Richard Cluver Predicts
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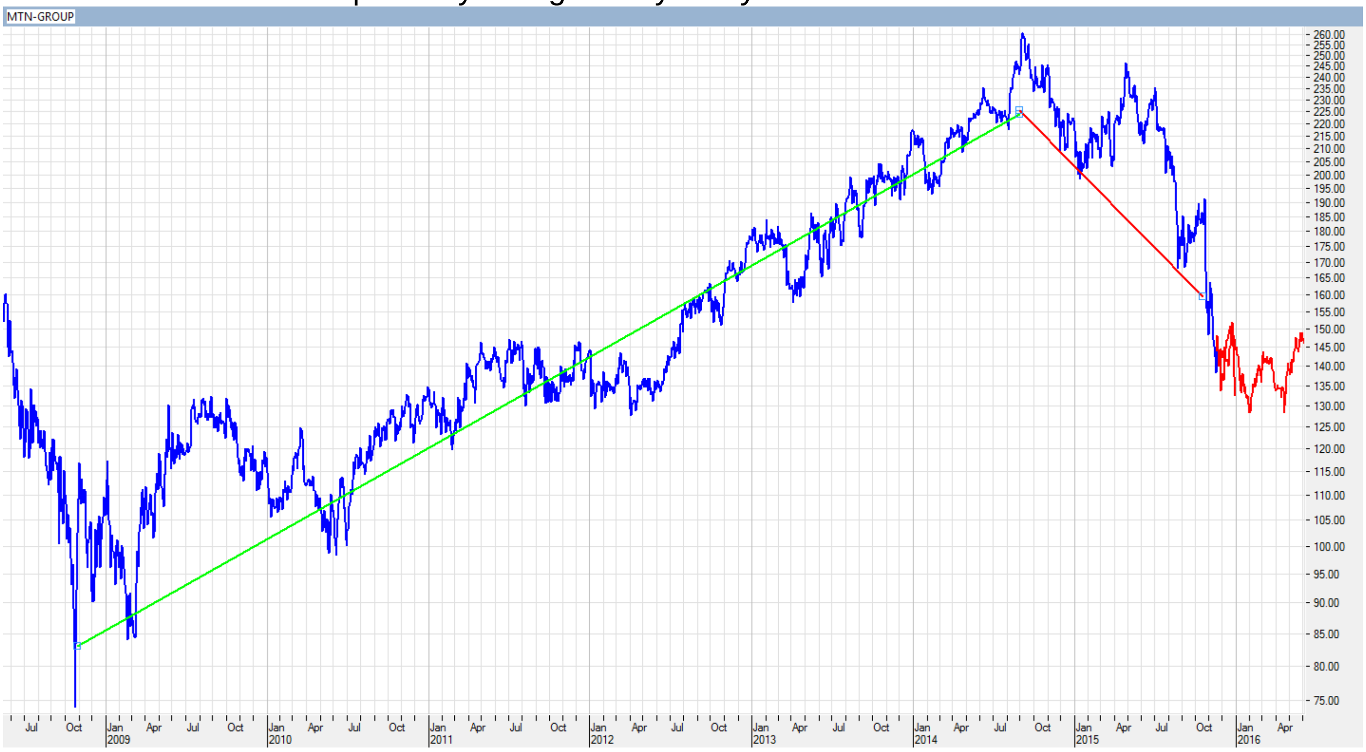
I don't think I can ever remember when one JSE listed share was a topic of such endless and widespread discussion as has been the case of MTN. It is, depending upon how you look at it, either the mouth-watering bargain of the month or the share to dump and run for the hills.

I have, as readers will be well aware from my recent writings, opted for the bargain view. If you have followed the fortunes of this company lately with the abrupt resignation of the CEO who took the fall for one of the most serious corporate blunders of modern stock exchange history by blatantly ignoring the increasingly strident warnings of the Nigerian Government to put its house in order, it's a troubling saga. MTN has studiously avoided explaining why it took this course of action and it has been repeatedly castigated by analysts for its lack of communication.



Now the fact is that MTN is involved in very delicate negotiations with the Nigerian Government in order to try and have its truly stupendous punishment reduced and so it is probably understandable that it is saying little in order not to ruffle Nigerian feathers during this process for it must be obvious that a public slanging match would destroy any goodwill that might still exist between the parties.

Furthermore, the market obviously took a very favourable view of the fact that Nigeria this week relaxed the fine payment deadline. Traded volumes have soared and the price has risen modestly since then. Nevertheless the reputation of MTN has been severely tarnished and the blemish is not likely to go away in any hurry, even if they are able to negotiate a substantial

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http://www.rcis.co.za
richard@rcis.co.za

reduction in the fine that Nigeria has levied. But the real issue is what is a fair valuation for the shares?

Since they peaked at R260 a share in September last year the shares had been gradually falling in price because the market recognised that its Nigerian operations which contributed something of the order of 40% of profits, might be under threat because that single-export nation was experiencing severe balance of payment problems as a result of the fall in oil prices. Some analysts feared that as a result that MTN might not be able to repatriate its profits and dividends might be affected. As a consequence dividend yields rose from an average of around 4 percent to around 5 percent.

Given that its historic balance sheet credentials were sufficient to hold MTN in ShareFinder's Grand Old Favourites list, the shares consequently became mouth-wateringly attractive. However, compared with a dividend yield average of 2.8 percent, the current MTN yield of 7.6 percent is plainly ridiculous implying that a satisfactory resolution of the Nigerian issue should see the shares rising nearly threefold in price which few analysts could realistically see happening in the immediate future. But I do think a return to around R200 a share is not unreasonable and, if MTN plays its cards correctly in the future, a doubling from its current price might be assumed in the future. So consider my graph noting that ShareFinder sees a recovery to R150 in the new year.

But what if Nigeria sticks to its guns and does not reduce the fine? Well it must be remembered that MTN operated in 21 other countries and it has made a skill set of risk-taking in many countries where conservative investors would not dare to tread. These are skills that should not be taken lightly in a world that desperately needs to find ways to achieve business expansion in precisely the countries where MTN is earning its bread and butter.

In summary then, MTN is not a share for the widows and orphans. It has not been for years but I believe it is being punished by analysts who thought it was indeed a widows and orphans counter. They are now blaming it for their own misconceptions!

The next month:

New York's SP500: Contrary to my prediction, Wall Street rose this week and I see it continuing to gain until December 2.

London's Footsie: I correctly predicted a strong recovery which I see ending today with declines until December 2 before the next recovery.

JSE Industrial Index: I correctly predicted declines which I now see lasting until November 16.

Top40 Index: I correctly predicted a decline which I see lasting until the end of the month.

ShareFinder Blue Chip Index: I correctly predicted gains lasting until November 18 followed by a decline which I see lasting until late in December.

Golds: I correctly predicted losses. Now I see a recovery beginning in the new week and lasting until mid-December.

The Rand: I correctly predicted a brief recovery which I now see continuing long into December.

The Predicts accuracy rate on a running average basis over the past 568 weeks has been 83.55%. For the past 12 months it has been 94.07%.

Richard Cluver