MTN Interim Results Teleconference

Date: 6 August 2020

Speaker	Narrative
Operator	Good day ladies and gentlemen and welcome to the MTN Group 2020 interim results 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	Thanks Claudia. Good afternoon to everybody and welcome to this call to discuss our 2020 interim results. Thank you very much for dialling in and for your time. My name is Thato Motlanthe. I am Head of Investor Relations for MTN. with me on the call I've got Rob Shuter, who is our Group CEO, and Ralph Mupita, who is our Group CFO. I trust that everyone has had a chance to look at the results which we published this morning on SENS. It is also available on our website as well as our results presentation. Per the usual running order, I'll shortly hand over to Rob, who is going to provide an overview and opening remarks. He will then pass over the call to Ralph, who will do the financial highlights, and then Rob will come back at the end to talk a bit more about the outlook. And then we'll move onto the Q&A. the call is scheduled for an hour, so by 5pm we should be wrapping up. Over to you, Rob.
Rob Shuter	Thanks Thato. Good afternoon everybody and welcome from my side as well. I think we're encouraged generally by the progress we've made in H1 on many fronts in particularly challenging circumstances. It's been a very intense period. I guess we've got six main themes we'd like to cover in these opening remarks. Firstly, the portfolio and pan-African focus, secondly, the strong financial performance, thirdly, the COVID impact, fourthly, commercial momentum, fifthly, the progress on strategy, and finally, some developments on regulatory and risk.

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	So, let's kick off with **portfolio and the pan-African focus**. So, we've announced that the Group will in future be focusing on our pan-African strategy. And therefore, over the medium term and in an orderly manner, we will be exiting our operations in the Middle East. I'm sure you appreciate it's been a very difficult decision. Note that the Middle East operations contribute circa 3% to the MTN Group EBITDA and the environment in those regions has become increasingly complex. As a first step in the process, we are in advanced talks to sell our 75% shareholding in MTN Syria to our local partner in the business, TeleInvest. More generally on portfolio we concluded ATC transactions, we're in advanced discussions on BICS, the carrier business which has a book value of circa R2,3 billion, and are also evaluating our Jumia position with the increase in value of our holding there to circa R4,5 billion at the current market price and exchange rates. Secondly, on the **strong financial performance**, Ralph is going to unpack this for you, but in terms of some of the highlights: constant currency service revenue growth was 9,4%, reported growth around 18%, and normalised EBITDA grew just under 11% as our efficiency initiatives saw profit margins continue to improve. If we look at normalised HEPS that was up by 54%. We had a pretty good result also in ROE which improved up to 14,1%. Just one note that in MTN South Africa wholesale revenues declined around R800 million year on year as the Telkom contract rolled off last year and Cell C continues to be cash accounted. So, it's a strong financial performance, and that's despite the significant drag of that particular item. I think you're well aware in light of the COVID uncertainties we announced that we will not be declaring an interim dividend, but we will evaluate the final dividend obviously in the new year. So, turning then to the backdrop of the **COVID-19 impact**, I guess we felt this particularly in Q2. From a social standpoint, we continued to look after the health and wellbeing of our staff and communities. And if we add together the value that we've contributed to our stakeholders it is

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	approximately R1,8 billion in the first half through our Y'ello Hope packages. The group-wide work-from-home programmes continue to promote agile working and productivity of all of our staff. On the commercial effect, I think that has really been interesting. We've spoken at length about the impact of this through the peak, which was around the month of April. Data was strong but the commercial indicators for voice, fintech and subscriber acquisitions came under pressure in that period. But as the restrictions eased, we're really encouraged by the recovery of the latter two, and data has held up really well. If you look at the performance over the six-month period, we've essentially had a V-shaped recovery in some of the key trends like subscriber, data additions, traffic and activity for voice and fintech respectively. We do however remain still concerned about the longer-term implications of COVID across our markets. A big investment on resilience and capacity. And we are seeing now some signs of the ability to resume our more substantial site rollout programme. The capex investment in the first half was R10 billion, and with the improvements we've increased our forecast for the full year from the R22 billion we said in Q1 to R24 billion. Ralph will also take you through some of the positive developments in our financial and liquidity position. I'm really excited by the **commercial momentum**. It's actually one of the strongest six months that we've had in a long while. Net adds were up 10,6 million in the six months. So, our overall subscriber base has gone up to nearly 262 million. And on our internal metrics where we measure relative subscriber market share using bi-directional interconnect we've seen an increase in subscriber market share in every single market with the exception of eSwatini where we have a new entrant. So, I think our relative performance has also been strong in the six months. We added around 6,5 million active data customers and we passed the key milestone of 100 million active data customers in the month of July. The MoMo customer base was a little bit flat in Q1 but a big improvement

in Q2. So, we saw in total across the half 3,6 million net adds, so we were at 38,3 million across the Group. That is up around 11% on the December base. And if we look at the number of transactions across the ecosystem, we saw a 28% increase in transactions per minute across the portfolio. In the fintech strategy in Nigeria we've doubled our registered agents to just over 220 000 and we saw 1,6 million customers transacting across the network.

The fifth main theme was around progress with the **strategy**. I think in the half we managed to tick off a couple of really big boxes of things we've been working on for the last few years. So, the first one is the performance of digital across the group where for the first time in many years we recorded very strong revenue growth of just under 25% and an acceleration in the trend in Q2.

If we look at the South African business from a strategic perspective we saw for the first time consumer prepaid returning to growth, consumer postpaid in growth and our enterprise business also growing in the first half. In the WECA region, MTN Cameroon sustained its turnaround and further accelerated its growth. And MTN Ivory Coast we completed the turnaround and are starting to regain both value and revenue market share.

On digital, we expanded Ayoba significantly. We're sitting at around 2 million active customers. We launched integration of MoMo into Ayoba in two markets, and in fintech we have pushed further into advanced services, piloting MoMo advanced and MoMo marketplace. We also announced that we are increasing our shareholding in our insurance business, aYo, to 75%. And we have there now 8,6 million registered policies, so we are also starting to see a nice scaling there.

And finally, we announced earlier this week the launch of a new venture branded Chenosis. This is aimed at building an API marketplace for the African continent, and it is a new platform play that we will focus on scaling in the years ahead.

Finally, from my side, the sixth theme is around **regulatory and risk**. Also a very intense period of activity there. We closed out the licence renewal

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	in Uganda, which has been extended to 2032 for a consideration of $100 million. In South Africa, we concluded our agreement with the Competition Commission in South Africa and obtained the consent of the Tribunal and are well advanced in implementing our voluntary undertakings. MTN Ghana was classified as a significant market power or SMP. We have some concerns around the process there and we sought relief from the courts in the form of a judicial review of that decision which we are engaging with in the months ahead. And finally, on the Afghanistan litigation matter, we announced in early June that the plaintiffs have come back with an amended complaint. And we will continue to defend this broadly on the same basis as our initial motion to dismiss, and that is that the court lacks jurisdiction over MTN and that the complaint does not allege any conduct by MTN that would have violated the Anti-Terrorism Act. As you can see, we have not been idle under the lockdown period. I will hand you over to Ralph to give more detail and perspectives on the financial review.
Ralph Mupita	Thanks Rob, and good afternoon to everybody from me. I think it's worth reiterating the encouraging performance of the group under quite challenging circumstances, especially given the developments around COVID-19 across our markets. Overall, we managed to deliver good growth in adjusted headline earnings as well as further improvement in cash flow generation while deploying capex as best we could under the limitations imposed by COVID-19 lockdown arrangements. We also continued our progress on expanding our return on equity, and the holdco leverage increased mainly due to currency movements and challenges with cash upstreaming, but our Group debt ratios are well within our covenants. I know that this will be a question later, so maybe I should just cover it. Just to remind investors, our net debt to EBITDA is at 1,2x against the limit of 2,5x. And interest cover at the half: we're at 9x versus 5x, so a lot of headroom in our covenants. Unpacking this, I would like to highlight some salient points. We reported solid growth in service revenue of 9,4% in constant currency, which was pleasing in light of the pressures of Q2. EBITDA grew by 10,9% in the half

on the back of good operational leverage driven by the group efficiency programme which we spoke about with the results today and we introduced with the full year results in March. In terms of the EBITDA margin this reflects a 1,2 percentage point uplift to 43,1% normalised.

In the make-up of this performance South Africa recorded a 2,5% decline in service revenue. Just to note again, this was due to the impact of national roaming as mentioned by Rob. If we adjust for these effects, underlying growth would be 2,3% in the half with an acceleration of 4,3% in the second quarter. This is closer to our mid-single digit growth ambitions for South Africa and underscores the good progress we've seen in the underlying consumer business and enterprise business units.

For Cell C during the half we recognised R788 million in revenue whilst remaining on the cash basis of accounting, which we maintain for now, and which we anticipate will continue for the remainder of the year. The unrecognised Cell C revenue stood at R673 million at the end of June 2020. We believe that with the transition to phase two of our roaming agreement with Cell C we move towards normalising the situation as they progress with their recapitalisation plans.

The EBITDA margin in South Africa expanded nicely in the half, up 3,4 percentage points to 39,9%. We did have some one-offs that I mentioned in the results both at service revenue level as well as operating expenses that supported the margin evolution in the half.

Moving down the P&L, our adjusted headline earnings per share increased by 54% to 384 cents per share, which was a pleasing outcome driven by good operating leverage as mentioned and a turnaround in profit contribution from the results of associates and joint ventures. Our solid operating leverage also helped drive an improvement in operating free cash flow which grew by just under 118% to R12,1 billion in the period.

We deployed capex of around R10,1 billion in the half which was an intensity of 12%. As we've outlined to the market, the COVID impact made it difficult to roll out our sites as planned which slowed our capex deployment. We now anticipate spending at least R24 billion in capex for

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	2020, which is up from the R22 billion forecast we provided at Q1. Just on this increase in capex, just to provide a couple of points, we now have better visibility on supply chains and we're also assessing the lockdown arrangements more favourably than what we thought three or four months ago. So, we do think that we can deploy a bit more capex in the second half. On ARP execution you will be aware that we closed out during the period on the disposal of the ATC tower JVs and received dollar-equivalent proceeds of R8,8 billion. We remain focused on executing on our revised ARP target of at least a further R25 billion in the medium term. With the release of these results we did mention that we're in discussions with other co-shareholders to dispose of our interest in BICS. As we mentioned with the results, BICS had a carrying value at the end of June of R2,3 billion. For Jumia we have submitted our F3 filing as a further step towards our monetisation of our 18,9% shareholding in due course. And in terms of further localisations in Nigeria we are in train to complete our shelf prospectus, and once approved by the regulators will provide us with a mechanism to sell down at the right time. So, to be clear, although capital markets have been challenging, we have continued to prepare for executing on the enhanced asset realisation programme. So, when we look at our funding and liquidity, I think we are in decent shape to weather the current storm. At a group level, our net debt to EBITDA ratio stood at 1,1x at the end of June, comfortably below the debt covenants. And also as I mentioned earlier, noting that our interest cover ratio is at 9x. At a holdco level the leverage ratio widened to 2,7x mainly as a result of the 20% depreciation of the rand versus the dollar. You will recall that we have US dollar debt of approximately $2,2 billion on the balance sheet, which we are focused on reducing as one of the key pillars of our capital allocation framework. Upstreaming from our opcos was also a factor in the holdco leverage progression. I think we have previously guided that this has been slower than usual, especially from Nigeria, which is a key market, given the impact of COVID particularly on currency markets and the ability to

	secure hard currency for upstreaming. We have made excellent progress with our refinancing programme for 2020, and you may recall that at the Q1 update I did indicate that we were looking at refinancing around R15 billion of debt. I'm happy to report that this has been successfully completed, which I think is an especially pleasing outcome given the flux and uncertainty on capital markets. We have a comfortable debt maturity profile in the next couple of years. In this environment we remain quite focused on preserving cash and maintaining a healthy liquidity position. And at the end of June our overall liquidity headroom stood at just under R41 billion at the holdco comprising round R16 billion in cash and R25 billion undrawn facilities. As mentioned by Rob a bit earlier, the material uncertainties presented by COVID have resulted in the board not declaring an interim dividend for this year. This aligns with our capital allocation framework we have outlined to the market and enables us to further advance our leverage and liquidity priorities. The final point from my side is on the steady progress we're making on improving our return profile. During the period we expanded our return on equity by 1,3 percentage points to 14,1%, again supported by a solid operational performance. So, with that I just want to hand you back to Rob.
Rob Shuter	Thanks Ralph. I guess really to recap, strong commercial and strategic execution. I think we've delivered a strong set of financials in challenging conditions, but it also sets us up well for the future. We are certainly still faced with unprecedented uncertainty and volatility in the markets. Although some of these commercial indicators have demonstrated an initial V-shaped recovery, the longer-term economic impacts are still uncertain. From our side though we believe that our business model, our proven ability to execute and the decisions we've taken position us well to navigate this volatility and sustain growth and value creation in the medium term. So, moving forward we will continue to implement our

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	COVID response strategy, again with a focus on our people, communities and customers. On the growth front we're focused on scaling our digital and fintech businesses whilst also building the core connectivity business upon which they depend. We are also executing on our group efficiency programme across the markets to drive both improved margins and cash flow, but also the opportunity to use these efficiencies to invest in the growth platforms going forward. On the corporate front, whilst the asset realisation programme has been slowed by the volatility brought about by COVID, as Ralph said we've continued with the work in readiness for when conditions are more conducive and we will also progress the discussions on the BICS shareholding. This strong foundation positions us well to navigate the current turmoil, and our digital operator strategy has been supported by the increased digitalisation we're seeing in the markets and globally. So that's a whistle-stop tour through what we've been busy with for the six months, and we'll now move on to the Q&A.
Operator	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. The first question comes from Cesar Tiron from Bank of America Merrill Lynch. Please go ahead, Cesar.
Cesar Tiron	Yes. Hi everyone. Good afternoon. Thanks for the call and the opportunity to ask questions. I have four questions. Sorry about that. The first one is on Nigeria. I've asked this a couple of times in the past. Is there any update on the Mobile Money licence, and do you have any insights as to what's happening on the process? The second one is also on Nigeria. I think you did mention that you are gaining market share in all your markets. Is that really on voice or data? If we look at Nigeria and compare the performance versus Airtel Africa there is still a big gap. So how do you explain that? And do you think that is eventually going to close in the next couple of quarters?

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	The third question would be on the contract which you have signed with IHS. So, I suspect that most of the contract is confidential, but is there anything you can tell us about it? For example, was it an extension of the length of the contract or was it a change in the currency feature of the contract? And does it have any impact or not on the ability for IHS to IPO? And then the very last question. You mentioned that you were looking to exit the Middle East. Are you already in discussions about some of these assets, or is that more of a long-term type of thinking? Thank you so much. Apologies for the very long questions.
Rob Shuter	Okay. Thanks Cesar. So, I will try and give some responses and be assisted by Ralph. On the PSB, the payment service banking licence in Nigeria, nothing really has happened there for anybody in the last six months. So, the three approvals that were granted were all approvals in principle. None of them has yet been converted to formal approval, so none of those banks are commercially live. We are really the only operator that is rolling out the fintech strategy off the back of the super-agent licence. We continue to engage on the status of our own application. As you can imagine, the central bank is obviously also weighed down and very busy with managing the COVID situation themselves. And we still remain hopeful that in the medium term we will be successful with that application. But what we are encouraged by is the scaling of the agent network and the increased activity as we lay very important groundwork for that strategy going forward. I think in terms of the market share, certainly when we look at the subscriber numbers that we get from our own internal analysis, from the NCC, data customers as well, we believe we are increasing our share. Looking at the recent results of Airtel, yes, there are still some gaps. Certainly our data revenue growth was a beat. And if you look at the sequential growth of Q2 on Q1 I think there also we had a better performance. But we need to dig in a little bit more into voice. And also there is a category there of other revenue which is a little bit difficult to untangle. That is, I guess, still a work in progress on our side. On IHS, I would prefer perhaps just to give high-level feedback. In a

	general sense there have been no major variations to contract terms. Principally it has been around the exchange rate used to translate the dollar part of the payment into naira, where – as we said in our announcement – we've agreed to move that to Nafex which is much more of a commercial rate. And against that we've secured improved pricing for technology upgrades, which is important particularly as we roll out 4G coverage, and also for the cost of fiberising the network, particularly fibre to the sites. And we've got more cooperation and collaboration now also on rural coverage in what we call the ultra-rural rollout. I think on balance it will be slightly negative in the shorter term because of the way the exchange rates work for so long as there is a CBN rate and a Nafex rate, but it is a better long-term arrangement for us, I think. And I think also from their side it will encourage us to invest further in technology upgrades and fiberisation, so maybe they win a bit on volume even if they give something back on the rate. The final comment is on the Middle East. The big focus I guess in phase one is around the three consolidated entities. That's MTN Syria, MTN Afghanistan and MTN Yemen. As we said in our announcement, we are in advanced discussions on the sale of our 75% shareholding in MTN Syria, so that one is far progressed. I think the other two assets we will communicate as and when there are developments to communicate, but there is nothing that is really imminent at this stage. And our 49% investment in MTN Irancell, we are really positioning more as a phase two. We don't have management control. It's not consolidated and it's a significant asset. We need to play a bit more of a waiting game there to make sure that we can get the right kind of monetisation, also working closely with our partners there. So that would be my high-level response. Ralph?
Ralph Mupita	I'll just add a few points. Just back to the IHS contract, as you quite rightly say, Cesar, the contract is confidential. Pre-COVID the one issue that we were talking to them about as we started the negotiations on this package deal as we call it which we've now signed was that the CBN/Nafex differential was going to hurt their valuation in terms of

	going to the equity capital markets. That is now obviously resolved. And if there were any issues related to that, it's not an issue anymore. That's for IHS to communicate what their intentions are now that that matter is resolved. Then just on the exit of the Middle East, just to emphasise a point Rob already made. Iran will be more phase two of the exit. I think what we've said in the messaging – and these were very carefully chosen words – is it's an orderly exit. So, for right now it's pretty much business as usual. But we've also said it's in the medium term, so we are giving ourselves time so that we don't do anything that risks getting decent value when we exit Iran. I just wanted to add those two points.
Cesar Tiron	Thank you so much, Rob and Ralph. Very helpful. Thank you.
Operator	The next question comes from John Kim from UBS. Please go ahead, John.
John Kim	Thanks for the opportunity. Three questions for you. Can you give us a bit of a compare and contrast between Vodacom and MTN on the VodaPay Alipay strategy versus MoMo, particularly in South Africa? The second question. In Nigeria when does the tower reset on the FX rate stabilise in the quarters? Third question on Ethiopia. There have been a couple of articles on Ethiotel and privatisation bids into the asset. Any colour you can provide there would be helpful. And one last question. You may have seen yesterday that Cell C defaulted on some debt. Does that change anything within the enhanced roaming agreement? Thank you.
Rob Shuter	Thanks John. Maybe let me kick off. I guess on financial services in SA we were pretty much out of the starting blocks first. We believe that there is a role for our MTN MoMo ecosystem. So that is basically a three-party model: issuer, acquirer, single platform in one, primarily aimed at displacing a large part of the cash economy. And we look, for example, at our success in areas like Swaziland or eSwatini to show that we still believe that there is a very significant underbanked population in South Africa. I guess that's the first part.

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	The second part is that in the MoMo app we have a lot of functionality that can over time compete with the digital banks. So, I think that is key. And then the third element is that we are going to be increasingly integrating payments and merchants into the Ayoba ecosystem. And essentially, we have an analogy we use in MTN which is that we're kind of digging the channel tunnel from two ends. So, the MTN MoMo strategy comes: displace cash; leverage your prepaid distribution system; leverage USSD; start to migrate into the MoMo app and build increased functionality. And the Ayoba ecosystem comes from customers that are already active on smartphones, already using instant messaging. We've already implemented P2P transfers. We've got merchants on there already through the Ayoba channels, and we will be integrating payments in there shortly. So I guess you could say probably directionally Ayoba is more closely aligned to a kind of Alipay WeChat ecosystem, but our ambition there is to operate that in scale across the whole continent and to operate it both in-base and off-base, which is why we separately branded it and we make it available in OTT. I think if you look at the progress we've made in the first six months, in SA more than a million registered customers for MoMo definitely shows that the demand is there. The functionality is there. We're leveraging a lot of our infrastructure. And I would say that I think we have more imperial ambitions if you look at the combination of MoMo on one side and Ayoba on the other. Ralph, on the IHS FX?
Ralph Mupita	If I can try the three that John added. Just on the tower resets, this is effective Q2 2020, so from April onwards. So, some of that is already in the half year numbers that we reported. On Ethiopia you're asking for colour. What we've said is that we've submitted our expression of interest. It's a non-binding expression of interest, as you can well imagine, which we submitted in June. The authorities have communicated to us that there are 12 directives that will be issued that will enable us to be able to put together a business case and investment case, which we obviously will then need to evaluate. We have received only three directives, so there are at least

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	nine which we haven't yet seen. So, this is a work in progress. No decisions yet made. I think for the avoidance of doubt we would be looking at this opportunity once we've got all the information obviously with our capital allocation framework guiding our decision. So, there is no decision yet made here. And then on Cell C, yes, we did note that. We have remained close to the Cell C management, Rob and myself, and we speak to their team and board members to understand where they are going with their recap. It has been a moving target, but they tell us that the recap process is progressing well and to be executed later in the year. So, we will see how that plays out. But for now, as we said, we will provide them services under phase two, obviously managing the traffic so that we maintain headroom in our own network in South Africa. And we remain on a cash basis of accounting until our assessment is that their liquidity challenges are well behind them and the recap has been executed.
John Kim	Okay, thanks. That's very helpful, guys.
Operator	The next question comes from Johnathan Kennedy-Good from Standard Bank. Please go ahead, Jonathan.
Jonathan Kennedy-Good	Hi. Good afternoon. Just two questions from me. With the Middle East assets can I just clarify? You mentioned Syria, Yemen and Afghanistan. Would Sudan and South Sudan also fall in that group of assets you would look to realise at some point? Also, it would be useful to understand whether those assets as a group are detracting from the earnings profile at the moment. I think Syria was in a loss last year if I recall, and Sudan had a meaningful drag on your tax rate. So, I'm just trying to understand how those asset sales could impact the earnings base. Then on South African capex it looks like the guidance has dropped to about R5,5 billion. I'm just trying to understand if that is a lockdown-related issue and whether we should expect that to step up into 2021 or whether you view that as a more sustainable longer-term capex base for South Africa.

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Rob Shuter	Thanks Jonathan. Let's kick off with those. On your first question, we have operated that portfolio of countries under a region described as MENA. Obviously, MENA has got the ME for Middle East and the NA for North Africa. And we very specifically are announcing the divestiture of the Middle Eastern assets. So, Sudan that is in that portfolio is definitely part of the pan-African strategy, as is South Sudan which sits in the SEAGHA region. Technically Syria and Yemen are in the Middle East. Afghanistan is central Asia but we include it in that portfolio. And then over time the Irancell investment. As we said on the call, the contribution of the three consolidated entities to EBITDA is circa 3%, so it's relatively modest. And I guess if you take it all the way down to adjusted HEPS, similar levels, maybe a little bit lower. So, they are not material contributors to the group, which is part of the reason for a refocus on Africa. On the South African capex, I do think it is unsustainably low now for 2020. We've always said that we believe that to compete long term against a strong number one we need at least an as-good network. So, you're probably looking at a through-the-cycle spend somewhere between R8 billion and R9 billion. It has been more volatile for the last few years for a lot of extraneous factors, things like delays on modernisation with some of the uncertainty around Huawei the year before last. Now we've had the COVID impact this year. So through-the-cycle, definitely it needs to pick up again. But it has a very efficient intensity, SA, and is our strongest generator of cash flow if you look at the gap between the EBITDA margin and the intensity.
Operator	The next question comes from Vikhyat Sharma from RMB. Please go ahead.
Vikhyat Sharma	Hi guys. Thanks for the opportunity. Just two questions from me, one on competition in SA. So, after the Competition Commission implementation of lower pricing, how has the competition reacted? By that I mean the discounter, Telkom. I wanted to understand more on your second half cautiousness that you are talking about. I think the voice trend seems to be changing. The adds don't seem to be an issue. So, is it basically the macroeconomic challenges potentially of unemployment and slower

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	activity in the second half which you are concerned about? But in the short term it doesn't look like anything has changed. Post the opening of lockdown things have improved.
Rob Shuter	Maybe let me pick up the first and Ralph can tackle the second. I think it's important to remember on the Competition Commission undertakings that these, at least for the pricing of prepaid data, were very much focused on prepaid and on the 30-day bundles. And there of course Vodacom moved first, we moved as well. I think in general there has been relative stability there. A lot of special offers for COVID, but in general I think that's been digested well by the market. The more intense competition has been more around the large monthly bundles, particularly for what we call FLR, fixed-line-replacement products where there has been a real race to the bottom between some of the smaller guys coming in very aggressively. Over time, we've had to pull some of our pricing down to compete there. So that is still a very intensely competitive part of the market. I think ideally as market conditions start to stabilise, we should see some stabilisation of pricing there, but it is still very intense particularly in the 20 to 30 GB per month renewable category. Ralph, on the H2 outlook?
Ralph Mupita	I guess we're in a sector in a position where we're relatively resilient, but I guess you are as resilient as your customers ultimately are. So, our cautiousness is that though we saw some sort of recovery post the nadir of April we still are cautious for a couple of reasons. Firstly, the economic effects of the lockdown are still to work their way in. We really need to see the data coming through that says this has stabilised. So, we are taking a much more cautious view that says we don't have very large job layoffs coming through across our markets. And remember that in many of our markets it's informal trading, so any lockdown effect does impact. I think that's the one concern. The second is just a concern about do you get a second wave of infections even when markets get beyond their peak. So, these are the areas that are driving our sense of caution. But as we step through this second quarter on capex, I think we will all have better visibility and we can reframe out outlooks when we get to the Q3 trading update.

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Vikhyat Sharma	Thank you.
Operator	The next question comes from Sunil Rajgopal from HSBC. Please go ahead, Sunil.
Sunil Rajgopal	Hi. Thank you very much for taking the questions. I have maybe three or four questions. Firstly, on the IHS sale and Nigeria and Ghana listing, any commentary around that and the timing of those listings or stake sales? And secondly on the management changes planned after Rob, what are the plans after that in terms of the management structure? How is the executive thinking about the future management? And thirdly on the PSB licence issue, where are we on that? Have there been any discussions with the regulators in Nigeria about potential timing on the issuance of the licence there? Thank you.
Ralph Mupita	I'll take the first question. On the IHS stake sale and Nigeria listing, as we said in the results, we worked a lot to be well prepared for when conditions are appropriate to progress. On IHS, as we said in an earlier question, one of the issues outstanding when we were discussing with IHS over the last couple of months has been the CBN rate, the ₦305 versus when the Nafex at ₦360, a 20% gap. Now that has resolved itself with much more convergence of the currency that we saw end of March. And then we've signed the new contract as Rob has mentioned. So that's one issue that's out the way. But what they want to do as a company and a board you guys will need to ask them. But that was a thorny issue they said was holding back a listing. And then on Nigeria we've worked very hard on getting our shelf prospectus in place so that we're able to sell down. That shelf prospectus we're working on still needs to go through the regulators there. It will give us an ability to sell down over a three-year period. So that is far advanced. So, preparation work is very well progressed, but timing in these current COVID conditions I think it would be irresponsible for Rob and me to tell you exactly what the timing is. We're moving day by day to see which of these things can move. The one that we've noted actually is the BICS transaction because that's not driven by capital markets effects. That is progressing pretty well, and we'll see what happens there

	in the next couple of weeks.
Rob Shuter	I think on the second question on succession there's not much to add other than the statement by the board last week Friday that they expect to make an announcement in the next four to eight weeks. I guess that is now probably three to seven. A week has passed. The broader executive team is stable and working well together. Our chief digital and fintech officer, Yolanda, has now been with us around seven months. Group legal counsel, Lele Modise, joined last year. The contract of our group COO was extended for a further year. So, you've got a stable, well-performing team and I guess we will have more news on the succession literally in the next seven weeks or so. On the payment service bank, there has been a lot of interaction with stakeholders in Nigeria. Obviously as I said earlier they have their own pressures. We've had a slightly unhappy disagreement about the pricing of USSD services between the operators and the banks. I think that hasn't really been helpful, and we seem to be making some progress now in resolving that. There have been some senior engagements in the very recent past. And I still remain hopeful that that will unlock because I believe that with MTN Nigeria having 71 million customers with financial inclusion in that market in the early 30s, you really do need to bring the large mobile operators into the fintech world to make significant headroom in addressing the financial inclusion challenge. And for now we just have the two smaller operators with the approval in principle for the PSB. And over time I've got no doubt that the larger operators will also secure their approvals. I think it's just a question of timing and prioritisation.
Sunil Rajgopal	Thank you.
Operator	Thato, I'd like to check, are we able to take one final question?
Thato Motlanthe	We can take another question.
Operator	Okay. The next question comes from Slava Degtyarev from Goldman Sachs. Please go ahead.

Speaker	Narrative
Slava Degtyarev	Thanks very much for the call. A couple of questions please. Firstly, with regards to your focus on the pan-African markets and your exit from the Middle East. What was behind that logic for that geographical decision, and can you be looking to sell some pan-African assets if you find a buyer at the right price? And also secondly, can you highlight some consequences in Ghana following the dominant position status? What are the implications on the medium-term growth in your view? Thank you.
Rob Shuter	Great. Thanks. Maybe let me start with the Ghanaian one. Being declared as a significant market power is something that we've seen across the portfolio over time. We have that for voice services in Nigeria. We have it in eSwatini. We have it for another few opcos. And generally when a regulator does a market study and decides that a particular operator has a very strong position then the remedies that are introduced are well understood in terms of regulation of the mobile industry. And it can vary from allowing access to passive infrastructure to restrictions on on-net and off-net pricing, restrictions on tariffing below your MTR rates. That is not of itself something that is hugely awkward. MTN Nigeria is a case in point, as I've just said. I think our challenge in the Ghanaian situation was that it came as a surprise when it was announced. Normally these processes follow a lot of consultation and they also generally follow a market study done by a reputable provider. And in our opinion at least, our humble opinion, that was not the process followed. So essentially, we have appealed the process. And if we are successful then a more conventional process would be followed, and we would have the opportunity to make our submissions. I guess that will play itself out in the next six months or so. And then with your first question I think I did cover some of the logic. Our Middle Eastern assets because of macroeconomic conditions and very significant currency devaluations have moved from being significant contributors to the group to being very small contributors to the group. The operating environment in those geographies is complex and it appears that it will be complex for quite some time. And on balance we felt that to pull ourselves a bit closer to home and focus on the pan-

	African assets was the right long-term decision for the group. We will take our time to do our exits in an orderly fashion. Looking at the African assets then, we have then 17 markets. And we describe it as a stool with three legs. You have South Africa, Nigeria and really the combination of the remaining 15 assets that contribute the other third. So, whilst some of them are relatively small, as a collective they provide broadly speaking a one third differentiation in the group. Many of them are contiguous to other markets. eSwatini is contiguous with South Africa. Of course, Rwanda as well in that region. So I think our shorter-term priority is to make sure that our African assets are performing really well – and I think you've seen the progress we've made - to over time move ourselves out of the Middle Eastern operations, and to still continue to look at material new opportunities like the Ethiopian one that Ralph discussed. So, I think, operator, we will have to close it there as we have some other commitments. Really just to say from my side thanks everybody for joining.
Ralph Mupita	Thank you so much and we will see some of you on the road show in the next week or so.
Thato Motlanthe	Thank you, Claudia. We can close off the call.
Operator	Thank you very much. Ladies and gentlemen, that concludes today's conference. Thank you for joining us. You may now disconnect your lines.
	END OF TRANSCRIPT