MTN Group

Q3 2024 Trading Update Call

Thursday 14 November 2024

Thato Motlanthe

Good day to everyone and thank you for joining us on this call to discuss the MTN Group trading update for the nine months ended September 2024. My name is Thato Motlanthe, Head of Group Investor Relations, and on the call with me is Ralph Mupita, our Group CEO, as well as Tsholo Molefe, Group CFO. Also on the call we have MTN SA CEO Charles Molapisi, as well as MTN SA CFO Dineo Molefe.

Our trading update was published this morning on the JSE and is posted on our website on the investor relations page. I trust that you have also seen the Q1 releases from our listed Opcos that published their results over the past couple of weeks; and hopefully you were also able to join their respective investor calls.

Today's call will follow the usual running order: Ralph will get us underway with an overview of the operational performance; he will be followed by Tsholo with an overview of our financial highlights. Ralph will then come back to wrap up with key focus areas and outlook comments. After that we will move into Q&A, and I would encourage you to use the webcast platform to send through your questions, which I will read out at the end.

Finally, a reminder that this call is scheduled for about an hour. On that note, let me hand over to Ralph.

Ralph Mupita

Thank you, Thato, and a very good afternoon to you all from me as well. I trust that everybody's keeping well. In terms of our Q3 trading update, we are encouraged to once again report a resilient performance for the period, in what has remained a challenging macro and operating context.

As Thato outlined, we will cover three overall areas in our commentary this afternoon:

1. I will start with an *operational overview*, covering our performance highlights
2. I will then ask Tsholo to cover our *financial highlights*
3. And then I will talk briefly at the end about our outlook and priorities

Before we delve into some of that detail, let me spend some time on six key messages we would want to leave with you in terms of how we look at our performance for the period.

The ***first* point** is that we have managed to sustain the commercial momentum in our core connectivity business. This is critical, as we navigate the near-term headwinds facing our operations, as it gives us confidence in the underlying resilience and strength of the business. The continued structural demand for our services underpins our medium-term growth outlook and capital allocation.

In that sense, the ***second*** key message is that you also will see a strong result in our fintech business, which spearheads our platform strategy. In particular, we are driving continued strong growth in advanced services in line with our strategic priority in fintech.

Thirdly, we have made further progress in Q3 in executing on some of the strategic priorities we have articulated to the market. If I outline these briefly: in Ghana, we completed an additional 2.1% localisation in the period. This brought the local shareholding of MTN Ghana to 30% and makes it compliant with regulatory requirements. This followed the 7% sell-down of MTN Uganda in June that we reported on with H1 results – so both of these operations now align with local requirements in terms of localisation and sell-downs.

In terms of the overall portfolio optimisation priority, we exited Guinea-Bissau in August, and the work is ongoing to complete the exit from Guinea-Conakry. Of course we will update you on that progress, as and when appropriate.

We also reported on the progress in extending the 2016 broad-based black economic empowerment scheme, managed through MTN Zakhele Futhi. As a reminder, this was due to unwind at the end of this month, November 2024. With this extension, it will now run for up to a further three years to November 2027. Not only does this align with our commitment to transformation and the creation of shared value for South Africans, it is also integral to the future success of the Group.

So this extension was supported by the shareholders of both MTN Group and MTN Zakhele Futhi, in their respective extraordinary general meetings held in October. You may have also seen the announcement from two days ago that the related conditions precedent have been fulfilled, so the extension has now been finalised.

If I move on to the ***fourth*** key message, which is balance sheet resilience, supported by upstreaming and localisation proceeds. I will leave this for Tsholo to unpack, suffice to say that we are pleased with the overall shape of our balance sheet and financial flexibility. This is enabling us to deal with the macro impacts from our operating environment, as well as continue to invest in the growth of our business.

The ***fifth*** point is on the macro environment. While this has remained challenging, the direction of travel of some key variables in Q3 was encouraging. For instance, the blended inflation in our markets averaged 13.9% in Q3, compared to 17.9% in the same period last year. So coming down steadily, and of the key markets its only Nigeria where there is currently still some upward pressure.

In terms of currencies, you would have seen there is still some depreciation and volatility against the US dollar, but those movements are much less pronounced than say 6-12 months ago.

The ***sixth*** and final message is that we have maintained our medium-term guidance – so, I will come back to this at the end – and the Board's expectation of a 330cps ordinary dividend for FY 2024.

Turning to the high-level performance highlights, we delivered overall service revenue growth of 12.9%* for the nine-month period in constant currency terms; with the underlying margin down 3.2* percentage points to 37.3%*. Of course, this includes the performance of MTN Sudan, which remains in a conflict situation. If we adjust our result for MTN Sudan, service revenue would have been up by 14.0%*, which is within our targeted growth range of mid-teens.

In terms of the key drivers of our topline growth, data revenue increased by 21.3%* and fintech by 28.9%*.

In the overall mix, the performance of **MTN SA** continued to be slowed by initiatives implemented to recover legacy XtraTime data advance balances, through data bundles. So this impacted especially prepaid data, which you would recall we spoke about at the half-year results. To give you a sense, the underlying performance of prepaid data was more mid-single-digits revenue growth, if we adjust for the bundle clawbacks.

Notwithstanding, the performance remained steady and resilient with total service revenue up by 3.3%.

MTN SA implemented some pricing revisions in prepaid between May and July. We communicated previously to the market that this is something you would anticipate would take a few months to settle. Because as a value-seeking segment, prepaid customers will optimise their consumption and spend, there would be a bit of a lag before the effects of the price-ups come through. As we've indicated before, we believe this is the right approach to ensure sustainability and support continued investment.

The business has also done a lot of good work to enhance customer experience and value propositions in order to support growth. We have seen a good improvement in customer satisfaction through measures like net promoter scores.

You will have seen from our release that MTN SA was awarded the "Best in Test" certificate for its network performance. This was the result of an independent peer group benchmarking and substantiates the investment we have made in South Africa's network over the past year or two. This leadership in network quality and performance underpins the commercial initiatives we are executing to accelerate the financial performance of MTN SA.

MTN Nigeria reported its results two weeks ago. In terms of the headline, they grew service revenue by 33.3%*, which was ahead of local inflation. This was achieved in a trading environment that was still quite challenging and that is now quite familiar to most of you. The drivers were broad-based, with strong growth in the data, digital services and enterprise segments.

A key feature of Q3 for MTN Nigeria were the tower contract renegotiations. To remind you, the revised terms with IHS in Nigeria reduced the US dollar-indexed component of the leases linked to a discounted US consumer price index (CPI) and removed technology-based pricing, to ensure that payments for new upgrades will be based on tower space and power usage.

The renegotiated leases incorporate an energy cost component indexed to the cost of providing diesel power; however, the terms also include discounts and incentives over the life of the contracts. These discounts will start to kick in from 2025 onwards. So relative to where we were before, this helped to mitigate the effects on the business in Q3 of factors like foreign exchange volatility and inflation.

In our **Markets** portfolio, the respective regions continued to grow their service revenue above blended inflation on an overall basis. MTN Ghana continued to spearhead growth with topline growth of 31.9%*; and MTN Uganda was also a solid contributor to the Markets performance.

In terms of the commercial progress that underpinned our financial result, our subscriber base was up by 1.6% YoY to 288 million. This was impacted by subscriber registration regulations, particularly in Nigeria, as well as a decline in subscribers in Sudan amid the ongoing conflict.

Active data subscribers were up by 7.4% to 152.8 million – this was a net addition of 3.0 million data customers in the quarter. This supported the 37.0% YoY rise in data traffic on our networks, excluding JVs, which was also boosted by increased monthly usage within our customer base.

Finally – before I hand over to Tsholo – I talked a bit earlier about the strong result in our **fintech** business. Revenue grew by 28.9%*, which is line with our objective to grow topline in the high-20% to low-30% range. This was driven by the continued expansion of our ecosystem KPIs and strong commercial execution, with a focus on monetisation of our services.

Our MoMo monthly active users increased by 5.7% YoY to 61.5 million – you would recall that this measure excludes OTC customers in Nigeria, so it focuses on our active wallet base. For MoMo PSB in Nigeria, you will have seen the decline in the active base; as Karl and the team explained, this was due to an increased emphasis on building out the ecosystem in a more profitable way. This entailed a streamlining of incentive structures in the distribution channels; particularly, reducing acquisition costs and making sure that we grow in way that drives service penetration and commercial monetisation.

In terms of the broader Group performance, we are pleased with the 17.4% increase in fintech transaction volumes; transaction value was up 27.1%* in constant currency terms. This underpinned the strong growth in our advanced fintech revenues of 53.1%* – this aligns to our stated objective to accelerate the mix of our fintech revenues towards advanced services.

So overall, I would say, pleasing commercial and operational performance. In a challenging macro context, we also managed to advance some of our strategic initiatives, which I believe speaks to the execution excellence across the Group.

I will pause at this point and hand over to Tsholo for our financial highlights.

Tsholofelo Molefe

Thanks so much Ralph, and very good afternoon to everybody – thank you for taking the time to join us on this call. As mentioned, it is my pleasure to walk you through the financial overview of our Q3 performance. I would echo that it was a solid outcome given the macro challenges we continue to navigate.

Turning to our overall performance, you heard earlier that Group service revenue grew by 12.9%* in constant currency for the nine-month period under review. Quite encouraging was the growth acceleration in the September quarter to 14.7%*, which highlights the positive momentum in the business. This was underpinned by an uptick in MTN Nigeria and MTN Ghana service revenues, which I will talk more about shortly.

If we exclude MTN Sudan, Group service revenue growth was 14.0%* for the nine-month period. Again, I think this highlights the underlying strength of our topline performance.

In terms of our revenue bearers, voice held steady (up 1.0%*) while data was up by 21.3%* and fintech by 28.9%*. Again, I think an important call-out here is the overall acceleration we are seeing in the underling bearers on a sequential basis. For fintech, Ralph talked about the growth in advanced service by 53.1%*, which was a key highlight. This meant that the contribution of advanced services to overall MoMo revenues was 29.9%, which supported the EBITDA margin improvement in the business.

Our constant currency EBITDA margin for the nine months trended 3.2* percentage points lower to 37.3%*, due to the upward pressure on costs from elevated inflation in our markets, local currency depreciation against the US dollar, as well as the conflict in Sudan.

As mentioned earlier by Ralph, these pressures were mitigated by the benefits from the renegotiated tower lease contracts in Nigeria. In the nine months, MTN Nigeria accrued the equivalent of R602 million in opex savings from the revised contracts, and R503 million in cashflow savings.

Given the nature of these revised agreements, you can expect that we would incur higher depreciation and finance costs in the early stages. This is due to the extension of the lease period to December 2032 for all the contracts. However, the benefits should actually be more pronounced in the later years, in light of the discounts built into the agreements that start to kick in from 2025. So really the objective was to put MTN Nigeria in a better position to manage the potential volatility in its macro environment.

Of course, we also continued to aggressively drive expense efficiencies across the Group, with the objective of realising savings of between R7-8 billion between 2024 and 2027.

If we turn to the performance of **MTN SA** in the period under review, service revenue increased by 3.3%; and it was the same growth rate in Q3 specifically. There were stronger base effects in some of the business segments, however there was also a positive momentum in some underlying trends. Overall data service revenue grew by 2.1%. This continued to be affected by the ongoing initiative to recover legacy XtraTime, however the momentum of the underlying drivers remained quite robust with growth in usage and traffic.

Consumer postpaid service revenue increased by 3.5% in the period, with an acceleration in growth to 4.1% in the Q3. And this was supported by growth in the adoption of home propositions, particularly FWA packages. Consumer prepaid service revenue was up by 1.0% year-on-year – again with an uptick in growth in Q3 to 1.9%. XtraTime was key driver here, as well as increased penetration in CVM-driven bundles.

Wholesale service revenue held steady, and this was impacted by pressure on national roaming revenues from Cell C, where some of the pricing was renegotiated. Fintech revenue was up by 61.8%, driven by growth in both XtraTime and MoMo from a low base.

MTN SA's EBITDA reported margin was a touch lower at 36.3%, which included some once-off factors, impacting in H1 in particular. Excluding these, the underlying margin was 0.9 percentage points lower to 35.8%. The margin was impacted by higher Cell C roaming fees and some dilution from lower-margin ICT revenue from ICT business, within the enterprise unit. What was more encouraging, if you look at Q3 as a standalone, the EBITDA margin for MTN SA was 36.4%.

Briefly on **MTN Nigeria**'s performance. Strong topline growth with service revenue growth of 33.3%* coming in ahead of local inflation. The underlying drivers were data, which was up 52.6% and underpinned by increases in usage and traffic. As well as digital services revenue, which more than doubled. Voice revenue was solid and was up by 13.8%*. When you look at the Q3 momentum in total service revenue, this was up by 35.4%*, year-on-year. So, again, a testament to the underlying strength of demand and the business there.

EBITDA margin in Nigeria contracted, due to higher inflation and energy costs, naira devaluation and the impact of a new VAT on leases. The margin came in at 36.2%*, however adjusting FX and VAT on leases in particular, this underlying margin would have been more like 53.8%*.

At a high level, the **Markets** portfolio continued to perform well overall. Both SEA and WECA grew service revenue ahead of their respective blended inflation rates, at 20.2%* and 9.2%*. Within there, for SEA – MTN Uganda delivered another strong performance, growing service revenue by 20.1%*, with a 1.2* percentage point improvement in EBITDA margin to 51.7%*. Very good momentum in that business across its key revenue bearers, supported by expense efficiencies, which is helping to sustain the EBITDA margin above the medium-term target threshold of "above 50%".

MTN Ghana, within the WECA region, grew topline by 31.9%* for the nine-month period, with an uptick in Q3 growth to 33.4%*. Again, a robust margin performance in constant currency terms, with a slight uplift of 0.2* percentage points to 56.2%*.

Finally, a few comments on our **financial profile**. Let me start with capex – you would have seen from our SENS that we deployed capex of R19.9 billion, excluding leases, with capex intensity of 14.7% hovering around the lower end of our targeted medium-term guidance range. Overall I think we are still on track to exit the current financial year within the guidance range or R28-33 billion; probably towards the upper end of that. This incorporates the increase in capex signalled by MTN Nigeria to enable them to accommodate the increase in traffic on their network.

Our balance sheet remains in good shape. Overall consolidated net-debt-to-EBITDA came in at 0.8x, which was comfortably within our covenant limits. Holdco leverage ticked up to 1.8x at the end of September. We did signal at the start of the year that it is something we expected to happen, and that the ratio would trend slightly above our medium-term target threshold of 1.5x. This was in light of the various disbursements through the course of the year, including prepayments geared towards mitigating against FX volatility.

We still anticipate for this to come back within range in the coming financial year. In terms of the 2024 expiry Eurobonds, we settled the outstanding balance of around $97 million earlier this month.

In closing off my comments, our cash upstreaming from Opcos is tracking reasonably well. In Q3, we upstreamed R2.2 billion, which brought the year-to-date total to R8.7 billion. Over and above this, we have completed R2.3 billion in gross localization proceeds year-to-date, specifically from Ghana and Uganda.

We have maintained a very healthy liquidity position, with headroom of R32.1 billion, as at the end of September. So, overall we retain a flexible financial profile, guided by a disciplined capital allocation framework. As we navigate the near-term challenges in our macro, this will enable us to continue to execute on our strategy.

Thank you very much, I will stop there and hand back to Ralph for his closing remarks.

Ralph Mupita

Thank you Tsholo – an important call out there. The strength and flexibility of our balance sheet really underpins our ability to continue to drive our medium-term growth ambitions and deliver on our investment case to shareholders and broader stakeholders.

In terms of how we see the shape of the business going forward, I will just outline and reiterate a few key messages.

Firstly, while the near-term challenges in our operating environment are still there, the trends are a lot more encouraging. Inflation has started to abate in most key markets, and we are seeing a lot less volatility in local exchange rates against the US dollar. In other words, as we move forward, this should have less of an impact on our business, especially in terms of costs. And the underlying strong demand and topline we see in our markets should translate better into profitability, cash flow and returns.

In South Africa, the investments made in the network there are bearing fruit. We are seeing much better availability and quality, which is being borne out in independent benchmarking and network NPS. This underpins the commercial activities in MTN SA, including pricing adjustments, that are geared to returning the business to a more sustainable growth and profitability trajectory within our medium-term targets.

For MTN Nigeria, the underlying demand and operational momentum remains quite strong and the focus will be on sustaining that. We have spoken about the initiatives being implemented to recover profitability in MTN Nigeria, and particularly to turnaround the negative reserves and balance sheet position. The tariff engagements with relevant authorities in Nigeria remain an important element of these initiatives, and those discussions are ongoing. We still remain constructive on the progress there, even if timing is a bit harder to pin down.

The renegotiated tower leases in Nigeria have been an important development for us. When we look ahead at the next few years, we are positive on the benefits that will accrue over the tenure, relative to where we were. Especially as some of the discounts built into the agreements kick in over the next few years.

In our Markets portfolio, the key focus areas will be sustain the good performance of key operations such as MTN Ghana and MTN Uganda, which we have called out. Along with a couple of others in the portfolio. We have also spoken about the work that is underway to improve the performances of Opcos such as MTN Côte d'Ivoire, MTN Rwanda and MTN Zambia. This work continues, and as they recover, we should see this benefit come through in terms of supporting the growth and profitability of the business.

For our fintech business, the momentum is quite pleasing and we will sustain that topline growth in that bracket of high-20% to low-30%; supported by acceleration of advanced services. And we are satisfied that the EBITDA margin is tracking as planned. We remain fully engaged in progressing the structural separation work at the Opco level, in terms of constituting the Group Fintech structure. As you are aware, this is also key to unlock the proceeds from the minority equity investment made by Mastercard.

I think Tsholo touched on the importance of maintaining a strong and flexible financial position and profile. This enables us to execute on our plans. As part of this, we maintain our goal to realise savings of R7-8 billion between 2024 and 2027 and bring our Holdco leverage back within our 1.5x threshold. Again, just important to maintain that balance sheet flexibility.

Finally, we maintain our medium-term guidance, which is the framework that guides our growth ambitions and investment case. In that context, our capex guidance range remains unchanged at R28-33 billion. MTN Nigeria is accelerating investment in Q4, having made very good progress in reducing US dollar LC obligations – and this is to support the stronger data traffic growth coming through there.

And in terms of our single-year dividend guidance, the Board still anticipates to pay a minimum ordinary dividend of 330cps.

As Tsholo mentioned, we've seen good upstreaming of 8.7 billion to the end of Q3, in terms of management fees and dividends. We've also had the localisation process of 2.3, and we anticipate seeing a similar level of upstreaming in Q4. That again, will support and underpin the dividend guidance that we have.

So, in closing, as a management team and organisation, we remain excited by the medium-term growth opportunities presented by our markets. We are committed to executing on our strategy to unlock value for our stakeholders. Thank you very much for listening, let me hand over to Thato for the Q&A.

Thato Motlanthe

Thanks Ralph and Tsholo for those scene-setting comments. Just a quick apology that the slides were delayed in coming up, that was part of the technical challenge we had in getting going. But thanks for your patience and understanding. We'll just jump straight into the questions.

A couple of questions on South Africa: Can you please talk about the price hike timeline, and why is it taking so long to trickle down, are you facing high elasticity, or is there some other issue preventing the price hike to cover the base?

Charles Molapisi

Thanks for the question, Thato. The pricing started in May and July. So in May we did the pricing for internal channels, and then in July we did the trade. We saw a little bit of an uplift, if you look at the internal channels, USSD, MyMTN app, so a little bit of an uplift that came through that, but the external ones have not really shown the sort of numbers that we're looking for.

The feedback that we're getting from the trade, we sort of like work with our partners in the trade, is to really hold the line on the pricing. I think it's important that we remember that we, in this market, we have never really increased prices on prepaid. So if you think about it, for a period of 30 years, pretty much we had prepaid prices going down or staying the same.

So, first we need to allow this to ferment in the market and see how long before it comes through. We remain committed that we need to manage our network with inflationary pricing profile. So let's see going forward how this comes through.

Ralph Mupita
Just to add to Charles's comments. I think this is a very important point that we have to sustain this level of price increase, and my guidance to Charles is that we just have to hold hands for a couple of quarters. It takes some time to have these price increases established across the markets. The internal channels we're seeing some good progress there. I think we'll have to work on the external channels, but we do need to see this through a couple of quarters. So Q1, Q2 will probably remain tough, but I think we'll start seeing the basic fix coming through.

Thato Motlanthe
Just a question that's linked to it. I think it's more on consumer behaviour. Can you give a bit more colour on consumer behaviour that you're seeing since the price increases on prepaid bundles? We haven't really seen a change in ARPU, you mentioned a lag, but are you seeing any early trends in customer spend over the last month or so?

Charles Molapisi
Because this is new, you have to think about prepaid. And remember, we did the price changes both on what we call BTL, so our private pricing regime, and also on the headline pricing. So customers, when they see this, they look for other areas where they can optimise. We have to manage, especially around the BTL pricing. So we'll think that there's a little bit of movement in the customer trying to optimise, but we are adjusting prices across all price segments. So whether its private pricing on Made for You, or is pricing on open market, we'll have to again, just to give it time, and to see the profile of the customer going forward.

Thato Motlanthe
Thanks, Charles. And then, I'm not sure if this is a question on SA or the group. Can you please discuss quarterly adjusted margin trends? Can you confirm what magnitude Q3 margins improved versus Q2? It's attached to SA questions.

Tsholofelo Molefe

From a group perspective, we have seen an overall improvement in Q3 relative to Q2, and as we've said, this came about also as a result of, firstly better performance on the revenue line, but also improvement in the costs as a result of the IHS negotiated contracts from Nigeria. So we are seeing an improvement quarter on quarter. I don't know if Dineo wants to say anything on SA?

Dineo Molefe

On SA as well, we do see an improvement, quarter on quarter when you normalise for the underlying effects, the biggest one being the once-off income that we received on the disposal of the insurance book.

Thato Motlanthe

That would have been in the first half of the year.

Just another question on the markets. Can you provide some colour on why Ivory Coast's revenues are declining in local currency? Is this due to revenue market share losses?

Ralph Mupita

Côte d'Ivoire has been a competitive market in recent times, both for the GSM business and fintech. We're kind of realigning our own pricing strategy, so we've had to cut pricing to remain competitive, both in the fintech as well as the GSM business. So we've got a turnaround strategy there, in particular to win data market share back. So that's much more competitive dynamics. You will know the market there is Orange, there is Moov there, and we are realigning our pricing to rebuild market share in Côte d'Ivoire. That's what has impacted the revenue trends that you see in Q3.

Thato Motlanthe

Thank you, Ralph. To come to the balance sheet question: Holdco leverage is at 1.8, does this include all localisation proceeds? Have all the proceeds been upstreamed? And in the absence of meaningful growth in SA EBITDA, how should we be thinking about Holdco leverage progression? Are you experiencing any kind of step-up in cash upstreaming in the fourth quarter, or should we expect leverage to remain at 1.8 in the near term?

Tsholofelo Molefe

As we indicated earlier, we do expect to see an improvement. We have, however, indicated at the beginning of the year that we expect Holdco leverage this year to be slightly above the guided medium-term target of 1.5x. We do expect an improvement, however, from the 1.8x of where we are currently. We don't expect to see a deterioration in MTN SA EBITDA, and we do expect to see additional upstreaming coming in the last quarter. So, we expect overall, our cash upstreaming for the year to be in line with similar trends as last year.

Thato Motlanthe
Thanks, Tsholo. Just back to South Africa. It's linked to the prior question, so margins were good and handset sales did not have the uptick you were expecting from your move to sell more handsets. Have you abandoned plans to push more handset sales or is it still coming?

Charles Molapisi
We remain a bit more balanced on the issue of devices. Prepaid, I think we continue, but we are also working with our partners. We have the likes of Pep who are working with us in terms of the acquisition of devices. The idea is can we find a better way to finance our devices, while we continue to compete? I like to balance the issue of working capital, cash implication, you know, and the customer acquisitions. Dineo.

Dineo Molefe
Also, from a margin perspective on devices. We are quite pleased with the profiles that we are seeing. We are tending to sell our devices more and more in a positive margin range, so that's quite pleasing for us.

Thato Motlanthe
Thank you both. Just a question on fibre. Given the decision on the CIVH/Vodacom deal, how does that change or impact your fibre plans? Do you still try to go for Telkom with fibre assets?

Ralph Mupita
It's a very leading question. The Tribunal decision has been made, but the reasons have not been disclosed, and our understanding is that it's quite likely that Vodacom will challenge the Competition Appeals Court. So, that's still to all play out, and it's our anticipation that the reasons will be communicated well before the end of January, that's our understanding.

In terms of strategy for South Africa, and Charles will come in here, we remain quite focused on ensuring we have a blend of technologies to get to the home. You know, fixed wireless access, we're exploring some POCs on millimetre wave, and the fibre remains a strategic view that we have, that ultimately you need that to compete in the medium to long term. So, let's wait and see what comes out of the reasons from the Competition Tribunal as and when, if Vodacom will appeal, it's to be seen. Charles, anything else?

Charles Molapisi
Thanks. While we were in discussion around the future strategy around acquisition, what I want to make very clear, is that we are still executing our fibre-to-the-home acquisitions. So we're making progress on a number of fronts. So the way we're taking the home, we're taking the home using, what you call fixed LTE, and then we're also pushing the customers through 5G FWA, and then

fibre to the home. So from an MTN perspective, on the organic basis, we continue to execute. And I think we're seeing quite a nice uplift in terms of the FWA customers. We're seeing a very good uplift in terms of FTTH as well, while in the process, we working on the issue of acquisition.

Thato Motlanthe

Thank you both. Just to confirm, MTN Ghana has reached localisation on both the GSM and the MoMo businesses, or is it just one?

Ralph Mupita

No, it's both businesses. Actually, the GSM business localisation requirement is 25%, but while the Bank of Ghana wanted 30%, so two different regulators wanted different levels. So we went for the higher level, which means that we exceed at the GSM level, but meet at the Bank of Ghana level.

Thato Motlanthe

Thanks, Ralph. What sort of elasticity do you have in the Nigerian business, what revenue growth could we expect for every 10% increase in prices?

Ralph Mupita

Oh, that's a complicated question, and asking us to make a whole lot of assumptions. I'm sure everyone else is much smarter than us. What I would say is that, in Nigeria, the underlying demand for data remains very, very robust, and that's why we put in the additional capex. We're starting to see some cells congest, because we're seeing enormous amount of traffic coming towards us, so we have added a bit of capex. The quantum is in the order of magnitude of just over $100 million that's gone in to ensure that we release congestion in some of the cells, about 5000/6000-odd cells where we seeing congestion, and for us, that's a good indicator that the underlying structural growth will be there.

If you're asking the question about price increases and elasticity effects, we can just go back to last year. Last year we did the bundle optimisation, took out about 28 bundles, of data bundles, that had an effective price increase of about 13% there, and that's what's fuelled the growth.

So increase in usage, and some of that increases has supported the very strong data growth that you've seen that's above 40%, and when we experienced that increase in October last year, we had a bit of negative elasticity, if my memory serves me right, in November and December. It came back in January, it was very strong. So that may help you frame what could happen if there's a tariff increase regime. Not to belabour the point on tariff increase, what we would, we have been engaging on, both group and locally, is that what will be really ideal is a multi-period regime, not just a single-year increase, so that provides the framework for sustained investment going forward. But as I said, the timing of that has not been determined, but we've been encouraged by the discussions we've had on tariff increases in Nigeria.

Thato Motlanthe
Another question on Nigeria: Based off the renegotiated leases in Nigeria, and assuming no headline tariff increases, when do you expect to move out of a negative equity situation in Nigeria?

Ralph Mupita
If you guys do your own modelling, I'm sure there are many assumptions here. What's inflation going to be, what is the currency going to be? I guess we know our rollout plan. You don't know what our rollout plan is, but we gave guidance towards the impact for this year, where we said we take the 33 to 35, becomes a 35 to 37, as an EBITDA margin impact, just for this year as an uplift.

And we're seeing the momentum coming through. So, it certainly wouldn't be a one year, it wouldn't kind of wash itself out next year, I mean, that mathematically won't be possible, depending on the currency assumptions that you put in.

But as Tsholo mentioned, what you'll see is, every year, as we go towards the 2032, the impact of the lease extensions becomes one year less. So that impact in terms of finance cost becomes more muted. We do have an inflation cap right now at the local CPI, at 20%. I think next year, we'll still be kind of in the money on that part of, if you look at projected inflation, so that should support both the opex and also some of the finance costs below, the way we split the leases.

So we are encouraged by the profile, but certainly we won't come out of it in one year. The maths just simply doesn't work that way. I think what you should see is an improving profile of EBITDA margins. You'll see the trend that Tsholo showed a little bit earlier will progressively improve.

Thato Motlanthe
And then just linked to that: Is there scope for a repeat of bundle optimisation in Nigeria?

Ralph Mupita
There's scope for that. All our efforts right now have been focused on working through the industry, and engagements with the authorities about how do we sustain investment, or create an environment where we can actually put more investment into the market? That's an industry conversation, not just MTN. We, Airtel and others are having that similar discussion. So that's where we put all our kind of efforts. We didn't want to muddy the regulatory engagements, at the same time and talk about many things. So we feel a lot more comfortable that the discussions will yield positively, just a matter of timing. So to answer the question, we frankly have not been

discussing with the authorities bundle optimisation, but it's always a possibility. But that's not where our energy has gone through in the last couple of months.

Thato Motlanthe

Is there any obvious reason for why the naira-to-the-dollar rate in the parallel market is 1740 and has started to widen versus the NAFEX rate of 1660, has liquidity at the NAFEX rate remained strong?

Ralph Mupita

Well, I guess the one thing you always have to look at in the parallel market, is how much liquidity, how much double liquidity is available at that price points? What we're experiencing is for the dollars that we need to cover LCs and capex, we're able to get it at the official rate. We're not procuring any of the foreign currency at the parallel market rate. So, at the BDCs, the volume effects, the BDC probably drives mostly what you see in the parallel market rates, there may be very limited liquidity there, but for the volumes we need, we haven't had to purchase at that level. So, and I can't give you an answer more than that, in terms of the liquidity. If you look at what the Central Bank has been doing, and I think they've been focused on reserve accretion, and my guess is that's where the focus has been, as opposed to providing ample liquidity, particularly the BDC, but we're not procuring at those levels of the parallel market.

Thato Motlanthe

Thanks, Ralph. Then, is there any reason why MTN continues to operate in Sudan and South Sudan? Surely, the group would benefit from exiting this region?

Ralph Mupita

What's formally on our to-do list in terms of portfolio optimisation has been the small WECA markets. So, Guinea-Conakry. Guinea-Bissau is done. Guinea-Conakry, we're working on, and we'll look at Liberia in due course. Look, we are assessing the situation, and let's split these into two different buckets. There's Sudan, and then South Sudan.

South Sudan, we have an operation there, it funds its own growth, it's not a massive, massive market, but we're not having to put our own group capital there. Sudan, or some people call North Sudan of course it's in a war conflict, and we are managing as best we can within that context. We've got the switch which was impacted in Khartoum, we've rebuilt that in Port Sudan, and that supported some revenue coming back. We'll continue to assess the situation. It's difficult to manage the business with your management teams in Egypt and Dubai. So, we're assessing that situation, trying to get a better understanding: is the war situation going to abate? At the right time, the board may all make a decision around that market. But for now, we are operating there but assessing the war conditions and the risk issues in that market. But South Sudan is a very different situation, which is funding its own growth.

Thato Motlanthe

Just back to Nigeria: Given that the Nigeria lease negotiations are in the rearview mirror, all else being equal (on inflation, currency, etc.) would you be able to pay a dividend to the group from Nigeria? I guess that's linked to the negative equity question.

Ralph Mupita

Ja, not next year when we do that. I mean, that's a very straightforward answer. You see the size of the negative equity and because the issue is not just negative equity, it's distributable reserves. So actually, the problem you have to solve is to deal with the distributable reserves before you can. But you know, outside of something structural, next year we wouldn't be able to do that. And I guess that will inform the guidance of how we think about dividends when we speak to investors in March next year. Right now, that dividend is being supported by the cash upstreaming that Tsholo spoke about. If we have a similar level of cash upstreaming, I think what one would anticipate, that we are looking at the business in that frame where there's no contribution from Nigeria in next year.

Thato Motlanthe

Your IFRS 16 capex seems to be 43 billion in the nine months, which is already in the high end of the 2024 guidance, can you explain?

Tsholofelo Molefe

I think it will likely be above that. I think how you should think about this, is that the guidance would exclude the effect of the renewed contract in Nigeria, when we did the guidance. And this would obviously be quite meaningful since the signing of the renegotiated contract, and probably adding 7 to 8 billion rand in the range of what we've given on our SENS.

Thato Motlanthe

Thanks, Tsholo. And then just a follow-up to that, can you disclose your leverage in IFRS 16 standards, net debt to last 12 months EBITDA, net debt in IFRS 16?

Tsholofelo Molefe

It's definitely in the order of our medium-term targeted range of 1.5x, there or there about.

Thato Motlanthe

How much of the 7 to 8 billion cost savings have you already achieved?

Tsholofelo Molefe
It remains a key focus. I think we reported about 2.8 in Q1. I think we are just a way above 3 billion by now, in quarter three for the year to date.

Thato Motlanthe
Would you consider to de-consolidate Iran, given the developments there?

Ralph Mupita
Financially, it's held as an associate.

Tsholofelo Molefe
It's an investment in an associate, which we show separately on our income statement and balance sheet.

Thato Motlanthe
On Mobile Money, SA and Nigeria are the two markets where you have been unsuccessful so far, these two businesses appear to be changing leadership every two years or so. With the leadership changes comes strategy changes. Are you not being too short-sighted on Mobile Money strategies in these markets?

Ralph Mupita
I think it's a fair question to ask us. These two markets, we haven't had as much success as we've had in the other markets. But what I would say, starting with Nigeria, is, and we've had Phrase (Lubega) join that business, and we're kind of rethinking the strategy of, do we need something beyond the PSB licence? That's a conversation we're beginning to assess ourselves, to say, what do we need to ultimately succeed now? The PSB licence has restrictions, particularly around banktech/lending, and I think when you look at the other players who've been in the market longest, you take Palmpay, Opay, I think a strong underpinning beyond just payments, is the ability to leverage an appropriate lending solution to the customers. So the PSB, I think it's a foundational licence and construct, but it's not going to be the only way to succeed, and we're re-evaluating in particular what lending would need to look like, and I think when we've completed that work, I think you'll hear from us more. So it's not really the leadership issue. So that's on Nigeria. I'll ask Charles to talk about SA.

Charles Molapisi
Thanks, Ralph. In SA, the strategy remains the same. The change in leadership was really not a strategy issue. If I was to be a bit more specific about Bradwin, who did a good job for us, he got a

very strong and enticing offer from JUMO. It was not necessarily because there's a conflict or a change in strategy. So we remain very clear on the segment that we need to play within. We're very clear on the propositions and the products, and we remain very consistent about that. I think for us in South Africa, is really just about acquisition. We've got very strong product portfolio, we've got a very good app, so it's just to push, you know, onboarding of customers.

Thato Motlanthe

Thanks, Charles, thanks, Ralph. Looks like the last question on the webcast: Any update on your governance issues with IHS, has that been resolved?

Ralph Mupita

We've been focusing on just getting this commercial renegotiation up and running. That's where all our energies have gone. As we said, we didn't put a time bar to resolving the governance issues. I think if we go back where the pushback from IHS was, was that MTN was in a process, over the near term, needing to negotiate a whole bunch of tower contracts from Nigeria to Côte d'Ivoire, Rwanda, Cameroon and so forth. And that could impact any kind of governance issues related to our asks around the ability to nominate, and for our shares at the time of voting to be treated equally with other shareholders, and not have a voting cap.

Those issues around contract renegotiations have been done. There's no contract to renegotiate with IHS now, all of it is done. So that removes those set of issues. We just have not pushed to prioritise resolving that now. There's no urgency to push it at the moment, because we're trying to bed down the stuff that's there in Nigeria. As and when we'll pick that up, I spent a bunch of time with Sam Darwish the last couple of weeks, and I think our focus has really been around Nigeria and ensuring that the operation is sustainable. We have our sites well-fuelled with network availability up, and then the other issue that's important there is our tariff increase are also important to them. The industry sustainability has very first order effects for them, and they're playing a role as well towards supporting engagements with the authorities, towards a tariff increase regime in Nigeria.

Thato Motlanthe

Thanks so much, Ralph. There are no more questions on the call. If there are any further questions as you go, please do reach out and touch base, and we'll help you out. Ralph, I don't know if you've got one or two words to close?

Ralph Mupita

I don't know if it's one or two, I've got many words to close. But suffice to say thanks very much to the investors, they're kind of holding our hands through a tough period. As I said, I think as management, we feel, although the market's still challenging, there's been kind of an easing of tough conditions. I think the second thing is, you're seeing, you know, quarter on quarter broadly momentum building up, you see the service revenue. For sure there are a couple of areas we need to work on. SA it's about prepaid, and I think it's really important that we sustain a kind of a pricing thought process, both for CVM, below the line pricing and above the line. We need to sustain a couple of quarters, the decisions and actions we've taken. They may hurt a little bit in our sequential quarters, but I think medium term, it's the right thing, and then that should support us getting margins towards the lower end, and I think we've been quite consistent that in the near term, anticipate margins are at the lower end of our range, and driving further efficiencies, and a bit of more top line is what gets us towards the 39.

Nigeria, it's all about really accelerating the top line. We put a bit more capex in, as I mentioned, because we're seeing good growth, and we'll continue to work on the tariff regime and other measures that would resolve the negative equity and distributable reserves.

And as Tsholo mentioned, we're not particularly worried about 1.8 times. I think the debt mix underneath that 1.8 times is also an important consideration. A few years ago, that number would have been 80% dollar. It's now the other way around, 20% dollar, and we just redeemed the 2024 bonds. We just got a stack of 2026 bonds to come. So, you know that Holdco leverage we feel will ease and come back as we do more upstreaming for the balance of this year. And then executing on our strategies, fintech is critical and important, and we're going to keep pushing. Also in terms of sustained performance from the Markets business, Ghana and Uganda are doing excellent heavy lifting, pushing for better contribution, Rwanda, Côte d'Ivoire and Zambia, and that should really sustain the investment case as we go into next year.

Thato Motlanthe

Thanks very much, Ralph, Tsholo, Charles, Dineo for your insights on the call. We will send, as I mentioned earlier, the slides and we'll put them up on the website as well. Thank you very much.

Ralph Mupita

Thanks everybody. Much appreciated.

Edited for accuracy

END OF TRANSCRIPT