MOODY'S
INVESTORS SERVICE

CREDIT OPINION
28 February 2022

Update

Rate this Research

RATINGS

Ooredoo Q.P.S.C.

Domicile	DOHA, Qatar
Long Term Rating	A2
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Julien Haddad +971.4.237.9539
VP-Senior Analyst
julien.haddad@moodys.com

Paul Feghaly +971.4.237.9531
Analyst
paul.feghaly@moodys.com

Rehan Akbar, CFA +971.4.237.9565
Senior Vice President
rehan.akbar@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Ooredoo Q.P.S.C.

Update to credit analysis

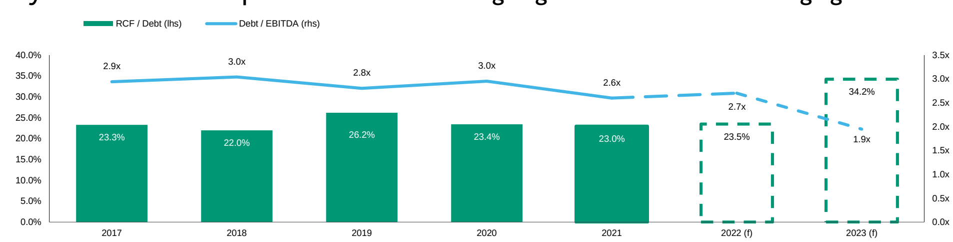
Summary

Ooredoo Q.P.S.C.'s (Ooredoo) A2 rating factors in its standalone creditworthiness, as expressed in a Baseline Credit Assessment (BCA) of baa2, combined with a high default dependence on and a high level of support from the Government of Qatar (Aa3 stable), under our Government-Related Issuers rating methodology. The Government of Qatar owns 68.6% of the company through direct and indirect holdings.

Ooredoo's baa2 BCA is underpinned by (1) Ooredoo's leading position in the high margin and resilient Qatari telecommunication services market where it holds a 75% market share; (2) the company's healthy EBITDA margins of 43% in 2021 when compared to peers; and (3) Ooredoo's strong liquidity with a cash balance and undrawn committed credit facilities covering all group debt maturities for the next three years, despite dividend payments. Ooredoo's rating also benefits from the company's strong presence in the large scale Indonesian market as the number 2 player in the market, via a joint-venture with CK Hutchison HoldingsLimited (A2 stable).

The BCA also reflects (1) Ooredoo's exposure to foreign-currency volatility, mitigated by the fact that operating subsidiary debt is substantially in local currency; (2) its presence in countries facing geopolitical risks such as Iraq (Caa1 stable) or increased competition such as Oman (Ba3 stable), which can create volatility in EBITDA; and (3) concentration of cash flows in the Qatari market following the de-consolidation of Indosat Tbk. (P.T.) (Indosat, Baa3 stable).

Exhibit 1
Key credit metrics to improve amid Ooredoo's ongoing commitment to deleveraging



All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. Ooredoo's historical figures until 2021 include the full consolidation of Indosat Tbk. (P.T.).
Source: Moody's Investors Service

Credit strengths

» Leading position in the high margin and resilient Qatari telecommunication services market

» Rationalisation strategy, which is likely to maintain positive free cash flow (FCF) generation and protect credit metrics

» Strong liquidity profile, with cash balance covering all group debt maturities for the next three years

» Strong ability and demonstrated track record of the Qatari government to provide support

Credit challenges

» Presence in growth markets with high geopolitical risks and macro-economic challenges, which can create volatility in EBITDA

» Exposure to foreign-currency volatility, reduced by local currency-denominated debt at the subsidiary level

» Concentration of cash flows in the Qatari market following the de-consolidation of Indosat Tbk. (P.T.)

Rating outlook

The stable outlook reflects our expectation of sustained operating performance in the next 12-18 months and a gradual deleveraging within our guidance for the rating. The outlook also takes into account, the company's shift away from capital-intensive international expansion and towards optimizing existing operations. This will likely lead to stable credit metrics.

Factors that could lead to an upgrade

Positive rating pressure could emerge over time, as a result of sustained lower leverage, measured as adjusted debt/EBITDA, of less than 2.25x on a sustained basis in combination with adjusted retained cash flow/debt above 30%.

Factors that could lead to a downgrade

Ratings could come under downward pressure if Ooredoo's adjusted debt/EBITDA is above 2.75x for a prolonged period, adjusted retained cash flow/debt remains below 25% on a sustainable basis, and if liquidity weakens. The rating could be lowered if government support assumptions are lowered.

Key indicators

Exhibit 2

	2017	2018	2019	2020	2021	2022 (f)	2023 (f)
Revenue (USD billion)	$9.0	$8.2	$8.2	$7.9	$8.2	$6.0	$6.2
Debt / EBITDA	2.9x	3.0x	2.8x	3.0x	2.6x	2.7x	1.9x
RCF / Debt	23.3%	22.0%	26.2%	23.4%	23.0%	23.5%	34.2%
(EBITDA - CAPEX) / Interest Expense	4.1x	3.3x	2.5x	2.4x	2.8x	5.1x	6.2x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. Ooredoo's historical figures until 2021 include the full consolidation of Indosat Tbk. (P.T.).
Source: Moody's Investors Service

Profile

Ooredoo is an international communications company operating across the Middle East, North Africa and Southeast Asia. Serving consumers and businesses in 10 countries, Ooredoo delivers the leading data experience through a broad range of content and services via its advanced, data-centric mobile and fixed networks. Ooredoo served 121 million customers and generated revenues of QAR29.9 billion in 2021. Its shares are listed on the Qatar Stock Exchange and the Abu Dhabi Securities Exchange.

Detailed credit considerations

Strong market leadership in the lucrative Qatari market will continue to provide stable cash flow generation

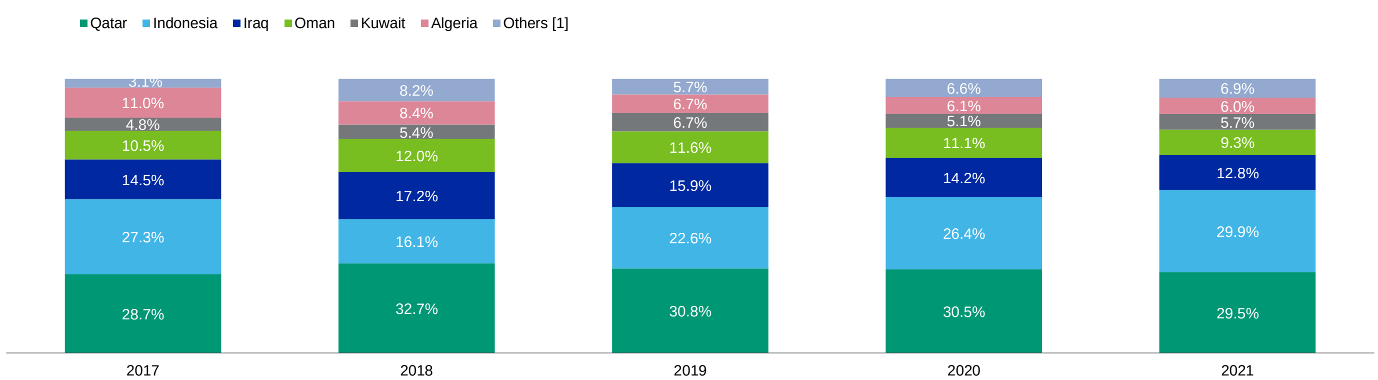
As the incumbent integrated telecommunications service provider in Qatar, with a market share of more than 75% of total revenue in 2021, Ooredoo's strong market leadership position provides the company with a stable cash flow generation. We expect this to continue because the company benefits from a supportive regulatory environment in Qatar compared with completely privatised telecommunication markets, such as those in Europe and North America. Qatar is a major market for Ooredoo, generating around 29.5% of its group reported EBITDA in 2021 (see Exhibit 3). We expect this percentage to change to around 45% following the de-consolidation of Indosat. The robustness of the Qatari market is demonstrated by a high average revenue per user (ARPU), which supports the firm's margins and results in stable cash flows.

We expect Ooredoo's Qatari operations' revenue to maintain the positive growth momentum seen in 2021 as the Qatari economy continues its recovery from the pandemic, with oil prices having increased significantly since Q4 2020. The number of subscribers also increased in 2021, reflecting the improvement in the macro-economic conditions in the country. We expect the number of subscribers to increase further in 2022 as Qatar gets ready to host the FIFA World Cup 2022.

Similarly, we expect Ooredoo's Qatari operations' EBITDA margins to slightly recover over the course of the next couple of years to pre-pandemic levels of around 54% from the current levels of 52% of 2021 and 2020. The decline in margins in the last couple of years was a result of an increase in operating expenses related to the coronavirus pandemic and a slight increase in doubtful receivables. The improvement in EBITDA margins of the Qatari operations reflects the company's ability to increase efficiencies and optimise its operations, and the non-discretionary characteristics of Ooredoo's services to its subscribers in both the retail and corporate sectors.

Exhibit 3

Strong geographical diversification helps mitigate idiosyncratic risks



[1] Others include Tunisia, Myanmar, and other market activities.
Source: Company reports

Exposure to riskier markets outside of Qatar

Ooredoo's operations outside of Qatar are in riskier markets from a regulatory, political and economic risk perspective. For example, Ooredoo has operations in countries facing geopolitical risks such as Iraq (Caa1 stable) or macro-economic challenges such as Oman (Ba3 stable), which can create volatility in EBITDA.

Due to its leading market position, Ooredoo has enjoyed good revenue and EBITDA growth and high operating margins in local currencies in many of those markets despite the risks involved of operating in such markets. Some of those risks include the challenges in upstreaming cash and using it for debt repayment. Ooredoo holds a sizeable portion of its cash in Iraq and we understand that it has been often difficult to transfer cash out of Iraq. However, Ooredoo was able to upstream a sizeable amount in 2021, materially reducing its exposure to the country. Nevertheless, we give less credit to cash sitting in Iraq, and we estimate Ooredoo's debt to EBITDA ratio to increase to 3.0x from 2.6x for FY2021 excluding Ooredoo's Iraqi operations (net debt to EBITDA to increase to 1.82x from 1.69x excluding Ooredoo's Iraqi operations).

While we take comfort from Ooredoo's strong position in its domestic market, the Qatari market is more mature than Ooredoo's other markets. Therefore, we expect that Ooredoo will generate the majority of the growth over the coming years in these riskier geographies. Accordingly, any future upward or downward rating pressure on Ooredoo's BCA will have to be considered in the context of the sovereign credit profiles of the company's key markets.

EBITDA from international operations to improve in 2022, but some risks remain

We expect Ooredoo's margins in international markets to improve in 2022, in line with the trend seen in 2021 as the economies continue their recovery from the pandemic. Ooredoo is strongly diversified geographically, with the number one or two market share position in most of the countries where it operates. Geographical diversification helps the company reduce its exposure to idiosyncratic risks.

Ooredoo's performance in Oman and to a lesser extent in Kuwait continued to be hurt by the coronavirus lockdown in 2021, however we expect a reversing trend in 2022 as the economies open up and take advantage of the significant increase in oil prices. During 2021, the impact of the pandemic has weighed on consumers' spending power and resulted in a decrease in the number of subscribers, following an exodus of expats. In addition, we expect revenue and EBITDA in Oman to be under further pressure in 2022 as the third operator becomes operational at the end of 2021. In 2021, revenue from the Omani operations decreased by 7% y-o-y to QAR2.3 billion, while revenue from the Kuwaiti operations slightly increased by 2% to QAR2.5 billion. Reported EBITDA margins from the Omani operations decreased to 52% from 53% in Omani rial terms and reported EBITDA margins from the Kuwaiti operations recovered to 29% in 2021 from 25% in 2020 in Kuwaiti Dinar terms, however remained below pre-pandemic levels of above 30%.

On the other hand, the performance of Ooredoo's operations in other markets, such as Tunisia, Iraq and Algeria has been improving, although to varying degrees in local currencies. We expect the positive trend to continue in 2022 as these markets continue their recovery post the pandemic.

On 04 January 2022, Ooredoo and CK Hutchison Holdings Limited completed the merger of their respective operations in Indonesia, PT Indosat Tbk (Indosat Ooredoo) and PT Hutchison 3 Indonesia. The merged entity will be called PT Indosat Ooredoo Hutchison Tbk. Ooredoo will have joint control alongside CK Hutchison of Ooredoo Hutchison Asia, which itself will be the majority owner of Indosat Ooredoo Hutchison with a 65.6% stake. Ooredoo has also received $387 million in cash from CK Hutchison as part of the transaction. Ooredoo's Indonesian operation, Indosat Ooredoo, was the company's second-largest operation after Qatar before its de-consolidation, contributing to 29.9% of group EBITDA in 2021.

The merger will result in the combined entity holding a strong second place in the Indonesian market with a market share of around 28%, ahead of XL Axiata but behind Telekomunikasi Indonesia (P.T.) (Baa1 stable), which had an estimated 48% market share in terms of subscribers as of 30 September 2020. Ooredoo expects the merged entity to benefit from operating expenses and capital spending synergies to the tune of $300 million-$400 million per year, to be realised over the next three-five years. We also expect Indosat Ooredoo Hutchison to become a regular dividend payer once the integration is complete and the synergies are realised. The consolidation in the Indonesian telecom market could lead to Indosat Ooredoo Hutchison’s equity value increasing over time, which would ultimately benefit Ooredoo.

Rationalisation strategy partially offsets the decrease in EBITDA margins, with a stable capital spend and increasing FCF lowering net debt

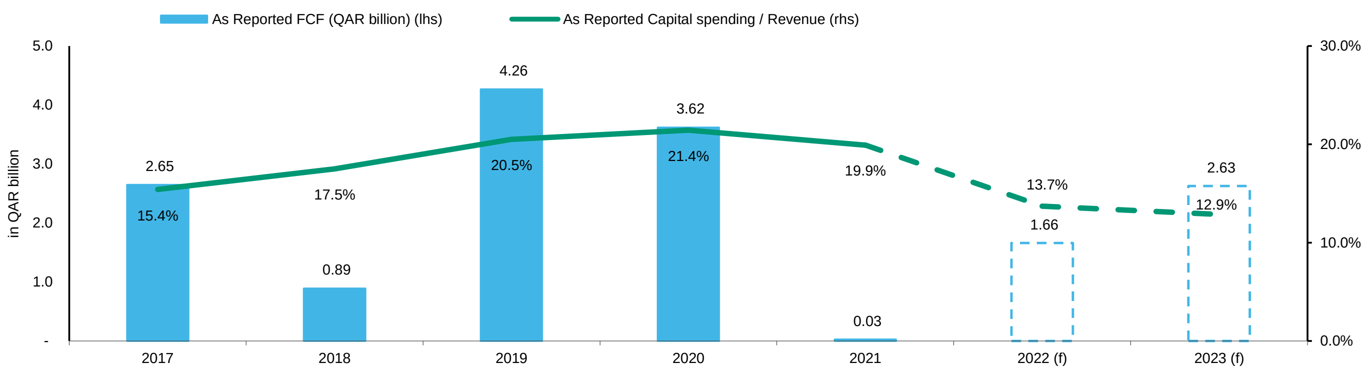
We expect Ooredoo's FCF generation to remain positive in the next couple of years, underpinned by a decrease in capital spending because the company is nearing the end of an investment cycle, including 5G investments in Qatar and Kuwait, as well as 3G and 4G investments in other international markets such as Myanmar, Iraq and Algeria. The positive FCF generation is further supported by Ooredoo having already exited underperforming operations and its renewed board-mandated focus on reducing costs and optimising operations. This allowed the company to deleverage its balance sheet, with net debt/EBITDA decreasing to 1.5x, which is on the lower end of the company's leverage guidance of 1.5x-2.5x.

Ooredoo has recently shifted its strategy away from expansionary investments towards the optimisation of the existing portfolio of assets. We expect capital spending in the next three to five years to be limited to smaller ticket items, such as improving/upgrading passive infrastructure, acquiring additional spectrum and licence renewal fees. We will continue to monitor the evolution of the deployment of 5G across Ooredoo's various networks and the implications for capital spend. It is still unclear how Ooredoo and other operators will earn a return on their 5G investments. The use cases for 5G appear to be gaining momentum, especially when it comes to the Internet of Things, notably autonomous vehicles and remote medical surgery.

Ooredoo has also made significant inroads in delivering cost savings across the group. The company has shifted towards centralising the procurement of network equipment services. Combining orders allows the procurement team in Doha to obtain volume discounts because of the bulking up of requirements across various operating companies. This has led to beneficial operating costs and capital spending outlays for the group as a whole. This has also resulted in an increase in FCF generation, arrested EBITDA decline in absolute terms and alleviated pressures experienced in its some of its international operations such as Myanmar.

Exhibit 4

Tapering of capital spending will help Ooredoo channel more funds towards deleveraging, strengthening its standalone profile



All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. Ooredoo's historical figures until 2021 include the full consolidation of Indosat Tbk. (P.T.).

Source: Moody's Investors Service

Matching of non-US-dollar-linked cash flow generation to operating company debt

Over the past few years, Ooredoo has successfully managed to match debt funding raised at its operating subsidiaries to local-currency cash generation. Most of Ooredoo's bank debt at the operating subsidiary level is now denominated in local currency. This excludes the debt raised at Ooredoo Qatar in US dollars. The Qatar Central Bank's exchange-rate policy is to peg the Qatari riyal at 3.64 to the US dollar. This mitigates the impact of currency fluctuations when it comes to Ooredoo's US dollar-denominated debt.

Funding of the initial investments required to set up operations in international markets was mostly done through US dollar-denominated debt, at the holding level. In addition, most of the capital spending is US dollar denominated. The devaluation of local currencies in Ooredoo's international markets weakens the translated EBITDA levels, which, in turn, leads to a deterioration in EBITDA/ interest expense credit metric.

Government's ability and willingness to extend financial support remains intact

Ooredoo's credit profile continues to benefit from our assumption of high support from the Government of Qatar, which owns 68.6% of the company through direct and indirect holdings. Therefore, the A2 rating benefits from three notches of uplift from the BCA.

The Qatari government has demonstrated its willingness and capacity to offer financial support to Ooredoo through (1) flexibility of dividend payments, which the board continually manages with respect to Ooredoo's cash and deleveraging requirements, with dividends per share cut to QAR3 ($0.82) in 2015 from QAR4 ($1.10) in 2014; (2) the subscription to right issues, totaling $0.89 billion (QAR3.24 billion) in 2008 and $1.04 billion (QAR3.79 billion) in 2012; and (3) the deferral of royalties and dividends for 2006-10 following the onset of the global financial crisis.

ESG considerations

OOREDOO Q.P.S.C.'s ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 5
ESG Credit Impact Score

CIS-2
Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

Ooredoo Q.P.S.C.'s (Ooredoo) ESG Credit Impact Score is (**CIS-2**), where its ESG attributes are overall considered as having a neutral-to-low impact on the current rating. Ooredoo's **CIS-2** reflects moderately negative social and governance risks and neutral to low environmental risks.

Exhibit 6
ESG Issuer Profile Scores

ENVIRONMENTAL
E-2
Neutral-to-Low

SOCIAL
S-3
Moderately Negative

GOVERNANCE
G-3
Moderately Negative

Source: Moody's Investors Service

Environmental

The company's exposure to environmental risks is low with an **E-2** issuer profile score and in line with the overall industry. Ooredoo is mostly focused on energy efficient projects to reduce energy consumption and increasingly rely on renewable sources.

Social

Social risks are moderately negative for Ooredoo, driven by the risk of a data breach, given that, Ooredoo, like other telecommunication providers, exchanges large amounts of customer data; and a breach could cause legal, regulatory or reputational issues. In addition, a breach could result in increased operational costs to mitigate cyberattacks and reduce exposure to the loss of private data. Ooredoo's **S-3** issuer profile score is also driven by the company's exposure to demographic and societal trends, with Ooredoo Qatar, Ooredoo's highest EBITDA contributor, heavily reliant on expats, whose numbers can vary depending on the macro economic conditions in the country.

Governance

Governance risks are moderate (**G-3** issuer profile score) and are linked to the company's majority (68% direct and indirect) ownership by the Government of Qatar which appoints six of Ooredoo's 10 members of the company's board of directors, including the chairman and deputy chairman. The Government of Qatar, through its control of the board, determines, among others, Ooredoo's investment decisions and shareholder returns, which can significantly affect the company's credit profile. This is partially offset by Ooredoo's disciplined financial strategy and risk management, strong balance sheet and solid liquidity management. Risks in the areas of management credibility and track record, organizational structure and compliance and reporting are neutral to low.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Ooredoo has a strong liquidity profile. As of 31 December 2021, Ooredoo had $3.2 billion (QAR11.6 billion) in group cash and undrawn committed USD-denominated revolving credit facilities of $1.02 billion (QAR3.7 billion) available at the Ooredoo Q.P.S.C. level. This, in addition to $2.0 billion (QAR7.1 billion) of expected funds from operations in the next 12 months, would more than cover debt maturities (including lease liabilities) of $0.4 billion (QAR1.5 billion), the expected capital spending of $0.8 billion (QAR3.0 billion) and our expectation of dividend payments of $342 million (QAR1.2 billion) during the same period. In Q4 2019, Ooredoo's board of directors approved a new dividend policy for the company, targeting a dividend payout in the range of 40% to 60% of normalized earnings.

Ooredoo's liquidity benefits further from a long-dated and staggered debt maturity profile. The company also has a good track record of proactively managing its liquidity by refinancing debt well in advance of its maturity. Liquidity is further supported by a discretionary dividend policy. This allows Ooredoo the necessary flexibility to balance the needs of its operations, overall liquidity buffers and the requirement for dividends payments to its shareholders.

Methodology and scorecard

The methodologies used for these ratings were the Telecommunications Service Providers rating methodology and the Government-Related Issuers rating methodology. The scorecard-indicated outcome as of December 2021, which does not take into account the Qatari government's support and dependence assumptions, is in line with Ooredoo's baa2 BCA.

Exhibit 7

Telecommunications Service Providers Industry Scorecard	Current FY 12/31/2021		Moody's 12-18 Month Forward View	
Factor 1 : Scale (12.5%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$8.2	Ba	$6 - $6.2	Ba
Factor 2 : Business Profile (27.5%)				
a) Business Model, Competitive Environment and Technical Positioning	A	A	A	A
b) Regulatory Environment	Baa	Baa	Baa	Baa
c) Market Share	Aa	Aa	Aa	Aa
Factor 3 : Profitability and Efficiency (10%)				
a) Revenue Trend and Margin Sustainability	A	A	A	A
Factor 4 : Leverage and Coverage (35%)				
a) Debt / EBITDA	2.6x	Baa	1.9x - 2.7x	Baa
b) RCF / Debt	23.0%	Ba	23% - 30%	Baa
c) (EBITDA - CAPEX) / Interest Expense	2.8x	Ba	5.1x - 6.2x	A
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa1
b) Actual Rating Assigned				A2
Government-Related Issuer		**Factor**		
a) Baseline Credit Assessment		baa2		
b) Government Local Currency Rating		Aa3		
c) Default Dependence		High		
d) Support		High		
e) Actual Rating Assigned		A2		

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. Ooredoo's historical figures until 2021 include the full consolidation of Indosat Tbk. (P.T.).
Source: Moody's Investors Service

Exhibit 8
Peer comparison

	Ooredoo Q.P.S.C. A2 Stable (baa2 BCA)			Emirates Telecommunications Grp Co PJSC Aa3 Stable (a2 BCA)			Saudi Telecom Company A1 Stable (a1 BCA)			Swisscom AG A2 Stable (baa1 BCA)		
(in USD millions)	2019	2020	2021	2019	2020	LTM Sep-21	2019	2020	LTM Sep-21	2019	2020	2021
Revenues	$8,216	$7,928	$8,121	$14,208	$14,078	$14,373	$14,498	$15,721	$16,679	$11,526	$11,835	$12,238
Debt / EBITDA	2.8x	3.0x	2.6x	1.0x	1.1x	1.1x	0.7x	0.7x	0.7x	2.4x	2.2x	2.0x
RCF / Debt	26.2%	23.4%	23.0%	34.9%	31.6%	27.7%	53.8%	79.1%	72.1%	26.2%	29.3%	32.2%
(EBITDA-CAPEX) / Interest Expense	2.5x	2.4x	2.8x	16.9x	16.2x	97.6x	27.0x	30.9x	39.5x	12.7x	13.2x	15.5x

All figures are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated. LTM = Last 12 months. Ooredoo's historical figures until 2021 include the full consolidation of Indosat Tbk. (P.T.).
Source: Moody's Financial Metrics™

Exhibit 9
Moody's-adjusted debt breakdown

(in USD millions)	2017	2018	2019	2020	2021
As Reported Debt	**11,180**	**10,343**	**10,274**	**10,207**	**6,581**
Pensions	159	156	176	175	138
Operating Leases	1,131	968	0	0	0
Non-Standard Adjustments	0	0	0	0	2,385
Moody's-Adjusted Debt	**12,470**	**11,467**	**10,449**	**10,382**	**9,104**

All figures are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated. Ooredoo's Non-Standard Adjustment in 2021 of $2.38 billion (QAR8.68 billion) represent the reclassification of: loans and borrowings, and lease liabilities, from "liabilities held for sale" to "debt". Ooredoo's historical figures until 2021 include the full consolidation of Indosat Tbk. (P.T.).
Source: Moody's Financial Metrics™

Exhibit 10
Moody's-adjusted EBITDA breakdown

(in USD millions)	2017	2018	2019	2020	2021
As Reported EBITDA	**3,727**	**3,400**	**3,819**	**3,411**	**3,856**
Pensions	0	10	2	-2	0
Operating Leases	377	323	0	0	0
Unusual	-31	37	-214	0	-353
Non-Standard Adjustments	168	0	119	106	0
Moody's-Adjusted EBITDA	**4,240**	**3,770**	**3,726**	**3,515**	**3,503**

All figures are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated. Ooredoo's historical figures until 2021 include the full consolidation of Indosat Tbk. (P.T.).
Source: Moody's Financial Metrics™

Ratings

Exhibit 11

Category	Moody's Rating
OOREDOO Q.P.S.C.	
Outlook	Stable
Issuer Rating	A2
OOREDOO INTERNATIONAL FINANCE LIMITED	
Outlook	Stable
Bkd Senior Unsecured	A2
OOREDOO TAMWEEL LIMITED	
Outlook	Stable
Bkd Sr Unsec MTN	(P)A2

Source: Moody's Investors Service

REPORT NUMBER 1317720

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE