MTN GHANA

2022 ANNUAL RESULTS CALL TRANSCRIPT

DATE: 02 March 2023

JEREMIAH OPOKU

Good afternoon, everyone, and thank you for joining us today to discuss MTN Ghana's 2022 results for the period ending 31st December 2022. I'm Jeremiah Opoku, Investor Relations Manager for MTN Ghana. Today's presentation will be led by Selorm Adadevoh, CEO of MTN Ghana, and Antoinette Kwofie, CFO of MTN Ghana. Selorm will kick us off by setting the macro-economic context. He will also delve into how MTN is creating shared value, and then talk a bit about the operational performance for 2022. Antoinette will pick the baton and take us to some financial highlights before handing it back to Selorm to conclude with some regulatory and strategic updates. There will be a Q&A session after the presentation, so I entreat everyone to type their questions as the presentation goes along. Without further delay, I will now hand it over to Selorm.

SELORM ADADEVOH

Thank you very much Jeremiah. I'll take you through the presentation, MTN Ghana results presentation that you can see on your screen, I hope you can all see this on your screen. We will go to the next slide, on the agenda page, then would go through five main topics for today, highlights and microeconomics context, creating shared value, operational financial review, regulatory updates, and then I'll end with a strategic update, and looking ahead. The next slide takes us into the highlights and macro-economic context, and if we go two slides down, to slide number six, number five, thank you. This slide takes us through the macroeconomic environment, as most of you will be aware, 2022 was a tough year for us in Ghana on a number of different dimensions, starting off with inflationary pressures, and also on currency pressures, which is the graph on the right side, the left side is inflationary curves throughout the year. We started the year on an inflationary level of about 12.7% and exited in the month of December at about 54.1% inflation, and this is unprecedented in the last several decades, and suddenly gave us a context of very significant pressure on our costs, operational costs, as well as managing the business overall. On the right side is the Forex trend, which had some severe spikes during the year. We went from the start of the year Forex of about $6 to the Cedi on the currency and ended the year at about 10.6%, but on a high of about GHS15 to the dollar, before the end of the year cycle. We have seen some stabilization of the spikes as far as the Forex devaluation goes, but certainly an area that we're quite concerned about, and the implications for the business, also traverse various elements. For example, operational costs went up significantly, our fuel costs increased by over 134% during the year, and other costs such as utility costs, particularly our electricity and water tariffs also went up by over 27% on electricity, and over 21% on water. All of these gave us a context of a very tough environment, a very tough operating environment, not only for running the business, but also implications on the consumer wallet, which would also reduce the discretionary spend potential on mobile services.

The next section takes us through creating shared value. In all of this, while we continue to, while we continue to drive growth in our business and manage the business in a very tough environment, our obligations and our commitment towards our community continues to be paramount. Touching lives in any way we can, across the three dimensions of our MTN Foundation, education, health, and economic empowerment, continues to be a priority, where we allocated 1% of profit after tax, GHS28.3 million to corporate social investments. We've increased our investments in different areas. We ended the year with 88 education projects, 54 healthcare projects, 13 economic empowerment projects, and 4 community support initiatives. This in total gives us 159 projects in total for social corporate investment in the history of our foundation, and a total investment of over GHS93 million converted, in Cedis at the time. In all of this, we've touched over 4.5 million lives through our efforts in corporate social investments and will continue to invest in this space as we go forward, aligned to our ambition 2025 strategy.

Next slide looks at our fiscal contribution as an operator in the country, a significant contributor to Ghana's revenue mobilization, and in 2022, our contributions were more than GHS4 billion, of which GHS3.7 billion approximately were from direct and indirect taxes. The breakdown of the taxes in the slides, the corporate taxes was about GHS750 million. VAT, levies, and duties for GHS1.3 billion, withholding taxes, approximately, GHS540 million, Communication Services Tax GHS400 million, payments to other government agencies, this would be things like passes, right of way access, those types of costs, about GHS300 million, and national fiscal stabilization levy of GHS176 million. Pay as You Earn, the PAYE taxes, an amount of about GHS69 million, and finally E-levy which is a new tax introduced during the year of about GHS414 million. Overall, we take our fiscal obligations, and our statutory obligations, very seriously, and will continue to support the government's development and the growth of Ghana in this light.

The next slide looks at some of our other contributions towards ensuring a viable telecommunications industry through national roaming, or infrastructure sharing, ensuring a long-term viability of the telecom sector. As most of you would appreciate, we've had a sector with an under investment in Capex in the last five years or so, a lot of pressure on infrastructure from a demand that exceeds supply, and in trying to create viability in the marketplace, part of our ambition 2025 strategies network as a service as the 4th pillar. This is also in line with the significant market power obligations, under which national roaming resides. As part of this, and these two objectives, we started a pilot in April 2022 with Vodafone for six months. That pilot ended successfully at the end of September, and we've now signed a national agreement with Vodafone to extend national roaming services. We've also agreed a four-month pilot national roaming program with Airteltigo, and that has just commenced, and we look forward to the end of that pilot, where we can extend the agreement into a national program as well. Finally, broadly, in terms of our investment in infrastructure, we continue to explore ways to impact rural telephony and create opportunities for digital access for the rural communities within Ghana. Our investments and our commitment continue, and this in partnership with governments' rural telephony program, we continue to work with organizations and institutions, such as GIFEC and the Ghana infrastructure fund, as well as government themselves on how to extend communication services to the rural areas, and this investment continues.

The next section takes us into our operational review, where I will touch on some of the key highlights of our financial performance for 2022. This slide gives us a quick snapshot of some of the key metrics of our performance, and I won't go into every single detail. However, I'll touch on some of the key highlights and the drivers behind these. The top left bucket on service revenue presents a GHS9.9 billion revenue for the year 2022, which represents 28.3% growth over the previous year. This growth was largely driven by the growth in data, and the growth in Voice revenue for that year. Data delivered GHS3.9 billion in revenue, representing a growth of approximately 40% for the year 2022. Voice revenue came very strong in the year with a GHS3.3 billion revenue for Voice services, and a year-on-year growth of about 24.5% over the previous year. Mobile Money delivered GHS1.9 billion in revenue, which was a 11.6% year-on-year growth for MoMo revenue. As most of you would recollect from our previous investor calls and releases Mobile Money underwent some challenges during the year in particular links to the E-levy program that was launched on the 1st of May 2022, the phase 1 and the phase 2 on the 1st of July 2022. We have seen quite a strong performance on Mobile Money coming out of the year, and we're hopeful that by mid-year we will have fully recovered from the impact of the E-levy on the business performance.

Digital revenue continues to be a struggle, particularly in line with our ambitions to be transparent, and ensure that customer experience is paramount, at the same time launching new services that will present a replacement revenue for the revenue that we're losing because of the cleanup. We expect 2023 to be the final lap in this journey, where we should see growth going forward for the business beyond 2023.

Our EBITDA continues to be to be a strong component of our performance, where we delivered GHS5.6 billion in terms of EBITDA, i.e., Earnings Before Interest Tax Depreciation and Amortization, which represents a year-on-year growth of approximately 31%. This represents a margin expansion over 2021 of +1.1 percentage points and delivered on earnings per share of about 42.3%. year-on-year.

Our Capex investments continue to be paramount as this is a very heavy infrastructure in the industry, and we see opportunity in Capex investments and infrastructure expansion. I highlighted before that we see a strong data demand, which is much higher than the supply in the market. We also see very strong returns for Capex investments of upwards of 40%, and you'd see our Capex growth of 4.4% on a year-on-year basis. Our profit after tax grew by 42.7% to GHS2.9 billion, and this is reflected in the earnings per share.

I'll take us through the next set of slides where I talk a little bit about some of the drivers of our Voice growth, our data growth, and look at some of the other opportunities we have on the mobile money front. In terms of Voice growth, most of our activities centered around our customer value management, where we look at customized and personalized office to be able to drive growth. This took us from a net addition of about 1 million, to 3.2 million subs during the year. A part of this was also accelerated as a result of the SIM registration program, where we took the opportunity to reactivate subscribers that went dormant and gave them reasons to rejoin the network. This presented a very robust growth during the year for Voice services, and the preceding quarter before 2022 started, we also made some portfolio rationalization adjustments, which also helped the overall portfolio of Voice products, and drove our revenue growth during the year.

On the next slide, we talk about our data revenue trend. Again, very strong growth in data, largely driven by two main factors: One is our data subs growth in the year, which was also very strong, but also, our data sub grew from 12.4 million to over 13.5 million at the end of 2022, so very strong growth in data subscribers. We also grew our gigabits per user per month from about 5.7 to 7.7 gigs per month, per user. Very strong growth in usage as a result of the deepening quality of data and digital services within the country. We do see increased opportunity going forward, with respect to continued growth in usage, as well as expansion and coverage in different areas, as the penetration of smartphones continues to grow, and the usage behavior around data continues to be embedded in the population.

The next slide talks about Mobile Money growth, which really looks at the more subdued growth for 2022, but very encouraging if you look at the acceleration coming out of Q4. Essentially when more growth, like I mentioned, was impacted by the E-levy on a revenue perspective, however, from a net add perspective, we saw very strong growth from 0.4 million the year before, which was understated and definitely not a very good performance in 2021, as we acknowledged, and, but we saw good recovery on subscriber acquisition in 2022, delivering a million net ads for the year. Part of this was better co-ordination between our GSM acquisition and our mobile money acquisition, ensuring that there was a more seamless approach to customer acquisition, and a unified approach to customer acquisition. This is an area where we'll continue to see further enhancements on, in 2023. The breakout of transactions, if you look at the bottom left corner slide, you'd see cash outs, P2P and advanced services. Advanced services grew marginally from 23% as a share of revenue to 24%. P2P dropped from 31% to 22%, on the show of revenue, this was largely impacted by the E-levy. Cash out, which was not impacted by an E-levy, we saw growth in this area from 47% of share of revenue, to 54% of share of revenue. Like I said, we continue to see good trends coming out of Q4. The charts on the right-hand side, both the top chart and the bottom chart, will show a strong trend coming out of Q4, especially the chart at the bottom. We are encouraged, and we really expect to see growth back to normal levels by the mid-year 2023.

We have some new opportunities, which I'll talk about in the next slide when it comes to digital, and we continue to drive in line with our ambition 2025 strategy, our platform approach, looking at Ayoba and looking at other digital services.

So, 4 key areas I'd like to focus on, Ayoba, our Chatbox, Music and Games, and new content. Ayoba primarily we saw an 8.3% growth in our Ayoba subscribers, and we organize some specific areas of education and awareness through an Ayoba Hackathon in the year 2022, these activities will continue, and we see a lot of excitement around some of the propositions within Ayoba. There are some opportunities to improve the product as well, there's a lot of product enhancement going on, particularly on the IOS side, and in general in terms of how we present the opportunities and customizations for customer usage and adoption.
Our Chatbot has allowed us to be more digital in terms of our service offerings and supporting our customers. We've launched the first MTN AI- Zigi Chatbot, where we are expanding our customer services into the hands of consumers. We're hoping the touch points where our Chatbox presents itself will continue to increase, but so far, we've seen very good feedback, we've received very good feedback from customers with an 85% customer satisfaction score, and approximately 250,000 monthly users.
Music and games continue to be a big opportunity for us, we've seen significant growth in our music offerings, we've seen growth in our gaming offerings as well, and the next stage of growth will be how we monetize some of these exciting offers to compensate for some of the revenue lost in the cleanup on the digital side.
We're also looking at new content partnerships, and we've had some partnerships with companies like Boom play and Showmax, and we're also excited about the opportunities these partnerships present for growing overall digital propositions in the years ahead. At this point, I'm going to move to the financial review and I'm going to hand it over to Antoinette, the chief financial officer to take us through the next set of slides. Thank you.

ANTOINETTE KWOFIE

Thank you Selorm, and top of the day to all of you, who are investors. I will walk us through the key highlights in the financial statements and then touch on our cost trends and our Capex plans before handing them back to Selorm. Jeremiah can have the next slide please.

Starting from the top on our income statement, we perform well commercially, which is reflected in a total revenue growth of 28.4%. year-on-year. We saw cost of sales and operational costs grow by 12.8% and 38.1% respectively, and this was, these were impacted by some of the macro-economic issues that Selorm has alluded to, as he spoke earlier. We saw EBITDA increase by 30.9% year-on-year, and the consequent 1.1% margin expansion from the 2021 position. Our EBITDA margin for the year was 56.1%. This is strongly hinged in our strategy around expense efficiency, and spending discipline, in what has been a high inflationary environment. Our net finance costs declined by 26.5 year-on-year, owing to higher growth in finance income relative to finance costs over the period. Here we made gains from the investment of surplus cash in call and fixed term deposits. The net result of all this is a 42.7% year-on-year growth in our profits after taxes.

On the next slide, which looks at the balance sheet, what I'd like to highlight here is that we continue to maintain a healthy balance sheet, with a focus on liquidity preservation. Worth noting here is the decrease in non-current liabilities, which stem from the maturity of one term loan, and one revolver loan, at the end of 2022.

I'll move quickly to the next slide, which speaks about our summary performance. And as I have touched on most of these elements in this slide, I just want to mention and acknowledge the contribution of our strong commercial teams to growing service revenue. You can all see that their diligent work resulted in growth across all our major business segments and led to higher growth in revenue.

On the next slide, I would like to mention the growth in the core business, over a three-year period from 2020 to 2022, consistently, we continue to increase service revenue, and our EBITDA margins reflect the growth, and we have sustained the growth in these top lines as well as the margins. On this slide, Selorm talked about the sustained increase in inflation and depreciation in the Ghana Cedi, throughout the year, this impacted our business quite significantly, with a particular application on our costs. We saw that come through significantly in the fourth quarter of the year, where inflation for the quarter averaged over 48%. In the fourth quarter, we had some of our pass-through tower costs which flowed through in quarter four, as a result of that heightened inflation. We bought some additional undersea capacity in Q4, and some of the operational and technical costs that we saw in Q4 impacted margins for that particular quarter. However, despite this we did deliver a year-on-year expansion in our margins. This is because amidst all these challenges, we explored efficient ways to reduce the impact of the inflationary factors on our EBITDA to protect our margins as best as we could.

On Mobile Money, we saw our Mobile Money revenue grew by 11.6% to GHS1.9 billion in 2022. We saw the EBITDA margins in our Mobile Money business grew by 18.1%, with a corresponding margin expansion of 2.4 percentage points. We continue to grow the business across our quarterly telecoms' infrastructure, and explore exciting new opportunities in the data, digital and Fintech space.

On slide 23, which is our next slide, we talk about our investment in our core Capex. In terms of core Capex, we invested GHS1.9 billion, with a Capex intensity of 17.4%. These investments were made to support the modernization of infrastructure, also to improve our IT systems, and to expand our network capacity and coverage across the nation. To improve our network experience and coverage, we rolled out 400 2G, 400 3G and 1142 4G sites. These investments helped expand our network coverage on 2G, 3G, and 4G to 99.5%, 99.4%, and 99.3% respectively. For 2023, our plan is to spend GHS2.5 billion on Capex, and this amount will be used to maintain our infrastructure, to expand our network, and to build capacity for the growth we foresee in the business. Given the current and expected macro-economic headwinds, we will be exploring some opportunities and some initiatives, including exploring the usage of sites letters of credit to make our offshore vendor transaction payments. This we expect to give us a window that helps us manage our forex exposure better. We will continue to plan our procurement of equipment in a manner that reduces the impact of the devaluation of the Ghana Cedi. As Selorm mentioned, we've seen some stability in the currency so far this year, we don't expect to see a similar depreciation as we did last year. However, we continue to manage our exposure as much as possible. At this point I'll pause, and handover back to Selorm to touch on some regulatory developments over the period.

SELORM ADADEVOH

Thank you very much Antoinette. I'll touch on a few regulatory updates, some of which you'll be very familiar with following the recent calls we had, and I'll start off on the next slide with the GRA update. We did have a release few weeks ago, in January, and in February, about developments with the GRA tax assessment. The position and the status now are that the assessment has been withdrawn, and we'll have further discussions on closing out the audit.
In terms of sim re-registration, just as a reminder, we had the sim registration program start on October 1, 2021. On November 20, 2022, we disconnected several customers because of non-completion of stage two registration. 1st of December, we had the final mandate from the regulator to disconnect customers who had done the first stage, which will be linking their Ghana card to their SIM card and had not yet completed the second stage. So this resulted in a total disconnection of 5.4 million, and, but if you add that to the November 20 activity, we have a total of 5.7 million customers that were affected. To date, we have 1.8 million that have reconnected, and 1.5 million at the end of last year. We continue to work with the regulator on reconnecting and ensuring that we have the right processes in place to reconnect as many

customers as we can and minimize the impact on the business going forward. This remains a major priority for us as a business, and we'll continue to keep you updated.
In terms of E-Levy, I gave a quick update earlier in my presentation. The key update here is in January 2023, there was reduction in e-levy rate from 1.5% to 1%. We've seen quite a good impact on customer usage and customer confidence in using mobile money since then, and we hope this will continue to accelerate the recovery of Mobile Money from the declines that we saw last year.

In terms of localization, we continue to make progress on our localization efforts. As you may recall localization was to synchronize both the Scancom PLC localization requirement by the National Communication authority, with the requirements of the Bank of Ghana, under the Payment Systems and Services Act, the PSSA to 30%. In the year 2022, were achieved an additional 6.8 percentage points, localization, to end at 23.7%. We continue to finalize plans and engagements and discussions with different institutions and strategic investors to ensure we close the gap and complete the process as soon as possible. Discussions continue with the central bank on the deadline for May, and we do have a current extension of that to the end of December. We will continue to put in all the efforts to ensure compliance with the requirements of the PSSA, and the central bank as well as the NCA.

The next section talks about our strategy, and I'll give you a quick update on how MTN Ghana is delivering on ambition 2025, and where we expect to go in the coming years, including 2023. The first slide talks about the different opportunities we must continue to take the opportunity to the market when it comes to ambition 2025, seeking to become a platform player. I'll focus more on slide 29, which talks about some of the tactical activities and how we see the opportunity going forward. We think about the business in two ways. The first one is our current business, which is primarily our Voice and data business, we classify as our traditional GSM business and then the new areas of growth we classify as a platform business, of which we have five, and you would see this under the ambition 2025 pillars as well. In terms of traditional business, which continues to be a significant portion of our business, even today, we still see a lot of opportunity in the traditional business. Granted, the future of that business continues to be much slower from a growth perspective than the new areas, and we're looking forward to driving as much value as we can in the existing business. Some new areas and opportunities within the traditional business will be the content side of things, as well as the home business, which we see as an extremely important pillar in continue to drive connectivity and moving up the value chain into consumer IoT and content. Today, there's about a 7% penetration in home, high-speed internet. We see a huge opportunity there from fiber and fixed wireless access, and we would expect to see a deeper penetration of home, come 2025 and beyond. As far as the core Voice we continue to see growth in Voice and potential, acknowledge that the growth year-on-year will continue to be slower and slower. The opportunities there really protect the declining rate of growth of Voice and ensure that we maximize the opportunity there, while we grow the new areas of revenue potential, in home, in content, as well as in the platform space. As far as our platforms are concerned, we have five key platforms, the most mature of which is the FinTech platform. Today, despite the E-Levy, we do see a massive opportunity for FinTech growth within the market. To be honest, we're only scraping the surface as we speak, a lot of the activity in FinTech, and the levels of activity, and frequency of activity are still modest. We see a big opportunity and ecosystem play, where we move from retail strategy to platform strategy that can accelerate the ecosystem for all players in the FinTech space. We expect to see significant growth going into the future from the FinTech side of things, not only from a consumer penetration standpoint, but also from an interconnectedness within the ecosystem and a broader participation by numerous players.

On Ayoba, we're continuing to ensure we have the right product market mix and fit, and this is a priority for us in 2023. However, being a super app and having a super app as the ambition, we see this as a significant player in driving innovation within the market and ensuring participation by new and upcoming youth developers on specific localized products, that can help to serve Ghanaians'. Monetization through advertising and B2B models will be one of the things we continue to drive and explore and seek and how to use music and gaming as a pivot for revenue generation within the Ayoba space.

On the enterprise side, we continue to see SMEs as a big area of focus for us. Building the product portfolio to be able to simplify access to digital services by SMEs and increase the relevance of everything we do around convert services, and digital services, for the SME will be the key priority on how we expand that platform into 2025.

Network as a service, we've seen quite some good progress in 2022, however the deals that we currently have with Vodafone and Airteltego are limited to 2G and 3G, and we expect to continue to 4G, and in the event that 5G becomes available, expand that into 5G as well. We see network as a service as the future, it makes us have a more efficient infrastructure, would have better returns for Capex spend, because we're monetizing the asset a lot more, and we should see an improved return on assets for our asset base overall, with the network as a service strategy. This is something we're very supportive of, and we'll continue to work in partner with the government to ensure that we can extend this to the levels that it should perform at.

Chenosis, this is quite a green area for us, we continue to build a structure to support Chenosis growth. There are two or three key areas for Chenosis, which is the market development stage, where we need to ensure that other potential partners understand the value this can bring, but also ensure that they develop in the right technology base to participate in the Chenosis world, and the Chenosis marketplace. We will continue to drive growth here, build APIs to ensure that people have access, and we're in the process of releasing one or two key API's, new customers who have signed up. We'll give you more updates on this in the coming months, but it is a very exciting innovation for us, and we hope we'll continue to see significant growth here. We're still testing the market on some of these, but it is very exciting for us when we look at the future of the business. We look at the opportunities that are open to us and what we could do as a Telco player seeking to become a diversified Telco platform player by the year 2025, and a full platform player beyond 2025.

In terms of looking ahead in the next slide, in the next section, I'll start off by quickly updating you on our delivery of our results to the targets that we promised. I will also share with you our forward-looking targets that have now been revised. On this slide, I look particularly at the 2022 performance with respect to the targets we set. On service revenue, we set a target of high teens and we delivered 28.3% performance, hence we committed to improving margins, we went from 55% in 2021 to 56.1% in 2022, a 1.1 percentage point expansion. On a Capex intensity, we promised an improvement on core Capex intensity, however, we went backwards on this one from 15.7% to 17.5%. Part of this was as a result of the Forex devaluation, which meant we needed more Cedis to drive the programs that we are committed to, to deliver the 28.5% top line growth. We will continue to be cognizant of the implications of Capex for our business, but also ensure that we're prudent in our judgments around how we spend in this area. To give you some comfort, our ROIC on Capex continues to be upwards of 40%, and that should give you some confidence that we are delivering value for the investment in Capex that we bring to the business. In terms of dividend, our payout ratio was 60 to 80%, and currently, the proposed ratio is 70.6%, subject to approvals by shareholders in the May AGM.

In the next slide, I'll walk you through our revised targets. We've had to look at the last two to three years, and assess our targets, and our commitment to the market, and we've revised a couple of key areas in the stack. I'll walk you through these. In terms of service revenue, we've revised our targets from the high teens to low 20s. And we expect this to be a medium-term gauge, looking at the next three years or so, where we can deliver good service revenue to the business.

Our EBITDA margin at 56% plus, we expect to at the very least maintain these margins going forward, of course, looking at prudent expenditure and continue to invest very heavily in our expense Efficiency Program, and this will help us do that, while we invest strategically to drive growth in the new areas that we're investing in to secure the future of the business over the next 5 to 10 years.

Capex intensity will continue to improve on core Capex intensity, and our ambition is to be more efficient on Capex deployment, engage in different strategies to maximize the assets such as infrastructure sharing, and this should help us deliver a better return while we maximize the opportunity on the top end, as far as revenue generation from our asset is concerned. On dividend payment payout ratio, we will maintain our 60% to 80% ratio, kindly delivered in the last three years 70% plus, and we hope we can continue to deliver this, but certainly our payout ratio will stay the same, 60% to 80%.

This brings me to the end of our presentation. I'll hand it over to Jeremiah the moderator and then we'll take any questions you may have. Thank you very much.

JEREMIAH OPOKU

Thank you. Thank you, Antoinette, and thank you Selorm. I'll now read our first question.
MTN Ghana recently announced plans to invest 1 billion in Ghana over the next five years, this implies a ramp up in Capex intensity, over 20% by my calculation, is this the case, or is there something I'm missing.

SELORM ADADEVOH

Thank you for the question. So MTN Ghana has spent in the last three years, upwards of $200 million per year in Capex, and therefore this is not actually increasing our Capex by upwards of 20%. We maintain our annual commitment to a 200 million minimum Capex investment. If you think about our revenue targets being in the low 20s, this would be a decline in Capex intensity at this rate if we maintain those numbers. I'm not sure where that 20% comes from, but certainly not a 20% increase on Capex expenditure. Thank you.

JEREMIAH OPOKU

Okay, next question, a compounded three questions. First, on Capex, you mostly give guidance, but didn't this year, why not, and is this in USD to GHS, that's Ghana Cedi to Dollar. Second, is there any regulatory impact from missing the localization deadline. I see you expect completion in the shortest possible time, does that mean you are close to a transaction. And third question, if I may, and lastly, has the GRA assessment been fully dealt with, and are there any significant contingent liabilities.

SELORM ADADEVOH

Okay, so I would have Antoinette take the last question. So, Jeremiah if you just want to repeat the second question, it wasn't too clear about the transaction.

JEREMIAH OPOKU

Okay. So, the second question is, is there any regulatory impact from missing the localization deadline, I see you expect completion in the shortest possible time, does that mean you're close to a transaction.

SELORM ADADEVOH

Okay, so in terms of localization, a deadline agreed with a Central Bank was May 2023, so the deadline is not yet up. However, that deadline has been extended to the end of the year, December 2023. We are continuing to work to ensure we can achieve the 30% shareholding by the end of the year. Okay, thank you.

In terms of the guidance, we usually comment on our Capex commitments for the year, and this year, our Capex commitments will be $220 million, but again, because of the strong Forex devaluation last year, again we made some adjustments to the Cedi equivalent of that number, which is about GHS2.5 billion. During the year, we'd have to evaluate how things go. We hope that Forex be more stable and therefore we stick within that range. But depending on the dynamics, we may have to make some decisions on how we spend the allocated funds. Thank you. I'll hand it over to Antoinette.

ANTOINETTE KWOFIE

Thank you, Selorm. The question was whether the GRA assessment has been fully dealt with. The GRA assessments, as we all know, have been withdrawn, and there are discussions to be held between the GRA and MTN on the way forward. That meeting is yet to happen, and we will keep investors updated on any developments. Are there any significant contingent liabilities, not at this point in time. As we have stated in our investor releases, MTN is confident that we have paid all taxes due, and we do not have contingent liabilities related to this assessment. Thank you.

JEREMIAH OPOKU

Okay, thank you Antoinette. The next question, and it's on EBITDA margin. So, Q4 saw a dramatic decline to 52%, is this the margin we should expect for Full year 2023? Should we expect a decline in margins for the full year 2023.

ANTOINETTE KWOFIE

To answer that question, in our presentation we highlighted that. We saw significant headwinds in Q4, we saw the Q4 inflation was about 48.3% average, just for the quarter. Before that, the year-to-date inflation average from January to September was about 25%. With some of our tower contracts, we have passed through costs, which flow through to us once the inflation and the tariffs etc. change. We saw quite a significant headwind related to this in Q4. I also mentioned that we bought some additional undersea capacity for our international link in December. And there were several operational expenses that we had to take, some were one off in nature, for instance, the undersea capacity is not expected, the impact is not expected to recur in 2023. What does this mean for our outlook on EBITDA margins? As Selorm just stated, over the medium term our guidance is to maintain our EBITDA margins to a large degree, so we maintain that guidance. Thank you.

JEREMIAH OPOKU

Thanks, Antoinette. I'll take the next question. It says congrats on the great results and nice to see a full presentation and the update to revenue guidance. How much of this is inflation or pricing related, versus volume growth. Has the mobile revenue mix changed towards the end of 2022. Has cash out as percentage started to decline, or still close to 54%. Also, what will the impact of Sim registration be on income statement in 2023. So maybe if I'd like to, do you want me to take those questions again,

JEREMIAH OPOKU

The first question was how much of the revenue guidance was inflation pricing related versus volume growth.

SELORM ADADEVOH

Okay, so to be honest in 2022, we had a plan in quarter four, to increase our prices by about 20%. Unfortunately, we couldn't get the approvals required, as we're now a significant market player, and we had to seek the authorities' alignment and approval to go ahead with our price increase. That price increase was approved in February this year, and not at 20%, but at 15%, so that has just been passed. The 2022 numbers do not include a price increase on a nominal price basis. These numbers are largely non-inflation adjusted. The question was about 2023, and how much of that is inflation adjusted? We expect our average monthly inflation for 2023 to be in the range of about 25 to 30%. However, if we look at the price increases, we have currently, it's only at 15%, which should be less than half that amount, we also did not have a price increase last year. The cumulative effect of pricing on inflation is much less than 50% if you start the curve from 2022. We will continue to try to optimize our pricing, our effective rates per MBs and MOUs as well, and work with the regulator to see what adjustments can be made, especially considering the steep devaluation of currency on top of inflation. But these are discussions that we'll continue to have in pursuit of the right price and increases to sustain the business going forward. Thank you.

Now there was a question on the Mobile Money revenue mix and how that has changed. Coming out of Q4 the mix itself did not change significantly. But with a reduction in E-levy from 1.5% to 1%, which affects transactions such as P2P, merchant payments, we are seeing emergent shifts in revenue mix, and we expect to see a reversal over time of the mix, reducing cash outs, and increase in the other services, especially advanced services. So that's the expectation, current signs are in that direction, but too early to conclude on that.

The final question was around the SIM registration impact on 2023. On Sim registration, currently, we've complied fully with the directives given. Some new directives are being discussed, and I'm sure in Q1 updates, we'll be able to share more on that. Our goal is to continue to manage this as best as we can. The breakdown is that of the 5.7 million customers that were barred, we currently have recovered 1.8 million, and continue to work with customers to reconnect. There is a portion of the customers, the 3.9 that have not yet reconnected, that have very low revenue, and in some cases, zero revenue at all. We continue to prioritize the higher revenue generating subscribers, to ensure that we minimize the impact on the business. I do want to point out though, that there is a group of customers, that have not done stage one, about 7.5 to 8 million customers, for which the current barring does not apply, but that group remains a risk depending on what decisions are made in the future. Our current operational priority is to encourage and reactivate as many of those to get the Ghana card and do the stage one and stage two registrations. But of course, there are some limitations on the availability of the Ghana card, and once we have more progress on that, we'll be able to accelerate the reactivations of that group as well. Trust that management prioritizes SIM registration, we understand the potential implications on the business, and we'll do everything in our power to ensure we put the right investments and resources to accelerate it and maximizing the SIM registration opportunity. Thank you.

JEREMIAH OPOKU

Okay, the next question. What percentage of revenue does fiber to home make up, and what do you think this will be in five years. How much do you have to spend to get there, and who are the key competitors.

SELORM ADADEVOH

Okay, so fiber to the home is less than 1% of our total revenue. It's hard to give how much we're going to spend over the next five years, because we must look at a different strategy to scale fiber. Two things, fiber is a very high Capex investment, if you think about the level of penetration of fiber within the country itself is very low, and therefore, the requirements to fund an aggressive national fiber investment will be extremely high. Our goal is to look at different models of partnerships, to be able to ensure that we do build that business and take the opportunity that it presents, without necessarily being the sole financier of a Capex investment. These discussions started at a very early stage at this point. It's hard to say, you know what this means from a Capex perspective, it also is hard to say what the actual model will be, to tap the opportunity. We're also looking at other ways of reaching the home, including fixed wireless access, both on 4G and potentially on 5G. Our strategy to tap the home, traverses' fiber, 4G and 5G fixed wireless access services. In due course, once we build this out, and we see what other regulatory provisions we can get, we'll be able to comment more holistically on the potential strategy and cost of the business in exploring, exploiting this opportunity. Thank you.

JEREMIAHOPOKU

Thanks. Next question. You maintained your high teen revenue growth guidance throughout the year, despite getting service revenue growth of slightly below 30%. Why are you still maintaining such low guidance for Full year 2023. What shocks are you expecting.

SELORM ADADEVOH

First, we maintained our guidance throughout the year last year, as a result of certain uncertainties around some of the discussions we're having around policies, E-levy was one of them, Sim registration was another. And the timing of different interventions along these two axes were very unclear, and we felt it would be premature to adjust the guidance for which you had massive uncertainties that were looming. So that's the key thing, as we continue to look at our guidance for 2023, SIM reg continues to be, you know, a risk for us as a business that we acknowledge. Like I said before, we'll do all we can to minimize that, but we have to factor different scenarios of that into our projections forward. Secondly, we're also looking at opportunities around MoMo recovery, and again, our target is to recover that fully by mid-year, after which we'll have more certainty on how to drive growth in that entire ecosystem. These considerations have been taken into account for the valuation of our targets going forward. I hope that clarifies the question. Thank you.

JEREMIAH OPOKU

Thanks, Selorm. I'll take the next question. Do you have regulatory permission to raise prices, and if not, what are the steps and difficulties involved in getting permission to raise prices at this time.

SELORM ADADEVOH

Thanks for the question. So as a significant market player, we are required, as one of the seven remedies, for any price changes we make within our portfolio, to be approved by the regulator. We won't have permission to increase prices, but at a point where we had a proposal to increase prices, we'll have to seek regulatory approval, and that's what we've just done for the February 2023, 15% price increase. In the future, once we have another proposal on price increases, we'll have to go back to the regulator to seek their approval, and that's basically what the process requires. Thank you.

JEREMIAH OPOKU

Thank you, Selorm. In the interest of time, I'll take the final two questions. The first question. Can you shed some more insights on the proposed dividend distribution alternatives. And the last question, so MoMo advanced service growth was slow, supposed to be the focus of the future, and cash out was highest, is there risk that people are cashing out to leave MoMo completely. Those are the last two questions.

SELORM ADADEVOH

Okay, so let me take the MoMo question, and Antoinette will take a question on the dividend alternatives. In terms of MoMo growth, yes, you know, we saw an unusually faster growth in Cash Out than the other services in 2022. The primary reason for this was the E-levy qualified certain transactions to be charged the extra tax of 1.5%, and this excluded Cash Out. From our perspective, a lot of people saw the MoMo wallet less as a transactional wallet, but more as a storage wallet where they put funds in and take the funds out when they're ready to use the funds. This will drive increased activity in Cash Out, it will drive increased revenue for Cash Out, but will not necessarily translate to usage across the broader services that MoMo offers. With a reduction in the E-levy from 1.5% to 1%, we're seeing a better appetite for usage in the other areas that are non-cash out related, even areas that, areas for which the E-levy applies because of the reduced rate of taxation on those transactions. When we talk about the recovery by the mid-year, what that means is we should see healthy growth in usage on alternative transactions, including advanced services, and P2P in the coming six months, to continue to rebalance the weights between the proportion of revenue that comes from Cash Out, and the proportion of revenue that comes from advanced services and P2P. We will continue to drive this as part of our strategy, and our incentives, in our education awareness programs to ensure that the future of mobile money relies very heavily on the advanced services components, where there's a significant future opportunity for the business. Thank you.

ANTOINETTE KOWFIE

Thank you very much Selorm. To add, our float balance has increased over the period as we've published, and so people are not actually leaving MoMo, like Selorm said, they're using it as a storage mechanism.

On the dividends, historically, we have paid out dividends only in cash. What we have said in our investor release is that for this year, we are exploring providing investors with the option of either taking their dividends in cash, or to take it in bonus shares. Once we've explored this fully, and we've gone through shareholder, and regulatory approvals, we will come back to investors to let them know the modalities around this, around opting for either shares or cash by a particular date, and we will keep all informed. Thank you.

JEREMIAH OPOKU

Thank you, thank you Antoinette. Selorm, do you want to make any closing remark.

SELORM ADADEVOH

Yes, thank you. Thanks Jeremiah. First, I just want to say a big thank you to our investors and shareholders for their support, and for the confidence in us, and my management team. I also want to say a big thank you to the Board for their support strategically through a very difficult year, and to my management team who have been excellent in delivering and executing the tasks and strategies that we have developed. While we recognize that 2023 still presents several uncertainties and challenges from an economic and macroeconomic standpoint, we are confident that we'll continue to put in our best mind, and thought, in how we navigate these challenges to deliver on the targets that we've set forth. This does not mean that we don't recognize the significant challenges that 2023 presents, especially considering some of the key interventions by government, the key trends on Forex and inflation, as we stand today, February 2023, and March 2023. But we're hopeful that we'll find the right approaches to navigate these and continue to deliver strong performance for the business. We thank you for your attention, and we'll be available offline, I'm sure Jeremiah will close out with, you know, those who have further questions and how you can reach us. Thank you very much and I hope this has been helpful to you all. Thank you.

JEREMIAH OPOKU

Thank you Selorm, and yes, I will close by thanking everyone for joining us. If you have any further questions, please contact me after the call, and I'll be happy to assist. Note that we will update the abridged deck presentation slides that we use for this on our website. You can visit https://mtn.com.gh/financial-reports/ to download the slides, and we'll also make available the transcript in the coming week. Thank you very much.