Zimbabwe's Econet reports 41% drop in profits

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HARARE: Zimbabwe's biggest mobile company Econet Wiresless reported a 41% drop in profits, dragged down by significant tariff cuts, punitive regulatory measures and a deflationary economic environment in the country.

Econet chief executive Douglas Mboweni told an analysts briefing on Thursday that the 35% cut in mobile tariffs and the 5% duty on mobile airtime had negatively affected the viability of the country's telecommunication sector.

In a statement accompanying the group's results, chairman James Myers said that as a result of the regulatory measures, the company has had to cut capital expenditure and stop further employment creation for the first time since it began operations.

Profit for the year ending February 2015 dropped to US$70.4m from US$119.2m in the prior period. Revenue for the period was however slightly lower at US$746.2m from US$752.6m as the group managed to minimise losses in voice revenues by pushing through other services which are of lower margins in nature.

Econet is now getting 8% - against 5% in the prior year - of its revenues from overlay services such as mobile money transfers while broadband offerings now contribute 14% up from a contribution of 10% prior year.

The drop in profitability also comes at a time when the Group is struggling with non-payment of interconnect debts by government entities NetOne and TelOne. The two entities have accumulated debts amounting to about US$26.3m.

Source: Fin24 - Zimbabwe's Econet reports 41% drop in profits