



MTN RWANDACELL PLC UNAUDITED RESULTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

Kigali | Rwanda: 03 November 2023



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MTN Rwandacell Plc (MTN Rwanda) is pleased to announce its unaudited financial results for the nine-months period ended **30 September 2023**.

Salient points:



Mobile subscribers increased by **5.6%** year-on-year (YoY) to **7.2 million**



Active data subscribers increased by **8.4%** YoY to **2.6 million**



Mobile Money (MoMo) subscribers increased by **11.5%** YoY to **4.6 million**



Service revenue increased by **13.6%** to **Rwf 186.2 billion**



Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by **4.7%** to **Rwf 84.7 billion**



EBITDA margin decreased by **3.9** percentage points (pp) to **44.9%**



Capital expenditure (capex, ex-leases) rose by **11.5%** to **Rwf 42.9 billion**



¹Profit after Tax (PAT) decreased by 25.2% to Rwf 11.1 billion, due to high finance costs related to CPI adjustments on our tower leases and the local currency depreciation affecting our foreign obligations.

Unless otherwise stated, financial and non-financial information is year-on-year basis (YoY). Financials are reported on a consolidated basis of MTN Rwandacell PLC and its subsidiary Mobile Money Rwanda Ltd.

MTN Rwanda defines mobile subscribers as those active in 90 days. Data and MoMo users as those active in 30 days. Service revenue is defined as revenue generated from activities performed by MTN operations or business units using a base transmission station (BTS).

¹Finance costs impacted PAT, due to the Rwanda franc depreciation against the US dollar as well as the IFRS16 related CPI adjustments on our long-term leases.

Comments from MTN Rwanda

Chief Executive Officer – Mapula Bodibe



MTN Rwanda's performance for the nine-month period ending September 2023 underscored our unwavering commitment to driving leading digital solutions for Rwanda's progress, despite a challenging operating environment. The macroenvironment has posed significant headwinds to our business, with a YoY average urban inflation rate of 17.3%, driven by surging food costs, compounded by increased fuel and energy costs as well as adverse weather conditions, which has impacted consumer affordability. Moreover, the substantial decline (16.6% YoY) of the exchange rate against the US dollar has unfavorably impacted our business, increasing all dollar denominated expenses, which has been exacerbated by the scarcity of dollars in the market, as well as the new regulatory directive, for the introduction of zero-rated interconnection rates between telecommunications providers in Rwanda.

Continued subscriber and commercial growth

Despite these challenges, we delivered solid financial results and sustained growth in our subscriber base, with mobile subscriptions increasing by 5.6% YoY, reaching a total of 7.2 million. Active data subscribers expanded by 8.4% YoY, reaching 2.6 million. Similarly, our MoMo subscriber base saw a significant growth of 11.5%, now totaling 4.6 million. These achievements reflect our continued efforts to reach and serve more of the Rwandan population with industry-leading connectivity operations.

Our service revenue grew by a solid 13.6% to reach Rwf 186.2 billion. Notably, our Fintech revenues grew by 34.7% YoY, driven by an increased contribution of advanced service revenues as well as an expanded payments ecosystem, highlighting the continued adoption of mobile financial services as an integral part of the day-to-day lives of Rwandans.

EBITDA improved by 4.7%, growing to Rwf 84.7 billion, although the EBITDA margin contracted by 3.9 percentage points, settling at 44.9%. This contraction was primarily attributed to increased interconnect costs, the introduction of a zero MTR policy as well as the impact of US dollar denominated costs, impacted by the depreciation of the local currency against the US dollar.

Driving industry-leading connectivity operations

Following the liberalization of 4G and the issue of our modified license, enabling access to 4G and future technologies, we upgraded our network to enable 4G connectivity in July 2023, which has allowed us to deliver faster and more reliable connectivity to individuals, communities and businesses across the country.

Creating shared value

During Q3, MTN Rwanda and Mobile Money Rwanda Ltd achieved a significant milestone by obtaining official certification as Data Controllers and Data Processors from the Data Protection and Privacy Office of Rwanda. The certification underscores our unwavering commitment to the highest levels of data protection, data security and privacy for our customers.

In our steadfast commitment to building a more sustainable Rwanda, we've planted 2,500 trees in the Huye district, marking significant progress towards our pledge to plant 25,000 trees in celebration of MTN Rwanda's 25 years of operations in Rwanda. This reflects our enduring dedication to creating shared value and making a positive impact in the communities we serve and supporting the ecological sustainability of the country.

As part of our commitment to driving digital and financial inclusion, MTN Rwanda has distributed over 120,000 smartphones under the device financing program "macye macye" since its launch in November 2022. This has driven smartphone penetration to 25.7%, which has resulted in increased mobile internet adoption.

During the quarter, as part of our celebrations to mark 25 years in Rwanda, we engaged in various activities, including the nationwide #iwacumuzika festival, fostering stakeholder engagement by showing appreciation to our customers during customer service week, as well as the introduction of affordably priced offers such as the Tubitayeho voice and data plans, to make our services more affordable to our customers.

These initiatives underscore our role as a trusted telecommunications provider deeply committed to inclusivity, community development and customer-centricity in Rwanda.

Looking forward, we are focused on implementing our Ambition 2025 strategy, with a continued focus on delivering leading digital solutions for Rwanda's progress. We are confident that the investments we have made, including the rollout of our own 4G network, will deliver long-term benefits to customers and value to our stakeholders.

We remain focused on executing our commercial strategy and driving efficiencies to support growth in earnings, cashflow and shareholder returns. The Fintech business will continue to be a key driver for our growth, as we continue to promote advanced services towards a cashless economy.

A stylized, handwritten signature in yellow ink, representing Mapula Bodibe.

Mapula Bodibe
Chief Executive Officer

Key financial and operational highlights

Rwf (m)	YTD Q3, 2023	YTD Q3, 2022	% Change	Q3 2023	Q3 2022	% Change
Total Revenue	188,449	165,813	13.7%	66,518	59,421	11.9%
Service Revenue	186,245	163,919	13.6%	65,698	58,794	11.7%
Expenses	103,772	84,927	22.2%	36,811	30,991	18.8%
EBITDA	84,677	80,886	4.7%	29,707	28,430	4.5%
EBITDA Margin (%)	44.9%	48.8%	-3.9pp	44.7%	47.8%	-3.1pp
Depreciation & Amortization	39,431	36,652	7.6%	13,844	13,089	5.8%
Net Finance Costs	27,471	21,631	27.0%	7,006	6,976	0.4%
Profit before tax	17,775	22,603	-21.4%	8,857	8,365	5.9%
Income tax expense	6,691	7,787	-14.1%	3,309	3,292	0.5%
Profit after tax	11,084	14,816	-25.2%	5,548	5,073	9.4%
Earnings per share	8.2	11.0	-25.2%	4.1	3.8	9.4%
Capital Expenditure	42,850	38,425	11.5%	23,058	6,970	230.8%
Capex intensity (%)	22.7%	23.2%	-0.5pp	34.7%	11.7%	23.0pp
Free Cash Flows	41,827	42,461	-1.5%	6,649	21,460	-69.0%
Mobile Subscribers	7.2	6.8	5.6%	7.2	6.8	5.6%
Data Subscribers	2.6	2.4	8.4%	2.6	2.4	8.4%
MoMo Subscribers	4.6	4.1	11.5%	4.6	4.1	11.5%

Note:

- Financials are reported on a consolidated basis of MTN Rwandacell PLC and its subsidiary Mobile Money Rwanda Ltd.
- MTN Rwanda defines Mobile subscribers as those active in 90 days and Data & MoMo subscribers as those active in 30 days.
- Service revenue is defined as revenue generated from activities performed by MTN operations or business units using a base transmission station (BTS).
- Capital expenditure (IAS 17) excludes right of use assets.
- Free cash flow is EBITDA minus capital expenditure.
- Earnings per share (EPS) is computed by dividing the Profit after Tax by the number of shares.



Solid top-line performance in a challenging operating environment.

We continued to report strong double-digit top-line growth from all our business units that resulted in the 13.6% year on year increase in our overall service revenue.

Voice revenue, which makes up 35.4% of total service revenue, was supported by strong subscriber growth but eased slightly by 3.9% YoY, mainly due to the impact of zero-rated interconnect costs.

Data revenue continued to show strong growth of 22.4%, driven by 8.4% growth in active data subscribers, an 18.6% increase in data traffic, as well as a 14.7% increase in MB usage per active data subscriber. Data growth was also stimulated by the faster 4G experience provided to our customers since we launched our own 4G network in July 2023. Data revenue accounted for 18.2% of total service revenue in the nine months to September 2023 (September 2022: 16.7%).

Home broadband subscribers grew by 62.1% to 8,466 (up from 5,223 in September 2022) translating to a 36.4% growth in home broadband revenue.

Smartphone penetration increased by 3.1pp to 25.7% as we continued to promote and enhance our device financing programme driven by an increase in customer adoption.

Fintech revenue continued to produce solid YoY growth of 34.7%, which was attributed to the strong performance from the adoption and usage of basic and advanced services. This was driven as well by an 11.5% growth in active MoMo subscribers. In terms of volume and value, we've seen strong growth with MoMo transaction volumes up by 37% to 1.37Bn and value up by 45% to Rwf15.45Tn. MoMo growth was further underpinned by various customer value management initiatives that drove the growth of a cashless ecosystem, as well as the increase in the merchant payments base to 294k (September 2022: 86k). Adoption of advanced MoMo services grew by 65.4%, which contributed 22.9% to overall MoMo revenue (September 2022: 18.6%).

The **Enterprise** business recorded an 18.8% YoY growth in revenue across all services including Voice, SMS, Data and

ICT solutions. This was underpinned by a 19.7% growth in the Enterprise subscriber base. During Q3, we launched a new SME focused product, a 4G powered solution that encompasses speed, efficiency, reliability and convenience to enable SMEs to run their business more efficiently, bridge the digital divide and reach wider audiences.

Our commitment to empowering SMEs has always been at the core of our mission and we foresee additional sources of revenue for the Enterprise business in the medium term, driven by this solution that enables SMEs to operate at a larger stage and drive economic growth.

EBITDA improved by 4.7%, delivering an EBITDA margin of 44.9%, which was down by 3.9pp YoY. This was largely driven by increased cost of sales relating to interconnect costs and the high uptake of the 4G service provided by the wholesale service provider in the first eight months of 2023. We expect this impact to abate going forward, following the launch of our own 4G network in July 2023, currently at 84% population coverage. We expect to realize cost benefits which will pass through to our EBITDA margins in the medium-term, coupled with the continued implementation of our expense efficiency program (EEP).

Depreciation and amortisation increased by 7.6% largely due to an increase in commissioned network sites during the period. In addition, **net finance** costs rose by 27.0%, as a result of the revaluation of our foreign obligations due to the depreciation of the Rwandan franc against the US dollar (YoY depreciation of 16.6%) as well as the IFRS16-related CPI adjustments on our long-term leases.

The **Profit after tax (PAT)** reduced year on year by 25.2%, as a result of higher depreciation costs (both asset and fx depreciation) and high finance costs which were impacted by the CPI increase.

Capex increased by 11.5% in line with our medium-term guidance as we upgraded our Radio Access Network (RAN) and the rollout of 4G coverage; this reflected a marginal 0.5pp decrease in capex intensity to 22.7%



Regulatory updates

Data Controllers and Data Processors Certification by the Data Protection and Privacy Office

The Government of Rwanda officially gazetted the law relating to the protection of personal data and privacy on 15 October 2021. Companies in Rwanda that were already in operation and processed personal data of individuals had a transitional period up to 15 October 2023 to fully comply with the new law.

In August 2023, MTN Rwandacell PLC and Mobile Money Rwanda Ltd achieved a significant milestone by receiving official certification as Data Controllers and Data Processors from the Data Protection and Privacy Office - Rwanda. This five-year certification was granted in recognition of our adherence to all necessary requirements, making us the first certified telecom entities in Rwanda. The certification serves as a testament to our commitment to the highest levels of compliance with data privacy and protection regulations, further enhancing our reputation as trusted service providers in the market.

New Local Interconnection Rates by Rwanda Utilities Regulatory Authority (RURA)

After considering the inputs from telecom operators in relation to the interconnection glide path for mobile termination rates, on 4 October 2023, RURA set new directives on local Interconnection rates for the mobile telecommunication sector.

For the period of January 2023 to July 2023, Mobile Network Operators will apply the prevailing December 2022 Mobile Termination Rates (MTR) of Rwf 1.5 to MTN Rwanda and Rwf 2 to Airtel Rwanda per minute and from August 2023, a rate of zero will be applied for an initial period of one (1) year, during which, the Regulator will study the impact to determine the way forward.

The consequence of this directive means that from August 2023, for a period of one year, MTN Rwanda shall not recognize local incoming interconnect revenue, which will directly impact our service revenue performance, EBITDA margins and profit after tax.

MTN Rwanda's interconnect costs will continue to grow in line with growth in traffic to outbound roamers. We are working closely with the regulator to resolve this in the near term.





Outlook

Despite challenging macro conditions and a weak global economic outlook, Rwanda's economy is expected to remain resilient in the medium-term thanks to the central bank's (BNR) swift monetary policy response. The BNR remains committed to bringing inflation back within the target band by the last quarter of 2023. This should provide some relief to the Rwanda franc in real terms, as well as to consumers and businesses over the medium term. We do however anticipate that the operating environment in Q4 2023 will remain tough, for consumers and businesses.

The accelerated capex investments for our network modernization programme is a key priority that supports our strategy to lead in connectivity, with the aim to achieve 2/3G population coverage of 99.99% by the end of 2023 (currently 99.10%). This aims to provide customers with the best-in-class network connectivity and an enhanced digital user experience.

With the launch of our own 4G network in July 2023, we have been able to deliver a more seamless and superior 4G experience to our customers. Furthermore, this has resulted in the significant reduction of our wholesale data cost of sale, which has improved our EBITDA margins. However, with the new zero-rated interconnection rates set by the regulator, effective from August 2023, we expect to realize zero local interconnect revenues for a period of 1 year to July 2024.

Fintech remains an integral part of the Rwandan community we serve and a key pillar of our strategy to Build the largest and most valuable digital platforms and drive financial inclusion. We aim to further promote advanced services to deepen the usage of the mobile money ecosystem in Rwanda, leading to a cashless economy.

In view of these factors, we expect FY 23 guidance to remain intact with mid-teens service growth and healthy EBITDA margins as we invest in industry-leading connectivity solutions. MTN Rwanda will continue to focus on the execution of its Ambition 2025 strategy while preserving shareholder value and providing leading digital solutions for Rwanda's progress.

Statement of Financial Position

Rwf (m)	30-Sep-2023	31-Dec-2022	% Change reported
Property, plant, and equipment	205,359	195,567	5.0%
Intangible assets and goodwill	72,646	79,019	-8.1%
Other non-current prepayments	11,342	12,170	-6.8%
Current assets	212,066	178,606	18.7%
Total assets	501,412	465,362	7.7%
Total equity	73,876	68,944	7.2%
Non-current liabilities	142,868	152,216	-6.1%
Current Liabilities	284,669	244,202	16.6%
Total equity and liabilities	501,412	465,362	7.7%

Notes:

• **The intangible asset** of Rwf 72.6 billion mainly consists of the license renewal currently that is amortized over a 10-year period.

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About

MTN Rwandacell PLC

MTN Rwandacell Plc (MTN Rwanda) is the market leader in mobile telecommunications in Rwanda. Since 1998, we have continuously invested in expanding and modernising our network and leading digital solutions for Rwanda's progress.

As the country's No 1 network, we offer various services to subscribers, including innovative propositions such as personalised voice and data offers for individuals and corporates with a clear vision to lead the delivery of a bold, new digital world to our customers because we believe everyone deserves the benefits of a modern connected life.

