



MTN UGANDA IPO (Facts behind the Figures)



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Noticeable Features.



MTN Uganda Limited was incorporated as a private company limited by shares on 25 February 1998. MTN converted to a public company limited with the conversion process being formally completed on 17 December 2003.

MTN is a leading mobile operator in Uganda. According to the ***UCC Market Report Q2 2021***, the number of telephone subscriptions in Uganda stood at 28,986,019 as of 30 June 2021. The Company's reporting data

- 14.93 million are MTN customers,
- 4.6 million of which are 30-day active data subscribers.
- 8.5 million mobile money subscribers
- 2,000 home/building fiber customers
- 200 MTN Service Stores
- 14 Main distributors (e.g. Simba Telecom)
- 134 Offices across 134 districts

PRODUCTS & SERVICES

- Voice
- Data
- Digital Services
- Mobile Money
- Sale of Handsets
- MTN Enterprise to Businesses & Govt.

MTN Mobile Money Uganda Limited

To comply with the National Payments Systems Act enacted into law on 4 September 2020, the Company had to set up a subsidiary legal entity to issue electronic money within 6 months of the commencement of the law; and to obtain a License from the Central Bank for the Mobile Financial Services Business (MFS). The Company has incorporated a 100% owned subsidiary, MTN Mobile Money Uganda Limited, to which it will transfer its mobile financial services business, and related assets and liabilities by the end of 2021. The Company will prepare Group financial statements, consolidating the financial statements of the company with those of MTN Mobile Money Uganda Limited for the year ending 31 December 2021, and thereafter.

LICENSE RENEWAL

The 2nd License was renewed 1 July 2020 and it will run for 12 years and will expire in 2032, Up for renew at the pleasure of UCC. There is no renewal clause

Growth and strategy.



MTN STRATEGY

1. Becoming a fully Centered digital platform. (A.I, Internet of things, Fintech)
2. Implementing their Ambition 2025 agenda with the objective of building the largest digital platform business in Uganda whilst supporting the country development agenda.

FINANCIAL TECHNOLOGY IN AFRICA

Expected to drive growth in Africa with mobile money at the vanguard of this new 4th industrial revolution. Key drivers

- Stimulate new customers behaviour to more online and mobile payments.
- Broad the MTN mobile money platform to help , Banks. Micro finance institutions, SACCOs, investment clubs and agents.
- Further digitize the merchant ecosystem.

Mobile Money Usage in Uganda

Mobile money is the best solution to taking advantage of the lack of financial inclusion Mobile accounts stood at 31.3m. (3 MOMO accounts for every 4 Ugandans) Active users stands at 20m users .

MTN continues to be better placed than traditional banks to tap into the loans and saving market, with MTN being the first in 2016 with MoKash MOMO accounts for 25% of revenue in FY2020 and FY2019.

Medium Goals

- Advance their network automation.
- Prepare the country for 5G and digitalization internet of things.



Drivers of Growth in the Mid to Long Term

- Young population that is growing and consuming more data, voice and need for mobile money and settlement of things.
- Growing digital foot print among the youth.
- Growing and robust economy to support consumer confidence.
- Growth of fintech ecosystem and MTN as the backbone platform.

Risks worth noting.



COMPANY RISK

1. Revenue growth pace in the voice sells are slowing down, but continues to grow in absolute terms by 4% growth YoY. While the trend declines faster in developed countries, the adoption rate still continues in developing countries. Voice accounts for 50% of overall MTN revenue sales.
2. The continued capex deployment, YoY being supported by the returns of demand from data and voice is crucial, especially keeping ROCE in an upward trajectory.
3. The risk of providing products that are technologically current and relevant to the community. Having the product priced right to attract growing traffic, but keeping the bottom line green.
4. The ever increasing pace in technology that renders one service in the future mute and could prove to be a challenge in keeping the company relevant as new nibble entrants with superior products penetrate.
5. Dependency of 3rd party suppliers, is exposure from their reliability to provide a reliable service for MTN to best do her part. (ATC, ZTE, Ericsson)
6. Computer failure outages on their systems and cyber attacks.
7. Changes in the Laws in Uganda and the industry that may affect the efficiency and ability for MTN to run in the country.

Market or Listing Risk

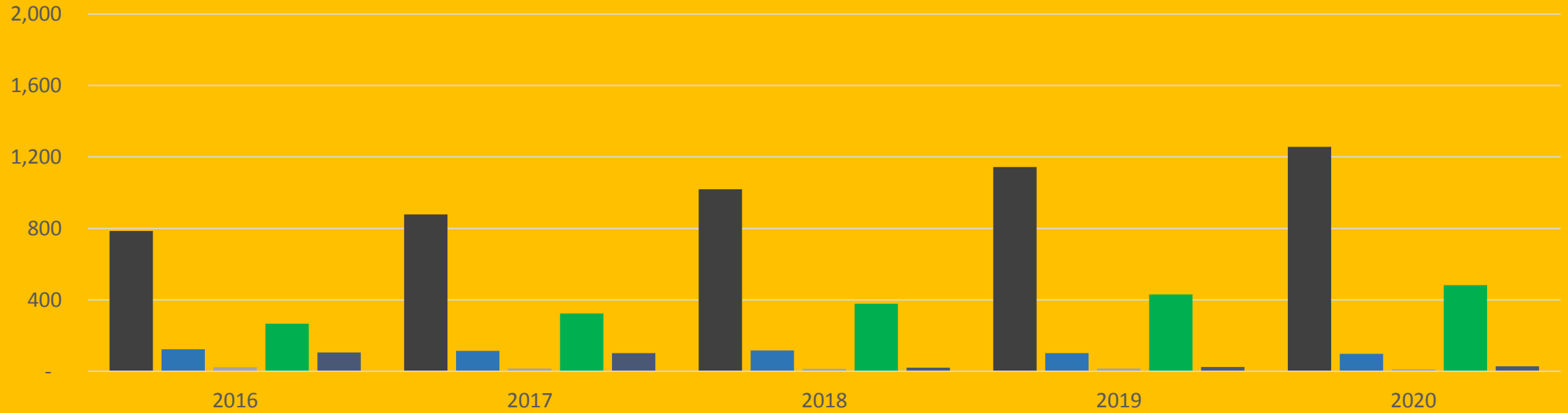
1. Market volatility and price fluctuations.
2. Market illiquidity.
3. Reliable pay out of dividend.
4. Exchange risk for foreign investors.
5. Allocation in the event of an oversubscription may come with a refund being made to investors asked to pay cash upfront.



Revenues from Contracts with Customers.



UGX "Trillions"



Network Services

Interconnection & Roaming

Mobile phone sales

Data & Mobile Money

Other Revenue



Voice continues to contribute significantly to the revenues of MTN rising to the UGX 1.2trn mark whilst data & Mobile money rose to the UGX 482bn up from UGX 430bn

Power and Dividends.



In the Beginning.....

	Shares	Price UGX	Value	Value USD
Authorized	28,000,000,000	1	28,000,000,000	8,000,000
Issued & Paid	22,389,044,239	1	22,389,044,239	6,396,870
Unissued	5,610,955,761			

	Shares	Price UGX	Value	Value USD	%
MTN International	21,496,813,464	200	4,299,362,692,860	1,228,389,341	96.01%
Charles Mbire	892,230,775	200	178,446,155,000	50,984,616	3.99%
			4,477,808,847,860	1,279,373,957	

And thus is shall be.....

	Shares	Price UGX	Value	Value USD Appx	%
	Shares	Price UGX	Value	Value (USD)	%
MTN International	17,019,004,616	200	3,403,800,923,200	972,514,549	76.01%
Charles Mbire	892,230,775	200	178,446,155,000	50,984,616	3.99%
USE Listing	4,477,808,848	200	895,561,769,600	255,874,791	20.00%
			4,477,808,847,800	1,279,373,957	

The End all and Be All..."Dividends"

Year	Dividends UGX	Div per share	Dividend Payout Ratio
2017	UGX 102bn	UGX 27	66.60%
2018	UGX 126bn	UGX 33.5	57.40%
2019	UGX 154bn	UGX 41	57.30%
2020	UGX 153bn	UGX 40.65	47.60%
2021	Target	-	60.00%
Average			57.78%

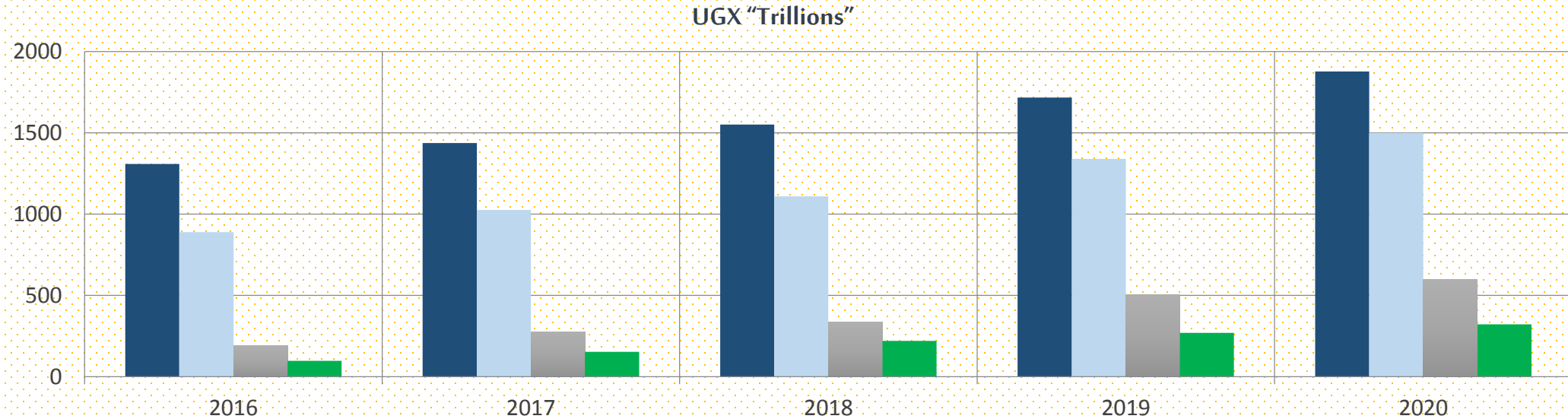
The dividend pay-out ratio in any given year will be subject to Board discretion considering the Company's cash projections, business outlook, investment plans, capital market conditions, solvency and liquidity tax regulations and debt- covenants.

The board may also vary the dividend pay out ratio if accumulated reserve can accommodate an extra payment

Income Statement Matrix.



MTN Uganda Income Statement Highlights for the last 5 years



Revenue

Revenue continue to grow despite the challenges of covid-19 in 2020 and 2021. Growth averages at 9% YoY

Gross Profit

Gross Profit continues to rise due to tighter grip of their direct cost to key suppliers like Ericson and American Towers Corp.

EBIT

EBIT for the last five years has grown at 33% with a slight decline in pace in FY2020 due to Covid. Company displays a strong ability to keep operation cost

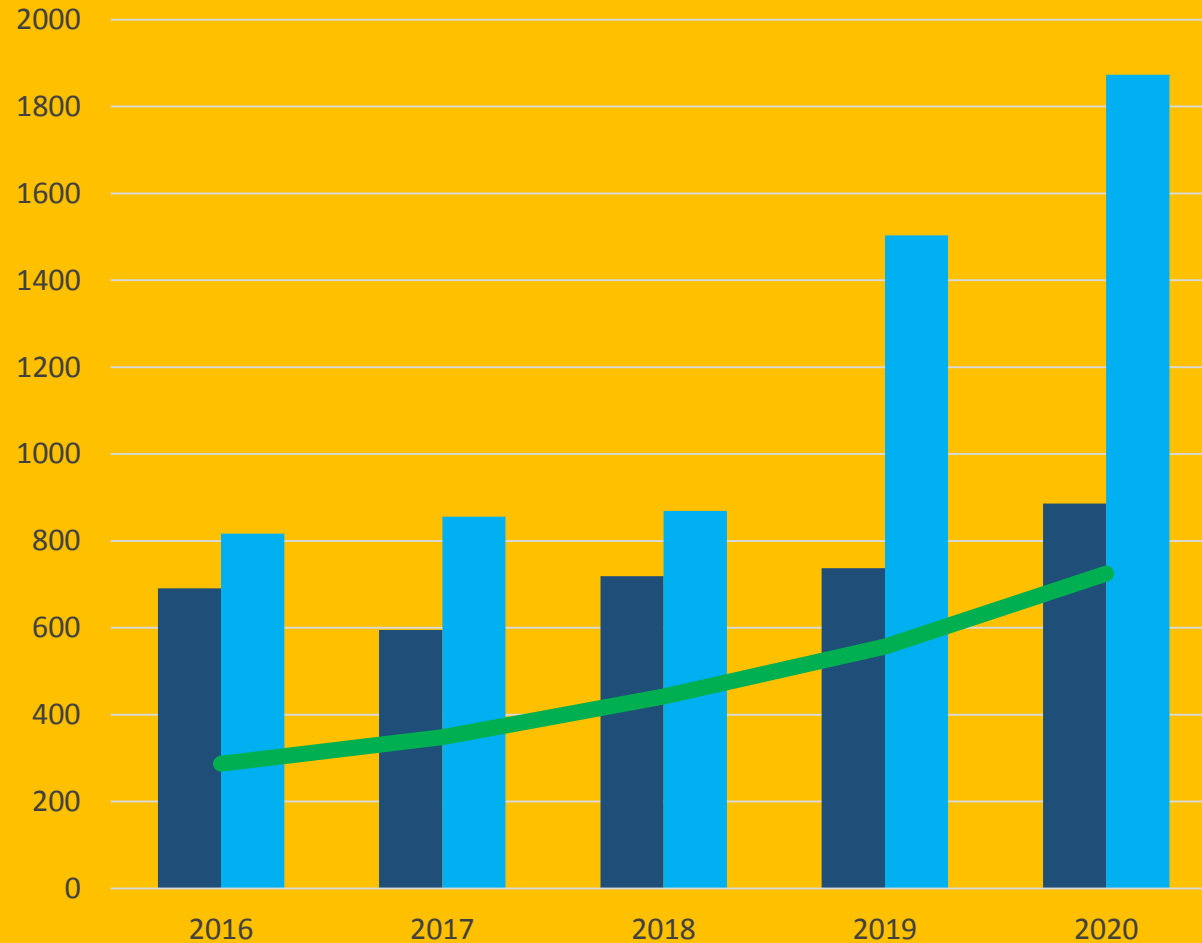
Profit After Tax (PAT)

In FY2020, company remained profitable, up 19% thou declining from its average growth pace of 42% to 36%. Strong display of robustness and antifragility

Balance Sheet Assets Trajectory.



UGX "Trillions"



Current Asset

Comprised of Cash & Cash equivalent, receivables, inventory and customer deposits. (This rises slowly as most cash is either paid out or allocated to fixed assets)



Fixed/ Non Current Assets

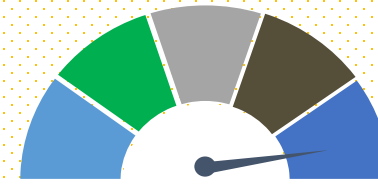
Comprises of property and equipment, that is up slightly, Rights to Use asset and Intangible assets that rose from UGX 152bn to UGX 516bn (the new NTO License)



Total Equity

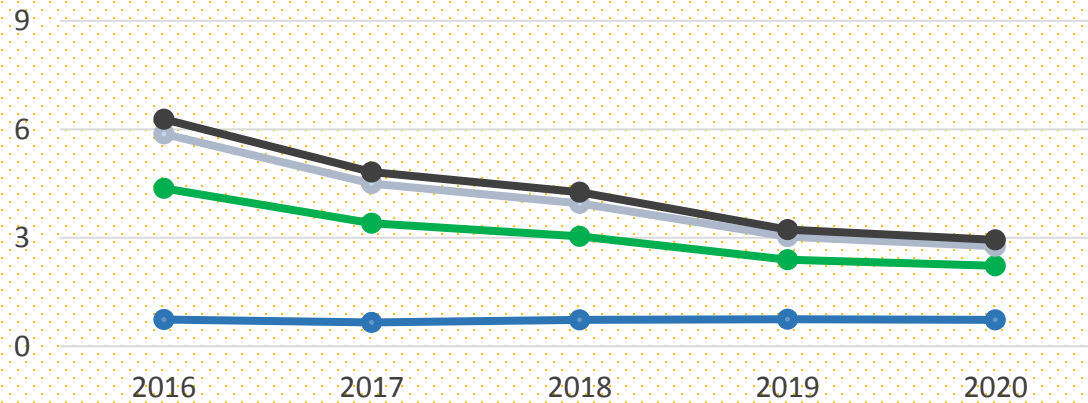
Shareholder equity on a sharp rise, growing at an average at 25% YOY due to ever increasing retained earnings.

Financial Ratios.

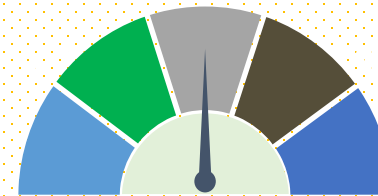
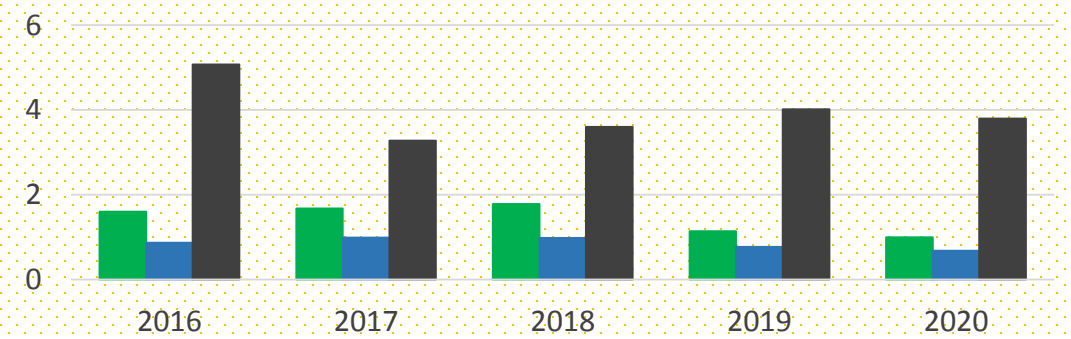


COLOR KEY		2016	2017	2018	2019	2020
	Quick Ratio	0.74	0.66	0.73	0.75	0.73
	Cost to Income Ratio	3.63	2.74	2.31	1.64	1.5
	Marketing Ratio	1.5	2.31	1.64	0.64	0.54
	Employee Benefit Ratio	0.41	1.64	1.50	0.2	0.17

LIQUIDITY RATIOS

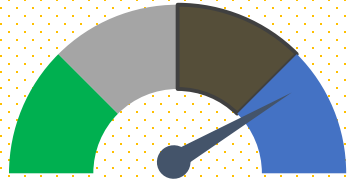


ASSET RATIOS

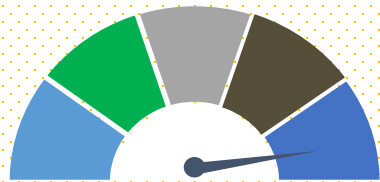


COLOR KEY		2016	2017	2018	2019	2020
	Fixed Asset Turnover	1.6	1.68	1.78	1.14	1
	Total Assets Ratio	0.87	0.99	0.98	0.77	0.66
	Asset to Equity Ratio	5.07	3.28	3.6	4.02	3.8

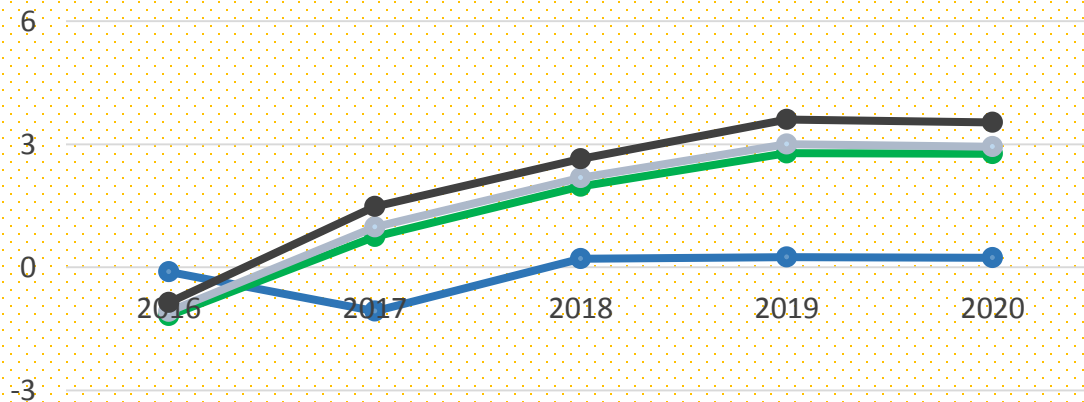
Profitability & Cash flow.



PROFITABILITY RATIO



CASH FLOW RATIOS



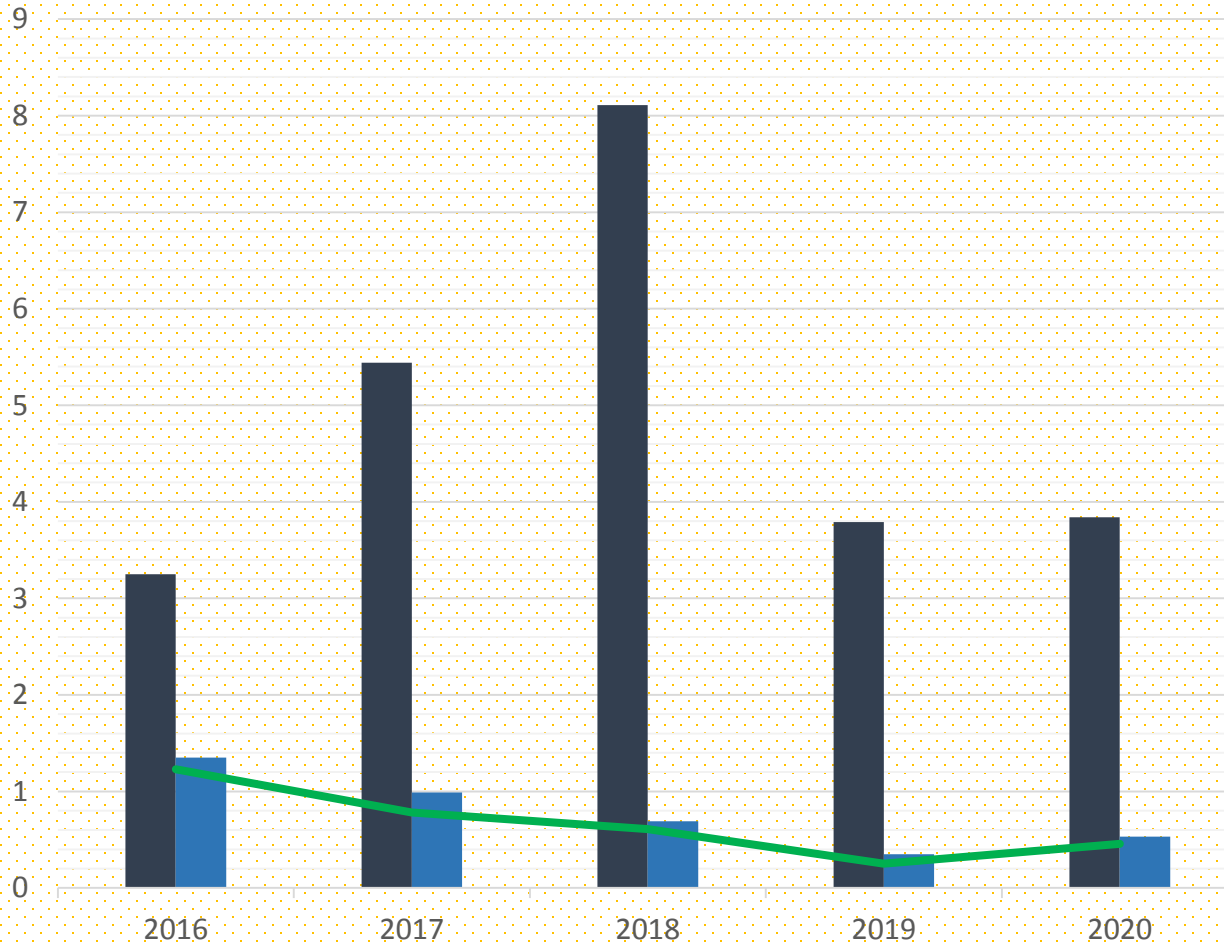
	2016	2017	2018	2019	2020
Gross Profit Margin Ratio	68%	71%	72%	78%	80%
Profit Margin Ratio	7%	11%	14%	16%	17%
Return on Assets Ratio	6.4%	10.3%	14.4%	14.06%	12.86%
Return on Equity Ratio	32.3%	47.21%	55.5%	53.8%	50.14%
Earnings per share	4.30	6.81	9.8	12.03	14.37
Return on Capital Employed	32%	49%	55%	40%	38%
EBITDA Margin	25%	31%	32%	44%	45%

COLOR KEY		2016	2017	2018	2019	2020
	Cash flow Margins	(0.11)	(1.07)	0.21	0.25	0.23
	Capex Coverage Ratio	(1.07)	1.82	1.76	2.53	2.54
	Asset Efficiency Ratio	(0.1)	0.23	0.21	0.22	0.17
	Property & Equipment Ratio	(0.22)	0.5	0.46	0.6	0.59
	Free Cash Flow (UGX)	(287)bn	153bn	140bn	259bn	262bn
	Operating Free Cash flow Ratio	-21.9%	10.68%	9.09%	15.12%	14.0%

Balance Sheet Debt.



DEBT RATIOS



- Interest Coverage Ratio**
EBIT over Interest expense is down two years in a row and may need to be dealt with. Managing the leverage if the future is going to be key by either raising EBIT or reduce further gearing.
- Debt to Equity**
Equity has been rising faster than the debt put on the books, keeping the ratio low and allowing for more leverage when required.
- Debt to EBITDA**
With the payment of the new NTO License with a mix of debt of USD 45m from banks, the ratio was forced to rise in relation to operations.



Market Dynamics & Half Year Results.



MARKET RATIOS

	2016	2017	2018	2019	2020
Price to Earnings Ratio	0	0	0	0	13.9
Dividend Yield	-	-	-	-	3.42%
Payout Ratio	272%	67%	57%	57%	48%
Book Value	13	16	20	25	32
Price to Book					6.2
EV/ EBITDA	1.11	0.68	0.43	0.11	5.66
EV/ Revenue	0.23	0.21	0.13	0.04	2.56

RECOMMENDATION: BUY

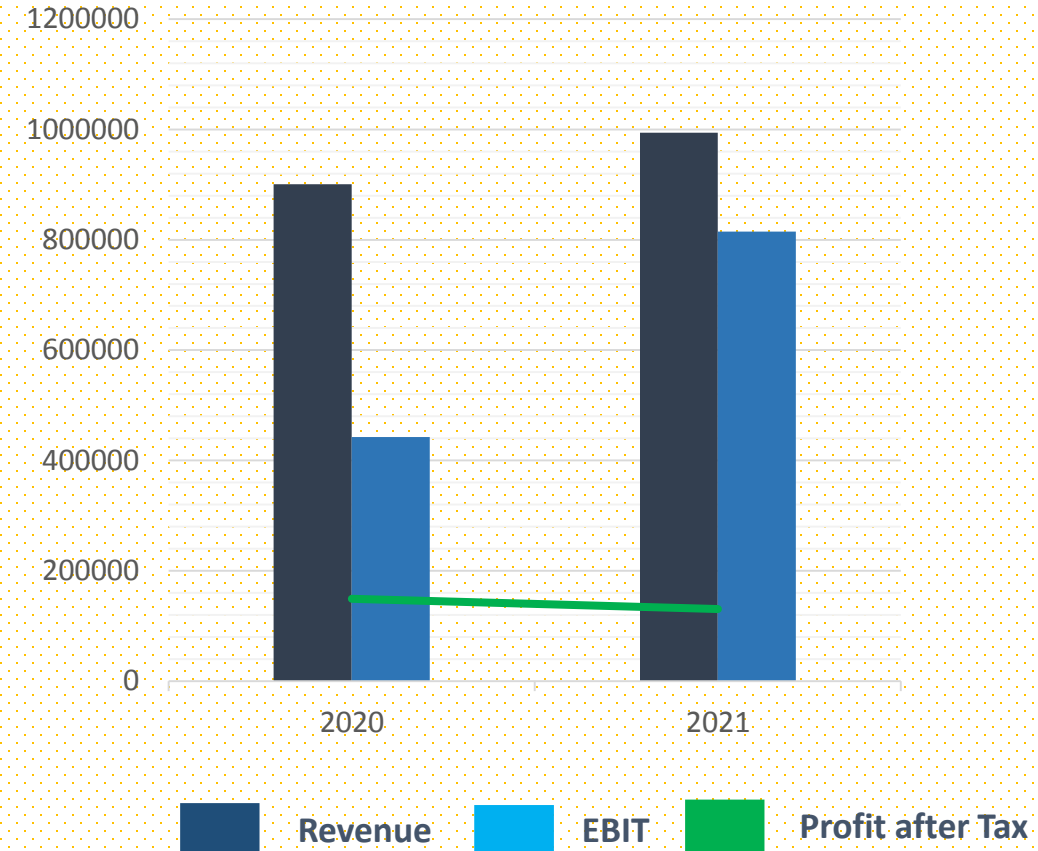
TICKER : MTN

EXCHANGE : Uganda Securities Exchange

LISTING : 6 Dec 2021.



HALF YEAR RESULTS 1 Jan 2021 to 30 June 2021 UGX "Trillions"



Post IPO...



ALLOCATION POLICY

The responsibility for allocating the Offer Shares lies with the Selling Shareholder taking into consideration the recommendation of the Transaction Adviser. In order to priorities Applications from Ugandan Retail order to priorities Applications from Ugandan Retail and Professional Investors, Applications will be considered in the following order:

- a) first, satisfy all duly completed Applications from **Ugandan Retail Investors and Eligible** from Ugandan Retail Investors and Eligible Employees;
- b) second, satisfy all duly completed Applications from **Ugandan Professional Investors**;
- c) third, satisfy all duly completed Applications from Qualifying **Applicants from the East African Community countries Partner States**;
- d) fourth, satisfy all duly completed Applications from **Foreign Investors**.

INCENTIVE SHARES

- Ugandan Retail investor 5 incentive shares for every 100 shares allocated
- East African Retail investor 5 incentive shares for every 100 shares allocated
- MTN Customer through M-IPO 5 incentive shares for every 100 shares allocated .
- Ugandan Institutional investor applying > UGX 3.5bn (USD 1m) 5 incentive shares for every 100 shares allocated.
- Ugandan Institutional investor applying > UGX 177bn (USD 50m) 10 incentive shares for every 100 shares allocated.
- East African Institutional investor applying > UGX 3.5bn (USD 1m) 5 incentive shares for every 100 shares allocated
- East African Institutional investor applying > UGX 177bn (USD 50m) 10 incentive shares for every 100 shares allocated

IN THE EVENT OF OVERSUBSCRIPTION

a) Ugandan Retail Investors making Applications for Offer Shares of an aggregate minimum value of UGX 5M **will be allocated the full number of Offer Shares for that minimum value** applied for along with that number of Incentive Shares that they are entitled to, subject to the total number of Offer Shares available; and

b) All Applications for Offer Shares in excess of an aggregate minimum value of UGX 5 million in the case of Retail Investors will be **allocated on a pro rata basis** as determined by the Selling Shareholder with the assistance of the Transaction advisor.

Disclaimer.



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