

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

MTN GROUP PRE-CLOSE INVESTOR UPDATE

Commentary on MTN's financial performance in this pre-close investor update reflects the year-to-date (YTD) performance of the Group in constant currency to 30 November 2022, compared with the prior period 30 November 2021 and highlights trends currently expected through the 12 months to 31 December 2022.

Operating context

Trading conditions continued to be challenging in the fourth quarter of 2022, with blended inflation remaining elevated across MTN's markets. Within this operating context, the Group's operating and financial performance was resilient with service revenue development delivered within medium-term guidance.

Inflationary pressures remained elevated, with the blended inflation rate in MTN's markets trending up further to 17.2% in November 2022 (September 2022: 15.4%). Inflation prints for November 2022 in our key markets of South Africa, Nigeria and Ghana were approximately 7.5%, 21.1% and 50.3% respectively. This was exacerbated by the ongoing volatility and constrained availability of foreign exchange, which also fed into the supply chain challenges.

MTN's ability to manage the impacts of higher energy costs, was helped by the limited contribution of energy to total costs of between approximately 5-7% for the Group. The contribution is similar for the material operating companies, being MTN South Africa (MTN SA) and MTN Nigeria, respectively.

The Group's commercial interventions to optimise pricing and mitigate inflationary pressures have yielded positive results in key markets such as South Africa, Nigeria and Ghana. Engagements with towerco partners in key markets are ongoing to ensure terms that cushion the business from inflationary and currency volatility pressures.

Business update

Growth in Group service revenue for the 11-month period to November 2022 was approximately 14.8%, representing some acceleration relative to the 14.3% growth reported for the nine months to September 2022. Overall Group earnings before interest, tax, depreciation and amortisation (EBITDA) margin for the period was slightly lower when compared to the level reported for the September 2022 period, due largely to expected pressure in MTN SA.

MTN SA service revenue growth for the 11 months to November 2022 slowed marginally to approximately 3.2% (9-months to September 2022: 3.5%). The performance was resilient despite intensifying pressures in the trading environment. The slightly slower growth in consumer service revenue post Q3 was mitigated by solid growth in wholesale and enterprise.

MTN SA's EBITDA margin, excluding the once-off gain on disposal of towers, in the period to November 2022 was marginally below the medium-term guidance range of 39-42%. The pressure on EBITDA margin arose from the topline and cost pressures on the MTN SA business due to the challenging macroeconomic environment, power outages, as well as the increased costs of restoring and protecting network sites from vandalism.

The frequency and duration of power outages in South Africa deteriorated, with 47 days of loadshedding in October 2022 and November 2022 (compared to 53 days in all of Q3). This negatively impacted MTN SA's service revenue and costs. The focus of the business is to implement phase 3 of its network resilience plan, which includes additional batteries, generators and enhanced security at sites. The first two phases for battery rollout have been completed and MTN SA aims to complete the upgrade of sites currently without backup power (phase 3) by the end of Q1 2023.

MTN Nigeria grew its service revenue by approximately 21.3% in the period to November 2022 (9 months to September 2022: 20.7%) in line with the medium-term target of "at least 20%", with the run-rate in Q4 to date accelerating in line with expectations versus the 20.7% growth reported to September 2022. The performance was supported by solid growth across all the key revenue drivers in the business. EBITDA margin was broadly in line with the 53.6% reported with Q3 results.

Mobile Money Payment Service Bank (MoMo PSB) made progress in its work to strengthen IT and control systems in order to reopen the Nigeria Inter-Bank Settlement System (NIBSS). The business is taking a measured and systematic approach to reopening the NIBSS interface with the inbound service on track to reopen during December 2022. This will support MoMo PSB's wallet funding to drive customer activity during the holiday period. The outbound service, which supports the merchant strategy, is scheduled to reopen in early-2023.

The steady recovery in fintech service revenue continued to grow in the period to November 2022 by 13.6% versus the 12.9% reported with Q3 results. The recovery momentum in Ghana continued post Q3, while Cote d'Ivoire recorded positive year-on-year growth in the month of November 2022.

The overall trajectory in the fintech ecosystem remains robust with momentum in transaction volume growth slightly higher for the period to November 2022, compared to the 32.7% growth reported in Q3. This growth was supported by the continued build out of the agent and merchant network, where growth accelerated in post Q3.

Update on fintech separation and portfolio transformation

The Group remains broadly on track with the managed separation of its fintech business and has launched the second phase of engagements with potential strategic investors into the Group fintech business. The Company anticipates the outcome of this process in Q1 2023.

As part of an orderly exit from the Middle East, in August 2022 MTN announced that it had entered into agreements with M1 New Ventures Limited (M1) in which M1 will acquire all the shares in M1 for a gross consideration of US\$35 million. Since the update provided in Q3, progress has been made towards concluding agreements and the disposal is expected to be finalised in Q1 2023.

Update on cash upstreaming and balance sheet

The Group has upstreamed R17.3 billion in dividends and management fees in the 11 months to 30 November 2022, including R5.8 billion post September 2022. In addition to the R1.5 billion upstreamed from Nigeria in October 2022, as reported with Q3 results, MTN upstreamed an additional R475 million during November 2022 to bring the YTD total from Nigeria to R6.5 billion.

MTN's balance sheet remains resilient with consolidated and Holding Company (Holdco) leverage ratios at 30 November 2022 largely flat compared to the levels of 0.4x and 0.8x respectively, reported with Q3 results. The Company's liquidity position remains strong with cash balances and committed undrawn facilities as at 30 November 2022 also remained similar to the levels reported in Q3. This provides the Group with the flexibility to continue executing on its medium-term growth strategy as well as withstand shocks and take advantage of opportunities that may arise.

Updated on legal and regulatory matters

MTN has noted the Turkcell Iletisim Hizmetleri A.S (Turkcell) announcement regarding its intention to appeal the judgment handed down by the High Court of South Africa on 30 November 2022, in which it dismissed East Asian Consortium B.V.'s (EAC) legal action against MTN with costs (shareholders are referred to the stock exchange announcement published on 1 December 2022 by the Company in this regard).

The case in South Africa is the fifth occasion that Turkcell has attempted to pursue legal proceedings in respect of substantially the same issues. All of Turkcell's attempts have thus far failed, including in proceedings before reputable international arbitration panels.

In its 30 November 2022 judgment, the High Court of South Africa dismissed the claim with costs on the basis that the South African courts do not have jurisdiction over the case. The Company maintains its stance that Turkcell's litigation, through its wholly-owned subsidiary EAC, is without merit and MTN will continue to defend its position and oppose any appeal that is lodged.

In the regulatory environment, MTN's work to implement SIM registration directives in Nigeria and Ghana has been ongoing. In Nigeria, growth in gross additions and commercial interventions helped to mitigate the challenges presented by National Identification Number (NIN)-SIM linkage requirements.

The Company provided investors with a comprehensive update on Ghana SIM registration in a stock exchange announcement dated 2 December 2022. Of the 5.7 million subscribers that were initially barred following the 30 November 2022 implementation date, approximately 20% have been reactivated, as at 13 December 2022.

Regulations continued to evolve in Ghana where, in November 2022, the Ghanaian government announced its plan to revise down the levy imposed on selected electronic transactions (e-levy) to 1% of transaction value, from 1.5%. The proposed regulation changes also remove the 0-100GHS per customer, daily exemption threshold for untaxed transactions. These amendments await parliamentary and other approvals, and the Company will update the market as appropriate on any further developments and potential impacts.

Update on ESG and sustainability progress

MTN remains on track to meet its key environmental, social and governance (ESG) targets. The Group is making progress against MTN's net-zero emissions target, with South Africa impacting overall performance given challenges with loadshedding. The Company is also making meaningful progress to drive up women representation in the workforce towards its target of 50% by 2030. Its rural broadband coverage also continues to increase towards the 2025 target of 95%.

The Group also recorded steady improvements with ESG rating organisations such as Sustainalytics and MSCI against material matters for the business such as data privacy and security, as well as corporate governance. MTN was also recognised as the most improved company from emerging economies, for the second successive year, by the Ranking Digital Rights Telco Giants Scorecard which was published on 7 December 2022. This was attributable to improved disclosure and policy on digital human rights related issues.

Solid progress against medium-term guidance

The business continued to demonstrate great resilience given the challenging macroenvironment and remains on track to deliver 2022 results broadly in line with the medium-term guidance, including "at least mid-teen" growth in Group service revenue.

The performance has been underpinned by solid execution and focused capital allocation discipline. The Group expects to end 2020 with its capital expenditure (capex) deployment slightly above the previously communicated guidance of R35.3 billion, owing largely to foreign exchange impacts and accelerated capex in South Africa to support network resilience. This has also contributed to some pressures on operating free cash flow development in the near term. The pressure on free cash flow was also negatively impacted by payments for license and spectrum acquisitions of approximately R8.1 billion, as reported in Q3.

The guidance, as previously communicated, for an ordinary dividend per share pay out of at least 330 cents per share for FY 2022 remains in place, and the Group continues to make solid progress in driving its ROE towards 25%.

The Group results for the twelve months ending 31 December 2022 are currently expected to be released on the JSE Stock Exchange News Service on or about 13 March 2023.

Capital markets day (CMD) in June 2023

Shareholders are advised that MTN plans to host a CMD on or about 1 June 2023, where management will provide an update on the Company's progress against its Ambition 2025 strategy.

Pre-close investor call

MTN will host a pre-close investor call based on this release at 15:30 (CAT) on Thursday, 15 December 2022. Registration details can be found at this link: <https://www.mtn.com/investors-shareholders/?tablink=sens>

Shareholders are advised that the financial information contained in this pre-close update is the responsibility of the directors of MTN and has not been reviewed or reported on by the MTN Group's joint auditors.

Fairland
15 December 2022

Lead Sponsor
J.P. Morgan Equities South Africa Proprietary Limited

Joint Sponsor
Tamela Holdings Proprietary Limited