



**MOBILE TELECOMMUNICATIONS
LIMITED (“MTC”)
FY23 Initial Impression
December 2023**

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Mobile Telecommunications Limited

FY23 Initial Impression

Current Price (c)

761

Year End 30 September	FY19*	FY20*	FY21	FY22	FY23		
Revenue (N\$ m)	2,613.7	2,683.3	2,799.1	2,893.0	3,047.0	NSX Code	MOC
EBITDA (N\$ m)	1,345.1	1,397.1	1,434.6	1,480.8	1,506.3	Market Cap (N\$ m)	5,708
Profit after tax (N\$ m)	797.0	772.4	743.3	793.0	793.9	Shares in Issue (m)	750
EPS (c)	106.3	103.0	99.1	105.74	105.85	Free Float (%)	39.9
DPS (c, ordinary)	55.0	130.4	80.0	79.0	85.3	52-Week High (c)	810
DY (%)	6.4	15.3	9.3	9.9	11.68	52-Week Low (c)	702
P/E (x)	8.1	8.3	8.7	6.6	7.2		
EV/EBITDA	4.8	4.6	4.6	3.6	3.8		

Source: MTC Limited, IIG Securities

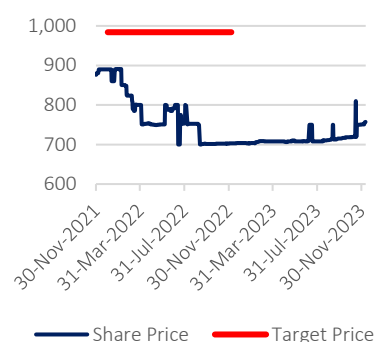
*Normalised for stock split pre-listing.

FY23 Initial Impression

Mobile Telecommunications Limited (MTC) released results for the year ended 30 September 2023 (FY23). Profit after tax rose by a marginal 0.11% y/y to N\$793.9 million, slightly above our forecast of N\$779.5 million. Basic earnings per share (EPS) grew by 0.11% y/y to 105.85 cps (FY22: 105.74 cps), while HEPS rose 0.10% y/y to 105.92 cps, (FY22: 105.81 cps). MTC declared a final dividend of 38.8 cps for the year, bringing the total dividends declared for the year to 85.3 cps (FY22: 79.0 cps).

Revenue for the year amounted to N\$3.05 billion, a 5.3% y/y or N\$153.9 million increase. Revenue growth was driven by an increase in demand for data, prepaid products, roaming services, and an expansion of enterprise services. Post-paid revenue fell by 0.3% y/y or N\$1.7 million to N\$677.3 million, as a decline in ARPU offset the increase in subscribers (more on this later). Pre-paid revenue rose by 4.0% y/y or N\$72.0 million to N\$1.89 billion, although pre-paid subscribers declined notably during the year. Roaming services spurred a 50.3% y/y increase or N\$32.5 million, bringing the total to N\$97.2 million. Other revenues rose 15.5% y/y to N\$379.9 million, as revenue from enterprise services once again more than doubled, escalating from N\$52.9 million in FY22 to N\$113.5 million.

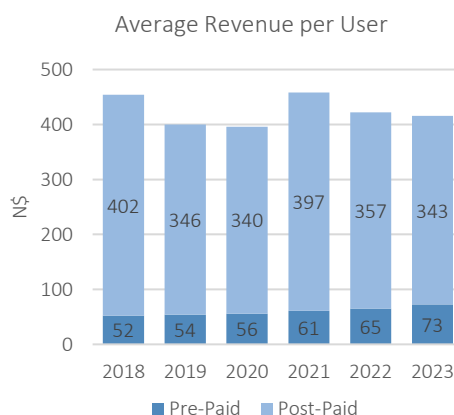
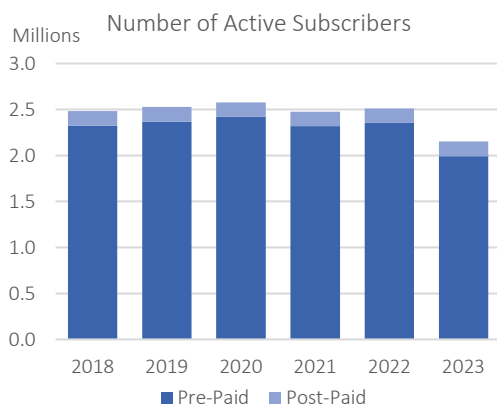
MTC Share Price vs Target Price (c)



Dividends

A final dividend of 38.8 cents per share was declared.

- Last Day to Trade: 12 January 2024
- Ex-Dividend Date: 15 January 2024
- Record date: 19 January 2024
- Payment date: 02 February 2024



Source: MTC, IIG Securities

The total number of mobile subscribers fell from 2,517,786 in FY22 to 2,159,542 in FY23, representing a year-on-year decrease of 14.2% or 358,244 in MTC's mobile subscriber base. Post-paid subscribers grew by 5,856 or 3.62% y/y to 167,416, while the pre-paid subscribers fell by 364,100 or 15.5% y/y to 1,992,126. Management attributes compulsory SIM registrations to the reduction in the number of pre-paid customers. The average revenue per user (ARPU) from pre-paid subscribers rose by 11.5% or N\$8.0 to N\$73.0 in FY23. Post-paid ARPU declined by 3.9% or N\$14.0 to N\$343.0 over the same period.

Operating expenses growth marginally outpaced revenue growth again, increasing by 5.8% y/y to N\$1.95 billion, the growth in operating expenses is roughly in line with the annual Namibian CPI rate of 5.4% for the same period. The increase in operating expenses incorporated a 14.2% increase in employee costs, aimed at accommodating additional resources for emerging revenue streams, as well as covering expenses related to temporary workers assisting with SIM registrations. Depreciation and amortisation rose 3.0% y/y to N\$406.9 million, this increase correlates with the 14.3% y/y rise of capital expenditure. Management





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

elaborated that capital expenditure will be higher in FY24, as MTC is looking into areas for restructuring and will deploy newer technologies.

MTC's profit from operations rose 3.6% y/y or N\$38.1 million to N\$1.10 billion, after adjusting for depreciation and amortisation. EBITDA expanded to N\$1.51 billion, reflecting a year-on-year increase of 1.70% or N\$23.5 million, while the EBITDA margin showed a decline, dropping from 51.2% in FY22 to 49.4% in FY23.

Investment income, consisting of interest earned on cash and bank balances, as well as interest on contract assets, fell by 17.4% or N\$14.9 million to N\$70.7 million. Cash and cash equivalents substantially increased by 69.5% y/y to N\$146.0 million, from N\$86.1 million recorded in FY22. Total assets rose by 6.30% y/y or N\$235.8 million to N\$3.97 billion, mainly driven by an increase of 12.7% y/y or N\$132.7 million increase in network equipment, which drove the 5.80% y/y increase in property, plant and equipment (PPE), bringing the total book value of PPE to N\$1.63 billion. Equity remained the main source of funding, amounting to N\$2.68 billion. Responding to a question at the results presentation of whether the company will be issuing debt any time soon, management simply mentioned again that they are 'looking into it'. Total capital expenditure for MTC widened by 14.3% y/y or N\$73.3 million to N\$587.6 million.

Overall, MTC's FY23 financial performance was very much in line with what we saw in FY22. The drop in subscribers is evidence of a saturated market, coupled with new offerings such as multiple simultaneous (Aweh) bundles no longer necessitating subscribers to have multiple SIM cards. There has also been a migration from pre-paid subscribers to post-paid plans following the introduction of new 'telemetry' and 'Infinite' (flexible) post-paid offerings.

The biggest immediate risk for MTC is the compulsory SIM registration deadline of 31 December 2023. According to management, around 43% of MTC's customers' SIM cards were registered at the end of September. MTC has submitted a request for an extension of the deadline, but the Ministry of Information and Communication Technology has since made it clear that the deadline will not be extended. At this stage, accurately forecasting the financial impact of unregistered subscribers is challenging, as it hinges on the number and pace at which these subscribers choose to register.

Our target price, forecasts and recommendation will be updated with the full review of the FY23 results.

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