



## PRESS RELEASE:

# ONATEL rated by WARA

## WARA assigns first-time credit rating of BBB- to ONATEL

*WARA rates Burkina Faso's leading telecom company ONATEL BBB-, with a stable outlook*

Ouagadougou, 28/04/14 — **West Africa Rating Agency** (WARA) announces today the release of **ONATEL's** first-time ratings. On WARA's regional rating scale, ONATEL's long-term rating is «**BBB-**», in the investment grade category, and its short-term rating is «**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 is **stable**.

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

ONATEL's ratings stand highly dependent on the economic and political environment in Burkina Faso, as well as on the company's capacity to maintain high profitability and leading position in the country's telecom sector. WARA justifies ONATEL's ratings and outlook by the fact that competition intensity within Burkina Faso's telecom sector is already high; although a fourth operator may enter the market, ONATEL should remain the key player, despite likely margins squeezing. In addition, the daily operating support provided by Maroc Telecom, ONATEL's majority shareholder, enables the company to rely on efficient procedures, successfully tested for a decade. Despite Maroc Telecom's ownership, « *ONATEL's ratings do not factor in any external support* » says Fabien Paquet, Lead Analyst in charge, on behalf of WARA, of ONATEL's ratings. « *That said, WARA's opinion as to ONATEL's standalone creditworthiness already incorporates Maroc Telecom's operating support; the scores that WARA uses as underlying drivers of ONATEL's ratings implicitly capture the contribution of Morocco's telecom leader to the stability of its subsidiary in Burkina Faso.* ».

However, « *embedded in WARA's rating of ONATEL is a negative adjustment of the scorecard to reflect heightened social risk, tax and regulatory risk, and more crucially the possible entry of a fourth operator, capable of diluting the market shares of historical players already entrenched in Burkina Faso* » adds Mr. Paquet.

As the oldest telecom company in Burkina Faso, ONATEL is the only one that offers landline phone services; it is also the leading provider of access to the Internet. Its market share in the mobile segment stands at a strong 44.5%, which makes it the unchallenged domestic leader. Its gross revenues (turnover) for 2013 stood at 123 billion francs CFA.

**An improvement of the credit ratings of ONATEL** will depend on: i) Burkina Faso's higher sovereign ratings, which appears unlikely in the short term; ii) a material and sustainable increase in market shares in the mobile segment to widen the gap with competition ; iii) investments for more modern infrastructure in order to improve the quality of the network ; iv) efforts to reduce the profitability gap of the landline business, thanks to the combination of increasing the number of subscribers and reducing headcount costs ; and v) a stronger performance in recovering client receivables.

**A deterioration of the credit ratings of ONATEL** would be the result of: i) a material and durable decline in ONATEL's profitability, subsequent to the market share squeeze and revenue drop a fourth operator might generate; ii) materializing social and political risks in Burkina Faso, which could durably weaken the national economy and ONATEL's business; or iii) increasing tax and regulatory pressure, to a point where ONATEL's revenues would be excessively drawn off.

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

The methodology used by WARA to rate ONATEL is the credit rating methodology for the industrial and commercial companies, which was published on July 15th, 2012, and is available on WARA's website ([www.rating-africa.org](http://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 February 2014. 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 first 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@credit-rating-africa.org](mailto:infos@credit-rating-africa.org)

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