Telecon discussing CompCom outcomes and other matters

Date: 20 March 2020

Operator	Good day ladies and gentlemen and welcome to the MTN Group telecon discussing CompCom outcomes and other matters. 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

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	the call please signal an operator by pressing * then 0. Please note that this call is being recorded. I would now like to turn the conference over to Thato Motlanthe. Please go ahead, sir.
Thato Motlanthe	Thank you very much, and good afternoon to everybody and welcome to this afternoon's teleconference on the back of this morning's announcement by MTN SA on the outcome of the company's engagements with the Competition Commission and its other stakeholders – I have CEO Rob Shuter, and CFO Ralph Mupita with me. These are quite interesting and volatile times, and we thought it would also be helpful just to take the opportunity to talk about some of the recent developments that we've seen and some of the topical issues, and just try to articulate again how we think the business is positioned for this. We would have discussed some of these through the engagements that we've had with many of you over the past couple of weeks, but I think it's quite important to reiterate it in the current environment. So, I think in terms of the call's agenda, first of all we'll just give you a recap of this morning's update on the CompCom outcomes. I trust you've had the opportunity to look at the SENS and the press statements from this morning. And secondly, just a view on COVID and other developments, how it impacts the business and how we think we're positioned for that. And thirdly, we will just close out with an update on the ATC joint venture announcement that we made yesterday, with the proceeds on the way to our account. With that backdrop, I will just hand over to Rob to get us going.
Rob Shuter	Thanks Thato. Good afternoon also from me to everybody. Thanks for joining. To kick off on **Competition Commission** I think we've spoken about the broad framework of what's been discussed historically. And the detail of this morning's announcement was once again in these three categories. So, it is firstly, the price transformation on our **monthly prepaid data bundles**. It is secondly responding to the Commission's request for innovation around the **lifeline data**. And thirdly around what is called **public benefit organisations** or PBOs, which is really the zero rating of website. We have had a very constructive engagement with the Commission over the last couple of months, and that culminated in us announcing our voluntary undertakings this morning. Firstly, on the **prepaid monthly bundles** we have basically announced that the 1GB bundle will be reduced at a headline level from R149 to R99. That's obviously very similar to what you saw from one of our competitors a week or so back. One of the other focus areas was what we call the steepness of the pricing curve, which is basically how does the effective rate per MB move then to the left as we go into the smaller bundles. And we've got quite some price transformation there as well which we can't announce ahead of commercially bringing that live for various reasons. But we say that these are reductions of between 25% and 50% depending on the size of the bundles. I think that is a very helpful development, good news for the South African consumer. Ideally, we would have liked to have waited for the spectrum allocation first, but we will digest this and hopefully that is not too far around the corner. The second item is around this issue of the **lifeline data**. I'm really proud of the innovative approach that the South African team have come up with. Essentially, we launched our Ayoba instant messaging platform in March of last year. It is now live across 12 markets, more than

Speaker	Narrative
	2 million customers. In all of the markets, and South Africa as well, we zero rate an amount of data for customers to use for instant messaging, pictures, videos etc. And also on Ayoba we have what we call channels, which is basically information, news etc. So, what we have done as part of this Competition Commission response is we've increased that allowance now to 20 MB per day per customer, so 600 MB per month. That's a sizeable allowance. Bear in mind that the average usage of a prepaid customer in South Africa is about 1.5 GB, so 600 MB is really material. Not only will we have the zero rating of the messaging and the news and information services via channels but we are also going to open it up for internet access in the night owl or night shift hours. I think that is a really innovative way of bridging the gap between our strategy to expand our digital products and Competition Commission looking for access particularly for vulnerable customers who are not really engaged in the digital world. And then the third item has really been around the **public benefit organisations**. This started off as a zero rating of municipal sites, government sites, education sites. There is quite a lot of that in the South African market already. The Commission was looking for some clear principles, rules of engagement, which sites would be zero rated and which wouldn't. I think we made really good progress in those discussions. Of course now with the coronavirus situation it just becomes so urgent for us to announce our plans there. We have so many people now studying from home, remote learning, university students and school children. So we have announced that we will be zero rating up to 500 URLs. This is through a combination of websites. We have put a portal in place called OpenTime through which customers will access these zero rated websites. And customers will have ability to access them zero rated up to 500 MB per month. So again, significant allowances. When we dug into that we found of course that we had a lot of zero rating of websites that don't fit this category and generally not good economics for the operators. Here we will expand a bit in the PBO space and we will pull back a bit in some other areas just to counter some of the effect of it. So we're going to be launching these products from April. It is really a continuation of our price transformation. It is going to have a short-term effect on service revenue. I think we've said before it will impact prepaid data revenues, which is only one component of overall data. Within that, largely impacting the 30-day bundles, which was only a piece of what was happening there. But to give the market a rough approximation of size we have been using 1% of service revenue, R400 million to R500 million, as the initial impact. We believe that over time through elasticity and customer growth we will win that back and we are still striving to get our prepaid service revenue back into growth in 2020. I think the final wrinkle on Competition Commission is as much as we've had these very constructive engagements the one piece we haven't finally resolved is what legal form these undertakings will take and how we will formalise or regularise that going forward. So what we said in the press conference this morning is that we're really going to engage now with the Commission over the next week and try and put that to bed in a way that works for everybody. That is I guess one loose strand in the Competition Commission story. Ideally we find each other on the legal form, but either way we are committed to these undertakings. We think

they fit with what they were looking for in the report. And of course the South African public will hold us accountable now to implement them.

Let me move on then to the **COVID impact**. I guess this has got a couple of dimensions. I'm going to cover a few, and I'm going to hand over to Ralph for some of the others. Our first big focus has been keeping our people safe and playing our part in slowing down the transmission of the virus. So work from home is initiated across the markets. We've got thermal screening in the head office. We've got hygiene, your sanitisers and all of that. We've also completely stopped international travel and significantly restricted domestic travel. I think all in all that is proceeding well and our people are very rapidly getting used to working from home. I'm at home right now, so forgive me if in the middle of this my dogs start barking or the hadedas fly over, but those are some of the occupational hazards of being at home.

The second major focus for us is keeping the networks up and running. These are mission-critical networks at the best of times. In times like this our customers are even more dependent on these networks. Remember in most of the markets there is very little fixed-line infrastructure, so our customers are mobile first, digital first, and often mobile only. There the main focus is keeping the networks running, so we are focusing on resilience and we're focusing on capacity. These are the priorities and I think will be the priorities for most of the year.

I guess the third point is what kind of commercial impact it is having in the short term. The biggest increase is going to be data load on the networks. Early indications are 30% to 40% more traffic. We saw even more than that in the Irancell operation. Now, obviously part of that traffic is also coming from our social compact around zero rating and helping out where we can. But that will I think have an effect obviously on data revenues, which is around, I guess, a quarter of the group's revenues. Against that smaller number would be a drop in roaming. So outbound roaming is dropping. Visitor roaming is dropping. But certainly we think the first will more than compensate for the second.

I guess the next topic is around supply chain. So the easiest part of that is spare parts and inventory for what I've just discussed. And I think there we've put a lot of processes in place with the scares we had around the Chinese vendors last year. So we are in good shape there to keep our networks up and running. SIMs and handsets are also in a reasonable space, but it may be if this goes on for much longer that customers need to hold on to their devices a bit longer. In most of the markets we are not really involved in the device ecosystem, so that's not too problematic for us.

I think in the longer run it is more our plans that we had for network expansion and modernisation where we need large-scale importation of new radio equipment, antennas, base bands. It does look more and more likely that that could be disrupted. And I think the effect of that would be that it would push our capex rollout plans towards the back end of this year or even possibly into next year. That's not going to affect our ability to keep the networks up and running, but it would push capex into next year. I guess the final aspect of coronavirus is more the impact on equity markets, capital markets, commodities. I'm going to hand you over to Ralph to cover that.

Speaker	Narrative
Ralph Mupita	Rob, thanks very much, and good afternoon and good morning to the investors who have dialled in. I'm going to cover a couple of aspects of how we're thinking about the various issues to give you guys a bit more comfort around looking at liquidity and balance sheet resilience. I guess the first point is really about access to equity markets. As you know, we have this asset realisation programme for a further R25 billion over three to five years. In current market conditions you can well imagine that any IPO or equity market transaction around IHS, which is in their hands, would be very difficult. In Nigeria, we do still think that we would want to do a small retail offer. It is important from our perspective to increase local ownership and participation in the fortunes of the Nigerian business. As we've said to many of you on the call, what is more like plan A for us at this stage is really to try and get that retail offer going through. We have the carrier business BICS which is also in our programme. So I think in the near term – over the next six to 12 months – what is most possible or feasible would be like a BICS transaction and the retail offer in Nigeria. And you take both of those together, I think the number that you would see there wouldn't be exceeding R5 billion of the R25 billion. But obviously we will continue to look at the equity markets. That would be the key insight for us right now that it is probably only the Nigeria public offer to retail that is possible and maybe BICS. On the debt capital markets, we have a comfortable maturity profile for our debt. For those who watch our bonds, our 2022s, the R7 billion there in dollar terms; the 2024s, the R10.5 billion; and 2026s R7 billion. And I use these numbers based on the year-end position as seen in our annual financial statements. We are far advanced with a refinancing of R15 billion of the 2021 and 2022 refinancing. So that is progressing well. And the total refinancing for 2020 and 2021 is about R20 billion, so we are making good progress on that, the R15 billion. And we are seeking a balance of three-, five- and seven-year duration, and obviously that will be subject to pricing. I think another important data point really to think about from a liquidity point of view, the cash at the end of 2019 you had as R8.4 billion. We do have undrawn committed facilities that we have access to which we haven't touched. We have both rand and dollar facilities, and they total R23 billion. And as Thato has said, we have just been wired the last bit of the ATC joint venture disposal for Ghana, so we have now pretty much R8.9 billion additional cash. If one looks at cash and undrawn facilities relative to the refinancing, pretty much over the next four years if you add it all up 2020, 2021, 2022 and 2023, the total of those maturities is approximately R37 billion. And then when you look at cash and undrawn facilities it is R40 billion, so it well covers the next four years' worth of maturities if you look at it from that kind of perspective. And obviously you do draw down on cash for dividends. The one thing we've been talking to you guys a lot about is the stress scenarios. A lot of them have to do with the impacts of COVID and oil. Now, we have spoken about two stress scenarios at the holdco level, one which we term milder stress and the other one much more what we call the shock stress scenario. So, the milder scenario that we've spoken to basically is looking at a 30% devaluation of the naira. I know many of you are naira NAFEX watchers. You will have seen that it has gone to ₦380. Our stress scenario looks at ₦485, so we use ₦485 as the devaluation.

We take the view in that scenario that Nigeria remains open to capital flows in and out, so actually the proceeds we would have anticipated come down by 30%. The rand is more at the R18 level, and then we have 20% less cash upstreaming from the rest of the portfolio. In that scenario what we see is that the 2019 pro forma holdco leverage if we pull in the ATC proceeds, the 2.2x would have been 1.9x. That 1.9x pre any management actions would go to 2.5x. But obviously you can well imagine that as a management team we would look at what management actions we can take there. So that is the milder stress scenario.

So, the shock stress scenario that we work with is to say the naira goes to ₦730 from previously the ₦365. It goes to ₦730. Nigeria for 2020 and 2021 you have no upstreaming. You continue to have upstreaming from the other markets to holdco, but that is reduced by 30% and the rand is now much more around R20, closes the year at R20. Now, if you take that scenario what happens to the holdco leverage? It goes much closer to 3x pre any sort of mitigating actions or management actions. Again one of the things in that shock stress scenario that you could contemplate and the action that you would bring through, we think there are at least two big levers.

Let me talk to two levers that we think would be in the gift of the board and the executive and obviously the shareholders would see as sensible. In that shock scenario where you're not getting any dividends out of Nigeria, we believe there are quite a lot of efficiencies on the capex side and head office opex that we could bring through of about R6 billion. R4 billion of that would be pulling back on SA capex. The SA business has been fully invested. So that's R6 billion. And then the full year dividend is more like R11 billion. So if you were to pass the dividend and bring these capex and opex efficiencies you're looking at a number that looks more like R17 billion, providing comfort to the balance sheet. Those are just two examples. And if you did just those two in the shock stress scenario you would be back to around 2.5x for holdco leverage.

So, I think what's important to note there is really that from our perspective the balance sheet is quite resilient to the kinds of naira shocks that I think many of you are thinking about. And just to give you a bit more colour around cash flows to holdco, obviously we speak about the upstreaming within the context of our holdco leverage calculation. But if you look at all the cash being upstreamed to holdco including the SA business's contribution – whether it is dividends, management fees or intercompany loan repayments – the total to holdco for year-end last year would have been about R16.2 billion. Only R4 billion of that was from Nigeria. I think that is quite an important point.

Actually, if you look at just cash to holdco, South Africa is still the most material. That would have been just under R7 billion of that. Nigeria as I mentioned was about R4 billion. But then you have Ghana. Ghana is just under R2 billion. You have Botswana and Uganda and Cote d'Ivoire also contributing. So, I think it is quite important for investors to appreciate that actually Nigeria is just less than 45% of all upstreaming to holdco, ex-SA. There is still an SA portion that comes through holdco that supports debt servicing and the dividend. But it is important that you have an understanding and appreciation that there is a broader contribution from the likes of Ghana, Uganda, Botswana and Cote d'Ivoire.

As I mentioned, last year holdco cash upstreamed R16.2 billion of which R4 billion was actually Nigeria. So I think from our perspective with those potential stresses and needing monitoring

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	during this period, I think what we would say is that the balance sheet actually has fair resilience even in a shock stress scenario. And we have sufficient liquidity, either cash or undrawn facilities, to cover pretty much the next couple of years of maturities in the stress event that refinancing was challenging. As I've said, R15 billion of that refinancing is already well progressed and we will be looking to complete it in the next couple of weeks before the end of April. So Rob, I will pause there and pass back to you.
Rob Shuter	Thanks Ralph. I guess we just wanted to fill you in on Competition Commission, the update on coronavirus, update on ATC which Ralph covered, that that money is being wired to us from ATC so that should come in the next 24 hours or so. I guess maybe just by way of conclusion we still believe that the business is in the best state it has been in for many years. I think we tried to cover that in the results if you look at network quality, winning market share, staff morale and customer experience. The balance sheet is in a better condition than it has been in for many years, and as Ralph has pointed out, is very resilient in either milder or very stressed scenarios. Much as we would have hoped that all this hard work in the last few years would have reaped a good harvest in easier markets, I think absolutely all the hard work of the last few years stands us in very good stead for the more troubled times that will be ahead of us, certainly for the next few quarters. So of course we also thank you guys for your support, and I will hand over to Thato for the last piece of the call.
Thato Motlanthe	Thanks Rob. I think at this stage we can open it up for a few questions before we wrap up the call. Back to you, operator.
Operator	Okay. If you would like to ask a question please press * then 1 on your touchtone phone or on the keypad on your screen. If you decide to withdraw the question please press * then 2 to remove yourself from the list. Again ladies and gentlemen, if you would like to ask a question please press * then 1. We will pause to see if there are any questions. The first question is from Preshendran Odayar from Nedbank. Please go ahead.
Preshendran Odayar	Hi guys. Thanks for the call. Just two questions from my side. Firstly I just want to clarify on the Competition Commission. Are the bundle cuts that you are making only the monthly bundles for prepaid, or are you also looking at cuts across the weekly and daily bundles and also postpaid bundles? And then the second question is from what I understand this agreement hasn't been signed as yet by the Competition Commission. And their initial report also made mention of some other terms around pro-poor and roaming. I didn't see anything around roaming and pro-poor other than what was released in the SENS today. I just wanted a clarification if you guys are going to address those points or not. Thanks.
Rob Shuter	Sure. Let me pick that up. I think if you carefully go through the report – and it does look at both postpaid and prepaid – effectively you see that postpaid pricing in South Africa is very competitive. And it is even more so if you look at the quality of the networks, which we have European quality network, P3 scores in the mid-800s. That has not been a focus at all of our engagements with the Commission. When it comes to prepaid they have been focused on the monthly bundles. The dailies and the weeklies are already very competitive. Their effective rates are much lower than the 30-day bundles.

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	And the Commission also felt that 30-day bundles were important because it keeps people connected for the whole month. So, the pricing transformation we announced is aimed at the 30-day prepaid bundles. And for the dailies, weeklies, postpaid, those will evolve in the normal competitive dynamic. So that's the first point. The second point, other recommendations, generally the theme of the pro-poor was more to make sure that the prepaid bundles benchmarked better against postpaid, and also to make sure that the smaller prepaid bundles didn't have much higher effective rates than the larger bundles. And to the extent those effective rates are much closer that would be regarded as pro-poor, and if the effective rates were very far apart that would be anti-poor. So, the flattening of the pricing curve I described and the reduction in the 1 GB bundle is all a key part of addressing this pro-poor dynamic. Generally the other recommendations were more aimed at the regulators themselves. So recommendations around should wholesale be regulated or MVNO access or infrastructure sharing. It is not really something the industry can do. So perhaps that will evolve over time. We regard the wholesale market as very competitive, not least of which was we brought Cell C across from the red guys and shortly thereafter they stole the blue guy away from us. So clearly we are competing for customers at a wholesale level. So no, in general the three items we have addressed were the three items that the Competition Commission wanted to engage us on.
Preshendran Odayar	Okay. Thanks Rob. So there is no real risk from your side that you think the Competition Commission will say they're not happy with this. You're quite confident that next week they will sign this and it will be all done?
Rob Shuter	I believe we have a meeting of the minds on what we've decided to do. What we have not resolved is really the form of that agreement. Vodacom did sign a consent agreement, and that agreement will be in front of the tribunal on the 25th of March. I guess that is somewhere around Wednesday next week. And we are still in discussions with them on what form our agreement should take. The main reason it has ended up this way around is simply the pressure to get these pricing cuts and particularly the zero rating out there for South African consumers. We just didn't want to wait another week while we were trying to settle the agreements. And it doesn't go to the substance of what needs to be done.
Preshendran Odayar	Okay, cool. Thanks very much, Rob.
Operator	The next question comes from Jonathan Kennedy-Good from Standard Bank. Please go ahead.
Jonathan Kennedy-Good	Thanks guys. Just two factual questions quickly on the undrawn facilities for Ralph perhaps. At the year-end if I look at note 6.1 of your financials it says that you have R33.8 billion in undrawn variable rate facilities available to you. And I thought you said R23 billion earlier in the call. I just wanted to confirm which one it would be. And then your cash balance at year end was R21.7 billion as far as I can see. I'm just wondering if the cash balance you mentioned earlier is after the dividend or what has changed there.

Speaker	Narrative
	Finally, obviously markets are very fickle and seem to be trending down at an unprecedented rate. I'm just wondering how you're thinking about it. Would you think about a potential buyback ex the dividend that you're going to pay on 1 April? If you cut your capex and your dividend you could buy back 20% of the stock. Is that not a better use of money than paying out cash?
Ralph Mupita	Jonathan, let me start with your third question first. I guess we obviously have already committed to the final dividend of 355 cents. As put in the SENS yesterday we are still committed to that. The 355 cents gets distributed. We have the R8.9 billion coming into our Mauritius bank account. It comes in as dollars. We just note the rand equivalent of it, but it is dollars. As we said we are using these proceeds to target dollar debt. And obviously post the dividend distributions etc. in April and just looking at liquidity or how some of our term facilities or where the bonds are trading, I think we will remain focused on looking at reducing the dollar debt component at the holdco level. So that is something that we are applying our minds to with regards to the proceeds that have come in from ATC. Then to your question around undrawn facilities, the R23 billion that I was referring to was related to both dollar and ZAR facilities in terms of what has not been drawn. So that number remains correct. The number you need there is R23 billion. And the R8.4 billion is holdco cash, not total group cash. You've got the total group cash. I'm focusing on what is at holdco. So the holdco cash in ZAR and in dollar terms, the dollar component of the holdco cash is just on R6.9 billion and the ZAR component was just on R2 billion. So mostly the cash at the holdco is in dollars.
Jonathan Kennedy-Good	Thank you.
Operator	The next question comes from John Kim from UBS. Please go ahead.
John Kim	Hi everyone. Two questions. Ralph, earlier you mentioned about upstreamed cash to the holdco that some of the smaller countries – Cote d'Ivoire and Uganda amongst others – contribute to holdco. Can you give us a sense of quantum or the stability of those cash flows? In a situation where you're not able to get money out of a country does it then convert to a shareholder loan that you get out when you can, i.e. what is happening with Iran? The second question is a little bit broader strokes here. We are going into a period of very high uncertainty. What sort of things would need to happen for you to consider cutting or suspending the dividend? Thanks.
Ralph Mupita	As I mentioned, if we look at holdco cash received at the end of last year, as I mentioned Nigeria contributed R4 billion to that. You guys will take your view on the upstreaming risks with regards to Nigeria. We get both a dividend and a management fee which is a percentage of service revenue coming out of Ghana. That comes pretty steadily. Broad strokes that number is more like R2 billion out of the R16 billion. Uganda is a relatively big opco for us and last year we would have done just under R900 million. Rwanda R318 million. Cote d'Ivoire more like R600 million odd. Even Botswana is almost R600 million. Benin is R460 million. All of these ultimately add up.

Speaker	Narrative
	So if we look at all those countries that are contributing, Ghana, Uganda, Rwanda, Zambia, Cote d'Ivoire. Last year, Cameroon was in a turnaround situation and didn't contribute last year, but it will contribute coming into this year. So Cote d'Ivoire contributed. Congo-B, Benin, Swaziland and Yemen also contributed. These are small numbers when you look at Yemen for example. So for all of those we have broadly been getting the level of dividend contribution that I raised earlier on. Ex-South Africa, 55% would be upstreaming to holdco from all of those markets, and then Nigeria makes 45%. And then you add South Africa which upstreams to group just under R7 billion. So I would argue that Ghana will continue to grow strongly given its market share position there. And we don't have any upstreaming issues normally either at the half year or the full year. Where we are not getting dividends, like with Cameroon as we say, we will with its turnaround in performance start seeing Cameroon contribute similarly to Cote d'Ivoire, if not more. And obviously where we can't get it out, to your point, we convert those into shareholder loans. And the Iran situation you well know that there is about R2.8 billion that is trapped there for now. I hope that gives you a bit more colour on the cash coming up to holdco.
Operator	The next question comes from Myuran Rajaratnam from MIBFA. Please go ahead.
Myuran Rajaratnam	Hi guys. Thanks for taking my questions. A simple one. You mentioned that you have seen up till now something like a 30% to 40% increase in traffic. I'm conscious that in the past leading up to now you've built your network in South Africa quite a bit. It is a fully-fledged top-of-the-range network at the moment. It's a Ferrari at the moment. My question I suppose is when you're carrying extra traffic 30% to 40% how much is it carried on your network? Is there anything that is going to Liquid or anyone else? If you think about it, your peers who are spectrum constrained or network constrained might not be able to carry the extra traffic. Are you able to carry all this extra traffic on your network?
Rob Shuter	Maybe I can pick that up. I'm not sure a Ferrari is the best analogy. Maybe a strong and reliable Toyota Hilux. Maybe I'm showing my age in that answer. Look, there is definitely capacity on the network. Remember that we on-boarded Cell C for roaming in the peri-urban and rural. So we pulled a lot of their traffic on with a fairly minimal extra investment. I think the concern always is the metros because there, the network is pretty full. Particularly the spectrum is pretty full. That's why we are pushing for this spectrum award. But we still hold very high QoS, quality of service, on the network. So average throughputs are still really high. So what's going to happen as the network loads up in the shorter term is that some of those particularly download speeds are going to degrade. But we're talking about going from an average of like 23 MB per second down to 18 MB or 17 MB. There are not too many applications that would register the difference there today. So I believe it is manageable. We are also talking to ICASA about potentially relaxing some of the spectrum usage just over the next few months. So that I think is another dynamic. And then to answer another part of your question, reliance on others, we have started to implement the roaming agreement with Liquid, so already there would be some traffic on those sites. I think if you put it all together it is manageable. It is definitely going to need some capacity in the core network, but that we can put in place relatively quickly.

Speaker	Narrative
Myuran Rajaratnam	Great. My second question is I think there was a question earlier on what type of things you have to see to cut the dividend. I suppose mine is a slightly different question which pre-empts Jonathan's question. What do you need to see to actually do a buyback? Thank you.
Rob Shuter	I think Ralph did pick that up earlier. Maybe I can just recap on our capital prioritisation because I think we've been super clear on this over the last couple of years. We always say priority number one is organic growth, so that is making sure that we put the capex in so we can harvest the benefits in the future. Clearly there is some wiggle room if rollout is delayed. The networks are quite resilient if there is something that gets pulled back there. The second priority has been stabilising leverage. We have been really clear on the holdco net debt we are targeting medium-term. The third priority then is the normal dividend, the progressive dividend policy we announced. The fourth priority is M&A if it meets investment criteria. And only when we get to number five do we get to special dividends or repurchases. I think it's a disciplined framework that has stood us in good stead up until now, and I think it works well also in the current market.
Ralph Mupita	Rob, maybe just to build on your point there, I think you as investors would not have rewarded us in current trading conditions. Had we done a buyback last week it wouldn't have looked great certainly in the first week. Our view is that the preservation of cash and of reducing dollar debt outweighs a share buyback at this stage. And the market hasn't called the bottom yet, because nobody has quite figured out where the equilibrium is for all these COVID and related impacts. So, we are very focused on cash preservation and the reduction of the dollar debt.
Myuran Rajaratnam	Great. Thanks for taking my questions.
Operator	The next question is from Asanda Notshe from Mazi Asset Management. Please go ahead, Asanda.
Asanda Notshe	Thank you. Afternoon guys. Thanks for the call. Apologies if it was covered earlier. I had a bit of a signal issue during the opening. I just wanted to check on the debt side the covenant position on that. And also to what extent do you have holdco commitments or rather guarantees for underlying operations where one of the opco's debt has got a parental guarantee from the holdco?
Ralph Mupita	Asanda, thanks for those questions. On the covenants, the covenants are all at consolidated group level. So our net debt to EBITDA of 2.5x. And last year we ended at 1.3x on that particular covenant. And the other is interest cover, EBITDA over finance cost. And that is a minimum of 5x and we are at 6.9x, so we are well covered pretty much on those covenants. Just your second question again, just to remind me?
Asanda Notshe	I think the question is the extent to which there are underlying opco debts which are guaranteed at the holdco.

Speaker	Narrative
Ralph Mupita	Okay. Between group and South Africa you will well understand that MTN South Africa is where the parental guarantees are. But pretty much all our debt is on a non-recourse basis. The facilities being raised in Nigeria over the back end of last year are all on a non-recourse-to-group basis. So the South African debt is the one that has got recourse to group. It is within the same kind of jurisdiction anyway.
Asanda Notshe	Okay. Great. Thanks.
Operator	The next question is from Cesar Tiron from Bank of America Merrill Lynch. Please go ahead.
Cesar Tiron	I just wanted to check if you can give any form of guidance in terms of impact from the price reduction that you are going to implement from 1st of April on your EBITDA.
Rob Shuter	Ralph, did you catch that? EBITDA impact of something.
Ralph Mupita	I think he was asking the question around what the impact of the voluntary undertakings are for CompCom.
Rob Shuter	Competition Commission, okay. Sorry, apologies for that. We have given an approximate size of circa 1% of service revenue. So, you could say R400 million to R500 million of revenue. Being data, I guess probably 70% or 80% of that would drop down to EBITDA. But we do think that we will trade through that over time with elasticity and customer growth. And of course even that drops down to EBITDA post-tax etc. It is a relatively manageable amount. And we are still holding the market to the free cash flow targets despite some of the pressure that these undertakings have provided.
Cesar Tiron	Thank you so much. Very helpful. Thank you.
Operator	Ladies and gentlemen, just a final reminder, if you would like to ask a question please press * then 1. If you would like to ask a question please press * then 1. We have no further questions in the queue. Do you perhaps have any closing comments before we conclude?
Rob Shuter	Just to say again that markets are very turbulent and volatile and there is a lot of uncertainty in the world. But we've got a strong business and a strong and resilient balance sheet, a dedicated, committed management team, and we are absolutely convinced we will get through this in decent shape. We thank you guys all for your support and for investing this time with us this afternoon. Thank you.
Operator	Ladies and gentlemen, that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT