

**"ҚАЗАҚТЕЛЕКОМ"  
АКЦИОНЕРЛІК  
ҚОҒАМЫ**



**ҚАЗАҚТЕЛЕКОМ**  
"KAZAKHTELECOM JOINT STOCK COMPANY"

**АКЦИОНЕРНОЕ  
ОБЩЕСТВО  
"КАЗАХТЕЛЕКОМ"**

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## **PRESS-RELEASE**

### **“Kazakhtelecom's mobile positions have become stronger than that of Russian mobile operators”, - Fitch Ratings**

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**Nur-Sultan**

#### **Fitch Upgrades Kazakhtelecom to 'BBB-', Outlook Stable from 'BB+', Outlook Positive.**

According to the agency's release the upgrade reflects the company's strengthened market position after the acquisition of a 75% stake in Kcell JSC at end-2018 and a remaining 49% stake in the joint venture with Tele2 (Tele2/Altel JV) in mid-2019. The upgrade also reflects its strong financial performance, stabilisation of leverage and improved liquidity position.

In the agency's analysts' opinion Kazakhtelecom is the telecoms incumbent operator in Kazakhstan that has grown from a predominantly fixed-line to a diversified telecom services provider in the country with leading positions in broadband, mobile and pay-TV. “Acquisitions of the mobile businesses (Kcell and Tele2/Altel JV) have a strong strategic rationale and should result in significant synergies over the next three years”, - Fitch Ratings' release says.

The business and operating profile of Kazakhtelecom is underpinned by its leading positions in all telecom segments in Kazakhstan. The company assesses its market share at around 90% in fixed-line, 85% in fixed broadband, 61% in mobile and 42% in pay-TV services.

Besides, as stated in the press release, Kazakhtelecom is in the process of integrating the two mobile acquisitions and synergy realisation is under way. Kazakhtelecom's Fitch-defined EBITDA margin is expected to increase to 39% in 2020 from 37% in 2019 and then gradually improve further to 41% by 2023.

Fitch Ratings expects the coronavirus pandemic, that has negatively affected many economy sectors, to have a fairly small impact on Kazakhtelecom's performance. The agency also sees Kazakhtelecom 's FX exposure as manageable given that all debt is denominated in local currency (LC) and only a small part of operating expenses is in foreign currency (FC). The experts believe that FC capex results in modest FX risks given that Kazakhtelecom maintains significant amounts of FC cash balance partly as a natural hedge for FC capex.

Fitch Ratings assesses Kazakhtelecom's short-to-medium term liquidity as comfortable. This is supported by significant cash and cash equivalents balance at end-2019 and a considerable

amount of unused credit facilities from largest Kazakh banks. This compares favourably with an even debt maturity profile maturing in 2020-2021.

Thereby Kazakhtelecom's ratings are driven by the company's dominant market positions in both fixed-line and mobile segments, robust free cash flow (FCF) generation, moderate leverage and a benign regulatory environment.

In analysts' opinion following the acquisition of Kcell and the purchase of the 49% stake in its JV with Tele2 AB, Kazakhtelecom's mobile positions have become stronger than that of Russian mobile operators PJSC Mobile TeleSystems (BB+/Stable), PJSC Megafon (BB+/Stable) and PJSC Tatttelecom (BB/Stable).

Fitch Ratings has also changed rating of Kazakhtelecom's subsidiary – Kcell JSC from 'BB' to 'BB+', basing on the company's positive financial results following its 75%-share acquisition by Kazakhtelecom. Before the upgrade the mobile operator had a 'BB' rating with "Stable" outlook which was put on Rating Watch Positive after the transaction in December 2018. On June 24, 2020 the subsidiary's rating was upgraded along with Kazakhtelecom's one.

**For reference:**

Kazakhtelecom's first Fitch rating was received in 2002. Sovereign rating of the Republic of Kazakhstan is 'BBB', thus telecom operator's new credit rating is one notch away from the sovereign one. Wherein current Kazakhtelecom's ratings reflect the company's credit profile on a standalone basis as in Fitch's view indirect government control is a positive credit factor, but does not justify a rating uplift.

*Public Relations,  
Kazakhtelecom JSC*