

*Quicktake*

 FTIDELTA™



# Telecom Securitization

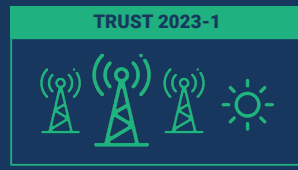
**Creating new growth avenues**

# Telecom is exploring ways to harness income producing assets through securitization vehicles

**Securitization is the process of transforming a group of income producing assets into an investable security**



Portfolio of assets



Packaged assets into security



Capital raised



*New assets*



*Pay debts*



Future revenue streams distributed

## Core Benefits

<b>Reduce cost of capital</b>	Enable cost of capital arbitrage vs. corporate debt
<b>Increase liquidity</b>	Convert illiquid cash-flow streams into tradable securities
<b>Risk diversification</b>	Create funding avenues through pooling of cash-generating assets
<b>Enhance creditworthiness</b>	Remove assets from their balance sheet improving ratios

### Example

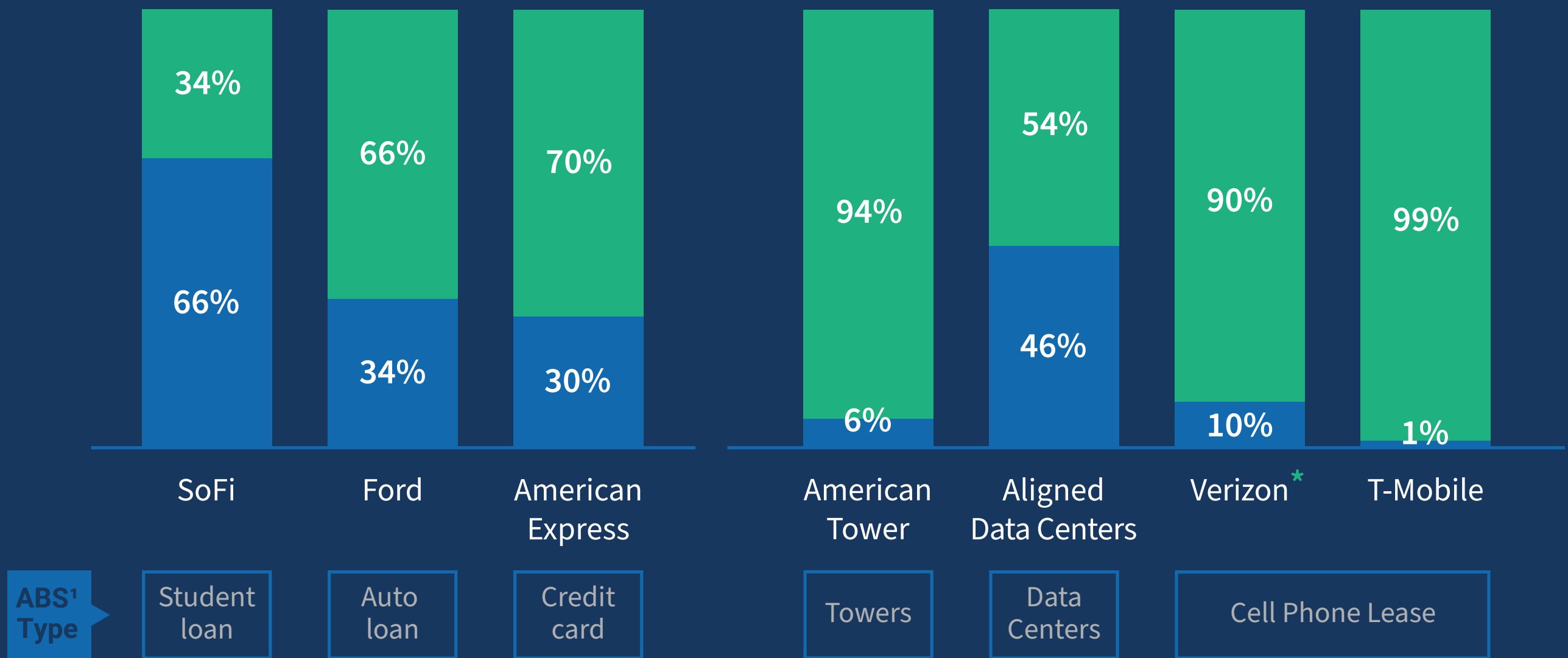
In 2021, Verizon issued securitized debt with Aaa/AAA rating and corporate debt at Baa/BBB+

# Securitization is still nascent in Telecom, but interest has raised over the past few years

**Percentage of securitized debt of total debt**  
(Five-year weighted average, 2018-2022)

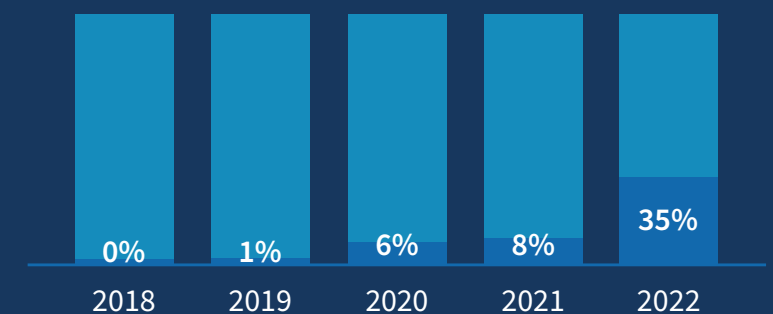
■ Other types of debt (e.g., corporate) ■ Securitized issuance

46% of debt issuance in 2023 is ABS



Some telecom asset classes (e.g., data centers, towers) have recently started to embrace securitization on comparable basis to other industries

\* Verizon mobile devices securitization has been increasing over years, becoming a relevance source of funding



<sup>1</sup>Asset-Backed Security  
Source: Bloomberg, Press clippings, FTI Delta

# Examples of telecom operators raising capital through securitized issuance



Company	Recent Issuance	Sum of Issuance (5 Yrs)	Intend use of funds
<b>Metronet</b>	<b>\$1.2 Billion</b>	<b>\$1.9B</b>	<ul style="list-style-type: none"> <li>• Pay down existing debt</li> <li>• Develop the fiber network assets</li> <li>• Finance working capital needs</li> </ul>
<b>Hotwire Communications</b>	<b>\$1.6 Billion</b>	<b>\$1.6B</b>	



<b>Verticalbridge</b>	<b>\$1.4 Billion</b>	<b>\$1.8B</b>	<ul style="list-style-type: none"> <li>• Pay down existing debt</li> <li>• Grow tower infrastructure</li> <li>• General corporate purposes</li> </ul>
<b>Extenet Systems</b>	<b>\$0.4 Billion</b>	<b>\$0.4B</b>	

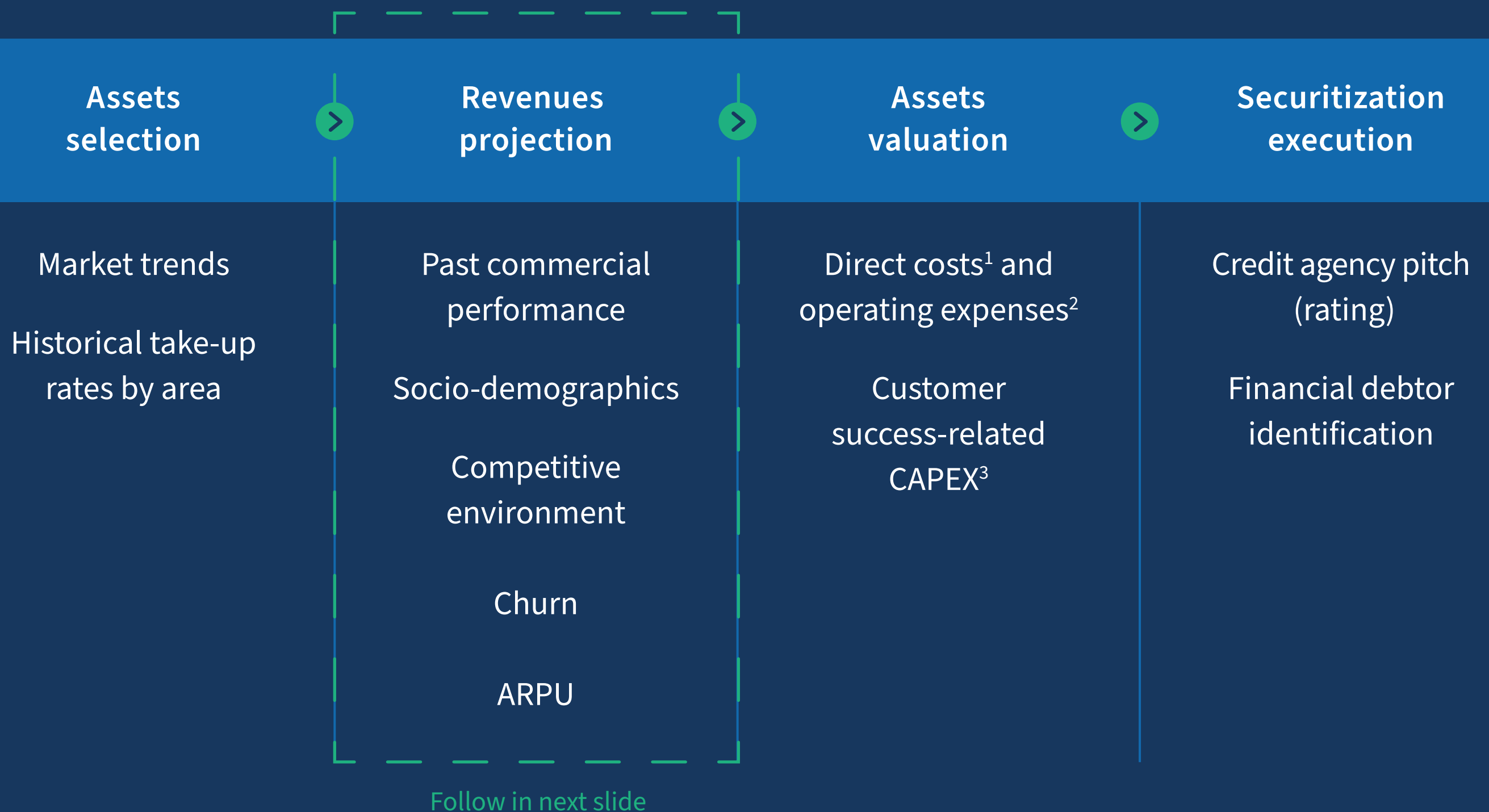


<b>Aligned Adaptive Data Centers</b>	<b>\$0.4 Billion</b>	<b>\$1.6B</b>	<ul style="list-style-type: none"> <li>• Pay down existing debt</li> <li>• Provide liquidity for investment in new data center capacity</li> </ul>
<b>Flexential</b>	<b>\$2.1 Billion</b>	<b>\$2.1B</b>	



<b>Verizon</b>	<b>\$1.0 Billion</b>	<b>\$10.6B</b>	<ul style="list-style-type: none"> <li>• Balance sheet improvement</li> <li>• Finance working capital needs</li> </ul>
<b>T Mobile</b>	<b>\$0.8 Billion</b>	<b>\$0.8B</b>	

# Securitization process can be complex, and a convincing revenue projection is key for success



## Note

<sup>1</sup> Includes Field-operations (cost to repair and maintain network infrastructure and service customers) and non-field operations (e.g., backbone expenses, phone transport, etc.);

<sup>2</sup> Includes sales and marketing (e.g., advertising, marketing, retail – excludes commissions) and G&A;

<sup>3</sup> Includes installation-related cost such as CPE, ONTs, labor and fiber drops, capitalized commissions;

# We project revenue with high granularity to capture particular socioeconomics and competitive dynamics across different areas

## REVENUES PROJECTION

### Project take-up curves at area level

- Analyze and profile areas based on existing competitive scenario & socio-demographics
- Evaluate competitive scenario disruption risk (e.g., overbuilders)
- Assess past performance of areas based on cohorts of deployment and profile
- Estimate evolution of take-up curve for each area based on profile and tenure

### Project churn and ARPU at profile level

- Analyze churn patterns related to competition and project evolution
- Assess ARPU performance and project based on the evolution of product mix and competition

# Example: competitive scenario disruption risk (overbuild) calculated at granular geo-area

1

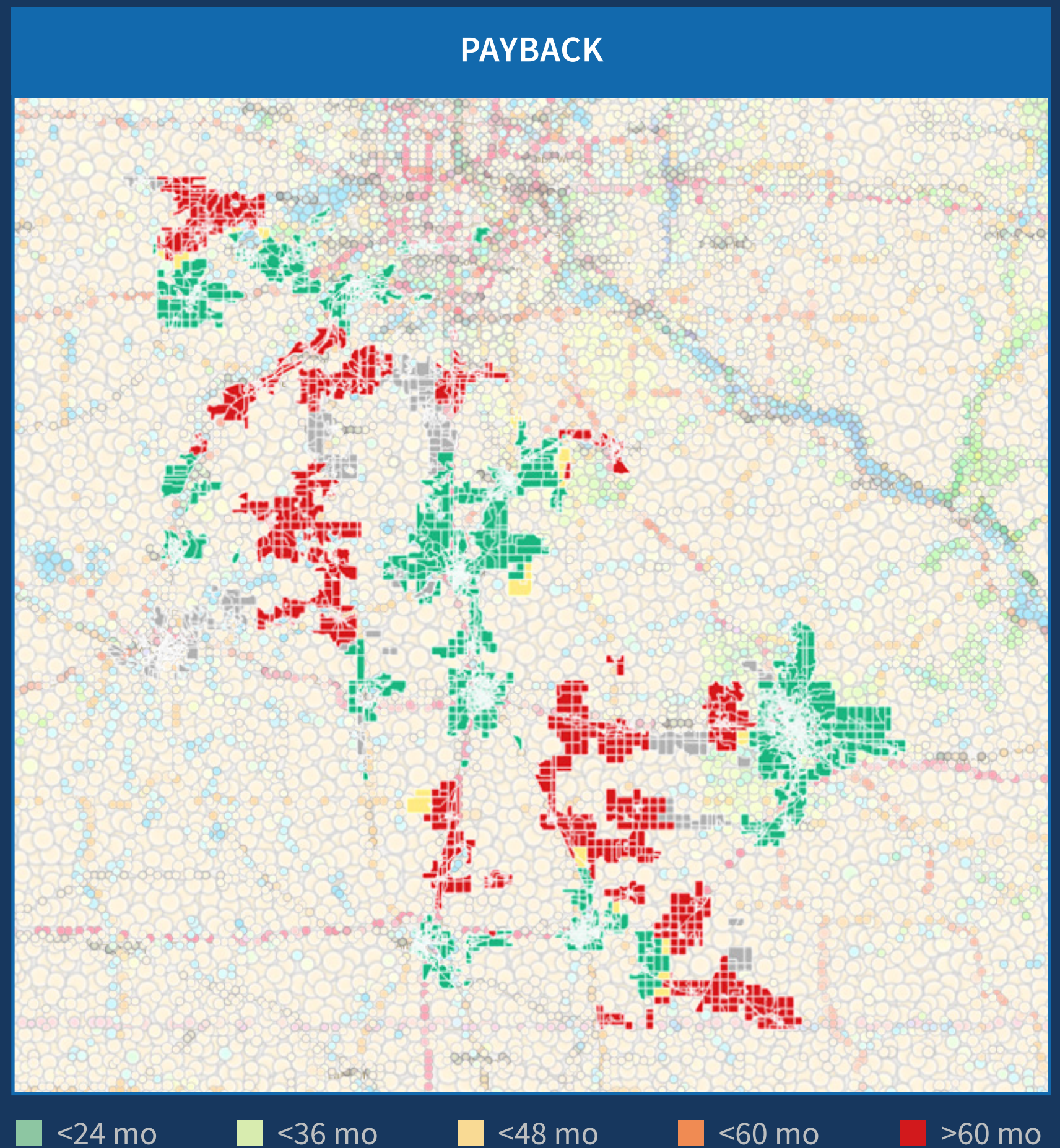
Evaluation of fiber deployment opportunity based on income and competition

2

Estimate of deployment cost based on morphology

3

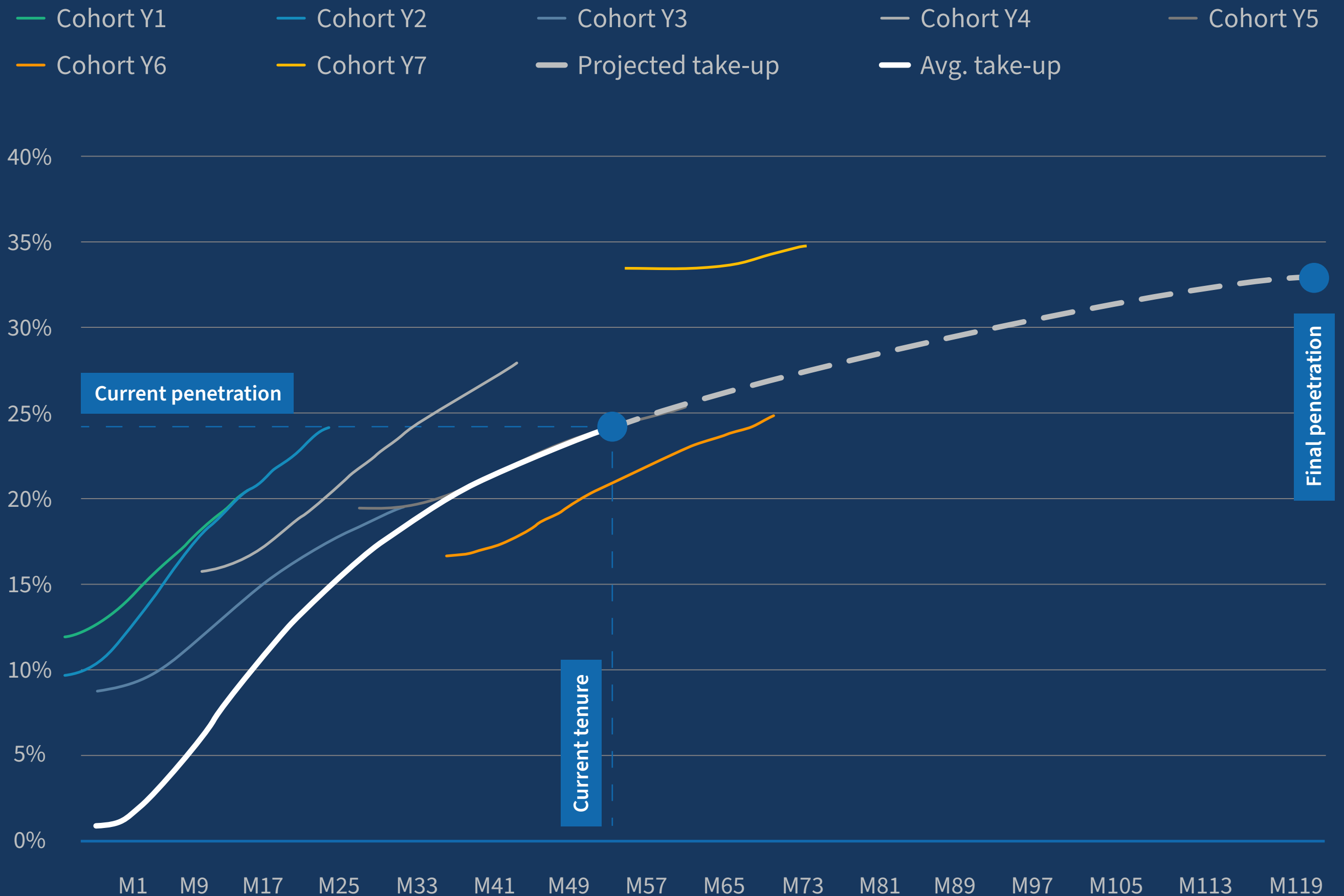
Assessment of deployment attractiveness (payback)



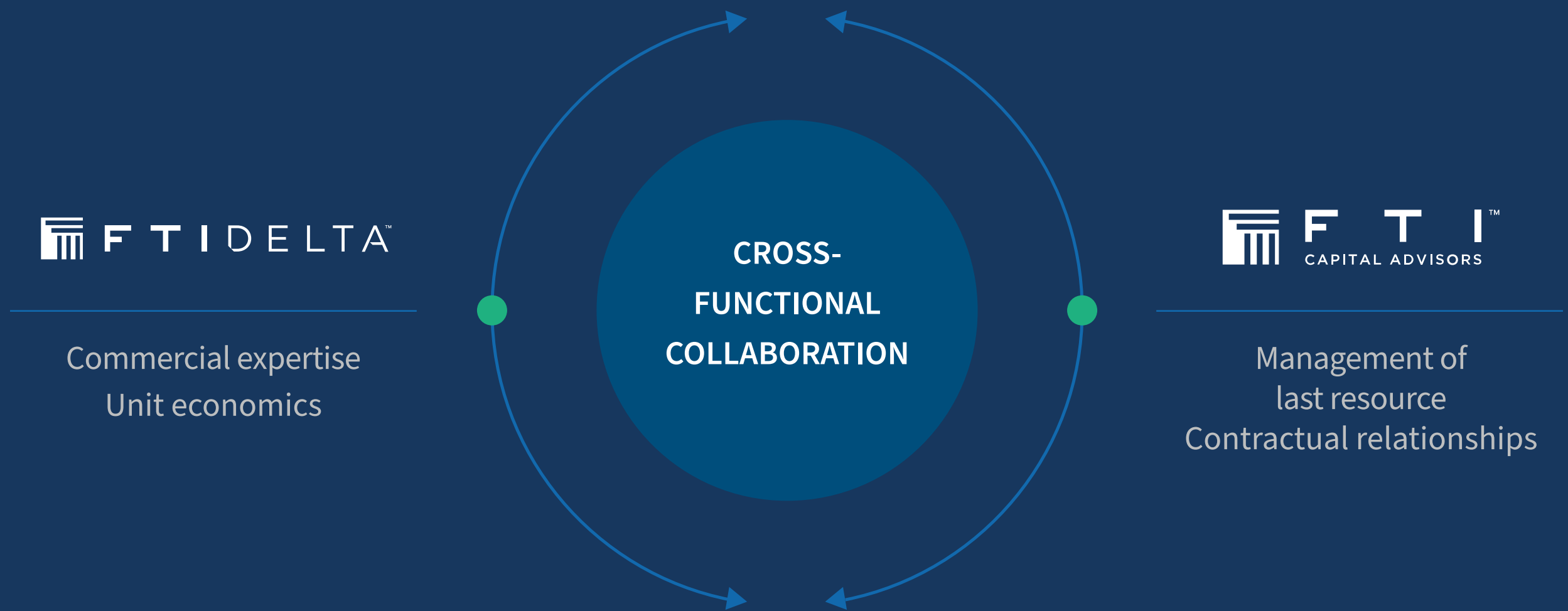


# Example: projection of take-up curve per competitive/socioeconomic profile

Actual penetration curves by cohort and estimated penetration curve for the profile  
(%, month since active date)



FTI Delta & FTI Consulting combine the capabilities to support FTTH companies through a successfully securitization process



## DP - FTI EXPERTS

### Brian Pitkin

Senior Managing Director  
[brian.pitkin@fticonsulting.com](mailto:brian.pitkin@fticonsulting.com)

### Jiva Jagtap

Senior Managing Director  
[jiva.jagtap@ftidelta.com](mailto:jiva.jagtap@ftidelta.com)

### Christophe Meunier

Senior Managing Director  
[christophe.meunier@ftidelta.com](mailto:christophe.meunier@ftidelta.com)

### Steven Turner

Senior Managing Director  
[steven.turner@fticonsulting.com](mailto:steven.turner@fticonsulting.com)

### Fabian Campo

Senior Managing Director  
[fabian.campo@ftidelta.com](mailto:fabian.campo@ftidelta.com)

### Henrique Souza

Senior Principal  
[henrique.souza@ftidelta.com](mailto:henrique.souza@ftidelta.com)