

CreditSights European Outlook Conference

8 December 2022

European TMT: Hold The Line or Hang-up?

Mark Chapman, CFA
MD - TMT Senior Analyst

Alex Lawrence
TMT Analyst



Agenda

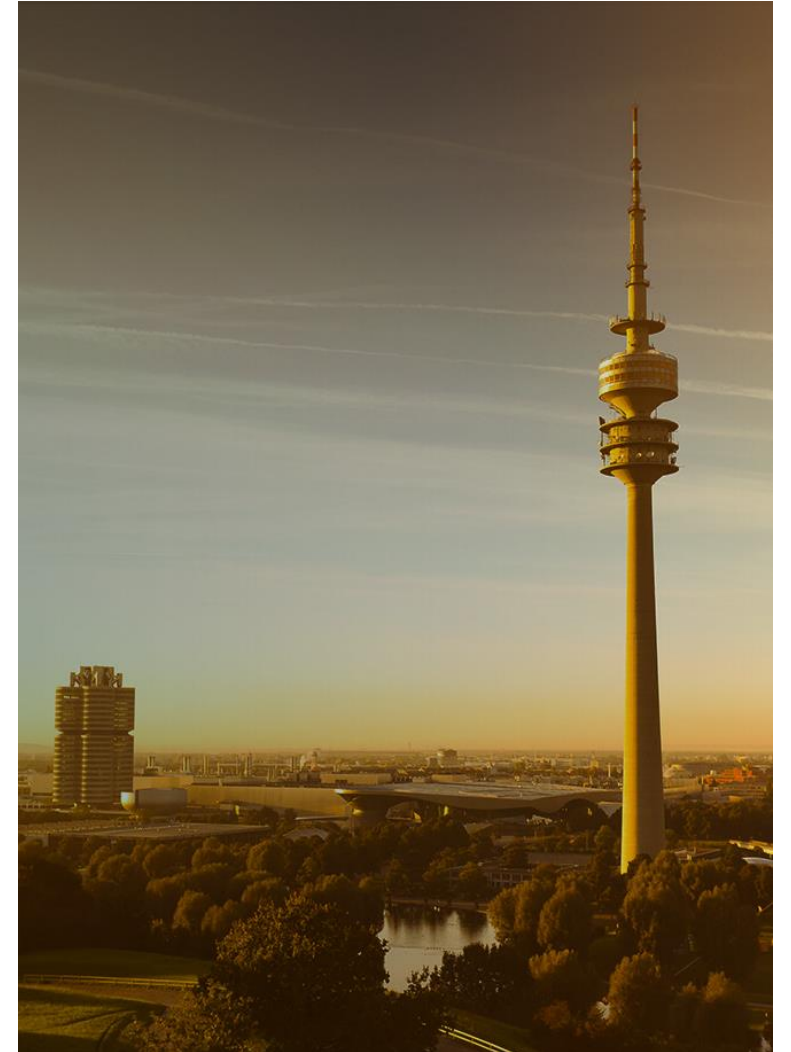
Market Dynamics – Stable, with few notable exceptions

Inflation – Safe-haven status wearing off?

New market context

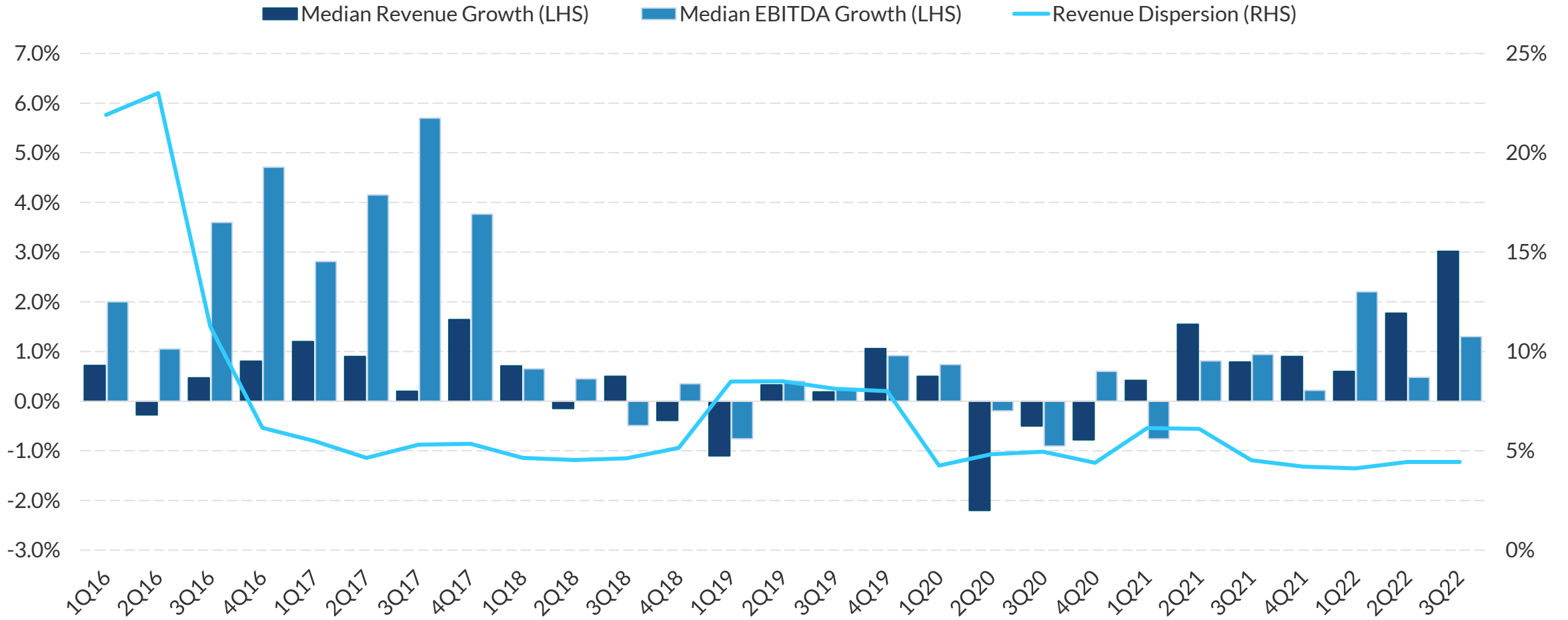
- Event Risk
- Infrastructure Valuations
- Hybrid Extension Risk
- Maturity Schedules

Relative Value – Neutral on IG, Positive on HY

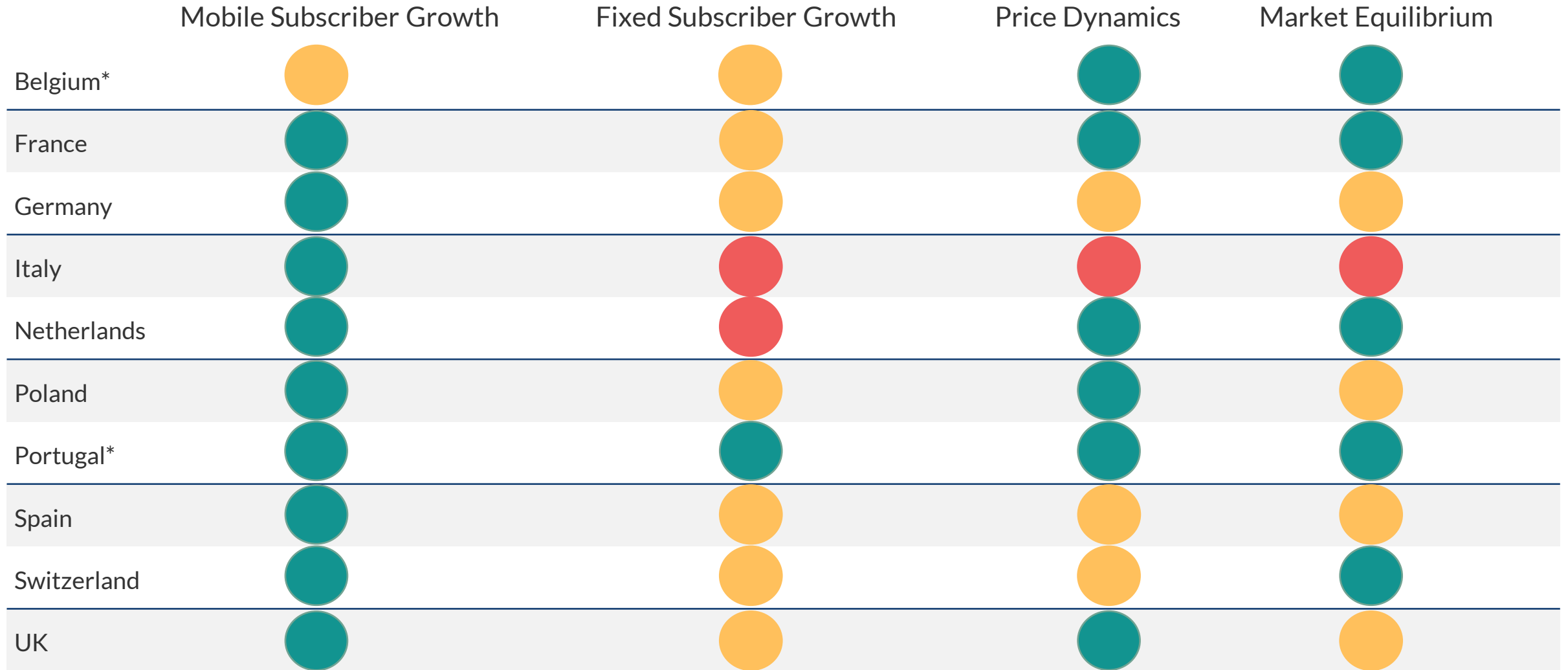


Stable Competitive Dynamics

Revenue and EBITDA Growth of European Telecom Operators vs. Revenue Dispersion



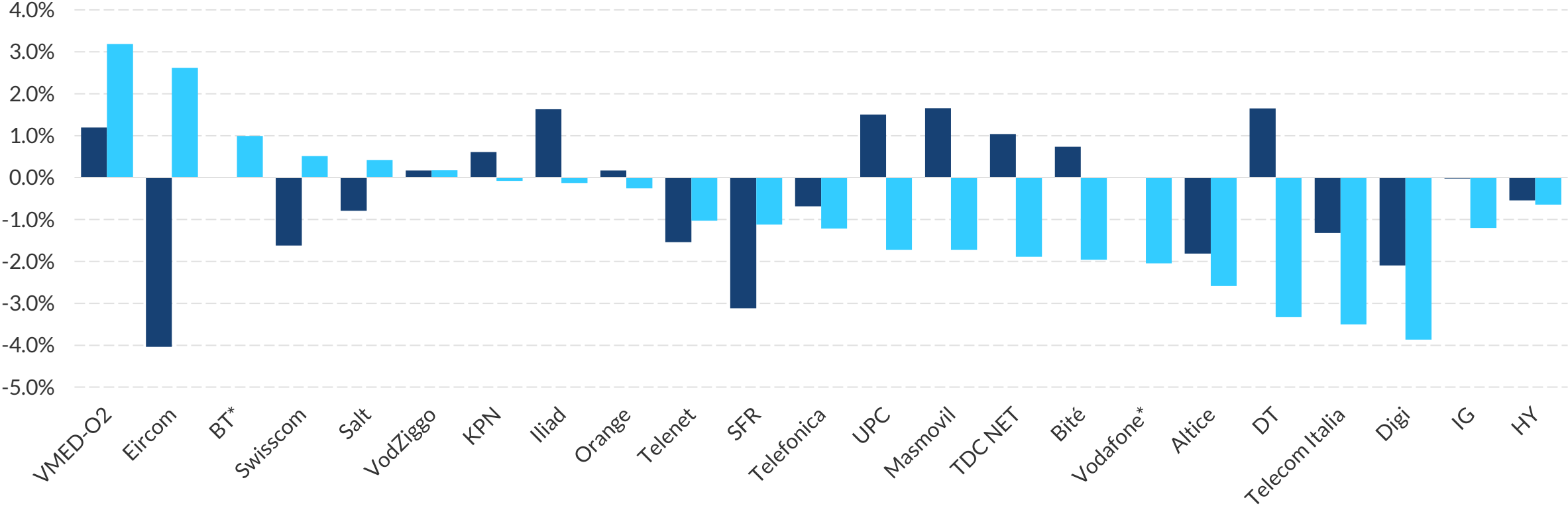
Broadly Encouraging Market Characteristics



Margins Coming Under Pressure

European Telecom Operators Margin Expansion/Contraction YoY

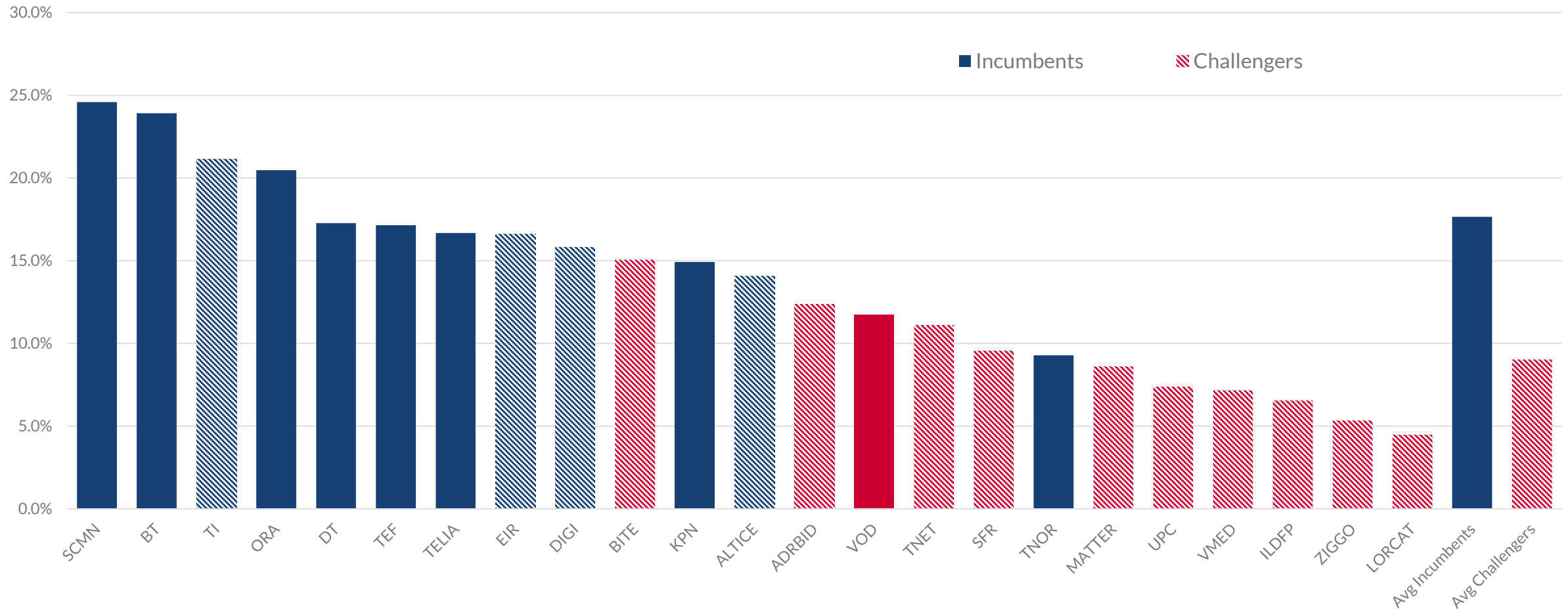
■ Change 1H22 vs 1H21 (p.p.) ■ Change 3Q22 vs 3Q21 (p.p.)



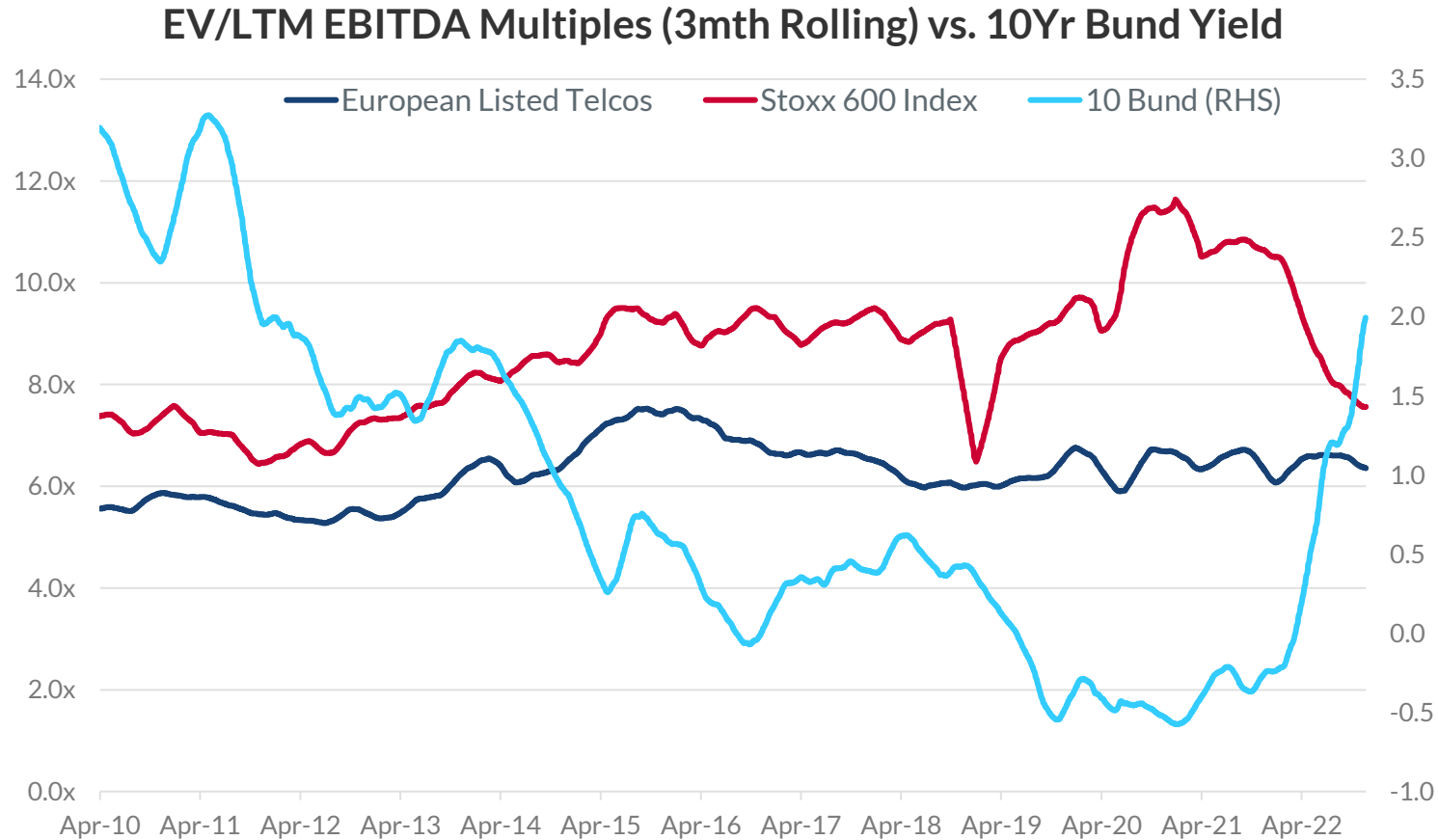
*Note BT and Vodafone F1H comparison only (Mar-Sept)
Source: Company Reports, CreditSights

Labour Costs Weight Very Differently For IG vs. HY

Labour Costs as % of Sales



Equity Market Valuations Remain Unimpressive



Valuations for European Telcos remain low

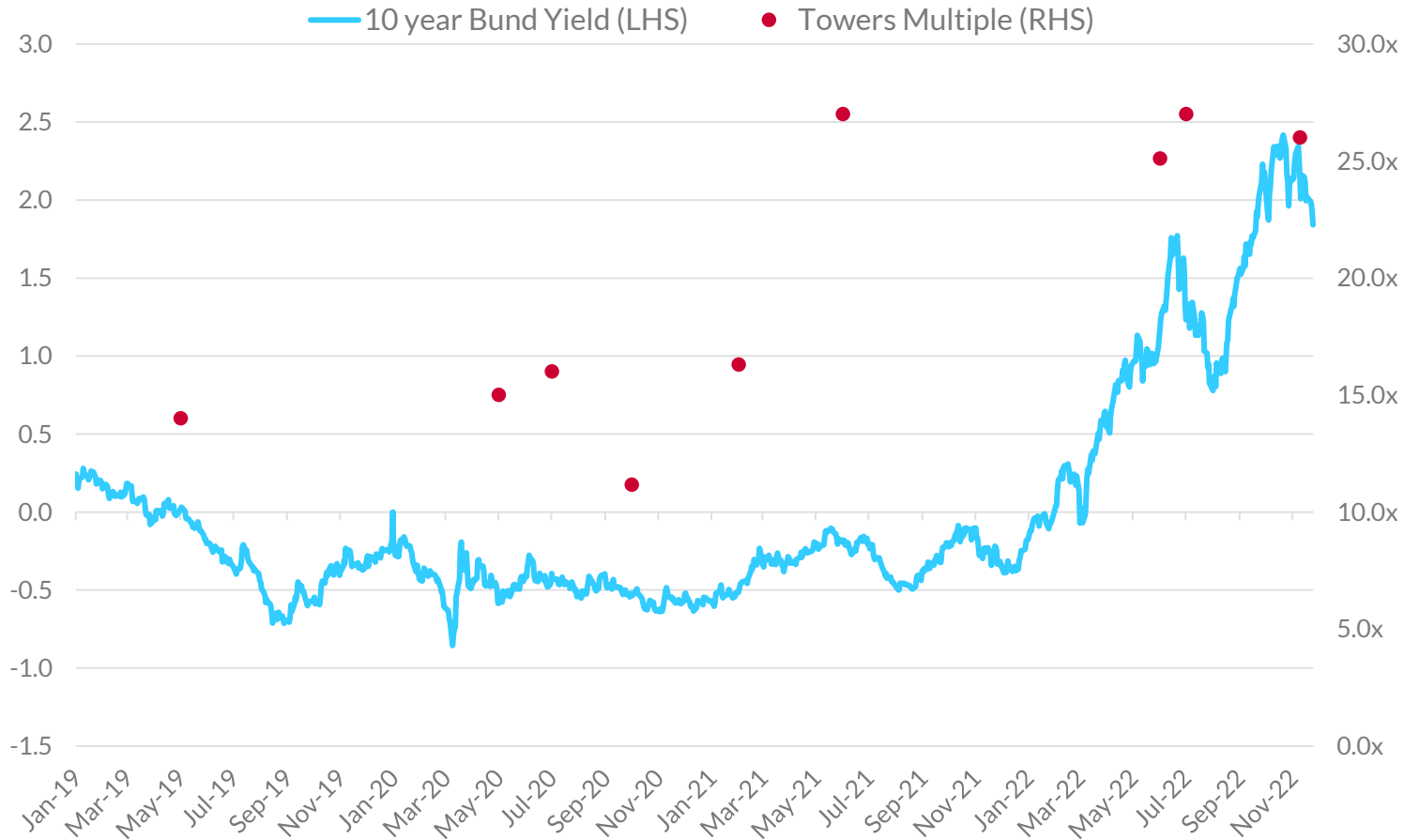
But valuation gap is less stark

Event risk pivot from LBO risk to Activists?

4-3 Mobile consolidation, is THIS the year?

Infrastructure Bid Has Been Strong, But For How Long?

Tower Sale Multiples (EV/EBITDA) vs. 10 Year Bund Yield



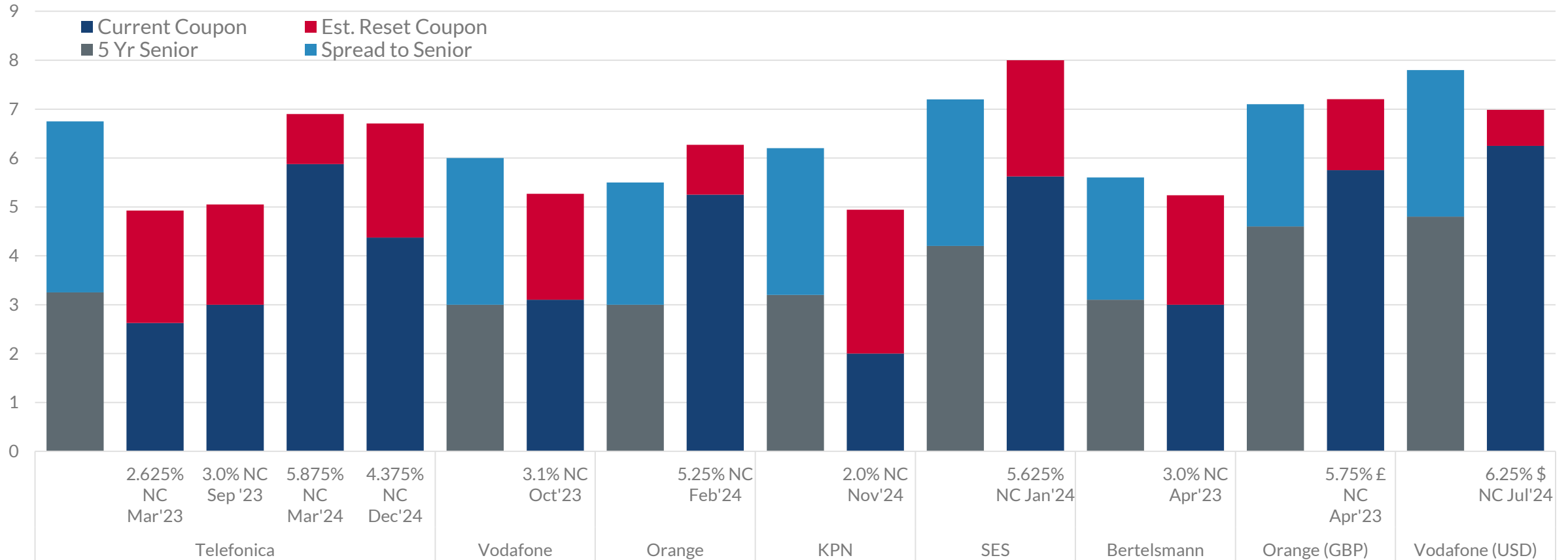
Strong bid for telecoms infrastructure assets has remained intact in 2022

But will higher rates force lower valuations?

Are investors reading too much into eye-watering multiples on recent tower transactions?

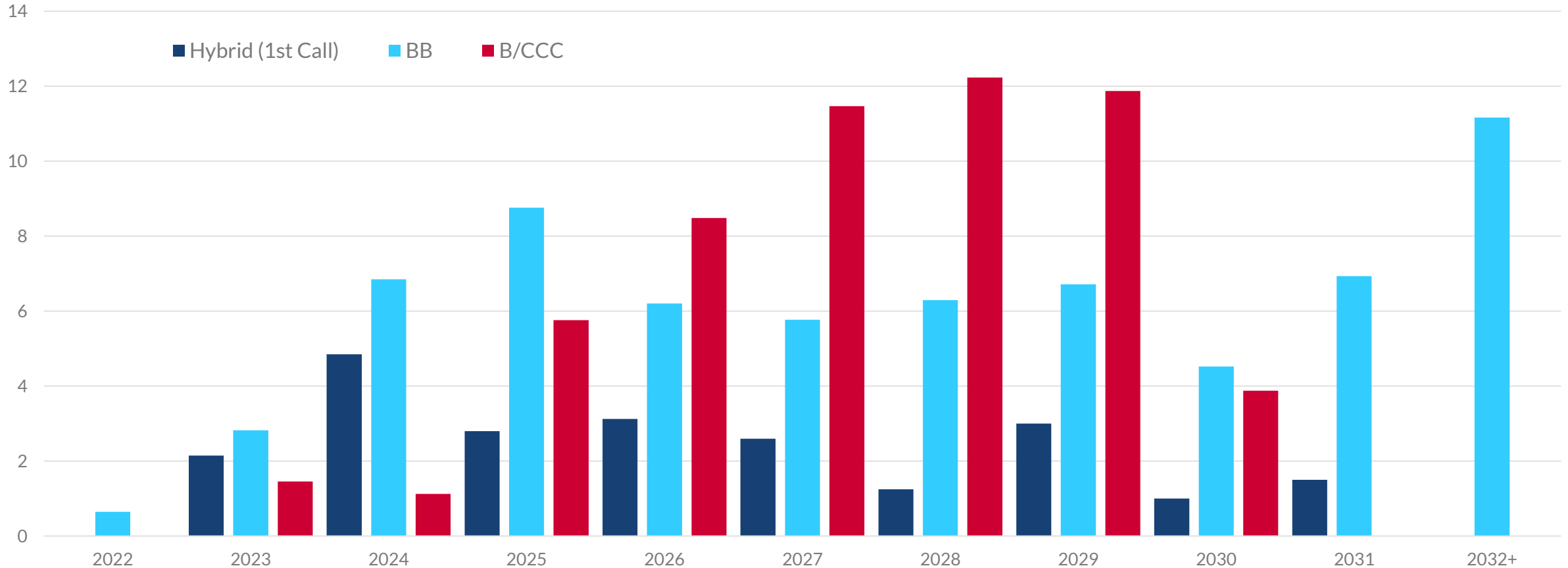
Hybrid Extension Risk – Watch For Breaking The Non-Call Taboo

Estimated Reset Coupons vs. Refinancing Rate for Hybrids Callable in 2023/24*

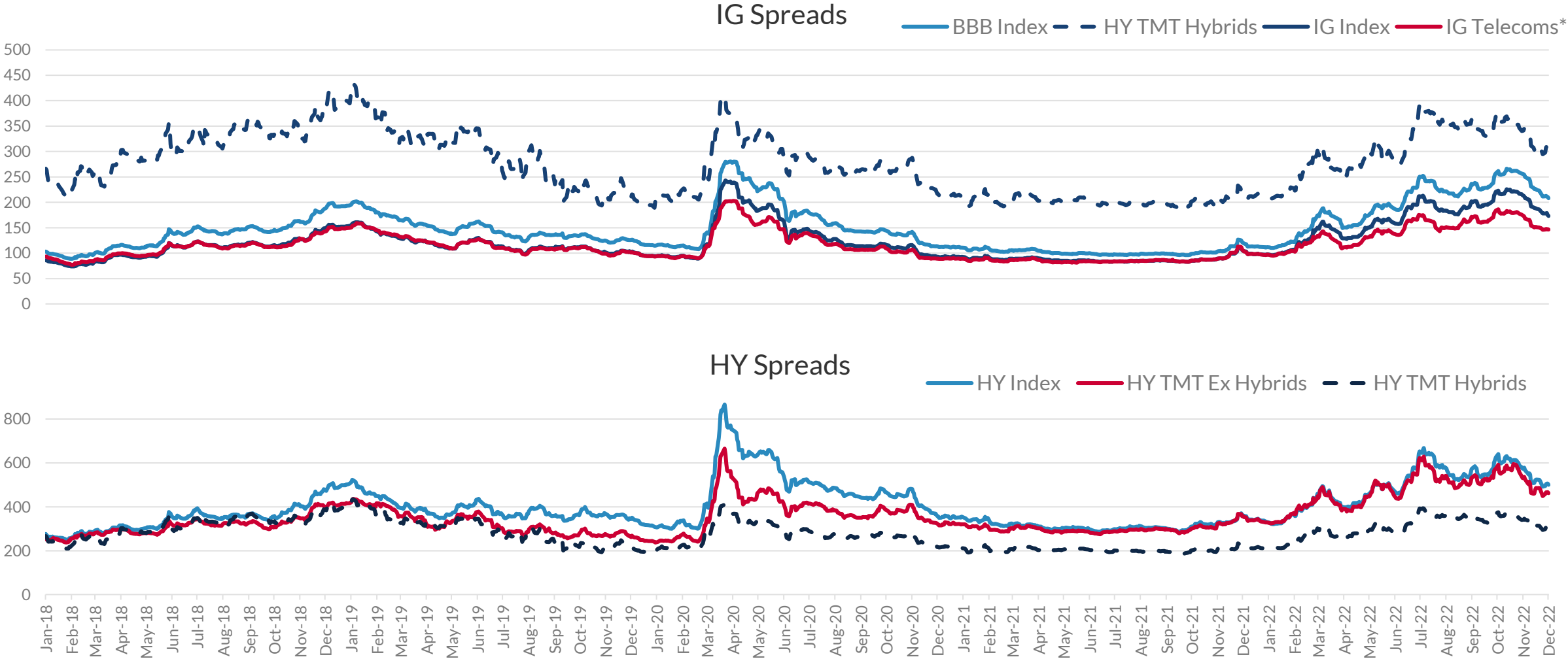


Light Maturity Schedule Provides Comfort for HY TMT Investors

European HY TMT Bond Maturity Schedule (€ billions)



Value On HY Looks Attractive, While IG Looks Fair



*Note IG Telecoms includes cable/sat, telecoms towers and telecoms equipment
 Source: CreditSights, ICE BofAML Indices.

This Report is for informational purposes only. Neither the information contained in this Report, nor any opinion expressed therein is intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. CreditSights and its affiliates do not recommend the purchase or sale of financial products or securities, and do not give investment advice or provide any legal, auditing, accounting, appraisal, valuation or actuarial services. Neither CreditSights nor the persons involved in preparing this Report or their respective households has a financial interest in the securities discussed herein. Recommendations made in a report may not be suitable for all investors and do not take into account any particular user's investment risk tolerance, return objectives, asset allocation, investment horizon, or any other factors or constraints.

Information included in any article that includes analysis of documents, agreements, controversies, or proceedings is for informational purposes only and does not constitute legal advice. No attorney client relationship is created between any reader and CreditSights as a result of the publication of any research report, or any response provided by CreditSights (including, but not limited to, the ask an analyst feature or any other analyst interaction) or as the result of the payment to CreditSights of subscription fees. The material included in an article may not reflect the most current legal developments. We disclaim all liability in respect to actions taken or not taken based on any or all the contents of any research report or communication to the fullest extent permitted by law.

Reproduction of this report, even for internal distribution, is strictly prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion or information contained in this report (including any investment recommendations or estimates) without first obtaining express permission from CreditSights. The information in this Report has been obtained from sources believed to be reliable; however, neither its accuracy, nor completeness, nor the opinions based thereon are guaranteed. The products are being provided to the user on an "as is" basis, exclusive of any express or implied warranty or representation of any kind, including as to the accuracy, timeliness, completeness, or merchantability or fitness for any particular purpose of the report or of any such information or data, or that the report will meet any user's requirements. CreditSights may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this Report, and all opinions are reflective of judgments made on the original date of publication. CreditSights is under no obligation to ensure that other reports are brought to the attention of any recipient of the Products.

Certain data appearing herein is owned by, and used under license from, certain third parties. Please see Legal Notices for important information and limitations regarding such data. For terms of use, see Terms & Conditions.

If you have any questions regarding the contents of this report contact CreditSights at legal@creditsights.com.

© 2022. CreditSights, Inc. All rights reserved.