

MTN Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1994/009584/06)
(Share code MTN)
(ISIN: ZAE000042164)
(MTN or the MTN Group)

MTN South Africa (MTN SA) secures much anticipated high-demand radio frequency spectrum in historic spectrum auction

Following the successful conclusion of a landmark Simultaneous Multi Round Ascending Auction (SMRA) by the Independent Communications Authority of South Africa (ICASA), MTN Group announces that MTN SA has secured high-demand spectrum to support its 4G and 5G expansion drive.

During the main phase of the auction, that started on 10 March 2022 and finished after 58 rounds of bidding, MTN SA acquired a total of 100MHz across the 800MHz, 2 600MHz and 3 500MHz frequency bands and will pay a total of R5.2 billion for the spectrum. This compares favourably with global benchmark averages of approximately \$0.083MHz-POP – according to Coleago Consulting – for spectrum in similar auctions.

MTN SA secured the following spectrum bands in the SMRA:

1. 2 x 10MHz of 800MHz at a price of R2.9 billion (\$195.5 million)
2. 4 x 10MHz of 2 600MHz at a price of R1.1 billion (\$72.8 million)
3. 4 x 10MHz of 3 500 MHz at a price of R1.1 billion (\$75.1 million)

This is the first time in approximately 17 years that spectrum has been released on a permanent basis in South Africa and increases MTN SA's total permanent spectrum holdings from 76MHz to 176MHz. The spectrum has been allotted for a 20-year period and on a technology-neutral basis.

"The release of high-demand spectrum is a significant step forward for South Africa in the implementation of the key structural reforms needed to drive economic growth. We commend ICASA and the government of South Africa for the bold and transformational decision to proceed with this auction," said MTN Group President and CEO Ralph Mupita.

"Securing this high-demand spectrum is critical in positioning MTN SA, the second largest operation in the MTN Group, for sustained and profitable growth into the future. We have secured an optimal mix of low-band and mid-band frequencies for MTN SA that will support the data traffic we will carry for 4G and 5G services. In line with our disciplined capital allocation framework, which prioritizes investment in growth, we have built up the financial flexibility to be able to fund MTN SA's spectrum acquisition through cash and liquidity resources at MTN Group. We expect our holding company leverage to remain within our guidance targets, following the acquisition of this spectrum. We have secured this spectrum at a cost that is value accretive for our providers of capital, when you compare against global benchmarks," he added.

Speaking on the auction, MTN SA CEO, Charles Molapisi said *“this is a significant milestone and achievement, not only for MTN SA and the telecommunication industry at large but also for South Africa’s digital future. Spectrum is the lifeblood of our industry and is key to reliable and extensive connectivity for our customers across the country”*

“Our multibillion-rand investment into this much needed spectrum is also an important injection of cash into the national fiscus. In anticipation of the spectrum allocation, we had undertaken a modernisation of our network to ensure that we would be ready to leverage this spectrum to the connectivity benefit of South Africans as quickly as possible,” he adds.

MTN SA will use the spectrum to expand 4G and 5G connectivity, as well as the capacity, on South Africa’s best network while also further enhancing rural, peri-urban, and urban network coverage. The spectrum allocation will also allow for greater value for customers, supporting MTN’s consistent push in recent years to lower the cost to communicate.

Molapisi pointed to the use of temporary spectrum as a case study of how MTN SA would use its allocated spectrum. ICASA’s allocation of temporary spectrum during the national state of disaster gave MTN SA extra network capacity to provide more than four million people access to free health and education websites each month. MTN SA will continue to make this provision with the permanent award of spectrum and will expand access to include additional public service websites, as per the conditions set out for this auction.

The temporary spectrum also allowed the operator to reach deeper into small towns and particularly rural communities that were previously underserved due to the lack of required spectrum. Currently, MTN SA has approximately 96% of the country covered by its 4G network and the spectrum allocation promises even greater reach, coverage and speeds.

“We congratulate the Minister of Communications and Digital Technologies, Khumbudzo Ntshavheni, and our regulator, ICASA, on this momentous achievement in the history of our country”, commented Molapisi.

MTN Group will hold an investor call on Friday, 18 March 2022 at 15h00 South African time to provide further context on the spectrum acquired, how it will support 4G and 5G growth, cost benchmarking and how the secured spectrum will be funded.

17 March 2022
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