

## Scancom Plc 1Q2024 Results

Current rating **UNDER REVIEW**

Ghana | 02 May 2024

### A beacon of growth

**Scancom PLC (“MTN Ghana”) released its unaudited 1Q2024 results on 30<sup>th</sup> April 2024 and in line with our expectation, posted a significant 49.3% y/y improvement in earnings outturn to GHS 1.1bn. Revenue surged by 32.5% y/y to GHS 3.8bn while EBITDA improved by 31.6% y/y to GHS 2.1bn. As anticipated, MTN Ghana’s performance was chiefly bolstered by robust growth in data (60.0% y/y) to GHS 1.8bn and mobile money revenue (+35.5% y/y) to GHS 870.6mn. Additionally, voice revenue was broadly flat, registering a 0.9% y/y increase to GHS 895.1mn. Furthermore, the company experienced an increase in mobile subscriber numbers, up by 1.2% y/y to 27.8mn. MTN Ghana successfully expanded its active data and mobile money subscriber base, growing by 15.3% y/y and 16.1% y/y, respectively to reach 16.0mn and 15.6mn subscribers. Amid the macroeconomic headwinds and election uncertainties, the company continues to pursue its Ambition 2025 strategy by investing in the development of its platforms as well as preserving liquidity and strengthening the balance sheet. In our view, the results of this strategy have been impressive so far. In the outlook, MTN Ghana maintains its medium-term guidance of high-twenties (in percentage terms) growth in service revenue.**

#### 1Q2024 Performance: Data and Momo revenue power topline growth

- MTN Ghana’s net profit surged by 49.3% y/y to GHS 1.1bn, largely on the back of a significant growth in topline (+32.5% y/y, GHS 3.8bn) and finance income (+87.6% y/y, GHS 116.4mn) alongside a 42.2% y/y decline in finance cost to GHS 154.2mn
- Service revenue increased by 32.4% y/y to GHS 3.8bn, driven primarily by data and MoMo income
- Data revenue surged by 60.0% y/y to GHS 1.8bn, supported by the implementation of data pricing initiatives in 4Q2023
- The 16.3% y/y growth in data traffic was underpinned by a 15.3% y/y increase in active data subscribers and a 6.0% y/y increase in MB per active user per month
- Also, mobile money significantly advanced by 35.5% y/y to GHS 870.6mn in 1Q2024
- The growth in mobile money was supported by a 16.1% y/y increase in active users to 15.6mn and growth in cashout services (+23.0% y/y), P2P (+41.6% y/y) and advanced services (+60.5% y/y)
- Additionally, voice growth was flat with a 0.9% y/y increase to GHS 895.1mn. Management attributed the sluggish growth to pending regulatory approvals in support of price optimization initiatives. This underscores our longstanding view of regulatory directives on voice, data, and SMS pricing as a key headwind to margins.
- Depreciation and amortization increased by 43.9% y/y to GHS 513.7mn during the period, largely due to new licenses and sites
- Finance cost slumped by 42.2% y/y to GHS 154.2mn.
- On the other hand, finance income increased by 87.6% y/y to GHS 116.4mn from gains on surplus cash invested in call and fixed-term deposit
- Furthermore, total costs increased by 33.6% y/y to GHS 1.7bn, reflecting the high inflationary environment. However, management intends to explore different strategies to reduce expenses through its expense efficiency programme
- Despite increased cost pressures, EBITDA increased by 31.6% y/y to GHS 2.1bn. However, EBITDA margin inched down by 0.4pp to 55.9%
- Overall, net profit margin increased by 3.3pp to 28.9%

#### Outlook: Revenue expansion and effective cost management strategies to drive bottom-line growth

- We are bullish about MTN Ghana’s revenue and earnings outlook, despite macroeconomic headwinds, election uncertainties and regulatory challenges
- We expect the strategy of cost efficiency to improve margins in the near term as well as maintain its medium-term guidance of high-twenties (in percentage terms) growth in service revenue
- Revenue growth was underpinned by investments to maintain high network quality, enhance IT systems, and expand coverage and capacity. We anticipate that MTN Ghana’s ongoing investment in platform development, aligned with the Ambition 2025 strategy, will sustain top-line growth and yield positive bottom-line results
- We maintain our outlook that data and MoMo revenue streams will remain the primary growth drivers for MTN Ghana. We believe the sustainable growth trajectory of MTN Ghana’s data revenue into the medium term is bolstered by an expanding data subscriber base, which continues to drive data traffic amid increasing smartphone penetration.
- On the national roaming update, MTN Ghana has signed a long-term agreement with AT (formerly AirtelTigo), effective from January 2024, and is in the final phase of negotiations with Telecel (formerly Vodafone). We believe these partnerships will continue to generate streams of revenue and increase utilization of MTN’s network infrastructure
- We observe that consumers are adapting to the e-levy charge, reflected in increased engagement across the MoMo platform
- 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 year ahead

#### 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 18.8x and a trailing 12-month P/E of 4.8x
- The large telco is also trading at a current EV/EBITDA multiple of 8.1x and a trailing 12-month EV/EBITDA of 3.5x

#### Investor Call

- MTN Ghana will be hosting an investor call on Thursday, 02 May 2024 at 14h00 GMT to discuss their 1Q2024 results. Please click [here](#) to register for the call.

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