MTN Group Interim Results to 30 June 2021

Presentation transcript

Date: 12 August 2021

Speaker	Narrative

Thato Motlanthe

Good afternoon and welcome to MTN Group's interim results presentation. My name is Thato Motlanthe and I look after Investor Relations for the Group. I trust that everyone is keeping safe and healthy in these challenging times that we're in as we continue to host our results on the virtual platforms until such a time we're able to safely host everyone in the auditorium again. Before we get started, and in terms of housekeeping, our standard disclaimer and safe harbour statement should on the screen now, and that covers our presentation for today.

If you think about 2021, thus far it has certainly been a year of continued change and transition with businesses across the world having to adjust to what is turning out to be an ever-changing environment which is shaping and changing the future. For MTN's part we've been working quite hard not only to keep pace with it but also to take the lead in the evolving landscape that we're in. In the presentation today we will provide you as our varied and valued stakeholders – and of course that includes the many MTNers across the markets – with a view of our operational, financial an ESG performance in the first six months. And in terms of the agenda for today the programme will run as follows.

Up first, MTN Group President and CEO, Ralph Mupita, will come up and give us a strategic and operational overview. He will be followed by Tsholofelo Molefe, who is our CFO, and she will give us highlights on the financial performance. Ralph will then come back to the stage to run us through some of the key focus areas for the next six months and beyond. We will then close off the session with a Q&A segment and Ralph and Tsholo will respond to your questions. At this point, just to note that you can send your questions through the webcast platform and we will voice those questions out for you. For those tweeting during the session, the hashtag is #MTNInterims21 and our Twitter handle is @MTNGroup. On that note let me welcome Group President and CEO , Ralph Mupita. Thank you very much.

Ralph Mupita

Thato, thanks very much. I would like to extend my welcome as well to all the investors and broader stakeholders who are joining us on various media platforms for our H1 2021 results. I'm

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also extending welcome to the 18,000 MTNers who are also joining us via various media platforms. Tsholofelo and myself feel very privileged to be able to represent you in reporting to the capital markets the results that we've achieved in the period under review.

I think it's important from a context point of view before we get stuck into the results to step back and think through the context of how we operated in the last six months and what has enabled MTN to be able to be resilient through the challenges but also to be able to take advantage of the opportunities. I think the first thing that I think you will all agree is that we have been in a macro environment that has been very challenging. COVID-19 has had significant impacts on lives and livelihoods across our footprint and I guess more broadly across the globe.

In the developing markets that we operate in the macro challenges have been a lot more significant, and we've seen these challenges come through in currencies under pressure and GDP growth under pressure. And we've been able to navigate these challenges during the period, but it hasn't all been challenges. I think you would well agree with me that there have been a series of opportunities that have come.

And those opportunities really are about the digitalisation that is accelerating across our markets. We don't believe that this is a cyclical trend but actually something that is actually more structural. In our results that we will present I think you will agree with me at the end that we are indeed in a structural change in how people are consuming digital services and using connectivity.

So what has enabled MTN to take advantage of the opportunities? We would argue that there are at least three factors if not more. The first is that we have sustained investment in our networks and our platforms over a period of time and created an advantage particularly in our networks to be able to take advantage of the demand that has surged particularly over the last 18 months.

We have very strong market positions pretty much across all our markets. We've spoken in the past that we have number one and number two positions. And having that scale enables us to have efficiencies where we're able to provide more services but also deliver quality earnings and returns to our investors and broader stakeholders.

We are also very focussed on capital allocation. Disciplined capital allocation is a feature of this management team. We're very focussed on that, and I think the investors would probably repeat the ladder of capital priorities, and we have been executing with that capital framework in mind. And very importantly, what you have is a management focussed on execution, executing on our strategy, executing on our vision. And this is the underpin of the results that we will talk about today.

If I start with the financial highlights I won't go through all the key metrics save for commenting on four of them. Tsholo will do a fine job in covering the rest. The adjusted headline earnings per share is a standout number that we would like to point out in terms of our financial results. The adjusted headline earnings look at the core operational earnings momentum of the business, and that's just shy of 32% up in the period.

I think the other call out in the financial highlights that I would pick is just the balance sheet. We've spoken to investors in the past that we do want to have a faster deleveraging of the HoldCo balance sheet. And we have executed on that in the period. At the end of December 2020 our HoldCo leverage was 2.2x. We set a target in March of this year that we want to be under 1.5x.

And through this period on the basis of the upstreaming that we've seen in the markets, stronger upstreaming actually in the first half of this year than last year, as well as Rand strength, we have been able to see our HoldCo net debt position coming down to 1.4x. And Tsholo will elaborate in more detail how that debt profile has improved. And we are well on track to doing what we said we would do, which is to deleverage faster and create greater financial flexibility for the group balance sheet.

The other standout item that I would pick on the financial highlights is the operating free cash flow which is up 51%. I think at the end of the day service revenue has to convert to cash flow and we're seeing a good conversion of that coming though in the period.

For me one of the most impressive numbers to point out in the highlights has been the ROE. Many of you will remember in 2018 we spoke about ROE as our new target because at that time we were generating returns on equity below the cost of equity. I think what we can say pleasingly is we've seen very good ROE improvement in the business. In 2018 we were at 11.5% and now we're talking about 18.3%, which is getting us towards our target of ROEs above 20%, creating sufficient headroom between the cost of equity or the cost of capital for the Group. And this is something that we are very focussed on as a management team.

The other point that I would like to highlight on this slide is really about the dividend and the dividend policy. We just want to reiterate with this interim results presentation that we're maintaining the position that we communicated in March, which is that we anticipate that the board will declare a minimum dividend of 260 cents per share in March 2022 as a final dividend. So there is no interim dividend right now.

And the board will apply its mind having reflected on upstreaming, particularly from Nigeria, how the ARP programme is progressing, and just more broadly the COVID-19 impacts across the market. And on the basis of assessing those conditions in March next year and seeing how we've progressed, particularly with the ARP programme and, as I mentioned, Nigeria upstreaming, the board remains open for further shareholder distributions at that point in time. So I just wanted to make sure that we clarify that point right upfront as we know that is possibly a Q&A question from some of our investors.

Just moving to the progress against the medium term guidance, we enhanced our medium term guidance in March this year. We were more specific on what we saw as service revenue growth at the Group level moving to low to mid-teens. South Africa we've maintained the mid-single digits, and Nigeria we spoke about double digit growth. That is more in line with around the mid-teens given the inflation environment in Nigeria. We also updated the guidance with Fintech because our belief is that we can accelerate the Fintech business towards 20% over the next five years. And we are well advanced with that. So those were the changes that we made against our medium term guidance.

And I would make two call-out statements on this chart. The first is South Africa. I think South Africa's performance has been exceptionally strong. To Godfrey, Dineo, Giovanni and the broader team in South Africa, you guys have executed very well. And I think as we will show the investors when Tsholo takes us through the financial performance of South Africa, this business is firing on all cylinders and we are ahead of the medium-term guidance of 4% to 6% having achieved the 9.3%. So I think that's one of the stand-out comments I would make in terms of the medium term guidance delivery in the half.

The other one is the HoldCo leverage. As I mentioned, the HoldCo leverage at the half year is in our range that we want it to be in, below 1.5x. And with the additional upstreaming that we received from Nigeria post the half on a pro forma basis that's 1.2x. And as I mentioned earlier on, we are at 2.2x and we've made material progress. Tsholo will take us through how we've managed to get the cash upstreamed from Nigeria. I want to also extend our thanks to our colleagues in Nigeria who worked with us at Group to be able to get that upstreaming. Karl, Modupe, Ismail and also the interactions that we've had with authorities in Nigeria.

Just moving beyond the medium term guidance and just coming to reflect on COVID-19, at MTN we continue to focus on the four programmes to manage both the COVID-19 challenges as well as the opportunities. So our focus on the four programmes is social, commercial as another priority area, and the network and supply chain, and finally, funding and liquidity. And we've

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made great strides across all the areas. What I would say to investors and broader stakeholders is that these programmes are well managed and we believe that we have a resilient structure to be able to withstand any shocks of any future waves that may well come in due course through those four programmes.

But to give investors a bit more insight into the MTN environment in terms of what the impact of COVID has been, if you look at this chart n the left-hand side of the chart you see the total cases that we've had reported, just over 2,400. And we have last 18 MTNers in the period to the COVID during the second and the third waves. And we join as MTN leadership the families and loved ones in mourning the death of MTNers who have been behind the results that you are seeing today.

We are still as a company working largely with a policy of work from home. And as you can see on the chart again, 70% of MTNers are working remotely. But that's really as a consequence of the extent of vaccinations across the business. On the right-hand side of the chart you will see that just above 8% of MTNers has had at least a single dose of a vaccine. And people who are fully vaccinated across MTN staff are just on 4.3%. So in a world where we're trying to get to herd immunity at two thirds of the population, we still have a long way to go across our markets.

And hence the call that we've made in support of the AUCDC and the World Health Organisation around vaccine equity, because we've seen vaccine inequity across our markets and it's taking much longer to get the vaccines out. We have made a small contribution during the period with our vaccine donation of $25 million. We had the first phase started with a million doses distributed across 14 markets on the African continent. That process got paused as we saw vaccine availability become a lot more difficult across our markets at the time the Delta variant was more pervasive across the markets and vaccines weren't coming out of India.

But we feel encouraged now that we will see a phase two where the balance of our donation will be fully utilised by the end of the year. We are in constant communication with the AUCDC in terms of the progress they are making and which countries will receive the vaccine over the period. Hopefully this gives you a bit of a colour of how we're operating and delivering the results that we're now going to go into a bit more detail on.

As we look at the results, and just looking at the trends, I think a couple of key points to comment on this chart. The first is that as we look at quarter on quarter performance we've seen an acceleration pretty much across all measures of commercial momentum. Q2 has been stronger than Q1. If we normalise Nigeria where we've had the NIN SIM registration challenges in the beginning of the year, we actually added 5.4 million subscribers to our base.

And within the context of Nigeria we are seeing an improving trend of declining net additions. And to give you a bit of a data point, in February six months ago we were seeing 1.6 million as declines in our subscriber base, and at the end of July that number was more like 500,000. So the trend is improving and we believe by the end of this year we will be well back into growth. I will comment a little bit about our priorities in Nigeria just now.

I think you also see that on our Fintech side we're seeing acceleration both on the user net adds and also in the revenue. I think voice is also an interesting trajectory. In many markets people think voice is dead and has gone ex-growth. Across our portfolio voice is still an important bearer and just under half of total service revenue. It is still a material part of our revenue mix. I think the most important point on this chart is really that Q2 momentum has been pretty strong and positive to the results that we have delivered in the half.

If we have a look at our regions starting with South Africa, as I mentioned, the South Africa performance was exceptionally strong. We saw all business units firing and delivering, whether it's consumer prepaid, consumer post-paid, enterprise or wholesale, all four businesses were contributing to the growth that we've seen. And importantly that growth flowed all the way to the bottom line where we've seen very good earnings and cash flow growth coming out of South Africa. Seeing South Africa delivering healthy margins as it has and underlying cash flow growth is really something that we are very proud of to see, particularly what Godfrey and the team have achieved.

That is on the back of sustained investment in the network. We have a number one network leadership position for the last three years, and we will continue to invest to maintain that status. The two points I would make out on this slide really are market context issues. The first is obviously we were part of the litigants in terms of the spectrum auction. We were very focused on the 3500 MHz band as part of our own challenges.

So our challenges were very narrow and focussed. We are engaged with ICASA at the moment and we're hopeful that we can find a settlement or mediation process that gets the process underway because we do believe that getting the spectrum is important to meet demand in the future for 3G, 4G and in particular 5G. So we are hopeful that we will be able to make headway between now and mid-September when the legal processes will kick in if we have not made progress with the mediation efforts.

The second point I would mention is really the unrest that we saw specific to two provinces, KwaZulu Natal and Gauteng. The extent of the damage nationally obviously is a major concern where there was reported R50 billion worth of damage. When we bring the light towards the MTN operations, we did have some damage to 29 stores, about 104 sites, and the total damage we estimate at about R40 million. Obviously we're covered with insurance and that level of damage that we saw was fairly limited and not impacting our operations materially.

Where we did see quite a lot of impact and which we are looking to help are the spaza owners and shops who distribute airtime for us. We are making an intervention to support them because those owners have very little financial capacity for insurance to rebuild their businesses. But for South Africa I think the key point here is very strong growth.

And also another point that I would make in terms of what South Africa has done is focussed on lowering the cost to communicate. We have seen a reduction of 45% in the 1 GB 30 month validity bundle, which is the area that we've targeted for ensuring that everybody should be able to afford to consume at least 1 GB of data within 30 days, and the price point for that has come down 45% over the period. So South Africa's performance is very strong, and Tsholo will take us through the numbers just now.

In terms of Nigeria I also want to reflect on the point that we've now celebrated last week 20 years in Nigeria. 20 years goes very quickly. And we just want to thank all the stakeholders that have supported us through this journey. Nigeria remains our largest market within the MTN portfolio, so it remains central and core. I guess we've seen a sustained momentum particularly around data.

There has been a very strong flight to quality; I think something that we're seeing across our network during these times of high data usage. And that has come through in how we've seen the data traffic growth in Nigeria, over 80% traffic growth. And we have continued to expand our network, particularly 4G where we have over 65% population coverage and are maintaining the leadership position as the number one data network in Nigeria.

I would make a couple of comments on the market context. Obviously the FX environment has been challenging, but we've been able to get to date R6.3 billion of historical dividends out over a couple of months. So we have cleared the 2019 and 2020 dividends fully now. As I mentioned, Tsholo will give you a bit more context on that. The other stand-out feature for the period was obviously the SIM registration process.

We are very heartened by the fact that registrations started again in earnest in April, and as I mentioned, we are seeing the benefits of having 40,000 registration machines coming through. As I said, before the end of the year we should see ourselves back in net addition territory in

Nigeria. That is something we have worked very closely with authorities there on, updating them frequently on how we're making progress. And they have been willing to adjust those deadline dates. So Nigeria had very solid results, and Karl, Modupe and team would have taken you through the results last week. Tsholo will cover the financial results in a bit more detail.

If we go to the regions, again very strong performance at the top line from all regions. In this period all regions have been contributing very strongly to the top line, SEA just over 30% service revenue growth, WECA at 17.4%. We always remind investors that WECA ex-Ghana is largely a francophone almost Euro denominated market where inflation is very low, so 17% is very strong. Stand-out results coming through from Cameroon and Cote d'Ivoire, so that WECA turnaround we spoke about a couple of years back is now very well sustained and we're seeing the benefits of all the investments that we've made in those markets.

To Karl, to Djibril and to Steven and to Ebenezer, the VP, thanks very much for all your efforts there. And to Yolanda, our female Vice President, for really pushing the team to drive service revenue growth which we've seen also coming through SEA. And Ismail has had a very challenging time as we will discussion the MENA exit, or the Middle East exit. But on the top line we've seen very strong service revenue growth coming. Sudan was obviously very strong. MTN IranCell is not consolidated into our service revenue, but there we saw very strong results being delivered in a very challenging macro.

One other point that I would point out to the investors is to look at the contribution of Fintech in some of our regions. Our most advanced regions on Fintech are south-east Africa and then the WECA portfolio. There you can see in those bottom bullet points that Fintech is already contributing 19% in SEA and just over 18% in WECA, giving you a sense of the potential when we have the Fintech business fully developed as we have in those markets. And hence our belief that the 20% growth in Fintech contribution to service revenue is going to be possible over the next couple of years to 2025.

Talking about Fintech, Tsholo will take us through a P&L view of Fintech, but just to talk about the growth vectors on Fintech. We have a couple of what Serigne calls our unicorn businesses, so the wallet payments and e-commerce, Banktech and Insurtech. And just to pick up on some of the key metrics that you see on this chart – and I'm sure you'll take your time to study these growth profiles – firstly we've seen MoMo users grow very strongly year on year by just under 28%. And we are now just shy of 49 million 30 day active mobile money users. If you had to gross it up to total wallets we're looking at close to 100 million in total wallets, but total active we're just under 49 million.

We've seen a very strong growth in the agent force as well as in airtime sales delivered through the wallet, so very strong usage within the wallet context. Payments and ecosystem is also very strong. I will point you out to the gross merchandise value that is in our ecosystem, $12.4 billion growing at 350% plus year on year.

The other area I would point out is really around Insurtech where we've announced today that we have formed a long-term alliance with Sanlam. Sanlam have got a very strong African footprint. They are also as passionate about the African continent as we are, and we are going to join forces to really take quality insurance products across our subscriber base not only in the markets we operate in but also in the markets they operate in as well. So we're going to do a bit of insurance over the top working with Sanlam, and we have ambitions to get our active policy base over 30 million in the next five year period.

So the Fintech platform is accelerating. All the growth metrics are very strong. We're not going to have time to go through all of them now, but I'm sure you guys will have questions in due course. But our conviction that the Fintech business can become 20% service revenue contributing to the group in the next five years remains intact and we are encouraged by the performance of the first half.

Moving on to the asset realisation programme and the portfolio transformation, starting with progress to date. We did complete the sale of BICS earlier in the year and proceeds to the Group of R1.8 billion. That has obviously been supportive of the deleveraging that you saw earlier on. And we also completed the Rwanda listing by introduction and capital was raised through that localisation.

The other area where we were focussed on in the first half was really around Ethiopia. I think you will all remember now that we did put our bid in in April of $600 million for the license that was available. As we explained in our Q1 update, our bid with partners – Silk Road Fund from China and [unclear] from the US – was framed from a strategic financial and risk perspective to come up with the $600 million as our ticket price for a fresh license. We were unsuccessful, but at the same we felt comfortable that we had applied our capital allocation framework vey consistently and maintained the discipline.

We have over the last couple of months applied our minds to whether we would pursue the further opportunities for liberalisation in Ethiopia. The management team and the board explored all the issues, strategic, financial, risk. We also had the view and the frame that in most markets that we operate in, the number three operator coming in often has difficulty to generate the right level of returns. Having considered all these factors we have taken a decision that we will not proceed in the two processes underway.

We want to take the opportunity to thank the Ethiopian authorities. We have had many discussions with them over the last couple of months, in fact years to be honest. Minister Ahmed Shide I speak to pretty much on speed dial. I personally want to thank him for the time he gave as well as his broader team to listen to us during that initial round. We certainly wish them well as the process progresses.

As we look to the future for the ARP I think we are very focussed in particular around the TowerCo transactions. The one TowerCo transaction that we control the timeline on and the process is the SA towers. And we have been clear that we're looking to make a decision by the end of Q3 of this year, and we remain on track. We have received binding bids and we are applying our minds to these over the next couple of weeks. This is obviously a very complicated process, so it will take a bit of time, but we are remaining committed to the end of Q3 as our decision timeline. So we feel comfortable that that is progressing very well.

We have done a lot of work with the IHS team, and to Dam Darwish and the team I think it's been a constructive couple of months of working together. We've done all we can to try and figure out how an IPO can happen. The decision for an IPO is obviously in the hands of IHS, not in our hands. But all the preparatory work that would have been needed from our point of view has been done from our side.

We are very involved with localisations, and the Nigeria localisation which we have said we've done all the preparatory work. Obviously were waiting for market conditions to improve and then we would proceed with what we see as series one of a potential two to three series transaction to do a 14% sell down. Series one would be very focussed on retail investors. We would ideally want 3% to 3.5% of that 14% sold down. But obviously we will assess market conditions. And our shelf prospectus programme is live, and once market conditions become conducive we will proceed with that. The Ghana localisation is on track, and in Uganda we are doing a 20% sell down in Uganda as part of our license condition. We did renew our license last year, so we are well progressed and have done quite a lot of planning towards that.

In terms of the portfolio optimisation and focus on Pan-Africa we took a decision to abandon the Syrian operation effective today. I think we have communicated in our SENS release this morning the context and the reasons for the abandonment, having looked to getting out of Syria in an orderly fashion. And just to summarise the points that are in our SENS, we have felt that the authorities have not been fair on us in many respects including the legal guardianship of the business earlier in the year and the demand for undue back license payments from 2015. I think that was the trigger point for us to say that it has become intolerable for us to operate in the market.

We are abandoning the operation and we will seek recourse if we have to in the international processes that are available to us. We do want to say to our customers, the 6.5 million subscribers that we served over the last couple of years, that we just want to thank you for the opportunity to serve you. We did our best since 2015, but the situation has become enormously difficult for us to continue, and hence the decision that we have made. We are evaluating options for exiting Yemen and Afghanistan, so that is work in progress and in due course we will update investors and broader stakeholders n where we are with that.

Before I hand over to Tsholo to take us through the numbers, maybe just a pause and reflection on the context of how we delivered these results, because there is a greater environment that we operate in. there is a social license to operate that I think all businesses understand fully well. We've done a lot of work in the last couple of months to really put ESG at the core.

We did speak to the market about our Project Zero initiative which is really about our commitment to reducing greenhouse gas emissions, Scope 1, 2 and 3. We've made commitments that off a 2019 base we should get to a 47% reduction by 2030. Our Group CTIO, Charles Molapisi, and team, supported by our sustainability team, are arranging us to be able to meet that target across all our markets. And we will have more to update the market with our full year results in that regard.

Sustainable societies, we do understand that we have a role to play to increase digital inclusion and financial inclusion as well as the important topic of diversity and inclusion. We are making a statement as MTN that we do need to break the pattern particularly around gender in our workforce. We have 38% of our staff as women. Why not 50%? We have resolved that we are putting a target across our business that we want to have 50% in the workforce. You would have seen some of the appointments we have made in recent times. These are very aligned to our diversity and inclusion profile. And these would be not just for our workforce but our boards as they evolve over time. So we are lending our hand to playing our part in the diversity and inclusion.

Obviously on governance there are a variety of areas to work in. our reputation, enhancing our engagement with digital human rights organisations. There is a lot that is going on around internet freedoms, and we are very engaged with the various civil society groups. And we are engaging them about some of the issues that we face in specific markets and the position that we have with regards to digital human rights. So a lot is going on around putting ESG at the core of the company.

But we also know that it's not just about operating and delivering results. We have an economic value added role to play across the markets. And in the right-hand side of the chart we're just trying to present how we as MTN are seeing our humble contribution to markets. And our framing is that we've added R50 billion in the period, most of it to network investments, building the digital infrastructure and the railroads that Africa needs to support its own growth.

We have obviously also contributed in salaries and wages and in paying taxes. Often multinationals are accused of not paying taxes. We are very proud that we pay the taxes that are due, and we paid cash taxes of R7.2 billion, 47% up n prior year. And I'm sure these taxes go a long way to support the fiscus that are in very challenged states. So I will pause there and come back a little bit later, but just hand you over to Tsholo to take you through the financial numbers. Thanks, and over to Tsholo.

Tsholo Molefe

Thank you very much, Ralph. A very good afternoon to everyone joining us virtually on various media platforms. And especially hello to MTNers across our markets who have joined us for these results. Over the next 30 minutes I'm going to take you through the financial performance overview for the first half of the year covering firstly the material items that have impacted our results.

I will then cover salient items on the Group income statement. I will share a summary of the performance of our two largest markets, being SA and Nigeria. I will then take you through key line items in the Group income statement in a little bit more detail, and then end with our free cash flow performance, balance sheet movements as well as our returns profile.

So if we start the, with our key items that have impacted our results, I think starting with the currency movement, the stronger Rand on average exchange rate resulted in reported service revenue being impacted negatively by about 17.6% relative to the constant currency. The average Rand was stronger against the Nigeria Naira as well by about 22%. The closing rate against the US Dollar had an impact on the balance sheet items and also impacted our HoldCo leverage specifically positively.

We also had some forex losses close to R2.1 billion which were recorded due to currency devaluation in various markets against the stronger Rand. Included in those forex losses are also an amount relating to the upstreaming of Nigeria dividends of about R791 million, and I will take you through how we've been able to upstream the dividend from Nigeria in a minute.

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We also have some significant once-off transactions, non-operational items which had an impact on our reported results. Maybe just a few key of those. We realised a gain on disposal of our investment in BICS, realising a gain of about R1.2 billion with cash proceeds of about R1.8 billion. In February this year on the 25th February MTN Syria was also placed under judicial guardianship. As a result we lost control of MTN Syria and therefore had to deconsolidate the company. As a result of that we had to recognise some losses on our balance sheet, a total net loss of R4.7 billion.

Yemen's recoverable amounts are also now at nil book value after doing an impairment assessment. We are taking impairments of close to R1.2 billion. R550 million of that relates to goodwill impairment and the balance of R663 million relates to impairment on non-current assets. We also made some donations relating to COVID. Firstly we made donations relating to the AU vaccine rollout of about R370 million. And MTN Nigeria also made some additional donations to Coalition Against COVID of about R103 million. So a total of about R473 million had an impact on our bottom line as well. So these significant once-off items had an impact on our expenses, our EBITDA, our EBIT as well as the headline earnings per share as you will see later on.

Maybe just touching briefly on the material impact which relates to the upstreaming of the cash from Nigeria. As indicated during the period, we upstreamed about R4 billion from Nigeria for the period up to 30th June, and then a further R2.3 billion was upstreamed post the period. So this resulted in all the outstanding dividends relating to 2019 as well as 2020, both interim and final dividends, now being cleared.

I think it's important to highlight that how we went about that was that we did put an application to the central bank of Nigeria, so allocations were done by the CBN through commercial banks at an average rate of about ₦460. And this was really done using a combination of spot and forward market, but more weighted towards the forward market. And hence obviously a higher rate than the spot rate.

If you look at our HoldCo from that perspective, due to the upstreaming of the cash from Nigeria we've been able to improve our HoldCo leverage from about 2.2x in December when we reported the financial year-end 2020 to now about 1.4x. On a pro forma basis our HoldCo leverage would thus be about 1.2x when we take into account the total R3.6 billion that has been upstreamed.

Looking at the salient features on the Group income statement in detail, what you will see on the right-hand side table is the year on year movement of some of the line items from a reported as well as constant currency basis. We delivered solid underlying performance with service revenue growth of about 19.7% as indicated in constant currency during the period, really largely driven by double-digit growth in Nigeria and Ghana. South Africa showed very pleasing results of about 9.3% growth in service revenue when compared to last year where they saw a decline of 2.5% in the first half of the year.

If we exclude these once-off items you can see that on constant currency EBITDA grew by about 24.1% with reported EBITDA growing by 6.6%, really underpinned as I indicated by top line growth as well as our cost efficiency programme which is now yielding results. The 4% increase in depreciation, amortisation and goodwill impairment in constant currency was really largely driven by the increased capex additions that we made in prior periods, but also as I mentioned earlier the goodwill impairment relating to Yemen also had an impact on that line.

The share of results of associates from joint venture, a pleasing 55% increase to R926 million was largely due to the strong underlying performance that we saw in Iran specifically. Income taxes grew about 24% year on year, and this is largely due to higher withholding taxes as we upstreamed more cash from various markets as well as an increase in non-deductible expenses in other markets. The Group effective tax rate you will see was quite significant at about 59.2% when you compare last year which was at around 26%.

Bear in mind that last year was also impacted by some non-deductible gains when we disposed of some of our leases. However, our Group effective tax rate at 59% was largely impacted by those once-off adjustments relating to specifically the losses on deconsolidation of Syria mainly. However, on a normalised basis our Group effective tax rate was at about 38.9% which is really in the range that we've given of mid-30 to high-30%.

If we look at our adjusted headline earning per share it increased year on year by 31.5% in the region, and this was impacted positively by the adjustments that I spoke about earlier on amounting to 118 cents per share.

If I can now unpack our service revenue growth in a little bit more detail, voice, data and Fintech as you can see were the key drivers of growth during the period. Voice revenue grew by about 8.9% supported really by an increase in vice traffic of about 12.3% year on year. The performance was also supported by well-executed customer value management initiatives and segmented customer propositions. Data revenue as you can see grew by about 32% driven by a surge in data traffic of about 53% and really underpinned by active data subscriber growth of 3.1 million subs, now closing the year at 117.4 million subs.

Speaker	Narrative

Digital revenue increased by about 23.8% supported by an improved uptake of our digital offerings, while Fintech revenue grew by a stunning 39.7% driven by base growth in our MoMo business of 2.6 million users to now about 48.9 million. Wholesale revenue had a remarkable performance, growing by 60.6%, impacted positively by the national roaming agreement that MTN SA has with Cell C. And I'll touch on that later on. Other revenue includes the ICT revenue and enterprise connectivity as well as SMS revenue which grew about 13% year on year.

If we then move on to Fintech, if we just look at our Fintech business you can see that Fintech, which now contributes about 9% of total service revenue to the Group, rose by about 40% almost in the period as we really continued to scale up our mobile financial services. The bulk of the Fintech revenue came from withdrawal. As you can see on the pie chart there, withdrawal services at about 62% of the total Fintech revenue.

We saw EBITDA growth of about 38% in line with the solid service revenue growth, with EBITDA margins on a pro forma basis at about 46% while the gross margins are at around 50%. We expect EBITDA margins to rebase as growth picks up and we start allocating the full cost associated with running the business. but I think importantly the free cash flow, which was stronger at 37% growth, is the key metric to look at given the economics of this business which is really capital light. So EBITDA conversion to cash flow is really the key metric that one should be looking at from this business perspective.

If we can then now move to South Africa, this slide really illustrates the trends in service revenue, expenses, EBITDA as well as capex in the period under review. MTN SA, as I indicated earlier, delivered strong overall performance with service revenue growing 9.3%, and as indicated, really enabled through solid commercial and operational execution across all the business units.

If we now have a look at MTN's performance at a revenue bearer level, outgoing voice revenue was slightly down by 1.2% year on year. This was mainly driven by a reduction in the effective tariff which declined by about 2.6% while traffic was really up about 2%. Data revenue on the other hand grew by about 12.3% really supported by a 56% increase in data traffic and growth in active subscriber base of 11%, now totalling about 15.8 million.

The core digital revenue on the other hand grew by about 28.6%, benefitting as well from a number of growth initiatives, billing optimisation as well as new products that have been implemented. Fintech revenue, which comprises mainly airtime lending fees, grew by about 6.4% impacted by the base effects as well which we had as a result of the decline that we had in lending during the hard lockdown of 2020.

Speaker	Narrative

Wholesale revenue grew about 62.4% mainly driven by notable improvement in the payments received from Cell C. MTN SA recorded about R1.4 billion in roaming revenue relative to only R788 million that was received last year, so an increase of 74% year on year. We do continue to account for Cell C revenue on a cash basis and we still have unrecorded revenue of just over R280 million.

If we then move on to the expenses when we look at MTN SA specifically, cost of sales grew by 13.4% largely due to an increase in handsets and device costs off a lower base from last year due to the impact of COVID. The cost of sales was higher largely impacted by the 4G device distribution which has seen an increase in devices of about 41% year on year. Commission expenses also were up 8% due to increases in device distribution and activation for 2021.

So operating expenses actually grew almost in line with inflation at about 5.1% and the increase was mainly due to network operating costs predominantly coming from the rental, utilities and maintenance support services cost. We also had additional expenses for generator fuel as a result of the load shedding events we had in SA. Within opex as well we had higher share based payments within staff costs as a result of the share price re-rating, and this was offset by some reversal of bad debt provision from the previous year because South Africa actually made some over-provision accommodating the COVID impacts. So a very good performance overall from South Africa with EBITDA growing 16.4% to R9.8 billion with margin improvement to 41.4% which is 1.5% increase.

As I indicated, strong service revenue growth but also good expense management as well. From a total capital expenditure perspective they spent about R3.2 billion, which is slightly lower than last year where they spent R3.5 billion, but really continuing to invest in key growth areas across the country really focussing on 3G and 4G sites, but focussing on managing the capex intensity as well, which is now at 13.6%.

In this light on the following slide one can see that all of MTN's business units, as we indicated earlier, delivered healthy and sustained growth. Maybe just a few comments to make here. It is encouraging to see the consumer prepaid business up 4% in the first half. This was achieved through strong commercial execution as I indicated in customer value management initiatives, but also changes to commission structures.

The consumer post-paid business also delivered service revenue growth of about 7.3% in a very highly competitive market. The growth experienced in the half was supported by good subscriber growth which was driven by channel expansion, and specifically online channels, as well as well-managed churn, and also just looking at new deals that are data-rich as well as SIM only deals.

Speaker	Narrative

Enterprise on the other hand increased by about 17.5% which is remarkable performance showing a performance over the last seven quarters, so good growth over the last seven quarters. The business continues to drive growth in the enterprise business through ongoing short-term COVID-19 deals that are continuing, but also strengthening customer value propositions as well as recovery around the ICT business.

If we just move on to Nigeria, I will just touch on a few salient points here because most of you would have seen the results that were reported last week. MTN Nigeria delivered solid performance as well with double digit service revenue growth as we indicate of about 24% almost. And the main drivers of growth were in voice, data and fintech.

Voice was up 12.6% benefitting from almost 12% increase in traffic and customer value management initiatives as well. Solid data revenue growth of 48% was underpinned by increased usage from the existing base, really supported by an acceleration of 4G rollout, and also the enhanced network capacity following the acquisition and activation of additional 800 MHz spectrum.

Data traffic rose about 83% year on year whilst smartphone penetration was up 5.8% to 49.3%. Fintech revenue had good growth as well at 47.4% driven mainly by airtime lending and uptake on other core Fintech services. The progress on expanding the agent network in Nigeria is ongoing with the total number of registered agents now rising to just about 515,000 in the first half.

In terms of expenses these were up about 19.1%. Cost of sales growth was mainly driven by the commission and distribution costs in line with the growth that we are seeing on revenue. And these were up about 23.9% and regulatory fees up 25%. Opex increased by about 21.6% mainly impacted by the higher costs associated with the aggressive rollout of 4G sites as well as higher site lease rental cost given the Nigeria exchange rate depreciation against the US Dollar.

MTN Nigeria also continues with its good cost discipline, really making some progress around expense efficiencies. And this really assisted them also in terms of margin expansion with margins now at about 52.7%. Total expenditure was up from last year at R6.7 billion, and really due to the acceleration of 3G and 4G rollout in line with the growth that they are seeing, with an achievement of about 23.6% in terms of capex intensity.

Now if we look at the Group expenses which were really well managed in the period, in the first half cost of sales was up about 16.5%, and this was largely driven by an increase in commissions and distribution cost mainly in Ghana, SA and Nigeria as I indicated, but also the increase in handset cost in South Africa due to the base effects of last year due to the low base effects of last year due to COVID. The increase in commission and distribution was also mainly driven by the strong growth that we are seeing in our MoMo business and increased activations compared to the same period last year.

Looking at operating expenses one can see that the increase was about 16.9%, and this was mainly led by higher network expenses as we continue to roll out sites across our footprint as I indicated. But our expense efficiency programme continued to drive margin expansion. During the first half you will see that we realised savings of about R1.6 billion which has led to a reduction in operating expenditure on a reported basis of about 1.6% year on year. So the savings in opex were largely from general and admin expenses with significant savings coming particularly from Nigeria.

We continue to target savings in the mobile network and IT modernisation specifically including energy savings and digital tools as we anticipate that this will contribute significantly to the target that we have set ourselves of over R5 billion over the next three years.

If we move on to Group EBITDA, on this slide you can see the drivers of Group EBITDA in absolute terms as well as in terms of our Group margins. Overall Group EBITDA in core operations, as I indicated, was about 24.1% on constant currency. The growth was actually broad based and it was led by the performance of most of our markets, Nigeria, South Africa, the SEA as well as the WECA markets. So at an operational level the EBITDA margin expanded by about 1.6% with positive contribution from all these markets specifically. The Group reported an EBITDA margin decline of 40% when we look at it from a reported basis, really impacted by the losses from the de-recognition of MTN Syria as well as losses relating to impairments from Yemen.

If we just look at the finance charges, these were really negatively impacted by forex losses for the period. However, the net interest paid declined by about 31% largely due to the lower interest rate environment as well as settlement of borrowings in Nigeria as well as head office, bringing down the average cost of borrowing from 8.5% to 7% in the current year.

Forex losses, as I indicated, were recorded this year, driven mainly by the losses from the upstreaming of Nigeria but also the losses relating to South Sudan due to the higher rate on settlement of the foreign denominated balances. We've had very healthy balances relative to last year, as we can see on your right-hand side. At the end of June we had cash balances of about R22 billion at HoldCo level and about R45 billion at Group level.

Just touching on the adjusted headline earnings per share in a bit more detail, this table really provides a reconciliation of attributable earnings per share through to adjusted headline earnings per share, which gives more visibility around our operational performance. The difference between attributable earnings per share, which declined 78% year on year as you can see there, as well as basic earnings per share which declined about 10%, is really due to the significant once-off transactions I mentioned earlier.

As we can see 262 cents came from the de-recognition of Syria, so losses from Syria. And then the Yemen impairment as well had an impact, but reversal on the gain of our disposal of our investment in BICS as well as the gain on the acquisition of a subsidiary relating to IO. So these resulted in basic headline earnings per share of 387 cents. A further adjustment of reported headline earnings were forex losses as well as the COVID donations, really resulting in adjusted headline earnings per share of about 505 cents, giving an increase year on year of 31.5%.

Moving on to capex, this slide shows further improvements in our capex intensity relative to prior periods, now at about 13.3%. We capitalised about R11.6 billion in the period excluding the right-of-use assets. We accelerated the rollout of 3G and 4G sites in support of the growth that we are seeing across most markets, mainly Nigeria, Ghana as well as Uganda. We rolled out a total of just over 1,800 3G sites as well as just over 7,000 sites over the period.

If you look at our network capex in total from the RAN transmission core network as well as site infrastructure, in total it makes up about 76%. And the balance comes from our IT modernisation which also includes the building of our platforms. MTN SA continues to expand its network rollout sites from a 5G perspective and well within their target for the year with about 324 sites already live in about four provinces.

When you move then to the cash flow you can see that we generated strong cash for the year and a significant improvement of about 51% in operating free cash flow largely due to strong cash generation improvement of 28% to about R42 billion year on year. As indicated earlier, this is really testimony to solid underlying operational performance across our markets. In the first half we had about R1.7 billion in working capital improvement, but this was largely due to the timing effects relating to payment of vendors and suppliers. Working capital does remain a key priority for us as we continue our efforts to preserve cash during these challenging trading conditions.

Some of the key cash outflows as you can see included the taxes we paid of about R7.2 billion, net interest paid on borrowings of about R4.5 billion, and capex including lease payments amounting to about R17.6 billion. The movement in financing activities of about R6.9 billion were

Speaker	Narrative

largely due to the repayment of borrowings of about R3.9 billion and settlement of lease obligations of about R3.1 billion.

During the year we settled a total of about R17 billion in debt, but this was also offset by new borrowings of about R13 billion. Other investments of about R4.5 billion were mainly driven by the proceeds from the sale of BICS at about R1.8 billion, but also in addition to that the realisation of fixed deposits in Mauritius of about R2.7 billion.

Just touching on the HoldCo leverage and liquidity management, one can see the net debt profile. There are just a couple of highlights here. On the left-hand side of the chart you will see the trend view in terms of the Group as well as HoldCo leverage. At 0.6x the Group leverage really improved from prior periods and really benchmarks well against emerging market peers. The HoldCo leverage, as we indicated, had a good improvement largely due to the upstreaming of cash from Nigeria but also the stronger Rand.

So our medium-term focus here is to reduce our exposure to US Dollar debt and improving the funding mix at HoldCo level. So we managed to raise additional debt in local markets through our DMTN programme, enabling us to settle about $300 million of debt, $150 million in term loans of which $75 million of that was early settlement and the balance was the revolving credit facilities which are in Dollar terms. So it is really assisting us to actually reduce the Dollar based debt and make sure that we target our 60% Rand based loans.

As part of our capital management framework, therefore, we have very clear actions that we are executing to make sure that we reduce our HoldCo leverage further and ensure that the debt maturity profile that you see on the right-hand side is really appropriate and resilient to enable us to reduce the refinancing risk that may arise.

Just a couple of points on the balance sheet movements, we saw a decline on the PPE of about R7.9 billon and this was largely due to the stronger Rand against most currencies. If you look at the other non-current assets included in there is our investment in IHS which we have now fair valued at about R30.5 billion from R27.7 billion. And this was largely due to the change in liquidity discount from 30% to now 20%.

MoMo deposits and payables are really due to increased cash deposits now amounting to R29 billion. And then the increase in other current assets is really due to just prepayments in line with the contractual arrangements we have for our tower leases. And then the last one here is really interest-bearing liabilities that have declined for the reasons I've given earlier. So good balance sheet management as well.

Just in conclusion, if we look at the ROE we see an increase from 17% in December to now about 18.3%, about a 4% increase from the same period last year. And this was driven by operational earnings growth from the consolidated subsidiaries with the most significant contributions as we indicated being SA, Nigeria and the SEA as well as WECA regions.

As you look at the bridge view on the ROE development, the operational result was strong at about 19.7% in terms of the ROE for the period, but the non-operational impacts resulted in a reduction of 1.4%. And those relate to movement relating to the non-controlling interest. So in the period there was not really any material impact coming through relating to the asset realisation programme which we expect to see in the near to medium term. I will now hand over to Ralph to take us through the conclusion. Thank you.

Ralph Mupita
Thanks very much, Tsholo, for taking us through a comprehensive review of the financial performance of the business. I trust that investors and broader stakeholders have a better insight into the financial shape of the business and the prospects that we're so excited about. Just before we get to Q&A, maybe just a couple of points I would like to raise. We did communicate with our full year results the priority areas that we would focus on in this year towards delivering on our Ambition 2025 strategy. And we're keeping a rag status on how we're performing in that regard.

We called out an acceleration for the South Africa and Nigeria businesses, and I think you will agree that both at the top line level service revenue and the margin evolution that these businesses are in very strong shape. South Africa we wanted to see the margin move in the 39% to 42% range. The business is in that range. Nigeria we said that we wanted to see 53% to 55%, so we are just into that range. I know Karl is very focussed on the expense efficiencies. And you would have seen earlier with Tsholo's presentation that the Nigerian business is executing on the expense efficiency programme within the context of Nigeria.

The other area we focussed on was really around positioning our infrastructure assets and our Fintechs for accelerated growth and value unlock. Certainly you are seeing the Fintech business is accelerating. We are making very good progress in terms of preparing for the Group Fintech structural separation that we've earmarked that will be completed by the end of Q1 2022. So all our work is in progress, as is the work really around the fibre business that we spoke about at capital markets day and previously.

Progressing with ARP and cash upstreaming, I think we've made most progress obviously with cash upstreaming. The ARP had lots of work done, and now in the second half hopefully we can see execution there certainly on the SA towers side. That is a process that is more in our control. As I mentioned we are looking at the end of Q3 to make a decision. And as I mentioned on IHS, that is not a process we control, but a lot of work has been done with them. And I guess if you look at capital markets and the desire for infrastructure assets, the time has not been more compelling than the present. But that's a decision that they will drive themselves.

Also on the portfolio transformation we are exiting Syria. We were hoping for an orderly exit. We have ended up with an abandonment. But we want to simplify the portfolio as part of the process of de-risking the business and improving the return profile going forward.

The position of maintaining second to none networks is probably a religion in MTN. we are very precious about the markets that are number one. We have 13 out of our 20 markets where we are number one network. We want to get more of those markets in. So I guess we maintain the green status. We do want to see a few more markets getting to the number one network position, because that's what gives us the credibility to be able to deliver the connectivity and the services that sit on top of the connectivity. And again we've called out a slight increase on the capex guidance. In Q1 we spoke about R29 billion. We are adding R1 billion to South Africa to accelerate investment particularly around capacity so that we start 2022 with a very good network position and headroom to take on what is accelerating data demand.

We are making some progress in these complex litigations. The Afghanistan matter is well ventilated, so I won't speak too much on that. Lele and the team are very focussed and working through the other matters that have increased the risk profile of the group. But we are determined as a management team and as a company to deal with those in the near term. And as I mentioned, all our ESG initiatives are gaining good traction across the markets. I think the business really has taken ESG at the core as part of the way we operate and the way we do things around here in MTN under Ambition 2025.

Looking ahead just a couple of factors, three macro and two very specific to MTN, as investors start to look out and try to have a lens through of how we're going to do in the second half. I guess the first and important point is that we're still in the COVID environment and there is talk of a potential fourth wave towards November or thereabouts. I guess that will have impacts.

We have the resilience as we have shown in the two previous waves we've had in the first half that we're able to come through on a strong footing. But obviously that has macroeconomic impacts around GDP growth and currencies, and obviously the Rand and the Naira particularly drive our reported results within the Group context.

There are base effects. We had a strong H2 last year. We need to hurdle that strong H2. I think we've shown particularly in Q2 that we were able to continue the momentum that we've seen. So notwithstanding the base effects we feel that the business is very well positioned to continue to grow and accelerate.

And the final area impacting or factor impacting the performance really is in the shape of the balance sheet, as Tsholo said, how we execute on the ARP and continue the portfolio transformation of simplifying the business and a focus on a Pan-African strategy.

So in conclusion before we take a couple of your questions, there are six points that we would like you to take away from our results presentation. The first one is very strong and solid first half performance, and that has been driven by a strong investment in our network and commercial momentum and delivering the strong financial results that Tsholo has covered. We are accelerating the deleveraging of the HoldCo balance sheet to create greater financial flexibility for the company and put the company in a position where we can invest to capture the growth that we see and we are very excited about across our markets.

We are executing on our ARP and portfolio transformation. That's an area that we will focus in the second half. And although we didn't speak much about the structural separations which we gave a lot of detail at the capital markets day, these are in progress and we are on track with our various timelines to complete these processes. So we are comfortable with the progress we've made there.

We remain very disciplined around capital allocation. Our dividend guidance is maintained. We will communicate with the full year results in March a long-term new dividend policy as well as what we will do beyond the minimum 260 cents, having considered the factors that I mentioned earlier on.

And importantly and finally, we understand that we have a role to play in society more broadly. The shared value pillar of our strategy is an acknowledgement that we need to partner our nation states in their progress, and their progress is the underpin of our own progress. So material economic value was added in the period, and we are well progressed with the ESG initiatives which we have across the group, which we will report on very extensively with our full year results.

So with that I just want to say thank you for listening to Tsholo and I. we've had a lot to say. I think we have some time for a couple of questions. Obviously for investors we are engaging you from tomorrow for the next couple of weeks, so if we don't answer your question in the next few minutes we certainly are committed to covering it on the road shows in days to come. Thanks very much, and I'll hand over to Thato who is taking your questions online. And I'll ask Tsholo to join me on stage where she is socially distanced from me so I can keep my mask off, and we can take some of the questions.

Thato Motlanthe

Thanks very much, Ralph and Tsholo, for that overview. There are a couple of questions that have come through. You have touched on some of them in the presentation, but just for the sake of clarity perhaps can you please talk about the timing and progress for the sale of non-core sales, particularly IHS and SA towers? I'll ask them in banks of three. That's the first one.

The second one is linked to that. Given where we are in terms of liquidity and the balance sheet and given these upcoming sales, how do you think about your preferred method of returning capital to shareholders? Buybacks, special dividends or increased pay-out? That's the second question.

And then maybe the third one on Fintech. You've got a medium term target of 20% in terms of revenues. Can you share how that evolves and how the split would evolve over time?

Ralph Mupita

Giving us three in a row, I mean I'll start and Tsholo will top and tail. Let's start with the last one first. We've said in the past that we currently have a revenue mix in the Fintech business of basic services being 80% order of magnitude and 20% advanced. Over the next couple of years it will flip the other way where we'll ultimately have 80% on the advanced services. And hence our investment on things such as Insurtech, payments and e-commerce. So we will see the evolution of the mix of these revenues 80/20 to 20/80 importantly. I think if you want to see the breakdown of the detail, in our capital markets day we did provide that. That's on our website. You can see that.

On the second question around our preference for shareholder remuneration, I guess I don't want to front run the board on the decision they will make in March next year. But we've been very explicit that we will apply our minds to share buybacks or to increasing the basic dividend or a special dividend. So it will be front running a process in terms of shareholder returns, but we are committed to returning capital to investors if we believe that there is no growth opportunity and we have executed fully and well within our ARP programme. On the first question again, just remind me.

Thato Motlanthe

The first question was timing.

Ralph Mupita

Timing, okay. Look, on the SA towers we've said Q3 a decision. So beyond a decision flows can take some time. But that's a time we feel pretty confident about. It's an important part of the SA strategy to get that done and completed. IHS is a matter for IHS board and management to communicate to the capital markets. It's not something that we can communicate here because it's not our decision. But suffice to say that we've done all the work that we believe we needed to do in the process of being consulted as a 29% shareholder. But that decision remains with them.

And then on the localisation, the two localisations that we would like to progress this year in particular is the Uganda 20% sell down. That is part of our license process, so we would anticipate we see that this year. And market conditions conducive we would like to do series one of Nigeria before the end of the year, which is really the retail offering. Maybe to give a bit of colour on the ARP in that way.

Thato Motlanthe

Thanks Ralph. Maybe just a couple of financial questions for Tsholo. There are a couple of questions around Syria. Given some of the remeasurement and the losses put through, do you expect any further losses from Syria? And maybe just a comment on the carrying value. And then maybe a second question. On consolidation of the results particularly around Nigerian results, do you consolidate at the official rate or some blend of that and another rate?

Tsholo Molefe

So I mean in terms of Syria firstly we did a remeasurement last year. I think that was one of the issues. So all the losses relating to Syria now we've actually valued it at nil. We've taken actually R5.9 billion total losses set off by about R1.2 billion relating to the reclassification of hyperinflationary reserves. So in total, R4.7 billion this year and no further losses expected in the second half of the year. So all the losses of R4.7 billion that we've taken, that's it.

In terms of Nigeria we obviously look at the average exchange rate from an income statement perspective as well as the closing rate when we look at the balance sheet items. So essentially when we consolidate we look at it from that perspective. What is the rate prevailing as at the time we consolidate the balance sheet period? And we take it from that perspective. We would take an average from an income statement perspective and then the closing rate from a balance sheet perspective.

Thato Motlanthe

Thanks Tsholo. Another couple of questions. Any update on the PSB license in Nigeria? That's maybe for you, Ralph. And then a second question, just a follow-up on the SA towers. Why only 5,700 SA towers and not the full portfolio in the transaction?

Ralph Mupita

On PSB no update to date. We remain of the view that we must persist towards trying to get that license. Obviously Karl and team are working to try and secure that, but there is no further update. And then on the SA towers, the 5,700 are the unique MTN towers. There are barter sites and rooftops in the 12,800. 5,700 are the ones that are uniquely MTN.

Thato Motlanthe

Thanks Ralph. Then maybe just a question around the profitability of Fintech. There was a comment around the margins. Can you just comment around how that progresses going forward and how the allocation would work once the separations are done?

Ralph Mupita

I did make the statement at the capital markets day that the EBITDA margin focus isn't the right… I'm sure I got into trouble with a lot of analysts who are more used to comparing the Fintech business to a telco business, which as I said I think it's just a flawed way of looking at the business because the cash flow and capital intensive characteristics of the business are very different. Obviously as we are going through the structural separation we are going to set up a set of accounts that are standalone for the business. But on the basis of what you've seen from Tsholo, the mid 40s is pre cost allocation.

I don't want to front run the process of where you'll see this. But I think in the CMD there was a point that was made by Serigne that we think longer term on the current product mix that it would be more like 35%. And obviously that's on the current product mix, and that product mix is going to evolve over time. But I think we will have time enough to work through those numbers as we talk to you in Q1 on a structurally separated Fintech business.

Tsholo Molefe

Maybe if I can add, the 46% margin is on a pro forma basis. And once the business picks up momentum and you start allocating all the full cost including the operational expenditure you will start seeing the EBITDA margins rebasing. But to Ralph's point, you've got to look at it within the context of total cash costs, including capex which is really capex light from that perspective.

Thato Motlanthe

Maybe just the last couple of questions, Tsholo, maybe for you around the debt profile that you spoke to a little bit earlier. Do you expect to return to the capital markets in terms of refinancing the February 2022 bonds? We still have some headroom within our DMTN programme. We've got a DMTN programme of roughly R20 billion. I think as we continue with our efforts to reduce the non-Rand denominated debt it's one angle that we will be obviously using to try and pay down the debt, but obviously subject to market conditions and subject to our cash generation that we have. I think it will be a combination of both.

Thato Motlanthe

Thanks Tsholo. Let me round off with this question, and I think any further questions if you can send them through to me and we'll help you out. Maybe to Ralph, can you provide some update around your plans for Iran as well as the feasibility of extracting any cash from the country.

Ralph Mupita

The Middle East exit communication that we sent out was that we have two phases, the consolidated subs which are Syria, Yemen and Afghanistan. And in time we would look at Iran. There are no processes on exiting Iran as we sit here today and we are fully focussed on supporting as a minority shareholder the growth of that business. Obviously we haven't seen any cash repatriation out of Iran since probably Q1 2018. I think that's the last time I went to the central bank of Iran to arrange repatriation. And then the US elections came through. Obviously we want to have a look at how the geopolitical environment changes in Iran.

We have R2.7 billion trapped dividends there which we are not able to repatriate. We would like to be able to repatriate them, but to repatriate them the context needs to be possible in terms of the nuclear deal or a revised nuclear deal. So we are watching that very closely. But obviously the business itself, there are actually two businesses to have a look at in Iran, the core telecommunications business with 49 million subscribers and carrying pretty much half of the data traffic we have across MTN. So that's a very valuable operation. So for now we are focussed on growing that business, and at the right time we will evaluate our next steps. But we are not evaluating next steps as we sit right now on Iran. We are very focussed on exiting the consolidated subsidiaries.

Thato Motlanthe

Thanks Ralph and Tsholo. Quite comprehensive. Maybe you've got some closing remarks, Ralph. As you said, we've got some engagements with investors and analysts.

Ralph Mupita

Just to thank everybody for sitting for an hour and a bit listening to myself and Tsholo and

Speaker	Narrative

welcoming Tsholo for her maiden results. Suffice to say that we have a management team at MTN that is very committed to delivering and executing on the strategy. We said we would deliver growth. We are delivering that. We said we would deliver faster deleveraging. We are doing that. And we said we would look to unlock the value inherent in our assets. We are doing that.

I think our investment case which you see on the screen is that we have a compelling African growth story which we are super excited about. I think as we grow we will be able to support the growth prospects of the continent in of itself. So we are pretty excited. And for the investors, we will start engaging you from tomorrow over the next couple of weeks and we will pick up on the rest of your questions. Thanks so much for listening in to Tsholo and myself over the last hour and a bit. I appreciated your attention. Thank you.

END OF TRANSCRIPT