

Results for the first half ended 30 June 2017

PERFORMANCE

The company achieved high levels of service revenue and moderate subscriber growth during the first six months of 2017 which enabled it to increase EBITDA and maintain margins and profitability levels.

Macro-economic conditions improved during the first six months of 2017 with reducing inflation and interest rates, and stable exchange rates. Against this background, management remain focused on maintaining current levels of profitability to support future investment as the company evolves into a full Information and Communications Technology (ICT) business.

The company has been successful with initiatives to improve revenue streams and manage costs in the first half of the year. The company maintained its EBITDA margin at 33%. Net financing costs decreased to MK1, 497 million (June 2016: MK2, 188 million) which includes foreign exchange losses of MK25 million (June 2016: MK427 million). Net profit after taxation increased by 72% to MK4, 750 million (June 2016: MK2, 766 million).

TNM invested in capital expenditure of MK12,332 million in the first half of 2017 (June 2016: MK3,814 million) which mainly consists of 4G mobile technology, Lilongwe and Blantyre quality improvement sites and Northern region coverage sites. 4G technology positions the company as a leading ICT provider employing leading edge technology to offer services beyond traditional GSM mobile telephony.

Outlook

The company expects the challenging business environment to persist in the second half of 2017 although marginally better than the previous year. The company will continue to implement cost management initiatives and strategies aimed at expansion and diversification of its revenue base.

Dividends

The Directors have declared a first interim dividend for the financial year ending 31st December 2017 of MK 1,506 million, equivalent to 15 tambala per share, payable on 1st September 2017 to those shareholders appearing in the register of the Company as at the close of business on 18th August 2017. The register of members will be closed from 21st August 2017 to 23rd August 2017 both dates inclusive.

BY ORDER OF THE BOARD

Hitesh Anadkat
Vice Chairman

George Partridge
Chairman

Its *Great*
to be here

KEY ACHIEVEMENTS IN FIRST HALF OF 2017

7% GROWTH
in subscriber base;



COVERAGE
expansion of the network across the
country;



IMPLEMENTED
4G technology.



KEY FINANCIAL HIGHLIGHTS

23%
growth in Service Revenue to
K 35,224
Million

26%
increase in EBITDA to
K 11,948
Million

72%
increase in Profit After Taxation to
K 4,750
Million

NETWORK
Infrastructure Investment
K 12,332
Million

6%
Increase in Average Revenue
Per User (ARPU) to
K 1,599

68%
Increase in Earnings per share to
K 0.47

STATEMENT OF COMPREHENSIVE INCOME

In millions of Malawi Kwachas

	Unaudited six months to 30 June 2017	Unaudited six months to 30 June 2016	Audited year ended 31 Dec 2016
Service Revenue	35,224	28,700	64,613
Hardware and Equipment Revenue	587	443	940
Total Revenue	35,811	29,143	65,553
Direct operational costs	(17,801)	(14,156)	(31,476)
Gross profit	18,010	14,987	34,077
Other income	1,303	934	1,846
Selling and administration expenses	(7,365)	(6,407)	(12,928)
Earnings before interest, tax, depreciation and amortisation	11,948	9,514	22,995
Depreciation and amortization	(3,535)	(3,156)	(6,687)
Results from operating activities	8,413	6,358	16,308
Finance income	15	22	42
Finance expenses	(1,512)	(2,210)	(4,292)
Net finance expense	(1,497)	(2,188)	(4,250)
Profit before income tax	6,916	4,170	12,058
Taxation	(2,166)	(1,404)	(3,852)
Profit for the period	4,750	2,766	8,206
Other comprehensive income	-	-	-
Total comprehensive income	4,750	2,766	8,206

Movement in retained earnings			
Retained earnings brought forward	18,096	12,902	12,902
Profit for the period	4,750	2,766	8,206
Dividend declared	(1,305)	(1,004)	(3,012)
Retained earnings carried forward	21,541	14,664	18,096
Basic earnings per share (MK)	0.47	0.28	0.82
Number of ordinary shares in issue ('mil)	10,040	10,040	10,040

STATEMENT OF FINANCIAL POSITION

In millions of Malawi Kwachas

	Unaudited six months to 30 June 2017	Unaudited six months to 30 June 2016	Audited year ended 31 Dec 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	40,850	30,411	32,004
Intangible assets	6,386	6,285	6,476
Deferred tax assets	257	-	104
Total non-current assets	47,493	36,696	38,584
CURRENT ASSETS			
Inventories	2,336	1,804	2,353
Trade and other receivables	7,461	5,554	6,473
Amounts due from related parties	335	32	275
Bank and cash balances	2,238	1,351	1,886
Total current assets	12,370	8,741	10,987
TOTAL ASSETS	59,863	45,437	49,571

EQUITY AND LIABILITIES

SHAREHOLDERS EQUITY

Share capital	402	402	402
Share premium	2,347	2,347	2,347
Retained earnings	21,541	14,664	18,096
Total equity	24,290	17,413	20,845

NON-CURRENT LIABILITIES

Deferred Tax	-	135	-
Long-term portion of interest bearing loans	5,000	5,000	5,000
Long-term portion of deferred payment facility	5,467	1,560	1,449
Total non-current liabilities	10,467	6,695	6,449

CURRENT LIABILITIES

Trade and other payables	11,251	8,988	10,292
Current portion of interest bearing loans	4,511	3,974	3,862
Deferred income	1,500	1,502	1,402
Dividend payable	1,305	-	1,004
Income tax payable	1,854	618	1,670
Bank overdraft	4,685	6,024	4,029
Amounts due to related parties	-	223	18
Total current liabilities	25,106	21,329	22,277

TOTAL LIABILITIES 35,573 28,024 28,726

TOTAL EQUITY AND LIABILITIES 59,863 45,437 49,571

STATEMENT OF CASH FLOWS

In millions of Malawi Kwachas

	Unaudited six months to 30 June 2017	Unaudited six months to 30 June 2016	Audited year ended 31 Dec 2016
Operating activities			
Cash receipts from customers	36,157	31,939	68,186
Cash paid to suppliers and employees	(24,203)	(20,923)	(45,261)
Cash generated from operations	11,954	11,016	22,925
Interest paid	(1,486)	(1,783)	(3,477)
Income tax paid	(2,135)	(1,275)	(2,988)
Cash flows generated from operating activities	8,333	7,958	16,460
Investing activities			
Interest received	15	23	42
Purchase of property, plant and equipment	(12,215)	(3,664)	(8,213)
Purchase of software	(117)	(150)	(963)
Proceeds from sale of property, plant and equipment	17	22	110
Net cash used in investment activities	(12,300)	(3,769)	(9,024)
Financing activities			
Repayments of loans	-	(278)	(278)
Receipts of loans	(2,384)	(2,934)	(4,942)
Deferred payment facility	7,051	941	3,236
Payment of dividends	(1,004)	(2,008)	(3,012)
Net cash generated from/(used in) financing activities	3,663	(4,279)	(4,996)
Net (decrease)/increase in cash and cash equivalents	(304)	(90)	2,440
Cash and cash equivalents at the beginning of the period	(2,143)	(4,583)	(4,583)
Cash and cash equivalents at the end of the period	(2,447)	(4,673)	(2,143)
Increase in net working capital	(148)	(2,890)	(1,748)