Conference Call Transcript

12 May 2023

VODACOM TANZANIA PRELIMINARY RESULTS

Operator

Good day, ladies and gentlemen, and welcome to the Vodacom Tanzania preliminary results conference call for the 12 months ended the 31st of March 2023. Managing Director, Phillip Besiimire, will host the conference call. Before I hand over the call to Mr Besiimire, I will read the following forward-looking disclaimer which is also found on page 30 of the preliminary results announcement available in the investor relations section in our website, www.vodacom.co.tz.

This announcement, which sets out the consolidated preliminary results for the 12 months ended the 31st of March 2023 of Vodacom Tanzania Public Limited Company and its subsidiaries, hereinafter referred to as 'the Group', contains forward-looking statements which have not been reviewed or reported on by the group's auditors. These statements are in respect to the group's financial condition, results of its operations and businesses, and certain information relating to the group's plans and objectives.

In particular such forward-looking statements relate to the group's future performance, capital expenditure, acquisitions, divestitures, expenses, revenue, financial condition, dividend policy, future prospects, strategies relating to the expansion and growth of the group, impacts from regulation on the group's businesses, expectations from the launch and rollout dates of products, services or technologies, expectations regarding the operating environment and market conditions, growth in customers and usage and the rate of dividend growth.

During this call, unless otherwise specified, all growth rates stated will be year on year comparing the 12 months ending the 31st of March 2023 to similar period ending 31st of March 2022, and all amounts stated will be in Tanzanian Shillings. I reiterate, if you do not have a copy of the results announcement, it is available on the investor relations section on our website, www.vodacom.co.tz. I would now like to hand over to the Managing Director, Mr Phillip Besiimire. Thank you, and you may proceed, sir.

Phillip Besiimire

Thank you, Claudia. Good afternoon, everyone, and thank you for taking the time to attend this call. I'm joined by Miss Hilda Bujiku, our Finance Director. It is my pleasure to present to you, the investing community, our full year preliminary results for the financial year ended 31st March 2023. It is pleasing that during the year we progressed well with implementation of our purpose led strategy. It was encouraging to see good progress and fulfilment of our social contract pledges and a solid financial performance.

From a social contract perspective, we leveraged our tech for good platforms to deliver various projects aimed at improving lives. These projects were undertaken in collaboration with partners, including the government. We accelerated farmers' registration on our M-Kulima platform to reach 3.1 million farmers from just 140,000 registered farmers in March 2022. We distributed proceeds worth

TSh 4.6 billion to the enrolled farmers via M-Pesa, which provided ease, security and speedy distribution. M-Kulima is designed to provide farmers with digital agricultural services, including cashless electronic payments, market information and weather forecasts, all delivered through mobile devices. In addition to digitising the farming community, farmers' registration provides critical statistics to the government for the agricultural sector.

Our culture is to prioritise the customer in everything we do. In the second half of the financial year, we launched inclusive care initiatives aimed at facilitating convenient access to our services for people with special needs. The inclusive care initiatives include dedicated counters in our retail outlets and a sign language service in WhatsApp video. We also trained more than 30 customer service personnel on basic sign language knowledge. In the last four months of the financial year, 1,300 visitors enjoyed our service under the inclusive care initiatives in our various touch points. It is our commitment to continue implementing such impactful societal programs, making the best use of our world-class technological capabilities to facilitate innovative solutions to the community's needs and challenges.

Consistent with our long-term plans and purpose, in October 2022, we participated in the spectrum auction conducted by the Tanzania Communications Regulatory Authority. In this auction, we successfully acquired four blocks of low and mid-band strategic spectrum for a price of US$63.2 million. The spectrum acquired will help us unlock the growth potential from products such as fixed wireless access and support our ambition of contributing towards bridging the digital divide.

During the year, we spent TSh 156 billion, equivalent to 14.5% of our revenue directed towards network coverage, capacity enhancement, and IT infrastructure improvements. We added 390 4G sites, 231 5G sites, and deployed 283 kilometres of fibre, which supported the significant increase in 4G and 5G traffic, as well as provided high-speed connectivity to the businesses.

From a strategy execution perspective, we continued with our customer-centric focus through personalisation and multiple products approach. Our efforts resulted in customer base growth of 8.9% and a double-digit growth in data and M-Pesa customers. We also focused into expanding our M-Pesa products portfolio aimed at building a diverse business while also expanding our contribution to financial inclusion. Firstly, we accelerated enrolment of businesses that accept electronic payments through our merchant payments system. Our merchant base reached 150,000, which recorded a significant growth. During the year, these merchants accepted payments worth over TSh 6 trillion from more than 2 million customers.

Secondly, our lending products portfolio served more than 4 million customers, who benefited from TSh 1 trillion microloans issued in the year. The beneficiaries of microloans included 75,000 agents who received over TSh 100 billion, which supported the agents in fulfilling their short-term financing needs.
Thirdly, we continued to see a recovery of peer to peer and cash transactions volume following the reduction of levies. We commend the government for taking the decision to reduce the levies. This decision has contributed to the revival of the mobile financial service industry and improved our contribution to financial inclusion through M-Pesa. We are proud that M-Pesa continues to play a pivotal role in supporting the country's socio-economic development.

From the financial performance perspective, it was pleasing to record a top line growth of 10.2% year on year. This growth is underpinned by a good business environment which translated into strong performance in data, a recovery in M-Pesa, and accelerated fixed revenue growth. On profitability, we made TSh 44.6 billion profit after tax, an improvement from a loss of TSh 20.3 billion in the prior year. This was positively influenced by good growth in operating profit and the recognition of a deferred tax asset in relation to our GSM business, following an improved medium-term outlook.

Looking at the numbers in more details, we generated TSh 1.1 trillion service revenue, largely supported by solid results in data, M-Pesa and fixed revenue, reflecting good strategy execution. This performance has proven the resilience of our business with emerging revenue streams covering for the declining voice revenue.

And just to give some more colour on key revenue lines, we generated TSh 283.5 billion voice revenue, which was a 1.2% decline year on year, but an improvement compared to what we recorded in half one. The competitive pricing pressure fuelled by the reduction in the mobile termination rate led to a 22% decline in average price per minute with a modest increase in minutes of use.

M-Pesa revenue grew 8.4% to TSh 357.1 billion, an improvement from a decline of 3% recorded in half one. This growth mainly reflects a good uptake of our new services, particularly lending, insurance, IMT, and merchant payments. Revenue contribution from these new services more than doubled to exceed 25% and offset the decline in our traditional peer to peer transfers and cash out. This reflects the considerable diversification we have built in our products portfolio.

Mobile data revenue increased 34.2% to TSh 273.7 billion, reflecting strong demand for data services and stable data price albeit at a lower price compared to other African markets. This revenue growth was supported by our continued investments into the network and acceleration of smartphone adoption. Smartphone users increased by 27.9% and monthly average usage per customer grew 9.5% to reach an average of 2 GB. Data continues to be our key growth driver and an enabler to our contribution to digital inclusion.

Fixed revenue grew 27.3% to reach TSh 19.5 billion, with contribution to service revenue expanding albeit still at a lower rate. The growth was underpinned by accelerated customer acquisition following the increased investment in the infrastructure. We look forward to leveraging our investment to further expand our customer reach and capture opportunities in the fixed broadband market.

On profitability measures, EBITDA increased 9.7% to TSh 329.4 billion, underpinned by good growth in top line and good outcome in our cost containment measures. These measures assisted to partially mitigate pressures on expenses.

Now, let me unpack a bit more on the expenses.
During the year, we have had various cost pressures emanating from global headwinds as well as operational headwinds. The increase in global fuel price contributed significantly to the increase in energy costs, while chipset shortage led to an increase in acquisition costs as well as devices costs.

Operationally, the increase in expenses was mainly contributed by the additional investments, including new technologies such as 5G and annual escalation of service contracts, particularly relating to tower leases. We were pleased that our cost containment measures delivered more than TSh 40 billion savings, which partially mitigated the increase in expenses.

Operating profit increased 26.5% to TSh 81.5 billion, driven by the increase in EBITDA, partially offset by the increase in depreciation and amortisation charge, reflecting additional investments made, including the newly acquired spectrum.

Looking forward, we aspire to grow our business over the medium term by executing on our purpose-led strategy and connecting Tanzanians for a better future. With our focus on improving customer experience, we'll continue to expand our reach and deliver the best experience, including access to high-speed data services.

We'll continue to invest in our network and supporting infrastructures to deliver on our growth ambitions. We will leverage on our system of advantage to offer diversified and differentiated products to our customers. We are committed to continue to develop and roll out innovative and transformative M-Pesa products. Supporting financial and digital inclusion remains high on our agenda, aiming at driving positive societal change.

It is our commitment to continue engaging with the government on all matters relating to our business and continue to nurture the good relationship.

That concludes my comments. Thank you all for attending this call, and now Hilda and I are ready to take your questions. Thank you.

Operator

Thank you very much, sir. Ladies and gentlemen, if you would like to ask a question, please press * and then 1 on your touchtone phone or on the keypad on your screen. If you decide to withdraw your question, please press * and then 2 to remove yourself from the list. Again, if you would like to ask a question, please press * and then 1. We will pause to see if we have questions. The first question comes from Mpoki Thomson from Mwananchi Communications. Please proceed with your question.

Mpoki Thomson

Yes. Greetings. Yes, so I hope I am audible enough.

Operator

Yes, you are.

Mpoki Thomson

Okay, perfect. So, I was looking at the figures, and I just wanted to get a bit of insights in terms of the major contributions to the profits, because as I can see here, it's been largely driven by recovery in mobile data and then of course the government's reversal in the transaction levies. That's withdrawal and also making the active transactions. But then again, there are new revenue growth areas that have been listed such as lending, insurance and international money transfers, including also merchant services. So, I just want to get a sense of the sustainability plan as Vodacom Tanzania is coming off from the massive losses that were incurred in the year 2022 to now a profit of more than 200% to TSh 44 billion in the year 2023.

So, the sustainability of this growth that you have recorded in 2023, will it be contingent to the new revenue growth areas, as you've listed, the lending, insurance, and the international money transfer, or what will be the key drivers of revenue and sustainability? I want to get the confidence that Vodacom has in ensuring that the profits that have been recorded in the past year will be sustainable. And then again, if a situation arises whereby a regulation is put in place by the government which might adversely impact Vodacom's performance, how is Vodacom as a company prepared to mitigate such kind of external impacts to the business? Thank you.

Phillip Besiimire
Can I go ahead, Claudia, to answer that?

Operator
Yes, you can, sir.

Phillip Besiimire
Okay thank you. Okay thank you Mpoki. I'll give an answer and then I'll also request Hilda to jump in later on. So, you're right, the performance that we are reporting is contributed by a number of drivers within the business. And correctly so, we've had all the engines of the business firing. So, you will notice that we are reporting growth in our data revenue. We are reporting growth in our M-Pesa revenue. And although there is a decline on voice revenue, we're also reporting that that decline decreased compared to the first half of the year. We are also reporting that fixed line business started to contribute reasonably to the business.

So, when you look at the various portfolios of our business from a top line point of view, they've all been pointing in the right direction. And we're convinced that we've put in place the right foundation and infrastructure to allow for these engines to continue firing, now that's to continue growing going forward. Now, all this is possible if we continue to execute relentlessly across the business. So, whether it's in our enterprise business, consumer business, financial services business, all of these business units, we need to continue executing relentlessly in our strategies. So, that's on the top line side.

On the cost side, and the Financial Director will come in shortly, on the cost side we're also running a very efficient ship, if I may call it that, trying to optimise our cost structures across the board. Obviously, there are costs that are somewhat outside of our control, for example, the energy costs. But even in those spaces, we are continuing to deploy energy-efficient features on most of our network infrastructure so that we can minimise the costs that comes out of that space. Obviously, the cost is one thing in terms of deploying those energy efficient features, but there's also the environment side of things in terms of clean energy. So, on the cost side as well, we continue to optimise and make sure that we're running an efficient business in that regard.

So going forward, I believe that we've got a fit for purpose strategy, a strategy that will help us continue delivering on the expectations that we are setting forth and the guidance that we're providing going forward in terms of the year's performance. Now, you raise an important question with regards to headwinds when it comes to, for example, changing policy from government and so on. We try to proactively manage in that space. We have had very robust engagements with government, especially to try and generate certainty in terms of policy direction. But that said, we've also, I think, learned from the past that it's important to have a diversified business that's not reliant on just one stream.

So, if you look at our M-Pesa business as an example, following the levies that were introduced on peer to peer transactions, cash in cash out, we've had to grow other business streams or other revenue streams in terms of financial services, which is lending, insurance and so on, to try and diversify just the financial services business. And that's the way to go, not just because of the levies, but there is a need in the market. But also, we find that it future proofs that business. So, we anticipate a stable regulatory and government policy going forward. But should anything as well happen, I think we have built the necessary foundation to help us withstand any storms. I mean, I'll ask Hilda to also chip in.

Hilda Bujiku

Thanks, Phillip. I think you've pretty much covered everything. Probably from the profitability sustainability, profitable sustainability of it going forward, again, in our results we have called out the deferred tax asset that has boosted the net profit after tax. But important to realise there is, where is the deferred tax aspect coming from? It's usually coming from the GSM business, which is literally your business of voice, SMS and data, with the improved medium-term outlook. So, if you look at where the business was coming from, it was making a huge loss over a couple of years. And when these two businesses were separated, as in M-Pesa Limited became a separate entity, then it was for GSM business future outlook, which was not really promising in terms of recognition of the deferred tax asset as per the accounting standards.

So, if I take that one off, our underlying performance together with the normalising for the impact of the levy, we would have made a net profit of TSh 5.6 billion. So, if you look at that, coming from the loss of TSh 20 billion, again, it's more than 200% growth. Going forward now, we are expecting, obviously, to continue being a profitable business. Definitely, we are assuming, to what Philip was saying, stable macroeconomic environment. So far, we don't see if there are any things that are probably going to be a bottleneck or hurdle in terms of us executing on our strategy. So, we bank really on excellence in strategy, excellent strategy execution in terms of sustaining the profitability and the overall business going forward and building a diverse business like the way we have done on M-Pesa.

After the levies were introduced, we built a more robust range of products, which of course, we monetise on those, but also somehow, we are able to support the lives of Tanzanians in one way or another. So, we believe the strategy we have is very solid. The execution of it, we have started. It gave us the results. There are various opportunities in order for us to continue monetising further from what we have started. Hence, we believe we will sustain this going forward. And that is what is in our LRP and the guidance that we have given, that we are expecting a mid to high single digit service revenue growth over the medium term, as well as supported by investment in the network, which ranges between 13% and 16% of revenue, which is a solid kind of investment and commitment.

Operator

Mpoki, does that address all of your questions? Do you have any follow-ups?

Mpoki Thomson

Yes, indeed it does. I just have one follow-up. So, Vodacom Tanzania has been investing quite a bit in terms of expanding its services in other areas, based on market research and where the industry is headed. So, you're spending quite a chunk, billions of Tanzanian shillings being spent. I just want to get a sense of your outlook in terms of these specific areas that you're expanding. What is your outlook and what do you think in the future will define the telecom industry in Tanzania? Are you investing by looking at 10 years from now, what will define Tanzania's telecom industry? Or what exactly informs your investment strategy? Because as I say, you're spending quite a bit in terms of expanding the reach of your services.

Phillip Besiimire

Okay. Thank you. Thanks for the question. So, if you go back to our mission, we want to connect or to provide connectivity to each and every Tanzanian, right? We want to be that provider that makes it possible for each and every Tanzanian to be included in the digital space and to be included financially and to have a connection. Now, to do that, there is a lot of work that still needs to be done. If you follow the reporting from the regulator, the Tanzania Communication Regulatory Authority, TCRA, they report just about 60% broadband penetration. The government has an ambition of attaining 80% broadband penetration by 2025. To bridge that gap between the 60% and 80% that I'm talking about is going to require a lot of effort, and part of that effort is actually extending our services to other areas that are not yet served. And when they are not yet served, I mean there are various levels.

So, one, the areas where we need to extend our broadband coverage, in other words, 4G coverage. The areas that I would call “green fields”, in other words they're not currently covered. We've got technologies also continuously evolving. You will recall during the year we also launched our 5G services. Like I said in my statement, we now have 231 5G sites. We're going to have to continue investing in that to extend 5G coverage beyond those 231 sites. To enable us to actually provide the necessary quality of service, we need to invest in the backhaul infrastructure that will actually fire up this 5G network. So, there's still need for fibre infrastructure to enable us to provide the 5G speeds that are expected.

And obviously you've got the fixed business where businesses require connectivity to their premises and to enable their businesses. So, there's still a lot of demand and opportunity for us to tap into. That informs our investment strategy, that there is still a need to serve, to reach out to businesses, to communities, to customers. And because the technology space that we're in continues to evolve, continues to get better, we have to continuously evolve so that we can provide the best possible services to our customers. And that's on the traditional GSM business that is evolving into different sectors.

Now, if I go to the financial services side of things, there is also a whole host of services and areas that we need to tap into to enable us to reach as many Tanzanians as possible. And then I spoke about the broadband penetration, but when you think about how youthful the Tanzanian market is, we’ve still got a lot of room for growth. These young Tanzanians are going to come online. Their first experience mostly is going to be a mobile first experience. That's the first time they will use. They're using, let's say, the internet. That's the first time they've got some sort of financial services before they get a bank account, if ever. Their first experience of using financial services in a formal way is always going to be mobile. And there's still a lot of those that are not yet online. So, that gives us the optimism to continue investing in the business.

Operator

Thank you. The next question comes from Fortius Rutabingwa from Orbit Securities. Please proceed with your question.

Fortius Rutabingwa

Okay, thank you. I think you can hear me.

Operator
Yes, we can.

Fortius Rutabingwa
Okay. Thank you very much for this presentation. And I would like to echo the performance of Vodacom this year from the CEO and the team, because being in the market, we have been receiving a lot of inquiries from investors asking about when this company will at least pay us dividend. I think this question I will leave it to the board. As you have correctly told us, this is the preliminary results. Now, what I wanted to know is just a clarification, because I can see you have a capital intensity of about 14.5%, while the revenue is growing at a slower pace at 10%, and the profit margins are on the single digit, 4% net profit margin and the operating margin of 7.6%.

Now, this is the kind of business where you need to drive volume for the company to grow. Now, I'm after clarification on whether this capital intensity is creating value, or it is something which maybe it is good to be looked at to see whether the investment is being well utilised. Now, of course, on the growth side my question on the growth side is, are you intending to finance it internally, meaning retaining some of the profit, or do you have any plan of maybe acquisition? Because the kind of business now is heading into areas where it was traditionally not a telecom business. For example, the M-Pesa business, data revenue. There are a lot of other small competitors. Now, what is the likely growth path you are likely to pursue? Because now even the competition now is coming from some other providers. We have heard of the like of Skylink. So, are you prepared to face this kind of new competition? Thank you.

Phillip Besiimire
Okay, thank you. So, I'll take the first question in terms of our capture intensity. We're reporting a 14.5% capex intensity, which is in line with industry guidance in the telco sector. Actually, some of our peers, both if you look at in the country and also in the region, it ranges between, I would say, 13% and 17%. And typically, if I actually relate to the question I answered earlier on from Mpoki, this is a capex intense business because we still need to extend infrastructure and services to different parts of the country and to different populations and customers. At the same time, the technology keeps on evolving and we need to continue to modernise our infrastructure so that we are future proof, so that we're able to compete in the future. So, the capex intensity you're seeing here is consistent with best practice and what we would ordinarily invest.

Now, the question would probably be our ability to monetise this investment and have a return on this capital employed. And that's really goes back again to the answer I gave earlier on to Mwananchi folks that we need to we need to be able to execute relentlessly on our strategy, because if we invest this much, and we're not able to monetise and have a return on that's relative to that investment, then the business would be struggling to continue investing, which is what's necessary. So, I think, one, I want to give assurance and guidance that it's not out of line. It's consistent with investment guidelines in the business. But also, it is driven by the demand that we have and our own strategic priorities like I have articulated on where we need to invest and why we need to invest. And then thirdly, executing relentlessly in our commercial strategy so that there is a return on investment on this capital is paramount going forward.

Now, in terms of how we sustain this level of growth and performance going forward and are there acquisitions and so on. Look, I would say our growth is both organic and inorganic. Our existing customers will continue to take a second product and a second service, a third and fourth and fifth. So that is important for us in our business, whereby if somebody is only using us for data services, the commercial team works towards actually getting them to use a second service, which would probably be voice, then a third service, which would probably be the financial services. And when they're in the financial services, if they're using only one of the services we have within that, that they start to use a second and third. So that's really important for within our existing.

But on the other hand, as well, we need to acquire and grow more customers. So, you will see that we are reporting growth on our customers, on our customer base, and it's important that we continue to grow up. That's where future growth is going to come from. But also, like I said, Tanzania is a very young population, and we're going to get more and more Tanzanians coming of age and getting into the captive market or the addressable market. And obviously, businesses are growing. We have many more businesses coming into the country. Many people are starting up businesses. The start-up ecosystem in Tanzania is quite vibrant. Businesses are going to require connectivity and solutions. So, that's the second avenue for growth, that there will be that organic growth that we can anticipate.

Now, at the same time, we are always mindful of the fact that there are other opportunities that are not probably traditional in the business in the sense that nothing stops us from looking over the hill to see if there are opportunities for us to either explore a consolidation or a partnership. And at the right time, if an opportunity like that came up, we would explore it, do the necessary evaluations and see whether it actually adds value to the business. So, it's not out of question. It's a possibility with the right opportunity if the right opportunities come up. I hope I've answered your question.

Fortius Rutabingwa

Okay. Thank you. Maybe if we can touch a little on the revenue growth, whether it is in line with the industry or if there is anything else you can do. Because when I look at the profit margin, they are very thin to try to project what will be the future growth path. And then having such a thin profit margin, if you have any plan of maybe becoming innovative in terms of cost control, so that even if the revenue is not growing at a faster pace, that at least you can have cost containment so as to improve your profit margins.

Phillip Besiimire

Yes. Absolutely, if you look at the results that we've published, but also in the statement that I made at the start, cost management was a very critical aspect of the performance that we are reporting from last year. You will see that our operating profit increased by 26.5%. And a lot of this is through a multitude of activities. And I'll also ask Hilda later on to chip in. There is a very deliberate cost management program internally where we're continuously trying to be innovative and find better ways and more cost efficient ways of doing things. One of the biggest drivers of cost in our business is on the energy side of the network. And that's why earlier on, I said, we are again being innovative in that space.

Over the last year, we've deployed energy efficient features across our infrastructure to try and reduce the cost of running the network from an energy point of view. Obviously, in that sense you always have a few things that are outside of your control like the cost of fuel. That continues to escalate. But yes, very deliberate on cost management. And I believe that in the market our margins are comparable given the operating context that we're in. Hilda, I don't know if you want to add something to that.

Hilda Bujiku

Sure. Thanks, Phillip. So, you have asked about the top line growth in comparison to the industry. So, if you know, we're the only listed company in the Dar es Salaam Stock Exchange and the comparison of how we are growing against other MNOs in the market is not really available. But if we look at potentially what we are submitting in terms of the customers, the ARPU, to the regulator, I can pretty much say the industry has recorded a positive growth because I think we're coming from those external headwinds that were impacting it. But maybe we were impacted big time because of the share of that pressure from the external headwinds due to our market share on the revenue impact on our customer market share. But if I look at it then on the recoverability, I would say pretty much we're growing ahead of the industry, pretty much. But this is me doing the desktop research and trying to compare. But there's no comparison that we can say for a fact we are growing with the industry, at par or ahead of the industry.

So, desktop, I think for me, with what we have available publicly, probably we are slightly growing faster than the industry. But who knows? Anyways, it's our mission. And the double digit growth from a single mid-digit growth prior year, it's a commendable kind of growth year on year. On the margins, Phillip, I think you've covered very well. Maybe just to get a view of, for instance, when you say the margins are too low, you're comparing to what? Because the relativity of the low margin, it has to be in comparison. Remember, the telco industry is very capital-intense, not only from the investment side, but also from the maintenance side. So, if you look at the comparison, obviously, we might have a lower margin, but on a like for like basis, if you strip out some of the items that potentially they are prone to the telco industry, I'm sure we're not far away from the margins that may be reasonable margin levels that you might have.

Nevertheless, throughout the year, especially I think even this year, that's why we called out the cost saving initiatives that have been massive in terms of muting the impact of the increase in cost. So, what Philip was saying earlier, the global pressure. So, we sell starter packs. So, the starter pack, a shortage of the chipsets has led to increase in cost. Equally, in terms of the starter packs, as well as in terms of the smartphones that we were selling, which had also impacted the volume that we were selling from our own shops. But of course, the competitive pressure as well. When the MTR goes down, it brings in the pressure. And of course, this is locally induced pressure between the MNOs. That also. So, if the market becomes stable, as well as the global headwinds, if it was also not extreme to the way it has come into that extremity, definitely the margins would have been better.

It is our mission to improve on the margins, but I just want to probably set the expectation to say in a capital intense industry, we are highly opex intense, margins are not far from the likes of such an industry. But of course, it is our mission to improve on the margins, which then will improve on the profitability.

Operator

Fortius, does that address all of your questions?

Fortius Rutabingwa

Yeah, okay. Thank you very much. At least for the moment I'm comfortable, and at least I have good information to share with investors. Thank you very much.

Operator

Thank you. Ladies and gentlemen, just one final reminder before we conclude. If you'd like to ask a question, please press * and then 1. If you'd like to ask a question, please press * and then 1. We'll pause to see if we have any further questions before we conclude the call. Mr. Besiimire, at this time we have no further questions. If I may hand over to you for closing remarks. Thank you, sir.

Phillip Besiimire

Thank you, Claudia. I would like to thank all the participants that joined us for the call today and to thank the media and the analysts for the questions posed today. We look forward to an exciting year ahead and we'll see you soon. Thank you.

Operator

Thank you very much, sir. Ladies and gentlemen, that does conclude today's conference. Thank you very much for joining us. You may now disconnect your lines.

END OF TRANSCRIPT