

Webcast transcript

25 October 2024

HY 2025 RESULTS

Operator

Good day, ladies and gentlemen, and welcome to the Airtel Africa's half year results for year ended March 2025. All participants will be in a listen-only mode. There will be an opportunity to ask questions later during the conference. If you should need assistance during the call, please signal an operator by pressing star and then zero. Please note that this call is being recorded. I would now like to turn the conference over to Sunil Taldar. Please go ahead, Sir.

Sunil Taldar

Thank you. Hello, everyone, and thank you all for joining us today. I have with me Jaideep, our Group CFO; Kamal Dua, our deputy CFO; and Alastair, who is Head of Investor Relations.

Let me give you some brief highlights for the last six months before running through our refreshed strategy which has been deployed across the Organization and provides some context to the markets we operate in, and why we are so excited about the opportunity that is in offer across the continent. After that, I will hand over to Jaideep to run through the financials.

Despite the volatile economic and operating environment over the last six months, we have seen very resilient demand continue to support a strong, constant currency revenue performance. Providing an attractive customer proposition at an affordable level as key to unlocking this demand, and we see this continuing to support revenue momentum. Over the period, we launched a cost optimisation initiative to drive efficiencies across the business.

We have already seen pleasing results which is evident in the recovery of the EBITDA margins in the last quarter, retaining our position as an industrial leader in terms of operating efficiencies. During the quarter we have also implemented our refreshed strategy which significantly increases our focus on delivering best-in-class experience to our customers and I talk about this later in the presentation.

Importantly, without continued investments into our network, we would not be able to provide these essential and affordable services to our customers. It is this sustained investment that is underpinned by our strong capital structure, which has been considerably de-risked over the last few years, enabling us to not only continue investing for growth but also create value for all of our stakeholders.

Our purpose is to transform lives across Africa by bridging the digital divide and driving higher financial inclusion through the continued rollout of our mobile money services. Over the year we have seen smartphone penetration rise by over 5%, and a 13% increase in mobile money customers reflecting the delivery against this corporate purpose.

Being a business that is resistant to a challenging operating environment has ensured that we continue to capture the growth opportunity available to us. Over the last five years, we have consistently reported double-digit constant currency growth, with revenues and EBITDA growing by a target of 19% and 22%, respectively.

Earlier this year we launched a comprehensive cost efficiency programme targeting structural ongoing efficiencies that will not impact our growth ambitions. We've already realised some benefits in this quarter with a sequential increase in our Q2 margins, and we remain optimistic on our ability to realise further efficiencies.

Over the year, we have continued investing in capacity and coverage and deployed over 2,800 new sites and an additional 3,500 kilometres of fibre, reflecting our sustained confidence in the future market opportunity.

In addition, we have materially reduced our exposure to dollar debt, with 89% of OpCo market debt based in local currency, which is up from 71% a year ago. The overall performance across the Group has enabled the Board to reiterate its existing dividend policy with a further 9% increase in our final dividend.

Let me now spend a few minutes explaining the significant opportunities across our markets and how our refreshed strategy will enable us to continue executing on this opportunity.

As I've highlighted previously, I've travelled across extensively to our OpCos to understand the opportunity and to get to know our teams across the regions. The one thing that these travels have confirmed is the scale and size of the opportunity across our footprint.

From a high level, we have an aggregate population of 384 million people, which is expected to increase by another 75 million by 2030. Furthermore, we have a unique ability to also offer financial services to our customer base, driving increased financial inclusion.

As many of you are aware, 90% of all transactions in Africa are in cash and our unique distribution network will enable us to capture a significant share of transactions that inevitably will move to digital platforms.

However, the opportunity is not only in consumer. The B2B or enterprise segment offers a particularly encouraging avenue of growth, and we are actively working on capturing this demand as digital infrastructure across the continent evolves.

Now, to execute against this exciting opportunity, we have refreshed our strategy to highlight how we intend to maximize our right to win across the continent. The primary focus of this refreshed strategy is to ensure a great customer experience by embedding this in our mindset and our day to day operations.

I believe we can truly differentiate ourselves from our competitors. To unlock this central premise, we have reviewed the pillars that will support this ambition. Firstly, we need to strengthen our go-to market, enabling us to reach those who previously may have been unconnected. Furthermore, it's about investing in building capabilities, so we can upsell to our existing customers to enhance lifetime value for our customers.

Secondly, a brilliant network experience is fundamental to ensuring our customers remain connected and in many cases can access a network for the first time as we continue to invest in network capacity and coverage across our footprint.

There are clusters of opportunities which have been identified using digital tools across all OpCos which have been called out as must win markets. Through micromarketing efforts our teams are engaged in making sure that we win in these in these must win markets.

In the fourth pillar we focus on the importance of digitising and simplifying our product offerings to provide simplified customer journeys. As we continue to migrate towards the digital age, the importance of simplifying the customer journey will be increasingly important to accelerate customer acquisition and also improve our customer retention.

Airtel Money remains a fundamental part of our strategy and is key to our ambitious success across the footprint. Accelerating the adoption of Airtel Money not only improves our customer proposition, but also has the additional benefit of driving improved financial inclusion. I will talk about the Airtel Money strategy in a bit more depth later on.

And, finally, our sixth pillar reflects the significance of the adjacent sectors across our markets which remain untapped. In the absence of fixed line infrastructure, the home broadband opportunity remains significant, and we have a real opportunity to scale that business into a meaningful, standalone business

segment. Our infrastructure across the continent also provides us with a unique opportunity to offer a fully integrated suite of offerings or solutions to our enterprise customers or segment.

Underpinning the strategy is a relentless focus on cost optimisation to support our ambition for growth and continued investments into people and talent across the region. Our sustainability strategy remains a key support for our purpose of transforming lives and acting as a responsible business. I hope this brief summary helps frame our refreshed strategy.

And now let me spend a few minutes explaining the telecoms opportunity and how our strategy fits it. We are exposed to markets with some of the strongest population growth rates in the world, as well as some of the most youthful populations. This, however, needs to be combined with a very low level of SIM penetration across our markets and smartphone penetration to understand the scale and size of the opportunity available.

As these charts depict, unique SIM penetration remains below 50%, while only around 43% of our subscribers actually use a smartphone, which highlights the opportunity we have to see sustained growth in our customer base, both in voice as well as in data.

Slide 9 highlights how we will look to strengthen our go-to market, enabling us to capture this opportunity. Investing into our distribution network will increase the touchpoints we have between our agents and our existing new customers. This, alongside micro marketing efforts and a simplification of our product offerings, will differentiate the customer proposition.

We've seen our voice revenue growing at almost 10% in constant currency, which is an indicator of the scale of demand for even the most basic services across Africa. This, combined with continued increases in smartphone penetration, provides a foundation of continued strong revenue growth.

For customers using voice services for the first time, the likely next step on their telecom journey is to take on data services. Data is undoubtedly an area which has a huge growth potential. We have discussed a low level of smartphone penetration, but even for those that are using a smartphone, level of usage is still very low, below global levels. This has to be taken into context of the market environment. The fixed line infrastructure is essentially non-existent, so the mobile data network is often the only way for customers to be connected to the Internet.

Slide 11 runs into how our strategy providing a brilliant network experience is fundamental to unlocking this data opportunity. The provision of a reliable and affordable data connection is extremely important to provide a great customer experience and support customer migration from voice to data services.

Building capacity into our network and increasing the reach of our 4G network has provided the resilience necessary to become the operator of choice across our markets.

Almost 97% of our sites are on 4G and we have rolled out an additional 3,500 kilometres of fibre over the last year, which is key to unlocking this data growth potential. Importantly, other aspects of our strategy will help. Through micro marketing actions of improving indoor coverage and increased network quality, we expect a further improvement in providing a seamless user experience.

Let me now briefly highlight the opportunity in the home broadband segment and why this opportunity remains very, very compelling. Research shows that households with broadband connectivity across Africa remains extremely low on our footprint. As a result, the opportunity to offer home broadband solutions across our markets is substantial. Utilising our continued rollout of 5G networks across a number of our markets, with data usage of our existing home broadband customers amounting to 39 GB a month, combined with ARPUs at a significant premium to our existing ARPU, we are excited by the scale of this opportunity over the medium term.

In addition to the telecoms growth opportunity, we are in a unique position to layer on additional growth in the form of mobile money to further enhance shareholder value.

Let me spend a few minutes running through the opportunity and our approach to capturing this opportunity of mobile money. This slide reflects our mobile money strategy, which continues to underpin the strong performance across the mobile money business. Building on what we have discussed earlier, the first priority is to access the customer base by building distribution and bringing our services closer to the customer. This distribution focus, combined with a strong brand, will ensure a focussed acquisition strategy to capture quality customers.

Fundamental to future success is to build the products on offer across this ecosystem. We will roll out targeted services across the merchant network and drive the enterprise engagement by offering reliable and accessible services.

We will also continue to innovate, to drive increased use cases and ensure we provide the best customer service and drive increased digital adoption to ensure ease of access for our customer base. These services remain underpinned by a reliable and scalable IT platform, with a relentless focus on a strong compliance and regulatory framework which, across our markets and products, is fundamental to the success of mobile money strategies.

Mobile money services is all about driving increased financial inclusion across our markets. Low level of financial inclusion has been one key reason for strong customer base growth, but it has also been

reinforced by the trust that has been built up through the provisions of easy to use services with a focus on float availability, so customers can access their cash with relative ease, as and when they need it.

The facilitators of these transactions is our agent network and, once again, this has been, and will continue to remain, a core part of our strategy to drive increased base growth. We've seen a significant step-up in our agent infrastructure and continue to prioritise the exclusive agent network as a key facilitator of this growth potential.

Slide 15 demonstrates the continuing evolution of our mobile money ecosystem, with annualised transaction value of \$128 billion in reported currency. We've seen the makeup of transactions shift towards newer, more advanced services, such as billpay and merchant services, as the ecosystem continues to grow.

Yes, we are still seeing the digital wallet cash in/cash out services as the major source of mobile money revenue, and there is still huge growth opportunity for this from increasing our penetration with new customers but there is also continuing diversification of the business towards additional payment solutions and also more sophisticated financial services.

Moving on to the enterprise opportunity, the growth of the enterprise segment and the scale of the SME sector provides a unique opportunity for us to tailor our services towards the ever-evolving needs of enterprise segments. The recent activation of 2Africa submarine cable, which, combined with our 77,000 plus kilometre fibre footprint across the continent, enables us to offer reliable, resilient capacity to our existing corporate customers, while also attracting new customers to offer a unique service at scale across the continent.

Rising Internet penetration, the rapid adoption of cloud computing and soaring demand for digital services will underpin our data centre strategy. We have commenced the construction of data centres in Lagos, in Nigeria, with another data centre expected in Kenya.

We will leverage our relationship with Nxtra, a business in India, to draw on its considerable expertise and relationship with hyperscale players who will be looking to expand across the African continent. Hopefully that provides a snapshot of where we as a business are across Africa and reason for our optimism, for the outlook.

Importantly, we believe our refreshed strategy will be key to unlock the significant opportunities on offer. Let me now hand over to Jaideep to run through the financials.

Jaideep Paul

Thank you, Sunil, and good afternoon to all of you. Let me start with the key financial highlights. Our reported performance continues to be negatively impacted by significant currency devaluation across key markets, most significantly in Nigeria as well as macroeconomic challenges. However, we have delivered good underlying results despite these headwinds.

Revenue growth for the half-year was approximately 20% in constant currency, with double-digit growth in data and mobile money services. EBITDA grew by 13.5% in constant currency to reach \$1.1 billion in reported currency. EBITDA margin at 45.8% declined from last year, reflecting the impact of lower contribution of Nigeria post the naira devaluation and inflationary cost pressure. However, on a sequential quarterly basis, margin improved by 124 basis points to 46.5% in constant currency following the cost optimisation program initiated earlier this year.

Operating free cash flow at \$771 million declined 22% in reported currency due to currency devaluation, as mentioned earlier, especially in Nigeria. During the quarter we have extended our tower lease agreement with ATC in four OpCos, which resulted in an increase in lease liability of \$1.2 billion, thereby increasing the leverage by 0.6 times. Hence the leverage during the quarter was at 2.3 times as compared to 1.6 times in June 2024 and 1.3 times over the last year.

We'll talk about this in detail in the coming slides. EPS before exceptional items was 4.9 cents lower from 7 cents last year, impacted by the translation impact of currency devaluation and higher finance charges. And the Board has declared an interim dividend of 2.6 cents per share, which is up by 9%.

Coming to mobile services, our mobile customer base grew by over 6%, supported by 9% growth in East Africa, as well as in Francophone Africa. In Nigeria, the customer base growth was flat as it was impacted by barring of customers as we fully complied with the KYC directive issued by the regulator. Data customers at 66 million were up over 10% year on year basis. Mobile service ARPU was \$2.2 per customer per month, growing by 9.7% compared to the prior period, primarily driven by data ARPU growth.

The decline in reported currency ARPU was on account of naira devaluation. Revenue for the period was \$2 billion, growing 18.4% in constant currency. EBITDA was \$0.9 billion, grew by 9.9% in constant currency, with an EBITDA margin of 45.1%, a decline of 347 basis points in constant currency. However, on a sequential quarterly basis, margin has improved by 142 basis points.

On mobile money performance, customer base at 41.5 million was up over 13% year on year. 26.5% of our total customer base uses mobile money services. Transaction value at \$64 billion for the half-year increased 30% in constant currency.

ARPU expanded 11% in constant currency to reach \$2 per customer per month as the expansion of the mobile money ecosystem continues to drive increased engagement with the various financial services. EBITDA grew by 33% in constant currency to reach to \$247 million, with EBITDA margin at 53%, expanding 167 basis points in constant currency.

Coming to the next slide, the overall revenue growth was 19.9% in constant currency, while in reported currency the revenue declined 9.7%. In constant currency both data and mobile money services continue to see strong growth of 28% and 29% respectively, with voice continuing to see encouraging growth of 9.4%.

Reported currency revenue continues to be impacted by a significant devaluation during the year, impacting the half-year revenue by almost \$660 million.

On the next slide we show the Group EBITDA performance. So, EBITDA declined by 16.5% in reported currency to \$1.1 billion. However, constant currency EBITDA grew by 13.5%. EBITDA has been adversely impacted by \$348 million as a result of currency devaluation.

OPEX increased by \$271 million, out of which almost 45% was contributed by the network OPEX increase, which reflects the inflationary cost pressure, most notably in the fuel price across key markets, including Nigeria. OPEX increase coupled with lower contribution of Nigeria, has resulted in a decline in EBITDA margin from 49.6% last year to 45.8% in current year.

However, as a result of our cost optimisation programme, we have seen a 124 basis point increase in the EBITDA margin in Q2 to 46.5% as compared to 45.3% in Q1 in constant currency.

Coming to the regional performance, first, Nigeria. So, let me briefly call out all key conclusions from our recent performance in Nigeria.

Despite the tough macroeconomic conditions, we have seen revenue growth in Q2 accelerate to over 38% as we continue to see strong demand across the market. As discussed earlier, we disconnected subscribers during the quarter to align with KYC directive issued by the regulator but the growth remains strong.

Data revenue grew by over 44% in constant currency, mainly driven by data ARPU growth over 30%. Data ARPU growth was supported by increasing smartphone penetration and usage. EBITDA margin of

48.4% has been particularly impacted by the 90% increase in diesel price over the last one year. However, margin has improved on a sequential basis as the cost efficiencies materialises and operational leverage offsets some part of the inflationary pressure.

In East Africa revenue grew by 21.7% in constant currency, supported by double-digit growth across all three services of voice, data and mobile money. Voice revenue grew by over 10%, data revenue by 26% and mobile money revenue by over 31%. Despite inflationary pressure on the cost in certain OpCos of East Africa and the rising diesel cost, EBITDA margins remain resilient.

Coming to Francophone Africa, revenue grew by 7.1% in constant currency, with Q2 growth accelerating to 9%, as compared to 5.2% in Q1. This growth is testament to the initiatives we have put in place to grow the customer base and improve the momentum across the region. Data revenue grew by over 18%, mobile money revenue grew by over 20%, while voice revenue declined by 1% in constant currency.

Voice revenue was largely impacted by the interconnect rate reduction in some of the markets. EBITDA margin at 42.8% declined by 438 basis points, which was driven by the inflationary cost pressure and increase in fixed frequency fees in certain markets. However, on a sequential quarter basis, margin improved by 201 basis points.

The next slide is about finance costs. As you can see, the finance costs, excluding exceptional items and forex and derivative losses, increased by \$49 million, largely as a result of increased local currency debt in operating entities, in line with our strategy to push down debt to the OpCo. Further, the change in debt mix between foreign currency and local currency, coupled with the increase in the interest rate, also impacted the finance cost.

These increased local currency debts are, however, mitigating our exposure to exchange rate fluctuations by reducing the forex exposures. Exceptional item loss due to naira devaluation was lower by \$240 million as compared to the prior period. Further, non-exceptional derivative and foreign exchange losses in current period was lowered by \$154 million as compared to the last year.

Next slide, on EPS, despite our good underlying performance, with double-digit growth in revenue and EBITDA in constant currency terms, EPS has been negatively impacted by derivative and foreign exchange loss, primarily in Nigeria. Over and above the derivative and forex loss related to the devaluation of US liabilities and derivatives, currency devaluation also has a translation impact on reported revenue and EBITDA. Hence EPS before exceptional items at 4.9 cents was lowered as compared to 7 cents last year.

Our normalised free cash flow, despite significant currency and macroeconomic headwinds, we are able to generate positive cash flow, excluding license renewal payments. This slide gives a bridge between EBITDA and normalised free cash flow. The components of the cash flows include cash capex of \$418 million, income tax payment of \$200 million, license renewal payment of about \$91 million, and other cash payments, like interest lease repayment and dividends to various minority shareholders.

Our capital allocation policy remains the same. Our key priorities remain to continuously invest in business along with further strengthening the balance sheet. Our capex guidance for current year is between \$725 million to \$750 million. Our leverage at 2.3 times was impacted by ATC contract renewal, as well as devaluation impact on EBITDA.

We have taken a significant step in reducing our exposure in foreign currency market debt, with a \$809 million payment of foreign currency debt in the last year, including the repayment of a \$550 million bond in May 2024. Returning cash to shareholders through our progressive dividend policy remains one of the priorities, and the Board has already recommended an interim dividend of 2.6 cents per share, reflecting growth of 9%, in line with our current dividend policy.

The next slide, we have added this slide in this time since there is an ATC contract renewal which has an impact on the lease obligation. So, on 30 September we have renewed our contract with ATC for a period of 12 years, on approximately 7,100 sites in four OpCos, namely Nigeria, Uganda, Kenya and Niger.

The 12-year extension period is part of commercial agreement with ATC. The longer-term contract renewal is a win-win for both parties, as it provides certainty of cash flows for the tower co., and enables us to secure strong commercial terms in relation to the commitment ATC has made for investment into renewable energy solutions, which will result in reduction in consumption of diesel and corresponding costs.

The benefit of renewable solutions will come in the medium term. The impact of renewables on the cash flow of the Company is neutral to positive. The accounting of renewals, in accordance with IFRS16 has been explained on the chart in the left side, where you can see that the lease rental payment to the tower company remains the same over the contract period. Though, from the accounting point of view, there is a reallocation of lease rental between interest and principal rate repayment during various stages of the contract.

During the initial period, the interest component is high and the principal repayment is low, which reverses over the later part of the contract. So, in summary, the financial impact is cash flow of the Company does

not change, increase in right of use assets and lease liability by \$1.2 billion, which is the present value of the future lease payment, which has resulted in an increase in leverage by 0.6 times, decrease in profit after tax by approximately \$120 million to \$130 million on an annualised basis in the very first year of the renewal, primarily due to increase in the interest cost, without any corresponding impact, incremental impact in the cash flow.

50% of this impact is expected in the second half of the current year. As we progress through the years, this impact will keep coming down and from the middle of the contract onwards, mid-term contract onwards, actually the impact will be significantly lower.

Our next slide on net debt, we continue to focus on localisation of debt through a dedollarisation programme, As on 30 September 2024, 89% of the OpCo market debt is in local currency compared to 71% in prior period. We have repaid a \$550 million bond that matured in May 2024 using the cash available at HoldCo.

HoldCo is now absolutely debt-free. The total weighted average interest rate was 13.2%, vis-à-vis 8.8% in the prior period. The increase of this is due to higher local currency debt and repayment of a \$550 million bond at HoldCo level, which carried a lower than average interest rate.

On leverage we have already discussed the impact due to ATC contract renewal and impact of lower reported currency EBITDA on account of currency devaluation. As a result, the leverage at 2.3 times was higher as compared to 1.3 times of last year. If we take this entire contract on an operating lease method, the ratio of net debt, excluding lease liability to EBITDA, after the lease payment the operating leverage will be 1 times for the current period, compared to 0.7 times in September 2023.

Let me now hand over back to Sunil for his concluding remarks.

Sunil Taldar

Thanks, Jaideep. Finally, on slide 33 just a few words on summary and outlook. As you've seen from our results, our strategic focus has consistently driven positive momentum across the business. Key to delivering value to our stakeholders is to drive continued growth across our base. Our focus will remain on investing in our network and on further expanding our distribution to be closer to our customers while at the same time looking at new opportunities for growth, particularly in data centres and fibre.

Generally, results have been impacted by significant foreign exchange headwinds over the last 18 months but the growth opportunity that exists across our markets remains very compelling and we are

well positioned to deliver against this opportunity. We will continue to focus on margin improvements following the launch of our cost optimisation initiatives earlier in the year.

And with that I would like to thank you all once again for your attention today and we would now like to open the floor for questions.

Operator

Thank you, sir. Ladies and gentlemen, if you would like to ask a question, you are welcome to press star and then one on your touch-tone phone or on the keypad on your screen. You will hear a confirmation tone that you have joined the queue. If you wish to withdraw your question, you may press star and then two to remove yourself from the question queue. Once again, if you would like to ask a question, you may press star and then one.

The first question we have is from Rohit Modi of Citi. Please go ahead.

Rohit Modi

Thank you for taking my questions. I have three. Firstly, on the ATC contract, if you can confirm the terms of the contract, I understand the cash flow remains the same but the terms of the contract have changed, particularly talking about the USD component and Nigeria and Uganda and Kenya, basically, where we are seeing higher FX volatility. Is there any change in terms of your FX component on the contract?

Secondly, on capital allocation within geographies, I think you've invested much less in Nigeria in the first half compared to last year, and much higher in East Africa. Is there any change in terms of your priorities or any reason for lower growth Capex in Nigeria? Or is this just a phase in that will phase out in the next half?

Third question, again on tower renewal. If you can confirm the number of towers that are due for renewal now and in the near term on the rest of the footprint. Thank you.

Jaideep Paul

Okay. So, first on the ATC contract, the absolute dollar component doesn't change. It remains the same. The absolute dollar component, what was there earlier, that remains the same.

On the second question, if I understand correctly, with the capex reallocation we are looking at, the answer is at this moment the capex allocation is based on the need of the business and the growth

opportunity. We continue to do that, including Nigeria. Nigeria also, we are rolling out new sites. So, that continues.

On the third question, on the number of towers which is coming for renewal, in this year, second half, there will be about 1,100 towers coming up for Zambia renewal. Next year roughly between 400 to 500 towers will be coming up for renewal. And FY27 another 1,200 towers will be coming up for renewal. So, that's the visibility which we have as of now – 1,100 in the second half of this year, 400 next year and 1,200 in FY27.

Operator

Thank you. The next question we have is from Maurice Patrick of Barclays. Please go ahead.

Maurice Patrick

Thank you. Yes, from my side, just a few fairly simple ones. The first question is on spectrum and I was curious if you could just articulate which auctions or allocations or renewals of spectrum that you have visibility on over the next 12 to 18 months. That's the first question.

Sunil Taldar

All right. So, spectrum is based on the availability and affordability. So, we'll continue to look forward.

As it stands today, immediately, there is no auction which has come up but we'll continue to look at the spectrum availability and our affordability and keep buying spectrum, especially on the 4G and 5G rollout, and that will continue.

Not much of renewal which is falling due this year or next year but in the subsequent year, FY27, in Nigeria there is a spectrum renewal which will be falling due in the 900 MHz. So, that is in FY27.

Maurice Patrick

Great, thank you. That's the first one. The second question, in your prepared remarks you talked about wanting to catch some of the growth in the data centre market, which you highlight is a \$7 billion opportunity by 2028. Just curious as to what your strategy is to actually capture some of that growth. Thank you.

Sunil Taldar

We see data centres as an exciting opportunity in Africa in the years to come. And what we've done is we've currently invested in, and we've announced two data centres. One is in Nigeria, Lagos, which is

what I spoke about, and another data centre that we are talking about is in Kenya in the short term. The construction normally takes about 24 to 30 months, so obviously we have to start now in terms of buying the land, which we have done.

The second part is the designing of the data centre, which is very critical. Post that construction starts. While the revenue from the data centre will kick in from FY26 onwards, the investment has to start now. Additionally, what we are also doing is we have cable landing stations in a number of countries, like Tanzania, Kenya, Gabon, DRC. These are also additional opportunities and we are constantly evaluating opportunities in this space.

As I said, there are two data centres we've already signed off. One is in Nigeria, another is in Kenya, and we are constantly exploring opportunities on other data centres. Nigeria and Kenya is where we expect most of the demand to be centred in.

Maurice Patrick

That's clear, thank you. And just a last question from me. You've spoken about how you've been reallocating debt from the Hold Company to the OpCos, which comes at a higher interest rate, I believe, in terms of having that local debt. But I think you've spoken in the past about a tax efficiency. Can you give some clarity in terms of how we should think about modelling cash tax going forward in the coming years, post the reallocation of HoldCo debt? Thank you.

Jaideep Paul

So, if we have a debt at HoldCo level, and since we do not have any major income at the HoldCo level, we don't get the tax benefit, which is on average you can take 30/31% as a corporate tax, average corporate tax. We don't get that benefit. But when we take a loan in an OpCo, and OpCo has an income or revenues, therefore we get a roughly about 30% tax shield on the entire interest charge.

So, in very simple maths, if you look at it, if the interest is coming at 20%, let's say, in a particular country, and 30% is the corporate tax rate, effectively my effective interest post tax comes down to almost 13/14%. So, that's the way we look at it. The benefit is higher if we have a local currency debt and therefore the interest which is charged into the local P&L.

In addition to that, we also get the benefit we are protected from any devaluation impact. And we have seen how the devaluation can impact and how severe it is in certain countries, especially in Nigeria and some of the large operating units. At least from that perspective we are well protected. If devaluation happens, this debt will have zero impact in the forex and derivative loss.

Maurice Patrick

Yes, makes sense. Thanks so much, indeed, for your answers.

Operator

The next question we have is from Cesar Tiron of Bank of America. Please go ahead.

Cesar Tiron

Yes, hi, good afternoon, everyone. Thanks for the call and the opportunity to ask questions. I have three, if that's okay. The first one, I wanted to check if you could explain a bit more the acceleration of the service revenue growth in Nigeria. That's the first one.

The second one, I wanted to check if you could explain what needs to happen, in your view, in Nigeria for the mobile money business to be more successful, to account for a greater share of your service revenue. And then the third one... Sorry, it's all about Nigeria, but the third one would be on pricing.

I think you've been discussing with regulators now for quite some time as an industry to ask for price hikes in light of the high inflation that we've seen in Nigeria. Do you think that will prove to be successful? Is there any update that you can give us? Thank you so much.

Sunil Taldar

Thank you very much for that question. Let me first start with the acceleration in the revenue growth in Nigeria. See, Nigeria is a very, very large opportunity. We've always been saying this. Our revenue growth of 36% in constant currency in the first half is largely driven by continued strength in the demand for data services across the country whilst revenue growth was 23% and data at 44% for the first year.

On the price increase front, we continue to engage with the with the NCC and with other institutions in Nigeria to seek price increase, and this is something that we have been at it for some time and our intent is to at least cover the inflation.

Let me provide, apart from the price increase, a little more colour to our growth in Nigeria. The growth in Nigeria has been driven by very largely its upgrade from as customers upgrade from a feature phone to smartphone, and that drives the data consumption and that drives the incremental ARPU and the revenue growth.

What we've been doing is we've been focusing our attention on higher end customers and focusing on the upgradation of feature phones to smartphones over the period, which is clearly evident in the

improvement of our data revenue growth. In addition, we have also been prioritising the opportunity for home broadband, and this is something that we have called out last quarter as well, which is a large opportunity for us within the Nigerian market.

We are encouraged with the growth we have achieved in Nigeria and we'll continue to invest in order to sustain our growth markets in Nigeria. Having said that, acquiring new customers and low SIM penetration remains a very, very large opportunity. It continues to remain our large opportunity in Nigeria and we continue to invest in our network and, most importantly, on our distribution to acquire new customers.

So, acquisition of new customers, while it is currently not reflected in the base growth because we had to bar a large number of customers during the quarter to follow the regulations as announced by the regulator. But we continue to remain focussed on driving range growth. We continue to remain focussed on upgrading customers from 2G to 4G and that drives data growth, high value customers and then, finally, home broadband and B2B are the opportunities that we are chasing now in Nigeria.

Now, coming on our PSB business, which is the mobile money business in Nigeria, we have started seeing revenue acceleration there where in H1 2025 revenue grew by 367% yoy basis, while reported revenue has just double-digit, impact of naira devaluation. However, our priority remains to acquire decent customer base before we start monetising there. Even on the mobile money side you would have seen our customer base has not grown because we had to follow the regulation and discontinue certain customers as per the regulation.

Hence, we continue to focus on expanding the customer base and keep on building the very wide ecosystem required for monetisation. I think it will take us a few more quarters for us to get to a decent customer base as well as revenue following the same. I'm confident we are on the right path with the key actions that we're driving. In terms of metrics, we have 1.4 million active customers, representing 30-day revenue only customers.

In terms of agent network, which is our go-to market, it's a strong agent network of about 231,000 agents at the end of September. We have launched certain propositions which are super bonus or cash back campaign that is being used for customer acquisition. And what we are now focussed on is building our digital capabilities to offer more use cases to our customers so that they can do almost all their transactions on our platform and that drives the growth of mobile money in Nigeria.

Because it's also very wide market. Banking penetration is high and use of financial services. That's really our plan and we remain confident that in the next three quarters we should... As we build capabilities, we will continue to see improvement in our mobile money performance in Nigeria.

Cesar Tiron

Thank you so much. Can I please ask about the prices as well, the price hikes in Nigeria?

Sunil Taldar

Yes. So, price hike in Nigeria, we continue to engage with the authorities in Nigeria in seeking for a price increase to at least cover inflation.

Given the inflation, the ground situation remains very, very tight. We have not heard anything else other than the update that I just gave you to say that we remain engaged. The authorities have been appraised of the challenges that the industry is facing and it is an industry-wide effort which is currently happening in Nigeria.

As soon as we have an update, we will surely share, but an update on pricing is what we have similar to last time. Having said that, the pricing is not the only area of driving growth in Nigeria. Despite inflation, despite the pricing challenges that we have, the industry and our performance continues very strongly. We have delivered a 38% growth in the second quarter.

And what we intend to do is we continue to remain ahead of inflation and at least cover the nominal GDP growth, which currently the business continues to track. And we continue to make investments in Nigeria, because we see a large opportunity in Nigeria. As soon as we have any update on pricing, we will update all of you as well.

Cesar Tiron

Thank you so much. That was very helpful.

Operator

The next question we have is from Jonathan Kennedy-Good of Prescient Securities. Please go ahead.

Jonathan Kennedy-Good

Good afternoon. Thanks for the opportunity. A couple of questions from me just on Nigeria. The capex numbers you've put in the ground in the first six months, the capex intensity is up, even though the dollar nominal capex is significantly lower. I'm just wondering how long you can sustain a lower dollar number in terms of capex invested there. When will you run out of network headroom and have to revise capex spend upward again?

And then, I know you obviously can't comment too much on why your largest competitor has much higher margin compression in Nigeria. I think their margins have reached 32%. Are you taking some of these costs in derivative losses that don't come through EBITDA? I just fail to understand why a bigger competitor has a narrower margin than you in Nigeria. Thank you.

Sunil Taldar

You see, while we will not comment on competition and their investments, what we can talk about is our investments. We remain optimistic on growth potential in Nigeria. In order to capture this growth, we require continued investments to ensure that not only our customers are benefiting from this level of investment but that it attracts new customers, which is reflected in our pillar of providing a brilliant network experience. We retain a judicious approach to our capex investment strategy in order to maximise revenue growth. What was your other question, if you can just repeat that?

Jonathan Kennedy-Good

I was wondering whether you are taking... Are you taking some of the naira impact below the EBITDA line?

Jaideep Paul

No

Jonathan Kennedy-Good

I just fail to understand how you can preserve margin to this extent relative to competitors.

Jaideep Paul

Well, we don't know the exact structure of the dollar component and local component in their operating expenditure, so I can't comment on that part. But from our side, we have over the period of time,

anticipating this devaluation. At least over the last, I would say 24 months we have been actively working in reducing the dollar component based operating expenditure.

So, we have converted most of our OPEX. Only 8%, roughly about 8/9% of our OPEX is dollar-denominated. The rest are all local currency and this was a conscious call which was taken.

And, therefore, while you see the finance cost has a severe impact because of the lease liability as well as some dollar debt which we have taken during that period when dollar was not available. But on the operating cost side, we have taken a position, at least for the last two or three years, we have been consistently reducing our dollar exposure in the operating expenditure.

Today it has come down below 10% and that's why you don't see that severe impact, except the diesel price impact, which is in local currency but it is linked to inflation. And the drop, what you saw in Nigeria margin, is because of the diesel price and not because of the forex devaluation.

Jonathan Kennedy-Good

Thank-you, that's very helpful. Thank-you

Operator

The next question we have is from Madhvendra Singh of HSBC. Please go ahead.

Madhvendra Singh

Yes, hi, thanks for taking my questions. I have three questions. The first question is on your share buyback programme, if you could update us on the progress. I know that in the release you mentioned that you have used about \$88 million. So, how much headroom do you still have left?

Given that your underlying leverage, excluding leases, is actually quite low and you are generating quite good cash. So, is there a possibility of increasing the overall share buyback programme? So, if you could update that side, that would be great.

The second question is actually a follow-up on the data revenue growth you report in Nigeria. So, again, very good performance there, acceleration during the quarter, but in the breakdown of the drivers, there is user growth and there is customer growth but if you could talk about how much...

That doesn't add up to the overall 48% growth, I think, 47% growth you reported for the quarter. So, has there been any underlying pricing adjustments you've been doing? Has the yield also been improving in the data space? So, if you could talk about that.

And then, finally, I was wondering about your power passthrough component in the power costs. That was a big headwind during the previous quarter and I think sequentially it has not been a huge headwind but, still, that is why your margins are still probably not back to the 49% plus level.

I was wondering, given that diesel prices have come off the peak now, I think, oil prices have come down as well, so in terms of outlook, do you expect any tailwinds in the coming quarters?

And if you could give some sensitivities or some quantification of how much benefit we should expect, given where the diesel prices are in Nigeria, for example, right now. Thank you.

Sunil Taldar

So, let me take the first two questions. So, let me start with the first question that you asked on the buyback. The shareholder returns are a very important part of our capital allocation strategy. As you've seen, we have a progressive dividend policy and we've been increasing our dividend by circa 9% over the last few years.

This remains a primary method to return cash to the shareholders. In January 2023 the Board decided to undertake a 100 million buyback, which is now almost close to completion. Now, any further buyback will be considered by the Board, considering the future cash position of the Company. So that is the answer to your first question.

Coming to the second question that you asked with respect to Nigeria data growth. So, I will answer this very simply. If you look at our overall base growth in Nigeria, it's flattish, at about 0.2% but we have seen acceleration in the smartphone base growth rate, which has grown by about 15%, 14.8% to be precise, and ARPU has grown by about 27.9%.

Now, if you add up these two, that explains a very strong data growth that we are seeing in Nigeria and this, as I said, has been our focus on high value customers and make sure that we are upgrading our customers from 2G to 4G and drive adoption. That's what is leading to ARPU growth, which is high data consumption and upgrades. So ,that's the answer to the second question. And the third question was on...?

Jaideep Paul

The positive diesel impact, will there be any tailwind or what is the future outlook for...

Sunil Taldar

See, very difficult to comment on the future outlook. Because if you look at the diesel prices in Nigeria, it has hit about 1,500 naira per litre and then it is down to about 1,100 naira per litre now. In the current quarter, as I said, it's trending at about 1,100. So, where will this diesel price go in the future is very difficult.

However, what we've done, from our point of view, we are actually at this point in time working very closely with our tower companies to reduce overall operating cost, network operating cost. A few initiatives, whether it is moving our sites from off-grid to grid and that also reduces power consumption, solarisation of sites using lithium ion batteries.

So, we are trying everything within our control to address the power costs of the network cost. Diesel, as I said, these are market forces and it remains to be seen how it moves as we move along.

Madhvendra Singh

I didn't really ask about the diesel price movement. I rather asked about if the diesel prices stayed where they are, 1,100, what would that mean for the margin?

Jaideep Paul

Yes. So, firstly, the average diesel price, 1,100, but September, again, it moved up to 1,226. But, yes, let's say the diesel price remains static. Obviously, then network costs per site remain static and that should lead to eventually maybe an increase in the EBITDA margin in the future period.

But the point is that this is such a volatile and continuous moving element, it's very difficult for us to say very formally how much impact or how much benefit it will give us. But the point is if it remains static and there is no change in the next quarter, obviously that is beneficial for us, because then there is no incremental cost added, at least on the diesel side or the fuel price in the network cost.

Madhvendra Singh

Great. And just a follow-up on the share buyback point. What I meant to ask was that given you have solid cash flows and you have already, let's say, almost successfully completed the current programme, does your balance sheet and cash flow, in your view, allow for another round or extension of this programme, let's say another 100 million?

Is that something you think, from a financial management point of view that the Company can withstand? Rather than... I understand the decision is at the Board but I'm just trying to think from a management point of view, do you think that is feasible?

Jaideep Paul

Well, we'll not be able to make any comment on that. The first tranche of 100 million is still not completed. So, let it be completed. A couple of million dollars are still pending. So, once that is completed, we will go back to the Board with our recommendation, considering this year and most likely over next year. Because keep in mind that we are also investing in data centres and so and so forth.

So, next year there will be a full-fledged work on data centres which will start, and both the data centres. I'm hoping that both Kenya and Nigeria will go in action. So, we will consider everything and then go with our recommendation to the Board and then, based on the Board recommendation we will let you know whether there is any next lot of buyback programme that will be launched or not.

Operator

The next question we have is from John Karidis of Deutsche Bank. Please go ahead.

John Karidis

Thank you. Thank you for this call. I've got a few. So, just two on mobile money, please. So, the first one is, could you remind me by when you need to have listed the mobile money business? And what would happen if the equity markets are not conducive to a listing? So, what would be plan B, as it were?

The second mobile money question has to do with the profitability of the different sources of revenue.

So, if I look at slide 15, where you give us the revenue mix for mobile money, and if I have at the top of my the top of my head the 53.0% EBITDA margin that you reported for the six months, I can understand that cash in and cash out is less profitable.

But it would be lovely, please, to get some sort of idea of how much less profitable it is. Is it five points less, is it 20 points less? And what are the relative EBITDA margins of the other sources of mobile money revenue, please, versus their 53.0% average?

And then, lastly, regarding Nigeria other revenue, I see that its percent growth rate has actually now exceeded that of data, albeit from a lower base, and, quite honestly, I don't really understand what's in it. So, for example, things like fixed wireless access, is that in data or is it in other? And if it's not in other, what drives that growth, please? Thank you.

Sunil Taldar

So on mobile money, on the IPO process, nothing has changed from our previous commentary. In terms of mobile money IPO, we have committed to undertake an IPO of the mobile money business within four years of initial minority deal, so just over about nine months from now, and that timeframe still remains. The ground work is in progress and we'll keep you informed at the appropriate time but there is nothing more to be shared at this point in time.

John Karidis

Sorry, Sunil, can I ask what happens if the equity market is unhealthy?

Sunil Taldar

Obviously, it's a scenario analysis which we will not be able to do at this moment. But, yes, there are the options which are being evaluated and, as we've mentioned, it is too early for us to comment on this aspect, that if it doesn't happen, then what happens, etc., etc. But in an appropriate time, maybe as we progress through the year and we go closer to Q4, maybe we'll have a better answer for that. We'll definitely update you if there is any change from the current date.

John Karidis

OK, thanks.

Jaideep Paul

On your other question on mobile money with respect to yield, very broadly our yield on cash out is very similar to the yield that we have on, say, bill payments and merchants. So, that's one and that is the reason. And the other thing that happens is, as the use cases proliferate, so as customers start to use different use cases and use our mobile money for making bill payments, merchant transactions.

One, as frequency goes up, that drives overall revenue growth for the mobile money business but very simply, to answer your question, on yield for cash out and for bill payment and merchants are very similar in nature and that should not be dilutive when it comes to margin or overall revenue.

John Karidis

Okay. I'm sorry, does yield mean EBITDA margin, in this case?

Jaideep Paul

No, this is yield. Obviously every service you can't estimate EBITDA but what we can estimate is what's my earnings for that service and, let's say, per transaction what is my earning and what is my cost?

So, suppose I earn, let's say 10 cents which is my yield and my cost for providing that service is 3 cents, then what flows into EBITDA is 7 cents. So, from that perspective, what Sunil has referred as the highest yield in cash out, but since cash out also has a corresponding payout to the company agents. Same way on merchant. Merchant, of course there is no payout. So, on a net net basis, the yields are very similar, but the margin is better for merchant transactions.

John Karidis

Okay, thank you. And then in terms of Nigeria other revenue and fixed wireless?

Sunil Taldar

Yes, fixed wireless is what we call... Fixed wireless is actually the data service which we provide to the small and medium enterprises in Nigeria. So, what we call home broadband, that's in the B2C side and fixed wireless is in the enterprise side. So, that service is getting strengthened. And in fixed wireless in some places where we see a commercial benefit, instead of fixed wireless, then we go on a hybridisation or a fibre route where the customer experience gets much better.

John Karidis

Okay, thank you. I see your other revenue in Nigeria was up more than 50% in local currency terms. What is in other then, please. What is the cause of that?

Jaideep Paul

Yes. So, it has a multiple revenue item. It has a vast revenue list, like messaging revenue, VAS revenue, leaseline revenue and all these revenues get combined and, as I mentioned, that this grows at a much higher speed because the base is low and as we are progressing in terms of providing these services, strengthening go-to market, so obviously you'll see this revenue going up.

John Karidis

Okay, thank you. Just, sorry, as a last question, I appreciate I've tested my luck here, the refinery in Nigeria, do you think that it has scope, sooner rather than later, to help with the diesel prices? Do you feel, as people on the ground, that this is beginning to have an impact there?

Sunil Taldar

This is the hope we have, that with this refinery we will see some benefits. And we have reasons to, at this point in time to say that the current stabilisation of this refinery surely would have contributed. We remain hopeful that as this refinery starts to increase production, there should be some benefit that should happen to the overall diesel prices in Nigeria. But very difficult to say which are going to go. At this point in time we remain hopeful.

Jaideep Paul

Also, just to mention that if this refinery starts really producing fuel, it also will help the economy to conserve dollars and then, therefore, the impact on devaluation should start coming down.

John Karidis

Thank you all, for everything.

Operator

Ladies and gentlemen, we have reached the end of the Q&A session, and I would like to hand back to Sunil for any closing remarks.

Sunil Taldar

So, if there are no more questions, I would like to thank you for joining the call today. Thank you, once again.

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Operator

Ladies and gentlemen, that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT