



### MTN UGANDA: FY21 EARNINGS UPDATE

Dear All,

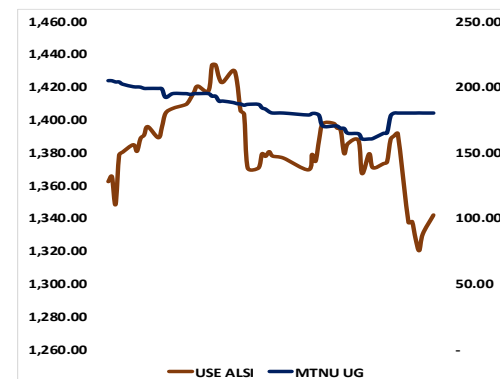
MTN Uganda announced its FY21 results reporting a 5.8% y-o-y rise in profit after tax to UGX 340.4 BN principally driven by a 9.4% y-o-y growth in service revenue to UGX 2.0 TN (buoyed by growth across data, fintech, voice and other service revenues) but weighed down by higher depreciation & amortization costs (+27.5% y-o-y to UGX 421.3 BN), operating expenses (+4.5% y-o-y to UGX 554.5 BN) and net finance costs (+4.9% y-o-y to UGX 145.3 BN). EPS rose by 5.8% y-o-y to stand at UGX 15.20 (FY20: UGX 14.37). The Board of Directors recommended the payment of a final dividend of UGX 4.706 per share placing the total dividend per share at UGX 14.99 resulting in a dividend yield of 8.3% based on the current price of UGX 180.08 (7th March 2022).

Below please find key highlights:

**Data revenues increased by 21.9% y-o-y to UGX 412.5 BN** anchored by a 16.0% y-o-y rise in active data subscribers to 5.3 MN and a 47.2% y-o-y increase in total MBs used. The group ramped up their broadband coverage as the number of 3G and 4G sites rose by 23.0% y-o-y and 55.0% y-o-y respectively. The contribution of data revenues to service revenues rose to 20.2% (FY20: 18.1%).

**Fintech revenue grew by 10.2% y-o-y to UGX 525.3 BN** supported by a 16.3% y-o-y rise in active fintech subscribers to 9.9 MN. According to the group, basic revenues (associated with basic transactions) grew by 19.3% y-o-y while advanced revenues rose by 20.0% y-o-y supported by increased adoption of bill and merchant payments. The contribution of fintech revenues to service revenues rose marginally to 25.7% (FY20: 25.6%). Digital revenues declined by 18.4% y-o-y to UGX 4.5 BN but the group noted on the positive growth of 47.2% y-o-y in revenue from video streaming services.

### MTNU : PRICE PERFORMANCE



(Source: Bloomberg, DBIB Research)

PRICE RETURN	ABSOLUTE RETURN	EXCESS RETURN
3 months (%)	(12.2)	(10.5)

### KEY METRICS

Current Price (KES)	180.00
YTD Return (%)	(7.7)
Issued Shares (MN)	22,389
Market Cap (UGX BN)	4,030.0
Market Cap (USD BN)	1.12

EPS (UGX)	15.20
P/E (x)	11.9
Div Yld (%)	8.3

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**Voice revenues advanced by 3.6% y-o-y to UGX 1.0 TN** on the back of a 10.7% y-o-y rise in overall mobile subscribers to 15.7 MN as well as a 9.7% y-o-y growth in total minutes of use by subscribers. The contribution of voice revenues to service revenues eased to 49.3% (FY20: 52.1%).

Owing to a slower pace in the rise of direct costs (+7.2% y-o-y to UGX 448.0 BN) compared to total revenues, **gross profits rose by 10.4% y-o-y to UGX 1.6 TN, resulting in a contribution margin of 78.3% (FY20: 77.7%).**

**Operating expenses increased by 4.5% y-o-y to UGX 554.5 BN** and the group attributed the slow growth to efficiency initiatives which resulted in savings of UGX 42.8 BN compared to UGX 11.0 BN in FY20. **EBITDA rose by 13.8% y-o-y to UGX 1.1 TN** giving rise to an EBITDA margin of 51.3% (FY20: 49.5%).

**Depreciation and amortization costs went up by 27.5% y-o-y to UGX 421.3 BN** owing to the impact of a one-off transitional license amortized in FY21. Net finance costs rose by 4.9% y-o-y to UGX 145.3 BN.

**Total debt including leases rose by 7.1% y-o-y to UGX 1.1 TN** driven by a 15.2% y-o-y rise in leases to UGX 732.2 BN while borrowings eased by 6.2% y-o-y to UGX 364.2 BN. The debt service coverage ratio stood at 3.5x (FY20: 4.5x) while the net debt to EBITDA ratio fell to 0.9x (FY20: 1.0x).

**The group's CAPEX increased by 15.0% y-o-y to UGX 270.2 BN** owing to the aforementioned increased investment in network coverage. CAPEX intensity stood at 13.1% (FY20: 12.5%).

**The group expects to continue to focus on the data and mobile money segments to grow revenues.** MTN Uganda plans to invest further in fixed connectivity (fibre to home and fibre to business) and to implement a new pricing framework to increase their customer base. The group also intends to focus on device financing initiatives in order to increase smart phone penetration. For mobile money, the group expects to continue to grow its advanced services offering to drive mobile money growth.

**The group targets to maintain a dividend pay-out ratio of at least 75.0% to 80.0% in the medium term.**

**MTN Uganda is trading at a P/E multiple of 11.9x and a P/B multiple of 4.8x.** Its ROE stands at 43.6% and ROA stands at 11.2%.

## PROFIT AND LOSS SUMMARY (UGX BN)

Year End: December	FY17	FY18	FY19	FY20	FY21	y-y % ch
Revenue	1,437.20	1,550.77	1,717.57	1,877.78	2,060.09	9.7
Voice revenue	849.52	896.44	933.77	971.39	1,006.72	3.6
Fintech & digital revenue	357.80	378.19	430.89	482.33	529.75	9.8
Data revenue	170.90	190.09	264.93	338.27	412.46	21.9
Other revenue	58.97	86.04	87.98	73.73	91.29	23.8
Cost of Sales	401.99	388.76	427.29	417.95	447.99	7.2
Gross Profit	1,035.20	1,162.01	1,290.29	1,459.83	1,612.10	10.4
Operating expenditure	531.86	604.99	481.64	530.44	554.52	4.5
EBITDA	503.34	557.02	808.65	929.39	1,057.58	13.8
Depreciation and amortisation	229.04	221.63	301.67	330.47	421.30	27.5
Operating profit/EBIT	274.30	335.39	506.98	636.28	598.92	-5.9
Net finance costs	47.21	27.24	127.53	138.56	145.33	4.9
Profit before tax	227.09	308.15	379.45	460.36	490.94	6.6
Income tax expense	74.43	88.62	110.20	138.70	150.53	8.5
Profit after tax	152.66	219.53	269.25	321.66	340.41	5.8
EPS	6.82	9.81	12.03	14.37	15.20	5.8
DPS	4.54	5.63	6.89	6.83	14.99	119.3

(Source: Company, DBIB Research)

## CASHFLOW SUMMARY (UGX BN)

Year End: December	FY17	FY18	FY19	FY20	FY21	y-y % ch
Net operating cashflows	340.65	326.19	429.85	432.95	548.54	26.7
Net investing cashflows	(275.05)	(232.29)	(247.79)	(612.07)	(316.47)	(48.3)
Net financing cashflows	(56.95)	(41.37)	(160.24)	133.03	(100.10)	(175.2)
Net increase in cash	8.66	52.53	21.82	(46.10)	131.97	(386.3)
Cash at the start	39.89	45.09	92.56	109.39	59.17	(45.9)
Cash at the end	45.09	92.56	109.39	59.17	188.81	219.1

(Source: Company, DBIB Research)

## BALANCE SHEET SUMMARY (UGX BN)

Year End: December	FY17	FY18	FY19	FY20	FY21	y-y % ch
Non-current assets	856.66	869.87	1,503.60	1,873.22	1,952.48	4.2
Current assets	595.91	719.78	737.50	886.80	1,345.91	51.8
<b>Total assets</b>	<b>1,452.57</b>	<b>1,589.64</b>	<b>2,241.10</b>	<b>2,760.02</b>	<b>3,298.39</b>	<b>19.5</b>
Equity	348.92	442.35	557.28	725.95	836.16	15.2
Non-current liabilities	212.64	170.34	699.13	832.17	816.59	(1.9)
Current liabilities	891.01	976.95	984.69	1,201.90	1,645.65	36.9
<b>Total equity and liabilities</b>	<b>1,452.57</b>	<b>1,589.64</b>	<b>2,241.10</b>	<b>2,760.02</b>	<b>3,298.39</b>	<b>19.5</b>

(Source: Company, DBIB Research)

## OPERATING PERFORMANCE

	FY18	FY19	FY20	FY21	y-y bps
Contribution margin (%)	74.9	75.1	77.7	78.3	51.1
EBITDA margin (%)	35.9	47.1	49.5	51.3	184.2
EBIT margin (%)	21.6	29.5	31.9	30.9	(101.0)
Pretax margin (%)	19.9	22.1	24.5	23.8	(68.6)
PAT margin (%)	14.2	15.7	17.1	16.5	(60.7)
ROE (%)	55.5	53.9	50.1	43.6	(655.3)
ROA (%)	14.4	14.1	12.9	11.2	(162.7)
ROIC (%)	32.6	33.3	26.8	24.2	(259.4)
Debt to Equity (x)	0.7	1.5	1.4	1.3	
Coverage Ratio (x)	8.1	3.8	3.8	3.8	
Net Debt to EBITDA (x)	0.4	0.9	1.0	0.9	

(Source: DBIB Research)

## INVESTMENT RETURNS

	FY18	FY19	FY20	FY21	y-y % ch
Overall mobile subscribers (MN)	11.3	12.6	14.2	15.7	10.7
Active data subscribers (MN)	2.2	3.4	4.6	5.3	15.6
Active fintech subscribers (MN)	6.3	7.4	8.5	9.9	16.5

(Source: DBIB Research)

## APPENDIX

### COMPANY INVESTMENT RATINGS

**Buy:** Share price may generate more than 15.0% upside over the next 12 months

**Overweight:** Share price may generate between 5.0% and 15.0% upside over the next 12 months

**Hold:** Share price may fall within the range of <+5.0/ -10.0% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels. Company fundamentals however remain strong

**Underweight:** Share price may generate between 10.0% and 15.0% downside over the next 12 months

**Sell:** Share price may generate more than 15.0% downside over the next 12 months, significant business and/or financial risks present, industry concerns

**Not Rated:** Counter is not within regular research coverage

### SECTOR INVESTMENT RATINGS

**Overweight:** Industry performance better than that of the whole market

**Equal weight:** Industry performance about the same as that of the whole market

**Underweight:** Industry performance worse than that of the whole market

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