

Zedcrest Research

Q1'26 Earnings | MTNN: Data dominance strengthens revenue mix as ARPU expansion reinforces monetization efficiency

May 4, 2025

Samuel Aladegbaye

samuel.aladegbaye@zedcrest.com

MTN Nigeria's Q1 2026 results continue the structural resurgence narrative we articulated in our previous notes. The company delivered ₦1.50 trillion in revenue, ₦828.30 billion in EBITDA, and ₦355.50 billion in profit after tax (PAT), maintaining a strong 55.3% EBITDA margin. This performance effectively translates the robust underlying demand for digital services into high-quality cash flow, even as the company navigates a complex macro backdrop. What initially appeared to be a pricing catch-up following the 2025 tariff adjustments has now proven to be embedded operating leverage. Our conviction in the **"Buy"** rating is anchored on this continued data-led monetization and the transition toward a leaner, more optimized cost structure.

Broad-based Q1 revenue growth led by data momentum

Revenue for the quarter printed at ₦1.50 trillion, up 1.8% quarter-on-quarter and 42% year-on-year. The growth was broad-based but led decisively by data, which contributed 55% of total revenue at ₦826.1 billion. Voice revenue remained resilient at ₦450.7 billion, representing 30% of the mix, though it saw a marginal 0.9% sequential decline as the market matures and usage shifts toward digital platforms. Active data users increased to 55.0 million, representing a net addition of 1.8 million users within the quarter. Importantly, data revenue per user (ARPU) expanded to ₦15,019, confirming that both pricing realization and usage intensity remain intact. The combination of subscriber scale and higher monetization per user remains the primary driver of earnings acceleration.

| Rating | BUY |
|----------------------------|--------------|
| NGX Ticker | MTNN |
| Bloomberg Ticker | MTNN NL |
| Target Price | ₦1,658.59 |
| Company statistics (Q1'26) | |
| Return on Average Asset | 6.89% |
| PAT Margin | 23.73% |
| Debt Ratio | 47.18% |
| Market cap | ₦19 trillion |

| MTNN (mn) | Q1'25 | Q2'25 | Q3'25 | Q4'25 | Q1'26 |
|--------------------------|------------|------------|------------|------------|------------|
| Subscribers | 84.1 | 84.7 | 85.4 | 87.3 | 89.5 |
| Revenue | ₦1,057,973 | ₦1,319,779 | ₦1,353,251 | ₦1,471,954 | ₦1,498,322 |
| Average revenue per user | ₦12,580 | ₦15,582 | ₦15,846 | ₦16,861 | ₦16,741 |
| Active Data Users | 50.3 | 51.0 | 51.1 | 53.2 | 55.0 |
| Data revenue | ₦528,975 | ₦699,950 | ₦745,261 | ₦803,473 | ₦826,071 |
| Data revenue per user | ₦10,516 | ₦13,725 | ₦14,584 | ₦15,103 | ₦15,019 |

Source: Zedcrest Research, Company Filings

Operating leverage and cost efficiency drive margin stability

A defining characteristic of the quarter was the maintenance of margins despite a challenging cost environment. EBITDA grew 0.3% quarter-on-quarter (68.1% year-on-year) to ₦828.3 billion, with the EBITDA margin expanding to 55.3% from 46.6% in the prior year. This reflects significant positive jaws, as service revenue growth (41.8%) materially outpaced the expansion of operating expenses (16.1%). Direct network operating costs actually declined by 9% sequentially to ₦317.9 billion, showcasing the results of aggressive cost management and the ongoing optimization of tower lease agreements. The interest coverage ratio improved to 35.6x, and the company transitioned to a net cash position of ₦129.0 billion, signaling a fortress balance sheet that is now largely de-risked from the foreign exchange volatility of prior years.

High oil price environment and energy cost headwinds

We acknowledge the continued impact of an elevated and volatile oil price environment on MTN Nigeria's cost base. Through the domestic transmission channel, higher crude prices translate into increased diesel costs, a critical input for powering the company's extensive base station network. Energy remains a significant component of network operating expenses (historically estimated at 30-40%), underscoring the sensitivity of margins to fuel price movements. Management has consistently highlighted this exposure, particularly in a context of FX pressures and imported energy inputs. That said, MTN's ongoing investments in hybrid and solar-powered sites, alongside continued fibre and network capacity expansion, are gradually decoupling traffic growth from energy intensity. As these efficiency gains

Q1'26 Earnings | MTNN: Data dominance strengthens revenue mix as ARPU expansion reinforces monetization efficiency

1

Zedcrest Research

scale, and with the potential moderation in inflationary pressures, we expect a progressive improvement in cost dynamics and margin resilience over the medium term.

MoMo structural separation to optimize cost base

The pending completion of the MoMo spin-off is a major catalyst for cost and revenue optimization. Under the proposed related-party transaction, MTN Group will acquire a 60% stake in the fintech subsidiaries while MTN Nigeria retains a 40% interest. This separation allows MTN Nigeria to share the funding burden required to scale the payment and agent networks while freeing up capital for core connectivity. Crucially, the fintech units are currently in a loss-making growth phase and their deconsolidation from MTNN's financial results is expected to provide an immediate lift to overall profitability and efficiency ratios. Retaining a 40% stake ensures that shareholders still benefit from the high-margin upside of the digital finance market once the business achieves scale.

Outlook

Our 2026 framework has been revised to reflect the Q1 exit velocity and the evolving macro landscape. We are forecasting FY 2026 revenue of ₦6.66 trillion, a slight moderation from the ₦ 6.69 trillion projected last quarter, largely due to the temporary suspension of Xtratime lending services during the quarter. **For Q2 2026, we are forecasting revenue of ₦1.61 trillion** as the subscriber base continues to scale. We project EBITDA for the year at **₦3.68 trillion**, which is a revision upward from our previous estimate of ₦ 3.64 trillion, reflecting stronger-than-modeled operating leverage. PAT is now expected to sit at **₦ 1.67 trillion** for the year, compared to ₦ 1.65 trillion previously forecast. These projections imply that EBITDA margins will maintain a steady floor around 55%, supported by disciplined cost control and the annualization of the 2025 tariff reset.

Investment Recommendation

We maintain a **BUY** rating on MTNN with an upgraded target price of **₦1,658.59**. Our conviction is anchored on the company's positioning as a structural compounder within Nigeria's digital economy. The combination of increased data demand, optimized cost management through the MoMo spin-off, and the total repayment of foreign currency debt (\$105 million) has transitioned the investment case to one of sustained compounding. At current levels, MTNN appears materially undervalued relative to its growth profile.

| Income Statement (N'mn) | 2025A | 2026F | 2027F | 2028F | 2029F |
|-------------------------|-----------|-----------|-----------|-----------|------------|
| Revenue | 5,202,957 | 6,661,327 | 8,169,037 | 9,915,970 | 11,783,601 |
| EBITDA | 2,743,765 | 3,678,870 | 4,469,151 | 5,471,973 | 6,556,825 |
| PBT | 1,696,029 | 2,381,969 | 3,094,158 | 3,904,729 | 4,741,070 |
| PAT | 1,112,846 | 1,667,378 | 2,165,911 | 2,733,311 | 3,318,749 |

Zedcrest Research

Important disclosure

This document is issued by Zedcrest Investment Managers Limited (“Zedcrest Wealth” or the “Fund Manager”), an asset management firm registered with the Securities & Exchange Commission (“SEC”), Nigeria.

This document is provided exclusively for the information of the recipient. It is not intended as, and does not constitute, an offer or solicitation for the purchase of Units of any Fund or the Securities of any Company. Recipients must inform themselves about and adhere to any restrictions on the distribution of this document and the offering, sale, and trading of the securities.

The information herein is confidential and intended solely for use by those to whom it is addressed. It is not intended for public distribution and may not be reproduced, redistributed, or published without the written permission of Zedcrest Wealth. Zedcrest Wealth, its advisers, directors, employees, or affiliates do not accept any liability for the actions of third parties in this respect.

Analyst certification

The research analyst(s) hereby certify that:

1. The opinions and views expressed in this report are their genuine, independent perspectives, based on publicly available information.
2. Their compensation is not directly or indirectly linked to the specific recommendations, estimates, or opinions presented in this report.

In other words, the analyst(s) affirm that their research is impartial, unbiased, and free from any potential conflicts of interest.

Ratings definitions

Buy: A 'Buy' rating is assigned to stocks that we believe are significantly undervalued, yet possess robust fundamentals, and are expected to generate a potential return of at least 15.00% or more, based on the difference between the current market price and our analysts' target price

Hold: A 'Hold' rating is assigned to stocks that we believe are fairly valued, with limited potential for significant price movement, and are expected to generate a potential return within the range of +5.00% to +14.99%, based on the difference between the current market price and our analysts' target price

Sell: A 'Sell' rating is assigned to stocks that we believe are overvalued, with deteriorating or weak fundamentals, and are expected to generate a potential return of less than +5.00%, based on the difference between the current market price and our analysts' target price.

Rating Suspended: This designation is assigned to a stock when we are unable to provide an investment rating or target price due to insufficient fundamental data, or when legal, regulatory, or policy restrictions prevent us from publishing a rating or target price.

Zedcrest Research

Extra-normal situations: Our standard rating methodology does not apply in exceptional circumstances where non-quantifiable factors and material considerations that cannot be reliably estimated come into play. In such cases, our analysts may exercise professional judgment to assign ratings that deviate from those expected under our standard methodology, taking into account unique circumstances that cannot be fully captured by our quantitative approach.

Analyst's compensation

The research analyst(s) who prepared this report are compensated based on a combination of factors, including:

- The quality and accuracy of their research
- Client feedback and satisfaction
- Competitive market factors
- The overall performance and revenue of the firm, which includes contributions from Asset Management, Securities Trading, Stock Broking, and other business units

This compensation structure is designed to align the analysts' interests with the firm's overall success and the value delivered to clients.

Valuation and risks

For a detailed analysis of our valuation methodology and potential risks associated with any recommended security, please refer to our most recent company-specific research report. If you have any further questions or concerns, please don't hesitate to contact the analyst listed on the front of this report

Frequency of next update

We will provide an update to our view on the company when significant developments or financial news occur, prompting a reassessment of our position.

Conflict of interest policy

Zedcrest Wealth and its affiliates maintain a policy ensuring research analysts' independence. Analysts are not involved in activities suggesting representation of Zedcrest Wealth's interests in a way that could compromise their impartiality. To avoid conflicts, analysts report to separate lines, independent of Securities Trading, Wealth Management and Stock Broking departments. However, these departments may trade based on published research, potentially creating conflicting interests with clients.

General disclaimer

This research report is based on publicly available information considered credible by our analysts. However, facts and views presented may not reflect information known to other Zedcrest business. While reasonable care has been taken, Zedcrest Wealth its officers, and employees disclaim responsibility for any errors or omissions. The

Zedcrest Research

report's accuracy, fairness, and completeness have not been verified, and its contents should not be relied upon for investment decisions.

Ratings, forecasts, and opinions are subject to change without notice and may not reflect future performance. Past performance is not indicative of future results, and investments may fall or rise due to various factors.

Zedcrest Wealth and its affiliates shall not be liable for any losses arising from the use of this report. This report provides general information only and does not constitute personal investment advice. Investors should independently evaluate investment risks and suitability, and all investment decisions are their sole responsibility. Any investment decisions should be based on public information or offering documents, not this report. Zedcrest's other business units may issue inconsistent trading ideas or recommendations.