

SCANCOM PLC (MTNGH) 1H2025 Results

Ghana | 4 August 2025

Current rating: **BUY**

Current Price: GHS 3.57 | **Current Fair Value:** GHS 4.45 | **Upside:** 24.6%

Built to Scale: Core Strengths Drive Sustained Performance

MTN Ghana's data-led, and fintech-powered strategy continues to unlock earnings leverage and operational depth.

Rating Summary:

We assign a "BUY" rating to MTN Ghana (MTNGH) with a fair value estimate of GHS 4.45 per share. Our recommendation reflects MTNGH's resilient earnings outlook, strong data revenue trajectory, and disciplined cost management, which together support sustained profitability. In our view, MTNGH's scale advantage and superior network quality continue to underpin market leadership across voice, data, and fintech. We expect data services (which currently account for more than half of service revenue) to anchor topline momentum post-MML separation, supported by favourable demographics, rapid urbanisation, and rising smartphone penetration. Additionally, digital services, particularly content subscriptions and enterprise solutions hold untapped potential and could become a meaningful revenue stream over the medium term. Fintech remains a near-term earnings driver. We expect MoMo to retain transactional scale and monetisation strength, even post-separation, through increased interoperability and deeper integration with merchant payments and savings products. Meanwhile, MTNGH's strategic focus on platform expansion positions it to capitalise on evolving consumer and business needs. We believe disciplined CAPEX execution, coupled with a sustained focus on network modernisation and rural expansion, will maintain service quality and limit churn. Despite regulatory overhang and the ongoing activities for the MML separation (with the setup of New Finco and a Trust to hold the stake of minority shareholders currently underway), MTNGH's robust fundamentals and consistent dividend payouts reinforce investor confidence. Overall, we see upside from ongoing digital adoption, operating leverage, and improving macro conditions. Our BUY rating reflects the medium-term value creation potential, even as our fair value estimate is anchored on near-term earnings performance.

1H2025 Earnings Update: MTN Ghana delivers strong 1H2025 results on broad-based revenue gains

Scancom PLC (MTNGH) published its 1H2025 results on 01 August 2025, delivering a strong performance across all key metrics. Profit-after-tax rose by 55.8% y/y to GHS 3.6bn, supporting an interim dividend of GHS 0.08 per share. Service revenue increased by 40.0% y/y to GHS 11.3bn, driven by broad-based growth across connectivity and fintech segments. Data revenue rose 50.8% y/y, while MoMo expanded by 46.4% y/y and now accounts for 25.1% of service revenue. Digital services rebounded strongly, rising 87.7% y/y to GHS 190.3mn following product sanitisation efforts. This rebound was supported by a 21.9% y/y increase in active digital subscribers to 5.7 million, alongside the addition of over 1.8 million new users through subscriber acquisition initiatives. Total costs rose by 32.5% y/y to GHS 4.7bn, reflecting elevated inflation and cedi depreciation in 1Q2025. Operating expenses grew 40.7% y/y to GHS 2.8bn, driven by higher spending on rent, utilities, tower operations, maintenance, and management fees. Despite cost pressures, EBITDA expanded by 45.5% y/y to GHS 6.6bn, with margin improving to 58.4%, supported by improved cost discipline and easing inflation in 1H2025. Capital investment remained elevated. Ex-lease capex was GHS 2.3bn, with total capex reaching GHS 2.7bn, focused on continued upgrades to network infrastructure. This included both new deployments and replacement of transmission equipment, sustaining 99.3% 4G population coverage. These investments underpinned strong data usage trends, with average consumption rising to 14.0GB per user per month and total data traffic increasing by 56.1% y/y. The network improvements enhanced service quality and positioned the company to meet growing demand for high-speed connectivity. Overall, the results reflect disciplined execution, margin resilience, and strategic reinvestment. However, sustaining growth will depend on translating subscriber and usage gains into durable ARPU expansion while managing the high intensity of ongoing capital investment.

Performance: Strong momentum sustained in 1H2025.

Earnings & Margins

- Net profit rose by 55.8% y/y to GHS 3.6bn.
- EBITDA increased by 45.5% y/y to GHS 6.6bn, with EBITDA margin expanding by 227bps to 58.4%.
- Net profit margin improved by 327bps to 32.0%.
- Interim dividend of GHS 0.08 per share declared (1H2024: GHS 0.065).

Revenue Performance

- Service revenue grew by 40.0% y/y to GHS 11.3bn, led by strong growth in data and mobile money.
- Data revenue surged by 50.8% y/y to GHS 6.0bn; its share of service revenue increased to 52.8% (1H2024: 49.0%).
- Mobile Money (MoMo) revenue rose by 46.4% y/y to GHS 2.8bn, now accounting for 25.1% of service revenue.
- Voice revenue increased by 12.6% y/y to GHS 2.0bn

Cost & Efficiency

- Total costs rose by 32.5% y/y to GHS 4.7bn, driven by inflationary pressures and the 5.2% depreciation of the Cedi in 1Q2025.

- Operating expenses (OPEX) increased by 40.7% y/y to GHS 2.8bn, reflecting higher rent, utilities, tower costs, and management fees.

Operational Metrics

- Total mobile subscribers grew by 6.5% to 30.2mn.
- Active data subscribers increased by 11.0% to 18.2mn.
- Active MoMo users rose by 7.4% to 17.7mn.

Investment Thesis & Outlook

Near-term Outlook: Clear Run Ahead as Margin Strength and Revenue Momentum Support 2H2025 Outlook

Macroeconomic Recovery Support Revenue Growth

- We believe MTN Ghana is well-positioned to benefit from the improving macroeconomic environment. Inflation fell sharply to 13.7% in June 2025, the lowest level since December 2021. The 1H2025 average inflation of 20.4% reflects six straight months of disinflation, reinforcing our view that pricing pressures are easing. We also note the significant appreciation of the Cedi, which strengthened from GHS 15.3/USD in January to GHS 10.3/USD in June, based on Bank of Ghana interbank rates. As economic activity picks up and real incomes stabilize, we anticipate continued momentum in both data and mobile money revenue. In our view, management's full-year guidance of mid-to-upper 30s revenue growth remains realistic, supported by strong network fundamentals, accelerating digital adoption, and growing monetisation across the fintech ecosystem.

Margin Resilience Underpinned by Currency Gains and Cost Control

- We believe the recent appreciation of the Cedi offers immediate relief on cost pressures, particularly for foreign currency-denominated expenses such as management fees and tower lease payments. When combined with falling inflation and declining interest rates, we see greater scope for disciplined cost management. In 1H2025, EBITDA margin expanded by 227bps to 58.4%, and we expect further upside in the near term as input cost pressures ease. In our view, MTNGH remains on track to achieve a mid-to-high 50s EBITDA margin for FY2025, consistent with management guidance. We also believe moderating inflation will support tighter control of operating expenses, helping to protect earnings quality even as the company continues to invest heavily in network infrastructure.

Strategic Positioning and Competitive Leverage

- We believe MTNGH remains competitively well-positioned, supported by its dominant market share, accelerating fintech monetisation, and strong platform advantage. The recent 15% reduction in data prices, introduced following engagement with the Ministry of Communications and other regulators, enhances the company's pricing appeal. In our view, this move strengthens MTNGH's ability to attract subscribers from competing networks, especially as it continues to leverage its superior service quality and near-universal 4G coverage. While regulatory oversight under its SMP designation presents a constraint, we believe the company is navigating these obligations responsibly. Looking ahead, we expect earnings to continue compounding at a healthy pace, with a projected CAGR of 46.2% over the next five years. We also see potential valuation upside, supported by disciplined execution, network scale, and improving shareholder returns.

Dividend Payout Reinforces Earnings Confidence

- We believe the declaration of a GHS 0.08 interim dividend signals management's confidence in the strength and sustainability of MTNGH's earnings. The payout reflects solid cash generation and disciplined capital allocation, even amid elevated investment in network infrastructure. In our view, the continued improvement in margins and topline momentum provides room for further shareholder distributions. Barring any material regulatory headwinds, we expect full-year dividend payments to remain consistent with recent trends, supported by a strong balance sheet and resilient free cash flow.

Medium-term Investment Thesis: Riding Structural Tailwinds with Strategic Clarity

We believe SCANCOM PLC (MTNGH) offers a compelling investment case anchored on structural macro and demographic trends, disciplined execution, and sustained platform monetisation.

Robust Macro and Demographic Tailwinds Support Sustained Revenue Growth

- We anticipate MTNGH will benefit from the improving macroeconomic environment, marked by falling inflation, currency appreciation, and expanding economic activity. Lower inflation and an appreciating Cedi reduce operating costs particularly foreign currency-denominated expenses such as management fees and tower leases supporting margin expansion.
- At the same time, Ghana's favorable demographics offer long-term demand support. The population is projected to reach 37.2 million by 2030, with urban growth averaging 4.0% annually. Over 70% of the population is under 35 years old, digitally inclined, and increasingly connected. A rising middle-income segment and expanding internet penetration support strong ARPU growth. Together, we believe these trends create a supportive backdrop for sustained expansion in both mobile data and fintech services.

Data Services Will Anchor Post-MML Growth Trajectory

- We believe data will remain the primary growth engine for MTNGH following the eventual separation of its MoMo subsidiary, MML. Data revenue already contributes over 50.0% of service revenue and we project continued growth at a 47.7% CAGR over the medium term, driven by rising smartphone adoption, increased 4G usage, and higher per-user consumption. In our view, MTNGH's extensive network coverage and strong brand equity position the company to capture a growing share of mobile internet demand.
- Importantly, we also anticipate digital services to evolve into a meaningful revenue pillar over the medium to long term. With ongoing investments and product refinements over the past 24 months, MTNGH's digital offerings including music, video, gaming, and enterprise services are well-placed to benefit from the expanding youth population and rising demand for digital content and business solutions. These services hold significant monetisation potential through subscription fees and enterprise partnerships. As adoption improves, we expect digital revenue to complement data growth and enhance revenue diversity in the post-MML landscape.

MoMo Remains a Key Value Driver in the Near Term

- We believe MTNGH will continue to derive strong value from its MoMo business over the near term to medium-term, despite the planned separation of MML. MoMo remains a high-growth segment, supported by a dominant market share of over 70% and a vast agent network that drives widespread adoption. With the recent abolishment of the e-levy and growing preference for digital transactions, we anticipate transaction volumes to rise steadily. We forecast revenue from MoMo to grow at a 37.0% CAGR between 2025 and 2029, reinforcing its significance in MTNGH's earnings mix ahead of the eventual spin-off.
- Until the decoupling is completed and separately listed (in the medium-term), Scancom PLC remains the gateway to owning a share of MML. As such, investors in MTNGH retain direct economic exposure to the MoMo business. In our view, this offers both value and continuity, especially as MoMo expands into adjacent financial services and deepens its integration within the broader digital economy. With a tech-savvy and convenience-driven population fueling usage, MoMo is well-positioned to sustain its strong revenue contribution in the near term to medium-term.

Disciplined CAPEX and Strategic Execution Reinforce Market Leadership

- MTNGH's consistent and disciplined CAPEX deployment has been central to its ability to sustain network superiority and expand market share. Investments in 4G and fibre infrastructure have enhanced service quality and improved customer experience, laying the groundwork for sustained subscriber growth. The company's network now covers nearly the entire population, positioning it to capture incremental demand from underserved and newly urbanized areas.
- Beyond infrastructure, MTNGH's strategic execution across commercial, fintech, and enterprise segments has been deliberate and effective. By leveraging its scale and operational efficiency, the company has maintained pricing power while expanding value-added services. This approach supports scalable revenue growth and helps defend its competitive position. In our view, MTNGH's ongoing CAPEX discipline and clear strategic direction will continue to anchor its market leadership in a rapidly evolving telecom landscape.

We see MTNGH as a fundamentally anchored, growth-oriented telco well-positioned to benefit from rising data demand, MoMo expansion, and demographic tailwinds. While the eventual spin-off of MML poses a structural shift, we believe data and digital services will drive the next phase of value creation. Disciplined execution and strong market leadership further support a compelling medium-term growth outlook.

Valuation & Recommendation: **BUY**

- Our BUY rating is based on our weighted average fair value of GHS 4.45 per share, implying a 24.6% upside. This is derived from a blend of valuation methodologies which are the dividend discount model (DDM), free cash flow to firm (FCFF), and comparable multiples (P/B and EV/EBITDA). Our rating reflects the near-term upside and our constructive medium-term view, which is underpinned by strong fundamentals, strategic execution, and earnings momentum.
- MTNGH is trading at a TTM P/E of 7.5x and P/B of 4.3x. Given the company's strong growth trajectory and our forward estimates, we believe the market is underpricing MTNGH's earnings potential.

Valuation panel

In valuing MTNGH, we applied three approaches: the Dividend Discount Model (DDM), Free Cash Flow to Firm (FCFF), and relative valuation using Price-to-Book (P/B) and EV/EBITDA multiples. To arrive at our fair value estimate, we used a weighted average of the values from these models, recognising the distinct merits and limitations of each. We assigned a 70.0% weight to the intrinsic valuation models (DDM and FCFF), which reflect MTNGH's strong cash-generating ability and dividend-paying capacity. The remaining 30.0% was allocated to relative valuation, with P/B and EV/EBITDA offering useful market-based benchmarks that capture investor sentiment and capital efficiency. Based on our weighted average fair value of GHS 4.45, we assign a BUY rating to MTNGH, supported by its compelling valuation and strong medium-term growth potential.

Valuation inputs

Parameter	value	Note
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Risk-free rate	17.74%	This rate reflects the average yield on restructured bonds listed on the Ghana Fixed Income Market (GFIM) as of the valuation date in mid-July 2025. The recent improvement in bond trading amidst the downturn in yields has enhanced price discovery for the DDEP bonds, restoring the bond yields in our model as the risk-free rate.
Market risk premium	6.0%	This aligns with the upper band of our preferred range from 4.0% to 6.0% and reflects our view of the elevated risk premiums in developing markets
Beta	1.4	Beta was computed using monthly data for peers including SAFCOM, VODACOM, MTNGROUP, and SONATEL over a one- to 30-year period from Bloomberg. We applied an industry average derived from the subset with the strongest statistical validity.
Cost of Equity	23.6%	The expected return on equity is computed using the risk-free rate, market risk premium and beta within the Capital Asset Pricing Model.
Peer median ratio (P/B)	3.07x	The peer mean P/B is computed using the p/b of peers including SAFCOM, VODACOM, MTNGROUP, and SONATEL.

Valuation summary (GHS/share)

DDM	FCFF	EV/EBITDA	P/B	WEIGHTED AVG
4.63	3.54	5.95	3.41	4.45

Key Risks to Our Rating

In our view, MTNGH's dominant market position, strong earnings profile, and consistent cash generation support a solid valuation. However, we believe key risks to our outlook include regulatory overhang from its Significant Market Power (SMP) status, pricing interventions such as mandated data tariff cuts, and uncertainty around the MobileMoney Ltd. (MML) separation. We also see downside risk if data revenue growth underdelivers or if digital services scale more slowly than anticipated.

Income statement

GHS'000	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E
Service Revenue	13,350,935	17,950,948	24,669,420	33,857,290	46,958,555
Cost of Sales	-2,280,410	-2,955,963	-3,796,152	-5,017,329	-6,720,999
Gross Profit	11,070,525	14,994,985	20,873,268	28,839,961	40,237,556
Employee benefits expense	-541,009	-713,017	-978,501	-1,342,933	-1,862,588
Selling, distribution and making expenses	-1,913,660	-2,377,229	-3,707,258	-5,087,988	-7,056,813
Other operating expenses	-815,387	-1,664,014	-1,931,500	-2,650,867	-3,676,635
EBITDA	7,800,469	10,240,725	14,256,009	19,758,173	27,641,519
Depreciation & Amortisation	-1,724,598	-2,315,879	-2,535,256	-3,319,176	-4,439,206
Operating profit	6,075,871	7,924,846	11,720,753	16,438,997	23,202,314
Net Finance Cost	-486,164.00	-329,137.00	-86,881.07	40,397.76	220,854.16
Profit before tax	5,589,707	7,595,709	11,633,872	16,479,394	23,423,168
Income tax expense	-1,607,457.00	-2,566,973.00	-3,441,681.89	-4,875,146.84	-6,929,343.44
Net Profit	3,982,250	5,028,736	8,192,190	11,604,248	16,493,825

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