

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Telkom SA SOC Limited

23 Jan 2020

DIFC - Dubai, January 23, 2020 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Telkom SA SOC Limited (Telkom) and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

Telkom's Baa3/Aa1.za long-term issuer ratings reflect Moody's view on the fundamental credit quality of Telkom, represented by a Baseline Credit Assessment (BCA) of baa3, combined with the strong linkage between Telkom and the Government of South Africa as reflected by our assumptions of "high" dependence on and "moderate" support from the South African government.

While Telkom's BCA of baa3 recognises the company's leading fixed line market position and growing presence in broadband and mobile offerings in South Africa, it continues to reflect the transformation process of its business model and the execution challenges faced to diversify its revenue base to offset against the structural decline of voice revenues. Telkom's low leverage and overall strong credit metrics provides financial flexibility to withstand the operating and competitive challenges and to fund the larger capital investments required to deliver on its key strategies for the upcoming years.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodologies used for this review were Telecommunications Service Providers published in January 2017 and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moody's.com for a copy of these methodologies.

This announcement applies only to EU rated and EU endorsed ratings. Non EU rated and non EU endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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