



Bharti Airtel's Africa Strategy

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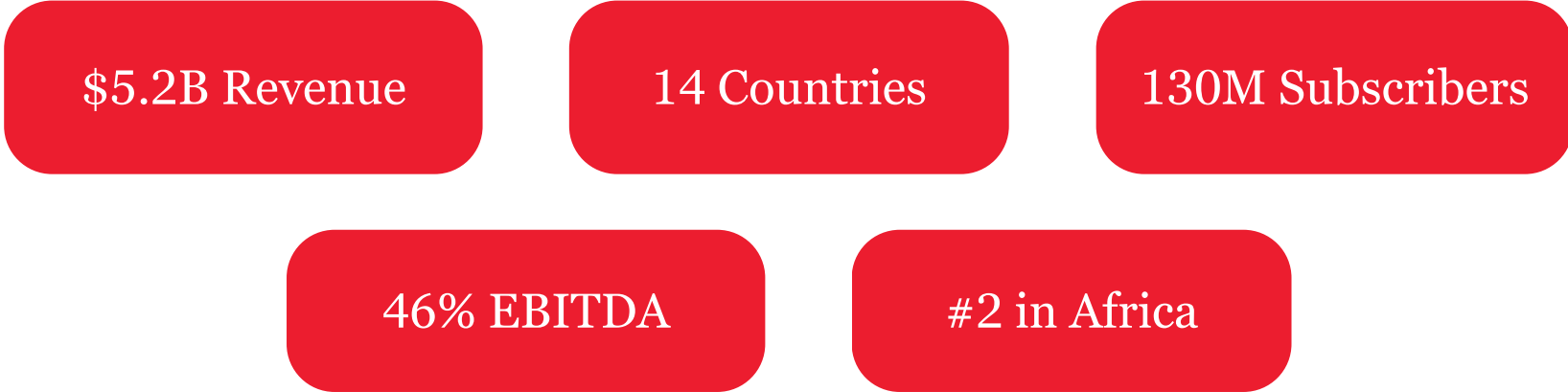
Airtel Africa: Shielding 46% Margins from FX and Regulatory Turbulence

Navigating Currency Volatility, Regulatory Complexity, and Intense Competition

Case Background: Airtel Africa's Paradox

Airtel Africa spanning **14 countries** with **130 million subscribers** (FY 2023).

- **Operational Strength:** exceptional **46% EBITDA Margin** (FY 2023).
- **Scale:** It is the **#2 telecom operator in Africa** with significant scale and momentum in subscriber growth.



The Core Problem Defined

Risk Category	Key Impact
Financial Erosion	Extreme Currency Volatility (e.g., Nigerian Naira, Kenyan Shilling) leads to massive Foreign Exchange Losses (FY24 reports showed operational profits being wiped out by FX losses).
Operational Friction	A Fragmented Regulatory Landscape across 14 nations increases compliance costs, risks penalties, and slows down market entry/innovation.
Competitive Threat	Intense Competition from MTN and Orange necessitates costly network investment, forcing a need for sustainable differentiation beyond mere price or scale.

- **Core Mismatch:** Airtel earns revenue in volatile local currencies (e.g., NGN, KES) but its major costs (CapEx, equipment, debt service) are USD-denominated.
- **Devaluation Effect:** Rapid local currency devaluation (e.g., Naira dropping 50%) requires the company to use significantly more local revenue to cover fixed USD obligations.
- **Transactional Losses:** Increased cost of paying suppliers and debt interest in USD, leading to direct cash flow erosion.
- **Translation Losses (The Wipeout):** The devaluation of the Naira/Shilling inflates the local currency value of USD debt on the balance sheet, resulting in massive, non-cash Foreign Exchange Exceptional Losses.
- **The Outcome:** These FX losses (e.g., \$500M+ reported in FY24) effectively wipe out the strong operational profits (46% EBITDA), leading to reported Net Losses After Tax and destabilizing the company's valuation.

- **14 Sets of Rules:** Airtel must comply with 14 distinct regulatory regimes (licensing, data privacy, taxation, KYC, M&A).
- **High Compliance Cost:** Requires large, country-specific legal and compliance teams, increasing General and Administrative (G&A) overhead.
- **Risk of Fines:** Diverse, complex, and frequently changing rules increase the risk of non-compliance fines, directly impacting profitability.
- **Innovation Bottleneck:** Regulatory hurdles slow down the rollout of new services (especially Airtel Money products) and inhibit market entry/exit decisions.

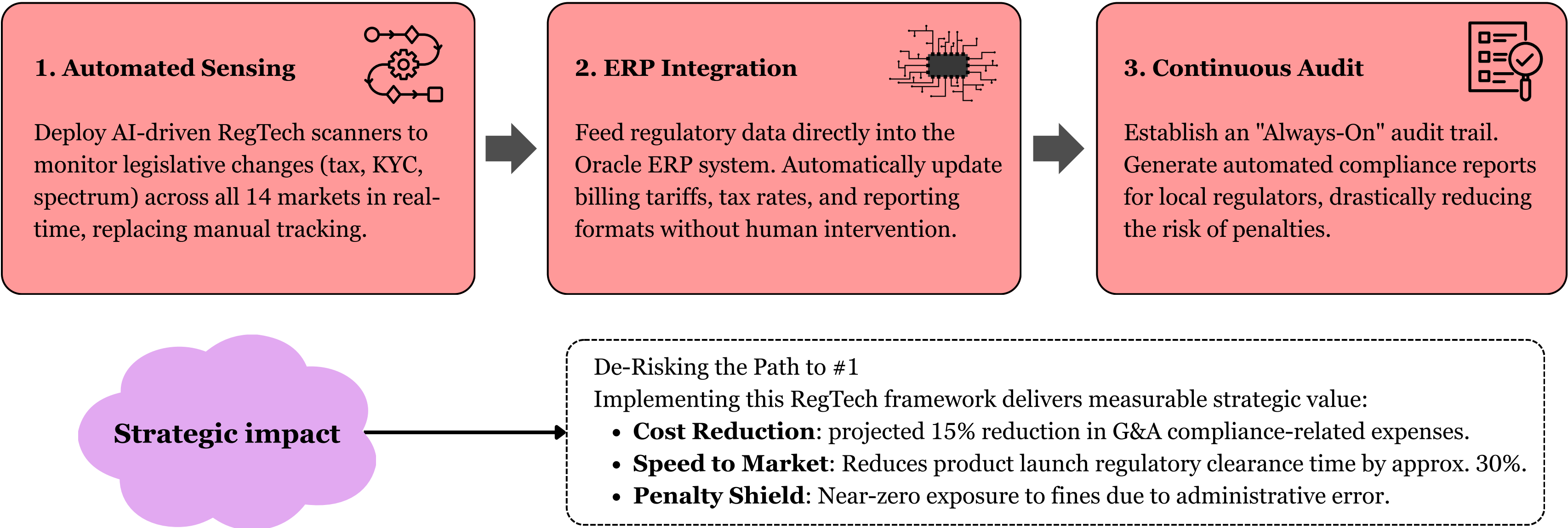
- **Key Rivals:** MTN and Orange are major, well-funded pan-African players.
- **CapEx Race:** Competition forces costly network investment (4G/5G rollout) to match rival speeds and coverage.
- **Scale Insufficient:** Being #2 (Airtel) or #1 (MTN) on scale alone isn't enough; rivals can match core services.
- **Differentiation Need:** Airtel must find a sustainable advantage beyond price (e.g., FinTech) to justify high investment and capture value.

Strategic Compliance: Deploying RegTech to De-Risk Operations

Automating Regulatory Monitoring and Reporting Across 14 Fragmented Jurisdictions

Strategic Solution: RegTech Implementation

A three-step roadmap to transition from manual oversight to automated, real-time compliance.



Strategic Compliance: Deploying RegTech to De-Risk Operations

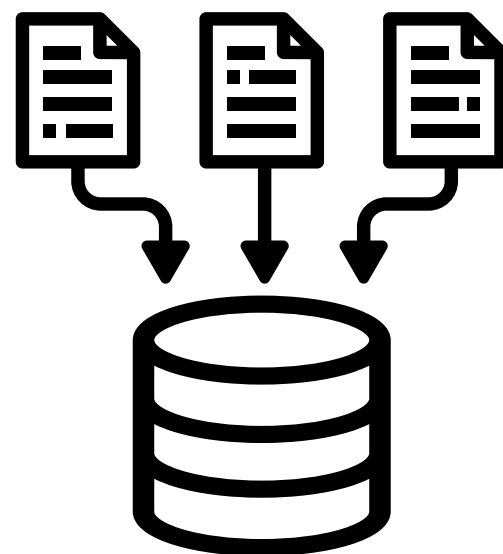
Automating Regulatory Monitoring and Reporting Across 14 Fragmented Jurisdictions

Integration Mechanics

Creating a "Single Source of Truth"

This architecture diagram illustrates the seamless data flow that "vaccinates" operations against regulatory shock:

- Input (Left): External RegTech APIs constantly scrape and structure data from government portals.
- Processing (Center): The Integration Layer validates this data against internal business rules.
- Core (Right): The ERP updates master data (Tax, Billing), ensuring every invoice generated is compliant by design.



Must-Have Features in RegTech Solution

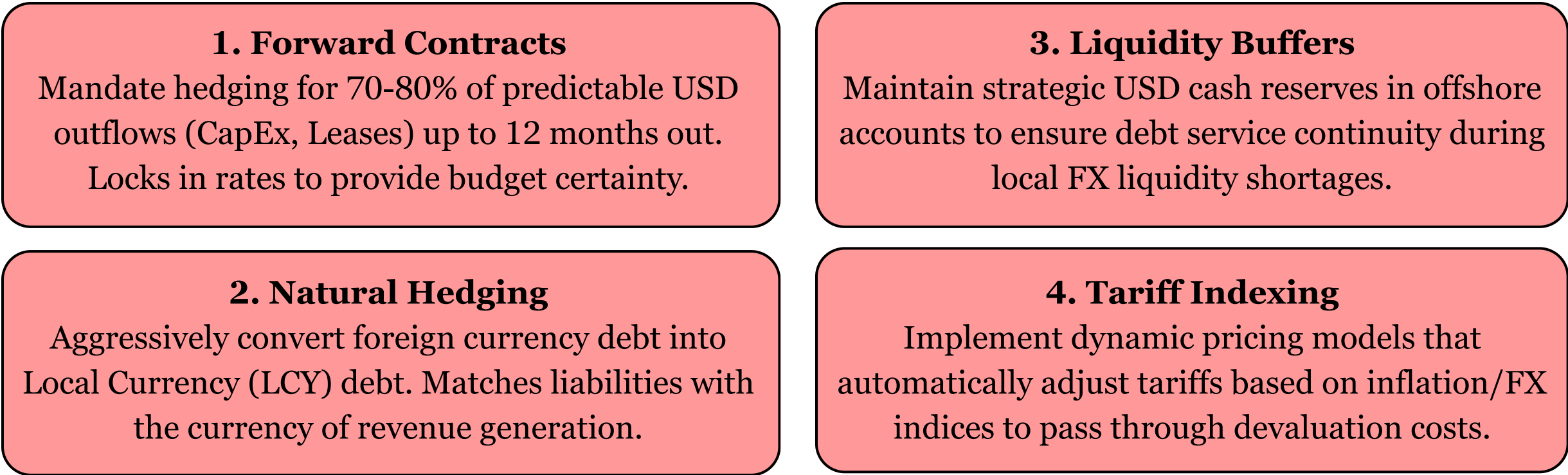


Financial Fortress: Neutralizing Currency Volatility

A proactive hedging framework to decouple operational success from macroeconomic shocks and protect shareholder value.

Strategic Solution: Hedging Matrix

A multi-layered defense system to stabilize cash flows and balance sheet exposure



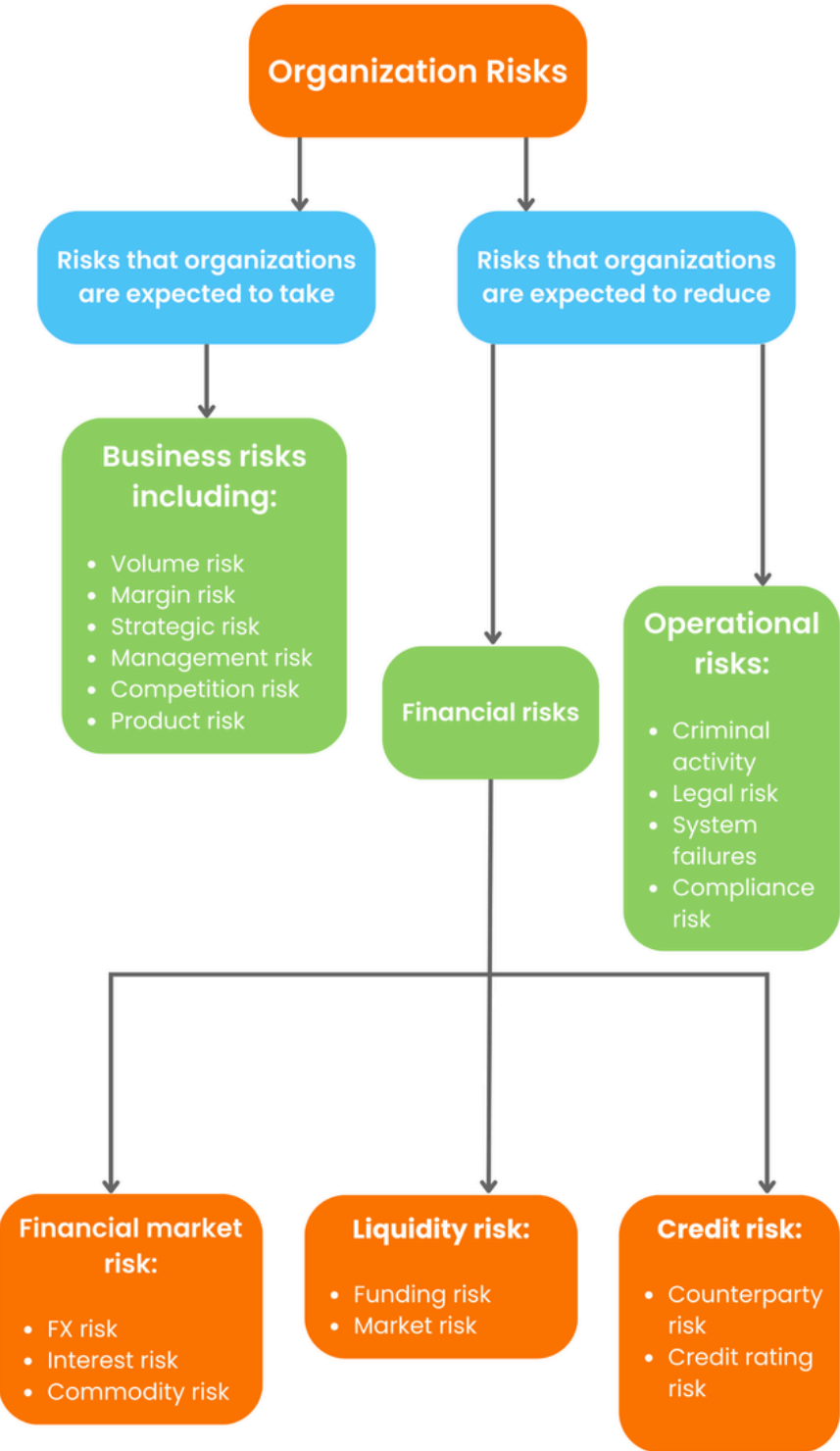
The Hedging Engine

From Exposure to Execution

- **Identify:** Automated aggregation of FX exposure from all 14 OpCos.
- **Quantify:** Stress-testing cash flows against potential 20-50% devaluation scenarios.
- **Execute:** Triggering hedges automatically when exposure exceeds the Risk Appetite Framework limits.

Financial Impact

- **EBITDA Protection:** Eliminates volatility-driven margin erosion, stabilizing operational performance.
- **Net Income Recovery:** Drastically reduces "Exceptional FX Items," turning operating profit into actual Net Profit.
- **Valuation Re-rating:** Investors award a higher multiple to stable, predictable USD cash flows.



The Path to #1: A Hybrid Strategy for Dominance

Balancing disciplined Cost Leadership (Infrastructure) with aggressive Service Differentiation (FinTech) to outpace MTN and Orange.

Strategic Solution: **The Hybrid Engine**

A multi-layered defense system to stabilize cash flows and balance sheet exposure

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|--|--|---|--|
| 1. FinTech Differentiation
Scale Airtel Money beyond P2P.
Launch micro-loans, insurance, and
merchant POS to create high-
margin stickiness. | 2. Green Cost Leadership
Convert towers to Solar + Battery.
Eliminating diesel theft and
logistics reduces OpEx by ~20%,
fueling margin expansion. | 3. B2B Fiber Expansion
Target high-ARPU enterprise zones
with dedicated fiber. A low-churn
segment that hedges against
consumer volatility. | 4. Asset-Light Infra
Maximize TowerCo sharing
agreements. Shift CapEx to OpEx
to free up cash for digital platform
investment. |
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The **Ecosystem Flywheel**

Synergy: **Connectivity + Commerce**

Our competitive moat is the self-reinforcing loop between Telco and FinTech data:

- **Data → Credit:** GSM usage data creates credit scores for unbanked users.
- **Credit → Loyalty:** Access to micro-loans locks customers into the Airtel ecosystem.
- **Loyalty → Churn Reduction:** Multi-product users churn 50% less than voice-only users.

Strategic **Impact**

Executing this hybrid strategy secures the path to #1:

- **Valuation Re-rating:** Shift from low Telco multiples to high FinTech multiples.
- **ESG Leadership:** Solar initiative positions Airtel as the "Greenest Network" in Africa.
- **Profitability:** High-margin FinTech revenue + Low-cost Solar Infra = Unbeatable EBITDA.



Thank You