

## Recommendation BUY

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We point out that an investment in emerging-market and corporate bonds is currently associated with extraordinarily high uncertainty. We recommend investors to reduce their risk exposure, and consequently we have double underweight on high-yielding bonds. But for long-term risk tolerant investors, there may be good investment opportunities in these turbulent times. The recommendations for individual bonds are relative to the market in general and therefore the recommendations apply provided that you have decided to invest in high-yielding bonds.

### Disclaimer:

Please see the last page

## Strong accounts from TDC

### Company Description

TDC A/S is a provider of telecommunications solutions within landline and mobile telecoms services, data communications, system integration, homepage hosting, internet access and cable TV solutions. TDC operates in several European countries, primarily in Denmark and Switzerland. NTCH (Nordic Telephone Company Holding) owns 88.2% of TDC's share capital. The remaining shares are held by private and institutional investors.

### Bond Ratings

€ 8.25% 2016 and € floater 16:

Moody's/S&P: B2 (stable)/B (stable)

€ 6.5% 2012: Moody's/S&P: B1 (stable)/B (stable)

	Issues			
	Offer	Y-t-w	Spread	Bond ID
€ 8.25% 2016 <sup>1</sup>	70	15.07	1140	B01272
€ floater 2016 <sup>2</sup>	77	15.35	1069	B01274
€ 6.5% 2012 <sup>3</sup>	87	11.23	823	B89251

1) Callable as from 1/5-2011@104.13 | 1/5-2012@102.75 | 1/5-2013@101.375 | 1/5-2014@100, and the minimum trading lot is EUR 50,000

2) Callable as from 1/5-2008@101 | 1/5-2009@100, and the minimum trading lot is EUR € 50,000.

3) Not callable

### Recent Developments

TDC has today presented accounts for the first nine months of 2008. Sales fell as expected by 1.7% while it was a surprise that EBITDA rose by no less than 4.4%. The rise in EBITDA was due to acquisitions and improvement of operations in the Nordic activities. But the Swiss activities (Sunrise) struggled and EBITDA for these activities fell by 11.9%. Given this development, it is difficult to imagine that TDC can divest Sunrise at a satisfactory price.

During the year, the net debt was reduced by about DKK 2bn and at the same time EBITDA increased. Net debt/LTM EBITDA is currently 3.2x (4.2x for the NTC issues), which is a reduction by 0.1x over the past twelve months and by 1x since 2006. Moreover, a final sale of Polkomtel will reduce the leverage ratio by another 0.4x.

### Recommendation

The latest accounts show that TDC is still improving, which has also been reflected in the bond prices over the past couple of days. Despite the large price rises, we still see a large potential in TDC and believe that the yield of the company's bonds is still attractive. This is very much due to the large price decline which hit the bonds when the panic in the credit markets peaked. The prices had been unchanged for a long period, but the panicky sentiment finally reached TDC's bonds, probably due to forced selling. We believe that following the large declines, the prices do not discount the positive development of operations at TDC and that prices will rise further as trading is normalised. Therefore we maintain our BUY recommendation on TDC's bonds.

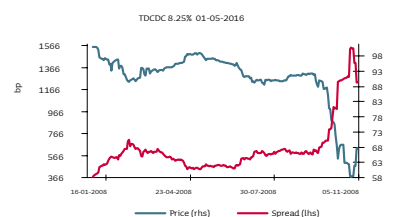
### Strengths/Opportunities

- Leading market position in the landline and mobile telephone markets in Denmark and a strong position in the mobile market in Switzerland
- Tight cost management in Denmark, including retirement programmes
- The company generates a large free cash flow and is expected to go on doing so
- Divestment of non-Nordic units may strengthen the balance sheet

### Weaknesses/Threats

- Cutthroat price competition in Denmark within mobile telecommunications, cable TV and internet services. Intensive competition within 3G services is expected in future
- Limited potential of organic growth due to more or less saturated markets in Denmark and Switzerland
- High indebtedness. Debt is expected to be reduced via a divestment of business units and a stable high free cash flow

### Development in Price and Spread



	2007	LTM Q3 2007*	LTM Q3 2008*
<b>Income statement</b> <small>(in DKK million unless otherwise stated)</small>			
Sales	39,321	43,616	37,074
EBITDA	12,498	13,190	12,784
EBIT	6,271	10,372	3,743
Net financing costs	-3,420	-1,941	-4,396
Profit for the period	4,654	7,249	689
<b>Balance sheet</b>			
Short-term debt	4,146	1,910	3,185
Long-term debt	45,571	49,061	39,418
Total debt	49,717	50,971	42,603
Cash and cash equivalents	8,251	6,617	1,977
Net debt	41,466	44,354	40,626
Tangible assets	24,704	24,788	24,875
Intangible assets	28,317	31,058	29,182
Equity	10,427	12,059	11,824
Total assets	79,536	82,005	75,692
Equity ratio	13%	15%	16%
<b>Cash Flow Statement</b>			
Cash flow from operations (CFO)	12,486	12,935	11,965
CAPEX	-481	-612	-5,147
Free cash flow (FCF)	12,005	12,323	6,818
Purchase/sale of companies	3,544	2,347	793
Free cash flow (FCF) after M&A	15,549	14,670	7,611
<b>Key figures</b>			
EBITDA margin	32%	30%	34%
EBIT margin	16%	24%	10%
Net margin	12%	17%	2%
Total debt/EBITDA	4x	3.9x	3.3x
Net debt/EBITDA	3.3x	3.4x	3.2x
EBITDA/net interest expenses	3.7x	6.8x	2.9x
CFO/total debt	25%	25%	28%
CFO/net interest expenses	3.7x	6.7x	2.7x
FCF/total debt	24%	24%	16%

Source: TDC and Jyske Bank

\* Not all quarters have been adjusted for divestments

## Disclaimer & Disclosure

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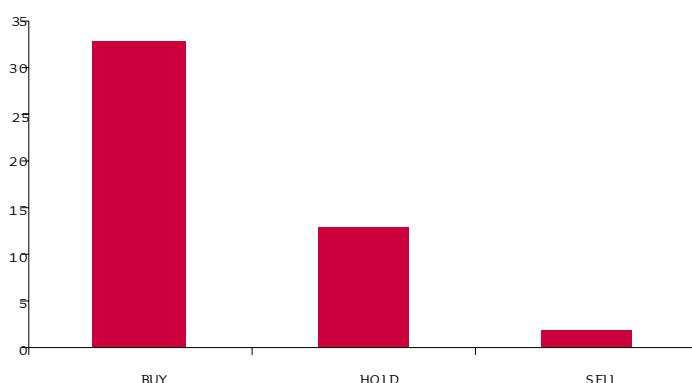
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## Jyske Bank's corporate bond recommendations – current breakdown

### Breakdown of recommendations, corporate bonds (number)



Source: Jyske Bank

### Financial models

Jyske Bank uses mainly Credit Edge from Moody's.

### Risk

Investment in this corporate bond is associated with risk. Movements in the credit market, the sector and/or the news flows, etc. regarding the company may affect the price of the bond. See the front page of the research report for our view of the risk associated with the corporate bond. The risk factors stated and/or calculations of sensitivities in the research report are not to be considered all-encompassing. If the corporate bond is denominated in a currency other than the investor's base currency, the investor accepts an FX risk.

### Update of the research report

The planned update of the report will be prepared immediately upon the release of the company's financial statements.

See the front page for the initial date of publication of the report.

All prices stated are the latest trading prices at the time of the release of the research report, unless otherwise stated.

**Recommendation concepts**

*Our recommendations are based on market developments and an assessment of the expected return. A positive recommendation (BUY) is based on expectations that investment in the corporate bond will generate a return above that of the general credit market. On the other hand, a negative recommendation (SELL) implies that we expect investment in the corporate bond to generate a return below that of the general credit market.*

*The future and historical returns estimated in the research report are stated as returns before costs since returns after costs depend on a number of factors relating to individual customer relations, custodian charges, volume of trade as well as market-, currency- and product-specific factors.*