Conference call transcript

11 May 2022

FY 2022 RESULTS

Operator
Good day, ladies and gentlemen, and welcome to the Airtel Africa presentation for the year ended 31 March 2022. All participants are currently in listen only mode and 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 * and then 0. Please note that this event is being recorded. I would now like to turn the conference over to Mr Segun Ogunsanya. Please go ahead, sir.

Segun Ogunsanya
Thank you. Hello everyone and thank you for joining us on today's presentation and conference call. I will first cover the highlights and then hand over to Jaideep who is going to take you through our financial results for the year. After that I will take you through some of the strategic and operational development before we then open the floor for your questions.

If you turn to slide number three, it's a summary of our performance. With our continued strong revenue growth, our underlying EBITDA margin expansion and our strengthened cash generation, we have not only delivered financially but we have also delivered strategically, operationally and sustainably, and I'm going to talk to these on slide number four.

Financially I'm going to ask Jaideep to talk through the details, but at a very headline level we continue to deliver a very strong revenue growth, underlying EBITDA margin expansion, which is now at 49%, and very strong earnings per share growth. As we do this, we continue to strengthen our balance sheet and improve our leverage position, now 1.3x, at the same time reducing our foreign currency debt at HoldCo level.

These very strong financial improvements are an output of our continued strong operational developments as we continue to expand our customer base, grow our ARPU by driving usage, and invest in our network with almost 90% of our sites now on 4G. all both mobile money and data, continue to be growth engines, with mobile money transactions alone reaching $64 billion this year.

Strategically, the highlight is our receipt of a full PSB license for us to develop our mobile money services in our largest operation, Nigeria. We have also brought in $550 million of investment into the mobile money business, we have bought out minorities in Nigeria, and we have completed tower sales in Tanzania, Madagascar and Malawi, generating proceeds of $284 million. In addition, we bought additional spectrum in Kenya and Malawi.

On sustainability, which has always been at the core of our business, we have fully articulated our strategy with ambitions, goals and commitments for our business, our people, our community and our environment. Sustainability now underpins our six-pillar corporate growth strategy.

On slide number five we have shown how the business has delivered against six key objectives from mobile service revenue to dividends payout. And now you can see the tracker on how we delivered against all of these six key objectives. With this very brief introduction, I'm going to hand over to Jaideep to take you through our financial performance for the year. Jaideep, please.

Jaideep Paul
Good morning and good afternoon to all of you. Let me start with the key financial highlights. On slide seven we have delivered a strong set of results for FY2022. We continued our revenue growth momentum and our EBITDA margin expansion. Full year revenue was $4.7 billion and underlying EBITDA was $2.3 billion. Revenue growth for the full year was 23.3% and underlying EBITDA growth of 31.2% in constant currency. Underlying EBITDA margin improved to 49% for the full year. That's about 3% improvement from prior year.

Earnings per share before exceptional items almost doubled to 16 cents. Our balance sheet position has continued to improve and now our leverage ratio improved to 1.3 times from 2 times in the prior year. The board has recommended a final dividend of 3 cents per share. Therefore, the total dividend for the full year will be 5 cents per share.

Coming to slide number eight, revenue in Nigeria grew almost 28%, supported by both customer base growth of 5.8% and ARPU growth of 33%. Customer base growth in Nigeria was impacted by the NIN SIM regulation during the first half of the year but returned to growth in this region in the second half of the year, adding about 4 million customers during H2. Underlying EBITDA grew by 30% with a margin improvement of 114 basis points and the margin now stands at 55%.

In East Africa revenue grew by more than 22% with an EBITDA growth of 32%. Underlying EBITDA margin reached almost 50%, an improvement of 331 basis points in constant currency.

In Francophone Africa the customer base grew by almost 16% and revenue grew by 17%. Underlying EBITDA grew 28% with an underlying EBITDA margin expansion of 337 basis points to 41%.

Coming to slide number nine, performance of our key services, voice contributed to half of the total revenue and grew by 15%. Data contributed 32% and mobile money almost 12%. Both data and mobile money services are growing about 35%. As you can see, our voice revenue growth of 15% was driven by growth of both our customer base and ARPU. Similarly, our data and mobile money revenue growth of about 35% was driven by both customer base increase and ARPU growth.

Data ARPU growth was mainly as a result of increased 4G penetration. And 4G data usage per customer increased to 5.5 GB per month, much higher than our total average data usage per customer of 3.4 GB per month. Mobile money ARPU growth of 12% was driven by growth of cash-in / cash-out transactions, merchant payments, P2P transfers and mobile service recharges.

Coming to slide ten, this shows the incremental revenue contribution from our key services. Revenue in reported currency grew by 21.3%, while in constant currency growth was 23.3%. The differential was due to currency devaluation, mainly in Nigeria and Malawi, offset by appreciation in the Zambian kwacha and Rwandan shilling. All our key service segments of voice, data and mobile money contributed to the revenue growth.

Coming to slide 11, our underlying EBITDA grew by 29% in reported currency and absolute EBITDA for the year was $2.3 billion. Currency devaluation had an adverse impact of $26 million due to devaluation in Nigerian naira and Malawian kwacha offset by appreciation of Zambian kwacha and Ugandan shilling. The underlying EBITDA margin improved to 49%, an increase of 296 basis points in constant currency. The improvement in margin was led by both revenue growth and improved operational efficiencies and disciplined cost control. EBITDA flow through for the period was more than 60% during the last financial year.

Coming to slide number 12, our mobile money customer base grew by almost 21% mainly in the East African market. Mobile money customer base penetration reached 20.4%, an increase of 2%. The total transaction value increased to more than $64 billion, driven by an increase in usage per customer by almost 14% and also customer base growth of 20%. Underlying EBITDA was $270 million, growing by 38% in reported currency and by 34% in constant currency with an EBITDA margin of nearly 49%.

Coming to slide 13, our cash flow generation for the full year was $622 million, largely as a result of our improved EBITDA performance and higher intangible capex in the prior year, partially offset by increased cash taxes resulting from higher operating profit.

Slide 14, our capital allocation policy remains unchanged. As mentioned earlier, our priority is to invest in the business and at the same time continue to aim at further strengthening the balance sheet. Capex for the full year was $656 million, in line with our guidance. Capex guidance for the next year is slightly increased to now between $700 million and $750 million, including the cost of rolling out our PSB operation in Nigeria.

Our leverage ratio improved to 1.3 times from 2 times in the prior year. During the year we repaid $915 million of bonds in May 2021 and in March 2022 we repaid $505 million of bonds a year earlier than their March 2023 redemption date. We were able to make these repayments because of our increased cash generation and by using the proceeds from the Airtel Money minority investments and tower sales.

As mentioned earlier, in the first half of the year the board approved a revision to our dividend policy with a new base dividend of 5 cents per share for FY 2022 from the earlier base dividend for 4 cents, with a progressive dividend growth of mid- to high-single digits percentage in subsequent years. The board has recommended a final dividend of 3 cents per share. Therefore, the total dividend for the full year will be 5 cents per share, in line with our dividend policy.

Slide 15. We continue to strengthen our balance sheet by firstly reducing our leverage, now at 1.3 times EBITDA.

Secondly, reducing our foreign currency debt, especially at HoldCo. We have repaid total bonds of $1.4 billion during the year as a result of strong cash upstreaming across our OpCos and proceeds from minority investments in mobile money and tower sales. Over the last four years our HoldCo debt was brought down to $1 billion from $2.7 billion. The remaining HoldCo debt of $1 billion falls due in May 2024.

And thirdly, increasing our debt at OpCo level and whenever possible in local currency. Our OpCo debt increased by 35% to nearly $1.3 billion.

The total weighted average interest rate was 5.6% versus 4.9% in the prior year largely due to the repayment of the Eurobond in May 2021 which carried a lower interest rate of 3.4%.

EPS, earnings per share before exceptional items, almost doubled over the prior year to 16 cents from 8.2 cents. This increase in EPS was largely contributed by the expansion of operating profit, partially offset by the increase in tax.

We have made significant progress in delivering against our strategic initiatives. During the year we sold approximately 2,600 towers across three OpCos with total gross proceeds of $284 million, out of which we have received $240 million so far. Secondly, we also received proceeds of $550 million from our investors in the Airtel Money business.

In Nigeria our buyback of 8.22% of minority shareholding has been completed successfully. And as you can see on the right side of the slide, there are several future opportunities that we are currently working on. Thank you very much, and now I will hand over back to Segun for the strategic and operational update.

Segun Ogunsanya
Thank you, Jaideep. I would now like to remind you of the tremendous opportunities we are addressing.

If you turn to slide number 19, we have highlighted the opportunity presented by our markets. Fundamentally the population and industry dynamics of our markets continue to furnish us with huge opportunity.

We have some of the strongest population growth rates in the world and the most youthful populations where very young people continue to be key drivers of digitisation. Most young people are digital first and digital only. They consume data only on mobile devices. Moreover, our markets have very low rates of customer penetration of both mobile voice and mobile data services compared to more developed markets, but also when compared to the emerging markets.

If you turn to slide number 20, it shows the opportunity for greater usage by our customers. Customer usage in our footprint for both voice and data remain significantly lower than those of developed markets and in many emerging market territories. Banking penetration levels continue to be very low, affording us an opportunity to help governments to drive financial inclusion in the countries through mobile money solutions.

If you turn to slide number 21, you are very familiar with this slide. Our six-pillar strategy remains fundamentally unchanged. It has helped us to continue to deliver strong double-digit revenue growth across our regions and services. Since we last showed you this slide, we have added two new elements. One is on digitalisation. Of course, digitalisation encompasses the transformation of our products and services and of our internal systems and processes as well. This will increasingly function as a catalyst, or an accelerator, for each of our six strategic pillars.

Underpinning the whole group strategy is sustainability. Describing our very strong commitment to both driving sustainable development and acting as a responsible business, we have a slide on this a little later in the presentation.

If you turn to slide number 22, I'm going to speak to our network pillar. We've continued to add new network sites, around 3,400 in the year, with 1,400 of these in rural areas. We have also maintained a very strong focus on modernising and increasing capacity with almost 90% of our sites now on 4G. And our overall data capacity of the network increased by over 40% to 16,900 terabytes per day. Our network uptime has gotten to over 99.5% and our network now covers 11 million more people than we did last year. We have added about 10,000 kilometres of fibre, increasing our total fibre footprint to about 65,000 kilometres.

If you turn to slide number 23, it shows our network strategy in action in one of our countries, Uganda, where we recently got an award as the fastest mobile network at the 2022 Mobile World Congress. It is a function of our nationwide 4G network availability, which now covers over 90% of the population, and also our very intensive fibre rollout in Uganda.

If you turn to slide number 24, I'm going to speak about distribution, which is also one of our key pillars of our strategy. Here you can see how we have continued to extend both our exclusive and non-exclusive distribution infrastructure to get closer to the customer. [Break in audio]

Operator
Ladies and gentlemen, we do apologise for this. We will be getting the presenters back online shortly.

Segun Ogunsanya
I think I got cut off on slide number 24 where I spoke about distribution. And I was talking about what we did in DRC when we got cut off. Let me start on slide number 25. Slide 25 shows our DRC case study demonstrating our distribution pillar strategy in action. DRC is a very large country, the largest by land size in Africa, with a very low population density. And the vast distances can be very disruptive to our

customers' abilities to physically engage and transact. We therefore chose to establish a goal here that no customer should have to travel more than 1 kilometre to use any of our services.

We can achieve this by establishing a kiosk for every 2,500 people and an Airtel Money branch for every 10,000 people. We have already grown our customer outlets in DRC by 36% this year, and the number of Airtel Money branches has increased by 67%. This focus on distribution has helped us to drive up DRC customer numbers by almost 21% this financial year.

If you move to slide number 26, it speaks about our data pillar. Our network design uses single RAN technology, and with increasing fibre rollout, this has helped us to create a network with significant data capacity and the flexibility to further expand with only limited marginal investments. We have generally invested in 4G ahead of our many peers, and across the group almost 88% of our sites are now 4G capable, up 11% over the previous year. When combined with our smart data packages, these measures have helped to drive both data customer base growth, up more than 15%, and customer data usage by almost 50%.

Kenya in East Africa is a great example of our data strategy in action. You can see on this slide, slide number 27, how a 26% increase in the number of our 4G sites coupled with 1,000 kilometres of additional fibre have helped us to double our network capacity. And together with further improvements in our distribution this helped us to drive our data customer usage, up by over 57%. And our Kenya data revenues have grown by over 30%.

Moving onto slide number 28 which speaks to our mobile money strategy. Lack of traditional banking infrastructures in most of our markets in Africa and very long distances that our users must travel to find a branch means that the number of customers who are able to access traditional banking services is far lower than the numbers who have bank accounts. Our focus therefore is largely on expanding the distribution network to make it easier for customers to both digitise and get access to their cash and to transact where necessary.

Accordingly, you can see that we have grown our exclusive channel outlets, those outlets exclusively owned by us, by over 44% this year and our multi-brand agents by almost 42%.

Being closer to the customer has helped us drive uptake by almost 21% to over 26 million customers by the end of the financial year. This has helped to drive digital cash rotation with customer transaction values up by nearly 14% and the combination leading to a total transaction value growth of 37% for the year to over $64 billion.

The next slide speaks more on our mobile money business. The key to mobile money remains the provision of our core services in an assured manner that first builds trust through ease of use, being physically close to our customers, and through the reliability that comes with those touch points having assured float all of the time so that customers know that they can access the cash with relative ease when they choose.

Alongside this core is our developing ecosystem of financial services for more sophisticated services. It is very important for us to develop this ecosystem now to serve our more sophisticated customers who may already be banked as well as prepared for the broader transition of the market in this direction.

While many African markets are way ahead of other countries in terms of their use of mobile money, our portfolio markets include a mix of penetration levels, indicating significant remaining potential for us to bring new customers onto the platform. We have been able to increase mobile money penetration in nearly all of our markets. In four countries we have penetration rates of over 50%, and then have several more where we believe we can significantly grow penetration. Excluding Nigeria, where we just got a license, the overall penetration rate across our mobile money markets is now at 31%. And with the new PSB license in Nigeria we should commence operations sometime this year.

Slide number 30 shows the continued evolution of our mobile money ecosystem. We still see the digital wallet, cash-in and cash-out services as the major source of mobile money revenue. There is huge potential for this from increasing our penetration with new customers. But there is also a continued diversification of the business towards additional payment solutions and also more sophisticated financial services.

Slide 31 talks about the opportunity from the new PSB licence in Nigeria where we are very strongly positioned to deliver against this opportunity. Nigeria is a market of 200 million people, the most populous in Africa, and a cash economy of $440 billion, with an unbanked population estimated to be more than half of the population. We already have 44 million mobile service customers in Nigeria and more than 30,000 exclusive shops which are being transformed into mobile money outlets.

We are in the final stages of developing our operations. We have hired some staff, we have established distribution lines, developed and tested some of our platforms, all for a launch around the second quarter of this year. And we hope that the business will begin to make meaningful contributions to our group numbers in FY 2024.

Slide number 32 is win with people. In particular, I would point out the significant progress we've made in the diversity of our ExCo, adding 5% this year to the level of female representation. And we continue to be multicultural with 35 different nationalities represented and one of the most ethnically diverse boards on the FTSE 100.

Now on sustainability. We can see a summary of our sustainability strategy on slide number 33. This has four key pillars of our business, our people, communities and environment. And we have engaged with material topics which were identified in consultation with many stakeholders early in 2021. It also demonstrates our contribution to six of the UN SDG goals where we believe we can have the biggest impact.

Our sustainability strategy now underpins our group strategy, and our well-established corporate purpose of transforming lives. It demonstrates our commitment to developing the infrastructure and services that will drive both digital and financial inclusion for people across Africa. We have nine workstreams, each with a goal or a commitment which addresses the business material topics and enables the group to continue delivering sustainable growth and upholding the best governance standards.

I took a deep dive of these workstreams in the first half. Let me highlight one development since those results, our unique potential with UNICEF. We have engaged in a five-year pan-African partnership providing both financial and in kind contribution of about $57 million spread over five years up to 2027. The purpose is to accelerate the rollout of digital learning through connecting schools to the internet and ensuring free access to learning platforms across 13 countries in Africa, by providing equal access to quality digital learning, particularly for the most vulnerable children. This partnership will help to ensure that every child can reach their full potential. We are targeting over 1 million children in Africa for this.

Finally, we have made tremendous strides in our environmental pillar. In the last few months with help from Carbon Trust we expect to publish our pathway to net zero very soon and that will be followed by our first sustainability report towards the end of the year.

Finally, from me on slide number 34, a few words on the outlook. As you have seen from our results, our financial, operational, strategic and sustainability fundamentals remain very strong. We continue to demonstrate positive developments on every key metric. From an outlook perspective we remain very excited over the long-term opportunities for our business. We continue to build on our strong track record of milestone deliveries.

Our near-term focus remains on improving our network quality and availability and on further expanding our distribution to be closer to our customers. These are the fundamentals of our business. This year we have an added focus on ensuring the successful rollout of our Nigerian mobile money business.

Going forward we continue to actively mitigate all of our material risks, and there are many. The world is currently facing increasing inflationary pressures from which you cannot be totally immune, but which we seek to contain as much as possible as we continue to target both revenue growth ahead of the market and further margin expansion for the year ahead. And with that, I would like to thank all of you for your attention today. We will be pleased to take your questions. Thank you.

Operator
Thank you very much, sir. Ladies and gentlemen, at this time if you do wish to ask a question, please press * then 1 on your touchtone phone or on the keypad on your screen. You will hear a confirmation tone that you have joined the queue. Participants on the webcast may submit their questions in the textbox at the bottom of the page. Our first question is from Jonathan Kennedy-Good of JP Morgan. Please go ahead.

Jonathan Kennedy-Good
Good afternoon and congrats on the results. Three questions from me. Just on the pace of rollout that we should be expecting in Nigeria for mobile money, do we see significant revenues coming through in the second half? And on the cost side will there be enough revenue to offset costs, or will it be margin dilutive? Another question just on your longer-term outlook there. Obviously, Nigeria has higher ARPUs

than the remaining regions you disclose. I'm just wondering whether we should think about mobile money ARPU as higher than the group average. It's currently sitting at $1.90 for the group. Finally, on cash upstreaming, can you give us a sense of whether you recently repatriated money from Nigeria, and if so, at what kind of exchange rate? Thank you.

Segun Ogunsanya
Let me start with the mobile money business. We've been preparing for this for the last two years, so I can confirm that we are ready for the rollout. Of course, in the early days revenues would slowly increase, so we don't expect a very significant contribution to our revenue in the current financial year because we are spending the next few months to scale up the business. We expect significant performance in the next financial year, 2024.

In terms of costs as well, we have a very strong foundation on which we are building our mobile money business in Nigeria. Like I said, we have prepared for this in the last two or three years. So, I don't expect a significant cost uptick coming from the rollout of our mobile money business. We have already developed the IT infrastructure required. We have already rolled out the sales infrastructure. We are adding some people. And we expect some material amount to be spent in some marketing and a bit on distribution, but overall, the impact is not going to be strong in the bigger context of metrics in Nigeria. I would ask Jaideep to speak about the cash upstreaming from Nigeria. Jaideep, do you want to take that?

Jaideep Paul
Firstly, as you know, we operate in 14 countries, and we continue to maintain sufficient cash balance and upstream across various geographies including Nigeria. We have done about $140 million of upstreaming in the last financial year, and we continue to do that in the current financial year. Obviously, the cost is slightly higher than the official rate. Normally the cost comes to between 480 and 490 naira per dollar as an upstreaming cost. That's an additional cost which we incur. Thank you.

Segun Ogunsanya
In the bigger picture we have upstreamed close to $900 million in the last financial year anyway from a number of countries in Africa, some from sale of towers, some from remittances of the profit we've made. And at the HoldCo we are not under any stress in terms of cash balances available to meet any of our obligations. Yes, Nigeria is one of our very significant operations. But we continue to mitigate the risk of cash outflows from Nigeria by being able to repatriate money from the balance of the 14 countries we have in our portfolio.

Jonathan Kennedy-Good
Thank you. Just a point of clarification. My understanding from your comments is that you upstreamed about $140 million from Nigeria and about $900 million in total from all the OpCos including some asset sales. Would that be fair?

Jaideep Paul
Yes. So total is in the range of between $850 million and $900 million, which included tower sale proceeds of about $240 million and the balance is through dividends and shareholder loan repayments.

Jonathan Kennedy-Good
Thank you. That's very helpful. Thank you.

Operator
Thank you very much. The next question is from Maurice Patrick of Barclays. Please go ahead.

Maurice Patrick
Thanks guys. Just a couple of questions from my side please. The first one is on your mobile money momentum. I looked at the Orange results. They saw a fairly material slowdown, in fact a decline in their mobile money revenues. They cited the impact of Wave specifically. I'm just curious to hear a bit about whether you are seeing any impact of that on your business. Maybe while you talk about that, what sort of defensive mechanisms are you putting in place for likely new entrants?

Then the second question, if I may, is just on the capex. I think at the IPO we talked about $600 million or $700 million. Obviously, this year was a bit higher. Is most of the delta the Nigeria PSB? Should we expect once you've rolled out mobile money in Nigeria maybe capex falls back to that $600 million or $700 million level? Thank you very much.

Segun Ogunsanya
Okay. Let me start with the last one. We have provided for $30 million in the current full year for rollout of PSB in Nigeria. It's not a significant part. It's about $30 million we've made provision for in the total capex of $750 million.

I will now go to your first question about Wave and the impact on our mobile money business. We have a common market where we operate. I believe it's Uganda. We've got about 8 million customers in Uganda and Wave has got thousands of customers. Our models are not exactly the same.

We've got unique advantages over the new fintech companies that are operating in our markets and set us aside. One is our distribution infrastructure. We've got the combination of owned retail outlets and third party outlets. The owned ones are very unique to us. They work exclusively for us, and the numbers are huge. The second thing we have is a captive customer base. We've got about 128 million customers who use us for mobile services. they are potential customers for mobile money services. That's also unique to us.

The third one is on our ability to create an ecosystem, an ecosystem of banks, an ecosystem of switches, and ecosystem of technology partners that would rather work with a company with 130 million customers than a very small company with very few customers. And finally, the platform we have created is very unique. We are able to serve the bottom end of the customer who rely on USSD and SMS, and we are also able to serve the high end of the customer who work on smartphones with applications.

Those clearly differentiate us from fintech companies who are entering this space. It's going to be a lot more difficult for them to overcome this unique advantage, especially our distribution reach. We have developed and delivered a distribution infrastructure that can reach a lot more people at a lot less amount than what the competitors are able to do.

Maurice Patrick
That's great. Thank you very much indeed for those answers.

Operator
Thank you very much. The next question is from Rohit Modi of Citi. Please go ahead.

Rohit Modi
Thanks for the opportunity. Just two questions from my side. apologies in advance if they have been answered and I couldn't hear. Firstly, on the NIN registrations, it has been almost a month since the ban. If you can give more colour in terms of consumer behaviour you have seen in terms of uses of data packs for the customers who got the ban on their outgoing voice. Do you see they are still recharging for data or no use of SIM cards for those customers? Secondly, on East Africa, there has been a small decline in the number of customers for East Africa. Can you give more colour in terms of is it business as usual or are you seeing any competition in these countries? Thank you.

Segun Ogunsanya
Let me speak about NIN. As some of you may be aware, at the end of March 2022 the government asked us that for any customer who has not been able to link his NIN – NIN is like an identification number – to his SIM card we should bar them from making outgoing call. This we have done. They are still able to use our services for data and SMS, but they are unable to make outgoing calls. After we barred 12 million customers, we have received a NIN from 4 million of them. We have successfully added about 1.6 million of the NIN numbers to the SIM cards and they have resumed using our full services, outgoing calls, data and SMS. That we have done.

We are still working with a large number of customers who have been unable to give us correct NIN or who don't have NIN. What we have done is to open a lot of outlets to make it easier for those customers to walk into any of those outlets, present their right identity and get registered for NIN. Of course, the process is not as fast as we would like it to be, but we continue to engage all the regulatory agencies in the county to make this a painless exercise for the customers who have been unable to attach the NIN to their SIM card.

Yes, we saw some impact on revenue. If you are unable to make outgoing calls, of course it affects outgoing voice revenue. But we have also seen a bit of SIM consolidation. We've seen a lot more customers who are transferring their usage to the SIM card that has been properly registered. So, some headwind coming from no NIN, and a bit of increased usage coming from SIM consolidation. We're going to continue to work with all the relevant authorities in Nigeria to mitigate the impact of this required regulation which is meant to ensure security in the country.

There was a second question on East Africa. In East Africa we had some headwinds coming from a change in the ways to register a customer in two of our countries. We don't give guidance country by country, but sometime in the year regulators in two of our key countries changed the ways customers are registered, requiring a lot of biometric registration. This affected the ease at which customers registered for services and it skewed our customer addition process. We have fully recovered from this. We have provided enough devices for customers to do biometric registration. So, I can confidently say that the headwinds that came from these new ways on on-boarding customers in two of our countries in East Africa we have put behind us as we made progress in Q1.

Rohit Modi
Thank you.

Operator
Thank you very much. Ladies and gentlemen, just a reminder, if you wish to ask a question, please press * and then 1. The next question is from Madhvendra Singh of HSBC. Please go ahead.

Madhvendra Singh
Hi. Thanks for taking my question. I have four questions. Th first question is on the data revenue growth trend, especially in Nigeria. Just looking at the numbers for the fourth quarter, the growth was around 32% if I'm right. And when I compare that with what MTN did in the country, it was around 54% or 55%. I'm just wondering, is there any specific reason why Airtel should be growing slower than MTN in Nigeria on the data side? Or are you happy with this current growth rate in Nigeria?

The second question is just trying to understand the capex increase for the next year. Is it mostly because of mobile money? I remember you said $30 million is what you are planning to spend on mobile money in Nigeria. And then another question is on the network configuration currently. I could see that now the bulk of your data is getting carried on the 4G network. So, should we start expecting the 3G network also getting phased out anytime soon? And if that were not to be the case, then how much of the voice traffic is getting carried on the 3G network versus the 4G network? And a very quick one on the net income side. If you could just remind me how much was the one-off gains in the quarter and the year. Thank you.

Segun Ogunsanya
I will take two of the questions and Jaideep will answer two of the other questions. Let me start with the data revenue in Nigeria. Am I happy with it? No, I'm not happy with it. There is plenty of scope to grow faster. Unfortunately, we had a number of problems in January and February with our fibre infrastructure, and that affected the data revenue for the first two months. We fully recovered from this, and we had a decent growth in March, the last month of the quarter. Of course, the growth we had in March was not sufficient to accelerate our normal growth trend. So that's what happened. We are back to normal trends in Q1 and I'm very optimistic that we have recycled the bad January/February destruction that came through network challenges.

Talking about the capex increase, Jaideep will give more colour to the capex increase. On your third question about network configuration, if I give you a mix of the devices on our network, very top level, about 65% of devices on our network are still 2G devices, so 2G is still very important. About 15% are 3G devices, relatively important, and circa 20% are the 4G devices. Most of the data revenue, the 20%

of devices which are 4G are actually responsible for about 80% of data traffic and over 70% of the revenue.

So 3G is becoming less and less important. Can we completely shut down our 3G infrastructure? No, because 15% still have devices that are 3G enabled. We're still going to continue to have our 3G network for the next couple of years as we watch the evolution from 2G to 4G with a very small move from the 3G devices. So, we still have a couple of years to go with our 3G devices and 3G network. Jaideep, do you want to speak to the net income and the capex increase?

Jaideep Paul
On the capex increase is your question relating to next year?

Segun Ogunsanya
The quantum.

Jaideep Paul
Okay. So next year, as already mentioned, we have planned for approximately $30 million for the PSB rollout. That's specifically in Nigeria. And we also have additional capex planned for all of the countries, roughly between $25 million and $30 million. That's about $50 million or $60 million capex allocated for Airtel Money. In most of the other countries it is used for expanding the distribution.

Madhvendra Singh
And the one-off gain from the net income?

Jaideep Paul
So, coming to one-off gain, let me fist tell you the full year one-off gain. One-off gain includes Tanzania, Malawi, Madagascar sale of towers. And that's almost $107 million. And then we have repayment of bond cost, $19 million. Tanzania, we have provided for a consortium related expenditure, one-off of $12 million. And we have a settlement or agreement on account of Kenya's spectrum license. That's about $20 million. So, net-net $60 million has been taken into exceptional items above PBT. Then we have sale and lease back of towers, some impact, and some gain on account of tax on the Tanzania settlement. So, net-net exceptional items which have been booked is $62 million in the current full year, out of which Q4 has got $52 million because as you know, Tanzania and Malawi we have concluded the tower sale in Q4. Therefore, the profit on sale of towers has primarily come in Q4.

Madhvendra Singh
That's very helpful. Thank you very much.

Operator
Thank you. The next question is from Faisal Al Azmeh of Goldman Sachs. Please go ahead.

Faisal Al Azmeh

Hi, and thanks for the opportunity to ask questions. Just a quick question on my end, or three quick questions on my end. The first is on your leverage profile target. What is the target leverage structure that you aim to achieve over the coming years, and at what point do you feel you would have room to upgrade your dividend policy? Is it more related to a certain net debt to EBITDA ratio, or do you feel more comfortable to up the dividend once you have localised a certain amount of debt at the OpCo level? That's my first question.

My second question relates to your margin profile. You have achieved a meaningful uplift in the group's margins over the past two years. At what point do you feel that we've reached a normalised level and the upside would be limited? Or do you still see room to achieve higher margins on a two-year basis? And then thirdly, what's the update on the listing of the mobile money business? Any update on that would be helpful. Thank you.

Segun Ogunsanya
Let me start with the last one on the listing of the mobile money business. Last year in March 2021 when we announced that we're selling down some minority stake, we mentioned that within four years we're going to do an IPO. That guidance has not changed. We're still looking at a four year period within which we're going to do an IPO. So, we've done only one year. So just take that as a guidance. We are still hoping to IPO within four years.

On the leverage Jaideep is going to give you more flesh, but we don't have any specific target for leverage anymore. We have some policies around how we're going to strengthen our balance sheet. Jaideep will give very specific steps we're going to take to strengthen our balance sheet. On margin, there is scope for moderate margin expansion. Like I said in my opening statement, given the inflationary environment coming from different crises in different parts of the world, we expect a moderate expansion of margin. But I'm handing over to Jaideep to give you more flavour.

Jaideep Paul
Let me first give you the broad breakup of this 1.3x. So, if you look at our net debt table you will see a lease liability which is the finance lease obligation because of the IFRS 16 accounting which we do for all the sites which are taken. Now, this is 0.7x out of 1.3x. And this is like a long-term debt for us. And this will continue to grow little bit every year because we are expanding our network. So, every time we put up a site, this lease obligation goes up. And obviously for the full year there is a payment which goes against this. So, it's a plus and minus every year. That's why you see that this is going up, because of the renewal of the leases, putting additional sites.

Now, if you leave that 0.7x which is coming out because of the FLO [finance lease obligations], effectively if we look at the rest of the other things that means excluding the FLO, we have a leverage of 0.6x or 0.7x. Now, I would not be able to articulate any particular target, but I can tell you certain other things and give a colour to it. Our whole objective is to strengthen our balance sheet on two key focus areas. One is continued de-leveraging of our business, which we have done by the way from the IPO until now. From 3x it has come down to 1.3x, which includes this 0.7x because of the FLO.

The second is by de-risking the balance by reducing the amount of foreign currency debt and especially at the HoldCo level and push down the debt at our operating unit level. If you also notice, we are now left with only $1 billion of one bond which is falling due in 2024 at HoldCo level. The rest, every debt has been pushed down to the OpCo, which gives us two benefits. One, as we push down more in local currency, we de-risk our balance sheet from any possible devaluation impact. And the second, we get a tax shield on the interest cost, which is a very significant amount. So, both are strengthening our balance sheet. And this initiative will continue. And of course, expansion of margin is the other element which we will be looking at.

You asked another question on the margin profile and how we are looking at it. As we explained in the past, we follow a very simple model that every incremental increase in the revenue has to have a minimum flow through into our EBITDA margin. That's the model we follow across, and that's what we have seen for the last three years. Of course, we are very conscious about the inflationary pressure as we move forward. But we will continue to drive our EBITDA margin expansion as we progress in the subsequent years through this incremental flow through so that whenever there is a $100 increase in the revenue, we should be looking at least $55 of flow through in the EBITDA margin, and therefore expansion of the EBITDA margin.

And the dividend policy, obviously this a subject matter of the board and I can't comment on that. As you have seen, as we improved our leverage, the board has reviewed the dividend policy, increased the base dividend by 25% with a mid- to high growth as we progress in the subsequent years. In appropriate time I'm sure the board will re-look at this, and we will definitely keep you posted as the board re-looks at the dividend policy in that time.

Faisal Al Azmeh
Thank you.

Operator
Thank you very much. The next question is from Evgeny Annenkov of Bank of America. Please go ahead.

Evgeny Annenkov
Hi. Good afternoon. Thank you for the presentation. I have two brief questions please. The first one is to follow up on cash upstreaming from Nigeria. You mentioned $140 million upstreamed last year. When was the last time you upstreamed and at what rate? And the second question is if you can quantify the impact on your margins from energy costs rising. Thank you.

Segun Ogunsanya
Let me take the second question about the impact of energy cost. Energy is almost 20% of our expenses across all our OpCos. Most of the energy is used to service locations in very distant rural areas where we don't have grid power. With no grid power, the towers rely on diesel powered generators, in some instances on solar powered generators to generate power for the cell site. So, we need to just have a good mix of diesel powered sites and sites which are powered by grid and powered by solar. Most of

those sites are actually owned by our partners, our towercos, who are the ones who pass on the cost of energy to us, some in a direct pass through, but most in a manner where the complete increase in fuel cost is not passed on to us.

So, what we continue to do is we engage some of those partners to find ways of saving on energy, one, through conversion of some of the sites to outdoor, that doesn't require a lot of power. In some instances, we also ask them to convert the sites to sites that use a lot of green energy. Again, no diesel is involved. In some sites where we are the anchor tenant, the moment a second tenant comes there is a discount that we get on our rentals.

So, we combine all of these things together. Being an anchor tenant, the minute a second tenant comes, you get some discount. Two, the conversion of some of the sites to outdoor sites where you don't use a lot of energy. And finally, a cost share formula we have with some of the towercos. The full impact of the energy cost is not passed to us. So, we have some mechanisms in place to ensure that the full increase of inflation that is coming from fuel is not passed on to us.

On your first question around remittance from Nigeria, we did $145 million, like Jaideep mentioned. In the last couple of months, we've done some additional, but I will allow Jaideep to give the detail as to what we've done. But we've done $145 million in the last financial year, and we also had another $100 million a couple of weeks ago out of Nigeria. Jaideep.

Jaideep Paul
We continue to focus on this upstream. I won't be able to give the exact rate because it's a very specific transaction, but we continue to do the upstream. At the end of April, we have done another upstream.

Evgeny Annenkov
Thank you. And the 480 to 490 naira was for the last year, or April included?

Jaideep Paul
No, April was not included in the last year. April will obviously come in this financial year.

Evgeny Annenkov
I mean the FX rate that you mentioned. It was for last year average, 480 to 490 naira?

Jaideep Paul
Yes. That was last year average. I won't be commenting on this year's rate, but the last year average was 480 to 490 naira.

Evgeny Annenkov
Thank you.

Operator
Thank you very much. The next question is from Ria Quadri of Meristem Securities. Please go ahead.

Ria Quadri
Hi. Thank you for the presentation. I would like to ask, there is this article that mobile network operators increased their tariffs. I would like to ask if Airtel Africa is going to implement this, and how is it going to impact on the margins? Thank you.

Segun Ogunsanya
I believe you are talking specifically about Nigeria. I've seen the headlines in some weeks past that mobile networks want to increase tariffs in Nigeria. And I've seen the response from the regulator. This is a regulatory decision. I don't think any network operator can increase price without the leave of regulators. So, I'm unable to comment on this unless you have the final view of the regulator. This is very specific to Nigeria, by the way, out of the 14 countries we operate in.

Ria Quadri
Okay, that's fine. Thank you.

Operator
Thank you very much. The next question is from Alistair Jones of Renaissance Capital. Please go ahead.

Alistair Jones
Hi there. Just to come back to the capex question again. Apologies if I didn't hear it clearly the first time around. Just the guidance of $700 million to $750 million this year. I know your guidance historically has been $650 million to $700 million. So, once the PSB rollout has been done, which has largely driven that exceptional cost, is your medium-term outlook guidance sticking at similar rates, at $650 million to $700 million? Or is that something you will address at a later stage? That's the first question.

Secondly on the mobile money in Nigeria, obviously you talked a lot in the presentation around exclusivity and importance of availability of float and cash etc. How does that work in the Nigerian context where it is my understanding it's not an exclusive distribution franchise? How do you navigate around those issues in the Nigerian market as you roll out PSB? Thank you.

Segun Ogunsanya
Let me take the Nigeria PSB question first. If you look at the number of adults without bank accounts in Nigeria, it is said to be around 50%. More than half of Nigerians don't have bank accounts. We have two spaces we are looking at. One space is where you're not in the financial system at all. You don't have a bank account. You don't have a wallet. That particular space is where we're going to use our distribution reach, making sure people who don't have anything, who keep their money in their house, under the bed or somewhere, we're going to open a wallet where they can safely store values in any of our 30,000 agents that we've created in Nigeria. That' a unique proposition, and we have a unique way of reaching those many customers who are not part of the financial system at all. That is one piece.

The second piece where there is more competition is in the area where have most of the customers who do have bank accounts but who we are also going to target with mobile money applications. Those are slightly more sophisticated, and maybe slightly more competition will happen in that space. But we're going to offer a richer proposition, a lot more financial products, that is way beyond the traditional mobile wallet, beyond the mobile payments. We're going to look at stuff like being an intermediary for insurance, intermediary for loans, intermediary for investments. That's the additional value where we're going to come to play.

Remember we got about 40 million customers as we speak. I don't think any of the fintechs has this captive customer base. These are customers that are using us for data activity, the internet, they are using us for making phone calls. They are already captive on our system. They are the ones that we are going to offer these unique opportunities, for the very low end, opportunities to have a mobile wallet, use SMS, use USSD, and for the slightly more sophisticated customers, opportunity to use the app that we've already created to access financial products. And that's the wide band that we're looking at.

In terms of the capex guidance Jaideep will come back again. But we are very clear that in the short term we are adding a small amount for Nigeria, the PSB. That is the $30 million we've seen. The normal range is between $650 million and $700 million. Jaideep, do you want to give more flavour to this?

Jaideep Paul
I would say in the medium term we continue to be in the range of $700 million, between $700 million and $725 million. One of the reasons for why we are slightly increasing it is because as we are expanding our network within our footprint, increasing the coverage area and also increasing the 4G penetration across the footprint. As you have seen, today we have almost reached 80% but there is still some way to go. And with the increasing data usage that gives us the courage of maybe increasing the capex from earlier guidance of $600 million to $650 million to probably between $700 million and $725 million. That I think should be broadly okay in the medium term.

Alistair Jones
Thank you.

Operator
Thank you very much. The next question is from Farouk Miah of All Africa Partners. Please go ahead. Farouk, your line is open. Would you like to ask your question? It would appear that we have some difficulties on that line as well. Sir, we have no further questions in the queue at the moment. Would you like to proceed with questions from the webcast?

Pier Falcione
Thank you, Chris. There are quite a few questions on the webcast, so we will take just a few of them. But we will get back to each individual question separately from the IR team. The question, Segun, is on the Q4/Q3 trend and any insight on the trends that you have seen particularly in terms of growth between Q3 and Q4.

Segun Ogunsanya

If you look at Q4/Q3 there are two key indices that may account for the slowdown in Q4. One is of course the lower number of days. In Q4 we had 90 days. In Q3 we had 92 days. So that's a 2.2% differential coming from lower number of days in Q4. The bigger one is on the sale of towers in Tanzania. We lost the revenue from towers. We sold our towers to a third party. That is a significant amount, $6 million. If you normalise for those two, the impact of two less days in Q4 and the impact of the site share revenue that we lost from Tanzania, it is more or less the same for Q4 versus Q3.

Pier Falcione
Thank you. Any comment on the inflationary environment that you see across Africa and in Nigeria in particular? The next one is also on Tanzania mobile money, whether you can comment on whether the business has returned to growth or not.

Segun Ogunsanya
On Tanzania mobile money we still expect another quarter. This first quarter will still be very challenging for us. And after this first quarter we're going to start cycling the quarters of last year. We continue to also work with the government, continue to work with the various agencies in Tanzania, showing them that it is in the best interests of the economy, best interests of customers to have a lower level of tax so that we can stimulate financial inclusion. We are engaging with the government on this. Hopefully we will reach a sweet spot. That will be good for the economy and good for the customers who are moving away from digital transactions back to the traditional cash economy. So hopefully we will get to a sweet spot with the government.

In terms of inflation, yes, fuel inflation, food inflation is hurting the wallets of customers. And we are not immune from this impact as well. What we continue to do is to find ways of mitigating the impact. But finally, if you look at the first few months of the year, we had COVID which affected most of our customers who couldn't go out for daily activities. Most of the countries are open now.

So, if you look at the impact of inflation, if you look at the sweet spot that almost all of the economies in Africa are opened up now, for those who get paid on a daily basis, they are back to work. And we also expect some increase in cash that is available. So, it is a mixed bag. One, of course inflation is affecting the wallet coming from fuel and food. And second, most people are able to have a bigger wallet because they are back to work now after the COVID lockdowns of the last few quarters.

Pier Falcione
The next one is more on Nigeria to comment on this tariff increases and why the regulator needs to approve. So, what is the process in terms of price increases? And the strong voice growth you are experiencing in Nigeria, is that sustainable?

Segun Ogunsanya
Let me take the growth first. If you look at the ARPU that we derived from Nigeria, voice ARPU grew, data ARPU grew. It is still a country where we have many untapped opportunities. We have still not covered all of the country in terms of population. And as we continue to expand our 4G footprint we are

seeing a lot more data revenue. As I speak now almost all of our towers in Nigeria are covered by 4G. so we expect some acceleration in data revenue to come from this.

Beyond this we are extending our coverage a lot more in the rural communities where it wasn't very financially viable to do that a few years ago. But now we are taking a different view and we are expanding coverage to those areas. So, we are expecting a lot more of voice revenue, a lot more of data revenue. As we now launch mobile money, we're going to have a third pillar of growth. So, Nigeria will continue to be a very important part of our portfolio.

In terms of price increase, like I said earlier, we don't have pricing power. Pricing is determined by the regulator. Of course, telcos are able to make recommendations to the regulator, but ultimately the regulator could decide whether to say yes or no. So, I leave that to the regulators in Nigeria to do what is best for the country.

Pier Falcione
And the last one. How do you see your regulatory and tax environment across your main markets?

Segun Ogunsanya
They are different levels of maturity. We continue to comply with all the rules and regulations in each of the 14 countries where we operate. We don't make the rules. We just have to comply with the rules. There is lot of improvement to be made. We engage the regulators. We engage governments. I've been to a number of countries, talking to Minsters, talking to regulators, just finding a sweet spot that will benefit the economy, benefit the operators, and be in the greater interest of the customer. And that's what we are all after. So yes, we comply with rules. If there is a rule that we reckon is not customer friendly, is not operator friendly, we engage regulators and find ways of making them more friendly in the bigger interests of our stakeholders.

Pier Falcione
Thank you. Thank you all, then, for joining the call. We look forward to seeing as many of you as possible in the next few days. Operator, you can now close the call. Thank you.

Segun Ogunsanya
Thank you.

Jaideep Paul
Thank you very much.

Operator
Thank you very much. Ladies and gentlemen, that then concludes this event, and you may disconnect.

END OF TRANSCRIPT