MTN Group downgrades medium-term margin target for SA on power outages

- Mobile network operator MTN Group revised the medium-term profit margin target range for its South African business downward due to crippling power outages that have inflated operational costs.

A worker walks past an outlet of South Africa's MTN Group in Johannesburg, South Africa, on 23 February 2016. Reuters/Siphiwe Sibek/File Photo

State electricity utility Eskom is implementing the worst rolling blackouts on record, leaving households in the dark for up to 10 hours a day.

The telecom industry is having to crank up diesel generators to power its vast towers, roll out additional back-up batteries and increase security at these sites to protect them from vandalism and theft, additional costs that are putting pressure on their margins.

The blackouts not only impacted network availability for MTN but also some business functions which hampered its customers' ability to recharge and upgrade their packages, the carrier said.

The effects of the power outages on its topline and costs resulted in an estimated negative impact of R695m ($38.23m), or 3.4%, on MTN South Africa's earnings before interest, tax, depreciation and amortization (EBITDA), MTN added.

This was for the year ended 31 December.

As a result, MTN revised the EBITDA margin for MTN South Africa, its second-biggest market by revenue, to 37%-39%, down from 39%-42%.

Overall, the carrier, with 289.1 million subscribers across 19 African markets, reported headline earnings per share growth of 16.9% and EBITDA grew by 14.3% in the period, with group service revenue up 15.3% at 196.5 billion.

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