



MTN NIGERIA UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

Lagos| Nigeria: Wednesday, 30 October 2019

MTN Nigeria Communications Plc (MTN Nigeria) announces its unaudited results for the nine months ended 30 September 2019. In January 2019, MTN Nigeria adopted IFRS 16 and adjustments are reflected in the results.

Salient features:

- Mobile subscribers increased by 0.1 million to 61.6 million
- Active data users increased by 1.6 million to 22.3 million
- Service revenue increased by 12.1% to NGN 854.9 billion
- EBITDA grew by 39.3% to N460.1 billion (IAS 17: 15.8% to N382.5 billion)
- EBITDA margin increased by 10.5 pp to 53.7% (IAS 17: 44.7%, up 1.5pp)
- Earnings per share rose by 29% to N7.29k (IAS 17: 36.6% to N7.72k)
- Capex increased by 39.5% to N154.1 billion (IAS 17: 20.9% to N133.5 billion)

Unless otherwise stated, financial information is year-on-year (YoY) (the nine-month period ended 30 September 2019 versus the nine-month period ended 30 September 2018). Non-financial information is presented quarter-on-quarter (QoQ), or Q319 vs Q219.

MTN Nigeria CEO, Ferdi Moolman comments:

“Our performance was very encouraging, demonstrating the resilience of our business despite a challenging operating environment. We sustained double-digit growth in service revenue led by growth in voice and data revenue.

We recorded 61.6 million subscribers, representing a 0.1 million increase QoQ. We were required to undertake a SIM re-registration process, which resulted in a disconnection of around 0.6 million active subscribers, limiting base growth.

During the quarter, we focused on the end-to-end optimisation and repositioning of our data offerings. We made significant investments in accelerating 4G network expansion; and leveraging 800MHz spectrum activated in Q2 2019, we launched enhanced 4G+ services in Lagos, Abuja, and Port-Harcourt. We also changed our pricing strategy, placing us in an even stronger competitive position going forward. As a result, we have begun to see promising results with active data subscriber net additions of 1.6 million and 4G population coverage at over 35% in 64 cities. Data traffic volume also increased by over 68%, while data revenue rose by 34.9% yoy.



We continued to sustain EDITDA margin expansion and operating leverage with EBITDA growth ahead of revenue and inflation at 39.3%, while growth in profit after tax and earnings per share remained strong at 29% apiece.

During the period, we obtained Platinum accreditation from Investor in People (IiP), a global body that assesses the people practices of companies across 75 countries. This achievement reflects the premium we place on our people, and places MTN Nigeria among the best companies to work for globally.”

Operational review

Service revenue grew in line with our medium-term double-digit guidance to N854.9 billion (+12.1% yoy), driven by increases of 10.1% and 34.9% respectively in voice and data revenue. Voice remains a key contributor to service revenue at 73.5% (Q3 2018: 74.8%), with its growth supported by an increase in subscribers, relatively stable tariffs and our targeted segment offerings using our customer value management toolkit.

Data contributed 18.0% (Q3 2018: 15.0%) to service revenue, with strong growth attributable to the recent data price revamp, consumer education and improved 4G coverage after we obtained access to the 800MHz spectrum in Q2 2019. We recorded a significant increase in both active data users and the number of smartphones on our network, which resulted in higher data usage. We added 1.6 million smartphones on our network, increasing smartphone penetration to 41.7%. The number of active data subscribers increased by 7.6% to 22.3 million, driving data traffic growth of 68.9%.

Improving the customer journey and experience on value-added services (VAS) remains a priority. Following the completion of our VAS optimization, digital revenue returned to growth on a sequential QoQ basis, recording a 25.7% increase. We continue to focus on building a sustainable active user base for our digital business.

Our fintech business continued to gain traction with 21.7% YoY growth in revenue driven by increased adoption of the Xtratime service, which allows subscribers to borrow airtime. We launched our super-agent services in August 2019 and recorded 66,000 registered agents, giving our customers access to financial services. We continue to focus on expanding the number of agent touchpoints to more towns and cities to achieve mass adoption; while exploring local remittances across payment corridors.

Our enterprise¹ business segment continued to deliver solid results, with revenue growth of 28.7% to contribute 12.0% (Q3 2018: 10.5%) to service revenue.

On an IAS 17 basis, we maintained operating expenses growth below inflation at 9.3%. This reflects progress with our cost management initiatives. Consequently, we achieved EBITDA growth ahead of revenue at 15.8% with a 1.5pp margin improvement

¹ Enterprise business include revenue from mobile and fixed connectivity, cloud and ICT solutions, and devices. It cuts across voice, data and digital services for SMEs, public sector and large enterprise customers.





to 44.7%. Reported EBITDA (IFRS 16) rose by 39.3% with a margin of 53.7%. During the period, we made significant investment in our network to improve service quality and drive 4G expansion, which resulted in a 3.6pp increase in capex intensity to 18.0%.

Overall, our bottom-line remained strong with growth of 24.0% and 28.9% respectively in profit before and after tax. Earnings per share increased by 29.0% to N7.29k.

IFRS 16 and IAS 17 comparison

	IFRS 16 as at Sep 30, 2019 N'm	IAS 17 as at Sep 30, 2019 N'm	IAS 17 as at Sep 30, 2018 N'm
EBITDA	460,102	382,486	330,204
EBITDA margin, %	53.7%	44.7%	43.2%
Capex	154,062	133,459	110,400
AFCF	306,040	249,027	219,804
Profit before tax	212,005	227,079	171,036
Profit after tax	148,324	157,188	115,034
Earnings per share, kobo (k)	729k	772k	565k

Corporate and legal matters

Appointment of external auditors

- In accordance with the Nigerian Code of Corporate Governance, PricewaterhouseCoopers was not reappointed at our last Annual General Meeting held on 8 April 2019, having served as external auditors for over 10 years. Consequently, in accordance with the provisions of the Companies and Allied Matters Act, the Board of Directors appointed Grant Thornton to fill the casual vacancy created in the role of external auditor and carry out the statutory audit of the financial statements for the year ending 31 December 2019.

USSD billing

- Our extensive engagements with banks over implementation of end user billing for USSD-based banking services reflects our determination to find a solution that is affordable for the consumer and drives maximum uptake and use of financial services. Banks had always been on a corporate billing plan that allows them to pay the USSD access fees at a wholesale price. We view this as an efficient model that eliminates separate charges by the banks and telecoms companies, which in the end ensures billing transparency. We believe that costs associated with USSD banking services should be charged to the consumer once as with other USSD services we provide. It is therefore imperative that all parties engage towards a solution, putting the consumer at the fore of all decisions. MTN remains committed to the most effective solution for our customers as we work each day to make their lives easier.





AGF matter

- The hearing on the Attorney General of the Federation (AGF) matter, which was scheduled to be held on 29 October 2019 was adjourned to 30 and 31 January 2020 for commencement of trial. We remain resolute that MTN Nigeria has not committed any offence and will continue to defend this position.

Preference shares redemption

- The redemption notice relating to the MTN Nigeria preference shares remains in place, and we continue to await the completion of the necessary regulatory process. The preference shares are foreign currency denominated loan instruments and are exposed to exchange rate volatility.

Funding

- We are currently exploring financing options, including the issuance of commercial paper as part of our debt strategy to diversify our funding sources and optimise overall funding costs.

Outlook

In the remaining quarter of the year, we will continue to prioritise the expansion of our 4G network coverage and drive active data subscriber growth. We expect voice and data revenue to continue to grow on the back of subscriber growth and increasing demand for data services. We are excited about progress with our digital services following the completion of VAS optimisation and are focused on sustaining the QoQ revenue growth we have seen. Having launched our super-agent services, our goal is to build a network of 100,000 agents by year-end. Super-Agent has always been a part of our MoMo business plan and obtaining the licence shows we are on track with our plans. While we continue to engage with the CBN regarding obtaining a Payment Service Bank licence, we are fully harnessing opportunities that the Super-Agent licence brings.

For and behalf of the board

Ferdi Moolman
Chief Executive Officer





Condensed Consolidated Statement of Profit or Loss

For the nine months ended 30 September 2019

	Group September 2019 N'000	Group September 2018 N'000	Company September 2019 N'000	Company September 2018 N'000
Revenue	856,476,907	764,455,282	854,763,703	762,959,612
Other income	72,491	69,771	72,491	76,940
Direct network operating costs	(177,935,046)	(227,300,929)	(178,112,116)	(227,158,841)
Value added services costs	(8,938,873)	(14,151,917)	(8,892,416)	(14,086,866)
Cost of handsets and other accessories	(8,567,964)	(5,012,538)	(8,564,051)	(5,012,538)
Interconnect costs	(78,602,169)	(70,462,372)	(78,610,899)	(70,457,501)
Roaming costs	(2,935,540)	(3,391,425)	(2,921,835)	(3,386,612)
Transmission costs	(4,126,800)	(4,191,569)	(4,261,716)	(4,191,569)
Employee benefits	(23,057,891)	(19,059,667)	(23,057,891)	(19,059,667)
Discounts and commissions	(41,376,464)	(37,756,984)	(41,366,410)	(37,756,984)
Advertisements, sponsorships and sales promotions	(13,628,546)	(12,316,897)	(13,537,669)	(12,316,897)
Other operating expenses	(37,278,592)	(40,676,767)	(36,859,997)	(39,954,505)
Depreciation of property, plant & equipment	(110,395,444)	(104,737,209)	(110,395,444)	(104,737,209)
Depreciation of right of use assets	(41,469,003)	-	(41,469,003)	-
Amortisation of intangible assets	(21,986,670)	(19,636,153)	(17,971,237)	(15,621,164)
Operating profit	286,250,396	205,830,626	288,815,510	209,296,199
Finance income	17,732,723	18,426,399	17,732,724	18,221,881
Finance costs	(91,977,943)	(53,221,252)	(91,977,943)	(53,221,252)
Profit before tax	212,005,176	171,035,773	214,570,291	174,296,828
Income tax expense	(63,681,634)	(56,001,957)	(64,468,261)	(56,991,038)
Profit for the year	148,323,542	115,033,816	150,102,030	117,305,790
Profit attributable to:				
Owners of the parent	148,323,542	115,033,816	150,102,030	117,305,790
Non controlling interest	-	-	-	-
Profit for the period	148,323,542	115,033,816	150,102,030	117,305,790
Condensed consolidated statement of comprehensive income				
Net fair value loss on financial assets held at FVOCI	33,576	(458,350)	33,576	(458,126)
Total comprehensive income for the period	148,357,118	114,575,466	150,135,606	116,847,664
Total comprehensive income attributable to:				
Owners of the parent	148,357,118	114,575,466	150,135,606	116,847,664
Non controlling interest	-	-	-	-
Profit for the period	148,357,118	114,575,466	150,135,606	116,847,664
Earnings per share:				
Basic/diluted earnings per share	N 7.29	N 5.65	N 7.37	N 5.76



Condensed consolidated and separate statement of financial position

As at 30 September 2019

	Group		Company	
	30 Sept 2019 N'000	31 Dec 2018 N'000	30 Sept 2019 N'000	31 Dec 2018 N'000
ASSETS				
Non-current assets				
Property, plant and equipment	621,614,403	607,023,544	621,614,403	606,962,868
Intangible assets	105,354,050	119,368,123	67,140,681	77,107,651
Right of use assets	492,415,759	-	492,415,759	-
Investment in subsidiaries	-	-	43,828,000	43,828,000
Other non current assets	17,226,012	19,493,033	17,226,012	19,493,033
	1,236,610,224	745,884,700	1,242,224,855	747,391,552
Current assets				
Inventories	1,364,483	1,538,766	1,364,483	1,545,496
Trade and other receivables	52,640,725	38,617,125	52,762,837	38,485,289
Current investments	120,902,534	65,468,259	120,902,534	65,468,259
Restricted cash	25,332,985	37,219,023	25,282,985	37,169,023
Cash and cash equivalents	102,210,463	53,011,748	101,957,956	52,806,185
	302,451,190	195,854,921	302,270,795	195,474,252
Total assets	1,539,061,414	941,739,621	1,544,495,650	942,865,804
EQUITY				
Share capital	407,090	646,510	407,090	646,510
Share premium	17,216,293	64,498,466	17,216,293	64,498,466
Retained profit	72,753,576	154,201,270	87,910,654	167,579,860
Other reserves	279,065	6,069	279,065	6,069
	90,656,024	219,352,315	105,813,102	232,730,905
LIABILITIES				
Non-current liabilities				
Borrowings	303,309,530	31,438,349	303,309,530	31,438,349
Lease liabilities	469,155,740	-	469,155,740	-
Deferred tax and other non-current liabilities	115,283,160	110,000,896	107,340,543	100,926,273
	887,748,430	141,439,245	879,805,813	132,364,622
Current liabilities				
Trade and other payables	330,155,365	213,715,210	326,587,433	211,055,001
Current tax liabilities	47,773,351	54,131,436	47,289,574	53,667,534
Borrowings	77,935,742	143,875,889	77,935,742	143,875,889
Lease liabilities	32,118,460	-	32,118,460	-
Other current liabilities	72,674,042	169,225,526	74,945,526	169,171,853
	560,656,960	580,948,061	558,876,735	577,770,277
Total liabilities	1,448,405,390	722,387,306	1,438,682,548	710,134,899
Total equity and liabilities	1,539,061,414	941,739,621	1,544,495,650	942,865,804



Condensed consolidated and separate statement of cash flows

For the nine months ended 30 September 2019

	Group		Company	
	For the nine months ended 30 Sept 2019	For the nine months ended 30 Sept 2018	For the nine months ended 30 Sept 2019	For the nine months ended 30 Sept 2018
	N'000	N'000	N'000	N'000
Cash flows from operating activities:				
Cash generated from operations	439,982,976	307,721,070	439,610,526	282,874,073
Interest paid	(78,488,585)	(33,209,404)	(78,488,585)	(33,209,404)
Interest received	14,185,154	13,331,675	14,185,155	13,193,501
Dividends paid	(133,045,813)	(38,612,581)	(133,045,813)	(38,612,581)
Regulatory fine paid	(110,000,000)	(55,000,000)	(110,000,000)	(55,000,000)
Tax paid	(62,082,380)	(21,307,737)	(61,756,876)	(20,955,224)
Net cash generated from operating activities	70,551,352	172,923,023	70,504,407	148,290,365
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(140,811,968)	(139,698,567)	(140,811,966)	(139,698,567)
Acquisition of right of use assets	(3,560,693)	-	(3,560,693)	-
Proceeds from disposal of property, plant and equipment	616,751	428,882	616,751	421,713
Movement in non-current prepayments	(3,144,867)	(6,107,763)	(3,144,867)	(5,933,128)
Acquisition of intangible assets	(8,219,375)	(5,503,847)	(8,219,374)	(5,503,847)
Investment in bonds, treasury bills and foreign deposits	(55,829,673)	(38,604,195)	(55,829,673)	(38,604,195)
Movement in restricted cash	11,886,038	17,878,255	11,886,038	17,878,255
Net cash used in investing activities	(199,063,787)	(171,607,235)	(199,063,784)	(171,439,769)
Cash flows from financing activities:				
Proceeds from borrowings	287,834,775	117,296,393	287,834,775	117,296,393
Repayment of borrowings	(82,253,882)	(131,958,215)	(82,253,882)	(131,958,215)
Obligations under leases	(27,875,031)	-	(27,875,031)	-
Net cash generated from financing activities	177,705,864	(14,661,822)	177,705,864	(14,661,822)
Net increase/(decrease) in cash and cash equivalents	49,193,429	(13,346,034)	49,146,487	(37,811,226)
Cash and cash equivalents at beginning of the period	53,011,748	89,749,079	52,806,185	89,027,405
Exchange gain/(loss) on cash and cash equivalents	5,286	(293,690)	5,284	(293,690)
Cash and cash equivalents at end of the period	102,210,463	76,109,355	101,957,956	50,922,489



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About MTN Nigeria

MTN Nigeria is one of Africa's largest providers of communications services, connecting over 61 million people in communities across the country with each other and the world. Guided by a vision to lead the delivery of a bold new digital world, MTN Nigeria's leadership position in coverage, capacity and innovation has remained constant since its launch in 2001. MTN Nigeria is part of the MTN Group – a multinational telecommunications group which operates in 21 countries in Africa and the Middle East.

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