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# CHILEAN TELCO SECTOR RECAP

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Telco

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Telco companies in Chile have recently been navigating through stormy waters, although uncertainty may have subsided temporarily. This report provides an overview of the topics on everyone's mind today. We will cover: (i) ongoing regulation situation (ii) the expected telco infrastructure deficit; (iii) changing market dynamics in recent years owing to competition; (iv) portability figures; (v) update on our recommendation and; (vi) issues affecting the industry over the next six months.

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Telco companies in Chile have recently been navigating through stormy waters, although uncertainty may have subsided temporarily. This report provides an overview of the topics on everyone's mind today. We will cover: (i) ongoing regulation situation (ii) the expected telco infrastructure deficit; (iii) changing market dynamics in recent years owing to competition; (iv) portability figures; (v) update on our recommendation on Entel and; (vi) issues affecting the industry over the next six months.

**Subtel changes its strategy:** More than three months ago, Subtel froze the spectrum in the 3.5 GHz band, arguing it was being underused or not efficiently used. Moreover, the organism also raised issues regarding the 700 MHz band with the Supreme Court, claiming that Claro, Movistar, and Entel acted in an anticompetitive manner when they were awarded blocks in the public tender of the band, without respecting the 60 MHz maximum limit imposed for each incumbent. On Wednesday, the Subtel took the first step and together with the Ministry of Transport and Telecommunications presented the National spectrum plan to the TDLC which aims to reorganize the industry by establishing new limits for the radio electric spectrum. The first measure by the authority was to partially eliminate its order to freeze the use of the 3.5Ghz band, and allow companies to only provide fixed wireless services (e.i: Entel Hogar) in that particular band. Entel will be allowed to use 50% of the spectrum it possesses in the 3.5Ghz band (50Mhz out of the 100Mhz), as well as the other operators, which are now clear to use 30Mhz of the 50Mhz they control.

**Expected deficit infrastructure in the Telco sector for the next years:** The Chilean Chamber of Construction expects an infrastructure deficit in the upcoming years, as investments have decreased in the last years as a result of greater competition and the economic slowdown, among other variables. Indeed, the gap between requirements and the capacity of local operators has risen.

**WOM leading the competition game:** WOM has attained a substantial share of the market through its aggressive marketing and pricing tactics since it entered the Chilean telco market three years ago. According to Subtel figures for June 2018, the company currently holds close to 13% of the total mobile subscriber market, and leads the market in portability figures.

**Update on Entel's recommendation:** Fundamentally, we are much more skeptical than at the beginning of the year, in both Chile and Peru, and expect their operations to come under pressure vs our initial expectations. Although the stock is up 4% in the last days, recovering from its recent lows for the year, we believe that recent positive news on regulation is priced in at current levels. Thus, we are lowering our PT to CLP 6,500 from CLP 7,800, implying an 11% upside from current price levels, and changing our recommendation from BUY to NEUTRAL. We remain neutral on the company's bonds, although z-spreads have widened in the last 3-4 months but compressed in the last few days. Recent news suggesting Entel will issue a new local bond to prepay part of its obligations maturing in 2023-2026 has brought fresh air to the company by extending its debt maturity profile. It is worth noting that the company's first major maturity will be in 2021.

**Short-term watch list summary:** We expect several sector developments in 4Q: (i) Subtel to submit its formal proposal with access tariff charges in October (effective Jan-19); ii) Companies to publish 3Q figures in November; iii) Results of the consultation submitted to TDLC, among others.

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## REGULATION

**Subtel makes peace with companies.** More than three months ago, Subtel froze the spectrum in the 3.5 GHz band, arguing it was being underused or not efficiently used. We believe one of the reasons for this measure is that some telco companies were promoting 5G services, while no resolution has been reached on this new technology in Chile or worldwide. Subtel has authorized operators to continue to provide services in other bandwidths. Moreover, Subtel also raised issues regarding the 700 MHz band with the Supreme Court, claiming that Claro, Movistar, and Entel acted in an anticompetitive manner when they were awarded blocks in the public tender of the band, without respecting the 60 MHz maximum limit imposed for each incumbent. Companies were ordered to divest the same amount of radio spectrum that was acquired in the tender, from the band of their choosing. On Wednesday, the Subtel together with the Ministry of Transport and Telecommunications presented the National spectrum plan to the TDLC which aims to reorganize the industry by establishing new limits for the radio electric spectrum. The first measure by the authority was to partially eliminate its order to freeze the use of the 3.5GHz band, and allow companies to only provide fixed wireless services (e.i: Entel Hogar) in that particular band. Entel will be allowed to use 50% of the spectrum it possesses in the 3.5GHz band (50Mhz out of the 100Mhz), as well as the other operators, which are now clear to use 30Mhz of the 50Mhz they control. For a complete roadmap, see Figure 1.

As regards Telefonica, VTR and Claro, which are headquartered outside Chile, we believe the current policies adopted by the Ministry of Transport and Telecommunications and Subtel, somewhat reduce the uncertainty that the sector has endured over the last 4 months, and could send a signal to other countries considering the reorganization of their spectrum. This is the case of Peru, where the Ministry of Transport and Communications has shown interest in rearranging frequency bands, especially the medium frequency (2.3 GHz) and high frequency (3.5 GHz) bands, in order to bolster competition and thus foster a more efficient use of the spectrum. This has attracted the attention of large operators which are currently not operating in Peru and are interested in gaining access to a market where the penetration of many telecommunications services is low. In the same vein, the Deputy Minister of Communications informed of a new methodology, currently under development, for measuring efficient spectrum use, which according to local press reports should be published by the end of the year. This raises concerns as to the impact on future investments in the market as a whole.

**Quick take on Subtel's plan:** Subtel and the Ministry of Transport and Telecommunications presented the National Spectrum Plan, which aims to reorganize the industry by establishing new limits for the radio electric spectrum. The plan proposes: (i) 50Mhz for low frequency bands (less than 1Ghz) and (ii) 60 Mhz for medium frequency bands (1Ghz-3Ghz). Regarding bands for future 5G implementation, the plan comprises the following limits: (i) 80Mhz for the medium-high bands (3.4Ghz-3.8Ghz) and (ii) 200Mhz (27Ghz-28.5Ghz) for the high bands. According to Subtel, one of the provisions in the Supreme Court's ruling on the 700Mhz award, granted the regulator the power to review current spectrum limits (60Mhz established in 2009), depending on prior consultations with the TDLC.

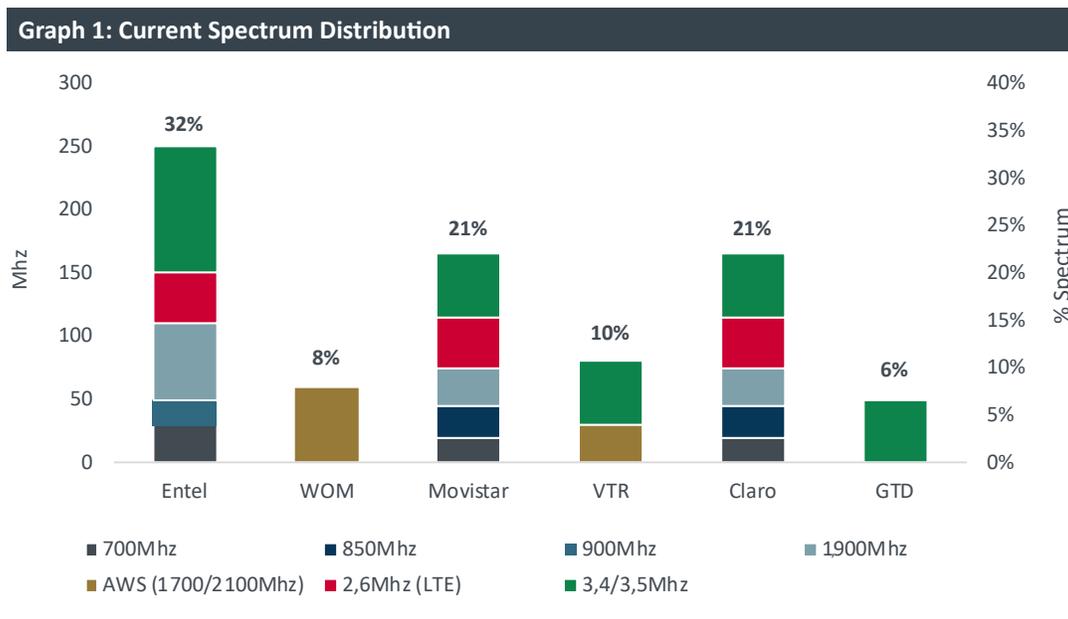
Table 1: Limits proposed by the Subtel			
Bands	Denomination	Limit/Cap by operator	Current situation
Low (< 1Ghz)	700Mhz		Entel: 30Mhz; Movistar: 20Mhz; Claro: 20Mhz
	850Mhz	50Mhz	Movistar and Claro 25Mhz
	900Mhz		Entel 20Mhz
Medium-Low (1Ghz-3Ghz)	1,900Mhz		Entel: 60Mhz; Movistar: 30Mhz; Claro: 30Mhz
	1,700 -2,100Mhz	60Mhz	WOM 60Mhz and VTR 30Mhz
	2,600Mhz		Entel, Movistar and Claro 40Mhz each of them

Source: Subtel and LarrainVial Research Department

Table 2: Bands to be used for future 5G implementation		
Bands	Denomination	Limit/Cap by operator
Medium-High (3.4-3.8Ghz)	3.5Ghz	80Mhz
High (27.5Ghz- 28.3Ghz1Ghz)	28Ghz	200Mhz

Source: Subtel and LarrainVial Research Department

**Impact on companies under coverage if plan is approved.** In the case of Entel, the company fits to the limit proposed in the low bands (50Mhz); but surpasses the limit imposed in the medium-low segment by 40Mhz (Entel has 100Mhz and the cap is 60Mhz). In the medium high bands (3.5Ghz), Entel surpasses by 20Mhz (Entel has 100Mhz and the cap is 80Mhz). Thus, total spectrum that could be divested would be 60Mhz (Entel is the company that concentrates 1/3 of the total spectrum in Chile). In the case of VTR, we should not see much impact since the company has less than 1% of the mobile telco market in Chile and fits into the proposed limits. For companies not covered, Movistar and Claro surpass the limits proposed by 10Mhz in the medium-low bands.



**Conclusion:**

3 operators have 75% of the total spectrum (770Mhz).

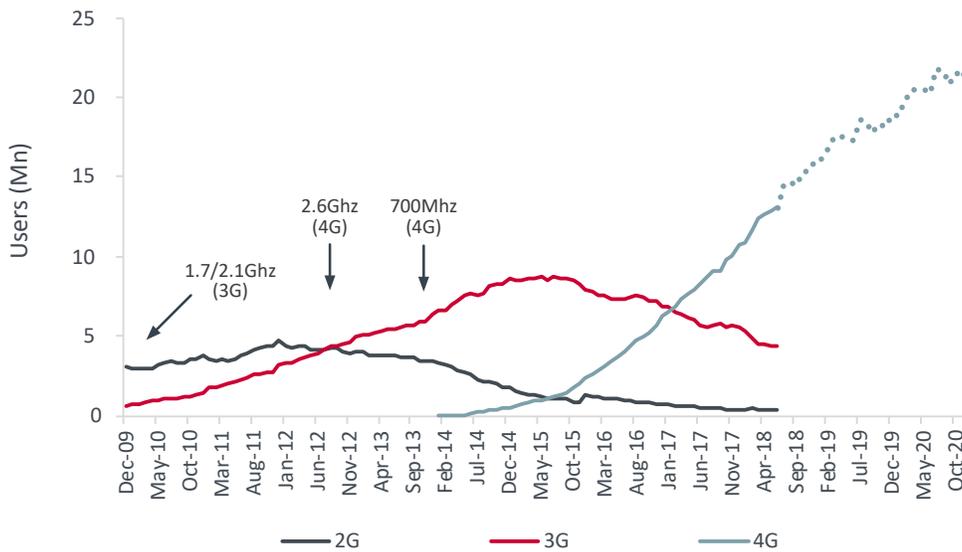
Entel has 1/3 of total spectrum.

Source: Subtel and LarrainVial Research Department

Note: Comments on 3,500Mhz: Regional Licences for VTR in regions XV - IX; GTD in regions X and XIV; Movistar in regions XI and XII.

**Snapshot of Chile’s recent spectrum processes:** The 1,900 MHz band was auctioned in 2009, when Entel, Claro, and Movistar participated in a market that was just showing the first signs of increased data usage; caps for the spectrum were set at 60 MHz per company. Next, VTR and Nextel (the latter acquired by WOM) were granted 30 MHz and 60 MHz, respectively, in the 1,700/2,100 MHz band. At the end of 2013, the government called a public tender for three 4G mobile telephony concessions in the 700 MHz band. The bids were submitted in 2014, and the three bidders were awarded the 700 MHz band.

**Graph 2: History of Radioelectric Spectrum Assignment in Chile**



Source: Subtel and LarrainVial Research Department.  
 Note: 4G forecast: As of Subtel and dependant on 5G evolution.

**Subtel gaining power — changes are arriving.** The organism is much more open to dialogue vs three months ago, as evidenced by the recent proposed plan in order to rearrange the current spectrum and by allowing the companies to partially use the 3.5Ghz band. We have already seen Subtel applying fines to companies for misleading advertising, but it seems that this time they are going for more. Still, not fully comparable to this situation and in another context, in the recent past we have seen local regulatory bodies taking decisive action towards operators, as in the case of Colombia, where Mintic (Telecommunications Ministry) and the Bogota Chamber of Commerce have ordered Claro and Coltel (Telefonica Colombia) to pay fines for not returning assets to the Colombian State once the concession has ended. Reinforcing this idea, last week Tigo-Une was fined by the Superintendence of Industry and Commerce for misleading advertising related to unlimited data plans. Entel also faced the same fate in Peru some days ago.

**New tender in the near future?** According to Subtel, Claro, Entel, GTD, Movistar, and VTR were not making efficient use of the nationwide band that they were granted in the early 2000s. It seems that a possibility for the near future would be to reassign the 3.5 GHz band, which is partially assigned, so other new players could also access it, once it is confirmed as useful for 5G (2019).

**Is changing spectrum assignment an option? Replicating the European model or the regional one?** In some European countries (i.e. UK, Portugal, Italy, Germany) that do not have an established maximum limit, the usual process when there is a new tender is to divide the total spectrum offer into blocks and establish that each operator can only have a single block. In Spain for example, the authority sets a combined threshold for the 1,900 MHz and 2,600 MHz bands, allowing a total of 135 MHz for each operator. Regarding the 3.6-3.8 GHz band, the Spanish government has auctioned 200 MHz in June-18, distributed in 40 blocks of 5 MHz each, all of national scope and with a price set at EUR 2.5mn (USD 3mn). Concessions will have a 20-year duration and are framed in the Spanish National Plan 5G 2018-2020. Another example is France, where the individual cap is 30 MHz in the 700 MHz band.

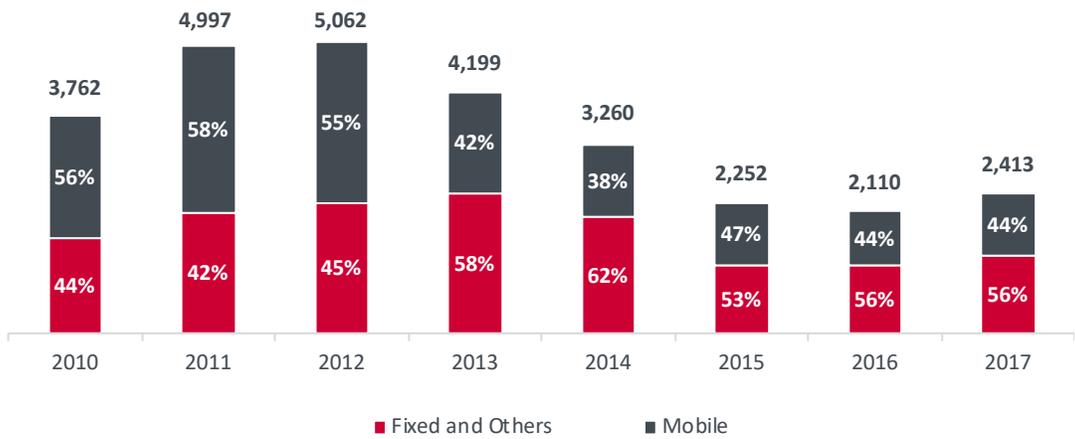
Subtel's new plan seems to be in line with what some industry experts propose, which is to propose limits for each band and not to lump together the entire spectrum, which is what the Supreme Court ruling does, which could be seen as misguided, since technologies vary according to band use. Assuming that there is a need to change the current system of tenders — where companies commit to a set investment plan — to an auction to the highest bidder, where resources would go to the treasury, it is imperative to take a look at other countries in the region. For example, in Colombia, companies have to pay 20% cash in advance and commit to the remaining 80% in eight yearly installments for spectrum assignment. In the case of Peru, Entel, Claro, and Movistar paid on average USD 300mn each for single blocks in the 700 MHz band.

**How does this impact investments and future CAPEX plans?** We believe that the new initiatives adopted by the state bodies are positive and provide a more certain “guideline” for companies to invest but it still rises questions on: i) how this will develop in the short run, since giving away spectrum could result in an opportunity cost for the companies; ii) what will happen with previous investments made in the frequency bands that are subject to changes; and iii) the big “if” related to changing spectrum assignments. It is still early to assess the possibility of a change in CAPEX or redistribution, since more clarity is needed on the matter.

**INFRASTRUCTURE**

**Expected deficit for the next decade.** As a general rule, Telco operators have to invest between 15%-20% of their annual revenues — more if they are in a heavy CAPEX cycle — in order to keep up with changes in technology and maintain competitiveness. Over the past eight years (2010-2017), total investments have risen to USD 15bn, well balanced between mobile and fixed. But between 2015-2017, investments decreased, mainly due to the entrance of new players that pushed prices down. According to the Chilean Chamber of Construction, investments as a % of GDP should converge toward 0.45% of GDP (currently at 0.6%), taking as a comparable base non-high-income European and Asian countries. As a result, the infrastructure deficit for the years 2018-2022 is estimated to be USD 4.6bn, or a 37% infrastructure deficit.

**Graph 3: Evolution of Telco investments (USDmn)**



Source: LarrainVial Research Department & Subtel

Table 3: Estimated Infrastructure Deficit			
USDmn	2018-2022	2023-2027	Total
Required	12,317	12,521	24,838
Trend	7,735	8,221	15,956
Deficit	4,582	4,300	8,882
Deficit %	37%	34%	36%

Source: Chilean Construction Chamber and LarrainVial Research Department

**5G is coming next year, and Chile needs to hit the gas.** Guidelines on implementation are being discussed, and will be set in 2H19 in the ITU-WRC conference. The countries that are leading in terms of mobile technology development are choosing the middle and high bands for future 5G developments, because the lower bands are mostly occupied. Currently in Chile there are disagreements between operators and regulators and are close to reaching a possible solution in the short term. According to GSMA, it is imperative that governments and regulators encourage investment by: i) creating spectrum roadmaps; ii) ensuring predictable mobile licenses; and iii) avoiding high spectrum prices that could lead to lower investments. In Europe, by contrast, spectrum processes are well-established, and authorities have also been working on refarming (a process intended to achieve more efficient spectrum use by providing services in a band other than those originally planned; in other words, to provide service flexibility in previously assigned frequencies). Countries that have assigned higher bands for potential future 5G implementation are South Korea, Iceland, Spain, Hungary, Czech Republic, and Ireland, among others.

**China Telecom and KT, what are they looking for in Chile?** In the case of China Telecom, according to local press, the company's intention will be to set base in Chile to then jump to another country in the region such as Argentina. Currently the company has investments in Mexico, Brazil and Venezuela. Speculations surrounding the possible acquisition of a big player in the Chilean market would not be the only interest of the company in Chile since other opportunities would arise from tenders in optic fiber, following other companies' worldwide strategies. As for Korea Telecom, the company met with the Chilean regulator in late August and also showed interest in broadband and fiber optic businesses. Worth mentioning that Korea is one of the countries that is more advanced on future 5G implementation. We believe the visit of two Telco giants leaves more doubts than answers. The region offers much potential on services with low penetration or current lack of development. As we mentioned previously on this report, lack of infrastructure would be an issue in times to come as heavy investments are needed to close the gap between what is needed and what the local operators can provide. Fresh resources from companies that are more than 15x the size of local companies (in terms of EBITDA) can help to narrow this difference. Below is a brief summary on China Telcom and KT financials.

Table 4: China Telecom Main Financial Figures			
USDmn	2015	2016	2017
Revenues	52,709	53,087	54,255
EBITDA	15,226	14,620	15,410
Capex	16,233	14,573	12,951
Debt	17,893	16,215	16,041
Cash	5,210	4,028	3,459
Net Debt	12,683	12,187	12,582
Mobile revenues	47%	48%	49%
Fixed Revenues	53%	52%	51%
Ebitda Margin	29%	28%	28%
Gross Leverage	1.2x	1.1x	1.0x
Net Leverage	0.8x	0.8x	0.8x
EBITDA/Capex	1.1x	1.0x	0.8x
Users (Mn)			
Mobile	198	215	250
Wireline Broadband	113	123	134
Mobile Market Share in China		16.2%	17.6%

Source: LarrainVial Research Department

**Table 5: Korea Telecom Main Financial Figures**

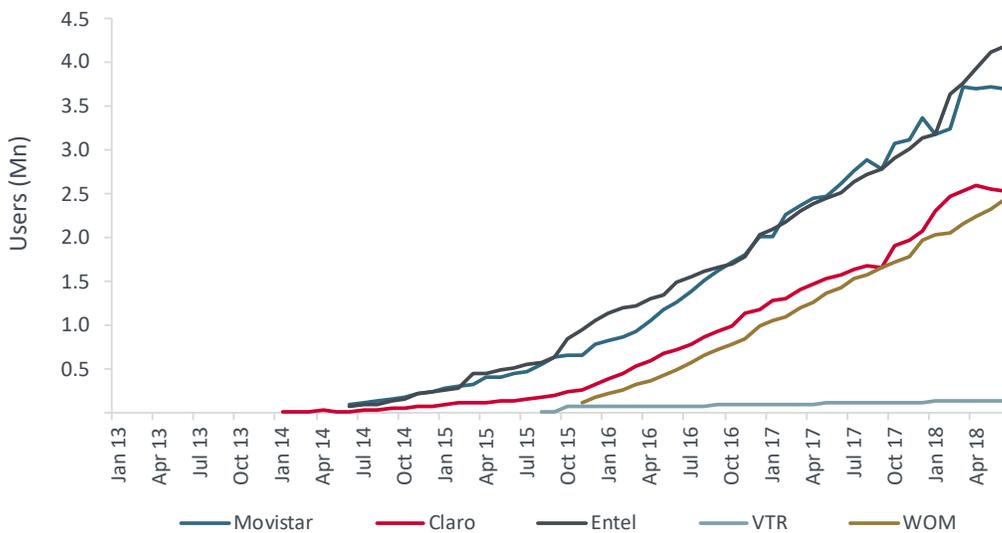
USDmn	2015	2016	2017
Revenues	19,699	19,612	20,694
EBITDA	4,394	4,192	4,192
Capex	2,754	2,383	2,161
Debt	7,449	6,538	5,955
Cash	2,173	2,401	1,790
Net Debt	5,276	4,137	4,165
Ebitda Margin	22%	21%	20%
Gross Leverage	1.7x	1.6x	1.4x
Net Leverage	1.2x	1.0x	1.0x
EBITDA/Capex	0.6x	0.6x	0.5x

Source: LarrainVial Research Department

COMPETITION

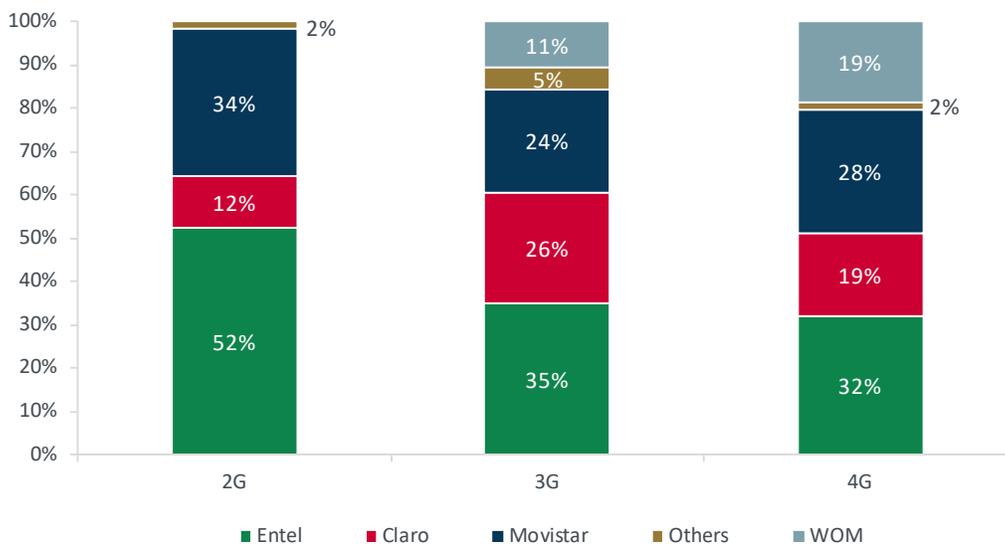
**It's not all about regulation; competition-wise, WOM is the driver.** The company is far from finished generating noise in its third year of operation in Chile. To date, WOM has achieved a substantial market share through aggressive marketing and pricing tactics. They currently have almost 13% of total subscriber mobile market share, according to Subtel's figures in June-18 (+53.6% YoY in terms of users); most of this share comes from the postpaid segment (+56% or +658k adds). WOM has 19% of the 4G mobile market, while Entel has 32%, mainly due to its better postpaid/prepaid client mix vs. other operators.

**Graph 4: 4G Connections by Company**



Source: LarrainVial Research Department & Subtel

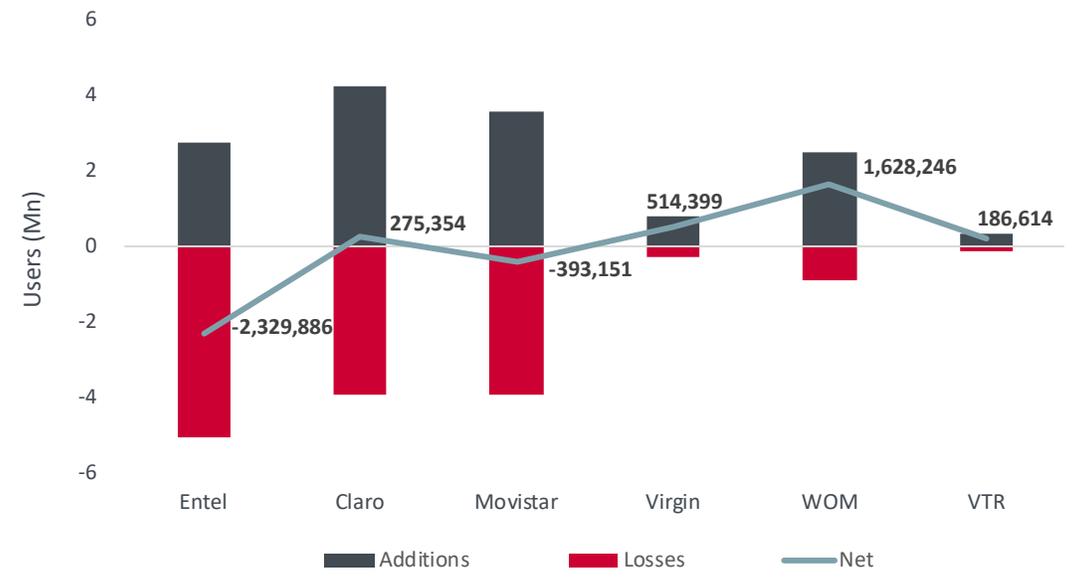
**Graph 5: Market Share by Type of Technology**



Source: LarrainVial Research Department & Subtel

In terms of portability, as of June numbers, WOM's net adds in the postpaid segment amount to 100k LTM and is the clear winner, with a cumulative position of almost 1.6mn since portability started. Entel, on the contrary, has been the least benefitted, though its negative trend seems to be reverting in the past six months, with a cumulative 90k total net adds (mostly thanks to unlimited plan offers).

**Graph 6: Net Mobile Portability Position (cummulative since Jan-12)**



Source: LarrainVial Research Department & Subtel

WOM's financial outlook remains a question mark. The last press information stated that WOM has invested USD 600mn in Chile, that they have had positive EBITDA since Dec-17, and expect to have positive FCF for 2019. CAPEX for the next two years, also according to an interview, is USD 350mn (USD 200mn in 2018 and USD 150mn in 2019).

## VALUATION

**Insight to some of the latest transactions in the region.** As we mentioned in previous reports, the Andean telco market region has shown some dynamism in that front with some transactions such as: i) LILAK acquiring 80% of Cabletica (USD 250mn; EV/EBITDA 6.7x), expanding Liberty's umbrella in LatAm; ii) Coltel's 32.5% government stake sale and iii) Virgin disposing its Peruvian subsidiary. Add to this, two weeks ago in Brazil, news in the press suggested that TIM (Telecom Italia's subsidiary, which represents 23% of the company's revenues) is currently evaluating the acquisition of Nextel Brazil. The goal will be to increase TIM Brazil's market share and gain spectrum in some metropolitan areas. Meanwhile NII holdings, current controller of the company with 70% ownership in Nextel Brazil, has hired financial advisory to sell its stake. In order to understand an estimated value for the possible transaction, in July 2017, the Ice Group (then known as AINMT Holdings) concluded the acquisition of 30% in Nextel Brazil for a total value of USD 50mn.

**How is the local market reacting with Entel?** Entel stock has recovered these last hours due to the positive news on regulation matters, and is now is down 19% YTD, recovering 4% in the last two days. Worth to mention that the stock was down more than 20% previously, mainly due to: i) industry news; ii) below than expected results and iii) local players' divestments (mutual funds) but with local pension funds showing confidence in the stock.

**Update on Entel's recommendation:** From BUY to NEUTRAL, setting a new price target of CLP 6,500 from our previous CLP7,800, implying a 11% upside from current price levels. From a fundamental standpoint, we are more skeptical than at the beginning of the year. In Chile, we expect weak results to continue weighing on margins vs. our previous expectations, but expect margin stabilization in the medium term as unlimited data plans continue to gain traction. In Peru, smoother subscriber growth is expected as Entel comes closer to reaching its target market share, although we do not discard a more competitive environment in that country. Nevertheless, we expect Entel to continue cutting costs in Peru. Despite our positive view on recent regulation changes, current upside on this news is mostly priced in at current levels. For valuation, we are using an 100% DCF method with a nominal WACC of 8.4%

**On the Corporate Credit side, we remain Neutral on Entel's bonds.** Z-spreads in both bonds have widened almost 40bp in both cases (ENTEL24 & ENTEL26) in the last 3-4 months but showed compression recently. It seems that the latter is mostly pricing in that the year ahead will not be the one the market was expecting at the beginning of this. Though leverage levels are not expected to be reduced in 2018, it is worth noting that Entel's debt maturities profile is a positive, with the first relevant debt amortization being in 2021 (USD151mn).

**Rating agencies summary:** Fitch changed its outlook to stable from negative in March, saying that leverage levels are high for the category but that analysis is made on a medium-term basis, expecting this figure to be below 3.5x, more commensurate to the category and vs. peers (i.e. Une-Tigo 2.5x). If capex and operations are not in line with their estimates, revising the outlook is an option. As per Moody's, outlook was also changed to stable from negative in May. A positive rating upgrade is possible if Adj gross leverage is below 2.75x on a sustained basis. For a rating downgrade, leverage should be above 3.5x on a sustained basis in the medium term.

**SHORT-TERM WATCH-LIST**

**Topics affecting the industry in the next 6 months.** Apart from the events that will take place in the short run regarding regulation, is worth taking a look to the access charges proposal that will be presented by the Subtel this month. On early August, Telcom companies presented their proposals to the Subtel which vary significantly between the operators. Movistar and Entel, the incumbent companies, presented more conservative proposals in line with their market share while Claro, VTR and WOM suggested notoriously lower tariffs since their share in that business is low. Now, the Subtel will present a formal document which will be subject to observations and the final tariff will be implemented in Jan-19, with a 5-year duration. Worth to mention, that in 2014, the Subtel reduced the tariffs by 73%, in line with other OCDE countries. For the next lustrum, as there is no much room for access charges tariff reduction, this number should not go above 40%. Companies exposure to this business has notoriously decreased in the last years as the market shifted and will continue to shift to other services, mainly data.

Figure 1: Past, Present and Future Roadmap

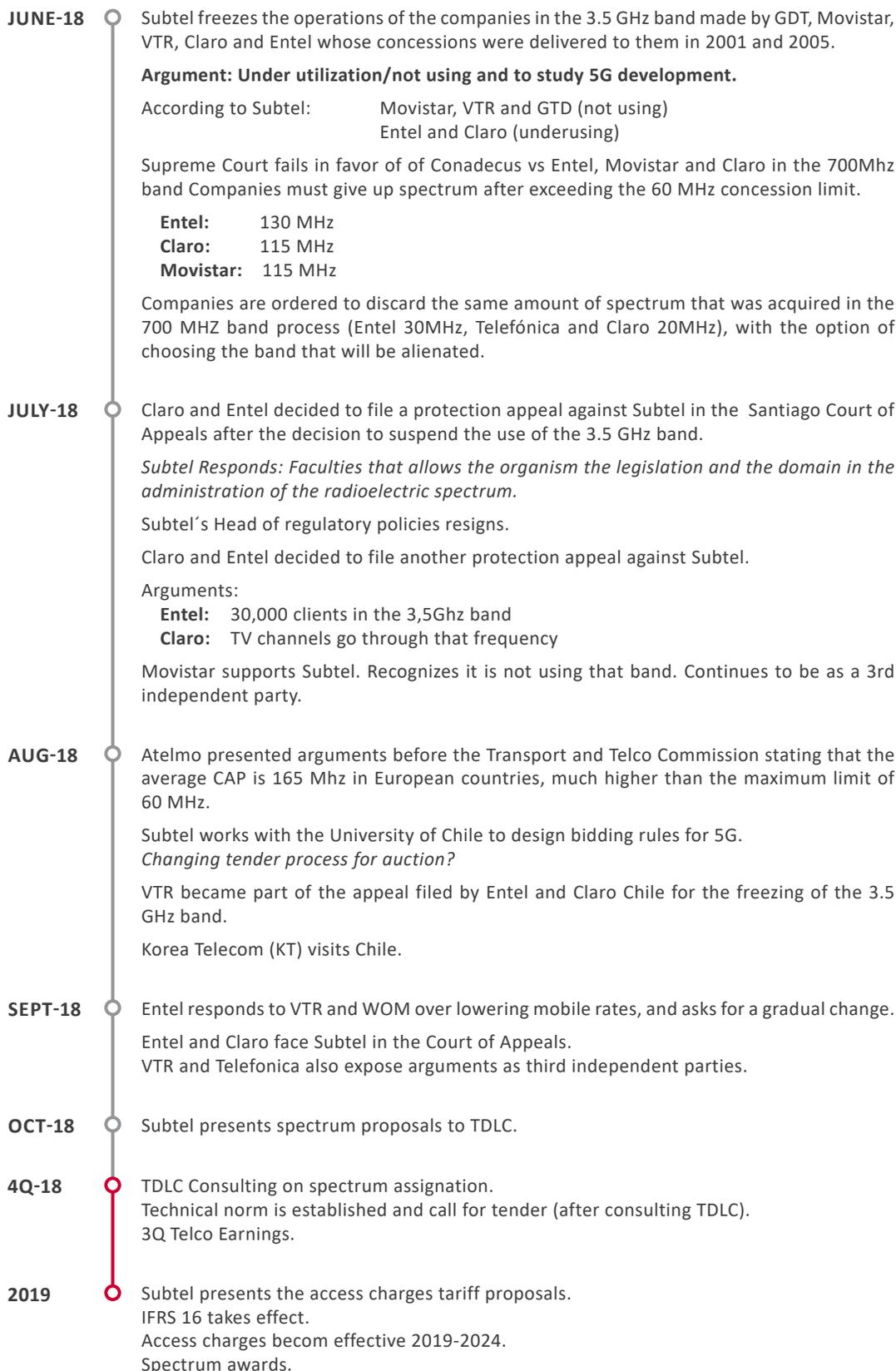


Table 6: Entel's Financials Summary

Year	2016	2017	2018e	2019e	2020e
<b>Operating Data (Users 000)</b>					
Mobile subscribers Chile	9,514	8,997	8,855	8,883	8,805
Mobile subscribers Peru	4,809	6,543	8,003	8,749	9,127
<b>Profit &amp; Loss (CLP bn)</b>					
<b>Total Sales</b>	<b>1,887</b>	<b>1,955</b>	<b>1,897</b>	<b>1,992</b>	<b>2,078</b>
Var (%)	5.2	3.6	-2.9	5.0	4.3
<b>EBIT</b>	<b>114</b>	<b>120</b>	<b>78</b>	<b>186</b>	<b>248</b>
EBIT Margin (%)	6.1	6.2	4.1	9.3	11.9
<b>EBITDA</b>	<b>425</b>	<b>437</b>	<b>409</b>	<b>512</b>	<b>593</b>
Var (%)	19.1	2.9	-6.5	25.3	15.7
EBITDA Margin (%)	23	22	22	26	29
<b>Net Income</b>	<b>34.2</b>	<b>44.4</b>	<b>-18.3</b>	<b>65</b>	<b>110</b>
<b>Balance Statement (CLP bn)</b>					
Current Assets	768	745	726	675	624
Fixed Assets	1,830	1,877	1,968	2,039	2,090
<b>Total Assets</b>	<b>3,480</b>	<b>3,529</b>	<b>3,670</b>	<b>3,762</b>	<b>3,875</b>
Current Liabilities	576	623	655	687	735
Long Term Liabilities	1,643	1,667	1,665	1,665	1,680
Equity	1,262	1,238	1,350	1,409	1,459
<b>Total Liabilities &amp; Equity</b>	<b>3,480</b>	<b>3,529</b>	<b>3,670</b>	<b>3,762</b>	<b>3,875</b>
<b>CF Summary (CLP bn)</b>					
CFO	357	566	418	541	636
Capex	465	400	452	398	395
<b>Credit Metrics (x)</b>					
Liabilities/Equity	1.76	1.85	1.72	1.67	1.66
EBITDA / Interest expenses	5.17	5.46	4.90	6.47	7.45
Debt/EBITDA	3.90	3.62	4.06	3.24	2.80
Net Debt / EBITDA	3.64	3.28	4.04	3.14	2.50

Source: LarrainVial Research Department

Table 7: Multiple Analysis

(EV/EBITDA)	2017	2018e	2019e	2020e
AMERICA MOVIL	6.0x	6.4x	6.0x	5.8x
TELEFONICA BRASIL	5.6x	4.7x	4.2x	4.2x
MEGACABLE HOLDINGS	9.0x	11.2x	9.1x	8.3x
TIM PARTICIPACOES	3.9x	5.5x	4.9x	4.6x
GRUPO TELEVISIA SAB	9.1x	8.7x	7.8x	7.7x
LILAK	N/A	9.2x	7.8x	7.1x
<b>Industry avg (mkt cap weighted)</b>	<b>5.9x</b>	<b>6.4x</b>	<b>6.2x</b>	<b>5.9x</b>
<i>Entel LV</i>	8.1x	8.2x	6.9x	6.0x
<i>Entel Historical Avg</i>	5.9x			

Source: LarrainVial Research Department

**Table 8: Entel's DCF Summary**

Figures in Nominal Pesos (Mn)	2019	2020	2021	2022
Ebit	185,533	248,143	289,131	322,240
(-) taxes	-48,410	-65,300	-79,127	-88,502
Ebit*(1-t)	132,024	174,642	210,003	233,737
(+) Depreciation	326,551	344,502	353,053	365,793
CAPEX	-398,415	-395,292	-387,206	-376,912
<b>Free Cash Flow</b>	<b>60,160</b>	<b>123,851</b>	<b>175,851</b>	<b>222,618</b>
<b>Firm Value</b>	<b>3,598,558</b>			
Net Debt	1,628,185			
<b>Equity Value</b>	<b>1,970,373</b>			
Shares	302			
<b>PT</b>	<b>6,520</b>			
<i>Upside</i>	<i>12%</i>			
Current Stock price	5,780			

Source: LarrainVial Research Department

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