



Scancom PLC (MTN Ghana)

Performance for the three-month period
ended 31 March 2022

MTN

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

Salient features (YoY)

- Subscribers (YoY)
 - Mobile subscribers increased by 8.4% to 27.1 million*.
 - Active data subscribers increased by 14.4% to 12.8 million#.
 - Active Mobile Money (MoMo) users increased by 7.7% to 11.7 million*.
- Service revenue grew by 34.5% to GHS2,349 million.
- Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 46.6% to GHS1,403 million.
- EBITDA margin up by 4.9 percentage points (pp) to 59.5%.
- Total CAPEX for the period was GHS277 million^.
- GHS685 million paid in direct and indirect taxes during the period.
- Outlook: We will continue to execute on our Ambition 2025 strategy to drive growth and efficiencies in the business, as we navigate rising macro environment challenges and prepare for new regulatory developments such as the E-Levy. We maintain our medium-term guidance for service revenue growth of high teens (in percentage terms).

Snapshot of key financial items (YoY change)

	31 March 2022	31 March 2021	
	GHS 000	GHS 000	Change
Total revenue	2,355,982	1,752,532	34.4%
Service revenue	2,349,123	1,745,927	34.5%
EBITDA	1,402,985	956,791	46.6%
EBITDA margin	59.5%	54.6%	4.9pp
Profit before tax	1,001,544	640,270	56.4%
Profit after tax	707,493	460,288	53.7%
Total CAPEX	277,200	86,395	220.9%

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.

Core CAPEX of GHS243.3m excludes intangibles and right of use (RoU) assets..

^ Total CAPEX is made up of core CAPEX spend of GHS243.3m, intangibles of GHS19.2m (Network licence, Software, etc) and right of use (RoU) assets of GHS14.7m for the period.

Commentary

Navigating a challenging macroeconomic and business environment

The Ghanaian economy experienced a tough 2022 first quarter with regards to both the fiscal and monetary environments suffering major internal shocks with high depreciation of the local currency against the US dollar and other major trading currencies, double digit inflation and increased pressure on the spending power of consumers. The uncertainty and volatility in our macro and business operating environment has been exacerbated by global trends such as the ramifications of the Russia-Ukraine crisis.

MTN Ghana stayed focus on commercial execution in the face of this uncertain and challenging macroeconomic environment.

The Government has initiated various actions such as raising the policy rate, passing the electronic transactions levy (E-Levy) and introducing spending cuts to stabilize and correct these adverse trends and stabilize the economy.

Network sharing – strategic partnerships to support industry sustainability

National Roaming in Ghana is intended to facilitate universal access and accelerate digitalization in line with the country's ambitions of a digital economy. It will enable MTN Ghana to share its network infrastructure with other telecommunication operators in Ghana and vice-versa. In this regard, MTN Ghana signed a network roaming agreement with Vodafone Ghana on 09 April 2022, to commence a pilot before the end of the month. This is a first step in a bigger plan by Government to have a full national roaming regime amongst all operators in the country, and we are at various stages of discussion with other operators.

We are excited about the progress we have made together with the regulatory stakeholders and other operators to ensure the success of the national roaming plan. We look forward to sharing future updates on this.

Creating shared value – our commitment to social and economic development

In line with achieving our aim of helping Ghana realise its digital ambitions, we made inroads with the construction of a GHS1.2 million STEM Robotics lab for the Mamfe Girls' School at Mamfe and its surrounding communities. We also advanced plans for the construction of a modern 60-bed maternity and neonatal center for the Keta Municipal Hospital in Keta at a projected cost of GHS9 million.

During the period, MTN paid GHS685 million to government in direct and indirect taxes, representing 29.1% of our total revenue.

The economic and social development of our customers and communities are central to our core objectives of supporting the communities within which we operate. As a responsible corporate citizen, we are committed to remaining at the forefront of delivering sustainable development to communities in Ghana.

Commentary (continued)

Operational review

MTN Ghana delivered a 34.5% YoY increase in service revenue driven by growth in voice, data and MoMo. This growth was underpinned by the continued execution of our Ambition 2025 strategy and sustained investments of GHS277 million in capex to support improvements in service quality and the expansion of network capacity and coverage. In the quarter, we rolled out 62 2G, 59 3G and 352 4G sites and modernized 301 4G sites which supported the increase in 4G coverage by 1.2pp to 91.8%.

We also continued to invest in digitising our customer service and improving the Ayoba super app and the flagship MyMTN app. These efforts, along with our CVM and other customer experience initiatives, helped to grow our subscriber base to 27.1 million.

Voice revenue grew by 16.9% YoY to GHS785 million. The contribution of voice to service revenue declined from 38.5% to 33.4% YoY in favour of increased contribution from data.

Our active **data** subscribers grew to 12.8 million and helped drive a 64.4% YoY growth in data revenue to GHS872 million. This was further bolstered by growth in the number of smartphones on the network (+5.8% YoY), data traffic (+51.3% YoY) and megabytes consumed per active subscriber (+32.3% YoY). In line with our strategy, the contribution of data to service revenue increased from 30.4% to 37.1% YoY.

The number of active **MoMo** users increased to 11.7 million and MoMo revenue grew by 26.7% YoY to GHS515 million*. The contribution of Mobile Money to service revenue decreased from 23.3% to 21.9% YoY.

Digital revenue declined by 11.9% YoY to GHS42 million. Digital service remains impacted by recent initiatives to enhance customer experience and rationalization of our digital products portfolio. Our digital revenue growth strategy involves enhancing and scaling our digital messaging channels and adding more value, choice and personalization to our music and gaming offerings. The contribution of digital to service revenue decreased from 2.7% to 1.8% YoY.

Over the period, **EBITDA** increased by 46.6% YoY with margin expansion of 4.9pp to 59.5% partly due to the timing of expenses incurred and cost efficiency initiatives implemented. We will continue to focus on initiatives aimed at sustaining a healthy margin growth in a challenging macro environment.

Finance costs within the period increased by 45.3% YoY driven by currency depreciation impact on dollar denominated leases. Our profit after tax increased by 53.7% YoY.

* Core Momo revenue without related party/intercompany adjustments

Commentary (continued)

Regulatory updates

E-Levy implementation

On 29 March 2022, Ghana's parliament approved the Electronic Transfer Levy Bill. From 01 May 2022, a 1.5% e-levy will apply to selected electronic transactions of more than GHS100 per customer per day on Mobile Money, bank transfers, merchant payments and inward remittances. The levy is a reduction from the 1.75% communicated earlier through the Budget Statement and Economic Policy of Ghana for the 2022 financial year.

MTN is working with all stakeholders to support a successful implementation. To reduce the impact of the levy on customers, from May 2022, MTN Ghana is reducing fees on P2P transactions by 25%. We will continue to engage and collaborate with Government and other stakeholders to ensure the long-term viability of the industry.

National SIM registration extension

The Ministry of Communications and Digitalisation recently extended the deadline for SIM card registration using the Ghana National ID card from 31 March 2022 to 31 July 2022.

MTN is committed to supporting this very important national initiative to register all existing and new subscribers using the Ghana National ID card, to help improve security and reduce fraud in the telecoms and mobile financial services industry.

At the end of March 2022, fifteen million MTN Ghana subscribers had successfully linked their Ghana card to their SIM cards, while nine million had successfully completed the bio-capture phase. We will continue to work with the regulator and National Identification Authority to deploy significant resources to this exercise to ensure customers register within the stipulated time.

Significant Market Power (SMP)

Following the National Communications Authority's (NCA) classification of MTN Ghana as a Significant Market Power (SMP) in 2020, we have implemented three 'SMP remedies' and are in advanced stages of implementing a fourth on national roaming. In the meantime, we have implemented two of the three remaining remedies on a self-regulatory basis and we shall confirm full implementation of these, as and when they are due or defined by the regulator.

The three remedies implemented so far are:

1. The application of a 30% asymmetrical interconnect rate reduction for two years (from 01 October 2020);
2. The review and approval of all MTN pricing by the NCA (since 01 October 2020); and
3. The removal of the on-net/off-net price differential for voice and data (including for below-the-line promotions).

We look forward to updating you further on our progress in due course.

Localisation of Scancom PLC and MobileMoney Limited

MTN Ghana is making progress in fulfilling its commitment to deepen local participation to achieve 30% localisation for Scancom PLC and 30% for MobileMoney Limited. We have increased our localization from 17.5% to 18.7% in the last quarter, with new participation from some local Pension Funds.

Our consultations with the government, regulators and other relevant stakeholders are positive, and we look forward to providing information on our progress in due course.

Commentary (continued)

Outlook

Our macro and business operating environment is facing increasing uncertainty and volatility, exacerbated by global events like the war in Ukraine. It has driven spikes in global oil and fuel prices as well as put pressure on food supply and supply chains generally. In Ghana, these factors amongst others are contributing to significant increases in inflation, fuel price increases and currency depreciation which are in turn resulting in operational expense hikes. For consumers, these trends have put a strain on disposable income and discretionary spend capacity.

The government through the Ministry of Finance and Central Bank has announced some measures to address the macroeconomic challenges faced in Q1 2022.

We are acutely aware of the uncertainties the current macro environment may have on the prospects of the business for the rest of the year, and remain focussed on efficient execution, spend discipline and operational diligence to ensure delivery of our objectives for the year.

We expect to make considerable progress on our localisation strategy and continue to explore national roaming partnerships as strategic priorities for the company.

As we continue to build on the resilience of MTN Ghana in the face of the potential impact of the general macroeconomic volatility and new regulatory developments such as the e-Levy on our business, we remain committed to execute on our Ambition 2025 strategy focused on long-term value creation for stakeholders. Notwithstanding the uncertainties, we are maintaining our medium-term guidance for service revenue growth of high teens (in percentage terms).

MTN Ghana unaudited condensed consolidated financial information for the three-month period ended 31 March 2022

Summary statements of comprehensive income

	Group	Company	Group	Company
	For the three-month period 31 March 2022	For the three-month period 31 March 2022	For the three-month period 31 March 2021	For the three-month period 31 March 2021
	GHS 000	GHS 000	GHS 000	GHS 00
Revenue from contracts with customers	2,355,982	1,859,281	1,752,532	1,346,273
Other revenue	(453)	10,649	-	-
Direct network operating costs	(213,049)	(213,049)	(173,364)	(173,363)
Government and regulatory cost	(47,704)	(47,704)	(38,637)	(38,637)
Cost of handsets and other accessories	(49,860)	(49,860)	(23,948)	(23,948)
Interconnect and roaming costs	(96,151)	(96,151)	(73,034)	(73,034)
Employee benefits expense	(74,810)	(71,000)	(58,721)	(56,864)
Selling, distribution and marketing expenses	(305,104)	(180,888)	(322,843)	(106,344)
Other operating expenses	(165,866)	(161,436)	(105,195)	(102,748)
Earnings Before Interest Tax				
Depreciation and Amortisation	1,402,985	1,049,842	956,790	771,335
Depreciation	(237,818)	(237,095)	(195,246)	(194,754)
Amortisation	(45,120)	(45,120)	(39,740)	(39,674)
Operating profit	1,120,047	767,627	721,804	536,907
Finance income	30,697	21,096	15,547	10,350
Finance costs	(149,200)	(149,978)	(97,081)	(98,618)
Profit before income tax	1,001,544	638,745	640,270	448,639
Income tax expense	(294,051)	(185,210)	(179,983)	(122,493)
Profit after income tax	707,493	453,535	460,287	326,146
Other comprehensive income	-	-	-	-
Total comprehensive income	707,493	453,535	460,287	326,146
Attributable to:				
Equity holders of the company	707,493	453,535	460,287	326,146
Diluted/Basic Earnings per share	GHS 0.058	GHS 0.037	GHS 0.037	GHS 0.027

MTN Ghana unaudited condensed consolidated financial information for the three-month period ended 31 March 2022

Summary statements of financial position

	Group	Company	Group	Company
	As at 31 March 2022	As at 31 March 2022	As at 31 December 2021	As at 31 December 2021
	GHS 000	GHS 000	GHS 000	GHS 000
Non-current assets	6,165,475	6,159,430	6,157,626	6,150,453
Property, plant and equipment	3,983,156	3,977,061	3,906,148	3,898,955
Right-of-Use assets	1,285,962	1,285,962	1,342,204	1,342,204
Intangible assets	752,078	752,078	778,872	778,842
Investment in subsidiary	-	50	-	50
IRU assets	105,364	105,364	88,385	88,385
Capitalised contract cost	37,282	37,282	39,744	39,744
Contract asset	1,633	1,633	2,273	2,273
Current assets	11,882,977	2,469,302	11,367,783	1,829,487
Inventories	35,594	35,391	29,310	29,310
Trade and other receivables	799,011	882,148	568,461	551,306
Other current assets	859,294	482,587	27,431	27,431
Other financial assets at amortised cost	310,326	251,912	142,389	142,267
Income tax assets	289,634	244,418	529,488	442,705
IRU assets	17,337	17,337	14,753	14,753
Mobile Money float	8,687,208	-	8,977,989	-
Cash and cash equivalents	801,060	555,509	995,422	621,715
Investments in securities (MoMo)	83,513	-	82,540	-
Total assets	18,048,452	8,628,732	17,525,409	7,979,940
Total equity	5,071,727	4,324,197	4,363,298	3,870,715
Stated capital	1,097,504	1,097,504	1,097,504	1,097,504
Retained earnings	3,890,710	3,226,693	3,183,254	2,773,211
Other reserves	83,513	-	82,540	-
Non-current liabilities	1,981,672	1,981,855	2,210,988	2,210,803
Borrowings	370,444	370,444	369,774	369,774
Deferred tax liabilities	401,838	403,224	420,857	421,876
Lease liabilities	1,179,598	1,179,598	1,390,212	1,390,212
IRU liability	15,349	15,349	15,703	15,703
Provisions	7,572	7,572	14,442	13,238
Non-current share based payment liability	6,871	5,668	-	-
Current liabilities	10,995,053	2,322,680	10,951,123	1,898,422
Trade and other payables	1,367,713	1,388,197	1,229,416	1,159,162
Obligations to electronic money holders	8,687,208	-	8,977,989	-
Contract liabilities	155,968	155,968	191,558	191,558
Provisions	47,881	42,232	57,702	53,244
Lease liabilities	502,156	502,156	293,526	293,526
IRU liability	1,493	1,493	1,616	1,616
Deferred income	10,933	10,933	-	-
Borrowings	221,701	221,701	199,316	199,316
Total liabilities	12,976,725	4,304,535	13,162,111	4,109,225
Total equity and liabilities	18,048,452	8,628,732	17,525,409	7,979,940

The unaudited condensed consolidated financial information for the three-month period ended 31 March 2022 was approved by the Board of Directors on 26 April 2022 and signed on its behalf by:


Ishmael Yamson
 Chairman


Selorm Addadevoh
 Chief executive officer

MTN Ghana unaudited condensed consolidated financial information for the three-month period ended 31 March 2022

Summary statements of changes in equity - Group

Three-month period ended 31 March 2022	Stated Capital	Retained income	Mobile Money contingency fund	Total Equity
	GHS 000	GHS 000	GHS 000	GHS 000
Opening balance as 1 January 2022	1,097,504	3,183,217	82,540	4,363,261
Profit for the year	-	707,493	973	707,493
Other comprehensive income	-	-	-	973
Total comprehensive income	-	707,493	-	708,466
Transfer between reserves	-	-	-	-
Closing balance at 31 March 2022	1,097,504	3,890,710	-	5,071,727

Three-month period ended 31 March 2021

Balance at 1 January 2021	1,097,504	2,228,282	13,401	3,339,187
Profit for the year	-	460,288	-	460,288
Other comprehensive income	-	-	-	-
Total comprehensive income	-	460,288	-	460,288
Transfer between reserves	-	(7,100)	7,100	-
Closing balance at 31 March 2021	1,097,504	2,681,470	20,501	3,799,475

MTN Ghana unaudited condensed consolidated financial information for the three-month period ended 31 March 2022

Summary statements of changes in equity - Company

Three-month period ended 31 March 2022	Stated Capital	Retained income	Mobile Money contingency fund	Total Equity
	GHS 000	GHS 000	GHS 000	GHS 000
Opening balance as 1 January 2022	1,097,504	2,773,159	-	3,870,662
Profit for the year	-	453,535	-	453,535
Other comprehensive income	-	-	-	-
Total comprehensive income	-	453,535	-	453,535
Transfer between reserves	-	-	-	-
Closing balance at 31 March 2022	1,097,504	3,226,693	-	4,324,197
Three-month period ended 31 March 2021				
Balance at 1 January 2021	1,097,504	1,976,191	-	3,073,695
Profit for the year	-	326,146	-	326,146
Other comprehensive income	-	-	-	-
Total comprehensive income	-	326,146	-	326,146
Transfer between reserves	-	-	-	-
Closing balance at 31 March 2021	1,097,504	2,302,337	-	3,399,841

MTN Ghana unaudited condensed consolidated financial information for the three-month period ended 31 March 2022

Summary statements of cash flow

	Group	Company	Group	Company
	For the three-month period 31 March 2022	For the three-month period 31 March 2022	For the three-month period 31 March 2021	For the three-month period 31 March 2021
	GHS 000	GHS 000	GHS 000	GHS 000
Net cash generated from operating activities	667,774	795,929	414,339	226,320
Cash generated from operations	711,014	781,129	561,616	378,794
Interest received	30,696	21,096	15,547	10,350
Interest paid	(720)	(720)	(4,846)	(4,846)
Income tax paid	(73,216)	(5,576)	(157,978)	(157,978)
Net cash used in investing activities	(745,156)	(745,156)	(90,810)	(83,711)
Acquisition of property, plant and equipment	(243,304)	(243,304)	(79,392)	(79,392)
Acquisition of intangible assets	(19,227)	(19,227)	(8)	(8)
Investment in securities	(482,587)	(482,587)	(7,100)	-
Acquisition of additional IRU capacity	(38)	(38)	(4,311)	(4,311)
Net cash used in financing activities	(116,979)	(116,979)	(276,400)	(276,401)
Obligations under finance leases	(116,287)	(116,287)	(165,000)	(165,000)
Principal element of lease payments	-	-	(111,401)	(111,401)
IRU liabilities	(692)	(692)	-	-
Net increase in cash and cash equivalents	(194,361)	(66,206)	47,129	(133,792)
Cash and cash equivalents at the beginning of the year	995,421	621,715	671,968	518,499
Exchange gain/(loss) on cash and cash equivalents	-	-	1,453	(61)
Cash and cash equivalents at end of the year	801,060	555,509	720,550	384,646

MTN Ghana unaudited condensed consolidated financial information for the three-month period ended 31 March 2022

Notes

1. 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, enterprises solutions, the provision of mobile financial services, the development of strategic partnerships to provide advance services and the provision of consultancy services in the mobile banking space.

The consolidated financial statements are for the Group consisting of the Company, Scancom PLC and its subsidiary, MobileMoney Limited.

2. Basis of preparation

The unaudited condensed consolidated and separate financial information have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standard Board (IASB) and interpretations issued by the IFRS interpretations committee (IFRSIC) of IASB that are effective as at 31 March 2022, and the requirements of the Companies Act, 2019 (Act 992). The condensed consolidated and separate financial information has been prepared on the historical cost basis except for financial assets at fair value through other comprehensive income.

Functional and presentation currency

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

3. Property, plant and equipment & intangible asset

Property, plant and equipment and intangibles are measured at historical cost less accumulated depreciation and accumulated impairment losses. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits, are recognised as intangible assets. During the period, PPE amounting to GHS243.3 million was acquired and capitalized, while an intangible asset amounting to GHS19.2 million was acquired and capitalized. The Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases in line with IFRS 16, and during the period a total amount of GHS14.7 million was capitalized.

MTN Ghana unaudited condensed consolidated financial information for the three-month period ended 31 March 2022

Notes (continued)

Breakdown of CAPEX (GHS 000)

Details	Cash movement	Non-cash / credit	Item total
Property, plant and equipment	243,304	-	243,304
Intangible assets	19,227	-	19,227
Right-of-use assets	-	14,669	14,669
Total CAPEX	262,531	14,669	277,200

4. Contingent liabilities

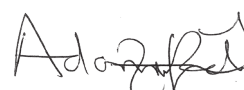
Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities also represent present obligations that arise from past events but are not recognised because an outflow of resources is not probable, or a reliable estimate cannot be made. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised.

There is an ongoing tax audit by the Ghana Revenue Authority (GRA) spanning 2014 to 2018 years of assessment. Discussions were ongoing by the time the financial statements were being finalised for issue. Thus, no reliable estimate could be made of any risk at this point in time.

The unaudited condensed consolidated financial information for the three-month period ended 31 March 2022 on pages 6 to 12 was approved by the Board of Directors on 26 April 2022 and signed on its behalf by:



Ishmael Yamson
Chairman



Selorm Adadevoh
Chief executive officer

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