



MasOrange

Telecommunications, delivering high-speed services to the Spanish population

WHAT IS IT?

The largest telecommunications operator in Spain, following the 50:50 joint venture between Orange Spain and MasMovil early in 2024 that consolidated the Spanish market to three major players. MasOrange provides gigabit internet, video, fixed-line telephone and mobile services to residential and business customers. Its fibre network covers over 99% of Spain while its 5G mobile network covers over 80% of the Spanish population.¹

WHY DO WE OWN IT?

MasOrange possesses key competitive advantages as the largest player in terms of scale and branding (high switching costs); the market in Spain is very concentrated among the largest players, providing a stable and benign competitive backdrop. Given strong management execution, we expect the company to consistently generate stable and positive free cash flow and believe the company is well-positioned to adapt to changing market conditions. From a geographic standpoint, Spain scores highly on our proprietary country vulnerability framework, which quantitatively analyses six key macroeconomic indicators with the aim of identifying imbalances or risk factors, suggesting to us that it will remain stable. We are comfortable with the sustainability profile of the company and do not believe MasOrange faces any material ESG concerns. In summary,

KEY POINTS

- MasOrange's main assets are its fibre and mobile networks, which are expensive and hard to replicate for any new entrants to the market.
- The company has a vast local presence, for example its 5G mobile network covers over 80% of the Spanish population.
- Liquidity is strong and leverage is manageable for MasOrange's stable business profile.

¹ Source: MasOrange Lender Presentation, April 2024.

CONSIDER THE RISKS

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MasOrange's sustainable competitive advantage, solid sector and country positioning, and lack of ESG concerns have helped us build conviction in holding this company.

COMPETITIVE ADVANTAGE

We believe MasOrange's position as a leading network operator gives the company a competitive edge, with the cost and effort for new competitors to replicate mobile tower and fibre optic infrastructure acting as a strong barrier to entry. Furthermore, its range of differentiated and strategically bundled services creates cross-selling opportunities, making it more difficult for customers to switch to competitors and customers tend to stick with their well-established brands, reducing churn and increasing revenue stability. We do not see competitor attempts at increasing market share as being successful and believe MasOrange is well-positioned to remain Spain's dominant market player. Its competitive position is enhanced by the local regulatory environment, with the government supporting network consolidation by limiting local spectrum access to three operators (one of which is MasOrange). In summary, we believe MasOrange's economic moat is fortified by its network infrastructure, brand loyalty, product differentiation and local regulatory dynamics.

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