



Scancom PLC (MTN Ghana)

MTN Ghana unaudited results for the
nine-month period ended 30th September 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 8.7% to 23.4 million*.
 - Active data subscribers increased by 8.3% to 9.8 million#.
 - Active Mobile Money (MoMo) users increased by 4.3% to 10.2 million*.
- Service revenue up by 18.8% to GH¢4,422 million.
- EBITDA up by 26.7% to GH¢2,375 million.
- EBITDA margin up by 3.3 percentage points (pp) to 53.3%.
- Capex for the period was GH¢876 million^ (GH¢837 million under IAS 17).
- Capital investments: Market conditions have necessitated capex investment and related opex spend in network capacity expansion and resilience in the period and beyond.
- Economic conditions: Ghana has experienced some improvements in economic activity following the lifting of various restrictions imposed as a result of COVID-19; despite this, we continue to maintain a measured stance given the continued uncertainty regarding the extent of economic impact of COVID-19.

Snapshot of key items (YoY)

	30 September 2020 GH¢ 000	30 September 2019 GH¢ 000	Change
Total revenue	4,469,042	3,747,449	19.3%
Service revenue	4,421,857	3,722,909	18.8%
EBITDA	2,374,807	1,874,712	26.7%
EBITDA margin	53.3%	50.0%	3.3pp
Profit before tax	1,492,934	989,017	51.0%
Profit after tax	1,053,970	688,565	53.1%
Capex	875,864	862,448	1.6%

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¢427.6m, intangibles of GH¢409.4m (Network licence, Software, etc) and right of use (RoU) assets of GH¢38.8m for the period.

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Commentary

The year to date has been characterised largely by the COVID-19 pandemic and its implications on the business. COVID-19 has had a significant effect on the economy with the informal sector severely impacted. Consequently, GDP growth has been revised downwards from 6.8% to about 1%, as announced by the Finance Minister during the presentation of the Mid-Year review of the Budget Statement and Economic Policy for the 2020 financial year.

COVID-19 has led to shifts in consumer behaviour with the dependency on, and usage of, digital options increasing significantly. The increase in demand for digital and data services have placed significant pressure on our network infrastructure. This has necessitated our capex spend of GH¢876 million in network capacity and infrastructure expansion projects to meet the needs of Ghanaians in this era of accelerated digitalisation and we are committed to the further investments required.

Our investments to date will support and enable continued economic productivity. In the period, we have rolled out 115 2G, 115 3G and 547 LTE sites, which has supported a significant improvement in network coverage, customer experience and quality of service (QoS). This has helped us to accommodate the demand for digital and data services that has been accelerated by the COVID-19 pandemic.

Service revenue increased by 18.8%, supported by growth in voice, data, Mobile Money and digital revenue.

Voice revenue grew by 12.1%, benefitting from an increase in the number of subscribers* (+8.7%) during the period, as well as various customer value management (CVM) initiatives, which helped to manage churn and improve usage. The contribution of voice to service revenue declined from 45.0% to 42.5% year-on-year (YoY) in favour of our new growth areas in line with our revenue diversification strategy and building a digital operator.

Data revenue growth of 20.7% was driven by an increase in active data subscribers# (+8.3%), a higher number of smartphones on the network (+12.6%) and a general increase in demand and 58.9% growth in usage. Data revenue contribution to service revenue increased from 28.5% to 29.0% YoY.

The growth in Mobile Money revenue (up 27.3%) was supported by an increase in the number of active users* (+4.3%) from new activations in the period, higher person-to-person (P2P) transactional activity and broader penetration of more advanced services such as retail merchant payments and international remittances. Mobile Money revenue contribution to service revenue increased from 18.5% to 19.9% YoY.

Digital revenue continued its recovery (up 52.9%), driven by growth in the number of active subscribers* (+13.7%) as well as improvements to our video and gaming offerings and increased adoption of our MyMTN and Ayoba messaging apps. Digital revenue contribution to service revenue increased from 3.4% to 4.4% YoY.

Reported earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 26.7%, with a corresponding margin expansion of 3.3 percentage points (pp) to 53.3%. Our margin improvement continued to benefit from our cost efficiency initiatives, digital distribution efficiencies and other transformation activities.

Growth in top-line revenue, coupled with short-term cuts in expenses and cash preservation as a response to COVID-19, resulted in an increase (+53.1%) in profit after tax.

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Commentary (continued)

COVID-19

Over the period we have seen a progressive removal of COVID-19 restrictions imposed by the President earlier in the year and the economy continues to open up. We have also seen the level of active cases drop below 500 following proactive interventions from the Government. Despite the positive developments, we continue to experience some supply chain challenges, as well as the overall effects of the economic slowdown on our manufacturing and hospitality customers. We are seeing some improvements in activity from our small and medium enterprise (SME) customers, though the level of activity following the general decline due to COVID-19 remains subdued.

The impact of COVID-19 on economic activity and consumer incomes showed some easing through the third quarter and this trend is expected to continue through the final quarter of the year.

In our bid to continue supporting Government's efforts and promote activities that are in the best interest of the safety of our customers, MobileMoney Limited, a wholly owned subsidiary of Scancom PLC, extended the offer for free Mobile Money P2P transfers up to a value of GH¢100 per day to the end of 2020. This will save customers an estimated total of at least GH¢90 million in transaction fees while promoting the safety of Ghanaians and deepening financial inclusion.

MTN Ghana continues to support 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 until the end of the pandemic. To date, we have supported over 4.5 million students and teachers with over 150 Terabytes of free data valued at more than GH¢3 million. To augment this effort, MTN through the MTN Ghana Foundation donated GH¢5 million worth of personal protective equipment (PPEs) and other essentials to support frontline medical staff through the Government's COVID-19 Trust Fund activities.

In support of Government's efforts to curb the COVID-19 pandemic and to keep Ghanaians safe, MTN Ghana launched the 'BE WISE' campaign aimed at encouraging Ghanaians across the nation to keep wearing their face masks and wear them the correct way to protect themselves and their loved ones. Together with donations of PPEs, this campaign has created awareness to protecting one another through a selfless act of wear ones' face mask. Today, this campaign has transitioned into the MTN's global 'Wear It For Me' campaign which seeks to continue creating awareness of wearing face masks in order to protect our loved ones, future generations and prevent another wave of the pandemic.

We will continue to provide PPEs and sanitizers, and ensure all safety protocols are adhered to, across our branch network. The cumulative value of our efforts in the fight against COVID-19 stood at approximately GH¢100 million as at end of September 2020.

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.





Commentary (continued)

Regulatory update

On September 1st, 2020, the High Court of Justice (Commercial Division) dismissed the company's application – made on procedural grounds – for a judicial review of the declaration by the National Communications Authority (NCA) of MTN Ghana as a significant market power (SMP).

On September 4th, MTN Ghana filed an application with the Supreme Court to review the High Court's judgement. Following that, MTN Ghana embarked on a series of engagements with the regulator and other key stakeholders to have the concerns raised addressed in an amicable manner.

Given the progress made, in good faith, on settlement discussions with the NCA and Ministry of Communications, the company on October 13th, 2020 withdrew its application filed at the Supreme Court. It is our expectation that this action will pave the way for further discussions and an amicable resolution, using the renewed channels of engagement. We remain grateful to the NCA, the Ministry of Communications and key stakeholders for their openness and commitment to engage with the view to resolve the issues amicably.

MTN Ghana remains focused on providing the enabling technology to support Ghana's digital economy through partnerships with the Government of Ghana and other Ghanaian telecommunications players.

Further Localisation of Scancom PLC

In September 2018, Scancom PLC completed an initial public offer in which 12.5% of its shares was listed on the Ghana Stock Exchange (GSE) and nearly 130,000 Ghanaians were welcomed as shareholders in the company. MTN Group has agreed with the Government of Ghana to sell down a further 12.5% of its investment in Scancom PLC, with a focus on local shareholding, which will increase Scancom PLC's shareholding on the GSE to 25%. This process of further increasing localisation and deepening shared value is underway and we look forward to providing updates in future performance updates.

2021 marks MTN Ghana's 25th Anniversary

2021 marks the 25th anniversary of MTN Ghana and as part of the celebrations, MTN is committing the equivalent of \$25 million (or GH¢150 million) to a fund supporting Ghana's post-COVID-19 recovery efforts. MTN Ghana will seek to further its strategic partnership with the Government of Ghana through investments in digital ecosystem projects as part of Government's long-term transformation agenda. We will share more details in H1 2021, about this exciting development when plans are finalised with Government and partners.



Commentary (continued)

Outlook

Although a progressive recovery is expected into 2021, the macro outlook for the rest of 2020 remains relatively uncertain. As a business, we remain cautious of the uncertainties surrounding the extent of economic impact of COVID-19 although the continued gradual opening up of the economy is encouraging. We expect business performance to continue to be influenced by the shifts in consumer behaviour towards accelerated digital adoption and usage as well as the rate of economic recovery following the easing of COVID-19 regulations and restrictions imposed earlier in the year. There would be continuous need for more capex and related opex to accommodate the usage growth and build resilience in all areas including cyber security. Certain costs had to be postponed whilst managing the COVID-related uncertainties would start to be incurred as the local and global economies open up more and more.

Our focus remains our employees' and customers' safety; regulatory risk; supply chain challenges mitigation; liquidity, currency and counterparty risk management; and the potential revenue impact of reduced consumer spend. Our social support programs towards those severely impacted by the pandemic will continue.

In the fourth quarter of the year, we continue our journey from a traditional mobile telecommunications operator to an emerging digital operator, with 2020 being the 'Year of the customer: the digital experience'.

Unaudited condensed consolidated financial information for the nine-month period ended 30 September 2020

Condensed statement of comprehensive income

	Group	Company	Group	Company
	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2019	For the nine-month period ended 30 September 2019
	GH¢ 000	GH¢ 000	GH¢ 000	GH¢ 000
Revenue from contracts with customers	4,456,295	3,588,005	3,747,449	3,066,983
Other revenue	12,747	12,747	-	-
Cost of sales	(372,288)	(372,288)	(400,081)	(400,081)
Operational cost	(916,884)	(904,494)	(803,840)	(786,130)
Selling, distribution and marketing expenses	(805,063)	(355,233)	(668,816)	(328,652)
Earnings Before Interest Tax Depreciation and Amortisation	2,374,807	1,968,737	1,874,712	1,552,120
Depreciation	(551,146)	(549,945)	(512,387)	(511,461)
Amortisation	(93,226)	(93,030)	(67,868)	(67,671)
Operating profit	1,730,435	1,325,762	1,294,457	972,988
Net finance (cost)/income	(237,501)	49,047	(305,440)	(68,901)
Profit before income tax	1,492,934	1,374,809	989,017	904,087
Income tax expense	(438,964)	(313,377)	(300,452)	(200,070)
Profit after income tax	1,053,970	1,061,432	688,565	704,017
Other comprehensive income	-	-	-	-
Total comprehensive income	1,053,970	1,061,432	688,565	704,017
Attributable to: Equity holders of the company	1,053,970	1,061,432	688,565	704,017
Diluted/Basic Earnings per share	GH¢ 0.0858	GH¢ 0.0864	GH¢ 0.0560	GH¢ 0.0573

Unaudited condensed consolidated financial information for the nine-month period ended 30 September 2020

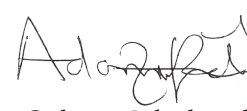
Condensed statement of financial position

	Group	Company	Group	Company
	As at 30 September 2020	As at 30 September 2020	As at 31 December 2019	As at 31 December 2019
	GH¢ 000	GH¢ 000	GH¢ 000	GH¢ 000
Non-current assets	5,391,479	5,384,745	5,162,022	5,156,433
Property, plant and equipment	3,075,661	3,069,326	3,018,008	3,012,671
Right of Use assets	1,430,483	1,430,483	1,574,776	1,574,776
Intangible assets	764,075	763,627	448,276	447,974
Other non-current assets	121,260	121,309	120,962	121,012
Current assets	6,840,414	1,397,644	4,796,628	1,244,841
Trade and other receivables	769,266	772,533	528,951	510,411
Other current assets	169,367	154,312	403,363	393,844
Mobile money float	5,259,646	-	3,405,579	-
Cash and cash equivalents	642,135	470,799	458,735	340,546
Total assets	12,231,893	6,782,389	9,958,650	6,401,274
Total equity	2,997,463	2,881,974	2,803,826	2,680,875
Stated capital	1,097,504	1,097,504	1,097,504	1,097,504
Retained earnings	1,899,959	1,784,470	1,706,322	1,583,371
Non-current liabilities	2,192,771	2,193,043	2,134,200	2,140,051
Interest-bearing liabilities	613,925	613,925	225,421	225,421
Lease liabilities	1,229,843	1,229,843	1,560,009	1,560,009
Deferred tax and other non-current liabilities	349,003	347,584	348,770	354,621
Current liabilities	7,041,659	1,707,372	5,020,624	1,580,348
Interest bearing liabilities	280,002	280,002	280,002	280,002
Lease liabilities	378,693	378,693	148,726	148,726
Trade and other payables	922,415	851,598	1,055,852	1,022,059
Obligations to electronic money holders	5,259,646	-	3,405,579	-
Other current liabilities	200,903	197,079	130,465	129,561
Total liabilities	9,234,430	3,900,415	7,154,824	3,720,399
Total equity and liabilities	12,231,893	6,782,389	9,958,650	6,401,274

The unaudited condensed consolidated financial statements for the nine-month period were approved by the Board of Directors on 27 October 2020 and signed on their behalf by:



Ishmael Yamson
Chairman



Selorm Adadevoh
Chief executive officer



Unaudited condensed consolidated financial information for the nine-month period ended 30 September 2020

Condensed statement of changes in equity

	Group	Company	Group	Company
	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2019	For the nine-month period ended 30 September 2019
	GH¢ 000	GH¢ 000	GH¢ 000	GH¢ 000
Opening balance at 1 January	2,803,826	2,680,875	2,410,392	2,135,230
Total comprehensive income	1,053,970	1,061,432	688,565	704,017
Profit after tax	1,053,970	1,061,432	688,565	704,017
Transactions with owners of the company:				
Dividends paid	(860,333)	(860,333)	(614,524)	(614,524)
Attributable to equity holders of the company	2,997,463	2,881,974	2,484,433	2,224,723
Closing balance at 30 September	2,997,463	2,881,974	2,484,433	2,224,723

Unaudited condensed consolidated financial information for the nine-month period ended 30 September 2020

Condensed statement of cash flows

	Group	Company	Group	Company
	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2019	For the nine-month period ended 30 September 2019
	GH¢ 000	GH¢ 000	GH¢ 000	GH¢ 000
Net cash generated from operating activities	711,492	644,090	877,980	828,624
Cash generated from operations	2,068,979	1,604,199	1,915,161	1,544,768
Interest received	36,844	23,635	32,586	19,688
Interest paid	(45,411)	(45,411)	(252,839)	(252,839)
Dividend paid	(860,333)	(860,333)	(614,524)	(614,524)
Dividend received	-	300,000	-	250,000
Income tax paid	(488,587)	(378,000)	(202,404)	(118,469)
Net cash used in investing activities	(566,506)	(552,016)	(674,601)	(674,601)
Acquisition of property, plant and equipment	(305,273)	(303,385)	(600,718)	(600,718)
Acquisition of intangible assets	(225,347)	(225,347)	(55,394)	(55,394)
Payments for held-to-maturity investment	(12,602)	-	-	-
Acquisition of additional IRU capacity	(23,284)	(23,284)	(18,489)	(18,489)
Net cash generated from/ (used in) financing activities	38,074	38,074	(169,407)	(169,407)
Proceeds from borrowing	553,504	553,504	-	-
Repayment of borrowing	(165,000)	(165,000)	-	-
Principal element of lease payments	(350,430)	(350,430)	(169,407)	(169,407)
Net increase/ (decrease) in cash and cash equivalents	183,060	130,148	33,972	(15,384)
Cash and cash equivalents at the beginning of the period	458,735	340,546	377,702	181,741
Exchange gain on cash and cash equivalents	340	105	1,168	4
Cash and cash equivalents at end of the period	642,135	470,799	412,842	166,361



Unaudited condensed consolidated financial information for the nine-month period ended 30 September 2020

Notes

1. Directors' responsibility

The directors of Scancom PLC ("the Group") take full responsibility for the preparation of the unaudited condensed consolidated financial information for the nine-month period ended 30 September 2020.

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

3. Basis of preparation

The unaudited condensed consolidated 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 unaudited condensed consolidated financial information has been prepared on the historical cost basis.

Principal accounting policies

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



Unaudited condensed consolidated financial information for the nine-month period ended 30 September 2020

Notes (continued)

Functional and presentation currency

Items included in this unaudited condensed consolidated 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 unaudited condensed consolidated financial information for the nine-month period ended 30 September 2020 on pages 6 to 11 was approved by the Board of Directors on 27 October 2020 and signed on their behalf by:

Ishmael Yamson
Chairman

Selorm Adadevoh
Chief executive officer

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



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