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PRESS RELEASE

WARA has affirmed its long-term rating on ONATEL at "BBB" for 2020. The outlook remains stable.

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West Africa Rating Agency (WARA) affirmed once again, in June 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 reflect: (i) an activity generating high profitability, which allows ONATEL to build a comfortable self-financing capacity to fund part of its investments, reduce its debt and distribute dividends; (ii) the day-to-day operational support of Maroc Télécom, which provides ONATEL with a clear vision on strengthening its competitiveness and on the key projects; and (iii) proven expertise in the telecom services market, resulting from its status as a historical operator. The company owns the country's fixed lines and its infrastructure provides the best network coverage in Burkina Faso.

On March 26, 2019, ONATEL signed the terms of reference pertaining to the technology-neutral license, the cost of which amounts to CFAF 80 billion. This payment allows ONATEL to extend the duration of its current license by two years, in addition to its new 15-year license, which thus runs until June 2037. After the signature, ONATEL launched its 4G + ADVANCED simultaneously in 35 locations, and extended this new technology to 57 localities in 2019.

ONATEL's management team is both competent and experienced. The management of the company is ensured by Mr. Sidi Mohamed NAIMI. Under his mandate, ONATEL was able to revitalize its management, set up an excellent deployment strategy and face its main challenges (social crises, competition, Covid-19 pandemic). Despite the cyclical nature of social constraints at ONATEL, the company has a seasoned capacity for resilience.

On the other hand, the rating is constrained by: (i) the fact that ONATEL is a domestic operator, whose activity is naturally concentrated, which places it in a situation of vulnerability vis-à-vis the macroeconomic challenges of Burkina Faso, in particular in view of the social risk which has already weakened ONATEL's business in the past; and (ii) the arrival of a new global operator in 2017, which resulted in an intensification of competition leading to a price war and the loss of leadership in 2018. The arrival of the new competitor has led to many more promotional offers negatively impacting ARPU (Average Return Per User).

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; v) shorter payment delays granted to customers; and vi) the success of the exit strategy linked to the Covid-19 pandemic and the control of its impact on the financial and commercial performance of the company.

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; iii) an increase in regulatory and tax pressure to a degree where ONATEL's profits would be excessively squeezed; or iv) the failure of its exit strategy pertaining to the Covid-19 crisis, resulting in a material deterioration in the financial and commercial performance of the company

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 2020. 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 in April 2020. 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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