



MTN Group Limited

DATE: 04/05/2009

MTN Group Q1 Trading Update





Speaker	Narrative
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Debbie Miller

Good afternoon and thank you for joining us today. I'm Debbie, head of investor relations for the MTN Group, and we're going to discuss MTN's quarter 1 subscriber numbers. With me here today are Phuthuma Nhleko, our group President and CEO, Rob Nisbet, group CFO, Sifiso Dabengwa, group COO, Tim Lowry, VP of the SEA region, Jamal Ramadan, VP of the MENA region and Christian de Faria, VP of the WECA region. They are dialled in, the latter two. Phuthuma will give a brief overview of the group's trading performance for the quarter as well as a very short outlook for the group, and then we'll move on to Q&A.

Phuthuma Nhleko

Thank you very much, Debbie, for that introduction. And afternoon to everybody. I'm glad to say that we are able to update you on our performance for the first quarter for 2009. Overall we had a fairly reasonable quarter. We delivered an 8% increase in net adds to approximately 7.5 million new net adds for the quarter, which will bring the total subscriber base to 98.2 million at the end of March. The strong subscriber growth really continues to be a key feature in almost all the countries, even though we do have currency volatility which has had a negative impact on ARPU because of course we report our ARPU in US Dollars. If you look at the countries in local currencies the ARPU is not as large. Of course the changes to the spending pattern have varied amongst the various countries, taking into consideration how they are affected by the global economy.

If you look at the regional summary, the proportion of subscribers in all the regions remains relatively unchanged. We are now talking about percentage contribution to total subs by each region. The South East Africa region contributed 26%. The West and Central Africa region, 45%, and the Middle East and North Africa region, which is the MENA region, 29%. Of course in each of those regions we do have a very large country that makes the largest contribution, namely South Africa in SEA, Nigeria in WECA and of course Iran in the MENA region.

I think if we had to delve a bit deeper into the SEA region the region increased its subscriber base by 4% for the quarter. The South African operation contributed almost 70% to the region. But of course there has been a lower growth compared to past years, with subscribers increasing 2% for the period that we are reviewing. The net connections in South Africa were satisfactory for the quarter, particularly if you look at the economic conditions and the increasingly more aggressive competition in South Africa. The trends as well have to be taken into consideration in the sense that they will have a more negative impact on net adds, in other words this is not the strongest quarter, and we hope to pick up considerably during the year. MTN South Africa's blended ARPU is 6% down. The decline is mainly due to the decline of the prepaid ARPU by about 5%, and this is really an indication of – in our view – a slowing in consumer spending and increased penetration in the lower segment of the market.

Uganda in the SEA region increased its subscriber base by 13% [?] following a very strong performance of MTN Zone in that particular country. And of



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	<p>course we launched this in Q2 last year. ARPU decreased by 19% by Dollar terms in Uganda, but only 7% in local currency. Again this is a theme that repeats itself, the strengthening of the Dollar against those currencies has an impact, and we would obviously expect that to be mitigated if those currencies start to increase against the Dollar.</p> <p>In the WECA region we recorded a 10% growth in subscribers for the quarter. The Nigerian operation contributed almost 60% to this region. Nigeria's subscriber base by 12% to 25.9 million subscribers. The 12% increase during the quarter is really strong. This was due to improvement in network quality that supported the ability for people to be able to call more and spend more, and also the increased capacity. To put into perspective we added almost 175 base stations in just this quarter in Nigeria. The Nigerian ARPU decreased by 23% to \$13. Once again if you look at that decline in Naira, in local currency, it's only a 6% decrease. So we would expect that if the oil price had to go up and the Naira went to N117 to the US dollar again obviously we would see a slower decline. That's to be seen. Of course we have got increased penetration in Nigeria as we go into the lower segments, and that would also decrease the ARPU to some extent.</p> <p>Ghana increased its subscriber base by 5% for the quarter. Again it's another market where we're experiencing extremely fierce competition, but we believe that that increase for the quarter is quite acceptable. However, we have seen a fairly high decline in ARPU in Ghana in Dollar terms of around 30%. This is really as a result of us supporting the ARPU Dollar and the Cedi has weakened against the Dollar quite significantly. The foreign exchange impact on the Ghana decline would be about 16%.</p> <p>The MENA region recorded a 9% increase in subscribers to 28.8 million for the quarter ended in March. Very strong growth from the Iranian operations which made quite a significant contribution to the MENA region. That has really taken the subscriber base in Iran to a contribution of 63% contribution to the region, and increased subscribers by 14% in the quarter to 18.3 million. And of course I think that if you include the increase in subscribers in Syria and Sudan – and Sudan increased its subscriber base to 2.6 million notwithstanding the problems that we've had – it does however bring the total subscriber base of the MTN Group to the 98 million which increased to 100 million at the end of April this year, which I think is quite a milestone for the group. I think it is worth mentioning that the Iranian ARPU remains at \$8, which we thought was fairly strong, notwithstanding the seasonal trends and the penetration. So in conclusion I'm happy to say that we are pleased with the overall performance throughout the group for the quarter, and are comfortable that we are most certainly on track with the subscriber numbers and the capex guidance we gave you for the rest of the year. Okay, I think I'll hand over back to Debbie.</p>
<p>Debbie Miller</p>	<p>Thanks very much Phuthuma. I think that concludes our overview and we'd be happy to take any questions that you may have. Over to the operator.</p>
<p>Operator</p>	<p>Thank you. Ladies and gentlemen, at this point in time if you'd like to ask a</p>



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	<p>question please press star then one. If you would like to withdraw your question please press star then two. Our first question comes from Rhys Summerton from Citigroup. Please go ahead.</p>
<p>Rhys Summerton</p>	<p>Hi. Firstly you commented briefly that your prepaid APRU has seen a bit of downward pressure, as I think you mentioned in South Africa. Internationally we're seeing some trends where it's more the top end subscribers in different markets that are spending less, so I just wanted to check if you had seen a trend in South Africa or any of the other markets where your top end subscribers have perhaps cut their spending. And then also if you could give us your estimates of market shares in Syria, Nigeria and Ghana. Thanks very much.</p>
<p>Phuthuma Nhleko</p>	<p>Okay, I will ask Tim to respond on South Africa, and then maybe Sifiso can talk about the general trends in the other countries. And Jamal, if you are clear on the numbers and you want to talk about the Middle East as well.</p>
<p>Tim Lowry</p>	<p>Yes, I think in South Africa we're seeing a slight reduction in ARPUs across the whole of our post-paid base. I think we can put that down to the economics. Additionally, I think that at the bottom of the post-paid value segment we're seeing people who are taking up prepaid as opposed to post paid there. As far as prepaid is concerned the customers who still account for the majority of our revenue are stable and continue to spend the same amount. But what we have seen is an uptick in rotational churn. I think this is due to the offers that are currently in the market. They have been very aggressive in the last three months with offers. But we have introduced our loyalty programme, MTN 1-4-1, and some nine million of our customers have taken that up on prepaid, which gives us some hope that the people who are at the core of our base in terms of value are remaining loyal to us.</p>
<p>Phuthuma Nhleko</p>	<p>Do you want to finish on market share in South Africa?</p>
<p>Tim Lowry</p>	<p>The market share I think is about stable.</p>
<p>Rhys Summerton</p>	<p>From the end of December?</p>
<p>Tim Lowry</p>	<p>Yes.</p>
<p>Rhys Summerton</p>	<p>Okay.</p>
<p>Tim Lowry</p>	<p>It depends whether you're looking at it in revenue or in sims. There are a lot of offers out there at the moment that are leading to a lot of rotational churn. So I would be more interested in waiting for the results of our competitors to see where they are on value share rather than sims. I think when you have all these offers out there sims can be misleading.</p>
<p>Rhys Summerton</p>	<p>Sure.</p>
<p>Phuthuma Nhleko</p>	<p>Okay, Sifiso can comment on Nigeria and Iran and maybe Ghana.</p>



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Sifiso Dabengwa	The market share in Nigeria [inaudible segment] we've had very good subscriber growth as indicated earlier on. In Ghana it's been stable at 51% or 52%, and we expect to be able to maintain that despite the increase in competition. I think the one thing that we are facing in most of the operations is that we're not seeing an improvement in churn as far as the prepaid side is concerned. And again that's for the reason that the economic pressure is also having a bit of an impact. But definitely the levels of competitiveness and the offers that are being put into the market are having a negative impact as far as churn is concerned.
Rhys Summerton	Thanks very much.
Jamal Ramadan	I think to answer the question in the Middle East apart from Syria where we have some [unclear] customers [inaudible segment] so in Syria the post-paid segment I don't think that we have a decrease in the ARPU. I think the ARPU has increased in the first quarter compared to the previous term. Now on market share in Syria we are still around 45.5%, and the general trend in the Middle East in the prepaid APRU is more on the currency, based not on the local currency because the local currency as Phuthuma mentioned is [inaudible segment] not too much. But compared to Dollars sometimes [unclear] for instance is 29% ARPU compared to 8% in local currency.
Operator	Thank you, sir. The next question comes from Sean Gardiner from Morgan Stanley. Please go ahead.
Sean Gardiner	Can you hear me? Thanks. I was just wondering, maybe you could just comment on whether you've repatriated [unclear] from Nigeria during the first quarter in the form of dividends. And then secondly on Nigeria, it looks like your base station additions are running at quite a low run rate. Have there been any issues with rolling out the network or is that on target and a seasonal event rather than a structural event?
Phuthuma Nhleko	Sifiso, do you want to just talk about the run rate of the rollout of the base stations? And then I'll ask Rob to talk about the dividend repatriation.
Sifiso Dabengwa	There was a slowdown in order to make sure that the work that was done last year still had corrections to be done during the first quarter. But going forwards in quarter two we are looking at ramping up to 150 base stations per month.
Rob Nisbet	On the dividend side we have taken some dividends out. It was at the official exchange rate, somewhere in the region of 146 to 147.
Sean Gardiner	Is there any amount you can give us on dividend, or are you not prepared to comment on that?
Rob Nisbet	Not at this point in time. But it's in line with what we expected to take out.
Sean Gardiner	Thanks very much.



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	<p>Ladies and gentlemen, if you'd like to ask a question please press star then one. Our next question comes from Vaughan Henkel from Credit Suisse. Please go ahead.</p>
<p>Vaughan Henkel</p>	<p>Hi, good afternoon everybody. Just a question on the local currency ARPUs. By my rough calculation I'm really focussing on Iran and Ghana because I guess they're the biggest contributors. But in totality it's about 20% of the EBITDAR from last year that's affected. Could you give us a comment in terms of those local currency ARPUs going down, what is the biggest determinant? Is it affordability issues or is it competition issues? Because those kinds of reductions seem a bit more than typical delving deeper into the market. Maybe if you could just give us a comment on that.</p>
<p>Phuthuma Nhleko</p>	<p>I think of course if you look at... as we mentioned the local currency declines are general lower than the Dollar decline. But we also have to take into consideration that we've put in a lot of capacity in these countries, and therefore are having a fairly rapid penetration. You know, we're able to take on quite a number of subscribers. And as we take those on quite naturally you are going to be getting to the lower segment of the market, and therefore you'll see an overall lower ARPU. That's the first issue. The second issue really depends from country to country because there isn't a one size fits all here. But obviously countries that are more susceptible and are far more integrated with government and the commodities cycle and so on, you could say that there is maybe a further impact on people that are affording. But as I said earlier, if we look at the ARPU decline on a local currency basis you will see the strengthening of the Dollar against these currencies is most probably the biggest impact. Once you start taking that away for countries like Ghana, where you say a 16% decline in local currency, you will find that the other countries are not as severely hit.</p>
<p>Vaughan Henkel</p>	<p>Thanks very much, Phuthuma. Just a little bit on Iran perhaps, because that was also 16% in local currency. Was that just deeper into the market, or is there some sort of macro impact there as well?</p>
<p>Phuthuma Nhleko</p>	<p>Look, I think it's a combination of the two. Let's put it this way. Iran has also been going through some fairly difficult situations, high inflation and so on. I think of course also you've got quite a month in the form of Noruz in March, when activity general slows down in Iran quite considerably. And that is almost for a month. So that's quite an important factor. That's a third of the period we're reporting on here, so you've got that as well. That seasonality in Iran is important. We'll have a much better view when we report the next quarter.</p>
<p>Vaughan Henkel</p>	<p>No problem, thank you very much.</p>
<p>Operator</p>	<p>Our next question comes from William Kirby from Nevsky Capital. Please go head.</p>
<p>William Kirby</p>	<p>Thank you. I have two questions. Firstly, what sort of marginal ARPU are you seeing from new customers in Nigeria? And then secondly, is there likely to</p>



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Tim Lowry	<p>be any change to the fixed mobile termination regime in South Africa?</p> <p>The answer to your question is no, we don't see any immediate change to that within South Africa. Clearly it would be in our interest to negotiate a longer-term understanding with all the operators plus the regulator. And we will have to wait and see whether that becomes more feasible in the coming months.</p>
Phuthuma Nhleko	<p>The marginal ARPU in Nigeria is in the region of about \$8 to \$9.</p>
William Kirby	<p>Okay, great. Thank you.</p>
Operator	<p>Our next question comes from Jonathan Kennedy-Good from Investec. Please go ahead.</p>
J. Kennedy-Good	<p>Good afternoon. Just one question on Nigeria. You made the comment in your release that your run rate in terms of subs adds is generally in line with your guidance. Guidance in Nigeria was about six million net adds per year. Given that you just made the comment that your base station rollout is likely to accelerate, could you comment on whether that's moving northward?</p>
Phuthuma Nhleko	<p>I stand corrected, but my recollection of what I said was that we were fairly sure that we were going to meet our subscriber target numbers. Now, yes, clearly if you had to extrapolate that run rate it would mean that we are likely to do in excess of the 22 million that we had given as guidance for this year. But we've been cautious, notwithstanding the very strong quarter, in the sense that we have to see what the competition is going to do. But is there a chance of punching above the 22 million subscribers on the whole and above whatever the six million we gave in Nigeria? Yes, it's reasonably possible. Who knows? We will see what the rest of the year brings in terms of what the competition does.</p>
J. Kennedy-Good	<p>Thanks very much. Just one last question on MTN Zone. Obviously it's been very successful in the regions it has been launched. Where are you planning to launch next? Or can't you really comment on that for competitive regions.</p>
Phuthuma Nhleko	<p>We can't really comment on that because as you know it's a very competitive product and we wouldn't want to allow other people up the ladder quickly on that.</p>
J. Kennedy-Good	<p>Okay, thanks.</p>
Operator	<p>Just a final reminder, ladies and gentlemen, that if you'd like to ask a question, please press star then one to join the queue. Our next question comes from Craig Hackney from BJM. Please go ahead.</p>
Craig Hackney	<p>Hi, good afternoon. Could you give us a sense from a revenue point of view of the split between corporate and consumer spend in your bigger markets, so South Africa, Nigeria, Iran and Ghana. What percentage of revenue would come from corporate versus the man on the street? Thank you.</p>



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Phuthuma Nhleko	Maybe Tim can comment on South Africa. It's a rather difficult question because if you look at our markets, our markets are by and large prepaid. And if you look at that prepaid segment you've got very high spenders, some of who regard themselves as [unclear] but for us they're just a prepaid sim out there. So it becomes a bit difficult. In the normal mature markets that are far more structured, and South Africa is maybe one of those, it might be a bit easier to give that number, which is why I'm saying maybe Tim can comment on South Africa.
Tim Lowry	I think we'll have to come back to you on that figure. We can give you that, because as Phuthuma says it gets a bit complex when you have to split out... I mean corporate you're talking about very high-end companies?
Craig Hackney	Yeah, Tim. I'm trying to get a sense of spend that would be impacted by business slowdown versus an affordability slowdown for the man in the street.
Tim Lowry	Okay, we'll come back to you on that one.
Craig Hackney	Thanks.
Operator	Our next question comes from Guy Zibi from AfricaNext Research. Please go ahead.
Guy Zibi	Hi, thank you. I just have one question. If you have some comment on 3G deployment in West Africa specifically, and what type of ARPU contribution, if any, you're starting to see from those technologies. Thank you.
Sifiso Dabengwa	Regarding rollout in Nigeria at the moment we hope to be able to roll out in Ghana shortly. At this stage it's actually really difficult to say because it has been quite limited. Hopefully more towards the end of this year we'll have a much better feel for the take-up of the services.
Guy Zibi	Okay, thank you.
Operator	We have a follow-up question from Sean Gardiner from Morgan Stanley. Please go ahead. Mr Gardiner, you are through to the call. Please proceed with your question.
Sean Gardiner	Sorry. Thanks. It might have been asked earlier, but on profitability for South Africa and Nigeria, have there been any major changes since 2008 that we should be aware of for the first quarter in terms of earnings power at the EBITDAR margin? Thanks.
Rob Nisbet	From the Nigerian perspective there has been nothing major. So our guidance is still medium-term we expect it to trend downwards. But obviously if growth on the top line continues we won't expect any major hiccups on the margin line.



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Sean Gardiner	And in South Africa with the investment in your position in the marketplace, are you still experiencing margin pressure there?
Tim Lowry	There are pressures because of the competitiveness of the market, certainly, at this moment in time. Particularly with the free trade offers that are in the market.
Sean Gardiner	Okay. Can you quantify that or is that...? For the first quarter rather than for the first half.
Rob Nisbet	No.
Phuthuma Nhleko	Can I suggest that we have two more questions?
Operator	Certainly, sir. Our next question comes from Alexander [unclear] of Goldman Sachs. Please go ahead.
Alexander	Hi. This is Alexander [unclear] from Goldman Sachs. Could you update us on the process of the licence application in Iran? Was it granted and when do you expect that to start operating?
Phuthuma Nhleko	I think what we are aware of is that government has given their preferred bidder, and I take it that they are still in discussions. And we don't know when they would launch. But if they did it would probably be this year.
Alexander	Thanks.
Operator	Our last question comes from Rhys Summerton of Citigroup. Please go ahead.
Rhys Summerton	Hi there. Just two questions in terms of follow-up on Syria. I think you've indicated that market share hadn't changed. So I was questioning whether the whole market had contracted in the first quarter or whether that was just seasonality. And probably the more important question is with subscribers in Nigeria or Ghana becoming more price sensitive are you seeing any kind of increase in on-net traffic taking advantage of the pricing this quarter?
Phuthuma Nhleko	Let me answer the Syria question and then maybe Sifiso can answer the Nigerian one. The key point to be noted on Syria of course is when we said market share hasn't changed by and large it is very much a managed market in the sense that we cannot go ahead with promotions until the other competitor can do more or less the same and visa versa. So this is why it is unlikely that you would have any meaningful change in market share in Syria. Jamal, do you want to add anything?
Jamal Ramadan	I think that the increase in post-paid ARPU as I mentioned was as a result of the same reason. Because of the [unclear] market and some cooperation to be done with the government the uptake of subscribers in the first quarter was no more than we had expected. [Inaudible segment].



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Sifiso Dabengwa	On the on-net traffic, basically the on-net traffic in Nigeria has always been relatively high, in the region of 60% to 70%. I don't think we've really noticed any significant change in the first quarter.
Rhys Summerton	And Ghana?
Sifiso Dabengwa	Ghana, I can't tell you. We can come back to that.
Debbie Miller	We can have a look at that. We don't have that.
Rhys Summerton	Thanks.
Phuthuma Nhleko	All right. Can we wrap up? Thank you everybody, and thanks for your time. We will be talking to you again in August when we give you the half-year results. Thank you.

END OF TRANSCRIPT