



MTN Group Ltd
Q1 Results Analyst Conference
DATE: 21/04/2016





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<p>Operator</p>	<p>Good day ladies and gentlemen and welcome to the MTN Group first quarter 2016 trading update teleconference. All participants are currently in listen-only mode and there will be an opportunity for you to ask questions later during the conference. If you should need assistance during the call please signal an operator by pressing star and then zero. Please also note that this call is being recorded. I would now like to turn the conference over to Nick Kershaw. Please go ahead, sir.</p>
<p>Nik Kershaw</p>	<p>Hi. Good afternoon everyone. Thanks for joining us today to discuss MTN's results for the three months ending 31 March 2016. On the call this afternoon with me is Phuthuma Nhleko, group Executive Chairman, Brett Goschen, group CFO, Jyoti Desai, group COO, Mteto Nyati, the CEO for MTN South Africa, as well as Ferdi Moolman, the CEO for MTN Nigeria and Ismail Jaroudi, the Vice President for the MENA region. Phuthuma will provide a few more details on the group's performance and outlook. Thereafter we will move on to a Q&A session which the conference call operator will facilitate. Just to remind everyone, the detailed version of the quarterly announcement is on the website as well as on SENS. With that, over to you, Phuthuma.</p>
<p>Phuthuma Nhleko</p>	<p>Thank you very much, Nik, and afternoon to everybody on the call. Thanks for taking the time. And of course good morning to those that are calling from the US. As Nik has mentioned hopefully by now most of you have seen the SENS announcement which we released this morning. I would really like to take the time to give a brief overview of the quarterly performance and then hopefully thereafter we can open it up for questions.</p> <p>I think overall the first quarter of 2016 was one where the group was still impacted by the events of last year primarily towards the end of 2015 when we had to engage the Nigerian authorities with the disconnection of subscribers as a result of some subscribers being not compliant with the registration process. We of course rolled out that registration process to many other countries as well. Notwithstanding that Nigeria was the most impactful.</p> <p>In order to mitigate future regulatory challenges we took a fairly conservative stance as a group and ensured that any subscriber that could possibly be conceived to be non-compliant was actually disconnected. This of course had a pretty significant unfavourable impact on total subscriber growth and revenue in Q4 last year. And of course as I said some of those impacts are still being felt in Q1 2016. I will deal with that a bit more.</p> <p>Notwithstanding that challenging period we really do believe that this very strong resolve on the group's part to address these compliance matters quite decisively will put the group in a good positive and quite a solid footing with regards to the subscriber registration process in general and more importantly overall as regards regulatory matters. So I think out of a difficult situation there is always an opportunity, and I think we have taken this opportunity to make sure all our compliance matters are</p>



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streamlined as best as we can.

Further I should say that the group has also undertaken a number of structural and operation initiatives which in our view are really a back to basics review of the group if you like. And these initiatives will hopefully also position the group well when it comes to meeting a fairly rapidly changing sector.

So the subscriber growth was of course further impacted by a relatively weak macro environment particularly in those markets that are reliant on oil exports. And to exacerbate all of that it would be true to say that we had a very competitive trading environment in the last six months. So I think that is the backdrop to these quarterly results.

If I had to just delve a little bit deeper into South Africa, Nigeria and the rest of the group, the South African performance remained pretty robust despite the marginal decline of about 1.7% in subscriber growth. This was in some respects not totally unexpected in the sense that it was impacted by seasonal trends and the alignment of a subscriber base that we recently acquired from Autopage. You may recall that in the recent past we acquired a base from Autopage and that had to be integrated into the rest of our base in MTN South Africa.

MTN South Africa also continued to enjoy very strong growth in data revenue, increasing 22.9% year on year and contributed almost 32% of total revenue. So I think we continue to see a pretty strong growth in that area. This was also supported by an increase in the value of the data bundles sold and an increase in smartphone. Also significantly improved 3G and LTE coverage gave us that pretty meaningful growth in data. So it is really the combination of those three things as I said, smartphone penetration and improved 3G and LTE coverage.

Nigeria, of course the main story there is the decrease in subscribers by 7% quarter on quarter impacted by our disconnection of 4.5 million subs in February 2016 related to that whole registration process. Just for clarity we disconnected a significant number of subs in 2015 towards the end of the year, but as I said to ensure that we are totally compliant we ensured that a further 4.5 million subs in February that could have been deemed to be not fully compliant were also disconnected. I can say with a reasonable level of confidence that we really do believe that we have really bottomed out in Nigeria now on all subs that may have been considered to be noncompliant. So I think that matter for all practical purposes is behind us.

Continuing with Nigeria, we also on a constant currency basis saw data revenue decline largely due to the change in the regulatory requirements obliging operators to seek permission from customers to charge to out of bundle rates upon the depletion of a data bundle. So initially this was automatic, but we now have to really seek their permission to recharge and provide a new bundle. So that has slowed the data revenue somewhat.

The operation – and we are still on Nigeria now – however continues to invest heavily in the network to improve quality and support data growth. During Q1, this quarter,



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	<p>MTN rolled out in Nigeria 73 2G sites and 149 3G sites. But I think as we indicated during our road post results the whole idea is to this year significantly roll out LTE as best as we can. And that project is now significantly underway.</p> <p>Coming back to the group, now looking at the group on a consolidated basis, group data revenue continued to grow strongly supported by targeted campaigns, aggressive rollout of 3G and LTE in key markets, and of course increase smartphone uptake which is absolutely pivotal to increasing data usage. There was also significant network improvement across the group during the quarter with a focused roll out of 3G and 4G sites.</p> <p>Capital expenditure year to date is up more than 100% year on year to R6.9 billion. So I think this is again in line with the indications that we've given that we felt that we really need to significantly step up capacity and capex roll out in this year. I think this is quite indicative of that.</p> <p>Group revenue for the quarter was boosted by the significant year-on-year depreciation in the rand against a number of operational currencies. And voice and data traffic increased quite substantially 12% to 123% respectively year-on-year. So I think those really are the results for the quarter in brief.</p> <p>Maybe just to pre-empt it I suspect there are two questions that I will be asked. Firstly on the fine, let me just say that we continue to have those discussions and broadly speaking MTN has put its position forward. As I'm sure you can tell from the press there are a lot of internal discussions in Nigeria in government, various arms of government, as to how to respond to us on that matter. In any respect we are really awaiting their formal response on what we have outlined.</p> <p>That was obviously one key issue. The second key issue remains unchanged, that the intention is to advise the investors of the new group CEO before the end of Q2. We are still on track with that. I thought I would pre-empt those two issues before we go into questions. Thank you very much. I will now hand back the conference to the moderator and my colleagues will help me to address some of your questions.</p>
<p>Operator</p>	<p>Thank you very much, sir. Ladies and gentlemen, at this time if you do wish to ask a question please press star and then one on your touchtone phone. If you decide to withdraw your question please press star and then two to remove yourself from the queue. Again if you wish to ask a question please press star and then one. Our first question is from Cesar Tiron from Merrill Lynch. Please go ahead.</p>
<p>Cesar Tiron</p>	<p>Hi everyone. I have two questions. The first one is on Nigeria and on Visafone. Could you tell us how long it would take you to integrate the acquisition and leverage it? By that I mean possibly offering LTE to all of your Nigerian subscribers. Then the second question is still on Nigeria. Could you please comment on this change you referred to in the press release regarding data bundles where you have to seek approval to charge for out of bundle rates? When has this started to be applied and is there any expectation that these regulatory changes could be removed in the next quarters? Thank you.</p>



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<p>Phuthuma Nhleko</p>	<p>I think on both questions I'm going to ask Ferdi who is the CEO of Nigeria to respond to that. Maybe on the second question I think it was really more on the recharge. Maybe I didn't express it properly. Ferdi, do you want to address both questions?</p>
<p>Ferdi Moolman</p>	<p>Good afternoon everybody. Let me first go into the question on Visafone. The main reason we acquired Visafone was to get access to the frequency which would allow us to roll out LTE. We received final approval from the regulator on the Visafone transaction during the beginning of this year. Because the service had only recently been withdrawn this delayed the project a little bit. Now with the services from the regulator that has been restored we have now officially started the process. And the first part of the process really is to migrate all the Visafone subscribers onto our network so that we can clean up the frequency and start rolling out LTE. It delayed our capex rollout during Q1 a little bit because we needed to realign some of our capex towards the LTE rollout.</p> <p>We started the migration of the subscribers this week and we hope to conclude that soon. And the plans are to have commercial available LTE towards the end of Q2, maybe early Q3, albeit very limited, obviously not substantial, and then to start expanding this towards Q3, Q4 and Q1 of next year. It is obviously a comprehensive project. It is not just a capex rollout. It is also handset penetration and other issues. That is where we are with the Visafone integration.</p> <p>In terms of the out of bundle data this is in fact an issue that the entire industry is facing, not just us. And it was on instruction from the regulator. What they basically asked that we need to do is when the subscriber does not subscribe to a bundle they are not impacted as well. They just remain on the normal default data tariff. When a subscriber purchases a bundle and the bundle is depleted during the course of the month what the regulator requires us to do is to bar them from data usage on the network.</p> <p>What we have done is we have put some procedures in place to address this. We have communication going out to the subscriber prior to the depletion of the bundle. And we also have a redirect on the network that when the bundle is depleted the subscriber gets redirected towards a site where they can buy a new bundle. This has limited effect. It is not so successful. It applies to the entire industry, not just us. And we are busy speaking to the regulator and the Minister both to correct this. The downside of this unfortunately is that the view from some of the subscribers is that this is a network problem as opposed to an instruction from the NCC.</p>
<p>Phuthuma Nhleko</p>	<p>Okay.</p>
<p>Cesar Tiron</p>	<p>Thank you very much.</p>
<p>Operator</p>	<p>Thank you. Our next question is from Jonathan Kennedy-Good from SBG Securities. Please go ahead.</p>
	<p>Good afternoon and thanks for taking my questions. I just wanted to clarify. There</p>



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<p>Jonathan Kennedy-Good</p>	<p>were some press reports in Nigeria a couple of weeks back that there was consideration of applying an 8% or 9% tax on airtime revenue. I wondered if there was any update or movement on that front in Nigeria. And then the second question on South Africa. In the release you talk about a 10% month-on-month increase in revenue, and I was just wondering if you adjust for the fewer days in February and the outage it seems to me as though month on month revenue would have been flat because you had 10% fewer days effectively in February. Or am I missing something there?</p>
<p>Nik Kershaw</p>	<p>John, it is Nik here. Let me comment on the first thing. This year there were 29 days in February so I think we said there was about a 3% revenue impact in the month of February. So 31 over 29, there is a 6.8% difference anyway. But it was up more than 10%. I think all we were trying to say is the daily run rate by the time we got to March had normalised after the challenges we had in February with the network outage.</p>
<p>Phuthuma Nhleko</p>	<p>Ferdi, do you want to talk about speculation on whether there will be a tax?</p>
<p>Ferdi Moolman</p>	<p>Sure. At the moment it is being discussed. We are still busy working with the authorities on a number of levels to explain the impact that this would have on the broader market and also on the industry. We are obviously also doing it as an industry as opposed to just MTN doing it. But at this point in time there is no clarity as to exactly what the outcome of these discussions would be.</p>
<p>Operator</p>	<p>Thank you very much, sir. Our next question is from Mike Gresty from Citibank. Please go ahead.</p>
<p>Mike Gresty</p>	<p>Good afternoon guys. Just a couple from my side. First of all you talk about having taken a very conservative line in terms of your interpretation of registration compliance. Is that just yourselves or are you very much in line with the rest of the industry? I guess my concern is that if you have applied very draconian registration criteria across your markets you certainly aren't going to win many friends among the subscribers you've disconnected. And given that they are all multi-simming I assume that none of them will come back to you if your competitors have not done the same. The second question, since you've had the regulatory services restored in Nigeria how has the world changed for you? I'm trying to think about whether there is a big step-down potentially in pricing and maybe initial pressure on revenue as you implement promotions. What is actually happening?</p>
<p>Phuthuma Nhleko</p>	<p>Okay. Maybe let me first of all answer the question on the issue of taking a conservative view on SIM registration. I would also like Jyoti to comment a little bit on that as well. Then I will ask Ferdi to talk about what the world is like post our services being reinstated. I think the first point to be made here is conservative is a subjective judgement. We did take the view that MTN is in most of these operations and countries the largest operator and market leader. Therefore I think I wouldn't be sparing with the truth if I said that we tend to find a disproportionate part of the spotlight being on us more than anybody else. As a consequence we want to make sure that we are closely compliant.</p>



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Jyoti Desai

Now, are the other operators as compliant? We will let you be the judge on that. We have our doubts, but that is not really for us to comment on. But we took the view in the sense that if we didn't disconnect some of these subscribers, and we then had a fine in another country, I suspect some of the people on this call would be the same people saying why on earth didn't you learn your lesson? So it is a bit of a hard choice and I think we have taken what we think is a conservative but measured stance on it. And we are working hard to make sure that those people that were not fully registered are now fully registered.

Maybe just one last point before Jyoti comments. I do think that it is not all gloom, because I think it has enabled us to KYC some of those people as we put them back on, and that is going to be very useful for things like mobile money and things like that.

I will deal with this on two aspects. One, given that we also provide mobile money services I think it is very important from a KYC perspective to have the correct subscriber details in our database. That doesn't then dictate that it is a cumbersome process and the subscriber gets fairly agitated having to register on MTN network as opposed to other networks. Indeed the standardisation we have done across the MTN group in terms of the registration process is a very quick and painless process from registration to activation provided the subscriber has the documents required by the regulator in terms of the registration process.

So yes, while we feel the pain in terms of terminating non-compliant subscribers I think the ability to get them back to the network the process is seamless and very quick all the way to activation. I think in the long run the cost of compliance in terms of retrospectively doing it proactively saves us a lot of issues. On the converse side of it being a cumbersome process when you try and correct the registration procedure you get even more anger and more frustration from a subscriber. So we are not seeing that it is affecting us from a new connection standpoint. But certainly when you disconnect we do through a process of trying to win them back before the deadline. We have had relative success that we can see. We were able to save a significant part of the revenue in that process. So our approach is always to encourage people to register. But I think we believe that the cost of noncompliance is not worth it.

Ferdi Moolman

Okay. I would just actually like to add a comment to the subscriber registration and the process. What was quite interesting for us in Nigeria is obviously when you have to get the subscribers in to re-register you are dealing with subscribers that are irate. What was interesting was the loyalty they had towards the network, once we had dealt with the issues how loyal they were. In fact we have seen that these subscribers are very loyal to the network. The churn rates go down. In fact if we monitor them there are signs that the ARPU would slightly pick up. Having said this it is early days, but it is not all negative.

I think in terms of the restoral of services, one has to realise until the fine has been settled this will always be a sensitive area, the relationship with the regulator. Therefore we pay a lot of attention to it and we spend a lot of time rebuilding the relationship. It is early days but on the ground the mood is very positive. We are



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<p>Mike Gresty</p>	<p>accepted with open arms. It is much easier to communicate with the regulator on a number of issues.</p> <p>Then operationally what we have seen is we received confirmation that the license was officially extended. If you recall we made an announcement of this earlier, but we received secondary confirmation again. When we look at the subscribers we disconnected in February the regulator actually gave us leeway in terms of the timing to re-register the subscribers. We have actively seen on the ground now the regulator getting involved in the interconnect debt with Glo, and this has been very positive. We have submitted for approval for new product and we are really eagerly awaiting feedback from the regulator on this. We are hoping to get feedback very soon. What I can tell you is there have been a lot of interaction between us and the regulator which all points towards the fact that the relationship is going in the right direction.</p> <p>Sorry, just to confirm, despite you having got your services restored now for the better part of the month or so they still haven't approved any new products for you. Is that right?</p>
<p>Ferdi Moolman</p>	<p>Yes. Look, he is starting to... depending on the complexity of the product it can take between two to four weeks, maybe five weeks to get approval for new product. What you have to realise is the NCC is also a government department. There is a lot of bureaucracy there as well. With restoral of services that machinery takes a bit longer to get going. There was a period of about a week when the entire NCC executive was out of the office for training purposes. So I'm not overly concerned about this. I think at this point in time we are still within a fair period of time. Obviously we would like to have it happen tomorrow and as soon as possible because we need approval for new products.</p>
<p>Mike Gresty</p>	<p>Thanks.</p>
<p>Operator</p>	<p>Thank you very much. Our next question is from Tibor Bokor from Arqaam Capital. Please go ahead.</p>
<p>Tibor Bokor</p>	<p>Hi. I would like to follow up on LTE in Nigeria. Could you a little bit clarify what your competitive position is in terms of the frequencies versus the competitors? And also given you now have the tower company our visibility on your capex is a little bit lower. It seems to me that you are doubling your capex, you are adding more frequencies, so your competitive position in terms of the data capacity of your network will tremendously improve during this year. If you could elaborate on that. Thank you.</p>
<p>Jyoti Desai</p>	<p>In terms of our competitive position we have accessed the 800 frequency which is really a good frequency to have for LTE, which will be very efficient from a capex front. We have taken a very detailed analysis of our data usage and where we should be rolling out the LTE network in the first place. We looked at the handset ecosystem. We looked at the revenue opportunity and we have identified some of the major cities.</p> <p>Now, I think we do go in very efficiently and you don't see a big impact on capex for</p>



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	<p>two reasons. One is on the tower co front we have a certain space reservation so we don't have additional cost linked to usage. And the second is most of it is rolled out in existing sites. There are very few new sites that we are building at this stage. And a lot of the equipment has been negotiated as part of a broader network capex negotiation. So we have acquired LTE equipment at a very good price, so it hasn't had a huge capex impact on us this year. It will give us good coverage in about six to eight cities at a very good capex cost.</p>
<p>Tibor Bokor</p>	<p>Do you have any issues with the equipment because I assume you are purchasing it in the local currency so there might be an issue going forward?</p>
<p>Brett Goschen</p>	<p>No. we have been engaging with our major OEMs and vendors and ensuring that the capex rollout continues as planned. We are very close to finalising short-term arrangements, bridge-type facilities with the vendors, and then longer term arrangements around ECA backed credit financing we should have in place by the mid-year.</p>
<p>Tibor Bokor</p>	<p>Could you update us on the number of smartphones in Nigeria on your network?</p>
<p>Nik Kershaw</p>	<p>Give us five minutes. We will check that and we will answer that during the call. We are just quickly checking that number.</p>
<p>Tibor Bokor</p>	<p>Thank you.</p>
<p>Operator</p>	<p>Thank you very much. Our next question is from David Lerche from Avior. Please go ahead.</p>
<p>David Lerche</p>	<p>Hi. Good day everyone. Just a couple of questions from me please. Firstly in Nigeria relating to the difficulties with the currency we've seen inflation now looks like it is running at 11% or 12% there. Can you give us an indication if the costs in your business are lining in line with that or possibly worse given the currency issues? And secondly can you give any update on the planned repatriation of cash from Iran?</p>
<p>Phuthuma Nhleko</p>	<p>Okay. I think on the first question I will ask Ferdi to give his view on inflation and costs. And Brett will deal with the repatriation.</p>
<p>Ferdi Moolman</p>	<p>On inflation as you quite rightly said we are seeing a slow increase in inflation. We have started major opex projects to re-look at the structure of our opex not only to become more efficient but to also protect our operations against any forex exposures. I think it is also difficult to answer the question categorically because we have had a number of once-off issues that have hit us to some extent that were experienced towards the end of the year. Part of this was the provision for bad debt for Glo. That hit us. Maybe I can just say that we had good news in the last two or three days that Glo has actually paid about ₦3 billion so this will have a reverse impact on the opex. I think at the end of the day any inflation increase has an impact on cost. But we are well aware of this risk and we have got projects and processes in place to start addressing this and look at our exposures.</p>



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Brett Goschen	<p>On the repatriation of the Iran cash I mean this is a laborious process. There are a lot of hoops to jump through. But we are making progress and we are still confident that we will get the monies out in the next six months.</p>
Ferdi Moolman	<p>The last question that we said we would come back to, we have about 15 million smart handsets on the network at the moment.</p>
David Lerche	<p>Great. Thanks very much, gentlemen.</p>
Operator	<p>Thank you. Our next question is from Madhvendra Singh from Morgan Stanley. Please go ahead.</p>
Madhvendra Singh	<p>Yes hi. Thanks for the call. A few questions on Nigeria. Firstly, is it possible to share the percentage of data revenue which came from out of bundle tariffs? And secondly what is the status of fibre backhauling for the 3G sites, also any new sites that you will be rolling out? I presume that will be on fibre already. But in terms of the existing 3G sites what percentage of that is connected with fibre backhaul now? And the third question is on Iran. You have very strong data revenue growth in Iran but it doesn't seem like the overall revenues grew that strongly in this quarter. Is there anything specifically worrying happening on the non-data side of the revenues? Thank you.</p>
Phuthuma Nhleko	<p>Okay. I think on the out of bundle data numbers I think we are not in a position to be discussing that at this point and giving those numbers. On backhaul I'm going to ask Jyoti to comment. And then Ismail, can you comment about the question on Iran?</p>
Jyoti Desai	<p>In terms of backhaul all our hub sites have been converted more than two years ago to fibre. We have been converting high-traffic 3G sites which would be in the region of 300 to 400 over the last 18 months. And then all the LTE sites planned for this year, which are all collocated sites, will all have fibre installed. That will be in the region of 1,500 sites which will all have fibre immediately. I must however warn that the process of getting fibre to site is quite a tedious process. It requires very extensive negotiation with local government on getting rights of way, and that can often slow down the process. So it is a very ambitious target. I think we start the process by getting right of way approvals long before we need to install it on the site. But there are often lengthy delays because of the need to negotiate with key stakeholders in that process.</p>
Ismail Jaroudi	<p>For the revenues in Iran for the first quarter we continued seeing very strong data revenue growth, around 70% growth for data, very promising in that area. For the overall revenue there is revenue growth of course. However that has been impacted by public holidays during the first quarter. You all know that the Iranian new year falls in March so quite a few number of days off in February as well. So that is just an expense that affected the overall revenue. However we still reported decent revenue growth.</p>
Madhvendra Singh	<p>Thank you. Just to follow up on the fibre backhauling just to make sure that I heard it correctly, 300 to 400 3G sites are already connected with fibre backhaul? Is that correct?</p>



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Jyoti Desai	That is correct.
Madhvendra Singh	Okay. Thank you.
Operator	Thank you very much. Our next question is from Alexander Balakhnin from Goldman Sachs. Please go ahead.
Alexander Balakhnin	Good afternoon. I have a question. You mentioned in the press release and repeated in the introduction that you are undertaking this back to basics initiative. Could you please elaborate what does that assume and what are you doing now differently from what you have been doing previously? Thank you.
Phuthuma Nhleko	Look, I wouldn't want that to be over-interpreted. Basically what we are saying is operationally of course as you know we reinstated the VP structure at the end of last year which I think is pretty important in the way that we oversee and supervise the operations. Ferdi for instance spoke about the deeper engagement with the regulators. And I think across the board we are doing that on a much more deliberate basis than may have been the case in the last few years. And a whole range of things. Getting capex in as fast as we can. Not to say we haven't been doing it, but I think we are now very alert because as we discussed in the road show we do feel that if we had more capacity and capex in the last few years we would be in a stronger position in Nigeria. So it is those kinds of things where we think that it has just reinvigorated the organisation as a result of the unfortunate incident of last year. That is really what I was referring to.
Alexander Balakhnin	Thank you. And may I follow up on the point you make that you are working on deeper relationships with the regulator? May I ask you how do you plan to make your interests and the interests of the regulator more aligned and make sure that you are pretty much on the same page? What can you offer them and how do you explain that MTN is important? How do you convince them to be on your side?
Phuthuma Nhleko	<p>I think it is a question of just really being far more collegiate in the approach. To take an example, somebody asked about the tax that could be applied. I think Ferdi gave a background to say obviously we engage all the stakeholders. I think we engage in more of an exchange in terms of the consequential impact of certain things, like the tax for instance. And we are not saying that we always succeed, but we always know that regulatory engagement and close interface is important. But I guess in a crisis there is always an opportunity, and one of those opportunities was for us to reengage. Not to say that we have never done it in the past, but at times I guess like any organisation you can go through a period where there is an element of complacency.</p> <p>And all we are merely saying is there is a reinvigorated approach where we get to interact with the stakeholders far more extensively than we may have in the past, including looking at what is really useful for us, what is useful for the country and what is mutually beneficial. Now, those things may sound obvious, but sometimes they don't play out as easily as they should. So that is what I was really referring to. We are talking about stakeholders across the board and not just the mobile regulator.</p>



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Alexander Balakhnin	Thank you. That's helpful. Sorry, just the last thing. Can you please update us on the CEO search process, where we are with that?
Phuthuma Nhleko	Yes. I thought I had indicated at the beginning that the timeline that we had shared with the market to say that we will be able to name a CEO by the end of Q2 remains unchanged. So the process continues and as soon as we are in a position to communicate something with the market we will certainly do that.
Alexander Balakhnin	Thank you. That is very helpful.
Operator	Thank you very much. Our next question is from Craig Hackney from NOAH Capital Markets. Please go ahead.
Craig Hackney	Thank you. Just looking in South Africa one of the reasons you gave for the subscriber decline was the alignment of the Autopage base. What does that actually mean? Is it a case of applying your credit checks to that base and some subscribers not meeting them? What does it actually mean?
Mteto Nyati	Good afternoon. What it means really and briefly is that the subscriber base of Autopage was available and we as a company decided to buy a portion of that subscriber base. And because of that decision it meant that close to 21% of our deactivations in Q1 in the post-paid space were largely because of that. So we bought less than what... structurally that's how the deal was structured. And because of that deal we ended up with less.
Craig Hackney	Okay. So some of the subs at the end of last year would have actually been non-MTN subs. Is that right?
Mteto Nyati	That is correct, yes.
Craig Hackney	All right. Thank you.
Nik Kershaw	If I can just add to what Mteto said, Craig, just to give you a little bit more additional information, obviously the disconnections of the Autopage base we also had a number of migrations from post-paid to pre-paid which also had an impact on our post-paid base. And there were also some deactivations of machine-to-machine SIMs on the vehicle tracking side. So those all had an impact on subscribers in the quarter.
Craig Hackney	Okay. Thank you.
Operator	Thank you very much. Our next question is a follow-up from David Lerche. Please go ahead.
David Lerche	Hi. Thank you, gentlemen. Just a follow-up relating to that Iranian cash coming out. I just want to clarify there how much of an impact that will have on the R7 minimum dividend that you spoke about at results. If you get all of the cash out will that make a difference to that R7 or have you already factored that into the R7 guidance?



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Brett Goschen	<p>No, I think we have already factored that into the forecast. But we are also saying if by some chance we didn't get that cash we would have to draw down on facilities to meet that dividend payment.</p>
David Lerche	<p>Great. Thank you.</p>
Nik Kershaw	<p>We have probably got time for two more questions.</p>
Operator	<p>Our next question is a follow-up from Tibor Bokor. Please go ahead.</p>
Tibor Bokor	<p>Hi. I have a strategic question. How much would you agree that potential problems in Nigeria are due to the fact that you don't really have a local partner as a minority shareholder there? And could a potential listing solve this issue? And do you have any other subsidiaries where you are facing similar issues i.e. not having a local partner as a minority shareholder? Thank you.</p>
Phuthuma Nhleko	<p>Maybe just a factual correction. We have had a local minority partner in Nigeria since day one. And in fact the local shareholding is at 22%. So I think just to correct that. Having said that, could a listing enhance the broadness and depth of participation by Nigerians in a pretty important company in Nigeria? The answer is yes. And I think we are on record to say that we are not adverse under the right conditions to look at floating MTN Nigeria. I think as far as your second question about other countries, I think virtually all the countries we've got minority shareholders with the exception of South Africa of course. But that has been the standard stock in trade and principle of MTN to ensure that we've got good local partners in all of our operations. So I think that is really where we are. I mean obviously it doesn't mean that fully mitigates any challenges that you may have, but it does help considerably.</p>
Tibor Bokor	<p>Thank you.</p>
Operator	<p>Thank you very much. Ladies and gentlemen, we have no further questions. Do you have any closing comments?</p>
Phuthuma Nhleko	<p>Well, thank you very much and thank you for your time. As I indicated in the statement we've had to take some pretty strong decisions and resolve, but we remain fairly comfortable that we have placed the company in a good position in a number of respects, regulatory and of course what is happening in the sector. And hopefully we can talk to you again in August. Thank you.</p>
Nik Kershaw	<p>Thanks so much.</p>
Operator	<p>Thank you very much. Ladies and gentlemen, on behalf of the MTN Group this concludes today's conference. Thank you for joining us and you may now disconnect your lines</p>

END OF TRANSCRIPT