PARTNER COMMUNICATIONS CO LTD
Form 6-K
August 13, 2018

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15a-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated

August 13, 2018

Partner Communications Company Ltd.
(Translation of Registrant's Name Into English)

8 Amal Street
Afeq Industrial Park
Rosh Ha'ayin 48103
Israel

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports
under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If "Yes" is marked, indicate below the file number assigned to the
registrant in connection with Rule 12g3-2(b): 82-________)

This Form 6-K is incorporated by reference into the Company's Registration Statements on Form S-8 filed with the Securities and Exchange Commission on December 4, 2002 (Registration No. 333-101652), September 5, 2006 (Registration No. 333-137102), September 11, 2008 (Registration No. 333-153419), August 17, 2015 (Registration No. 333-206420), November 12, 2015 (Registration No. 333-207946), March 14, 2016 (Registration No. 333-210151) and on December 27, 2017 (Registration No. 333-222294)

Enclosure: S&P Maalot has affirmed the Company's ilA+/stable credit rating

PARTNER COMMUNICATIONS ANNOUNCES THAT
S&P MAALOT HAS AFFIRMED THE COMPANY'S
ilA+/STABLE CREDIT RATING

ROSH HA'AYIN, Israel, August 13, 2018 - Partner Communications Company Ltd. ("Partner" or the "Company") (NASDAQ and TASE: PTNR), a leading Israeli communications operator reports today that Standard & Poor’s Global Ratings Maalot Ltd. (“Maalot”), has published a rating report regarding the Company. In its report, Maalot affirmed the Company’s ilA+/Stable credit rating.

For further information see S&P Maalot's full Report dated August 13, 2018
on: http://www.maalot.co.il/Publications/495/FRPar20180813172136.pdf or its informal English translation attached to the immediate report on Form 6-k to be furnished to the Securities and Exchange Commission.

Forward-Looking Statements
This press release includes forward-looking statements, as this term is defined in Section 27A of the US Securities Act of 1933, as amended, Section 21E of the US Securities Exchange Act of 1934, as amended, and the safe-harbor provisions of the US Private Securities Litigation Reform Act of 1995. Words such as “will”, "believe," "anticipate," "expect," "intend," "strive," "seek," "plan," "could," "may," "foresee," "target," "objective," declensions thereof and similar expressions typically convey forward-looking statements, but these words are not the only words that convey these statements.

These forward-looking statements are subject to risks, uncertainties and assumptions about Partner, about the macro-economic environment, about consumer habits and preferences when using cellular telephones, trends in the Israeli communications industry in general, the impact of current global economic conditions and possible regulatory and legal developments. In light of these risks, uncertainties and conjectures, the forward-looking events mentioned in this press release might not transpire, and actual results may differ materially from the anticipated results. The current credit rating of the Company should not be perceived as to predict the credit rating that the Company may receive in the future. For further information regarding the above-mentioned risks, uncertainties and conjectures and other risks we face, please see "Item 3. Key Information - 3D. Risk Factors," "Item 4. Information about the Company," "Item 5. Operating and Financial Review and Prospects," "Item 8. Financial Information - 8A. Consolidated Financial Statements and Other Financial Information - 8A.1 Legal and Administrative Proceedings" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk" in the Company's Annual Reports on Form 20-F, and the Company's other reports on Form 6-K, which were submitted to the United States Securities Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason.

About Partner Communications

Partner Communications Company Ltd. is a leading Israeli provider of telecommunications services (cellular, fixed-line telephony, internet and television services). Partner's ADSs are quoted on the NASDAQ Global Select Market™ and its shares are traded on the Tel Aviv Stock Exchange (NASDAQ and TASE: PTNR).

For more information about Partner see:
http://www.partner.co.il/en/Investors-Relations/lobby/

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Partner Communications Co. Ltd.

August 13, 2018

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Please note that this translation was made for convenience purposes and for the company's use only and under no circumstances shall obligate S&P Global Ratings Maalot. The translation has no legal status and S&P Global Ratings Maalot does not assume any responsibility whatsoever as to its accuracy and is not bound by its contents. In the case of any discrepancy with the official Hebrew version published on August 13, 2018, the Hebrew version shall apply.

Partner Communications Co. Ltd.

Affirmed Corporate Credit Rating ilA+/Stable

Rationale

Business Risk

- Continuous exposure to the characteristics of the Israeli communication market, including changes in regulation and intense competition.
- Retaining a leading position in the mobile segment.
- Continuous decrease in operating margins.
- Diversified activity in various communication segments and entry into the TV market

Financial Risk

- Consistently sound financial risk profile and low leverage.
- Decrease in free cash flow.
- "Adequate" liquidity.

Outlook: Stable

The stable outlook reflects our assessment that in the next 12 months, Partner will maintain a financial policy supporting leverage levels and coverage ratios commensurate with the current rating, i.e. adjusted debt/EBITDA ratio of 3.0x-4.0x and EBITDA margin of 20%-30%. We also estimate that the Company will maintain a balance between liquidity and investments while generating positive free cash flows.

Downside Scenario

We may consider a negative rating action if the company's liquidity profile or business risk profile weaken, e.g. as a result of significant deterioration in its operating measures and increasing volatility in the communication market. Furthermore, a negative rating would be possible if Partner's operational performance deteriorates, such that its EBITDA margin drops below 20%, and the Company fails to take active steps to improve it. We may also consider a negative rating action if the Company's adjusted debt/EBITDA exceeds 4.0x.

Upside Scenario

A positive rating action is possible if the company maintains its conservative financial policy over time while the market stabilizes and its operational profitability increases. In addition, we may consider a positive rating action should the company consistently present an adjusted debt/EBITDA ratio of up to 3.0x and an EBITDA margin exceeding 30%.

Partner Communications Co. Ltd.

Base-Case Scenario

In our base-case scenario we assume that revenues will continue to decline in 2018, among other things due to continued decrease in mobile revenues following Xfone's entry. This decrease will be mitigated by an increase in revenues from two activities, internet (both through the wholesale market and on optic fibers) and TV. We estimate that volatility in the mobile market will continue into 2019, but will be mitigated by expected growth in TV and internet revenues.

We believe the TV activity adversely affects the Company's EBITDA in the initial operation period, due to content and marketing expenses. This adverse effect will be mitigated by the increase in TV revenues and in market share until reaching the break-even point and profit. We believe penetration into the TV market is crucial for the Company in order to preserve its status in the communication market and decrease its dependence on mobile activity. We expect the Company's free cash flow to continue decreasing in the medium term, but to remain positive at about NIS 300-500 million.

Principal Assumptions

- Decrease in revenues in 2018 and expected volatility afterwards.
- Annual capital expenditures (capex) of about NIS 400 million in 2018-2019.
- Decrease in EBITDA due to market competition and investment in content and marketing.
- Decline in free cash flow due to increase in device investments in the TV activity.
- No dividend distribution.

Key Metrics*

	2017A	**2018E**	**2019E**
EBITDA margin*	28.4%	23%-25%	23%-25%
FFO**/debt	39%	35%-40%	35%-40%
Debt/EBIDTA	1.9x	2.0x-3.0x	2.0x-3.0x

A – Actual, E – Estimate

* The EBITDA margin increase is due to the implementation of IFRS 15 and is temporary.

**FFO – funds from operations

Business Risk

Decrease in operating margin due to intense competition and entry into the TV market; maintaining a competitive position

We believe that the company’s business risk profile is supported by the following factors:

Familiarity with the communication market.

Persisting leading market position.

Diversified operations.

On the other hand, we believe the company's business risk profile is limited by the following factors:

Exposure to the characteristics of the Israeli communication market, including tight regulation, intense competition in most segments and continuous instability, as evidenced by the entry of a new cellular operator (Xfone) having reinstated the former situation in the cellular market of decreasing ARPU (average revenue per user) and high churn rates. Partner's ARPU decreased to NIS 58 in the first quarter of 2018 compared with NIS 61 in the first quarter of 2017. In addition, although Partner's churn rate decreased to 8.8% in the first quarter of 2018 from 9.8% in the first quarter of 2017, we still consider this rate to be high.

Decrease in operating margin, expected to somewhat accelerate with our assessment of larger expenditures on content in the initial period of operation in the TV market.

Decrease in free operating cash flows in light of required infrastructure investments to operate the Company's fiber-optic network and investments in set top boxes for the TV market.

We believe the Company's entry into the TV market in 2017 to be supportive of its long-term operation, by expanding the Company's portfolio and its customer base as it allows the company to offer triple packages. Nevertheless, entry into this market requires large investments on set top boxes, infrastructure, marketing and sales, as well as content. Although Partner completed most of the infrastructure work in 2016, we believe it faces additional investments as it expands its operations in this market, and that content-related investments are critical and costly and the company will have little discretion to reduce them. In 2017 the Company also started investing in the deployment of a fiber-optic network in order to provide faster internet capabilities than those currently offered in the market. This move and its marketing require large investments which may only yield returns in the medium- to long term.

Financial Risk

Good coverage ratios compared to peers; large investment needs

We believe that the company's financial risk profile is supported by the following factors:

Continuous decrease in financial debt.

Good coverage and leverage ratios compared to peers.

"Adequate" liquidity underpinned by cash balance and cash flow generation.

Good access to credit sources.

These supporting factors are partly mitigated by our assessment of a decrease in free cash flow generation due to large investment needs in the Company's TV activity and for internet infrastructure through fiber optics.

In the 12 months ended in March 2018, the Company presented an adjusted debt to EBITDA ratio of 1.8x, compared with 1.9x at year-end 2017 and 3.4x in 2016. The deleveraging in 2017 was partly due to a material decrease in debt and to an equity issuance, as well as to the effect of IFRS 15 implementation. Despite the expected investments, we estimate that the Company will maintain an adjusted debt to EBITDA ratio of 2.0x-3.0x in the upcoming year. In 2017, the Company's free cash flow (after deduction of capital expenditures) was about NIS 635 million, compared with about NIS 870 million in 2016. We estimate that this decrease will continue, and that the Company's free cash flow in the next two years will be NIS 300 million – NIS 500 million.

Partner Communications Co. Ltd.

Table 1.

Partner Communications Co. Ltd. — Financial Summary

Industry Sector: Diversified Telecom

	--Fiscal year ended Dec. 31--				
(Mil. NIS)	**2017**	**2016**	**2015**	**2014**	**2013**
Revenues	3,268.0	3,544.0	4,111.0	4.400.0	4.519.0
EBITDA	927.5	751.0	993.5	1,276.0	1,268.0
Funds from operations (FFO)	683.8	569.2	743.8	997.8	988.9
Operating income	213.9	(26.5)	55.3	417.0	398.5
Interest Expense	208.6	154.6	203.5	205.5	258.7
Net income from continuing operations	114.0	52.0	(40.0)	162.0	135.0
Working capital changes	291.0	306.0	161.0	24.0	470.0
Cash flow from operations	1,010.6	1,073.1	1,001.8	1,059.0	1,589.7
Capital expenditures	376.0	196.0	359.0	432.0	482.0
Free operating cash flow	634.6	877.1	642.8	627.0	1,107.7
Dividends paid	0.0	0.0	0.0	0.0	0.0
Discretionary cash flow	634.6	877.1	642.8	627.0	1,107.7
Cash and short-term investments	1,017.0	1,168.0	926.0	663.0	481.0
Debt	1,755.2	2,517.2	3,417.5	3.961.3	4,511.2
Equity	1.434.0	1,111.0	1.020.0	1.039.0	840.3
Debt and equity	3,189.2	3,628.2	4,437.5	5,000.3	5,351.5
Adjusted ratios					
Annual revenue growth (%)	(78)	(13.8)	(6.6)	(2.6)	(18.9)
EBITDA margin (%)	28.4	21.2	24.2	29.0	28.1
Return on capital (%)	6.3	(0.6)	1.2	8.1	7.5
EBITDA interest coverage (x)	4.4	4.9	4.9	6.2	4.9
FFO cash int. cov. (x)	5.4	6.7	6.9	9.2	6.9
Debt/EBITDA (x)	1.9	3.4	3.4	3.1	3.6
FFO/debt (%)	39.0	22.6	21.8	25.2	21.9
Cash flow from operations/debt (%)	57.6	42.6	29.3	26.7	35.2
Free operating cash flow/debt (%)	36.2	34.8	18.8	15.8	24.6
Discretionary cash flow/debt (%)	36.2	34.8	18.8	15.8	24.6
Debt/debt and equity (%)	55.0	69.4	77.0	79.2	84.3

2017 data are upward biased due to the first-time implementation of IFRS 15.

Liquidity: Adequate

The company's liquidity is "adequate", according to our criteria. We estimate that the company's sources to uses ratio in the 12 months beginning on April 1, 2018 will exceed 1.2x. This assessment is mainly based on the current cash balance, good cash flow generation and proactive liquidity policy. The company's good access to a variety of financing sources in the local capital market contributes to its liquidity assessment.

Partner Communications Co. Ltd.

In our base-case scenario we assume that the company's principal sources and uses for the 12 months starting April 1, 2018, are as follows:

Principal Liquidity Sources	Principal Liquidity Uses
Cash and short-term deposits of about NIS 0.7 billion.	About NIS 0.4 billion in debt maturities.
Operating cash flow of about NIS 0.6 billion.	About NIS 0.4 billion in maintenance capital expenditures.
Expansion of series F (signed) of about NIS 0.2 billion.	

Modifiers

Diversification portfolio effect: Neutral

Capital structure: Neutral

Liquidity: Neutral

Financial policy: Neutral

Management/Governance: Neutral

Comparable ratings analysis: Neutral

Recovery Analysis

Key analytical factors

Following the initial implementation of our recovery rating criteria for corporate issuers, we are examining the recovery expectations of the various bond series in the case of a hypothetical default.

We are assigning Partner's bond series (Series C,D,F) an 'ilA+' rating, identical to the issuer rating. The recovery rating for these series is '3'.

Our recovery expectations are constrained to the 50%-70% range despite the simplified waterfall, due to our assessment that the Company will replace unsecured debt with secured or senior debt.

Simulated default assumptions

Hypothetic year of default: 2023

A recession in the Israeli economy will lead to a decrease in consumption, to an increase in churn rates and to increased competition in most segments, adversely affecting the Company's cash flows and liquidity, such that it is unable to meet its debt service payments.

As one of the Israeli communication market leaders, the Company will continue operating as a going concern, and undergo reorganization.

Simplified waterfall

Emergence EBITDA: about NIS 235 million

EBITDA multiple: 6.0x

Enterprise value as going concern: about NIS 1,405 million

Administrative costs: 5%

Partner Communications Co. Ltd.

Net value available to unsecured creditors: about NIS 1,335 million

Unsecured debt claims: about NIS 1,040 million

Unsecured debt recovery expectation: 50%-70% (constrained as noted above)

Unsecured debt recover rating (1 to 6): 3

All debt amounts include six months' prepetition interest.

Mapping Recovery Percentages To Recovery Ratings - Group A Jurisdiction
For issuers with a speculative-grade issuer credit rating

		Nominal recovery expectations		
Recovery rating*	**Recovery description**	**Greater than or equal to**	**Less than**	**Issue rating notches relative to ICR**
1+	Highest expectation, full recovery	100%	N/A	+3 notches
1	Very high recovery	90%	100%	+2 notches
2	Substantial recovery	70%	90%	+1 notch
3	Meaningful recovery	50%	70%	0 notches
4	Average recovery	30%	50%	0 notches
5	Modest recovery	10%	30%	-1 notch
6	Negligible recovery	0%	10%	-2 notch

Recovery ratings are capped in certain countries to adjust for reduced creditor recovery prospects in these jurisdictions. Recovery ratings on unsecured debt issues are generally also subject to caps (see Step 6, paragraphs 90-98 of Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016, for further detail). ICR--Issuer credit rating.

Reconciliation

In order to create a basis for comparison with other rated companies, we adjust the data reported in the company's financial statements which we use to calculate coverage ratios. The main adjustments we made on Partner Communications Co. Ltd.'s 2017 consolidated data are:

Discounting long-term leases and adding them to reported debt, about NIS 470 million; increasing EBITDA by NIS 145 million and interest expenses by about NIS 35 million. These adjustments reflect annual rental payments and interest and depreciation components calculated from future rent payments discounted into financial debt.

Adjusting financial debt for postretirement benefit obligations – adding about NIS 30 million.

Adjusting financial debt for litigation – addition about NIS 30 million.

Deducting about NIS 760 million in surplus cash from reported financial debt .

Partner Communications Co. Ltd.

Table 2.