

**MTN**

Communication services

# Company Update Report



## Turkcell challenges MTN's constitutional court appeal in Iran licence dispute

### Analyst recommendation

Counter	Share price	Intrinsic value	Upside
MTN-ZA	R131	R149	13.6% upside

As of 9 June 2025

### Executive summary

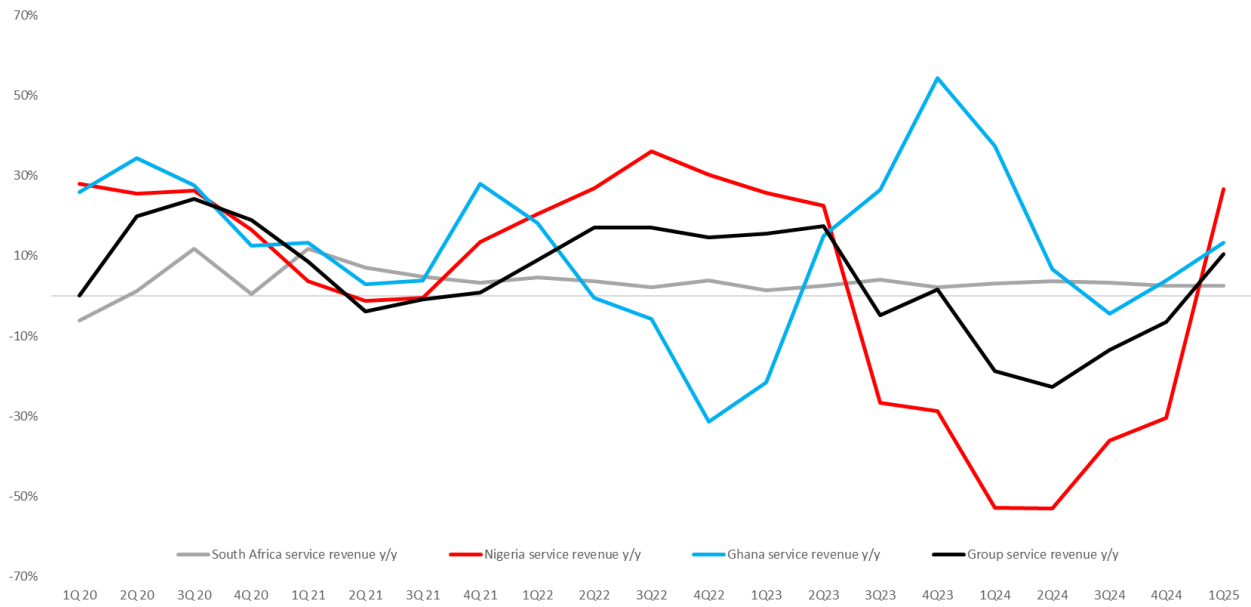
- Tariff increases and regulatory support:
  - Nigeria implemented phased tariff increases for data and voice from mid-February 2025, these price adjustments began to support revenue increases and margin recovery, with the full impact expected in Q2 FY25.
- Cost efficiency and margin expansion:
  - Group EBITDA margin expanded to 44.1% (up 5.3%), supported by cost efficiency programmes, renegotiated tower leases, and disciplined expense management.
- Inflation and currency:
  - Group blended inflation averaged 14.2% year-on-year in Q1 FY25, up slightly from 13.6% in Q1 2024. The removal of fuel subsidies in Nigeria in mid-2023 led to a spike in transportation and logistics costs, which continued to ripple through the economy into 2024 and early 2025.
  - The Ghanaian cedi (GHS) has appreciated against both the dollar and the South African rand. The cedi's gain was fuelled by high gold exports, fiscal discipline, tight IMF-backed policy, and a weaker US dollar boosting investor confidence.
- Intrinsic value increased by 34% to R149 due to:
  - Strength of the Ghanaian cedi which enhances earnings stability and reduces currency-related losses.
  - Successful renegotiation of tower leases which improved MTN's cost structure and operational efficiency.
  - Data and voice price increases in Nigeria which helped drive margin recovery.

### Analyst thesis

- We remain positive on MTN earnings outlook due to the following reasons:
  - MTN's recent price increases in Nigeria, implemented to counter inflation and higher network expenses, are expected to be fully reflect from the Q2 FY2025 results onwards.
  - MTN targets R7–8 billion in cost savings by 2026 through digitalisation and operational efficiencies which support margin expansion.
  - Nigeria inflation is projected to decline to 22.1% by end-2025, easing operating costs and improving consumer affordability.
  - Higher oil production should improve Nigeria's fiscal and FX position, supporting MTN Nigeria's operating outlook.
  - The cedi's appreciation supports earnings quality and enhances cash repatriation from Ghana.
- The \$4.2 billion Turkcell lawsuit poses a notable risk, however, MTN's underlying momentum and long-term growth drivers continue to support our investment case.



**Graph 1: Major opcos service revenue (y/y %): South Africa (in rands)**



Source: Company reports

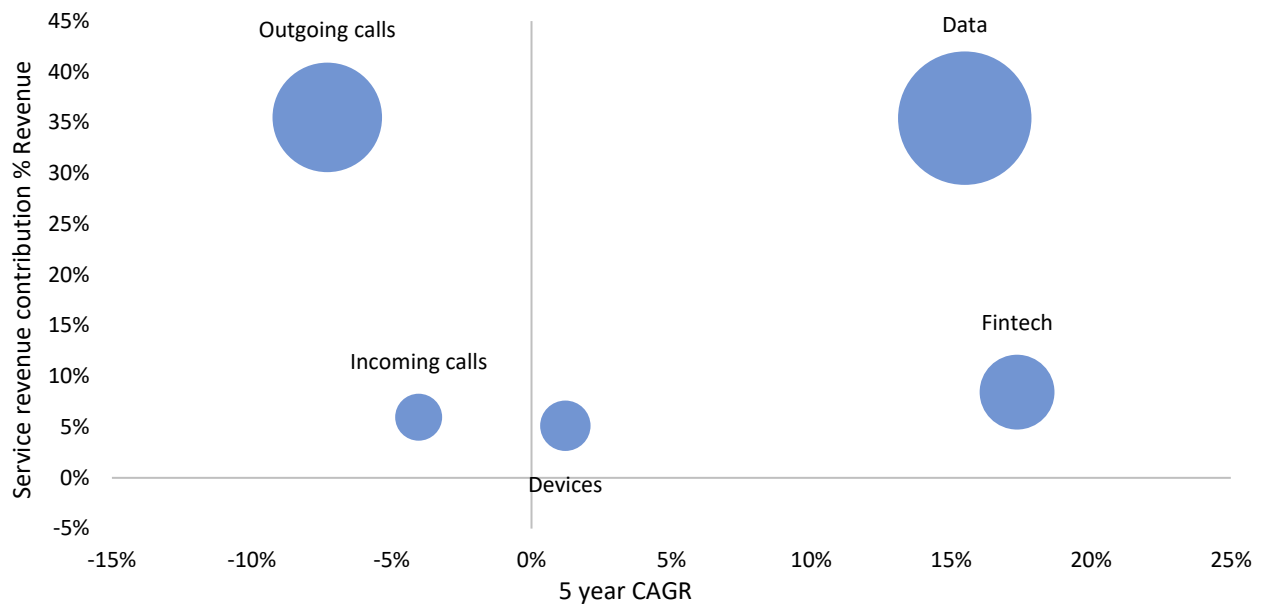
#### Key trends:

In Q1 FY25 group service revenue increased by 10.4% year-on-year driven by price adjustments, growth from higher transaction volumes and expanded services.

- Group EBITDA increased by 23.1% year-on year; up by 33% on a constant currency.
- Group EBITDA Margin increased by 5.2% to 43.6% year-on-year.



**Graph 2: Group Revenue by segment for FY24**



Source: Company reports

Bubble size = revenue amount

## Revenue segment analysis & strategic outlook

### 1. Data – Core growth driver

- Data services currently represent the largest and most resilient revenue contributor, accounting for over a third of service revenue. The segment continues to exhibit strong 5-year compounded annual growth (CAGR), indicating sustained demand for mobile and fixed data. This trend reflects increasing digital adoption, smartphone penetration, and rising data consumption per user.

### 2. Fintech – High-growth opportunity

- Fintech, while contributing a smaller share of current revenue, is the fastest-growing segment, with a CAGR of 17%. This reflects growing adoption of mobile money, digital wallets, payments, and financial services in underserved markets.

### 3. Voice (outgoing & incoming calls) – Declining but still relevant

- Voice revenue, especially from outgoing calls, remains a significant part of the revenue mix, but is in structural decline, consistent with global telecom trends. The decline in incoming call revenue may reflect changes in interconnect rates and OTT substitution (e.g., WhatsApp, Zoom).

### 4. Devices – Stable but limited contributor

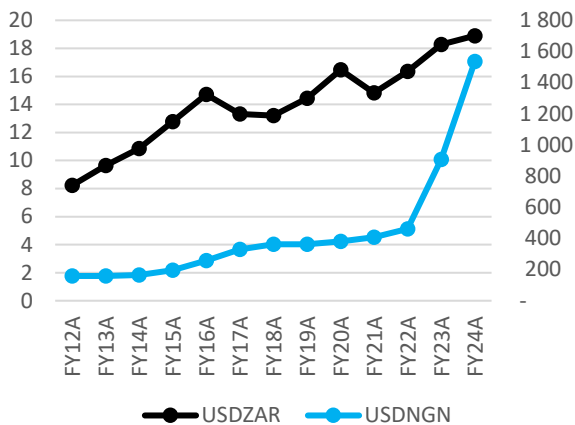
Device sales remain relatively small and stable, with low single-digit growth. While not a major revenue engine, it plays a role in supporting data and fintech uptake, especially in emerging markets where access to affordable smartphones remains a barrier.

## MTN Nigeria

- The naira averaged ₦80.74/ZAR in Q1 FY25 vs ₦72.61/ZAR in Q1 FY24, an 11.2% ZAR depreciation. Despite MTN's price adjustments, naira devaluation remains a concern for cost pressures.
- Price adjustments were implemented across key markets in mid-February 2025, to mitigate currency weakness and inflationary pressures, supporting margin recovery amid elevated input costs and FX volatility.
- Fintech revenue grew by 58% for Q1 FY25, driven by the strong performance of the airtime lending product (Xtratime).
- Inflation is also likely to remain elevated due to the fuel subsidy removal that could further put pressure on margins. This is before any cost savings or additional improvement to top-line growth.
- MTN's revised IHS tower lease agreement specifically reduces forex (foreign exchange) exposure.
- MTN has decreased its US dollar-denominated borrowings, increasing the share of naira-denominated debt to 72% as of 31 December 2024, a rise of 17%.

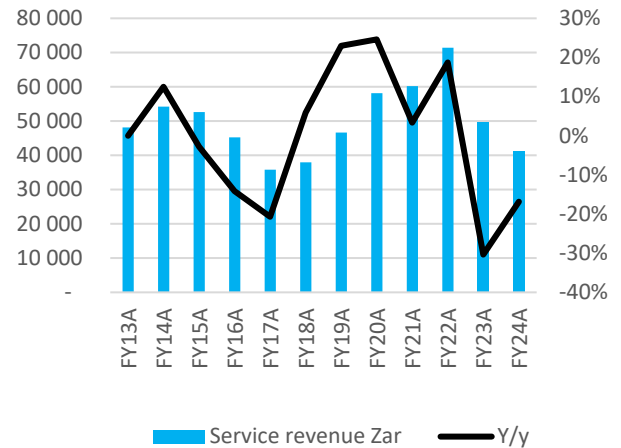


Graph 3: Naira (Rhs) versus USD and rand versus USD (Lhs)



Source: Company Financials

Graph 4: Nigeria service revenue growth



Source: Company Financials

## Fintech

- MTN has secured agreements with Mastercard for a minority investment of up to \$200 million in MTN Group Fintech, valued at \$5.2 billion on a cash and debt-free basis.
- The market cap of MTN is about R246.3 billion with an implied fintech value of R98 billion.
- This deal was less about cash and more about finding a strategic partner to scale up the business. Cited by the company, the partnership will support several verticals.
  - Issuance: Mastercard state-of-the-art technology & global network will enable MoMo users to create virtual cards linked to primary MoMo wallets.
  - Acceptance: will enable group fintech merchants to accept Mastercard payments as a trusted and universally recognised payment method.
  - Remittances: Accelerates group fintech's scale and scope as a remittances player.

## Balance sheet

- The group's net-debt-to-EBITDA of 0.7x as of 31 March 2025 (31 December 2024: 0.7x), remained well within covenant of 2.5x.
- Holdco leverage held firm at 1.5x (31 March 2025), supported by cash up streamed and localisation proceeds.

## Valuation

We have valued MTN Group Limited using a EV/EBITDA multiple approach. In our valuation, we have flexed our bear, base, and bull scenarios, each assigned with an equal probability weighting.



	Bear	Base	Bull
2026 EBIT (R'm)	63 596	63 596	63 596
Consensus EBIT	62 316	62 316	62 316
EV/EBIT Multiple assumptions (x)	5	6	7
Discounted Enterprise Value (R'm)	317 980	381 576	445 172
Net Debt/(Cash) (R'm)	114 452	114 452	114 452
Equity Value (R'm)	203 528	267 124	330 720
Shares in Issue	1 884	1 884	1 884
Intrinsic Value per case (R'm)	108.03	141.79	175.54
Upside/downside per case	-17.4%	8.5%	34.3%
Case Weight	10%	60%	30%
<b>Intrinsic Value (R)</b>		R 149	
<b>Current share price</b>		R 130.71	
<b>Upside/(downside)</b>		13.6%	

Source: PSG Wealth research

**Table 1: Qualitative summary**

Factor review	Rating	Description
Growth		MTN's 3-year revenue CAGR is projected at 11%, underpinned by strategic investments in data, fintech, network resilience, and cost optimization. Despite facing macroeconomic volatility, regulatory uncertainties, rising operational costs, and intensifying competition, the company is leveraging recent tariff increases to bolster top-line growth and offset inflationary pressures
Valuation		The company is valued on a forward EV/EBITDA multiple with an 13.6% upside.
Dividend yield		The dividend yield for MTN Group Limited is 2.7%.
Issuance		No issuance of additional shares over the past five years.
Catalyst		<ul style="list-style-type: none"> <li>• Mastercard offer to leverage on Fintech business.</li> <li>• Continued to leverage partnerships to scale platforms.</li> <li>• MTN Nigeria regulator authorised 50% price adjustments.</li> <li>• MTN's asset realization process and debt reduction strategy are aimed at optimising its portfolio, reducing currency risk, and strengthening its balance sheet.</li> <li>• MTN's Expense Efficiency Programme (EEF) focuses on reducing costs and improving operational efficiency.</li> </ul>
Quality of earnings		<ul style="list-style-type: none"> <li>• MTN has improved margins through effective cost control, operational efficiencies, and favourable tower lease renegotiations. Despite achieving a 5-year average ROE of 7.29%, profitability remains sensitive to exchange rate fluctuations across its African markets.</li> </ul>
Moat		Moat: MTN operates mainly as a number one operator in key markets.
Management and governance		Group Board Director changes. Chairman of the Group Risk and Compliance will retire from the Group Board, effective 31 March 2025. His successor has been appointed to the board, effective 1 January 2025.
Balance sheet		<ul style="list-style-type: none"> <li>• MTN's liquidity headroom of R38.0 billion includes both cash and undrawn committed facilities, supporting robust financial flexibility.</li> <li>• Group net-debt-to-EBITDA ratio of 0.7x</li> </ul>
Risks		<ul style="list-style-type: none"> <li>• Macroeconomic volatility and currency risk.</li> <li>• Regulatory and policy risk.</li> <li>• Geopolitical and security risk.</li> <li>• Legal and litigation risk.</li> <li>• Liquidity and cash repatriation.</li> </ul>



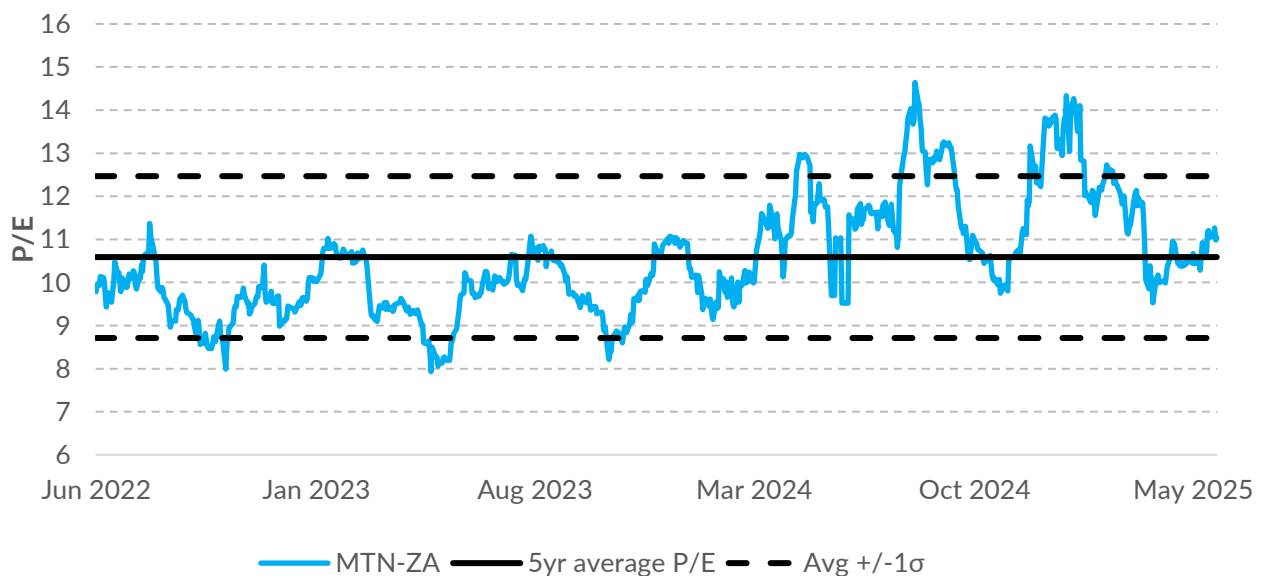
Regulation		The sector is heavily regulated; fines and penalties can be substantial. Additionally, regulators have been an issue when it comes to the implementation of price increases.
ESG		Achieved an average score on Truvalue.
Momentum price		Price momentum is positive.
Momentum earnings		In the last three months, earnings revisions have been revised upwards by >100%
Piotroski score		Achieved a below average score of 3.0.

Source: PSG Wealth research

**Table 2: Company data**

52-week high	R134.84
52-week low	R70.43
Market value (bn)	R246.3
Price momentum	Positive
3m earnings revision	>100%
Fiscal year end	2025/12/31

**Graph 5: Price to earnings**



Source: FactSet

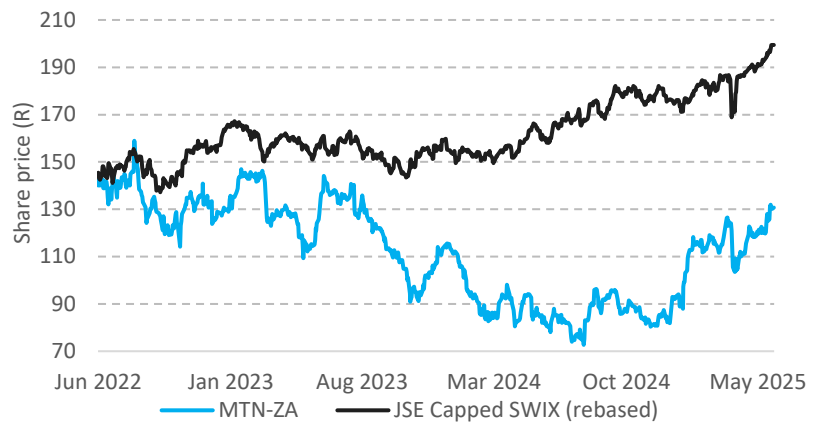


**Table 3: Valuation multiples**

Multiple	Latest: Jun-2025	Last note: Jul-2023
P/E	11.1x	10.0x
P/S	1.1x	1.1x
P/B	1.6x	1.7x
P/CF	3.3x	4.6x
EV/EBITDA	3.9x	3.4x
EV/EBIT	6.6x	5.6x
EV/SALES	1.6x	1.5x
Dividend yield	3.0%	2.7%
FCF yield	1.9%	11.1%

Source: FactSet

**Graph 6: Share price history versus benchmark**



Source: FactSet

**Table 4: Performance versus benchmark**

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
MTN Group Limited	42.1%	4.6%	13.3%	54.5%	62.0%	-4.3%	-10.6%	125.8%	-38.3%
JSE Capped SWIX	14.1%	2.1%	8.7%	9.5%	24.9%	26.4%	34.2%	72.4%	52.8%

Source: FactSet

**Table 5: Key competitors**

Company	Code	Price (local)	Market cap (Rbn)	Sales FY0 (Rbn)	EBIT FY0 (Rbn)	Net income FY0 (Rbn)	EV/ EBIT	P/E	Price % (3mo)	Price % (1YR)
MTN Group Limited	MTN-ZA	130.7	246	188	29	-10	6.6x	11.1x	13.3%	62.0%
Telkom SA SOC Ltd.	TKG-ZA	40.0	20	43	4	2	7.7x	8.7x	14.5%	70.9%
Vodacom Group Limited	VOD-ZA	135.7	282	152	33	18	8.2x	12.1x	15.2%	49.2%

Source: FactSet



**Table 6: Key financials and ratios**

<b>Income statement (ZAR bn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Sales	132.8	134.5	151.4	179.3	181.6	207.0	221.0	188.0
Y/y growth (%)	-	1.3	12.6	18.4	1.3	14.0	6.8	-14.9
EBITDA	53.7	54.9	72.4	86.7	92.3	104.7	106.7	84.7
Y/y growth (%)	-	2.2	31.9	19.8	6.5	13.4	1.9	-20.6
EBIT	30.0	30.5	39.5	50.5	56.9	69.3	63.5	47.5
Y/y growth (%)	-	1.7	29.5	27.8	12.9	21.7	-8.4	-25.3
Net income	4.4	8.7	9.1	17.0	13.7	19.0	4.0	-9.5**
Y/y growth (%)	-	97.7	4.6	86.8	-19.4	38.7	-78.9	-339.8
EPS (Rand)	2.4	4.8	5.0	9.4	7.6	10.5	2.2	-5.3
Y/y growth (%)	-	102.1	4.3	87.0	-19.7	38.2	-79.0	-341.4

<b>Balance sheet and cash flow (ZAR bn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Capex	26.6	28.2	27.0	30.1	35.2	45.8	46.8	31.6
Cash from operations	33.3	32.3	36.2	58.5	67.2	68.1	64.0	46.8
Free cash flow	9.5	8.1	12.8	35.0*	42.8	36.1	30.9	21.8
Y/y growth (%)	-	-14.7	58.0	173.4	22.3	-15.7	-14.4	-29.4
Cash and ST Investments	23.9	21.8	28.1	47.6	51.7	59.2	51.9	41.2
Total assets	244.2	256.8	30.3	348.9	365.8	385.3	434.7	430.9
ST debt	9.1	12.4	19.8	23.5	21.9	22.2	38.1	23.2
LT debt	71.2	73.1	120.7	122.2	106.8	115.6	110.3	132.5

<b>Ratios (ZAR bn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
EBIT margin (%)	22.6	22.7	26.1	28.2	31.4	33.5	28.8	25.3
Net income margin (%)	3.3	6.5	6.0	9.5	7.5	9.2	1.8	-5.1
Current ratio	0.9	0.8	0.9	1.0	0.9	0.9	0.8	0.9
Total debt to equity	85.3	100.9	167.5	141.6	116.0	120.4	106.6	126.1
Total debt to assets	32.9	33.3	46.5	41.7	35.2	35.7	34.1	36.1
ROA (%)	1.7	3.4	3.2	5.2	3.8	5.0	1.0	-2.2
ROE (%)	4.4	9.7	10.7	18.2	12.8	16.8	3.2	-7.3

Source: FactSet

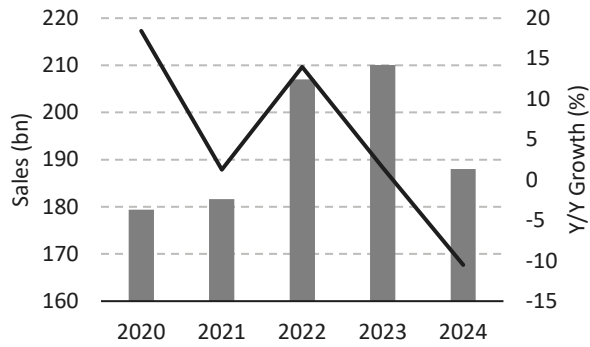
\*Free Cash Flow increased in 2020 due to lower CapEx spend.

\*\*Net Income in 2024 was negative due to currency devaluations in Nigeria, substantial impairments (notably in Sudan), and non-operational losses from asset disposals.



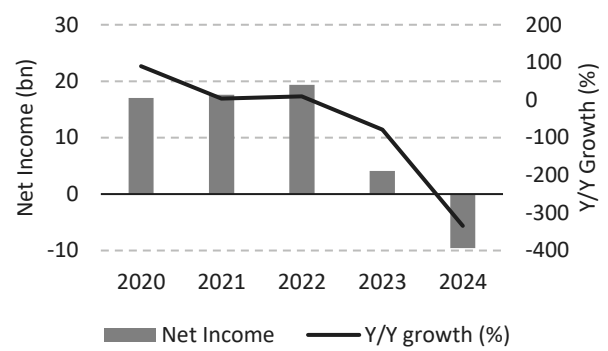


Graph 7: Annual sales



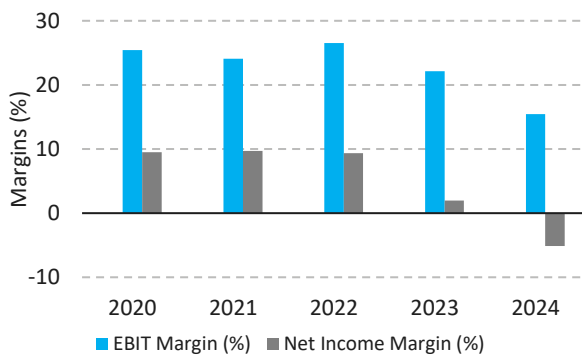
Source: FactSet

Graph 8: Annual net income



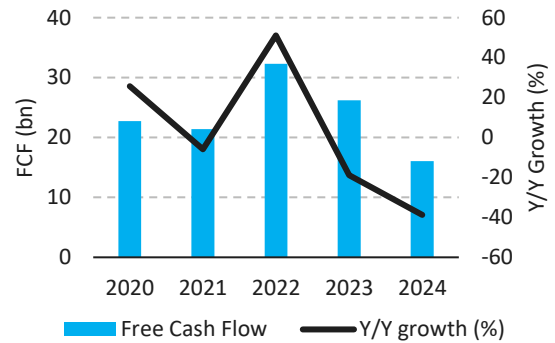
Source: FactSet

Graph 9: EBIT, net margins



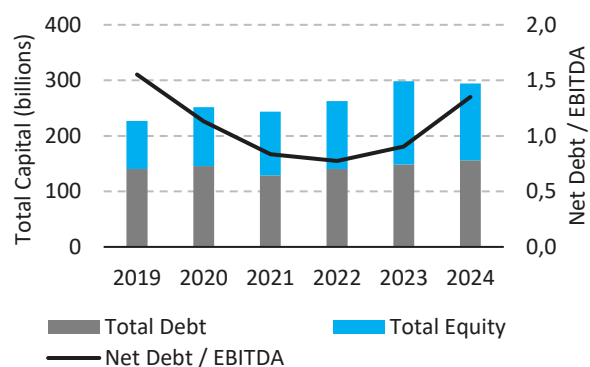
Source: FactSet

Graph 10: Free cash flow



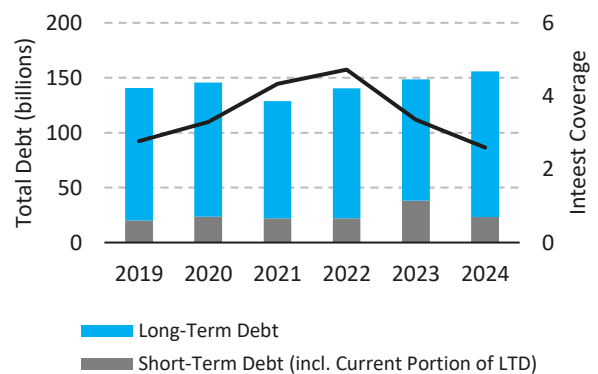
Source: FactSet

Graph 11: Capital structure and net debt/EBITDA



Source: FactSet

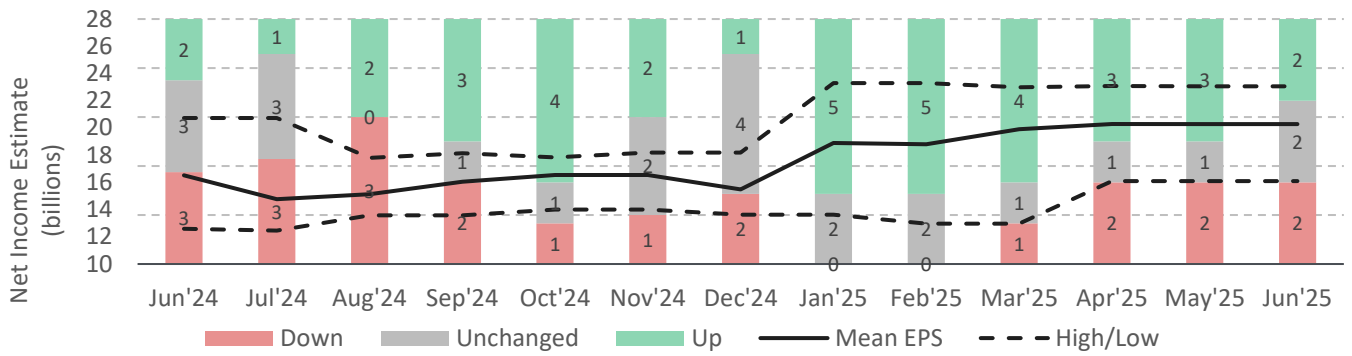
Graph 12: Total debt and interest coverage



Source: FactSet



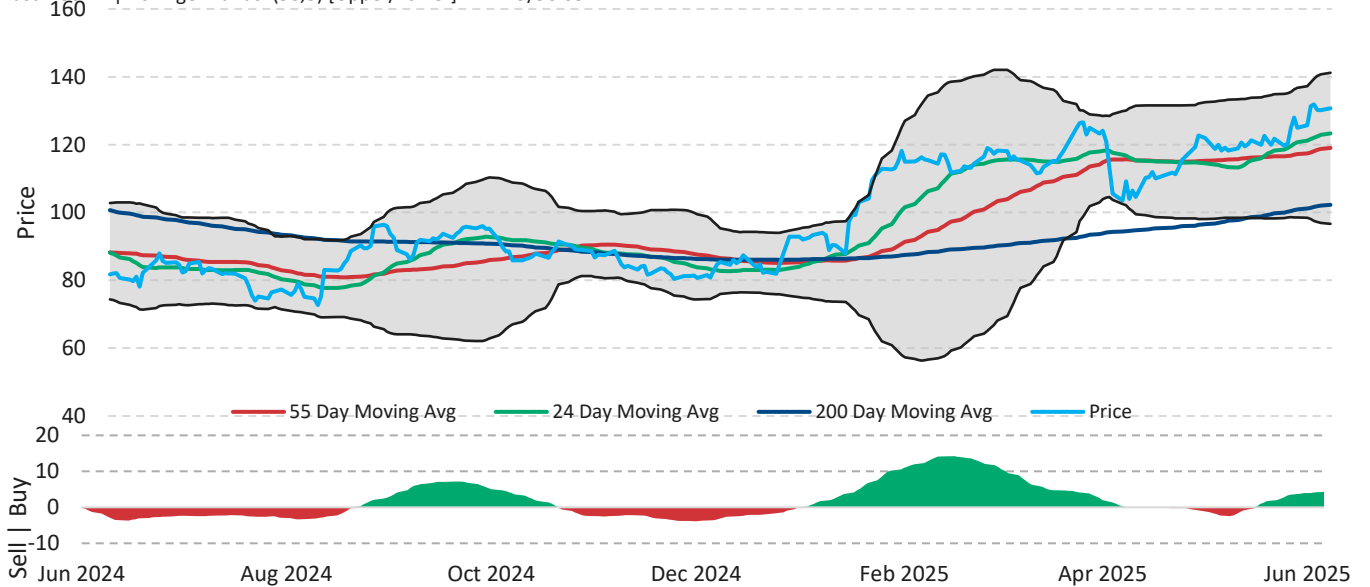
Graph 13: Earnings revision



Source: FactSet

Graph 14: Price momentum

Last: 130.71 | Bollinger Bands: (50,3) [Upper/Lower]: 141.19/96.63



Source: FactSet

**Muneeb Nana**

Equity Analyst

+27 (11) 996 5200

[Muneeb.Nana@psg.co.za](mailto:Muneeb.Nana@psg.co.za)**Pierre Muller, CA(SA), CFA**

Head of Equity Solutions

+27 (11) 996 5200

[Pierre.Muller@psg.co.za](mailto:Pierre.Muller@psg.co.za)

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