



**Transcript of MTN Group call on
NIN registration update
Date: 8 April 2022**



Operator

Good day ladies and gentlemen and welcome to the MN update on NIN registration. 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 for an operator by pressing * then 0. Please also note this call is being recorded. I would now like to turn the conference over to Thato Motlanthe. Please go ahead, sir.

Thato Motlanthe

Thanks very much, Claudia, and good afternoon to everybody and thank you for joining us on this call on a Friday afternoon to discuss the developments around the NIN SIM directive in Nigeria. My name is Thato Motlanthe, Head of Group Investor Relations for MTN. We have a few of our leadership on the call with us today. I will just run through them.

Ralph Mupita, MTN Group CEO; Tsholofelo Molefe, Group CFO; Karl Toriola, MTN Nigeria CEO; Modupe Kadri, MTN Nigeria CFO; Hassan Jaber, MTN Nigeria COO; Adia Sowho, who is MTN Nigeria Chief Marketing Officer; Mazen Mroue, who is now Group CTIO but formerly MTN Nigeria COO; Ferdi Moolman, Group Chief Risk Officer, and we've also got Chima Nwaokoma who manages Investor Relations in Nigeria.

This call is scheduled for one hour. Ralph will outline the agenda and context before we get into the nuts and bolts of the issues at hand. On that note, let me hand over to Ralph.

Ralph Mupita

Thanks Thato and a very good afternoon from me as well. Thank you all for joining us for this call late Friday afternoon in Johannesburg. As Thato has mentioned, I will start off with some context for the call. We have our Group and MTN Nigeria colleagues joining me as well who will unpack some of the detail. In terms of the agenda for this call we will run through eight items as follows:

The first is on the security situation in Nigeria and how it may provide some context to the current state of play. The second would be the background to the directive from the Nigeria Communications Commission, NCC, and what it means. The third is how we have implemented the directive at MTN Nigeria. Karl will take us through that. We will then provide directional colour on the pro forma potential impacts on the business from implementation of the directive. That's topic number four. For topic five we will share some insight, again directional colour, on the directive's impact on some of the KPIs.



Number six, we will talk about how MTN Nigeria provides support to the Nigerian government's effort to speed up NIN-SIM linkages. On the seventh topic, Karl will just provide some insight into the engagements we've had with our regulators in Nigeria including the Minister of Communications. And finally, just a reminder of how the NIN registration process actually works. I will begin with topics one and two before handing over to Karl for more details on the other issues.

The **background and context**. If you cast your mind back to December 2020 you will recall that the key catalysts for the implementation of the current regulations on NIN-SIM registration was in large part driven by security concerns. On 15 December 2020, the NCC directed all operators to update SIM registration records with valid NINs with an initial deadline of 30 December 2020. We agreed that this was necessary to build a reliable and sustainable identity management system, a critical enabler that will deliver multiple benefits to the telecommunications industry and Nigeria as a whole. In the long term, it will aid national economic planning and enhance security, governance, service delivery and the build-out of a digital ecosystem.

You will all recall that this deadline for NIN updates was extended several times over the course of the past year due to logistical challenges in meeting the deadlines and issues encountered during the integration process. So as context for now – and some of you may be asking why the registration deadline was not extended this time around – you may have read about the train that was hijacked in north-west Nigeria last week on 30th March.

Sadly, a number of people from the incident have since been missing. This was then followed by the developments that brought us to where we are today. We believe – and the information we have managed to gather supports this – that this provides further understanding to the decision that has been made by the Federal Government of Nigeria and the directive that came through the NCC.

The second item on the agenda is on **the current directive** itself. It will be useful to run through the sequence of events that have brought us here which can provide more colour. As I mentioned earlier on, a train was hijacked in north-west Nigeria on the 30th. Then on the 31st March was the latest deadline for NIN registration. And the NCC came out with a press release on 1st April to urge all citizens and legal residents in Nigeria to use the next few days to submit their NINs as soon as possible. They also directed NIMC to offer enrolment services around the clock also for the next few days.

At that stage they had not defined what would constitute 'the next few days'. On Monday 4th April the NCC issued a further press statement confirming that the Federal Government of Nigeria had



determined that the NIN SIM policy implementation can proceed as machinery had already been put in place to ensure compliance by citizens and legal residents. This also confirmed that the NIN registration deadline would not be extended and that all telecommunications operators in Nigeria would be instructed to bar outgoing calls for telephone lines that had not complied with the NIN SIM linkage policy from 4 April 2022.

The NCC once again urged affected individuals to link their NINs, and the Minister once again extended his thanks to telecom operators for their support in achieving the progress to date.

MTN Nigeria then received a formal letter on the evening of 4th April instructing that the company should implement a phased suspension of services to SIMs that are not associated with NINs with effect from 4th April. Secondly, that impacted SIMs should be placed on 'receive-only' with immediate effect. And third, restore connectivity to impacted SIMs only after the owners link their NINs to the SIMs.

So I hope this provides some broad context to the latest developments. We believe the government and regulators of Nigeria remain very constructive regarding SIM registration regulations. They are affording subscribers who have not yet linked their NINs time to do so and without instructing a complete disconnection. At this stage we have not been advised what a phased implementation looks like, and we continue our engagements with authorities in Nigeria. So with that as context let me hand over to Karl, the CEO of MTN Nigeria, to run you through some of the agenda items that I mentioned earlier. Karl, over to you.

Karl Toriola

Thank you, Ralph, and good afternoon to everyone. We appreciate your time on this call. I will run through items three to eight on the agenda outlined by Ralph, namely the implementation of the directive, pro forma impact, insights on early trends and support to the government.

On the implementation of the directive, getting into how we implemented the directive, following the NCC's letter we implemented the instruction and sought clarification where it was necessary. From 4th April we applied the 'receive-only' instruction to the stipulated subscribers who had not yet submitted their NINs and placed restrictions on their outgoing voice and SMS services.

In our requests for clarification, the NCC indicated that we should hold off any action on restricting data services until they revert with clarification. We subsequently received clarification on the night of the 5th April where the NCC indicated the following:



Only subscribers who have not submitted their NINs shall be barred, and barring is for outgoing calls only. As such, data services and SMS are exempted.

The basis of the directive is thus based on submission of NINs and not verification, which is done by the National Identity Management Commission, which I will refer to as NIMC. Again, barring is restricted only to outgoing circuit switch calls.

Unbarring of subscribers who are restricted should only be upon successful verification of the NIN in line with the revised national identity policy for SIM card registration.

And the directive should be implemented on all classes of subscribers except SIMs belonging to embassies and diplomatic missions.

Based on the clarification, all SIMs registered to embassies and diplomats that had been inadvertently barred were consequently unbarred, and the restriction on SMS was lifted for the affected subscribers who had previously been barred from sending outgoing SMS.

To be clear, the current implementation of the directive affects all subscribers whose NINs have not been linked to SIMs, except embassies and diplomatic missions. The restriction is outgoing circuit switch voice only. This cohort has access to all other services including data.

Consequently, we restricted outgoing voice services for approximately 19 million subscribers in line with the directive on 4th April.

If I turn to the **pro forma impact on subscribers and financials**, or more accurately exposures, we consistently disclose our progress in terms of NIN submission and linkages, and you have seen from the announcement this week that we have provided an update on this. We noted that 47 million subscribers had submitted their NINs by 31st March and there were quite a few who submitted consequently between then and 4th April. This represents about 67% of MTN Nigeria's subscriber base and 76% of service revenue. We also noted that based on the NCC directive, the outgoing voice revenue exposure of the affected subscribers is approximately 9% on an annualised basis.

Let me continue onto the fifth point which is an insight into the **trends we have seen since implementing the NCC directive** since the night of Monday 4th April. Of course, there are very short-term trends, but if we look firstly at subscriber trends, as mentioned we restricted approximately 19 million SIMs while 51 million had submitted their NINs before the directive came into effect on 4th April. We are supporting the NIMC with equipment for specifically distributed



architecture for NIN verification to eliminate bottlenecks such that verification can happen at the rate at which we are submitting the records.

On general traffic trends we have seen average daily voice traffic decrease while data traffic has increased slightly so far. We have also seen an increased demand in new SIM connections. You would appreciate that this is still early days and we expect that you would want us to be more specific. However, it is important that we provide information that is useful, and we are unable to do this beyond what we've told you at this stage.

It is also important to note that the headline exposures and information that we provided to help you with your analysis may not necessarily reflect how things will evolve in practise. It is still too early in the process to provide a realistic trend. However, you are assured that management is on top of this issue on a daily basis and is doing what is necessary to mitigate the impact of this directive and to support the regulators to regularise registrations as quickly as possible.

Moving onto item six, which is **how MTN Nigeria supports the Nigerian government's efforts to speed up the NIN-SIM linkages**. MTN Nigeria has been proactive in its support of the Nigerian government's directive to speed up NIN enrolment and linkage with SIMs, and we have lent into the policy.

We have an increased capacity to support NIN enrolment across the country. We have obtained a new enrolment licence to support the federal government's efforts to ensure that every Nigerian has a valid NIN, and as a result we have deployed more than 4,200 points of enrolment across the country to facilitate the NIN enrolment drive.

We continue to expand this network to ensure that enrolment is within reach of all Nigerians. In addition, we provide hardware support to NIMC, specifically additional capacity and distributed architecture for NIN verification to eliminate the bottlenecks and facilitate the bulk verification of NINs collected. Engagements are also going on with the NCC, including through the industry body, to ensure that we work together with the authorities to get as many people registered as possible.

We have taken the following steps to ensure customers submit and link their NINs.

- One, regular NIN enrolment and link campaigns are provided to all customers via SMS and digital media channels.
- Two, we have promotions for bonus offers on NIN submission.



- Three, we have easy options to submit NINs using USSD, SMS, web and various digital channels including our chatbot.
- Four, banners and easy reference materials are placed on our website and on various social media platforms.
- Five, customer NIN education is placed on our website and we communicate this through FAQs on radio and other media.
- Six, NIN submission information on call centres are in the five major Nigerian languages, and
- Seven, ramping up devices for NIN enrolment across the country.

I will move on to item number seven, which is **further information emerging from our engagements with NCC and telecom industry bodies in Nigeria**. MTN since the introduction of the initial directive in 2020 has rallied the industry through the industry body, the Association of Licensed Telecoms Operators of Nigeria (ALTON), to support the federal government's policy on the SIM-NIN linkage project as reflected in the approved revised national identity policy on SIM card registration.

This was done with a view to ensuring decision-makers are kept abreast of challenges, particularly the NIMC infrastructural challenges which have impacted adversely the verification services.

And the industry adopted a multi-pronged engagement strategy which includes:

- Monthly progress reports to the Honourable Minister of Communications and Digital Economy highlighting progress made on the project and requesting for ministerial intervention on the various challenges,
- Weekly technical meetings with the NCC and the NIMC to address operational issues on the project,
- Periodic meetings with the Honourable Minister, heads of NCC and NIMC, executives of ALTON, and the CEOs of mobile network operators to address the major concerns, and
- One-on-one engagements by the CEOs with the Honourable Minister, the NCC's EVC and the DG of the NIMC.

MTN has also held several direct engagements with the Minister and other decision makers. This engagement has yielded results including especially the extensions in various instances for the enforcement of the SIM-NIN linkage that has happened over the past year.

The NIMC's infrastructure upgrades which requires budgetary funding remains a challenge as the needed funds are yet to be released. Notwithstanding, engagements are ongoing with the decision makers in line with the overall engagement strategy. So again, we are on top of all developments.



Perhaps the only surprise was the accelerated decision to issue the directive which Ralph has indicated was brought on by a flare-up in security issues.

I will move on to my final topic, which is the **SIM registration process and how we are mitigating the risks**. As a reminder of our NIN registration process, the NCC changed the process for SIM registration, making it mandatory to use a verified NIN for new SIM acquisitions and other SIM related transactions such as SIM swaps.

This new process mandates that a maximum of four new SIM cards are allowed per NIN. This implies that customers can only have four new SIMs with one mobile network operator. Part of the process is that only outlets that are certified by the NCC will be allowed to carry out SIM sales and activations. Agents that carry out these activities must have a NIN, a BVN, a bank verification number, and a senior secondary school certificate as the minimum educational qualification.

In addition to the above we have enhanced our systems and put additional controls in place. These controls include:

- Electronic image matching. A live image is matched against the NIMC image and must return true.
- We have back-office eyeballing which combines live image plus NIN image matching. Our back-office team carries out the second-level check on all SIM registrations before the line is made active.
- We have quality assurance spot checks consisting of periodic health checks on SIM activations that are carried out.

These controls help to improve the quality of SIM registration and thus far MTN Nigeria has over 30,000 certified outlets for SIM registration and we will continue to expand this number.

I've taken us through the points which Ralph spoke to me talking about. I will hand over to our Group CFO, Tsholo, to provide a little bit around the Group context. Thank you.

Tsholo Molefe

Thank you very much, Karl. Good afternoon to all our investors and stakeholders. Just very briefly on implementation and impacts on the Group overall, many of you will know that Nigeria is our largest Opco and contributes about 35% to MTN's total group service revenue. So, the read through to Group is quite important.



Based on what Karl has explained earlier, the impact on Group service revenue from implementation of the NCC directive is roughly about 3% on an annualised basis resulting from the suspension of outgoing voice services to the affected subscribers in Nigeria.

Again, it is very important to reiterate the point made by Karl in terms of these being annualised estimates and there is a lot of work still to be done, as will be discussed, to mitigate the impact. So from a Group perspective the overall impacts are relatively small at this stage, and of course we will continue to update all our stakeholders in relevant forums how this evolves. With that in context I would like to hand over back to Ralph for concluding remarks.

Ralph Mupita

Thanks very much, Karl and Tsholo, for providing investors and stakeholders with a bit more colour on this important matter. Before we move to Q&A, I just wanted to re-emphasise a couple of points in terms of what we have shared.

I think the **first** is to be super clear that we support the initiatives by the Federal Government of Nigeria to accelerate SIM-NIN registrations given security concerns within Nigeria. We think a much more secure Nigeria is also good for MTN and the broader Nigerian society. So, I think that point shouldn't be lost in the context of this matter.

The **second** is that the directive is on outgoing voice only. Just to give investors confidence or insight into how we manage the risks and compliance with regulations, we do have on this call Ferdi Moolman, Group CRO and former CEO of MTN Nigeria. We did make a call on the evening to say you've said outgoing voice calls. Can we just make sure that it is not just circuit switch voice, but what we think about voice over IP? As Karl has said, we got clarity that it is outgoing circuit switch voice. Data services and SMS we could continue to provide services to our customers.

So, I think that point about how full compliance and full implementation of the directive and our abundance of caution in implementing that directive got us to call the NCC for the avoidance of doubt to think about what is in and what is out of the directive. So, we have fully implemented the directive and got reassurance in writing about what services can carry on.

The **third** Tsholo has shared. She has financially framed the service revenue impact on a pro forma basis. We will provide more detail and colour as we go along.



Karl gave you some sense of the emerging trends around directionally what's happening to voice as we look at daily recharges. But we will provide a bit more colour with the Q1 trading update for Nigeria which is on the 29th April 2022.

So there we will provide not only Q1 results but some of the trends we are seeing. We are also in the month of Ramadan in Nigeria, so I think investors do also need to understand and contextualise that typically in the month of Ramadan we do see voice go slightly softer. It's a seasonal trend that is embedded in all our results.

The **fourth** point I wanted to raise is that we're taking initiatives to support our customers to accelerate their linkages of their NINs to their SIMs. Karl gave us some colour on that. I think it's also important to note that we are very deeply engaged with NIMC, the Minister of Communication, Dr Pantami. We are also engaged with the NCC in figuring out how we can support NIMC with some of the bottlenecks that they have with validation of NINs with support of hardware to ensure that we have a faster process of validations as we send through the NINs that we receive through for formal and final validation.

So with those as summary points, operator, if we can just hand over back to you and we can take a couple of Q&As. I will take the Q&A directly in the room depending on the questions that get asked.

Operator

Okay. Thank you very much, sir. Ladies and gentlemen, if you would like to ask a question, please press * then 1 on your touchtone phone or on the keypad on your screen. If you decide to withdraw your question, please press * then 2 to remove yourself from the list. Again, if you would like to ask a question please press * then 1. The first question comes from Cesar Tiron from Bank of America Merrill Lynch. Please go ahead, Cesar.

Cesar Tiron

Yes. Hi everyone. Good afternoon and thanks for the call and the opportunity to ask questions. I have four questions if that's okay, but they are really straightforward. The first question I just wanted to make sure I understand. What is the percentage of the subscribers that actually have a NIN? That's the first one. The second one, assuming they all want to register, how long would it take? Are we talking about weeks or are we talking about months? The third question. Have you noticed any acceleration in the linkage of NINs and SIM cards over the past couple of days? And the fourth one – sorry to ask the question – is there any risk that your system fails to detect that one subscriber doesn't actually have this linkage? Thank you so much.



Ralph Mupita

Cesar, as usual when we give you the chance to ask one question, you ask many. I think on the percentage Karl will take all the four questions. I'm happy to support you here.

Karl Toriola

Yes. With pleasure, Ralph. The first question was how many subscribers have a NIN. On a broad basis as of the time we suspended with all the clarifications around the diplomatic SIM cards approximately 19 million were suspended. The balance have submitted their NIN which is associated with them. So 19 million to 51 million on an approximate basis, 51 million being people that have NINs and 19 million being the people that don't have NINs.

Now, on how long it will take us to register, this is an evolving matter. Obviously we have seen quite a surge in demand for people to register their NINs and the subsequent verification which needs to happen. On top of that we've seen a surge in demand for people who just want to register a new NIN. In the context of changing behaviour of customers it is currently difficult to predict that.

And also we need to deal with certain limitations around the NIMC capacity, which we are working with them to provide constructively. By the time we do our Q1 earnings release on 29th April we will have enough statistical trends and a better understanding of the immediate expansions that are going on with the NIMC to predict that accurately. However, there is a good flow. The third question, I heard one part. You said the acceleration of usage, and I'm not quite sure I got the end of it.

Cesar Tiron

It was if you noticed an acceleration of the linkage in the subscriber base.

Karl Toriola

If the usage by subscribers you mean?

Cesar Tiron

No, of the linkage of the NINs with the SIM cards.

Karl Toriola

No, there is a significant amount of submissions through the various channels. And linkage is ongoing. And yes, well, once your SIM card is blocked from making outgoing calls there is a massive



surge in demand. Of course the initial massive surge will put a disproportionate load on the NIMC system. So to answer transparently, yes, we did see a huge surge both on the ground and through the electronic channels. Over time as we start to provide linkage we expect this to taper off, but it will still be significant for an extensive period of time.

On the execution risk and your question, is it possible that one subscriber sneaks through that doesn't have NIN linkage, let me be clear. We suspended following the regulations to the spirit of the letter and seeking clarification where there was any iota of doubt. We suspended every SIM card according to directive for outgoing calls in entirety.

Before we reactivate any such SIM cards they have to provide a NIN and it has to be verified by NIMC. So we have put several control systems in place to ensure there is no error on this. And we are very conscious and we have multiple layers of control, secondary checks and audits to ensure that we don't slip on this which perhaps Ferdi can speak to a bit later. So I'm quite confident that we don't have a risk of those things slipping through the cracks and I'm very confident that we've complied to the letter.

Cesar Tiron

Thank you so much. That was very helpful.

Ralph Mupita

Cesar, I'm sure this question will come up as well on the registration. I think what investors need to appreciate is that the bottleneck for new SIM registration is really NIMC. That's the validation. That's where there is an IT capacity bottleneck where we've stepped into the breach to say how can we help even with our own hardware to improve the velocity of validations going through. And we've seen some of your reports about estimation of timelines, how long it will take.

We're not going to do the guessing game here because the real issue there is that's where the bottleneck will be. And the sooner we can work with the government and NIMC, which Karl is very engaged on, the faster we can actually get the capacity on the hardware side. And I think by the time we come to the 29th April we will be able to provide you more context particularly around what we have been able to discuss with NIMC or not. That to me is the real determinant of acceleration. And the fourth point around risk, Ferdi, do you want to comment?

Ferdi Moolman

Thank you. Good afternoon everybody. Just to give you a sense of comfort, this is not the first time the Opco has had to go through some or other suspension process. There are quite a number of



standard controls and procedures that have been put in place as Karl has said. I thought I would perhaps highlight two of them just to give you a view. There is a process in the back end now where we will go and look at the data that is created after the call to ensure that subscribers that should have been suspended have not made any call.

And we also use our internal audit team to do an internal review once suspension has taken place to ensure that we fully comply with all the requirements. Historically also when we have gone through these suspension processes in the event that there has been leakage we always engage the NCC, the regulator, the moment we pick it up. And they always understand that these are complex issues and we have always dealt with it in a very responsible manner. Thanks.

Ralph Mupita

Thanks Ferdi. Operator, back to you.

Operator

Thank you. The next question comes from Preshendran Odayar from Nedbank. Please go ahead, Preshendran.

Preshendran Odayar

Hi. Thanks everyone for the opportunity to ask some questions. I've got three quick ones. Firstly, in your announcement you mentioned this was the first phase. Do you have any inkling of what second phases will entail? Second question is can you just remind us, I fully appreciate that you guys have probably learnt the hard way about making sure that you are compliant, but what are the fines for non-compliance per subscriber? The last one, maybe I've been watching too much CSI or Blacklist on TV, but if the intention of NCC is to prevent kidnappers from using these SIM cards, is that the reason they are only barring outgoing calls because these traditionally get used as burner phones? Can your technology actually track the baddies if they use it for data or any other services that you still have active on their SIMs? Thanks.

Ralph Mupita

Take those, Karl. They're yours.

Karl Toriola

Okay. Thanks Preshendran. The first question was this is the first phase. My view, and I think the view of most of the operators in the industry, is this first phase was implemented to ensure that there is placed note on the public and on the systems to get NIN registrations up to speed on a large scale. There is no prior indication in terms of what the second phase will be. It could be



suspension of data. It could be complete suspension of the SIM cards, but there is no indication of that yet. I think we have to look at things on balance.

From 2020 December when the Honourable Minister initially issued this directive, we have seen a significant amount of extensions. That is to allow people as much time and reduce the load on the systems to get to the point where we are where we do have 51 million subscribers that have NINs. I think we will have quite a bit of time including at scale up of the capacity of NIMC for the maturity of the subscribers to get their NINs before any second phase is implemented. But to answer unequivocally, there is no indication of a second phase.

And the second question was fines for non-compliance. First of all, let me put it into context. We are of course unfortunately the company that had the biggest fine due to SIM registration in 2015. For absolute clarity, the reason why we were fined in 2015 is we received a written instruction specifically detailing or requesting us to delete subscribers which had registration issues. So fines will only come after non-compliance on a written instruction to delete customers.

The fines for non-compliance remain the same as it was in 2015, which is ₦200,000 per subscriber. Back then that was \$1,000. Now due to currency devaluation it is \$400.

The next question is if the intention is to prevent kidnappers, is that the reason for outgoing calls etc.? I think the Honourable Minister is responsible for identity management registration etc. And his role and I think his intention is to ensure as many Nigerians as possible get registered. The decision on how the information is used is really left to the Security Agency. We have all the standard set of data which can be used with the right legal framework and written request to support security agencies in their job. But I wouldn't speculate beyond what the Honourable Minister has stated, that he wants every Nigerian and every SIM card that is issued in Nigeria to be associated to a national identity number. Thank you.

Ralph Mupita

Maybe just to top and tail to your questions, Preshendran, I come back to the point around phasing. If your constraint is a government agency in terms of validation – and I say this with the full respect of NIMC themselves. They do have capacity constraints – any phasing in terms of either services or the timelines is really a NIMC capacity issue on the ability to validate. That is where the binding constraints I would argue would be. As I mentioned earlier on, it will be important to update investors on what is happening in terms of NIMC's own capacity and what the industry has done to enable it to have more servers etc. to be able to go through that.



I think Karl answered your second question on fines for non-compliance. But I thought it would be helpful for Ferdi to cover two points. One is to remind you of the process in 2015, what happened there, so that we're absolutely super clear. But secondly, what is the notification process, because there are steps that NCC follows on non-compliance. Ferdi, I don't know if you want to provide a bit more colour on that.

Ferdi Moolman

Thanks very much. I think I will start with the process that NCC follows. Firstly, the NCC doesn't just issue fines. In the event that they identify a non-compliance there is a standard process clearly defining the process that they follow. That process still allows for communication with the operator to understand why there was non-compliance and also to give the operator a second opportunity to fully comply. So there is a process that is allowed in the event of non-compliance that you can follow and then ensure compliance.

The second issue is more in terms of 2015. The reason the fine was issued in 2015 was in fact we had gone beyond that process at some point in time and the regulator had instructed the suspension of about five million-odd subscribers. And the regulator had basically said that these subscribers were not suspended, and hence the fine was issued. What is extremely important in this case is to comply with the regulation, which the Opco has done. I think it also gives us a sense of comfort that the initial letter, as Karl has said and Ralph also indicated, that was received from the NCC, we went back for clarity to make 100% sure that we've complied. Thanks.

Ralph Mupita

Thank you operator.

Operator

Thank you. The next question comes from Jonathan Kennedy-Good from JP Morgan. Please go ahead, Jonathan.

Jonathan Kennedy-Good

Good afternoon everyone. Just a brief one on Nigerian revenue guidance was recently upgraded if I'm not mistaken to a minimum of 20% over the medium term in naira. How would these developments affect that guidance, if at all? Secondly, in other markets where we've seen similar developments – albeit they are somewhat different – we've seen competitors drop pricing to try and attract subscribers that need to re-register. Is that something you've observed from competitors yet, or are you planning to do anything like that to protect your base?



Ralph Mupita

Maybe I can start, Jonathan, on that and Karl can top and tail. On the service revenue guidance, the guidance remains in place. We've had four days of NIN-SIM registration. We've seen our Q1 has performed. Obviously we can't talk about our Q1. That could be seen as selective disclosure. But we will fully disclose at the end of the month, 29th April. So the guidance remains in place. We want to see how the recharge behaviour, the gross connections, perform over the next couple of weeks. But there isn't, as we said, right now any thought of changing the guidance.

I think it's important to note that for us the guidance for us is a medium-term guidance. So when we think about guidance we think three to five years what we should get. So the next two months I think will be important to see how we get through it. I'm sounding like a stuck record here. I think if the NIMC capacity to validate is materially improved, I think things can turn quite quickly.

Karl can probably provide a bit more colour on the pricing and what could happen here. But I think what is also an interesting point to reflect on is what happened when we weren't able to actually bring on new subscribers up to April last year. We saw relatively disciplined pricing behaviour. Remember there is a price floor in Nigeria as well. Karl, do you want to build on that second point?

Karl Toriola

Yes. Thank you, Ralph. I think our first focus in terms of protecting our base market share is on the ease of NIN submission and verification. As Ralph has clearly indicated, that is very much subject to the capacity of NIMC. We will continue to focus on the ease of the customer journey to submit and verify NINs while of course ensuring that we have as many points as possible for registration of new subscribers. We do not follow a race to the bottom of the market, but we will consistently remain competitive on an overall basis with market developments.

That on top of Ralph's comment around the outlook, this is a significant challenge. It is taking management focus because we think it is important for the entire team to be involved in this. But our consistent strategy around 2025 continues to be executed in parallel to this. So we will continue to deliver value around connectivity, the progress around Ambition 2025. I hope I addressed your question, Jonathan. Thanks.

Jonathan Kennedy-Good

Thank you very much.

Operator



Thank you. The next question comes from Kuda Kadungure from Kela Securities. Please go ahead, Kuda.

Kuda Kadungure

Hi. Thank you, guys, for hosting this call. Just two questions from me. The 9% figure you mentioned as the outgoing revenue as a percentage of Group, does that include the impact on incoming revenue from other local operators? And then the second one is with regards the applications that are due. Is there risk of an application failing or getting rejected? Those are my two questions.

Ralph Mupita

Tsholo, do you want to take the first one? And Karl, do you want to take the second one?

Tsholo Molefe

Just on the first one, that 9% is actually based on outgoing voice service specifically, not incoming.

Ralph Mupita

Kuda, we haven't modelled the impacts of incoming. We just took a most conservative view on saying all outgoing and not netting off for any incoming.

Kuda Kadungure

Okay. All right.

Ralph Mupita

Karl.

Karl Toriola

Yes. If I understood the question, Kuda, it was 'is there a risk of an application failing and getting rejected'. Yes, there is. It's part of the ongoing process which we have had since we started reconnecting SIM cards in April 2021. So, applications going to the NIMC system if there is an excessive load – which in the initial surge there would be – they get rejected or no response. Then of course the verification process has to go through and has to pass successfully before we can proceed with associating the NIN for these subscribers with their SIM.

Kuda Kadungure

Understood.

Ralph Mupita



Operator, back to you. Maybe we will take the last two sets of questions.

Operator

Okay. Thank you. The next question comes from Nadim Mohamed from SBG Securities. Please go ahead, Nadim.

Nadim Mohamed

Good afternoon. Thanks for the opportunity to ask questions. Just two clarification questions on Karl's section. One of the things that was mentioned was that subscribers are able to connect their NIN to four SIM cards. I am just wondering if that is applied retrospectively and does it affect a reasonable portion of your base. Secondly, if I heard correctly there are some additional requirements on the agent network like having a BVN etc. I was wondering what percentage of your agent network is currently compliant and what the plans are to make them more compliant. Thank you.

Ralph Mupita

Karl, do you want to pick that up?

Karl Toriola

Yes. Thank you, Ralph. The audio was a little bit shaky, but I know the question was around four telephone numbers per network for the NIN. I'm not sure if I'm answering your question because I didn't hear you quite well, but we have systems in place to ensure that customers cannot associate more than four SIMs on the MTN network to a single NIN. Those systems almost hardwire it such that before you can register a NIN and activate it, it checks if there is anything more than three registered. If it is three, the last one can be registered. If it is four, it can't. So you have to bring another NIN and another person has to come and register it. I didn't hear the question 100% clearly. I'm hoping that I've answered the question.

On the agent network, look, since April 2021 – I think it was the 27th April – the regulations around the agents that are allowed to perform these services have been put in place. They must have a bank verification number, a NIN themselves, and a senior secondary school certificate. And we put them through training around compliance. So our agents operating in the field are meeting the standards. The outlets are certified by the NCC. We get our compliance function to regularly check and audit our compliance around this space. We keep good records of all the documentation qualifications etc. for these agents. So it's not a new thing. It has been in place since April. We are scaling it up to soup up on the capacity demand, but we are well structured and compliant on this field. Thank you.



Nadim Mohamed

Thank you so much. On the first question I'm just wondering if it is being applied retrospectively or if the four SIMs per NIN is already in place.

Ralph Mupita

It is not retrospective, Karl, right?

Karl Toriola

No. That regulation has also been in place since that revised registration policy. So it is valid from when we started from April 2021 going forward. All subscribers registered before then are not required to comply with the four SIMs to a NIN.

Nadim Mohamed

Thank you so much for the clarification.

Ralph Mupita

It's an important point of clarification I think that could have been raised. Is there going to be an impact for those who have eight and now have four, and does that impact revenue? Maybe just on that point, this we self-implemented as part of managing registration risks across the markets that where there are no guidelines around maximum number of SIMs, particularly markets ex-SA, we are implementing self-imposed limits on the number of SIMs just to mitigate SIM registration risks. Should we take one last set of questions to ensure that those in same time zone as us can have a Friday weekend? Operator, could you give us the last set of questions? We will be back again at the end of the month, and Thato is around as well.

Operator

Okay. Thank you, sir. The final question comes from Admire Mavolwane from Terra Partners. Please go ahead, Admire.

Admire Mavolwane

Thanks for the questions. I'm just reading the SENS notice that was published. It's just the 47 million subscribers representing the 67% of the subscriber base and 76% of service revenue. That would imply that the unregistered SIMs are basically low-value subscribers. I would assume that if a serious subscriber would have been able to do the process in time. But could you just clarify that



9% in view of the whole value situation of these subscribers in terms of how they will impact on your mobile money service?

Then the second question is to do with the security situation in the north and north-west of Nigeria. Have you been asked to restrict services or any other measures that could have been impacted because of the security situation there in terms of your business? Thank you.

Ralph Mupita

Admire, thanks very much for your questions. Karl, do you want to take them or do you want us to?

Karl Toriola

No, with pleasure. Thank you, Ralph. Admire, look, we must provide information on a non-prejudiced basis. But I'm sure you can deduce from the numbers yourself what it means in terms of the segments that are most affected. Now, there are many reasons to get a national identity number. One of them is, for example, to renew your passport. You would automatically expect that a lot of the people who would be the first to get NINs would be people in major urban centres who have multiple reasons to get a NIN in place. And the bottom of the pyramid would generally tend to be the last in the line to get NINs registered.

Beyond that as a management team we are very focused. We have segmented in minute detail exactly where our subscribers are, what segments they belong to, their data usage, voice usage, smartphone penetration etc. But I think we will disclose more information to all investors and analysts at the same time when we report on Q1. On the second question, right now there are very few security restrictions in place. There were quite a few somewhere between October and December last year. A lot of those were lifted when the security agencies managed to arrest the activity of terrorism/banditry that was ongoing. There are very few in place.

It is hard to predict - this train incident wasn't predicted - when the next set of security incidents might occur and we might receive written instruction to shut down for security operations. We comply with these as long as we receive them in the correct format from the regulator as our licence requires. But right now, there aren't major network restrictions for security reasons, but we don't know how that's going to change in the future. Thank you.

Ralph Mupita

Karl, thanks very much. It is coming pretty close to the hour, so maybe just to close and thank all the investors and stakeholders who have joined this call. From an MTN Group point of view we feel



it's important to keep you updated even if we don't know all the facts and the situation is evolving. But we felt it is important to talk to you much earlier than waiting for the Q1 trading update, so we can tell you what we know and what we don't know. I trust that this call has provided a bit more colour.

I know you wanted more numbers, but we will provide some more colour at the 29th April Q1 trading update for MTN Nigeria and trading update for Group, which we currently have in for 6th May 2022. Beyond giving you how the business has progressed, service revenue, EBITDA, margins and capex, we will provide some of the trends post this NIN restriction to outgoing voice we have seen in recharges, the behaviour we are seeing with voice, what's happening with data.

And as I mentioned earlier on, when we provide you with those trends, please take into consideration that we are in the month of Ramadan. And in Nigeria there is generally a softer trending during the month of Ramadan as our colleagues observe the holy month. But we will provide as much as we can on gross connections, recharges, underlying data and voice. And to Jonathan's question, on are we sticking with our guidance, as mentioned the guidance is held. And any other information that we can provide we will let you know.

Importantly, what we will also provide in the call on the 29th is what more can be done with the government, with Minister Pantami, NCC, ALTON and NIMC. That constraint on validation is a real bottleneck towards timing, so we won't guess how long it will take on this call because actually nobody knows. But we do know where the bottleneck is generally. And as long as we're fully compliant and going through the processes, if that bottleneck remains it does become a binding constraint. So we are super focused on finding ways to support the government, NIMC in particular, to capacitate itself to more rapidly do the validations.

That will give us a better sense of timing. Jonathan, maybe we will have something to tell you and others around timing. But having said that, thank you so much for joining. Any other questions you have that we can shed colour without selective disclosure, please pass them on to Thato and Chima. Chima is in Nigeria. Thato is here obviously at the Group. We thank all of you for joining us and have a wonderful weekend. Thanks so much.

Operator

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

MTN Group

NIN Registration Update

8 April 2022



ENDS