FitchRatings

Corporates
Telecommunications
Luxembourg

# Telenet Group Holding N.V

Telenet Group Holding N.V's rating takes into account its mature operating and financial profile and strong position in a competitive but rational telecoms market.

Key factors that could influence the rating include: any changes in the company's financial policy after Liberty Global (LG) acquired the remaining stake; the timing of Digi entering the Belgian market and the pace at which it would gain market share; any reductions in Telenet's stake in network infrastructure provider Wyre; and the financial impact of signing a commercial wholesale agreement between Telenet and Orange providing Telenet the access to the Wallonia market and the rest of Brussels.

## Key Rating Drivers

**New Entrant to Affect Competition**: Fitch Ratings expects Digi will enter the Belgian consumer market by end-2024 deploying a nationwide 5G network in cooperation with Citymesh, a small local B2B operator. Our base case projections assume Digi gains about 10% of the mobile services market in its first five years, resulting in a subscriber loss for Telenet of 7%-9%. This could prove an aggressive assumption as Digi's performance is weaker than expected. However, it does discount the risk within our financial forecast and provides a strong basis for the rating.

Our base case assumes that, combined with price competition, this would cause Telenet's mobile revenue to drop by 8%-9% in 2023-2027. Digi's strategy in Belgium may still be significantly affected by the outcome of the Masmovil and Orange merger in Spain and if Digi decides to be a remedy taker from this process.

**Netco Transaction Completed**: Telenet has expanded its market access, covering 100% of the franchise territory following the completion of the network transaction separating Telenet's network in a JV with Fluvius called Wyre, where Telenet holds 66.8% equity share. This is set up as an open access wholesale network but Telenet will be the anchor tenant accounting for about 90% of Wyre's revenue.

The projected up to EUR2 billion of fibre roll-out capex will drive the company's free cash flow margin and (CFO-capex)/debt negative over the next few years despite partial funding from cash proceeds from towers sale.

**Infrastructure Impact on Credit Profile**: Telenet's rating is based on a full consolidation of Wyre in line with the company's financial accounting. The approach could change if the company reduces its stake in Wyre. This could lead to a proportionate or deconsolidated financial approach to incorporating the company's ownership in Wyre. It may also lead to a tangible tightening of the leverage thresholds, reflecting the loss of a core operating asset.

**Leverage Likely to Rise**: LG plans to increase Telenet's target EBITDA (after leases) net leverage to 4x-5x, from current 3.5x-4.5x band. We do not have full visibility on the capital structure changes, and so our rating case still accounts for good leverage headroom versus the current band. We expect the financial discipline of both Telenet and LG to makes it unlikely that either will push Telenet's EBITDA (after leases) net leverage above the 5x downgrade threshold. We also expect cash balance allocation will prioritize Telenet's fibre-to-the-home (FTTH) roll-out plan over any one-off or increased shareholder distributions.

**Cable Wholesale Deal, National Footprint**: Telenet will gain access to the region of Wallonia and the remaining one-third of Brussels under a 15-year agreement between Telenet and Orange granting each other access to their respective hybrid-fibre coaxial and future FTTH networks. This will solidify Telenet's status as a nationwide fixed-mobile convergence provider. Telenet will incur additional investments to set its business up in a new region and revenue will have lower margins due to wholesale costs.

## Ratings

**Telenet Finance Luxembourg Notes S.a r.l.**

| | |
|---|---|
| Senior Secured Debt - Long-Term Rating | BB+ |

**Telenet Financing USD LLC**

| | |
|---|---|
| Senior Secured Debt - Long-Term Rating | BB+ |

**Telenet Group Holding N.V**

| | |
|---|---|
| Long-Term IDR | BB- |
| Short-Term IDR | B |

**Outlook**

| | |
|---|---|
| Long-Term Foreign-Currency IDR | Stable |

**Telenet International Finance Sarl**

| | |
|---|---|
| Senior Secured Debt - Long-Term Rating | BB+ |

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 17

## Applicable Criteria

Corporate Rating Criteria (November 2023)

Climate Vulnerability in Corporate Ratings Criteria (July 2023)

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

## Related Research

Global Corporates Macro and Sector Forecasts

European Telecoms Outlook 2024 (November 2023)

European Altnets & Cable — Relative Credit Analysis (January 2024)

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**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 potentially four-operator telecoms market, high EBITDA margins relative to peers and currently conservative financial leverage at its rating level . The sector faces macro and inflationary pressures, although these seem under control.

Fitch's rating case assumes some pressure on revenue from 2025 due to Digi entering the market, after about 1% yoy revenue growth in 2023 and 2024. The Fitch-defined EBITDA margin is to drop to 41% in 2023 from 43.8% in 2022, as elimination of lease payments after the Wyre deal completion are to be offset by wage and energy cost increases.

## Financial Summary

| (EURm) | 2020 | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|---|
| Gross revenue | 2,575 | 2,596 | 2,665 | 2,846 | 2,882 | 2,889 |
| EBITDA margin (%) | 45.5 | 45.3 | 43.8 | 41.0 | 41.7 | 41.5 |
| FCF margin (%) | 3.1 | 3.9 | 9.9 | — | — | — |
| EBITDA net leverage (x) | 4.4 | 4.2 | 3.5 | 3.4 | 3.5 | 3.7 |
| EBITDA interest coverage (x) | 7.2 | 8.1 | 6.3 | 6.1 | 6.6 | 6.7 |

F — Forecast
Source: Fitch Ratings, Fitch Solutions

## 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. We expect Telenet's market position to gradually erode due to the assumed increasing market share of Digi.

The company plans its net debt-to-EBITDA (after leases) leverage target to increase to 4.0x-5.0x from the mid-point of a 3.5x-4.5x range following LG's acquisition of the remaining stake in Telenet. This is higher than its western European investment-grade telecom peers and more aligned with other peers from the LG portfolio, such as VMED O2 UK Limited (BB-/Stable) and UPC Holding B.V. (BB-/Negative).

Telenet 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 is strong across the sector (both investment grade and sub-investment grade).

## Navigator Peer Comparison

| | 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 |
| Telenet Group Holding N.V | BB-/Stable | aa | bbb+ | bbb+ | bb+ | bbb+ | bbb- | bbb+ | b+ | bbb |
| UPC Holding BV | BB-/Negative | aa- | bbb | bbb- | bbb- | bbb+ | bbb | bbb | b | bb |
| VMED O2 UK Limited | BB-/Stable | aa | a- | bbb+ | bbb | a- | bbb+ | bbb+ | b | bb+ |
| VodafoneZiggo Group B.V. | B+/Stable | aa | bbb | bbb+ | bbb- | bbb+ | bbb | bbb+ | b | bb+ |

Source: Fitch Ratings. Relative Importance of Factor: Higher, Moderate, Lower

| Name | 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 | +6 | +2 | +1 | 0 | +2 | 0 | +1 | 0 | +3 |
| Telenet Group Holding N.V | BB-/Stable | +10 | +5 | +5 | +2 | +5 | +3 | +5 | -1 | +4 |
| UPC Holding BV | BB-/Negative | +9 | +4 | +3 | +3 | +5 | +4 | +4 | -2 | +1 |
| VMED O2 UK Limited | BB-/Stable | +10 | +6 | +5 | +4 | +6 | +5 | +5 | -2 | +2 |
| VodafoneZiggo Group B.V. | B+/Stable | +11 | +5 | +6 | +4 | +6 | +5 | +6 | -1 | +3 |

Source: Fitch Ratings. Factor Score Relative to IDR: Worse positioned than IDR, Within one notch of IDR, Better positioned than IDR

## Rating Sensitivities

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

- Fitch defined EBITDA net leverage falling below 4.3x on a sustained basis. However, positive rating action is unlikely in the near term given uncertainties surrounding the ownership structure of Wyre and a new entrant to the market.

**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.
- Fitch defined EBITDA net leverage consistently above 5.0x and EBITDA interest cover consistently below 4.5x.
- A change in financial or dividend policy leading to higher leverage targets.

## Liquidity and Debt Structure

**Comfortable Liquidity**: At end-September 2023, Telenet had a cash balance of EUR1.1 billion, 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 EUR620 million due in 2026 (EUR50 million) and 2029 (EUR570 million), 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 fibre roll-out plan, most of which is planned by 2029.

## ESG Considerations

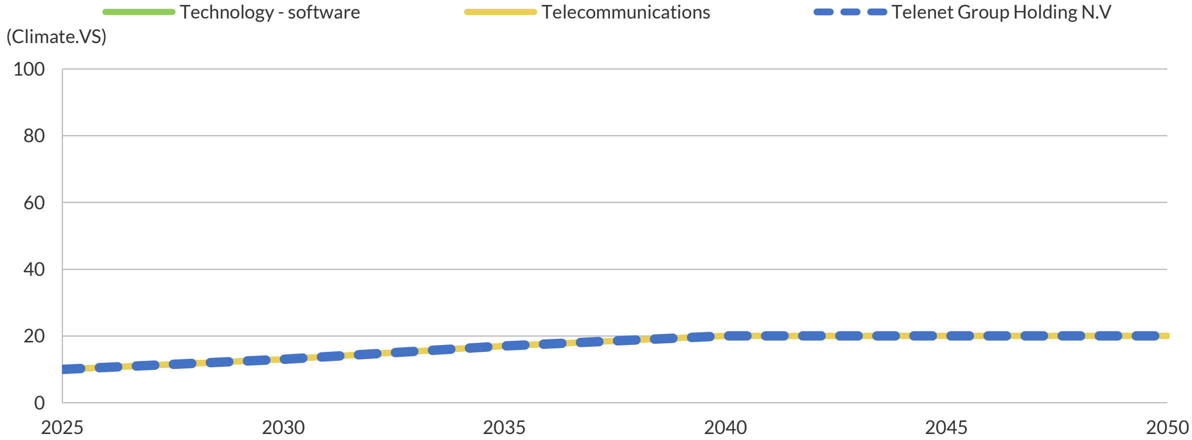
The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's 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 https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

## Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria.

The FY22 revenue-weighted Climate.VS for Telenet for 2035 is 17 out of 100, suggesting low exposure to climate-related risks in that year. For further information on how Fitch perceives climate-related risks in the telecommunications sector, see Technology, Media and Telecommunications - Long-Term Climate Vulnerability Signals.

### Climate.VS Evolution
As of Dec. 31, 2022




Source: Fitch Ratings

## Liquidity and Debt Maturities

### Liquidity Analysis

| | 2023F | 2024F | 2025F | 2026F |
|---|---|---|---|---|
| **Available liquidity** | | | | |
| Beginning cash balance | 1,064 | 1,160 | 958 | 704 |
| Rating case FCF after acquisitions and divestitures | 96 | -202 | -254 | -194 |
| **Total available liquidity (A)** | **1,160** | **958** | **704** | **510** |
| **Liquidity uses** | | | | |
| Debt maturities | — | — | — | — |
| **Total liquidity uses (B)** | **—** | **—** | **—** | **—** |
| **Liquidity calculation** | | | | |
| Ending cash balance (A+B) | 1,160 | 958 | 704 | 510 |
| Revolver availability | 645 | 645 | 645 | 645 |
| **Ending liquidity** | **1,805** | **1,603** | **1,349** | **1,155** |
| Liquidity score (x) | Not meaningful | Not meaningful | Not meaningful | Not meaningful |

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, Company Filings.

| **Scheduled debt maturities** | |
|---|---|
| | **31 Dec 22** |
| 2023 | — |
| 2024 | — |
| 2025 | — |
| 2026 | — |
| 2027 | — |
| Thereafter | 5,183 |
| **Total** | **5,183** |

Source: Fitch Ratings, Fitch Solutions, Company Filings.

## Key Assumptions

- Underlying revenue growth of 1.2-1.3% in 2023 and 2024; flat revenue afterwards affected by a decline in mobile revenues following Digi's entrance. Total 2023 revenue growth of 6.8% (vs. reported prior year figures) is driven by the Eltrona acquisition and full year effect of Caviar acquisition.
- Fitch-defined EBITDA margin drop to 41% in 2023 from 43.8% in 2022, affected by wage cost inflation, offset by elimination of lease payments from the netco deal with Fluvius. We forecast EBITDA margins will be affected by additional costs of expansion in Wallonia in 2024 and pricing pressures from the fourth market participant in the years after.
- Capex/sales ratio (excluding spectrum payments and amortisation of broadcasting rights) gradually increasing from around 26% in 2023 to around 36% in 2026. Investment plan continues beyond our rating horizon.
- Common dividend payments of EUR109 million in 2023 and EUR100 million a year thereafter.

## Financial Data

### Telenet Group Holding N.V

| (EURm) | 2020 | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|---|
| **Summary income statement** | | | | | | |
| Gross revenue | 2,575 | 2,596 | 2,665 | 2,846 | 2,882 | 2,889 |
| Revenue growth (%) | -0.3 | 0.8 | 2.7 | 6.8 | 1.3 | 0.2 |
| EBITDA before income from associates | 1,171 | 1,175 | 1,167 | 1,167 | 1,201 | 1,198 |
| EBITDA margin (%) | 45.5 | 45.3 | 43.8 | 41.0 | 41.7 | 41.5 |
| EBITDA after associates and minorities | 1,171 | 1,175 | 1,167 | 1,167 | 1,201 | 1,198 |
| EBIT | 567 | 573 | 533 | 478 | 446 | 374 |
| EBIT margin (%) | 22.0 | 22.1 | 20.0 | 16.8 | 15.5 | 13.0 |
| Gross interest expense | -177 | -160 | -222 | -193 | -182 | -180 |
| Pretax income including associate income/loss | 389 | 507 | 1,143 | 285 | 264 | 194 |
| **Summary balance sheet** | | | | | | |
| Readily available cash and equivalents | 82 | 140 | 1,064 | 941 | 739 | 484 |
| Debt | 5,198 | 5,118 | 5,183 | 4,964 | 4,964 | 4,964 |
| Lease-adjusted debt | 5,198 | 5,118 | 5,183 | 4,964 | 4,964 | 4,964 |
| Net debt | 5,116 | 4,978 | 4,119 | 4,023 | 4,225 | 4,479 |
| **Summary cash flow statement** | | | | | | |
| EBITDA | 1,171 | 1,175 | 1,167 | 1,167 | 1,201 | 1,198 |
| Cash interest paid | -163 | -145 | -186 | -193 | -182 | -180 |
| Cash tax | -110 | -96 | -87 | -99 | -96 | -96 |
| Dividends received less dividends paid to minorities (inflow/outflow) | — | — | — | — | — | — |
| Other items before FFO | -4 | -4 | -3 | -2 | -2 | -2 |
| FFO | 894 | 931 | 891 | 873 | 921 | 920 |
| FFO margin (%) | 34.7 | 35.9 | 33.4 | 30.7 | 32.0 | 31.8 |
| Change in working capital | -16 | -68 | 37 | -43 | -43 | -29 |
| CFO (Fitch-defined) | 878 | 863 | 928 | 831 | 878 | 891 |
| Total non-operating/nonrecurring cash flow | — | — | — | -7 | — | — |
| Capex | -507 | -456 | -514 | — | — | — |
| Capital intensity (capex/revenue) (%) | 19.7 | 17.6 | 19.3 | — | — | — |
| Common dividends | -292 | -306 | -149 | — | — | — |
| FCF | 79 | 101 | 265 | — | — | — |
| FCF margin (%) | 3.1 | 3.9 | 9.9 | — | — | — |
| Net acquisitions and divestitures | 30 | 1 | 740 | — | — | — |
| Other investing and financing cash flow items | 175 | 124 | 29 | — | — | — |
| Net debt proceeds | -264 | -156 | -87 | -219 | — | — |
| Net equity proceeds | -32 | -13 | -22 | — | — | — |
| Total change in cash | -11 | 58 | 925 | -123 | -202 | -254 |
| **Leverage ratios (x)** | | | | | | |
| EBITDA leverage | 4.4 | 4.4 | 4.4 | 4.3 | 4.1 | 4.1 |
| EBITDA net leverage | 4.4 | 4.2 | 3.5 | 3.4 | 3.5 | 3.7 |
| FFO leverage | 4.9 | 4.8 | 4.8 | 4.7 | 4.5 | 4.5 |
| FFO net leverage | 4.8 | 4.6 | 3.8 | 3.8 | 3.8 | 4.1 |
| **Calculations for forecast publication** | | | | | | |
| Capex, dividends, acquisitions and other items before FCF | -769 | -761 | 77 | -735 | -1,080 | -1,146 |
| FCF after acquisitions and divestitures | 109 | 102 | 1,005 | 96 | -202 | -254 |
| FCF margin after net acquisitions (%) | 4.2 | 3.9 | 37.7 | 3.4 | -7.0 | -8.8 |

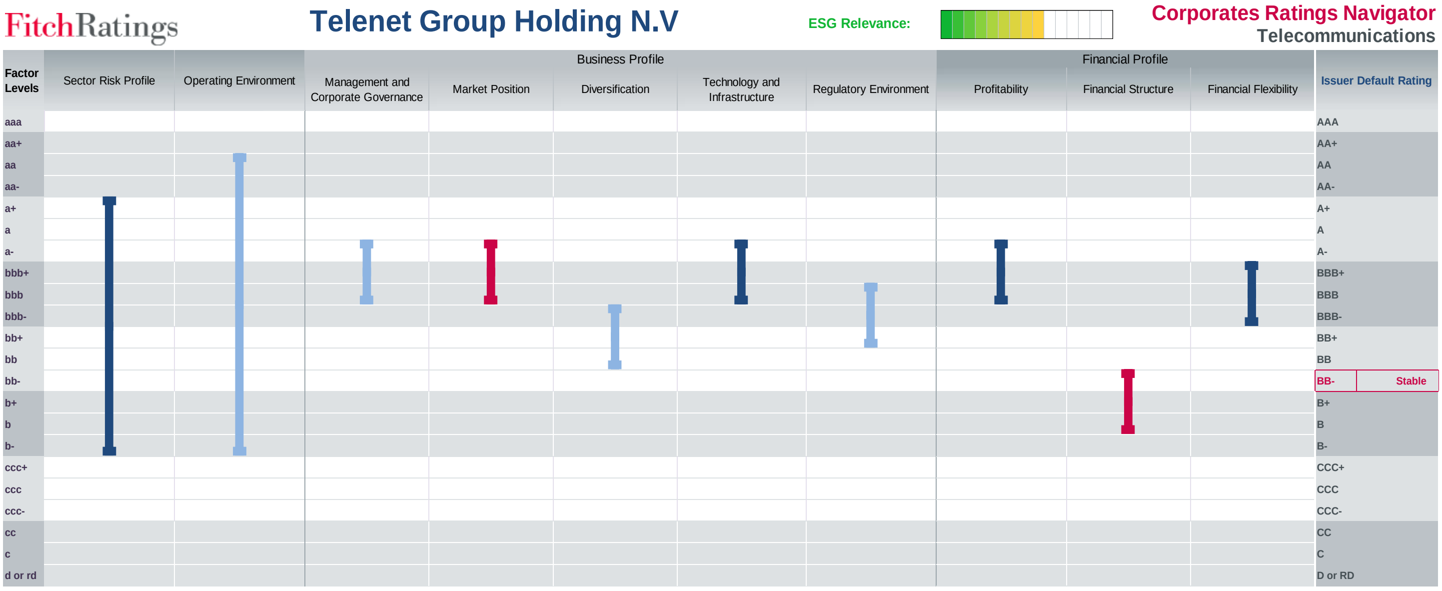
| (EURm) | 2020 | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|---|
| **Coverage ratios (x)** | | | | | | |
| FFO interest coverage | 6.5 | 7.4 | 5.8 | 5.5 | 6.1 | 6.1 |
| EBITDA interest coverage | 7.2 | 8.1 | 6.3 | 6.1 | 6.6 | 6.7 |
| **Additional metrics (%)** | | | | | | |
| CFO-capex/debt | 7.1 | 8.0 | 8.0 | 1.6 | -2.1 | -3.1 |
| CFO-capex/net debt | 7.3 | 8.2 | 10.0 | 1.9 | -2.4 | -3.4 |
| CFO/capex | 173.3 | 189.3 | 180.5 | 110.4 | 89.6 | 85.2 |

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

**How to Interpret the Forecast Presented**

The forecast presented above 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.

## Ratings Navigator




| Bar Chart Legend: | |
|---|---|
| Vertical Bars = Range of Rating Factor | Bar Arrows = Rating Factor Outlook |
| Bar Colors = 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 | bb | Limited geographic diversification. |
| bb+ | | | |
| bb | | | |
| bb- | | | |

## Technology and Infrastructure

| | | | |
|---|---|---|---|
| a | Ownership of Network | bbb | Owns its most important infrastructure but may lease some. |
| a- | Network and Service Quality | a | Market leading network in terms of coverage and technology deployment, with good quality of service. |
| bbb+ | | | |
| bbb | | | |
| 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+ | | | |
| bbb | | | |
| bbb- | | | |

## Financial Structure

| | | | |
|---|---|---|---|
| bb | EBITDA Leverage | bb | 3.8x |
| bb- | EBITDA Net Leverage | bb | 3.6x |
| b+ | (CFO-Capex)/Debt | ccc | Flat to Negative |
| b | | | |
| b- | | | |

## Financial Flexibility

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

**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.

## 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.

FitchRatings

# 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.

| | | | ESG Relevance to Credit Rating |
|---|---|---|---|
| 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) Relevance Scores

| General Issues | E Score | Sector-Specific Issues | Reference | E Relevance |
|---|---|---|---|---|
| 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) Relevance Scores

| General Issues | S Score | Sector-Specific Issues | Reference | S Relevance |
|---|---|---|---|---|
| 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) Relevance Scores

| General Issues | G Score | Sector-Specific Issues | Reference | G Relevance |
|---|---|---|---|---|
| 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 |

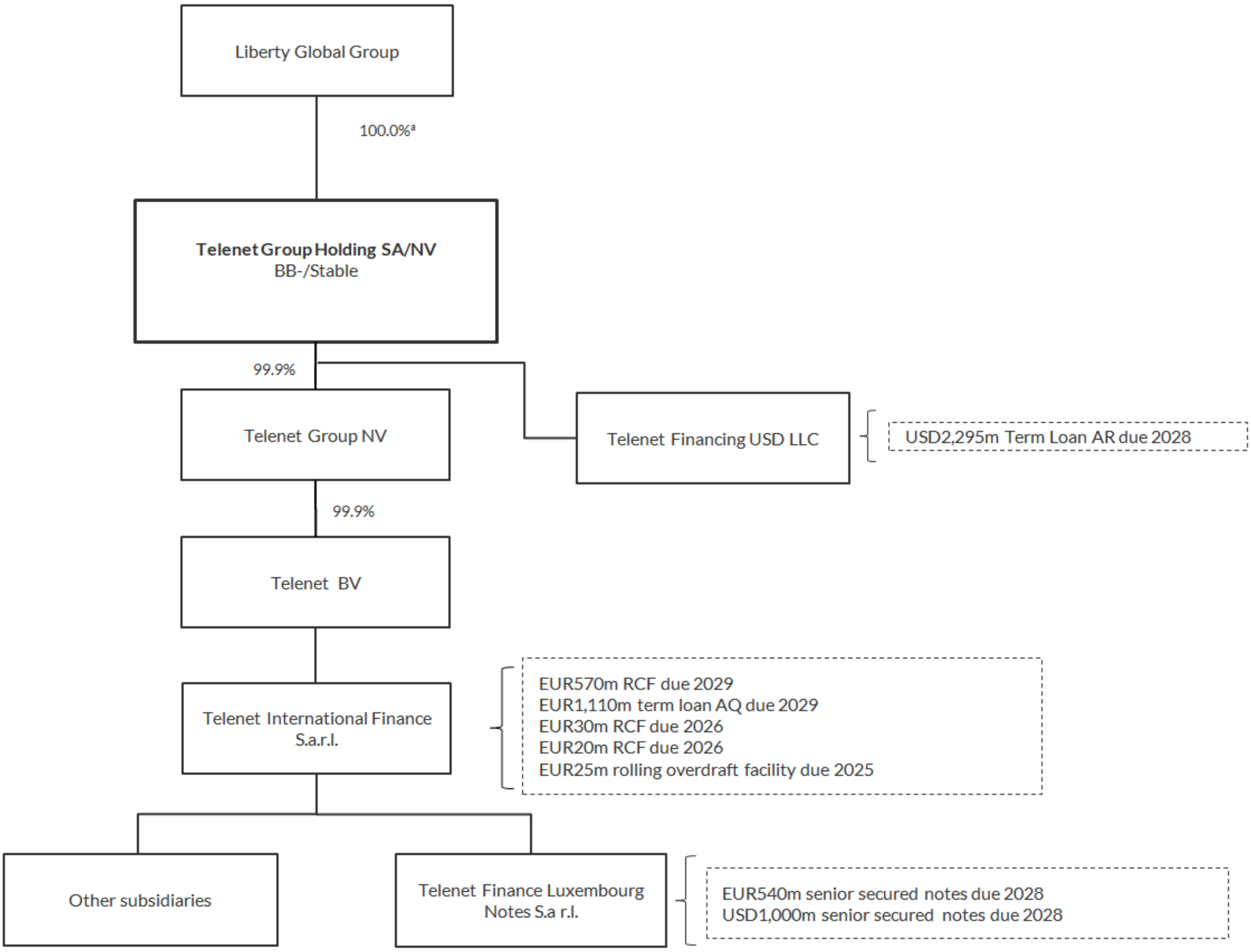
**How to Read This Page**
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
**The Credit-Relevant ESG Derivation** table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.
**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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

**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 13 October 2023.
Debt Security: Telenet Financing USD LLC, Telenet BV, Telenet International Finance S.a.r.l., Telenet Group NV.
Debt Guarantors: Telenet Financing USD LLC, Telenet BV, Telenet International FInance S.a.r.l., Telenet Group NV.
Source: Fitch Ratings, Fitch Solutions, Telenet Group Holding N.V. as of 30 June 2023

## Peer Financial Summary

| Company | Issuer Default Rating | Financial statement date | Gross revenue (EURm) | EBITDA margin (%) | FCF margin (%) | EBITDA net leverage (x) | EBITDA interest coverage (x) |
|---|---|---|---|---|---|---|---|
| Telenet Group Holding N.V | BB- | | | | | | |
| | BB- | 2022 | 2,665 | 43.8 | 9.9 | 3.5 | 6.3 |
| | BB- | 2021 | 2,596 | 45.3 | 3.9 | 4.2 | 8.1 |
| | BB- | 2020 | 2,575 | 45.5 | 3.1 | 4.4 | 7.2 |
| VodafoneZiggo Group B.V. | B+ | | | | | | |
| | B+ | 2022 | 4,066 | 48.0 | 12.7 | 5.5 | 4.2 |
| | B+ | 2021 | 4,077 | 47.9 | 12.8 | 5.6 | 4.7 |
| | B+ | 2020 | 4,000 | 47.0 | 11.5 | 5.6 | 4.4 |
| UPC Holding BV | BB- | | | | | | |
| | BB- | 2022 | 3,069 | 36.6 | 12.8 | 5.5 | 4.2 |
| | BB- | 2021 | 2,852 | 36.4 | 13.9 | 6.6 | 4.8 |
| | BB- | 2020 | 1,792 | 44.0 | -1.5 | 8.2 | 4.8 |
| VMED O2 UK Limited | BB- | | | | | | |
| | BB- | 2022 | 11,722 | 35.4 | -1.6 | 5.2 | 4.6 |
| | BB- | 2021 | 7,315 | 32.4 | 8.5 | 8.8 | 5.8 |
| | BB- | 2020 | 5,657 | 41.2 | 14.7 | 5.6 | 4.0 |
| Royal KPN N.V. | BBB | | | | | | |
| | BBB | 2022 | 5,374 | 44.3 | 4.9 | 2.3 | 10.9 |
| | BBB | 2021 | 6,122 | 37.7 | 3.6 | 2.3 | 11.1 |
| | BBB | 2020 | 5,302 | 43.1 | -3.5 | 2.3 | 9.7 |

Source: Fitch Ratings, Fitch Solutions

## Fitch Adjusted Financials

| (EURm as of 31 Dec 22) | Notes and formulas | Standardised values | Lease treatment | Other adjustments | Adjusted values |
|---|---|---|---|---|---|
| **Income statement summary** | | | | | |
| Revenue | | 2,665 | — | — | 2,665 |
| EBITDA | (a) | 1,355 | -128 | -61 | 1,167 |
| Depreciation and amortization | | -779 | 85 | 80 | -615 |
| EBIT | | 576 | -43 | -0 | 533 |
| **Balance sheet summary** | | | | | |
| Debt | (b) | 5,655 | — | -472 | 5,183 |
| Of which other off-balance-sheet debt | | — | — | — | — |
| Lease-equivalent debt | | — | — | — | — |
| Lease-adjusted debt | | 5,655 | — | -472 | 5,183 |
| Readily available cash and equivalents | (c) | 1,064 | — | — | 1,064 |
| Not readily available cash and equivalents | | — | — | — | — |
| **Cash flow summary** | | | | | |
| EBITDA | (a) | 1,355 | -128 | -61 | 1,167 |
| Dividends received from associates less dividends paid to minorities | (d) | — | — | — | — |
| Interest paid | (e) | -221 | 35 | 0 | -186 |
| Interest received | (f) | 0 | — | — | 0 |
| Preferred dividends paid | (g) | — | — | — | — |
| Cash tax paid | | -87 | — | — | -87 |
| Other items before FFO | | 9 | 7 | -19 | -3 |
| FFO | (h) | 1,056 | -85 | -80 | 891 |
| Change in working capital | | 37 | — | — | 37 |
| CFO | (i) | 1,093 | -85 | -80 | 928 |
| Non-operating/nonrecurring cash flow | | — | — | — | — |
| Capex | (j) | -521 | — | 7 | -514 |
| Common dividends paid | | -149 | — | — | -149 |
| FCF | | 423 | -85 | -73 | 265 |
| **Gross leverage (x)** | | | | | |
| EBITDA leverage | b / (a+d) | 4.2 | — | — | 4.4 |
| (CFO-capex)/debt (%) | (i+j) / b | 10.1 | — | — | 8.0 |
| **Net leverage (x)** | | | | | |
| EBITDA net leverage | (b-c) / (a+d) | 3.4 | — | — | 3.5 |
| (CFO-capex)/net debt (%) | (i+j) / (b-c) | 12.4 | — | — | 10.0 |
| **Coverage (x)** | | | | | |
| EBITDA interest coverage | (a+d) / (-e) | 6.1 | — | — | 6.3 |

CFO - Cash flow from operations
Notes: The standardised items presented above are based on Fitch's taxonomy for the given sector and region. Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly. Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, Telenet Group Holding N.V

## Recovery Analysis

We apply a generic approach to assign instrument ratings for issuers with IDR in the ‘BB’ rating category. Telenet has only senior secured debt in its capital structure. Therefore, the senior secured debt is labelled as “Category 2 first lien”, and we apply ‘RR2’, reflecting in a maximum of two notches uplift from the IDR of ‘BB-’, thus resulting in ‘BB+’ instrument ratings.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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