

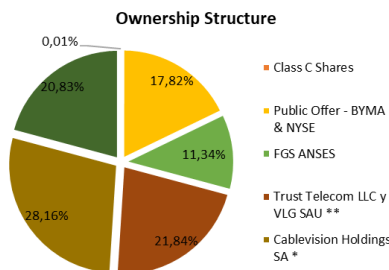
August 29, 2023

Telecom Argentina S.A.

After the merger of Telecom Argentina (TEO) and Cablevisión Holding (CVH) at the beginning of 2018, the group became the country's first quadruple-play operator (offering cable TV, internet, mobile and landline telephony) conducting business not only in Argentina but also Uruguay and Paraguay. Since then, CVH has become the controlling company of TEO, directly and indirectly holding 28.16% of the share capital. The second-largest shareholder of TEO is Fintech Telecom LLC, owned by Mexican businessman David Martínez, with 20.83% of the shares.

A 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) held 21.84% of TEO's shares. In the agreement, a co-trustee representing CVH granted decision-making rights to the company. As a result, CVH gained control of more than 50% of the circulating shares.

Out of the remaining 29.16%, 11.34% is owned by ANSES (National Social Security Administration) through their FGS fund, and the rest is traded on BYMA and NYSE.



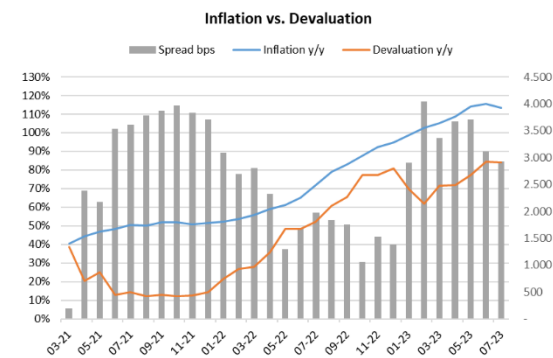
Source: Sekoia Research based on balance sheet and ANSES data.

Latest Results

As is customary in our research reports, we will analyze the company's financial in dollars, using

the average official exchange rate or the closing rate, as appropriate.

However, due to the strong regulations characterizing the sector, macroeconomic distortions in Argentina (the devaluation rate lagged significantly behind the inflation rate) and considering that 84% of the company's revenues are in local currency, the accounting results measured in inflation-adjusted pesos differ significantly from those measured in hard currency. Therefore, we will consider both measures to provide a better analysis of the company's financial position.



Source: Sekoia Research based on INDEC and BCRA data.

Total sales revenues for the first half of 2023 amounted to USD 2.3 billion, representing a 2% decline compared to the same period in 2022. In the local currency, sales decreased by 9.3% compared to the same period last year.

Telecom's EBITDA reached USD 654 million, contracting by 9%. Similarly, the margin on sales decreased by 220 basis points (bps) to 28%. In pesos, EBITDA decreased by 16% compared to the same period last year.

Telecom Arg. SA (USD MM)	6M23	6M22	Var (%)	6M21	Var (%)
Revenues	2.303	2.358	-2,3%	1.970	17%
EBITDA	654	720	-9,3%	670	-3%
Net Result	379	284	-	-18	-
EBITDA Margin	28%	31%	(220) bps	34%	(570) bps

Source: Sekoia Research based on balance sheet data.

Segment Results

During the first half of 2023, 40% of revenues came from mobile services sales in Argentina

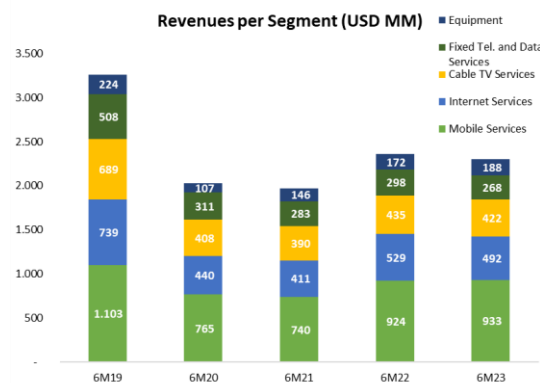
and Paraguay. The customer base in Argentina grew by 573 thousand, reaching 20.6 million. Meanwhile, in Paraguay it remained at 2.3 million. Revenues amounted to USD 933 million, a 1% increase, but in local currency, they contracted by 6.2% yoy.

On the other hand, internet services account for 21% of revenues and the customer base remains stable at 4.1 million. Revenues reached USD 492 million, a 6.9% decrease yoy while in pesos they fell by 9.5%.

Revenues from television services sales reached USD 422 million, representing 18% of the total. Dollar-denominated sales decreased by 3.2%, and in the local currency, they declined by 14.8% yoy. The customer base decreased by around 160 thousand.

Landline and data services closed the semester with a 9.9% yoy decrease, reaching USD 268 million or 11% of total sales. Measured in the local currency, the decrease was 16.4%.

Lastly, equipment sales represented 8% of total revenues, reaching USD 188 million, a growth of 9.5% in hard currency and 3.7% in the local currency. The improvement is attributed to increased cell phone sales.



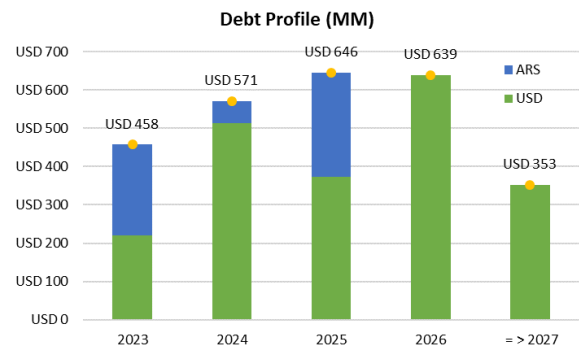
Source: Sekoia Research based on balance sheet data.

Debt Profile

At the end of the second quarter, the company had a total financial debt of USD 2.7 billion.

Compared to our previous report, the share of foreign currency debt slightly decreased to 66%, while domestic currency debt increased to 34%. The latter is diversified, with 13% linked to the exchange rate and 21% linked to UVA or BADLAR rates.

The company has an ambitious yet balanced leverage profile, with its total debt spread evenly over the next 5 years.



Source: Sekoia Research based on balance sheet data.

Despite this, the company has significant access to both national and international debt markets. In 2023, it raised USD 330 million through the issuance of three bonds indexed to the exchange rate and with no interest rates, maturing in 2028, 2026, and 2025 (the latter after the posting of the second quarter financial statements). Internationally, it secured an export credit line of USD 50 million from the Canadian development bank and another USD 171 million from the Chinese development bank.

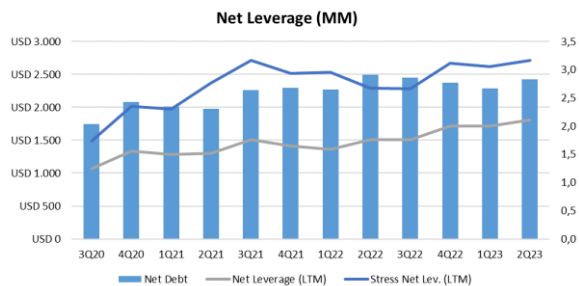
Net financial debt stands at around USD 2.4 billion, a 3% decrease compared to 2022 due to an increased cash position. At these levels, the leverage ratio is 2.1x while interest coverage stands at 3.1 times.

Telecom Arg. SA (USD MM)	6M23	6M22	Var (%)	6M21	Var (%)
Total Debt	2.735	2.703	1%	2.510	9%
Cash & Equivalents	312	210	49%	532	-41%
Net Debt	2.423	2.493	-3%	1.978	23%
EBITDA (LTM)	1.149	1.416	-19%	1.304	-12%
Net Leverage	2,1	1,8	0,3	1,5	0,6
Interest (LTM)	366	268	36%	238	54%
Interest Coverage	3,1	5,3	-2,1	5,5	-2,3

Source: Sekoia Research based on balance sheet data.

However, under a scenario of financial stress where the company is completely restricted from accessing the official foreign exchange market, it would need to dollarize its operating cash flow and cash position at the blue-chip swap rate.

In this context, Telecom has 16% of its revenues linked to the exchange rate, while 77% of its cash position is in hard currency, and 21% of its debt is in local currency. This would reduce the net debt to USD 2.1 billion, but it would also reduce the annualized EBITDA to nearly half, USD 618 million. This results in a net leverage ratio of 3.2 and an interest coverage of 1.8. The stress scenario clearly damages the ratios; the company has a significant amount of hard currency debt relative to its revenues.



Source: Sekoia Research based on balance sheet data.

Bonds

Telecom Argentina has two hard dollar bonds. The first one matures in 2025 with an 8.5% coupon and a minimum nominal value of 1,000. The bond trades clean at around 98%, yielding 9.7%, and a low duration of only 1.3 years. In 2023, 33% of the principal was amortized, and the remaining payments will be made in two annual installments in 08/2024 and 08/2025.

TECOAR 8 1/2 08/06/25



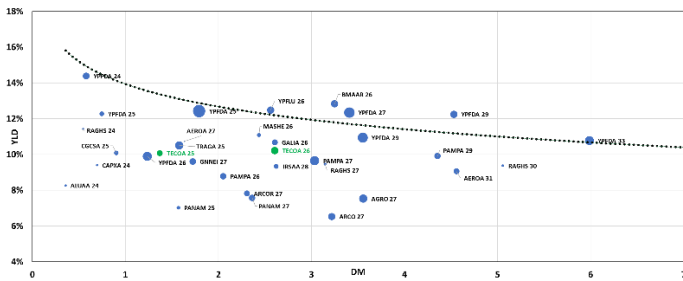
Source: Bloomberg.

The second bond matures in 2026 with an 8% coupon and a minimum nominal value of 1,000. The bond trades clean at around 94.75% and yielding 9.7% with a duration of 2.6 years. It is a bullet bond, with semi-annual interest payments.

TECOAR 8 07/18/26



Source: Bloomberg.



Source: Sekoia Research based on Bloomberg.

The communications sector faces a multitude of regulations that distort Telecom’s operational capabilities. The company has an excellent credit reputation, maintains access to credit in both the domestic and international markets (via private banks as well as international organizations), and is a financially prudent company.

We view the bonds as somewhat expensive within the current international context, finding a better risk/return relationship in other bonds in the region. Within the Argentine corporate bond curve, we also prefer other issuers at these prices. However, there is a positive aspect to TECOAR's bonds. Given the significant weighting of the energy sector among local issuers, these bonds allow for sector diversification.

With this in mind, our Argentine corporate bond fund [CYC Renta Fija Argentina](#) allocates 2.7% of its assets in TECOAR’s bonds.

Kind regards,

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