

MTN Nigeria Communications Plc

BUY

Structural data demand drives growth

Target Price: N933.33

Ref Price: N790.00

MTN Nigeria Communications Plc (MTNN) successfully turned the corner in FY'25, reversing its negative equity and retained earnings positions and declaring a final dividend of N15.00/share (total: N20.00/share) in relation to the N1.1 trillion PAT in FY'25. We have an even more sanguine view on the company's earnings prospects in the current financial year, with our FY'26 PAT forecast set at N1.7 trillion (c.52.7% YoY and ahead of the prior forecast of N1.6 trillion). We also have a five-year earnings CAGR of 40.9% compared to 40.2% in the last half-decade. Our improved forecasts are hinged on robust topline growth projections (30.4% YoY and 5-year CAGR of 27.6%) and a better cost profile (FY'26 EBITDA margin: 55.3% vs 52.7% in FY'25).

Our revenue projection is supported by the acceleration in total industry data usage to an all-time high of 1.39 million terabytes as of FY'25 (vs 973,455.35 terabytes in 2024) despite the price hike in 2025. MTNN also noted that its average data usage per subscriber reached an all-time high of 13.1 gigabytes per subscriber per month in FY'25 to corroborate our view on a strong and relatively resilient demand in the data segment. The momentum is supported by increasing use cases, growing smart home penetration, and continuous growth in the youth population. These factors should drive data revenue 47.2% higher with a 5-year CAGR of 37.1% that will see the segment account for 76.3% of total revenue by 2030 (vs 53.4% in FY'25). Voice revenue also continues to defy gravity (we have a conservative 9.6% CAGR over our forecast horizon vs 16.5% in the previous five years), following sustained investments in network capacity.

The revenue momentum should combine with cost benefits from the renegotiation of tower lease agreements that placed caps on both the Naira and dollar expense components and indexed them to discounted inflation rates¹. The impact of these gains on valuation should also be supported by positive changes to macro and market-related metrics, such as equity risk premium (from 13.8% to 12.6%). We now have a 12-month Target Price ("TP") of N933.33 per share for the company and an unchanged **BUY** recommendation on the counter.

Samuel Gbadebo
samuel.gbadebo@cardinalstone.com

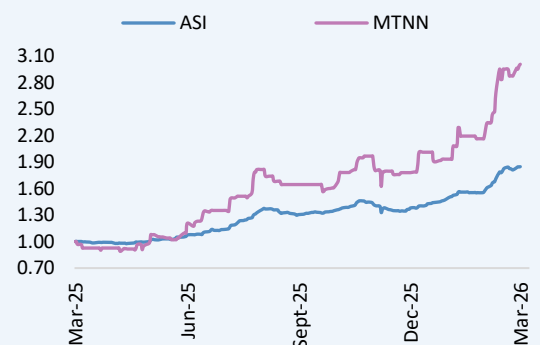
Kayode Eseyin
kayode.eseyin@cardinalstone.com

Philip Anegebe, CFA
philip.anegebe@cardinalstone.com

Market Data

Market Cap (N'trillion)	16.6
Last close price (N)	790.00
52-week high-low price (N)	819.00/ 222.10
Avg 3M daily volume (mn)	3.05

1-year price performance (rebased)



Source: Bloomberg, Cardinalstone Research

¹We now have a five-year average EBITDA margin forecast of 58.4% (versus 53.7% in our previous update) in line with the reviewed management's new guidance.

Data usage to reach new heights in 2026

In FY'25, MTNN reported a 20.0% growth in its average data usage per subscriber and an 11.6% growth in data subscribers to 53.2 million, despite the strong price action that occurred in the period. According to management, this growth reflected the effectiveness of its accelerated network investments and commitment to delivering superior quality of service and user experience. To our minds, these factors were enhanced by an entrenched digital lifestyle among a young, mobile-first population as well as soaring adoption of remote-work tools, fintech apps, and e-commerce platforms, which have made data indispensable.

In FY'26, we expect this trend to continue, given the company's improved 4G population coverage of 84.6% (vs 82.5% at the start of last year) and a moderating inflation easing pressure on consumer wallets. Consequently, we forecast average data usage to grow by 25.0% to 16.8 GB/subscribers, with data revenue expected to rise by 47.2% YoY.

Figure 1: 4G network population coverage drives data revenue

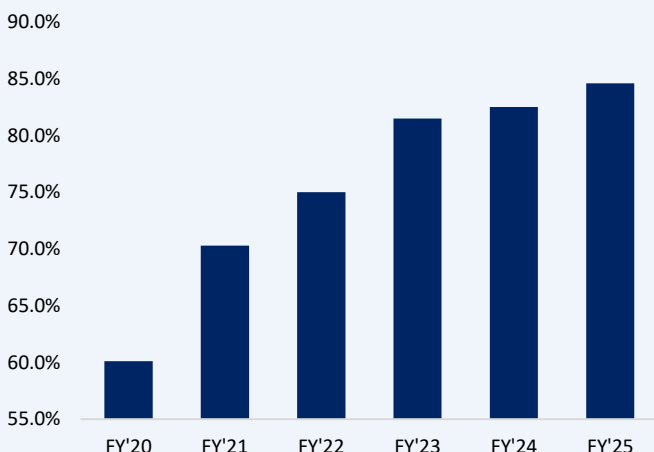
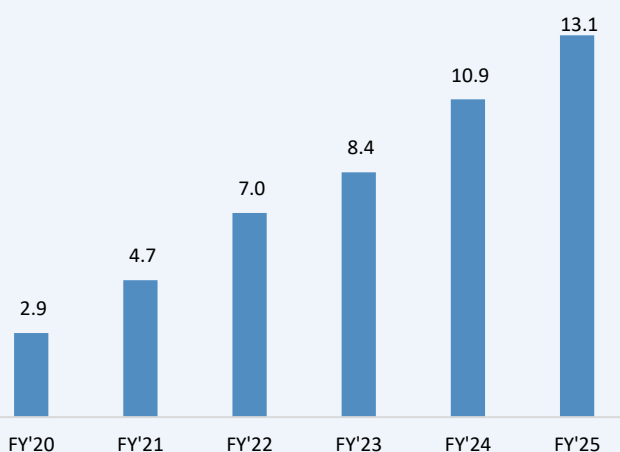


Figure 2: Data usage metric (GB) continues to improve



Source: Company Financials, CardinalStone Research

We see legroom for strong, long-term data growth

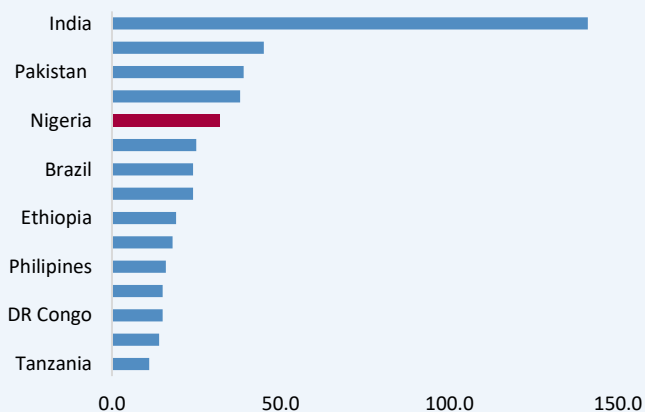
Over the medium term, we remain constructive on data revenue prospects in Nigeria. To this point, we note that smartphone penetration has increased meaningfully from 45.9% in 2020 to 66.1% in 2025, despite notable macroeconomic headwinds between 2023 and 2024. This growth has been accompanied by a significant expansion in mobile internet adoption, with the number of mobile internet subscribers increasing by 8.7 million between 2024 and 2025, according to the NCC.

Over the next five years, we expect a sustained increase in mobile internet subscribers. Our optimism is hinged on the increasing appeal of the internet to a rapidly growing youthful population, sustained investment in network infrastructure, as well as a significantly improved macroeconomic outlook. To this point, GSMA is projecting an additional 32.0 million mobile internet subscribers in Nigeria by 2030 (the fifth largest increase globally).

MTNN, as the largest mobile network operator by population coverage, is well positioned to capture a meaningful share of this incremental demand, and as a result, we forecast a five-year data revenue CAGR of 37.1%.

The voice segment is also likely to continue its growth momentum into 2026, driven by the sustenance of its ongoing Customer Value Management (CVM) initiatives and the improving macroeconomic environment. We forecast a 10.0% YoY growth in voice revenue to N1.8 trillion for FY'26.

Figure 3: Projected rise in mobile internet subscribers (millions) (2025 to 2030)

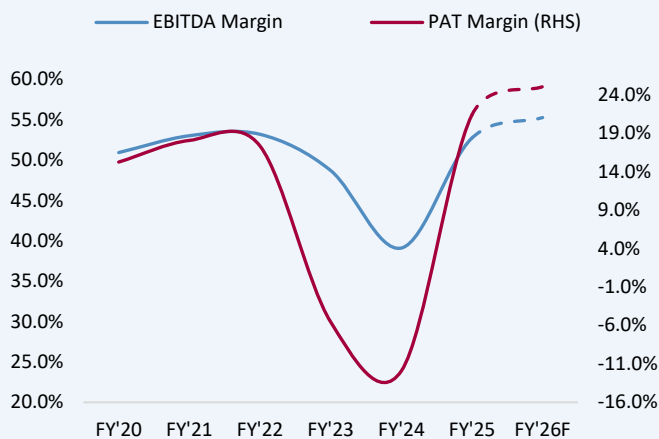


Source: NCC, Company Financials, CardinalStone Research

EBITDA margin to touch a new high in FY'26

MTNN's Q4'25 and FY'25 EBITDA margins of 56.1% and 52.7% represent significant improvements from the average of 43.9% between FY'23 and FY'24. To our minds, this improvement reflects cost savings from renegotiated tower leases and ongoing operational streamlining, alongside the knock-on effect of tariff adjustments. In FY'26, we expect margins to improve further due to a relative Naira resilience that should ease pressure on FCY-denominated OPEX (35.0% to 37.0% of total OPEX). Precisely, the YtD average official closing exchange rate of N1,387.12 is materially lower than the mean of N1,520.11 in 2025 (an implied appreciation of 9.6%). Nigeria's gross external reserves of c.\$49.9 billion (which is critical for FX market stability) and moderating inflationary pressures also support our position on tamer cost growth. Consequently, we forecast an EBITDA margin of 55.3% for FY'26 and an average of 58.4% over the next five years. We note that our FY'26 projection is consistent with management's guidance of at least 55.0% over the medium term.

Figure 4: Outlook for margins remain biased to the upside



Source: Company Financials, CardinalStone Research

The IHS acquisition is potentially advantageous

MTN Group South Africa announced a \$6.2 billion transaction to acquire full ownership (100.0%) of IHS Towers in February 2026, buying out the remaining c.75.0% stake it did not already own. The deal aims to strengthen MTN's control over critical African infrastructure, particularly in Nigeria, with over 15,000 towers deployed according to a Fitch report. The implications for MTN Nigeria are potentially positive, as tower leases represent a significant cost line for MTNN. IHS Towers (a major supplier) becoming a sister company could enhance cost optimisation and reduce adversarial lease renegotiations. The relationship also allows MTNN to have greater influence over network deployment priorities, capacity upgrades, and future expansion plans, leading to improved service quality and rollout speed in high-demand areas, reinforcing its competitive positioning in the Nigerian market.

That said, we note that IHS remains a shared infrastructure provider serving multiple operators. Regulatory oversight and commercial agreements are likely to preserve non-discriminatory access, limiting the extent to which competitors could be disadvantaged.

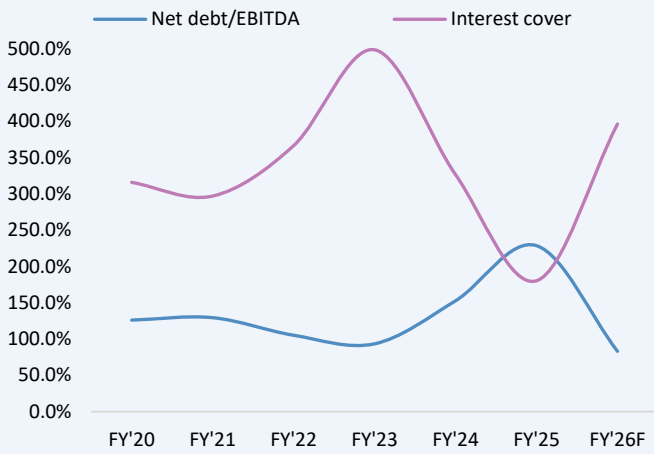
Balance sheet optimisation

MTNN's current balance sheet reflects a more disciplined leverage position following a significantly improved earnings profile and management's deleveraging strategy. For context, borrowings declined to N527.7 billion in FY'25 from N1.2 trillion in FY'23. This improvement was also reflected in its net debt-to-EBITDA ratio, which printed at negative 0.1x in FY'25, comfortably within covenant limits (max 2.5x).

The quality of MTNN's borrowing profile has also improved. Short-term borrowings have been progressively reduced (from 58.6% of the total amount in FY'23 to just 20.5% in FY'25), indicating an improved maturity profile and lower near-term refinancing risk. Meanwhile, FX exposure also moderated, with FCY borrowings reduced to 29.0% from 44.0% in FY'23. In FY'26, we expect this de-risked capital structure and significantly lower currency and refinancing risk to support earnings, with net finance cost likely to decline by 16.0% YoY to N398.1 billion.

Interest coverage is also likely to come in at 6.1x,* versus the prior five-year mean of 3.5x, reflecting a stronger capital structure.

Figure 5: Deleveraging efforts to persist in FY'26



Source: Company Financials, CardinalStone Research

Improved earnings profile sets stage for strong dividend payout

In FY'26, we forecast an EPS of N80.84 per share driven by a robust revenue growth (+30.4%), stronger margins, and a lower finance cost. This higher EPS inspired our dividend per share expectation of N60.78, which translates to a dividend yield of 7.7% at the current market price. We arrived at this DPS using a dividend payout ratio of 75.2%, which is conservatively below MTNN's 2020–2022 average payout of 79.1%, leaving potential for a positive surprise on this front. Over the next five years, we project an average dividend per share of N132.14, implying an average dividend yield of 16.7%.

Valuation

Adjustments to our model resulted in a new 12-month TP of N933.33, reflecting an 18.1% potential upside from its current reference price and a BUY recommendation. Our TP implies a conservative exit P/E of 11.6x compared to MTNN's last 5-year median P/E of 14.1x.

* Computed using (EBIT/Total finance cost)

Figure 6: Summary of financials

Income Statement (N'billion)					Cashflow Statement				
	2024A	2025A	2026E	2027F		2024A	2025A	2026E	2027F
Revenue	3,358.46	5,202.96	6,784.08	8,809.83	Cash flow from operating activities	868.90	2,211.92	2,766.97	3,784.79
COGS	(528.19)	(688.27)	(893.75)	(1,156.22)	o/w Depreciation & amortization	535.16	664.25	923.49	1,108.72
Gross profit	2,830.27	4,514.69	5,890.33	7,653.61	o/w Changes in working capital	97.82	73.42	144.02	224.11
Other income	2.37	1.67	-	-	Cash flow from investing activities	(238.40)	(1,140.04)	(1,863.99)	(2,077.01)
Operating Expenses	(1,519.25)	(1,772.60)	(2,140.92)	(2,648.06)	o/w Capital expenditure	(443.48)	(654.04)	(1,051.53)	(1,145.28)
EBITDA	1,313.40	2,743.77	3,749.41	5,005.55	as % of sales	13.2%	12.6%	15.5%	13.0%
D & A	(535.16)	(664.25)	(923.49)	(1,108.72)	Cash flow from financing activities	(736.84)	(684.47)	(1,196.31)	(1,727.92)
EBIT	778.24	2,079.51	2,825.92	3,896.83	o/w Dividends paid	-	(104.98)	(1,274.59)	(1,838.97)
Net Interest	(403.21)	(473.75)	(398.12)	(394.03)	o/w Debt issued/(repaid)	(525.33)	(415.73)	(17.53)	21.18
FX (loss)/gain	(925.36)	90.27	-	-	Net change in cash	(106.34)	387.42	(293.34)	(20.14)
PBT	(550.33)	1,696.03	2,427.80	3,502.79	Cash & cash equivalent at the beginning of the year	345.17	253.41	632.70	339.36
Tax	149.89	(583.18)	(728.34)	(1,050.84)	Effects of exchange rate on changes in cash	14.58	(8.13)	-	-
PAT	(400.44)	1,112.85	1,699.46	2,451.96	Allowance for credit losses	(0.03)	(0.19)	(0.19)	(0.19)
					Cash & cash equivalent at the end of the year	253.38	632.50	339.16	319.02
Profit attributable to equity holders	(399.45)	1,112.85	1,695.27	2,445.91	Ratio Analysis	2024A	2025A	2026E	2027F
EPS	(19.05)	53.07	80.84	116.64	Gross Margin	84.3%	86.8%	86.8%	86.9%
DPS	NM	20.00	60.78	87.70	EBITDA Margin	39.1%	52.7%	55.3%	56.8%
Payout ratios	NM	37.7%	75.2%	75.2%	EBIT Margin	23.2%	40.0%	41.7%	44.2%
Shares outstanding (billions)	20.97	20.97	20.97	20.97	Net Profit Margin	NM	21.4%	25.1%	27.8%
					ROAE	NM	NM	223.3%	191.5%
					ROAA	-10.8%	23.2%	29.3%	36.7%
					OPEX/Sales	45.2%	34.1%	31.6%	30.1%
					Debt/Equity (x)	NM	5.31x	3.07x	1.96x
					Debt/EBITDA (x)	2.5x	1.1x	0.8x	0.6x
					Sales/Assets (x)	0.8x	1.0x	1.1x	1.2x
					Assets/Equity (x)	NM	9.85x	6.35x	4.53x
					Interest cover (x)	1.8x	4.0x	6.1x	8.1x
					Tax rate	NM	34.4%	30.0%	30.0%
					Revenue YoY Growth	36.0%	54.9%	30.4%	29.9%
					EBITDA YoY Growth	9.2%	108.9%	36.7%	33.5%
					EPS YoY Growth	NM	NM	52.3%	44.3%
					Valuation	2024A	2025A	2026E	2027F
					EV/EBITDA (x)	6.5x	5.8x	5.1x	3.9x
					Dividend Yield	NM	3.9%	7.7%	11.1%

Balance Sheet (N'billion)				
	2024A	2025A	2026E	2027F
Cash and cash equivalents	253.38	632.50	339.16	319.02
Accounts receivable	367.71	397.03	522.44	581.25
Restricted Cash	107.02	37.71	37.71	37.71
Other current assets	63.22	186.85	191.36	196.36
Current assets	791.34	1,254.09	1,090.67	1,134.33
PP&E	1,248.30	1,853.52	2,387.96	2,904.32
Intangible assets	408.78	421.41	451.10	488.26
Other non-current assets	1,748.57	1,874.47	2,250.85	2,665.62
Total assets	4,196.99	5,403.49	6,180.58	7,192.52
Short-term borrowings	336.33	108.10	104.51	108.84
Trade and other payable	1,190.25	1,317.66	1,591.60	1,879.51
Other short-term liabilities	461.75	822.66	864.01	875.25
Current liabilities	1,988.32	2,248.42	2,560.12	2,863.61
Long-term debt	636.59	419.57	405.63	422.47
Other long-term liabilities	2,030.09	2,186.79	2,241.25	2,319.88
Total liabilities	4,655.00	4,854.78	5,207.00	5,605.96
Shareholders' equity	(458.01)	548.71	973.58	1,586.57
Total liabilities & equity	4,196.99	5,403.49	6,180.58	7,192.52
BVPS	(21.84)	26.17	46.43	75.66
y/y Growth	NM	NM	77.4%	63.0%
Net debt	3,002.96	2,281.40	2,653.02	2,784.20

Source: Company financials, CardinalStone Research

Disclosure

Analyst Certification

The research analyst(s) denoted by an “*” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analysts denoted by an “*” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst(s) cover in this research) that: (1) all of the views expressed in this report accurately articulate the research analyst(s) independent views/opinions, based on public information regarding the companies, securities, industries or markets discussed in this report. (2) The research analyst(s) compensation or remuneration is in no way connected (either directly or indirectly) to the specific recommendations, estimates or opinions expressed in this report.

Analysts’ Compensation: The research analyst(s) responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Investment Banking and Asset Management.

Investment Ratings

CardinalStone employs a 3-step rating system for equities under coverage: Buy, Hold, and Sell.

Buy \geq +15.00% expected share price performance

Hold +0.00% to +14.99% expected share price performance

Sell $<$ 0.00% expected share price performance with weak fundamentals

A BUY rating is given to equities with strong fundamentals, which have the potential to rise by at least +15.00% between the current price and the analyst’s target price

An HOLD rating is given to equities with good fundamentals, which have upside potential within a range of +0.00% and +14.99%,

A SELL rating is given to equities that are highly overvalued or have weak fundamentals, where potential returns of less than 0.00% are expected between the current prices and the analyst’s target prices.

A NEGATIVE WATCH is given to equities whose fundamentals may deteriorate significantly over the next six (6) months, in our view.

A POSITIVE WATCH is given to equities whose fundamentals may improve significantly over the next six (6) months, in our view

Rating	Buy	Sell	Hold	Negative Watch
% of total recommendations	72%	11%	17%	0%
% with investment banking relationships	0%	0%	0%	0%

CardinalStone Research distribution of ratings/Investment banking relationships as of March 10, 2026

Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any security recommended herein. You can contact the analyst named on the front of this note for further details.

Frequency of Next Update: An update of our view on the company (ies) would be provided when next there are substantial developments/financial news on the company.

Conflict of Interest: It is the policy of CardinalStone Partners Limited and its subsidiaries and affiliates (individually and collectively referred to as “CardinalStone”) that research analysts may not be involved in activities that suggest that they are representing the interests of Cardinal Stone in a way likely to appear to be inconsistent with providing independent investment research. In addition, research analysts’ reporting lines are structured to avoid any conflict of interests. For example, research analysts are not subject to the supervision or control of anyone in CardinalStone’s Investment Banking or Sales and Trading departments. However, such sales and trading departments may trade, as principal, based on the research analyst’s published research. Therefore, the proprietary interests of those Sales and Trading departments may conflict with your interests.

Company Disclosure:

CardinalStone may have financial or beneficial interest in securities or related investments discussed in this report, which could, unintentionally, affect the objectivity of this report. Material interests, which CardinalStone has with companies or in securities discussed in this report, are disclosed hereunder:

Company	Disclosure
MTN NIGERIA COMMUNICATIONS PLC	A, G, P

- a. The analyst(s) holds personal positions (directly or indirectly) in a class of the common equity securities of the Company.
- b. The analyst(s) responsible for this report, is a board member, officer, or director of the Company.
- c. The analyst(s) or their associates have any family or close personal relationships with employees, directors, or key stakeholders of the Company.
- d. The analyst(s) has received gifts or benefits from the Company exceeding thresholds during the past 12 months.
- e. The analyst(s) have materially relied on unaudited or third-party data provided directly by the Company in preparing this report.
- f. CardinalStone is a market maker in the publicly traded equities of the Company
- g. CardinalStone has been lead issuing house/arranger or joint issuing house/arranger over the past 12 months of any publicly disclosed offer of securities of the Company
- h. CardinalStone beneficially owns 1% or more of the equity securities of the Company.
- i. CardinalStone or a member of its management team (including officers, directors, or senior executives) beneficially owns 1% or more of the equity securities of the Company.
- j. The Company owns more than 5% of the issued share capital of CardinalStone
- k. CardinalStone or its affiliates have securities or derivatives thereof included in proprietary trading positions related to the Company.
- l. CardinalStone holds a major interest in the debt of the Company
- m. CardinalStone has received compensation for investment banking activities from the Company within the last 12 months
- n. CardinalStone intends to seek or anticipates receiving compensation for investment banking services from the Company in the next 3 months
- o. CardinalStone has received non-investment banking compensation (e.g., advisory) from the company within the last 12 months.
- p. CardinalStone has received, or expects to receive, compensation from the Company for advisory or other services related to the Company's market activities in the next 12 months.
- q. Shareholder and/or bond register(s) managed by CardinalStone Registrars Limited
- r. The Company is a client of CardinalStone
- s. CardinalStone or its affiliates, are subject to supervision, inspection, or enforcement by the Company in the ordinary course of business.
- t. A member of management team (including board members, officers, or directors) is associated with the Company as a board member, officer, or director.
- u. CardinalStone or a senior management staff member is involved in ongoing regulatory matters, investigations, or reviews involving the Company

v. The content of this research report has been communicated with the Company, following which senior management or relevant executives at the company approved the report. However, no influence was exerted by the management team on the content or recommendations.

Important Regional Disclosures

The analyst(s) involved in the preparation of this report may not have visited the material operations of the subject Company (ies) within the past 12 months. To the extent this is a report authored in whole or in part by a Non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any Non-U.S. analyst contributors: The Non-U.S. research analysts (denoted by an * in the report) are not registered/qualified as research analysts with FINRA; and therefore, may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. Each analyst (denoted by an *) is a Non-U.S. Analyst and is currently employed by Cardinal Stone.

Legal Entities

Legal entity disclosures: CardinalStone Partners is authorised and regulated by the Securities and Exchange Commission (SEC) to conduct investment business in Nigeria.