MTN Group Ltd
Annual Results
DATE: 04/03/2015

Speaker	Narrative
Chris Maroleng	Good morning ladies and gentlemen. A warm welcome to MTN. it is a pleasure to welcome you to MTN's annual results presentation for the period ending 31st December 2014. My name is Chris Maroleng and I am the group Executive for Corporate Affairs here at MTN. I would like to welcome members of the investor community, the media and analysts. Also with us today are members of MTN's group board and also members of MTN's group executive committee. Of course we have MTNers from 22 countries that represent MTN's staff on various platforms this morning. The results we are presenting to you today are really the product and effort of the staff who have really contributed to the ongoing success of MTN. The presentation today will be set out in three parts. Our group President and CEO, Sifiso Dabengwa, will provide us with a strategic and operational overview. Brett Goschen, MTN's Chief Financial Officer, will then come up to give us a financial review for the past year. Sifiso will then return again to the stage to talk you through what lies ahead for MTN. So after the presentation you will be given an opportunity to ask questions. We just request that you wait for the roving mic to arrive and you identify yourself and the organisation that you will be representing. We plan to finish the presentation at around 11:00 after which we will invite you to join us for a light brunch. And that will be in the sunken area just below here. Please find your way to that area through the exit or through the entrance which you will have come through. At around 11:15 there will also be a press briefing in the CEO's board room which is on the second level. Please find your way there by following the signs and the marked areas to get there. Before we kick off proceedings may I kindly request that you place your mobile devices on silent for the period? And of course for those of you who plan to tweet during the session you can use the hashtag #MTNResults and our handle is @MTNGroup. So with those few words it gives me pleasure and privilege to welcome our group President and CEO, Sifiso Dabengwa, to take you through MTN group's 2014 results. Thank you very much.
Sifiso Dabengwa	Thank you very much, Chris. A very good morning to you all and thank you for being with us this morning. I must say welcome to all our 25,000 staff across whose results we are actually presenting today. Starting off with the operational review, and looking at the highlights of our performance for the year, we think that we had a solid performance across the board. Subscriber numbers went up by 7.5% to 223.4 million. Revenue is up 6.4% to R146 billion. Data revenue increased by 33.2%. Our EBITDA margin is up 1.5% from last year to 44.8%, a pleasing result as we have always indicated our intention is to perform at that level. Headline earnings per share are up 3.9% and the total dividend for the year is up 20.3%. Just some comments on some of the highlights for the year. Total minutes for the year on our network increased 6.5%. Data traffic is up a significant 85.8% and the number of data-enabled devices is up by about 30.4%. Data including SMS from a revenue

Speaker	Narrative

point of view is now contributing just below 22%. A 22.8% increase in the number of data subscribers and just over 3,600 2G and 6,500 3G and just below 700 LTE sites were added onto the network.

Our partnership with Rocket continued to deliver a range of e-commerce products and services across our operations. Africa Excess Holdings, the business that focuses on e-commerce on the African continent, we had 44 new operations across 23 markets which also includes markets where MTN does not necessarily operate in. And the Middle East entity has 11 operations in the Middle East that were launched. A range of digital services including virtual and music on demand has been launched in a number of our operations.

We continue to focus on ICT services with a strong focus on SME, public sector and financial services. The intention is to leverage the extensive MTN infrastructure with respect to enforcing or encouraging the ICT services within the 22 operations and also making use of the 47 data centres that we already have in place.

We continued with our Mobile Money services, increasing our subscribers by 50% to just over 22 million. And we expanded the distribution base and the product range.

We continued to focus on changing our operating model with the sale of towers in Nigeria, Rwanda and Zambia. In Nigeria we completed the first tranche and the second tranche will be completed during the course of this year.

We have continued with the centralisation of procurement and we have already initiated steps to centralise all the procurement to be under the Dubai office. And we have continued to strengthen our in-country regional structures in order to ensure that we move closer to the customers.

Project Next, which is our back office transformation, continued to gain traction with the first operation that is now fully migrated now operated from the shared services centre in Johannesburg.

Now focussing on the operations, and starting with South Africa. We saw a pleasing turnaround in the operations in the second half of last year. Net additions for the year were 2.3 million subscribers, which was a very good turnaround from where we started, and data subscribers up 20% to 17 million with a very good traction experienced in the last quarter.

Unfortunately revenue declined by just below 4% impacted by 36% decline in interconnect revenue as a result of the reduction in mobile termination rates. However, the traffic on the network in terms of voice traffic increased about 30% whilst the effective rate per minute declined by just over 30% to 59 cents.

Data revenue increased by about 7% as a direct result of the reduction in prices. However, quarter four on quarter three we saw revenue growth of about 42% as a direct result of the introduction of revised data propositions. Data revenue now accounts for about 24% of total revenue for our South African business, which is up by

Speaker	Narrative
	2.6%. Continuing on South Africa, the overall cost we are pleased to report is flat year on year. Very good efforts made as far as reducing distributions cost. We implemented managed services during the course of the year. And then also we saw a reduction in transmission costs as a result of increased self-provisioning. So from a cost point of view we continue to see very good progress. We also saw a significant reduction in the total number of staff as we indicated during the half-year presentation. From a network point of view we saw data traffic increase by about 57%, voice traffic by 31% as already indicted. We increased our number of sites, 2G and 3G. Although the LTE numbers were rather small we ensure that during the course of 2015 there will be a significant increase in capex to focus on voice and data capacity and then also network quality. Moving on to Nigeria, overall performance for Nigeria was satisfactory. We did have a rather challenging second half of the year. Subscriber numbers were up just over 5%. The overall performance was negatively impacted by the regulatory environment. We had a ban on SIM sales in March. And we were generally unable to be competitive in the market because of the dominant operator decision by the regulator. And also at the same time the regulator was not effectively enforcing the price floor of our competitors. So for most of 2014 we were not in a position to compete effectively. From a revenue point of view local currency growth of below 4% was rather muted, and as indicated this is a direct result of our inability to be competitive in the market. Data revenue increased by about 28% and contributed just over 18% of the total revenue. We saw good growth as far as data traffic is concerned. And also from a Mobile Money point of view we saw encouraging momentum as far as our Mobile Money offering is concerned, which is referred to as Diamond Yellow. As far as cost containment is concerned, again very good cost management across the board. Rent and utilities remain quite a challenge for us, and that is also a direct result of het number of sites that we have been putting in the network over the years. We hope with the implementation of managed services we will see some improvement, and there is a focus on that particular cost driver across the driver. We did get cost benefits from revised commercial structures from implementing managed services. However, we are obviously concerned about the Naira depreciation which could have a negative impact on costs as we go forward. Good progress was made as far as the network rollout was concerned, implementing just over 1,300 2G and 2,300 3G sites. We did revise our capex plan during the course of the year and the reduction in the capex expenditure relative to the budget, and this was as a direct result of how the network utilisation was progressing during the course of the year. As indicated earlier on the transfer of passive infrastructure to the Tower Company during Q4 tranche one was completed and the second tranche will be completed during the course of this year.

Speaker	Narrative
	Looking at the large OpCo cluster, a very good performance across the board in terms of the large OpCo cluster. There was an adjustment with respect to the Cameroon subscribers to bring them in line with our reporting standards, and that impacted negatively by 1.6 million subscribers. We had 2.6 million additions in Iran, very strong performance in the Ivory Coast and Uganda. Again we continued with very good momentum as far as Mobile Money is concerned in Ivory Coast, Uganda and also in Ghana. We saw good performance in Ghana in the second half of the year. So generally a very good performance for the large OpCo cluster with organic growth of about 11.4%, strong data growth with Iran revenues increasing by 96% following the award of the 3G 4G license around August last year. A lot of work has been done on the network to prepare the network for the award of the license in August, and therefore we were able to roll out very quickly and get services out very quickly in Iran. Financial services are gaining momentum, as I said. 14.9 million Mobile Money subscribers in Uganda, Ivory Coast, Ghana and Cameroon. A key issue for us going forward is to focus on increasing the active base and broadening the offerings and the distribution base. As you can see from an organic revenue point of view very good performance across all those operations. And also as far as cost containment is concerned very good progress in all the operations. EBITDA is up by 11%. We did have the impact of the higher leasing costs in Cameroon and Ivory Coast. We sold the passive infrastructure to tower co the year before. And then continued investment in networks across those operations. We have expanded the 3G coverage in Iran, as I mentioned, Uganda, Cameron and Ivory Coast. Although the Cameroon license is only being award as we speak now, preparation for the 3G license and 3G services was initiated in the course of last year. The Iran license, as I indicated, was issued in August and by the end of the year we already have over 2,500 3G sites in Iran. We have seen very good progress as far as the performance and the rollout of 3G sites is concerned. And then looking at the small OpCo cluster, generally a satisfactory performance in the smaller OpCo cluster. We did experience some turmoil in some of the operations during the course of the year, and we do expect that the decline in oil prices will have an impact on the economies. And we have had to deal with the Ebola crisis in two or three of our operations, but we believe that that has significantly improved from where it was last year. We saw strong growth in Zambia, Congo Brazzaville and Cyprus, and also we've seen very good cost containment amongst these operations. Overall the EBITDA margin is up 2.1% to 26.1%. Mobile Money continues to be an important part of the services offered and we did complete sales of towers in Rwanda and Zambia.

Speaker	Narrative
	On that note I will hand over to Brett to take over with the financial review.
Brett Goschen	Good morning everyone and welcome again to MTN's full year results presentation. As you would have gathered from Sifiso and our SENS this morning, 2014 was a challenging year for MTN. we are however encouraged by the successful turnaround in the South African business and our large OpCo cluster recorded double digit growth in both revenue and EBITDA. We have seen improvements in the small OpCo cluster in the second half and we continue to see good traction across our broader digital strategy. What was done on this highlights slide was to strip out the effects of hyper-inflation and the tower sales from reported results to give our operational numbers at the bottom. All the financial details in my slides up to and including the taxation slide are based on the underlying operational results. That should enable you to make a more meaningful comparison. Let's move on to the financial highlights. On revenue and EBITDA both were supported by favourable currency movements during the year, especially the weakness of the Rand. Reported revenues grew by 6% whilst on an organic or constant currency basis our revenue growth was a more muted 3%. The group EBITDA, which increased by 10% year on year, was assisted by improved cost management which played a significant role in supporting group margins. Looking across the three pillars of our business, South Africa saw second half revenues up 3% on the first half, which was marginally ahead of our guidance. More importantly, however, strong trends were evident during the second half and they ended with their fourth quarter EBITDA margin very close to the mid-30s. The large OpCo cluster continued with the momentum evident in the first half with full year revenues up 11.5% and stable EBITDA margins also much in line with our guidance. In Nigeria regulatory headwinds were a key factor limiting subscriber growth and revenue, but on a more positive note the regulatory restrictions were substantially lifted from the fourth quarter and we did then see a subsequent uplift in performance. Putting this all together, group EBITDA margins excluding tower profits and hyper-inflation increased to 44.8%, up 1.5% from the 2013 year which was at the top end of our guidance. Turning to revenue, the large OpCo cluster stands out and delivered a very strong result, supporting overall group revenue. We saw improved performances from Cameroon, Ghana, Syria and Sudan. Lower mobile termination rates in South Africa and Nigeria [break in audio]. And while the trend in these MTRs will continue the numbers are now largely in the base and should not provide the same headwinds in the coming year. Whilst the small OpCo cluster only delivered a modest 4% organic revenue growth,

Speaker	Narrative
	previously-problematic Rwanda, Bissau and Guinea-Conakry all turned to a positive trend at differing points of the year. Growth in data revenue was supported by an increase in the number of data users and consumption which more than offset the decline in data tariffs during the year. While data growth in South Africa was very disappointing this was also addressed during the period by management and in the last quarter data revenues increased some 17% on a year on year basis to the fourth quarter 2013. Digital value added services are beginning to play an increasingly important role, and in this regard Nigeria remains the stand-out market. Value-added revenues now contribute 32% of the total data revenues in Nigeria. We have talked about the focus on cost control for a number of years now, and the organic growth in opex of only 2% is evidence of the progress we are making, not bad considering the inflationary environments in which we operate and also the expansion of our network in recent years. Tower lease costs and increases in electricity and diesel prices also impacted our network operating cost. The largest contributor to cost savings was in distributions costs where we were successfully able to reduce commissions in a number of our markets. The other opex whilst down on last year was impacted by South Africa with increased bad debt which came in at R616 million, well up on the prior year, as well as retrenchment costs of R110 million and impairments of Telkom Links [?] of R250 million. In the year ahead we will continue to focus on optimising cost. Key initiatives include the rollout of our shared service platforms and the implementation of managed services in various areas of our business. Looking at the EBITDA margin, the 1.5% increase to 44.8%, it was particularly pleasing considering the subdued revenue growth. This was largely achieved as a result of the cost containment measures we discussed just now. Our margins on a like for like basis with no management fees on the prior year increased by 1.6% which was a strong result given the lower than anticipated revenue growth. The South Africa margins declined 2.6% on a comparative basis. As noted previously the business incurred almost R1 billion in other opex costs, of which the majority should not reoccur in 2015. The business also saw an improvement in EBITDA margins in the second half. In Ghana the management agreement ended on 31st March 2014 and that boosted the EBITDA margins. On a group basis the impact on margins was minimal. It is nice to see the increased margin contribution from the small OpCo cluster. Whilst we did benefit from exchange rates on the EBITDA line the closing rates moved against us. The group finance cost nearly tripled to R3.6 billion, with the R2.1 billion swing in net forex charges doing the damage. The closing rate on the Rand declined far less in 2014 versus 2013, and as such the gains from the Dollar balances we had in Mauritius was significantly lower than the previous year.

Speaker	Narrative

Nigeria recorded a forex loss of R713 million on Naira weakness due to the Dollar loans the business has. We are actively pursuing a reduction in the Dollar exposure at the Nigerian business. In Ghana the devaluation of the Cedi also resulted in the business incurring forex losses. We do expect a relatively more stable Cedi in the next 12 months.

The group effective tax rate came in at 31.1% which is at the bottom end of our guided range of between 31% and 32%. The prior year's tax was lower due to the investment allowances on the higher capex in Nigeria. The reported tax rate of 26.2% was impacted by the Nigeria tower sale where profits from the sale were not subject to tax which lowered our overall reported rate. We saw a year on year increase of withholding tax from 3.1% to 3.9% following increased upstreaming of cash from the operations, and likely this should further increase in 2015. Going forward we expect to remain in that 31% to 32% effective tax range.

On this slide and onwards we now revert back to the IFRS reported basis. The numbers would include tower profits and hyper-inflation. Earnings per share increased 20% largely impacted by the sale of towers in Nigeria, and HEPS which excludes the tower profits increased by 9%. It is important to note when reconciling the HEPS calculation is that hyper-inflation added 69 cents per share in 2014 versus 17 cents per share in 2013.

Our Rocket investment had a negative impact of 7 cents per share in 2014 which was very much in line with our expectations. We expect further losses from Rocket over the medium term. A R2.1 billion swing in forex charges also affected HEPS quite severely. Stripping this out, it would have increased by 18%.

We have discussed shareholder returns consistently over the past few years and I'm pleased to report that total dividends for 2014 are up 20% year on year. Including the share buy-back the total returns for 2014 are up 32%. In 2014 we did conclude a buy-back for R2.4 billion at an average price of R226.26 per share. This will be both value and earnings enhancing for 2015. We continue to evaluate share buy-backs on an opportunistic basis.

Turning to the income statement, there are two points I would like to highlight. The bulk of the other income line relates to tower sales. A 22% increase in the depreciation charge was impacted by the continued depreciation of the Rand as well as the higher capex levels over the last three years. The 23% increase in the associates line was largely as a result of the stronger results from Iran. There is a detailed breakdown of this line in the appendix. The net monetary gain of R878 million relates to hyper-inflationary accounting on the revaluation of assets and liabilities in Sudan and Syria.

With respect to the statement of financial position the decrease in PPE is largely due to the tower sales with the first tranche being transferred over in December. The increase in other non-current assets was impacted by the investments and acquisitions we did in the year including ISF, the Rocket businesses and Nashua

	Mobile subscribers. The increase in the carrying value of the Iran investment and the Nigeria tower company also boosted non-current assets. The reported net debt of R4.5 billion excludes our share of Iranian cash which amounts to R6.7 billion. The increase in the net debt in 2014 was impacted by the acquisitions concluded as well as the share buybacks. There are two points to note on the cash flow statement. There was a marked decline in cash capex following the decrease in the peak capex from 2013. And we continue to focus on favourable terms from vendors. The big movement in investments was largely impacted by the movements in foreign currency deposits and the acquisitions I detailed on the previous slide. And these were partially offset by the tower transaction in Nigeria. There are the usual slides in the appendix as well as some additional information including a detailed breakdown of associates to help you in your analysis of our results. Before handing over to Sifiso I would like to make a few short comments on the financial prospects in the coming period. Looking at the large OpCo cluster we expect organic revenue growth to remain in the low double digits with continued stable margins. For South Africa following on from the trend that was evident in the second half we would expect them to return to low- to mid-single digit growth in the year ahead with margins trending towards the mid-30s. Lastly, in Nigeria whilst we have moved forward from the regulatory challenges there is still the impact of the oil price and currency on the economy. Nonetheless we still expect improved Nigerian growth in 2015 versus the 14% achieved in 2014. The margins will be negatively impacted by between 100 and 150 basis points given the tower transaction. Thank you very much. That concludes the financial section of the presentation. With that I would like to hand you back to Sifiso.
Sifiso Dabengwa	Thank you Brett. Looking ahead and focussing on our key strategic pillars, as far as stakeholder value is concerned we intend to maintain our absolute dividend growth and continue with opportunistic share buy-backs and also continue to seek value-accretive opportunities. From a customer experience point of view we will continue to focus supporting data growth through extensive investment in 3G and LTE networks and also focussing on ensuring the availability of data-enabled, low-cost devices in most of our market. We get to continue with embedding the net promoter's score as a method of driving our customer experience and ensuring that from a customer experience point of view we do rank at the high end in all our markets. We will continue to focus on value-driven offerings, at the same time making sure that we are highly competitive in all the markets that we are in. Focussing on our operating model has actually given us quite good performance as far as cost control is concerned. And most of the initiatives we will still continue to focus

Speaker	Narrative
	on, and at the same time to enhance our customer-facing activities. So there will be further commercialisation of tower infrastructure. Project Next, which is the back office transformation, will continue to be rolled out. This year we are going to roll out in two countries, and then we intend to continue focussing on our in-country regional structures which we believe will bring us closer to our customers and also increase our ability to improve customer experience. From a sustainable growth point of view financial services and Mobile Money remain a priority. The rollout of digital services supported by the Rocket partnership continues to be important. And also focussing on being the ICT partner of choice in Africa and the Middle East, especially in the SME and corporate sectors will continue to be important for us. Innovation and best practise implementation will continue to be important and we will continue to maintain the leadership position in order to be able to capitalise on identified opportunities as a result of innovations. And then also continue to share best practises across the group with a strong focus in this particular year on our go to market capabilities. On that note, ladies and gentlemen, we will conclude the presentation. Sorry, I just have to go through two more slides. In terms of the net subscribers our guidance for the year is 17.5 million subscribers. We expect that contributions from the different countries will be as indicated. And then in terms of our capex the significant difference will be the increased focus on capex in South Africa, as I indicated earlier on. We believe that there is still a good opportunity to ensure the turnaround that we've seen delivers on the results that we expected. On that note, thank you very much, ladies and gentlemen. That concludes the presentation. We will take questions and answers.
JP Davids	JP Davids from Barclays. Two questions please. Firstly on management focus. In 2014 there was a focus on South Africa and that has led to some operational improvements there. As you look into 2015 what are the key areas across the five pillars you mentioned and the key regions where you are going to be focussing management attention in terms of operational delivery? And the second question is you've clearly sent a clear message to the market today on the dividend, but on what set of scenarios would your absolute dividend growth policy come under pressure? Thank you.
Sifiso Dabengwa	I guess from an operational point of view the issues will clearly continue to focus on our cost structures, and then also in terms of ensuring that we are competitive in the market and that we are agile as far as what we put in the market is concerned. Data is an important part, and the work that we're doing as far as digital services, Mobile Money and also the relationship that we have with Rocket in terms of ensuring effective partnerships between our operations and Rocket are concerned. So there isn't any single operation that will get much more attention than others. The issue is we will try and make sure that all our operations deliver as per our intentions.

Speaker	Narrative
	Obviously from a Nigeria point of view we need to get a better performance as far as the regulatory performance is concerned, as indicated by Brett. I think we are past most of the problems that we had as far as the regulatory issues are concerned. And then in South Africa we will see a continuation of what we saw in the last half of last year. For the large OpCo cluster we expect to see a continued performance. There is no reason why our performance should see any decline. Then as far as our dividend policy is concerned I think at this stage we are quite comfortable with the policy as it is. I mean it is very difficult for me to say what we foresee as what might cause us to change. That would be rather hypothetical. But when we look forward in terms of our business at this stage we don't see any reason why we should be looking at changing. There may be some operational issues in terms of issues relating to our ability to upstream cash. That is probably the only issue at this stage. But from a performance and delivery of businesses there is nothing at this stage that would definitely lead us to change our dividend policy.
Jonathan Kennedy-Good	Morning. Jonathan Kennedy-Good here from Standard Bank. Just a quick question on Nigeria. Obviously your margins in the first half topped 50% and looked like they had come under some pressure in the second half. You made some comments about lower on-net traffic in Nigeria. Is that the key reason for pressure on margins in Nigeria? And coming back to Brett's guidance, should we think about forward-looking margin based on the second half rather than the full year and then take the tower impact off that margin guidance?
Brett Goschen	Perhaps I can answer the first question. On the lower Nigeria EBITDA margin, in the second half there were some adjustments that related to the first half. So you really need to look at the year together. But there wasn't really a drop in margins if you take that into account. Just look at the full year's margins and take that as your base going forward.
Jonathan Kennedy-Good	On on-net traffic in Nigeria, are you seeing levels drop off and is that likely to reverse?
Sifiso Dabengwa	I think the key issue is that we were not able to have dissociation of on-net and off-net for a very long time during the course of the year. It was only in the last quarter that we could differentiate between on-net and off-net traffic. Therefore off-net traffic significantly increased. But now that we have that dissociation we expect to go back to the 80% levels of on-net traffic.
Thato Motlanthe	Hi Sifiso. Thato Motlanthe, Citigroup. Just a question on South Africa. You've indicated that capex would go up quite substantially. Are you able to give us an indication of what sort of medium-term data revenue growth that you should achieve? I think previously you indicated mid-teens. What sort of acceleration do you expect on that?
Sifiso Dabengwa	Let me put it this way. There was a decision to get data revenue beyond the 25% level. The reality is that the competitive space is quite volatile. So at some stages we have to be quite aggressive from the pricing point of view while the volumes of data are significantly improving. So we still have that objective to try to get our net revenues above the 25% levels within the next four years. But we are clearly

Speaker	Narrative
	committed to investing for increased data traffic.
George Sibulele	My name is George Sibulele [?] from [unclear] Group. Just short questions. One is are we likely to see Telkom and MTN acquisition or mergers happening? In your operational overview you talk of public sector, and at the same time you talk about procurement and decentralising Dubai. How do you merge the compliance with South African procurement policy vis-à-vis somebody that is sitting in Dubai in order to fulfil the contractual advantage for south Africa? I think that's very critical. And then the last question is, are we likely to see a lot of reduction of staff further from MTN?
Sifiso Dabengwa	Let me start with the last question. The answer is probably not. I think from a significant transformation point of view South Africa was probably the last of our operations that had to review or revise their operating organisation. In most of our other operations it is an ongoing optimisation of resources. The issue about procurement, I think the key issue is really tightening up the reporting lines. This is more to drive the group internal policies. We will still have to live with local legislation or local priorities. It doesn't mean that with the centralisation of the operational side… Remember the team still sits in the operating countries. It is just how we work and the processes will be much more directed from Dubai. So it does not in any way alter our requirements to meet local legislation. I think what it does is we become much more standardised in how we procure. We look at our procurement partners more from a sector point of view and not just from an in-country perspective, which we think from a group point of view will definitely enhance our operational capabilities and also manage our suppliers much more effectively.
Madi Singh	Madi Singh from Morgan Stanley. Just on Nigeria, most of the revenue growth was in the fourth quarter. Any specific reason other than the fourth quarter on-net traffic dissociation was allowed? I am reading that revenue declined fourth quarter year on year, so just some explanation on that if that is the case. Also on the margins I just want to clarify. You are around 59% so the 100 or 150 basis point reduction that you're guiding for is on that? And finally on the competition, do you think the pricing premium you used to have compared to competition is still the case, or that has reduced significantly? What is the capacity on the network?
Sifiso Dabengwa	Let me answer the last question and then I will ask my colleagues to answer specifically on the year on year revenue growth. From a competitive point of view we are now much more competitive. Previously because of the regulatory pressures on average our premiums were anything between 30% and 60%. But now as from Q4 last year into Q1 2015 that has significantly reduced. Our intention is to make sure we are at worst at a premium of no more than 10%. And then from the network capacity point of view we ended the year with a headroom of over 20%. And then also from a transmission point of view we are quite comfortable that we will be able to handle the additional traffic. Mike, do you want to comment on the year on year Q4 revenue growth?
Madi Singh	I mean for the second half the revenue growth was around [unclear] and for the fourth quarter the revenue growth was around 3%. That implies a decline in the

Speaker	Narrative
	fourth quarter.
Brett Goschen	The regulatory restrictions only really got lifted during the fourth quarter, not at the beginning of the fourth quarter. So it is a bit misleading to try and look at just the fourth quarter. I think by the time they were lifted and we got the formal notification, and by the time you can ratchet it in the market it was well into November. So I don't think you can look at the fourth quarter as a guide. What was the question on the margins?
Madi Singh	The margins [overtalking].
Brett Goschen	If you look at the full year you've got the tower impact. You've obviously also got the currency impact as well. You have some portion of cost coming through that is related to the Dollar as well. That is also going to put some pressure on Nigerian margins. That we can mostly overcome through the actions we are taking, but it is a downward effect. I think basically if you use the 2014 less 1.5% that is where we hope to get to. Maybe a percent or two of that.
Franca di Silvestro	Hi. It's Franca from HSBC. Just a very quick question on the impact of multi-SIMs in terms of how you're looking at your capex budgets at the moment. Can you give us an indication particularly for Nigeria, does that impact how you are spending it and where you are spending it?
Sifiso Dabengwa	I guess the key issue is the traffic that determines how we look at our capex expenditure. The real issue of multi-SIMs is that it is driven by pricing competitive pressures. What would happens is most customers would have their primary SIM and then take advantage of whatever offers exist in the market at any one time by having SIMs of other networks. As long as we are competitive in our market the chances are we will keep the traffic on our network. If we are not that competitive they will use the other SIMs. So we did not see a significant growth in our traffic in Nigeria last year because we were not competitive and the second or third SIMs of the other networks were probably offering more value. But as we go forward we are going to be quite competitive now that the regulatory issues are behind us. And from a network point of view we think we have sufficient headroom and with the budget we have this year we will be able to deal with additional traffic from being more competitive.
Male speaker	A question from the webcast. Have you considered hedging the currency to the group's FX exposure?
Brett Goschen	Basically how we hedge, in South Africa the handsets and the capex [unclear] contracts and hedge that. In Nigeria they cash deposit the letters of credit when making the capex orders. They hedge that. Across all our operations when we try and maximise the debt in local currency sometimes you have to take foreign currency to encourage the local vendors to come in, but generally through maximising debtor and local currency. Particularly in Nigeria given their Dollar debt and the cash balances Nigeria has we have been in negotiations with the lenders to pay off some of the Dollar debt earlier and at a later stage maybe substitute it with Naira debt.

Speaker	Narrative
Male speaker	And then you were talking about the proposed Telkom Mobile reciprocal roaming agreement. When do we expect this to close and what do we think the impact will be on the South African business?
Sifiso Dabengwa	We haven't made much progress on that. We are still waiting for the regulatory authorities to come back to us. The key issue is to improve the cost size of both operators and then for us also to have access to many more sites. So at this stage we're not in a position to pinpoint from a financial point of view what the implications would be.
Male speaker	It was actually two questions, just asking what the impact will be of the lower oil price on Nigeria, and have we seen an impact already on the consumer to date?
Sifiso Dabengwa	Mike do you want to comment on that?
Michael Ikpoki	I think the reality of the Nigerian market is I think the economy is reliant on oil as such. In terms of the consumer demand we are monitoring that very closely. We are working very closely with the bureau of statistics and we are looking at the impact on various markets including Nigeria so we can adopt necessary commercial strategies to try to mitigate. But we would expect to see some impact. It is something we are monitoring on an ongoing basis. Thanks.
Mike Gresty	Hello Sifiso. It's Mike Gresty from Deutsche here. Just two questions from my side. Can you comment on any practical difficulties you are having with repatriating dividends out of Nigeria and practically what is going on on the ground there? The other thing is at one point it looked like you were going to bring South Africa on stream with Project Next later this year but it seems as if that is not the case based on the two countries you mentioned. Should we read anything into that?
Sifiso Dabengwa	Let me answer your last question. No, there is nothing to read into that. Yes, we had initially had South Africa due to come on stream during the course of this year. It is still on stream, but probably it would fall into next year because we decided we don't want to be doing any migrations during the last quarter of the year because of our year end etc. So unless a migration can be done and completed by Q3 we would not initiate it. So it is not as if we've been deferred. It is just that we don't want to be doing any work during Q4. In terms of repatriation of cash from Nigeria we haven't experienced any problems. There have been some changes as far as the bank rates are concerned with respect to the inter-bank rate etc. But from our experience to date there are no issues about repatriating dividends from Nigeria.
Chris Maroleng	No more questions? Ladies and gentlemen, thank you very much again for joining us this morning. A very good morning to you again. Thanks.

END OF TRANSCRIPT