MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Ba3 ratings to TDC's new credit facilities; outlook stable

21 May 2018

Madrid, May 21, 2018 -- Moody's Investors Service, ("Moody's") has today assigned Ba3 ratings to the new €3.9 billion Term Loan B (TLB) and revolving credit facility ("RCF") and capex facility totaling €500 million, raised by Danish telecom operator TDC A/S ("TDC" or "the company"), which is 91% owned by DKT Holdings ApS (B1, stable). Moody's expect the consortium to execute its rights to squeeze-out the remaining 9% of TDC's share capital by June 2018. The outlook on the ratings is stable.

All other ratings of DKT and TDC remain unchanged.

The assignment of ratings to these new credit facilities follows the announcement of TDC's takeover by DKT and is part of the exercise aimed at structuring a permanent capital structure for TDC. The new capital structure will be comprised of c. €1.0 billion of existing unsecured notes or €1.0 billion of backstop facility and the €3.9 billion TLB, both at TDC level, €1.4 billion worth of high yield bonds at the level of an intermediate holding company named DKT Finance ApS, bank facilities (RCF & Capex) amounting to €600 million and €2.7 billion of equity.

A full list of affected ratings is provided towards the end of the press release.

RATINGS RATIONALE

The Ba3 rating assigned to the TLB, RCF and capex facilities is one notch above the B1 corporate family rating of DKT, taking into consideration the proximity to the company's operating assets and the benefits of the security package, including pledges over the shares of GET (TDC's subsidiary in Norway). As a result, TDC's existing unsecured notes, rated B1, are effectively subordinated to the new credit facilities. The bonds expected to be rolled-over do not benefit from the guarantee package of the TLB and are effectively unguaranteed and unsecured.

The debt at TDC level is structurally senior to the €1.4 billion high yield bonds and the €100 million RCF at the Holdco level (DKT Finance ApS).

The B1 CFR assigned to DKT reflects the combination of the group's strong business profile and expectation of improved operating performance, offset by the impact on the group's credit metrics from the substantial debt incurred to finance the buyout. Moody's expects that the group will continue to be managed with a somewhat aggressive financial profile under its current ownership structure with limited expected deleveraging. The group will be highly leveraged as a result of the debt incurred to finance the buyout. On a pro-forma basis, Moody's adjusted debt/EBITDA in 2017 will be approximately 6.1x on a consolidated level, compared to 3.5x pre-transaction.

The B1 CFR also reflects (1) the strength of TDC's operations in Denmark, with strong market shares in mobile, TV, broadband and fixed voice; (2) TDC's highly advanced fixed and mobile network infrastructure; (3) TDC's ownership of the majority of the critical telecom infrastructure in Denmark; (4) Moody's expectation that EBITDA should stabilise in 2018 due to the favourable impact of cost savings across the group; (5) Moody's expectation that cash conversion should improve supported by lower capex; and (6) its good liquidity.

RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects Moody's expectation that TDC's operating performance will gradually improve through a combination of an improving pricing environment in mobile, more focused and agile marketing strategy, efficiency gains and capex optimisation. The outlook also reflects Moody's expectation that DKT will execute its strategy, which will enable the company to stabilise its operating performance in 2018 and deliver growth from 2019 onwards. It also recognises Moody's expectation that the group is likely to continue be managed towards a leveraged financial profile over time.

WHAT COULD CHANGE THE RATING UP/DOWN

DKT's corporate family rating could be upgraded as a result of improvements in its credit metrics, such as adjusted debt/ EBITDA improving to below 5.0x on a sustainable basis, and adjusted retained cash flow/gross debt improving sustainably to a level in the mid-teens, in an improved business environment.

The ratings could be lowered if: (1) the company was to deviate from the execution of its new strategy; (2) the company was to embark on an aggressive expansion/acquisition programme, most likely outside its existing footprint, leading to higher financial, business and execution risk; or (3) its credit metrics were to deteriorate, including adjusted retained cash flow/gross debt falling to below 8% or adjusted gross debt/EBITDA trending towards 6.0x on an ongoing basis.

LIST OF AFFECTED RATINGS

Assignments:

..Issuer: TDC A/S

....Senior Secured Bank Credit Facilities, Assigned Ba3

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Telecommunications Service Providers published in January 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

COMPANY PROFILE

DKT Holdings ApS is a holding company of TDC A/S, the principal provider of fixed-line, mobile, broadband data and cable television offerings in Denmark. The company also provides telecom services, including TV, mobile and broadband, to customers in Norway. In 2017, the company generated revenue and EBITDA of DKK20.3 billion and DKK8.2 billion, respectively.

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