

SCANCOM PLC. | MTNGH

Investor Engagement Notes

Ghana | 05 November 2024

Scancom Plc. (MTNGH) organized a virtual investor engagement on Friday, 01 November 2024 to discuss its 9M2024 financial results, and provide an outlook on the company's operations. The presentations were led by Stephen Blewett (CEO of MTN Ghana) and Antoinette Kwofie (CFO of MTN Ghana).

Performance Review

The CEO noted the following developments in the financial performance for 9M2024

- MTN Ghana's net profit surged by 35.5% y/y to GHS 3.8bn, largely on the back of a significant growth in topline (+31.9% y/y, GHS 12.8bn) and finance income (+38.9% y/y, GHS 268.1mn) alongside a 24.7% y/y decline in finance cost to GHS 398.0mn
- Service revenue increased by 32.0% y/y to GHS 12.7bn, driven primarily by higher data, MoMo and digital revenues, supported by enhanced 4G connectivity and a 10.8% y/y expansion in the mobile subscriber base.
- Data revenue surged by 53.4% y/y to GHS 6.3bn, supported by 17.3% y/y increase in active data subscribers
- Furthermore, a 29.5% y/y growth in data traffic was underpinned by a 17.3% y/y increase in active data subscribers and a 10.4% y/y increase in MB per active user per month
- Also, mobile money revenue significantly advanced by 50.8% y/y to GHS 3.1bn in 9M2024
- The growth in mobile money was supported by an 18.1% y/y increase in active users to 17.0mn and a 41.8% y/y growth in basic revenue comprising of cashout services and P2P, and advanced services (+79.0% y/y). Management attributed the growth partly to improvements in acquisition channels and introduction of self-activation, which accounted for approximately 6,000 additions per week. In our view, this acquisition and re-activation drive will anchor the revenue momentum and bode well for the short-to-medium term.

See [our 9M2024 earnings update](#) for more on the financial performance in 9M2024

CAPEX

- MTN Ghana increased investment in total CAPEX by 29.2% y/y to GHS 3.7bn, GHS 614.8mn on spectrum and Right of Use (RoU) assets of GHS 548.6mn during the period, bringing the ex-lease CAPEX spend to GHS 2.6bn
- The company allocated GHS 3.7 billion in capital expenditure over the reporting period, with a strategic focus on network quality enhancement, expanded coverage, and increased capacity. Additionally, substantial IT system upgrades were implemented, collectively reinforcing the quality of service for a growing customer base of 28.6mn. This customer count includes 0.3mn new additions in the third quarter, reflecting strong traction in subscriber growth. These targeted investments are anticipated to further strengthen service reliability and customer satisfaction, positioning the company for sustained market leadership and operational resilience amid competitive pressures.

Regulatory update

- MTN Ghana has maintained its dedication to localizing Scancom Plc and MobileMoney Limited in compliance with regulations, achieving significant progress in this endeavor. In the third quarter, an additional 2.1% localisation was achieved bringing the current localization of Scancom Plc to 30%.

Outlook

- Management is committed to executing ambition 2025 strategy despite the challenging economic backdrop. The company will continue with the cost efficiency programme to safeguard margins and preserve liquidity
- MTN Ghana is committed to enhancing its platforms such as myMTN, ayoba, and MoMo app to provide improved services

- The company is committed to collaborating with AT and Telecel to establish a long-term infrastructure sharing agreement and are dedicated to enhancing its connectivity and customer service offerings.
- Additionally, the company aims to capitalize on the high demand for data, especially in rural areas, and promote the use of smartphones by the masses
- Also, MTN Ghana's focus remains unwavering in creating value for all stakeholders and driving growth by investing efficiently in infrastructure
- Furthermore, MTN Ghana aims to improve the quality of connectivity and related services for customers.
- The company will continue to grow its partnerships with various financial institutions, agents, and merchants to expand the mobile money ecosystem and improve the convenience for customers to transfer money to others, make payments through merchants, save, and access micro-loans, micro-insurance, and international remittance services
- MTN Ghana continues to focus on achieving operational excellence, which will help safeguard its margins and drive sustained bottom-line growth in the medium to long term
- The company maintained its medium-term guidance on service revenue growth at high twenties (in percentage terms)

Management Insights and Our Assessment

- According to management, the company has taken prudent steps to achieve cost savings by effectively managing resource usage and reducing discretionary spending, ensuring minimal impact on core business growth. These measures demonstrate a balanced approach, as management continues to prioritize operational efficiency without compromising future growth potential or margin growth. We view this strategy positively, as it positions the organization to withstand near-term financial pressures while maintaining a foundation for sustainable long-term performance. Looking ahead, we believe management's approach reflects a commitment to margin protection and business resilience amid the current economic landscape
- Management has indicated a proactive approach to address ongoing cost pressures by implementing targeted measures aimed at mitigating these headwinds. In terms of margin outlook, management maintained the longstanding guidance within a low-to-mid-fifties range over the medium term, reiterating its confidence in maintaining margins above the fifty percent threshold. This outlook reflects the company's commitment to preserving profitability amid challenging cost dynamics, signaling a disciplined approach to cost management while supporting long-term stability in margin performance. We believe this guidance demonstrates a strategic balance between controlling expenses and sustaining core business growth.
- Management has confirmed ongoing discussions with the Next Gen InfraCo (NGIC) on 5G deployment, emphasizing Scancom's openness to further dialogue. Although details remain limited at this stage, management indicated that these discussions are progressing steadily. We view management's willingness to engage with NGIC as a positive indicator of potential strategic collaboration, underscoring management's approach in exploring avenues for growth. However, we await further updates to gauge the potential impact of any prospective partnership.
- Management has indicated that, with the seasonal uptick in demand and the possible impact of the upcoming elections, it is taking proactive steps to reinforce structural support for all product categories, enhancing market positioning for optimal performance in the fourth quarter. This strategic focus aligns with management's objective to close the fiscal year with strengthened revenue streams across its portfolio.

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