MTN Group Ltd
Annual Results Conference Call Transcript
DATE: 08/03/2018

Speaker	Narrative
Operator	Good afternoon ladies and gentlemen and welcome to MTN's 2017 year end results conference call. All participants will be in listen only mode. There will be an opportunity 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 note that this conference is being recorded. I would now like to hand the conference over to Mr Nik Kershaw. Please go ahead, sir.
Nik Kershaw	Hi, good afternoon everyone and good morning to those people in the States. Thanks very much for taking the time to dial in to our call. I think you would all have seen the SENS that was released this morning as well as the presentations that are on our website, and a lot of you would have been at our presentation as well. I think just to start off Rob will give a brief introduction and after that we will jump into questions and answers. So over to you, Rob.
Rob Shuter	Thanks Nik, and also welcome from my side. Thanks for taking the time to join. This call is always a bit of a challenge because a lot of people have already been through the presentations, attended some of the sessions, but of course also we have important investors particularly from the US who wouldn't have had that opportunity. So I'm going to take literally around ten minutes to take you through the highlights and then we will make sure we leave at least half an hour for Q&A. I think overall we feel encouraged by the foundation we've laid in 2017 for MTN to be successful going forwards. If I look at the group numbers in constant currency service revenue was up 7.2%, reported down 10.8%. We focus very much on the constant currency metrics. That really shows us the underlying operational momentum in the business. What drives service revenue is voice flat, which I think is not too bad, access data revenues up 34%, digital revenues up 14%. In the digital revenues what is aggregating under that number is partly the historic value added service business which is things like caller ring back tones, the star hash USSD type offers. And then of course our more modern digital services, largest among them mobile money, music, video, Xtratime. So whilst we felt 7.2% was respectable, 34% is a good number for access data, we were a bit disappointed with the 14%. But it really is a combination of the VAS businesses taking some strain as we optimise them to give customers more choice around the subscriptions they've chosen, easier ways to opt out of services, double opt-in for new services etc. while we build the new portfolio which we think is a pretty exciting story. Group margin was up 2.5%, HEPS at 182 cents. A lot of one-offs in there which you are all I think pretty familiar with, things like the notional interest for the Nigerian fine, hyperinflation, forex, BEE scheme in SA, IHS loan etc. And if we adjust those out we get an adjusted HEPS of 665 cents which is probably the more normalised metric. A final thing on the group numbers is capex. We ended up deploying R31.5 billion for 2017. It was a bit more than our half-year guidance. The rollout programme was quite

Speaker	Narrative
	heavily weighted towards the second half so it was a massive effort to get that all deployed. We're pretty pleased that all the opcoss rose to the challenge. In 2018 we go for a more balanced capex rollout programme across the year. A few comments on South Africa. If we look at the numbers service revenue organic was 3.9% for the year. A soft Q4 for sure. Basically prepaid a bit of slowdown, also lapping some of the pricing changes of 2016. But against that if I look at the really difficult and important things we had to do we feel very much encouraged. Network deployment, R11.5 billion in the year. Best network scores now from My Broadband but very encouragingly from the P3 tests of January. So we've got a 30 point advantage over the number two, the best P3 score in Africa. So the best network I think serves us well for the future. We have narrowed the NPS gap from the number two down to zero, so we have co-leads on NPS. That reflects a lot of work on network, brand, customer experience and value. And we've also seen an important lift in our postpaid net adds, adding around 130,000 in Q4 as opposed to 30,000 in Q2 and pretty much stable in H1 and negative in the two or three years before. Good data growth in SA around 28%, and also I think encouraging that we hit all our margin targets and in fact opened up EBITDA margin by 2% in the year. Looking at Nigeria I think there it was really more about getting a good commercial performance out of the business from a pretty solid foundation already at the start of last year. So there we saw revenue growth of 11.4%. We ended the year with a margin at 38.9%, so almost 39%, smack in the middle of where we thought we'd end up. We deployed the capex programme, which is good. Very strong data growth in Nigeria, 87%. So I think this is really a very strong market for data monetisation if you look at already very low prices, low adoption, low usage, an improving macro and a decent network to load up with data customers and data volume. I think two interesting things in the Nigerian results. On the negative side the digital business was negative around 4%. That is really the VAS optimisation I spoke about earlier. On the other side we had very strong voice growth, over 7% in the year. It's a combination of subscriber growth, getting the tariffs right, pulling some of the more destructive pricing elements out, I think pulling back some voice volume and data volume from the competition as we've improved the customer experience and improved the network. So that's an encouraging trend going forward. Turning to 2018 and beyond I think firstly to talk a bit about the medium-term guidance and the dividend policy. So we have decided to move from one year out guidance where historically we guided pretty much only on revenue in a couple of markets, margin, capex and subscribers, to a medium-term guidance more holistic. So we've said that we expect South African service revenue to be mid-single digits, so 4% to 6%. We expect Nigeria to continue to be double digit and looking for an improvement there going forward. That would basically together with the opcos give us a high single-digit constant currency service revenue growth for the group in the medium term. So basically you want to take that 7.2% and lift it up much closer to 10% over the next two years.

The second piece of guidance we've given is for improving EBITDA margins across the group as we basically leverage our in-market scale, our cross-market scale, address some of the operational performances across some of the markets and improve the South African margin going forward. And I think this will give us very good operating leverage. The third element of the medium-term guidance is the range for capex intensity. As I said we spent R31.5 billion in 2017. We have guided one year out specific capex just under R28 billion for 2018 and in the medium term we expect the intensity to move within a range of 20% to 15%. So basically 2018 would be the first year where we drop below 20% and over the next few years we would expect that to moderate further.

Two elements remaining. Group leverage position. We're going to focus on the HoldCo net debt to EBITDA because that's the primary metric our rating agencies are using for the rating of our bonds and other debt instruments. And we want that to remain in a range of 2.5 to 2 times. And it moved up in the year under review to around 2.7, so over the next year or two we will bring it back into the range.

Finally we get to the very key discussion around the dividend. So we haven't had a dividend policy in MTN for quite some time. The only specific guidance we gave towards the end of 2016 was for a R7 dividend for 2017. We have met that commitment and declared a R4.50 to complete the R7 for 2017. Going forward we have decided to opt for a re-based progressive dividend policy and we've guided that the new base for 2018 will be 500 cents, and we expect that to grow in a range of 10% to 20% going forward.

The advantages of the gearing and dividend story is basically it will bring some stability into the group leverage which has been increasing steadily for many years now, including over R5 billion in the year under review. We also can align the dividend growth to the investment case which is basically predicated on margin above revenue, cash above margin. And we can also maintain a decent headroom in the facilities for future opportunities and any kind of risks that come up.

A final point and just a few comments on the investment case. We have spent quite some time trying to crisp up all the reasons why we think MTN is a great place to invest. There was a slide on that in presentation pack. Very simply we say firstly we're pure play emerging market mobile. So that's not that common for investors to have a single entry into emerging market mobile. We regard ourselves as being in very good markets and having a good position in those markets. Africa and Middle East is one of the highest growing regions for telecoms in the future. We are represented in the two largest markets in Africa, South Africa and Nigeria. We are represented in one of the two largest markets in the Middle East, Iran, of Iran and Saudi. And across all our 22 markets we have a number one or a number two position.

The second part of the investment case is the exciting demographics. Our markets are characterised by population growth, a youthful population, low levels of adoption of data and digital services, real opportunity for MNOs to scale across both those categories, and also a very good opportunity in enterprise and wholesale particularly

Speaker	Narrative
	as the SME sector grows and we move into a more mobile-centric enterprise world. With a good execution of our BRIGHT strategy which gives us a clear operational focus across six elements we should in time drop down into the bottom two parts of the investment case, which is firstly attractive return profile – revenue, margin, capex and cash flow – and finally a multinational that will be well positioned for the future with sustainable leverage, good operational execution and the ability to respond quickly and decisively to expansion opportunities as and when they arrive. So I hope that wasn't too much for those who have heard it already and helpful for those that did not. And we will open for Q&A. Thanks so much.
Operator	Thank you very much, sir. Ladies and gentlemen, at this time if you'd like to ask a question you're welcome to press star and then one on your touchtone phone and that will place you in the question queue. If you however decide to withdraw the question you're welcome to press star and then two on your touchtone phone to remove yourself from the question queue. Just a reminder, should you wish to ask a question you're welcome to press star and then one. The first question comes from JP Davids of JP Morgan.
JP Davids	Hi guys. Three questions please if I may. Just kicking off with the Iranian repatriation you mentioned this morning there might be a little bit of an impact on the timing there. It might be a little bit later in the year. Is that just a factor of crossing t's and dotting i's or is that anything related to the pressure the currency is under? I would have thought not, given it is Euro balances you're moving. Then switching gear to touch base on tax. I see there is still a little bit of creeping up in terms of your contingent liability around tax across the portfolio. Any issues to specifically report on there, or are those still very much issues you are trying to cite as possible but not anywhere close to probable? And then finally if you could provide a little bit more colour on your expectations for Cameroon into 2018. I appreciate that's been a very tough market, a lot going on there. I'm interested to see how quickly that one could bounce back. Thank you.
Ralph Mupita	JP, it's Ralph Mupita here. I will just pick up on the first two questions. Yes, on the Iranian repatriation as I mentioned earlier we are still in negotiations or discussions with the foreign investment authority there, FIPPA as they are called, and the central bank to get our allocation. And obviously there is a clearing up towards these allocations and in our experience as we go in and out of that market there is quite a lot of focus on allocations towards very basic goods and services that get imported. So the issue there for us is there is obviously a bit more pressure right now in the market given the position of the US. But it is not something that is overly or unduly concerning for us. As I've said earlier on, we still are in the process of repatriating, but we are not talking about a very specific timeline and deadline. And then to your point around contingent liabilities, they have basically crept up. We have got regulatory and legal contingent liabilities and then we have some tax ones. And within a tax one you might have interest increasing, but they're not any fundamentally different or substantial new items that have come in that would have moved that contingent liability amount.

Speaker	Narrative
Rob Shuter	JP, Rob here. Just a few comments on Cameroon. I think there are three things going on in that situation. I think the first is generally the economy is struggling and also there is some instability between the north and the south, and we've had occasions where we've had to suspend data services. So these are more macro issues that are affecting the whole industry and the country as a whole. I think the second set of issues is the regulatory challenges we've had with sanctions we've received on SIM registration and our use of certain frequencies for broadband. And I think there we are making steady progress with the authorities to get to a decent resolution there that addresses everybody's concerns. And the third is really our own competitive or commercial performance, looking more at the normal part of our business around tariffs, pricing, distribution etc. And I think there too we have quite a lot of work to do. We have basically decided to take the full methodology we used for Project Ignite across South Africa and Nigeria and we are deploying that into Cameroon as a third market to make sure that we have a very clear plan what we need to do and we have a proper execution of it. So I think things will still be difficult there for a while, but we do remain confident that we will have a decent resolution of that situation and that in the medium term we will improve the performance.
JP Davids	Great. Thanks guys. Appreciate the colour.
Operator	The next question comes from Chris Grundberg of UBS.
Chris Grundberg	Thanks very much guys. Just three questions on South Africa if I may. First off just to contextualise your guidance I wonder if you can comment on whether within that mid-single digit 4% to 6% you assume that you're going to be taking share, or do you think that's in line with the market growth? Secondly just unpacking a little bit, I wonder whether you can indicate whether that level of growth assumes similar growth for both prepaid and postpaid, or are you looking at one of them and thinking there is a lot more growth opportunity there than the other? And then very lastly just on the opportunities in the SA market for network sharing or network consolidation, could we get your updated thoughts on that? Thanks.
Rob Shuter	Okay, Chris. It's Rob. I will have a go at that. I think firstly for us to move solidly into the 4% to 6% it would probably more stabilise our share. We are probably growing 1% to 1.5% below where the competition are. And for sure we need to get that at least back to parity. I'm going to come back to that as I answer the second. On the second question I think if you studied our numbers historically we have basically been outperforming on prepaid and underperforming on postpaid. And I think prepaid will moderate a bit. We need to make more progress in postpaid and directionally they should get reasonably close together. I do think the other dimension in SA though is that we've really neglected our enterprise business over quite some time. We've got a good strategy there now. We have brought some good people across. And I think as we rebuild enterprise we have a fighting chance to start to gain some overall share, albeit to be honest coming off quite a low and slightly weak base.

Speaker	Narrative
	On your third question, network sharing and consolidation, there is quite a lot of passive sharing in the South African market already. So there are tower companies, there are barter sites, there is multi-tenanting on existing sites. We have never really seen a convincing rationale for a largescale tower type transaction in the South African market. What we do have though is national roaming. So for sure we've got Telkom running on us for some services. You've got some other roaming on the other networks. And I think that will be a feature of the South African market going forward.
Chris Grundberg	That's very helpful. Thanks.
Operator	The next question comes from John King of Deutsche Bank.
Rob Shuter	Hi John. You might be on mute, but we are all waiting here in anticipation.
John King	Sorry about that. A couple of questions on the South African market if I may. Can you give us some colour and contextualise the Q4 results? I'm trying to understand if you're cleaning up the prepaid base, because ARPU looks quite good but the net adds not so much. In addition to that I'd like to ask you a little bit about the sub IPOs. If I remember correctly from this morning you're talking about Ghana and Nigeria in the first half of this year. I wanted to make sure I understood that correctly. And can you speak a little bit about the use of proceeds there? Thanks so much.
Rob Shuter	Okay. So I think on SA the pressure we saw in prepaid, not very compelling subscriber growth. I think also we saw a bit of pressure on voice volume in prepaid, so that is I think something we really need to work on. And also the quarter was competing against a pretty strong Q4 of last year which I think also created a little bit of pressure. So we expect to see steady improvement as we move through the year. On the second question, yes, you understood it correctly. We are very far advanced with both the Nigerian IPO and the Ghanaian IPO. And if we continue moving in accordance with our current timetable we would complete those in the first half calendar of 2018. In terms of proceeds that's a little hard to predict. Nigeria as I said before has already a 22% minority so we're not expecting really to significantly move our percentage shareholding down and we don't expect material proceeds inflow into MTN group. In Ghana we are attempting to dispose of 35% in the IPO process. But it is an effort to attract Ghanaian shareholder and that's going to be a pretty tall ask given the depth of the Ghanaian capital markets. So we wouldn't be at all surprised if we end up selling quite a bit lower than that. And these proceeds would really go into our general bucket of facilities/gearing and I don't think will be material when we look at the year as a whole, the market as a whole and our overall levels of gearing.
John King	Fair enough. While I have the floor, one last question. When does spectrum in South Africa become a problem for you given trend usage rates or lack of spectrum?
Rob Shuter	I think it's a complicated question to answer. Clearly we have built out a very decent mobile network now. It's carrying an increasing amount of traffic. The customer experience is good. On one hand you can say it's not yet a problem. But because of

Speaker	Narrative
	the lack of low band spectrum, 700 or 800 for LTE, and also high band spectrum we are building a denser network than we would need to if we had more spectrum. So probably actually in the shorter term it's putting more pressure on capex than on the customer experience. I think over the next three to six quarters we will start to see congestion in some of the heavy usage sites and will also start to run out of easy alternatives to further densify. So it is going to become a problem I would say in the next year to 18 months.
John King	Okay. Thank you.
Operator	The next question comes from Cesar Tiron of Bank of America Merrill Lynch.
Cesar Tiron	Yes, hi everyone. Thanks for the call and thanks for taking my questions. I have three questions actually. The first one, I wanted to check on the margin improvement that you're guiding to. Is it mainly coming from Nigeria and South Africa? And also does it include any enhancements to margins from IFRS 6 [unclear] next year or is it a like for like guidance? The second question is do you expect your cash taxes to continue to be significantly higher than your P&L taxes in the future? And third still on the tax rate, it was quite high in 2017, about 50%. Can you please help us better understand what you think should be your normalised tax rate going forward? Thank you so much.
Rob Shuter	Okay I will pick up the first and I will ask Ralph to handle number two and number three. So on the margin improvement for user it's like for like. There is nothing counting on accounting changes. And if they come we will have to restate and re-look at what effect they have. It will come from continued margin improvement in the South African opco. We got to just over 34% for the year and we really are targeting and expect to do more. There is no reason why we shouldn't be in the mid-30s and even slightly above that if you look at some of the benchmark margins in the South African market. Nigeria I think is slightly more complex. We have said 38% to 40% is the right kind of target margin range for where the Naira is. We came out in the middle of that range. We did have some once-offs in 2017, some settlements, advisory fees for Ignite etc. So I think it is realistic to expect some margin improvement in Nigeria. And then across quite a few of the other markets we are also targeting for them to improve margin, some of it structural, some of it also… If you look at Rwanda as an example they had to pay their regulatory fine in 2017. It had a big dent to the margin. We've had a lot of margin pressure in some of the other francophone markets. So all the opcos have been targeted to be more efficient. And basically as the macro improves and you get some decent revenue growth back into the system and the currencies stabilise I think structural margin improvements across many of the opcos are very much achievable. Ralph?
Ralph Mupita	Your two questions on tax are related. And just starting with your question around the cash tax, I mentioned in the results presentation a big part of the differential between what you would see we paid in 2017, a little bit over R5 billion, to 2016 is largely to do with the Nigeria fine. When you look at the tax rate what we tried to show in our presentation were a bunch of more recurring items. And they have been recurring in

Speaker	Narrative
	the last couple of years. Not to say that they will always be there, but they have been recurring items that predominantly deal with inability to have expenses deducted given for example in Sudan the revenue based taxes that they have there. And then there were some other once-offs which came in the year which we think in the next year or so will come out. To your point of normalised tax rate we try and back out what would be a much more normalised tax rate and become more in the mid-30s. So 35% would be much more normalised. And for sure we are working to try and deal with as many of these as possible. Withholding taxes will be there as long as we're upstreaming cash as an example. And you have the hyperinflation effect still coming through on the tax line. So withholding taxes and the non-deductible hyperinflation I think will certainly be with us for a while. But as we grow our business in Sudan it's becoming a lot more profitable. That 11% negative impact should ameliorate and ultimately disappear. So 35% would become a much more normalised rate.
Cesar Tiron	Thank you so much.
Operator	The next question comes from Alistair Jones of New Street Research.
Alistair Jones	Hi. Thanks for the call. Just a couple of questions, one higher level one. Rob, you mentioned in your investment case when you went through it that pure play mobile is a key differentiator I guess. A lot of your peers globally have moved across to a more integrated model, seen the benefit of fixed-end mobile. I know you don't have that luxury across Africa. But I'm just trying to get an idea particularly in places like South Africa where spectrum is constrained to what extent does all the traffic coming through on your mobile network and not being able to offload it onto WiFi become a strategic disadvantage relative to global comparison because you have to invest more in either the infrastructure or spectrum? I would be interested in your thoughts on that. And then secondly just on the HoldCo leverage guidance that you've given or the disclosure that you've given, just running through the numbers you get R51.7 billion of net debt and your leverage at 2.7 times. So it means your implied SA EBITDA and cash upstreaming is around R19 billion just using simple maths there. You generated about R14.7 billion of EBITDA in South Africa which means the balance is your cash upstreaming of R4.5 billion. I know you got R6.5 billion from Iran in the first half of the year and you also got some from Nigeria. I just want to get some explanation or detail around am I reading that wrong and how should I think about that in terms of upstreaming and future upstreaming potential?
Rob Shuter	Thanks Alistair. So I will take the first question while I buy my colleagues some time to figure out the numbers. Look, I think when we say pure play mobile of course what we acknowledge is that in the big modern metros, Tehran, Jo'burg, Cape Town, Accra, Lagos, there is always going to be a piece for FTTH, fibre to the home, and we will move into that selectively as and where it's required. And of course in the enterprise market although we have a centre of gravity around managed mobility basically as you build out your mobile network it's very easy to connect large enterprises, office

Speaker	Narrative
	parks and concentrated nodes and offer fixed voice and fixed data. So around the edges of course there are going to be elements of fixed. What I really meant was that we don't have any old fixed line incumbents in the portfolio. We don't have big legacy copper networks. We don't have cable assets that we're trying to buy content and compete with people for sports rights. That whole world of the traditional fixed players is not a world we find particularly attractive. So maybe pure play is slightly strong. WiFi also I've always slightly struggled with as a concept because we are still selling data bundles. We are selling gigs in postpaid. We are still monetising data on a consumption basis. And we need to have the kind of tariffs that that still works for everybody without creating a massive incentive for offload. And I think we are managing to deliver that in the big metros. If you look at our data performance particularly in SA in Cape Town, Jo'burg, Durban, Pretoria we really are performing very well even against domestic incumbents with more potential to do that. On the HoldCo gearing you were throwing out some pretty specific numbers. But maybe we can answer in a more general sense…
Alistair Jones	No, that's fine.
Rob Shuter	…and then perhaps offline we can take some of the details. Ralph.
Ralph Mupita	Look, I mean you've got the maths to back out your 2.7, South Africa EBITDA R14 billion, and working out the cash repatriation from the opcos. We had a special once-off that came in the year. We had the upstreaming. Predominantly in 2017 it was coming through from Iran. So that was a once-off. So we do expect that we get from the opcos in particular two types of upstreaming. The first is that they do send us a dividend. We have dividend policies in the opcos to upstream. And then obviously where we've got management fee agreements which are often a percentage of revenue these also get upstreamed. But going forwards this is exactly the kind of construct we will be focussed on to try and drive upstreaming as far as possible. In our Middle Eastern markets we have had upstreaming from Iran, but we have obviously got conflict markets that aren't upstreaming to us. They are generating EBITDA but we aren't getting that out. But we would like increasingly to also focus on this HoldCo leverage because of the structure of where our debt is held. It is held more at the centre, not where the EBITDA is being generated in-country.
Nik Kershaw	Alistair, just a couple of points to add to what Ralph had to say. In the calculations for this period it was quite a conservative calculation. So the money that we got out of Iran was actually related to a historic loan and it wasn't actually the bucket that related to the dividend. So we actually stripped that out entirely. So in a normal year, so if you think about 2018 if you assume that the Iranian dividends are upstreamed and we get the money out of Iran then we will have all of that money from Iran stripped out. Similarly if you remember that prior to the second half of 2017 we weren't getting dividends out of Nigeria, so we only got in the 2017 calendar year one single dividend from Nigeria. And the way things are now we would expect it to resume normal dividend payments. So we would then get two dividend payments out of Nigeria this year. So this year's number you need to normalise for normal dividend

	payments out of Nigeria and on the assumption that we get cash out of Iran you would then have dividends out of Iran as well. So both those numbers will have an impact on the cash upstream that we include in the calculation for this year. But it's always a difficult number to forecast because we've got Dollar debt on the centre as well and obviously currencies will have an impact on that number as well. Hope that helps.
Alistair Jones	Yeah, that's very helpful. Thanks guys. Appreciate it.
Operator	The next question comes from Jonathan Kennedy-Good of Standard Bank.
Jonathan Kennedy-Good	Thank you. Just a quick question from me on South Africa. It looks to me as though the margin expansion you delivered this year was largely due to far lower losses on your handset sales. I was just wondering if a) that's an accurate representation and b) whether that is due to any kind hedging strategies you've had on imported handsets and how reliable that decline that seems to be in place with the cost of handsets in the second half is going forward. And then also just out of interest I don't know if I missed it in the presentation but what is your current HoldCo leverage as you define it? Where does it sit at the moment? And with that in mind I see changes were made in the South African Tax Act which says that if you're paying less than 75% of SA tax you have to now include that foreign income in your South African tax calculation. I'm just wondering whether that's going to impact MTN. There is also talk of reviewing tax treatment of excessive debt financing. I'm just wondering if you have had any discussions with the revenue authorities about how they're going to define that and whether that will impact deductibility of your interest.
Rob Shuter	Okay. Thanks Jonathan. I will take the first one and then hand over for the second. I think broadly speaking you're right on SA. There are three basic buckets that drive the EBITDA margin. The one is the contribution margins in prepaid and postpaid as a function of commissions, interconnect etc. The second is the negative margin on handset sales. And the third is the percentage of opex to revenue and how you manage that. Quite a lot of the improvement in 2017 is reducing the negative margin on handsets. Having said that it's quite a complicated complication particularly in postpaid where we are attributing a certain amount of postpaid subscriptions to handsets and the connectivity services on a fairly mechanistic basis. But in the end yes, it's a big part of what drove the improvement in 2017. It will be a smaller component of what drives it in 2018 as we will continue to manage all three of those buckets. It was helped by the stronger ZAR which dropped the price of imported handsets. But we also work very hard on the mix. South Africa has a sweet spot in the volume part of the market which is much more midrange, the Huawei P9, P9 Lite, these kinds of handsets where generally the margin is not as problematic as it is on upper end devices.
Ralph Mupita	On the HoldCo leverage we reported 2.7 times, up from prior year where it was 2.6. And as we show there it is the HoldCo net debt which is at R51.7 billion for the year

Speaker	Narrative
	end. And the point around the revenue authorities discussions we haven't had any discussions. We have had various other discussions with them but not specifically on this one, so nothing to report to you at the moment.
Jonathan Kennedy-Good	Thank you.
Nik Kershaw	Thank you. Operator, we have time for one last question.
Operator	Thank you. Then the final question comes from Nicole Agar of Truffle Asset Management.
Nicole Agar	Yes. Hi guys. Just two questions please on the medium-term targets. The first is when I look at your dividend policy of growing 10% to 20% per year should we back out that this is a medium HEPS guidance or are you aiming to drop your dividend cover? The second question then relates to your medium targets on revenues. Obviously these are in constant currency. But in order to get to your dividend guidance what exchange rates are implicit in this revenue growth?
Rob Shuter	Okay. Thanks Nicole. Let me have a bash at that. One of the big considerations in the dividend policy was what absolute amount should we start with, which now we have settled on R5. But the second part is how do we express what happens to that going forward. And one of the challenges for us with using HEPS is generally our HEPS number has been very volatile, either volatile for once-offs but also volatile for currency. So we figured in the end we would give a guidance range, and that would at least allow us the flexibility if we had to look at a combination of factors. What happened with HEPS, what happened with cash flow growth, how did FX move around, where there any big once-offs in the P&L or in the balance sheet? So that is really the logic. And I guess the second question; constant currency service revenue is 7%. We are trying to get it closer to 10% in the medium term. Improving margins would take the profitability into the double digits and as we reduced the intensity the cash flow would be a little bit above the profit. That is also what we try to match to the 10% to 20% of the guidance range. Now, of course as we build out a three-year business plan we do make predictions on currency. And I think the only thing we've learnt the last few years is we seem to be very good at predicting what won't happen. But I mean that's common across South Africa. If you look at when we built the budget in October where the ZAR Dollar was I don't think many of us would have predicted that we wouldn't be at R13.40 and we would be at R11.80. But in a general sense we have always modelled our budget that the ZAR has a steady weakening against the Dollar. So too do the other currencies where there is reasonable inflation including the Naira. So for what it's worth that's what we plug in the models, but we need to be super responsive to what happens as the thing unfolds because it affects all manner of things like cost of capex, repatriation etc.
Nicole Agar	Okay. So you are effectively expecting cash conversion to increase?

Speaker	Narrative
Rob Shuter	Very much so. And this is really what I was trying to explain in the business case. It's a kind of you could call it a growth leverage for MTN where basically you build a situation where profits go above revenue, cash flow grows above profit, which would allows us to move that dividend within that 10% to 20% range all things going well.
Nicole Agar	Okay. All right. Super. Thanks guys.
Operator	Gentlemen, as requested that is the final question. Do you have any closing comments?
Rob Shuter	No, just to say thanks for joining us. Thanks for the support along this slightly bumpy road that has been MTN over the last few years. And we look forward to thrashing out a good performance in 2018 and we will talk to you again with our results for Q1.
Operator	Thank you. On behalf of MTN that concludes this afternoon's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT