Disappointing results from Zimbabwe's Econet Wireless

Investors on the Zimbabwe Stock Exchange (ZSE) reacted negatively to Econet Wireless's interim financials to the end of August, which showed a marginal 4.5% after-tax profit growth.

Econet, the Zimbabwean telecommunications company founded by Strive Masiyiwa, closed the session at $4.79. Analysts at Lynton Edwards said in a commentary that "the market took a plunge after Econet's results appeared to disappoint investors," taking the ZSE's benchmark index down 1.3%.

Analyst, Jeffrey Kasirori told *BDlive* last Friday that investor sentiment on the Zimbabwean bourse had turned pessimistic on recent financial results.

Delta, which is due to report its interim financials during the first week of November, will hopefully turn Zimbabwean investor sentiment more positive.

"Econet's results came in slightly below expectations and this has dented interest by investors, especially foreign ones. The company's interim financials led to a negative reaction by the market and respite for the ZSE can only come in the form of good financials by Delta," Kasirori said.

Econet Wireless recorded a 17% jump in revenues to $339.5m, against the previous period's $290.9m.

Pretax earnings climbed to $152.8m, a 16% increase on the comparable period's pretax income of $131.2m. Basic earnings per share rose to $0.46 in the six months to August, compared with $0.44 the previous year, chief executive Douglas Mboweni said.

Econet has seven million mobile network subscribers, with broadband users rising by 75% to 2.5m. Subscribers on its mobile money offering, EcoCash increased to 1.7m since inception last year.

Analysts have previously stated that increasing competition from rival operator, Telecel Zimbabwe was like to reduce Econet's dominance. They said the company now had to look to value-added services and data revenue, which it said firmed significantly in the interim period, to boost revenue generation and profitability

However, group chairman, Tawanda Nyambirai has said that depreciation and amortisation increased by 53.7% to $32.5m.

"The increase in depreciation is a reflection of the significant investment made in network expansion. The company has invested $677m in the last three and half years," said Nyambirai.

During the period under review, Econet says it sustained its market leadership. This was aided by enhance focus on network capacity, coverage expansion, accelerated penetration of broadband infrastructure and continued rollout of value added services and products.

Charles Banda, Econet's company secretary said that the company would not pay an interim dividend despite posting a 17% jump in operating revenue.

"The company has already invested $19.4m in its treasury share purchase programme for the first six months so the board of directors has not recommended an interim dividend to shareholders," he said.