

Scancom Plc 1Q2025 Results

Current Price: **GHS 3.00**

Current rating **UNDER REVIEW**

Ghana | 30 April 2025

Pulling ahead of the pack

Scancom PLC ("MTN Ghana") released its unaudited 1Q2025 results yesterday and surpassed our expectation, posting a significant 53.7% y/y growth in earnings outturn to GHS 1.7bn. Revenue surged by 39.4% y/y to GHS 5.4bn while EBITDA improved by 45.0% y/y to GHS 3.1bn. As anticipated, MTN Ghana's performance was chiefly bolstered by robust growth in data revenue (+54.9% y/y) to GHS 2.8bn and mobile money revenue (+53.1% y/y) to GHS 1.3bn. Voice revenue increased by 6.2% y/y to GHS 951.0mn. Furthermore, the company experienced a 5.2% y/y increase in mobile subscribers to 29.2mn. Also, MTN Ghana successfully expanded its active data and mobile money subscriber base, growing by 10.8% y/y and 11.5% y/y to reach 17.8mn and 17.4mn subscribers, respectively. MTN Ghana continues to navigate the prevailing macroeconomic headwinds and is committed to implementing commercial initiatives under 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 and we expect the yet-to-be published successor medium-term strategy to consolidate these achievements as "Ambition 2025" draws to a close this year. In the outlook, MTN Ghana has revised its medium-term guidance of high-twenties (in percentage terms) to between the low to mid-thirties growth in service revenue. This indicates a strengthening of revenue growth prospects for an already strong momentum and we remain confident that the Telecoms giant will meet this guidance in the near-term, having consistently surpassed our expectations. The Communications Minister issued a directive to the National Communication Authority to make additional spectrum available to both MTN Ghana and Telecel with aim of enabling telecom operators to optimize their existing infrastructure and enhance network quality and coverage. We believe MTN Ghana is strongly positioned to benefit from this development given existing infrastructure leadership. Additionally, we expect the removal of the e-levy to drive higher digital payment adoption via Mobile Money Limited, bolstering revenue and profitability.

1Q2025 Performance: Data and Momo revenue continue to drive topline growth

- Net profit surged by 53.7% y/y to GHS 1.7bn, largely on the back of a significant growth in topline (+39.4% y/y, GHS 5.4bn) and finance income (+18.6% y/y, GHS 138.1mn)
- Service revenue increased by 39.6% y/y to GHS 5.3bn, driven primarily by higher data, MoMo, digital and voice revenues. Additionally, service revenue was driven by greater usage and demand for connectivity and fintech services, enabled by ongoing investments and enhancements to network and service delivery
- Data revenue surged by 54.9% y/y to GHS 2.8bn, supported by 10.8% y/y increase in active data subscribers
- Furthermore, data consumption per month per active user (megabytes) increased by 39.7% y/y to 13.4GB
- Also, mobile money revenue advanced by 53.1% y/y to GHS 1.3bn in 1Q2025
- The growth in mobile money was supported by an 11.5% y/y increase in active users to 17.4mn, a 44.8% y/y rise in revenue from basic services and a 72.4% y/y surge in advance services. The growth in advanced services was underpinned by the partnerships with fintech ecosystem players and financial institutions to broaden access to digital payments, lending, and wealth management services.
- Voice revenue increased by 6.2% y/y to GHS 951.0mn. Management attributed the growth to a 5.2% y/y increase in mobile subscribers. Usage was complemented by enhancements in call quality and portfolio optimisations. Although management continue to observe shifts from traditional calls to Voice over Internet Protocol (VoIP) services, CVM initiatives and other portfolio optimisation efforts have helped mitigate the impact on revenue
- Depreciation and amortization increased by 29.6% y/y to GHS 666.0mn during the period, primarily due to investments in network infrastructure and asset additions.
- While finance income increased by 18.6% y/y to GHS 138.1mn from investment of surplus cash in fixed-income instruments, finance cost increased by a modest 3.0% y/y to GHS 158.8mn as a result of reduced loan balances. Given the sharp decline in Treasury bill rates during 1Q2025, the growth in finance income is laudable as it reflects effective cash flow management.
- Total costs surged by 32.2% y/y to GHS 2.2bn. The growth in total costs was driven by macroeconomic factors including high inflation and utility tariff which significantly impacted operating costs such as interconnect and roaming expenses. Additionally, there was an increase in commission payments for GSM and MoMo services
- As a result of the robust topline growth, EBITDA increased by 45.0% y/y to GHS 3.1bn. EBITDA margin expanded by 2.2pp to 58.1%
- Overall, net profit margin increased by 3.0pp to 31.9%

Outlook: Revenue growth and disciplined cost management initiatives to drive bottom-line growth in FY2025.

Network Expansion and Infrastructure Investments

- We anticipate that continued investment in network expansion will enhance service delivery, improve data transmission speeds, and attract a broader customer base. These infrastructure developments, when aligned with ongoing customer experience improvement initiatives, are well-positioned to support consistent revenue growth over the near to medium term. Furthermore, we expect enhanced network stability and broader coverage to drive higher data usage, providing an additional lift to topline performance.
- The company invested GHS 779.5mn in ex-lease capex during 1Q2025 to maintain network quality, expand coverage and capacity, and enhance IT systems. We expect this to enable MTN to capitalize on the increasing demand for data by expanding access, particularly in rural areas and by promoting the adoption of smartphones to support sustainable revenue growth and profitability.
- MTN Ghana has finally signed a long-term National roaming agreement with Telecel Ghana. We expect MTN Ghana's collaboration with AT and Telecel on the long-term infrastructure-sharing agreement to optimize capital efficiency, reduce average operational costs, and accelerate network expansion. The partnership should improve profitability by lowering maintenance and deployment costs, reinforcing MTN Ghana's ability to capture growing data demand while maintaining competitive pricing.

Strengthening Digital and Financial Services

- We anticipate that MTN Ghana's continued investment in enhancing its myMTN and MoMo applications would drive customer engagement, transaction volumes, and service adoption. Additionally, expanding partnerships with financial institutions, agents, and merchants will further strengthen the MoMo ecosystem. While regulatory challenges remain key risks, effective execution of these strategies will be crucial for sustaining long-term growth in digital and financial services.
- The removal of the e-levy will serve as a catalyst for increased digital payment adoption through Mobile Money Limited. We expect the abolition to stimulate transaction volumes (particularly for P2P transaction volumes), enhance user engagement, and drive higher monetization of MoMo services, ultimately boosting revenue growth and strengthening overall profitability.

Regulatory and Competitive Landscape

- The minister of communication issued a directive to the National Communication Authority to make additional spectrum available to both MTN Ghana and Telecel Ghana, the policy aims to enable telecom operators to optimize their existing infrastructure and enhance network quality and coverage. We believe MTN Ghana is strongly positioned to benefit from this development given its existing infrastructure leadership as the additional spectrum will enhance its service quality and dominance, especially in rural and underserved areas, supporting revenue growth.

Data Protection

- We expect the Data Protection Commission, the National Communication Authority, Cybersecurity Authority and MTN Ghana to work collaboratively to resolve the potential data breach on MTN-related systems. In our view, the rising incidence of fraud within the MoMo ecosystem could undermine user confidence, potentially impacting MoMo float levels and posing operational and reputational risks to Mobile Money Limited.

Strategic Outlook Beyond Ambition 2025

- Overall, MTN Ghana remains committed to its Ambition 2025 strategy, focusing on platform development, liquidity preservation, and balance sheet strengthening. In our view, the execution of this strategy has yielded impressive results thus far. As Ambition 2025 nears completion this year, we anticipate that the forthcoming successor medium-term strategy will build on these achievements, ensuring continued financial resilience and strategic growth.

Key risks

- Exchange rate volatility, elevated interest rates, higher energy prices, cybersecurity, and regulatory risks

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 23.3x and a trailing 12-month P/E of 7.1x
- The large telco is also trading at a current EV/EBITDA multiple of 11.6x and a trailing 12-month EV/EBITDA of 4.4x

Investor Call

- MTN Ghana will be hosting an investor call today, 30 April 2025 at 14h00 GMT to discuss the 1Q2025 results. Please click [here](#) to register for the call.

Analyst:

Emmanuel Dadzoe: +233 30 825 0051

For further information, please contact our Research Team. T: 233 308-2500511 +233 302-252517 Email: 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 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.

