MTN Group Quarterly Update
Q1 to 31 March 2021

Date: 5 May 2021

Operator

Good day ladies and gentlemen and welcome to MTN Group's quarterly update for the period ended 31 March 2021. All participants will be in listen-only mode. There will be an opportunity to ask questions when prompted. If you should need assistance during the call, please signal an operator by pressing * and then 0. Please note that this event is being recorded. I would now like to hand the conference over to Mr Thato Motlanthe. Please go ahead, sir.

Thato Motlanthe

Thank you very much, and good day to everyone who has joined us on this call. Thank you very much for taking the time to dial in to discuss the MTN Group quarterly trading update for the period ended March 2021. My name is Thato Motlanthe, Head of Investor Relations for MTN. On the call with me is Ralph Mupita, who is our Group CEO, as well as Tsholo Molefe, our Group CFO who we welcomed to MTN on the 1st April this year. A reminder that our trading update was published this morning on the JSE and it is posted on our website on the Investor Relations page.

I trust that you would have also seen the Q1 releases from MTN Nigeria and MTN Ghana respectively. They published over the past week or so. For today's call I will first hand over to Ralph who will provide an overview of the business performance, and then Tsholo will come in to cover some financial highlights before we go back to Ralph for some closing comments and the outlook. We can then proceed to the Q&A session which will be facilitated by the operator. Finally, just a note that this call is scheduled to wrap up in about an hour. With that, let me hand over to Ralph.

Ralph Mupita

Thank you very much, Thato, and a very good afternoon from me as well. We are all sitting out here in Jo'burg at our offices. We have a few days where we're all at the office. I trust that everybody is keeping safe as we all continue to navigate the pandemic that is still prevailing across our markets and beyond. Let me begin by highlighting the resilience of the business under what remains quite challenging operating and market conditions. As mentioned, the impact of COVID-19 pandemic on lives and livelihoods persists across our markets and we continue to navigate its effects. Many of our markets have come through the second wave of the pandemic and vaccine rollouts have been affected by some of the disruption we've experienced globally with certain vaccines.

Speaker	Narrative

Through the period the Group has continued to deliver a solid trading performance, with service revenue ahead of our medium-term target and EBITDA margins expanding on the back of continued commercial momentum and expense efficiencies. Our Ambition 2025 strategy is also gaining execution traction to position us for accelerated growth over the medium term and unlocking of value in our infrastructure assets and platforms.

This afternoon I would like to unpack our performance and focus on five key themes. I will start off with some comments on COVID-19 impact. Secondly, I will talk to commercial execution. Thirdly. I will touch on financial highlights – although Tsholo will provide the detail around that. The fourth area will be strategic progress, and then I'll round off briefly on legal and regulatory matters which will be the fifth point.

Firstly, **COVID-19 impact**. We continue to prioritise the safety of our people and their direct families. Since the start of COVID-19 we've had 1,597 total cases reported to the end of Q1 2021. We have 108 active cases and 12 MTNers sadly lost their lives to COVID up to the end of March 2021. We have extended our condolences and support to the families of MTNers that have sadly and tragically passed on. We continue to have work from home protocols largely in place across our markets with approximately 80% of staff still working from home.

As you know, we have responded to the AU ask to support with funding for vaccines for healthcare workers across the 54 member states and that funding is a total of $25 million for this year. To date 1 million doses have been delivered to 14 African states using the AstraZeneca vaccine. Given the challenges of the AstraZeneca vaccine, the AU CDC is looking is roll out the balance of the vaccines under our funding agreement with Johnson & Johnson for single shot vaccines for the rest of the markets that will receive vaccines in the months to come.

We remain committed to supporting our broad range of stakeholders through various COVID-19 relief packages such as through our MTN Foundations across our markets, relief funds that we've set up internally and Y'ello Hope packages. So this is an ongoing exercise. We have provided some detail and hopefully useful disclosures around COVID-19 over the past year. I will just touch on some of the key areas we have previously highlighted in terms of commercial and financial themes.

Starting with trends in our traffic, this has continued to track quite well. On a year-on-year basis, overall Group data traffic was up approximately 67% including Iran. Excluding Iran, data traffic growth was around 74% with 76% growth and 87% growth for MTN South Africa and Nigeria respectively. Voice traffic for the Group grew by 11.6% year on year. In terms of our larger markets, this was supported by MTN Nigeria which was up 8.7% and Ghana, which was up 16.5%. MTN SA was down slightly by around 3%. So the trends are still quite resilient, which is pleasing.

If I turn to fintech we are encouraged by the underlying trajectory of trends that will drive the current and future growth of our business. Transaction volumes through our platforms were up 47% and value increased by 87% to $53 billion. On the payment side, good progress again as we doubled the number of merchants accepting MoMo payments to over 520,000 and the gross merchandise value through our ecosystem rose threefold to nearly $5 billion. Very good strides there and also good momentum in the value of remittance and other KPIs in fintech underpinning our platform strategy.

That leads nicely into the second broad theme which is **commercial execution**. Subscribers declined by 1.7 million in Q1 to 278 million. However, this was due to the reduction in MTN Nigeria subscribers. You will have heard from our colleagues in Nigeria yesterday that the SIM registration matter impacting the market resulted in a decline in subs by 5 million for MTN Nigeria. Subscribers in the overall market were down by 12 million.

Adjusting for Nigeria, we continue to see the base in other markets with Group subs up by 3.4 million. In that mix South Africa picked up by around 95,000 subscribers, the SEA region increased subscribers by 0.9 million, WECA was up by 1.3 million, and MENA was up by 1 million. We believe the quality of our networks and ongoing investment continues to support our progress along with the value we offer to our customers. This is also corroborated by the strong NPS scores we continue to achieve in the various markets.

Data subscribers increased by 1.3 million and you will have seen from our financials that data remains a key driver of growth in our business, also underpinned by usage and traffic as I mentioned earlier. Mobile Money or MoMo customers picked up by 0.2 million to end Q1 at 46.6 million. We continue to drive adoption through enhanced distribution as well as improving the functionality of the Mobile Money app. In Nigeria, we continue our work to scale the business there and added 54,000 registered MoMo agents, bringing the total to approximately 450,000 in that market. I have already highlighted some of the other key trends in the fintech ecosystem.

On the digital side, Q1 closed on 5.3 million monthly active users for our instant messaging platform, ayoba. Again, the focus is to continuously improve the app functionality, and the teams are currently in the process of enhancing the user experience for Android-based devices.

The third point is **financial highlights**, very high level, and Tsholo will unpack this further. We have delivered a solid performance, growing Group service revenue by 17.8% in constant currency terms in Q1. EBITDA was ahead of that, growing by 21.3%, so pleasing operating leverage as our expense efficiency programmes helped to improve margins just over 1.5pp. Overall we are tracking well against our medium-term guidance of double-digit service revenue growth and improving margins.

In terms of gearing, HoldCo leverage improved slightly to 2.1x from 2.2x at the year end. The timing of cash upstreaming from Nigeria remains a factor here, but on the whole we are in good shape in terms of our funding and liquidity position.

Turning to the fourth point, **strategic progress**, the key highlights in terms of our operations is that the interventions of the past few years are being reflected in the continued momentum in the performance of markets like South Africa which delivered a very strong Q1. The underlying businesses are tracking well and the momentum in the enterprise turnaround is well maintained. Within WECA, key markets like Cameroon and Cote d'Ivoire are on a solid footing and both delivered service revenue in the high single digits, which is well ahead of inflation in those markets.

I have provided some KPIs on our fintech momentum, and I think it's important to also talk a bit about some of the initiatives we have called out in the past few months. Specifically we've announced that as part of Ambition 2025, our revised strategy, we will structurally separate some of our infrastructure assets and platform businesses such as fintech and FibreCo.

In terms of the fintech separation, this is progressing well. MTN Rwanda recently received a licence to operate a separate fintech entity, bringing the number of separated entities to 12 out of 16 fintech markets. We have said to the market that the opco level separation is a priority we aim to complete within the coming 12 months. We continue to progress the work in establishing the Topco structure for fintech. We anticipate the creation of a structurally separated Group fintech business will be completed by the end of Q1 2022.

On the FibreCo side, GlobalConnect fibre deployment and separation projects are also progressing well with the first FibreCo established in Zambia. We have rolled out more than 2,000km of additional fibre in Zambia and concluded new cross-border links in Ghana, Cote d'Ivoire and Uganda. Through a combination of growing sub-sea cables and the largest fibre network on the continent, we are building scale infrastructure assets that will support explosive data growth and the digital economies across our markets.

We have also had some important movements in our portfolio transformation and asset realisation plans. Firstly on IHS, which is a key asset, we are unable to provide too much detail at this point but we are relatively confident of making progress on this front in the near term. You will recall that IHS made public statements in August last year about an IPO, and this work is ongoing with markets and conditions looking quite conducive for this to proceed.

MTN SA continues to work on exploring a potential sale and leaseback of its passive tower infrastructure. Having issued invitations to offer expressions of interest in this regard, MTN SA has received over 20 responses from both local and international tower companies and we have engaged financial advisors to assist with the process. We anticipate that we will have completed the process by the end of Q3 2021.

We listed MTN Rwanda officially yesterday, and some of you may have seen the announcement and the lead-up. I know Mitwa and the team did a presentation to investors a couple of weeks ago. I had the privilege of being in country to witness MTN Rwanda becoming the first telecommunications company to list on the Rwanda Stock Exchange yesterday. For the Group I think it's a demonstration of MTN's commitment to Rwanda, which was the first market we expanded into after the launch in South Africa. We believe it will assist in deepening Rwandan capital markets by broadening public ownership over time as well as establishing a new and emerging telecommunications and technology asset class on the Rwanda Stock Exchange.

You would have seen that MTN was named as one of the two final bidders for the new telecom licences to operate in Ethiopia. As part of our portfolio optimisation strategy of exiting the Middle East and selective Africa expansion where it makes sense, we did flag with the release of 2020 full year results and roadshow that we are looking at the Ethiopia opportunity. As announced last week, we did disclose that we submitted our bid along with equity partners that include Silk Road Fund, who are based in China.

I'm very conscious that there may well be views and questions out there from investors around capital allocation. Given that we are still in a bid process I cannot provide full disclosure, but I can provide a frame that should help investors understand the approach we took in this bid. Firstly, our bid took into account what was specifically provided for as licence conditions and related uncertainties and risks.

Secondly, we assessed the opportunity against our internal model for project IRRs and thresholds above the weighted cost of capital for such an opportunity and applied stress scenarios accordingly with risk mitigations assessed for currency devaluation, repatriation risks etc. Thirdly, we took an approach of bidding with equity partners who would ordinarily look to exit an investment over a seven- to ten-year timeline, and we named the Silk Road Fund as an equity partner. Silk Road Fund has a dollar and renminbi balance sheet and can deploy both currencies as part of equity investment. Our effective equity ownership in the overall partnership would be approximately 56% at the start, limiting capital deployment to a level that would not impact our commitment to faster deleveraging of the HoldCo balance sheet.

Fourthly, we accept that given our capital allocation framework, if we don't get the bids given the approach we took, we're okay with that as good capital allocation is having the discipline and comfort to not pursue deals that don't pass strategic and financial frameworks. Having said all of that, this is still an exciting growth opportunity in Africa's second-most populous country and represents the last and largest telecommunications liberalisation opportunity in the world. We await the decision of the Ethiopian authorities on this.

Finally, the fifth point is on **legal and regulatory matters**. Starting with the SA spectrum matter, MTN SA is engaged constructively with authorities in working towards settlement negotiations regarding the narrow concerns around the ITA process that we have. These concerns relate to the inclusion of the vital 3.5 GHz spectrum band, the so-called 5G anchor band, in the opt-in round and exclusion of MTN from participating in that opt-in round due to what we see as an arbitrary definition of tier 1 and tier 2 classification. The engagements include the further extension of temporary spectrum allocated by ICASA until the auction process is finalised.

In Nigeria, Karl will have updated you yesterday on the SIM registration regulations there. The good news is that the suspension on SIM sales and activation which took effect in mid-December last year was lifted on 19 April of this year. MTN Nigeria is very involved in supporting the process of NIN enrolment and registrations there where the present deadline, which was for 6 May, actually has been extended.

The SMP matter, the Significant Market Power, in Ghana remains ongoing. Nothing material to update on this point, but MTN Ghana is in ongoing engagements with authorities there to ensure that the outcomes help develop the telecommunications industry in Ghana to the benefit of all stakeholders.

The Afghanistan matter remains ongoing and the next step we await is for the courts to review our motion to dismiss and make a determination. As a reminder, we filed our motion to dismiss on the basis that the court lacks jurisdiction over MTN and the complainant does not allege any conduct by MTN that would have violated the Anti-Terrorism Act. We remain firm in defending this position.

Finally on MTN Syria, following the appointment of a judicial guardian to run MTN Syria, from an accounting perspective the Group is deemed to have lost control of the business. Therefore we have deconsolidated MTN Syria from our reporting. Tsholo will provide comments on the financial movements from this, but we remain committed to an orderly exit of the Middle East with current engagements focused on MTN Syria along with Yemen and Afghanistan. Thanks very much. Let me hand over at this point to Tsholo for details on our financial highlights before I come back to wrap up.

Tsholo Molefe

Thank you very much, Ralph, and good afternoon to everybody on the call. It is a pleasure to present our financial highlights for Q1 to you this afternoon. I would like to first start by reiterating the resilience of our financial performance in the quarter under challenging trading conditions which remain affected by the COVID-19 pandemic.

Recapping the headline numbers, we delivered strong Group service revenue growth of 17.8% in constant currency. On a reported currency basis, this growth was 8.8% reflecting the effects of currency movements across our markets. For the remainder of the financial performance overview I will speak to constant currency trends. Group EBITDA grew by 21.3% with margin improvement of 1.5pp to 44.2% on the back of solid top-line growth and expense efficiencies which helped to drive operating leverage.

Looking at our larger markets starting with MTN South Africa, service revenue grew by 11.8% underpinned by the momentum in commercial execution and market share gains. The overall performance in South Africa was well supported by the growth in data revenue which grew by 18.5%, largely driven by the strong traffic growth. The core business units within consumer, enterprise and wholesale all performed well and all sustained growth in the quarter. Consumer prepaid and postpaid grew service revenue by 4.4% and 10.5% respectively, which underscores the resilience and continued momentum in the MTN SA businesses. They benefited from healthy subscriber trends as well as solid commercial execution in distribution, competitive offerings and customer value management initiatives.

The enterprise business recorded another solid quarter of double-digit growth with service revenue up 17.3% on the back of ongoing demand for work and learn from home solutions. We expect that the pace of enterprise service revenue growth could moderate for the remainder of the year due to base effects in 2020. You may have seen the announcement regarding MTN SA's appointment as one of the service providers for national government telecommunication requirements. This provides an additional growth opportunity for the business going forward.

Looking at wholesale, wholesale service revenue provided a strong tailwind this time around, increasing by 103% and driven mainly by two factors. Firstly, by the base effect of the Cell C national roaming agreement which was substantially lower in the first quarter of last year, Q1 2020, and secondly, the transition plan and timely cash payments by Cell C in the current year. So revenue recognition remains on a cash basis as Cell C continues to work towards the recapitalisation. MTN SA recognised approximately R672 million in national roaming revenue on a cash basis for the quarter, while R350 million of Cell C national roaming revenue remained unrecognised as at March 2021.

MTN SA delivered a pleasing improvement in EBITDA margin to 39.8%, up by 3.2pp. This was supported by reduced subsidies on devices and the execution of our expense efficiency programme. Important to note as we look ahead into the rest of the year is that the SA EBITDA margin in 2020 benefited from a material decline in device volumes during the period due to COVID-19 effects particularly from Q2 onwards. Therefore those base effects will come into play as we move through the remainder of the year. However, we will continue to strengthen underlying profitability through our expense initiatives which are ongoing.

Touching on MTN Nigeria, you would have seen the numbers that were reported in the past week. Service revenue in constant currency grew by 17.2% in Q1, supported by voice and data revenue growth. EBITDA increased by 17.8% with the margin improving by 0.4pp to 53.1%. It is pleasing that it is into that corridor of profitability that we target for the business.

Moving to the regions, the South and East Africa, or SEA region as we call it, reported for the first time without Ghana which has moved into the WECA region. SEA reported overall service revenue growth of 28.4%. This was mainly driven by South Sudan where service revenue more than doubled. Uganda delivered a steady performance with service revenue up around 4%. And Rwanda's service revenue was strong in the quarter as well, increasing by 21%. EBITDA margin for the SEA region overall increased by 4.2pp to 48.9%.

MTN Ghana released its Q1 results about a week ago, now as I indicated a part of WECA. Another solid performance from Ghana, delivering service revenue growth of 22.4% and a 1.2pp uplift in EBITDA margin to 54.6%. WECA if you exclude Ghana increased service revenue by 9.6% and improved its blended margin by 2.1pp to 33.4%. As mentioned earlier by Ralph, a solid performance with top-line growing ahead of the region's blended inflation of around 6.5%.

Looking at Middle East and North Africa, it delivered double-digit service revenue growth of 36.3% in Q1, showing continued resilience against ongoing challenges in the operating environment. Data was the main driver of the good performance for the region. Blended EBITDA margin for the region was down by 3.7pp to 26.6%. Irancell, which is equity accounted for, grew service revenue by 41.2% and expanded its EBITDA margin by 1.5pp to now 39.3%.

In terms of capex for the Group, we deployed R6.4 billion in the quarter as we continued to invest in building our second-to-none technology platforms. Overall we continued to focus our investment on network capacity and resilience as well as modernising our IT systems in support of our strategy to deliver sustainable growth across our markets.

Turning to funding and liquidity, our balance sheet strength and resilience has been demonstrated in our ability to weather the volatility brought about by the COVID-19 pandemic. As at the end of the first quarter, our consolidated group net debt to EBITDA had improved to 0.6x from 0.8x at December 2020 and remains well within our covenant of 2.5x. Our interest cover was 5.9x largely impacted by a much lower realised foreign currency gain in the first quarter of 2021 versus same period last year.

At the HoldCo level, our leverage ratio was 2.1x at Q1 which is slightly improved on the December 2020 ratio of 2.2x. This continues to be impacted by timing effects of upstreaming cash from Nigeria in particular due to challenges in securing foreign currency. During Q1 we did not upstream any cash from Nigeria. We are hopeful and optimistic that we will be able to see some movements as we are continuously engaging with the Central Bank of Nigeria, and we will be able to give more information at our H1 results. We did upstream roughly R2.7 billion from other opcos, which is otherwise in line with expectations.

At end of March 2021 we had the equivalent of R4.3 billion yet to be upstreamed from Nigeria, with a further R3.2 billion of FY20 final dividends due to be tabled to Group. This remains subject to approval by MTN Nigeria's AGM which is scheduled for 7th of June 2021.

I will round off with some comments on our liquidity priorities. Protecting liquidity is of utmost importance to us particularly during these challenging times impacted by COVID. We adopt a prudent and focused approach to cash preservation. As at March 2021, our HoldCo liquidity stood at approximately R42.1 billion comprising of R17.1 billion in cash and R25 billion in undrawn credit facilities. We are committed to our deleveraging plans and by the end of Q1 we had repaid our US dollar term loan debt of $150 million, of which $75 million was an early settlement.

In closing the financial overview, I will summarise by saying that we are pleased with the strong financial performance with double-digit service revenue and margin expansion. Importantly, this was broad based across our markets and regions. We will continue with our efforts to improve margins under this challenging trading environment. In terms of our financial position we remain committed to deleveraging our HoldCo balance sheet faster over the medium term and improving the funding mix that we currently have. We continue to invest guided by our disciplined capital allocation framework and target spending of approximately R29 billion of capex in this financial year. On that note I would like to hand back to Ralph to conclude.

Ralph Mupita

Thank you, Tsholo. Just a few points from me to conclude. First is to reiterate the resilience of our business and the solid performance across our markets with service revenue tracking ahead of our medium-term guidance and continued EBITDA margin expansion. This was delivered despite the challenging trading environment and ongoing uncertainty surrounding COVID-19 impacts. We remain focused on further strengthening our operating and financial resilience as we move forward.

Secondly, we are quite excited about opportunities presented to us as a business to capture growth from digital acceleration and financial inclusion across the African continent. We believe that Ambition 2025 positions us well for this. The traction in this regard is reflected in some of the KPIs I shared with you earlier. I think what you will see is that we will continue to enhance our disclosures as we have over the past years, especially regarding our platform businesses.

Regarding our growth, we will remain quite mindful of also continuing to drive the efficiencies in our business as well. Tsholo has touched on the third point, which is strengthening our financial position. This remains an ongoing priority including accelerating the deleveraging of our HoldCo balance sheet as well as protecting liquidity and preserving cash. In achieving this objective we will continue to focus on our efforts on upstreaming cash from the markets, particularly Nigeria, and executing on our asset realisation programme and portfolio transformation.

I have outlined some of the key developments regarding the latter and the potential IPO of IHS will be an important component of that in the near term as well as the sale and lease back opportunity for the SA towers. We remain focused on the Middle East exit and will update investors on progress as and when we conclude these with third parties. The focus for now is on Syria, Yemen and Afghanistan.

Finally, it is important to remind you on some of the moving parts over the remainder of the year. You will recall the volatility in some of the commercial and financial KPIs last year due to COVID-19 impacts. These really started from Q2, and as mentioned we provided some detailed analysis on this over the course of the past year. In Q2 last year the trends were mixed. A big impact in April and then trends started to recover from May. The second half of 2020 was then quite strong as we ran into those base effects.

For SA in particular it was mentioned earlier about the impact on margins from device volumes. This will be particularly stark in Q2 on a year-on-year basis but also through the remainder of the year. Having said that about SA devices, we have as mentioned in our results release in March, we made quite a lot of progress in terms of device margin management. We are also very focused on driving growth, deleveraging the HoldCo balance sheet and unlocking value from our infrastructure assets and platforms such as fintech. With that, I just want to thank you for listening to Tsholo and I for the last 30 minutes, and we now open up for Q&A. Thank you very much.

Operator

Thank you. Ladies and gentlemen, at this time if you would like to ask a question you are welcome to press * and then 1 on your touchtone phone or the keypad on your screen. For the benefit of our participants who have joined via the HD web phone, please ensure that you have given your microphone permission to make yourself audible before accessing the question queue. If your question had been addressed and you wish to withdraw your question, please press * and then 2 on you touchtone phone to exit the queue. Just a reminder, if you would like to ask a question you are welcome to press * and then 1. The first question comes from John Kim of UBS.

John Kim

Hi everybody. Congrats on a good quarter. Three unrelated questions. On fintech in the press release it did indicate that 14 of 18 of the fintech opcos have been separated. Which four countries remain? On Ethiopia, can you give us some colour on timeline to decision and how we might think about when you would break down and require funding? I know the Ethiopian release said a month, but that seems pretty aggressive. And then finally on the tower deals, can you give us the shape of the structure there, tower counts and possibly how much of the underlying equity you're looking to sell and lease back?

Ralph Mupita

John, thanks very much. Maybe I will take all three. If I forget something Tsholo and Thato will comment. Just on the fintech markets, it's 12 out of 16. The ones that are not in to date are South Africa, Uganda, Sudan and Guinea Bissau. These are generally mainly due to regulatory reasons. Currently in South Africa and Sudan they are not permitting the structural separation, but we are working through that. These are obviously relatively much smaller markets. So specifically to your ask, South Africa, Uganda, Sudan and Guinea Bissau. The rest have structural separations already done.

On Ethiopia, the timeline hasn't been in terms of a final decision. I think what was communicated last week was that the ECA said they would make a decision. I think what they actually said was in the following week. But we understand that they have given themselves up to a maximum of 45 days prior to the two bids being submitted. So, John, I can't give you firm timeline on it exactly, but I think what is clear given my preamble on Ethiopia is that at the time if we do get the bid we would obviously divulge what we did bid, the absolute quantum, and therefore the pro rata capital that MTN would put on a peak funding basis.

We would obviously disclose that. And then we would disclose the full set of equity partners. Silk Road we could disclose before. There are two others. One is a multilateral institution and there is another US-based institution. Those have asked us to keep it confidential until we've been successful in the bid, so unfortunately we can't disclose those fully. But I think you can well understand that some of our equity partners are both in China and in the US. But this is all we can disclose for now.

On the towers, we have in the transaction about 5,700. Let me be precise, 5,738 sites as we speak right now that are part of this sale and lease back. We said we have 20 odd bids. The usual suspects, the big four, I think you would anticipate that they are all there in the bidding. But obviously we will provide more detail and colour further down the line once we're progressed. We are giving ourselves an anticipated timeline of no later than Q3 to conclude the transaction.

John Kim
Great. And is there a specified use of proceeds?

Ralph Mupita
I mean our use of proceeds has been to focus on deleveraging, John. So that's our priority. I think to be clear we've always said that the sale and lease back in South Africa was not driven by the need to deleverage. It's just an outcome of it. So, in the way that we're structuring the sale and lease back what we want is an opco-friendly deal that is as neutral to profitability as possible. And whatever cash comes out of that, that's just a secondary derivative. So even myself and Tsholo don't know exactly how much we'll get from that process, but we have a frame. We have bookends of what we think we can expect. But the cash then comes to help the deleveraging the balance sheet, but it's much more a strategic consideration that the majority of our towers are in TowerCo constructs anyway. Let's just tidy up South Africa.

John Kim
Great. Thanks so much.

Operator
Thank you. The next question comes from Preshendran Odayar of Nedbank.

Preshendran Odayar
Hi everyone. Congratulations on the good set of results and congratulations, Tsholo, for cottoning on to MTN. I've got three questions from my side if I can please. You mentioned the timelines of the tower sale and the FinCo carve out. I just want to know if you can share some details on your fibre carve out, how that's progressing and when you expect that to get more traction. The second question, if you can give us an update on your [break in audio]. What is the balance that is outstanding and what currency? I know they currently have some [break in audio] if the JCPOA resumes again. Then the last one is just on IPO. I know you guys did Rwanda yesterday and Nigeria seems to be based on whether you can get cash out. But if my memory serves me correctly, you also have to do a localisation of Uganda within the next two or three years if I'm not mistaken. Just any update you can give us on that please. Thank you very much.

Ralph Mupita
Okay. I will try to cover those three, just giving Tsholo the benefit of only being here for just under a month, but I'm sure she will top and tail on Iran as well. So on the carve out from FibreCo we haven't given an explicit timeline there because there are some issues in terms of some of the cross-market fibre deployments and regulatory approvals we need to get. So that creates quite a wide window of expectation. If we execute and get all the regulatory approvals very quickly that's something that can happen well within a year. But if it takes a little bit longer in one or two markets, that can be extended quite a bit.

So we've been a little bit conservative about putting out a timeline because of the uncertainty of one or two markets towards regulatory approval. But at the speediest it's 12, but actually it can be much longer than that in one or two markets, and hence our desire not to disclose how quickly that will take. But we're still pretty confident that in a reasonable timeframe the carve out will happen. By the time we get to the capital markets day on the 4th of June I think one or two issues will be much clearer to us. So Jens and Fred, who runs GlobalConnect, I'm sure that they will cover that in the CMD on the 4th of June.

In terms of Iran, I think I've got a number in the back of my head. I don't know, Tsholo, if you've got the precise number in terms of cash trapped. The last number I looked at on existing exchange rates was just under R3 billion on existing exchange rates. Is that correct, Tsholo?

Tsholo Molefe
It is.

Speaker	Narrative

Ralph Mupita

Okay. My memory is still intact. So then on listings, as you say post Rwanda the one that's next actually is Uganda. Now, as you know we renewed the Uganda licence just about mid-year last year and we had two years to get an additional 20% into local institutional and individual hands. And that work is well progressed or progressing. So I think you anticipate somewhere in the second half of this year or very early next year that will be something that we get done. But in terms of those listings Uganda is the one that's slated next. Ghana we've spoken about further sell-down, but that's already listed. So hopefully I've covered your questions.

Preshendran Odayar

Thanks very much, Ralph, and congrats again on a good set of performance, building up from Ghana, Nigeria and even South Africa. Thanks.

Operator

The next question comes from Jonathan Kennedy-Good of JP Morgan.

Jonathan Kennedy-Good

Afternoon. Thanks for the opportunity to ask questions. Just a quick one from me. You mentioned in WECA you've got ex-Ghana those assets sitting at a blended EBITDA margin of 21% etc. What are the problem children there and do you see an opportunity for margin to expand if revenue growth can accelerate? That's question number one. And then just on the Cell C revenue, you mentioned the first quarter revenue doubled year on year. What was the run rate quarter on quarter? I'm just trying to get a sense of where we should expect to end up for the full year as the second phase is executed at an increased pace. And then finally just on Nigeria, the 5 million net disconnections you had. Do you have a revenue number that was attached to those subscribers? And how should we think about net adds or disconnections going forward under the new SIM sales regime?

Ralph Mupita

Okay. Let me take the first one and I'll ask Tsholo to have a look at your first one. In terms of Nigeria we gave as much disclosure as we did yesterday, Jonathan, in terms of what we anticipate. I think as you can well anticipate, the way we are seeing the development of subscriber base rebuild in Nigeria is first we have had the extension now to the end. This also allows us to roll out more NIN machines and actually start picking up base growth. We anticipate that the government will be realistic that by the time we get to June if we are not quite there we will make reasonable representations to actually get an extension. So I think we will start to see the base pick up, but not as fast as it was probably pre the SIM registration because the NIN machines still need to be rolled out to the full extent and we haven't done that.

But we are pretty confident that we are going to get base rebuilding from Q2 into Q3, obviously subject to the regulators approving. That's pretty much what we will say for now. And I guess one of the things that we will focus on the CMD is to update wherever we are by the end of May in terms of the progress we've made around that. Jonathan, I know that's not a very satisfying answer, but obviously there are many variables here around NIN machine rollout, how you get the registration. You've still got COVID effects in place as well, so quite a few drivers. But we're feeling confident that we can start seeing the base building up. The other two questions, Thato?

Tsholo Molefe
WECA.

Thato Motlanthe
The WECA margins and the potential for recovery there, upside there.

Ralph Mupita
Let's leave that to Tsholo.

Tsholo Molefe
I think, Jonathan, on WECA specifically if we exclude Ghana if we look at it the rest of them are fairly small and they are actually currently holding their own on a quarter-to-quarter basis. So I think in some areas obviously we need to see how we assist them in terms of their network expansion plans so that they can be able to grow top line. But we're comfortable that if you exclude Ghana when you look at them on a constant basis quarter to quarter or relative to last year they are holding their own.

And then with regards to Cell C, I think if you recall we did say that we're currently reporting on a cash basis. So whatever we received now, the R675 million that I referred to, was actually what we received now in this quarter. In terms of how it compares to the previous year same quarter I think it was about R292 million. So whatever we haven't received that I referred to would have been the outstanding amounts that actually date back to 2018. We have actually entered into some payment arrangements and we only record what we actually receive from them. And phase two of that agreement actually came into effect in January this year even though we signed late last year.

Jonathan Kennedy-Good
Thank you. That's very helpful.

Operator

Thank you. The next question comes from Slava of Goldman Sachs.

Slava Degtyarev

Yes. Thank you very much for the call. A couple of questions. Firstly you mentioned the market share gains in South Africa. Which segments of the market do you think that you performed best versus the competition, and who do you think is the relative share loser in your view? And secondly, on the major markets where do you see the base effect supportive for the growth to reaccelerate in Q2 and the second half of the year, and where do you envisage the [unclear] for the remainder of the year? Thank you.

Ralph Mupita

Maybe I can jump in just on the market share, and Tsholo and Thato can top and tail. Certainly on the enterprise side we're gaining market share. That is super clear. We've had probably six sequential quarters of double-digit growth. And even if you strip out the university deals – which we have termed 'short term' but actually with COVID persisting they've actually been much longer – enterprise we certainly believe we've picked up market share. Obviously, there is a bit of a fight on consumer postpaid. We think that we've also picked up market share and we've been fairly resilient within consumer prepaid. So, on a blended basis we believe we've taken market share both in the consumer and enterprise. And as Tsholo mentioned, wholesale is really a story of turnaround.

I think on the major markets' outlook in Q2 I think you should see sustained growth particularly on Nigeria. I did mention the fact that what we did see with COVID last year is we had very low growth in April. So April would have a much lower base effect. And I think you can see in the large markets that actually April last year we would have done much better for very obvious reasons. There were hard lockdowns in place and we don't have those hard lockdowns. South Africa is actually at level 1 now.

So April will be strong, but as I mentioned there will be comp issues or base effect issues for May and June. But we still feel that if you look out to the full year we still see growth, particularly if we don't have a major wave three across our markets and we are able to continue to operate as we are. We feel comfortable about our markets meeting their medium-term actual guidance number within the course of this year, even South Africa and Nigeria in particular. I don't know, Tsholo and Thato, if you guys want to top and tail on that outlook view on growth in the major markets?

Tsholo Molefe

I think, Ralph, you've covered it in the main. I think that obviously there is the base effect of COVID in the previous quarter. That is obviously something to rebase and balance. So we do expect that we should see a trajectory of what we're seeing currently without any major dilution effect.

Slava Degtyarev
Okay. Thank you very much.

Operator
Thank you. The next question comes from Cesar Tiron of Bank of America Merrill Lynch.

Cesar Tiron
Yes. Hi. Thanks for the call and the opportunity to ask questions. I have a couple. The first one is really on Nigeria on the margin. Can you please help us understand better besides FX what is driving this very fast increase in network operating cost which is I think about 25% of the total? And how is that going to mitigate in the next couple of quarters, because if it doesn't then it's going to be quite difficult I guess for margins to keep increasing? That's one. The second one on Nigeria. Now that your relationships with authorities seem to have improved, do you believe that you can finally get this Mobile Money licence? And if you do, when do you think that can happen?

The third question would be on the South African towers potential sale and lease back. Do you intend to retain any stake in the business or just do a sale and lease back? And the fourth one would be on the IHS IPO. Would it be correct to assume that you probably wouldn't be able to sell the full stake and that you would be able to probably sell pro rata, which is the 25% free float. You would probably be able to sell pro rata 25% of your stake. Thank you so much.

Ralph Mupita
I'll have a good go at them, and as usual if I miss anything Tsholo and Thato will mention. On Nigeria as you quite rightly mention part of the margin pressure comes from the current IHS tower contract we have. I think we have mentioned before that we have two cohorts of towers and the majority of towers are in a contract that goes all the way to 2029 and there is a smaller component to 2024. And as we've described before, because it's a technology-based contract and we're moving through technologies 3G to 4G that does put a bit of pressure on margins. And we are in conversations with IHS around particularly with the currency devaluations that have happened in the last 12 months to see if we can agree some amendment of sorts that obviously would be acceptable to both them and ourselves in a way that we can actually review some of the contracts. Particularly the fibre rollout, I think that's one. And then the 3G to 4G technology upgrades, that is something we are looking at.

Speaker	Narrative

Having said that, I think we did point out that in the near term we expect the Nigerian margins to be operating in the 50% to 53% range. We are there at the moment. But obviously operating leverage also helps. We can't just rely on the IHS contract. We need Karl and the team to be delivering mid-teens and higher and staying above inflation to eke out some operating leverage to offset in the interim until we've sat down with IHS to see what give and take we can make both sides on that one. But I'm pretty confident, I guess as Karl is, that the 50% to 53% should be achievable. And obviously there are other further expense efficiencies that Karl and the team are driving to sustain margins. So it's not all IHS. Operating leverage and efficiencies are also being driven.

On PSB, as we mentioned if not with the results certainly on the roadshow, we continue to pursue the PSB as option one. We made our application. Now, I'm very loathe to give you a sense of timing and expectation because I think we may sound like a stuck record having had this discussion. But we are also open to – as I mentioned on the roadshow or with results – that a partnership approach is something that we are open to provided that we have a control position with third parties, whether banks or other institutions, to pursue that PSB. But Karl is all of a few weeks in the role, so I think we've got to give him some time to spend some time with the central bank governor and the team there to see if we can unlock that.

On the sale and lease back in South Africa, we won't retain a stake. It's a full sale and lease back. As I said we're just looking to tidy up from a strategic perspective our portfolio where in South Africa we still have towers that we own. So I think that will complete at a Group level in aggregate that most of our towers are in these structures.

On IHS, we will not sell the full stake on day one, as you can well imagine, Cesar. We put in our fair value at the full year of R27 billion and we put in quite a lot of discounts. I know there are different views and forms, and I think the IPO will fully reveal the value as and when it happens. So, I think you should anticipate, as I've explained also in the roadshows, that we have two classes of shares in IHS. We have a 9% stake which is non-voting and then 20%. So it's 9% non-voting and 20% voting. So we would look to exit in an IPO our non-voting shares, as you can well imagine. That's what we have been discussing with other shareholders as well as the company. I think that's not an issue.

And then there will be a sell-down programme. You will well appreciate that there is a cluster of shareholders there. Some are long-term holders of the assets, some much smaller who will be looking to exit. So I think you can anticipate it's a multi-period sell-down post the six-month lockup. And then there is a sell-down of specific tranches over several months. I think you should anticipate several months to be somewhere between 24 and 36 months. Nothing super final, but I think that's how you need to think about it in terms of the conversations that we've had over a while. So hopefully that gives you a framing of how to think about the IHS IPO and what happens thereafter.

Cesar Tiron
Thank you so much. That was very clear and helpful. Thank you.

Operator
Thank you. The final question comes from Alistair Jones of New Street Research.

Alistair Jones
Hi. Thanks for the opportunity to ask questions. Firstly just looking at Nigeria, just on the inflationary environment there. We've seen a big spike in inflation and in particular food inflation. So not necessarily in the opex side, I'm just thinking a revenue perspective as you look at growth particular in data, people taking on smartphones for the first time etc., does the food inflation of almost 25% impact the outlook for growth do you think? Or do you think that's something that's fairly manageable in a fairly high inflationary environment? I'd be interested to hear your thoughts on it.

Secondly on Ethiopia, I know you can't say too much, but when you went into the bid did you go into it with the expectation that you would have a mobile money licence attached to the licence? Because I know we've heard previously that there isn't going to be one. I've seen speculation more recently that it could be part of the licence. If I could just get some clarity around that if possible.

Thirdly on the fintech value unlock that you talked about more recently. Like what we've seen with Airtel where they've attracted equity partners into the business from a holistic perspective, are you thinking along the same lines that you would attract equity partners at a Group level? I guess I'm asking because localisation is becoming pretty key in a lot of these markets. Would it not be something that you would explore whereby you get local partners to invest in the fintech business of the local operation? I don't know if I'm getting the wrong end of the stick here, but if I could just get some clarity on that. Thank you.

Ralph Mupita
Thanks Alistair. Good questions as always. It's always good questions from all of you investors. So on the food inflation in Nigeria, Alistair, as we've looked over the last couple of years generally food inflation is higher than reported inflation, so the trend that you're highlighting is not new. I think we know some of the effects when the borders were closed with Benin and other countries and food started picking up. It's a pattern that we've seen before and it doesn't create any concerns for us in terms of concerns about communication spend. We still anticipate that the

business should be growing ahead of inflation in aggregate. So if inflation picks up to 18% certainly there will be pressure on Karl and the team to create some headroom between reported inflation and the sales level. But specifically to your food inflation point, it's not a new driver. And I think with some borders opening that should ease over time. But that's just our view. I think you will have a view on that.

With regards to Ethiopia, our bid as I've said earlier on we reflected what is not in when putting in our bid. Mobile money is not in our mobile licence. So we framed our bid anticipating that. Independent tower companies are not in, so we bid conscious of that and we put the pricing in terms of that. Yes, there has been some news flow that mobile money might be issued, but that's not something that has been part of this formal process. So mobile money not in and independent tower companies not in. You have to build your own towers or work with Ethiotel's existing portfolio of towers.

On the fintech side, not that we're copying our friends across the seas, but our own independent thinking is not too dissimilar where we believe that at a Group level it is important that as part of actually being capital efficient to capture the growth opportunities that we're pretty excited about that we would bring in other third parties in a minority form in the assets. I think you can think in the order of magnitude somewhere that goes towards a quarter, but the board has not fully signed off on that. But that's kind of our thinking. These would be strategic that can play a combination of roles of helping to crystallise value in the asset but also to support the growth of that particular business.

So yes, in short that's what we're thinking about. And I think for the local opco there is a lot of value if you think about it. I'm just going to throw out a name. A major card issuer, if that's an example, would rather engage with MTN at a Group level than every one of our individual 17 African countries. It just creates issues for them over time. But in short, yes, we would seek equity partners in a minority form. Order of magnitude we think about a quarter, but don't pencil that in. I'm trying to show the frame that MTN Group would still have a very large shareholding and will bring in the parties. We're having these discussions along the way as we're starting to do the structural separation. So this is not something that we will deal with only in Q1 next year. These conversations are ongoing.

Alistair Jones

Great. Thank you. That's very clear. Just a quick follow-up on Nigeria. You mentioned potentially figuring out what to do there with regards to the PSB licence. But you could bring in obviously fintech partners at a Group level but then also potential equity partners into the local opcos as well.

Ralph Mupita

That point you make about Nigeria is correct. I think we've always said that Nigeria has the potential to double our base if you run with the maths. 70 million-plus subs a couple of years out. Half the base becomes Mobile Money subscribers. So Nigeria will have a different configuration as and when we get there. There is the potential for a different configuration there.

Alistair Jones

Great. Thanks. That's very helpful.

Ralph Mupita

Okay. Well, as Thato is looking at me in the room here and socially distancing, saying that's the last question, I just want to thank all of you for dialling in and listening to our presentation, Tsholo and myself. We look forward to seeing all of you if not most of you for the capital markets day on the 4th of June where we will go into a lot more detail particularly around the platforms, all five platforms, the core connectivity business, what we're doing there, financial framework and capital allocation framework, strategy and all of that stuff. So I look forward to engaging with you guys in a couple of weeks, and thanks very much for joining us. Thank you.

Operator

Thank you. Ladies and gentlemen, that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT