

CREDIT OPINION

23 February 2023

Update



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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.

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Ooredoo Q.P.S.C.

Update to credit analysis

Summary

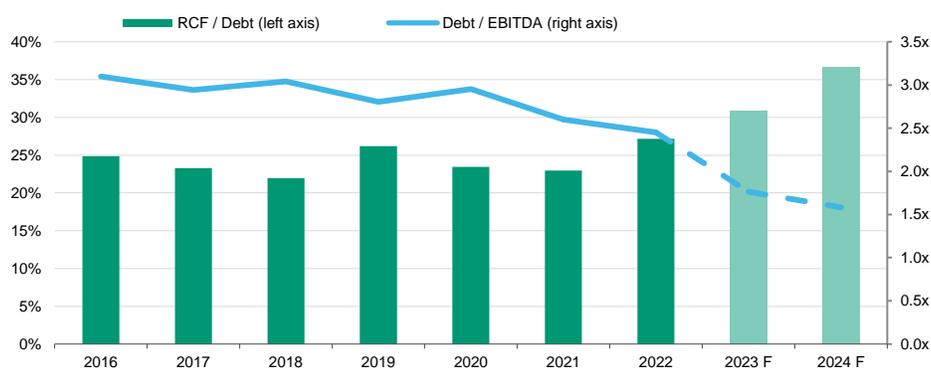
[Ooredoo Q.P.S.C.](#)'s (Ooredoo) A2 rating factors in its standalone creditworthiness, as expressed in a Baseline Credit Assessment (BCA) of baa2, combined with a high default dependence on and a high level of support from the [Government of Qatar](#) (Aa3 positive), under our [Government-Related Issuers](#)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

Ooredoo's baa2 BCA reflects the company's (1) leading position in the high-margin and resilient Qatari telecommunication services market where it holds a 74% market share; (2) strong presence in the large-scale Indonesian market as the number two operator, via a joint venture with [CK Hutchison Holdings Limited](#) (A2 stable); (3) healthy EBITDA margin of 40% in 2022; (4) focus on asset portfolio optimisation and operating efficiency; (5) improving leverage and interest coverage; and (6) excellent liquidity, with a cash balance covering all group debt maturities for the next three years.

The BCA also incorporates Ooredoo's (1) exposure to foreign-currency volatility, although its operating subsidiaries' debt is in local currency; (2) presence in countries with geopolitical risks such as [Iraq](#) (Caa1 stable) or increased competition such as [Oman](#) (Ba3 positive); (3) concentration of cash flow in the Qatari market; and (4) somewhat reduced size following the deconsolidation of [Indosat Tbk. \(P.T.\)](#) (Indosat Ooredoo Hutchison or IOH, Baa3 stable).

Exhibit 1

Credit metrics are improving



All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts are Moody's opinion and do not represent the views of the issuer. 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
- » Asset rationalisation and operating efficiency strategy, which is likely to result in positive free cash flow (FCF) and sustainable credit metrics
- » Strong liquidity profile, with cash balance covering all group debt maturities for the next three years
- » Strong ability and a demonstrated track record of the Qatari government to provide support to the company

Credit challenges

- » Presence in growth markets with high geopolitical and macroeconomic risks
- » Exposure to foreign-currency volatility, partially mitigated by local-currency-denominated debt at the subsidiary level
- » Concentration of cash flow in the Qatari market following the deconsolidation of Indosat

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 optimising 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

The rating 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 sustained basis or liquidity weakens. The rating could be downgraded if government support assumptions are lowered.

Key indicators

Exhibit 2

Ooredoo Q.P.S.C.

	2017	2018	2019	2020	2021	2022	2023 (f)	2024 (f)
Revenue (USD billion)	\$9.0	\$8.2	\$8.2	\$7.9	\$8.2	\$6.2	\$6.2	\$6.3
Debt / EBITDA	2.9x	3.2x	2.9x	3.0x	2.6x	2.5x	1.8x	1.6x
RCF / Debt	23.3%	22.0%	26.2%	23.3%	23.0%	27.2%	30.8%	36.7%
(EBITDA - CAPEX) / Interest Expense	4.1x	3.1x	2.3x	2.3x	2.8x	4.9x	6.0x	8.5x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts are Moody's opinion and do not represent the views of the issuer. Ooredoo's historical figures until 2021 include the full consolidation of [Indosat Tbk. \(P.T.\)](#).

Source: Moody's Investors Service

Profile

Ooredoo Q.P.S.C. (Ooredoo) is an international communications company operating across the Middle East, North Africa and Southeast Asia. Serving consumers and businesses in nine countries, Ooredoo aims to deliver the leading data experience through a broad range of content and services via its advanced, data-centric mobile and fixed networks. Ooredoo served 56.0 million customers

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and generated revenue of QAR22.7 billion in 2022. Its shares are listed on the Qatar Stock Exchange and the Abu Dhabi Securities Exchange.

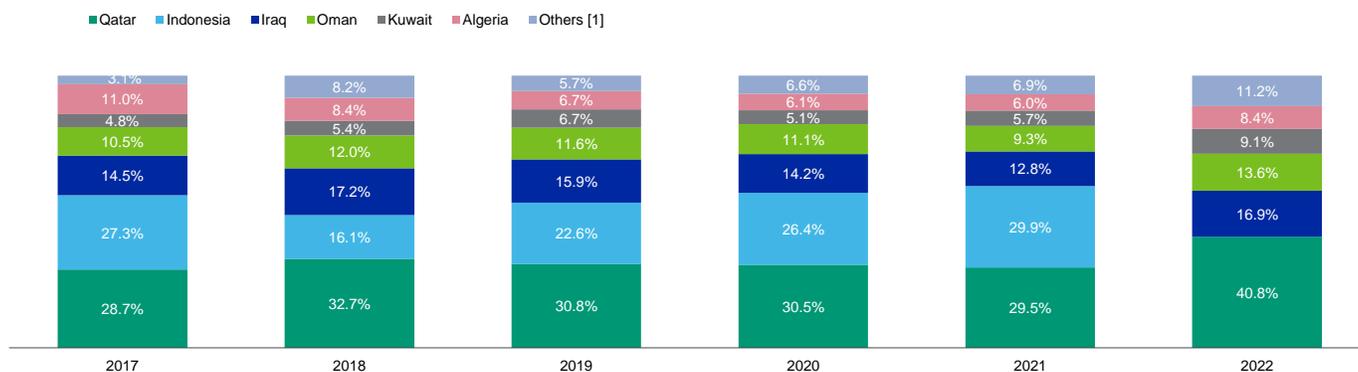
Detailed credit considerations

Strong market leadership in the lucrative Qatari market will continue to support credit quality

As the incumbent integrated telecommunications service provider in Qatar, with a market share of 74% in 2022, Ooredoo's strong market leadership position provides the company with stable cash flow. We expect this to continue because the company benefits from a supportive regulatory environment in Qatar compared with the completely privatised and competitive telecommunications markets in Europe and North America. Qatar is a major market for Ooredoo, generating around 41% of its group reported EBITDA in 2022 (see Exhibit 3). This share increased from 30%-31% in 2019-21 following the deconsolidation of Indosat Ooredoo Hutchison. The robustness of the Qatari market is demonstrated by a high average revenue per user (ARPU) of around \$30 per month, which supports the firm's margins and results in stable cash flow.

Exhibit 3

Strong geographical diversification helps mitigate idiosyncratic risks



Ooredoo's historical figures until 2021 include the full consolidation of [Indosat Tbk. \(P.T.\)](#).^[1] Others include Tunisia, Myanmar and other market activities.

Source: Company

Following a temporary increase to QAR8.0 billion because of the 2022 FIFA World Cup, Ooredoo's Qatari operations' revenue will stabilise at around QAR7.4 billion-QAR7.5 billion per year in 2023-24, which is in line with the 2021 level. Strong macroeconomic conditions supported by robust pricing for oil and gas will be balanced by the market's high maturity and competition in the B2B fixed-line segment.

We expect Ooredoo's EBITDA margin in Qatar to improve in 2023-24 after a contraction in 2022. The margin declined to 48% in 2022 from 52% in 2021 because of the elevated expenses incurred as a result of the World Cup. The margin will increase well above 50% over the next two years thanks to the company's focus on operating efficiency and customer experience, and the non-discretionary characteristics of Ooredoo's services to its subscribers in both the retail and corporate sectors.

Growth and diversification of markets outside Qatar are balanced by geopolitical and macroeconomic risks

Ooredoo is strongly diversified geographically, with the number one or two market position in most of the countries in which it operates: Oman, Iraq, Kuwait, Tunis, Algeria and others. Because of its leading market position, Ooredoo has recorded good revenue and EBITDA growth, and high operating margins in local currencies in many of those markets. We expect Ooredoo to record most of the growth over the coming years in these geographies. In addition, geographical diversification helps the company reduce its exposure to idiosyncratic risks.

However, 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 and Myanmar or macroeconomic challenges such as Oman, which can create volatility in financial performance. Some of Ooredoo's international markets have devaluing local currencies, which translates into lower earnings in Qatari riyal terms. Therefore, any future upward or downward pressure on Ooredoo's BCA will be considered in the context of the sovereign credit profiles of the company's key markets.

In addition, there could be challenges in upstreaming cash and using it for debt service at the group level. Ooredoo used to have a sizeable portion of its cash in Iraq and experienced difficulties in transferring cash out of the country. However, the company was able to upstream a sizeable amount in 2021-22, significantly reducing its exposure to the country. Nevertheless, we give less credit to cash sitting in Iraq, and we estimate Ooredoo's debt/EBITDA to increase to 2.9x from 2.5x for 2022 excluding Ooredoo's Iraqi operations.

After a 5% growth in revenue and EBITDA of Ooredoo's operations in Oman in 2022, the business will stall in 2023 due to aggressive competition in the prepaid mobile segment from Vodafone, a new entrant in the region. Slow growth could resume in 2024. Nevertheless, the company should sustain its high reported EBITDA margin of 50%-52% and continue to build up its market share above 35% in Oman thanks to its focus on operating efficiency and customer experience.

Ooredoo's revenue in Iraq will remain stable or grow very slowly, but profitability will shrink by a few percentage points because of growing network and energy costs. The market share should remain robust at around 40%.

In Kuwait, the business will record decent growth in revenue of 3%-4%, the EBITDA margin will expand gradually to around 35% in 2024 from 29% in 2021 and the market share will increase to more than 40% in 2023. Favourable macroeconomic conditions, growing 5G demand and the company's focus on customers should support its strong performance in the region.

Revenue and earnings in Ooredoo's other regions are likely to grow in local currencies but remain flat or decrease in Qatari riyal terms.

Robust financial performance underpinned by the focus on operating efficiency

The company's current core strategy is to focus on execution, operating efficiency, excellence in customer experience, and expansion of complementary products and services. This helps Ooredoo protect and grow its customer base, slowly build up revenue and sustain healthy profitability.

Ooredoo's financial performance remains healthy. Its revenue increased by 3.6% to QAR22.7 billion in 2022 on a comparable basis (excluding the deconsolidation of the Indonesian operations), although it includes approximately QAR400 million of one-off sales related to the World Cup. Its Moody's-adjusted EBITDA margin decreased to 40% in 2022 from 43% in 2020-21 because of extra expenses during the World Cup and higher costs in Iraq.

We expect the company's performance to improve slowly in 2023-24. Consolidated revenue will grow by 1%-2% in this period (excluding the impact of the inflated one-off result in 2022). The company's EBITDA margin is likely to increase by one or two percentage points in 2023-24 thanks to its cost optimisation measures.

Asset optimisation strategy and modest capital spending support cash generation and credit metrics

Ooredoo pursues active asset portfolio management and a calculated approach to capital spending. It aims to be the number one or two operator in its core markets and is ready for business combinations or divestments to follow this strategy. The company is also optimising its infrastructure base and suboptimally used assets, unlocking additional value in towers and data centres. At the same time, consolidation moves or opportunistic acquisitions by Ooredoo are not ruled out, if such opportunities with strategic fit and adequate cost arise.

As part of its strategy, Ooredoo merged its subsidiary in Indonesia with CK Hutchison Holdings' business in the country in January 2022. Both companies now have joint control of Ooredoo Hutchison Asia, which owns a 66% stake in the combined entity Indosat Ooredoo Hutchison (IOH). Ooredoo received \$387 million in cash as part of the transaction and deconsolidated its Indonesian subsidiary, recognising the retained interest as investment in a joint venture with effective ownership of 33%. The merger resulted in the combined entity holding a strong second place in the Indonesian market with a share of around 28%. IOH should also benefit from operating expenses and capital spending synergies of up to \$400 million per year to be achieved over the three- to five-year horizon.

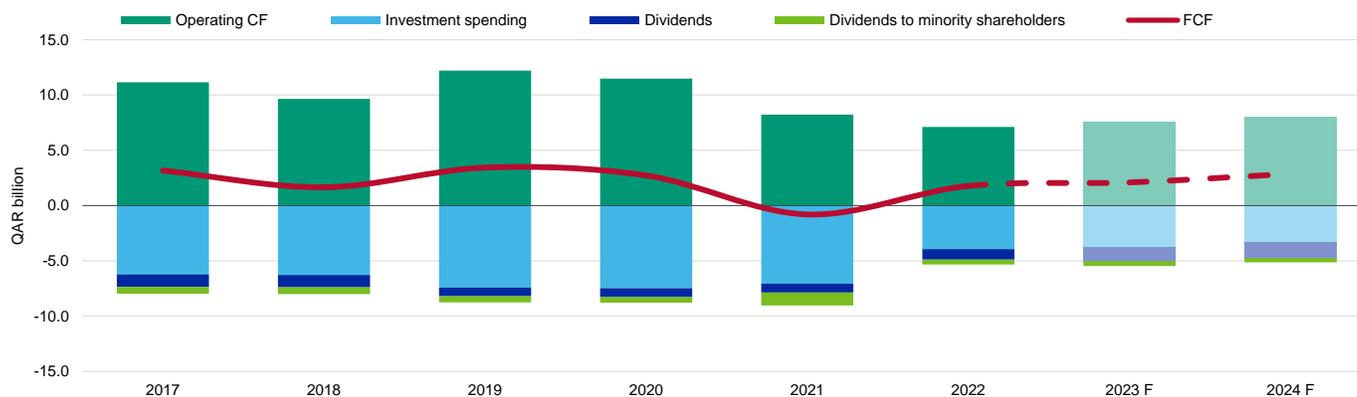
In September 2022, Ooredoo announced the sale of its telecom business in Myanmar to Nine Communications Pte at an enterprise value of \$576 million or \$162 million of equity consideration. The decision reflects the difficult operating conditions in the country and the high uncertainty in achieving a leading position in the market. The transaction is still pending regulatory approvals.

In the same month, the company announced that it was preparing to carve out and at least partially monetise its 20,000 towers. The move, if successful, will help Ooredoo unlock value from its infrastructure and is in line with its strategic shift towards an asset-light model.

At the same time, the company's capital spending intensity will gradually decrease below 15% in 2024 from 17% in 2022 and 24% in 2021. The contraction will be driven by (1) 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; and (2) better efficiency in capital spending management. We expect capital spending in the next three to five years to be limited to smaller-ticket items, such as improving passive infrastructure, acquiring additional spectrum and licence renewal fees.

We expect Ooredoo's FCF generation to remain positive in the next couple of years thanks to the decrease in capital spending, and focus on efficiency and profitability (Exhibit 4). Dividend payments should remain in line with the company's policy, which targets 40%-60% payout of normalised net profit. However, dividends to minority shareholders of Ooredoo's subsidiaries represent a drag on cash flow.

Exhibit 4

Ooredoo should sustain positive FCF in 2023-24

Source: Moody's Investors Service

Strong financial performance helped the company reduce its Moody's-adjusted debt/EBITDA to 2.5x in 2022 from 2.6x in 2021 and the average of 3.0x in 2017-20. We expect further reduction in leverage to below 2.0x in 2023-24, assuming no major acquisitions. At the same time, the company's reported net leverage decreased to 1.1x in 2022 from 1.5x in 2021 and 1.9x in 2020, which is below its financial policy guidance of 1.5x-2.5x.

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.

Government's ability and willingness to extend financial support remain 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 in 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, totalling \$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



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



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.

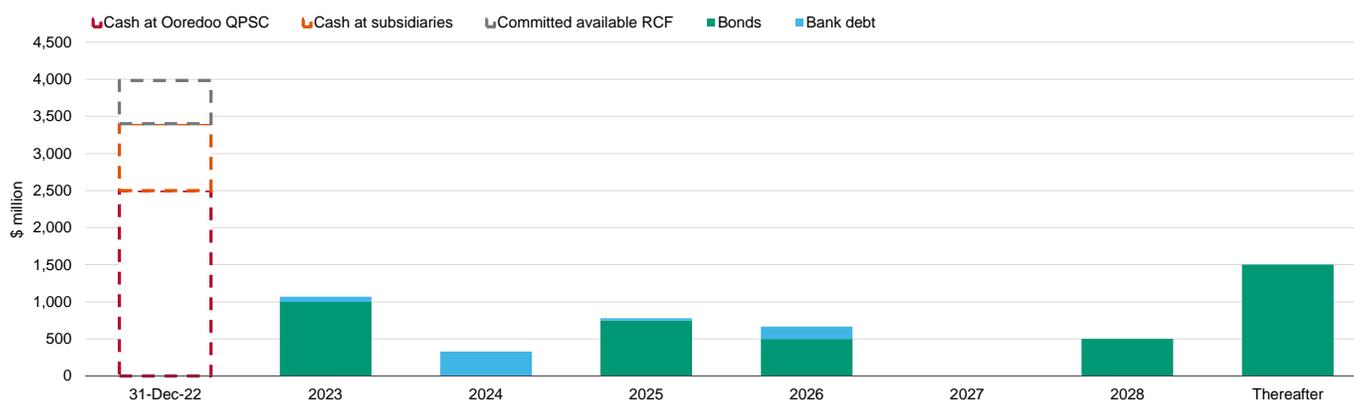
Liquidity analysis

Ooredoo has very strong liquidity. As of 31 December 2022, Ooredoo had \$3.4 billion in total consolidated cash (excluding restricted cash), including \$2.7 billion at the holding level, and \$585 million in undrawn committed US dollar-denominated revolving credit facilities available at the Ooredoo Q.P.S.C. level. This will be more than sufficient to cover bond maturities of \$1.75 billion in 2023-25 and bank debt maturities of \$430 million over the same period. In addition, the company should generate around \$2.0 billion of operating cash flow in 2023, which will cover \$1.0 billion of investment spending, as well as \$0.5 billion of dividends.

Ooredoo's liquidity benefits further from a long-dated and staggered debt maturity profile (Exhibit 7). 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 dividend payments to its shareholders.

Exhibit 7

Sizeable cash balance and comfortable debt maturity profile



Source: Company

Methodology and scorecard

The methodologies used for these ratings were the Telecommunications Service Providers rating methodology, published in September 2022, and the Government-Related Issuers rating methodology.

Exhibit 8

Ooredoo Q.P.S.C.				
Telecommunications Service Providers Industry Scorecard ⁽¹⁾⁽²⁾				
	Current FY 12/31/2022		Moody's 12-18 Month Forward View	
	Measure	Score	Measure	Score
Factor 1 : Scale (12.5%)				
a) Revenue (USD Billion)	\$6.2	Ba	\$6.2 - \$6.3	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	2.5x	Baa	1.6x - 2.0x	A
b) RCF / Debt	27.2%	Baa	30.0% - 37%	Baa
c) (EBITDA - CAPEX) / Interest Expense	4.9x	Baa	6.0x - 8.5x	A
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa1		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.

Source: Moody's Investors Service

Appendix

Exhibit 9

Peer comparison^{[1][2][3]}

(in USD millions)	Ooredoo Q.P.S.C.			Emirates Telecommunications Grp Co PJSC			Saudi Telecom Company			Swisscom AG		
	A2 Stable (baa2 BCA)			Aa3 Stable (a2 BCA)			A1 Stable			A2 Stable (baa1 BCA)		
	2020	2021	2022	2020	2021	LTM Sep-22	2020	2021	LTM Sep-22	2020	2021	2022
Revenues	\$7,928	\$8,211	\$6,233	\$14,078	\$14,522	\$14,406	\$15,711	\$16,907	\$17,715	\$11,835	\$12,238	\$11,649
Debt / EBITDA	3.0x	2.6x	2.5x	1.5x	1.3x	2.0x	0.8x	0.8x	0.8x	2.2x	2.0x	1.8x
RCF / Debt	23.3%	23.0%	27.2%	31.6%	19.3%	15.8%	79.1%	71.0%	83.9%	29.3%	32.2%	35.1%
(EBITDA-CAPEX) / Interest Expense	2.3x	2.8x	4.9x	11.4x	11.2x	6.0x	19.7x	27.7x	23.1x	13.2x	15.5x	17.7x

[1] All figures and ratios calculated using Moody's estimates and standard adjustments.

[2] FYE = Financial year-end. LTM = Last 12 months.

[3] 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 Debt reconciliation for Ooredoo Q.P.S.C.^{[1][2][3]}

(in USD millions)	2017	2018	2019	2020	2021	2022
As Reported Debt	11,180	10,343	10,274	10,207	6,581	5,973
Pensions	159	156	176	175	138	137
Operating Leases	1,131	968	0	0	0	0
Non-Standard Adjustments	0	0	0	0	2,385	0
Moody's-Adjusted Debt	12,470	11,467	10,449	10,382	9,104	6,110

[1] All figures and ratios calculated using Moody's estimates and standard adjustments.

[2] FYE = Financial year-end. LTM = Last 12 months.

[3] 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 11

Moody's-adjusted EBITDA reconciliation for Ooredoo Q.P.S.C.^{[1][2][3]}

(in USD millions)	2017	2018	2019	2020	2021	2022
As Reported EBITDA	3,727	3,400	3,819	3,411	3,856	2,393
Pensions	0	10	2	-2	0	0
Operating Leases	377	323	0	0	0	0
Unusual	-31	37	-214	0	-353	100
Non-Standard Adjustments	168	0	119	106	0	0
Moody's-Adjusted EBITDA	4,240	3,770	3,726	3,515	3,503	2,494

[1] All figures and ratios calculated using Moody's estimates and standard adjustments.

[2] FYE = Financial year-end. LTM = Last 12 months.

[3] Ooredoo's historical figures until 2021 include the full consolidation of [Indosat Tbk. \(P.T.\)](#).

Source: Moody's Financial Metrics™

Ratings

Exhibit 12

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

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