

MTN Nigeria Communications Plc

BUY

Data strength and cost efficiency anchor re-rating

Target Price: N669.42

Ref Price: N472.00

Following the release of MTN Nigeria Communication Plc's (MTNN) 9M'25 earnings and subsequent conversations with management, we raise our Target Price ("TP") upwards for the company. Our revision underscores MTNN's firm grip on the data market and its ability to sustain growth despite challenging conditions, with a 20.8% YoY surge in average data usage despite the c.40.0% increase in data prices. Notably, voice revenue also posted modest growth, defying the global trend of cannibalisation by data services. In light of the strong performance and a more favourable macro backdrop, we revised our valuation assumptions, lowering the risk-free rate to 16.4% (from 18.0%) in line with moderating FGN bond yields, and adjusting the equity risk premium to 13.8% (from 14.3%). These revisions support a higher 12-month target price of **N669.42** and an upgrade in our recommendation to **BUY** (previously HOLD).

Data usage to continue to defy gravity

The demand for data in Nigeria remains highly inelastic, even amid 2025's strong price increases. This enduring demand is propelled by an entrenched digital lifestyle among a young, mobile-first population and the proliferation of platforms like TikTok, YouTube, and Instagram. Further, soaring adoption of remote-work tools, fintech apps, and e-commerce platforms has made data indispensable, diminishing sensitivity to price hikes. We expect this trajectory to endure through the year and now forecast 75.0% YoY data revenue growth (vs. 68.2% prior and 73.2% in 9M'25). Our estimates indicate FY'25 data revenue could climb to N2.78 trillion, capturing 53.9% of group revenue (versus a five-year average of 36.9% and 47.3% at the year's outset), cementing its status as the largest contributor. We sustain our 40.0% projection for voice revenue growth in 2025, mirroring the 9M'25 run rate, and expect group revenue to jump 53.5% to N5.16 trillion (vs. N5.05 trillion prior). For FY'26, we adopt a more cautious data revenue growth estimate of 35.0% YoY to adjust for the elevated 2025 base. We project voice revenue to advance 8.8% in 2026, aligning with its pre-2025 five-year average.

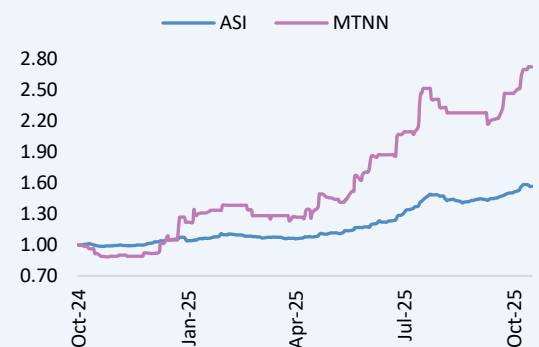
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Market Data	
Market Cap (N'trillion)	9.91
Last close price (N)	472.00
52-week high-low price (N)	520.10/ 170.00
Avg 3M daily volume (mn)	2.27

1-year price performance (rebased)



Source: Bloomberg, Cardinalstone Research

Figure 1: Revenue contributions across segments

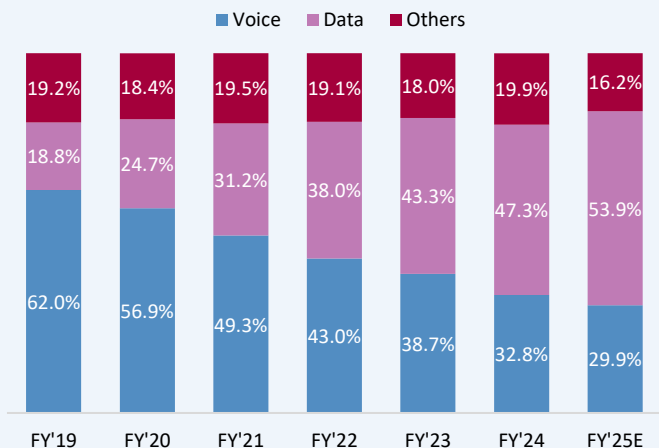
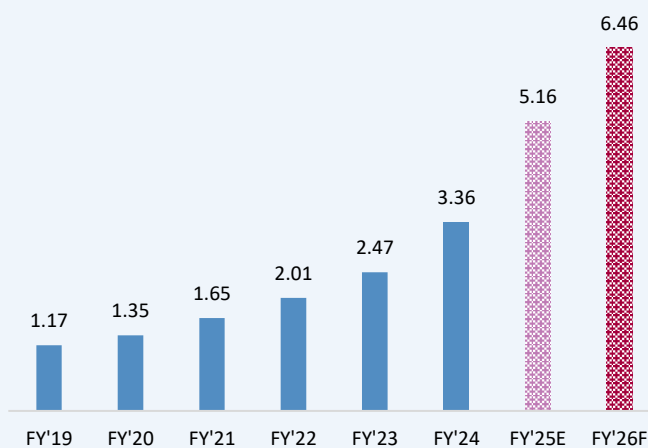


Figure 2: Revenue trend and projections (N'trillion)



Source: Company Financials, CardinalStone Research

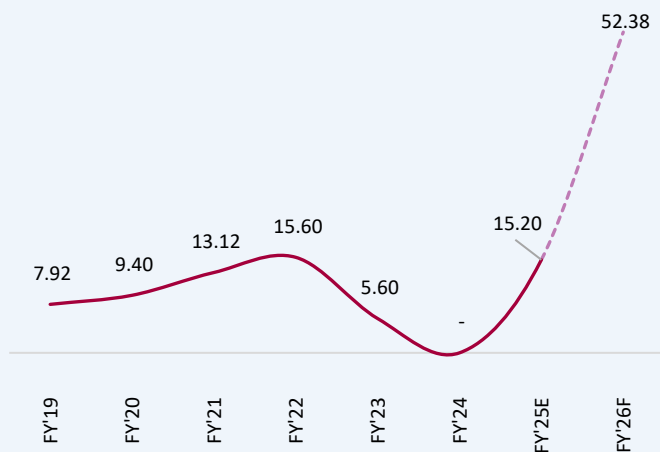
Cost efficiency to support EBITDA growth

As of 9M'25, MTNN's EBITDA margin reached 51.4% (vs. 36.3% in 9M'24 and our FY estimate of 51.7%), fueled by cost savings from renegotiated tower leases and ongoing operational streamlining. We expect this momentum to persist into year-end and thus uphold our full-year EBITDA margin forecast. For 2026, the low Q1'25 base (46.6%) paired with sustained cost-optimisation, positions margins for further expansion. Consequently, we forecast an EBITDA margin of 52.9% for FY'26. Over the next five years, we project margins to average 54.6%, anchored by continuous efficiency gains, restrained cost inflation, and stronger operating leverage from data-driven growth.

Restored balance sheet sets stage for strong dividend payouts

The N5.00 interim dividend announced for Q3'25 signals the conclusion of MTNN's balance sheet restoration after five successive quarters of positive earnings, as the company logged positive equity for the first time in seven quarters. In FY'25, we expect MTNN to declare a final dividend of N10.20, with total dividend printing at N15.20, representing 30.7% of FY'25 EPS. In FY'26, we forecast a total dividend of N52.38 per share, which translates to a dividend yield of 11.1% at the current market price, under a conservative 71.7% payout ratio. This is significantly below the MTNN's 2019–2022 average payout of 88.0%, leaving potential upside for whenever management resumes its pre-repair distribution approach. Over the next five years (excluding 2025), we project an average dividend per share of N82.85, implying an average dividend yield of 17.6%, which is a notable premium to the NGX-ASI's current yield of 3.2%.

Figure 3: Dividend (Naira) payment history and expectations

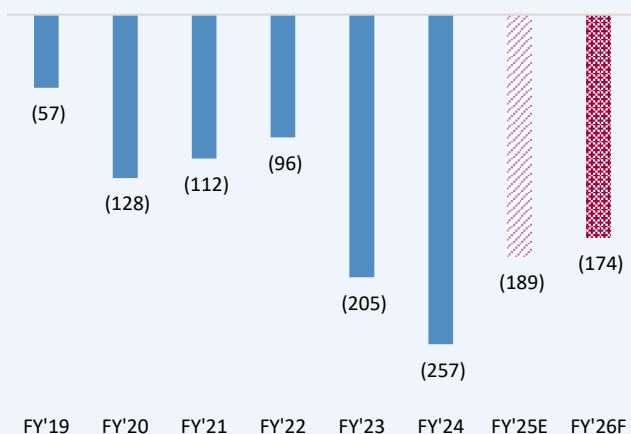


Source: Company Financials, CardinalStone Research

Supplier financing to support FCFF

Over the past five years, MTNN has adeptly harnessed strong patronage from its mostly prepaid customer base; while simultaneously extending supplier payment timelines (mainly tower firms, whose invoices usually arrive at quarter-end). This approach has enabled robust cash flow management, maintaining a negative cash conversion cycle (CCC), averaging 160 days in the period. The trend intensified in FY'24, as payable days soared to 283 after renegotiations designed to curb rising cash burn under mounting cost pressure. Although supplier financing is set to continue through 2025, we expect CCC to normalise as operations improve and base effects pass. We project a CCC of -189 days for FY'25, and over the medium term, forecast an average CCC of -154 days, in line with its historical five-year mean.

Figure 4: MTNN to continue enjoying supplier financing



Source: Company Financials, CardinalStone Research

Valuation and recommendation

We raise our 12-month target price to N669.42 per share (from N526.94), reflecting a 41.8% upside. This update results from a lower risk-free rate of 16.4% and risk premium of 13.8%, as well as a higher emphasis on FY'26 earnings in our relative valuation methodologies. Our target implies an exit P/E of 10.0x, which remains conservative versus MTNN's historical average of 17.9x and compares favorably with the peer forward multiple of 12.6x.

Figure 5: Summary of financials

Income Statement (N'billion)					Cashflow Statement				
	2024A	2025E	2026F	2027F		2024A	2025E	2026F	2027F
Revenue	3,360.83	5,157.20	6,462.51	7,803.12	Cash flow from operating activities	868.90	2,147.69	2,493.73	3,102.26
COGS	(528.19)	(722.01)	(898.94)	(1,078.39)	o/w Depreciation & amortization	535.16	638.13	797.01	965.42
Gross profit	2,832.64	4,435.19	5,563.57	6,724.73	o/w Changes in working capital	97.82	447.31	127.77	134.52
Operating Expenses	(1,519.25)	(1,768.92)	(2,145.55)	(2,532.11)	Cash flow from investing activities	(238.40)	(1,229.25)	(1,583.31)	(1,841.54)
EBITDA	1,313.40	2,666.27	3,418.02	4,192.62	o/w Capital expenditure	(443.48)	(928.30)	(1,137.40)	(1,342.14)
D & A	(535.16)	(638.13)	(797.01)	(965.42)	as % of sales	13.2%	18.0%	17.6%	17.2%
EBIT	778.24	2,028.14	2,621.01	3,227.20	Cash flow from financing activities	(736.84)	(527.26)	(1,176.87)	(1,385.02)
Net Interest	(1,328.57)	(510.65)	(379.66)	(366.75)	o/w Dividends paid	-	(318.67)	(1,098.26)	(1,401.62)
PBT	(550.33)	1,517.49	2,241.35	2,860.45	o/w Debt issued/(repaid)	(525.33)	(275.52)	(69.22)	67.96
Tax	149.89	(455.25)	(672.41)	(858.14)	Net change in cash	(106.34)	391.18	(266.46)	(124.29)
PAT	(400.44)	1,062.25	1,568.95	2,002.32	Cash & cash equivalent at the beginning of the year	345.17	253.41	644.59	378.13
Profit attributable to equity holders	(399.45)	1,037.59	1,532.53	1,955.85	Effects of exchange rate on changes in cash	14.58	-	-	-
EPS	(19.05)	49.49	73.09	93.28	Allowance for credit losses	(0.03)	(0.03)	(0.03)	(0.03)
DPS	NM	15.20	52.38	66.85	Cash & cash equivalent at the end of the year	253.38	644.56	378.09	253.80
Payout ratios	NM	30.7%	71.7%	71.7%					
Shares outstanding (billions)	20.97	20.97	20.97	20.97					
Balance Sheet (N'billion)					Ratio Analysis				
	2024A	2025E	2026F	2027F		2024A	2025E	2026F	2027F
Cash and cash equivalents	253.38	644.56	378.09	253.80	Gross Margin	84.3%	86.0%	86.1%	86.2%
Accounts receivable	367.71	423.88	497.68	514.83	EBITDA Margin	39.1%	51.7%	52.9%	53.7%
Restricted Cash	107.02	41.75	41.75	41.75	EBIT Margin	23.2%	39.3%	40.6%	41.4%
Other current assets	63.22	149.01	150.43	150.92	Net Profit Margin	NM	20.6%	24.3%	25.7%
Current assets	791.34	1,259.20	1,067.95	961.29	ROAE	NM	NM	300.7%	189.4%
PP&E	1,248.30	1,789.17	2,405.64	3,080.67	ROAA	-10.8%	22.8%	29.0%	32.9%
Intangible assets	408.78	382.24	387.87	410.33	OPEX/Sales	45.2%	34.3%	33.2%	32.5%
Other non-current assets	1,748.57	1,680.52	1,844.72	2,023.35	Debt/Equity (x)	NM	10.64x	3.92x	2.20x
Total assets	4,196.99	5,111.12	5,706.18	6,475.64	Debt/EBITDA (x)	2.5x	1.1x	0.9x	0.7x
Short-term borrowings	336.33	241.08	217.15	240.64	Sales/Assets (x)	0.8x	1.0x	1.1x	1.2x
Trade and other payable	1,191.42	1,397.86	1,600.84	1,753.00	Assets/Equity (x)	NM	17.85x	7.54x	4.77x
Other short-term liabilities	460.58	623.96	622.79	616.36	Interest cover (x)	1.8x	3.7x	5.9x	7.3x
Current liabilities	1,988.32	2,262.90	2,440.78	2,610.01	Tax rate	NM	30.0%	30.0%	30.0%
Long-term debt	636.59	456.31	411.02	455.49	Revenue YoY Growth	36.1%	53.5%	25.3%	20.7%
Other long-term liabilities	2,030.09	2,105.52	2,097.30	2,052.37	EBITDA YoY Growth	9.2%	103.0%	28.2%	22.7%
Total liabilities	4,655.00	4,824.73	4,949.10	5,117.87	EPS YoY Growth	NM	NM	47.7%	27.6%
Shareholders' equity	(458.01)	286.39	757.08	1,357.77					
Total liabilities & equity	4,196.99	5,111.12	5,706.18	6,475.64					
BVPS	(21.84)	13.66	36.11	64.76	Valuation				
y/y Growth	NM	NM	164.3%	79.3%		2024A	2025E	2026F	2027F
Net debt	3,002.96	2,402.37	2,590.22	2,731.12	EV/EBITDA (x)	6.5x	4.6x	3.7x	3.0x
					Dividend Yield	NM	3.2%	11.1%	14.2%

Source: Company financials, CardinalStone Research

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% of total recommendations	56%	19%	26%	0%
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Company	Disclosure
MTN Nigeria Communications PLC	A

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