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Kenya			
Lesotho			
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Nigeria			
S. Africa			
Swaziland			
Zambia			
Zimbabwe			

JM BUSHHA Funds Returns	
Fund Name	3 Years
CashPlus	9.61%
BondPlus	9.54%
Absolute AllClass	8.07%
Absolute Aggressive	7.98%
Communities Fund	N/A
Diversified Equity	N/A
Real Return	9.62%
Global Investor	N/A
Afro Fund	9.62%

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Share Focus: MTN

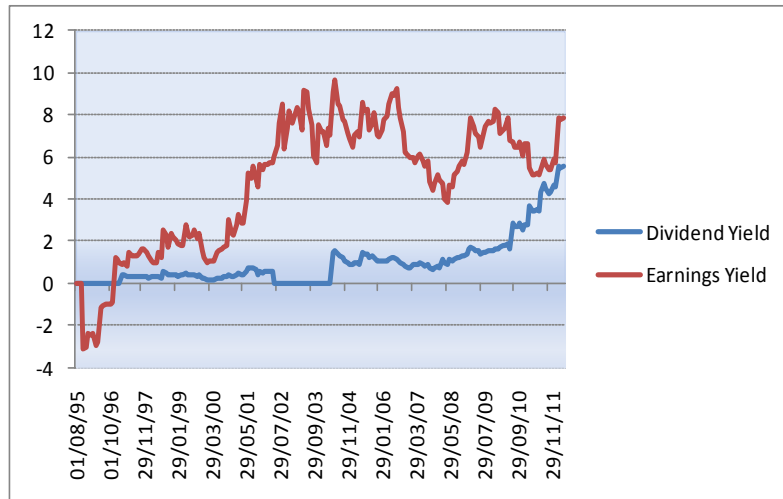
MTN is the biggest mobile telecommunication company in Africa. It is present in 21 countries covering two continents – Africa and the Middle East/Asia. Its geographical expansion growth rate has been phenomenal and so has been the share price which listed at R2.20 and currently trading at about R134 per share – a growth of 61.11 times over 18 years since listing compared to the overall South Africa equity market index of 6.6 times.

But this good growth story has been muddled in disputes and court cases – from tiny countries like Swaziland and Guinea to bigger Nigeria and Iran. Its ambitious rapid acquisition-propelled growth took a knock in 2009 when it failed to merge with India’s Bharti Airtel that would have made MTN Group the third largest telecommunication firm in the world then.

It won a court case against its MTN Swaziland co-shareholder, Swaziland Post & Telecommunication (“SPTC”) in Swaziland barring SPTC from setting up a competing mobile company in the country. In Iran, there are allegations of bribery by Turkcell of Turkey. If the allegations are true and found guilty, MTN could lose US\$4.2 billion (ZAR35.70 billion at the exchange rate of ZAR8.50/\$) in damage claims and more from investor sentiments. Iran contributes about 6.71% of MTN income. Nigeria and South Africa remain the main contributors to group income.

Dividend and earnings analysis

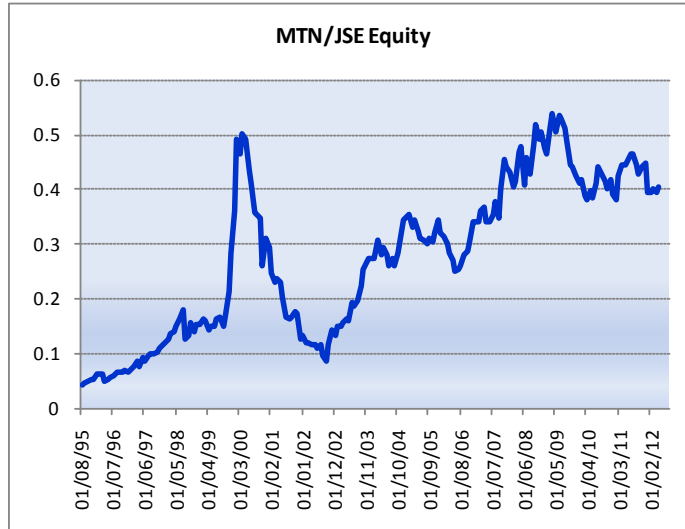
After a decrease in 2000 and 2010, the ROE increased in 2011 by 24.24% from 19.80% and shareholders received a dividend yield of 4.22%. The historical average dividend yield is 1.36%. The current payment ratio of 59.00% is 3.23 times the average over seven (7) years – a surprise spike. This came after the failed Bharti Airtel deal and the departure of CEO Nhleko. **We believe this was a once-off surprise.** The average dividend yield is very low, below the lower inflation band target. The chart below show MTN dividend and earnings yields history.



MTN started paying dividends in 1997, which was suspended from June 2002 to June 2004. There was a steady upward trend from 2008 after entry into Afghanistan (2005), Iran (2006) and Botswana and Benin (2007) with results starting to come from one of the big income contributors as well - Nigeria.

MTN Expansion Time Line

2007	↔	Benin/Botswana
2006	↔	Iran
2005	↔	Afghanistan/Guinea
2004	↔	Ghana/Ginea Bessau
2003	↔	Cyprus/Sudan
2002	↔	Syria
2001	↔	Nigeria
2000	↔	Cameron/Rwanda/Yemen
1999	↔	Congo
1998	↔	Uganda
1996	↔	Cote d'Ivoire
1995	↔	Zambia
1994	↔	South Africa



Dividend Analysis

Share	DY	POR
UCI	5.58%	34.51%
Average	1.36%	18.28%
Current	4.22%	59.00%
LCI	0.00%	2.05%
Volatility	4.22%	16.23%

DY = Dividend Yield. POR = payout ratio

From a technical point - the graph shows an entrenched upward momentum which has stalled this year. MTN underperformed relative to the equity market between April 2000 and August 2003 when it started recovering. It took MTN at least five (5) years to reach the peak relative strength it had attained in April 2000 against the market. There has been negative news about MTN, but nothing substantial has come out to make investors nervous. The share has been trading in a narrow range.

Recommendation

Given consensus EPS forecast, from the current trading market price of R137.40 per, our target price is R170.95 one year out all else equal, i.e., none of the allegations is proved in a court of law. If the Turkcell allegations are true, and MTN has to pay the claimed amount, the payout ratio or current dividend yield cannot be sustained. The cash to pay the claim will affect dividends.

Based on model, MTN is trading at 19.62% discount to the target price. We have an add/buy recommendation but with caution pending the outcome of the allegations.