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Fitch Ratings: No Rating Impact on PPF Arena 1 From Hungarian Stake Sale

Fitch Ratings-London-04 November 2019: PPF Arena 1's sale of a 25% stake in its Hungarian operations to Antenna Hungaria, will have no impact on the company's rating (BBB-/Stable), Fitch Ratings says. This is because the transaction is expected to be broadly neutral for funds from operations (FFO) adjusted net leverage and PPF Arena 1 will continue to retain control through its 75% retained stake.

We expect PPF Arena 1 will use the disposal proceeds partly to repay debt and partly for general corporate purposes. The proportion of debt reduction is expected to broadly offset the decrease in FFO due to higher dividend leakage to minority shareholders, resulting in a broadly neutral impact on FFO adjusted net leverage.

Fitch views the changes to the senior secured bond holders' security package as immaterial. The pledge over 100% of the shares in Telenor Hungary and Telenor Real Estate are being substituted by a pledge on 75% of the Dutch-based interim holding company, TMT Hungary B.V. The holding company directly owns a 100% stake in Telenor Hungary and Telenor Real Estate. Existing loan documentation for PPF Arena 1 includes a negative pledge that ensures unsecured shares of Telenor Hungary cannot be used as security in any other financing activity.

PPF Arena 1's rating is supported by a combination of the company's position in its domestic market, diversification of mobile operations in four CEE countries and retained financial flexibility due to dividend flexibility.

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