



Botswana Telecommunications Corporation Limited

ABRIDGED AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDING 31 MARCH 2021

The Board and Management of BTC are pleased to present to shareholders the abridged audited consolidated financial results for the year ended 31 March 2021.

Revenue

+1% ↑ P1.43bn
(2019/20: P1.42bn)

Profit (after tax)

+16% ↑ P135m
(2019/20: P117m)

EBITDA Margin

+370 bps ↑ 32.4%
(2019/20: 28.7%)

Free Cash Flow

+204% ↑ P364m
(2019/20: P120m)

EPS (thebe)

12.89 thebe
(2019/20: 11.12 thebe)

Dividend (per share)

5.31 thebe

COMMENTARY

Our Business

Botswana Telecommunications Corporation is a converged telecommunications operator offering fixed (voice and data), mobile (voice and data) and broadband services to consumers, enterprises and other licensed service providers.

A year of impressive results:

- Revenue growth of 1%
- EBITDA margin expands from 28.7% to 32.4%
- Profit for the year increase by 16%
- Earnings per share up by 16%
- Dividend per share 5.31 thebe
- Cash Conversion ratio at 52%

Performance Overview

The beginning of the financial year saw the implementation of our new three-year strategy, which is focused on the strengthening of the core business, optimising efficiencies and return on assets, in addition to pursuing growth opportunities. The start of the financial year coincided with the implementation of the national measures to contain the Covid-19 virus leading to national lockdowns. The national lockdown placed pressure on our performance for the first half of the year, however we have since seen a decent recovery in our financial performance year on year. The Group has reported revenue of P1.43 billion, which is a 1% increase when compared with the prior year. This increase in revenue was driven by the monetisation of significant investments in fixed and mobile broadband infrastructure in support of high speed internet service at homes and offices across most parts of the country.

We delivered a strong double-digit growth in profit after tax of 16% when compared with the prior year. The profit growth was driven by increase in revenue and robust cost reduction strategies accelerating EBITDA to P463 million, consequently leading to an increase in cash.

Cash and cash equivalents significantly increased by 204% from P120 million in the prior year to P364 million as at the end of March 2021. The increase was driven by a positive cash conversion ratio of 52% as well as favourable working capital resulting from implementation of debt collection measures during the year. The healthy cash balance enabled us to finance further expansion of our mobile data network and replacement of traditional copper network with fibre in order to support the needs of our customers. The uptake of our data products has been increasing with the improving quality of service leading to increased revenues as voice revenues flatten / decline.

Impact of COVID-19

Despite the gradual opening of economic activity and travel, Botswana's economic climate remains uncertain due to ongoing restrictions necessary to control the spread of Covid-19 virus compounded by the threat of new variants. The reduction in economic activity further impedes on household consumption and business expenditure. The pandemic however has emphasized that telecommunications data services underpinned by reliable high speed connectivity are an absolute necessity for businesses and households. This is necessary to enable the shift towards work-from-home, e-education, e-commerce and other services to support digital transformation.

Domestic Economy

Real GDP growth is projected to recover to 7.5% in 2021 and 5.5% in 2022 per the African Development Bank projections. This recovery is based on a revival in domestic demand as the effects of the pandemic recede and a rebound in commodity prices as economies reopen globally. Upside risks to the growth outlook hinge on:

- the steadfast implementation of business environment reforms
- government interventions against COVID-19, including the Economic Recovery and Transformation Plan (ERTP)
- successful rollout of the COVID-19 vaccine
- support of stable macro-economic environment

The growth outcome will be moderated by the uncertainty pertaining to the duration of constrained economic activity across all markets due to the emergence of new Covid-19 variants, which could impact the demand from domestic and global markets. The projected increase in inflation in the short-term is primarily due to transitory administered price changes and supply side. The prospects for growth are highly dependent on the recovery of several sectors but most importantly mining and tourism.

Outlook

Looking ahead into the new financial year, our focus will be on streamlining efficiencies throughout the business. We will continue to keep a tight rein on our costs coupled with smart capital expenditure investments. In line with the evolution of business, one of the key focus areas will be digitalisation throughout the business as well as automation of key processes. In anticipation of increased adoption by more businesses of innovative digital solutions to sustain their performance, BTC has positioned itself to be the anchor in delivering digital solutions to its customers through its wide, high speed data connectivity network, cloud-based services and superior customer service.

Presentation of Financial Statements

The financial statements are presented in Botswana Pula which is the Group's functional currency.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Mar 2021 P '000	Restated Mar 2020 P '000
Revenue from contracts with customers	1 426 409	1 416 977
Cost of services and goods sold	(594 446)	(611 695)
Gross profit	831 963	805 282
Interest income	6 360	7 303
Interest expense	(26 972)	(31 015)
Other income	30 990	31 967
Selling and distribution costs	(21 015)	(25 385)
Administrative expenses	(409 295)	(408 734)
Impairment losses & gains on financial assets and contract assets	(12 865)	(18 803)
Other expenses	(233 362)	(221 572)
Profit before tax	165 804	139 043
Income tax expense	(30 498)	(22 249)
Profit for the year	135 306	116 794
Other comprehensive not to be reclassified to profit /loss in subsequent periods		
Gains on property revaluation	63 874	-
Income tax effect	(12 267)	-
Other comprehensive income for the year	51 607	-
Total comprehensive income for the year	186 913	116 794
Basic and diluted earnings per share (thebe)	12.89	11.12

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 March 2021

	Mar 2021 P '000	Restated Mar 2020 P '000	Restated Mar 2019 P '000
ASSETS			
Non-current assets			
Property, plant and equipment	1 610 179	1 550 371	1 618 432
Intangible assets	205 267	231 922	153 715
Right of use assets	129 325	144 629	-
IRU asset	458 514	496 723	534 932
Deferred tax assets	-	18 434	38 854
2 403 285	2 442 079	2 345 933	
Current assets			
Inventories	45 222	49 256	54 594
Trade and other receivables	183 077	223 657	188 401
Contract assets	35 016	26 363	21 940
Income tax receivable	641	13 100	12 013
Cash and cash equivalents	363 806	119 700	305 456
627 762	432 076	582 404	
TOTAL ASSETS	3 031 047	2 874 155	2 928 337
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	478 892	478 892	478 892
Revaluation reserve	382 363	347 603	368 194
Accumulated profits	1 410 995	1 291 679	1 247 786
2 272 250	2 118 174	2 094 872	
Non - current liabilities			
Development grants	5 593	28 301	58 368
Lease liabilities	126 362	142 781	-
IRU liability	180 477	236 866	289 589
Deferred tax liability	24 331	-	-
Employee related provisions	10 513	12 622	36 951
347 276	420 570	384 908	
Current liabilities			
Trade and other payables	255 405	192 288	322 053
Contract liabilities	19 534	25 103	20 030
Lease liabilities	16 418	10 350	-
IRU liability	56 389	52 723	49 364
Current portion of development grants	21 580	29 862	29 657
Current portion of employee related provisions	42 195	24 085	27 453
411 521	335 412	448 557	
TOTAL EQUITY AND LIABILITIES	3 031 047	2 874 155	2 928 337

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 March 2021

	Mar 2021 P '000	Restated Mar 2020 P '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating cash flow before working capital changes (restated)	480 446	404 415
Working capital adjustments:		
Decrease in inventories	4 034	5 338
Decrease/(Increase) in trade and other receivables, contract assets and prepayments	22 926	(18 726)
Increase/(Decrease) in trade and other payables and contract liabilities	56 548	(141 165)
Cash generated from operations	563 982	249 862
Ordinary dividend paid to shareholders	(31 037)	(93 089)
Net income tax received (paid)	12 459	(2 076)
Net cash from operating activities	545 404	154 697
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Investment to expand operations:		
Purchase of property, plant and equipment	(198 967)	(117 400)
Purchase of intangible assets	(18 125)	(112 568)
Proceeds from disposal of property, plant and equipment	771	2 608
Interest income received	5 957	10 427
Net cash used in investing activities	(210 364)	(216 933)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(28 858)	(32 377)
Payment of lease liabilities	(16 177)	(16 936)
Payment of IRU liability	(50 894)	(72 484)
Net cash used in financing activities	(95 929)	(121 797)
Increase/(Decrease) in cash and cash equivalents	239 111	(184 033)
Net foreign exchange difference on cash and cash equivalents	4 995	(1 723)
Cash and cash equivalents at beginning of the year	119 700	305 456
Cash and cash equivalents at the end of the year	363 806	119 700

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Stated Capital P '000	Revaluation Reserve P '000 Restated	Accumulated Profits P '000 Restated	Total
Balance at 1 April 2019 as previously stated	478 892	340 683	1 261 392	2 080 967
Impact of correction of errors	-	27 511	(13 606)	13 905
Restated balance at 1 April 2019	478 892	368 194	1 247 786	2 094 872
Profit for the year (as previously stated)	-	-	106 384	106 384
Impact of correction of prior period errors	-	-	10 410	10 410
Other reserves**	-	-	4 158	4 158
Total Comprehensive Income (restated)	-	-	120 952	120 952
Ordinary dividend declared	-	-	(97 650)	(97 650)
Depreciation transfer for land and buildings	-	(20 591)	20 591	-
Balance at 31 March 2020 (restated)	478 892	347 603	1 291 679	2 118 174
Profit for the year	-	-	135 306	135 306
Other comprehensive income	-	51 607	-	51 607
Total Comprehensive Income	-	51 607	135 306	186 913
Ordinary dividend declared	-	-	(32 865)	(32 865)
Depreciation transfer for land and buildings	-	(16 847)	16 847	-
Balance at 31 March 2021	478 892	382 363	1 410 995	2 272 250

** Relates to the BTC Foundation reserves for the prior year. The results of the BTC Foundation have been consolidated.

Restatement of prior year results

The financial results for the year ended 31 March 2020 have been restated and as such the prior year figures presented here are the restated amounts. The impact of the restatement on the Profit or Loss and Other Comprehensive Income and Statement of Financial Position at Group level is as follows:

The impact of the restatement on the Profit and loss statement at Group level is as follows:

	Previously Reported P(m) Mar 2020	Restated P(m) Mar 2020
Revenues from contracts	1,396	1,417
Profit before tax	127	139
Profit after tax	106	117

The impact of the Statement of Financial Position at Group level is as follows:

	Previously Reported P(m) Mar 2020	Restated P(m) Mar 2020	Restated P(m) Mar 2019
Non - Current Assets	1,897	2,442	2,345
Current Assets	666	432	582
Capital and Reserves	2,094	2,118	2,095
Non - Current Liabilities	173	421	385
Current Liabilities	696	335	449

Basis of Preparation and Accounting Policies

The financial statements have been prepared on a historical cost basis, except as modified by the revaluation of certain assets and on the going concern basis.

The accounting policies adopted for the period comply in all material respects with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Standards Interpretations Committee and in the manner required by the Companies Act (CAP42:01)

Property Revaluations

During the year under review Management revalued the Land and Buildings. The 2021 revaluation of land and buildings was conducted in accordance with the Group's accounting policies as at 31 March 2021 by Vantage Properties (Proprietary) Limited, a real estate research and consulting firm. Vantage Properties has developed technology-based solutions that ease provision of real estate services in the digital era.

The total revaluation surplus as a result of the 2021 revaluation amounted to P64 million. The revaluation surplus is as reported in the Statement of Other Comprehensive Income.

Dividend Declaration

The BTC Board has declared a final dividend of 5.31 thebe per share for the year ended 31 March 2021. This is in addition to an interim dividend of 3.13 thebe per share which the Company declared during this reporting period. The total dividend in respect of the financial year is 8.44thebe.

The dividend shall be payable to all shareholders registered in the books of the company at close of business on 18 August 2021. The ex-dividend date will be 16 August 2021. The dividends will be paid net of applicable withholding taxes under the Income Tax act on or before 27 August 2021.

Auditor's report

The auditor, Deloitte & Touche, has issued its unmodified opinion on the Group's consolidated financial statements for the year ended 31 March 2021. These are available for inspection at the registered office of Botswana Telecommunications Corporation Limited. This publication has been extracted from those financial statements. This abridged financial information and any reference to future financial performance has however not been audited by the auditors.

For and on behalf of the Board of Directors

By Order of the Board

Lorato Boakgomo-Ntakhwana
Chairperson

Anthony Masunga
Managing Director

Board of Directors

Lorato Boakgomo-Ntakhwana (Chairperson), Anthony Masunga (Managing Director), Serty Leburu, Maclean Letshwiti, Andrew Johnson*, Ranjith Priyalal De Silva**, Thari Pheko, Bafana Molomo and Gaone Macholo.

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