

TELECOM ARGENTINA SA
Form 6-K
August 28, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2018

Commission File Number: 001-13464

Telecom Argentina S.A.

(Translation of registrant's name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

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Telecom Argentina S.A.

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Exhibit

1. Financial information consisting of a free translation of (i) Telecom Argentina's Operating Financial Review and Prospects as of June 30, 2018, which includes Telecom Argentina's Unaudited Consolidated Pro Forma Results Information illustrating, for comparative purposes, the financial effects attributable to the merger of Telecom Argentina S.A. and Cablevisión S.A. as of June 30, 2018 and June 30, 2017 and (ii) the Unaudited Consolidated Financial Statements of Telecom Argentina S.A. as of June 30, 2018 and 2017.

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Telecom Argentina S.A.

You should carefully review the information contained herein before making an investment decision. However, the unaudited pro-forma information contained in TEO's unaudited consolidated financial statements as of and for the six-month period ended June 30, 2018 is provided for comparative purposes only in order to illustrate, on a pro forma basis, the financial effects attributable to the merger (the Merger) between Telecom Argentina S.A. (TEO) and Cablevisión S.A. (Cablevisión) on TEO's unaudited consolidated financial statements as of and for the six-month period ended June 30, 2018, which are included in this 6-K.

We have not authorized anyone to provide information that is different or additional to the information contained in this 6-K. We do not take responsibility for any other information about TEO or Cablevisión that others may give you. If anyone provides you with different or additional information, not included in this 6-K, you should not rely on it. You should assume that the information in this 6-K relating to TEO or Cablevisión is accurate only as of January 1, 2018 (the Merger Effective Date), regardless of the time it is delivered. All defined terms not otherwise defined herein will have the meaning assigned to them in our annual report on Form 20-F for the year ended December 31, 2017, filed with the SEC on April 20, 2018, which we refer to as the TEO 2017 20-F.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Telecom Argentina S.A. is a company incorporated under the laws of Argentina. Unless otherwise stated, the terms the Company, Telecom, Telecom Group, we, us, and our refer to Telecom Argentina S.A. and its consolidated subsidiaries as of December 31, 2017. Unless otherwise stated, references to the financial results of Telecom are to the consolidated financial results of Telecom Argentina and its consolidated subsidiaries. The Telecom Group is engaged in the provision of fixed and mobile telecommunications services.

Our unaudited consolidated financial statements as of June 30, 2018 and 2017 and for the six-month period ended June 30, 2018 and 2017 and the notes thereto (the TEO 2Q 2018 Unaudited Consolidated Financial Statements), have been prepared in accordance with IFRS as issued by the IASB and have been reviewed by Price Waterhouse & Co. S.R.L. (a member firm of the PricewaterhouseCoopers network) an independent registered public accounting firm (Price Waterhouse).

Third-Party Information

The information set forth in this 6-K with respect to the market environment, market developments, growth rates, trends and competition in the markets and segments in which TEO operates are based on information published by the Argentine federal and local governments through the *Instituto Nacional de Estadísticas y Censos* (the National Statistics and Census Institute, or INDEC) and the Ministry of Public Works, the Central Bank (defined below), the *Dirección General de Estadística y Censos de la Ciudad de Buenos Aires* (General Directorate of Statistics and Census of the City of Buenos Aires) and the *Dirección Provincial de Estadística y Censos de la Provincia de San Luis* (Provincial Directorate of Statistics and Census of the Province of San Luis), as well as on independent third-party data, statistical information and reports produced by unaffiliated entities such as Dataxis, International Data Corporation (IDC), SNL Kagan Media-Communications (Kagan) and Pyramid Research Inc. (Pyramid), as well as on our own internal estimates.

Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward looking and speculative. This 6-K also contains estimates made by us based on third-party market data, which in turn is based on published market data or figures from publicly available sources.

We have not verified the figures, market data or other information on which third parties have based their studies nor have such third parties verified the external sources on which such estimates are based. Therefore we do not guarantee, nor do we assume responsibility for, the accuracy of the information from third-party studies presented in this 6-K or for the accuracy of the information on which such third-party estimates are based.

This 6-K also contains estimates of market data and information derived therefrom which cannot be gathered from publications by market research institutions or any other independent sources. Such information is based on our internal estimates. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. We believe that these internal estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which we operate as well as our position within this industry. Although we believe that our internal market observations are reliable, such estimates are not reviewed or verified by any external sources. In addition, such estimates reflect various assumptions made by us that may or may not prove accurate, as well as the exercise of a substantial degree of judgment by management as to the scope and presentation of such information. No representations or warranties can be made concerning the accuracy of our estimates of market

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data and the information received therefrom. These may deviate from market data estimates made by our competitors or future statistics provided by market research institutes or other independent sources. We cannot assure you that our market data estimates or the assumptions are accurate or correctly reflect the state and development of, or our position in, the industry.

Pro Forma Summarized Financial Information of TEO

This 6-K includes, to illustrate the financial effects attributable to the Merger for comparative purposes only, unaudited pro forma summarized financial information. Telecom's unaudited pro forma consolidated income statement assumes that the Merger was consummated on January 1, 2017 (see Note 4 a. to the TEO 2Q 2018 Unaudited Consolidated Financial Statements). The unaudited pro forma consolidated income statement for the six-month period ended June 30, 2017 are based upon, derived from, and should be read in conjunction with (i) the consolidated financial statements of TEO as of and for the six-month period ended June 30, 2017 and 2016 (the Telecom 2Q 2017 Financial Statements), and (ii) the consolidated financial statements of Cablevisión as of and for the six-month period ended June 30, 2017 and 2016 (the Cablevisión 2Q 2017 Financial Statements). The accompanying unaudited pro forma consolidated income statements give effect to adjustments that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) are expected to have a continuing impact on the consolidated results.

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The Merger will be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3 Business Combinations (IFRS 3), with Cablevisión selected as the accounting acquirer under this guidance. Under IFRS 3, all assets acquired and liabilities assumed are generally recorded at their acquisition date fair value. For purposes of preparing the unaudited pro forma consolidated income statement, the fair value of TEO's identifiable tangible and intangible assets acquired and liabilities assumed are based on an estimate of fair value. Management believes the estimated fair values utilized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions. Fair value estimates may change as additional information becomes available and such changes could be material.

For more information, see Operating and Financial Review and Prospects as of June 30, 2018 in the TEO 2Q 2018 Consolidated Financial Statements.

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UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2018

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TELECOM ARGENTINA S.A.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2018 AND 2017

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(In millions of Argentine pesos or as expressly indicated)

1. General considerations

As required by CNV regulations, the Company has prepared its unaudited consolidated financial statements as of June 30, 2018 under IFRS. Additional information is given in Note 1 to the unaudited consolidated financial statements.

2. Telecom Group's activities for the six-month periods ended June 30, 2018 (1H18) and 2017 (1H17)

The following Operating and Financial Review and Prospects for the six-month period ended June 30, 2018 (the Operating and Financial Review) incorporate the effect of the merger between Telecom Argentina and Cablevisión effective as of January 1, 2018, and the result of the operations from that date of the merged entities carried out by Telecom Argentina as successor since the merger. The Merger has been accounted for as a reverse acquisition under IFRS 3. Under this accounting method, Telecom (the surviving entity) has been considered the accounting acquiree and Cablevisión (the legally absorbed entity) has been considered the accounting acquirer. Additional information concerning the presentation of the financial information, accounting treatment and other information required by IFRS 3 related to merger is provided in Notes 1.c), 3.d.5) and 4.a) to the unaudited consolidated financial statements, and it is recommended to read it in conjunction with this Operating and Financial Review and Prospects.

Consolidated Income Statements under IFRS

	1H18	1H17	Variation	
			\$	%
Revenues	64,179	19,233	44,946	233.7
Operating costs without depreciation and amortization	(40,883)	(11,707)	(29,176)	249.2
Depreciation, amortization and impairment of PP&E	(9,642)	(1,833)	(7,809)	426.0
Operating income	13,654	5,693	7,961	139.8
Earnings from associates	91	78	13	16.7
Financial results, net	(20,847)	(894)	(19,953)	2,231.9
(Loss) Income before income tax benefit (expense)	(7,102)	4,877	(11,979)	n/a
Income tax benefit (expense)	2,230	(1,705)	3,935	n/a
Net (loss) income	(4,872)	3,172	(8,044)	n/a
Attributable to:				
Controlling Company	(4,912)	3,139	(8,051)	n/a
Non-controlling interest	40	33	7	21.2
	(4,872)	3,172	(8,044)	n/a
Basic and diluted earnings per share attributable to the Controlling Company (in pesos)	(2.28)	2.65		

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Revenues amounted to \$64,179 in 1H18, operating costs -including depreciation, amortization and impairment of PP&E- amounted to \$50,525, operating income amounted to \$13,654 equivalent to 21.3% of consolidated revenues- and net loss amounted to \$4,872 equivalent to -7.6% of consolidated revenues-, as a consequence of the devaluation of the peso during 1H18 (+55.0% or \$10.2/USD) that generated a net foreign currency exchange loss of \$19,882 in 1H18 for net liabilities in foreign currency. Net loss attributable to the Controlling Company amounted to \$4,912.

Consolidated revenues were mainly fueled by mobile services, Internet and Cable TV services. Services revenues amounted to \$59,133 -equivalent to 92.1% of consolidated revenues-, and equipment revenues amounted to \$5,046 -equivalent to 7.9% of consolidated revenues-.

Mobile services revenues amounted to \$22,398 -equivalent to 34.9% of consolidated revenues- which were mainly generated by Personal s customers in Argentina.

Cable TV services amounted to \$13,872 -equivalent to 21.6% of consolidated revenues- and they are composed mainly of cable TV services provided in Argentina and Uruguay.

Additionally, Internet services revenues amounted to \$14,435 equivalent to 22.5% of consolidated revenues- and fixed telephony and data services amounted to \$8,247 equivalent to 12.8% of consolidated revenues-.

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Operating costs without depreciation, amortization and impairment of PP&E amounted to \$40,883 during 1H18, and was mainly comprised of employee benefit expenses and severance payments (which totaled \$11,054); fees for services, maintenance, materials and supplies (which totaled \$6,239); taxes and fees with the Regulatory Authority (which totaled \$5,235); programming and content costs (which totaled \$4,529); and commissions and advertising (which totaled \$3,818).

Depreciation, amortization and impairment of PP&E totaled \$9,642 during 1H18 -equivalent to 15.0% of consolidated revenues-, including \$3,197 of additional depreciation and amortization due to the allocation of the higher value to PP&E and Intangibles in the recording of the Merger through the reverse acquisition method (see Note 4.a) to the unaudited consolidated financial statements).

Operating income for 1H18 amounted to \$13,654, resulting in a margin over consolidated revenues of 21.3%.

Financial results, net amounted to a loss of \$20,847 in 1H18, mainly due to net foreign currency exchange rate losses totaling \$19,882, as of a consequence of the devaluation of the peso during 1H18 (+55.0% or \$10.2/USD), interests on debts totaling \$1,345, and taxes and bank expenses totaling \$607, which were partially offset by interests and gains on investments totaling \$600 and results on operations with notes and bonds totaling \$655.

The income tax benefit in 1H18 was \$2,230 mainly due to the loss before taxes that generated a deferred taxes gain related to the recognition of tax carryforward.

Telecom Argentina recorded a net loss of \$4,872 in 1H18, which represents -7.6% of consolidated revenues. Net loss attributable to the controlling shareholders amounted to \$4,912 in 1H18, and the loss per share amounted to \$2.28 pesos.

Unaudited Proforma consolidated income statements

For purposes of facilitating the understanding and analysis of the evolution of the Company's results in 1H18 compared to 1H17 by readers of this Review and Prospects, the following table is included as additional information presenting the comparative figures of 1H17 (PF1H17) on a pro forma basis as if the merger between Telecom and Cablevisión would have occurred on January 1, 2017, according to the criteria and premises described in section 9. It is worth noting that the information included in PF1H17 does not correspond to figures elaborated under IFRS, and they are only provided for the specific proposes mentioned in this paragraph.

	1H18	PF1H17	Variation	
		(*)	\$	%
Revenues	64,179	49,705	14,474	29.1
Operating costs without depreciation and amortization	(40,883)	(32,657)	(8,226)	25.2

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Depreciation, amortization and impairment of PP&E	(9,642)	(7,928)	(1,714)	21.6
Operating income	13,654	9,120	4,534	49.7
Earnings from associates	91	78	13	16.7
Financial results, net	(20,847)	(1,422)	(19,425)	1.366.0
(Loss) income before income tax benefit (expense)	(7,102)	7,776	(14,878)	n/a
Income tax benefit (expense)	2,230	(2,715)		