Ooredoo QPSC

February 13, 2025

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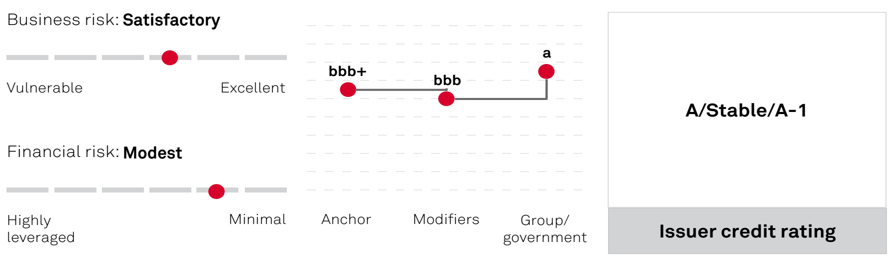
Ratings Score Snapshot



Credit Highlights

Overview

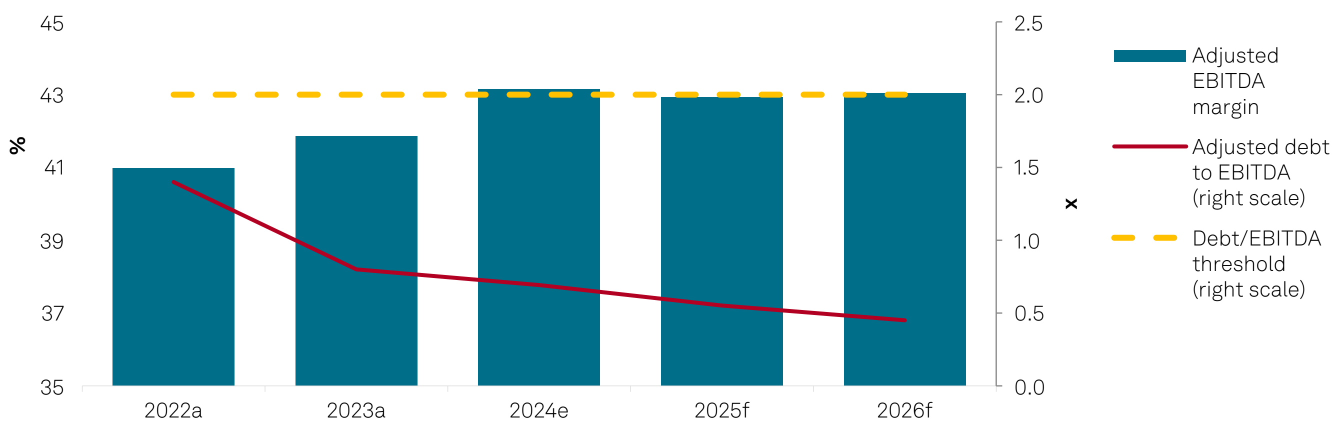
Key strengths	Key risks
Leading market share (about 70% revenue share) in domestic market, as well as majority of competitive international markets.	Exposure to high country risk markets, notably Iraq, Algeria, Tunisia, Palestine, and Maldives, translates into currency-devaluation pressure and geopolitical uncertainty.
Strong profitability, with an S&P Global Ratings-adjusted EBITDA margin of 40.3% and adjusted EBITDA of Qatari riyal (QAR) 9.3 billion, for the rolling 12 months (RTM) ended Sept. 30, 2024, supported by a large share of pre-paid customers in Qatar and high focus on cost-efficiency initiatives.	Increasing competition outside the domestic market, such as Oman and Iraq, which could lead to aggressive pricing pressures and margin erosion.
Diversified geographic footprint across the Middle East, North Africa, and South Asia.	Weak macroeconomic sentiment and high inflation in some emerging markets.
Gradually reduced consolidated leverage, with RTM adjusted debt to EBITDA at 0.6x (as of Sept. 30, 2024) leaving comfortable rating headroom.	Geopolitical tensions in the Middle East and globally with uncertain economic fallout.
Very strong link to Qatar (AA/Stable/A-1+), the potential support of which we incorporate into our rating.	
Strong liquidity and limited near-term debt maturities.	

S&P Global Ratings expects modest 1%-2% top line growth in 2024-2026, supported by growth in the international portfolio, despite the heightened competitive pressures in key markets. We anticipate that Qatar-based telecom operator Ooredoo's top line will expand by about 1% annually in 2024 and 2025, and by about 2%-3% in 2026 (compared with 2.1% in 2023). We expect market share resilience in the home market of about 70% revenue share (contributing to about 30% of consolidated revenue), supportive macro backdrop in key markets, and growth from new businesses (fintech and datacenters) to help offset the heightened competitive landscape and currency risk exposure in the international portfolio (70% of consolidated revenue).

We anticipate Ooredoo's S&P Global Ratings-adjusted profitability will remain above 40% in 2024-2026, supported by an ongoing focus on cost optimization. Despite increasing competitive pressures, we expect the S&P Global Ratings-adjusted EBITDA margin to remain around 43% over the next two to three years (compared with 41.9% in 2023). We expect the stable margins largely to be driven by leading position in key markets, as well as the company's efforts to focus and drive cost efficiencies, through leveraging digital transformation initiatives across customer care, advertising, and marketing. In particular, we expect the domestic operations' profitability (about 37% of 2024 reported consolidated EBITDA) to remain above 50% on a reported basis, underpinned by the market structure and leading position.

EBITDA margin expected to remain above 40%

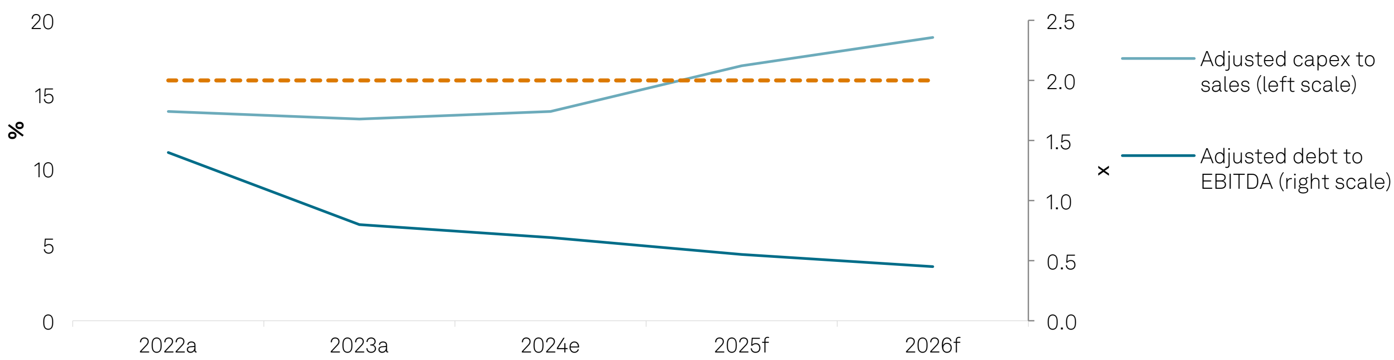
Profitability vs leverage



a--Actual. e--Estimate. f--Forecast. Source: S&P Global Ratings.

Despite sizable capital expenditure (capex) and dividends, we expect sufficient headroom with solid credit metrics in 2024-2026. Despite the completion of the majority of the network rollouts and effective cost control in capex, we expect investments in new segments including fintech, datacenters, and cable business to drive capex requirements. In our base case, we anticipate capex to sales will remain at about 14% in 2024, before peaking at about 17%-19% in 2025-2026. In addition, we assume a dividend payout of 40%-60% of normalized earnings, which translates into annual dividends (including to minorities) of about QAR2.5 billion, on average. Even so, we assume adjusted debt to EBITDA will remain below 2.0x in 2025-2027. However, this does not include potential analytical adjustments to leases to account for the creation of the tower company--for which the timing, while expected 2025, remains uncertain--and which we will review in due course. In addition, carve outs for data centers in Qatar, Tunisia, and Kuwait were already completed in 2024. Monetization of both the towers and data centers will generate additional cash proceeds. Timing remains uncertain at this stage, however, and is therefore not part of our base-case scenario.

Steady deleveraging despite high capex intensity



a--Actual. e--Estimate. f--Forecast. Source: S&P Global Ratings.

We consider Ooredoo a government-related entity (GRE) with a high likelihood of government support and expect it will remain a key player in Qatar's telecom sector. Our assessment reflects our view that the company has a very strong link with the government, given the state's 68% ownership of Ooredoo--53% directly via Qatar Investment Authority (QIA) and 15% indirectly through other GREs. The state also influences the board through the appointment of members and oversight of decision-making, which is reflective of the very strong link. We also incorporate our view that Ooredoo plays a very important role for the Qatari government because of its position as the largest telecoms services provider in the country, representing a key part of Qatar's communications infrastructure. It remains a flagship company for the state helping diversify Qatar's economy away from the petrochemicals industry.

Outlook

The stable outlook on Ooredoo mirrors that on Qatar and our expectation that adjusted debt to EBITDA will remain below 2x. We also expect, in the absence of sizable acquisitions, the company's free operating cash flow (FOCF) to debt coverage will stay comfortably above 25%.

Downside scenario

We could lower our rating on Ooredoo if we lowered our long-term sovereign rating on Qatar to 'AA-' or lower. We could also lower the rating if:

- Adjusted debt to EBITDA exceeded 2x, without near-term prospects of recovery. This could follow weaker operating performance, financial policy decisions including significant acquisitions, exceptional dividend distributions, and significantly higher capex than currently assumed; or
- Qatar reduced its shareholding in Ooredoo, potentially leading us to reassess the likelihood of government support for the company.

Upside scenario

We see limited upside for the rating, provided our assessment of government support remains unchanged. We could revise our view on the company's stand-alone credit profile (SACP) if, in addition to steady deleveraging and FOCF generation, the company's exposure to high-risk countries and foreign exchange volatility decreased. Or if the company's financial policy demonstrated a commitment to leverage consistent with a higher rating, including an adjusted debt-to-EBITDA ratio of sustainably lower than 1.5x and FOCF to debt higher than 40%.

Our Base-Case Scenario

Assumptions

- Estimated Qatari real GDP growth of 1.6% in 2024, followed by forecast average real growth of 3.2% in 2025-2026, supported by nonhydrocarbon sectors in 2025 and expansion of liquefied natural gas thereafter.
- Average revenue growth of about 1%-2% over 2024-2026. This is driven by Ooredoo's international portfolio with growth particularly stemming from Iraq, Kuwait, Algeria, and Maldives amid favorable market dynamics driven by uptake in data services. We expect Oman and the domestic market of Qatar to deliver resilient growth despite heightened competitive pressures.
- EBITDA margin of about 42%-44% over 2024-2026, compared with 41.9% in 2023. We think the group will continue to focus on cost efficiencies, offsetting inflationary pressures.
- Capex-to-sales ratio of about 14% in 2024, and about 17%-19% in 2025 and 2026, as the company progresses on its investments in fintech, subsea cables, and data centers. We do not factor in 5G investments in any new markets, but rather existing network maintenance and expansion.
- Dividends (including to minority shareholders) of QAR2.5 billion per year, on average, consistent with the 40%-60% payout target (of normalized income).

Key Metrics

Ooredoo Q.P.S.C.--Key metrics

(Bil. QAR)	2023a	RTM Sept 2024	2024e	2025f	2026f
Revenue	23.2	23.1	23-24	23-24	24-25
Capital expenditure (reported)	3.1	3.3	3.0-3.5	3.5-4.0	4.5-5.0
Free operating cash flow (FOCF)	5.7	5.6	3.8-4.2	3.8-4.2	4.0-4.5
Discretionary Cash Flow (DCF)	3.9	3.7	1.5-2.0	1.5-2.0	1.5-2.0
Adjusted ratios					
Debt to EBITDA (x)	0.8	0.6	0.5-1.0	0.5-1.0	0.5-1.0
Funds from operations to debt (%)	104.3	133.5	>100	>100	>100
FOCF to debt (%)	72.2	94.1	55-60	70-75	90-95
EBITDA margin (%)	41.9	40.3	42-44	42-44	42-44

All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. RTM--Rolling 12 months.

Company Description

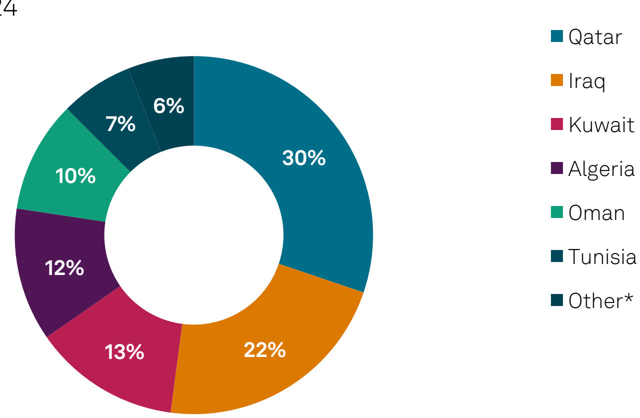
Ooredoo is a Qatar-based international fixed-line and mobile telecommunications operator with a customer base of about 51.5 million as of fourth-quarter 2024. Its geographic footprint, based on consolidated markets, spans eight markets in the Middle East (Qatar, Kuwait, Oman, Iraq, and the Palestinian territories), North Africa (Tunisia and Algeria), and South Asia (Maldives). In May 2024, the company announced it had completed the sale of its Myanmar operations.

The government of Qatar is the majority shareholder in Ooredoo through its 53% direct stake and 15% indirect ownership via GREs. Most of the company's consolidated revenue comes from mobile services, while about 70% of its revenue and 63% of EBITDA stem from operations outside Qatar.

Ooredoo is listed on the Qatar Stock Exchange and the Abu Dhabi Securities Exchange. As of Feb. 3, 2025, its market capitalization is about QAR41.2 billion. The company reported revenue of QAR 23.6 billion and EBITDA of QAR10.0 billion in 2024.

Revenue breakdown by geography

As of 2024



*Other comprises Maldives (2%), Myanmar (1%), Palestine (2%), and other (1%). Note: Myanmar deconsolidated from May 2024; Sources: Company financials, S&P Global Ratings.

Peer Comparison

Ooredoo Q.P.S.C.--Peer Comparisons

	Ooredoo QPSC	Bahrain Telecommunications Co.	Emirates Telecommunications Group Co. PJSC	Turk Telekom	Hellenic Telecommunications Organization S.A.
Foreign currency issuer credit rating	A/Stable/A-1	B+/Stable/B	AA-/Stable/A-1+	BB/Stable/B	BBB+/Stable/A-2
Local currency issuer credit rating	A/Stable/A-1	B+/Stable/B	AA-/Stable/A-1+	BB/Stable/B	BBB+/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2023-12-31	2023-12-31	2023-12-31	2023-12-31	2023-12-31
Mil.	QAR	QAR	QAR	QAR	QAR
Revenue	23,164	4,104	53,273	12,334	13,958
EBITDA	9,696	1,658	23,125	3,503	5,563
Funds from operations (FFO)	8,304	1,376	17,873	2,789	4,755

Ooredoo Q.P.S.C.--Peer Comparisons					
Interest	848	226	3,085	966	111
Cash interest paid	819	199	3,352	669	125
Operating cash flow (OCF)	8,859	1,519	15,649	2,860	4,844
Capital expenditure	3,110	1,208	7,207	2,847	2,493
Free operating cash flow (FOCF)	5,749	311	8,442	14	2,350
Discretionary cash flow (DCF)	3,927	(243)	834	12	633
Cash and short-term investments	10,862	2,188	29,128	2,262	1,867
Gross available cash	10,862	2,188	34,338	2,262	1,867
Debt	7,959	1,084	20,889	5,949	4,044
Equity	30,574	5,627	50,618	12,100	7,822
EBITDA margin (%)	41.9	40.4	43.4	28.4	39.9
Return on capital (%)	15.9	17.4	28.3	(2.1)	24.0
EBITDA interest coverage (x)	11.4	7.3	7.5	3.6	50.1
FFO cash interest coverage (x)	11.1	7.9	6.3	5.2	39.0
Debt/EBITDA (x)	0.8	0.7	0.9	1.7	0.7
FFO/debt (%)	104.3	127.0	85.6	46.9	117.6
OCF/debt (%)	111.3	140.2	74.9	48.1	119.8
FOCF/debt (%)	72.2	28.7	40.4	0.2	58.1
DCF/debt (%)	49.3	(22.4)	4.0	0.2	15.6

Business Risk

In our view, Ooredoo's business profile is supported by its dominant position in its two-player domestic market of Qatar (30% of the group's revenue and 37% of reported EBITDA as of 2024), its above-industry-average EBITDA margin exceeding 40%, and solid No. 2 or No. 3 market shares in its international portfolio. Ooredoo has significant geographic diversification, with operations in eight markets across the Middle East, North Africa, and South Asia, and leading market positions in most of the markets in which it operates (see chart above).

These strengths are partly offset by its exposure to high-risk countries, particularly Iraq, Algeria, and Tunisia. Furthermore, Ooredoo's international operations are exposed to regulatory pressure (risk of new entrants in Iraq), currency depreciation (Algeria, Iraq, Tunisia), geopolitical uncertainty and tensions, weaker macroeconomic conditions, and competitive pressure weighing on performance (Algeria, Tunisia, Oman, Kuwait).

Financial Risk

Ooredoo's financial risk profile is supported by low leverage with adjusted debt to EBITDA of 0.6x as of Sept. 30, 2024, RTM, strong underlying cash flow generation in its home market, ongoing support from the government, and strong liquidity. The group's stated financial policy, however, is more lenient and suggests higher debt tolerance with a net debt-to-EBITDA target of 1.5x-2.5x.

The group's sizable capex and dividends could weigh on its financial risk profile, in our opinion. However, discretionary cash flow generation is expected to remain steady, exceeding QAR1.5 billion per year over 2024-2026, albeit lower compared with QAR3.9 billion in 2023, enabling the company to accrue cash balances for debt repayment despite dividend payments being at the higher end of its 40%-60% target range.

Debt maturities

As of Sept. 30, 2024, Ooredoo's near-term debt maturities in 2024 were limited to QAR197 million, with another QAR2.9 billion in 2025 and QAR1.8 billion in 2026. On Sept.30, 2024, the company reported QAR12.3 billion in gross debt.

Ooredoo Q.P.S.C.--Financial Summary

Period ending	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023
Reporting period	2018a	2019a	2020a	2021a	2022a	2023a
Display currency (mil.)	QAR	QAR	QAR	QAR	QAR	QAR
Revenues	29,927	29,916	28,867	21,906	22,698	23,164
EBITDA	12,651	12,859	12,152	9,634	9,303	9,696
Funds from operations (FFO)	9,935	10,226	9,483	7,702	8,122	8,304
Interest expense	2,353	2,379	2,049	1,121	1,040	848
Cash interest paid	2,221	2,126	1,965	1,305	875	819
Operating cash flow (OCF)	8,909	12,196	11,493	5,356	7,075	8,859
Capital expenditure	5,997	6,136	6,189	3,546	3,162	3,110
Free operating cash flow (FOCF)	2,912	6,060	5,304	1,811	3,913	5,749
Discretionary cash flow (DCF)	1,179	4,700	4,003	670	2,503	3,927
Cash and short-term investments	17,493	13,856	14,742	10,989	12,794	10,862
Gross available cash	17,493	13,856	14,742	10,989	12,794	10,862
Debt	29,705	29,801	29,611	17,500	12,921	7,959
Common equity	28,178	29,105	28,201	26,409	28,156	30,574
Adjusted ratios						
EBITDA margin (%)	42.3	43.0	42.1	44.0	41.0	41.9
Return on capital (%)	8.2	7.8	7.3	10.0	12.9	15.9
EBITDA interest coverage (x)	5.4	5.4	5.9	8.6	8.9	11.4
FFO cash interest coverage (x)	5.5	5.8	5.8	6.9	10.3	11.1
Debt/EBITDA (x)	2.3	2.3	2.4	1.8	1.4	0.8
FFO/debt (%)	33.4	34.3	32.0	44.0	62.9	104.3
OCF/debt (%)	30.0	40.9	38.8	30.6	54.8	111.3
FOCF/debt (%)	9.8	20.3	17.9	10.3	30.3	72.2
DCF/debt (%)	4.0	15.8	13.5	3.8	19.4	49.3

Reconciliation Of Ooredoo Q.P.S.C. Reported Amounts With S&P Global Adjusted Amounts (Mil. QAR)

		Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2023										

Reconciliation Of Ooredoo Q.P.S.C. Reported Amounts With S&P Global Adjusted Amounts (Mil. QAR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Company reported amounts	12,411	26,458	23,164	9,513	4,928	844	9,696	8,361	1,822	3,110
Cash taxes paid	-	-	-	-	-	-	(573)	-	-	-
Cash interest paid	-	-	-	-	-	-	(817)	-	-	-
Lease liabilities	3,746	-	-	-	-	-	-	-	-	-
Incremental lease liabilities	38	-	-	-	3	3	(3)	(3)	-	-
Accessible cash and liquid investments	(8,690)	-	-	-	-	-	-	-	-	-
Dividends from equity investments	-	-	-	184	-	-	-	-	-	-
Asset-retirement obligations	180	-	-	-	-	1	-	-	-	-
Nonoperating income (expense)	-	-	-	-	1,395	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	501	-	-
Noncontrolling/ minority interest	-	4,116	-	-	-	-	-	-	-	-
Debt: other	274	-	-	-	-	-	-	-	-	-
Total adjustments	(4,452)	4,116	-	184	1,397	4	(1,392)	498	-	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	7,959	30,574	23,164	9,696	6,325	848	8,304	8,859	1,822	3,110

Liquidity

Our short-term rating on Ooredoo is 'A-1'. We assess the company's liquidity as strong. In our base-case scenario, we expect sources of liquidity to cover uses by more than 1.5x over the next 24 months. We also consider Ooredoo's solid relationship with banks and prudent risk management.

Principal liquidity sources

We estimate that principal liquidity sources for the 12 months from Oct. 1, 2024, include:

- Consolidated unrestricted cash and equivalents estimated at QAR8.9 billion.
- Availability under various revolving credit lines of QAR5.2 billion.
- Funds from operations of QAR8 billion-QAR8.5 billion.

Principal liquidity uses

We estimate Ooredoo's main liquidity uses over the same period include:

- Short-term debt maturities of about QAR546 million in the next 12 months and QAR4.6 billion over the next 24 months.
- Working capital outflows of QAR1 billion.
- Annual capex of about QAR3.5 billion-QAR4.5 billion.
- Annual dividends of about QAR2 billion-QAR2.5 billion per year (including dividends to minority interests).

Covenant Analysis

Requirements

Ooredoo must comply with two maintenance bank covenants. These include a maximum consolidated net debt to EBITDA of 4.5x (0.6x on Sept. 30, 2024, on an adjusted basis) and minimum consolidated EBITDA to net interest payable of 2.75x (11.9x on Sept. 30, 2024, on an adjusted basis).

Compliance expectations

On Sept.30, 2024, the group was compliant with the covenants. We forecast significant headroom in our base case.

Environmental, Social, And Governance

Ooredoo's exposure to environmental, social, and governance risk factors is comparable with that for the broader telecom sector. Of these risks, governance and environmental are the most notable, although not rating determinants.

Environmental, social, and governance factors have had no material influence on our credit rating analysis of Ooredoo. We see the group's governance practices, as well as environmental risks, as neutral, and in line with those of other telecom peers. One of the main environmental implications for a telecom company stems from energy consumption. The company is working toward reducing energy consumption in light of increased 5G utilization and data traffic and has plans to expand its energy-intensive data center network.

Government Influence

The long-term rating on Ooredoo is three notches higher than the 'bbb' SACP because we see a high likelihood that the government of Qatar would provide timely and sufficient extraordinary support to the group in the event of distress. This reflects our assessment of Ooredoo as a GRE with:

- An important role for Qatar's government, given its position as the largest telecom services provider in the country. Ooredoo represents a key part of Qatar's communications infrastructure and is a flagship company for the state. It also contributes to the diversification of Qatar's economy away from the oil and gas industry; and
- Very strong link with the government, considering the state's 68% (53% direct and 15% indirect) shareholding in the company, appointment of board members, and oversight of decision-making processes, particularly those related to prospective investments outside the country.

Issue Ratings--Subordination Risk Analysis

Capital structure

Ooredoo's capital structure comprised $3.25 billion of bonds and $129 million of bank loans as of Sept. 30, 2024. Only $99 million of debt is outside of Qatar, the rest is at the group level in Qatar.

Analytical conclusions

We rate debt issued by Ooredoo 'A', in line with the issuer credit rating, since no significant elements of subordination risk are present in the capital structure.

Rating Component Scores

Foreign currency issuer credit rating	**A/Stable/A-1**
Local currency issuer credit rating	**A/Stable/A-1**
Business risk	**Satisfactory**
Country risk	Moderately High
Industry risk	Intermediate
Competitive position	Satisfactory
Financial risk	**Modest**
Cash flow/leverage	Modest
Anchor	**bbb+**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	**bbb**
Related government rating	**AA**
Likelihood of government support	**High (+3 notches from SACP)**

Related Criteria

- Sector-Specific Corporate Methodology, April 4, 2024
- Corporate Methodology, Jan. 7, 2024
- Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Methodology For Rating Sukuk, Jan. 19, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- GCC Telcos' International Expansion: What, Why, How?, Jan. 21, 2025
- Industry Credit Outlook 2025 , Jan. 14, 2025
- Qatar Ratings Affirmed At 'AA/A-1+'; Outlook Stable, Nov. 1, 2024
- Qatar-Based Telecom Operator Ooredoo Upgraded To 'A/A-1' On Improved Free Cash Generation; Outlook Stable, Feb. 9, 2023

Ratings Detail (as of February 13, 2025)*	
Ooredoo QPSC	
Issuer Credit Rating	A/Stable/A-1
Issuer Credit Ratings History	
09-Feb-2023	A/Stable/A-1
10-Dec-2018	A-/Stable/A-2
29-Aug-2017	A-/Negative/A-2
Issue credit rating	
Ooredoo International Finance Ltd.	
Senior unsecured	A

Ratings Detail (as of February 13, 2025)*

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.