



**A S E A F I**

ASOCIACIÓN DE EMPRESAS DE ASESORAMIENTO FINANCIERO

# ASEAFI REVIEW 2022

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# DIGICEL

23% TOTAL RETURN IN 15 MONTHS, 18% ANNUALIZED

## Digicel

- Following the first covid-19 restrictions, the bonds suffered a big drop, in line with other risk assets.
- The entry price of 93% offered 11% YTM in a company leader in an industry set to suffer limited impact from the pandemic and an entry multiple of 1.4x.
- The bond price saw a quick recovery following the first scarier moments. This recovery was strengthened by an agreement with junior creditors in the capital structure to refinance part of the debt.

### Company and Situation Overview

Digicel is the largest provider of wireless telecommunication services in the Caribbean. The company operates in 31 markets in the Caribbean and South Pacific regions, with leading mobile shares in most. Also provides a range of business solutions, cable TV and broadband. The company also operates a wireless network in Panama through its 45% ownership interest in affiliate, Digicel Holdings (Central America) Limited. Digicel generated revenue of USD2.3 billion for the year ending March 2020.

Due to unsustainable leverage levels the company initiated a debt restructuring plan and cut gross debt by approximately \$1.5 billion dollars, from \$7.0 billion to \$5.4 billion. The restructuring extended Digicel's amortization profile and reduced annual interest expense.

### Price History



○ Entry    ○ Exit

### Investment Rationale

- Digicel is a leading operator in the markets where is present, generally ranking #1 or #2.
- A very complex and highly levered capital structure kept most long-only investors away from this name.
- A recent restructuring in early May 2019 brought this bond to the market as the most senior in the company's capital structure, with very limited losses in the event of a default.
- At 1.5x EBITDA entry multiple the bonds provided for significant downside protection, given comparables trading above 6x.

### Capital Structure<sup>(1)</sup>

USD in millions As of March 2020	Outstan. Amount	EBITDA Multiple at Face	Price	Market Value	EBITDA Multiple at Market
Cash	-251		100%	-251	
Senior Debt	1,130		100%	1,130	
Senior Secured Notes 2024	600		92%	552	
<b>DIFL, DHL Net Debt</b>	<b>1,479</b>	<b>1.5x</b>		<b>1,431</b>	<b>1.4x</b>
DL Senior Unsecured Notes	2,225		53%	1,169	
<b>Digicel Limited Net Debt</b>	<b>3,704</b>	<b>3.7x</b>		<b>2,648</b>	<b>2.6x</b>
DGL Senior Sec/Unsec Notes	1,937		38%	727	
<b>Digicel Group One Net Debt</b>	<b>5,641</b>	<b>5.6x</b>		<b>4,430</b>	<b>4.4x</b>
DGL2 PIK Senior Unsecured Note 2024	993		5%	47	
<b>Digicel Group Two Net Debt</b>	<b>6,634</b>	<b>6.6x</b>		<b>5,688</b>	<b>5.7x</b>
Senior Notes	84		10%	8	
<b>DGL Net Debt</b>	<b>6,718</b>	<b>6.7x</b>		<b>6,642</b>	<b>6.6x</b>

Source: Bloomberg, Company and own elaboration.

(1) Market prices as of May 21, 2019

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