MTN Group

Q1 2025 Trading Update Call

Monday 12 May 2025

Thato Motlanthe

Good afternoon everybody and thank you once again for taking the time to join us on this call to discuss the MTN Group's trading update for the first quarter ended March 2025. My name is Thato Motlanthe, I look after Investor Relations for the Group, and on the call with me this afternoon I have Ralph Mupita, who's our Group CEO, as well as Tsholo Molefe, our Group CFO. We're also joined by MTN South Africa CEO Charles Molapisi, as well as MTN South Africa CFO Dineo Molefe.

Our trading update was published this morning on the JSE, and is available on the MTN website, on the Investor Relations page, so I trust you have had a chance to look at it as well as the Q1 releases from our listed Opcos. Those were published over the past couple of weeks and they presented their respective results calls, so hopefully you had a chance to listen in.

In terms of today's agenda, it will be the usual running order. Ralph will get us going with a summary of operational highlights, Tsholo will follow that up with a financial overview, and then Ralph will round up with how we think about the outlook, and key focus areas as we move forward.

After that, we will move into the Q&A, and I would encourage you to use the webcast platform to send through your questions, which I will read out at the end. And then finally, just a reminder that this call is scheduled for about an hour, at which point we'll end the call. So thanks very much again for your attention. Let me hand over to Ralph.

Ralph Mupita

Thank you Thato and a very good morning and good afternoon to you all from me as well. I trust that everybody's keeping well.

In terms of our Q1 trading update, we are encouraged to report a strong performance for the period. This result was delivered through focused execution of our commercial strategies and supported by better stability and improvements in the macro environment in some of our key markets.

As Thato mentioned, we'll cover three overall areas in our commentary this afternoon. I'll start with an operational overview, covering our performance highlights. Tsholo will then come in to unpack our financials, and I then will talk briefly at the end about our outlook and priorities.

Before we get into the detail, let me set the overall context of our Q1 results with six key messages that we would want you to leave with from this call. Of course, we'll unpack these points as we go through the results. The first point is the encouraging acceleration in our performance in the period. This was underpinned by disciplined commercial execution and sustained prudent investment in our networks and platforms. It gives us confidence in the strength and quality of our business as we continue to pursue our growth ambitions.

Secondly, you'll see that in the Q1 SENS, the very strong financial performance, which was led by Nigeria and Ghana. These markets contribute meaningfully to the Group and we're very happy with the acceleration in their performance.

The third message relates to fintech. The business continues to scale with strong growth in its top-line. We have a medium-term target for growth for fintech service revenue of high 20s to low 30s, and Q1 was delivered within that corridor.

We reported the pleasing expansion in our Group EBITDA margin, and that's the fourth point. We reported a 44.1%* EBITDA margin on a constant-currency basis, which was up meaningfully by 5.3 percentage points*.

Our fifth call-out relates to the partnerships we are deepening to support and enable our strategy. In particular, we highlight agreements relating to network sharing, as well as partnerships with low Earth-orbit satellite players, and I'll speak a bit more about this shortly.

Finally, which is our sixth message, we've maintained healthy balance sheet and liquidity positions, which Tsholo will talk to later.

Turning to the high-level **performance highlights**, we delivered strong service revenue growth, as mentioned, of 19.8%* for Q1. Underpinning that result was a growth of 28.7%* in data, and 25.2%* in fintech revenue.

When you look at our commercial metrics, the demand for our connectivity services is demonstrated in the continued growth of our subscriber base, which is now close on 297 million by the end of Q1, that was up 4.7% year on year. Notably, active data subscribers increased by 9.1% to close at 162 million customers and traffic was again up strongly, increasing by 30.2% year on year. So the momentum remains quite strong, and we believe that there's still a lot of runway for growth.

In terms of our **fintech** platform, we've spoken before about the work that we're doing to improve the stickiness and quality of our ecosystem in our key markets. This affected Nigeria and South Africa. We've been putting in place initiatives to ensure better customer engagement, which is the foundation for more sustainable growth. Accordingly, you'll see that the MoMo monthly active user base remains relatively stable on a year-on-year basis, and increased by 1.1% to 62.2 million. The underlying health of the ecosystem is quite good, and you see that in the continued strong growth in the fintech transaction volumes, these increased 13.9%, and transaction values increased by 48.9%*. So we are seeing the benefits of the interventions that we have put in place. Overall it's encouraging to observe the continued structural demand for data and fintech which underpins the MTN investment case.

In terms of our operations' commercial highlights: Starting with MTN SA, the big focus is to turn around the prepaid performance as **MTN SA** navigates an increase in competitive intensity in the market, particularly over the last couple of quarters. In this context, prepaid customer behaviour remained quite value-seeking, requiring more focused and targeted commercial offerings. In Q1, service revenue grew by 2.6%, which is a bit short of what we target for the business. Data revenue was resilient at 3.9%, with the enterprise segment doing well, where we saw increased revenues by 12.3%. We are seeing the benefits of our capex investments, which have established MTN SA as having the top-performing network across the major cities in South Africa. This has underpinned our improvement in customer satisfaction surveys, which is an important step in recovering value share, particularly in prepaid.

With regards to MTN SA's overall commercial performance: subscriber growth of 5.6% to just shy of 40 million, active data subscribers increased by 6.7%, with data traffic up 19.3%. MTN SA ramped up its initiatives during Q1, to recover the prepaid performance, including more targeted bundles in the specific regions where the business was under pressure. They're also doing work in the channel to improve distribution and they adjusted prices up in February. We anticipate that the benefits of these efforts will come through in a more meaningful way in the second half of the year.

Turning to **MTN Nigeria**, most of you will have heard more detail about their Q1 performance, which they did with their results release a couple of weeks ago. In brief, we are very happy with the acceleration in the top-line, where service revenue was up by 40.4%* in constant currency. The drivers were broad-based, with strong growth particularly in data, where revenue increased by 51.4%*. Notably, this was before any significant benefits from price adjustments. While there were some benefits in voice, the phased price adjustments in data only started in earnest towards the end of the quarter. This performance reflected the continued execution of MTN Nigeria's strategic priorities and the resilience of demand for its services. It builds on the momentum from Q4 2024, and we believe places MTN Nigeria firmly on the path to restoring profitability and achieving a positive net asset position within this current financial year. We have said to the market before that we will increase the investments into the network capacity and service quality to support this trajectory.

In our **Markets** portfolio, the regions continue to grow service revenue ahead of their respective blended rates of inflation on an overall basis. **MTN Ghana** continued to spearhead growth, with top-line growth of 39.5%* and **MTN Uganda** was also a solid contributor to the Markets' performance despite some regulatory headwinds. Again, I trust you'll have had the chance to listen in on the Q1 presentations.

In terms of the **fintech** business, revenue increased by 25.2%*, which is broadly in line with our medium-term objective. This was supported by continued expansion of the ecosystem KPIs, which I've already highlighted. Advanced services revenue grew by 36.5%* in constant currency, demonstrating pleasing momentum in our strategic priority to shift the mix in fintech revenue. Advanced services therefore contribute now 32.4% to total fintech revenue, excluding XtraTime. That's an increase of 2.3 percentage points from Q1 in the prior year. So when you look at the overall picture, I would say a strong commercial and operational performance, which I believe speaks to the execution excellence across the Group.

I want to touch briefly on the work we're doing to deepen **digital and financial inclusion** in our markets. The first one is the **network-sharing agreements**. We announced during Q1 we entered into agreements with Airtel to share network infrastructure in Uganda and Nigeria, of course within the confines of regulatory and statutory requirements. It's really part of a growing global trend, which leverages the collaboration between telco operators to explore more innovative and more competitive solutions to improve service quality while managing costs more efficiently. We believe that this has the potential to enable the delivery of world-class, reliable mobile services to more and more customers across Africa. We are exploring further collaboration with Airtel in other markets, such as Rwanda, Zambia and Congo-Brazzaville, where we have similar presence in those markets.

The second one is within the connectivity business, which is the **partnerships with LEO satellite providers**. We're deepening our collaboration to extend connectivity to more rural and remote areas, as well as improve resilience. On the consumer front, this work together with LEO satellite providers will help us to augment network access, especially in underserved areas through direct-to-cellular technology. You may have noted in the media that we have successfully conducted Africa's first satellite-to-smartphone call trial collaboration between MTN SA and Lynk. So we're very excited about the future in that space. We're looking at solutions that use LEO satellites to provide critical fixed connectivity for enterprise customers, and efficient backhaul connectivity for MTN cell sites. Again, this is especially relevant in remote locations, where it offers a more affordable and efficient alternative. So we have multiple initiatives underway, and we are advancing this work in a focused way.

There are two distinct yet complementary LEO-based solutions which are central to our approach. We're collaborating with a number of partners in this regard, including Starlink, Eutelsat OneWeb, AST and Lynk.

The third strategic priority to call out is the **structural separation of our fintech business**. During the quarter, we continued to advance the governance and regulatory processes, particularly in Ghana, Uganda and Nigeria. You might recall that these are the key markets we're separating into the Group Fintech structure in order to complete the Mastercard minority investment. It'll also enable the business to better leverage strategic partnerships to drive faster growth in the business.

And on that note, let me hand over to Tsholo for our financial highlights before I come back to make concluding remarks. Tsholo.

Tsholofelo Molefe
Thank you very much Ralph, and good afternoon to everybody joining us on the call. Thank you for joining us. It is my pleasure to walk you through the financial highlights of our Q1 result, which demonstrates strong overall trends and a sustained healthy financial profile. This represents a very strong foundation which anchors our ambitious growth and strategic priorities.

Starting with our overall performance. Group service revenue grew by 19.8%* in constant currency for the first quarter. You can see from the slide that both data and fintech were up significantly in the period, with data growing by 28.7%* in constant currency and fintech by 25.2%*. This really illustrates the robust growth engine that underpins our business. Within fintech, we saw advanced services revenue increasing by 36.5%* in constant currency, in line with our strategy to expand these services faster.

In terms of EBITDA, we saw growth of 33%* in constant currency year on year, which reflected a pleasing expansion in our margin in the quarter. Our Group EBITDA margin was up 5.3 percentage points* to 44.1%* in constant currency. This result was mainly driven by the strong growth in our top-line and complemented by the ongoing work on our expense efficiency programme.

If we then turn to the financial highlights of our two main markets, starting with MTN SA, we saw service revenue in **MTN SA** growing by 2.6% year on year. Postpaid revenue was reasonably resilient, while consumer prepaid remains under some pressure, especially voice revenue due to the continued intensification of the competition in the market. Overall data service revenue grew by 3.9%, supported by increased subscriber usage as well as traffic. Consumer postpaid service revenue increased by 2.9% in the period, and this was supported by growth in the adoption of home propositions, particularly fixed wireless access packages. Consumer prepaid service revenue was 1% softer. As mentioned earlier, MTN SA has accelerated personalised and region-based bundle offers as part of measures to improve performance. In terms of other revenue segments, it's important to note that wholesale service revenue was up 3.9%, with enterprise growing by 12.3% and fintech was up by 2.4%.

MTN SA's EBITDA margin, when you exclude the impact of tower sale gains, improved by 0.4 percentage points to 36.8%.

Briefly on **MTN Nigeria**'s performance, again we've seen a strong top-line performance, with service revenue growth of 40.4%* in constant currency, coming in well ahead of local inflation. The key underlying driver here was data, which was up 51.4%* in constant currency, and also underpinned by increased usage and traffic. Voice revenue was up 27.7%* with some benefit from price adjustments in the period. Fintech revenue was up 58%*, driven by mainly XtraTime. The EBITDA margin in Nigeria improved by 7.1 percentage points*, to 46.5%*, on the back of very strong growth in service revenue as well as the cost benefits of the renegotiated tower lease agreement.

If I then move on to the **Markets** portfolio, which continued to deliver a good overall performance. Both SEA and WECA grew service revenue ahead of their respected blended inflation rates at 22.6%* and 14%* respectively. Within SEA, we see MTN Uganda delivering another strong performance, growing service revenue by 13.5%*. Despite the impact of mobile termination rate cuts on the top-line, MTN Uganda reported a healthy EBITDA margin of 52.4%*, which was up 0.4 percentage points*. MTN Ghana, within WECA, grew the top-line by 39.5%* in the first quarter with a pleasing margin performance in constant currency terms, reflected in a 2.2 percentage point* uplift in the margin to 57.7%.

Moving on to our financial profile, we reported a capex deployment of R7.5 billion in the quarter excluding leases, with capex intensity of 15.2%, which remained around the lower end of our targeted medium-term guidance to the market of between 15 and 18%. A reminder that we have guided the market this year for a capex of R30-35 billion. Also reflecting the anticipated uptick in the deployment is accelerated deployment of capex in MTN Nigeria. This investment will be geared towards capacity improvements, as well as enhancing the quality of user experience.

Our balance sheet remains strong overall, with consolidated net debt to EBITDA flat at 0.7 times, while Holdco leverage ended the first quarter at 1.5 times. This was lower on a year-on-year basis and in line with our medium-term target threshold of below 1.5 times. The cash upstreaming from our Opcos in the period was R1.9 billion, up from the same period last year. As you'd be aware, there is a seasonality aspect in this metric. We anticipate that upstreaming will increase as we move into the second half of the year.

And then in terms of our liquidity headroom, that stood at a healthy R38 billion as at the 31st of March. We remain satisfied with our overall liquidity headroom position, as well as our balance sheet, this remains a key focus in line with our capital allocation framework. Thank you for listening, I will now hand over to Ralph.

Ralph Mupita
Thanks very much Tsholo for taking the shareholders through the financials: the strength and flexibility of our balance sheet remains and underpins our ability to continue to drive our medium-term growth ambitions and deliver on our investment case to shareholders and broader stakeholders.

As we wrap up, just some points on our main priorities for the remainder of the year: they should be familiar to you as they carry through from our full-year results presentation.

A comment first on the operating environment. I think we have seen some encouraging trends in various markets, though we are vigilant to the potential impacts of evolving geopolitics. As we see the escalation in conflicts around the world, impacts on global aid funding and the flux in international trade, this may yet impact on the macroeconomic health of the markets we operate in. We are cognisant of those risks.

In our operational priorities, our major focus for MTN SA is to recover a better overall growth profile. We've spoken about some of the headwinds, particularly in consumer prepaid, but the initiatives are well in flow to address these. We've also adjusted prices. This was done in February for prepaid and post the quarter in April for postpaid. We anticipate that these interventions will support an improvement in the MTN SA growth trajectory into half two.

For MTN Nigeria, the focus is the phased implementation of price adjustments, and we've seen the benefits of these as we exited Q1. I think we're well on our way to deliver on the more sustainable financial profile of the business that we've spoken about. In our Markets portfolio, we want to maintain business as usual for MTN Ghana and Uganda, which are performing strongly. We also continue the work to improve the performance of some of the challenged operations. MTN Côte d'Ivoire, Rwanda started to turn around, and I think we're also seeing good progress coming out of Zambia.

For our fintech business, the priority remains to continue scaling the business, improve commercial monetisation and sustain growth in line with our medium-term guidance for the platform. We have launched the commercial collaboration with Mastercard in a few of our markets and are pleased with how that is progressing. There is a major focus on our MoMo PSB in Nigeria, which we're still very excited about and we're implementing the measures to scale the business in a sustainable way.

In terms of the financial profile of the Group, we retain the same priorities, including expense efficiencies, with an objective to realise savings of R7-8 billion between 2024 and 2026 still well on track. We'll continue to invest prudently in the growth of our business to ensure that we generate attractive returns and maintain the healthy shape of our balance sheet. This includes continuing upstreaming of cash from opcos, as well as the recovery of the MTN Nigeria balance sheet into a positive equity position by the end of this year.

Finally, in terms of our medium-term guidance, the overall framework remains unchanged. Without going into the details you'll see on the slide, we are committed to executing well on our strategy, which we believe remains the right one to achieve our medium-term growth ambitions and unlock value for our stakeholders.

To close, a reminder of our single-year guidance, the Board anticipates to pay a minimum ordinary dividend of 370 cents per share for FY 2025. Let me end here, and thank you very much, and back to Thato for Q&A.

Thato Motlanthe
I'll just go straight into the questions: Can you elaborate more as to the slow growth in South Africa service revenue and EBITDA, and that EBITDA was down despite a margin improvement? How is the competitive landscape in SA prepaid, and what would it take for SA prepaid to grow at mid-single digits?

Ralph Mupita
Could I ask Charles and Dineo to pick up those two?

Charles Molapisi
Yes, thank you Ralph. Just to cover on the top line, but I think I'll just focus attention largely on prepaid. We did guide that we expect that the Q1 for prepaid will be still under pressure. And I think we also guided that Q2 also will experience some pressure. So that was what has materialised in Q1, however, I think what we're seeing, we are encouraged by the

progress that you are seeing. We elaborated quite extensively in the past on the two key regions which were affected. We also indicated the number of interventions that we are putting in the trade...dealer incentives, localised offers, micro bundles. We have done a lot of implementation of those initiatives. We've also taken some price-ups in a number of bundles and we expect that Q2 should be slightly better than Q1 as we look forward to H2 recovery on the prepaid side.

On the competitive landscape, potentially a question around who is winning and who's losing in the market, and generally, I think our assessment will be that the winner at the moment is still Telkom in the prepaid segment, largely in the Gauteng province, largely for us Johannesburg to be a bit more specific. So, that's generally what we're seeing around the prepaid performance. The guidance I'll leave the colleagues with is that we expect as we go into H2 to see signs of recovery, and we say this because we're looking at what we're seeing so far in this Q2. Dineo, anything to add on the margin side?

Dineo Molefe
From a margin perspective, the performance is pretty comparable to the previous quarter. We did have some level of slowdown in terms of device distribution. So to your question as to why would EBITDA be down, but margin improved, so there was some level of slowdown in terms of device distribution, hence you would see an improvement in margin relative to the performance of absolute EBITDA. Thank you, Thato.

Thato Motlanthe
Just a bit of a follow-up on the questions around margin. Is the Q1 level a fair reflection of underlying profitability? Then, linked to that in terms of top-line, please explain why postpaid revenue growth decelerated to 2.9%, despite the 8% increase in February, and subscribers up 6.7%?

Charles Molapisi
Starting with the margin question, we will see the margin that we are reporting of 36.8% as a very fair reflection of profitability and operational performance of the business. We will though make a point that, as we continue to push a bit more in the trade in the key regions, there might be a slight degradation on the margin side, smaller, but that will be in response, just to make sure that, well, slightly a bit more competitive in terms of channels going forward.

But when you reflect on Q1, will take Q1 to 36.8% as a fair reflection of the performance. On the postpaid side, I think largely, was due to the interest on devices in Q4 last year, which has come into 2025 normalised so we had an elevated, high interest on devices in Q4 last year relative to Q1, so that's exactly what the cost is. We remain very optimistic going into Q2 on our postpaid performance in terms of our level of execution and what we're seeing so far. Over to you Thato.

Thato Motlhanthe
Thanks, Charles. There are a couple of questions on network sharing. What drives your network sharing initiatives with Airtel, is it only for owned towers, or can this be executed in leased towers as well? Ralph?

Ralph Mupita
Okay, obviously, we're mindful of the existing towers and the arrangements that we have with the MLAs, and so we're not touching that. But there are some, almost no- brainers that we're looking at, particularly around rural connectivity. We have quality-of-service obligations that we need to meet in pretty much most of the markets, and so we're looking at how we roll that out. And then we talk to the tower companies in that regard, so we wouldn't do anything that violates the MLAs. We have our own fibre, we provide for ourselves, and so do they. And there are times where it's actually better just to have an agreement to use each other's fibre in certain locations. So we're not doing anything that tinkers with the tower contracts, but there's quite a lot of scope and opportunity on fibre on rural connectivity. Pretty much all of this is passive sharing, as opposed to the active sharing. Active sharing is where you start encroaching the space for the towerco MLAs.

Thato Motlanthe
Thanks, Ralph. And there's a similar question just in terms of the SA partnership opportunity. Can you please provide some colour on the power partnership in SA and what that might entail?

Ralph Mupita
Charles, you want to get that?

Charles Molapisi
Yes, thanks, Ralph. We have been in discussions with Vodacom for a relative while, we have appointed Deloitte to help us to manage this, being sensitive in terms of the Competition Commission issue. So, so far, what we have done, we have informed the CompCom. What we are looking at is to start off the first phase of the programme to look at what is within the allowable premises of the CompCom, which is security and energy. That's going to be the key starting point. But I think everybody on the call will appreciate the issues of rural coverage in a market like ours, that there is a need for further collaboration on that side. So what we want to do is to first make sure that we engage the relevant stakeholder regulators, execute on our first phase, which is energy and security,

and once we do that, then look at potential other areas going forward, to ensure that we work with the regulator on that as well. Thanks.

Thato Motlanthe
Thanks, Charles. There're still a number of questions on SA. Can you talk about the timing and expected margin impact of the R99 4G smartphone push? How is this being funded? Should we anticipate margin pressure in the near term?

Charles Molapisi
On the R99 smartphone, I think the point I want to make to start off with is that we still have just above 15% of the device network which are 2G and 3G. We need to accelerate that migration for us to be able to free up cost and to be able to utilise the spectrum more efficiently. So that's a serious imperative for us. So, far beyond the issue of revenue uplift, there's also the issue of cost and to be a bit more efficient on the spectral assets. So the initiative is geared to want to achieve cost optimisation. We also want to achieve revenue uplift. So what we have done here, we have a partner, we are not taking the risk at all as MTN, the partner takes all the risk, and then we share the upside. So we'll look at the ARPU of a particular customer, pre and post, and then we share only the incremental upside. So for us, in terms of the cost of devices, we're not putting any outlay of capital upfront on this. Thato.

Thato Motlanthe
Thanks, Charles. Just a couple more: Prepaid price increases in South Africa – what was the effective price increase on prepaid? Then a question on data. Why did you only grow data revenue 3.9%, and subs were up 6.7%, data traffic went up 19.3%, and you left the XtraTime recovery in December 2024?

Charles Molapisi
Just to start by saying, correct we have left the bundle clawback, and now we're resetting the growth rate. So what affected us for a period of 12 months is now behind us. The 3.9% growth at a data level, with a 19% growth rate on traffic, I don't think it's completely out of sync. The only thing we mentioned is that the large part of traffic growth comes from FWA traffic. There's an area that we're growing quite aggressively, we're picking up quite a number of decent customers. So that's also the indication in terms of traffic increase. We also look at prepaid data to be a bit more specific, as a function of prepaid performance overall, on the regions that we're mentioning, and like we indicate that, we still expect Q2 to be tougher, but we expect Q3 to ramp up. In that case, we do expect that data performance also going forward, will also come through.

On the prepaid price increase, it's a bit of a surgical exercise this one. We've done this thing across a number of bundles, customers of ours slightly across different regions. So we're looking at very bespoke pricing at customer level, and also at town level, at region level. So it's a little bit more difficult to give a broader effective rate price increase. So we try and assess where the competition is, where we can get value, and do some price-ups. And for us, the way we look at the price-ups, we believe the market must price-up. Our strategy of pricing-up remains, and we'll continue to look at how we can continue to optimise the customer's wallet. Thanks, Thato.

Thato Motlanthe
Thanks, Charles. Maybe some financial questions. Holdco leverage, cash upstreaming, year on year, increased by R1.2 billion. Where was the delta from?

Tsholofelo Molefe
We've had quite a number of markets upstreaming: 40% came from Congo Brazzaville. I think it was also just an acceleration of what was due from last year, so that came through. We had SA as well, just over 10%, Ghana, Benin, Cameroon, Uganda as well. So Ghana, over 15%, and the balance came from the other markets, less than 10%, so overall, that's the makeup of that.

Thato Motlanthe
Thanks, Tsholo. And then there are just a couple of questions on Turkcell. Are you able to provide any timing on the Turkcell case, when will MTN appeal, and what sort of timeline should we expect? Ralph?

Ralph Mupita
We have to appeal by the 21st of May. So, if we make an appeal, we'll have to have made it by then, and then it'll go into its own process.

Thato Motlanthe
Thanks, Ralph. And there's a similar question on that: do you have any concerns around the developments there?

Ralph Mupita
Obviously this is a matter in front of the courts, but I think for us, there were two issues. The one, setting jurisdiction, then jurisdiction under Iranian law. I guess that's what is the basis of why we will appeal, is it's difficult to have jurisdiction in – at least in our view – is that to have jurisdiction, but apply different law to material aspects of it. So let's see, let us we work through the process. As I said, we would look to put in our appeal no later than the 21st and then it'll work its way through the Constitutional Court processes, which we

don't know how long those will take. I think the important thing is that we're not even discussing the merits of it, so it's still about jurisdiction and what law would apply, and we leave it up to the Constitutional Court to opine on that.

Thato Motlanthe
Thanks, Ralph. And then just a question on the Mastercard transaction. If Ghana, Uganda and Nigeria's fintech separation is by the third quarter of 2025, how soon thereafter will MTN receive the up to US$200 million investment?

Ralph Mupita
Those three markets are the ones that triggered the flow of cash. We actually are seeing Mastercard tomorrow as an update on all the work, the various works that we're doing around the commercial agreements. So when we trigger those three in terms of all the shareholder and regulatory processes and complete them, and then almost pretty much the straight thereafter is the flow of funds. That's what we've agreed with them.

Thato Motlanthe
Thanks, Ralph. Then a couple of more on South Africa. What was the once-off revenue in enterprise SA this quarter, and could you quantify it? So, we don't quantify it, but maybe you can just give some colour, Charles, on what it was? And then another question on pricing, can you please tell us, why are we taking our prices further in SA prepaid, given competitive intensity?

Charles Molapisi
On the enterprise one, I think the once-off we're talking about R40 million, four zero on enterprise. But also, just to be very clear, that we look at this as a very key area of growth for our business. We don't rely on once-off in terms of enterprise. It's been performing quite well for the past number of years. We expect that to continue as we ramp up into also the SME sector, so we're making very decent progress on there. I think, on the pricing one is, this is a matter of economics in terms of the sustainability of the industry. You know, we have to deliver the return that is above WACC. So we have to, as an industry overall, understand that for the market really, to maintain itself, to be able to grow prices, or inflation-induced pricing, is an imperative. So we will look at it. We're a little bit more tactical about it in terms of the question, a bit more tactical. We're not talking wholesale price increases. We look at where we can increase, we look at where we're strong. So it's a very surgical, granular process. Where we get an advantage, we see the advantage of that and then increase prices. So, it's not a universal blanket increase even in markets where we're not winning, it's always going to be a very careful exercise. We also use a private pricing framework, which is our CVM platform, that helps us to create bespoke pricing according to usage and network availability. So a number of dynamics that we use,

but I do understand the question in the context of the industry, but we believe that overall in this industry, for its long-term sustainability, price-ups are quite an imperative. Thanks, Thato.

Thato Motlanthe

Thanks very much, Charles. Then just a question on upstreaming. Could we get an indication on upstreaming, particularly from Nigeria, if at all? Also the general liquidity situation in Nigeria, how much improvement has occurred there?

Tsholofelo Molefe

From an upstreaming perspective, as we've indicated, Nigeria concluded all the dividend upstreaming that was outstanding. Nigeria, as you know, has been in negative equity, so there has not been any dividend declared, therefore as we indicated at year-end, we're looking at some time towards mid-to-second half of next year, and I think that's what the board of Nigeria is currently seized with. I think from a liquidity perspective, yes, there would have been an improvement as you look at the price increase, some operating leverage due to the cost efficiencies, but certainly there is a capex investment that will come through. There will be, obviously, some of that to think about in terms of the accelerated capex, but overall we're not concerned about the liquidity in Nigeria. I don't know if Ralph wants to add there.

Ralph Mupita

Maybe just to top and tail, Tsholo. I think we're finding the environment a lot more conducive. The naira has been fairly stable, it's been moved around a little bit, but not what we saw in Q1 last year. Inflation is beginning to come down a bit and so forth. So the environment is a lot more conducive, I would say. Just on the financial profile, particularly as we look at how the business has traded since the end of the quarter, where, as I said we haven't seen any elasticity issues of concern and actually we've seen real momentum pick up. The plan is to get out of negative equity by the end of the year. If we can do it sooner than that, it will be fantastic. But the kind of base case is we get out of negative equity and in the first quarter of next year we're back to having distributable reserves on which we then use for dividend payments. So subject to the business performing better than that, and bringing that thing forward, we kind of still stick to the base case that we'll see it then. Dollars needed are being found on a willing buyer/willing seller basis, there's no scarcity of dollars at the moment. Obviously, we're don't have any dividends to repatriate, but the team are deploying capex and they're able to get the dollars for the capex for the network. So Nigeria flows quite constructive for us, given some of the challenges we had to weather through last year.

Thato Motlanthe

Thanks, Ralph, thanks, Tsholo. Sort of a similar question: Has your strategy around share buybacks changed? When would you consider it? And would you consider using Nigeria, other stakes, or other asset's sales proceeds, for a buyback?

Ralph Mupita
We are still of the view that the capital allocation framework we have right now is the right one for us at the moment. And I guess if things change, we would then have to apply our minds, particularly once Nigeria starts distributing healthy dividends back to Group.

So the batting order of capex intensity of 15-18%, pay down the Holdco debt, and obviously we said in the second half of this year we would come back by August to give you a sense of what we want to do with the eurobonds. There's US$500 million of eurobonds there. So that's in or around August, the time of interim results we would cover that. Dividends, we've already given you the 370 cents guidance, and then we have selective M&A, and then buybacks.

So where we are right now, we haven't changed that, although we are listening to shareholders and reviewing the assessment. We think just where the business is, the capital it needs to grow, strengthening the balance sheet, we think organic, and Holdco would be ahead in batting order to a share buyback. And these are also times of enormous volatility and we just believe that with the liquidity profile that we have, we need to have the resilience to withstand any shocks that may come from global developments, and also if there are opportunities that we can take advantage of in this current climate. The short answer is we haven't changed yet, but it is a conversation that we're going to have again with our board when we meet in the July board strategy session.

Thato Motlanthe
Thanks, Ralph. More specific on the secondary sale in Nigeria. How do you see the timing of the stock sale happening?

Ralph Mupita
Regarding the timing, first of all, it has got to get out of negative equity and the business must start regularly paying dividends. I think we would need to see at least two reports of regular dividend payments, and easy repatriation to the Group as a minimum before we say, okay do we go with the next 10%. I think to do it now, while the business is in negative equity doesn't really make sense for us. So, we'll wait for the business to rebuild its reserves, pay two dividends and then assess if the market is reflecting the share price, and is there liquidity to sell down. I think the last time you would remember that, the market probably had capacity to do about 3% at a time. So if we talk about 10%, it's unlikely that you can get 10% all away at the same time, so you may have kind of three tranches of that.

So I think in terms of the timing, if you play all of that, that's not a 2026 event; we might be lucky that it's an H1 2027, all things working out well, but this is not the time to do it.

Thato Motlanthe

Thanks, Ralph. Then another question on pricing in South Africa, this time for postpaid: an 8% increase in postpaid subscription, is that really sustainable with inflation at 3%? Is there not a risk of customers reneging like we see in the US?

Charles Molapisi

I think the market has consistently for a long while taken this effective price increase. So it's something that we'll watch going forward to see the performance. If it's pushing customers from post to pre, but it generally has been a general industry practice and adaptation, and it looks like customers for a long while have virtually aligned or aligned on this price point. So, we have to look at it going forward, but so far I think we are comfortable that in terms of this type of business, particularly if you look at the level of devices that we need in this market that also comes with very, very low margin. I think it makes sense for the profitability of this postpaid business to consistently look at its price increases. Thanks.

Thato Motlanthe

And then just to wrap up, a question on LEO partnerships. You've mentioned LEO partnerships, including Lynk. It's an interesting reference to direct-to-device service satellite, can you please give a quick overview of who Lynk is, as we may not be familiar with the company, and what is the objective and framework of this alliance? And then as a follow-up, is MTN also working with Starlink? I think we did announce that, in addition to Lynk.

Ralph Mupita

Charles, I'll ask you to give a detail on Lynk and the call that you guys made. But our approach is that we'll have multiple partnerships on backhaul, as we currently have. Starlink is there, OneWeb is there, AST, so that will continue. On Lynk, Charles, you want to cover?

Charles Molapisi

Thanks Ralph. I think maybe just to start first with the trial or the test call that we did, being the first in the continent. I think we are wrestling with issues of rural coverage, and the way we look at this, non-terrestrial players, we really see them as complimentary to our network and coverage challenges. So we wanted to be the first one to look at what form of partnership can we create with them. We had to make the call in Vryburg at that particular time. That shows you that there's still lack of coverage. The satellite move gave us a confidence that it is possible in areas where we were struggling with coverage to forge this kind of partnership. So we'll continue to explore this with them. I think we're still a bit far in terms of, you know, D to D, or direct to cells, but I think it gives us a bit of more confidence in terms of the partnership for us going forward. Thanks.

Thato Motlanthe
Thanks, Charles, thanks, Ralph. I think we've come to the end of the call, we will put up the transcript as quickly as possible and then send out an email just to alert our stakeholders that it's available. Ralph, I don't know if you've got any closing remarks?

Ralph Mupita
Just to again thank all our investors for tuning in. We are encouraged by the momentum in Q1. Obviously there's always more to be done, but I'll really highlight that in Nigeria, as we exited Q1, we are seeing pleasing growth as the tariff increases are coming through. Looking at the data sets of April, and where we are now in May, that's been very encouraging.

South Africa, it's also all about prepaid and getting the regionalised offers in the two specific provinces where there is value-seeking where Charles is responding to. Looking at some of the numbers 10 days into May, we're starting to see kind of momentum coming back, particularly those two regions. But we have to sustain it. There's plenty to be done there still. The other aspects of SA are growing pretty okay. The enterprise continues to be a double-digit story. Wholesale is behaving, no issues on payments with Cell-C, etc, so the focus is really on prepaid.

And then in fintech is to really sustain the level of growth that we have, high 20s/low 30s, and getting a decent margin and that we have a high-quality base. We don't want a base where it's driven by seeding or inducements to get activity up, we've pulled quite a bit of back, and that's muted the growth of MAU, but I think that this is the right thing for us to be doing.

And as we look into the second half of the year, obviously mindful of the global macro, just to sustain our capital investments, as Tsholo says, up to a maximum of R35 billion is what we want to put in this year. And obviously being very, very cautious around how we are allocating the capital, and looking to deal with the balance sheet and liquidity issues in the second half of the year, particularly around the eurobonds and we'll communicate very clearly on the eurobonds with our H1 results, which will be released in August.

But other than that, thanks very much. And as Thato said, we will put up the call script as well as the presentation if anyone lost connectivity when we had a bit of a technical glitch. But thanks so much, much appreciated.

Edited for accuracy

Edited for accuracy

END OF TRANSCRIPT