



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 subsidiary of Bharti Airtel Limited. Airtel provides 3G and 4G wireless services and mobile money services to retail and corporate clients. Airtel has the largest customer base in Zambia, with 9.1 million subscribers as of 2022.

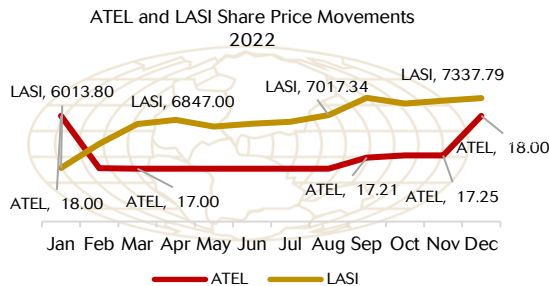
SHAREHOLDING STRUCTURE

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 – 23 March 2023	ATEL
LuSE Price, in ZMW (Current)	18.50
LuSE Price, in USD	0.89
Issued Shares	104,000,000
LuSE Market Cap, in ZMW [Fully Diluted]	1,924,000,000
LuSE Market Cap, in USD [Fully Diluted]	96,189,746
52-Week High, in ZMW	18.50
52-Week Low, in ZMW	17.00
Forex USD to ZMW [23 March 2023]	20.87
LuSE Ticker – 23 March 2023	ATEL

Airtel was among the top-five highest stocks on the LuSE, having maintained its opening price of ZMW18. Airtel was ranked sixth in turnover on the LuSE, trading approximately ZMW16 million for the year 2022, recording 262 trades. This significant turnover is underpinned by Airtel's relatively high price, as well as investor's reactions to dividend announcements.



Airtel's stock recorded the most activity in March and April 2022, trading over 200,000 and 700,000 shares respectively. This increase in investor activity was triggered by an indication of a dividend payout in their Annual General Meeting ("AGM") announcement issued on 9 March 2022. Following the AGM on 30 March, a final dividend announcement of ZMW2.40 per share for the year 2021, was released. This level of investor reactivity reflected that this was an attractive exit point for existing shareholders, and entry point for potential investors.

Interestingly, in September the stock saw an increase in share price, from ZMW17.00 to ZMW17.21 following a 2022 interim dividend announcement of ZMW3.00 per share. The stock price has since been on an upswing and is currently trading at ZMW18.50. Contrastingly, there was little trading activity after the dividend announcement, as opposed to the activity seen in March and April. Possibly, shareholders opted to hold the stock in anticipation of future dividends. This anticipation was influenced by the 299% increase in Earnings per Share in their interim results, stemming from a 15% increase in their customer base and thus 26% increase revenue.

At the 2023 AGM, Airtel Shareholders adopted to pay a record final dividend of ZMW5.50 per share, this will result in a record total dividend of ZMW8.50 and dividend yield of 46% for the year 2022.

We expect that Airtel's stock will see considerable activity over the course of April 2023, similar to 2022, as investors aim to reap the benefits of this noteworthy ZMW5.50 dividend.

2022 FINANCIAL RESULTS AND RATIOS

Financials (ZMW'million)	2022	2021	%Change
Revenue	4,451	3582	24.26
Operating Profit	1,793	1,254	42.98
Net income	921	693	32.37
Total Assets	4,641	3,398	36.58
Total Liabilities	3,968	3,085	28.62
Total Equity	673	313	115.02

Key Metrics	2022	2021
Earnings Per Share (ZMW)	8.86	6.67
Operating Profit Margin	0.40	0.35
Net Income Margin	0.21	0.19
Return on Equity	1.37	2.21
Return on Assets	0.20	0.20
Current Ratio	0.31	0.20
Debt to Equity	5.90	9.86

2022 COMPANY PERFORMANCE

Airtel recorded a notable increase in net income of 32%, attributable to an increase of their customer base by 14% from 2021. This Net Income increase was despite a significant increase in finance/exchange costs from ZMW151 million in 2021 to ZMW 333 million in 2022, which was offset by the following:

- A sustained increase in revenue of 24.3%, from ZMW3.6 billion in 2021 to ZMW4.5 billion in 2022; and
- A significant reduction in operating costs, evidenced by the 43% increase in operating profit from ZMW1,254 million in 2020, to ZMW1,793 million in 2022. This was most likely due to Airtel's continued implementation of the War on Waste cost optimization initiative. Which was attributed to having increased operating profits in 2021, by 74.4% from 2020.

Airtel, as part of their customer centric strategy to prepare for the future and meet evolving customer needs, the Company employed an active investment plan. This included investing in fiber cable equipment, spectrum cable equipment and Long Term Evolution ("LTE") sites. These projects were funded by bank overdrafts and loans. The impact of which was the underlying reason for the increase in finance costs and the current ratio. In the long-run, these projects are likely to accelerate the upward trajectory of Airtel's customer base and revenue.

2023 STRATEGY AND OUTLOOK

We anticipate that Airtel's customer base, financial performance and possibly dividend payments, will continue to increase due to the following investments:

- Deeper market penetration following the completion of the country-wide fiber ring in 2022;
- The increasingly popular My Airtel App, which has resulted in an increase in customer engagement and service accessibility;
- The purchase of 60MHz of additional spectrum from the Zambia Information and Communications Technology ("ZICTA") in October 2022, which can accommodate 5G¹; and
- In January 2023, the Company announced a 138 increase in sites across 10 provinces in Zambia over 2022 to improve accessibility². Currently, Airtel has 1613 4G sites, the highest in Zambia.

¹ Techabal Airtel Zambia coughs up \$29 million for spectrum to accelerate 5G rollout
² Airtel Rolls out 138 sites across the 10 provinces