

MTN to revisit financial services in SA

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After pulling the plug on its mobile money business in SA in 2016, MTN wanted to have another crack at financial services in its home market, CEO Rob Shuter said on Thursday, 8 March.



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Due to high banking penetration rates in SA, mobile money "has been tried quite a few times here" without success, and the model was also not suited to Iran - MTN's third-largest market - for similar reasons.

"But we're building quite a lot of new features around that: loan products, investment products, insurance. It's different across the different markets, but [advanced financial services] is a big focus of ours." The group was looking at "all markets".

MTN had 22-million mobile money customers in 14 markets at the end of 2017. It wanted to add to this base, enter new markets and expand the range of services. "We need to have a proper strategy for the three large ones [SA, Nigeria and Iran]."

The group introduced mobile money services in Sudan in 2017 through a partnership, but may look to transfer the service to its own platform. "And we're looking at two of the other Middle Eastern markets to launch [mobile money] during the course of 2018."

MTN would be able to rapidly scale its Nigerian mobile money business, which has 2-million customers, if the government allowed for full licensing of these services. Currently, users need to have bank accounts.

The group was in talks with Nigerian authorities on the matter, Shuter said.

MTN has a small financial services business in SA in the form of a micro-insurance partnership with MMI. MTN group chief financial officer Ralph Mupita said the group would consider similar tie-ups.

Rival operator Vodacom offers insurance products in SA, including handset insurance and funeral cover.

MTN's share price closed 10.1% up at R135 on Thursday after the company's new dividend policy and 2017 earnings numbers boosted sentiment. While the group said it would rebase its dividend to R5 per share in 2018, from R7 for 2017, the market had expected a bigger cut, according to Investec Asset Management portfolio manager Samantha Hartard.

Management's guidance that the dividend could grow 10%-20% a year over the medium term was also a surprise on the upside and showed that MTN was confident about its growth prospects, Hartard said.

Further, investors were encouraged by a "solid" earnings result for 2017, while the bump in the share price may also have been due to more bearish hedge funds closing their short positions as the stock climbed.

MTN returned to profit in the year ended December 2017. It reported a profit after tax of R4.5bn from a loss of R3.1bn in 2016, when earnings were dented by a \$1.5bn fine in Nigeria for failing to disconnect unregistered SIM cards.

Bright Khumalo, portfolio manager at Vestact, said the result "shows that in this business, if you do spend on improving the quality of your service, you can get all of those subscribers back". He was referring to MTN's customer losses in key markets several years ago due in part to a lack of capital expenditure. But the company invested as much as R31.5bn in 2017. Management forecast that capital expenditure would reduce to R27.7bn in 2018 as MTN reduced debt.

Mupita said MTN was "fighting to stay" in Benin, where authorities had demanded exorbitant frequency fees.

"We remain engaged with the authorities there to try and find an amicable solution [but] that amicable solution needs to make economic sense for us."

MTN's CEO in Benin, Stephen Blewett, has been out of the country since November on the instruction of the state. This came after authorities demanded that MTN pay frequency fees for 2016 and 2017 worth \$213m. MTN has since made a counter offer.

Hartard said while Benin was a small market it would "not be ideal to just drop the keys and walk away. But the other side of it is that you can't buckle to very big demands on payments because then you set the precedent [for other tax authorities]".

MTN raised its contingent liabilities to R9.8bn in 2017 from R8.1bn the year before.

"Legal and regulatory matters" made up R1.2bn of the 2017 number. This showed "they are fighting fires", Hartard said.

Source: Business Day