Nigeria | Equities Research | Telco | Company Update

August 6, 2025

MTN Nigeria Communications PLC

Positive outlook affirmed for telco bellwether

BLOOMBERG: MTNN NL

HOLD

Target Price:	N526.94
Ref Price:	N480.00

*In its recently published earnings release, MTN Nigeria Communications Plc (MTNN) posted a H1'25 PAT of N414.86 billion (vs a loss of N519.06 billion in H1'24), on the back of the implementation of the tariff adjustments. The impact of the higher tariff, which was fully reflected in Q2'25, coupled with the 6.7% YoY increase in mobile subscriber base in H1'25, supported top-line. We also note sustained demand for data services and growing deployment of cost optimisation strategies, with the latter leading to a reduction in the cost-to-sales ratio. These improvements and feedback from recent communication with management have resulted in a recalibration of our projections. We have revised our 12-month Target Price ("TP") to N526.94 and adjusted our recommendation to a **HOLD**.*

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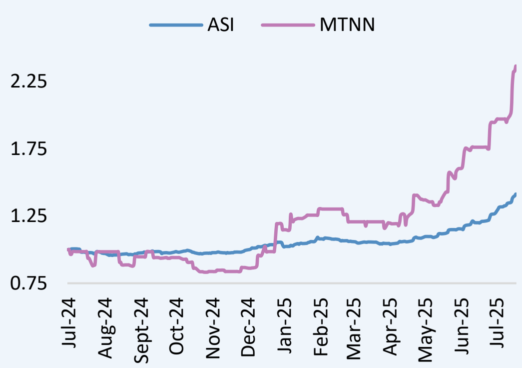
Data dominance to continue

True to our earlier prognosis, the impact of the c.50.0% increase in data tariffs on usage proved largely muted, with data usage per subscriber rising to 13.2GB per user by the end of Q2'25 compared to 12.8GB per subscriber in Q1'25. Related revenue also increased by 69.1% YoY in H1'25, with further support from the modest expansion in data subscriber base (H1'25: 11.8% YoY).

Interestingly, data now accounts for more than half of total revenue, coming in at 51.7% (vs. 47.2% in H1'24). For the rest of the year, we expect this trend to persist, supported by strong demand for mobile internet and deeper smartphone penetration. Accordingly, we maintain our 68.2% YoY growth forecast for data revenue, projecting that the segment will account for c.53.0% of FY'25 top-line. However, we now expect voice revenue to scale by 40.0% YoY vs 31.0% YoY previously, in line with the H1'25 run rate and reflecting continued resilience despite the substitution effect from Over-The-Top (OTT)[1] alternatives.

Market Data	MTNN
Market Cap (N'trillion)	10.07
Last close price (N)	480.00
1-year High/Low price	495.00/169.00
Avg. 3M daily volume (mn)	3.88

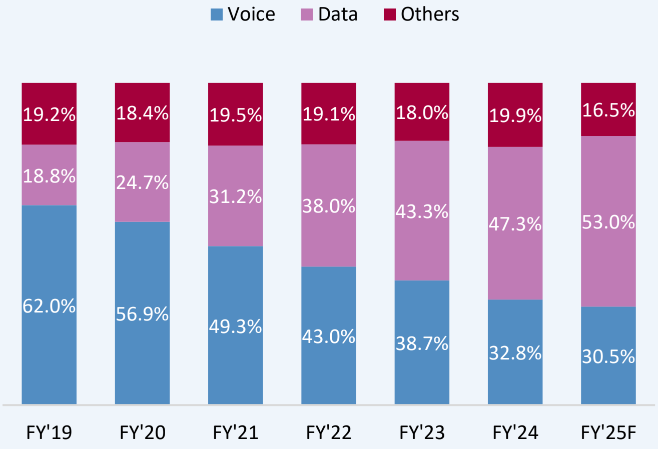
1 year price performance rebased



Source: NGX, Bloomberg, CardinalStone Research

[1] OTT refers to technology services or platforms that deliver streamed content via internet-connected devices. For example, increased usage of WhatsApp calls vs regular phone calls.

Figure 1: Data segment contribution to revenue to scale further

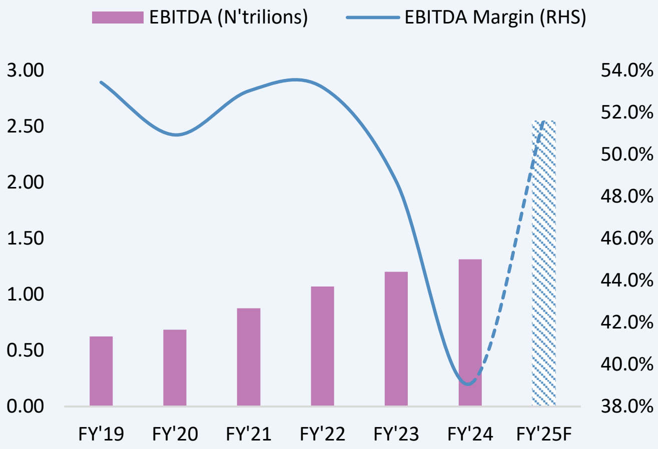


Source: Company financials, CardinalStone Research

Margin prospects are significantly better

The earnings release also revealed a significant improvement in MTNN's margin story. Specifically, H1'25 EBITDA margins came in at 50.5%, vs our FY'25 EBITDA margin forecast of 44.5%. According to management, the main driver of this outperformance was a relatively stable FX environment, as well as cost savings from revised tower lease contracts. In H2'25, we expect these trends to persist, and as a result, we moderate our cost expectations for the company. We now forecast EBITDA margin to come in at 51.7% in FY'25, with an average of 53.7% over the next five years.

Figure 2: Earnings uptick to drive EBITDA Margin uplift in FY’25

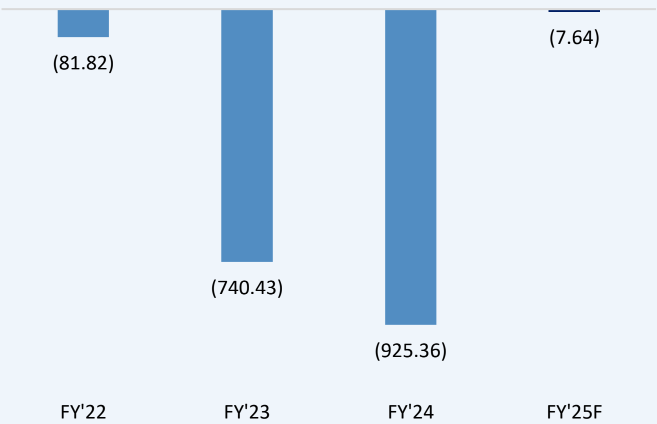


Source: Company financials, CardinalStone Research

MTNN may resume dividend payout

MTNN last paid a dividend two years ago, on the back of a negative equity position. However, the significantly improved earnings profile indicates the likelihood of a resumption of dividend payment in the current financial year. For context, equity position, which currently sits at negative N42.51 billion as of H1'25 (vs negative N458.01 billion in FY'24), is likely to turn positive by Q3'25. MTNN's track record of maintaining robust payout ratios, coupled with recent comments from MTN Group President, Ralph Mupita, regarding a potential public offer post-dividend resumption, suggests that a cash distribution is likely this year.

Figure 3: Stable FX market and deleveraging strategy to reduce FX losses (N'billion) in FY'25

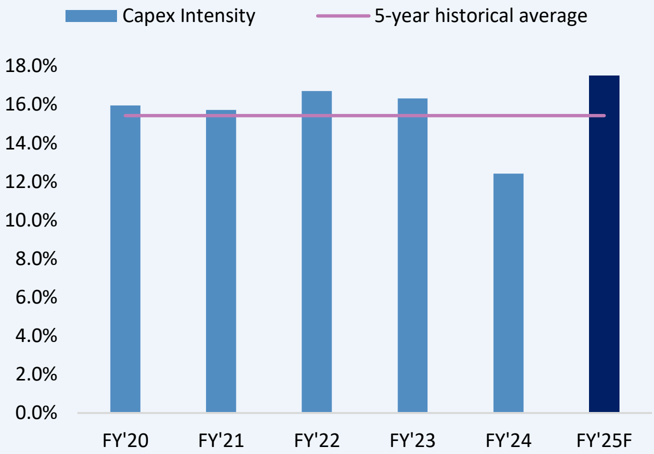


Source: Company financials, CardinalStone Research

MTNN is ramping up its CAPEX

In line with its commitments to raise CAPEX in FY'25 following the tariff adjustment, MTNN's CAPEX grew by 288.4% YoY to N565.67 billion in H1'25, with CAPEX intensity at 23.8%. For the rest of the year, we expect CAPEX intensity to come in at 17.5% in line with management's guidance of between 16.0% and 19.0%. We note that the surge in CAPEX in H1'25 was a result of the company's decision to frontload some of its capital projects. Over the next five years, we forecast MTNN's CAPEX to come in at an average of N1.34 trillion, providing a foundation for a projected revenue CAGR of 26.8%.

Figure 4: Higher CAPEX expected in FY'25



Source: Company financials, CardinalStone Research

We see latitude for material improvement in the cash position

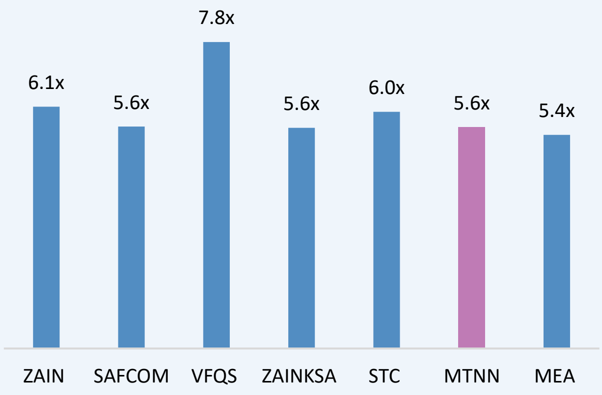
On the back of a significantly improved earnings performance, MTNN reported a 79.2% YoY increase in net operating cash flows to N955.68 billion in H1'25 (vs N533.28 billion in H1'24). This strong outturn was buoyed by a surge in EBITDA and higher cash collections despite elevated finance costs. Meanwhile, investing cash flows printed at negative N642.79 billion, primarily due to the frontloading of CAPEX. The company also repaid N192.79 billion in borrowings and N147.31 billion in lease liabilities, in line with its debt reduction strategy. Altogether, net cash flow from financing stood at negative N310.93 billion, though this was a marked improvement from the prior year (negative N684.94 billion in H1'24). Despite the CAPEX surge and debt service, the company ended the period with a N1.97 billion net increase in cash and cash equivalents to N257.60 billion, reflecting the strong underlying cash generation capacity.

We expect MTNN to sustain its robust free cash flow profile in H2'25, aided by a strong core operating performance and expected moderation in CAPEX, given the strategic frontloading in H1'25.

Valuation and recommendation

Adjustments to our model led to a new 12-month TP of N526.94, reflecting a 46.2% increase from our previous TP of N360.53. However, we are downgrading our rating to a HOLD, reflecting the limited near-term upside from current levels. This view is further supported by valuation multiples, with the ticker's estimated forward EV/ EBITDA multiple of 5.6x slightly ahead of Bloomberg's MEA peer average of 5.4x.

Figure 5: MTNN appears fairly priced from a forward EV/EBITDA standpoint



Source: Bloomberg, CardinalStone Research

Figure 6: Summary of financials

Income Statement (N'billion)	2023A	2024A	2025F	2026F
Revenue	2,468.85	3,360.83	5,049.72	6,317.41
COGS	(406.00)	(528.19)	(706.96)	(881.28)
Gross profit	**2,062.85**	**2,832.64**	**4,342.76**	**5,436.14**
Operating Expenses	(860.33)	(1,519.25)	(1,732.05)	(2,097.38)
EBITDA	**1,202.52**	**1,313.40**	**2,610.71**	**3,338.75**
D & A	(428.87)	(535.16)	(618.49)	(765.47)
EBIT	**773.65**	**778.24**	**1,992.21**	**2,573.29**
Net Interest	(951.55)	(1,328.57)	(529.14)	(418.93)
PBT	**(177.89)**	**(550.33)**	**1,463.07**	**2,154.36**
Tax	40.87	149.89	(438.92)	(646.31)
PAT	**(137.02)**	**(400.44)**	**1,024.15**	**1,508.05**
Profit attributable to equilty holders	**(133.84)**	**(399.45)**	**1,000.38**	**1,473.05**
EPS	(6.38)	(19.05)	47.71	70.26
DPS	5.60	NM	NM	35.96
Payout ratios	NM	NM	NM	51.2%
Shares outstanding (billions)	20.97	20.97	20.97	20.97

Cashflow Statement	2023A	2024A	2025F	2026F
Cash flow from operating activities	**1,004.24**	**868.90**	**1,764.10**	**2,401.32**
o/w Depreciation & amortization	428.87	535.16	618.49	765.47
o/w Changes in working capital	164.86	97.82	121.46	127.81
Cash flow from investing activities	**(783.27)**	**(238.40)**	**(1,262.43)**	**(1,531.97)**
o/w Capital expenditure	(449.33)	(443.48)	(883.70)	(1,089.75)
as % of sales	18.2%	13.2%	17.5%	17.3%
Cash flow from financing activities	**(147.26)**	**(736.84)**	**(107.83)**	**(792.16)**
o/w Dividends paid	(171.70)	-	-	(754.02)
o/w Debt issued/(repaid)	134.55	(525.33)	(178.02)	(18.21)
Net change in cash	**73.72**	**(106.34)**	**393.84**	**77.19**
Cash & cash equivalent at the beginning of the year	349.79	345.17	253.41	647.25
Effects of exchange rate on changes in cash	(78.34)	14.58	-	-
Allowance for credit losses	(0.09)	(0.03)	(0.03)	(0.03)
Cash & cash equivalent at the end of the year	**345.07**	**253.38**	**647.21**	**724.40**

Balance Sheet (N'billion)	2023A	2024A	2025F	2026F
Cash and cash equivalents	345.07	253.38	647.21	724.40
Accounts receivable	215.41	367.71	415.05	486.51
Restricted Cash	394.41	107.02	107.02	107.02
Other current assets	20.88	63.22	71.75	73.15
Current assets	**975.78**	**791.34**	**1,241.03**	**1,391.08**
PP&E	1,095.11	1,248.30	1,765.95	2,365.38
Intangible assets	447.60	408.78	381.35	364.74
Other non-current assets	670.34	1,748.57	1,902.30	2,085.98
Total assets	**3,188.83**	**4,196.99**	**5,290.62**	**6,207.18**
Short-term borrowings	689.35	336.33	274.79	268.49
Trade and other payable	699.52	1,191.42	1,368.73	1,569.40
Other short-term liabilities	504.55	460.58	469.36	466.87
Current liabilities	**1,893.42**	**1,988.32**	**2,112.87**	**2,304.76**
Long-term debt	487.82	636.59	520.11	508.19
Other long-term liabilities	848.44	2,030.09	2,091.50	2,074.07
Total liabilities	**3,229.67**	**4,655.00**	**4,724.48**	**4,887.02**
Shareholders' equity	(40.84)	(458.01)	566.14	1,320.17
Total liabilities & equity	**3,188.83**	**4,196.99**	**5,290.62**	**6,207.18**
BVPS	(1.95)	(21.84)	27.00	62.96
y/y Growth	NM	NM	NM	NM
Net debt	**1,836.51**	**3,002.96**	**2,501.30**	**2,385.97**

Ratio Analysis	2023A	2024A	2025F	2026F
Gross Margin	83.6%	84.3%	86.0%	86.1%
EBITDA Margin	48.7%	39.1%	51.7%	52.9%
EBIT Margin	31.3%	23.2%	39.5%	40.7%
Net Profit Margin	NM	NM	20.3%	23.9%
ROAE	-123.6%	NM	NM	159.9%
ROAA	-4.8%	-10.8%	21.6%	26.2%
OPEX/Sales	34.8%	45.2%	34.3%	33.2%
Debt/Equity (x)	NM	NM	5.56x	2.36x
Debt/EBITDA (x)	1.8x	2.5x	1.2x	0.9x
Sales/Assets (x)	0.8x	0.8x	1.0x	1.0x
Assets/Equity (x)	NM	NM	9.35x	4.70x
Interest cover (x)	3.3x	1.8x	3.6x	5.3x
Tax rate	NM	NM	30.0%	30.0%
Revenue YoY Growth	22.7%	36.1%	50.3%	25.1%
EBITDA YoY Growth	12.3%	9.2%	98.8%	27.9%
EPS YoY Growth	NM	NM	NM	47.2%

Valuation	2023A	2024A	2025F	2026F
EV/EBITDA (x)	6.1x	6.5x	4.8x	3.7x
Dividend Yield	1.2%	NM	NM	7.5%

Source: Company Financials; CardinalStone Research

Fiscal year ends in December. o/w - out of which

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