

# Zedcrest Research

## FY'26 Earnings | Airtel Africa: Data-led compounding accelerates as FX tailwinds and structural demand unlock new earnings floor

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Samuel Aladegbaye

samuel.aladegbaye@zedcrest.com

Airtel Africa has delivered a landmark full year, closing FY'26 with results that exceed our Q3 forecasts and validate the structural re-rating thesis we have held through the turbulence of prior periods. Group revenue for the full year ended 31 March 2026 rose 29.5% in reported currency to \$6.42bn while constant currency growth came in at 24.0%. Underlying EBITDA expanded 37.2% to \$3.16bn at a 49.3% margin, with Q4'26 margins achieving an all-time high of 50.3%. Profit after tax more than doubled (surging 147.4% to \$813m from \$328m in the prior year) driven by the joint effect of record operating profit, FX derivative gains of \$127m (versus losses of \$179m in FY'25), and the sustained absence of exceptional items. The quarter's PAT of \$227m (+183.3% YoY) extended the profitability trajectory, and basic EPS of 18.6 cents compared to just 6.0 cents a year ago, representing a 212.2% uplift.

### Broad-based revenue growth led decisively by data

Group Q4'26 revenue of \$1.75bn grew 3.73% quarter-on-quarter and 32.7% year-on-year in reported currency, with constant currency growth of 22.3%. The deceleration in constant currency relative to Q3'26 is attributable to a partial lap of Nigeria's tariff-led base effect, the tariff adjustments implemented in Q4'25 that triggered the acceleration are now fully in the comparative period, meaning reported momentum naturally softened even as the underlying volume trajectory strengthened.

For the full year, revenue by service line tells a compelling story of structural mix shift: data revenue at \$2.53bn grew 40.3% in reported currency (35.2% constant currency) and is now the single largest contributor to group revenue, having surpassed voice for the first time. Voice revenue of \$2.32bn grew 18.0% (12.8% CC), reinforcing that even the incumbent segment retains pricing traction. Mobile money revenue grew 36.3% to \$1.36bn (28.4% CC), supported by an expanding customer base of 54.1 million Airtel Money users (a 21.3% increase year-on-year) and an annualised total processed value (TPV) exceeding \$215bn in Q4'26.

Data usage per subscriber reached 9.8 GB/month by Q4'26, up 37% year-on-year, reflecting the deepening intensity of network utilization as smartphone penetration expanded to 49.5% across the Group, up 4.7 percentage points from the prior year. Data ARPU grew 16.2% in constant currency, confirming that both volume and monetization are running simultaneously. In Nigeria specifically, data usage per subscriber reached 11.0 GB/month (up 30.8%), while smartphone data usage was 13.7 GB, underpinning the thesis that Nigeria is entering a durable data consumption cycle rather than a one-time tariff-driven pull-forward.

### Operating leverage delivers record margins despite an inflationary cost environment

The structural step-up in EBITDA margins from 46.5% in FY'25 to 49.3% in FY'26, peaking at 50.3% in Q4'26, reflects significant positive operating jaws. Revenue grew 29.5% while total expenses grew only 22.7% in reported currency, generating over 600bps of implied positive jaws at the group level. This cost leverage was achieved through Airtel's multi-year cost efficiency programme, which has delivered benefits across network operating expenses, energy renegotiations, and digital simplification of operational workflows. Total expenses for FY'26 were \$3.25bn, compared to \$2.65bn in FY'25, implying a cost-to-revenue ratio improvement of approximately 280bps. Mobile services EBITDA margins improved 327bps to 48.8%, while mobile money margins, though down 196bps to 50.8% due to the renegotiation of intra-group agreements disclosed in H1'26, continued to deliver best-in-class profitability. Adjusting for that intra-group revision, mobile money constant currency EBITDA margins would have been 53.1%, reaffirming the intrinsic quality of the fintech business. Finance costs for the full year declined to \$713m from \$822m in the prior period, as the transition from FX-related derivative losses to \$127m of derivative and FX gains

Rating	BUY
NGX Ticker	AIRTEL
Bloomberg Ticker	AIRTELAF NL
Current Price	₦3,323.40
Target Price	₦5,255.60
Company statistics (Q4' 2026)	
Return on Average Equity	25.96%
PAT Margin	12.67%
Debt Ratio	45.92%
Market cap (trn)	₦19.17

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(largely on account of naira appreciation) meaningfully reduced the blended finance cost burden.

## High oil price environment and energy cost headwinds: a near-term shadow on margins

We acknowledge the heightened and volatile oil price environment as a material risk to the Group's near-term cost trajectory. Airtel Africa's CEO Sunil Taldar explicitly flagged in the FY'26 results announcement that "the recent increase in energy costs arising from the ongoing geopolitical events will likely lead to increased cost inflation, resulting in EBITDA margin pressure in the near-term". This signal deserves weight. Airtel Africa, like all pan-African telcos, operates tens of thousands of base stations across markets with structurally unreliable grid power (relying heavily on diesel generators to maintain network uptime). Diesel prices in Nigeria have surged toward N1,750–N2,000 per litre following geopolitical disruptions that pushed crude oil above \$100 per barrel, and similar pressures are filtering through across East Africa and Francophone Africa. Nigerian telecom operators collectively consume over 480 million litres of diesel annually at an estimated cost exceeding \$350m per year. For Airtel specifically, energy is estimated to represent 30–40% of network operating costs, making it the single largest lever of EBITDA margin sensitivity in the near term. That said, Airtel's response is structured and credible. Management has emphasized an enhanced focus on cost efficiencies as the primary offset, while the Group's ongoing investments in hybrid energy, 4G/grid connectivity rollouts, and solar infrastructure are systematically reducing diesel intensity at the site level. Airtel Nigeria's CTO has publicly committed to connecting as many sites as possible to the national grid as the primary energy cost management strategy. Additionally, the Group added 3,250+ new infrastructure sites during FY'26 and deployed 3,200 km of additional fibre, investments that, as they mature, decouple traffic growth from energy consumption intensity. Our base case absorbs a 100–150bps margin headwind from energy inflation in FY'27, still preserving Airtel's structural margin expansion story within the 47–49% EBITDA corridor.

## Regional performance: Nigeria leads, East Africa sustains, Francophone accelerates

**Nigeria** was again the standout performer. Full-year Nigerian revenue reached \$1.60bn, growing 52.9% in reported currency and 47.5% in constant currency, making it Airtel's highest-growth segment for the second consecutive year. The engine was data: Nigerian data revenue grew 63.6% in constant currency to \$820m for the year, driven by data ARPU growth of 49.2% and an expanding customer base that reached 58.3 million subscribers, up 9.4%. Smartphone penetration in Nigeria rose to 54.9%, and data usage per customer reached 11.0 GB/month. EBITDA margins in Nigeria have expanded dramatically — from 49.7% in FY'25 to 57.8% for FY'26, with Q4'26 margins reaching a peak 59.3%. This trajectory reflects the full flow-through of Nigeria's January 2025 tariff reform, combined with Airtel's cost discipline. Nigeria now contributes approximately 25% of group revenue on a reported basis, though the tariff base effect will normalise through H1'27, moderating Nigerian revenue growth back toward high-teens to low-twenties CC growth territory going forward.

**East Africa** delivered steady, compounding performance. Full-year revenue of \$3.02bn grew 24.0% in reported currency and 17.8% in constant currency, supported by appreciating currencies in Zambia, Uganda, and Tanzania. Q4'26 revenue of \$801m grew 15.8% CC, with data customers rising 15.7% to 36.5 million and data usage per customer increasing to 8.0 GB/month. EBITDA margins in East Africa remained in the 48–53% range at 48.5% for the year, reflecting both the maturity of the markets and the relatively more competitive operating environment in Kenya. The region added 2,200 5G-enabled sites across five key markets, including a Q4'26 Malawi 5G rollout, and mobile money remained the primary differentiator, with East Africa mobile money revenue growing 26.1% CC to \$1.01bn.

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**Francophone Africa** showed the most notable recovery narrative. Full-year revenue of \$1.79bn grew 21.5% in reported currency and 17.1% in constant currency, a marked acceleration from 9.5% CC growth in FY'25. This reflects the compounding benefits of sustained network investment and intensified go-to-market focus across Chad, DRC, Gabon, Madagascar, Niger, Republic of Congo, and the Seychelles. Data customer base growth of 27.6% (the fastest of any region) and 93.6% 4G site penetration are building the foundation for further ARPU-led margin expansion. Voice revenue declined 0.8% CC due to interconnect rate reductions, but this was more than offset by 33.8% CC data growth and 34.3% CC mobile money growth, particularly in Francophone Africa's fintech contribution. EBITDA margins for the region improved 105bps to 39.9%, and remain the Group's lowest, reflecting the structural opportunity for continued efficiency improvement in these markets.

## **Airtel Money: a fintech compounding machine approaching critical IPO inflection**

Airtel Money delivered another outstanding performance. Full-year mobile money revenue grew 36.3% in reported currency to \$1.36bn, with constant currency growth of 28.4%. The customer base reached 54.1 million, up 21.3%, while annualised TPV crossed \$215bn in Q4'26, 49% higher than the prior year. App transacting customers grew 74% year-on-year as Airtel Money's digital-first strategy deepened engagement. Financial services sub-segment (lending, insurance, savings) grew 73% in reported currency to \$61m, the fastest-growing product within the mobile money stack. The management team has re-affirmed the Airtel Money IPO for the second half of 2026, noting that "market conditions following recent geopolitical developments have affected the anticipated timing" but that preparations remain on track. When successfully executed, the IPO is expected to unlock a re-rating for the residual listed entity, as a pure-play Airtel Money vehicle at fintech multiples would likely be valued considerably above the implied embedded valuation in the consolidated telco structure. We estimate a potential IPO valuation of around \$4bn. We believe this remains one of the most powerful catalysts in Airtel Africa's investment case.

## **Airtel Africa Q4'26 vs. MTN Nigeria Q1'26: Divergent models, converging trajectories**

Comparing Airtel Africa's Q4'26 performance against MTN Nigeria's Q1'26 result is illuminating in terms of where the two stories sit in their respective growth curves. MTN Nigeria delivered ₦1.50 trillion in revenue (up 42% YoY and 1.8% QoQ) with EBITDA of ₦828.3 billion at a 55.3% EBITDA margin. Airtel's Q4'26 Group revenue of \$1.75m grew 32.7% YoY but the Group-level margin of 50.3% still lags MTNN's 55.3%, reflecting the portfolio effect of lower-margin Francophone Africa and the cost drag of East Africa's intensely competitive market. However, the direction of travel is clear: Airtel is structurally improving, with 295bps of EBITDA margin expansion in Q4'26 alone, while MTNN's margin trajectory (though at a higher base) benefits from the one-time uplift of Nigeria's 2025 tariff reset, which is now fully lapped. On the data story, both companies are converging: MTNN reported 55.0 million active data users and 55% data revenue contribution, while Airtel Nigeria saw data grow to 51.3% of Nigerian revenues with smartphone penetration reaching 54.9%. Nigeria remains the pivotal battleground, and on this front, Airtel is closing the quality gap with increasingly competitive ARPU dynamics, with Nigeria ARPU of \$2.8 in Q4'26, up 43% YoY. Airtel's multi-country diversification provides resilience that a single-market entity cannot offer, while MTNN's concentrated domestic leverage gives it superior margin optionality. Both constitute high-conviction Buy positions, they are simply different risk-return profiles within the same macro thesis.

## **FY'27 outlook revised upward on structural conviction**

Our FY'27 projections reflect continued structural confidence in Airtel Africa's growth trajectory, underpinned by data demand intensification (particularly in Nigeria)

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optimized cost management, and the positive pass-through of improving FX dynamics across player countries. We are forecasting FY'27 revenue of \$7.75 billion, representing approximately 20.8% growth over the FY'26 base of \$6.42bn, a cadence consistent with the company's 24% CC growth momentum moderating as the tariff comparison base normalizes. For Q1'27, we forecast revenue of \$1.99 billion, representing sequential growth of approximately 13.9% from Q4'26 levels, driven by continued data ramp across all regions, particularly the ongoing Nigerian data subscription deepening and East Africa's volume-led mobile money expansion. Our revenue assumptions by region are: Nigeria at \$1.9bn (growing c.19% CC), East Africa at \$3.7bn (c.17% CC), and Francophone Africa at \$2.1bn (c.17% CC), with eliminations and other adjustments calibrated in line with FY'26 actuals.

We expect EBITDA margins to maintain in the 47–49% range for FY'27, anchored at approximately 48%, translating to an EBITDA forecast of \$3.67 billion. This is a modest compression relative to the FY'26 exit rate of 50.3% in Q4, deliberately reflecting the near-term energy cost headwinds from elevated oil prices and diesel inflation flagged by management. Airtel's hybrid energy transition and grid connectivity investments are expected to provide partial offset, but a full normative margin recovery to the 50%+ structural plateau is likely a second-half FY'27 story at earliest. PAT is forecasted at \$1.099 billion, implying a net margin of approximately 14.2%, a meaningful uplift from FY'26's 12.7% net margin, reflecting the continued paydown of exceptional finance costs, improved FX-related gains from stable/appreciating currencies, and the benefit of a declining blended interest rate, which ended FY'26 at 10.6% versus 13.0% in FY'25. EPS before exceptional items is expected to reach approximately 30 cents for FY'27, against the 18.6 cents recorded for FY'26.

Comparing these projections to our Q3'26 estimates published in our previous Airtel earnings note is instructive. In that note, we projected FY'26 revenue at approximately \$6.49bn and FY'27 revenue at \$7.65bn, with FY'26 EBITDA at \$3.2bn. FY'26 actuals came in at \$6.42bn in revenue and \$3.16bn in EBITDA (broadly in line with our revenue estimate and slightly below our EBITDA projection, as the intra-group mobile money agreement revision created a c.160bps drag on mobile money margins that was not in our base case. Our FY'27 revenue estimate has been revised upward from \$7.65bn to \$7.75bn, reflecting stronger-than-expected data penetration curves in Nigeria and the continued tailwind from FX stability. Our FY'27 EBITDA estimate moves from \$3.60bn to \$3.67bn, and PAT is upgraded from \$859m to \$1.099bn, reflecting the revised view on finance cost improvements and the normalization of the effective tax rate toward the 40% corridor.

## Investment recommendation

We maintain a **BUY** rating and upgrade our target price on Airtel Africa from ₦3,373.87 to **₦5,255.60**, reflecting our revised FY'27 earnings estimates, a roll-forward of our DCF model, and a re-rating of the fintech embedded value as the Airtel Money IPO approaches. The key components of our revised target are: (1) accelerating data revenue growth, particularly in Nigeria where demand-led ARPU expansion is embedding permanent monetization gains; (2) continued cost optimization across energy, infrastructure sharing, and digital workflows driving sustained EBITDA margin expansion; and (3) the approaching Airtel Money IPO, which we view as a transformative unlock of embedded fintech value currently obscured by the consolidated telco structure. At the current market price, Airtel Africa remains materially undervalued relative to its earnings trajectory and strategic positioning as the infrastructure and financial platform of sub-Saharan Africa's digital economy. Our conviction is anchored on the multi-year compounding dynamic of data demand, the structural growth of mobile financial services, and a balance sheet that is progressively strengthening with net debt/EBITDA declining from 2.3x in FY'25 to 1.8x in FY'26. The near-term risk of margin pressure from elevated oil prices and energy cost inflation is real and acknowledged, but it does not alter our medium-term investment thesis.

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\$'million	2027F	2028F	2029F	2030F	2031F
Revenue	6,415	7,745	9,193	10,940	12,954
EBITDA	3,162	3,674	4,400	5,189	6,146
Profit before tax	1,419	1,832	2,171	3,070	4,330
Profit after tax	813	1,099	1,303	1,842	2,598

\$'million	2027F	2028F	2029F	2030F	2031F
Current assets	3,565	5,797	6,587	7,115	9,758
Non-current assets	11,608	12,402	13,290	14,419	15,978
Current liabilities	5,944	7,423	7,999	8,170	9,291
Non-current liabilities	4,949	5,558	5,334	4,950	5,661
Shareholders equity	4,279	5,217	6,544	8,414	10,784

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