MTN Group Ltd
Interim Results
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Speaker	Narrative
Operator	Good day ladies and gentlemen and welcome to the MTN 2017 interim results conference. All participants will be in listen only mode and there will be an opportunity 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 note that this call is being recorded. I would now like to turn the conference over to Nik Kershaw. Please go ahead sir.
Nik Kershaw	Hi. Good afternoon everyone and morning to those people in the States. Thanks very much for dialling in. With me here this afternoon is Rob Shuter, group CEO, and Ralph Mupita, group CFO. Rob will make a few opening remarks and then also cover one or two questions that have come through from quite a few people, and then we will open the floor to Q&A which will be moderated by the operator. So over to you, Rob. Thanks.
Rob Shuter	Thanks Nik. Also welcome from my side. I know many of you investors were in our presentation this morning but there are I guess some hearing it for the first time so we will try a middle bridge between these two realities. I think comments from my side quickly on the financial results, what are the highlights. Constant currency service revenue plus 7.5%. Encouraging progress in the two big drivers of growth in the future, data plus 32% constant currency, digital services plus 25%. FX obviously weighing quite heavily on the reported numbers because pretty much all of our local OpCo's have seen significant depreciation against the ZAR. Looking quickly at the performance of the big markets South Africa service revenue plus 5.2% organic adjusted for a disposal last year. Prepaid doing pretty okay, plus 9%. I think the post-paid business is still struggling but certainly a little bit better than it has been the last couple of halves. Nigeria growth up just short of 11% so that's doing reasonably well against our former guidance of upper single digits. In Nigeria what stands out obviously is the margin pressure. A lot of the network opex is denominated in Dollars so of course if the Naira depreciates against the Dollar the opex has gone a lot. So that put big time pressure on the margins. I think IranCell is doing well. Most of the medium-sized markets doing pretty okay. Ghana, Uganda, Ivory Coast I think are good stories. A little bit of pressure in Cameroon with the data network shutdown in H1. I think on balance there is more decent or positive news in the performance of the OpCo's. Balance sheet wise net debt is pretty stable. We have declared the interim dividend of R2.50. We have reconfirmed the dividend guidance for the full year, managing to make good progress on the upstreaming of dividends. That's why the cash flows are all working okay. And I think that's a little bit on the numbers. On the strategy we did discuss this morning the new BRIGHT framework which is basically the six key operational pillars of the group's strategy going forward. It's a focus on the customer experience, return on efficiency, pushing out on the commercial agenda with the right segmentation model, growth through data and

	digital, hearts and mind, high performance culture, risk and reputation management, and of course the technology excellence both in mobile and in IT. A couple of key questions that have been coming out over the last couple of hours. I may as well put them out there now just to try and progress this quickly. So a question on our dividend from Nigeria. Has it been received? The funding was all secured a couple of days ago and the cash has started to flow, and it should be all done during the course of next week. A question around the Nigerian capex. How do we feel about that? Obviously we have pulled the guidance back in ZAR from the R9.5 billion that was in our old capex guidance to around about R7 billion for the full year. That's largely a function of the weak macro, some of the challenges in rollout, a lot of the discussions we've been having with our partners there. For sure we are out-investing anybody else, so we were pretty comfortable in the end that we continue to invest in the market. There was a more general question on capex. What is behind the drop in the overall guidance? So you will know we guided R34.7 billion and we are now guiding R30 billion odd. There are really just three big pieces in that. One is the Nigeria situation I just described. Two is just pure translation. The original guidance in ZAR was at a different exchange rate. And the third big one is that we pulled almost R2 billion out of the head office capex where there were some filler amounts there for some various strategic projects. Outside of that for the other 20 markets it is a combination of small ups and small downs. And for sure there is no intention to be throttling the investment we need for the future. Why is it low in H1? You know it is now R10 billion against the new capex guidance of R30 billion, so a one-third two-third split. Generally in our industry we are a little bit weighted always towards the second half. Maybe it is a bit more pronounce in our numbers. I guess a combination of a little bit of a slow start to the year. But I've seen the detailed rollout plans for the big markets for sure and I'm feeling pretty comfortable that we will get through this rollout programme in the second half. There was a question on the future inflows from the Iranian joint venture. We are expected approximately R6 billion of inflow in the next nine months, a combination of loan repayments, dividends etc. And we feel that we are in pretty good shape to secure that. It is all fairly far advanced, that work. A question would we consider a scrip dividend. That has not been discussed at the board at all. I'm sure everybody on the call is aware that the share price has not been a hugely inspiring performer for the last while, so for now we are pretty much focussed just on getting through with the two cash dividends, the interim and then the final. And finally there were some questions around the disclosure of the local currency performance in the markets. I think it pretty much can be figured out from the presentation and the material. There is no point in making people do some forensic accounting so we will add some data sheets up on the website that give you clear visibility of local currency revenue and EBITDA progress across the markets for your information. So that's a whistle-stop tour, and I guess best we move to the Q&A.

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Nik Kershaw	Thank you. Operator, if you can move on to the Q&A.
Operator	Thank you sir. If anyone wishes to ask a question please press star and then one on your touchtone phone. If you wish to withdraw the question please press star and then two to remove yourself from the queue. If anyone would like to ask a question please press star and then one. We have a question from JP Davids of JP Morgan.
JP Davids	Thanks guys. Two questions please. The first question relates to Nigeria and sort of a helicopter view if you can just around the withdrawal of Etisalat from that market and its partners. If you look at the process of their withdrawal and the subsequent action taken by the regulator and the central bank how does it make you look at the investment climate in Nigeria? More encouraged or more disillusioned? i.e. more encouraged in the sense that the regulator and the central bank are willing to protect businesses there, or more discouraged that you are seeing a foreign investor pull out, or maybe a bit of both? The second question relates to South Africa. Maybe you can give us a bit of colour around your handset strategy going into the second half of the year. I guess it stands out as quite a soft half year from a handset perspective despite the easier forex levels. So you would have thought you would be bringing in more handsets at this point and flogging more handsets to your customer base. If you could take about how that may change into the second half that would be great. Thank you.
Rob Shuter	Okay. Thanks JP. Rob here. Let's talk quickly about the Etisalat situation. I was actually up in Abuja when they announced that they were withdrawing. You know I think I would say neutral. In the end this is an operation that has got itself significantly over-geared, Dollar gearing in the Nigerian market. And the international investors eventually got to a point where they were not prepared to step in and assist with that over indebtedness. And so basically they decided to withdraw from the market. The regulator felt that a proper process had to be followed in terms of change in ownership, license conditions etc. And the regulator is also very much trying it take care of the industry. He wants a sustainable industry as do we all. So I think it is a pity that one of the operators struggled to make it. From our side MTN Nigeria need to just keep on running our own race. And that is the race of building out the business, getting on top of the distribution, leveraging the data opportunity, playing to our strengths. And we are trying to stay a little bit out of the drama and the politics that are going on around that particular event. Second question, SA handsets. For sure a lower half than the comparative. I guess in a way also partially a good thing, because there was quite a lot of commercial aggression in the first half of last year. And you would know if you run the numbers that there was quite a negative margin in the handset business. So we have put a lot of discipline into that in terms of last year. And you would know if you run the numbers that there was quite a negative margin in the handset business. So we have put a lot more discipline into that in terms of what kind of subsidy levels we're happy with, trying to get a mix of mid-end handset. The real expensive subsidies are at the top end with the vendor which shall not be named. I think we're looking for a good commercial H2. You know the so-called summer campaign, a big push in the second half of the year. This is a big feature of the South African commercial calendar. So I actually feel quite positive about what we saw there just in terms of more discipline

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	around incentives and our general commercial orientation in the market.
JP Davids	Thanks Rob. Appreciate the thoughts.
Operator	Our next question is from Cesar Tiron of Bank of America.
Cesar Tiron	Yes, hi everyone and thanks for taking my questions. I actually have three questions. The first one is on Nigerian margins. I understand that most of the margin pressure related to the tower leases. Can you please tell us if all the leases have been reset to the current USD Nigerian exchange rate? That is probably another way of asking if at current USD NGN rate if there would be more downside to your margins in H2. The second question relates to capex. I was a bit surprised with the capex cut especially since you highlighted FX was one of the issues. When you have provided your guidance on capex the Rand was not materially different to the current levels. So what I was trying to figure out, would R30 billion be your new run rate capex not only for this year but as for the future? And then the last question I have. I would like to understand a bit better the rationale for you to maintain your dividend at current levels because the free cash flow of the company is significantly below the R7 per share dividend in 2017 but also in 2018. So could you please explain to us why you are maintaining this dividend at such a high level? Thank you so much.
Rob Shuter	Sure. Let me take these one by one. So in the Nigeria margin obviously there is the network opex. Sitting in the network opex is the amounts we are paying for various site rentals and site upgrades. There is a mixture of contracts there. There are the contracts relating to the old INT portfolio, there are IHS sites. There is a range of different vendors. And they have different mixes of Naira and US Dollar components embedded in those contracts. But generally I think more specifically to your question the Naira Dollar rate used in that denomination is the official rate. And so to the extent that the official rate changed in the future that could put some more pressure or could release some pressure depending which way it went on the network opex in Nigeria. In terms of the capex the capex forecast was actually done October last year, so it probably excuses Ralph and I who arrived six months later. For sure in the original business plans of the group they assumed a weakening of the Rand going forward, and now we have actually stable to slightly stronger. That's the one big factor. The second thing I described and you see in the guidance if you had a look at it. There was almost R3 billion of capex in the head office and that has been pulled down to R1 billion. That was a range of projects that we decided not to pursue. Longer term trends, if the R30 billion we guide for the full year is the new departure point, we still think that's a reasonably full investment across the group. The intensity is still quite high in markets like South Africa in particular. And I think directionally over time we would like to bring that level down. But we are going to go through all the detail of that in the second half. Your final question on the group dividend. So the dividend guidance that was published when the group reported its full year results in February, early March, was the board guided for a 700 cents dividend for the FY17 financial year. And this

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	guidance was generated pretty much on the basis that we would be able to do that and still keep the group's net debt stable. And that is very much what is playing out. So the board felt that the right thing to do was to stick with the guidance because not much had changed between the guidance and the situation today. But that is only for the FY17 year and we will announce with the full year results what the dividend policy will be going forward.
Cesar Tiron	That's very clear. Thank you so much for your answers. Thank you.
Operator	Our next question is from Chris Grundberg of UBS.
Chris Grundberg	Thanks very much. A couple of questions from my side first on South Africa and specifically on the post-paid performance. I just wondered if you could flesh out a little bit for us. You mentioned that there was some greater strength in the consumer segment than in the enterprise segment. Can you give any colour or quantification around that, relative growth rates of the two or split within that post-paid segment? And then secondly you also mentioned the consumer post-paid was slightly healthier. Rob, you talked when you arrived about how you were hoping to fix that, but it would take some time. Can you give some qualification around how you think that fixing is going and how far you are on that journey?
Rob Shuter	Sure. Thanks Chris. So I guess in brief post-paid as we disclose it is an amalgamation of consumer and enterprise. And in enterprise sits a range of what we would all regard as enterprise customers. But there are also a number of on-billers. There is a whole business in there as well. And if I look at the consumer part of the post-paid business what I see there for example is that the growth adds are looking much better than they were in the equivalent period of last year. I see that the retentions are stable. A key commercial metric we look at in our industry is the so-called unlocked base, in other words how much of your consumer base are out of contract and you haven't managed to put them back into contract. That percentage has been improving a lot. The net base is broadly stable as we discussed. And if you look at the IBRO now we go a little bit into the long grass here, but the IBRO is the inflow base retention outflow. It is basically a system where you look at what is happening inside your post-paid business. And the quality of the inflow looks better than the quality of the outflow. So that's encouraging. But we are often retaining customers on a slightly lower ARPU than they were on before, and that obviously then puts pressure on the revenue down the line. So that is much easier to wrap your arms around. The numbers are much clearer. And in fact we make progress on improving the quality of the inflow when we still have a tremendous amount of challenges out there in the distribution space. So we are still trying to restore and renegotiate our relationship with the branded dealers. We still have a lot of business process issues that need repair. So looking better, but a lot of work ahead. When you get to the enterprise side I must say that still looks very challenging. We have lost some big accounts. I think you know that the big national post-paid contract went to one of the competitors. So we've got customers churning off there. And we haven't really been well enough organised I think historically to manage the large

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	corporate mobility accounts. So we've got a save team in there. They have got a pipeline. There are resources. We are doing some outbound calling on SME. But that still is going to take quite some work. Part of the challenge there also is to get the right IT infrastructure in place. We have this project which is really looking at the whole billing and provisioning system focussed firstly on the enterprise customers. So I think that's going to be a longer road. But hopefully that maybe gives you a little bit of feel for what's going on commercially there.
Chris Grundberg	That's helpful. Thank you.
Operator	Our next question is from Goldman Sachs.
Goldman Sachs	Yes. Thanks for the presentation. A couple of questions on Nigeria. Firstly can you elaborate on the competitive landscape in Nigeria? How would you assess the impact from Etisalat challenges on the competitive environment? Have these challenges been visible a year ago or what are the factors visible currently? That was the first question. And the second one is can you somehow elaborate more on the Nigerian cash repatriation. Apart from the almost $100 million already repatriated out of Nigerian in July how much is left there for further potential repatriation? What could be the rough level of cash in Nigeria in case of further Naira devaluation to the current black market rate? I'm just trying to assess a sustainable level of dividend flow out of the country, so any thoughts on that would be helpful. Thank you.
Rob Shuter	Sure. Let me try and tackle those all one by one. The first question is around how we see the competitive landscape in Nigeria. I think the point I was making this morning is to find your relative performance particularly in the subscriber space is pretty complicated now because we are cleaning up definitions. Others are reporting in different ways. So we have done quite some work to untangle that and form a view of how we are doing. One way to do that as an example is to look at your bi-directional voice interconnect because that gives you a really clean read of what's happening in the base. And I would say at a high level I think we've held share. And I think the operator you refer to has struggled a bit. And I think certainly Airtel in our perspective have done quite well in the last half. So we would be looking for a better relative performance in H2. I think that's at an overall level. I think if you look at the data part of the market I think there we're doing pretty well. And certainly if you look at things like network quality the challenges we had in Lagos and Port Harcourt historically, congested sites also, I think we've made pretty good progress. Cash repatriation, we said MTN Nigeria declared a dividend relating to their performance in the first half. They started repatriating that back end of July early part of August. As I said that will be finished pretty soon. And that's how we would see this going forward. The extent to which they make retained earnings, after-tax profits, we would be looking for a portion of that to come back as dividend. But there is no big backlog of loans or unreturned resources similar to the situation in IranCell. I guess you would just have to make your own calculations on what kind of sustainable profit you think is realistic and what proportion of that would come back more regularly as dividends. It is the first operational dividend out of MTN Nigeria since I guess early 2015. So it is early signs that we restore a more conventional commercial calendar

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	there including regular dividends.
Ralph Mupita	Rob, if I can just add to your point there in terms of resources to fund the growth in Nigeria. As we said at the results today we've got facilities to continue our capex programme. And obviously from time to time we review and extend this. But we have $700 million worth of facilities to support that programme. So we are able to extract dividends in the market. The balance sheet is ungeared in Nigeria. You will see there we have R12 billion of cash. And so the operation is able to support this kind of level of dividend going forward and we're able to do the capex rollout as well.
Goldman Sachs	Okay. Thank you. So basically the first half earnings was around $100 million which you were able to repatriate. So that is basically more or less a sustainable level of dividend flow under the current macro conditions.
Nik Kershaw	That wasn't the exact number, no. That was just the dividend that was declared. Remember that $95 million odd was our share of the dividends. That was obviously after withholding tax and minority payments. But it wasn't based on exactly retained earnings for the first half. The business obviously had some historical retained earnings and things like that. It was just a number that the board felt comfortable with given the current liquidity situation in the market. My suggestion is if you look at what we've disclosed we do disclose revenue, EBITDA, depreciation and amortisation. You can make some assumptions around tax and interest charges as well. So you should be able to come up with a reasonable idea of what sort of earnings are coming out of Nigeria.
Goldman Sachs	Okay. That's fine. Thank you.
Operator	The next question is from Madi Singh of Morgan Stanley.
Madi Singh	Hi. Thanks for the call. Just a few follow-ups in Nigeria. Can we know what was the FX rate that was used to upstream the dividend? Was it the official rate or it was more like the NAFEX rate? Secondly you talked about the network issues have been addressed. One of the major issues was lack of fibre back hauls. So has that issue been resolved as well? Are your base stations now getting the fibre back haul connection? And then thirdly, staying in Nigeria, what do you see the in-market consolidation opportunities in Nigeria? Would you be interested or would you be allowed to take a look at Etisalat, acquire it? If not would you be worried if a big international operator comes in? And finally in South Africa Telkom assets could be sold by the South African government. So would you be interested in this asset? And overall how is your convergence plan looking? Thank you.
Rob Shuter	Okay. So I guess we will have to all try a piece of those. The FX rates for the Nigeria, Ralph?
Ralph Mupita	The FX rate that we use we are procuring these Dollars at the IME window and think more of ₦350 to the Dollar. That is what you will find at the IME window.
Rob Shuter	Okay. I think on the back haul, the access transmission issue in Nigeria, I think the

challenges we had in the network were broader than just that. You know we had a real shortage of capacity sites in some of the big metros. We were really struggling in Abuja and Port Harcourt with capacity sites. We have had some spectrum constraints also. Part of it has been back haul. And I guess all three have eased a little bit in the last two months as we've been more deliberate on the rollout. But there will always be pressure on all of those elements. I wouldn't like to say that everything is solved, but for sure the network performance is looking better.

The question on in market consolidation in Nigeria, you know our focus is we've got our heads down and we're building our business. And we want to get that into the best possible shape. And as I said earlier we are really not getting involved in anything around what's happening with the rest of the market. And to be honest it is similar with your final question on South Africa. I think we've got a good brand. We've got decent infrastructure. We do need to have a little pivot back in enterprise to our core connectivity business which suits us well. Plan A needs to be organic. And again that's what me and my team are focussed on, building out the organic strategy. You know if there are M&A opportunities obviously those are all pretty much opportunistic depending on what happens in the market. And I don't want to build a strategy hoping something will happen.

Madi Singh

So just following up on that, do you really think that MTN needs to be a fully converged operator let's say in five years' time. Or do you think remaining a primarily mobile operator still serves the purpose?

Rob Shuter

I don't think that South Africa has the same characteristics of the more developed European markets. I think in Europe converged operators across consumer CP4P and across enterprise, fixed mobile, unified comms, that is very much a winning formula. South Africa has different characteristics. The consumer fixed line infrastructure is relatively small, so it's a good place for a mobile-centric consumer operator. And in enterprise managed mobility is a big theme, so that also suits well. But of course there are opportunities for fixed voice and fixed data. And MTN totally has invested in rolling out metro fibre rings, fibre to the business, fibre to the site which can be aggregated in the enterprise market. So I think you can approach the market in a converged way without necessarily having to put a big mobile and a big fixed operator together.

Madi Singh

Okay. Thank you.

Operator

The next question is from Mike Gresty of Citibank.

Mike Gresty

Good afternoon guys. Just a couple from my side. I'm struggling a little bit to understand the somewhat conflicting message in the Nigerian repatriation. You have cut the capex guidance it sounds like because of a lack of forex availability, yet you have been able to repatriate it seems like the full amount of what you went for. Arguably this would be the time to be spending if you could to put a clear set of hills between yourself and the competition from a network quality perspective. So it feels a little bit unfortunate that you're having to cut your capex guidance. I just want to understand that slight conflict if I may. And then, Ralph, you mentioned that there is

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	probably about 1% chopped off the Nigerian margin due to one-offs in the period. Could you just chat a bit more about what those were in terms of how we should be thinking about that margin going into the second half?
Rob Shuter	Okay. So let me try again on the Nigerian capex. We're going to put R7 billion into the ground in Nigeria this year. That is probably about R6 billion more than anybody else because we are one of the few operators who have still got the ability to invest at scale. It is not the same rollout programme we had originally designed October last year. It is a combination of a few things. So we have spoken about Dollar liquidity. Particularly in the first half of the year that was pretty constrained. The second window only opened up after Ralph and I got here.
Ralph Mupita	March, April.
Rob Shuter	March or April or so. At the same time we also want to take a balanced approach to this. I'm not sure the right way to think about things is capex or dividend. Bear in mind we are also moving towards the listing of the Nigerian business in the next six or 12 months. So I'm looking for something that balances these various items. And I think it was a very positive sign that we got support also to start more regular dividend flows as evidenced by the interim dividend. And we will look at the right investment profile for Nigeria next year when we do the detailed plans. So I guess, Mike, it's somewhere in the middle of what you're saying. We have pulled it back a bit, but it is still a significant investment. We are still enabling to support a 70% data growth on the network. We have got 4% or 5% voice growth. We are holding our own. There is the capacity to increase share in H2. The network performance is better than it was. Quite a lot of the capex that they originally wanted to spend was on aerial fibre. And we already have a terrestrial fibre backbone in Nigeria. And for sure myself and Jens had a lot of questions around whether that was the best use of our resources in the whole fibre ring. So we are trying to make a balanced approach to these two things. Ralph?
Ralph Mupita	Sure. Mike, on the Nigeria dividend 38.3% I mean as I mentioned in the results presentation we had two one-off items that in aggregate or close on 1% that would have impacted the margin. You could put it under professional fees in terms of some work that we're doing there that's supporting the improvements of EBITDA under Project Ignite. So that probably takes more or less half of that number of 1%. And there was another amount that came through and it's a legacy provision amount that came through Discover Digital. That is probably another 0.5% that adds up to the 1% that I referred to. I think what we are trying to guide there is if you think about in the current context of the Naira and US Dollar devaluation and pressures on network opex those two items are more once-off in nature to give you a better sense of the underlying margin.
Mike Gresty	Great. Thanks very much.
Operator	Our next question is from David Lerche of Sanlam Private Wealth.
David Lerche	Hi. Good day, gentlemen. Just one question from me please. Nik, you mentioned this morning that you continue to use ₦305 or thereabout. I want to make absolutely clear

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	here that if all the windows stay exactly as they are in the second half will you be translating H2 revenues based on ₦305 per Dollar for Nigeria or the ₦365 that we can see on the Bloomberg? And what may change?
Nik Kershaw	David, there are three numbers. Sorry, just to clarify. Maybe it wasn't clear this morning. ₦305 is the CBN rate. The interbank rate is ₦325 and that's the rate that we use to consolidate our earnings. And then there are these multitudes of windows at which forex is procured. And the thing is it's not one rate. Every forex purchase we do is at a different rate. So in the six month period we got some forex right upfront at as low as ₦315 and our worst rate would probably be as high as ₦385. So it varies all the time. The rate actually moves around all the time. There was a lot of discussion and work done with the auditors around this. And we were comfortable that that's the right rate to use. Obviously it will depend on how liquidity changes and how things continue to move going forward. A lot of the contracts that we've got are pegged against the interbank rate. So then that would obviously make sense then to use that for your payments. So we've got contracts where Naira payments pegged against a Dollar. Obviously where those are then pegged against the interbank rate then clearly that would be the rate that we use. Obviously one thing that would make it change is if there was material liquidity increase and all of a sudden this new interbank rate became the rate at which you were doing the majority of your transactions. Then obviously the auditors would need to look at that again.
David Lerche	All right. Thank you.
Operator	Our next question is from John King of Deutsche Bank.
John King	Hi. Afternoon everybody. Two questions, one for Nigeria, one for South Africa. In Nigeria just a little bit more detail pulling apart the capex spend. My understanding is there was a bit of delay getting things into the ground and so on and so forth. But I would like to know what is actually happening here. Is it better fiberisation? Is it radio densification? Is it something else I'm missing? In South Africa you have had a little bit more clarity around the ICT white paper and the possibility of an open access network. One of the implications of this is that new spectrum allocation is likely to be delayed. Where are you in terms of utilisation levels and do you have a plan B for congestion if there is no allocation in the next three years? Thank you.
Rob Shuter	Let me tackle the second question first. So I think if we look at the network right now in South Africa there is not much individual site congestion because of spectrum constraints. We do think we will start to see it second half of this year, first half of next year. I think it will be generally manageable because we can do some re-farming. We can also densify the network with extra capacity sites. So I think for MTN at least things are manageable until we start getting into probably the second half of 2018. And that's when it is going to become even more urgent that the authorities move to the licensing particularly of the low band spectrum. You may know that our Finance Minister announced a 14 point plan a few weeks ago,

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	and one of the 14 points is he is urging his colleagues to complete the spectrum licensing by the end of 2018. So I think that's the first time we've had a pretty hard deadline on that. And we really would hope that they would make progress with that. And even if the 700 or the 800 is not exactly ready then if at least some of the high band spectrum could be auctioned that would help a lot as well. The basic plan B is to look at other operators who have spectrum not fully utilised and look at roaming transactions if possible. Slightly awkward. You can also densify the network or a combination of the two. And I think we've got a number of contingency plans in South Africa. I think the question on Nigeria. So we have capitalised I guess in Dollars somewhere around $370 million in the half. Most of it is radio. That is the point I was making earlier. In our original plan we had a lot of long haul fibre, a lot of this aerial infrastructure we wanted to put in. So we've ended up putting it much more into the radio side of the network. And we will try and continue that through the second half. A lot of it is around 3G rollout. It's around LTE sites. These are upgrades. There is some stuff in core obviously as well to handle the traffic on the network. We've got a bit of stuff also on the switching centres, MTXs etc. And a reasonable amount also in the IT space. I think in general in terms of radio access network there is a pretty good level of rollout taking place.
John King	Okay. Thank you.
Operator	Our next question is from Ziyad Joosub of HSBC.
Ziyad Joosub	Hi everyone. Thanks for the questions. Just on Nigeria margins please. I've noticed that in H1 we tend to have an acceleration in network opex growth. So in H2 we also had quite a steep depreciation of the Naira. And in H1 we also had this but the network growth was a lot higher. Is this a function of the higher capex in H2 spilling into H1 opex? And going forward should we assume that H2 network opex grows at a slower rate than what we have seen over the past two years in H1? And if you could maybe just comment on where MTN stands at the moment in Nigeria in terms of collapsing their off-net and on-net price differentials for voice? It looks like your interconnect costs have been pretty stable sequentially from H2 2016 last year. Are you seeing significant growth in off-net traffic or has that eased off over the past six months? Thank you.
Rob Shuter	I will let Nik have a go at the network opex margin question.
Nik Kershaw	That's quite a difficult question to answer. In short what I'd say to you though is I think a lot of it is also impacted by currency movements in particular periods as well. So I think it will be difficult to say. Clearly the big year on year jump that we saw now would clearly have been impacted by the fact that we saw the currency weaken in June last year versus the Dollar. Clearly that had a material impact. So you wouldn't see that repeat itself. I think it has got more to do with that particular currency play-out. I think that was a much more material driver than the network rollout. I think that's probably the best way to think of that.

Speaker	Narrative
Ziyad Joosub	Okay, thanks. That's pretty clear. Thank you.
Rob Shuter	I think your other question was how do we see the off-net on-net market developing. It hasn't I guess been a particular focus certainly of mine in the last couple of months. We have been super focussed on the data opportunity and also cleaning the subs and the VAS up. But in general as I said earlier when we compare things like bi-directional cross-net voice to take a sanity check on where we are in terms of subscribers, which obviously then would fall its way into on-net off-net there were no major trend shifts in the pattern. That's why we say we think our share is pretty stable. And I think if you look at incoming voice no particular big patterns there as well. Perhaps that's something, Nik, that you could follow up with down the line with Ziyad if he needs some more detail on that.
Ziyad Joosub	Thank you very much. Thanks.
Operator	We have a next question from Mark Lawrence of T. Rowe Price.
Mark Lawrence	Hi there. You have given us guidance on South Africa and Nigeria in terms of top line and EBITDA. With this new BRIGHT programme and specifically the returns and efficiency focus can you talk a bit more about is that a benchmarking exercise and are there any targets that are going to be coming behind this?
Rob Shuter	Thanks for the question. That is exactly what we are wanting to do going forward. There is no point in putting a new framework like that out and then not getting very granular on what success looks like. We did mention the key KPIs we will look at going forward. So return on capital. I mentioned in the presentation as well the marginal return on the marginal capital, so basically looking at the return on the newer capex that is going into the ground. PSR is going to be a big focus as well. That is a large part of how our long-term incentives are set up. And we are also wanting to look increasingly at what we've described as the cash ratio per market, which is really the EBITDA margin minus the capex intensity. To the point of the big markets what you see in South Africa and Nigeria is markets with margins in early 30s, late 30s, but very high intensities. The cash ratio is relatively modest. Whereas if you go to some of our medium-sized markets you've got markets with margins in the big 30s, intensity around 15, and they are turning 20% to cash. So we're going to have a good hard look at that in the planning process. It will be a combination of where we are, where we think we can be, what the right benchmarks are to use for other similar operators in similar markets. And I feel very much comfortable that you will get the right level of granular detail. For sure the board is looking for that also. But we need just a couple of months to get on top of all of that.
Mark Lawrence	Thank you.
Nik Kershaw	We've probably got time for a last two questions, operator. Thank you.
Operator	Thank you sir. If anyone would like to ask a question please press star and then one. We have a follow-up question from Goldman Sachs

Speaker	Narrative
Goldman Sachs	Yes. Thanks a lot for another opportunity. Can you elaborate in more detail where you see a sustainable dividend flow opportunity for your third quarter level? So you mentioned in your presentation South Africa, Ghana, Iran and Nigeria have bene the recent sources of the cash flow for the third quarter. Can you name some of the countries where you see constraints and how large are they? Thank you.
Rob Shuter	I think we really are planning to communicate more detail around the longer-term dividend policy with the full year's results. We do upstream from the markets in a combination of dividends and also management fees. So it's a complicated question to answer and I think probably best that we give you a coherent and congruent picture on upstreaming returns, capex and dividends together with the long-term policy when we announce the full year results.
Goldman Sachs	Okay. Thank you.
Rob Shuter	I think that's probably all we've got time for. So maybe if I can say from my side thank you to everybody who took the time to attend on the call. And we thank you for your attendance and thanks to my colleagues as well.
Operator	Ladies and gentlemen, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT