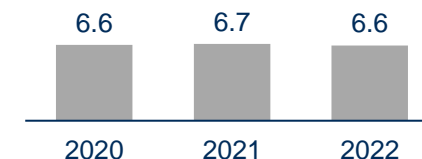
## ABOUT e&

*Founded in 1974, serving 164m customers every day*

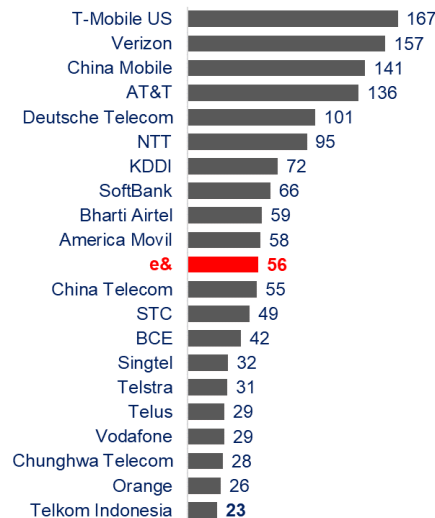
### Revenue (EURbn)



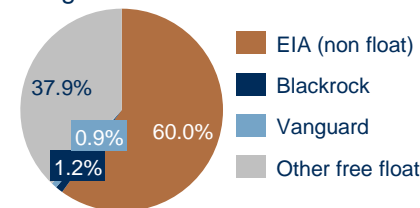
### EBITDA (EURbn)



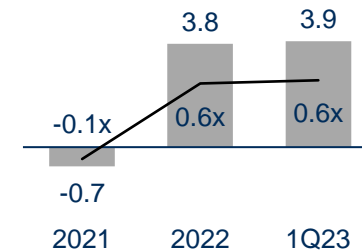
### Market capitalisation 9 Dec 2022, USDbn



### Ownership structure Largest 3 + other



### Net (cash) / debt (EURbn) Net debt / EBITDA



# Transaction overview

## New partnership covers Slovakia, Hungary, Bulgaria, and Serbia

### PRELIMINARY STRUCTURE

- Post closing, **e& will hold 50% + 1 share in PPF Telecom Group's assets in Slovakia, Hungary, Bulgaria, and Serbia**, both ComCos and NetCos
- **e& acquires the controlling stake and will fully consolidate the assets** at completion of the transaction
- **The control passes to e&**, but is not expected to trigger prepayment of the bonds since e& and PPF jointly aim to:
  - keep current ratings,
  - achieve the least disruption to the existing funding structure and
  - maintain PPF Telecom's established debt capital market presence

### TRANSACTION CONDITIONS AND TIMING

- **Expected closing in or before 1Q 2024**
- **Closing is subject to:**
  - regulatory approvals, including probably being subject to the EU Foreign Subsidies Regulation
  - consummation of corporate reorganisation
  - formation of the optimal and efficient capital structure within the transaction perimeter
  - certain administrative procedures and other customary closing conditions

### TRANSACTION CONSIDERATION

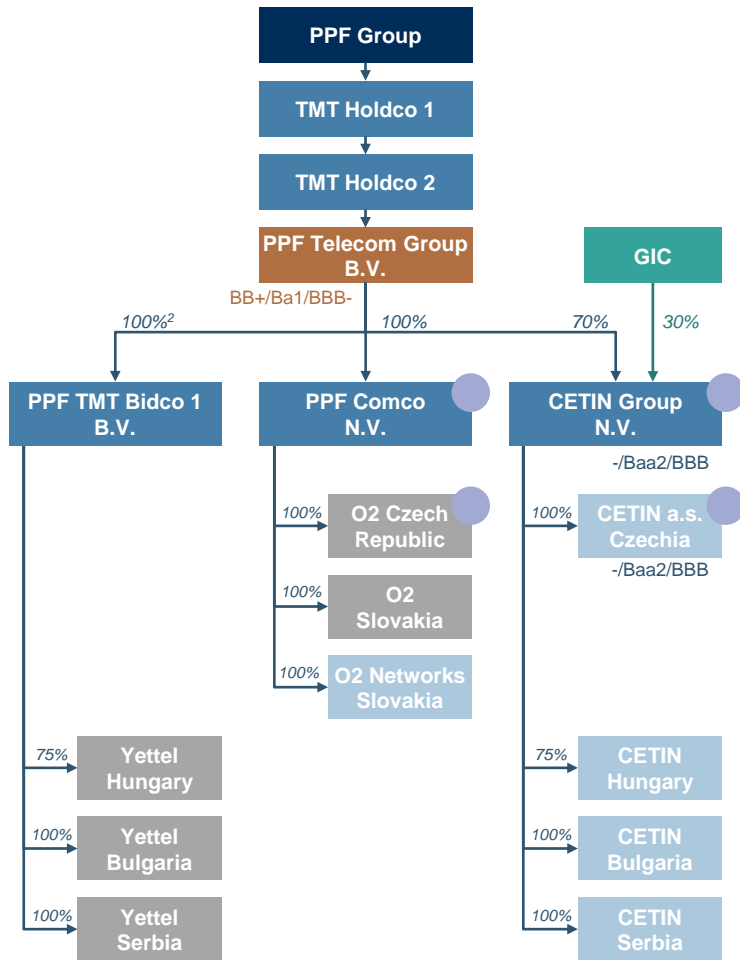
- **EUR 2.15 billion upfront payment by e&** at the closing for the acquisition of the 50% stake plus 1 share
- Additional earn-out payments of up to **EUR 350 million within 3 years** after the closing, if PPF Telecom Group exceeds certain financial targets. A claw-back of up to EUR 75 million, if the financial targets are not achieved
- **Use of proceeds** – The existing shares in PPF Telecom Group will be transferred between PPF Group and e& against the payment of the consideration. No proceeds accrue directly to PPF Telecom Group
  - **Corporate carve-out reorganisation** will nonetheless be conducted in such way that the transaction perimeter will be levered at completion approximately at 2x, including current PPF Telecom Group bonds

### ASSETS RETAINED BY PPF GROUP

- **PPF Group retains control and will fully consolidate its Czech telecom assets:** O2 Czech Republic a.s. and CETIN a.s. (incl. its parent entity CETIN Group N.V.)
  - PPF Telecom's existing assets in Czechia will be transferred outside the perimeter and will not be part of the transaction
  - CETIN Group N.V. will transfer its subsidiaries in Hungary, Bulgaria, and Serbia to PPF Telecom Group
  - **PPF aims to maintain CETIN Group's current rating levels**, subject to confirmation of the targeted final capital structure following a RES/RAS process with the rating agencies

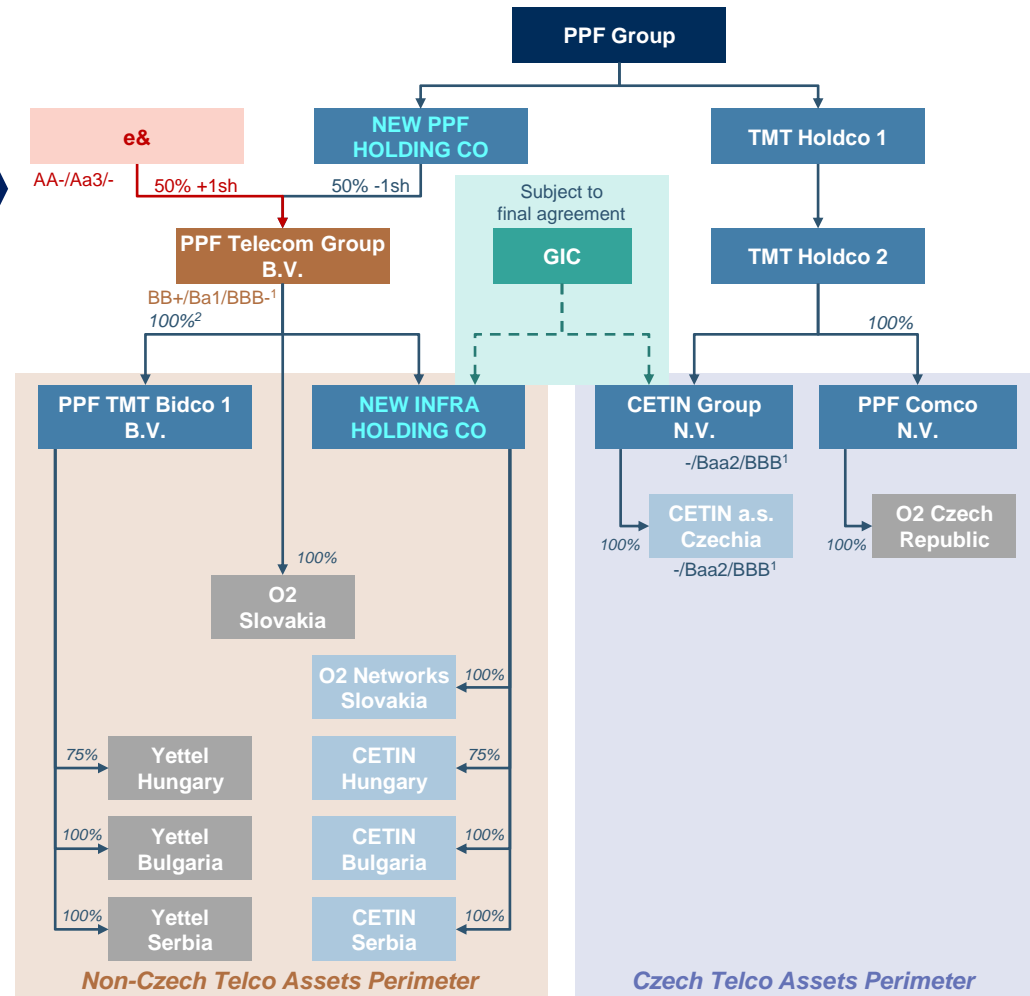
# Preliminary Structure Overview

## CURRENT



● Entities to be transferred outside the PPF Telecom Group and not be part of the transaction

## INTENDED



**Non-Czech Telco Assets Perimeter**




**Czech Telco Assets Perimeter**

[1] Aim to maintain PPF Telecom's current rating levels (BB+/Ba1/BBB-) after the transaction closing, as well as to maintain CETIN Group's current rating levels (-/Baa2/BBB), subject to the final capital structure implemented

[2] Except 75% ownership of Yettel Hungary

# Financial considerations

The key objective is to maintain current rating levels

2022, in EUR	CURRENT	POST-TRANSACTION PRO FORMA FINANCIAL PROFILE		
	PPF Telecom Group	PPF Telecom Group (transaction perimeter)	CETIN Group (CETIN Czechia only)	O2 Czech Republic
Revenues	3,506m	1,831m	763m	1,381m
EBITDAaL	1,508m	742m	338m	435m
Assets	7,874m	3,614m	2,571m	1,598m
Market positions		 Hungary Bulgaria Serbia Slovakia	 Czechia	 Czechia

## RATING

### PPF Telecom Group:

- e& and PPF aim to maintain current ratings (BB+/Ba1/BBB-)
- Rating agencies comments:
  - S&P: "...rating placed on CreditWatch Positive"
  - Moody's: "...no material negative credit implications"
  - Fitch: "...rating affirmed"

### CETIN Group:

- PPF aims to maintain current ratings (-/Baa2/BBB), subject to confirmation of the final capital structure following a RES/RAS process with the rating agencies
- Fitch: rating placed on Rating Watch Negative, indicating affirmation of the rating or maximum one-notch downgrade; still within the investment grade territory

## CAPITAL STRUCTURE AND FINANCIAL POLICY

- Final capital structure of PPF Telecom Group and CETIN Group to be formed after RES/RAS process with rating agencies
- We will update the markets once relevant progress is made

### PPF Telecom Group:

- Net leverage target of approx. 2.0x post closing, significantly lower than current threshold of up to 3.2x
- Bond repayments not anticipated given ratings to be maintained
- Continuous debt market presence and strong level of investor engagement

### CETIN Group:

- Financial policy to confirmed following a RES/RAS process with rating agencies



# Key takeaways

## The transaction opens a path to new growth for PPF's telco business

1

### FORWARD LOOKING GROWTH PROSPECTS

- PPF is not leaving the region and telco business. Quite the opposite – in partnership with e& PPF Telecom Group gains a partner with the financial muscle and significant telco expertise
- PPF is keeping its stake in CETIN and O2 in Czechia; both will continue benefiting from PPF's management expertise

2

### NEW, STRONG MAJORITY SHAREHOLDER WITH VERY HIGH CREDIT RATING

- e& is one of the biggest global telco market players, rated AA-/Aa3 with stable outlook (S&P/Moody's)

3

### KEY OBJECTIVE TO MAINTAIN CURRENT RATINGS

- PPF Group is contemplating several structural options and would expect to confirm rating implications through RES / RAS processes in the coming months with the aim to achieve the least disruption on the current funding structure

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