



MOBILE TELECOMMUNICATIONS  
LIMITED (“MTC”)  
**FY22 Initial Impression**  
December 2022

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# Mobile Telecommunications Limited

FY22 Initial Impression

Current Price (c)

703

Year End 30 September	FY18**	FY19**	FY20**	FY21	FY22	Recommendation	BUY
Revenue (N\$ m)	2,498.2	2,613.7	2,683.3	2,799.1	2,893.0	NSX Code	MOC
EBITDA (N\$ m)	1,495.8	1,345.1	1,397.1	1,434.6	1,480.8	Market Cap (N\$ m)	5,273
Profit after tax (N\$ m)	807.7	797.0	772.4	743.3	793.0	Shares in Issue (m)	750
EPS (c)	107.7	106.3	103.0	99.1	105.74	Free Float (%)	39.9
DPS (c, ordinary)	49.9	55.0	130.4	80.0	69.3	52-Week High (c)	891
DY (%)	5.8	6.4	15.3	9.0	9.6	52-Week Low (c)	700
P/E (x)	8.0	8.1	8.3	9.0	6.6	Expected Total Return (%)*	41.8
EV/EBITDA	4.3	4.8	4.6	4.6	3.6		

Source: MTC Limited, IJG Securities

\* Based on our 1H22 analysis.

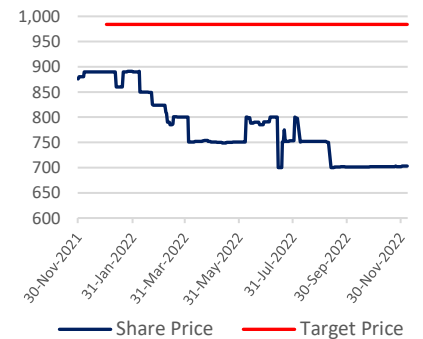
\*\* Normalised for stock split pre-listing.

## FY22 Initial Impression

Mobile Telecommunications Limited (MTC) released results for the year ended 30 September 2022 (FY22). Profit after tax rose by 6.7% y/y to N\$793.0 million, beating the N\$718.0 million forecast for the year in the Prospectus. Basic EPS grew by 6.7% y/y to 105.74 cps (FY21: 99.11 cps) while HEPS rose by 6.8% y/y to 105.81 cps (FY21: 99.11 cps). A final dividend of 42 cps was declared for the year, bringing the total dividends declared for the year to 79 cps.

Revenue for the year increased by 3.4% y/y or N\$93.9 million to N\$2.89 billion. The increase was largely driven by pre-paid revenue growth of 5.0% y/y or N\$86.3 million to N\$1.82 billion. Post-paid revenue continued to drop, declining by 8.0% y/y or N\$59.3 million to N\$679.0 million, as many customers struggled to maintain service contracts in a rising cost environment, according to management. The resumption of international travel has resulted in MTC recording roaming income growth of 27.7% y/y or N\$14.0 million to N\$64.7 million. Other revenues rose by 19.2% y/y with revenue from enterprise services more than doubling, jumping by 107% y/y or N\$27.3 million to N\$52.9 million.

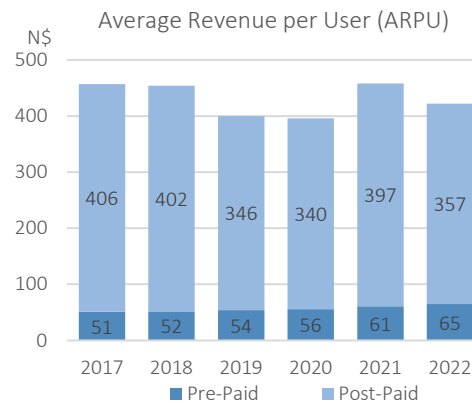
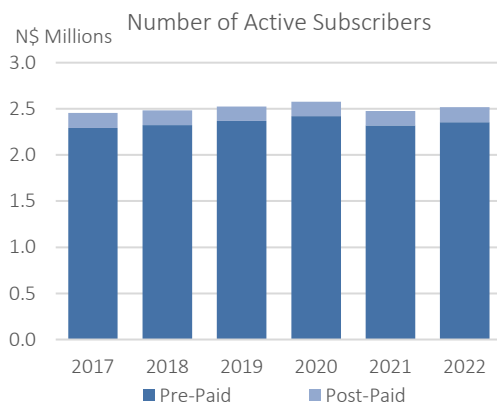
## MTC Share Price vs Target Price (c)



## Dividends

A final dividend of 42 cents per share was declared.

- Last Day to Trade: 13 January 2023
- Ex-Dividend Date: 16 January 2023
- Record date: 20 January 2023
- Payment date: 03 February 2023



Source: MTC, IJG Securities

The total number of subscribers grew from 2,476,707 in FY21 to 2,517,786 in FY22, representing a 1.7% y/y or 41,079 increase in MTC's subscriber base. Both pre- and post-paid subscriber numbers grew in FY22, up by 1.5% y/y to 2.34 million and 3.7% y/y to 161,560 respectively. The average revenue per user (ARPU) from pre-paid subscribers rose from N\$61 in FY21 to N\$65 in FY22, with the increase attributed to the popular Aweh and Taamba value-added services, as well as the recovery in roaming revenue. Post-paid subscriber ARPU declined from N\$397 to N\$357 over the same period, with the company ascribing this to the challenging domestic economic environment.

Operating expenses for the year outpaced revenue growth, increasing by 6.6% y/y to N\$1.84 billion, but coming in below the Namibian annual inflation rate of 7.1%. According to management, the increase in operating expenditure is largely attributable to rising personnel costs which increased by 6.9% y/y to N\$433.9 million due to rising inflation and the filling of vacancies. Direct costs rose by 3.1% y/y to N\$369.7 million, an increase that management ascribed to currency fluctuations and new network technology rollouts. Depreciation and amortization rose by 15.7% y/y to N\$419.6 million and relates to rising capital expenditure according to management.





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

As a result of the above, MTC's profit from operations declined by 1.0% y/y to N\$1.06 billion. After adjusting for depreciation and amortization, MTC's operating profit grew by 3.2% y/y to N\$1.48 billion, marginally above the EBITDA figure forecasted in the Prospectus for FY22. The EBITDA margin fell slightly from 51.3% in FY21 to 51.2% in FY22.

Investment income, which consists of interest earned on cash and bank balances, and interest on contract assets, rose by 103.5% y/y or N\$43.5 million to N\$85.5 million. Little progress was made in improving the company's inefficient capital structure with equity remaining the main source of funding. Cash and cash equivalents increased by 13.9% y/y to N\$806.0 million from the N\$707.6 million reported in FY21. Total assets grew by 8.7% y/y to N\$3.73 billion largely on the back of an 8.4% y/y increase in property, plant, and equipment (PPE), bringing the book value of investments in infrastructure and networks to N\$1.54 billion. However, MTC's total capital expenditure for the year contracted by 16.8% y/y or N\$103.7 million to N\$514.0 million.

Overall, the results are satisfactory, with operating and profit margins beating the numbers forecast in the Prospectus. Pending further analysis of the FY22 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 FY22 results, as will the forecasts in the table at the top of the page.

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