



# Introduction and Overview

Ghana

Brett Goschen- CEO Ghana



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# Country overview



Population 24m

Market sizing 22.5m (2014)

Penetration 65%

## Economics

\*GDP per capita USD 1,500

Inflation (YOY) 9.46% (GIA, Jul 10)

Commercial banks' prime lending rate 13.5% (Aug 10)

Exchange rate LC/USD = 1.44 (Jun 10)

## Demographics

Language English, several local languages

Religion Christian and Muslim

\*CIA



# Market dynamics



## Political environment

- Multi-party democracy system since 1992.
- Five consecutive elections; change of power twice
- Stable and peaceful environment

## Economic environment

- GDP Growth: 4.7%(BoG, Jun 10)
- Gross International Reserves: US\$3.5 billion (BoG, Jun 10)
- Communication Sector Contribution to Inflation: -0.15% (GSS Jun 10)
- Stable exchange rate
- Oil production from the Jubilee field in the fourth quarter of 2010 or early 2011 holds the promise of GDP expansion and foreign-exchange generation

## Regulatory environment

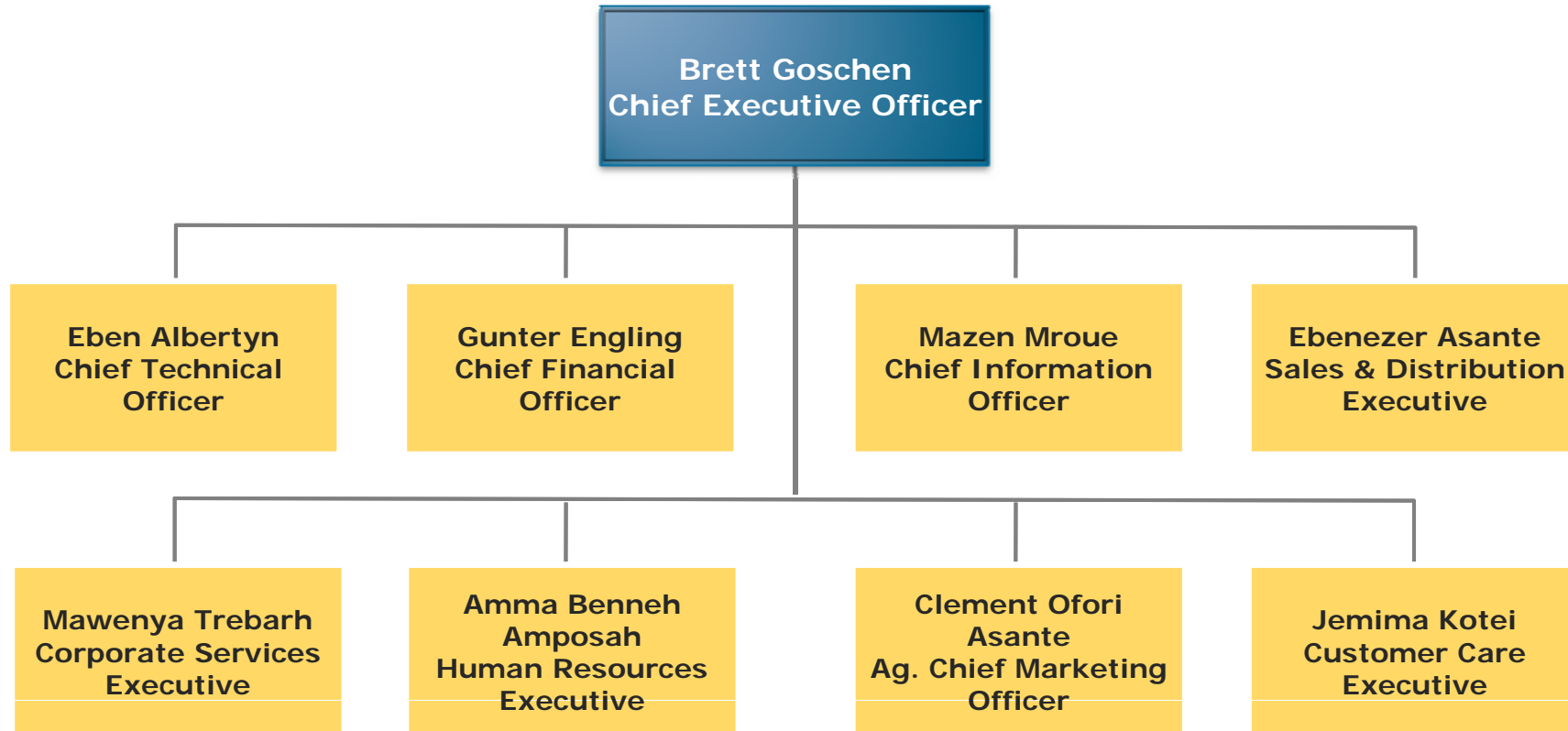
- Mandatory SIM Registration from 1 Jul 10
- Number Portability - Oct 11
- International Call (Ghana Termination) levy 6 cents from 1 Jun 10 (Minimum charge 19 cents)
- Expected licencing of 3 WiMax operators
- Stringent site build permit guidelines

# GSM competitors– Jun 10



	MTN	TIGO	VODAFONE	ZAIN/Bharti	KASAPA/Espresso
<b>Launch date/Re-launch</b>	<b>1996</b> (Spacefon) <b>2007</b> (re-launch)	<b>1992</b> (Mobitel) <b>2006</b> (Tigo)	(OneTouch) <b>2009</b> (re-launch)	<b>1997</b> (Westel) <b>2008</b> (relaunch)	<b>1998</b> (Celtel) <b>2003</b> (re-launch)
<b>Subscribers</b>	8.7m	3.4m	2.0m	1.3m	0.28m
<b>Market share</b>	56%	22%	13%	8%	1%
<b>Initiatives</b>	<ul style="list-style-type: none"> <li>• MTN Zone</li> <li>• Mobile Money</li> <li>• Value Offers – <i>FnF, VIPER, Free night calls,</i></li> <li>• MTN Pay4me</li> <li>• Caller Tunes</li> <li>• CLIR/So CLIR</li> <li>• DSTV Mobile</li> <li>• Call me back</li> <li>• Me2U</li> <li>• Data Bundle Offers</li> <li>• SMS Bundle offers</li> <li>• Blackberry Service</li> <li>• 3.5G</li> </ul>	<ul style="list-style-type: none"> <li>• Smart Talk</li> <li>• Tigo No.1</li> <li>• TIGO SOS – <i>negative talk time</i></li> <li>• Tigo my control- <i>PAYG top up on PM</i></li> <li>• Blackberry Service</li> <li>• SMS Bundle Offers</li> </ul>	<ul style="list-style-type: none"> <li>• Vodafone World – <i>Roaming Service</i></li> <li>• Talk n Talk Promo – <i>up to 75% bonus on recharge</i></li> <li>• 42% Tariff Reduction – 8Gp</li> <li>• Great Networks Great Deals – <i>ULCH Sales</i></li> <li>• Blackberry Launch (Sept'10)</li> <li>• Vodafone Broadband</li> </ul>	<ul style="list-style-type: none"> <li>• Zain Easy on your pocket - <i>(Payback/F&amp;F/Free Night Calls)</i></li> <li>• Zain Happy Days – <i>money back</i></li> <li>• ZAP – <i>mobile money</i></li> <li>• Zain Caller Tunes</li> <li>• Internet Modem Offers</li> <li>• 3.5G</li> </ul>	<ul style="list-style-type: none"> <li>• Free Night Calls</li> <li>• Bonus on incoming CDMA</li> </ul>

# Management team



# Licences



## Period

- 2G granted in 2004 – 2019 (Further renewable for 10 years)
- Spectrum –900MHz and 1800MHz
- 3G granted in January 2009 (15 years)
- 2X10MHz plus additional 2X5 MHz
- International Gateway License

## Upfront fees

- 2G - USD 22.5million paid over 6 years ended Dec 09
- 3G – USD 27 million paid on issue of license
- Other fees
  - Regulatory fee – 1% net revenue quarterly
  - Ghana Investment Fund (development of telecommunications in rural areas) – 1% net revenue annually

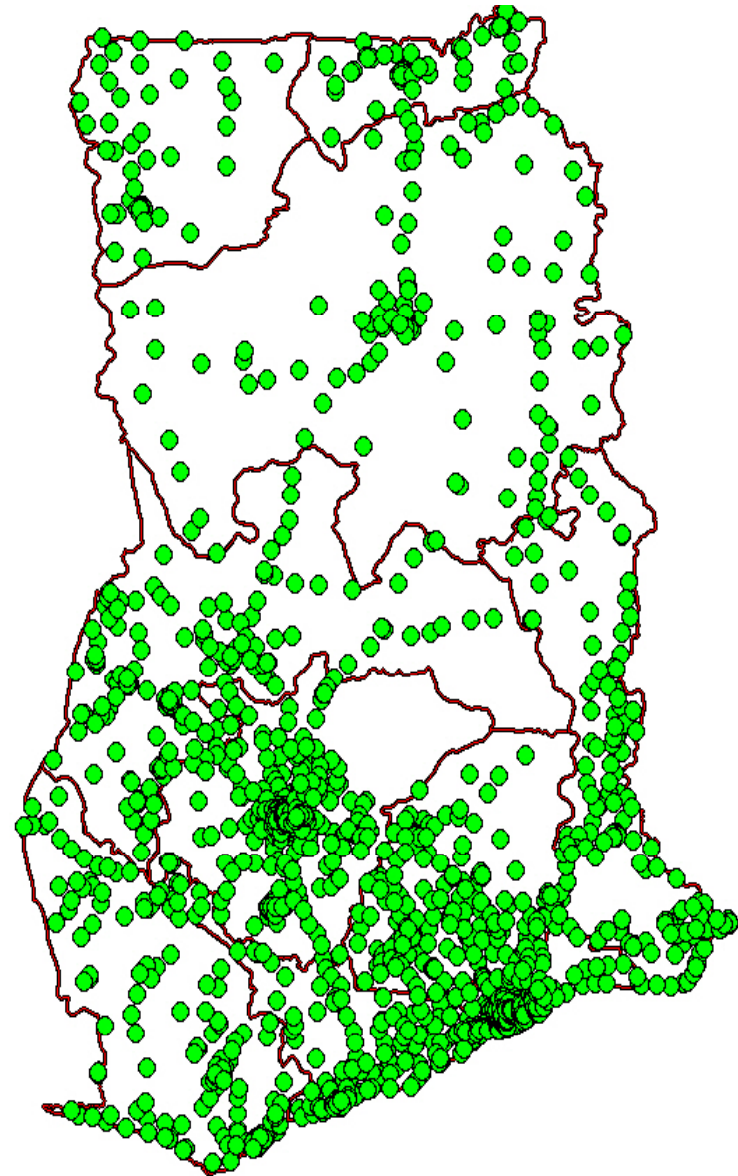
## Coverage

- 2G - active presence in all regions of Ghana year 8 of licence
- 3G - coverage in all metropolitan, municipal and district capitals within 5 years of operation

# Radio network rollout



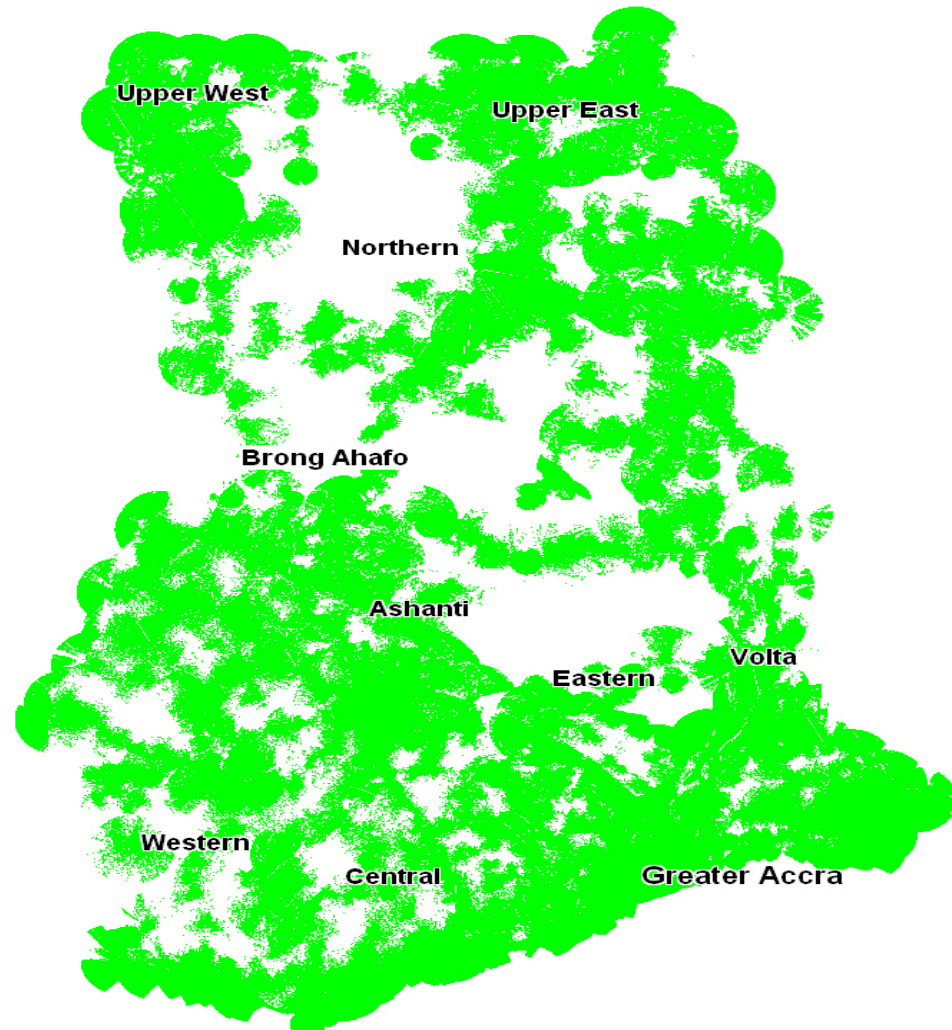
- Operational base transceiver stations network
  - 1979 Sites on Air
  - 916 cities and towns
  - 27 live MSC's
  - Adopt lower cost roll out methodologies such as collocation and infrastructure sharing



# 2G network rollout



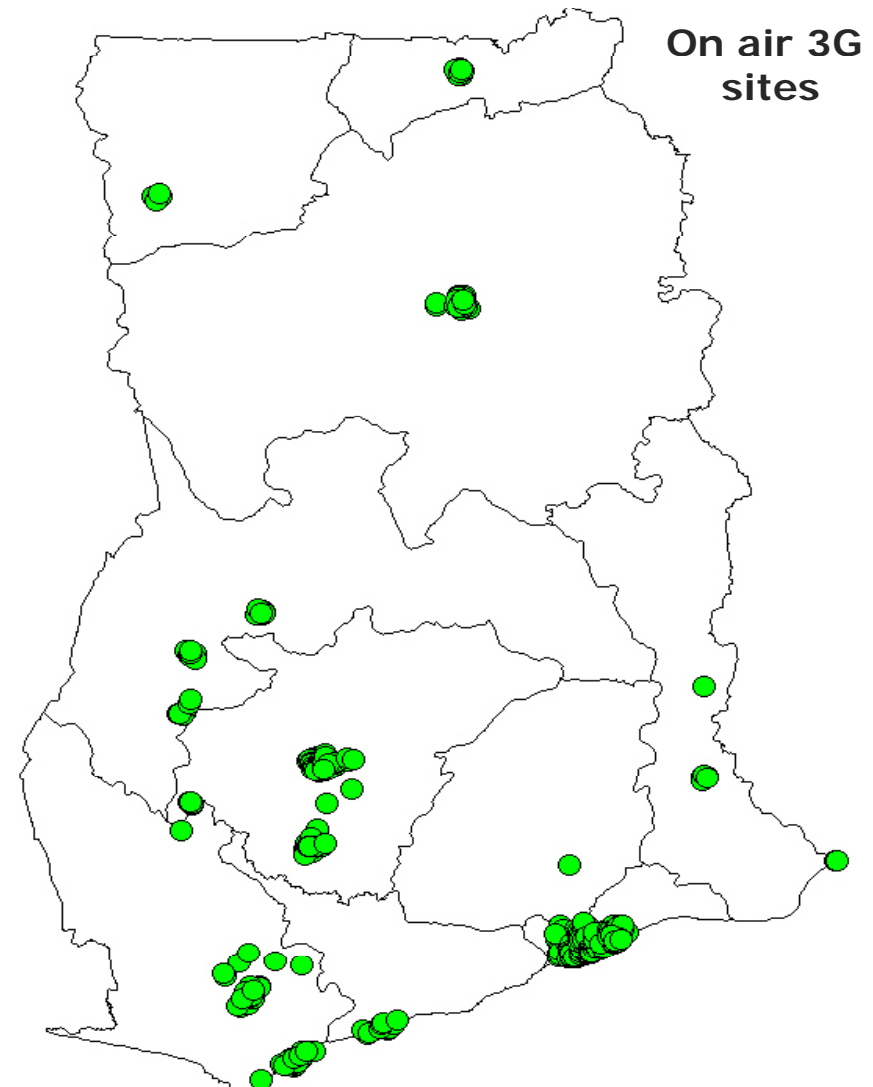
- 2G network coverage
  - All 10 regions covered
  - Population 78%
  - Geographic 43%
  - Widest coverage in Ghana
  - Best quality network in Ghana



# 3G network rollout



- 590 3G sites are on-air



# Distribution channel



- Efficient distribution channels aimed at reaching the customers
- Spread across the 10 regions of the Ghana:
  - 14 wholesale dealers
  - 28 MTN branches
  - 22 connect stores



## Distribution strategy

Use of...

Large Scale Distribution Mode

Drive through...

Distributor route to market  
Direct Sales Channel (Including B2B)

Strategic thrust...

Dominate POP (availability and forward share)

# Data – ISP



## Licence

- 2G and 3G licences

## Customers



## Current Products

- Lease lines
- International leased lines
- APN services

## Coverage

- All Regions in Ghana in MTN coverage area

# Product and services



Classification	Service	Comment/Segment
<b>Voice services</b>	Pay4Me, community payphones, corporate CUG, MTN Zone, EVD, family & friends, free night calls	All segments
<b>Data services</b>	Mobile broadband, mobile money, surveillance, video call	All segments
<b>Roaming services</b>	Data – PAYG& PM, in-flight connectivity, voice	All segments
<b>Messaging, content, social networking and collaboration services</b>	BlackBerry enterprise & internet services, entertainment, SMS bundle, SMS chat, google SMS, mobile tv and MMS	All segments
<b>Network services</b>	Leased lines; international & national, dedicated internet, last mile access, hosting services and WiFi hotspots	In partnership with BusyInternet
<b>Access services</b>	Laptop bundles, notebook bundles, USB modems and wireless routers	All segments
<b>Applications services</b>	Blackberry enterprise and internet, machine 2 machine	Vehicle tracking

# Brand leadership



Q210

Market Share

56.0%

Brand Preference

40.9%

Brand Awareness

58.6%

Brand Affinity

56.5%

MTN remains most recommended and liked brand in the Ghana telecoms space

the  
**FA World Cup™**  
July 2010



## Financials

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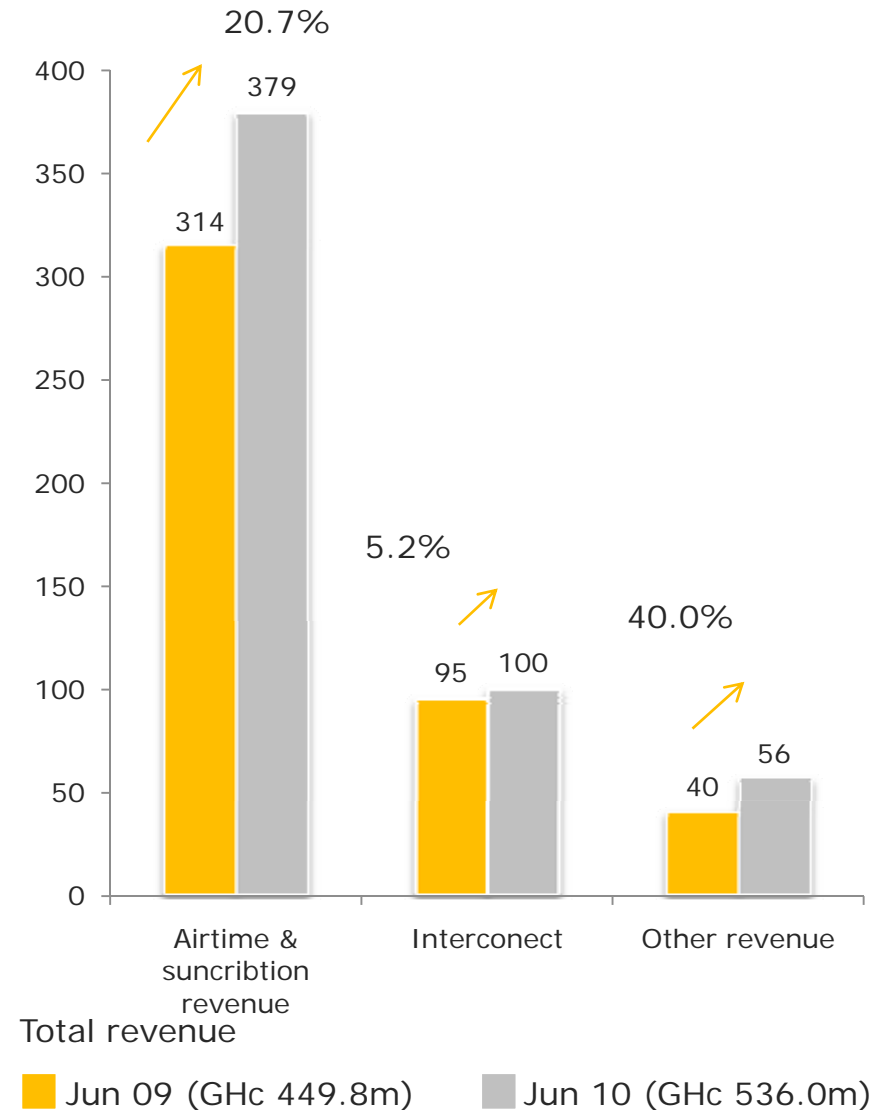


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# Revenue analysis



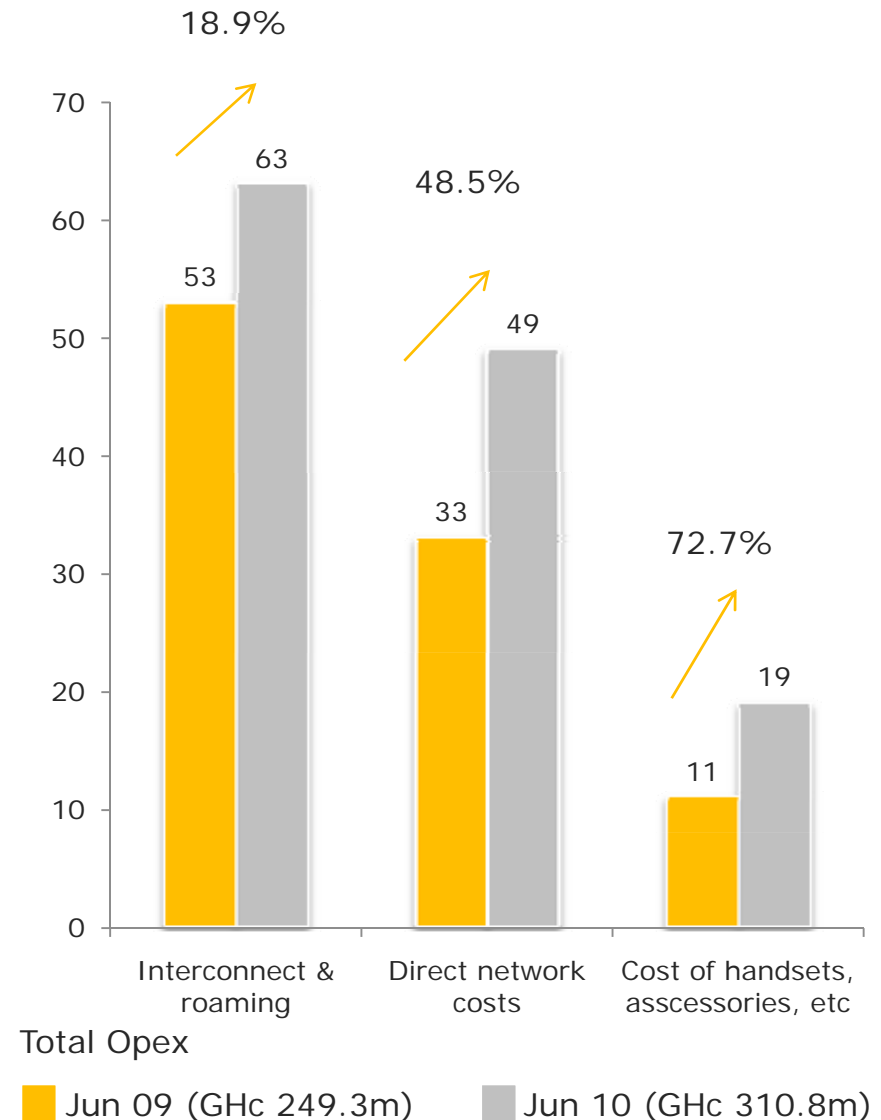
- Airtime and subscription
  - Strong subscriber growth in H1
- Interconnect revenue
  - Reduced international traffic due to minimum tariff
- Data
  - Improving data revenue due to improved bundle offerings and competitive value proposition (Data as a % of Revenue is over 7%)
- Others
  - Strong demand for MTN Business Solutions but constrained by international bandwidth



# Operating expenses analysis



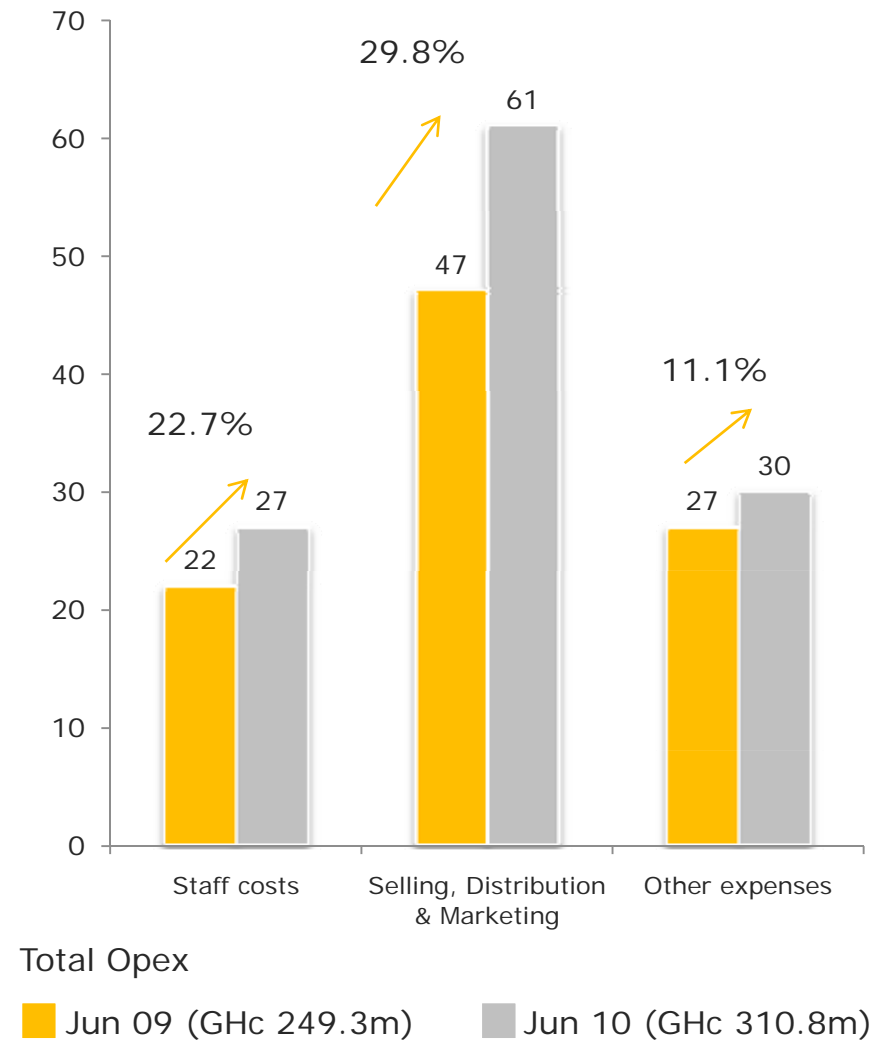
- Direct network operating costs
  - Site rentals and licence maintenance USD based
  - Increased Utility cost
  - Increased BTS and Sites
- Handset and accessories
  - Part of bundle offering
  - Unplanned cost for sub registration in 2010.
  - Expenses to build mobile money base



# Operating expenses analysis



- Staff costs
  - Inflation driven
- Selling, distribution and marketing expenses
  - High media inflation above average inflation due to competition for media space



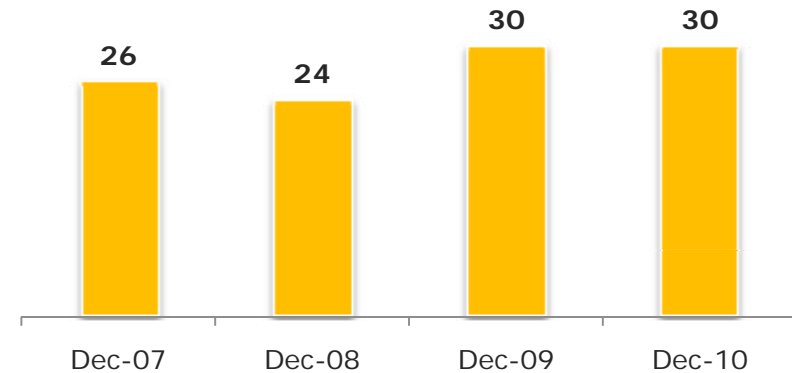
# Tax considerations



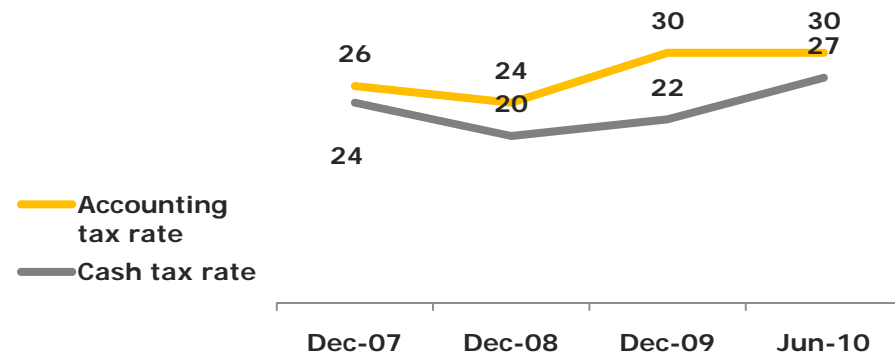
- Material reconciling items:
  - National Fiscal Stabilisation levy 5%
  - Statutory tax rate of 25%
- Looking forward Dec 10
  - Ghana effective tax rate expected to be around 30 due to National Fiscal Stabilisation Levy expected to end Dec 10

## Effective tax rates

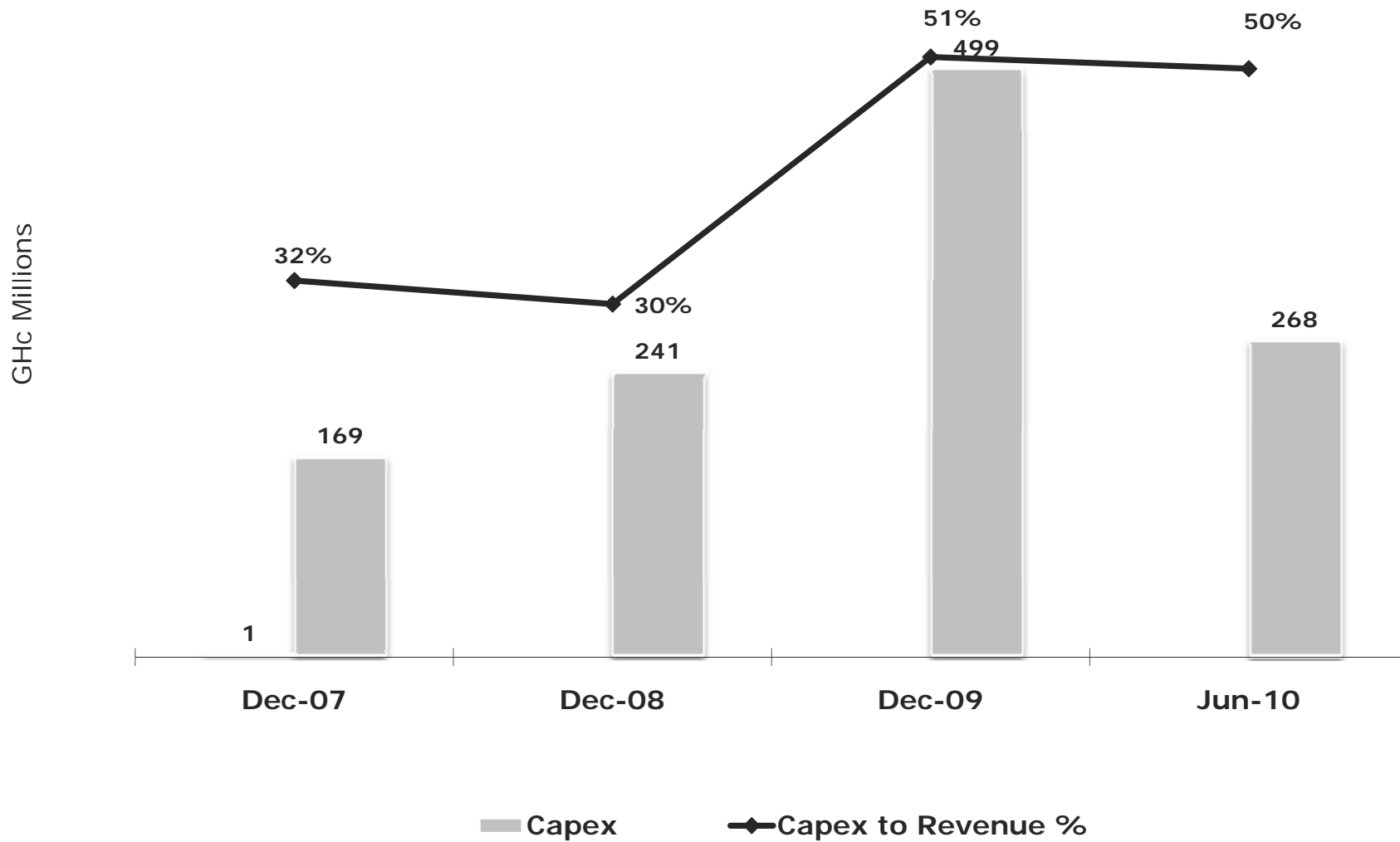
(%)  
/ARPU (\$)



## Ghana – expected trends in effective tax rates (Illustrative %)



# Capital trends (LC)





# Looking forward

Ghana

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# MTN Foundation



## General

- As MTN's global policy, a proportion of each operating unit's profit after tax (PAT) is dedicated to undertaking corporate social responsibility initiatives. The focus of the Foundation is in Health and Education

## Objective

- The main objective of the Foundation is to improve the quality of people's lives through appropriate corporate responsibility interventions in communities where MTN operates

## Projects

- Education Projects:
  - MTN ICT Learning Centers in Partnership with UNDP
  - AED basic schools Project in Northern Ghana
  - Sefwi Abono Community basic school project
  - Support of National Best Teacher Awards
  - Akyem Ntronang Primary School Project.
- Health Projects:
  - Refurbishment of the 2nd Floor of the Korle Bu Maternity block
  - Funding of the construction of an intensive care unit and theatre
  - Provision of medical equipments to Kotokuum Health Centre and Wassa Dunkwa

# Looking forward



## Opportunities

- Rural area penetration
- Data usage and MTN Business Solutions
- Market leadership
- Mobile Money
- Offshore oil connectivity opportunities

## Challenges

- Downward pressure on tariffs
- Obtaining Site permits for new sites
- High SIM boxing challenges (International termination)
- Cash cow perspective
- Increased Utility cost



Thank you

Questions



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# Ghana

## - income statement (LC)



	Jun 10	Jun 09	Change %
<b>Revenue</b>	<b>536,031</b>	<b>449,822</b>	<b>19</b>
<b>EBITDA</b>	<b>225,247</b>	<b>200,532</b>	<b>12</b>
<i>EBITDA Margin %</i>	<i>42.02%</i>	<i>44.58</i>	<i>-3%</i>
Depreciation & amortisation	(68,684)	(48,349)	42
Net finance cost	9,047	7,133	27
Profit before taxation	165,610	159,316	4
Income tax expense	(49,430)	(42,704)	16
Profit after taxation	116,180	116,612	0

# Ghana

## - balance sheet (LC)



GHS millions	as at Jun 10	as at Jun 09
<b>Non-Current Assets</b>	<b>1,078</b>	<b>646</b>
Inventory	17,7	4,4
Receivables	203,6	263,2
Bank and Cash	89,7	270,4
Trade and other payable	(368)	(415,6)
<b>Equity</b>	<b>1,021</b>	<b>768,4</b>