

9 January 2023

Price HUF719

Market cap HUF214bn

Net debt (HUF bn) at end Q322 468.6

Shares in issue 297.7m

Free float 11.2%

Code 4iG

Primary exchange Budapest

Secondary exchange N/A

Share price performance



Business description

4iG is a regional ICT/telecoms group, based in Hungary and focused on two core areas: telecoms and infrastructure, built around its acquisition of Antenna Hungária, and investments in the West Balkans; and IT services, where it is the number one IT systems integrator in Hungary.

Analyst

Katherine Thompson +44 (0)20 3077 5730

tech@edisongroup.com

[Edison profile page](#)

4iG is a research client of Edison Investment Research Limited

4iG has finalised the agreement to buy a majority stake in Vodafone Hungary, with deal completion expected by the end of the month. This will make the company the largest fixed broadband and internet TV provider and second-largest mobile operator in Hungary. Including this deal, 4iG will have made acquisitions worth c €3bn over the last 18 months as it has built out its position as a converged telecom operator in Hungary and the West Balkans and the leading IT services provider in Hungary.

Year end	Revenue (HUFbn)	PBT* (HUFbn)	EPS* (HUF)	DPS (HUF)	P/E (x)	Yield (%)
12/19	41.1	3.3	30.8	22.0	23.3	3.1
12/20	57.3	4.2	37.7	22.5	19.1	3.1
12/21	93.7	8.7	74.6	29.0	9.6	4.0

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

4iG has today confirmed that via its subsidiary, Antenna Hungária, together with the Hungarian state (represented by Corvinus Nemzetközi Befektetési Zrt), it has entered the final sale and purchase agreement with Vodafone Europe BV to acquire a 100% stake in Vodafone Hungary, with the deal expected to close at the end of January. As originally announced in August 2022, 4iG will indirectly become the majority owner with a 51% stake and Corvinus will acquire 49%. The enterprise value for the deal has been agreed at HUF660bn, below the HUF715bn at the time of the original announcement. This equates to an EV/EBITDA multiple of 7.1x based on Vodafone Hungary's EBITDA for year-end 31 March 2022. The company expects that cost and revenue synergies should reduce this multiple further. The rating agency, Scope, has upgraded its issuer rating of 4iG from 'B+ under review for possible upgrade' to 'BB-/stable', based on an improved competitive positioning with significant mobile market share in Hungary following the Vodafone deal and slightly improved credit metrics. The agency estimates that Scope-adjusted debt/EBITDA will be c 4.5x in FY24, down from more than 5x now.

The company continues to make progress with its West Balkans telecom operations, completing the merger of the two Albanian telecom businesses (ONE Telecommunications and ALBtelekom) and acquiring 5G spectrum in Montenegro (15-year licences for spectrum within the 700MHz and 3,600MHz bands). We intend to reinstate forecasts once the deal financing structure has been disclosed and the deal has completed.

General disclaimer and copyright

This report has been commissioned by 4iG and prepared and issued by Edison, in consideration of a fee payable by 4iG. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2023 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia