

TELECOM ARGENTINA SA

Form 6-K

March 11, 2019

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

**Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934**

For the month of March 2019

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)

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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Item

1. Press Release Telecom Argentina S.A. announces consolidated results for the fiscal year 2018 (FY18)

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FOR IMMEDIATE RELEASE

Market Cap P\$271.1 billion

March 7th, 2019

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Telecom Argentina S.A.

announces consolidated results for fiscal year 2018 (FY18)*

Note: The merger between Telecom and Cablevisión was considered an inverse acquisition under IFRS 3 (Business Combinations), with Cablevisión being the surviving entity for accounting purposes. Thus, for the purposes of preparing the consolidated financial statements of Telecom Argentina as of December 31, 2018: i) the comparative figures as of December 31, 2017 correspond to those that arise from the consolidated financial statements of Cablevisión (restated by inflation in terms of a constant measuring unit as of December 31, 2018); and ii) the corresponding information for the annual period ended December 31, 2018, incorporates on the basis of figures corresponding to Cablevisión, the effect of the application of Telecom Argentina's method of acquisition at its fair value in accordance with the IFRS 3 guidelines (see Financial Table No. 3) and the operations of Telecom Argentina as of January 1, 2018. Moreover, the Company has accounted for the effects of inflation adjustment adopted by Resolution 777/18 of the *Comisión Nacional de Valores* (CNV), which establishes that the restatement will be applied to the annual financial statements, for intermediate and special periods ended as of December 31, 2018 inclusive. Accordingly, the reported figures corresponding to FY18 include the effects of the adoption of inflationary accounting in accordance with IAS 29. On the other hand, in order to ease the understanding and analysis of the earnings evolution by its users, additional tables of the income statements are included, containing figures non-adjusted by inflation and which were used as the base for the information presented in constant pesos, exposing on pro forma basis the comparative figures for FY17 as if the merger between Telecom and Cablevisión had been effective as of January 1, 2016 (see Financial Tables No. 5, No. 7 and No. 9). Finally, comments related to variations of results of FY18 and vs. FY17 mentioned in this press release correspond to figures restated by inflation or constant. For further details, please refer to the titles of the financial tables beginning from page 14.

§ Consolidated Revenues amounted to P\$168,046 million in FY18, of which Service Revenues reached P\$155,212 million. Considering the breakdown of Service Revenues, Mobile Services amounted P\$57,776 million; Internet Services totaled P\$37,742 million, while Cable TV Services and Fixed Telephony and Data Services amounted to P\$36,067 million and P\$23,149 million, respectively.

§ **Mobile Internet revenues of Personal in Argentina reached a 62.1% participation in Service Revenues, in current terms.**

§ **Mobile subscribers in Argentina: 18.6 million in FY18, while Cable TV subscribers and Broadband accesses totaled 3.5 million and 4.1 million, respectively.**

§ **Mobile ARPU of Personal in Argentina in FY18 increased to P\$174.0 per month in FY18 (+22.3% vs. FY17).**

§ **Broadband ARPU reached P\$623.4 per month in FY18 (+34.6% vs. FY17). Monthly churn was 1.9% in FY18.**

§ **Cable TV ARPU increased to P\$696.2 per month in FY18 (+36.4% vs. FY17).**

§ **Consolidated Operating costs -including D&A and impairment of PP&E and intangible assets- totaled P\$146,789 million in FY18 (-5.1% vs. FY17).**

§ **Operating Income before Depreciation and Amortization reached P\$56,368 million in FY18 (+3.2% vs. FY17), 33.5% of Consolidated Revenues.**

§ **Net Income amounted to P\$5,536 million in FY18. Net Income attributable to the Controlling Company amounted to P\$5,294 million during the same fiscal year. The variation of the mentioned Net Income vs. FY17 mainly reflects the impact of FX losses over financial results, partially offset by the growth in Operating Income.**

§ **Capex reached P\$42,480 million in FY18, equivalent to 25.3% of Consolidated Revenues.**

§ **Net Financial Debt Position: P\$65,628 million in FY18.**

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<i>(in million P\$ adjusted by inflation, except where noted)**</i>	IAS 29 As of December 31 2018	Adjusted Proforma As of December, 31 2017	Δ \$	Δ %
Consolidated Revenues	168,046	172,354	(4,308)	-2.5%
Operating Income before D&A	56,368	54,598	1,770	3.2%
Operating Income	21,257	17,715	3,542	20.0%
Net Income attributable to Controlling Company	5,294	14,544	(9,250)	-63.6%
Shareholders' equity attributable to Controlling Company	225,686	n.a.	-	-
Net Financial Position - (Debt) / Cash***	(65,628)	(9,580)	(56,048)	-
CAPEX *	42,480	39,938	2,542	6.4%
Fixed lines in service (in thousand lines)	3,544	3,795	(251)	-6.6%
Mobile customers (in thousand)	21,009	22,146	(1,137)	-5.1%
Personal (Argentina)	18,316	18,980	(664)	-3.5%
Nextel (Argentina)	314	717	(403)	-56.2%
Núcleo (Paraguay) -including Wimax customers-	2,379	2,450	(71)	-2.9%
Broadband accesses in Argentina (in thousand)	4,110	4,062	48	1.2%
Cable TV Suscribers (in thousand)	3,454	3,503	(49)	-1.4%
Argentina	3,310	3,360	(50)	-1.5%
Uruguay	144	143	1	0.7%
Average Billing per user (ARBU) Fixed Telephony / voice (in P\$)	219.3	152.3	67.0	44.0%
Average Revenue per user (ARPU) Mobile Services - Personal (in P\$)	174.0	142.3	31.7	22.3%
Average Revenue per user (ARPU) Broadband (in P\$) ***	623.4	463.3	160.1	34.6%
Average Revenue per user (ARPU) Cable TV (in P\$)	696.2	510.3	185.9	36.4%

* (CAPEX in constant measuring unit - Figures as of FY17 calculated as the sum of the parts of Telecom Argentina's and Cablevisión's CAPEX, adjusting them to similar criteria.)

** (Figures may not sum up due to rounding)

*** (Figures as of FY17 calculated as the sum of the parts of Telecom Argentina's and Cablevisión's consolidated net financial positions)

[Buenos Aires, March 7, 2019](#) - Telecom Argentina S.A. (Telecom Argentina) - (NYSE: TEO; BASE: TECO2), one of Argentina's leading telecommunications companies, announced today a Net Income of P\$5,536 million for the annual period ended December 31, 2018, a decrease of P\$9,208 million or 62.5% when compared to FY17. Net loss attributable to the Controlling Company amounted to P\$5,294 million.

It is worth mentioning that the comparative figures for the previous reporting periods have been restated so that the resulting comparative information is presented in terms of the current unit of measurement as of December 31, 2018.

	IAS 29 FY18	Adjusted Proforma FY17	Δ \$	Δ %
Consolidated Revenues (MMP\$)	168,046	172,354	(4,308)	(2.5%)

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Net Income attributable to Controlling Company (MMP\$)	5,294	14,544	(9,250)	(63.6%)
Earnings attributable to Controlling Company per Share (P\$)	2.5	6.8	(4.3)	
Earnings attributable to Controlling Company per ADR (P\$)	12.3	33.8	(21.5)	
Operating Income before D&A *	33.5%	31.7%		
Operating Income *	12.6%	10.3%		
Net Income*	3.3%	8.6%		

*As a percentage of Consolidated Revenues

Note: The average of ordinary shares outstanding considered amounted to and 2,153,688,011 as of FY18 and FY17

During FY18, Consolidated Revenues decreased by 2.5% to P\$ 168,046 million (-P\$ 4,308 million vs. FY17). This decrease is mainly due to the increase in Revenues in FY17, as a result of its restatement to the FY18 currency (whose variation as a consequence of the restatement amounts to approximately 38.5%), partially offset by the restatement of Revenues for FY18 (whose variation as a consequence of the restatement amounts to approximately 18.4%) and by the increase in Revenues of Internet Services and Fixed Telephony and Data Services.

Operating Income totaled P\$21,257 million in FY18 (+P\$3,542 million or +20.0% vs FY17).

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Consolidated Operating Revenues

Mobile Services

As of December 31, 2018, mobile clients amounted to 21.0 million.

In FY18, mobile services revenues represented P\$57,776 million (-8.7% vs. FY17). This variation was mainly due to the higher effect of the restatement of revenues of FY17 vs. FY18, partially offset by the increase in the ARPU. The commercial strategy was focused on promoting the consumption of mobile internet services through an update of the integrated offer of plans suitable for all market segments.

In turn, equipment revenues amounted to P\$12,834 million (-P\$2,274 million or -15.1% vs. FY17). This variation is mainly due to the greater effect of the restatement of the revenues of FY17 vs. FY18, in order to be expressed in homogeneous currency as of December 31, 2018 and by a decrease in the quantities sold, partially offset by the increase in prices of handset sales.

Mobile Services in Argentina

As of December 31, 2018, Personal reached 18.3 million subscribers in Argentina, where postpaid clients represented 39% of the subscriber base.

In FY18, mobile service revenues in Argentina (excluding equipment sales) amounted to P\$51,089 million (-6.2% vs. FY17). Considering mobile revenues in current terms, mobile internet revenues reached 62.1% of service revenues of Personal in Argentina (vs. 49.7% in FY17).

The average monthly revenue per user (ARPU) of Personal in Argentina amounted to P\$174.0 during FY18 (+22.3% vs. FY17).

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As of December 31, 2018, Nextel IDEN subscriber base reached approximately 0.3 million subscribers, where postpaid clients represented 80% of the subscriber base and prepaid clients represented the remaining 20%.

Commercial Initiatives

During the fourth quarter of 2018, the integration mobile service brands began with the launch of a campaign to transport Nextel's customers to Personal. This communication was accompanied by the presentation of Personal's new Smart Radio service, which includes the benefits of the most modern 3G/4G network in the market. Smart Radio enables customers to communicate with all users who share the radio network, including other providers besides Personal, through the use of robust equipment or smartphones which are compatible with the application of the service.

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In addition, the promotion of the update of our clients' devices with discounts and special financing continued, and focusing on the convergence of products. In terms of new releases, the entire portfolio of iPhone devices was incorporated.

Regarding infrastructure, Personal continued to enhance the mobile internet experience of its customers through the deployment of its 4G and 4G+ network throughout Argentina, which currently covers more than 1,500 locations from La Quiaca to Ushuaia, and reaching more than 12.2 million customers with 4G devices throughout the country. Accompanying these improvements through a massive communication campaign, the 4G Personal Network was promoted as the fastest in the country -based on the results of international benchmarks that measure network standards through the worldwide experience of customers-.

Likewise, *Club Personal Convergente* was also presented to Fibertel and Cablevisión customers, which includes benefits with discounts on trips, supermarkets, cinemas, shopping, and others to the entire client portfolio of the different services.

Personal in Paraguay (Núcleo)

As of December 31, 2018, Núcleo's subscriber base reached around 2.4 million clients. Prepaid and postpaid customers represented 83% and 17%, respectively.

Núcleo generated service revenues equivalent to P\$6,687 million during FY18 (+41.6% vs. FY17). Internet revenues represented 45.3% of FY18 service revenues (vs. 44.5% in FY17).

Cable TV Services

Cable TV service revenues reached P\$36,067 million in FY18 (-9.6% vs. FY17). This decrease was mainly explained by the greater effect of the restatement of FY17 revenues vs. FY18, in order to be expressed in homogeneous currency as of December 31, 2018, which was partially offset by the upselling of value added services combined with price adjustments. Cable TV subscribers totaled almost 3.5 million, while the Cable TV ARPU reached P\$696.2 during FY18, rising +36.4% vs. FY17. Moreover, average monthly churn during FY18 was 1.4%.

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In the fourth quarter of 2018, Cablevisión continued to add featured titles to its on-demand content grid, being the most relevant the co-production *Un Gallo para Esculapio (season II)*, and *Morir de Amor*.

In addition, the Company continued offering the possibility to customers to enjoy different Cablevisión Flow exceptional content without consuming mobile data of their Personal plans, as were the cases of the friendly matches of the Argentine National Soccer Team played after the World Cup, and the *Copa Libertadores* final between Boca and River and the Club World Cup 2018.

In the fourth quarter of 2018, Cablevisión continued to migrate its clients in Uruguay in the cities of Montevideo, Canelones and San José to satellite technology, adding more high definition channels to its programming to its offer and, in the near future, new value added services.

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Fixed Telephony and Data Services

During FY18, revenues generated by fixed telephony and data reached P\$23,149 million in FY18, +14.2% vs. FY17. The increase in fixed telephony services was mainly explained by monthly fee price increases that came into effect for both corporate and residential fixed line customers, and additionally due to the bundled offer of packs that include voice and internet services (*Arnet + Voz*), that aim to achieve higher levels of customer loyalty.

As a result, the average monthly revenue billed per user (ARBU) of fixed telephony reached P\$219.3 in FY18, +44.0% vs. FY17.

Meanwhile, Data revenues increase (services mainly offered to Corporate customers, SMEs, Government and to other operators) was mainly driven by FX rate variations that affected those contracts that were adjusted by the \$/US\$ exchange rate, in a context that evidences the growing position of Telecom as an integrated ICT provider.

In this sense, FiberCorp, Personal and Telecom presented their unified portfolio of products and services for companies in the province of Tucumán, Argentina, promoting to current clients and prospects the benefits of the integration of the corporate brands of Telecom Argentina, as well as the latest trends in the world of technology.

In addition, and complementary to its innovation strategy in Internet of Things, the Company launched a third device designed for pets: Personal *Bipy Mascotas*, who joins family IoT solutions already launched as *Bipy Adultos* and *Bipy Niños*. *Bipy Mascotas* is an intelligent pet locator device connected to the Personal 4G network. The device favors remote monitoring, provides useful information of its profile and allows the connection via voice at a distance, through a mobile application.

Internet Services

Internet services revenues totaled P\$37,742 million during FY18, +14.6% vs. FY17. As of December 31, 2018, total broadband accesses increased to more than 4.1 million (+1.2% vs. FY17). Additionally, broadband ARPU amounted to P\$623.4 per month in FY18 (+34.6% vs. FY17). Moreover, the average monthly *churn* rate for the period was 1.9%. On the other hand, clients with service of 20Mb or higher currently represent 40% of the total customer base as of FY18.

Consolidated Operating Costs

Consolidated Operating Costs (including D&A and impairment of PP&E and intangible assets) totaled P\$146,789 million in FY18, a decrease of P\$7,850 million, or -5.1% vs. FY17. These lower operating costs vs. FY17 are mainly associated with the higher effect of the restatement of FY17 vs. FY18 operating costs, in order to be expressed in constant

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currency as of December 31, 2018, which allowed an increase in Operating Income before D&A and a margin expansion. Moreover, this decrease in costs was partially offset by greater costs of services contracted with suppliers, including higher programming and content costs due the incorporation of broadcasting signals of football matches, and an increase in the charge for bad debt expenses.

The cost breakdown is as follows:

- Employee benefit expenses and severance payments totaled P\$30,048 million (-7.2% vs. FY17). The decrease was mainly caused by a higher effect of restatement of employee benefit expenses and severance payments for FY17 vs. FY18, in order to be expressed in homogeneous currency as of December 31, 2018, partially offset by increases in salaries to unionized and non-unionized employees together with the associated social security contributions. Finally, total employees at the end of FY18 amounted to 25,343 (vs. 26,958 in FY17).

- Interconnection and transmission costs (including TLRD, Roaming, international settlement charges and lease of circuits) totaled P\$5,525 million, -6.8% vs. FY17, decreasing mainly due to the greater effect of the restatement of interconnection and transmission costs for FY17 vs. FY18, in order to be expressed in current currency as of December 31, 2018, partially offset by higher TLRD costs and carriers charges.

- Fees for services, maintenance, materials and supplies amounted to P\$16,261 million (-10.4% vs. FY17). These lower costs are mainly due to the greater effect of the restatement of the fees for services, maintenance, materials and supplies of FY17 vs. FY18, in order to be expressed in homogeneous currency as of December 31, 2018, which was partially offset by increases in fees for services, mostly related to call centers and higher professional fees generated by a greater level of activity driven mainly by new Company projects and by services linked to operational management in general. There were also higher technical maintenance costs and higher hardware and software maintenance costs due to price increases, the US\$ FX fluctuations and the higher level of activity.

- Taxes and fees with regulatory authorities reached P\$13,609 million (-8.0% vs. FY17). This decrease corresponds mainly to the greater effect of the restatement of taxes and fees with the regulatory authority of FY17 vs. FY18, in order to be expressed in homogeneous currency as of December 31, 2018, partially offset by the increase in revenues, at nominal value.

- Commissions and advertising (Commissions paid to agents, prepaid card distribution commissions and others) totaled P\$11,210 million (-3.4% vs. FY17). This decline is due to the higher effect of the restatement of Commissions and advertising of FY17 vs. FY18, in order to be expressed in homogeneous currency as of December 31, partially offset by

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higher fees paid in favor of commercial channels and collection fees.

- Cost of handsets sold amounted to P\$9,667 million (-18.0% vs. FY17). The majority of this amount can be associated to handset sales in Argentina, which decreased vs. FY17 due to the greater effect of restating the cost of equipment and handsets sold in FY17 vs. FY18 and due to the decrease in the quantities sold, partially offset by higher average costs per unit in FY18.