



MTN Nigeria

MTN Nigeria Investor Day Presentation



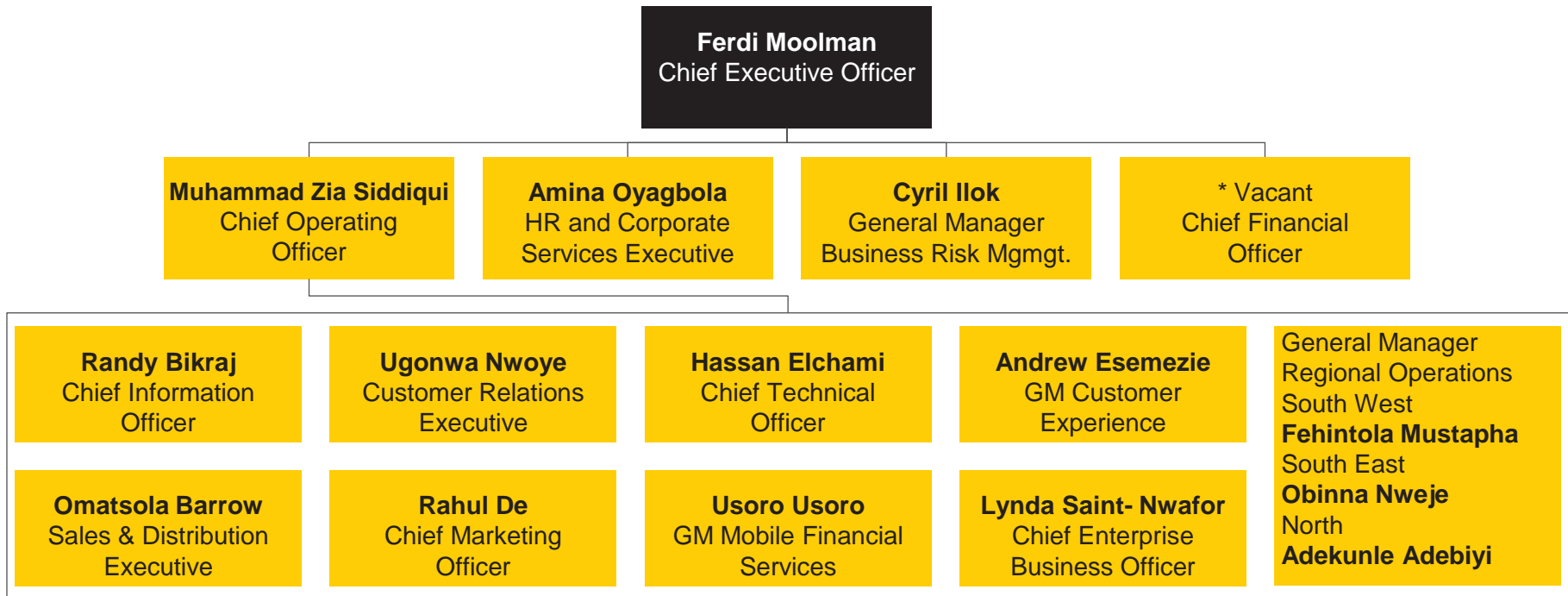
AGENDA

- 1** Leadership
- 2** Market environment
- 3** Operating performance
- 4** Financials
- 5** Marketing, sales and distribution
- 6** Network
- 7** Prospects



Leadership

MTN Nigeria management team



The following functions were incorporated into the management strengthen structure and increase capacity

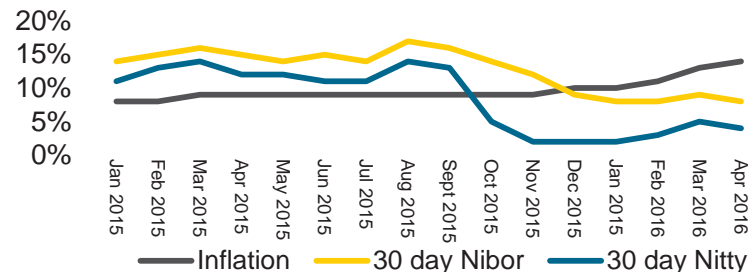
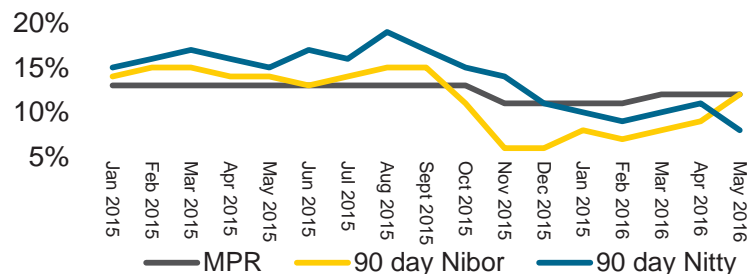
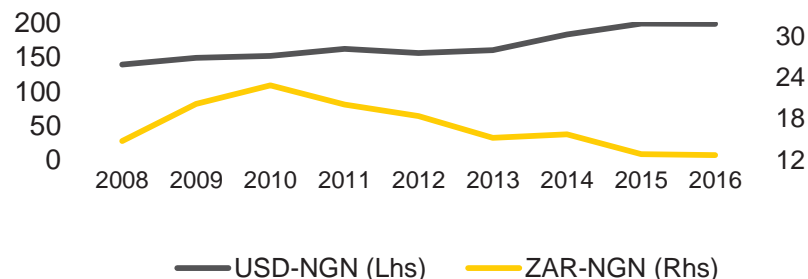
- Chief Executive Officer – Ferdi Moolman
- Chief Technical Officer – Hassan Elchami
- Chief Information Officer - Randy Bikraj
- Chief Enterprise Solutions – Lynda Saint-Nwafor
- Creation of the COO role (initially occupied by Jyoti Desai, now Muhammad Zia)
- Creation of a compliance monitoring team in corporate service division – dotted line to Group
- New CFO expected to be appointed in the short-term

* Acting CFO appointed – expected to be appointed in the short-term



Market environment

- National budget of N6.08Tr (\$30.4bn) approved in April 2016; 45% above prior year and predominantly non-oil revenues and borrowings
- GDP growth of 4.37% projected in the 2016 budget; IMF projected 2.3% (-0.4% in Q1 2016)
- Unemployment increased to 12.1% in Q1 2016 vs. 10.4% in Q4 2015 (source: National Bureau of Statistics)
- Continued forex illiquidity impacting all operators capex rollout and costs in some instances
- Continued rise in inflation: single digit in 2015 to 13.7% in April and projected 14.5% in May 2016 (source: National Bureau of Statistics)
- Premium motor spirit (PMS) or petroleum costs increased 70% leading to decline in consumers' disposable income and spend away from telecoms
- Recently announced flexibility in fx policies expected to ease up economy slightly



- Constructive regulatory progress with NCC
 - MTN agreed to withdraw court action and make a without prejudice good faith payment of 50 billion naira
 - NCC restored full regulatory services (March 2016)
 - NCC issued MTN Nigeria an extended licence for 5 years – regulatory compliance a key criteria (November 2015)
 - Recovery of portion of long-outstanding interconnect debts commenced in May 2016, will continue to interact with regulator on this front
 - Completion of Visafone acquisition (January 2016)
 - Working with NCC to achieve National Broadband Plan
- N780bn fine: continued engagement with Nigerian regulatory authorities, optimistic on reaching a conclusion in the short-term

Mobile network operators



March 2016

	MTN		Airtel		Glo		Etisalat	
Launch date	2001		2001		2003		2008	
Subscribers (m)	57.0		28.3		22.4		20.4	
Market share (%)	44.5		22.1		17.5		15.9	
Shareholders*	MTNI	78.8%	Airtel	79.1%	Local shareholding	100%	EMTS	40%
	Private (local)	21.2%	Private	20.9%			Mubadala	30%
							PTHL	30%

2016 Telecoms market update

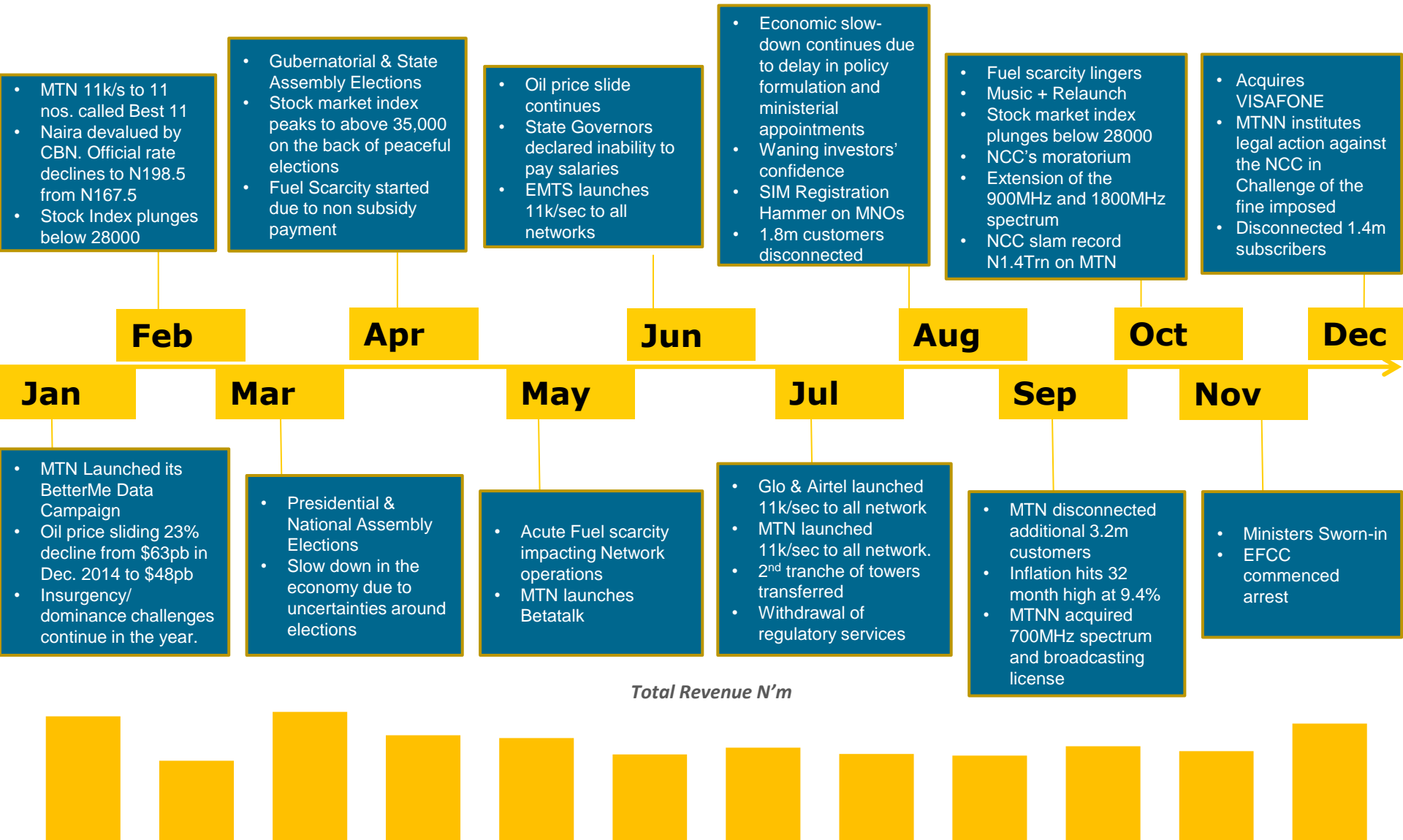
- Market activity impacted by NCC regulatory restrictions
- Market declined by 2% between Q4 2015 and Q1 2016 following the NCC directive to disconnect unregistered SIMs
- Aggressive below-the-line (BTL) and above-the-line (ATL) campaigns between Q3 and Q4 of 2015 as well as well Q1 2016
- Market forces necessitated operators' to stimulate usage and recharge bonus ranging between 150% and 300%

* Shareholders for EMTS & Airtel is as at last available information



Operating performance

The Story Behind the 2015 Operating Performance



MTN Nigeria operational performance: 30 April 2016



Subs growth **-7% YoY**

Revenue growth **-6% YoY**

Data revenue growth **-12% YoY**

Operational performance

- Launch of new products since reinstatement of regulatory services for mass market and enterprise
- Impacted by subscriber disconnections and related incentives
- EBITDA margin impacted by once-off costs related to subscriber registration process; build-to-suit tower costs
- Nigerian economy impacting consumer spend and foreign denominated expenses
- Data revenue impacted by regulatory requirements obliging operators to seek permission to charge out-of-bundle data rates, this impacting entire industry

Operational priorities

- Improving subscription process for digital services
- Engagement with regulator to preserve sustainability of the industry structure and digital services
- Continued focus on higher data speeds and improved 3G and LTE services

Operational challenges

- Withdrawal of regulatory services: MTN Nigeria unable to launch new products and services from July 2015 to March 2016
- 2013 Dominance declaration: MTN required to collapse on-net/off-net pricing
- Economic slowdown with high inflation, depreciation of naira and high inflation rates
- Loss of high-value subscribers due to slow data speeds in key cities
- Infrastructure challenges: power supply and fuel shortages
- Subscriber registration process: disconnections and imposition of fine
- Outsourcing impacted network performance
- Security challenges in the north-east region

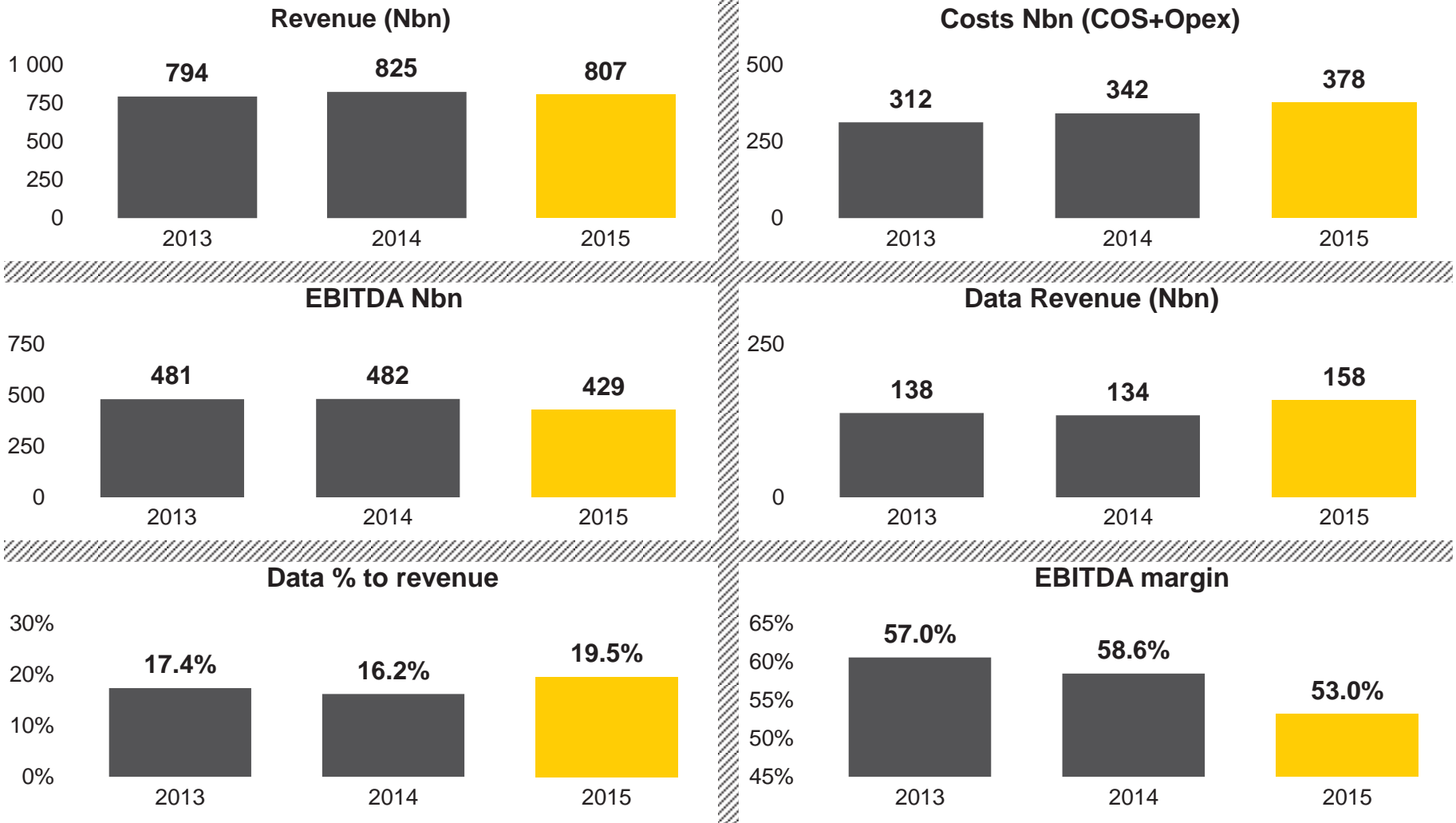
Corrective measures

- Enhanced stakeholder management and compliance
- SIM registration
 - 11.5 million subscribers disconnected since 2015; more than 50% reconnected
 - Constructive engagement with NCC
 - Enhanced systems to ensure compliance
- New products launched beginning May to restore competitiveness
- Network improvement focus and launch of LTE services in Q3



Financials

Key performance matrix



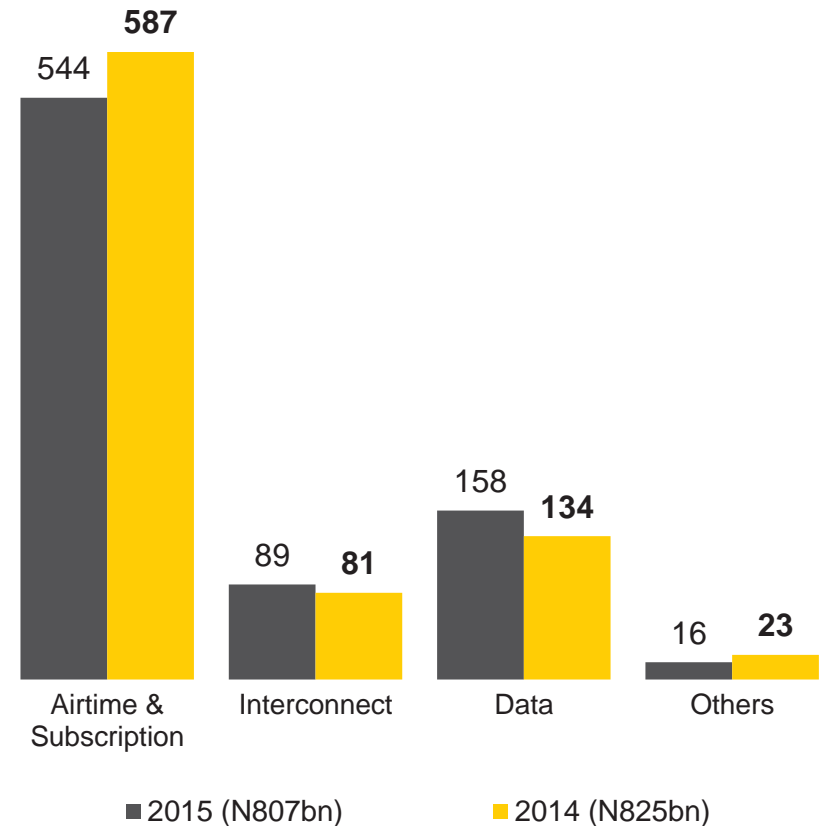
Revenue analysis



- 2.3% growth in RGS90 over FY 2014 (from 59.89m in 2014 to 61.25m in 2015)
- MOU grew by 1.1% (from 73.375bn billed minutes in 2014 to 81.71bn in 2015) while billable ERM declined by 18.86%
- Data revenue increased 17.1% between 2014 and 2015 supported by VAS, digital offerings and device data bundles
 - MTN caller feel, Xtratime, Cash Quest Promo and various information services
- Interconnect revenue increased by 10.7% from N80.7bn in 2014 to N89.3bn in 2015 due to
 - Increase in termination rate for foreign partners from N3.90 to N8.00 between May to November 2015
 - Increased incoming minutes driven by various promotions across all local networks enabling subscribers to utilise bonus minutes to make off-net calls
- Decline in SMS revenue impacted by over-the-top messaging

Total revenue

Nbn



Rent, utilities & fuelling

- Impacted by
 - Increased tower costs due to the tower transfer transaction in 2015
 - Associated costs of other tower leases and new towers rolled out in 2015
- A total of 597 2G and 1 856 3G sites rolled out in 2015

Marketing costs

- Increased due to
 - Costs incurred on project win back
 - Lower costs in 2014 following periods of suspension from marketing activities by the NCC in 2014

Provisions for doubtful debt

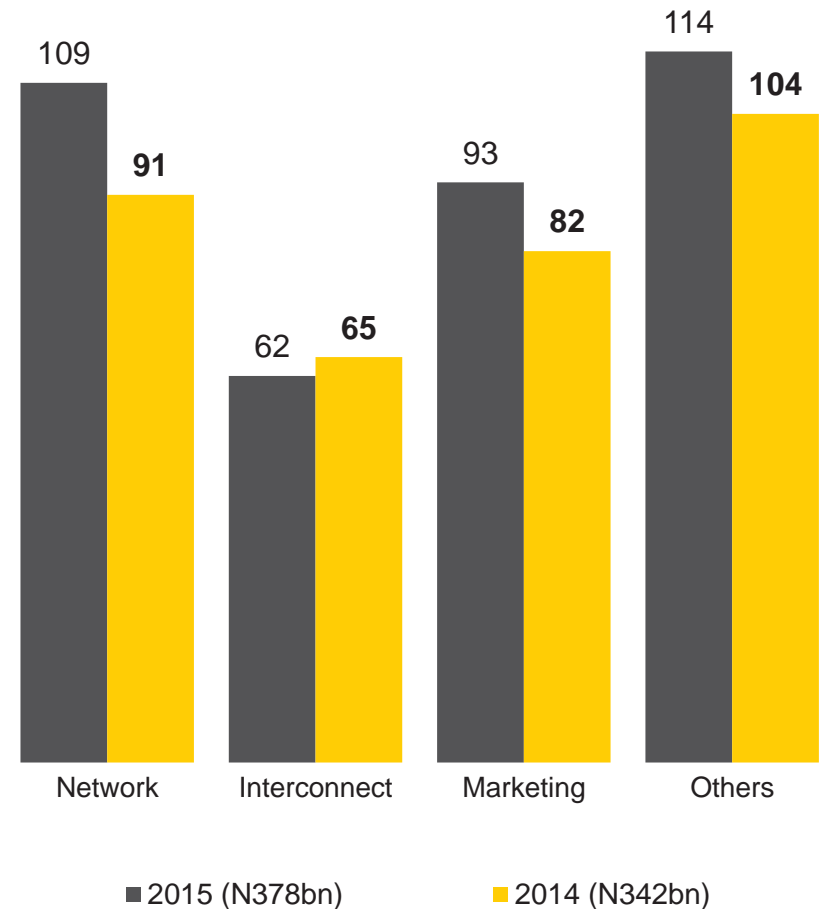
- Impacted by increased provisions for interconnect debt due to outstanding debt from Globacom Nigeria Limited

Others

- Declined mainly due to reversals of NCAA provisions

Total opex

Nbn



EBITDA and key drivers

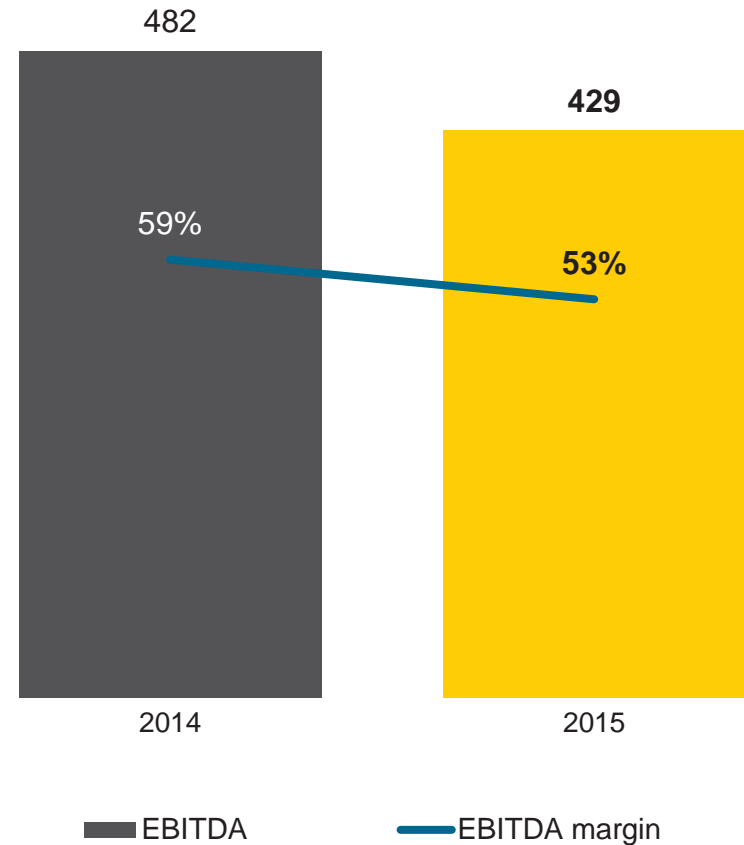


EBITDA declined by 5% between 2014 and 2015 due to

- Decline in 2015 compared to 2014
- Withdrawal of regulatory services and inability to compete in H2 2015
- Increase in tower cost due to the tower transfer transaction of 2015 and build-to-suite sites
- Provisions for interconnect debt due to outstanding debt from Globacom
- Increase in VAS/digital share of revenue

Total EBITDA

Nbn



Income statement



NGN bns	2015	2014	Change %	2013
Revenue	807	825	(2.2%)	794
EBITDA	429	479	(10.4%)	481
EBITDA margin %	53%	59%	(4.9%)	61%
Depreciation	(122)	(135)	9.1%	(128)
Amortisation	(18)	(16)	(13.9%)	(13)
Profit from operations	289	329	(12.1%)	339
Finance cost	(31)	(38)	19.7%	(29)
Profit before tax	258	291	(11.1%)	311
Income tax expense	(67)	(82)	18.5%	(94)
Profit after tax	192	209	(8.3%)	217
Effective tax rate	25.8%	28.1%	2.2%	30.2%
CAPEX as a % of revenue	9.6%	15.6%	(6.0%)	29.4%

Balance sheet







NGN bns	2015	2014	2013
Non-current assets	590	563	714
Property, plant & equipment	451	514	637
Intangible assets	78	34	38
Non-current prepayments	61	14	39
Current assets	386	402	247
Bank balances	201	208	145
Restricted cash	16	4	4
Other current assets	169	190	98
Total assets	976	965	961
Capital and reserves	262	172	202
Non-current liabilities	343	438	470
Borrowings	250	330	351
Deferred taxation and other non-current liabilities	93	109	119
Current liabilities	371	355	289
Borrowings	86	64	26
Taxation	82	95	67
Other current liabilities	203	196	196
Equity and liabilities	976	965	961



Marketing, sales & distribution

Competitive landscape

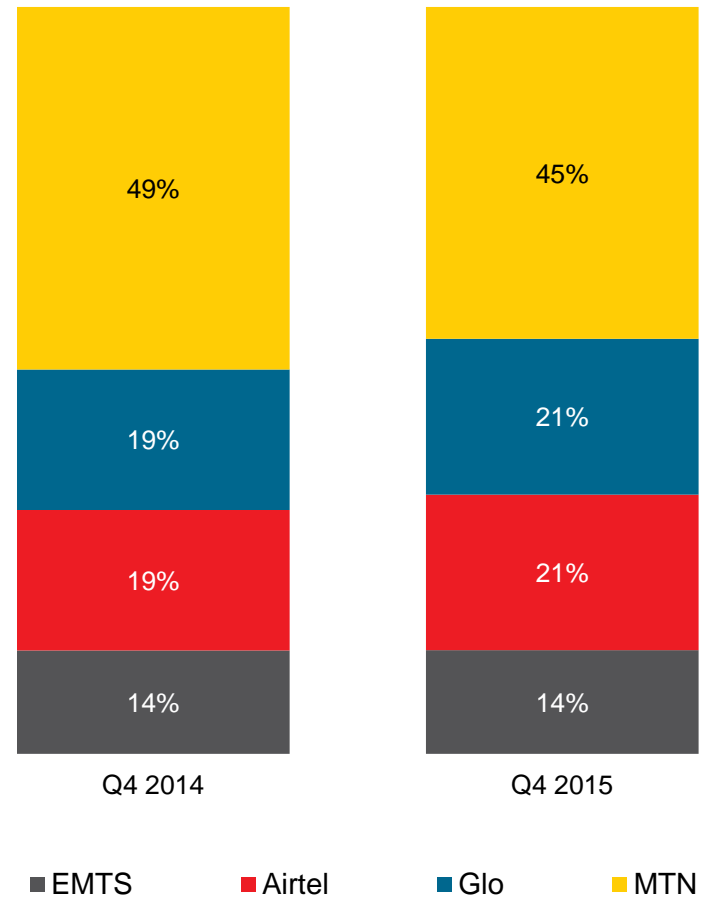
Aggressive BTL offers to stimulate usage and drive revenue

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
	<ul style="list-style-type: none"> • 150% - 300% bonus on recharge 	<ul style="list-style-type: none"> • 11k/secs to all network 	<ul style="list-style-type: none"> • Free calls to 5 CUG numbers 	<ul style="list-style-type: none"> • 100% - 500% bonus on recharge 	<ul style="list-style-type: none"> • Revamped EasyFlex • Reduced its data price - points 1GB @ N1000
	<ul style="list-style-type: none"> • 200% bonus on smart bundle purchased 	<ul style="list-style-type: none"> • Unlimited call for N100/daily 	<ul style="list-style-type: none"> • 11k/secs to all network 	<ul style="list-style-type: none"> • 200% - 500% bonus on recharge • Airtel Redhot promo 	<ul style="list-style-type: none"> • 400% bonus on recharge • Airtel UnlimitNET • Airtel Talkmore BTL • Airtel Redhot promo • Data MB as freebies BTL for recharge • Launched Airtel Smartnumber – one SIM, 2 numbers
	<ul style="list-style-type: none"> • 200% bonus on recharge 	<ul style="list-style-type: none"> • 200% bonus on recharge 	<ul style="list-style-type: none"> • 11k/secs to all network 	<ul style="list-style-type: none"> • 100% bonus on spend • 500% bonus on recharge 	<ul style="list-style-type: none"> • 100% bonus on spend • 500% bonus on recharge • Crashed data bundle price-points – 6GB @ N3000 • Aggressive BTL offerings
	<ul style="list-style-type: none"> • 11k/sec to best 11 numbers 	<ul style="list-style-type: none"> • 200% bonus on recharge – MTN Betatalk 	<ul style="list-style-type: none"> • 11k/secs to all network – Trutalk+ 	<ul style="list-style-type: none"> • Regulatory restrictions • SIM reg fine 	<ul style="list-style-type: none"> • 200% bonus on recharge • Stopped TruTalk & TruTalk+ due to regulatory intervention and migrated subs on plans to BetaTalk

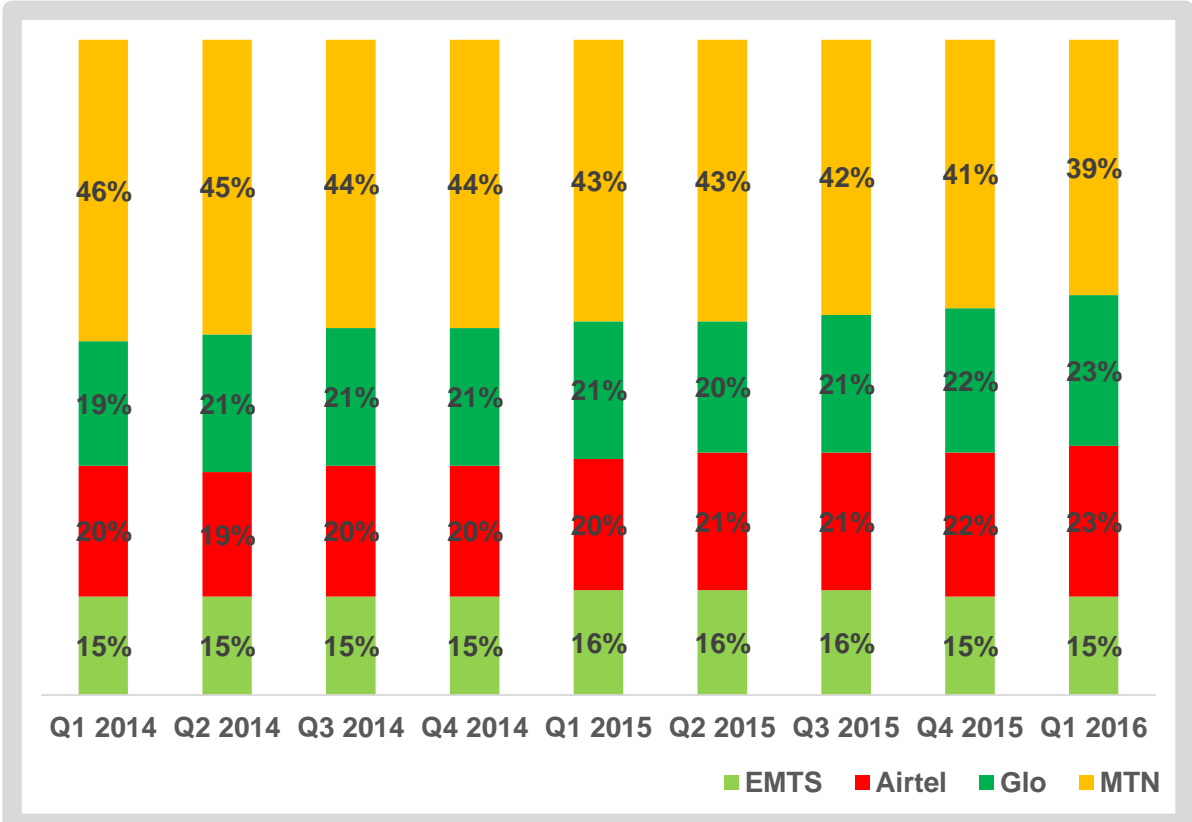
Market share



- MTN lost market share due to SIM registration disconnection
- Market share also impacted MTN's ability to deliver good value to customers due to regulatory restrictions
- Regulatory services reinstated in March 2016 with launch of new products in early May 2016
- Early positive signs of increased voice traffic and new subscriber acquisition since May 2016



MTN market lost 2% between Q4 2015 and Q1 2016 - attributable to the SIM registration disconnection (NCC market share)



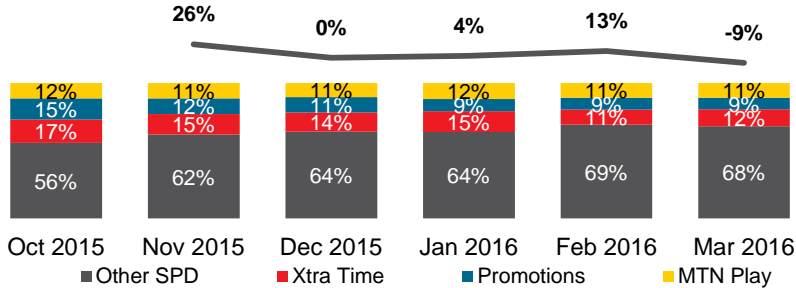
Source: NCC reported data

- As of Q1 2016 our market offering and competitiveness has continued to be impacted by regulatory restrictions:
 - delays in getting offer approvals
 - Dominance declaration affecting competitiveness
 - As of end April MTN had not received approval on propositions submitted to the regulator in February 2016
- Scenario as at Q1 2016 impacted MTN ability to deliver good value to customers and undermines investor confidence in the industry

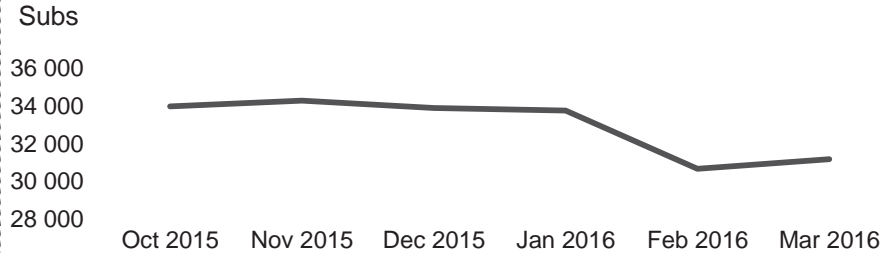
Digital Service (MTN Play, SDP and CRBT)



Services contribution on SDP platform by revenue

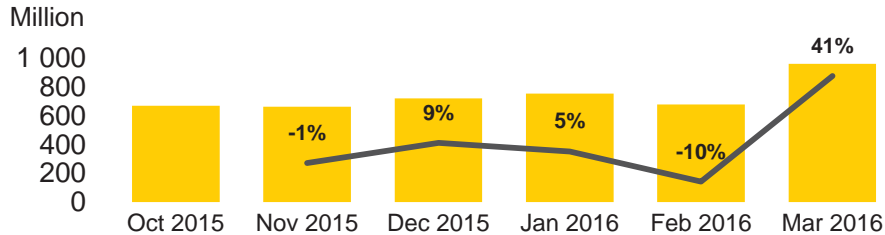


VAS customer

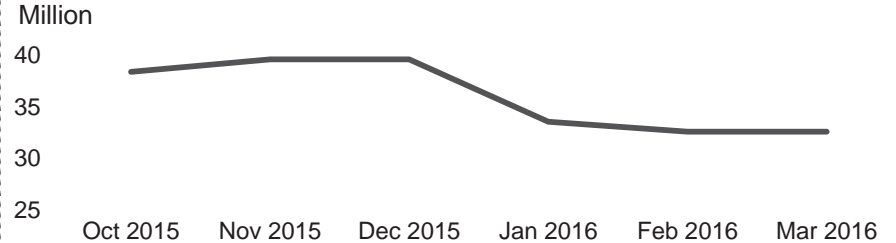


- VAS transactions and subscriber grew consistently until customer disconnections in January 2016
- MTN Play revenue followed the same trend as a result of the effects of customer disconnection due to incomplete SIM registration – a reversal observed in March

MTN Play revenue



CRBT subscribers



Music Plus+ and Facebook subscription underpinned subscriber activity

SDP service

- Music Plus+ subscription grew by 2.02% in Q1 2016
- Impact of customer disconnections affected SDP / Music+ customers count, subscriptions and revenue

Risks

- Implementation of double opt-in for top VAS services (CRBT, Music Plus, MTN Play)
- Ban on SMS campaigns for VAS (unsolicited SMS bank on the whole market)
- Mega Promo temporarily stopped (February – April) due to delayed NCC approval (regulatory service)
- Auto-renewals on free trials stopped

Focus on increasing subscriptions

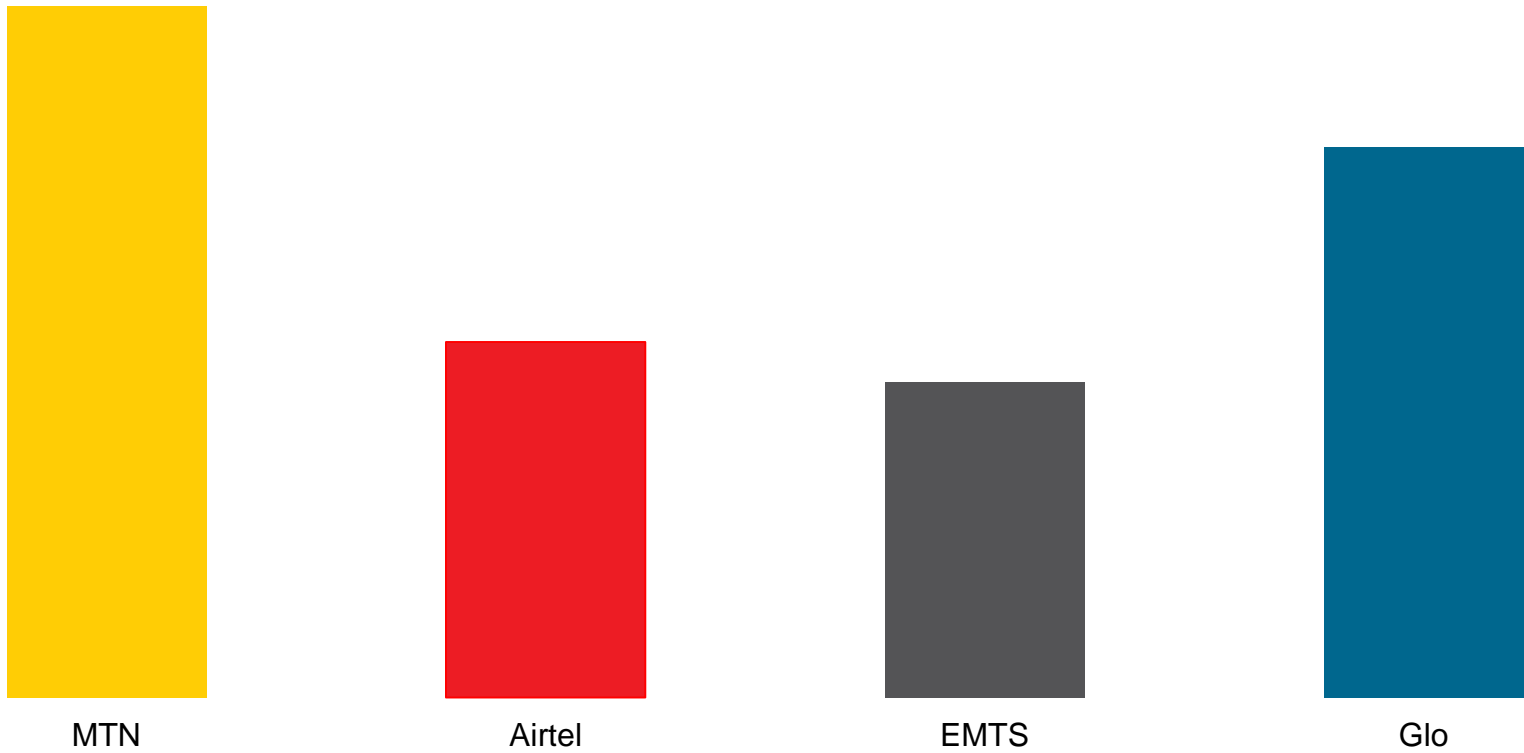
- Optimisation of MTN's operational processes, leveraging opportunities for scale
- Increasing speed and charging flexibility to suit a wide variety of customers
 - Rapid syndication and bill content, applications and services over multiple bearers including multimedia, SMS, USSD, IVR, airtime & mobile money payments
 - Multiple charging models to stimulate adoption: one off, promotional, auto-renewable subscriptions, fallback and micro-billed charging models

Music Plus+ Revenue

'000

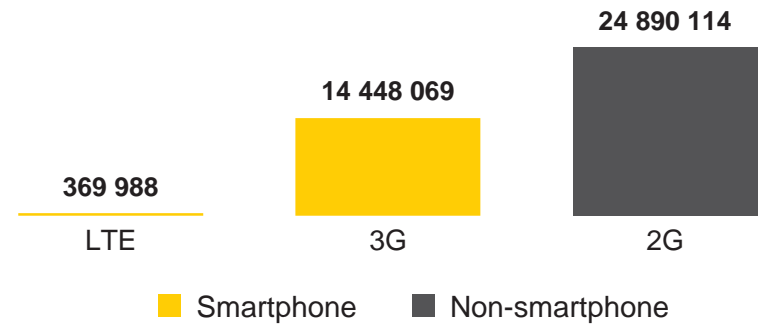


Data users – smartphone customers per operator

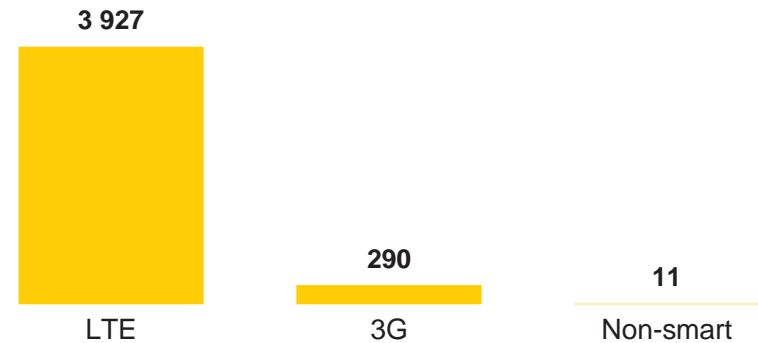


- 33.7% smartphone penetration as at Q1 2016 offers growth potential in data services
- Smartphone data ARPU is significantly (34x) higher than non-smartphone ARPU
- Good growth in data revenue is expected

39.7m data users



Smartphone vs non-smartphone data ARPU (N)



MTN competitiveness



Difficulty to compete on price-points as a result of regulatory restrictions



Bundle plan	Price (N)	Validity period
10MB	100	24 hours
25MB	150	24 hours
50MB	200	24 hours
150MB	500	7 days
260MB	1 000	30 days
325MB	1 300	30 days
750MB	2 000	30 days
1.5GB	3 500	30 days
4.5GB night plan (9pm-6am)	2 500	30 days
4.5GB	6 500	30 days
7.5GB	8 000	30 days
4.5GB (1.5GB day 6.01am-8.59pm and 3GB night 9pm-6am)	2 500	30 days



Plan	Data allowance	Retail price (N)
Daily	20MB	100
Weekly	50MB	300
Monthly	500MB	1 000
Monthly	1.3GB	2 000
Monthly	2GB	3 000
Monthly	4GB	5 000
Monthly	8GB	8 000
Monthly	10GB	10 000
Monthly	15GB	15 000
Monthly	20GB	18 000



Plan	Price (N)	Data volume
Monthly	1 000	1.5 GB
Monthly	2 000	3 GB
Monthly	2 500	4.5GB
Monthly	5 000	12GB
Monthly	8 000	24GB
Monthly	10 000	11GB
Monthly	15 000	17GB
Monthly	18 000	21GB



Plan	Price (N)	Data volume
Daily	100	10MB
Weekly	500	50MB
Monthly	1 000	1GB
Monthly	2 000	2GB
Monthly	4 000	3GB
Monthly	6 500	5GB
Monthly	8 000	8GB
Monthly	10 000	10GB
Monthly	15 000	15GB
Monthly	18 000	20GB

MTN vs. competition



new MTN data bundles – 30 April 2016

	Airtel	Glo	EMTS	MTN
✓ N100	✓ 20MB	✓ 20MB	✓ 20MB	✓ 30MB
✓ N1 000	✓ 1GB	✓ 1.5GB	✓ 1GB	✓ 1.5GB
✓ N2 000	✓ 2GB	✓ 3GB	✓ 2GB	✓ 3.5GB
✓ N5 000		✓ 12GB		✓ 10GB
✓ N10 000		✓ 11GB		✓ 22GB

Following NCC approvals, MTN launched new data bundles making it the most competitive across most price points

MTN vs. competition



new MTN data bundles – 13 May 2016

	Airtel	Glo	EMTS	MTN
✓ N100	✓ 30MB	✓ 20MB	✓ 50MB	✓ 30MB
✓ N1 000	✓ 1.5GB	✓ 1.5GB	✓ 1.5GB	✓ 1.5GB
✓ N2 000	✓ 3.5GB	✓ 3GB	✓ 3.5GB	✓ 3.5GB
✓ N5 000	✓ 12GB	✓ 12GB		✓ 10GB
✓ N10 000	✓ 34GB	✓ 11GB	✓ 22GB	✓ 22GB

However, EMTS and Airtel responded mid-May to match MTN on some price points and uncut on others

MTN vs. competition



new MTN data bundles – 31 May 2016 (Glo update)

	Airtel	Glo	EMTS	MTN
✓ N100	✓ 30MB	✓ 100MB	✓ 50MB	✓ 30MB
✓ N1 000	✓ 1.5GB	✓ 2GB	✓ 1.5GB	✓ 1.5GB
✓ N2 000	✓ 3.5GB	✓ 6GB	✓ 3.5GB	✓ 3.5GB
✓ N2 500	✓ 5GB	✓ 10GB		
✓ N3 000		✓ 12GB		
✓ N4 000		✓ 18GB	✓ 3GB	
✓ N5 000	✓ 12GB	✓ 24GB		✓ 10GB
✓ N10 000	✓ 34GB	✓ 11GB	✓ 22GB	✓ 22GB

Glo responded 31st May and uncut the whole market

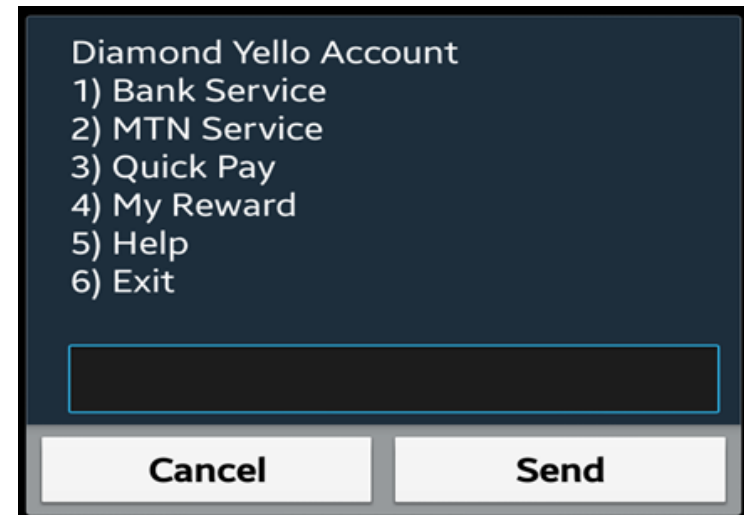
Mobile financial services – Diamond Y'ello



Diamond Y'ello is a full savings account that can be opened and operated from the convenience of an MTN mobile phone without filling forms

Features include

- Transfer and receive money to and from any bank account in Nigeria
- Pay bills to over 200 merchants
- Purchase airtime
- Earn interest on account balances and loyalty points on usage
- Deposit and withdraw money from agent locations nationwide

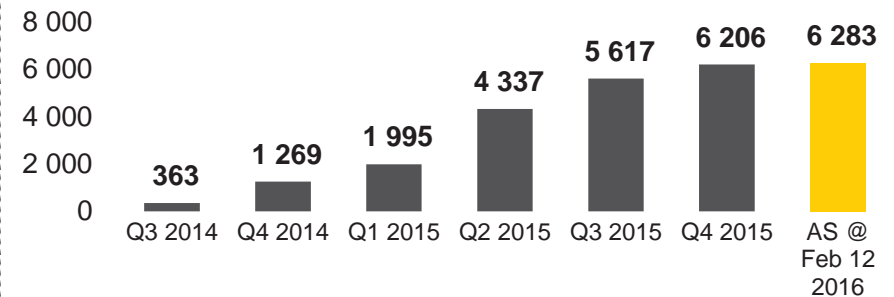


Diamond Y'ello performance

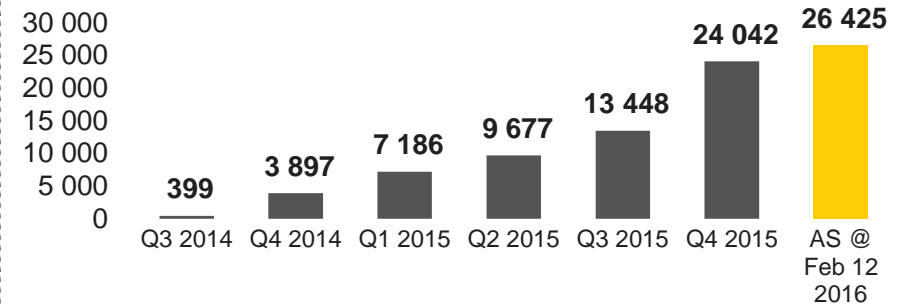


- Significant improvement in customer accounts
- Rapid expansion of the agent footprint with 30k agents covering all 36 states of the country
- MFS Y'ello Account service received international recognition from the Bill Gates Foundation via the World Bank Women initiative
- Provides significant competitive advantage and a financial grant to drive financial inclusion among women in 2016

Customer accounts



Agent acquisition



Mobile Financial services – MTN OnDemand

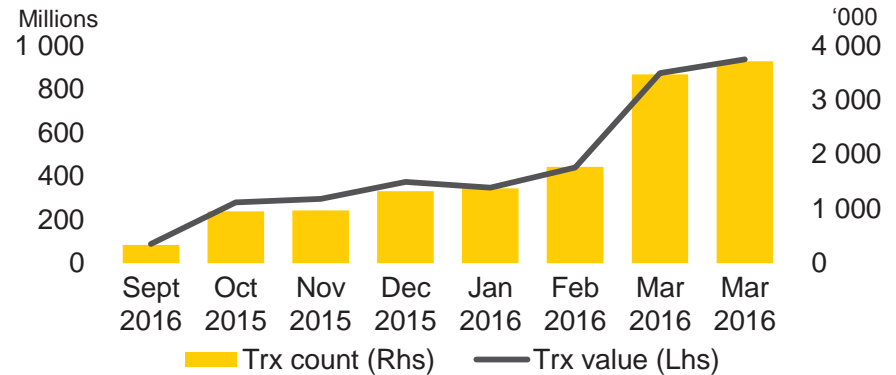


MTN launched OnDemand to service the “banked” population

Offering enables customers to directly top up their airtime and make basic bank enquiries directly from their phones

- MoM growth since launch with highest sales to date in April
- Additional two banks introduced in Q1, bringing total number of banks to five
- MoM improvements in performance for each bank
- Zenith bank remains market leader in value and transactions

OnDemand monthly performance

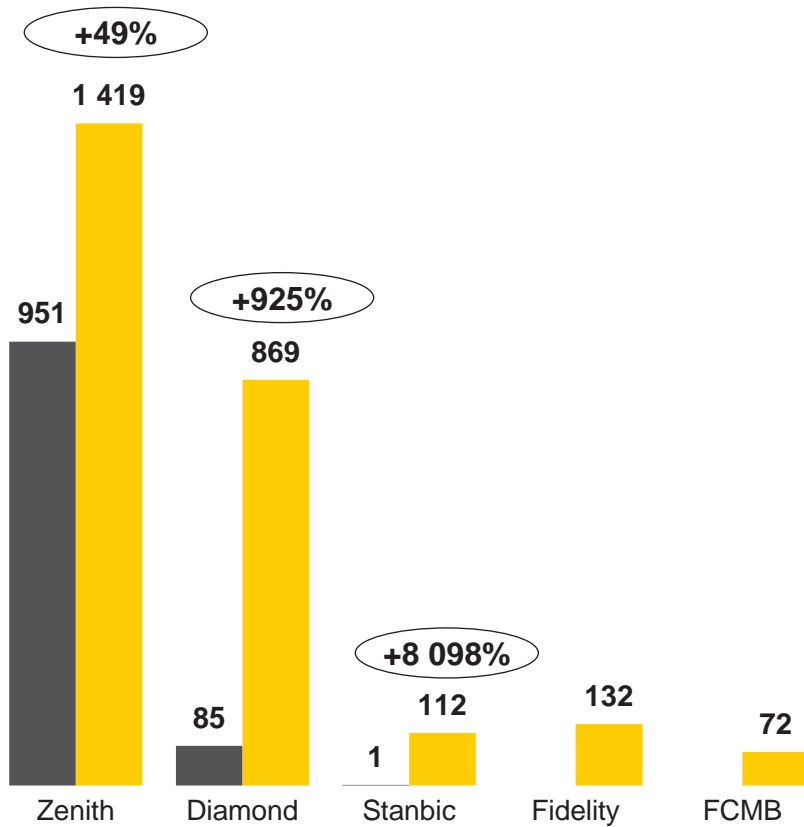


MTN OnDemand performance per bank

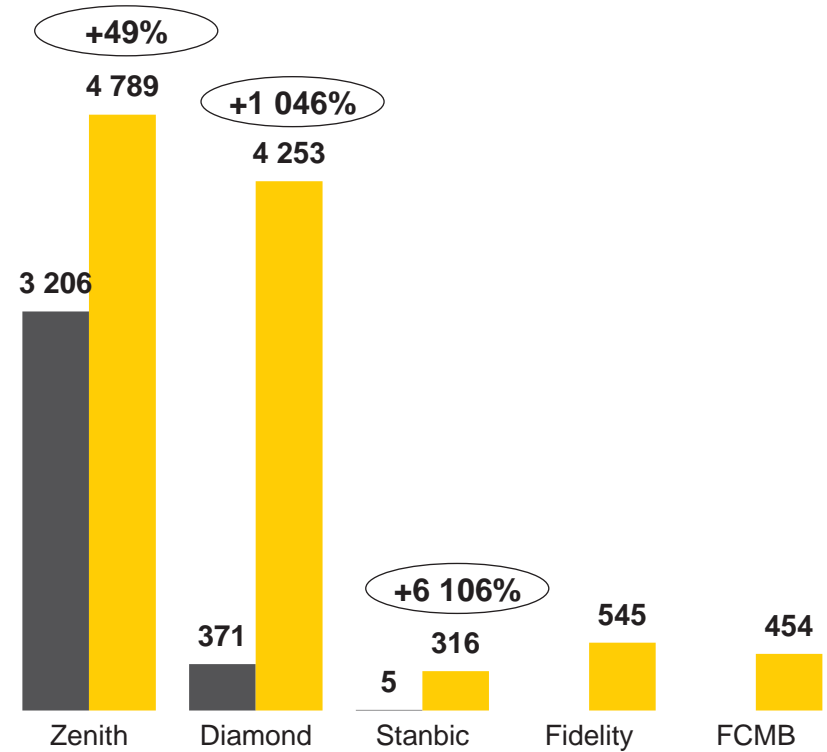


September – December 2015 vs. January – April 2016

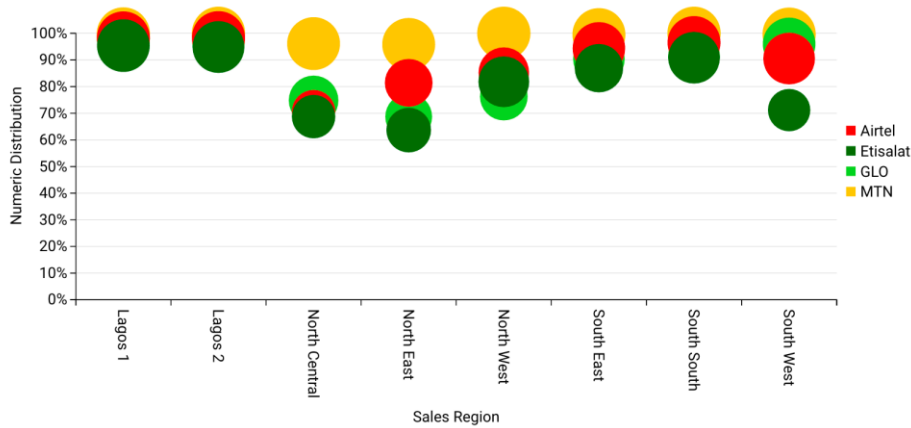
Transaction value
Nm



Transaction count
'000

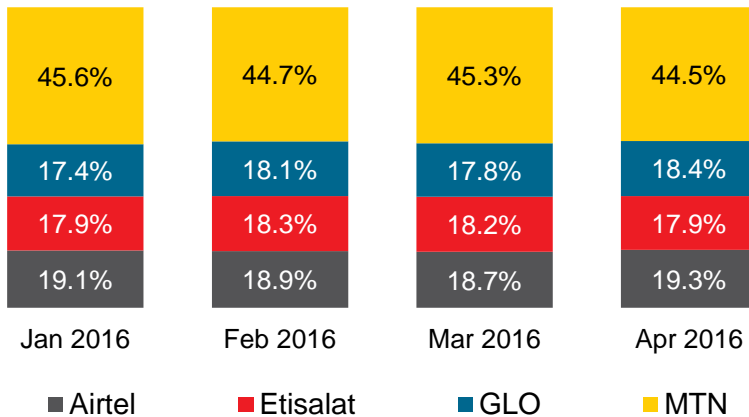


Distribution capability remains our competitive advantage



- Averages 99% distribution nationally
- Consistent very high distribution across all sub-regions

Retail value share



- Highest market share – average 44.5%
- Consistent performance month on month



Network

Highlights, challenges and key priorities

Highlights

Q1 2016

- 2G roll out – 73 sites rolled out
- 3G roll out – 149 sites rolled out

Challenges

- Delays in fibre deployment and implementation
- Security challenges

Key priorities

- Roll out of 3G and LTE services remains a priority
- Improvement in sustainable cost effective power to all sites
- Improved data speeds in key areas
- Substantial additional early capex for FY 2017

MTN Nigeria – network availability



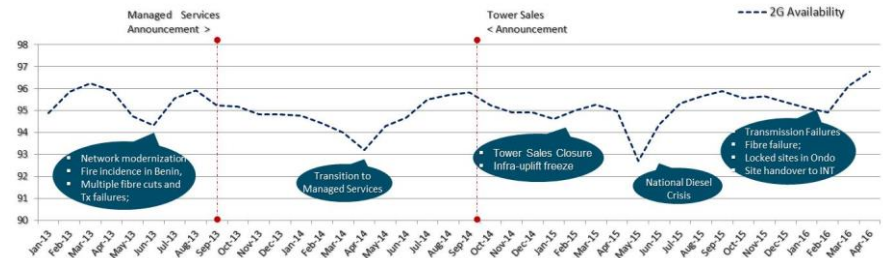
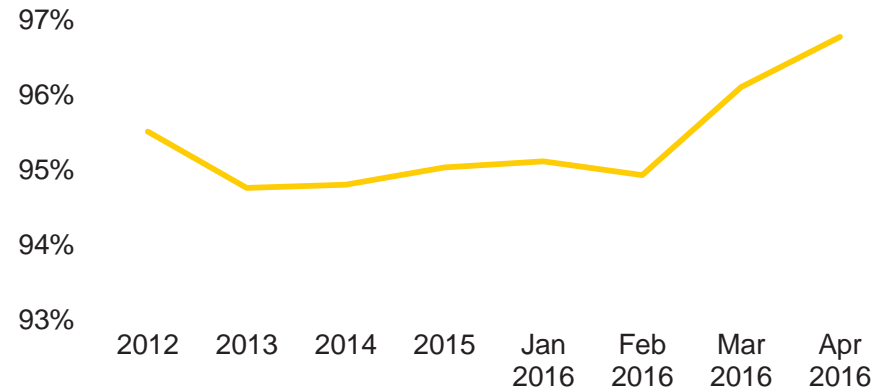
2012 – 2015

- Back-to-back network transformation programmes
- Low investment in passive network infrastructure (>65% of outages due passive infrastructure failures)
- Fibre cuts (road construction, vandalism etc)
- Site access restrictions by government or other parties
- Fuel supply shortages
- Security challenges in the north

2015 - 2016

- Increased focus on operational assurance
 - Surveillance, fault and alarm clearance
- Increased granularity in network performance management - HV and other clusters
- 4 600+ generators deployed on 3 300+ sites
- >2 000 power systems deployed in 2016
- Infrastructure uplift for >9 000 sites to be completed by December 2016

Network availability



MTN Nigeria – spectrum, quality and coverage

3G Densification >9 000 sites through FY 2017

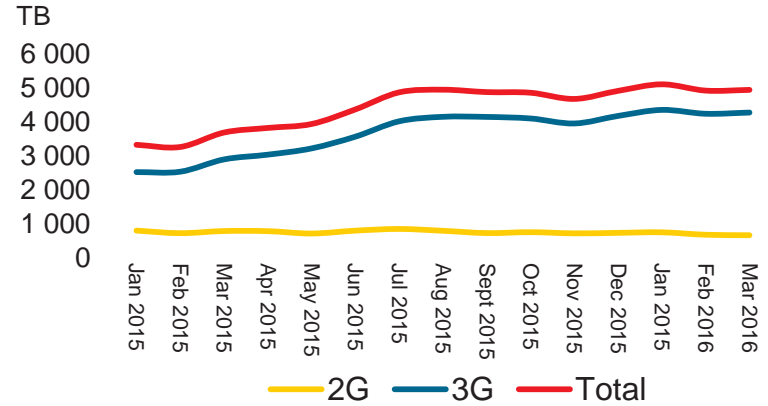
- 3G densification will increase 3G population coverage from 67.23 – to ~90%
- 3G spectrum limitation of 10MHz presents a capacity constraint
- LTE Deployment: Visafone spectrum acquisition

MTN has 10MHZ in the 800MHZ band through the Visafone acquisition

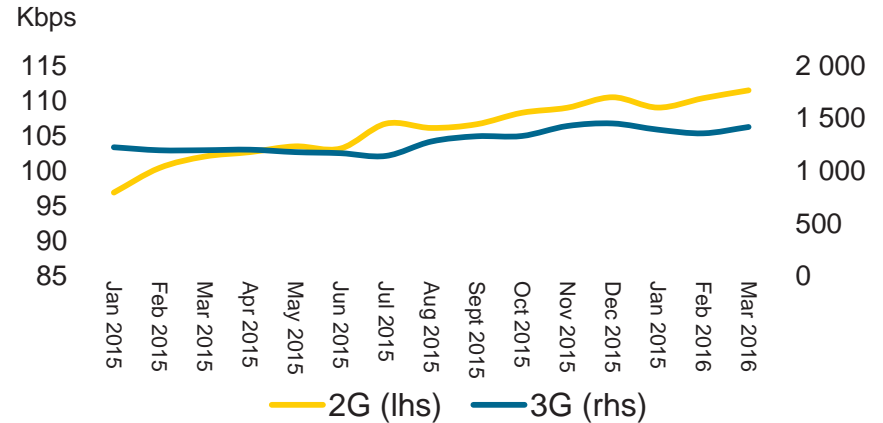
- LTE deployment on the acquired spectrum will improve data network experience and drive data volume growth
- Soft launch planned for early June 2016
- 1 622 LTE800 sites planned for FY2016 – 6 major cities
- Huawei, Ericsson and ZTE are deploying LTE simultaneously
- MTN has put in a bid for the 2600MHz spectrum for future LTE capacity



Data volume



Data throughput

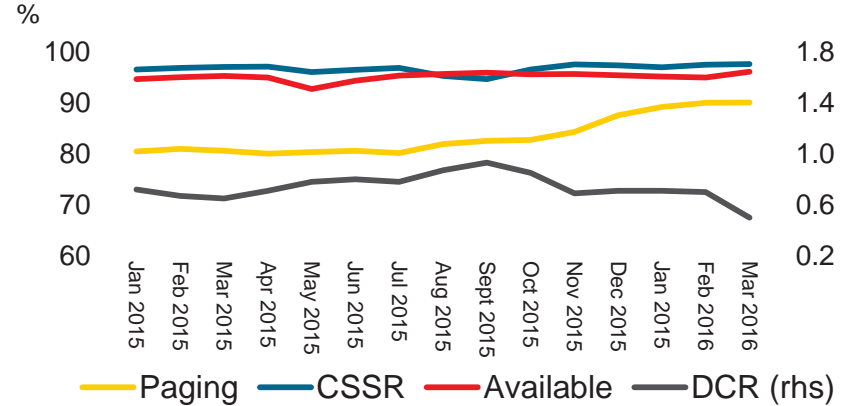




Network quality has continued to improve

- All headline network KPIs are meeting regulatory targets
- Data user experience is leading in Lagos but lagging in Abuja and Port Harcourt city
- Power and transmission outages remain the key contributors to a poor network performance
- Aggressive FTTS rollout will commence in Q3 2016 to cater for LTE traffic increase

Availability



- MTN Nigeria launched the first aerial fibre for backbone and IP/MPLS network via a 3rd party provider – phase 3 telecoms
- MTN currently has >21 000km of terrestrial fibre infrastructure

Factors affecting national fibre deployment

- Delays in right-of-way (ROW) and implementation approvals
- Multiple taxation from state and federal government agencies
- Obstruction of implementation works by government agencies – National Inland Waterways Authority (NIWA)

FY16 - 17 fibre deployment:

- Early approvals requested for 2017 deployment
- Lagos state government recently cancelled all previously approved ROW permits for 2016
- MTN in negotiation to establish a FibreCo

Fibre deployment	Plan (km)	Actual (km)
2014	1 589	804
2015	120	104
2016	2 300	9

Fibre to site	Actual # fiberized sites	Total # of sites on network
April 2016	735	13 214

Early approval has been granted for FY2017 capex to deliver

- 6 173 3G sites
 - 2 269 co-location and 3 904 stand-alone sites
- 5 076 LTE sites
 - 100% co-location sites
- 850 new fibre-to-site deployments – >3 600Km of fibre infrastructure
- Converged Transport Network (CTN) project
- Expansion of upper layer / aerial fibre network – >2 000Km
- New national fibre route – 495Km
- Switching facility projects
- Lagos (Idimu)
 - Land acquisition and switch facility deployment
- Abuja (Durunmi)
 - Network elements
- PHC
 - Facility, infrastructure and network elements

(ZAR million)	2016	2015	2014
Capex	11 130	4 993	8 375



Prospects

Guidance 2016

Underlying drivers of net additions

- Monthly gross connection trend is expected to be lower than previous years due to sim registration process
- Registration process will ensure better quality customers with less propensity to churn
- Targeted HVC acquisition plans to be rolled out in the trade channels from H2 2016
- From Q2 2016 all MTN service centers shifted their focus from SIM disconnection winback campaigns to normal gross connection registration
 - Enabled more data capture equipment available to enroll new customers on the network
- 29 April 2016 NCC restored regulatory services to MTN
 - Enabled rollout of competitive offers to drive the acquisition of new customers to the network
- Focus on improved customer network experience and compelling value propositions to enhance gross connections and reduce churn rate

(‘000)	Dec 15 Actual	March 2016 guidance
Nigeria	1 359	3 500



- Expect improved competitiveness and operational performance
- Increased revenues supported by reconnecting subscribers and new services approved beginning May 2016
- Renewed focus on customer experience
- Penetration of data/digital market
 - Acquisition of data centric customers by offering incentives on purchase of 3G and LTE devices
- Improve customer service and product experience
- Improve network and channel experience
- Other initiatives include roaming, loyalty, digital/VAS and mobile financial services



Questions

thank you



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