



MTN NIGERIA RELEASES UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

Lagos | Nigeria: 28 October 2021

Today, MTN Nigeria Communications Plc (MTN Nigeria) announced its unaudited results for the nine months ended 30 September 2021.

Salient features:

- Mobile subscribers declined by 7.5 million to 67.5 million, impacted by the regulatory restrictions on new SIM sales and activations
- Active data users increased by 2.5 million to 33.2 million
- Service revenue was up by 23.7% to N1,204.4 billion
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) grew by 27.4% to N634.5 billion
- EBITDA margin improved by 1.6 percentage points (pp) to 52.6%
- Capital expenditure was up by 34.4% to N261.1 billion (up 27.9% to N166.5 billion excluding the right of use [RoU] assets)
- Earnings per share of N10.8 kobo, up 52.7%

Unless otherwise stated, financial information is year-on-year (YoY, 9M 2021 versus 9M 2020), and non-financial information is year-on-year (September 2021 versus September 2020).

MTN Nigeria CEO Karl Toriola comments: *"In the first nine months of 2021, we continued to enhance the resilience of the business, improve our performance and make good progress towards our **Ambition 2025** strategy. Creating shared value has become a strategic priority within the Ambition 2025 framework. As a result, we continue to deepen our support for and partnerships in Nigeria.*

Our focus on deepening our partnerships has resulted in signing a five-year strategic partnership with the Nigerian Football Federation to become the official communications partner. We are excited about the potential to combine the power of our network and technology solutions with the passion that Nigerians have for football.

We have also partnered with the Ministry of Industry, Trade and Investment to participate in and support the 2021 US-Nigeria Investment Summit in September. The partnership was in recognition of our role as a successful model for foreign direct investment in Nigeria. In view of our intention to participate in restoring and



refurbishing the Enugu-Onitsha Expressway under the Road Infrastructure Tax Credit (RITC) scheme, we continue to engage with the relevant parties to actualise the project.

Towards the end of the quarter, our network was restricted in some locations, in line with the directives of relevant authorities and in compliance with our licence conditions, to address security issues in those areas. This has slightly affected some of our business activities.

In addition, we had an outage on 9 October 2021 that left customers without a network connection. We have compensated our customers and put measures in place to continuously provide quality services to our customers.

The resilience we are building in the business is reflected in our performance, demonstrating our ability to achieve continued growth despite the ongoing impact of SIM registration and activation restrictions on subscriber growth. While our overall subscriber numbers have continued to decline over the last quarter, this has been at a reduced rate, and we have seen our data subscriber numbers return to growth, increasing by 2.5 million. We expect the decline in the overall subscriber base to bottom out and return to positive net additions in Q4 2021 as we progressively ramp up our SIM registration and activation infrastructure while adopting and aligning with the new regulations.

Overall, service revenue continues to grow, increasing by 23.7%, ahead of the rate of inflation and supported by voice revenue growth of 10.6% and accelerated data revenue growth of 51.5%. In addition, our focus on cost management through our expense efficiency programme, combined with service revenue growth, led to a 1.6pp EBITDA margin expansion to 52.6% and translated into an increase of 51.9% in Profit Before Tax (PBT)."



Key financial highlights

Items (in millions)	9M 2021	9M 2020	YoY	Q3 2021	Q3 2020	YoY
Total Revenue	1,206,262	975,763	23.6%	414,997	337,688	22.9%
Service Revenue	1,204,352	973,811	23.7%	414,053	336,820	22.9%
Voice	722,001	653,016	10.6%	234,324	221,852	5.6%
Data	366,166	241,634	51.5%	137,685	87,553	57.3%
Fintech	50,236	32,368	55.2%	18,599	11,022	68.7%
Digital	12,078	7,743	56.0%	4,185	2,865	46.1%
Other Service Revenue	53,872	39,051	38.0%	19,260	13,528	42.4%
Expenses	571,753	477,963	19.6%	197,703	166,949	18.4%
Cost of Sales	200,471	179,210	11.9%	67,974	64,124	6.0%
Operating Expenses	371,282	298,753	24.3%	129,729	102,825	26.2%
EBITDA	634,509	497,864	27.4%	217,294	170,802	27.2%
EBITDA Margin	52.6%	51.0%	1.6pp	52.4%	50.6%	1.8pp
Depreciation & Amortisation	216,159	190,853	13.3%	72,655	68,327	6.3%
Net Finance Costs	96,998	95,416	1.7%	38,405	30,451	26.1%
PBT	321,353	211,594	51.9%	106,233	72,024	47.5%
Taxation	101,041	67,356	50.0%	27,752	22,663	22.5%
PAT	220,312	144,239	52.7%	78,481	49,362	59.0%
Capital Expenditure	261,075	194,230	34.4%	74,622	60,161	24.0%
Capital Expenditure excluding Right of Use Assets	166,456	130,105	27.9%	51,953	54,086	-3.9%
Capex Intensity	21.6%	19.9%	1.7pp	18.0%	17.8%	0.2pp
Capex Intensity excluding Right of Use Assets	13.8%	13.3%	0.5pp	12.5%	16.0%	-3.5pp
Free Cash Flows	373,435	303,634	23.0%	142,672	110,641	28.9%
Mobile Subscribers	67.5	75.0	-10.0%	67.5	75.0	-10.0%
Data Subscribers	33.2	30.7	8.1%	33.2	30.7	8.1%

- 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 N468.1 billion, up 27.3%;

Operational review

Service revenue grew by 23.7% YoY, exceeding our medium-term guidance of mid-teens growth. Data continued to drive revenue growth, supported by fintech, digital service and partly by the lower base in comparative 2020 voice revenue resulting from lockdowns.

Voice revenue grew by 10.6% due to continued growth (9.6%) in minutes of use by subscribers and the success of customer value management (CVM) initiatives, offsetting the impact of the decline in our subscriber base. In addition, following the resumption of SIM sales and activations in April 2021, we continue to ramp up the number of locations certified for customer acquisition to accelerate gross connections, further supporting growth in voice revenue.

Data revenue rose by 51.5%, maintaining an accelerated growth trajectory in Q3 as we continue to drive increased data conversions from the existing base, aggressively expand 4G coverage and enhance the capacity of our network to support increasing data traffic. Average MB per user rose by 58.2% YoY, enabling overall data traffic growth of 85.5% YoY. Also, smartphone penetration on the network grew by 3.5pp to 48.7%. Our 4G network now covers 69.2% of the population, up from 60.1% in



December 2020.

Fintech revenue grew by 55.2% as customers continued to increase their use of our Xtratime product and broader fintech services. We expanded our mobile money (MoMo) agent network with the addition of over 234k registered agents in the nine months bringing the total number to approximately 630k. As a result, transaction volume in the nine months rose by more than three times to 93.3 million, led by an active subscriber base of 6.6 million, up 97.2% YoY. While we await the outcome of our PSB licence application, we continue to expand our MoMo operations and explore other verticals to scale our fintech ecosystem.

Digital adoption continues to accelerate as customers use more digital products and services, a trend accelerated by COVID-19. As a result, digital revenue grew by 56.0% as the active user base grew and penetration of our digital products deepened. The active user base rose by 295.6% to 5.8 million, led by Ayoba – our instant messaging platform – with approximately 2.9 million active users.

Enterprise business performance was underpinned by an increased user base and the uptake of our enhanced services. As a result, service revenue from enterprise business was up by 7.9% YoY despite the impact of non-recognition of the USSD revenue during the period. We are pleased with the progress of the implementation of the new pricing framework for USSD services, which will ensure that customers continue to access this service uninterrupted. In line with our Ambition 2025 strategy, the business is transitioning from products to enterprise platforms while leveraging core mobile and fixed connectivity.

We are making good progress with our efficiency at all costs approach to maintain cost discipline and improve efficiency. However, the continued impact of Naira depreciation on lease rental costs, acceleration in our site rollout, and the ongoing COVID-19 related expenditure resulted in operating expenses increasing by 24.3%. Despite this, continued ability to drive operating leverage has enabled EBITDA growth of 27.4% and the expansion of our EBITDA margin by 1.6pp to 52.6%, approaching our Ambition 2025 target range of 53-55%.

Capital expenditure (Capex) in the period was 34.4% higher to N261.1 billion, as we continued to invest in our network to maintain service quality and aggressively expand our footprint in terms of 4G with additional 2,723 sites. Notwithstanding, we recorded a healthy free cash flow of N373.4 billion, up by 23.0%. Despite a 27.9% increase in core capex excluding the right of use assets to N166.5 billion, capex intensity remained within target levels at 13.8%. Depreciation and amortisation rose by 13.3%, and net finance costs increased marginally by 1.7% due to the lower interest rate environment. Overall, we recorded a PBT growth of 51.9%, reflecting a softer base in comparative 2020 PBT.

In October 2021, we launched a N90 billion Series II 10-Year Fixed Rate Bond, with three amortisations from year 8. This was successfully completed, and we are



awaiting the approval of the Securities and Exchange Commission. The Series II Bond represents the conclusion of the N200 billion shelf programme registered with the Securities and Exchange Commission. The bond issuance aligns with our stated strategy to diversify our funding sources and optimise funding costs.

Update on SIM registration and activation

We continue to actively support the Federal Government's National Identity Number (NIN) enrollment programme, having deployed more than 1,700 points of enrolment across the country. At the same time, we work with the National Identity Management Commission (NIMC) to accelerate the bulk verification of NINs collected. As of 28 October 2021, approximately 39 million subscribers have submitted their NINs, representing around 57% of our subscriber base and 67% of service revenue. The current deadline for NIN verification is 31 October 2021

Outlook

In the remainder of the year, we will build on the momentum from Q3 to deliver on our service revenue growth target. We remain focused on accelerating the expansion of our 4G coverage and rural connectivity programme while providing home broadband.

Our network investments help us accelerate the growth of our platform businesses to unlock their full value. In addition, we will continue to sustain our expense efficiency programme to strengthen our financial position and support margins. At the same time, we strive to minimise the impact of foreign exchange availability on the business.

As we continue to support Government's NIN enrolment programme to provide an access point for as many Nigerian as possible, we are working actively with the NCC to ramp up the number of certified SIM registration centres. Although the initial run-rate of additions has been slower than usual due to the new process requirements, we anticipate a return to positive net additions in Q4 2021 as more of our acquisition centres are activated. However, 31 October 2021 is the deadline for the NIN verification exercise. While an extension is solely in the hands of the authorities, we are working constructively with them and the industry to ensure customers are not unduly inconvenienced and that service revenue for 2021 and 2022 is not impacted.

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



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About MTN Nigeria

MTN Nigeria is one of Africa's largest providers of communications services, connecting approximately 68 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.



Unaudited condensed consolidated and separate statement of profit or loss

In millions of Nigerian Naira	Group				Company			
	For the nine months period ended		For the three months period ended		For the nine months period ended		For the three months period ended	
	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020
Revenue	1,206,262	975,764	414,997	337,688	1,205,394	975,715	414,599	337,657
Other income	-	63	-	63	-	63	-	63
Direct network operating costs	(296,369)	(227,582)	(103,942)	(79,030)	(296,369)	(227,582)	(103,942)	(79,030)
Value added services costs	(13,862)	(9,261)	(4,929)	(2,585)	(13,862)	(9,261)	(4,929)	(2,585)
Costs of starter packs, handsets and accessories	(3,654)	(15,590)	(2,156)	(6,505)	(3,654)	(15,590)	(2,156)	(6,505)
Interconnect costs	(93,498)	(82,705)	(31,293)	(28,744)	(93,498)	(82,705)	(31,293)	(28,744)
Roaming costs	(3,021)	(1,899)	(1,072)	(518)	(3,021)	(1,899)	(1,072)	(518)
Transmission costs	(6,244)	(4,599)	(2,092)	(1,536)	(6,244)	(4,599)	(2,092)	(1,536)
Employee benefits	(31,191)	(29,519)	(12,146)	(10,280)	(30,565)	(28,980)	(11,920)	(10,091)
Discounts and commissions	(57,767)	(49,308)	(18,773)	(17,846)	(57,001)	(49,089)	(18,443)	(17,779)
Advertisements, sponsorships and sales promotions	(13,294)	(10,359)	(4,734)	(3,604)	(11,559)	(9,210)	(4,430)	(2,825)
Other operating expenses	(52,852)	(47,141)	(16,567)	(16,302)	(50,715)	(45,723)	(15,467)	(15,795)
Depreciation of property, plant and equipment	(120,287)	(112,582)	(39,423)	(38,119)	(120,288)	(112,582)	(39,423)	(38,119)
Depreciation on right of use assets	(63,504)	(52,035)	(21,639)	(21,377)	(63,506)	(52,035)	(21,639)	(21,377)
Amortisation of intangible assets	(32,369)	(26,236)	(11,592)	(8,831)	(28,380)	(22,247)	(10,262)	(7,501)
Operating profit	418,350	307,011	144,639	102,475	426,732	314,277	147,531	105,316
Finance income	7,011	11,940	1,331	5,895	7,011	11,928	1,331	5,890
Finance costs	(104,009)	(107,357)	(39,737)	(36,346)	(104,009)	(107,357)	(39,737)	(36,346)
Profit before tax	321,352	211,594	106,233	72,025	329,734	218,848	109,125	74,861
Income tax expense	(101,040)	(67,356)	(27,752)	(22,663)	(103,555)	(69,523)	(28,618)	(23,514)
Profit for the period	220,312	144,239	78,481	49,362	226,179	149,324	80,507	51,347
Attributable to:								
Owners of the parent	220,312	144,239	78,481	49,362	226,179	149,324	80,507	51,347
	220,312	144,239	78,481	49,362	226,179	149,324	80,507	51,347
Earnings per share - basic/diluted	N 10.82	N 7.09	N 3.86	N 2.43	N 11.11	N 7.34	N 3.96	N 2.52

Unaudited condensed consolidated and separate statement of other comprehensive income

In millions of Nigerian Naira	Group				Company			
	For the nine months period ended		For the three months period ended		For the nine months period ended		For the three months period ended	
	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020
Profit for the period	220,312	144,239	78,481	49,362 #	226,179	149,324	80,507	51,347
Items that may be reclassified to profit or loss								
Transfer of fair value reserve of investments designated at FVOCI	-	(257)	-	(251)	-	(257)	-	(251)
Total comprehensive income for the period	220,312	143,981	78,481	49,110	226,179	149,067	80,507	51,096
Attributable to:								
Owners of the parent	220,312	143,981	78,481	49,110	226,179	149,067	80,507	51,096
	220,312	143,981	78,481	49,110	226,179	149,067	80,507	51,096



Unaudited condensed consolidated and separate statement of financial position

As at:

<i>In millions of Nigerian Naira</i>	Group		Company	
	30 Sept 2021	31 Dec 2020	30 Sept 2021	31 Dec 2020
ASSETS				
Non-current assets				
Property, plant and equipment	715,479	686,157	715,479	686,157
Intangible assets	227,974	111,080	200,408	79,525
Right of use assets	626,861	595,745	626,861	595,745
Investment in subsidiaries	-	-	49,328	49,328
Other investments	7,535	25,847	7,535	25,847
Other non current assets	18,392	21,896	18,392	21,896
	1,596,241	1,440,725	1,618,003	1,458,498
Current assets				
Inventories	6,872	2,158	6,872	2,158
Trade and other receivables	97,621	50,766	104,178	53,110
Current investments	86,935	146,783	86,935	146,783
Restricted cash	105,263	47,913	105,644	47,913
Cash and cash equivalents	207,216	275,198	201,677	271,041
	503,907	522,818	505,306	521,005
Total assets	2,100,148	1,963,543	2,123,309	1,979,503
EQUITY				
Share capital	407	407	407	407
Share premium	17,216	17,216	17,216	17,216
Retained profit	168,131	160,524	197,844	184,370
Other reserves	239	239	239	239
	185,993	178,386	215,706	202,232
LIABILITIES				
Non-current liabilities				
Borrowings	324,578	330,551	324,577	330,551
Lease liabilities	631,632	586,992	631,632	586,992
Deferred tax liabilities	89,235	113,130	87,313	108,693
Provisions	42	38	42	38
Employee benefits	4,555	8,261	4,555	8,261
Other non-current liabilities	3,348	2,273	3,348	2,273
	1,053,390	1,041,245	1,051,467	1,036,808
Current liabilities				
Trade and other payables	352,237	303,977	348,262	301,182
Current tax payable	122,314	107,310	122,042	107,038
Borrowings	217,743	190,599	217,743	190,599
Lease liabilities	68,062	54,798	68,062	54,798
Contract liabilities	67,234	62,301	66,852	61,919
Provisions	29,624	24,733	29,624	24,733
Employee benefits	3,501	-	3,501	-
Other current liabilities	50	194	50	194
	860,765	743,912	856,136	740,463
Total liabilities	1,914,155	1,785,157	1,907,603	1,777,271
Total equity and liabilities	2,100,148	1,963,543	2,123,309	1,979,503



Unaudited condensed consolidated and separate statement of cash flows

For the nine months period ended

In millions of Nigerian Naira	Group		Company	
	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020
Cash flows from operating activities:				
Cash generated from operations	709,378	546,960	707,997	549,680
Interest paid	(92,487)	(95,775)	(92,487)	(95,775)
Interest received	6,417	8,114	6,417	8,101
Dividends paid	(212,705)	(172,403)	(212,705)	(172,403)
Tax paid	(109,931)	(55,912)	(109,931)	(55,877)
Employee benefits payments	(293)	-	(293)	-
Share based payment	(2,876)	(1,209)	(2,876)	(1,209)
Provision payments	(4,694)	-	(4,694)	-
Net cash generated from operating activities	292,811	229,775	291,429	232,519
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(151,346)	(119,100)	(151,346)	(119,100)
Acquisition of right of use assets	(35,801)	(3,103)	(35,801)	(3,103)
Proceeds from disposal of property, plant and equipment	405	396	405	396
Investment in non-current FGN bonds	18,311	(33,473)	18,311	(33,473)
Acquisition of intangible assets	(149,270)	(12,479)	(149,270)	(12,479)
Movement in investment in bonds, treasury bills and foreign deposits	62,054	(16,707)	62,054	(16,707)
Movement in restricted cash	(57,350)	12,084	(57,350)	12,034
Net cash flows used in investing activities	(312,997)	(172,383)	(312,997)	(172,433)
Cash flows from financing activities:				
Proceeds from borrowings	274,779	121,896	274,779	121,896
Repayment of borrowings	(291,510)	(30,221)	(291,510)	(30,221)
Repayment of lease liabilities	(43,301)	(26,617)	(43,301)	(26,617)
Investment in subsidiary	-	-	-	(3,745)
Net cash flows from financing activities	(60,032)	65,058	(60,032)	61,313
Net (decrease)/increase in cash and cash equivalents	(80,219)	122,450	(81,600)	121,399
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	11,609	5	11,609	5
Cash and cash equivalents at end of the period	207,216	238,733	201,677	235,705