Helios Towers Full Year Results 2021

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FY 2021 Highlights

Kash Pandya

CEO, Helios Towers

Significant portfolio expansion: Investing for quality growth & returns

Good morning everybody, and thank you for joining Helios Towers' Full Year 2021 Results. During the course of 2021, we have significantly expanded our portfolio and invested in a platform to drive quality growth and returns, which we are going to take you through in detail on this call.

Helios Towers team today

Moving on to slide two. Joining me today, as always, is Tom Greenwood, who will be taking over from me as CEO in a little over a month's time on 28 April. And Manjit Dhillon, our CFO, who is actually now reigned as CFO during the whole of 2021 at his first full year as our Chief Financial Officer.

To make a point there regarding our talent development programme, Tom and Manjit are great examples of the Board's focus on developing internal talent to reach the highest levels of our organisation. We have many other individuals that are climbed the ranks into the executive management team and so on.

Agenda

But let me now move on to what we are going to cover today. I will shortly take you through the full year 2021 highlights and then hand over to Tom to take us through the business updates, and Manjit, of course, will go through the financial results. Noting that there is plenty of time at the end for questions and answers, which will be coordinated through our conference coordinator.

FY 2021 highlights

> *Transformational year through portfolio expansion, strengthened balanced sheet and record operational performance*

I will move straight to slide five and take you through the highlights of 2021. It has been a transformational year through our expansion on entering new markets. We have strengthened our balance sheet and delivered record operational performance in terms of customer service.

Taking the first point on this slide, consistent and strong organic growth in terms of tenancy growth. We have delivered 1,262 year-over-year additional tenancies, increasing 8% organically and hitting the midpoint of our guidance, which was 1,000 to 1,500. That guidance has been consistent for the last few years, though you will note that we have increased our guidance for 2022, which I will come on to.

As I have mentioned, it has been a transformational year for M&A for our business. During the course of 2021, we closed two acquisitions, adding close to 1,700 sites and a little over 1,800 tenancies.

In addition, during 2021, we have also signed deals to enter Oman, Malawi and Gabon, which are well on their way in terms of progressing. We expect to close these during the course of 2022.

We delivered robust financial performance, 8% revenue growth, 6% adjusted EBITDA growth. We have seen a slight deterioration on our margin which is explained by the new volume of towers coming in for Senegal and Madagascar. As you know, we acquire towers that typically have low tenancy ratios. As we add tenancies, we drive margin expansion and improved return on invested capital.

The dilution in our margin is driven by Senegal, which came in at a tenancy of approximately one tenant per tower, and Madagascar around 1.2x tenants per tower.

In addition, we have added some SG&A ahead of the markets coming on stream. This is quite typical. We like to hit the ground running in our markets when we close markets. And we want to make sure our customers see an improvement in the service levels we deliver. This SG&A investment allows us to get ahead of the curve.

For example, in Malawi, we have got an operational team up and running, a market which should close soon. In Oman, we have got people that were recruited and hired that are working in the organisation ready for that market to be closed. So this is the reason for a slight deterioration in our margins.

In terms of continuous reduction in our capital costs, well, Manjit and the team have really worked hard in making our borrowing costs more efficient. Now, we are at 5.9% blended cost of debt. We issued convertible bonds of $300 million during the course of last year and raised some local facilities in Senegal.

We are now fully funded for our acquisitions that are pending to close. And of course, our organic growth is fully funded through our cash flow that we deliver in our established markets.

Outlook, point five on this slide. Well, as I have mentioned, we have now upped our guidance to 1,200 to 1,700 tenancies organic and during the course of this year. That reflects 8% organic growth at the mid-point. Our contracted revenue stream is just a little under $4 billion, again, demonstrating the strength of our contracts and the revenue we have got ahead of us. Of course, all with the embedded CPI and power escalators that protect us against any volatility and inflation as well as cost of power and cost of oil, diesel, etc.

Sustainable Business Strategy

Delivering value for all our stakeholders

Moving on to slide six, a little bit of a scorecard on our sustainable business strategy. We are delivering value for all our stakeholders. Regarding our customers, we continue to drive improvement. We delivered record power uptime to our customers in the form of 99.99%, and in some markets, even higher than that to our customers in terms of service proposition.

Our people, we have continued to develop and strengthen our local organisation. Localisation is part of our business excellence strategy. We have some 97% of our colleagues from the markets we operate in and we will continue to invest locally to strengthen our organisation as time goes on.

Our partners and suppliers, again, we believe in spending money locally, investing in our supplier base and contractor base by not only spending hard dollars with them, but also working hard to invest in their capabilities and training Lean Six Sigma execution, for example, into our maintenance partners, etc., is an ongoing methodology in our organisation.

Our communities, well, we serve with our infrastructure close to 140 million people. And as we expand our markets and footprint in the existing markets, we are hoping and focusing on bringing more connectivity to more people in the market and expect to grow this served population to a higher number.

And in terms of environment, I am pleased to say that during 2021, we managed to reduce our carbon emissions per tenant per customer on our towers by some 7%, and that is an ongoing strategy.

And finally, we did our first CDP scoring assessment and we scored B minus. This was ahead of our expectations before the process started. So we are encouraged by a validation of our strategy and actions that we are taking to drive the environmental impact that our business has in the communities we operate.

Looking to 2022. Well, we remain committed to driving our sustainable business strategy and delivering transparency. We are working closely with our customers to engage with them on the carbon reduction programme. And to some certain degree, our customers are coming to us for guidance on what we have done and they are stealing shamelessly. Well, we are proud of that from us in terms of what we have put forward as a road map for our business.

Our sustainable business report. We are about to issue a second report that will be published next week, outlining the progress we are making on sustainability. Regarding our supply chain, we are now launching our assessment programme for our suppliers to understand what their sustainable practices are. And more importantly, we will work with our partners in each of our markets to help them go up the learning curve in how they drive the sustainable approach that we are taking.

Communities. We are very much engaged in our communities. And as an example, we have launched the rollout of a School for Engineers Internship programme across all our markets that help young engineers get qualified that can then be deployed into our business, but also our partners' businesses that help us deliver the service and the rollout of our portfolio in each of our markets.

And finally, on this slide, we are committed to our Project 100. And Project 100 in summary is a $100 million investment up to 2030 to help reduce carbon impact. We have got initiatives planned for this year, that equates to $10 million and supports driving our target of 46% tenancy carbon reduction per tenant by 2030. T

So on that note, I would like to hand over to Tom, who is going to talk through our business update.

Business Update

Tom Greenwood

CEO-Designate, Helios Towers

Delivering on our portfolio expansion

Thank you very much, Kash. Hi, everyone. Great to talking to you today. Hope everyone is well. So I am on the next section, the business update section, starting off on page eight. I will talk you through some of the implementation of our strategy, both organic and inorganic. I will also provide a reminder of some of the key fundamentals of our markets, which drive our business.

So first up on page eight. Here we show how we are delivering on our portfolio expansion, our organic growth, our diversification and essentially delivering what we said we would when we did the IPO.

So first of all, on the left-hand side here, we see our organic tenancy growth year-on-year. And of course, we have delivered fairly consistently over the past three years obviously with a bit of an uptick in 2021, which is good to see. And tenancies have followed fairly strongly in 2022 as well, which you should see when we report our Q1 in the not too distant future.

This is obviously all driven through the fundamental drivers in our markets from low levels of penetration and just simply the need for more connectivity, more infrastructure, more densification of the networks. And I will come on to that a little bit in a few slides time.

Next up, when we did our IPO, a key part of our strategy was scale growth and diversification geographically. And as you may remember, we articulated at that time the focus to drive from five markets to eight markets and from 7,000 towers to 12,000 towers. Of course with the acquisitions that we have announced, plus some fairly strong organic growth, we are well on the way to beating those pending closing the acquisitions. We will be in 10 markets with close to 14,000 towers in the next few months.

Of course, the next question is what comes next? Well, I think as everyone has been invited to our Capital Markets Day on 5th May in London, which is also available for dial-in, we will at that point, be articulating our new five-year strategy going forward. And so very excited about that and hope to see many of you there.

Acquisitions Update

Continued progress on the three announced transactions

Moving on to the next slide, slide nine. This is a quick update on our acquisitions that we have announced. And here, we see the five markets:

- Senegal;
- Madagascar;
- Malawi;
- Oman; and
- Gabon.

As some of you may have seen a few weeks ago, we decided to put pens down on Chad, which was the sixth market, just due to simply delays and moving forward on the regulatory process

there. So we agreed with Airtel, but we would put pens down on that. But I am pleased to say all the other markets are firing on all cylinders and moving very much towards closing.

So with Malawi, we anticipate closing that fairly imminently, probably in the next two weeks. Oman, we are moving towards there well with the regulatory process. We expect to close that before the end of Q2. And Gabon, which is always the one which we expected to take the longest where we expect to close that in the second half of this year.

Senegal and Madagascar, as you know, are now fully part of the business from an operational standpoint, having closed Senegal in Q2 last year and Madagascar in Q4. And I am very pleased to say we have got great teams in both markets, led by Karim in Senegal and Jerome in Madagascar. And of course, we have great teams that are being built in the other markets as well, Malawi, Oman and Gabon. So very much looking forward to closing those and then becoming fully operational as we move forward.

Just a note on here, Ramsey Koola, Managing Director of Oman, who has been with the business for many years as well as just another example of a internal development programme. Ramsey was originally within our Group Operations team, worked in a number of different markets as well within the operational and IT capacity and then became our Managing Director of Tanzania for a few years and did an excellent job there and has now been promoted to launch Oman, and is also now a Regional Director covering Tanzania and Malawi as well.

So just another example of our internal development programme on which we placed a huge amount of focus on.

Broader and stronger platform, primed for lease-up

> *Significant portfolio expansion dilutes near-term ratios; targeted tenancy ratio expansion drives margin and ROIC*

Moving on to slide 10. And here, we just wanted to highlight and to show everyone what these acquisitions mean, particularly in the short-term because typically, as Kash mentioned earlier, when we are doing these acquisitions of new tower portfolios in new markets, typically, we are buying portfolios with low tenancy ratio. So it could be anywhere from between sort of 1.0, maybe up to 1.3, 1.4 at the top end.

Now, as a reminder, our more established markets, of course, have a tenancy ratio of well over two tenants per tower, which drives margin and return on capital. So when we buy these new networks with a lower tenancy ratio, typically we are buying networks, which had on day one, a slightly lower margin and slightly lower ROIC than the rest of our more established network.

But of course, we are buying them to then utilise and fully and lease up the towers up to similar levels of our more established portfolio. And I think as you can see from the table on the left-hand side here, we have called out some of the areas which get diluted, which is the tenancy ratio. And you can see that that is diluted on day one for the new acquisitions.

Similarly, the EBITDA margin and the ROIC there. But the good news is, and as you can see from the right-hand side chart here we highlighted, the good news is with buying networks, which are underutilised, which we will now begin to lease up with the incremental demand that we see in our markets.

And as you can see, looking back to 2016 here in our business, which was after a period of large acquisitions at that time, we took the business from, for example, a margin of 37%, up

to 55%. And a lot of that was driven through the increased colocation ratio over that time. So what we see here now, and we are right in the midst of it, is the movement from five markets to 10 markets. So growing substantially in scale, diversifying from a geographic perspective and from a customers' perspective.

We see a short-term immediate dilution in tenancy ratio margin and ROIC. But of course, we are then primed for lease-up and growth over the coming years. And of course, the demand that we are seeing in all of our markets is still very much substantial and there for the long haul.

Well-positioned to drive lease-up and returns on our enlarged platform

So moving on now to slide 11, and this is again a reminder of some of the sorts of unit economic returns that we see on our key product of build-to-suit, and why this business just produces such long compounding cash flow returns.

So on the left-hand side here, you see some illustrative figures for ROIC on an individual site basis. So you can see on a single tenant site, we are getting low double-digit returns. And then as we lease up and put a second and third tenant on the site, of course, the OpEx and the operating cost for the site stay broadly flat, with only a small increase with the revenue increase is substantially thereby increasing the ROIC of the site quite exponentially.

And on the right-hand side here, what you see is the typical cash flows across a 40-year period for one of these towers, depending on how many tenants are on it. And of course, the towers effectively steel and civil works last for a lifetime as long as you look after them well, which we do. And so the cash flows far exceed the initial investment in the assets. And as you can see, there is roughly a five-year on average payback for building a new site.

Organic growth in existing and announced markets

Moving on next, slide 12. Again, this is a reminder of some of the key fundamentals driving the organic side of our business and the continued delivery of well over 1,000 tenancies each year. And of course, we have upped our guidance for this year, which Manjit will come on to.

But again, our markets are really engines of growth, particularly in the telecom sector. The dynamics of our markets across Africa and Middle East are significantly rising population, significant urbanisation, a very young population, which, of course, drives incremental demand for mobile services, particularly data, and of course, large GDP growth going along with all of that. And you combine that with lower mobile penetration.

So a huge growth in terms of mobile connections forecast, 63 million new mobile connection forecast in over five years across our markets, an increase in penetration, of course, which comes with that and then 4G and data growing significantly as well.

So all of this drives the need for more mobile antennas, for a more dense network to mobile antennas and a more data networks become prevalent. Of course, as we use more data in the networks, the space between antennas needs to reduce, i.e., the density needs to increase of the network. So all of this drives the need for points of service, which, of course, is how we earn our revenue.

So we are very excited about the organic growth potential as we look forward over the next five years and beyond.

And on the right-hand side here, you can, of course, see some of our key customers and the investments that they are making and that we are supporting them with, which is very, very exciting.

So with that, I will hand over to Manjit to take us through the next section.

Financial Results

Manjit Dhillon

CFO, Helios Towers

Robust financial performance

Continued Adj. EBITDA growth and value creation while investing substantially in portfolio expansion

Thanks, Tom. Hi, everyone. It is great to speaking with you today. I will be going through the financial results. And starting on slide 14, and where we show our robust financial performance over the last few years since 2019.

We have seen continued year-on-year EBITDA growth, driven by organic and inorganic tenancy additions, partially offset by some SG&A growth investments, which are required as we double in scale. Portfolio free cash flow and ROIC, whilst remaining fairly robust, have declined slightly year-on-year. For portfolio free cash flow, whilst we have seen increasing Adj. EBITDA growth, we had some higher cash taxes, which transitioning from loss-making to profit-making in our established markets and increasing expenditure related to ground leases and non-discretionary CapEx due to the increased asset base. But over time, these costs will be leveraged as we lease up the portfolios.

As Tom mentioned, given our increasing scale and given the nature of the assets that we buy, i.e., portfolios, towers, which have compelling opportunities for lease-up and compounding growth, but with no initial tenancy ratios. We will see some dilution in the key metrics, including return on invested capital.

But excluding acquisitions, we are at 13.2%. Again, this has come down slightly from prior year due to the fact that we have had higher tax payments as mentioned a moment ago. And with acquisitions, we are at 11.8%. The integration of the other announced deals, the three markets that we expect to close during the course of this year, we should see ROIC dilute a little bit further in the short term. But again, just to reiterate the point that Tom made, we have a strong track record of entering new markets, growing successfully, organically expanding the portfolio and leasing up and driving strong returns.

And it is this experience and track record if you take into these new markets and the exciting point is that we have expanded the base new platform to which we can deliver accretive sustainable growth into the medium and long-term, and we will see ROIC growing in the coming years.

Strong organic tenancy growth

Moving on to slide 15. And as mentioned earlier, we have had one of our best years of tenancy growth, both organically and inorganically. Organically, we added 1,262 tenancies with the bulk of these coming in the second half of the year, and hitting just above our midpoint of tenancy

guidance. Inorganically, we added close to 1,900 tenancies through the combination of Senegal and Madagascar.

Tenancy ratio has dropped slightly on a Group basis due to the lower tenancy ratio towers we have acquired. But on an organic basis, i.e., excluding the new acquisitions, we continue to build our tenancy ratio to 2.15x. And again, that is a testament to the growth potential of our established markets and our ability to reset portfolios in our markets over time.

Continued revenue and Adj. EBITDA expansion

On to slide 16. And we see continued growth in revenue and EBITDA, 8% revenue growth, 6% EBITDA growth year-on-year. Again, a number of tenancies came in later in the year, so we do not have much in-year revenue impact of these, but we will see these come through during the course of 2022.

EBITDA growth of 6% year-on-year, with growth in the top line being offset somewhat by the investment we have made in our SG&A as we increased our scale, and in part due to some of the increased license fees that we have seen come in DRC during 2021 at 3% of revenues, which is broadly aligned with license fee ratios in other markets.

Final point on EBITDA margin. A slight decline, again, principally due to the impact of lower margin new market. We will see this dilute further with the closing of other announced new market deals, but then we will see this rebound in the short to medium term.

Overall, I think our tenancy pipeline is looking strong for 2022, and I will come onto guidance and outlook in a few slides time.

Strong currency hedged business underpinned by long-term contracts with blue-chip MNOs

So moving on to slide 17. You will see the usual breakdowns provided, which are very consistent from previous updates. We have a robust business model underpinned by long-term contracts with a diverse quality customer base with strong hard-currency earnings. 98% of our revenues come from large blue-chip made on network operators with a diversified mix with maximum single customer exposure at 26%.

We have strong long-term contracts with our customers. And at the end of 2021, we have long-term contracted revenues of $3.9 billion with an average remaining life of 7.6 years, and this is up from $2.8 billion at the end of 2020. And this means excluding new wins and rollouts, we already have that revenue contracted in the bag and provides a strong underlying guiding stream for the business.

Importantly, given the mix of our established markets and new markets, we have 63% of our revenue in hard currency, being either US dollar or euro pegged, which translates to 65% of our EBITDA being in hard currency. And this provides a fantastic natural FX hedge for the business, which is further complemented by our annual inflation estimates, which we have in our contracts with our customers.

Pro forma for the new market, that is due to actually being further strengthened to 72% of EBITDA in hard currencies. And it is this combination of FX protection, long-term contracts with blue-chip operators, which provide a robust business model to capture the growth, which Tom spoke about earlier.

Finally, a thing to mention on this slide, with the new market expansion, we are seeing a more diversified split of revenue per market and pro forma for the acquisitions, no single market accounts for more than 30% of revenues.

Contracts provide efficient hedge against inflation and fuel price movements over a full-year cycle

Moving on to slide 18. I wanted to take a moment to quickly recap the contractual protections we have in all of our customer contracts, particularly as we go into a period where we have seen some elevated levels in inflation and fuel prices, at least on more of a macro level.

As a business, we are very well hedged against movements in FX, power prices and inflation. And as discussed on the prior slide, we have net FX protections due to operating in some hard currency markets. But importantly, we also have escalators in our contract, which escalates in relation to base inflation and power prices.

For inflation, these are annual escalators, which typically escalate in December and January, with the escalation linked to the revenue that we receive, i.e., if we are receiving US dollars, then it is US CPI. If it is local currency, it is local currency CPI. We also have power price escalators with a rough split being 50-50 between annual escalator and quarterly escalator. And these go both up or down, depending on the local power prices. So if there is falling prices, the escalator reduces, and if there is an increase in prices, then there is an increase in the escalator. But over time, and we have seen this, this provides a good hedge to the business.

I think one thing to flag is that whilst you may have seen some Brent crude volatility, it does actually take time to see this translate from screen to actually what we experienced in the local markets and local prices. And we showed some analysis of this on the graph at the bottom of the page. And typically, we see a lag anywhere between three months or even a year to really have an impact locally. And typically, the movements in the market are far more muted without so many peaks and troughs compared to Brent crude.

And it is these local prices, which we experienced with regards to reference pricing for contract escalations and also for opportunity fuel.

Given the timing of escalators, we may experience a short-term lag between the dates that we have an escalator kick in and when we actually may experience cost movements. So in terms of rising costs, we may see a temporary negative P&L impact, but there, again, in terms of falling costs, you also see the come back.

In general, though, despite this lag effect, the structural mechanisms we have in place have been and continue to be a very effective risk mitigation tool. And I think structurally, we are robust and well positioned. But as always, we remain vigilant and proactive in management of potential movement in prices.

Capital expenditure: Tightly controlled and focused on growth

Moving on to slide 19 and a look at CapEx. And for 2021, we incurred a total CapEx of $395 million, of which $242 million was in relation to the acquisitions of Senegal and Madagascar with $153 million for the established markets, which was in line with the guidance we gave last year.

Looking at 2022, we are guiding between a range of $810 million to $850 million, with the majority of that $650 million being related to Oman, Malawi and Gabon closings with a range

of $160 million to $200 million being for our seven markets, which are currently operating to-date. Of that, between roughly $30 million will be non-discretionary, i.e., for maintenance and corporate CapEx, and the remainder $130 million to $170 million being discretionary CapEx.

Roughly $30 million of that will be for upgrade work, we will be competing on some of the new sites we have recently acquired; $10 million will be linked to Project 100. And as Kash mentioned earlier, this is our commitment to rollout carbon and OpEx-reducing initiatives, and we will make our first $10 million investments of that this year on items like solar, hybrids and other initiatives.

Most of these will come in the second half of the year, so we should start to see some impact of these later in the year/next year. And the remainder, $90 million to $130 million is on growth, and that is related to the rollout of tenancies for the year. And I will come on to more detailed guidance shortly.

But we are expecting to rollout organically between 1,200 to 1,700 tenancies for the year, and with 60% will be new sites. And as a reminder, the additional $30 million we incurred in Q4 last year to ensure speedy rollouts of our exciting pipeline this year has already been factored into these numbers.

Strong cash generation, reinvested into portfolio expansion

Moving on to slide 20, and I look at our cash flow. As mentioned earlier, we have seen solid portfolio and free cash flow of $168 million, which declined slightly over the last few years. And if you look at the table, you can really see that this has been driven by the increase in the taxes being paid as we become profitable in our established markets.

Receivable days has reduced, although still remaining in the broad range of 45 to 55 days, which we have seen being relatively consistent over the past few years, although a slight decline period-on-period, which is great. And really, we have reinvested the cash ways we have generated into portfolio expansion as well as taking on additional capital to support our transformational growth, which actually takes on to page 21, which shows our summary of financial debt.

Fully funded for expansion and lowered cost of capital

Our net leverage at the year-end was 3.6x and continues to be at the low end of our target range of 3.5x to 4.5x. We expect this to tick up towards 4.5 as we close the other markets during the course of the year. But really, there is ample headroom, with leverage very much under continued tight control.

As it stands today, we currently have circa $900 million of available funds, which is more than sufficient for our announced acquisitions, which are due to close and our organic growth, which for most of established markets is actually self-financing.

In terms of cost of debt, I am really proud that we have been able to take the momentum of 2020 and continue to do great work in reducing our cost of debt in 2021 with our various financings, for example, with our inaugural convertible bond issuance and we currently have a blended cost of debt of 5.9%, which is 3% less than what it was a couple of years ago when we listed.

We sit on a very strong balance sheet with long-tenured debt with a very limited floating exposure. And I think it is good to say that we are in a great position. But if we do choose to

do any financings or refinancings, we will be doing this for strategic reasons and that possible looking to continue our trend of reducing our cost of debt.

FY 2022: Continued growth on enlarged portfolio

And finally, on to slide 22. And here, I will outline our guidance. For 2022 as a result of the portfolio and new market expansion in 2021, the Group is now targeting organic tenancy additions of 1,200 to 1,700 in 2022. Previously we used to guide towards 1,000 to 1,500. And this reflects the continued momentum in our established markets and organic growth targeted in our new markets of Madagascar and Senegal.

60% of the tenancy additions are expected to be in new sites. Previously, we had guided to approximately 45% new sites for 2022 in our medium term guidance. However, given the network expansion plans of the MNOs, we are finding the mix has slightly shifted. But as indicated in the medium-term target in the dotted box, we expect that mix to shift to majority colos over the coming years.

In line with prior periods, we anticipate the majority of our tenancy rollout to occur in the second half of the year. And as such, the Group is targeting 25% of new tenancies in the first half of 2022 with the remainder 75% in the second half. And we expect this cadence of rollout timing to continue into the medium term.

Subject to the closing of the announced acquisitions in Oman and Malawi, the Group targets medium -term annual tenancy additions of 1,600 to 2,100.

Just for 2022, we anticipate lease rate tenant to increase in the range of 3% to 5% during the year, and that is going to be really driven by our CPI and power price escalator movements embedded in our contracts kicking in, which I spoke about earlier.

And in terms of adjusted EBITDA margin, we are targeting between 51% to 53% in 2022 compared to 54% in 2021. And that largely reflects the full year impact of portfolio acquisitions in Senegal and Madagascar, with both having lower tenancy ratios, but being very much primed for growth. And the incremental Group SG&A required for diversification in growth from five to 10 markets.

In addition, there is a little bit of short-term volatility you may see as a result of global inflation in energy prices and the lag effect, which I mentioned earlier.

We have added Malawi and Oman with their run rate EBITDAs underneath. And depending on closings, we will see that pro rata impact on our numbers for 2022.

I have covered most of the points on the medium-term guidance. But just to recap, we expect 1,600 to 2,100 new tenancies, including the broader portfolio of Oman and Malawi and expect the proportion of new tenancies from site rollouts to reduce to 30% over the period, expect the same tenancy seasonality in three year and we guide to lease rate for tenants increasing by US inflation after this year and expect EBITDA margin enhancement of 1% to 2% per annum going forward as we grow the portfolios and lease up.

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

Conclusion

Kash Pandya

CEO, Helios Towers

Key takeaway: driving sustainable value for our stakeholders

Thanks, Manjit. I am on slide 23. And look, this is the last slide before we go to Q&A. So as you have heard, key takeaways: driving sustainable value for our stakeholders.

We have significantly invested during the course of last year and we will do so during the course of this year to build a broader, stronger platform across 10 markets with 14,000-plus sites once we have completed the announced acquisitions that we will close during the course of 2022.

Strong growth opportunities supports high-quality growth and returns. And we will accelerate this growth during the course of 2022. And we will be making continuous progress against our sustainable business strategy, which we will report on during the course of this year, during our quarterly and half year announcements.

On that note, I am going to hand over to our conference coordinator, Jordan, to help with the Q&A. Jordan, over to you.

Q&A

John Karidis (Numis): Can you say a little bit more, please, to help me reconcile, on the one hand, the guidance you have given for the phasing of the tenancy growth during 2022. And on the other hand, the fact that Tom just said that tenancy growth in the first quarter is likely to be pretty good. And also that three months ago, you said that you were forward purchasing CapEx because you were expecting a strong start to 2022. That is my first question. And then my second of two is, could you please remind me of the incremental investments you have made in SG&A and how that changed since you first mentioned that you will be spending more and the phasing of that?

Tom Greenwood: Hi, John. It is Tom here. Why do not I take the first one, and Manjit, if you take the second one there?

Yes. So John, I mean, the guidance we have given is 25-75 as you know for this year. If you look at last year, it was actually more skewed. So last year, it was 13% in H1 and 87% in H2. So we are guiding towards a stronger rate to H1 already.

The other element is the number of tenancies we are guiding to has also actually increased, so 1,200 to 1,700. So in terms of an absolute number of tenancies for H1, that obviously means a higher number than what it would have been a year ago when we were at 1,500.

So the pre-ordering of CapEx is something that actually is very key for our business and actually a lot of businesses around the world at the moment, just simply because supply chains have increased in lead time in general. And this has been the same for the last 18 months to two years, quite frankly. And so much as things that used to take, say, three months from order to delivery into our warehouse in market, now takes five months, maybe even six months in some circumstances. So you do have to order CapEx earlier.

And that is what we do in general now. But specifically for last year, when we were ordering some additional CapEx, and this was predominantly we were referring to some CapEx or some tenancies rollouts build-to-suits, etc., in Q1. That is very much the case.

So whereas in Q1 last year and even the year before, I think we rolled out something like 70 tenancies, maybe 80 tenancies in the quarter. You will see several hundred come through in this Q1. So there has been, I guess, a good change in the volume quantum, and you will see that come through.

And just generally on supply chain, we will be continuing to be proactive and the kind of cadence that we have now for our supply chain is toward being more like five or six months in advance rather than three months, which was the case before COVID. And I think that sentiment very much continues, given some of the other challenges going on globally today as well.

Obviously, COVID is maybe slightly gone off of people's mind that there are other things happening, which means that we need to stay ahead of the game, which is absolutely what we are doing. Manjit, do you want to just cover the second part?

Manjit Dhillon: Yeah. So, on SG&A, so we have announced as follows. So in 2020 and following the acquisition of Senegal, we then gave guidance of will be adding $2 million. Now, at that point, we really had Senegal announced and very competitive processes on the others. Then in the middle of last year, we upped that to incremental $5 million, again, that is due to the fact that we had such a substantial growth that is coming through.

And for this year, which will be the final piece of the investments that is coming through. We will get our state up to the level that we need for all of the new markets coming on board. There will be an incremental $6 million, and that is really driven by the full year impact of actually having some of the investments in last year and a little bit of incremental investment coming through in H1. So that is fully baked cost now and that will mean that we are secure going forward and for 2023 onwards, excluding any new market expansion, that cost will only increase by the US inflation.

John Karidis: And if I may say to Kash, huge congratulations for everything you have achieved at Helios and a very best of luck going forward.

Kash Pandya: Thank you very much, John. I appreciate your kind words. Thank you.

Alexander Roncier (Bank of America): The first one, I would just like to come back on CapEx, because it feels it is a little bit of step-up in 2020 versus 2021. And if I remember correctly in 2021, we already had some front-loading of CapEx, and I know non-discretionary is increasing a bit this year. I know we have got like a bigger growth. But I am just trying to figure out if you could maybe give us a little bit more colour on the different buckets. How much is going to be from the BTS. How much is going to be from your new installation or how much is it really related to those energy supply installation? And maybe a larger question actually that was my follow-up was new strategy regarding diversification of power supply. And I know you have mentioned in your introductory remarks about some investments or start of investment into solar and things like that, and we have seen coincidence in Europe some of the operators and towerco even investing in mini wind turbine. So how are you thinking about diversification of energy supply? What is really the split today that is driving? Is it 90%, 100% on diesel generators? Or is there 20%, 30% on the grid? And what are you really thinking

moving forward in terms of target split in energy supply chain diversification, which is obviously highly topical, given the volatility in energy prices in those days?

Tom Greenwood: Yes. Thanks very much for the great questions. And Manjit, why do not you take the first one on the CapEx and then I will take the second one on the power.

Manjit Dhillon: Yeah, absolutely. So, on the CapEx point, I mean, really this is a consequence of two things. One, the increased number of tenancies we got year-on-year. So if you are comparing versus 2021, we are now guiding to more tenancies than what we had during that course of that year, but also the splits being different.

So now that we are moving from what was previously guided in our medium term guidance of approximately 45% of the new tenancies being new sites, to now moving to 60%. The impact of that is really north of about 250 sites if you look at the midpoint of where that guidance is coming out. So that has a material impact in terms of looking at it period-on-period, and that is really one of the key drivers that we have here.

Also included within what is mid-term discretionary CapEx is also some of the upgrade CapEx we will be doing on the new portfolios that we purchased as well. So if you strip out some of the upgrade items, which is about $30 million, then you are looking broadly consistent period-on-period, then you are getting broadly back to the numbers that we had year-on-year. I think those are the main reasons. Tom, on the other one?

Tom Greenwood: Yes. Thanks, Manjit. I mean, look, power strategy is absolutely key for us as a tower company operating across Africa, and to some extent, Middle East. We are also a power company and we provide all of our customers with very reliable power on each and every site, which means that to the extent the grid does not work 24/7, which it mostly does not, or to the extent the grid is not prevalent in the location of some of our towers, which again is true in some cases, we need to find other ways of providing power to our customers, because that is what they look for us to do and that is what we are contractually required to do.

So if you look at our portfolio today, in every 24 hours, we get about 16 hours blended average of grid power, which means that there is eight hours a day roughly that we need to find other ways of delivering power. And we do that today, roughly half of that, so four or so hours is from battery solutions or solar solutions and the other four is from generators.

And it is the generated area that we have got the most focus on is only reducing. We published our carbon emission strategy a few months ago in November, and in that, one of our key targets was through to 2030 reduce our carbon emission intensity per tenant by 46%. And as Kash mentioned on one of the earlier pages, we are very pleased actually that first year reporting of that we have shown a 7% reduction. So we are actually very much on plan to hit that 46% by the end of this decade and hopefully exceed it.

And in doing that, some of the things that you mentioned that solar, mini wind turbine, they are very much in our thinking. Obviously, we do already use solar today. We to-date have not used mini wind turbines, although I have actually been seeing some very interesting new products coming to the market along those lines and we will be looking at those more, as well as other forms of new energy generation. And there is a huge amount of exciting stuff going on in that space right now both from battery development point of view, but also things like cells and wind turbines, as you mentioned.

So we are continually assessing and continually looking at what is new on the market. We have a very clear plan of what we are doing over the next few years in terms of connecting more sites with the grid that do not currently have grid connection, plus rolling out more hybrid battery technology and particularly focusing on the lithium batteries at the moment and also some solar, where it makes sense.

And we have a dedicated internal team, both at Group level and in each operating company, which focuses on this. They focus on optimising the energy sector of every single one of our sites, depending on the number of tenants we have on the sites, depending on the kilowatt load of that site, depending on the proximity to the nearest grid lines and depending on the hours of sunlight and the quality of the sunlight, for example, because some places are good for solar and some places are not so good.

So there is a whole host of factors that feed into our internal algorithms that our energy teams run, and this is very much what we do day-in and day-out.

So in terms of forward-looking, we will be reporting on this, as we said in November, when we launched our carbon strategy. We will be reporting on this going forward, and of course we have set very clear targets on this around the 46% reduction. So, yeah, look, watch this space for us to reporting on that going forward and we will be utilising all of those forms of technology, I am sure to deliver that up.

Alexander Roncier: Okay. Very interesting. And maybe one follow-up, if I may on those topics, because obviously all those new technologies also require, I would assume, a little bit more maintenance, because, obviously, I mean you had maintenance before with diesel generators and some of the on-site batteries, etc., but if you got solar panels in the middle of desert, like you need to clean them up, I suppose, readily frequently. So is there also like a strategy going alongside the energy power supply strategy to perhaps starting having more of a discussion with operators regarding active equipment maintenance and maybe bringing that within the fold of the towerco as we are seeing now, maybe evolving in, I suppose, the more developed markets MSA agreements?

Tom Greenwood: Yeah, it is a great point. Absolutely, the first part of your question you mentioned around the some maintenance required. Absolutely, I mean, solar panels require maintenance. They require cleaning, obviously. They get a lot of dust on them in certain locations, for example. So we have slight maintenance across all of our sites and that involves field engineers going to each site at some point, either maybe once a month or in some cases once a quarter, where we can reduce it. Our long-term target is to get down to one site, visit every six months across our entire portfolio. That is not something we are pushing for, that will take time.

So, yes, there was a maintenance plan really for every from new technology. It should not increase the amount of visits we need to do to the sites. For example, on the solar, it will just simply be or it is simply part of the normal maintenance to the site each month or each quarter to clean those panels. So we should not see any increase of manpower cost on that in terms of maintenance, which is there, and then similar for hybrid batteries and such.

In fact, you cannot see reduced amount, because typically it is the generator that requires the most TLC type maintenance. And so you can reduce the number of hours of generators running,

then you are probably going to be able to reduce the amount of times you have to go and visit that site, which is good.

You make a very interesting point on the active visits to the sites, and of course, on all of these sites, active maintenance engineers are visiting to do their maintenance in the active equipment. We have, on the small occasions in our history, also folded in active maintenance into the passive maintenance. But typically, to-date the preference of our mobile operator customers have typically been to split it, partly that is because active maintenance will be always a key part of the offering from the equipment vendors and it is sometimes too complicated to disentangle that.

But one thing that we are looking for in the future potential and you alluded to it is the possibility of after the towerco owning part of the active equipment on the site, which is perhaps the natural extension of today owning the tower and the power, owning the base station and perhaps some antennas as well and perhaps the natural evolution of that. And of course that is happening in some markets around the world already.

There is a number of regulatory complications on that in most of our markets in so much as our regulators are quite clear on which companies are allowed to own and operate as for the equipment and which companies are not. And so, there is some regulatory hurdles to jump over in terms of us provisioning that, but it is certainly something on the topic of conversation with some of our customers and something that we are definitely looking at from an internal perspective.

So, yeah, watch the space for that as well and it could be something that comes in over the next few years for us.

Jerry Dellis (Jefferies): I have got two questions. The first one is just building on some of the points you made about power price sensitivity on slide 18. So the question is, would you be able to specify for us, what power price assumption is implicit in your 2022 guidance? And then also help us to understand how higher prices play through margins as we progress through 2022? Obviously, we are mindful of the potential timing differentials between the higher cost setting and the contractual escalators balancing up? And my second question has to do with your build-to-suit guidance. Obviously, you are now guiding that 60% of growth will be build-to-suit. So the questions here are, does that higher build-to-suit activity relates to any specific markets? Or is it fairly broadly based? And then as we look forward, you talked about build-to-suits mix declining towards 50%. But I wondered if you could help us understand to perhaps a slightly higher level of granularity, what is the appropriate build-to-suit proportion to be modelling two to three years out on the enlarged group perimeter?

Manjit Dhillon: Thanks, Jerry. I will pick up some of these. So in terms of the contracts and what we went through on slide 18, does not ended cost across all of the markets when it comes to power prices. We do not provide that. But effectively we are looking at what the prices are right now with a small, I would say, conservative assumption for how that will move over the intervening period. So that is why there is a little bit of impact when it comes to EBITDA margin. So that we have baked into our overall guidance.

But I think the fundamental point here is that with regards to power prices and our escalations, half of the contracts escalate annually, half of them escalate quarterly. So with the annual escalations, some of those broadly kick in around February. So if there is an intervening increase

up until that point, you will see a better margin dilution from the fact that you are not able to pass on the customer up until the following February.

Now, that is slightly counteracted by the fact that the other half are quarterly, where you will get your catch-ups coming through. Now, all things being equal, over a medium-term period, we are actually slightly over-hedged on power. So if there is increasing power prices, we actually get a little bit of margin on that, and that is principally because of our colocation ratio. So we actually get a bit of a multiplier.

It is relatively immaterial, but in the grand scheme of things we have a little bit of an increase there. And that is why on slide 18 you can see the effective 10% price movement. You actually get a positive EBITDA impact on that arrow, which is plus 2.3% if you were to get both prices happening at the same time.

So really what we are seeing and what we expect to see during the course of the year is that if there are price movements you would not get a decline on the P&L from your annual escalators being slightly counteracted by your quarterly, and that is what we are effectively baking in our numbers at the moment.

With regards to your other question on build-to-suits and the split, effectively it seem that these will be pro rata versus the operations which we have at the moment. So Tanzania and DRC really being taking the lion’s share of a lot of the build-to-suits, but also having a good rollout in Senegal and Madagascar and our other established markets as well. And that is very similar to what we have seen historically and during the course of 2021, where typically we used to be find about 40 percentage of our rollouts happening in Tanzania and DRC and in rest of the markets picking up the balance.

And I think that is something that we will see again during the course of this year. And I am sorry, I missed the last part of your question, if you do not mind to repeat.

Jerry Dellis: Yes. I think during your discussion, you mentioned the build-to-suit proportion should decline back to 50% or below 50%. But I just wondered whether we should be modelling going back towards 40% on a three-year view or whether we can get a little bit more detail on that?

Manjit Dhillon: Yes. So what we actually say in our medium-term guidance, which is towards the backend of the presentation on page 22, is that actually that will reduce on a straight-line basis to actually 30% over a three to five-year time horizon. So we really expect the majority of the new tenancies, all things being equal, to actually be more skewed towards colocation.

Now on a year-on-year basis, you can find peaks and troughs like we are finding 2022 and actually in 2021, we have had a bit of an elevated level of new sites. But over the medium to long-term, you will actually find that the majority will be colocations. So the way to model that is reducing down to 30%.

Jerry Dellis: And then just to return very quickly on the power price point. So I mean long story short would be that, there is no particular reason why we should be expecting power prices to cause some temporary margin squeeze in the first quarter?

Manjit Dhillon: Not in the first quarter, but you should potentially see it coming through in the back end of the year.

Simon Coles (Barclays): Just a follow-up on the power price one. So, I guess, you do not want to give too much colour. But just to understand from our side. Are you basically assuming that the prices do not really change from here for the rest of the year? And that is the impact that you are baking into for the guidance? Because I guess we might expect some potentially wild moves in the price of fuel, given everything that is going on globally. So if the price could go from $120 down to back like $70, it would be good to understand how much of that is baked into the guidance and how much is not? And then, the second one is just on M&A. You have obviously had a very successful 2021 with a lot of transactions, and there is a couple more to close this year. But within Chad is now not going to happen. I guess if you could just give us an update on the M&A plans going forward? Should we expect 2022 to be another integration year and then 2023 is when potentially you might start looking at other opportunities again as the balance sheet delivers?

Manjit Dhillon: I will take the power point and then Tom could take the M&A one. So on power, we are assuming an increase in power prices. We have made a relatively conservative assumption. And the reason why we are doing that, if you were to assume power prices remain stable during the course of the year, then you would not see too much of an impact on the margin.

But assuming that there is some volatility that is going through, then we would expect a short lag affect in our P&L and that is why we are expecting a little bit of a negative movements in terms of EBITDA margin. But again, this is more for conservatism in terms of our modelling.

But I think as we look at the EBITDA margins, well, generally the guidance that we have given, just to be very clear about this. The majority of that is really driven by the fact that we have got full year impact of the new acquisitions coming through of Madagascar and Senegal, which are diluted to the EBITDA margin. Added on top of that, the SG&A investments that we are making to increase the platform.

And those are really the key moves with a little bit of additional buffer that is put in from this lag effect that is coming through. And Tom, on the M&A?

Tom Greenwood: Thanks, Manjit. Hi, Simon. Thanks for your question. So, look, on the M&A, the focus this year is really on integration, as you mentioned. We are really looking to close, obviously, the remaining three deals: Malawi, Oman and Gabon. And really get those integrated, as well as finalising the full integration of the new deals that we closed last year in Senegal and Madagascar, which are both very much on track on that perspective.

And, of course, focusing on the organic growth of our existing business and all of our markets, including renewals. So that is really the focus of ours right now for this year.

In terms of other M&A or future M&A, there are deals that we are monitoring. There are potential opportunities that we are monitoring. But I would say that most of them are next year's business or beyond. So we will be very much focused this year on organic growth integration and really driving the existing business forward, and we will obviously take stock and look at any new opportunities that are really ahead. But right now we are looking at new M&A more for next year's business and beyond.

Abhilash Mohapatra (Berenberg): I have got two. Firstly, just on colocation growth, and I am thinking more specifically about standard colocation growth. Here, I guess, we have seen

in 2021 that with the exception of DRC, the growth was actually lower this year than it was in 2020 in most of your other markets like Tanzania and the Congo and Ghana. This is in the context of your guidance as well, but you are saying that you expect nearly 60% of the tenancy growth to come from new sites. Just wanted to get some colour on how you see the prospect for actually leasing up your sites and driving standard colocation tenancies up in the near to medium term? And then, secondly, just maybe somewhat related to that on slide 10, where you show the return on invested capital for your business and you show that pro forma for acquisitions, it is on 9%, where that has been obviously much more impressive figure in the past. Do you expect to be able to drive that number back to the 13%, 14% mark? And if yes, over what time horizon would you expect that to come through?

Tom Greenwood: Yeah. Thanks, Abhilash. It is Tom here. I will take these. So, yeah, look, I mean, on the colocation growth, you mentioned that we are guiding to a higher percentage of build-to-suits this year of 60%. No, look, I mean, it is very much driven really by the strategies of some of our key customers. And what we are looking at in terms of our own marketing strategies and customer acquisition strategies.

And, interestingly, what we are seeing right now, and to some extent, what we saw a bit of last year as well in some markets, was a real renewed push for new coverage in areas, which previously had either little cell coverage or no cell coverage in some cases. And we are seeing that continue into this year, which is why we have guided 60% build-to-suit this year, and we have quite a few orders on hand right now, which are building new sites in new locations.

And I think this is just a natural cycle. In some years, mobile operators will focus on upgrading and densifying and maybe upgrading technologies on their existing sites and creating more infill, creating more capacity in areas, which they currently cover. And other years they might look at new subscriber acquisition in areas, which previously had little or no coverage and we are in that space now, which is great to be honest both from a sustainability perspective and building up more sites in rural location, providing connectivity to communities, which previously did not have connectivity or did not have much connectivity.

We are very, very pleased to be doing that. But, as you alluded to, of course, build-to-suits create more capacity for future colocation and for every single build-to-suit that we build we always do a very deep assessment of the geo marketing of that location, checking lease liability for future lease-up of future demand in those. So we will look at things like local population density, local amenities. And all of that will feed into our proprietary algorithms in our geo marketing tool to we predict how many and how quickly we will get more colocations on these sites.

So yes, absolutely, we expect to drive more colocation in the future from these new build-to-suits, as we do from our acquisitions. Of course, we are acquiring sites, which typically have a tenancy ratio close to one tenant per tower. So it is the same concept of buying more scale on day one to then really drive the lease up going forward, which, of course, is the number one driver for margin growth and for ROIC.

And so just finishing off on that, you mentioned on slide 10 on the ROIC being diluted from 13% to 9%, which is just simply the natural thing that happens when you buy and use one of these network with a lower tenancy ratio. The answer is yes. Absolutely, we will be driving

forward the lease up, driving forward the growth and also some operational efficiencies over time to really get that ROIC back up to the levels that we have been seeing.

And I think the chart on the right actually shows that very well, I think, because prior to 2016 we have seen on a large acquisition initiative and have established a new platform. You can see that with margins were pretty low, in fact, way lower than they are today even with the dilution.

Over the last few years, we have driven that up significantly based on just simply having a much larger platform to sell to our customers and to drive operational improvements. And we are absolutely primed and ready to do that now on nearly in large portfolios that we now have. So, yeah, I think that you can expect all of that to be happening in the next few years.

Nikita Meherally (Emirates NBD): Could you please elaborate on the acquisition planned beyond 2022? And I think since you are close to achieving the 2025 target pretty soon, would you be looking at new markets? Or would you wait to improve tenancy ratio and maximise return on the acquired assets? And in case you look at new markets or further acquisitions, how do you think about funding, given the higher costs now? My second question is regarding cash. So what cash level are you generally comfortable with, as in how much would you like to maintain? And lastly, if you could give some colour on leverage and what are the medium-term targets here?

Tom Greenwood: Thanks very much, Nikita. Yeah. Look, why do not I take the first couple there on the acquisition plan, and then Manjit, if you take the ones on the funding and the cash leverage levels.

So, look, in terms of acquisitions beyond 2022, 2022 is really us focusing on integrating the previously announced acquisitions and focusing on motoring forward with our organic growth, organic performance and our overall business excellence strategy across the Group and making sure that is embedded in all of our markets, including the new ones. So that is really our big focus for this year.

As I mentioned briefly earlier, we obviously continue to monitor the market for acquisitions. We have business development team, which is always monitoring, and there are some very interesting opportunities out there. But I think that given the timing of the sales and gestation period of them, it is very much on next year's business and beyond and we will just continue to monitor the market as we always do to really, as you mentioned, we are focused on interesting assets, maximising those returns, getting the lease-up going on those assets, really driving the performance and getting operations going in from the new markets and that is our big focus right now. And over the next few years, I am sure there will be acquisition opportunities that arise and we will look at them in a normal way.

We certainly see that value in further geographic diversification and scale growth over time, and we think that that opportunity is certainly there in the regions in which we operate, being Africa and Middle East. So we will continue to look at that in the future.

And, Manjit, just on the funding, cash levels and leverage, do you want to say a few words on that?

Manjit Dhillon: Yeah, absolutely. So in terms of our leverage levels, we have always communicated that we like to operate broadly within a range of 3.5x to 4.5x net leverage. Out of that, we are at 3.6x now. Pro forma for the acquisitions will be towards the top end of that

leverage range. But, as Tom said, we do not see potentially any acquisitions really coming through during the course of the year. That is probably going to be for next year and beyond. By which point, and the beauty of this business model is, then it deleverage very, very quickly.

So we should have the debt capacity that we require, should we need it for future acquisitions. But effectively the way we always think about acquisitions, there will be forms always, if possible, cash on balance sheet, debt capacity and then other forms of financing there afterwards. And that is the way that we will look at it when we analyse this.

But one thing that we have done during the course of the year is we get to diversify our source of the funding. So we have got not only our convertible bonds, which we really like as an instrument. We have also got our high-yield bonds, which we had for a long period of time. And we have also got in-market debt financings as well.

So the combination of all three of these really act quite well and provide us some diversification in terms of how we look for funding as we go forward.

In terms of cash level, we like to keep broadly in the region of around $100 million, $150 million for those on the balance sheet. So majority of that will be broadly held at the Group and we keep a small balance in the like of opcos and we always do streaming of funds to our Group facility. So we are keeping in the opcos for working capital and CapEx purposes, but the vast majority of our funding is always held offshore.

Kash Pandya: Well, thanks, Jordan. Well, look, thank you very much everybody for joining our call, and we look forward to talking to you during our Q1 numbers presentation in May. Thank you. Bye-bye.

[END OF TRANSCRIPT]