

European Telecommunication Services Rating Methodology

Corporates

Call for comments

Scope welcomes market participants' comments on its proposed methodology.
Please send your comments by 17 April 2026 to consultation@scoperatings.com.

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1. Introduction

This proposed methodology outlines our approach to rating European telecommunication service companies and complements our [General Corporate Rating Methodology](#), superseding it in the event of conflict, inconsistency or ambiguity. More specifically, it provides guidance on how we analyse the business risks that are specific to these companies. Our financial risk profile assessment is based on the metrics set out in our General Corporate Rating Methodology.

This proposed methodology supersedes the proposal published for a call for comments on 19 December 2025, and for which no comments were received from market participants.

The main differences between this proposal and the version dated 19 December 2025 aim to ensure alignment with the recently proposed General Corporate Rating Methodology (see: [press release dated 16 February 2026](#)) and our suite of corporate methodologies (see: [press release dated 03 March 2026](#)).

Key changes to the methodology

This methodology update contains the following adjustments:

- An alignment with regard to the terminology used for key rating drivers as per our General Corporate Rating Methodology
- A renaming of the following rating factors
 - "Industry-related drivers" to "Industry Risk Profile"
 - "Market Positioning" to "Market Position"
- An alignment of the overall rating construct with the proposed General Corporate Rating Methodology pertaining to:
 - The re-positioning of our liquidity assessment as a supplementary rating driver, rather than as a discrete sub-factor within the financial risk profile
 - The re-positioning of our assessment of parent/government-related entity support and peer context under external rating drivers
- Editorial changes

Expected rating impact

This update will have no impact on outstanding ratings.

2. Scope of application

We define telecommunication service corporates as companies that generate most of their revenues and cash flows from telecommunications and related services, such as transmitting voice, data, text, sound and video. In most cases, they also control significant telecommunications assets, which can either be tangible (e.g. networks, either fixed or mobile, or satellites) or intangible (e.g. spectrum licences and contractual/commercial rights). The operations of telecommunication service companies are typically limited to a specific region, usually determined by the geographic coverage of their telecommunication assets (e.g. networks and mobile licences). These services can be provided either directly to consumers (B2C) or to other businesses (B2B). Broadly, the sector's activities include wireless, fixed and wholesale/enterprise (refer to Section 2 for details).

Under this proposed methodology, we mainly rate companies that derive most of their revenues from providing wireless or fixed telecommunication services. Mobile virtual network operators (MVNOs) are covered by this methodology, even though they do not own or control significant telecommunications assets. However, companies that operate solely in the wholesale/enterprise segment or in pure-play network infrastructure (such as telecommunication towers) are beyond the scope of this methodology, as their operations and business characteristics are different and warrant a separate rating approach.

This telecommunication services methodology can also be applied selectively to non-European issuers where appropriate.

3. The telecommunication services industry

The telecommunication services industry supports personal, enterprise and government communication needs and is considered an essential infrastructure sector that is closely tied to national security and a key driver of economic growth.

Telecom operators function across one or more service segments, including:

- **Wireless services (mobile):** mobile voice and data, messaging (SMS/MMS) and 4G/5G-based applications

- **Fixed services (wired/broadband):** traditional voice services, broadband internet access and leased lines for enterprises
- **Digital and enterprise services:** television, e-payments, virtual private networks (VPNs), data centre services, interconnection services, cloud services, cyber security and managed IT services

Most of these services were developed by companies that were originally involved in fixed voice telephony, generally under a legal or de facto monopoly regime. In many cases, these companies were owned by governments. The industry expanded beyond the traditional fixed telephony services as: i) new services were introduced, such as internet access (for individuals) and leased lines (for corporates); and ii) new technologies were introduced, such as wireless services. Over the last few decades, the telecom market has opened up significantly in most countries with new players allowed to enter, introducing more competition in the industry. In most European markets, the telecom sector is typically characterised by the presence of three to four large, integrated operators providing both mobile and fixed services. Despite being relatively concentrated, regulatory measures and the presence of smaller alternative providers in most countries maintain competitive intensity.

Telecom operators typically function in a well-regulated industry due to their strategic importance and use of public resources such as spectrum. Regulatory bodies oversee spectrum allocation, licensing and the entry of new players in a market, ensuring consumer protection via means such as tariff regulations, universal service obligations, fair competition laws and antitrust oversight.

The telecom industry is highly capital-intensive. It demands substantial initial and ongoing investments, starting with spectrum acquisition, followed by investments in network infrastructure (such as the upgrade from 3G to 4G and 5G, and fibre rollouts) and high maintenance capex. The telecom industry also needs capital investments to safeguard against technological obsolescence and to cover regulatory and compliance costs. Some countries also have a strong MVNO presence. These operators lease network capacity from incumbent providers and enhance market competition by offering diverse, low-cost service options to consumers without having to make sizeable network investments. Nevertheless, MVNOs generally report lower profit margins. This is because they rely on the purchase of wholesale network access from established telecom operators, compete primarily on price, and are unable to cross-sell services given their limited operations.

The creditworthiness of telecom operators is influenced by many factors including market position, revenue stability and capital structure. Typically, an operator with a strong credit profile has a strong market position in its key markets, with stable and recurring cash flow and a diversified portfolio in terms of geographies and services (mobile, fixed, enterprise etc.). Such operators have a large customer base and low churn, culminating in strong operating margins, low leverage and healthy debt protection metrics, with efficient utilisation of the spectrum owned. This typically results in an above-average resilience to economic downturns, in keeping with the essential nature of the services provided. On the other hand, an operator with a weaker credit profile would generally have low market shares with high customer churn and a narrow geographic or service focus. This typically results in a heavier debt burden, with volatile free cash flow and limited access to capital markets and funding.

4. Information and data sources

In the analytical process, we typically take the following sources of information into account. Not all of the listed information will be considered for every rated entity. Moreover, we may consider additional sources of information if necessary.

- Audited financial statements¹
- Unaudited interim financials
- Press releases
- Presentations and information from conference calls/capital market days
- Financial forecasts/budgets of the rated entity
- Research on the industry, rated entity and relevant jurisdictions
- Data from external data providers, e.g. consensus estimates, debt placements
- Management meetings (in the case of issuer participation)
- Loan documentation, e.g. debt prospectuses, bank loan agreements
- Scope internal data, e.g. spreading of historical financials and detailed forecasts for the next few years, and peer group data

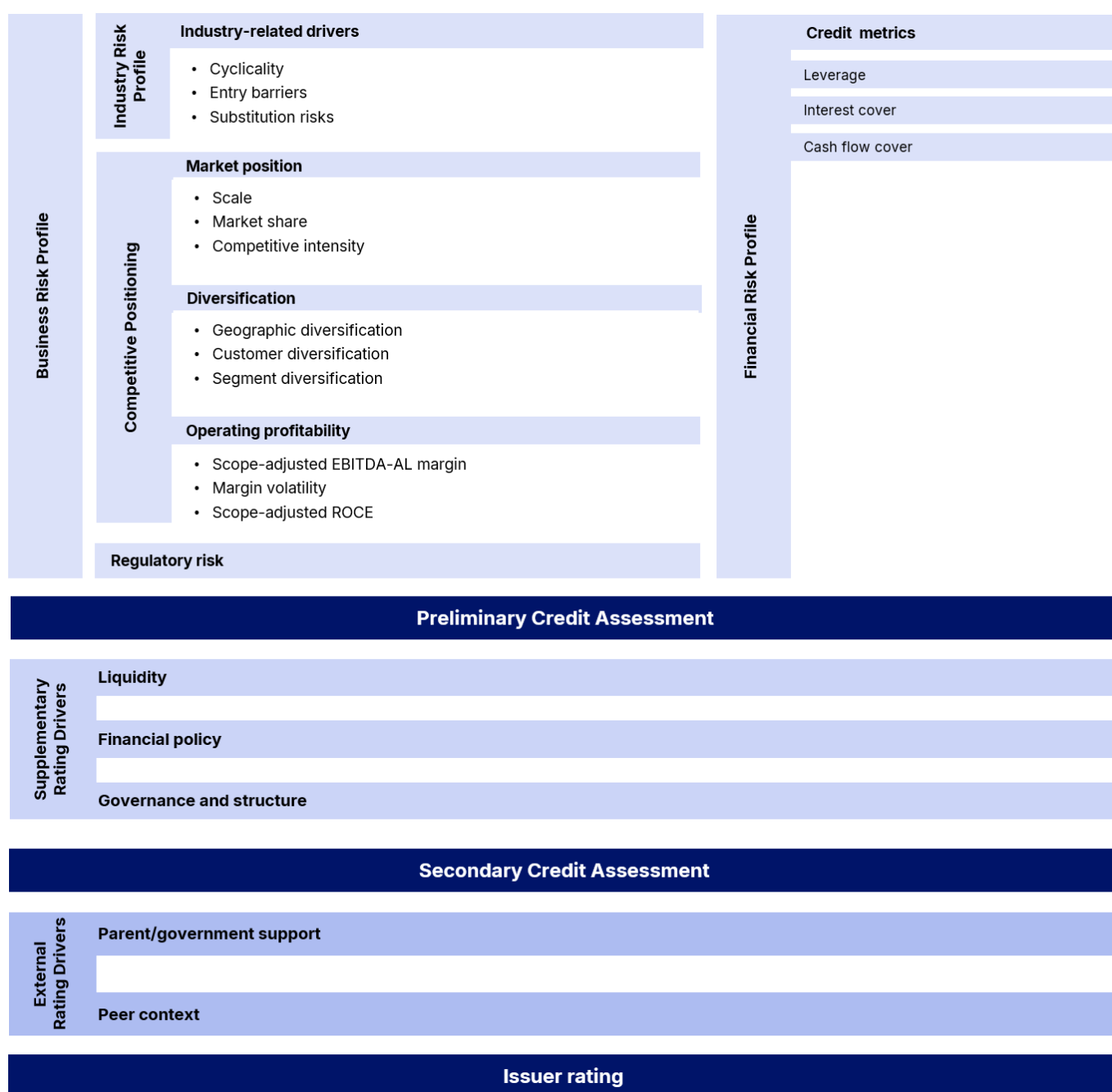
¹ In rare cases, we may consider unaudited and/or pro-forma consolidated accounts in our rating analysis, e.g. for newly formed entities which are unable to provide audited financials.

5. Key components

This proposed methodology would be applied as outlined in Figure 1. The rating analysis takes into account industry-specific credit risk factors as specified in this methodology as well as factors common to all industries such as management, liquidity, legal structure, governance and country risks, which are explained in more detail in the General Corporate Rating Methodology. The following risk drivers are non-exhaustive and may overlap; some may not apply to certain corporates. We may add issuer-specific rating factors, and a company's business model is decisive for our choice of applicable indicators.

The different issuer-specific and rating-relevant characteristics laid out in the methodology must not be seen as a predetermined ranking or scorecard. No rating driver has a fixed weight in the assessment.

Figure 1: Scope's general rating grid for telecommunication service companies



Source: Scope Ratings

5.1 Business Risk Profile

We adopt a forward-looking approach when analysing an issuer's Business Risk Profile, taking into account the issuer's market and sector dynamics, as well as business drivers. The Business Risk Profile is divided into an analysis of the company's Industry Risk Profile and of the company's Competitive Positioning.

5.1.1 Industry Risk Profile

The Industry Risk Profile captures the general drivers for the underlying industry and consists of three factors:

- Cyclicalit
- Entry barriers
- Substitution risks

Cyclicalit

The cyclicalit of the telecommunication services industry is low. Telecommunication services have become indispensable and are considered a basic utility, like access to water and electricity. Due to the non-discretionary nature of these services, demand is fairly stable through economic cycles. It is rare for services to be cancelled or for their use to be moderated during economic downturns. As households typically spend around 2%-3% of their budget on telecom services, this expense is not strongly linked with movements in discretionary income.

Furthermore, most telecommunication services are sold with a subscription mechanism (including automatic renewals unless cancelled), which provides stable revenues as long as the customer remains a subscriber. Demand in the B2B segment is also fairly stable throughout economic cycles, given the critical nature of such services for business operations.

Entry barriers

There are significant entry barriers in the sector, as new players typically need a mobile licence – usually restricted to three or four per country – and/or must have a nationwide network, which involves substantial capital expenditure over several years. Additionally, with subscription growth largely saturated since most of the addressable population already uses these services, there is little incentive for newcomers to enter the market. As a result, the sector tends to be oligopolistic, with the leading operator in each country often being the former monopoly incumbent operator (in some cases state-owned).

In recent years, competition in Europe has even declined slightly, driven by mergers among mobile operators (e.g. in Spain, the UK and Germany) and, more notably, by consolidations between fixed-line providers (including cable operators) and mobile companies (e.g. in the UK, Belgium and Hungary).

Although the need for regulatory approvals, licensing requirements and heavy investment create significant hurdles, national regulators sometimes intervene to encourage competition when market concentration becomes excessive. This can involve issuing new mobile licences or requiring dominant network operators to grant access to alternative providers. Consequently, while barriers to entry in the form of investments and licensing remain considerable, we assess them as medium overall.

Substitution risk

Providing telecommunication services requires access to regulated assets such as spectrum as well as a significant infrastructure that usually takes years to roll out to get national coverage. As a result, substitution risks in the sector are limited.

Nevertheless, there have been some examples of significant substitution in a few segments. One is the progressive replacement of the short message service (SMS) or text message by instant messaging platforms (such as WhatsApp, Messenger and Telegram) from over-the-top (OTT) players. We also foresee increased risk of cannibalisation between various telecommunication services, e.g. mobile voice progressively replacing fixed voice and voice over internet protocol (VoIP) replacing mobile voice. Additionally, satellite-based mobile communications can provide direct connectivity to smartphones without relying on terrestrial towers, extending coverage to remote and underserved areas. While building and maintaining satellite networks requires significant capital, it reduces the need for extensive ground infrastructure. This shift also opens the market to new entrants, enabling satellite operators and tech startups to compete with traditional mobile carriers.

Despite technological shifts and advancements, telecommunication services cannot be fully substituted. We therefore consider substitution risk in the sector to be low.

Table 1: Scope's Industry Risk Profile for telecommunication services companies

Entry barriers \ Cyclicalities	Low	Medium	High
High	CCC/B	B/BB	BB/BBB
Medium	B/BB	BB/BBB	BBB/A
Low	BB/BBB	BBB/A	A/AA

Source: Scope Ratings

We assess the industry risk profile at A, based on low cyclicalities, medium entry barriers and low substitution risk.

5.1.2 Competitive Positioning

We assess the Competitive Positioning of telecommunication service companies by examining the following risk drivers:

- Market position
- Diversification
- Operating profitability

We may adjust the weighting of these three risk drivers to reflect specific business situations. For some sub-assessments within these risk drivers, we use a classification that spans multiple rating categories. In order to position the issuer in a single rating category, we also apply a peer/relative analysis.

Market position

Stronger market shares in telecommunication services are positive, as they imply stable cash flows (since telecommunication services are typically sold via subscriptions). A stable or growing market share indicates good service quality and price positioning. We assess market shares at a national level, as telecom services are not generally exportable. Further, telecom services are typically offered at a national level, via the allocation of licences or spectrum, even if the overarching regulatory framework might be defined at a higher level, such as in the European Union. The sector's competitive dynamics are also usually linked to local market share, assessed in relation to the overall size of the addressable market and influenced by national regulatory frameworks.

We typically evaluate market shares based on the subscriber market share in each relevant market sector, mainly in mobile (data and voice) and fixed (mainly broadband) telecommunications. Our assessment uses independent third-party references (mostly a national regulatory authority) as much as possible while reflecting the unique characteristics of each market and considering the number of significant players present in the market. In cases where revenue market share differs significantly from subscriber market share, our assessment could deviate marginally (by one to two notches) from the assessment suggested below. Our assessment also factors in expected changes in an issuer's market share if we anticipate significant shifts in that market.

Competitive intensity is a key factor when assessing the final market position for any telecom company. Leading telecom players with limited competition are generally better positioned to preserve their market standing, thereby sustaining profitability. Barriers to entry may range in nature from regulatory (licences and spectrum) to structural (high capital requirements and economies of scale). A strong market position also erects competitive barriers in the form of brand loyalty, switching costs and well-established distribution.

Table 2: Market position by rating category

	AA and above	A	BBB	BB	B	CCC and below
Scale	Revenues > EUR 50bn	Revenues of EUR 25bn-50bn	Revenues of EUR 10bn-25bn	Revenues of EUR 1bn-10bn	Revenues < EUR 1bn	Nascent operations; start-ups
Market share	Very strong, sustainable market share in primary markets* (>40%)	Strong, sustained market share in primary markets (30%-40%)	Moderate market share in primary markets (20%-30%)	Modest market share in primary markets (10%-20%)	Low market share in primary market (<10%)	New challenger in primary market
Competitive intensity	Highly stable market position with near-monopoly status, virtually no competition and no incremental entries expected in the near term; high barriers to entry	Stable market with limited number of players and no incremental entries expected in the near term; barriers to entry exist	Stable market with moderate competition; competition exists on an ongoing basis; moderate barriers to entry	Significant competitive intensity; modest barriers to entry	High competitive intensity; low barriers to entry	Very high competitive intensity; virtually no barriers to entry

*Primary markets refer to markets constituting at least 25% of an issuer's revenues

Source: Scope Ratings

Diversification

A telecom company's level of diversification determines its ability to absorb cash flow volatility resulting from economic cycles, regulatory shifts, competitive pressures and technological changes. Limited diversification – whether by geography, customer base or service offering – reduces flexibility and increases exposure to external shocks, which can weaken credit metrics and threaten business sustainability. Although strong market positions or inelastic demand can partially offset these risks, high concentration generally weighs on our assessment of business risk.

For telecom companies, we assess diversification across three dimensions: **geographies, customers** and **segments**.

Geographical diversification: In the telecom sector, competitive and regulatory environments differ significantly from one country to another, even within the same region or continent. Accordingly, having a presence across countries helps offset competitive and regulatory risk. A regional player focused on a few areas within a country and reliant on an outsourced network to provide nationwide connectivity would be the most exposed to competitive threats and regulatory developments. On the other hand, a player with a strong international presence across multiple global regions² would be largely protected against adverse developments in a particular country.

Customer diversification: Given the nature of their operations, telecommunication service companies focusing on mobile and fixed services tend to have a large number of individual or corporate customers. A granular customer base helps mitigate risks arising from shifts in customer preferences, spending, local competition or regulatory changes (e.g. mobile number portability). On the other hand, wholesale-focused companies with few clients face higher risk, especially if customer profiles are weak or do not offer repeat business.

Customer segmentation is assessed alongside the quality of B2B clients, the company's track record with them, and the recurring nature of revenues from these relationships. Thus, we may assess companies with a large contribution from the B2B segment more positively if they are positioned favourably with regard to the above parameters.

Segment diversification: For the purpose of our analysis, we classify telecommunication operations across three broad segments, as detailed earlier in Section 2: i) wireless/mobile services; ii) fixed services; and iii) digital and enterprise services. Diversification across segments shields issuers from adverse trends in specific services. For example, fixed telephony is structurally declining globally, broadband growth can cannibalise mobile data (as seen during the pandemic lockdowns) or vice versa, and enterprise services tend to be more cyclical.

² In our analysis, we identify the following seven global regions: Europe, North America, Latin America, Oceania/Australia, Asia, Africa and the Middle East.

Table 3: Diversification by rating category

	AA and above	A	BBB	BB	B	CCC and below
Geographic diversification	Very strong international presence with operations in three or more global regions ³	Strong international presence with operations in two global regions	Good diversification by country with the primary market accounting for less than 60% of revenues	Moderate diversification by country with the primary market accounting for 60%-90% of revenues	Weak diversification with the primary market accounting for more than 90% of revenues	National player with no international presence
Customer diversification	Highly granular customer base with more than 80% of revenues from B2C segment	Granular customer base with 65%-80% of revenues from B2C segment	Reasonably granular customer base with 50%-65% of revenues from B2C segment	Balanced presence across B2C and B2B segments, with each having 40%-50% of revenues	High reliance on B2B customers, with 25%-40% of revenues from B2C segment	Very high reliance on B2B customers, with less than 25% of revenues from B2C segment
Segment diversification	Very strong presence across all three segments	Presence in all three segments, with limited coverage in one or two segments	Presence in two of three segments, with strong coverage in both segments	Presence in two of three segments, with limited coverage in one segment	Presence in a single segment, with strong coverage in that segment	Presence in a single segment, with limited coverage within that segment or a new entrant with limited scope of operations

Note: Selling telecommunication equipment linked to offered services is not considered diversification, but an ancillary telecommunication services activity.
Source: Scope Ratings

Operating profitability

We primarily use the Scope-adjusted EBITDA after leases (EBITDA-AL) margin to assess profitability. Successful telecommunication service companies tend to have more stable and stronger margins. We consider EBITDA-AL margins over reported EBITDA margins as the former closely represent the economic costs of running a telecom network, adjusting for the impact of leased infrastructure. This metric also enhances comparability between telecom peers with different levels of owned and leased infrastructure.

We also look at the Scope-adjusted return on capital employed to facilitate a comparison across the spectrum of companies covered by the methodology. This metric allows us to assess an issuer's level of return on the large investments in infrastructure, network and spectrum required for telecom companies.

Volatility in the EBITDA-AL margin for established telecommunication service companies is usually low, because these services typically generate recurring revenues through monthly subscriptions from a large number of customers, ensuring steady cash flow. Margin dynamics can nevertheless be influenced by the stage of development (newly established companies requiring higher costs while revenues are still scaling up) or changes in the competitive environment (decrease in customer base, increased marketing costs or entry of new players). Profitability may also depend on an operator's foray into a different sector (a mobile operator moving into fixed telecoms or vice versa) or geography (expansion out of the home country), requiring higher investments to establish its position, which could lead to an uptick in volatility.

We base our assessment of volatility on margin fluctuations over an extended period of time, including periods in which the company's competitive positioning has changed, and over our forecast horizon. We classify the volatility of operating profitability as high, medium or low based on statistical measures such as the EBITDA-AL margin range, a standard deviation of the company's EBITDA-AL margin or the coefficient of variation of the margin.

Table 4: Operating profitability by rating category

	AA and above	A	BBB	BB	B	CCC and below
Scope-adjusted EBITDA-AL margin	>50%	40%-50%	30%-40%	20%-30%	10%-20%	<10%
Margin volatility	Low		Medium		High	
Scope-adjusted return on capital employed	>40%	30%-40%	20%-30%	10%-20%	0%-10%	Negative

Source: Scope Ratings

³ In our analysis, we identify the following seven global regions: Europe, North America, Latin America, Oceania/Australia, Asia, Africa and the Middle East. A region must contribute at least 20% to an issuer's revenues to be considered for geographical diversity.

5.1.3 Regulatory risk

We combine our assessments of an issuer's Industry Risk Profile and Competitive Positioning in order to arrive at a proforma Business Risk Profile assessment. Subsequently, we incorporate an assessment of whether the regulatory framework under which the issuer operates is favourable or unfavourable for its Business Risk Profile.

This regulatory analysis can incorporate an assessment of: i) the relevant regulator's views about the need (or not) for a (more/less) competitive market; ii) changes in tax structure specific to the sector; and iii) other forms of indirect interventions such as pricing guidelines to manage inflation. In addition to assessing the existing scenario, we also evaluate the risks an issuer may face in the future from such regulatory interventions or developments in a country, based on the prevailing competition and pricing scenario and how that compares with peer countries. In most cases, where the regulatory scenario is fairly evolved and stable, our assessment is neutral. However, if regulations are adversely impacting an issuer's operations and cash flows, or if they are likely to do so over the forecast period, we make a negative adjustment to the issuer's business risk profile assessment via notching. Typically, the higher the proforma Business Risk Profile assessment prior to the incorporation of regulatory risks, the greater the potential negative adjustment to account for such risks.

5.2 Financial Risk Profile

Our assessment of a telecommunication service company's Financial Risk Profile follows the guidance in our General Corporate Rating Methodology. We focus on recent and forward-looking financial data. Key parameters include leverage, interest cover and cash flow.

The Financial Risk Profile indicates a company's financial flexibility and viability in the short to medium term. A company with a strong Financial Risk Profile is more likely to be resilient to economic downturns, adverse industry dynamics, unfavourable regulation or an unexpected loss of a revenue source. The ability to retain financial flexibility during an economic downturn is a rating driver for a telecommunication services company, as this indicates its ability to invest at all phases of the economic cycle.

5.2.1 Credit metrics

We assess the Financial Risk Profile of telecommunication service companies using the same credit metrics as those set out in our [General Corporate Rating Methodology](#).

Our analysis typically adjusts the debt of a telecommunications company by various items (where deemed material), including off-balance sheet debt from the leasing of long-term assets (if not reflected by IFRS 16), debt-like provisions such as unfunded pension provisions and unfunded asset retirement provisions for the decommissioning and/or restoration of network infrastructure sites, spectrum payables or other debt-like contingencies.

5.3 Supplementary Rating Drivers

Supplementary Rating Drivers complement our analysis of the factors and drivers of the BRP and the FRP. They are reflected via notching based on the Preliminary Credit Assessment as the starting point.

Our supplementary analytical aspects cover:

5.3.1 Liquidity

Our general assessment of liquidity is outlined in the General Corporate Rating Methodology.

5.3.2 Financial policy

Our general assessment of financial policy is described in the General Corporate Rating Methodology.

5.3.3 Governance and structure

Our general assessment of governance and structure is described in the General Corporate Rating Methodology.

5.4 External Rating Drivers

External Rating Drivers finalise our analysis. They are reflected via notching based on the Secondary Credit Assessment as the starting point.

5.4.1 Parent/government support

Our assessment of parent support is described in the General Corporate Rating Methodology.

When assessing the credit quality of a telecommunication services company that may benefit from government support, we incorporate the relevant sovereign or sub-sovereign's capacity and willingness to bail out the company in the event of financial distress, as laid out in [Scope's Government Related Entity Rating Methodology](#).

5.4.2 Peer context

Our assessment of peer context is described in the General Corporate Rating Methodology.

5.5 Environmental, social and governance (ESG) assessment

Credit-relevant environmental and social factors are implicitly captured in the rating process, while corporate governance is explicitly captured at the 'governance and structure' analytical stage (see 5.3.3).

The rating analysis focuses on credit quality and credit assessment drivers. An ESG factor is only credit-relevant if it has a discernible and material impact on the issuer's cash flow, and, by extension, its overall credit quality.

ESG-related factors can be credit-positive, credit-negative or credit-neutral. Such factors need be assessed using either qualitative judgement or quantitative measures.

Credit-relevant ESG factors can directly and indirectly affect all elements of the Business Risk Profile, Financial Risk Profile, Supplementary Rating Drivers and External Rating Drivers. The importance/relevance of certain ESG factors is specific to each rated entity, industry and region, except for governance, which is universally applicable across all industries.

Consumer sentiment and awareness of ESG topics are increasingly affecting telecommunication service companies, exposing them to direct and indirect ESG risks. Telecommunication service companies are increasingly focusing on environmental factors such as energy efficiency and the transition to renewable energy, e-waste management, emissions reduction through the value chain and the development of climate-resilient infrastructure.

Social factors primarily relate to telecommunication service companies' ability to achieve digital inclusion and ensure data protection for their customers, while ensuring the well-being, safety and diversity of their employees and managing labour relations.

Companies failing to consider ESG factors within their strategy may be subject to reputational risk that could also significantly harm their brand. Minimising these risks requires sound governance, including independent and external bodies that monitor risk management, incidences of bribery and corruption, and financial disclosures, while maintaining transparent communication with all stakeholders.

The [General Corporate Rating Methodology](#) provides further detail on how ESG factors are incorporated in the credit analysis.

6. Issuer rating

The final issuer rating is based on our analysis of the Business Risk Profile, Financial Risk Profile, Supplementary Rating Drivers and External Rating Drivers. The rating committee decides on the relative importance of each rating driver. For the Preliminary Credit Assessment, the Business Risk Profile and Financial Risk Profile are generally weighted equally for companies perceived as crossovers between investment grade and non-investment grade. The Business Risk Profile is typically emphasised for investment grade companies, while the Financial Risk Profile is mostly the focus of ratings assigned to companies that are perceived as having high-yield credit profiles. However, the latter also depends on the Financial Risk Profile. Less focus is granted to strong Financial Risk Profiles of companies showing a weak or vulnerable Business Risk Profile (in the B or low BB category) since for such companies, the Financial Risk Profile is subject to higher volatility. This takes into account that the credit rating of companies with weak or moderate Business Risk Profiles should not be bolstered by a temporarily strong Financial Risk Profile. Hence, the weighting between the Business Risk Profile and Financial Risk Profile is adapted to each issuer's business model and market(s).

7. Additional methodology factors

For more details on our rating Outlooks for issuer ratings, long-term ratings, short-term debt ratings, and recovery analysis, please see our [General Corporate Rating Methodology](#).

8. Appendix

8.1 Definition of financial items and key performance indicators applicable only to the telecommunication services industry

The General Corporate Rating Methodology provides detailed definitions of the key ratios used in our rating analysis.

The following additional key performance indicators are used for the assessment of telecommunications companies.

Scope-adjusted EBITDA-AL margin (%)	
Profitability measure	
$\frac{\text{Scope-adjusted EBITDA after leases}}{\text{Revenues}}$ <p>(Scope-adjusted EBITDA – depreciation/ amortisation of right-of-use assets – interest on lease liabilities)</p>	<p>This measure adjusts reported EBITDA for lease expenses, which is critical for telecom operators because they rely heavily on leased infrastructure such as towers, fibre and equipment. Reported EBITDA under IFRS (or some local GAAPs following principles similar to IFRS 16 for lease accounting) excludes lease costs. Accordingly, this metric ensures comparability of profitability across companies, irrespective of their asset ownership status (percentage of owned versus leased assets) and their accounting policies for leases.</p>
Scope-adjusted return on capital employed (%)	
Profitability and efficiency	
$\frac{\text{Scope-adjusted EBITDA}}{\text{Average capital employed}}$ <p>(average property, plant and equipment + average intangible assets + average current assets – average short-term liabilities)</p>	<p>This ratio measures how efficiently a company generates earnings from its assets. It allows a comparison between companies with varying business mixes and capital intensities (e.g. mobile network operators, or MNOs, versus MVNOs).</p> <p>Balance sheet values are typically used as reported, while EBITDA is adjusted for significant, exceptional or non-recurring items.</p> <p>We take into account the average exposure of capital employed, taking the average of the balance sheet values for periods t and t-1.</p>

8.2 Related documents

For more information, please refer to the following documents:

- [General Corporate Rating Methodology](#)
- [Government Related Entity Rating Methodology](#)
- [Credit Rating Definitions](#)

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