MTN Group
Q1 2023 Trading Update
Date: 11 May 2023
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Thato Motlanthe
Good afternoon everybody and thank you for joining us on this call to discuss MTN Group's trading update for the quarter to the end of March 2023. My name is Thato Motlanthe, head of Investor Relations, and on the call with me is Ralph Mupita, our Group CEO, as well as Tsholo Molefe, our Group CFO. Also joining us on the call is Charles Molapisi, the CEO of MTN South Africa, as well as Dineo Molefe, who is the CFO of MTN South Africa.

Just a quick 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've also had a chance to look at the Q1 releases from are listed Opcos who reported over the past couple of weeks.

On today's call, it will be my pleasure shortly to hand over shortly to Ralph and Tsholo who will provide an overview of the business and financial performance, and then give you some outlook remarks. We can then open up for the Q&A. And you should have a space on the webcast page to enter your questions, which I will read out at the time.

And finally, just to note that this call is scheduled to wrap up in about an hour's time, which is when we'll close the call. And with that, let me hand over to Ralph for his comments.

Ralph Mupita
Thank you very much Thato and a very good afternoon from me as well. I trust that everybody's keeping well. I appreciate you taking the time to join us on this call. Before we get into it, let me just start by acknowledging the situation in Sudan. You may have read about the fighting that broke out in mid-April, which is affecting families and communities in the country. We extend our condolences to all those who have been impacted and as MTN we are seized with ensuring the safety and well-being of our employees, customers, partners and the communities we serve in Sudan.

For the call, we will follow broadly our usual sequence. I'll first set the scene with our operating context. Second, our cover operating momentum, third, some comments on our strategic progress. Tsholo will come in with topic number four, which is our financial overview and then I'll come back with topic number five, which is conclusion and some outlook comments.

So, if I turn to the quarter under review, we have highlighted in the past few reports that we are navigating quite a challenging set of conditions across our markets. We are encouraged by the resilience of our business and the execution of our teams across our footprint, which enables us to continue to deliver relatively solid results.

We continued to see challenging macroeconomic, geopolitical and regulatory conditions in Q1 2023. The blended inflation across our footprint remained elevated and averaged 18.5% in the first quarter compared to 11.5% percent in Q1 2022. Interest rates increased during the period and central banks acted to curb inflation. Higher inflation and interest rates weighed on consumers' spending power that impacted business activity.
In South Africa, the loadshedding challenges persisted with approximately 90 days of loadshedding in Q1 2023 compared to 14 days in Q1 2022. As we guided previously, this impacted quite acutely MTN SA’s network availability and business performance in the period.

In Nigeria, you will have heard from Karl and Modupe last week about the shortage of cash in the economy due to the naira re-design policy. Of course, this is over and above the broader macro factors, and it impacted the ability of our customers to transact both the GSM and fintech businesses there.

Heading onto operating performance. As mentioned, we were encouraged by the business’s ability to sustain top-line growth and manage inflation pressures in Q1. This was supported by R6.4 billion of capex investment into our networks and platforms in the period.

We delivered constant currency service revenue growth of 15.1%* at the Group level, which was in line with our medium-term guidance. MTN Nigeria, MTN Ghana, and MTN Uganda all delivered double-digit service revenue growth, MTN SA delivered positive service revenue growth of 1.3% against the severe impacts of loadshedding that I mentioned earlier.

Group EBITDA growth was resilient at 11%* despite the effects of much higher inflation, and the EBITDA margin was 43.9%*. I’ll leave it for Tsholo to unpack some of the colour around our financial performance.

Our commercial performance was quite pleasing. In terms of our overall connectivity business, our subscriber base grew by 5.2% to 290.6 million customers despite loadshedding in South Africa and SIM registration headwinds in Ghana. Our active data subs were up 11.9% to 140.4 million, which helped us to underpin 19.3% year-on-year growth that we saw in our data traffic.

On the fintech side, we’re super focused on rapidly expanding our ecosystem. Active MoMo users increased by 5.2%. This was impacted by Nigeria where the user base was impacted by the cash shortage situation in the country. The agent and merchant bases were both up strongly by 27.1% and 103.3% respectively. And this was really enabling the continued robust expansion in the fintech transaction volumes, which were up by nearly 40% in the quarter.

So, we are pleased with the continued evolution of what we refer to as the structurally higher demand for our data and fintech services that underpins our medium-term growth thesis.

On our strategic progress, we continued the engagements on a bespoke basis with select potential strategic minority investors in the Group fintech platform. Our focus is really to ensure that the commercial agreements that ensure that any strategic minority investment also supports the acceleration of growth of our fintech business over the medium term and we’re working through that diligently. So, in current progress and issues outstanding, we anticipate concluding this and have an outcome of the process within quarter two 2023.
You may have seen in our SENS this morning that we've made an announcement relating to our portfolio optimisation focus within Ambition 2025 and the ongoing assessment of our portfolio focused on improving returns, reducing risks and efficient capital allocation.

In this regard, we are evaluating an orderly exit of three small operations in West Africa, namely MTN Guinea-Bissau, MTN Guinea-Conakry and MTN Liberia. We have received an offer from Axian Telecom for our equity interests in the operations which we are looking at. Naturally, a process of this nature will entail extensive engagements with stakeholders and we're still in the early stages of that process. So, we will keep all of our stakeholders appropriately updated as we progress on this possible transaction.

I'm going to pause here and hand over to Tsholo for a financial overview before I close at the end with outlook and concluding remarks. Tsholo, over to you.

**Tsholo Molefe**

Thank you very much, Ralph and good afternoon to everyone. I'm pleased to run you through some of the **key financial highlights** for the first quarter. Ralph gave you some of the headline numbers which, just to emphasise, were quite pleasing given ongoing challenging trading conditions in our markets.

So, just to recap on the **Group** results. As usual, the numbers are in constant currency. Service revenue, we saw an increase of 15.1%* and EBITDA growth of 11%. The EBITDA margin was lower by 1.6 percentage points to 43.7%, really impacted by the growth in the business but particularly the much higher inflation in our footprint. We are pleased, however, to have contained cost growth through the ongoing focus on our expansive efficiency programme.

So, a resilient outcome overall, and this was underpinned by the investments that we continue to make. We deployed capex of R6.4 billion in the quarter, which is really the lifeblood of our network and platforms. As you know, some of our key Opcos have already reported and held their calls, but I will just provide a high-level overview of the numbers.

So, starting with **Nigeria**, we saw a solid set of results, with service revenue growing by 20.4%. And this was in line with the medium-term guidance. Good growth across the key revenue segments of voice, data as well as fintech in Nigeria. And this was achieved in an environment with much higher inflation and rising interest rates. There was also the cash shortage issue as Ralph indicated, which is now behind us.

On the **Southern and East Africa** region, we saw strong double-digit service revenue growth of 17.7%* year-on-year, again sustained growth in the key segments and good subscriber growth overall. On an overall view, the EBITDA margin was slightly up by 0.1 percentage point to 46.1% in the quarter, which is pleasing given the challenging conditions.
With regards to the **West and Central Africa** region, it also managed to deliver double-digit service growth of 10.8%. MTN Ghana, which does index quite highly in that mix, grew by 23.2%. EBITDA margin in the region declined by 1.7 percentage points to 38.1% and the key drivers here were MTN Ghana, which has experienced a big spike in inflation, as we all know. MTN Côte d'Ivoire also impacted the overall trend and they experienced power supply disruptions impacting network availability as well as the performance of the business.

If I unpack some of the details for **MTN South Africa**, service revenue was up 1.3% -- under pressure due to loadshedding impacts on network availability. This is over and above the tough macro-economic environment impacting the consumer. Voice was particularly hard hit by the disruptions and was down 16% year-on-year in the period although data revenue growth was comparatively resilient with a growth of 9%.

On the consumer side, we saw prepaid being 5% lower while postpaid revenue grew by a solid 3.3% with data fairly resilient in both segments, as mentioned.

In the enterprise business, we saw top-line growth of 11.4%, driven by growth in data and new wins in the ICT environment.

In the wholesale business, we saw an increase of 14.9%, which was underpinned by continued progress in the national roaming strategy that, while still nascent, we are seeing an encouraging growth in the volume traffic from Telkom on our network.

MTN SA’s EBITDA was 6.5% lower with a 3.7% decline in EBITDA margin, now at 36.2% on a reported basis. Excluding the once-off gain on disposal of SA towers in the period, this would have been 36.1%. This really reflecting the impact of loadshedding on top-line as well as on our costs. The higher management fee that we have reported on previously also had a negative effect: an impact of about 0.7 percentage points on margin.

In terms of our financial resilience overall, I touched on the expense efficiencies a little bit earlier and we are particularly pleased with the entrenched resilience of our balance sheet and liquidity position overall.

Consolidated Group net EBITDA to EBITDA held steady at 0.3x, comfortably within our covenant threshold. Holdco leverage ticked slightly up to 0.9x compared to the 0.8x at the end of the year and this was largely due to forex movements.

A very strong liquidity position at Holdco with headroom at R57.2 billion, of which R20.5 billion was in cash and the balance in committed undrawn facilities.

We upstreamed a total of R1.6 billion in cash from our Opcos in the quarter, as well as an additional R978 million from Nigeria, coming from the capital proceeds from series 1 of the localisation.
You may have picked up that the Group elected for a scrip dividend option for the financial year 2022 dividend at MTN Nigeria’s AGM on the 18th of April this year. This will increase the Group's effective shareholding from 75.6% to 76.2% after the finalisation.

As we indicated to you with the financial year end results 2022, we view to the scrip option as providing optionality and flexibility given the greater challenges currently to secure foreign exchange to upstream. We believe this will provide a more favourable short-term store of value for our investment, as we manage the nearer-term challenges in upstreaming cash from the country. On the same reasoning therefore, we also consider a scrip dividend option from MTN Ghana, conditional upon its approval at the upcoming AGM at the end of this month.

So, thank you very much Ralph, and I'll hand over to you at this point.

Ralph Mupita
Thanks very much. And just some concluding remarks and outlook from my side.

First point, overall challenging environment remains with us in the near term. But the MTN Group is positioned to manage this through its resilient business model, strong balance sheet and disciplined strategy execution.

The second point I'd like to make is that the elevated inflation environment necessitates implementing selective price increases across our portfolio to ensure that operations generate sufficient cash flows to fund future capital expenditure and growth. We are engaging with regulatory authorities on this and will continue such engagements in the next few quarters.

In South Africa, the postpaid tariff increase has been implemented in April 2023. And that should underpin improved top-line growth in the coming quarters. Price ups in selective prepaid plans and other portfolios, as well as network resilience, support recovery of the top-line and improving EBITDA margin towards our medium-term guidance by H2 2023.

We will continue with our network resilience programme to deal with the loadshedding and look to accelerate it as we've been seeing very pleasing results with our self-help plan. And as we communicated with our FY 22 results, H1 will remain a challenging period with recovery in H2 driven by improved network availability, the price increases that I mentioned and Cell C moving traffic as it shuts down its own network and more traffic roaming on our network.

In Nigeria, focus will be on enhancing network capacity, accelerated broadband coverage to sustain growth in data traffic. The business has started to recover from the effects of the cash shortages that we saw in quarter one, which is very pleasing. Tariff increases are key to help overcome the effects of inflation. And we are engaging the authorities as I mentioned in Nigeria on the tariff increases I would like to see on both voice and data.
On MoMo PSB we’re prioritising the development of the agent and merchant ecosystem to support accelerated growth of the wallet base.

Tsholo spoke to financial resilience and we will continue to drive our expense efficiency programme to mitigate inflationary pressures on our cost base. As communicated previously, we’re also looking carefully at opportunities for liability management for our non-rand debt, should market conditions allow.

And as previously mentioned, we are engaged with tower companies across some of our Opcos on improving terms as contracts come to an end.

On our strategic priorities, we’ll continue to work to finalise the agreements with selective strategic partners to introduce potential minority investment into Group fintech structure. We’re also in the early stages of exploring the potential orderly exit of the Group from MTN Guinea- Bissau, MTN Guinea-Conakry and MTN Liberia and we will update all stakeholders as we progress on this process.

We are well progressed on our exit of Afghanistan, we’ve seen very positive engagements with regulatory authorities and we anticipating to complete this in H2 2023.

In terms of the capex outlook, we are maintaining the 2023 guidance at R37.4 billion, cognisant of the significant potential impacts of volatility in local exchange rates against the dollar, as well as our work to accelerate MTN SA comprehensive network resilience plan, which is a key focus in the coming quarters to materially improve network availability in the second half of this year.

And finally, as we manage the ongoing challenges in our trading environment, and the near-term impacts on our top-line and margin evolution, we maintain our medium-term guidance, and FY 2023 dividend guidance of a minimum of 330 cents per share.

Thank you very much for listening to Tsholo and me and I'll hand over to Thato to field any Q&A. Thato, over to you.

Thato Motlanthe
Thanks so much Ralph and Tsholo for the introductory comments. I’ll just read some of the questions that have come through on the webcast. I’ll try to keep them to banks of three.

The first one is around loadshedding. How much did the loadshedding cost you guys in Q1? The first question. The second: was there any catch-up of Cell C revenue in Q1 23 service revenue? I think there was a 200 million unrecognised revenue at the end of FY 22. And how much revenue did you recognise and did not recognise in Q1? So let me start with those three questions.

Ralph Mupita
Yeah, let’s give those to Dineo in the room.
Dineo Molefe
Thank you all. So, in terms of the cost of loadshedding in Q1, the impact on EBITDA was a 1.6 percentage point impact and the impact on service revenue was 3.2 percentage points impact in terms of growth.

And in terms of your question on Cell C, what was what was not recognised? You would remember that we started to accrue account Cell C revenue in quarter three last year. So, what we left as cash accounted was the BTS revenue. In the current period, Cell C have paid some of those BTS outstanding. So, what is not recognised has reduced compared to the prior period.

Thato Motlanthe
Thanks Dineo, just another question related to the scrip dividend. Are there any regulatory implications for you increasing your stake in MTN Nigeria from opting for the scrip dividend?

Ralph Mupita
I can take that one. There are no regulatory implications. As investors will know, we did take a view. It wasn't a regulatory view that we would want to have more local shareholding of MTN Nigeria. So that was something that we elected to do. It wasn't a regulatory requirement. So, we've taken the scrip dividend and increased our shareholding a little bit more because of the scrip dividend option elected for but there are no regulatory implications.

Thato Motlanthe
Thanks, Ralph. Just a question on electricity and loadshedding. Please can you help us understand the SA network’s preparation for material deterioration in the current grid power supply? We note the comment that battery life will be extended to six-hour stretch. But this appears to largely be catch-up in the current environment, rather than planning for a worst-case scenario. Do you have any colour for us on this?

Ralph Mupita
Charles, you want to start there?

Charles Molapisi
Yeah, thanks Ralph. I think the best way to answer the question is to give two forms. The first thing is just to give the assurance that there is a proper enterprise-wide grid framework. This has been done in collaboration with KPMG, well endorsed and supported by management and the board. So very, very clear in terms of the entire enterprise.

If you then zone into the network: we have always said that the deployment of resilience on the network, the energy mix, has battery, it has solar, and it has gensets. So, we’re not necessarily deploying resilience as a battery-centric deployment alone.

So how do you make choices?
The first thing, of course, is to deploy the battery, and then look at the criticality of the sites, look at the hub sites, and then also layer it with solar.

So, we are taking a much more broader energy mix. If you have sites that have a battery autonomy of about six to eight hours, in case of a grid failure, then we'll have to kick in in terms of gensets, that we're deploying. But to be clear, again, is that this is not deployment that's going to be across the entire network in terms of scale: we are looking at critical hubs to make sure that sites that other sites depend on are hooked into gensets and then we're looking at critical revenue-generating sites as well: high tide volume sites that must be on gensets. That forms part of the current resilience programme. So it's not a very short-term approach to just do batteries alone.

And just to prop it up, I mean, this is a more of an industry discussion as well. We are also within the construct of what is allowable with the Comp Com, looking at gensets sharing at an industry level, subject to of course, a number of regulatory issues that you have to pass, but there is also what the association is dealing with as well. Thanks.

Thato Motlanthe
Thanks Charles. Maybe just an add-on to that question. You said you're seeing results of network self-help plans. Can you please elaborate?

Charles Molapisi
Yeah, that is very, very important. We were very clear at the beginning of the year that we need to scale up. And we said that to do that we'll do a three-pronged vendor approach. We indicated as MTN will bring Joburg in 2700 sites. We will let ATC and IHS do the rest.

We have done quite amazing work as a team: significant amount of sites, which now are delivering north of 95% availability, even under stage six. That is a major achievement for us and I think there are very clear proof points for that. We're seeing a good recovery in terms of minutes, in terms of traffic, and availability. So those interventions are working.

Now that we've proved that this model really works, we're now putting ambitions of acceleration. That could mean a number of things: it could mean on-boarding an additional partner to accelerate and drive this programme aggressively. So, on the sites that we have deployed – whether they were done by Huawei and MTN or deployed by ATC, and as well as IHS – we are seeing significant improvement in terms of availability of the site. So, the programme now moves into a much more accelerated mode. Thanks.

Thato Motlanthe
Thanks, Charles. Maybe just another one on South Africa, just to keep them grouped together. Would you say Q1 performance in SA is the bottom and should show sequential improvements from quarter two or can it get worse?
Charles Molapisi
We communicated when we did our annual results. We were very clear that H1 is going to be difficult. So as management, we come here very clear that we're not really surprised about the outcome of the results of Q1. That has always been the model that we had. And then we indicated that we expected H2 to recover. And of course, the recovery of H2 will always be incremental, it's not going to be just a massive jump. That incremental starts into the month of let's say, April, May and there are proof points if you look at our recharge profile, year-on-year growth and month-on-month performance, at a recharge level. If you look at the daily recharge rate, we've seen a decent performance coming into the month of April, we expect that that trajectory will continue as we go into May.

But if you have to ask me what are the levers of that, why are we so confident that this is possible? We have to explain there is a mix effect. We first of all have to appreciate the fact that we now have a solid plan on the network. We believe that will bring availability up. That should deliver traffic and recharges. We also are injecting a number of price ups which Ralph has covered on: whether that is postpaid, whether that is prepaid – across all segments, in fact, enterprise and wholesale, included. Those we expect to get an injection in as well.

We also looking at on the MVNO side, there's a number of logos that are coming, that we will be announcing that should give us an injection. And also a top-line level, we've just won the big GBN deal, the Gauteng Broadband Network deal, it's a decent amount of a contract. So, we are quite comfortable: the trajectory of recharges is very clear. But I'll also remind that the fact that the base effects also will kick in, because it is in the month of May last year when the grid deteriorated much more and then we started to see the drop in recharges. So, it's a mix of injections and that's where we're confident that steady as you go into H2 the run rate of H2 should be within guidance. Thanks.

Ralph Mupita
Thank you.

Yeah, maybe just to add to Charles's points around the shape of the H1: as we said with FY 22 results will be tough. And Q1 is probably the toughest part of H1. As we mentioned, 90 days loadshedding – effectively every day – against 14 days. And now we start to hurdle some of those loadshedding days with a network that will be in better shape.

The price increases, they start delivering to the top-line, as we move into Q3 and Q4. That's both postpaid and then selective increases that we started now on prepaid. And those are the pieces that we see to give us an H2 that will be stronger than the H1. But you know, Q2 will still be relatively tough. Let's be clear around that.

Thato Motlanthe
Thanks Ralph, and then we turn to Nigeria, where there are a few questions:

• What was the percentage by which MTN increased tariffs in Nigeria during 2022 before the Nigerian regulator ordered that they be reversed?
• What is the current status of price increase engagements with the Nigerian regulator?
• What is the magnitude of the tariff increase now sought by MTN?

Ralph Mupita
What we had thought in Q4 last year was a 10% increase. That's been both for data and for voice. The state of the engagement, these are ongoing. Karl and I have both engaged the minister and they’re obviously ongoing engagements with the NCC around that as well.

So, we feel relatively confident that we will see these price ups coming in the second half of this year. Maybe, if not even before the end of H1, but H2 certainly. And the rationale for it (and is the statement we make to the authorities) is that if we want to have world-class networks across our markets, they need to be funded by free cash flow the company generates in prior periods. So, if we're not able to generate enough free cash flow, we can't invest sufficiently to give the citizens of the markets we operate in decent network experience.

So, these are the conversations we're having. So, I mean, you need to leave it up to us to continue having these but we do feel confident that in Nigeria, it will come through, certainly, at least in the second half of 2023.

Thato Motlanthe
Thank you, Ralph, maybe just a couple of questions on upstreaming. How much of the R1.6 billion in cash upstreamed during Q1 was from Nigeria? And then the usual question at what rate are we upstreaming from Nigeria?

Tsholo Molefe
So if I can take that. Of the R1.6 billion, nothing came from Nigeria. If you recall, we said that we received R987 million from capital proceeds...So that was outside of the R1.6 billion that came from other markets. And then in terms of what we upstreamed, add for the capital proceeds, it was an average of about 550 naira to the dollar.

Thato Motlanthe
Thank you Tsholo. Then just two questions here. So, the Sudan performance was very strong, can it sustain in Q2, given the unrest? And can it affect your Group revenue guidance?

And then what is the timeline on the West African asset disposal? In the markets that you mentioned?

Ralph Mupita
Yeah, let’s talk on Sudan first. Obviously, in recent days past, the network actually did shut down and obviously with the network shut down, we can't generate revenue. We've been able to get fuel to critical sites. So, the network is back up. But it's still quite a volatile situation.
Sudan is an important part of our overall portfolio but it's too early to say what the impacts would be in Q2. But we still think that, as we said, we are maintaining our medium-term guidance. So we think that the Group service revenue guidance of high-mid-teens, you know, would be still be achievable in the year.

On the West Africa, it's early days, we're not going to give a timeline to how that process will work. We have received an offer, we're engaging with the party, will engage with stakeholders, minority shareholders across the market, etc. This will take time. I think if you reflect on our announcement of exiting a market like Afghanistan: we're now talking about closing Afghanistan, from announcement to closure, it took us all of three years. We obviously don't anticipate this will take as long, but we don't want to go and put a timeline and then come back and revise it.

Thato Motlanthe
Thanks, Ralph, there's a question here. Can you please discuss the delay in announcing a potential transaction in Mobile Money? FinTech business?

Ralph Mupita
Yeah, we're working very diligently through the agreements. There are two sets of agreements, one is the commercial agreement which is the long-term agreements around how we partner to accelerate the verticals. And then in which vertical, we are seeking that particular partnership. So those things are going through lawyers and advisors, etc and then there's obviously the minority equity investment set of agreements and those take a little bit longer, but we still feel comfortable that by the end of H1, maybe we are, you know, a couple of weeks delayed, but it's not existential. We want to make sure that we get it right. And the other party also wants to make sure that it gets it right. So we've noted that we are looking towards concluding by June.

Thato Motlanthe
Thanks Ralph and then just a clarity question on the R1.6 billion that was upstreamed to HoldCo. Does that include cash upstreamed from South Africa? If so, it seems quite low from the rest of the markets.

Tsholo Molefe
Yeah, the R1.6 billion does include South Africa and the rest was from other markets. I think in the first quarter, it's in line with trends we saw in the same period last year. But I think certainly as we know that we still await the 2022 interim dividend from Ghana as well as the final, as we indicated at the end of the year.

Thato Motlanthe
Thank you Tsholo. Just coming back to South Africa, can please give us a sense of the churn levels in the active subs space in South Africa during Q1. And then can you please also walk us through the rationale behind increasing SA management fees to the extent of 0.7 percentage points EBITDA margin impact?
Charles Molapisi
Yeah Thato, I will deal with the South Africa churn question first. I can also talk about in general, this RGS 90 that the trend is in line with the normal Q1 trend, so nothing peculiar on that level. On the RGS 30, we are growing in terms of the base, so the RGS 30 remains relatively healthy compared to what we had in the previous year. Thanks Thato.

Thato Motlanthe
Thanks Charles. What does paying down the 2024 Eurobond look like? If you have the resources, why not pay it down now?

Tsholo Molefe
As we indicated to the market, we obviously have to do it subject to market conditions. So, it is something that is still a priority for us this year. We haven't done it yet, but we are looking at doing it sometime this year, as we indicated. So, we are still in line with our plans.

Thato Motlanthe
Thanks Tsholo. And then just a clarity question on the fintech deal in terms of timing, is that the end of June or are we looking for a conclusion by CMD?

Ralph Mupita
No, it's in June, it will be in the month of June.

Thato Motlanthe
Thanks Ralph and then another question: have you guys reconsidered making a bid for Telkom, either it's in its entirety or parts of it?

Ralph Mupita
There are no formal engagements that are sanctioned by the boards on that transaction. So, there's nothing to update the market on.

Thato Motlanthe
Thanks Ralph, just refreshing the questions. If you look at the MoMo active user growth, it appears relatively flat after adjusting for Ghana and Nigeria, can you please provide some colour?

Ralph Mupita
Yes, I mean generally if you look at Q-on-Q trends, there's generally very strong growth in Q4. And then there's a pull back a little bit in Q1, which is effectively what happened. I think you need to look at it within the context of the seasonality of the growth that we normally see in MoMo. So Q1 is generally softer than subsequent periods. So, nothing unusual about the trends that we saw.

Thato Motlanthe
Thanks, Ralph. And then just a question here. What is the average USD to cedi rate that you're getting money out of Ghana?
Tsholo Molefe
I think bear in mind that the money we're getting from Ghana at the moment is immaterial, relatively speaking, but the last trench that we got was around 11 cedis to the dollar.

Thato Motlanthe
Thanks Tsholo. Then a question, can you give us some colour on plans to protect Group margins other than the selective price ups, i.e., expense efficiencies, etc?

Tsholo Molefe
We are very pleased that the cost response across the Group has been quite sustained. We do have a target that we've baked into our plans for this year looking at a number of initiatives. We're working towards another plan that will look at cost-saving initiatives more over the medium term, essentially refreshing the global cost benchmarking exercise that we did which emanated from our R5 billion expense efficiency programme that we communicated in the past.

So, we are still working on those plans for the medium term, but we have some quick win initiatives that we are currently working on. So, essentially, we are comfortable that we should be able to protect the margin from a Group perspective as a result.

Thato Motlanthe
Thanks Tsholo, a couple of questions around the scrip dividends. So, if you getting scrip dividends, how do you think about the Group guidance for dividends this coming year? And how do you think about the potential devalued currencies in that context?

Tsholo Molefe
As Ralph indicated earlier, we maintain the guidance at 330 cents. If there's any changes later in the year, we will communicate to the market with our H1 results. But at this point in time, we are comfortable that we should be able to maintain it within the context of the liquidity position that we expect.

Ralph Mupita
Just to add to Tsholo's comment: the 330 cents as we've previously said is substantially SA cash flows. So, we feel that that's a commitment to shareholders that we'll hold and we always frame it as a minimum, the minimum is 330 cents. And then obviously, we've been deploying proceeds from the other markets to delever the group balance sheet.

So, from our perspective, it should be a number that we feel pretty confident that we can deliver to shareholders by the time we come to March of 2024. No concerns from us on that point.

Thato Motlanthe
Thanks Ralph, there's another question asking for clarity. Can you please just repeat what you said about upstream cash from Nigeria in Q1? I think just clarity question.
Tsholo Molefe
So, in Nigeria, what we've been able to upstream is the capital proceeds relating to the localisation series one, so we received R987 million. Within the R1.6 billion, we do not have anything that was upstreamed from Nigeria. It was mainly from South Africa and the rest of the other markets.

Ralph Mupita
I'm just trying to get a sense of the question, is the 1.6 separate from the 900? I think maybe just as a point on that: it's not part of the 1.6, but it is 1.6 plus 900. If you add the floats.

Thato Motlanthe
Okay, there are no more questions. Ralph, would you like to just close off with some comments?

Ralph Mupita
Yeah, just firstly to thank all the shareholders and investors for listening to us. You know, obviously there's a lot of work for us in the periods ahead, but we remain very excited and encouraged by the operational performance of the business.

I think H1 for South Africa will remain tough, but we are very encouraged by our efforts to see recovery in H2. We feel pretty confident that with all our network resilience initiatives, we will see a better H2 on both service revenue and at the EBITDA level.

So, we remain focused on our execution to ensure that we get a much stronger set of results in the H2 period.

Nigeria and other markets, big focus on the tariff increases, substantial amount of engagements with the authorities positioning why these tariff increases are necessary for funding future capital expenditure. And we are encouraged by those conversations, that will take a bit of time.

And then on the strategic progress, very focused on the work around the portfolio, very focused on the work around fintech and ensuring, as Tsholo said, beyond the tariff increases that we also are driving expense efficiencies across our business, maintaining our medium-term guidance and the 330 cents FY 2023 dividend. We feel very clear in our minds that that 330 cents is something that we made you know as pretty much a commitment to our shareholders and we work hard to deliver on that.

Thanks very much and again if you have any further questions, please send them to Thato.

Thank you.

This transcript has been edited for accuracy.