



Cyfrowy Polsat IR Newsletter

31 August – 6 September 2020



Telko.in
31 August 2020

How will #polskie5G operate?

by Łukasz Dec

“Telko.in” learned about the conclusions from the preliminary analysis of the project regarding creation of an SPV for the purpose of rolling out and maintaining a 5G telecommunication network which will operate in the 700 MHz frequency band (#polskie5G).

According to the project, the network will be used by existing mobile operators (Orange, Play, Plus, T-Mobile) for commercial operations, whereas the state-owned telecommunication operator, Exatel, will be using the network for special-purpose communications, including the dispatch networks supporting the ambulance service, the fire brigade and the police. In addition, Polski Fundusz Rozwoju (Polish Development Fund) is the partner of the project.

The advisor has prepared several alternative operating models for #polskie5G. The respective models differ in terms of approach to ownership of the elements of the infrastructure (i.e. with the infrastructure being either owned by the operators or by the SPV).

In the model which gives the state a proper level of control over special purpose communication, SPV would hold the entire active infrastructure while leasing from the mobile operators the space for installation of the infrastructure on their towers and masts. Another model assumes that the partners would make expenditures for active network elements and sell transmission capabilities (throughput) in the 5G network to the SPV.

The estimated cost of network roll out and maintenance during 7 years is nearly PLN 2.3 billion. The expenditures related to radio access are expected to account for about 60% of that amount, with the remaining amount covering the costs associated with data centers, backbone network, IT systems as well as the reservation fee for the spectrum in the 700 MHz band (which has been estimated as exceeding PLN 600 million).

The initial capital of the SPV, financed by the operators, is expected to amount PLN 75 million. The remaining operating expenses and capital expenditures during the initial phase of operations would be debt-financed. Then the SPV would start generating revenues from sale of network capacity to the five partners: the four mobile operators and Exatel. The analytical models provide for a total of PLN 600-700 million in annual payments to the SPV for network capacity, while the amounts paid by the SPV to the partners (on account of lease of towers and masts, the backbone network, etc.) are estimated at around PLN 250 million. The SPV is not expected to generate any significant profits for the shareholders – the economic benefits would rather be obtained by the shareholders from the ability to commercially offer their 5G network capacity.

The target stake held in the project by the state (via state-controlled entities, i.e. Exatel and Polish Development Fund /PFR/) would be 50%. State Treasury would also nominate the CEO and head of IT of the SPV (the remaining management positions would be taken by the representatives of the commercial partners).

Network roll-out in the standalone standard would take form 3 to 5 years, depending on the decision as to whether select one or two equipment vendors. Cooperation with the vendors is planned in the Build Operate Transfer model, with gradual transfer of respective network management elements from the vendors to #polskie5G.

The models indicate that some 8,000 sites would be required to ensure nationwide 5G coverage. Most of the sites already exist and are part of the mobile operators' resources, with additional 300-400 new sites expected to be built.

The project could be implemented in stages, with the backbone network expected to be commissioned for use within one to one and half years. Moreover, the analysis covers the issue of lack of harmonization of the 700 MHz band with Poland's neighbors. In such a case the network would be put into operation regionally, starting from south-western and central parts of Poland.

At present the partners in the project have proceeded with phase two of project planning, which may result in modification of the above assumptions.

Cyfrowy Polsat shares



Data	Maximum price (PLN)	Minium price (PLN)	Closing price (PLN)	Change (%)	Turnover (mPLN)
2020-08-31	28.76	28.00	28.76	2.49	43.08
2020-09-01	28.70	26.92	26.92	- 6.40	23.71
2020-09-02	27.40	26.86	27.06	0.52	15.43
2020-09-03	27.76	26.98	27.26	0.74	16.46
2020-09-04	27.26	26.60	26.66	- 2.20	10.53



Investor's calendar



7 – 8 September 2020	17th Emerging Europe Investment Conference - Pekao, online
5 – 7 October 2020	ERSTE conference (online) „The Finest CEElection Investor Conference 2020”
15 October 2020	Dividend day
22 October 2020	Dividend payout - 1st tranche
27 October – 10 November 2020	Closed period prior to the publication of Q3 2020 results
10 November 2020	Quarterly report for Q3 2020
1 – 31 December 2020	WOOD's Winter Wonderland EME Conference December 2020 Prague (online, or in the flesh)
11 January 2021	Dividend payout - 2nd tranche