

# MTN drops on Nigeria worries

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Shares in MTN Group fell 3.79% to close at R235.03 on concerns about regulatory pressure in the mobile operator's largest market, Nigeria, which dragged down its subscriber growth there for the three months to September.



However, MTN expects an improved performance during the remaining quarter of the year, after it resolved a number of matters with the Nigerian regulatory authority. MTN Nigeria saw a marginal decrease in customers to 58.4-million.

MTN expects Nigeria to add 3.5-million by the end of the year, revised down from 5-million.

The group attributed the decline in subscribers during the quarter to regulatory pressure and the unrest in the northern region of Nigeria.

Last year the Nigerian regulator declared MTN a dominant operator in mobile voice and wholesale data and prohibited it from, among other things, removing tariffs for calls made to another MTN subscriber.

The company is in discussions to modify the obligations imposed on it.

MTN Group's total subscribers increased by 2% to 219-million. Total data revenue increased by 34% year-to-date contributing 17.8% to total revenue.

The South African operations recovered during the period and added 1.4-million new subscribers to reach 26.7-million.

Group CEO Sifiso Dabengwa said that while the results were "encouraging", performance was "impacted by continued aggressive competition and stringent regulatory requirements".

BPI Capital Africa analyst Kate Turner-Smith said MTN Group's quarterly performance was "slightly ahead" of her expectations.

"Nigeria is a big disappointment but not unexpected as we were aware of the regulatory challenges," she said.

MTN Nigeria has not been able to undertake aggressive promotions for three quarters in a row because of sanctions by the regulatory authority.

But growth is expected in future as the company seeks to ease the tension with the regulator, said Turner-Smith.

Kagiso Asset Management investment analyst Aslam Dalvi expects the Nigerian regulatory environment to remain challenging for MTN as the regulator looks to further level the playing field between the company, which remains the dominant player, and smaller operators.

Dalvi said that overall MTN's quarterly performance was "weaker than expected".

Subscriber growth in SA was "slightly better" than expected but this was more than offset by a decline in subscribers in Nigeria and relatively weak average revenue per user trends in its key markets, he said.

*Source: BDpro*

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