FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms BEYON at 'B+'; Outlook Negative

Mon 14 Jul, 2025 - 1:39 PM ET

Fitch Ratings - London - 14 Jul 2025: Fitch Ratings has affirmed BEYON B.S.C. (Beyon; formerly Bahrain Telecommunications Company BSC) Long-Term Issuer Default Rating (IDR) at 'B+'. The Outlook is Negative. A full list of rating actions is provided below.

Fitch views Beyon as a government-related entity (GRE) due to its assessment of the overall links with the state based on its Government Related Entities Rating Criteria. This, together with its 'bb+' Standalone Credit Profile leads to its IDR being capped at Bahrain's sovereign rating (B+/Negative).

Beyon's SCP reflects its robust financial profile and strong mobile and fixed-market positions in its domestic and international markets. The SCP is constrained by the fairly weak operating environments in which Beyon operates. These risks are well managed through a conservative financial approach. We expect Beyon's Fitch-defined EBITDA net leverage to remain below 1.5x in 2025-2028.

KEY RATING DRIVERS

Domestic Market Leader: In 2024 Beyon maintained its leadership in Bahrain's telecoms markets with market shares of 73% in fixed broadband and 41% in mobile as of 4Q24. Beyon has been losing share in the fixed segment since 2020 following the separation of its fixed-line assets into 100%-owned BNET and the opening of wholesale access to its network to competitors Saudi Telecom Company (A+/Stable) and Zain Group. However, we expect Beyon's well-invested fibre assets with continued network investments, including in sub-sea cables, to support its market positions.

Low Leverage: Beyon has healthy leverage headroom for its SCP, with forecast broadly stable EBITDA net leverage at 1.2x-1.4x in 2025-2027 under our base case. This reflects its commitment to a conservative financial policy and is well below the negative leverage sensitivity of 4.0x for its SCP.

Positive Pre-Dividend FCF: We expect Beyon's pre-dividend free cash flow (FCF) margin to remain positive in the mid single to low double digits in 2025-2027, due to strong profitability providing sufficient cash flows to service existing debt and capex. We expect the Fitch-defined EBITDA margin to decrease to 34% in 2025 from 36% in 2024 due to a product mix change, including a higher share of lower-margin handset sales and managed services. However, we expect the EBITDA margin to gradually improve to 35% in 2027, supported by cost optimisation and economies of scale that are partly offset by continued investments in digital services.

Capex Remains High: Fitch expects capex to remain high at 25%-29% of revenue in 2025-2026, driven by investments in sub-sea cabling, data centres and the continued rollout of 5G and fibre networks. In 2023 Beyon announced plans to invest USD250 million in two sub-sea cables and a new data centre. These investments should contribute to EBITDA growth for Beyon over the next five years.

Digital Services Strategic Focus: The company was rebranded to Beyon from Batelco, as part of a diversification into digital services and away from being a pure telecom operator. It launched Beyon Solutions and Connect in 2022, in addition to Beyon Money. Beyon's cybersecurity unit has established itself as a leading operator in the sector, serving six of the largest banks in Bahrain. Digital services contributed a modest 5% to 2024 revenue, but we expect them to be a driver of growth.

International Diversification, Weak Operating Environment: Beyon's largest international operations are in Jordan, the Maldives, Guernsey, Jersey, Isle of Man, South Atlantic and Diego Garcia. It has the largest or second-largest shares in most of its international markets, which enable it to generate strong FCF. However, the fairly weak operating environment in some of these markets constrain its SCP. Our rating thresholds for Beyon are therefore tighter than for peers operating in developed markets.

Links with Sovereign: The Bahraini government is invested in Beyon through Bahrain Mumtalakat Holding Company B.S.C. (c) (37%; B+/Negative), Amber Holding (20%) and the Social Insurance Organisation (SIO; 20%). Bahrain-based diversified investment holding company Mumtalakat is 100% owned by the Bahrain government and is the government's investment arm. Through these entities, the Bahraini government exerts strong control over Beyon and is represented by eight of 10 directors on the company's board: four from Mumtalakat (including the chair) and two each from SIO and Amber Holding.

Rating Constrained at Sovereign Level: Our assessment of Beyon's overall links with the state under our GRE Criteria is 'Strong', with a support score of 20 out of a maximum 60. As Beyon's 'bb+' SCP is above the sovereign IDR, this results in Beyon's IDR being constrained by the sovereign's IDR, in line with our GRE Criteria and Parent and Subsidiary Linkage Rating Criteria.

Strong Support Responsibility, Weaker Incentive: We score two responsibility-to-support factors as 'Strong', reflecting direct and indirect majority ownership by the state and its ability to appoint eight of Beyon's 10 board members. We score only one of the two incentive-to-support factors as 'Strong'. Beyon is a high-profile issuer in Bahrain, with potential contagion risk for other GREs from a default. We also view the incumbent's fixed-line telecom assets as nationally and strategically important for Bahrain. However, we would expect only limited operational disruption to national telecom networks from a Beyon default.

PEER ANALYSIS

Beyon is similar in size to Oman Telecommunications Company S.A.O.G. (BB+/Positive), whose ratings are similarly capped by the sovereign rating. Other telcos in the region, such as Saudi Telecom Company (A+/Stable), are much larger and have less exposure to political or regulatory risk.

KEY ASSUMPTIONS

- Revenue growth of 8.7% in 2025 and then 4%-5% a year from 2026 to 2028

- Fitch-defined EBITDA margin of 34% in 2024 gradually improving to 35% in 2027

- Capex at 29% of sales in 2025, reflecting investments in sub-sea cables and data centres, before falling to 18% by 2027

- Dividends of BHD55 million a year in 2025-2027

- No M&A cash outflow in 2025-2027

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Negative rating action on the sovereign, provided the links between the sovereign and the company do not weaken

- Pressure on FCF driven by EBITDA margin erosion, consistently higher capex and shareholder distributions, or significant underperformance in the core domestic market and at other key subsidiaries could be negative for the SCP but not necessarily for the IDR

- Fitch-defined EBITDA net leverage remaining above 4.0x could pressure the SCP but not necessarily the IDR

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Positive rating action on the sovereign, provided the links between the sovereign and the company do not weaken

- Improvement in the operating environment of Beyon's international markets with continued strong market position and sustained low leverage, which could lead to an upward revision of the SCP but not necessarily an upgrade of the IDR

For Bahrain's rating sensitivities see the February 2025 rating action commentary "Fitch Revises Outlook on Bahrain to Negative; Affirms at 'B+'" on www.fitchratings .com

LIQUIDITY AND DEBT STRUCTURE

At end-2024, Beyon had BHD133 million of unrestricted cash and cash equivalents and BHD286 million of bank loans with maturities from 2025 to 2033.

ISSUER PROFILE

Beyon is an international converged telecommunications services provider and the incumbent operator in its domestic market Bahrain.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Beyon's IDR is capped at Bahrain's IDR under Fitch's GRE Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
BEYON B.S.C.	LT IDR	B+	Affirmed	B+

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

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APPLICABLE CRITERIA

Government-Related Entities Rating Criteria (pub. 09 Jul 2024)

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

Corporate Rating Criteria (pub. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

BEYON B.S.C.	UK Issued, EU Endorsed

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