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Helios Towers Q3 2022 Results

Thursday, 3rd November 2022

Introduction

Tom Greenwood

CEO, Helios Towers

Welcome

Welcome, everyone, to the call. Good morning, good afternoon. Really great to speak to you today.

Helios Towers team today

I am on page two of the slide deck, and we will present to you now our Q3 performance. So with me, as always, are Manjit Dhillon, our CFO, and Chris Baker-Sams, our Head of Strategic Finance and Investor Relations.

Q3 2022 YTD: Highlights

Moving on now to page five - the key highlights - I am very pleased to present to you these strong performance and earnings today. I think what we have seen so far this year is continued strength in terms of our organic business and also obviously our inorganic business as well folding in, as we go through the year.

So year-on-year site count, up 24%, 18% on tenancy growth, and 9% and 7%, respectively. On the organic side, already having completed almost 600 new build-to-suit sites so far this year, which is actually our record in the company history. And this translates into strong financial performance that we see here, up 25% on the revenue and up 18% on the Adj. EBITDA year-to-date, organic being 14% and 10% year-over-year, which we are very pleased with.

As I have seen a bit this year, there has been a bit of margin dilution which continues. It is largely driven by a mixture of the acquisitions which come on board with a lower margin on day one, obviously, then to build that later. But also some increases in power prices, which actually means that both our revenues and our OpEx go up because of the strength of our contracts and the contractual nature. We pass a lot of these OpEx increases on the power prices through to our customers.

So what you are seeing here is a dynamic whereby, for a given absolute dollar figure of Adj. EBITDA when you have both revenues and OpEx a bit higher, the margin naturally or mathematically comes down a bit; and that is what you are seeing here in the chart. So what it means is our contracts do work and we are protecting ourselves from the increased power prices, particularly fuel, which is obviously driven largely through the price of oil.

Moving on now to Oman - Oman, which we announced about 18 months ago, I am very pleased to say that we received the royal decree for our license a couple of weeks ago, and now are in full closing mode. So we expect to close that within the next four to six weeks, and really get ourselves ready for a full year next year, which is very exciting. Obviously, all of the financing are already in place for that.

And lastly here, we are increasing or tightening upwards our tenancy guidance for the year. As you can see, we have had a strong year so far, and we have a very good pipeline for Q4. And indeed, we have a very, very, I would say, strong pipeline building now for next year as well, which is setting ourselves up for 2023.

So seeing some good demand, to be honest, from multiple markets and multiple customers, which is always good to see.

Q3 2022: Platform expansion driving strong growth in Adj. EBITDA and portfolio free cash flow

Moving on now to page six - and just here we see graphically largely what I have just talked through. And really what you can see here is the effects of largely our expansion strategy that we have been doing on geographic expansion over the past couple of years, whereby you see the tenancies absolute figures going up. The tenancy ratios, they are getting diluted a bit from 2.1x in 2020 to about 1.9x now. That is obviously the impact of the new markets coming on board with the lower tenancy ratio, and therefore, building up going forward, or loading up the unleashed load assets going forward, which is what we are very much doing on the sales front right now.

You can see the same dynamic there on the Adj. EBITDA. Absolute Adj. EBITDA obviously going up. Margin dilution, a little bit of an impact there as well from the fuel prices, so power prices this year, and then a similar trend there on the portfolio free cash flow. So all very much moving in the right direction aligned with expectations, and building ourselves up for future growth.

Oman expansion nearing completion

Here then on page seven - a little bit more of a deep dive into the Oman expansion, which as I mentioned, we have been building now for about 18 months since we announced it last year, which is very much in place, and Philippe Loridon and Ramsey Koola, you can see here on the page, being the regional CEO and the MD leading that, obviously, with the support from many others around the Group.

I was actually in Oman over the past couple of days meeting the team, meeting some key stakeholders there, including all of our customers, which include Omantel, Ooredoo and Vodafone. And again, we are very much planning for next year now in terms of how we can support the mobile operators in that market achieve even more coverage and capacity requirements, obviously, with 5G very much on people's mind there. That drives the need for significant densification of networks. So we are very much ready for that.

Sustainable Business achievements

And then moving on to page eight - a quick touch here on our sustainability business. And again, a reminder that a few months ago, we were very pleased to be awarded our first-ever MSCI rating, which is an AAA. And of course, we are now included in the FTSE4Good index as well. I am also very, very pleased to say that our South African business has achieved the top level there for Broad-Based Black Economic Empowerment, and this reflects our dedication to driving that agenda in South Africa.

We recently brought on board a new local investor, Clearwater Capital. And obviously, there you can see our South African team. So great work for our South African colleagues there.

Now I will hand over to Manjit to take us through the next section.

Financial Results

Manjit Dhillon

CFO, Helios Towers

Q3 2022: Ongoing financial and operational delivery

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

Starting on slide 10 - continuing on from what Tom mentioned earlier, despite the broader macro volatility, we are seeing growth across the globe. We have had a strong nine months of the year, reflecting continued organic tenancy growth and double-digit organic Adj. EBITDA growth, which is all complemented by our acquisitions completed in Madagascar, Malawi and Senegal last year.

On this slide, you will see we summarise the main KPIs, which I will be talking through in more detail over the next few slides. But in general, we are seeing continued financial and operational delivery and good growth across a number of these key metrics.

Q3 2022: Consistent and strong tenancy growth

So let's jump into the details. Moving on to slide 1 - our sites and tenancy growth - we have seen strong organic tenancy growth in Q3. From a site perspective, we have seen a 24% increase year-on-year, reflecting organic growth of 894 sites and 1,213 acquired sites across Madagascar and Malawi.

And in fact, we have already added more sites organically this year than we had in any year historically. And that really does reflect the resilient structural growth opportunity across our markets.

Year-on-year, we have added 3,140 tenancies, which is an 18% increase from Q3 2021. Organically, we added 1,448 tenancies and inorganically, 1,692.

Our tenancy ratio has dropped slightly on a Group basis, and that is largely driven by the lower tenancy ratio of the acquired sites in Madagascar and Malawi, which combined to have a tenancy ratio of 1.4x. Excluding these acquisitions, though, our tenancy ratio has slightly decreased by 0.04x year-on-year, and that really reflects the strong site growth across our markets, which I have just spoken about. But ultimately, the increased site base as a large base for driving lease-up and therefore returns going forward.

Q3 2022: Double-digit organic Adj. EBITDA growth complimented by inorganic expansion

On to slide 12 - we have seen continued growth in revenue and Adj. EBITDA, with 25% revenue growth and 16% Adj. EBITDA growth year-on-year, up 15% and 11% organically, respectively.

The revenue growth is principally driven by tenancy additions in addition to CPI and power price escalations, which I will come on to on the next slide in more detail. Adj. EBITDA grew by 16% year-on-year, again, driven by organic tenancy growth and contributions from our new markets.

Our Adj. EBITDA margin declined 4 percentage points year-on-year to 49%. The impact is driven by the rising power prices that Tom just mentioned, and which I will come on to on the

next slide, but also due to entry into Malawi and Madagascar over the past year. These acquired assets have a combined margin of 30%, reflecting the lower initial tenancy ratios of those assets, which, we, of course, expect margins to expand over the medium term as we lease up and better utilise those tower assets.

Demonstrate resilience; structural growth and robust business model

So moving on to slide 13 - we set up walkthroughs of our revenue and Adj. EBITDA progression for Q3 year-on-year. The first four bars of each bridge, organic tenancy growth, power escalations, CPI escalations and FX, all combined to make up organic growth, and acquisitions on the far right-hand side being the contributions from new markets.

Organic tenancy growth of 1,448 year-on-year has really driven 9% of both revenue and Adj. EBITDA that you can see on both the bridges. But I want to take a quick minute to focus on escalation movements. As a quick reminder, we have escalated in every customer contract in all of our markets.

For power, 50% of our contracts are quarterly power price escalators and 50% of annual power price escalators. These escalate in relation to the local pricing for fuel and electricity. So if the 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 kick in around January. Year-on-year, we have seen that on average, local fuel prices have increased by 39%, and this is principally driven by DRC, Tanzania and Ghana, which have accordingly increased revenues of 7% with some further escalations also expected in Q4. We have a robust business model by design. So we have structured the increasing revenues to effectively offset the increased OpEx due to higher power prices to really protect our EBITDA on a dollar basis.

And on the left-hand side, you can see that the power of revenue of $8 million from revenue falls due to Adj. EBITDA at $1 million on the right-hand side. So from a margin perspective, there is some dilution as Adj. EBITDA margin on the power price is lower than the overall Group margin and, in this case, diluted margin by 2 percentage points.

However, in a year of macro volatility, where we have seen 39% power price increases, we've been able to keep our Adj. EBITDA from power flat/slightly up, meaning that our contracts are escalating effectively and offset the OpEx impact of higher fuel costs.

Moving on to CPI and FX- local CPI is currently around 9% across our markets, with revenues up 3% from our CPI escalators. These escalators occur annually and principally in the earlier part of the year. So we will see escalations kick in capturing more of the CPI movement as we go into the New Year. But this increase from escalators has broadly offset any FX depreciation, which is actually also well managed by the fact we have set up the business such that the majority of our revenue and Adj. EBITDA is in hard currency.

So whilst we see some FX depreciation in Malawi and Ghana, in particular, these are currently having a limited impact on the overall Group results. We will, however, see some increased volatility in Ghana in Q4, and we do expect there to be a little bit more FX impact as we go into the quarter. But overall, this is a small part of the overall portfolio. And again, our CPI escalators will mitigate this when they kick in, in early 2023.

But I think both these bridges provide a useful demonstration of the business model; and standing back and looking at this from an Adj. EBITDA level, the key driver of growth is tenancy additions, both organically and inorganically.

Previously at the Capital Markets Day, we showed that however the last six or seven years, our Adj. EBITDA growth is highly correlated to tenancy growth with little to no correlation to FX or oil prices, and this area is a further demonstration of our robust business model and our earnings growth being driven by tenancy additions and being well protected from macro volatility.

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

So with that, move on to slide 14 - we will show you the usual breakdowns provided, which are very consistent with previous updates. We have a robust business model underpinned by long-term contracts with diverse customer base, have strong hard-term currency earnings.

19% of our revenue come from large blue-chip mobile network operators who are largely investment grade or near investment grades comprising mainly Airtel Africa, Orange, Axian and Vodacom. Our largest single customer exposure is 28%, and that is actually spread across five different markets, so very well diversified. We have strong long-term contracts to our customers. And at the end of Q3, we have long-term contracted revenues of $4 billion with an average remaining life of seven years, and this is up from $3.7 billion at the end of Q3 2021.

This means excluding any new wins or rollout, we have that revenue contracted, providing a strong underlying earnings stream for the business. We also have 62% of our revenues in hard currency being either US dollars or euro-pegged. As a reminder, this will increase to 67% pro forma finance acquisitions, which translates to 72% when looking at it from an Adj. EBITDA perspective. But overall, this provides a fantastic natural FX hedge for the business, again, complemented by our inflation escalators we have in our contracts.

Finally, on this slide, I will just mention that 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 will account more than 32% of revenues.

Capital expenditure: Tightly controlled and focused on accretive growth

On to slide 15 - and here, we have a look at CapEx. For the year-to-date Q3 2022, we have incurred total CapEx of $214 million, which includes $63 million of acquisition CapEx, particularly related to our entry into Malawi. As mentioned earlier, we are updating our tenancy guidance to the top of the previously communicated range of 1,400 to 1,700. Consequently, we are also updating our organic CapEx guidance to reflect the increased tenancies and now target a range of $180 million to $200 million, of which $152 million has already been spent year-to-date.

Just to be clear, the updates here with CapEx is purely linked to the guided number of tenancies, and is really just a function of the costs associated with increased tenancy rollouts. For acquisition CapEx, the guidance is consistent at $650 million, which reflects the acquisitions across Oman and Malawi in addition to some deferred consideration for our Senegal and Madagascar acquisitions. And again, this remains unchanged.

As highlighted in the previous quarter, 30% of our $575 million Omantel Tower acquisition will be funded by our local minority shareholder, Rakiza, after adjusting if any pro rata local debt that will raise. So when we close the deal, we see that as a cash inflow into the cash flow statement at year-end. So from a cash perspective, the total outflow of funds for Oman deal will be less than previously guided.

Strong balance sheet

Moving on to slide 16, which shows a summary of our financial debt. Our net leverage at Q3 was 4.1x and continues to be within the medium-term range of 3.5x to 4.5x. We expect this to pick up to be around the high end of the range as we close the other markets during the course of the year, but expect ample headroom against our financial covenants.

As it stands today, we have circa $690 million of available funds, which is sufficient for our announced acquisitions, which are due to close, and our organic growth for which our established markets are broadly self-financing.

But I think we sit here on a very strong balance sheet with a long-tenured debt with nearest maturity for Group’s debt not until December 2025. Our drawn debt has an average remaining life for four years. We also have very limited floating exposure with 96% of drawn debt at a fixed rate, again, giving us good protection against a rising interest rate environment. So overall, we are in a great position to say that if we do choose to do any re-financings or financings, we will be doing this for strategic reasons.

And finally, a quick comment on our market is that six of our markets have either been upgraded or moved to improved outlook during the last year by one or more credit rating agencies, including our two largest markets, Tanzania and DRC, with Ghana being the only market downgraded.

FY 22 outlook: Guidance updated for robust tenancy growth and power price movements

And moving on finally to slide 17 - as mentioned earlier, given our robust tenancy growth and pipeline, we are pleased to say that we have tightened our organic tenancy guidance upwards, and the Group have target organic tenancy additions of 1,400 to 1,700 in 2022 from a previous range of 1,200 to 1,700. This implies we will have one of our best ever years on record in terms of organic tenancy growth. And from a financial perspective, our lease rate for tenants is tracking in line with guidance, up 3% year-to-date and is trending towards the higher end of the range with Q3 2022 lease rates per tenant up by about 5%.

Also as discussed earlier, due to higher power prices, we have also updated our margin guidance for full year 2022 to 50%-51%. But all in all, we're broadly progressing to plan and expect to deliver one of our best ever years of tenancy growth.

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

Conclusion

Tom Greenwood

CEO, Helios Towers

Q3 2022: Takeaways

Thank you very much, Manjit. I am on page 18 now. And really the key takeaways for me of our performance year-to-date and our outlook for the rest of the year, tenancy growth clearly being strong, and that is continuing literally at this minute, with sites being rolled out every day as we speak.

And again, as I mentioned before, we are now building a pipeline for next year, which is always good to do at this point of the year. Very pleased to say that Oman will be closing in a matter of weeks now, setting us up again for the enlarged platform for the full year next year, which is a very exciting news. And again, just to reiterate outlook next year, definitely building and looking strong across the enlarged platform. And I think it is worth just reiterating what Manjit went through in terms of the robustness of our business cut-off as well as the structural growth that we clearly have in our markets.

I think page 13 really demonstrates how resilient our Adj. EBITDA is, given the contractual protections that we have in our contracts, obviously, for inflation, for power prices and for FX.

So all in all, pleased with the performance so far this year and looking forward to the months and years ahead.

So with that, I will hand back to Adam, the coordinator, and we will be open to Q&A. Thank you.

Q&A

Jerry Dellis (Jefferies): I have got two questions, please. Firstly, when we think about the trajectory of CapEx excluding acquisitions beyond the current year, so the starting point is $180 million to $200 million in 2022. As we move forward, obviously, it is an enlarged group. But I think you previously guided that more of the tenancy growth would come from lease-ups as we go forward. So framework to think about how we should be modelling CapEx into next year, please?

And then the second question has to do with DRC. Obviously read reports of a taxation dispute between the government and the mobile network operators. Could you clarify for us, please, why that stuff cannot happen to Helios?

Tom Greenwood: Thanks, Jeremy. Manjit, do you want to take the first one on the CapEx guidance, and I will take the next one?

Manjit Dhillon: Yes, sure. Hi, Jeremy. So with regard to CapEx for 2023, we will give more detailed guidance when we give our next year update at the full year results. But in short, one thing that we set out during the Capital Markets Day is really how you model CapEx going forward into the medium term.

Effectively, as you rightly say, we will be expecting over the next few years that switch from build-to-suits to colocations. And so, we all find that probably being more colos than what we found this year, which will subsequently reduce the amount of CapEx that we will have. One

thing that we just broadly guide towards is including $10,000 for a colocation, $125,000 for a new site. And then we will also do incremental spend in terms of Project 100, which is the project that we have got to reduce our carbon emissions, which will also have a financial benefit. We expect about circa $10 million per annum.

And then obviously, we will have some incremental upgrade work in the new acquisitions, and we will announce that in the beginning of every year as well. But broadly, we expect it to be about $15 million to $20 million for 2023.

On top of that, we will have some non-discretionary CapEx as well, which relates to maintenance and corporate, and that is typically been around $3,000 per site. So when you bring all that together, it will be broadly around, I would say, the $150 million mark, if not a bit higher in 2023.

But as we go through the medium term, you will find it probably bouncing around that number. But again, we will give more detailed guidance when we give our full year results.

Tom Greenwood: And Jerry, yes, just on the point around the tax. No, I mean we have been following that, obviously, in DRC. Yes, look, I mean, I guess towercos are generally just simply a lot less relevant and a lot more almost under the radar, if you like, for authorities.

But we very much comply with all of our taxes across the Group, always have done, always will do. We have good and open relationships with the tax authorities. That is very much our ethos. And we ensure that we pay the taxes as and when they are due. I think we have always done that. And look, all companies sometimes have disagreements with the tax authorities, that is normal, but it is about how you resolve it and how you discuss it openly in a corporate way. And that is our ethos.

So we will continue doing that. And I am sure that we will continue to have good relationships with all authorities across our markets.

Alex Roncier (Bank of America): Just one on maintenance CapEx. If you could maybe come back on why such a strong phasing during the year and the strong ramp-up we should expect, given the $30 million guidance for the full year? And why such a ramp up in Q4, why not more evenly spread across the year, and if we should expect some similar seasonality in the following more years?

And then another question just regarding M&A. And obviously, you have taken like a little bit of a step back, I think from the Capital Markets Day, you are obviously focusing on your current geographies and closing the last two deals you have had in the pipe. But I have read across the press that you had already considering at some point perhaps selling towers. Would you be actually interested in such a big portfolio and changing meaningfully your scale across Middle East? Would that be something? And if not, what would be the impendence to do such a deal? What would be the things that would stop you for going across or considering even such a deal per se?

Tom Greenwood: Thanks very much, Alex. Yes, maybe I will just take both of those. Look, maintenance CapEx, we obviously give guidance on a yearly basis. As Manjit said, about $3,000 per site per year is the rough guide. Look, it is seasonal. It is a bit lumpy. A lot of the CapEx is driven as to when generators come to the end of their life and when batteries come to the end of their life.

And so, we monitor that, obviously, constantly. That is part of what our operational teams do. A generator can typically last to anywhere between 20,000 to 40,000 hours and batteries three to five years. Some of the new lithium one now lasts 10 years or up to 10 years, which is good. So it is really just due to when our existing fleet of generators and batteries replacing, that is the largest driver for that, which does mean that it gets a bit lumpy.

What we typically would recommend there is if you want to normalise, you maybe take the last 12 months' view of it. And that is probably what we would recommend there just to see a smoothing of it.

Yes, on M&A, I mean, look, as communicated earlier in the year at the Capital Markets Day, we are very much focused right now on integration and really getting the new market up to the high level of business excellence standard as our existing markets, and really starting to drive the lease-up on the new towers we have acquired, and therefore, the margins and return. That is very much happening right now. And obviously, we will be folding Oman in, in the coming weeks as well, and then betting that down for a bit.

As a prominent tower company in the Middle East, Africa region, we are always very much aware of all the deals going on really at any given time. And we have a business development team whose role it is to look at deals that come through and assess them for reasonableness or appropriateness or alignment with our strategy and our focus. And that very much continues today as it did a year ago or two years ago. That does not stop.

Remember, deals of these nature typically take two years or so to come to fruition. So working on a deal today means that something maybe happens in end of next year or 2024. But I think in respect to the deal you specifically mentioned, clearly, we know about it. Everyone does. I think we take a very disciplined approach to assessing individual markets. And that is always what we have done, and that is always what we will continue to do for all deals, including this one.

So obviously, I cannot give any details on that, but just really reiterating. We take a very disciplined view, and we have our acquisition criteria, which we published as well, and we will continue to do that. But from a strategic point of view, still very much focused on integration, organic growth, getting the lease up going on the new markets right now going into next year. So no change in that respect.

Alex Roncier: Okay. And maybe just one follow-up, if I may. Because we have heard some of your peers perhaps taking a step back from actively engaging in M&A, or even continuing M&A, given the current year macro environment, but that's not really what you are saying. You are mostly saying you continue to assess whatever comes on the table for their own merits, and it is not like given the current rate environment or your discussion with banks on financing that you see any problem into potentially actually growing the business inorganically?

Tom Greenwood: I am not saying that. I am saying we look at deals that are happening. I mean, if anything, it is always a learning experience, right? So we have a business development team. They are doing, as always, a very good job. And the job of the business development team is not always to buy everything or win every deal. It is to assess every deal, learn about it and understand whether that could be a good fit for Helios, and that very

much continues to date. And I think that is the right thing to do rather than bury our head in the sand and not know what is going on.

I very much prefer to know what is going on and then we can make the right decision as and when stuff comes up. But as I said before, we are very, very disciplined and the strategy has not changed since earlier in the year. We are very focused right now on organic growth, integrating with deals that we have announced and betting everything down. And that runs through into next year as well.

Stella Cridge (Barclays): I wanted to ask in a couple of areas. The first is, you have given the Oman transaction is likely to close quite soon. How is the funding plan looking for that? And are you close to kind of getting that finalised? And just in terms of split between new borrowing and existing cash usage, how much would you like to keep on the balance sheet in cash? That would be great.

The second was just in terms of the move in the net debt quarter-on-quarter, over and above the disclosed items in the release. Was there a working capital outflow, for example, that would explain that increase in net debt? And what would be the outlook for that going into Q4? That would be helpful.

Tom Greenwood: Yes, Manjit, can you take that.

Manjit Dhillon: Yes, perfect. So in terms of the funding plan, we are still in the process of finalising that. But ultimately, we do expect to have a local facility also raised in Oman. We are actually finding in that market at the moment, we can actually get some very, very competitively priced debt, long tenure as well. So we will look to do something there, which will mean that we will probably raise something in the region of, I will probably say, north of $150 million is what we are looking at, at the moment. And that will ultimately reduce the debt that we will draw from a Group perspective. But that will all be confirmed as and when we close that transaction.

But again, I think one of the positives here is that, when we look to do the financing, we are doing it for a strategic reason. We have got the financing in place already, so we can pick and choose which financial facilities that we utilise. So all going to plan in that case.

In terms of balance sheet and cash, so we will draw a bit from our cash facilities at Group for this transaction. But again, that will be minimised versus the drawdown that we will take from a local facility, plus the Rakiza 30% as well. So after all of this, we still would expect to have cash on balance sheet in excess of $100 million, which is normally where we like to be on any given period.

On the position around net debt, yes, it has slightly increased. I would not say this is a working capital issue. In fact, you have actually had a debt to-date reduced from Q2 to Q3. We actually saw a lot of our customers paying. So there are no issues with regards to our debt when it comes to that. So working capital is actually very much tightened.

This is more linked to the fact that we have seen a bit of an uptick in terms of CapEx. So investing in the new site builds and we will see that return coming through over the coming periods.

Stella Cridge: That is fantastic. Since you are planning to keep the $100 million on the balance sheet, perhaps not draw by the sense of it any of the other loan facilities. I just want

to ask about the 2025 maturity. So obviously still fair well away. But I mean, just in terms of how you might think about setting yourself up to address that maturity in 2025. I just wondered what were you thinking, where are you looking to potentially accumulate some cash from free cash flow or diversify the capital structure? And it would be great to just hear some big picture thoughts on that?

Manjit Dhillon: Yes. I think at the moment, all options are really on the table. So probably the answer is a bit of both, so a combination of accreted some cash up on the balance sheet. But also, really, at this point, we are under no burning platform to go into a refinancing, as you also alluded to that.

So we will continue to just sit on the debt packages that we have, and we will continue to monitor the market. It is clearly quite volatile at the moment. So actually being in a position where we have long-tenured debt, which is fixed, actually is a bit of an outlier, which is a great position to be in. So from our perspective, we will wait. As we wait, the core premium also reduces. So we will drop by half next summer. We dropped to zero the summer afterwards. So we will just continue to monitor that.

But we could either look to do a full refinancing in terms of bonds, we could look to accrete some cash and pay down a bit and then to a smaller refi. But we could also look to utilise the bank markets across multiple markets as well. So I think the positive I take away from this is that we have got multiple routes to refis and actually some strategic ones that potentially could continue to reduce our cost of debt potentially if the markets recover slightly.

Dmitry Ivanov (Jefferies): I have two quick questions. First on this Ghana situation, I know that this is less than 15% of your Adj. EBITDA. But I would to check with the deterioration in Ghanian Cedi, which happened from the end of September. You mentioned that you expect it to be a small negative effect in Q4, which will be fixed by this CPI escalators from January. I just want to check to see if my understanding is correct that this FX weakness is expected just to be cured by the CPI escalation from January? That is my first question.

And my second question is on funding mix and covenants. So you will use a mix of your existing facilities. If I understood you correctly, you have access to your term loan, and RCF was US$70 million. But could you remind us about your covenants? You mentioned that you still have a headroom under your facilities, but what is your next year covenants? And do you have like any tightening in your covenant in the year 2023/ 2024? So I just want to understand any limitations in terms of the covenants next year?

Manjit Dhillon: Yes. So, on the first one around Ghana. In short, yes, what we will see is that with the FX increasing as the year has progressed versus when our CPI escalators first kicked in, in January, there has been a bit of a widening. What we will find is that when the escalator kicks in again in January 2023, we will recoup some of that. So in general, we will be able to get a bit of a protection against the FX piece in Ghana.

I would also add, though, that in Ghana, the way our structure is set up, there is actually a portion of our revenues linked to US dollars and often received in US dollars. So there is also an added protection against the overall FX movement that we are seeing at the moment, and that is roughly around 20%-25% of our revenues there. So in addition to the CPI, we also receive a portion of our revenues there in US dollars.

In terms of the mix of funding, yes, so we ultimately have, at the moment, undrawn debt facilities at the Group level. We have a $200 million term loan. We have a $70 million RCF. We also have cash on balance sheet in excess of $300 million. And we also have some local funding lines as well. For the funding of Oman, we would utilise, in general, a mixture of either the cash on balance sheet plus term loan either at Group or at the local level. So that will be the way that we will be financing the transaction.

And finally, on covenants, we do not provide any covenant disclosure. But what I would say is that when we talk about our target range being 3.5x to 4.5x, our covenants are in excess of that. And I would say, at least a turn in excess of that. So in general, we are operating from a covenant perspective in excess of 5x. So yes, I think we feel very, very comfortable in that perspective.

Tom Greenwood: Thank you very much, Adam. And thank you, everyone, for dialling in today. Thanks for your questions. As always, if you have got any follow-ups, you know where we are. Please get in contact and happy to jump on a one-on-one call with people. So do let us know. And very much look forward to talking to everyone in March when we will be releasing our full-year results 2022 as well as providing more guidance for our 2023 year. Thank you, everyone. Have a good day.

[END OF TRANSCRIPT]