



**MTN Group Limited**  
**Quarterly Update**  
**DATE: 28/10/2013**





Speaker

Narrative

**Operator**

Good afternoon, ladies and gentlemen, and welcome to the MTN Group quarterly update. All participants will be in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference please signal and operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to turn the conference over to Mr Nik Kershaw. Please go ahead, sir.

**Nik Kershaw**

Hi. Good afternoon everyone. Nik Kershaw speaking. Thanks for joining us today to discuss our quarterly update for the period ended 30<sup>th</sup> September 2013. With me here today is Sifiso Dabengwa, Group President and CEO, Brett Goschen, group CFO, Zunaïd Bulbulia, CO of the South African operation and Michael Ikpoki who is the CEO of the Nigerian operation.

Sifiso will now provide a few more details on our performance and our outlook, and thereafter we will move to a Q&A session which the conference call operator will facilitate. A detailed version of the results announcement is available on the website as well as on SENS. We will have 45 minutes for this call. Over to you, Sifiso.

**Sifiso Dabengwa**

Thank you, Nik. Good afternoon, ladies and gentlemen, and thank you for joining us this afternoon. You will have seen the results announcement, so I won't repeat the things but I will just briefly touch on the key highlights for the period and outline a few additional points.

Subscribers increased 1.1% during the quarter to 203.8 million subscribers. The growth was impacted by price competition and registration regulations across a number of markets. While the revenue impact was limited this will remain a factor impacting subscriber growth over the next while.

Nigeria reported strong local currency revenue growth for the quarter, up 10.4% versus the prior year period, highlighting the strong demand in the market. We have made good progress on the network in Nigeria, and this should support continued growth in revenue over the medium term.

The South African market remains challenging given the competitive realities. While the second half period will be challenging we have made some good progress on a quarter on quarter basis. There was some improvement in revenue trends and we expect this to continue into the fourth quarter.

The first pillar of our business performed well with solid revenue trends across Iran, Ghana, Cameroon, Uganda and Sudan. It is worth noting that the decline in Syria appears to have stabilised and the revenues increased 10% quarter on quarter.

For the group we have seen continued strong momentum in group data for the nine months, up 34.7% year on year. We have also made encouraging progress in Mobile Money will total registered subscribers now 13.4 million. Data and related services remain a key focus for the group, and it is encouraging to see the progress we have made.



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	<p>Capital expenditure is on track in key markets, supporting overall growth for the business. We have, however, reduced our subscriber guidance for the year to 19.1 million from 21.1 million, largely on the back of reduced expectations for subscriber growth in Iran, although revenues in that market continue to track well.</p> <p>That provides you with a brief overview. We can now go to the moderator for questions. Thank you.</p>
<b>Operator</b>	<p>Thank you very much, sir. Ladies and gentlemen, if you wish to ask a question please press star and then one on your touchtone phone. If you decide to withdraw the question please press star and then two to remove yourself from the question queue. Our first question comes from Chris Grundberg from UBS. Please go ahead.</p>
<b>Chris Grundberg</b>	<p>Thanks very much. Good afternoon. Just a couple of very quick ones from me. First I wonder if you could give an indication of any cost reduction programmes in South Africa in the second half. I think you mentioned in H1 that that might be a focus in the second half. Can you say whether you've made any progress at all or started any initiatives there? Secondly, just on the press reports regarding your ability to repatriate cash from Iran. Is there any update there? Is there any formal comment you can make at all? Thanks.</p>
<b>Sifiso Dabengwa</b>	<p>In terms of the cost exercise in South Africa, yes, we are making some progress. We have already looked at issues such as commission, staff numbers, contractors etc. So we are making good progress. We are not expecting to see significant results during the course of this year, but definitely as we move into 2014. The key issue is that a number of significant actions have already been put into place.</p> <p>In terms of the press reports there is nothing else to add. There has been no update and we are still in the same position as we were previously in that the relevant regulators have still not given final approval for the transfer of the funds.</p>
<b>Chris Grundberg</b>	<p>That's helpful. Thank you.</p>
<b>Operator</b>	<p>Thank you very much. Our next question comes from David Lerche of Avior Research. Please go ahead.</p>
<b>David Lerche</b>	<p>Good afternoon everyone. Two questions if I may. From my numbers or from the calculations I do it seems that things have worsened in Q3 in South Africa rather than improved. Can you maybe give a little bit more colour around exactly what is happening in SA? It seems to be that revenue in South Africa is down around 8% or 9%. And then secondly, in a number of the small OpCo cluster operations revenue in local currency seems to have gone backwards in Afghanistan, Benin, Rwanda, Liberia and Bissau. Could you maybe give a little bit of colour on what has happened in those markets please?</p>
<b>Nik Kershaw</b>	<p>If I can just comment on the last issue around the small OpCo cluster. I cautioned everyone around taking subscriber times ARPU because there is a real weighting issue</p>



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	<p>around subscriber numbers. For example in Nigeria if you take the average subs times the ARPU you would see that it would come out around 8% growth, and actually the growth was 10.4%. It is largely impacted by how...you can only get the opening and closing balances for subscribers, but generally speaking across most of our markets the revenue trend remains intact.</p>
<p><b>Zunaid Bulbulia</b></p>	<p>Just on South Africa, the performance has improved quarter on quarter. Year on year it is worse. If you recall last year 2012 was the biggest six months in South African history in terms of performance. So quarter on quarter the performance has improved from a revenue point of view as well as from a customer point of view.</p>
<p><b>David Lerche</b></p>	<p>Zunaid, are you happy that things are now moving forward and that the problems that were in place in the first half are now being fixed and mostly behind you?</p>
<p><b>Zunaid Bulbulia</b></p>	<p>On the path. I'm not saying we're out of the woods yet, but we are on the right trajectory at this point in time.</p>
<p><b>David Lerche</b></p>	<p>Great. Thank you.</p>
<p><b>Operator</b></p>	<p>Thank you very much. Ladies and gentlemen, a reminder that if you wish to ask a question please press star and then one. Our next question comes from Jonathan Kennedy-Good from SBG Securities. Please go ahead.</p>
<p><b>Jonathan Kennedy-Good</b></p>	<p>Good afternoon. Just a few questions on Nigeria. I wanted to check with your what you're seeing on the ground in terms of competitor action from a pricing perspective mainly, and whether you could give us some colour on how your share of net adds is progressing in that market, whether you're still adding north of 50% of the market's net adds. And then also just give a sense of where your marginal APRU is and what on-net traffic you are doing. And then finally, from a regulatory perspective could you give us some colour on the issue of dominance in Nigeria? I see that you've made some positive comments in the release relating to promotional activities which you can commence again. I was just wondering what your engagement with the regulator has been like of late.</p>
<p><b>Michael Ikpoki</b></p>	<p>Regarding the competitive action on prices as far as we can see we still have a fairly competitive market. But if you look at what happened in Q3 we still had a very good Q3. And if you look at the year to date we have still been about 52% of net adds. And so from that perspective we didn't have any significant challenge in Q3 as far as competitor pricing is concerned. What we have done very aggressively in Q3 is focussing on the network and also engaging in a lot of value-added services. So we have held our own fairly well.</p> <p>In terms of marginal ARPU not much has changed between Q2 and Q3. Our on-net prices are still fairly stable. On regulatory regarding the discussion around dominance what has happened is since the decision has been taken not much has changed. We are engaging the NCC regarding the issues around pricing principles for the market. But I think suffice to say we have a much better relationship with the regulator. Our network quality has improved. Most of the approvals that have been pending before</p>



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	<p>the regulator have been approved. So I think from the regulatory front we are having a fairly good relationship with the regulators.</p>
<b>Jonathan Kennedy-Good</b>	<p>Thank you.</p>
<b>Operator</b>	<p>Thank you very much. Our next question comes from Alex Balakhnin from Goldman Sachs. Please go ahead.</p>
<b>Alex Balakhnin</b>	<p>Good afternoon. I have a question on the Nigerian position of MTN. How are you positioning your products after the regulatory [unclear]? Do you try to position them more like a service to everybody? Do you feel you have repositioned your products in any material way after the regulatory restrictions? And on the same issue, what percentage of your customers now are on tariffs which are governed by the recent tariff regulation in Nigeria?</p>
<b>Michael Ikpoki</b>	<p>In terms of the positioning of MTN Nigeria I think what we've done is we've been focussed on two things in the quarter. Firstly really ramping up in terms of coverage on the network so we can deliver a better quality experience. And we've achieved quite a lot of that. We've gone over 10,000 base station mark. We are meeting the KPIs for the NCC. So we are delivering a better quality of service.</p> <p>We have also been engaging in the market in terms of value-added services. We have come out with quite a lot of interesting propositions. We are seeing a lot of growth in our LDP base. Some of our products on the LDP base are showing significant growth. So we still engaged the market fairly well in Q3. I think we are able to hold our own there.</p>
<b>Nik Kershaw</b>	<p>I think just on the last one I think all of our customers are treated consistent with the regulations around which customers fall from a tariffing perspective.</p>
<b>Michael Ikpoki</b>	<p>Well, I think what has happened is not much has changed. The regulatory decision put some kind of pricing in place. We are still applying the same bands. MTN Zone is available. So we are still able to excite our customers with the existing products and the tariff bands that we have available. They haven't really changed much.</p>
<b>Operator</b>	<p>Thank you very much. Our next question comes from Peter Takaendesa from RMB. Please go ahead.</p>
<b>Peter Takaendesa</b>	<p>Good afternoon. On Nigeria if you could share with us from a tariff point of view. I remember we were over 80% on-net previously. Have there been any changes there? Moving away from that, going to South Africa, any colour you can give us on the MTR cut proposals? Has the regulator said anything so far?</p>
<b>Michael Ikpoki</b>	<p>In terms of traffic, 81% or 82% is on-net. Does that clarify? We are sitting at about 81% or 82% now on-net traffic, so not much has changed.</p>
<b>Zunaid Bulbulia</b>	<p>On the MTR side the ICASA process continues and we will present our case both orally as well as in writing in November. That is the next step in the process.</p>



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<b>Peter Takaendesa</b>	Okay. Just a follow-up on South Africa. If we look at the Q3 trends was that a function of the whole market continuing to be slow, or was this more of MTN losing market share? What is your sense on that one?
<b>Zunaid Bulbulia</b>	In fact our quarter on quarter performance is up compared to Q2. And our performance is in fact better than our biggest competitor. So we're doing better than Vodacom in the context of what happened in Q3 from a net customer performance point of view.
<b>Peter Takaendesa</b>	Okay. Thank you very much.
<b>Operator</b>	Thank you very much. Our next question comes from Richard Barker from Credit Suisse. Please go ahead.
<b>Richard Barker</b>	Thanks very much. Just to go back to South Africa again, what's your diagnosis of what happened to affect your revenue trends quite so suddenly in the second quarter? Which aspect of the business was it? Was it distribution? Was it the brand proposition? Was it new promotions? Was it handset selections? What were the issues that caused the revenue trends to decline quite as sharply as they did? And maybe you could indicate the initiatives that you are running in order to try and improve things, which as you say have some impact sequentially? Thank you.
<b>Zunaid Bulbulia</b>	The biggest issue in H1 in revenue was about the attractiveness of our prepaid proposition. All other aspects of our business continued to do quite well. H1 was all about prepaid and prepaid not being relevant in the market. We have addressed that to some extent in Q3. In particular we have launched an international calling campaign. And secondly we have revamped MTN Zone. Both of those activities have delivered positive results in the context of quarter on quarter improvement in revenue.
<b>Richard Barker</b>	Sorry, when you say prepaid not being relevant is that primarily a pricing issue or is it a bundling issue or lack of segmentation? What exactly do you mean when you say that?
<b>Zunaid Bulbulia</b>	It was a proposition that was not competitive compared to what our competitors were doing at the time.
<b>Richard Barker</b>	Right. And when you said that you've revamped Zone what would you highlight as being the key changes there?
<b>Zunaid Bulbulia</b>	We have made the proposition on Zone more visible to our customers and available more frequently to our customers. And the combination of those two has ramped up the results for us.
<b>Richard Barker</b>	That's great. Thank you very much indeed.
<b>Operator</b>	Thank you very much. Ladies and gentlemen, another reminder, if you wish to ask a



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<b>Craig Hackney</b>	question please press star and then one. Our next question comes from Craig Hackney from Noah Capital Markets. Please go ahead.
<b>Nik Kershaw</b>	Thank you. Just picking up on Nigeria in terms of data revenue, is it possible to give us year on year local currency data revenue growth please?
<b>Craig Hackney</b>	Craig, at this stage unfortunately we're not going to disclose that. What we have always said is that the revenue continues to grow strongly. We've seen good growth in overall data subscribers that are registered on the data network. But we will give you more detail around the numbers at year end.
<b>Operator</b>	Thank you.
<b>Operator</b>	Thank you very much. Our next question comes from Mike Gresty from Deutsche Securities. Please go ahead.
<b>Mike Gresty</b>	Hi there guys. Two things from my side. I wonder if you could just clarify with respect to Nigeria just exactly how the various changes happened with respect to subscribers. There are the disconnections related to the registration process, which I understand is still in there. There is the northern province which has been removed. I just want to get a sense of what's in and what's out, and what a normalised net adds look like in Nigeria. And then my next question is with respect to South Africa. You had the Mahala promotion through much of the third quarter and then it has been removed. I just wanted to get a sense of how that has gone. There is some talk in the market that it might not have worked as well as you had hoped in terms of your higher ARPU subscribers.
<b>Michael Ikpoki</b>	On Nigeria I think there are really two things. Firstly we had the subscriber registration exercise whereby in July we were forced to disconnect 3.2 million customers. And the impact of that was we were not able to recover as much, so that has impacted the numbers. The second was regarding some of the northern states that we have switched off in Q2. One in particular was switched off in late Q2. And then it has a 90 day effect in terms of that particular state. So those are the two things that have affected the numbers. I think we are still making a lot of effort in terms of getting some of the subscribers back onto the network. We have in October from the NCC a new number range and we are going to be working very hard to meet it. We have given guidance on the numbers for year end, and that is what we expect to achieve.
<b>Michael Gresty</b>	Just to be clear, the 3.2 million are still in the numbers you have just disclosed through. Is that correct?
<b>Michael Ikpoki</b>	Yes.
<b>Michael Gresty</b>	And how many would you say fell away as a result of the northern province being excluded this time around?
<b>Michael Ikpoki</b>	Well, I think probably about 500,000 or 600,000 or so. That is probably the range I can give.



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<b>Zunaid Bulbulia</b>	On Mahala, it was running from June to the end of August. We did withdraw the promotion at the end of August. We didn't renew the promotion. The observation was correct in that Mahala was effective from a customer acquisition point of view but not necessarily relevant to the high-end part of our base. That is why we have done what we have done from September to bring back Zone. That will be far more effective for us as a proposition.
<b>Michael Gresty</b>	Thanks guys very much.
<b>Operator</b>	Thank you very much. Our next question comes from Johan Snyman from Renaissance Capital. Please go ahead.
<b>Johan Snyman</b>	Good afternoon. Thank you. I just want to talk a little but about data revenues in South Africa. Maybe just give us a sense of the growth excluding MTN Business. And secondly just on Iran. I just want to make sure that the contribution of data is in fact 9.6% in the quarter. My calculation for the first half is only 5%. And then just I want to get a sense that the Mobile Money revenues are in fact included in data revenues. My last question is any update on Nazir Patel? I see he has been joined by the CFO of Telkom. Thank you.
<b>Brett Goschen</b>	Johan, you may have to repeat some of your questions. Your line was quite faint. Just regarding data in South Africa, we have pooled all of the businesses together now. What we will do at year end, like we did at the interim period, is give a split between the various elements within data. At this stage on a quarter by quarter basis we are not going to break down the various components of data revenue within the South African business.
<b>Johan Snyman</b>	Thank you.
<b>Brett Goschen</b>	And then you question on Iran in data, sorry, I couldn't catch that.
<b>Johan Snyman</b>	It was 9.6% contribution in Q3. In the first half my calculations show 5%. So the question is why the massive jump?
<b>Brett Goschen</b>	I will have to compare that for you on the first half. The number has continued to grow, but there wasn't that sort of jump. I will confirm that and come back to you on this one.
<b>Johan Snyman</b>	And my third is on Mobile Money. Is that included in data revenues?
<b>Brett Goschen</b>	Correct. Yes.
<b>Johan Snyman</b>	And the last one was an update on Nazir Patel please.
<b>Sifiso Dabengwa</b>	The KPMG report has been tabled to the board. There is just one issue that is still outstanding. Then the whole process will be concluded. And that will be within the next week or so.



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<b>Johan Snyman</b>	Thank you.
<b>Operator</b>	Thank you very much. Our next question comes from Franca di Silvestro from HSBC. Please go ahead.
<b>Franca di Silvestro</b>	Good afternoon. Just two questions please. One on Nigeria. Can you give us an indication of what your headroom is on the network currently? And given your current capex installation plans for the rest of the year where do you expect to get to by December? And secondly, can you give us an indication when KPMG finishes tabling its report will that information be made public?
<b>Michael Ikpoki</b>	On Nigeria we are about 5% on the radio network. That's where we are right now in terms of headroom. In terms of rollout we are also on track in terms of the rest of the year. In Q3 we had a good ramp-up in terms of our rollout so we are on track for the rest of the year.
<b>Sifiso Dabengwa</b>	As we have already indicated before we will share the outcome of the KPMG investigation with investors in due course.
<b>Franca di Silvestro</b>	Thank you.
<b>Operator</b>	Thank you very much. Our next question comes from Ziyaad Joosub from JP Morgan. Please go ahead.
<b>Ziyaad Joosub</b>	Hi. Good afternoon. Just a quick question on Nigeria please. I see you guided the launch with Utopia Facebook in Nigeria where you can access it by USSD? Reports are saying that you got 100,000 users in ten days. Is this sort of product offering unique to you guys in the market? How important is it to you? And how do you monetise it?
<b>Michael Ikpoki</b>	It is unique to us in the market. And I think it is in line with our focus on how we drive data and value-added services. I think what is most important for us is just to drive more traffic on the internet. We believe we need to play a lead role in driving more subscribers to using the internet. That is one of the key objectives that we are having. We think that going forward we will be able to assess the impact based on the number of new subscribers and uptake we have seen on the network. That is how we intend to assess our performance in that regard.
<b>Ziyaad Joosub</b>	Thank you. And how long have you had this service for and how many users do you have now? Could you give us that detail?
<b>Michael Ikpoki</b>	We just launched it last week I think. So it is very early.
<b>Ziyaad Joosub</b>	Okay. Thank you.
<b>Operator</b>	Ladies and gentlemen, a final reminder, if you wish to ask a question please press star and then one. Our next question comes from Alex Jones from New Street Research. Please go ahead.



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<b>Alex Jones</b>	Hi. Just one question from me. I'd like to get your thoughts on...I know you obviously don't talk about margin at this stage, but you've obviously had a big surge in growth coming through in Nigeria and certain other markets as well like Cameroon, Ivory Coast etc. How do you look at the margin development? What is the inflationary pressure on the cost base? Do you still feel comfortable with the attitude you had at the interim results that margins can stick to where they were, or potentially there could even be upside to that?
<b>Sifiso Dabengwa</b>	At this stage we still think that what we provided at the interims will remain. Clearly, as Zunaid said, in South Africa since the revision of the prepaid offering we are looking for some slight upside. But everywhere else I don't think there is any indication at this stage that anything will significantly change. And then the last quarter of the year is usually the one that we have the most spend on acquisitions. That again will impact the margins. Whilst it will impact negatively it is not something that we haven't prepared for.
<b>Alex Jones</b>	Okay. Thank you.
<b>Operator</b>	Thank you very much. Ladies and gentlemen, a final reminder, if you wish to ask a question please press star and then one now. We will pause a moment to see if we have any further questions. We have a question from Kate Turner-Smith from BPI Capital Africa. Please go ahead.
<b>Kate Turner-Smith</b>	Good afternoon everybody. I wonder if you could possibly give us an update on your acquisition plans.
<b>Sifiso Dabengwa</b>	Well, there really isn't anything specific to provide at this stage. There is nothing to give an update on.
<b>Kate Turner-Smith</b>	Okay. Thank you.
<b>Operator</b>	Thank you very much our next question comes from Tony da Silva of Blue Alpine Investment Managers. Please go ahead.
<b>Tony da Silva</b>	Good afternoon. Regarding South Africa you've spoken about the fact that you have to protect margins in South Africa with the impending MTR cuts and so forth. Does this change your relationship with regards to distributors, the likes of Autopage Cellular and so forth?
<b>Zunaid Bulbulia</b>	Relationships with stakeholders are certainly important and not without challenges. It certainly makes discussions quite difficult, but I think there is an understanding from the various players in the market that costs need to come down given that there is pressure on tariff and pressure on interconnect etc. It is not an easy conversation to have but it is a conversation that is being held and is done with a positive spirit.
<b>Tony da Silva</b>	Can't you bypass them in any manner going forward? Is that an option for you guys?



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<b>Zunaid Bulbulia</b>	<p>Or maybe re-look at the distribution model around SA?</p> <p>I think we have always promoted that we have a healthy balance between direct distribution and indirect. We have really built at a level that is functioning quite well. So I didn't think we will ever get to a point where we've only got one type of distribution. We will always have indirect distributors because they provide a service and get to a part of the market that we can't get to directly ourselves.</p>
<b>Tony da Silva</b>	<p>Then lastly from me, in terms of the funds you repatriate, especially from Iran – I'm not sure if there are more funds that are stuck in other jurisdictions – in what currencies are these funds held?</p>
<b>Brett Goschen</b>	<p>The only restriction is Syria. In Syria it is the Syrian Pound. And then in Iran it is in Euros.</p>
<b>Operator</b>	<p>Tony, does that answer your question?</p>
<b>Tony da Silva</b>	<p>Yes, thank you.</p>
<b>Operator</b>	<p>Thank you very much. Our final question comes from Richard Barker from Credit Suisse. Please go ahead.</p>
<b>Richard Barker</b>	<p>Hi again. Just a quick one. I understand that you're kind of working quite hard on potential transactions, tower transactions, in a number of different markets, but most interestingly from an investor base perspective is South Africa. I wondered if you could update us on that. Secondly, assuming the South African transaction potentially raises a substantial amount of capital would you be returning that to shareholders?</p>
<b>Brett Goschen</b>	<p>Basically we have a healthy balance sheet. And although there are no acquisitions under target we do have an M&amp;A team. They give us proposals that we look at from time to time. We also look at some of our own acquisition targets. So we like to maintain the capability to perform a large-scale acquisition is the opportunity arose. So we would only really return cash to shareholders if it really became clear down the line that we weren't able to perform an acquisition.</p> <p>In the mean time we are pursuing a dividend growth policy and we are maintaining that policy. And we also do share buybacks on an opportunistic basis. I think with the other question on the tower deal, we have done the four tower deals in Uganda, Cote d'Ivoire, Ghana and Cameroon. And there are currently two deals with smaller countries that we are in the process with at the moment. With the larger OpCos we are still debating at board level as to maintaining...we would like to maintain a control over those towers, a majority stake. So we are still having these debates and looking at options. But we are less inclined to give up control of our towers to a third party as we are prepared to do in the smaller operations. Those issues are still under discussion.</p>
<b>Richard Barker</b>	<p>Thanks, Brett. One observation would be that you've got about close to R40 billion of cash on the balance sheet already. If you were to undertake a disposal of a significant</p>



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<b>Brett Goschen</b>	asset like your South African tower portfolio how much more cash do you need to retain on the balance sheet for potential M&A?  Look, it is something that we would consider. So if we did realise a large amount of cash from a tower deal we would look at it.
<b>Richard Barker</b>	Okay. Thanks.
<b>Operator</b>	Thank you very much. Gentlemen, we have no further questions. Do you have any closing comments?
<b>Sifiso Dabengwa</b>	No. Thank you very much.
<b>Operator</b>	Thank you very much, sir. Ladies and gentlemen, on behalf of the MTN Group that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT