Telkom

Conference call transcript

9 November 2021

INTERIM RESULTS

Operator

Good day ladies and gentlemen and welcome to the Telkom SA Ltd interim results call. All participants will be in listen only mode. There will be an opportunity to ask questions later during the conference. If you should need assistance during the call, please signal for an operator by pressing * then 0. Please note that this call is being recorded. I would now like to turn the conference over to Sipho Maseko. Please go ahead, sir.

Sipho Maseko

Thank you very much, Claudia. Thanks and welcome to everybody. Good morning to those in the US and then good afternoon to everybody else. From the Telkom team I am with a couple of my colleagues. I have Serame Taukobong, who is our CEO designate. I also have our Group CFO, Dirk Reyneke, and our Head of Investor Relations, Babalwa George. And I would like to start by unpacking our interim results performance as follows. I will start by unpacking the business performance we witnessed in the first half. Then Serame will spend time on Telkom consumer performance and share the outlook of this business. Dirk will then unpack the group financial performance. And then I'll come back and conclude with progress on the separate listing of Swiftnet.

So just to say that maybe at a headline level it's been a very difficult and tough first half of the year. We delivered very solid operational performance. And I will start with the InfraCo side of the business then move to the retail or ISP businesses. If I start with Openserve maybe the headline to take away from Openserve is that the business is really starting to stabilise following a period of decline to the legacy business. The revenue was slightly down in the period by about 1.8% on a year on year basis driven by the demand for mobile backhaul which increased by about 13% in our carrier data circuits. Total revenue compares favourably to the 8.5% decline reported in the prior year.

Our enterprise business circuits marginally declined by about 1%, impacted by the lingering COVID impact on corporates and small and medium businesses. Despite the revenue being under pressure, EBITDA increased by about 11.2% with the margin expanding by about 3.7%. Our investment in our network enabled us to carry a 12% increase in fixed broadband traffic to about 809 petabytes. 73% of our fixed line broadband customers are using more than 10 mbps and higher, supporting higher data consumption.

For the first time in our history of Openserve we now have 60% of our fixed line broadband customers on next generation technologies, attesting to a very successful strategy to migrate customers from legacy to new generation. In the past we have tweaked our FTTH strategy to improve our returns with the highest connectivity rate in the market. We have started to further accelerate fibre rollout. We are now focussing on expanding our FTTH footprint while we're simultaneously focussing on connecting premises to make sure that we maintain a higher connectivity rate. To this end we increased the number of homes passed with fibre by 54% to 700,000 and the number of homes connected with fibre by 34% to 332,000 representing a connectivity rate of about 47%.

I will now move on to Swiftnet, our mast and tower business. The headline would be the business continues to commercialise its portfolio. Revenue grew by about 7.3% to R674 million, which was underpinned by increasing tenancy on our current productive portfolio and our build programme on the tower side. EBITDA grew by 10% to R532 million with the margin expanding by 2% to about 79% underpinned by more efficiencies. As we've indicated to the market in the past, we are preparing this tower business for listing on the Johannesburg Stock Exchange and we are on track to conclude this by the fourth quarter of our financial year. This I will touch on a bit later on.

BCX remains immensely under pressure. That would be the headline. Revenue for the period declined by about 6% to R7.4 billion, mainly impacted by the IT segment which continues to be under pressure whilst the converged communications business is now starting to stabilise. Despite cost management, of which we still expect more from this team, this resulted in direct expenses declining by about 13% and opex declining by about 4%. EBITDA declined by 7.7% compared to the year before as the savings that were being generated were not enough to offset the declines in revenue. The converged comms revenue declined by 4.2% to R3.5 billion primarily owing to declines in data consumption as employees continued to work from home, hardware delivery backlogs as a result of the global chip shortage.

However, performance was a bit cushioned by the tapering decline in fixed voice. Impressively 53% of data access revenue in next generation revenue that we saw, but as indicated at the beginning, the IT business revenue is really under pressure, declining by 7.9% to end the period at about R3.8 billion largely due to delayed projects. I mentioned the issue of supply chain disruptions and the shortage of chip sets and some of the uncertainties related to the violence we saw in KZN and Gauteng. I will now hand over to Serame to take us through the consumer performance.

Serame Taukobong

Thank you Sipho. As far as performance from mobile against the backdrop of a strong performance in the prior year, despite the rather heightened competitive market activity we saw our base grow 18.8% to 16.3 million customers with a blended ARPU of R92. The biggest driver of this growth was the prepaid base which grew by 23.6% to 13.7 million subscribers at an ARPU of R67. In view of a challenging macro environment our post-paid base has held steady at an ARPU of R217. The mobile business delivered a service revenue growth of 6.8% to R8.8 billion while the mobile EBITDA exceeded the R3 billion mark with an EBITDA margin of 29%, in line with management's expectations.

The prior year was marked with very high data demand. We managed to hold this data demand, which was maintained at the levels the same as last year at 480 petabytes, but more positively managed to increase our data revenue by 6.1% to R6.4 billion. Our broadband base increased by 10.3% to 10.6 million subscribers, of which 9.1 million are what we call smart users. We continue to grow the mobile footprint, increasing it by 12.2% to 6,910 sites where 4G sites increased by 42.2%. Importantly, most of these sites are within a range of 70% to 80% of fibre backhaul which allows us to effect quick upgrades in light of customer demand.

Going forward we will continue to invest in our network and also using roaming agreements to supplement our network footprint, allowing customers to effectively have access to three networks. Telkom has entered into a roaming agreement with MTN South Africa. MTN South Africa will be Telkom's second roaming partner effective 1st November 2021. The roaming agreement covers 2G, 3G and 4G which will also include seamless handover between MTN and Telkom towers. Telkom also has a roaming agreement with Vodacom. This innovation will allow us then to deliver our customers better experience, increase our footprint and most importantly manage our roaming spend in support of our efforts to drive the EBITDA margin positively going forward. Thank you. I will hand over to Dirk now.

Dirk Reyneke

Thank you, Serame, and good morning colleagues. I think let's unpack the financial messages. Despite the tough trading and economic environment we completed the first half of the year with strong earnings performance underpinned by first of all sustained group revenue with a margin decline of 0.5% to just over R21 billion, improved profitability, the group EBITDA growth of 1.2% and EBITDA margin expansion of 0.5%. Headline earnings grew by 30.4% year on year driven by an increase in group EBITDA and a significant reduction in finance charges, forex losses and fair value movements. We saw accelerated capital investment contributing to a negative free cash flow of R800 million. And then stable net debt to EBITDA ratio at 1.1x. The margin increase in the debt to EBITDA ratio over our 1x guidance is largely because of the lower cash balances and additional IFRS leases.

If we then look at sustained revenue, our group revenue was sustained at R21.3 billion with our mobile stream continuing to be the driver of growth. Mobile revenue increased by 9.7% despite experiencing the COVID-19 bump in the prior year that we're comparing with. The performance was offset by the IT business which remains under pressure due to the challenging trading environment exacerbated by the global supply chain constraints. It's however pleasing to note that while we continue to see a decline in fixed voice and fixed data as customers continue to migrate to next generation technologies, this rate of decline has significantly decreased. Fixed voice decline in the prior period was 29.5% and fixed data 9.5%, and that has moved down to 14.9% and 5% respectively in the current period.

We further continued to commercialise our current mast and towers portfolio with a growth of 5.1% in revenues to R374 million and this was underpinned by improving the productive tenancy ratio to 1.55x. Our improved profitability, group EBITDA increased 1.2% to R6 billion with the EBITDA margin expanding by 0.5% to 28.1%. This was underpinned by a 3.1% year on year decline in opex costs despite an average salary increase of 6% across the board in the period. The reduction in opex cost and optimisation of our cost to serve resulted in a reduction in our total cost to revenue ratio which reduced by 0.6% to 73.2%.

We continued to optimise our mobile direct expenses. With the easing of the national lockdown we have seen a 33.8% increase in mobile handsets which has resulted in 2.5% increase in direct costs. However, our mobile cost efficiency ratios are continuing to improve, demonstrating efficient growth in the mobile stream. This was enabled by optimised roaming cost as we maintained stringent roaming thresholds and migrate traffic to our network supported by the ongoing investment in our network.

I've referred to the robust earnings growth. We've seen a strong earnings growth of basic earnings per share increasing by 27.3% to 276.8 cents while headline earnings per share increased by 30.4% to 285.5 cents compared to the prior period. This was mainly due to a significant decline in finance charges, fair value movements and foreign exchange losses compared to the prior financial period.

Accelerated capital investment, we continue to invest in our key growth areas which are fibre and mobile with a capital investment increase of 22.7% to R3.6 billion representing a capex to revenue ratio of 17%. The highest fibre to the home connectivity rate in the market. We've accelerated our fibre rollout. Fibre services now make up 45% of the total capex executed compared to 35% in H1 2020 and 32% in the prior period. Homes passed increased by 54.2% year on year in line with our strategy to increase our market share in fibre. Going forward we will now focus on expanding the footprint while simultaneously connecting premises to ensure that we maintain the high connectivity rate. And we're targeting to get the 47% current ratio back up to above 50%.

Free cash flow was negatively impacted by a significant increase in capex. Cash generated from operations decreased from the comparable period by 9% largely due to changes in working capital and staff incentive payments relating to the prior year. Some of the key items impacting our cash performance are as follows. Finance charges paid declined largely because of the debt repayment of R1.1 billion in the prior period and a further R100 million in the current period. Tax paid has declined significantly year on year largely due to once-off payments of R1.2 billion relating to prior year outstanding liabilities. Free cash flow in the current period includes approximately R300 million of handset receivables. And then the biggest contributor was the capex paid. That increased by R1.1 billion largely due to the payment for capex executed in the fourth quarter of FY21. All of the above then resulted in the free cash flow after capex payment a negative R839 million compared to a positive R211 million in the prior period.

If you look at the balance sheet, our balance sheet is stable. Our solid underlying performance and our conservative funding approach enabled us to strengthen our balance sheet by repaying maturing debt of approximately R1.1 billion in the prior period. In the period under review we continued to reduce our debt in line with our debt maturity profile. We have got adequate balance sheet capacity to fund our strategy with our net debt to EBITDA stable at 1.1x, and we target to maintain our annual debt redemptions at or below R2 billion per annum to manage the refinancing profile and thus reduce refinancing risks. Our interest: Currently the floating rate debt versus fixed rate debt is 52% to 48%. This marginal change in the fixed versus floating was largely because of the repayment of maturing debt. The higher floating rate, however, has enabled us to benefit from the low interest rate climate, thus reducing finance charges.

I think in conclusion given the challenges of the first half management will focus on the following for the second half. We target to grow our revenue streams ahead of H1 performance resulting in total year on year growth in revenue. This is largely in the areas of fulfilling IT back orders, driving the connections of homes that we have now passed in H1, and aggressively driving our mobile customer value management initiatives and implementing our mobile regionalisation and township growth strategies.

We will continue our relentless efforts to maintain costs below inflation. The addition of MTN South Africa as a second national roaming provider with effect 1st November will assist in optimising our roaming expense further. We remain confident that the free cash flow will normalise in the second half of the year and we will be able to achieve a positive free cash flow for the year. Returning cash to shareholders remains a key element of our capital allocation framework. The board remains committed to reinstate the dividend policy by the end of the current financial year.

Given the advanced stage of the separate listing of Swiftnet, which is expected to be concluded by the end of the financial year, as well as the management transition, Telkom will be in a better place to take a holistic view then of the total capital allocation framework and make an announcement on the dividend policy at the end of the financial year. The board will then deliberate on the dividend declaration at that stage. The proceeds of the value unlock are expected to be used to either rebase the balance sheet and/or reinvest in the business and/or for shareholder rewards. I will at this stage conclude there and hand back to Serame to talk to us about growth and the value unlock strategy. Thanks Serame.

Serame Taukobong

Thank you Dirk. In terms of business portfolio and the focus on growth, as the growth of mobile continues and fixed line is starting to stabilise following periods of decline subsequent to the execution of the migration strategy, management will now focus on our IT business which has been under pressure due to various reasons. To this end we are considering investigating a strategic intervention in the business which will include but not be limited to the introduction of a strategic partnership in the business. This is aimed at addressing capabilities in BCX and restoring sustainable growth.

In terms of the value unlock strategy which Sipho and Dirk alluded to, we remain committed to the value unlock strategy which is premised on Telkom's market capitalisation not representing its intrinsic value. Telkom has different classes of infrastructure assets such as data centres, a wholesale network business and mast and tower businesses which are globally valued at higher multiples for separate individual businesses than telecommunications. Telkom has made progress in consolidating the data centres in Gyro with the intention of building a carrier neutral data centre infrastructure business while nearing completion of the legal separation of Openserve.

Significant progress has been made in respect of a separate listing in our mast and tower business, Swiftnet, including but not limited to formal engagements with the Johannesburg Stock Exchange. The listing is expected to be concluded before the end of the financial year subject to market conditions. Management believes that separating the listing of Swiftnet will affirm the valuation of the mast and towers business and its contribution overall to the valuation of Telkom. This concludes the formal part of the presentation. I will hand over to Sipho for concluding remarks and for Q&A. Thank you.

Sipho Maseko

Thanks Serame. Thank you very much. So, ladies and gentlemen, that's the brief highlights with regards to our performance. I think we have indicated earlier on very tough trading environment in the first six months, but the business is stable. We have seen quite a lot of pressure on the IT side, competitive pressure and the economy that is not bouncing back. But we have a resilient business, a resilient team that has shown great fortitude, lots of strength in place that will make sure that the performance in the second half improves and offsets some of the bump that we had in the first half. I'm fairly confident of that. But we just need to see it through in detail over the next couple of months. So maybe back to you, Claudia. We can take a couple of questions. We probably will have about 30 minutes or so to take questions from the participants on the call.

Operator

Thank you very much, sir. If you would like to ask a question, please press * then 1 on your touchtone phone or on the keypad on your screen. If you decide to withdraw the question, please press * then 2 to remove yourself from the list. Again, ladies and gentlemen, if you would like to ask a question, please press * then 1. The first question comes from Jonathan Kennedy-Good. Please go ahead, sir.

Sipho Maseko

Hi Jonathan.

Jonathan Kennedy-Good

Hi there guys. Thanks for the opportunity again. I just wanted to check with you on medium-term guidance. I didn't seem to pick that up in the release. Is that mainly because of the corporate activity that's ongoing with Swiftnet? Or can you give us a steer on for example capex? I see mobile capex again is quite low in the first half relative to what the full year number was last year. So I'm just trying to understand what, for example, capex will do this year. And any commentary on the medium-term guidance would be helpful. Thank you.

Dirk Reyneke

Jonathan, Dirk here. So the guidance that we have given at year end was three year guidance. First of all it's very dangerous to look at that at a point in time and compare with that. We've considered that and we decided it's probably premature to change the three year guidance. And you are right. There is a combination of things. I think there is still the uncertainty around the spectrum. We didn't at the time expect the riots in Natal. So all those things have affected our three year guidance on the short term. Therefore we decided we're not going to change it because it's still early days in the three years.

But in your direct question in terms of short to medium-term guidance I think if you look at capex specifically the level of spend that we've had in the first half – in round numbers R3.6 billion – I think that's' now more evenly spread over the year. So you're probably looking at R7 billion to R7.3 billion for the full year, not the R8 billion plus that has previously been guided. On the short to medium term we're probably back at R7 billion to R7.3 billion. And then certainly in cash flow we were previously talking about R2 billion. I said at the last quarter that R2 billion will be a stretch and under pressure. We are very confident we will be back in positive free cash flow territory for the full year. There are significant once-offs in H1 that won't be in H2. But probably closer to R1.5 billion than the R2 billion we said before. In terms of EBITDA and revenue growth it's early days to change that guidance.

Jonathan Kennedy-Good

Great. Thank you. That's very helpful.

Operator

Thank you. Ladies and gentlemen, just another reminder, if you would like to ask a question please press * then 1. If you would like to ask a question please press * then 1. We will pause to see if there are any other questions. The next question comes from Vikhyat Sharma from RMB Morgan Stanley. Please go ahead.

Vikhyat Sharma
Hi guys. Thanks for the opportunity. You guys have mentioned this new strategic partnership in the IT business. And I think Sipho indicated consolidation. I wanted to know, is it more normal partnering with companies that have probably got better distribution or some of those cloud partners? Is it something you are looking to invest in terms of equity or somebody else is looking to get an equity partnership into IT business? And on consolidation are you looking for consolidating the industry at some niche businesses?

Sipho Maseko
Yes. I think slightly more invasive than you mentioned. We are looking to embed a lot more capability into BCX especially on the IT side so that we can become a lot more competitive and be able to leverage the economies of skill and scale that those strategic equity partners would bring. Maybe if I just give you a bit of an example, we have a cyber security team. They have been incredibly busy dealing with a lot of cyber incidents. But the fibre incidents far outnumber their capacity for them to be able to do a lot more of those. And we are not spending enough time in terms of the R&D side of cyber.

Actually if you partner with a global scale player you can then be able to lean a lot more into their capabilities to shorten the cycles of development and enhance your capabilities in supporting your mega clients. BCX supports the large banks, almost all of them, the large retailers, almost all of them, the pharmaceutical chains and so forth. So it's very important that they themselves are able to lean back into the capability of a strategic equity partner who would help their clients to remain or become best in class relative to their peers around the world. So that's how we are thinking about it. And as the matter progresses we will certainly have a way of keeping everybody connected and informed appropriately. Thank you.

Operator
Vikhyat, does that answer all of your questions? Do you have any further questions?

Vikhyat Sharma
No, thanks.

Operator
Thank you. Ladies and gentlemen, just one final call. If you would like to ask a question, please press * then 1. If you would like to ask a question, please press * then 1. We will pause to see if there are any further questions.

Sipho Maseko
Jonathan, you don't want to ask another question?

Operator
We actually have a follow-up from Jonathan Kennedy-Good. Please go ahead, Jonathan.

Jonathan Kennedy-Good
Sorry, I thought I'd take a chance given that no one else is asking. Could you just walk us through the operational separation that you speak about in Openserve and where we are in the process there in terms of a potential value unlock? Just some colour would be helpful.

Sipho Maseko
Do you want to talk about it?

Dirk Reyneke
Jonathan, Dirk again. Let me talk about it. I think it's an ongoing process. I say that every three months. I think fair to say that we are managing that process and we're fully in control of the cadence and the timing. There are some big strategic decisions that would affect or the consequences of that would have impact on the rest of the group. And we're busy unpacking those. I'm specifically talking things like real estate, IT outsourcing, transfer pricing, those sorts of things that we

do need to get right. But in terms of balance sheet split it is done top own. We are now saying how does that compare with the bottom up in terms of valuation based on that split? We've got a fair idea of an indicative valuation. I'm not going to commit to timelines. Fair to say that we've got a full steerco that consists of five of the ExCo members and advisors, external and internal. We have probably got very close to some final proposals and suggestions that we will take to the steerco still in the current month. And we will take it from there. We will communicate back to the market with more detail as and when appropriate.

Jonathan Kennedy-Good

Great. Thank you. That's helpful. Thank you.

Operator

The next question comes from Nadim Mohamed from SBG Securities. Please go ahead, Nadim.

Nadim Mohamed

Good afternoon everyone. Just one question from my side. I just want some colour on the growth you're seeing in prepaid subscribers. It does seem quite substantial at about 24% year on year, but not quite filtering through to your revenue growth. I would like to get a sense, are they low value customers or offerings? What exactly is going on on the ground there?

Serame Taukobong

I think the prepaid must be looked at in two ways. We've got to take out the bump which we saw last year which took the prepaid ARPU above R80. The prepaid ARPU is settling back to the pre-COVID levels at the 60s. I think the range that management tracks is between R55 and R70. The focus has also been on ensuring that we drive quality of acquisitions as opposed to quantity. That is reflected by the fact that you're not seeing the high 30%, high 40% growth, stabilising at 20% odd. So we have also changed our dealer contracts to reward more on tenure and equally pushing quite aggressively in the back end to drive our CVM and retention initiatives. So I think there is a lot of work being done to make sure that that ARPU stabilises at R65 to R70. And we are happy with the progress we're seeing with that so far.

Nadim Mohamed

Excellent. Thank you so much.

Operator

Thank you. The next question comes from Raj Suri from Helm. Please go ahead.

Raj Suri

Hey guys. Sorry for the background noise. Two questions from me. Dirk, can you just confirm you expect free cash flow for the year to be R1 billion to R1.5 billion, and the first half was down R800 million. That is quite a swing. Can you talk us through the different moving parts? I guess related to that, I was expecting some colour on dividend policy on these results. It sounds like you've delayed it then, which is fair enough, but maybe if you could just talk us through the puts and takes that you expect to happen over the next four or five months that will give you more clarity on what the dividend policy should look like going forward.

Dirk Reyneke

Raj, thanks for that. Let's unpack the negative R800 million free cash flow for the first half. First of all there are some big numbers in there. If you take the positives it's really the reduction in tax which is R400 million which was in the prior year relating to old tax issues and queries. Secondly, there is a R300 million device sale in. That's a R700 million positive in H1. Having said that, we will do further device sales to probably similar levels in H2. Take that as a R700 million positive. If you look at the negatives in there, first of all you will note the capex increase, the repayment on capex. And I alluded to that at year end and at quarter results that we had an acceleration of capex in the fourth and third quarters of the prior year. With our 90 day payment terms that cash was only paid out in the current year. That's in excess of R1 billion. It's close to R1.1 billion.

Furthermore you will note that in terms of working capital investment there is a R1.1 billion in there. We see some of that reversing and actually becoming positive as we take out the cyclical nature of the inventory purchases and we recover some of the big debtors that are currently in arrears. So we do some of that reversing. And then lastly we had the big number, under R1 billion but a large number relating to staff incentives that was paid out in H1 that will not be paid out in H2 again. That relates to your accrual for your prior year end. So if you just look at the once-offs in this R800 million it is probably R2.4 billion of cash outflows that will not happen in the second half of the year. So if you normalise for that you will probably be able to calculate where I get to my number.

I think in terms of the dividend, as I said the board remains committed to reinstate the dividend policy by the end of the current financial year. I realise that there is some expectation that we would have done it now. But we believe that with the advanced stage of the separate listing of Swiftnet, which is expected to be concluded by year end, with the stabilisation of all the management transitions, hopefully some more certainty around spectrum by year end, and fourthly COVID wave four or not, I think those are the four major uncertainties currently that we're saying by year end we should be in a better position to take a more holistic view and take that into account in the formation of the new dividend policy and the rollout of the dividend policy. I want to reiterate that in terms of value unlock impact on dividend policy I think we've been clear all along that one mustn't assume that the value unlock will automatically result in a dividend or a special dividend for that matter. As I said that money we reserve for reinvesting in the business, and/or rebase the balance sheet if required, and/or return cash to shareholders, and/or a combination of all three of them. So that's really the dividend story, Raj. I hope that helps.

Raj Suri
Thank you very much. That's very helpful on the cash flow side at least.

Operator
Rajat, do you have any further questions, or is that it?

Raj Suri
I guess if I can ask the team, another African tower company listed not so long ago. A little bit disappointing. Priced at the low end of the range. Stocks traded weak. I'm sure it's something you've been watching closely. How has that altered in any way your thinking around Swiftnet and the potential value unlock or the value crystallisation that comes from that listing?

Sipho Maseko
We've seen it. It has not tempered our views at all. We've stress tested our valuation even with the early look that we've been conducting tin the last couple of weeks. We're comfortable that where we would want to pitch we would be at the right point that accords to the market sounding that we have done before. So we are reasonably okay. But you are right. We have watched it, but we are pitching it in a different way. Thank you.

Operator
Thank you. The next question is a follow-up question from Vikhyat Sharma from RMB Morgan Stanley. Please go ahead.

Vikhyat Sharma
Hi guys. My question is to Serame. From the last presentation you mentioned the competitors obviously took the pricing down and Telkom is more aligning to that pricing and Telkom has responded. I think your competitors have indicated that there is a lot more pressure at the bottom end of the subscriber base. So after the response that you have done and after the alignment of pricing, if I may say so, is the competitive intensity settling down, stabilising post the six months? Or is there still a very competitive environment because the lower end is under pressure?

Serame Taukobong
I think the shape of the environment has changed since we last spoke. I think at the lower end we remain price competitive. We are quite happy with the approach that we've taken of not necessarily dropping price but giving more value. Where we have seen more aggressive activity is on the higher side, your rather bigger packages. We've also responded in that regard. Our summer campaign launched on 1st October and the price points that we've come to are quite aggressive and competitive. So we believe that we've got very fair and balanced propositions both for the low end and for the high end. And to add further to that we also have seen very positive growth in our fibre attempts especially from a retail perspective.

The pricing there is quite competitive, and not just the balance of price but also speeds. As we sit today I'm happy to announce that at least 70% of our customers who are on fibre are at speeds higher than 10 mbps. Equally we have reached the inflection point where the homes connected on fibre actually are higher than traditional copper. So I think we've got a nice mix in the Telkom stable of good LTE pricing but equally quite affordable and aggressive fibre. And we also just recently announced the launch of our prepaid fibre as well. So I think from a broadband perspective we've got all the tools we need to make sure that we continue to focus our ambition on driving broadband growth.

Sipho Maseko
And I suppose, just to build on what Serame is saying, the bundles are becoming bigger, fixed and mobile. And clearly those with the right proposition on the fixed side in terms of entry level speeds and pricing will fare better. And obviously on the spectrum side the capacity issues will be very important. I think with the roaming agreement the mobile team have been able to deal with the coverage issues. And the big issue now will be who then has the right capacity to be able to bring about the right value proposition on the data side to complement what we are doing on the fixed side. So I think it's going to be a lot of fun going forward in terms of the interplay between fixed and wireless and the relative entry level point both from bundle sizes and pricing going forward.

Vikhyat Sharma
Thanks Sipho.

Operator
Thank you. Mr Maseko, we have no further questions in the queue. Can I hand back to you for closing remarks?

Sipho Maseko
Sure. Thank you very much, Claudia. Thanks very much everybody for joining. I think as indicated personally it has been probably one of the most difficult periods in the main, not just from a business perspective. I think the environment with COVID has been a very tough time for a lot of people. So I certainly commend the fortitude of the management team to see it through. I think that it looks a lot more promising. Obviously it's not going to be easy on the forward look. Lots still need to be done. But I think there is a clear plan at least from where we sit in terms of who needs to do what to bring it home at the end of the year. And I think we are very confident around that. Thank you, Claudia. Thank you everybody, and have a good day further or good evening if you're in South Africa. Thank you. Cheers.

Operator
Thank you very much, sir. Ladies and gentlemen, that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT