

# S&P takes MTN off watchlist for downgrade

The threat of a downgrade to MTN's credit rating by Standard & Poor's (S&P) has been averted, sending the cellphone network's share 2.41% higher to R135.20 on the JSE yesterday. But the rating agency warned yesterday it might yet downgrade MTN, depending on the outcome of its fine in Nigeria.



Ken Banks via [Wikimedia Commons](#)

## Negative outlook

S&P removed MTN from its "negative implications" watchlist of companies facing downgrades and affirmed its BBB-long-term corporate credit rating with negative outlook.

S&P said the negative outlook reflected the uncertainty regarding the final amount of the fine and increasing country risk in Nigeria and SA, which contribute 35% and 27%, of MTN's revenue respectively.

## Nigeria fine

MTN faces a \$3.9bn fine in Nigeria for missing a deadline to disconnect 5.1-million unregistered SIM cards. The deadline was set by Nigerian authorities trying to prevent Boko Haram militants using cellphones to coordinate attacks. The fine was initially \$5.2bn. The group, which has made a 620m provision for the fine, is in discussions with the Nigerian authorities to settle the matter. MTN Nigeria has already made a 250m good-faith payment.

S&P said its affirmation of MTN's credit rating reflected its debt remaining under 1.5 times earnings before interest, tax, depreciation and amortisation.

S&P said it could downgrade MTN if the time frame for payment weakened the group's liquidity to an extent that "we do not believe MTN can cope with a sovereign stress".

Said S&P: "We could also downgrade MTN if we lowered our ratings on Nigeria or SA."

*Source: Business Day*

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