

Credit Rating Announcement

GCR assigns AAA_(NG) rating to MTN Nigeria Communications Plc's N115bn Series 1 (Tranche A and B) Senior Unsecured Bond Issue; Outlook is Stable.

Rating Action

Lagos, Nigeria, 23 January 2023 – GCR Ratings ("GCR") has assigned a national scale long-term Issue rating of AAA_(NG) to MTN Nigeria Communications Plc's N115bn Series 1 (Tranche A & B) Senior Unsecured Bonds. The Outlook on the rating is Stable.

Rated Issue	Rating class	Rating scale	Rating	Outlook
N10.1bn Series 1 (Tranche A) Bonds	Long Term Issue	National	AAA _(NG)	Stable
N104.9bn Series 1 (Tranche B) Bonds	Long Term Issue	National	AAA _(NG)	Stable

Rating Rationale

The Issuer, MTN Nigeria Communications Plc ("MTN Nigeria" or "the Company"), is the leading telecommunications services provider in Nigeria, accounting for 40% of Nigeria's GSM subscriber base (as of December 2022). The Company is a subsidiary of MTN International (Mauritius) Limited, with the ultimate parent company being South Africa-based MTN Group. MTN Group has developed into a leading regional cellular telecommunication services provider, with a subscriber base of over 250 million across 21 countries in Africa and the Middle East. MTN Nigeria is considered operationally integral to the Group, accounting for around 36% and 43% of revenue and EBITDA respectively during 1H 2022.

In June 2022, GCR affirmed the national scale long-term and short-term Issuer ratings of AAA_(NG) and A1+_(NG) respectively accorded to MTN Nigeria, with a Stable Outlook. The ratings reflect the Issuer's strong competitive position, robust financial profile as well as strong group support.

The Issuer registered a new N200bn Bond Issuance Programme ("the Programme") with the Securities and Exchange Commission in September 2022, and subsequently raised N115bn in Series 1 Senior Unsecured Bonds Issue under the Programme, in the following tranches:

- N10.1bn 13.5% Tranche A, with a tenor of four (4) years, and maturity date of 30 September 2026
- N104.9bn 14.5% Tranche B, with a tenor of ten (10) years, and maturity date of 30 September 2032

While Tranche A Bonds shall be repaid by bullet redemption on the 48th month, Tranche B Bonds shall have a six (6) - year moratorium on principal repayment from the issue date. Following the expiration of the moratorium, principal redemption shall be payable annually, amortising over four (4) equal annual instalments. However, interest will accrue from the issue date and will be payable semi-annually in arrears for both tranches. The Series 1 Bonds shall be direct, unsecured, senior and unconditional obligations of the Issuer and shall rank pari-passu among themselves and equally with other existing senior unsecured obligations of the Issuer. The proceeds is being utilised to finance network expansion, 5G roll-out, lease rentals and working capital.

The Programme Trust Deed does not offer Series 1 Bondholders any security over assets but does feature a negative pledge and other covenants to protect the interest of Bondholders.

Despite the additional debt uptake of N115bn, the Company's credit protection metrics remained solid per 9M 2022 results. GCR expects MTN Nigeria to continue to demonstrate strong financial flexibility, with a satisfactory covenant headroom. However, pressure could result from higher CAPEX costs amid foreign exchange illiquidity, further Naira devaluation and sustained aggressive infrastructure rollout.

Being senior unsecured debt, the Series 1 Bonds rank pari passu with all other senior unsecured creditors of MTN Nigeria. As such, the Series 1 Bonds will bear the same national scale long-term rating as the Issuer's. Accordingly, any change in MTN Nigeria's long term Issuer rating would impact the Bonds rating.

Outlook Statement

The Stable Outlook reflects GCR's expectation of sustained strong earnings and cash flow performance, which should support MTN Nigeria's liquidity and leverage positions.

Rating Triggers

Given that the Series 1 Bonds rating is intrinsically linked to the Issuer's long-term corporate rating, any change in the rating assigned to the Issuer would affect the Bonds rating.

Analytical Contacts

Primary analyst Lagos, NG	Timchang Gwatau timchangG@GCRratings.com	Analyst, Corporate & Municipal Ratings +234 1 904 9462
Committee chair Lagos, NG	Femi Atere femi@GCRratings.com	Sector Head, Corporate & Municipal Ratings +234 1 904 9462

Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022
Criteria for Rating Corporate Entities, January 2022
GCR Ratings Scales, Symbols & Definitions, May 2022
GCR's Country Risk Score, December 2022
GCR Nigeria Corporate Sector Risk Scores, April 2022
MTN Nigeria Communications Plc's Credit Rating Announcement, June 2022

Ratings History

MTN Nigeria Communications Plc's Series 1 (Tranche A and B) Senior Unsecured Bonds

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
N10.1bn Series 1 (Tranche A) Bonds- LT Issue	Initial/last	National	AAA _(NG)	Stable	January 2023
N104.9bn Series 1 (Tranche B) Bonds- LT Issue	Initial/last	National	AAA _(NG)	Stable	January 2023

Glossary

Bond	A long-term debt instrument issued by either a company, institution, or the government to raise funds.
Bondholder	Investor of capital market securities
Borrower	The party indebted or the person making repayments for its borrowings.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Coupon	The interest paid on a bond expressed as a percentage of the face value. If a bond carries a fixed coupon, the interest is usually paid on an annual or semi-annual basis. The term also refers to the detachable certificate entitling the bearer to the interest payment.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Lender	A credit provider that is owed debt obligations by a debtor.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Security	One of various instruments used in the capital market to raise funds.
Senior	A security that has a higher repayment priority than junior securities.
Surveillance	Process of monitoring a transaction according to triggers, covenants and key performance indicators.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.

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; and c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit rating has been disclosed to MTN Nigeria Communications Plc and the Transaction Arrangers. The rating above was solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the rating.

MTN Nigeria Communications Plc and the Arrangers participated in the rating process via tele-conferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from MTN Nigeria Communications Plc and other reliable third parties to accord the credit rating included:

- 2021 audited annual financial statement, and prior four years annual financial statements,
- Management accounts for the period to 30 September 2022,
- Executed Shelf Prospectus,
- Executed Programme Trust Deed,
- Executed Series 1 Pricing Supplements,
- Executed Series 1 Trust Deeds.

© 2022 Global Credit Rating Company Limited and/or its licensors and subsidiaries (collectively, "GCR"). All rights reserved.

CREDIT RATINGS ISSUED BY GCR ARE GCR'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY GCR (COLLECTIVELY, PUBLICATIONS) MAY INCLUDE SUCH CURRENT OPINIONS. GCR DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE. SEE APPLICABLE GCR RATING SCALES, SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY GCR'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: FRAUD, LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS") AND OTHER OPINIONS INCLUDED IN GCR'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. GCR'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND GCR'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL OR HOLD PARTICULAR SECURITIES. GCR'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. GCR ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING OR SALE.

GCR'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE GCR'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT GCR'S PRIOR WRITTEN CONSENT.

GCR'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by GCR from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. GCR adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources GCR considers to be reliable including, when appropriate, independent third-party sources. However, GCR is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, GCR, its affiliates and its and their directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if GCR or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by GCR.

To the extent permitted by law, GCR, its affiliates and its and their directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, GCR or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY GCR IN ANY FORM OR MANNER WHATSOEVER.