



MTN NIGERIA ANNOUNCES UNAUDITED RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2021, TOGETHER WITH ITS PARTICIPATION IN NATIONAL IMPACT PROJECTS

Lagos | Nigeria: 30 July 2021

MTN Nigeria Communications Plc (MTN Nigeria) today announces its unaudited results for the half-year ended 30 June 2021, as well as plans to celebrate its 20th anniversary with numerous national impact projects.

Salient Features

- Mobile subscribers declined by 7.6 million to 68.9 million, impacted by the regulatory restrictions on new SIM sales and activations
- Active data users declined by approximately 52,000 to 32.5 million
- Service revenue was up by 24.1% to N790.3 billion
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) grew by 27.6% to N417.2 billion
- EBITDA margin improved by 1.4 percentage points (pp) to 52.7%
- Capital expenditure was up by 39.1% to N186.4 billion (up 50.6% to N114.5 billion excluding right of use [RoU] assets)
- Dividend per share of N4.55 kobo, up 30%

Unless otherwise stated, financial information is year-on-year (YoY, H1 2021 versus H1 2020). Non-financial information is quarter-on-quarter (QoQ, June 2021 versus December 2020).

Commenting on the results, MTN Nigeria CEO Karl Toriola said:

“In the first half of 2021, we made good progress strengthening the resilience of the business, managing the impact of the COVID-19 pandemic and enhancing support to our people, customers and other stakeholders. We extended our commitment to the Coalition Against Covid-19 (CACOVID) with an additional N3 billion contribution over a two-year period, half of which has already been paid. This is in support of efforts to promote the health and security of Nigerians, as we navigate our way through the pandemic; and in line with our Y'ello Hope initiatives through which we provided support to our broad base of stakeholders to the value of approximately N25 billion in 2020.

Our progress towards achieving greater business resilience is reflected in the upgrade by Global Credit Ratings (GCR) of our national scale long-term issuer rating to AAA and affirmation of our national scale short-term rating of A1+ with a stable outlook. This puts MTN Nigeria on the highest possible GCR scale for short-term and



long-term ratings, providing a solid platform for growth.

2021 marks the 20th anniversary of MTN's presence in Nigeria. As we celebrate this milestone, we are pleased to announce that our Board of Directors has approved our participation in the Road Infrastructure Tax Credit (RITC) Scheme. This is in response to Government's drive towards public-private partnerships in the rehabilitation of critical road infrastructure in Nigeria. We intend to participate in the restoration and refurbishment of the Enugu-Onitsha Expressway. Conversations in this regard have already commenced, and further announcements will be made in due course.

In line with our desire to plant deeper and more permanent roots in Nigeria, we have also initiated plans to commission a purpose-built, state of the art MTN Head Office, designed to act as a central hub for our network, a catalyst for creativity and innovation, and a showcase for the flexible working structures that are driving efficiency gains in this new normal working environment. Aligned with our wider commitment to environmental sustainability, it will meet the highest global environmental standards, demonstrating the role of green technology in our future.

Following MTN Group's stated intention to sell down up to 14% of its investment in MTN Nigeria, subject to market conditions over the medium-term, MTN Nigeria's shareholders approved an equity shelf programme at the last Annual General Meeting. This will facilitate a process to increase ownership of the Company by more Nigerian retail and institutional investors. Alongside this, we further localised our predominantly Nigerian management team with the appointment of Nigerians to two key senior positions (Chief Marketing Officer and Chief Information Officer) previously held by expatriates.

MTN Nigeria continues to invest in improved world class services and its network, accelerating the expansion of our 4G coverage and providing home broadband. As part of our rural connectivity programme, we plan to connect approximately 1,000 rural communities to our network this year with additional 2,000 communities in 2022. We are delighted that these are translating into strong operational performance in line with the objectives of Ambition 2025. In the next 3 years, we will invest over N600 billion to expand broadband access across the country in support of Government's Broadband Plan.

Operationally, our mobile subscribers closed H1 at 68.9 million, down 9.9% from December 2020. This was due to the regulatory restrictions on new SIM sales and activations, which was lifted on 19 April 2021. Although the initial run-rate of additions has been slower than usual due to new process requirements, we anticipate growth to normalise in the short-term as more of our acquisition centres are certified for SIM registration.

Finally, our Board of Directors has approved an interim dividend of N4.55 kobo per share to be paid out of distributable net income. This represents a growth of 30% over N3.50 kobo per share paid in H1 2020."



Key Financial Highlights

Items (in millions)	H1 2021	H1 2020	YoY	Q2 2021	Q2 2020	QoQ
Total Revenue	791,263	638,075	24.0%	405,946	308,903	31.4%
Service Revenue	790,299	636,991	24.1%	405,188	308,452	31.4%
Voice	487,677	431,164	13.1%	243,060	205,241	18.4%
Data	228,481	154,082	48.3%	122,786	79,945	53.6%
Digital	7,893	4,878	61.8%	4,117	2,672	54.1%
Fintech	31,637	21,346	48.2%	17,373	10,248	69.5%
Other Service Revenue	34,612	25,522	35.6%	17,852	10,346	72.5%
Expenses	374,050	311,014	20.3%	193,286	157,312	22.9%
Cost of Sales	132,497	117,108	13.1%	67,759	55,048	23.1%
Operating Expenses	241,553	193,906	24.6%	125,528	102,264	22.7%
EBITDA	417,213	327,061	27.6%	212,660	151,591	40.3%
EBITDA Margin	52.7%	51.3%	1.4pp	52.4%	49.1%	3.3pp
Depreciation & Amortisation	143,504	122,526	17.1%	72,056	60,307	19.5%
Net Finance Costs	58,593	64,966	-9.8%	28,468	28,951	-1.7%
PBT	215,117	139,570	54.1%	112,136	62,333	79.9%
Taxation	73,289	44,693	64.0%	44,048	19,531	125.5%
PAT	141,827	94,877	49.5%	68,088	42,802	59.1%
Capital Expenditure	186,446	134,069	39.1%	96,576	58,740	64.4%
Capital Expenditure excluding Right of Use Assets	114,496	76,020	50.6%	63,235	51,261	23.4%
Capex Intensity	23.6%	21.0%	2.6pp	23.8%	19.0%	4.8pp
Capex Intensity excluding Right of Use Assets	14.5%	11.9%	2.6pp	15.6%	16.6%	-1.1pp
Free Cash Flows	230,767	192,992	19.6%	116,084	92,851	25.0%
Mobile Subscribers	68.9	71.1	-3.1%	68.9	71.1	-3.1%
Data Subscribers	32.5	29.0	12.1%	32.5	29.0	12.1%

Note:

- Voice revenue includes interconnect and outbound roaming voice;
- Data revenue includes outbound roaming data;
- Digital revenue excludes bulk SMS and USSD services;
- Fintech revenue includes MTN Xtratime and mobile financial services;
- Other service revenue includes inbound roaming data, SMS, USSD, Information and Communications Technology (ICT) & infrastructure and devices;
- Free cash flow (EBITDA minus capital expenditure) excluding IFRS 16 impact was N302.7 billion, up 20.6%;

Operational Review

Service revenue grew by 24.1% YoY, driven by the sustained growth in data and also partly due to the lower base in comparative 2020 voice revenue that resulted from lockdowns during that period.

Voice revenue grew by 13.1%, benefitting from an 11.8% increase in traffic and our customer value management (CVM) initiatives. The impact on voice revenue from the industry-wide suspension of new SIM registration was partly offset by higher usage in our active SIM base as well as migration to a higher quality of experience.

Data revenue continued the positive momentum from H2 2020, rising by 48.3%. This was driven by increased usage from the existing base, supported by the acceleration in our 4G rollout and enhanced network capacity following the acquisition and activation of additional 800MHz spectrum in Q1. Data traffic rose by 83.0% YoY, while smartphone penetration was up by 5.8pp to 49.3%. Our 4G network now covers 65.1% of the population, up from 60.1% in December 2020.



Fintech revenue rose by 48.2%, driven by increased adoption of Xtratime and our core fintech services. We continue to expand our MoMo agent network and broaden our service offerings. Our registered MoMo agents increased by 121,000 in H1 2021 to more than 515,000. Transaction volume increased by 280.8% YoY to 55.6 million in H1 2021, and our active subscriber base is now more than 6.1 million, up 180.0% YoY.

Our **digital** business continued to gain traction on the back of our strong partner ecosystem and the uptake of our products and services. Digital revenue rose by 61.8%, also supported by our rich media and value-added services. Our active user base rose by 38.0% to over 3.9 million, led by Ayoba – our instant messaging platform – with more than 2.3 million active users.

The **enterprise** business revenue increased by 6.0%, demonstrating the continued recovery from the impact of the COVID-19 lockdown and the uptake of our services by the businesses we serve. We have made significant progress in concluding the operational modalities for the new pricing framework for USSD services, which incorporates the recovery of outstanding USSD debts.

We continue to pursue and realise efficiency through cost discipline and enhanced digitisation. However, due to an accelerated site rollout, the effects of Naira depreciation on lease rental costs and Covid-19 related expenditure, **operating expenses** increased by 24.6%. Our continued ability to drive operating leverage helped to drive EBITDA growth to 27.6%, with a 1.4pp expansion in our EBITDA margin to 52.7%.

Capital expenditure in the period was 39.1% higher to N186.4 billion, as we continued to invest in our network to maintain service quality and aggressively expand our footprint in terms of 4G and rural coverage. We recorded a healthy free cash flow of N230.8 billion, up by 19.6%. Despite a 50.6% increase in core capex excluding right of use assets to N114.5 billion, capex intensity remained within target levels at 14.5%. Depreciation and amortisation rose by 17.1% and net finance cost was down by 9.8%, resulting from a lower average cost of borrowings. Overall, we recorded a PBT growth of 54.1%, also reflecting the softer base of H1 2020.

New SIM Registration Requirement

We are actively supporting the Government's NIN enrolment programme with more than 380 points of enrolment active across the country. We are working with National Identity Management Commission (NIMC) to complete bulk verification of the National Identity Numbers (NINs) collected and increase the enrolment centres to provide an access point for as many Nigerian as possible. To this end, we have acquired over 40,000 enrolment devices, which are being configured for this purpose. As of 26 July 2021, approximately 37 million subscribers have submitted their NINs, representing around 54% of our subscriber base and 65% of service revenue. The deadline for NIN verification has been extended to 31 October 2021.



Outlook

To enable us to continue to take advantage of emerging opportunities, we have refined our strategy. The new strategy called Ambition 2025 is closely aligned with that of MTN Group and is built on four key strategic priorities: build the largest and most valuable platforms, drive industry-leading connectivity operations, create shared value and accelerate portfolio transformation. These priorities will define our focus for the next five years. Taking advantage of MTN's existing platforms and assets, we are well-positioned to accelerate long term growth as we continue to monitor and manage the impacts of the pandemic.

We have a clear focus on sustaining double-digit service revenue growth ahead of inflation, driving 4G and rural network expansion, as well as positioning our fintech and digital businesses for accelerated growth in order to unlock their full value. In addition, we will continue to sustain our expense efficiency programme to strengthen our financial position and support margins. In the remainder of the year, we anticipate that the base effects will partly influence our commercial and financial trends. Although the availability of foreign exchange remains a constraint, we strive to minimise its impact on the business.

We are driving a positive culture change across the organisation to enhance productivity and further improve performance. We maintain our strong focus on deeper, proactive and inclusive engagements to drive shared value for all stakeholders, while ensuring that our activities align with and contribute to the Government's development agenda.

Finally, emerging trends indicate a steady recovery in economic activity. However, given the ongoing uncertainties presented by the new wave of the COVID-19 outbreak and the NIN registration exercise, we remain mindful of changes to the operating environment as the rest of the year unfolds.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Karl Toriola', is positioned above the name and title.

Karl Toriola
Chief Executive Officer



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About MTN Nigeria

MTN Nigeria is one of Africa's largest providers of communications services, connecting approximately 69 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.

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Unaudited condensed consolidated and separate statement of profit or loss

In millions of Nigerian Naira	Group				Company			
	For the six months period ended		For the three months period ended		For the six months period ended		For the three months period ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Revenue	791,263	638,075	405,946	308,903	790,793	638,057	405,553	308,893
Direct network operating costs	(191,546)	(148,552)	(97,675)	(80,088)	(191,546)	(148,552)	(97,675)	(80,088)
Value added services costs	(8,934)	(6,676)	(4,709)	(2,970)	(8,934)	(6,676)	(4,709)	(2,970)
Costs of starter packs, handsets and accessories	(1,497)	(9,085)	(1,224)	(4,835)	(1,497)	(9,085)	(1,224)	(4,835)
Interconnect costs	(62,206)	(53,961)	(31,030)	(25,943)	(62,206)	(53,961)	(31,030)	(25,943)
Roaming costs	(1,949)	(1,381)	(1,098)	(513)	(1,949)	(1,381)	(1,098)	(513)
Transmission costs	(4,152)	(3,063)	(2,163)	(1,616)	(4,152)	(3,063)	(2,163)	(1,616)
Employee benefits	(19,050)	(19,240)	(9,734)	(9,977)	(18,651)	(18,889)	(9,520)	(9,790)
Discounts and commissions	(38,994)	(31,462)	(20,080)	(15,414)	(38,560)	(31,310)	(19,827)	(15,290)
Advertisements, sponsorships and sales promotions	(8,558)	(6,755)	(4,948)	(2,244)	(7,127)	(6,385)	(3,670)	(2,336)
Other operating expenses	(37,164)	(30,839)	(20,625)	(13,712)	(36,128)	(29,927)	(19,802)	(13,224)
Depreciation of property, plant and equipment	(80,863)	(74,463)	(48,636)	(37,100)	(80,863)	(74,463)	(48,636)	(37,100)
Depreciation on right of use assets	(41,864)	(30,657)	(21,146)	(14,638)	(41,864)	(30,657)	(21,146)	(14,638)
Amortisation of intangible assets	(20,777)	(17,405)	(2,274)	(8,569)	(18,117)	(14,746)	(945)	(7,239)
Operating profit	273,709	204,536	140,604	91,284	279,199	208,962	144,108	93,311
Finance income	5,677	7,584	4,773	4,019	5,677	7,576	4,773	4,016
Finance costs	(64,270)	(72,549)	(33,241)	(32,970)	(64,270)	(72,549)	(33,241)	(32,970)
Profit before tax	215,116	139,571	112,136	62,333	220,606	143,989	115,640	64,357
Income tax expense	(73,289)	(44,692)	(44,048)	(19,531)	(74,937)	(46,009)	(45,101)	(20,129)
Profit for the period	141,827	94,879	68,088	42,802	145,669	97,980	70,539	44,228
Attributable to:								
Owners of the parent	141,827	94,879	68,088	42,802	145,669	97,980	70,539	44,228
	141,827	94,879	68,088	42,802	145,669	97,980	70,539	44,228
Earnings per share - basic/diluted	N 6.97	N 4.66	N 3.35	N 2.10	N 7.16	N 4.81	N 3.47	N 2.17

Unaudited condensed consolidated and separate statement of other comprehensive income

In millions of Nigerian Naira	Group				Company			
	For the six months period ended		For the three months period ended		For the six months period ended		For the three months period ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Profit for the period	141,827	94,879	68,088	42,802	145,669	97,980	70,539	44,228
Items that may be reclassified to profit or loss								
Transfer of fair value reserve of investments designated at FVOCI	-	(232)	-	(125)	-	(232)	-	(125)
Total comprehensive income for the period	141,827	94,647	68,088	42,677	145,669	97,748	70,539	44,103
Attributable to:								
Owners of the parent	141,827	94,647	68,088	42,677	145,669	97,748	70,539	44,103
	141,827	94,647	68,088	42,677	145,669	97,748	70,539	44,103



Unaudited condensed consolidated and separate statement of financial position

As at:

<i>In millions of Nigerian Naira</i>	Group		Company	
	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020
ASSETS				
Non-current assets				
Property, plant and equipment	715,411	686,157	715,411	686,157
Intangible assets	227,567	111,080	198,672	79,525
Right of use assets	625,831	595,745	625,831	595,745
Investment in subsidiaries	-	-	49,328	49,328
Other investments	19,139	25,847	19,139	25,847
Other non current assets	20,192	21,896	20,192	21,896
	1,608,140	1,440,725	1,628,573	1,458,498
Current assets				
Inventories	7,018	2,158	7,018	2,158
Trade and other receivables	97,295	50,766	102,493	53,110
Current investments	145,510	146,783	145,510	146,783
Restricted cash	82,373	47,913	85,915	47,913
Cash and cash equivalents	230,010	275,198	221,343	271,041
	562,206	522,818	562,279	521,005
Total assets	2,170,346	1,963,543	2,190,852	1,979,503
EQUITY				
Share capital	407	407	407	407
Share premium	17,216	17,216	17,216	17,216
Retained profit	182,259	160,524	209,947	184,370
Other reserves	239	239	239	239
	200,121	178,386	227,809	202,232
LIABILITIES				
Non-current liabilities				
Borrowings	342,339	330,551	342,339	330,551
Lease liabilities	626,831	586,992	626,831	586,992
Deferred tax liabilities	106,830	113,130	104,041	108,693
Provisions	42	38	42	38
Employee benefits	7,358	8,261	7,358	8,261
Other non-current liabilities	2,341	2,273	2,341	2,273
	1,085,741	1,041,245	1,082,952	1,036,808
Current liabilities				
Trade and other payables	414,066	303,977	410,327	301,182
Current tax payable	76,968	107,310	76,696	107,038
Borrowings	236,000	190,599	236,000	190,599
Lease liabilities	62,752	54,798	62,752	54,798
Contract liabilities	66,342	62,301	65,960	61,919
Provisions	27,475	24,733	27,475	24,733
Employee benefits	881	-	881	-
Other current liabilities	-	194	-	194
	884,484	743,912	880,091	740,463
Total liabilities	1,970,225	1,785,157	1,963,043	1,777,271
Total equity and liabilities	2,170,346	1,963,543	2,190,852	1,979,503



Unaudited condensed consolidated and separate statement of cash flows

For the six months ended:

In millions of Nigerian Naira	Group		Company	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Cash flows from operating activities:				
Cash generated from operations	504,063	327,758	499,553	327,926
Interest paid	(50,950)	(51,593)	(50,950)	(49,379)
Interest received	1,688	4,622	1,688	2,300
Dividends paid	(120,092)	(10,011)	(120,092)	(10,011)
Tax paid	(109,931)	(55,912)	(109,931)	(55,877)
Employee benefits payments	(125)	-	(125)	-
Provision payments	(1,462)	-	(1,462)	-
Net cash generated from operating activities	223,191	214,864	218,681	214,959
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(103,974)	(72,360)	(103,974)	(72,360)
Acquisition of right of use assets	(13,132)	(1,856)	(13,132)	(1,856)
Proceeds from disposal of property, plant and equipment	317	191	317	191
Purchase of contract acquisition costs	1,857	(1,352)	1,857	(1,352)
Investment in non-current FGN bonds	6,708	(22,111)	6,708	(22,111)
Acquisition of intangible assets	(143,803)	(5,264)	(143,803)	(5,284)
Investment in bonds, treasury bills and foreign deposits	2,198	(99,690)	2,198	(99,458)
Movement in restricted cash	(34,460)	(90,008)	(34,460)	(90,008)
Net cash flows used in investing activities	(284,289)	(292,450)	(284,289)	(292,238)
Cash flows from financing activities:				
Proceeds from borrowings	254,952	118,446	254,952	118,446
Repayment of borrowings	(208,998)	(10,414)	(208,998)	(10,414)
Repayment of lease liabilities	(30,316)	(26,486)	(30,316)	(26,486)
Net cash flows used in financing activities	15,638	81,546	15,638	81,546
Net increase in cash and cash equivalents	(45,460)	3,960	(49,970)	4,267
Cash and cash equivalents at beginning of the period	275,825	116,278	271,668	114,301
Exchange (loss)/gain on cash and cash equivalents	(355)	145	(355)	145
Cash and cash equivalents at end of the period	230,010	120,383	221,343	118,713