

Seamlessly  
connecting our  
customers to a  
better life

Telkom SA SOC Ltd

# Annual Results Presentation

for the year ended  
31 March 2024



**Telkom**

Many statements in this document and verbal statements that may be made by Telkom or officers, Directors or employees acting on Telkom's behalf constitute or are based on forward-looking statements.

All statements, other than statements of historical facts, including, among others, statements regarding our strategy, future financial position and plans, objectives, capital expenditure, projected costs and anticipated cost savings and financing plans, and projected levels of growth in the communications market, are forward-looking statements. Forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "envisage", "intend", "plan", "project", "estimate", "anticipate", "believe", "hope", "can", "is designed to" or similar phrases. However, the absence of such words does not necessarily mean that a statement is not forward looking.

Forward-looking statements are subject to several known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or any future results expressed or implied by such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from our expectations include, but are not limited to, those risks identified in Telkom's most recent integrated report available at <https://group.telkom.co.za/ir/>.

Telkom cautions readers not to place undue reliance on forward-looking statements. All written and verbal forward-looking statements attributable to Telkom, or persons acting on Telkom's behalf, are qualified in their entirety by these cautionary statements.

Unless we are required by law to update these statements, we will not necessarily update any of these forward-looking statements after the date of this document so that they conform either to actual results or to changes in our expectations.

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# FY24 Highlights











**Serame Taukobong**  
Group Chief Executive Officer



# OneTelkom: Internally aligned, externally executed

Telkom

**Purpose: Seamlessly connecting our customers to a better life**

	<b>Fibre</b> (Fixed network)	+170,000 km of fibre +1.2 million homes passed	
	<b>Mobile</b> (Mobile network)	+7 100 4.5G integrated sites +400 active 5G sites	
	<b>Data centres</b>	10 carrier neutral DCs 3 Tier IV DCs	
	<b>NGN assets</b>	~640 aggregation nodes; potential for Edge DCs	
	<b>Real estate</b>	Land, buildings & other non-core assets	

**InfraCo**

**Drive capital efficiency**

**Protect & sweat relevant assets**

**Promote & drive operational synergies**

**Exploit the right to win**

# Telkom leveraging InfraCo assets for growth

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## Focused investment in Fibre Assets

- Leadership in FTTH connectivity rate
- Top key undersea landing stations in SA
- Network footprint supported by green & alternative energy mix
- High quality and cost-efficient network



## Delivering on our data-led strategy

- 3<sup>rd</sup> largest MNO operator
- Data-centric operating model
- ISP and content platform
- Beyond connectivity - content, partnerships and gaming



## Driving growth in Enterprise services

- Africa's leading systems integrator
- Exclusive Alibaba Cloud Distributor for Southern Africa & in other African countries where our customers have presence



## Driving Group property efficiencies

- Management of core property assets & utility efficiency
- Core focus on Group-wide ESG delivery & decarbonisation
- IGPP development – (internal demand & external monetisation)
- Property disposal/monetisation



# Invested to fortify our mobile and fixed networks

We mitigated loadshedding with our network resilience plan

**Resilient  
mobile  
and fixed  
networks**

**Reduced mobile  
roaming traffic**  
by 1% and  
costs by 8.5%



**Improved  
network  
availability**

**Mobile network –**  
92% in H2 from  
88% in H1

**Fixed network layers –**  
access 99.86%,  
transport 99.85%  
and core 100%



**>6 000  
lithium-ion  
batteries at  
mobile and  
exchange sites  
as primary  
backup**



**Lower diesel consumption**

**15% reduction in diesel** consumption  
for backup generators

**Diesel costs reduced** despite higher  
loadshedding days vs prior year



**Reduced  
environmental  
footprint**

**Scope 1  
emissions  
decreased  
by 22%**



# Swiftnet disposal approved by shareholders

## Focusing on core businesses

- 100% disposal of non-core asset
- Sale agreement with Actis Infra Fund and 30% BEE partner (Royal Bafokeng Holdings)
- Value accretive transaction
  - R6.75bn base purchase price
  - Implied EV/EBITDA multiple of 7x
- Concluding Value unlock journey



## Improving financial position

- Pay down interest-bearing debt
  - Reduce net debt to EBITDA to target range of between 1.0x - 1.5x
  - Reduce finance costs
- Strengthen balance sheet
- Invest in core businesses growth opportunities



## Regulatory approvals in progress

- Parallel submissions to ICASA and Competition Authorities filed in April 2024
- ICASA – change of control
  - Transfer of license to Purchaser
- Expected within 6-12 months of submissions



# Group highlights - Total Operations

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**Group  
revenue**

up by 1.6%  
to R43.2 billion



**NGN  
revenue**

up by 7.0%  
to R34.4 billion



**Normalised EBITDA<sup>1</sup>**

up by 5.2%  
to R10.0 billion



**20 million mobile subscribers**



**HEPS**

up 201.3%  
to 376.0 cents per share



**BEPS**

up 442.8%  
to 385.5 cents per share



**Free cash flow**

up by R3.1 billion  
to positive R424 million



**Net debt to  
EBITDA**

at 1.7x



<sup>1</sup> Normalised EBITDA excludes R1.1bn once-off restructuring costs in prior year

# Our operational framework drives performance

## Grow revenue

- Grow NGN revenue streams
- Migrate legacy to next generation



## Improve profitability

- Sustainable cost management
  - Contain Opex below inflation
  - Optimise Direct costs



## Operational Excellence

- Network expansion and resilience
- Data driven services & products



## Disciplined capex allocation

- Capital & Operational productivity
- Maximise capex returns



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# Business Units Reviews

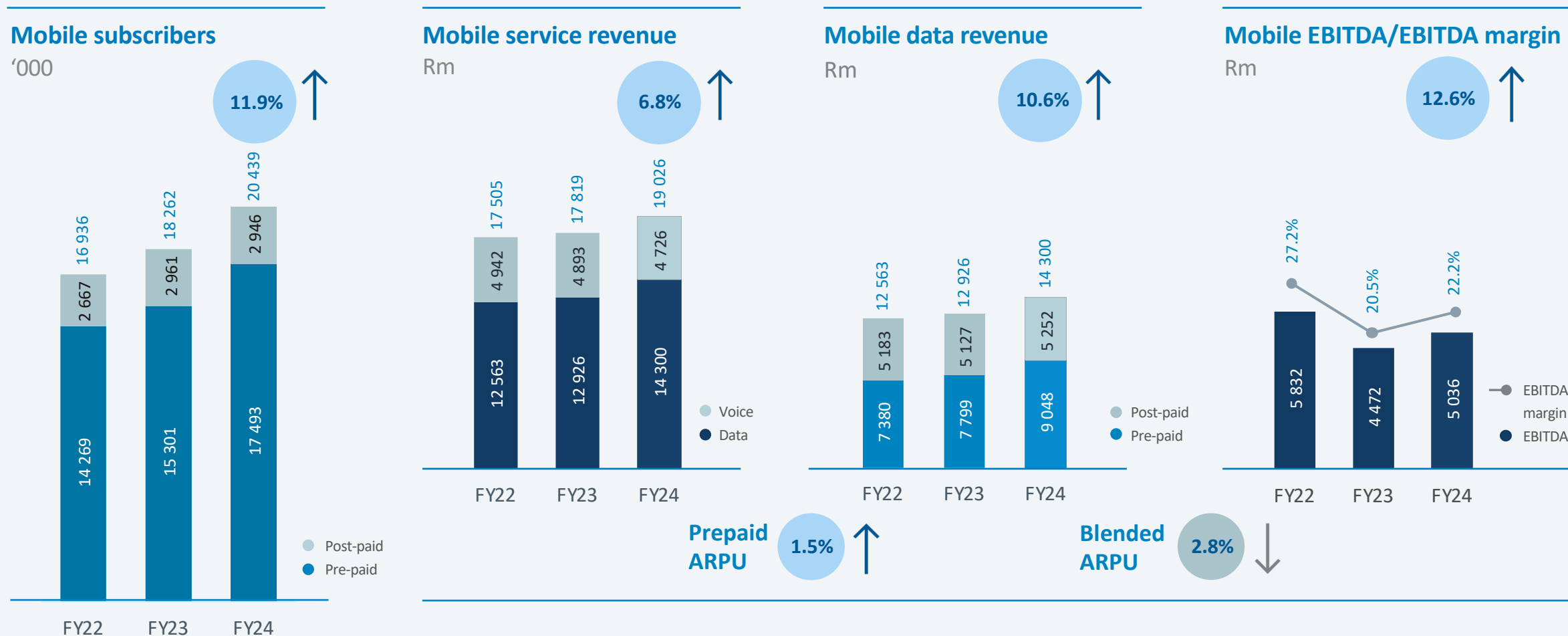
**Serame Taukobong**  
Group Chief Executive Officer



**Telkom**  
*Consumer*



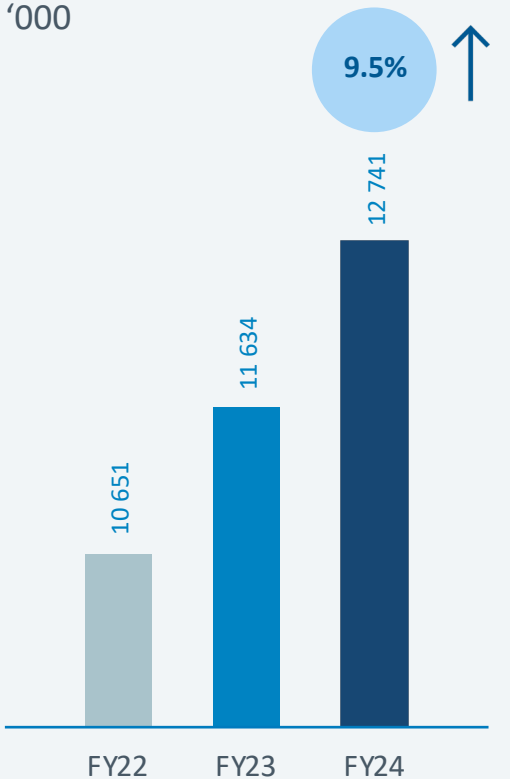
# Mobile service revenue growth ahead of market



# Mobile network designed to enable data-led strategy

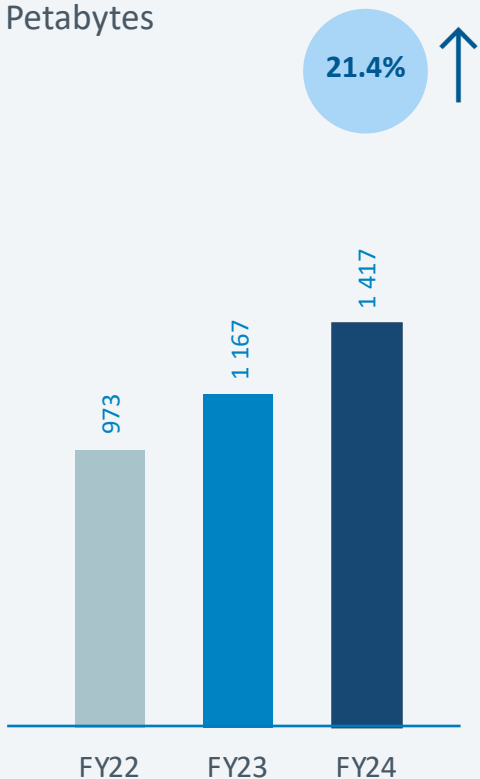
## Broadband subscribers

'000

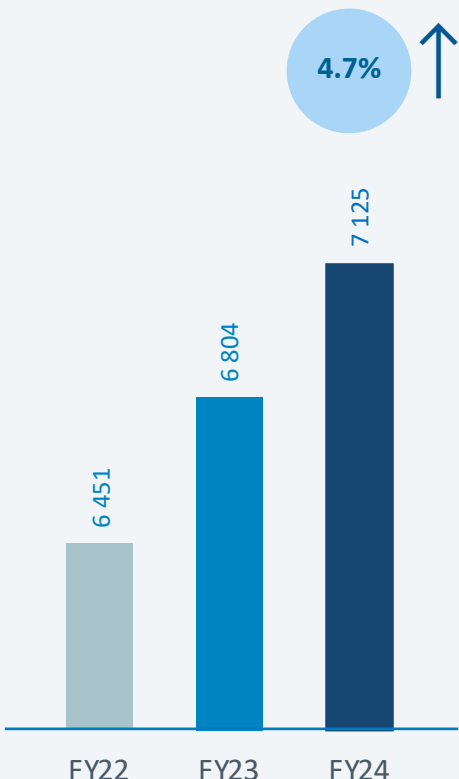


## Broadband traffic

Petabytes



## 4.5G integrated sites



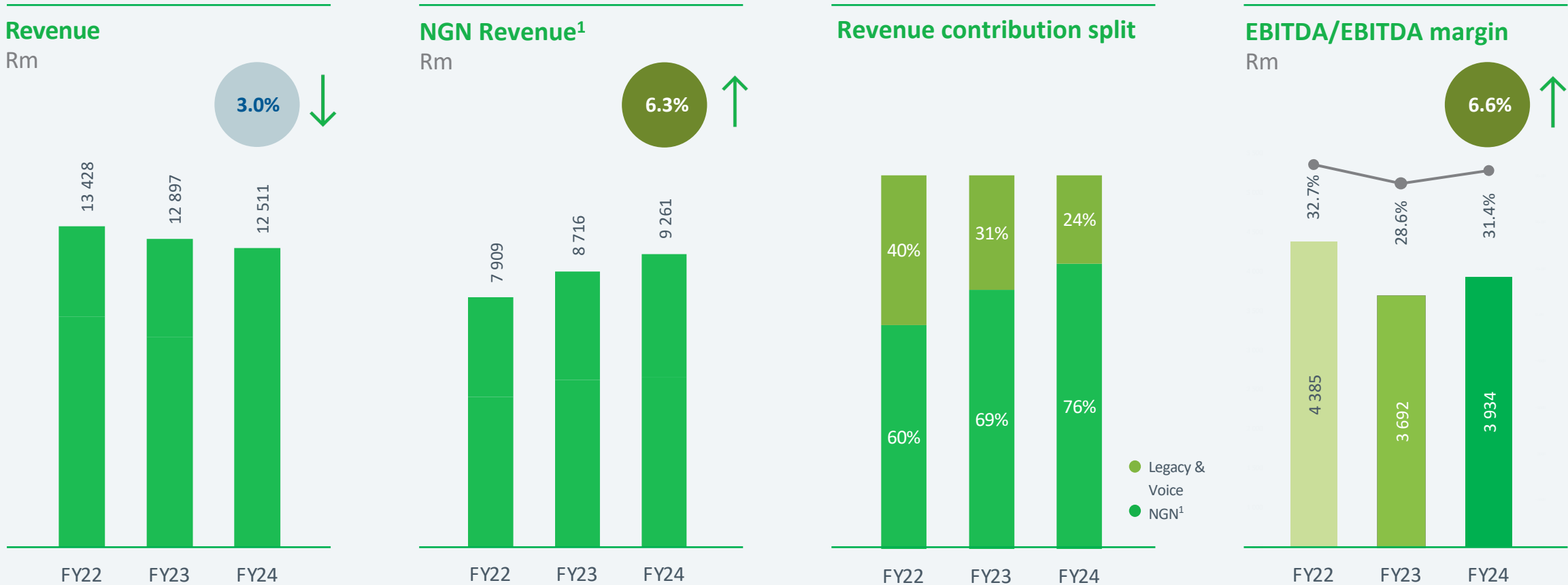
## Improved network coverage & capacity

- Extensive deployment of Sub1Ghz
- 82% - 4G population coverage
- 89% - customers are 4G and 5G
- 58% - voice customers on Voice over LTE (VoLTE)



Report cable theft to Crime Hotline 0800 124 000

# NGN revenue growth driving cost efficiencies

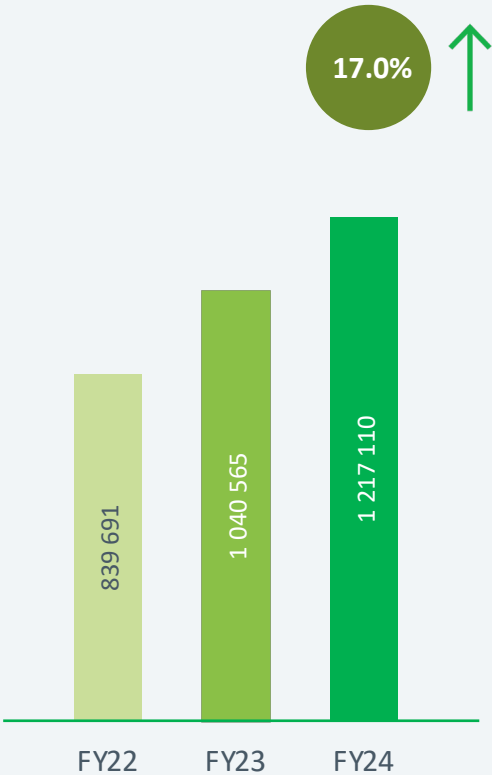


<sup>1</sup> Inclusive of Satellite Services and Interconnect Revenue

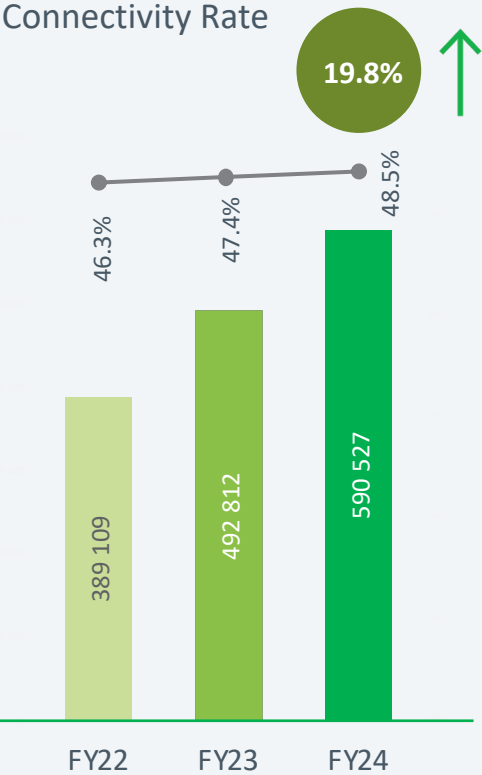
# Our connect-led strategy continued to drive the highest connectivity rate



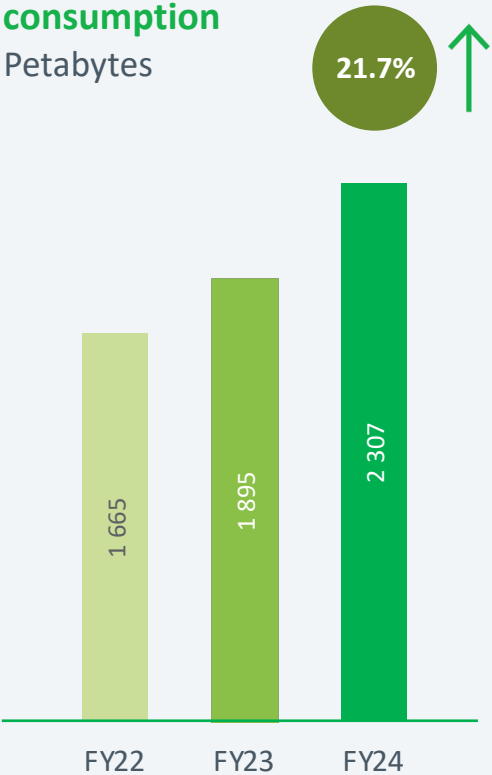
Homes passed with fibre



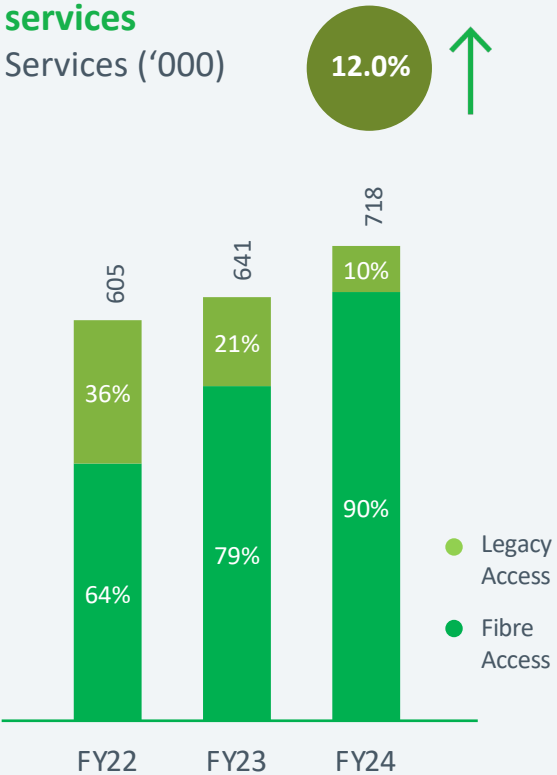
Fibre homes connected  
Connectivity Rate



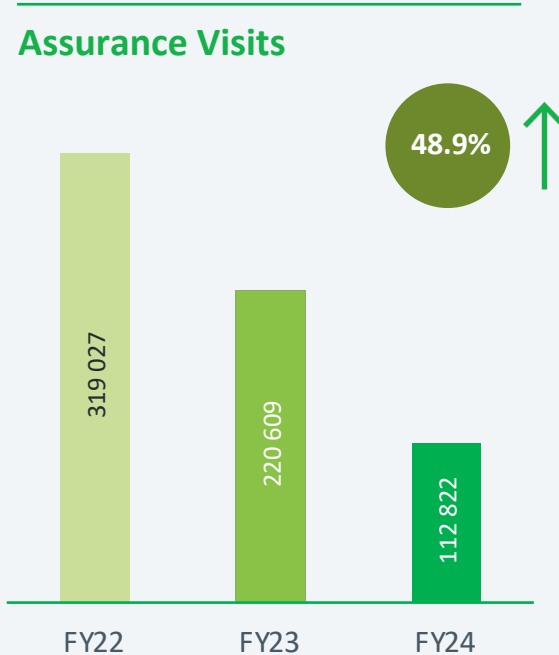
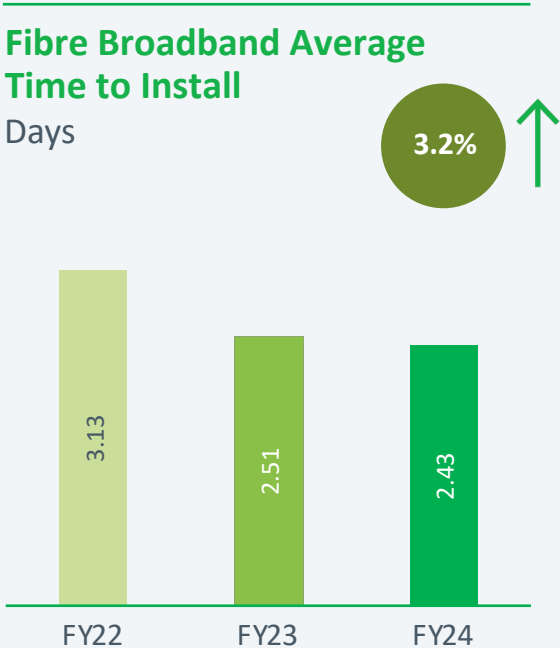
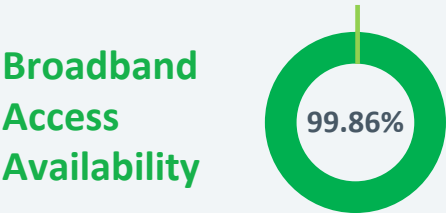
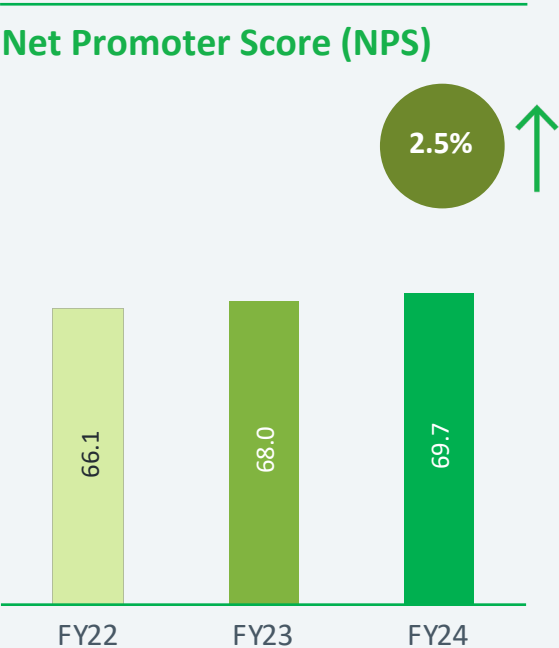
Fixed line broadband data  
consumption  
Petabytes



Fixed line broadband  
services  
Services ('000)



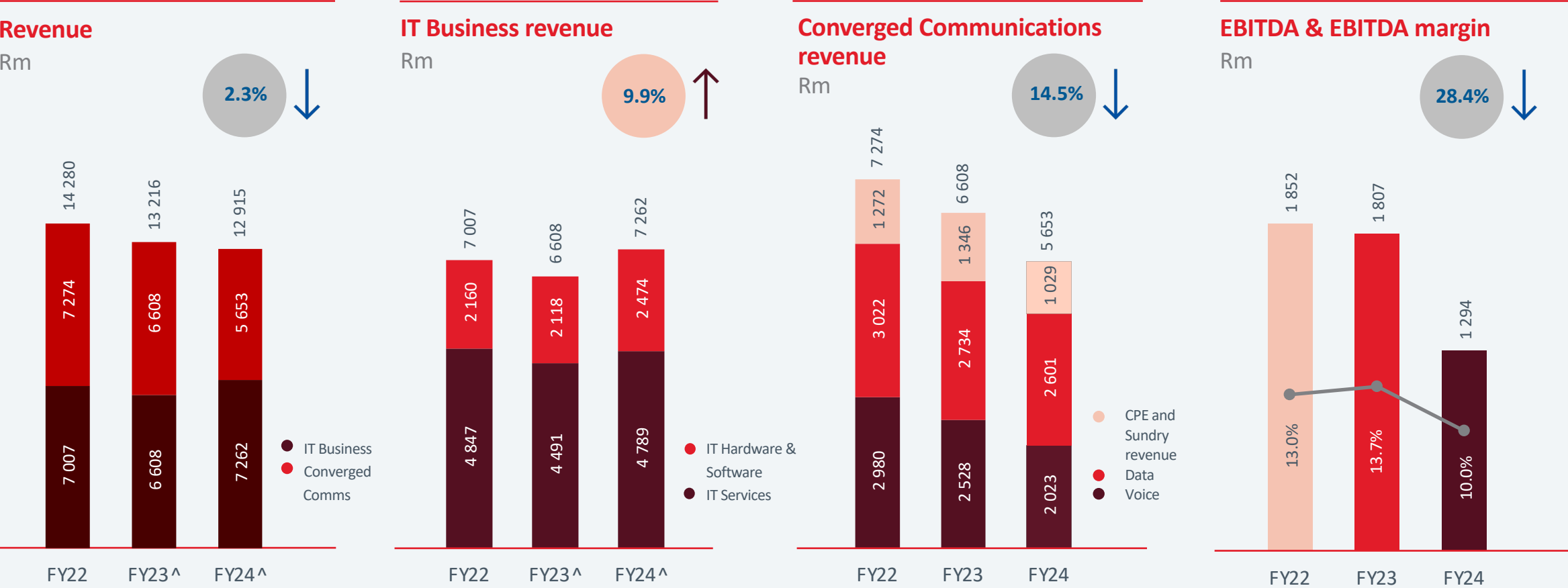
# Transforming service delivery through our customer-centric approach



BCX



# Good IT revenue growth



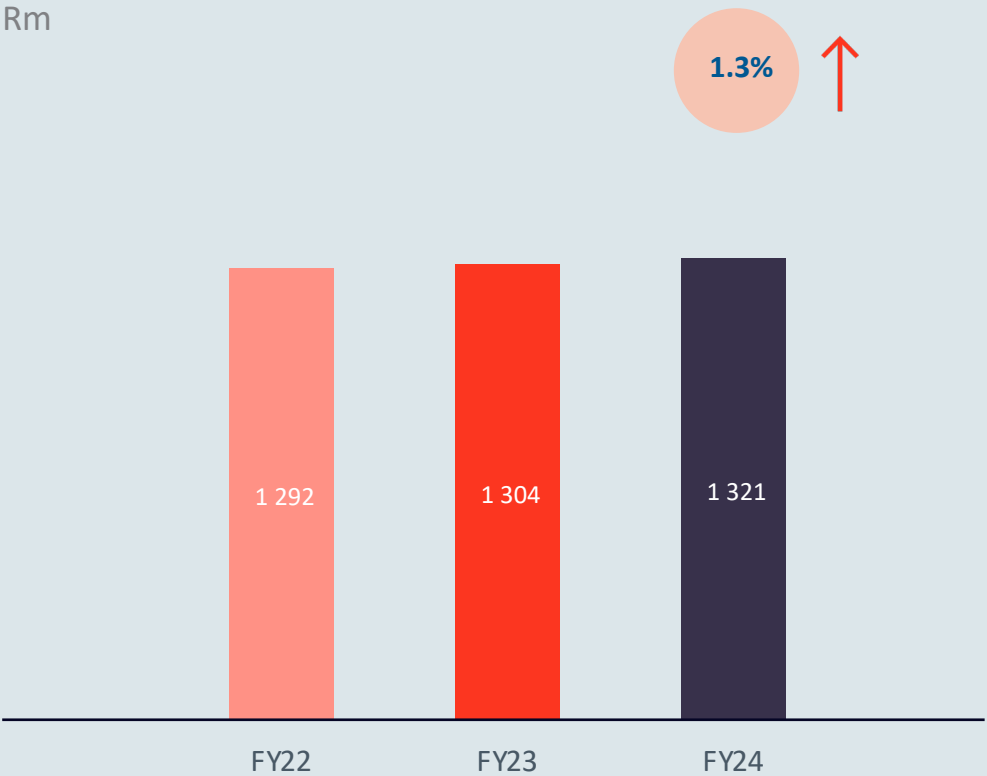
^ Restated for IFRS 15 agent accounting adjustment



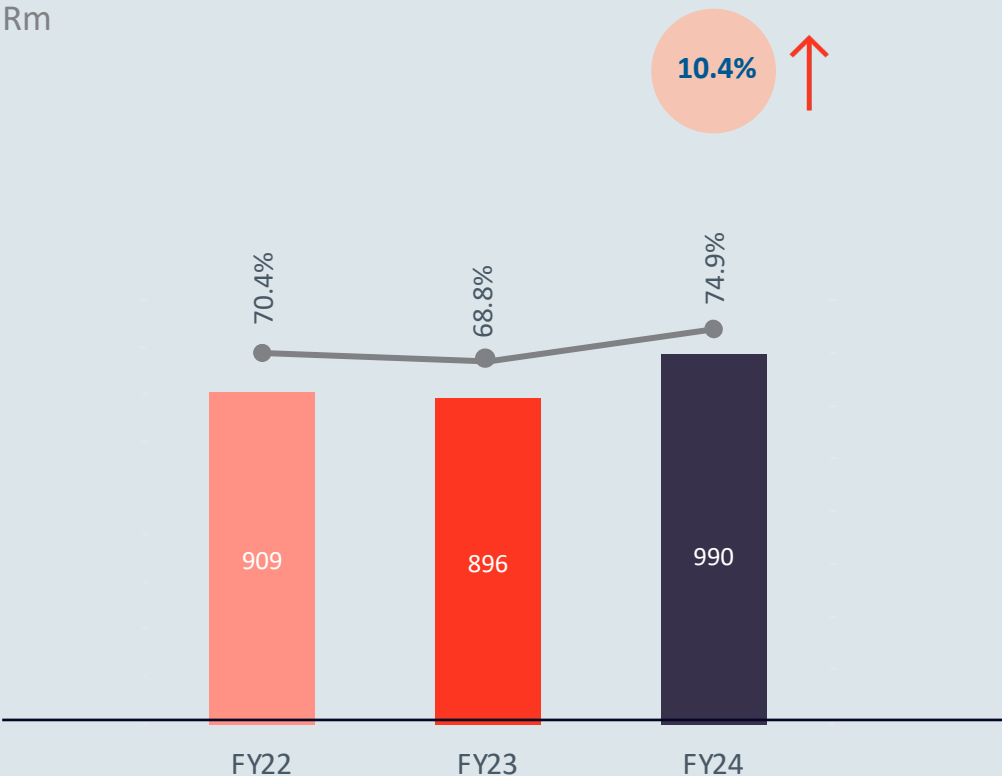
# Continued revenue and earnings growth



Revenue  
Rm



EBITDA & EBITDA margin  
Rm





Gyro

## Accelerated decommissioning of non-core properties

- Realised R92 million from 56 properties sold
- R287 million valued properties undergoing transfer process
- More non-core properties earmarked for disposal



## Reduced Telkom's carbon footprint



- Implemented multi-vendor diesel management system, 15% decrease in diesel consumption
- Installed smart-meters, 16% decrease in water consumption
- 19% increase in e-waste recycling
- 9% y-o-y reduction in Scope 1 and 2 emissions
  - Exceeded 4% annual emissions reduction target

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# Financial Review

**Nonkululeko Dlamini**  
Group Chief Financial Officer



# Solid Group financial performance

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## Total operations

1.6% ↑ Revenue R43.2bn	442.8% ↑ BEPS 385.5 cps
5.2% ↑ Normalised EBITDA R10.0bn	201.3% ↑ HEPS 376.0 cps
0.8 pts ↑ EBITDA margin 23.2%	0.1x ↓ Net debt to EBITDA 1.7x
443.6% ↑ Profit after tax R1.9bn	115.6% ↑ Free Cash Flow (FCF)* R424m

\* Includes restructuring and spectrum acquisition cost paid of R1 068 million and R972 million, respectively.

# Summarised Group Income statement

Rm	FY2024 <sup>5</sup>	Restated FY2023 <sup>5</sup>	Reported %	Normalised <sup>3,6</sup> %	
Revenue <sup>1</sup>	43 230	42 534 <sup>1</sup>	1.6%		<ul style="list-style-type: none"> <li>Delivered improved financial results despite inflationary pressures</li> <li>Revenue improved 1.6%, driven by an increase in mobile data and fixed data connectivity revenue of 10.6% and 6.1% respectively</li> <li>Group EBITDA increased 5.2% with an improved EBITDA margin of 23.2%</li> <li>Operating profit increased by 134.7% driven by a decrease in depreciation, amortisation and impairment expenses</li> <li>HEPS increased by 201.3%</li> </ul>
EBITDA <sup>2</sup>	10 041	8 480 <sup>2</sup>	18.4%	5.2%	
EBITDA Margin <sup>2</sup>	23.2%	19.9% <sup>2</sup>	3.3 ppts	0.8 ppts	
Depreciation, amortisation, impairment and write-offs	(5 561)	(20 653)	73.1%	27.2%	
<b>Operating profit/(loss)</b>	<b>4 480</b>	<b>(12 173)</b>	<b>136.8%</b>	<b>134.7%</b>	
Investment income	253	155	63.2%		
Finance charges and fair value movements	(2 197)	(1 484)	(48.0%)		
<b>Profit/(loss) before taxation</b>	<b>2 536</b>	<b>(13 502)</b>	<b>118.8%</b>	<b>337.2%</b>	
Taxation	(655)	3 531	(118.5%)	(179.9%)	
<b>Profit/(loss) for the year</b>	<b>1 881</b>	<b>(9 971)</b>	<b>118.9%</b>	<b>443.6%</b>	
BEPS (cents)	385.5	(2 058.9)	118.7%	442.8%	
HEPS (cents) <sup>4</sup>	376.0	(35.5)	1 159.0%	201.3%	

<sup>1</sup> Revenue was restated for the IFRS 15 prior period error and adoption of IFRS 17.

<sup>2</sup> EBITDA was restated for IFRS 17.

<sup>3</sup> This is a non-IFRS financial measure.

<sup>4</sup> During the year, we restated the HEPS comparative by 9.7 cents per share.

<sup>5</sup> Includes total operations

<sup>6</sup> Pro-forma adjustment to exclude the impact of the restructuring cost and asset impairment in FY23.

# Group revenue supported by growth in new generation revenue

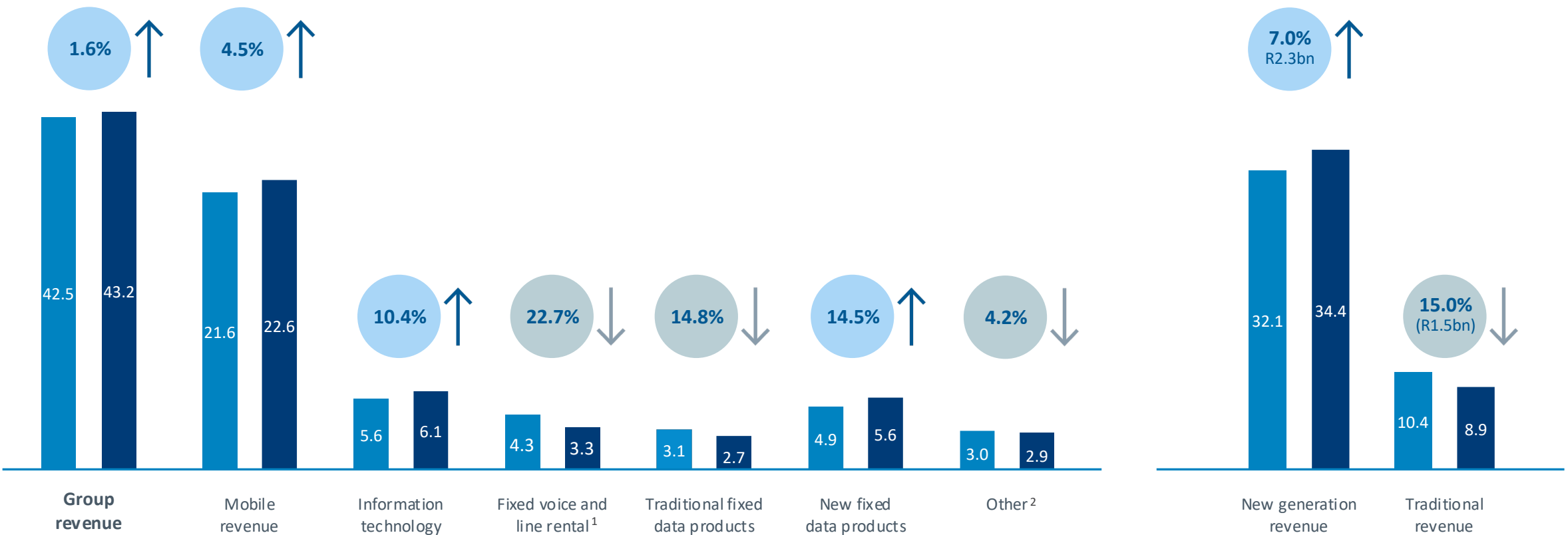


## Total operations

FY23 FY24

## Revenue by stream

Rbn



<sup>1</sup> This comprises of Interconnection R0.2bn (FY23: R0.3bn), Subscriptions R1.9bn (FY23: R2.4bn) and Usage revenues of R1.2bn (FY23: R1.6bn)

<sup>2</sup> Includes revenue from mast and towers, insurance services, directories, rentals and maritime services

# EBITDA underpinned by next generation revenue growth and cost containment

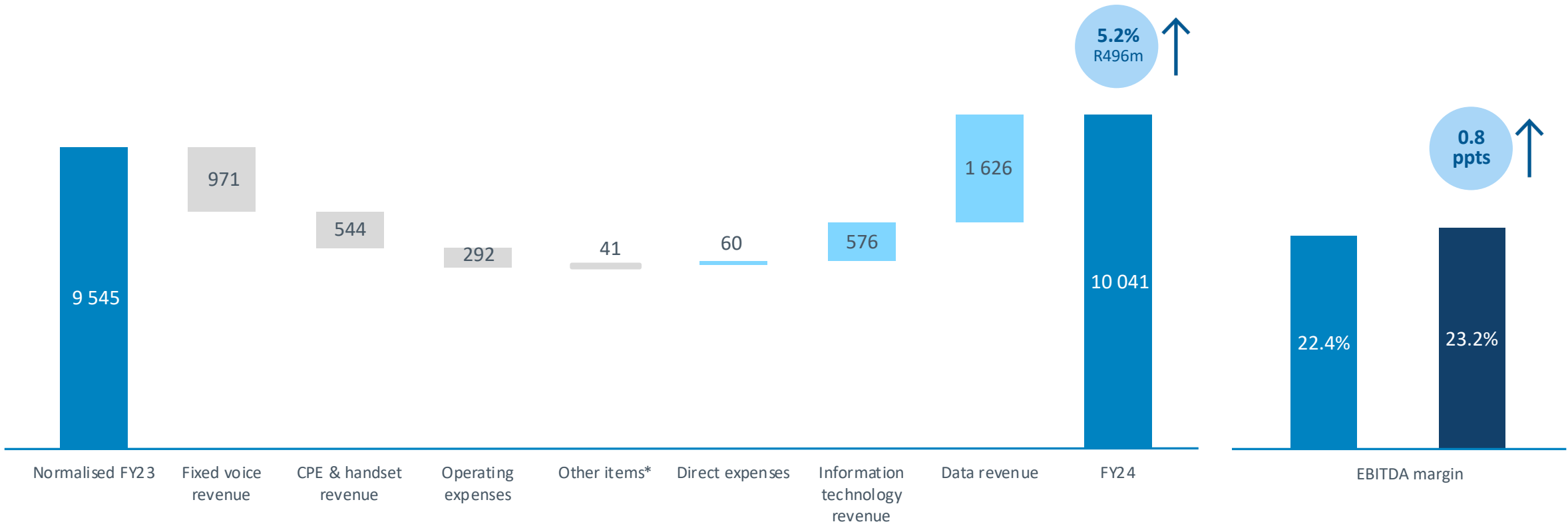


## EBITDA movement

FY23 FY24

### Total operations

Rm



\* Includes other revenue items, mobile voice, mast and towers and directories revenue and other income

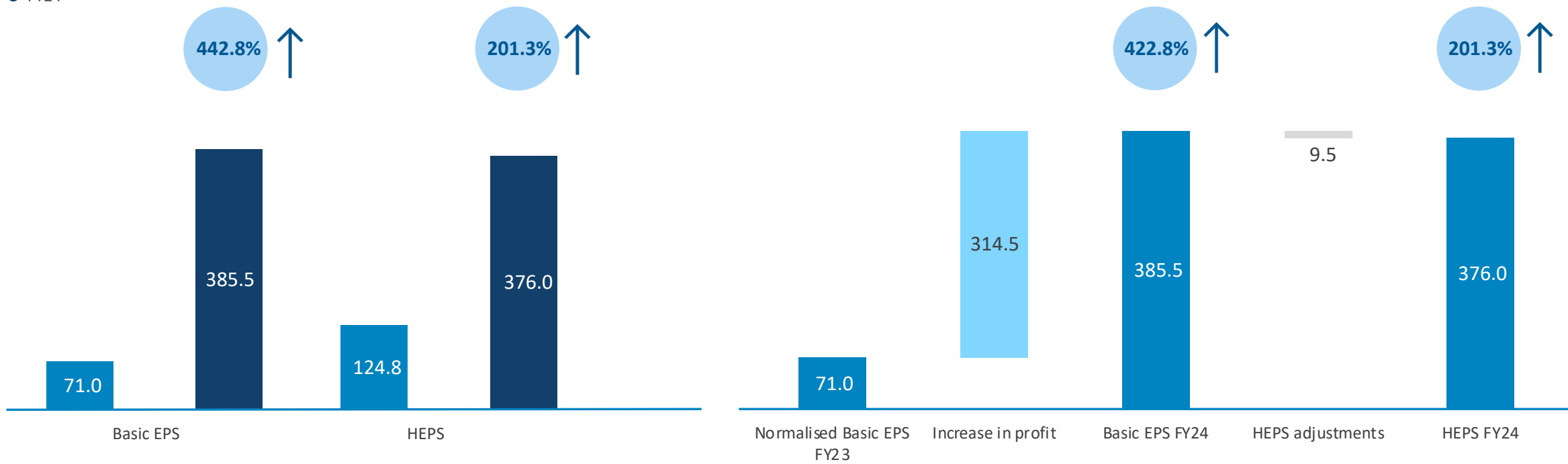
# Strong underlying earnings growth

## HEPS movement

### Total operations

Cents per share

- FY23
- FY24



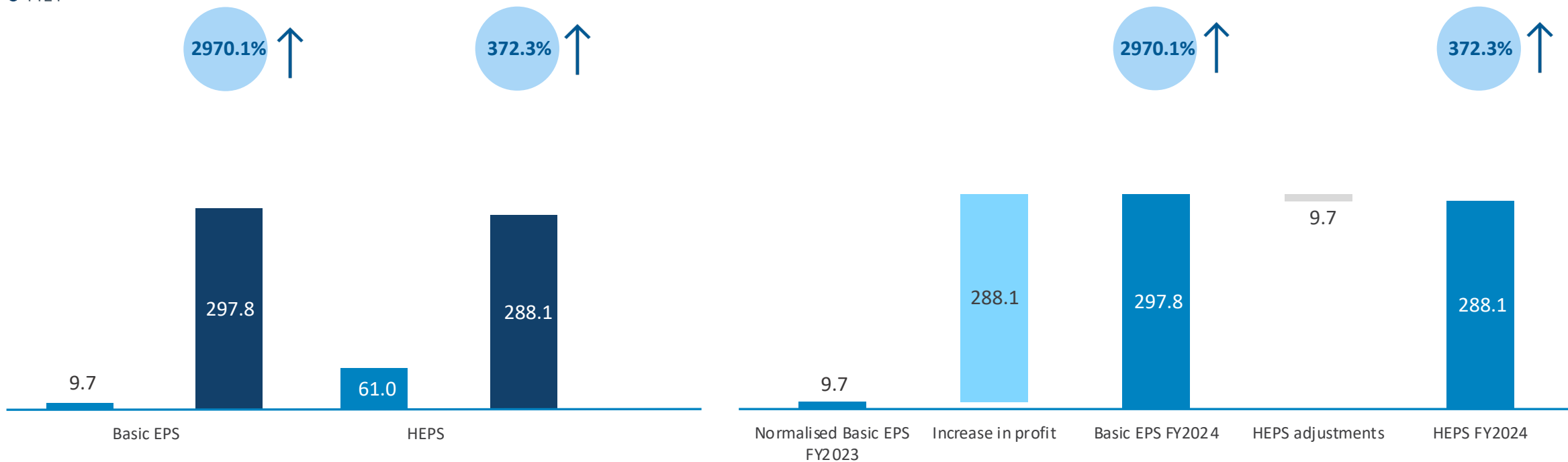
# Strong earnings growth for continuing operations

## HEPS movement

### Continuing operations

Cents per share

- FY23
- FY24



# Strong FCF improvement from underlying business

Telkom

## Free cash flow (FCF) movement

Rm	FY24	FY23	%
<b>Cash generated from operations excluding restructuring cost paid</b>	<b>11 303</b>	<b>6 705</b>	<b>68.6</b>
Repayment of lease liability	(1 201)	(1 086)	(10.6)
Interest received	447	282	58.5
Finance charges paid	(2 304)	(1 456)	(58.2)
Taxation paid	(422)	(547)	22.9
<b>Cash generated from operations before dividend paid and received</b>	<b>7 823</b>	<b>3 898</b>	<b>100.7</b>
Spectrum acquisition	(972)	-	(100.0)
Cash paid for capital expenditure	(5 359)	(6 620)	19.0
<b>Normalised FCF (excluding restructuring cost paid)</b>	<b>1 492</b>	<b>(2 722)</b>	<b>154.8</b>
Restructuring cost paid	(1 068)	-	(100.0)
<b>FCF</b>	<b>424</b>	<b>(2 722)</b>	<b>115.6</b>

### Finance charges paid up 58.2%

Finance charges paid increased 58.2% attributable to the higher average cost of debt and a marginal increase in net debt

### Restructuring cost paid

Cash outflow of R1 068 million relating to the restructuring process initiated during FY23

### Spectrum acquisition

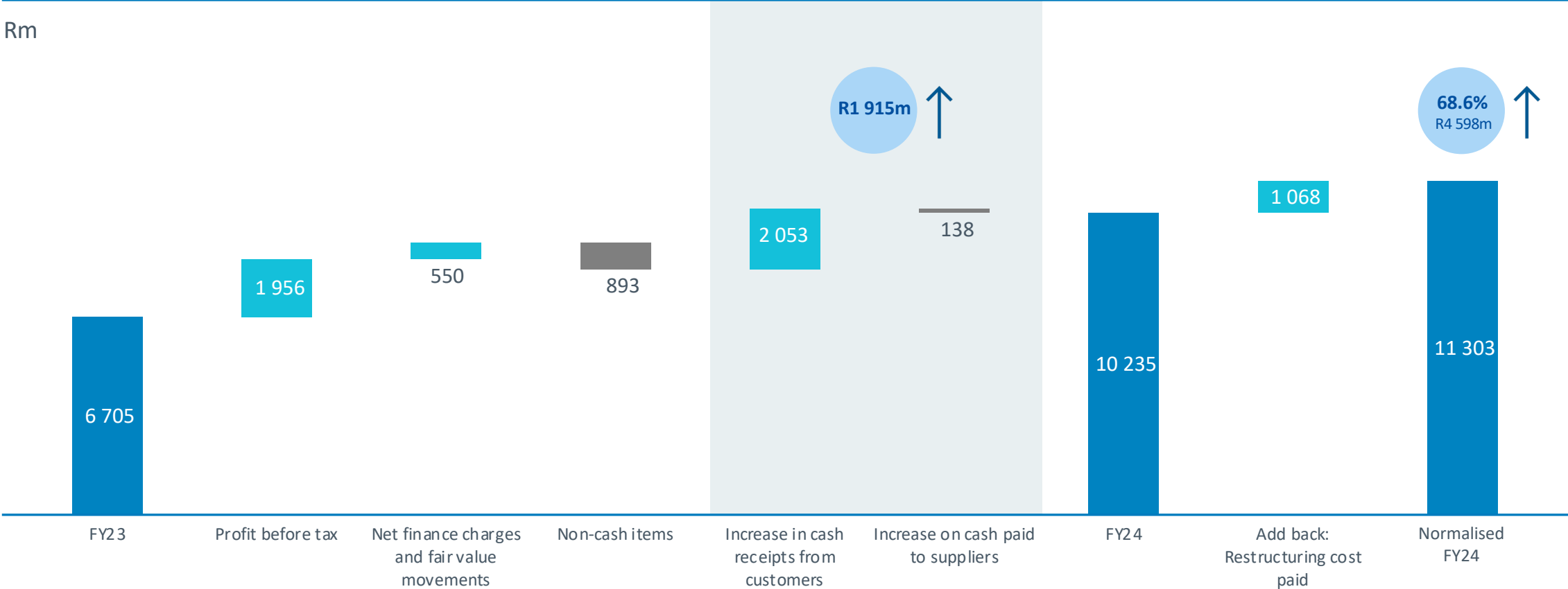
Cash outflow of R972 million

### Normalised FCF up 154.8%

FCF for FY24 includes R1 068 million restructuring cost paid

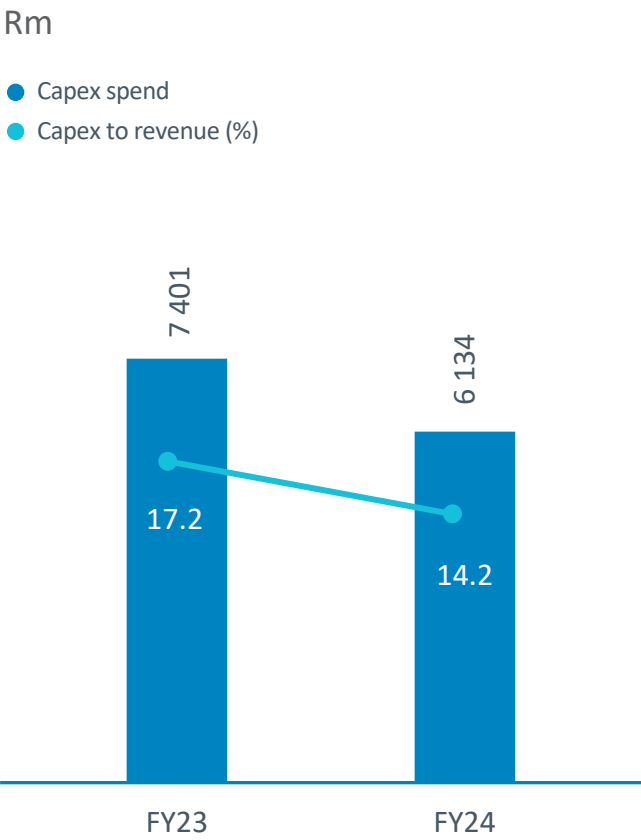
# Cash generated from operations improved

## Cash generated from operations movements

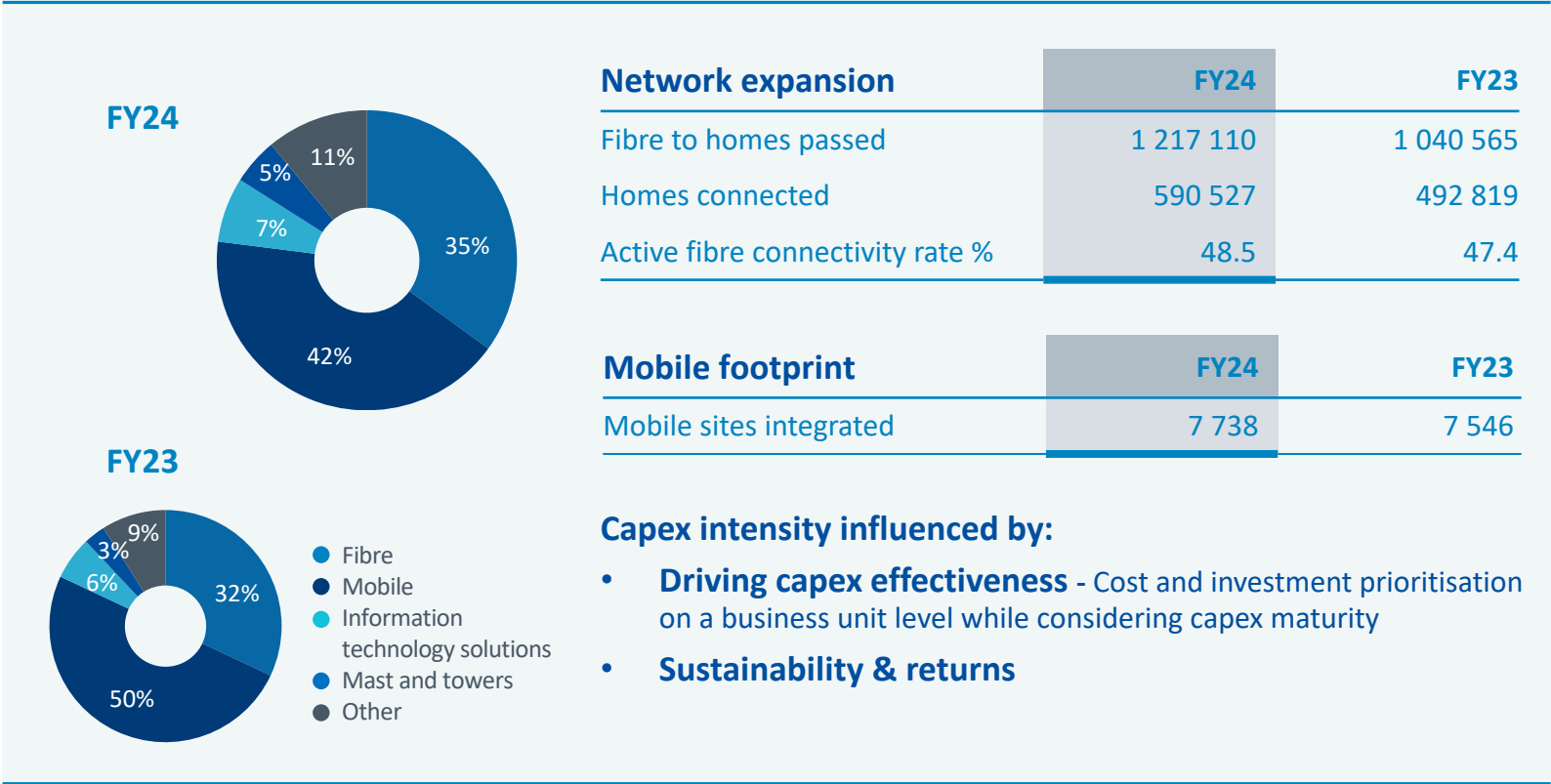


# Capex driven by sustainability and effectiveness

## Capex spend and intensity



## Capex investments allocation



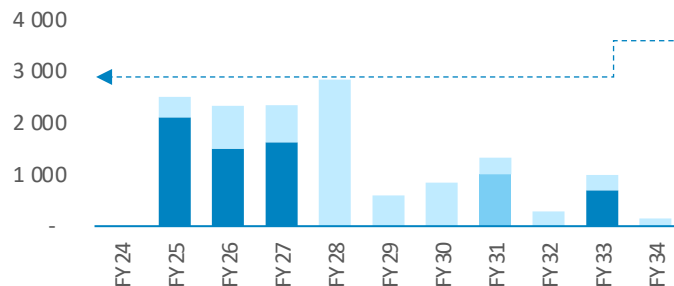
# Strong balance sheet

## Total operations

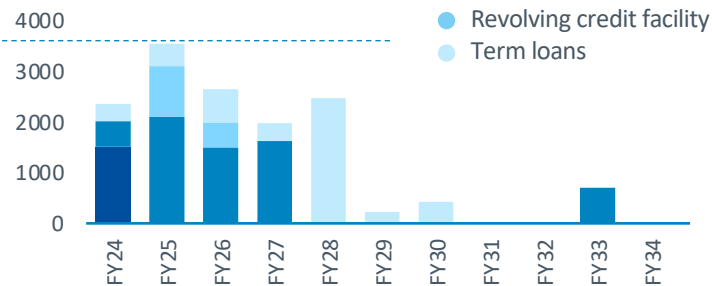
Rm	FY24	FY23	%
<b>Cash balances</b>	<b>3 939</b>	3 469	13.5
<b>Interest bearing debt</b>	<b>14 217</b>	14 356	1.0
Opening balance	14 356	11 932	(20.3)
Net funding (repaid)/raised	(150)	2 320	106.5
Other	11	104	89.4
<b>Lease liabilities</b>	<b>6 641</b>	5 889	(12.8)
Opening balance	5 889	5 374	(9.6)
IFRS16 lease liability raised	752	515	(46.0)
<b>Net debt</b>	<b>16 919</b>	16 776	(0.9)
<b>Net debt/EBITDA (times)</b>	<b>1.7</b>	1.8	(0.1)
<b>Average cost of debt (%)</b>	<b>10.1</b>	8.6	(1.5)

## Debt maturity profile

### FY24



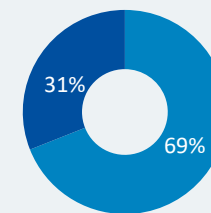
### FY23



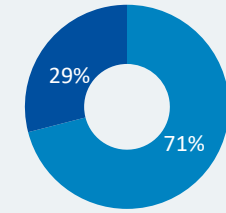
## Credit matrix

## Loan covenants

		FY24	FY23
Net debt to EBITDA	Not exceed 3:1	1.7x	1.8x
Interest cover Incl. IFRS 16		5.1	6.7
Interest cover Excl. IFRS 16	At least 3.5:1	7.4	10.3







FY24



FY23

# Medium term guidance met, capex guidance revised

Inputs	Drivers	Medium term guidance FY23 – FY25 (CAGR)	FY24 Actual*	Outputs
Annual strategic review >	New revenue streams (Fibre, Mobile & IT businesses)	Low to mid-single digit Revenue growth 	1.6%	> Sustainable organic growth
	Sustainable cost management program	Low to mid-single digit EBITDA growth* 	5.2%	
	Capex to fund growth	12 - 15% 	14.2%	
	Adequate balance sheet capacity to fund growth	Net debt to EBITDA of 1.5x – 1.9x 	1.7x	

\* Based on total operations

# Reinstatement of dividend

## New dividend policy:

**Positive free cash flow**



**Annual pay-out ratio of 30% to 40% of FCF**

No interim dividend due to cyclical nature of Telkom's FCF



**Strength of balance sheet takes priority**

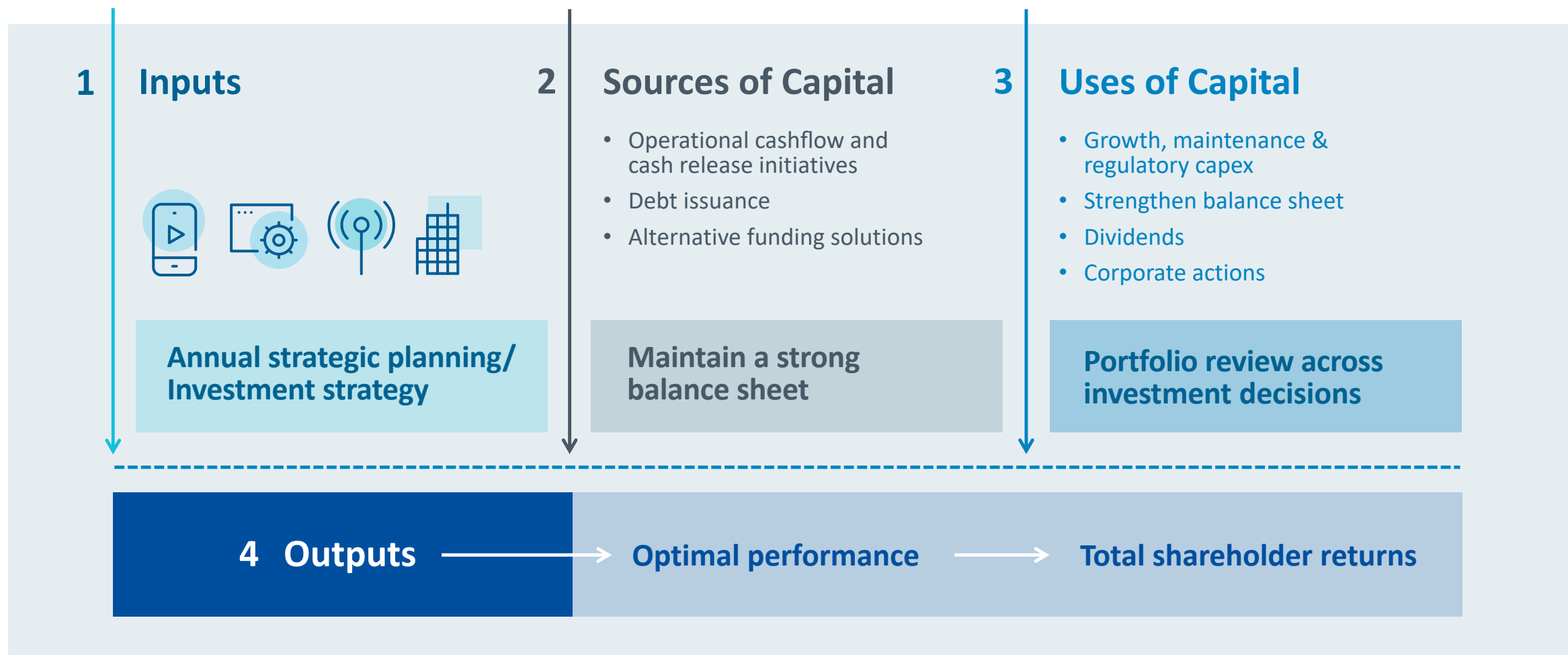
Future capex obligations will be taken into account when assessing FCF available for distribution



**Solvency and liquidity requirements as per the Companies Act**



# Capital allocation framework



4

## Outlook & Priorities

**Serame Taukobong**  
Group Chief Executive Officer



# Delivering on our promises: H2 priorities recap

## Data consumption drives growth

- Mobile and fixed data traffic up
- Mobile data and NGN fibre revenue up
- Mobile broadband subscribers up
- Fixed line broadband services up



## Prioritising cash generation

- Positive free cash flow
- Earnings growth – PAT
- Improved net debt to EBITDA ratio



## Ongoing opex rationalisation

- Margin expansion, EBITDA



## Capex - prioritising growth areas and network availability

- Capex invested in Mobile and Fibre networks
- Network resilience programme mitigated loadshedding



## Further power diversification to address loadshedding and ESG

- Installed and replaced lithium-ion batteries at mobile and exchange sites as primary backup
- Reduced diesel consumption
- Scope 1 emissions decreased



# Challenging trading environment



## Macro Backdrop

- Low GDP growth
- Constrained consumer spending
- Moderating inflationary headwinds
- Higher-for-longer interest rate environment
- Rand remains weak vs major foreign currencies
- Dynamic regulatory environment
- Spectrum auction



## Industry Backdrop

- Increasing data demand
- Declining voice demand
- High cost of handset devices
- Skills shortage
- Infrastructure vandalism



## Our priorities and focus areas

### NGN revenue growth

- Data consumption growth
- FTTH passed and connected
- Mobile subscriber growth
- Growth of IT managed-services

### Cost optimisation

- Ongoing opex management

### Smart capex deployment

- Network expansion, prioritising growth areas:
  - > Expand mobile network footprint, managing roaming costs
  - > Fibre rollouts to homes, enterprises and carrier (backhaul)
  - > Optimise data centres uptake to grow IT managed-services

### Cash generation

- Sustainable cash generation
- Improve shareholder returns

### Delivery ESG strategy

- Reduce environmental impact
- Continue uplifting and supporting the societies we operate in

# Well positioned to execute our data-led strategy as OneTelkom

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## Mission Critical Digital Infrastructure

- Our infrastructure is difficult to replicate
- Leverage our infrastructure to drive maximum utilisation

## Abnormal Headwinds Behind Telkom, Now Focused on the Future

- Operational cash generation to be directed at reinvesting in the business
- Efficient spectrum utilisation and deployment to pursue further subscriber growth

## Stabilised Balance Sheet

- Sale of Swiftnet approved by shareholders
- Well positioned to take advantage of value accretive investment opportunities

## The Team to Execute

- Highly experienced management team
- Key recent appointees GCFO & GCDO
- Focused on delivering OneTelkom culture

## Robust Customer Base + Increasing Data Consumption

- Pursue strategic partnerships to enhance offering to customer base
- Leading companies seeking to partner to leverage Telkom's customer base to offer complementary services (fintech etc)



# Delivering as OneTelkom

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**Journey to  
end of 2025**

**Culture refresh &  
leadership alignment**

**Consolidated offering  
to deliver as OneTelkom**

**Diverse critical  
digital assets -  
InfraCo**

**Dispose  
of non-core  
assets**

**Drive value  
through  
core assets**

**One  
Telkom**

Thank You  
Q&A



5

Appendices



Seamlessly  
connecting our  
customers to a  
better life

**10.6%**

Mobile data  
revenue increase

**12.6%**

Mobile EBITDA  
growth

**21.4%**

Mobile data  
traffic growth

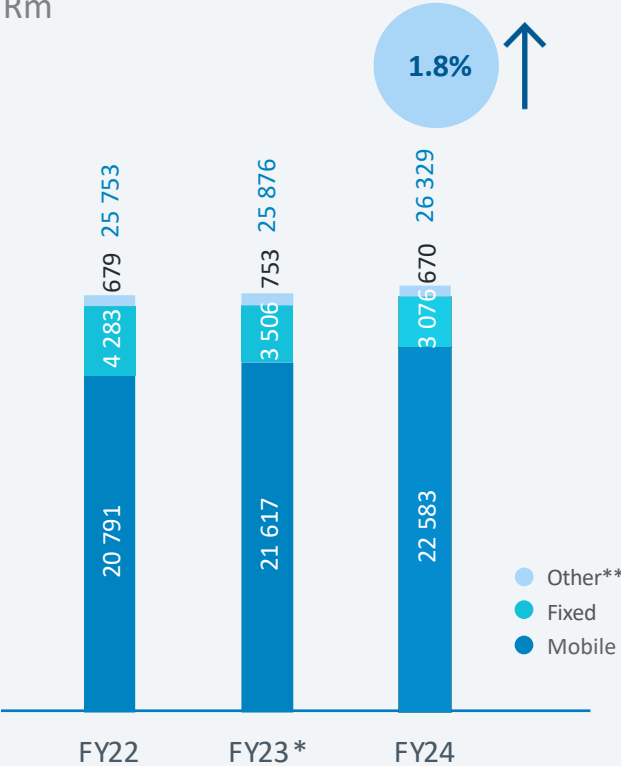
**Telkom**  
*Consumer*



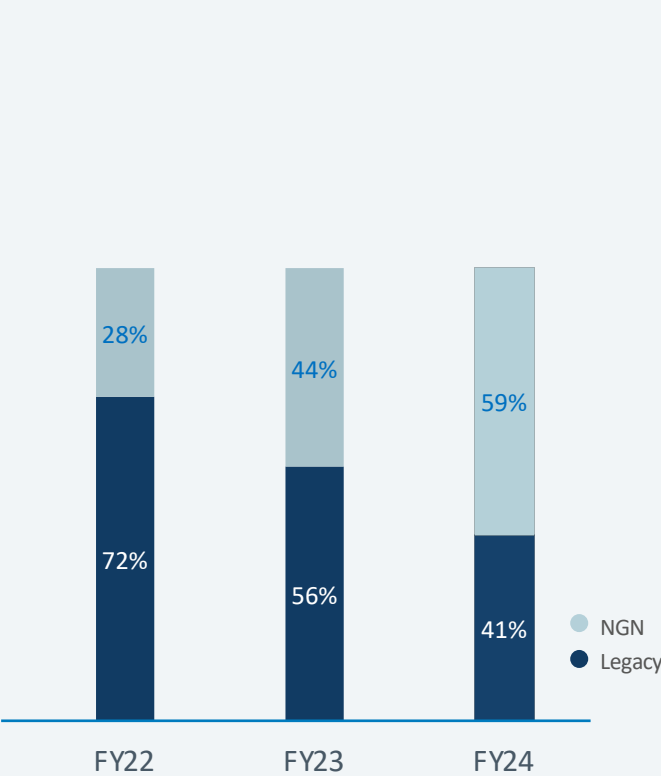
# NGN technologies driving growth

## Consumer Operating Revenue

Rm

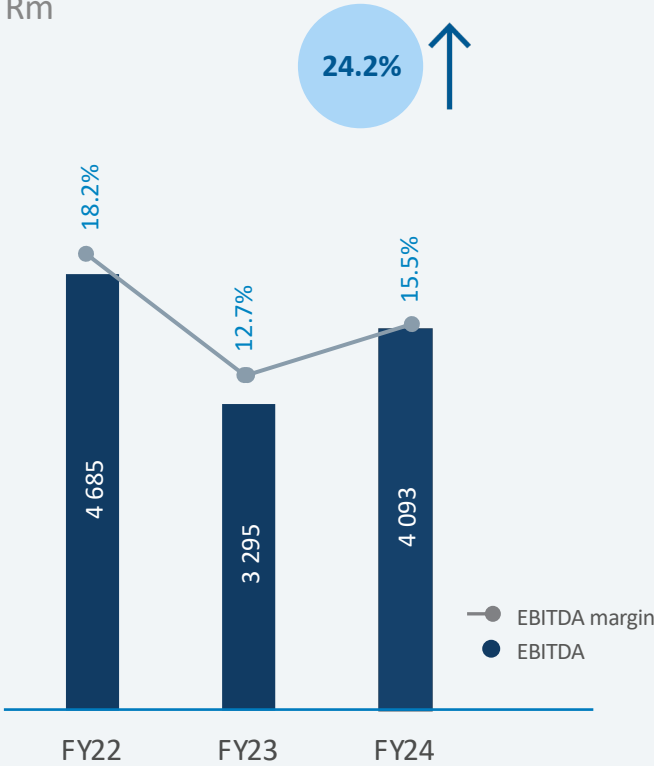


## Fixed-line NGN vs legacy split



## Consumer EBITDA/EBITDA margin

Rm



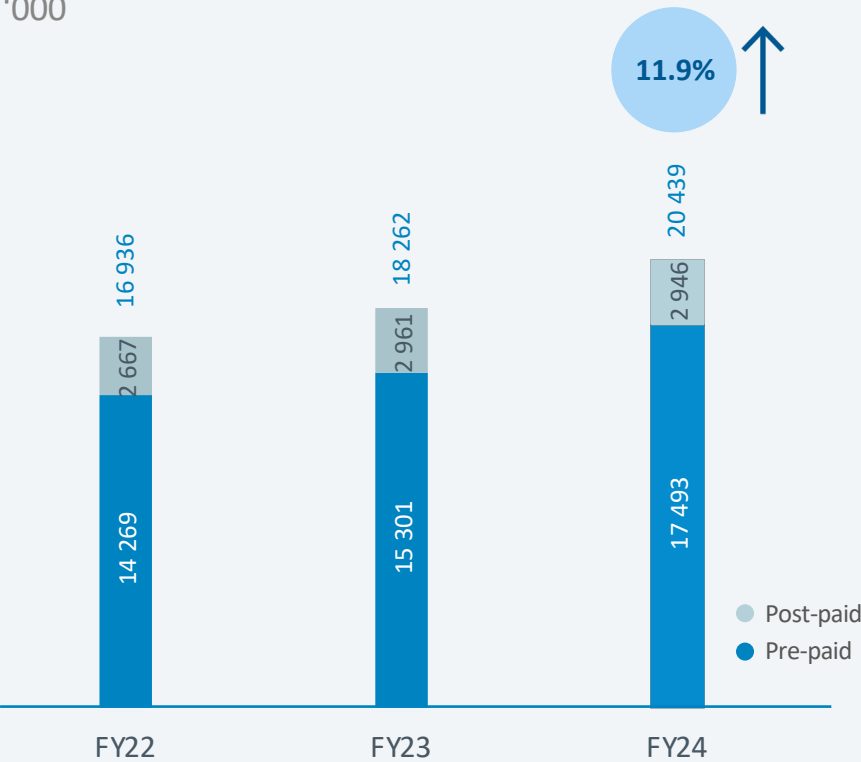
\* Restated for IFRS17 (Insurance contracts)

\*\* Insurance, Advertising & Internal Revenue

# Growing customer base with stable prepaid ARPU

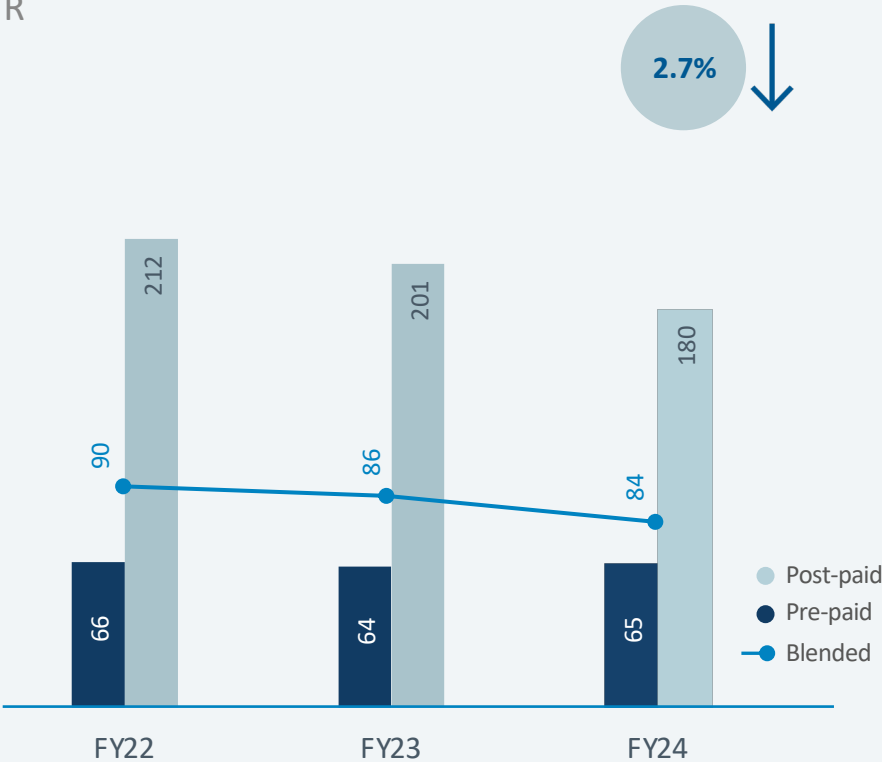
Subscriber growth

'000

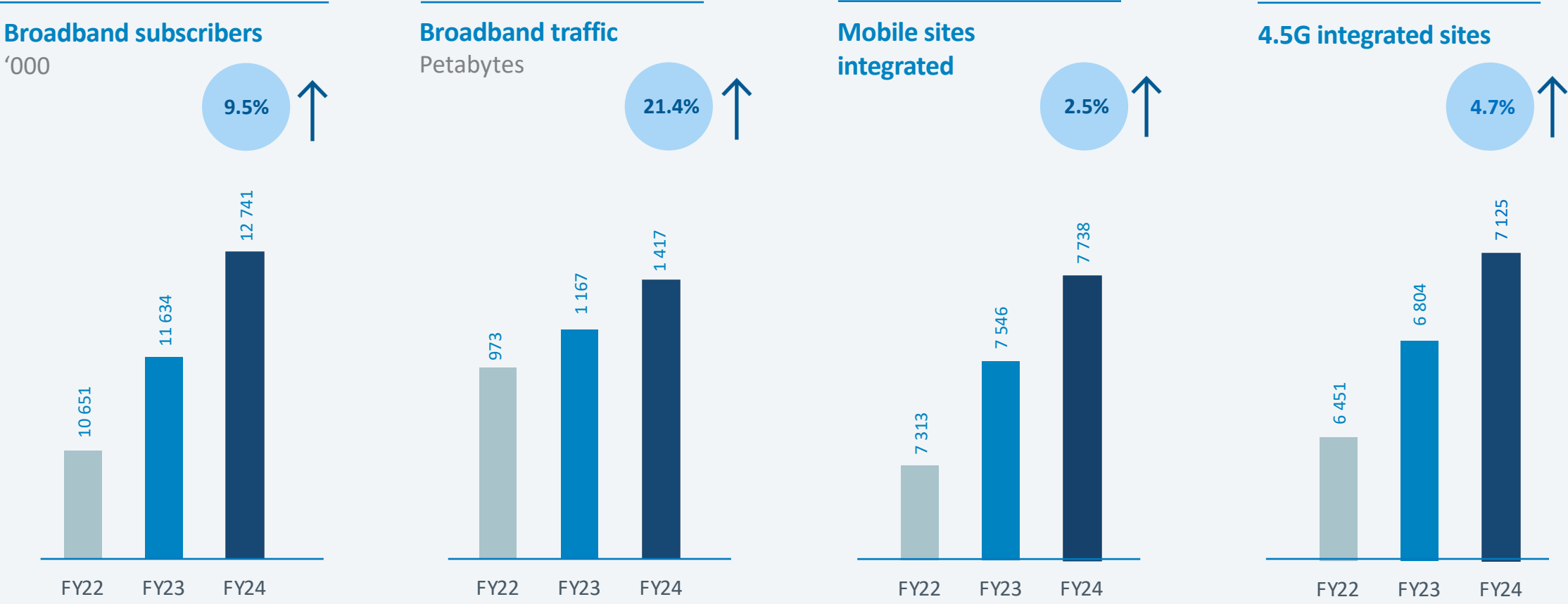


ARPU

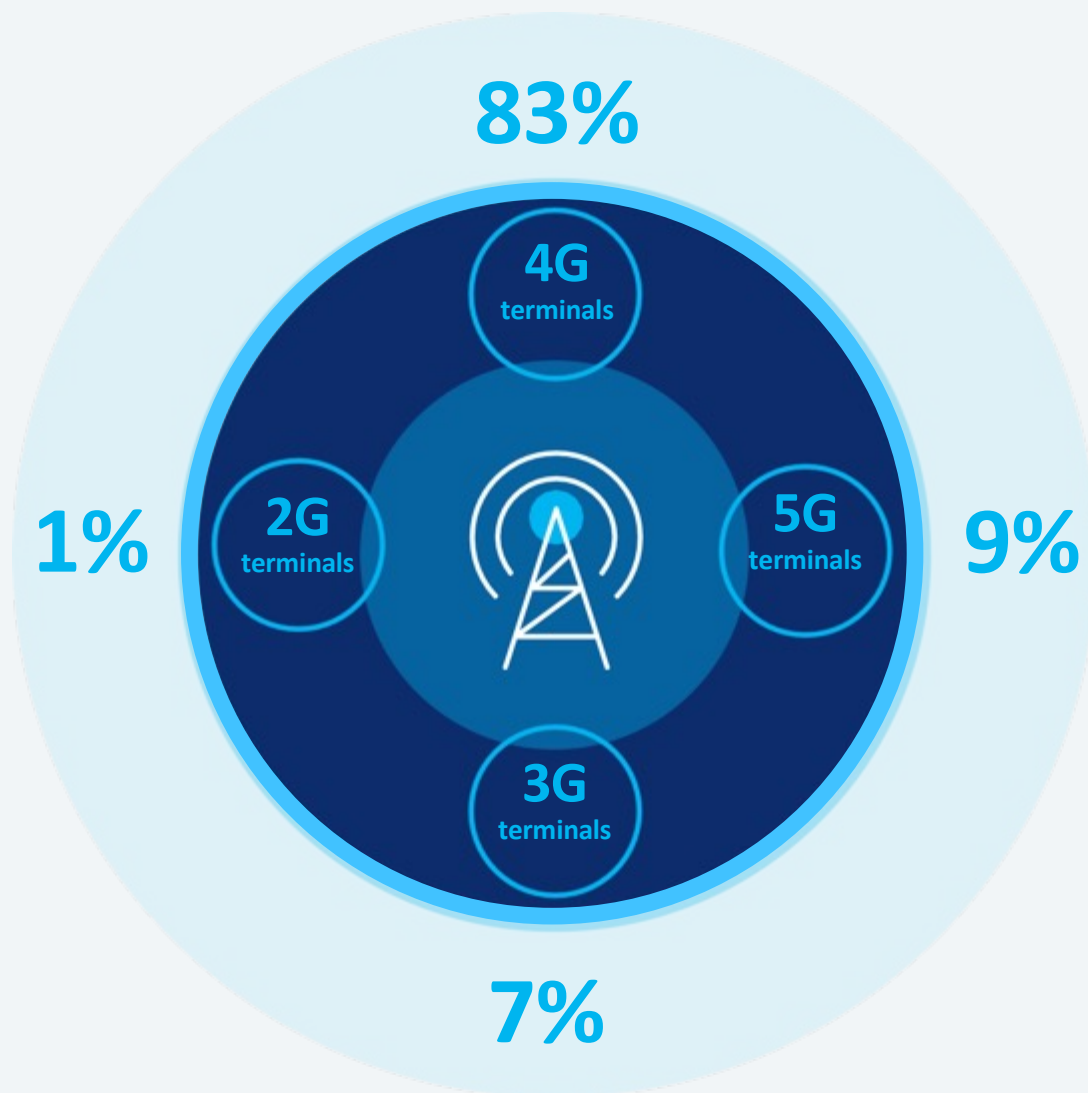
R



# Mobile broadband traffic continues to grow



# High 4G device penetration and growing 5G base



- 89% of customers are 4G and 5G
- 58% of voice customers on Voice over LTE (VoLTE)
- No legacy 2G network, all 2G terminals use roaming
- 6% active 5G sites
- 82% 4G population coverage
- 16% 5G population coverage
- 85% 3G population coverage

Seamlessly  
connecting our  
customers to a  
better life

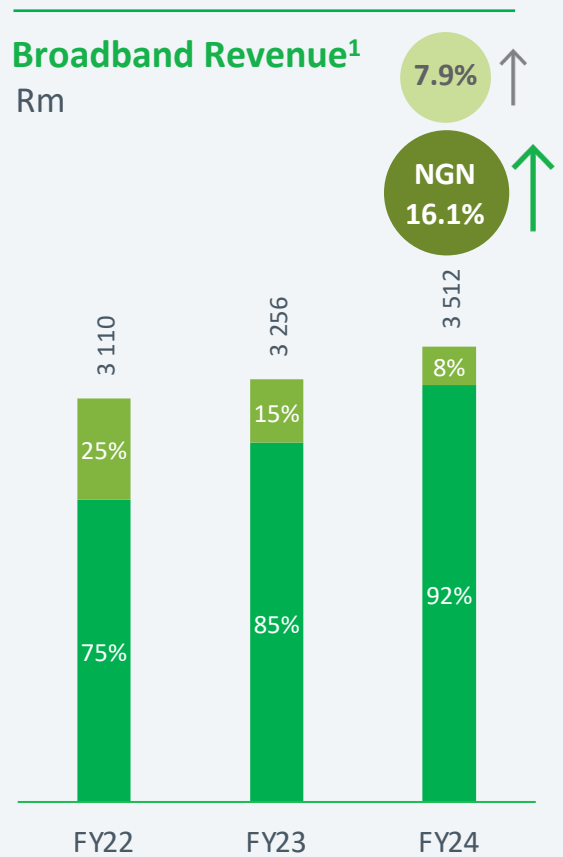
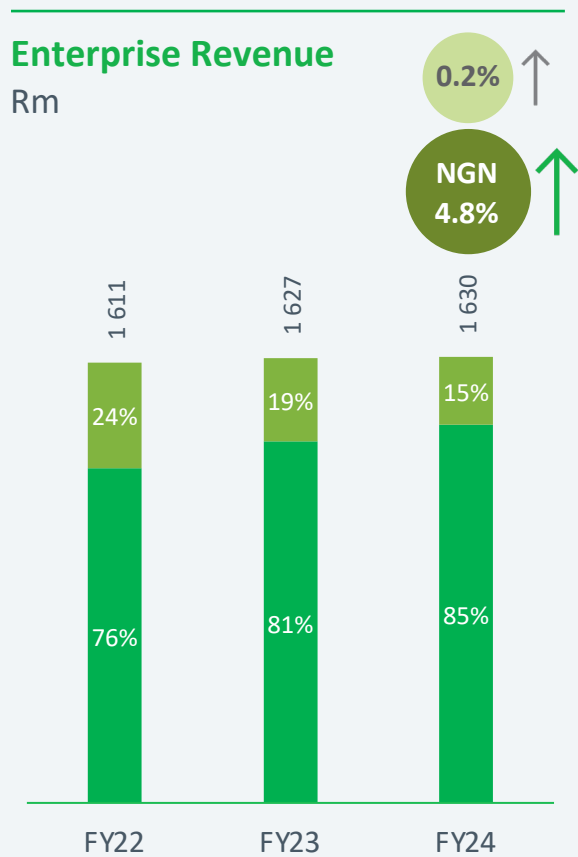
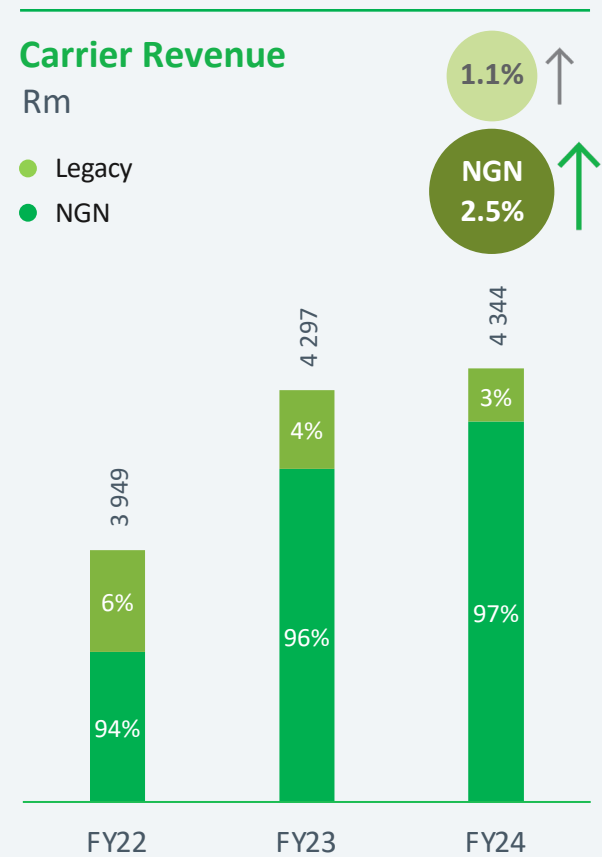
**76.4%**  
NGN revenue  
contribution  
up from 69.0%

**48.5%**  
Highest FTTH  
connectivity rate

**31.4%**  
EBITDA margin  
up from 28.6%

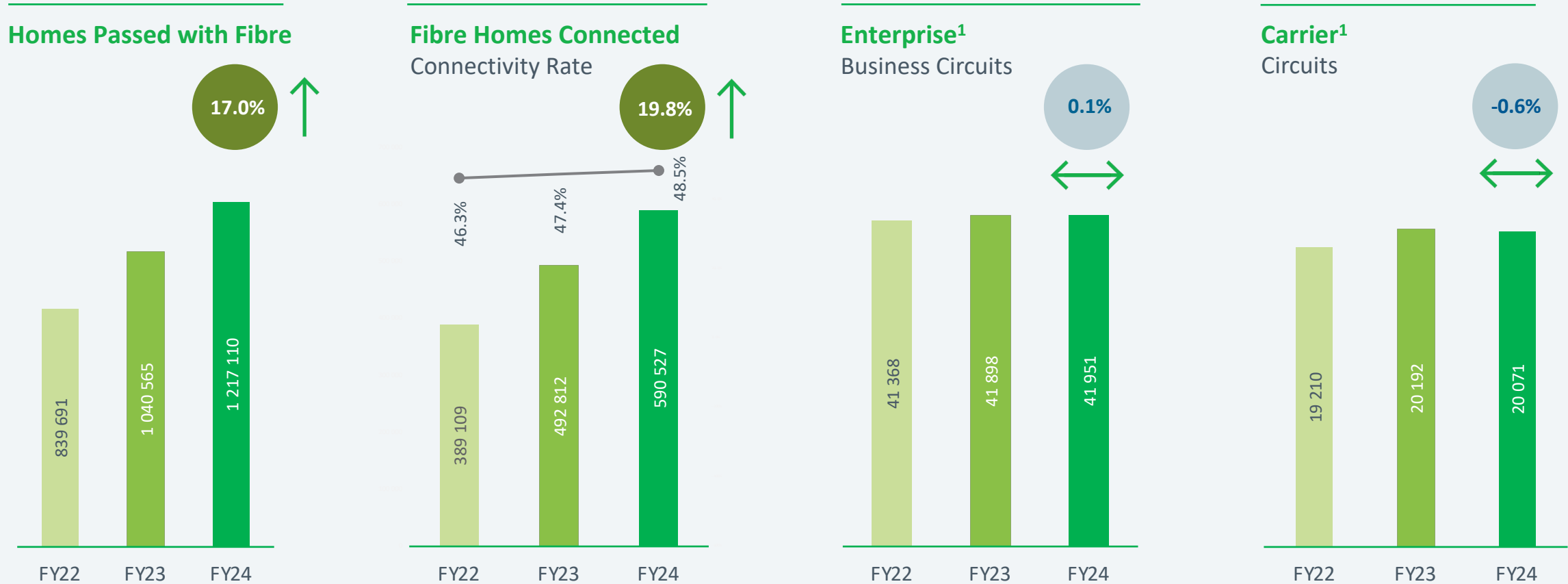


# Evolution of new generation revenue



<sup>1</sup> Inclusive of WebReach Revenue

# Our connect-led strategy continued to drive the highest connectivity rate – 48.5%



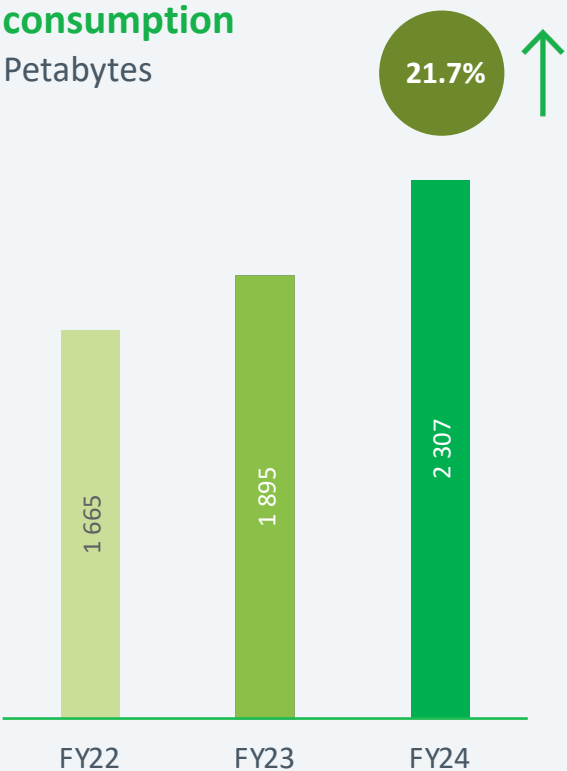
<sup>1</sup> Segment lead approach

# Fixed broadband evolution



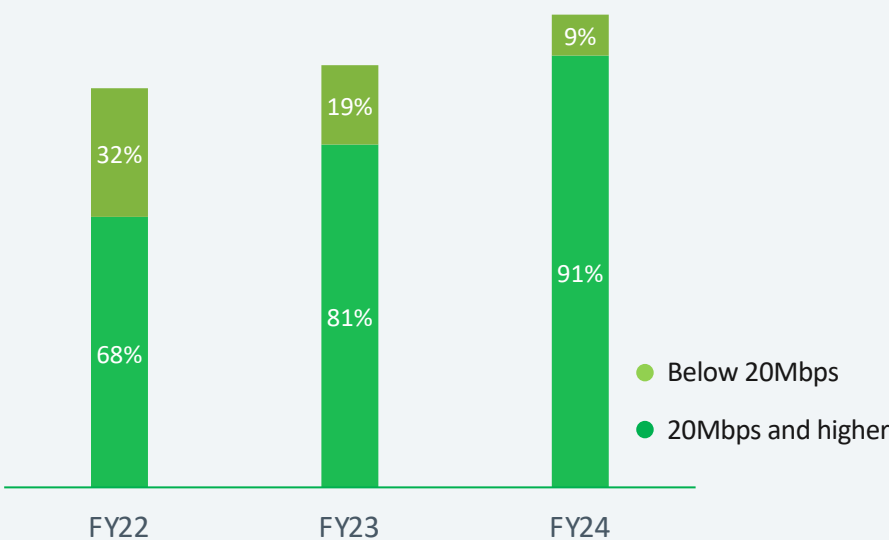
## Fixed line broadband data consumption

Petabytes



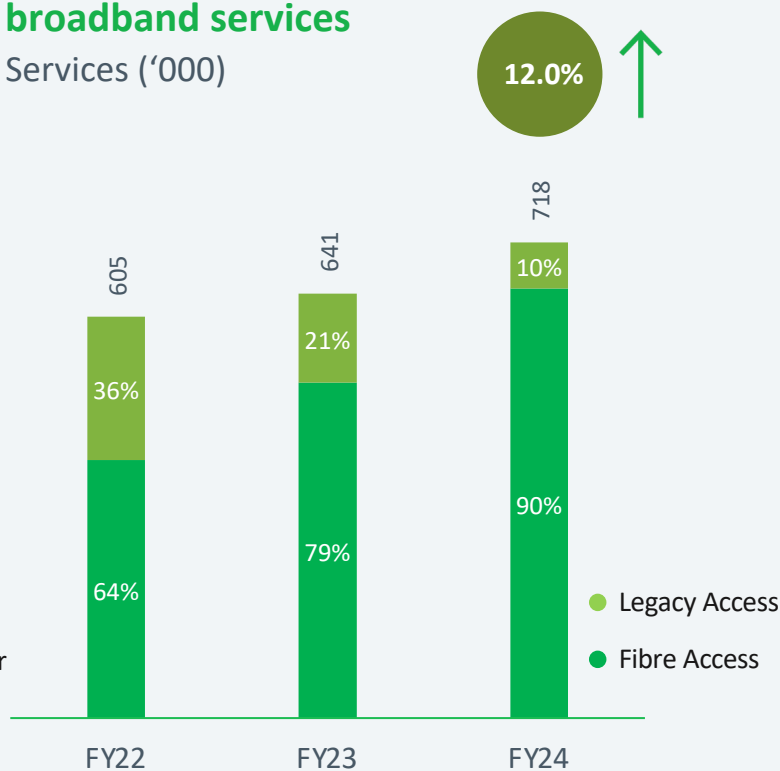
## Fixed line broadband services

Services ('000)

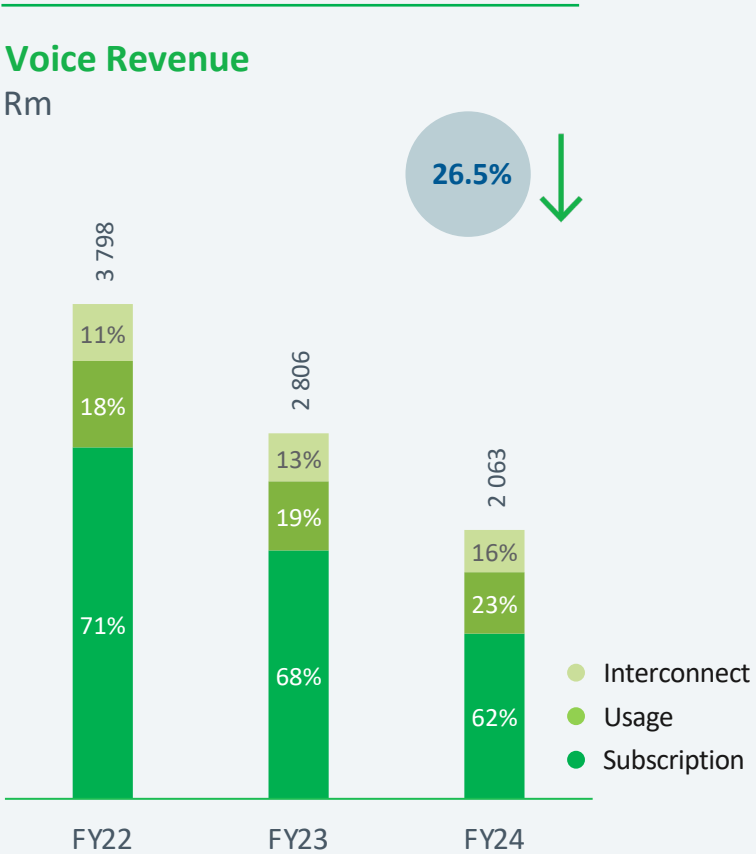
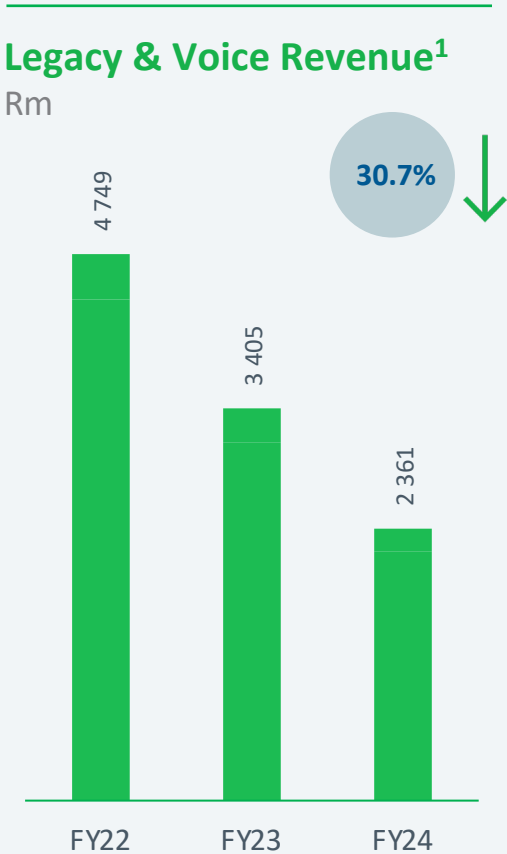


## Fixed line broadband services

Services ('000)



# Legacy & voice revenues

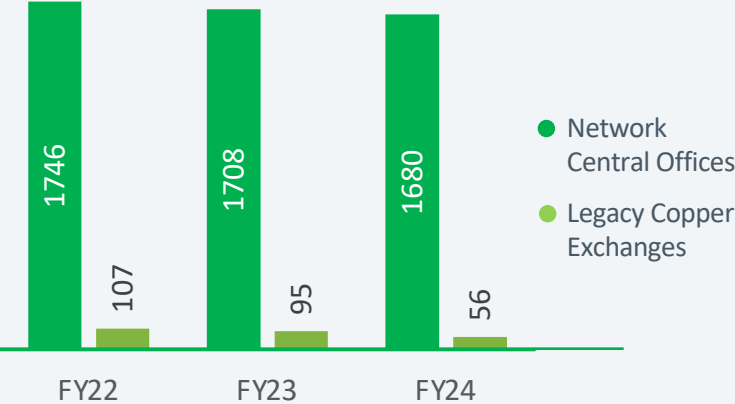


<sup>1</sup> Inclusive of Legacy and Voice Usage and Subscription Revenue

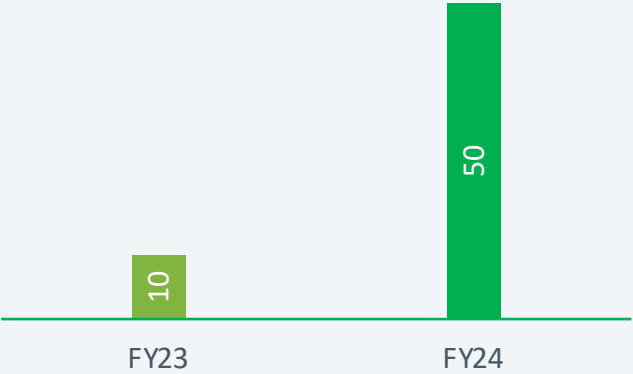
# Network Optimisation



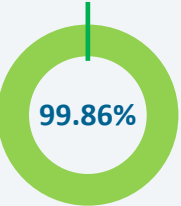
Network Site Optimisation



Hybrid Solar Network Sites



Broadband  
Access  
Availability



Transport  
Availability



Core  
Availability



Seamlessly  
connecting our  
customers to a  
better life

**4 047**

Productive  
portfolio

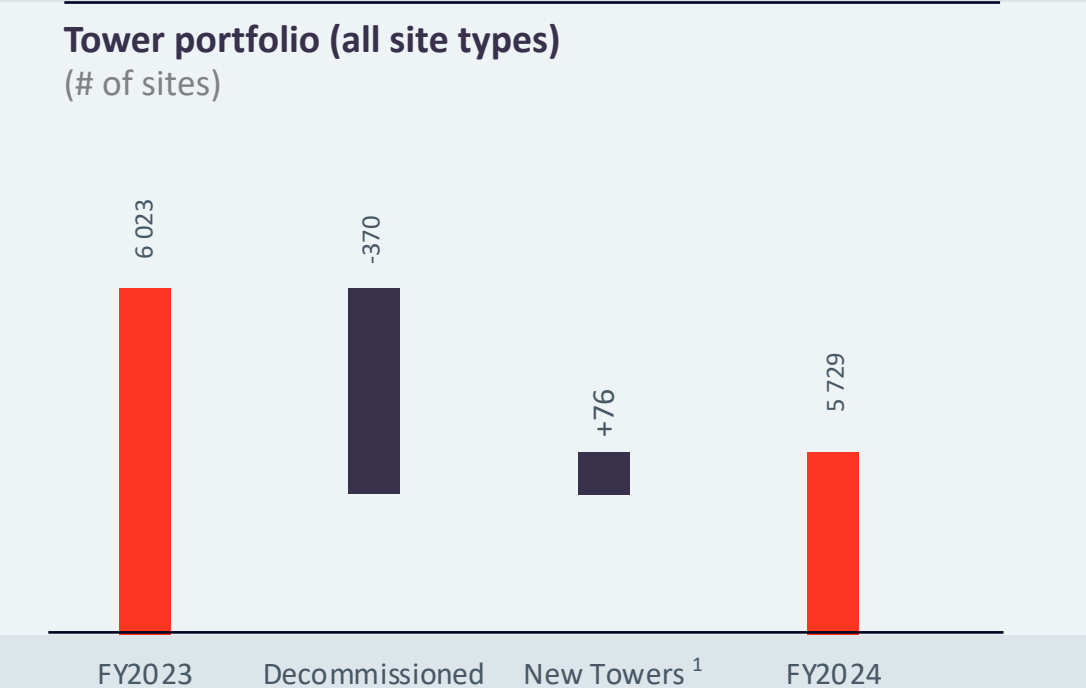
**18**

Power-as-Service  
(PaaS) rolled out



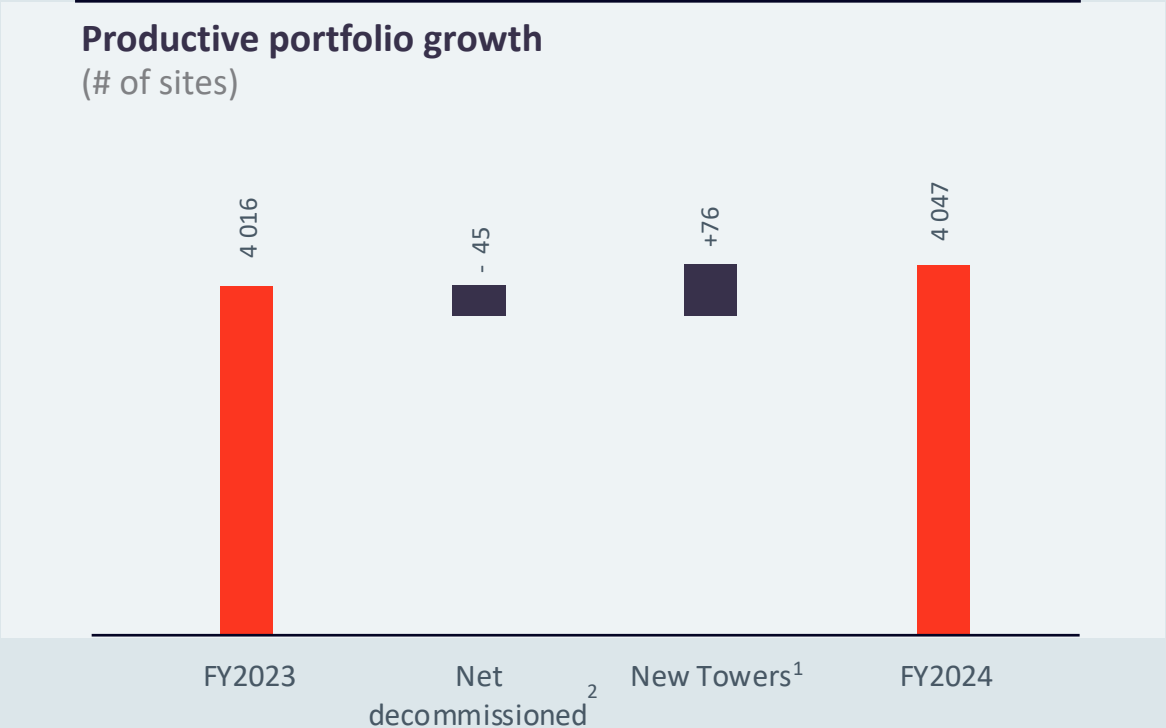
**swiftnet**

# Commercialised productive portfolio



**Notes:**

1: 76 New Towers is comprised of 68 towers and 8 IBS



**Notes:**

2: Net decommissioned includes 2 upgrades from the unproductive to the productive portfolio less 45 decommissioned sites and less 2 downgrades from the productive to the unproductive portfolio. Please note: The towers that were decommissioned and downgraded from the productive portfolio were supporting legacy Openserve equipment (and are not capable of supporting Mobile Network Operators ('MNOs)).