



MTN Group Ltd
Q3 Results Analyst Conference
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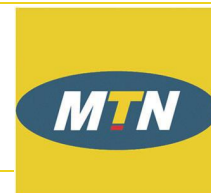


Speaker	Narrative
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<p>Operator</p>	<p>Good day ladies and gentlemen and welcome to the MTN third quarter results analyst conference. All participants are currently in listen-only mode and there will be an opportunity for you to ask questions later during the conference. If you should need assistance during the call please signal an operator by pressing star and then zero. Please also note this call is being recorded. I would now like to turn the conference over to Mr Nik Kershaw. Please go ahead, sir.</p>
<p>Nik Kershaw</p>	<p>Hi. Good afternoon everyone. Nik Kershaw here. Thanks very much for joining us today to discuss MTN's results for the quarter ended 30th September 2015. With me here today are Sifiso Dabengwa, group President and CEO, Brett Goschen, group CFO, Mteto Nyati, CO of MTN South Africa, and Michael Ikpoki, CO of our Nigerian operations. Most of you would have already read the SENS announcement. Sifiso will just focus on the South Africa and the Nigeria performance and the outlook for these businesses. After that we will move on to a Q&A session which the conference call operator will facilitate. A detailed version of the results announcement is on the MTN website as well as on SENS. Over to you, Sifiso.</p>
<p>Sifiso Dabengwa</p>	<p>Thanks Nik. Good afternoon ladies and gentlemen and thank you for joining us this afternoon. The group's Q3 results continue to reflect a challenging competitive environment and the weak macro-economic conditions in most of our markets. Unfavourable exchange rate movements further impacted our results for the quarter. However the group continued to invest in its 3G networks, catering for the strong demand for data services. During the quarter we added 3,800 3G sites and 1,357 LTW sites.</p> <p>This together with the increased 3G device penetration resulted in greater than 100% year on year increase in data traffic across our operations. The data revenue growth was less aggressive and only increased 27%, largely impacted by falling data prices driven by aggressive price competition.</p> <p>Mobile Money and digital content revenues continued to gain healthy traffic, steadily increasing its contribution to the group. Mobile Money registered subscribers increased 13% to 37 million at the end of the quarter.</p> <p>In our South African business we continued to make good progress in the prepaid segment of the market with attractive offers for both voice and data. We were also able to marginally increase effective voice and data tariffs and continue to see increase in minutes of use and data traffic.</p> <p>During the quarter despite the low handset volumes the business saw a further acceleration in underlying service revenues highlighting the positive momentum in the business. Data revenue recorded good growth, benefitting from the extended 3G and LTE networks and the strong update in digital services.</p> <p>I am pleased with the progress we have made on the 3G and LTE rollout although this</p>



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	<p>has caused temporary disruptions on the network in some parts of the country as we optimise the use of the available spectrum. We expect that these challenges will be resolved by the end of the year.</p> <p>Processes put in place in Q2 to address the handset supply chain took some time to bed down due to delayed deliveries, and consequently continues to impact the performance of the post-paid part of our business during the quarter. The supply chain issues have now been fully resolved with a significantly improved handset mix aligned to the group's data strategy. This includes distributing more affordable smartphones and higher volumes of 3G devices.</p> <p>We expect MTN South Africa to continue to improve performance for the rest of the year, benefitting from a strong data network and increased focus on customer experience.</p> <p>The Nigeria operation's performance was largely impacted by aggressive data price competition and regulatory requirements during Q3. The subscriber registration requirements resulted in the disconnection of 5.1 million subscribers at the end of August. Now close to 70% of these subscribers have been reconnected.</p> <p>Data revenue increased only 15.8% year on year as a result of a 60% decline in data tariffs despite the traffic growth of about 119% year on year.</p> <p>The operation's key priority is improving its 3G network through aggressive network rollout of 3G sites and connecting fibre to the sites. By the end of 2015 we would have rolled out an additional 2,009 3G sites and we would have connected 1,033 BTS sites to fibre.</p> <p>We are comfortable that as we progress with this work most of these issues would be fully resolved by the end of Q1 2016 and we would be able to improve our data business much more aggressively.</p> <p>To further address the operational challenges that we have had in Nigeria we have reinforced the management team now to include a Chief Operating Officer position. This position is presently filled by Jyoti Desai, the group's CTIO, who has had extensive operational experience as the Chief Operating Officer in Iran and also as the CTIO for the group. Raul Medina has been appointed as the Chief Marketing Officer in Nigeria. He was previously Chief Marketing Officer in our Ghana operations and has had an impressive record.</p> <p>In Q3 we have seen improvements in our network quality following measures we have put in place to address the challenges that we experienced during the early part of the year as a result of our managed services arrangement.</p> <p>The uncertainty regarding the depreciation of the naira against the US dollar has caused reduced availability of hard currency in Nigeria. Our view is that once the cabinet is appointed and the currency depreciates availability of the US dollar should normalise. Understandably one of the concerns for investors is the implementation of</p>

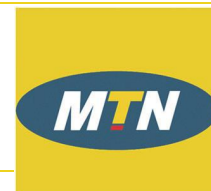


Speaker	Narrative
	<p>capital control, something which at this stage we do not expect.</p> <p>We expect the rest of the year to improve incrementally as the network quality continues to improve and more attractive offers are put into the market. However, the weak macro-economic conditions and the unfavourable exchange rate are expected to impact the business for at least the next 18 months.</p> <p>That gives you a brief overview of our position in South Africa and Nigeria. With that I would like to hand over to the conference call moderator for questions.</p>
Operator	<p>Ladies and gentlemen, at this time if you wish to ask a question please press star and then one on your touchtone phone. If you decide to withdraw your question please press star and then two. Our first question is from JP Davids from Barclays.</p>
JP Davids	<p>Hi. Good afternoon. I've got two questions on Nigeria please. The first one, can you please update us on the licensing process in the market. Your license is due to expire in 2016. Have you made any progress extending that, and if you have how much does it cost? And then the second question. I'm just trying to get a bit more clarity around in your mind the timelines for Nigeria over the next 18 months. As I best understood from the commentary just given the network and the corrective measures will be in place by the end of the first quarter 2016. So is the inflection really then in the second half of 2016 or do you expect clear revenue performance improvement ahead of the second half of 2016? Thank you.</p>
Michael Ikpoki	<p>Okay. On the first question regarding the license renewal there have been a few developments. What has happened now is the regulator wants to harmonise the tenure between the digital mobile license and the universal access service license. So what that means is that they are trying to harmonise the tenure such that we will have only one license and that license will be extended by five years. That will end by 2021. So what has been agreed now is that the license fee that was used for the digital mobile license will now be used as the benchmark to now extend the license for the next five years. So that is really the basis of what has been agreed so far. And that translates to about \$100 million or thereabouts for a five-year extension.</p>
Sifiso Dabengwa	<p>In terms of your second question I think we have been communicating the challenges that we've been having with our network in Nigeria for the last six to 12 months. So the way that we see it going forward is that most of the problems that we've had in the centres that were managed by Ericsson have by and large been resolved. So from a network quality point of view we expect that we will be in a good position by the end of the year. With respect to the others that was really about the data speeds and sustained data speeds. We have indicated that by the end of Q1 next year through the work that is being done now and getting more and more 3G sites on air we should see as a combination of good network quality and good data throughput speeds an improvement from Q1 of next year.</p>
JP Davids	<p>Okay. Thank you. And just one quick follow-up on that. Just in terms of your competitiveness over the next six months are you comfortable you can continue to match the market where the regulator allows in terms of the current pricing that</p>



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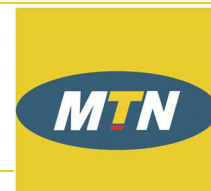
<p>Sifiso Dabengwa</p>	<p>you're seeing? I.e. you will continue to follow the market down; you just may not be able to provide the same sorts of data speeds as Etisalat for example.</p> <p>As far as the regulator is concerned we think that is still something that remains a bit of a challenge because we are still having to take all our offers to the regulator for approval. And our ability to react and respond to the changes in the market is being impacted by that. But with the new regulator hopefully taking his position very soon, in other words the senate committee approving his appointment, we are engaging and we hope that we will be able to address that. Once that is clarified and we are able to be competitive all the time in the market we really intend to be able to remain competitive, and more so with our network issues addressed.</p>
<p>JP Davids</p>	<p>Thank you.</p>
<p>Operator</p>	<p>Thank you very much. Our next question is from Chris Grundberg from UBS. Please go ahead.</p>
<p>Chris Grundberg</p>	<p>Thanks. I've got a couple of questions if I may. In South Africa, a strong performance there. I'm keen to get your thoughts in terms of competitive dynamics around that performance and whether you think you've gain some market share. If so, where from and why? And in the data space a very strong growth number. Is that about principally selling [break in audio] with the improvements in the network? And then secondly just on Nigeria, I just wonder if you can comment on trends that you've seen since the end of the quarter, equally on the competitive side of things, just to know what you've seen in terms of how the various players have been behaving.</p>
<p>Mteto Nyati</p>	<p>Okay, Chris. Mteto here. When it comes to the competitive landscape within South Africa we feel that first of all maybe about three months ago, three to four months ago all of the operators moved their prices up when it came to data. And that helped a lot, the pricing action that we took. When you look at the kinds of offerings that we have been taking to market, very attractive offers, mostly in the prepaid space, that has driven largely the growth that we are seeing with regards to data. The other thing that you will be seeing even more going forward is the strong focus on driving handsets that are with LTE or 3G. And that action started in the third quarter will be accelerating in the fourth quarter. And all of these actions have helped us to significantly drive up our services revenues.</p>
<p>Michael Ikpoki</p>	<p>Okay. On Nigeria in the sense of the competitive landscape what we have seen in Q3 has been a lot more competition in pricing on the data side of things. So we have seen that come through quite aggressively. Like the good CEO mentioned, we did have a few regulatory restrictions regarding the issue of approvals of promos. We have started doing a lot very aggressive on below the line offers, but we have had to engage with the regulator right now because we needed to get some clarifications as to the modalities on how promos would be managed going forward, and also the issue around how we manage BTL offers. So we do have some regulatory restrictions, but we are engaging with the regulator as we speak.</p>
<p>Chris Grundberg</p>	<p>Okay. Thanks very much.</p>



Speaker	Narrative
Operator	Thank you. A reminder if you wish to ask a question please press star then one. Our next question is from Johnathan Kennedy-Good from SBG Securities. Please go ahead.
Jonathan Kennedy-Good	Good afternoon. Just a quick one from me on Nigeria. In the release you talk about data revenue being up 17% – I think that is year on year – and billable minutes being up. Subscribers were essentially flattish, but ARPU was down 5%. I am just trying to get a sense. Last quarter it was down 5% already. I’m trying to get a sense if you’ve seen a slowdown in that. I would have expected ARPU to stabilise if we had seen data revenue growth and billable minutes tick upward. I’m trying to understand whether you are still seeing pressure on ARPU and whether that’s a function of much lower voice tariff in the market.
Michael Ikpoki	I think what we have seen is quite a significant drop in terms of the ERM on data. And that is really what is coming through. So we have seen that come through. So that is really the key issue that we see in the market right now.
Jonathan Kennedy-Good	And do you think that will subside going into the fourth quarter, that kind of pressure on ARPU itself?
Michael Ikpoki	Well, again it will depend on the competitive environment. We have been having some discussions with the regulator. Although there was some attempt to put the price lower on data which hasn’t materialised. I think the bottom line is it will just depend on how competitive we continue to be. We have had to respond relative to what we see out there in the market. So we hope that we can see a lot more rational pricing going into Q4.
Sifiso Dabengwa	I think we can expect that it will probably remain where it is in the sense that we will make sure that we are as competitive as we can. We have seen over the last quarter that our competitors have been very aggressive both on voice and data. So there is no reason that we would expect that that will change.
Jonathan Kennedy-Good	Thank you.
Operator	Thank you very much. Our next question is from David Lerche from Avior Research. Please go ahead.
David Lerche	Hi, good afternoon everyone. Just two questions from my side please. Firstly, can you give us an indication of when last you were actually able to repatriate cash dividends from Nigeria? And then secondly just on the large OpCo cluster, do you guys have any comments on the impact of any deflation in those markets which of course have currencies that are hard-linked to the euro?
Brett Goschen	Basically I will deal with the repatriation. We typically receive dividends six months in arrears. So in the first half of the year, being January and about May, we received the dividends relating to Q3 and Q4 from 2014. We haven’t got dividends out since then. We have been trying to access the foreign currency. So if we take the six-month delay basically we would have expected the first quarter of this dividend to have been



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	<p>received in early September, end of August or early September. And we are already in October. So it has been delayed. I mean the reality is that there is very little liquidity in the forex market and accessing currency is going to remain challenging until the currency is devalued. However after those dates we did get \$23 million in currency to meet our foreign loans or to meet the repayment due at that time.</p>
<p>Nik Kershaw</p>	<p>The large OpCo cluster, the impact of deflation in those markets.</p>
<p>Sifiso Dabengwa</p>	<p>We haven't seen anything. If there is anything we can get out of that we can get back to you, but at this stage we really haven't seen anything.</p>
<p>David Lerche</p>	<p>Excellent. Thank you very much.</p>
<p>Operator</p>	<p>Thank you very much. Our next question is from Richard Barker from Credit Suisse. Please go ahead.</p>
<p>Richard Barker</p>	<p>Thanks. David has just asked my question about the dividend, so that one is out of the way. Just a more general question. The restrictions on access to the hard currency in Nigeria, is that having any other impacts on the business there, for instance your ability to pay suppliers particularly in regards to equipment? You are trying to roll out more sites and putting more equipment in place for the data network there. Are you facing any constraints from that lack of access to hard currency?</p>
<p>Brett Goschen</p>	<p>We have always cash deposits as letters of credit in forex and we have been having difficulty in getting the currency to do that. We do have the central bank's permission to take out unconfirmed letters of credit, which we have recently started doing. So that is really a sovereign risk. They gave us permission to do that. That is currently how we are ensuring our capex orders go through and get met.</p>
<p>Richard Barker</p>	<p>Just before we move on, the central bank governor I think has repeatedly said he doesn't want to see a devaluation. And I have a feeling that the Finance Minister has said similar things as well. I know you are saying you expect the devaluation would free liquidity up, but it sounds from what these public figures are saying is that that might not happen for some time. Do you have any comment on that, any thoughts on that? Are these thoughts wrong?</p>
<p>Brett Goschen</p>	<p>I don't think you are wrong. This is the public rhetoric. It is knowing the president himself. And I guess the other guys are taking their cue from that. He is loath to devalue. He sees it as a bit of a negative image of Nigeria. I think you are correct as you state. When the Finance Minister is appointed and assumed his position sanity has to prevail at some time. Once the cabinet is appointed he should hopefully be taking their advice and ultimately they have to devalue.</p>
<p>Richard Barker</p>	<p>If they were to stick to their traditions for the next six months would that affect your ability to hit your targets for upgrading your data network by the end of the first quarter? Is that potentially at risk?</p>
<p>Brett Goschen</p>	<p>I mean there are a few things. One is we are going this unconfirmed LOC route. We</p>

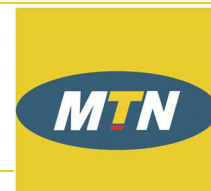


Speaker	Narrative
	<p>are also engaged with suppliers. Supplier credit we can also utilise. Some of our major suppliers have been in Nigeria a long time, also to share the risk there. So we are engaging them on that. Probably as a third step possibly [unclear] in local currency in the meantime. So we are exploring other positions with vendors. But sure, there is a risk it can be impacted. I'm not trying to downplay that risk. It is definitely a risk, but we are addressing it and there are some solutions to a certain extent that we should be able to pursue.</p>
Sifiso Dabengwa	<p>And also to add on to that our major suppliers are engaging positively in trying to make sure that we do find a solution to the extent that we don't have to find ourselves unable to continue rolling out the network.</p>
Richard Barker	<p>Okay. That's appreciated. Thank you.</p>
Operator	<p>Thank you very much. Our next question is from Madi Singh from Morgan Stanley. Please go ahead.</p>
Madi Singh	<p>Hi. Thanks for the call. A couple of questions on Nigeria. Firstly, because of this significant price reduction in data can you share what kind of improvement you are seeing in the data traffic patterns? And how does that leave you in terms of the capacity headroom currently on the network? Secondly on the net additions in Nigeria, you said that almost 70% of the disconnections have already been restored back. I just wanted to understand, is it already reflected in the third quarter net adds, or will that reflect in the fourth quarter net adds? Thank you.</p>
Michael Ikpoki	<p>Okay. Regarding data traffic we have seen very significant improvement. We have seen over 100% in terms of traffic volumes year on year on data. So that has been quite significant. We have got really significant headroom on data, at least about 25%. Like we said at the half one discussion we have also been rolling out quite aggressively on 3G. Like we said earlier on, by the end of the year we have another 1,200 sites which we will roll out in the second half of the year to bring it down to about 209 sites. So we are quite comfortable in that regard. In terms of the disconnections I guess you will see that impact coming through in Q4.</p>
Madi Singh	<p>Just to follow up on the overall trends in the Nigerian business, the third quarter was still quite weak. Do you think sequentially you will see improvement in the fourth quarter, or that is something to be seen in 2016 only?</p>
Michael Ikpoki	<p>Well, I think we are seeing some improvement like the good CEO mentioned in the network quality, because we have addressed the operational issues. Also we are rolling out quite aggressively, like we said, on 3G. We are quite competitive in the market. We are doing a lot of below the line activities, below the line offers. But we have run into a hitch with the regulator this month which we are trying to address. I think all in all once we address the issues with the regulator we should be hopefully seeing an incremental performance in the second half of the year.</p>
Madi Singh	<p>Thank you.</p>



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Operator	Thank you. Our next question is from Mike Gresty from Deutsche Bank. Please go ahead.
Mike Gresty	Good afternoon guys. Firstly to talk to the regulatory situation in Nigeria, I was under the impression that they had appointed a new guy in August. Now you were mentioning that he still has to be approved. Is that correct then that essentially what we are seeing in terms of issues you are facing is really a continuation of the old regime? Or could we read into this that nothing has really changed? We have changed the personnel but the relationship is still very much the same? Can you just clarify how we should be thinking about that? And then just on the South African side I know one should be a little careful in what they read into this, but we are seeing quite a divergence in your prepaid ARPUs versus Vodacom's. I was wondering how you would interpret that. Often when these things diverge it ends badly. So I was just wondering what you think you are doing right to achieve that divergence?
Michael Ikpoki	Okay, regarding the regulator in Nigeria he was appointed in August but by law he should be confirmed by the senate. Unfortunately that hasn't happened yet because presently they are going through the confirmation for the Ministers. So we have to wait a bit for that. But in terms of the relationship we are having a more engaging relationship with the NCC. Yes, some of the legacies of the past, the issue about the approval of promos still remains an issue. The issue about dominant operator still remains. But we are already having some good discussions with them regarding the need for us to set clear modalities and timelines for approvals, the extent of those approvals. So we have started those engagements. We are hoping that we can keep that up and hopefully get some conclusion by the time he is confirmed.
Mike Gresty	Mike, just to be clear about this, should we not really read anything into what looks to have been another pretty troublesome quarter in terms of the regulatory environment? Is that the way we should be thinking about this?
Michael Ikpoki	As I said the regulatory restrictions that were there are not new. Those are restrictions that were already in place. But the more important thing as we go forward is we are having a good dialogue with the new regulator. I think that is what you can take away from these discussions. At least we are having a dialogue. We are looking at the modalities of the approvals. And I think we should be able to come out with something more positive. But I think you must also understand that because of his position he is not also confirmed by the senate so he is also a bit hesitant to take certain decisions. Those are the issues we are having to manage now.
Mike Gresty	Okay.
Mteto Nyati	With regards to South Africa on the ARPUs in the prepaid space I would say that it is largely because of the work that the team has been doing around the offers. We have come up with great offers and the timing of those offers as we put them to market supported by some kind of data analytics has helped us to accelerate the buying of those by our customers. I would say it is largely that that is driving our ARPUs to be where they are right now.



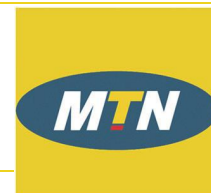
Speaker	Narrative
Mike Gresty	Okay. So you don't sense that there is anything happening around divergence in effective pricing where we get caught much like we were 18 months ago where the pricing is materially out of line or anything like that?
Mteto Nyati	I think we are becoming smart in our offers and when to make those offers. That is largely what you are seeing.
Sifiso Dabengwa	There is clearly no major divergence from a pricing point of view. I mean we are remaining very competitive and as Mteto said in terms of the offers we are putting in the market they are quite attractive. And we see it in our continually growing service revenues.
Mike Gresty	Okay.
Sifiso Dabengwa	And also in the minutes, in the growth in the minutes as well.
Mike Gresty	Sure. Okay, that's great. As I say it seems a very encouraging trend, which is great. Thank you very much.
Operator	Thank you very much. Our next question is from Cesar Tiron from Bank of America. Please go ahead.
Cesar Tiron	Yes. Actually some questions on Nigeria and some on South Africa. On Nigeria can you please give us a vague estimation on what would have been your revenue decline in the quarter if you didn't have those subscriber disconnections? And also I wanted to understand, to reconnect those subscribers that have been disconnected you need to pay distributors new fees or if you don't need to have it. And also if you can tell us if the balance of the subscribers that have not been reconnected are low-end subscribers or are they high-end subscribers? And on South Africa can you please explain again. Besides the pricing that you've changed there must be something else. I have rarely seen these types of revenue swings in a telecom company. Is there not anything else that can explain the revenue swings between Q2 and Q3 on the revenue and whether you think we will see similar trends in Q4? Thank you so much.
Michael Ikpoki	Okay. Regarding the questions, yes, we did have some impact in terms of the revenues. Obviously in August and September like we said we had to disconnect 5.1 million people. So yes, we did have some impact in terms of the revenue. It is about ₦1.5 billion, that was the kind of impact that we saw. On the second point around distribution fees that really doesn't arrive because these customers have already been on the network so we already paid the distributors at the time of activation. So this is really our method of trying to get them back. The issue around the kind of customers, obviously the customers cut across the different value bands. What we have been trying to do is trying to entice and engage more of the high-value customers. But they cut across the 5.1 million customers. All the customers that had any defect in their registration we had to disconnect all of them. So they cut across the different value bands.



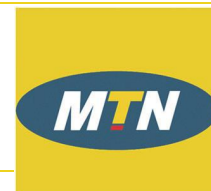
Speaker	Narrative
Cesar Tiron	And then just to follow up on that, the ones that have not been reconnected, are they also from various value bands?
Michael Ikpoki	Yes, they are from various value bands. What we are doing in terms of engaging them we are obviously focusing on the high-value customers a lot more because obviously that adds a lot more value to the business. So we are engaging them and trying to make sure that we get them back on the network. That is our priority.
Mteto Nyati	Okay. Turning to South Africa, as I mentioned before we have been driving quite a lot of offerings in terms of the market. So that is one key driver. But the second one, if you look at the number of subscribers on LTE we currently stand at about 1.2 million. That is a 13% quarter on quarter growth, and it is also about 75% year on year growth. And that is at the back of all of the work that we've been doing with regards to rolling out of LTE sites. The combination of all the work we have been doing in the LTE space is also an important driver of the growth that you are starting to see.
Cesar Tiron	So is South Africa a market which can grow double digits for you?
Mteto Nyati	I see South Africa as a single digit growth market. We are trying to grow a little bit above, but to me that is really where are happy in this market.
Sifiso Dabengwa	If I can just comment on that, I think a lot of work has been done over the last 12 months or so. I guess a lot of issues with respect to the network, devices, offers in the market are all coming together and they are coming together quite well. If you recall we had a process in which about 1,500 people left the organisation early this year and late last year. The key issue is that the organisation as a whole and the activities in the organisation are coming together and they are coming together very well.
Cesar Tiron	Thank you.
Operator	Thank you very much. Our next question is from Kwadwo Obeng-Manu from Quartile Capital. Please go ahead.
Kwadwo Obeng-Manu	Thank you very much. Could you kindly take us through your thinking around the capital expenditure plan and how it is expected to grow, particularly in South Africa? My second question is, is there any reason why the domestic medium-term programme hasn't been tapped particularly on the short end? I see the use of bank funding or bank facilities solely on that. My question really comes from the environment where we have a lot of liquidity chasing quality corporate credit. Could you take us through that?
Brett Goschen	Let me handle that firstly. We are looking at that. Basically what really delayed us is we were going to put all our treasury functions in that treasury company. And with the guarantee structure that became too complex and we had to find a different method of issuing these notes. And what has also happened is they also changed the regulations in terms of you have to issue from a public company. So we had to go through a procedure of changing holdings from a private to a public company. [Unclear] in the market conditions but we have had to go through these processes



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Mteto Nyati	<p>which has somewhat delayed us on the DMTN programme.</p> <p>Okay. With regards to the capex in South Africa this year we are sitting on a capex of about R10 billion. We see ourselves going similar kind of size next year. This is very much in line with our strategy to lead in the data space. So that is what I can say with regards to capex for South Africa.</p>
Kwadwo Obeng-Manu	<p>Thanks. Just one last question relating to the DMTN programme, particularly the regulatory aspect. Do you have an indicative timeline as to when you see that being concluded?</p>
Brett Goschen	<p>First quarter. We are targeting around first quarter next year.</p>
Kwadwo Obeng-Manu	<p>Thank you very much.</p>
Operator	<p>Thank you. The next question is from Craig Hackney from NOAH Capital Markets. Please go ahead.</p>
Craig Hackney	<p>Just sticking with South Africa in terms of revenue the post-paid ARPU is up 19% quarter on quarter. With the LTE subs being up 13% is that the major driver behind that, or is there anything else that is driving that?</p>
Mteto Nyati	<p>It is largely the LTE that is the major driver at this stage. As we move into the next quarter we start to see us getting back to the normal rate that we have been driving with regards to handsets. But right now handsets are not the key contributor at all in Q3.</p>
Craig Hackney	<p>Are you seeing that LTE subscriber uptick continuing into the fourth quarter at the same kind of rate?</p>
Mteto Nyati	<p>The same kind of growth. Again this is linked to the investments that we are making. As more and more the experience is getting better we are going to be seeing more of the adoption of LTE. That is what we are seeing.</p>
Craig Hackney	<p>Okay. Thank you.</p>
Operator	<p>Thank you. Our next question is from Myuran Rajaratnam from MIBFA. Please go ahead.</p>
Myuran Rajaratnam	<p>Good afternoon gents. Thanks for taking my call. I've got a couple of questions. The first one is sitting in South Africa we've had some contradictory reports as to the disconnection of subscribers in Nigeria from media and analyst reports. To get your sense of it, it looks like you guys had 5 million subscribers out of the 60 million disconnected. What sort of percentages did the other operators suffer? Do you have a sense of that?</p>
Michael Ikpoki	<p>Well, no, we don't. I can't give you a number. We don't have a sense of that.</p>



Speaker	Narrative
Myuran Rajaratnam	Okay. Then the second part of that question was just to confirm what Madi asked earlier on. You said 5 million were disconnected at the end of August but to date 3.4 million if I read your note correctly... what was reconnected by the end of September where this announcement is based on?
Michael Ikpoki	No, I think it is about 3.4 million actually.
Myuran Rajaratnam	If I read it right 3.4 million were reconnected by the end of September.
Brett Goschen	That number was at 12 th October. And the disconnections happened at the end of August. That is six weeks. That is kind of what the date was.
Myuran Rajaratnam	Okay great. That helps to clarify it. The last question is you mentioned the operators in South Africa have been behaving a bit better in terms of pricing in the last couple of months, putting up prices three or four months ago. More recently what sort of behaviour have you been seeing from Cell C? Given the fact that they have always been up for sale, but it seems like the negotiations seem to be getting a bit more reasonable or serious. Are you seeing that their behaviour on the competitive side is getting a bit more reasonable as well given that they want to look as best they can for marriage?
Mteto Nyati	Looking from segment to segment we have seen in certain areas where they continued to act in the normal way that they have been in the past. And by the way even Telkom has been coming out with very aggressive prices. But overall we saw everybody moving the prices up about four or five months ago.
Myuran Rajaratnam	Okay. Just a general average, the countries that have Mobile Money, what percentage of your subscribers in those countries have Mobile Money now? Just a loose number.
Nik Kershaw	I am happy to send you through those details. Obviously it varies massively from country to country. We can come back to you with those numbers. But clearly in the bigger countries, Uganda, Ghana, Ivory Coast, Rwanda and Zambia clearly it has the biggest impact.
Myuran Rajaratnam	Great. Thanks.
Operator	Thank you. Our next question is from Ziyad Joosub from JP Morgan. Please go ahead.
Ziyad Joosub	Hi everyone. Thanks for the questions. Just some clarity on Iran. Is there a very strong data change? You have seen data accelerate close to 90% off a high base. In H1 you had some issues on the voice side with disconnections as well as number range delays. Overall service revenue trend looks flat in Iran at around 10%. Given the stronger data has voice taken one step down in Iran, and how should we be looking at this going forward? Historically it has been a very strong voice market, so should we be changing our view there?
Sifiso Dabengwa	Basically what happened was that in order to get voice minutes back on our network there were some aggressive promotions that we put in the market during the last



Speaker	Narrative
	<p>quarter which basically reduced the effective tariff quite significantly but brought a lot of subscribers back onto our network. If you look at the growth in net subscribers in Q3 it was probably the highest that we've had in a number of quarters. So there was an aggressive promotion that was put in specifically aiming at voice. And from a growth in minutes and a growth in subscriber numbers that was quite effective.</p>
Ziyad Joosub	<p>Excellent. Just on value-added services, are you still seeing such strong dynamics in Iran? I mean it was 10% of total revenue I think in H1. I could be mistaken. Is it more of service revenues now?</p>
Nik Kershaw [?]	<p>It is still going well there. It was about 10% and not much has changed. Digital services are still growing well in Iran.</p>
Ziyad Joosub	<p>Thanks very much. Thank you.</p>
Operator	<p>Thank you. Our next question is from Sibonginkosi Nyanga from Imara Stockbrokers.</p>
Sibonginkosi Nyanga	<p>Afternoon gents. I'm looking at SA. It seems that you have tightened your T's & C's on data and we've had issues with your customers complaining about that data is expiring. Is it possible to give us a sense as to what portion of your debtor revenue growth is emanating from the expired portion of data?</p>
Sifiso Dabengwa	<p>Look, we can't give you the exact numbers, but I can assure you it is actually extremely small. But we can come back to you in due course.</p>
Sibonginkosi Nyanga	<p>Okay. Thanks.</p>
Nik Kershaw	<p>And you have also seen a promotion with that. Do you want to talk about that promotion that we've launched?</p>
Mteto Nyati	<p>One of the things that we are driving separate from the industry is to move to a situation where most of our offerings won't be expiring. We believe this is in line with the kind of company we would like to be and we are.</p>
Sibonginkosi Nyanga	<p>So this will not impact on the growth trajectory that we are seeing in SA data growth?</p>
Mteto Nyati	<p>No, not really. We just feel that to us this is the kind of MTN we are, this is the company and we want to move in that direction.</p>
Sibonginkosi Nyanga	<p>Okay thanks.</p>
Sifiso Dabengwa	<p>This is really about addressing something which customers were finding to be a negative experience.</p>
Sibonginkosi Nyanga	<p>Thank you.</p>
Operator	<p>Thank you very much. We have a follow-up question from Jonathan Kennedy-Good.</p>



Speaker	Narrative
Jonathan Kennedy-Good	Thanks for taking my final question. Just on the comment you made earlier about the Nigerian dividend, if I heard correctly you said in August/September you tried to declare some dividends and that never happened. Just to clarify if my understanding is correct. And then it seems as though the government is allowing businesses to make payments from foreign currency debt. Are they asking you to defer the dividend payments to your financial year end or are they remaining silent on the issue at the moment?
Brett Goschen	No, we have declared the dividend. It is really just about accessing the forex to remit. And there is very little liquidity in the market. What we need to do recently in the previous ones is also engage with companies that are bringing money into Nigeria. And currently there is very little of that. So yes, they have committed to us to provide the currency for the debt payments, but we are engaging with the CBN. It is just the lack of liquidity. They haven't asked us to defer. It is really just as soon as the currency becomes available this is the view. Mike, I don't know, you've had direct engagement with the governor.
Michael Ikpoki	I think it is fine. You are correct.
Brett Goschen	The \$23 million, there was a principle payment due on our debt in August which was \$23 million and the central bank supplied us with the forex for that just to settle that principal payment which was due on our debt.
Jonathan Kennedy-Good	Thank you.
Operator	Thank you. Our next question is a follow-up from Chris Grundberg. Please go ahead.
Chris Grundberg	Thanks. I've just got a quick clarification actually. I wonder if you could confirm have you re-engaged with Telkom at all on the proposed roaming agreement that was not approved by Com Com?
Sifiso Dabengwa	No, we have not.
Chris Grundberg	Thanks. On that theme, in that sense the R10 billion of capex that you're saying is likely to recur next year, that is obviously on the assumption that things will prevail. There are no alternative plans to increase your network capacity.
Sifiso Dabengwa	That is correct. It is based on the assumption that we are operating as we are and we don't have the kind of reciprocal roaming with anybody. That is correct.
Chris Grundberg	Great. Thanks.
Operator	Thank you. Our final question is a follow-up from Cesar Tiron.
Cesar Tiron	Yes. Actually two very quick ones. The first one, you mentioned that some of this growth in South Africa is driven by your effort to promote LTE. Do you think it will have an impact on margins if you possibly increase the handset subsidies? Then finally on this potentially resigning the deal with Telkom. Don't you think it is better to try



Speaker	Narrative
Mteto Nyati	<p>and renegotiate the deal with Telkom instead of not going forward which might cause them to buy Cell C and possibly derail [?] the market? Thank you.</p> <p>I will answer the first one. As much as we are aggressively driving the adoption of handsets which are 3G and LTE that will of course have an impact on margins. But on the upside when you look at the revenue and the data usage we feel that this is going to neutralise this. So I don't see any negative drive largely because of the adoption or the usage of these handsets.</p>
Sifiso Dabengwa	<p>Look, as we have indicated we would want to see our margin in the South Africa business inching towards that 35% level. Yes, whilst we are going to be aggressive in getting the right devices to drive data it just basically means that we have to do other things in order to try and get our margin to that 35% level that we've indicated. As far as reigniting the discussions with Telkom is concerned we were of the view that we should have taken the matter beyond the Competition Commission to the tribunal. But they obviously were not keen. So it is very difficult for us to push them to continue with the discussions. They were very happy and comfortable not to proceed beyond the Competition Commission. And up until today there hasn't been any indication that they would like to come back to have a new discussion.</p>
Cesar Tiron	<p>That's very clear. Thank you so much.</p>
Operator	<p>Gentlemen, we do have one more question from Alistair Jones from New Street Research.</p>
Alistair Jones	<p>Hi. I've just got a question. Post-paid ARPU has increased quite significantly on a sequential basis. You mentioned the LTE to be a driving factor. Can you give me a sense of a subscriber on 3G, what happens to his ARPU once he upgrades to LTE? Just to get a sense of how much consumer spend increases on the back of a faster network offering. Just on Nigeria we have talked about the regulatory issues etc. I was wondering if you have got any sense of whether consumers are actually starting to cut back on their spend, if that is partly to blame for the slow-down in the Nigerian market. Or is it all to do with your ability to have quicker reaction times on product offerings? Thanks.</p>
Nik Kershaw	<p>Alistair, regarding the issue on the usage on 3G and LTE ARPU I will come back to you with that detail. We don't have that on hand with us right now.</p>
Michael Ikpoki	<p>On the regulatory issues, we have mentioned that there were some issues with approvals with the regulator. And I think the second point on the macro-economic issues I think that is clearly a factor in the economy. I think it is very clear what is happening in the economy as a whole on account of the reduction in the oil price. So we think that is a factor. A couple of states were not paid salaries. But there has been a bail-out fund that has been approved for them. So the macro-economic issue is still a factor without a doubt.</p>
Alistair Jones	<p>Do you think the macro issue is a bigger issue than ability to react to other competitors' offers? I'm trying to get a sense of if the slow-down is more to do with</p>



Speaker	Narrative
Nik Kershaw	macro slow-down and things out of your control, or is it to do with regulatory issues? I don't know if that is possible to... I think the one thing we had said before is Sifiso mentioned at the interim period that some of the network challenges were obviously quite important and were having a big factor. The macro as we said is going to remain tough for the next 18 months, but we do expect revenue growth to improve as we move forward into next year.
Alistair Jones	Okay. Thank you.
Operator	Thank you very much. Gentlemen, we have no further questions. Do you have any closing comments?
Nik Kershaw	Nothing more from us. Thank you very much for the call.
Operator	Thank you very much. Ladies and gentlemen, on behalf of MTN that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT