

United Group B.V.

FY22 guidance achieved, organic and inorganic deleveraging expected for FY23

Overweight

ADRBID

- Headline numbers:** United Group reported another solid quarter, with Q4 revenues up 37% to €698m (JPMe €673m) and a 37% rise in EBITDAaL to €235m (JPMe €234m). Headlines growth was driven in large part by the acquisitions of Wind Hellas and Optima Telekom (see Table 1 below for summary financials); with underlying organic Revenue and EBITDAaL growth of 2% and 8% respectively. **The company delivered 3% organic Revenue and 4.6% EBITDAaL growth for the year, with the Q4 acceleration delivering the 4-5% organic EBITDAaL target for the year.** The company implemented price increases across most markets, supporting ARPU growth (Greece and Croatia were exceptions), which coupled with increasing RGUs, overcame rising costs (10-12% inflation across markets). Energy costs rose €26m y/y, representing ~3.4% EBITDAaL drag which was focused on Croatia and Slovenia (€7m and €6m respectively). Media revenues returned to positive territory, rising 2.4% (Q3: -5.4%) on advertising demand. **Net secured debt ended the year at ~€5bn (JPMe €5bn), corresponding to 4.96x net leverage (JPMe 5.0x).**
- Outlook:** The company does not provide formal guidance. However, with results, management indicated that consolidated capital intensity was expected to decline from ~26% of revenues in '22 to ~24% in '23, including the non-restricted Hellenic Open Fiber and Wind & Solar power plants (which will be partly funded with non-recourse financing). **The company has budgeted for €600-610m of restricted group capex and €30-50m of FCF generation in '23.**
- Balance Sheet and Cash Flow:** The Company delivered FCF (CFO less CAPEX) of €16m (JPMe: €5m) in the period, versus €65m in Q3. Consolidated CAPEX amounted to €178m in the quarter, or €686m for FY22, representing 26% intensity (FY21: 29%) and in-line with prior management guidance. Net debt was largely unchanged q/q at €5bn (JPMe: €5bn). The Company delivered on its <5.0x leverage guidance, with pro forma net debt/L2QA EBITDAaL slightly down q/q at 4.96x (JPMe: 5.0x) versus 5.02x at Q3. We estimate net leverage through the PIKs at 5.48x (Q3: 5.55x). **Liquidity:** The company ended the year with €100m of cash, €125m RCF availability (with €83m of the €325m facility repaid in the period) and ~€55m of available local facilities. **Management said that it is also working with lenders to potentially term out and expand the main €325m RCF, which matures in 2025.**
- Tower sale commentary:** Last week, United Group announced the sale of its TowerCo (with 4,800 sites across Bulgaria, Croatia and Slovenia), for €1,220m (~20.1x EV/EBITDAaL of ~€61m). On the call, management said the associated taxes would be "immaterial" with net proceeds applied to

European Credit - HY TMT

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United Group (ADRBID) CDS, z+942bp as of COB 24th April