MTN Q1 results conference call transcript

Date: 09 May 2019

Speaker	Narrative
Operator	Good day ladies and gentlemen and welcome to the MTN Q1 results conference call. All participants will be in listen-only mode. There will be an opportunity 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 note that this call is being recorded. I would now like to turn the conference over to Yuraisha Moodley. Please go ahead, ma'am.
Yuraisha Moodley	Good afternoon ladies and gentlemen. Thank you for joining today's call to discuss our Q1 results. You would have seen the SENS announcement released this morning and it's also available on our website. With me on the call today I have Rob Shuter, group CEO, and Ralph Mupita, group CFO. We will start the call with an introduction by Rob and Ralph and then turn to Q&A. With that I'll hand you over to Rob.
Rob Shuter	Thanks Yuraisha, and good day to everybody. Thank you for joining us. A few comments from my side. I think the early stage of the 2019 year, with just Q1 now under our belts I think overall a decent performance in line with our medium-term guidance. So, we have constant currency service revenue [growth] at 10% in the double digits, stable margins in SA and improving margins in Nigeria. I think good progress implementing our capex programme, R5 billion of capex in the period. Commercially I think the momentum continues. So, we saw net adds of 4 million across the portfolio, active data subs up 2,6 million. We put on just over a million Mobile Money subscribers. So, I think generally going pretty well there. Network NPS is now leading in nine markets, so we are pleased with that. A few comments on the individual countries. So, for South Africa I think there is continued progress there. The consumer postpaid business continues to perform well. Decent service revenue growth there. Quite a lot of pressure in prepaid. That's a combination of the data repricing and the new data rules that went in in the quarter, coupled with just a general pressure in that segment. So, there is definitely work to be done there.

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	The enterprise business has continued to slow down its rate of shrinkage and we're expecting a positive revenue month in enterprise in South Africa certainly in the next quarter or so. On the regulatory front, obviously there is a lot going on. We managed to secure additional roaming through the transaction we did with Liquid last year, so we have relieved some of the pressure on us as regards spectrum in the shorter term. But we are very much hoping to see the high demand spectrum auction go through during the course of 2019. A lot of work has gone into the data repricing. Big reductions in out-of-bundle rates in the South African opco. That is certainly also putting some pressure on revenues as I said, but we do believe that we will get through that in a few quarters. What we see commercially is as the pricing has come down we see some of the recharge money going into voice. But it will take some time for elasticity to come through and for the in-bundle data sales to improve. But certainly, it has been improving on a day-by-day basis from when it was first implemented. And remember it's really a combination of not just the repricing of the data rates but also the new rules for opt-in for run-on data consumption. These have come in at the same time and they both have an impact. Big news I guess also was the Competition Commission enquiry into data services. We are engaging. We will obviously formally respond within the deadlines. We do believe though that much of the repricing of data took place after the date that was used in that report. We also believe that the release of high-demand spectrum will relieve a lot of pressure on the industry. And we do also believe that there is an active wholesale market already today without any regulatory intervention. If I move on to Nigeria, Nigeria in the quarter grew revenue just over 13%. That is obviously a bit slower than 2018. Remember we're in election season there and I think that has had a muted effect on the industry. We still saw positive commercial momentum in the Nigerian opco. Subscribers now back above 60 million. I think decent performance in the data business. The other big initiatives for Nigeria: We received approval in principle for our super-agent licence. So that enables us to at least implement the first phase of our fintech strategy. We don't yet have approval in principle for the payment service bank licence. We are still hopeful to get that in the first half. If I move on to the regions, basically I think a more encouraging performance there. All three of our regions have a performance in the first quarter better

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	than 2018. So, the SEAGHA region revenues are up 21%, the MENA region up 23%. Those were both around the 20% mark in 2018. And in WECA where we were -5% last year that has reduced now to -1%. A strong performance by Ghana in the SEAGHA region. In WECA, the two troublesome markets have historically been Cameroon and Ivory Coast. I think really good progress with the turnaround in Cameroon. Very encouraging performance there. Ivory Coast is going still slower than we would like, but certainly the more recent months show an improving trend. On some of the newer, more high-growth businesses: the fintech business as I said is up more than a million subscribers. For digital, we launched our instant messaging platform, Ayoba, firstly in Cameroon last week and into the weekend. And we launched in Ivory Coast actually today. So, the first take-up is encouraging. This is a service that will be zero-rated for active MTN subscribers, so that's obviously a strong selling point. And we have also launched it with what we call SMS fallback which is particularly in these markets where you've got more subscribers not on smartphones than on smartphones – a unique selling point for Ayoba as against other instant messaging platforms. And we are far advanced also with the integration of MoMo into Ayoba, so that's going to be another exciting part of the strategy rolling out in the next quarter. So, with that I'm going to hand over to Ralph for a bit more detail on the numbers and also to brief you on where we are with some of the business development and the asset realisation programme.
Ralph Mupita	Rob, thanks very much, and good day to everybody on the call. I'm just going to cover a couple of areas in my comments. The first is really colour on the operational results in South Africa and Nigeria to complement what Rob has said. I will cover where we are with the Nigeria listing process. I will also cover the accounting treatment from Jumia post their successful IPO on the New York Stock Exchange last month, then progress on the asset realisation programme and then a few comments on the capital markets day. So, if I start with the operational results from South Africa, as Rob has said we had a decent performance with South Africa at a service revenue [growth] level of 4,6% which is up actually on the full year last year. I think what is in this result is actually a couple of moving parts which give us this aggregate result. So, if I start with consumer prepaid [revenue] which was down just slightly above -5% as Rob has said it's the introduction in February when we brought in the out-of-bundle price reductions as well as implementing the ICASA regulations. We have said with our full year results on the 6th of March that we

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	expected that we would have several quarters of pressure in consumer prepaid. So, it's coming through there in the first quarter. But we still do feel confident that once we work our way through the revenue that previously came out-of-bundle coming in-bundle that we will see the recovery. But there are still several quarters of de-growth in consumer prepaid that we see in South Africa. And that part of the business as I mentioned grew -5,1% in the quarter year on year. On the consumer postpaid I think it's encouraging that we're still seeing double-digit [service revenue] growth. At 11,5%, I think we saw base growth there. We are getting our fair share of inflow and being able to hold churn. So that work that we've done on consumer postpaid is still coming through with that healthy service revenue growth for the business. Enterprise, as Rob said, we continue to see progress on enterprise. As you guys know that business is lumpier. It takes time as these enterprise contracts fall off and we're able to compete. And given our best network claim we're seeing ourselves being a lot more competitive. So, for the full year you will remember that the enterprise service revenue growth was -11% and in Q1 it is -3,4%. As Rob said, certainly in Q3 we should be seeing that business coming back positive. So, all the work that has gone into that business either on the distribution side, on customer proposition is beginning to bear fruit. Finally, our wholesale. Obviously, we have had not just the Telkom wholesale revenue coming through. We have also had Cell C, and that has been supportive of the full-year service revenue development that we saw in South Africa. And as Rob has said, on the margin side we saw margins stable there and we don't see any particular pressure for those margins to come under pressure. In Nigeria, the 13,4%, as we said we're always looking for these businesses to be growing ahead of inflation. You will see inflation in Nigeria was more around 11%. And we saw economic activity coming down somewhat around the election period, and we recorded 13,4% as the service revenue growth year on year. If we look at voice, we saw just under 7% increase in minutes of use and we saw some sub net adds of about 2 million-odd. The ERM for voice there was reduced by about 5%. But that is all supportive in seeing voice growth at 12,7%. Data revenue growth at 32% is up on prior year. That is strong sub growth of 5,6 million active subs that came through. Usage increased just under 29%. And the ERMB declined 5% from about 70 kobo to 56 kobo. The real pressure for us in the Nigerian side is still on the digital revenue side where the VAS optimisation continues. But there has been additionally some pressure on

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	digital through the VAS auto-renewal regulations that the NCC have brought in. But on the data side, if I can just come back to that, obviously the fact that now we have the 800 spectrum release that should be supportive of data growth going forward through the balance of the year. One of the other comments I would like to make on the Nigerian cash flows is just to remind people that beyond the dividend of ₦73 billion that came through in Q1 there was also the fine payment of 55 billion that happened in March. And we conclude the fine payments later this month, the 29th of May, with the last ₦55 billion. So obviously that March fine payment as well as the dividend affected the cash flow which you guys will see in the expanded disclosures on Nigeria. So, if I just move to the Nigeria listing, you will have seen quite a lot of commentary in the press around our preparation for the listing. Just to be clear, this is going to be a listing by introduction and subject to regulatory approvals that we anticipate will come through in the next week or so. By the end of this month we certainly believe that we would have done the listing by introduction. So that is progressing well, and we anticipate that we will be able to list on the premium board as I mentioned in the next week or so. So good progress there. Moving on to Jumia, we are obviously very pleased with the listing of the business. And as we said with our full-year results that the e-commerce businesses are not long-term strategic. So, through the IPO our shareholding in the business came down to 18,9%. So, we're going to deconsolidate. We won't be equity accounting from the date of listing. You will remember for the full-year results, in Jumia the carrying value we had for the full year for Jumia was just on R2 billion. And we've made reference to the market value as at the 6th of May to give you guys a sense of how we see value being revealed in the associates and joint venture portfolio. The accounting treatment which we will show for disclosure with our half-year results, we will record a gain on dilution through the P&L as well. If I talk through the asset realisation programme, again we're making good progress. The focus for the quarter has been on progressing all the necessary steps for the Mascom transaction. And as we said: at the half year we anticipate, subject to regulatory approvals, that this will all be done by the end of June, so we are still working towards that timeline.

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	We have – as part of looking to simplify the capital structure of Nigeria – initiated a process of having the preference shares redeemed. The value for MTN Group is about \$350 million and that process will take its natural course. But the Nigeria MTN board has resolved to have these pref shares redeemed, so we anticipate in due course that those proceeds would ultimately come to the group. And with this trading update we have also given a progress update on our loan with ATC Ghana of \$61 million that we anticipate will be coming through again to the group. My final commentary would be on the capital markets day. You should all have received invites. We are holding three days, the 28th of May in Johannesburg, the 30th in London and then the 3rd of June in New York. We hope to see all of you there. Ahead of those three days we are going to hold a sell-side analyst day on the 24th of May where we will go through the IFRS 16 implementation and how it affects the MTN P&L, balance sheet and cash flows. And in that session, we will also do a bit of a deep dive on Nigeria because 60% of all the leases are actually about MTN Nigeria. So, we will do a deep dive there in anticipation and to make sure that everybody is aware of how we have implemented IFRS 16, what this implies for our financial covenants that go with our funding agreements etc. So, we will do all of that on the 24th. That then prepares you for our half-year results which will be released in August of this year. So, I will pause there and pass back to Yuraisha for getting us into Q&A.
Yuraisha Moodley	Thanks Rob and Ralph. We will now go into Q&A.
Operator	Thank you. Ladies and gentlemen, if anyone would like to ask a question you're welcome to press star and then one on your touchtone phone. If you however wish to withdraw your question you may press star and then two to remove yourself from the question queue. If anyone would like to ask a question, please press star and then one. Our first question is from JP Davids of JP Morgan.
JP Davids	Good afternoon and thanks for the opportunity. Two questions on Nigeria please and then just a quick housekeeping one. On Nigeria, just kicking off with Rob's comment around the mobile banking licence or PSB licence. Just to be clear there, on the PSB licence have you received approval in principle there and awaiting further formalities? Maybe you could give us a bit more colour on exactly where that process is. I take from your commentary that all should be on track for a first-half approval and so a third-quarter launch. If you could just confirm that.

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Rob Shuter	And then a second question on Nigeria. Given the 800 MHz approval, could you talk us through your capex deployment through the rest of the year in terms of accelerating your 4G footprint in that market and whether some of the minor issues you had, downtime in Q4, has been resolved for the network? And then just finally a housekeeping question if I may on the Iranian rial. I'm just checking that the SANA rate is the one used going forward? I see in the package you've got an exchange rate of around 85,000. That looks to be closer to where the official rate is at the moment, or at least one of the official rates, rather than the SANA rate. Thank you. Okay. I will pick up the first two and then hand over to Ralph. I think we should issue a challenge for those asking questions in future to try and get in front of JP from JP. I think he is for about eight quarters in a row now question number one. So, on Nigeria, there are two things that we applied for approval in principle for. The first is what's called the super-agent licence. That allows us to repurpose the agent network that has been used historically for selling prepaid airtime to also do financial services transactions, accept cash, do person-to-person transfers etc. For that super-agent licence, we did receive approval in principle and we are rolling out on a test basis. And that, if you will, is half of the fintech strategy. What that doesn't allow us to do is to have a prepaid wallet holding e-money. For that we need the PSB licence, the payment service bank licence. And that we've applied for approval in principle. It hasn't been granted yet. Clearly, we are at the mercy of those regulatory processes. But we do feel encouraged let's say that that would come through in the next couple of months. And then we would very quickly convert these approvals in principle to formal approval, and as you said, JP, for commercial launch in H2. Secondly on the 800 MHz, this was a very positive development for us. We've been trying to access the 800 spectrum for the MTN customer base for a number of years. Immediately upon receiving it what we were able to do was to activate the sites that already had equipment that allowed them to radiate LTE on 800. And we've seen a very positive response there. Not only do we see more and more LTE handsets on the network, but it also relieves some of the congestion on the 3G network particularly in the dense metros. How we think about the rollout going forward is we've always believed in this concept of let's fish where the fish are. And you need to match the network deployment to the distribution of handsets in the business. And there are still a lot more 3G handsets in Nigeria than 4G. So, we will proceed metro by metro. The first thing was to fire up the existing 800 MHz sites. The second thing is to implement carrier aggregation across the two LTE frequencies. And third, we will accelerate LTE deployment in some of the mid-sized cities. It's not going

to affect our capex guidance for Nigeria. These are relatively small shifts in the capex envelope. But it's going to make a big difference to the customer experience. Ralph.

Ralph Mupita

On the Iranian currency question, for sure we are using the SANA rate to consolidate and we showed in our trading update the average rate. There is the CBI rate which is actually much closer to 42,000, but we stopped consolidating on that number. There is SANA and then there is a market rate. So, the rate we are using will be the SANA rate.

JP Davids

Thanks very much.

Operator

The next question is from Cesar Tiron of Merrill Lynch.

Cesar Tiron

Hi. Thanks for the call and thanks for the opportunity to ask questions. I have two on Nigeria and two on South Africa. On Nigeria how fast can you use the 800 MHz band across your network? That's the first one. And then the second one, if I look at the 240 basis points increase in the EBITDA margin versus last year, how much do you think is driven by the change in the revenue mix and the pressure on the value-added services revenues?

And then on South Africa, do you think it is sustainable to grow the postpaid revenues at the pace that you've grown in them in the past two quarters? And then on the South African margins, it seems that there has been a pause in the progress as per the guidance that you were seeking to increase those margins. And it seems that they have stopped increasing. Can you tell us whether you expect to increase these margins in South Africa? Thank you.

Rob Shuter

Okay. Thanks Cesar. Let me pick up a few of these and then Ralph will help me out as well. So, the speed of rollout of LTE on 800 MHz is really constrained by the LTE equipment that radiates on 800 MHz because we didn't deploy on 800 MHz, so the sites that we have we can fire up very quickly and we've already done that. As I said, importantly we implement aggregation. That will make a big difference. But to increase further from there we would have to bring in more 800 MHz radio units. Most of the antennae are already multi-band. And we're just going to optimise, as I said, based on the distribution. In Nigeria, whilst there are a reasonable amount of LTE handsets they are very concentrated in the metro areas. So, I think we can move as fast as we need to, considering the distribution of handsets in the market. Ralph, on the revenue mix?

Ralph Mupita

I guess we've got a much more favourable revenue mix supporting the margin development that we saw. Obviously, there is pressure on the value-added services which has got a revenue share. And that de-growing actually is

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	positive to margin. I guess the other key thing, Cesar, that we always say is that the margins are more sensitive to the NAFEX rate, the currency. And that has been pretty stable. So, we have been able to grow service revenue ahead of inflation and manage the expenses below that. So that has given us some operational leverage. But the big thing is that the naira has been pretty stable, and that is obviously very supportive for the margin development. And if we don't see any naira weakness we don't have any reasons to believe that we can't hold on to these margins.
Rob Shuter	To maybe pick up a couple of the questions on South Africa, for consumer postpaid I think it's important to bear in mind that we lost a lot of subscribers over the last few years, I guess particularly in 2015 and 2016. It started to stabilise in 2017. We've had real base growth now for quite a few quarters in a row. And basically, what that's driven by is we've worked very hard on the gross adds. So what share of the new acquisitions in the market are we getting? And that has been through optimising channels, sorting out the yellow stores, more focus on telesales. We fixed the propositions, particularly with the Made For Me portfolio. That has been very successful. And all the improvements in the network, the customer service, the high value journeys have reduced the churn. So basically, we have got the gross adds above the churn and that's why we're picking up the base growth. And that's a large part of what is driving the revenue growth because the ARPUs are relatively stable. So, we do believe we can continue to grow the base for the foreseeable future. But I guess it is possible that the rate of growth will start to ease at some point in the future and trend down to more where the industry is. But for us for now it's more a continuation of turnaround self-help initiatives. I think on the margin I wouldn't read too much into Q1. You know it's early in the year. At least the margin is stable. We need operating leverage, which we think we can deliver. And optimising the margin now in South Africa is more a function of doing a lot of things at the same time that will individually make small incremental changes. And we're still comfortable with our guidance that we aim overall to increase margins and we expect MTN SA to make some contribution to that.
Cesar Tiron	Thank you so much. That was very clear. Thank you.
Operator	Our next question is from Jonathan Kennedy-Good of Standard Bank.
Jonathan Kennedy-Good	Good afternoon. Thanks for the opportunity to ask a question. Just on the Liquid roaming deal, could you give us some colour on exactly how that deal is

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	structured and what impact that may have on margin going forward? Just an idea of how much reliance you're placing on that capacity at the moment would be interesting as well. And then in Nigeria, on the issuance of the PSB licence, is there any cost structure to that in terms of licence fees or upfront payments? And then finally just on the announcement regarding the International Advisory Board. If you could give us some colour on the thought process behind that and how you expect that to deliver value for the business over time. Thanks.
Rob Shuter	Okay. Thanks Jonathan. So, on the Liquid deal how that's going to work is basically they're going to deploy LTE network on 1800. They will use a lot of our infrastructure to do that. So, we will be renting roaming capacity from them and they will be renting infrastructure from us. It's anticipated that MTN would take a lot of the capacity on that network but there also is an amount they could resell commercially. It's quite a similar construction to the other roaming transaction that's in the market. And it's important for us really to relieve congestion primarily in the metro areas and to give us some headroom for both subscriber growth and usage per subscriber. So, I think that is fairly straightforward and you could compare that to other deals in the market. On the payment service banking, there are licence fees. There is an upfront capital that needs to go into the bank. But in the scale of MTN Nigeria these are not material numbers that would stick out on a P&L or on the balance sheet. I think insofar as the International Advisory Board is concerned I think it's a very encouraging development. These are complex markets with complex macro-political issues. International advisory boards are quite common in large multinationals around the world. They tend to meet twice a year and really give guidance and support at a much higher socio-political level. These are not statutory boards or bodies. They have no explicit fiduciary duties. They are really there to guide and advise both the statutory board and the management team. And I think we have very impressive candidates that have agreed to serve on that, and it will only help us in the future to manage the complexities of the markets and the areas in which we operate.
Jonathan Kennedy-Good	Great. Thank you.
Operator	Our next question is from John Kim of UBS.
John Kim	

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Rob Shuter	Hi everyone. Two questions please. Can we just talk a little bit about timeline for possible cash release from Nigeria to the holdco? I think you've spoken about the quantum being about $315 million. Is that an event that will be decided in Q2 and released in Q3 assuming no better use of capital in-country, and you could get the FX out? On that subject, are you seeing better, same or worse liquidity on naira dollar right now for your operations? And then a question on Jumia please.
John Kim	Maybe just for clarity, what is the question on Jumia?
Ralph Mupita	Taxation and cost base. I know it is part of the e-commerce holding company. Do you get an offset from losses or investments into other structures and vehicles? And what is the cost base if you were to sell down shares on a future event?
John Kim	Okay. If I just pick up the question on Nigeria, obviously everything is always subject to regulatory approvals. So, we've made the decision on the pref shares as part of Q2 coming out of Q1. So, all things working to plan and we've got no reason to anticipate dollar liquidity issues in Nigeria. It would be reasonable to assume that this would be something that flows into Q3 subject to regulatory approvals. So that's the one clear point on the timing. I think if we talk to Jumia, obviously as I mentioned earlier on in rand terms we had a carrying value for the asset at the end of last year at just over R2 billion. And so, the first thing is to say that beyond the fact that we do have a 180-day lock-up, we don't have to do anything immediately thereafter. So, we will apply our minds and then decide at that time. So, it is an asset that basically we've been writing down as we go along, but there is no particular impact for us from a tax point of view that there is a tax advantage for us. But I think the main thing is to note where the carrying value for the asset is which was at the end of last year at just slightly over R2 billion.
Rob Shuter	Okay, understood. One follow-on question, a completely different subject. When I think about South Africa with the adjustments to the data pricing and the opt-in and the rest of it, when are we going to lapse the comps and get a clean comparison on growth rates? Would it be Q4 of this calendar year, fiscal year?
	That's a tricky one because basically what went in in Q1 is a combination of new market practices, which is basically opting-in for run-on, and also reductions in the out-of-bundle rates. So Q2 will be a quarter with both of those in, but still with the market adjusting to the new way of pricing data. We still plan to do some further price transformation also in some of the smaller

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John Kim	bundles, also playing a bit with the validity – one-week, one-day pricing. So, I think the situation is going to be a little bit fluid. And it's also sometimes complex to untangle out of the numbers how much of the pressure comes from data repricing, how much is just general macro pressure, economic etc. So, I think it's going to be still a few quarters until the situation stabilises and then you would be looking four quarters beyond that for a decent comp.
Yuraisha Moodley	Okay. Thank you.
Operator	We have probably got time for one more question.
Myuran Rajaratnam	Our next question is from Myuran Rajaratnam from MIBFA.
Rob Shuter	Hi guys. I have two questions. I will just kick off the first one. You know you lost something like 5% quarter-on-quarter on prepaid subs. Can you just provide some colour as to how much of that is seasonality, how much of that is actually the industry growth dynamics, and how much is actually market share? Just loosely speaking what's happening here?
Myuran Rajaratnam	And you had a second question.
Rob Shuter	And also on data I think I've heard it mentioned either by you or one of your peers that Telkom is pricing below the cost of production. Is that still the view generally or how do you look at it from a pricing point of view?
	Okay. Good. Well, let me pick that up. The prepaid subscriber numbers in South Africa are particularly volatile across the industry. You know it's characterised by a very high rotational churn, customers moving between the operators more than 50%. So, you must just be careful not to read too much into one quarter's performance. One particular item that took place in the quarter was that we pulled out of the market a promotional offer that was giving customers 1GB of free data when they came in with a subscription. I think just from the commercial performance of that offer it wasn't very strong. Customers were coming in, using the data and then not staying on the network. So that is part of why I think you saw perhaps a slightly accelerated roll off in the quarter. We don't believe that there's anything structural happening in our prepaid market share. We think that we are suffering some of the weakness more generally in the segment and we are digesting the data repricing. We've had a strong acquisition offer we put into the market in April and I think we will show an improved performance in the next couple of quarters.

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	In terms of competition in the data market, there is a lot of competition. You've got MTN doing more competitive pricing particularly for entry-level customers. You've got competition in consumer postpaid with operators putting more and more data into the bundles. The operator you described is particularly competitive for large monthly bundles for fixed line replacement, 20GB normal hours, 20GB after hours. Very competitively priced, we would say certainly below our cost of production, so by parity of argument also below theirs. These are the dynamics of a fiercely competitive market. We still think we can play our own game and deliver decent performance measured more through the quarters than any one particular quarter. Certainly, it's not going to be sustainable for any operator to sell over time below cost of production. That will have to eventually cure itself. We are just running out of time. We will take that as the last question. If I can say from my side a decent quarter. Not particularly strong, not particularly weak. It's election season across two of our largest markets. We've got a complex data repricing situation taking place in South Africa. I'm certainly encouraged by how the three regions are doing. Remember that the three regions in aggregate are as big as the largest markets and we've got improving trends there as well. We've got the acceleration of our fintech initiatives all taking place now in Q2, Q3 and Q4, a lot of progress in the digital businesses. And so we remain committed to our medium-term guidance and we look forward to talking to you at the capital markets day in May and then in August at the first-half results. So, thanks very much for your attention.
Ralph Mupita	Thanks everybody.
Operator	Ladies and gentlemen, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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