

Parthian Securities Limited (PSL) - Research

FY 2021 Earnings Update: MTN Nigeria

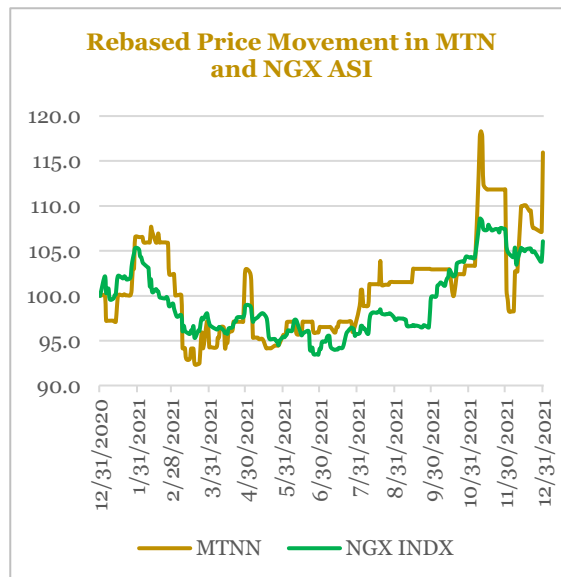
07 February 2022

Impressive Performance on the Back of Growth in SMS, Data and Value-Added Services

Things We Like About The Result

1. Total Revenue grew YoY by 22.87% driven by significant increases in revenues from SMS, Data and Value-Added Services which include Airtime Lending and Mobile Money.
2. Increase in Profit lines YoY as Operating Profit, PBT and PAT increased YoY by 37.07%, 46.16% and 45.53% respectively while Profitability Margins also improved YoY.
3. Total Dividend Per Share declared for FY 2021 is 39.57% greater than Total DPS declared for FY 2020 even though Dividend Payout declined by 4.10%.
4. Trade Payables increased by 46.03% YoY which indicates the company's continued good use of the contract terms with its vendors.
5. Increase in the Net Cash generated from Operating activities by 18.01% YoY driven by the company's good working capital management.
6. Significant increase in Capital Expenditures during the year which evidences that the company is positioning itself for future growth and business expansion.

TICKER	MTNN
Price (₦) at 04 Feb 2022	200.00
Shares Outstanding	20,354,513,050
Entry Price (₦)	198.00
Exit Price (₦)	230.00
Expected Return (%)	16.16
Rating	Buy



Source: Bloomberg, Parthian Securities Research

Things We Did Not Like About The Result

1. Increase in Total Operating Costs by 16.28% YoY driven by increases in costs relating to Value Added Services, Direct Network Operations and Marketing.
2. Decline in Net Finance Costs by 15.82% YoY driven by increases in Borrowing during the year and low interest rates on Investments.
3. Trade Receivables increased by 150.62% YoY.
4. Decline in Cash Balance by 5.20% YoY as the company spent cash than it generated.

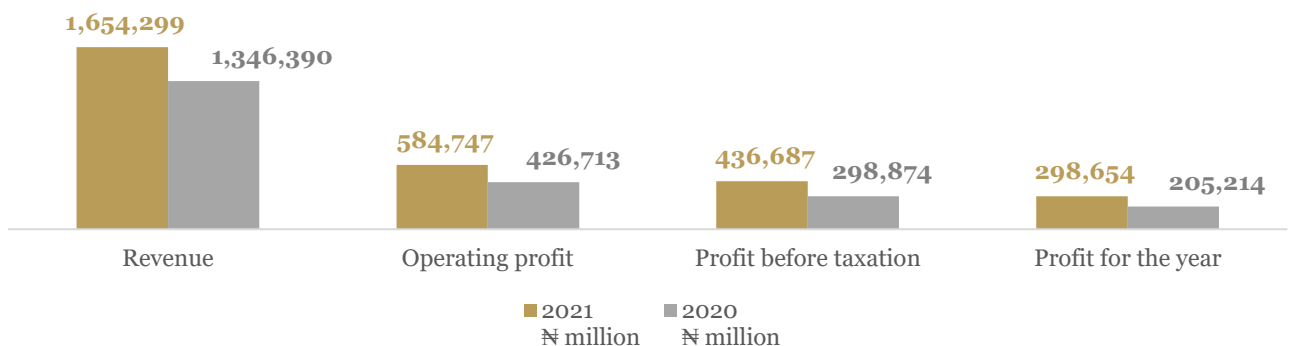
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Kindly click [here](#) for the full financial statement.

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INCOME STATEMENT	FY-2021	FY-2020	Change (%)
Revenue	1,654,299	1,346,390	22.87%
Direct network operating costs	(390,471)	(310,248)	25.86%
Interconnect costs	(127,570)	(112,470)	13.43%
Roaming costs	(4,144)	(2,956)	40.19%
Transmission costs	(8,651)	(6,106)	41.68%
Discount and commissions	(78,199)	(68,528)	14.11%
Advertisements, sponsorships and sales promotions	(21,453)	(15,144)	41.66%
Employee costs	(48,381)	(45,325)	6.74%
Depreciation of property and equipment	(162,544)	(150,203)	8.22%
Other operating expenses	(74,731)	(66,591)	12.22%
Operating profit	584,747	426,713	37.04%
Finance income	11,938	15,848	-24.67%
Finance costs	(159,998)	(143,687)	11.35%
Profit before taxation	436,687	298,874	46.11%
Taxation	(138,033)	(93,660)	47.38%
Profit for the year	298,654	205,214	45.53%
BALANCE SHEET	FY-2021	FY-2020	Change (%)
Property and equipment	774,113	686,157	12.82%
Prepayments	12,340	13,906	-11.26%
Inventories	5,310	2,158	146.06%
Trade and other receivables	127,232	50,766	150.62%
Total assets	2,259,555	1,963,543	15.08%
Lease liabilities	628,325	586,992	7.04%
Trade and other payables	443,895	303,977	46.03%
Total liabilities	1,994,574	1,785,157	11.73%
Total equity and liabilities	2,259,555	1,963,543	15.08%
CASH FLOW STATEMENT	FY-2021	FY-2020	Change (%)
Net cash generated from operating activities	561,362	475,675	18.01%
Net cash flows used in investing activities	(428,158)	(392,110)	9.19%
Net cash flows (used in)/ generated from financing	(142,263)	75,258	-289.03%
Cash and cash equivalents at the end of the year	261,494	275,825	-5.20%

Key Financial Data



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