Helios Towers FY 2023 Results

Thursday, 14th March 2024

Highlights and Strategic Update

Tom Greenwood

CEO, Helios Towers

Hi everyone, and welcome to the Helios Towers FY23 Global Investor Call. Great to be talking today with everyone as always, and I hope you are doing well. Thank you very much for your time today. Today, we will be taking you through our 2023 performance, our 2024 outlook, and covering our capital allocation plan and strategic focus for the next three years.

Helios Towers Team

First up, on page two, we have got the usual line-up for you, myself, Tom, Manjit Dhillon, and Chris Baker-Sams. We will cover the business, strategic, and financial highlights, and then be open for Q&A at the end.

One point to mention, I am very happy to say that Manjit's wife is due imminently to give birth to their second child, so if it happens during the call, Manjit might morph into Chris for the financial section.

Highlights

So now moving to page five, 2023 was a pivotal year for Helios Towers, being our first as the newly enlarged nine-market platform. In summary today, we run 14,000 mission-critical digital infrastructure assets across Africa and Middle East, supporting almost 150 million people who use mobile services for voice calls, internet banking, trade, health, AI, social networking, streaming, and everything else that is being connected to the world. Our number one strategic pillar is customer service excellence, and we focus 24/7 on ensuring we can deliver the best possible service to our customers, and, in turn, grow both our and their businesses and accelerate mobile usage across the markets in which we operate.

In 2023, we focused on finalising our new market integrations with our business excellence processes and people development plans now embedded across the group. We focused on supporting our customers and communities, with organic roll-out in all markets for coverage capacity and technology needs. And in doing this, we focused on driving EBITDA, cash flow, ROIC, and deleveraging. Our key focus for the next three years is equity value creation, and this is supported by the dynamic of EBITDA and cash flow growth driving enterprise value higher and leverage lower, thereby creating equity value growth over that time.

I am pleased to report 2023 finished with similar momentum that we saw through the year. It was a year of record tenancy additions, surpassing the 2,400 level above guidance, and expanding our tenancy ratio by 0.1x.

Revenue, EBITDA, and portfolio free cash flow all increased by around 30% year-on-year, all ahead of guidance. ROIC notched up two percentage points to 12%, and leverage came down 0.7x, again, both ahead of guidance. As we move into 2024, we are continuing to focus on organic tenancy rollout for our customers, and guiding to between 1,600 to 2,100 tenancy additions, which was similar initial guidance given last year; double-digit EBITDA growth, and continued deleveraging by another half-turn in the year. Additionally this year, we are seeing it as an inflection point for our bottom-line free cash flow following a number of years of high growth and acquisition investments, switching to neutral free cash flow this year and growing in the years following.

Lastly, we have future revenues contracted of $5.4 billion equating to 7.8 years before renewals, which grew by $700 million from the previous year, demonstrating our customer service excellence, strategic focus, and digital infrastructure assets provide the reliability our customers need to deliver to the end users.

FY 2023 key metrics exceeded expectations

Now turning to page six. As we look at these charts, we can see the business accelerated in 2023, driven in part by a full year of the Oman acquisition coming through in the numbers. But most importantly, our organic EBITDA growth was at 17%, driven principally by lease-up on our underutilised asset base and tight cost control. This fed through into cash flow and was a principal driver for our ROIC increase to 12% following the temporary dilution previously with the new acquisitions. Furthermore, we delivered above initial guidance on all KPIs, as indicated by the green boxes on the chart.

Delivering on our sustainable business strategy through development of strong localised teams

Looking now to page seven to see how we execute our business to ensure it is sustainably profitable and delivers impact to our customers and in the wider world. Our people and business excellence strategic pillar is focused on investing in the development of high-quality local people in our markets to create long-term sustainable value in the business. We have continued with 96% local staff across our markets in 2023 and accelerated our Lean Six Sigma training programme, such that over half our workforce now are trained in our processes to drive performance and efficiency in the business. You can see this coming through in our customer service delivery of power at 99.98% and the financial metrics growth we covered on the previous slide. As we look forward, we will continue to invest in our people to drive excellence in everything we do.

Strategy Update

Capital allocation priorities

Now we move to page 10 for an update on our strategy. When we launched our current five-year sustainable business strategy in 2022, the world was a different place, with low-rate environment and significant M&A opportunities to go with it. As we communicated through 2023, our focus was on organic growth and lease-up, and so what we are doing here is reconfirming that plan continuing for the short to medium term. Our previous strategic strapline of '22 by 26' reflected an ambition to increase our footprint by 8,000 towers, with over half coming from new acquisitions. Now, almost halfway through our five years, we have seen a changing environment, and have adapted our 2026 ambition accordingly. Therefore, the '22 by 26' now becomes '2.2 by 26', which represents our tenancy ratio ambition by 2026. Tenancy ratio is the main indicator for earnings, cash flow, and ROIC growth in our business and reflects a largely organic plan for the next three years, supported by the strong momentum we see for continued demand for coverage, capacity, and technology, as 4G and 5G start to proliferate further across our markets.

This leads into our capital allocation plan on page seven. Our primary focus continues to be high-returning organic growth, which already in 2023 has driven a two percentage point increase in ROIC year-on-year. As we grow our EBITDA and cash flows, we are targeting a half-turn leverage reduction each year, which sees us below 4x by the end of this year and around 3x by 2026. In 2023, we reduced leverage by 0.7x, so continue to focus strongly on that as we move forward.

Thirdly, as I mentioned earlier, our free cash flow is growing, and in 2024, we see our business move from high-growth investment phase to a free cash flow inflection point, which will continue to grow in 2025 and 2026, supporting the potential for investor distributions from 2026, should the consensus at the time be to do so.

And lastly, M&A. Whilst not ruling it out entirely for high-returning, strategic opportunities, it is lower priority for us for the foreseeable, preferring instead to focus on high-returning organic capital investments during this time. One example of a small acquisition that might come through this year is not a new deal, but actually the second closing of a little over 200 in-building sites from the original Oman deal, which was subject to regulatory approval. A small bolt-on deal like this, which increases our market share in a key market and accesses key location demanded for 5G in a dollarised setting, is the sort of deal we are talking about here.

Tenancy ratio expansion on enlarged platform driving ROIC expansion and free cash flow growth

Then moving to page 11. I have mentioned free cash flow inflection point a few times in this presentation, and here you can see it laid out. In fact, 2023 was our tenancy ratio and ROIC inflection point. After the past few years of high acquisition investment of purchasing underutilised power portfolios, which inherently dilutes these metrics in the short term, we now see the organic lease-up happening, and the tenancy ratio up by 0.1x, and ROIC up 170 bps in 2023 year-over-year. This is now feeding into the free cash flows, and hence we expect continued growth on all these metrics through the next three years, with 2024 being the free cash flow inflection point. As I mentioned at the start, our key focus for the next three years is equity value creation, with now being a pivotal time for the business, with EBITDA and cash flow growth and enterprise value growing, while at the same time leverage reducing, creating a clear pathway for equity value creation over the next two to three years.

Well-positioned to continue capturing the structural growth and drive lease-up

Our tenancy growth is the main driver for our revenue, earnings, and cash flow growth, and so on page 12 we wanted to explain the basic thesis of the embedded demand for tenancies across our footprint and why that will be continuing for many years ahead. The numbers you see here relate to our nine markets, and as you can see from the green text at the bottom, it is forecast that 32,000 new points of service are required over the next five years, being a 33% increase in today's installed space. A point of service is a settlement of antenna, so essentially a potential tenancy for us. In terms of why this increase is required from a network point of view, all antennae have a capacity limit. And so the number of phone users in its vicinity, as well as the behaviour of usage and technology being used, are the key input factors determining how many points of service are required for a good end user experience.

And so to draw your attention to some of the key input stats, population is growing by 44 million or 13% from today; subscriber numbers are growing by 85 million or 24% from today; and data consumption is tripling, all of which will drive the need for 32,000 new points of service over the next five years.

In terms of how our business is poised to bring in a significant number of these as new tenancies, we look on the right-hand side for our installed asset base. In seven of our nine markets, we are the market-leading independent tower company, typically with between 30 to 60% market share, meaning we have the location to offer customers, fast colocation rollout, and are set up well to roll out new build-to-suit sites at a fast pace. Secondly, our asset base has significant capacity to attract new tenants, with almost half of our current sites with one tenant and our markets all having between two to four major mobile operators, meaning there is significant structural market dynamics to increase site utilisation meaningfully over the coming years.

Proven track record of tenancy ratio expansion and driving ROIC

As we see on page 13, we have a strong track record of delivering tenancy lease-up across our portfolio. On acquired sites, which amounts around 10,000 in our portfolio, we are seeing consistent 0.1x lease-up per annum across the various vintages of our acquisitions. Build-to-suits, of which we have done around 4,000, typically have faster lease-up rates, because we analyse each location and choose whether to build the site or not. And in fact, we have been getting better at doing this, particularly in the past couple of years, with improvements to our geolocation tools and analysis. Our latest vintage is seeing 0.5x lease-up per year, which means it is taking two years to hit two tenants on the site. This compares to the earlier days of the business with a 0.2x lease-up per year, being five years to reach a two-tenant site. We are continuing to invest in our geolocation technology, including utilising some AI to ensure we are maximising our hit ratio for achieving multi-tenant site status in the shortest time possible.

Group ROIC reflects mix of established versus new markets

And finally, on page 14, with a new market now fully embedded, we are very pleased with the performance so far with regards to lease-up and ROIC evolution, which is following a similar trajectory as our more established market. And as we move forward with our customer-centric approach and embedded market demand, we will be fully focused on continuing to drive tenancy ratio and ROIC up across the entire portfolio to deliver value creation for investors.

And with that, I will pass over to Manjit and look forward to talking with you at the end for Q&A.

Financial Results

Manjit Dhillon

CFO, Helios Towers

Thanks, Tom. Hello, everyone. It is great to be speaking with you today. I will be going through the financial highlights.

Financial highlights

So moving on to slide 16. Continuing on from what Tom mentioned earlier, we are delighted with our performance in 2023, delivering record organic tenancy additions and strong performance across all key operational and financial metrics, while proactively also strengthening our financial position and debt package. I think 2023 really demonstrated our playbook in action, identifying and adding attractive portfolio to our business, which is what we did during 2020 to 2022, and effectively coiling the spring, with 2023 being focused on driving value creation on the enlarged platform. And I am delighted with our outperformance, which has largely been due to faster colocation growth. On this slide, as usual, you will see we have summarised the main KPIs, which I will now go through in more detail over the next few slides.

Record organic tenancy additions through strong colocation growth in new and existing markets

So moving on to slide 17, our sites and tenancy growth. From a site perspective, we saw a 4% increase year-on-year, reflecting organic growth of 544 sites. And from a tenancy perspective, we added record organic tenancy additions of 2,433 tenancies, which is a 10% increase year-on-year, and results in a 0.1 expansion in our tenancy ratio. We are particularly pleased to have increased tenancy ratios in both Oman and Malawi by 0.1x in their first full year as part of Helios Towers, tracking to plan and shows how well both have integrated into our business.

FY 2023 financial performance exceeded expectations

And on to slide 18. We have seen 29% revenue growth and 31% EBITDA growth year-on-year, and importantly, we have seen strong organic growth year-on-year, 17% on both revenue and EBITDA. And we have seen strong revenue and EBITDA growth in all three of our reporting segments and ended the year at the top of our updated guidance range we gave at Q3 at $370 million.

Our EBITDA margin increased by one percentage point to 51%, again, driven by colocation lease-up. And excluding the impact of higher fuel prices, which increases both our power-linked revenues and power expenses comparably, adjusted EBITDA margin would have been even higher, at 53%. And I will talk through that impact now on the next slide.

Adjusted EBITDA growth is highly correlated to tenancy additions and resilient to FX, CPI and power price movements

On this slide, similar to prior results, I will dig into the drivers of revenue and EBITDA growth in a bit more detail. First four bars of each bridge – organic tenancy growth, power escalations, CPI escalations, and FX – all combined to make up organic growth and acquisitions being the contribution from Malawi and Oman. The organic tenancy growth we had during the year, year-on-year, has driven 29% growth in revenue and 31% growth in EBITDA.

But focusing on the escalation movements, similar to previous presentations, the contractual escalators are performing as expected. As a quick reminder, we have escalators in almost all customer contracts. For power, roughly 50% of our contracts have quarterly power escalators, and 50% have annual power escalators. These escalate in relation to the local pricing for fuel and electricity. So if the local prices go up, then the escalators go up, and if the prices go down, then the escalators go down. For CPI, we have annual CPI escalators, and they typically kick in between December and February. Our power escalators increased revenue by $31 million, and that falls through to $3 million on EBITDA, driving the 1% EBITDA contribution, as you can see the right-hand side.

The positive EBITDA contribution is also partly attributable to all of our investments we have made as a part of our Project 100 initiative, which improves power efficiency in 2023. This again demonstrates our business model has effectively offset any increase in OPEX due to higher power prices to protect our EBITDA on a dollar basis, while we continue to save fuel costs through our investment in power initiatives and reducing our reliance on fuel where possible.

Moving on to CPI and FX, local CPI is under 10%, with the majority of our CPI escalators having already kicked in earlier this year, which has now contributed 4% year-on-year when we look at 2023. The CPI escalators have effectively offset the FX movements on revenue, and on the EBITDA side, the escalators have well covered the FX movements, which you can see in the dotted box.

We have seen a slight gain this year in the dotted box. However, there are some years where you make a slight gain and some years where you make a slight loss, and it really comes down to the timing of FX movements versus the CPI escalators. And if we dial the clock back to this time last year, we are about minus $3 million on that dotted box. So over a two-year period, we are net flat, which is a good place to be.

The reason why we continue to show this analysis, and will continue to show this analysis, is because we think it is a really useful demonstration of the business mechanics. And again, standing back and to reiterate the message, looking at this from an EBITDA level, there is little to no impact to FX and power prices, and we are well protected from macro volatility, with the key driver of growth being tenancy additions, both organically and inorganically, plus operational improvements, all of which are within our control and how we want to operate the business.

Adjusted EBITDA growth and ROIC expansion supporting cash flow generation

And on to slide 20, focusing on our drivers of free cash flow. Our strong adjusted EBITDA performance and improved cash conversion supported 33% growth in portfolio cash flow year-on=year, and we exceeded our updated guidance provided at Q3 by approximately $5 million at the midpoint. Our levered portfolio free cash flow has increased by over fivefold to almost $100 million. Alongside EBITDA growth, this was driven year-on-year by improvements in working capital, largely receivables, and really leveraging our growth on our largely fixed-interest cost base. We continue to invest in highly selective discretionary CAPEX, totalling $168 million. As a reminder, this investment is only undertaken should we identify opportunities that boost cash flow returns. And our capital allocation committee, made up of myself, Tom, and other ExCo colleagues, frequently evaluates the best opportunities for capital efficient growth.

As we go into 2024, we see continued growth in the portfolio, and again, we expect this growth will be leveraged on a broadly fixed cost base to drive free cash flow. You can now see in the call-out box that we have been in an investment mode over the last few years, but there has been an inflection, and we expect to see that to continue, with free cash flow being neutral this year and growing there afterwards.

CAPEX is tightly controlled and focused on opportunities that enhance ROIC

With that in mind, moving on to slide 21 and a focus on CAPEX, this continues to be tightly controlled and focused on opportunities again that drive ROIC, including colocation, OPEX special projects, and highly selective build-to-suits. And this again is in line with the capital allocation strategy that Tom outlined earlier.

Looking at what we incurred in 2023, we incurred total CAPEX of $203 million, which is mainly made up of growth CAPEX reflecting record organic tenancy additions during the year. This is down from $395 million in 2021 and $765 million in 2022. In terms of guidance where we expect to be for 2024 for CAPEX, we are guiding between a range of $150 million to $190 million, which consists of $105-145 million of discretionary CAPEX and about $45 million of non-discretionary CAPEX. The discretionary CAPEX is lower than what we guided to in our previous medium-term guidance, and this is really due to the higher amount of colocations compared to sites being targeted, again, reflecting our updated strategic vision of achieving 2.2 tenancy ratio by 2026.

Strengthened financial position through deleveraging and partial tender

And on to slide 22. Our net leverage at the end of FY23 has decreased by 0.7x during the year to now 4.4x, now within our target range, which is one quarter actually earlier than we previously guided. We have always had a clear path to delever the business at about 0.5x per annum on organic EBITDA growth, and we are committed to continue to deliver that. Looking forward to this year, we target to reduce our net leverage by another half a turn to below 4x by the end of the year. As mentioned previously, we have approximately $400 million of undrawn debt facilities, together with circa $100 million cash on balance sheet, meaning we have close to $0.5 billion of available funds. About 50% of the cash on balance sheet is held at group, with the remainder spread amongst the OpCos for CAPEX and working capital purposes. And we saw during the course of 2023 one of our best ever years of cash upstreaming, which is mainly done through shareholder loan interest payments.

Our debt remains largely fixed, with more than 80% of debts drawn being at fixed rates. And importantly, all of this is [inaudible] debt, with the average remaining life being around four years. So all in all, we are in a great position with our capital profile.

FY 2024 guidance

And finally, moving on to slide 23, our guidance for 2024, we expect to deliver between 1,600 to 2,100 organic tenancies in the year. This is in line with our prior medium-term guidance, although we do expect a higher mix of colocations compared to sites. For adjusted EBITDA, we expect to be in the range of $405-420 million, and portfolio free cash flow to be in the range of $275-290 million. Due to a favourable mix of colocations versus sites, we expect to deliver lower CAPEX, in the range of $150-190 million that I mentioned earlier.

Combined, we expect these metrics to support reducing our net leverage to below 4x and to support neutral free cash flow for the first time in the company's history, excluding the impact of a potential [inaudible] in Oman that Tom mentioned earlier.

All in all, I think 2023 was a fantastic year where we were able to demonstrate how we are capturing the opportunities from our expanded portfolio, and we expect more of the same capital efficient growth in 2024.

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

Key Takeaways

Ton Greenwood

CEO, Helios Towers

Thanks very much, Manjit. So key takeaways, FY23, we had a strong year of organic growth and exceeded expectations across multiple metrics, and we are really excited about 2024 and the offerings that we can provide our customers through this time. And then looking slightly further out to 2026, we have a clear pathway to 2.2x tenancy ratio and a highly focused capital allocation policy to support ROIC enhancement and value enhancement.

So I will hand back to the operator for now, and we will go into Q&A.

Q&A

Graham Hunt (Jefferies): Yes, thank you very much for the questions. Two from me, maybe one for Tom and one for Manjit. First question, just going back to the growth you call out on slide 12, how comfortable are you that under these slightly reduced CAPEX forecasts, that you are going to be able to take your fair share of this growth opportunity that you see ahead? That is question one.

And then question two, maybe a little bit more specific around KPIs, what do we have to see on the balance sheet or from free cash flow to see your priorities shift back towards inorganic allocation? And then related to that, what is the most important metrics for you when it comes to deciding around shareholder remuneration? Thank you.

Tom Greenwood: Yes, thanks very much, Graham. Yes, with regards to tenancy growth and CAPEX, we are comfortable with the levels that we have set it at. I think as a towers business, there will always be a balance between build-to-suit and colocations. We have a good underutilised portfolio, with significant room, from a demand point of view, for colocations and obviously doing build-to-suit as well. And I think it is about striking the right balance between ensuring that we deliver the most valuable tenancies possible and controlling our CAPEX, and ensuring that our returns criteria and, therefore, company ROIC and investor value is going in the right direction. So I think that is the balance that we are targeting. And I think with the numbers that we have presented, we can feel confident in delivering that.

I think on the point around when does inorganic growth come back on the horizon, I think what we are setting out today is really the view through to 2026. And our key strategic focus during that time is organic growth and supporting our customers growing in our existing nine markets and delivering our business largely like that.

And we always monitor what is going on in the market with regards to new acquisition opportunities and things like that. I think to some extent, the global rate environment over the past couple of years has slightly slowed mobile operator divestments of power portfolios, because the valuations are obviously impacted. We are seeing some power co-divestments of portfolios across the world, which have been quite well publicised. But for us, I think that we want to follow this plan that we are setting out today. We have a clear direction and clear vision and clear operational execution plan of how we get there, and I think over the next two to three years, that will deliver the best values for investors. And we will need to keep monitoring what is happening in the outside world with interest rates and things like that over that time period.

And then lastly, I think you mentioned investor distributions. Yes, based on our clear plan, we see a route to that by 2026 with earnings and free cash flow growth and leverage reduction. We are not committing to that, but it is certainly something that we are looking at and discussing and considering. And the business plan allows for that. So we will be speaking with investors closer to the time, and ultimately we will need to make a decision on that at the time, depending on both internal and external factors, but that is the direction of travel of the business plan at this point.

Graham Hunt: Got it. Thank you very much.

David Wright (Bank of America): Yes. Thank you guys very, very much. [Inaudible] a real visibility of the [inaudible] was welcome. I had a couple of questions. The first is very simple and probably very easy. It is just on you making the EBITDA on power. Obviously, power is normally just passed through, so is that EBITDA gain on the non-pass-through power that you guys maybe have to absorb, or are you not more obliged to pass on the efficiencies? Maybe this is just a simple answer.

And then my second question is... You mentioned this in-building opportunity in Oman. I suspect in-building coverage is going to be more and more relevant for the telcos with the high frequency and low building penetration of 5G. And by definition, if it is relevant for telcos, it is going to be relevant to you guys. So I just wondered if you could talk about that opportunity. Maybe given it is an emerging market, we are a little bit behind the curve, and it is more about just macro coverage right now. But if you could talk about that, and also maybe on that example in Oman, if there is any capital targets or capital hurdles you could [inaudible] big profile similar or different [inaudible] be interesting. Thank you.

Tom Greenwood: Yes, sure. No, thank you very much, David. Yes, just quickly then on the power question, so yes, with regards to what you see there on the chart, that is essentially related to our Project 100 investment in renewable energy products, which as well as reducing carbon emissions at a site, also reduces fuel consumption and therefore OPEX. So in 2023, we invested about $12 million in that project, and the $3 million you see there is effectively the savings that came from that.

Just to clarify the point on pass-through, we pass through unit price changes of fuel and electricity through our revenue contracts, but not fuel volume changes. So that saving there is what you are seeing from our investment.

And yes, just on IBS and using Oman as an example, yes, you are absolutely right. For data-driven networks, in-building solutions, outdoor DAS, and any kind of infill potentially through street furniture, small cells, etc., is more and more relevant to give the end users a good 5G experience, particularly, as you say, if they are using higher frequencies, so the 3,500 band, for example. And we are seeing in-building solution demand across a number of markets now. We do have a number within our portfolio today across some of our other markets, including Tanzania, for example. And Oman, from a telecom network evolution point of view, is very much in the 5G space now. Out of all of our nine markets, it is the most advanced from that perspective. And so therefore, products like in-building solutions, and others, are very, very relevant for all the customers in the market.

David Wright: Well, and maybe just... I am sorry if I interrupted you then. Go on.

Tom Greenwood: No, sorry. Go on, go on.

David Wright: I was just going to ask you on that one, Tom. And thanks for the energy, that has completely cleared that up. Is this something that you envisage as being a second wave of capital investment, or are the sums just much smaller? For instance, when you get to 2026 and you are obviously thinking about the next evolution of Helios, so to speak, is in-building something that could be a fresh wave of capital injection? Or, like I said, are we just talking much more niche, much more smaller numbers?

Tom Greenwood: Yes, I do not think it changes the capital profile or forecast. It is essentially just a part of that, and that even applies to this year and last year for us. So within our tenancy count and CAPEX guidance for this year, there are a small amount of IBS sites, for example. Yes, so it does not change anything. It is essentially just in there already. And I think that as 5G becomes more relevant in more of our markets, then some of the new build-to-suits that we would have been doing a few years ago, they will now be IBS, but for infill and better coverage in buildings, etc. So yes, it does not really change the capital forecast or profile. It is just embedded within that.

David Wright: Okay, very good, thank you, and best of luck, Manjit.

Manjit Dhillon: Thank you, David.

John Karidis (Numis): Thank you. Hello, everyone. Just a couple, please. Firstly, how much would the second closing of the Oman deal cost approximately? And then secondly, we are touching distance from the end of the first quarter of 2024. Is there anything you can say about tenancy adds so far, please?

Tom Greenwood: Yes, sure. Manjit, do you want to take that one?

Manjit Dhillon: Yes, absolutely. So on Oman, the potential second closing is in the region about $50 million, although our minority shareholder will be fronting up a bit of that. So actual cash out the door for Helios would be in the region about $35 million, but again, we will keep you updated on that as the year progresses. But as it stands today, no certainty on timing, but we are working on that in the background.

With regards to tenancies so far during the course of this year, again, strong start to the year, with already just over 500 tenancies added. So again, hitting the ground running in 2024, and I think the pipeline is looking very strong for the year, so we are feeling very confident about the prospects.

John Karidis: That is great. Thank you both. Well done to the team, and good luck with baby Dhillon.

Manjit Dhillon: Thanks, John.

Tom Greenwood: Thank you, John.

Emmet Kelly (Morgan Stanley): Yes. Good morning, everybody, and thank you for taking my questions. I have two questions, please. The first question is on currencies in your markets. It has obviously been a tough year for some of the currencies in emerging markets, especially in Africa. Just last week, we saw a big depreciation of the Egyptian pound, and the Nigerian currency has obviously been weak as well, among others. Could you maybe just remind us a little bit, please, of your currency mix in terms of what percentages at dollarised invoices that you print, or the exposure that you have to currencies that are pegged to the euro, please?

And then the second question, just coming back to slide 12, which was obviously very informative, where you show that 47% of your sites have just one tenant. The question I have is are there any constraining factors on those 47% of the sites? So for example, do the telcos have their own towers nearby, or do you have maybe a high weighting of rooftop sites, where maybe there is a constraint there as well, please? Thank you very much.

Tom Greenwood: Thanks, Emmet. Manjit, do you want to take the first one? I will take the second one.

Manjit Dhillon: Yes, sure. Absolutely. So on the currency dynamic, in general, we try to target markets, where possible, that they are innately hard currency. So just going through market by market, DRC is dollarised, Oman is dollar pegged, [inaudible] are euro pegged, and those pegs are very strong. So innately they have the hard currency protection, but are also supplemented by CPI contractual escalators that I spoke to earlier. And then in some of our other markets, you then find the other contractual escalators that we have. So Tanzania, we get about 30% of our revenue coming through in dollars, or comes in dollar spot, and similar mixes in some other markets like Madagascar and Malawi.

When you bring all of that together, 64% of our revenues are in hard currencies and 71% on EBITDA, but again, a good chunk of that coming through from the innate piece that I mentioned a bit earlier. And that is why we also show the bridge, which actually does show the FX movement as it actually hits our EBITDA, but also showing how the CPI escalators also offset some of those movements too. And that is why it has not been so big a movement for us as a company. We are seeing a couple of currencies which are a little bit more volatile, the likes of Ghana and Malawi, where we have seen some devaluations and higher CPI prints, but these are two of our smaller markets, and our bigger markets are providing a bit more stability. So for now, we are not seeing too much impact from those movements.

Tom, if you want to take the second part.

Emmet Kelly: Super. Thanks.

Tom Greenwood: Yes, sure. Thanks, Emmet, for the question. Yes, so on page 12, the 47% single-tenant sites, quite a large portion of them, about three-quarters, actually come from our new market. So we have acquired underutilised portfolios with a tenancy ratio on day one of close to one tenant per site. So I guess that would be expected, and our teams are all focused on leasing them up.

With regards to physical constraints that you mentioned, it is very rare that you cannot add a second tenant, or a third or a fourth in that matter, to a site just down to physical constraints. That is not usually the case. There is always a bit of strengthening that you can do or something to fit more tenants on. So that is not a limiting factor. It is really just the demand coming from the mobile operators. How many mobile operators are there in the market, for one? In ours, there are typically two to four major mobile operators, as well as some smaller players. And how quickly do they want to roll out? That is really the main question as to how quickly sites get leased up.

Emmet Kelly: Thank you very much.

Tom Greenwood: Thanks.

Rohit Modi (Citi): Thank you so much, guys, and good luck, Manjit, again. Sorry, I missed a part of [inaudible], so in case you answered it earlier, apologies from my side. My first question is, can you give a bit more colour around this change in your strategic focus from site to tenancy additions, in terms of what part of just the inorganic growth, that inorganic tenancy, the non-unique site additions that you are planning earlier has been dropped? Or this also means that additions in your existing market has also been dropped to some extent? And which are the key markets where you think you will be adding lesser sites?

Secondly, I am just confirming that the population coverage target which you had earlier has been dropped as well. I am guessing this is predominantly, particularly because of the inorganic additions that you were planning has been dropped, but just checking if there is any change there.

Thirdly, on your KPI target that was based on previous target, is there any change around that as well? Thank you so much.

Tom Greenwood: Yes, thanks, Rohit. Yes, so just on the strategy strapline point, so changing it to '2.2 by 2026', that is basically just highlighting that we are focused on an organic plan. We are not holding back on organic investment. And as you can see from 2023, we have had a very busy year of new tenancy rollout and really continuing with that cadence over the coming years. We see a clear pathway to 2.2 tenants per site, or indeed more than that, over the next three years. So that is really the focus. It is just essentially we are continuing with pens down on most acquisition opportunities, as we were doing through 2023. So it is really just continuing with that in mind.

And yes, on the population, you are exactly right. That is just simply due to the change of dropping the inorganic out of the 2026 ambition. And sorry, I could not quite hear the third point you had, Rohit.

Manjit Dhillon: I can take that one. I think, Rohit, that was based on any other sustainable business KPIs changing. The only one that I would flag, actually, is just on our carbon emissions per tenant target. We are at the moment still re-baselining our analysis to take into account the new markets, and we are hoping to come out with updated targets in the next few months. That is the only one to mention. Otherwise, the other sustainable value creation KPIs are of the same.

Rohit Modi: Thank you.

Stella Cridge (Barclays): Hi there. Morning, everyone. Many thanks for all of the updates. There is a couple of things I wanted to ask about. First, just on this topic of exposure to the EM markets, could you just talk a bit about dollar availability in Tanzania and DRC? Do you expect this to be business as usual in 2024, or are you seeing any difficulties?

Just secondly, I noticed the comment in the release about monitoring refinancing opportunities. I just wondered, from your point of view, what might look as the most interesting opportunities at the moment. That would be great.

Manjit Dhillon: I will take those. So with regards [inaudible] and dollar availability specifically in TZ, DRC, starting with DRC [inaudible], and we get dollars from our customers. So on that one, it is, to put it short, very, very simple. In Tanzania, we do find some peaks and troughs in terms of availability. However, what you are able to get your hands on is a basket of other currencies, liquid currencies. So you can get your hands on euros, etc. So what typically we do is if we are sitting on shillings, we look to exchange in one of those other hard currencies and upstream it in that way. So it is not always direct dollars. You can get yourself euros, give it up to group, and then convert to any other currencies that you require. So in general, we have been able to manage that very well. And again, that helps to support the record upstream we had, where we actually had over $100 million across the group in 2023.

With regards refinancing, we have two years left on the high-yield bond. That goes out to December of next year. So the aim here is not to have that go current, and so we will be monitoring market conditions and our options during the course of the year. Base case would be to refinance that with the bond instruments, but we also have undrawn debt facilities as part of our partial tender that we did last year, which can cornerstone a refinancing, should it be required. And that was done at a very good rate as well. So we feel very confident. We have been in good conversations with our bond investors, who have always been very supportive, and continue to be. So we will be monitoring our options as we go through the course of the year.

Stella Cridge: That is great. Many thanks for [inaudible] on that.

Manjit Dhillon: Thanks, Stella.

Operator: Our last question for today comes from Gustavo Campos from Jefferies. Please go ahead.

Gustavo Campos (Jefferies): Hey. Thank you very much for the presentation. Congratulations on the results, and once again, good luck, Manjit. Just two questions from my end. How much CAPEX is committed for 2024? I am talking the non-discretionary CAPEX guidance that you have provided. And secondly, I see that EBITDA growth is declining a bit from what you have seen 2022 to 2023, and now 2023 to 2024. What is the main driver of this growth slowdown, other than the declining non-discretionary CAPEX? And if you could also touch on the EBITDA margin outlook on your guidance, that would be great. Thank you.

Tom Greenwood: Manjit, do you want to take this?

Manjit Dhillon: Yes, I will take those. So in terms of CAPEX, what do we need to incur? Again, I think it is very much the non-discretionary. So that is pretty much the maintenance CAPEX that we do on a year-on-year basis, and so that is definitely baked into our numbers. Now, sometimes you end up getting a little bit beneath that. So last year, we were a little bit shy of our overall target, and we are seeing a little bit of a bounce back during the course of this year. So I would say that is, by the definition, non-discretionary, being that we have to make sure we incur that during the course of the year.

Outside of that, though, in terms of our discretionary CAPEX, we have the capacity to flex that as we see fit. Obviously, with the tenancy growth that we have seen so far during Q1, some of that has already been committed, and with the pipeline that we have got, we will be committing a good portion of that during the course of the year.

Sorry, can you just remind me of the second question? Sorry.

Gustavo Campos: Yes, no problem. I just saw a slowdown in EBITDA growth from 2022.

Manjit Dhillon: Oh, sorry. Yes.

Gustavo Campos: Yes, and EBITDA margin outlook, please.

Manjit Dhillon: Yes. So sorry, just in terms of the growth, one of the factors, if you look at it from a headline level, would also be the incoming new markets that you would have seen come through in 2022. So effectively, now you have got a more stabilised portfolio, so most of the growth is purely organic, rather than organic and inorganic. From an organic perspective, though, as you look at it year-on-year, it has generally been the same, if not slightly accelerating in 2023. So that is what you are seeing come through the numbers.

Gustavo Campos: Perfect. Thank you. And lastly, on EBITDA margins, how do you expect them to play out this year?

Manjit Dhillon: Yes. I think in general, we expect it to increase by about one percentage point in the base case, but certainly it is all dependent in terms of where fuel prices move as well as we demonstrated previously. Given where we are seeing things at the moment, we think that is still achievable, but certainly could be a bit higher if we are able to see some other operation improvements come through as well. So anywhere between 1%, maybe a bit higher than that during the course of the year.

Gustavo Campos: All right. Perfect. Thank you very much. Appreciate it.

Manjit Dhillon: Thank you.

Tom Greenwood: Thank you very much. Well, great to talk with everyone today. Thank you very much for dialling in and your time. Thanks for the questions, and we look forward to seeing you all very, very soon. Take care, and have a great day.

[END OF TRANSCRIPT]