

INVESTMENT COMMENTARY

Airtel Uganda Limited (USE: AIRTEL)

Full Year Results FY2025 | 23 February 2026

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RECOMMENDATION: BUY

Current Price: UGX 101 • IPO Price: UGX 100 • Premium to IPO: 1.0%

Executive Summary

Airtel Uganda Limited has delivered a standout set of full year results for FY2025, reporting profit after tax growth of 41.1% and EBITDA margins that have expanded to 54.9% — among the strongest in the East African telecommunications sector. Released on 23 February 2026, these results confirm a business operating at the peak of its financial momentum. The share now trades at UGX 101 per share on the Uganda Securities Exchange, marginally above its November 2023 IPO price of UGX 100 — a threshold it has only just crossed following a protracted post-IPO recovery.

We view this disconnect between fundamental performance and market price as a compelling entry opportunity and initiate coverage with a BUY recommendation.

Share Price & Valuation Context

IPO Price (November 2023): UGX 100 per share

Current Market Price (week ending 13 Feb 2026): UGX 101 per share (USE, 23 February 2026)

Market Capitalisation: Approximately UGX 4.04 trillion

Basic EPS (FY2025): UGX 11.2

Price/Earnings Ratio (trailing): ~9.0x

Total Dividend per Share (FY2025): UGX 11.15 (dividend yield of ~11.0% at current price)

The share's breakthrough above the IPO price is a psychologically significant milestone. The IPO in November 2023 was undersubscribed at 54.5%, reflecting initial investor scepticism. Since then, Airtel Uganda has grown its customer base by almost 40%, revenues by over 30% on a cumulative basis, and its dividend has now grown to UGX 11.15 per share — representing an 11.0% yield at the current price. Investors who purchased at the IPO are now in positive territory on both capital and income grounds, having earned cumulative dividends that substantially exceed the 1% share price gain since listing.

Crucially, the share is now trading at less than 9x trailing earnings — a material discount to comparable African telecoms operators, which typically trade at 12x–18x earnings. JSR estimates the share is trading at approximately 45% below estimated fair value. Given the strong earnings trajectory and a dividend yield of approximately 11%, we believe meaningful price appreciation is achievable over a 12–18 month horizon.

Financial Performance Review — FY2025

The FY2025 results demonstrate broad-based growth across all key financial metrics, with particularly impressive margin expansion driven by operating leverage and disciplined cost management.

Key Financial Summary

Metric (UGX Millions)	FY2025	FY2024	YoY
Total Revenue	2,249,736	1,986,498	+13.3%
Voice Revenue	1,057,399	1,012,966	+4.4%
Data Revenue	1,101,733	899,763	+22.4%
EBITDA	1,235,356	992,430	+24.5%
EBITDA Margin	54.9%	50.0%	+490bps
Operating Profit (EBIT)	849,185	629,120	+35.0%
Profit After Tax	446,861	316,740	+41.1%
PAT Margin	19.9%	15.9%	+400bps
Basic EPS (UGX)	11.2	7.9	+41.1%
Capex (excl. leases)	252,467	244,418	+3.3%
Net Debt/EBITDA	1.5x	1.8x	-0.3x
Total Dividend/Share (UGX)	11.15	7.87	+41.7%

Revenue

Total revenue grew 13.3% to UGX 2,249.7 billion, primarily driven by a 13.9% expansion in the customer base to 19.2 million subscribers. In a landmark shift, data revenue of UGX 1,101.7 billion overtook voice revenue for the first time, now contributing 49.3% of service revenues (FY2024: 45.5%). This structural shift towards data is a positive long-term development for margins and revenue stability. Data revenue grew 22.4%, underpinned by a 19.6% increase in data customers and a 14.8% increase in data usage per subscriber. Total data traffic surged 46.0% over the year, with 4G/5G traffic representing 88.1% of the total.

Voice revenue, while growing modestly at 4.4%, faces a structural headwind. The regulator reduced the local interconnect (Mobile Termination) rate from UGX 45 to UGX 26 in September 2024, and a further cut to UGX 22.5 takes effect in January 2026. These cuts suppress ARPU, which declined 2.1% overall, and voice ARPU declined 9.8%. This regulatory pressure on voice is a known risk that management has partially mitigated through volume growth.

Profitability & Margins

EBITDA growth of 24.5% significantly outpaced revenue growth of 13.3%, demonstrating powerful operating leverage. The EBITDA margin of 54.9% is exceptional by any measure and reflects the benefits of a low incremental cost base as the subscriber base scales. Operating costs grew by only 2.0% despite the 13.9% increase in customers, evidencing the maturity and efficiency of Airtel Uganda's cost structure.

Profit after tax of UGX 446.9 billion grew 41.1%, with PAT margins expanding from 15.9% to 19.9%. The primary drag on bottom-line growth was higher finance costs (+18.0%), driven by interest on lease liabilities following network expansion and the extension of the American Tower Company (ATC) lease agreement. This is a non-cash accounting item under IFRS 16 and does not reflect cash deterioration — indeed, net operating cash flow improved strongly to UGX 1.01 trillion.

Capital Allocation & Balance Sheet

Capex of UGX 252.5 billion (3.3% growth, capex intensity of 11.2%) reflects disciplined investment. The company rolled out 258 new 4G sites, achieving 100% 4G site coverage, and added 164 new 5G sites (bringing the total to 364), alongside 1,600 km of new fibre. These investments position Airtel Uganda competitively for the data growth phase of Uganda's digital economy.

Leverage improved from 1.8x to 1.5x (net debt/EBITDA). Adjusting for lease liabilities (a better reflection of financial market debt), leverage improved to 0.6x from 0.8x — a very comfortable position. The balance sheet is materially stronger than 12 months ago, providing flexibility for continued investment and returns to shareholders.

The total dividend of UGX 11.15 per share for FY2025 represents a 41.6% increase on FY2024, consistent with a progressive dividend policy. At the current share price of UGX 101, this equates to an 11.0% dividend yield — a very attractive income return in any market context.

Operating KPIs & Strategic Position

Uganda's macro backdrop is supportive, with the Managing Director citing GDP growth of approximately 4.8% and easing inflation of 3–4% in 2025. Uganda's 4G population coverage of 96% outperforms the East Africa average of 78%, but the usage gap remains large at 75%. This gap — the difference between those who have coverage and those who actually use data services — is the core growth opportunity for Airtel Uganda. With 8.7 million data customers out of a total 19.2 million base, data penetration stands at 45.3%, leaving significant runway for expansion.

The home broadband segment grew 31.3% in FY2025 and, together with enterprise services, represents an important diversification of revenue away from mass-market voice. Airtel Business's Network as a Service (NaaS) proposition, combined with fibre expansion, positions the company well to capture the enterprise market as Uganda's formal economy grows.

Airtel Uganda connected 223 public schools across the country by year end, reinforcing its role as a core infrastructure provider in Uganda's digital development strategy. This social licence and government alignment provides regulatory goodwill that partially offsets the ongoing regulatory pricing pressure on voice services.

The company pioneered Africa's first spam alert service in April 2025, using AI to protect customers from fraudulent messages. Innovations of this kind demonstrate a customer-centric culture and build loyalty, supporting retention rates and net subscriber additions.

Key Risks to Monitor

Regulatory pricing pressure: A further Mobile Termination Rate cut to UGX 22.5 effective January 2026 will suppress voice revenue and ARPU. This is the single most material near-term headwind and could constrain revenue growth in H1 2026.

Market liquidity: Airtel Uganda is the eighth most traded share on the USE over a recent three-month period, with a daily average of under 29,000 shares. Low secondary market liquidity can make meaningful position-building difficult for institutional investors and can amplify price volatility around news events.

Currency risk: All revenues and costs are denominated in Uganda Shillings. While this eliminates transactional FX risk, the Shilling's long-term weakening trend against hard currencies affects the USD/GBP value of returns for foreign investors.

Parent company and minority shareholder dynamics: Airtel Uganda is majority controlled by Bharti Airtel through Airtel Africa plc. Related-party arrangements (such as the ATC tower lease extension) and the potential for transfer pricing or management fee structures require monitoring by minority investors.

Dividend sustainability: Total dividends paid in FY2025 were UGX 404 billion, marginally below PAT of UGX 447 billion, implying a payout ratio of approximately 90%. While cash generation supports this, the high payout leaves limited retained earnings buffer should operating conditions deteriorate.

Recommendation: BUY

We initiate coverage on Airtel Uganda (USE: AIRTEL) with a BUY recommendation.

The investment case rests on three pillars:

- **Valuation discount:** At approximately 9.0x trailing earnings and an ~11.0% dividend yield, the share remains materially undervalued relative to its fundamental performance and regional peers. Having only just crossed its IPO price despite 41% PAT growth since listing, the market has been slow to reprice this name and we see further re-rating potential as earnings visibility improves.
- **Earnings momentum:** The structural shift to data revenue, operating leverage driving EBITDA margins to 54.9%, and a rapidly growing subscriber base provide strong visibility into continued double-digit earnings growth.
- **Income appeal:** The UGX 11.15 total dividend per share — growing 41.6% year-on-year — makes this one of the highest-yielding shares on the Uganda Securities Exchange, with the dividend policy explicitly described as progressive.

We acknowledge the headwinds from further Mobile Termination Rate cuts and the limited secondary market liquidity. However, the company's track record of growing through regulatory challenges (voice revenue still grew 4.4% despite the September 2024 interconnect cut) and its dominant 5G and fibre infrastructure position suggest management is well-equipped to navigate these pressures.

The share's crossing above its IPO price, combined with materially stronger fundamentals than at the time of listing, marks the beginning of what we expect to be a sustained re-rating. Investors who missed the IPO now have an opportunity to enter at essentially the same price, but with significantly greater earnings visibility, a proven dividend track record, and a balance sheet that has strengthened considerably. The earnings per share of UGX 11.2 already exceeds the share price of UGX 101 on a one-year payback basis when dividends are included.

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