

# MTN Nigeria Communications Plc N200bn Bond Issuance Programme (Up to N100bn Series 1 Bonds)

Nigeria Corporate Bond Analysis – New Issuance Report

November 2020

Security class	Rating scale	Indicative rating*	Rating outlook	Expiry date
Up to N100bn Series 1 Senior Unsecured Bonds	National	AA <sub>(NG)</sub>	Stable	May 2021

## Key Transaction counterparties:

**Issuer:** MTN Nigeria Communications Plc (“MTN Nigeria”, or “the Company”)

Issuer long term credit rating: AA<sub>(NG)</sub>

**Lead Issuing House:** Chapel Hill Denham Advisory Limited

**Joint Lead Issuing House:** Stanbic IBTC Capital Limited

**Joint Issuing Houses:** DLM Advisory Limited, FCMB Capital Markets Limited, Vetiva Capital Management Limited, FBNQuest Merchant Bank Limited and Rand Merchant Bank Nigeria Limited.

**Bond Trustee:** ARM Trustees Limited

**Advised by:** TNP.

**Solicitors to the Issuer:** Banwo & Ighodalo

**Solicitors to the Issue:** Aluko & Oyebo

**Key Transaction Documentation:** Shelf Prospectus, Programme Trust Deed, Series 1 Trust Deed, Series 1 Pricing Supplement.

## Transaction summary

MTN Nigeria Communications Plc is in the process of registering a N200bn Bond Issuance Programme (“the Programme” or “BIP”) with the Securities and Exchange Commission. The BIP is backed by a resolution of the Board of Directors (“the Board”) of the Issuer. An initial N100bn is expected to be raised in a Series 1 Bond Issuance under the Programme. The proceeds will be utilised to optimise MTN’s Nigeria’s existing funding mix and finance network expansion. The Series 1 Bonds shall have a tenor of seven years with maturity in 2027. The Bonds shall constitute direct, unconditional, senior, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.

GCR has accorded an indicative rating of AA<sub>(NG)</sub> to the senior unsecured Series 1 Bonds, and not the Programme. As the Series 1 Bonds will represent direct, unconditional, senior, unsecured and unsubordinated obligations of the Issuer, the Bonds will bear the same rating as the Issuer, and any change in the rating assigned to the Issuer will directly affect the Bond rating.

## Summary rating rationale

- The Issuer is a leading provider of cellular telecommunications services in Nigeria, accounting for approximately 40% of GSM subscriber base in Nigeria. MTN Nigeria is a subsidiary of MTN International (Mauritius) Limited, with the ultimate parent company being South Africa based MTN Group Limited. GCR affirmed the Issuer’s long term rating at ‘AA<sub>(NG)</sub>’ with a Stable outlook in July 2020. The rating reflects MTN Nigeria’s strong market position, broad spectrum of licences and technical support provided by its parent company.
- The Programme Trust Deed does not offer Bondholders any security over assets, but it does feature a negative pledge and covenants to protect the interest of Bondholders.
- In GCR’s view, MTN Nigeria has sound earnings and cash generative capabilities, which are supported by its strong competitive position. While further Naira devaluation is set to increase operating and funding cost pressures, MTN Nigeria’s margins are expected to remain relatively defensive over the rating horizon.
- The Company continues to report sound cash flows, which have covered operational and capital requirements in most years. EBITDA cover of interest is projected in the intermediate range of 5.0x-7.0x range, which is comfortable but does not give headroom to leverage operations much further. In GCR’s view, the high dividend pay-out ratio will have to be proactively reviewed to improve funding flexibility.
- Net debt to EBITDA remains very conservative, at 1.3x (0.4x, excluding operating leases). While this could rise due to the planned issuance of Series 1 Bonds, the Company’s funding philosophy is expected to be relatively prudent going forward.

## Summary of Transaction:

Asset class	Senior unsecured
Programme limit	N200bn
Series 1 Bond	Up to N100bn
Tenor	7 years
Maturity Date	2027
Moratorium	5 years on principal repayment
Interest rate	To be determined
Interest basis	Fixed, payable semi-annually
Principal redemption basis	Semi-annual instalments following the expiration of the moratorium
Negative pledge	Yes

## Related methodologies/research:

Global Master Criteria for rating Corporate entities, updated February 2018;

MTN Nigeria Communications Plc Issuer rating reports, 2019-2020

Glossary of terms/ratios, February 2018

## GCR contacts:

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\*The final rating will be accorded upon receipt of satisfactorily signed and executed final transaction documents.

## N200bn Bond Issuance Programme

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MTN Nigeria Communications Plc is in the process of registering has a N200bn Bond Issuance Programme with the Securities and Exchange Commission. The Programme is backed by a resolution of the Board of Directors (“the Board”) of the Issuer. The Issuer will raise an initial N100bn in Series 1 Bond Issuance under the Programme.

### Up to N100bn Series 1 Bonds

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The Series 1 Bonds shall be direct, unconditional, senior, unsubordinated and unsecured obligations of the Issuer, and the Issuer unconditionally and irrevocably, guarantees the due payment of the Coupon and outstanding principal amount. The payment obligations of the Issuer under the Series 1 Bonds shall at all-times rank at least equally with all direct, senior, unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future except for obligations mandatory preferred by applicable law. Furthermore, the Series 1 Bond shall rank *pari passu* and without any preference among themselves.

The Bonds shall bear a fixed interest rate to be determined post book-building. Interest will accrue on the Bonds from the issue date and will be payable semi-annually in arrears. Principal repayment shall commence from the fifth (5th) anniversary of Bond Issue Date and be payable annually in two equal instalments. All sums due under the Series 1 Bonds shall be repaid by the seventh (7th) year.

Other salient features of the Bonds are as follows:

- **Taxation:** The Federal Government of Nigeria issued a Tax Waiver on Bonds in March 2010 exempting certain taxes on all categories of bonds (including corporate bonds), up till January 2, 2022. After this date, the Issuer may be required by law to withhold tax on coupon payments to Bondholders;
- The Bonds bear a negative pledge;
- An application will be made to list the Bonds on the FMDQ Securities Exchange Plc’s platform and/or The Nigerian Stock Exchange (“NSE”).

### Utilisation of proceeds

The net proceeds shall be utilised to optimised MTN’s Nigeria’s existing funding mix and finance network expansion.

### Issuer profile

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MTN Nigeria is the leading domestic provider of cellular telecommunications services, accounting for 40.34%<sup>1</sup> of the Nigerian GSM subscriber base as of September 2020<sup>2</sup>. It was incorporated in November 2000 as a private limited liability company and was converted to a public company in April 2019. MTN Nigeria has the largest distribution network in the country, with over one million retail points of contact. It also has network coverage

across 87% of the population and largest fibre network. The investment in fibre allows MTN Nigeria to monetise excess capacity and share infrastructure with other operators. Besides voice telephony, the Company provides a communication and network backbone which supports financial services, education, energy, media and entertainment as well as mobile money and digital opportunities.

MTN Nigeria is a subsidiary of MTN International (Mauritius) Limited, with the ultimate parent company being South Africa based MTN. Established in 1994, MTN has developed into a leading regional cellular telecommunication services provider, with operations in 21 countries in Africa and Middle East, and a subscriber base of 251 million across all operations. MTN is rated AA<sub>(ZA)</sub> and BB on a national and international scale respectively by Fitch (last reviewed April 2020). MTN Nigeria is viewed as operationally integral to the Group, accounting for 26% of its subscriber base (FY19) and around a third of revenue and EBITDA. The Group continues to demonstrate support for MTN Nigeria in technology innovation, brand management, procurement and corporate governance. MTN Nigeria’s subsidiaries include XS Broadband Limited (“XS Broadband”), Visafone Communications Limited (“Visafone”) and Yello Digital Financial Services Limited (“YDFS”).

While MTN Nigeria has demonstrated strong earnings progression in recent years and is viewed to have sound earnings capacity despite significant imported inflation of capital costs in particular. Further Naira devaluation is set to increase operating and funding cost pressures, albeit the margins are expected to remain relatively defensive over the rating horizon.

The Issuer continues to report sound cash flows, which have covered operational and capital requirements in most years. However, high dividend pay-out ratio has constrained funding flexibility somewhat, and in GCR’s view, will have to be proactively reviewed to cater for the expansionary capital cycle.

Debt including lease commitments registered at N1.1trn at 3Q FY20 (FY19: N929bn), translating to a conservative net debt to EBITDA is viewed to be relatively conservative at 1.3x at 3Q FY20. Following successful issuance of the proposed Series 1 Bonds, the metric is expected to migrate into the 1.5x-2.0x range over the outlook period, barring a material shock to earnings.

Cash flow coverage of debt remains adequate, but interest cover in the 5.0x-7.0x range stood below historical levels, implying constrained headroom to leverage operations further. In order to improve debt service, MTN Nigeria is leveraging medium term capital projects conservatively, using a combination of competitively priced debt and internal cash resources.

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<sup>1</sup> 82.6m GSM subscribers.

<sup>2</sup> Based on Nigerian Communications Commission (“NCC” or “the Commission”) statistics.

<b>Table 1: MTN Nigeria's financial performance (N'm)</b>	<b>FY18</b>	<b>FY19</b>	<b>3Q FY20</b>
Revenue	1,039,118	1,169,735	975,764
Gross Profit	840,183	950,961	796,554
<b>EBITDA</b>	<b>452,460</b>	<b>629,301</b>	<b>504,642</b>
Depreciation	(167,863)	(234,622)	(191,899)
<b>Op. Profit</b>	<b>284,598</b>	<b>394,679</b>	<b>312,742</b>
Net interest	(18,679)	(97,880)	(92,844)
forex and reserving	(26,092)	(7,313)	(2,572)
Other op. inc/expense	(18,484)	619	(5,732)
<b>NPBT</b>	<b>221,343</b>	<b>290,104</b>	<b>211,594</b>
<b>Total equity</b>	<b>209,336</b>	<b>134,670</b>	<b>107,423</b>
Short term debt	170,711	67,553	221,084
Long term debt	510,603	861,523	917,409
<b>Total debt<sup>†</sup></b>	<b>681,315</b>	<b>929,076</b>	<b>1,138,493</b>
Cash	(53,012)	(116,278)	(237,631)
<b>Net debt</b>	<b>628,303</b>	<b>812,798</b>	<b>900,862</b>

<b>Key ratios (%)</b>			
Gross margin	80.9	81.3	81.6
EBITDA margin	43.5	53.8	51.7
Net int. cover (x)	24.2	6.4	5.4
Net debt : equity	58.4	603.6	838.6
Net debt : EBITDA	27.0	129.2	133.9
Capex intensity (%)	20.6	18.0	13.8

<sup>†</sup>Includes operating leases

High barriers to entry due to high capital and regulatory requirements, as well as strong baseline demand continue to support relatively stable core earnings and cash flows. That said, increased regulatory scrutiny, which has led to substantial fines in recent years, remains a downside risk. GCR has noted the Company's enhanced enterprise risk protocols, which will support regulatory compliance to mitigate earnings risk.

GCR affirmed the Issuer's national scale long term rating of AA<sub>(NG)</sub> and short term rating of A1+<sub>(NG)</sub> in July 2020. Please refer to GCR's corporate rating reports on MTN Nigeria Communications Plc, for detailed commentary and credit analysis.

## Other key transaction parties

### Issuing Houses

The Issuing House function is to be jointly rendered by Chapel Hill Denham Advisory Limited, (as lead Issuing House), DLM Advisory Limited, FCMB Capital Markets Limited, Vetiva Capital Management Limited, Stanbic IBTC Capital Limited, FBNQuest Merchant Bank Limited and Rand Merchant Bank Nigeria Limited.

### Bond Trustee

ARM Trustees Limited ("ARM Trustees") has been appointed to jointly monitor compliance with the various clauses and covenants of the Trust Deed. ARM is a wholly-owned subsidiary of Asset & Resource Management Company Limited, an asset management firm founded in 1994. The trustee has over 20 years' experience, offering private trust, commercial trust, company secretarial, corporate restructuring and advisory

services. Its performance track record and experience in the local market are considered satisfactory.

## Debt Service Payment Account

The transaction incorporates a Debt Service Payment Account which shall be established by the Issuer with the Account Bank, on or before the Issue Date of the Series 1 Bonds, in the name and under the control of the Bond Trustees, on behalf of the Bondholders. The Trustees shall keep and maintain the Debt Service Payment Account for as long as the Series 1 Bonds remain outstanding. The Debt Service Payment Account is to be fully funded not later than ten business days before each Payment Date such that sufficient funds will be available to the Bond Trustee to settle the bond obligation on due dates.

The Issuer irrevocably acknowledges and accepts that the monies in the Debt Service Payment Account, and any other accounts opened by the Issuer (or the Bond Trustee as the case may be), either in addition or replacement of the Debt Service Payment Account from time to time in accordance with the terms of the Series 1 Trust Deed, shall be held by, or assigned by way of security to the Trustee, for itself and the Bondholders, upon similar trusts to those held by the Trustee under the Series 1 Trust Deed.

## Covenants and other security features

The Programme Trust Deed ("PTD") contains various covenants binding the Issuer to repay the Bonds, pay interest and also comply with the provisions of the relevant Trust Deeds and all applicable laws. The Trustees will hold the payment obligations and other covenants of the Issuer in Trust for the benefit of the Series 1 Bondholders, and will perform the duties contained in the respective Trust Deeds. Key covenants set by the Issuer include the following:

- **Covenant of compliance:** The Issuer undertakes to comply with, perform, and observe all the provisions of the relevant Trust Deed. The Conditions shall be binding on the Issuer, the Trustees and the Bondholders. The Trustees shall hold the benefit of this covenant upon trust for themselves and the Bondholders
- **Negative pledge:** for as long as any of the Bonds remain outstanding, the Issuer or any of its subsidiaries shall not secure any other indebtedness represented by bonds, notes or any other publicly issued debt securities which are, or are capable of being, traded or listed on any stock exchange or over-the-counter or similar securities market, without securing the Series 1 Bonds equally and rateably with such indebtedness. However, these restrictions shall not apply to the Permitted Indebtedness listed below.

The PTD also contains various representations and warranties from the Issuer to protect the interest of the Bondholders.

## Events of default

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Per Condition 15 of the PTD, these include the following events, *inter alia*: incorporates

- *Payment Default*: if the Issuer does not pay any amount in respect of the Bonds within ten 10 business days of due date;
- *Cross default*: If any financial indebtedness of the Issuer of a value exceeding 50% of the outstanding principal amount and coupon at a relevant time is not paid by due date or within an applicable grace period of twenty (20) business day;
- Insolvency event in respect of the Issuer;
- *Breach of other Obligations*: The Issuer does not comply with its other obligations under or in respect of the Bonds, and the non-compliance is not remedied within 30 days after written notice requiring such default to be remedied has been delivered to the Issuer
- Enforcement proceedings against any material assets and having an aggregate value of 50% of the outstanding principal amount and the coupon at the relevant time of the Issuer and such action is not discharged within forty-five sixty (45) days;
- Cessation of business;
- Material adverse event;
- If any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all of all or a material part of the assets of the Issuer.

Following the occurrence of an event of default and is continuing, a Bond Acceleration Notice<sup>3</sup> may be given to the Issuer, stating that all amounts due to Bondholders will become immediately payable. The Trustees are authorised to take reasonable steps to effect payment.

## Rating considerations for Series 1 Bonds

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GCR has considered those factors impacting the general creditworthiness of MTN Nigeria Communications Plc, in performing its analysis. Being senior unsecured debt, the Bonds bear the same probability of default as the Issuer and would reflect similar recovery prospects to senior unsecured creditors in the event of a default. As such, the Series 1 Bonds will garner the same long term rating as that accorded to the Issuer. Accordingly, GCR has accorded an indicative national scale credit rating of AA<sub>(NG)</sub> to the Series 1 Bonds in line with the long term senior unsecured corporate credit rating of MTN Nigeria. Accordingly, any change in the Issuer rating would impact the Bond rating.

## Meaning of the Rating of the Series 1 Bonds

The rating accorded to the Series 1 Bonds is indicative, unsecured note national scale rating. A national scale credit rating is an assessment of credit quality relative to the rating of the lowest credit risk in a country. This lowest risk will normally, although not always, be accorded to financial commitments issued or guaranteed by the relevant sovereign state. GCR has reviewed the draft transaction documentation.

Should the rating of the Issuer change, the rating of the Series 1 Bonds will also change, but not necessarily in the same quantum.

The suffix code identifies to which country the rating relates; 'NG' means Federal Republic of Nigeria. A Rating outlook indicates the potential direction of a rating over the medium term, typically a one or two year period. The indicative issue rating of the senior unsecured Series 1 Bonds will be finalised upon receipt of final signed and executed transaction documents.

The final rating of the Series 1 Bonds will be accorded upon receipt of satisfactorily signed and executed transaction documents. The final rating will be monitored, and thereafter GCR will perform regular surveillance on the transaction. Surveillance reports will be made available to subscribers to GCR's information services.

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<sup>3</sup> If requested by majority of bondholders.

# MTN Nigeria Communications Plc

(Naira in millions except as noted)

Present Year end: 31 December	2015	2016	2017	2018	2019	3Q 2020 <sup>‡</sup>
<b>Statement of comprehensive income</b>						
Revenue	807,448.8	793,673.0	887,180.5	1,039,117.8	1,169,734.7	975,763.6
<b>EBITDA*</b>	<b>443,490.0</b>	<b>396,156.5</b>	<b>351,462.8</b>	<b>452,460.4</b>	<b>629,300.6</b>	<b>504,641.5</b>
Depreciation	(140,407.2)	(143,738.9)	(150,466.6)	(167,862.7)	(234,621.9)	(191,899.1)
<b>Operating income*</b>	<b>303,082.7</b>	<b>252,417.6</b>	<b>200,996.2</b>	<b>284,597.7</b>	<b>394,678.7</b>	<b>312,742.4</b>
Net finance charges <sup>°</sup>	(18,782.9)	(14,558.1)	(9,485.0)	(18,679.0)	(97,880.5)	(94,902.2)
Other gains/losses inc. fair value movements	(11,991.1)	(91,140.5)	(78,554.1)	(26,092.1)	(7,312.7)	(2,572.4)
Other operating income/expense including fine**	(284,643.7)	(20,067.8)	(5,067.5)	(18,484.0)	618.5	(5,731.9)
<b>NPBT</b>	<b>(12,334.9)</b>	<b>126,651.2</b>	<b>107,889.7</b>	<b>221,342.6</b>	<b>290,104.0</b>	<b>211,594.3</b>
Taxation charge	(67,955.0)	(37,850.9)	(26,819.4)	(75,656.7)	(87,993.1)	(67,355.7)
<b>NPAT</b>	<b>(80,289.9)</b>	<b>88,800.3</b>	<b>81,070.2</b>	<b>145,685.9</b>	<b>202,111.0</b>	<b>144,238.6</b>
<b>Statement of cash flows</b>						
<b>Cash generated by operations</b>	<b>530,027.1</b>	<b>149,821.1</b>	<b>357,305.6</b>	<b>445,905.8</b>	<b>630,676.7</b>	<b>507,193.3</b>
Utilised to increase working capital	10,448.2	286,543.6	(72,336.6)	(8,418.0)	(25,772.6)	37,415.8
Net interest paid	(36,249.9)	(28,692.4)	(36,264.2)	(22,420.1)	(93,796.3)	(87,661.0)
Regulatory fine paid	0.0	(80,000.0)	(30,000.0)	(110,000.0)	(110,000.0)	0.0
Taxation paid	(90,177.1)	(80,258.8)	(58,876.8)	(21,607.4)	(62,082.4)	(55,912.1)
<b>Cash flow from operations</b>	<b>414,048.4</b>	<b>247,413.4</b>	<b>159,828.0</b>	<b>283,460.3</b>	<b>339,025.5</b>	<b>401,036.0</b>
Maintenance capex <sup>‡</sup>	(127,825.8)	(143,738.9)	(150,466.6)	(167,862.7)	(211,058.4)	(134,682.9)
<b>Discretionary cash flow from operations</b>	<b>286,222.5</b>	<b>103,674.5</b>	<b>9,361.4</b>	<b>115,597.6</b>	<b>127,967.1</b>	<b>266,353.1</b>
Dividends paid	(101,828.9)	0.0	(50,000.0)	(38,612.6)	(133,045.8)	(172,402.7)
<b>Retained cash flow</b>	<b>184,393.7</b>	<b>103,674.5</b>	<b>(40,638.6)</b>	<b>76,985.1</b>	<b>(5,078.8)</b>	<b>93,950.4</b>
Net expansionary capex	0.0	(23,440.2)	(54,543.1)	(46,282.3)	0.0	0.0
Investments and other	(174,379.2)	(47,612.2)	92,990.9	9,882.9	13,045.1	(36,954.3)
Proceeds on sale of assets/investments	49,673.0	2,137.6	551.1	652.5	1,023.0	396.0
Shares issued/Deposit for share	0.0	0.0	0.0	0.0	0.0	0.0
Cash movement: (increase)/decrease	5,164.8	57,184.2	58,013.4	38,698.7	(63,112.2)	(122,450.2)
Borrowings: increase/(decrease)	(64,852.3)	(91,944.0)	(56,373.6)	(79,936.8)	54,122.8	65,058.1
<b>Net increase/(decrease) in debt</b>	<b>(59,687.5)</b>	<b>(34,759.8)</b>	<b>1,639.8</b>	<b>(41,238.2)</b>	<b>(8,989.4)</b>	<b>(57,392.1)</b>
<b>Statement of financial position</b>						
Ordinary shareholders interest <sup>^</sup>	(20,973.0)	68,153.0	102,835.9	209,336.3	134,669.5	107,423.5
Outside shareholders interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total shareholders' interest</b>	<b>(20,973.0)</b>	<b>68,153.0</b>	<b>102,835.9</b>	<b>209,336.3</b>	<b>134,669.5</b>	<b>107,423.5</b>
Short term debt	86,405.0	100,054.3	119,820.2	143,875.9	67,552.8	221,084.4
Long term debt	250,479.7	189,783.3	135,544.9	31,438.3	861,523.1	917,409.0
<b>Total interest-bearing debt</b>	<b>336,884.7</b>	<b>289,837.6</b>	<b>255,365.1</b>	<b>175,314.2</b>	<b>929,076.0</b>	<b>1,138,493.4</b>
Interest-free liabilities	666,961.6	658,799.5	601,390.8	547,073.0	451,809.0	507,462.3
<b>Total equity and liabilities</b>	<b>982,873.3</b>	<b>1,016,790.1</b>	<b>959,591.8</b>	<b>931,723.6</b>	<b>1,515,554.5</b>	<b>1,753,379.1</b>
Fixed and intangible assets (licence and software)	577,184.7	626,142.3	701,024.9	716,375.6	1,236,094.3	1,312,771.4
Investments and other	26,882.6	26,862.9	17,150.5	19,493.0	16,996.7	51,122.9
Cash and cash equivalent	200,674.3	146,369.0	89,565.0	53,011.7	116,277.6	237,631.3
Other current assets	178,131.7	217,415.9	151,851.5	142,843.2	146,185.8	151,853.5
<b>Total assets</b>	<b>982,873.3</b>	<b>1,016,790.1</b>	<b>959,591.8</b>	<b>931,723.6</b>	<b>1,515,554.5</b>	<b>1,753,379.1</b>
<b>Ratios</b>						
<b>Cash flow:</b>						
Operating cash flow : total debt (%)	122.9	85.4	62.6	161.7	36.5	47.0
Discretionary cash flow : net debt (%)	210.1	72.3	5.6	94.5	15.7	39.4
<b>Profitability:</b>						
Revenue growth (%)	(2.1)	(1.7)	11.8	17.1	12.6	11.2
Gross profit margin (%)	79.4	76.5	79.0	81.0	81.3	81.6
EBITDA : revenues (%)*	54.9	49.9	39.6	43.5	53.8	51.7
Operating profit margin (%) *	37.5	31.8	22.7	27.4	33.7	32.1
EBITDA : average total assets (%)	57.2	47.9	40.5	51.7	55.3	46.2
Return on equity (%)	neg	376.4	93.0	93.3	117.5	158.9
<b>Coverage:</b>						
EBITDA : net interest (x)	23.6	27.2	37.1	24.2	6.4	5.4
<b>Activity and liquidity:</b>						
Trading assets turnover (x)	1,744.0	neg	neg	neg	(1,434.8)	(139.5)
Days receivable outstanding (days)	11.2	8.2	5.2	5.1	6.6	6.9
Current ratio (:1)	0.9	0.7	0.4	0.3	0.7	0.6
<b>Capitalisation:</b>						
Net debt: equity (%)	neg	210.5	161.2	58.4	603.6	838.6
Total debt: equity (%)	neg	425.3	248.3	83.7	689.9	1,059.8
Net debt: EBITDA (%)	30.7	36.2	47.2	27.0	129.2	133.9
Total debt: EBITDA (%)	76.0	73.2	72.7	38.7	147.6	169.2

<sup>‡</sup>Depreciation used as a proxy for maintenance of capex expenditure.

\*Excluding provision for regulatory fine

\*\*Includes provision for regulatory fine

<sup>°</sup>Excluding net foreign exchange loss

<sup>^</sup>net of goodwill

<sup>‡</sup>Nine-month unaudited management accounts to 30 September 2020

## SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the indicative Bond rating expires in May 2021

MTN Nigeria Communications Plc and the Issuing Houses participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The indicative Bond rating has been disclosed to Issuer.

The information received from the Issuer, the lead Issuing House and other reliable third parties to accord the Bond rating included: Executed Shelf Prospectus, Executed Programme Trust Deed, Draft Series 1 Pricing Supplements, as well as Draft Series 1 Trust Deeds.

The rating above was solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the rating.

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