



**MOBILE TELECOMMUNICATIONS
LIMITED (“MTC”)
1H22 Initial Impression
June 2022**

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Mobile Telecommunications Limited

1H22 Initial Impression

Target Price (c) 984

Current Price (c) 751

Year End 30 September	FY19	FY20	FY21	FY22E	FY23E	Recommendation	BUY
Revenue (N\$ m)	2,613.7	2,683.3	2,799.1	2,908.7	3,045.3	NSX Code	MOC
EBITDA (N\$ m)	1,345.1	1,397.1	1,434.6	1,463.3	1,506.8	Market Cap (N\$ m)	5,633
Profit after tax (N\$ m)	797.0	772.4	743.3	758.2	772.3	Shares in Issue (m)	750
EPS (c)	106.3	103.0	99.1	101.1	103.0	Free float (%)	39.9
DPS (c)	55.0	130.4	80.0	80.9	82.4	52-week high	891
DY (%)	6.5	15.3	9.0	9.1	9.3	52-week low	749
P/E (x)	8.0	8.3	9.0	8.8	8.6	Expected Total Return (%)	41.8
EV/EBITDA	4.7	4.6	4.6	4.5	4.4		

Source: Mobile Telecommunication Limited, IIG Securities.

1H22 Initial Impression

Mobile Telecommunications Limited (MTC) released interim results for the period ended 31 March 2022 (1H22). Profit after tax fell by 0.4% y/y to N\$395.7 million, but marginally ahead of our forecasts. Basic EPS fell by 0.4% y/y to 52.8 cps while HEPS fell by 0.7% y/y to 52.60 cps. An interim dividend of 32.3 cps was declared for the period.

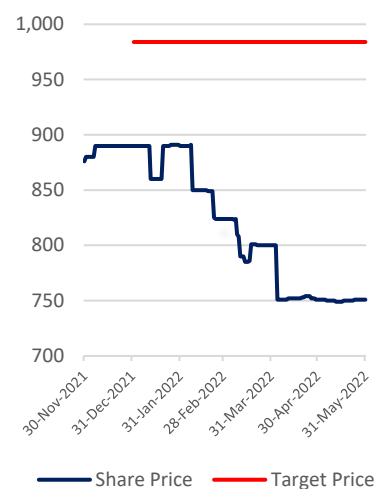
(N\$ Millions)	1H21	1H22	Y/Y % Change
Revenue	1,385.5	1,449.7	4.6%
Other Income	2.0	11.0	443.7%
Total Income	1,387.5	1,460.7	5.3%
Changes in Inventories of Finished Goods	-141.1	-142.1	0.7%
Direct Costs	-172.7	-214.4	24.2%
Sales and Marketing	-36.8	-44.2	20.1%
General and Administration	-96.8	-138.5	43.2%
Personnel Costs	-189.0	-210.6	11.5%
Depreciation	-132.5	-143.3	8.1%
Amortisation	-55.3	-66.4	20.1%
Profit from Operations	563.3	501.1	-11.0%
Investment Income	20.7	58.5	182.5%
Finance Costs	-12.0	-11.0	-7.9%
Profit before Taxation	572.0	548.6	-4.1%
Taxation	-174.6	-152.9	-12.4%
Profit for the Year	397.4	395.7	-0.4%

MTC's grew total revenue by 5.3% y/y to N\$1.46 billion. The increase was largely driven by pre-paid revenue growth of 6.8% y/y or N\$57.8 million to N\$910.6 million. Post-paid revenue continued to fall, contracting by 6.1% y/y or N\$23.8 million to N\$368.1 million. The number of post-paid subscribers however grew by 2.2% to 159,345 from the 155,861 reported in FY21. Pre-paid subscribers grew by 0.9% over the same period to 2.34 million. The steady resumption of international travel has resulted in MTC recording roaming income growth of 26.4% or N\$6.5 million to N\$31.3 million. The management team's focus on enterprise services has started to pay off, with the company recording revenue growth in this segment of N\$22.1 million or 11,220.3% y/y to N\$22.3 million. Management notes that the new fixed line offerings maintained the momentum of 2H21.

Operating expenses outpaced revenue growth, increasing by 16.4% y/y to N\$959.6 million. Almost all expense line items rose at a quicker rate than Namibian inflation of 4.5%. Management attributes the increase to the re-introduction of the CRAN levy in the 2022 financial year based on the newly instituted regulations following the High Court ruling. Personnel costs increased by 11.5% y/y to N\$210.6 million, with no explanation given for this relatively large increase. Depreciation and amortisation increased by 11.6% y/y to N\$209.7 million, which management ascribed to significant capital expenditure during the period.

The above resulted in MTC's EBITDA margin falling from 54.2% in 1H21 to 49.0% in 1H22. Investment income, which consists of interest income earned on cash and bank balances as well as interest on contract assets rose by 182.5% y/y or N\$37.8 million to N\$58.5 million. At first glance, no progress was made in improving the company's capital structure. Cash and cash equivalents increased by 10.7% to N\$783.2 million from the N\$707.6 million reported at FY21. Total assets grew by 6.1% y/y to N\$3.57 billion which was mainly driven by an 11.4% y/y increase in property, plant, and equipment (PPE) to N\$1.37 billion. The significant growth in PPE was due to additions of network equipment of N\$33.2 million during the period as well as a N\$5.1 million addition of computer and pre-paid equipment.

MTC Share Price vs Target Price (c)



Dividends

An interim dividend of 37 cents per share was declared.

- Last Day to Trade: 17 June 2022
- Ex-Dividend Date: 20 June 2022
- Record date: 24 June 2022
- Payment date: 08 July 2022





0,0005	4,85%
0,0003	13,04%
0,001	50,00%
0,0003	14,29%
0,0005	12,50%

Overall, the interim results are satisfactory, with revenue growth coming in in-line with our forecasts, but operating expenses growing quicker than forecast. Pending further analysis of the 1H22 results and management discussions, we maintain our **BUY** recommendation on MTC. Our target price and recommendation will be revised with our full review of the 1H22 results, as will the forecasts in the table at the top of the page.

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