Conference call transcript

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Q2 2027 RESULTS

Moderator:

Welcome to the Airtel Africa half-year results for the period ended 30th of September 2026. Please note that the call will be recorded. During today's call, webcast participants will be in a listen-only mode while we conduct the question and answer session. If you wish to ask a question, we ask that you please press *5 on your telephone keypad to join the queue. Alternatively, if you're participating on the webcast, you can submit your question through the Q&A tab. Further instructions will follow at the time of Q& A. I would now like to turn the call over to Sunil Taldar. Please go ahead.

Sunil Taldar:

Thank you. Hello everyone, and thank you all for joining us today. I have with me Kamal Dua, our CFO, and Alastair, our head of investor relations. Let me give you some brief highlights over the first half of this year, and we'll let Kamal run through the key financials before I spend time giving high-level perspective around our markets.

The last six months have been very encouraging with the continuous focus on our strategy, enabling us to capture the significant opportunity across our markets. Despite ongoing geopolitical developments, the macroeconomic and currency environment remain relatively stable, the demand in both the telecom and financial services remaining intact, translating into a strong top-line growth with constant currency revenue growth of almost 21%. The geopolitical developments, however, have impacted inflationary pressure on our cost base, with fuel prices rising significantly over the last six months. These developments renewed our focus on initiatives to drive cost efficiencies to limit the impact, and I'm very pleased to see EBITDA margins remain above 50% over the period.

As we highlighted earlier in the year, we also accelerated our CapEx plans to position us for the ability to capture the significant growth opportunity, and these results reflects how this accelerated CapEx is supporting our business growth. Our strong cash generation and balance sheet provide us with significant flexibility. They allow us to continue investing in growth, maintain disciplined capital allocation and deliver sustainable long-term value for shareholders. Finally, the period also marked a landmark milestone with the successful IPO of Airtel Money. The listing opens an exciting new chapter for the business, providing a strong platform to capture the significant growth opportunity in digital financial services across Africa. Following the IPO process, we have maintained our shareholding of around 78% and we remain exposed to Airtel Money's continued growth and value creation.

This slide brings together how the strategy is translating into tangible operational and financial outcomes. First, reflecting our strategic focus on the customer experience, we've continued to deepen our customer engagement. Our customer base grew by 11.6% to 194 million, and as digital adoption continues to gain traction, we now have more than 100 million smartphones on our network.

Furthermore, mobile money customers grew by 22.4% to more than 60 million, as financial inclusion continues to gather momentum across our footprint. Importantly, this is not simply a strategy of acquiring new customers.

Sunil Taldar:

We've also taken specific steps to facilitate increased engagement with the wide array of services we provide. These initiatives underpin 18.9% constant currency growth in mobile services, with data up 28%. In addition, mobile money revenues increased 25.8%, demonstrating the strength of demand for accessible digital financial services. A key point to note is that growth is profitable. EBITDA margins expanded 172 basis points to 50.3%, notwithstanding higher fuel costs. In Quarter 2 specifically, having absorbed the full inflationary pressure of fuel prices, our EBITDA margins increased to an all-time high of 50.4%. Finally, profitable growth enables continued investment and shareholder returns. We invested 657 million during the half, and we accelerated spend to drive increased capacity and coverage while also investing in new services, such as home broadband and data centers. During the period we continued our buyback, and both declared another 9.2% growth in our interim dividend. Together, these outcomes demonstrate the strength of our operating model and our ability to balance investment, financial resilience, and shareholder value.

Let me now spend a few minutes talking about each of the business segments and regional performance.

Firstly, let's start by looking at mobile services, which continue to report very strong trends. Ultimately, the key driver of the results is the continued base growth, with customers growing almost 12% and data customers increasing by 15%. Within the mix, smartphone penetration increased to 51.6%, as we continue to see the durability of demand for data services. As customers migrate to smartphones, we see a step up in data consumption as they increasingly engage with video, social media, and other digital services. This has driven the increase in smartphone usage to over 13 GB per month. When combined with our focus on a more-for-more approach to pricing, has translated into a 10.7% growth in ARPU and 28% increase in data revenues. Together with continued growth in voice revenues, total revenues of our mobile services business increased 18.9% in constant currency. This illustrates the strength of our business model. We are expanding the customer base, enabling more customers to access smartphones, supporting greater usage through network investments, and monetizing that demand.

The mobile money business continues to further amplify our strong operating and financial performance. The opportunity, the distribution reach, and a scalable customer-centric platform gives us the ability to continue attracting new customers to the business, continued expansion and enhancement of the different services available on mobile money platform, ably supported by deep-rooted partnerships can unlock new growth opportunities and drive the business to new levels. This, combined with continued innovation and the rollout of digital offerings, has seen continued growth in the customer base and a further 37% growth in TPV, with annualized TPV in Quarter 2 of $275 billion. The result has been a strong 25.8% growth in revenues, which once again reflects the scale of the opportunity across our markets.

We have continued to see strong operating momentum in Nigeria, with accelerating customer growth to 15.1%, and ARPUs rising 12.7%, as we continue to focus on monetizing the substantial demand across the country. In constant currency, revenues increased 27%, reflecting these strong operating trends, but also reflects the accelerated CapEx deployment as we continue to capture a larger share of the opportunity across the country. EBITDA margins continue to increase on a year-over-year basis, despite the twofold increase in fuel costs over the year. This reflects the enhanced focus on cost efficiencies,

while operating leverage arising from the strong top-line developments provides another source of margin support.

Sunil Taldar:

In East Africa, our largest region, trends remain strong with constant currency revenue growth of over 18%, despite the high base. In the last quarter, we have seen constant currency revenue growth accelerate to 18.6% as we continue to tap into the huge potential across the markets. Mobile money remains key component of this performance, and we remain encouraged by the scale of growth and customer take-up of financial services. Once again, the strong subscriber growth and increased usage of our services, which has driven an increase in ARPUs, has been foundation of this strong growth, with EBITDA margins rising to 53.6% in the first six months.

The performance in the Francophone region has also been very strong - despite the tougher comparables. The turnaround in the performance over the last few years in the Franco region has been driven by a focus on driving base level growth and a relentless focus on our strategy to unlock the opportunity. This turnaround has been across both the mobile services and mobile money business, but a particular shout-out to the mobile money business that continues to grow at over 40% in constant currency. In constant currency, we saw revenue growth for the region of over 19%, while in Quarter 2, we saw growth in excess of 20%, which is a key milestone and has helped EBITDA growth of around 19% in Quarter 2 and stable EBITDA margins.

Let me now hand over the call to Kamal to run through the financials in a bit more detail.

Kamal Dua:

Thank you, Sunil. Good morning and good afternoon to all of you. Let me start with the key financial highlights.

This slide provides a clear summary of the group's very strong performance in the first half of the financial year. We are pleased to report continued revenue and EBITDA growth of more than 20% in constant currency, together with EBITDA margin expansion of over one percentage point. This was achieved despite elevated fuel costs arising from the geopolitical factors.

The resilience of our margin reflects the benefit of scale, strong underlying commercial momentum, and our continued focus on operational efficiency. In reported currency, revenue increased to 28.2% to $3.8 billion, while EBITDA grew by almost 33% to $1.92 billion. The stronger growth in reported currency was supported by the currency appreciation, specifically in Nigeria and Zambia. During the period, we deliberately front-loaded the capital investment to strengthen network capacity and position the business to capture the significant growth opportunities across our markets. Despite this higher level of investment, cash generation remains strong. We sustained healthy free cash flow while maintaining a comfortable lease-adjusted leverage ratio of 0.5x, highlighting the resilience of our balance sheet and financial position. Pre-exceptional EPS increased to 11.7 cents from 8.3 cents in the prior year. After adjusting for higher foreign exchange gains recorded last year, underlying EPS rose from 6.9 cents to 11.8 cents, demonstrating the continued strength of our core operating performance. Finally, our strong free cash flow generation and robust capital structure have enabled us to continue delivering shareholders return. During the period, we returned almost $110 million through share buybacks, the board has also declared an interim dividend of 3.1 cents per share, an increase of 9.2% over the last year, which is in line with our current dividend policy.

Now I'm turning on to revenue. The group maintained strong and broad-based growth momentum, with revenue increasing by 20.8% in constant currency. In reported currency, growth was even stronger at 28.2%, benefiting from the appreciation of Nigerian Naira and Zambian Kwacha. Importantly, this growth was delivered across our key service segments. In constant currency, voice revenue increased by 11.1%, data by 28%, and mobile money by 25.8%. This demonstrates both the continued strength of demand across our markets and the value of our diversified revenue streams.

The opportunity across our footprints remains significant. Through disciplined execution and continued investment in network capacity, digital services, and customer experience, we are well-positioned to sustain this momentum across our region and business segments.

Turning on to EBITDA, the strength of our revenue performance together with disciplined cost management delivered 32.8% EBITDA growth in reported currency to $1.92 billion and 23.5% growth in constant currency. We delivered this performance despite significant cost headwinds, particularly elevated fuel price across our markets. Against this backdrop, EBITDA margin expanded by 144 basis point year-on-year, and by a further 35 basis points sequentially, reaching a record 50.4% in Quarter 2. This demonstrates the strength of our operating model, the benefit of scale, and our disciplined approach to cost management. The ongoing macroeconomic condition may continue to influence the margin outlook. However, our focus remains clear to sustain the profitable growth and protect the resilience of our margin.

Moving to now the finance costs, the year-on-year movement was largely influenced by significant lower foreign exchange and derivative gains, if we compare this with the prior period. Adjusting for these effects and one-off exceptional item, the increase was primarily driven by $47 million of additional lease liability interest, reflecting our continued network investment and addition of approximately 4,200 sites during the period. Encouragingly, our funding strategy continued to deliver benefits, with our cost of debt declining by around 230 basis point year-on-year, supported by active debt portfolio management and lower interest rates across several of our markets.

Coming to EPS, before exceptional item was up over 41% to 11.7 US cents in current period, as compared to 8.3 cents in the prior period. Excluding the foreign exchange gains in both periods, the underlying EPS grew from 6.9 US cents to 11.8 US cents, driven by strong operational performance across our business.

Moving now to the normalized free cash flow, this slide presents a bridge between EBITDA to normalize free cash flow for the first half of the year. The business generated free cash flow of $280 million, compared with $368 million in the prior period, despite a $357 million increase in CapEx payout. Our CapEx payout in the current year was $713 million, which includes payment for 900 band license renewal in Nigeria and 5G spectrum acquisition in Kenya, compared with $356 million spent in the prior period. In addition to CapEx, the major cash outflow included income tax payment of $317 million, cash interest of $430 million, and other payments related to lease obligation and dividend paid to our minority shareholders.

Now, this slide explains why we are confident in stepping up investment across the business.

As you can see on the left, the incremental constant currency revenue generated over the last 12 months has continued to increase as the business has scaled, reaching approximately at $1.3 billion. This demonstrates our ability to consistently translate investment into meaningful revenue growth across an increasingly larger business.

Against this backdrop, we have significantly increased capital investment with CapEx rising to $657 million from $ 318 million in the prior period. This reflects our confidence in the opportunity ahead,

supported by strong execution, sustained demand, and attractive return on invested capital. The majority of this investment remain focused on strengthening our core network through expanded coverage, additional capacity, fiber deployment, and 5G roll outs. At the same time, as we have reiterated earlier, we continue to invest in emerging growth opportunities, including home broadband and data centers.

Now, this is not simply about investing more capital. It is about allocating capital to areas where we see proven demand, attractive return, and significant long-term growth potential. The continued growth in incremental revenue gives us confidence that we are investing from a position of our strength.

Moving to the next slide, our decision to accelerate investment is also underpinned by the strength of our balance sheet. With more than 95% of debt in local currency and leverage continued its downward trajectory, our capital structure remain very robust. At around 0.5 times lease adjusted leverage, we have significant financial flexibility to invest behind the long-term growth opportunities across our markets while continuing to deliver attractive return to the shareholders.

It should come as no surprise that our capital allocation priority remains unchanged. First, our key priority is always to continue investing in the business, capturing the significant growth opportunities across our market as I've just outlined. Second, we remain committed to maintain a sustainable and robust capital structure with leverage at around 0.5 times, we remain very comfortably positioned. And third, we continue to return cash to the shareholders who are progressive dividend policies and share buybacks. We have been very consistent in this approach, and this is reflected once again in the board's decision to declare an interim dividend of 3. 1 cents per share and increase of 9.2% year on year. So our capital allocation framework remain clear and consistent, which is invest for growth, maintain balance sheet strength and deliver consistent return to the shareholders. With this, let me now hand over back to Sunil please. Thank you.

Sunil Taldar:

Thanks Kamal. I would like to spend the next few minutes explaining why we remain so positive about the outlook for Airtel Africa. Our confidence is grounded in three things, the exceptional structural growth opportunity across our markets, the strength of our established mobile services and mobile money platforms, and our proven ability to invest and execute at scale. Together, these give us a clear pathway to sustain industry leading growth over the long term.

We begin from a position of considerable scale. We operate across 14 markets with a combined population of 679 million people. Our networks cover more than 82% of that population. And today we serve 194 million customers. Alongside the telecoms business, we have built an extensive mobile money distribution network with more than 2.5 million transacting agents and annualized TPV of 275 billion. This combination of scale, reach and distribution is difficult to replicate. Importantly, it also means that growth does not depend on one product or one market. We can capture rising demand across voice, data, mobile money, and increasingly enterprise and digital infrastructure.

The foundations of this opportunity are structural and long-term. The population across our footprint is expected to increase by an approximately 87 million by 2030. With a 64 million increase in the addressable population at the same time, the GDP per capita on a purchasing power basis is expected to grow at a compounded annual growth rate of about 4.6%. This is also an exceptionally young population with a median age of around 18 and one that is becoming increasingly urbanized. These factors reinforce one another. Population growth expands our addressable markets, economic growth supports greater spending on digital services, and a young increasingly urban population accelerates the adoption of digital services, both in terms of data and financial services.

Connectivity remains our core growth engine, but penetration and usage across our markets are still relatively early stages. Unique sim penetration is substantially below the level seen in other regions. Smartphone penetration is expected to increase from around 60% to 82% by 2030, while data traffic is expected to grow approximately 2.6 times over the same timeframe. Within our existing customer base, we also have a significant conversion opportunity. We currently have around 71 million 4G and 5G data customers compared with a total customer base of approximately 194 million.

Our growth opportunity therefore comes from several sources, adding customers as the population grows, converting feature phone users to smartphones, increasing data adoption and supporting greater usage as customers become more digitally engaged. Our focus network investments is designed to ensure that we have the coverage and capacity to ensure that demand as it develops.

We are also extending our capabilities into adjacent markets where penetration remains extremely low and where our existing infrastructure gives us a natural advantage. Home broadband penetration across our footprint is currently around 3%, despite more than 30 million households having the affordability to access these services. We can address this opportunity through a combination of 4G and 5G, fixed wireless access and fiber to home, selecting the most appropriate and economic solution for each location. The data center opportunity is similarly compelling. Africa currently has less than one megawatt of hosting capacity per million people, substantially below other regions. With more than 83,000 kilometers of fiber, an extensive network footprint and established customer relationships, we are uniquely positioned to support the next phase of digital infrastructure development across our markets. These businesses can broaden our sources of growth while highlighting the value of our core network.

Sustaining growth requires continued investments, but it also requires us to deploy that capital with precision. We are using satellite geolocation technology to map and analyze our 9.4 million square kilometer footprint at a one square kilometer resolution. This gives us a granular insight into network availability, utilization and performance, allowing us to direct investments towards the areas of greatest demand and potential return.

We're also using targeted partnerships to compliment our terrestrial network where traditional deployment has its challenges. Our collaboration with Starlink is one example of how adjacent technologies can extend reach and enhance customer experience.

Let me briefly touch upon this. As I know, this remains a highly debated topic. I think the traditional telecom operators are well positioned to compete against a more widespread satellite offering.

Firstly, distribution. This is a key competitive advantage for the telecom business. Large parts of the population remain cash based while telcos already have extensive agent networks and payment infrastructure to facilitate cash based payment mechanisms.

Secondly is economics. Relative to other markets globally, the ARPUs of our customers across Africa remain amongst the lowest globally and affordability remains a constraint. Although the cost of satellite deployments are falling, they remain relatively high and fixed in hard currency.

Thirdly, physics. Capacity is constrained in dense urban environments where the majority of revenue is generated and terrestrial networks remain considerably more efficient in these more built up areas.

And finally, regulation in spectrum, finite spectrum availability and the considerable decade long engagement with regulators and policy makers provide the industry with a national advantage.

As a result, we continue to see low Earth orbit satellite technology as a complimentary to our infrastructure rather than a substitute to it. It is for this reason we have partnered with Starlink to

enhance the customer proposition across our markets. We continue to look forward to developing our partnership further.

Mobile money represents our second major long-term growth engine. Only around 36% of adults across footprint have bank account compared with approximately 95% in developed markets. This highlights a scale of financial inclusion opportunity across Africa. The experience of more mature mobile money markets also demonstrates how much further the ecosystem can develop. Transaction values relative to GDP in Kenya are more than three times the broader Sub-Saharan African label. Within our own base, mobile money customers have increased from around 20% of total customers in September '21 to approximately 31% in September 2026, yet this still leaves substantial room to increase penetration. Growth will come not only from adding customers, but also from deepening usage through more payments, merchant services, and financial service use cases.

As smartphone and app adoption increase, we should also benefit from improved customer experience and stronger unit economics. We therefore see a long runway for both customer growth and greater wallet adoption.

The successful IPO of Airtel Money has provided an external valuation reference and greater transparency around the value of the business. Crucially, however, Airtel Africa shareholders remain very much leveraged to its future growth story. Airtel Africa retains a 77.85% interest in Airtel Money. As a result, our shareholders continue to have substantial economic participation in its future earnings, cash flow and value creation. The operating relationship also remains unchanged. Airtel Money continues to benefit from the telecoms platform's distribution, customer access and shared services with transactions conducted at arm's length and subject to strict corporate governance. This listing has therefore not removed Airtel Money from Airtel Africa investment case. Instead, it has created greater visibility over the value of our retained interest while preserving the strategic alignment and operating advantages that support future growth.

Bringing all of this together, Airtel Africa continues to benefit from two powerful and complimentary growth engines. Mobile services have delivered a five-year revenue compounded annual growth rate of 18.4% supported by connectivity, smartphone adoption and rising data consumption. Mobile money has grown even faster, delivering a five-year revenue CAGR of 28.8% as customers adopt more payments and financial services. Together, these businesses have supported group revenue CAGR of 20.1% and EBITDA CAGR of 22.3% over the period. The higher rate of EBITDA growth also demonstrates the operating leverage available as we scale. We remain positive because the structural opportunity is significant. The penetration runway remains long and our strategy has already demonstrated its ability to convert that opportunity into sustained growth. We will continue investing with discipline, expanding our networks and digital ecosystems and building new sources of growth. That combination gives us confidence that Airtel Africa can continue to deliver industry leading growth and create long-term value for shareholders.

And as finally, as you've seen from our results, our strategic focus has consistently driven positive momentum across the business and reflects our strong track record in execution. 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. Our focus is not simply on sustaining growth, but on delivering profitable growth as we have demonstrated over the last six months.

Importantly, we will not prioritize short-term cost efficiencies at the expense of future growth and will continue to invest to capture the significant opportunities across our markets. And with that, I would like to thank you all for your attention today and would now like to open the floor for questions.

Moderator:

Ladies and gentlemen, we will now begin our Q&A session. If you have a question, we ask that you please press star five on your telephone keypad. Once your name has been announced, your line will be open and you may proceed with your question. If you want to withdraw your question, you may do so by pressing star five again.

Our first question comes from Molly Whitcombe with Goldman Sachs. Your line is open.

Molly Whitcombe:

Hi, good afternoon. Thank you for taking my questions. I have two, please. Firstly, on Nigerian trends, maybe it would be good to talk a little bit more about growth trends. How would you describe the competitive environment at the moment in Nigeria? Obviously the data customer additions have dropped a little bit quarter-on-quarter, the ARPU as well. So just a little bit of color on how you're seeing the competitive environment would be great.

And secondly, just on CapEx, looking at slide 17 that you showed us with the free cash flow, and you talked a lot during the presentation about the balance sheet flexibility that you have, but you've reiterated your CapEx guidance. So I guess my question is why are you not looking to maybe invest a little bit more in terms of CapEx. I'm sure that the IRR on solar has probably improved on the mobile sites with the increase in petrol prices and you're probably coming under a little bit of pressure on equipment costs. So just maybe a little bit of color of how you're thinking about CapEx going into the rest of the year and why you're not looking to invest more at this stage, that would be great. Thank you.

Sunil Taldar:

Thank you very much for those questions. Let me first address the question that you asked on Nigeria. On Nigeria, we continue to remain very positive on our growth prospects of Nigeria. And also if you look at our underlying performance in Nigeria continues to remain very strong, which is demonstrated in our very solid base growth that we've seen in Nigeria, which is circa 15%, 15% plus. A very strong increase in penetration of smartphone customers, which is also leading to a very aggressive and a very healthy increase or improvement in our data consumption. So demand for our services in Nigeria continues to remain very, very strong. In terms of data, we've seen slight slowdown in the data ARPU growth because as we recruit more customers, we offer more for more. And that pricing in the short term before the consumption goes up, a very strong increase in data customers as data customers come in at the lower end of the consumption and also ARPU. And higher end customers as they consume more, they move to their revenue per GB continues to slide as the pricing principle is more for more. We see in the short term some amount of slowdown in the ARPU acceleration. From a competitive environment point of view, Nigeria continues to remain a very competitive market, but we haven't seen any material change in competitive intensity. The pricing continues to be rational and we are not seeing evidence of a price war. And therefore at this point in time there are no areas of concern from a competitive intensity or a price war in Nigeria. Our relative growth, if you ask me, it reflects very strong execution in Nigeria, continued data demand and the benefits that we are accruing out of significantly stepped up network investments. So that's on Nigeria. Your second question is on CapEx. So if you look at CapEx, in the first half, our CapEx has gone up to, it's almost double over the first half of last year.

So $657 million versus $318 million of last year. So CapEx investment has significantly stepped up. We're also encouraged by the results that we are getting from our capital investment wherever we've invested. We continue to invest in expanding coverage, adding capacity, newer areas of growth. Having

said that, our CapEx guidance for this year continues to remain at $1.1 billion. As I said, we are currently very satisfied with the results that we are getting out of our CapEx investments and we remain open to possibilities.

Molly Whitcombe:

Very clear, thank you very much.

Moderator:

Thank you. Our next question will come from Rohit Modi with Citi. Your line is open.

Rohit Modi:

Hi, thank you for taking my questions and congratulations on your good set of results. A couple of questions from my side please. Firstly, follow up from Molly's question around Nigeria performance. And I understand the data revenue growth has been much lower than what you did on traffic, but this kind of first quarter where you see this kind of step down in revenue per GB, I mean, if you compare with last quarter where revenue per GB was kind of stable, but this is the quarter where you see step down and also you see there's a step-down in the service revenue growth from the last quarter. So just trying to understand how you see the trajectory from here for following two quarters. I mean, do you see the kind of further step down in revenue growth in Nigeria? Second question is basically on the cash upstreaming, if you can give any color there, particularly in Nigeria, I believe you had losses on your balance sheet until end of last year.

Can you give us a timeline when you expect you might turn positive in Nigeria on balance sheet and when you can start upstreaming cash from there and then overall upstream position from different markets. Are you seeing any kind of constraint in terms of getting cash out given recent movement and effects that we have seen? And then third question is basically on the oil. Now obviously the oil price have remained elevated during the first half and you kind of mitigated part of it from the efficiencies, but do you see more potential for further efficiencies that can mitigate further pressure on margins from oil in the second half? Thank you.

Sunil Taldar:

Yeah. So thank you very much. And let me first address the question that you asked on Nigeria. If you look at our YoY data growth continues to remain healthy, at circa 30%. We've also seen improvement in our ARPU growth in Nigeria at about 16% or so. Having said that, when you talk about sequential, so there are two, three reasons here, which is what I would like to explain. First is in Nigeria we had, and this was a conversation in the last quarter, our airtime loan services, there was some disruption in the last quarter. While we had reinstated our loan partners, the recovery took slightly longer than expected and that has impacted the overall Nigeria performance at one level.

Another reason is last year when we took the price adjustment, the second quarter saw the full impact of pricing in Nigeria in the second quarter of last year. And we are now lapping over that price impact, which is the reason why you're seeing, so for example, YoY growth slowing slightly. Having said that, if you look at the underlying metrics, which is what I was talking about, our investments that we have made in Nigeria, they have led to a very strong acceleration in base growth. Nigeria has not seen a 15% base growth for many quarters in the past. Our acceleration in smartphone customers is also leading to very strong, very aggressive increase in data consumption. Data consumption is also supported by the response that we are getting in Nigeria where we've made investments in the home broadband category and that's also giving us benefits in Nigeria.

We have also stepped up investments in Nigeria on B2B side of the business and we remain very positive about the prospects of that. While it is at a very small base, even on our mobile money performance in Nigeria has stepped up. So we remain at an overall level, very positive about our growth prospects in Nigeria and we continue to invest in Nigeria. The overall environment in Nigeria also remains conducive to growth. So net net, while we don't give any future guidance, but in Nigeria, we remain very, very confident about our growth prospects in Nigeria.

Kamal Dua:

Yeah. So I'll take your next two questions. On the Nigeria upstreaming, this calendar year, most likely we will turn a retained earning positive for Nigeria. After this massive devaluation, which we have seen it in Nigeria three years back, we have turned into RE negative. And most likely if the macroeconomic situation of currencies remain stable, we should from next year onwards should start repatriating the dividend from Nigeria. So that's your answer to question on Nigeria repatriation or upstreaming status. On the oil prices, as Sunil had said in his presentation that we have absorbed almost all of the increased elevated oil prices in the quarter two financials. I have reiterated somewhere two quarters back that the impact of the oil prices is roughly 2% to 2.5% on Nigeria market. Sorry, on overall EBITDA margin. And currently as we speak, I think geopolitical status is still not stable.

The oil prices are still going up, but we don't see any material impact which will be coming onto our financials if the oil price continues to where they are today.

Rohit Modi:

Very clear. Thank you so much.

Moderator:

Thank you. Your next question comes from Maddy Singh with HSBC. Your line is unmuted.

Maddy Singh:

Yes. Hi. Can you please confirm if you can hear me okay?

Sunil Taldar:

Yes.

Maddy Singh:

Thank you. Thank you very much. So thanks for hosting the call and taking my questions. Just a couple of follow-ups. In Nigeria, ARPUs are still lower than East Africa even. So do you think that's a fair state of affair given how big Nigerian economy is and the history of Nigeria as well? So basically, are you happy with this ARPU and do you think this can get higher than East Africa? And do you have any timelines in mind if you could share there? And then the second question is on the dividend policy. Given that your earnings growth actually have been quite strong, cash flows are very healthy, very strong, balance sheet is also very strong. So do you think that dividend guidance is conservative, just really limiting it to mid to high single digit growth while rest of the business is growing so strongly?

So that's the second question. And then the final one is on your comment on the Starlink partnership. I just want to understand the extent of it. Will this include direct-to-device as well or is this mostly the back haul base? Thank you.

Sunil Taldar:

On the Starlink you're asking?

Maddy Singh:

Yes.

Sunil Taldar:

Okay. So let me first try and address your question on Nigeria ARPU. The first is Nigeria ARPU at an overall level is lower than East Africa that you pointed out. The big difference also is on the money side of the business. And from an East Africa point of view, money business contributes to the incremental ARPU for East Africa. Having said that, there is a slight gap that we have between East Africa and Nigeria. Nigeria has a significantly large smartphone penetration, which is at about 56, 57% of the total base. And significant base also sits at the lower end of the market. That's where the gap in the ARPU is. But at the same time, this is what allows us and offers us an opportunity to continue to push for consumption and grow the business over a longer period of time. The sheer size of the population, so if you look at a 230 million plus population is actually where the larger opportunity is.

And it's relative to overall economic situation in Nigeria. We continue to drive consumption and penetration, which is a big opportunity right now. And as consumption grows over a period of time, we'll continue to also see gain in ARPU. So two things really. The first is at a consol level, the gap is the money ARPU between East Africa and Nigeria. And the slight difference that we have in the data ARPU is primarily on addressing a large population and we continue to drive penetration and consumption. And this gives us a significantly bigger opportunity to continue to drive overall data revenue.

The other question that you had is on Starlink. So Starlink, what we have is there are three parts to the Starlink partnership that we have with Starlink or this agreement that we signed. The first is on backhaul. The second is enterprise and third is the direct-to-device services. We use Starlink very effectively in few markets for backhauling. It is improving our ability to reach out to far off areas where deploying fiber is very difficult or is not economically viable and it's bringing down significantly our cost of backhauling. The second partnership is on enterprise connectivity. We have started offering enterprise connectivity to our customers across markets wherever we have the regulatory approvals to sell and offer enterprise connectivity. The third is we have launched direct to device services in DRC and in Uganda, and it's very early. We've just about launched and we are still seeing response.

And once we have better read of our services that we have offered, we'll share more information and data on that. But overall, all these three is currently in play at this point in time, the agreement that we had with Starlink.

Maddy Singh:

And on dividends, sorry.

Kamal Dua:

Yeah, so our capital allocation policy remains same. And as far as the policy on the dividend has been concerned, I think we need to look at it not from a dividend point of view, but the total return on shareholders, what we are providing. We are a growth stock and eventually needing a lot of investment as we've been underlined as part of our investment strategy and investor presentation. So at this stage, we remain consistent with the dividend policy of mid to high single-digit growth. And the other part, the other revenues through which we are returning the shareholder money is the buybacks. And as is a

growth stock, we have seen the incremental capital investment, what we are doing it, what sort of result it's generating. And it's been reflected in a CAGR share price increase over the last few years. I think that's what we've been looking at. Thanks.

Maddy Singh:

Understood. Just one follow up on the direct to device thing. If you could confirm this service is under Airtel brand or it is under Starlink brand?

Sunil Taldar:

So it is Airtel because the customer relationship is managed by us. The customer experience is managed by us and end-to-end service is managed by us. While the customer is on territory network, the customer continues to see Airtel. It's only when the customer moves to outside the terrestrial coverage, the customer sees Airtel and Starlink on the phone screen, but it continues to remain under Airtel brand. The entire relationship is managed by us, experience is managed by us.

Maddy Singh:

Understood. Thank you very much.

Moderator:

Thank you. This concludes the verbal Q&A session. I'll now hand back to Alastair Jones for any written questions.

Alastair Jones:

Yeah. Hi, we've had a number of questions on the webcast, so let me just summarize it. I think one particular focus is just on the cost side of things. Trying to understand the impact in terms of the EBITDA margins, how much have we absorbed? How much is absorbed in terms of fuel price increases? And how much of it is actual cost efficiencies? So can you give some sort of idea as to what the margin would've been had the fuel prices not come through? And then similarly, can you give some explanation or understanding of what are these efficiencies, practical examples of these efficiencies? And is there more opportunity for cost-cutting in the future?

Kamal Dua:

Yeah, thanks, Alastair. So I'll take the first question on the margin. So as Sunil has said, we have absorbed almost all of the fuel price, which eventually was in there due to this ongoing macroeconomic situation, but the situation is evolving. We have seen the fuel price in some of the geographies which have gone up in the last three weeks, again, because of the heightened activity in Middle East.

So if I were to look at the current fuel price which has been prevailing in the market, you can say 90% of that has already been absorbed in quarter two. So that means very marginal fuel impact, which possibly, if it remains stable, will come in quarter three. And as I had said two quarters back that this fuel price impact is roughly two to two and a half percent on the EBITDA margin. So it's safe to assume that if this fuel price would've been at the level of quarter four fuel price, our margins would've been higher by one and a half, 2%.

Alastair Jones:

And just any examples that we can give in terms of practical solutions that we are looking at to try and reduce costs?

Sunil Taldar:

See, our cost efficiency program has now been running for more than two years. And our big area of cost that we are addressing is actually the energy cost. And some of the programs that we're running to address the energy cost is around first is converting from off-grid to grid. Second is renewable energy, which is solar or battery. The third is what we've done is actually introduced artificial intelligence in optimizing our network where we are able to reduce the overall energy consumption by optimization of network. Lastly, what we are also doing is actually modernization of technology. And we are working very closely with our partners to modernize technology so that we have more energy efficient solutions deployed in our network. And combination of all these actions is leading to us managing to absorb the fuel cost, as Kamal said, or mitigate the impact of overall fuel cost.

Alastair Jones:

Great. And then a couple of just to round up on Nigeria, a number of questions come through on the webcast, which I think we've dealt with. Just a couple of additional ones. Just on the airtime advance impact that we mentioned, can we give any reason as to why there was a delay in airtime lending taking off in Q2? And have those issues been resolved, despite you obviously new vendors having onboarded? And then secondly, just in terms of market share, any comments around how we're thinking about traffic on the networks, whether we think we've been taking share against our competitors, particularly in Nigeria?

Sunil Taldar:

Okay. So on the airtime services, in the last quarter, following the regulatory instructions, we had to disengage and then onboard a few new partners. When you onboard new partners, there is some amount of base that is allocated to the new partners. And the new partners, they took some time to stabilize.

In the interim, when we disengage with certain partners and onboard new partners, the customers also did not get the airtime credit. This entire stabilization, while our estimate was that this entire thing will stabilize quickly because we onboarded the partner as soon as we can, but this entire thing took some time to stabilize. As we speak, the operations are getting normal and therefore, to a large extent, that impact has been mitigated.

From the point of view of market performance, while we don't comment on competition in our performance, what we say is that the investments that we're making in Nigeria and the progress that we're making gives us enough confidence that we are able to capture increasingly the opportunity that Nigeria has to offer both in terms of penetration, also upgrade, which is reflected in our base growth and our smartphone penetration going up. As we scale up our home broadband and B2B, those are the other areas where we see that we are now making very smart progress. So it's a full service play and our teams are doing a very fine job of executing in the marketplace. So I have no doubt that we will continue to deliver strong performance and we remain positive about Nigerian opportunity.

Alastair Jones:

Great. Two other questions coming, one on data centers. Can we give some sort of update on the progress of our data center construction and when we expect them to come online? And then secondly, on FX headwinds, there's been a couple of markets that seen some currency weakness over the last few

weeks or since quarter end. Can you run through any view on impact on the business and how we should think about that going into Q3?

Sunil Taldar:

Sure. So very quickly, we have announced three data centers, one in Nigeria, Kenya, and then DRC. We have begun construction of data center in Lagos, Nigeria, which will offer circa 38 megawatt of capacity. And we've broken ground in Kenya where we are building about 44 megawatt of data center, largest in East Africa, to drive digital ecosystem and empower businesses and support governments.

The DRC is the other market where we see substantial demand enough with bought land for the rollout of a nine megawatt of data center in the market. The foundation of this business is to build according to the highest global standards to ensure reliability and scalability. And we are engaging with the hyperscalers and are receiving very positive feedback on our ambitions across these markets.

So that's the update that I can share on the data centers. Alastair, what was the other question that you asked?

Alastair Jones:

Just on FX headwinds, currency headwinds in a few markets.

Sunil Taldar:

Yeah. If you look at an overall level, the external environment remains stable. The GDP growth is actually improving, inflation is coming down, and currencies have been by and large stable. We do not comment on specific markets in terms of either currency fluctuations or impact on the business.

Having said that, on the impact of the business, I must say that if you look at our portfolio today is very balanced. Nigeria, which is the single largest market, is at 26% contribution to the total business. The currency remains very stable. All of the markets are significantly lower contribution to the business, and therefore, materiality of any currency fluctuation will not have a substantial or a material impact on the overall growth performance. So from that point of view, the portfolio today is very well-structured and distributed.

If you look at the growth profile of the business also, 24%, Nigeria, 18, 19% East Africa, 19, 20% for West Africa or Franco Africa. It's a very balanced growth profile, and therefore any single currency movement will not have a significant impact on the overall growth performance, is at least the way we see it.

Kamal Dua:

Adding one small point to what Sunil had said, important point to note is so far we were having some tailwinds of currency till quarter two. Now that lapping benefit of Nigeria and Zambia would get over, and in quarter three, we may not see the lapping benefit which was been there with us till this quarter.

Alastair Jones:

Great. And then a few more questions. Firstly, just back to Nigeria again, just any engagement with the regulators around tariff adjustments? Obviously EBITDA margins come off slightly given the fuel price increases, so is there any justification to reengage or intensify engagement with the regulator to look at tariff adjustments there? And then secondly, just at a group level on the buyback, any update that you can provide on the buyback?

Sunil Taldar:

So on the tariff adjustments, we continue to engage with the regulator. And we've mentioned in the past that there is no minimum period before which we can approach the regulator for another price increase. And at the right time, we should get the price adjustments that we see. But the engagement continues with the regulator across markets and including Nigeria. On the buyback, the 1% buyback that we had announced, we have so far completed 67% of the total buyback. Because of the Airtel Money IPO and because we were in a closed period, we have not completed the full buyback. This is something that the authority continues to remain with us to repurchase for the 0.33% which is remaining or 33% of the total buyback that was approved by the board is what we'll complete. And our ability to undertake further purchases, as I said, has been constrained by those periods and the Airtel Money IPO.

Kamal Dua:

Yeah. So that's where the update on the buyback is 0.67% buyback completed for the previously announced buyback. 33% has been remaining. We'll shortly resume the process of 33% of the buyback. And as this buyback will get completed, the board will assess the situation, looking at our capital allocation framework and we'll update you as soon as the board takes a decision on any further buyback. Thank you.

Alastair Jones:

Thank you. And then just in the interest of time, the final question just on Uganda, is there any update on the coverage requirements, the 90% coverage requirements in Uganda? Anything to update us on and how we're progressing towards that?

Sunil Taldar:

On the Uganda coverage requirement, we continue to engage with the regulator on our coverage commitments. At the same time, as far as we are concerned, we continue to invest in expanding coverage in Uganda, basis our prioritization, our planning principles. But at this point in time, as I said, we are engaging with the regulator to meet our coverage commitments. And we believe our ongoing investments and clear rollout plans demonstrate our commitment to meeting the obligation. At this stage, we do not anticipate any material repercussions, and we will continue to work proactively with the regulator to ensure alignment and timely delivery of our coverage commitments.

Alastair Jones:

Great. I think that concludes it. So let me hand it back to Sunil, if you just want to make any closing remarks.

Sunil Taldar:

So thank you very much for joining the call today and for your questions, and we look forward to our continued engagement with all of you. Thank you once again.

Moderator:

This concludes today's call.