



MTN Group
Transcript of
2024 Interim Results Presentation
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Thato Motlanthe

Good afternoon, ladies and gentlemen. My name is Thato Motlanthe. I look after Group Investor Relations at the MTN Group and it's my privilege and my duty to welcome everybody to our financial results for the half year ended the 30th of June 2024. So, I'm delighted to welcome our valued investors into the MTN Innovation Centre, those who have come in person as well as the MTNers in the house, as well as across all of our markets, as well as everyone who's dialled in on the various platforms. So, we're live on CNBC Africa. We're on webcast. We're also on the MTN YouTube and LinkedIn channels. So, welcome to everybody.

So, let's just start off with the usual housekeeping items. First and foremost, you should be seeing our standard disclaimer and safe harbour slide, and that just covers the presentation for today. And then those of you in the room, you'll be glad to know that the emergency exits have not changed. There's one to my right and one to the back of the auditorium. And then just for your convenience, we do have the WiFi details that should come up on screen now, Y'ello Events. We've also got a QR code which you can try and scan very quickly as I run through and that should give you a download of the presentation pack for today.

If we go on to the next slide, we've got the social media platforms and if you're tweeting, you can use the hashtag #MTNInterims24 and the Twitter handle or the X handle for MTN Group is @MTNGroup. If we move forward and I think in terms of the last thing before I get on to the celebration of our 30 years, we do have refreshments for those who have come in. They will be in the usual place again just outside of the auditorium.

So, as we commence today's proceedings, I think it's important to acknowledge a significant milestone in MTN's journey. This is our 30th year in existence. And really it's three decades of sustained growth, innovation and creating value for all of our stakeholders and shareholders. And really just in terms of building on this legacy, the interim results that we present today are really here to show you and offer perspective on basically our recent performance but also how we expect to evolve the strategy going forward.

So, we are very pleased about that. And I think we'll address the challenges but the opportunities as well. I think it's become a bit of a theme over the past couple of results that where there are challenges, there are opportunities as we navigate the challenges that we faced in half one as well as how we create value for long-term success.

So, with that in mind, let's just look at today's agenda. It will be the usual running order. I'll shortly welcome our Group President and CEO, Ralph Mupita. He will run through some highlights as well as an operational and strategic review. He will be followed by our Group CFO, Tsholo Molefe, who



will give us an overview of our financial performance. Ralph will then come back to give you a perspective on how we think about the rest of the year and beyond.

Afterwards, we have questions. Obviously, those in the room can ask from the floor. Those who are on the webcast can ask questions through the platform, which I will read out. We are scheduled for about an hour and a half in terms of this presentation. We will cut off at about 17:00 local time. So, without further ado, let me welcome our Group President and CEO to the stage, Ralph Mupita. Thank you very much.

Ralph Mupita

Thato, thanks very much. And my own welcome to all who have joined us here at 14th Avenue. For those at 14th Avenue, you'd have seen as you come into the building, we're celebrating 30 years of MTN. I'm sure you saw the display of the phones that started this mobile revolution in the 90s, the various brands that were there that we don't see anymore. Nokia has the 3310, which was a favourite for many. It's up there on display. It tells the story of the journey that MTN has been on. And as Thato said, this is a year of long celebrations of MTN playing its role in connecting Africans to the internet.

We now have 288 million subscribers every day using the MTN network. I saw the very first business plan of MTN for 1994. The idea was we were going to have 10 000 subscribers. 10 000 subscribers was the business case for MTN and today we sit having connected 288 million subscribers.

I also extend a welcome to all of our various stakeholders, investors, the media, broader stakeholders who have joined us today to listen to the results that Tsholo and I have the pleasure of presenting on behalf of the staff who have done a sterling job in executing on our strategy against a challenging macroeconomic backdrop that Tsholo and I will take you through.

Earlier today, we released the SENS, the stock exchange announcement, which gives a lot of detail. I trust that you've started to work through it. We also released a joint announcement between MTN Group and MTN Zakhele Futhi. MTN Zakhele Futhi is a key component of MTN. It underpins our transformation, our B-BBEE Level 1, which both Group and SA have enjoyed over several years. And we're making a proposal to our shareholders at an EGM that we anticipate will be held around the 14th of October to extend the scheme from the eight years to 11 years ending 2027. More of that between now and the October 14th EGM date.

Tsholo and I will anticipate over the next 50 minutes or so to land six key messages. The six key messages that we want to leave in terms of how we've assessed the performance and the outlook.



The very first point is we are seeing **very strong commercial momentum** within our business. If you look at how we're adding subscribers, how we're seeing usage in the core connectivity business, we're seeing very healthy growth there.

In the fintech business, we're again seeing very healthy growth in terms of the transaction volumes. Those are up at 9.7 billion transactions in the period. We're seeing good monthly active users, and then we're also seeing the merchant ecosystem expand, and it's expanded by almost 50% to 2.3 million merchants. And so, for both data and fintech, which are the big growth drivers for the business in the medium to longer term, we had pleasing service revenue growth: data 21% and fintech at 27%. So, we make the first call-out that there is an underlying strong, sustained commercial momentum across our businesses.

The second point we make is that we're seeing a pleasing **continued expansion of the fintech ecosystem**. I mentioned earlier the growth in transaction volumes. We've seen also very healthy growth in transaction value across the platform. What is a standout in this reporting period has really been about the growth of the advanced services. We've spoken about basic services and advanced services. The advanced services are around remittance, payments, and banktech. Those have grown very strongly. In aggregate, advanced services grew at 58% year on year. So, the case for the fintech business and its transformation is coming through in the results.

On **other strategic initiatives**, we said we would do certain things. We have done them. The first is really around localisation. We have localisation requirements across a couple of markets driven by regulatory requirements. So, in Uganda, the regulatory requirements are that there should be 20% local ownership. We've met that regulatory requirement. And the last further sell down of MTN Uganda yielded gross proceeds of about R1 billion equivalent and we've ticked that regulatory compliance.

In Ghana, we're looking to meet two very different regulatory requirements of local ownership. For the core GSM business, there's a 25% local ownership. But because we have a substantial fintech business, the Bank of Ghana is looking for 30% local ownership. And again, we've made good progress there in the period, further sell downs there yielding about R700 million of gross proceeds. So, we have about 2 percentage points of further localisation to meet the fintech requirement as well there. So, on localisations, good progress.

We said we would look to simplify the business. We have the framing of portfolio optimisation. In the half, we concluded the exit of Afghanistan, an orderly exit to an M1 associate vehicle that we sold the business to. And we announced post the period-end the exit of Guinea-Bissau. We have



been in talks with Telecel to exit Guinea-Bissau and Guinea-Conakry. Progress now made on Bissau. The dialogue on Conakry with Telecel and the authorities in the market continue.

We also made a statement that with the Mastercard transaction, what we want to do is try and bring in the commercial benefits, particular issuance and acceptance. We're beginning to roll out across seven markets that partnership going into Q4. And in the early part of next year, we should see the results of that partnership really driving forward the advanced services that we spoke about. So, on some of the key strategic initiatives, we're seeing good progress.

This **resilient underlying performance has been masked by some macro challenges**, to be clear, and those macro challenges come into our reported results. Now, Tsholo will take us through that in quite a bit of detail, but there are two main drivers that are dampening the very strong underlying performance in this period. The first is the significant and sharp devaluation of the naira. The naira was, order of magnitude, before May last year around ₦460. In June, there was liberalisation of exchange rates and the naira went to about ₦770 and closed the year at ₦907.

And we had quite a lot of volatility in the naira, particularly between January, February and March, and we've seen the naira average across the first half at about ₦1500. Those currency shocks have impacted our reported earnings as you'll see a little later on. But actually, the underlying growth in Nigeria, when you look at the top line, how we are building up the customer base, etc. remains very strong. So, naira devaluation in particular is the first call-out.

The second call-out is Sudan. In Sudan, as we are seeing all the geopolitical developments, Sudan for us at MTN is a very worrying situation about a humanitarian crisis that's unfolding on the continent as we sit here today. We have many Sudanese people displaced from their homes. The war is intensifying in places like Khartoum, and many people have moved into different areas, and actually many people are in the diaspora.

Our own management team are managing that business out of Cairo. We have some of our staff also out in Dubai. So, we had a period in March and in April where the network was actually down. We started to restore the network and as we exited July, the revenue growth that we are seeing now exiting July, having restored the network, is where we were in January before the intensive fighting that was in and around Khartoum. So, Sudan had an impact on our results, both on the top-line level, voice and data. It shaved off some of the organic growth we would normally see. But also, we brought in an impairment of about R3.8 billion that Tsholo will talk to. So, those are the big macro challenges that are masking the strong underlying operating momentum that we've seen in the business.



The fifth point, **financial flexibility and resilience**. We've done a lot in the last couple of years to really put the balance sheet in good shape. Many of you remember when the Holdco balance sheet was 80% dollar-denominated debt. It's now about 22%. So, we've been able to use the proceeds from the upstreaming to change the mix of the debt that we hold at the centre, giving the business more resilience, less mismatch of our debt profile versus the earnings that we had. And to Tsholo and the team, a job very well done in changing the debt mix.

We closed off the period with the Holdco leverage at 1.6x, so just slightly above our target of 1.5x. But I think the really important point is the debt mix has changed and much more healthy and we were able to do a decent amount of cash upstreaming in the half, R6.5 billion, and we cleared some of the outstanding dividends from Nigeria, H1 23. That's been cleared as part of the R6.5 billion and Tsholo will give us more detail.

Final point. Encouraged by the underlying operational momentum and our ability to manage some of the headwinds that we're seeing in the near term, the board is comfortable to **maintain the medium-term guidance**. The board still anticipates a 330 cents dividend for FY 2024. We have an annual dividend guidance now, so we don't have an interim dividend. So that, in more recent periods, the final declaration will be in March of next year. And under current outlook and assumptions and our own solvency and assessment, we feel comfortable with that 330 cents going forward.

So, just a couple of the commercial highlights that I spoke about at a high level. We see that data traffic grew very strongly in the period. We're now carrying about 9 000 petabytes of data across our network. That's a data traffic increase of just under 36%. Active data users are now at 150 million, and monthly usage has moved up very strongly and is now at about 10.5GB/user. Smartphone penetration, which is not on this slide: almost two-thirds of our customers are now on our network, some of them using smartphone data regularly. Some we still need to encourage to start using data more regularly.

And then on the fintech, similar directional progress of strong transaction volumes. The active merchants, as I mentioned, 1.5 million in the prior period, now 2.3 million. Ultimately, you want ubiquity of merchants so our customers can go anywhere and they're able to transact. So, that's a KPI I watch very closely because it is about the democratisation of financial services and ubiquity of what we deliver as MTN. So, pleasing progress both on data and fintech, the underlying drivers of growth in the near to medium term.

Tsholo will come through and give us more detail on the financials, but just a couple of key call-outs. In constant currency, service revenue was up 12.1%, Tsholo will show you that actually when



we strip out the effect of Sudan in constant currency that 12.1% goes to 13.6%. Now, a big compression in the service revenue has been actually that Nigeria used to be a much more significant part of the constant currency formula.

So, if you take out the translation impact of the naira, i.e., normalise it, actually service revenue growth was about 18%. So, it speaks to the point that I said underlying growth remains pretty strong. And as I mentioned, data and fintech service revenue.

The currency effects and the ongoing conflict in Sudan, that's really had an impact on the earnings side. So, we see a compression on headline earnings of about 50.5%. Tsholo again will try and give you a normalised view which looks to strip out the effect of the naira devaluing so sharply and in such a large quantum. And it gives you, again, a better underlying performance sense of how the business is actually doing organically. I spoke to the balance sheet elements. Again, fairly resilient, operating free cash flow under R10 billion and adjusted ROE at 20%.

Coming to the operational review of the markets and starting with South Africa as usual, a couple of key call-outs. The performance in H1 is a tale of two quarters. The first quarter had some loadshedding as we were completing our own network resilience investments. And the second quarter, we were able to exit Q2 with network availability above 99%. So, to Charles and the team, we've done a significant job.

Much of last year and the first quarter of this year, we can say the investment in network resilience has been completed. We spent in total R4.6 billion towards ensuring that our circa 13 000 sites all have battery backup power with enough autonomy. We're seeking six- to eight-hour autonomy. And in some of the sites, particularly the hub sites, we have further backup power in terms of gensets. Where we are able to, we're putting solar on rooftops to have a mix of backup power.

And obviously, in the second half, moving into Q3, loadshedding has not been an issue for us with the Eskom grid holding up steady. But the loadshedding story and the issues around the network having availability because of power, I think Charles and team have done a sterling job in terms of dealing with that in about five quarters from a standing start.

The other call-out in the market context has really been about inflation. Inflation has remained a little bit elevated. But I guess when you look at it relative to other markets, it's quite moderate. The key call-out in the market is that the consumer is under pressure, particularly in the lower end. I think you see it in some of the numbers, particularly around our prepaid business. We're seeing a bit of pressure there. Charles will talk about it if you have any questions around that.



Our key activities were really around investing in the network. So, we put R4.6 billion of capex in the period into the network. R1.6 billion of that is the last stub of the network resilience. So, as we go into H2, all the capex is really about network capacity and coverage as we go along and picking up our 5G investments, which we pulled back a bit as we had directed that investment towards resilience. So, R3 billion purely on network and IT.

We worked on price optimisations in the period. In February we brought some tariff increases to postpaid. We've looked at our prepaid portfolio, firstly looking to simplify it, but also as we exited end of H1 in June and in July, we started to look at some bundles and looking at price optimisation on the prepaid. And so, the effects of that are not anywhere in the numbers for SA. You'll see that in terms of H2. And I would caution that you'll see more of it coming out in Q4 rather than Q3 as we're looking to optimise some of those prepaid bundles.

The service revenue development in South Africa has been encouraging. Q1 was 3%, Q2 was at 3.6%, so a nice progression on service revenue there so that we end the period at 3.3%. All bearers doing well. I think the pressure we're seeing is more around prepaid where we see the consumer there a little bit under pressure.

In terms of Nigeria, you would have seen a detailed presentation from Karl and the team on the Nigeria results. So, I'll just pick up the key highlights. Three main points on market context. First is the devaluation that I mentioned, a very sharp devaluation particularly in Q1. It's stabilised somewhat and we'll talk about that in the outlook how we see that. Inflation has picked up, though the latest inflation prints are suggesting it may have peaked. It seems the efforts of the central bank to tighten rates is beginning to work. But elevated inflation has been a big part and we see that in our cost base. You'll see the analysis from Tsholo.

And we had to navigate the NIN-SIM registration. We took a zero-tolerance approach on subscriber registration and actually early-terminated many of our subscribers. And the deadlines have been extended somewhat. But those were the three main market context issues that Karl and the team had to contend with in the period.

What have we focused on? We focused on what we call the five-point plan internally, which are the set of initiatives that are going to improve the negative equity position that the business found itself in as of the end of the year. And those five being: advocating for a tariff increase through the industry body; renegotiating our tariff contracts with IHS and ATC; looking to reduce the LCs that we still needed to pay down. We spoke about expense efficiencies and we reduced capex.



So, in terms of what we achieved in that five-point plan, I think there are a couple of ticks there. LCs brought down. It was about \$400 million at the end of last year. That's kind of \$100 million and lower as of the half, so cleared the balance of that. So, good progress there. We've managed to keep the capex envelope relatively tight. We've had the ability to have radio planning to manage some of the demand that we're seeing. As you can see in Nigeria, data grew at 42.6%. Data growth has been very, very healthy in Nigeria. As I mentioned, the underlying trends that we're seeing are very, very pleasing. So, we've managed a very tight capex envelope.

But most importantly, we spent a big chunk of the time engaging with ATC and IHS to try and find win-win-win solutions in terms of these tower contracts. And to Karl and the team who spent a big part of the last seven months to and fro, these are very complex agreements to work through in normal circumstances, and my thanks to the team for having made a substantial amount of progress.

Just talking about the tower agreements, we announced the successful conclusion with ATC and IHS with our trading statement on the 7th of August. Now, I know that we have many on the buy side and the sell side who want a lot more detail. The first thing, these contracts are confidential and there are many questions you like to ask us and we won't answer them, not because we don't want to or we don't have the answer, but because they are confidential.

However, what we're trying to do here is to give you a frame of what the impacts are without breaking any confidentiality. And so, we are – I'll just share some of the salient features, what was before and after, and then I'll follow up with a slide on pro forma financial effects. And as I said, these are confidential agreements. There are many questions you'd like to ask and we won't be able to answer them to honour the confidentiality. But the salient points are as follows.

With IHS, we have signed binding terms that are effective the 1st of April 2024. We have escalations. The escalations have reduced with caps in them, particularly the naira inflation. There's a cap on the naira inflation. We spoke a lot about this in the past, that we wanted to have tower arrangements that were not technology-based pricing, but more about space and power. So, all the upgrades are now going to be about moving from technology-based pricing towards space and power, which is a lot more conventional, with space and power with ATC. We actually have space and power with IHS here in South Africa.

And there are some additional discounts that post-2025 with IHS we will be able to benefit from. Those discounts go from 2025 all the way up to 2032. The absolute amount of those discounts, you can see we haven't put them in, but we didn't have those discounts before. The base rates at which we're converting previously dollar-denominated expenses is ₦1,050. That's the base rate at which



that conversion happens on the 1st of April. And you can well imagine that the rates on 1 April would have been a number which was prevailing on 1 April. For those who pull out your calculators, that number you will see was more like ₦1500. So, there is a bit of a benefit there that helps us in terms of the economic profile.

The bottom part of the chart, what we try and illustrate is the before and after in terms of mix of US dollar-denominated, naira-indexed and naira-diesel-indexed. Naira diesel is at the pump, is in naira, so it gets invoiced. And obviously it will have some correlation to crude prices which are dollar-denominated, but at the pump in Nigeria, it's in naira, and there's a base rate. So, what you can see clearly there is that before 55-65% was dollar-indexed, the naira indexation was 35-40%, and 0-5% in terms of naira-diesel indexation, that's more ATC. Previously with IHS, that number would have been zero. But you blend IHS and ATC, the number looks more like 0-5% on an aggregate basis.

But what does it look like now? So, the pure dollar indexation has moved now to 35-40%. You've got a slightly larger component of naira and then the naira-diesel in terms of the kind of blended average. And this is both IHS and ATC. We're moving to space and power. The power is indexed to the naira-diesel indexation, and then the space is again completely to naira. So, it's giving us a much healthier, from our perspective, mix of dollars versus naira.

And when we look at the financial effects, again, these are pro forma illustrative views. So, at the EBITDA margin level on a nine-month view, it has a benefit of three to four percentage points in Nigeria if you annualise it and keep it very simple, nine months, and annualise it to a full 12 months. There are obviously seasonality effects here. So, we're just keeping the math simple here. So, you'd be looking at somewhere between four to five percentage points.

The cash flow, we look at it, obviously it's in naira payments. Nine months, ₦75 billion to ₦85 billion, annualised to ₦100 billion. And the sensitivity, you all remember the sensitivity was more like 1.3 for every 10 percentage points, because as you saw the last slide, the clear dollar component has reduced, so you are seeing a slightly more muted impact on sensitivity naira. And obviously this is off a base of around ₦1500 odd to the USD, so the sensitivity is somewhere between half a percentage point and 1pp.

As I mentioned, and I will say it for the third and final time, these agreements are confidential. You guys would like to ask a lot of questions. What we will do with our Q3 release of Nigeria results is to go through it in extensive detail where the P&L effects - I'm talking about EBITDA, but you want to work this thing through all the way to PAT. There's quite a bit that happens at finance cost as



an example. So, we will do that with the release of the Nigeria results at the end of October to work through the P&L effects, also the balance sheet and cash flow effects.

So, this should give you some framing of why we see that renegotiation as having been successful. This tower renegotiation of the leases is not a silver bullet to solve the negative equity position. The big issue that we continue to engage on is really around a tariff increase, and I'll talk about this a little bit later.

Moving on from Nigeria to the Markets, we've seen very pleasing growth in the SEA business headed up by Yolanda. We've seen very good growth on data and fintech. Uganda continues to be a very strong business all around. You saw the top-line growth, very strong cash generation, stable margin from that business. Rwanda is dealing with some regulatory challenges around mobile termination rates and that's impacted us on the connectivity side. The fintech side within Rwanda is growing very strong and healthy. And as we always say, SEA is the business where we see the potential of fintech more generally: 29% of total service revenue for SEA is actually coming out of fintech.

On the WECA side, again, also pleasing growth for both data and fintech revenue. Ghana's results you'll have seen, but very pleasing growth on data revenue: 55%; fintech: 38%. We had price ups on data that's helped sustain the healthy data revenue here, and the fintech business continues to grow very strongly. Cameroon, a solid set of results. Some competitive challenges we've seen, and regulatory challenges, particularly around the ability for CVM in Côte d'Ivoire there. But again, fintech showing a healthy contribution of 20% to WECA service revenue.

MENA has been a story really around Sudan, as I mentioned earlier on, where the performance has been impacted by the ongoing conflict and actually our network being off air for a considerable amount of time. As I mentioned, now we've exited Afghanistan. We have two months of numbers of Afghanistan in the half, but we've concluded the orderly exit. The joint venture Irancell continues to grow quite strongly, growing 82%. Given the U.S. sanctions, we still have money trapped there, about R3 billion of accumulated dividends at current exchange rates still there. And Snapp, the so-called Uber of the Middle East there, is still growing at a very healthy clip at 4.6 million daily rides. There's a big Snapp ecosystem that's built around ride hailing that is actually quite impressive within that market.

On fintech, again, talking about what's giving us confidence around the ecosystem expansion, as I mentioned, strong transaction volume growth. You see the banktech loan value growing just under 53%. Payment and e-commerce, I mentioned the merchants: gross merchandise value up 20.2%. Remittances, opening up new remittance corridors, and that's up just under 27% in the



period. 577 inbound corridors that we now have access to. And remittance is a big opportunity that we're obviously looking to leverage over time.

Before I pass on to Tsholo, I'll come back with outlook and priorities, marking our own homework in terms of the half against our medium-term guidance. The 12.1%, we still think it's an amber because of the underlying issues that I spoke to and which Tsholo will explain when you look at it ex-Sudan as well as the Nigeria translation. South Africa, as I mentioned, a tale of two quarters: 3%, in Q1, 3.6% in Q2. So, we saw an acceleration in service revenue and pretty much good progress around asset realisation. And Tsholo will take us through the ROE. I'll pause here and ask Tsholo to come and take us through the financials, and I'll come back with outlook and priorities.

Tsholofelo Molefe

Thank you very much, Ralph. A very good afternoon to everyone who is joining us today. Ralph has shared with you the context under which we have been operating, the macro context under which we have operated. And I'm really pleased to share with you the resilience of our financial performance under these tough circumstances. But before I do that, I think it is important to just highlight some of the significant items that impacted our results.

And as you can see from a macro perspective, firstly, the sharp devaluation of the naira resulted in higher operating costs by R3.2 billion, as well as the FX losses of R13.8 billion coming through on our finance charges line. In total we had about R16.2 billion from a Group perspective on these FX losses. We also had the effects of the foreign exchange translation impacts on our reported currency results in this regard based on a number of key subsidiaries, in particular Nigeria. The translation effects reduced our bottom line by about R5.6 billion.

Secondly, in terms of the key macro impacts, we recorded losses amounting to about R300 million from MTN Sudan. As Ralph has indicated, we're still seeing some challenges from an ongoing conflict perspective. And I'll just illustrate some of these as I go along.

Turning to the accounting effects on the right-hand side, if you recall, we had reported previously that MTN Nigeria's results included a restatement on the interim financials of 2023 arising from the revision of FX losses, unrealised FX losses relating to IFRS 16. So, at high level, the impact on the Group result was on profit after tax with restatement of R6.7 billion. And in terms of earnings per share, that was about 282 cents per share.

And then in terms of the impairments that we recorded, MTN Sudan and Ayo Group recorded R4.2 billion in total in terms of impairment. As we've been indicating from a Sudan perspective, it was about R3.8 billion roughly due to the continuing conflict that we are seeing. We also recorded



just under R200 million, about R140 million in terms of impairment with regards to the remeasurement on the non-current assets held for sale. But we also saw a gain on disposal in terms of Afghanistan. As you recall that we disposed of Afghanistan earlier in this year. And I think these impacts you will see coming through on our expenses, our EBITDA, as well as our headline earnings per share.

Now if we go into the details of our financial performance, starting with the salient points on the group income statement, you see that we delivered a service revenue growth in constant currency of 12.1%, and on a reported basis, service revenue declined by 20.8%, and largely due to the translation impacts that we mentioned earlier. And I will unpack this in a bit more detail in the following slide.

And then in terms of EBITDA before once-off items, we saw a marginal decrease of 0.4% in constant currency as a result of the overall headwinds on the top line, but also upward cost pressures that we are seeing. So, consequently, we reported a decline of 4.4pp on our EBITDA margin to 36.5% and reported EBITDA in absolute rand terms declined by 41%.

If you move on to depreciation you will see that on a reported basis it decreased by 7.2% really reflecting the translation effects. But on an underlying basis depreciation was driven by capex additions as well as the spectrum acquisitions. With regards to net finance charges, which include FX losses, we saw an increase in constant currency of 106%, but an increase of 3.5% year on year on a reported basis to R23 billion. And I will unpack this also in a bit more detail later on.

When you look at the share of results of associates and joint ventures, you can see stellar performance with a growth of 88%, and this really benefited from the strong contribution from Irancell, our JV, which saw a growth of 160% year-on-year and about 82% growth in constant currency.

In terms of income tax expense, we saw a decline of 84% and this was as a result of the major impact on our reported profits that declined largely caused by the losses that we recorded in MTN Nigeria and Sudan in the main. And the profile that you see on the interest of non-controlling shareholders was mainly due to these losses that I've also mentioned. And at bottom line, from an adjusted headline earnings per share, we saw a decline of 50%, and I will also unpack this movement later on in a different slide.

In terms of our ROE, we reported a return of 20%, which was a reduction of 4.2 percentage points relative to last year, which was owing to the lower earnings that I've mentioned before. Now, I think it's important, before I get into the service revenue bearers of our business, just to unpack and



Take you through on this slide some of the illustrative view of our service revenue if we adjust for these significant items that have impacted on our results.

In particular, these include the Sudan conflict as well as the hyperinflationary impacts in South Sudan as well as Ghana. But we also reflect here the impacts of the devaluation of the currencies, most currencies against the rand, which is our reporting currency, and most significantly the devaluation of the naira. So, you can see that the major call-out here is the translation impact of about R38 billion, of which Nigeria makes up about R36.5 billion, reflecting the naira depreciation against the rand, which was on average about 181% year on year. So, if you aggregate these significant impacts, they had about 38.9 percentage points impact on our service revenue growth, which was a decline of 20.8% that I mentioned on a reported basis. So, the slide demonstrates that had these headwinds not materialised, the service revenue growth would have been at around 18% year on year.

If I can then move on to our group service revenue bearers, as you can see from a voice perspective, we've seen a decline of 0.4%, largely impacted by voice substitution in South Africa. We also saw from an Ivory Coast perspective being affected by the cable cuts that took place in the first quarter of this year. But also, Ivory Coast is faced with intensifying competition as well as some regulatory headwinds. Some disruptive competitive pressures also were experienced in Benin and Rwanda in the main.

Now, if you look at data, you will see that it is the largest contributor to group service revenue with a growth of 21%, driven by strong data traffic growth in our markets, again also underpinned by the continued investment that we are making in our network. Fintech continued its strong growth momentum with service revenue growth of 27%, which is in line with the medium-term target. You would recall that we have now revised the medium-term target on fintech service revenue growth to a high 20s to low 30s range.

Other, which includes SMS, enterprise and ICT, also showed good growth, mainly coming from Nigeria and SA, and I will share that also later. Overall, if we excluded MTN Sudan, the Group delivery on service revenue would have been 13.6% in constant currency.

Now, if I can briefly touch on the performance of SA and Nigeria, our two large markets, starting with South Africa. It delivered service revenue growth of 3.3% year on year, continuing to navigate a challenging macroeconomic environment. So, where did this revenue come from largely? It came from data revenue, which rose by 2.4% year on year. We saw a good growth as well from fintech of about 59% driven mainly by airtime advances but also the expansion of fintech offerings through targeted initiatives.



As I indicated, South Africa also delivered very good growth on enterprise in terms of bulk SMS and ICT, largely from main deals, a growth of 26% year on year. The growth in these service revenue bearers were, however, offset by the decline in voice of about 6.1%, although reflecting continued improvement in the overall trend during this period. And this outcome was also underpinned by the continued improvement in our network availability, as well as MTN SA's commercial initiatives.

If we look at the expenses from South Africa, you'll see that the growth year-on-year was 4.4%, with cost of sales growing by 7.4%. And this was largely driven by devices and commissions as they continue to drive channel expansion. Operating expenditure was very well managed during the period with a growth of just 0.6% year on year. And this enabled them to expand their margin with EBITDA growth of 4.3% excluding the once-off gain on disposal of SA towers.

In this performance, however, as we've indicated, there is the benefit of the sale of the insurance receivables amounting to just over R200 million, which is reported in other income. Excluding this benefit, the EBITDA would have increased by 2% with a margin of 35.7%. However, South Africa did continue to execute on the expense efficiency programme and realised a saving of about R500 million during that period.

If I move on to Nigeria, and as we indicated, I won't dwell over Nigeria. Most of you will have seen the results coming from Nigeria on the 30th of July. Nigeria delivered strong performance with service revenue growth of 32.4% in constant currency in line with the prevailing inflation in Nigeria as well as in line with their medium-term target. The result was supported by strong performance from most of their service revenue bearers. Very briefly, we saw voice growing by 12% in Nigeria, mainly on base growth but also higher usage driven by continued CVM initiatives. We saw data very, very strong, growing by 55%, boosted by data bundle revamps as well as optimisation. Again, good growth from enterprise, which grew by 27%.

If you look at the expenses, these were up 82% in constant currency and within that mix, cost of sales grew by 34%, slightly above inflation and service revenue. However, impacted by the naira devaluation was a significant increase in operating expenses, which went up 107% year on year, impacted by the network expenses. And other drivers of higher opex were mainly the introduction of the VAT on tower leases, which was introduced in the last quarter last year, as well as elevated CPI adjustment on lease rentals and higher energy costs.

So, as a result of these higher operating expenses growing faster than revenue, the EBITDA margin declined by 17 percentage points to 35.7%. So, if we had to adjust for these combined effects of



forex with an impact of 15.3 percentage points as well as the VAT on the tower leases with an impact of about 2.7 percentage points, the EBITDA margin would have been at about 54%.

In terms of capital expenditure, MTN Nigeria spent R1.9 billion and this was with a capex intensity of 9.4%. And this is excluding leases. As we communicated previously, MTN Nigeria did streamline their capex plan in order to manage their cash flows, but more importantly as well, enabling them to accelerate the settlement of the dollar-denominated obligation. So, this exposure, they were able to reduce quite significantly since December from about \$417 million to now about around \$100 million. So, when you look at the Nigeria performance overall, they delivered solid underlying performance despite a very challenging macro environment.

If we can move on to fintech, fintech grew by 27% in the period as we continued to scale up our mobile financial services. Withdrawals and transfer services, which still make up the bulk of the contribution to group service revenue, grew by 20% and 22% respectively. Very pleasing is the growth that we're seeing on advanced services, which rose by about 58%, really coming from payments and e-commerce, which grew by 37% in that period. Banktech and remittance, although still nascent, growing by 73% and 39% respectively.

So, as you can see on the right-hand side, basic services still contribute meaningfully to group fintech service revenue, although a reduction from 62% to 59% in terms of contribution, while advanced services contribution increased by five percentage points. And this aligns with our stated objective to move towards a more advanced services in terms of the revenue, the revenue mix.

You'll also see that the strong top-line performance was supported by the continued efficiency initiatives to really drive improvement on the EBITDA margin within our target range, which we have communicated previously as our target range of mid-30s to high 30 percentage.

If I move on to our group expenses now, the total expenses grew by 20.3% to R59 billion, with group cost of sales up 12%, largely driven by the increases in commissions in our GSM, fintech, as well as digital businesses. In particular, we saw an increase in interconnect roaming cost as well largely due to increased traffic volumes, but also the impacts of the FX devaluations, mainly in Nigeria, had an impact on the cost of sales line.

Looking at our operating expenses, you will notice that we saw an increase of 28% year on year, and the main driver of opex growth was really coming from our network expenses, which you can see on the right grew by 58%, contributing almost 18% of the total cost. Approximately 80% of the



network expenses growth was driven by Nigeria due to the increased site rollout, a spike in inflation, as well as the FX devaluation impacts.

In other markets, the main cost pressures varied and mostly came from higher energy cost as well. We also saw an increase on our staff cost in terms of about 11%, but this was well below our blended average inflation of about 14.1%. But the main drivers were coming from an increase in headcount as we continue to scale up our platform businesses. Annual salary increases were in line with inflation across all of our markets.

If we can then move on to the next slide, just to indicate that it is very important for us to continue to try and cap the headwinds that we are seeing, and we continue with our expense efficiency programme. We delivered R2.4 billion in expense efficiencies in this period with 35% of the savings recorded at head office. And this was followed by SA, then WECA, as well as the SEA regions. By area, these savings were largely coming from network and IT, contributing 34%, staff cost optimisation contributing about 31%.

You will also notice that on the right-hand side, we provide a view of how our total cost as a percentage of revenue has evolved. It has increased by almost four percentage points since the last period, but this really reflects the pressure that we are feeling through the tough macro environment, particularly the naira devaluation. So, you'll notice that the network expenses as a percentage of revenue increased from 13.3% to almost 18%, while other operating expenses have slightly declined or remained constant year on year. So, this indicates the impacts on our network cost due to the macro impacts.

We are continuing with our expense efficiency programme and we have communicated previously that we will deliver R7 billion to R8 billion over the three years from 2024 onwards. As I've indicated, we've now been able to deliver R2.4 billion. And those are the initiatives on the bottom right that we continue to execute on, among others.

If I can move on to the finance cost breakdown, you will notice that our net interest was steady during the period reflecting repayment on borrowing, mainly coming from Nigeria as well as Uganda. The average cost of borrowing has gone up to 12.8% from 10.8% and this is mainly as a result of the higher interest rate environment across most of our markets. The decline in finance lease costs to R3.3 billion was largely due to the translation effect, so net finance costs on an underlying basis, including leases decreased to R6.7 billion from R7.4 billion last year.

The big call-out on this slide is the FX losses, which amounted to R16.2 billion as I indicated, of which R13.7 billion of that on your right-hand side came from Nigeria. There were some FX losses



at head office, and these were largely due to FX impacts from cash upstreaming, mainly from Ghana as well as Nigeria.

If I can move on to our adjusted headline earnings per share, firstly a reminder that the 2023 figures had been restated as a result of the FX-related restatements in Nigeria that I mentioned earlier. So, on this basis, you will see that our attributable earnings per share moved into a loss of 409 cents, reflecting the lower earnings that I mentioned earlier. This outcome was also impacted by the impairment of assets and losses on remeasurement of the disposal groups totalling about 153 cents. After adjusting for these items, our reported headline earnings was a loss of 256 cents.

The main impact on basic headline earnings came from hyperinflationary impacts, about 57 cents per share, as well as FX losses totalling 519 cents per share, of which 389 cents of that came from the naira devaluation during the period. So, if we adjust for these non-operational items, you'll notice that adjusted headline earnings was down 50% to 373 cents. So, I think it's important on the next slide to highlight these translation effects that mainly affected our headline earnings per share, adjusted headline earnings per share by 50% as I mentioned.

So, circling back to the factors impacting our financial results, this analysis illustrates it at headline earnings per share level. You'd recall that I showed you a similar slide on service revenue analysis earlier. So similarly, this slide shows the outcome if we were to adjust for the effects of Sudan performance, the FX impact on our cost, in particular in Nigeria, as well as the translation effects of translating into our reporting currency, the South African rand.

So, on this basis, adjusted headline earnings would have been 789 cents per share versus the 373 cents that you are seeing. So again, the biggest impact is the FX devaluation in our key markets against the rand, with the naira being the most significant from the devaluation. So, 310 cents, of which 283 cents per share came from Nigeria.

If I can move on to our capital expenditure briefly, we capitalised R13.4 billion excluding leases with capex intensity of about 15%. And this is in the range that we targeted of between 15% and 18%. By market, you will see on the right-hand side that 34% came from South Africa as they completed their comprehensive network resilience plan. 14% came from Nigeria as I did mention that there was some streamlining of capital expenditure in Nigeria as they continued to work through their dollar obligations.

Combined, 47% of our capex was deployed from other markets, SEA and WECA, in line with our capital allocation framework as we continue to invest in faster growth areas. By type you will see



that we spend about 74% in terms of investment in networks, and then IT was about 26% which is really also to support the scaling up of our platform businesses.

Just to touch on our free cash flow analysis and maybe to note that we have evolved our disclosure on this slide to better show the free cash flow analysis rather than the accounting cash flow recon that we used to provide. So, from the waterfall, you can see that our operating free cash flow declined by about 56% year-on-year to around R10 billion. This mainly reflects the pressure on our earnings. As you can see, our reported EBITDA at R29.9 billion relative to what we had last year.

Working capital also had an impact with outflows of R7.4 billion. And in the main this was largely due to trade receivables in various markets and various parts of the business due to some economic pressure in some of the markets. There were also the prepayments to vendors to try and mitigate the FX volatility. We also saw some offsets in terms of working capital from trade receivables, mainly coming from Nigeria, as they continue to manage the availability of FX liquidity. We also made payments for leases, R3.8 billion, and then in terms of capital expenditure payments, R14 billion. And this is before the payments for spectrum and licences of R777 million, which was a lot lower than the payments we made last year.

So, after we've made payments for net interest as well as taxes of R5.7 billion and R5.8 billion respectively, there was a net flow in terms of free cash flow of about R2.4 billion. So, I said a bit of short-term pressure in terms of our cash flow profile. We are fully focused on initiatives to navigate the current headwinds that we are seeing and to deliver on our ambitions. And Ralph will be wrapping up and giving you a view on some of the initiatives that we are looking at overall.

If I move on to our leverage and liquidity profile before I hand back to Ralph, as you can see, despite the short-term pressure on free cash flow, our balance sheet remains strong with group net debt to EBITDA ratio of 0.8x, which is well within our covenant limits of 2.5x. The slight regression in this ratio was due to softer EBITDA as I've outlined earlier on. Our Holdco leverage is now at 1.6x, which is really broadly in line with our medium-term target. Yes, our medium-term target is 1.5x. And we are pleased that we have been able to maintain this given the flux in our macro environment.

In terms of the underlying drivers of our Holdco leverage, it was negatively impacted by reduced cash balances, given the dynamics I've explained earlier on. You'll also recall that we made a dividend distribution relating to 2023 early in the second quarter totalling about R6.2 billion. Our currency mix has assisted us in minimising the impacts of FX on our Holdco leverage. As Ralph said, we're now at 22% which is well below our targeted mix that we targeted of about 40%.



Our Holdco liquidity headroom also remains very healthy at R30.4 billion with R11.5 billion of cash balances, and the balance of R18.9 billion coming from undrawn and committed facilities. We must say that the debt market remains supportive to the Group. We have been successful in refinancing some of our maturities under the DMT programme as well as our banking facilities. And we do remain committed in terms of early settlement of our dollar-denominated debt.

We upstreamed gross cash of about R6.5 billion as you can see from various Opcos during the period. And over and above that, as indicated, we have received proceeds from Ghana and Uganda in terms of localisation of about R1.7 billion. So, overall, we do believe that our balance sheet is in a very good shape underpinned by the continued discipline in our capital allocation framework. And this really enabled us to navigate this current macro environment and to support the execution of our strategy. Ladies and gentlemen, thank you very much. I now hand over to Ralph.

Ralph Mupita

Thanks very much, Tsholo, for taking the stakeholders through our financial performance and giving you both the underlying performance as well as the reported results. As I said up front that I think our underlying performance and the momentum is very encouraging for us, but we have had to deal with the impact of the shock of the naira devaluation as well as the impacts of Sudan. So, before we go to Q&A maybe a final couple of closing points, the outlook.

I think the operating environment we've been in in the last couple of quarters has been really driven by global macro conditions and how they've translated into our region and specifically into our markets. And we've seen quite a lot of currency movements which you see in our results, inflation elevating and actually growth being a lot more lacklustre than people had anticipated.

We're looking forward and using sources that we believe are credible. So, most of our data sources we use, I'm sure you all use your own models. We leverage IMF data sets. We often use Standard Bank Group Securities. They generally tend to be, on average, more accurate than people on the ground and actually, we tend to see their forecast more closer to reality. So, we have a blended view on what's here.

And I think you can well imagine that when we plan, we plan more conservatively than what you see here just to make sure that if there are any shocks, we can actually absorb them. But I think the big main global trend is, if you look at developing markets, is almost the peaking of inflation and the trend towards low inflation and the rate-cutting cycle when you look at discussions in Europe and the U.S. That trend we believe will come into our markets. I think when you listen to commentary around where the SARB is going to in South Africa, it gives you that sense that there



is beginning to be a sense that inflation has somewhat peaked and we should start to see rate cutting coming across.

GDP growth is seen as likely in the medium term to start accelerating, particularly on the back of inflation coming through. And there are many views on currencies there, that these are Standard Bank Group Securities' view on closing exchange rates for the year. And we plan a bit more cautiously than what you see here, but I think it's more about the trend than the absolute number, which is suggesting that actually we should start to see an easing of some of the headwinds. And so, the strong underlying performance that we have should start coming back in the periods ahead into the reported results.

So, within that context of near-term continue some challenges, but beginning to see some moderation on inflation, interest rates, and so forth, what are our priorities for this year? The priorities we have are pretty much the same priorities we announced in March, and we continue to execute on those. Some of them we can tick the box and say we've completed. We finished the network resilience.

I will remain on guard if I think we see a reversal of the national grid. What we know is if the national grid comes back to levels pre-Q2, at stage six loadshedding our network, given the investment in resilience, would be up over 95% given the mix of backup power that we have. So yes, we're happy with the situation with Eskom, but if that for whatever reason deteriorated, the network actually is resilient and we've invested sufficiently. So, as I mentioned earlier on, prepaid will be the focus for much of what Charles and team will be doing.

And we'll continue to work on those five action points in Nigeria. There's no silver bullet of one of them. We need the combination of all of these to come through. A movement of ₦100, either up or down, is exceptionally sensitive all the way to PAT. And I think many of you would ask us, how do you see this? There are many moving parts and I think it would be irresponsible for us to tell you we think this is the single set of actions that will resolve the negative equity.

We've got to work on all of them, including continue the discussions around the tariff increase with the authorities. And I think it's pressure not just only on us in Nigeria. You see it in Airtel's results. You see it in IHS's results. To sustain sufficient capital investment to support network and the significant growth, we believe that ultimately we will find ourselves with the authorities around that.

In terms of the platform strategy, continue to execute. We have spoken about issuance and acceptance initiatives. We will see these coming through Q4 into early parts of next year as we get



fraction in markets such as Rwanda, Uganda, Ghana, Nigeria, and as well as Côte d'Ivoire, that we're continuing to progress. The focus on expense efficiencies remains. As Tsholo said, we've made good progress, but we've still got to get all the way up to the R8 billion, and we're not going to pull back on that.

Towerco contracts, we've pretty much renegotiated all our tower contracts with IHS into 2030, into the next decade. So, with IHS, we've done Rwanda, Zambia, Cameroon, Côte d'Ivoire, South Africa and Nigeria. So that set of contracts into the next decade have been completed. And we have our other towerco partners. They're not as big in our lives as IHS. But with ATC, we've also closed out in Nigeria and we have ATC also in our footprint here in South Africa.

Cash upstreaming, we continue that focus. On the debt profile, as Tsholo said, our capital allocation framework has managing the dollar exposures as priority number two. Priority number one is investing in organic growth, which we'll continue to. We've set out and communicated again that although we've capitalised R13 billion, we still anticipate for full year to be in the R28 billion to R33 billion corridor of capex investments to support the growth that we see in the network and ensure that our business is in a strong position as we navigate and exit some of the much more pronounced headwinds that we've experienced in the last period.

We have a stub of 2024 bonds, about R1.8 billion equivalent, which we will settle as that stub matures in November. And the only bit of dollar debt that we'll have to deal with is the 2026. So again, good progress there. And so, these are the initiatives that we will continue to focus on executing to ensure that the commercial and underlying momentum that we see in the business is maintained.

We continue to share this graph, which gives us the confidence and view that the structural growth opportunity for data and fintech services remains. We started showing this graph post-COVID to show that this was not just a COVID dynamic. In our markets where the internet connectivity is still relatively nascent and financial services not as ubiquitous, we think that there is long-term growth that is evidenced by the kind of sequential growth that we continue to see in data traffic and fintech transaction volumes. And we need to be able to, for our shareholders, to show that we can monetise this kind of growth that is quite unique to this continent as one looks at and compares with other jurisdictions.

As I mentioned early on in my introductory remarks, the sixth important point was reconfirming the guidance. We are confirming the guidance that we've set out. Nothing has changed. We're still using the capital allocation framework, the same batting order that we've always had. From time to time, we get questions from our shareholders. At current share prices, don't you want to do a



buyback now? It sends a message to investors that you believe the share is undervalued. We're saying, we've taken those messages in.

We've debated them with our advisors, we've debated them with the board, and we feel the right allocation of capital is to the growth opportunity that we believe is structural and will continue to come through. So, we're keeping our batting order of capital allocation pretty much the same and I think you'll see share buybacks and specials right at the bottom of that list of top five. And our focus is investing in networks and platforms, paying down the debt, and then the dividend, which we are saying for FY 2024 is the 330 cents. The board anticipates we will be able to meet that. And that's also within a capex envelope of the R28 billion to R33 billion for FY 2024.

Ladies and gentlemen, that ends the presentation from Tsholo and myself. We do have Charles and Dineo in the room, so they can take the heavy questions on South Africa. Just give Tsholo and I an opportunity to pass on some of the load. But I'd ask Tsholo to come onto stage. I think Thato also needs to come onto the stage. Charles and Dineo can stay seated in their lovely couches.

Thato Motlanthe

Thanks so much, Ralph and Tsholo, for the overview. I think important to go through quite a lot of important stuff in terms of what's affecting our performance. We only have 10 minutes left in terms of the schedule. We will indulge an extra five or 10 minutes past the 17:00. Just an apology in advance to those logging in on CNBC. That does have a hard stop as we like to say in the corridors at about 17:00. So, let's just get into the questions. We will interact with many of you over the next few days and weeks so you will have another opportunity to interact with Ralph and Tsholo. So, let's just start as we usually do with questions in the room and then we can get into the online platforms.

Louise Pillay

Hi everyone. I think all my questions are for Dineo and Charles on South Africa. I guess if you can, Charles, if you can touch on the SA prepaid recovery. I'm just struggling to find where your customer value proposition is versus your peers. Your peers are seeing a nice recovery in prepaid, but you are not necessarily seeing as big of a recovery. What needs to happen on prepaid? And what will you entice us with over the next six months?

And then I guess on your pricing gap versus Telkom and Cell C, you can comment on that. How has that evolved over the last few years? And then on Ambition 2025 EBITDA margin guidance, please can you remind me of that guidance? I think the last time we had about 37% to 39%, but that obviously was during loadshedding. How should the margins evolve beyond that? Thanks.



Charles Molapisi

Thank you so much. I think on the prepaid recovery, we put the price increases only in June and then going to July. And most of the price increases went into our internal channels. We expect that it will filter into the external channels, let's say July and then August. You can expect to see a relative recovering prepaid performance, let's say towards September and then into Q4. So, we are comfortable that in terms of where we are, we're actually mark to market in terms of pricing. I think in prepaid, to be honest, the propositions are practically the same. So, I guess in the end, I think it will filter through in terms of our performance as well.

You also asked a question around Telkom and Cell C. I want to check, is this on wholesale, or is this on consumer? We mark ourselves largely against VC. I think if you check our prices, we're largely comparable compared to Vodacom. We did the price increases more for more concept on some propositions. Some propositions we went straight out and increased the ERM. So that's really our benchmark, I think, in terms of pricing, largely around the main competitor.

And then in terms of the margin, we're still giving the push of 37% to 39%. We have a very tough H2. I mean, it's a proper hockey stick coming through in H2. So, I was saying H2 will be slightly tougher, but we still remain focused on the guidance that we've given. Thanks.

Preshendran Odayar

Hi, everyone. It's Preshendran from Nedbank. I'll spread the questions around. So, one for Tsholo, one for Charles and one for Ralph. Tsholo, first for you. You didn't mention my favourite West African Opco for upstreaming. So, I just wanted to check if you did get anything out of Nigeria and at what rate, and obviously contrary to that if you didn't, why considering FX liquidity has improved quite considerably?

One for Charles, your data subs grew 10%. Your traffic was up 35%. But your revenue was only up 2.4%. And I compare that to Nigeria where traffic was up 42%, users were up 10%, but they grew revenue 56%. So, you're giving a lot more for a lot less is what I'm thinking. But just some clarity there.

And then a question for you, Ralph, on Zakhele Futhi. Just some rationale behind extending that deal. My take is that the dividends are quite weak over the last few years, so is there a sense of a sizable liability there in that Zakhele Futhi structure which hasn't been cleared by the dividend? And by your forecast, the three-year extension, is that the thinking behind that? Thanks.

Tsholofelo Molefe



So, in terms of cash streaming from Nigeria, we have cleared the interim 2023 dividend. I think as you know there was no dividend declared for financial year ending 2023, the full year dividend because of the negative equity. But the interim dividend was cleared and we have been able to upstream that. It is in the R6.5 billion as we've indicated.

Charles Molapisi

Yeah, and I think it's a good call, but let me lead by saying that come Q4, we should start to see a better year-on-year data performance from South Africa because we did mention in Q1 that we have this claw back on the Xtratime that we are doing that's affecting the data performance. So, that's just to start on data performance.

On the traffic profiling, you're right. You know, active data subscribers (ADS) growth is strong. Revenue is 2.4% and data is growing at 35%. So, you're right. But let me unpack that a little bit. So, if you segment the usage, you will see that the mobile traffic - let's talk about prepaid to be specific - is about only 9% increase in data traffic on prepaid. So, that is slightly aligned with the revenue performance overall.

Where we have pressure is on the FWA traffic profile. We grew the proposition of home quite aggressively. And I think the reason really was just to build the home base. We think we have done a fantastic job so far. And I think going forward we will try to optimise and find a way to make sure that the usage does not exceed the plan. So, think of it that way. Data should grow into Q4 on the prepaid side as well. But then FWA, which is the biggest contributor to the traffic growth, we'll try and manage that properly going forward. But we really were deliberate because we wanted to actually get a bit of share in terms of FWA access. Thanks.

Ralph Mupita

Yeah, on the question on Zakhele Futhi, we've been in discussions between the MTN Group board and Zakhele board around the unwind which is scheduled for November of this year, for the eight years. On reflecting on where the scheme is, and also referencing the very sharp, unique devaluation of the naira at this particular point in time, the discussion was we should actually think about extending it for another three years.

Now, the detail of that extension will be communicated as part of the EGM. But what the Zakhele Futhi board will have is the right to unwind any time in that period. They will have that election ability to unwind in that time. So, having taken cognisance of the fact that Zakhele Futhi has been a very strong underpin to our empowerment credentials, a very sharp devaluation of the naira. You've seen what's happened there. Not to guarantee a positive return, but it is very sharp and sudden.



And applying the minds of both boards was that the two- to three-year extension should be reasonable. It doesn't cost the shareholders too much. There is a vendor finance backlog that needs clearing there. Does that give it the ability to clear in the next two to three years? Those are some of the discussions that we've had between the two boards and that will be put forward to the EGM in October.

Thato Motlanthe

Thanks, Ralph. Just checking if there's another question in the house before I go to the online platform?

Unidentified male speaker

Just a quick question for Charles, please. Now that the resilience spending in your capex line has passed, what does capex spend in South Africa look like for the rest of 2024? Thank you.

Charles Molapisi

Yeah, we remain on the current capex profile. I think we are just around, let's say, about R9.7 billion in terms of capex. The envelope doesn't change, so I think the biggest thing will be how do you navigate the capex profile going to 2025. But for 2024 we remain on the current envelope.

Thato Motlanthe

Thank you. Let me take a couple of questions from the online platforms. We'll start with Nigeria. Will Nigeria be subject to the minimum applicable tax laws while it is loss making? What impact do the tower contract renegotiations have on MTN's negative equity position, i.e., could you provide a timeline for resolving the negative equity? And what do you perceive as sustainable margins in Nigeria?

Tsholofelo Molefe

On the first one, there is a minimum tax even when you make losses. I think it's about 0.5% of total turnover.

Ralph Mupita

In terms of the negative equity, I think to communicate that this is what we think, I think it will be irresponsible. There are many factors that move that number. As I said, a ₦100 movement is quite significant all the way to PAT. That's just the naira. Then you've got to look at CPI. So, there are a variety of forces. And we hope that even at the margin level, we've given you the guidance that says 10% movement either way at the margin level is 0.5% to 1%. The items below EBITDA, you



know, finance cost line that will move with the tenure of the lease liabilities having been increased to 2032 and so forth. And so those play a role.

The big, big thing that needs to come in is a decent tariff increase. And it's no silver bullet, you need a combination of all those factors. So, we'll have to progressively work through all these five actions to ultimately get there. We don't see any single silver bullet in the near term. But if you think inflation will come down, if you think that the rates will stabilise, because a lot of that FX is the IAS21 application on FX movements, it's the movement between the FX. If it's stable, that FX delta is obviously small and it doesn't have such a profound impact on your unrealised losses. So, there are just too many factors there to be able to say to you, there's this very simple answer.

In terms of margins, the other issue is we've taken an approach which we look to in terms of applying IFRS 16 to try and mimic economic reality. There's an expedient approach of everything going below EBITDA. So, EBITDA margins look high because you're actually taking FX above EBITDA and all your movements are in below EBITDA. So again, when you're comparing the businesses, don't just look at the EBITDA. Everything is caught at the PAT level. And I think more increasingly, you'll need to look at what are the PAT margins of the company rather than just the EBITDA margins because there's a lot of movement between EBITDA and at the PAT level.

Thato Motlanthe

Thanks. Well, maybe just the last couple of questions. So, the first one on SA. Please quantify the ICT once-off in South Africa, what kind of EBITDA contribution this had. And then on Nigeria, how much headroom do you have left in Nigeria to optimise pricing in terms of the lack of price hike so far?

Charles Molapisi

Yeah, the SA ICT, we have a project with Gauteng Broadband Network (GBN). There's probably around total revenue that we took, I think around R80 million or so. I won't talk like more into margin, but margin was slightly tight. This is a normal ICT business, very difficult in terms of margin profile. So, you can think top line R80 million and a very muted margin completely. Thanks.

Ralph Mupita

On the Nigeria side, the growth that you're seeing 50 plus, obviously there's usage, but we did have bundle optimisation, which we effected in October last year. And that gave us a blended level of increase, which we're still benefiting from in the current reported period. I guess if we don't get the tariff increase progressed, we'll have to talk to the authorities and regulators really around kind of bundle optimisation which we effected in October. These discussions are ongoing.



Thato Motlanthe

And then just a question on Nigeria. Please, could you provide some colour on where lenders and the NGX and other stakeholders sit with respect to upstreaming of cash from Nigeria when you still face a negative equity position? So, I think it's asking, can you upstream? And how much cash? I think that was answered already.

Tsholofelo Molefe

Yeah, I think we've answered the question. I mean, Nigeria can't declare a dividend while they're in negative equity and all the dividends have been upstreamed now.

Thato Motlanthe

And then maybe just the final question, perhaps a follow-up on the earlier question, just on capex. Having spent about R4.6 billion on network resilience, is there a possibility that this investment would be subject to write-offs or amortisation, given obviously ongoing reduced loadshedding, or is it too early to proclaim the end of loadshedding?

Ralph Mupita

It's too early to proclaim the end of loadshedding. I think we've answered that.

Thato Motlanthe

I think we can wrap it up on that point. And we will interact with you, as I said, in the coming days and months. Just a reminder that we did tease a tour of the innovation lab. Those of you interested if you could congregated towards the bottom right in the room. But otherwise, we are available to answer any further questions. Ralph, I think you've done your wrap up.

Ralph Mupita

I've done my wrap up.

Thato Motlanthe

Brilliant. Thank you very much to everyone and everyone who's logged in online. Thank you.

Ralph Mupita

Thanks. Much appreciated.

Edited for accuracy

END OF TRANSCRIPT