

## Research Update:

# Coltel Outlook Revised To Stable From Positive On Increased Leverage And Weakening Liquidity; 'B+' Rating Affirmed

October 9, 2025

## Rating Action Overview

- Colombian telecom operator Colombia Telecommunicaciones S.A. E.S.P. (Coltel) underperformed our expectations in the first half of 2025. High working capital requirements, resulting in cash flow deficits and a relatively low cash position compared with its increased short-term debt obligations, have strained liquidity.
- However, Millicom's offer to acquire a 67.5% stake in Coltel is still in progress, and we believe, once it's closed, it could strengthen Coltel's business.
- On Oct. 9, 2025, we revised our outlook on Coltel to stable from positive and affirmed our 'B+' issuer credit and issue ratings on the company.
- The stable outlook reflects our expectation that Coltel's operating performance will improve in the second half of 2025 and that over the next 12 months, it will maintain its ability to refinance its short-term debt obligations. Our base case assumes that Millicom's transaction will close in the next four to six months and will likely have a positive impact on Coltel's competitive position.

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## Rating Action Rationale

**Financial performance weakened during the first half of the year as a result of higher debt.** The company increased its consolidated debt to Colombian peso (COP) 6.743 trillion, resulting in an increase in net leverage to 4.7x as of the second quarter of 2025, from COP5.381 trillion and 3.6x in December 2024. The increase in debt was mainly as a result of higher working capital needs, leases, and spectrum payments. Consequently, the company addressed these requirements by obtaining a loan for approximately COP211 billion from Telefonica Hispam and by increasing its reliance on bank loans. Our base-case scenario assumes the company's leverage will drop slightly toward 4.0x by 2025, based on improved operating performance during the second half of the year, which we expect to enhance revenue, profitability, and cash balance.

**Coltel has struggled to grow revenues amid stiff competition in Colombia.** The company reported a revenue decline of 5.3% as of June 30, 2025, mainly due to lower revenues in the B2B segment with lower revenues from installations, network deployments, cybersecurity services, and licensing, associated with reduced demand for corporate projects. Good performance in prepaid and postpaid services and fixed services through fiber somewhat mitigated this decline while also increasing end-customer access, mainly for mobile services. As a result, we anticipate the company's revenue will slightly improve based on the cyclical nature of the industry during the second half of the year, leading to growth of about 0.5% during 2025.

**Increased short-term debt maturities have weakened Coltel's liquidity.** We now expect Coltel's liquidity to weaken in the next 12 months due to lower cash flow generation and higher short-term obligations. Although the company has rolled over most of its short-term debt, it faces about COP344 billion in maturities for the next 12 months, compared with COP140 billion in cash as of June 30, 2025. Coltel has historically maintained ample access to bank lending; therefore, we believe that the company will successfully refinance its short-term debt obligations, alleviating liquidity pressures for the next 12 months.

## Outlook

The stable outlook reflects our expectation that Coltel's operating performance will improve in the second half of 2025 and that over the next 12 months, it will maintain its ability to refinance its short-term debt obligations. Our base case also assumes that Millicom's transaction will close in the next four to six months and will likely have a positive impact on Coltel's competitive position.

### Downside scenario

We could downgrade Coltel in the next 12 months if:

- The company fails to strengthen operating cash flows during the second half of the year, with debt to EBITDA near 4.0x and free operating cash flow to debt remaining below 10%;
- Liquidity pressures continue from short-term debt maturities, cash shortfalls, or higher-than-expected cash expenses, leading the company to rely on higher debt or refinancings, which could suggest weaker risk management or unsustainable debt; or
- The acquisition by Millicom is completed through material incremental debt, hindering the group credit profile.

### Upside scenario

We could upgrade Coltel in the next 12-18 months if:

- Debt to EBITDA reaches 3.0x or below while free operating cash flow to debt strengthens to above 10%;
- Coltel posts higher-than-expected operating revenue that suggests favorable business dynamics; and
- Coltel demonstrates business efficiencies through consistently higher EBITDA, maintains adequate liquidity sources, and covers capex and working capital needs without requiring additional debt or reducing its cash balance.

## Company Description

Coltel is an integrated telecom provider that operates under the trademark Movistar. It has been part of the Telefonica group since 2006. In 2012, Coltel merged with Telefonica Moviles Colombia S.A. Telefonica currently owns 67.5% of Coltel, and the Colombian government owns the remainder. Coltel provides fixed and mobile telephony, internet, broadband, data transmission services, satellite television, and corporate services (such as data centers and IT services).

## Our Base-Case Scenario

### Assumptions

Macroeconomic assumptions include:

- S&P Global Ratings economists expect Colombian GDP growth of 2.5% in 2025 and 2.8% in 2026, and consumer price index (CPI) inflation of 5.0% and 4.3%, respectively.
- Colombia's low economic growth and higher inflation rates could suggest a continuously higher elasticity for the telecom industry, as higher prices take a toll on the customer base.
- We expect the high competition in recent years to continue to hinder price increases and for Coltel to seek to recover revenues through its subscriber base.
- Coltel's operating currency is the Colombian peso. On a pro forma basis, as of June 30, 2025, about 35% of total debt was denominated in U.S. dollars and the remaining 65% was in Colombian pesos. The company faces low foreign exchange volatility on its U.S. dollar-denominated debt because it manages the risks with derivative financial instruments on exchange rates and interest rates. Coltel also takes into account the net positions of the balance sheet to take advantage of natural hedges to avoid incurring excess bid-offer spread costs in hedging operations.

Our company-specific operating and financial assumptions include (not assuming any impact from the potential acquisition, since the terms and timing of the transaction are still uncertain):

- Revenues to increase at about 0.5% to COP6.7 trillion in 2025 and then grow by a low-single-digit rate in the next two years to approach COP6.9 trillion in 2026, in line with our current economic growth rates for Colombia.
- Operating costs in 2025 will continue to decrease at a lower rate than revenue because of implemented operating efficiencies, which should support steadier profit margins. For 2025 and 2026, we forecast operating costs will grow in line with inflation, especially labor costs and interconnection expenses linked to expected increased traffic.
- Adjusted EBITDA of about COP1.5 trillion annually during 2025-2026.
- Capex to remain in line with the network and fiber deployment, under the shared infrastructure strategy, totaling about COP650 billion in 2025 and COP466 billion in 2026. This will continue to represent around 7% of total revenue.
- No dividend payments for the next three years, given our expectations that Coltel will focus on preserving its liquidity and prudently allocating cash generation for capex, license renewals, and debt maturities.

## Key metrics

### Colombia Telecommunicaciones S.A. E.S.P--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Bil. COP)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	5,911	7,864	7,123	6,683	6,716	6,850	7,022
Annual revenue growth (%)	10.3	33.0	(9.4)	(6.2)	0.5	2.0	2.5
EBITDA	1,732	1,510	1,512	1,484	1,544	1,606	1,682
EBITDA margin (%)	29.3	19.2	21.2	22.2	23.0	23.4	23.9
Funds from operations (FFO)	1,033	782	693	786	725	779	856
Interest expense	391	489	614	549	615	652	643
Cash flow from operations (CFO)	1,803	1,609	1,216	1,208	670	647	757
Capital expenditure (capex)	712	431	815	488	650	466	477
Free operating cash flow (FOCF)	1,091	1,178	401	720	20	181	279
Dividends	--	96	--	--	--	--	--
Share repurchases (reported)	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	1,091	1,082	401	720	20	181	279
Debt	4,783	5,179	5,584	5,381	5,949	6,156	6,221
Equity	5,031	4,729	3,953	3,485	2,855	2,175	1,573
Cash and short-term investments (reported)	605	609	362	525	889	398	209
<b>Adjusted ratios</b>							
Debt/EBITDA (x)	2.8	3.4	3.7	3.6	3.9	3.8	3.7
FFO/debt (%)	21.6	15.1	12.4	14.6	12.2	12.6	13.8
FFO cash interest coverage (x)	4.2	2.8	2.3	2.8	2.2	2.2	2.4
EBITDA interest coverage (x)	4.4	3.1	2.5	2.7	2.5	2.5	2.6
CFO/debt (%)		37.7	31.1	21.8	22.4	11.3	10.5
FOCF/debt (%)	22.8	22.7	7.2	13.4	0.3	2.9	4.5
DCF/debt (%)	22.8	20.9	7.2	13.4	0.3	2.9	4.5
Return on capital (%)	3.5	2.1	2.8	5.3	4.3	4.7	5.7

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. COP--Colombian peso.

## Liquidity

We revised our assessment of the company's liquidity to less than adequate from adequate given the company's increased use of short-term debt to cover working capital requirements. Additionally, the company has mentioned that it will continue to refinance its short- to medium-term loans with banks while tax rates are more favorable and the Millicom transaction takes place.

Therefore, we now forecast Coltel's liquidity sources will be less than 1.0x of expected liquidity uses for the next 12 months. However, we believe Coltel maintains sound relationships with banks, which has allowed for access to financing when needed and has allowed the company to

refinance its short-term debt obligations. We will monitor future liability management transactions based on the maturity schedule.

Principal liquidity sources:

- Cash and liquid investments of COP140.4 billion as of June 30, 2025
- Expected cash funds from operations of COP461.2 billion for the next 12 months
- Working capital inflows of about COP83 billion for the next 12 months
- Expected funds from refinancing bank loans to cover debt maturities in the upcoming 12 months of COP770 billion

Principal liquidity uses:

- Scheduled short-term debt maturities of COP1.1 trillion as reported on June 30, 2025
- Estimated capex of COP557 billion for the next 12 months

## Covenants

As of June 30, 2025, Coltel doesn't have any financial covenants on its debt.

## Environmental, Social, And Governance

Environmental, social, and governance factors are neutral and have no material impact on our ratings analysis on Coltel.

## Issue Ratings--Subordination Risk Analysis

### Capital structure

The company's gross debt consists of COP4.739 trillion as of June 30, 2025, of which:

- COP2.081 trillion corresponds to its 4.95% senior unsecured notes due 2030;
- COP152.205 billion is in local bonds due 2029; and
- The remainder corresponds to bank loans and other financial obligations.

### Analytical conclusions

Our issue rating on Coltel's outstanding \$500 million senior unsecured notes due 2030 remains 'B+', in line with our issuer credit rating. Neither secured debt nor debt at the subsidiary level exceeds 50% of the company's financial debt. Therefore, there is no material subordination risk on the senior unsecured notes.

## Rating Component Scores

### Rating Component Scores

Component	
Foreign currency issuer credit rating	B+/Stable/--
Local currency issuer credit rating	B+/Stable/--
Business risk	Fair
Country risk	Moderately high risk
Industry risk	Intermediate risk
Competitive position	Fair
Financial risk	Aggressive
Cash flow/leverage	Aggressive
Anchor	bb-
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Less than adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	b+

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Related Research

- [Research Update: Telecom Operator Coltel Upgraded To 'B+' On Planned Short-Term Debt Refinancing And Improved Liquidity; Outlook Positive](#), April 23, 2024
- [Research Update: Colombia Outlook Revised To Negative On Subdued Economic Growth Prospects; 'BB+/B' Foreign Currency Ratings Affirmed](#), Jan. 18, 2024
- [Industry Credit Outlook 2024: Telecommunications](#), Jan. 9, 2024
- [Research Update: Telecom Operator Coltel Downgraded To 'B' From 'BB' On Strained Liquidity And Financial Metrics, On CreditWatch Negative](#), Dec. 18, 2023

## Ratings List

### Ratings List

#### Ratings Affirmed; Outlook Action

	To	From
<b><a href="#">Colombia Telecomunicaciones S.A. E.S.P.</a></b>		
Issuer Credit Rating	B+/Stable/--	B+/Positive/--
<b>Ratings Affirmed</b>		
<b><a href="#">Colombia Telecomunicaciones S.A. E.S.P.</a></b>		
Senior Unsecured	B+	

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