Research Update:

Beyon B.S.C. Rating Lowered To 'B' From 'B+' In Line With Action On Sovereign; Outlook Stable

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Primary Contact

Rawan Oueidat, CFA
Dubai
971-0-56-522-0735
rawan.oueidat
@spglobal.com

Additional Contact

Sapna Jagtiani
Dubai
971-0-50-100-8825
sapna.jagtiani
@spglobal.com

Sovereign Analyst

Olivia K Grant
Dubai
46-84-40-5904
olivia.grant
@spglobal.com

Rating Action Overview

- On Nov. 21, 2025, S&P Global Ratings lowered its long-term foreign and local currency sovereign credit ratings on Bahrain to 'B' from 'B+' and assigned a stable outlook.
- Our rating on Bahrain drives our long-term rating on Beyon B.S.C. (Beyon) because we view Beyon as a government-related entity (GRE), with a very strong link to the government, which owns 77% of the company.
- Therefore, we lowered our long-term issuer credit rating on Beyon to 'B' from 'B+'. The short-term issuer credit rating of 'B' and the stand-alone credit profile (SACP) on Beyon of 'bb+' are unchanged.
- The stable outlook on Beyon mirrors that on Bahrain, with any upside for Beyon dependent on the sovereign rating.

Rating Action Rationale

The downgrade follows a similar rating on Bahrain. On Nov. 21, 2025, S&P Global Ratings lowered its long-term foreign and local currency sovereign credit ratings on Bahrain to 'B' from 'B+' and assigned a stable outlook (see "Bahrain Rating Lowered To 'B' On Challenging Fiscal And Debt Dynamics; Outlook Stable," published on RatingsDirect). Given Beyon's very strong link with the government, our rating on Bahrain drives our long-term issuer credit 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 to be 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 competition has not significantly affected incumbent telecom operators. Therefore, we think the government of Bahrain might have less incentive to support Beyon.

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

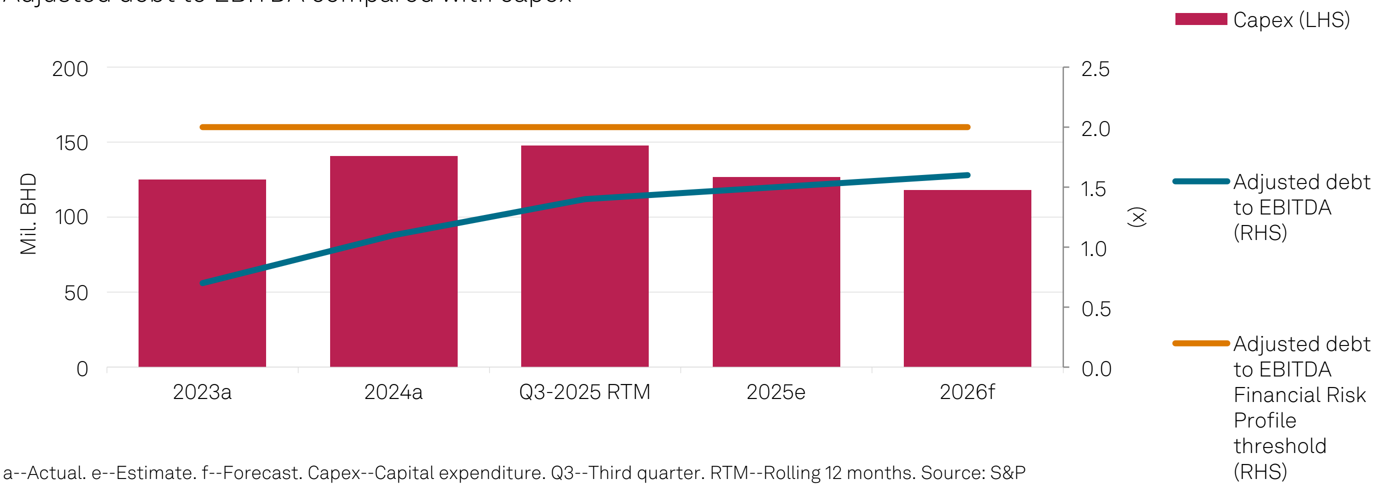
Our SACP on Beyon remains 'bb+', supported by steady operating performance, resilient margins, and a strong balance sheet. This is balanced by the group's limited scale compared with global and regional peers, exposure to challenges including country risk in its international portfolio, and high capital expenditure (capex) and dividends. We expect revenue to increase by 5%-10% in fiscal 2025 and 2026 (ending Dec. 31) supported by its leading position in its domestic market, despite increased competition; in addition, consistent growth in its international portfolio will help with top line growth. We also anticipate continued growth in the digital segment (Beyon Digital), which is not yet meaningfully adding to profitability, although it is expected to outpace the growth of core telecom operations. We estimate the core telecom business accounts for most of the group revenue (about 90%-95%), and we expect this trend to persist over the next two years. Consequently, we forecast the EBITDA margin to be about 34%-36% until 2027 (39.9% in fiscal 2024).

The domestic and international portfolios remain resilient, despite intensified competition. Beyon's strong position in the domestic market--41% mobile subscriber share and 73% of fixed-line and broadband subscriber share as of end-2024--and the migration from pre-to-postpaid customers, helping to mitigate average revenue per user dilution, supports its growth in the domestic market (about 40% of consolidated EBITDA). We expect the international portfolio to increase at an annual rate of 5%-7%, driven by increasing data revenue from Umniah, tourism-related activities from Dhiraagu, and growth in cloud and the Internet of Things business for the Sure Group. For the first nine months of 2025, Beyon's revenue increased by 10% year on year to Bahraini dinar (BHD) 366.3 million, driven by mobile, fixed broadband, wholesale, and digital services, with a 6% increase in the overall customer base. At the same time, S&P Global Ratings-adjusted EBITDA increased by 3% to BHD138.4 million, which translates to an EBITDA margin of 37.8% primarily due to higher operating costs.

In our base case, we anticipate negative discretionary cash flow (DCF) in 2025 and 2026, owing to elevated capex and dividend distributions. However, we forecast Beyon's credit ratios will remain commensurate with its financial position. We expect capex to sales to remain high in 2025 and 2026--averaging 24%--before tapering off to 15%-20% in 2027 (31% in 2024). We forecast heavy capex needs related to contributions to the Southeast Asia-Middle East-West Europe 6 (SMW6) subsea fiber system in Bahrain and the Maldives; the 5G expansion investments in Jordan, Maldives, and the Channel Islands; and the expansion of data centers in Bahrain, in addition to network maintenance and expansion. This, coupled with annual dividends (including to minorities) of about BHD60 million-BHD65 million in 2025 and 2026 translates to negative DCF in 2025-2026. We expect debt to EBITDA will remain below 2.0x; at the end of September 2025 Beyon's rolling 12 months S&P Global Ratings-adjusted ratio of debt to EBITDA was 1.4x, below the threshold of 2.0x commensurate with the current rating.

We expect Beyon B.S.C.'s capex to remain elevated

Adjusted debt to EBITDA compared with capex



a--Actual. e--Estimate. f--Forecast. Capex--Capital expenditure. Q3--Third quarter. RTM--Rolling 12 months. Source: S&P Global Ratings.

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Outlook

The stable outlook on Beyon mirrors that on Bahrain. In our base case, we assume the company will maintain its credit metrics amid a weaker economic environment domestically and internationally. We expect that Beyon will maintain a steady operating performance and its adjusted debt to EBITDA will remain well below 2.0x (1.1x as of fiscal 2024 and 1.4x for the rolling 12 months ended Sept. 30, 2025), 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 BHD460 million in 2024, with a total subscriber base of 4.5 million.

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

Our Base-Case Scenario

Assumptions

- We forecast the economy will expand on average 2.5% a year over 2025-2028, in line with growth figures from first-half 2025 at 2.6%, sustained by growth in both hydrocarbons and nonhydrocarbon sectors. Tourism, hospitality and logistics, and professional services--relating to Bahrain's sizable financial services sector--have maintained momentum. A tentative 4% improvement in oil production in the first six months of 2025 compared with the same period 2024 supports the economic growth. We do not expect a large impact from the U.S.' 50% tariffs applied to Bahrain, given the country's steel and aluminum exports to the U.S. account for only about 1% of total exports.
- Inflation in Bahrain will remain subdued by global standards at about 1.0%-1.5% over 2025-2028. The country's track record of price stability benefits from ongoing state subsidies, regulated prices for key goods, and the strength of the U.S. dollar, which helps contain imported inflation.
- Positive revenue growth, in the mid-single digits in 2025-2027, reflecting growth across all markets.
- Adjusted EBITDA margins to moderate at about 34%-36% during 2025-2027 in our base case, from 39.9% in 2024, given cost inflation, competition, and the increasing contribution from lower-margin nontelecom services.
- Capex of BHD110 million-BHD140 million in 2025, and BHD115 million-BHD120 million in 2026, due to investments in the SMW6 subsea cable system and network expansion.
- Annual dividends (including minorities) of BHD60 million-BHD65 million in 2025-2027.

Key metrics

Beyon B.S.C.--Forecast summary

Period ending	Dec-31-2024	RTM 9M 2025	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. BHD)	**2024a**	**RTM 9M 2025a**	**2025e**	**2026f**	**2027f**
Revenue	460	493	470-500	510-540	550-580
EBITDA	184	188	160-190	170-200	180-210
Funds from operations (FFO)	156	156	120-150	140-170	140-170
Capital expenditure (capex)	141	148	110-140	115-120	70-100
Dividends	71	62	60-65	60-65	60-65
Discretionary cash flow (DCF)	(50)	(43)	(30)-(60)	(20)-(50)	0-30
Debt	210	263	240-270	280-310	280-310
Adjusted ratios					
Debt/EBITDA (x)	1.1	1.4	1.2-1.7	1.2-1.7	1.2-1.7
FFO/debt (%)	74.2	59.2	50-60	50-60	50-60
EBITDA margin (%)	39.9	38.1	32-37	32-37	32-37

a--Actual. e--Estimate. f--Forecast. RTM--Rolling 12 months. 9M--Nine months.

Liquidity

We assess Beyon's liquidity as adequate, based on our estimate that liquidity sources will cover uses by 1.2x over the 12 months starting Oct. 1, 2025.

Principal liquidity sources

- Consolidated cash and equivalents of about BHD109 million;
- Undrawn bank lines of about BHD45.9 million maturing in more than 12 months; and
- Funds from operations estimated at BHD120 million-BHD140 million.

Principal liquidity uses

- Short-term debt maturities of BHD32.3 million;
- Capex of BHD115 million-BHD125 million; and
- Dividends of BHD60 million-BHD65 million.

Covenants

Requirements

Beyon's $450 million term loan (executed in 2024) is subject to a maximum net debt (including letters of credits, guarantees, and finance leases) to EBITDA covenant of 3.0x (reported net debt-to-EBITDA ratio of 1.2x as of Dec. 31, 2024) and minimum tangible net worth of BHD100 million (reported $645 million as of Dec. 31, 2024).

Compliance expectations

We expect significant headroom under these covenants.

Environmental, Social, And Governance

Governance factors are a negative consideration in our credit rating analysis of Beyon. Our view reflects the elevated country-related governance risks in Bahrain, where the company generates close to 45% of its revenue. We assess Beyon's management and governance as neutral, taking into account its detailed disclosures and track record of strategic planning, mitigated by headroom under its financial policy framework that would allow for higher debt (adjusted debt-to-EBITDA ratio of below 3.0x).

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	B/Stable/B
Local currency issuer credit rating	B/Stable/B
Business risk	Fair
Country risk	High risk
Industry risk	Intermediate risk
Competitive position	Fair
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	bbb-
Modifiers	
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/Stable/B
Likelihood of government support	Moderately High (-3 notches)

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- 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 Rating Lowered To 'B' On Challenging Fiscal And Debt Dynamics; Outlook Stable, Nov. 21, 2025
- Industry Credit Outlook Update GCC, July 16, 2025
- Bahrain Telecommunications Co. Outlook Revised To Negative From Stable In Line With Sovereign; 'B+/B' Ratings Affirmed, April 28, 2025
- GCC Telcos' International Expansion, Jan. 21, 2025
- Industry Credit Outlook 2025, Jan. 14, 2025

Ratings List

Ratings List		
Downgraded; Outlook Action		
	To	**From**
Beyon B.S.C.		
Issuer Credit Rating	B/Stable/B	B+/Negative/B

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