Q1 2020 Trading Update

Date: 14 May 2020

Speaker	Narrative
Operator	Good day ladies and gentlemen and welcome to the MTN Group Q1 results review teleconference. 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 * 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 Claudia. Good afternoon to everyone. This is Thato Motlanthe, Group Head of Investor Relations. I just want to thank you all for your time today and for dialling in to this call to discuss our trading update for Q1 to the end of March 2020. We released the update this morning on SENS and we also put it up on our website as well for your view, and I trust that you've all had a chance to have a look at it. You will have seen that in light of the environment we find ourselves in we've put quite a bit of extra information into it, and I hope that you found that to be helpful. On the line with me I've got Rob Shuter, our Group CEO, as well as Ralph Mupita, our Group CFO. And per our usual running order Rob and Ralph will have some introductory comments. Rob will kick off with an overview of the results and operational highlights. He will then talk about COVID-19, the impact and what we're seeing. And then after that he will hand over to Ralph who will cover the financial details and funding and liquidity before handing back to Rob who will close out with some brief comments on the way forward. We can then get into the Q&A. Just a note, we have scheduled about an hour for this call. Over to you, Rob.
Rob Shuter	Thanks Thato, and good afternoon everyone and welcome from me as well. Clearly it's a complex quarter to review. When we look back to Q1 we see a world that was largely pre-COVID and I think we had a strong performance with continued momentum carried on from Q4 of last year pretty much across the business. I think this is validating our strategy and the operational execution we've seen over the past few years. When we look forward, however, we see a very difficult trading environment as our markets grapple with both the pandemic and weak and volatile economies. The themes we will touch on today are really fourfold: strong financials, commercial momentum, strategic progress as well as managing COVID-19.

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	If I touch briefly on the **strong financials**: group service revenue growth constant currency 11,1% in Q1, so that's an acceleration from the second half of last year, well in line with our double-digit objectives. EBITDA again growing ahead of service revenue at 15,6%. So the margin has opened up again by 2,1 percentage points to 43,2%. This pattern of strong revenue growth with operational leverage was pretty much across the board. Nigeria revenue up 16,7%, the SEAGHA region 21,2%, WECA at 9,8% – so that turnaround really taking hold there – and the MENA region also a strong performance at 24%. Against that we had MTN South Africa service revenue growth at -6%, but very much distorted by the noise in wholesale obviously with Telkom and Cell C. And if you strip those out completely the SA service revenue growth was flat in the quarter, which is definitely an underlying improvement from the last couple of quarters. Ralph or course is going to unpack that detail for you a bit later. If I move to **commercial momentum**, subscriber growth I think was pretty strong, 6,6 million net adds in the quarter. So we are up to 257 million across the markets. Active data users are up 2,9 million and our MoMo subs also grew around 400,000. We're still excited by the Ayoba story. Our instant messaging platform continues to scale. We closed Q1 with 2,6 million monthly active users and we've just gone live with MoMo integrated into Ayoba in the first market, Cameroon. In Nigeria we continued with our super-agent licence, rolling out the agency network, and we expanded there by 70,000 registered agents in the quarter to finish at 178,000. On our third theme of **strategic progress**, a few things to highlight. Firstly, digital. We've seen a return to growth, service revenue up 16,5% in the quarter. I'm sure you remember last time around we said we didn't want to be explaining VAS optimisation again, so we're pleased to have drawn a line in the sand on that. In the enterprise area in MTN South Africa the business returned to growth, 8,2% in the quarter. So that's after two years of work of turning it around and well done to our team there. I think we're on a sound footing to carry that business forward. Our efforts in wholesale, in South Africa we commenced phase two of the national roaming agreement with Cell C from May, and so we look forward to that broader and deeper partnership. Also in wholesale MTN Global Connect,

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	we just announced that we are a partner in the venture that will build 2Africa. For those who haven't seen it, it's going to be the most comprehensive sub-sea cable to serve Africa and the Middle East, more than 37,000 kilometres of cable. If you put it into context, once that system goes live in 2023/2024 it will be able to deliver more than the total combined capacity of the subsea cables serving Africa today. On the regulatory front, we've talked a lot about the outcome of the Competition Commission enquiry in South Africa and the voluntary undertakings implemented by MTN South Africa. I'm also pleased that they went the extra mile in terms of also integrating the COVID relief into those solutions. The only thing to update there is that MTN South Africa has now concluded its agreement with the Commission that will regulate these voluntary undertakings, and that has been submitted to the Competition Tribunal for their consent. In Uganda, we finalised the terms of the 12-year licence extension for a total amount of $100 million. Finally, in the Afghanistan matter we filed our motion to dismiss the complaint on two grounds, namely that the court lacks jurisdiction over the matter and the complaint doesn't allege any conduct by MTN that would have violated the Act in question. Again, we are quite adamant that we conduct our business in a responsible and a compliant manner in all our markets, and will defend our position where necessary. So moving then to managing **COVID**, the fourth theme of the quarter's results. We put a lot of detail into the SENS to expand on our previous communication on the topic. You will have seen from the release that we addressed the issue from four perspectives: social, commercial, supply chain and network, as well as funding and liquidity. Dealing quickly with social, I mentioned on a previous call that we've put in place group-wide interventions. These include an increased focus on our own staff with work hygiene focus, safeguarding the welfare of staff and implementing work from home to ensure continuity in the operation. We've launched an emergency staff fund at group and in the opcos. Those were kick-started by contributions from our board, exco members and general MTN staff. These are in place to support staff and their family members impacted by the pandemic.

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	More broadly, in addition to the employees our social response also focuses on customers, vulnerable groups, support of government efforts and participating in industry intervention. To this end, MTN Group announced a few weeks ago a R250 million relief package which is being deployed across the markets. On the commercial front, we've seen some impact from the restriction on people's movements in the markets brought about by lockdowns. These have been implemented to varying degrees across the portfolio. The broad effect of this is firstly a slowdown in subscriber additions and recharges, although against that we obviously get some counterbalance from lower churn and also a movement to electronic recharges, which helps with distribution and acquisition costs. From a revenue perspective, we note a shift in the mix with data increasing and voice coming under pressure, roaming revenues obviously impacted due to reduced travel, and we've also seen our fintech revenues coming under pressure. Despite the increased activity we have seen opcos in various markets have discounted many of these services in support of the COVID-19 initiative as part of our Yello Hope packages. Giving you a little bit more detail, as work from home and increased home use took hold we saw an aggregate increase in data traffic in excess of 30% on our networks. This is when we compare April against February, in other words a pre- versus post-COVID impact comparison. If I look at the larger markets on that same basis, Nigeria data traffic rose by 32%, South Africa by 56% and Ghana by around 40%. On the other side, voice traffic has seen some pressure. In Nigeria on the same basis we saw a 9% decline in voice traffic, SA down around 3%, and Ghana quite resilient though with voice traffic actually up around 10%. Broadly it seems that the markets that have a lower coverage of electronic recharge have been harder hit, but as a general comment we do see pressure in voice traffic with the reduction in economic activity. So that's how it looks now. I think it's fair to say it's early stages and it's difficult to predict how these dynamics will settle. But in terms of the big drivers, initial trends tell us that

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	data growth is boosted, but over time recharges and voice come under pressure. Encouraging though more recently that in the early days post the partial lifting of restrictions which we've seen in markets like Nigeria and Ghana, the data traffic is holding up at higher levels and we've seen some recovery in recharges, voice revenue and gross adds or subscriber acquisitions. So again early trends and the situation is still unpredictable. We've spoken about supply chain and network before. I think the point to reiterate here is that our investment focus is on business continuity and of course resilience and capacity in networks. So we've increased our spend on spares and inventory for resilience and we've also invested significantly in capacity in the core network. The temporary allocation of spectrum in markets such as South Africa will help alleviate some of the pressure points we're seeing. There has been a moderate disruption in the supply chain, especially high-end devices in a market like South Africa, as well as some impact on the procurement of SIM cards. We've put a lot of measures in place to mitigate these disruptions, built up inventories, procured spares for around the next 12 months. So the final key focus in terms of managing COVID is on funding and liquidity, and I do think we've done a lot of work on building our balance sheet resilience and are well positioned to ride out the storm. But for all the detail on that I'll leave it to Ralph and he'll unpack that once he has covered the details of the financial performance. Ralph, over to you.
Ralph Mupita	Thanks very much, Rob, and very good afternoon to everybody from me as well. Just to echo Rob's comments, we are quite encouraged with the Q1 trading results that we've delivered given the tough trading conditions that we had in the period. I will get straight into it and expand on some of the points touched on by Rob on the financials. Firstly, a solid service revenue performance as mentioned, up 11,1% in constant currency, with the group EBITDA margin up to 43,2%. And that's really on the back of tight expense management and operating leverage that we had in the markets such as Ghana. It's a good top-line result and flowing through to EBITDA.

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	If we unpack some of the detail of the larger markets, starting with South Africa, MTN SA revenue was down as mentioned by Rob, and a big part of that decline was really in wholesale revenues. The underlying service revenue was flat after adjusting for Telkom and Cell C national roaming revenues compared to the 6% decline reported. Just to give a bit more colour, obviously we just had the Cell C revenues in the 2020 Q1, so that's R292 million. The base for 2019, which included Telkom, would have been R817 million of revenues in the quarter. For Cell C as I mentioned we recognised R292 million in revenue and we've remained on the cash basis of accounting. The unrecognised Cell C revenue stood at R450 million at the end of March 2020. For those of you who want to split it, it's roughly R133 million from last year and then R317 million from this year. We anticipate that we will continue the cash basis of accounting for Cell C until at least the end of the first half of 2020. As highlighted earlier by Rob, we are pleased to have commenced the extended roaming agreement with Cell C allowing them to have access to the broader MTN SA network. Beyond wholesale, the consumer prepaid business continued to improve with service revenue coming in flat year on year. You will recall that the decline for the full year 2019 was closer to minus 4%. The consumer postpaid business remained steady and service revenue increased by 0,3% in the period. We are pleased with the continued momentum we're seeing in the enterprise business, which grew service revenue for the second quarter in a row and which was up by 8,2%. We are seeing the interventions in that business beginning to bear fruit. The EBITDA margin in South Africa came under pressure, down 2,2 percentage points to 36,6%. This was due in large part to the issues I raised around the national roaming revenues. If you just look at attribution analysis on that margin deterioration, 3 percentage points of that would be simply for the national roaming revenues. We did however have a positive contribution on device margin of just over 1% as well in the period. Turning to MTN Nigeria briefly, you would have seen the numbers when they reported the other week showing an acceleration in service revenue growth in Q1 to 16,7%. In their results MTN Nigeria indicated the foreign currency

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	component of some of its tower contracts will be impacted by the rebasing of the CBN rate from ₦305 to ₦365. This became effective from April and will have a bearing on margins going forward. You will recall that our broad guidance on the impact of FX has been that a 10% move in the exchange rate is about a 1% impact on the EBITDA margins under IFRS 16. When you look at it below the line impact you will see another percentage point, so total impact is 2 percentage points from a 10% depreciation. Briefly on the regional performances in Q1, we are encouraged by the progress from the other markets. Just to reiterate those performances, SEAGHA – if you exclude Ghana – recorded growth of over 20% in constant currency, so a very strong result there. WECA grew service revenue by close to 10% in Q1, and we see the continued improvement in the growth trajectories for both Cote D'Ivoire and Cameroon. Importantly, service revenue growth in WECA was well ahead of the blended inflation of around 3,5% for that region. Finally, MENA increased revenues by 24% in challenging operating environments. MTN Irancell, which we equity account for, grew service revenue by about 30% and improved its EBITDA margin in these difficult trading conditions. You may well all recall that Iran was one of the earlier countries in our portfolio to be affected by COVID-19, so it was more significantly impacted by the pandemic in the first quarter. If I turn to the issue of funding and liquidity, as Rob has mentioned it is a key pillar of our COVID-19 consideration and responses, and we have made a lot of progress in building balance sheet strength and resilience. As at the end of the first quarter, our holdco net debt stood at R55,4 billion, which is roughly flat on the December 2019 level. You would appreciate that the rand devaluation is a key factor here where the rand has depreciated by around 22% against the US dollar in the quarter. Our holdco leverage on Q1 stood at 2,5x. Again there is a forex impact and I would note there is also a timing issue around upstreaming which happens by and large as the year unfolds. As previously disclosed, the shape of our upstreaming in the year generally is approximately 40% upstreaming in the first half and 60% in the second half when you look at prior periods. And that is juxtaposed by the fact that we pay two-thirds of our dividend in the first half

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	and then the third as the interim dividend in the second half of the year. These are points that we have covered before. It is important to comment on our group performance as this relates to our funding and funding covenants. Our group net debt to EBITDA was 1,1x at the end of March, which is comfortably within our covenant range of 2,5x. Our interest cover was 9,4x at the end of the quarter, and this also measured very well against our covenant which is 5x. From a liquidity standpoint, our cash balances at the group level were around R42 billion as at the end of the first quarter. We have previously discussed our debt maturity profile and we continued to manage this proactively. We have made good progress on our 2020 and 2021 refinancing priorities with approximately R15 billion in debt maturities over the next ten months that we are refinancing this year. Of the total refinancing we have already concluded R1 billion in the local debt capital markets. This transaction was successfully closed amidst volatile and uncertain local market conditions. We are quite advanced in securing around R11 billion of the R12 billion of bank funding which we plan to close before the end of the first half of this year. In this environment you would also appreciate that we have taken a prudent approach to liquidity management. At the holdco level our overall headroom stood at just over R45 billion including cash of around R19 billion and undrawn committed credit facilities of approximately R26 billion. And just to bear in mind that the final dividend payment of R6,7 billion was made after quarter end on the 6th April. So I think our liquidity position stacks up quite well against our maturities over the next 12 to 18 months which amount to roughly R20 billion, comprising of R6,5 billion in 2020 and R12,2 billion in 2021. On cash upstreaming, MTN Ghana has declared an interim dividend of which $61 million equivalent is attributable to the group. MTN Nigeria has declared its final dividend of 2019 of which roughly $131 million is due to the group. And this is up for shareholder approval at tomorrow's MTN Nigeria AGM to be held in Lagos.

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	I would close off by restating that we remain committed to our capital allocation priorities, and as you may well note there is a batting order there of investing in our network, deleveraging and then returns to shareholders. And these priorities remain in focus, as is the focus on balance sheet resilience where we want to reduce our exposure to dollar debt and improve our funding mix at the holdco level. Amidst the near-term risks and uncertainties provided by COVID-19, we are also quite focused on cash preservation and maintaining a healthy liquidity position. So, on that note let me hand back to Rob.
Rob Shuter	Thanks Ralph. Perhaps just a few comments in closing. Clearly we are faced with unprecedented uncertainty and volatility in the markets. I think we've given you a sense of how it has been impacting our business thus far, but it is really too early to reliably quantify the direct or indirect financial effects. Certainly the rest of the year will be shaped by the impact of COVID, which I think will become clearer as we move forward into the coming months and quarters, and obviously we will update you accordingly. In the meantime, I believe that the operational and financial resilience we've built over the past few years will help us to weather the current environment. We've implemented cost control measures. We're focusing on mission-critical expenses and also enhanced oversight of expenditure. It's important also to note that we are not only focused on mitigating the risks presented by COVID but also taking advantage of the opportunities it is creating in accelerated digitalisation. Of course I think MTN is well positioned for that with our digital operator strategy and focus on growing our data, digital and fintech businesses. Whilst the financial year will be quite challenging, at this stage we are maintaining our medium-term guidance framework. It's a three- to five-year framework. We're going to keep a keen focus on expense efficiencies in support of margin and liquidity management. Considering the anticipated disruptions in supply chain, challenges in rolling out coverage under lockdown rules and our emphasis on liquidity, we have re-estimated our capex plan for 2020. Just a few additional comments on that. Last year we invested R26 billion in the networks across the businesses. We are now forecasting that capex for 2020 will be around R22 billion, being around 15% lower than last year,

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	obviously also lower than our initial guidance f0r 2020. The main elements of that are that it is difficult to really implement the network rollout plan under the social distancing regulations and a significant part of that plan was new sites particularly in rural and ultra-rural areas. It's difficult also to access equipment even if it has been shipped. It is often getting caught up in customs environments. I think these are the main issues. Of course, we've also said to our markets that this is a time to really focus only on mission-critical investments, and they have pushed some projects from this year into next year. I've seen some commentary saying it's a cut. I really want to be clear. It's not a cut. It is a revised realistic forecast of how the rollout is most likely to proceed in the course of 2020. If things ease up and the situation improves then it may well be that we will end up being able to roll out more of the programme than we're currently estimating. We are going to re-forecast the investment programme every quarter and we will give you the detail of all of that. As a group, we remain committed to delivering on our BRIGHT strategy, still focused on our asset realisation programme over the next three to five years targeting at realising capital of at least R25 billion. I think that will also make a big difference to the group. Thanks for your attention, and I will hand you back to Thato.
Thato Motlanthe	Thanks very much, Rob and Ralph, for those comments. I think we can just jump straight into the Q&A which will be handled by the operator. Thank you.
Operator	Ladies and gentlemen, 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 if you would like to ask a question please press * then 1. The first question comes from Preshendran Odayar from Nedbank. Please go ahead.
Preshendran Odayar	Hi. Afternoon guys. Just three quick questions from my side. Firstly on dividends, I know it's a bit early to call any change in guidance, but are you guys looking at that, or is there anything that is concerning you about revising your dividend guidance? Secondly, on your new roaming agreement with Cell C, are you not concerned that you've only recognised about 50% from what I heard? R317 million was unrecognised. R292 million of Cell C roaming revenue

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	was recognised. That's about half of the revenue that you're recognising. By expanding your sites are you not just setting yourself up for a bigger impairment down the line? Have you also considered alternative methods of maybe asking them for assets as opposed to cash while they roam on your network? And then lastly, just a quick one on the Turkcell Iran matter. I didn't see anything about that in the update. Is that done and dusted now, or is there any update on that? Thanks very much guys.
Rob Shuter	Thanks very much. Maybe to hit the dividend question on the head right up front, the group's policy is a progressive dividend. We rebased it to 500 cents a couple of years back. We set a growth range of 10% to 20% which we felt was consistent with our objectives to grow service revenue in the double digits and to open up the margins. We did pay the final dividend last month. And the next time that we would really need to deliberate on what to do is when we announce the interim results, which is going to be early August. So I think our position has been clearly it's a volatile time. It's an uncertain time. It's a time for prudence. It's a time for resilience. And the board absolutely when we sit down then will reflect on where the whole situation is, how the balance sheet looks, what's happening in the markets. And I'm absolutely convinced we'll take the right decision for the business. We just didn't feel it was worth pre-judging that in such a volatile environment, and so we've been consistently saying that we'll give guidance on that closer to the time. So that's the first one. The second one around Cell C, just to put in context that when we on-boarded Cell C for phase one we spent some capex in the last quarter of 2018 to enable that transaction in the order of magnitude around R400 million. Between now and then we've had significant cash proceeds from Cell C. I think you saw from our final results that cash received last year alone was over R2 billion. Whilst Cell C have had some challenges with their own cash flow I still think it has been a very good transaction for MTN Group. Moving to phase two not only allows us to deepen that relationship but also allows us to explore other important parts of the contract like potentially using their network for our customers to roam on. So that's important. And we do believe we can manage the additional investment on our side so that even in phase two it will have very strong economics for the group.

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	Your final question on Turkcell and Iran, that's a litigation that goes all the way back to 2007. We've pretty much been successful in every forum that it's been litigated. And we are in – in our estimate at least – the last phase of that where they decided to take legal action against us in South Africa. And we're in the process of preparing our papers. They're preparing their papers. We did initially expect that it could be heard in 2020, but it seems quite likely that it could now be pushed into 2021. We don't believe any new information has come out that gives us cause for concern, and we will just continue to defend our position as we have done successfully for almost a decade now.
Ralph Mupita	Rob, maybe I can just build on to the second question on Cell C. I think it's also important to note that for us Rob spoke about the benefit for us in terms of under phase two the opportunity to also leverage some of the spectrum assets they have. I think it's also important to note that their cash flow profile under phase two is better than under phase one. There is capex and opex avoidance in the year that also helps their cash flow profile. So for us we went into phase two very mindful of the situation as well as of the benefit not just to ourselves but to Cell C. Thanks.
Preshendran Odayar	Thanks gentlemen.
Operator	The next question comes from JP Davids from JP Morgan. Please go ahead.
JP Davids	Good afternoon. One question from my side and then two clarifications. I guess the first question may be more of a challenge than a question. I'm still just trying to get my head around the capex revision. The top of your capital allocation framework is organic growth. You've got data volumes going up. I'm just trying to understand the context of that revised capex guidance. I appreciate your comments around new sites and availability of equipment, but I guess that would be something as an operator across the African continent that wouldn't be a new theme for you. Maybe the challenge is to help me a little bit understand the headroom on the network, how much more capacity you've got to capture this data demand over the next 12 months as COVID plays out. And then two clarifications if I may. I think Rob mentioned in his prepared remarks that Ghana's voice revenues look a little bit better than maybe Nigeria

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	and South Africa because of the electronic distribution of airtime. Is that a fair observation? And then the second clarification is just on the holdco net debt. Is it fair to assume that the ATC proceeds there are offset by the FX impact of the weaker rand into the quarter end? Thank you.
Rob Shuter	Thanks JP for the challenge on capex. So let's talk about that a bit. We've invested significantly in the last couple of years pretty much across all of these markets. You look at a market like South Africa. Data traffic has doubled from January 2019. And I think we've managed to accommodate that within a reasonable envelope. We've got leading NPS and data quality scores in South Africa. And it's a combination of not only physical capex but also dynamic spectrum sharing, the roaming we've done with Liquid. We've rolled out 4G population coverage in SA from 91% to 95%. And even after all of that we have a 73% utilisation of the data network in South Africa. Nigeria has similar metrics. From January last year data traffic is up almost 160%. 4G pop coverage has gone from 19% to around 48%, also dynamic spectrum sharing there. Also we've got LTE on 800 and 2600. The Nigerian data network is 68% utilised. So there is headroom in these networks. That's the first thing. The second thing is that the rollout programme is a very mechanical programme. You might remember last year in South Africa that we delayed some of the modernisation while we were dealing with the issues with some of the Chinese vendors. That pushed the modernisation out a couple of months and that basically caused a fairly significant underspend in the capex in South Africa because the rollout programme got pushed out into the following year. It's a very similar pattern to what you're seeing here. All of our plans for new site rollout that would have taken place over March, April, and now we see it pushing into May, June and July we are basically not able to deliver on them. Money is going into the core network. Money is going into resilience. Money is going into spares. But we are just simply not rolling out new physical sites. And when the whole COVID situation calms down that site rollout programme will recommence. My personal view is that any telco that has a significant physical rollout programme embedded in their capex is going to find that that is going to be significantly disrupted under the lockdowns. And it may be that you see more of the developed market telcos that aren't rolling out new physical sites are

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	just maintaining their networks and they're putting more money into capacity, so their trend is going the other way. And so at R22 billion compared to R26 billion last year – that even still assumes that we can resume some of the physical rollout in the second half of the year. If we can resume earlier we can spend more, and if more of it gets pushed into next year then that programme will go into the following year. But it's not really affecting the capacity and the existing coverage, the 3G to 4G expansion that you're seeing in the network. Very quickly on the second question and then Ralph will pick up on the third one. That was the point we were making. Particularly in the early stages of the lockdown in the markets where a lot of airtime is bought in physical rather than virtual – physical scratch cards or customers buy airtime from an agent who generates them a slip of paper with a code on it – in those markets we saw a more significant drop in recharges and voice than we saw in markets like Ghana where more people are buying their airtime virtually using their bank accounts or using their Mobile Money accounts.
Ralph Mupita	Thanks Rob. Maybe just to start off building on your point around capex so that for the avoidance of doubt there isn't a sense that we're doing anything other than guiding forecasting. JP, an underlying assumption in how we view COVID and how it will play out this year is that we're seeing in our modelling a U-shaped recovery. We are saying Q2 and Q3 will be tough, but as we exit Q4 we will come back into normality. So as Rob said you're basically pushing out some of the rollout by a quarter. So that falls into 2021. Now, we can debate whether that U-shaped view is right or wrong, but if we look at a data point such as the Actuarial Society of South Africa's modelling on COVID infections in South Africa a peak is somewhere in September. So I think we're probably taking a very conservative view around that. And if we take that view, to Rob's point the physical rollout actually will be very challenging. But we will still stay very focused on capacity and resilience. The one final data point really around the capex is if you think about the Nigerian capex it is about 55% dollar. The balance is local. South Africa it's 43% dollar and the balance is then rand. To your point about the holdco leverage it's affected for sure by FX, but I think the other important point of difference with last year is last year MTN Nigeria was not listed and we weren't subject to the SEC rules of only declaring a final dividend with the AGM. So last year we

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	got the Nigerian dividend in February as you well remember. So obviously that affects the end of quarter. Now that has drifted into H2. And as I mentioned earlier, Nigerian dividends are up for shareholder votes tomorrow at the AGM. So it is both an FX point as well as the movement of Nigeria dividend and actually also the Ghana dividend. Thanks.
JP Davids	Thank you very much for that, Rob and Ralph.
Operator	The next question comes from Alastair Jones from New Street Research. Please go ahead.
Alastair Jones	Hi guys. I just wanted to touch base quickly on the head office cash and debt situation. You mentioned, Ralph, in the last call that you had just under R8,5 billion of cash at the head office at end of 2019. As far as I'm aware you received the ATC proceeds of about R8,9 billion which brings us to cash at the head office of just over R17 billion. And you're saying you've got just over R19 billion now, so there seems to be a R2 billion inflow if I'm not reading that incorrectly. I was just wondering if there have been any markets where you have been able to repatriate cash out of in the first quarter. And obviously management fees from Ghana, how do they play out on a monthly basis. And Uganda which is obviously a pretty key market as well, have you had any dividend coming through from that market? Any comment on that would be great. And then to follow up on the capex, could you indicate as to which markets you are pulling back on the rollout given the challenges the most. Is it predominantly Nigeria or how does South Africa stand? Just give an idea on where your capex guidance lies for the individual markets. Thanks.
Ralph Mupita	Maybe I'll pick up the first question, Rob, and you pick up on the capex one. On the cash, as you will well understand, Alastair, we have three types of flows of upstreaming from the opcos. It's management fees, which have a monthly or quarterly periodicity to them. And specifically to Ghana those management fees have been received, so we can tick that box. Ghana is the most significant on management fees. We don't get a management fee out of Nigeria. So those have been flowing quite regularly. The Ghana dividend has actually been paid into the group account in Accra and now it is flowing it from Ghana to Dubai to get into holdco. And we don't see any set of issues there.

Speaker	Narrative
	And then the other markets the management fees have been coming in, they're relatively small. In the first quarter as I said we normally have a 40% to 60% mix. The only one that I would highlight, the one that is probably the most material for the quarter in the period would have been the Nigeria one which as I mentioned is for shareholder vote tomorrow. In our anticipation we haven't had any feedback to say we'll have difficulty repatriating the $131 million. I think what we are more expecting is given current dollar availability in Nigeria it will look more like the period in July/August 2017 just after the NAFEX window has been opened where it took us a couple of weeks to accumulate the dollars before we eventually repatriated. That is our base case view on that. So, on the cash as I said the only one that really is material which we need to see how it plays out would really be Nigeria. Rob, do you want to start on the capex one?
Rob Shuter	Sure. I guess we could say again it's a reforecast of how we think the year will play out. The most significant reduction actually was in the group, because in the group we had quite a significant amount dedicated to terrestrial fibre rollout under MTN Global Connect. And that is quite clearly going to be delayed or potentially pushed into next year. So percentage-wise that came down a lot. And for the rest of the group, year on year we're talking around 20%, and it is spread pretty evenly across the markets. They all had rollout programmes that have been pushed out a bit. Terrestrial fibre in Global Connect and averaging around 20% push into next year across the other opcos.
Alastair Jones	Thank you. A quick follow up, Ralph, if you don't mind. Have you been able to get anything out of a place like Ghana subsequent to the end of March? I guess I want to clarify if COVID has changed anything significantly in terms of access to FX in a couple of other markets, obviously aside from Nigeria.
Ralph Mupita	Post March no, we haven't. The upstreaming now is the interim dividend that was declared at the end of April. So that is the amount that is in our bank account in Accra as we speak right now but still needs to be upstreamed into MTN Dubai. So that has not yet come through. We're anticipating that that is done by the end of this month. That is our base case for Ghana.
Alastair Jones	Great. Thank you.

Speaker	Narrative
Operator	The next question comes from Slava Degtyarev from Goldman Sachs. Please go ahead.
Slava Degtyarev	Thank you very much for the call. A couple of questions. Firstly, can you share some incremental thoughts on the asset realisation programme? Do you think that there is a delay on the back of the current environment, or vice versa, you are looking to accelerate the implementation of that? And secondly how do you see the trajectory of South African growth in the medium term taking into account wholesale data, the Competition Commission agreement and the macro challenges? And I obviously understand there is a significant level of uncertainty at this stage. Thank you.
Ralph Mupita	If I can just pick up on the asset realisation and hand over to Rob on SA. On the asset realisation programme under the COVID-19 challenges I think it's very difficult to get in particular the two large programmes away. As you will remember, of the R25 billion the two most material is the IHS – and there plans have been halted with COVID – and the other one was the Nigeria localisation. I guess also on the Nigeria localisation we had anticipated that we could look to do a small retail offer, small in quantum of capital but trying to get as many Nigerians as possible. Now, that obviously will be subject to the ending of COVID-19 restrictions. Obviously in the background we are doing all the work, preparing prospectus etc. So the work to prepare for the two large ones has not stopped. In the Nigerian results they did mentioned that they are also looking at revising their current agreement with IHS. So there is a lot of work in the background but I think COVID uncertainties particularly with regard to equity capital markets will drive when we press the go button. But our base case view is that it's going to be difficult to execute either IHS or Nigeria in the calendar year this year. We will probably see that drift into the early parts of next year Q1. But obviously if we have a positive surprise if things do improve materially then maybe in Q4 you might see something. But I think base case is that those two transactions won't move forward. There are the smaller localisations in Zambia and Uganda which we would look to progress, but those are not material financially for the asset realisation programme. Rob, on SA.

Speaker	Narrative
Rob Shuter	Thanks Ralph. You pass me the complicated question. Look, let's look at where we are in SA at the end of Q1. We've got consumer prepaid which is basically flat. And we still had two months of the old out-of-bundle revenue in the base year. So in one sense the outlook for prepaid is positive because we're going to lap that. But against that we've got a bit of pressure from the CompCom undertakings. And of course we've got all this uncertainty around COVID and the macro in SA. So that is I guess quite honestly just a little bit difficult to call. Consumer postpaid also was flat in the quarter. That market is very competitive. We did have some subscriber growth which is good, but also an uncertain situation. Enterprise looks much better. We had growth of 8,2% in the quarter. It was negative last year. So that's going to be helping on the other side. Wholesale was down 44%, but of course as Ralph said we had still the Telkom revenues last year up until around June. So as we move into the second half of this year we're going to lap that. So I guess when you put all of that together it's really a question of how deeply COVID will impact not only the prepaid segment in South Africa but potentially could work its way into postpaid and enterprise. And then we would have a more difficult next half to 18 months. And if things go a little bit better then certainly we should be on an improving trend. We have for the moment stuck with our medium-term guidance. It has MTN South Africa service revenue in the mid-single digits. Obviously we've got quite a road to run to get it back up there, but we do believe over a three- to five-year horizon – which is what our medium-term guidance is – the telco business in South Africa can grow at that kind of rate. I hope that was helpful, but I do need to say again that it is a volatile time and that our level of forecasting accuracy at this stage is a challenge.
Slava Degtyarev	Sure. Thanks very much.
Operator	The next question comes from John Kim from UBS. Please go ahead.
John Kim	Hi. Afternoon everybody. Three quick questions. First PSB licence in Nigeria. Any change on visibility there? Second question, what are you seeing in terms of competitive pricing behaviour both in South Africa and Nigeria? Within South Africa I'm particularly interested in the last one to two months pre

Speaker	Narrative
	lockdown and post lockdown. And in Nigeria I believe there is a floor on voice. If voice is contracting do you see it more as an affordability issue, or a distribution issue or something else I'm not seeing? Last question. The contract reset in Nigeria, are they based exclusively on CBN rates? Is it a mix? Is it fair to simply use the move from CBN to NAFEX to try and size the impact? Thanks so much.
Rob Shuter	Thanks John. Let me just try and tackle that, and I'm sure Ralph will help me out as well. There is no new development on PSB in Nigeria. We continue to roll out the agent network under the super-agent license. We have seen of course a big focus across the African markets on moving from physical cash to digital because of the whole worry about the transmission of COVID. So we continue to engage with the authorities there. We believe that the PSB licence for the big telcos in Nigeria would be good for the country and help also in the situation we're in. We also need to understand that they've got their hands full managing their own economic situation, so we want to still motivate for that but just be respectful in how we push for it considering all the pressures everybody is under right now. Your question on pricing, I think no major shifts identified. Certainly in Nigeria we think our data pricing is much more competitive than it has been for a while. So we are pretty pleased with the recovery in Nigeria also in the data sector. There you've seen really strong growth for MTN. We were up 59% in the quarter, so we are the fastest growing telco in data once more, which is great, and picking up our value share in data. On voice there is a regulated price floor, so the challenge there I think has not been so much pricing but in the lockdowns we've seen more recently with customers not being able to access agents for recharges. In the Nigerian market we are still around 55% physical recharges, and that's why you would see a more significant effect there. I think there was a question earlier comparing that to Ghana. Ghana is 85% electronic. So it is a very different pattern between Ghana and Nigeria. And then on your final question I think the important thing there is that even when we owned and ran these towers ourselves we were always exposed to the fact that there are significant dollar inputs in running the towers. Think of your generators, your equipment, diesel you've got to buy, electronic

Speaker	Narrative
	equipment for monitoring etc. So that exposure continues after we did the sale and lease back because a portion of what we need to pay is also quantified in dollars. It is paid in naira but it is quantified in dollars. And we've got a number of different contracts there. We have contracts with ATC, with IHS, with INT. They pretty much all have a dollar component. Some reference the CBN rate and some reference the more recent rate. So it is a mix across the contracts. And a devaluation of the currency increases the cost of dollar inputs, which means we end up having to pay more to the towerco providers, as I said, as we still would have had to had we continued running the towers ourselves. Ralph, any thoughts from your side?
Ralph Mupita	Rob, just two. Back to Nigeria voice. I think, John, the way to think about the lockdown in Nigeria in April is that you had three types of lockdown. Obviously the most severe would have been in some of our key markets such as Abuja, Port Harcourt and Lagos which were under full restrictions. Then there was partial, and then in the north there was actually very little in terms of restrictions. When you look at it across those three categories I think you will see the effects there are really about the ability of people to go out and physically recharge. As Rob said, it is 55% physical recharge in that market. I think the other impact on voice across our markets, which is not a small matter, is really around we are in the month of Ramadan and in the month of Ramadan across our markets we generally have lower voice coming through. That's a seasonality effect just as it moves across in the month. And then finally just on these tower contracts, on ATC that has been concluded already so we've moved ahead there on new terms into Q2. And then IHS is not yet completed. To Rob's point, these tower contracts have various dollar components and indexation. And some are technology based as well. The IHS one is much more technology based. So we are looking at reviewing upgrade pricing, fibre rollout pricing etc. But we anticipate that we'll conclude that imminently. Thanks.
Operator	Thato, I would just like to confirm, are we able to take any questions?
Thato Motlanthe	You can take the last one in the queue and then we'll close off please.

Speaker	Narrative
Operator	Okay. Thank you. The final question comes from Rahul Bhat from JP Morgan. Please go ahead.
Rahul Bhat	Hi. Thank you. I just had one question and one clarification actually, one question probably on the term loan renewal that you mentioned in your comments, Ralph, of R11 billion that you're planning to close. Is that refinancing of the loans that are maturing in 2020 and 2021 or is it for some other maturity loans that you are refinancing? And then on the cash upstreaming from Nigeria I missed the bit that you said. So you expect it to be similar to what happened in 2017, but then the line just cut. Could you remind me of what actually happened in 2017? Do you expect it might take a few months for you to actually be able to source the dollars to get it out? Thank you.
Ralph Mupita	Just on the refinancing, these are existing facilities and they are rand denominated. This is bank funding that we have. And as I mentioned we made pretty much good progress there. I think important to note that it isn't new facilities but existing facilities with pretty much the same financial institutions that we are working through. So that's your first question. The second question is as I mentioned we've got the AGM tomorrow in Nigeria. And the base case that we anticipate, because you would appreciate that dollar liquidity is actually fairly limited, which is the case we had in July/August 2017 when the NAFEX window was opened. There it took us a few weeks to accumulate the dollars and we were then able to repatriate those back to group. So that is what I referenced earlier on. Thanks.
Rob Shuter	Very good guys. I think we're going to call it a day there. I think just from our side I hope you found it useful. We do think it was a strong quarter, but obviously overshadowed by the storm clouds ahead of us. But we think the business is in good shape and we've got the right plans and actions, and we will keep you posted and updated for sure as we get to Q2. So thanks everybody very much for attending.
Operator	Ladies and gentlemen, that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT