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PRESS RELEASE

WARA upgraded the rating of ONATEL-SA (Moov Africa) from "BBB" to "BBB+" in September 2021. The outlook is stable.

Dakar - On 01/15/2022

West Africa Rating Agency (WARA) has upgraded the long-term rating of ONATEL-SA (Moov Africa) from "BBB" to "BBB+", while its short-term rating has improved from "w-4" to "w-3". The outlook on these ratings is stable.

At the same time, on its international scale, WARA has also upgraded the ratings of ONATEL-SA (Moov Africa) from iB/Stable/iw-6 to iB+/Stable/iw- 5.

Since January 2021, ONATEL-SA has been officially communicating under the commercial brand "Moov Africa" common to all the subsidiaries of the Maroc Telelcom group. This trademark "Moov Africa Burkina Faso" does not change the legal name of ONATEL-SA.

These ratings reflect: (i) an activity generating high profitability, which allows ONATEL-SA (Moov Africa) 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-SA (Moov-Africa) 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.

ONATEL-SA's (Moov Africa) management team is both competent and experienced. Since June 2021, the company has been run by Mr. Abdelillah EL AYDI in replacement of the outgoing General Manager, Mr. Sidi Mohamed NAIMI, who was able to revitalize its management, set up an excellent deployment strategy and face its main challenges (social crises, competition, Covid-19 pandemic). That said, the replacement of the company's General Manager should not result in an immediate change of strategic direction, insofar as the first actions of the new General Manager are part of the continuation and completion of current projects.
On the other hand, the rating is constrained by: (i) the fact that ONATEL-SA (Moov Africa 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-SA's (Moov Africa) 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-SA's (Moov Africa) 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-SA's (Moov Africa) ratings would be the consequence of: i) a significant deterioration of ONATEL-SA's (Moov Africa) profitability, should the expected fourth operator drive ONATEL-SA's (Moov Africa) 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-SA's (Moov Africa) business; and iii) an increase in regulatory and tax pressure to a degree where ONATEL-SA's (Moov Africa) profits would be excessively squeezed.

As matter of reference, WARA's stable outlook on ONATEL-SA's (Moov Africa) 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-SA (Moov Africa) is the credit rating methodology for industrial and commercial companies, which was published on July 15th, 2012, updated in January 2021. This methodology is available on WARA's website: www.wara-ratings.com.

Information sources used by WARA to carry out ONATEL-SA (Moov Africa) ratings are mainly private information obtained during discussions with the telecom company's management team in July 2021. This information, coupled with publicly available sources, is considered by WARA as satisfactory for conducting ONATEL-SA's (Moov Africa) credit rating process.

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

ONATEL-SA's (Moov Africa) long-term, regional-scale rating of "BBB+" is two notches above the minimal credit rating accepted by the CREPMF to issue debt without an external guarantee.

The full credit rating report on ONATEL-SA (Moov Africa) is available on WARA's website.

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