MTN Group

FY 2023 Annual Results Presentation

Date: 25 March 2024

Thato Motlanthe

Good afternoon to everybody. My name is Thato Motlanthe. I look after investor relations for the MTN Group and it's my pleasure to welcome everybody who's come to the Innovation Centre at 14th Avenue, and also to welcome all of the people who have joined on the various platforms that we have, particularly the MTNers across our markets obviously who make the results that we put out quite possible.

I think let me just kick off with the usual housekeeping items that we have. Firstly, you should be seeing on the screen our standard disclaimer and safe harbour statement, and that covers this presentation as well as the event that we have here today. Secondly, if you're in the room, you should be able to latch on to our WiFi, and again the details should appear on the screen now. We'll hold it up for a second or two. And then lastly, for those on our social platforms, you can use the hashtag @MTNAnnuals23, and our X handle is @MTNGroup.

For those who've joined us today, we do have refreshments outside, just in case we forget to remind you at the end. And that's just a little bit of an incentive and to thank you for coming through. But if I turn to our year-end review, I think we've navigated a couple of challenging times over the past couple of years, and I think if challenging was a person, it would look a little bit like 2023.

Now, I won't be a spoiler for Ralph and Tsholo's presentation, but I think given the extreme volatility that we've seen in our external environment, you'll see that the financial performance that we're putting out is actually fairly encouraging. So, having seen the environment, I think the flip side of it is that if resilient was a person, it would probably look something like MTN. And in particular, the many faces across our markets, as I said, who make this possible. And I think they've shown extreme dedication, innovation, and commitment to the cause, and it's a very big reason why we're still standing today.

Of course, the stakeholders have walked the journey with us. It's been a rough ride. We do appreciate you sticking with us. And I think it's also appropriate just to give a shout out to our leaders, some of whom are in the room today, including the board, who have given us a a steady hand of guidance and leadership as we've navigated this tough time.

So, as I mentioned, today's presentation will provide a little bit of colour as to how we've performed. Obviously, there's a lot of complexity, so we thank you for your attention as we go through the performance before we get to the Q&A. And I think if you look at the running order of our presentation, it'll be the usual one that we have. First of all, some highlights and operational strategic review from our Group President and CEO Ralph Mupita. Then, Tsholo Molefe, our Group

CFO, will come up and give us a financial overview. And then Ralph will come back up to give us some thoughts on outlook and priorities.

We'll then open up to Q&A in the room. And those who are on the webcast, please send through your questions, and we'll read them out for you. So we can get into the run of the presentation, and with that, it's my distinct pleasure to welcome to the stage our Group CEO Ralph Mupita.

Ralph Mupita

Thato, thanks very much, and extending my own welcome and thanks for all the shareholders, investors and broader stakeholders who are joining us here in 14th Avenue. For those in 14th Avenue, the room is full. It hasn't been this full, I think, probably since COVID. So, it's good to see stakeholders here. And also thanking all of our broader stakeholders who are joining us on various media platforms. And also, like Thato, I'm wanting to thank the MTNers who always give Tsholo and I the pleasure of presenting the results that we are going to share in the next 45 minutes or so.

I also want to acknowledge that our SENS and financial results came out. It's quite a lot to read. So, I trust that you've managed to get through most of it. But what Tsholo and I will try and take you through are the salient items that give you a sense of how the year was in terms of operational and financial performance, but also importantly to give you our sense of the outlook and how we think we will navigate the outlook that presents itself in 2024.

So, going straight through to the highlights, I want to talk about four main themes. The first one has been the point that Thato has raised, which is really that we navigated a very challenging external environment, principally driven by three factors. The one is that we saw inflation remaining quite elevated in most of our markets, and that found its way into the costs, the operating costs, the interest costs on the debt. Tsholo will cover that in more detail.

Secondly, currency devaluations, most notably in Nigeria, where the naira was around ₦462 odd in May of last year. There was liberalisation of exchange rates in June, and by the year end, if you look at the NAFEM, it was over ₦900. So, the closing rate was almost 97% down on the prior year. So, a significant impact that works its way through the P&L and into the balance sheet and more around that.

With regards to currencies, we had the paucity of foreign currency in some of our main markets, making it very challenging for us to upstream dividends and management fees. And as many of the investors will recollect that we did take script dividend both in Ghana as well as in Nigeria in anticipation of the difficulty of upstreaming cash out of those markets.

The final point is really geopolitical tensions that we see more broadly across the world but particularly in our region in Sudan. Sudan has been in a situation of conflict since April of last year and that impacted us. And the dynamics of that, whether it's in service revenue, in impairments and the group effective tax rate, Tsholo will take us through all of that.

Now, notwithstanding that challenging macro, I think we had a very decent and solid commercial execution of the strategy. When we look at usage growth, we saw very healthy usage growth across our markets, notwithstanding the SIM registrations that we had in key markets such as Ghana and Nigeria. We navigated those through to still deliver pleasing user growth and usage growth. And if you look at the underlying volume of traffic across our markets in the two big drivers of growth going forward, data – excluding the JVs that we have, data traffic growth was about 35% - and the fintech transaction volumes were up about 32%, signalling a very healthy set of demand for the services that we offer to our customers.

The third area was really around financial resilience, and we've done a lot of work on the balance sheet over many years to ensure that the business has financial resilience, first to absorb shock, but also to be able to take advantage of the opportunities that we may see in the market. Last year was a year of absorbing the shock, and we drove the expense efficiency programme that we had set out. We have targeted R7 billion to R8 billion of expense efficiencies, and we're well ahead of our target for last year, delivering R2.6 billion against a target of R1.5 billion that we set for ourselves. And then when you look at leverage and liquidity, all looking in very good shape.

The fourth area is really around strategic priorities, executing on our strategy in line to what we've committed to stakeholders. On the fintech side we concluded two agreements with Mastercard. The commercial agreements and the minority investment definitive terms were concluded at the beginning of this year. On the fibre side, we're beginning to push ahead with the structural separation. We are working on Project East2West with Africa50 and started the carve out of some of our markets starting with Zambia last year, structuring a sale and lease back between Baobab with the Zambia Opco.

And the final point is really around portfolio optimisation. We have now exited Afghanistan. We announced our Middle East exit in 2020 and said that phase one would be focused on exiting the consolidated subsidiaries of Syria, Yemen and Afghanistan. And with the conclusion of the deal with the M1 affiliate, we are now out of phase one and have completed that. So, very good progress and we'll cover some of that in a bit more detail in slides to come.

Sensitivity: MTN Internal

I won't dwell too much on the financial outcomes because Tsholo will take us through that in a lot of detail but pick up some of the key KPIs. Service revenue growth at 13.5%, broadly in line with our medium-term guidance. Sudan, as I mentioned, had ongoing conflict in the market and that detracted from overall service revenue growth at the group level by 0.6%. So, you could have added that back in and the Group ex-Sudan grew at 14.1%, which would have been within our guidance range.

Data and fintech obviously were growth drivers. You must never forget voice. Voice grew 3.3% and still delivers a healthy contribution to our total earnings. On the earning side, you'll see that EBITDA on a constant currency basis grew quite pleasingly at 9.8%. Let's round it up to 10%. So, a lot of the activity in the P&L happened below EBITDA.

And Tsholo will take you through both the tower lease liability related costs and some of them are non-cash unrealised losses as well as finance cost, that's where there is a lot of the strain in the P&L. But above EBITDA, a very solid performance on growth. And by the time you get to adjusted headline earnings, again, relative to the prior period, notwithstanding the tough macro, we delivered 1203 cents on adjusted headline earnings per share.

I won't cover the balance sheet items which I raised a little bit earlier on, but I think at the Holdco level, pleasing to see that the mix of debt is quite favourable. We're down to 23% of the debt stock at the Holdco level is in USD. We've got a small stub of 2024 bonds and the 2026 bonds to deal with. The rest of the debt is in ZAR. So, that profile of managing our liability and currency mismatches relative to the currencies in which we earn revenue, that has improved substantially. Our target was to be below 40%, and we're down to 23%. And many thanks to the finance team for delivery there.

Then on returns, just focusing on three KPIs. Operating free cash flow before spectrum payments, just under R46 billion. And again, part of the narrative that Tsholo and I want to cover is that there are cash and non-cash items that are through the financials, but when you're looking at operating free cash flow, it's fairly robust given the headwinds that we saw. And the ROE is up at 24.4%. As Tsholo will show, we've seen a very steady improvement on ROE over the last five to six years. And the board declared a final dividend for 2023 that will be payable, distributable in April of this year of 330 cents in line with our minimum guidance that we announced last year of 330. More of that a little bit later.

Moving on to the operational and strategic review and as usual, starting with South Africa. In South Africa, the two main stories in the year under review: firstly, loadshedding and the impacts of loadshedding in the year. We had more loadshedding days last year than the year before, coming

to Thato's point around a challenging macroeconomic environment. But we're very pleased that the SA network team and the SA team more generally has done a great job improving network availability in the year.

We invested R10.1 billion of capex, ex leases, and of that R2.6 billion was spent on network resilience, ensuring that we have back-up power across our sites. And we ended the year ahead of schedule with network availability above 95% in total. And for the sites that we had deployed the investment in, actually we're above 98%. So, a lot of work done to deal with the network and ensuring that we're resilient as we anticipate that we could have more loadshedding that could go all the way up to level six and potentially above.

So, it was the right call to make that network resilience, and we're seeing the benefits of that as we lap last year. The first two months of the year have shown us the encouragement that that investment will yield fruit and returns for our investors.

The second point is really around the consumer under pressure, and in particular, in the prepaid segment. And we've seen sequentially an improvement on the prepaid side exiting Q4, much better than we had started Q3 in terms of in particular voice prepaid and that trend we've seen come through. I think what would have been a detractor in the overall service revenue that MTN SA delivered of 2.5%, and some of the base effects that we've seen, particularly on consumer postpaid side, as well as on wholesale.

You well remember that in 2022, for much of the year, Cell C was under a cash basis of accounting, and in Q4, we went to accrual accounting that brought a lump of revenue into Q4 of 2022, creating a bit of a base effect for the wholesale. But we can cover a bit more of that in Q&A if you want to go there. But as I said, we've seen encouraging exit out of Q4 in terms of the South African business.

If we go to Nigeria, Nigeria has obviously released results already. Karl is in the room today to take some of your more difficult questions around Nigeria. But again, the real issues were the macro. Inflation spiking up into the mid-20s in the year, and then the naira devaluation, which was very sharp, and fed its way, in particular, into the operating costs, particularly network operating costs. We also had to contend with the SIM registration in the year. And the beginning of last year, we were dealing with in Nigeria the naira redesign, there were cash shortages, which affected our ability to ramp up both on the GSM side, as well as on the fintech side.

But we are pleased with the sustained investment that we made into the network. We spent about R12.7 billion of capex investment. We secured some additional 2600 MHz spectrum, which really

helped us to deal with the surge in data usage and actually will help us quite a lot in the year ahead. That 2600 MHz spectrum will enable us with the lower capex envelope, as we look at 2024, to sustain sufficient capacity to deal with the growth that we see.

On MoMo PSB, we did the booster acceleration plan in quarter four, and we saw pleasing results, particularly around the ecosystem build-out as well as ending the year with active wallets at 5.3 million. It's a little bit lower than we had anticipated or would have liked, but notwithstanding all the challenges we faced, particularly also at the end of Q4, having to do a revised registration process in Nigeria. We are encouraged by the momentum that we're starting to see in that business.

Moving on to the Markets business, the other third of the company, again, very pleasing results we're seeing in both the SEA and WECA regions. Data and fintech are sustaining the growth there. You see service revenue growth all in the mid-teens, data revenue growth also kind of mid-20s for both SEA and WECA. Very pleasing growth from markets such as Uganda in the SEA market. They came out with their results pretty recently. Again, sustained growth on both data and fintech. And you see that SEA's contribution of fintech service revenue to total is about 28%, showing what the potential is over the medium term as more of our customers on the GSM side also take on the fintech services.

Also, on the WECA side, Ghana, a very pleasing set of results. Ghana faced a lot of headwinds in the last two years, so it's quite pleasing that Selorm and team have navigated the last two years of headwinds, firstly from the declared SMP with all the restrictions that come with being declared the dominant operator, but also the macro environment that came through in Ghana. But pleasingly, we're starting to see inflation decelerate into the mid-20s, having gone as high as into the early 40s in periods past.

On the MENA side, obviously MENA from a consolidated point of view was basically Afghanistan and Sudan. Thereon, in Sudan, as I mentioned, really challenging operating environment. And actually, the majority of the team is out in Egypt because the conflict doesn't enable our team to be based back in the headquarters at Khartoum. So very, very challenging operating conditions. And Tsholo will take us through the financial conditions there.

And then in our investment in Irancell, you see that the earnings grew at just under 28% and the Snapp business there continues to grow, just shy of five million daily rides in Iran, having been up from 3.7 million in that market.

If I move on to the fintech ecosystem, again, the ecosystem continues to develop and expand very pleasingly. The service revenue growth of just shy of 22% was underpinned by the transaction volume that I mentioned earlier on, but also the transaction value. We're seeing close on to US$272 billion of transactions through the platform, cash-in-cash-out transfers, P2P, but also the advanced services are starting to contribute.

Most pleasing has been the merchant ecosystem development, which has expanded very healthily during the period. Two big partnerships that we secured in the year. The first one was Ericsson, where we extended our partnership to include a focus on our advanced services. Our advanced services in the year actually grew, as Tsholo will talk about, close on to 55%. So, that's payments and e-commerce, banktech, and remittance are coming off relatively low bases but growing exceptionally fast.

So, the contract we've entered into with Ericsson, which came with a bit of capex into last year, so you'll see our capex envelope is slightly more elevated than you would have thought of about R38 billion, it ended up at R41 billion. And that's a once-off capex in recognition of the new contract that we've signed that will enable us to push ahead with advanced services and take a lot of our solutions up in the cloud.

The second one we've spoken about quite a bit, which is the Mastercard relationship. Commercial execution now underway in the SEA region – that's where we're going to start things – but ultimately take it across all our markets, as well as the minority investment that they took at up to US$200 million for a valuation of US$5.2 billion. And, as I'll mention later, we're continuing with our work towards further minority investment into that fintech platform.

If I talk about the portfolio transformation, maybe a few key messages really around localisation and the portfolio transformation. We didn't progress with the localisation, particularly in Nigeria, given the macro, but we continue with work around Ghana, Uganda and Cameroon as we look forward. And as I mentioned, on the exits, we have concluded on Afghanistan. We are engaged on the work for the two Guineas. That has not been concluded. We remain in engagement with Telecel there. And as and when we make progress, we'll update you.

The other area, as I mentioned, our focus is minority investments into our platforms. We've already demonstrated that with fintech. We are actually looking at the other platforms, fibre and even ayoba. We don't talk a lot about ayoba, but ayoba has a very pleasing performance, just under 36 million customers using that platform daily, and many of them in markets we don't have a footprint, like the DRC and in Egypt and in Tanzania. So, we're beginning to start the process of building within our micro channels, the opportunity for monetisation, such as ad revenues. So, with

that as a strategy, we're beginning to explore now a lot more in terms of minority investments into those three platforms.

Coming into the shared value, again, I won't cover all the detail that we have on this chart. Much of this detail is in our SENS that we shared earlier today, but a few big callouts on our decarbonisation journey on Scope 1 and Scope 2. And these are measures that are on the SBTi framework. So, we're down 13.1% when we exclude the SA towers sold to IHS. So, that's very good progress in the period that we've just reported.

Good progress on broadband as well as diversity. And on both, for sure we can always do better, so we're pushing ourselves. But we've also been able to see that the average cost to communicate across many of our markets is down approximately 9%. And in that EVA framework of the value that we have been able to deliver across our markets, a pleasing R159 billion relative to the same period last year.

Before I pass on to Tsholo to take us through the financials, and I'll come back to discuss outlook and priorities, again, we're constantly marking ourselves against the targets that we set ourselves. The one key area that's in the red there is really around SA service revenue. As I said, the main area of detraction there has been around the base effects that we saw, particularly around wholesale, given that we moved Cell C to the accrual base of accounting, as well as the new contract that we signed. And some of those benefits for Cell C would have come through in Q4 of last year.

Most pleasing in SA – where we've had a real challenge for two years plus – this has really been about the consumer prepaid, where we're starting to see improvements, particularly around voice. Quarter four voice deceleration was minus 9% on prior year. In the previous quarter, it was minus 12%. So, we're seeing a steady improvement with regards to that. But Tsholo will take you through more of the financials and I'll be back to cover the outlook as well as our priorities. Thank you.

Tsholo Molefe

Thank you very much, Ralph, and a very good afternoon to everyone joining us for the results today. And I think as Ralph shared with you, we operated in a very tough macro context. So, I'm really encouraged by the financial performance that was resilient under these circumstances. And it really gives me pleasure to present to you the financial performance for the year under review.

So, before I take you through the details of our financials, I think it's important to just highlight some of the significant items that have impacted on our results. Firstly, as we indicated, FX

volatility in the markets, we operated in a very challenging macroeconomic environment. We saw elevated levels of inflation, and this really had a significant impact on our operating costs in particular. But also, the naira devaluation had a significant impact on our finance charges, with FX losses of about R21 billion, which I will share with you later.

And in addition to that, as we experienced high inflation, we had blended average inflation for the group of 16.7%, and this also impacted on our operating costs, including our tower lease expenses as well. We also had to apply hyperinflation accounting to our Ghana results this year. We reported previously as well that MTN Nigeria's results included a restatement of 2022 financial results, and this really reflected cumulative net effects of restating the lease liabilities, the deferred tax liabilities, the right of use assets, as well as the profit after tax from a Nigeria perspective, and therefore having an impact on the Group as well as we translate in our reported currency, which is into ZAR.

At a high level, this impact on the Group result was on the 2022 opening balances of retained earnings, which was restated lower by about R2.4 billion, and on the 2022 profit after tax restated by about R407 million. And in terms of 2022 earnings per share, we saw an impact of 17 cents per share. Lastly, we also recorded the asset impairments in particular on Afghanistan of R900 million, which was a remeasurement of non-current assets held for sale. We also saw an impairment on MTN Sudan as well, R700 million, particularly due to the damage to the warehouse with the conflict happening there, but also the hyperinflationary impacts as well. So, these items have obviously had an impact on our expenses, our EBITDA, as well as headline earnings per share.

So, if I can move on to the details of our results, we're starting with the salient points on our group income statement. You'll notice that we delivered a service revenue growth in constant currency at 13.5%, which was in line with our medium-term guidance. It is important to note, however, that we were able to deliver service revenue growth if we exclude the impact of Sudan at 14%. EBITDA before once off items increased by almost 10% in constant currency and this was really driven by a solid top line across most of our markets. However, we saw high opex growth, as I indicated, really putting pressure on our EBITDA margins, with margin dilution of about 1.2 percentage points to 41.5% in constant currency. I think Ralph mentioned it from a reported perspective, EBITDA margin at 40.9%.

On reported currency basis, you'll see depreciation also increasing by almost 20% with the effects of hyperinflation from Ghana. But also, the growth was really due to capex additions, including accelerated 4G site rollout in Nigeria, spectrum acquisitions during the year, as well as the depreciation of SA towers' right of use assets, which were not depreciated last year as they were held for sale.

On net finance cost, you will see a significant increase of 113% to R39 billion. And this was really impacted by the forex losses in Nigeria of about R21 billion. And I'll unpack this later on in detail. As a result, you'll notice our tax expense therefore declined by 55% due to lower profits where we saw profit before tax declining by more than 70%. The reported group effective tax rate, however, increased to 66% this year, compared to 41.7% in 2022.

And this was mainly due to much higher non-deductible expenses that we saw in Sudan, but also unrecognised deferred tax assets from the assessed tax losses, as well as the withholding taxes. But if we look at it from a normalised basis, our group effective tax rate was at about 39.5%, which is really in line with our guided mid-to-high 30s.

If we look at the non-controlling interest, we also see quite a significant swing there. The interest from non-controlling shareholders reduced to R75 million due to significant reduction in profits, mainly in Nigeria as well as Sudan. At the bottom line, the underlying performance was really resilient, with adjusted headline earnings per share down 9.5%. And I will unpack this movement in later slides.

Moving on to group service revenue, we continue to see steady growth on our voice with voice up 3.3%. Largely, Ghana and Nigeria growing at double digits underpinned by the execution of pricing as well as CVM initiatives, but this was really set off by the decline we saw in South Africa of 12% on voice. voice, excluding these impacts from South Africa, the voice revenue was about 6.3% up.

Data revenue, which is the largest contributor of our group service revenue, grew by 23% year on year, driven by strong data traffic growth in our markets, which again is supported by the continued investments we make on our network. The other callouts here that are important is the growth that we see on fintech, 22% year on year, as well as the wholesale revenue of 21% year on year.

Before I continue with other elements of our performance from a group perspective, I'll just touch on South Africa and Nigeria, which are two largest markets. Starting with South Africa, as indicated, we saw 2.5% growth in service revenue, with voice down 12%, data up 7%. We also saw very strong growth coming through from fintech at almost 15% year-on-year, and wholesale increasing by 28%, largely from the national roaming deals that we have with Telkom, as well as Cell C.

On the total expenses side in South Africa, we saw 7.6% up year on year with cost of sales up 3%, largely driven by device and commission costs as South Africa continued to drive channel

expansion. Opex in South Africa went up by about 13.5%. And the main driver there was largely network costs, which grew by about 23% and really impacted by loadshedding impacts, as well as the electricity tariff hikes. Most of the expenses were well managed, however, with salary costs growing below inflation at about 4.4%.

The results of these high costs in South Africa, particularly, with pressure on revenue was a reduction of 4.4% in terms of EBITDA, with a margin dilution of 2.6 percentage points, to 35.9% in EBITDA. And this really excluded the gains on disposal of towers that we reported on previously. South Africa, as Ralph indicated, has spent R10 billion in capex. In addition to the network resilience programme, they continue to rollout the 3G, 4G, and 5G sites with capex intensity excluding leases at 19.5% overall.

If I can then move on to Nigeria very briefly. Most of you will have seen the results that we presented and delivered in Nigeria on the 29th of February. So, Nigeria again delivered another solid performance with a 22% year-on-year growth on service revenue, which is really in line with their medium-term target with voice, data, as well as digital being the main drivers of growth. So, as you can see, 10% growth on voice, with data at about 39%. And specifically, if you look at 'other', which is really ICT, enterprise and bulk SMS, growing by about 25%.

Total expenses in Nigeria went up by about 32%. Although cost of sales was up 18%, it was below Nigeria's overall inflation, but also below service revenue growth. However, there was quite an increase on the operating expenses in Nigeria of about 39%. And this was, as we indicated, largely driven by the network operating costs which make up the bulk of the costs, which is really due to CPI impacts as well as FX devaluation and site rollout on the BTS lease rentals.

We continue, however, to look at ways to manage the margin pressure that we are seeing in Nigeria with the expense efficiency programme that we have. As a result of this, we have seen a margin dilution in Nigeria to 49.7% relative to 53.3% last year. Capex in Nigeria was about R12.7 billion, largely driven by accelerated rollout of 3G, 4G, as well as 5G sites as well, with capex intensity excluding leases at 17%.

If we can move on to fintech performance, as I indicated, we saw 22% growth in the period in line with our efforts to scale up the mobile financial services business, as Ralph indicated. Withdrawals and transfer services, which still make up the bulk of the contribution to Group fintech service revenue, grew by about 19% and 29% respectively.

I think very pleasing was the strong growth that we saw in advanced services revenue, which overall grew by 55% year on year, with payments and e-commerce growing by 40% and banktech

and remittance, though still nascent, growing by about 99% and then 73.5% respectively. As you can see on the right-hand side, the basic services contribution to fintech revenue remains stable at about 57%. However, advanced services have grown. Advanced services contribution to total service revenue has grown from 16% to now 20%.

So, if I go back to the performance of the Group overall, turning to group expenses, as you can see, total expenses were up 15% to R127 billion, with cost of sales up 11% year on year, largely driven by commission cost in our GSM, fintech, as well as digital businesses. We also saw an increase in interconnect and roaming cost as well, largely due to increased traffic volumes, but also impacted by the FX devaluation mainly in Nigeria as well as Ghana.

Operating costs from a group perspective increased by 19%, and the main drivers of these, as I indicated, was network utilities. As you can see, network utilities contributes 19% of the total cost and it grew by 36%. And two-thirds of the network expenses actually was driven by Nigeria in particular due to the CPI as well as FX devaluation impacts, but also the increased site rollout.

South Africa also contributed to higher network operating cost due to loadshedding impacts as well as increased power costs. And in some of the other markets, the main cost pressures really came from high energy costs overall. Opex growth was also driven by staff cost growth of 16%, which makes up 12% of the total expenses. But really the main drivers here were the additional resources we added to scale up our platform businesses, in particular fintech and the Bayobab businesses and others. But also, annual salary increases were in line with inflation. As we indicated, our blended average inflation was 16.7% in the year. But we also had increases in our IFRS 2 charge relating to provision for the share allocation that relates to our PSP share scheme.

Other costs which make up 17% of the total expenses were really the marketing and advertising expenses relating to our MoMo business, professional fees for the strategic projects that we are executing as well as some of the litigation costs. So, given the macro impacts that we are facing, we do remain committed to focus on efficiencies to support our earnings as well as returns in the near to medium term.

I think Ralph shared that we realised R2.6 billion worth of efficiencies, and this was ahead of our R1.5 billion target for the year. 42% of those savings were recorded in South Africa, and this was followed by WECA, SEA, and then Nigeria. If we look at it by area, most of these in 2023 came from general and administration functions at 56%. We also saved from network and IT, which contributed about 31%, then 14% coming from the balance, which was sales and distribution as well as marketing.

Sensitivity: MTN Internal

So, you will notice on the right-hand side that our total cost to revenue ratio also went up to 58.6% as a percentage of revenue from 57.4%, which really reflects the pressure that we are feeling from the macro impact. And as we announced previously, we are busy with phase two of our expense efficiency programme, which we call EEP 2.0. And we have plans to save additional costs of about R7 billion to R8 billion over the three years beginning from 2024.

And we've identified a number of areas which are, among others, a review and negotiation of our major contracts, including our tower lease contracts, decommissioning of legacy IT and simplification of those contracts, optimisation of commission structures, as well as distribution channels. So, in a nutshell, that is the plan from a cost efficiency perspective.

If we move on to finance cost, you'll notice that our net interest paid increased to R8.2 billion, and this is due to increased finance charges, mainly from interest rate hikes across markets, but also additional borrowings in head office, Nigeria, as well as Cameroon. The increase in finance lease cost as well was mainly impacted by the sale and leaseback of towers in South Africa. And we also had tower contract renewals in Cameroon and Ivory Coast.

So, the underlying net finance cost increased to R15.9 billion. And as I indicated, you will see that forex losses in the period amounted to R23 billion, of which R21 billion of that came particularly from Nigeria due to the FX losses following the devaluation of the naira. So, as you can see from the table, this really had a major impact with net finance cost overall more than doubling to R39 billion in the year.

Looking at the headline earnings per share analysis, firstly, just a reminder that the 2022 figures have been restated for the Nigeria FX losses as we indicated. So, on this basis, your attributable earnings per share declined by 78.5% to 277 cents, reflecting the lower earnings that I unpacked earlier on. So, this outcome was also impacted by the impairment of assets of 40 cents per share and the impairment losses I mentioned relating to Afghanistan of 50 cents per share. And after adjusting for these items, you'll notice that the basic headline earnings declined to 315 cents by 72.3% year-on-year.

So, the main impact on basic headline earnings was really the hyperinflationary impact, 150 cents per share in the year, but the significant impact being on the FX losses of 715 cents, of which 593 cents of that came from Nigeria. So, if we do adjust for all these non-operational items, we then get to your adjusted headline earnings per share of 1203 cents, which is a decline of 9.5%.

So, moving on to capex. As Ralph indicated, we capitalised R41 billion in the year, excluding leases, which really included a R2.7 billion of the ECW capitalised cost, with capex intensity at 18.6%. If we

exclude the ECW cost, capex was R38 billion, which was really in line with the guidance that we gave to the market. When we look at it by region, 31% of the capex came from Nigeria, 25% was from South Africa, and then the balance was combined 35% for SEA as well as the WECA region.

If you look at it from a portfolio perspective, we spent 72% towards network investment as we focused on investing in faster growth areas with the balance going towards IT capex as we continue to support the investment we are making on our platform businesses.

Moving on to our cash flow analysis, you'll notice that our operating free cash flow declined by 6.4% year-on-year to R45.9 billion, and this was mainly due to lower reported earnings than in 2022 and higher payments for leases and capex of R7.8 billion and R39 billion respectively. And this is before the payments that we made for spectrum and licences during the period of R7.4 billion.

So, when you look at other effects, we had inflows from financing activities of about R8 billion, largely from increased borrowings as well as localisation proceeds in Ghana and Nigeria that we had earlier in the year. We also made payments in interest as well as taxes of R13.5 billion and R15.8 billion in total respectively, and we also had a detraction from our investments of about R5.2 billion. And this really related to restricted cash mainly in Nigeria on the letters of credit, but also offset by an inflow from fixed deposits of about R1.3 billion. So, these movements in total on our cash flows resulted in a positive free cash flow generation of R11.5 billion before we made dividend payments to group shareholders and minorities before the FX movement.

If I may just spend time on the leverage and liquidity, which are important, very briefly. As Ralph indicated, our balance sheet remains very strong with group net debt to EBITDA at 0.4x, which is well within our covenant limits of 2.5x. The slight regression from last year was really the FX movements. Holdco leverage at 1.4x, which was within our guided range of less than 1.5x. And we are really pleased with the significant improvement that we've made since 2019 at 2.2x.

Holdco leverage was however negatively impacted by the effects of FX losses from our Eurobonds and also reduced cash balances from lower cash upstreaming during the year. Other impacts were really drawdowns from head office facilities, particularly to support the SA resilience programme. In the year, you will recall that we had indicated we settled about US$353 million from our maturing 2024 bonds in line with our guidance to the market. Now, this brings in total the amount that we've been able to early redeem on our Eurobonds so far to US$1.2 billion.

Accordingly, we've managed to reduce our dollar debt now to 23%, which is really way below the target we had given ourselves of keeping it below 40%. Our Holdco liquidity headroom remains

very healthy at R44 billion, with R16.9 billion in cash balances and committed and drawn facilities of about R27 billion. And we are able to upstream this year R13.4 billion in total of which R9 billion of that came in the second half of the year.

You may recall that we had opted for scrip dividends in Nigeria as well as Ghana for the FY22 final dividend. And of course, this had an impact on overall upstreaming for the year. But overall, our leverage and liquidity are in good shape and really underpinned by the disciplined capital allocation framework that we continue to execute.

Before I hand back to Ralph, just to touch on briefly on our ROE development. You will note that the Nigeria FX restatement positively impacted the 2022 ROE, moving to 24.2%. Our reported ROE stood firm despite lower earnings, but improved to 24.4%, an improvement of 0.2 percentage points, mainly due to foreign currency translation reserves from the naira devaluation, but also the revaluation reserve due to the decline in the IHS share price had an impact. So, we are really pleased to see this overall ROE evolution over the past five years, which we continue to improve towards 25%, which is our guidance to the market. Ladies and gentlemen, I will now hand over to Ralph. Thanks.

Ralph Mupita

Thanks very much, Tsholo. Hopefully, she's given you comfort in terms of the numbers. As I said, the SENS and the AFS are very detailed. And as usual, I'm sure you'll have questions for our IR after today. But maybe I should spend the last five minutes really looking at the outlook, as well as the priorities that we have, and covering the aspects of our investment case and our medium-term guidance.

Just on the context in terms of how we look at 2024, a couple of key messages. We think that the headwinds are going to remain relatively elevated. We think inflation will remain relatively stable. We have been encouraged by inflation, in particular in a market like Ghana where it's come down, but when we look at Nigeria, we think we are going to see inflation as we look at bank data and other data, that it will remain elevated in some of our key markets.

Exchange rates, the naira's being volatile. The actual direction of its strengthening or weakening remains relatively uncertain at this particular point in time. So, we have to plan and operate in Nigeria with a couple of scenarios, having base case stress and shock cases so that we can actually run our business within that scenario. We do think that foreign currency will remain quite challenging to access, particularly for management fees and dividends. And obviously the impact on lease liabilities will be something that we will have to manage and we are engaging with the various tower companies.

And then from a regulatory perspective, I think it's going to be important for us as we engage with the regulators more broadly around how do we offset some of these costs which are working their way into network operating costs with tariff increases, as well as price optimisation that we will have to manage within the portfolio of products that we take to market. Localisations will remain critical for us as we navigate this year. As I mentioned, Ghana, Cameroon, as well as Uganda remain markets where we believe the execution of those localisation agendas becomes super important.

And obviously, the geopolitical environment continues to be relatively uncertain, both at a global level and in some of the regions we operate in. Sudan is a case in point. The end of the civil war there does not look like it will happen any time soon. So overall, our message is that we think the headwinds will remain, and I point out the naira volatility and uncertainty in that direction.

But given that as a backdrop, how do we think about the business? I think the first thing is that the case for the growth that we see across our markets over the medium to longer term remains intact. And this is a chart that we've shown you for several reporting periods that looks at traffic growth for data on the left-hand side of the chart, as well as fintech transaction volumes. Pre-COVID on the data traffic, 282 petabytes. Today, as of the end of last year, it's 1,394 petabytes. Fintech, 1.3 billion transactions in a quarter. Now it's 4.4 billion. So, the demand for our services across our markets remains very, very strongly intact, notwithstanding the challenges that we're facing in some of our key markets.

And therefore, we believe that the investment case that we've positioned over the last couple of years, which is that there is a growth story that underpins MTN, driven by demographics, driven by the market positions that we have, number one and number two in all our markets – mostly number one network positions on an NPS level across our markets. And the scale and the balance sheet strengths should give us this attractive profile.

We've spent a lot of time looking at our capital allocation framework in the course of last year to see if it's still appropriate within the context of the macro which has changed quite fundamentally, particularly on the areas around inflation and currency volatility. And we've come up with a conclusion that certainly for now and in the near term, that framework and that batting order certainly remains the right one. We've engaged investors, we've spoken about buybacks, whether buybacks should rank higher in our capital allocation framework.

And we felt that where best to put our capital is to fund the organic growth that we see. And for this year, we're planning to spend between R35 billion and R39 billion of capex to sustain our market positions and keep our networks very well invested as well as our platforms.

The point around stabilising leverage remains important. We still have got a bunch of Eurobonds that we have on the Holdco balance sheet and we want to settle those over the near term. And as part of our mix of total shareholder return, we think that the dividend remains an important part of our own investment case. And therefore, selective mergers and acquisitions rank lower, as does share repurchases and special dividends. So importantly, we're keeping that framework as it has been, but having spent some time to assess if there are parts that do need to change.

So, with that as context, what are our priorities in the near term? Firstly, to sustain operational momentum. So, in South Africa, completing the network resilience remains a priority. We spent R2.6 billion. We'll spend somewhere between R1 billion and R1.5 billion by the end of Q2. Charles is pushing his team to complete it end of Q1, but we give it some headroom there. So, we'll spend another R1 billion to R1.5 billion to complete that programme where all our sites have got the required resilience of battery back-up power, solar where it makes sense, and static and mobile generators where required to ensure that network availability remains above 98%.

We are seeing some improvements on the prepaid side and looking to sustain those. There's work obviously to be done on the postpaid side as well, and sustaining our momentum on enterprise as well, so it will also be key. In Nigeria, it's really all about recovering both particularly the negative equity position that we have and finding a medium-term solution that gets the business back towards an acceptable earnings profile. The FX resets and the tower contracts as well as CPI escalations have really worked their way into impacting the margin of that business.

The top line actually of that business is very healthy. Karl and team launched a set of new products in Q4 and we're seeing decent top-line growth. We still are focused on ensuring that we have some relief as an industry in Nigeria for voice and data. There hasn't been any increase, but as you can see from Tsholo's slide, quite a substantial increase in network operating costs and we need to be able to fund those also partially through these price optimisation and tariff increases.

The second priority is to really accelerate our platform strategy. Fintech ecosystem, now is the time to really push hard on the advanced services. We've got the partnership. We're actually looking to launch in Q2 or early on in Q2 on the issuance and acceptance side. And the remittance opportunity is one that we've agreed to work on with Mastercard as well.

And the FibreCo separations, accelerating those and looking at completing our East2West link that we've partnered with A50, part of African Development Bank, to roll that out, also to help with the latency of our networks across markets and also to be able to monetise there. We are focused on further minority investments in the platforms including fintech, so we are also engaged on that as we speak and that will be something that we update as we move ahead.

The third area is really around capital and expense efficiencies. The EEP 2.0 that Tsholo spoke about, R7 billion to R8 billion of expense efficiencies over the next three years that we're working through and we'll report back on. I spoke about the tower contracts. Capex efficiency initiatives will continue. Part of why the capex envelope is a bit lower this year than last year actually is that we're getting better price books from the vendors. We push them hard for better price books, and hence we can feel confident that the R35 billion to R39 billion envelope will be maintained.

And then on the balance sheet, to Tsholo's point, cash upstreaming, we are not anticipating cash upstreaming from Nigeria in the course of this year. The focus of this year really is to restore both the earnings profile and the balance sheet strength. And so, the cash upstreaming that we're seeing will be from South Africa and largely from the rest of the markets business, which underpins pretty much the dividend guidance that we have given, which is the 330 cents for FY 2024 payable in 2025. That's how we have framed that guidance for dividends. And we have to manage our debt profile. The debt at a Holdco level has gone up to 1.4x. So, we do anticipate some pressure at that level, but at the group leverage, I think as Tsholo said, we're very comfortably there.

And with that as a backdrop, how are we thinking about the medium-term guidance? So, medium-term guidance has been maintained pretty much as is. We just changed one KPI which is really around fintech. Fintech grew at just under 22% for the year that's just passed. We are calling out that over the medium term, the next three to five years, Serigne and team will really drive with our strategic partners accelerated growth. And we're pushing that to the high 20%s to the low 30%s as where you should see the fintech growth in the coming years, up from the 22% that we would have recorded for FY23.

Everything else stays the same. And as I mentioned, ordinary dividend guidance for 2024 is 330 cents. So, it's flat on the year prior, but we thought that it was important to keep it flat, mindful of the uncertainties in the environment, but the 330 cents is a level that the board feels it can actually call out to our investors as something that we believe we can deliver. So, with that, thanks very much for listening. I think we will take questions.

Thato Motlanthe

Yes, please.

Ralph Mupita

We are aided in our Q&A efforts by Charles, Dineo and Karl who are in the room. So, any of your difficult questions from those businesses, we'll pass them on to those three.

Thato Motlanthe

So, thanks Ralph and Tsholo, for the overview. As I said, a lot to unpack. We are going to have questions for the next 20 to 25 minutes, so apologies in advance if it's too short, but we will be engaging with a lot of you over the next couple of weeks in any case. So, I think as usual we can start in the room just to see if there are any hands for questions. Presh and then Nadim.

Preshendran Odayar

Hi, it's Preshendran from Nedbank. Congratulations firstly on the results, Tsholo, Ralph and team. I've got three questions, if I can. Firstly, I think one for Tsholo, my traditional one. How much of cash was upstreamed in the last quarter from Nigeria, and at what FX did you get some of the cash out at? And then coupled with that, can you give us a sense of how much is still in Nigeria that's waiting to be upstreamed to Group?

Second one for Charles. Congratulations on the network uptime. But it looks like your service revenue growth that last quarter, 2.2%, was kind of low. So, I just want to get more colour on that because your wholesale revenue was up 28%, and your network uptime was up considerably from the year before. So, I'm not getting why it didn't translate to a stronger service revenue growth than the previous quarter.

And then the last one for Ralph, just some clarification on this Mastercard transaction because when I read the SENS, it says that they will invest up to US$200 million with a US$5.2 billion valuation. Can you tell us what was the actual stake that they're taking? Because on those numbers, that means they can take up to a 4% stake. And if I look at what they did with Airtel Africa three years back, they did a similar 4% stake for half the valuation. So, I would have expected with the commercial agreements that they have taken that they would have maybe wanted to put more of an equity stake. And then are you looking for further partners in the fintech business or is there an optionality for Mastercard to go beyond that? Thanks.

Tsholo Molefe

If I may start with the first question. We've had no upstreaming from Nigeria in the second half of the year. There is an interim dividend as you recall that was declared and it's just over ₦80 billion.

Ralph Mupita

So, no upstreaming in the quarter. Charles? Can we have a mic for Charles?

Charles Molapisi

Presh, thanks. I mean the first point that I want to make is that the service revenue profile that you see, please look at it in comparison to the overall market performance. And also start to look at Q3 to Q4. If you look at Q3 to Q4, you can see a proper incremental growth. Where the difference is is that in 2022, our postpaid and wholesale business, we had all these base effects that came into Q4. Now, on a year-on-year comparable basis, the number looks smaller. But if you remove and normalise for that, you are sitting with a 3.9% year-on-year growth.

But I think to see better growth, just do Q3 to Q4 on prepaid and then do Q3 to Q4 on postpaid. You will see there is a significant jump in terms of the performance of the business just as we promised. I think it is just distorted largely by the base effects completely.

Ralph Mupita

Thanks. On your Mastercard question, the investment works out to that four percentage points that you raised. I think we've been clear in our communication that we're open to investment with strategic partners that can help us accelerate the business, up to 30%. So, to the point, would we be open to more partnerships and more sell down in that business? The answer is yes. And we are progressing with various discussions in that round.

You raised the point about valuation versus Airtel. I mean, I can't comment on that. Obviously, it's a different timing when they did that and it's a different business. And I think the nature of the stake was underpinned by an event, a kind of capital markets event, if you look at their financial profile. And we didn't have a similar kind of put option structure to that investment at the US$200 million level. So yes, we will continue to anticipate as I said earlier on, we are also looking in the platforms such as fibre as well as on the ayoba side.

Thato Motlanthe

Thanks. Nadim, you had your hand up and then John.

Nadim Mohamed

Good afternoon. Just two questions from my side. First one just for Ralph, a strategic question. Just on your batting order in terms of the capital allocations framework, I just want to understand. You've had some quite extreme potential moves in key markets in terms of macroeconomic parameters. Why would you not consider curtailing some of that capex until you have more certainty whether some of the remedies like the price increases and so on are coming into those markets?

And then just another quick one for Dineo. If I recall correctly, in H1, South Africa, PBT was down more than 50%. I think it was largely because of base effects with regards to the sale of the tower deal and the depreciation associated with that. I would like to just get an update as to how that's trending and where you see that going from here on. Thank you.

Ralph Mupita

So, first question is for me. The second Dineo will pick up. On the capital allocation framework, as we guided, we spent in total capex's ex-leases R41 billion. We're guiding lower, R35 billion to R39 billion. So, you can put it in the middle of that and say you want to compare R41 billion with R37 billion. I mean obviously we'll need to assess in Nigeria our ability to actually spend that capex. So, there is a Nigeria number obviously in that R35 billion to R37 billion. And in the event that if there are much stronger headwinds, we might end up in a place where it's actually lower.

What we also want to avoid is that unless we think the headwinds are permanent - If you think the headwinds are permanent, then you take a very different strategic position. We've said that the structural changes that are happening in Nigeria around floating the currency, removing the fuel subsidy, medium to long term, are all the right things to be done. But then we look also into the Nigerian market in particular, and we're seeing data growth. As you saw, data traffic growth is booming. And we've also been saved a little bit in Nigeria by the decision we made to get the additional 2600 MHz, which is actually giving us a lot more capacity to take on the growth.

So, we've got to invest through the cycle at a sufficient amount for us to maintain our number one positions. Right now, we think that the changes are painful in the near to short term for sure, but in the medium to long term we've got to sustain a level of investment. If you pull out as we did – you'll remember 2015 to 2016, we pulled and slowed down in Nigeria. We lost the plot to Etisalat. It took us three years to gain back that advantage. We don't want to make that same mistake of pulling the brakes so hard on capex that you lose the momentum for a multi-year period, and no matter how much you invest, it takes you a long time.

So that's the take we're having on Nigeria in particular in capex. The South African capex I think is proportionate to the opportunity and the resilience that we need to do, and in all the other markets. But it is a great question. But as I said, the capex envelope actually is lower forecasted for this year ahead and that has actually been a little bit of a change for the last three to four years. Dineo?

Dineo Molefe

Thanks. To the question on profit after tax, yes, we did sustain the pressure into half two. So basically, there were three factors. One is that we had to accelerate our debt funding from the

Group in order to fund resilience. As Ralph mentioned earlier, we spent about R2.6 billion on resilience in 2023. So, we funded that from Group. Obviously, because interest rates were higher in the current year, the impact of that came through as well.

The second factor was then on depreciation and the lease impacts with the sale and leaseback arrangements that we have with IHS. So, remember it impacts depreciation and finance costs as well in terms of IFRS 16 accounting. And then the last point was then forex pressure. You may remember that about half of our capex is exposed to forex, predominantly the Euro. And then we also have in terms of devices exposure to USD. So, those devaluations impacted forex charges as well. So, the pressure on PAT continued into half year.

Thato Motlanthe
Thank you. We'll start with Jono and then to Myuran.

Jono Bradley
Thanks very much for the opportunity to ask questions. It's Jono from Absa. Just two for me, please. The first one for Charles. Just on XtraTime and the increase up to about, I think it was 36%, what are your ambitions for increasing that further? Or is this the level that you're looking to keep it at? And then the second question is just on the options that MTN Nigeria has available to solve its insolvent status, and whether this could include a rights issue, and how MTN Group would think about this, given its ambition to further localise its stake.

Charles Molapisi
Look, remember we came from 23% on XtraTime penetration. We are now at 36%. So, peer to peer, I think the likes of the competition around 43%, 42%, we think that the normal optimum rate should be 36%, 38%. We think that if we can operate in that sort of benchmark, we should be able to sustain it.

Ralph Mupita
Thanks. Yeah, I think some of our peers are in the 40s. So, Charles is trying to make sure that we don't have growth all fully funded by airtime advance. On your question, Jono, we have an EGM in Nigeria on the 30th of April, where as a business we will come to shareholders – that's MTN Nigeria. I'm speaking on their behalf – to talk through the actions and plans that the company is taking to restore its negative equity position. So, I don't want to pre-empt that by giving you any specifics.

Suffice to say that we are looking at the full range of strategic options that resolve that position, but fundamentally resolve it in a sustainable way over the medium to longer term. We are not looking for any kind of shortcuts. We are looking for solutions that are funded. You are aware of

what causes the strain. It's dollar exposures on the balance sheet. It's lease liabilities. It's our ability to get price increases as well. All of that gets put into the mix. And then obviously importantly for us to take a view on where the naira is going ultimately because it's very sensitive to naira movements. A few hundred naira here or there, changes what you need or must do. But I would ask you to hold back a little bit. And on the 30th we do have a responsibility. We have already put out on the NGX statement that we will have an EGM on that specific feedback to shareholders on the 30th of April.

Thato Motlanthe
Thanks, Ralph. Myuran?

Myuran Rajaratnam
Thank you. The question is on the expense efficiency programme. Phase one was R7 billion to R8 billion and it was in constant currency. I remember as well. And it was loosely a third in South Africa, third in Nigeria and third, the rest of the Opcos kind of thing. Now, the new version is another R7 billion to R8 billion from 2024 for three years. And how are you thinking about the breakdown there? I mean, to the extent you can, you're happy to talk about it.

Tsholo Molefe
Yeah, maybe just a correction. I mean, our target in phase one was R5 billion, but we achieved over there. I think we achieved R6.4 billion. R7 billion to R8 billion is the phase two over the three years. And we obviously have various initiatives for each of the markets. I think suffice to say that we still continue to focus on network expenses, in particular negotiation of contracts with major vendors, including tower contracts, but also looking at legacy IT. But I think by default, given that the two markets that are large in the portfolio is MTN South Africa and Nigeria, you're likely to have the bulk coming from there. But all the other markets are coming to the party. So, I can't give specific numbers as to which markets, but all of the operating companies are coming to that party, including the Group functions as well.

Thato Motlanthe
Thanks, Tsholo. There is a question up at the top.

Nkosinathi Ndlovu
Thank you. Nathi from Tech Central. My first question is with regards to partnerships with satellite broadband providers. How much was spent on this in the last reporting period? And what's the timeline on these providing value in terms of the coverage that they extend for you?

The second is on the fintech side. Last month, BankservAfrica launched a TCIB platform for regional instant payment clearances. There are similar initiatives in the eastern and western blocks of the continent. And where does MTN see itself play within those ecosystems?

Ralph Mupita

All right, satellites. I see I've got Mazen in the room. Save myself from speaking. Mazen has been spending a lot of time on satellite partnership. What I can say is we're not spending a lot of money at the moment, so it's not amounts of money that we would be reporting. But we've done a lot of exploration with the LEO potential partners. And Mazen, do you want to give an update?

Mazen Mroue

You answered the question. So, we are exploring different opportunities, all of them at the same time to leverage this new technology. So far, there has not been really any specific spend. Our aim is to really explore the revenue-share model with the potential partners, and definitely that will come probably during the near future when we'll announce accordingly. So far, it's a partnership model that we are exploring with an aim to have a revenue share in mind. Thank you.

Ralph Mupita

And then on the payment side, Serigne, do you want to comment? You can pass on the mic to Serigne behind you.

Serigne Dioum

Yes, just to say that that is about interoperability. And interoperability is in the heart of our strategy. So, we are integrated to most of those initiatives when it is in the countries where we are operating. So, those ones that you just gave the name, we are integrated to them and we work with all of them. And it helps us actually to develop our ecosystem and to have more partners connected to our systems.

Thato Motlanthe

Thanks. I think there was another hand.

Stuart Mansfield

Thanks, it's Stuart Mansfield from Investec. Just a question with regards to the hedging approach and the risk management approach. For example, the currency. I think you mentioned with the naira depreciation, financing costs increased by about 113%. And you mentioned scenario planning and stress testing. I just wanted to get your views on hedging some of that currency risk equally for the euro and for the dollar.

Equally for the interest rates, inflation being obviously quite high at the moment and interest rates potentially staying higher as well, your views on hedging interest rate risk. And also, you mentioned for the PSP long-term incentive scheme, the increase in the IFRS 2 expense. And equally your views on hedging the equity in that space. Thank you.

Tsholo Molefe
So, I think in a market like Nigeria if we start there, there aren't any huge opportunities from a currency perspective for any hedging given the shortage of hard liquidity. But I think what we do obviously is when we look at, for instance, our capital expenditure, we try and front load it in anticipation of further devaluations. So, that's what we've done in the past. But as much as possible, we try as well to localise a lot of the expenses, even with some of the major vendors that we have.

I think on the interest side, in South Africa, Dineo will probably talk more to what they are doing from an FX perspective. I think on the interest rate side, I mean, we try and balance between fixed and floating, obviously mindful of the cycle from an interest rate perspective. We have considered things like interest rate swaps. But we are very cautious around those instruments, because in a benign interest rate environment, you've got to be careful that you are not locked in. So, we obviously have from a policy perspective a very clear view about the mix of fixed to floating and that's how we manage it. Dineo, do you want to touch on your hedging strategy?

Dineo Molefe
Sure, for SA. So, what we do in SA is that we do take out cover options and we derivative account for those. Going forward, we'll start with hedge accounting just so that you can protect the income statement impact. But currently, we derivative account for the options that we take out. And two-thirds of our debt is floating rate and one-third is fixed cost. So, in that way we're able to just hedge that rate as well. Thanks.

Thato Motlanthe
Thanks, Dineo. A couple of the questions did overlap with the webcast, so let me ask one or two from there. Why have you not been able to get price approvals in Nigeria for so long? Please unpack the process that is being followed at the moment and how you progressed. What needs to happen to get it over the line?

Ralph Mupita
Let's get Karl on.

Karl Toriola

Hi everyone. I think it's been a variety of reasons. First, it was a political transition, and through that political transition there was a delay in the appointment of key members of the government, specifically the EBC of the NCC and the Honourable Minister, and then some time for them to settle down.

We've communicated in absolute clear terms the need for a price increase, as much for us but much more for the smaller players in the market who really have a severe sustainability issue. The NCC committed to undertake a cost study. We believe that's well progressed. It's very hard to make a promise to say when exactly we are going to be able to get those price increases.

But I think the urgency is crystal clear to everyone in the government, not just the industry players, the Minister, Coordinating Minister of the Economy, the FIRS head, etc. So, we continue to be very hopeful that it is going to happen soon. We did do some price adjustments in the month of October, which was part of our momentum, particularly that you saw in Q4, and those were approved by the regulator. But we think it is pretty, pretty damn close. Thank you.

Thato Motlanthe

Thanks, Karl. Maybe the last question: Why is fintech growth so sluggish in Nigeria and what needs to happen to get it going strongly? There are a couple of people who asked that question.

Karl Toriola

Okay. So, I think there is a multitude of issues here. First of all, Nigeria is a fundamentally different fintech market than the rest of Africa, the rest of MTN, particularly when they started their journey around Mobile Money. Countries like Ghana started in 2009. And the first few years were actually sluggish. And so, there's significant competition from existing banking and fintech players, depositing money to banks, particularly for digital customers.

We've been putting the groundwork in place. We've pretty much executed that now. We focused on building the ecosystem around agents and merchants, and you see quite a bit of momentum. And we filled the wallet ecosystem with now 5.5 odd million customers as of the end of the year. So, it's been about building the basics. It is now time to accelerate along that journey.

We have a digital offering. Our app is now at the very worst case at par with what you get in the rest of the industry. And now it's just execution boots on the ground. And it's a dual strategy focusing on the urban centres with digital solutions and on the rural centres where people are not banked at all. And we're just going to continue ploughing. And it's going to take time. We've always

known that. It's a long-term game, but we're building the ecosystem and getting the wallets active. Thanks.

Thato Motlanthe

Thanks so much, Karl. I think we're going to wrap it up there. Just a reminder, refreshments outside. I'm going to ask Ralph to just give some closing words and then I'm going to ask for two more of your minutes. There's a little bit of a video that we're going to play after Ralph closes.

Ralph Mupita

Suffice to say, thanks very much for taking the time to spend with us today. As Thato said, we are on the road talking to investors and stakeholders more broadly for the next couple of weeks.

Just to capture some of the key points that I raised again, we are anticipating continued headwinds in some of our key markets, but we see these as cyclical rather than structural. And because we see the structural opportunity remaining intact across the business, we are investing into the cycle. We have to manage some of the near-term challenges that we see, but we think that the business remains actually underlying very robust and actually growing very well.

If you work through Tsholo's P&L and you look at the cash items or the non-cash items, the significant non-cash items there, when you look at FX losses, R23 billion through the P&L for the Group, it's a significant number. And a lot of those are unrealised losses related to lease liabilities that we have, particularly in a market like Nigeria.

So, we will work through resolving those issues, but we remain very convinced of the investment case, very convinced that our capital allocation framework is the right one for us to be able to deliver value for shareholders over time. And thanks very much for engaging with us today and look forward to seeing many of you on the road in the next couple of weeks. Thank you.

Thato Motlanthe

Thank you very much, Ralph. And just in case you missed the presentation, this is a brief summary. And hopefully the music gives you a little bit of an upbeat feel.

Edited for accuracy

END OF TRANSCRIPT