

AIRTEL AFRICA Plc

BUY

Recalibrating projections for the telco bellwether

Target Price: N3,904.82

Ref Price: N2,270.00

*Airtel Africa Plc (AIRTELAFRI)'s H1'25/26 results showed a solid rebound, supported by tariff adjustments in Nigeria, sustained subscriber growth and rising data usage across the Group, and a more stable macro backdrop in several key markets. Revenue grew 25.8% YoY to c.\$3.0 billion, reversing the 9.7% YoY contraction recorded in the prior period. Notably, data revenue overtook voice to become the largest contributor to group revenue, reflecting the continuous shift to a more data-centric business model. These improvements, alongside insights from discussions with management and revisions to our valuation assumptions, including a lower equity risk premium (13.8% vs. 14.3% previously), prompted a recalibration of our forecasts. As a result, we adjusted our 12-month Target Price to N3,904.82 and maintain our **BUY** rating on AIRTELAFRI. However, this is slightly lower than our previous TP of N3,906.75, largely due to currency appreciation.*

Revenue trajectory biased to the upside

As a company with its presence across 14 African markets, the negative shifts in macro indicators, inflation and currency had previously marked down AIRTELAFRI's performance on several fronts. In these periods, we saw significant weakness in earnings as topline regressed (FY'24/25: -0.5% YoY to c.\$5.0 billion) and material FX losses were reported (FY'24/25: -\$179.0 million). However, with currency appreciation and stability being observed for Naira and other currencies, alongside disinflation in some of its markets, topline has been revitalised (H1'25/26: +25.8% to c.\$3.0 billion vs -9.7% YoY to \$2.4 billion recorded for H1'24/25), and FX gains reported in the period.

...Data remains a clear winner

The Group's rebound narrative is underpinned by strong data performance across its markets. In H1'25/26, data became the largest revenue contributor, growing 37.5% YoY to \$1.2 billion, compared with 13.2% YoY growth in voice revenue to \$1.1 billion. We believe the impressive outturn to be a result of the company's "best-in-class network experience strategy". Specifically, AIRTELAFRI continued to pursue this strategy via continuous CAPEX scaling, which has been instrumental in the sustained data usage growth parameters.

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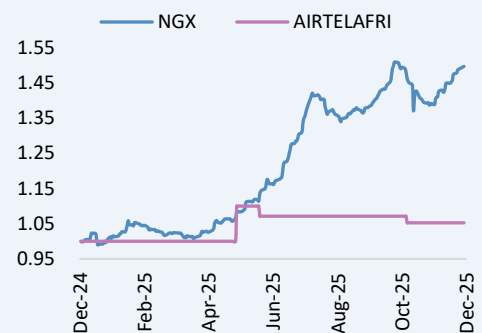
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Market Data

Market Cap (N'tn)	8.28
Last close price (N)	2,270.00
1-year high-low price (N)	2,609.70 – 2,156.90
Avg 3M daily volume	1,435.56

1-year price performance (rebased)

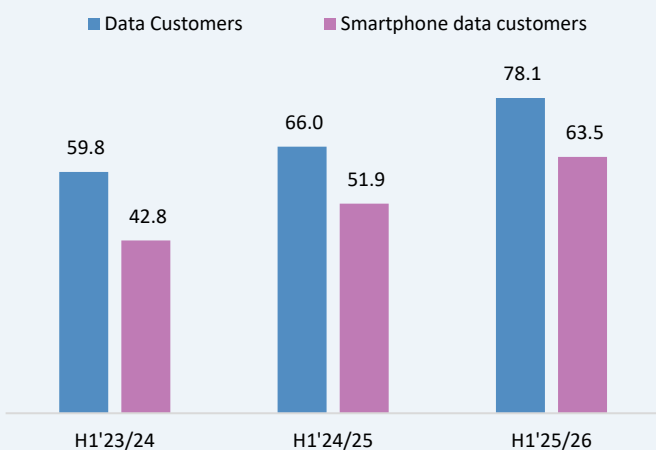


Source: Bloomberg, NGX, CardinalStone Research

For context, AIRTELAFRI deployed over 2,350 4G sites during the year, expanding data capacity across its footprint. As a result, overall population coverage increased to 81.5% at period-end, up 0.7ppt YoY, with 98.5% of sites now 4G-enabled. This sustained capex deployment has been pivotal in driving continued growth in data traffic, which, combined with an expanding smartphone data customer base, continues to provide strong tailwinds for data revenue growth.

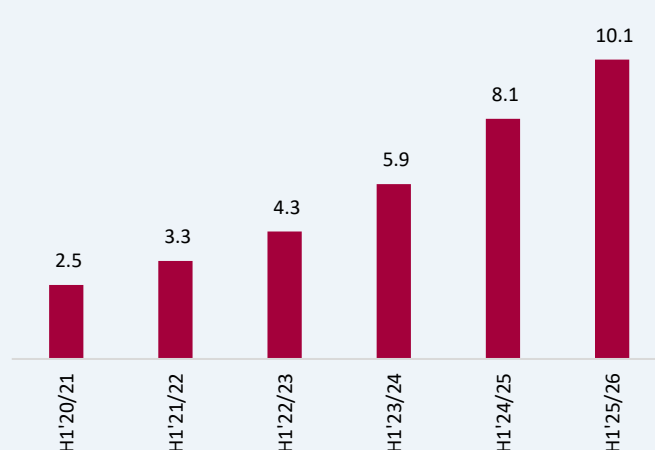
The outlook for data earnings in the future is optimistic, hinged on management's communication of the possibility of seeking out more tariff hikes from the National Communication Commission (NCC). To our minds, this is instructive for how data will play out in the medium term. Even more so, as data is seemingly becoming the new gold with streaming becoming widespread and social media presence marked upscaling. To that end, we expect data revenue to increase by 28.3% YoY in FY'25/26 compared to our previous estimate of 25.6% in our last company note.

Figure 1: Smartphone and data customers' trend (million)



Source: Company Financials, CardinalStone Research

Figure 2: Data usage per customer (GB/month) trend



... Voice and Mobile money: Unlocking embedded growth opportunities

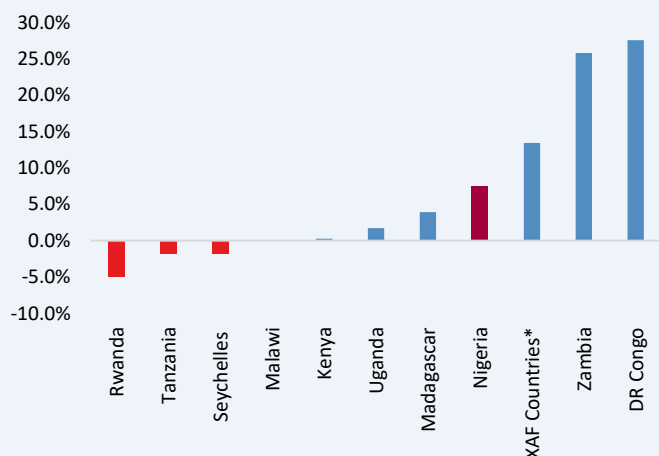
Voice revenue also performed admirably in the period. As of H1'25/26, it had recovered significantly, up 14.5% YoY from the 17.9% YoY decline in the prior year. Overall, the segment's recovery was aided by macroeconomic improvements across major markets and tariff modifications in the Nigerian OpCo. In the same vein, the growth in AIRTELAFRI's customer base by 11.0% YoY to 173.8 million users, as well as network investments and distribution infrastructures, has helped to create a runway for the segment's steady recovery. With the expectation of current dynamics remaining steadfast and providing buoyancy for Voice revenue, we adjust growth expectations to 11.4% YoY vs 8.2% projected initially.

Mobile money remains AIRTELAFRI's budding revenue segment, with growth in Q2'25/26 at 36.5% YoY, slightly ahead of Q1'25/26 growth of 31.0% YoY. We attribute this stable growth trend to a couple of factors.

Firstly, AIRTELAFRI has steadily expanded its mobile money agent network to adequately support its rapidly growing mobile money customer base (+20.0% YoY), helping to keep churn at minimal levels. In addition, the Group has effectively capitalised on the opportunity to convert existing mobile service users into mobile money customers, driving deeper penetration within its GSM subscriber base. Similarly, the sizeable proportion of AIRTELAFRI’s adult customers without formal bank accounts remains a compelling structural driver underpinning the segment’s recent momentum and favourable medium-term outlook.

These developments underpinning the mobile money segments' performance are instructive for our future expectations. As such, we have adjusted our projections for the mobile money segment upwards to 24.6% YoY for the current period, in contrast to 18.5% previously. Overall, topline growth projection for AIRTELAFRI is one marked with optimism, with YoY expansion of 20.0% forecasted for FY'25/26 compared to the previous view of 16.6% and the historical 5-year CAGR of 7.7%.

Figure 3: 2025 currency performance across countries of operations



Source: Company Financials, CardinalStone Research
 * Gabon, Chad, and Niger

Figure 4: % of adults with no formal bank account in AIRTELAFRI's footprint vs comparables

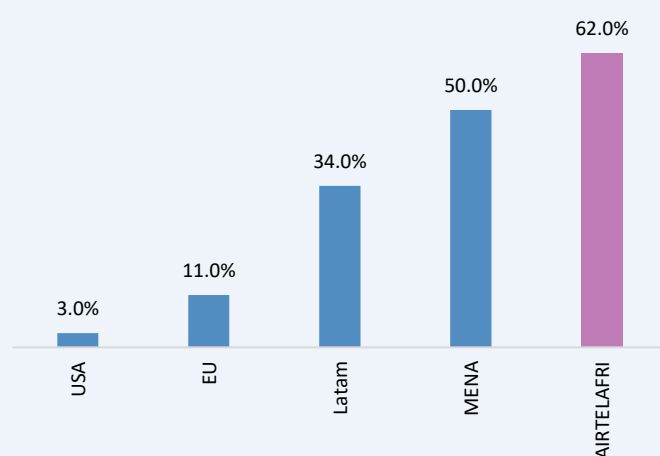
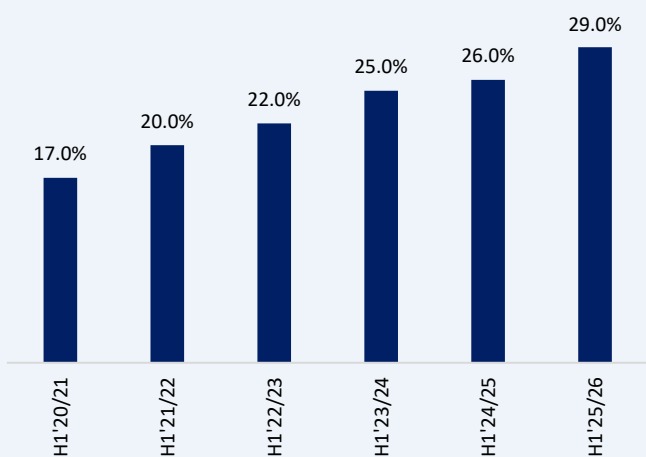
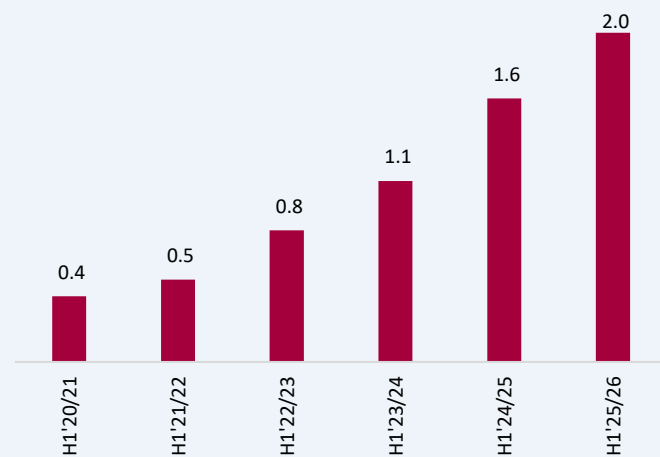


Figure 5: Mobile money penetration of AIRTELAFRI'S mobile customer base



Source: Company Financials, CardinalStone Research

Figure 6: Mobile money agents growth trend (million)



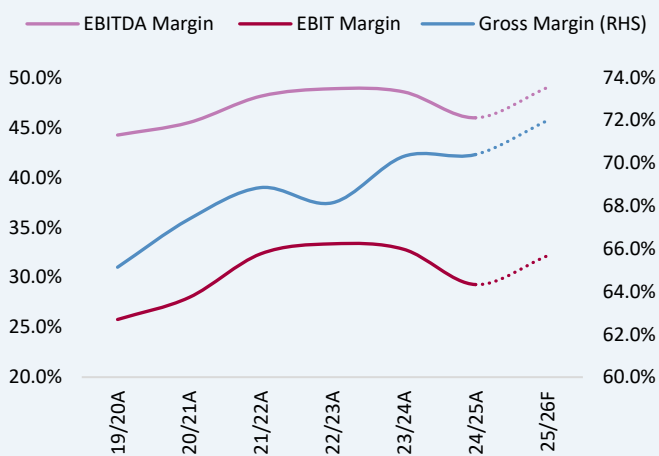
Confidence in stable macro triggers upward revision in Capex guidance

Management has raised FY'25/26 capex guidance to \$875–900 million (from \$725–750 million), reflecting the robust H1'25/26 performance and a more stable macroeconomic environment. In our view, this acceleration underscores management’s confidence in the Group’s long-term growth prospects across its African footprint. We expect the incremental investment to be directed primarily toward enhancing data capacity, expanding 4G/5G network coverage, and scaling home broadband infrastructure to capitalise on the region’s digital deficit. Accordingly, we align with management’s outlook and revise our capex intensity assumption to 14.5% in line with the updated guidance.

Cost-efficiency measures to provide a defensive buffer for margins

Through its cost efficiency programme, which enabled a 268bps increase in H1'25/26 EBITDA margins to 48.5%, management continues to prioritise operational excellence. Strategic energy efficiency initiatives, such as connecting off-grid facilities to the power grid and expanding the use of solar and storage solutions, are anticipated to support future margin increases. Additionally, the cost-to-serve ratio in rural markets is expected to be optimised by implementing "lean sites" in areas with less traffic. As a result, the EBITDA margin forecast is set at 49.0%, vs 48.6% in our earlier note and 46.0% in FY'24/25.

Figure 7: Margin uplift to be sustained in FY'25/26



Source: Company Financials, CardinalStone Research

Significant runway remains for the Mobile money business

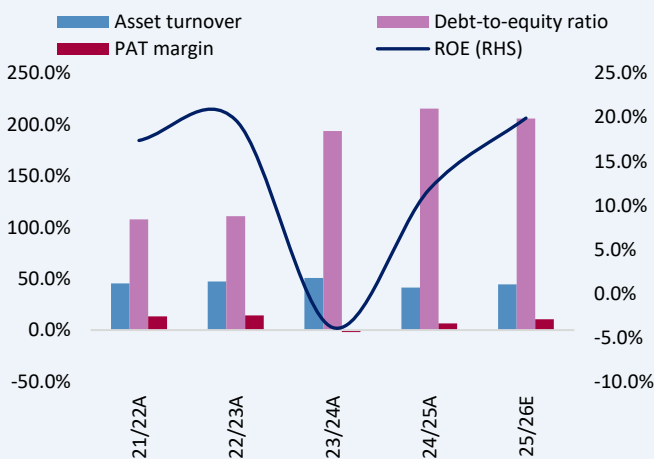
Despite robust growth, the Airtel Money business remains a substantial untapped runway, as only 29.0% of the Group's total telecom customer base currently utilises mobile money services. The segment continues to profit from increased engagement levels, with the mobile money customer base surpassing 50 million (+20.0% YoY) and the annualised total processed value (TPV) approaching \$200.0 billion. Prior to the anticipated fintech IPO in the first half of 2026, we anticipate that the ongoing emphasis on growing use cases such as loans, insurance, and virtual credit cards could drive more ARPU growth.

Dupont Analysis

Our three-way DuPont analysis points to an improvement in the company’s expected ROE, which we now forecast at 19.9% (from 18.4% previously), reflecting a stronger profitability outlook. The upgrade is driven primarily by a meaningful expansion in net profit margins, supported by improving operating leverage and favourable FX dynamics, as well as the impact of ongoing cost-efficiency initiatives, which we expect to lift margins through FY’25/26.

In addition, asset turnover is projected to trend higher, underpinned by sustained subscriber growth and rapidly expanding network coverage across key markets. These positives are expected to more than offset the modest moderation in leverage as the company returns to scaled profitability, with the leverage ratio easing slightly from 2.2x to 2.1x.

Figure 8: Improving profitability and asset turnover to buoy ROE

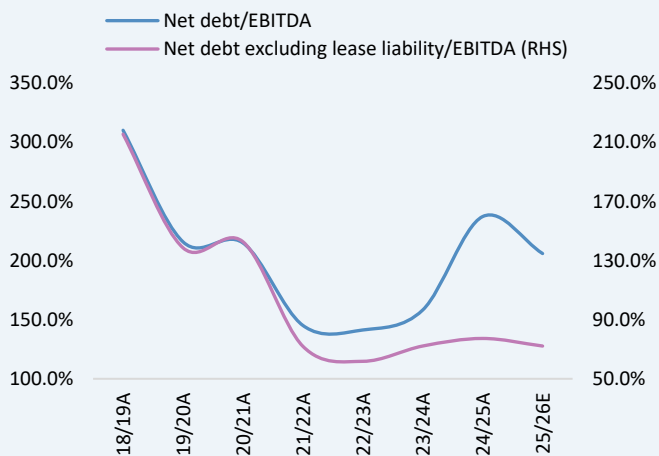


Source: Company Financials, CardinalStone Research

Leverage moderation amid EBITDA expansion

As of H1'25/26, AIRTELAFRI was still strengthening its capital structure, with a lease-adjusted leverage of 0.8x (down from 1.0x) and a leverage ratio of 2.1x (down from 2.3x), as a result of strong EBITDA growth. A key pillar of the Group’s financial de-risking strategy remains its debt localisation initiative, which increased the share of local-currency OpCo debt to approximately 95.0% (excluding lease liabilities), up from 89.0% a year earlier. While this shift has mitigated transactional and translational foreign exchange risk, it has contributed to higher interest costs due to elevated effective interest rates in domestic markets. Nevertheless, the Group maintains a strong balance sheet with a net cash position at the HoldCo level, providing sufficient financial flexibility to sustain its progressive dividend policy while accelerating network investments. Consequently, we revise our finance cost forecast upward to \$803.3 million from the prior estimate of \$748.6 million.

Figure 9: Leverage ratios improvement expected in FY'25/26



Source: Company Financials, CardinalStone Research

Partnership with Vodacom

During the period, AIRTELAFRI announced an infrastructure sharing agreement with Vodacom Group in key markets, including Tanzania and the Democratic Republic of Congo (DRC), as well as the sharing of international bandwidth infrastructure in Mozambique, subject to regulatory approvals in the various countries. Based on conversations with management, we view the arrangement as a cost-saving and capital-efficient strategy. Joint deployment enables coverage expansion, particularly in rural and hard-to-reach locations, at lower cost, especially in areas where the economics of standalone rollout are weak due to limited user density or challenging terrain.

Valuation and Recommendation

Following revisions to our model, we maintain our BUY rating on AIRTELAFRI and adjust our 12-month target price to N3,904.82, slightly down from the previous estimate of N3,906.75. This implies a potential upside of 72.0% from the current market price of N2,270.00. The modest adjustment reflects our continued confidence in the company’s near-term growth trajectory and improved valuation metrics. Notably, yields on Nigeria’s 10-year Eurobond (risk-free rate) and the equity risk premium have declined to 7.7% and 13.8%, respectively, from 10.4% and 14.3% previously, indicating lower country risk premia, although the appreciation of the Naira tempered valuation slightly.

On a relative basis, peer average forward MEA EV/EBITDA and P/E multiples stand at 5.0x and 10.7x, compared with AIRTELAFRI’s 3.2x and 8.7x, respectively, highlighting the company’s discount to peers and reinforcing its compelling relative value.

Figure 10: Summary of financials

Income Statement (\$'million)					Cashflow Statement (\$'million)				
	23/24A	24/25A	25/26F	26/27F		23/24A	24/25A	25/26F	26/27F
Revenue	5,000.0	4,977.0	5,972.8	7,113.9	Cash flow from operating activities	2,259.0	2,266.0	2,646.7	2,901.8
COGS	(1,484.0)	(1,473.0)	(1,673.4)	(2,036.8)	o/w Depreciation & amortization	788.0	831.0	1,006.5	1,171.0
Gross profit	3,516.0	3,504.0	4,299.4	5,077.1	o/w Changes in working capital	175.0	287.0	235.0	103.9
Operating Expenses	(1,088.0)	(1,216.0)	(1,373.4)	(1,551.7)	Cash flow from investing activities	(1,228.0)	(562.0)	(2,182.8)	(2,337.0)
EBITDA	2,428.0	2,288.0	2,926.0	3,525.5	o/w Capital expenditure	(737.0)	(670.0)	(866.1)	(1,024.4)
D & A	(788.0)	(831.0)	(1,006.5)	(1,171.0)	as % of sales	14.7%	13.5%	14.5%	14.4%
EBIT	1,640.0	1,457.0	1,919.5	2,354.4	Cash flow from financing activities	(844.0)	(1,543.0)	(543.3)	(553.9)
Net Interest	(1,703.0)	(822.0)	(776.5)	(737.5)	o/w Dividends paid	(212.0)	(229.0)	(259.4)	(282.8)
Net monetary gain	-	26.0	-	-	o/w Debt issued/(repaid)	(550.0)	(1,400.0)	(420.7)	(487.9)
PBT	(63.0)	661.0	1,143.0	1,616.9	Net change in cash	187.0	161.0	(79.4)	10.8
Tax	(26.0)	(333.0)	(514.3)	(727.6)	Cash & cash equivalent at the beginning of the year*	561.0	392.0	552.0	472.6
PAT	(89.0)	328.0	628.6	889.3	Effects of exchange rate on changes in cash	(128.0)	(1.0)	-	-
Earnings attributable to parent	(165.0)	220.0	421.7	596.5	Cash & cash equivalent at the end of the year	620.0	552.0	472.6	483.4
EPS (\$)	(0.04)	0.06	0.12	0.16					
DPS (\$)	0.06	0.07	0.07	0.08					
Payout ratio	NM	109.4%	61.7%	47.6%					
Shares outstanding ('million)	3,750.64	3,703.07	3,663.77	3,663.77					
Balance Sheet (\$'million)					Ratio Analysis				
	23/24A	24/25A	25/26F	26/27F		23/24A	24/25A	25/26F	26/27F
Cash and cash equivalents	620.0	552.0	472.6	483.4	Gross Margin	70.3%	70.4%	72.0%	71.4%
Accounts receivable	184.0	203.0	229.1	292.4	EBITDA Margin	48.6%	46.0%	49.0%	49.6%
Balance held under mobile money trust	106.0	67.0	77.0	77.0	EBIT Margin	32.8%	29.3%	32.1%	33.1%
Other current assets	1,382.0	1,339.0	1,608.4	1,608.3	Net Profit Margin	-1.8%	6.6%	10.5%	12.5%
Current assets	2,292.0	2,161.0	2,387.1	2,461.1	ROAE	-2.9%	12.9%	21.2%	25.7%
PP&E	1,827.0	2,086.0	2,479.7	2,961.0	ROAA	-0.8%	3.0%	4.9%	6.3%
Other intangible assets	725.0	810.0	1,013.3	1,236.4	OPEX/Sales	21.8%	24.4%	23.0%	21.8%
Other non-current assets	5,017.0	6,966.0	7,561.1	8,054.6	Debt/Equity (x)	1.94x	2.16x	2.06x	1.86x
Total assets	9,861.0	12,023.0	13,441.2	14,713.1	Debt/EBITDA (x)	1.84x	2.61x	2.22x	1.99x
Short-term borrowings	1,426.0	1,095.0	1,386.3	1,468.0	Sales/Assets (x)	0.51x	0.41x	0.44x	0.48x
Trade payable	422.0	485.0	743.5	910.6	Assets/Equity (x)	4.29x	4.33x	4.26x	3.91x
Other short-term liabilities	2,198.0	2,662.0	3,363.9	3,394.6	Interest cover (x)	3.40x	2.20x	2.39x	3.06x
Current liabilities	4,046.0	4,242.0	5,493.6	5,773.1	Effective tax rate	NM	50.4%	45.0%	45.0%
Long-term borrowings	947.0	1,226.0	1,198.3	1,444.3	Revenue YoY Growth	-5.1%	-0.5%	20.0%	19.1%
Other long-term liabilities	2,568.0	3,780.0	3,594.0	3,733.9	EBITDA YoY Growth	-5.7%	-5.8%	27.9%	20.5%
Total liabilities	7,561.0	9,248.0	10,286.0	10,951.3	EPS YoY Growth	NM	NM	93.7%	41.5%
Equity	2,300.0	2,775.0	3,155.2	3,761.8					
Total liabilities & equity	9,861.0	12,023.0	13,441.2	14,713.1					
BVPS	0.61	0.75	0.86	1.03					
y/y Growth	NM	22.2%	14.9%	19.2%					
Net debt	3,842.0	5,430.0	6,027.8	6,515.3	Valuation				
						23/24A	24/25A	25/26F	26/27F
					EV/EBITDA (x)	3.29x	5.97x	4.11x	3.55x
					Dividend Yield	3.8%	4.6%	4.4%	4.9%

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Company	Disclosure
Airtel Africa Plc	

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