



# Scancom PLC (MTN Ghana)

MTN Ghana interim performance for the six-month period ended 30 June 2020.

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# Scancom PLC (MTN Ghana)



Scancom PLC (MTN Ghana)  
(Incorporated in Ghana)  
Registration number: PL000322016  
ISIN: GHEMTN051541  
Share code: MTNGH  
("MTN Ghana" or "Scancom PLC")

## Salient features

- Subscribers (QoQ)
  - Subscribers increased by 4.1% to 21.5 million\*.
  - Active data subscribers increased by 5.2% to 9.1 million#.
  - Active Mobile Money (MoMo) users increased by 5.1% to 9.8 million\*.
- Service revenue up by 19.3% to GH¢2,877 million.
- EBITDA up by 29.1% to GH¢1,552 million.
- EBITDA margin up by 4.1 percentage points (pp) to 53.6%.
- Capex for the period was GH¢715.6 million^ (GH¢705.6 million under IAS 17).
- Outlook: Market conditions are expected to remain challenging for the remainder of the financial year as the extent and economic impact of the COVID-19 pandemic are uncertain. As such, we continue to maintain a measured stance on the near-term outlook.

## Snapshot of key items

	As at 30 June 2020 GH¢ 000	As at 30 June 2019 GH¢ 000	Change
<b>Total revenue</b>	<b>2,898,614</b>	2,426,335	<b>19.5%</b>
<b>Service revenue</b>	<b>2,876,627</b>	2,410,258	<b>19.3%</b>
<b>EBITDA</b>	<b>1,552,393</b>	1,202,128	<b>29.1%</b>
<b>EBITDA margin</b>	<b>53.6%</b>	49.5%	<b>4.1pp</b>
<b>Profit before tax</b>	<b>977,498</b>	627,434	<b>55.8%</b>
<b>Profit after tax</b>	<b>689,514</b>	452,638	<b>52.3%</b>
<b>Capex</b>	<b>715,613</b>	803,050	<b>-10.9%</b>

*Due to ongoing discussions on the potential change in regulatory subscriber definitions, subscriber data in this report will be limited to the MTN Group definition until the regulatory definitions are finalized.*

*\* Aligned with the MTN Group definition, subscribers are SIMs which generate or participate in an event that generates revenue for the company.*

*# Active data subscribers as per MTN Group definition are data subscribers who have used more than 5MB in a month.*

*^ Capex under IFRS 16 is made up of core capex spend of GH¢301.2m, intangibles of GH¢404.3m (Network license, Software, etc) and right of use (RoU) assets of GH¢10.1m for the period*

MTN Ghana interim performance for the six-month period ended 30 June 2020



## Commentary

MTN Ghana delivered a robust performance for the period, despite macroeconomic challenges following the global outbreak of the COVID-19 pandemic. Service revenue increased by 19.3%, underpinned by strong growth in voice, data, Mobile Money and digital revenue.

Double-digit growth in voice revenue (up 14.1%) was driven by a 4.1% increase in the number of active subscribers\* as well as various customer value management (CVM) initiatives, which helped to manage churn and improve usage. The contribution of voice to total service revenue declined from 45.4% to 43.3%, as other lines of revenue continued to grow faster than the traditional business in line with our revenue diversification objective.

Strong data revenue growth (up 21.7%) was attributable to the increase in active data users# (+5.2%), continued growth in the number of smartphones on the network (+4.2%) and a general increase in demand and usage. Data revenue's contribution to service revenue increased marginally from 28.0% to 28.5%.

Mobile Money revenue continued to show strong growth (up 24.9%) and benefited from an increase in the number of active subscribers\* (+5.1%), growth in person-to-person (P2P) transactional activity and broader penetration of more advanced services such as retail merchant payments and international remittances. Mobile Money revenue's contribution to service revenue increased from 18.3% to 19.2%.

Digital revenue was robust, growing by 27.7% on the back of a 44.5% increase in the number of active subscribers\* to 2.2 million. This performance was supported by the expansion of our digital portfolio including new gaming offerings, the renewal of our MyMTN app and the launch of Ayoba messaging app, which allows non-smartphone users to communicate with smartphone users on the app. Digital revenue's contribution to service revenue increased from 4.0% to 4.3%.

Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 29.1%, with an EBITDA margin expansion of 4.1 percentage points (pp) to 53.6%. This margin improvement was a result of our cost efficiency initiatives, underpinned by continued distribution efficiencies.

Our growth in revenue, coupled with our cost efficiency initiatives, resulted in a strong growth (+52.3%) in profit after tax.

MTN Ghana continues to prioritize its investments in infrastructure expansion and have invested GH¢715.6 million in capex^ to date (2019 capex: GH¢803.1 million) supporting significant improvement in network coverage, customer experience and quality of service (QoS). As part of the network expansion and quality of service improvement, we rolled out 11 2G and 11 3G sites; and upgraded 300 LTE 2600MHz sites. Our continued belief in the Ghana market and our significant investments in capex of US\$470 million over the past 3 years has led to improvement in customer experience and sustained subscriber growth.

MTN accepted and signed a GH¢450 million, five-year medium-term financing arrangement – out of a total offer of GH¢816 million received, with seven local lenders to support the renewal of our 2G license and the acquisition of additional spectrum. We maintained a strong balance sheet, managing it in line with existing banking covenants.

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MTN Ghana interim performance for the six-month period ended 30 June 2020



## Commentary (continued)

### COVID-19

COVID-19 had a significant impact on our business performance through the second quarter despite the easing of restrictions that had been imposed by the President of the Republic of Ghana from 15 March 2020 through to 01 June 2020. As a business, we continued to experience delays in supply chain, as well as the overall effects of the economic slowdown on our manufacturing and hospitality customers plus a general decline in activity for our SME customers.

In our continued support of the fight against COVID-19, MobileMoney Limited, a wholly owned subsidiary of Scancom PLC, extended the free offer for all Mobile Money P2P transfers up to GH¢100 per day including increased limits on daily transactions and wallet balances to the end of September 2020. We were pleased to receive approval from the Bank of Ghana for our voluntary request to extend the free P2P transfers offer. This offer will save customers an estimated GH¢60 million to GH¢70 million in transaction fees while promoting the safety of Ghanaians and deepening financial inclusion.

The MTN Ghana Foundation committed to Government, GH¢5 million worth of personal protective equipment (PPE) and other essentials to support frontline medical staff and government in the fight against the COVID-19 pandemic. Internally, we have deployed PPEs and sanitizers across our branch network and implemented extended safety measures for our people at a cost of GH¢22 million.

MTN Ghana has also supported Government's efforts in the fight against the pandemic by providing free access to over 200 websites for online education for public and private institutions. This effort has supported over 4.5 million students and teachers, who have consumed over 150 Terabytes at a cost of over GH¢3 million as at the end of June 2020. In addition, MTN Ghana has also provided GH¢10,000 worth of free data to all its 200 university students on its MTN Bright Scholarship scheme.

We remain focused on our people, customers, network resilience and efficiency in delivering on our quest to make the lives of our customers a whole lot BRIGHTer in these uncertain times.

### Regulatory considerations

In June, the National Communications Authority (NCA) classified MTN Ghana as a significant market power (SMP) meaning that special regulatory restrictions would be enforced on MTN Ghana, to potentially limit the company's growth, performance, innovativeness and its competitiveness in the telecoms market.

Broadly, the NCA has proposed measures that include the application of a 30% asymmetrical interconnect rate for two years; a price floor/ceiling on voice, data, SMS and Mobile Money; the review and approval of all MTN pricing by the NCA; the removal of on-net/off-net price differentials; and the implementation of a national roaming scheme.

MTN Ghana acknowledges the NCA's duty and powers to promote fair competition amongst licensed operators in Ghana's telecommunications sector, however, the manner of the recent declaration of MTN as an SMP raises concerns about clear procedural breaches and substantive issues. After engaging and sharing our views on the matter with regulatory and other stakeholders, and after further consultations, MTN Ghana has made the difficult decision, and as a last resort, to resort to the law courts for redress in the form of a judicial review of the NCA's decision, to ensure the observance of the requirements of procedural fairness. We remain open to dialogue to achieve an amicable resolution to this matter.



## Commentary (continued)

MTN Ghana is an ethical business committed to its regulatory obligations and would like to reassure Government and its cherished shareholders and customers that our commitment to the delivery of a bold new digital world in Ghana continues to be paramount and that the company remains focused on providing the enabling technology to support Ghana's digital economy particularly during the Covid-19 pandemic and beyond.

### **Annual General Meeting and 2019 Final Dividend**

Notice has been served on the annual general meeting of Scancom PLC which will be held virtually and streamed live from the company's head office at MTN House in Accra on the 13 August 2020 at 11am Ghana time. Amongst the business for the day will be the approval of the 2019 final dividend of 4 pesewas which will be paid on 28 August 2020 following shareholder approval.

### **Outlook**

Following a strong overall performance in the first half of the year, we are cautious of the uncertainties surrounding the likely duration and related economic impact of the COVID-19 pandemic for the rest of the year. The potential areas of impact and focus remain our employee and customers' safety; regulatory risk; supply chain delays and availability; liquidity, currency and counterparty risks management; and the potential revenue impact from reduced consumer spend.

We remain focused on our journey from a traditional mobile telecommunications operator to an emerging digital operator, with 2020 being the 'Year of the customer: the digital experience' with focus on digitalisation as a tool to enhance customer experience as well as create value for our shareholders.

## **Report on review of condensed consolidated interim financial information to the members of Scancom Plc**

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Scancom Plc and its subsidiary (the 'Group') as at 30 June 2020 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting'.



**PricewaterhouseCoopers**  
**Chartered Accountants**  
**Accra**

**30 July 2020**





## Condensed consolidated interim financial information for the six-month period ended 30 June 2020

### Condensed statements of comprehensive income

	<b>Group</b>	<b>Company</b>	Group	Company
	<b>For the six-month period ended 30 June 2020</b>	<b>For the six-month period ended 30 June 2020</b>	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2019
	<b>GH¢ 000</b>	<b>GH¢ 000</b>	GH¢ 000	GH¢ 000
<b>Revenue from contracts with customers</b>	<b>2,898,614</b>	<b>2,364,917</b>	2,426,335	1,990,197
Other revenue	563	563	-	-
Cost of sales	<b>(245,373)</b>	<b>(245,373)</b>	(272,783)	(272,783)
Operational cost	<b>(587,749)</b>	<b>(580,032)</b>	(539,690)	(530,643)
Selling, distribution and marketing expenses	<b>(513,662)</b>	<b>(241,584)</b>	(411,734)	(214,018)
<b>Earnings Before Interest Tax Depreciation and Amortisation</b>	<b>1,552,393</b>	<b>1,298,491</b>	1,202,128	972,753
Depreciation	<b>(364,686)</b>	<b>(363,914)</b>	(335,035)	(334,406)
Amortisation	<b>(63,600)</b>	<b>(63,469)</b>	(42,596)	(42,466)
<b>Operating profit</b>	<b>1,124,107</b>	<b>871,108</b>	824,497	595,881
Net finance (cost)/income	<b>(146,609)</b>	<b>(55,160)</b>	(197,063)	44,101
<b>Profit before income tax</b>	<b>977,498</b>	<b>815,948</b>	627,434	639,982
Income tax expense	<b>(287,984)</b>	<b>(209,542)</b>	(174,796)	(103,617)
<b>Profit after income tax</b>	<b>689,514</b>	<b>606,406</b>	452,638	536,365
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>689,514</b>	<b>606,406</b>	452,638	536,365
Attributable to:				
Equity holders of the company	<b>689,514</b>	<b>606,406</b>	452,638	536,365
Diluted/Basic Earnings per share	<b>GH¢ 0.0561</b>	<b>GH¢ 0.0493</b>	GH¢ 0.0368	GH¢ 0.0436

## Condensed consolidated interim financial information for the six-month period ended 30 June 2020


### Condensed statements of financial position

	Group As at 30 June 2020 GH¢ 000	Company As at 30 June 2020 GH¢ 000	Group As at 31 December 2019 GH¢ 000	Company As at 31 December 2019 GH¢ 000
<b>Non-current assets</b>	<b>5,441,546</b>	<b>5,436,987</b>	5,162,022	5,156,433
Property, plant and equipment	3,076,007	3,071,569	3,018,008	3,012,671
Right of Use assets	1,463,228	1,463,228	1,574,776	1,574,776
Intangible assets	789,098	788,927	448,276	447,974
Other non-current assets	113,213	113,263	120,962	121,012
<b>Current assets</b>	<b>5,742,290</b>	<b>969,864</b>	4,796,628	1,244,841
Trade and other receivables	631,685	607,238	528,951	510,411
Other current assets	143,015	141,252	403,363	393,844
Mobile money float	4,488,386	-	3,405,579	-
Cash and cash equivalents	479,204	221,374	458,735	340,546
<b>Total assets</b>	<b>11,183,836</b>	<b>6,406,851</b>	9,958,650	6,401,274
<b>Total equity</b>	<b>3,124,626</b>	<b>2,918,568</b>	2,803,826	2,680,875
Stated capital	1,097,504	1,097,504	1,097,504	1,097,504
Retained earnings	2,027,122	1,821,064	1,706,322	1,583,371
<b>Non-current liabilities</b>	<b>2,016,324</b>	<b>2,016,493</b>	2,134,200	2,140,051
Interest-bearing liabilities	339,985	339,985	225,421	225,421
Lease liabilities	1,328,924	1,328,924	1,560,009	1,560,009
Deferred tax and other non-current liabilities	347,415	347,584	348,770	354,621
<b>Current liabilities</b>	<b>6,042,886</b>	<b>1,471,790</b>	5,020,624	1,580,348
Interest bearing liabilities	280,002	280,002	280,002	280,002
Lease liabilities	298,992	298,992	148,726	148,726
Trade and other payables	808,001	719,812	1,055,852	1,022,059
Obligations to electronic money holders	4,488,386	-	3,405,579	-
Other current liabilities	167,505	172,984	130,465	129,561
<b>Total liabilities</b>	<b>8,059,210</b>	<b>3,488,283</b>	7,154,824	3,720,399
<b>Total equity and liabilities</b>	<b>11,183,836</b>	<b>6,406,851</b>	9,958,650	6,401,274

The condensed consolidated interim financial statements were approved by the Board of Directors on 29 July 2020 and signed on their behalf by:



**Ishmael Yamson**  
Chairman



**Selorm Adadevoh**  
Chief executive officer





## Condensed consolidated interim financial information for the six-month period ended 30 June 2020

### Condensed statements of changes in equity

	<b>Group</b>	<b>Company</b>	Group	Company
	<b>For the six-month period ended 30 June 2020</b>	<b>For the six-month period ended 30 June 2020</b>	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2019
	<b>GH¢ 000</b>	<b>GH¢ 000</b>	GH¢ 000	GH¢ 000
<b>Opening balance at 1 January</b>	<b>2,803,826</b>	<b>2,680,875</b>	2,410,392	2,135,230
Total comprehensive income	<b>689,514</b>	<b>606,406</b>	452,638	536,365
<b>Profit after tax</b>	<b>689,514</b>	<b>606,406</b>	452,638	536,365
Transactions with owners of the company:				
Dividends paid	<b>(368,714)</b>	<b>(368,714)</b>	(368,714)	(368,714)
<b>Attributable to equity holders of the company</b>	<b>3,124,626</b>	<b>2,918,567</b>	2,494,316	2,302,881
<b>Closing balance at 30 June</b>	<b>3,124,626</b>	<b>2,918,567</b>	2,494,316	2,302,881

## Condensed consolidated interim financial information for the six-month period ended 30 June 2020

### Summary statement of cash flows

	Group For the six-month period ended 30 June 2020 GH¢ 000	Company For the six-month period ended 30 June 2020 GH¢ 000	Group For the six-month period ended 30 June 2019 GH¢ 000	Company For the six-month period ended 30 June 2019 GH¢ 000
<b>Net cash generated from operating activities</b>	<b>431,421</b>	<b>292,079</b>	609,168	630,574
<b>Cash generated from operations</b>	<b>1,152,252</b>	<b>850,024</b>	1,124,556	840,601
Interest received	<b>8,243</b>	-	23,954	14,909
Interest paid	<b>(8,539)</b>	<b>(8,539)</b>	(138,535)	(138,535)
Dividend paid	<b>(368,714)</b>	<b>(368,714)</b>	(368,714)	(368,714)
Dividend received	-	<b>100,000</b>	-	250,000
Income tax paid	<b>(351,821)</b>	<b>(280,692)</b>	(32,093)	32,313
<b>Net cash used in investing activities</b>	<b>(290,646)</b>	<b>(290,646)</b>	(515,785)	(515,754)
Acquisition of property, plant and equipment	<b>(114,961)</b>	<b>(114,961)</b>	(488,128)	(488,128)
Acquisition of intangible assets	<b>(154,241)</b>	<b>(154,241)</b>	(10,430)	(10,430)
Acquisition of additional IRU capacity	<b>(21,444)</b>	<b>(21,444)</b>	(17,227)	(17,196)
<b>Net cash used in financing activities</b>	<b>(120,610)</b>	<b>(120,610)</b>	(195,857)	(195,857)
Proceeds from borrowing	<b>278,780</b>	<b>278,780</b>	-	-
Repayment of borrowing	<b>(165,000)</b>	<b>(165,000)</b>	(100,000)	(100,000)
Principal element of lease payments	<b>(234,390)</b>	<b>(234,390)</b>	(95,857)	(95,857)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>20,165</b>	<b>(119,177)</b>	(102,474)	(81,037)
Cash and cash equivalents at the beginning of the period	<b>458,735</b>	<b>340,546</b>	377,702	181,741
Exchange gain on cash and cash equivalents	<b>304</b>	<b>5</b>	198	2
<b>Cash and cash equivalents at end of the period</b>	<b>479,204</b>	<b>221,374</b>	275,426	100,706



## Condensed consolidated interim financial information for the six-month period ended 30 June 2020

### Notes

#### 1. Independent review

The Directors of Scancom PLC (“the Group”) take full responsibility for the preparation of the condensed consolidated interim financial information for the six-month period ended 30 June 2020. The condensed consolidated interim financial information has been reviewed by our auditor, PricewaterhouseCoopers (PwC), in accordance with the International Standards on Review Engagement (ISRE) 2410. PwC has expressed an unmodified conclusion thereon.

#### 2. General information

Scancom PLC was incorporated as a private limited liability company on 14 April 1994 and commenced operations on 9 September 1994. The Company’s regulations were amended on 13 October 2016 to become a public company and its shares were listed on the Ghana Stock Exchange on 5 September 2018. Its ultimate holding company is MTN Group Limited, a company incorporated in the Republic of South Africa and listed on the Johannesburg Stock Exchange. The registered address of the business is MTN House, Plot OER 6, Independence Avenue, West Ridge, Accra.

The principal activities are the provision of telecommunication services including voice, data, enterprise solutions, the provision of mobile financial services, the development of strategic partnerships to provide advanced services and the provision of consultancy services in the mobile banking space.

The condensed consolidated interim financial information is for the Group consisting of the Company, Scancom PLC and its subsidiary, MobileMoney Limited.

#### 3. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with IAS 34: interim financial reporting of the International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2019 (Act 992). The condensed consolidated interim financial information has been prepared on the historical cost basis.



## Condensed consolidated interim financial information for the six-month period ended 30 June 2020

### Notes (continued)

#### **Principal accounting policies**

The principal accounting policies applied in the preparation of these condensed consolidated interim financial information are in terms of IFRS and consistent with those adopted in the prior year audited annual consolidated financial statements.

#### **Functional and presentation currency**

Items included in this condensed consolidated interim financial information are measured using the currency that best reflects the primary economic environment in which the entity operates ("the functional currency"). The financial information is presented in Ghana cedis, the functional and presentation currency of the Group.

The condensed consolidated interim financial information for the six-month period ended 30 June 2020 on pages 6 to 11 was approved by the Board of Directors on 29 July 2020 and signed on their behalf by:

**Ishmael Yamson**  
Chairman

**Selorm Adadevoh**  
Chief executive officer

### **Contact**

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Please visit <https://www.mtn.com.gh/investors/financial-reports> to download our financials and other investor information.

MTN Ghana interim performance for the six-month period ended 30 June 2020



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