investisdigital.

Helios Towers H1 2022 Results

Thursday, 18th August 2022

Introduction

Tom Greenwood

CEO, Helios Towers

Helios Towers team today

Welcome, everyone, today. It is great to be speaking to you. Thank you very much for your time. I am on page two in the presentation. As usual, alongside me, we have Manjit Dhillon, our CFO, and Chris Baker-Sams, our Head of Strategic Finance and Investor Relations.

Agenda

So the presentation takes the normal format. I will take you through some of the key highlights. Manjit will take you through some of the financial details, and then we will open up for Q&A at the end.

H1 2022: Highlights

> *Strong financial performance driven by consistent operational execution, ongoing structural growth and robust business model*

Overall, we are very pleased to be presenting you our H1 performance highlights here. It has been a really strong start to the year for us, demonstrating both the continued growth and rollout from mobile operators across our markets, combining that with demonstrating the company's resilience and protection mechanisms embedded within our contracts with some of the uncertain macro environment out there, plus some really good progress on our sustainability strategy.

I am on page five now, which shows the key highlights. As mentioned, number one, very strong tenancy growth, both organically and inorganically. So far this year, we delivered 24% year-on-year site growth, of which 9% is organic and 20% year-over-year tenancy growth.

In terms of last 12 months, organic addition. So year-over-year organic additions were at 1,767, which for a 12-month period in our business is fairly strong.

In terms of our financial performance, obviously, that is showing similar traits to the tenancy performance. Revenue was up 25% year-over-year, with 12% organic growth; EBITDA increased 19%, with 9% organic growth. Our margin of 51% was very much expected, given some of the dilution with the new acquisitions coming on board. Q2 was our first full quarter of Malawi, which we closed right at the end of March. The margins very much were expected with a very strong portfolio. Free cash flow growth came in at 36% as well, which we are very pleased with.

In terms of our progress on the M&A. As everyone knows, we have Oman and Gabon that we are still working on. Oman is nearing completion with the license hopefully coming soon imminently now, and for Gabon, we continue to progress. Of course, we are more than fully funded for closing these announced deals.

And finally, for our tenancy additions, we guided to 1,200 to 1,700 at the start of the year. We maintain that guidance for now but I am confident of it and have a good pipeline such that we may be looking at more directionally from mid-to-high points here.

H1 2022: Continued organic and inorganic platform expansion driving growth

Moving on now to slide six. Here again, we see the last few years' progression. Obviously, tenancy is growing 9% year-over-year and up quite significantly from 2020. Our EBITDA, again, growing 15% year-over-year when you look at the Q2 annualised of $278 million and to show good progress from our FY'21 figure of $241 million. And of course, portfolio free cash flow, was driven upwards by 20% when compared to the full year of FY'21.

So all in all, we are progressing in line or slightly ahead of expectations, and we are pleased with the progress so far this year.

Well-positioned for growth and returns amid broader global macro volatility

If I now move on to slide seven. So, clearly, we are at a time of the world where there is quite a lot of uncertainty out there. Some of the headline figures that everyone is reading about, particularly in the UK or US, from an inflation point of view is looking quite staggering, as compared to the last few years or even the last few decades.

But what we got still on this page is really drawn out - some of these features of our markets, which may be a little bit different to some of the headlines that people are reading in the UK or the US, but also demonstrate how our business is very robust and protected against certain macro pricing movement out there.

First of all, on the left-hand side, what we are seeing at the moment and as demonstrated from our H1 tenancy rollout, we are seeing good rollout from our customers. As I mentioned before, we also have a good pipeline in hand for the second half of the year and even going into next year. And subscriber growth across our market really is very strong at 4.4%, which as demonstrated here by some of our key customers as well, that they are clearly investing. And we are supporting all of our customers and their continued rollout to gain even more subscribers going forward. So there is quite a good industry backdrop, if you like, within most of our key markets.

You then couple that with the general macro GDP. And actually, across our markets, on average, GDP forecast is 5%. So you compare that with global forecast of 3.2%. A number of our markets are growing very strongly and some indeed are actually net beneficiaries of the increase of mineral and commodity and foodstuff prices that we are seeing. So they are getting quite a lot of inflows.

We do have some markets though, such as Ghana and Malawi, where we have been seeing a bit more FX volatility and CPI increases. But, of course, our business is largely insulated against those through, A, our CPI and general power price escalators that we have, and B, our hard currency mix. So again, our business and our contract is largely hedged against those.

And of course, finally, there is the rising interest rate environment. We have long-term debt at fixed rate. So we are not looking at any refis or anything like that around them. And of course, we are already fully funded for our acquisitions. So again, we are in quite a strong position from both a business operating perspective and a capital balance sheet perspective, again, underpinned by $5.3 billion of contracted revenues from our customers. So our business in a fairly strong position.

H1 2022: Acquisition update

Successful integration of assets across Senegal, Madagascar and Malawi; Oman and Gabon transactions targeted to close in H2 22

Moving on now to slide eight, here is a quick reminder on the recent acquisitions and the journey we have been on for the first three acquisitions, Senegal, Madagascar and Malawi, which are obviously now closed. Malawi was off to a really good start, having closed just at the end of March and really getting off to a good start in Q2, both operationally and with power uptime improving. We are building sites now having received our first large build-to-suit order as well as colo order, and you will see that coming through later this year and into next year.

As I mentioned earlier, Oman is very much nearing closing. We have extended the long-stop date with Oman until 30th September, albeit, what we would guide to is the simplicity in all your models and forecasts, and please just put Oman starting from 1st January. Just given the slightly unknown timing that we have been experiencing there, that would be prudent to do so. So that would very much be what we recommend there.

And of course, Gabon is moving. I would say on Gabon, earlier in the year, we were moving quite well with the discussions there with the regulator, obviously, alongside Airtel. That slowed a little bit in the last couple of months. We still very much are working on it, but it has slowed down from earlier in the year, but we will continue to push on with that as well.

Acquisition integration: Senegal case study

Since closing the acquisition in Senegal one year ago, the business has delivered robust operational and financial performance

Moving on to page nine. Senegal was the first acquisition in our recent acquisition journey. And we recently had our anniversary there. So we thought it is good just to highlight some of the key features of our first year of operation now. I would say it has really been a good success in Senegal, and it continues to be.

So here on the top right, you see Karim, who is our Senegal Managing Director, and Phil, who is our Regional CEO, who covers Senegal and supports Karim and the team there. The team have really done a great job over the past year or so.

First of all, operationally, we have improved power downtime per tower by 96% since started. When we took over the network, the downtime per tower per week was five minutes and 57 seconds. We have reduced that in a year to 14 seconds. And you can see a very nice comment there by the CEO of our main customer.

Tenancy growth has been good, 7%, and that continues. We will be seeing further build-to-suit rollout and colo rollout through H2 this year in Senegal. So that is moving well. EBITDA growth has been strong at 12%.

What I would say, though, is remember, Senegal uses the Central African Franc, which is euro-pegged. So this EBITDA growth represents the $21 million that you see in Q2, that is euro EBITDA. Now euro has depreciated 9% against the dollar since we closed. So actually, on a constant currency basis, you see that $21 million actually is about $23 million-plus, which would equate to about a 20% growth. The dollar has been very strong recently but potentially maybe that rebounded and the dollar weakened slightly as we move into next year and the euro becomes a little bit stronger again.

So actually, that would be 20% growth on a constant currency basis with the dollar-euro. So it is really great progress there by the team. And we are hoping to replicate this kind of success in all of the markets that we close. And indeed, next year, what we will present to you one of these calls will be a roundup of all of our recent acquisitions in the same vein as this.

Sustainable Business Strategy

Moving on now to slide 10. As I mentioned earlier, we are making really good progress on our sustainable business strategy. And I am very pleased to say that we received our first rating from MSCI, which actually was AAA, which I believe is their top rating. So we were very pleased about that. So huge well done there to Sima, our Group Head of Sustainability, along with Manjit, and to be honest, a huge amount of the team from across the Group who did contribute to this.

Also, we had been included in the FTSE4Good Index. You can see there on the bottom left, again, demonstrating our strong focus on sustainability practices and processes across the Group.

As you will remember, we launched our Sustainable Business Strategy at our Capital Markets Day in May, and that is generally progressing well through to 2026. On the right-hand side here, we have shown you a few of the internal KPIs that we are looking at. And these cover everything from network performance to rural connectivity to female empowerment to investment in people, staff training, etc., as well as the carbon emission reductions, which we have set up to reduce on a per tenant basis by 46% by 2030.

So these are the KPIs that we follow internally, and we thought it would be useful to show them here.

Without further ado, I will hand over to Manjit to take us through the next section. Over to you, Manjit.

Financial Results

Manjit Dhillon

CFO, Helios Towers

H1 2022: Strong operational and financial performance

Thanks, Tom. Hello, everyone. It is great to speak with you all today. I will be going through the financial results and starting on slide 12.

Continuing on from what Tom mentioned earlier, we have had a strong first half of the year, and that really reflects the continued organic tenancy growth, complemented by integration of our acquisitions in Madagascar, Senegal and Malawi.

On the slide, you will see that we have summarised the main KPIs, which I will be talking through in more detail over the next few slides. But in general, we are seeing good growth across a number of these key metrics.

Q2 2022: Consistent and strong tenancy growth

Moving on to slide 13, which shows our site and tenancy growth. Again, we have seen strong organic and inorganic tenancy growth in Q2. From a site perspective, we saw a 24% increase year-on-year, reflecting organic growth of 9%, which is plus 878 sites and complemented by 1,213 acquired sites across Madagascar and Malawi.

From a tenancy perspective, we have added 3,459 tenancies, which is a 20% increase from Q2 2021. Organically, we added 1,767 tenancies, again, a 9% increase year-on-year. And inorganically, we added 1,692 tenancies, again, coming from Madagascar and Malawi.

Our tenancy ratio has dropped slightly on a Group basis, and this is due to the lower tenancy ratio of the acquired sites that we brought on board, which had a combined tenancy ratio of 1.4x, so diluting the overall Group tenancy ratio slightly.

Excluding these acquisitions, our tenancy ratio has remained flat year-on-year, and that really reflects the strong site growth across our markets, which provides an enlarged base for driving lease-up, and therefore, returns going forward.

Q2 2022: Continued revenue and Adj. EBITDA expansion

On to slide 14. We have seen continued growth in revenue and Adj. EBITDA with 27% revenue growth and 19% Adj. EBITDA growth year-on-year, up organically 14% and 9%, respectively. The revenue growth is principally driven by tenancy additions in addition to a 3% increase in lease rate per tenant. The lease rate per tenant movement reflects a 4% increase across our established markets and partially offset by our new markets coming in with lower lease rates on average.

Adj. EBITDA grew by 19% year-on-year and 9% organically, again, really driven by organic tenancy growth of 9%, and again, contributions from our new markets. EBITDA margin declined 3 percentage points year-on-year to 50% for the second quarter with 1 percentage point being due to increased corporate SG&A investments as part of our ongoing expansion to 10 markets, which have already included as part of our overall guidance for the year.

The remainder of the margin impact is driven by the timing of higher fuel costs, particularly in DRC. There can be a lag between the local fuel price increasing when we escalate customer lease rates for those increases. That is what we have seen - a bit of a higher OpEx base from fuel increases in Q2. But of course, that will normalise as our customer escalations kick in, in Q3 and there afterwards.

Structural hard currency earnings and contractual escalators provide effective earnings protection

Moving on to slide 15, where we highlight how the macro environment has evolved across our markets and demonstrate how our earnings and revenue are well protected from these movements.

So starting on the top left of the table with fuel. We can see that, on average, local fuel prices are up 31% year-on-year in Q2. We have power price escalators embedded in all of our customer contracts, and accordingly, we have seen a 4% increase in our revenues. Some of the more recent local price increases, again, specifically with DRC, occurred shortly after the last contract escalation date. So there has been a bit of a lag in catch-up. However, we will see further quarterly escalations kick in, in Q3 and Q4.

From a fuel perspective, though, the escalators have worked such that the revenue increase has broadly offset the increase in OpEx, so largely EBITDA neutral from a dollar perspective. Local CPI is up 6% year-on-year in our markets, which is actually lower than what we have seen in the US and UK, for example; and that is principally driven due to markets at Tanzania where we are seeing inflation around the 4% level year-on-year.

Our revenues are up 3% from our CPI escalators, which occur annually, and that is in line with what we would expect, given that just over half of our customer lease rates are tied to CPI.

Further currency movements on a revenue-blended basis, we have seen a depreciation against the dollar of approximately 3%. And as Tom mentioned, that is principally related to both movements in the euro and also the Ghanaian cedi. With circa 50% of our revenues either being in euro-pegged or in local currency denominated, that impact on our revenue and our revenue base is just under 2%. So here, we see the CPI escalators offsetting the FX impact really quite effectively with minus 2% FX impact being offset by 3% CPI increases.

So whilst there has been macro movements, the contracts have escalated as expected, which when combined with 9% revenue growth from organic tenancies and 14% from inorganic growth leads to 27% year-on-year revenue growth.

Diversified business underpinned by long-term contracts with blue-chip MNOs

Moving on to slide 16. Here, you will see the usual breakdowns provided, which are very consistent from previous updates, and again, further demonstrate our robust business structure underpinned by long-term contracts with a diverse quality customer base with strong hard currency earnings.

98% of our revenue come from large blue-chip MNOs, comprising mainly Airtel Africa, MTN, Orange, Tigo/Axian, Voda and Free Senegal.

Our single largest customer exposure is 27% and that is spread across five different markets. We have strong long-term contracts to our customers. As at the end of H1, we had long-term contracted revenues of $4.2 billion with an average remaining life of 7.2 years. This increases to $5.3 billion pro forma for Oman and Gabon. And what this effectively means is that, excluding any new wins and rollouts, we already have that revenue contracted and that provides a strong underlying earnings stream for the business.

We also have 63% of our revenues in hard currency, being either US dollars or euro-pegged. As a reminder, this will increase to 68% pro forma for the announced acquisitions, which is due to close, which from an EBITDA perspective translates to 73% in hard currency, so a fantastic natural FX hedge for the business. And again, this is further complemented by escalators, which we have in all of our customer contracts, which we demonstrated on the previous slide.

Finally, on the slide, with the new market expansion, we are seeing a more diversified split of revenue per market and pro forma for acquisitions. No single market accounts for more than 32% of revenues.

Strong profit free cash flow, reinvested into platform expansion

Moving on to slide 17, and let's take a look at our cash flow. As mentioned earlier, we have seen solid portfolio free cash flow of $100 million. This is up 36% year-on-year and that is principally driven by Adj. EBITDA growth in addition to the timing of non-discretionary CapEx.

Portfolio free cash flow conversion was 74%. By year-end, with further non-discretionary CapEx outflows expected in H2, in line with our CapEx guidance, we will expect this to be a touch lower towards 65-70% conversion level by the year-end.

With regards to working capital, we have seen a $53 million working capital outflow. And that just reflects the timing of customer payments, which is lumpy and can struggle period end, and that is typical for our business.

And finally, some working capital also relates to CapEx prepayments as we go into the second half of the year. Importantly, receivable days remains in the range of 45 to 55 days, which you have seen is consistent over the past few years.

Capital expenditure: Tightly controlled and focused on accretive growth

On to slide 18 and a look at CapEx. For H1, we incurred total CapEx of $132 million. This equates $43 million of acquisition CapEx, principally relates to our entry into Malawi and $89 million of organic CapEx. Our guidance for the full year remains unchanged, and that reflects $650 million related to the acquisitions across Oman and Malawi in addition to some deferred consideration for Senegal and Madagascar.

Our organic CapEx guidance remains unchanged at $160 million to $200 million, and we have incurred $89 million against that in H1. Non-discretionary CapEx remains again unchanged at roughly $30 million for 2022. So far, we have spent $9 million in the first half. So the majority should come through in H2.

Strong balance sheet and fully funded for acquisitions

Moving on to slide 19, which shows a summary of our financial debt. Our net leverage at H1 was 3.9x and continues to be comfortably within the target range of 3.5x to 4.5x. We do expect this to tick up towards the higher end of the range as we close the other markets during the course of the year, as we previously discussed. But in general, leverage very much under continued tight control.

As it stands today, we currently have c.$730 million of available funds, which is sufficient for our announced acquisitions and our organic growth, which is for our established markets is self-financing. One thing to mention as well, which Tom spoke about earlier, is that we partnered with Rakiza in Oman, a great local infrastructure investor with significant local experience and expertise. They are investing 30% pro rata in the local business, which not only derisks the investment for us, but assists with our leverage. So it is a great overall development and we look forward to working with and partnering with Rakiza over the coming years.

Another good development to mention, last month we were at Fitch for our first ratings and received a rating of B+ with a stable outlook. This rating, which is our highest across the rating agencies, reflects our recent diversification to new markets, our leading market positions and long-term earnings and cash flow visibility. And we are now rated by all three rating agencies.

Finally, a quick comment on balance sheet. We sit on a very strong balance sheet with long tenured debt, as Tom mentioned, with the nearest maturity for drawn Group debt not until the end of 2025. Our drawn debt has a weighted average remaining life of four years. We have very limited floating exposure with 96% of drawn debt being fixed, again, giving us good protection against a rising interest rate environment.

Overall, we are in a great position to say that if we do choose to do any financings or refinancings, we will be doing this for strategic reasons, and where possible, continuing our trend of reducing the cost of debt.

FY 22 outlook: Guidance reiterated

And finally, onto slide 20. Again, as Tom mentioned, our guidance remains unchanged and the Group continues to target organic tenancy additions of 1,200 to 1,700 in 2022. We have exceeded our seasonality guidance for H1 with 675 organic tenancies delivered year-to-date. From a financial perspective, we are tracking in line or ahead of guidance with lease rate per tenant at 3% and EBITDA margins at 51%.

So all in all, we are progressing well against our targets and remain very focused on continued delivery for the years ahead.

And with that, I will pass back to Tom to wrap up.

Conclusion

Tom Greenwood

CEO, Helios Towers

H1 2022: Takeaways

Thank you very much, Manjit. So just on 21, a quick wrap-up here. So number one, we have got a really strong start for 2022 with H1 operational and financial performance very much robust and moving in the right direction.

We are demonstrating the resilience of our business and the robustness of contracts in the midst of some moving macro elements here. And of course, we are seeing good progression with our tenancy rollout and investment from our customers. And last but not least, guidance is being reiterated.

With that, I will hand back to Nadia and we will take some questions. Thank you.

Q&A

John Karidis (Numis): If I may, I would like to ask three questions, one at a time. So firstly, aside from Airtel and Vodacom, you gave us some quotes at the beginning. Have you had any meaningful signals from customers of any plans for them to delay tenancy orders to Helios, because, for example, of macro uncertainty? So setting aside what Airtel and Vodafone said, please.

Tom Greenwood: John, Tom here. Thanks for the question. The short answer is no. I cannot actually think of any customer who has said that to us, and we are for sure in conversations with basically most of our other major customers about new rollout at the moment.

Indeed, we have some orders in hand, which you will see coming through in the second half and others that we are trying to win at the moment. So, no, we have not seen any specifics hold back from them as of now.

John Karidis: The next one, have you experienced any meaningful change, positive or negative, in your supply chain versus previous periods?

Tom Greenwood: Thanks again, John. The supply chain continues to be different to what it was two, two-and-a-half years ago pre-COVID. And what that means is that typically shipping times are longer and shipping is more expensive, albeit, it is relatively small dollars in terms of what we invest in CapEx. So you do not really see that in our numbers as such, but it is more expensive for a container on a ship.

So, no, we have not seen any real changes up or down in the past few months, John, since the last update. But we are continuing to really plan ahead six to nine months at the moment, whereas before it was more like three months or maybe six months maximum. So things have extended by about three months. So we have already put out a lot of our orders for 2023, for example, already. We did that in June and July, whereas three years ago, we would have probably been doing that in September and October. So that is the main change.

John Karidis: And then lastly, the closing of your tower acquisition in Oman could be as much as a year late. If that is possible for you, have you at least been able to build some shadow order book with the likes of Vodafone, for example?

Tom Greenwood: The short answer is yes. And we always try and do that in any market to get off to a good start on closing. So we will have a sales price that is going on pretty much from when we first get on the ground and start opening an office and recruiting a team there. Oman is no different in that sense. And we are seeing traction from Vodafone there in Oman even prior to closing.

Jerry Dellis (Jefferies): Two questions, please. When we think about your full year guidance on tenancy adds, the 1,200 to 1,700, I suppose that implies quite a wide range of outcomes for the second half. 60% of full year tenancy adds guided to come from new sites. You probably have quite good visibility then on that element of the guidance. So how should we think about the reasons why the full-year guidance range on tenancy adds remains so wide? Where is the uncertainty in where you might land within that wide range in the second half?

And then secondly, related to the Oman situation, we obviously read about other parcels of mobile network operator towers that might be available or becoming available within your footprint. So at what stage do you think that there is an opportunity cost tied up in Oman, which does not enable you to move for alternative acquisitions that might be easier to complete and at what stage you decide to maybe strikeout in another direction?

Tom Greenwood: Thanks, Jerry. So on the tenancy guidance, we are aware that the 1,200 to 1,700 is fairly wide. We are feeling fairly confident about, as I said earlier, some

directionally mid to upper half of that range is where we are tending to which is obviously good.

I mean, at this point of the year, there is basically a couple of things which can drive that up or down. One is the timing of rollout, so particularly when you are doing a lot of build-to-suits, your reliance on huge amount of external parties to actually get the build-to-suit up and running and therefore recognised.

Principally, your reliance on a bunch of external agencies, they need to provide permits such as environmental agency, local municipality for a building permit, and more often than not the civil aviation authority. So those three agencies all operate at different pace. Sometimes, they are quick, sometimes they are slow. It provides variability often as well they are processing sites in batches, if we are doing a whole bunch of site at one time, for example, the civil aviation authority in a given market may be processing 50 or 100 sites at the same time. If they process it quickly, great. If they do not, then that probably means they are going into next year. So it can be a bit binary from that perspective, which is why at this point of the year we are still a little bit cautious about things like that.

And the other factor obviously is the sales process itself. So there is a number of opportunities which we are in fairly advanced stages on. We are feeling quite good about them, but they have not signed on the dotted line yet. So again, that brings a bit of variability into it as well. But all in all, we are feeling quite good about the progress, certainly so far this year in H1. And the pipeline that we have got for H2, we are feeling reasonably good about.

The second question on Oman, basically when would we walk away? We are not in that head space, to be honest, at least not at the moment. Whilst things have moved slowly there, they are moving. We are just coming out of the summer break, where lot of things slow down or shutdown for a month or two. But we do understand that our license is imminently to be signed. So we are waiting eagerly for that. And then once that has come through, then we will be in the closing straight proper as it where, which effectively is getting on the legal things ticked off and money drawn from our partner, Rakiza, prior to closing. So we are confident of closing Oman. We are not looking at dropping it at all in any way. And I am confident that we will close that reasonably soon.

I think there are opportunities out there in terms of other tower deals. They come up, obviously, generally quite regularly, again where we always assess them. But we are very happy with what we have signed and announced and we are just super focused on closing them and moving forward.

Jerry Dellis: That is very clear. Could I just ask a follow-up on a different question, please? You mentioned again planning ahead with inventory levels six to nine months. Are you confident that current inventory levels are enough? Could there be a scenario in which you might decide you have to raise stock levels a bit further in order to be very comfortable that you can deliver on build-to-suit objectives?

Tom Greenwood: We are comfortable with current inventory levels, I would say. We are actually quite well stocked in some of our key markets where we, well, either believe or know that we have got rollout coming soon. So I think we are quite happy at the moment. As always, there can be peaks and troughs on this from time to time. So we are looking at a few

potentially very large rollouts which are more next year's business, to be honest, rather than this year.

So that may mean that we need to increase inventory levels a bit for a short-term period, in which case we would do that. But there is nothing out of the ordinary, to be honest, Jerry.

We are just keeping things roughly at this level with this natural peaks and troughs that occur as it is utilised and new inventory bought in.

Alex Roncier (Bank of America Merrill Lynch): I will have actually three. Most of them actually following up on some of the earlier questions. The first one is just on KPIs and we have seen excellent traction in H1. And you highlighted to some points, but is it faster build, is it just faster permits from regulatory agency, or is it just higher demand from MNOs? And largely, obviously you have talked a little bit about no change in guidance confidence in mid to high range. But we do believe that MNO budget are set in Q3, Q4, every year. So do you think implicitly, I mean, front-loaded their BTS programme this year?

And secondly, just on Oman. And for you, this is more of a blueprint and test for Middle East. Are you already discussing with new partners there and will the partnership actually with Rakiza help beyond Oman, or is it just mostly locally focused?

And then lastly, it is maybe a bit more holistic, but obviously given the volatility we are seeing on energy markets, looking backwards or even forward, anything you think you should have done or could have done better and differently in terms of matching energy cost and your contract rates and escalators?

Tom Greenwood: Thank you very much, Alex. Great questions. So let me take them in order. In terms of the KPIs, so I guess the question is why there is higher tenancy rollout this H1. Is it quicker or is it just more orders.

It is largely more orders in hand at the start of the year. So quite a lot of these tenancies rolled out in H1, where obviously negotiated or ordered towards the end of last year or very early this year. And that is just a factor of MNO demand and their need to both expand their networks and also upgrade or increase their density.

General volumes through networks have obviously increased in the past couple of years, particularly on the data side, and so that really drives the need for more tenancies or more antenna, which means tenancy for us. It is just simply more volume rather than any specific speed to rollout points.

And it is probably worth making the point that often particularly Q1, and to some extent, H1 for us can actually usually be quite quiet, because MNOs typically get their budget done in Q1 or Q2. And then that leads to orders being placed and then more rollout in the second half of the year for us. This year has been slightly different on the upside for us for that which has been good. And it is just down to share volume of demand basically.

In Oman, there are other tower portfolios in that market. There are other tower portfolios obviously around the Middle East, which may well be or not for sale at some point. We will always look at key portfolios that come up for sale in both our countries and also the regions in which we operate. So that could be potential there for expanding our network either in Oman or across the region at some point.

We do know that these sales tend to take quite a long time as we always experience. So in terms of our strategy and what we are focused on right now, as we articulated previously at the Capital Markets Day, the focus for this year, 2022, and going into next year is very much focusing on closing the deals we have signed and announced, integrating them into our business, getting our business excellence processes going across all of these markets and driving the organic growth, with a view of potentially more acquisitions in slightly more medium-term horizon.

Of course, what that means is that work needs to start now from a business development point of view, because the gestation period on these deals typically is one to two years. So it is good that there are opportunities out there. Of course, we will always look at them. Sometimes we like them, sometimes we would not and we will walk away. We are very happy to do that. And we will assess each opportunity one by one.

And just to your last point there on Rakiza. Our partnership we have there with Rakiza is a great partnership. We are very pleased with Rakiza as our partner in Oman and look forward to very long and fruitful relationship with them in the country.

Just on final point, energy volatility. Anything we could or should have done better. I mean, I think what we have done well is our customer contracts are very well hedged, both on the energy point of view, but also from a currency point of view. But I guess here we are speaking specifically about energy. So we have energy pass-throughs basically in all of our major contracts across the Group, which does mean that we are pretty well insulated, whether prices are going up or down. Obviously, at the moment, they are going up.

Now, it is not 100% perfect. There is obviously a short time lag there, with some of our contracts being quarterly and some being annually. So it is not an absolute perfect hedge. But it is fairly good, I would say.

I think what we are really focusing on now and have been focused on past years very much or even more so now is reducing reliance on fuel in general. And we have articulated that through our carbon reduction strategy. And today, we have some form of renewable technology, either hybrid batteries or solar on about 30% of our sites, if you exclude the very recent acquisition.

As we articulated last November, in our carbon investor presentation, we are aiming to take that up to about 75% of our entire portfolio over the coming years. And that will really help to even reduce further our exposure to diesel pricing as well as obviously reducing carbon, which is the key aim of it. That is our real big focus going forward.

Omar Maher (EFG Hermes): Just two questions from my side. One is on Congo B. So I guess if I look at the last nine months, the pace of expansion in site additions has been faster than what we have seen in many years in that market. And at the same time, we are not seeing any meaningful pick up in number of tenants essentially. So if I look at the tenancy ratio, it has been largely like sliding a little bit down. And I wanted to understand if you could provide some highlights and explain what is happening in that market like you are obviously probably seeing some future demand coming and that is why I am guessing you are expanding the number of sites. But at the same time, what is delaying this pickup in the tenancy in that market?

And then my second question is on Ghana actually. With the recent news that we saw on potential acquisition of Vodafone Ghana, how does that change things for you?

Tom Greenwood: Thank you very much, Omar. Thanks for the questions. So taking the first one, Congo B, we have seen some good site growth there and this has been through build-to-suit orders, which, to be honest, we have not seen much of in the previous five years or six years. It has been great to be getting both build-to-suit orders in.

The thing about build-to-suits is, typically, they will be a one tenant site from day one. And then over time, we aim to put colocation tenants on them. We usually expect the build-to-suits when we underwrite it to get a second tenant on between three years to five years. That is roughly the norm or the sweet spot. Obviously, we try and push harder on that from a sales perspective and try and get them on within six months or one year or even from day one in some cases.

But the norm is three years to five years when we underwrite the build-to-suit. So that is why initially you see, when the site growth is happening, you see that grow but the tenancy ratio will get diluted a little bit because unless you are adding colocation as well at the same time, inherently the fraction that calculates tenancy ratio will drive a slightly lower ratio initially, but a larger asset base. And then over time, as you put more colos on, that tenancy ratio should grow.

So we are very much on plan in Congo B. As I said, three years to five years is the norm. And you should see that tenancy ratio grow on these new build-to-suits over that time scale going forward.

In Ghana Vodafone, we have seen the announcement. Obviously, we continue to work with Vodafone as we do with all of our customers in Ghana. And from a contract perspective, there is no change essentially when a new owner comes in, in any of our contracts. So we just continue with that contract going forward.

We are monitoring that situation and we will be working with the new owners as and when or if that deal closes. And for now, it is very much business as usual.

Omar Maher: And just around Ghana, if I may, just a quick follow-up on that. We have seen the average lease rate sliding. It has been going down for a while in Ghana. So is it an issue of competition? Or is there something else that is like pressuring the lease rates that we are not aware of?

Tom Greenwood: In Ghana, specifically, Ghana is one of our markets with probably the most exposure to the local currency, which is the Ghanaian cedi and that has obviously dropped off against the dollar recently. So we report in dollars. So when you are looking at the average revenue per tenancy for Ghana, you are seeing it in our report in dollars. And obviously because the cedi has depreciated, you are seeing a lower figure. But there has not been any change to the underlying lease rates there and we will be seeing power price escalators kick-in in Ghana through the rest of this year and we will be seeing CPI escalators kick in there in Q1.

And obviously, CPI is running quite high. So you will see a bit of an uptick there in Q1 when they kick-in in a few months' time.

Jonathan Kennedy-Good (JP Morgan): Just a couple of quick ones from me on the level of CPI inflation that you are observing in the countries, obviously a little bit lower than what I thought it would be versus developed markets. Is that rolling over, and do you think the inflation levels have peaked? Or given currency devaluations in some of these markets, do you think that could rise still? Any thoughts there would be helpful.

And then in terms of the tenancy seasonality, obviously, you mentioned pretty strong in the first half. Are there any obvious drivers of that in the key markets? I am talking more from an organic perspective, DRC, Tanzania and whether there are certain operators that are driving this?

And then finally, just on cash flow repatriation to your holdco. Are there any issues in certain jurisdictions? I think Ghana maybe somewhat dislocated at the moment. So it would be interesting to know if you are experiencing any issues there. And that is it from me.

Tom Greenwood: Thanks, Jonathan, for the questions. So let me take them in order. So the level of CPI inflation, as you have seen, it is a blended average across our markets. It is about 6%. Clearly, that is lower than headline you are seeing elsewhere, UK, US, etc., in the world. We do have quite a wide range without those. So Tanzania is 4%. DRC is 6%. Obviously, DRC is dollarised and they are our two largest markets. So have the biggest impact on the average.

And then at the other end of the spectrum, you have got Ghana and Malawi, which are well into the 20s in terms of inflation. Now those two markets typically run double-digit inflation anyways. So they have gone up from low to mid double digits to 20s. Of course, those two markets are pretty small for us, particularly Malawi, which is very small from an overall Group percentage perspective.

So there is not much impact on us from that. The question is has it peaked. I guess, that is the million-dollar question for a macroeconomic expert way above my pay grade. But I would suspect that there is probably still a bit more to come. Sometimes you see a bit of a ripple effect when inflation happens in the US and Europe, and then it may be ripples up elsewhere. So let us keep monitoring that.

We are not overly concerned about that. We do have the CPI escalators in our contracts. So to the extent that we do see a little bit more come through, same time in DRC, which obviously have fairly low inflation at the moment then we will absorb that through our escalators. But let us see. Both of those markets, to some extent, have a fairly strong position here with the commodity and food prices around the world going up because they export a lot of it.

So I think they may be on a slightly different track to countries like the UK, which is obviously in a slightly different place. So let us see.

Tenancy seasonality, next question. Any obvious drivers of that. There is no single one customer that is driving that, to be honest. I think we are seeing good competitive tension between the mobile operators in our key markets, particularly Tanzania and DRC, both markets with extremely low mobile penetration today that both got four major mobile operators with no one of them over 35-40% being the max and number one market share in both markets.

Very evenly spread market share is a very healthy environment for mobile operators and clearly a good environment for tower companies to operate in. And we are the beneficiaries of that healthy competition between the mobile operators. There is no obvious one single customer driving that. I would say we are seeing reasonably good demand across the board or across most of the board.

And then the final one on cash flow repatriation. Manjit, do you want to take that one?

Manjit Dhillon: Absolutely. So we still hold around 80-90% of all of our cash at Group level. So we have always had the ability to upstream cash. The only potential things which do happen from time to time is just the availability of dollars in the market, but we have experienced this throughout our time in operation. So when there is good availability at good rates, you do a bit of over conversion, when it is not, you hold for a period of time. But in general, there is nothing to really mention in terms of our ability to upstream. We are still doing it on a monthly basis.

And you mentioned Ghana. I mean, in that market, we do actually receive about 20-25% of our revenues are linked to US dollars and received in US dollars. So we can always move that around the business as well. But in general, it is still the vast majority held up at Group, which is consistent with how we have operated since inception.

Simon Coles (Barclays): First one is back on tenancies. If we take a step back, last year was probably a little bit lighter than we would have hoped. And then you obviously spent a bit of extra CapEx to drive tenancies this year. If we were to, say, remove those tenancies, will we say that you are actually just running in the middle of the range, because you are saying that you are sort of hoping that you are going to end towards the mid to the upper end. And then if we think to next year, I think you said you have got some big rollout contracts being discussed. Does that make you confident that you are potentially upper end of your medium-term guidance, at least in 2023? Understand if you cannot comment too much on that, but just wondering how that is going.

Then secondly, thank you for slide 15. That is super helpful. Is there any big difference between markets, and I am mainly thinking about DRC on whether the escalators are quarterly or annually. Is it still 50-50 in DRC? Just because the revenue per tenant there looks a little bit mixed, whereas, say, Tanzania has been growing quite nicely? But I realize there are lots of moving parts in there.

And then, if I can just ask one last final. On M&A, are you seeing multiples from private sellers come down at all, given what we are seeing with interest rates globally?

Tom Greenwood: Simon, thank you very much for those questions. Let me take them in order. So tenancies last year being light. H1 last year was a little bit light, but H2 was extremely busy. And last year we ended up with one of our highest ever years for organic tenancies by the end of the year, albeit absolutely H1 was in line. We did about 170 organic tenancies in H1 last year, and did well above 1,000 or rounded 1,100 in H2.

The progress so far this year has clearly been good. I think that we are in a position of having reasonably good amount of either orders in hand or conversations ongoing for new rollout, which could come into this year or could go into these next year's business depending on when the conversations finalise and when the rollout starts.

So I feel quite good about the number of conversations that we are having with multiple different mobile operators. So it is not like we are just reliant on one mobile operator, for example. We are obviously very, very diversified on that front.

So I think this year could be another strong year for tenancies. As I mentioned, in terms of our guidance 1,200 to 1,700, we could very well directionally be going towards middle or upper of that range, which would, of course, mean that that would be our highest rollout ever in a year, certainly higher than last year and the year before. So that is good directionally, I guess.

In terms of the CapEx, the CapEx really follows the currencies, particularly when it comes to build-to-suit, because the build-to-suits require CapEx. So that essentially goes hand-in-hand with the tenancies.

Slide 15, your question was about DRC escalations, and most of them in DRC are quarterly. And on M&A, what are we seeing on the multiples? I mean, I guess, sellers may well have a preconceived idea of what they want or what they expect from a valuation point of view. That may well be based on multiples of tower values that was paid a year or two or three years ago. Who knows, and we may have a different view for that. And that is fine.

And I guess it depends on how many other buyers there are out there who have the same or different views. And at the end of the day, some deals may trade or may not trade. Sellers may think, we will just wait a bit. Inflation is running at 10% on the US dollar, so maybe it is not the best time to do a tower sale at the moment, or maybe they are seeing the opposite and think, well, we will look through that and buyers will look through that on the assumption that it comes down at some point and still be confident of getting a good deal. So we take each one on a case-by-case basis. As I said, this year, and to some extent, next year, it is all about the integration and the consolidation of the deals that we have announced and really starting to get the best out of them within the Helios Towers Group.

And we will look at any new M&A opportunities that come through and we may align with the seller on expectations or we may not. And if we do not, then that is fine, we will happily walk away. And if we do, great. But of course, these sales do have fairly long gestation periods. So again, that aligns quite well with our focus right now on integration and consolidating what we have got.

Stella Cridge (Barclays): Many thanks for all the update so far. I wondered if you could give us an update on the plan funding for the remaining acquisitions. So for example, what you would consider the main sources to be and what minimum cash balance you would like to keep, obviously, given that we have had a bit of volatility in global markets. That would be great.

Manjit Dhillon: I will pick this one up. So really for the remaining acquisition, which is Oman in the short-term, that is $575 million, we have clearly got cash from balance sheet, which will be utilised against that. Now we have Rakiza as a 30% investor. They will be investing pro rata for that. We are also investigating potentially a smaller local line in Oman. What we are finding at the moment is actually there is some really quite attractive pricing, particularly in Oman for local debt. So we may do a small portion of that. And if we do that, if all goes well, that will actually continue to reduce our overall cost of debt on a Group basis.

So I think a combination of the three, cash from balance sheet, Rakiza coming in, potentially a small line for the Group level, we have undrawn debt facilities of about $270 million at Group level and maybe also a little bit of local debt in Oman as well. All of those will be the main source of funding for Oman. And for Gabon, it is smaller acquisitions. So again, that will be funded via through cash on balance sheet to the Group facility.

Tom Greenwood: Thank you very much, Nadia. Thank you, everyone, for dialling in today. Thanks everyone for the questions, as usual. If there is anything you want to follow up on, you know where we are. Please feel free to contact me, Manjit, Chris anytime. Very happy to talk to you again. And I look forward to seeing you all soon. Have a great day. Take care.

[END OF TRANSCRIPT]