



Europe Economics

WACC update for the Irish mobile, fixed-line, and broadcasting sectors

May 2021

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1 WACC Update

1.1 Introduction

This paper provides an update of the WACC for the Irish telecommunication sector based on the updating methodology set out in our report “The Cost of Capital for the Irish Communications Sector — Final Report” published in May 2020 (henceforth the “2020 Report”). This report is structured as follows:

- We first provide an update of each WACC parameter, namely:
 - Inflation
 - Risk-free rate
 - Total Market Return (TMR) and the Equity Risk Premium (ERP)
 - Asset beta.
 - Debt premium.
- We then provide updated figures for the cost of equity, the cost of debt, and the overall WACC.
- In two appendices we set out the WACCs for the COVID-19 period and the post-COVID period.

1.2 Inflation

Figure from our 2020 report: 1.7 per cent

Then European Commission Notice suggests using the 5-years-ahead Eurozone inflation forecast published by the European Central Bank (ECB). At the time of writing this report the longer term (5-years ahead) inflation forecast of the ECB is 1.7 per cent. We note that this inflation assumption value is identical to that used in our 2020 Report.

Updated figure: 1.7 per cent

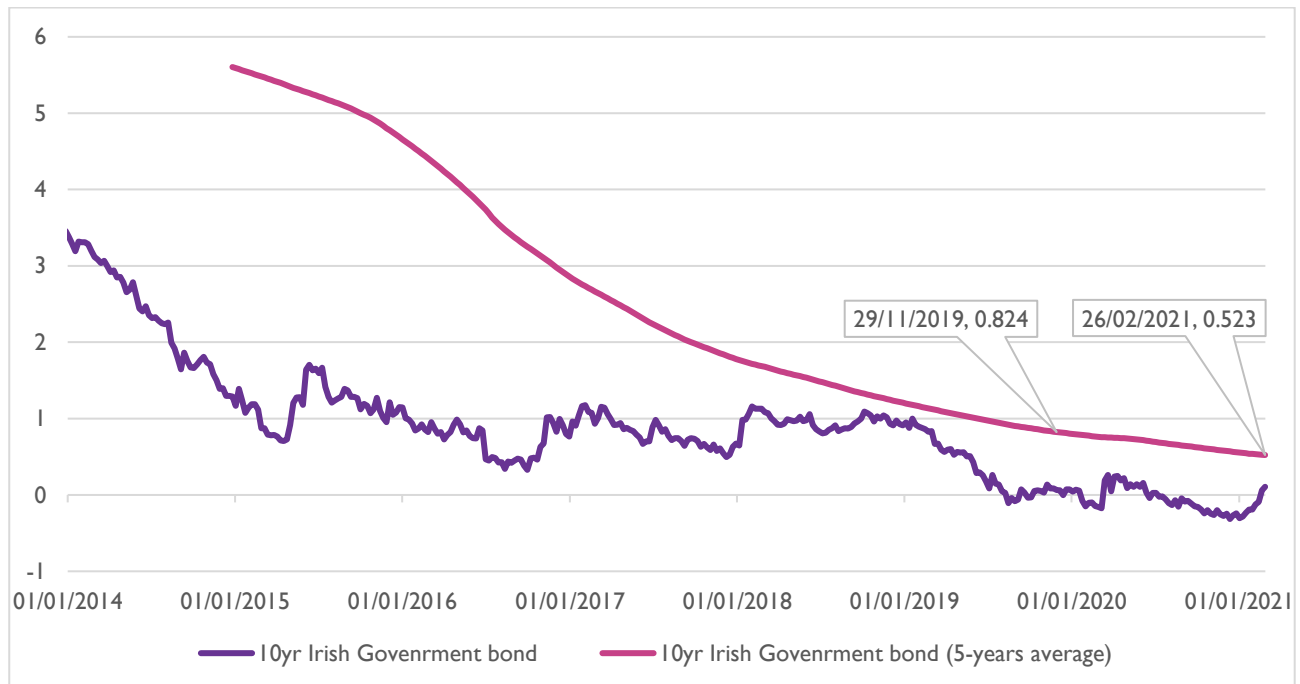
1.3 Risk-free rate

Figure from our 2020 report: -0.86 per cent

The European Commission’s method for estimating the risk-free rate prescribes:

- using domestic government bonds with a residual maturity of 10 years;
- using an averaging period of 5-years;
- calculating average values based on the arithmetic mean; and
- using data with a weekly frequency.

Consequently, under the EC Notice’s proposed methodology, the risk-free rate for Ireland is determined by the 5-year average of weekly yields obtained from Irish government bond with a residual maturity of 10-years. Under such an approach, the Irish nominal risk-free rate 26 February 2021 is 0.523 per cent. The value at end of November 2019 (i.e. the cut-off date used in the 2020 Report) was 0.824 per cent. The evolution of Irish government bond yield is reported in the figure below.

Figure I.1: Recent evolution of 10-year Irish Government bond yield

Source: Thomson Reuters and Europe Economics calculations

Given the inflation assumption of 1.7 per cent the **real-risk free rate** is therefore **-1.16 per cent**.

Updated figure: **-1.16 per cent**

1.4 Total Market Return (TMR) and Equity Risk Premium (ERP)

Figure from our 2020 report: **7.21 per cent**

As we explained in our 2020 Report, for the purpose of implementing the EC approach, we move away from a literal reading of the current EC guidelines which prescribes a direct estimation of the ERP. Instead, we form a view on the appropriate TMR value based on the arithmetic mean of long-term historical series (we note that this specific estimation approach is consistent with EC guidelines) and derive an ERP by subtracting the recommended risk-free rate value from the TMR.

According to the latest DMS figures¹ the real TMR for Europe is 6.1 per cent whilst the real TMR for Ireland is 6.9 per cent. We use these figures to determine a **real TMR range of 6.10-6.90 per cent**, with a **real TMR point estimate of 6.50 per cent** (i.e. the mid-point of the range). Since the real risk-free rate under the EC approach is -1.16 per cent, the **ERP range is 7.26-8.06 per cent**, with an **ERP point estimate of 7.66 per cent** (the mid-point of the range).

Updated figure: **7.66 per cent**

1.5 Beta

1.5.1 Mobile and fixed-line sector

Figures from our 2020 report:

- Mobile: **0.50**
- Fixed line: **0.48**

¹ See Credit Suisse Global Investment Returns Yearbook 2021.

Following the European Commission's recommendation, the relevant comparators' set should be composed of:

- Firms with liquid and frequently traded stocks.
- Firms that own/invest in electronic communications infrastructure.
- Firms with main operations located in the EU.
- Firms with investment grade credit rating (BBB- or above according to S&P rating system).
- Firms not involved in any substantial mergers and acquisitions recently.

The set of relevant telecoms (fixed-line and mobile) comparators that fulfils this criterion is the same set that was chosen in the 2020 Report. The final set of comparators, together with the split of revenues according to the segment where these are generated, is provided in the table below.

Table I.1: Final comparators set for mobile and fixed-line

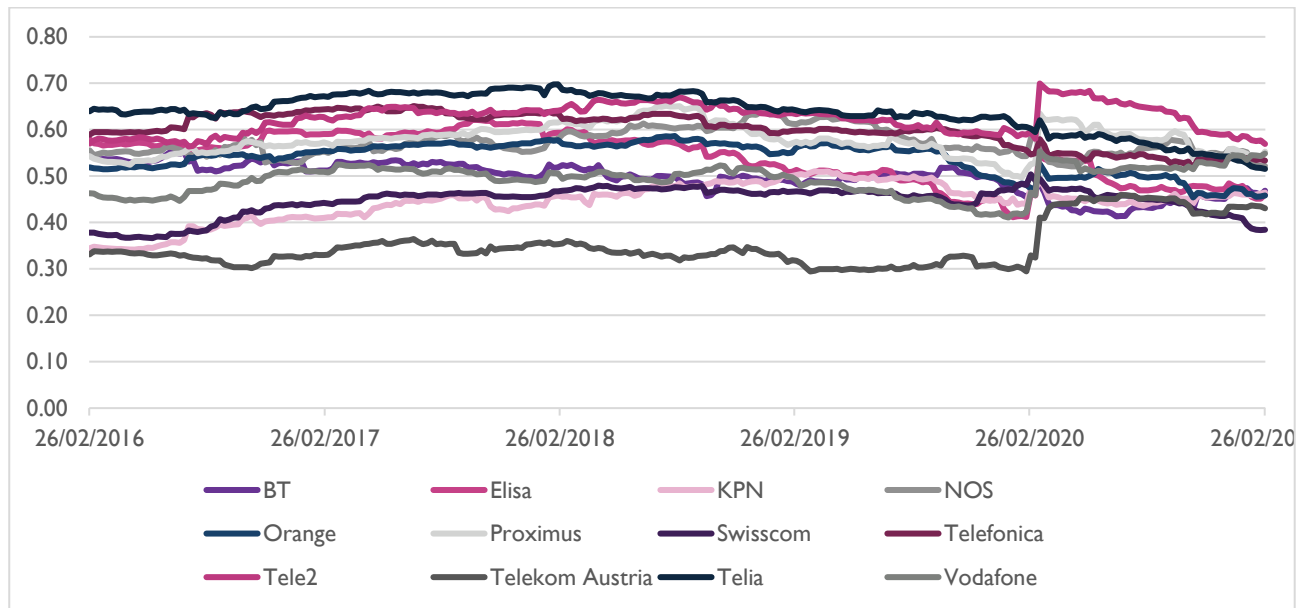
Company	Country of exchange	Mobile revenues share	Fixed-line revenues share ²	Other telecom revenues share
BT	UK	22.48%	28.56%	48.97%
Elisa	FI	60.33%	39.67%	0.00%
KPN	NL	25.90%	30.21%	43.88%
NOS	PT	48.29%	17.66%	34.06%
Orange	FR	42.96%	41.33%	51.72%
Proximus	BE	33.23%	16.36%	50.41%
SwissCom	CH	26.19%	26.70%	47.11%
Telefonica	ES	73.94%	22.13%	3.93%
Tele2	ES	40.71%	27.35%	31.94%
Telekom Austria	AT	45.17%	37.81%	17.01%
Telia	SE	44.55%	16.83%	38.62%
Vodafone	UK	73.84%	26.16%	0.00%

Consistent with the approach in our 2020 report, in order to differentiate between the mobile sector and fixed-line sector unlevered betas, we estimated a weighted average of the operators' betas where the weights are proportional to the share of revenues each company generates from mobile activities and from fixed line activities³.

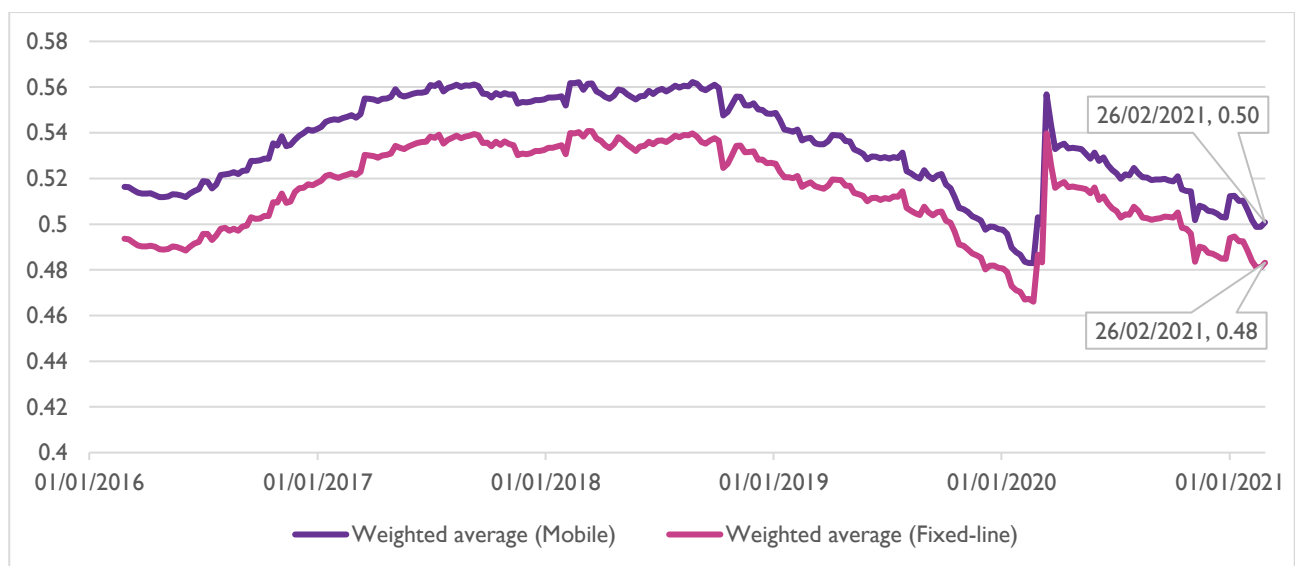
The 5-years weekly beta estimates for all comparators, together with the mobile and fixed-line weighted averages are reported below.

² Fixed-line includes fixed line and broadband.

³ Assume there two companies: Company A has a 50 per cent share of mobile in its total revenue and Company B has 25 per cent share of mobile in its total revenue. The weighted average would be $(50/75)*\text{Asset Beta A} + (25/75)*\text{Asset Beta B}$

Figure I.2: 5-years weekly unlevered beta for telecom comparators

Source: Thomson Reuters and Europe Economics calculations.

Figure I.3: Weighted average 5-years weekly unlevered beta for mobile and fixed line

Source: Thomson Reuters and Europe Economics calculations.

A summary of the range of beta evidence under the EC approach is reported in the table below.

Table I.2: Summary of unlevered (asset) beta evidence under EC approach (spot values at 26- February-2021)

Company	5-years weekly unlevered (asset) beta
BT	0.47
Elisa	0.46
KPN	0.46
NOS	0.52
Orange	0.46

Company	5-years weekly unlevered (asset) beta
Proximus	0.55
SwissCom	0.38
Telefonica	0.53
Tele2	0.57
Telekom Austria	0.43
Telia	0.52
Vodafone	0.55
Simple average	0.49
Weighted average (mobile)	0.50
Weighted average (fixed-line)	0.48

Based on the weighted average figures of the table above, the **asset beta for the mobile sector** is **0.50**, whilst the **asset beta for the fixed-line sector** is **0.48**. These values are the same we recommended in our 2020 Report.

Updated figures:

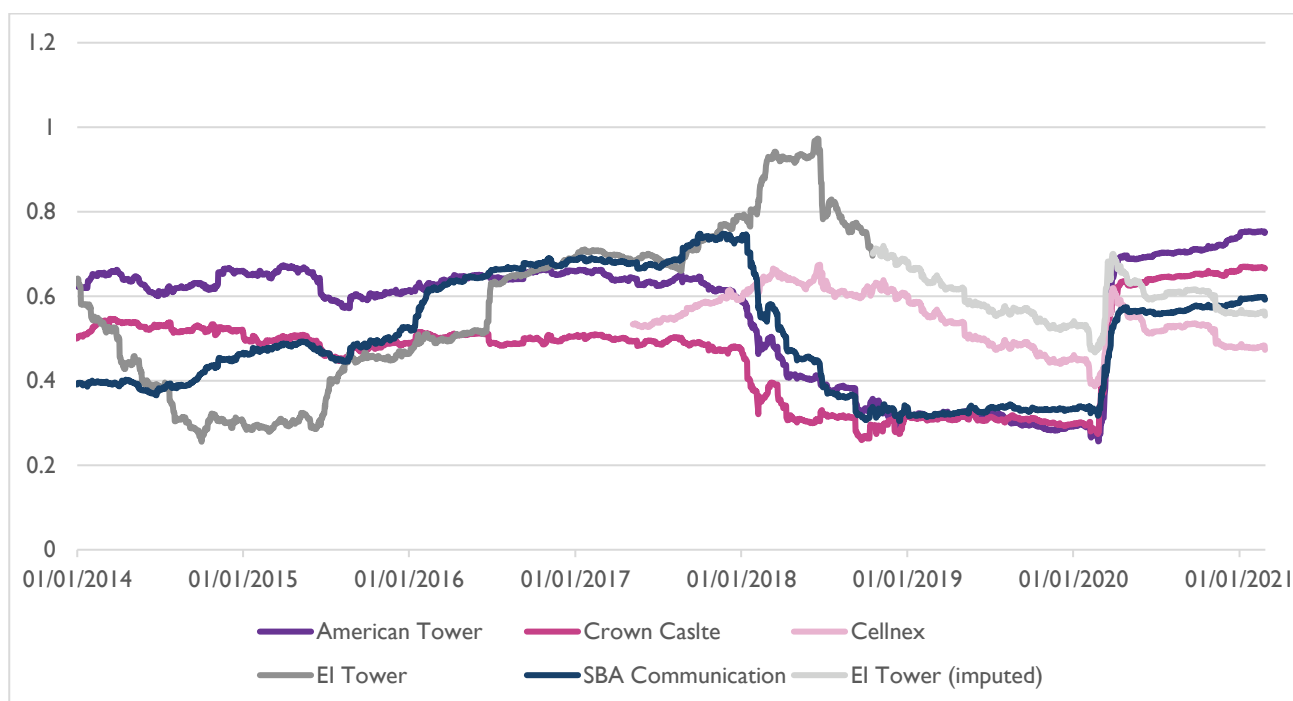
- Mobile: **0.50**
- Fixed line: **0.48**

1.5.2 Broadcasting sector

Figure from our 2020 report: **0.45**

Consistent with the approach taken in our 2020 Report, we have estimated betas for a peer group that includes both non-European broadcasting operators and European companies that provide infrastructure for wireless communications as these are likely to face a systemic risk exposure similar to that of broadcasting operators. For the reasons set out in our 2020 Report, a strict implementation of the European Commission approach to beta estimation for the broadcasting sector is not feasible⁴, therefore betas are estimated based on 2-years daily returns data. These are reported in the figure below.

⁴ The reasons were that there is only one European-based comparator (namely Cellnex) which is rated below investment grade and does not have stock price data for a sufficiently long period to allow beta estimation of over a 5-year time horizon.

Figure I.4: Figure I.5: 2-daily unlevered beta for the broadcasting sector's comparators

Source: Thomson Reuters and Europe Economics calculations.

A summary of all the beta evidence for the broadcasting sector is provided in the table below.

Company / Sector	2-years daily unlevered beta
American Tower	0.75
Crown Castle	0.67
SBA Communication	0.59
Cellnex	0.47
El Tower (imputed at Feb 2021)	0.55
Simple average	0.61
Average Cellnex & El Tower (imputed)	0.51

As we did in our 2020 Report, we place most weight on Cellnex beta estimate and therefore conclude that the updated **asset beta for the broadcasting sector** is **0.47**. We note that this is a material rise from the 2020 figure.

Figure from our 2020 report: **0.47**

1.6 Debt premium

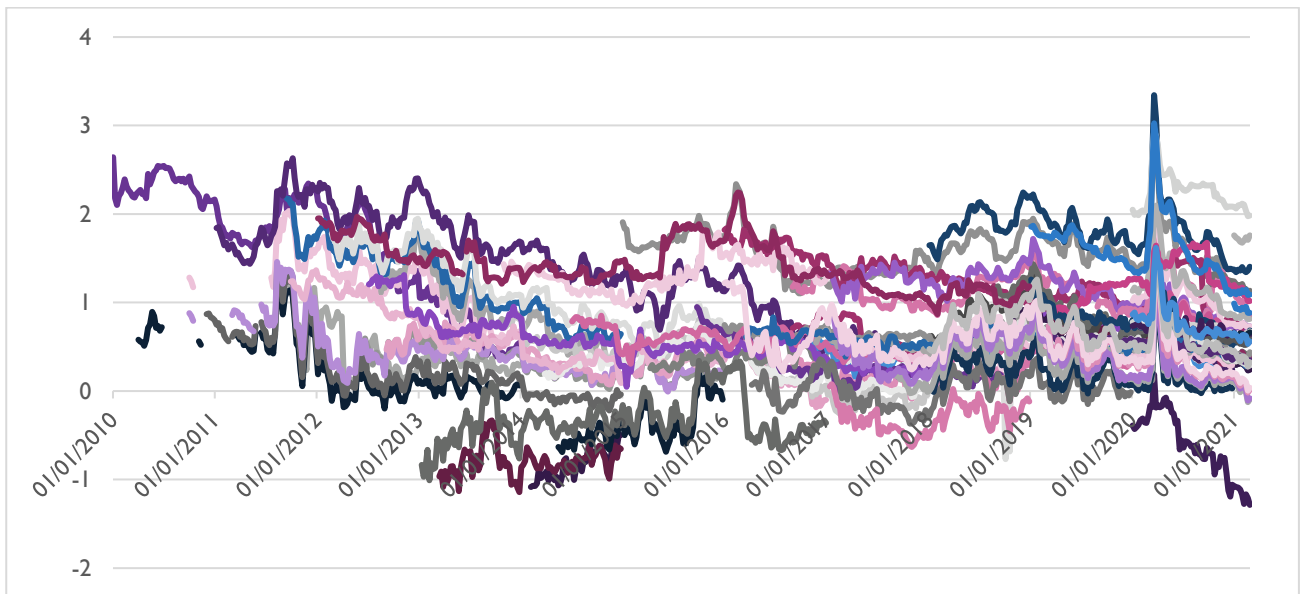
1.6.1 Mobile and fixed-line sector

Figure from our 2020 report: **62bps**

As set out at page 54 of our 2020 Report, our interpretation of the EC guidelines with regards to the estimation of the debt premium is to effectively construct a corporate bond (spread) index based on the

average spread⁵ across all bonds that, at any point in time, have approximately 10 years to maturity. We then calculate the five-year average of such index. To this end, we have updated the corporate bonds spread index by including additional relevant bonds that have been issued since November 2019 (i.e. the cut-off date used in the 2020 Report) In the chart below we show we report the spreads over the time-evolving set of bonds (i.e. the constituents of the index).

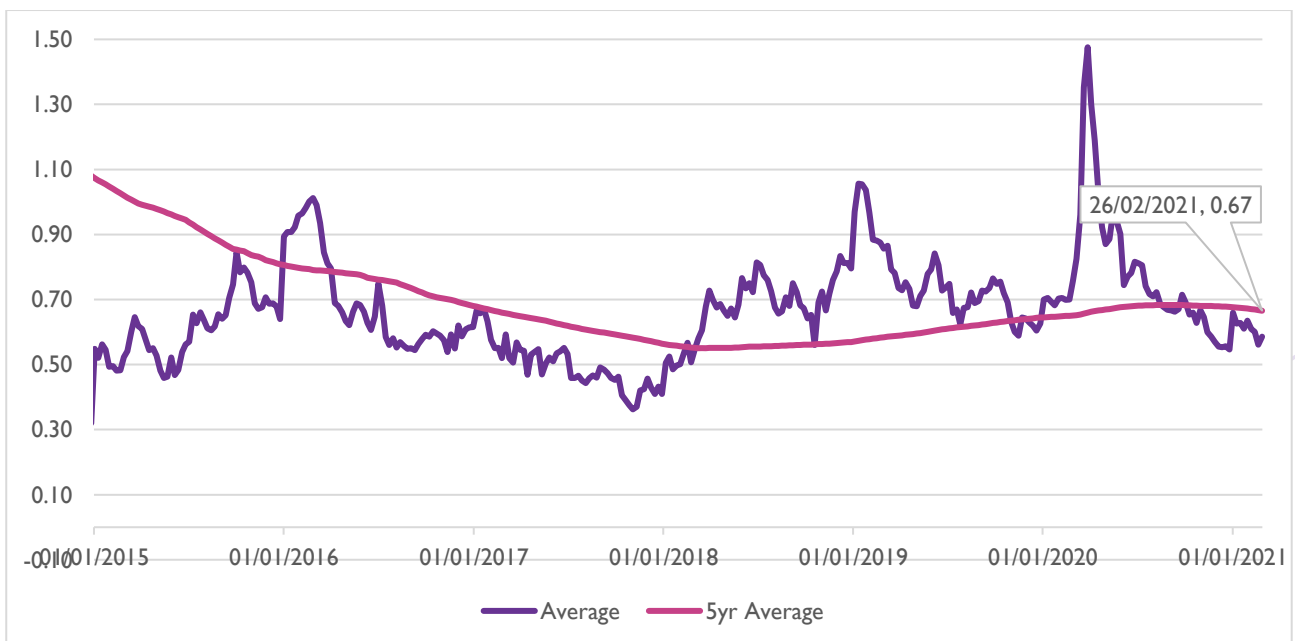
Figure I.6: Spreads of telecom operators’ bonds with residual maturity between 7-13 vs 10-year domestic government bond (bps)



Source: Thomson Reuters and Europe Economics calculations.

The figure below shows the average spread across all bonds of together the average spread over the last 5-years.

Figure I.7: 5-year average spreads of telecom operators’ bonds (bps)



Source: Thomson Reuters and Europe Economics calculations.

⁵ We recall that, following the EC guidelines, the spread is calculated with reference to a domestic bond yield with comparable maturity (i.e. 10-years).

As we can see from the chart above, the most recent **debt premium** figure is **67bps**, compared to the 62bps of the 2020 Report.

Updated figure: **67bps**

1.6.2 Broadcasting sector

Figure from our 2020 report: **62bps**

As we did in our 2020 Report, since for the broadcasting sector corporate bonds eligible for analysis under the European Commission's approach are not available (i.e. there are no investment grade bonds issued by European broadcasting operators), we use here the same debt premium figure obtained for the mobile and fixed-line sector under the EC approach, i.e. a **debt premium of 0.67 per cent**.

Updated figure: **67bps**

1.7 Summary of WACC parameters based on recent data

We provide below a comparison between the recent WACC parameters' mid-point values and those obtained in our 2020 Report.

Table 1.3: Comparison of WACC parameters mid-points

WACC parameter	Sector	2020 Report (cut-off date Nov 2019)	This update (cut-off date Feb 2021)
Inflation	Mobile / fixed-line / broadcasting	1.7%	1.7%
Nominal risk-free rate	Mobile / fixed-line / broadcasting	0.82%	0.52%
Real risk-free rate	Mobile / fixed-line / broadcasting	-0.86%	-1.16%
Real TMR	Mobile / fixed-line / broadcasting	6.35%	6.50%
ERP	Mobile / fixed-line / broadcasting	7.21%	7.66%
Asset beta	Mobile	0.50	0.50
	Fixed line	0.48	0.48
	Broadcasting	0.45	0.47
Debt premium	Mobile	0.62%	0.67%
	Fixed line	0.62%	0.67%
	Broadcasting	0.62%	0.67%

1.8 Cost of equity update

As set out in Section 6.1 of the 2020 Report, the methodology for updating for the cost of equity requires determining first a cost of equity range based on an ERP range that reflects the DMS TMR estimates for Europe and for Ireland, and to then take the following percentiles of the range:

- **Mobile:** 80th percentile of the range.
- **Fixed line:** 64th percentile of the range.

- **Broadcasting:** 138th percentile of the range (i.e. above the top end by 38 per cent of the range).

Given the risk-free rate value set out in Section 1.3, the ERP range set out in Section 1.4, the beta estimates set out in Section 1.5, and the gearing values used in in the 2020 report, the cost of equity ranges and point estimate updates are as follows:

Table 1.4: Cost of equity update

	Nominal risk-free rate	ERP range	Asset beta	Gearing	Nominal cost of equity range (post-tax)	Percentile	Nominal cost of equity update (post-tax)
Mobile	0.52%	7.26%-8.06%	0.50	40%	6.57%-7.24%	80th	7.10%
Fixed line	0.52%	7.26%-8.06%	0.48	40%	6.33%-6.97%	64 th	6.74%
Broadcasting	0.52%	7.26%-8.06%	0.47	25%	5.07%-5.57%	138th	5.76%

1.9 Cost of debt update

The methodology for updating for the cost of debt described in Section 6.1 of the 2020 report requires applying an “Irish fixed-line” premium of 116bps to the cost of debt figure obtained under the EC methodology. Since the nominal risk-free rate and the debt premium under the EC methodology are respectively 0.52 per cent and 0.67 per cent, the cost of debt — before uplifting — is 1.19 per cent. Thus, after applying the 116bps uplift, the **nominal cost of debt** update figure is **2.35 per cent**. The cost nominal cost of debt recommended in the 2020 Report was 2.60 per cent.

1.10 Summary of WACC update

In the table below we compare the overall WACC of the 2020 Report to the update values obtained by applying the updating methodology with data up to the end of February 2021.

Table 1.5: WACC update (mobile)

	2020 Report (cut-off date Nov 2019)	This update (cut-off date Feb 2021)
Nominal cost of equity (post-tax)	7.01%	7.10%
Tax rate	12.50%	12.50%
Nominal cost of equity (pre-tax)	8.02%	8.11%
Notional gearing	40%	40%
Nominal cost of debt	2.60%	2.35%
Nominal WACC (pre-tax)	5.85%	5.81%

Table 1.6: : WACC update (fixed-line)

	2020 Report (cut-off date Nov 2019	This update (cut-off date Feb 2021)
Nominal cost of equity (post-tax)	6.67%	6.74%
Tax rate	12.50%	12.50%
Nominal cost of equity (pre-tax)	7.62%	7.70%
Notional gearing	40%	40%
Nominal cost of debt	2.60%	2.35%
Nominal WACC (pre-tax)	5.61%	5.56%

Table 1.7: WACC update (broadcasting)

	2020 Report (cut-off date Nov 2019	This update (cut-off date Feb 2021)
Nominal cost of equity (post-tax)	6.22%	5.76%
Tax rate	12.50%	12.50%
Nominal cost of equity (pre-tax)	7.10%	6.58%
Notional gearing	25%	25%
Nominal cost of debt	2.60%	2.35%
Nominal WACC (pre-tax)	5.98%	5.52%

2 Appendix 1: “COVID-period WACC”

2.1 Introduction

In this Appendix we set out a WACC estimate which would be representative of the COVID-19 crisis in isolation. In order to do so, we estimate the WACC parameters based on 12-months of data from March 2020 to February 2021.

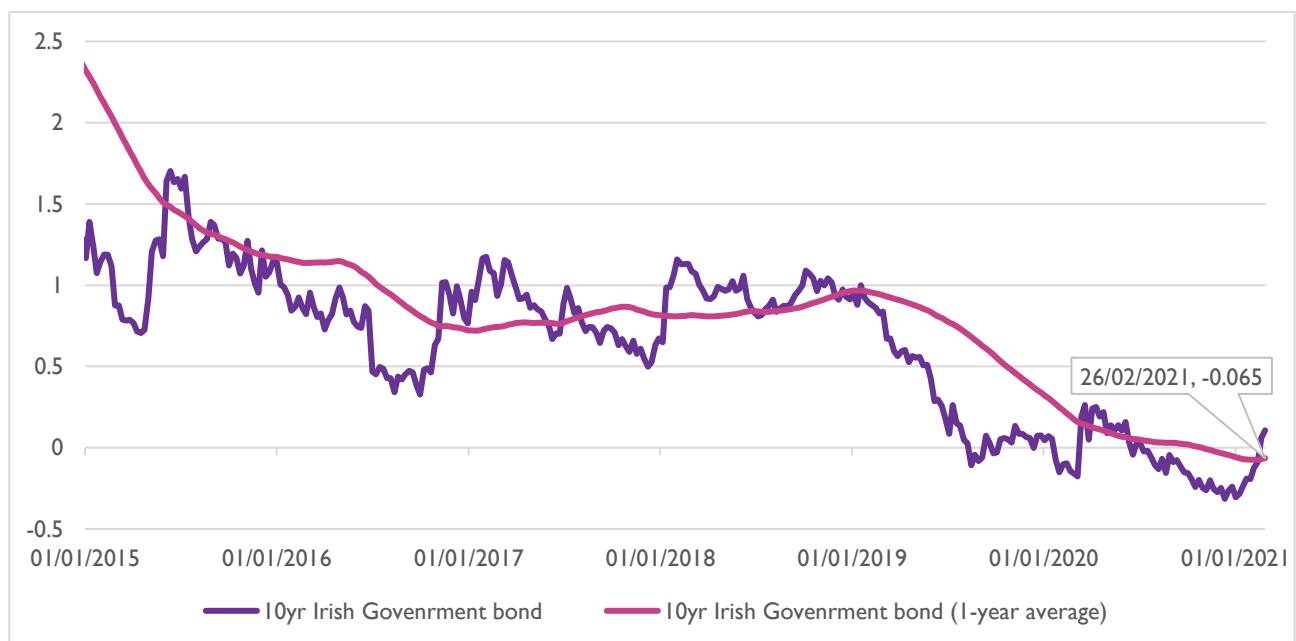
2.2 Inflation

As of February 2021, the year-on-year inflation rate was 0.9 per cent⁶.

2.3 Risk-free rate

In the chart below we report the 12-months trailing average yield of 10-year Irish Government bonds.

Figure 2.1: Evolution of 10-year Irish government bond yield over the past 12 months



Source: Thompson Reuters and Europe Economics calculations.

As we can see from the chart above the average yield over the March-2020 to February-2021 period is -0.065 per cent. Therefore, the COVID-19 nominal risk-free rate value is 0.065 per cent, and — given the inflation figure of 0.9 per cent — the COVID-19 real risk-free rate value is -0.96 per cent.

⁶ See https://ec.europa.eu/eurostat/documents/portlet_file_entry/2995521/2-17032021-AP-EN.pdf/388cc26e-eac1-6dae-8312-d1b6c3c0afa7#:~:text=The%20euro%20area%20annual%20inflation,up%20from%201.2%25%20in%20January.

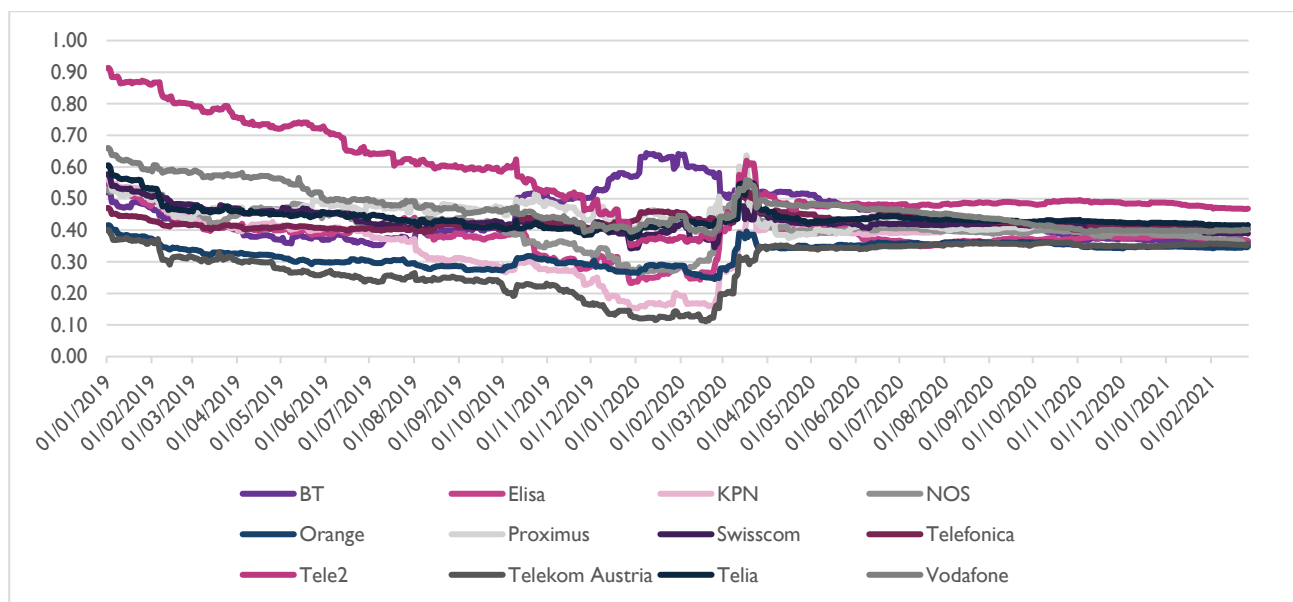
2.4 Total Market Return and ERP

The TMR value representative for the COVID-19 crisis period is based on the latest DMS figures and therefore is identical to the values set out in Section 1.4 of the report, i.e. a **real TMR point estimate of 6.50 per cent**. Given the real risk-free rate value -0.96 per cent, the COVID-19 **ERP point estimate is 7.46 per cent**.

2.5 Beta

In the charts below we depict the 1-year rolling betas of telecom operators and the weighted average betas for the mobile and fixed-line sectors up to the end of February 2021. In order to ensure that beta estimates are obtained on a sufficiently large sample, all 1-year betas are estimated based on daily returns data.

Figure 2.2: 1-year daily unlevered beta for telecom operators



Source: Thompson Reuters and Europe Economics calculations.

Figure 2.3: Weighted average 1-year daily unlevered beta for mobile and fixed-line



Source: Thompson Reuters and Europe Economics calculations.

The 1-year weighted average **unlevered betas** at the end of February 2021 for both the **mobile and fixed line sectors** is **0.39**.

The 1-year daily unlevered betas of broadcasting operators are depicted below. The unlevered beta value for Cellnex at the end of February 2021 is 0.51. Therefore, we conclude that the COVID-19 relevant **unlevered beta** for the **broadcasting sector** is **0.51**.

Figure 2.4: 1-year daily unlevered beta for broadcasting operators



Source: Thompson Reuters and Europe Economics calculations.

2.6 Debt premium

The figure below displays the 1-year average spreads of telecom operators' bonds. The 1-year average is calculated for the average spreads across all bonds set out in Figure 1.6.

Figure 2.5: 1-year average spreads of telecom operators' bonds (bps)



Source: Thompson Reuters and Europe Economics calculations.

The 1-year average **debt premium** at the end February 2021 is **0.76**.

2.7 Cost of equity, cost of debt, and overall WACC

Applying the same methodology as with our Update value from the main body of this report, and given the parameter estimates set out in this appendix, the COVID-19 related cost of equity, cost of debt and WACC are as follows:

Table 2.1: WACC for the COVID-19 relevant period

	Mobile	Fixed-line	Broadcasting
Inflation	0.90%	0.90%	0.90%
Nominal risk-free rate	-0.07%	-0.07%	-0.07%
Real risk-free rate	-0.96%	-0.96%	-0.96%
Real TMR	6.50%	6.50%	6.50%
ERP	7.46%	7.46%	7.46%
Asset beta	0.39	0.39	0.51
Notional gearing	40%	40%	25%
Notional equity beta	0.65	0.65	0.68
Nominal cost of equity (post-tax)	4.78%	4.78%	5.01%
Tax rate	12.5%	12.5%	12.5%
Nominal cost of equity (pre-tax)	5.46%	5.46%	5.72%
Debt premium	0.76%	0.76%	0.76%
Nominal cost of debt (after 116pbs uplift)	1.86%	1.86%	1.86%
Nominal WACC (pre-tax)	4.02%	4.02%	4.75%

3 Appendix 2: “Anticipated post-COVID WACC”

3.1 Introduction

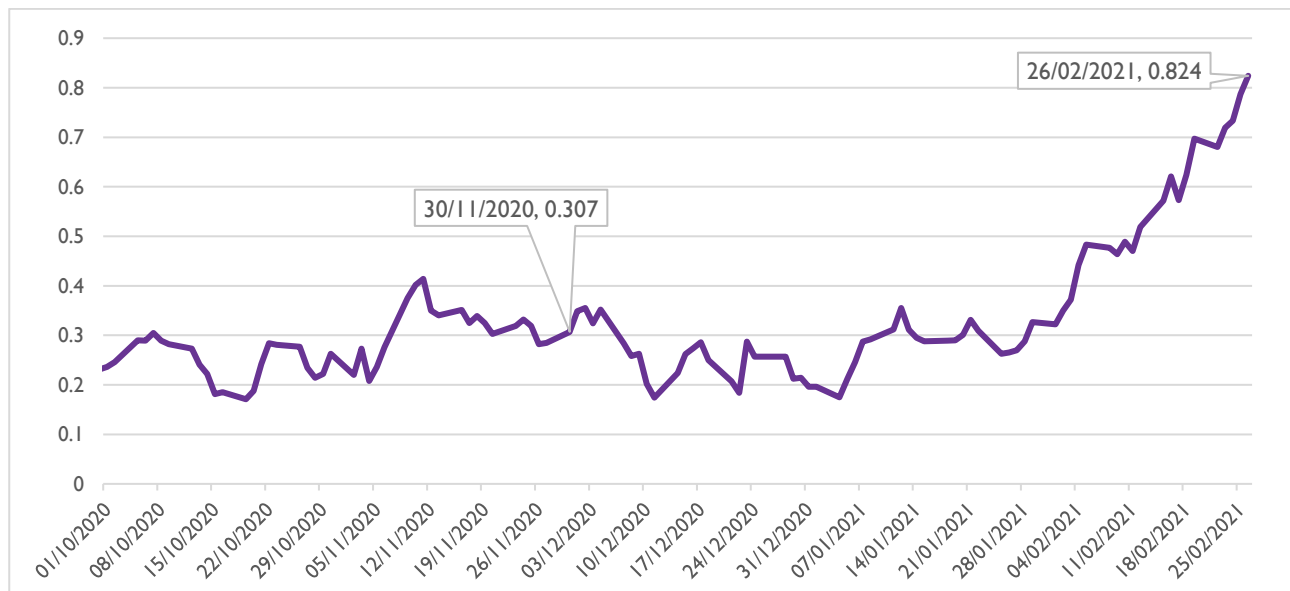
In order to estimate an “anticipated post-COVID WACC” we conduct an event study based on UK data where we consider how the WACC parameters have changed since the announcement (and subsequent approval) of vaccines in November 2020.

The event study, of necessity, uses measures of the WACC parameters that are different from those deployed in the main body of this report and in the “COVID-Period” Appendix. We do not focus upon the *value* derived in the analysis below. Instead, our focus is on the *change*.

3.2 Risk-free rate

As we can see from the chart below the yield of 10-year nominal bond in the UK was 0.31 per cent at the end of November 2020, compared to a value of 0.82 per cent at the end of February 2021. This suggests an **increase in the nominal risk-free rate** associated with the resolution of the COVID-19 crisis of around **52 bps**. In other words, it appears that the period following the announcement of the vaccines and implementation of the vaccination programme in the UK was seen as implying a marked improvement in the medium-term prospects for the economy and consequently rather higher medium-term interest rates.

Figure 3.1: Changes in 10-year nominal gilt yield since November 2020



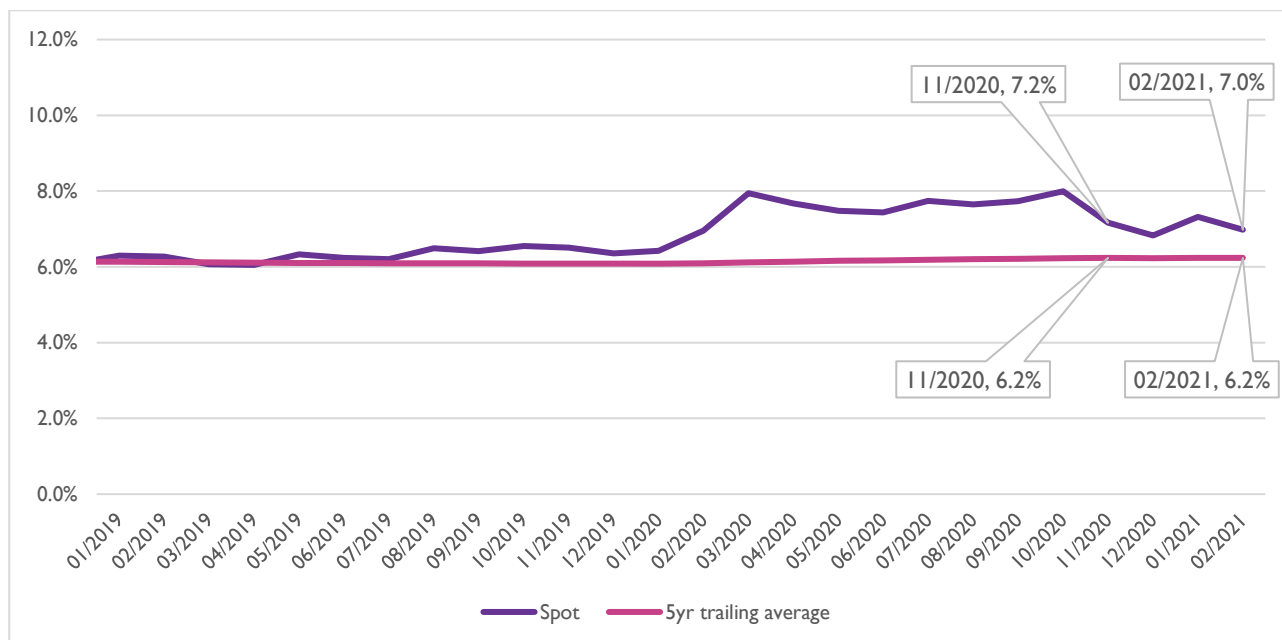
Source: Thompson Reuters and Europe Economics calculations.

3.3 TMR

In order to estimate the potential change in TMR since November 2020 we have estimated a Dividend Growth Model (DGM) for the UK based on GDP growth assumptions. Since the spot values of the TMR estimates obtained through DGM models are notoriously volatile, our preference is to use the 5-year average

trailing figures. As we can see in the chart below, the 5-years average TMR estimate at the end of February 2021 is identical to the TMR estimate at the end of November 2020, with a value of 6.2 per cent. Therefore, the analysis suggests that there is **no change in real TMR** associated with the resolution of the COVID-19 crisis.

Figure 3.2: Changes in real TMR since November 2020



Source: Thompson Reuters and Europe Economics calculations.

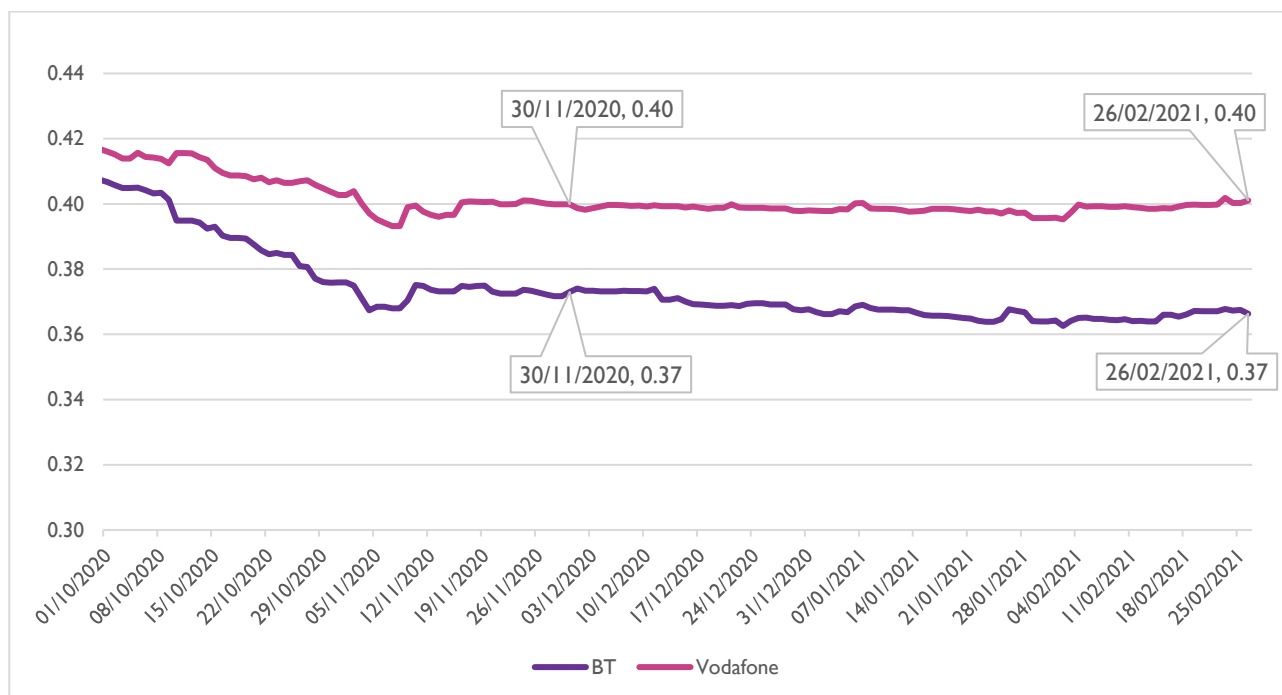
We note that given that the risk-free rate appears to have risen whilst the TMR is unchanged, that implies that the ERP has fallen – or in other words the vaccination programme is seen as either reducing overall economy-wide risk or increasing investors’ taste for risk over the medium-term.

3.4 Beta

In the chart below we report the recent evolution of 1-year daily unlevered betas for British Telecom and Vodafone. As we can see there is **no material change in unlevered beta** since November 2020.

As we saw in Appendix 1, the period of the COVID crisis appears to have been associated with a fall in unlevered beta for the communications sector – perhaps naturally enough since increased home working, increased use of video conferencing, increased online shopping and increased demand for Pay TV appear to have meant that the negative exposure of the communications sector was much less than that of many other sectors (eg hospitality), so with many other sectors declining much more than communications, and that pattern being different from the pattern seen or expected pre-pandemic, the beta fell.

One might have expected that this process would be reversed by the discovery of the vaccines. But that appears not to be so. It is possible that that implies that the change associated with the COVID-19 pandemic is expected to be enduring. In other words, people may continue to work from home and to use the communications tools they have become used to over the period of the pandemic, and in future communications may bear a different relationship with the wider economy from its pre-pandemic one.

Figure 3.3: Changes in 1-year daily unlevered betas since November 2020

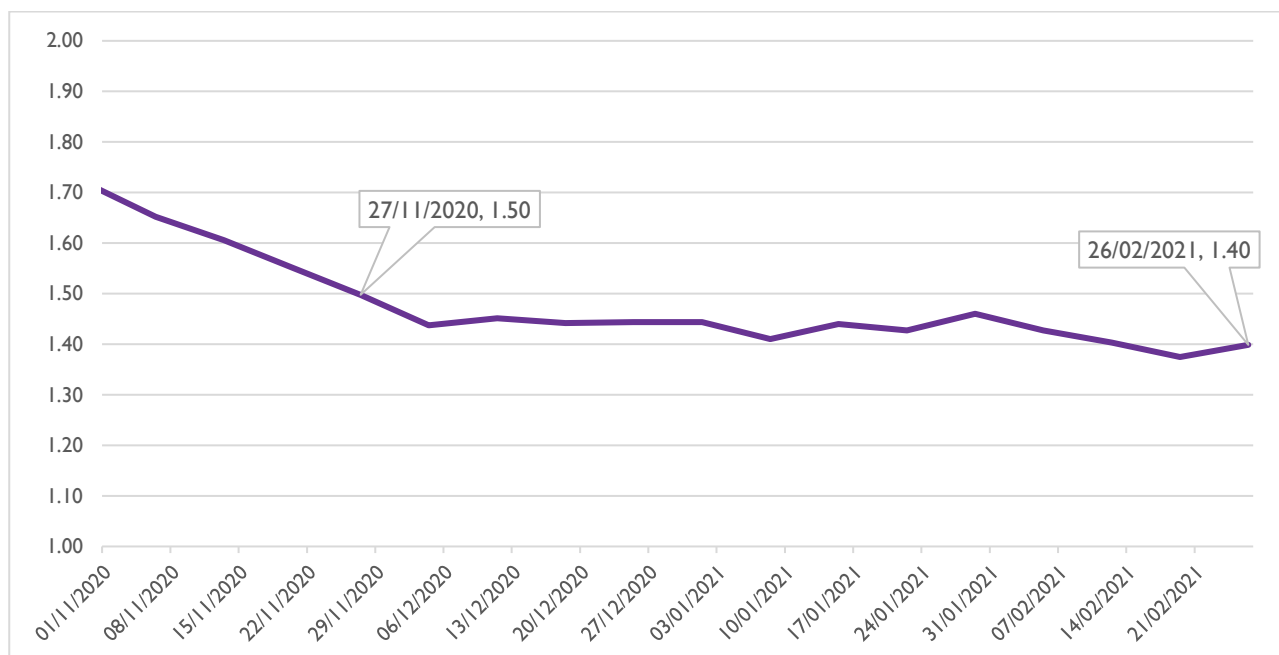
Source: Thompson Reuters and Europe Economics calculations.

3.5 Debt premium

In the chart below we report the average debt premiums across British Telecom and Vodafone corporate bonds⁷ with a residual maturity between seven and 10 years. We can see that, since November 2020, we observe a **decrease in debt premium** of around **10bps**.

Some modest reduction in debt premiums is natural enough, as demand for debt across the economy may diminish in the post-pandemic phase (eg businesses kept going only by debt may now start to borrow less or to repay) and the riskiness of the outlook may have declined.

⁷ The corporate bonds considered among those used to produce Figure 1.6.

Figure 3.4: Change in debt premium (vs 10-year UK gilt) since November 2020

Source: Thompson Reuters and Europe Economics calculations.

3.6 Implication for the cost of equity, the cost of debt, and the overall WACC

Given the event study analysis conducted above, the most likely impacts we can expect from a resolution of the COVID-19 crisis on the cost of equity arise from:

- An increase in the real risk-free rate (+52 bps) compared with the COVID-period value (-0.96 per cent), which results in a “post-COVID” real risk-free rate of -0.44 per cent.
- An unchanged real TMR of 6.5 per cent.
- An unchanged asset beta of 0.39 for Mobile and Fixed Line, and 0.51 for Broadcasting.

The implications for the Nominal cost of equity are as follows, if we assume post-pandemic inflation will be 1.7 per cent in line with the assumption in the main text.

Table 3.1; “Post-COVID” cost of equity

	Real risk-free rate	Real TMR	ERP	Asset beta	Gearing	Real cost of equity (post-tax)	Inflation	Nominal cost of equity (post-tax)
Mobile	-0.44%	6.5%	6.94%	0.39	40%	4.07%	1.7%	5.84%
Fixed line	-0.44%	6.5%	6.94%	0.39	40%	4.07%	1.7%	5.84%
Broad-casting	-0.44%	6.5%	6.94%	0.51	25%	4.28%	1.7%	6.05%

The implications for the cost of debt are as follows:

- The “post-COVID” real risk-free rate is -0.44 per cent (as above). We assume inflation of 1.7 per cent. So the nominal risk-free rate is 1.25 per cent.
- The “post-COVID” debt premium is 0.66 per cent (=0.76 per cent⁸ - 10bps).

⁸ This figure is drawn from Appendix 1.

- The “post-COVID” nominal cost of debt — before uplifting — is 1.91 per cent (=1.25 per cent + 0.66 per cent).
- The “post-COVID” nominal cost of debt — after the 116bps uplift — 3.07 per cent.

The likely implications of a COVID-19 resolution for the overall WACC are summarised in the tables below.

Table 3.2: WACC update (mobile)

	This update (cut-off date Feb 2021)	COVID- period value	“Post-COVID” scenario
Nominal cost of equity (post-tax)	7.10%	4.78%	5.84%
Tax rate	12.50%	12.50%	12.50%
Nominal cost of equity (pre-tax)	8.11%	5.46%	6.67%
Notional gearing	40%	40%	40%
Nominal cost of debt	2.35%	1.86%	3.07%
Nominal WACC (pre-tax)	5.81%	4.02%	5.23%

Table 3.3: : WACC update (fixed-line)

	This update (cut-off date Feb 2021)	COVID- period value	“Post-COVID” scenario
Nominal cost of equity (post-tax)	6.74%	4.78%	5.84%
Tax rate	12.50%	12.50%	12.50%
Nominal cost of equity (pre-tax)	7.70%	5.46%	6.67%
Notional gearing	40%	40%	40%
Nominal cost of debt	2.35%	1.86%	3.07%
Nominal WACC (pre-tax)	5.56%	4.02%	5.23%

Table 3.4: WACC update (broadcasting)

	This update (cut-off date Feb 2021)	COVID- period value	“Post-COVID” scenario
Nominal cost of equity (post-tax)	5.76%	5.01%	6.05%
Tax rate	12.50%	12.50%	12.50%
Nominal cost of equity (pre-tax)	6.58%	5.72%	6.92%
Notional gearing	25%	25%	25%
Nominal cost of debt	2.35%	1.86%	3.07%
Nominal WACC (pre-tax)	5.52%	4.75%	5.96%