

Rating Action: Moody's downgrades debt instruments issued by TDC Holding to B2 from B1, affirms DKT's ratings; outlook stable

09 Feb 2022

Madrid, February 09, 2022 -- Moody's Investors Service ("Moody's") has today downgraded to (P)B2 from (P)B1 the rating on the senior unsecured EMTN programme of Danish telecom operator TDC Holding A/S (former TDC A/S, "TDC" or "the company") and to B2 from B1 the ratings on the €500 million senior unsecured notes due March 2022 and the GBP 425 million senior unsecured notes due February 2023 issued under the EMTN programme.

Concurrently, Moody's has affirmed the remaining ratings of the DKT Holdings ApS ("DKT") group, the indirect parent of TDC, including its B2 corporate family rating (CFR), its B2-PD probability of default rating (PDR) and the Caa1 ratings on the €1,050 million and USD410 million backed senior secured notes issued by DKT Finance ApS. The outlook on all ratings is stable.

The rating action follows the refinancing plan announced on 31 January 2022 [1], by which TDC NET A/S ("TDC NET"), the infrastructure entity of the group, has entered into €3.3 billion of committed new bank facilities and established a new secured infrastructure financing platform, while Nuuday A/S ("Nuuday"), the service operator, has entered into a new revolving credit facility.

Proceeds from the new financing at TDC NET have been partially used to repay existing debt at TDC level, including the €1.9 billion senior secured term loan B3 (TLB) and outstanding drawings under the €845 million senior secured revolving credit facilities, of which €500 million are rated by Moody's. Following the establishment of separate standalone financings at TDC NET and Nuuday, the only remaining debt outstanding at TDC level are the €500 million senior unsecured notes due in March 2022 and the GBP 425 million senior unsecured notes due in February 2023.

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

- RATIONALE FOR AFFIRMATION OF B2 CFR AND Caa1 INSTRUMENT RATING AT DKT

The affirmation of the ratings at DKT level reflects that the proposed refinancing is leverage neutral and does not change the absolute debt amount at consolidated group level, nor the position of DKT's debt instrument as the most subordinated piece of debt in the group's capital structure.

DKT's B2 CFR mainly reflects TDC's robust operations in Denmark (Aaa stable), with strong market shares in mobile, TV, broadband and fixed voice; its enhanced fixed and mobile network infrastructures; and the ownership of most of the critical telecom infrastructure in Denmark.

The rating also takes into consideration Moody's expectation that (1) TDC will improve its operating performance in a highly competitive market, (2) its free cash flow (FCF) will remain negative over the next two years as a result of high capital spending to roll out fibre and 5G, and (3) its Moody's-adjusted leverage will remain high at around 6.5x-6.7x over the next 12-18 months.

- RATIONALE FOR DOWNGRADE TO B2 FROM B1 OF DEBT INSTRUMENTS AT TDC LEVEL

Moody's acknowledges that the structural subordination of TDC's creditors relative to the creditors at operating companies is removed owing to the Danish statutory demerger liability under the Danish Companies Act, under which TDC's creditors may claim directly against TDC NET and Nuuday on a senior unsecured basis if their claim is not satisfied.

However, the downgrade of the debt instrument ratings reflects that following the establishment of a secured standalone financing at TDC NET level, the creditors at TDC level are contractually subordinated to the debt at operating companies by virtue of their claim, which ranks behind the secured debt at TDC NET. In addition, TDC NET is the entity that holds the best quality assets within the TDC group, such as the spectrum, and these

assets form the security package for TDC NET's creditors. As a result, the position of TDC's creditors is weaker relative to their situation prior to this refinancing.

Moody's acknowledges that TDC has, through TDC NET, a committed long-term bank facility that provides the funding for (1) the senior unsecured EMTN bond maturing in March 2022 and (2) the senior unsecured EMTN bond 2023 that matures in February 2023.

RATIONALE FOR STABLE OUTLOOK

The stable rating outlook reflects Moody's expectation that TDC's operating performance will gradually improve and that the company's leverage will remain at around 6.5x-6.7x over the next 12 to 18 months.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

DKT's rating could be upgraded if its operating performance improves sustainably, leading to stronger credit metrics, such as Moody's adjusted debt/EBITDA remaining well below 6x on a sustained basis, and positive FCF.

DKT's rating could be lowered if its operating performance weakens beyond Moody's expectations or the company executes debt financed acquisitions or shareholder remuneration policies that weaken credit metrics, including adjusted gross debt/EBITDA above 6.5x on a sustained basis. The rating could also be downgraded if there is a significant deterioration in the company's liquidity.

LIST OF AFFECTED RATINGS

Affirmations:

..Issuer: DKT Holdings ApS

.... Probability of Default Rating, Affirmed B2-PD

.... LT Corporate Family Rating, Affirmed B2

..Issuer: DKT Finance ApS

....BACKED Senior Secured Regular Bond/Debenture, Affirmed Caa1

Downgrades:

..Issuer: TDC Holding A/S

....Senior Unsecured MTN, Downgraded to (P)B2 from (P)B1

....Senior Unsecured Regular Bond/Debenture, Downgraded to B2 from B1

Outlook Actions:

..Issuer: DKT Holdings ApS

....Outlook, Remains Stable

..Issuer: DKT Finance ApS

....Outlook, Remains Stable

..Issuer: TDC Holding A/S

....Outlook, Remains Stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Telecommunications Service Providers published in January 2017 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1055812. Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

COMPANY PROFILE

DKT Holdings ApS, a company controlled by a consortium of Danish pension funds Arbejdsmarkedets Tillægspension (ATP), PFA Ophelia InvestCo I 2018 K/S, PKA Ophelia Holding K/S, and Macquarie Infrastructure and Real Assets Inc., is the indirect parent of TDC Holding A/S, the principal provider of fixed-line, mobile, broadband data and cable television services in Denmark. In the last twelve months ended September 2021, the company generated revenue of around DKK16 billion and reported EBITDA of around DKK6.8 billion.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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REFERENCES/CITATIONS

[1] Company press release published on 31 January 2022: <https://ml-eu.globenewswire.com/Resource/Download/d3d8b1a8-0f95-4d88-9c02-c83a8f713068>.

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Carlos Winzer
Senior Vice President
Corporate Finance Group
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Ivan Palacios
Associate Managing Director
Corporate Finance Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



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