



IIRA Assigns Ratings to Sudatel Telecom Group Limited

Manama, February 16, 2020– Islamic International Rating Agency (IIRA) has assigned national scale ratings to Sudatel Telecom Group Limited ('STG' or 'the Company') at 'BBB(sd)/A3(sd)' (Triple B/A Three). Outlook on the assigned ratings is 'Stable'.

Khartoum – based, STG operates as one of largest telecommunication and internet services providers in the Republic of Sudan ("Sudan" or "the Country"). STG's overseas telecom subsidiaries in Senegal and Mauritania also feature among the top three industry participants in the local context. Along with its subsidiaries, STG has a stable subscriber base of about 12 million users.

Overall telecommunications industry risk is viewed as moderate, given its capital intensive nature and continuous need to pace with rapid advancement in telecommunication technology. On the other hand, the regulatory regime in Sudan ensures a degree of checks and balances in the face of intensifying competition.

The assigned ratings draw support from the Company's strategic importance in Sudan being an indigenous telecom operator and with about 27% (direct and indirect) sovereign shareholding. Key operating strengths include the longest fiber-optic cable network in the Country spanning 14,300km. Buoyed by a steady customer base, the Company has posted improvement in its Sudanese business in local currency terms over the years. This has contributed sizably to overall profitability.

Over the medium-term, the management has taken key restructuring measures, in addition to promoting network sharing and centralizing IT infrastructure. It may be noteworthy that more recently, cost rationalization efforts have been effected through optimization of headcount, and which may be expected to yield cost efficiencies for the Company.

While STG generated positive free operating and discretionary cash flows during 2018 and the nine months of 2019; the overall cash flow generation in U.S. dollar terms may be stressed. Since the Company expects to incur sizeable capital expenditure over next two-three years, this may put pressure on consolidated cash flows. Nevertheless, STG has a good opportunity to raise funds through pioneering Sukuk structures.

In IIRA's view, timely completion of ongoing modernization projects for 4G launch and network upgrade programs, will enhance STG's business profile and constitute an important factor in sustaining the current market share.

For further information on this rating announcement, please contact IIRA at iira@iirating.com.