August 20, 2025

Nigeria | Equities Research | Telco | Company Update

Airtel AFRICA PLC

NGX: AIRTELAFRI

BUY

Target Price:	N3,906.75
Ref Price:	N2,310.50

Operational gains to lift earnings

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Airtel Africa Plc (AIRTELAFRI) in its Q1'25/26 earnings, recorded a PAT of $156.0 million (vs $31.0 million in Q1'24/25), on the back of 1) the full quarter impact of tariff adjustments in the Nigerian OpCo, 2) relatively improving FX dynamics, 3) recovery in observed market trends in the Francophone region, and 4) sustained CAPEX investment that facilitated data monetisation. In our view, this trend is likely to persist in the remaining part of the fiscal year, and following conversations with management, we raise our TP to N3,906.75, up from our previous estimate of N3,635.78. We maintain our ***BUY*** *rating on the ticker.*

AIRTELAFRI is poised for a rebound

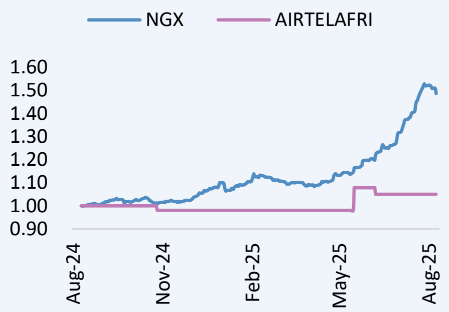
In Q1'25/26, the Nigerian business reported a revenue growth of 30.0% to $333.0 million as a result of an interplay of price increases and rising data traffic. For the remainder of the fiscal year, we expect this positive trend to persist, underpinned by resilient demand for mobile internet services and accelerating smartphone penetration. Accordingly, we now forecast Nigerian data revenue growth of 36.0% YoY in FY'25/26 (vs 32.0% previously and decline of 26.1% in FY'24/25), while maintaining our stance on the voice revenue growth at 18.0% (vs a contraction of 37.0% in the prior year), reflecting the structural shift toward data services.

We also anticipate strong momentum in the Francophone region, where an improving macroeconomic narrative, a stronger currency (CFA up by 12.45% YtD), and a focus on acquiring higher-quality customers are driving data and smartphone penetrations. We also note that smartphone penetration in this region remains well below the African average, providing meaningful legroom for further growth. Meanwhile, the East African segment is expected to benefit from a relatively stable FX environment as well as sustained increases in mobile subscribers and steady growth in data consumption. To wit, we now expect AIRTELAFRI's revenue to scale to 16.6% YoY to $5.8 billion in FY'25/26 (vs prior estimate of 15.6% and a slight decline of 0.5% in FY'24/25).

This revenue uplift is likely to combine with the company's cost optimisations to support margins. Some of these cost optimisation strategies include increased investment in renewable energy, a gradual shift from off-grid to on-grid power sources, and improved terms from recent tower lease renegotiations. As a result, we now forecast an EBITDA margin of 48.6% (versus 48.1% prior and 46.0% in FY'24/25).

Market Data	AIRTELAFRI
Market Cap (N'bn)	8,430.6
Last close price (N)	2,310.50
52-week High/Low price	2,609.70/2,100.00
Avg. 3M daily volume	4,405.60

1 year price performance rebased



Source: NGX, Bloomberg, S&P Capital IQ, CardinalStone Research

Figure 1: Contribution from the data segment has increased, buoyed by positive shifts in Nigeria & Francophone regions

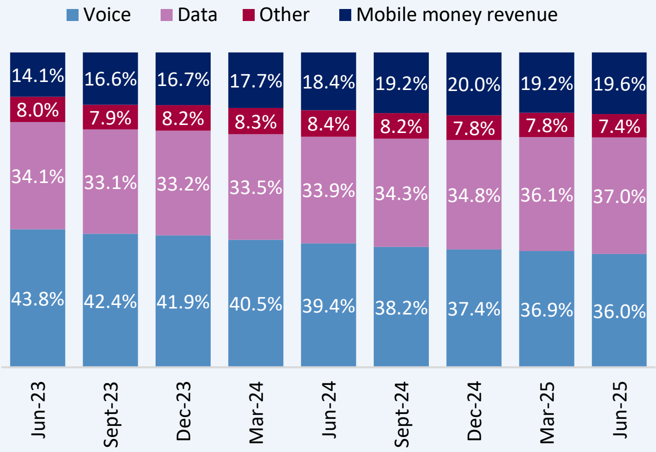
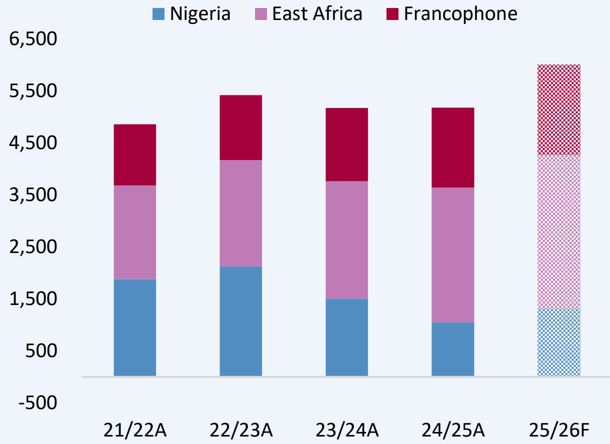


Figure 2: Revenue ($'billion) to scale across all regions



Source: Company financials, CardinalStone Research

Partnership with SpaceX

During the period, AIRTELAFRI announced an agreement with SpaceX to bring Starlink's high-speed internet services to its customers in Africa. Management revealed that this arrangement allows for four key achievements;

1. Speed to market that expands the company's coverage.
2. Improve customer experience based on resilient networks and reduced redundancy.
3. Cost efficiency as fibre becomes very expensive for setup in remote or rural areas.
4. Augment connectivity for enterprises, businesses and socio-economic communities like schools, health centres, etc, in most rural parts of Africa.

Currently, SpaceX has acquired the necessary licences in 9 out of 14 countries within AIRTELAFRI's footprint, and operating licences for the other five countries are in process.

In our view, Airtel Africa's partnership with SpaceX represents a strategic lever for both network expansion and new revenue streams. By leveraging Starlink's satellite capabilities, the collaboration positions AIRTELAFRI to extend broadband reach into underserved and hard-to-reach areas, while also opening monetisation opportunities across enterprise, retail, and government segments.

Dupont Analysis

A three-part DuPont breakdown shows that AIRTELAFRI's ROE recovery is set to be driven mainly by stronger net profit margins, with additional support from improved asset turnover, even as the leverage ratio eases in line with profitability gains. The margin rebound should reflect the combined effect of cost-efficiency measures, tariff adjustments in Nigeria, lower foreign exchange losses, and continued subscriber growth across operating markets. On the efficiency side, rising revenues are expected to lift asset turnover, helped by a more stable macro backdrop that reduces the drag from FX translation. Taken together, these dynamics position ROE to trend higher in FY'25/26, approaching the levels seen in FY'22/23.

Figure 3: Profitability metric uplift to drive leverage ratio improvement in FY’25/26

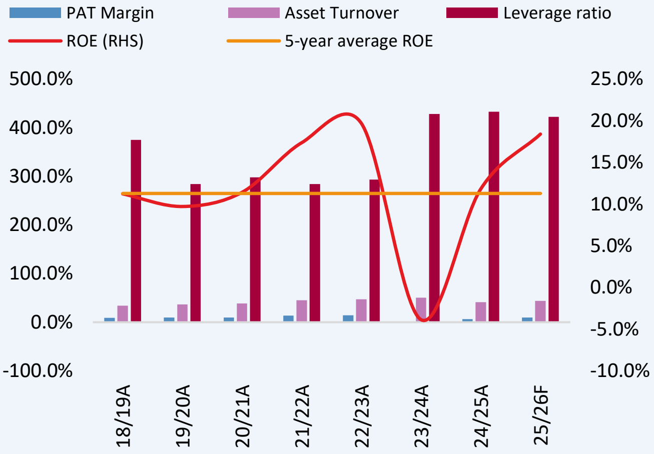
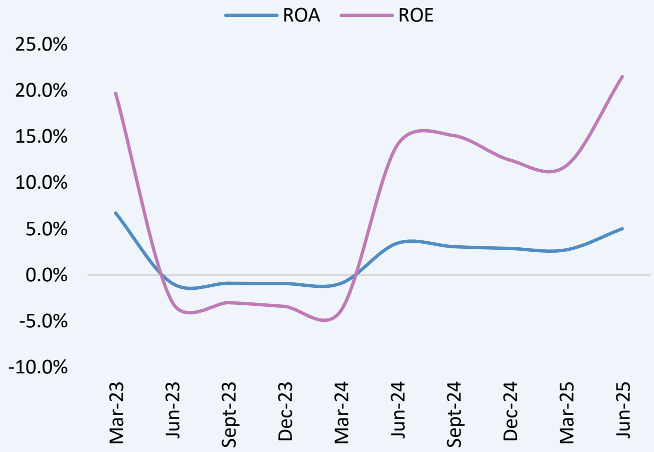


Figure 4: Profitability ratios trend across the last 10 quarters

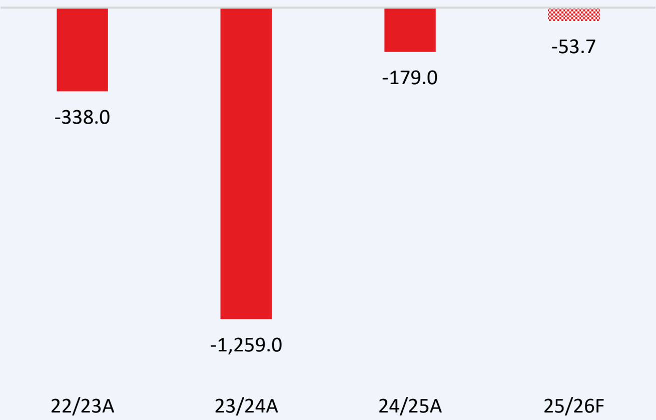


Source: Company financials, CardinalStone Research

Lower FX loss in the offing

A culmination of stable FX dynamics, particularly for Naira and the CFA Franc, as well as the operational strategy of reducing FCY debts via local borrowings, has driven FX losses lower in the period. Specifically, $22.0 million was reported as net derivative and foreign exchange gain in Q1'25/26 vs a loss of $136.0 million FX loss in the same period last year and a loss $179.0 million in FY'24/25. This trend is a key driver for lower Net finance cost in the period at $173.0 million (vs 261.0 million in Q1'24/25). This trend will persist going forward, and we estimated net interest to print at $779.0 million vs a 3-year average of $1.1 billion.

Figure 5: Lower FX loss ($'million) expected in FY'25/26



Source: Company financials, CardinalStone Research

Earnings quality is marked for improvement

AIRTELAFRI's earnings quality has been on a downward trend since FY'22/23, with macro headwinds weighing on the receivables accruals ratio. A rebound, however, looks likely as revenue is set to benefit from tariff increases, stronger data usage, and deeper smartphone penetration among higher-value customers. The leverage ratio is likely to further decline in FY'25/26F, highlighting improving earnings, a healthier balance sheet and lower financial risk.

Cashflow generation also strengthened, with the operating cash ratio climbing to 1.56 in FY'24/25 as operating gains fed directly into liquidity. This is projected to settle back to 1.28 in FY'25/26F, reflecting a more even balance between earnings and cash flows. Taken together, AIRTELAFRI shows strong cash-backed earnings and a steadily improving capital structure.

Figure 6: AIRTELAFRI's Earnings quality table

Earnings Quality	21/22A	22/23A	23/24A	24/25A	25/26F
Cashflow margin	0.43	0.42	0.45	0.46	0.40
Operating cash ratio	1.32	1.27	1.38	1.56	1.28
Repeatable earnings ratio	1.00	1.00	1.00	1.00	1.00
Leverage ratio	1.50	1.51	1.49	1.23	1.16
Receivables accruals ratio	0.01	0.04	-0.15	-0.83	0.02
EQ Score	4.25	4.25	4.18	3.41	3.86

Source: Company financials, CardinalStone Research

Valuation and recommendation

Following revisions to our model, we maintain our BUY rating on AIRTELAFRI and raise our 12-month target price to N3,906.75, up from our previous estimate of N3,635.78. This implies a potential upside of 69.1% from the current market price of N2,310.50. With a forward EV/EBITDA multiple of 3.9x, the stock trades at a discount to the MEA peer average of 5.5x, reinforcing its relative value.

Figure 7: AIRTELAFRI is trading at a discount to its MEA peer's EV/EBITDA multiples

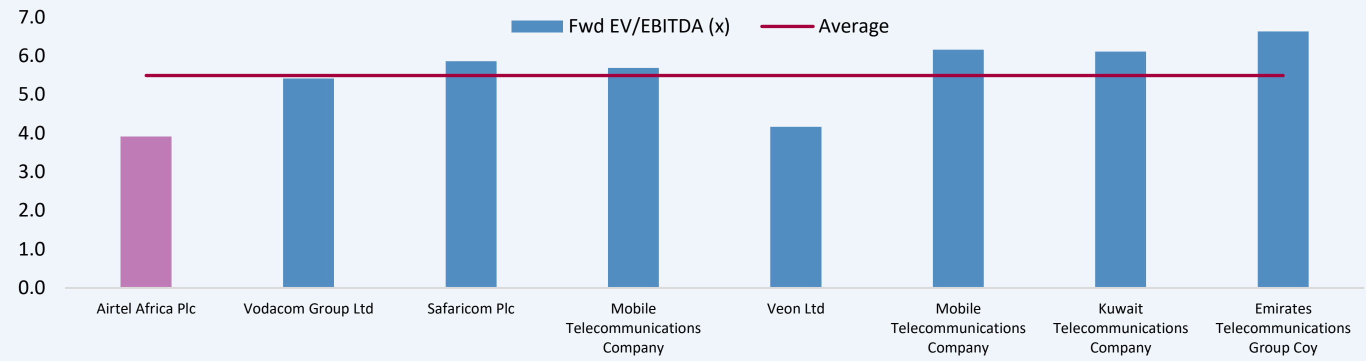
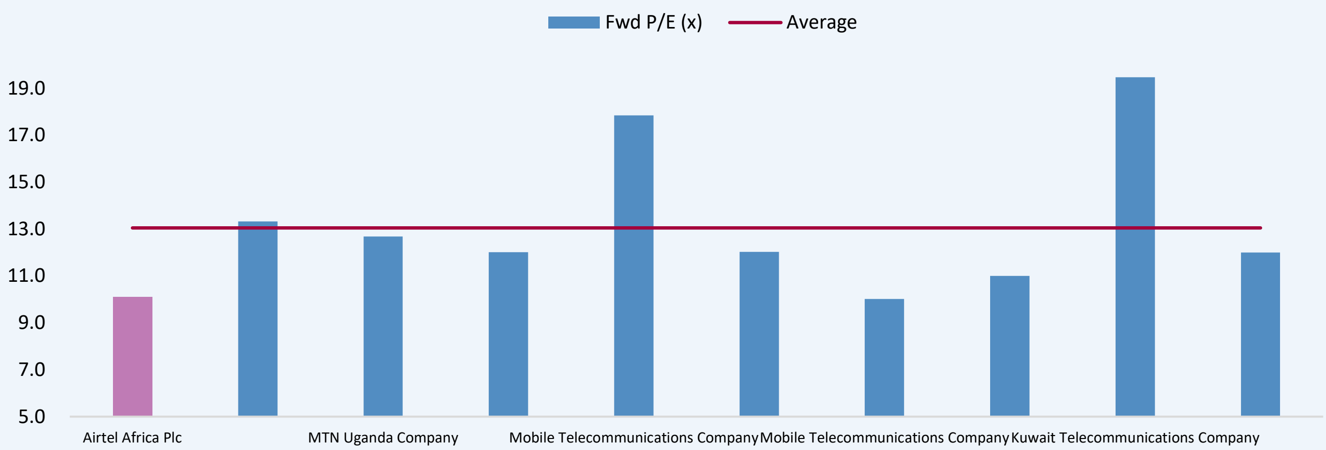


Figure 8: AIRTELAFRI is trading at a discount to its MEA peer's P/E multiples



Source: Bloomberg, CardinalStone Research

Figure 9: Summary of financials

Income Statement ($'million)	23/24A	24/25A	25/26F	26/27F
Revenue	**5,000.0**	**4,977.0**	**5,802.6**	**6,688.0**
COGS	(1,484.0)	(1,473.0)	(1,637.5)	(1,901.6)
Gross profit	**3,516.0**	**3,504.0**	**4,165.1**	**4,786.4**
Operating Expenses	(1,088.0)	(1,216.0)	(1,343.8)	(1,489.6)
EBITDA	**2,428.0**	**2,288.0**	**2,821.4**	**3,296.8**
D & A	(788.0)	(831.0)	(1,001.2)	(1,222.1)
EBIT	**1,640.0**	**1,457.0**	**1,820.2**	**2,074.7**
Net Interest	(1,703.0)	(822.0)	(779.0)	(750.2)
Net monetary gain	-	26.0	-	-
PBT	**(63.0)**	**661.0**	**1,041.2**	**1,324.5**
Tax	(26.0)	(333.0)	(468.5)	(596.0)
PAT	**(89.0)**	**328.0**	**572.7**	**728.5**
Earnings attributable to parent	**(165.0)**	**220.0**	**384.1**	**488.6**
EPS ($)	(0.04)	0.06	0.10	0.13
DPS ($)	0.06	0.07	0.07	0.08
Payout ratio	NM	109.4%	67.7%	58.2%
Shares outstanding ('million)	3,750.64	3,703.07	3,663.77	3,663.77

Cashflow Statement ($'million)	23/24A	24/25A	25/26F	26/27F
Cash flow from operating activities	**2,259.0**	**2,266.0**	**2,321.0**	**2,755.6**
o/w Depreciation & amortization	788.0	831.0	1,001.2	1,222.1
o/w Changes in working capital	175.0	287.0	21.9	70.9
Cash flow from investing activities	**(1,228.0)**	**(562.0)**	**(1,960.5)**	**(2,122.4)**
o/w Capital expenditure	(737.0)	(670.0)	(754.3)	(922.9)
as % of sales	14.7%	13.5%	13.0%	13.8%
Cash flow from financing activities	**(844.0)**	**(1,543.0)**	**(495.4)**	**(558.3)**
o/w Dividends paid	(212.0)	(229.0)	(259.4)	(282.8)
o/w Debt issued/(repaid)	(550.0)	(1,400.0)	(418.0)	(466.8)
Net change in cash	**187.0**	**161.0**	**(134.9)**	**74.9**
Cash & cash equivalent at the beginning of the year*	561.0	392.0	552.0	417.1
Effects of exchange rate on changes in cash	(128.0)	(1.0)	-	-
Cash & cash equivalent at the end of the year	**620.0**	**552.0**	**417.1**	**492.0**

Balance Sheet ($'million)	23/24A	24/25A	25/26F	26/27F
Cash and cash equivalents	620.0	552.0	417.1	492.0
Accounts receivable	184.0	203.0	222.6	274.8
Balance held under mobile money trust	106.0	67.0	65.0	65.0
Other current assets	1,382.0	1,339.0	1,597.1	1,596.5
Current assets	**2,292.0**	**2,161.0**	**2,301.8**	**2,428.3**
PP&E	1,827.0	2,086.0	2,372.6	2,752.9
Other intangible assets	725.0	810.0	1,028.1	1,255.0
Other non-current assets	5,017.0	6,966.0	7,439.0	7,759.0
Total assets	**9,861.0**	**12,023.0**	**13,141.5**	**14,195.2**
Short-term borrowings	1,426.0	1,095.0	1,377.2	1,445.4
Trade payable	422.0	485.0	727.6	850.2
Other short-term liabilities	2,198.0	2,662.0	3,177.1	3,210.5
Current liabilities	**4,046.0**	**4,242.0**	**5,282.0**	**5,506.1**
Long-term borrowings	947.0	1,226.0	1,190.5	1,422.1
Other long-term liabilities	2,568.0	3,780.0	3,558.7	3,710.9
Total liabilities	**7,561.0**	**9,248.0**	**10,031.2**	**10,639.2**
Equity	2,300.0	2,775.0	3,110.2	3,556.0
Total liabilities & equity	**9,861.0**	**12,023.0**	**13,141.5**	**14,195.2**
BVPS	0.61	0.75	0.85	0.97
y/y Growth	NM	22.2%	13.3%	14.3%
Net debt	**3,842.0**	**5,430.0**	**6,062.6**	**6,473.1**

Ratio Analysis	23/24A	24/25A	25/26F	26/27F
Gross Margin	70.3%	70.4%	71.8%	71.6%
EBITDA Margin	48.6%	46.0%	48.6%	49.3%
EBIT Margin	32.8%	29.3%	31.4%	31.0%
Net Profit Margin	-1.8%	6.6%	9.9%	10.9%
ROAE	-2.9%	12.9%	19.5%	21.9%
ROAA	-0.8%	3.0%	4.6%	5.3%
OPEX/Sales	21.8%	24.4%	23.2%	22.3%
Debt/Equity (x)	1.94x	2.16x	2.08x	1.96x
Debt/EBITDA (x)	1.84x	2.61x	2.30x	2.11x
Sales/Assets (x)	0.51x	0.41x	0.44x	0.47x
Assets/Equity (x)	4.29x	4.33x	4.23x	3.99x
Interest cover (x)	3.40x	2.20x	2.43x	2.73x
Effective tax rate	NM	50.4%	45.0%	45.0%
Revenue YoY Growth	-5.1%	-0.5%	16.6%	15.3%
EBITDA YoY Growth	-5.7%	-5.8%	23.3%	16.9%
EPS YoY Growth	NM	NM	76.5%	27.2%

Valuation	23/24A	24/25A	25/26F	26/27F
EV/EBITDA (x)	3.29x	5.97x	4.15x	3.68x
Dividend Yield	4.0%	4.3%	4.7%	5.2%

Source: Company financials, CardinalStone Research

Note: $ in millions (except per-share data). Fiscal year ends in December. o/w-out of which

* Cash & cash equivalent at the beginning of the year includes bank overdraft and balance held under money trust

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