

# Conference call transcript

22 March 2024

## **DISPOSAL OF SWIFTNET**

### **Operator**

Good day, ladies and gentlemen, and welcome to the Telkom conference call on the disposal of Swiftnet. All participants are currently in listen-only mode and there will be an opportunity for you to ask questions later in the conference. If you should need assistance during the call, please signal an operator by pressing \* and then 0. Please note that this event is being recorded. I would now like to hand the conference over to the group CEO, Serame Taukobong. Please go ahead.

### **Serame Taukobong**

Good day everyone. On the call with me is our group CFO, Nonkululeko Dlamini, the investor relations team and our M&A team. We are hosting this call to discuss the sense that was released on the disposal of the mast & towers business, Swiftnet, and the withdrawal of the cautionary. We'll summarise the details of the announcement and then we'll move to the Q&A to answer any questions if you have.

Swiftnet disposal and withdrawal of the cautionary. We have entered into a sale agreement with an entity incorporated for the purposes of the acquisition by a consortium comprising of an infrastructure fund managed by a subsidiary of Actis LLP, and a vehicle owned by Royal Bafokeng Holdings Limited as its BEE partner, for the 100% disposal of shares in the mast & towers business, Swiftnet, for a purchase enterprise value of R6.75 billion.

This is a pivotal milestone in Telkom's commitment to enhancing shareholder value and focusing on core business competencies while retaining use of towers infrastructure, further complementing the strategy that I earlier presented of building Telkom as an InfraCo. Key to this is of course that towers are not a core key requirement for building our infrastructure business and thus our focus on releasing this.

The rationale, this disposal is in line with our value unlock strategy, premised on the board's view that Telkom's market capitalisation does not represent its intrinsic value. At the enterprise value of R6.75 billion, this deal constitutes more than 50% of the current market cap, reaffirming our view that the market does not represent our intrinsic value.

The salient terms of the agreement. The purchaser, Towerco Bidco Pty Ltd, as the entity incorporated by the consortium for the purpose of the acquisition, and comprising an infrastructure fund managed by Actis, which would hold the majority shares in the purchaser, and two, Royal Bafokeng Holdings, which would hold no less than 30%.

As we have previously communicated, the disposal is a category 1 transaction in terms of the JSE listing requirements. Thus, it will require shareholder approval by ordinary resolution. Other conditions of the disposal to be fulfilled will include obtaining approval from the competition authorities, obtaining approval from ICASA, as there will be a change of control of Swiftnet licenses. The purchase price of the transaction is based on an enterprise value of R6.75 billion and will be subject to the adjustments as outlined on the SENS for cash, debt, capital expenditure, as well as working capital.

The agreement will take effect as soon as the conditions or CPs are fulfilled. The use of the proceeds, as we've mentioned in past engagements and reiterated in my announcements, the proceeds from the disposal will be utilised primarily to pay down debt, thereby strengthening Telkom's balance sheet and enabling the release of free cash flow for investment in our core businesses, namely Telkom Consumer and Openserve. We will also deploy some of the funds to pursue growth opportunities. A reminder that the disposal will not trigger a special dividend for shareholders.

Board support. The disposal has the support of the board, which recommends that shareholders vote in favour of the resolution to approve the disposal. In terms of the next steps, a circular containing full details of the disposal and convening a general meeting to approve the disposal of the Swiftnet will be issued to shareholders in due course in compliance with the JSE listing requirements. The salient dates and timelines related to the disposal, including the date of the general meeting for shareholder approval, will be in the circular.

The transaction will then be subject to regulatory approvals, as mentioned before, are the South African Competition Commission, as well as the Independent Communication of South Africa, i.e., CASA, in its capacity as the regulator of the telecommunications sector. As particulars of the disposal of the Swiftnet have now been announced, caution is no longer required to be exercised by shareholders when dealing in Telkom securities and thus has been withdrawn. I will now hand over to the operator for questions and answers.

**Operator**

Thank you very much, sir. Ladies and gentlemen, at this time, if you do wish to ask a question, please press \* and then 1 on your touchtone phone or on the keypad on your screen. You will hear a confirmation tone that you have joined the queue. If you wish to withdraw the question, please press \* and then 2 to remove yourself from the list. Our first question is from Jono Bradley of Absa. Please go ahead.

**Jono Bradley**

Thanks very much for hosting this call and the opportunity to ask questions. Just three from me please. Firstly, on the transitional service agreements, does this imply that there are no longer term lease contracts at this stage? Or are these transitional service agreements over and above the existing lease contracts? Secondly, can you give us a sense of what the lease liability will be for Telkom after the sale as well as the net EBITDA impact? And finally, are you able to disclose what the escalations are likely to be in the lease agreements? Thanks very much.

**Operator**

Thank you. The next questions are from Sikonathi Mantshantsha of News 24. Please go ahead.

**Sikonathi**

Thank you, sir. Jono has just asked all the questions I wanted to ask. Can Serame perhaps tell us if the largest shareholders, the government and the PIC, what is their attitude to this, if they have at all been canvassed? Thank you.

**Operator**

Thank you. The next question is from Madi Singh of HSBC. Please go ahead. Madi, your line is open. Would you like to ask your questions?

**Madhvendra Singh**

So, my first question is, you know, your expectation in terms of how much cash you are expecting to come into the company post-transaction, because you mentioned about the debt at Swiftnet and so on. So, just it will be easier for us to understand if you give a number, if all the conditions are met, what will be the cash into the company?

And then the second question is, would there be a capital gains tax applicable on this transaction, or is there any other tax which we need to be aware of which has to be paid for? And finally, does it change your capex plan in any way, post-transaction, especially given that towers will no longer be with you? Does it also mean any negative impact on earnings? So, if you could talk about that. Thank you.

**Serame Taukobong**

Okay. Can we take those three or four for now?

**Nonkululeko Dlamini**

Yep, I think we're good, Serame. Thank you very much. Serame, maybe I can start and you will probably add on some of the questions. Nonkululeko Dlamini here. If I can start with a question around the lease liability and what it means for our balance sheet, I just want to highlight in the first instance that this Swiftnet business in Telkom has been servicing our divisions, specifically Consumer and Openserve.

So, now with this sale there would be no impact as such because both Consumer and Openserve would have already been disclosing or working with this arrangement as a lease liability at arm's-length level. And that's how we have set it up internally so what the difference is now is that instead of working with one of the subsidiaries of Telkom in Swiftnet, it will work with an external party. So, it will be a lease liability from the external cost perspective that we will have to disclose in our financial statements. And we do follow the requirements of IFRS 16 in that regard.

And there was a question around the specific numbers in terms of what that means in EBITDA. We will disclose all those details in the detail that we will issue with the circular and that work is in progress with ourselves and our auditors are finalising that. So, we will basically disclose all those details in that. But maybe lastly to just indicate that in the disclosure that we will show in the circular, we are quite comfortable that this transaction is considered to be very in the company and for the shareholders as well.

The question around the debt in Swiftnet, yes, there is a debt element. And it is then going to be part of the circular details that we will issue. But it is included in the financials of Swiftnet that we are working with. And maybe I can also just comment on the capital gains tax. There is work that we are also going to include in the circular around the tax implication of the transaction.

But maybe I can indicate that for the calculations that we have done, we will have to take into account the offsetting of the tax loss position that we are dealing with the Receiver of Revenue. So net impact, we don't see a significant cash outflow in the payment of tax based on the work we've done and the impact of the transaction. Maybe, Serame, you can deal with the question, I think it was around the shareholder attitude towards the transaction, and I'll pick up any others that I may need to pick up. Thank you.

**Serame Taukobong**

Thank you, Nonku. I think on the main shareholders, like other shareholders engaged on this journey, the shareholders have not indicated any negative sentiments towards this transaction. And so far they have been positively inclined towards it. They will be engaged equally like other shareholders as we are doing in this conversation right now.

There was the question of the service agreements. Obviously, all these are existing service agreements. So, Swiftnet has service agreements with mobile network operators being MTN, Vodacom, as well as Telkom Mobile. These service agreements have been renewed and do exist. And these are long term service agreements. They do proceed in the current process and in the long term.

Capex plans in terms of the existing capex plans. If I talk to Telkom Mobile capex plans, just to shed colour, Telkom Mobile is currently on just under 8,000 sites. The commercial sites that sit under Swiftnet are 2,900 of those. Telkom Mobile's expansion is not materially affected by the 2,900 sites that sit in Swiftnet. Those expansion plans of Telkom Mobile will continue unabated as per the existing expansion plans. That was that one.

Capital gains you talked about. We cannot obviously shed colour on the final cash amount, obviously subject to the statements that Nonku has talked about, which will be contained in the details circular to be circulated. I think those were most of the elements. Nonku, have I missed out anything?

**Nonkululeko Dlamini**

I think you've covered everything that I had in my list as well. Thank you, Serame.

**Serame Taukobong**

Okay. Jono, Mantshantsha, Madi, happy?

**Operator**

Thank you very much. The next question is then from Nadim Mohamed of SBG Securities. Please go ahead.

**Nadim Mohamed**

Good morning and well done on achieving what looks like an attractive price for the towers. Just a few questions on my side. Firstly, could you confirm that there is no hard currency or Dollar component to the lease rates post conclusion of the deal? Secondly, my understanding is that the acquirer will take over Swiftnet as it stands right now and Telkom will then be the anchor tenant for most of these sites. Are there any new services that you are subscribing to post the transaction, like Power as a Service transactions or any other revenue streams that are part of this particular contract? And lastly, seeing that we are probably quite close to you moving into a closed

period, I was wondering if you could give us an update on how mobile, Openserve and BCX are trading relative to the trends we saw in the last set of results.

**Operator**

Thank you. The next questions are from Noni Tabure [?] of [unclear]. Please go ahead.

**Noni Tabure [?]**

Hi. Good morning. And once again, yes, congratulations on this transaction to Serame and the team. What I did want to get clarity on, and maybe it has been touched on, the press release seems to indicate that you are only selling 3,900 – or is it 2,900? And I guess if so, what was the rationale of leaving the balance out instead of a total disposal? You just indicated that some of the old Telkom Mobile... just get some sense as to what are in fact the actual numbers that are being sold Actis Consortium and what becomes of the balance of portfolio? Thank you very much.

**Operator**

Thank you. The next questions are from Jonathan Kennedy-Good of Prescient Securities. Please go ahead.

**Jonathan Kennedy-Good**

Good morning. I just wanted to check whether you've put any restraints on the buyers in terms of how much they can gear up these assets. Because I think in the past, what we've seen with asset sales is they've been welcomed initially. And then these private equity companies gear up these businesses very heavily and then can't assist you with your capex rollouts, with your network rollouts, and ultimately can become problematic if they take on too much gearing. So, I'm just trying to understand how much gearing they're taking on in this process. Thank you.

**Serame Taukobong**

Okay, is that all the questions?

**Operator**

Those are the questions for this round.

**Serame Taukobong**

Okay. Nonku, I can go.

**Nonkululeko Dlamini**

I can go and do it, Serame. And maybe what I will touch on is the question in relation to the market guidance in relation to the results we issued in December. We are basically starting the closing of the books process. We're in March now. But the indications that we see right now is that the guidance that we've left with the market when we released the December updates, we are still within the ranges that we have indicated in terms of our expectations on the revenue, EBITDA and the capex intensity, probably those being the main ones that we would normally speak about. So, we are fairly in line with the guidance that we've given the last time.

I think the other question was around the price whether there is any hard currency implications. And I think from, you will add, Serame, from the price itself, we cannot necessarily talk to that. It is the bidder's matter. We are focusing on the R6.75 billion price that we're working with.

### **Serame Taukobong**

It was Dollar component. There's no Dollar component, Madi. All in South African Rand. No Dollar component. In terms of the anchor tenant, we, Telkom Mobile is one of three tenants. As I indicated there are three tenants, three key tenants, Vodacom, MTN, Telkom Mobile. All long-term master lease agreements have been signed and sealed for all those three key tenants. Obviously on some of the other higher towers like we've indicated, there are other tenants like your TV stations, satellite, radios, etc. Those two have also been sealed. Nonku?

### **Nonkululeko Dlamini**

Yes, Serame. Serame, then the next question was on the new services, like Power as a Service. We are already consuming those services as part of the business for both the services that are offered in Consumer and Openserve. We're already consuming them, and that continues as part of the services that the new owner will provide to Telkom and the rest of the market. It's nothing different for the Telkom point of view as a perspective.

### **Serame Taukobong**

Noni, you asked the question of 2,000 versus 3,900. Let me share the clarity of that. What we talk of is what we call commercial active versus non-active. So, you'll see two numbers being quoted. There is an ecosystem of just under 4,000 towers in total. So, those are the towers being disposed of. Then you will see what is referred to as 2,900. I'm just rounding off. I think the actual numbers will be in the circular. Those are towers that have tenants and are commercially active.

Now, we also excluded in there, which were the towers that were called the strategic towers. You can see the details in that. So, those are towers like your Hillbrow tower, which is the big tower in Hillbrow. The tower itself is retained as a property of Telkom, but the buyer has full access to renting that space and being commercially active on that space. But the physical property itself belongs to Telkom. But those are few in number. So, when you see that comparison, that's what sometimes creates the confusion. So, there are towers, poles, the total

number is just under 4,000. That is what you call commercially active, where there's now physical towers which are tenanted and have rentals. And that's the difference that you'll see in this. So, the full flock of stock is being sold.

Jonathan, in terms of your restraints for gearing, there has been no restraints that have been put up on this. We have no expectations for the entity to be part of our further capital rollout. Like I said, in terms of where Telkom Mobile sits in their expansion, a significant portion of the footprint that Telkom Mobile is using sits outside what is currently in the commercial active footprint that the new entity will own. I hope that covers most of the questions.

**Operator**

Thank you, sir. The next questions are from Preshendran Odayar of Nedbank CIB. Please go ahead.

**Preshendran Odayar**

Yeah. Good morning, everyone, and thanks for this announcement. It's been long awaited and congratulations on it. I've got a few questions. Some of them are quite quick. Just wanted to clarify first, you're selling the business of Swiftnet. Now, can you sell the electronic communications network licenses that come with the business as part of it, or is it something that the new acquirer has to apply for new IECNS and ECNS licenses to carry the traffic?

And then just a clarification on that lease liability question. I think the question might have been phrased. I'll try and rephrase it, but I think before you consolidated the results of Swiftnet, so we couldn't really see a lease liability number in Openserve and Telkom Mobile. Now that it will be sitting outside of the entity, you won't consolidate it. So, I think the question is, what will a lease liability number look like on the balance sheet of Telkom? And you can give it to us on pro forma basis as of the interim balance sheet that you provided as of end of November last year.

Third question is, is there any restrictions on retrenchments as part of the sale agreement? I'm thinking about when Telkom bought BCX and the restrictions that were imposed then. Is there similar restrictions being imposed on the sale? And then just two more. With the lease agreements that you've said that you've signed with Telkom and MTN and Vodacom and the like, will the sale of the business, being a change in owner, affect any of these lease agreements?

And what I'm alluding to here is similar to what happened with Vodacom when the Cell C transaction happened and that affected the distribution of Vodacom SIMs from a Blue Label perspective. Just want to see if anything's happening there. And then the last question is, as part of the sale, are you also selling the rights to build more

towers? And if you can share, how many wayleave [?] rights do you have that can form part of the sale? So, I know it's quite a bit, so hopefully you can answer some of them. Thanks.

**Nonkululeko Dlamini**

Thank you. Serame, maybe I can start with the clarification on the lease liability question. So, it is quite correct that in the Telkom consolidated group you would not have necessarily seen the number because it would have been netted off between the business units. And as it is indicated, the towers that we lease, there's quite a significant portion that we already lease externally, and those we already show as external lease liabilities. And we would then have to add the portion of leasing these externally into that number that we already disclosed in the financial statements.

In terms of the actual numbers that we would disclose in the financial statements, we will indeed have that explicit in the circular in numbers. But it would be indeed the number that we would have had for both Openserve and Consumer, but consolidated for group, that is now going to be an external number. And we look at it and not see a negative impact in the numbers that we've reported previously except that it will now be external.

**Serame Taukobong**

Obviously, Presh, then the ICASA approval is then for the license approval of the ECNS, which then also covers the Section 22 obligation. So, ECNS then intrinsically covers then the right of the license owner to build for the towers that is covered in that. Secondly, attached to that, if Telkom requires in itself to build more towers, it will have to go through this entity to build more towers, which talks to that second point. The change of ownership is covered, has been covered then, in the extensive renegotiation negotiation and signing of those long-term master lease agreements with all three, MTN, Vodacom, and Telkom Mobile. That is why those five plus five or whatever tenure those guys negotiated. But they are long-term contracts that had to be signed with this entity to reflect that change of ownership.

To answer the question of retrenchments in the Section 189 process that took place early last year. The people or the individuals that were directly involved in the current running then of Swiftnet were ring-fenced and were not affected in the 189 process that took place in Telkom specifically with this transaction in consideration. So, I think we've covered all the questions that you asked, squire.

**Operator**

Thank you. The next question is from Godwill Chahwahwa of Coronation Fund Managers. Please go ahead.

**Godwill Chahwahwa**

Good morning, guys, and congratulations on the deal. I've just got a quick question on the details underlying the leases that your mobile business has with Swiftnet. You might have talked about this. I might have missed it because my line did go off of it. But what are the broad terms between... what's the escalation? I know the question was asked about Dollar leases, whether there's any Dollar component to that. I suspect that your answer there was that there isn't. But what is the duration of the leases that your mobile business has on these towers with Swiftnet, and what kind of escalation is embedded in those leases? Thanks.

**Operator**

Thank you. The next questions are from Myuran Rajaratnam of MIBFA. Please go ahead.

**Myuran Rajaratnam**

Good morning, guys, and thank you for the opportunity. Firstly, congratulations, Squire, on getting the deal across the line. Secondly, just following up from Godwill and Nadim's question, I'm just trying to get this in my head. There is absolutely no Dollar lease part to it. Annual payments, there's no Dollar component to it, right? Because Actis is a Dollar company, and we have this problem in Nigeria. There's a Dollar component that when the Rand goes, it's going to hurt. So, I just want to double check there's nothing of that sort.

And then secondly, thank you for the update on how the trading has been in the business. But can you give some more colour on the operational side? You were doing well on the prepaid side on the mobile business. Is that continuing at a similar run rate? And also, on Openserve, homes passed, homes connected, are they all sort of clipping along at a similar sort of run rate, Squire? Thank you.

**Operator**

Thank you. The next question is from Nadim Mohamed of SBG Securities. Please go ahead.

**Nadim Mohamed**

Hi again. Just a few follow-ups from me. Just in terms of your lease rates with the new entity, are there any other changes? I'm just thinking if I look at other tower companies on the continent, they typically pass through CPI inflation. There are power escalators as well. Are there any new components like that in terms of the new agreement that you signed with the entity itself? I would really appreciate if you could explain it.

And if you could just give us some comfort that based on the latest terms and conditions, are you confident that there will be accretion in terms of the lease costs being lower than what you save in terms of interest expenses and in terms of your net debt to EBITDA trending downwards post the transaction?

**Serame Taukobong**

All right. I can answer those. So, I think what's important is – and I can see where the Dollar questions are coming from – this contract is being signed with the South African arm of Actis. So, this is not with the international arm of Actis. It is with the local LLP, local arm of Actis. It's a Rand denominated, no Dollar-linked contractual agreements whatsoever. So, if you take, for instance, from a Telkom Mobile perspective, it is the existing contract that Telkom Mobile had or has with Swiftnet, which was obviously Rand denominated.

I obviously cannot disclose the contract details that Swiftnet has with Telkom Mobile. The contract that Telkom Mobile has with Swiftnet is exactly on the same terms that Swiftnet would have had with Vodacom and MTN. There was no favourable citizen rates in there. So, the commercial terms are exactly what Vodacom or MTN has, which is Rand based. The increases as such are similar to what they would have had, and I think typically it's at either CPI or CPI-related. There are no surprises in that regard.

We certainly do not expect any surprises or increases which would result in untoward costs which would affect the Telkom mobile debt-to-EBITDA ratios increasing. So, that's very important. I know, Nadim, you would certainly like to get a market update. This call is not about a market update. I think Nonku indulged a bit more than what we intended to do in this call. But needless to say, that as we are heading towards a closed period, we are comfortable that the indicators that we'd given to the market in the last call are heading in a similar direction to what we've given you. And that is, unfortunately, as best as we can give for now. I think those were pretty much most of the questions asked by Godwill, Nadim, and Myuran.

**Operator**

Of course. Thank you sir. The next question is from Nomandla Duma of PSG Asset Management. Please go ahead.

**Nomandla Duma**

Hi, hello guys. Congratulations, guys, on just concluding the transaction. I've got one for myself, just wanting to understand because you're saying that the proceeds for the transactions will basically be mostly applied to debt. Just your indications around the local level or just your comfortable level of net debt to EBITDA that you'd like to get to, given the fact that you are within your target as it stands today. So, just wanting some colour on that, and then I guess the proceeds left post that, I guess your plans on that. And just an order of priority as per your capital allocation plan would be quite useful for us. Thanks.

**Operator**

Thank you. The next question is from Madi Singh of HSBC. Please go ahead.

**Madhvendra Singh**

Yes, hi. Just a couple of follow-ups. On the shareholder loan, if you could clarify what is the reason why the loan still is on the books there? Why was it not settled earlier? And the second question is, just following up on the earnings accretion part. Are you comfortable in saying that the deal is accretive on earnings level as well? Or your comment earlier was purely on a value perspective, not on earnings perspective? So, if you could give some indication on the earnings accretion part, that will also be helpful.

And then a very quick one on your strategic towers comment you made. I'm just wondering how many such towers are there. And when I connect that question with the question you answered about licenses, which you are transferring to the new buyer, I'm just wondering under which license then you are owning these strategic towers still? Wouldn't you need a license to own and run those strategic towers as well separately? And if you have the license, then why can't you roll out new towers under that license? Thank you.

**Operator**

Thank you. The next question is from Sikonathi Mantshantsha of News24. Please go ahead.

**Sikonathi Mantshantsha**

Thank you, sir. Serame and Nonkululeko, perhaps just the historical figures. What is the latest outstanding debt, please? And how many people exactly are employed by Swiftnet? Thank you.

**Nonkululeko Dlamini**

Thank you. Serame, maybe let me start with Sikonathi's question on the debt. So, we have been tracking the debt, but we can probably talk to the history of it. We have currently just over R350 million still outstanding. So, that is what we are working with in the books of Swiftnet. And the details of the history of the debt, I'll just ask you, Serame, to touch on that.

And then on the question of the proceeds and where we believe we'll be comfortable in our net debt to EBITDA level. We've indicated that we would like to play in the range of between 1x to 1.5x. That's where we would be comfortable that we are leveraging the balance sheet. But we're not getting to uncomfortable levels with that leveraging, because it just gives us a space to go a bit low closer to 1x but also go up to 1.5x when there is any requirement that we feel it is worth going to those levels. And hence we then want to apply the proceeds to get our debt levels down as a first priority.

And the proceeds that we would be left with after making sure that we have compatible levels with debt would be a process we'll go through with the board. And I think in the same statement we've indicated that it should not be an expectation that it will be a special dividend approach. We will look at the areas that will be critical to apply the proceeds into the business, working with the board. But critically the priority is to reduce the debt

levels to the range that we want to drive at. And Serame, then maybe you can touch at the history of the loan and the other questions.

**Serame Taukobong**

Yeah, I think the history of the loan, it started at R500 million. I think it's down to the levels that you've talked about. And I think that's where it is. The direct number of people who service the business directly is 26 people, who like I said have been ring-fenced and not affected by the Section 189 process that took place early on. I think that covers most of the questions. Is that right? that took place early on. I think that covers most of the questions. Is that right?

Oh, the towers licenses. So, the towers licenses, what I'm talking about here is if you look at the infrastructure, the infrastructure is the physical infrastructure. So, some of the physical infrastructure, so the concrete towers, some of those concrete towers are used by other government agencies, so the military for military-related matters. So, they would not need a license to operate those. So, the ownership of that property is for usage for other matters that would not require Telkom to have a license. I hope that answers that question.

**Nonkululeko Dlamini**

If I may just maybe add, Serame, on that question. So, Swiftnet had its own license, ECM license. Telkom has its own ECM license as well. As part of the move, Swiftnet then is moving with its own license to do the trading. We are not going to do a compete business in towers with the business that we just disposed of. So, that's what we are doing. So, what is left of the towers is the concrete towers that are key and strategic to Telkom that we see as part of our key national points. That's the assets that are left. Your Hillbrow towers, your Lukasrand, those are the type of assets that we are having left. But not us using them to get into a TowerCo business again. So, there is a license for us to trade as a telco. They have the license that was with Swiftnet that is moving with them. I think that answers that question.

There was a question on number of sites that we are disposing of. As we have it in the circular, we have about 3,900 active sites. That's the volume of the number of sites that we have. Over 3,900. This number changes as new sites goes on air every time as we report on them. I think the last take that we took was about 3,900. That's the number of sites that we have that are active sites that have tenants on them. The portfolio has a number of other sites that might not have tenants on them. The number we reported is what's active. I think, Serame, that covers the questions on our side.

**Operator**

Thank you. We do have follow-up questions from Myuran Rajaratnam of MIBFA. Please go ahead.

**Myuran Rajaratnam**

Thanks again. Serame, you mentioned that this value unlock strategy from the executive team and the board is a multi-step process, and this is the first step, Swiftnet. Every time I look at the valuation for Openserve versus some of your peers like CIVH – it's sitting at R50 billion EV at the moment – I do a little tap dance. So, I just wanted to confirm that that is still ongoing. Value unlock is just the first step, Swiftnet, right? And the rest will come when they come, yes?

**Serame Taukobong**

The rest will come when they come, squire. The rest will come when they come.

**Myuran Rajaratnam**

Thank you very much.

**Operator**

Thank you. Then the next question is from Nomandla Duma of PSG Asset Management. Please go ahead.

**Nomandla Duma**

Cool. Thanks. Just a quick one for me, Nonkululeko. Just a follow-up. The 1x to 1.5x, is that ex IFRS16 or including IFRS16 as a gauge? I guess just kind of getting a sense of where we should sit. And then I guess the next question from me for Serame would be, then what's the next step? Can you just give us timelines on the next follow-up on the anticipation of the transaction to fully close, the process that follows from now, the announcement, the legalities of CompCom and all of that. I guess what we're trying to understand is, do you foresee a risk where the deal basically goes sideways and it gets delayed because of any regulatory hurdles that you guys are not able to meet?

**Operator**

Thank you. The next question is from Noni Tabure [?] of Meriratel [?]. Please go ahead.

**Noni Tabure**

Yeah. Thank you very much. I'm just following up on the other question that has just been asked. If my understanding is correct, Telkom will now only be using Actis, not only for the current portfolio, but also for their future requirements. It sounds to me that this is on an exclusive basis, i.e., no other TowerCo could come along and provide services to Telkom other than through Actis. Is that the case? And if that's the case, is there no concern about how the Competition Commission might view this arrangement and therefore potentially derail the deal? Thank you.

**Operator**

Thank you. We have no further questions in the queue at the moment.

**Serame Taukobong**

Let me give clarity on the last one. So, it is very important to get. So, if Telkom wants to build a new tower on a Telkom site, first preference must be given to Actis. That is Telkom building a tower on a Telkom site. If Helios says, I've got five new sites, then there's no exclusivity, there's no requirement for us to go to Actis first. So, Telkom Mobile can continue to buy sites from anybody that they want to buy. It's only if Telkom says, I've got a switch where I want to build a site, which is what Swiftnet would have traditionally done, that first preference goes to Actis. So, Competition Commission would not be a problem there. But if any other Towerco, Helios, IHS says, hey, I've built five new sites, Telkom Mobile is free to go to anybody to buy those. So, I just want to make clarity on that one there.

**Nonkululeko Dlamini**

Thank you, Serame. Maybe I can also give clarity on the net debt to EBITDA levels that I mentioned. Nomandla, it is inclusive of IFRS16 requirements. The range we're working with, and that's how we would report.

**Serame Taukobong**

And the last one on timing, we've given ourselves eight to 12 months in terms of the deal being finally concluded. That's the time of going through all the approvals, ICASA, Competition Commission, and all the elements contained therein. If we look at, for instance, from Competition Commission, as Actis does not currently operate in South Africa, it is not a competing TowerCo. We feel comfort in that regard. We have started the process in parallel then of submitting all these requirements to the various entities to start that process.

The first of course is then the JSE regulation, as we've said. Following the SENS, there will be then the circular with all the details, as we've discussed, being circulated to all the shareholders, resulting then in that EGM where then the shareholders will vote. That process has to happen 60 days from today. The circular will be in the market in the next two to three weeks to make sure that the shareholders are well informed of the details. And then the EGM, Extraordinary General Meeting, will be called for the shareholders to vote on this transaction, as the other matters of getting the various regulatory approvals sought runs in parallel.

**Operator**

Thank you very much, sir. We have no further questions in the queue. Would you like to make some closing comments?

**Serame Taukobong**

So, thank you all for attending our call, for your patience with this journey. I know it's been a long one. I know Presh did call it the runaway bride, but we have finally landed. I think the prudence that we needed to apply to this process, as I say, it was a complicated one. It certainly was not a very easy transaction, given the complexities that are contained in some of the privileges that Telkom enjoyed, having things like Section 22. But it was important for us, and especially for shareholders, to make sure that we get the best deal possible for our shareholders.

We hope that the price and the quality of what we've delivered will meet your expectations. We did promise that we will close this before financial year-end, and we have done our best to deliver that without compromising quality and price. And we trust that you will all vote favourably so that we can proceed then with the next big projects and deliver that also with speed. Thank you very much. And if you do have any further calls or questions, do reach out to our investor relations team as per usual. Thank you very much and do have a good day onwards.

**Operator**

Thank you very much, sir. Ladies and gentlemen, that concludes today's event that concludes today's event and you may now disconnect your lines.

END OF TRANSCRIPT