# Rating Action: Moody's takes rating actions on 10 corporates following South Africa's rating outlook change to stable from negative

06 Apr 2022

Frankfurt am Main, April 06, 2022 -- Moody's Investors Service ("Moody's") has today taken rating actions on 10 corporates that have credit interlinkages with the South Africa sovereign. The rating actions follow Moody's decision on 1 April to affirm South Africa's Ba2 government rating while changing the outlook to stable from negative.

Details of the South Africa sovereign rating action can be found here: Moody's changes South Africa's outlook to stable; affirms Ba2 ratings; https://www.moodys.com/research/--PR_464348 .

Moody's affirmed the ratings of the following corporates and changed the outlook to stable from negative. The negative outlooks on these corporate ratings were in line with the negative outlook on the sovereign rating given a degree of credit linkage with the South Africa sovereign.

- Anglo American plc
- AngloGold Ashanti Limited
- Barloworld Limited
- Gold Fields Limited
- Growthpoint Properties Limited
- MTN Group Limited
- Redefine Properties Limited
- Telkom SA SOC Limited
- The Bidvest Group Limited

Moody's also affirmed the Ba2 ratings of Sasol Limited and changed the outlook to positive from negative.

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL464696 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

The rating actions on these corporates is a direct consequence of the sovereign rating action. These corporates to varying degrees are exposed to South Africa's economic, political, legal, fiscal and regulatory environment. At the very least, all of these corporates except for Anglo American plc (Anglo American) have credit linkage to South Africa through their domicile. Overall, operating and financial performance of these rated corporates has remained strong, despite various challenges faced since the Covid-19 pandemic began more than two years ago. All of these corporates continue to maintain prudent financial policies and adequate to strong liquidity.

ANGLO AMERICAN PLC

The decision to affirm Anglo American's Baa2 issuer rating and outlook change to stable from negative reflects the company's links to South Africa. Anglo American has a solid position as a large global metals and minerals mining company with a diversified portfolio of mining assets with mostly robust underlying demand trends. It also has a conservative financial policy and currently strong credit metrics for the rating category. It does remain exposed to volatile commodity prices. The company has significant exposure to South Africa, which contributed more than half of profits in 2021. Nevertheless, the three notch differential between Anglo American's rating and the South Africa sovereign rating reflects the company's strong underlying credit profile, increasing geographical diversification, degree of resilience against a moderate weakening of operating conditions in South Africa especially given that nearly all sales in South Africa are from exports, easing capital controls as well as it not being domiciled in the country. Anglo American's liquidity profile remains strong.

ANGLOGOLD ASHANTI LIMITED

AngloGold Ashanti Limited's (AngloGold) Baa3 issuer rating was affirmed and the outlook was changed to stable from negative in line with the outlook change on the South Africa sovereign rating. Moody's views AngloGold's credit profile to be materially delinked from the South Africa sovereign, but its headquarter and domicile in South Africa create some credit interlinkages. Despite safety related production setbacks in AngloGold's Obuasi mine in Ghana, the company's financial performance in 2021 remained healthy as a result of elevated gold prices. Exposure to a number of countries with weak credit quality is an important credit consideration as it heightens AngloGold's business risk. The Baa3 issuer rating also incorporates the company's exposure to a single commodity and earnings that are significantly sensitive to volatility in gold price.

BARLOWORLD LIMITED

Barloworld Limited's (Barloworld) corporate family rating (CFR) was affirmed at Ba2 and the outlook changed to stable from negative. The rating action is a direct consequence of the rating action on the South African sovereign and reflects Barloworld's operational concentration in South Africa, which accounted for around 70% of revenue generation for the financial year ending September 2021. Since the Russian invasion of Ukraine and subsequent sanctions imposed by western countries on Russia, Barloworld's Russian operations have been severely restricted, which further increases the geographical concentration on South Africa. Moody's also affirmed Barloworld's CFR NSR of Aa2.za.

Moody's has changed the primary rating methodology applied to Barloworld to Business and Consumer Services from Retail. The change reflects the changing business mix of Barloworld and the fact that the Equipment business now contributes the greatest share of revenue and cash flow as of September 2021. The disposal of the logistics business and medium-term planned disposal of the car rental and fleet management businesses will further increase the share of contribution to Barloworld's revenue and cash flow from businesses that are better suited for analysis under the Business and Consumer Services methodology.

GOLD FIELDS LIMITED

Gold Fields Limited's (Gold Fields) Baa3 issuer rating was affirmed and the outlook was changed to stable from negative in line with the outlook change on the South Africa sovereign rating. Moody's views Gold Fields' credit profile to be materially delinked from the South Africa sovereign, but its headquarter and domicile in South Africa create some credit interlinkages. As Gold Fields continues to invest internationally, operational linkage to South Africa is low where only about 12% of group production is derived. High exposure to Ghana (Government of Ghana, Caa1 stable) continues to be a key credit consideration for the rating but the Salares Norte project in Chile (Government of Chile, A1 negative) will begin contributing to earnings in late 2023 and will improve the company's country risk exposure. The Baa3 issuer rating reflects the company's strong financial performance in 2021 as well as exposure to a single commodity and earnings that are significantly sensitive to volatility in gold price.

GROWTHPOINT PROPERTIES LIMITED

Growthpoint Properties Limited (Growthpoint) CFR was affirmed at Ba2 and the rating outlook was changed to stable from negative. The rating action is a direct consequence of the rating action on the South African sovereign and reflects Growthpoint's significant exposure to the real estate market in South Africa, with 60.1% of property assets and 70.9% of EBIT derived from properties within the country, as of 30 June 2021. Moody's recognizes that Growthpoint's exposure outside of South Africa (especially in Australia -- Aaa stable sovereign rating), both from a cash flow generation and asset exposure, provides some offset to the negative trends on renewal rental rates and rental income growth domestically. However, at this stage this is not sufficient to warrant a delinking from the sovereign rating. Growthpoint's CFR NSR of Aa1.za has been affirmed.

MTN GROUP LIMITED

MTN Group Limited's (MTN) CFR was affirmed at Ba2 and the outlook changed to stable from negative. The rating action is a direct consequence of the rating action on the South African sovereign and reflects MTN's material exposure to South Africa as a key market and country of domicile. The change in outlook also reflects MTN's strong financial performance and reduction in leverage, both at the group and holding company level. The sovereign risk environment of MTN's other key markets has on balance remained stable since the last rating action on MTN in November 2020. The outlook on the Government of Nigeria's (B2 stable) rating was changed to stable from negative in November 2021 and the rating of the Government of Ghana (Caa1 stable) was downgraded to Caa1 from B3 negative in February 2022. MTN's CFR NSR was repositioned to Aa1.za from Aa2.za.

REDEFINE PROPERTIES LIMITED

Redefine Properties Limited (Redefine) CFR was affirmed at Ba2 and the rating outlook was changed to stable from negative. The rating action is a direct consequence of the rating action on the South African sovereign and reflects Redefine's significant exposure to the real estate market in South Africa with 83% of property value derived from South Africa as of 31 August 2021. Whilst Redefine benefits from some diversification into Poland (Government of Poland, A2 stable), this is not sufficient to warrant a delinking from the sovereign rating. Redefine's CFR NSR of Aa2.za has been affirmed.

SASOL LIMITED

Sasol Limited's (Sasol) Ba2 CFR has been affirmed and the rating outlook changed to positive from negative. The rating action is a direct consequence of the rating action on the South African sovereign and reflects Sasol's exposure to South Africa's political, legal, fiscal and regulatory environment with 78% of the company's EBITDA derived from South Africa as of June 2021. The rating action also reflects Sasol's substantial improvement in the cash flows and balance sheet during the last 18 months. Moody's recognizes that Sasol continues to deliver its asset disposal and deleveraging strategy with Moody's adjusted Debt/EBITDA at 2.5x as of December 2021. However, upward pressures are partly counterbalanced by recent feedstock mining disruptions and weak overall safety performance. Sasol's long-term CFR NSR has been repositioned to Aaa.za from Aa2.za.

## TELKOM SA SOC LIMITED

Telkom SA SOC Limited's (Telkom) CFR was affirmed at Ba2 and the outlook changed to stable from negative. The rating action is a direct consequence of the rating action on the South African sovereign and reflects Telkom's 100% operational concentration in South Africa. Telkom's baseline credit assessment (BCA) was also affirmed at ba2 and Moody's assumptions of high default dependence with and moderate support from the South African Government remain unchanged. Despite having strong credit metrics and good liquidity, Telkom derives all of its revenues from South Africa and therefore its credit standing is strongly correlated to the economic environment in the country. The low growth environment and intense competition in mobile telecommunication will be a growth constraint to South African mobile network operators. Telkom's CFR NSR of Aa1.za has also been affirmed.

## THE BIDVEST GROUP LIMITED

The Bidvest Group Limited's (Bidvest) CFR was affirmed at Ba2 and the outlook changed to stable from negative. The rating action is a direct consequence of the rating action on the South African sovereign and reflects the fact that Bidvest's ratings are constrained by the rating of the South African sovereign. Bidvest's operational performance is dependent on the state of the South African economy, with 79% of EBITDA generated in the country as of June 2021, however we note increasing geographical diversification. Bidvest's CFR NSR was repositioned to Aaa.za from Aa1.za.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

## ANGLO AMERICAN PLC

Given Anglo American's exposure to assets in South Africa, the likelihood of a rating upgrade is limited at this stage. We will continue to monitor the impact of the South African sovereign rating on Anglo American's ability to finance and operate its assets within South Africa. While we would likely continue to tolerate a three-notch differential between the South African sovereign rating and Anglo American's ratings, we may not tolerate a further widening of the rating differential, subject to the company's relative exposure to South Africa.

Accordingly, positive pressure could arise if Anglo American continues to increase the scale and geographical diversification of its mining asset portfolio, thereby reducing its exposure to assets in South Africa; and maintains its conservative financial policy and strong cash flow and coverage of debt, with (cash flow from operations [CFO]-dividends)/debt consistently at or above 40% and adjusted debt/EBITDA below 1.5x on a sustained basis. Conversely, negative pressure could arise if the South Africa sovereign rating is downgraded below the current Ba2 rating. In addition, the ratings could be downgraded if the company's leverage increases, with adjusted debt/EBITDA maintained at or above 2.0x and (CFO-dividends)/debt below 30%, both on a sustained basis; or liquidity weakens, which could also strain the ratings.

ANGLOGOLD ASHANTI LIMITED

AngloGold's rating is unlikely to be more than two notches above that of the South Africa sovereign because of a degree of credit linkage through the company's domicile. Notwithstanding this, an upgrade would require AngloGold to have a sustainably lower cost profile as well as a materially lower exposure to high risk jurisdictions.

In addition, an upgrade would require AngloGold to continue to maintain its strong financial discipline such that (1) gross debt/EBITDA is sustainably less than 2.0x under Moody's forecast assumptions; (2) (CFO-dividends)/gross debt exceeds 40% on a sustainable basis; (3) AngloGold can sustainably generate positive free cash flow; and (4) liquidity is robust.

Downward pressure on South Africa's rating would lead to downward pressure on AngloGold's rating should there be more than two notch differential between the ratings. Downward pressure on AngloGold's rating could also arise should there be further deterioration in the credit quality of its key country of operations. Furthermore, the ratings could be downgraded if (1) gross debt/EBITDA exceeds 2.5x; (2) (CFO-dividends)/gross debt falls below 35%; or (3) its liquidity profile weakens materially.

BARLOWORLD LIMITED

Barloworld's ratings are capped at the sovereign rating of South Africa and therefore an upgrade is unlikely in the absence of an upgrade of the sovereign bond rating of South Africa. Subject to an upgrade of the South African government bond rating, we would consider an upgrade of Barloworld's rating if debt/ EBITDA remains below 3.0x and EBIT/ interest remains above 3.5x, both on a sustained basis. We expect that Barloworld's credit metrics will weaken over financial years 2022 and 2023 as a result of severe operational disruptions to its Russian business. While we expect credit ratios will remain adequate, an upgrade is unlikely as long as there remains uncertainty over the full financial impact on the Barloworld group of the changed operating environment of its Russian business.

Barloworld's ratings are likely to be downgraded in case of a downgrade of South Africa's government bond rating. In addition, downward pressure could arise if the company's liquidity profile weakened or if debt/ EBITDA increased above 4.0x while EBIT/ interest remained below 2.25x on a sustained basis.

GOLD FIELDS LIMITED

Gold Fields' rating is unlikely to be more than two notches above that of the South Africa sovereign because of a degree of credit linkage through the company's domicile. An upgrade to Baa2 is therefore unlikely in the near-term given the sovereign constraint. Notwithstanding this, considerations for the rating to be upgraded to Baa2 include (1) adjusted gross debt/EBITDA below 1.5x under Moody's forecast assumptions; (2) CFO less dividends/debt being sustained above 45%; and (3) further diversification of production into low-risk mining jurisdictions such that cost position also improves.

Downward pressure on South Africa's rating would lead to downward pressure on Gold Fields' rating should there be more than two notch differential between the ratings. Further deterioration in Ghana's rating could also lead to rating pressure on Gold Fields. Considerations for a rating downgrade include (1) any potential increased liquidity risk; (2) adjusted gross debt/EBITDA trending above 2.75x; and (3) CFO less dividends/debt trending below 30%.

GROWTHPOINT PROPERTIES LIMITED

Subject to an upgrade of South Africa's rating, an upgrade could be considered if: (1) total debt to gross assets remains below 45% on a sustained basis; (2) fixed charge coverage ratio remains above 2.5x on a sustained basis. The ratings are likely to be downgraded in case of a downgrade of South Africa's rating although we will continue to monitor the company' geographical diversification. Growthpoint's rating would also come under downward pressure if: (1) total debt to gross assets exceeds 55% on a sustained basis; (2) fixed charge coverage ratio remains below 2x on a sustained basis; (3) the company's liquidity risk profile deteriorates.

MTN GROUP LIMITED

MTN's ratings are constrained by the sovereign ratings of its main countries of operation, in particular South Africa and Nigeria. Unless the sovereign ratings of these countries improve, an upgrade of MTN's ratings is unlikely. In addition to an improvement in country risk exposure, an upgrade would require debt to EBITDA on a consolidated basis and at MTN Holdings level to sustainably remain below 2.0x. MTN Holdings is the holding company under MTN Group which directly or indirectly owns all of MTN's operating companies.

The ratings are likely to be downgraded in case of a downgrade of South Africa's sovereign rating, although we will also continue to monitor the sovereign ratings and regulatory risks in MTN's other key markets and will continue to weigh these against the resilience of MTN's underlying credit profile. The ratings could also be downgraded if dividend and management fee payments from operations outside of South Africa permanently weaken and if this results in higher leverage and weaker liquidity at the MTN holding company level. Quantitatively, downward pressure would arise if MTN's consolidated EBITDA margin was sustained below 35% or if debt to EBITDA on a consolidated basis or at the holding company level were to exceed 3.0x on a sustained basis.

REDEFINE PROPERTIES LIMITED

Subject to an upgrade of South Africa's rating, an upgrade could be considered if: (1) total debt to gross assets remains below 45% on a sustained basis; (2) fixed charge coverage ratio remains above 2.5x on a sustained basis. The ratings are likely to be downgraded in case of a downgrade of the South Africa's rating. We would also consider a downgrade if: (1) total debt to gross assets exceeds 55% on a sustained basis; (2) fixed charge coverage ratio remains below 2x on a sustained basis; (3) the company's liquidity risk profile deteriorates.

SASOL LIMITED

The ratings could be upgraded if Sasol's debt/EBITDA is sustained at 2.5x or below through economic volatility and commodity price cycles and that liquidity is strong. Sasol's rating could be rated one notch above the sovereign if its financial profile continues to strengthen and it displays a track record of generating material cash flows from its international operations. However, any upgrade would also need to be assessed in the context of the rating of the Government of South Africa given a degree of credit linkage between Sasol and the sovereign.

The ratings could be downgraded if debt/EBITDA trends above 4.0x or if there is pressure on liquidity. Downward pressure on South Africa's rating could lead to pressure on Sasol's ratings.

TELKOM SA SOC LIMITED

Telkom's ratings are constrained by the government bond rating of South Africa, therefore an upgrade will only be considered if the sovereign ratings of South Africa are upgraded. Following an upgrade of the sovereign ratings of South Africa, we would consider upgrading Telkom's ratings if liquidity remains adequate, Moody's adjusted debt/ EBITDA sustainably remains below 2.0x and EBITDA is on a stable to slowly growing trajectory.

Telkom's ratings are likely to be downgraded in case of a downgrade of South Africa's sovereign ratings, although Moody's will continue to monitor resilience of Telkom's credit profile against macro-economic shocks. A downgrade would also be considered if Telkom's liquidity profile weakens, debt/EBITDA exceeds 3.0x on a sustained basis or retained cash flow/total debt falls below 20% on a sustained basis.

THE BIDVEST GROUP LIMITED

Bidvest's ratings are constrained by the government bond rating of South Africa, therefore an upgrade is unlikely in the absence of an upgrade of the rating of South Africa. Subject to an upgrade of the rating of South Africa, we would consider upgrading Bidvest's ratings if the company's liquidity profile remains adequate and debt/EBITDA remains below 3.0x and EBITA/interest expense remains above 4.0x, all on a sustainable basis.

Bidvest's ratings are likely to be downgraded in case of a downgrade of South Africa's sovereign rating, although Moody's will continue to monitor the company's geographical diversification and resilience of its credit profile against macro-economic shocks. A downgrade would also be considered if Bidvest's liquidity profile weakens or if there is an erosion in the group's operating performance or higher debt levels, such that EBITA/interest reduces below 2.25x or Gross debt/EBITDA increases above 4.0x, both on a sustained basis.

PRINCIPAL METHODOLOGY

The principal methodology used in rating Anglo American Capital Plc, Anglo American plc, AngloGold Ashanti Limited, AngloGold Ashanti Holdings plc, Gold Fields Limited and Gold Fields Orogen Holding (BVI) Limited was Mining published in October 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1292752 . The principal methodology used in rating Barloworld Limited, Bidvest Group Limited, The and The Bidvest Group (UK) Plc was Business and Consumer Services published in November 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1287897 . The principal methodology used in rating MTN Group Limited and MTN (Mauritius) Investments Limited was Telecommunications Service Providers published in January 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1055812. The principal methodology used in rating Telkom SA SOC Limited was Telecommunications Service Providers published in January 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1055812, and Government-Related Issuers Methodology published in February 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186207 . The principal methodology used in rating Growthpoint Properties Limited, Growthpoint Properties International and Redefine Properties Limited was REITs and Other Commercial Real Estate Firms Methodology published in July 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1272320 . The principal methodology used in rating Sasol Limited, Sasol Financing International Limited and Sasol Financing USA LLC was Chemical Industry published in March 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1152388. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1280297 .

The local market analyst for AngloGold Ashanti Limited, AngloGold Ashanti Holdings plc, Gold Fields Limited and Gold Fields Orogen Holding (BVI) Limited ratings is Rehan Akbar, +971 (423) 795-65. The local market analyst for Bidvest Group Limited, The, The Bidvest Group (UK) Plc, MTN Group Limited and MTN (Mauritius) Investments Limited ratings is Lisa Jaeger, +971 (423) 796-59. The local market analyst for Growthpoint Properties Limited, Growthpoint Properties International and Redefine Properties Limited ratings is Lahlou Meksaoui, +971 (423) 795-22. The local market analyst for Sasol Limited, Sasol Financing International Limited and Sasol Financing USA LLC ratings is Iker Ballestero Barrutia, +971 (423) 795-21.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL464696 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

• Rating Solicitation

• Issuer Participation

• Participation: Access to Management

• Participation: Access to Internal Documents

• Endorsement

• Lead Analyst

• Releasing Office

• Person Approving the Credit Rating

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004 .

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235 .

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

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