



PRESS RELEASE

**For the first time, WARA assigns a long-term credit rating of « AA- » to Sonatel.
The outlook is stable.**

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West Africa Rating Agency (WARA) announces today the publication of its first-time ratings on Sonatel. On its regional rating scale, WARA assigns Sonatel a « AA- » long-term rating, within the investment-grade category, while its short-term rating stands at « w-2 ». The outlook attached to these ratings is stable.

Simultaneously, on its international rating scale, WARA assigns Sonatel the following ratings and outlook: iBB/Stable/iw-5.

Société Nationale des Télécommunications du Sénégal (SONATEL) was incorporated on the 23rd of July 1985, before becoming the leader of the West African telecom industry, thanks to the shareholding of Orange, which is today the company's largest owner with 42% of its share capital.

The ratings on Sonatel Group reflect its major position within the region's telecom sector: Sonatel is indeed the leading player in 4 out of the 5 countries in which the Group is active. The Group can also rely on a brand name with a global reach, i.e. Orange, a comprehensive suite of products, and an efficient distribution network. Its geographic diversification stands out as a unique success in the region. The Group holds a powerful capacity to anticipate, innovate and invest, thanks to which Sonatel has managed to adapt its business model and carve out for itself new avenues for growth in order to compensate for the incremental decline of its traditional segments. The level and quality of its network infrastructure are outstanding. The Group's governance is sound and its human resources are remarkable. Finally, its financial position is very robust.

However, the telecom industry appears quite competitive, and is known to be capital intensive. In addition, Sonatel's operating environment remains unstable, as the consequence of the heavy political and/or security uncertainties surrounding several of the countries in which the Group is present. Having said that, this risk is partially mitigated by Group's

geographic diversification, which tends to dilute the average level of country risk. On top of it, tax and regulatory risks are significant in the region. Finally, the counterpart of the benefits derived from size could be a certain lack of agility.

Sonatel's regional currency, long-term credit rating (AA-) does not factor in any external support, but our scorecard includes a favorable adjustment reflecting Sonatel's operational integration within the larger Orange Group.

An upgrade of Sonatel's ratings would depend on: i) the acceleration of its diversification strategy by geography and lines of business, either externally or organically; ii) the incremental decline in country risk, itself the consequence of better macroeconomic conditions in one or several of its domestic markets; iii) the Group's capacity to compensate with larger volumes the incremental compression of marginal income, as a result of competitive pressure; and iv) the options that technology offers to evolve towards ancillary services, while succeeding in their integration to the Group's core telecom business.

A downgrade of Sonatel's ratings would be the consequence of: i) the prolonged deterioration of country risks in several of its domestic markets ; ii) margins shrinking to levels capable of damaging free cash flows, and therefore the Group's ability to handle the necessary investments to maintain its competitive position in size and quality ; iii) weakening capital and/or operating ties with the Orange Group ; or iv) a debt policy that WARA would consider excessive in the AA rating space.

As matter of reference, WARA's stable outlook on Sonatel's ratings suggests that the probability of favorable scenarios is equivalent to that of unfavorable ones in the medium term, which in other terms means that Sonatel's current ratings carry as much upgrade potential as downgrade risks.

The methodology used by WARA to rate Sonatel is the credit rating methodology for industrial and commercial companies, which was published on July

15th, 2012, updated in January 2019. This methodology is available on WARA's website: www.wara-ratings.com.

Information sources used by WARA to carry out Sonatel' ratings are mainly private information obtained during discussions with the Group's management team in August and September 2019. This information, coupled with publicly available sources, is considered by WARA as satisfactory for conducting Sonatel's credit rating process.

Finally, WARA emphasizes that the credit rating process pertaining to Sonatel was requested and participating, meaning that it was performed upon a request by the Group, and that Sonatel's management actively participated in the discussions with WARA's team of analysts.

Sonatel's long-term, regional-scale rating of "AA-" is 6 notches above the minimal credit rating accepted by the CREPMF to issue debt without an external guarantee.

The full credit rating report on Sonatel will soon be available WARA's website: www.wara-ratings.com

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