FitchRatings

RATING ACTION COMMENTARY

Fitch Revises Telenet's Outlook to Negative; Affirms Rating at 'BB-'

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Fitch Ratings - Warsaw - 02 Feb 2026: Fitch Ratings has revised Telenet Group Holding N.V.'s Outlook to Negative from Stable, while affirming its Long-Term Issuer Default Rating (IDR) at 'BB-'. Fitch has also assigned an expected rating of 'BB+(EXP)' with a Recovery Rating of 'RR2' to Telenet group's prospective senior secured instruments.

The Negative Outlook reflects a change in Telenet's operating risk profile, following the likely implementation of a standalone capital structure for its network infrastructure subsidiary Wyre, and the potential that leverage could be managed above the tightened financial thresholds for Telenet, excluding Wyre, (referred here as ServCo) on a sustained basis. Fitch views ServCo's operating profile as weaker than its current profile resulting in lower EBITDA net leverage capacity, at any given rating, with slightly higher cash flow from operations (CFO) less capex / gross debt thresholds.

The Outlook would be revised to Stable if key financial indicators such as EBITDA and CFO turned out to be higher than expected or if the company's leverage fell towards the mid-to-lower range of its guidance.

KEY RATING DRIVERS

Implementing Ringfenced Structure for Wyre: Telenet currently owns 66.8% of Wyre, which manages and operates the company's fixed network infrastructure assets. Wyre is seeking regulatory approval to finalise a fibre network deal with Proximus that would limit the duplication of fibre networks in some regions of Belgium. Telenet will, upon approval, separate Wyre into a standalone unit with strong ringfencing measures, creating two distinct credit groups within Telenet while continuing to consolidate Wyre for accounting purposes. Wyre will then be designated as an unrestricted subsidiary of Telenet.

Change in Operating Profile: The separation of Wyre will result in ServCo's operating profile being anchored around Telenet's mobile network operations and fixed reselling business in Belgium. We consider ServCo's profile to be weaker than those of its European peers that include fixed network ownership in their credit profiles, even though it will still be strong and has an improved free cashflow (FCF) profile as heavy fibre upgrade costs are borne by Wyre.

The payment of fibre wholesale access fees will reduce ServCo's Fitch-defined EBITDA margin to an estimated 24% on a pro-forma basis for 2025, from Telenet's current 42%. This represents an EBITDA reduction of about 40% or EUR500 million, based on Fitch's estimates. The separation also results in a shift of risk between ServCo and Wyre, as the former will have greater exposure to competitive and market pressure, while network access charges remain stable, leading to potentially higher pressure on margins for ServCo compared with Telenet.

Debt Reduction: Wyre has secured underwritten commitments of EUR4.35 billion, which will be partially drawn on transaction close. The proceeds will enable Wyre to repay existing intercompany loans from Telenet. This will enable Telenet to use EUR2.3 billion of these proceeds to partly repay existing debt and reduce gross debt. The rest will be used by Wyre to fund the roll out of the fibre network on a standalone basis. The reduction in gross debt offsets ServCo's lower EBITDA, resulting in broadly stable pro-forma Fitch-defined EBITDA net leverage at 4.3x in 2026, compared with Telenet's current credit profile prior to the Wyre separation.

Reduced Leverage Thresholds: The change in operating profile is likely to lead to a 0.8x reduction in EBITDA net leverage thresholds for ServCo to 3.5x-4.2x at 'BB-', from 4.3x-5x and an increase in CFO less capex/gross debt to 5%-8% from 3%-7.5%. The reduction in leverage is broadly proportional to the reduction in EBITDA at ServCo once Wyre's ringfencing becomes effective. The reduction is in line with Fitch's approach to other network separations such at Telecom Italia S.p.A (BB/Positive) and eircom Holding (Ireland) Limited (B+/Stable).

Financial Policy after Separation: Telenet is considering strategic options for its 66.8% equity holding of Wyre in the short-to-medium term. The company may reduce its holding and use proceeds up to a cap to de-leverage ServCo. This means that Telenet is likely to manage gross leverage at 4.5x and net leverage at 3.5x-4.5x (company definition). Leverage consistently managed at the upper end of the range would benchmark the IDR at 'B+'.

Retained Strong Market Position: Telenet's strong retail market position will be unchanged under ServCo. Telenet operates a converged, multi-brand business model supported by local content that helps differentiation and sustain its market share. ServCo has a 24% subscriber market share in mobile and 34% in fixed broadband nationally. The share is significantly higher in Flanders and Brussels, which provides strong economies of scale at a regional level.

Positive FCF Generation: ServCo's lower EBITDA due to wholesale payments to Wyre will be partly offset by a large reduction in capex. Fitch's pro-forma capex projections for ServCo are about 40% lower than prior to the separation. The combination of a strong market position, scale economics and reduced capex will enable ServCo to sustain positive free cash flow (FCF) generation that provides discretionary capacity to manage leverage. Our base case projections for ServCo indicate a pre-dividend FCF margin of 3%-4% for 2026-2028.

Incorporating New Entrant Risk: Fitch's base case cash flow forecasts for Telenet (before separation) and ServCo aim to discount the risk of increased competition due to the entry of Digi in the Belgian mobile and fixed telecoms market. We assume Digi gains about 10% of mobile subscriber market share in its first five years. This could prove an aggressive assumption if Digi's performance is weaker than expected. However, it discounts a large proportion of the risk within our financial forecast and provides a strong basis for the rating. Our base case assumes that, combined with price competition, this could gradually reduce mobile revenue by about 10% in the medium term.

PEER ANALYSIS

Telenet (prior to the separation of Wyre) is rated in line with other alternative operator telecom peers that have strong market positions across multiple market segments and converge product propositions. This peer set includes VMED O2 UK Limited (BB-/Negative), The Sunrise Holding Group (BB-/Positive), VodafoneZiggo Group B.V. (B+/Stable) and Zegona Holdco Limited (BB+/Stable). Rating differences are primarily driven by variances in leverage. Higher-rated peers have similar strong operating profiles but maintain more conservative capital structure. This is particularly the case for NOS, S.G.P.S, S.A. (BBB/Stable).

FITCH’S KEY RATING-CASE ASSUMPTIONS

Prior to Wyre's separation

- Underlying revenue growth of 0.1%-0.4% (excluding disposals) during 2025-2028

- Fitch-defined EBITDA margin of 42.5%- 43% for 2026- 2028, little changed from an estimated 42.3% in 2025

- Capex/sales (excluding amortisation of broadcasting rights) remaining broadly stable at 37% for 2026-2028

- No dividend payments in 2025-2028

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

The business and financial profile factors (score, importance) are: management ('bbb', lower), sector characteristics ('bbb', moderate), market and competitive positioning ('bbb+', higher), diversification and asset quality ('bb-', lower), company operational characteristics ('bbb+', moderate), profitability ('a-', moderate), financial structure ('b', higher) and financial flexibility ('bb+', moderate).

The assessments of the quantitative financial subfactors are based on standard weights.

The governance assessment of 'good' results in no adjustment.

The operating environment assessment of 'aa-' results in no adjustment.

The SCP is 'bb-'.

RECOVERY ANALYSIS

We apply a generic approach to assign instrument ratings for issuers with IDRs in the 'BB' rating category. Telenet has only senior secured debt in its capital structure. Therefore, the senior secured debt is labelled as "Category 2 first lien", and we apply 'RR2', reflecting a maximum of two-notch uplift from the IDR of 'BB-' for the instrument rating, resulting in 'BB+' instrument ratings.

Following the separation of Wyre, Telenet's collateral value based on ServCo will be weaker than under the existing Telenet scope. Fitch's view of ServCo's recovery prospects will be driven by our assessment of future collateral value, level of committed revolving credit facilities after separation, and ServCo's final capital structure.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade (prior to Wyre separation)

A weaker business environment due to increased competition from either mobile or cable wholesale, or a new market entrant, such as Digi, leading to a larger market share loss than Fitch expects and a decrease in EBITDA

Fitch-defined EBITDA net leverage consistently above 5.0x and EBITDA interest cover consistently below 4.5x

A change in financial or dividend policy leading to higher leverage targets

CFO-capex/debt below 3.0% on a sustained basis

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade (prior to Wyre separation)

Positive rating action unlikely in the short-to-medium term, given our base case FCF and leverage profiles, but would be driven by the following two factors, if performance was better than we expect

Fitch-defined EBITDA net leverage falling below 4.3x on a sustained basis

CFO-capex/debt above 7.5% on a sustained basis

LIQUIDITY AND DEBT STRUCTURE

Telenet had a cash balance of EUR975 million at end-September 2025. The company's liquidity is further

supported by undrawn revolving credit facilities of EUR625 million. It has a long-dated debt maturity profile, with no large debt maturities until 2028. The company has a strong cash position (which is driven by the proceeds from the mobile tower disposal completed in June 2022).

ISSUER PROFILE

Telenet is a Belgium-based converged telecom provider, operating mainly in Flanders and some communes of Brussels. It expanded its target market to the remaining part of Brussels and Wallonia in early 2023 through a wholesale agreement with Orange Belgium.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT ⬍	RATING ⬍			RECOVERY ⬍	PRIOR ⬍
Telenet Financing USD LLC					
senior secured	LT	BB+(EXP) Expected Rating		RR2	
senior secured	LT	BB+	Affirmed	RR2	BB+

Telenet Finance Luxembourg Notes S.a r.l.			
senior secured	LT BB+(EXP) Expected Rating	RR2	
senior secured	LT BB+ Affirmed	RR2	BB+
Telenet Group Holding N.V	LT IDR BB- Rating Outlook Negative Affirmed		BB- Rating Outlook Stable
	ST IDR B Affirmed		B
Telenet International Finance Sarl			
senior secured	LT BB+(EXP) Expected Rating	RR2	

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 02 Aug 2024) (including rating assumption sensitivity)

Corporate Rating Criteria (pub. 09 Jan 2026) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 09 Jan 2026)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (09 Jan 2026, 09 Jan 2026)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Telenet Finance Luxembourg Notes S.a r.l.	EU Issued, UK Endorsed
Telenet Financing USD LLC	EU Issued, UK Endorsed
Telenet Group Holding N.V	EU Issued, UK Endorsed
Telenet International Finance Sarl	EU Issued, UK Endorsed

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