

Research Update:

South Africa-Based Telkom SA SOC Ltd. Assigned 'zaAAA' National Scale Rating

December 10, 2024

Rating Action Overview

- We assigned our 'zaAAA' long-term South Africa national scale rating to Telkom SA SOC Ltd. (Telkom).
- The long-term national scale rating reflects our 'BB' long-term global scale issuer credit rating on Telkom.
- Our national scale ratings do not carry outlooks.

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Rating Action Rationale

The 'zaAAA' long-term South Africa national scale rating reflects our 'BB' long-term global scale issuer credit rating on Telkom. The 'zaAAA' rating is the highest on our South Africa national scale and indicates our assessment of the group's ability to pay and meet its financial commitments as extremely strong in relation to other issuers in the domestic market. In our view, Telkom's creditworthiness is among the highest of South African issuers we rate at 'BB'. Our view is based on Telkom's deleveraged balance sheet, improving credit metrics because of relatively lower drag on revenue and EBITDA from the transition to new-generation technology, and a sufficient liquidity cushion.

We see limited downward pressure to the national scale rating on Telkom. Please refer to our recent publication "Various Rating Actions Taken On Four South African Corporate And Infrastructure Issuers On Outlook Revision To Sovereign," published Nov. 22, 2024, on RatingsDirect.

Company Description

Telkom owns and operates South Africa's largest national wholesale telecommunications infrastructure, comprising integrated fiber lines linked to a high-speed backhaul network. Fixed broadband internet and mobile voice and data services are available to individuals and small and midsize enterprises, while a diversified information and communications technologies product

offering--including access to telecommunications, data centers, and IT services--is aimed at the enterprise market.

The company also undertakes property and tower management services (through Swiftnet, a subsidiary of Gyro). Telkom generated annual revenue of ZAR42.1 billion (about \$2.36 billion) and S&P Global Ratings-adjusted EBITDA of ZAR9.1 billion (\$0.5 billion) in fiscal year 2024 and is listed on the Johannesburg Securities Exchange with a current market capitalization of ZAR18 billion (about \$1 billion).

As of Sept. 30, 2024, Telkom had 22.8 million active mobile subscribers, 14.6 million mobile broadband subscribers, more than 170,000 kilometers of fiber deployed, and 640,730 fiber-to-home connections.

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- 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: 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: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Tear Sheet: Telkom SA SOC Ltd., Sept. 19, 2024
- Bulletin: Telkom SA SOC Ltd.'s Announced Sale Of Swiftnet Will Support Balance Sheet Strength, March 25, 2024
- Industry Credit Outlook 2024: Telecommunications, Jan. 9, 2024
- South Africa's Telkom SA SOC Ltd. Rating Affirmed At 'BB'; Outlook Stable, Aug. 23, 2023

Ratings List

New Rating

Telkom SA SOC Ltd.	
Issuer Credit Rating	
South Africa National Scale	zaAAA/--/--

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 www.spglobal.com/ratings 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 RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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