

CREDIT OPINION

27 July 2021

Update

 Rate this Research

RATINGS

Telekom Austria AG

Domicile	Vienna, Austria
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Carlos Winzer +34.91.768.8238
Senior Vice President
carlos.winzer@moody's.com

Pilar Anduiza +34.91.768.8220
Associate Analyst
pilar.anduiza@moody's.com

Ivan Palacios +34.91.768.8229
Associate Managing Director
ivan.palacios@moody's.com

Telekom Austria AG

Update to credit analysis

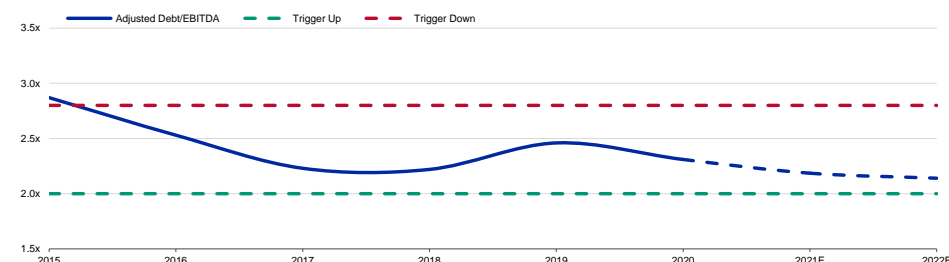
Summary

[Telekom Austria AG's](#) (Telekom Austria) Baa1 rating reflects the group's moderate scale; its position as a strong integrated company in the highly competitive domestic telecommunications market; its geographic diversification in a number of Eastern European countries, with exposure to higher macroeconomic and foreign-currency risks, particularly in Belarus; the marginal impact of the coronavirus pandemic on the company's operating performance; its sustainable cash flow generation and credit metrics; its public commitment to a conservative financial strategy; and the benefits resulting from [America Movil, S.A.B. de C.V.'s](#) (America Movil, A3 negative) 51% shareholding in Telekom Austria.

Telekom Austria is a government-related issuer (GRI), and its Baa1 rating benefits from one notch of uplift as a result of the [Government of Austria's](#) (Aa1 stable) 28.42% ownership of the group, its moderate level of default dependence and our moderate support assumptions for the group. Telekom Austria's Baseline Credit Assessment (BCA), a measure of its standalone credit quality, is baa2.

Exhibit 1

Gross leverage to decline to around 2.2x by 2021 Moody's-adjusted debt/EBITDA over 2015-22E



Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Sources: Moody's Financial Metrics™ and Moody's Investors Service

Credit strengths

- » Leading market position in Austria and a number of Central and Eastern European (CEE) countries, although in highly competitive environments
- » Continued commitment to an investment-grade rating
- » Support from the Government of Austria, which translates into a one-notch uplift to the final rating
- » Strong implicit support from America Movil

Credit challenges

- » Regulatory and foreign-exchange risks in Belarus
- » The negative impact of the pandemic on the company's operating performance, although more limited than in other sectors
- » A very competitive domestic market
- » Highly capital-intensive investments as a result of the acceleration in fiber rollout, in line with the industry average

Rating outlook

The stable rating outlook reflects our expectation that Telekom Austria will maintain its strong financial metrics and business positioning in Austria and its international footprint. As a result, we expect the company's leverage, measured by Moody's-adjusted gross debt/EBITDA, to remain below 2.5x on a sustained basis and retained cash flow (RCF)/debt to remain above 30% over the next 12-18 months.

The stable outlook also reflects our expectation that, over the next three years, Telekom Austria will continue to improve its operating performance in a highly competitive market, benefiting from its past investments to improve the network quality.

The stable outlook takes into account a degree of event risk, which is low and mitigated by the lack of sizable opportunities in the markets where Telekom Austria operates and the company's conservative financial policies.

Factors that could lead to an upgrade

We could consider upgrading Telekom Austria's rating if the group's debt protection ratios were to strengthen as a result of improvements in its operational cash flow, assuming no changes in the sovereign rating or levels of government support and default dependence. This improvement would be reflected in its adjusted RCF/gross adjusted debt trending toward 35% and gross adjusted debt/EBITDA remaining below 2.0x on a sustained basis.

Factors that could lead to a downgrade

The rating could come under downward pressure if Telekom Austria's underlying operating performance were to weaken as a result of more adverse macroeconomic, regulatory or competitive developments; the group's liquidity profile were to deteriorate; or the group were to make additional significant debt-financed acquisitions or increase shareholder remuneration, such that its credit metrics would deteriorate, reflected by its adjusted RCF/adjusted gross debt remaining below 30% and adjusted gross debt/EBITDA above 2.8x, both on a sustained basis.

In addition, we would most likely no longer apply the GRI methodology to Telekom Austria or incorporate an uplift into its final rating if the government were to reduce its stake in the group to below 20%, or we were to lower our support assumptions for the group. While either one of these factors would likely result in a one-notch downgrade, there is no indication that either will occur.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Telekom Austria AG [1]

(in EUR million)	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	2021 (E)	2022 (E)
Revenue	4,020	4,125	4,280	4,343	4,469	4,464	4,524	4,570
Debt / EBITDA	2.9x	2.5x	2.2x	2.2x	2.5x	2.3x	2.2x	2.1x
RCF / Debt	25.8%	30.9%	32.3%	34.0%	32.1%	35.0%	38.7%	39.1%
(EBITDA - Capex) / Interest Expense	3.2x	3.3x	5.6x	5.7x	4.7x	6.0x	5.9x	6.1x

[1] All ratios are based on Adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Moody's Forecasts are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Financial Metrics™

Profile

Headquartered in Vienna, Austria, Telekom Austria AG (Telekom Austria) is the leading integrated telecommunications provider in the country, providing 1.8 million fixed-line connections, and serving 5.0 million mobile customers (as of June 2021). The group has a nationwide presence, delivering a full range of services and products, including telephony, data exchange, interactive content, TV, and information and communications technology solutions. The group has also expanded its mobile operations outside Austria, where its customer base accounts for more than 17.3 million subscribers. Telekom Austria is one of the leading mobile operators in Bulgaria, Belarus and Croatia, and is also present in Slovenia, Macedonia and Serbia.

Telekom Austria's main shareholders are America Movil, with a 51% holding (fully consolidating Telekom Austria), and the Austrian government, with a 28.42% holding. In 2020, group revenue and EBITDA totaled €4.55 billion and €1.58 billion, respectively.

Detailed credit considerations

Leading market position, although in a highly competitive environment

Telekom Austria has a stable, leading position in the domestic mobile market, with a reported market share of 37.5% as of December 2020. The group also reported a market share of 52.1% in fixed broadband.

Telekom Austria's main markets are characterized by fierce competition in both mobile and fixed communications. In Austria, the company continues to experience sustained pressure on prices, mainly in the lower end of the market, as a result of the aggressive pricing policies implemented by mobile virtual network operators.

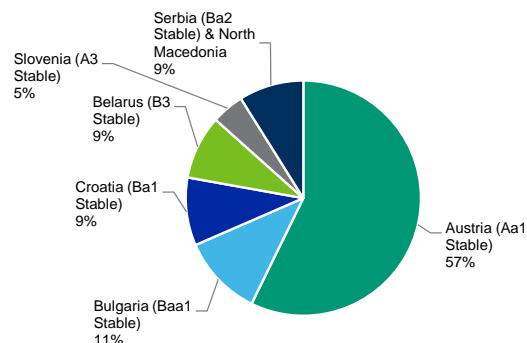
We expect both the mobile and fixed-line markets to remain competitive in 2021, as indicated by intensified competition in the broadband business. However, the company has implemented an indexation of around 1.5% for existing customers in some high-value mobile and fixed-line businesses, as well as an increase in the activation and annual service fees for some mobile customers.

In the premium segment, operators are likely to focus on customer upselling strategies rather than on promotions to gain market share. All operators have launched 5G tariffs with an initial strong uptake. The company aims to offset the competitive pressures in the low-end segment by implementing a convergence strategy and focusing on upselling and cross-selling to high-value customers. In September 2020, the company increased prices for existing residential fixed-line voice customers by €2 and for select SIM-only customers by €1 to €3. Nevertheless, we do not expect the Austrian market to experience a significant price increase in the next two years.

As of December 2020, Telekom Austria was also one of the leading mobile operators in Bulgaria (an around 38% reported market share), Croatia (around 37%) and Belarus (around 42%). In 2020, CEE markets exhibited broadly flat revenue of -0.1%, mainly driven by roaming losses and negative foreign-currency effects, mainly driven by Belarus. Excluding one-off and foreign-exchange effects, international operations grew by 3.8% and 4.0% in total revenue and EBITDA, respectively.

The positive aspects of Telekom Austria's diversification in a number of Eastern European countries are mitigated by their exposure to higher macroeconomic and foreign-currency risks. Moreover, as shown in Exhibit 4, more than 49% of operating cash flow was generated in Austria in 2020. However, this figure has significantly decreased from above 60% in 2018 in light of higher capex in Austria including spectrum auctions.

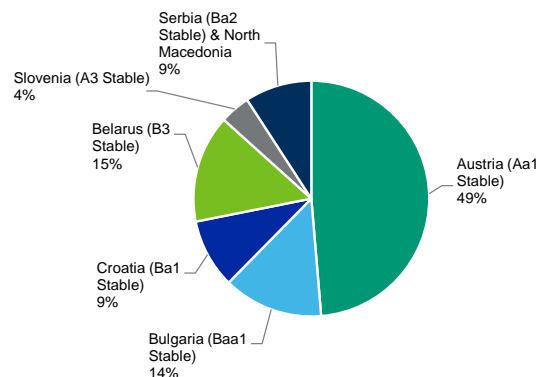
Exhibit 3

Austria represented 57% of revenue in 2020
2020 external revenue by geography


[1] Corporate, other and eliminations excluded from the calculation.

Source: Company

Exhibit 4

Austria represented 49% of operating free cash flow in 2020
2020 operating free cash flow breakdown by geography


[1] Corporate, other and eliminations excluded from the calculation.

[2] Operating free cash flow calculated as EBITDA - capital spending (inclusive of spectrum payments).

Source: Company

Solid operating performance despite negative foreign-currency impact; roaming revenue starts to show signs of recovery

Telekom Austria's 2020 operating performance was relatively resilient despite the negative impact from the coronavirus pandemic. Service revenue remained broadly flat with roaming losses and negative foreign-currency movements being offset by increasing fixed and mobile customer bases. Service revenue excluding foreign-currency effects and one-offs would have been 1.6% for the year. EBITDA before restructuring costs grew by 1% in 2020, supported by operational efficiencies.

In the first half of 2021, service revenue grew by 3.9%, mainly driven by mobile and connectivity. Roaming revenue started to show signs of recovery in Q2 2021 with a positive yoy impact of around 1% of EBITDA. The company expects to recover around 20%-25% of roaming revenue by the end of the year from pre-pandemic levels.

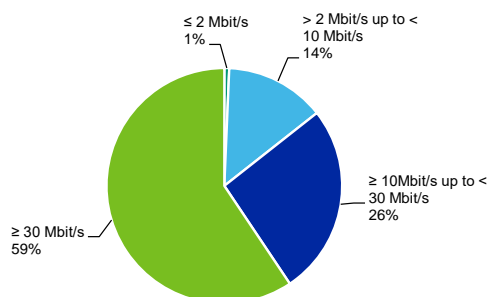
We expect the company's revenue to grow in low-single-digit percentages over the next 12-18 months, in line with the company's revised outlook of 2%-3% (from the previously guided 1% revenue growth). We expect EBITDA to likely grow as a result of the revenue growth and its cost-cutting measures.

Additionally, the acceleration in fiber rollout may support revenue growth in the country as customers on low-priced data plans may revert to fixed broadband. In line with other European countries, the lack of high-speed fixed broadband infrastructure in Austria has been a key catalyst in the expansion of mobile broadband, which is cheaper than fiber and capable of delivering comparable speeds. As shown in Exhibit 5, as of December 2020, a significant part of fixed broadband connections had a bandwidth of less than 30 megabits per second (Mbps). Fiber rollout is also likely to boost the overall low degree of convergence in the country, with Telekom Austria likely to be the main beneficiary.

Exhibit 5

Most Austrian fixed broadband connections have bandwidths below 30 Mbps

Fixed broadband breakdown by bandwidth as of December 2020

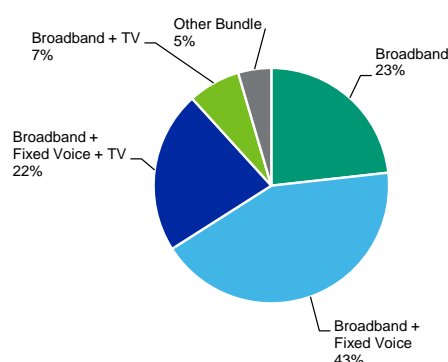


Source: Rundfunk Und Telekom Regulierungs-GmbH

Exhibit 6

Telekom Austria is likely to be the main beneficiary of the potential increase in convergence in the Austrian market

Consumer broadband connections by bundle category as of December 2020



Source: Rundfunk Und Telekom Regulierungs-GmbH

Credit metrics to remain at the current strong levels without sizable debt-financed M&A

Management continues to implement a number of actions to enhance its financial flexibility, including accelerated cost-cutting initiatives; a moderate shareholder remuneration policy; and a conservative capital structure with moderate leverage.

Leverage, measured by gross adjusted debt/EBITDA, declined steadily to 2.3x as of December 2020 (including the IFRS 16 impact) from the peak of 3.5x in 2013. We expect leverage to reduce toward 2.0x over the next 12-18 months.

America Movil, as Telekom Austria's major shareholder with a 51% stake, is instrumental in this deleveraging process. As part of the shareholder agreement, Telekom Austria successfully completed a capital increase in November 2014, which amounted to €1 billion. This improved Telekom Austria's capital structure and financial position, and provided additional financial flexibility for investments.

America Movil has also had a positive impact on Telekom Austria's overall strategic execution, broadly because of the possibility of the Austrian operator leveraging the size of its main shareholder to gain substantial purchasing power with vendors or to enhance its relationships with financial institutions; the shift from a marketing to a revenue-oriented approach; and the strong focus on the business and cost savings.

Telekom Austria has strong credit metrics, which will likely be sustained without sizable debt-financed M&As.

The group is likely to focus its M&A activity on small acquisitions to strengthen its market position. The company has stated that any transaction will be funded within the tolerance levels of the investment-grade rating category. However, we do not expect any significant transaction to take place over the next 12-24 months.

High capital spending for investments in fiber and 5G has a strategic advantage over competitors

The group's key areas of investment include the introduction of 5G mobile network across its markets and the acceleration of the fiber rollout in Austria.

Telekom Austria will continue to adapt its fixed network infrastructure to meet the growing demand for high-bandwidth broadband solutions. The introduction of the hybrid modem, a technology that combines fixed-line and mobile networks to increase bandwidth, will be key in meeting the increasing demand for high-bandwidth speeds through the current fixed and mobile networks, maintaining a competitive edge over cable operators, and upselling current ADSL products.

Telekom Austria expects to increase its capital spending, excluding spectrum, to around €800 million from the low levels in 2020. We expect capital spending to remain high at 18% of sales (€800 million-€850 million per year) in 2021 and 2022. Capital spending will represent the principal use of its cash flow generation, given the expected moderate dividend policy and lack of sizable M&A opportunities.

In addition, we expect additional cash outflows in relation to spectrum auction payments in Croatia, Serbia and Macedonia.

Additionally, Telekom Austria is working on the development of alternatives for its passive tower infrastructure to create efficiencies and increase tenancy ratios. As the industry comes closer to the deployment of 5G mobile technology, business models continue to evolve. They are shifting from legacy tower ownership models, which served as a key differentiating factor in providing coverage, to asset-light models, in which passive infrastructure (the towers) is no longer owned. The credit implications of any potential transaction will depend on the transaction features. For more information on how we assess this kind of a transaction, please refer to the report [Mobile tower deals can bring operational benefits but also credit complexities](#).

ESG considerations

From a corporate governance perspective, Telekom Austria is a public company, with the Austrian government owning 28.43% of the company. In addition, America Movil owns a 51% equity stake, and controls and fully consolidates Telekom Austria into its accounts. There is a shareholder agreement between the Austrian government and America Movil, which includes a limitation over America Movil's maximum ownership to its current stake. Corporate governance includes tight control and conservative policies dictated by America Movil.

The company's exposure to environmental and social risks is low and in line with the overall industry. Electromagnetic radiation (for example, from mobile antennas or mobile handsets) has repeatedly been claimed to be potentially harmful to the environment and health. While the need for higher mobile data speeds will increase electromagnetic radiation, we do not see it as a significant environmental risk for global telecommunication providers, given the existing regulatory radiation limits and ongoing technology improvements.

In terms of social risks, data security and data privacy issues are prominent in the sector. Telecommunications providers exchange large amounts of data, and a breach could cause legal, regulatory or reputation issues. In addition, a breach could result in increased operational costs to mitigate cyberattacks and reduce exposure to the loss of private data. Additionally, we regard the coronavirus pandemic as a social risk under our environmental, social and governance (ESG) framework, given the substantial implications for public health and safety.

Liquidity analysis

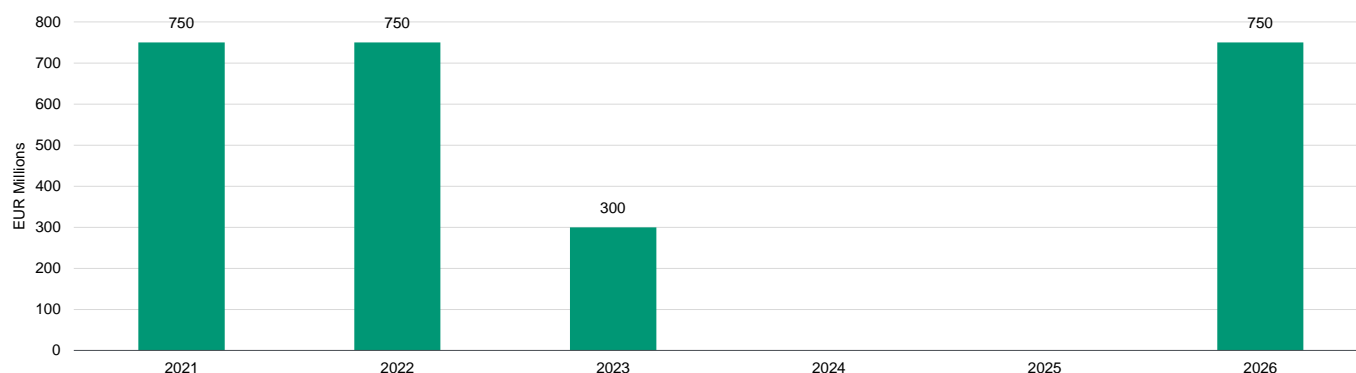
As of June 2021, Telekom Austria had around €313 million of cash and cash equivalents. In addition, the group has a €1.0 billion undrawn committed credit facility, which is not subject to any significant adverse change clauses or financial covenants.

Telekom Austria's liquidity is sufficient to cover its upcoming debt maturities, as well as other cash demands. In this regard, we expect free cash flow generation (after capital spending and dividends, and before spectrum payments) to be around €300 million-€350 million over the next 12-18 months. The group's average cost of debt is around 2.95%, with an average term to maturity of 2.2 years as of the end of June 2021.

Upcoming debt maturities include two €750 million bonds maturing in December 2021 and April 2022.

Exhibit 7

Next bond maturity will take place in December 2021 Telekom Austria's debt maturity profile as of December 2020



Source: Company

GRI considerations

Because Telekom Austria is 28.42% owned by the Austrian government, the group is considered a GRI under our methodology. Therefore, we consider the following inputs:

- (1) A BCA of baa2, reflecting Telekom Austria's underlying credit strength
- (2) The local-currency rating of Austria
- (3) The moderate default dependence, reflecting the financial and operational links between the group and the Austrian economy

We have factored into Telekom Austria's rating a moderate level of government support based on the following considerations:

- (a) there is no explicit expression of support from the government (that is, the government does not guarantee the debt of the GRI)
- (b) the government's 28.42% ownership of Telekom Austria and its willingness to behave as a rational shareholder might suggest that the government would be unlikely to be the sole provider of support — instead, it would only consider providing support jointly with other shareholders in the form of a capital increase
- (c) there are European Union policy barriers to the provision of direct financial support, and the government is likely to obey these rules
- (d) we consider the Austrian government's historical approach moderately interventionist — the government reviews and supervises Telekom Austria's business and funding plans, which we consider positive relative to support assumptions, and appoints a number of board members; it is unlikely that the Austrian government's reputation would be damaged in the event of a default by Telekom Austria
- (e) given its large workforce, the group's level of economic and social importance to Austria appears to be high

Methodology and scorecard

Rating methodology

The Baa2 outcome from the [Telecommunications Service Providers](#) rating methodology grid is in line with Telekom Austria's underlying BCA of baa2. The final rating of Baa1 benefits from one notch of uplift because of government support.

We expect Telekom Austria's credit metrics to remain strong over 2021-22. Over the same period, we expect its adjusted RCF/debt to be above 35% and (EBITDA - capital spending)/gross interest expense around 6x. In terms of leverage, debt/EBITDA is likely to remain at 2.2x-2.0x for the next 12-18 months.

Exhibit 8

Rating Factors

Telekom Austria AG

Telecommunications Service Providers Industry Scorecard [1][2]			Moody's 12-18 Month Forward View As of 6/30/2021 [3]	
	Current Dec-20	Score	Measure	Score
Factor 1 : Scale (12.5%)				
a) Revenue (USD Billion)	\$5.2	Ba	\$5.2-5.3	Ba
Factor 2 : Business Profile (27.5%)				
a) Business Model, Competitive Environment and Technical Positioning	A	A	A	A
b) Regulatory Environment	Ba	Ba	Ba	Ba
c) Market Share	Baa	Baa	Baa	Baa
Factor 3 : Profitability and Efficiency (10%)				
a) Revenue Trend and Margin Sustainability	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (35%)				
a) Debt / EBITDA	2.2x	Baa	2.2x-2.0x	Baa
b) RCF / Debt	35.0%	A	38%-39%	A
c) (EBITDA - CAPEX) / Interest Expense	6.0x	A	6.0x	A
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome				Baa2
b) Actual Rating Assigned				Baa1
Government-Related Issuer				
a) Baseline Credit Assessment				baa2
b) Government Local Currency Rating				Aa1
c) Default Dependence				Moderate
d) Support				Moderate
e) Final Rating Outcome				Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™ and Moody's Investors Service

Ratings

Exhibit 9

Category	Moody's Rating
TELEKOM AUSTRIA AG	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured MTN -Dom Curr	(P)Baa1
Other Short Term -Dom Curr	(P)P-2
TELEKOM FINANZMANAGEMENT GMBH	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Baa1
Bkd Other Short Term -Dom Curr	(P)P-2

Source: Moody's Investors Service

Appendix

Exhibit 10

Peer Comparison Telekom Austria AG

	Telekom Austria AG Baa1 Stable			Deutsche Telekom AG Baa1 Stable			Swisscom AG A2 Stable			Elisa Corporation Baa2 Stable			Telia Company AB Baa1 Stable		
	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21
(in USD million)															
Revenue	5,003	5,095	5,220	90,155	115,274	125,366	11,526	11,835	12,105	2,064	2,162	2,226	9,098	9,718	9,993
EBITDA	1,717	1,771	1,849	30,278	42,536	47,398	4,412	4,654	4,808	739	790	812	3,348	3,743	3,802
Total Debt	4,231	4,386	4,156	102,729	177,342	176,066	11,035	11,013	10,456	1,445	1,757	1,701	12,021	12,365	11,816
Cash & Cash Equivalents	157	258	436	6,020	15,785	11,603	339	385	557	58	269	322	659	985	985
EBITDA margin %	34.3%	34.8%	35.4%	33.6%	36.9%	37.8%	38.3%	39.3%	39.7%	35.8%	36.5%	36.5%	36.8%	38.5%	38.0%
(EBITDA - Capex) / Interest Expense	4.7x	6.0x	6.4x	3.3x	3.0x	3.1x	12.7x	13.2x	13.3x	17.7x	23.5x	26.1x	4.7x	5.0x	4.8x
Debt / EBITDA	2.5x	2.3x	2.2x	3.4x	3.9x	3.7x	2.4x	2.2x	2.2x	1.9x	2.1x	2.1x	3.6x	3.0x	3.1x
FCF / Debt	4.9%	9.2%	11.3%	3.0%	-1.2%	1.0%	3.5%	4.7%	5.4%	1.6%	2.4%	1.5%	0.8%	1.9%	2.4%
RCF / Debt	32.1%	35.0%	36.4%	22.9%	18.9%	19.8%	26.2%	28.3%	27.2%	22.2%	20.1%	20.3%	15.9%	19.1%	18.4%

All figures and ratios are calculated using Moody's estimates and standard adjustments.

Source: Moody's Financial Metrics™

Exhibit 11

Telekom Austria's Moody's-adjusted debt breakdown

	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
(in EUR thousands)					
As Reported Total Debt	2,803,561	2,534,173	2,782,048	3,603,418	3,397,697
Pensions	141,028	136,117	143,678	164,353	179,487
Leases	495,954	486,078	496,740	0	0
Hybrid Securities	295,593	295,593	0	0	0
Non-Standard Public Adjustments	111,667	19	4,600	1,179	7,053
Moody's Adjusted Total Debt	3,847,803	3,451,980	3,427,066	3,768,950	3,584,237

Source: Moody's Financial Metrics™

Exhibit 12

Telekom Austria's Moody's-adjusted EBITDA breakdown

	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
(in EUR thousands)					
As Reported EBITDA	1,361,820	1,391,967	1,389,111	1,538,386	1,555,891
Unusual Items - Income Statement	(3,931)	(32)	0	(240)	0
Pensions	(5,209)	(5,230)	(4,517)	(4,503)	(4,405)
Leases	165,318	162,026	165,580	0	0
Non-Standard Public Adjustments	2,767	2,674	797	407	77
Interest Expense - Discounting	0	(4,720)	(4,465)	0	0
Moody's Adjusted EBITDA	1,520,765	1,546,685	1,546,506	1,534,050	1,551,563

Source: Moody's Financial Metrics™

Exhibit 13

Telekom Austria AG

Select historical and forecasted Moody's-adjusted financial data

	FYE	FYE	FYE	FYE	FYE	Proj.	Proj.
(in EUR million)	2016	2017	2018	2019	2020	2021	2022
INCOME STATEMENT							
Revenue	4,125	4,280	4,343	4,469	4,464	4,595	4,641
EBITDA	1,521	1,547	1,547	1,534	1,552	1,571	1,604
BALANCE SHEET							
Cash & Cash Equivalents	464	202	64	140	211	364	607
Total Debt	3,848	3,452	3,427	3,769	3,584	3,377	3,377
CASH FLOW							
Capital Expenditures	(962)	(844)	(915)	(1,023)	(896)	(983)	(990)
Dividends	55	154	166	140	153	154	169
Retained Cash Flow (RCF)	1,189	1,114	1,167	1,212	1,254	1,307	1,321
RCF / Debt	30.9%	32.3%	34.0%	32.1%	35.0%	38.7%	39.1%
Free Cash Flow (FCF)	147	203	210	186	331	353	316
FCF / Debt	3.8%	5.9%	6.1%	4.9%	9.2%	10.5%	9.4%
PROFITABILITY							
EBITDA margin %	36.9%	36.1%	35.6%	34.3%	34.8%	34.2%	34.6%
INTEREST COVERAGE							
(EBITDA - CAPEX) / Interest Expense	3.2x	5.6x	5.7x	4.7x	6.0x	5.9x	6.1x
LEVERAGE							
Debt / EBITDA	2.5x	2.2x	2.2x	2.5x	2.3x	2.2x	2.1x

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Financial Metrics™

© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER

1288293