

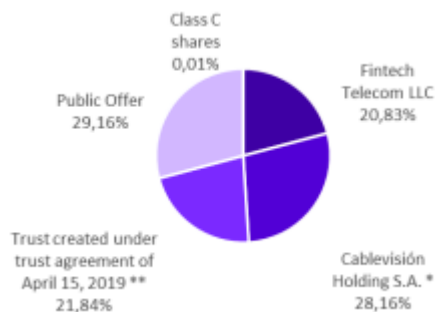
December 28, 2022

Telecom Argentina S.A.

At the beginning of 2018, Telecom Argentina (TEO) and Cablevisión Holding (CVH) carried out a merger that made the group the first quad-play operator in the country (internet, television, mobile, and fixed telephony).

As a result, CVH became the controlling company of TEO, holding both directly and indirectly 28.16% of TEO's capital stock. The second most important partner of TEO is Fintech Telecom LLC, owned by Mexican businessman David Martinez, with 20.83% of the shares.

One year after the merger, in 2019, both companies formalized a Voting Trust in which Fintech Telecom LLC and VLG S.A.U. (100% controlled by CVH) paid in 21.84% of TEO shares. In the agreement, a co-trustee representing CVH granted the company the right to make decisions. Therefore, CVH came to control more than 50% of the outstanding shares.¹



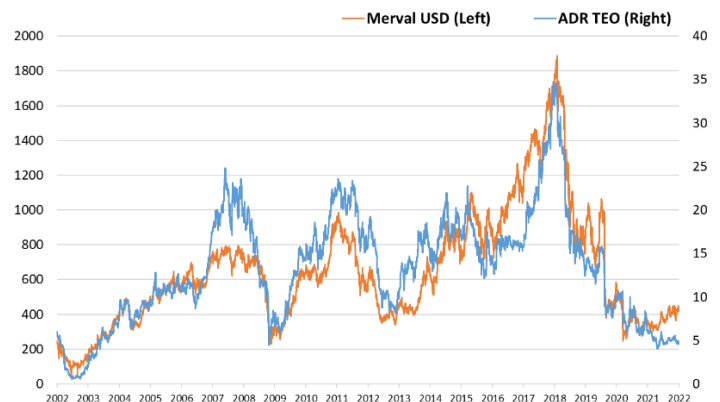
Source: Institutional presentation.

The remaining 29.16% of the shares are publicly traded. From this percentage, the National Government holds 11.34% and the rest is traded on the local market (BYMA) and NYSE (as ADS). The merger turned the group into the largest media operator in the country, with a presence

¹ Cablevisión Holding S.A. directly owns 18.89% of the total capital stock and indirectly owns 9.27% of the total capital stock through VLG S.A.U. ** Trustees: Héctor Magnetto and David Martínez.

in Uruguay and Paraguay also. At the time the merger was approved, TEO's stock reached its all-time high on the NYSE.

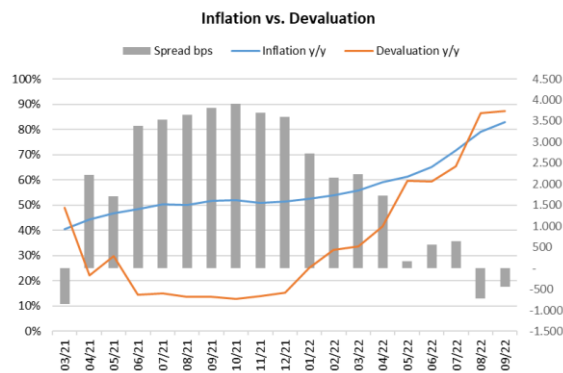
Since 2018, Argentina has been going through numerous economic crises that resulted in a strong contraction of TEO's balance sheet. Consequently, its share price is today practically at historical lows, close to the 2001-2 and 2008 crises.



Source: Sekoia Research based on Reuters.

Latest Results

As usual in our *Research Reports*, the financial statements will be analyzed in US dollars, using the average wholesale or closing exchange rate, as appropriate. It is worth mentioning that during most of the fiscal year 2021 and in the first nine months of 2022, the devaluation rate lagged well behind the inflation rate. Therefore, given that 93% of the company's revenues are in local currency, the results measured in inflation adjusted local currency (constant prices) are significantly different from those measured in hard currency. We will take both measures in order to have a better analysis of the company's current state.



Source: Sekoia Research based on INDEC and BCRA data.

Total revenues for the 9 months of 2022 measured at the official exchange rate were USD 3,469 MM, up 15% compared to the same period in 2021. Conversely, in constant prices, sales fell by 12% compared to the same period in 2021.

Telecom's EBITDA amounted to USD 995 MM (9M2022) and remained almost unchanged with respect to 2020 and 2021. In constant pesos, it decreased by 22.6% compared to the same period in 2021. This drop had an impact on its EBITDA margin, which closed at 29% of sales, contracting 387 basis points (bps) compared to the 9 months of 2021 and 706 bps compared to 2020.

On the other hand, it recorded a net loss of USD 1,204 MM, due to the reduction of the business' goodwill². This loss does not affect the company's operations, so excluding this, the company had a positive net result of USD 327 MM.

Telecom Arg (USD MM)	9M22	9M21	Var (%)	9M20	Var (%)
Revenues	3.469	3.012	15%	2.838	22%
EBITDA	995	981	1%	1.015	-2%
Net Result	327	10	-	-17	-
EBITDA Margin	29%	33%	(387) bps	36%	(706) bps

Source: Sekoia Research based on balance sheet data.

² The reduction due to the goodwill business value is explained by the slight increase in the value of the Telecom share price in pesos. Such increase does not keep pace with the inflationary increase,

Debt profile

At the end of the third quarter of 2022, the company had a total financial debt of USD 2,715 MM - 69% in foreign currency and 31% in local currency. The net financial debt is USD 2,449 MM, which represents an 8% increase compared to 2021 and a 41% increase compared to 2020, mainly due to a decrease in its cash position.

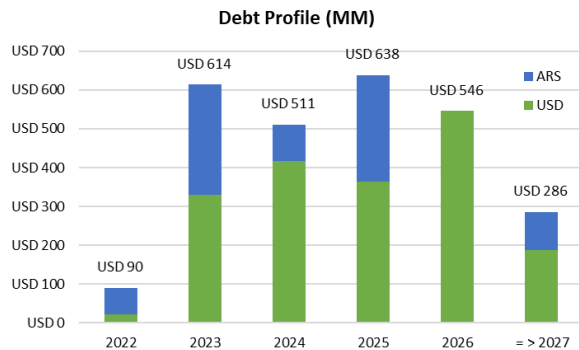
At these levels, net debt represents 1.8x annualized EBITDA and interest coverage reaches 4.5x. Both ratios are stable compared to the previous year but worsen compared to 2020.

Telecom Arg (USD MM)	9M22	9M21	Var (%)	9M20	Var (%)
Total Debt	2.715	2.519	8%	2.256	20%
Cash & Equivalence	266	256	4%	514	-48%
Net Debt	2.449	2.263	8%	1.742	41%
EBITDA (LTM)	1.392	1.284	8%	1.398	0%
Net Leverage	1,8	1,8	0,0	1,2	0,5
Interest (LTM)	311	275	13%	275	13%
Interest Coverage	4,5	4,7	-0,2	5,1	-0,6

Source: Sekoia Research based on balance sheet data.

Despite this, the leverage level appears to be balanced considering that 31% of the debt is in local currency and that 53% of the maturities falling due between 2023 and 2024 are against international credit organizations. The company obtained loans from the World Bank through the International Finance Corporation and the Inter-American Development Bank.

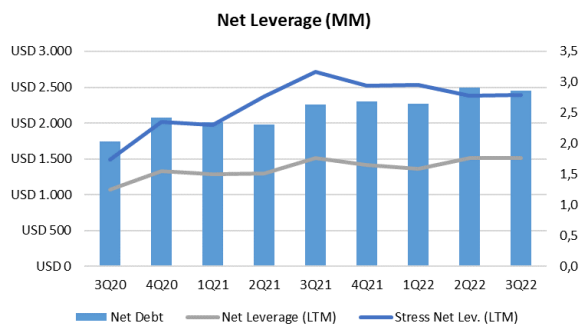
when fixed assets do increase their value according to the inflation index, in accordance with the requirements of the IAS 29 standards.



Source: Sekoia Research based on balance sheet data.

Under a scenario of financial stress, we consider that the Central Bank won't sell any more dollars at the official FX rate to companies to pay the coupons and the amortizations of the bonds. As a result, the company needs to buy dollars in the blue-chip swap market, where liquidity or assets are converted to pesos at the blue-chip swap FX rate. We also convert the EBITDA at the blue-chip swap FX rate, except for exports.

In this regard, Telecom has only 7% of its exchange rate-adjusted revenues and 28% of its cash position in hard currency. This would increase its net debt to USD 2,092 MM and reduce the annualized EBITDA to USD 749 MM, which would bring the net leverage ratio to 2.8 and interest coverage to 2.4. The stress scenario clearly damages the company's ratios, but they remain at manageable levels.



Source: Sekoia Research based on balance sheet data.

Corporate Bonds

Telecom has an 8.5% coupon bond which matures in 2025 and a minimum of 1,000 bonds. The bond trades clean at levels of 97.2%, with a YLD of 8.2%, duration of 2.3 years, semi-annual income payments, and amortization in three annual payments starting in 2023.

Tecoar 8.5% Mty 2025



Source: Bloomberg.

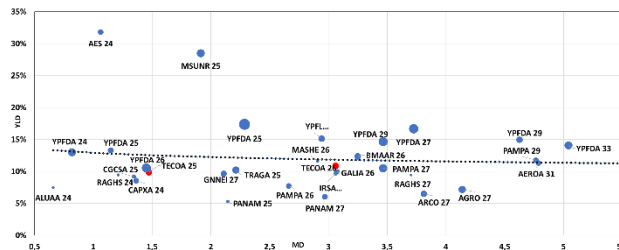
On the other hand, Telecom has a second bond which matures in 2026 with an 8% coupon and a minimum of 1,000 bonds. The bond trades clean at levels of 96.8% has a YLD of 9.04%, duration of 3.0 years, semi-annual income payments, and bullet.

Tecoar 8% Mty 2026



79 Bond Description	78 Issuer Description		
Pages	Issuer Information	Identifiers	
10 Bond Info	Name TELECOM ARGENTINA SA	FIGI BBG00PPPY7H0	
11 Addtl. Info	Industry Telecommunications (BCLASS)	ISIN USP9028NAV00	
12 Reg/Tax	Security Information	ID Number AZ6283065	
13 Covenants	Mkt Iss EURO-DOLLAR	Bond Ratings	
14 Guarantors	Chy/Reg AR	S&P CCC+	
15 Bond Ratings	Currency USD	Fitch B	
16 Identifiers	Rank Sr Unsecured	Series REFS	
17 Exchanges	Coupon 8.000000	Type Fixed	
18 Inv Parties	Cpn Freq S/A	Composite B-	
19 Fees, Restrict	Day Crit ISMA-30/360	Iss Price 98.69000	
20 Schedules	Maturity 07/18/2026	Issuance & Trading	
21 Coupons	MAKE WHOLE @50,000 until 07/18/23/ CALL 07/...	Aggregated Amount Issued/Out	
22 Impact	Iss Yield 8.250	USD 400,000.00 (M) /	
23 Onsh. Date	Calc. Type (1)STREET CONVENTION	USD 400,000.00 (M)	
24 ALLO Pricing	Pricing Date 07/11/2019	Min Piece/Increment	
25 ORD Or Reop	Interest Accrual Date 07/18/2019	1,000.00/ 1,000.00	
26 TDH Trade Hist	1st Settle Date 07/18/2019	Par Amount 1,000.00	
27 OACS Corp Action	1st Coupon Date 01/18/2020	Book Runner JOINT LEADS	
28 CF Prosecution		Reporting TRACE	
29 CN Sec News			
30 HDS Holders			
31 Send Bond			

Source: Bloomberg.



Source: Sekoia Research based on Bloomberg.

The industry faces plenty of regulations that greatly distort the company's operating capabilities. Given that the company has an excellent credit reputation, maintains open access to the international market (private banks and international organizations), and is financially prudent, its bonds trade below the Argentine corporate hard dollar curve.

We see the bonds as somewhat expensive in this international context; we find a better risk/return ratio in other bonds from the region. However, for those investors restricted to trading in the local market - although it is not our preferred domestic issuer, we like Telecom bonds for a diversified local hard dollar portfolio.

Best regards,

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