



Wireless

## ECONET WIRELESS ZIMBABWE LIMITED

(Incorporated in Zimbabwe on 4 August 1998 under Company registration number 7548/98)

ZSE alpha code: ECO ISIN: ZW 000 901 212 2

# TRADING UPDATE

## for the third quarter ended 30 November 2022

### OPERATING ENVIRONMENT

The country's foreign receipts increased by almost 20% year-on-year to reach USD11.6 billion in 2022. The major contributors to improved foreign receipts were exports of USD7.6 billion and remittances from non-resident Zimbabweans of USD2.7 billion. This positively impacted the country's balance of payments account. These positive developments were achieved against a backdrop of rising energy and food costs resulting principally from uncertainties triggered by the Russia-Ukraine conflict. Locally, our continued challenges with power availability remain one of the biggest impediments to economic growth.

### BUSINESS PERFORMANCE

We are pleased to report that the Group continues to make progress on its journey towards being a fully-fledged digital service provider (DSP). Anticipating changing customer needs and innovating to fulfil them remains one of our core operating imperatives. In order to improve quality of service, we plan to modernize the current core network to one that is virtualized, in order to increase our ability to efficiently allocate network resources. Modernization of the current know-your-client (KYC) system is also underway in line with our DSP strategy. This will include biometric detection as well as digital identification, leading to better protection for our customers against growing cyber-security risks.

Although the business continued to witness an increase in demand for its services, foreign currency availability for servicing our foreign suppliers has continued to be a major challenge and has hampered our ability to implement much needed network maintenance expansion. Overall, the local telecommunications industry has been struggling to meet the capacity and coverage demands of consumers as investment is long overdue. Capacity enhancements and routine maintenance has remained severely constrained by the lack of access to foreign currency to service our foreign network suppliers. Management continues to engage and negotiate payment terms with our network equipment vendors to secure their continued support.

Despite these challenges, for the 9-month period ended 30 November 2022, voice and data volumes increased by 32% and 46%, respectively, relative to the same period in the previous year.

Due to unreliable national power grid, the business continued to invest in alternative power solutions in a bid to ensure network availability. Green energy solutions, such as solar and battery storage, require significant foreign currency investment. The pace of investment has remained below desired levels, thereby impacting service quality. The business has also had to continue using diesel engine generators in the face of sharp declines in available grid power.

### REGULATORY ENVIRONMENT

During Q3 and Q4 of 2022, POTRAZ authorised two separate tariff increases of 61% in September and November. Whilst these tariff reviews attempted to align operating costs with the current inflationary operating environment, they still remained below the inflation rate in the economy. Zimbabwe's current telecom tariffs remain below regional benchmarks, hence the underinvestment in the sector. We will continue to press for tariff revisions that maintain the real value of our service offerings

In the 2022 Q3 Sector Performance report, the regulator noted the following which summarises the challenges the industry is facing: *"The sector will continue enabling other sectors as envisioned in Government's National Development Strategy 1 (NDS1). One main hurdle to overcome in the remainder of the year is the pressure on the profitability and overall financial sustainability of the sector. As this report has shown, although operating revenue increased in the third quarter of 2022, expenditure also rose across all subsectors. Prioritisation of the sector in terms of government expenditure, power availability, protection against vandalism, resource mobilisation, foreign currency availability amongst other issues, is pertinent."*

### FINANCIAL PERFORMANCE

Inflation adjusted revenue for the 9-month period grew by 9% compared to the same period last year. The growth was largely driven by voice and data volumes, which were however weighed down by tariffs which were below inflation.

Whilst the Company has started to see growth in the proportion of USD demoninated sales to local customers, we have observed that other consumer facing businesses are now selling more than 60% of their products and services in US dollars. If this trend continues, we expect it to ease our challenges in terms of paying key suppliers.

### DEBENTURES

The Company has outstanding USD denominated debentures that were issued in March 2017. These debentures are due for redemption in April 2023. The Company will, in due course, issue a substantive announcement to debenture holders prior to the retirement date for the redemption of these debentures.

### OUTLOOK

The Group will continue to pay attention to the unique challenges and opportunities presented by the current operating environment. Network maintenance and expansion remain key to ensuring service delivery to our customers. We continue to seek opportunities to access foreign currency upon which the majority of our initiatives are dependent. As our customers demand better digital experiences in line with global trends, we will leverage our experience and culture of innovation to respond to these demands.

By order of the Board of Directors

**C.A. Banda**  
Group Company Secretary

8 February 2023

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\*Non Executive