FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms CETIN Group at 'BBB'; Outlook Stable

Thu 23 Oct, 2025 - 2:03 PM ET

Fitch Ratings - Warsaw - 23 Oct 2025: Fitch Ratings has affirmed CETIN Group N.V.'s (CETIN) Long-Term Issuer Default Rating (IDR) and senior unsecured rating at 'BBB'. The Outlook is Stable.

The ratings are supported by CETIN's incumbent mobile and fixed network infrastructure and its operation within a competitive yet steady market. The company's wholesale-based business model has sizeable long-term contracted revenue that adds visibility and stability to its cash flow. We expect cash flow generation to be sufficient to cover capex, although dividends and financial flexibility may be limited.

The ratings are restrained in the short to medium term by high capex intensity from an accelerated fiber rollout, which has weakened cash flow from operations (CFO) less capex relative to debt. The company's limited geographic asset diversification and scale are balanced by prudent EBITDA net leverage management, which is commensurate with a higher rating band.

KEY RATING DRIVERS

Debt Reduction at CETIN: We forecast Fitch-defined EBITDA net leverage of about 2.2x by end-2025 and 2.3x-2.4x in 2026-2028. This follows a fall to well below the 3.0x upgrade threshold earlier in 2025 after CETIN refinanced EUR290 million of debt with new borrowings at the parent, PPF TMT Holdco 2 B.V., and via a term loan and revolving credit facility drawings at a sister company, O2 Czech Republic a.s.

We calculate that leverage would drop to around 1.2x if the company addresses its 2026 EUR417 million term loan at the parent level. This, combined with our expectation of EBITDA growth, support a strong credit profile.

Cash-Flow Leverage Constraints Rating: Positive rating action remains constrained by cash-flow leverage, measured by CFO less capex/debt, which we forecast to remain below the 10% upgrade threshold. We expect the ratio to be in low-single digits in 2025 and to turn and remain negative through to 2028, reflecting intensified fibre-to-the-home (FttH) investment.

Fibre Capex Weighs on FCF: We forecast negative to marginal pre-dividend free cash flow (FCF) and limited dividend distributions over 2025-2028, as accelerated fibre rollout and broadened coverage, drives average annual capex to around EUR315 million a year in our rating case. Fixed network capex constitutes around 65% of our forecast capex. Other key investments include RAN modernisation in 2025, new mobile sites to meet license renewal obligations and building a new data centre.

FttH Deployment Progresses: CETIN's existing fibre-to-the-cabinet (FttC)/digital subscriber line network (DSL) passes around 4.5 million households, or close to 100% of households in the Czech Republic. As of 1H25, more than 1 million of these households have been passed with CETIN's FttH network, including around 450,000 added through the acquisition of Nej.cz. CETIN plans to have access to 1.3 million homes by 2030 through FttH build-out, sharing with partners such as T-Mobile, and new partnerships.

Market Consolidation Supportive: Acquisitions of regional networks may allow CETIN to further increase the number of homes passed beyond current plans or, alternatively, may enable a reduction in the organic build-out. This is supported by ongoing market consolidation, with smaller internet service providers steadily losing market share as customers shift to convergent offers from larger providers.

EBITDA Margin to Widen: We expect the EBITDA margin to widen towards 49% by 2028, from 44.9% in 2024, driven by a falling share of low-margin international transit revenue. This should be further supported by cost efficiency initiatives and synergies coming from integrating acquired companies. Revenue growth will also enable EBITDA margin expansion, as we expect fixed costs to rise at a slower pace.

Contractually Secured Revenue: CETIN's growth, excluding international transit, is driven by mobile, supported by network modernisation, 5G rollout, tower densification and increased co-location. We expect a steady rise in revenue, excluding transit, over the next four years, with a large proportion of growth in the Czech market contractually secured.

Strong Infrastructure Assets; Inflation Immune Services: CETIN owns the incumbent Czech telecom infrastructure, mainly mobile towers, active mobile network components, backhaul networks and fixed local access networks. Its services are provided on long-term contracts of 10 to 30 years with CPI, foreign-currency (FX) and energy-price indexation and a fixed fee we estimate at about 50% of revenue. Additional services are provided at prices that allow CETIN to sustain a good return on capital employed.

Competitive Czech Broadband Market: The Czech broadband market is competitive, with a mix of alternative wireless, cable and fibre local access network infrastructure. Competition is increasing as T-Mobile builds out FttH in partnership with CETIN in parts of the country, raising the number of local-access network providers to four in certain regions. This could mean a loss of revenue from T-Mobile for a wholesaler like CETIN, unless offset by higher average revenue per user from FttH deployment, growth in new wholesale customers due to a more competitive FttH product and expansion of mobile services.

Limited FX Risks to Leverage: CETIN's borrowings are predominantly euro-denominated. This created a an FX mismatch between leverage and earnings prior to the sale of most of its central and eastern Europe telecom assets as part of a transaction with e&. The company's EBITDA is now solely denominated in Czech koruna, whose stability against the euro over the past decade reduces the real impact of this mismatch.

PEER ANALYSIS

CETIN is rated on a standalone basis under Fitch's Parent and Subsidiary Linkage Rating Criteria. This could change if the credit profile of the parent, PPF TMT Holdco 2, deteriorates or improves materially, as it may lead to CETIN's rating being linked to that of the parent.

CETIN's rating reflects the business mix of the company's network infrastructure, leverage profile, financial policy and the structure of the Czech market in which it operates. Infrastructure peers TDC NET A/S (BB/Stable) and FiberCop S.p.A. (BB/Stable) are rated lower based on their higher leverage profiles but have slightly higher leverage capacity per rating band. This reflects the peers' less competitive market structures, greater national network coverage and scale.

Pure mobile tower operators, such as Infrastrutture Wireless Italiane S.p.A. (BBB-/Stable) and Cellnex Telecom S.A. (BBB-/Stable), have looser leverage thresholds than CETIN per rating band, reflecting greater stability and visibility in FCF, higher visibility of investment risks for growth projects, a higher share of mobile towers in each geographic market, lower exposure to technological obsolescence risk or greater geographic or cash flow scale.

Integrated telecoms operators, such as BT Group plc (BBB/Stable) and Royal KPN N.V. (BBB/Stable), have tighter leverage thresholds per rating band than CETIN, due to the inclusion of their retail units, which carry higher risks in relation to sales volume, pricing, technological obsolescence, mobile spectrum costs and market competition. For CETIN, these commercial risks partially reside in the other more customer-facing part of the group it is operating in, as a result of its long-term contracts with a high share of fixed fees on a take-or-pay basis.

KEY ASSUMPTIONS

- Revenue of EUR859 million in 2025, gradually dropping to EUR801 million by 2028 on falling international transit revenue

- Fitch-defined EBITDA margin of around 47% in 2025, rising to about 49% by 2028, as lower-margin international transit as a share of revenue decreases

- Capex at 37%-40% of revenue in 2025-2028

- Dividend payment of EUR19 million in 2025 and no dividend payments through to 2028

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- EBITDA net leverage consistently above 3.5x

- Weakening EBITDA and FCF on a sustained basis

- CFO less capex/gross debt below 8%

- A significant deterioration in the credit profile of PPF TMT Holdco 2 could lead to a change in the standalone rating approach and consequently lead to a downgrade

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- EBITDA net leverage below 3.0x on a sustained basis

- CFO less capex/gross debt consistently above 10%

- Visibility of medium-term competitive stability in the wholesale fixed-line market

- An upgrade is subject to no deterioration of the credit profile of immediate parent, PPF TMT Holdco 2

LIQUIDITY AND DEBT STRUCTURE

CETIN had cash and cash equivalents of EUR73 million as at end-June 2025, supported by an undrawn one-year EUR20 million working capital line at CETIN a.s. level expiring in January 2026, with an extension option included. The company replaced its EUR200 million revolving credit facility in May 2025 with a EUR500 million backstop facility maturing in May 2028. The facility remains undrawn. CETIN generates healthy cash flow, supported by good revenue visibility and a strong EBITDA margin.

We expect CETIN to refinance its 2026 EUR417 million term loan in 2025. Its only other outstanding debt is its EUR500 million bond maturing in 2027. The company is still to decide if the facilities will be refinanced at CETIN or at its immediate parent, PPF TMT Holdco 2.

ISSUER PROFILE

CETIN operates fixed-line and mobile telecom network infrastructure in the Czech Republic and provides services on a wholesale basis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
CETIN Group N.V.	LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
senior unsecured	LT	BBB	Affirmed	BBB

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 02 Aug 2024) (including rating assumption sensitivity)

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

Corporate Rating Criteria (pub. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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CETIN Group N.V.	EU Issued, UK Endorsed

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