



PRESS RELEASE:

WARA reviews ONATEL's ratings

WARA affirms ONATEL's rating at BBB-

WARA affirms the long-term rating of Burkina Faso's leading telecom company ONATEL at BBB-. The outlook remains stable.

Ouagadougou, 02/08/15 — **West Africa Rating Agency** (WARA) has affirmed ONATEL's ratings. On WARA's regional rating scale, ONATEL's long-term rating remains 'BBB-', in the investment grade category, and its short-term rating stays at 'w-4'. The ratings essentially reflect the company's seasoned expertise on its domestic market, its leading position in Burkina Faso, as well as its healthy financial profile. The outlook on ONATEL's ratings remains **stable**.

At the same time, on its international rating scale, WARA continues to assign ONATEL ratings of iB/Stable/iw-6.

In February 2015, WARA had already affirmed ONATEL's ratings, which were placed on watch in late 2014 when a serious political crisis erupted in Burkina Faso.

ONATEL's ratings remain heavily dependent on the macroeconomic and political environment of Burkina Faso, as well as on the company's ability to preserve high profitability and leading competitive position on the domestic telecom market. The rationale behind WARA's ratings and outlook on ONATEL is that the telecom market in Burkina Faso is already highly competitive; despite the fact that a fourth operator might join the ballgame, ONATEL should be in a position to maintain its leadership, at the expense of some margin compression. On the top of it, the permanent operating support provided by Maroc Télécom, ONATEL's majority owner, enables the company to count on efficient procedures, put in place about a decade ago. Despite Maroc Télécom's shareholding, "ONATEL's credit ratings do not incorporate any external support factors" says Christelle N'Doua,

WARA's lead analyst for ONATEL. "However, WARA's opinion as to ONATEL's creditworthiness intrinsically captures the operating contribution of Maroc Télécom Group; indeed, the scores on which ONATEL's ratings are based implicitly take into consideration the day-to-day support of the Moroccan telecom leader, which in turn positively contribute to the stability of its subsidiary in Burkina Faso".

Having said that, "ONATEL's ratings incorporate a negative adjustment into the scorecard, in order to reflect the relative importance of social, regulatory and tax risks, as well as the potential entry of the fourth mobile operator, which in turn should mechanically dilute the market shares of existing telecom players in Burkina Faso" says Mrs. N'Doua.

ONATEL was the first telecom operator to be established in Burkina Faso, and as such, is the only company offering landline services; it is also the leading provider of Internet access. Its market share in mobile services stands at 44.5%, the highest in the country. ONATEL's revenues rose from 123 billion CFA Francs in 2013 to 131 billion CFA Francs in 2014.

An upgrade of ONATEL's ratings will depend on: i) an upgrade of Burkina Faso's sovereign ratings, which appears unlikely in the short term; ii) a material and durable increase in mobile market shares to depart from competition; iii) the modernization of its infrastructure in order to improve the quality of its network; iv) the reduction of the losses incurred in the landline business, itself possibly derived from the combined effect of stronger revenue streams and lower personnel expenses; and v) shorter payment delays granted to customers.

A downgrade of ONATEL's ratings would be the consequence of: i) a significant deterioration of ONATEL's profitability, should the expected fourth operator drive ONATEL's market shares and revenues down; ii) the materialization of social and/or political risks in Burkina Faso, which in turn could durably weaken the national economy and ONATEL's business; or iii) an increase in regulatory and tax pressure to a degree where ONATEL's profits would be excessively squeezed.

As a matter of reference, WARA considers that the probability of occurrence of the best case scenarios is equal to that of the worst case scenarios in the medium term; in other words, ONATEL's current ratings carry as much downward pressure as upward potential.

The methodology used by WARA to rate ONATEL is the credit rating methodology for the industrial and commercial companies, which was published on the 15th of July 2012 (revised in August 2013), and is available on WARA's website (www.rating-africa.org).

Information sources used by WARA to carry out the ONATEL's ratings are mainly private information obtained during discussions with ONATEL's management team and parent company in April 2015. This information, coupled with publicly available sources, is considered by WARA as satisfactory for conducting ONATEL's credit rating process.

Finally, WARA notes that the credit rating process of ONATEL was requested and participating, meaning that it was performed upon a request by ONATEL, and that the company's management actively participated in the discussions with WARA's team of analysts.

ONATEL's long-term rating of 'BBB-' is the minimum credit rating accepted by the CREPMF to issue debt without a guarantee.

The comprehensive credit rating report is available upon request by e-mail. Contact: infos@rating-africa.org

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