

Telefonica SA

Beat & raise, executing well

Reiterate Rating: BUY | PO: 4.60 EUR | Price: 3.74 EUR

TEF into gear, a strong thematic play

Telefonica reported a strong set of Q4 numbers, with better-than-expected 2023 base numbers, and reiterated mid-term growth expectations, implying an increase in absolute guidance levels. Underlying this are resilient domestic operations and well executing operations abroad, albeit VMO2 UK is more in transition through 2024. More relevant is that TEF is well positioned to benefit from thematic tailwinds in the telecoms sector, such as consolidation (complete in Brazil, approved in Spain, in progress in the UK) and falling capex (TEF Spain is the first telco to fully decommission copper, establishing new benchmark-low capex ratios). Both are key to support free cash flow growth prospects, and we are slightly ahead of company targets for 10% compound growth until 2026. The dividend, at an 8% yield, is increasingly well covered and, with leverage reducing TEF's equity, is on track to squeeze upwards. We maintain our Buy rating.

Q4/investor call: beat & raise

TEF reported strong Q4 results, with revenues c2%, EBITDA 4% and free cash flow cE200m ahead of consensus. Despite the higher 2023 bar, management reiterated 2023-2026 targets, implying an increase in absolute terms. Call highlights were as follows: 1) Group EBITDA guide was impacted by Argentina devaluation, not expected at the capital markets day, but guidance was reiterated nonetheless. 2) Spanish EBITDA growth was supported by Q1 price rises and retirees (full impact Q2), network switch-off. 3) TEF plans to negotiate potential national roaming/RAN share with Digi, with wholesale price pressure baked into guide. TEF does not expect a deterioration in competitive conditions post merger.

Forecast and PO changes

To reflect the Q4 beat and raise, we increase our FY 24/25 guide FCF estimates by +8.4%/+5.8%, forecasting 12.4% growth in 2024 (guide >10%) and 10.9% compound growth until 2026 (guide >10%). As a result, we raise our PO to E4.6/share (US\$4.97) from E4.4/share (US\$4.79).

Estimates (Dec) (EUR)	2021A	2022A	2023E	2024E	2025E
EPS (Adjusted Diluted)	1.38	0.31	(0.20)	0.34	0.37
EPS Change (YoY)	467.5%	-77.3%	-164.4%	269.8%	7.1%
Dividend / Share	0.30	0.30	0.30	0.30	0.30
ADR EPS (Adjusted Diluted - US\$)	1.63	0.33	(0.22)	0.37	0.40
ADR Dividend / Share (US\$)	0.35	0.32	0.32	0.32	0.32
Valuation (Dec)					
P/E	2.71x	11.9x	NM	10.9x	10.2x
Dividend Yield	8.01%	8.01%	8.01%	8.01%	8.01%
EV / EBITDA*	3.15x	6.03x	7.07x	5.76x	5.75x
Free Cash Flow Yield*	57.3%	17.0%	6.31%	11.4%	12.8%

* For full definitions of *IQmethod*SM measures, see page 8.

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Refer to important disclosures on page 9 to 12. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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Timestamp: 23 February 2024 12:30AM EST

23 February 2024

Equity

Key Changes

(EUR)	Previous	Current
Price Obj.	4.40	4.60
2023E Rev (m)	40,434.0	40,652.4
2024E Rev (m)	40,800.6	40,917.8
2025E Rev (m)	41,160.3	41,306.4
2023E EPS	0.11	-0.20
2024E EPS	0.37	0.34
2025E EPS	0.39	0.37

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Stock Data

Price (Common / ADR)	3.74 EUR / 4.06 USD
Price Objective	4.60 EUR / 4.97 USD
Date Established	23-Feb-2024 / 23-Feb-2024
Investment Opinion	B-1-7 / B-1-7
52-Week Range	3.49 EUR-4.15 EUR
Market Value (mn)	21,524 EUR
Shares Outstanding (mn)	5,750.5 / 5,750.5
Average Daily Value (mn)	41.17 USD
Free Float	87.7%
BofA Ticker / Exchange	TEFOF / SQC
BofA Ticker / Exchange	TEF / NYS
Bloomberg / Reuters	TEF SQ / TEF.MC
ROE (2023E)	-4.9%
Net Dbt to Eqty (Dec-2022A)	100.4%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

c: circa

PO: price objective

RAN: radio access network

iQprofileSM Telefonica SA

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(EUR Millions)					
Sales	39,277	39,993	40,652	40,918	41,306
EBITDA Adjusted	20,060	10,467	8,922	10,961	10,973
Depreciation & Amortization	(8,397)	(8,796)	(8,797)	(8,759)	(8,722)
EBIT Adjusted	11,663	1,671	125	2,203	2,251
Net Interest & Other Income	(1,491)	(1,095)	(4,066)	(1,744)	(1,601)
Tax Expense / Benefit	(1,378)	(641)	899	(687)	(746)
Net Income (Adjusted)	7,903	1,801	(1,161)	1,971	2,111
Average Fully Diluted Shares Outstanding	5,727	5,740	5,740	5,740	5,740

Key Cash Flow Statement Data					
Net Income (Reported)	8,137	2,011	(892)	1,971	2,111
Depreciation & Amortization	8,397	8,796	8,797	8,759	8,722
Change in Working Capital	1,010	387	313	0	0
Deferred Taxation Charge	0	0	0	0	0
Other CFO	292	(1,894)	(1,466)	(2,800)	(2,877)
Cash Flow from Operations	17,836	9,299	6,752	7,929	7,956
Capital Expenditure	(5,563)	(5,646)	(5,396)	(5,486)	(5,204)
(Acquisition) / Disposal of Investments	(895)	1,924	813	0	0
Other CFI	12,354	(1,605)	(1,105)	(99.5)	(99.5)
Cash Flow from Investing	5,896	(5,327)	(5,688)	(5,585)	(5,304)
Share Issue / (Repurchase)	(604)	(555)	(1,771)	(1,119)	(1,119)
Cost of Dividends Paid	(3,630)	(1,397)	(4,787)	(967)	(937)
Increase (decrease) debt	(8,125)	(3,217)	(2,017)	92.5	94.8
Other CFF	(8,397)	(1,160)	4,473	471	389
Cash Flow from Financing	(20,756)	(6,328)	(4,102)	(1,522)	(1,572)
Total Cash Flow (CFO + CFI + CFF)	2,976	(2,356)	(3,037)	822	1,080
FX and other changes to cash	(0.07)	1,021	2,943	0	0
Change in Cash	2,976	(1,335)	(94.7)	822	1,080
Change in Net Debt	(11,101)	(1,882)	(1,922)	(729)	(985)
Net Debt	33,715	31,833	29,911	29,182	28,197

Key Balance Sheet Data					
Property, Plant & Equipment	22,725	23,714	22,944	22,300	21,475
Goodwill	16,519	18,471	18,708	18,708	18,708
Other Intangibles	11,725	12,017	11,370	11,319	11,321
Other Non-Current Assets	33,315	32,851	30,546	29,484	28,621
Trade Receivables	8,287	9,134	10,132	10,132	10,132
Cash & Equivalents	8,580	7,245	7,151	7,973	9,052
Other Current Assets	8,062	6,210	3,473	3,473	3,473
Total Assets	109,213	109,642	104,324	103,388	102,783
Long-Term Debt	35,290	35,059	33,360	33,360	33,360
Other Non-Current Liabilities	19,744	19,775	20,468	19,518	18,668
Short-Term Debt	7,005	4,020	3,701	3,794	3,889
Other Current Liabilities	18,490	19,080	19,698	19,754	19,811
Total Liabilities	80,529	77,934	77,228	76,426	75,728
Total Equity	28,684	31,708	27,096	26,962	27,055
Total Equity & Liabilities	109,213	109,642	104,324	103,388	102,783

Business Performance*					
Return On Capital Employed	11.8%	1.44%	0.07%	2.02%	2.08%
Return On Equity	47.3%	7.62%	-4.95%	9.04%	9.70%
Operating Margin	34.6%	10.1%	6.38%	11.6%	11.7%
Free Cash Flow (MM)	12,273	3,654	1,357	2,443	2,751

Quality of Earnings*					
Cash Realization Ratio	2.26x	5.16x	NM	4.02x	3.77x
Asset Replacement Ratio	0.66x	0.64x	0.61x	0.63x	0.60x
Tax Rate	11.4%	21.7%	61.0%	23.0%	23.0%
Net Debt/Equity	118%	100%	110%	108%	104%
Interest Cover	8.55x	1.27x	0.07x	1.27x	1.29x

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Telecom Services-Wireline

Company Description

Telefonica is the incumbent telco in Spain, providing fixed and mobile services to residential and business customers. TEF also has significant assets in Germany and the UK, alongside a wide portfolio of assets in Latam, with major assets in Brazil, Argentina, Chile and Peru.

Investment Rationale

TEF's core assets are growing EBITDA and with the exception of the UK, are past peak capex. Thus we forecast double digit FCF growth with dividend increasingly well covered and TEF moving beyond leverage concerns. Buy.

Stock Data

Shares / ADR	1.00
Price to Book Value	1.0x

Key Changes

(US\$)	Previous	Current
Price Obj.	4.79	4.97
2023E EPS	0.12	-0.22
2024E EPS	0.40	0.37
2025E EPS	0.42	0.40

Investment conclusions

TEF reported a strong Q4 with a cE200m free cash flow beat. Thus, by maintaining its 2023-2026 growth targets from the higher base, TEF has effectively raised guidance.

Considering key operations underlying TEF's strong outlook, we note the following:

- **Spain:** TEF's domestic franchise is resilient, with top-line growth from both consumer and business to business (B2B). The latter is typically lower margin; thus, EBITDA leverage is reduced, albeit still positive and further boosted by new employee efficiencies. With capex now past its peak as fibre build matures and the copper network is decommissioned, cash flow growth looks likely.

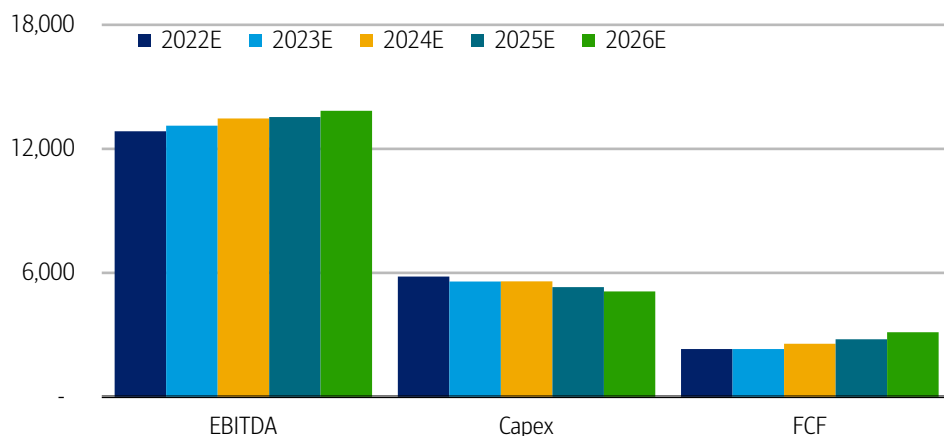
Furthermore, we consider the approval of the Orange MASMOVIL merger relatively 'light' on remedies, with spectrum sold to wholesale operator Digi. Our view has been consistent in that Digi will likely build network to support profitability rather than competitive pricing. And already baked into TEF's guidance is more wholesale price pressure as it competes for the Digi national roaming agreement.

- **Brazil:** Vivo continues to grow strongly with the consolidation of Oi supporting record cash flow margins across the Brazilian telco market. With pricing power established above inflation, and with an increasingly stable currency, we forecast ongoing positive mid-single-digit growth.
- **Germany:** O2D continues to post good organic growth predicated on network performance and gradually increasing average revenue per user (ARPU). The loss of the 1&1 contract is undeniable and should impact numbers from 2025; nevertheless, this should support a 'capex honeymoon' to soften the impact on cash flows, while management looks to drive increased volumes through partner channels.
- **UK:** the UK remains a challenge for TEF, with VMO2 EBITDA decline expected into 2024 alongside increasing capex as fibre build accelerates. TEF and joint venture Liberty have agreed on the carve out of an infrastructure venture (NetCo) to build fibre for VMO2 and provide a cleaner route to higher multiple financing, or even a currency for fixed-line M&A in the UK.

We adjust our forecasts in line with new guidance. Included in this is TEF's ambition to grow free cash flow 10% per annum until 2026, predicated on EBITDA growth and falling capex, with the latter comprising new sector benchmark lows as TEF Spain decommissions copper into a full fibre network. This represents an attractive profile, and with increasing dividend cover, TEF's E30c dividend per share (DPS)/8% yield looks covered, with additional deleverage of its balance sheet likely to support a re-rating over time. We maintain our Buy rating, with new sum of parts-derived PO of E4.6/share (US\$4.97).

Exhibit 1: Core cash flow drivers, outlook EURm

EBITDA +1.7% CAGR, capex sales in decline, FCF +11% CAGR (from 2023-2026)



Source: BofA Global Research estimates

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Investor call highlights

We noted the following management response to analyst Q&A on the call, adding colour to Telefonica's results and outlook.

- **ORA/MAS:** Remedies from the MAS/ORA transaction do not look to have changed since the Capital Markets Day (CMD) and are baked into guidance (some pressure on wholesale pricing, for example). TEF Spain is back to growth and past peak capex. Digi will not be able to build nationally with 60 megahertz (MGHz), TEF could negotiate on national roaming and RAN sharing.
- **EU white paper:** This is a positive call to action, a step in the right direction. That networks are evolving and markets are too fragmented, there should be a balance on investment with network users. So this sets the tone; measures could go further. But it is net positive.
- **Germany:** Management is happy with the tender offer outcome, with no current commitment to dividends beyond FY2023.
- **EBITDA versus EBITDAaL / lease outlook:** Management did not give formal guidance on leases, but guidance includes this (+10% FY2024 despite higher starting point). There could be some increases with built-to-suit expansion in Germany, some new Oi leases (despite reducing tower footprint). Spain should be broadly flat and Hispam down (e.g., Mexico switch-off).
- **'Other' outlook:** Net should be positive, with growth from TEF Tech/headquarter efficiencies.
- **FCF guide:** FCF is an absolute priority, anchored to EBITDA (growing) – capex (max 13% sales). Working capital should be positive, perhaps in line with 2023/22. It could be impacted by spectrum payments but positive. Financial payments optimised, 80% fixed-rate debt, reducing slightly. Tax similar, normalised 20-25%. VMO2 dividends confirmed. Minorities slightly better, with lower Germany leakage. Commitments slightly increased with restructuring. Hybrids stable.
- **EBITDA guide, moving parts:** Starting from a better 2023. Embedding some expectations for the Argentina devaluation. Spain should see positive growth (even excluding restructuring, kicks in 1 March; price increases in Q1; copper switch-off). Germany low-single-digit (LSD) growth. Brazil strong growth.
- **VMO2:** New NetCo provides focus on fibre upgrade and optionality to accelerate / new financing / M&A. Regarding write-down, it is due to increased discount rate

(now 7.5% from previous 7.3%). Perpetuity growth estimate is 1%. Not that 50bps WACC worth E1.4bn.

- Spanish price rise: Increased c3.1% across Movistar. Lower than FY23, but experiencing strong commercial momentum as an offset. Net adds with higher ARPU, better NPS, record-low churn. Revenue growth should remain robust through 2024.

Forecast adjustments

We make a series of adjustments (see Exhibit 2), with an aggregate change broadly consistent with the Q4 cash flow beat and slightly higher net debt. EBITDA is slightly reduced in Spain as restructuring is phased later than we originally forecast, while we also adjust for Argentinian currency devaluation.

Exhibit 2: TEF Group forecast changes, EURm

Adjustments broadly reflecting Q4 reporting dynamics.

	New			Old			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
REVENUE	40,918	41,306	41,942	40,935	41,222	41,772	0.0%	0.2%	0.4%
Spain	12,799	12,990	13,196	12,737	12,927	13,133	0.5%	0.5%	0.5%
Germany	8,807	8,654	8,772	8,777	8,626	8,746	0.3%	0.3%	0.3%
Brazil	10,207	10,499	10,756	10,282	10,564	10,820	-0.7%	-0.6%	-0.6%
Hispan	7,751	7,777	7,797	7,756	7,687	7,619	-0.1%	1.2%	2.3%
- Argentina	600	600	600	600	510	434	0.0%	17.6%	38.4%
- Chile	1,719	1,711	1,704	1,770	1,762	1,754	-2.9%	-2.9%	-2.9%
- Peru	1,562	1,544	1,526	1,592	1,574	1,555	-1.9%	-1.9%	-1.9%
- Colombia	1,693	1,725	1,758	1,660	1,690	1,720	2.0%	2.1%	2.2%
- Mexico	1,366	1,365	1,365	1,338	1,338	1,337	2.0%	2.1%	2.1%
- Other Hispan	811	831	852	794	814	835	2.1%	2.1%	2.1%
Other	1,353	1,387	1,422	1,384	1,418	1,454	-2.2%	-2.2%	-2.2%
OIBDA IFRS 16	13,491	13,566	13,865	13,538	13,618	13,831	-0.3%	-0.4%	0.2%
Spain	4,780	4,858	4,934	4,817	4,920	4,921	-0.8%	-1.3%	0.3%
Germany	2,667	2,488	2,518	2,625	2,449	2,479	1.6%	1.6%	1.6%
Brazil	4,472	4,620	4,801	4,471	4,595	4,748	0.0%	0.5%	1.1%
Hispan	1,523	1,549	1,559	1,523	1,549	1,576	0.0%	0.0%	-1.1%
- Argentina	30	30	30	60	51	43	-50.0%	-41.2%	-30.8%
- Chile	387	394	392	354	370	368	9.2%	6.4%	6.4%
- Peru	305	301	298	310	307	303	-1.9%	-1.9%	-1.9%
- Colombia	415	431	439	374	389	396	11.0%	11.0%	11.1%
- Mexico	137	137	137	107	107	107	27.5%	27.6%	27.7%
Other	50	51	53	103	105	108	-51.2%	-51.2%	-51.2%
Net Interest	-1,728	-1,747	-1,768	-1,657	-1,723	-1,781	4.3%	1.4%	-0.7%
Tax	-687	-746	-818	-765	-799	-865	-10.1%	-6.7%	-5.5%
Net Income	2,301	2,497	2,738	2,560	2,676	2,897	-10.1%	-6.7%	-5.5%
Capex	5,585	5,304	5,101	5,391	5,218	5,052	3.6%	1.7%	1.0%
Consol FCF	3,942	4,100	4,379	3,604	3,758	3,955	9.4%	9.1%	10.7%
Guide FCF	2,594	2,802	3,149	2,393	2,648	2,913	8.4%	5.8%	8.1%
Net Debt - ex leases	26,527	25,447	24,020	25,757	24,931	23,839	3.0%	2.1%	0.8%
Fiscal DPS	0.30	0.30	0.30	0.30	0.30	0.30	0.0%	0.0%	0.0%
	2024E	2025E	2026E	2024E	2025E	2026E	2026E	2026E	2026E
EUR/GBP	0.86	0.86	0.86	0.86	0.86	0.86	-0.3%	-0.3%	-0.3%
EUR/BRL	5.35	5.48	5.62	5.32	5.45	5.59	0.6%	0.6%	0.6%
EUR/ARG	905.00	#####	#####	391.00	449.65	517.10	131.5%	131.5%	131.5%
EUR/CLP	1,051	1,077	1,104	995	1,020	1,045	5.6%	5.6%	5.6%
EUR/COP	4,259	4,365	4,475	4,284	4,391	4,501	-0.6%	-0.6%	-0.6%
EUR/MXN	18.50	18.96	19.44	18.50	18.96	19.44	0.0%	0.0%	0.0%
VMO2 (GBP)	2024E	2025E	2026E	2024E	2025E	2026E	2026E	2026E	2026E
Revs	11,005	11,409	11,565	11,306	11,715	11,876	-2.7%	-2.6%	-2.6%
EBITDA	3,941	4,045	4,154	4,276	4,368	4,483	-7.8%	-7.4%	-7.3%

Source: BofA Global Research estimates

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As such, we are now positioned as follows versus guidance for FY24, and FY23-26 per the CMD, reiterated at FY results with an established 2023 base.

Exhibit 3: TEF Group guidance versus BofA forecasts, EURM / other currencies

BofA broadly in line to a touch ahead.

		TEF	BofA
2024 Group	Revs	c1%	0.7%
	EBITDA	1-2%	2.6%
	Capex/sales	<14%	13.4%
	OpFCF	1-2%	3.3%
	Clean FCF	>10%	11.3%
2024 Germany	Revs	+ve	2.2%
	EBITDA	L-LSD	1.0%
	FCF	13-14%	13.5%
2024 UK	Revenues	Stable-decline	0.8%
	EBITDA	LSD decline	-1.9%
	Capex	£2-2.2bn	2.2
2023-2026 Group	Revs	c1%	0.6%
	EBITDA	c2%	1.7%
	Capex/sales	<12%	11.9%
	EBITDAaL-Capex	c5%	8.1%
	FCF	>10%	10.7%
2023-26 Spain	Revs	+ve	1.4%
	EBITDA	+ve	2.3%
	Capex/sales '26	10%	10.0%
	EBITDAaL-Capex	+ve	8.4%
2023-26 Brazil	Revs	+ve	3.7%
	EBITDA	+ve	5.2%
	EBITDAaL-Capex	+ve	12.1%
2023-26 Germany	Capex/Sales	decline	-1.2%

Source: BofA Global Research estimates, company report

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Price objective basis & risk

Telefonica SA (TEFOF / TEF)

Our price objective of €4.6 per share (US\$4.97/ADR) is calculated using a Sum-of-the-Parts analysis comprising a mixture of DCF valuations for the larger units and market multiples for the Latam base. Domestic valuation is based on DCF with 8.0% WACC and 1.0% terminal growth. We include the UK JV as an associate based on DCF. In line with the remaining coverage, we apply a conglomerate discount of 10% for the group.

Upside risks to our PO are better-than-expected price trends in Spain, and recovery in Germany post 1&1 loss. New NetCo in UK could provide a route to M&A and accretive funding.

Downside risks to our PO are increasing competitive pressures in Spain as Digi builds network, deterioration of performance in Brazil in the face of macroeconomic volatility, increasing UK capex needs to support fibre build.

Analyst Certification

I, David Wright, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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EMEA - Telecoms Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BT	BTGOF	BT/A LN	David Wright
	Cellnex	CLNXF	CLNX SQ	David Wright
	Cellnex	CLLNY	CLLNY US	David Wright
	Deutsche Telekom	DTEGY	DTEGY US	David Wright
	Deutsche Telekom	DTEGF	DTE GY	David Wright
	Freenet AG	FRTAF	FNTN GY	Titus Krahn
	Helios Towers plc	HTWSF	HTWS LN	David Wright
	Inwit	IFSUF	INW IM	David Wright
	Orange	FNCTF	ORA FP	Titus Krahn
	Orange	ORAN	ORAN US	Titus Krahn
	Tele2 AB	TLTZF	TEL2B SS	Titus Krahn
	Telecom Italia -RSP	TIAJF	TITR IM	David Wright
	Telecom Italia SPA	TIAY	TIAY US	David Wright
	Telecom Italia SPA	TIAOF	TIT IM	David Wright
	Telefonica SA	TEFOF	TEF SQ	David Wright
	Telefonica SA	TEF	TEF US	David Wright
	United Internet AG	UDIRF	UTDI GY	Titus Krahn
	Vodafone Group	VOD	VOD US	David Wright
	Vodafone Group	VODPF	VOD LN	David Wright
NEUTRAL				
	1&1 AG	DRHKF	1U1 GY	Titus Krahn
	KPN	KKPNF	KPN NA	Titus Krahn
	Liberty Global	LBTYA	LBTYA US	David Wright
	Telenor	TELNF	TEL NO	Titus Krahn
	Telenor	TELNY	TELNY US	Titus Krahn
UNDERPERFORM				
	Bouygues	BOUYF	EN FP	Titus Krahn



EMEA - Telecoms Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Elisa	ELMUF	ELISA FH	Titus Krahn
	Proximus	BGAOF	PROX BB	Titus Krahn
	Swisscom	SWZCF	SCMN SW	Titus Krahn
	Swisscom	SCMWY	SCMWY US	Titus Krahn
	Telia Company	TLSNF	TELIA SS	Titus Krahn
	Telia Company	TLSNY	TLSNY US	Titus Krahn
RSTR				
	Telefonica Deutschland	TELDF	O2D GY	David Wright

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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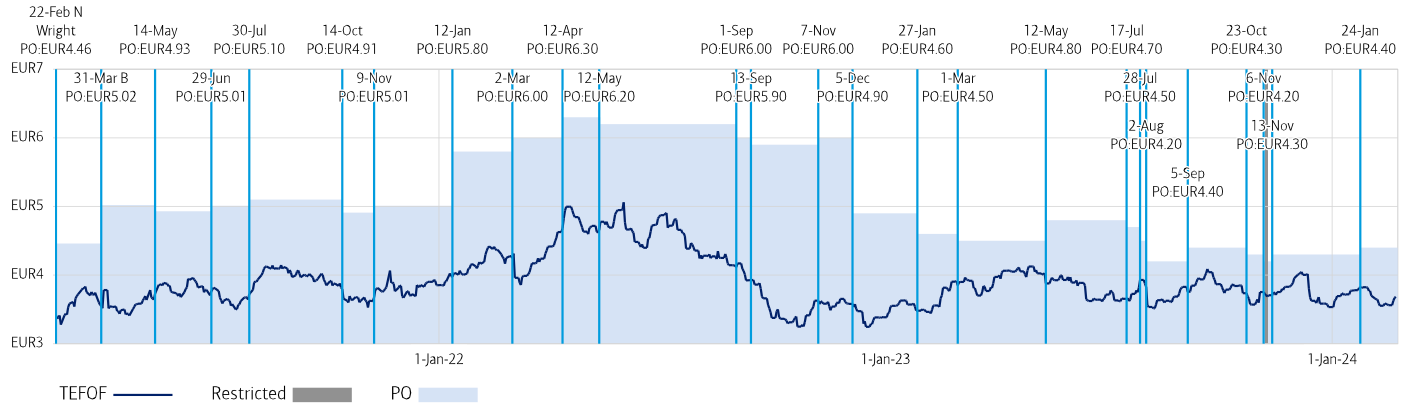
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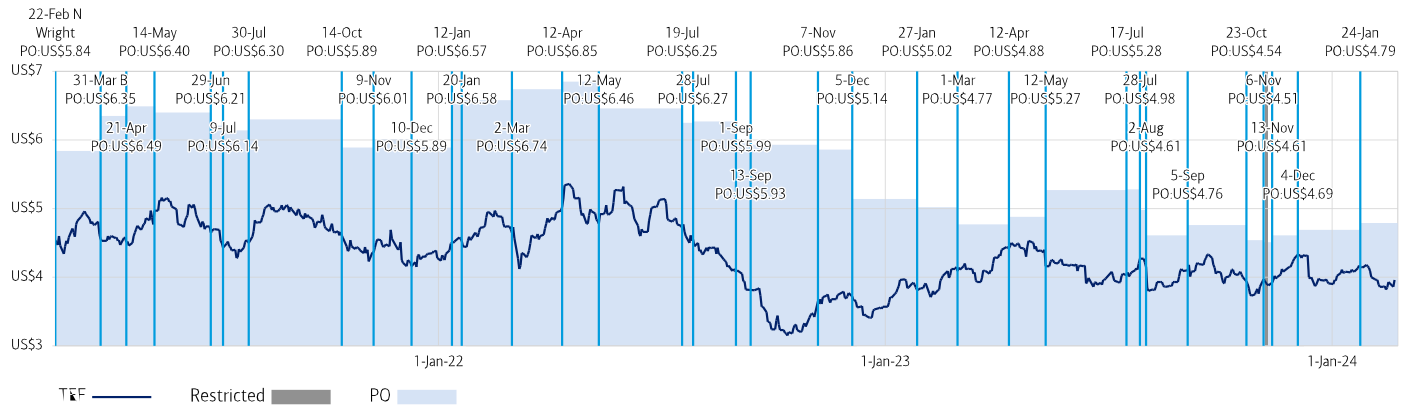
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Telefonica SA (TEFOF) Price Chart



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Telefonica SA (TEF) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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