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FitchRatings

Corporates
Telecommunications
Belgium

Telenet Group Holding N.V

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BB-	Stable	Affirmed 1 Dec 2022
Short-Term IDR	B		Affirmed 1 Dec 2022

Click here for full list of ratings

Telenet Group Holding N.V's rating takes into account its mature operating and financial profile, a competitive but rational telecoms market, developed cash flow and conservative financial policy (for the rating level). Set against these factors, Fitch Ratings envisages potentially heightened competitive market intensity given evolving wholesale access in fixed markets and an anticipated new entrant in mobile.

Telenet's evolving infrastructure model has led to the disposal of its mobile towers and plans for the creation of an independently managed/capitalised network operation (netco) along with a fibre overbuild of its fixed-line network. We rate Telenet on the basis of consolidated metrics and envisage the company maintaining good leverage headroom in the face of a significant investment phase and period of weakened free cash flow.

The netco may lay the groundwork for the introduction of strategic/infrastructure investors and independent capital structure. Fitch will assess this possibility as plans become clearer. However, we would expect a netco to have higher debt capacity relative to a retail telecoms business relying on wholesale network provision, something that management appears to understand well.

Key Rating Drivers

Solid Operating, Financial Profile: Telenet has a mature and stable profile, both operationally and in terms of financial performance. It benefits from a solid in-franchise market share in a three- or four-operator telecoms market, high EBITDA margins relative to peers and conservative financial leverage at its rating level. The sector faces macro and inflationary pressures, although these seem under control.

Public guidance implies a stable EBITDA margin in 2022, while Fitch assumes a margin squeeze limited to 50bp in 2023 due to wage indexation, potential energy cost improvements and efficiencies. Fitch estimates the netco transaction could improve annual (EBITDA after leases) margins by about 3.5pp given the management fees currently paid to Fluvius and elimination of network lease payments. We project that half of this upside will materialise in 2023, as the transaction is pending regulatory approval and expected to close in mid-2023.

Competitive but Stable Market: We view Belgium, and more specifically the Flanders plus Brussels telecoms market, as mature and stable. Fixed-mobile convergence (FMC) is well established. We regard the market as competitive, but with three network-based operators – Proximus, the incumbent, Telenet and Orange (acquiring Wallonia-based cable operator, VOO, which is still subject to regulatory approval) – largely competing in a mature, rational market.

Infrastructure changes in fixed and mobile could result in a more intensely competitive market, although we see this as a more medium- than near-term risk.

New Market Entrant: Romania-based Digi has acquired mobile spectrum and will enter the Belgium market, with a mobile plus fixed offer. We do not believe it will reach a national roaming agreement with any existing networks, which limits near-term risks. This may change, as in other markets.

We believe its strategy is likely to target the low value market, meaning risk to the established FMC operators is somewhat limited. National roaming agreement opportunities and the potential for increased fixed wholesale access competition could present a more serious risk from the new entrant over time.

Related Research

Global Economic Outlook (December 2022)

European Telecoms Outlook 2023 (November 2022)

Applicable Criteria

Corporate Rating Criteria (October 2022)

Sector Navigators: Addendum to the Corporate Rating Criteria (October 2022)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

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Wholesale Access Competition: Telenet has announced the merger and spin-off of its fixed network with Fluvius in a netco transaction that will accelerate the rollout/overlay of fibre in Flanders and parts of Brussels. The joint venture is targeting 78% fibre coverage and will offer wholesale access. Meanwhile, Orange Belgium is in the process of acquiring VOO, subject to regulatory approval.

In Fitch's view, the latter also has potential to develop fibre coverage in Wallonia and possible wholesale access to that network (Telenet has announced a memorandum of understanding regarding wholesale access). Both transactions could increase wholesale competition, although this is more likely only once a tangible level of fibre overlay has been built.

Changing Infrastructure Model: Telenet has announced two key network transactions in 2022, signalling a move towards a more infrastructure-light capital model. The first, the sale of its mobile tower portfolio, generated EUR745 million cash proceeds, with the sale of passive network assets having no impact on the way we view the company's operating profile. This reflects an efficient approach to capital allocation and is a credit positive.

Netco Transaction: In the netco transaction Telenet will combine its ownership of a network covering roughly two-thirds of Flanders with the Fluvius network, covering the remaining third, forming a fixed network reaching the whole of Flanders and some parts of Brussels. Telenet has outlined separate capitalisation policies for the netco/servco, which in Fitch's view suggest the groundwork for a potential sell-down and deconsolidation of the netco. This could in time enable efficient third-party funding of netco, supporting the EUR2 billion of planned fibre capex.

Netco, Servco Treatment: Management has established internal financial leverage within Telenet's retail operations of 2.8x and netco leverage of 5x to reflect the different risk profiles of the two businesses. Under the proposed netco ownership, we rate Telenet on its consolidated metrics. It is possible a sell-down where ownership remained above 50% could result in some tightening in leverage thresholds, as Fitch has applied in other netco transactions.

A sell-down to below 50% would lead to the deconsolidation of the network and a more fundamental review of how Telenet is rated. In this event the leverage band would be likely to tangibly tighten, reflecting the loss of a core operating asset.

Conservative Financial Policy: Telenet has a mature and stable cash flow and cautious approach to leverage. Management has been consistent in managing company-defined net debt-to-EBITDA towards the mid-point of a 3.5x-4.5x band. We expect Fitch-defined net debt-to-EBITDA to remain in a range of 3.7x-3.8x. This will be driven by the fibre rollout, but may include modest buybacks or special dividends in the outer years of the plan depending on capex efficiencies.

This remains comfortably below the downgrade threshold of 5x. The financial profile envisaged in our rating case could support a higher rating but the lack of visibility over the ultimate netco structure precludes this.

Financial Summary

Telenet Group Holding N.V.

(EURm)	Dec 20	Dec 21	Dec 22F	Dec 23F
Gross revenue	2,575	2,596	2,652	2,777
EBITDA margin (%)	45.5	45.3	43.7	43.4
EBITDA net leverage (x)	4.4	4.2	3.9	3.7
FFO net leverage (x)	4.8	4.6	4.3	4.1
EBITDA interest coverage (x)	7.2	8.1	6.9	6.9

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, Telenet Group Holding N.V.

Rating Derivation Relative to Peers

Telenet's ratings are driven by its solid operating profile, underpinned by a strong network footprint in Flanders and part of Brussels, scaled operations with strong cash generation and a sustainable competitive position. This enables Telenet to support a leveraged balance sheet.

The company's targets net debt-to-EBITDA leverage in the mid-point of a 3.5x-4.5x range. This is higher than its western European investment-grade telecom peers but more conservative than similarly rated telecoms peers such as VMED O2 UK Limited (BB-/Stable) and UPC Holding BV (BB-/Stable).

It has a similarly strong operating profile to that of NOS, S.G.P.S, S.A. (BBB/Stable), with higher leverage accounting for Telenet's lower rating. Its revenue visibility and pre-dividend free cash flow margins are strong across the sector (both investment grade and sub-investment grade).

We have tightened the company's downgrade leverage (net debt-to-EBITDA) threshold by 0.2x to 5x, reflecting our move to EBITDA-based metrics. This is in line with the adoption of tightened thresholds across the sub-investment grade telecoms portfolio in EMEA.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Market Position	Diversification	Technology and Infrastructure	Regulatory Environment	Profitability	Financial Structure	Financial Flexibility
Royal KPN N.V.	BBB/Stable	aa	a-	bbb+	bbb	a-	bbb	bbb+	bbb	a
UPC Holding BV	BB-/Stable	aa-	bbb+	bb+	bbb-	bbb+	bbb+	bbb	b	bbb-
VMED O2 UK Limited	BB-/Stable	aa	a-	bbb+	bbb	a-	bbb+	bbb+	b	bbb
VodafoneZiggo Group B.V.	B+/Stable	aa	bbb	bbb+	bbb-	bbb+	bbb+	bbb+	b	bb+

Source: Fitch Ratings. Importance: Higher, Moderate, Lower

Rating Sensitivities

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

- FFO net leverage falling below 4.5x (about 4.3x Fitch defined EBITDA net leverage) on a sustained basis. However, positive rating action is unlikely in the near term given uncertainties surrounding the ownership structure of the netco.

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

- A weaker operating environment due to increased competition from either mobile or cable wholesale, or a new market entrant, such as Digi, leading to a larger-than-expected market share loss and decrease in EBITDA.
- FFO net leverage consistently above 5.2x (about 5.0x Fitch defined EBITDA net leverage) and FFO interest coverage trending below 4.0x (2021: 7.4x); consistent with EBITDA interest cover below 4.5x.
- A change in financial or dividend policy leading to higher leverage targets.

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Liquidity and Debt Structure

Robust Liquidity: At end-September 2022, Telenet had a cash balance of EUR945.6 million, driven by the proceeds of the mobile tower disposal completed in June 2022. Telenet's liquidity position is further supported by undrawn revolving credit facilities of EUR530 million due 2026 and a EUR25 million overdraft facility maturing in 2023.

The group has a long-dated debt maturity profile, with no significant debt maturities until 2028. We expect an unusually high cash position in part to support the company's EUR2 billion fibre roll-out plan, most of which is planned by 2029.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Liquidity and Debt Maturities

Liquidity Analysis

	2022F	2023F	2024F	2025F
Available liquidity				
Beginning cash balance	140	737	778	627
Rating case FCF after acquisitions and divestitures	835	41	-151	-136
Debt issued since the last balance sheet date	*-66*			
Repurchase of own share	*-23*			
Payments related to capital reductions and dividends	*-149*			
Total available liquidity (A)	**737**	**778**	**627**	**491**
Liquidity uses				
Debt maturities	0	0	0	0
Total liquidity uses (B)	**0**	**0**	**0**	**0**
Liquidity calculation				
Ending cash balance (A+B)	737	778	627	491
Revolver availability	0	0	0	0
Ending liquidity	**737**	**778**	**627**	**491**
Liquidity score (x)	Not meaningful	Not meaningful	Not meaningful	Not meaningful

F – Forecast
Source: Fitch Ratings, Fitch Solutions, Telenet Group Holding N.V.

Scheduled debt maturities	31 Dec 21
2022	0
2023	0
2024	0
2025	0
2026	2
Thereafter	5,116
Total	**5,118**

Source: Fitch Ratings, Fitch Solutions, Telenet Group Holding N.V.

Key Assumptions

- Underlying revenue rise of 1% in 2022 and 2023 and below 1% in 2024-2026; total 2022 and 2023 revenue rise of 2.2% and 4.7%, respectively, driven by the Caviar acquisition
- EBITDA margin, before the IFRS16 impact, of 43.7% in 2022 and 43.4% in 2023, affected by the rise in lease costs after the mobile towers disposal and energy and wage costs inflation; from 2024 major impact from cost savings from the netco deal with Fluvius
- Capex/sales ratio (excluding spectrum payments and amortisation of broadcasting rights) gradually increasing from 22% in 2022 to peak at about 36% in 2024, falling to around 31% by 2026
- Common dividend payments of EUR150 million in FY22 and EUR100 million thereafter
- We have made some arbitrary/modest assumptions on share buybacks such that Fitch-defined net debt/EBITDA remains in a range of 3.7x–3.8x. We believe management will prioritise the fibre rollout and maintaining leverage within stated goals, but may use buybacks over the medium term, subject to these objectives

Financial Data

Telenet Group Holding N.V

	Historical			Forecast		
(EUR millions)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Summary income statement						
Gross revenue	2,584	2,575	2,596	2,652	2,777	2,797
Revenue growth (%)	1.9	-0.3	0.8	2.2	4.7	0.7
EBITDA (before income from associates)	1,217	1,171	1,175	1,158	1,206	1,272
EBITDA margin (%)	47.1	45.5	45.3	43.7	43.4	45.5
EBITDAR	1,260	1,175	1,175	1,158	1,206	1,272
EBITDAR margin (%)	48.8	45.6	45.3	43.7	43.4	45.5
EBIT	659	567	573	599	736	693
EBIT margin (%)	25.5	22.0	22.1	22.6	26.5	24.8
Gross interest expense	-234	-177	-160	-168	-175	-170
Pre-tax income (including associate income/loss)	353	389	507	431	561	523
Summary balance sheet						
Readily available cash and equivalents	101	82	140	950	845	575
Debt	5,226	5,198	5,118	5,508	5,363	5,344
Lease-adjusted net debt	5,573	5,198	5,118	5,508	5,363	5,344
Net debt	5,125	5,116	4,978	4,558	4,518	4,769
Summary cash flow statement						
EBITDA	1,217	1,171	1,175	1,158	1,206	1,272
Cash interest paid	-222	-163	-145	-168	-175	-170
Cash tax	-159	-110	-96	-98	-102	-108
Dividends received less dividends paid to minorities (inflow/(out)flow)	0	0	0	0	0	0
Other items before funds from operations (FFO)	-39	-4	-4	-2	-2	-2
FFO	797	894	931	890	927	992
FFO margin (%)	31	35	36	34	33	36
Change in working capital	113	-16	-68	-39	-40	-40
Cash flow from operations (CFO) (Fitch-defined)	910	878	863	850	887	953
Total non-operating/non-recurring cash flow	0	0	0			
Capex	-494	-507	-456			
Capital intensity (capex/revenue) (%)	19	20	18			
Common dividends	-63	-292	-306			
Free cash flow (FCF)	352	79	101			
Net acquisitions and divestitures	-19	30	1			
Other investing and financing cash flow items	131	175	124			
Net debt proceeds	-400	-264	-156	391	-145	-20
Net equity proceeds	-51	-32	-13	-23	0	-100
Total change in cash	13	-11	58	811	-105	-271
Leverage ratios (x)						
EBITDA net leverage	4.2	4.4	4.2	3.9	3.7	3.7
EBITDAR leverage	4.4	4.4	4.4	4.8	4.4	4.2
EBITDAR net leverage	4.3	4.4	4.2	3.9	3.7	3.7
EBITDA leverage	4.3	4.4	4.4	4.8	4.4	4.2
FFO-adjusted leverage	5.2	4.9	4.8	5.2	4.9	4.6
FFO-adjusted net leverage	5.2	4.8	4.6	4.3	4.1	4.1
FFO leverage	5.1	4.9	4.8	5.2	4.9	4.6
FFO net leverage	5.0	4.8	4.6	4.3	4.1	4.1
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-576	-769	-761	-15	-847	-1,104
FCF after acquisitions and divestitures	334	109	102	835	40	-151
FCF margin (after net acquisitions) (%)	12.9	4.2	3.9	31.5	1.5	-5.4
Coverage ratios (x)						
FFO interest coverage	4.6	6.5	7.4	6.3	6.3	6.8
FFO fixed-charge coverage	4.0	6.4	7.4	6.3	6.3	6.8
EBITDAR fixed-charge coverage	4.7	7.0	8.1	6.9	6.9	7.5
EBITDA interest coverage	5.5	7.2	8.1	6.9	6.9	7.5
Additional metrics						
CFO-capex/debt (%)	7.9	7.1	8.0	4.4	0.3	-1.0
CFO-capex/net debt (%)	8.1	7.3	8.2	5.3	0.4	-1.1

Source: Fitch Ratings, Fitch Solutions, Telenet Group Holding N.V

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

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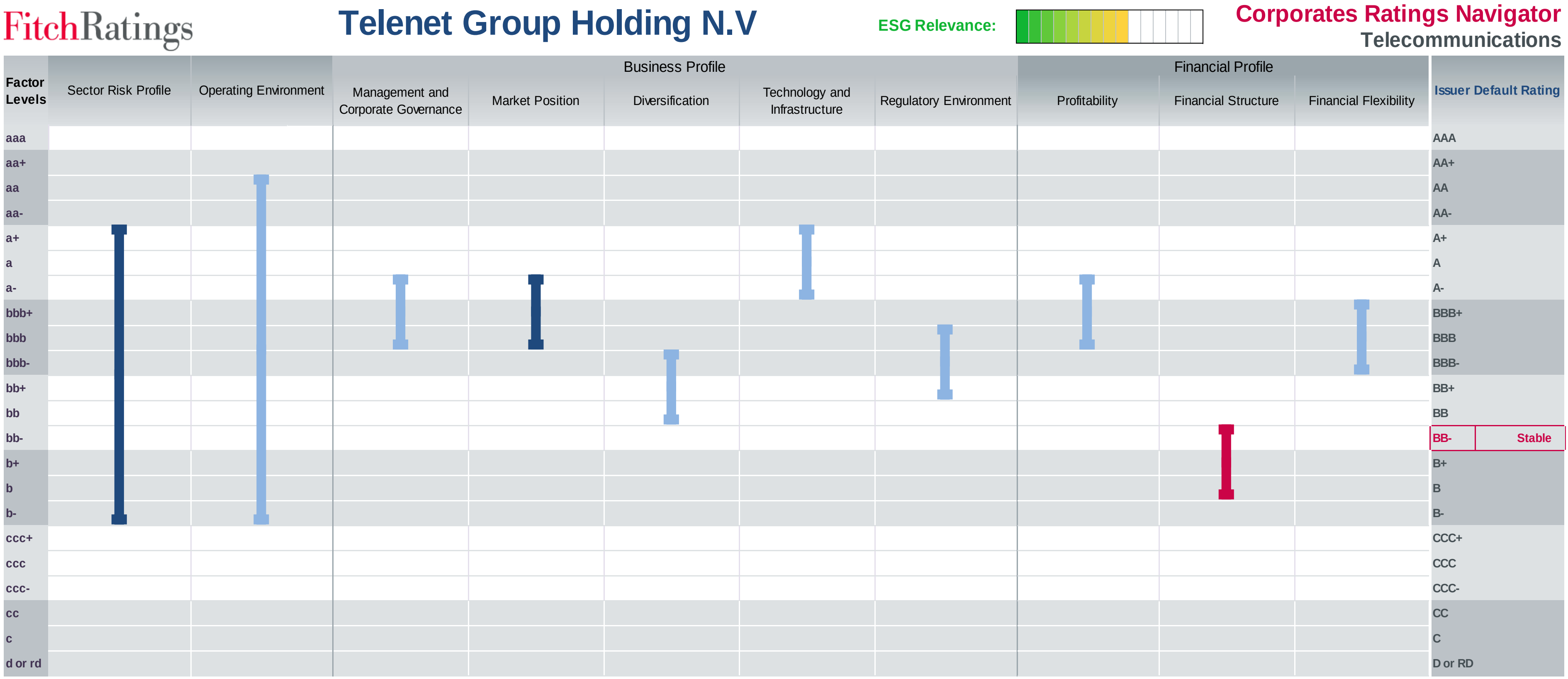
Ratings Navigator



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

Telenet Group Holding N.V

Corporates Ratings Navigator
Telecommunications

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a	Management Strategy	a	Coherent strategy and good track record in implementation.
a-	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb+	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb-			

Market Position

a	Market Position	a	Very strong and sustainable market share in primary markets (> 30%).
a-	Competition	bbb	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.
bbb+	Scale - EBITDA	bbb	>$1 billion
bbb			
bbb-			

Diversification

bbb	Service Platform Diversification	bbb	Operates several service platforms in primary markets but one is dominant.
bbb-	Geographic Diversification	b	Weak geographic diversification.
bb+			
bb			
bb-			

Technology and Infrastructure

aa-	Ownership of Network	a	Owns almost all of its infrastructure.
a+	Network and Service Quality	a	Market leading network in terms of coverage and technology deployment, with good quality of service.
a			
a-			
bbb+			

Regulatory Environment

bbb+	Regulatory Risk	bbb	Moderate.
bbb			
bbb-			
bb+			
bb			

Profitability

a	Volatility of Cash Flow	bbb	Volatility and visibility of cash flow in line with industry average.
a-	EBITDA Margin	a	35%
bbb+	FFO Margin	a	30%
bbb			
bbb-			

Financial Structure

bb	FFO Leverage	b	5.7x
bb-	FFO Net Leverage	b	5.5x
b+	(CFO-Capex)/Total Debt With Equity Credit	b	2.5%
b	Total Debt With Equity Credit/Op. EBITDA	bb	3.8x
b-			

Financial Flexibility

a-	Financial Discipline	bbb	Financial policies less conservative than peers but generally applied consistently.
bbb+	Liquidity	bbb	One year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb	FFO Interest Coverage	bbb	6.0x
bbb-	FX Exposure	aa	No material FX mismatch.
bb+			

Credit-Relevant ESG Derivation

Telenet Group Holding N.V has 8 ESG potential rating drivers

- Energy and fuel use in networks and data centers
- Networks exposed to extreme weather events (e.g. hurricanes)
- Data security; service disruptions
- Impact of labor negotiations and employee (dis)satisfaction
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	8	issues	3
not a rating driver	1	issues	2
	5	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

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Telenet Group Holding N.V

Corporates Ratings Navigator
Telecommunications

Credit-Relevant ESG Derivation

Telenet Group Holding N.V has 8 ESG potential rating drivers

- Telenet Group Holding N.V has exposure to energy productivity risk but this has very low impact on the rating.
- Telenet Group Holding N.V has exposure to extreme weather events but this has very low impact on the rating.
- Telenet Group Holding N.V has exposure to customer accountability risk but this has very low impact on the rating.
- Telenet Group Holding N.V has exposure to labor relations & practices risk but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	8	issues	3
not a rating driver	1	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	3	Energy and fuel use in networks and data centers	Profitability	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	3	Networks exposed to extreme weather events (e.g. hurricanes)	Profitability	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Data security; service disruptions	Competitive Position; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Competitive Position; Profitability	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Social attitudes toward network infrastructure	Diversification; Technology and Infrastructure; Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

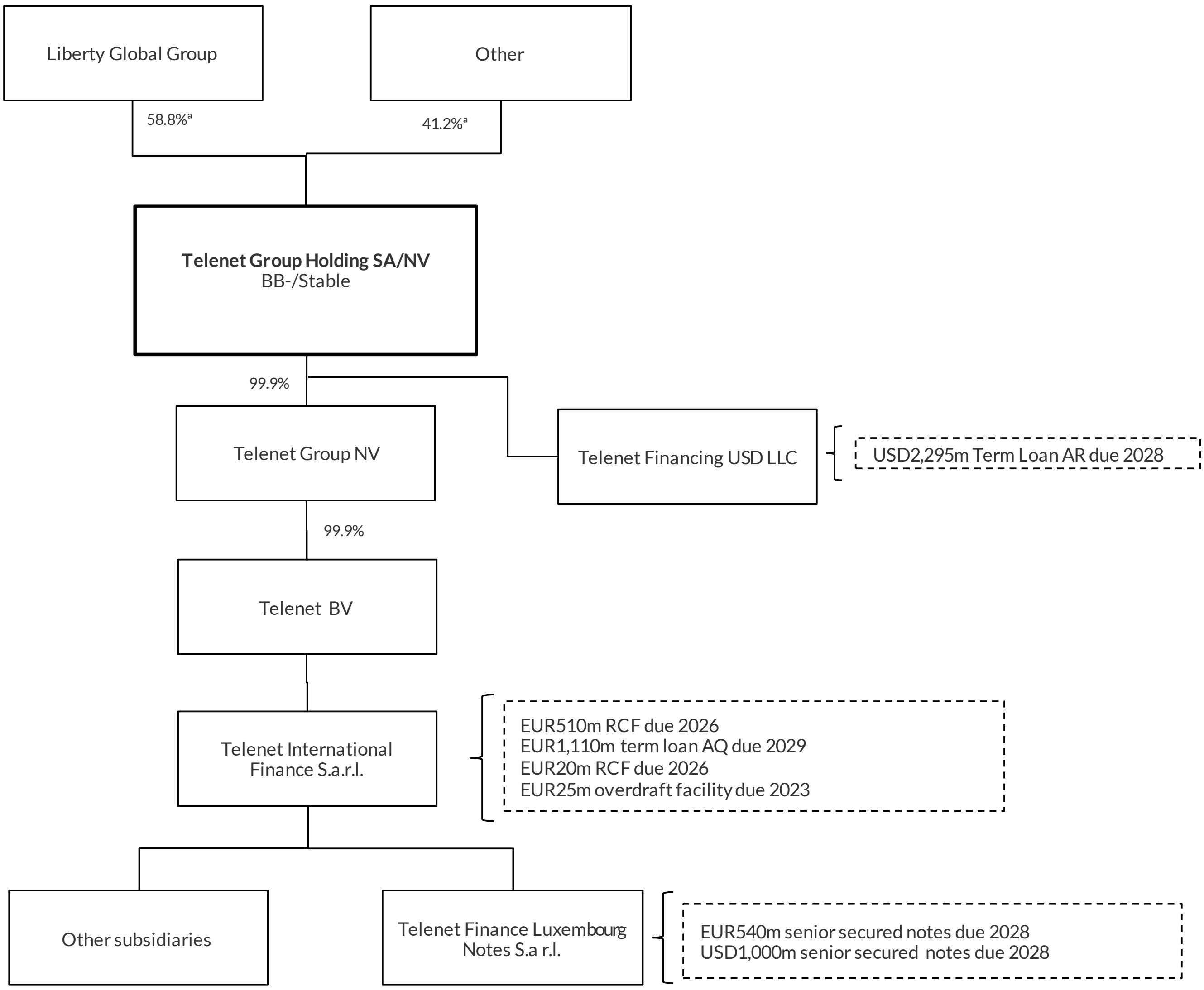
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



[a] Shareholders as at 3 August 2022.
Debt Security: Telenet Financing USD LLC, Telenet BVBA, Telenet International Finance S.a.r.l., Telenet Group Holding N.V, Telenet Vlaanderen NV, Telenet Group BVBA.
Debt Guarantors: Telenet Financing USD LLC, Telenet BVBA, Telenet International FInance S.a.r.l., Telenet Group BVBA.
Source: Fitch Ratings, Fitch Solutions, Telenet Group Holding N.V as of 1 October 2022

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	EBITDA margin (%)	EBITDA net leverage (x)	FFO net leverage (x)	EBITDA interest coverage (x)
Telenet Group Holding N.V	BB-						
	BB-	2021	2,596	45.3	4.2	4.6	8.1
	BB-	2020	2,575	45.5	4.4	4.8	7.2
	BB-	2019	2,584	47.1	4.2	5.0	5.5
VodafoneZiggo Group B.V.	B+						
	B+	2021	4,077	47.9	5.6	5.8	4.7
	B+	2020	4,000	47.0	5.6	5.5	4.4
	B+	2019	3,937	45.2	6.0	5.8	3.5
UPC Holding BV	BB-						
	BB-	2021	2,852	36.4	6.6	6.6	4.8
	BB-	2020	1,792	44.0	8.2	8.2	4.8
	BB-	2019	1,549	48.2	5.1	5.3	3.5
VMED O2 UK Limited	BB-						
	BB-	2021	7,161	32.4	9.1	9.8	5.8
	BB-	2020	5,772	41.2	5.6	5.7	4.0
		2019	5,889	43.2	5.1	5.2	3.2
Iliad Holding S.A.S.	BB						
	BB	2021	7,587	36.4	4.8	6.6	13.7
		2020	5,871	31.1	3.9	5.2	24.7
Royal KPN N.V.	BBB						
	BBB	2021	6,122	37.7	2.3	2.4	11.1
	BBB	2020	5,302	43.1	2.3	2.4	9.7
	BBB	2019	5,701	38.6	2.3	2.4	7.4

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm) 31 Dec 21	Notes and formulas	Reported values	Sum of adjustments	Corp - lease treatment	Other adjustments	Adjusted values
Income statement summary						
Revenue		2,596				2,596
EBITDAR		1,329	-154	-116	-38	1,175
EBITDAR after associates and minorities	(a)	1,329	-154	-116	-38	1,175
Lease expense	(b)	0				0
EBITDA	(c)	1,329	-154	-116	-38	1,175
EBITDA after associates and minorities	(d) = (a-b)	1,329	-154	-116	-38	1,175
EBIT	(e)	599	-26	-26	0	573
Debt and cash summary						
Other off-balance-sheet debt	(f)	0				0
Debt[b]	(g)	5,061	56		56	5,118
Lease-equivalent debt	(h)	0				0
Lease-adjusted debt	(i) = (g+h)	5,061	56		56	5,118
Readily available cash and equivalents	(j)	140				140
Not readily available cash and equivalents		0				0
Cash flow summary						
EBITDA after associates and minorities	(d) = (a-b)	1,329	-154	-116	-38	1,175
Preferred dividends (paid)	(k)	0				0
Interest received	(l)	0				0
Interest (paid)	(m)	-169	24	24	0	-145
Cash tax (paid)		-96				-96
Other items before funds from operations (FFO)		33	-37	2	-38	-4
FFO	(n)	1,097	-167	-90	-77	931
Change in working capital (Fitch-defined)		-68				-68
Cash flow from operations (CFO)	(o)	1,030	-167	-90	-76	863
Non-operating/non-recurring cash flow		0				0
Capital (expenditures)	(p)	-479	23		23	-456
Common dividends (paid)		-306				-306
Free cash flow		244	-143	-90	-53	101
Gross leverage (x)						
EBITDAR leverage[a]	(i/a)	3.8				4.4
FFO adjusted leverage	(i/(n-m-l-k+b))	4.0				4.8
FFO leverage	(i-h)/(n-m-l-k)	4.0				4.8
EBITDA leverage[a]	(i-h)/d	3.8				4.4
(CFO-capex)/debt (%)	(o+p)/(i-h)	10.9%				8.0%
Net leverage (x)						
EBITDAR leverage[a]	(i-j)/a	3.7				4.2
FFO-adjusted net leverage	(i-j)/(n-m-l-k+b)	3.9				4.6
FFO net leverage	(i-h-j)/(n-m-l-k)	3.9				4.6
EBITDA net leverage[a]	(i-h-j)/d	3.7				4.2
(CFO-capex)/debt (%)	(o+p)/(i-h-j)	11.2%				8.2%
Coverage (x)						
EBITDAR fixed-charge coverage[a]	a/(-m+b)	7.9				8.1
EBITDA interest coverage[a]	d/(-m)	7.9				8.1
FFO fixed-charge coverage	(n-l-m-k+b)/(-m-k+b)	7.5				7.4
FFO interest coverage	(n-l-m-k)/(-m-k)	7.5				7.4

[a]EBITDA/R after dividends to associates and minorities
[b]Includes other off-balance-sheet debt
Source: Fitch Ratings, Fitch Solutions, Telenet Group Holding N.V

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