



PRESS RELEASE

WARA affirms its long-term rating on ONATEL a “BBB” in September 2019. The outlook is stable.

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West Africa Rating Agency (WARA) affirmed in September this year its long-term rating on ONATEL at “BBB”, in the investment grade category, while its short-term rating remained “w-4”. The outlook attached to these ratings is stable.

Simultaneously, on its international rating scale, WARA affirmed ONATEL's ratings and outlook at: iB/Stable/iw-6.

These ratings essentially reflect the company's expertise on its domestic market, its historical leading position in Burkina Faso, its resilience to external threats, as well as its sound financial position. The outlook pertaining to these ratings is therefore **stable**.

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 the rating affirmation and stable outlook is the fact that ONATEL, despite lower revenues in 2018, managed to extract satisfactory net profitability, in particular thanks to strict control over operating expenses. WARA however emphasizes that ONATEL gave away market share in 2018 on the key segments of mobile and mobile Internet, with the effect of the company losing the leadership position it used to hold so far in the mobile line of business. The company's dominant position in its domestic market is therefore made more fragile, with the risk of potential negative impact on financial performance, which has remained robust and in constant improvement over the past five years. Finally, the permanent operating support provided by Maroc Télécom, which shareholding in ONATEL increased to 61% in April 2018, enables the company to count on efficient procedures, put in place about a decade ago, constituting an asset to regain lost market share.

Despite Maroc Télécom's shareholding, ONATEL's credit ratings do not incorporate any external support factors. 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.

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 and landline internet 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 matter of reference, WARA's stable outlook on ONATEL'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 ONATEL's current ratings carry as much upgrade potential as downgrade risks.

The methodology used by WARA to rate ONATEL 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 ONATEL' ratings are mainly private information obtained during discussions with the telecom company's management team from April to August 2019. This information, coupled with publicly available sources, is considered by WARA as satisfactory for conducting ONATEL's credit rating process.

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

ONATEL's long-term, regional-scale rating of “BBB” is one notch above the minimal credit rating accepted by the CREPMF to issue debt without an external guarantee.

The full credit rating report on ONATEL is available on WARA's website.

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