



MTN NIGERIA RELEASES AUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Lagos | Nigeria: 28 January 2022

MTN Nigeria Communications Plc (MTN Nigeria) today announces its audited results for the financial year ended 31 December 2021.

Key metrics:

- Mobile subscribers decreased by 8 million to 68.5 million but returned to positive net additions in Q4 2021.
- Active data users increased by 1.7 million to 34.3 million
- Active fintech subscribers rose by 4.8 million to 9.4 million
- Service revenue increased by 23.3% to N1.7 trillion
- Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 27.9% to N877.1 billion
- EBITDA margin increased by 2.1 percentage points (pp) to 53.0%
- Profit after tax (PAT) grew by 45.5% to N298.7 billion
- Earnings per share (EPS) rose by 45.5% to N14.67 kobo
- Proposed final dividend of N8.57 kobo per share
- Enhanced guidance for service revenue growth of “at least 20%” over the medium term

Unless otherwise stated, financial and non-financial information is year-on-year (YoY, full-year 2021 versus 2020)

MTN Nigeria CEO, Karl Toriola comments:

“2021 was a significant year for our Company. We commemorated our 20th anniversary with a celebration of our customers and all the stakeholder relationships that enabled our journey. In addition, we made good progress towards our Ambition 2025 objectives, demonstrating the strength and resilience of the business. This reflects the firm foundations on which our business is built, the tenacity and commitment of our people, and the support of our stakeholders.

We continue to deepen our contributions to society in line with our priority to enhance shared value. During the year, our total contribution to the Government through direct and indirect taxes was N669.2 billion, up 83.4%, representing approximately 40% of our total revenue. We extended our interventions, in response to the challenges to our nation arising from the COVID-19 pandemic, providing a further N1.5 billion to the Coalition Against Covid-19 (CACOVID) in support of efforts aimed at curbing the



spread of the virus. This is supplementary to other interventions to protect the health and well-being of our people, customers and stakeholders. We also worked hard across our business to embed new ways of working while harnessing the opportunities presented by the trends in digital adoption.

In line with our objective to share our Company's success with our various stakeholders, the first phase of a series of transactions to increase Nigerian ownership in MTN Nigeria was conducted during 2021 by way of bookbuild to institutional investors and fixed price offer to retail investors (the Offer). The outcome of the Offer will be announced once regulatory approvals have been obtained.

In addition, we committed to participating in the Road Infrastructure Tax Credit scheme to rehabilitate the Enugu-Onitsha expressway, with ongoing engagement to kick off the project. We signed a five-year deal to support the Nigerian Football Federation as the official communications partner and actively supported the Super Eagles' participation in the African Cup of Nations competition. We are also committed to designing and constructing a new, world-class corporate headquarters.

Operationally, our mobile subscriber base declined by 10.6% and was impacted by the regulatory restrictions on new SIM sales and activations. However, we are pleased to have returned to positive growth in Q4 2021, adding approximately 1 million subscribers as we continued to ramp up the alignment of our SIM registration and activation centres with the regulations.

Active data subscribers rose by 5.3% YoY to 34.3 million as we continued to drive data conversion from our existing subscriber base. To enable this, we significantly enhanced our connectivity infrastructure with the acquisition of an additional 800MHz spectrum and the accelerated rollout of our 4G network, which now covers more than 70% of the population. Furthermore, we were successful in our bid to acquire a 100MHz spectrum licence in the 3.5GHz band, on which we will roll out 5G services, at the auction held in December 2021. 5G provides the foundation on which future network performance will be built. Our successful bid presents an exciting opportunity to be at the forefront of delivering technological advancements to as many Nigerians as possible.

Our fintech business continued to gain traction with approximately 770k registered mobile money (MoMo) agents and active users more than doubling to 9.4 million. This provides a solid foundation on which to launch the MoMo Payment Service Bank (PSB), for which we have received an Approval in Principle. The MoMo PSB will provide a powerful platform to drive digital and financial inclusion in Nigeria. In recognition of our progress in the fintech space, we received a US\$500,000 grant from the African Development Bank to fund research on financial inclusion for women.

Driven by the strong operational performance, we delivered growth across all revenue lines, demonstrating the underlying strength and momentum of the business. Service revenue grew by 23.3%%, exceeding our mid-teen target, driven mainly by growth in



voice, data and fintech service revenue lines.

EBITDA rose by 27.9%, while our EBITDA margin expanded by 2.1pps to 53.0%, in line with our Ambition 2025 objective. This was driven by solid revenue growth on the back of accelerated investments in our network, supported by cost management initiatives through our expense efficiency programme. Overall, these efficiencies translated into an increase of 46.1% in Profit Before Tax and 45.5% in Profit After Tax.

In line with our dividend policy, the board has proposed a final dividend of N8.57 kobo per share to be paid out of distributable net income. This brings the total dividend for the year to N13.12 kobo per share, representing an increase of 39.6%."

Key financial highlights

Items (in millions)	FY 2021	FY 2020	YoY	Q4 2021	Q4 2020	YoY
Total Revenue	1,654,299	1,346,390	22.9%	448,037	370,628	20.9%
Service Revenue	1,651,341	1,339,033	23.3%	446,989	365,222	22.4%
Voice	971,445	895,971	8.4%	249,445	242,956	2.7%
Data	516,149	332,413	55.3%	149,983	90,778	65.2%
Digital	18,040	11,194	61.2%	5,962	3,451	72.8%
Fintech	70,553	44,847	57.3%	20,317	12,479	62.8%
Other Service Revenue	75,153	54,608	37.6%	21,282	15,558	36.8%
Expenses	777,229	660,754	17.6%	205,476	182,791	12.4%
CoS	271,884	246,112	10.5%	71,413	66,902	6.7%
Opex	505,344	414,642	21.9%	134,062	115,889	15.7%
EBITDA	877,070	685,741	27.9%	242,562	187,877	29.1%
EBITDA Margin	53.0%	50.9%	2.1pp	54.1%	50.7%	3.4pp
Depreciation & Amortisation	292,324	259,027	12.9%	76,166	68,175	11.7%
Net Finance Costs	148,060	127,839	15.8%	51,062	32,422	57.5%
PBT	436,687	298,874	46.1%	115,334	87,280	32.1%
Taxation	138,033	93,660	47.4%	36,992	26,306	40.6%
PAT	298,654	205,214	45.5%	78,342	60,974	28.5%
Capital Expenditure	408,299	298,632	36.7%	147,224	95,729	53.8%
Capital Expenditure excluding Right of Use Assets	304,397	240,077	26.8%	137,945	109,967	25.4%
Capex Intensity	24.7%	22.2%	2.5pp	32.9%	25.8%	7.0pp
Capex Intensity excluding Right of Use Assets	18.4%	17.8%	0.6pp	30.8%	29.7%	1.1pp
Free Cash Flows	468,771	387,109	21.1%	95,337	92,148	3.5%
Mobile Subscribers	68.5	76.5	-10.6%	68.5	76.5	-10.6%
Data Subscribers	34.3	32.6	5.3%	34.3	32.6	5.3%

Note:

- Voice revenue includes interconnect and outbound roaming voice;
- Data revenue includes roaming data;
- Digital revenue excludes bulk SMS and USSD services;
- Fintech revenue includes MTN Xtratime and mobile financial services;
- Other service revenue includes SMS, USSD, Information and Communications Technology (ICT) & infrastructure and devices;
- Free cash flow (EBITDA minus capital expenditure) excluding IFRS 16 impact was N430.7 billion, up 31.1%.

Operational review

Service revenue grew by 23.3% despite the 10.6% decline in our subscriber base. Data continued to lead service revenue growth, supported by voice, fintech and digital service.



Voice revenue grew by 8.4% due to higher usage in our active SIM base, resulting in a 7.9% growth in minutes of use. This was supported by the success of customer value management (CVM) initiatives, reducing the impact of SIM registration and activation restrictions in H1 and network restrictions in some locations towards the end of 2021. In addition, we continue to ramp up gross connections through our rural telephony initiatives while expanding our customer acquisition points, further supporting growth in voice revenue.

Data revenue rose by 55.3%, maintaining an accelerated growth trajectory in Q4 as we continue to accelerate the expansion of our 4G coverage, enhance the quality and capacity of our network to support increasing data traffic, and grow active data users. Average MB per user rose by 62.7%, enabling overall data traffic growth of 85.3%. Also, smartphone penetration on the network grew by 4.0pp to 50%. Our 4G network now covers 70.3% of the population, up from 60.1% in December 2020.

Fintech revenue rose by 57.3% due to sustained growth in the use of our Xtritime product and broader fintech services by our customers. We expanded our MoMo agent network, through our one distribution strategy, with the addition of over 374k registered agents bringing the total number to approximately 770k, up 94.8%. As a result, transaction volume rose by 167.0% to 137.5 million from an active user base of 9.4 million, up 102.0%. Additionally, the Approval in Principle we recently obtained in relation to our MoMo PSB licence application is an important step towards final approval, which will allow us to expand our service offerings and scale our fintech business, thereby achieving more meaningful financial inclusion in the country.

Digital adoption continues to accelerate as customers use more digital products and services, a trend accelerated by COVID-19. As a result, digital revenue grew by 61.2% as the active user base grew and penetration of our digital products deepened. The active user base rose by 162.1% to 7.5 million, led by Ayoba – our instant messaging platform – with approximately 3.8 million active users, up 172.9%.

Enterprise business performance was underpinned by the onboarding of new customers across our key segments and the uptake of our enhanced services. As a result, service revenue from enterprise business was up by 12%. We are pleased with the implementation of the new pricing framework for USSD services which will pave the way for full recovery of the outstanding debts.

On the costs side, we made good progress with our expense efficiency programme through which we realised N25.1 billion in cost savings, representing a 1.5pp margin impact. However, the continued effects of Naira depreciation on lease rental costs, acceleration in our site rollout, and the ongoing COVID-19 related expenditure resulted in operating expenses increasing by 21.9%. Despite this, our ability to drive operating leverage has enabled EBITDA growth of 27.9% and the expansion of our EBITDA margin by 2.1pp to 53.0%.

We recorded sustained increase in the demand for data, which extended beyond the usage spikes seen during COVID lockdowns. This drove our acceleration of capex investment. As a result, capex in the period was up by 36.7% to N408.3 billion,



as we ramped up investment in our network to capture growth through service quality leadership and aggressive coverage expansion, focusing on the 4G network. We deployed 9,336 4G sites representing approximately 75% of the total sites deployed during the period, reflecting solid data revenue growth.

We recorded healthy free cash flow of N468.8 billion, up by 21.1%, substantiating the quality of our ramped-up investment. Core capex excluding the right of use assets rose by 26.8% to N304.4 billion, while capex intensity remained within target levels at 18.4%. Depreciation and amortisation rose by 12.9% because of the impact of increased site rollout. Although net finance costs increased by 15.8% due to higher borrowing, the average cost of borrowing declined by 2.1pp. As part of our strategy to optimise our capital structure, we tapped into the debt capital market and raised N200 billion in bonds across two oversubscribed issuances. The bonds issued enabled us to diversify funding sources, extend the maturity profile of the Company's debt portfolio and optimise funding costs.

Update on New SIM Registration Directive

We continue to actively support the Federal Government's National Identity Number (NIN) enrolment programme, having deployed more than 2,300 points of enrolment across the country. At the same time, we continued to work with the National Identity Management Commission (NIMC) to accelerate the bulk verification of NINs collected. As of 31 December 2021, approximately 44 million subscribers have submitted their NINs, representing around 64% of our subscriber base and 74% of service revenue.

The current deadline for NIN verification is 31 March 2022. While an extension is solely in the hands of the authorities, we are working constructively with them and the industry, supporting the NIN enrolment drive, to ensure that customers are not unduly inconvenienced and service revenue for 2022 is not impacted.

Outlook

We are focused on building on the platform of success laid in 2021. Our return to positive subscriber net additions in Q4 2021 establishes a solid basis for growth in 2022 as we ramp up gross connections through our rural connectivity drive and CVM initiatives. As part of our rural connectivity programme, we plan to connect approximately 2,000 new communities in 2022.

We are seeing structurally sustained data growth. As a result, we are investing in network and information technology infrastructure, and have secured the relevant frequencies to meet the higher demand. This involves accelerating the expansion of our 4G coverage and providing home broadband to capture a significant share of market growth. We will commence the initial rollout of 5G services once the acquisition process is completed to further deepen broadband penetration in Nigeria, enhance customer experience and unlock new revenue streams.

We have made significant progress with our super-agent licence, expanding the



agent network across the country. However, as the business transits to MoMo PSB once the final approval is obtained, we remain focused on developing the range of additional services we can offer customers to drive digital and financial inclusion.

We will sustain our drive for cost management across the business through our expense efficiency programme and strengthen our operations and financial position to unlock efficiency and support margins. Although the availability of foreign exchange remains a constraint, we strive to minimise its impact on the business.

Medium-term Guidance

In line with the accelerated growth we are seeing, we expect service revenue growth of “at least 20%” over the medium term. In delivering on the service revenue growth guidance, we will continue to focus on capex efficiencies, margin expansion, operating cashflow growth and improving returns to shareholders.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Karl Toriola', is shown above the name and title.

Karl Toriola
Chief Executive Officer

Contact

Chima Nwaokoma
Snr. Manager, Investor Relations
MTN Nigeria Communications Plc
Telephone: +234 803 200 0186
Email: Investorrelations.ng@mtn.com

Funso Aina
Snr. Manager, External Relations
MTN Nigeria Communications Plc
Telephone: +234 803 200 4168
Email: mediaenquiries.NG@mtn.com

About MTN Nigeria

MTN Nigeria is one of Africa’s largest providers of communications services, connecting approximately 68 million people in communities across the country with each other and the world. Guided by a belief that everybody deserves the benefits of a modern connected life, 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 20 countries in Africa and the Middle East.

Visit www.mtnonline.com/investors for more information.



Consolidated and separate statement of profit or loss				
	Group		Company	
	2021	2020	2021	2020
	N million	N million	N million	N million
Revenue	1,654,299	1,346,390	1,652,925	1,346,288
Other income	-	104	-	104
Direct network operating costs	(390,471)	(310,248)	(390,471)	(310,248)
Value added services	(19,395)	(12,820)	(19,395)	(12,820)
Costs of starter packs, handsets and accessories	(4,233)	(20,566)	(4,233)	(20,566)
Interconnect costs	(127,570)	(112,470)	(127,570)	(112,470)
Roaming costs	(4,144)	(2,956)	(4,144)	(2,956)
Transmission costs	(8,651)	(6,106)	(8,651)	(6,106)
Discount and commissions	(78,199)	(68,528)	(76,555)	(68,148)
Advertisements, sponsorships and sales promotions	(21,453)	(15,144)	(19,338)	(13,144)
Employee costs	(48,381)	(45,325)	(47,486)	(44,598)
Depreciation of property and equipment	(162,544)	(150,203)	(162,544)	(150,203)
Amortisation of intangible assets	(43,945)	(36,699)	(38,627)	(31,381)
Depreciation of right of use assets	(85,835)	(72,125)	(85,835)	(72,125)
Other operating expenses	(74,731)	(66,591)	(71,658)	(64,530)
Operating profit	584,747	426,713	596,418	437,097
Finance income	11,938	15,848	11,938	15,835
Finance costs	(159,998)	(143,687)	(159,998)	(143,687)
Profit before taxation	436,687	298,874	448,358	309,245
Taxation	(138,033)	(93,660)	(141,534)	(96,763)
Profit for the year	298,654	205,214	306,824	212,482
Earnings per share - basic/diluted (N)	14.67	10.08	15.07	10.44

Consolidated and separate statement of other comprehensive income				
	Group		Company	
	2021	2020	2021	2020
	N million	N million	N million	N million
Profit for the year	298,654	205,214	306,824	212,482
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement gain on employee benefits	646	-	646	-
Items that may be reclassified to profit or loss:				
Transfer of fair value reserve of investments designated at FVOCI*	-	(282)	-	(282)
Other comprehensive income/(loss) for the year net of taxation	646	(282)	646	(282)
Total comprehensive income	299,300	204,932	307,470	212,200
Total comprehensive income attributable to:				
Owners of the parent	299,300	204,932	307,470	212,200
	299,300	204,932	307,470	212,200



Consolidated and separate statement of financial position				
	Group		Company	
	2021	2020	2021	2020
	N million	N million	N million	N million
Assets				
Non-current assets				
Property and equipment	774,113	686,157	774,113	686,157
Right of use assets	613,812	595,745	613,812	595,745
Intangible assets	245,558	111,080	219,324	79,525
Investments in subsidiaries	-	-	57,928	49,328
Contract acquisition costs	5,602	7,990	5,602	7,990
Other investments	10,845	25,847	10,845	25,847
Prepayments	12,340	13,906	12,340	13,906
	1,662,270	1,440,725	1,693,964	1,458,498
Current assets				
Inventories	5,310	2,158	5,310	2,158
Trade and other receivables	127,232	50,766	135,958	53,110
Current investments	57,664	146,783	57,664	146,783
Restricted cash	146,188	47,913	146,188	47,913
Cash and cash equivalents	260,891	275,198	247,025	271,041
	597,285	522,818	592,145	521,005
Total assets	2,259,555	1,963,543	2,286,109	1,979,503
Equity and liabilities Equity				
Share capital	407	407	407	407
Share premium	17,216	17,216	17,216	17,216
Other reserves	885	239	885	239
Retained profit	246,473	160,524	278,489	184,370
	264,981	178,386	296,997	202,232
Liabilities				
Non-current liabilities				
Borrowings	340,425	330,551	340,425	330,551
Lease liabilities	628,325	586,992	628,325	586,992
Deferred tax	104,683	113,130	103,747	108,693
Provisions	41	38	41	38
Share based payment liability	8,547	2,273	8,547	2,273
Employee benefits	6,549	8,261	6,549	8,261
	1,088,570	1,041,245	1,087,634	1,036,808
Current liabilities				
Trade and other payables	443,895	303,977	440,023	301,182
Borrowings	152,835	190,599	152,835	190,599
Lease liabilities	62,531	54,798	62,531	54,798
Contract liabilities	72,336	62,301	71,954	61,919
Current tax payable	144,163	107,310	143,891	107,038
Provisions	29,736	24,733	29,736	24,733
Derivatives	372	194	372	194
Employee benefits	136	-	136	-
	906,004	743,912	901,478	740,463
Total liabilities	1,994,574	1,785,157	1,989,112	1,777,271
Total equity and liabilities	2,259,555	1,963,543	2,286,109	1,979,503



Consolidated and separate statement of cash flows				
	Group		Company	
	2021	2020	2021	2020
	N million	N million	N million	N million
Cash flows from operating activities				
Cash generated from operations	1,027,596	833,107	1,026,487	834,703
Finance income	15,397	14,305	15,397	14,294
Finance costs	(143,442)	(129,853)	(143,442)	(129,853)
Dividends	(212,705)	(172,403)	(212,705)	(172,403)
Employee benefits paid	(479)	(379)	(479)	(379)
Share based payment	(2,415)	(1)	(2,415)	(1)
Tax paid	(109,931)	(55,912)	(109,931)	(55,877)
Utilised/paid provision for the year	(12,659)	(13,189)	(12,659)	(13,189)
Net cash generated from operating activities	561,362	475,675	560,253	477,295
Cash flows from investing activities				
Acquisition of property and equipment	(260,276)	(214,923)	(260,276)	(214,923)
Proceeds from sale of property and equipment	3,642	783	3,642	783
Purchase of contract acquisition costs	(1,795)	(8,570)	(1,795)	(8,570)
Acquisition of right of use assets	(248)	(14,971)	(248)	(14,971)
Purchase of intangible assets	(178,320)	(26,780)	(178,320)	(26,780)
Purchase of non-current FGN bonds	(3,340)	(26,070)	(3,340)	(26,070)
Sale of non-current FGN bonds	18,360	-	18,360	-
Movement in restricted cash	(98,275)	(9,863)	(98,275)	(9,913)
Purchase of bonds, treasury bills and foreign deposits	(41,754)	(121,534)	(41,754)	(121,534)
Sale of bonds, treasury bills and foreign deposits	133,848	29,818	133,848	29,818
Net cash flows used in investing activities	(428,158)	(392,110)	(428,158)	(392,160)
Cash flows from financing activities				
Proceeds from borrowings	417,926	143,682	417,926	143,682
Repayment of borrowings	(502,212)	(41,748)	(502,212)	(41,748)
Repayment of lease liabilities	(57,977)	(26,676)	(57,977)	(26,676)
Additional investment in subsidiary	-	-	(8,600)	(3,750)
Net cash flows (used in)/ generated from financing activities	(142,263)	75,258	(150,863)	71,508
Net (decrease)/ increase in cash and cash equivalents	(9,059)	158,823	(18,768)	156,643
Cash and cash equivalents at beginning of the year	275,825	116,278	271,668	114,301
Exchange gain on cash and cash equivalents	(5,272)	724	(5,272)	724
Cash and cash equivalents at the end of the year	261,494	275,825	247,628	271,668