Transcript of

MTN Group

H1 2023 Interim Results Presentation

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Video

In the heart of Africa, a vision passes with promise. From bustling markets to thriving cities, every corner of the continent holds immense potential. At MTN, we are committed to our role as an enabler, growing the economies we operate in by building resilience and bridging Africa's connectivity gap in broadband access, digital and financial inclusion, and socioeconomic development. We continue to realise these goals under the guidance of our Ambition 2025 strategy, with the non-stop growth and expansion of our platform businesses, reaching inspiring new milestones and our world-class GSM network continuing to lead the charge for 5G adoption in South Africa, Nigeria and Zambia, with more countries in trials set to follow.

Our belief that everyone deserves the benefits of a modern connected life also continues to drive our efforts for our fellow Africans. From our pledge to protect the planet by reaching net zero emissions by 2040, to our work to create empowered communities that leverage technology for inclusivity, learning, entrepreneurship and a culture of growth that creates a ripple effect and elevates economies.

We know that true progress is never achieved alone, and through our strong alliances and ground-breaking initiatives, MTN remains at the forefront of delivering digital solutions that drive the continent's development. And we're proud that as we work towards this vision, our efforts are noticed with the recognition for our positive impact on society, the environment, and for excellence and innovation in procurement. On our journey to 2025 and beyond, we stand together. Together for our continent, together for its people, and together for a connected, sustainable and prosperous future.

Thato Motlanthe

Good afternoon to everybody and welcome to MTN Group's interim results for 2023. My name is Thato Motlanthe, and welcome to the Innovation Centre for those in the room and everybody who's joined us on the various platforms, on our YouTube channel, on the webcast as well as on Business Day TV. And a special warm welcome to all the MTNers who obviously do all the hard work that we're able to present today.

Let's just start off the day as we usually do in terms of some of the housekeeping that we have. And the first one is that you'll see that the usual disclaimer and safe harbour statement that's on the screen that really just covers the presentation for the day. Secondly, as we usually do, we've got the emergency exits in case there is one. There's one on my right and there's one towards the back of the auditorium. And then finally, if you haven't had a chance to log on yet, we've got Wi-Fi details on the screen at Y'ello Events with the password that you should be seeing on the screen.

So, now, if I just turn to the period under review, I think the first half has been characterised by challenges. I think it's a mantra for ourselves as a company, but I think for companies worldwide. And I think what it says about us in terms of a company and where we are is a demonstration of the resilience, the adaptability, the innovation with which we take on these challenges. And particularly the people, as I said, who do the hard work for us to be able to present the results today. And so hopefully you'll be able to see some of that work as Ralph and Tsholo present this afternoon.

And I think if I just run you through the order of the day, it will be the usual running order: Ralph Mupita, our Group President and CEO, will come up. He'll start off with a few highlights and then get into an operational and strategic overview. Tsholo Molefe, who's our Group CFO, will then come up and do a financial summary. And then Ralph will come up to give some closing comments and conclusions. And then at the end of it, we'll have our usual Q&A. And just to remind you, those of you who are logged on to the webcast, please use the platform to send in your questions.

And finally in terms of housekeeping again, for those of you who are tweeting during the session, or is it Xing these days, the hashtag is on the screen, it's #MTNInterims23. And those who are following our X handle, it is @MTNGroup. And then finally, for those of you in the room, once we are done with the presentation, you're welcome to join us for refreshments afterwards. So, with that, let me welcome our Group President and CEO Ralph Mupita. Thank you.

Ralph Mupita

Thato, thanks very much. And extending my own welcome to everybody who's joined us here on 14th Avenue and all of those stakeholders and shareholders who are joining us on virtual platforms: we appreciate you taking the time to listen to the results delivery from Tsholo and myself. Also extending a warm welcome to all the MTNers across our markets, 19 markets, 17,000 MTNers who have worked hard in the first half of the year to deliver the results that Tsholo and I have the pleasure to share with you.

You would have probably now gone through the extensive SENS documentation that was released on the JSE earlier today. And what Tsholo and I will try and do is to provide what we see as the salient items in what was a very, very busy half of the year, and as Thato has mentioned, had quite a lot of challenges that we needed to navigate to deliver the performance that we have achieved in the period under review.

So, if I start off by looking at the macro factors that affected the operating conditions, there are broadly five factors. Firstly, inflation. We experienced elevated inflation in pretty much most of our markets. Forex volatility was a character to our financial results, as was cash availability in a market like Nigeria. We also had to navigate regulatory developments, SIM registration, deal with tariff increases and tax matters across a few markets.

Obviously running a network, energy, power and TowerCo contracts are critical parts of how we try and deliver the financial results. And the final issue that we had to confront was the conflict that emerged in Sudan in the middle of April. And we will cover how we have progressed in that regard.

Just picking up on some of the key issues that you will see a little bit later reflected in Tsholo's financial results, from forex volatility, callouts on our two major currencies. We did see the ZAR depreciate against the dollar in the first half – more movement between the ZAR and the dollar than we've experienced in recent reporting periods.

In Nigeria, we faced two dynamics. Firstly, there was the naira redesign that happened at the end of last year, which caused a cash crunch or lack of cash notes being available in the market, particularly in Q1. But we had some of that effect into the early parts of Q2. And then finally there was the Nigerian liberalisation of exchange rates, moving the exchange rates all to the I&E window in mid-June. And the effects of those resulted in revaluation losses that you'll have seen in the P&L for MTN Nigeria as well as now that you see for Group.

On the regulatory side, I'll cover a couple, obviously with SIM registration issues that we had to deal with in Ghana, but also the new SIM registrations in Nigeria and tax matters, navigating the tax matters, particularly the one that you would be aware of, which was the GRA matter in Ghana. So overall, a challenging operating environment, but we feel that we've made good progress in the period within that context.

So, from a strategy perspective, how did we see how we fared in the half? A couple of key callouts. Commercially, we're very encouraged by the commercial performance of the business, growing the base of subscribers now to just under 292 million subscribers. 140 million of those are data active subscribers. So, just shy of 50% of data active subscribers within our base. In the two main drivers of revenue growth, data and fintech, we saw very good growth. If you look at data traffic, ex the JVs, because we did see a slowdown in Irancell, we saw data traffic growing in aggregate at 35%. And then when you look at the Mobile Money platforms and you measure it in terms of the transaction volumes, those were growing at 37%, transaction value actually growing at close on to 62% in dollar terms. So commercially, very encouraged by the results that we saw.

The financial resilience of the company has remained very strong. On a Group net debt to EBITDA – and Tsholo will take us through the numbers – we are sitting at 0.4x against our covenant limit of 2.5x, so well covered on leverage. But we did see the Holdco leverage going up in the period. The last reported Holdco leverage number was 0.8x. Now you see 1.5x. And that's really a function of us taking the scrip dividend in Nigeria and also the inability to access foreign currency in Nigeria. The liquidity position of the company remains strong, both cash and available facilities to the company. And again, Tsholo will cover all of that.

We did announce at the Capital Markets Day that as part of our ongoing efficiency drive, we would be pursuing a further R1.5 billion of expense efficiencies. We've achieved R0.7 billion of that, so well on track. And then on strategic execution, three main callouts, and I'll talk to them a little bit later. Firstly, making progress in terms of the strategic partnerships for our Group Fintech business. We've signed and concluded commercial agreements – and I'll come back to that – with Mastercard. And then we have signed a transaction MOU, which I'll give a little bit of detail on later in my presentation.

We've made good progress also now in the orderly exit of Afghanistan. We received conditional approval from the ATRA, which is the regulator. And now we just need to submit the necessary documentation. So, we feel pretty encouraged by the progress we've made there and hope that by the end of Q3 that all the conditions will have been met. And then on the localisation front, continuing with our localisation efforts. Some of the localisation progress in Ghana in particular would have been lost out because of the scrip dividend we took there, but we did have some localisation proceeds coming through from Ghana, and Tsholo will cover that.

And then finally in the area of creating shared value, continuing to make progress, the cost to communicate on a blended basis has come down across the portfolio by almost 22% relative to prior year. And then on broadband coverage making good strides towards getting to 90% broadband coverage across our markets. Pretty much our market coverage is becoming less of an issue. It's much more that usage is the issue across our markets.

On D&I, this will be a work in progress for some time to come, but we do feel encouraged by the 40% women representation in the workforce. We're also seeing good progress in subsets of women in tech. That's well above 20% now. We started that in the mid-teens maybe two years ago. So again, the D&I showing good progress in the Women's Month of South Africa. I think we will be told by the women at MTN we can still do a lot more, and I would agree with that.

If we look at the financial highlights, I'll just cover a few of the key points, and Tsholo will cover this in detail. Service revenue growth of 15.1% is well within our medium-term guidance, so we have been very encouraged. Inflation pressures have been creating opex challenges for us, so you will have seen the EBITDA margin on a constant currency basis actually down 0.5%. Encouragingly though, headline earnings per share or clean HEPS, operational HEPS if you'd like to call it that, we saw that at 749 cents per share. And that's just shy of being 25% up on the prior period.

On capitalisation, we put in R17 billion of capex – well within our guidance of 15% to 18% capex intensity – and operating free cash flow up just under 17%. And the ROE in the half was a pleasing 24.4%. You know that our guidance target is 25% and above. So Tsholo will cover all those financial effects a little bit later. And let me cover some of the operational and strategic updates.

Starting with South Africa, we were very encouraged by the performance of MTN South Africa in Q2. We did say with our full year results in March that H1 was going to be a very challenging period for MTN, given loadshedding in particular, and the self-help plans that we would have towards making us resilient under stage 6-plus conditions. And we would need to upgrade our sites and also upgrade the security that we have.

And I'd like to make a callout to Charles and his team for the very good work that they've done in the period to really improve network availability across the portfolio. At the end of June, we had network availability just at 91%. The sites that we had upgraded, both for power resilience and security, those were actually operating at our expected levels of network availability, which is 99%. So, the plan that Charles has is working and is actually slightly ahead of our plan. And we envision that we'll need to spend between R4 billion and R5 billion of network resilience investment between the start of this year, all the way to Q1 next year. And Charles is in the room, so he can take many of your questions there.

So Q2, we saw improving service revenue development, pretty much in line with what we had expected. So, we saw 2.5% service revenue growth in Q2 versus Q1, where we had 1.3%. And the data traffic trends that we see in Q1 versus Q2 have been encouraging. Where we saw pressure in the business is really around prepaid. When we look at consumer postpaid and when we look at wholesale and enterprise, very much steady progress there. Prepaid, both the voice side as well as data, remained under pressure. We did have some price ups on prepaid inflow at the end of May, and we'll start to see some of those effects coming through.

And so, as we look at the early parts of Q3 – the early parts of Q3 that I can talk to is actually July – we are encouraged by the trends that we're starting to see. So, to Charles and the team the focus has really been on ensuring that we have resilience at stage 6 plus in terms of meeting our own desired levels of network availability.

Moving on to Nigeria, MTN Nigeria released results two weeks ago, so Karl would have taken you through those. A couple of callouts on the results of MTN Nigeria. Very strong operational results where we met our service revenue as well as our medium-term guidance on margins. The key callouts in Nigeria were twofold. As I mentioned, the cash crunch did affect our performance in pretty much most of Q1. And I think you'll have seen other companies report in Nigeria around the cash crunch. And a little bit into Q2. I think we're beginning to hurdle the cash crunch effect.

And the second has been the devaluation of the naira in June. Now, that's obviously caused some short-term pain, and you see some of that in the P&L. The real pressure of that devaluation we'll see into the second half of the year and I'll comment a little bit about that in our outlook. But we've been very encouraged with the 4G and 5G expansion. We put in quite a bit of capex, so R6.3 billion equivalent of capex that we've put in. And we're seeing good results when we see the level of data traffic at over 45% and good growth there.

On the PSB, we're a little bit behind our plans. And obviously the cash crunch did affect the growth of wallets, and we did take a deliberate decision to pull back on OTC. And that obviously reduced the total Mobile Money subscribers that we have. But that was a conscious decision which is to put our investment in wallet development. And again, on the outlook I'll provide some comments there. So, a set of very good results from Karl and the team in Nigeria and encouraged by the progress that we're seeing there.

For the rest of the portfolio, SEA, WECA and MENA, which is covered under the Markets umbrella, again, very good growth. Top-line growth for data revenue in all the markets above 20%. In SEA, really good growth that we saw both on the GSM as well as in the fintech side in Uganda. In Rwanda, now we have our 4G licence, I think we're feeling encouraged that we should see margin repairs as we were previously having to lease out the capacity from the open access network that was providing 4G. And now we have our own frequencies and our licence, and we should see good growth there. Again, SEA is pretty much the poster child in our business of the proportion of fintech service revenue that can come out of our customer base. We are seeing there 27% of fintech as a contribution to service revenue.

On WECA, again, a callout. Broad-based growth. Ghana, notwithstanding the challenges that it has under SMP regulation, as well as the heightened inflation levels, we saw very good growth there of voice data as well as the fintech. And the fintech business in Ghana was hurdling the introduction of the e-levy in May of last year. Many of you remember there was a 1.5% e-levy that really brought activity down, but we managed to hurdle that, and that e-levy has been reduced now to 1%. And good growth also in Côte d'Ivoire and Cameroon.

On MENA, two main points to call out. Firstly, it's obviously that the Sudan conflict has created service revenue deceleration in Q2. The conflict started in the middle of April. We had to start bringing sites back on air, and we're very pleased that we brought pretty much most of the sites back on air as we exited H1. But that obviously saw a deceleration in service revenue during that period. And obviously, our thoughts and prayers go to all of our staff, some of them who are actually now working remotely from Egypt and the United Arab Emirates as we try to navigate operating our business within that war context.

Irancell, I would point out that we've seen very good earnings coming out of that business. The traffic growth was impacted by the internet disruptions for international traffic, but the team were able to manage in that context, managing expenses and delivering decent EBITDA margin in the period. Snapp, as usual, we give a little bit of a sound bite on Snapp: Snapp is the Uber of the Middle East where we own an effective 44% either directly or through MTN Irancell. So, they are seeing very good growth on ride hailing, 4.3 million rides a day in Iran. The food business is growing strongly and they have just launched a payments business. And again, very good, encouraging growth there.

Just looking at the fintech ecosystem, what gives us confidence that this platform will continue to be part of the growth that we see over the medium to longer term? The system remains strongly intact, very good volume growth and transaction value underpinned by usage, agents, and actually merchants. On the usage, where we're looking at monthly active users, we were flat during the period. Two dynamics gave us a flat result at that level.

One is obviously the Nigeria dynamic that I mentioned, and the second was a clean-up of the base in Côte d'Ivoire, where we've cleaned up some of the OTC customers, as we're just focusing now on pure wallets. That took out about two million in the base. But if you normalise for Nigeria and Côte d'Ivoire, the base was actually up 15% as you look at how the revenue grew at just over 21%. So, we feel that the ecosystem remains intact. We have the remittance corridors that we would like, but obviously are looking to expand and grow – we see that as a big opportunity.

Just on the fintech side, and maybe to give a little bit of colour on the strategic partnership with Mastercard, which was announced today, and maybe to talk through a couple of the aspects, and just to remind the audience and shareholders that we did announce in the second half of last year that we're running a bespoke process for seeking some minority investment, but a minority investment that's anchored by a strong commercial relationship. The commercial relationship is obviously the most important for us because it allows us to grow and accelerate the verticals that we have in our business.

So, we ran that process, and we ran two parallel processes since pretty much Q4 last year, all the way into H1. And the one process was really around looking at what are the commercial objectives that we need and which partners would be able to accelerate specific verticals. We'd always made a callout that payments and remittance are key growth areas over the medium to longer term. Banktech is obviously another big vertical, but payments and remittance were two areas. And so, we ran a process of ensuring that we can get the best possible commercial agreements.

And as you can see on the chart, there are three elements to the commercial agreements within payments and remittance. One was on issuance. The second was on acceptance, and the third was really around building a broader remittance capability. Serigne is in the room, so for those of you who have questions, we'll come and talk to that. So, that was the one area that we looked at.

But on the minority investment, we ran a process where we had four international financial services companies, so to speak. And through that process, we had bids for minority investment. So, the R5.2 billion that you see is actually the midpoint of the bids that we would have seen. And that was a reference of the FY 2022 EBITDA. It has been adjusted for costs, intercompany costs. So, as I said on the call earlier, the US$420 million that would have been a reported EBITDA, we had about US$60 million of costs. For those who are looking to try and infer multiples, I think I've given you enough information to figure out how you should think about the EBITDA on a standalone basis versus also the multiple to deliver that.

So, this has been a process of trying to figure out what is the value of the company through a very bespoke process where we had several bids. And this you can think of as in the median of. And that was pretty much locked down at the end of the half and we went through a DD process, customary DD process, which has been concluded. So, we've announced two things. One is the commercial agreements have been signed. So, we're into the execution mode. And the second is that we have a transaction MOU, which is subject to completing processes.

Now, you can well imagine that until we've completed that, we don't want to announce the investment amount. I know some of you would want to know what that is. But between ourselves and Mastercard, we said we wouldn't make that announcement. Once completion has been done, I think all the transaction details will be made.

The final thing I'll say on this slide is that we still remain committed that subject to market conditions and appropriate valuation, we would be prepared to sell a minority stake of up to 30%. We don't have to get to the 30%, but that's something that we're open to. But again, subject to market conditions and valuation. So, this is something that we will continue exploring both for strategic partners and financial investment over time.

Just coming back to the asset realisation programme, which has got many components to it. And you'll be well familiar with this chart that's in front of you. So, let me start with TowerCo investments. We did call out at the Capital Markets Day that we do not believe that at current valuations over the near to medium term that we will be able to see a sell down that's value accretive for IHS. So, we basically have taken the 'for sale' sign for IHS off and we're looking at IHS actually with a much more longer-term strategic lens than we would have done in the past.

So, you can see that you used to see in the 'future focus' box of TowerCo investment, there is no longer IHS. But we think that we will be able to de-lever the Holdco balance sheet. For those of you who won't remember when we started the ARP, the ARP was started on the basis that these sell-downs would enable us to deleverage the Holdco balance sheet, particularly the Eurobonds, at that stage, 2022, 2024 and 2026 Eurobonds. We have done quite a lot of work around the 2022 bonds. These are obviously all gone. So, we do feel that we do not need to sell our IHS stake to be able to do the last part of liability management on the 2024 and 2026 bonds. So, you'll see IHS has been taken out and the 'for sale' sign over the near to medium term is not in place.

On localisations, a couple of key messages. We're going to continue with our localisations and obviously these are all subject to market conditions being available. So, Nigeria, as you know, we still have 11% of what we committed and obviously would only do that once we start to see FX being available and there's an ease for us to sell down and to be able to start doing tranches of that 11%. Ghana is still in play and Uganda and Cameroon are probably two new announcements. Uganda, we're looking towards getting to our 20% localisation. We got to 13% last time and we're pushing the last 7%. And in Cameroon, we always had an agreement that at some point in time, beyond the 20% that's held by Broadband as our partner there, we would be looking to sell. And obviously, market conditions being conducive is a really important decision point for us to sell down in Cameroon.

Then finally on portfolio transformation, a couple of key messages. One is we continue to evaluate the possibility of exiting some of our smaller markets. That is work that is ongoing and hasn't been concluded. The second is obviously we made good progress on Afghanistan. The final point I would make is really around Irancell. So, in Irancell we are looking at an IPO to meet regulatory requirements for localisations there. And the angle we are going with the rest of the shareholders in MTN Irancell is looking for a primary issuance of about 7% to 10% in the course of the second half of this year.

And obviously that's a process that as it develops, we'll be coming to you to update you on what all that means. We're not looking to sell and hence we're pushing for much more a primary issuance, so we would get diluted in that process. But again, it might be a process that then reveals the inherent value of that investment, probably written down to zero in kind of our current share price there. So hopefully that gives you a flavour on the ARP.

In terms of our medium-term guidance, we remain encouraged by the performance in South Africa. A tale of two halves, two quarters actually, 1.3% in Q1 and then the 2.5% to give you the 1.9%. But in pretty much the other areas of our performance stack in terms of medium-term guidance. We're fully encouraged by the progress that we are making. Let me pass you on to Tsholo to take us through the financials and I will come back to conclude with the ‘look ahead’ section. Thank you.

Tsholo Molefe
Thank you very much, Ralph. A very good afternoon to everyone joining us for this results presentation this afternoon. I'm really pleased to present to you the Group financial performance overview for the first half of the year. I will first cover the Group income statement, the salient points, and then I'll cover the two major operations, being SA and Nigeria, and then come back to the Group performance overall. As Ralph indicated, our results are characterised by a very challenging macroeconomic environment where we've seen elevated inflation as well as forex volatility. But we've been very pleased to see a robust performance with solid revenue growth.

And this is really underpinned by the growth that we are seeing in Nigeria, Ghana, and various of our markets demonstrating a top-line growth that was very solid. But we obviously have seen challenges in terms of operating expenses. Our reported earnings were also impacted by the naira devaluation that we saw in the last month of June, and we'll take you through that.

So, just taking you through the Group income statement. Firstly, just the salient points. You will notice that we delivered service revenue growth on a reported basis of 16.5% with 15% in constant currency. And this was largely driven by the growth that we saw mainly in Ghana and Nigeria, as I indicated, showing double-digit growth overall, and all our markets showing solid top-line growth, as I indicated. And South Africa also performed very well but had challenges with loadshedding impacts. And I will unpack that in a later slide.

If you look at our EBITDA, we delivered EBITDA before once-offs of 12% growth on a reported basis and almost 14% in constant currency year on year. However, we did see a marginal decline on margins due to the high cost that we saw particularly on opex due to the macro challenges that we saw. So, we delivered 44% in terms of EBITDA margin, which was a 0.5% decline year on year. We also saw depreciation, amortisation and goodwill increasing by 12% on a reported basis and 8% in constant currency. And this was largely due to capex addition with the acceleration of mainly 4G and 5G in Nigeria in the second quarter of the year, as well as depreciation of SA tower assets which were not depreciated last year as we had those assets still held for sale.

You will notice that net finance cost has seen a significant increase at 47% year on year on a reported basis to R12 billion. Included in that R12 billion is forex losses of about R4.6 billion, of which R4.4 billion of those related to the Nigeria devaluation. And included in that R4.4 billion was R3.2 billion which related to the devaluation that took place from mid-June following the liberalisation of the foreign exchange rate in Nigeria. The result was a profit before tax decline of 1.4% year on year as a result of those impacts.

You will notice that income tax expense reduced year on year by 12.5%, and this was largely due to lower cash upstreaming and therefore lower withholding tax as well as lower profits overall. We also saw a decline on our non-controlling interest of about 18.5%. So, attributable profit therefore increased by 14.9% overall. Earnings per share grew by 14.8% but was impacted by non-operational items as well as impairments. And you will notice that adjusted headline earnings per share grew by 25% overall, really adjusting for the non-operational items of about 207 cents. And I will take you through that later on.

If we then move on to the Group service revenue bearers, you will notice that data continues to be the main contributor of growth, adding R8 billion to the growth year on year, followed by voice which still shows very healthy growth at R2.6 billion contribution to the growth, followed by fintech at R1.8 billion and then wholesale at R1 billion. And this was largely, as I indicated on the voice side – we still see very healthy growth at 6% largely due to Ghana and Nigeria where we saw a pricing optimisation in the main. Data grew by 23.6% also largely due to pricing optimisation. Headline pricing as well in some markets contributed to that increase. But we also saw data traffic growth of 19%. If we adjust for Iran, data traffic growth was at about 36% overall.

I'll take you through fintech in a bit more detail going forward. On the wholesale side, we saw a 31% increase, and this was largely due to national roaming deals, particularly in South Africa from Cell C as well as Telkom. We recorded about R1.5 billion of revenue from Cell C and about R145 million from Telkom in this period.

If we then move on to **South Africa**, in summary. As I indicated earlier, we continue to see resilient performance from South Africa under a very challenging macroeconomic environment, delivering service revenue of 1.9% year on year, with voice declining by 13% and largely due to the general macroeconomic pressure facing consumers as well as loadshedding impacts. Data grew by 8.4% on the back of about 24% of data traffic growth. And as I indicated, there was also headline pricing changes that took place in South Africa. You will also notice 31% growth in terms of wholesale to R2.5 billion overall.

In terms of expenses, expenses grew higher than service revenue at 9%. Cost of sales was well managed but we saw an increase due to device costs as well as commission increases as they drive channel expansion. But we also had a significant increase on opex, and this was largely due to rent and utilities that went up by almost 60% as a result of the loadshedding impacts as we've indicated with the challenges of high energy cost electricity tariffs that went up by 18% and also security costs to obviously protect the network from vandalism overall. So, a total of about 9% in terms of cost with moderate service revenue. The result was a dilution of margins of about 3.6 percentage points to about 3.6%.

SA spent about R4 billion in capex as they continue with their efforts to improve the network but also made investments in 3G and 4G with a capital intensity excluding leases of about 16%. Including leases, capital expenditure was around about R7.6 billion.

If I move on to **Nigeria**, just in summary, you will have seen the results of Nigeria on the 31st of July, so I'll briefly just touch on those. You will see that service revenue grew by 21%, which was really in line with inflation at 22%, as well as in line with medium-term guidance of at least 20%. We continue to see good growth on voice in Nigeria at 12%. As I indicated, a lot of good work done in terms of pricing optimisation through CVM initiatives. We saw data growing as well at about 34% to R17 billion, really also due to a lot of effort being done in terms of pricing optimisation and increased usage as well as they roll out the network, and due to increased coverage and capacity.

We saw a good increase in terms of fintech at 8% year on year to about R1.6 billion, and wholesale which included ICT, enterprise ICT as well as bulk SMS went up by 33% to R1.8 billion. When you look at expenses as well from Nigeria, you will notice that they grew by 23%, slightly above the growth of service revenue as well as inflation. And this was mainly due to a significant opex growth of about 27%.

I think it's important to note, as we said, that our opex growth was mainly coming from network and utilities where we saw the impact of CPI as well as FX devaluation impacts, but also volume increase from site rollout. So, those were the main increases from the opex side. Cost of sales was well managed within way below inflation and also below service revenue growth. So, it was pleasing to see that they were able to protect their margins with a slight decline at margins ending at 53.1%.

In terms of capex, capex intensity of 14.4% with a capital expenditure of R6.3 billion, excluding leases, and this was also a function of additional accelerated capex in the second quarter of the year from 4G and 5G. It is important, I should have mentioned, that when you look at your operating expenditure and as well as your EBITDA margin, the impact of the FX devaluation that took place in June, you will not see the impact of that because the tower contracts are actually based on a rate adjustment relating to the previous quarter. So, you'll only see the impact coming in more towards the third quarter and then full-on in the last quarter of the year on average. That is why you only see the impact at net finance charges and not so much on the EBITDA side.

If we move on to the next slide, just talking to fintech overall, a very good performance in fintech given that at year-end we recorded about 14.7% increase. We’ve seen a 25% increase in the second quarter of this year. As a result, a 21.7% increase year on year. As you can see, the bulk of the fintech revenue is still from withdrawal services as well as transfer services, which still makes up about 56% of the total revenue. So, withdrawal services growing at 17% year on year, and then transfer services growing at about 33%. But pleasing to see how the advanced services continue to evolve, which is really an area that we are accelerating with an average of 67% growth on advanced services overall.

You will notice that even though our banktech and remittance that Ralph was referring to are still nascent, we're seeing quite significant growth. Over 100% of growth in banktech, and remittance growing at 77%. Payment and e-commerce growing at about 55% year on year to R1.2 billion. And you will notice that advanced services have now improved in terms of service revenue contribution to 18% from about 13.3% last year.

Ralph has shared with you how the structural separation has continued, and we are very pleased that we also completed the intercompany agreements. And we are in the process of concluding our cost allocation. At this stage, the current margin after eliminating for intercompany is sitting at 37.6% on a consolidated basis as at 30th of June.

If I then can move on to the Group expenses, which were well managed under the circumstances given a very, very tough economic environment, you will notice that we grew overall Group expenses at 15.9% with cost of sales well managed. And I've already shared with you some of the drivers of cost of sales. Opex, as I indicated, 19% overall, the bulk of that coming from network and utilities. Staff costs grew by 19% year on year, and part of the underlying reasons for increasing the staff cost was firstly additional resources that we had to allow for our fintech and Bayobab businesses as we scale those up, but also some out-of-cycle salary increases for markets that have high inflation, being Ghana, Nigeria and South Sudan as an example.

We also saw an increase in terms of our IFRS 2 charge from a share-based perspective in terms of our PSP scheme as a result of the share price movement. So overall, 16% increase, and we continue with our expense efficiency programme to be able to manage that moving forward. And I've talked about the expense breakdown. You will notice that our network and utilities make up 19% of the total cost. But in fact, if you look at it just from where the actual cost comes from under network and utilities, the bulk of that was from Nigeria, which was about two-thirds of the growth, followed by South Africa, as I indicated earlier.

Going on to the next slide, I think it's important to say how have we then, obviously given the challenging macro with such high costs, been able to mitigate the significant impact and protect our margins as well as returns. Ongoing expense efficiencies, as we indicated at the Capital Markets Day, we gave ourselves a target of R1.5 billion in terms of expense efficiencies. We've now delivered about R700 million of that. 33% of that came from Nigeria, with about 25% and 28% respectively coming from SEA and WECA, followed by South Africa contributing 12% of the balance. And the bulk of that came from network and IT at 48%, general and admin expenses following at 38%, and then sales and distribution as well as marketing at about 14%.

I think it's important to also just look at the right-hand graphs. As we'll see, total cost as a percentage of revenue has actually increased from 54.7% to 56.4%, despite the ongoing focus on efficiencies. And this is largely because of the challenging environment with high inflation, FX devaluation, high fuel cost. So, for us, the expense efficiency programme is actually an ongoing thing because we need to make sure that we continue to sustain the business given the challenges that we are facing.

So, we embarked on a global cost benchmarking exercise, which is really what we call expense efficiency 2.0, because we did embark on one four years ago where we delivered about R6.4 billion. So, out of this expense efficiency programme, we have been able to benchmark ourselves against global competitors and looking at the areas of efficiencies that we can look at in addition to that. So, we've identified between R7 billion and R8 billion that we would like to deliver on over the next three years from about 2024.

So, really the main focus at the bottom there being on continuing with our network and IT programme, shutdown of legacy ITs, network review of operating and maintenance contracts. Renegotiation of contracts with our major vendors is a continuing initiative that we look at. Simplification of our processes and products and making sure that we apply digital transformation to be a lot more efficient. Staff cost optimisation, as well as looking at efficient commission structures and distribution channels as well.

So, if we move on to the next slide, I think important just to highlight just the performance of our earnings and the analysis as I indicated earlier. You will notice that our earnings per share grew by 14.8% to 511 cents. And it was impacted by impairment of goodwill and other assets, 13 cents, and the impairment loss on the remeasurement of Afghanistan, which is still classified as held for sale, 21 cents. The result was basic headline earnings per share of 542 cents, an increase of 7.1%.

If you then adjust for hyperinflation and the impact of FX, 38 cents of hyperinflation and 169 cents of the forex losses, we saw an increase on adjusted headline earnings of 24.8% to 749 cents. In that 169 cents, about 128 cents of that came from the naira devaluation, of which 95 cents was really due to the naira devaluing from June following the unification of the exchange rates.

If I move on to the next slide, which is our capex intensity, I've touched on capex. We've spent R17.2 billion as we continue to invest in faster growing areas with a capex intensity of 15.2% for the year. The bulk of our capex, as you can see, came from Nigeria, followed by the WECA and SEA markets as well as South Africa. Two-thirds of that was mainly from networks, followed by IT at about a third of that. I think it's also important to be aware that our capex is very sensitive to forex volatility. I think about 65% to 70% of our capex is exposed to dollars. So, we obviously have to look at it from that perspective. On translation, we see a significant impact from an outlook perspective.

We will continue to invest in South Africa's resilience programme and also sustaining the investments that we need to make in terms of 4G and 5G in markets where we are seeing growth. So, to that end, we have upgraded our guidance from R37 billion to R40 billion. But important to note that the bulk of that, about R3.7 billion, was really due to the weakening of the ZAR. So, we still target, however, capex intensity of about 15% to 18% over the medium term.

Moving on to our cash flow. So, very important to show how we have been able to generate a strong cash flow over the period with our operating free cash flow up 16% year on year before the spectrum acquisitions from Nigeria, Ghana, as well as Sudan. And this was affected by acquisition of capital expenditure as well as capitalised leases. We also saw some working capital pressure, specifically largely coming from prepayments that we make as we try to mitigate against forex impact. We actually make advance payments to our suppliers. But we also saw some pressure from some of our retail, enterprise and wholesale customers. So, that had an impact on working capital, but we continue with our efforts in terms of cash release initiatives to try and mitigate the pressure on working capital.

When you look at our operating cash flow, however, after taking into account spectrum leases, you will notice that we saw an increase of 59%. And our free cash flow was then boosted by net financing activities of about R5.5 billion, the bulk of that being additional borrowings, mainly from Nigeria as well as Cameroon. We saw some outflows relating to net interest, taxes paid, as well as investment which was really relating to restricted cash in Nigeria. And 'other' really relates to cash balances for Afghanistan which is held for sale. So, you will see that our free cash flow before dividend and excluding the FX losses was at R7.5 billion overall, a slight decline relative to same period last year, but R7.5 billion positive free cash flow.

Moving on to our leverage, if I can just move on to how we have managed our balance sheet. So, our balance sheet really remains very strong and we continue with our efforts as well to explore liability management, as Ralph indicated earlier, trying to mitigate against the impacts of forex on our Eurobonds. I think we saw an FX impact of about R1.7 billion during the period. We issued domestic medium-term note bonds this year of about R2 billion. Part of the reason was to make sure that we can spread and mitigate against refinancing risk, but also spread the maturity profile, as you can see, to about 2030. And we obviously hope that with the DMTN issuance we are able to explore liability management so that we can obviously early settle the Eurobond. So, it is work that is currently ongoing and will communicate when we've been able to conclude on the work.

We upstreamed about R4.2 billion in terms of cash upstreaming from markets, R1.3 billion from South Africa. And other cash upstreaming came from markets like Ghana, Uganda, Cameroon, giving us about R4.2 billion. In addition to that, we were able to get cash proceeds from localisation with about R1.2 billion from Nigeria and about R200 million coming from Ghana in total. Our cash balances are currently at R11 billion, which is a reduction from the previous R22 billion that we reported at the end of the financial year. And this was largely due to dividends that we paid to Group shareholders of R6.2 billion, but also with very lower cash upstreaming during the period.

As you recall, we took a scrip dividend from Nigeria and Ghana, so very little cash upstreaming from that perspective. But we also purchased some treasury shares for our PSP scheme, as well as drew down on facilities to support the resilience programme from South Africa. But pleasing to see, however, that our Holdco leverage is still within medium-term guidance of 1.5x, even though we came from 0.8x for reasons I've given. But also very, very strong leverage from a Group perspective at 0.4x, which is well within our loan covenant limits of about 2.5x. Our liquidity position remains very strong with cash balances of R11 billion, but also we still have committed and undrawn facilities so we have liquidity headroom of about R40 billion. Ladies and gentlemen, I'll stop there and give over to Ralph.

Ralph Mupita

Thanks very much, Tsholo, and I trust that you have a good sense of the shape of the financials for MTN Group, both at P&L, cash flows as well as the balance sheet. And thanks again, Tsholo, for taking the investors through. Before we do a bit of Q&A, a couple of remarks looking ahead over the next six months and also into 2024. I think the key callout for us is that I think in the near term we are going to have some challenges that we need to navigate. We're making a callout that some of the key ones are really geopolitical. I think the ongoing war in Ukraine has got second-round effects in Sub-Saharan Africa as we look at the state or fiscal positions of nation states, availability of forex, where inflation is, consumers being challenged on disposable income.

The Sudan conflict will be a challenge for us, as we reported. We are starting to make progress, but obviously if the conflict issues don't get resolved, it will make operating a lot more challenging. Inflation at elevated levels. Yes, it's coming down in some markets, but if inflation remains persistent, the fight against inflation through the P&L into margins is something that we really have to push through.

And then exchange rates. Obviously, the naira has been floated. There is the I&E window and liquidity has been actually very limited. We haven't been able to upstream. So, that's actually something that we need to navigate as the policy regime in Nigeria is developed. As we said, the first set of policy pronouncements are short-term painful, but over the long term we believe that these actually strengthen the investment case for Nigeria and obviously for the MTN Group.

And obviously the ZAR outlook is also something that's quite sensitive. As Tsholo said, actually for our capex forecast we're still pretty much buying the same kit, but it's just exchange rates have moved in a direction where we've said we want to maintain our level of investment. And you've seen the total capex has gone to R40 billion. But we anticipate that will be well within our range of 15% to 18%.

Tariff increases, we're absorbing a lot of inflation and we're having the conversations with the regulators basically to say that without sufficient cash flow being generated, it compromises our ability to keep the investment cycle at the levels that we are going through. So, ongoing engagements particularly around Nigeria, we have been seeking to get a 10%. We haven't got it yet, but I know Karl and team continue to engage the regulators, the NCC, for that. I mean if we need it at the MTN Nigeria level, the players number two, number three, number four for sure would need it to sustain their own investments into their business.

And the final area that we need to navigate is really what we're calling power and TowerCo agreements. On power in South Africa, as I said, really good progress. We exit Q2 with 91% network availability on average, but the sites that have got the upgrade pretty much at stage 6 have been operating at historical levels of 99%. So, the key issue there is to push, push, push. We’ve got a four-pronged strategy. We're working with IHS, we're working with ATC and Huawei and ZTE across the various provinces. So, that's going to be front and centre of the focus for Charles and the team, so that we get our network in the right shape into the second half of the year and into Q1.

And we have a bunch of TowerCo agreements that we are in the process of negotiating. We closed some in the H1, but we have a few that we needed to deal with, one in Nigeria that there's a portfolio of towers that expires in terms of the lease agreement at the end of 2024, which we are busy renegotiating to ensure that it supports the financial profile for the company.

As much as there are these near-term challenges, we still feel that the investment case for MTN remains strongly intact. What we are focused on in the near term is to execute on initiatives that really are supportive of the earnings profile growth and balance sheet resilience. So, for earnings, tariffs, looking at the effective rates and looking below the line to improve the revenue uplift. So those initiatives remain a focus pretty much across our markets. As Tsholo has mentioned, we focused on expense efficiencies. We've always have been, and now we are looking at a further R7 billion to R8 billion of efficiency, of sustainable value uplift across our portfolio. So, that will get focus.

And then on the balance sheet, real critical focus on liability management, particularly with the focus on the 2024 bonds. The DMTN programme has been upsized. We can utilise that headroom in the DMTN notes to deal with much of the Eurobonds that come into Q3 next year in terms of maturity date. So, we are super focused on those sets of initiatives that will enable us to ride through these near-term uncertainties and come out the other side stronger.

And of course, we continue to focus on accelerating the platform play under Ambition 2025. We've spoken a lot about fintech, but importantly, we said there's an important story around fibre. Our fibre is important across the portfolio, and obviously, we've made good progress. As we have seen, our target is 135,000 kilometres of proprietary fibre, and that's before the East to West link build gets completed. And we're at 108,000. And so, fibre also remains important.

What gives us confidence in our **investment case** remaining intact? And I think just a couple of data points. As I mentioned, we have 292 million subscribers. 140 million are using data regularly. You do the math. That's like 48% of our subscribers are actively engaged on the internet. The other 52% are not experiencing the benefits of the internet. That's a structural tailwind that we have within our base, which gives us confidence that the investment case remains strong.

The second point is when you look at **data**, the data traffic continues to grow strongly. As I mentioned, in the period 35% data traffic increase ex the JVs. But when you look at the left-hand side of this chart, which we've started to show you since COVID – I know some of you are probably tired of it. It's probably my favourite graph - the story is, how many petabytes per quarter is in your network. You can see that we still have got a sustained story of structural growth on demand for data.

On **fintech**, again, as a proxy we look at transaction volumes. And 3.2 billion per quarter, again saying that there is actually pent-up demand both for data adoption as well as fintech adoption across our markets. So, these structural tailwinds, as well as the low level of adoption and usage still in our markets is what gives us confidence that the investment case remains strong and intact. And our investment case is a simple one of a compelling growth opportunity on the African continent.

We still see very attractive **demographics**. Median age on our continent is 19, so people like Tsholo and I are at the wrong end of the age group. But we are very well positioned either in the market positions we are in – we are always number one or number two, which gives us scale to be able to compete and actually to withstand short-term headwinds similar to the ones that I have explained. The **brand** is the strongest on the continent. We have extensive distribution that gives us an advantage, one could argue an unfair advantage, and our financial profile allows us to be resilient and take advantage of opportunities as they arise.

We remain very, very disciplined around **capital allocation** and I think you know that we can sound nauseating about the batting order for our capital allocation. We're putting capital first into our networks to capture this opportunity that I spoke to. We then focus on deleveraging the balance sheet. Our focus right now and for the near term is on liability management of the Eurobonds 2024-2026s. You saw that on Tsholo's chart. And then cash dividends to shareholders is batting order number three. So, that capital allocation framework and discipline guides pretty much the decisions that we make.

The **risk and regulatory framework** is supportive and gives resilience to our business and then obviously the **shared value** is a really important aspect of how we execute at MTN.

From Tsholo and my perspective, really six take outs from these results. Firstly, a solid performance in the half and we did see good momentum in our key markets when we look at Q2 versus Q1 and data and fintech are continuing to drive the growth story. But please don't forget voice. Voice continues to be resilient.

The network resilience focus will continue. As I said, that's the number one focus in South Africa. We've seen really good growth and progress there. Nigeria, short-term pain for sure. And we'll see some of the Nigeria dynamics, as Tsholo said, into Q3 results. But I think you'll see more in Q4, the impact. But we also anticipate that we'll see service revenue in Nigeria pick up as we saw that Q2 grew ahead of Q1.

The fintech, we've covered that enough. Price optimisation, expense efficiencies are our focus, and then the resilience of the Group. When you look at the balance sheet, focusing on cash upstreaming, the localisations will help as well as the liability management. And finally, we're confirming that we're maintaining the medium-term guidance and the Board anticipates that for full year 2023, dividends per share of 330 cents. So, ladies and gentlemen, thank you for listening to Tsholo and I over the last 55 or so minutes. Hopefully you found it helpful and we now open for a few questions which I think Thato will orchestrate. Thank you very much.

Thato Motlanthe
Thanks, Ralph, and thanks, Tsholo, for the presentation. Hopefully, it was insightful for our stakeholders. As we usually do, we'll start with a few hands inside the room, and there should be a couple of roving mics. We've got a few questions in the front.

Preshendran Odayar

Hi, thanks. It's Preshendran from Nedbank. Thanks for the results and for some questions. I've got three if I can. The first one is for Charles. I think it's on network resilience and the spend that you've done both year to date and going forward. What is the split between capex and opex on attaining your 91% network uptime and your plans for the future?

The second question I think is more for Tsholo on the foreign exchange rate at which you got both naira and cedi out of Ghana and Nigeria. And were there any other Opcos where there was a material difference between the official rate and what you were upstreaming cash at?

And then the last question, not to forget our main man Ralph, is just some thoughts on the Competition Commission's recommendations on Vodacom, CIVH, and where does that put you on your thoughts around Telkom, if you are still thinking about them? Thanks.

Ralph Mupita

Charles?

Charles Molapisi

Yeah, Presh, thank you so much for your question. The first answer around the capex, let me say this. We said we will spend between a range of R4 billion to R5 billion for the completion of the programme. We think we'll see significant improvements by end of the year, and then hopefully we'll bring the programme to a close by Q1. So, the range that I want you to take, Presh, in terms of the capex is around R4 billion to R5 billion. I think the opex is a little bit of a variable number, and the reason is because we are looking at a number of interventions. We are talking to other MNOs to see if we can partner to try and bring the cost down. So, there are a number of interventions there. I think I'll for now just stick to a capex number. Thank you.

Tsholo Molefe

Just on the upstreaming, just on Ghana. I think you're referring to the localisation that we did. I think it was at around ₵11 against the dollar. And then on the Nigeria, important to note that it was before the significant devaluation in the naira, but it was still at around mid 500s, around ₦550 or ₦560. In terms of the other markets where we upstreamed, I think we can provide you with a breakdown. It was various markets, yeah. So, we'll look at that for you.

Ralph Mupita

Yeah, I mean maybe to your question on the CompCom ruling. Why did I think you would ask me that question? Two takes from our side. I think we were surprised by the ruling. I think the part that surprised us particularly is looking at fixed wireless access and fibre as markets in of themselves. We see -- and I think we see in other markets -- that that's seen as just a technology, an access technology towards either providing services in the home or on the go, and then from that trying to figure out what the right price point, customer values perspective.

You remember Capital Markets Day. Jens put up a slide which I'm sure you will see when you go to your Capital Markets presentation. You'll see a continuum that says 'use case' and 'affordability'. And you see moving from FWA all the way to fibre if you're going to open up. So, we've always looked at it not as markets but as forms of technologies to get to a customer proposition. And so, we were surprised by it, but obviously this is still going to go through the Tribunal and we'll see what happens there.

Our position on consolidation still remains intact and actually has been reinforced by what we're seeing in other markets. I think you guys will know what's happening in the UK, what's happening in Spain and other jurisdictions. The market structures for fixed mobile convergence and the profit pools that companies are able to generate out does not support four-plus player markets anymore anywhere in the globe. So, I think the trend is actually the horse has bolted on that. So, it's just a matter of time that we need to accept in South Africa and also in other markets across the continent that consolidation is inevitable.

And if you look at the market structure of which market participants seem to have the financial profile to continue to invest, generally you're finding that there're only two players. And so, that's our position. I mean, there are no ongoing talks with Telkom. I think that's your answer. But I'll give you an answer that says a macro consolidation from our perspective still remains absolutely necessary in South Africa.

Thato Motlanthe
Thanks, Ralph. Thanks, Tsholo. Go ahead, Nadim.

Nadim Mohamed
Good afternoon and well done on a resilient set of results. My name is Nadim from SBG Securities. Just two questions from my side, I think probably both for Tsholo. The first one is just on the expense efficiency programme. R7-8 billion in savings over the next year is quite impressive. So, I'd like to understand, does your tower contract renegotiation feature strongly in that? And also, could you give us some colour as to where the low-hanging fruits are and why you have so much conviction in that target? And then secondly, just on the R5 billion working capital outflow, just would like to get a sense of how we should think about that unwinding going forward. Thank you.

Tsholo Molefe

Starting with the first one, I think last year we reported about R3.4 billion in supply chain financing, handsets receivables, mainly in South Africa. We're obviously looking at those efforts again, and we have a clear programme in terms of where we think it will come from. So, we're bringing in other markets in terms of supply chain financing. And it's not just extension of payment terms and creating a hockey stick effect. It's actually a clear supply chain financing programme that we do with some of the banks. And then we're also looking at handsets receivable financing for our postpaid book.

And there's also looking at some securitisation of debt and so forth. So, it's quite a programme. The bulk of it will come from South Africa and we're quite resolute that we'll be able to deliver on it as we have in the past. We've already identified where we think we will get the initiatives. I mean, I think on the R7-8 billion, as I indicated, we embarked on a global competitive benchmarking exercise with a third party. We look at how are we doing against top quartile companies of a similar size, similar nature and complexity across the globe, but it also looks at the type of environment that they are operating in. For instance, we wouldn't look at Western Europe as an example.

So, we look at areas of efficiencies, looking at what we were able to achieve. Is there anything else that we believe we can still continue? So, that's part of the programme. The second part of your question is, yes, we're going to be looking at tower contracts as well, but also how we contract with other major vendors. It's not just tower contracts. So, we're looking at the total programme overall.

I think for us, the low-hanging fruits, particularly in the near term, are more about digital transformation, looking at efficiencies in terms of...product and processes automation, but I also think commission structures. There's good work that's happening in South Africa already around looking at our commission structures and channels.

Ralph Mupita

Maybe to give you a simple example to Tsholo’s point about low-hanging fruit, Charles is going to get embarrassed, but if you look at the SKUs on handsets, he's got like 3,000. You don't need 3,000. You need like 200, okay? So just tackling that and running that through the process, you see a lot of efficiency. What's your product portfolio in South Africa? How many products generate 80% of your service revenue? You have a long tail effect.

I think as an industry, we don't do well in terms of just cleaning up legacy and legacy of run system. So, to Tsholo's point, low hanging fruit is really around digital transformation and simplification.

Come with simpler, more finite. You don't have to compete with everything. Party A and B, launching new products, maybe you don't have to do it. You don't have to chase every horse. So, we feel comfortable that there's some really low-hanging fruit within that process. And it's not just South Africa, but pretty much all the markets as well as the head office as well.

Thato Motlanthe
Thanks Ralph and Tsholo. Just seeing if there's another hand in the room before I go to the webcast. Just a few questions from the webcast. We'll start with ones that have to do with Nigeria. So, is there any update on the price hikes? I think you touched on it. But what happens if other operators do not support the demand for price hikes? Would you still be able to get one? Maybe just some context there.

And then just the second question, maybe for Tsholo. Would you see a change in capex strategy post-naira devaluation? Would you lower the near-term capex to limit the impact on free cash flow?

Tsholo Molefe
If I can start with the second question, I think capital productivity is always an ongoing thing for us. And how we manage capex, we might manage it in local currency. What you'll have seen with Nigeria specifically is that we actually keep them at the dollarized rate, which is why you would not necessarily would have seen. I think the main issue with the capex was really around the ZAR weakening against most currencies and therefore the implication for the Group capex envelope. That is what the main issues are.

But I think as we indicated, important for us to continue to invest in faster growing areas where we are seeing reasonable return, and we will continue to do that. So, it is really about how we prioritise our capex, particularly through our value-based capital allocation programme.

Thato Motlanthe
On price hikes?

Ralph Mupita
I'll pick up on price hikes. We're having discussions with the authorities, the NCC. I think there's probably a desire to see the minister appointed first. For us, you know, we're number one in terms of size and scale. We have the ability to absorb some of the inflation impacts. But the other players, number three and number four, also need the price increase. The price increase was not motivated by MTN, to be clear. It was motivated by the industry association of which we are a part. And we

think that to have a healthy competitive context, actually the number three and number four also need a bit of a price uplift to manage the inflation impact. They don't have our size and scale. They don't have the margin that we are generating to be able to absorb this. So, let's see what happens post the new minister being appointed. The process is going through Senate as you guys all know. And Karl and team are constantly engaging for that, and let's see what happens.

Thato Motlanthe

Thanks Ralph. And then maybe just a few questions on fintech. So, what would the usage of the proceeds from the stake sale be? And would you look for more strategic partners? I think you covered that. And then the second one is, how do you think about the minorities in terms of the transactions around the fintech business?

Ralph Mupita

Yeah. Are these all for me?

Thato Motlanthe

I guess they are.

Ralph Mupita

Yeah, look, proceeds. We always have a kind of catch-all phrase, 'general corporate purposes'. I don't think most companies say more than that. But obviously, the business is funding its own growth. One doesn't really need growth capital to accelerate. It funds its own. But that's kind of like for Tsholo to figure out what she does with the money. It's not needed for acceleration of the business because it generates cash flow. You saw the margin that it generates as well as the free cash flow that you saw on a consol database is pretty much close to the cash flow.

In terms of a further minority, we'll explore. But as I said, we will go up to a maximum of 30%, but obviously only if it makes sense and the partners can bring something to the table that we feel is value-accretive, either capabilities like Mastercard, or they're very skilled in supporting the growth and acceleration of businesses similar to this, particularly in our advanced services. So, that's something that we'll focus on. And remember, this is a deal at the TopCo level for Group Fintech, not into the minority. So, you know, it's at the Group level, but it doesn't filter into each of the minorities. We have 16, actually, Mobile Money businesses under Group Fintech. So, they all come in as the first of potentially several minorities of the Group Fintech level.

Thato Motlanthe

Staying on topic, it's come up a few times, so I'll ask the question. How do you think about the prospects of listing the Fintech business and do you have any timelines? And then maybe just a separate question on IHS. Can you give us an update on IHS Towers' governance issues? Has a special meeting been called to vote on the matter that you've raised?

Ralph Mupita
Yeah, on timing we're not rushing towards a liquidity event. We want to build this business in a very robust and future-fit model. I think one can well anticipate that if there is any event, you certainly won't see it this side of four years. We want to build this thing up properly. So, if you think about it, we know that there is another party that is probably looking to go to IPO in the next year or so. We will take a bit more time. There isn't a rush. We are not trying to do kind of fancy value reveal, so to speak. So, we will take our time to ensure that the advanced services have a critical mass within our financial profile. That is probably what is going to influence the timing.

On IHS, we've engaged extensively with IHS towards them tabling our proposal which we believe is a very reasonable proposal. We want a removal of the cap and there's a long history to this. And I guess each party will say its share. When we went towards listing, we did raise that this is a problem for us in the near term. And the cure for it was these were the first shares to have been sold in a sell-down process, which had been anticipated. But it was our number one concern actually ahead of the valuation towards the IPO. So, we do feel very aggrieved that the IHS board has refused.

And as we said, all options are on the table for us. We will engage other IHS shareholders. And if we need to litigate with IHS, we will step into that ring. The governance issues for us are super important and we are not going to back down on this. We will engage, as I said, other shareholders and litigation is absolutely an option that we will take against IHS.

Thato Motlanthe
Thanks. I'm just cognisant of the time. Maybe just wrap up with a couple of questions for Tsholo. It relates to localisation proceeds or I guess proceeds that are still outstanding in Nigeria. Can you please quantify that? And then second to that, do you intend to take up the scrip dividend again in MTN Nigeria and MTN Ghana?

Tsholo Molefe
Firstly on the localisation, I think we are pretty much complete. We have been able to get probably 99.99% or whatever the case may be, so there isn't anything outstanding. I think we always said that the scrip dividend was really a function of not being able to get hard liquidity. But I think with

now the liberalisation of the forex market, we expect that things will stabilise. We are not intending to take a scrip dividend for the interim dividend that was declared.

Thato Motlanthe

Thanks, Tsholo. I think with that we will probably wrap up. Ralph, do you have any closing comments?

Ralph Mupita

I know we've taken a lot of time, but just suffice to thank everybody for joining in the results presentation. If you have any further questions, you know where Thato is. And we look forward to engaging the shareholders over the next couple of weeks and talking more about the story that we feel is very compelling and that we remain very excited about the investment case for MTN. And to the MTNers who have delivered these results, again, much thanks to all of you. Thanks very much.

Edited for accuracy.

END OF TRANSCRIPT