

Surge in Data Revenue Underpins Performance

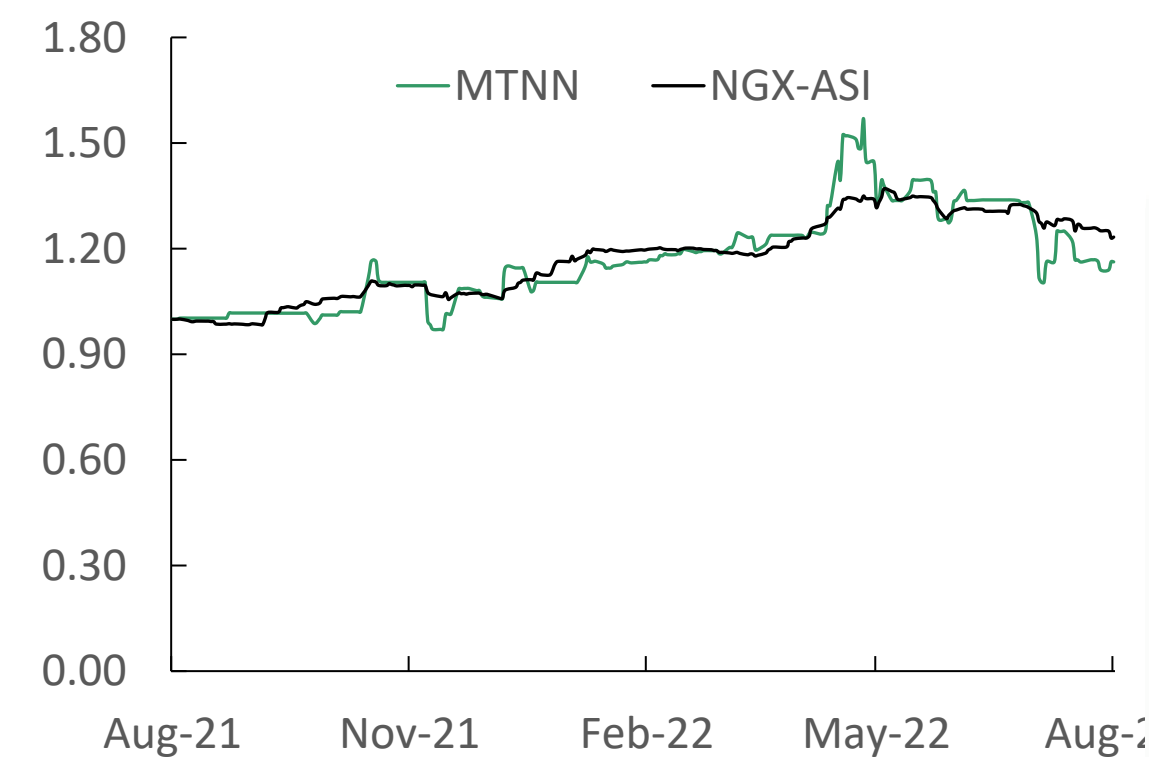
Summary: In H1:2022, MTNN's revenue increased by 20.07% YoY to NGN950.05bn. The increase in revenue was driven by higher revenue across business segments; Voice (+2.91% YoY), data (+51.59% YoY) and fintech (27.81% YoY). The company added 5.7 million subscribers during the period, increasing total subscriber base to 74.1 million (+7.55% YoY). Similarly, data and fintech subscriber base both increased by 113.23% YoY and 88.52% YoY to 36.80 million and 11.5 million, respectively.

Operating expense increased by 17.84% YoY, due to the expansion in direct network operating costs (+12.15% YoY), handset costs (+558.05% YoY), interconnect costs (+14.35% YoY) and Other operating expenses (+23.75% YoY). Notwithstanding, EBITDA grew by 22.08% YoY to NGN509.32bn and EBITDA margin increased by 88bps to 53.51%. Finance cost also surged by 41.19% YoY due to increased interest expense on borrowings (+63.71% YoY). Profit after tax however increased by 28.06% YoY to NGN181.63bn and net margin was 19.12% (+119bps YoY)

Positive: The company launched its PSB services and registered 4.2 million Mobile Money wallets during the period.

Negatives: Decline in voice traffic, due to restriction on calls from SIM cards yet to be linked to NIN.

Valuation		Stock Highlights	
Trailing EPS	16.63	Yr Hi	270.00
BVPS	13.24	Yr Lo	185.5
P/E	12.03	YTD return	1.52%
P/BV	15.10	Beta	0.99
Target PE	13.00x	Adjusted Beta	0.99
Dec-2022 Exp. EPS	18.28	Shares outstanding	20.35bn
Dec 2022 Target price	NGN237.64	Market cap [NGN]	4,070.00bn
Current Price	NGN200.00	Financial year end	December



Recommendation: BUY **TP: 237.64** **CP: 200.00** **UPP: +18.82%**

Financial Highlight (NGN'mn)

Profit and Loss Account	H1:2022	H1:2021	Y/Y Growth
Revenue	950,086	791,263	20.07%
Cost of sales	224,959	181,621	23.86%
OPEX	352,312	273,709	28.72%
Operating Profit	90,743	64,270	41.19%
Finance Cost	268,635	215,116	24.88%
PBT	87,006	73,289	18.72%
PAT	181,629	141,827	28.06%

Balance Sheet	H1:2022	2021A	% Change
Property, Plant and Equipment	890,351	774,113	15.02%
Total Asset	2,527,135	2,259,555	11.84%
Total Equity	269,535	264,981	1.72%
Total Debt	1,403,605	1,184,116	18.54%
Total Liabilities	2,257,650	1,994,574	13.19%

Key Metrics

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
ROA	13.39%	13.22%	12.40%
ROE	125.57%	112.71%	122.37%
Net Margin	19.12%	18.05%	16.89%

Efficiency Ratio	H1:2022	2021A	3-yr Hist. Avg
Asset Turnover	0.72	0.73	0.73

Liquidity Ratio	H1:2022	2021A	3-yr Hist. Avg
Current Ratio	0.51	0.66	0.68
Quick Ratio	0.51	0.66	0.67
Cash Ratio	0.14	0.29	0.32

Solvency Ratio	H1:2022	2021A	3-yr Hist. Avg
Interest Coverage	3.88	3.65	3.28
Debt to Equity	5.21	4.47	5.73
Debt to Asset	0.56	0.52	0.57

Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	234.52
EPS						Max	240.78
	237.64	18.18	18.23	18.28	18.33	18.38	
Target PE	12.90x	234.52	235.17	235.81	236.46	237.10	
	12.95x	235.43	236.08	236.73	237.37	238.02	
	13.00x	236.34	236.99	237.64	238.29	238.94	
	13.05x	237.25	237.90	238.55	239.21	239.86	
	13.10x	238.16	238.81	239.47	240.12	240.78	

*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

Growth Across Regions Support Margins

Summary: In Q1:2023, AIRTELAFRI recorded an increase in revenue by 13.04% YoY. The revenue growth is attributable to increase in both subscriber base (+8.94% YoY to 131.6 million) and Average Revenue Per User (+3.23% YoY) to USD3.2. The telco giant also witnessed growth across its operating segments; voice (+8.54% YoY), data (+17.42% YoY) and Mobile Money (+28.23% YoY). Similarly, revenue was higher across regions; Nigeria (+16.18% YoY), East Africa (+11.15% YoY) and Francophone Africa (+3.56% YoY).

Operating expenses increased by 11.02% YoY, majorly due to the increase in network operating expense (+17.35% YoY), sales and marketing expense (+24.49% YoY) and other operating expense (+10.28% YoY). Cost to income ratio however declined marginally (94bps) to 51.31%. Consequently, EBITDA margin expanded to 48.85% (vs 48.02% in Q1:2022). Profit before and after tax both increased by 6.56% YoY and 25.35 YoY respectively, causing net margin to improve to 14.16% (from 12.77% in Q1:2022).

Positive: The company commenced Mobile Money operations in Nigeria (the company's biggest market).

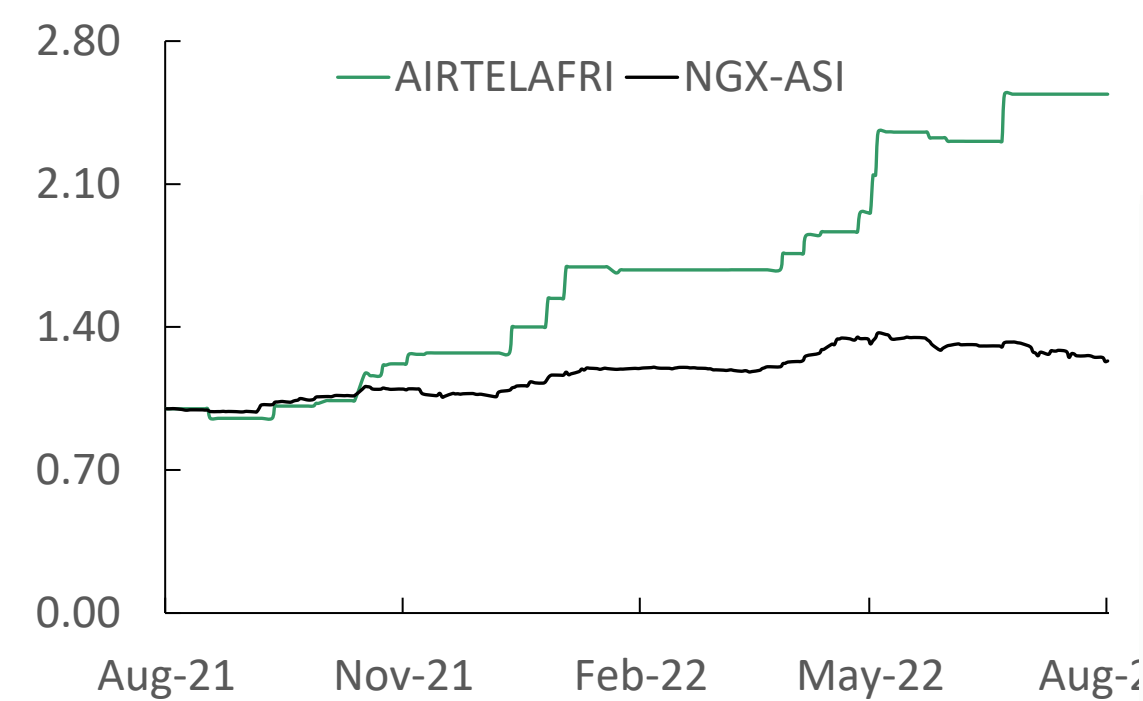
Negatives: Subscriber that represent c. 7% of revenue from Nigeria are yet to provide National Identity Number, thereby posing a risk of disconnection.

Valuation

EBITDA	1,074.88bn
EV/EBITDA	3.40x
P/E	22.32
P/BV	4.72
Target EV/EBITDA	3.91
Exp. EBITDA	1,112.42bn
Mar 2023 Target price	1,159.11
Current Price	2,040.00

Stock Highlights

Yr Hi	2,040
Yr Lo	955
YTD return	113.61%
Beta	1.37
Adjusted Beta	1.25
Shares outstanding	3.75bn
Market cap [NGN]	7,152.87bn
Financial year end	March



Recommendation: SELL **TP: 1159.11** **CP: 2040.00** **UPP: -43.18%**

Financial Highlight (NGN'mn)

Profit and Loss Account	Q1:2023	Q1:2022	Y/Y Growth
Revenue	535,733	473,934	13.04%
OPEX	274,899	247,622	11.02%
Operating Profit	181,135	150,022	20.74%
Finance Cost	66,487	43,046	54.46%
PBT	117,631	110,386	6.56%
Taxation	41,768	49,865	-16.24%
PAT	75,864	60,520	25.35%

Balance Sheet	Q1:2023	2022FY	% Change
Property, Plant and Equipment	936,788	943,607	-0.72%
Total Asset	4,358,321	4,417,137	-1.33%
Total Equity	1,514,289	1,555,204	-2.63%
Total Debt	1,710,341	1,675,818	2.06%
Total Liabilities	2,844,033	2,861,933	-0.63%

Key Metrics

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
ROA	7.35%	6.09%	5.27%
ROE	21.17%	17.29%	15.17%
Net Margin	14.16%	13.36%	12.81%

Efficiency Ratio	H1:2022	2021A	3-yr Hist. Avg
Asset Turnover	0.50	0.45	0.41

Liquidity Ratio	H1:2022	2021A	3-yr Hist. Avg
Current Ratio	0.64	0.65	0.62
Quick Ratio	0.64	0.65	0.62
Cash Ratio	0.27	0.21	0.28

Solvency Ratio	H1:2022	2021A	3-yr Hist. Avg
Interest Coverage	2.72	3.48	2.71
Debt to Equity	1.13	1.08	1.25
Debt to Asset	0.39	0.38	0.43

Sensitivity Analysis of Dec-2022 Target Price to key model inputs

						Min	1,025.61
						Max	1,300.61
						EPS	
						1481.647	276.33
						286.33	296.33
						306.33	316.33
Target PE	3.71x	1,025.61	1,062.73	1,099.84	1,136.96	1,174.08	
	3.81x	1,053.25	1,091.36	1,129.48	1,167.59	1,205.71	
	3.91x	1,080.88	1,119.99	1,159.11	1,198.23	1,237.34	
	4.01x	1,108.51	1,148.63	1,188.74	1,228.86	1,268.97	
	4.11x	1,136.14	1,177.26	1,218.38	1,259.49	1,300.61	

*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

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Movements in Price Target

Company Name: MTNN Plc

Date	Price (N)	Previous Price(N)	Target	New Target Price (N)	Previous Recommendation	New Recommendation
26-August--2022	200.00	237.64		237.64	HOLD	BUY

Company Name: AIRTELAFRI

Date	Price (N)	Previous Price(N)	Target	New Target Price (N)	Previous Recommendation	New Recommendation
26-August--2022	2040.0	1159.11		1159.11	SELL	SELL

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MTNN	
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