

## Scancom Plc 1H2023 Results

Current rating **UNDER REVIEW**

Ghana | 01 August 2023

### The Power Duo: MoMo and Data Propelling Growth

**Scancom PLC (“MTN Ghana”) released its unaudited 1H2023 financial results yesterday, posting robust revenue growth, strong EBITDA margins, and a significant expansion in earnings outturn. In line with our expectations, data (+41.0% y/y) and mobile money (+48.8% y/y) revenue largely drove performance. Surprisingly, voice revenue (+13.9%) continued to grow steadily in double-digit numbers, despite mobile subscribers decreasing by 1.6% y/y to 27.3mn, primarily due to disconnections related to SIM registration directives. Nonetheless, MTN Ghana increased its active data and mobile money subscriber base by 7.6% y/y and 21.5% y/y to 14.1mn and 14.2mn respectively.**

#### Performance: Data and MoMo drives performance

- MTN Ghana’s net profit increased by 27.9% y/y to GHS 1.7bn mainly on the back of a significant expansion in topline
- Service revenue increased by 32.3% y/y to GHS 6.2bn, driven largely by strong data and MoMo income
- Data revenue increased by 41.0% y/y to GHS 2.6bn, on the back of growing traffic and upward price revisions
- The substantial increase in data traffic (41.9% y/y) was driven by the growing demand for data, anchored on the 7.6% y/y increase in active data subscribers and the 31.8% y/y growth in MB per active user per month
- As expected, mobile money saw a remarkable increase in its revenue, jumping from 9.0% y/y growth in 1H2022 to 48.8% y/y in 1H2023
- This growth was supported by a 75.3% y/y and 58.8% y/y increase in cash-out and advanced services revenue, respectively. Peer-to-peer revenue, however, declined by 4.8% y/y due to changes in consumer behaviour post e-levy implementation
- Despite the 1.6% y/y decrease in subscriber numbers due to SIM registration directives, MTN Ghana managed to grow its voice revenue by 13.9% y/y to GHS 1.8bn on the back of several customer value management initiatives
- Total cost increased by 33.5% y/y to GHS 2.7bn in 1H2023, owing to the prevailing inflationary pressures and increase in IFRS 16 lease costs treatment
- On account of the heightened cost pressures, the EBITDA margin declined by 130bps to 56.1% in 1H2023 although EBITDA outturn increased by 30.9% y/y to GHS 5.6bn
- Overall, net profit margin increased by 289bps to 28.8%

#### Outlook: Robust earnings performance barring regulatory disruptions and heightened cost pressures

- In our previous publication, we expected MoMo revenue to strengthen, voice growth to soften, and data to wax stronger. These expectations were largely realized in the 1H2023 performance
- In this publication, we remain bullish on MTN Ghana’s revenue outlook but maintain our concerns over the impact of the challenging macroeconomic environment and regulatory disruptions on earnings margin momentum
- In our opinion, growth will primarily be driven by data and MoMo revenue lines
- We believe that the growing demand for data will be sustained in the medium-to-long term as consumer behaviour and smartphone penetration continues to increase megabytes consumed per active subscriber, creating higher data traffic
- Moreover, given MTNGH’s CAPEX spend of GHS 2.2bn in 1H2023, we are convinced that MTN Ghana is committed to investing in bridging the data infrastructure gap. This will improve service quality, expand capacity, and extend network coverage further to support data subscriber growth, consumption and revenue
- Furthermore, with MTN Ghana already achieving 99.3% population coverage in 4G networks, we are confident that data growth will remain strong in the short-to-medium term (1 - 3 years)
- With regard to MoMo, we have observed a positive impact resulting from the reduction of in the chargeable e-levy rate from 1.5% to 1.0%. Customers’ worries have started to diminish, leading to increased activity on the MoMo platform as a whole
- In our view, competitors will be unable to nip significant market share from MTN Ghana in the near-to-medium term as they have not made comparable investments in scaling their platforms for advanced services and expanding their agent infrastructure, unlike MTN Ghana
- On voice, we still expect growth to soften as consumers shift towards using data, even for calls. Additionally, we believe that the full impact of the SIM disconnection activities carried out on 1st June, 2023, will be felt in the subsequent quarters
- On regulations, we continue to caution that the major setback to performance is the directive on regulating voice, data and SMS prices, as this tampers with margins
- Overall, we maintain a positive outlook for MTN Ghana in the subsequent quarters

#### Interim Dividend Announcement

- MTN Ghana declared an interim dividend of GHS 0.05 per share for the 1H2023 financial period.
  - o Ex-dividend date – Wednesday, 16 August 2023
  - o Qualifying Date – Friday, 18 August 2023
  - o Payment Date – Friday, 8 September 2023

## Valuation: Under Review

- We are in the process of initiating coverage on MTN Ghana and have therefore placed our recommendation under review
- MTN Ghana is trading at a current P/E of 11.1x and trailing 12-month P/E of 5.6x
- The large telco is also trading at a current EV/EBITDA multiple of 5.1x and a trailing 12-month EV/EBITDA of 2.8x

## Investor Call

- MTN Ghana will be hosting an investor call on Wednesday, 2nd August, 2023 at 13h00 GMT to discuss their 1H2023 results. Please click [here](#) to register for the call.

## Analyst:

Clevert Boateng: +233 30 825 0051

For further information, please contact our Research Team. T: 233 308-250051 | +233 302-252517 Email: [research@icsecurities.com](mailto:research@icsecurities.com)

### Disclaimer:

This report is designed to be utilized by qualified institutional and professional investors only. Private investors must consult their investment adviser or broker for professional advice before seeking to act on the contents of this report. This advice has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. IC Securities' investment research reports are provided for informational purposes only. All information provided in this report is the intellectual property of IC Securities, is for the use of intended recipients only, and may not be reproduced in any form whatsoever without the express written consent of IC Securities. Descriptions are not intended to be complete and cannot be guaranteed to be accurate; therefore, IC Securities does not assume any legal liability or responsibility for any inaccuracies or misrepresentations contained in this report. Neither IC Securities nor its management, officers or employees accept responsibility or liability for, or make any representation, statement or expression of opinion or warranty, express or implied, with respect to the accuracy or completeness of the information or any oral communication in connection therewith. There may be regulatory or confidentiality obligations which prevent IC Securities from disclosing information, material or otherwise, which would normally be expected to be included in this report. The price of any securities stated in this report is the reported market price as of the date indicated, taken from sources IC Securities believes to be reliable. IC Securities does not represent that this price may be achieved in any transaction. Due to the inherently illiquid and relatively opaque nature of most of the Firm's coverage markets, any price stated in this report may not reflect the true trading price of the security referenced. This document does not constitute an offer by, or on behalf of IC Securities to enter into any transaction with you and will not form the basis of a contract for any such transactions. This report does not constitute an offer to sell or solicitation of a purchase order in respect of any securities, derivative or other instrument by the Firm.

