Airtel Malawi plc Results for the half year ended 30 June 2024

Strong revenue performance supported by sustained demand for data and voice services, despite challenging macro-economic environment

Key Highlights

- Revenue **37.1%** — K117,857mn
- Customer Base **12.3%** — 7.6 mn
- ARPU **23.6%** — K2,743

Operating highlights

- The total customer base grew by 12.3% to 7.6 million with mobile data customers at 2.5 million as of 30 June 2024.
- Average revenue per user per month (ARPU) increased by 23.6% to K 2,743 driven primarily by sustained growth in usage across both voice and data services.
- Data traffic increased by 41% as demand for data services remains strong with data usage per data customer of 5.3 GB per month.

Financial performance

- Revenue grew by 37.1% to K117,857m, driven by broad-based growth across all business segments, reflecting the resilient demand for these essential services.
- Resilient demand for both voice and data services supported a 29.2% growth in voice revenue, and a 53.7% growth in data revenues.
- EBITDA increased by 25.9% to K51,237m, with an EBITDA margin of 43.5%, down from 47.3% in H1'23. The margin decline was impacted by the significant currency devaluation in November 2023 which contributed to increased inflationary pressure on our cost base, particularly electricity and fuel prices. We continue to focus on cost optimisation initiatives to offset these inflationary pressures.
- Net finance costs increased by 184% to K20,495m, from restated finance cost K7,218m in the prior period, largely as a result of higher foreign exchange losses and increase in interest on lease liabilities.
- Profit after tax of K21,331m, increased from restated profit K18,285m in the prior period, driven primarily by continued strong growth in both revenue and EBITDA.

Capital allocation

- Capex increased by 178.1% to K15,482m as we continue to invest for future growth.
- Leverage increased from 0.39x in H1'23 to 1.19x in H1'24, largely as a result of the revaluation of USD balance sheet liabilities following the devaluation of the Malawi Kwacha. However, Leverage has improved to1.19x in H1'24 over 1.27x on 31 December 2023 on account of improved operational performance. Leverage remains well within the range of the industry peer-group.

Dividend

- Given the increased uncertainty around the macroeconomic environment and the potential impact, the Board of Directors has not declared an interim dividend for the period. The Board will continue to monitor the outlook and will consider a final dividend at the conclusion of the financial year ending 31 December 2024.

Key financial information

Description	UoM	Half Year Ended		
		Jun-24	Jun-23 Restated*	Change %
P&L Summary				
Revenue	**K Mn**	**117,857**	**85,976**	**37.1%**
Voice Revenue	K Mn	60,763	47,015	29.2%
Data Revenue	K Mn	44,744	29,117	53.7%
Other Revenue	K Mn	12,350	9,844	25.5%
Expenses	K Mn	(66,620)	(45,274)	47.1%
EBITDA	**K Mn**	**51,237**	**40,702**	**25.9%**
EBITDA Margin	%	43.47%	47.34%	(387)bps
Depreciation & Amortization	K Mn	(11,367)	(7,455)	52.5%
Other income	K Mn	28	-	0.0%
Operating Profit	**K Mn**	**39,898**	**33,247**	**20%**
Net finance costs	K Mn	(20,495)	(7,218)	183.9%
Profit Before Tax	**K Mn**	**19,403**	**26,029**	**-25.5%**
Income tax credit/(expense)	K Mn	1,928	(7,744)	-124.9%
Profit After Tax	**K Mn**	**21,331**	**18,285**	**16.7%**
Basic EPS	K	1.94	1.66	16.7%
Weighted Average No of Shares	Mn	11,000	11,000	0.0%
Capex	**K Mn**	**15,482**	**5,567**	**178.1%**
Net Debt	**K Mn**	**121,575**	**31,605**	
Leverage (net debt to EBITDA)	times.	1.19x	0.39x	
Operating KPIs				
ARPU	K	2,743	2,219	23.6%
Total customer base (30 days active)	'000	7,596	6,765	12.3%
Data customer base	'000	2,524	2,502	0.9%

*Refer Note 1

Financial review for the year, ended 30 June 2024

Revenue

Revenue grew by 37.1% to K117,857m in the half-year ended 30 June 2024, from K85,976m in the prior period. The growth was driven by both customer base growth of 12.3% and increased usage supporting ARPU growth of 23.6%. The strong growth in revenue was driven by growth across all business segments, voice and data. Voice revenue increased by 29.2%, whilst continued growth in data usage per customer supported data revenue growth of 53.7%.

EBITDA

EBITDA of K51,237m, was up by 25.9%, supported by strong revenue growth. EBITDA margins declined by 387bps from 47.3% in H1'23 to 43.5% in the current period. EBITDA margins were primarily impacted by increased inflationary pressure on fuel and electricity prices, largely due to the significant currency devaluation in 2023. Other costs were also impacted by higher inflationary pressure.

Finance costs

Finance costs for the period increased from K7,218m (restated) in the prior period to K20,495m for the half year ended 30 June 2024. The increase is primary due to increase in foreign exchange losses to K10,164m in H1'24 from K3,869m (restated) in the prior period. Interest on lease liabilities increased to K7,683m in H1'24, compared to K3,738m in H1'23.

Profit after tax

Profit after tax of K21,331m increased from restated profit K18,285m in the prior period. This increase was largely driven by the strong operating performance which contributed to a 25.9% increase in EBITDA. The increase in EBITDA was partially offset by an increase in finance costs following the significant currency devaluation which led to an increase in foreign exchange losses.

Outlook

We continue to focus on keeping communities and businesses connected in Malawi and supporting the Malawian economy. The medium-term growth opportunity in Malawi remains attractive, with the telecommunication sector continuing to benefit from population growth and an increased need for connectivity.

We remain focussed on executing our strategy to increase mobile penetration in Malawi through continued investment into under-served rural markets and driving increased data coverage to further enhance the digitalisation of the Malawian economy.

We and the Malawian economy, remain exposed to FX volatility, continued scarcity of foreign currency and unfavourable agricultural output in the past season. Despite these headwinds we will focus on the growth in customers and revenues through continued network investment and cost optimisation initiatives to limit the macro-economic challenges currently evident across the country.

Other significant updates

In 2024, the Malawian tax authority introduced an additional corporate tax charge of 10% on taxable income in excess of K10bn. The impact of this additional tax will impact our financial results for the year ended 31 December 2024.

Summary Financial Statements

Summary Statement of Comprehensive Income

	Unaudited six month to		Audited year ended
	30 June 24 K'000	30 June 23 Restated* K'000	31 Dec 23 K'000
Income			
Revenue	117,857,144	85,976,424	193,998,721
Other income	27,764	88	27,990
	117,884,908	**85,976,512**	**194,026,711**
Expenses			
Network operation and maintenance	(23,178,461)	(17,051,235)	(39,855,539)
Sales and marketing expenses	(11,796,169)	(7,359,628)	(17,190,521)
Employee benefits expenses	(4,477,942)	(3,143,641)	(7,131,776)
Access charges	(2,609,006)	(1,323,519)	(3,296,356)
Other expenses	(16,231,473)	(10,136,598)	(22,103,090)
License fee and spectrum usage charges	(8,023,950)	(6,203,273)	(12,927,612)
Impairment loss expensed on financial assets	(303,237)	(56,109)	(463,555)
Depreciation and amortisation	(11,366,748)	(7,454,652)	(17,812,066)
	(77,986,986)	**(52,728,655)**	**(120,780,515)**
Operating profit	**39,897,922**	**33,247,857**	**73,246,196**
Finance costs	(22,388,450)	(9,063,605)	(98,380,289)
Finance income	1,893,418	1,844,892	3,361,012
Profit/(loss) before tax	**19,402,890**	**26,029,144**	**(21,773,081)**
Income tax credit/(expense)	1,927,685	(7,743,863)	6,348,842
Profit/(loss) and total comprehensive income for the year	**21,330,575**	**18,285,281**	**(15,424,239)**
Basic and diluted earnings/(loss) per share (K)	1.94	1.66	(1.40)

*Refer Note 1

Summary Statement of Financial Position

	Unaudited as at		Audited year ended
	30 June 24 K'000	30 June 23 Restated* K'000	31 Dec 23 K'000
ASSETS			
Non-current Assets			
Property, plant and equipment	81,255,995	65,567,305	72,582,812
Right-of-use assets	61,822,343	46,976,424	58,842,642
Intangible assets	8,466,141	186,050	28,686
Deferred tax asset	36,667,688	1,954,180	27,632,096
Other non-current assets	17,604,485	19,849,780	17,782,985
Investment	81,000	81,000	81,000
Total non-current assets	**205,897,652**	**134,614,739**	**176,950,221**
Current assets			
Inventories	1,093,602	882,307	1,356,123
Trade and other receivables	7,250,414	7,662,006	6,827,929
Cash and cash equivalents	50,474,527	65,214,519	42,264,053
Other current assets	33,892,135	23,389,604	28,161,374
Total current assets	**92,710,678**	**97,148,436**	**78,609,479**
Total assets	**298,608,330**	**231,763,175**	**255,559,700**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	1,000	1,000	1,000
Share premium	398,375	398,375	398,375
Retained earnings/(accumulated losses)	10,324,772	22,703,715	(11,005,803)
Total Shareholders' equity	**10,724,147**	**23,103,090**	**(10,606,428)**
Non-current liabilities			
Lease liabilities	111,535,222	58,458,922	98,651,640
Deferred Spectrum liabilities	1,564,632	-	-
Total non-current liabilities	**113,099,854**	**58,458,922**	**98,651,640**
Current liabilities			
Borrowings	57,419,145	34,877,602	55,758,596
Lease liabilities	3,095,206	3,482,939	3,557,877
Deferred spectrum liabilities	257,079	-	-
Provisions	3,589,978	2,488,651	3,206,740
Trade and other payables	87,637,667	72,860,600	73,122,513
Contract liabilities	10,909,183	9,610,152	9,704,588
Income tax payable	4,341,039	1,604,209	4,276,435
Other current liabilities	7,535,032	25,277,010	17,887,739
Total current liabilities	**174,784,329**	**150,201,163**	**167,514,488**
Total liabilities	**287,884,183**	**208,660,085**	**266,166,128**
Total equity and liabilities	**298,608,330**	**231,763,175**	**255,559,700**

*Refer Note 1

Summary Statement of Changes in Equity

	Share capital	Share premium	Retained earnings/ (accumulated losses)	Total
	K'000	K'000	K'000	K'000
Unaudited Six months to 30 June 24				
At the beginning of the year	1,000	398,375	(11,005,803)	(10,606,428)
Total comprehensive income for the period ended	-	-	21,330,575	21,330,575
Balance at 30 June 2024	**1,000**	**398,375**	**10,324,772**	**10,724,147**
Unaudited Six months to 30 June 23 (Restated*)				
At the beginning of the year	1,000	398,375	31,918,436	32,317,811
Dividend declared for 2022 profit			(27,500,000)	(27,500,000)
Total comprehensive income for the period ended	-	-	18,285,281	18,285,281
Balance at 30 June 2023 (Restated*)	**1,000**	**398,375**	**22,703,717**	**23,103,092**
Year ended 31 December 2023				
At the beginning of the year	1,000	398,375	31,918,436	32,317,811
Dividend declared for 2022 profit	-	-	(27,500,000)	(27,500,000)
Total comprehensive loss for the period ended	-	-	(15,424,239)	(15,424,239)
Balance at 31 December 2023	**1,000**	**398,375**	**(11,005,803)**	**(10,606,428)**

*Refer Note 1

Summary Statement of Cash Flows

	Unaudited six month to		Audited year ended
	30 June 24 K'000	30 June 23 Restated* K'000	31 Dec 23 K'000
Cash flows from operating activities			
Profit/(loss) Before taxation	**19,402,890**	**26,029,144**	**(21,773,081)**
Adjustments for:			
Depreciation & amortization	**11,366,748**	**7,454,652**	**17,812,066**
Interest income	**(1,893,418)**	**(1,844,892)**	**(3,361,012)**
Unrealised exchange losses	**5,957,822**	**2,033,511**	**65,890,468**
Increase/(decrease) movement in Provisions	383,238	(25,391)	692,698
Profit on disposal of plant and equipment	(799)	(88)	(22,414)
Finance cost	12,223,491	5,194,593	17,839,782
Operating cash flow before working capital changes	**47,439,972**	**38,841,529**	**77,078,507**
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(427,427)	50,078	1,895,898
Decrease/(increase) in inventory	262,521	(604,223)	(1,078,039)
Increase in other assets	(5,552,261)	(11,471,457)	(24,890,247)
Increase in trade and other payables	21,053,034	11,509,453	7,243,766
Increase/(decrease) in other liabilities	907,923	(568,693)	(171,800)
Net cash generated from operations before tax	**63,683,762**	**37,756,687**	**60,078,085**
Income Tax Paid	(7,043,303)	(8,279,644)	(17,192,629)
Net cash generated from operating activities	**56,640,459**	**29,447,043**	**42,885,456**
Cash flows from investing activities			
Purchase of plant and equipment	(27,467,783)	(4,389,456)	(17,241,415)
Interest received	1,893,418	1,844,892	3,361,012
Proceeds from sale of property, plant and equipment	799	88	22,414
Net cash used in investing activities	**(25,573,566)**	**(2,544,476)**	**(13,857,989)**
Cash flows from financing activities			
Repayment of borrowings- principal	(11,113)	-	(165,121)
Repayment of borrowings- interest	(2,364,119)	(1,337,875)	(3,055,840)
Other finance costs	(2,065,173)	(112,817)	(5,107,297)
Dividends paid	(10,056,035)	(15,574,641)	(26,016,367)
Repayment of spectrum liability- principal	(260,388)	(178,667)	(207,175)
Repayment of spectrum liability- interest	(110,678)	(3,087)	(7,426)
Lease write back	(26,965)	-	(5,576)
Repayment of lease liability- principal	(1,646,200)	(799,887)	(1,590,477)
Repayment of lease liability- interest	(6,315,748)	(2,783,989)	(9,681,050)
Net cash used in financing activities	**(22,856,419)**	**(20,790,963)**	**(45,836,329)**
Net increase in cash & cash equivalents	8,210,474	6,141,604	(16,808,862)
Cash & Cash equivalents at the beginning of the year	42,264,053	59,072,915	59,072,915
Cash & Cash equivalents as at end of the period	**50,474,527**	**65,214,519**	**42,264,053**

*Refer Note 1

Notes to the Summary Financial Statements

Note 1 – Restated

The interim financial results for the half year ended 30 June 2023 were restated following the re-assessment of the accounting treatment for US$ indexed tower lease contract, which was earlier being accounted under only IFRS 16 – Leases instead of both IFRS 16 – Leases and IAS 21 - The Effects of Changes in Foreign Exchange Rates, resulting in impacts on the lease liability and right-of-use asset with corresponding changes to the finance cost, depreciation, and deferred tax accounts. Accordingly, there was a reduction in profit before tax and profit after tax for the six months ended 30 June 2023 by K1,008m and K706m, respectively and consequential reduction in EPS by K0.06. Refer audited annual financial statements for the year ended 31 December 2023 for details including impact on Company's annual financial statements.

Note 2

The borrowing is due to the following:
External borrowings: Bank of America

	Unaudited as at		Audited year ended
	30 June 24 K'000	30 June 23 K'000	31 Dec 23 K'000
At the beginning of the year	55,758,596	33,981,639	33,981,639
Interest Charges	2,364,119	1,340,717	3,055,840
Repayments	(2,375,232)	(1,337,875)	(3,220,961)
Exchange difference	1,671,662	893,121	21,942,078
At the end of the year	**57,419,145**	**34,877,602**	**55,758,596**
Current portion	57,419,145	34,877,602	55,758,596
Non-Current portion	**-**	**-**	**-**

Glossary

Technical and Industrial Terms

ARPU	Average revenue per user per month, which is derived by dividing total revenue during the relevant period by the average number of customers.
Average customers	Average customers are derived by computing the average of the monthly average customers for the relevant period.
Capital expenditure	It is not a GAAP measure and is defined as investment in capital work in progress (CWIP) gross fixed assets (tangible and intangible excluding spectrum/licence) and excluding provision on capital work in progress (CWIP).
Customer	A customer is defined as a unique subscriber with a unique mobile telephone number who used any of Airtel's services in the last 30 days.
Customer base	Total number of subscribers that used any of our services (voice calls, SMS, data usage or Other revenues) in the last 30 days.
Data customer base	Total subscribers who consumed at least 1MB on the Group's GPRS, 3G or 4G network in the last 30 days.
Underlying EBITDA	It is not a GAAP measure and is defined as operating profit before depreciation, amortisation, CSR cost and exceptional items.
Underlying EBITDA margin	It is not a GAAP measure and is computed by dividing Underlying EBITDA for the relevant period by total revenue for the relevant period.
Earnings per share (EPS)	EPS is computed by dividing the profit for the period attributable to the owners of the company by the weighted average number of ordinary shares outstanding during the period.
Free cash flow	Free cash flow defined as Operating free cash flow less cash interest, cash tax and change in operating working capital.
Minutes of usage	Duration in minutes for which a customer uses the Group's network. It is typically expressed over a period of one month. It includes incoming, outgoing and in-roaming minutes.
Net debt	It is not a GAAP measure and is defined as the long-term borrowings, short term borrowings and leased liability less cash and cash equivalents.
Leverage (net debt to EBITDA)	Financial leverage is computed by dividing net debt at the end of year with Annualised EBITDA for the year.
Operating profit	It is a GAAP measure and is computed as revenue less operating expenditure including depreciation & amortisation and operating exceptional items.
Weighted average number of shares	The weighted average number of shares is calculated by taking the number of outstanding shares and multiplying the portion of the reporting period those shares covered, doing this for each portion and, finally, summing the total.

Abbreviations

2G	Second-generation technology
3G	Third-generation technology
4G	Fourth-generation technology
ARPU	Average revenue per user
bps	Basis points
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
GB	Gigabyte
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
KPIs	Key performance indicators
M	Million
MB	Megabyte
UoM	Unit of measure