



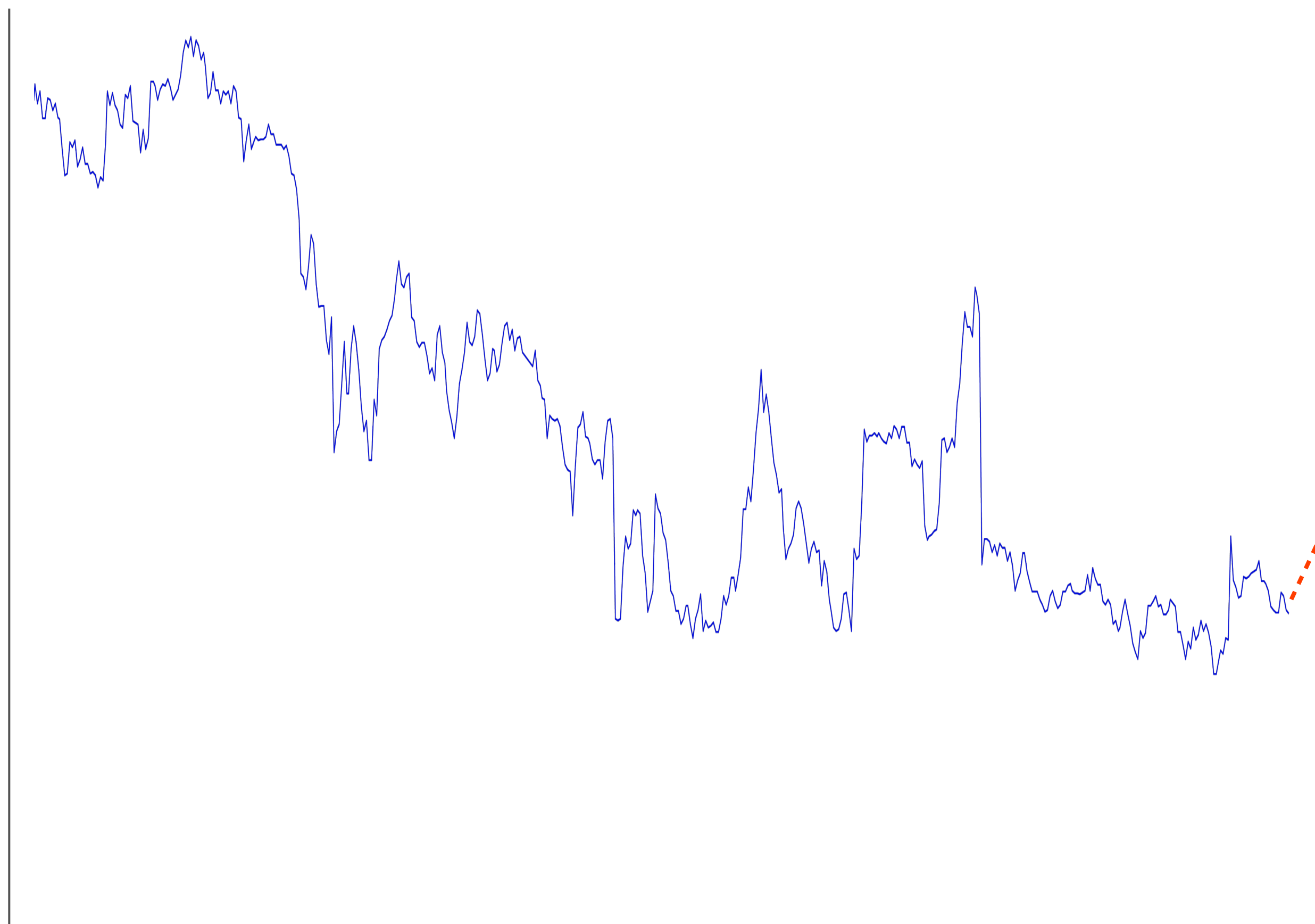
# CFA RESEARCH CHALLENGE 2022-2023

Ignacio Del Pueyo  
Mijal Doron

Matías Torrealba  
M. Fernanda Valpuesta

Rafael Videla





TARGET PRICE  
**CLP 3,572**

**28%  
UPSIDE**

CLOSING PRICE  
**CLP 2,743**  
NOVEMBER 25<sup>TH</sup> 2022

**BUY**  
RECOMMENDATION

**Important Information**

MARKET CAP (MM): **CLP 828,342**

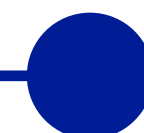
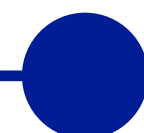
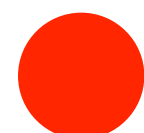
SHARES OUTSTANDING (MM): **302**

FREE FLOAT: **45.1%**

2020

2021

2022



COMPANY AND  
INDUSTRY OVERVIEW

ESG

FINANCIAL ANALYSIS

VALUATION

MAIN RISKS

INVESTMENTS  
THESIS

# INVESTMENT SUMMARY



**COMPETITIVE ENVIRONMENT**  
HERE COMES THE SUN



**PERU OPERATION**  
THE LIGHT AFTER THE TUNNEL



**BUSINESS FOCUS**  
LET THE COBBLER STICK TO HIS LAST

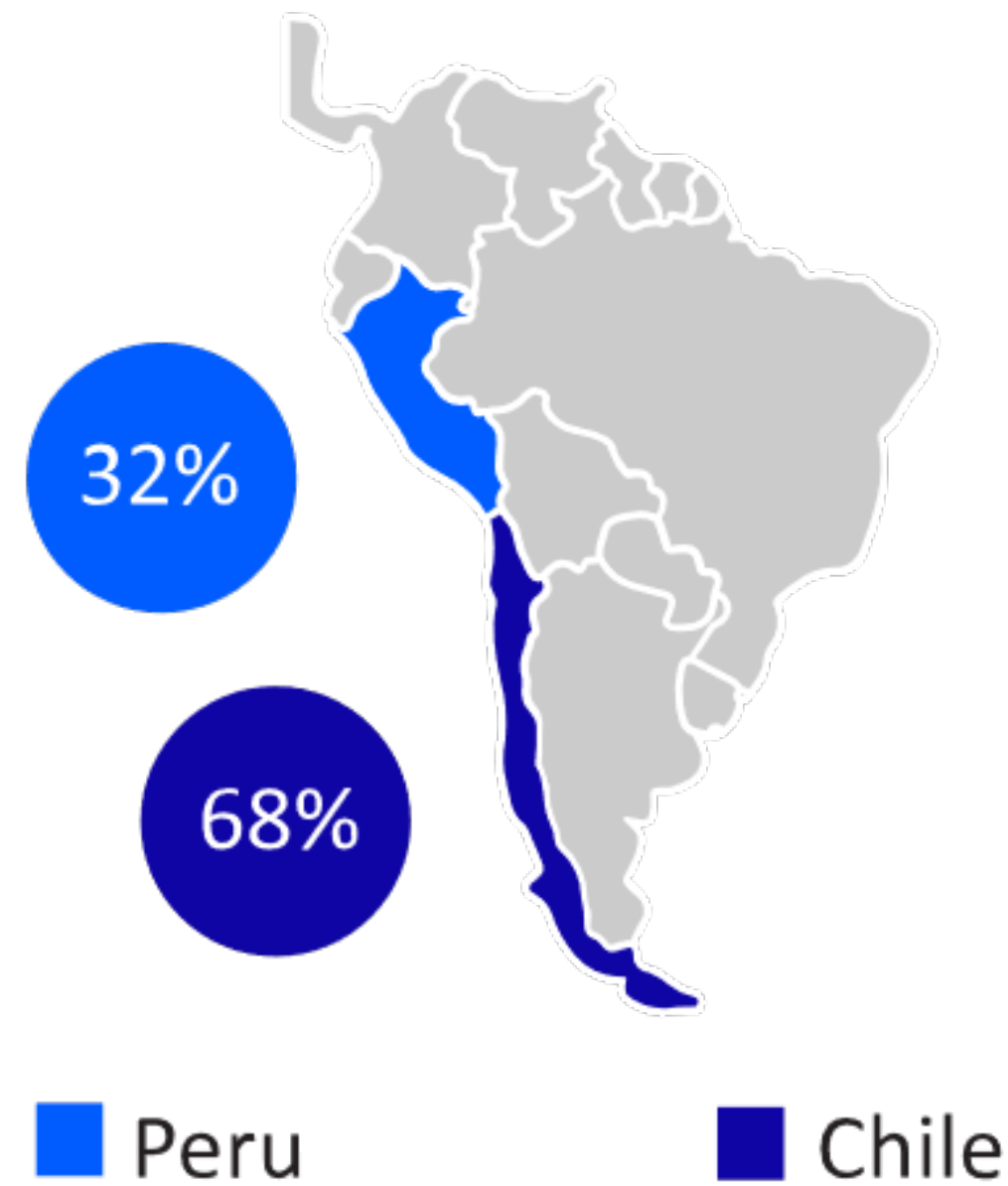




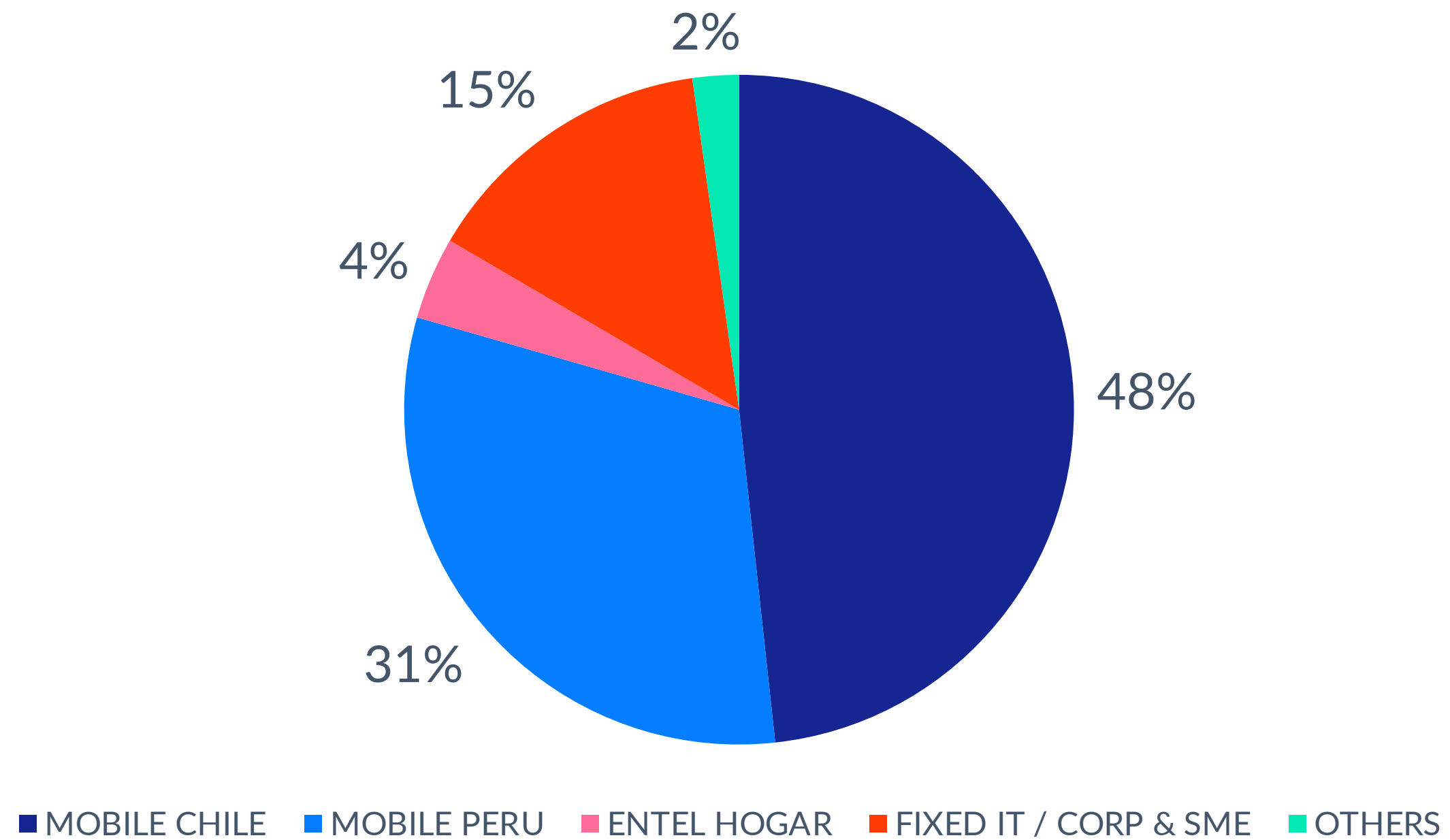
COMPANY AND INDUSTRY  
OVERVIEW

# BUSINESS DESCRIPTION

## 2021 REVENUE BY COUNTRY



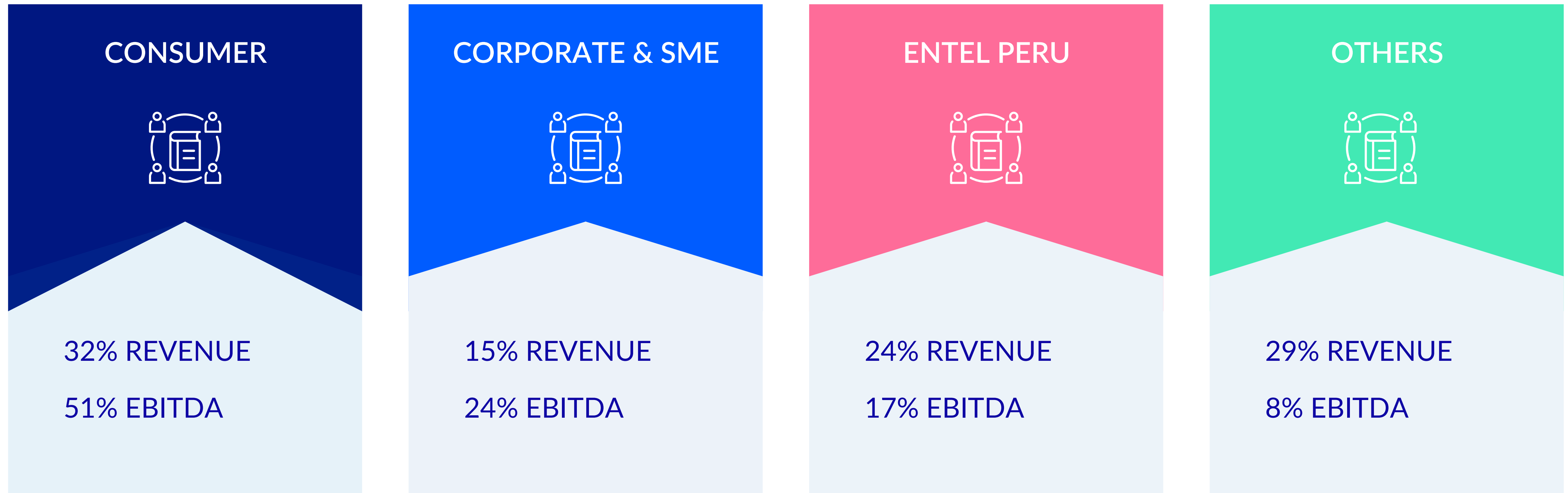
## 2021 REVENUE BREAKDOWN



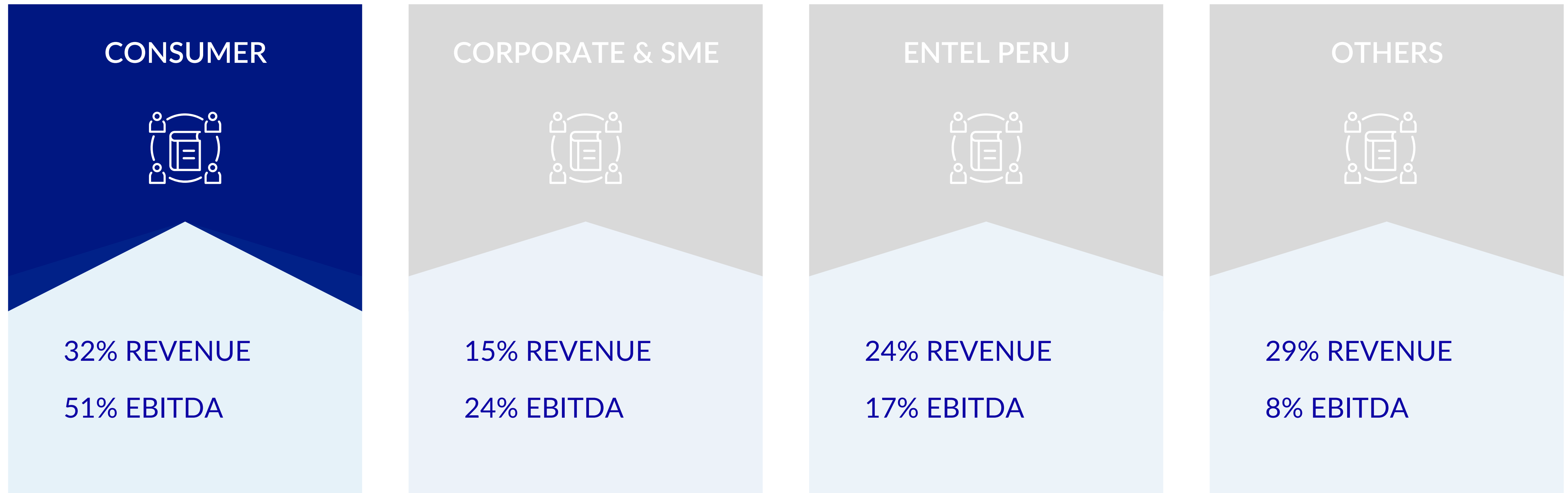
TOTAL  
REVENUE (MM)  
**CLP\$2,460**



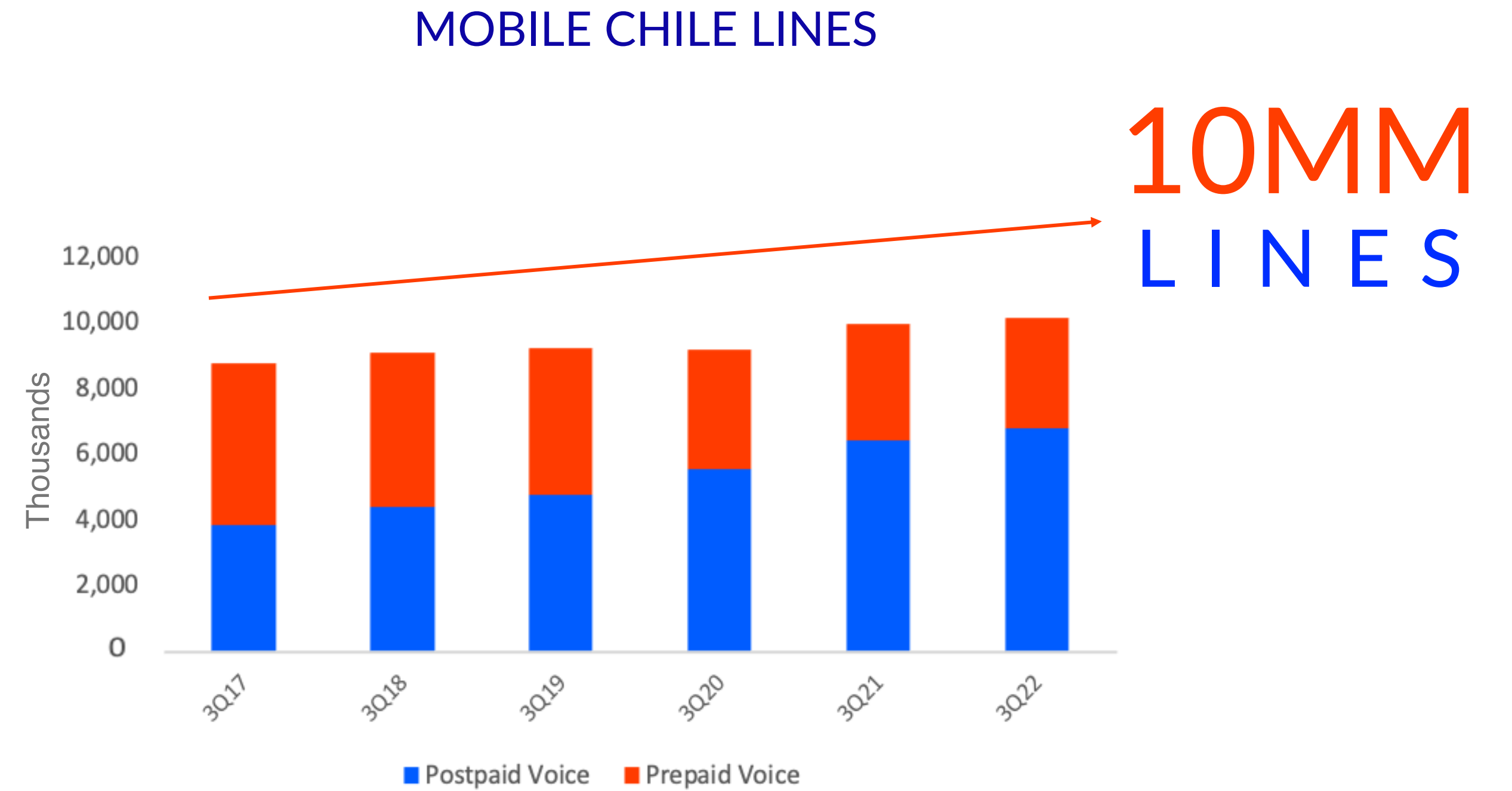
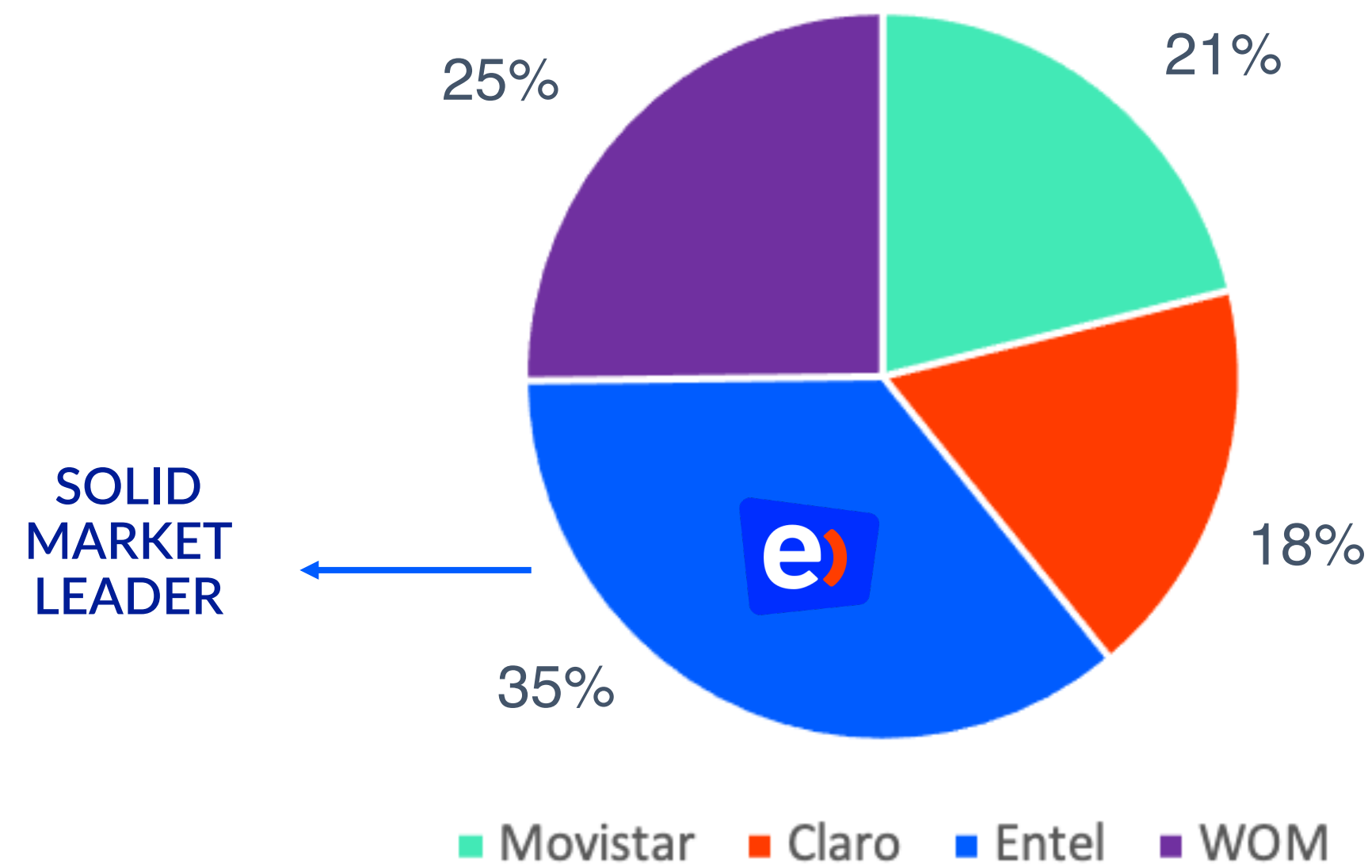
# SEGMENTS & MARKETS



# SEGMENTS & MARKETS

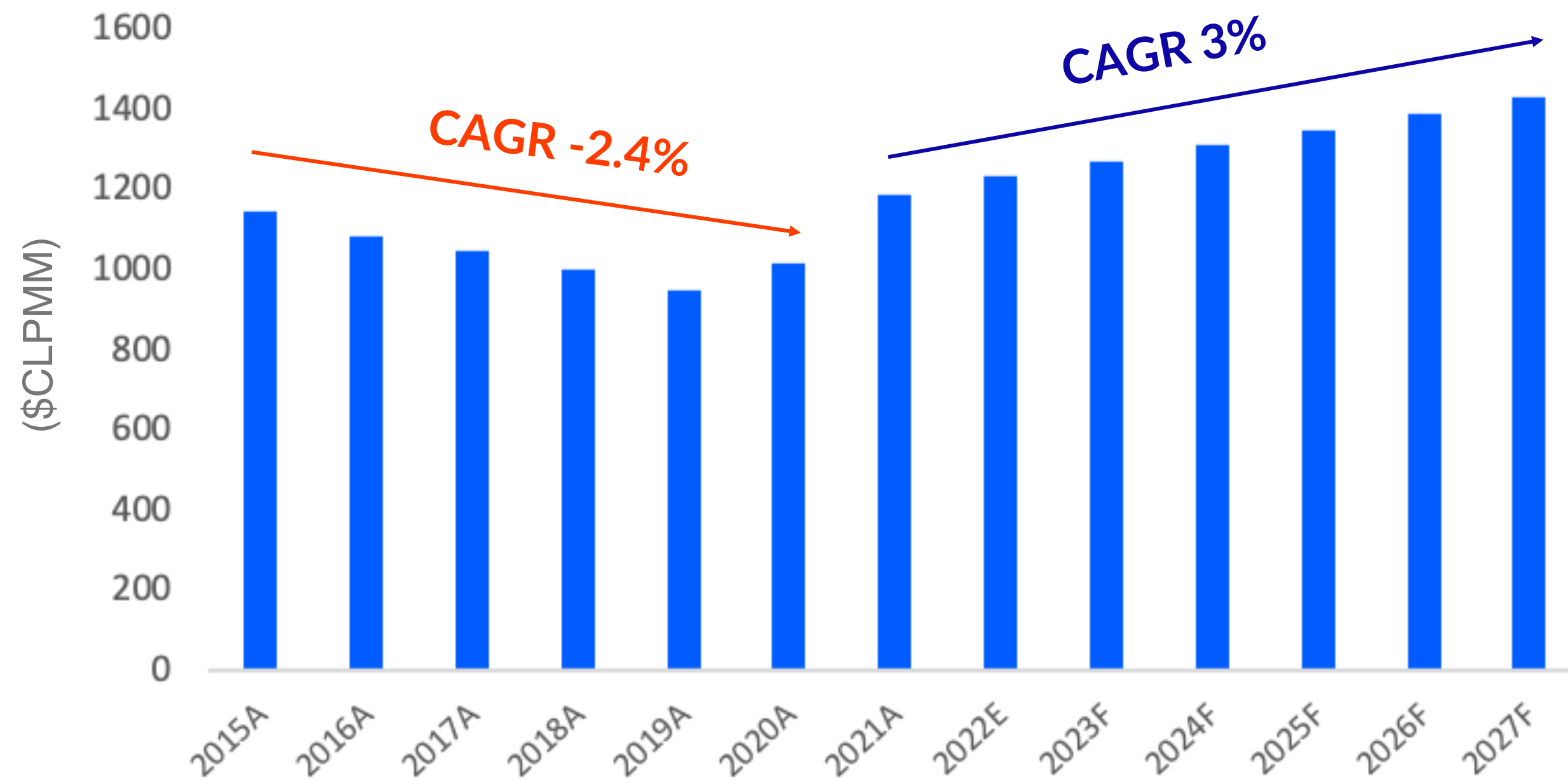


# LEADER IN ITS PRIMARY BUSINESS LINE: CHILE MOBILE MARKET

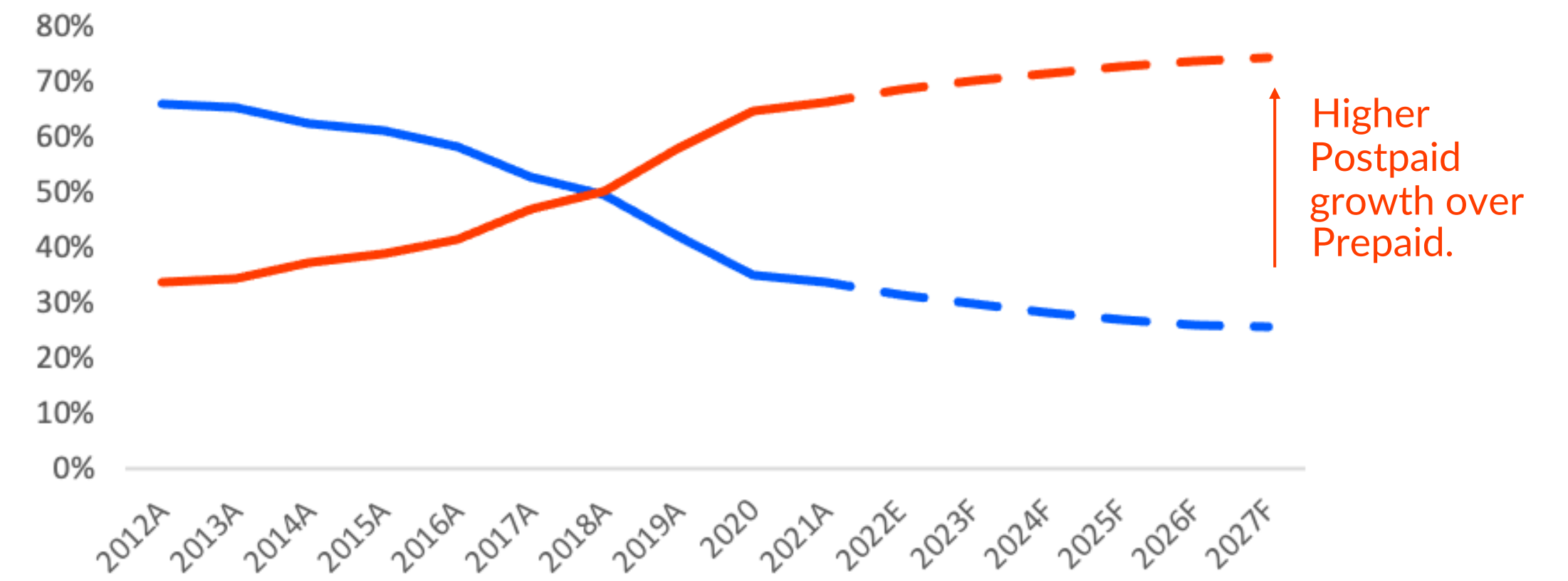


# STABLE GROWTH IN A MATURITY INDUSTRY

## MOBILE CHILE REVENUE



## POSTPAID EVOLUTION



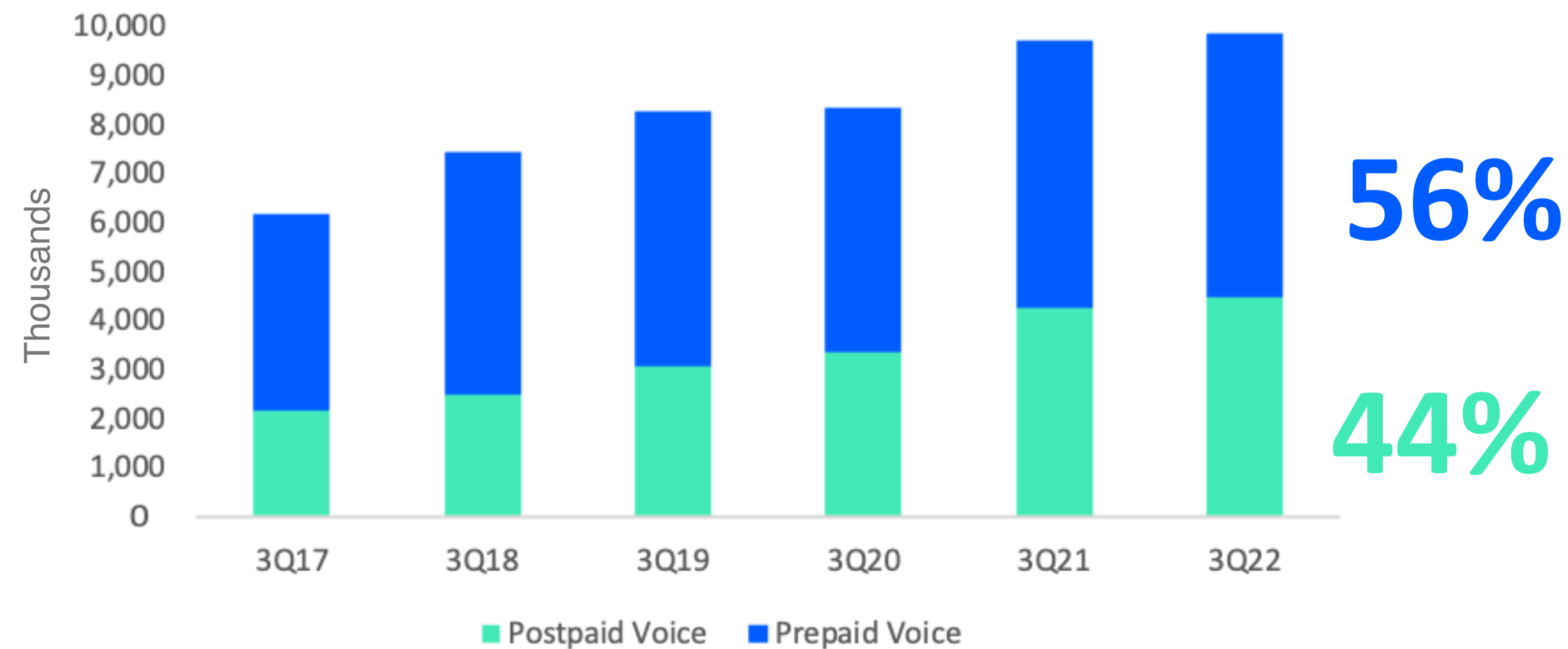
- ▶ INCREASED VALUE DUE TO CUSTOMER LOYALTY, REFLECTED IN HIGHER MARGIN EFFICIENCY
- ▶ UNDISPUTED MARKET LEADER

Source: Team Analysis & Company Data

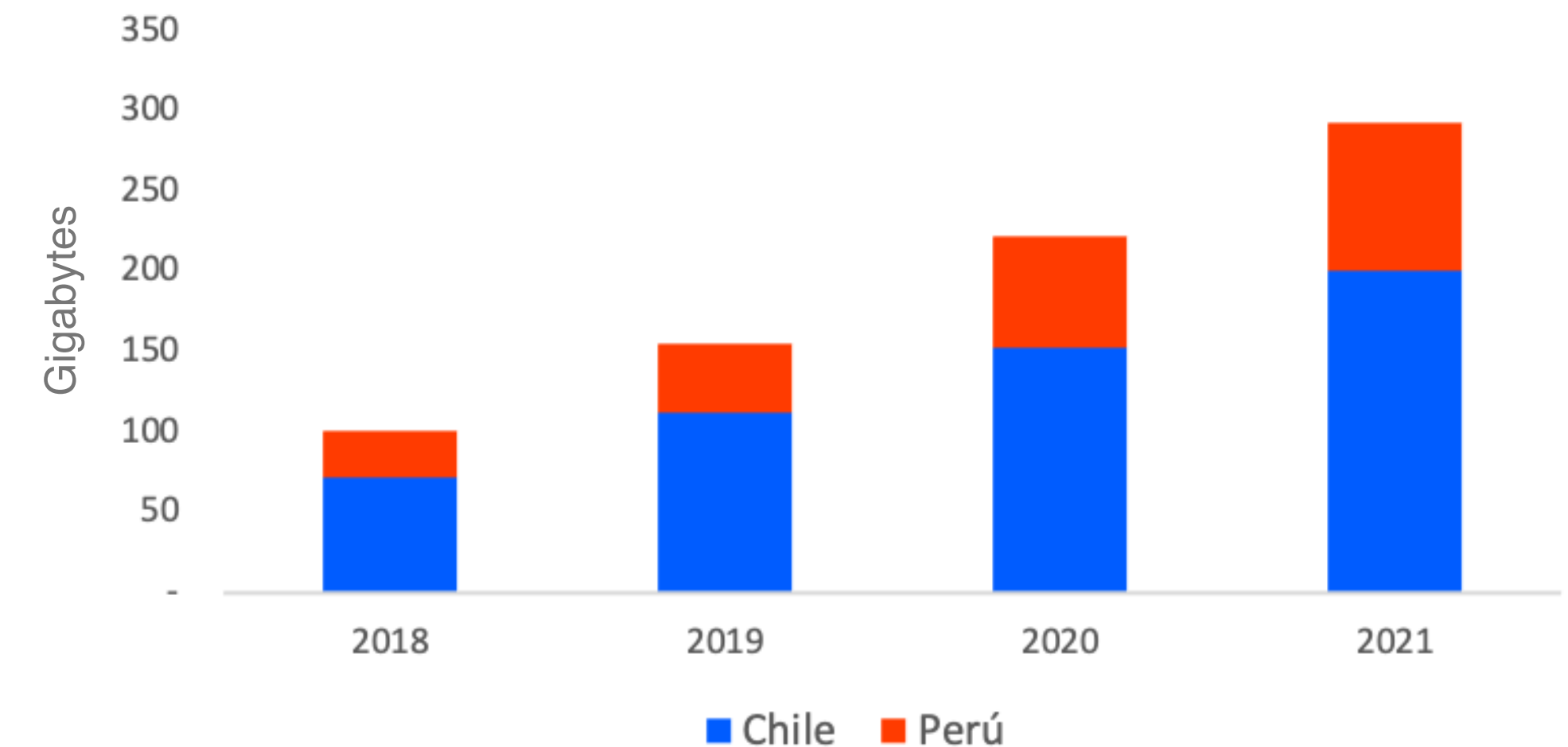


# PERU: YOUNG AND NOT MATURE BUSINESS; OPPORTUNITIES TO GROWTH

## MOBILE PERU LINES



## MOBILE DATA DEMANDED PER PERSON



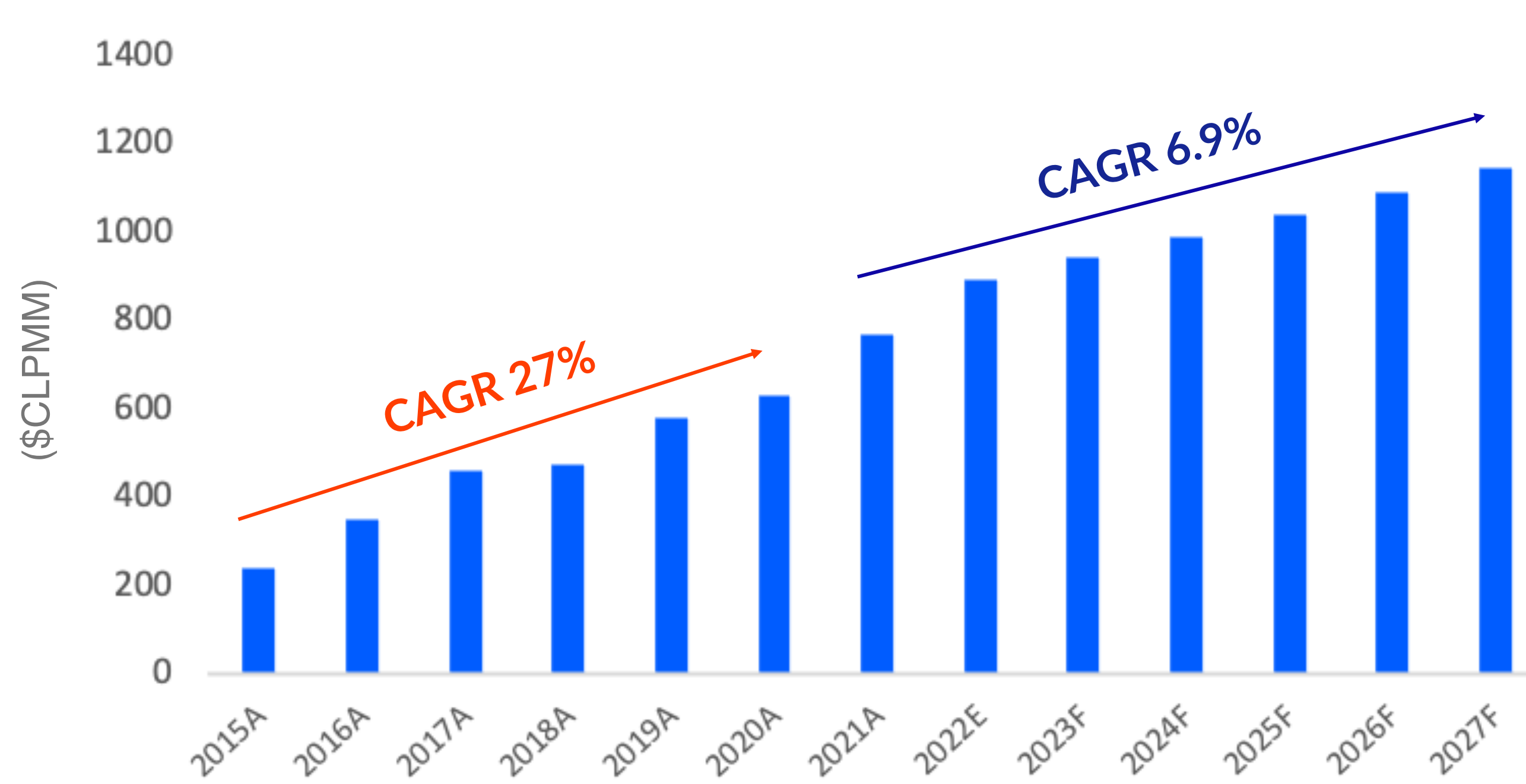
Source: Team Analysis & Company Data

Source: Subtel & Osiptel



# GROWTH LED BY CONSUMER LOYALTY AND MORE DATA

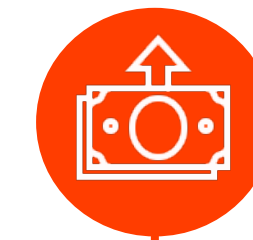
## MOBILE PERU REVENUE



Source: Team Analysis & Company Data



### Growth Drivers



Postpaid Increase

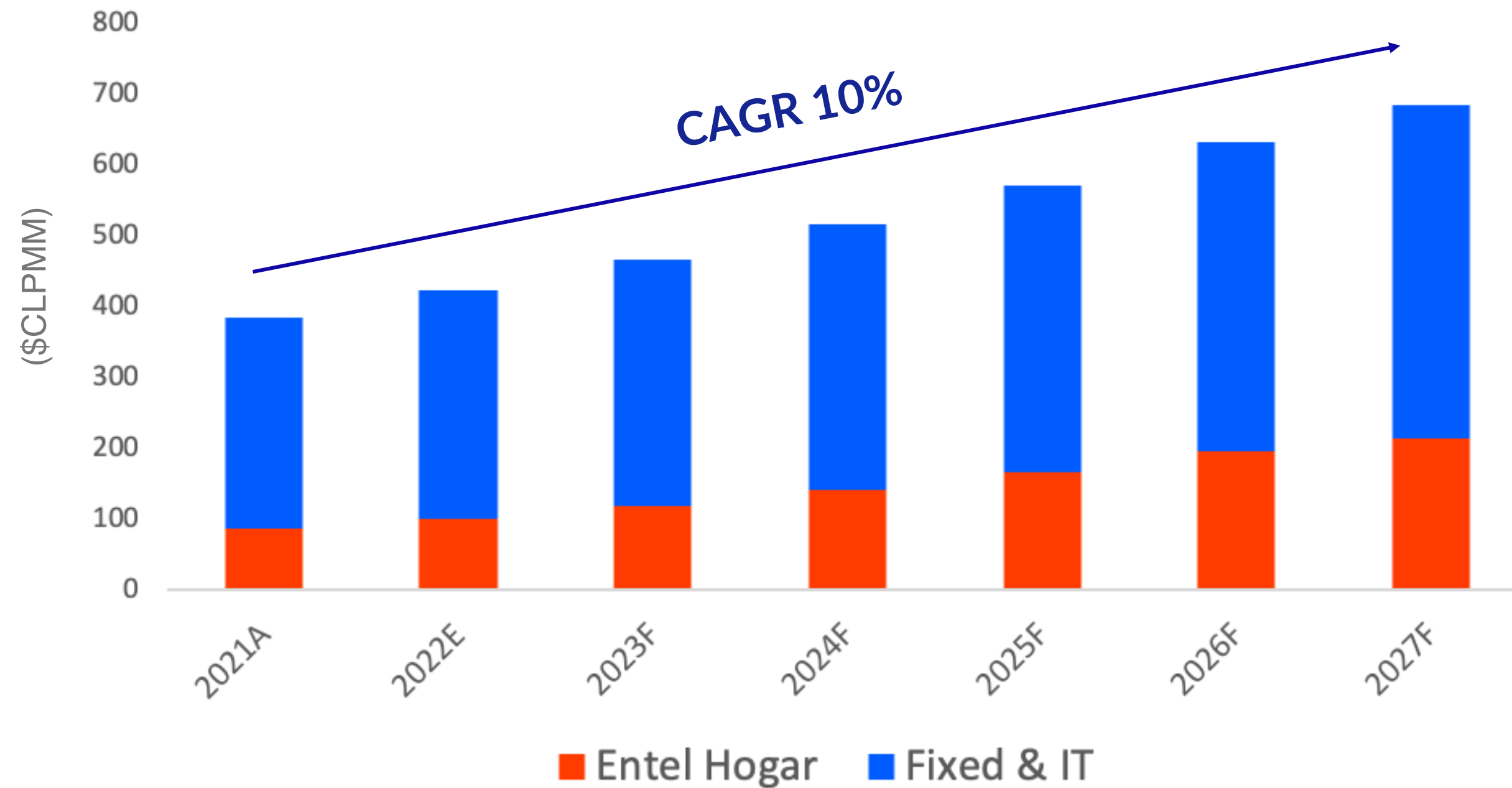


Data Demand

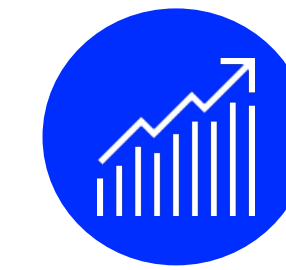


# DIVERSIFICATION SUPPORT GROWTH

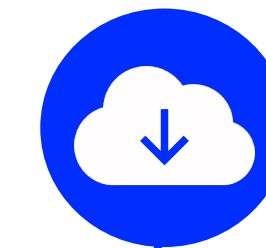
## REVENUE BY FIXED SERVICES



Source: Team Analysis & Company Data



## Growth Drivers



### Fixed & IT

- ▶ Industry 4.0
- ▶ IoT
- ▶ Business Focus



### Entel Hogar

- ▶ Optical Fiber
- ▶ Fixed Networks

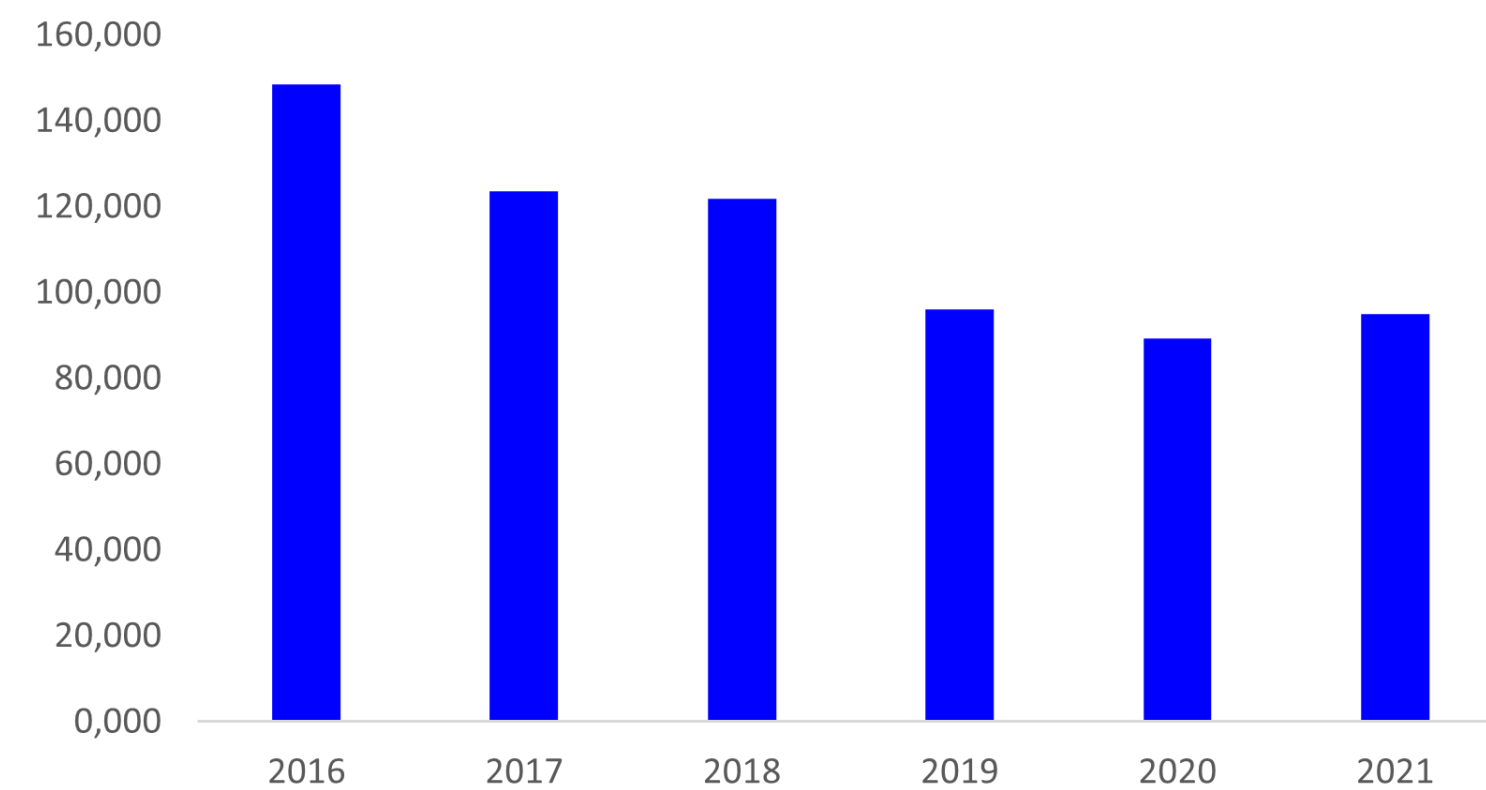




ESG

# FACTORS THAT IMPACT IN A POSITIVE WAY ENTEL'S ENVIRONMENTAL RATINGS

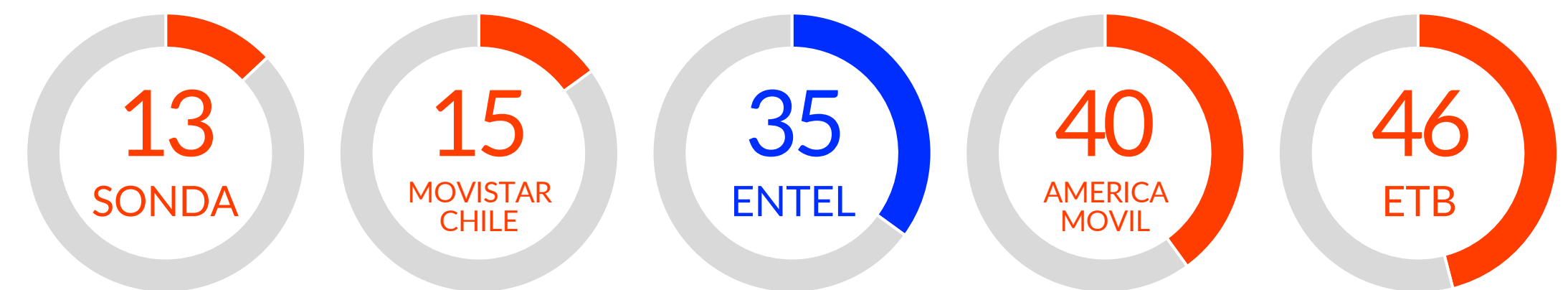
ENTEL GREENHOUSE GAS EMISSIONS (IN THOUSAND METRIC TONS)



Source: Company Data

- ▶ REDUCTION OF ENERGY CONSUMPTION AND EMISSIONS
- ▶ CIRCULAR ECONOMY
- ▶ WATER CARE

BLOOMBERG ENVIRONMENTAL DISCLOSURE SCORE



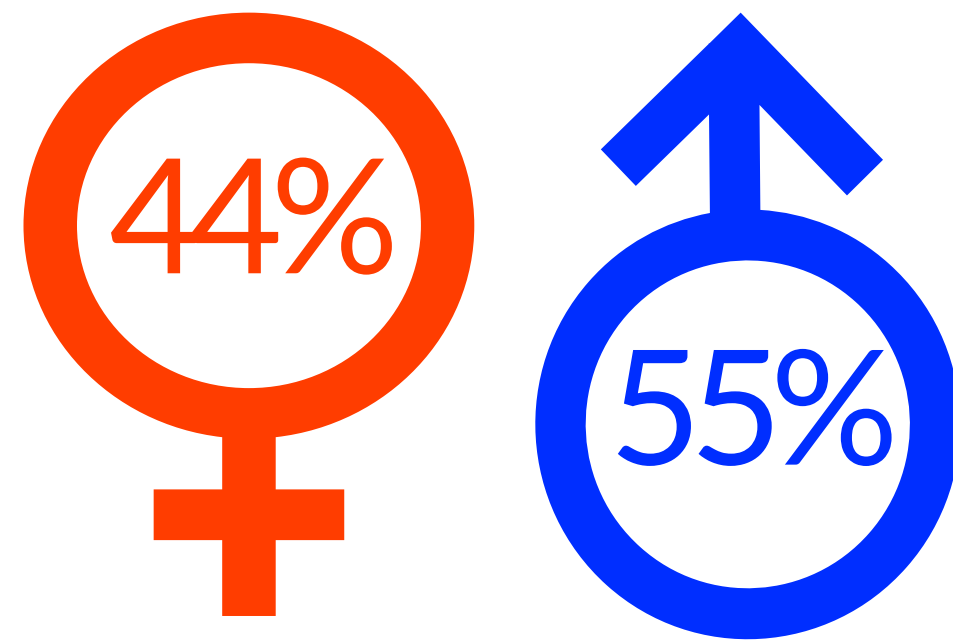
Source: Bloomberg

FIRST SUSTAINABLE BOND



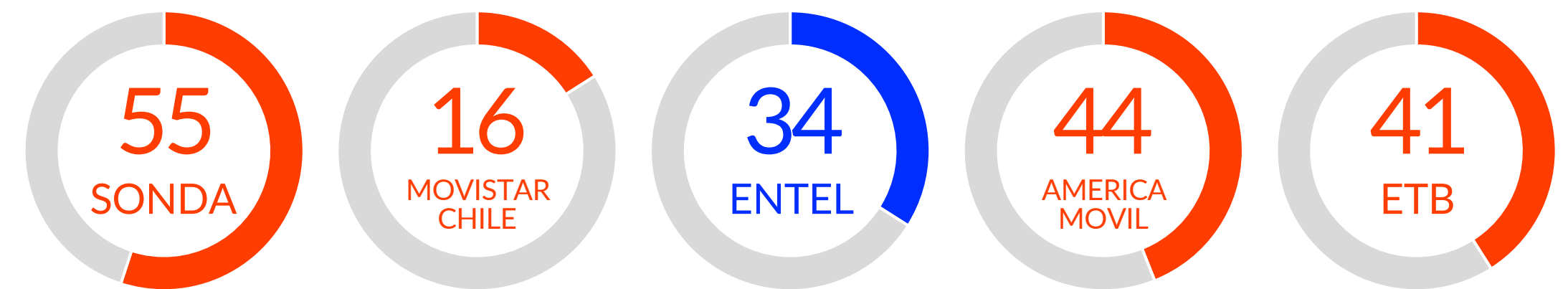
# FACTORS THAT IMPACT IN A POSITIVE WAY ENTEL'S SOCIAL RATINGS

## DIVERSITY AND INCLUSION COMPANY



MORE THAN **33%** OF ITS POP'S ARE IN ISOLATED OR RURAL AREAS

## BLOOMBERG SOCIAL DISCLOSURE SCORE



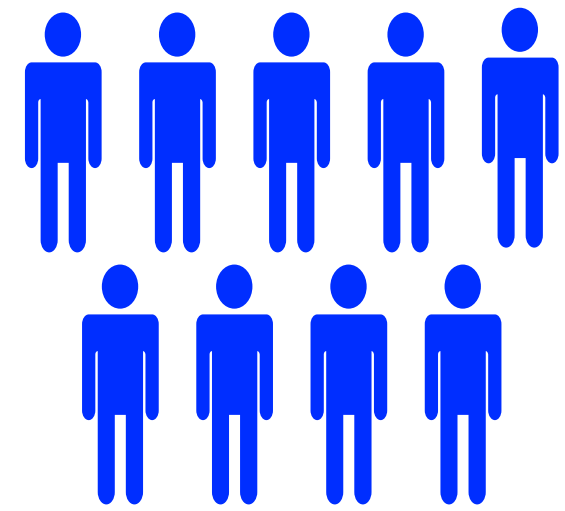
Source: Bloomberg

- ▶ COMMITMENT TO PEOPLE AND COUNTRY'S CONNECTIVITY
- ▶ ECONOMIC DEVELOPMENT
- ▶ DIGITAL INCLUSION
- ▶ PROMOTION OF A HEALTHY, DIVERSE AND MOTIVATING WORK ENVIRONMENT



# FACTORS THAT IMPACT IN A POSITIVE WAY ENTEL'S GOVERNANCE RATINGS

BOARD OF DIRECTORS:



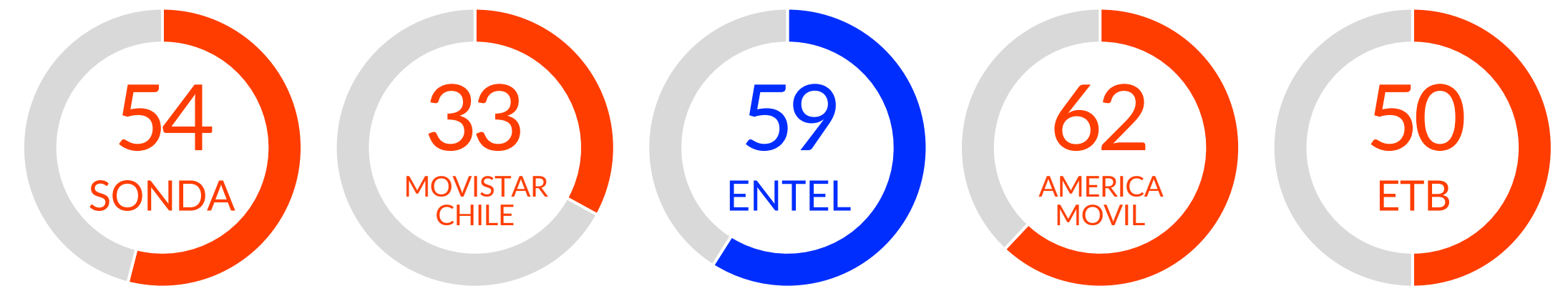
**36.5%**

Average of women being part in the industry.

**44%**

Members that have been part of it longer than 12 years.

## BLOOMBERG GOVERNANCE DISCLOSURE SCORE



Source: Bloomberg

## MAJOR SHAREHOLDERS

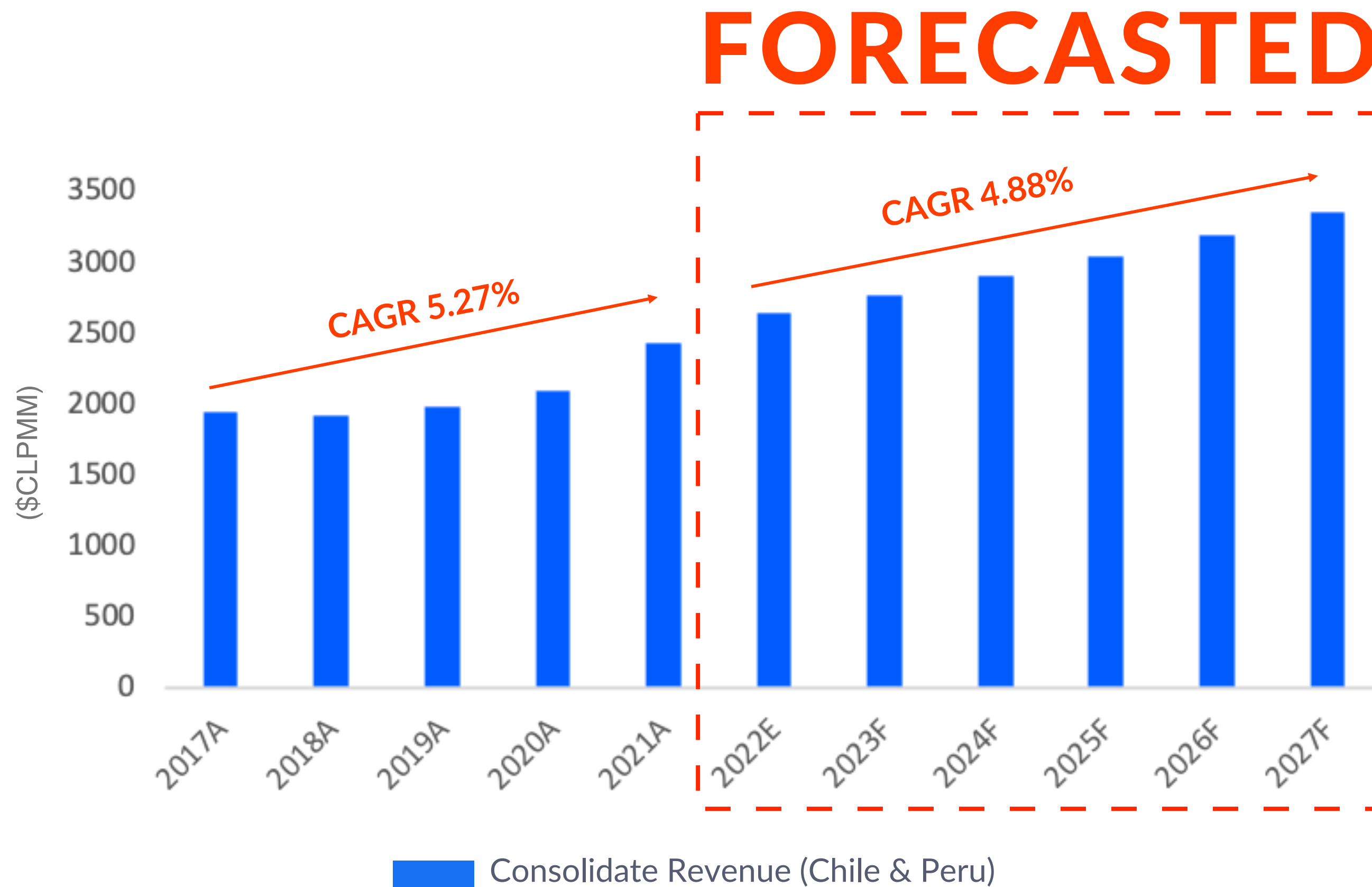
INVERSIONES ALTEL	54.86%
BANK	12.37%
BROKER	3.62%
PENSION FUNDS	4.87%
OTHERS	24.28%





# FINANCIAL ANALYSIS

# CONSISTENT AND CONSERVATIVE INCREASE IN REVENUES

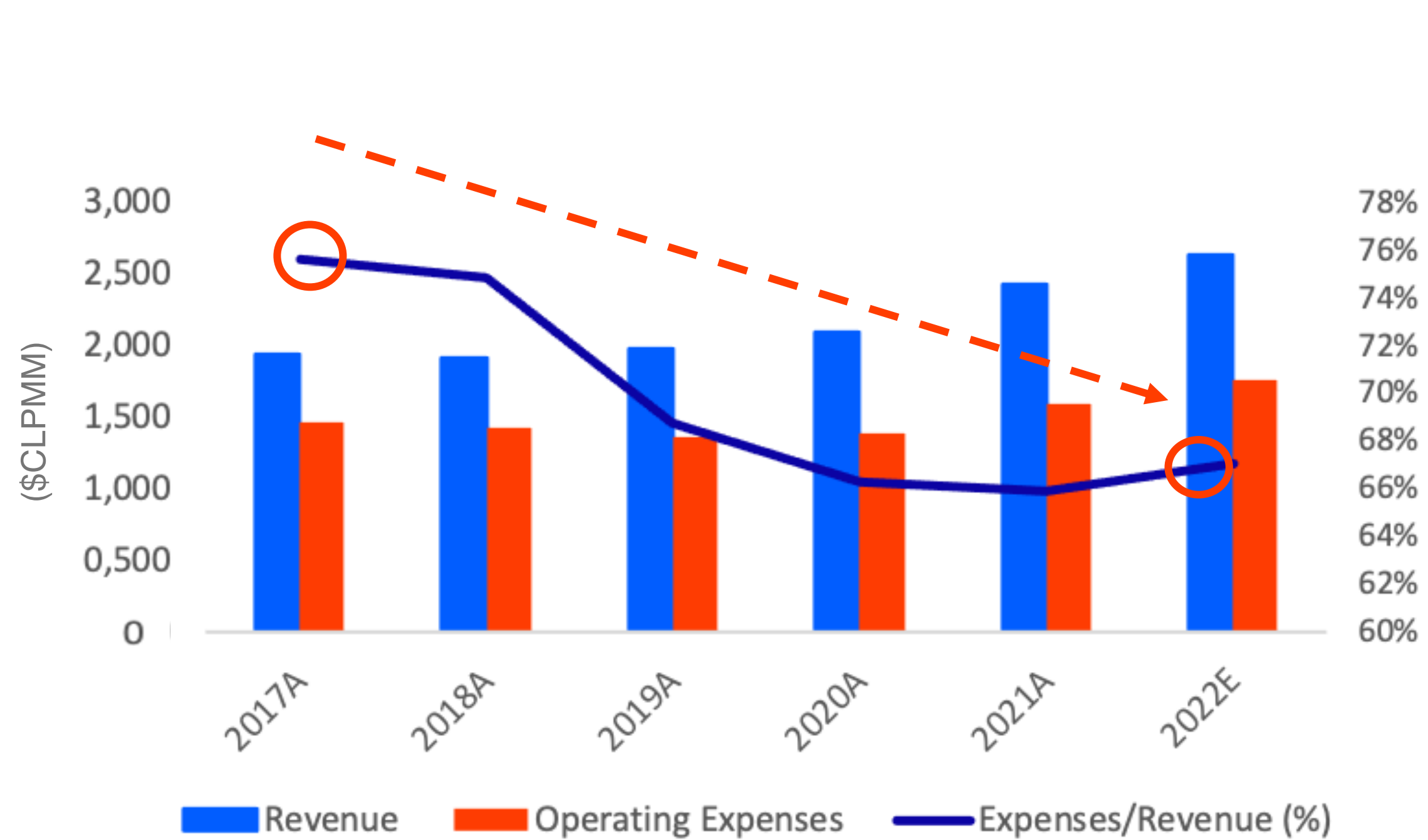


Source: Team Analysis & Company Data

- ▶ TOTAL USER BASE IN PERU HAS BEEN GROWING AT RELATIVELY HIGH RATES
- ▶ GROWING DEMAND FOR QUALITY FIXED SERVICES
- ▶ MOST RELEVANT REVENUE INCREASE IS THE PERU BUSINESS



# COST STRUCTURE: EFFICIENCY IS KEY



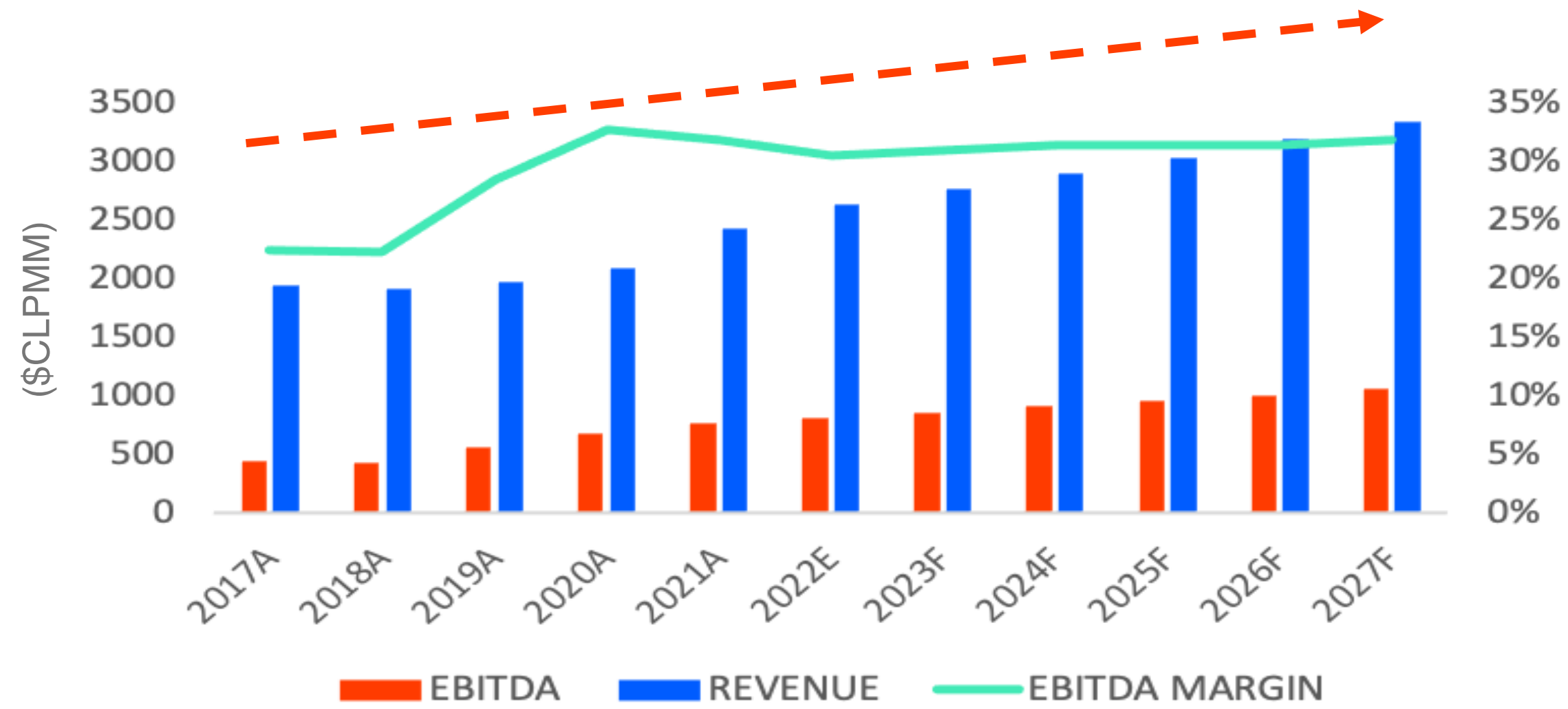
Source: Team Analysis & Company Data

	2017	2021
Expenses/ Revenue (%)	76%	65.9%
Salaries (O. E.)/ Revenue (%)	12.8%	10.5%
Depreciation & Amortization/ Revenue (%)	16.3%	19.2%

- ▶ ECONOMIES OF SCALE
- ▶ EXPENSES/REVENUE RATIO WILL CONSTANTLY DECREASE
- ▶ EFFICIENT USED OF THE FIXED ASSETS

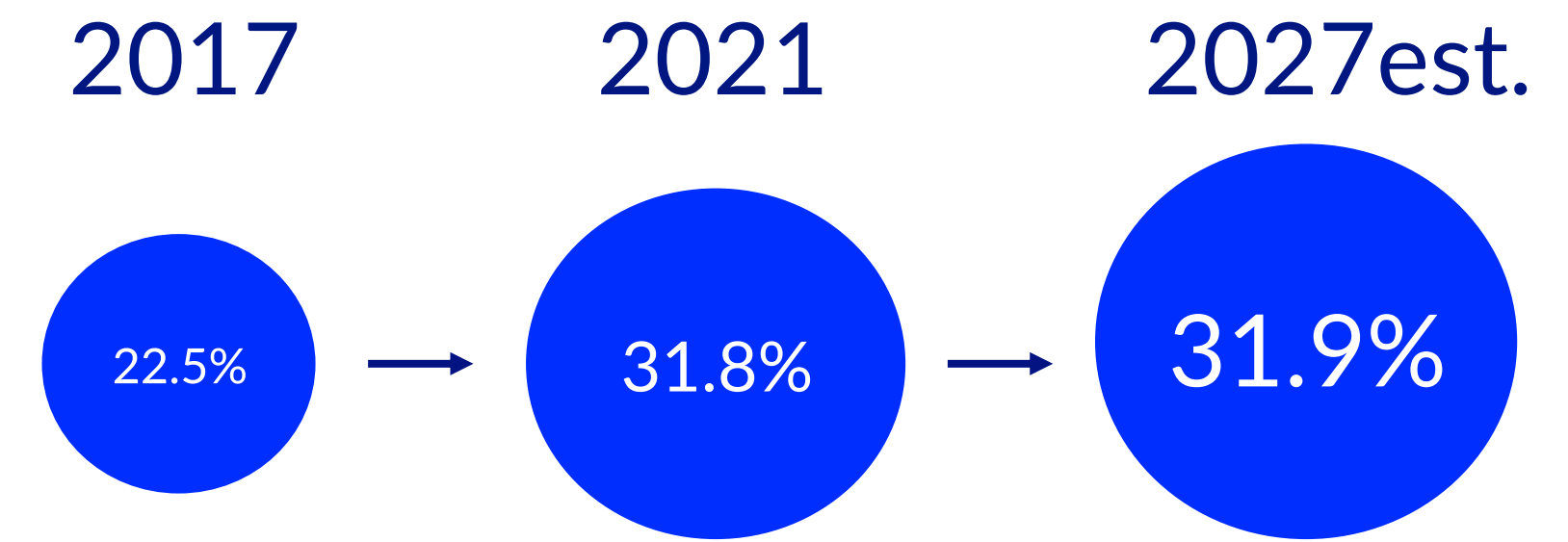


# EBITDA EVOLUTION



- ▶ “LIGHTER” COST STRUCTURE
- ▶ EFFICIENCIES GIVEN BY THE ECONOMIES OF SCALE
- ▶ PERUVIAN BUSINESS IS ALREADY REFLECTING THE IMPROVEMENT

## EBITDA MARGIN



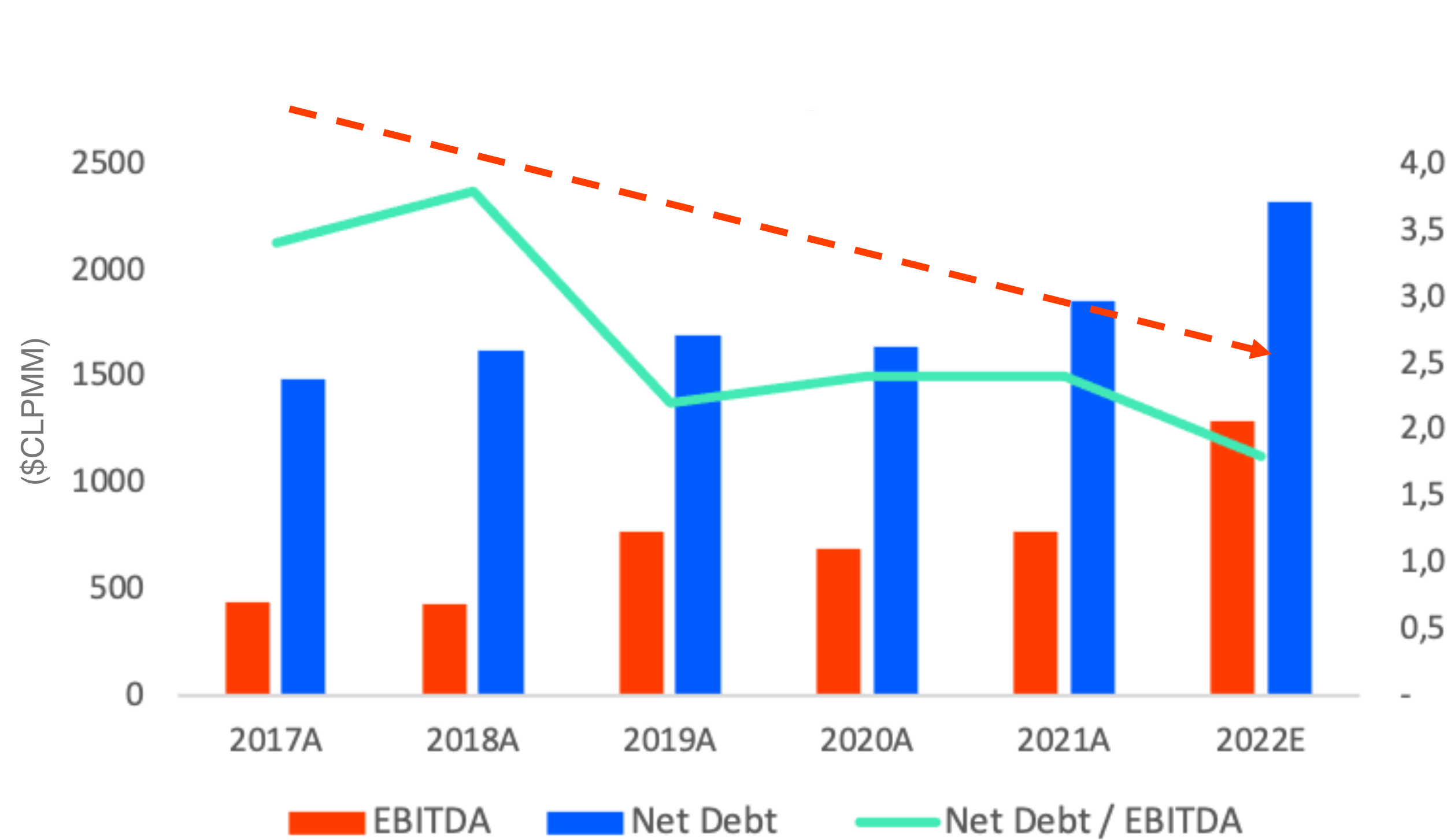
COMPARABLE LISTED COMPANIES

LTM EBITDA MARGIN

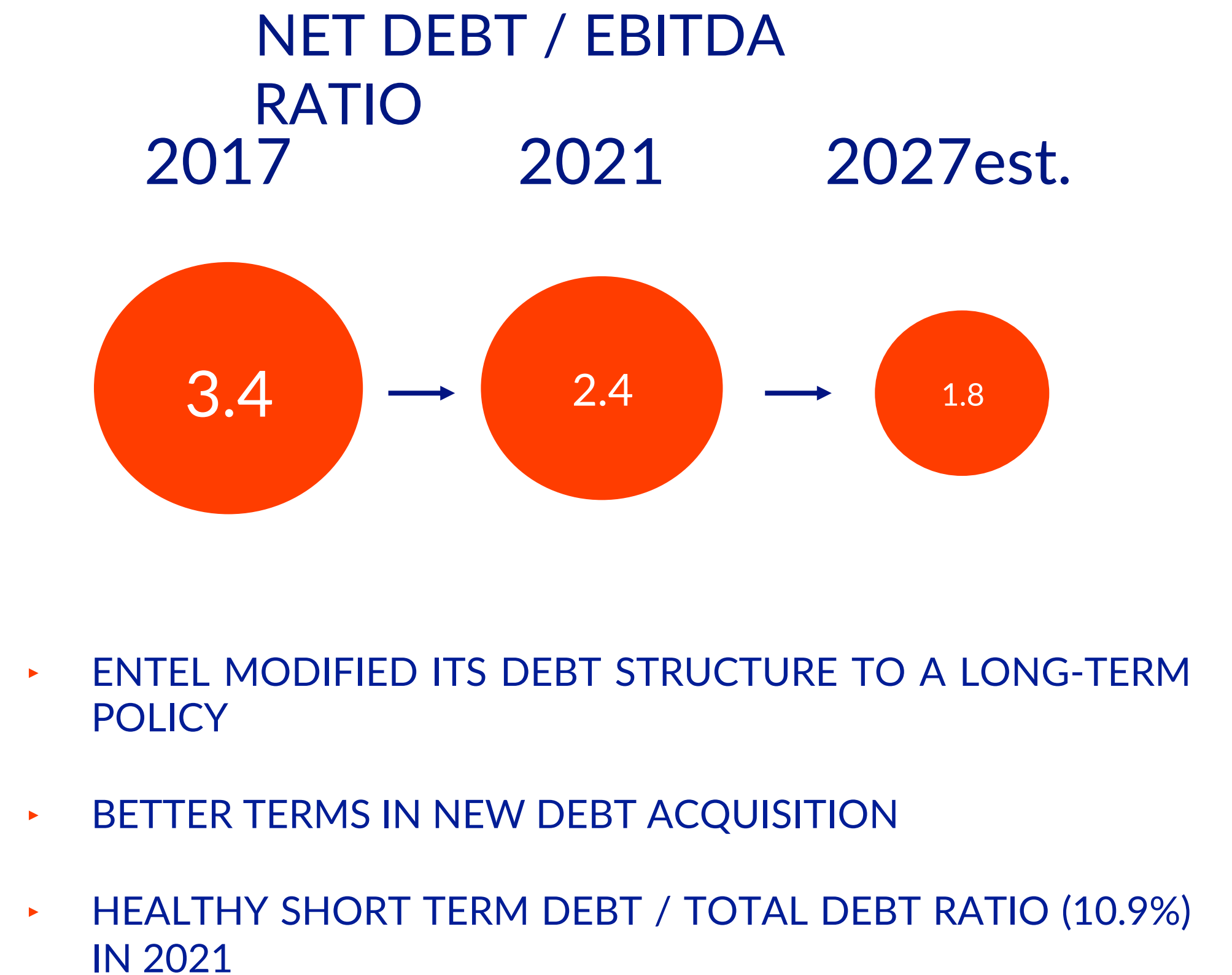
GRUPO TELEVISA S.A	42%
TELEFÓNICA S.A	17%
TIM S.A	29%
TELECOM ARGENTINA S.A	27%
ET BOGOTÁ S.A	27%
SONDA S.A	11%
ENTEL	31.8%
AVARAGE	26%



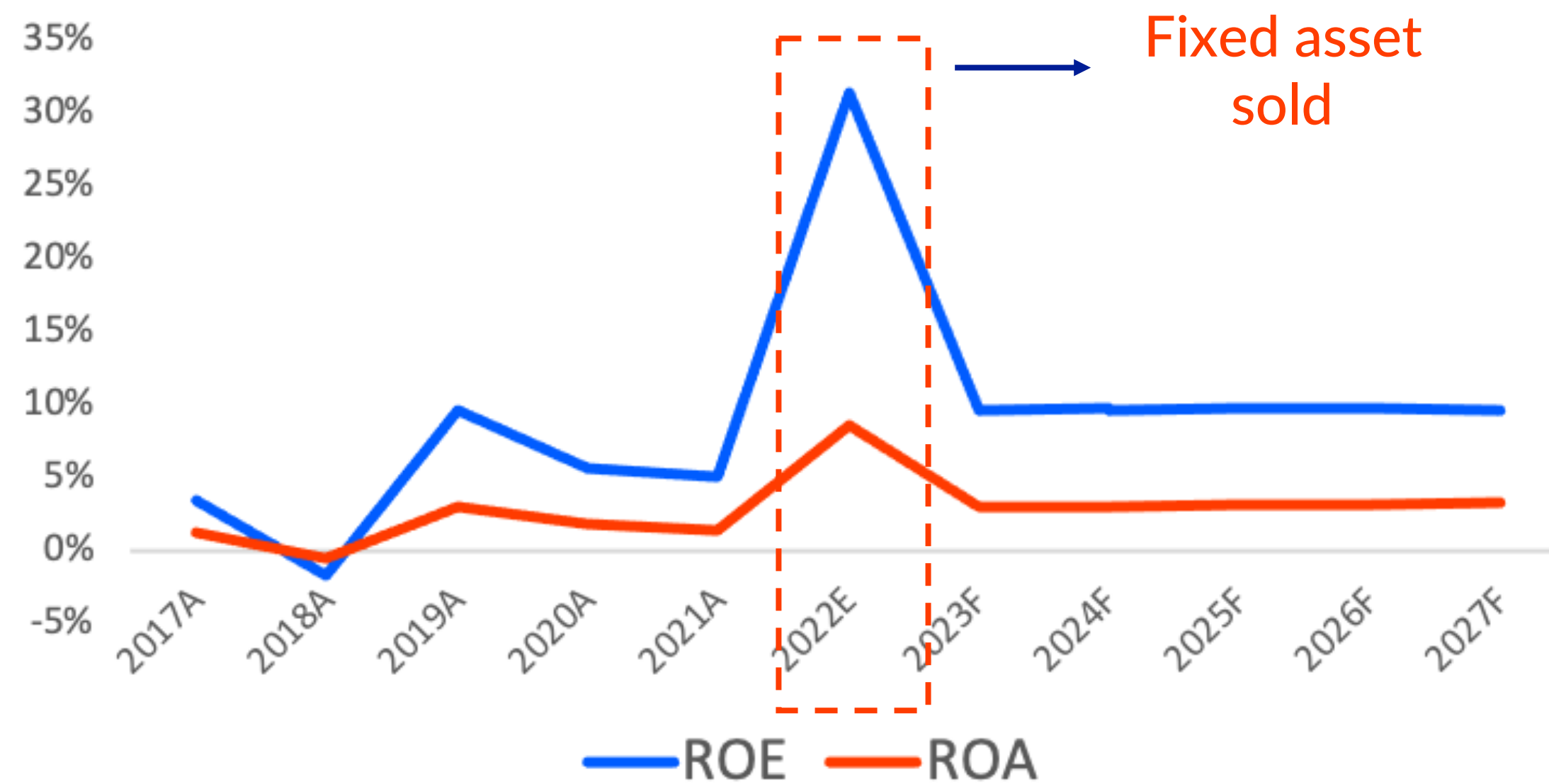
# CONVERGING TO A SUSTAINABLE DEBT



Source: Team Analysis & Company Data



# DUPONT



## DU PONT ANALYSIS

	2017	2021	2027est.
ROE	3.5%	5.0%	9.8%
NET MARGIN	2.2%	3.1%	6.3%
ASSET TURNOVER	0.55x	0.44x	0.51x
EQUITY MULTIPLIER	2.82	3.64	3.04

Source: Team Analysis & Company Data

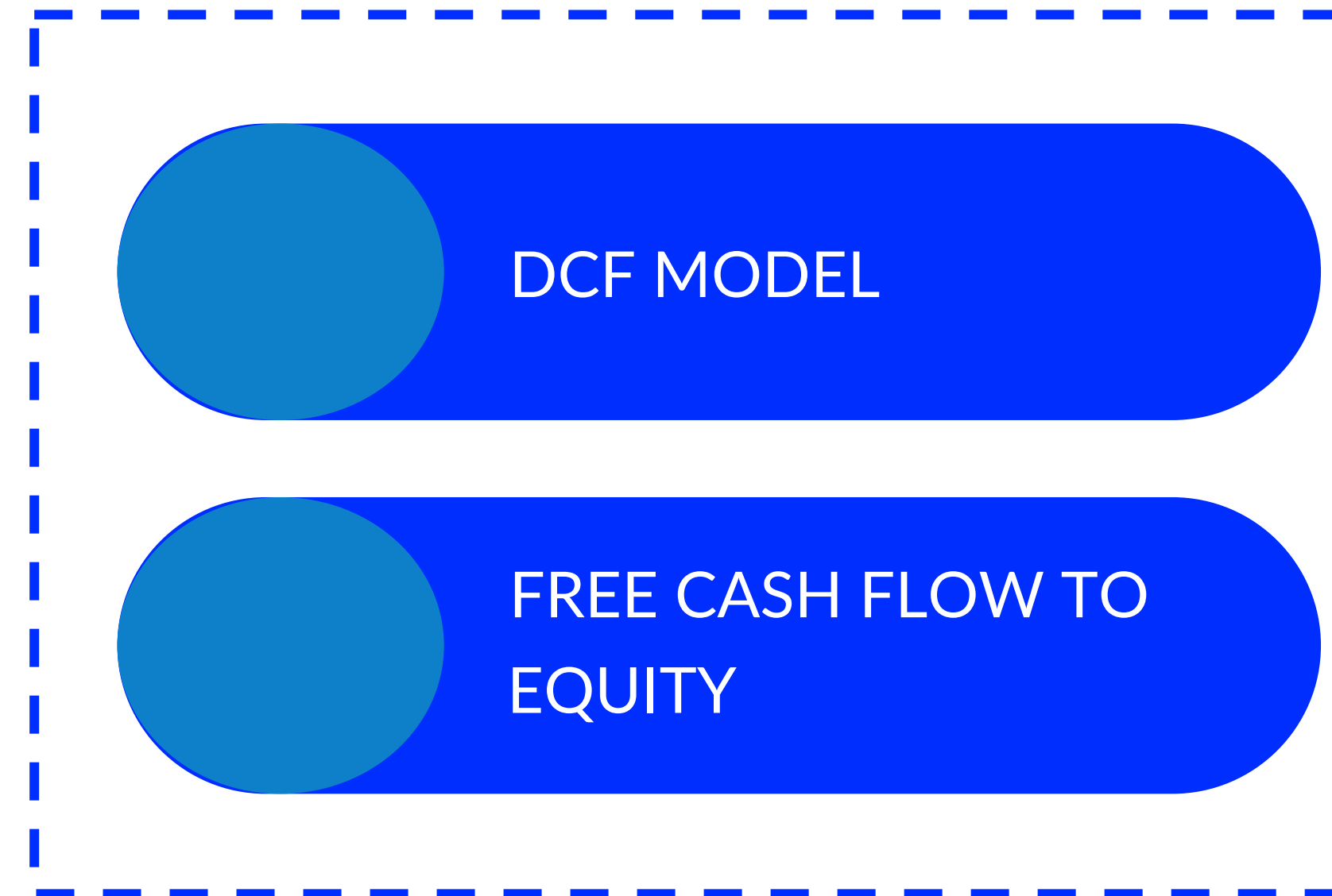




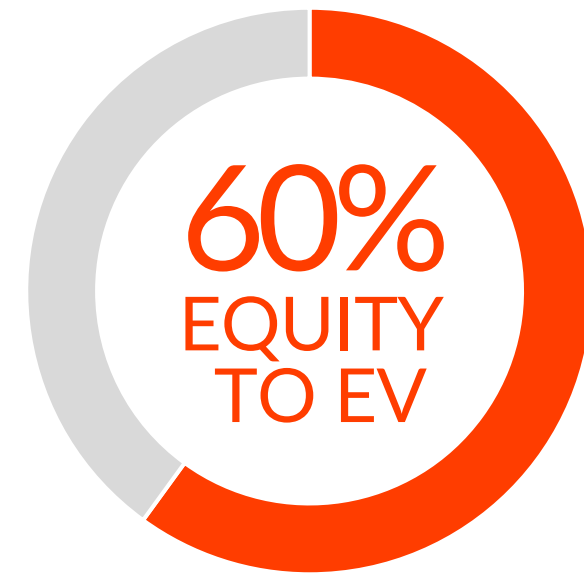
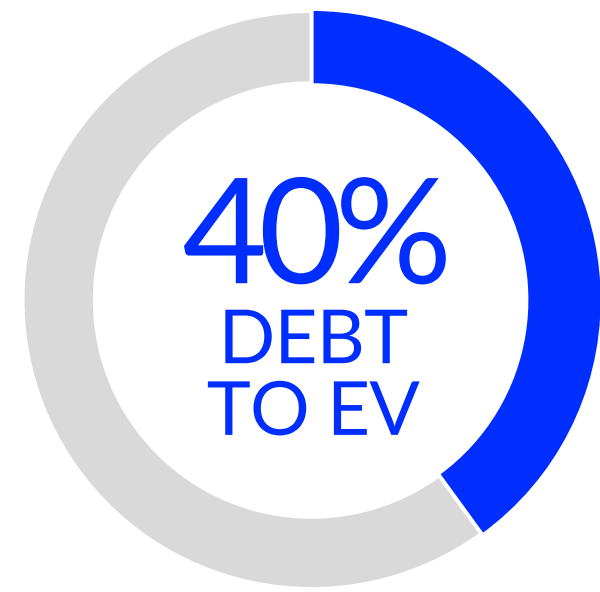
VALUATION

# VALUATION

## INCOME APPROACH



# WACC INPUTS (USD)



11.61%

COST OF  
EQUITY

5.58%

COST OF DEBT  
AFTER TAXES

## WACC USD

9.2%

## FISCHER PARITY

TARGET  
INFLATION

CHILE 3%

USA 2%

## WACC CLP

10.27%

COMPANY AND  
INDUSTRY OVERVIEW

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THESIS

# OUR 5Y DCF SUGGESTS A POSITIVE UPSIDE

DCF TARGET: **CLP 3,469**

<b>COST OF DEBT USD</b> 5.6%	<b>COST OF EQUITY USD</b> 11.6%	<b>LTGR</b> LONG TERM GROWTH RATE 2.68% AVG CHILE PERU	<b>WACC CLP</b> 10.27%
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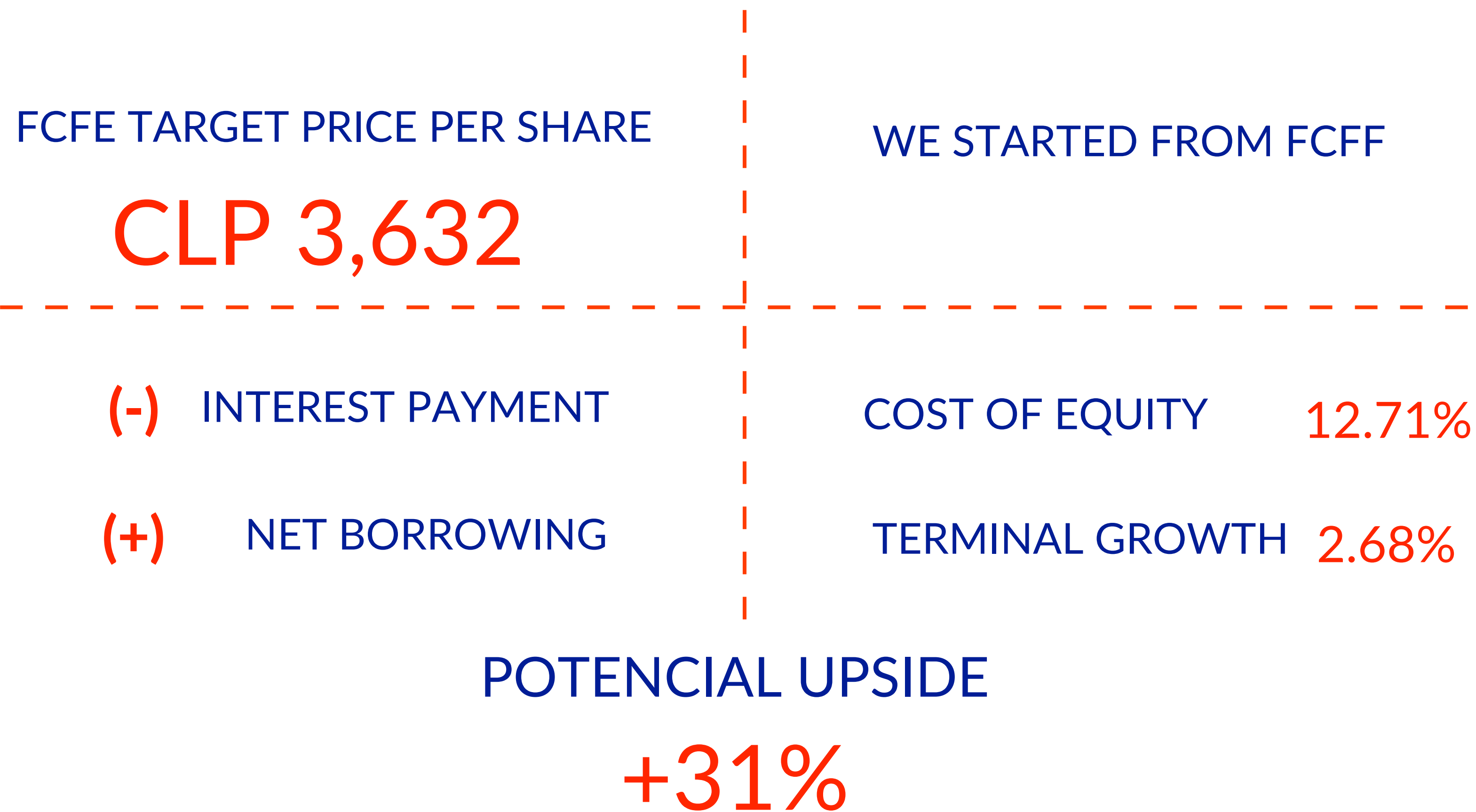
POTENCIAL UPSIDE

**+25%**

	9.27%	9.87%	10.27%	10.76%	11.26%				
2.0%	\$ 4,273	\$ 3,274	\$ 2,691	\$ 2,045	\$ 1,460	64%	→ BUY		
2.3%	\$ 4,712	\$ 3,640	\$ 3,018	\$ 2,331	\$ 1,711				
2.7%	\$ 5,327	\$ 4,148	\$ 3,469	\$ 2,723	\$ 2,054			12%	→ HOLD
3.0%	\$ 5,902	\$ 4,619	\$ 3,885	\$ 3,084	\$ 2,367			24%	→ SELL
3.4%	\$ 6,709	\$ 5,274	\$ 4,460	\$ 3,578	\$ 2,795				



# FREE CASH FLOW TO EQUITY METHODOLOGY



Source: Team Analysis



# OUR MARKET APPROACH CONFIRMS OUR BUY RECOMMENDATION

WE DID OUR SEGMENTATION THROUGH: **SIZE** | **EBITDA MARGIN** | **REGION** | **ROE**

COMPARABLE LISTED COMPANIES	EV / EBITDA MULTIPLES	
	LTM	CY+1
GRUPO TELEVISA S.A.B	2.7X	4.9X
TELECOM ITALIA S.P.A	6.1X	6.1X
TELECOM ARGENTINA S.A	7.5X	5.3X
TELECOM. BOGOTÁ	2.2X	4.9X
SONDA S.A	4.4X	4X
TOTSV S.A.A	23.7X	16.8X
MILlicom INT. CELLULAR S.A	4.2X	3.9X
MEGACABLE HOLDINGS S.A.B	4.1X	3.6
MEDIAN	4.3X	4.9X

## KEY INFORMATION

EV/FORWARD EBITDA	4.9X
LTM EBITDA (MM)	\$780,608
ENTERPRISE VALUE (MM)	\$3,848
FINANCIAL DEBT (MM)	\$2,694
SHARES	302,017

PRICE PER SHARE

**CLP 3,820**

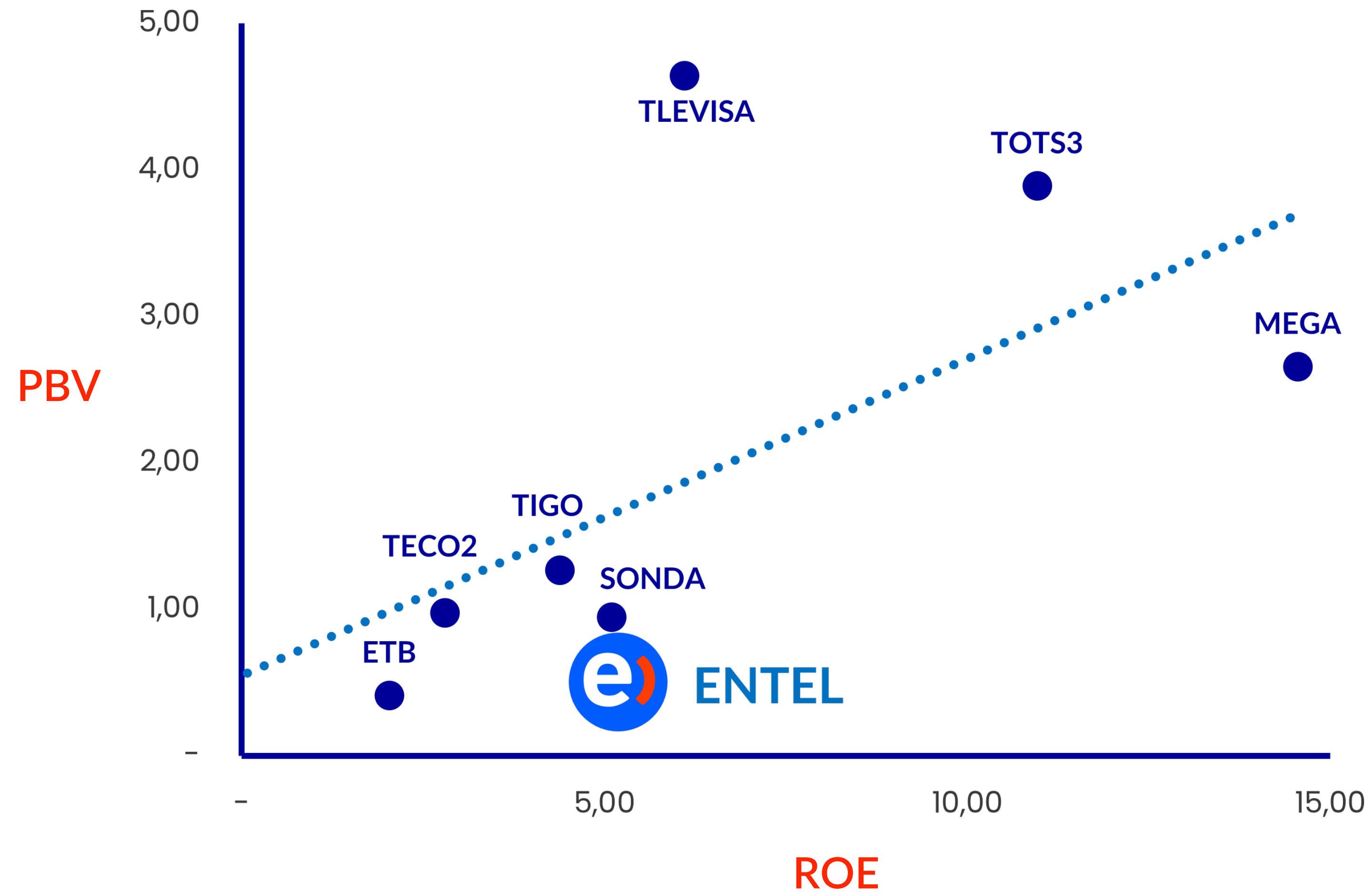
POTENCIAL UPSIDE

**+37%**

Source: Capital IQ



# ROE VS PBV



# PRICES ACHIEVED BY THE DIFFERENT MODELS



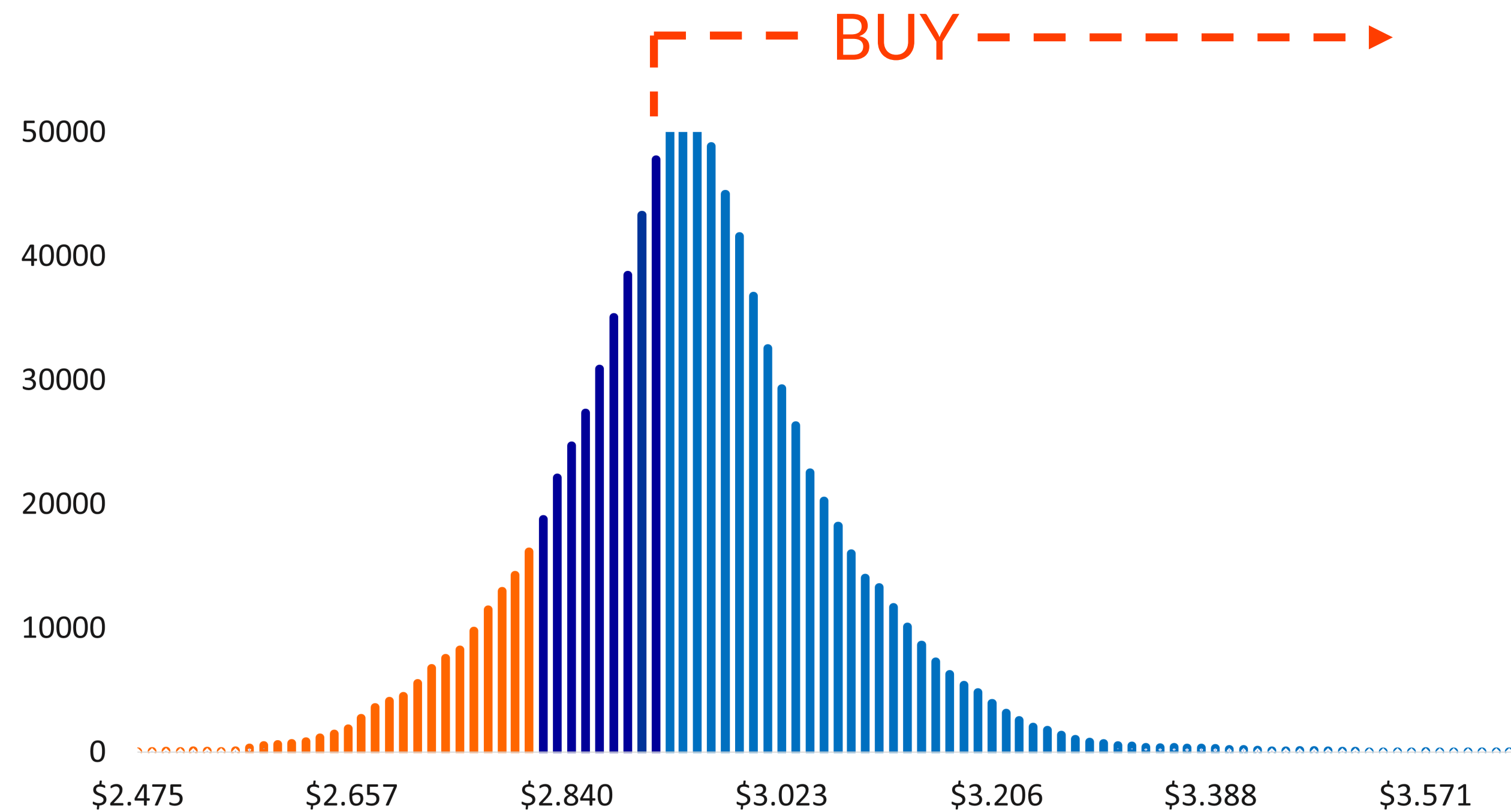
INCOME APPROACH	
DISCOUNTED CASH FLOW	60% CLP 3,469
FREE CASH FLOW TO EQUITY	20% CLP 3,632
MARKET APPROACH	20% CLP 3,820

POTENCIAL UPSIDE  
**+28%**



# MONTECARLO SIMULATION SUPPORT OUR BUY RECOMMENDATION

## MONTE CARLO PRICE PATH



Source: Team Analysis

ITERATIONS 1,000,000

25TH PERCENTILE CLP \$2,813

50TH PERCENTILE CLP \$2,921

75TH PERCENTILE CLP \$3,037

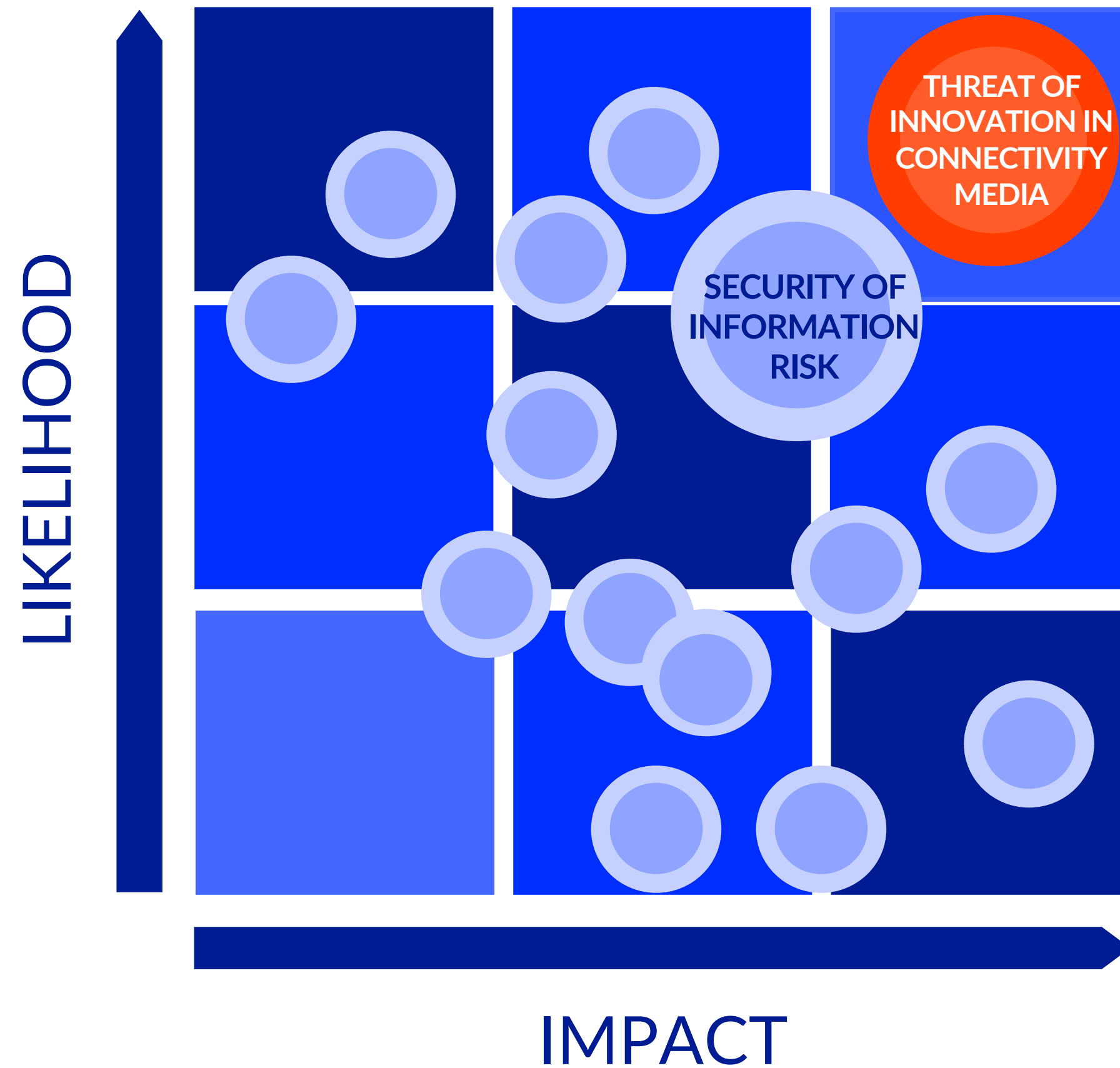
BUY 64%

HOLD 27%

SELL 9%



# RISKS IDENTIFIED



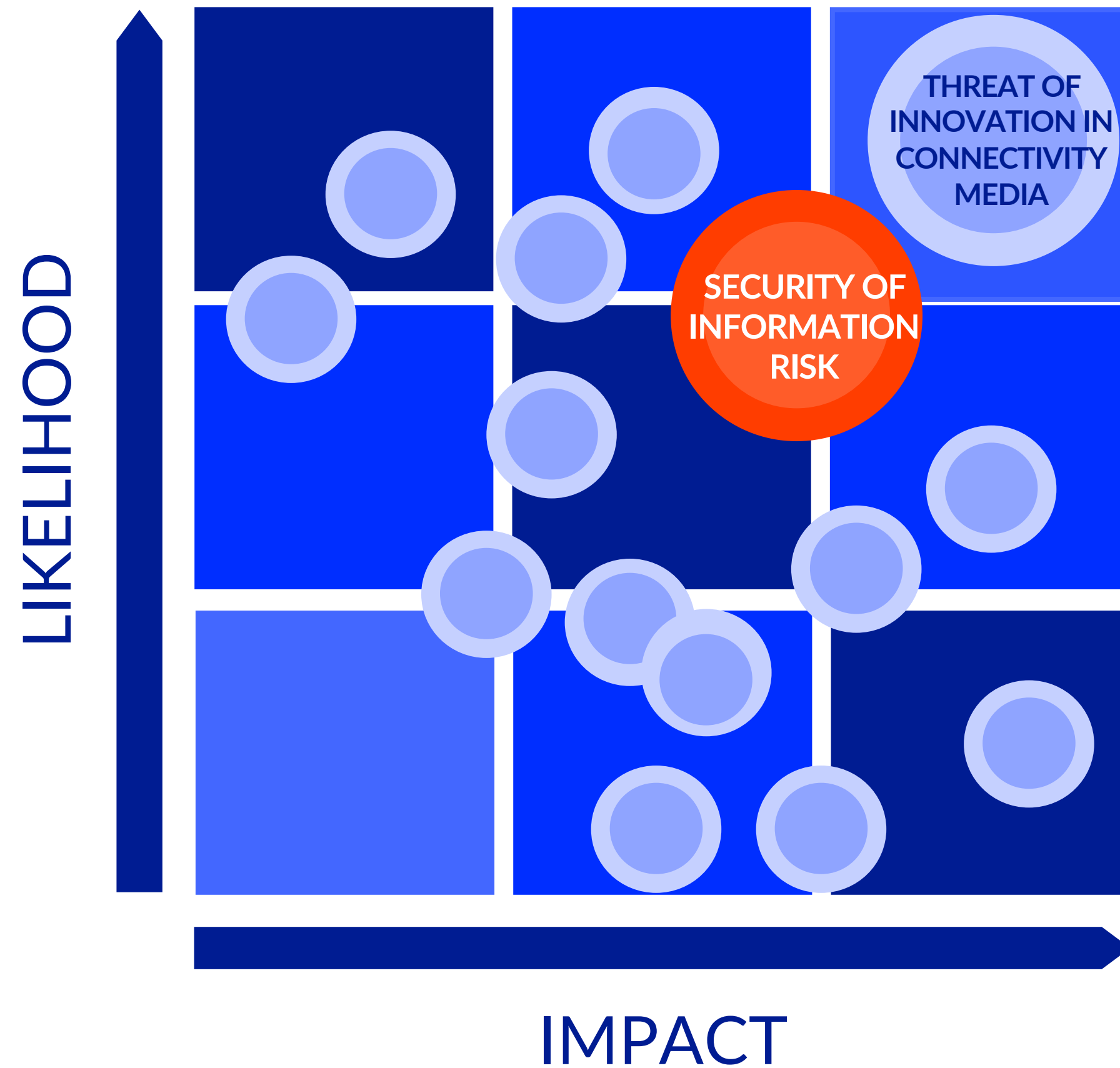
## THREAT OF INNOVATION IN CONNECTIVITY MEDIA

### MITIGATING FACTORS

- ▶ CONSTANT INVESTMENT IN R&D
- ▶ STRATEGIC ALLIANCES
- ▶ STRUCTURAL CHANGES IN CORPORATE GOVERNANCE



# RISKS IDENTIFIED



## SECURITY OF INFORMATION RISK

### MITIGATING FACTORS

- ▶ INVEST IN DEVELOPING TECHNOLOGIES
- ▶ OUTSOURCE SOME OPERATIONS





INVESTMENTS THESIS

# INVESTMENT SUMMARY



**COMPETITIVE ENVIRONMENT**  
HERE COMES THE SUN



**PERU OPERATION**  
THE LIGHT AFTER THE TUNNEL



**BUSINESS FOCUS**  
LET THE COBBLER STICK TO HIS LAST

COMPANY AND  
INDUSTRY OVERVIEW

ESG

FINANCIAL ANALYSIS

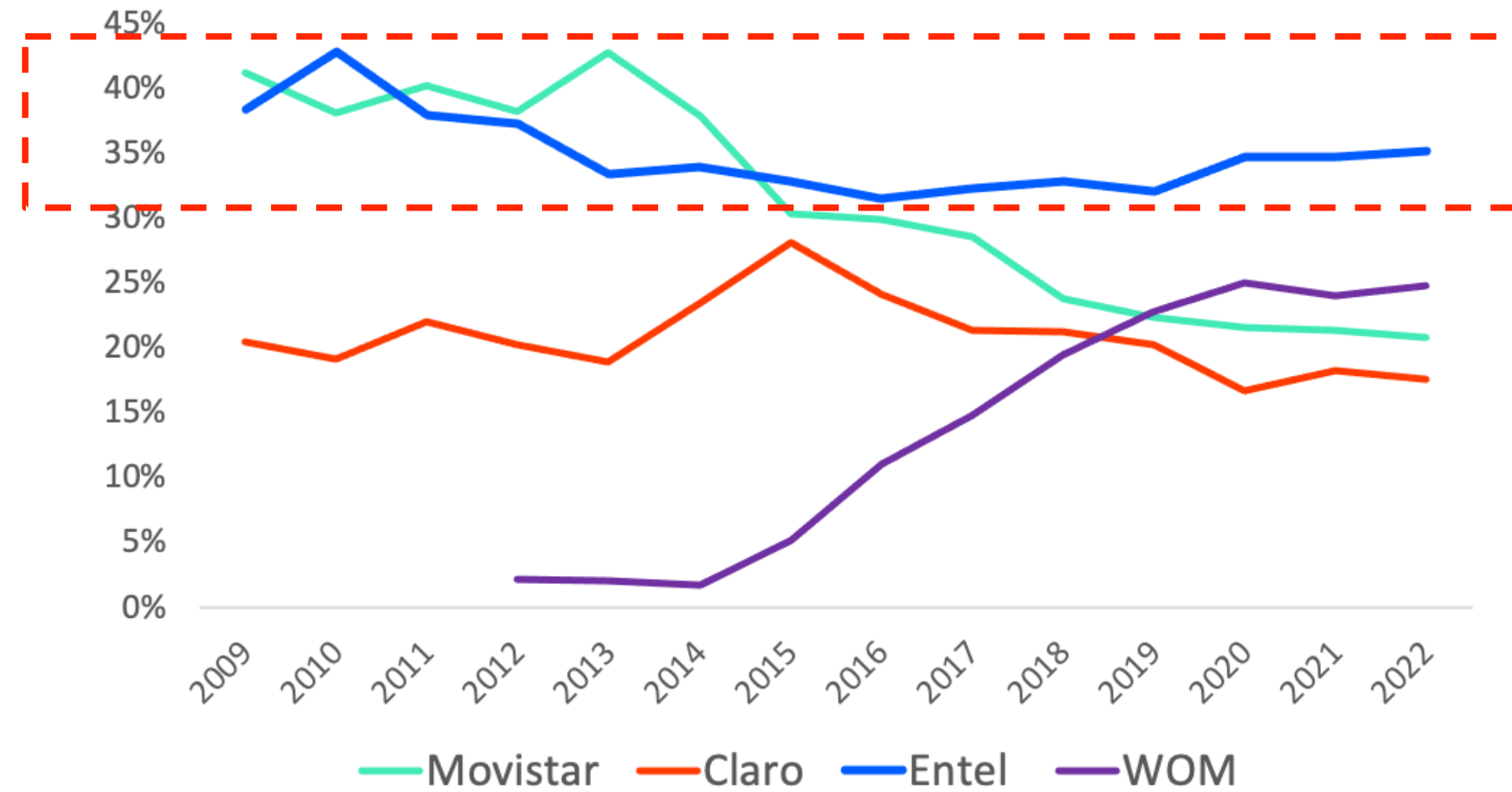
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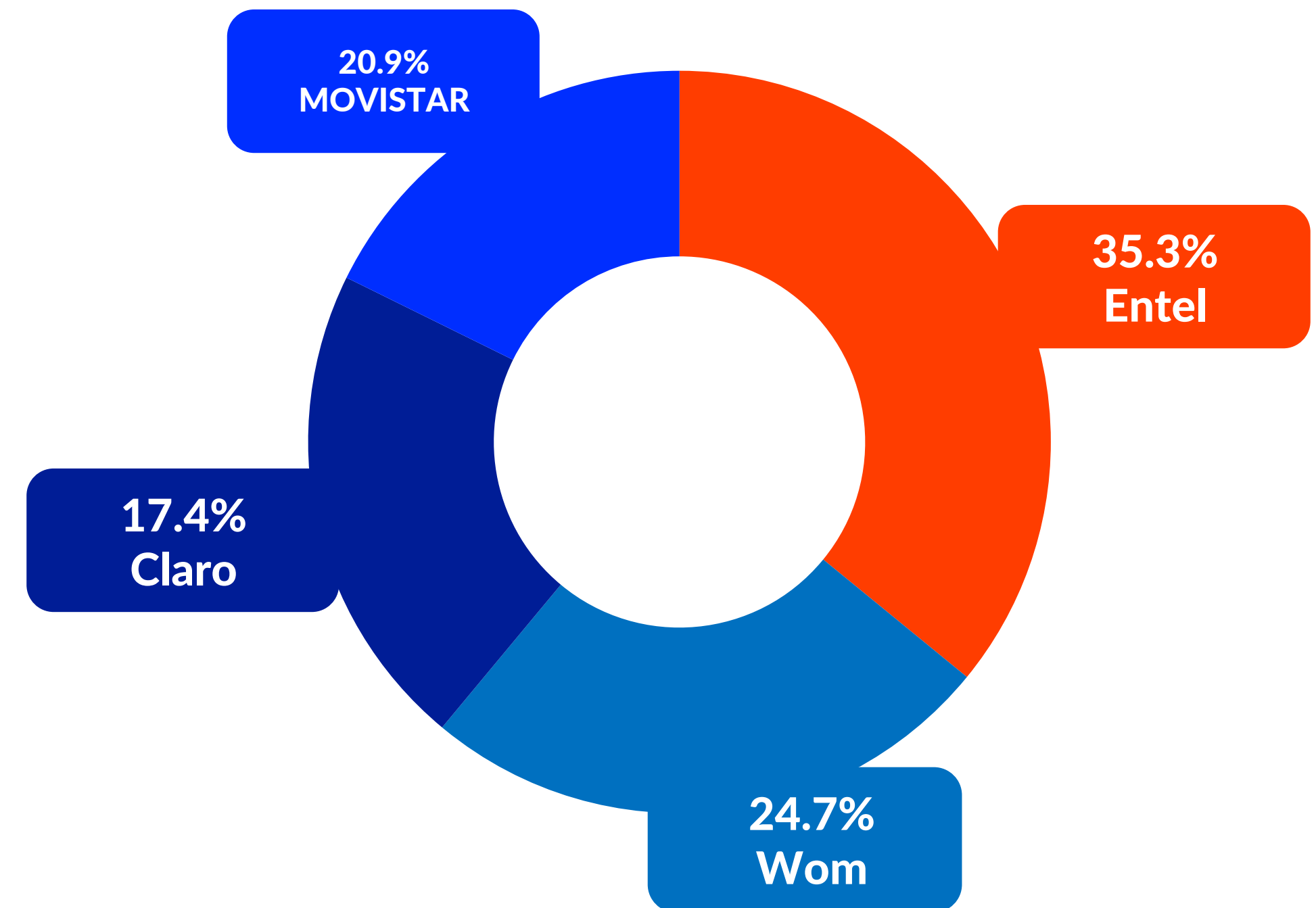
# COMPETITIVE ENVIRONMENT: HERE COMES THE SUN

## MOBILE MARKET SHARE EVOLUTION



- ▶ GIVEN ITS POWER, RESILIENCE, HISTORY, AND FINANCIAL BACKING, HAS THE POSSIBILITY OF FACING NEW CHALLENGES
- ▶ INCREASED DEMAND IN STABLE CONNECTIONS AND HIGHER-VALUE TECHNOLOGY SERVICES

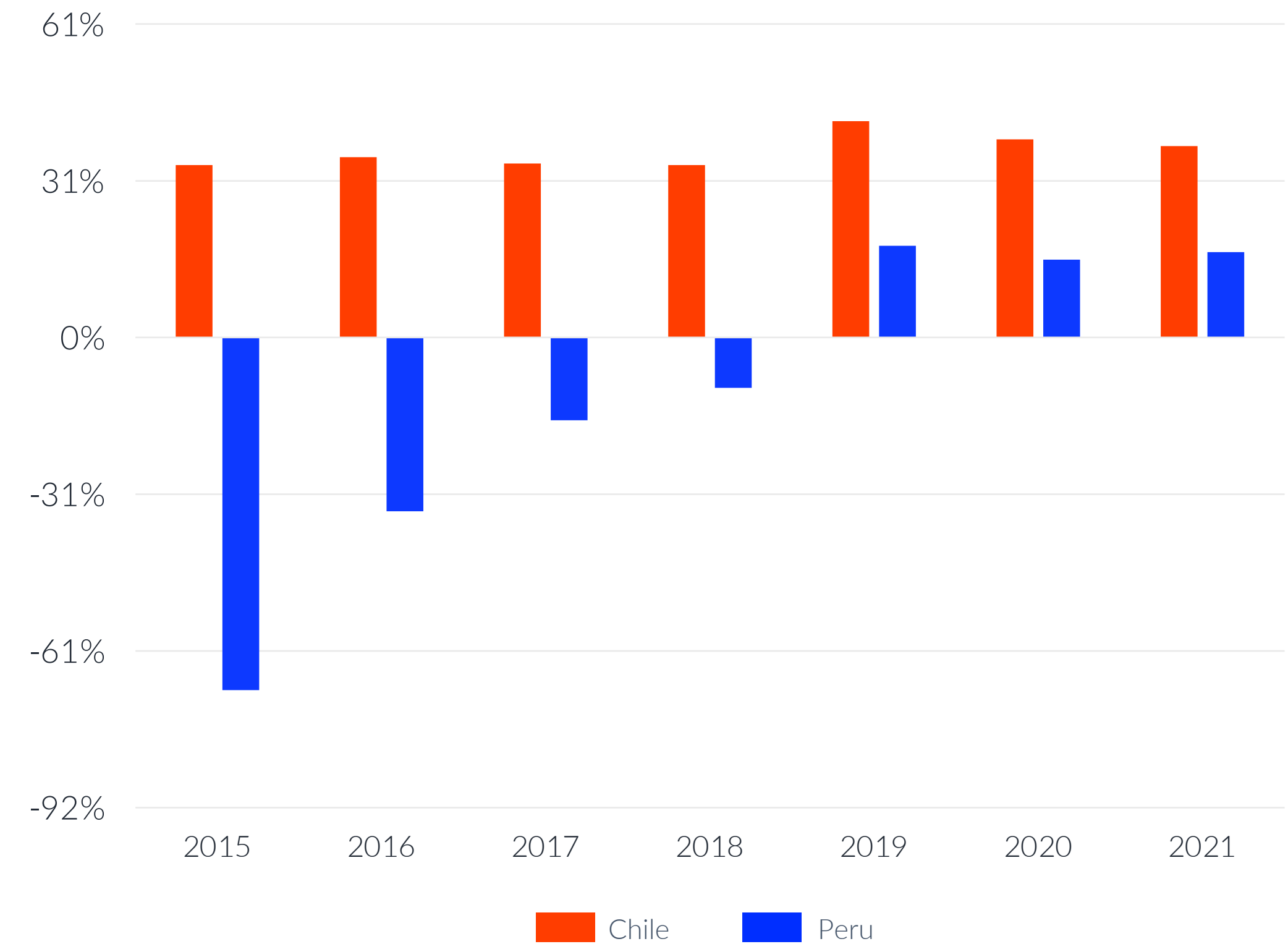
## MOBILE MARKET SHARE PARTICIPATION



# PERU OPERATION: THE LIGHT AFTER THE TUNNEL

- ▶ THE EFFORT HAS ALREADY BEEN MADE
- ▶ PERIODS WITH LOWER INVESTMENT WILL COME
- ▶ WE EXPECT THE EBITDA MARGIN OF THE PERUVIAN OPERATION TO CONVERGE TO THOSE PRESENTED IN CHILE
- ▶ COST EFFICIENCIES, GOOD POSITIONING IN THE COUNTRY AND MAINTENANCE OF ITS MARKET SHARE

## EBITDA MARGIN



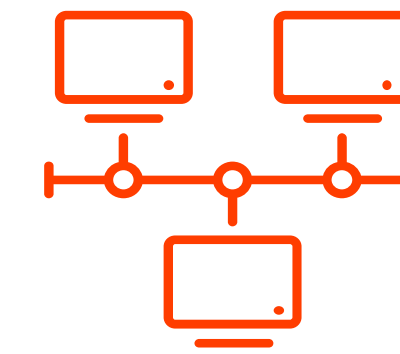
# BUSINESS FOCUS: LET THE COBBLER STICK TO HIS LAST

- ▶ FOCUS ON THE CORE OF THE BUSINESS, DIVERSIFYING ITS OPERATION
- ▶ TRYING TO BECOME A TECHNOLOGICAL PLAYER CAPABLE OF COMPETING WITH NATIVE DIGITAL COMPANIES
- ▶ FIXED ASSET DIVESTITURES → “LIGHTER” STRUCTURE IN ORDER TO ADAPT TO FUTURE TECHNOLOGICAL CHANGES



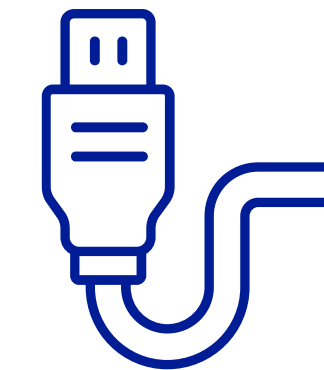
ANTENNAS  
2019

US \$772 MM



DATA CENTER  
2022

US \$800 MM



OPTICAL FIBER  
2022

US \$360 MM





CLP 3,572

**BUY**

RECOMMENDATION

**28%**  
UPSIDE



# APPENDIX MAP

## ESG:

- ▶ ESG
- ▶ SUSTAINABLE BOND
- ▶ ENVIROMENTAL
- ▶ SOCIAL
- ▶ GOVERNANCE

## FINANCIAL:

- ▶ FINANCIAL PEERS
- ▶ ECONOMIES, REVENUE & DEBT
- ▶ FINANCIAL
- ▶ SONDA S.A.
- ▶ TIM S.A.
- ▶ AMÉRICA MÓVIL, S.A.B. DE C.V.

## ECONOMIC:

- ▶ MACRO FACTORS
- ▶ DEBT PROFILE & DOLAR IMPLICATIONS
- ▶ MAIN BUSINESS: MOBILE SERVICES
- ▶ CHILEAN MOBILE OUTLOOK
- ▶ PERUVIAN MOBILE OUTLOOK

## VALUATION:

- ▶ WACC ASSUMPTIONS
- ▶ BETA
- ▶ 5Y DCF
- ▶ SENSITIVITY ANALYSIS
- ▶ SENSITIVITY ANALYSIS CRP
- ▶ FREE CASH FLOW TO EQUITY
- ▶ MARKET APPROACH
- ▶ MONTECARLO SIMULATION

## RISKS:

- ▶ RISK MATRIX
- ▶ OPERATIONAL RISK
- ▶ LEGAL AND REGULATORY RISK
- ▶ FINANCIAL & MARKET RISK
- ▶ COMPETITIVE RISK
- ▶ THREAT OF INNOVATION IN CONNECTIVITY MEDIA
- ▶ SECURITY OF INFORMATION RISK
- ▶ SWOT
- ▶ INFRASTRUCTURE TREND ALL OVER THE INDUSTRY

## PRESENTATION

- ▶ REVENUE BY COUNTRY
- ▶ SEGMENTS & MARKETS
- ▶ CHILE MOBILE MARKET
- ▶ WACC INPUTS (USD)
- ▶ 5Y DCF
- ▶ FREE CASH FLOW TO EQUITY
- ▶ MARKET APPROACH
- ▶ ROE VS PBV
- ▶ PRICES ACHIEVED BY THE DIFFERENT MODELS

## ESG MAIN FOCUS

### Enviromental

Reduce carbon footprint  
Energy and water efficiency



### Social

Diversity and inclusion  
Commitment to connection  
Reduce technological gaps

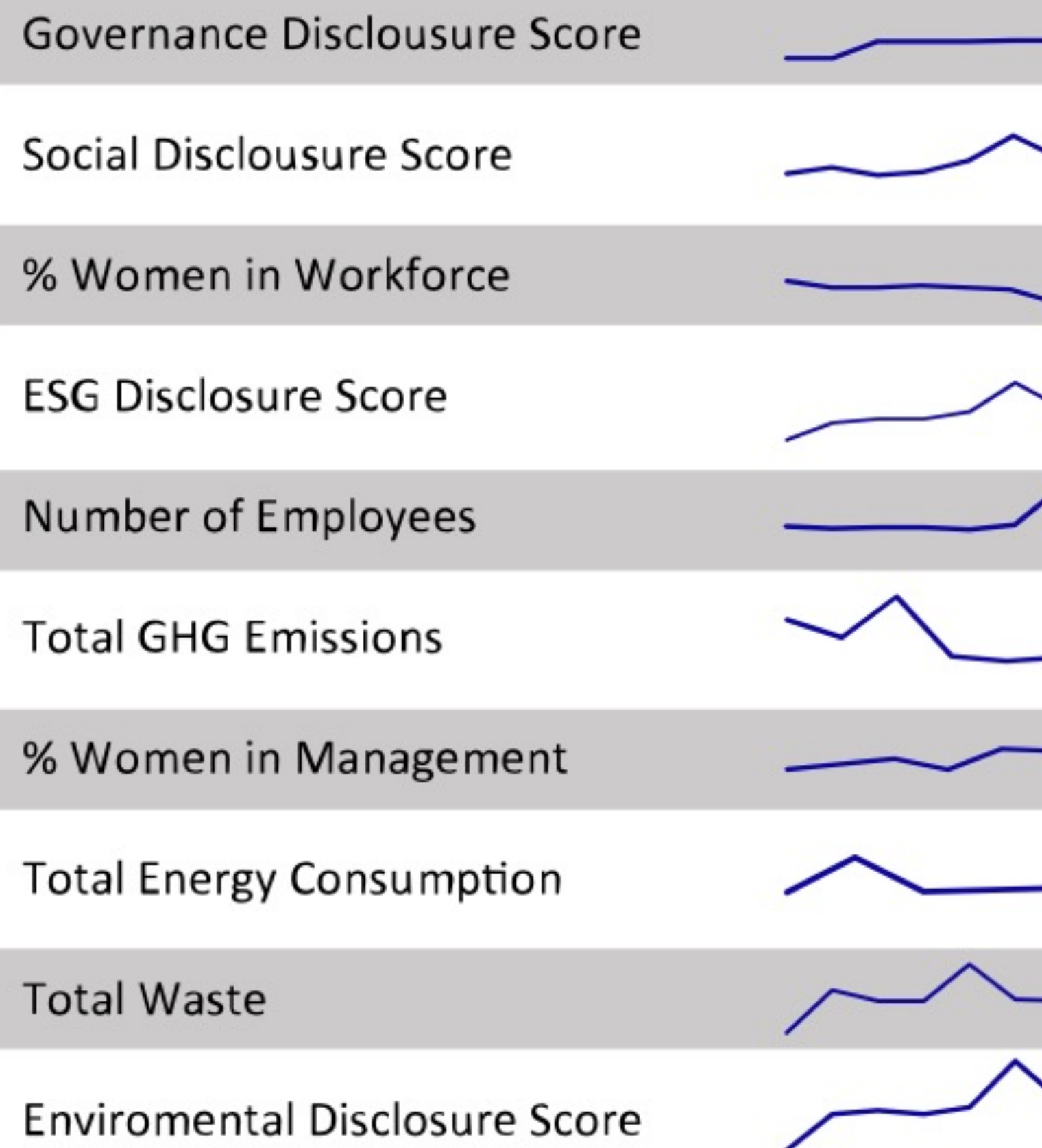


### Governance

Ensure regulatory compliance  
Business Continuity  
Value creation



## ENTEL ESG metrics



Source: Bloomberg

# SUSTAINABLE BOND: US\$800 Millions.

The bond was issued in dollars, maturing in two equal installments in the years 2031 and 2032 at an annual interest rate of 3.05%.

Debt instruments that focus on financing green and social projects, have positive impact for the environment and society.

▶ Early Redemption Offer:

Year	Interest Rate
2024	4.875%
2026	4.750%

▶ Success in the market → Demand exceeded US\$2,640 MM

Financial Advisers and Placement Agents:

- ▶ Investment Banks BNP Paribas
- ▶ JP Morgan
- ▶ Scotiabank

The results obtained by the operation reflect the high interest of investors during the process, based on a clear purpose, a consistent business strategy and a solid financial position.

**A large portion of the funds obtained will be used to expand and strengthen connectivity with projects related to the implementation of 5G network, strengthening of 4G network, deployment of fiber optics and operation of sites in rural areas.**

# ENERGY



Items	Variation
Lowered Greenhouse Gas Emissions	57%
Total Energy Consumption	Stable
Use of Renewable Energy	Stable at 20%



If we take into consideration the increase in the use of networks, this stability is evidence of the efficiency of energy usage. Entel has achieved savings up to 7% in electricity consumption.

# CIRCULAR ECONOMY

- ▶ Waste Reduction Policy: promotes the reuse of equipment, focusing on the importance of repairing, reusing and recycling.



Entel has more than 600 recycling points in Chile and Peru.

# WATER

Iniciatives:

- ▶ The “Deep Farm” solution consists on a digital platform that helps to manage water usage in the production processes of various companies, the creation of water resources information bank.

Environmental Bloomberg Rating Average: 29.8

# DIVERSITY AND INCLUSION POLICY

## Projects:

- ▶ 2014, “Conectando Chile”: connected 730 isolated and rural places in the country, reaching its end in year 2017. As a consequence Entel became the telecommunications company that integrated the most new areas into the telephone and data network in the country, achieving a total of 911 isolated areas with communication.
- ▶ 2012, “Todo Chile Comunicado”: which made it possible to deliver voice and internet coverage to 1,474 rural areas, benefiting more than three million people.
- ▶ From 2017 to 2019, Entel employees were trained in sign language, contributing to the inclusive service.

## RURAL CONECTIVITY

- ▶ Chile: Entel has invested USD 270 million in rural mobile connectivity, benefiting millions of people.
- ▶ Peru: Entel and the initiative “Internet para Todos” continue to work together to reduce the digital gap that still exists in the country.

## FEMALE PARTICIPATION

- ▶ In 2021, 44% of employees were women, being 7% above the average female participation in the telecommunications industry.
- ▶ Analyzing the new hires in 2021, 59% of these correspond to women, which shows great progress on the Gender Balance.

Social Bloomberg Rating Average: 38

# BOARD OF DIRECTORS

- ▶ 9 men, 2 of them are independent.
- ▶ Additionally, the board of directors are elected for a period of 3 years, being able to be re-elected indefinitely.

# COUNCIL

- ▶ Board Committee: Its main function is to review specific matters that will be approved by the entirety of the board. These matters are the designation of external legal advisers. This committee is composed of 3 people, mostly independent.
- ▶ Ethics Committee: its mission is the accomplishment and development of ways in which it can collaborate with the harmony of the institution, as well as complaint management and correction. This committee reports to the board once a year about the main activities that took place in that present year.

Governance Bloomberg Rating Average: 51.6

# FINANCIAL PEERS

## Peers Table

Company Name	LTM EBITDA Margin %	Net Debt / EBITDA
Grupo Televisa, S.A.B. (BMV:TLEVISA CPO)	42%	1.4
Telefónica, S.A. (BME:TEF)	17%	6.3
TIM S.A. (BOVESPA:TIMS3)	29%	2.7
Telecom Italia S.p.A. (BIT:TIT)	33%	5.3
Telecom Argentina S.A. (BASE:TECO2)	27%	3.1
Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. (BVC:ETB)	27%	0.8
Safaricom PLC (NASE:SCOM)	49%	0.4
Sonda S.A. (SNSE:SONDA)	11%	1.7
TOTVS S.A. (BOVESPA:TOTS3)	18%	-1.2
Globe Telecom, Inc. (PSE:GLO)	42%	3.5
Millicom International Cellular S.A. (NasdaqGS:TIGO)	36%	3.7
PLDT Inc. (PSE:TEL)	48%	2.6
América Móvil, S.A.B. de C.V. (BMV:AMX L)	33%	1.8
Telefonica Moviles Chile S.A.	15%	4.4

In order to identify a possible buyer of Entel, we must consider that in Chile any telecommunications company would have problems with market concentration and the anti-trust law. Within the region the only possible buyer would be America Movil due to its Net debt/ EBITDA ratio, which means that it has good liquidity.

# ECONOMIES, REVENUE & DEBT

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## ECONOMIES OF SCALE

Economies of scale are generated as a consequence of the increase in the revenue in a larger scale than costs. This industry is known for its high investment requirements and its low marginal costs.

## REVENUES

Consolidated revenue up 12% compared to 3Q21, due to the sale of the data center in Peru and organic revenue growth (+3%) driven by Peru. The entel revenues are divided in two important segments, the mobile and the Fixed services. However, although Entel Peru and Chile Average Revenue Per User has been declining, but in the last years we have seen an improvement, we see that the total user base specially in Peru has been growing at high rates and that is an important part of our investment thesis.

## DEBT

The Net debt/EBITDA ratio was constantly decrease through the years and forescated to 1.8 times by 2027, this is partly due to the sale of infrastructure, where part of these revenues have been used to lower the debt structure.

# FINANCIAL

ENTEL - KEY FINANCIALS	2017	2018	2019	2020	2021	2022 E	2023 E	2024 E	2025 E	2026 E	2027 E
REVENUE (\$CLPMM)	1,943	1,913	1,979	2,093	2,427	2,637	2,765	2,897	3,038	3,188	3,347
Pay Out Ratio	30.61%	0%	30.17%	49.7%	80.56%	40%	50%	50%	50%	60%	60%
<b>PROFITABILITY RATIOS</b>											
EBITDA margin (%)	22,5%	22,3%	38,9%	32,7%	31,8%	48,9%	31,0%	31,4%	31,4%	31,4%	31,9%
EBIT margin (%)	6%	5%	17%	10%	12%	32%	14%	14%	13%	13%	14%
<b>DUPONT ANALYSIS</b>											
Net Margin	2.2%	-1.2%	7.8%	4,0%	3.1%	20%	6.7%	6.7%	6.5%	6.4%	6.3%
Assets Turnover	0.55	0.48	0.38	0.43	0.44	0.43	0.44	0.45	0.47	0.49	0.51
ROA (%)	1.2%	-0.6%	3,0%	1.7%	1.4%	8.6%	3,0%	3,0%	3.1%	3.2%	3.2%
Equity Multiplier	2.82	2.9	3.21	3.24	3.64	3.65	3.49	3.38	3.23	3.14	3.04
ROE (%)	3.5%	-1.7%	9.6%	5.6%	5,0%	31.4%	10.3%	10.2%	10,0%	9.9%	9.8%
<b>LEVERAGE AND LIQUIDITY RATIOS</b>											
Total Debt Ratio	1.8	1.9	2.2	2.2	2.6	2.7	2.5	2.5	2.3	2.3	2.2
Current Liquidity	1,2	1,2	1,5	1,7	1,1	1,2	1,1	1,1	1,1	1,1	1,1
Acid Test	1,0	1,0	1,4	1,6	1,0	1,1	1,0	0,9	0,9	0,9	0,9
Net Debt / Ebitda (%)	3,4	3,8	2,2	2,4	2,4	1,6	2,4	2,2	2,1	1,9	1,8
Net Interest Coverage	5,8	5,6	8,7	7,5	7,1	10,9	6,9	7,0	7,3	7,7	6,9
Short Term Debt / Total Debt	1.1%	1%	3.6%	4,0%	10.9%	13.8%	13.9%	13.9%	14.2%	14.5%	14.9%
Long Term Debt / Total Debt	98.9%	99%	96.4%	96,0%	89.1%	86.2%	86.1%	86.1%	85.8%	85.5%	85.1%
<b>OPERATING INDICATORS</b>											
Day Sales Inventory	24	30	22	20	27	31	31	31	31	31	31
Day Sales Receivables	64	83	93	84	92	87	85	85	85	85	85
Days Payables	134	139	175	172	168	144	142	142	142	142	142

# FINANCIAL

INCOME STATEMENT											
\$CLP MM	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	2022 Est.	2023 Est.	2024 Est.	2025 Est.	2026 Est.	2027 Est.
ORGANIC REVENUES	1,943	1,913	1,979	2,093	2,427	2,637	2,765	2,897	3,038	3,188	3,347
Other Revenues	12	10	219	55	33	519	14	14	15	16	33
Salaries and Expenses	(249)	(260)	(260)	(257)	(257)	(293)	(304)	(307)	(322)	(338)	(355)
Impairment and bad debt	(48)	(64)	(66)	(75)	(87)	(96)	(83)	(87)	(91)	(96)	(100)
Other Operating Expenses	(1,221)	(1,172)	(1,101)	(1,131)	(1,343)	(1,476)	(1,535)	(1,608)	(1,686)	(1,769)	(1,857)
<b>EBITDA</b>	<b>437</b>	<b>427</b>	<b>770</b>	<b>684</b>	<b>772</b>	<b>1,290</b>	<b>857</b>	<b>910</b>	<b>954</b>	<b>1,001</b>	<b>1,068</b>
Depreciation & Amortization	(316)	(332)	(423)	(467)	(467)	(441)	(477)	(512)	(548)	(585)	(623)
<b>EBIT</b>	<b>117</b>	<b>91</b>	<b>344</b>	<b>212</b>	<b>294</b>	<b>849</b>	<b>381</b>	<b>397</b>	<b>406</b>	<b>415</b>	<b>445</b>
Finance Income	5	2	9	11	5	5	6	6	12	19	13
Finance Cost	(80)	(78)	(98)	(103)	(114)	(124)	(130)	(136)	(143)	(150)	(167)
<b>Profit Before Taxes</b>	<b>26</b>	<b>(2)</b>	<b>240</b>	<b>94</b>	<b>119</b>	<b>731</b>	<b>256</b>	<b>267</b>	<b>275</b>	<b>285</b>	<b>291</b>
Taxes	17	(21)	(86)	(9)	(44)	(204)	(71)	(74)	(77)	(79)	(81)
<b>Net Income</b>	<b>43</b>	<b>(24)</b>	<b>154</b>	<b>84</b>	<b>75</b>	<b>527</b>	<b>185</b>	<b>193</b>	<b>199</b>	<b>205</b>	<b>210</b>

CAPEX											
\$CLP MM	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	2022 Est.	2023 Est.	2024 Est.	2025 Est.	2026 Est.	2027 Est.
Revenues	1,943	1,913	1,979	2,093	2,427	2,637	2,765	2,897	3,038	3,188	3,347
CAPEX	387	432	409	370	445	606	608	608	608	638	636
<b>CAPEX/Revenues</b>	<b>20%</b>	<b>23%</b>	<b>21%</b>	<b>18%</b>	<b>18%</b>	<b>23%</b>	<b>22%</b>	<b>21%</b>	<b>20%</b>	<b>20%</b>	<b>19%</b>

PPE & DEPRECIATION											
\$CLP MM	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	2022 Est.	2023 Est.	2024 Est.	2025 Est.	2026 Est.	2027 Est.
PPE at Cost	5,376	5,881	6,193	6,347	6,897	7,503	8,111	8,720	9,327	9,965	10,601
Depreciation	316	332	423	467	467	441	477	512	548	585	623
<b>Depreciation / PPE</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>

<b>Accumulated Dep</b>	4,847	5,288	5,764	6,276	6,824	7,410	8,033
<b>Net PPE</b>	<b>2,050</b>	<b>2,216</b>	<b>2,347</b>	<b>2,443</b>	<b>2,503</b>	<b>2,555</b>	<b>2,568</b>

Sonda S.A., together with its subsidiaries, provides information technology (IT) solutions in Latin America. The company operates through IT Services, Software Applications, and Platforms business lines. The IT Services business provides IT outsourcing, system projects and integration, managed device, infrastructure support, datacenter and cloud computing, consulting and professional, SONDA Utility, and BPO services.

## CHILE

Market Capitalization Latest	5 Year Beta	TEV/EBITDA LTM - Latest	NTM Forward P/E (Capital IQ)
254.2	0.75	3.5x	6.86x

TIM S.A., a telecommunications company, provides mobile voice and data services, broadband internet access, value-added services, and other telecommunications services and products in Brazil. The company offers services for individuals, as well as corporate solutions for small, medium, and large companies. .

# BRAZIL

Market Capitalization Latest	5 Year Beta	TEV/EBITDA LTM - Latest	NTM Forward P/E (Capital IQ)
5955.8	0.72	4.6x	13.7x

# América Móvil, S.A.B. de C.V.

América Móvil, S.A.B. de C.V. provides telecommunications services in Latin America and internationally. The company offers wireless and fixed voice services, including local, domestic, and international long-distance services; and network interconnection services.

## MEXICO

Market Capitalization Latest	5 Year Beta	TEV/EBITDA LTM - Latest	NTM Forward P/E (Capital IQ)
65,579.4	0.33	6.2x	11.97x

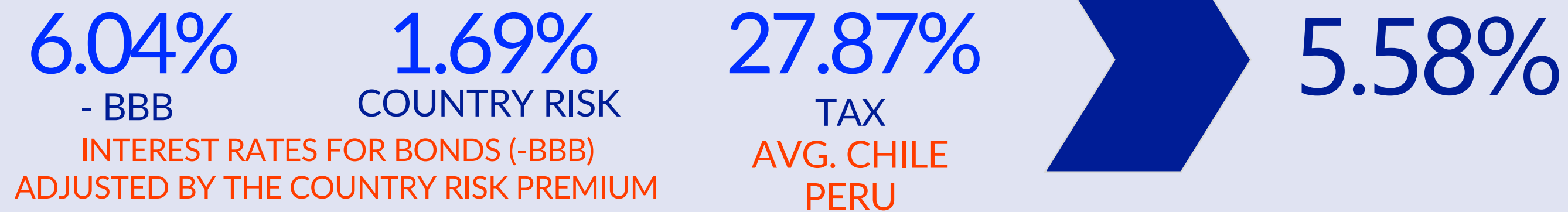
# WACC ASSUMPTIONS 10Y (USD)

WE ESTIMATED A WEIGHTED AVERAGE COST OF CAPITAL USING ALL THE COMPONENTS DENOMINATED IN US DOLLARS

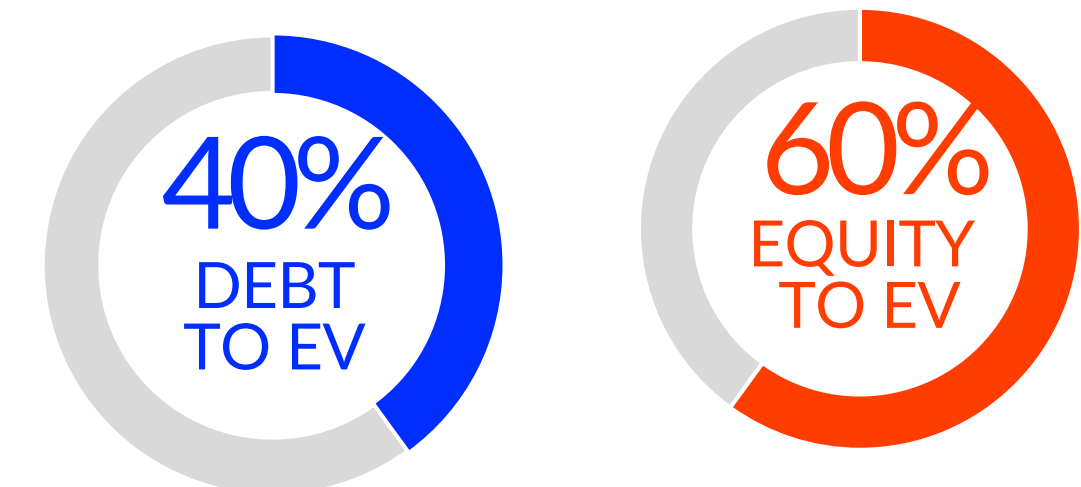
COST OF EQUITY (MODIFIED CAPM) →  $KE = RF + (CRP * RV) + (ERP * BETA) + SP$



COST OF DEBT AFTER TAXES →  $KD = (CRP + KD_{BBB}) * (1 - TAX)$



FINANCIAL STRUCTURE USED WAS THE MEDIAN OF ENTEL'S COMPARABLES, WE DECIDED NOT TO USE ENTEL'S FINANCING STRUCTURE AS IT HAS BEEN VERY VOLATILE RECENTLY.



WACC USD  
**9.20%**

FISCHER  
PARITY

WACC CLP  
**10.27%**

# WACC

<b>ENTEL ' S WACC ASSUMPTIONS</b>				
<b>WACC</b>	<b>10Y</b>	<b>20Y</b>	<b>30Y</b>	
US TREASURY BOND	3.83%	4.09%	3.78%	
COUNTRY RISK PREMIUM	1.69%	1.69%	1.69%	
RELATIVE VOLATILITY (5Y)	1.16	1.16	1.16	
EQUITY RISK PREMIUM	6.21%	6.21%	6.21%	
BETA	0.701	0.701	0.701	
SIZE PREMIUM	1.47%	1.47%	1.47%	
<b>Ke</b>	<b>11.61%</b>	<b>11.87%</b>	<b>11.56%</b>	
COUNTRY RISK PREMIUM	1.69%	1.69%	1.69%	
Kd (-BBB)	6.04%	6.24%	5.92%	
TAX	27.87%	27.87%	27.87%	
<b>Kd*(1-tax)</b>	<b>5.58%</b>	<b>5.72%</b>	<b>5.49%</b>	
E/A	60%	60%	60%	
D/A	40%	40%	40%	
<b>WACC CHILE USD</b>	<b>9.20%</b>	<b>9.41%</b>	<b>9.13%</b>	
TARGET INFLATION CHILE	3%	3%	3%	
TARGET INFLATION USA	2%	2%	2%	
<b>WACC CHILE CLP</b>	<b>10.27%</b>	<b>10.48%</b>	<b>10.20%</b>	

# BETA

- TO CALCULATE A REPRESENTATIVE BETA FOR ENTEL, WE USED COMPARABLES WITH SIMILAR STRUCTURES AND BUSINESS MODELS TO THE TARGET COMPANY.
- CONSIDERING TELECOMMUNICATIONS AND IT SERVICES COMPANIES.

ENTEL 'S COMPARABLES									
Company Name	DEBT	MARKET CAP	D/E	D/EV	E/EV	COUNTRY	TAX	LEVERED BETA (5Y)	UNLEVERED BETA
<b>In millions of USD</b>									
Grupo Televisa, S.A.B. (BMV:TLEVISA CPO)	3,111	3,088	100.8%	50.2%	49.8%	MEXICO	30%	0.88	0.52
Telefónica, S.A. (BME:TEF)	41,901	18,630	224.9%	69.2%	30.8%	ESPAÑA	25%	0.75	0.28
TIM S.A. (BOVESPA:TIMS3)	2,926	5,629	52%	34.2%	65.8%	BRAZIL	34%	0.62	0.46
Telecom Italia S.p.A. (BIT:TIT)	26,503	3,941	672.4%	87.1%	12.9%	ITALIA	24%	1.05	0.17
Telecom Argentina S.A. (BASE:TECO2)	2,244	3,641	61.6%	38.1%	61.9%	ARGENTINA	25%	0.8	0.55
Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. (BVC:ETB)	62	111	55.8%	35.8%	64.2%	COLOMBIA	31%	0.9	0.65
Safaricom PLC (NASE:SCOM)	452	8,265	5.5%	5.2%	94.8%	KENYA	30%	0.59	0.57
Sonda S.A. (SNSE:SONDA)	187	322	58.1%	36.7%	63.3%	CHILE	27%	0.68	0.48
TOTVS S.A. (BOVESPA:TOTS3)	158	3,423	4.6%	4.8%	104.8%	BRAZIL	34%	1.26	1.3
American Tower Corporation (NYSE:AMT)	47,402	99,962	47.4%	32.2%	67.8%	USA	27%	0.56	0.42
								<b>Median</b>	<b>0.50</b>

- RE-LEVERED THIS BETA WITH THE AVERAGE CAPITAL STRUCTURE, CONSISTING OF 40% DEBT AND 60% EQUITY. FINALLY, WE ARRIVED AT A RE-LEVERED BETA FOR ENTEL OF 0.701

# 5Y DCF

ENTEL CONSOLIDATED PROFORMA							
\$CLP MM	FY 2021	2022 Est.	2023 Est.	2024 Est.	2025 Est.	2026 Est.	2027 Est.
<b>Chile</b>	<b>1,631</b>	<b>1,718</b>	<b>1,793</b>	<b>1,878</b>	<b>1,970</b>	<b>2,067</b>	<b>2,172</b>
Mobile	1,188	1,235	1,272	1,310	1,350	1,390	1,432
Fixed & IT	384	423	461	508	560	617	680
Wholesales	60	60	60	60	60	60	60
<b>Peru</b>	<b>782</b>	<b>904</b>	<b>958</b>	<b>1,005</b>	<b>1,054</b>	<b>1,106</b>	<b>1,161</b>
Mobile & Fixed	767	889	943	990	1,039	1,091	1,146
Americatel Peru	15	15	15	15	15	15	15
Call Center and Others	14	14	14	14	14	14	14
<b>CORE REVENUE</b>	<b>2,427</b>	<b>2,637</b>	<b>2,765</b>	<b>2,897</b>	<b>3,038</b>	<b>3,188</b>	<b>3,347</b>
Other Revenues and Gains	33	519	14	14	15	16	33
Salaries and Expenses	(257)	(293)	(304)	(307)	(322)	(338)	(355)
Impairment and bad debt	(87)	(96)	(83)	(87)	(91)	(96)	(100)
Other Operating Expenses	(1,343)	(1,476)	(1,535)	(1,608)	(1,686)	(1,769)	(1,857)
<b>EBITDA</b>	<b>772</b>	<b>1,290</b>	<b>857</b>	<b>910</b>	<b>954</b>	<b>1,001</b>	<b>1,068</b>
Depreciation and Amortization	(467)	(441)	(477)	(512)	(548)	-585	(623)
<b>EBIT</b>	<b>294</b>	<b>846</b>	<b>381</b>	<b>397</b>	<b>406</b>	<b>415</b>	<b>445</b>

FREE CASH FLOW							
	2022 Est.	2023 Est.	2024 Est.	2025 Est.	2026 Est.	2027 Est.	
<b>EBIT</b>	<b>846</b>	<b>381</b>	<b>397</b>	<b>406</b>	<b>415</b>	<b>445</b>	
TAX	(236)	(106)	(111)	(113)	(116)	(124)	
<b>NOPAT</b>	<b>611</b>	<b>275</b>	<b>287</b>	<b>293</b>	<b>300</b>	<b>321</b>	
(+) Depreciation and Amortization	441	477	512	548	585	623	
(-) Change in Net Working Capital	78	9	8	4	5	5	
(-) CAPEX	(606)	(608)	(608)	(608)	(638)	(636)	
<b>Unlevered Cash Flow</b>	<b>523</b>	<b>151</b>	<b>198</b>	<b>238</b>	<b>252</b>	<b>313</b>	
Terminal Value	0	0	0	0	0	4,231	

<b>WACC</b>	<b>10.27%</b>
<b>TGR</b>	<b>2.68%</b>

# 5Y DCF

	2022Q4 E	2023 Est.	2024 Est.	2025 Est.	2026 Est.	2027 Est.
<b>Mid Year Convention Factor</b>	<b>0,125</b>	<b>0,75</b>	<b>1,75</b>	<b>2,75</b>	<b>3,75</b>	<b>4,75</b>
FCFF + Valor terminal	40	151	198	238	252	4,544
VPN	39	141	167	182	175	2,856
<b>Total PV of Cash Flow</b>	<b>3,560</b>					

Total PV of Cash Flow	3,560
(+) Cash	212
<b>Enterprise Value</b>	<b>3,771</b>
(-) Debt	2,724
<b>Equity</b>	<b>1,048</b>
Shares	302
<b>Stock Price (CLP)</b>	<b>3,469</b>

# FREE CASH FLOW TO EQUITY

FREE CASH FLOW TO EQUITY						
\$CLP MM	2022 Est.	2023 Est.	2024 Est.	2025 Est.	2026 Est.	2027 Est.
Unlevered Cash Flow	523	151	198	238	252	313
(-) Interest Payments	122	121	121	116	114	109
(+) Net Borrowing	377	(14)	5	(85)	(50)	(77)
<b>FREE CASH FLOW TO EQUITY</b>	<b>778</b>	<b>16</b>	<b>82</b>	<b>36</b>	<b>88</b>	<b>126</b>
Terminal Value	0				0	1.293

Ke	12.71%
TGR	2.68%

	2022Q4 E	2023 Est.	2024 Est.	2025 Est.	2026 Est.	2027 Est.
<b>Mid Year Convention Factor</b>	<b>0,125</b>	<b>0,75</b>	<b>1,75</b>	<b>2,75</b>	<b>3,75</b>	<b>4,75</b>
FCFF + Valor terminal	131	16	82	36	88	1.420
VPN	129	15	67	26	56	804
<b>Total PV of Cash Flow</b>	<b>1,097</b>					

Shares	302
<b>Stock Price (CLP)</b>	<b>3,632</b>

# SENSITIVITY ANALYSIS

		WACC				
		9.27%	9.87%	10.27%	10.76%	11.26%
LTGR	2.0%	\$ 4,273	\$ 3,274	\$ 2,691	\$ 2,045	\$ 1,460
	2.3%	\$ 4,712	\$ 3,640	\$ 3,018	\$ 2,331	\$ 1,711
	2.7%	\$ 5,327	\$ 4,148	\$ 3,469	\$ 2,723	\$ 2,054
	3.0%	\$ 5,902	\$ 4,619	\$ 3,885	\$ 3,084	\$ 2,367
	3.4%	\$ 6,709	\$ 5,274	\$ 4,460	\$ 3,578	\$ 2,795

			WACC					
			9.27%	9.87%	10.26%	10.76%	11.26%	
LTGR	2.0%	64%	→ BUY	54%	18%	-3%	-26%	-47%
	2.3%	12%	→ HOLD	70%	31%	9%	-16%	-38%
	2.7%			92%	49%	25%	-2%	-26%
	3.0%			112%	66%	40%	11%	-15%
	3.4%	24%	→ SELL	141%	90%	60%	29%	1%

# SENSITIVITY ANALYSIS ON THE WACC AND COUNTRY RISK PREMIUM

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# MARKET APPROACH

- WE FILTERED THE LISTED PUBLIC COMPANIES BY EBITDA MARGIN, ROE, SIZE AND REGION

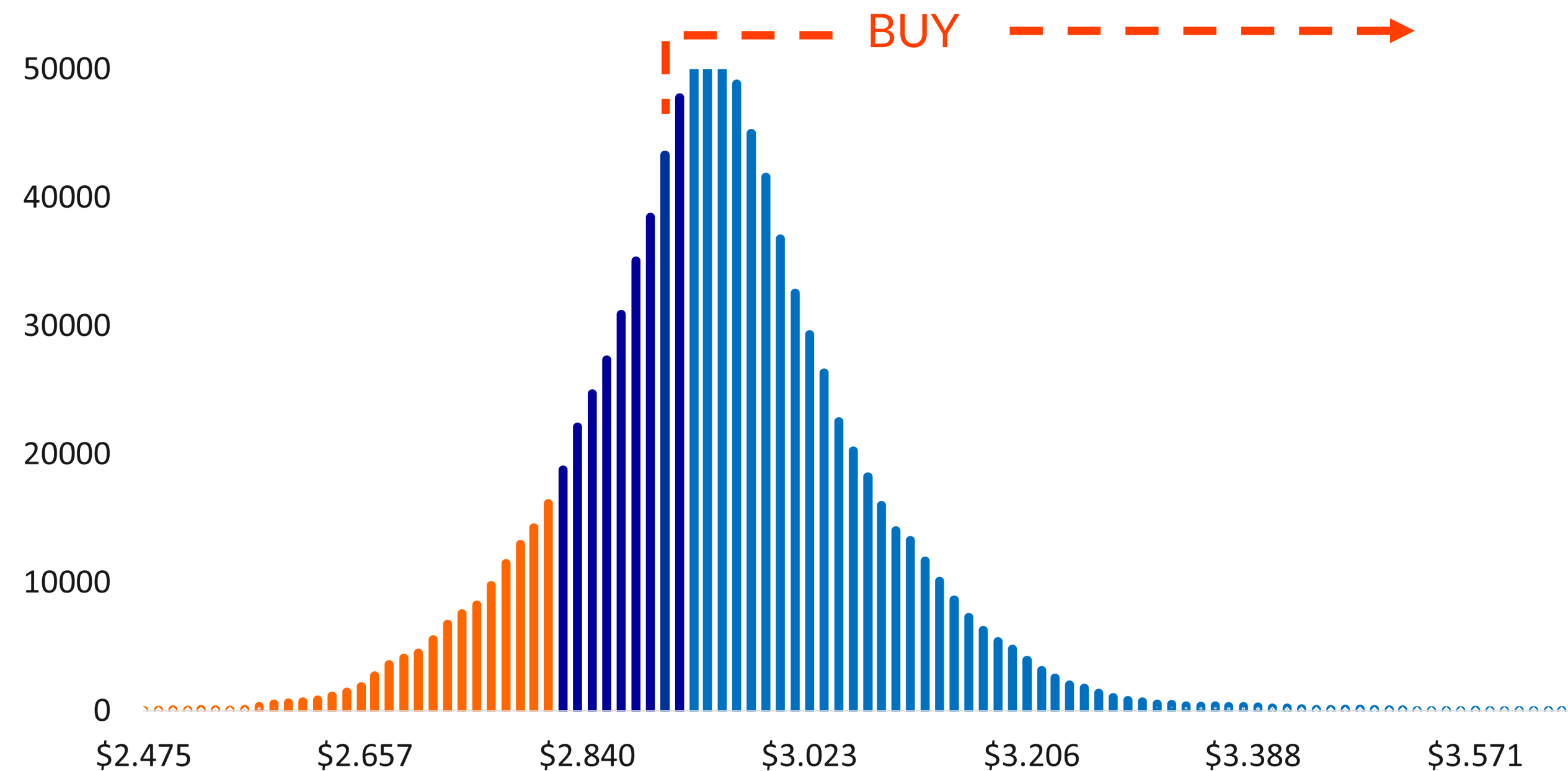
COMPANY COMPARABLES	TRADING MULTIPLES					
	EV / EBITDA		TEV/Revenue		EV/EBIT	
	LTM	CY+1	LTM	CY+1	LTM	
Grupo Televisa, S.A.B.	2.7	4.9	1.3	1.8	4.6	
Telecom Italia S.p.A.	6.1	6.1	2.3	2.3	26	
Telecom Argentina S.A.	7.5	5.3	2.3	1.9	-	
Empresa de Telecomunicacion	2.2	-	0.6	-	18.9	
Sonda S.A.	4.4	4	0.5	0.5	7.4	
TOTVS S.A.	23.7	16.8	4.6	3.8	29.9	
Millicom International Cellular	4.2	3.9	1.7	1.6	10.7	
Megacable Holdings, S. A. B. d	4.1	3.6	1.9	1.8	7.2	
<b>AVERAGE</b>	<b>6.9</b>	<b>6.4</b>	<b>1.9</b>	<b>1.9</b>	<b>15.0</b>	
<b>MEDIAN</b>	<b>4.3</b>	<b>4.9</b>	<b>1.8</b>	<b>1.8</b>	<b>10.7</b>	

- WE USED EV/EBITDA SINCE ENTEL AND ITS COMPARABLES WERE ALL CAPITAL-INTENSIVE COMPANIES
- WE DON'T USED P/E RATIO BECAUSE LACKS PREDICTIVE VALUE DUE TO ITS RELIANCE ON THE CURRENT SHARE PRICE AS A METRIC OF VALUE AND IS MOST EXPOSED TO THE DISTORTIONS THAT CAN ARISE FROM DIFFERING ACCOUNTING TREATMENTS AND CAPITAL STRUCTURES

MARKET APPROACH ENTEL		
EV to Forward EBITDA		4.93x
LTM EBITDA		780,608,930
Enterprise Value		3,848,402,024.9
Financial Debt		2,694,564,575
Shares		302,017
Share price (CLP)	\$	3,820

# MONTECARLO SIMULATION

We perform **one million** iterations to simulate one-year trading day price paths considering **Entel's daily returns since 2000**, resulting in a target price distribution that suggests a 64% probability of exceeding the current price.



BUY 64%  
HOLD 27%  
SELL 9%

ITERATIONS	1,000,000
25TH PERCENTILE	CLP \$2,813
50TH PERCENTILE	CLP \$2,921
75TH PERCENTILE	CLP \$3,037

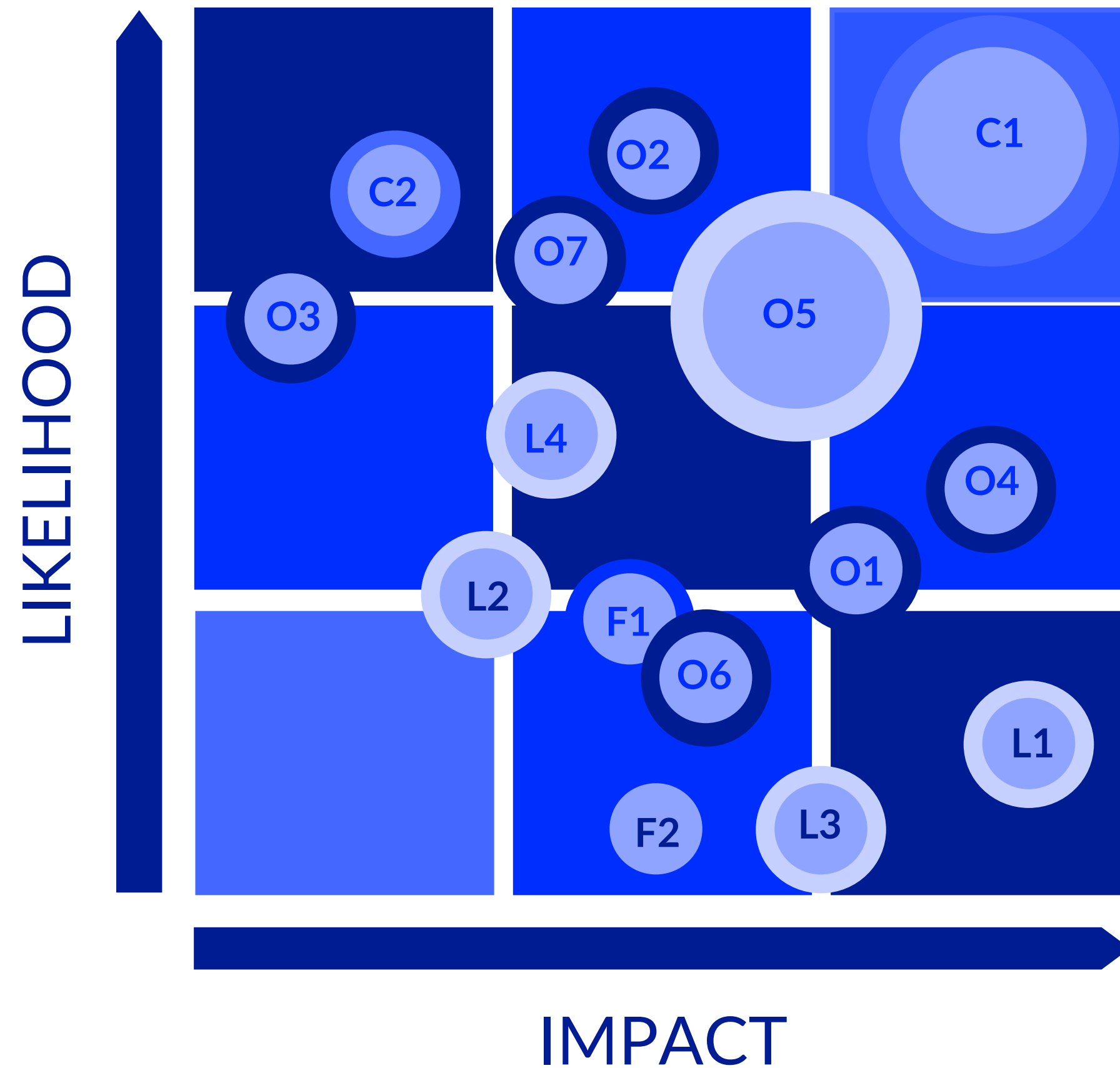


# RATIOS

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- ▶  $P/E = 0.5$
- ▶  $EV/EBITDA = 4.4$

# RISK MATRIX



**OPERATIONAL RISK**

- [O1] WATER RESOURCE
- [O2] ENERGETIC RESOURCE
- [O3] EXTENUATING INVESTMENTS IN CAPEX
- [O4] DECREASE IN A COMPETITIVE POSITION IN CHILE
- [O5] SECURITY OF INFORMATION
- [O6] LOW MONETIZATION OF NEW TECHNOLOGY
- [O7] INFRASTRUCTURE OUTSOURCING

**LEGAL AND REGULATORY RISK**

- [L1] NEW CONSTITUTION AND POLITICAL RISKS
- [L2] 5G TENDER
- [L3] SPECTRUM
- [L4] ENVIRONMENTAL REGULATIONS

**FINANCIAL & MARKET RISK**

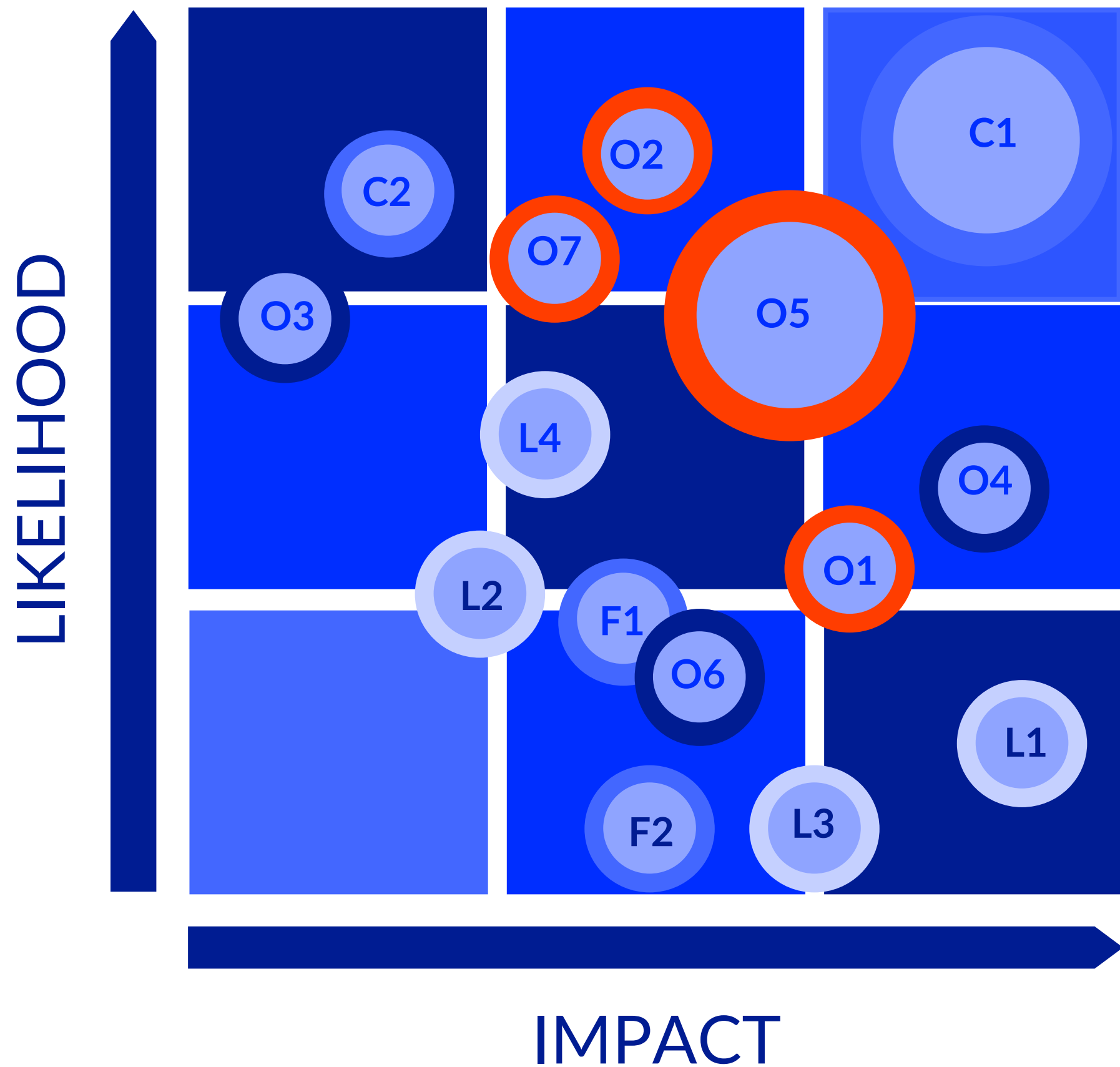
- [F1] EXCHANGE RATE
- [F2] INTEREST RATES

**COMPETITIVE RISK**

- [C1] THE LATENT THREAT OF INNOVATION IN CONNECTIVITY MEDIA
- [C2] CLARO-VTR MERGER



# OPERATIONAL RISK



## [O1] WATER RESOURCE

For Entel and the industry, water is mainly used for air conditioning and cooling systems for servers, employees, and customers.

**Mitigant:** Exploration, creating, and exploiting new groundwater and using new technologies to make operations more efficient.

## [O2] ENERGETIC RESOURCE

Although the new network is 90% more efficient than the old 4G, it requires more antennas. According to company sources, energy expenditure could increase by 150% to 170% by 2026.

**Mitigant:** Increase efficiency and make changes to the company's energy matrix.

## [O5] SECURITY OF INFORMATION

The inclusion of the fifth generation of mobile internet brings advances in technological development, productivity, and efficiency in operations, as well as countries' social and economic development. If they fail to be effective in this area, the trust of their users would likely fall along with their reputation, impacting their future retention, acquisition, and revenue.

**Mitigant:** Constantly invest in developing technologies and systems that improve cybersecurity and know your strengths and weaknesses.

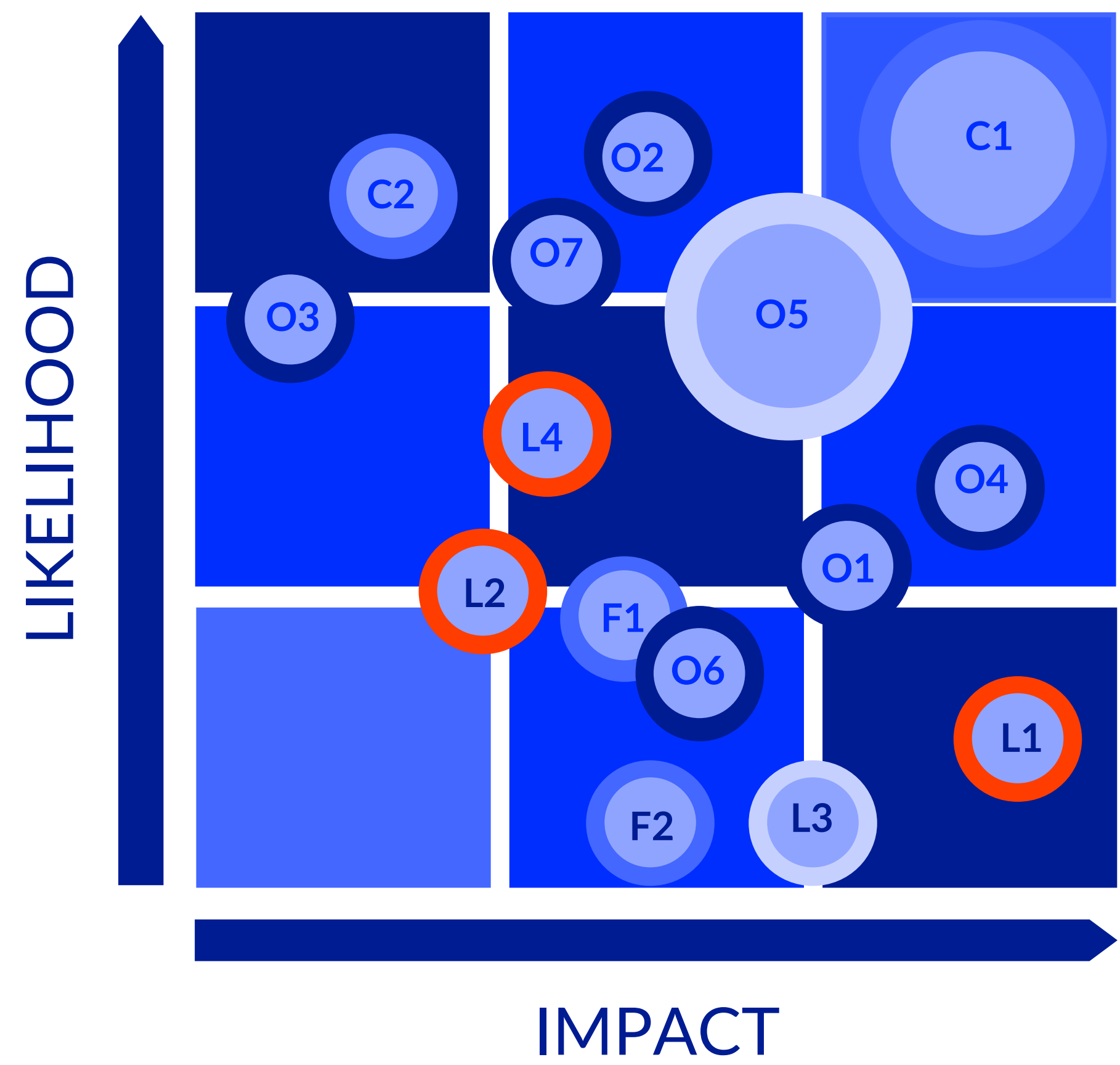
## [O7] INFRASTRUCTURE OUTSOURCING

Part of Entel's current strategy is to get rid of its infrastructure and start leasing it to infrastructure operators, commonly funds. The main risk of subleasing is the possibility of losing service quality since part of the service delivery depends on a third party. Another associated risk is losing bargaining power with suppliers, who have more and more control over Entel's operations and also this will bring more financial debt.

**Mitigant:** To establish appropriate contract conditions with suppliers to ensure the proper performance of such agreements.



# LEGAL AND REGULATORY RISK



## [L1] NEW CONSTITUTION AND POLITICAL RISKS

Chile and Peru are going through a period of high political uncertainty, which significantly affects highly regulated industries such as this one. One of the plans of the current Chilean government is to create a state-owned telecommunications company, which would not leave market players indifferent.

Mitigant: There is no mitigant.

## [L2] 5G TENDER

By June 2022, Entel will be able to deploy 85% of the base stations committed in phase 1 of the tender. However, even though Entel has shown exemplary performance in the deployment, there is always the possibility that things do not go as expected.

Mitigant: Strict adherence to the deadlines established by the regulatory authority and constant progress checks.

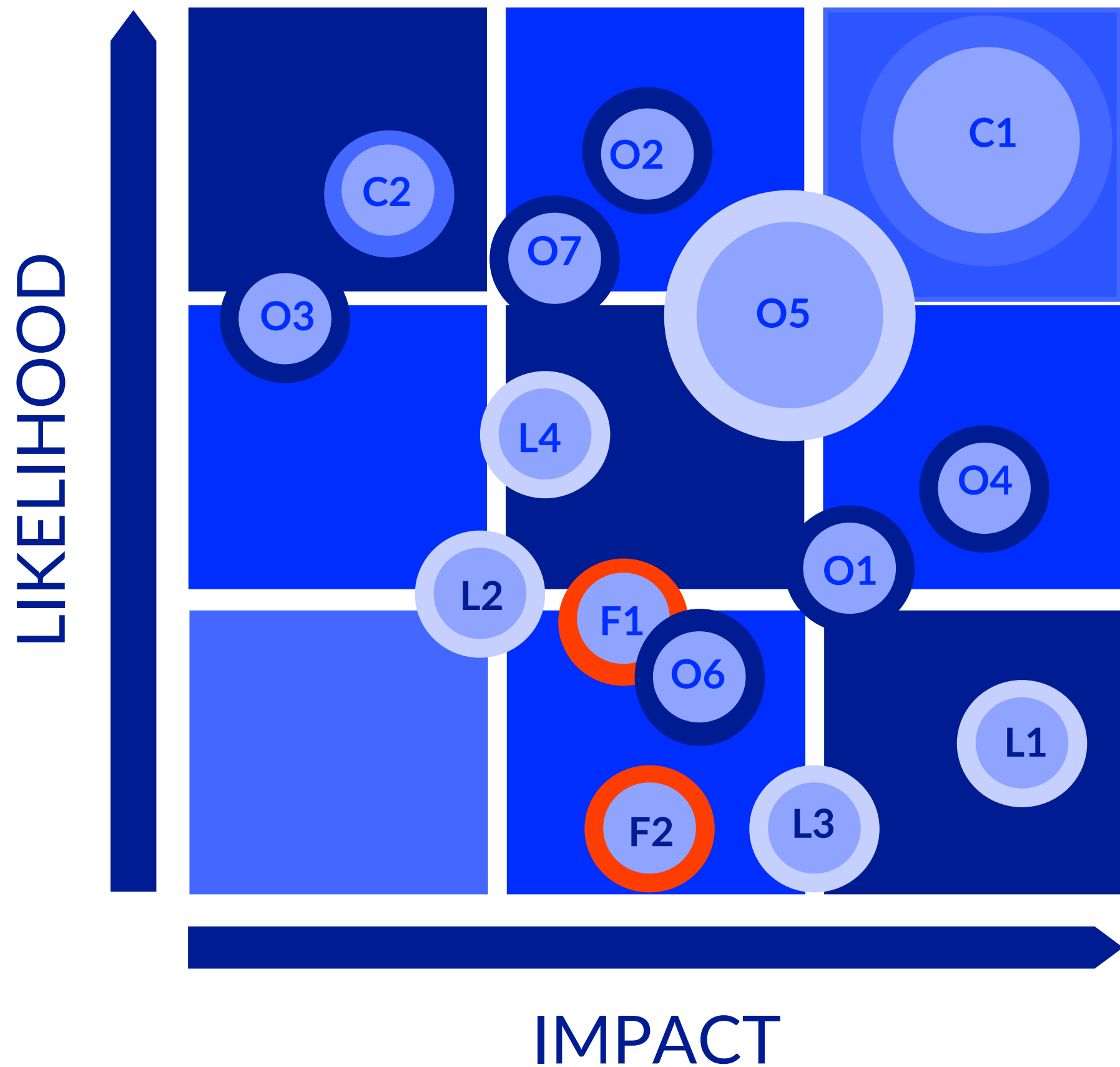
## [L4] ENVIRONMENTAL REGULATIONS

Increased restrictions could lead to obsolescence of electronic machinery, increased costs due to higher environmental requirements and reputational damage.

Mitigant: Having environmental policies in place and constantly investing in developing environmentally conscious technologies.



# FINANCIAL & MARKET RISK



## [F1] EXCHANGE RATE

Entel is mainly financed in foreign currency (USD), and its debt primarily consists of bank loans, international bonds, and local bonds. In addition to the above, a minority group of suppliers permanently generate obligations payable in foreign currency. Both short-term and long-term liabilities are exposed to changes in the corresponding currency.

**Mitigant:** Use derivative contracts for both types of liabilities.

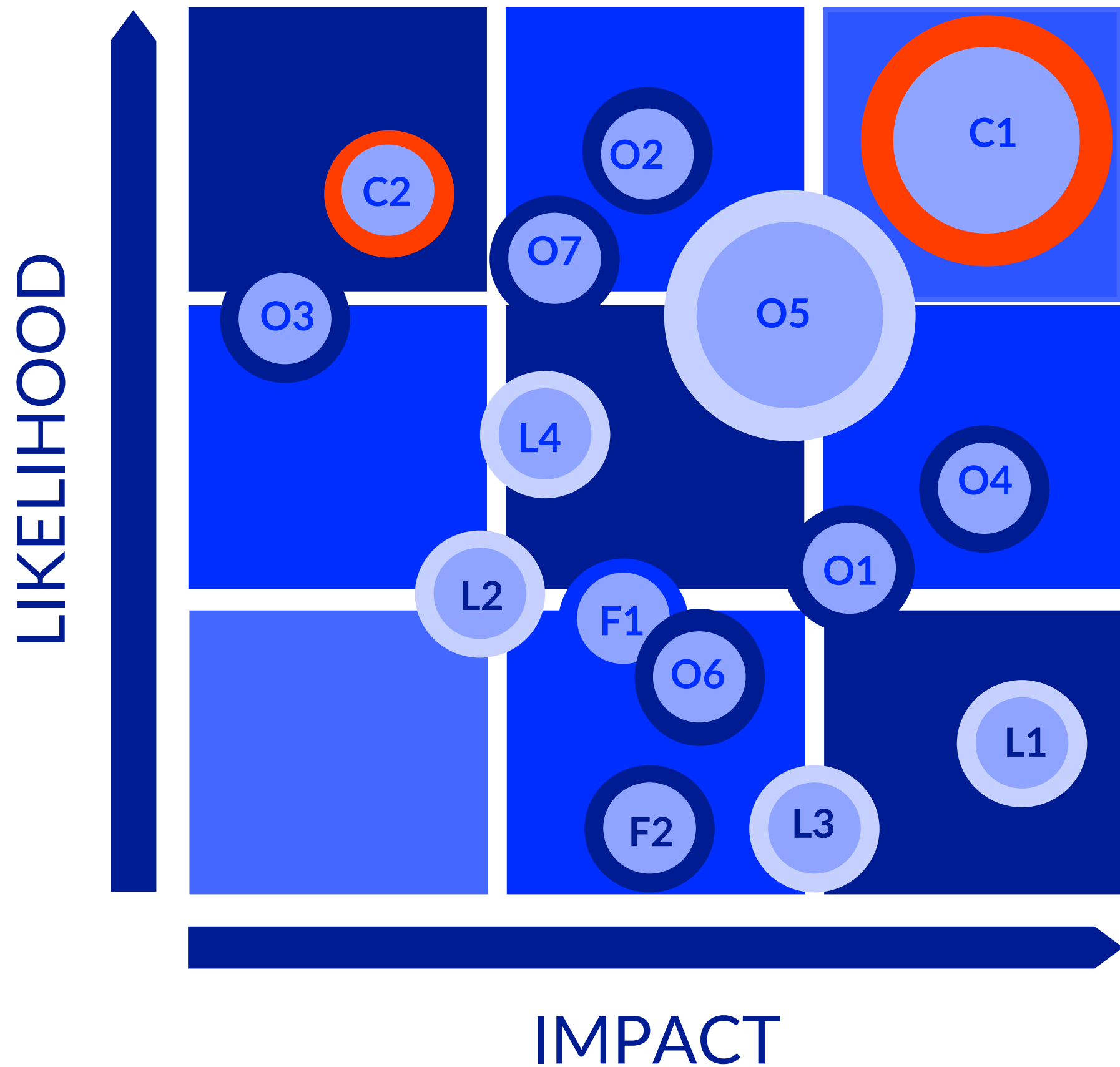
## [F2] INTEREST RATES

The healthy development of Entel's business must ensure a level of coverage of the financial expense arising from the portion of long-term debt, specifically domestic and international bonds, which have been agreed at variable rates, such as LIBOR, SIFR, or TAB.

**Mitigant:** Maintain the policy of occupying interest rate insurance to maintain a relatively constant financial expense. These are forward rate agreements (FRA's) and Cross Currency Swaps.



# COMPETITIVE RISK



## [C1] THE LATENT THREAT OF INNOVATION IN CONNECTIVITY MEDIA

The telecommunications industry is continuously developing new technologies in pursuit of improving connectivity. To date, one of the risks identified is the innovation in satellite internet connection, led by Starlink. Considering the dynamism that characterizes this industry, it is clear that this solution can quickly become a substitute. Currently, native competitors in the technology industry have been incorporated, companies with a modern, innovative and technological mindset, as opposed to Entel, a company with more than 50 years, which has found it challenging to break away from its traditional image.

**Mitigant:** Constant investment in R&D, talent recruitment, especially in the technology area, and structural changes in corporate governance.

## [C2] CLARO-VTR MERGER

The recent approval by the FNE of the Claro - VTR merger could constitute risks for Entel, considering the operational efficiencies achievable in the mobile and fixed business. Focusing specifically on the residential side, VTR and Claro currently have a Market Share in fixed internet of 30% and 11%, respectively. They have indicated their intentions to strengthen their fiber optic network, which adds a relevant player to the market, putting Entel's projects in this business area at risk. This background may directly affect the decline in the ARPU market, which is already on a progressive downward trend, and a possible rise in churn rate, further driving competition.

**Mitigant:** Efficient costs, care for the quality of the services it delivers, and stay at the technological forefront.



# SWOT ANALYSIS

## INTERNAL FACTORS

## EXTERNAL FACTORS

### POSITIVE

#### STRENGTHS

- Entel maintains its leadership in the mobile segment, despite the highly competitive context.
- The company continues to lead in subscription net portability, adding even more customers.
- Entel is the first operator to complete 100% of the first stage deployment of its 5G network.
- Sustainable Bond, which demonstrated the trust placed by the investors and the shareholders in the Company's Board of Directors, the preference of customers, the commitment of franchisees, and the constant work of their employees in this challenging period of the Pandemic.

#### OPPORTUNITIES

- Expansion to the Home Market with the offer of quality fiber in Chile and Peru and deepen the development of digital services to capture the opportunity that opens with 5G, thanks to its renewed and innovative value proposition.
- Given the challenging scenario in expenses and investment, give a new impetus to efficiency and simplicity.
- The growing demand for IT services and technology solutions for companies is a clear point for Entel, which has begun to show signs of a digital transformation.

### NEGATIVE

#### WEAKNESSES

- Entel is the leader in Market Share in the mobile internet market.
- Entel has presence in only two countries, unlike some of its competitors, which operate in more than 15 countries.
- There is no female participation in the Board of Directors, while other technologist companies have an average proportion of 35,6% female participation.
- Peru's expansion costs are very high compared to the results, for the past couple of years, this trend has been reversing.
- Loss of control of their bargaining power.
- The report process of their financial statements could be more straightforward.

#### THREATS

- High competition in-home business rose last year when several operators deployed fiber optic networks.
- Economic uncertainty in Chile and Peru has seen a sustained increase in costs and investments, given the rise in inflation, exchange rate, and the business development cycle.
- Starlink Satellite Internet as a substitute, although their goal is to connect to a niche of areas where traditional operators find it challenging to reach, this can be expanded to encompass the areas Entel covers.
- Entel belongs to a highly competitive industry, so a new entrant is threatened.

# THREAT OF INNOVATION IN CONNECTIVITY MEDIA

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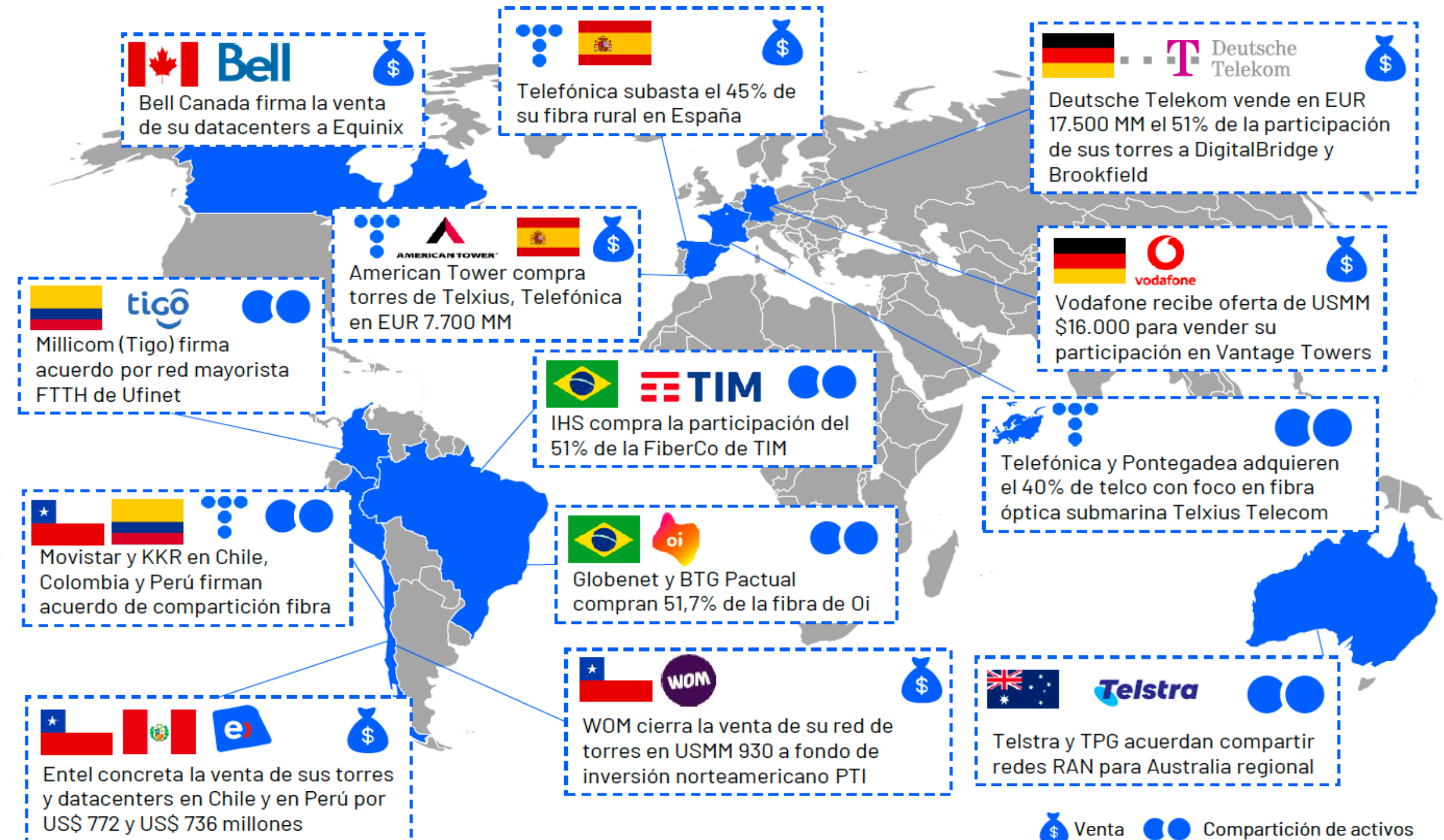
# SECURITY OF INFORMATION RISK

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# INFRASTRUCTURE TREND ALL OVER THE INDUSTRY

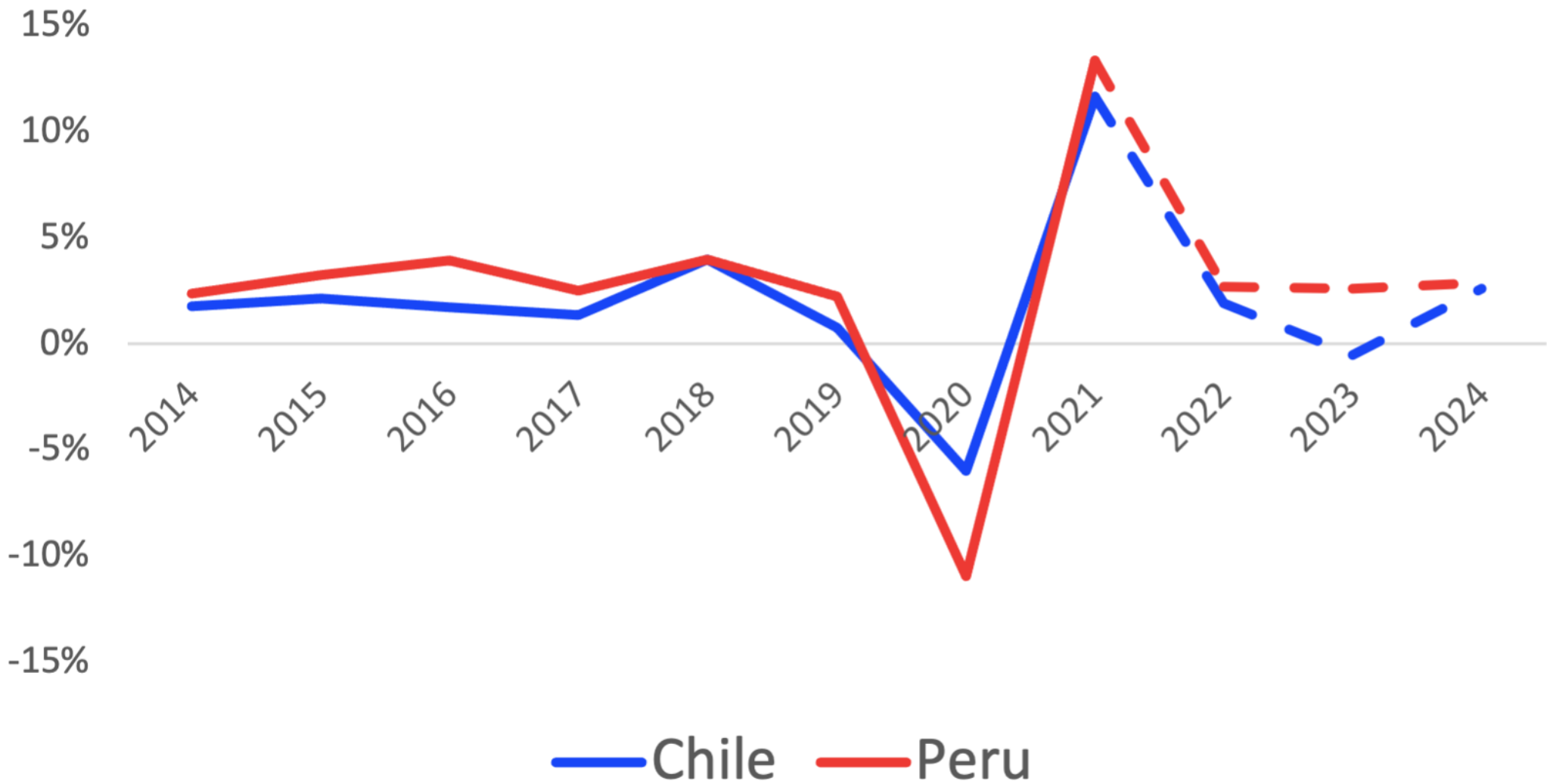
## Ajustes en infraestructura pasiva:

- Durante el 2022 las telcos **continúan desinvirtiendo en infraestructura pasiva (“fierros y cemento”), o fuera del core**, para centrarse en el servicio y mejorar balances
- En Chile, otras telcos han cerrado **transacciones de este tipo:**
  1. Venta de red de fibra Movistar (USD 600 Mn)
  2. Venta de torres de WOM (USD 930 Mn)
  3. Separación de negocio de fibra Mundo
- **En Entel:**
  - ✓ Venta de torres en **USDMM 772** a American Tower
  - ✓ DCs de Entel en **USDMM 736** a Equinix
- Entel en proceso de exploración para venta de su red actual de fibra y contratación **de fibra óptica compartida.**
- Lo anterior, permite ahorro de CAPEX, acelerar time to market y acceso a una tarifa por uso de infraestructura menor que el despliegue propio

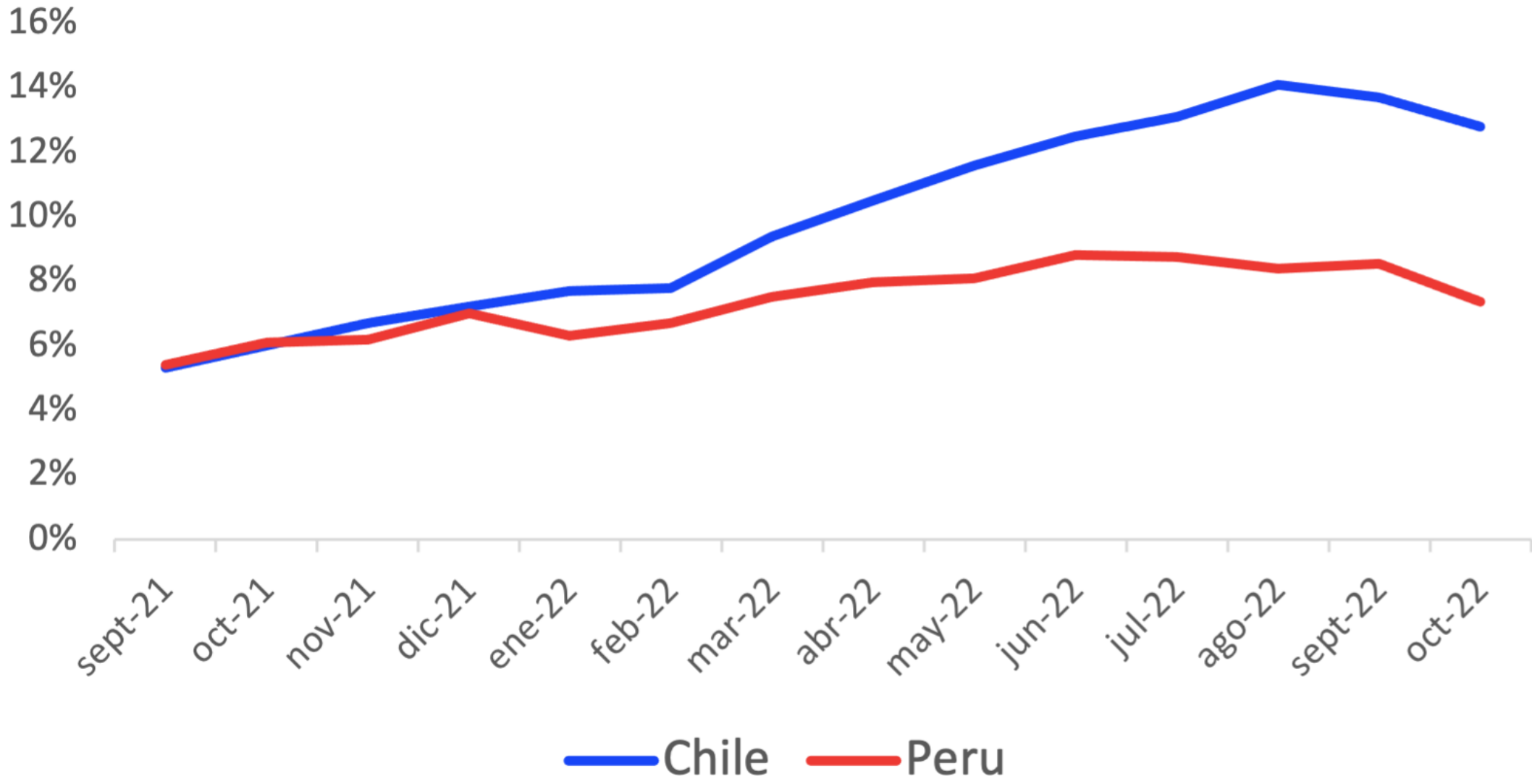


# MACRO FACTORS

### GDP GROWTH



### CPI INDEX

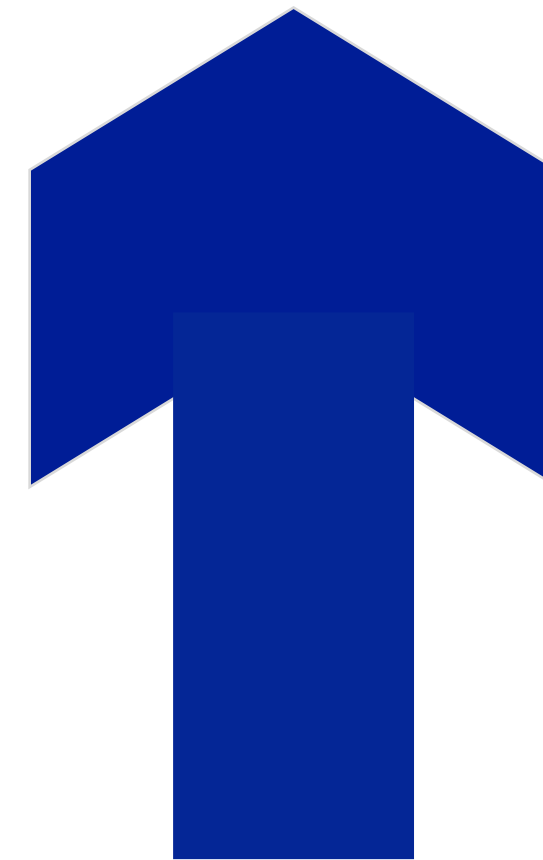


# DEBT PROFILE & DOLAR IMPLICATIONS

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## **Debt profile:**

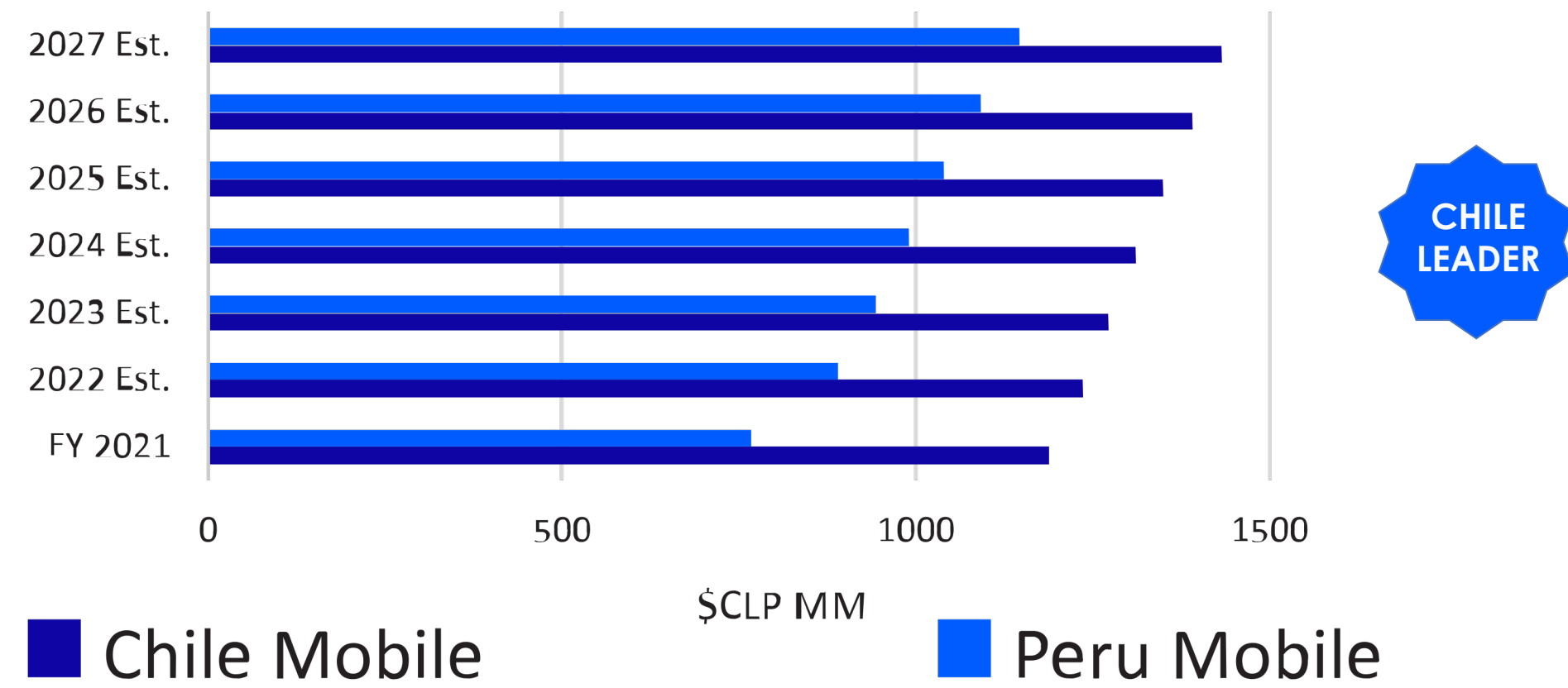
- US\$: 73%, fully hedged through CCS
- UF: 21%
- PEN: 5%
- Ch\$: 1%



**FINANCIAL LIABILITIES**

# MAIN BUSINESS: MOBILE SERVICES

## MOBILE SERVICES REVENUES FORECAST



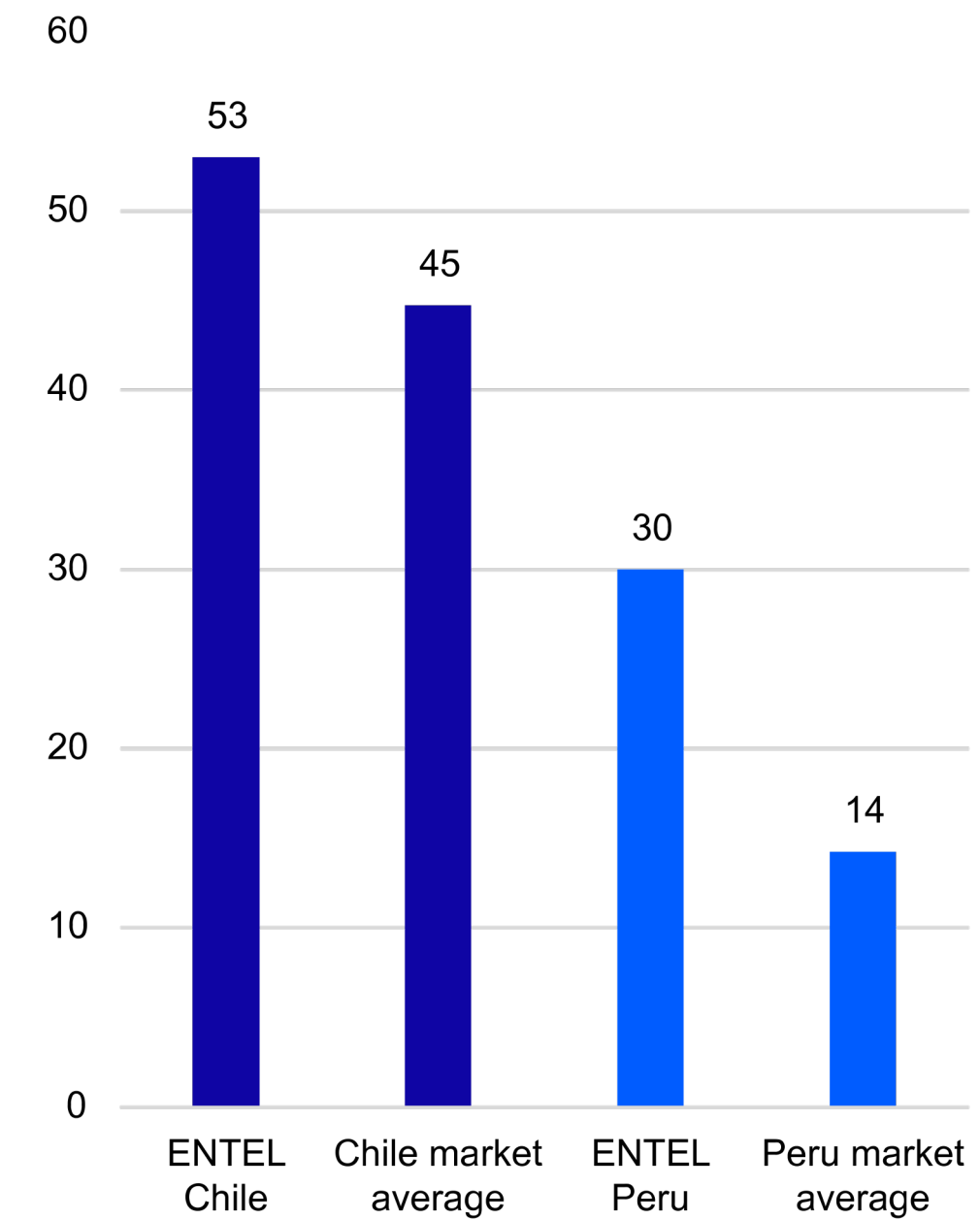
**CHILE LEADER**

**MOBILE PERU CAGR 6.9% (FY21-27)**

**MOBILE CHILE CAGR 3% (FY21-27)**

Source: Team Analysis & Company Data

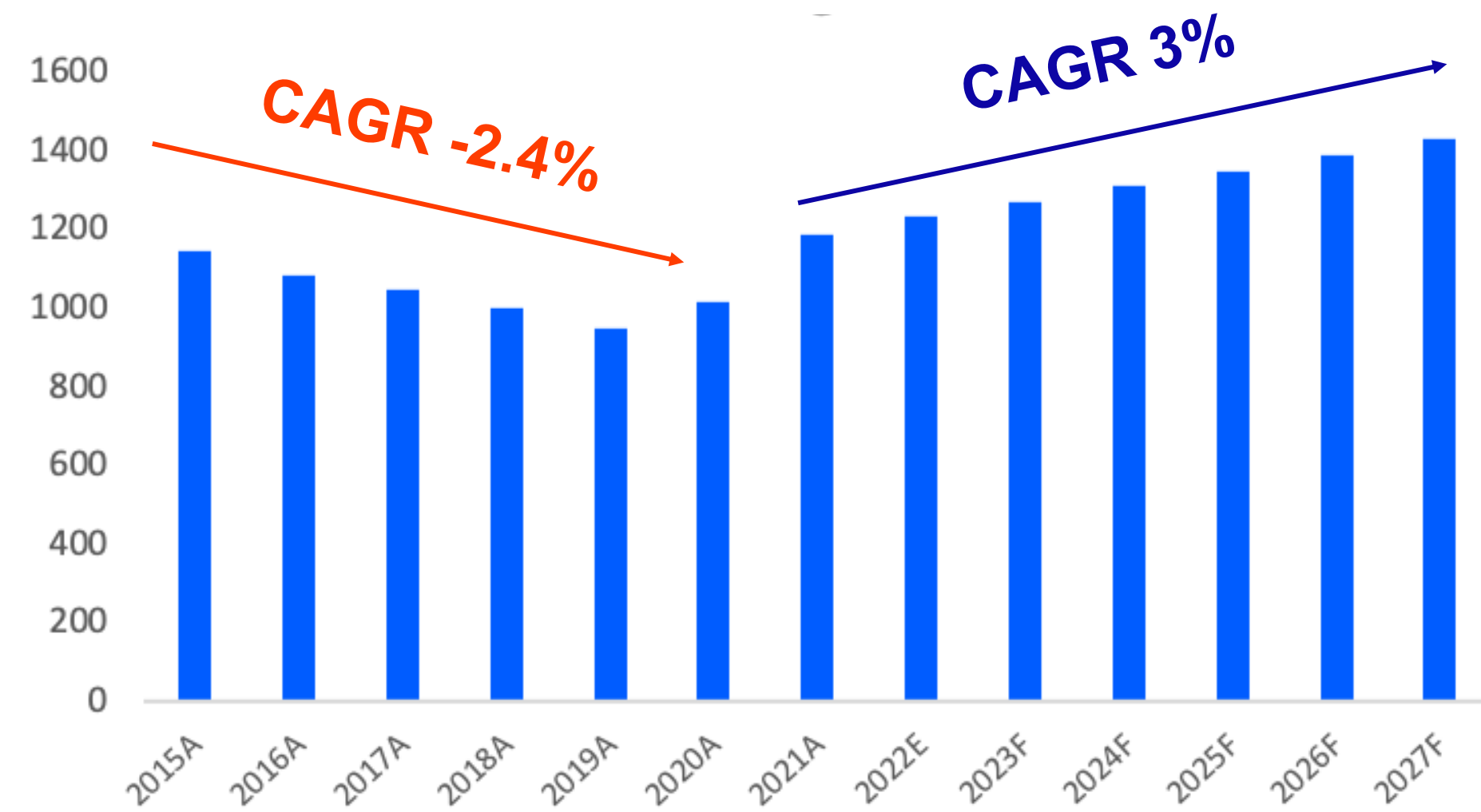
## NET PROMOTOR SCORE (NPS)



- ENTEL IS A STRONG COMPETITOR IN BOTH MARKETS, WHICH HAS BEEN SUSTAINED OVER TIME.

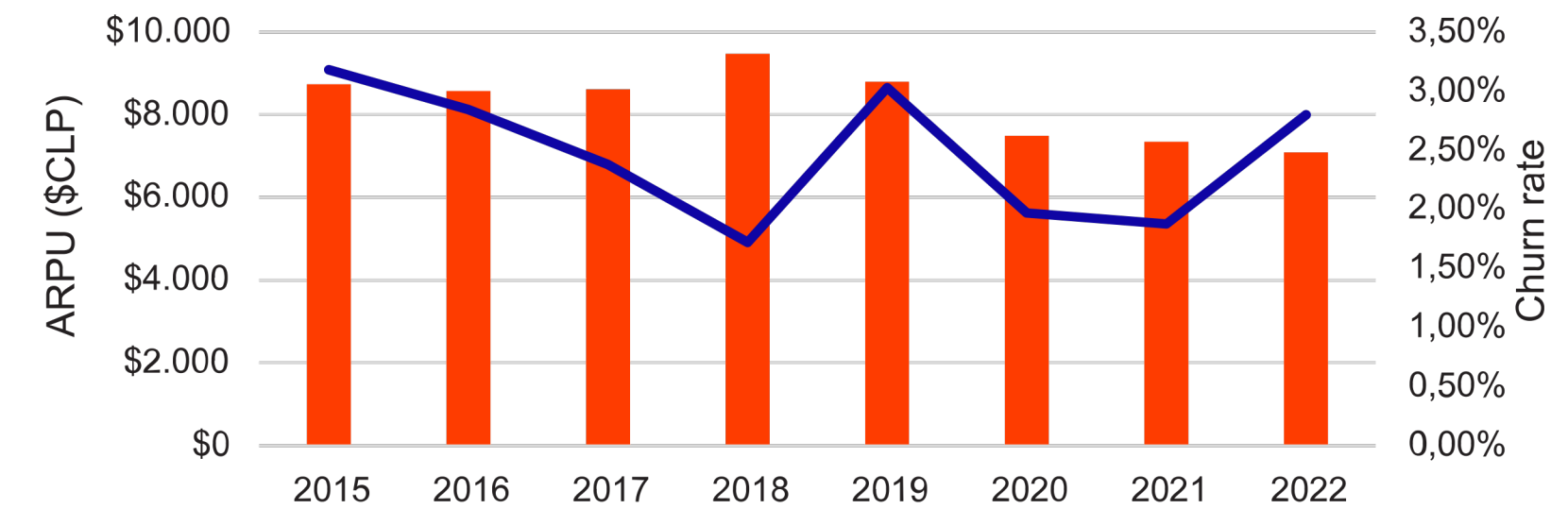
# CHILEAN MOBILE OUTLOOK

## MOBILE REVENUES IN CHILE



Source: Team Analysis & Company Data

## CHILE OPERATIONAL METRICS



■ ARPU (CLP) ■ CHURN(%)



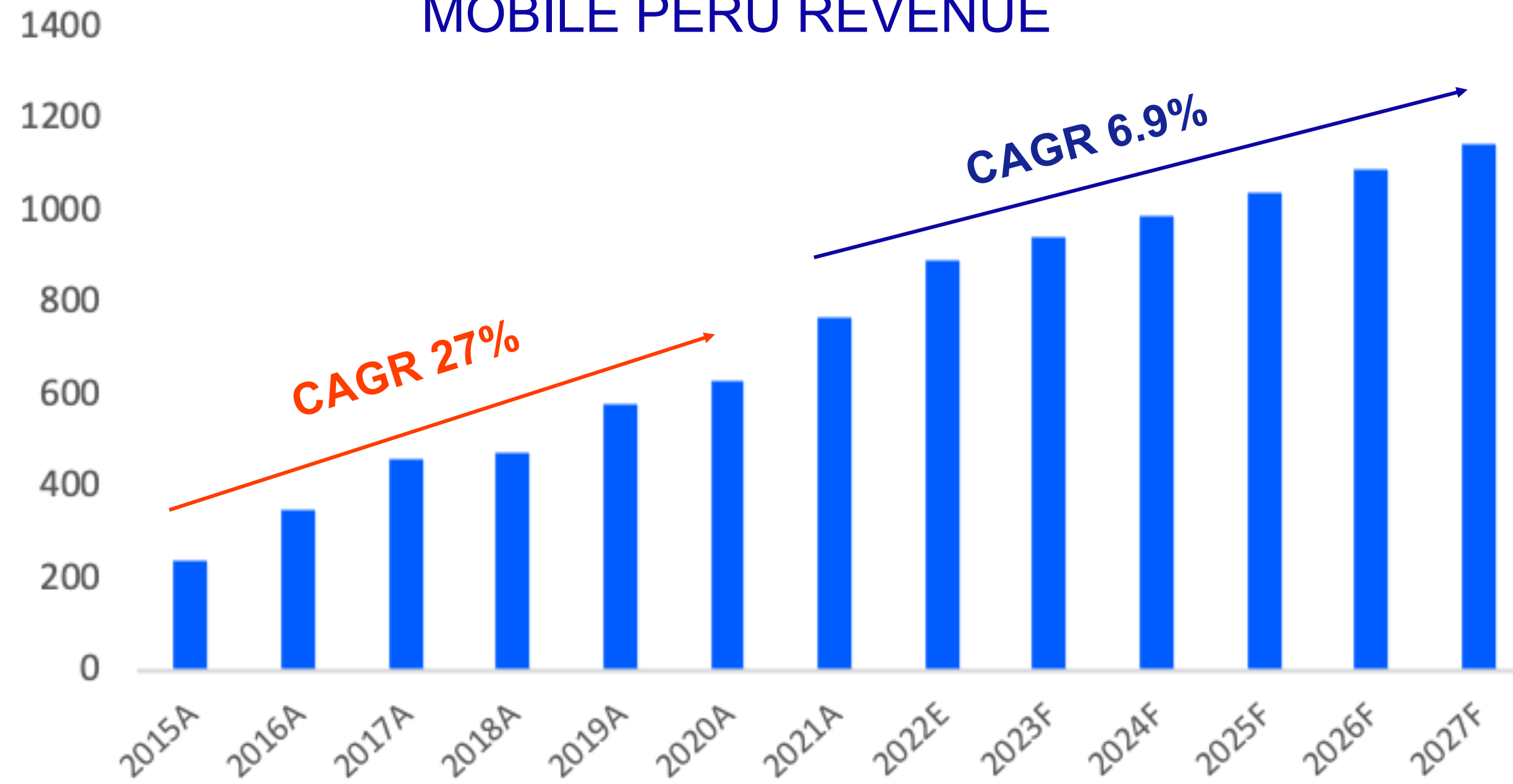
Increased value due to customer loyalty, reflected in higher margin efficiency.



Undisputed market leader

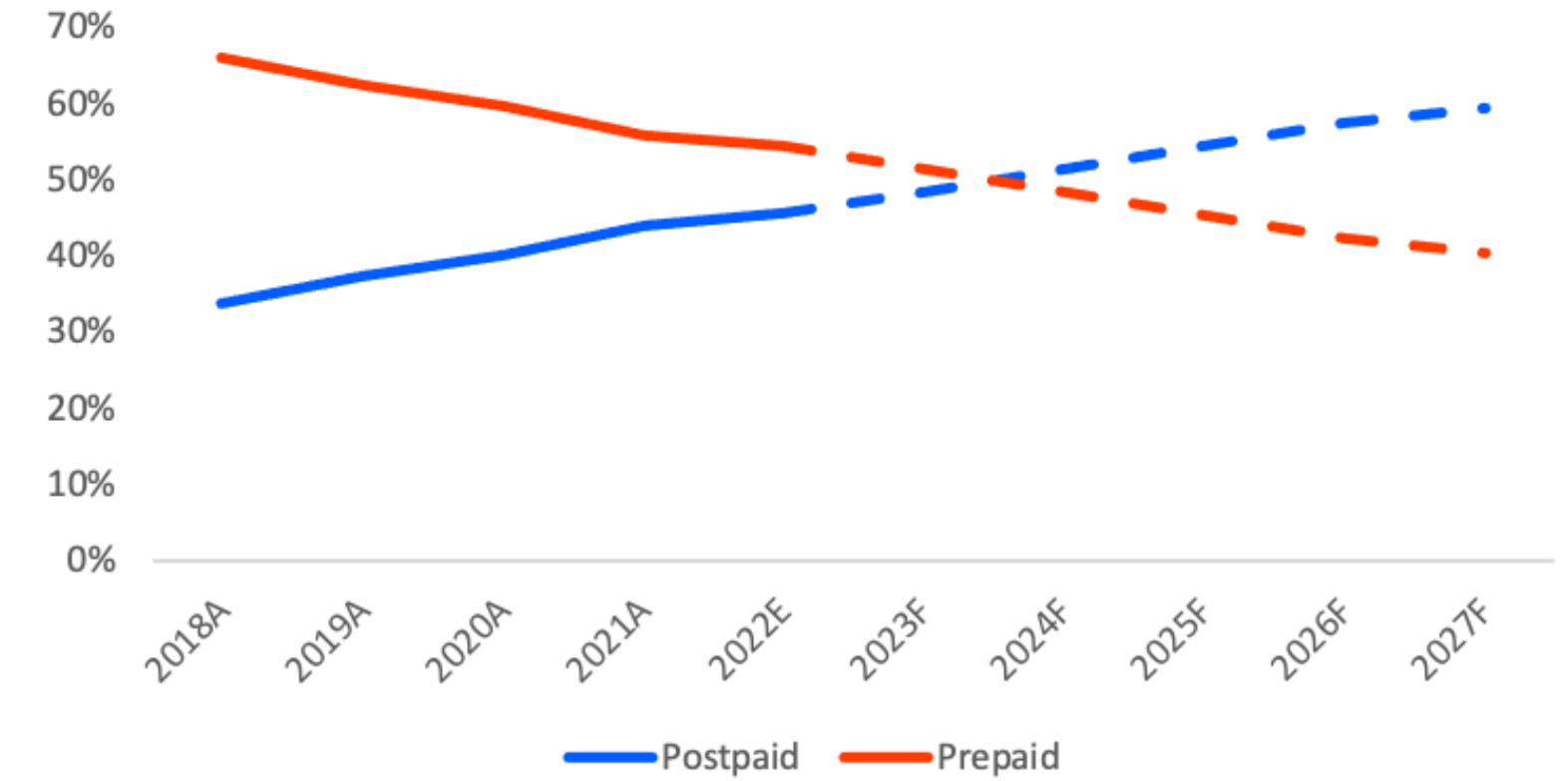
# PERUVIAN MOBILE OUTLOOK

## MOBILE PERU REVENUE



Source: Team Analysis & Company Data

## PERUVIAN POSTPAID EVOLUTION



## PERUVIAN POSTPAID EVOLUTION

