MTN Group Quarterly Update to 30 September 2021
Call transcript
Date: 4 November 2021

Operator

Good day ladies and gentlemen and welcome to the MTN Group quarterly update for the period ended 30 September 2021. 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 * and then 0. Please note that this call is being recorded. I would now like to hand the conference over to Thato Motlanthe. Please go ahead.

Thato Motlanthe

Thank you very much. Good day to everyone and thank you very much for taking the time to dial in to discuss the MTN Group trading update for the quarter ended 30 September 2021. My name is Thato Motlanthe. I'm head of Group Investor Relations at MTN. On the call with me is Ralph Mupita, our Group CEO, as well as Tsholo Molefe, our Group CFO. Just a reminder that our trading update was published this morning on the JSE and it is available on our website on the Investor Relations page.

I trust that you have also seen the Q3 releases from MTN Nigeria, MTN Ghana and MTN Rwanda which we've added to the reporting line-up. They published over the past week and a half. For today's call, it's my pleasure to hand over to Ralph and Tsholo shortly who will provide an overview of the business and financial performance as well as give you some outlook remarks. We will then open the lines up for Q&A which will be facilitated by the operator. Finally, just to note that this call is scheduled to wrap up in about an hour's time when we will close off the call. With that, let me hand over to Ralph.

Ralph Mupita

Thanks very much, Thato, and very good afternoon from me as well. I trust that everybody is keeping safe during these COVID times. It has been a very busy quarter as you can tell from our trading update. We are pleased with continued resilience of the business under what remains quite challenging COVID-19 macro and trading conditions. From an operating standpoint, the Group has delivered another solid performance in Q3 and is tracking well against our medium-term targets with double-digit service revenue growth and the expansion of EBITDA margins.

We have also made material progress in executing our asset realisation programme as well as the fast de-leveraging of the Group holding company balance sheet. We also remain on track with the structural separation of the fintech and fibre assets that we've communicated in previous reporting periods. I hope you've had a chance to go through the comprehensive trading update SENS we published this morning.

We will unpack our performance covering five themes starting with the **continued operational and growth momentum** in the business. I will then hand over to Tsholo to talk through the **South African financial performance**. Tsholo will then follow on and cover a third theme, which is the **accelerated deleveraging of the Holdco balance sheet**. Fourthly, I will give you some feedback on the execution of our **asset realisation programme** and give a bit more colour to some of the points that we raised in our SENS. And obviously this dovetails with our deleveraging ambitions. And then the fifth theme that I'll cover is the **momentum in our fintech platform,** before wrapping up with an **outlook** and concluding remarks.

So let me kick off with the first theme, which is the **continued growth momentum.** We are very pleased with the sustained commercial momentum and execution across our markets as we continue to deliver on our strategy. In our commercial trends, just worth highlighting are total subscribers, where we added 200,000 subscribers to reach just under 272 million. This obviously now excludes Syria, which we deconsolidated.

You would recall that this was impacted by the decline in subscribers in MTN Nigeria arising from the revised SIM registration regulations in the country. If we adjust for Nigeria, total subscribers were actually up 1.6 million, so underlying momentum is pretty solid in the period. As more certified enrolment centres in Nigeria continue to be rolled out, we are forecasting the trend in net additions should turn positive during this Q4 2021.

We are still seeing very robust growth in our traffic trends. If you look at year-on-year trajectory, overall Group data traffic including Iran increased by 53% year-on-year. And within that mix MTN SA traffic was up about 57%. MTN Nigeria grew by 86% and MTN Ghana by around 52%. So it's quite pleasing to see the data demand remaining resilient, which is key to driving continued growth in our connectivity business.

In terms of some of our **financial highlights** Tsholo will take us through a bit more detail. Overall service revenue grew by 19% in constant currency terms and our EBITDA margins improved by just over 2.1 percentage points to 45% supported also by our expense efficiency programmes which are on track. So this resulted in EBITDA growth of 24% in constant currency, reflecting the pleasing operating leverage that we continue to see in our business.

Both data and fintech delivered strong growth with both up around 35%, underpinned by continued investment in these businesses and solid commercial momentum. We are focused on driving continued growth in our connectivity business and scaling our platforms, led by fintech. In terms of the large opcos you would have seen the performance of Nigeria and Ghana who both reported last week. They grew service revenue by approximately 24% and 25% respectively with improved

EBITDA margins in both markets. MTN SA grew service revenue by a pleasing 7.7%, with Q3 growth of 4.7%. Tsholo will provide a bit more detail on the growth drivers within South Africa.

In the second half of the year MTN SA is lapping a much stronger base in 2020. However, the performance remains relatively resilient on the back of successful operating and commercial execution of the business. I'll come back to talk about the other themes, but let me hand over at this point to Tsholo to cover the South African financial performance and the progress we are making against holding company deleveraging.

Tsholo Molefe
Thank you very much, Ralph, and good afternoon to everyone. It's my pleasure this afternoon to run you through some of our financial highlights for the third quarter. Ralph gave you some of the headline numbers which I think is important to emphasise these were delivered against a very challenging economic environment also exacerbated by the impact of COVID. Having seen the Nigeria and Ghana performance reports over the last couple of weeks, I will focus in the main on the **SA performance**, which is one of our larger markets as well.

MTN SA, as Ralph indicated, grew service revenue by 7.7% and really underpinned by solid performance across all of its business units. Overall mobile data revenue for MTN SA grew by about 11.8%, and this was underpinned by increased data users as well as strong data traffic growth of around 57%. In the consumer business unit, prepaid and post-paid revenue grew by 2.6% and 6% respectively. The performances were resilient in a highly competitive market and despite cycling a very strong base with some impact from the civil unrest which we had in July this year. Service revenue growth was also assisted by very solid subscriber additions in the period of roughly about 2.6 million.

The enterprise business unit in SA delivered another strong performance. Service revenue growth increased by about 14.7%, really maintaining the eighth uninterrupted quarter for positive growth now. The unit is leveraging and growing its customer base in the small and medium enterprise market as well as the large enterprise segment. As a service provider to national government the outlook for sustained growth is really encouraging in this enterprise unit.

From a wholesale perspective, we saw an increase of 52.8% largely driven by Cell C national roaming revenue as well as strong growth in the MVNO portfolio. For Cell C specifically, revenue recognition remains on a cash basis as Cell C continues to work towards its recapitalisation programme. As at the end of September 2021 in the period under review about $307 million Cell C national roaming remains unrecognised. You may have seen in the Q3 SENS that MTN SA has concluded a new multi-year national roaming agreement with Telkom. So, effective 1 November, MTN SA will be providing 2G, 3G as well as 4G services to Telkom. This agreement aligns with the Group's strategy to monetise the investments made in networks.

MTN SA grew its EBITDA by about 14.1% and really delivered a 2.3 percentage point increase in EBITDA margins to about 41.6%. This was on the back of a very solid service revenue performance as we indicated against a very challenging trading environment, but also in addition to that relentless focus on expense efficiency.

Briefly just on the regional performance, you would have seen the growth was solid and broad based. All our regions delivered double-digit top-line growth with the SEA region up about 25.3% while the WECA region grew by about 18% and the Middle East by about 43.3%. The latter excludes Irancell which we equity account for. This also grew service revenue by about 35%. All of the regions improved their margins on a blended basis which is really quite pleasing. We are focusing on continuing to deliver on the expense efficiency programme to help drive continued operating leverage upwards for all these markets.

Just to touch on capex quickly, and before I talk about our balance sheet, we have capitalised about R18.1 billion in the nine months to September. Again, we are committed to sustaining the investment in our networks and platforms in line with our capital allocation framework. This is really key for us in supporting the growth that we are seeing and that we are reporting to you as well as to our ambitions going forward.

If I move on to the **deleveraging of the Holdco balance sheet**, our balance sheet really remains in very good shape. At a consolidated level, our Group net debt to EBITDA ratio is now at 0.5x at the end of September from about 0.6x in June. And if you recall, we were at about 0.8x in December. This remains comfortably within our covenants and our Holdco leverage has shown further improvement. As at September now our Holdco leverage is at 1.2x versus 1.4x in June, and this is in line with our medium-term guidance of about 1.5x.

This has been supported really by the ongoing progress in our cash upstreaming where we managed to repatriate about R4.6 billion from our opcos in the third quarter, which includes R2.3 billion from Nigeria as we previously reported at interims. You may recall that this was upstreamed post the June period-end. Therefore, if you just look at the cumulative year-to-date trend we have repatriated a total of about R13.9 billion across the markets. Post the quarter-end there has been some further upstreaming from Nigeria which is really encouraging. However, we will be able to provide you with a more meaningful update on how we are progressing in the second half when we present our full-year results in March next year.

Overall, we are progressing well with our medium-term target to deleverage faster and improve our funding mix. You would have seen during October that we made some announcements on the early redemption of the $500 million principal amount of the February 2022 guaranteed note. These notes were redeemed on the discussed mandate for $512.7 million including accrued interest of about $5.8 million. So our debt mix at the end of September was 47% to 53% in favour of the rand-denominated debt. Post the early redemption, the pro forma mix would then be at about 39% to 61% in favour of the rand-denominated debt, which is really in line with our medium-term target of 40% to 50%. The ambition to deleverage our balance sheet faster and optimise our funding mix therefore remains a major focus for us.

Finally, we were pleased to see the S&P upgrade on our standalone credit rating to investment grade on the 13th October. It is the Group's first investment grade rating since 2016 and came on the back of the deleveraging I have just spoken about. S&P highlighted the significant progress made in deleveraging our balance sheet as well as MTN's solid business risk profile and lower financial risk. This really aligns very much with our own targets and what we are trying to achieve to support our Ambition 2025 framework. I will now pause here and hand over back to Ralph to conclude.

Ralph Mupita
Thanks very much, Tsholo. For our audience, Tsholo is in our Dubai office and I'm in the Johannesburg office. And we have better connectivity in Johannesburg where you have an MTN network. Let me continue with our themes and move on to the **asset realisation programme** and give you a bit of colour beyond some of the points that are in our SENS. There have been a number of developments within our ARP, and obviously firstly IHS Towers was listed on 14th October which marks a very significant milestone.

For the last couple of years we've been looking to find the right time and opportunity to list. Obviously in this IPO there was no secondary sale and this listing now provides us with a very important liquidity platform to support our ARP over the medium term. Following the IPO and primary issue of 18 million shares, MTN's shareholding in IHS now stands at 25.8%. And we have agreed lock-up and sell-down arrangements with the company that will enable us to monetise our investment in the business and further reduce the dollar debt at the holding company level. I think you are all familiar with the maturity dates of these Eurobonds which are 2024 and 2026.

We've also announced last year that we are exploring what we call an 'opco-friendly' sale and leaseback transaction for our SA towers driven principally by strategy considerations of how best to manage our SA tower portfolio going forward, given that most of the Group's towers were already in tower portfolio constructs in most of our major markets. We have run a comprehensive process over the last 12 months and since the 9th August 2021 we have been evaluating two binding bids, and we are now well advanced on a preferred bidder.

As guided previously, we expect the transaction will incorporate around 5,700 of MTN SA's 12,800 tower sites. And we expect it to also include power provisioning to all 12,800 sites as well as accommodating national roaming and active sharing arrangements that we currently have and creating flexibility for that in the future. This is one of the key aspects to consider when we refer to an opco-friendly deal. The other would include maintaining a minimum of 30% BBBEE ownership during the term of the contract period. We don't want to dilute our BEE status. It is critical particularly for the MTN SA enterprise business but actually more broadly for our BEE status in South Africa.

As well as aligning to meeting MTN SA's Scope 3 greenhouse gas emission targets which we have communicated that we are looking to have reductions of approximately 50% by 2030 off a 2019 base. We are also focused on ensuring that the financial profile of the business remains intact and still focused on delivering margins in the 39% to 42% range over the medium term and delivering strong cash flows to the Group. We expect to be able to provide more detail on this in the next week or so, and the transaction will be subject to the customary regulatory approvals.

We are also making strides in our localisation initiatives. The IPO for MTN Uganda to list on the Uganda Securities Exchange listed on the 11th October and we're targeting a further sell-down of 20%. In terms of our sell-down of MTN Nigeria we announced today with our intention to proceed with a public offer of up to 575 million ordinary shares, around 2.8% in MTN Nigeria. We've spoken previously that we see probably three series of sell-downs, and this is the first one where we really are looking to build a strong retail base.

And this will be via a book build to institutional investors and fixed price to retail investors. And we expect the offer to open during the month of November with the book build to institutional investors, after which a fixed price will be announced for retail also in the coming month. More detail of that to follow. We have previously communicated our intention to sell down approximately 14% of our current shareholding, and so this is the first step towards that.

If I move to **fintech**, which is our fifth theme, growth momentum in our fintech platform has been very pleasing. When you look at the main KPIs and drivers, Mobile Money or MoMo active monthly users increased by 2.2 million in Q3 to end up at just over 51 million monthly active users. This benefited from the ongoing work to drive adoption through enhanced distribution and improving the functionality of the MoMo app. Just to highlight some of the other key trends in fintech, transaction volumes processed through our platform increased by 29% year-on-year in Q3 and value increased by 38% to $60 billion. For the year to the end of September we are tracking at a total of $175 billion, which is a year-on-year growth of 67%.

In terms of payments, we doubled the number of merchants accepting MoMo payments, increasing by 58%. They now sit at 626,000. And GMV through our ecosystem rose by 47% in Q3. So we have kept really good momentum in our key metrics, and this extends to some of the other metrics we keep an eye on. Hopefully you have seen the table we have now added in our disclosures to help you evaluate our progress in a bit more detail.

Just coming to the **outlook**, I will sum up with some outlook and concluding remarks. We are quite encouraged by the resilience of the business and its performance year-to-date. As mentioned, we are tracking very well against medium-term targets for service revenue with expanding margins supported by our expense efficiency programme and very good progress in our deleveraging ambitions. It is important to just call out a few of the dynamics you should consider as you look at the remainder of the year. I think the first thing to note is the strong base of H2 2020 which we've spoken about before. This will have an impact on the year-on-year growth.

For South Africa we are seeing a rising unemployment which is a concern that may impact growth from prepaid customers in the lower-income segment in the near term, especially if measures such as the TERS benefit are withdrawn. In addition, with the economy opening up and some prepaid customers now travelling to work, there is competition for share of wallet from other spend categories. You may well recall from just over a year ago we spoke about the opposite trend being a net benefit to the telecommunication industry more generally.

My final point on the South Africa outlook is that we remain very focused on a solution on the temporary spectrum, and ideally we will find that solution ahead of the 15th and 16th November 2021 court date. We are engaging ICASA and the minister on this as well as a long-term solution on the release of the high-demand spectrum. MTN South Africa has 38 MHz of licence spectrum serving 33 million subscribers and carrying traffic of just under 80 petabytes. As a contrast, our associate, eSwatini, has 65 MHz of licence spectrum serving 1 million subscribers and carrying 1 petabyte of traffic. Within the MTN portfolio of 20 markets only Afghanistan and Yemen have less licence spectrum than South Africa. We are sharing these contrasts with authorities and remain hopeful that a long-term solution will be found in the next few weeks.

Moving on to Nigeria, Nigeria has seen some impact from network shutdowns related to security concerns mostly in the northern states. This has had some impact on subscriber net additions and service revenue trends. If these shutdowns continue we may experience slightly softer growth in Q4 in the affected regions. The NIN registration deadline in Nigeria was extended over the past weekend to the end of December 2021, which was very welcome from our perspective. MTN Nigeria will continue with accelerated efforts to register all its subscribers to meet this deadline.

Data growth in Nigeria has accelerated strongly and we will invest accordingly to capture the growth particularly in 4G and 5G when the relevant spectrum frequencies have been secured. And my final point on Nigeria is we have been encouraged, as Tsholo mentioned, with some of the cash upstreaming we have received post the period-end. And we will work with the team in Nigeria to see if we can replicate what we did in the first half.

Our work to structurally separate our fintech and fibre business is on track. As guided previously, we look forward to giving you further information on fintech in Q1 next year and fibre in the following year. More generally, as economic activity is picking up with less stringent lockdown restrictions resulting in more consumer spend, COVID-19 continues to highlight the vital importance of our business as people rely on our services for information to work, learn, and entertain from home. Our platform is very well positioned from the growing e-commerce activities across our markets.

On the management front I'm very pleased to announce, as you saw in the SENS, the contract extension for the Group COO, Jens Schulte-Bockum. His contract has been extended to March 2024. I believe that this extension provides important management continuity and execution capacity as the Group delivers on our Ambition 2025 strategy.

MTN as a business is very well positioned for continued growth and we will invest in line with our capital allocation framework to capture the growth opportunities in our markets. In support of this objective we have increased our guidance on capex for full year to approximately R31.1 billion for 2021 to reflect accelerated planned capex in South Africa and Nigeria as data growth continues to expand and we remain focused on having second-to-none networks and platforms. We are remaining focused on unlocking value and delivering improved returns to our shareholders. On that note, let me hand over back to Thato to lead the Q&A from our side.

Thato Motlanthe
Great. Thanks very much, Ralph and Tsholo, for that overview. I think we can just jump straight into the Q&A and I'll just ask the operator to facilitate that. Thank you.

Operator
Thank you. Ladies and gentlemen, if anyone would like to ask a question you are welcome to press * and then 1 on your touchtone phone or on the keypad on your screen. If you however wish to withdraw the question, you may press * and then 2 to remove yourself from the question queue.

Once again, if you would like to ask a question, you are welcome to press * and then 1. Our first question is from Jonathan Kennedy-Good of JP Morgan.

Jonathan Kennedy-Good

Good afternoon and thanks for the opportunity for questions. Just quickly on your fintech revenue growth at 35% and TPV growth I think you mentioned at 67%. I'm just trying to understand the slower revenue growth there. Is that due to declining take rates on the overall transaction volumes, or is it because subscribers are taking up more of your free services? I'm just trying to understand. I suppose it's almost the same kind of thing. But I guess my point is I'm trying to understand whether you're reducing pricing to drive penetration or whether that's an incorrect assumption on my part.

And then secondly just on Nigeria, I know Tsholo said she couldn't share the amount that had been repatriated in the fourth quarter, but just trying to understand how you see dollar liquidity in that market, if repatriation is happening at the ₦460 level or whether that's changed, and your views on whether this the end of dollar liquidity constraints that we've seen over the past few years given what you repatriated thus far.

Ralph Mupita

Jonathan, maybe I will take those two questions that you raised. On fintech as you saw with our disclosure we're showing you quarterly trends across the various verticals. I think the main point is that there has been quite a bit of competition particularly on P2P transactions. And in a couple of the markets we've responded to maintain our position with reducing some of the P2P pricing. In particular that is in Côte d'Ivoire. Competition has been quite aggressive in Côte d'Ivoire.

You've seen Wave coming in. Orange has also been flexing there. So that is the most material trend there. But we've always said over time what you will see is P2P transactions become cheaper, and ultimately I think these are services that will reduce in contribution as we build out what we call the advanced services, which are growing quite nicely. So see it mostly as in the P2P and we're responding to some of the competitive dynamics there. But we feel comfortable with that strategy because it has always been our longer-term strategy.

If we go to Nigeria, Jonathan, you know as much as we do of what's happening in Nigeria. I think oil prices remaining sustained at relatively high levels, the energy crunch across the world will mean that this stays probably for a couple of months if not certainly through the winter. And with production being at reasonable levels I think the situation in Nigeria on foreign currency becomes better than it probably was a quarter ago. But we can't predict the future exactly what will happen.

What we do know is we're trying to follow the same process we did in H1. Many thanks to Karl and his team.

When dollars are available we look at spot and forward rates, and if dollars are available we will take the decision as and when to upstream. As Tsholo said, we had some upstreaming in the quarter. So no certainty, but we're trying to have as best as possible a similar playbook to what we had in H1. But we can't guarantee that from our perspective. If there is money at the end of the week, whatever it is, and it makes sense for us, we would obviously take it. But as Tsholo says, we would rather disclose when we have our full-year results in March. Thanks Jonathan.

Jonathan Kennedy-Good

Thank you.

Operator

Our next question is from Cesar Tiron of Bank of America Merrill Lynch.

Cesar Tiron

Yes, hi everyone. Good afternoon and thanks for the opportunity to ask questions. And also congratulations on the results. I have three questions. Sorry about that. The first one is really on Nigerian market share. It's probably one of the first quarters in years where your market share in terms of service revenues showed some kind of inflection versus Airtel Africa. Do you see this as a result of your network improvement, your pricing, or do you see any other explanations? That was the first one.

The second one would be on the capex guidance. You have increased the guide for the short term. Is the R28 billion to R30 million mid-term capex guidance still valid or do you think that has to increase as well if you see growth stronger than what you expect currently?

And then the third one is probably more of a longer one. ESG comes up as an area of improvement in some investor questions. I just wanted to check what are the key actions that the company is taking to enhance its ESG scoring among the key external providers? And probably linked to that, can you talk about the MENA exit? The presence in MENA obviously has an impact on this ESG scoring. Thank you so much.

Ralph Mupita

Thanks Cesar. As usual you always give us a lot of questions to answer. On the capex guidance I'll let Tsholo answer that and give you a frame of how we're thinking about the capex envelope. Obviously the capex envelope is always subject to prevailing exchange rates. We quote capex in rand, but there are obviously exchange rate impacts. But I'll ask Tsholo to cover that. Let me pick up first the Nigeria market share as well as ESG, and then Tsholo will pick up your second question.

Firstly, thanks to Karl and the team for what has been a pretty aggressive rollout on 4G over the last couple of months. The sustained investment in the network, securing the frequencies, and a very targeted focus on high-value areas has been what's been behind having this market share gain, particularly around data. We still have some work to do in places like Lagos. I still give Karl a bit of a hard time why we aren't absolute market leader.

There is still a lot of opportunity for growth. But I would frame that growth as continued investment in our distribution, continued focus on our network quality and the investment. As we are talking about the capex guidance, which Tsholo will cover, pretty much 50/50 versus South Africa and Nigeria, seeing data demand and investing into that growth. So we are really pleased, but we still see some opportunities for Nigerian market share.

On the ESG question we've had a very focused strategy which we communicated as part of Ambition 2025. I think the early wins are really around improved disclosures. We are disclosing a lot more. We've got our transparency report. We now name which markets we have been asked to do network shutdowns, and the basis of that, and if we did it aligned to the policy that frames our interaction. There has been quite a lot that is happening in markets like eSwatini, which many on the call would well note.

I think it's really around the disclosures as well as our efforts that we've spoken about, commitment to decarbonisation and accelerating it to 2040. We're talking about this tower transaction, and a big discussion with the bidders is really we need our ESG commitments built into the MLA, otherwise how are we going to get to our Scope 3 emissions which is the bulk of it? I think these specific actions on decarbonisation, diversity and inclusion, these are being well received and we appreciate the progress we've seen.

On the MENA exit we remain very focused. I mean our priority has always been in the near term to focus on the consolidated subsidiaries. Syria you know the situation there. We are engaged on Yemen and Afghanistan. And as the situations get to a closing point we would obviously communicate to you guys. If everything could work well for Tsholo and I and the team we would ideally like to have concluded on those two markets by the end of the year. But not everything is in our gift to get arranged. But it would be good to start the new year with having been quite decisive on Yemen and Afghanistan. We've always said Iran is a longer-term story. We are encouraged by talks that the Iranian authorities and the P5+1 will meet in Vienna at the end of the month. Let's see what happens there. Tsholo, do you want to talk about capex?

Tsholo Molefe

On our capex, our capex is essentially guided by our capital allocation framework. And we certainly look forward to improving returns. As we indicated previously, we are seeing accelerated traffic growth in MTN SA and Nigeria particularly. We have seen that we've actually grown quite substantially from a 4G network perspective, particularly in Nigeria.

So the capex guidance increase is really to support the areas where we are seeing these growth opportunities, but also to ensure that we can support the coverage and capacity in those markets where we are seeing the growth. There is an element obviously of the stronger rand. I think you will find that the capex guidance does come down slightly, but those are the numbers we actually don't give out externally. But we are comfortable that given where we are and our guidance we should be able to meet our guidance for the year to support the growth that we're seeing in those markets.

Ralph Mupita

The thing I would just top and tail on the capex guidance is obviously what Karl and Godfrey come and say to us is we're seeing opportunity to expand and build market share. We are pretty disciplined with R28 billion to R30 billion, but you can think of some of this as almost brought-forward investment from next year. So that additional R1 billion was really driven by strong asks from Godfrey and Karl that this additional investment let's get it this side of the year to give us as strong-as-possible kick off in 2022.

Cesar Tiron

Thank you so much. Very helpful. Thank you.

Operator

Our next question is from Madhvendra Singh of HSBC.

Madhvendra Singh

Hi. Thanks a lot for taking my questions. Once again congrats for a great set of results. Just two questions from my side. Firstly, given your strong growth in the data segment especially, I'm presuming that capex has played a big role. In the last few years you have invested so heavily in the network. What I'm curious about is what percentage of your network now has end-to-end high-speed backhaul and so forth to the end-customer as well? And what percentage of the overall – and I'm talking big markets like South Africa, Nigeria and Uganda – network doesn't still have the high-speed backhaul connectivity?

The second part of the question is on the leverage situation. Again tremendous progress has been made on the deleveraging side, and you are still continuing with the asset monetisation. So I'm just wondering what level of leverage you would feel comfortable with. You are already below your target level as you can see. What level of leverage would make you happy and then probably think we don't need to deleverage further from that level? Some idea of what would be great.

Ralph Mupita
Okay, let me leave the leverage question to Tsholo and then I can top and tail as needed. On your first question on high-speed backhaul, the area where we still need a bit more investment has been actually fiberisation of the sites particularly in Nigeria. We've used quite a lot of microwave. South Africa I think is pretty much well invested. I would just single out Nigeria as a market where we still have some work there. You saw the traffic growth over 86% and you see where the data growth is off a base that's bigger than Airtel. We're growing much faster. What we need there in Nigeria is fiberisation to the sites. That is part of our network strategy. So it's not a new thing, but Karl will surely be accelerating that. On leverage, Tsholo, do you want to talk about your desire not to have any debt at the Holdco?

Tsholo Molefe
I suppose I think the way to answer this is firstly less than 1.5x for us is still the right guidance. This guidance is from a medium-term perspective. I think what's key to note, as I indicated, is that we want to focus on reducing the non-rand-denominated loans to a minimal balance. We have dealt with 2022. We still have 2024 and 2026. But I think we want to make sure that we have a war chest as our business is still growing and we still need to support it from that perspective. So it is important that we continue on that basis. So I would say much as we are at 1.2x we are comfortable that less than 1.5x – which is way below the covenants that we have at around 2x and 2.5x – is still reasonable at this stage.

Ralph Mupita
My only top and tail on that is our focus is on the dollar debt. I mentioned earlier on that we see a store of value in IHS that should really be there to extinguish the dollar debt. I think the Group in absolute terms is much improved and looking okay, but we still would like to extinguish the dollar debt at the Holdco level. But to Tsholo's point, we said less than 1.5x. So we're going to stick with that for a period of time. It may be a nice problem to have in time to come, but for now we're sticking to less than 1.5x without being specific on how low.

Madhvendra Singh
Your answer actually answers my follow-up question on that one, so thank you very much.

Operator
The next question is from John Kim of UBS.

John Kim
Hi everybody. Congrats. A couple of questions, but I'll make them quick. Can you update us on the restructuring of the Mobile Money subsidiary? Have you restructured in the way that you wanted to? Are there any roadblocks here in major opcos? Secondly, can you give us a bit of colour on the competitive dynamics now in SA prepaid as we head into Q4? What sort of price competition or discipline are you seeing? Finally, some colour and update on your medium-term cost targets and what you've been able to deliver in H1 and how that looks into H2. Thank you.

Ralph Mupita
John, thanks for the questions. I'll leave that to Tsholo to speak about our expense efficiency programme. She is the champion on that one. Just on the fintech, we remain committed to end of Q1 to have completed the structural separation of the opcos, setting up their own standalone financial accounts, having intercompany agreements between the opco and the finco. These are progressing. Intercompany agreements with the Group Fintech and all of that. So that is progressing and currently there are no roadblocks to think about.

The only issue is regulatory approvals are not things that we can obviously predict. I would say that would be the only thing that can catch us by surprise, how long it takes in market A or B. But the work on that restructuring is progressing well. As I said, our target is to be able to communicate that we've structurally separated them, the agreements are substantially in place, the GSM business, the opco finco, and then to Group Fintech which we've got that structure also going on.

You will see that we've appointed the CFO. The previous CFO of Nigeria is now the CFO of our Group Fintech business. Kunle has come back. So I think that is pretty much progressing. The only callout is regulatory. This will be subject to regulatory approvals and any issue there may delay us a little bit. But we don't see anything that is of concern as we speak right now.

On the competitive dynamics in South Africa I think there is quite a lot of pressure in the consumer prepaid market particularly at the lower end. That intensity prevails. Our own observation is that Telkom is very aggressive. We've seen Vodacom respond, and then we respond after Vodacom has responded to Telkom. So that's an area which is quite competitive. I don't think it's a race to the bottom as some of you would have seen in markets like India in terms of competitive intensity, but I would not say that that's an area that is not competitive.

I think it's the mid- to lower-end bundles that you see quite a bit of intense competition in South Africa. As I said, Telkom seems to lead. Vodacom follows. We then follow Vodacom there. But you see it in the numbers. I think as we mentioned in the outlook, I think the challenge is for potentially some weakness in South Africa in that part of the SA base into Q4. I think we see a little bit more softness in South Africa in Q4 there. Tsholo, do you want to pick up the last question?

Tsholo Molefe
Yeah. Just on the expense efficiency programme, we are progressing very well. If you recall our target is a medium target of over R5 billion. We reported R1.6 billion in H1 and we are well over that in the third quarter, just over R2 billion. So we are quite comfortable that we're making good progress across most of the markets and we should be able to meet our target as indicated.

Madhvendra Singh
Great. Thank you.

Operator
Our next question is from Nadim Mohamed of SBG Securities.

Nadim Mohamed
Good afternoon and well done on an excellent set of results. I just have two very quick questions. Just on the SEA region it seems like there was a bit of a stepdown in growth. Still very healthy at 16.1% year-on-year for the quarter. I just wondered if you could give us some colour into what is going on there and if there are any once-offs in there that may have driven that step down. Secondly on the Telkom roaming agreement, I wanted to get a sense if you can share with us any sense of the amount of traffic that will move onto MTN's network eventually and over what time horizon. Thank you.

Ralph Mupita
Maybe I'll take those two and if Tsholo wants to top and tail she is very free to do that. On SEA I think the main issue has been really around Uganda. Uganda has had some unusually strict lockdowns relative to all the other markets. I don't know if you guys follow what's happening in Uganda, but schools are still not open. The children will only be able to go back to school next year. There has been some impact there in Uganda. But we think that is not structural. That is just something that we will see a better service revenue profile coming out of Uganda once we get back to Q1. There are small things there, and you only see them when you're in the market. We have just recently come from Kampala. All the activity that you normally see in informal markets is somewhat reduced. That has obviously eaten into a bit of what we normally see as trade in the Uganda market, so I would call that out.

On the Telkom agreement, it's pleasing to see that we re-established a relationship with Telkom. As usual these are commercial agreements so we don't say too much because these things are obviously confidential. But suffice to say typically it has its minimum commit levels, it is multi-year, and I guess as we start reporting into 2022 you will see what the level of contribution Telkom is generating to the wholesale business in South Africa. But I think you can work on the basis that it does have a minimum commit, 2G, 3G and 4G services, and it is multi-year. To be specific there, it's a five-year agreement, just to give you a bit more colour. The multi-year is for five years.

Nadim Mohamed
Thank you so much. Really appreciate it.

Tsholo Molefe
I don't have anything to add. I think you have covered those sufficiently.

Ralph Mupita
Thanks Tsholo.

Operator
Our next question is from Amit Singh of Acanthin.

Amit Singh
Hi guys. Thanks for the call and the questions. Just a follow-up on that Telkom roaming agreement that's come through. I need to be quite delicate on how I ask this. Whose spectrum does the Telkom traffic roam on?

Ralph Mupita
Telkom have enormous amounts of spectrum. You just heard me plead that we have very little. Look, there are reverse roaming agreements that get structured. The one that we've spoken on our side about is the Liquid one on the 1800. But where we have the kind of active sharing structure obviously these get approved by the authorities. But this specific point that you raise, it's one that I wouldn't want to expand on a little further, suffice to say that for them it's actually less of an issue than it is for the likes of MTN who have less licence frequency. As I said, what we have right now is just a minimum commit contract. And you guys will see the quantum of that as we report in coming periods. I hope I answered your question in a very roundabout way.

Amit Singh
Thanks for that. I had to try.

Operator
Our last question is from Ziyad Joosub of Nedbank.

Ziyad Joosub
Hi everyone. Thank you for the questions and congrats on a great result. I was wondering: Your wholesale or your roaming arrangements with Cell C and now with Telkom really improved the free cash flow structure of your business in SA. Could you maybe give us some early level indications on what your aspirations for network as a service are in big markets like Nigeria and Ghana? Do you see opportunities for you to supplement your revenue base with additional wholesale revenue in these markets? Thank you.

Ralph Mupita
Thanks, Ziyad, and thanks for the compliment. One of the platforms that we talk about is network as a service. South Africa is a bit of a playbook, Cell C and now some of the Telkom coming back. We built the network to carry our own traffic, but where we can carry others' traffic without compromising our own quality we will look at that to just monetise the network further. So, as we speak, we are looking within the context of Ghana. You will well remember that Ghana has got a Significant Market Player status and it has a whole range of arrangements that the regulator would like to see around the dominance. Actually one of them is network sharing. So it falls well within our own strategy. So we are exploring right now as we speak in Ghana, so we will see where we land there.

In Nigeria, Karl has done a bit of a pilot just to see as well. The reality is Nigeria, although it is four players, I think with the expansive network it is basically ourselves and Airtel that there is an opportunity to work with 9Mobile or Glo where it's commercially sensible. Karl will look at that. And we're looking at other markets, so network as a service is something we are consciously looking at across as many markets as we can. Particularly in the small markets we think that can help and aid with the economics of the business overall. So I think you will see more of these in other markets in the coming period.

Ziyad Joosub
Thank you. That's very clear.

Operator
Thank you. We have no further question on the line, sir. You may go ahead with closing comments.

Ralph Mupita

Thank you very much, operator. To all the investors, as I said there is quite a lot in our SENS release. It has been an enormously busy period and I think Q4 is proving to be the same. So we're not resting. Thank you for your support, and we look forward to updating you. As we said, the one update we would look to provide you with in a little over a week's time would be to provide you more detail on our opco-friendly deal that we're looking to close in South Africa. So that is news that you should look out for.

We are looking forward to resolving the South Africa spectrum set of issues. They are quite important to resolve relatively soon, and I think all stakeholders are all very seized by the matter and in solution mode. And other than that, we will stay focused on executing our strategy and we will update you further with the full-year results in March. If there is any important announcement, we might bring our shareholders together just to update you. Thanks very much, and I appreciate the questions raised. Thank you.

Operator

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

END OF TRANSCRIPT