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

21st ANNUAL GENERAL MEETING – BUSINESS UPDATE

1. BUSINESS UPDATE

At the Annual General Meeting to be held later today, MTN Executive Chairman, Phuthuma Nhleko will make the following comments regarding the Group’s performance for the first four months of 2016 in comparison with the same period for 2015:

As at 30 April 2016, the Group increased its subscriber base by approximately 1% to 230.3 million year-on-year (YoY)*. This was largely impacted by the 7% decline in subscribers in MTN Nigeria and the 11% decline in MTN Uganda, mainly as a result of the non-compliant subscriber deregistration process in these countries which was only completed in quarter one of 2016. As noted in the 2016 quarter one trading update, the Group took an exceptionally conservative stance related to the disconnection of subscribers that were deemed non-compliant in order to mitigate future regulatory challenges. MTN South Africa reported a 7% increase YoY in subscribers supported by improvements in the prepaid distribution channel while MTN Ghana showed a healthy subscriber growth increasing its subscriber base by 20% YoY.

Reported Group revenue increased by 15% YoY supported by a 21% decline in the average rand exchange rate against the naira together with a 23% decline in the average rand exchange rate against the US dollar compared with the previous period.

Organic revenue increased marginally by 1%, impacted by lower revenue growth in MTN Nigeria, MTN Uganda and MTN Cameroon.

Organic data revenue across the Group continued to deliver satisfactory growth in most of our markets, increasing by 19% YoY. Data now contributes 24% to total revenue compared with 21% for the same period last year. Data revenue was supported by healthy growth in MTN South Africa and
MTN Ghana. MTN Nigeria’s data revenue declined 12% mainly due to the withdrawing of regulatory services.

MTN Nigeria’s organic revenue was down 6% YoY mainly due to uncompetitive pricing arising from the suspension of regulatory services and regulatory restrictions that obliged operators to seek permission from customers to charge out-of-bundle rates upon the depletion of data bundles. Revenue was also impacted by subscriber disconnections and an increase in promotional minutes to encourage subscribers to complete their SIM registration details. Despite the decline in MTN Nigeria’s organic data revenue data traffic increased by 27% YoY, supported by the continued improvements made to the data network. This was further enhanced by the lifting of regulatory services at the end of March 2016 and the approval of price plans in early May. May daily data volumes are up approximately 20% month-on-month with nearly 4 million subscribers taking up the new offers, following the introduction of the new price plans. The early signs are positive on both voice traffic as well as new subscriber acquisition volumes, where month-on-month gross connections are showing positives signs with an increase of almost 13%.

MTN South Africa continued to show positive momentum and increased revenue 4% YoY. This was supported by a 17% increase in handset revenue and 23% growth in data revenue driven by a 59% YoY increase in data traffic as well as a 55% increase in digital revenue. Outgoing revenue was impacted by a 48-hour network outage in some key areas in February 2016 as well as a decrease in consumer spend over the period.

MTN Irancell recorded satisfactory organic revenue growth for the period with an increase of 7% YoY. The growth was impacted by reductions in data tariffs by the regulator and increased over-the-top activity due to the 3G/LTE licence award. Organic data revenue increased 66% YoY supported by a 50% increase in digital revenue, largely due to a significant increase in smartphone penetration.

MTN Ghana showed healthy double digit growth and increased 19% YoY supported by a 96% increase in organic data revenue. This was mainly driven by strong growth in digital revenue, up more than 200% and mobile financial services revenue, up 94%. MTN Uganda’s organic revenue was mainly impacted by the disconnection of subscribers while organic revenue at MTN Cameroon was impacted by a challenging competitive environment.

The Group’s earnings before interest, tax, depreciation and amortisation (EBITDA) margin remains under pressure. MTN Nigeria’s EBITDA margin was negatively impacted by dollar denominated costs related to the weaker exchange rate, costs associated with the second tranche of the tower
transaction, increased use of build-to-suit sites and costs associated with the subscriber registration process. Revenue share linked to digital services and higher interconnect costs as a result of free off-net minutes awarded to subscribers to encourage registration, also impacted MTN Nigeria’s EBITDA margin. The EBITDA margin in MTN South Africa was negatively impacted by a once off cost related to managed services, the increase in handset costs to accelerate 3G and LTE handset adoption and free minutes associated with the network outage.

The Group continued to focus on network quality and the aggressive roll out of the 3G and LTE networks in key markets to ensure it remains competitive in voice and data offerings. Total capital expenditure (capex) increased by 22% YoY on an organic basis reflecting the strong resolve to manage capacity and we expect full year capex of approximately R34 billion. MTN South Africa has increased its capex for 2016 to approximately R12 billion.

2. NIGERIA FINE

We continue our engagement with the Nigerian authorities and are awaiting feedback. We remain optimistic on reaching a conclusion on this matter in the short term. We will continuously monitor developments with regards to the Nigerian fine and will review the adequacy of the provision at the end of the reporting period.

3. NEW GROUP PRESIDENT AND CHIEF EXECUTIVE OFFICER (CEO) APPOINTMENT

The search for a new MTN Group CEO is well underway and as previously noted we hope to make an announcement on this matter prior to the end of June 2016 at the latest.

4. PROSPECTS

We expect the Group’s performance to be impacted by the weak macro environment in key markets as well as by tough competition. We, nevertheless, remain confident about the longer term prospects of the countries in which we operate.

While not without challenges we expect MTN Nigeria’s performance to improve given the focus on reconnecting subscribers and the re-instatement of regulatory services enabling the operation to provide more competitive tariffs and promotions. Early indications of tariff changes are positive for both data and voice revenue. Improvements made on the data network as well as once-off costs in early 2016 associated with the registration process, will also contribute to improved performance in the second half of 2016.
We expect the South African operation to report improved revenue growth through the rest of the year supported by 3G and LTE network roll out, improvements in network quality and competitive offerings. Data revenue in South Africa is also expected to benefit from aggressive handset sales.

Following the partial removal of sanctions in Iran, we expect to see an opportunity to expand services and more appetite for growth in this market. While it has taken longer than initially expected, MTN continues to engage the various related parties in an effort to repatriate approximately US$1 billion equivalent from MTN Irancell (where it holds a 49% share). We expect MTN Ghana to continue with its positive momentum with a key focus on LTE roll out.

In addition, we are confident that our operations will continue to benefit from strong growth in data, our investments in the online and e-commerce players, African Internet Holdings and Middle East Internet Holdings, and related activities in the digital space. In light of this, MTN is well positioned to become the leading digital global player across our markets in the next few years.

The financial information on which this business update is based has not been reviewed and reported on by MTN’s external auditors.

*YoY – compares 4 months to 30 April 2016 to 4 months to 30 April 2015.

Fairland

25 May 2016

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