

Telefonica SA

TEF announced its Q3 2022 results beating consensus (cons.), with revenues growing, while underlying OBIDA increased. Latin America surprised positively while the home market was in line with expectations but still declining on the OBIDA level. It maintained its revenue and OBIDA guidance for 2022. Financial results benefitted from favourable foreign exchange (FX), primarily on appreciation of the Brazilian real. Revenues grew 11.2% y/y (Q2 2022: +0.8% y/y) to EUR10.3bn, 3% above cons., driven by an organic (org.) increase of 3.8% y/y (Q2 2022: +5.2% y/y), reflecting growth across most of the segments. Furthermore, the revenue growth benefitted from currency tailwinds. Org. revenues in Hispam rose 3.8% y/y (Q2 2022: +4.2% y/y), led by y/y growth in accesses and continued generation of synergies. The mobile business' contract accesses increased 4.5% y/y, on robust growth in Colombia (+151k net additions in Q3 2022 vs +89k in Q2 2022) and back to positive growth in Peru (+37k). Geographically, org. revenues in Brazil and Germany saw solid growth of 10.6% y/y and 6.0% y/y, respectively. Meanwhile, org. revenues in Spain remained broadly flat y/y. However, revenues from the VMO2 JV [fell 0.6% y/y. OIBDA decreased 13.0% y/y (org.: +3.1% y/y) to EUR3.2bn (a 1% beat), owing to one-off gains reported in Q3 2021. However, underlying OIBDA grew 8.5% y/y to EUR3.3bn (a 2% beat), reflecting positive perimeter effects (+EUR16m) and a favourable FX impact. TEF reiterated its 2022 guidance, expecting revenues to be at the high end of the low single-digit y/y growth and OBIDA to be at the mid-to-high end of the low single-digit y/y growth organically.

Corporate Ratings	Periodicity	Fiscal Quarterly	Currency	Default	Parent/Consolidated	C	Data	Adjusted (if Available)
S&P	BBB-							
Outlook	Stable							
Moody's	Baa3							
Outlook	Stable							
Fitch	BBB							
Outlook	Stable							

CDS Data	5 YR CDS	% 3 Months	% 6 Months	% 1 Year	52 Week Low	52 Week High
	113.55	2.76	16.67	74.22	62.66	145.82

Profitability	EBIT	Operating Margin	Pretax Margin	Return on Assets	Return on Common Equity	Return on Capital	Asset turnover
	2,666	6.76	3.19	0.58	1.05	--	0.35

Structure	Current Ratio	Quick Ratio	Total Debt to Total Assets	Total Debt to Com Equity
	0.98	0.79	44.94	82.15

Growth Potential	Sales 1yr Growth	Asset 1yr Growth	Capital 1yr Growth
	-8.82	3.96	11.21

Income Statement Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Revenue	9,947.0	10,330.9	39,467.0	10,343.0	10,040.0	9,410.0	9,674.0	9,298.0	9,964.0	10,340.0	10,909.0
Operating Income	991.3	1,134.4	2,666.0	980.0	927.0	1,103.0	-344.0	1,624.0	1,063.0	1,401.0	1,487.0
Pretax Income	648.5	857.6	1,259.0	623.0	592.0	883.0	-839.0	1,248.0	687.0	1,157.0	1,205.0
Income bef XO Items	395.3	636.3	637.0	553.0	366.0	776.0	-1,058.0	848.0	9,983.0	944.0	1,091.0
Net Income	395.3	636.3	650.3	509.5	326.0	715.8	-901.0	739.8	25.5	891.3	923.0
Basic EPS Before XO Items	--	--	0.08	0.08	0.05	0.12	-0.17	0.13	-0.01	0.15	0.16
Basic EPS	0.08	0.10	--	0.02	0.07	--	-0.07	0.08	0.00	0.18	0.16
Diluted EPS Before XO Items	--	--	0.08	0.08	0.05	0.12	-0.17	0.13	-0.01	0.15	0.16
Diluted EPS	--	--	0.02	0.07	0.05	0.12	-0.22	0.12	1.37	0.15	0.16
Dividends per Share	--	0.25	--	0.00	--	--	0.12	0.00	0.28	--	--
EBITDA	3,200.0	3,411.6	12,875.0	3,293.0	3,157.0	3,199.0	3,226.0	3,734.0	3,270.0	3,494.0	3,751.0
Return on Common Equity	--	--	0.5	1.2	3.2	43.1	92.4	60.0	90.6	15.6	30.5

Balance Sheet Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Total Current Assets	24,120.0	24,120.0	22,108.0	23,149.0	24,929.0	25,284.0	29,596.0	33,442.0	33,655.0		
Total Long-Term Assets	90,921.0	90,921.0	89,033.0	88,117.0	84,284.0	83,872.0	84,014.0	69,568.0	71,396.0		
Total Assets	115,041.0	115,041.0	111,141.0	111,266.0	109,213.0	109,156.0	113,610.0	103,010.0	105,051.0		
Total Current Liabilities	24,698.0	24,698.0	24,139.0	25,983.0	25,495.0	21,945.0	24,458.0	27,249.0	28,117.0		
Total Long-Term Liabilities	57,721.0	57,721.0	55,317.0	53,453.0	55,034.0	54,801.0	56,553.0	56,609.0	58,674.0		
Total Liabilities	82,419.0	82,419.0	79,456.0	79,436.0	80,529.0	76,746.0	81,011.0	83,858.0	86,791.0		
Total Shareholders' Equity	77,381.0	32,622.0	31,685.0	31,830.0	28,684.0	32,410.0	32,599.0	19,152.0	18,260.0		
Shares Outstanding	5,754.0	5,754.0	5,775.2	5,639.8	5,779.0	5,603.0	5,443.5	5,443.5	5,526.4		
Book Value per Share	--	--	4.5	4.5	3.0	4.4	2.5	4.2	2.9	2.2	0.7
Tangible Book Value / Sh	5.5	-1.0	-2.4	-1.0	-2.4	-0.8	-2.3	-2.9	-4.5		
Shareholder Equity/Total Liab	48.4	28.4	28.5	28.6	26.3	29.7	28.7	18.6	17.4		

Cash Flow Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Net Income	395.3	636.3	288.0	460.0	320.0	706.0	-1,198.0	706.0	7,743.0	886.0	911.0
Depreciation and Amortization	2,191.8	2,216.4	--	--	--	--	--	--	--	--	--
Change in Working Capital	-3,917.0	1,453.0	803.0	-2,268.0	-3,905.0	-1,799.0	-1,055.0	655.0	1,129.0		
Cash - Operating Activities	10,322.0	2,859.0	2,736.0	2,003.0	2,724.0	2,432.0	2,556.0	2,556.0	4,283.0		
Capital Expenditures	-1,208.5	-1,601.5	-5,039.0	-1,387.0	-1,528.0	-1,104.0	-1,020.0	-1,594.0	-1,366.0	-2,184.0	-1,748.0
Cash - Investing Activities	-3,919.0	-937.0	-2,080.0	452.0	-1,354.0	-1,360.0	10,740.0	-2,130.0	-2,331.0		
Cash - Financing Activities	-8,919.0	-1,032.0	-2,383.0	-2,923.0	-2,581.0	-5,803.0	-3,714.0	-1,090.0	-2,261.0		
Net Changes in Cash	-2,516.0	890.0	-1,727.0	-468.0	-1,211.0	-4,731.0	9,582.0	-664.0	-309.0		
Free Cash Flow	1,938.4	1,760.7	5,283.0	1,472.0	1,208.0	899.0	1,704.0	838.0	1,190.0	372.0	2,535.0

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