



AIRTEL MALAWI

Price (MWK)	29.00
DPS (MWK)	2.10
P/E (x)	14.44
P/B (x)	2.01
DPS Yield (%)	13.24
Market Cap (MWK mln)	319 000
Recommendation	BUY

<i>Figures in MWK mlns</i>	Dec-20	Dec-19	YoY
Voice Revenue	61,289	59,782	3%
Data Revenue	38,390	26,227	46%
Other Revenue	10,554	6,815	55%
Total Revenue	110,233	92,824	19%
Other Income	1,083	2,574	(58%)
Expenses	(59,308)	(54,264)	9%
EBITDA	52,008	41,134	26%
Depreciation	(14,622)	(11,300)	29%
Operating Profits	37,386	29,834	25%
Finance costs	(5,649)	(4,604)	23%
PBT	31,737	25,230	26%
Tax	(9,646)	(9,322)	3%
PAT	22,091	15,908	39%

Receivables	19,604	20,303	(3%)
Cash	17,418	5,675	207%
Current Assets	47,183	32,223	46%
Total Assets	137,749	114,391	20%
Payables	38,293	45,671	(16%)
Current liabilities	89,781	84,128	7%
Borrowings	40,489	41,193	(2%)
Capital/NAV	24,091	15,750	53%
Capex	18,798	24,843	(24%)

Technical Data		
Voice Subscribers	5,043	4,030
Data Subscribers	1,616	1,299
ARPU (MWK)	2,074	2,104
Capex/Revenue (%)	17.05	26.76
Profitability & Debt Ratios		
EBIDTA Margin (%)	47.18	44.31
PAT Margin (%)	20.04	17.14
Return on Equity (%)	110.90	202.00
Net Debt to Equity Ratio (%)	56.98	86.22
Interest Coverage (x)	6.62	6.48

Data driven earnings...

Airtel Malawi continued to perform ahead of expectations, returning a 39% growth in PAT to MWK22.1bln on the back of a 46% and 55% increase in data and other revenues to MWK38.4bln and MWK10.6bln respectively, a lower 9% push in operating expenses and a reduction in the tax rate to 30% from 37%. The calculated return to equity was an ROE of 111%, with a dividend of MWK2.10 per share was declared.

A good day at the crease ...

The growth in revenues was attributed to a 25% rise in the number of subscribers to 5mln, of which 1.6mln were active data customers. Voice revenues, which remain the mainstay for the group contributing MWK61.3bln of the MWK110.2bln turnover registered a marginal 3% improvement, although ARPU was flat at US\$2.77 per month. As expected, voice revenue growth has started to decline and is likely to be negative in the coming years. EBITDA margins improved 287bps to 47%, with group's EBITDA advancing 26% to MWK52bln. After debiting financing costs of MWK5.6bln, comprising actual interest due of MWK2.1bln and MWK3.5bln in exchange losses, PBT was up 26% to MWK31.7bln

Improving balance sheet ratios...

The highlight on the balance sheet was the 3.07x hike in the cash balance to MWK17.4bln, benefiting from good cash generation from operations, reduced capex spend, and very little in terms of debt repayments. As such, the debt balance was static at MWK40.5bln but much less on a net basis. The interest cost is comfortably covered by operating profits at 6.62x.

Investing for the future ...

In FY20, Airtel invested MWK18.8bln in the acquisition of additional spectrum and laying of 1 355km of fibre, as the company intends to solidify its market dominance in data. The capex intensity ratio at 17% is in line with international benchmarks.

A lot of headroom for Airtel ...

In the recent past and more so after the Covid-19 pandemic, telecom companies have evolved into essential services utilities, albeit at very strong margins. We are in the process of reviewing our model, but we remain positive on Airtel. **BUY.**

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