



## MTN NIGERIA COMMUNICATIONS PLC

### Data turnover to support full year performance

**Equity Research**  
**02 November 2021**

**BUY**

**Target price** **₦232.01**

#### Company Statistics

Price (₦)	175.60
Market Cap (₦'Bn)	3,574
Total Assets (₦'Bn)	2,186
Debt to Assets	24%
Shares Outstanding (Mn):	20,354
NSE	MTNN
Bloomberg	MTNN.NL
Reuters	MTNN.LG

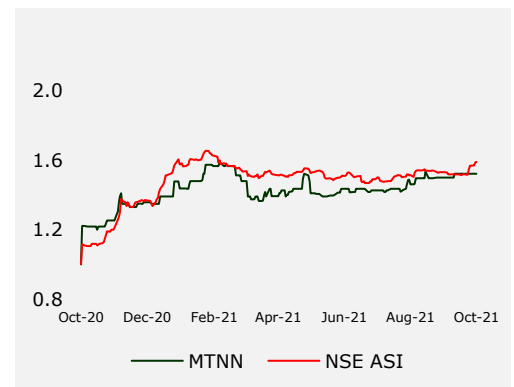
#### Ownership Structure

MTN Int'l (Mauritius) Ltd	76.08%
Others	23.92%

#### Share Price Performance

30 days	3.94%
YTD	0.94%
365 days	74.29%

#### Price Movement (Rebased)



Source: NSE, Vetiva Research

#### Business Description

MTN Nigeria Communications Plc (MTNN) is a subsidiary of MTN Group South Africa, a top player in the telecommunications sector in Africa (biggest mobile phone operator in the region) and the Middle East. As the industry leader, MTNN has over 75 million GSM subscribers on its network, with its total asset base over ₦2 trillion.

The telco giant's 9M performance was an impressive one, as it continues to ride on gains from its Data services. Revenue was up 24% y/y, to come in at ₦1.2 trillion just in line with our estimates. Turnover from its Data segment was up 52% y/y just as active data users increased by 8% y/y. The company's data services growth was supported by expanded demand for data services during the period, as average data usage per customer rose 58% y/y, coupled with the ever-expanding smartphone adoption, which advanced 3.55ppts on the network to 48.5% in 9M'21. MTNN's Voice services, which now accounts for 50% of total turnover, posted moderate gains of 9% y/y, despite witnessing an 11% decline in subscriber growth. Its customer value management strategy, as well as a 9% increase in time spent on calls, help offset its waning subscribers. We believe the reason for slowing growth in its voice services is due to the impact of regulatory requirements of the NIN for new registrations and SIM activations, as well as the continuous adoption of over-the-top calls.

The company's Q3 performance was also notable with revenue growing 23% y/y to come in at ₦415 billion (Vetiva estimate: ₦426 billion). Data services again supported its Q3 numbers, as it advanced 57% y/y to print at ₦138 billion (Vetiva estimate: ₦138 billion), while voice services grew by 4% y/y, coming in at ₦197 billion (Vetiva estimate: ₦206 billion). Meanwhile, on a quarterly basis it saw a 4% decline in turnover from Voice services, while Data bumped up 12%.

In line with our expectations, operating costs for the quarter, (excl. depreciation & amortization) accelerated 18% y/y to ₦198 billion, as heightened cost pressures drove several cost items north. Its direct network operating costs and interconnect costs rose 32% and 9% y/y respectively. Notwithstanding, EBITDA margin improved to 52% (Q3'21: 51%), while it remained stable from the last quarter (Q2'21: 52%). The opex surge was cushioned by improved topline performance; hence, margins remained relatively flat q/q. Furthermore, EBITDA advanced 18% y/y to ₦217 billion, 4% shy of our forecast, while profit before tax came in at ₦106 billion (up 47% y/y). All in, net profit for the three-month period increased to ₦78 billion, rising 59%y/y.

Looking ahead, as the company continues with its 4G expansion strategy, and actively ramps up new SIM-registration centers, in compliance with the NCCs NIN-SIM linkage policy, we maintain our forecast for full year data revenue at ₦517 billion, up 56% y/y (FY'20: ₦332 billion). Also, we expect voice revenue to come in 5% higher y/y at ₦809 billion, bringing total revenue to ₦1.6 trillion (FY'20: ₦1.3 trillion). With EBITDA margin expected to print at 53%, and finance costs now revised upwards to ₦139 billion as the company is expected to ride on its Q3 run rate, PAT is anticipated to print at ₦306 billion (FY20: ₦205 billion). That said, EPS and final DPS are estimated to come in at ₦15.05 (FY'20: ₦10.08) and ₦7.50 (FY'20: ₦5.90) respectively. Our target price remains unchanged at ₦232.01 per share, and we maintain our BUY rating on the stock.

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<b>N'billions Income statement (N' billions)</b>	<b>9M'21</b>	<b>9M'20</b>	<b>Change</b>	<b>Vetiva</b>	<b>Deviation</b>
Revenue	1,206	975	24%	1,216	-1%
Operating costs	(571)	(481)	19%	(574)	-1%
EBITDA	634	494	28%	642	-1%
Depreciation & amortisation	216	190	14%	210	3%
EBIT	418	307	36%	423	-1%
EBT	321	211	52%	334	-4%
PAT	220	144	53%	227	-3%
EBITDA margin	53%	51%		53%	
Operating margin	35%	31%		35%	
Net margin	18%	15%		19%	

Source: Company Filings, Vetiva Research



Income Statement	2019A	2020A	2021E	2022F	2023F	2019A	2020A	2021E	2022F	2023F
	N'bil	N'bil	N'bil	N'bil	N'bil	\$'mil	\$'mil	\$'mil	\$'mil	\$'mil
<b>Revenue</b>	1,170	1,346	1,642	1,870	2,163	3,162	3,452	4,005	4,451	5,030
Voice	725	766	809	849	892	1,961	1,965	1,973	2,023	2,074
Data	219	332	518	647	809	593	852	1,263	1,541	1,882
Others	225	248	315	373	462	608	635	769	888	1,074
Operating Costs	(545)	(661)	(776)	(901)	(1,032)	(1,472)	(1,694)	(1,893)	(2,144)	(2,400)
EBITDA	625	686	866	969	1,131	1,689	1,758	2,112	2,307	2,630
Depreciation & Amortisation	(232)	(259)	(298)	(296)	(292)	(627)	(664)	(728)	(706)	(679)
EBIT	393	427	568	673	839	1,063	1,094	1,385	1,601	1,950
Net Finance Costs	(102)	(128)	(125)	(136)	(118)	(276)	(328)	(305)	(324)	(274)
Profit Before Tax	291	299	443	537	721	787	766	1,079	1,277	1,676
Taxation	(88)	(94)	(136)	(167)	(223)	(238)	(240)	(332)	(397)	(518)
<b>Profit After Tax</b>	203	205	306	370	498	549	526	747	881	1,158
<b>Balance Sheet</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022F</b>	<b>2023F</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022F</b>	<b>2023F</b>
Property, Plant & Equipment	625	686	798	914	1,067	1,689	1,759	1,947	2,176	2,482
Right of Use Assets	476	596	623	657	702	1,287	1,528	1,518	1,564	1,633
Intangible Assets	121	111	61	31	14	327	285	149	73	32
Inventories	1	2	2	2	3	2	6	5	5	7
Receivables	53	51	58	69	78	143	130	143	163	182
Total Assets	1,502	1,964	2,227	2,364	2,519	4,060	5,035	5,431	5,628	5,857
Short Term Borrowings	32	191	236	241	243	88	489	575	573	564
Trade and Other Payables	190	304	361	383	396	515	779	882	912	920
Borrowings	380	331	341	311	211	1,027	848	831	739	490
Lease Liabilities	459	587	587	587	587	1,239	1,505	1,432	1,398	1,365
Share Premium	17	17	17	17	17	47	44	42	41	40
Retained Earnings	128	161	223	287	378	345	412	543	684	879
Shareholders' Funds	146	178	240	305	396	394	457	587	726	921
Total Equity & Liabilities	1,502	1,964	2,227	2,364	2,519	4,060	5,035	5,431	5,628	5,857
<b>Cash Flows Statement</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022F</b>	<b>2023F</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022F</b>	<b>2023F</b>
Operating Activities	206	476	743	754	942	557	1,220	1,813	1,795	2,190
Investing Activities	(197)	(392)	(387)	(416)	(474)	(532)	(1,005)	(945)	(989)	(1,101)
Financing Activities	54	75	(189)	(330)	(505)	146	193	(462)	(786)	(1,175)
Ending Cash and Cash Equivalents	116	275	442	450	413	314	706	1,078	1,071	960

Source: Company Filings, Vetiva Research



GROWTH RATES	2019A	2020A	2021E	2022F	2023F
Revenue growth	13%	15%	22%	14%	16%
EBITDA growth	44%	10%	26%	12%	17%
EBIT growth	48%	9%	33%	18%	25%
PBT growth	32%	3%	48%	21%	34%
PAT growth	40%	1%	49%	21%	35%

PROFITABILITY	2019A	2020A	2021E	2022F	2023F
Return on Equity	111%	127%	146%	136%	142%
Return on Assets	17%	12%	15%	16%	20%

MARGINS	2019A	2020A	2021E	2022F	2023F
EBITDA Margin	53%	51%	53%	52%	52%
EBIT Margin	34%	32%	35%	36%	39%
EBT Margin	25%	22%	27%	29%	33%
Net Margin	17%	15%	19%	20%	23%

PER SHARE DATA	2019A	2020A	2021E	2022F	2023F
Earnings per Share	9.99	10.08	15.05	18.17	24.46
Dividend per Share	6.57	9.40	12.00	15.00	20.00



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