Transcript of MTN Group call on

Q1 trading update

Date: 13 May 2022

Operator

Good day ladies and gentlemen and welcome to the MTN Group's Q1 trading update. 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 note that this call is being recorded. I would now like to turn the conference over to Thato Motlanthe. Please go ahead, sir.

Thato Motlanthe

Thanks very much, Claudia. Good afternoon to everyone and thank you for taking the time to dial in to the discussion on MTN Group's trading update for the first quarter ended 31 March 2022. My name is Thato Motlanthe; Head of MTN Group Investor Relations and on the call with me is Ralph Mupita, our Group CEO, as well as Tsholo Molefe, who is our Group CFO.

Just a reminder that our trading update was published this morning on the JSE, and it is posted on our website on the Investor Relations page.

I trust that you would have also seen the Q1 releases from MTN Nigeria, MTN Ghana, MTN Uganda and MTN Rwanda, which make up our overall reporting line up. They all published over the past two weeks.

For today's call it's my pleasure to hand over to Ralph and Tsholo shortly, who will provide an overview of the business and financial performance in Q1, as well as give you some outlook remarks. We can then open the lines up for the Q&A session, which will be facilitated by the operator.

Finally, just to note that this call is scheduled to wrap up in about an hour's time. With that, let me hand over to Ralph.

Ralph Mupita

Thank you very much Thato, and a good afternoon from me as well. I trust that everybody is keeping well. We appreciate you joining us on this call at a time that there is a lot of geopolitical and macroeconomic events roiling the markets, demanding your time and attention. I hope you have had a chance to go through the comprehensive trading update SENS we published this morning.

On to our trading update. We are encouraged by the healthy performance delivered across our markets under challenging macroeconomic conditions and new regulatory developments.

From an operational standpoint, the Group has delivered solid results in the quarter, and is tracking well against our medium-term targets with double-digit service revenue growth, in constant currency terms, the expansion of EBITDA margins and the Holdco leverage remaining well within guidance as we executed on our Ambition 2025 strategy.

We will unpack our performance covering five broad themes, starting with the **challenging macroeconomic environment and regulatory developments** we are navigating. The **solid operational and financial performance recorded, will be the second theme that I will cover.** Thirdly, I will update on some of our **strategic priorities**.

At that point I will hand over to Tsholo to talk you through a bit more **detail on the financial performance,** covering the key markets and regions. Tsholo will also cover the fourth theme, which is the **strong balance sheet and liquidity positions.** After that I will come back to wrap up **with outlook and concluding remarks**.

1. Challenging operating environment

So let me kick off with the context on the challenging macroeconomic environment.

As I'm sure many of you are aware, over the past few months we have seen an increase in macroeconomic volatility being driven by the recent global events, which is feeding through to our markets. In addition to socio-economic impacts of COVID-19 continuing to affect our trading environment, rising inflation and interest rates are an additional set of impacts across our markets putting consumer discretionary spending under pressure. Communications spend has been relatively more resilient in terms of consumer and business expenditure, but not immune to the global macroeconomic shocks experienced in the quarter.

The monetary and fiscal positions in many of the countries we operate in have been challenged resulting in currency weakness against the US dollar. We have also observed some disruptions in supply chains (for example handsets in South Africa); and to mitigate the risks of network rollout, we put in place contingencies that included an acceleration of capital expenditure in the Q1 with a focus on securing radios for our 4G and 5G expansions.

In South Africa specifically, our second biggest market – in mid-April, the province of KwaZulu-Natal was hit with heavy rainfall causing floods in many parts of that province, impacting lives and livelihoods. The floods also caused damage to infrastructure with a total of more than 500 MTN sites being down in the province.

We did activate our contingency plans and have managed to restore just over 90% of the affected sites to full capacity. So, there are now about 47 sites left, which we are working to restore.

Loadshedding from the national grid has impacted network availability in South Africa and we have increased investment in batteries and generators ahead of the winter period when we anticipate loadshedding risk to remain persistent.

From a regulatory perspective, the securing of an additional 100MHz of multi-band spectrum in South Africa was a major positive milestone to support the 4G and 5G expansion plans we have in the market. In Ghana, the e-levy was promulgated through parliament and in Nigeria, the NCC issued a directive to bar circuit switch voice calls for subscribers who had not linked their NINs to their SIM. These regulatory developments did not impact the Q1 trading performance, and I will comment on these later in the outlook section at the end.

So that's a high-level summary of our macro and trading environment.

2. Solid operational and financial performance

The second theme is the delivery of a solid operational and financial performance, in the challenging macroeconomic environment. We are encouraged by the sustained commercial momentum and solid execution across our markets.

In our commercial trends, subscribers grew 3.2% YoY to reach approximately 276 million. You would recall that this was impacted by the decline in subscribers in MTN Nigeria arising from the revised SIM registration regulations in the country. Adjusting for Nigeria, total subscribers were up by 3.9% YoY – so solid underlying commercial momentum.

Encouragingly, MTN Nigeria added 1.7 million subscribers during Q1, which is a good trajectory continued from the one million subscribers added in Q4 2021. Subscriber growth in South Africa was very encouraging, giving us a good growth platform for the trading periods ahead.

The structurally higher demand for data services was sustained with robust growth in our traffic trends. Looking at the year-on-year trajectory, overall Group data traffic increased by 45% – and within that mix, MTN SA traffic was by 47%, MTN Nigeria up 85% and MTN Ghana up by around 55%.

We were pleased to secure permanent high-demand spectrum in MTN South Africa. This will enable us to ramp up investment to increase coverage, including our 5G offering, and this will also support the data traffic growth going forward.

Our commercial execution drove a solid overall financial performance. Group service revenue grew by 16% in constant currency terms, with EBITDA margin improving by 2.2 percentage points to just over 46%, supported by our expense efficiency programme. So, this resulted in EBITDA growth of 21% in constant currency, reflecting sustained operating leverage in our business.

Tsholo will unpack the financial performance in a more detail, but it's just worth noting that both data and fintech delivered strong results, up 37% and 21% respectively. Fintech had a few dynamics, which I will go into a little bit later, but we are focused on driving growth in our connectivity business and driving recurring usage on our fintech platform with a focus on new product launches to grow advanced services.

3. Progress on strategic priorities

The third theme is our strategic priorities, and I will just spend a bit of time unpacking some detail on the fintech business. Firstly, on the performance, we continue to scale and accelerate the fintech ecosystem across our markets. Looking at the main KPIs and drivers, our active monthly fintech users increased by 25.9% YoY to end at just over 58 million.

If I turn to fintech transaction volumes processed through our ecosystem, this increased by 33% in Q1 to 2.9 billion transactions and value increased by 19% in constant currency terms to just under US$60 billion.

The transaction value was impacted by two things: firstly, by new commission-earning rules that were implemented in Ghana during Q3 2021 with an aim to improve margins, which was achieved. If we adjust for this, the underlying transaction value grew by 34.0% in constant currency terms.

We reduced the pricing umbrella in Côte d'Ivoire as a response to aggressive competition by Wave, a new market entrant in the market. We reduced our P2P and withdrawals pricing. Tsholo will talk about the service revenue development, but what was quite encouraging is that we have seen a recovery and acceleration of fintech users and usage in Côte d'Ivoire as Q1 2022 progressed.

We remain confident of our recovery plan in Côte d'Ivoire where we anticipate fintech service revenue to be back in growth by Q4 2022, driven by user growth and the launch of advanced services.

We had strong traction in growing our payments and e-commerce ecosystem, where we grew the number of merchants accepting MoMo payments by 47% and this closed at more than 765 000 merchants at the end of Q1. The momentum in total value of MoMo merchant payments was also very strong and increased by 125% to US$4.3 billion. So, we will continue to roll-out self-onboarding of merchants to help entrench the momentum and growth we are seeing in our payments and e-commerce verticals.

The banktech vertical is also showing good momentum in the key drivers, and we had a 28% increase in total loan value to reach around US$280 million. Our banktech offering benefits from the scale of our mobile wallet and customer footprint, which we will continue to leverage.

In our insurtech platform, we closed Q1 2022 with 17.4 million registered aYo policies, reflecting growth of just under 38% YoY. Active policies actually reduced by 31.1% and this was due to a deliberate shift in the strategy to focus on higher average revenue per policy and new revenue streams, particularly in Uganda, resulting in the termination of free policies.

Active policy growth was also impacted by platform migration and integration challenges as we shifted to a proprietary infrastructure. We are building this business in a sustainable way, and we anticipate a return to growth in active paid policies in the year ahead, with higher average revenue per policy.

Overall, we are pleased with the scaling of the fintech ecosystem, underlying service revenue growth and resilience of the business.

In terms of our overall fintech strategy, the final approval of a MoMo PSB licence in Nigeria by the CBN was a critical milestone. It will enable us to launch the PSB before the end of Q2 2022 and invest in its rollout with the ability to offer a broader range of services.

In terms of partnerships, our insurtech joint venture with Sanlam is undergoing regulatory approvals across the various markets we operate in, and we anticipate launching the JV in early H2 2022. The structural separation of fintech is on track for Q2, as we have guided previously. The key focus on that front will then be to establish fintech as a separate business and assessing the opportunities for minority strategic investors by the end of this year.

Some quick highlights on the asset realisation programme, you would recall that we completed Series 1 of MTN Nigeria's public offer earlier in the year for expected overall proceeds of R3.6 billion. We are pleased to have been able to upstream net proceeds of R708 million so far. This is a key milestone in the execution of our ARP, we continue the work to upstream the balance and we will pursue our commitment to further localise the shareholding in MTN Nigeria as indicated previously as we successfully repatriate the balance of cash still in Nigeria.

Last year we also announced the sale of MTN SA's passive tower infrastructure and obtained the necessary regulatory approvals. We are expecting the R5.2 billion in net proceeds from that transaction to flow before the end of Q2 2022.

The further localisation of MTN Ghana has gained good traction. In Q1 we increased our localisation from 17.5% to 18.7% and we received cash proceeds of R272 million for this further localisation. Post the quarter-end, a transaction was concluded to localise a further 5% of MTN Ghana, which brings the total localisation to 23.7%. We are on track to achieve 30% localisation for MTN Ghana and remain committed to deepen local ownership in that market.

Finally, we are very pleased by the progress we are making as the MTN Group in driving broad-based transformation. We achieved the Level 1 Contributor Status for both MTN Group and our South African operation, which is a truly major milestone. As MTN Group, we see broad-based transformation and making socio-economic impact in South Africa as a key to our sustainability and creating shared value.

At this point let me hand over to Tsholo, and I will come back to make concluding remarks at the end.

Tsholo Molefe

Thank you, Ralph, and good afternoon to everybody. It's my pleasure to run you through some financial highlights for Q1. Ralph gave you some of the headline numbers, which I think is important to emphasise were delivered against ongoing challenging trading conditions, impacted by current global events and COVID-19.

4. Detail on financial performance

Continuing with our themes for this call, I will now cover in a little bit more detail the financial performance, and as usual I will refer to constant currency trends. With Nigeria and Ghana having provided comprehensive reports of their performance, as they indicated they grew service revenue by approximately 22% and 35% respectively, with healthy EBITDA margins.

I think it's worth just highlighting some of the detail from MTN South Africa, which is our second largest market. MTN SA grew service revenue by 4.6%, underpinned by commercial and operational execution which yielded service revenue growth in all the core business units. The service revenue result in South Africa was against a tough comparable of 7% growth for Q1 2021, so really strong execution from the business.

Overall mobile data revenue was 14.3% higher, supported by increased data users and strong data traffic growth.

In the **consumer business unit**, prepaid service revenue grew by 1.5%, impacted by economic pressure particularly in the lower-income consumer segment. The offset of voice substitution remained a challenge, however MTN SA continues to work on ERM optimisation initiatives to reduce this impact.

Postpaid service revenue grew by 4.4%, benefiting from data-oriented packages. These performances were resilient in highly competitive and challenging trading environment. Service revenue growth was helped by solid subscriber additions.

The **enterprise business unit** delivered another healthy performance. Service revenue growth of 23.1% supported by sustained growth in data deals, Bulk SMS and the ICT business. The core mobile business continues to gain market share, with sustained distribution channel expansion and strong product propositions. The outlook for sustained growth is encouraging as the business unit leverages off being a service provider to national government and the strong network quality.

Turning to **wholesale**, MTN SA grew service revenue by 1.9% driven by national roaming deals with Cell C and Telkom. For Cell C, revenue recognition remains on a cash basis as Cell C continues to work towards its recapitalisation. MTN SA recognised R643 million in national roaming revenue from Cell C and a balance of R400 million remained unrecognised as at 31 March 2022.

The new multi-year national roaming agreement with Telkom, which you will recall came into effect on 1 November 2021, continues to scale steadily and MTN SA is focused on further enablement of infrastructure sharing through the investment in the expansion of network capacity.

MTN SA grew its **EBITDA** by 3.7% and delivered a slight increase of 0.1 percentage point in EBITDA margin to 39.9%. This was on the back of the solid service revenue performance, which I just provided some colour on, as well as the disciplined execution of the expense efficiency programme.

Briefly on the regional performances, you would have seen that growth was quite solid. All regions delivered double-digit top line growth, with the SEA up by 12.7%, WECA by 17.0% and MENA region up by 83.4%. The latter excludes MTN Irancell, which we equity account for – that Opco grew service revenue by 26.6%.

The WECA and MENA region improved their margins on a blended basis, which is quite pleasing. The SEA region's blended EBITDA margin came slightly under pressure due to increased costs, mainly from MTN Rwanda.

I also just want to elaborate a bit on the performance of MTN Côte d'Ivoire and MTN Cameroon. Ralph spoke about this earlier, but MTN Côte d'Ivoire saw pressure on the top line growth due to a decline in fintech revenue from zero-rating of person-to-person and price reductions for withdrawals driven by intensified competition in the market during the second half of 2021.

This has had a dampening effect on the service revenue growth of MTN Côte d'Ivoire, which was slightly down by 0.9%, as well as overall Group fintech revenue which increased by 21.1%. As mentioned, we anticipate a return to growth in Côte d'Ivoire's fintech revenue, which should underpin our overall growth trajectory in the Opco and Group fintech top line overall.

MTN Cameroon's EBITDA margin declined by 1.9 percentage points and was impacted by provisions for taxes on Mobile Money transfers and withdrawals.

We remain confident that both operations remain on a strong foundation to grow over the medium term.

Very quickly on **capex**, before I talk about our balance sheet. We have capitalised R7.0 billion in the quarter. To reiterate, we are committed to sustaining the investment in our networks and platforms in line with our capital allocation framework. This is key in supporting the growth and our overall 2025 ambitions. As mentioned earlier, there was some accelerated capex to mitigate against supply chain risks.

5. Strong balance sheet and liquidity positions

Turning to the fifth theme, our **balance sheet** is in very good shape. At a consolidated Group level our net debt to EBITDA of 0.3x at end March 2021 remained comfortably within covenants and our

Holdco leverage showed further improvement. Holdco leverage is now at 0.9x, versus 1.0x at the end of December 2021. So, we are progressing well in further deleveraging of our balance sheet.

This was enabled by the progress in cash **upstreaming.** We upstreamed R2.9 billion from our operations in Q1, which includes the R643 million from Nigeria. Post the quarter end, there has been some further upstreaming of the proceeds from Nigeria Series 1 public offer and Ralph mentioned that we received an amount of R708 million.

Finally, we were pleased to see Moody's Investor Services upgrade our credit rating outlook to 'stable' from 'negative' reflecting our strong financial performance and reduction in leverage. This aligns very much with our targets and what we are trying to achieve within the Ambition 2025, including to optimise our funding mix.

I will pause here and hand back over to Ralph.

Ralph Mupita

Thanks very much Tsholo. I will sum up with some outlook and concluding remarks.

We are quite encouraged by the resilience of the business and its performance to date. As mentioned, tracking well against medium-term targets for service revenue, with expanding margins supported by our expense efficiency programme and very good progress in our deleveraging faster ambition.

It's important to just call out a few of the dynamics you should consider as you look at the shape of the remainder of the year.

I think the first thing, as I mentioned earlier, is that we anticipate that our markets will be impacted by the global trends of higher interest rates and inflation of energy and food prices. Geopolitical volatility exacerbated by the conflict in Ukraine is further impacting these trends and affecting currencies, asset prices and supply chains.

On current macroeconomic and operating assumptions, we anticipate these factors to slightly moderate our EBITDA margin evolution in the short term. This is particularly when considering the additional investment required to accelerate NIN enrolment and verification and the launch of PSB services in Nigeria and higher energy-related expenses where we have diesel pass-through costs in TowerCo agreements. We have these pass-through costs with ATC in Ghana, Uganda and South Africa and part of the portfolio of Nigeria. In the context of Nigeria, we have about 2,200 towers of the 17,000 portfolio with ATC.

For South Africa, the operation remains impacted by the continued disruptions to power supply from Eskom. We anticipate network availability will be affected by loadshedding going forward, certainly in the near term, but we will be compensating with batteries and generators to largely mitigate this as we get into the second half of this year. We are also focused on implementing the SA tower deal with IHS and anticipating financial close before the end of Q2 2022.

The focus in Nigeria will be on driving ongoing growth in the subscriber and revenue base in the context of prevailing NIN-SIM registration restrictions, as well as launching PSB services. EBITDA margin may be slightly impacted in the near term by these effects, but we remain committed to achieving margins within the 53-55% range which we have communicated as our aspiration over the medium term.

MTN Nigeria updated the market on NIN developments a couple weeks ago and that was a follow-on from the detailed call we held in early April. As we have executed our NIN recovery initiatives, we are seeing a gradual and encouraging turnaround as the affected subscribers are reconnected to resume voice calls. So, we are seeing the key trends moving in a positive overall direction.

Within fintech, during Q1, we implemented new mobile money taxes in Benin and Cameroon; we also made further P2P pricing adjustments in response to ongoing competition in Côte d'Ivoire to continue to stimulate user and usage growth. We have also now implemented the e-levy tax in Ghana and adjusted our pricing to limit the impact on usage in that market. It's too early to comment on impacts and trends overall of these new taxes, but we will provide comprehensive details with our H1 results when we will have more data.

The final award of the PSB licence in Nigeria will be key in driving our fintech growth over the medium term. We are planning the commercial launch of PSB services before the end of Q2 2022, so that is somewhere within the next six weeks we will be launching in Nigeria.

In terms of some of our key strategic programmes, the work to structurally separate our fintech and fibre businesses is ongoing and remains on track. We are focused on scaling the fintech ecosystem, shifting the product mix to advanced services and securing a few select strategic partnerships that will support the scaling of the business sustainably and getting these all done before the end of this year.

On the Middle East exit, we continue to explore an orderly exit of Afghanistan, you are well aware of the challenges in Afghanistan and as when we have made progress, we will communicate to the market even if it is before the results release in August of this year. We remain focused on executing our Ambition 2025 strategy to drive growth, deleverage the Holdco balance sheet faster and unlock value for our shareholders. Our capex guidance for FY 2022 is unchanged at R34.4 billion and we are maintaining our Group enhanced medium-term guidance framework.

On that note, let me hand the call over to Thato and the operator for Q&A.

Thato Motlanthe

Thanks very much Ralph and Tsholo for that overview of our progress in Q1. I think at this point we can hand back over to Claudia to facilitate Q&A. Thanks, Claudia.

Operator

Thank you, sir. 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 Preshendran Odayar from Nedbank. Please go ahead, sir.

Preshrendran Odayar

Thanks, and congratulations on the quarterly results. I've got three questions if I can. The first one is on Nigeria. What exchange rate did you repatriate the cash at, and what are the reasons why there's still the remaining balance that hasn't been upstreamed? What are the bottlenecks for getting that cash out?

The second, are you able to tell us what percentage of your wholesale revenue is coming from Telkom at the moment, or is it still too early to give us some detail on that?

And then the last one is I think your enterprise business unit in South Africa has shown an accelerated growth for the tenth consecutive quarter now. How much of that is actually coming from the government contract that you guys were awarded late last year? That's it from me. Thanks.

Ralph Mupita

Thanks for the three questions. I'll ask Tsholo to take the first one and then I'll give some colour on the latter two.

Tsholo Molefe

Thanks, Preshendran, for your questions. As you recall, we still follow the same process that we followed before. And at this stage what we have been able to upstream at is just over ₦490. But essentially obviously it is an average because it is based on the number of applications that we've made that come through at spot and then discounted into spot. As we said previously, it's a combination of spot and forwards, but mainly weight on the forwards.

Ralph Mupita

Maybe to your two latter questions, on the wholesale side it's largely still Cell C. It does take time to get that wholesale national roaming agreement all set up across our sites. We have a minimum commit of 10 million per month.

What I can say to you without revealing all the details is as the quarter progressed, we started getting a little bit above that. As you work through the numbers, this is still all largely Cell C, and we will ramp up through the year on the Telkom national roaming contract. So, Telkom is still relatively de minimis as the sites get arranged for much broader national roaming.

On enterprise, as you said, we've had very solid growth. Many thanks to Wanda and the overall SA team. We've been getting broad-based growth in enterprise, as you said, for several quarters. The RT15 contact, which is the government contract you mentioned, obviously we were successful in being chosen as one. It's not exclusively just us, so pretty much all the other carriers are competing for this business. But I think we've made good progress in this quarter in being able to secure.

I wouldn't want to leave the impression that it's all the government business. As I said, we started seeing the effects coming into particularly Q4 last year and then obviously some into Q1 this year. So, it's broad-based private sector/government. That's on the co-mobility but also on the ICT services. I think that question you should hold on to probably for another 12 months, because even if you get awarded there has got to be a port out from Vodacom still to work through. So, it isn't the only source of growth. It's broad-based growth within our enterprise business,

Preshrendran Odayar
Thanks, Ralph and Tsholo. Appreciate it.

Operator
Thank you. The next question comes from Madhvendra Singh of HSBC. Please proceed with your question.

Madhvendra Singh
Hi. Thanks a lot for taking my questions. Three quick questions. The first is on Uganda and Rwanda ARPUs look much lower than recent rates. Is it something changing in the calculation or is that really the real decline in ARPUs?

The second question is on South Africa. I'm just wondering, if you were to adjust for the negative impact of the floods and power outages, what would have been the underlying service revenue growth trend in South Africa?

Finally, the point about the mobile money pressure you are seeing in Ivory Coast. I'm wondering what you know about the competitor. In which markets do you compete with them? And do you see any risk of them entering the rest of Africa markets as well, given you are already signing off the regulatory approval processes, the time it takes and so on? What's the risk that the pressure you are seeing in Ivory Coast spills over in other markets? Thank you.

Ralph Mupita
Thanks for those three questions. I'll give the ARPU question to Tsholo, but can we start with three, two, one, so Tsholo will answer last? The main pressure we're seeing with Wave coming in as an

OTT player was actually in Côte d'Ivoire. We communicated this I think with the Q3 trading update that we were taking decisive action to respond where we reduced P2P pricing.

We talk about the pricing umbrella. The pricing umbrella was widest in Côte d'Ivoire, which I guess made it very simple for Wave to come into that market and challenge both ourselves and Orange. So, when they set up, we immediately took a medium-term strategic decision to pull back on pricing on P2P and withdrawals. We always said that the fintech model needs to transition to advanced services over time.

So, we took a decision actively to cut pricing to start building the user base. And as I said in my comments, I think we've been very encouraged with the user growth. So, in Côte d'Ivoire we saw good growth, over 500 000 mobile money subscriber growth in the quarter. So that base growth and what we track on a monthly basis, we see ourselves back in growth by Q4 this year.

So, I think our response in Côte d'Ivoire has taught us a lot. We are encouraged by the progress we're seeing. So, where else are we seeing them? We're seeing them in Benin and Uganda. In those markets the pricing umbrella was not as wide as we had in a market like in Côte d'Ivoire. There is basically no pricing umbrella to work with if you are coming into a market like Ghana. And obviously in Nigeria we will launch with the Future Fit proposition. So, that's a response on the mobile money competition.

On South Africa, I think we won't disclose the impact, but suffice to say, as I mentioned, we had 500 sites which we were able to restore very quickly. As I said, we have only 47. We have 12 500 sites in MTN SA. So, the impact is relatively de minimis. If we hadn't been able to restore the 500 sites, we would be looking forward and making some sort of broader statement.

But for us it's more the impact socioeconomically in KZN that's concerning. The big issue, as I said, in South Africa is watching what happens with load shedding towards network availability. But we do have a resilience plan, as we call it, to up the investment in batteries and generators to ensure high network availability. IHS coming in ideally as we start H2 to manage our towers, we have already been planning our work. That's actually a bigger issue than KZN. Tsholo, on the ARPUs.

Tsholo Molefe

On the ARPUs, thanks for picking that one up. There was an error in the data that crept in for Uganda and Rwanda specifically, and we have since rectified it. If you download the SENS on the website, you will get the correct numbers. We do apologise for that inconvenience. Of course, there has been a reduction in ARPU in areas like Côte d'Ivoire, mainly driven by the drop in fintech revenue while the active subscriber base has increased.

Madhvendra Singh

Thank you very much. This was very helpful. Thank you.

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

Jonathan Kennedy-Good
Good afternoon. A couple of questions from me. Just on the fintech taxes in Benin, Cameroon and obviously Ghana being implemented now, are the banks subject to the same level of taxation? i.e., is it uniformly applied across the sector? And then secondly, in Benin and Cameroon can you give us a sense of the quantum of these taxes?

Then finally, I perhaps didn't really understand the comments on the Ghana Commission earning rules being implemented last year to improve margins. I think there was a comment that that impacted transaction value in that market. I'm just trying to understand why you would move to improve margin rather than capture market share in that market.

Ralph Mupita
Okay, Jonathan, let's start with your second question. So, what we observed in the Ghana market late last year is that agents were taking a particular transaction and slicing it up as a way to earn more commission. What that then affects obviously is our cost of sales. And we took measures towards managing that. That did affect the overall transaction value.

So, we reduced the overall commissions paid, and that's where it comes and impacts our margins positively. But we also felt that that was an opportunity that was creating a little bit of 'arbitrage'. That is what the guys in Ghana were noticing. It will normalise as we go through several quarters, but we think the commission structure change is sustainable. To your point around market shares in a market like Ghana, I think we have decent market shares just given our market position there.

On the fintech taxes, generally they are set up from a regulatory perspective as taxes on electronic transactions or mobile money. And so, they largely impact mobile money businesses. Given the structure of the banking markets, which you will know well, the retail banking market is actually very under-penetrated, which creates an opportunity for ourselves. So, we've got all these taxes across the markets. I think the most mature one is the one that we referenced, which is the Ghana one which is the 1.5% levy. And we're implementing it in a three phased approach.

The first is we are implementing it within the ₵100 threshold. We are implementing it across our own base. We are going to have to create a common system across operators where we need to monitor the ₵100 across the full set of operators. That will be the next step that we will then follow.

I guess in Cameroon and Benin for now I would simply say they're not as material as for Ghana. But we will monitor and report on all of this as we progress. We've had similar taxes in a market like Uganda, as you will well remember. And obviously we've recovered through that after a couple of reporting periods.

Jonathan Kennedy-Good

Thank you. If I may ask one more question for Tsholo, could you just remind us of where we are on total US Dollar debt at the moment given the upstreaming since year end?

Tsholo Molefe

It has not moved since the Q1, so we still have the Eurobonds that expire 2024 and 2026. So, it's US$750 million and US$500 million. So, we are currently in terms of mix at 61% to 39%, so 61% Rand and 39% Dollar debt. But as we said, the intention is to start looking at early redemption subject to market conditions and bondholders' appetite.

Jonathan Kennedy-Good

Great. Thank you.

Operator

Thank you. The next question comes from Myuran Rajaratnam from MIBFA. Please go ahead, sir.

Myuran Rajaratnam

Good afternoon and thanks for the opportunity. The first question is I'm trying to get a sense of how much more wholesale revenue is still to come from Cell C. I think the plan is to have the full prepaid base roam on MTN, that's Cell C's plan if I remember. What percent of the prepaid traffic are you carrying at the moment, so that we can get a sense of how much more they use?

And the second question is we saw very good growth in enterprise. I know you answered earlier Preshendran's question, but the first quarter of last year you grew 17% and now you grew 23%. That's resounding growth. So maybe just some colour as to how much road is left here on this runway. How much runway is left here?

Because if it's quality and network related, then clearly you have a better speed and better network quality at the moment if you see the MyBroadband studies and things like that. Your speeds are sometimes double what Vodacom has. So, is that related, or is it more just something like the government contract or something else that's happening now but might not have a lot of legs left in it?

And the last one is in your big operations like Nigeria and Ghana, I know you disclosed the smartphone penetration, but can you tell us what your 4G-enabled or capable handset penetration is in those markets, Ghana and Nigeria? Thanks.

Ralph Mupita

Thanks very much. You always ask difficult questions. We will try and answer them. Let's start on the wholesale revenue. Cell C is in a process of recapitalisation, and they moved pretty much most of the traffic. You are aware of the postpaid book being managed by Vodacom. But pretty much the rest of prepaid is on the MTN network. To me the scope for growth is how they get recapitalised and how competitive do they become. That will be the factor that drives the growth that we have.

And because those are uncertainties, we've remained on a cash basis of accounting. So, I think it would be irresponsible of me to say I think there is X still to come from Cell C. We are looking for the first indicator, which is the recap, and then obviously solid trading. As they trade and get more market share, with our current relationship we should grow. The issue there is probably more what growth we can get out of Telkom.

Just on the enterprise side, I take you back to around 2018 where Wanda and team did come through. And we did make a confession so to speak that MTN had been under-indexing in the enterprise space where we had pivoted quite a lot towards ICT and not focused on the core connectivity business. And if we had a good network, had a good product portfolio and a good sales and go-to-market team, and got 30% of our share – because we were not getting 30% share – we should naturally be picking up the market.

So, it's ten quarters of double-digit growth that we've seen from a business that was probably ex-growth pre-2017. For sure the RT15 has been helpful towards the back end of Q4 and Q1, but on a year-on-year basis it doesn't tell the full story. That's why I did say in a year's time when we've lapped the start of RT15 coming across, that's when. In my own internal meetings, the point of paranoia is when we've lapped RT15 we're going to have to keep growing.

I think the main point there is that we want to have a broad, diversified growth, enterprise, private sector as well as the public sector, core connectivity and ICT services. Obviously with 5G coming on, there are also opportunities there. Edge and all manner of things create opportunities for Wanda's business.

On your point around 4G handsets, I don't think we disclose that. We just talk about data-capable devices, so we include 3G and 4G. You're raising a question on disclosure, so we'll talk to Jens about disclosing 3G and 4G. But whenever we talk smartphone we talk about data-capable handsets, so these include 3G and 4G. We don't normally disclosure that split, but we'll take that as feedback and consideration for other reporting periods.

Myuran Rajaratnam

Fair enough. Maybe I can squeeze in one last one. In Côte d'Ivoire did the other large mobile money operator – I'm not familiar with the market as much as I should be. I think it's Orange – did they also cut back the fees like you did? Was it an industry-wide move?

Ralph Mupita

Yeah, they did. On the Wave thing, I don't know if there are Wave people and investors sitting on this call. Wave originated in Senegal. So, they started in Senegal and built up quite a sizeable business. I think it was five million subs actually in Senegal. And we don't operate there, but our read of it is Orange didn't react.

So, they also reacted in Côte d'Ivoire quite similar to us. We don't know what their profile is in terms of recovering the base and seeing improving trends. But they are the other large operator, and they did, as I mentioned earlier on, reduce the pricing umbrella on P2P to remain competitive. I think they've released their results and they made similar comments to what we said around Côte d'Ivoire.

Myuran Rajaratnam

Great. Thanks so much.

Operator

Thank you. At this time, we can only take one final question. The next question comes from Nadim Mohamed from SBG Securities. Please proceed, Nadim.

Nadim Mohamed

Good afternoon and well done on an excellent set of results. Seeing that there's only one more question, I'll just ask a question on aYo. I noticed that you are changing the strategy away from the free policies. I assume that means the policies that were offered upon recharging and so on.

I would just like to understand how you are repositioning it. What are the products and problem points that you are trying to address through the change in strategy? Lastly, what kind of ARPUs are you looking at getting from these kinds of policies as you change the strategy?

Ralph Mupita

Look, on the aYo let me start with the long-term strategy. Our long-term strategy is the partnership that we are looking to launch in H2 as soon as we've got all the regulatory approvals. Just to give you guys colour, if you do a pan-African deal, you've got to go through all the regional and national regulators. And we've been able to pretty much navigate that now. I think we've probably got a month or two to close on all the areas.

But I think what we want to be building is an insurtech business that has a stable and a profitable policy book. I think if you look, previously our policies were high but very de minimis contribution to service revenue. So, what we're doing is a bit of a pre-emptive action to start reducing, to your point, some of the free policies that are active but actually not delivering any meaningful economics to ourselves or a potential JV partner.

So, I think you must see it as a bit of a clean-up of that base, particularly the policy base we had in Uganda, and preparing for what we anticipate will be a better correlation between registered policies, active policies and a growing revenue base ultimately being profitable. That's what we were busy consciously cleaning up ahead of the tie-up with Sanlam, which as I said we anticipate formally kicks off in the early part of H2 subject to the final regulatory processes.

Nadim Mohamed
Excellent. And if I may just squeeze in one other question, during Q1 were there any price increases on postpaid, or are they coming later on in the year?

Ralph Mupita
There were. We did announce in South Africa. I think we said – Tsholo is going to remind me – 5%. Obviously, we are also absorbing inflation, so we can't just take all the hits on inflation across our markets. So, on postpaid, as Tsholo has confirmed, it's about 5%.

Nadim Mohamed
Excellent. Thank you so much.

Operator
Thank you. At this time can I hand back to Ralph for closing remarks?

Ralph Mupita
Thanks very much. We appreciate you guys staying with us for the full hour and what may sound like a long preamble in terms of trying to give you colour. We hope that we've given you a bit more colour. We want to be transparent about the kind of macro that we're operating in. It is tough, as you guys well know.

We've got a good team on the ground that's focused on execution and trying to manage the macro. We operate in the macro. We don't control all the forces. But we have a good strategy and a resilient strategy that we will look to execute.

And we look forward to engaging you with our half-year results which we will present to you in early August. If there are any other announcements that come through, for sure we will have a call to update you.

But we feel pretty confident about the work that Karl and team are doing in Nigeria on the NIN, the work that Charles is doing in South Africa to ensure that we continue to remain resilient, and the work Serigne is doing on fintech in particular.

I would highlight those, as well as the work Tsholo and the team are doing on the balance sheet and ensuring that we've got a balance sheet that creates both resilience but also enables us to take advantage of opportunities. In these difficult times you're focused on the negatives, but there are also opportunities that will come up.

So, we appreciate your time. Any further questions that you may have, please email or call Thato. He is available 24/7 for you guys. 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.

ENDS