MOODY'S INVESTORS SERVICE

CREDIT OPINION
12 March 2024

Update

Send Your Feedback

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

Mikhail Shipilov, CFA +971.4.237.9561
VP-Senior Analyst
mikhail.shipilov@moodys.com

Hormazd Motafram +971.4.237.9564
Ratings Associate
hormazd.motafram@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 following A2 rating affirmation; outlook stable

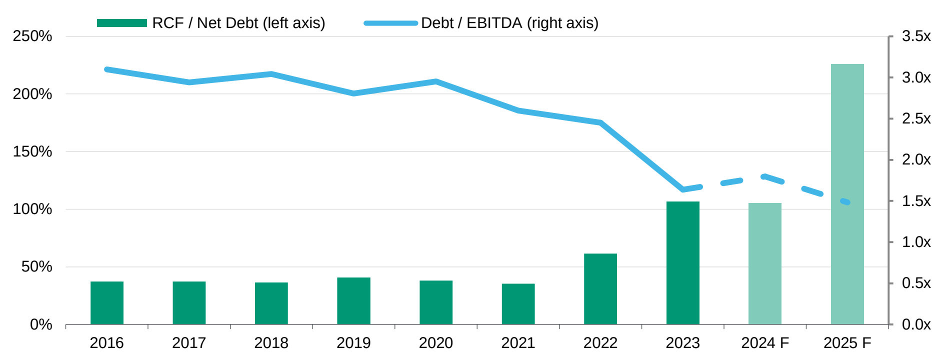
Summary

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 (Aa2 stable), under our Government-Related Issuers rating methodology. The Government of Qatar owns 69% of the company through direct and indirect holdings.

Ooredoo's baa2 BCA reflects the company's (1) leading position in the lucrative Qatari telecommunication services market and strong position in its international markets; (2) healthy operating and financial performance, with high Moody's-adjusted EBITDA margin of 44% in 2023; (3) prudent development strategy; (4) robust credit metrics, with net leverage below 1.0x; and (5) excellent liquidity, with a consolidated cash balance covering all group debt maturities for the next five years.

The BCA also incorporates Ooredoo's (1) exposure to foreign-currency volatility; (2) presence in countries with geopolitical risks such as Iraq (Caa1 stable) or increased competition such as Oman (Ba1 stable); (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). In addition, the baa2 BCA takes into account considerable financial flexibility which the company built up under its board's leverage guidance.

Exhibit 1
Robust credit metrics are likely to be sustained over the next two years



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 Ratings

Credit strengths

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

» Prudent development strategy and financial management practice

» Strong credit metrics

» Excellent liquidity, with consolidated cash balance covering all group debt maturities for the next five years

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

» Modest size, compared with other telecommunications operators

Rating outlook

The stable outlook reflects our expectation that the company will sustain its sound financial performance, maintain leading market position, pursue prudent development strategy and financial policy, and maintain strong credit metrics. The outlook also assumes that there will be no weakening in the likelihood of extraordinary support from the government, or material deterioration in operating conditions in the company's international markets.

Factors that could lead to an upgrade

Upward rating pressure could occur if (1) the company's Moody's-adjusted debt/EBITDA is around or below 2.0x and Moody's-adjusted retained cash flow/net debt is well above 45% on a sustainable basis; (2) Ooredoo commits to a more conservative leverage guidance; and (3) there is no material deterioration in operating conditions or geopolitical risks in the company's international markets.

Factors that could lead to a downgrade

The rating could come under downward pressure if Moody's-adjusted debt/EBITDA is above 2.75x or Moody's-adjusted retained cash flow/net debt is below 35% on a sustained basis; or liquidity weakens. The rating could also be downgraded if government support assumptions are lowered or as a result of a Qatar sovereign downgrade.

Key indicators

Exhibit 2

	2018	2019	2020	2021	2022	2023	2024 (f)	2025 (f)
Revenue (USD billion)	$8.2	$8.2	$7.9	$8.2	$6.2	$6.4	$6.4	$6.5
Debt / EBITDA	3.0x	2.9x	3.0x	2.6x	2.4x	1.6x	1.8x	1.5x
RCF / Net Debt	36%	41%	38%	35%	61%	107%	105%	226%
(EBITDA - CAPEX) / Interest Expense	3.3x	2.4x	2.3x	2.8x	5.1x	7.1x	7.3x	8.7x

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 Ratings

Profile

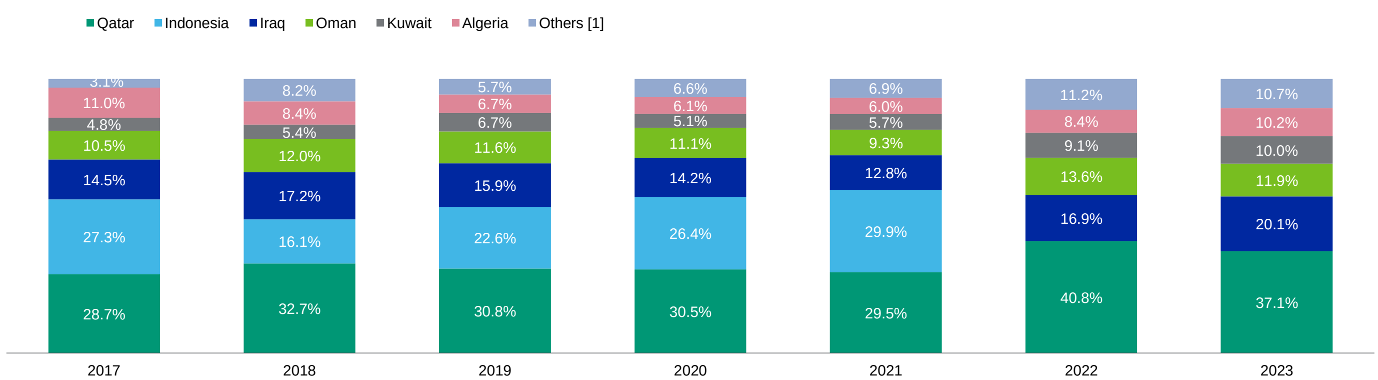
Ooredoo Q.P.S.C. (Ooredoo) is the leading integrated telecommunications service provider in Qatar, with international business across the Middle East, North Africa and Southeast Asia. Ooredoo reported 57.6 million subscribers and generated QAR23 billion ($6.4 billion) of revenue and QAR10 billion ($2.8 billion) of Moody's-adjusted EBITDA in 2023. The government of Qatar owns 52% shares in the company via Qatar Investment Authority, other Qatari government-related entities own 17%, Abu Dhabi Investment Authority – 10%, and the remaining 21% is free float at 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 71% by revenue in 2023, 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 37% of its group reported EBITDA in 2023 (see Exhibit 3). This share increased from 30%-31% in 2019-21 following the deconsolidation of Indosat Ooredoo Hutchison but slightly declined from 41% in 2022 due to strong performance of the company's international markets. 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 Reports

Ooredoo's revenue in Qatar decreased to QAR7.3 billion in 2023 from QAR8.0 billion a year earlier because of high comparative base due to the 2022 FIFA World Cup in Qatar, discontinuation of low margin transit business and carving out the fintech business into a separate reporting unit. We expect the Qatari revenue to be flat or decline by 1%-2% over 2024-25 because of the market's high maturity and competition in the B2B fixed-line segment.

At the same time, Ooredoo's reported EBITDA margin in Qatar improved to 49% in 2023 from 48% in 2022 in the absence of additional expenses related to the World Cup. The margin is likely to increase above 50% over the next two years thanks to the company's focus on operating efficiency and customer experience, discontinuation of some low profitable business, 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, especially in Oman, Iraq and Kuwait. 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 competition 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 in the past. However, the company has demonstrated a track record of successful cash upstreaming from Iraq over the last three years which reduces this risk for now. Nevertheless, if we exclude Ooredoo's Iraqi operations its gross leverage would increase to 2.0x from 1.6x in 2023 and net leverage to 1.0x from 0.6x.

After a 5% growth in 2022, Ooredoo's revenue in Oman was flat in 2023 because of fierce competition in the mobile market following the entrance of the third operator a few years ago. Slow growth could resume in 2024-25 and high EBITDA margin, above 45%, could be sustained. The company may also maintain its market share by revenue around 27%-28% in Oman thanks to its focus on operating efficiency and customer experience.

Ooredoo's revenue in Iraq increased by 21% because VAT exemption on telecom recharge encouraged additional demand. Revenue will grow slowly and EBITDA margin will be around 43%-44% in 2024-25. Ooredoo is also likely to maintain its robust market share at around 44%.

In Kuwait, the business will continue to grow its market share and revenue, while EBITDA margin will continue to expand. 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.

Healthy 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 operating and financial performance remains healthy. Its customer base increased by 3% from 56.0 million subscribers in 2022 to 57.6 million in 2023, with the company's all regions of operations demonstrating customer growth on a comparable basis. Revenue increased by 2.1% to QAR23.2 billion, adjusted EBITDA by 9.8% to QAR10.2 billion, and adjusted EBITDA margin to 44% from 41% a year earlier. The strong results stem from sound top line performance across international markets and focus on operating efficiency and cost control. Moody's-adjusted FCF (after dividends) doubled to QAR3.1 billion.

We expect Ooredoo's revenue to grow by 1%-2% and Moody's-adjusted EBITDA margin to be around 43%-44% in 2024-25.

Asset optimisation strategy and measured investment spending support cash generation and credit metrics

Ooredoo pursues active asset portfolio management and a calculated approach to capital spending and m&a. 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 and developing fintech offering. Ooredoo has not executed large M&A but it remains open to reasonably priced opportunities which fit its strategy.

As part of its strategy, Ooredoo merged its subsidiary in Indonesia with CK Hutchison Holdings Limited's (A2 stable) 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 Tbk. (P.T.) (IOH, Baa3 stable). 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.

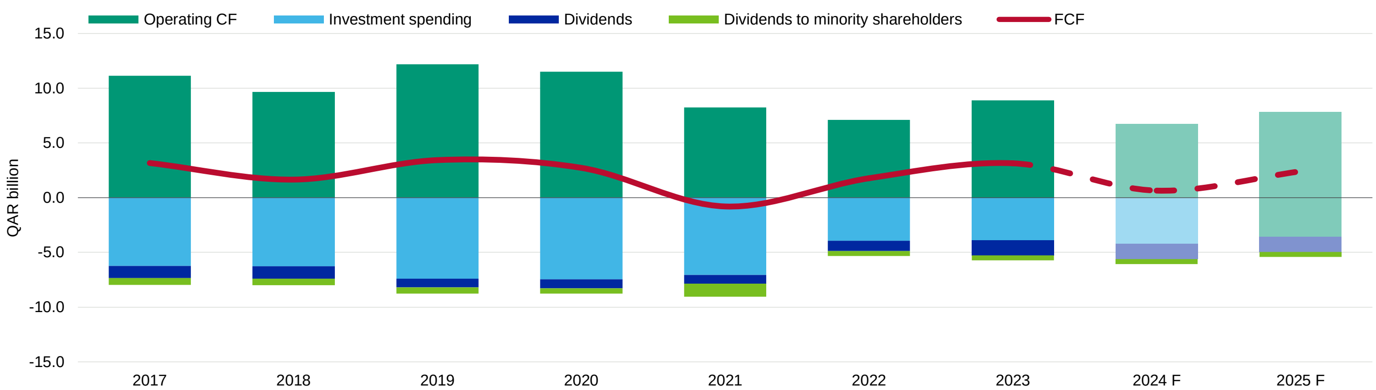
In December 2023, Ooredoo, Zain Group and TASC Towers Holding announced the establishment of the largest tower company in the MENA region, with 30,000 towers and estimated enterprise value of $2.2 billion. The tower entity is expected to achieve revenue close to $500 million a year, with an EBITDAaL (after leases) of more than $200 million upon the completion of closings in all individual countries: Qatar, Kuwait, Jordan, Iraq, Algeria, and Tunisia. The completion (country by country) will take around 2-3 years. Ooredoo and Zain will own 49.3% each. Ooredoo will contribute its 18,000 towers and receive some cash equalization payments.

The company also actively develops data centers and fintech offering and aims to turn them into independent profit centers. In addition, Ooredoo sees good investment opportunity in subsea cables segment.

At the same time, the company's capital spending intensity (on a Moody's-adjusted basis) will remain moderate at 17%-19% in 2024, compared with 17% in 2022-23 and 24% in 2021, and may even decrease towards 15% in 2025-26. Such capital spending intensity 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, including centralised procurement.

We expect Ooredoo's FCF generation to remain positive in the next couple of years thanks to the moderate 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 2024-25



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 Ratings

Strong financial performance helped the company reduce its Moody's-adjusted debt/EBITDA to 1.6x in 2023 from 2.4x in 2022, 2.6x in 2021 and the average of 3.0x in 2017-20. We expect gross leverage to remain below 2.0x in 2024-25, assuming no major acquisitions. The company's reported net leverage decreased to 0.7x in 2023 from 1.1x in 2022, 1.5x in 2021 and 1.9x in 2020, which is below its financial policy guidance of 1.5x-2.5x.

At the same time, we note large financial flexibility which the company built up under its financial policy. The board's leverage guidance is 1.5x-2.5x of reported net debt/EBITDA while the actual ratio was below 2.5x at least since 2010, below 2.0x since 2017 and even below 1.5x since 2022. As a result, the leverage guidance and the current leverage ratio leave considerable room for additional investment or other cash spending for the company.

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

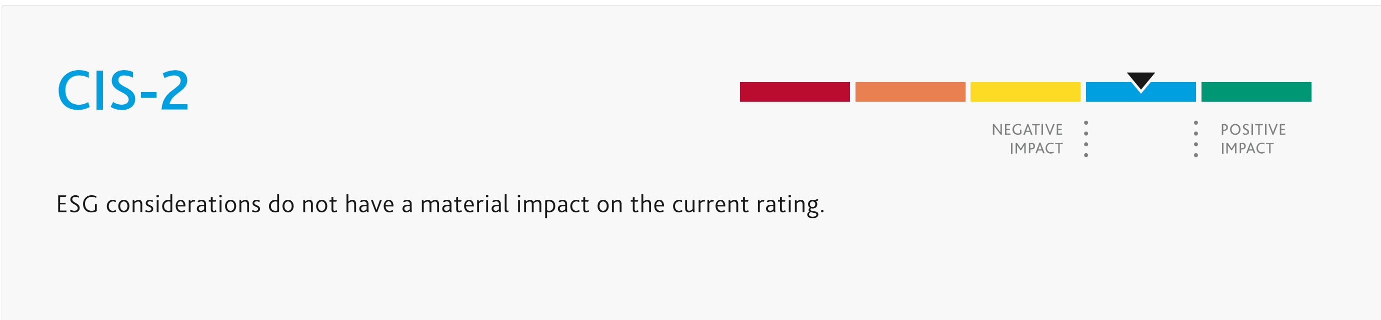
Ooredoo's credit profile continues to benefit from our assumption of high support from the Government of Qatar, which owns 69% of the company through direct and indirect holdings. Therefore, the A2 rating benefits from three notches of uplift from the BCA.

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 CIS-2

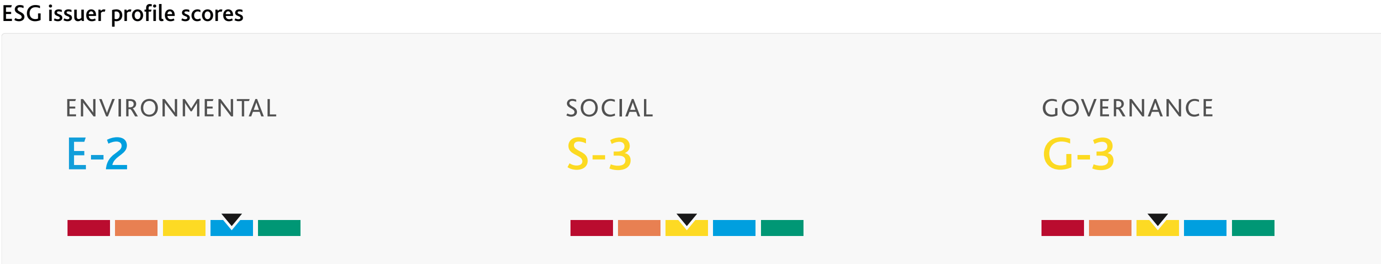
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

Ooredoo Q.P.S.C.'s (Ooredoo) **CIS-2** indicates that ESG considerations are not material to the rating because of the uplift provided by its strategic importance to the state, low exposure to environmental risks and moderate exposure to social and governance considerations.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental

E-2. The company's exposure to environmental risks is low 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

S-3. The company has moderate exposure to social considerations which stems from 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. The company also has 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

G-3. The company has moderate exposure to governance considerations, mainly because of its majority (69% 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.

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.

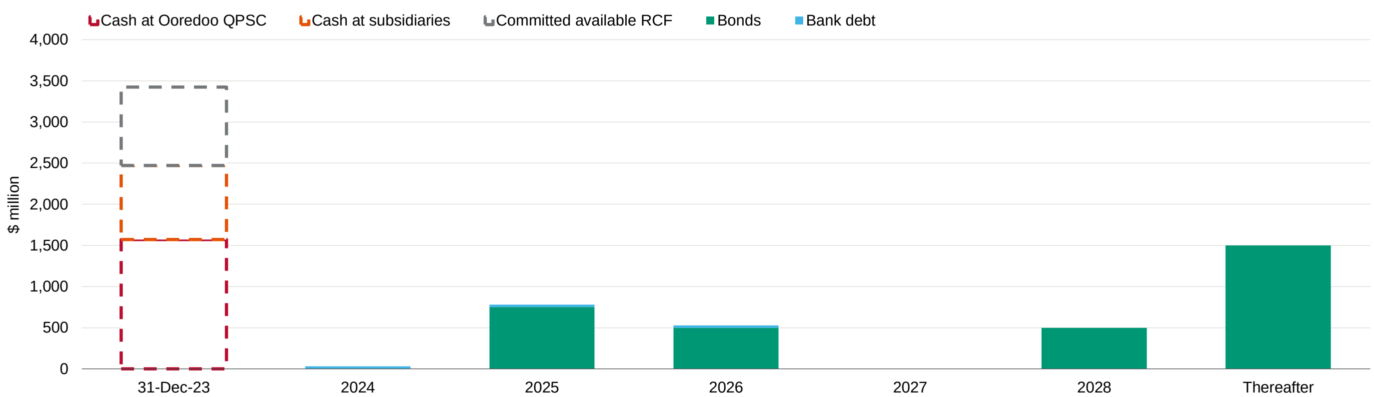
Liquidity analysis

Ooredoo has excellent liquidity. Its consolidated cash balance as of year-end 2023 covers comfortably debt maturities over the next five years. The cash at the holding level should be sufficient for debt repayments until 2028. Ooredoo's liquidity is also supported by sizeable available multi-year RCFs. Finally, besides being FCF positive on a consolidated basis, the Qatari standalone operations should generate around QAR1 billion ($275 million) of FCF (after dividends) a year in 2024-25.

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 November 2023. Other methodologies used include the Government-Related Issuers methodology, published in January 2024.

Exhibit 8

Telecommunications Service Providers Industry Scorecard	Current 12/31/2023		Moody's 12-18 Month Forward View	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$6.4	Ba	$6.4 - $6.5	Ba
Factor 2 : Business Profile (25%)				
a) Competitive Position	A	A	A	A
b) Market Share	Aa	Aa	Aa	Aa
Factor 3 : Profitability and Efficiency (10%)				
a) Revenue and Margin Sustainability	A	A	A	A
Factor 4 : Leverage and Coverage (40%)				
a) Debt / EBITDA	1.6x	A	1.6x - 1.8x	A
b) RCF / Net Debt	106.5%	Aaa	100% - 225%	Aaa
c) (EBITDA - CAPEX) / Interest Expense	7.1x	Aa	7.2x - 8.5x	Aa
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		A2		A2
b) Actual Rating Assigned				A2
Government-Related Issuer		**Factor**		
a) Baseline Credit Assessment		baa2		
b) Government Local Currency Rating		Aa2		
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 Ratings

Appendix

Exhibit 9

Peer comparison[1][2][3]

	Ooredoo Q.P.S.C. A2 Stable (baa2 BCA)			Emirates Telecommunications Grp Co PJSC Aa3 Stable (a2 BCA)			Saudi Telecom Company A1 Positive (a1 BCA)			Swisscom AG A2 Stable (a3 BCA)		
(in USD millions)	2021	2022	2023	2021	2022	LTM Sep-23	2021	2022	2023	2021	2022	LTM Sep-23
Revenues	$8,214	$6,236	$6,364	$14,522	$14,275	$14,471	$16,798	$17,959	$19,238	$12,238	$11,649	$12,143
Debt / EBITDA	2.6x	2.4x	1.6x	1.3x	2.4x	2.3x	0.8x	0.7x	1.3x	2.0x	1.8x	1.8x
RCF / Net Debt	35.4%	61.3%	106.5%	469.9%	47.5%	39.0%	384.6%	-238.0%	495.6%	33.8%	35.6%	37.0%
(EBITDA-CAPEX) / Interest Expense	2.8x	5.1x	7.1x	11.2x	7.6x	4.9x	27.2x	24.0x	12.0x	15.5x	17.7x	16.9x

[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	2023
As Reported Debt	**11,180**	**10,343**	**10,274**	**10,207**	**6,581**	**5,973**	**4,438**
Pensions	159	156	176	175	138	137	139
Operating Leases	1,131	968	0	0	0	0	0
Non-Standard Adjustments	0	0	0	0	2,385	0	0
Moody's-Adjusted Debt	**12,470**	**11,467**	**10,449**	**10,382**	**9,104**	**6,110**	**4,577**

[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	2023
As Reported EBITDA	**3,727**	**3,400**	**3,819**	**3,411**	**3,856**	**2,447**	**2,844**
Pensions	0	10	2	-2	0	0	0
Operating Leases	377	323	0	0	0	0	0
Unusual	-31	37	-214	0	-353	100	-48
Non-Standard Adjustments	168	0	119	106	0	0	0
Moody's-Adjusted EBITDA	**4,240**	**3,770**	**3,726**	**3,515**	**3,503**	**2,547**	**2,796**

[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

Source: Moody's Investors Service

REPORT NUMBER 1399810

CLIENT SERVICES

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