



Company: Airtel Networks Zambia PLC
 Business: Telecommunication
 Parent Company: Bharti Airtel Limited
 Listed: 2008
 Country: Zambia

Sector Report
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AIRTEL NETWORKS ZAMBIA PLC

Airtel Networks Zambia PLC ("Airtel" or "the Company") is the only telecommunications service provider that is listed on the Lusaka Securities Exchange ("LuSE"). It is a high-performing subsidiary of Bharti Airtel Limited and 2023 saw significant milestones:

- 11% increase in customer base to 10.2 million customers;
- Over 500,000 monthly active users of the MyAirtel app;
- Continued increase in market share from 46.4% to 48.6%, the closest competitor is MTN Zambia Limited at 32.6% (35.9% in 2022);
- Continued increase in share of total mobile internet users from 53.4% to 54.5%, MTN Zambia stood at 35%, (36.8% in 2022); and
- Over 189,000 distribution touchpoints; and over 117,000 mobile money agents.

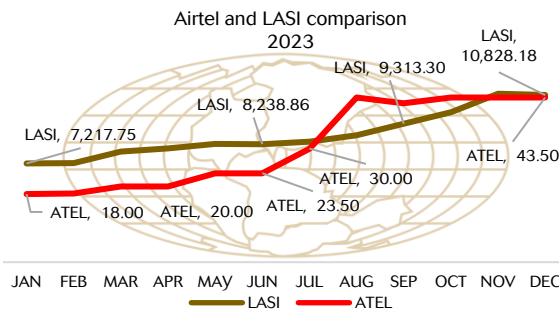
SHAREHOLDING STRUCTURE

Shareholder Name	Percentage
Bharti Airtel Zambia Holdings	96.36%
Saturnia Regna Pension Trust Fund	1.19%
KCM Pension Trust Scheme	0.31%
Others	2.14%

MARKET INFORMATION AND PERFORMANCE

LuSE Ticker – 10 May 2024	ATEL
LuSE Price, in ZMW (Current)	43.5
LuSE Price, in USD	1.59
Issued Shares	104,000,000
LuSE MarketCap, in ZMW [Fully Diluted]	4,524,000,000
LuSE MarketCap, in USD [Fully Diluted]	165,471,836
52-Week High, in ZMW	43.5
52-Week Low, in ZMW	18
Forex USD to ZMW [10 May 2024]	27.34

Airtel was one of the best performing stocks on the LuSE according to price, with an opening price of ZMW18 and closing price of ZMW43.50. Airtel was ranked eighth in turnover on the LuSE, trading approximately ZMW12.5 million for the year 2022.



Airtel's stock recorded the most activity in the latter half of the year, with a spike in trades in August, which saw the price jump from ZMW30 to ZMW43.50. This was likely underpinned by the increase in Earnings Per Share ("EPS") by 33%, due to an increase in the firm's customer base and hence, revenue. This positive performance and Airtel's consistency with dividend payments increased investor interest in the stock, an interim dividend announcement was anticipated. As expected, December saw considerable trading activity after the ZMW3.11 interim dividend announcement in November.

Airtel's market activity is heavily influenced by financial results and dividend announcements. The consistent dividend announcements over 2022 have created high-demand for the stock. This has fostered

an environment where the stock is scarce on the market, as investors opt to buy and hold to earn dividend income. However, it has also allowed existing shareholders to take advantage and sell above-market to willing buyers, causing the increase in price.

2023 FINANCIAL RESULTS AND RATIOS

Financials (ZMW'million)	2023	2022	%Change
Revenue	5,639	4,451	26.7%
Operating Profit	2,276	1,793	26.9%
Net Income	1,139	921	23.7%
Total Assets	5,504	4,641	18.6%
Total Liabilities	5,064	3,968	27.6%
Total Equity	440	673	34.6%

Key Metrics	2023	2022
EPS (ZMW)	10.95	8.86
Operating Profit Margin	0.40	0.40
Profit Margin	0.20	0.21
Return on Equity	2.59	1.37
Return on Assets	0.21	0.20
Current Ratio	0.32	0.31
Debt to Equity	11.51	5.90

2023 COMPANY PERFORMANCE

Airtel recorded a 26.7% increase in revenue underpinned by an increase in: airtime revenue of 20.1%; data revenue of 38.5%; roaming revenue of 65.2% and; value added services content of 25.9%. The increases in these revenue streams was largely underpinned by the Company's growing customer base. The value of this revenue resulted in a 26.5% increase in expenses and culminated in a 26.9% increase in operating profit.

Finance costs increased by 52%, mainly due to a 312.8% increase in net exchange losses on lease liabilities and 93.1% increase in interest expenses on borrowings. This eroded the thus far consistent proportional increase in line items post revenue, resulting in a 21.2% increase in profit before tax and 23.7% increase in profit after tax.

The Company recorded improvements in return on equity ("ROE") due to a reduction in equity and rise in profit in 2023. Further, Airtel recorded a 95% rise in the debt to equity ratio, mainly attributable to a 42.1% rise in non-current liabilities. This increase was due to Airtel taking out additional loan facilities, most likely to finance significant investments in infrastructure.

2024 OUTLOOK

Whilst Airtel has performed relatively well in 2023 when compared to 2022, there are areas where performance can be improved. These include increased bandwidth capacity, improved service provision following fines from ZICTA in 2023 and 2024, and increased wholesale transmission infrastructure.

We anticipate that Airtel's customer base, financial performance and possibly dividend payments, will be determined by the impacts of the following:

- Launch of the embedded SIM card technology service;
- Planned expansion of fibre network to Luapula, Muchinga and Northwestern provinces;
- The mobile money transaction levy effective 1 January 2024;
- Future expansion of national and international traffic fibre rings; and
- Reduction in customs duty to 0% from 15% on information and communications technology ("ICT") and to 5% from 25% on telecommunications equipment for three years to encourage expansion

Sources
[Airtel Africa 2023 annual report](#)
[ZICTA 2023 annual report](#)
[ZRA 2023](#)