



MTN NIGERIA RELEASES UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2021

Lagos | Nigeria: Friday, 30 April 2021

Today, MTN Nigeria Communications Plc (MTN Nigeria) announces its unaudited results for the quarter ended 31 March 2021.

Key metrics:

- Mobile subscribers declined by 5 million to 71.5 million due to the effects of customer churn and the regulatory restrictions on new SIM sales and activations
- Active data users declined marginally by 71,000 to 32.5 million
- Service revenue increased by 17.2% to N385.2 billion
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) grew by 19.1% to N204.5 billion
- EBITDA margin increased by 0.9 percentage points (pp) to 53.1%
- Capital expenditure was up by 19.3% to N89.9 billion (up 27.8% to N31.6 billion excluding right of use [RoU] assets)
- Profit before tax grew by 33.9% to N102.9 billion
- Earnings per share rose by 42.5% to N3.60 kobo

Unless otherwise stated, financial information is year-on-year (YoY, Q1 2021 versus Q1 2020). Non-financial information is quarter-on-quarter (QoQ, March 2021 versus December 2020).

MTN Nigeria CEO, Karl Toriola comments:

"We made good progress in the first quarter of 2021 despite the continued impact of the COVID-19 pandemic. We continue to prioritise the safeguards put in place to protect the health and well-being of our people, customers and stakeholders and to control the spread of the virus while ensuring network resilience and efficiency.

As part of our Y'ello Hope initiatives, we continue to support Government's efforts in combatting the COVID-19 pandemic. We supported the most vulnerable in our communities, providing them with free-to-access services (including SMS and data) as well as essential medical supplies (tests and personal protective equipment). We continue to support the Coalition Against COVID-19 (CACOVID) that has driven multiple initiatives, such as building isolation centres across the country. MTN Nigeria also paid taxes early in support of Government's ongoing efforts. In addition, our REVV support programme for Micro, Small and Medium Enterprises (MSME) helps them navigate the new digital reality.



Operationally, service revenue in Q1 grew by 17.2% YoY, in line with our medium-term target, supported by growth of 42.6% and 8.0% in data and voice revenue respectively. This was achieved despite the impact of the pandemic and a decline in our subscriber base due to the effects of customer churn and the restrictions on new SIM sales and activations arising from changes in SIM registration regulations. We continue to collaborate with the Nigerian Communications Commission (NCC) and the Nigerian Identity Management Commission (NIMC) to update subscriber records with the National Identity Number (NIN).

Thus far, more than 35 million subscribers have submitted their NINs as at 30 April 2021, representing approximately 50% of our subscriber base and 63% of service revenue. We are also actively supporting the Government's NIN enrolment programme, with 182 points of enrolment active across the country. We are working with NIMC to increase the enrolment centres to provide an access point for as many Nigerian as possible.

Impacted by the reduction in the overall subscriber base in Q1, active data subscribers declined marginally by 71,000 to 32.5 million. However, we recorded an 86.7% increase in data traffic and a 48.5% increase in usage (MB per user) from the existing base. The improvement in data services was supported by the completion of our acquisition and activation of an additional 800MHz spectrum, enabling us to further increase traffic by 10% and enhance throughput by 79%.

Digital revenue grew by 101.0% and fintech revenue by 28.5% as customers continued to adopt more digital products and services, a trend accelerated by the pandemic. As at the end of March 2021, we had 449,100 registered MoMo agents and 4.6 million fintech customers.

Our ability to drive service revenue growth while managing the growth in expenses resulted in an acceleration in EBITDA growth to 19.1% and EBITDA margin expansion of 0.9pp to 53.1% YoY. This enabled profit before tax (PBT) and profit after tax (PAT) growth of 33.9% and 42.5% respectively."



Key financial highlights

Items (in millions)	Q1 2021	Q1 2020*	YoY	Q4 2020	QoQ
Total Revenue	385,318	329,171	17.1%	370,628	4.0%
Service Revenue	385,111	328,540	17.2%	365,222	5.4%
Voice	244,617	226,560	8.0%	243,392	0.5%
Data	105,694	74,137	42.6%	90,778	16.4%
Digital	3,775	1,878	101.0%	3,451	9.4%
Fintech	14,265	11,098	28.5%	12,479	14.3%
Other Service Revenue	16,760	14,867	12.7%	15,121	10.8%
Expenses	180,768	157,403	14.8%	182,791	-1.1%
Cost of Sales	64,738	60,038	7.8%	66,902	-3.2%
Operating Expenses	116,030	97,365	19.2%	115,889	0.1%
EBITDA	204,550	171,769	19.1%	187,877	8.9%
EBITDA Margin	53.1%	52.2%	0.9pp	50.7%	2.4pp
Depreciation & Amortisation	71,443	61,193	16.8%	68,175	4.8%
Net Finance Costs	30,118	33,671	-10.6%	32,422	-7.1%
Profit before Tax	102,989	76,905	33.9%	87,280	18.0%
Taxation	29,241	25,162	16.2%	26,306	11.2%
Profit after Tax	73,748	51,743	42.5%	60,974	20.9%
Capital Expenditure	89,876	75,329	19.3%	138,737	-35.2%
Capital Expenditure excluding Right of Use Assets	31,612	24,727	27.8%	109,967	-71.3%
Capex Intensity	23.3%	22.9%	0.4pp	37.4%	-14.1pp
Capex Intensity excluding Right of Use Assets	8.2%	7.5%	0.7pp	29.7%	-21.5pp
Free Cash Flows	114,674	96,440	18.9%	49,140	133.4%
Mobile Subscribers	71.5	68.5	4.4%	76.5	-6.6%
Data Subscribers	32.5	26.8	21.0%	32.6	-0.2%

Note:

- Voice revenue includes interconnect and outbound roaming voice;
- Data revenue includes roaming data;
- Digital revenue excludes bulk SMS and USSD services;
- Fintech revenue includes MTN Xtratime and mobile financial services;
- Other service revenue includes SMS, USSD, Information and Communications Technology (ICT) & infrastructure and devices;
- Free cash flow (EBITDA minus capital expenditure) excluding IFRS 16 impact was N139.1 billion;
- *2020 numbers have been restated for the impact of the change in accounting policy on the treatment of VAT on leases.

Operational review

Voice revenue grew by 8.0%, supported by an 8.7% increase in traffic and our customer value management initiatives. The impact on voice revenue of the industry-wide suspension of new SIM registration in mid-December was partly offset by increased usage by active SIMs in our base and migration to a higher quality of experience.

Data revenue maintained the positive momentum from Q4 2020, rising by 42.6% YoY. This was led by increased usage and traffic, supported by 4G penetration and increased network capacity following the acquisition and activation of an additional 800MHz spectrum in March 2021. In line with our 4G acceleration, the 4G network now covers 61.8% of the population, up from 60.1% in December 2020. We added approximately 1.2 million new smartphones to the network, bringing smartphone



penetration to 47.5% of our base, up from 45.9% in 2020.

Fintech revenue rose by 28.5%, driven by increased adoption of Xtratime and our core fintech services. We continue to expand our MoMo agent network and broaden our service offerings to include assisted withdrawal irrespective of the bank where the account is domiciled. Our registered MoMo agents increased by 54,000 to 449,146. The volume of transactions processed was over 24 million in the quarter, up more than four times YoY, from an active base of 4.6 million subscribers.

Our **digital** business continued to gain traction with the uptake of our products and services and the structural turnaround in the business. As a result, digital revenue rose by 101.0%, supported by our rich media and value-added services, while our active user base was largely flat at 2.8 million.

The **enterprise** business continued its recovery from the impacts of the COVID-19 lockdown as economic activity improved. However, service revenue for enterprise was largely flat YoY, mainly due to the non-recognition of USSD revenue in Q1. Normalised growth (excluding USSD revenue) was 2.6%. We continue to engage with the NCC, Central Bank of Nigeria (CBN) and deposit money banks (DMBs) to conclude the operational modalities for the new pricing framework that has been agreed upon for USSD services. The mechanism for and timing of the recovery of the industry-wide outstanding debts that exist for USSD services provided to the DMBs form part of this process. As at the end of Q1, N40.3 billion was due to MTN Nigeria. In the meantime, we continue to account for USSD revenue on a cash basis.

Expenses rose by 14.8%, mainly driven by a 19.2% increase in **operating expenses** arising from an accelerated site rollout and the effects of Naira depreciation on lease rental costs. The overall increase in expenses was partly mitigated by the comparatively moderate growth of 7.8% in cost of sales following the suspension of new SIM sales and activations. As a result, EBITDA rose by 19.1%, supported by revenue growth, with the EBITDA margin expanding by 0.9pp to 53.1%.

Capital expenditure in the quarter was N89.9 billion, up 19.3% mainly due to site rollouts, while free cash flow increased by 18.9% to N114.7 billion. Our core capex excluding right of use assets was up 27.8% to N31.6 billion. Depreciation and amortisation rose by 16.8% due to the impacts of Naira depreciation and a 2.5pp increase in value added tax in February 2020. We recorded a 10.5pp reduction in our overall cost of funding, despite higher borrowings, leading to a 10.6% decline in net finance costs. This was enabled by a 95% reduction in the reference benchmark rate to 0.6%. Overall, we recorded a PBT growth of 33.9%, while PAT rose by 42.5% due to the release of an overprovision in deferred tax in the prior year.

Outlook

Our 2021 priorities remain unchanged, with a clear focus on sustaining double-digit revenue growth, driving 4G network expansion and positioning our fintech business



for accelerated growth in order to unlock its full value. The acquisition of additional 800MHz spectrum positions us to deliver improved service speeds to Nigerians in support of the Government's broadband initiative.

We will continue to sustain our expense efficiency programme to strengthen our financial position and support margins. We remain in dialogue with the DMBs on a pricing option for airtime sales commission while diversifying our airtime recharge channels to offer our subscribers more options to purchase airtime and stay connected.

We will pursue stronger and deeper stakeholder relationship and enhanced shared value across our stakeholder ecosystem while ensuring that our activities align with the Government's development agenda. Environmental, social and governance (ESG) principles remain at the core of everything we do, with a focus on aligning our priorities to drive eco-responsibility, sustainable society, sound governance and economic value for all in Nigeria.

Following the commencement of SIM sales and activations, the initial run-rate of additions may be slower than usual due to new process requirements, system limitations and reduction of qualified locations for SIM registration. While this may impact the rate of additions in the short term, we are optimistic that the current processes underway will entrench a more robust and sustainable registration process as we reaccelerate subscriber growth over the medium term.

As the economy continues its steady recovery from the effects of the COVID-19 pandemic that impacted the business in 2020, we anticipate that the base effects will partly influence our commercial and financial trends in the remainder of the year. Although the availability of foreign exchange remains a constraint, we strive to minimise its impact on the business. Finally, we will continue to manage and invest in the resilience of our business and networks as we monitor the longer-term economic potential impacts of the pandemic.

For and on behalf of the Board

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

Karl Toriola
Chief Executive Officer



Conference Call

MTN Nigeria invites you to a conference call at 3:00pm Nigerian time, on 4 May 2021.

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

- [HD Webphone](#)
- Johannesburg: 010 201 6700
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- Other Countries: +27-10-201-6700
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About MTN Nigeria

MTN Nigeria is one of Africa's largest providers of communications services, connecting over 71 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

<i>In millions of Nigerian Naira</i>	Group		Company	
	For the three months period ended		For the three months period ended	
	31 Mar 2021	31 Mar 2020*	31 Mar 2021	31 Mar 2020*
Revenue	385,318	329,171	385,241	329,163
Direct network operating costs	(93,871)	(72,112)	(93,871)	(72,112)
Value added services costs	(4,225)	(3,706)	(4,225)	(3,706)
Costs of starter packs, handsets and accessories	(269)	(4,250)	(269)	(4,250)
Interconnect costs	(31,176)	(28,019)	(31,176)	(28,019)
Roaming costs	(851)	(868)	(851)	(868)
Transmission costs	(1,989)	(1,490)	(1,989)	(1,490)
Employee benefits	(9,316)	(9,263)	(9,131)	(9,099)
Discounts and commissions	(18,914)	(16,048)	(18,733)	(16,019)
Advertisements, sponsorships and sales promotions	(3,609)	(4,510)	(3,457)	(4,049)
Other operating expenses	(16,548)	(17,136)	(16,333)	(16,712)
Depreciation of property, plant and equipment	(32,224)	(37,363)	(32,224)	(37,363)
Depreciation on right of use assets	(20,717)	(14,993)	(20,717)	(14,993)
Amortisation of intangible assets	(18,502)	(8,837)	(17,172)	(7,507)
Operating profit	133,107	110,576	135,093	112,976
Finance income	1,227	5,695	1,227	5,690
Finance costs	(31,345)	(39,366)	(31,345)	(39,366)
Profit before tax	102,989	76,905	104,975	79,300
Income tax expense	(29,241)	(25,162)	(29,836)	(25,880)
Profit for the period	73,748	51,743	75,139	53,420
Attributable to:				
Owners of the parent	73,748	51,743	75,139	53,420
	73,748	51,743	75,139	53,420
Earnings per share - basic/diluted	N 3.62	N 2.54	N 3.69	N 2.62

*2020 figures have been restated to reflect the amendment in accounting treatment of IFRS 16 leases



Unaudited condensed consolidated and separate statement of comprehensive income

<i>In millions of Nigerian Naira</i>	Group For the three months period ended		Company For the three months period ended	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
Profit for the period	73,748	51,743	75,139	53,420
<i>Items that may be reclassified to profit or loss</i>				
Transfer of fair value reserve of investments designated at FVOCI	-	(131)	-	(131)
Total comprehensive income for the period	73,748	51,612	75,139	53,289
Attributable to:				
Owners of the parent	73,748	51,612	75,139	53,289
	73,748	51,612	75,139	53,289

*2020 figures have been restated to reflect the amendment in accounting treatment of IFRS 16 leases



Unaudited condensed consolidated and separate statement of financial position

As at:

<i>In millions of Nigerian Naira</i>	Group		Company	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
ASSETS				
Non-current assets				
Property, plant and equipment	601,236	686,157	601,236	686,157
Intangible assets	237,918	111,080	207,693	79,525
Right of use assets	633,293	595,745	633,293	595,745
Investment in subsidiaries	-	-	49,328	49,328
Other investments	18,880	25,847	18,880	25,847
Other non current assets	17,956	21,896	17,956	21,896
	1,509,283	1,440,725	1,528,386	1,458,498
Current assets				
Inventories	5,027	2,158	5,027	2,158
Trade and other receivables	158,701	50,766	160,172	53,110
Current investments	113,490	146,783	113,490	146,783
Restricted cash	51,178	47,913	53,762	47,913
Cash and cash equivalents	348,064	275,198	340,939	271,041
	676,460	522,818	673,390	521,005
Total assets	2,185,743	1,963,543	2,201,776	1,979,503
EQUITY				
Share capital	407	407	407	407
Share premium	17,216	17,216	17,216	17,216
Retained profit	234,272	160,524	259,509	184,370
Other reserves	239	239	239	239
	252,134	178,386	277,371	202,232
LIABILITIES				
Non-current liabilities				
Borrowings	324,717	330,551	324,717	330,551
Lease liabilities	627,785	586,992	627,785	586,992
Deferred tax liabilities	109,221	113,130	105,379	108,693
Provisions	243	38	243	38
Employee benefits	8,327	8,261	8,327	8,261
Other non-current liabilities	3,027	2,273	3,027	2,273
	1,073,320	1,041,245	1,069,478	1,036,808
Current liabilities				
Trade and other payables	366,617	303,977	361,909	301,182
Current tax payable	136,460	107,310	136,188	107,038
Borrowings	210,697	190,599	210,697	190,599
Lease liabilities	56,530	54,798	56,530	54,798
Contract liabilities	67,284	62,301	66,902	61,919
Provisions	22,474	24,733	22,474	24,733
Other current liabilities	227	194	227	194
	860,289	743,912	854,927	740,463
Total liabilities	1,933,609	1,785,157	1,924,405	1,777,271
Total equity and liabilities	2,185,743	1,963,543	2,201,776	1,979,503



Unaudited condensed consolidated and separate statement of cash flows

For the three months period ended:

<i>In millions of Nigerian Naira</i>	31 Mar 2021	31 Mar 2020*	31 Mar 2021	31 Mar 2020*
Cash flows from operating activities:				
Cash generated from operations	166,534	151,995	163,566	152,011
Interest paid	(24,457)	(26,557)	(24,457)	(26,557)
Interest received	877	3,189	877	3,185
Tax paid	(4,000)	-	(4,000)	-
Net cash generated from operating	138,954	128,627	135,986	128,639
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(31,350)	(24,868)	(31,350)	(24,868)
Acquisition of right of use assets	(242)	(849)	(242)	(849)
Proceeds from disposal of property, plant and equipment	142	124	142	124
Investment in non-current FGN bonds	6,967	-	6,967	-
Acquisition of intangible assets	(61,519)	(1,326)	(61,519)	(1,332)
Investment in bonds, treasury bills and foreign deposits	33,152	(19,604)	33,152	(19,473)
Movement in restricted cash	(3,265)	(1,485)	(3,265)	(1,485)
Net cash flows used in investing activities	(56,115)	(48,008)	(56,115)	(47,883)
Cash flows from financing activities:				
Proceeds from borrowings	118,231	-	118,231	-
Repayment of borrowings	(112,207)	(4,444)	(112,207)	(4,444)
Repayment of lease liabilities	(15,688)	(14,095)	(15,688)	(14,095)
Net cash flows used in financing activities	(9,664)	(18,539)	(9,664)	(18,539)
Net increase in cash and cash equivalents	73,175	62,080	70,207	62,217
Cash and cash equivalents at beginning of the period	275,198	116,278	271,041	114,301
Exchange (loss)/gain on cash and cash equivalents	(309)	627	(309)	627
Cash and cash equivalents at end of the period	348,064	178,985	340,939	177,145

*2020 figures have been restated to reflect the amendment in accounting treatment of IFRS 16 leases