

Research Update:

Bahrain Telecommunications Co. Outlook Revised To Negative From Stable In Line With Sovereign; 'B+/B' Ratings Affirmed

April 28, 2025

Rating Action Overview

- On April 23, 2025, we revised our outlook on Bahrain to negative from stable.
- Our rating on Bahrain drives our long-term rating on Bahrain Telecommunications Co. (Beyon) because we view Beyon as a government-related entity (GRE), with a very strong link with the government, which owns 77% of the company.
- We therefore revised our outlook on Beyon to negative from stable and affirmed our 'B+/B' long- and short-term issuer credit ratings on the company. The stand-alone credit profile (SACP) on Beyon is unchanged at 'bb+'.
- The negative outlook indicates that we could lower the ratings if we take a similar rating action on Bahrain.

Rating Action Rationale

We revised our outlook on Bahrain to negative from stable on April 23, 2025 (see "Bahrain Outlook Revised To Negative On Persisting Fiscal Pressure; 'B+/B' Ratings Affirmed," published on RatingsDirect). Given Beyon's very strong link with the government, our rating on Bahrain drives our long-term rating on the company. This is because we think the government can influence Beyon's financial policy and strategy, as well as industry regulation and taxation.

We consider Beyon a GRE due to the sovereign's stake of about 77%. In accordance with our criteria for GREs, we base our view of a moderately high likelihood of extraordinary government support on our assessment of Beyon's:

- Limited importance for the government, given that increased competition in Bahrain's telecommunications market has resulted in a meaningful market share decline for Beyon. We also think the telecom regulator is independent from the government, especially compared with those in most other Gulf Cooperation Council countries, where the introduction of

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competition has not significantly affected incumbent telecom operators. Therefore, we think the Bahraini government might have less incentive to support Beyon; and

- Very strong link with the government, since the government owns about 77% of the company. Furthermore, the majority of Beyon's board are members of the government.

Our SACP on Beyon remains 'bb+', supported by steady operating performance, resilient margins, and a strong balance sheet. This is balanced by the group's limited scale compared with global and regional peers, exposure to challenges including country risk in its international portfolio, and high capital expenditure (capex) and dividends. Over fiscal 2024 (ended Dec. 31), Beyon reported about 8.3% revenue growth, mainly driven by mobile revenue growth. It also demonstrated growth across all geographical markets. The company's S&P Global Ratings-adjusted EBITDA margin for the 12 months ended Dec. 31, 2024, was broadly stable at 39.9%, and adjusted debt to EBITDA remained limited at 1.1x, despite increased capex.

Outlook

The negative outlook indicates that a downgrade of Bahrain would lead us to lower our ratings on Beyon. In our base case, we assume the company will maintain its credit metrics amid a weaker economic environment domestically and internationally. We expect that Batelco will maintain a steady operating performance and its adjusted debt to EBITDA will stay well below 2.0x (1.1x as of fiscal 2024), despite increased capex requirements and high dividends.

Downside scenario

We could lower our rating on Beyon if we take a similar rating action on Bahrain, provided we maintain our assessment of Beyon's relationship with the government.

Upside scenario

We could raise our rating on Beyon if we raise our rating on Bahrain, provided we maintain our assessment of Beyon's relationship with the government.

Company Description

Beyon is a Bahrain-based integrated telecom operator providing mobile, fixed telephony, and broadband services across Bahrain, Jordan, the Maldives, some British islands (including Guernsey, Jersey, Isle of Man, Falkland Islands, and Diego Garcia), and Yemen (through a 27% shareholding, albeit fully impaired). The company also owns 15% of listed Saudi fixed line and broadband company, Etihad Atheeb Telecommunications Co. Beyon's revenue reached Bahraini dinar (BHD) 460 million in 2024, with a total subscriber base of 4.5 million.

The Bahraini government, through three Bahraini-related entities, owns 77% of the group, with the remaining 23% listed on the Bahrain stock exchange.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	B+/Negative/B
Local currency issuer credit rating	B+/Negative/B
Business risk	Fair
Country risk	High Risk
Industry risk	Intermediate Risk
Competitive position	Fair
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	bbb-
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Negative
Stand-alone credit profile	bb+
Related government rating	B+/Negative/B
Likelihood of government support	Moderately High (-3 notches)

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, 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
- 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
- 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

- Bahrain Outlook Revised To Negative On Persisting Fiscal Pressure; 'B+/B' Ratings Affirmed, April 23, 2025

Ratings List

Ratings list

Ratings Affirmed; Outlook Action

	To	From
Bahrain Telecommunications Co.		
Issuer Credit Rating	B+/Negative/B	B+/Stable/B

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to Ratings Direct subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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