

# MTN Nigeria Communications Plc

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## 2022 Corporate Final Rating Review Report

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*Research, Credit Ratings, Credit Risk Management*

# MTN Nigeria Communications Plc

## Issuer Rating

# Aa+

This is a company that possesses very strong financial condition and very strong capacity to meet obligations as and when they fall due.

### Outlook: Stable

**Issue Date:** 6 July 2022

**Expiry Date:** 30 June 2023

**Previous Rating:** Aa

### Industry: Telecommunications

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## RATING RATIONALE

- Agusto & Co. hereby upgrades the rating assigned to MTN Nigeria Communications Plc ("MTN Nigeria", "MTNN" or "the Company") to **"Aa+"**. The assigned rating reflects the Company's very strong financial condition characterised by very good and sustainable profitability levels, strong cash flow position, improving leverage metrics, good corporate governance framework, and an experienced and qualified management team. The rating is further strengthened by MTN Nigeria's dominant position in the Nigerian Telecommunications Industry with over 70.2 million active mobile subscribers and 35.9 million data users, a broad range of spectrum licenses, and growing 4G network coverage across the country, expanding distribution channels and resilient business operations strategy. Also supporting the assigned rating is the Company's growth in the Fintech and Financial Services segment, especially with the Central Bank of Nigeria's (CBN) approval of the MoMo Payment Service Bank Limited license and the acquisition of the 5G spectrum license from the Nigerian Communications Commission (NCC) with planned rollout from August 2022. However, the rating is constrained by MTNN's susceptibility to ongoing regulatory headwinds as well as potential disruptions in the Fintech and digital solutions space which we view as low to medium risk factors.
- MTN Nigeria Communications Plc is a member of the MTN Group ("the Group") – one of Africa's leading telecommunications companies, with a presence in 21 countries in Africa and the Middle East with over 270 million subscribers. The Company enjoys strong technical support from MTN Group and has a dominant operator status in Nigeria, controlling more than 50% of the Nigerian Telecommunications industry's market share. In our opinion, MTN Nigeria will remain strategic to the Nigerian Telecommunications Industry as it provides backbone infrastructure and connectivity for various industries and businesses.
- In the financial year ended 31 December 2021 (FYE 2021), MTN Nigeria recorded an impressive 23% year-on-year growth in revenue to ₦1.65 trillion, despite the industry-wide challenges related to the linking of the National Identification Numbers (NIN) with Subscriber Identification Module (SIM) cards, which included the suspension of the sale and activation of SIM cards by the NCC in December 2020 for four months. Subsequent to year-end, NCC has directed all mobile operators to restrict outgoing calls for subscribers who have not completed the NIN-SIM linkage. Consequently, MTNN's management disclosed that about 60 million subscribers (representing 85% of the subscriber base) have submitted their NINs for linkage as at end of April 2022.

- Supporting the Company's strong topline performance was growth in voice (rising 8.4% year-on-year and accounting for 58.8% of revenue) and data segments (reflecting strong yearly growth of 55.3%, representing 31.2% of turnover) as well as increasing penetration in the Fintech, digital and financial services space. The Company reported operating profit (OPM) and earnings before interest, tax, depreciation and amortization (EBITDA) margins of 36.1% and 53% respectively, which were better than our benchmarks. In the same vein, MTN Nigeria's pre-tax return on assets (ROA) of 22% and pre-tax return on equity (ROE) of 151% in FYE 2021, were above our expectations and reinforce our opinion of the Company's very strong and sustainable profitability levels.
- In FYE 2021, MTN Nigeria reported an operating cash flow (OCF) of ₦660 billion (2020: ₦687 billion) which was adequate to meet returns to providers of finance comprising core interest expenses (₦51.2 billion) and dividend payment (₦212.7 billion) and also sufficient to cover current portion of long-term borrowings of ₦152.8 billion. However, the net balance could not fully cover the estimated capital expenditure of ₦304.4 billion, which was financed with borrowings. MTN Nigeria's operating cash flow to sales ratio of 40% in FYE 2021 and the three-year (2019 – 2021) average of 41% were well above our benchmark of 20%, thus depicting a very strong operating cash position.
- In the financial year ended 31 December 2021, the Company's spontaneous financing was sufficient to cover its working assets, leaving a short-term financing surplus of ₦499.5 billion. As at the same date, MTNN's long-term funds were insufficient to fund the long-term assets, resulting in a long-term financing need of ₦336.9 billion, which was fully covered by the short-term financing surplus. In our opinion, MTN's long-term financing structure requires improvement and we note that this is being addressed with the initial issuance of two local bonds (Series 1: ₦110 billion and Series 2: ₦89.9 billion) in 2021 and plans for further bond issuances in the near term.
- Over the last three years, MTNN's financing strategy has been geared toward more local funding to mitigate the impact of foreign exchange rate volatility with interest bearing liabilities of ₦493.3 billion split into domestic borrowings (75%) and foreign borrowings (25%) as at FYE 2021. In the year under review, MTN fully repaid the Series I & II commercial paper issuances (totalling ₦100 billion<sup>1</sup>) and continued the refinance of floating rate facilities with fixed-rate long-term bonds and relied on local currency borrowings to mitigate forex exposure, thus resulting in lower core interest expenses to sales ratio of 3.1% (2020: 4.1%). As at FYE 2021, the Company's IBL (net of cash & equivalents) as a percentage of equity of 60% and net liabilities (excluding cash) to average total assets of 46% were both in line with our expectations. Furthermore, the Company's interest cover of 12.8 times was better than our expected range of between 6 to 8 times for companies in this rating category, while the net debt to earnings before interest, taxes, depreciation and amortisation (EBITDA) ratio improved marginally to 0.3 times from 0.4 times in the previous year, depicting a moderate debt profile.

<sup>1</sup> The Series I 182-days CP with a face value of ₦20 billion was fully repaid in December 2020, while the Series II 270-days CP with a face value of ₦80 billion was fully repaid in March 2021

- In the three months (unaudited) ended 31 March 2022 (Q1'2022), MTN Nigeria reported total revenue of ₦470.7 billion, representing a 22% rise from the comparable period in the prior year, mainly supported by strong growth in the data, voice and fintech segments. The Company's key profitability metrics remained upbeat in Q1'2022 with an operating profit margin of 38.8%, EBITDA margin of 54.6%, profit before tax margin of 31.2%, and annualised return on assets of 26% and return on equity of 150%, all well above our expectations.
- In Q1'2022, MTNN's operating cash flow was sufficient to cover returns to providers of finance wholly comprising interest payments and represented 36% of sales, which was well above our benchmark. In the same period, MTN Nigeria recorded an overall working capital surplus of ₦82.8 billion, which we consider to be good. MTN Nigeria's leverage metrics as at Q1'2022 such as IBL (net of cash & equivalents) as a percentage of equity of 62%, net liabilities (excluding cash) to average total assets of 46%, core interest expenses to sale ratio of 3.2%, interest cover of 11.1 times, net debt to EBITDA ratio of 0.3x, where all in line with our expectations.
- Going forward, Agusto & Co. believes that MTN Nigeria is well-positioned to benefit from the growth in the telecom, fintech and financial services space due to the commencement of the MoMo Payment Service Bank commercial operations in May 2022 and the increasing scope of agency banking services with a network of over 10.7 million active MoMo users.
- Based on the aforementioned, we attach a **stable** outlook to the rating of MTN Nigeria Communications Plc.

**Figure 1: Strengths, Opportunities & Threats**

#### Strengths

- Market leader in the Nigerian telecommunications industry
- Extensive network coverage, with one of the largest private fibre networks in Africa (circa 33,756 km)
- Broad spectrum licenses providing competitive advantage
- Extensive product and service offerings
- Strong brand value
- Very good profitability
- Strong cash flow
- Experienced and qualified management team
- Good corporate governance framework
- Acquisition of Payment Service Bank License

#### Opportunities

- Nigeria's large unbanked and youthful population presents strong potentials for growth especially in the fintech space
- Large unserved rural communities
- Emerging spectrum trading and active network sharing operations to provide operators avenue to reduce cost
- Low data and smartphone penetration in Nigeria with rising digital adoption rates
- Increasing demand for data services on the back of Covid-19 pandemic
- New SIM registration providing credible subscriber records for targeted services

#### Threats

- Regulatory risks
- Growing competition in the data space, with new entrants and emerging digital solutions providers could distort margins and market dynamics
- Subscriber restriction due to ongoing National Identification Number (NIN) linkage

## COMPANY PROFILE

### Background

MTN Nigeria Communications Plc (“MTNN”, MTN Nigeria” or the Company”) is the leading mobile operator and foremost provider of telecommunications services in Nigeria. Over the last 20 years (commercial operations began in August 2001), the Company has actively been engaged in building and operating GSM Cellular Network Systems and other related services across Nigeria. MTN Nigeria is a member of the MTN Group – Africa’s leading cellular telecommunications company with a presence in 21 countries in Africa and the Middle East with over 270 million subscribers.

Since its inception, the Company has grown to become the dominant telecom operator in the country with over 70.2 million subscribers<sup>2</sup> representing about 50.8% of the subscriber market share as at the end of March 2022. In addition, MTN Nigeria owns the longest private fibre optic cable coverage of over 33,756 kilometres in Africa and has built over 15,000 base transmission stations (the bulk of which have been sold and leased back) in the Country. MTN Nigeria is strategic to the country’s telecommunication industry as it provides backbone infrastructure and connectivity for various sectors, and serves as a ‘carrier of carriers’ in the telecom Industry.

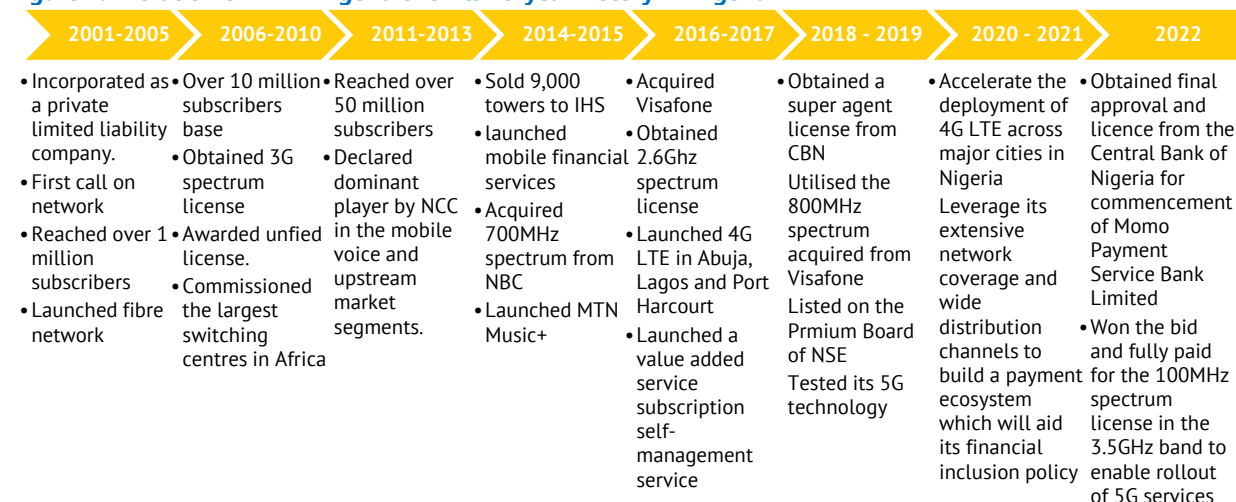
MTN Nigeria has grown over the last 20 years to remain the leader in the mobile voice and upstream market segment in Nigeria. MTNN became a publicly quoted company following its listing by introduction on the Premium Board of the Nigerian Stock Exchange in 2019.

In December 2020, the Company conducted trials of the 5G technology in line with its objective to improve network quality and enhance data services, which are also consistent with the Nigerian National Broadband Plan (2020 - 2025) and the National Policy on Fifth Generation (5G) Network for Nigeria’s Digital Economy. Subsequently, MTN Nigeria emerged as one of the winners at the December 2021 auction of the two lots of 3.5GHz spectrum. As at end of the first quarter of 2022, MTNN had fully paid for one lot of the 100MHz in the 3.5 GHz spectrum band and has been assigned the 3,500 – 3,600 MHz frequencies with effect from 24 August 2022 for 10 years. With the expected rollout of 5G services from August 2022, the Company plans to further deepen broadband penetration, enhance customer experience and unlock new revenue streams from various 5G services such as home broadband, virtual reality (VR), augmented virtual reality, gaming, music, robotics, amongst others. In April 2022, the Central Bank of Nigeria gave final approval to MTN Nigeria to operate the Payment Service Bank license under Momo Payment Service Bank Limited. This will enable the Company to offer financial services to its customers and drive financial inclusion in Nigeria.

In terms of digital, date and fintech penetration, the Company has circa 35.9 million active data subscribers, 10.4 million active MoMo users and 3.3 million ayoba subscribers as at end of Q1’2022. In terms of coverage, MTNN is the leading operator in Nigeria with over 71.7% 4G population coverage, 82.9% 3G population coverage, 91.5% 2G population coverage, 51.1% Data penetration and 50% smartphone penetration as at 31 March 2022.

<sup>2</sup> Nigerian Communications Commission (NCC) – 1 June 2022 Industry Statistics – puts MTN’s subscriber base at 76.2 million

**Figure 2: Evolution of MTN Nigeria over its 20-year history in Nigeria**



### Ownership Structure

MTN International (Mauritius) Limited is the holding company of MTN Nigeria Communications Plc and its ultimate holding company is MTN Group Limited - incorporated in South Africa. As at 31 December 2021, MTN International (Mauritius) Limited was the single largest shareholder accounting for 76.08% equity stake and no other shareholder held up to 5% interest as at the same date. Subsequent to FYE 2021, MTN Group sold 3.25% of its shares in MTNN to increase local ownership of the Company. Consequently, MTN International (Mauritius) Limited now holds 72.83% of the Company's shares as at end of March 2022 with plans to further sell down up to 10.75% (out of the earmarked 14%) of its equity holdings in the near to medium term.

As at FYE 2021, the Company held 100% equity interest in three subsidiaries - XS Broadband Limited, Visafone Communications Limited, and Yello Digital Financial Services Limited – whose principal activities include the provision of broadband fixed wireless access service, high-quality telecommunication services and mobile financial services respectively. MTNN and the three subsidiaries are referred to as the MTN Nigeria Group.

### Operational and Technical Structure

MTN Nigeria Communications Plc holds a Unified Access Service License (UASL) obtained in 2006 with a 10-year renewed expiry date of 31 August 2031. This license enables MTNN to provide a full bouquet of services possible on the existing spectrum. The Company holds the following licenses as stated in table 2 below:

**Table 1: List of MTN's Licenses**

Licenses	Year Obtained	Expiration
3G Spectrum Licence (3G) to receive frequency 1920-1930MHz (transmit frequency 2110-2120 MHz)	1 May 2007	30 April 2022 (Ongoing discussion with NCC for renewal)
Unified Access Service License (including International Gateway)	1 September 2006	31 August 2031
700 MHz spectrum License	16 January 2018	Spectrum was suspended by the NCC till all encumbrances are cleared
Digital Mobile License (900MHz & 1800MHz Spectrum Licenses)	5 February 2001	31 August 2031
International Submarine Cable & Landing Station Licence (WACS)	1 January 2010	31 December 2030
800MHz Spectrum Licence (Visafone acquisition)	1 January 2015	31 December 2024
Spectrum 2.6GHz	1 January 2018	1 January 2028
Super Agent License (CBN)	17 July 2019	16 July 2022
800MHz – Inter-cellular acquisition	1 January 2021	1 January 2031

Source: MTN Nigeria Communications 2021 Annual Report & Management Presentation

## Other Information

### Updates on the Accountant General of the Federation's Investigation

In May 2018, the Office of the Attorney General of the Federation (AGF) and the Minister for Justice initiated an asset recovery investigation exercise against MTN Nigeria for alleged revenue indebtedness due to the Federal Government of Nigeria of ₦242 billion and US\$1.3 billion. In September 2018, MTN Nigeria filed a suit at the Federal High Court, Lagos challenging the alleged liability and on 8 January 2020, the AGF formally withdrew the demand notice of alleged revenue indebtedness against MTN Nigeria. Subsequently, the Company also withdrew its legal action and the court struck out the matter on 30 January 2020. The AGF referred the matter to the Federal Inland Revenue Service (FIRS) and Nigeria Customs Service (NCS) and MTN has commenced a reconciliation process with both agencies and a final report is expected in due course.

### Updates on the House of Representatives' Investigation

On 19 February 2020, MTN Nigeria received a letter from the House of Representatives, inviting and requesting the Company to submit some tax-related documents to the House Committee on Finance as part of its 'Revenue Monitoring Session'. Subsequently, MTN received another letter on 25 August 2020, from the Joint Committee on Finance and Banking & Currency of the House of Representatives, in respect of \$30 billion federally collectable revenue and foreign exchange income leakages. MTN Nigeria has made relevant submissions as requested by the House of Assembly and awaiting feedback on the outcome of their review.

### Updates on the Nigerian Communications Commissions SIM Card and National Identification Numbers

On 4 April 2022, the Nigerian Communications Commission (NCC) announced its decision not to extend the deadline for the National Identification Numbers (NIN) - Subscriber Identification Module (SIM) linkage and required all operators to restrict outgoing calls for subscribers who have not completed the NIN-SIM linkage. MTN Nigeria's management disclosed that about 60 million subscribers (representing 85% of the subscriber base and contributing 74% of total revenue) have submitted their NINs for linkage as at end of April 2022.

As at 31 December 2021, MTN Nigeria had total assets of ₦2.29 trillion (2020: ₦1.98 trillion) and total liabilities of ₦1.99 trillion (2020: ₦1.78 trillion). The Company generated a turnover of ₦1.65 trillion and recorded a profit after tax of ₦306.8 billion during the financial year ended 31 December 2021. As at FYE 2021, the MTN Nigeria Group had ₦1.6 billion (2021: ₦12.1 billion) contingent liabilities arising from claims and litigations in the ordinary course of business. However, based on the Company's Solicitor's opinion, no material loss is expected on these claims and litigations.

**Table 2: Background - MTN Nigeria Communications Plc as at 31 December 2021**

<b>Authorised Share Capital:</b>	₦557 million
<b>Paid-up Capital:</b>	₦407 million
<b>Shareholders' Funds:</b>	₦296.9 billion
<b>Registered Office:</b>	4 Aromire Road, Off Alfred Rewane Road, Ikoyi, Lagos
<b>Principal Business:</b>	Telecommunication
<b>Auditors:</b>	Ernst & Young

Source: MTN Nigeria Communications Plc 2021 Annual Report



## FINANCIAL CONDITION

### ANALYSTS' COMMENTS

### PROFITABILITY

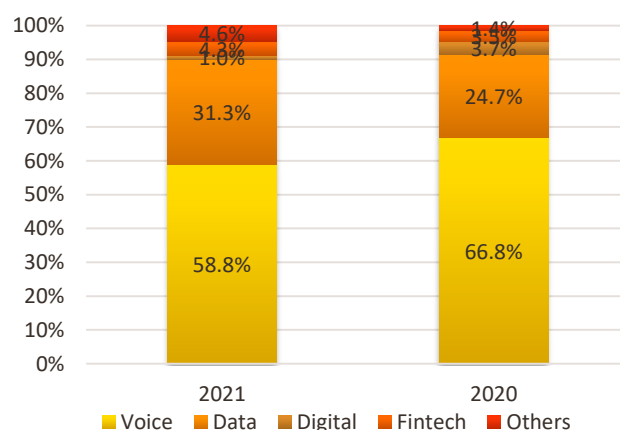
In 2021, the Nigerian Telecommunications Industry witnessed a 4.5% reduction in the active subscriber base<sup>3</sup> following the suspension of the sale and activation of SIM cards by the Nigerian Communications Commission (NCC) in December 2020. This suspension, which was to ensure that all registered telecom users are linked with their unique National Identification Number (NIN), lasted four months as the ban was lifted in April 2021. Subsequent to FYE 2021, the NCC directed all mobile operators to restrict outgoing calls for subscribers who have not completed the NIN-SIM linkage effective from 4 April 2022. This directive coupled with the challenges fraught with the linkage and verification process is expected to impact growth projections on outgoing voice revenue in the near term until most of the outstanding subscribers have been reactivated.

In the financial year ended 31 December 2021 (FYE 2021), MTN Nigeria's revenue remained resilient despite the industry-wide challenges rising by 23% year-on-year to ₦1.65 trillion, on the back of sustained growth in voice and data segments. A breakdown of MTN's revenue showed that the voice (including interconnect and roaming) business segment (which grew 8.4% year-on-year) remained the backbone accounting for 58.8% of revenue, while the fast-growing data segment contributed 31.2% (reflecting strong yearly growth of 55.3%) and the balance of 10% was spread across Fintech, Digital and others segments.

Although the projected growth in the voice segment was hindered by the NCC directive on sale and activation of SIM cards leading to a 10.6% net reduction in mobile subscribers as at the end of 2021 to 68.5 million subscribers, we note the continued growth in the data services segment precipitated by the increase in new active data users of 1.7 million, taking the total active data users to 34.3 million as at FYE 2021. Also supporting the growth in the data services segment in the review period was the rise in data usage and traffic as well as the expansion of 4G network (covering 70.3% of 4G population compared to 60% in 2020). In addition, the adoption of a more flexible pricing structure across data plans coupled with the enhancement of service bundling and growing data penetration rate in the country boosted the data services growth. We expect MTN's data service segment to continue its strong performance in the near term following increased home connectivity owing to the flexible work structure as well as the continued demand for virtual meetings and schooling triggered by the COVID-19 pandemic.

The fintech business segment which comprises cash transfers, airtime and data sales, cash deposit and withdrawal, airtime lending, bill payments and e-commerce recorded a 57% growth to account for 4.3% of MTN's revenue in FYE 2021. The growth was largely boosted by the airtime lending service (MTN Xtratime) as well as the expansion of the MoMo agency network (mobile money) with 135,000 active agents (serving over 9.4 million users) during the year. Going forward, we note that the low banking penetration in the country will provide an

**Figure 3: Revenue Breakdown by Business Segments-MTNN**



<sup>3</sup> Annual active subscriber base stood at 195,463,898 in 2021 (2020: 204,601,313) - NCC's Annual Subscriber Technology Data - 2021

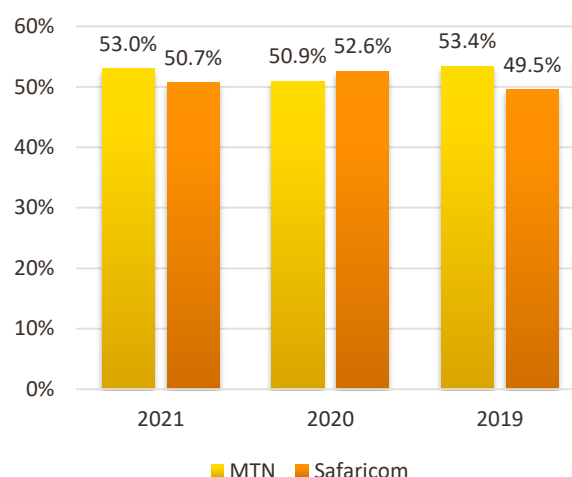


opportunity to deepen fintech services to the unbanked and underbanked, especially with the approval of the MoMo PSB License by the CBN which will now allow MTN Nigeria to offer financial services enabled by fintech to the rural and underbanked areas in the country while leveraging its large customer base and wide network coverage.

During the financial year ended 31 December 2021, MTNN's cost of sales to revenue ratio inched up marginally to 23.6% (2020: 23%), owing to higher BTS lease payments relating to non-lease components such as power and maintenance of the tower lease contracts. Despite the higher inflationary pressures on expenses such as maintenance, office admin and salaries, the Company's operating expenses as a percentage of revenue improved to 40.3% (2020: 44.5%) resulting in a better operating profit margin of 36.1%, compared to 32.5% in the prior year. The Company's operating profit margin (OPM) of 36.1% in FYE 2021 was at par with that of Safaricom Plc's at 36.3% (Safaricom is the leading telecom operator in East Africa and its financial year-end used for comparison is 31 March 2021) and well above our benchmark of 16%.

In FYE 2021, MTN Nigeria's earnings before interest, tax, depreciation and amortization (EBITDA) margin rose by 2.1 percentage points to 53% from the prior year. This compares better to Safaricom's EBITDA margin of 50.7% for the year ended 31 March 2021 (2020: 52.6%).

**Figure 4: EBITDA Margin (2019 - 2021)**

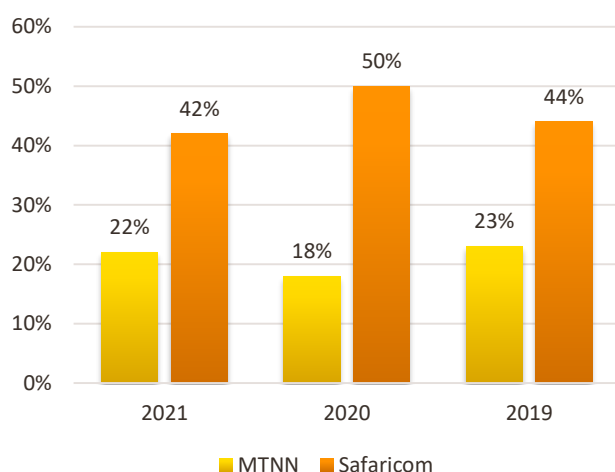


During the year ended 31 December 2021, MTN's core interest expense to sales ratio declined to 3.1% (2020: 4.1%) reflecting the ongoing replacement of floating rate facilities with fixed-rate long-term bonds as well as continued reliance on local currency borrowing to refinance existing volatile foreign currency exposure. However, this was higher than that of Safaricom at 1% in FYE 2021 (2020: 0.4%). In 2021, MTN Nigeria reported a pre-tax profit of ₦448.4 billion, up by 45% from the prior year, accounting for 27% of revenue. Nonetheless, Agusto & Co. notes that the Company's PBT margin is lower than Safaricom's 35.2% but well above the industry average of 16% and our benchmark.

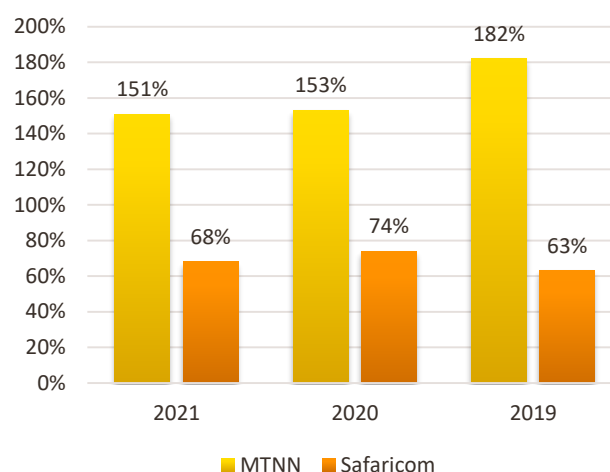
The Company's pre-interest pre-tax return on assets (ROA) of 22% and pre-tax return on equity (ROE) of 151% in FYE 2021, were both well above our expectations. However, MTNN's ROA is lower than that of Safaricom's 42% but significantly higher than its ROE of 68% in the period under review. Over the last three years (2019 – 2021), MTN Nigeria has reported average ROA and ROE of 21% and 162% respectively, which we consider to be very good.

In the three months (unaudited) ended 31 March 2022 (Q1'2022), MTN Nigeria reported total revenue of ₦470.7 billion, representing a 22% rise from the comparable period in 2021, mainly supported by strong growth in the data, voice and fintech segments. Furthermore, the Company's key profitability metrics in Q1'2022 such as operating profit margin of 38.8%, EBITDA margin of 54.6%, profit before tax margin of 31.2%, annualised return on assets of 26% and return on equity of 150% were all in line with our expectations and better than Q1'2021 performance demonstrating strong positive growth.

**Figure 6: Return on Assets (ROA) 2019 - 2021**



**Figure 5: Return on Equity (ROE) 2019 - 2021**



Going forward, we note that MTN remains well-positioned to benefit from new subscribers' acquisition (post-NIN verification and linkage) given its wide network coverage and availability, expanded recharge options, aggressive roll-out of rural telephony initiatives, increasing 4G/3G/2G network coverage as well as evolving pricing regime. This view is further reinforced by the burgeoning number of Nigerians (estimated at 15 million<sup>4</sup>) without SIM cards as well as the rising annual population growth rate, low smartphone penetration of 50% and unlocking of huge fintech opportunities with the MoMo Payment Service Bank Licence.

In our opinion, MTN's profitability is very good and sustainable.

<sup>4</sup> Agusto & Co. Research

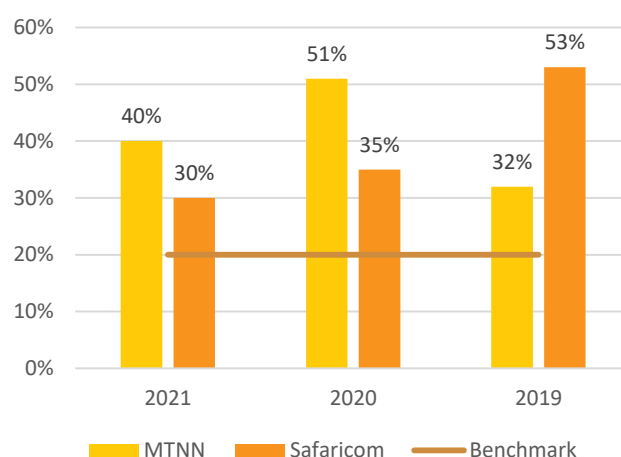
## CASH FLOW

MTN Nigeria Communications Plc's sales are predominantly on an advance or cash basis, which typifies the structure of the Nigerian telecoms industry as a pre-paid market<sup>5</sup>. However, the Company offers credit sales to eligible long-term trade partners (bulk buyers)<sup>6</sup> for a period of up to seven days and requires these partners to provide guarantees from one of the approved banks to ensure timely collection. Thus, MTNN's robust cash-generating capacity is underpinned by its favourable terms of trade with its customers and suppliers. As at FYE 2021, MTN Nigeria's average trade receivables days stood at 7 days, which is at par with the Company's stipulated credit period for eligible trade partners, while average trade creditor days remained good at 60 days (2020: 77 days).

In the financial year ended 31 December 2021, MTN Nigeria reported an operating cash flow (OCF) of ₦660 billion (2020: ₦687 billion) which was sufficient to cover returns to providers of finance of ₦264 billion, comprising dividend (81%) and interest expense (19%). Furthermore, the Company's net operating cash flow of ₦396.3 billion was adequate to cover current portion of long-term borrowings of ₦152.8 billion but was insufficient to fully cover the capital expenditure of ₦304.4 billion, which was financed with borrowings.

In the FYE 2021, MTN Nigeria's operating cash flow to sales ratio of 40% and the three-year (2019 – 2021) average of 41% were better than our expectations, thus depicting a strong operating cash capacity. Furthermore, MTN Nigeria's OCF to sales ratio is higher than Safaricom's 30% in FYE 2021 and the comparable three-year average of 39%. As at 2021 year-end, the Company reported a principal payback period (interest-bearing liabilities to operating cash flow) of circa 9 months, which is lower than our benchmark of 3 years for operators in the Telecommunication industry in Nigeria. This further reinforces our opinion on MTN's strong cash flow position.

**Figure 7: Operating Cash Flow to Sales (2019 - 2021)**



Subsequent to the year-end, MTN Nigeria recorded an operating cash flow of ₦169.4 billion for the three months ended 31 March 2022 (unaudited), which was sufficient to cover returns to providers of finance wholly comprising interest payments of ₦15.3 billion. In the same period, the Company recorded an OCF to sales ratio of 36%, which is well above our benchmark of 20%.

In our view, MTN Nigeria Communications Plc's cash flow profile is strong mainly supported by sustainable cash-generating capacity as well as favourable terms of trade with customers and suppliers.

<sup>5</sup> Telecom users pay in advance prior to using the service

<sup>6</sup> Eligible trade partners must have purchased on cash only basis for a minimum of six months and have turnover of ₦200 million within the past six months.

## FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 December 2021, MTN Nigeria Communications Plc's working assets rose significantly to ₦305.4 billion (2020: ₦125 billion) from the prior year, mainly due to the increase in restricted cash deposits<sup>7</sup>, rise in amounts due from related parties and other debtors and prepayments. Based on our analysis, restricted cash deposits accounted for almost half of MTNN's working assets as at FYE 2021, while other debtors & prepayments (32%), trade debtors (11%), amounts due from related parties (7%) and inventory of handsets, accessories and starter packs (2%), represented the balance.

The Company's spontaneous financing (non-interest-bearing liabilities) grew by 24% year-on-year to ₦805 billion as at 2021 year-end, mainly due to the increase in other creditors and accruals<sup>8</sup>, rise in amounts due to related parties and advance payment from customers relating to the sale of recharge cards and Subscriber Identification Module (SIM) cards. As at the same date, the main components of MTN's spontaneous financing were creditors & accruals (43%), taxation payable (18%) and deferred taxation (13%).

The Company's spontaneous financing was adequate to finance working assets, leaving a short-term financing surplus of ₦499.5 billion as at the 2021 year-end. This is consistent with the Industry norm where customers make advance payments for voice and data services. In our view, MTNN will continue to record short-term financing surpluses in the foreseeable future barring any material changes to the industry's structure and the Company's business fundamentals.

As at FYE 2021, MTN Nigeria's long-term assets rose by 18% to ₦1.67 trillion from the prior year due to the ongoing recognition of the right of use assets for underlying leased assets (network infrastructure, base station land and property leases) in line with IFRS 16 as well as new additions to property, plant and equipment (network infrastructure, office furniture & equipment and motor vehicles) and renewal of licenses<sup>9</sup> during the year. As at the same date, the Company's long-term funds<sup>10</sup> amounting to ₦1.32 trillion were insufficient to cover the long-term assets, resulting in a long-term financing need of ₦336.9 billion. However, the Company's short-term financing surplus was adequate to cover the long-term financing need, leaving an overall working capital surplus of ₦162.7 billion which we consider to be good.

As at 31 March 2022 (unaudited), MTN Nigeria recorded a short-term financing surplus of ₦482.2 billion and long-term financing need of ₦399.4 billion, resulting in an overall working capital surplus of ₦82.8 billion.

Agusto & Co. notes positively that MTNN completed the issuance of two local bonds (Series 1: ₦110 billion and Series 2: ₦89.9 billion) in 2021 to address the long-term funding mismatch, with plans for further bond issuances in 2022. In our view, the Company's overall working capital profile is adequate.

<sup>7</sup> This represents deposits with banks to secure letters of credit, collateral against repayment on borrowings, bank guarantee on Garnishee against court judgments as well as retention fee on the purchase of Visafone Communications Limited, all totaling ₦146.2 billion.

<sup>8</sup> This comprised Base Transmission Site (BTS) lease accruals, unclaimed dividend, accrued staff expenses and other regulatory fees

<sup>9</sup> The Company's Unified Access Service License (UASL) was renewed in August 2021 for another 10 years to expire 31 August 2031

<sup>10</sup> This comprised lease liabilities (52%), long-term borrowings (26%), and equity (22%)

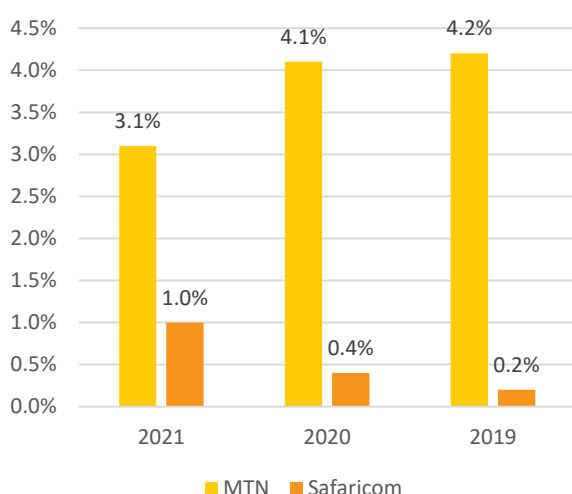
Similar to last year, MTN Nigeria's funding structure as at FYE 2021 continues to be skewed towards debt financing with NIBL constituting 65.4%, while interest-bearing debts and equity accounted for 21.6% and 13%

<sup>15</sup> This refers to interest expenses on borrowings and banking fees as non-cash interest expenses on lease liabilities and net foreign exchange losses were deducted in the computation.

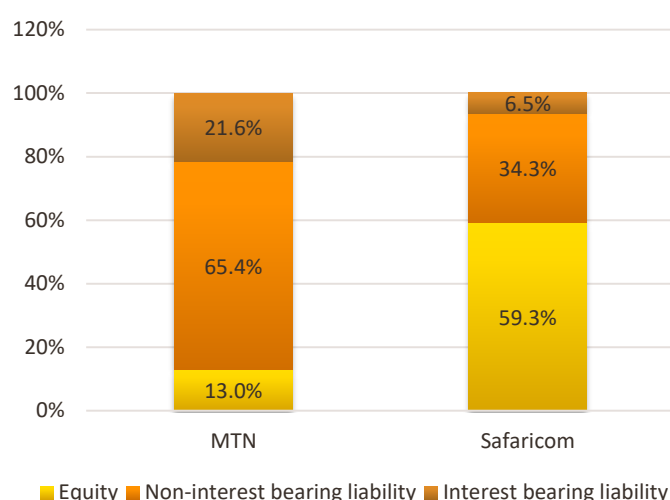
respectively. This is in sharp contrast to Safaricom's funding structure where equity financing accounted for 59.3%, while non-interest-bearing liabilities and IBL represented 34.3% and 6.5% respectively.

In the three months ended 31 March 2022 (Q1'2022), MTN Nigeria's leverage metrics such as IBL (net of cash & equivalents) as a percentage of equity of 62%, net liabilities (excluding cash) to average total assets of 46%, core interest expenses to sale ratio of 3.2%, interest cover of 11.1 times, net debt to earnings before interest, taxes, depreciation and amortisation (EBITDA) ratio of 0.3x, where all in line with our expectations. Agusto & Co. notes positively that MTNN's satisfactory leverage profile is mainly supported by its strong cash position.

**Figure 9: Interest Expenses to revenue**



**Figure 8: Funding Mix (FYE 2021)**



Going forward, MTN Nigeria's management has disclosed its intention to continue to minimize exposures to foreign currency obligations and substitute expensive short and medium-term loans with longer term local currency denominated borrowings. On the back of this, the Company intends to approach the capital market in Q3'2022 to issue long-term bonds which will mainly be used to replace existing expensive debts and finance ongoing deployment of 4G infrastructure and accelerate 5G rollout across major cities in Nigeria.

Overall, we note that MTN Nigeria's leverage profile is satisfactory.

## OWNERSHIP, MANAGEMENT & STAFF

As at 31 December 2021, MTN Nigeria had an authorised share capital of 27.85 billion ordinary shares of ₦0.02 each amounting to ₦557 million, of which ₦407 million were issued and fully paid. As at the same date, MTN International (Mauritius) Limited was the only shareholder (with 76.08%) holding more than 5% of the issued share capital of the Company. Following the commitment to increase local ownership of the Company during its listing by introduction on the Premium Board of the Nigerian Stock Exchange (NSE), MTN Group completed the sale of 3.25% of its shares in MTNN to institutional and retail investors in Nigeria in February 2022. As a result, MTN International (Mauritius) Limited now holds 72.83% of the Company's shares as at end of March 2022 with plans to further sell down up to 14% of its equity holdings in line with the shelf program with the Securities and Exchange Commission (SEC).

MTN Nigeria Communications Plc has a 14-member Board of Directors, comprising 9 non-executive directors, two executive directors and three Independent non-executive directors. Dr Ernest Ndukwe is the Chairman of the Board, while Mr Karl Toriola is the Chief Executive Officer (appointed 23 October 2020 and effective 1 March 2021). In the period under review, Mr Paul Norman, a Non-Executive Director retired from the Board on 30 July 2021, while Messrs Tsholofelo Molefe and Charles Molapisi were appointed as non-executive directors in May and August 2021 respectively. Mr Charles Molapisi resigned after the 2021-year end.

The Board has four standing Committees namely, Risk Management and Compliance Committee; Remuneration, Human Resources and Social and Ethics Committee; Nomination and Governance Committee and Board Audit Committee. Dr Omobola Johnson chairs the Risk Management and Compliance Committee, supported by four other non-executive directors. Mr Michael Ajukwu is the chairman of the Nomination and Governance Committee, the Remuneration, Human Resources, Social, and Ethics Committee is chaired by Mr Muhammad K. Ahmad and the Board Audit Committee is led by Mr Rhidwan Gasant. The Board Statutory Audit Committee is chaired by Mr Oye Hassan-Odukale (Shareholders' Representative) and supported by one non-executive director, one independent non-executive director and two other shareholder representatives.

**Table 3: MTN Nigeria's Current Board of Directors**

Name	Designation	Nationality
Dr Ernest Ndukwe, OFR	Chairman	Nigerian
Mr Karl Olutokun Toriola	Chief Executive Officer	Nigerian
Mr Modupe Kadri	Executive Director (Chief Financial Officer)	Nigerian
Mr Michael Ajukwu	Independent Non-Executive Director	Nigerian
Mr Muhammad K. Ahmad, OON	Independent Non-Executive Director	Nigerian
Mr Abubakar B. Mahmoud SAN, OON	Non-Executive Director	Nigerian
Dr Omobola Johnson	Non-Executive Director	Nigerian
Mr Andrew Alli, MFR	Non-Executive Director	Nigerian
Mrs Ifueko M. Omoigui Okauru, MFR	Non-Executive Director	Nigerian
Mr Rhidwan Gasant	Independent Non-Executive Director	South African
Mr Ferdinand Moolman	Non-Executive Director (representing MTN Group)	South African
Mr Ralph Mupita	Non-Executive Director (representing MTN Group)	South African
Mr Tsholofelo Molefe	Non-Executive Director (representing MTN Group)	South African
Mr Jens Schulte-Bockum	Non-Executive Director (representing MTN Group)	German

Source: MTN Nigeria Communications Plc Management 2021 Financial Statements and Management Representation

MTN Nigeria's executive management team comprises 15 members, with eight members reporting directly to the Chief Executive Officer (Mr Karl Toriola) while the others report to the Chief Operating Officer. In the year under review, Ms Adia Sowho was appointed as the Chief Marketing Officer, Mr Shoyinka Shodunke (Chief Information Officer) and Mrs Aisha Umar Mumuni (Acting Chief Digital Officer). Subsequent to year-end, Mr



Hassan Jaber was appointed as the Chief Operating Officer to replace Mr Mazen Mroue who joined the Group as the Chief Information and Technology Officer in May 2022 and Mr Olusina Adegoke was appointed as Chief Sales and Distribution Officer. Agusto & Co. notes positively that members of MTN Nigeria's management team have vast industry experience across countries and most have worked in various capacities within the MTN Group for over 10 years. In our view, the Company has an experienced and qualified management team.

**Table 4: Other members of MTN's Executive Management Team**

Name	Position	Name	Position
Mr Modupe Kadri	Chief Financial Officer	Mr Hassan Jaber	Chief Operating Officer
Mr Mohammed Rufai	Chief Technical Officer	Mr Olusina Adegoke	Chief Sales & Distribution Officer
Mrs Lynda Saint-Nwafor	Chief Enterprise Business Officer	Ms Adia Sowho	Chief Marketing Officer
Mr Tobechukwu Okigbo	Chief Corporate Services Officer	Mr Shoyinka Shodunke	Chief Information Officer
Mr Cyril Ilok	Chief Risk & Compliance Officer	Mrs Aisha Umar Mumuni	Acting Chief Digital Officer
Mrs Esther Akinnukawe	Chief Human Resources Officer	Mr Ugonwa Nwoye	Chief Customer Relations Officer
Mrs Uto Ukpanah	Company Secretary	Mr Usoro Usoro	CEO, Yello Digital Financial Services

As at 31 December 2021, MTN Nigeria had a staff strength of 1,699 employees (2020: 1,844 persons) split mainly into Network Group (19.9%), Sales & Distribution (16.3%), Customer Relations (15.6%), Finance (15.2%), Enterprise Solutions (7.9%) and others (25.1%). In FYE 2021, the Company's average cost per employee stood at ₦27.9 million (2020: ₦24.2 million) while operating profit per staff was ₦351 million (2020: ₦236 million). In our opinion, MTN Nigeria's staff productivity level computed as operating profit per staff/average cost per employee of 12.6 times in FYE 2021 (2020: 9.8 times) is very good.

## OUTLOOK

MTN Nigeria's management has disclosed its 'Ambition 2025' strategic intent which is focused on leading digital solutions for Africa's progress where everyone has the benefit of a modern connected life. The thrust of the Ambition 2025 is centred on four key strategic priorities which include: build the largest and most valuable platforms; drive industry-leading connectivity operations; create shared value; and accelerate portfolio transformation. In our view, MTN Nigeria will remain strategic to the Nigerian telecommunications industry as a carrier of carriers, providing infrastructure to support other telcos and internet service providers for the enterprise and wholesale business segments. Furthermore, we recognise that with the acquisition of the 5G spectrum license (with 100MHz lot in the 3.5 GHz spectrum band) and planned rollout from August 2022, the Company will be in a position to further deepen broadband penetration, enhance customer experience and unlock new revenue streams.

Going forward, we expect MTN Nigeria's profitability to remain strong supported by its ongoing efficiency campaign with a target EBITDA margin guidance of 53 -55% in the near term. Also, we expect the double-digit revenue growth to be sustained in the near term from data, voice and Fintech services segments. The Payment Service Bank (PSB) license is projected to spur significant growth in Fintech revenue through the offering of financial services to customers and concomitantly drive financial inclusion in Nigeria. Furthermore, we expect MTNN's cash flow to remain strong bolstered by the favourable trade terms with customers and suppliers. Augusto & Co also anticipates continued improvement in MTNN's funding structure as additional longer-term debt is injected into its funding mix. Notwithstanding, we expect leverage to be within acceptable limits premised on the Company's robust earnings capacity. Overall, Augusto & Co. expects the Company's financial condition to remain very strong over the near to medium term, buttressed by its strong market competitive advantage, good and sustainable profitability, strong cash-generating capacity, enhanced risk and regulatory framework, and disciplined capital allocation strategy.

Based on the aforementioned, we have attached a **stable** outlook to MTN Nigeria Communications Plc.

# FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED	31-Mar-22 UNAUDITED		31-Dec-21		31-Dec-20	
	N'Million		N'Million		N'Million	
<b>ASSETS</b>						
CASH IN HAND AND AT BANK	90,814	3.7%	109,374	4.8%	240,736	12.2%
MARKETABLE SECURITIES & TIME DEPOSITS	162,222	6.5%	206,160	9.0%	202,935	10.3%
<b>CASH &amp; EQUIVALENTS</b>	<b>253,036</b>	<b>10.2%</b>	<b>315,534</b>	<b>13.8%</b>	<b>443,671</b>	<b>22.4%</b>
FX PURCHASED FOR IMPORTS	210,413	8.5%	146,188	6.4%	47,913	2.4%
ADVANCE PAYMENTS AND DEPOSITS TO SUPPLIERS					-	
STOCKS	2,053	0.1%	5,310	0.2%	2,158	0.1%
TRADE DEBTORS	44,750	1.8%	33,808	1.5%	22,596	1.1%
DUE FROM RELATED PARTIES	28,145	1.1%	21,467	0.9%	16,457	0.8%
OTHER DEBTORS & PREPAYMENTS	81,694	3.3%	98,625	4.3%	35,953	1.8%
<b>TOTAL TRADING ASSETS</b>	<b>367,055</b>	<b>14.8%</b>	<b>305,398</b>	<b>13.4%</b>	<b>125,077</b>	<b>6.3%</b>
INVESTMENT PROPERTIES						
OTHER NON-CURRENT INVESTMENTS	57,928	2.3%	57,928	2.5%	49,328	2.5%
PROPERTY, PLANT & EQUIPMENT	821,739	33.0%	774,113	33.9%	686,157	34.7%
SPARE PARTS, RETURNABLE CONTAINERS, ETC						
GOODWILL, INTANGIBLES & OTHER I T ASSETS	988,020	39.7%	833,136	36.4%	675,270	34.1%
<b>TOTAL LONG TERM ASSETS</b>	<b>1,867,687</b>	<b>75.1%</b>	<b>1,665,177</b>	<b>72.8%</b>	<b>1,410,755</b>	<b>71.3%</b>
<b>TOTAL ASSETS</b>	<b>2,487,778</b>	<b>100.0%</b>	<b>2,286,109</b>	<b>100.0%</b>	<b>1,979,503</b>	<b>100.0%</b>
<b>LIABILITIES &amp; EQUITY</b>						
SHORT TERM BORROWINGS					99,046	5.0%
CURRENT PORTION OF LONG TERM BORROWINGS	170,194	6.8%	152,835	6.7%	91,553	5.6%
LONG-TERM BORROWINGS	324,538	13.0%	340,425	14.9%	330,551	16.7%
<b>TOTAL INTEREST BEARING LIABILITIES (TIBL)</b>	<b>494,732</b>	<b>19.9%</b>	<b>493,260</b>	<b>21.6%</b>	<b>521,150</b>	<b>26.3%</b>
TRADE CREDITORS	100,903	4.1%	63,814	2.8%	65,624	3.3%
DUE TO RELATED PARTIES	26,248	1.1%	33,176	1.5%	27,811	1.4%
ADVANCE PAYMENTS AND DEPOSITS FROM CUSTOMERS	66,646	2.7%	71,954	3.1%	61,919	3.1%
OTHER CREDITORS AND ACCRUALS	317,035	12.7%	343,405	15.0%	207,941	10.5%
TAXATION PAYABLE	207,489	8.3%	143,891	6.3%	107,038	5.4%
DIVIDEND PAYABLE						
DEFERRED TAXATION	87,846	3.5%	103,747	4.5%	108,693	5.5%
PROVISIONS	43,122	1.7%	45,009	2.0%	35,305	1.8%
MINORITY INTEREST						
LEASE LIABILITIES	752,591	30.3%	690,856	30.2%	641,790	32.4%
<b>TOTAL NON-INTEREST BEARING LIABILITIES</b>	<b>1,601,880</b>	<b>64.4%</b>	<b>1,495,852</b>	<b>65.4%</b>	<b>1,256,121</b>	<b>63.5%</b>
<b>TOTAL LIABILITIES</b>	<b>2,096,612</b>	<b>84.3%</b>	<b>1,989,112</b>	<b>87.0%</b>	<b>1,777,271</b>	<b>89.8%</b>
SHARE CAPITAL	407	0.0%	407	0.0%	407	0.0%
SHARE PREMIUM	17,216	0.7%	17,216	0.8%	17,216	0.9%
IRREDEEMABLE DEBENTURES						
REVALUATION SURPLUS						
OTHER NON-DISTRIBUTABLE RESERVES	(3,932)	-0.2%	885	0.0%	239	0.0%
REVENUE RESERVE	377,475	15.2%	278,489	12.2%	184,370	9.3%
<b>SHAREHOLDERS' EQUITY</b>	<b>391,166</b>	<b>15.7%</b>	<b>296,997</b>	<b>13.0%</b>	<b>202,232</b>	<b>10.2%</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,487,778</b>	<b>100.0%</b>	<b>2,286,109</b>	<b>100.0%</b>	<b>1,979,503</b>	<b>100.0%</b>

INCOME STATEMENT FOR THE YEAR ENDED	31-Mar-22 UNAUDITED		31-Dec-21		31-Dec-20	
	N'mns		N'mns		N'mns	
<b>TURNOVER</b>	<b>470,691</b>	<b>100.0%</b>	<b>1,652,925</b>	<b>100.0%</b>	<b>1,346,288</b>	<b>100.0%</b>
COST OF SALES	(107,275)	-22.8%	(390,471)	-23.6%	(310,248)	-23.0%
GROSS PROFIT	363,416	77.2%	1,262,454	76.4%	1,036,040	77.0%
OTHER OPERATING EXPENSES	(180,951)	-38.4%	(666,036)	-40.3%	(599,047)	-44.5%
OPERATING PROFIT	182,465	38.8%	596,418	36.1%	436,993	32.5%
OTHER INCOME/(EXPENSES)	(20,520)	-4.4%	(96,809)	-5.9%	(72,608)	-5.4%
PROFIT BEFORE INTEREST & TAXATION	161,945	34.4%	499,609	30.2%	364,385	27.1%
INTEREST EXPENSE	(15,262)	-3.2%	(51,251)	-3.1%	(55,140)	-4.1%
PROFIT BEFORE TAXATION	146,683	31.2%	448,358	27.1%	309,245	23.0%
TAX (EXPENSE) BENEFIT	(47,697)	-10.1%	(141,534)	-8.6%	(96,763)	-7.2%
<b>PROFIT AFTER TAXATION</b>	<b>98,986</b>	<b>21.0%</b>	<b>306,824</b>	<b>18.6%</b>	<b>212,482</b>	<b>15.8%</b>
NON-RECURRING ITEMS (NET OF TAX)						
MINORITY INTERESTS IN GROUP PAT	-	-	-	-	-	-
PROFIT AFTER TAX & MINORITY INTERESTS	98,986	21.0%	306,824	18.6%	212,482	15.8%
DIVIDEND	-	-	(212,705)	-12.9%	(172,403)	-12.8%
<b>PROFIT RETAINED FOR THE YEAR</b>	<b>98,986</b>	<b>21.0%</b>	<b>94,119</b>	<b>5.7%</b>	<b>40,079</b>	<b>3.0%</b>
SCRIP ISSUES						
OTHER APPROPRIATIONS/ ADJUSTMENTS						
PROFIT RETAINED B/FWD	278,489		184,370		144,291	
PROFIT RETAINED C/FWD	377,475		278,489		184,370	
<b>ADDITIONAL INFORMATION</b>	<b>31-Mar-22</b>		<b>31-Dec-21</b>		<b>31-Dec-20</b>	
Staff costs (=N='000)	10,782		47,486		44,598	
Average number of staff	1,699		1,699		1,844	
Staff costs per employee (=N='000)	6.3		27.9		24.2	
Staff costs/Turnover	2.3%		2.9%		3.3%	
Capital expenditure (=N='000)	88,622		260,276		215,427	
Depreciation expense - current year (=N='000)	40,979		162,544		150,203	
Number of 50 kobo shares in issue at year end ('000)	20,350		20,350		20,355	
Market value per share of 50 kobo (year end)	21,400		16,990		16,990	
Market capitalisation (=N='000)	4,354,900		3,457,465		3,458,230	
Market/Book value multiple	11		12		17	
<b>Auditors</b>			<b>EY</b>		<b>EY</b>	
<b>Opinion</b>	<b>UNAUDITED</b>		<b>CLEAN</b>		<b>CLEAN</b>	

<b>CASH FLOW STATEMENT FOR Y/E</b>	<b>31-Mar-22 UNAUDITED</b>	<b>31-Dec-21</b>	<b>31-Dec-20</b>
	<b>₦'mns</b>	<b>₦'mns</b>	<b>₦'mns</b>
<b>OPERATING ACTIVITIES</b>			
Profit after tax	98,986	306,824	212,482
<b>ADJUSTMENTS</b>			
Interest expense	15,262	51,251	55,140
Minority interests in Group PAT	-	-	-
Depreciation & Amortization	40,979	162,544	150,203
(Profit)/Loss on sale of assets	-	-	-
Other non-cash items	31,574	129,291	114,559
<b>Potential operating cash flow</b>	<b>186,801</b>	<b>649,910</b>	<b>532,384</b>
<b>INCREASE/(DECREASE) IN SPONTANEOUS FINANCING:</b>			
Trade creditors	37,089	(1,810)	38,326
Due to related parties	(6,928)	5,365	11,428
Advance payments and deposits from customers	(5,308)	10,035	15,174
Other creditors & accruals	(26,370)	135,464	61,711
Taxation payable	63,598	36,853	41,713
Deferred taxation	(15,901)	(4,946)	(4,347)
Provisions	(1,887)	9,704	7,221
Minority interest	-	-	-
<b>Cash from (used by) spontaneous financing</b>	<b>44,293</b>	<b>190,665</b>	<b>171,226</b>
<b>(INCREASE)/DECREASE IN WORKING ASSETS:</b>			
FX purchased for imports	(64,225)	(98,275)	(9,913)
Advance payments and deposits to suppliers	-	-	-
Stocks	3,257	(3,152)	(1,249)
Trade debtors	(10,942)	(11,212)	1,213
Due from related parties	(6,678)	(5,010)	(2,072)
Other debtors & prepayments	16,931	(62,672)	(3,130)
<b>Cash from (used by) working assets</b>	<b>(61,657)</b>	<b>(180,321)</b>	<b>(15,151)</b>
<b>CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>169,437</b>	<b>660,254</b>	<b>688,458</b>
<b>RETURNS TO PROVIDERS OF FINANCING</b>			
Interest paid	(15,262)	(51,251)	(55,140)
Dividend paid	-	-212,705	-172,403
<b>CASH USED IN PROVIDING RETURNS ON FINANCING</b>	<b>(15,262)</b>	<b>(263,956)</b>	<b>(227,543)</b>
<b>OPERATING CASH FLOW AFTER PAYMENTS TO PROVIDERS OF FINANCING</b>	<b>154,175</b>	<b>396,298</b>	<b>460,915</b>
<b>NON-RECURRING ACTIVITIES</b>			
Non-recurring items (net of tax)	(129,540)	(237,445)	(79,965)
<b>CASH FROM (USED IN) NON-RECURRING ACTIVITIES</b>	<b>(129,540)</b>	<b>(237,445)</b>	<b>(79,965)</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure	(88,622)	(260,276)	(215,427)
Sale of assets	17	9,776	4,162
Purchase of other long term assets (net)	-	-8,600	-3,750
Sale of other long term assets (net)	-	-	-
<b>CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(88,605)</b>	<b>(259,100)</b>	<b>(215,015)</b>
<b>FINANCING ACTIVITIES</b>			
Increase/(Decrease) in short term borrowings	-	(99,046)	66,593
Increase/(Decrease) in long term borrowings	1,472	71,156	42,015
Proceeds of shares issued	-	(0)	-
<b>CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>1,472</b>	<b>(27,890)</b>	<b>108,608</b>
<b>CHANGE IN CASH INC/(DEC)</b>	<b>(62,498)</b>	<b>(128,137)</b>	<b>274,544</b>
<b>OPENING CASH &amp; MARKETABLE SECURITIES</b>	<b>315,534</b>	<b>443,671</b>	<b>169,127</b>
<b>CLOSING CASH &amp; MARKETABLE SECURITIES</b>	<b>253,036</b>	<b>315,534</b>	<b>443,671</b>

## RATING DEFINITIONS

<b>Aaa</b>	This is the highest rating category. It indicates a company with impeccable financial condition and overwhelming ability to meet obligations as and when they fall due.
<b>Aa</b>	This is a company that possesses very strong financial condition and very strong capacity to meet obligations as and when they fall due. However, the risk factors are somewhat higher than for Aaa obligors.
<b>A</b>	This is a company with good financial condition and strong capacity to repay obligations on a timely basis.
<b>Bbb</b>	This refers to companies with satisfactory financial condition and adequate capacity to meet obligations as and when they fall due.
<b>Bb</b>	This refers to companies with satisfactory financial condition but capacity to meet obligations as and when they fall due may be contingent upon refinancing. The company may have one or more major weakness (es).
<b>B</b>	This refers to a company that has weak financial condition and capacity to meet obligations in a timely manner is contingent on refinancing.
<b>C</b>	This refers to an obligor with very weak financial condition and weak capacity to meet obligations in a timely manner.
<b>D</b>	In default.

### Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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