

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

Key Highlights



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 to 1.19x 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	30 June 23 Restated*	31 Dec 23
	K'000	K'000	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	30 June 23 Restated*	31 Dec 23
	K'000	K'000	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
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	30 June 23 Restated*	31 Dec 23
	K'000	K'000	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.