



MTN NIGERIA RELEASES AUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Lagos | Nigeria: Friday, 28 February 2020

MTN Nigeria Communications Plc (MTN Nigeria) is one of Africa's largest providers of communications services with a clear vision to lead the delivery of a bold, new digital world. Today, we announce our audited results for the full year ended 31 December 2019.

Salient features:

- Mobile subscribers increased by 6.1 million to 64.3 million
- Active data users increased by 6.5 million to 25.2 million
- Service revenue increased by 12.6% to NGN1.2 trillion
- EBITDA grew by 45.2% to N629.9 billion (IAS 17: 20.9% to N524.4 billion)
- EBITDA margin increased by 12.1 pp to 53.9% (IAS 17: 44.8%, up 3.0pp)
- Profit before tax grew by 31.1% to N290.1 billion (IAS 17: 39.9% to N309.6 billion)
- Earnings per share rose by 38.8% to N9.9k (IAS 17: 47.9% to N10.6k)
- Capital expenditure (excluding ROU¹ assets) increased by 13.1% to N208.3 billion
- Final dividend of N4.97 kobo per share recommended

Unless otherwise stated, financial and non-financial information is year-on-year (YoY, full-year 2019 versus 2018). In January 2019, MTN Nigeria adopted IFRS 16 and adjustments are reflected in the results.

MTN Nigeria CEO, Ferdi Moolman comments:

"I am pleased with our performance in 2019, which demonstrates the progress we have made in the implementation of our BRIGTH strategy. Despite a challenging operating environment, we continued to deliver double-digit growth in service revenue in line with our medium-term guidance. Voice revenue growth remained healthy, and data revenue continued to accelerate, supporting a 12.6% increase in service revenue with an acceleration in growth to 14.0% YoY in Q4 2019.

Following the completion of the SIM re-registration exercise in Q3 2019, we recorded 2.7 million net additions in Q4. In total, we added 6.1 million new subscribers to our

¹ Right of Use Assets



network in 2019. Although the last quarter is usually seasonally strong, service revenue growth (14%) in Q4 outpaced the seasonal effect.

In the third quarter, we focused on several initiatives to enhance coverage and drive data usage penetration. These initiatives include optimising frequencies, expanding our 4G network coverage with over 6,000 additional sites leveraging 800MHz spectrum and repositioning our commercial data offerings.

It is pleasing to note that the promising results we reported at the end of Q3 2019 accelerated in the fourth quarter. Corresponding with the increase in our active data subscriber net additions by 2.9 million in Q4 2019, our 4G population coverage rose by 8.4pp to 43.8%, giving people in 68 additional cities access to 4G. We closed the year with 132 cities covered by 4G and became the first mobile network operator in West Africa to demonstrate the capability of 5G technology. We are excited about its potential for our customers and Nigeria's overall national development plans.

At 20.9% on an IAS 17 basis (45.2% on reported IFRS basis), our earnings before interest, taxation, depreciation and amortisation (EBITDA) rose at a rate in excess of revenue growth and we recorded an EBITDA margin of 44.8% (53.9% on reported IFRS basis). Our reported profit before tax rose by 31.1%, while profit after tax and earnings per share both rose by 38.8%. In line with our dividend policy, the board has proposed a final dividend of N4.97 kobo per share to be paid out of distributable net income. This brings the total dividend for the year to N7.92 kobo per share.

We are delighted with the progress made in resolving our dispute with the Attorney General of the Federation (AGF) on the adequacy of taxes and duties paid. We have discontinued the legal action against the AGF following the transfer of the matter to the relevant authorities and look forward to a final resolution. We have always fulfilled our tax obligations and remain committed to maintaining good relationships with all regulatory authorities.

Finally, we achieved a major milestone in the history of MTN Nigeria with the conversion from a private company to a public limited company and the subsequent listing on the premium board of the Nigerian Stock Exchange, which has led to a broader base of Nigerian shareholders for the company."

Operational review

During the year, we focused on building our subscriber base, resulting in a growth of 10.5% in net additions to a total of 64.3 million subscribers. Our active data subscribers rose by 34.9% to 25.2 million on the back of several initiatives. As a result, the ratio of active data users to total mobile subscribers increased by 7.1pp to 39.2% in 2019 with strong potential for future growth.

Voice revenue growth remained healthy at 8.4% and accounted for 72.7% of service revenue. Voice traffic increased by 7.6%, supporting revenue growth.





In addition, we have seen rapid acceleration in data revenue growth enabled by greater population coverage, a revamp of our data portfolio and initiatives to drive 4G device penetration. We added 5.3 million new smartphones to our network, bringing smartphone penetration to 41.8% of our base, while data traffic rose by 85.8%. Our interventions in the year helped to drive a 42.4% increase in data revenue for the year (63.1% YoY in Q4 2019). Data contributed 18.8% to service revenue, up 3.9pp from 14.9% in 2018.

Digital revenue gained momentum as we started to see quarterly growth from Q3 2019. We further focused on building a sustainable active user base for our digital business, while improving the customer journey and experience on value-added services (VAS). In Q4 2019, we launched MusicTime, one of our flagship digital offerings. The active base for our digital subscriptions surpassed 2.1 million users during the year, as we continue to build critical mass for our portfolio of digital products and services. On a sequential QoQ² basis, digital revenue increased by 23.0% and we target sustained growth into 2020.

Fintech revenue growth was 23.3%, supported by increased adoption of MTN Xtratime, our airtime lending service. We launched a super-agent service in August and are pleased with the initial rollout and uptake of the service. We closed the year with a network of 108,000 agents registered nation-wide. The agent network served almost one million customers in the first four months of operation, and we are maintaining our focus on further expansion. To cater to a broader market and encourage further adoption, we are also widening the service offering – from basic transfer service and airtime/data sales to a more extensive bouquet, including cash deposit and withdrawal services, bill payments and facilitating e-commerce.

Our enterprise³ business segment continued to deliver solid results, with revenue growth of 20.3%.

On the cost side, the increase in operating expenses on an IAS 17 basis was 4.4%, which was below the rate of inflation. This reflects progress with our cost management initiatives and reduction of non-recurring expenses. We maintained our leadership position in network net promoter score (NPS) as we continued to invest to improve service quality and drive 4G expansion. This resulted in a 13.1% increase in capital expenditure and capex intensity of 17.8% on an IAS 17 basis. Our overall cash flow performance was pleasing, with a 26.6% growth in free cash flow to N316.1 billion (IFRS 16: 51.4% to N378.0 billion).

Overall, our bottom-line remained strong with growth of 31.1% and 38.8% respectively in profit before and after tax. Earnings per share increased by 38.8% to N9.9k.

² Quarter on quarter (Q419 vs Q319)

³ Enterprise business includes revenue from mobile and fixed connectivity, cloud and ICT solutions, and devices. It cuts across voice, data and digital services for SMEs, public sector and large enterprise customers.





IFRS 16 and IAS 17 comparison

	IFRS 16 2019 N'm	IAS 17 2019 N'm	IAS 17 2018 N'm	IFRS 16 Growth %	IAS 17 Growth %
Operating expenses	321.1	426.6	408.5 ⁴	-21.4%	4.4%
EBITDA	629.9	524.4	433.9 ⁴	45.2%	20.9%
EBITDA margin %	53.9%	44.8%	41.8%	12.1pp	3.0pp
Capital expenditure	251.9	208.3	184.2	36.8%	13.1%
Capex intensity	21.5%	17.8%	17.7%	3.8pp	0.1pp
Free Cash flow	378.0	316.1	249.7	51.4%	26.6%
Profit before tax	290.1	309.6	221.3	31.1%	39.9%
Profit after tax	202.1	215.3	145.6	38.8%	47.9%
EPS (N)	9.9	10.6	7.2	38.9%	47.9%

Outlook

We are optimistic about the prospects for our business in 2020 and pleased with the continued momentum from H2 of 2019, and particularly Q4. Expanding 4G network coverage to deliver high-speed internet to more people nation-wide and data revenue growth remain in focus. We expect growth in voice revenue to remain healthy. We continue to make good progress with the expansion of our super-agent network and are confident that the expanded service offerings will position us to effectively drive broader financial inclusion as well as roll out the payment service bank seamlessly, once we receive a licence.

We acknowledge the outbreak of Corona Virus worldwide and its potential impact on our supply chain. While we monitor unfolding developments, we are exploring multiple scenarios in a bid to mitigate the impact.

Over the next three years, we plan to invest about N600 billion in our network. This investment will enable us to accelerate our 4G network expansion, deepen population coverage and support the Federal Government's broadband initiative. We are excited about the possibilities that the transition to digital presents for our business, and the growth and development of Nigeria.

For and behalf of the board

Ferdi Moolman
Chief executive officer

⁴ Includes N19.2 billion notional reversal payment to CBN. Excluding it, operating expenditure grew by 9.6% (IAS 17) and declined by 17.5% (IFRS 16); while EBITDA grew by 15.7% (IAS 17) and 39.0% (IFRS 16)



Conference Call

MTN Nigeria invites you to a conference call at 3:00pm Nigerian time, on Tuesday 3 March 2020.

In order to participate, please call the appropriate participant dial-in number:

- [HD Webphone](#)
- Johannesburg: 010 201 6700
- Johannesburg: 011 535 3500
- Nigeria: 01903 0040
- Other Countries: +27-10-201-6700
- Other Countries: +27-11-535-3500
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About MTN Nigeria

MTN Nigeria is one of Africa's largest providers of communications services, connecting over 64 million people in communities across the country with each other and the world. Guided by a vision to lead the delivery of a bold new digital world, MTN Nigeria's leadership position in coverage, capacity and innovation has remained constant since its launch in 2001. MTN Nigeria is part of the MTN Group – a multinational telecommunications group which operates in 21 countries in Africa and the Middle East.

Visit www.mtnonline.com for more information.



Statement of profit or loss
For the year ended 31 December 2019

	Group		Company	
	2019 N '000	2018 N '000	2019 N '000	2018 N '000
Revenue	1,169,734,682	1,039,117,810	1,167,418,643	1,037,067,731
Other income	96,920	2,225,066	96,920	2,225,066
Direct network operating costs	(242,012,147)	(305,519,088)	(241,958,015)	(305,244,580)
Value added services	(12,459,255)	(16,643,563)	(12,462,084)	(16,627,876)
Cost of handsets and accessories	(12,765,784)	(6,191,729)	(12,765,784)	(6,176,000)
Interconnect costs	(105,249,627)	(95,630,222)	(105,249,914)	(95,617,279)
Roaming costs	(4,037,863)	(4,173,205)	(4,020,515)	(4,182,265)
Transmission costs	(5,553,286)	(5,508,549)	(5,688,202)	(5,508,549)
Discounts and commissions	(56,585,622)	(51,287,375)	(56,568,993)	(51,287,375)
Advertisements, sponsorships and sales promotions	(19,848,271)	(16,274,390)	(18,829,997)	(16,274,390)
Employee costs	(30,705,957)	(27,152,445)	(30,705,957)	(27,152,445)
Depreciation of property, plant and equipment	(147,807,719)	(141,162,479)	(147,807,719)	(141,162,479)
Amortisation of intangible assets	(29,996,820)	(26,700,181)	(24,642,891)	(21,346,862)
Depreciation of right of use assets	(56,817,341)	-	(56,817,341)	-
Notional reversal difference payment to CBN	-	(19,192,309)	-	(19,192,309)
Other operating expenses	(50,694,683)	(59,793,564)	(50,182,898)	(58,566,309)
Operating profit	395,297,228	266,113,777	399,815,253	270,954,079
Finance income	20,132,082	22,568,339	20,205,463	21,910,265
Finance costs	(125,325,277)	(67,339,468)	(125,325,277)	(67,339,468)
Profit before taxation	290,104,033	221,342,648	294,695,439	225,524,876
Taxation	(87,993,059)	(75,656,747)	(89,385,210)	(76,894,322)
Profit for the year	202,110,974	145,685,901	205,310,229	148,630,554
Earnings per share - basic/diluted (N)*	9.93	7.16	10.09	7.30

Statement of other comprehensive income
For the year ended 31 December 2019

Profit for the year	202,110,974	145,685,901	205,310,229	148,630,554
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Net fair value gain/ (loss) on financial assets held at FVOCI	275,672	(490,575)	275,672	(490,575)
Total comprehensive income	202,386,646	145,195,326	205,585,901	148,139,979
Total comprehensive income attributable to:				
Owners of the parent	202,386,646	145,195,326	205,585,901	148,139,979
	202,386,646	145,195,326	205,585,901	148,139,979



Statement of financial position

As at 31 December 2019

	Group		Company	
	2019	2018	2019	2018
Assets				
Non-current assets				
Property, plant and equipment	625,095,789	607,023,544	625,095,789	606,962,868
Right of use assets	500,067,655	-	500,067,655	-
Intangible assets	120,946,914	119,368,123	84,072,042	77,107,651
Investments in subsidiaries	-	-	45,578,000	43,828,000
Contract acquisition costs	4,851,490	3,766,048	4,851,490	3,766,048
Prepayments	12,145,236	15,726,985	12,145,236	15,726,985
	1,263,107,084	745,884,700	1,271,810,212	747,391,552
Current assets				
Inventories	909,577	1,538,766	909,577	1,545,496
Trade and other receivables	52,400,096	38,617,124	53,594,201	38,485,289
Current investments	54,826,569	65,468,259	54,826,569	65,468,259
Restricted cash	38,049,589	37,219,023	37,999,589	37,169,023
Cash and cash equivalents	116,277,629	53,011,748	114,301,003	52,806,185
	262,463,460	195,854,920	261,630,939	195,474,252
Total assets	1,525,570,544	941,739,620	1,533,441,151	942,865,804
Equity and liabilities				
Equity				
Share capital	407,090	646,510	407,090	646,510
Share premium	17,216,293	64,498,466	17,216,293	64,498,466
Other reserves	521,161	6,069	521,161	6,069
Retained profit	126,541,015	154,201,270	143,118,853	167,579,860
	144,685,559	219,352,315	161,263,397	232,730,905
Liabilities				
Non-current liabilities				
Borrowings	380,088,780	31,438,349	380,088,780	31,438,349
Derivatives	264,573	14,152	264,573	14,152
Lease liabilities	481,434,369	-	481,434,369	-
Deferred tax	120,586,575	109,266,019	113,039,867	100,191,396
Provisions	71,424	65,934	71,424	65,934
Share based payment liability	744,591	654,791	744,591	654,791
	983,190,312	141,439,245	975,643,604	132,364,622
Current liabilities				
Trade and other payables	190,440,496	213,715,209	189,641,572	211,055,001
Borrowings	32,453,044	143,875,889	32,453,044	143,875,889
Lease liabilities	35,099,787	-	35,099,787	-
Contract liabilities	46,806,355	42,738,547	46,745,269	42,684,874
Current tax payable	65,625,921	54,131,436	65,325,408	53,667,534
Provisions	27,269,070	21,359,196	27,269,070	21,359,196
Regulatory fine liability	-	105,127,783	-	105,127,783
	397,694,673	580,948,060	396,534,150	577,770,277
Total liabilities	1,380,884,985	722,387,305	1,372,177,754	710,134,899
Total equity and liabilities	1,525,570,544	941,739,620	1,533,441,151	942,865,804



Statement of cash flows
For the year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
Cash flows from operating activities				
Cash generated from operations	604,904,165	437,487,847	604,505,568	438,105,835
Interest received	16,058,162	19,604,317	16,131,543	18,946,243
Finance costs paid - lease liability	(62,858,726)	-	(62,858,726)	-
Finance costs paid - borrowings	(46,995,768)	(42,024,438)	(46,995,768)	(42,024,438)
Dividends paid	(133,045,813)	(38,612,581)	(133,045,813)	(38,612,581)
Regulatory fine paid	(110,000,000)	(110,000,000)	(110,000,000)	(110,000,000)
Income tax paid	(62,082,381)	(21,607,434)	(61,783,228)	(21,254,921)
Net cash generated from operating activities	205,979,639	244,847,711	205,953,576	245,160,138
Cash flows from investing activities				
Acquisition of property, plant and equipment	(181,685,416)	(201,195,215)	(181,685,416)	(201,195,215)
Proceeds from sale of property, plant and	1,023,031	652,516	1,023,031	652,516
Purchase of contract acquisition costs	(3,761,690)	(2,830,395)	(3,761,690)	(2,830,395)
Acquisition of right of use assets	(4,570,620)	-	(4,570,620)	-
Purchase of intangible assets	(21,040,667)	(10,119,300)	(21,035,667)	(10,119,300)
Movement in restricted cash	(830,566)	4,398,611	(830,566)	4,448,611
Movement in investment in subsidiaries	-	-	(1,750,000)	(50,000)
Disposal of treasury bills and foreign deposits	13,875,683	5,484,257	13,875,683	5,484,257
Net cash used in investing activities	(196,990,245)	(203,609,526)	(198,735,245)	(203,609,526)
Cash flows from financing activities				
Redemption of preference shares	(148,189,489)	-	(148,189,489)	-
Proceeds from borrowings	381,701,421	136,339,156	381,701,421	136,339,156
Repayment of borrowings	(146,123,670)	(216,275,998)	(146,123,670)	(216,275,998)
Repayment of lease liability	(33,265,495)	-	(33,265,495)	-
Net cash flow generated from/(used in) financing activities	54,122,767	(79,936,842)	54,122,767	(79,936,842)
Net increase/(decrease) cash and cash equivalents	63,112,161	(38,698,657)	61,341,098	(38,386,230)
Cash and cash equivalents at the beginning of the	53,011,748	89,564,964	52,806,185	89,046,974
Effect of exchange rate movement on cash	153,720	2,145,441	153,720	2,145,441
Cash and cash equivalents at end of the year	116,277,629	53,011,748	114,301,003	52,806,185