



Kcell JSC

Fitch Ratings affirmed Kcell's credit rating at “BB+” with a stable outlook

Almaty, 22 November 2024. Kcell Joint Stock Company (Kcell or the Company) (KASE, KCEL) – one of the major mobile operators in Kazakhstan's telecommunications market, announces that the international rating agency Fitch Ratings has affirmed the current level of Kcell's credit rating (“BB+” with a stable outlook).

According to the report of analysts, the current level of credit rating of Kcell (“BB+”, outlook “Stable”) is due to the company's strong position in the mobile communications market, relatively low level of debt and significant strategic ties with the parent company JSC Kazakhtelecom.

Analysts note that active development of 4G infrastructure and construction of 5G network entails growth of capital expenditures and capital requirements, which affects the company's debt burden. However, the current level of net debt to EBITDA at the level of 1.4 has a significant margin of safety. Given analysts' expectations of further investment growth in 2025-2027, Kcell's debt ratio may increase, but within the acceptable limit for the current rating level. *“We consider the confirmation of the current level of Kcell's credit rating by the international rating agency Fitch Ratings to be a positive event, as the issue of ensuring financial stability is a priority for us. In the third quarter of 2024, with the support of the management of Samruk-Kazyna JSC and the controlling shareholder Kazakhtelecom JSC, we carried out extensive work to improve our credit portfolio, and currently all of the company's liabilities are denominated in tenge (i.e. currency risk on liabilities is excluded) with minimum interest rates of no more than 15.25%. We placed the last two bond issues total KZT 45 billion at a rate of 14.75%, using the raised funds to refinance more expensive borrowings, which was also favourably noted by Fitch Ratings analysts”* - emphasised Sabigat Rakhmetov, Chief Financial Officer of Kcell JSC.

Kcell remains the second largest mobile operator in Kazakhstan with a market share of around 30% at the end of Q3 2024. Significant investments in network modernization, as well as the deployment of 5G network after the acquisition of the relevant spectrum in 2022, should support the company's market position.

“At the end of 2022, we, as part of a consortium of mobile operators, won the 5G radio frequency auction and over the past two years have been busy actively rolling out the 5G network in Kazakhstan. This has enabled us to provide almost one million people in Kazakhstan with telecoms services using the new 5G technology. Today, 45 per cent of the population is already covered by 5G technology. In addition, we are actively engaged in modernization and development of the existing network, as well as construction of 4G base stations to expand and improve network coverage to provide quality services to our customers. In 9 month 2024, the company managed to increase its revenue to KZT 180 billion, which is 9% more than in the comparable period last year. This demonstrates the growth of the customer base, increased sales and successful marketing

strategies” - noted Askar Zhambakin, Chief Executive Officer and Chairman of the Management Board of Kcell JSC.

In Fitch Ratings forecasts intensification of competition after completion of transaction on sale of Kazakhtelecom JSC's share in Mobile Telecom-Service LLP, but emphasizes that mobile operators historically acted independently, and expects that Kcell will benefit from active offering of combined mobile and fixed line offers. Moreover, analysts believe that mobile segment will become one of the main drivers of growth of the parent company Kazakhtelecom JSC.

Benchmarking against peers, Fitch Ratings notes that Kcell has a strong mobile market position, low debt burden and good cash flow generation beyond the peak of the investment cycle, as do Turkish mobile operator Turkcell Iletisim Hizmetleri A.S. (Tcell; “BB-“/Stable) and German mobile operator Telefonica Deutschland Holding AG (TEF DE; ‘BBB’/Stable). Unlike Tcell, whose rating is limited by the country rating (Turkey), Kcell operates in a more stable operating environment and is not exposed to currency risks, according to analysts' judgement.

For reference:

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About Kcell

Kcell is a Kazakhstani operator providing digital telecommunications services: mobile communications and converged fixed-line communication (FMC) services, data transmission and internet access, financial services, digital services and mobile applications, IT solutions in the areas of system integration, the Internet of Things, machine-to-machine interaction (machine to machine), big data collection and processing, and cloud computing. Kazakhstan's leading operator in providing smartphone + tariff services.

Kcell has become Kazakhstan's largest digital ecosystem with a competitive advantage through value-added services such as mobile financial services, mobile TV, online films, music, books and magazines, and by developing unique business solutions for corporate customers. Kcell holds a leading position in the B2B market through its strategy of vertical, infrastructure solutions, development and implementation of innovative technologies. The 4G/LTE network coverage area covers 82.97% of the population of the Republic of Kazakhstan and provides high quality services.

Kcell is represented by the Kcell and activ brands, which have proven themselves in highly competitive telecoms markets due to their high quality of customer service. Thanks to a clear multi-brand architecture, Kcell improves business efficiency in the B2C segment through optimal pricing of bundled services, management of customer base profitability and network quality.