

## MTN: Following shoppers online

MTN expects its e-commerce operations to break even in 2018. Growth is expected to be spurred by the growth in data usage and the adoption of smart devices. The group could also make acquisitions to bolster its electronic sales platforms...



MTN Group CE Sifiso Dabengwa.  
Photographer: Martin Rhodes

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Currently, MTN gets most of its more than R60bn in revenue from mobile phone, data and voice services.

Following in the footsteps of companies like Naspers, which is accelerating investments in e-commerce especially in emerging markets, MTN is betting big on e-commerce in Africa and the Middle East and has upped its stake in Africa Internet Holdings (AIH).

Last week, the mobile phone operator said in its interim financial results that it had exercised its rights to increase its investment in AIH to 41%.

In 2013, MTN bought a 33,3% stake in AIH, a joint venture between Rocket Internet and Millicom International Cellular.

The groups continue to retain joint control over AIH.

MTN says it is satisfied with its e-commerce growth though this is from a small base.

MTN Group CE Sifiso Dabengwa says the group is committed to its e-commerce operations, given the opportunities in emerging markets.

Started in 2012, AIH operates a range of e-commerce and lifestyle online platforms across the continent, including in SA, Ghana, Morocco and Senegal.

AIH's network of companies includes Jumia, the largest e-commerce mall in Africa; Zando, a shoe and fashion online retailer; HelloFood, an online platform for ordering food from restaurants; Jovago, a hotel booking portal; and Vendito, a general classifieds platform.

MTN has big plans for the e-commerce market in the African regions where it operates, which analysts say are untapped by bigger players.

Farai Mapfinya, head of equities at JM Busha, says MTN has positioned itself predominantly as a carrier and has not exploited the brand value visibility of e-commerce platforms.

The main reason is that the company is cognisant of the damage it may have on MTN should any of the e-commerce platforms falter. "E-commerce is way more competitive and fragmented than telecoms and the likelihood of failure is much higher," Mapfinya says.

"Naspers has closed and impaired a number of e-commerce ventures and we think MTN is taking a measured approach, rightly so," he says.

According to Mapfinya, profitability in e-commerce depends on scale and suitability, but the risk of a disruptive technology coming through is also high.

MTN reported a 4,9% decline in revenue to R69,2bn, dragged down by currency fluctuations.

"The Nigerian currency translation is always going to be a problem . as the naira is pegged to the US dollar, and the rand has weakened to the dollar. So from a currency roundabouts and swings point of view, these normalise over time," asset managers Vestact said.

MTN's two biggest markets are in SA and Nigeria.

Vestact says in Nigeria margins decreased, mostly as a result of MTN selling its tower infrastructure and a weakening naira. MTN Nigeria and SA both reported disappointing results but a rebound is expected in the remainder of the year.

Arguing a case for investing in MTN, Vestact says countries and territories that MTN trades in are high growth, though tricky from a regulatory point of view, as well as politically.

"Data will continue to drive the company, the margins are fabulous and the dividend flow should continue to be strong. Hold and accumulate on weakness; there is plenty of room for expansion of services across what is still a very low base," Vestact says.

**Source:** Financial Mail

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