Liberty LA (Buy, TP: $14) – CFO call

Chris Noyes, CFO; Kunal Patel, IR – Call on 13 June 2023

Summary

- Company closer and closer to reaching a steady state i.e. integrations in Puerto Rico, Panama and Costa Rica are moving forward, associated costs will fall away, whilst synergies - $70m in PR (mainly opex), $70m in Panama (opex and capex) and $20m in CR (mainly opex) - will start to come through
- In this sense 2024 is key year in terms of FCF delivery
- Management continue to see the stock as undervalued, expect buy backs to continue.
- Taking fixed price (up) in a number of markets. Nothing too large at this point but setting the stage for future pricing power
- Chile remains a long-term recovery play. No more clarity on JV business model including capex etc.

Puerto Rico

- Deal with AT&T closed 2.5 years ago
    - Since then LILA has built a new mobile core and IT stack
    - Customers are still largely on AT&T network/systems. Started to migrate pre-paid first and will migrate post-paid through H2 and Autumn. Very busy Summer for the teams
    - Migration will open up a greater agility on products, F&C bundling
    - Manage cost structure
    - Integration opex/capex drops away
- Mobile
    - TMO aggressive on promos in H2 22
    - Prices are quite stable, subsidies have been increased in the market through 2022 and are a little lumpy. But subsidies were lower in in Q1
- Pricing in fixed
    - Low-single digit increases put through
    - This has been accompanied by higher speeds, more features
    - Churn has not materially changed since increases put through
    - Traditional voice remains a drag, while there has been some TV pressure also (OTT). Ultimately selling more x1/x2 (as opposed to x3)

Chile

- Market overall – Chile remains a difficult environment for everyone. 5 or 6 fibre competitors for a given residence
    - See this week's results: <u>VTR Q1s – Chile margins fall again, signs of stability on ARPU</u>
- Perhaps more to come for the market on M&A in the future
- The opportunity for value creation in Chile remains, though it will take quite a long while. BUT pricing better on front book/back book

- Inflation (peaked at 14%) has been an additional problem – lots of things are indexed (labour, rent, energy). Local management has done well to manage this cost spike
- Wireless subscale? Could be an attacker therefore. Mobile will be a key element of the equation for the JV. Look for more efficiency/operations. Brainpower of Claro/VTR opens up possibilities.
- No steer on capex or broader business model
- Fixed network – both VTR and Claro had HFC and FTTH. Network mix going forward is TBD (options include utilisation of shared network). Remain disciplined

CWC

- Digicel restructuring hasn't had any obvious impact on its operations so far
    - Conceivably there could be an owner vs operator difference in the future. Time will tell
    - Mostly duopolies – mostly saturated
- More to go still on the cost side
    - Plans to turn off the copper (with Bahamas and Jamaica the only markets with any significant copper still in the ground)
- Encouraged by FMC strategy across the Caribbean

Panama

- Not clear what is happening with Digicel's licence. Suggestion that General International Telecom Panama (Gitpan) was the only bidder in the auction
- Digicel still quite aggressive on Panama wireless

Other

- Closing value gap between share price and fair value?
    - Execute on integrations in 2024
    - Active on buy back.. bought some of the convert back in Q1. $200m new program also
- Synergies in $300m FCF guide for FY 23?
    - Costa Rica will be net positive (synergies less integration costs)
    - Panama small net positive
    - Puerto Rico to remain net negative due to limited synergy support and with costs impacted by some additional labour costs. TSA to be turned off by YE which will be the biggest step chang
- Convertible
    - Due Summer 2024. Will deal with it between now and then. Worst case redeem at par. Generate cash flow to handle it. Not excited to do anything which is equity linked in terms of refi
    - CR refinancing earlier helped focus on
- Refinancing in 2027/28 on radar
    - Main silos are now CWC and PR
    - Not worrying today. Gapped pretty wide, opportunities to purchase debt if get double digit yields
    - Best approach for management is to drive EBITDA to naturally deleverage to be in a better zone due to higher rates. If debt markets are open in 2024/25 might look to take advantage of this. Aim to be in a better leverage position by this stage to support this.

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