

Telkom SA SOC Ltd

Annual Results Presentation

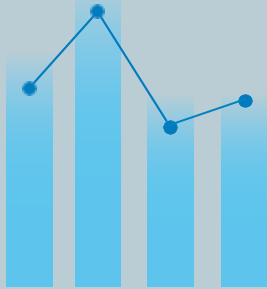
For the year ended 31 March 2022



Telkom

Tough trading environment

Economic volatility



- Weak GDP growth
- Rising interest rates
- Rising energy and fuel costs
- Ongoing loadshedding

Competitive landscape



- Increased intensity in the mobile sector
- Pricing adjustments in the postpaid market
- Market consolidation

Social instability



- Looting in certain parts of the country
- Russia/Ukraine War
- High unemployment rate

Stabilising regulatory environment

Auction outcome

	Existing	Auction	Effective
3500Mhz	28Mhz	22Mhz	50Mhz
2300Mhz	60Mhz	-	60Mhz
2100Mhz	30Mhz	-	30Mhz
1800Mhz	24Mhz	-	24Mhz
800Mhz	-	20Mhz	20Mhz
700Mhz	-	-	-
Total	142Mhz	42Mhz	184Mhz

ICASA Settlement

- Licensing unassigned spectrum by 30 June 2022
- New Information Memorandum to promote competition
- New Auction to be concluded within the next financial year

Competition Tribunal Withdrawal

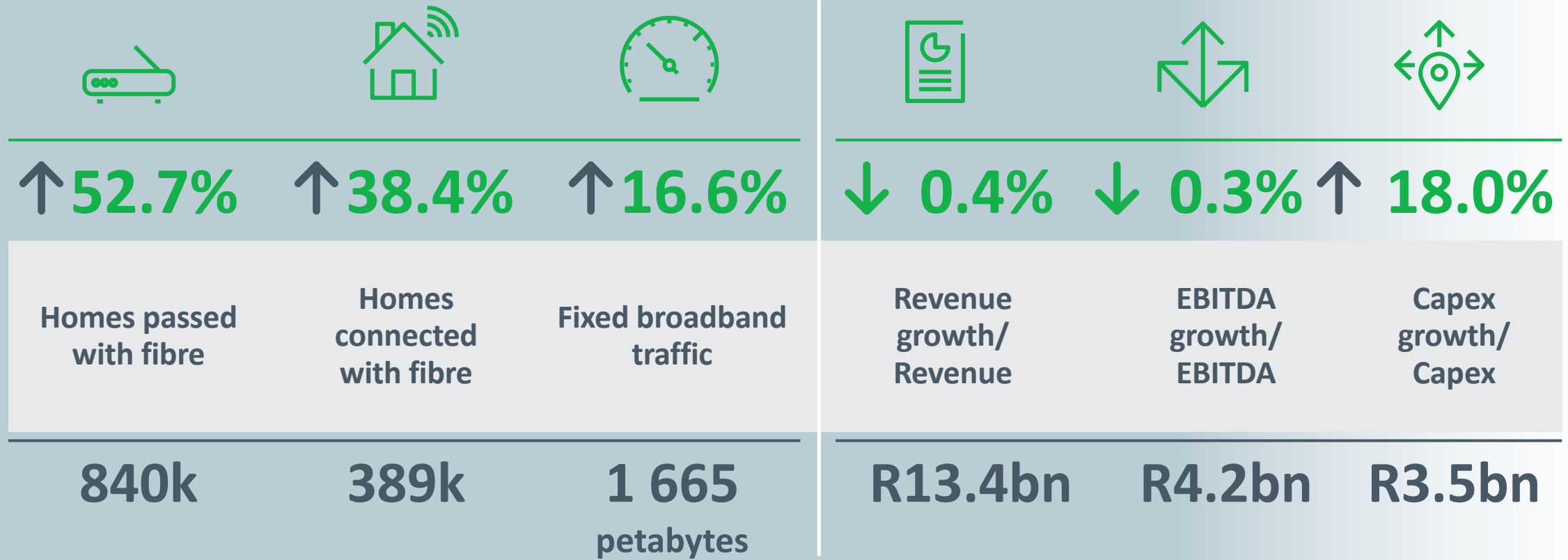
- ICASA agreement
 - Study secondary spectrum market
 - Develop of an adequate regulatory framework

2

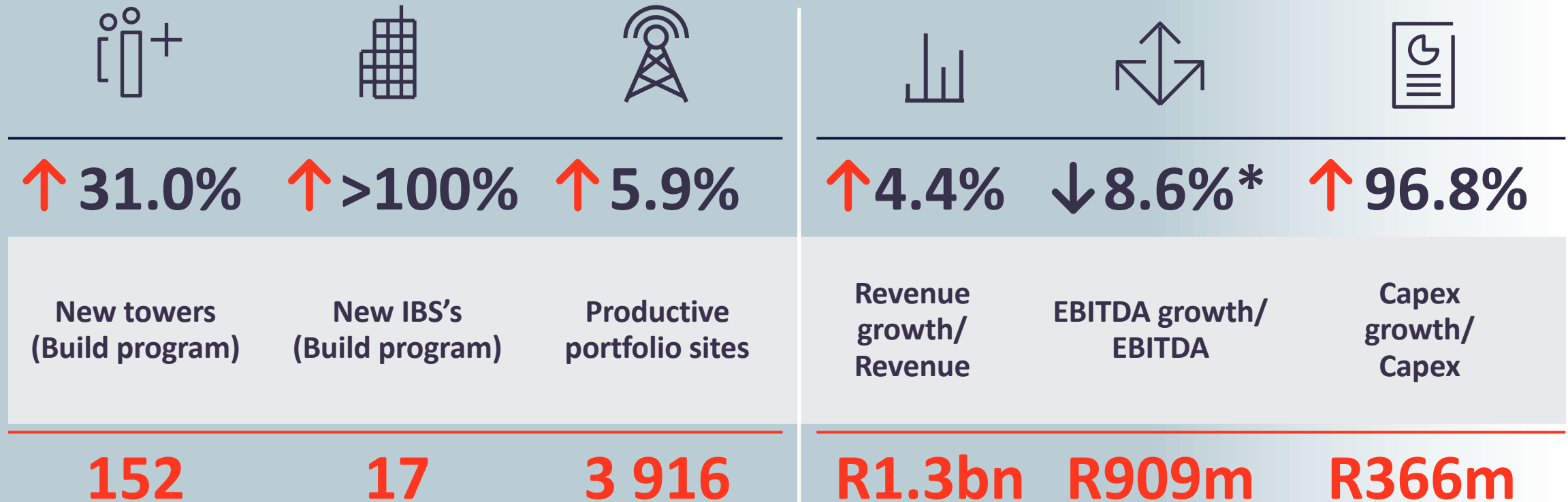
Business Overview



Openserve stabilised as the business evolves to NGN









Swiftnet continues to commercialise its portfolio



*The decline was driven by the refinement in the property operating cost allocation methodology during the second half of the financial year, across the different Telkom business areas. On a normalised basis, excluding the impact of the refinement in property operating costs, the EBITDA increased by 2.7% from the prior year to R1 021m, at a 79% EBITDA Margin

Mobile Revenue Growth in line with industry

					
↑ 10.5%	↑ 3.8%	↑ 13.7%	↑ 6.3%	↑ 3.7%	↓ 38.8%
Active mobile subscribers	Mobile broadband subscribers	Mobile base stations	Mobile revenue	EBITDA growth/ EBITDA	Capex growth/ Capex
16.9m	10.7m	7 313	R21.4 bn	R5.8bn	R 2.8bn

BCX performance under pressure, some clawback in H2



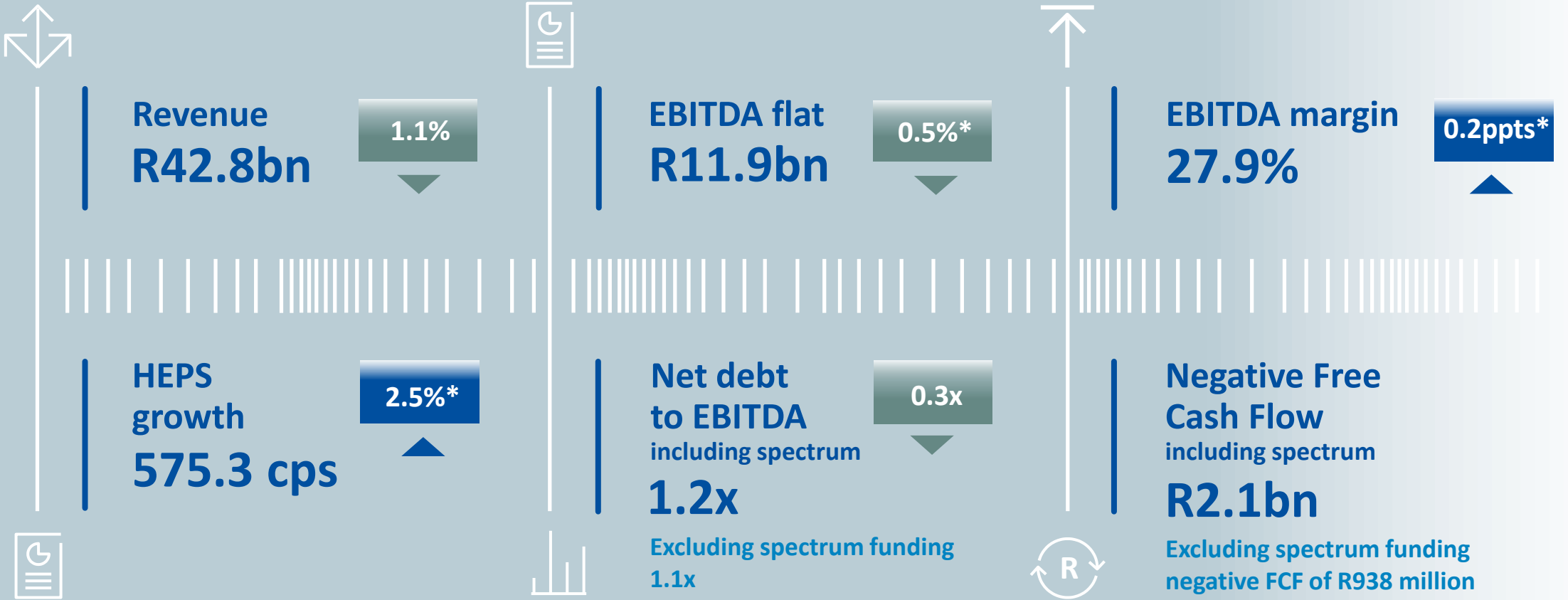
↓ 1.1%	↑ 23.3%	74.0%	↓ 2.6%	↓ 7.1%	↑ 9.2%
Converged Communication revenue	IT business customers	Data Centre Co-location/ # of racks	Revenue growth/ Revenue	EBITDA growth/ EBITDA	Capex growth/ Capex
R7.3bn	1 345	2 914 racks	R15.3bn	R2.3bn	R567m

3

Financial overview



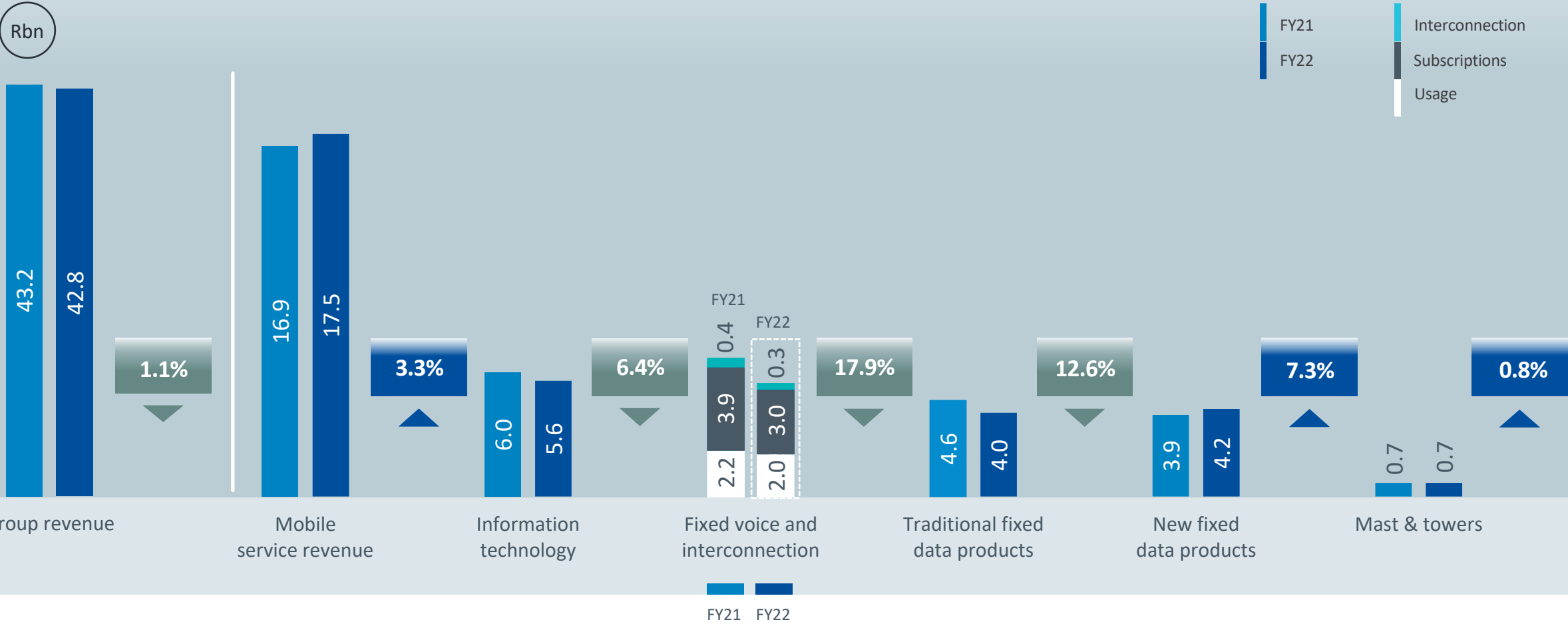
Group financial performance



*Excludes the impact of VSP, VERP and S189 costs of R270 million and the related tax impact of R76 million in the comparative year

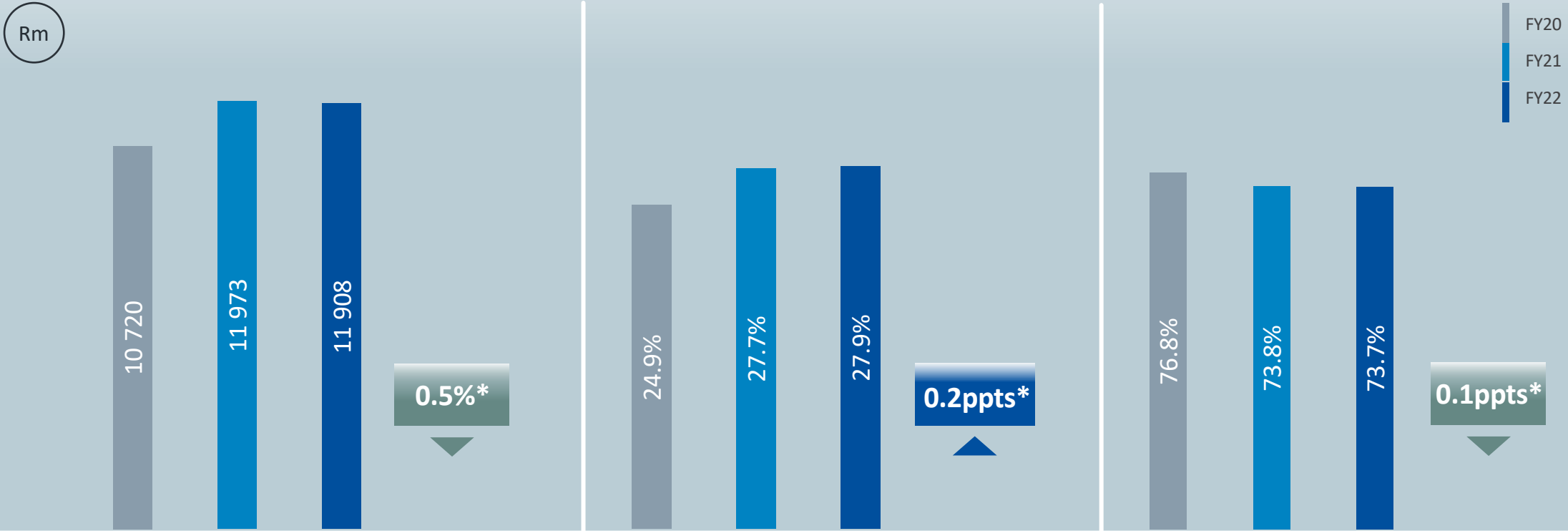
Revenue headwinds

Revenue by stream



Revenue headwinds offset by strong cost control

EBITDA analysis

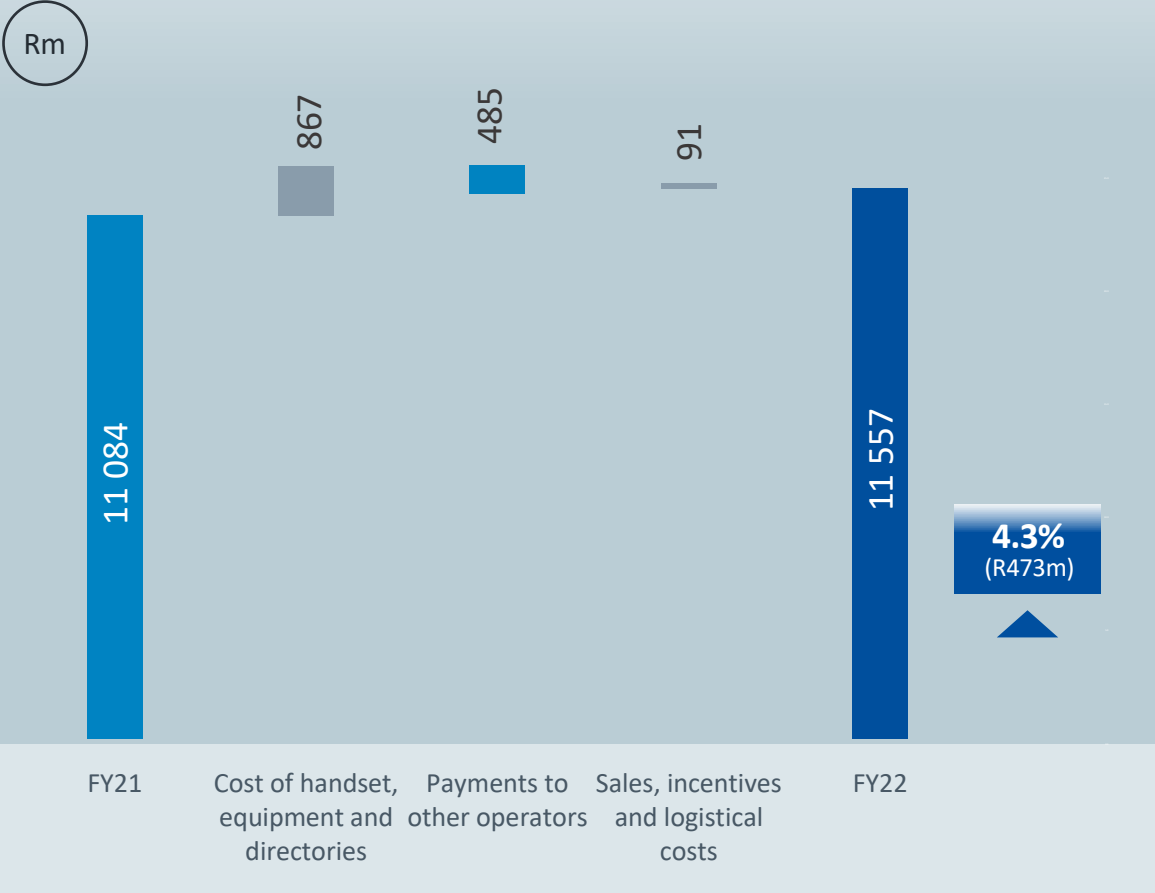


* Excludes the impact of VSP, VERP and S189 costs of R270 million in the comparative year

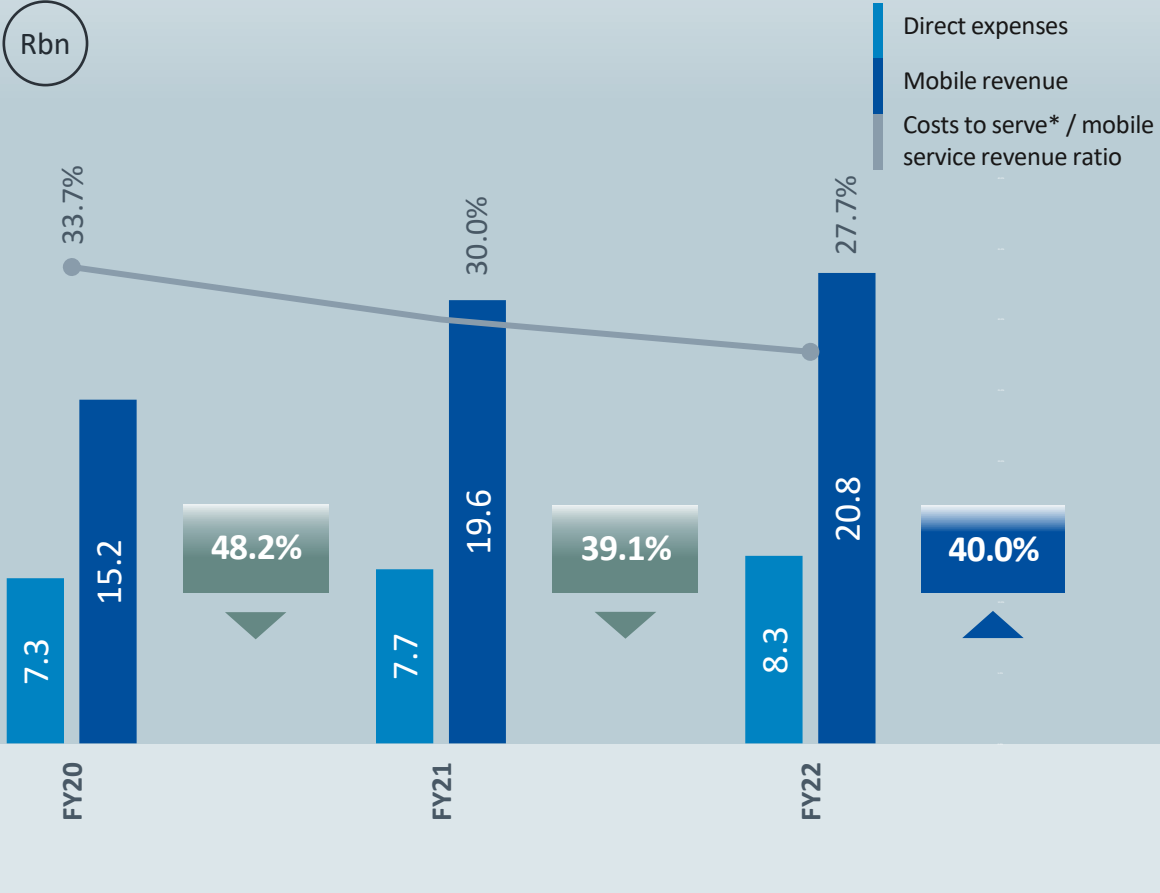
**Total cost includes direct and operating expenses

Focused effort remains to contain mobile direct expenses

Direct expenses



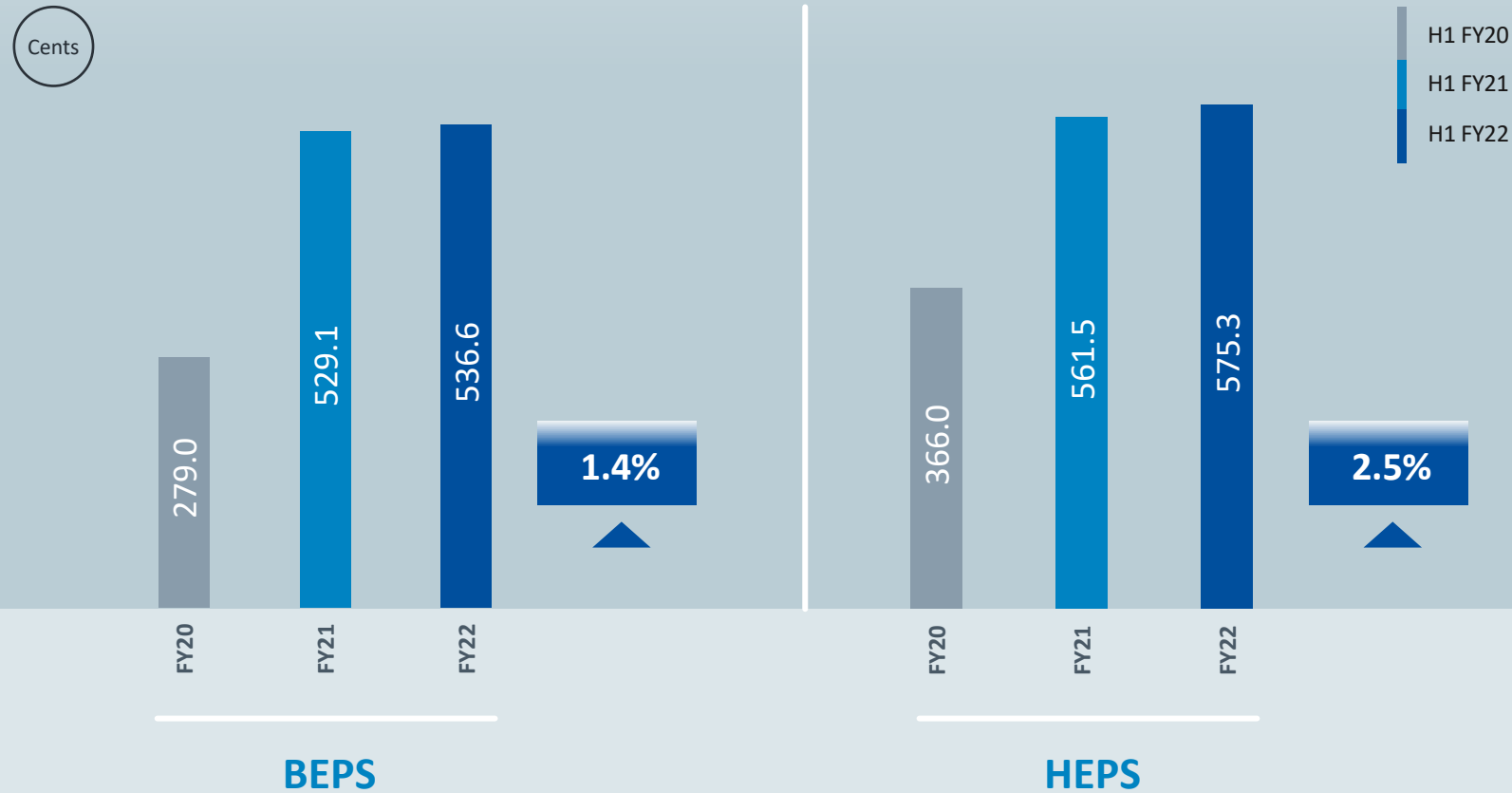
Mobile cost efficiency ratios



*Payments to other Operators (PtoO) and sales commission and incentives

Strong cost control and finance charges drive earnings growth

BEPS and HEPS movement

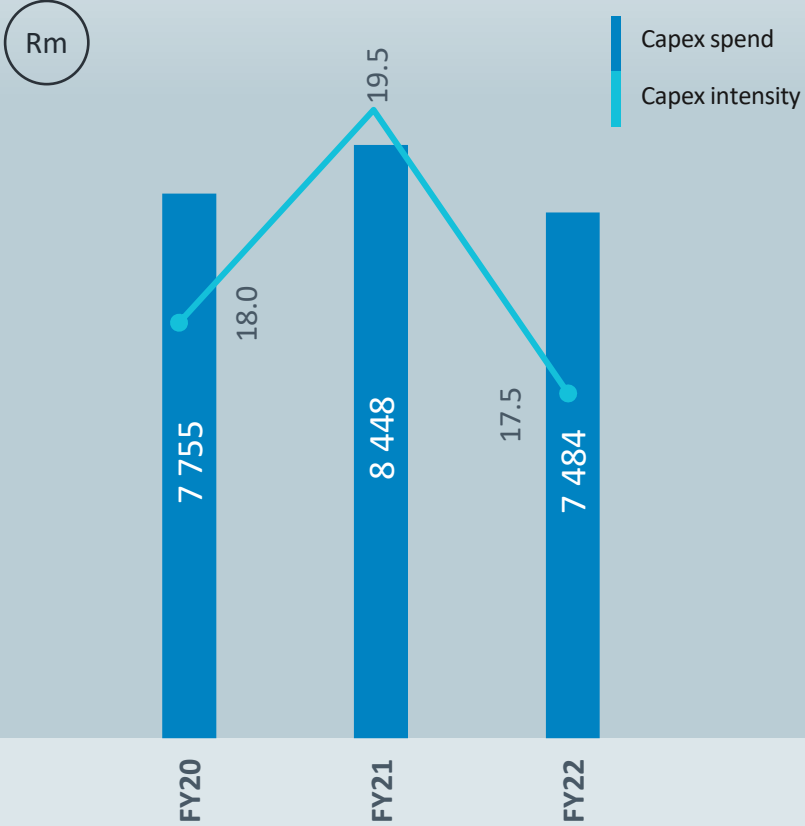


Earnings improvement driven by:

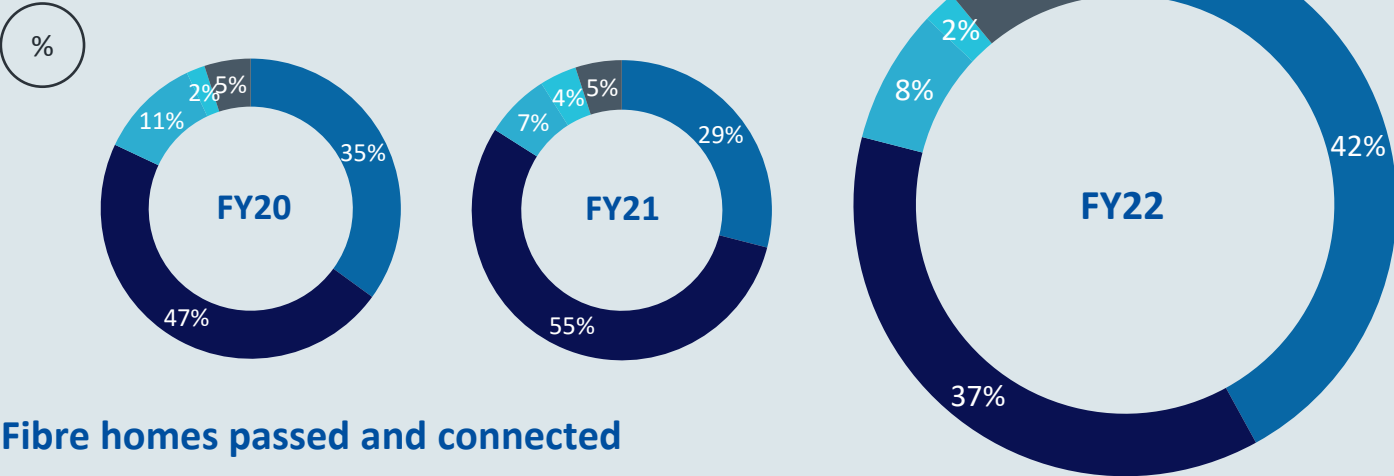
- Lower finance charges mainly due to lower and stable interest rates as well as the settlement of the SARS liability in the prior year.
- Favourable foreign exchange hedging position.

Continued acceleration of Fibre rollout and monetisation

Capex spend and intensity



Capex investments allocation



Fibre homes passed and connected

	FY22	FY21	FY20
Fibre to the home	839 691	549 957	455 553
Homes connected	389 109	281 065	219 583
Active fibre connectivity rate %	46.3	51.1	48.2

*Fibre services include FTTH, Core network and Service on demand

- Fibre services*
- Mobile
- Information technology
- Network sustainment
- Subsidiaries and other

Spectrum and capex negatively impact cash flow performance

Free cash flow (FCF) movement Rm	FY22	FY21	%
Cash generated from operations	9 886	14 383	(31.3)
Repayment of lease liability	(1 076)	(856)	(25.7)
Interest received	235	332	(29.2)
Finance charges paid	(1 188)	(1 291)	8.0
Taxation paid	(764)	(2 194)	65.2
Cash generated from operations before dividend paid and received	7 093	10 374	(31.6)
Spectrum acquisition	(1 142)	-	(100.0)
Cash paid for capital expenditure	(8 031)	(8 311)	3.4
Free cash flow	(2 080)	2 063	(200.8)
Free cash flow excluding spectrum*	(938)	2 063	(145.5)

Decline in Free Cash Flow driven by:

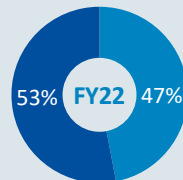
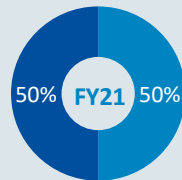
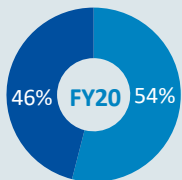
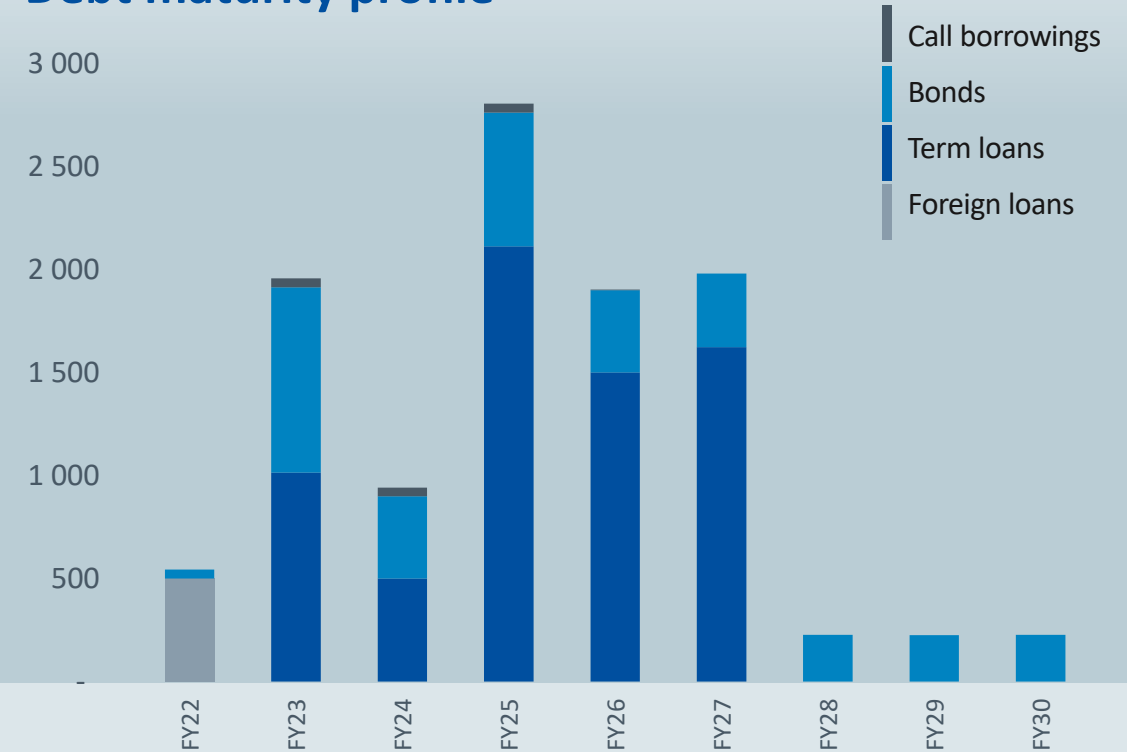
- Lower revenues
- Increase in handset sales despite R1 billion in handset financing
- Increase in handset purchases
- Settlement of Q4 FY21 capex in H1.
- Spectrum payment

* Post settlement of FY2021 capex in current year and R1 billion handset financing

Healthy balance sheet post spectrum funding

Rm	FY22	FY21	%
Cash balances	3 239	5 002	(35.2)
Interest bearing debt	11 932	10 866	(9.8)
Opening balance	10 866	12 005	9.5
Net funding raised/(repaid)	(193)	(1 132)	(83.0)
Spectrum funding	1 150	-	(100.0)
Other	109	7	(1 457.1)
Lease liabilities	5 374	4 972	(8.1)
Opening balance	4 972	4 775	(4.1)
IFRS16 lease liability raised	402	197	(104.1)
Net debt*	14 067	10 836	(29.6)
Net debt/EBITDA times	1.2	0.9	(0.3)
Net debt/EBITDA times excluding spectrum funding	1.1	0.9	(0.2)
Average cost of debt (%)	6.5	6.2	(0.3)

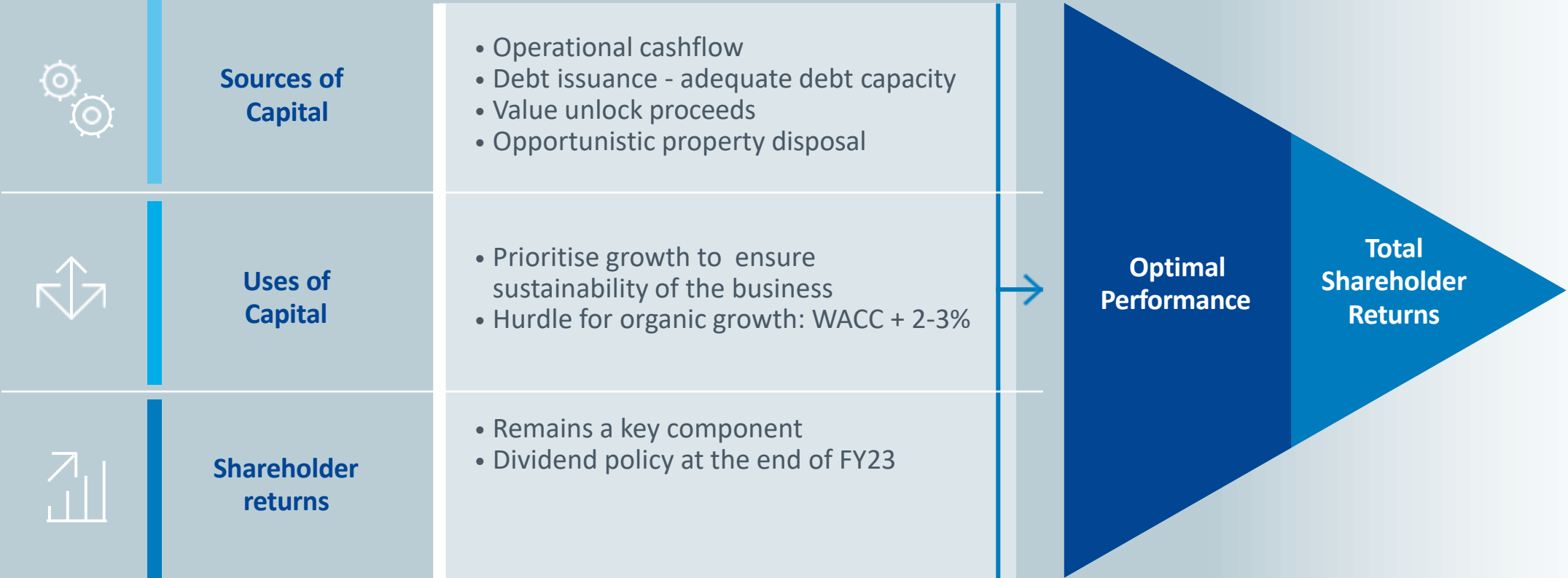
Debt maturity profile



Fixed
Floating

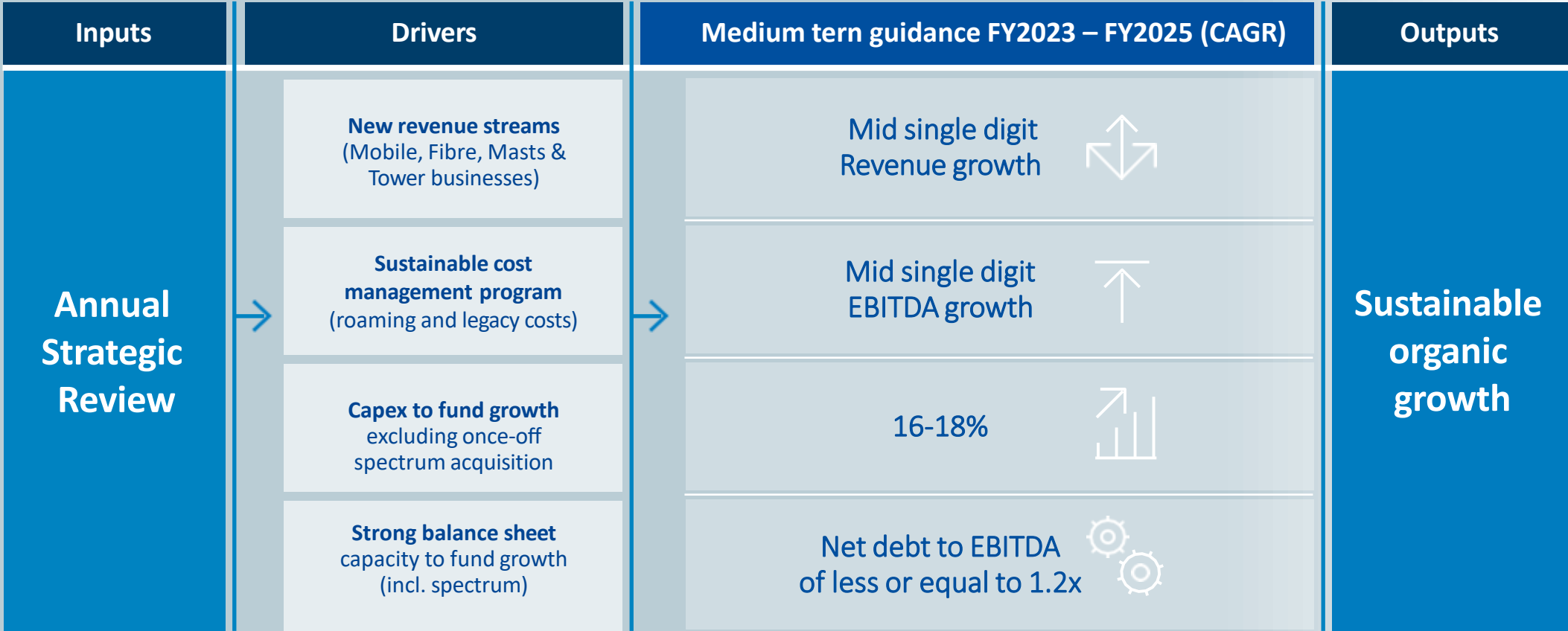
* Net debt increase is mainly attributable to the decrease in cash balances and refinancing of R1 150 million relating to spectrum

Capital allocation prioritises growth



Spectrum took priority in line with capital allocation framework

Financial framework to drive sustainable growth



- Includes spectrum but excludes corporate action
- Base year FY2022

4

Strategic Review



Group PIVOT strategy

P

Portfolio diversification

Expand and invest in e-commerce, big data, gaming and fintech

I

Integrated solutions

Offer end to end converged propositions from connectivity to IT solutions

V

Victory in broadband

Become the leading broadband provider in South Africa

O

Operational efficiency

Develop operational superiority which provides a competitive advantage

T

Technical innovation

Modernise and build a state of the art network

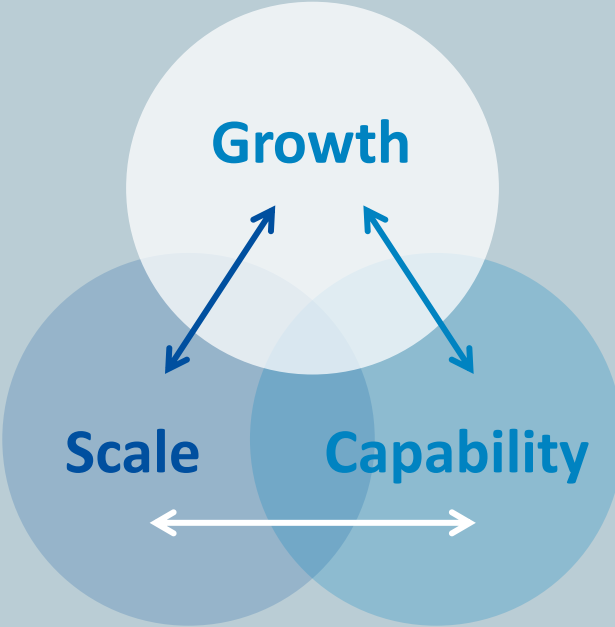
Evolving Operating Model

People and organisational capabilities

Partnership model

Sustainable financial framework

Strategic imperatives to enhance value



Scale

- Scale drives economics and underpins competitiveness
- Enables market relevance in our core business

Capability

- Critical skills to access adjacent opportunities
- Adjacent businesses allow us to access new sources of growth



Partnerships are critical to enable the Telkom Group strategy

Partnership objectives

Role of partnerships in driving Strategic themes

Access to capabilities

Expanding & strengthening value proposition

- Access to **new product & service offerings**:
 - Cloud and cybersecurity services
 - 5G and IoT use cases
 - New offerings in Content, FinTech, EdTech, MedTech...

Growth

Driving digitisation/ modernizing tech stack

- Partnerships provide **insights and access** to different **technologies and digital platforms**

Scale

Enabling advanced capabilities

- Access to **new network capabilities** e.g., private networks, Hyperscaler powered networks
- Access to **new cloud / IT capabilities**

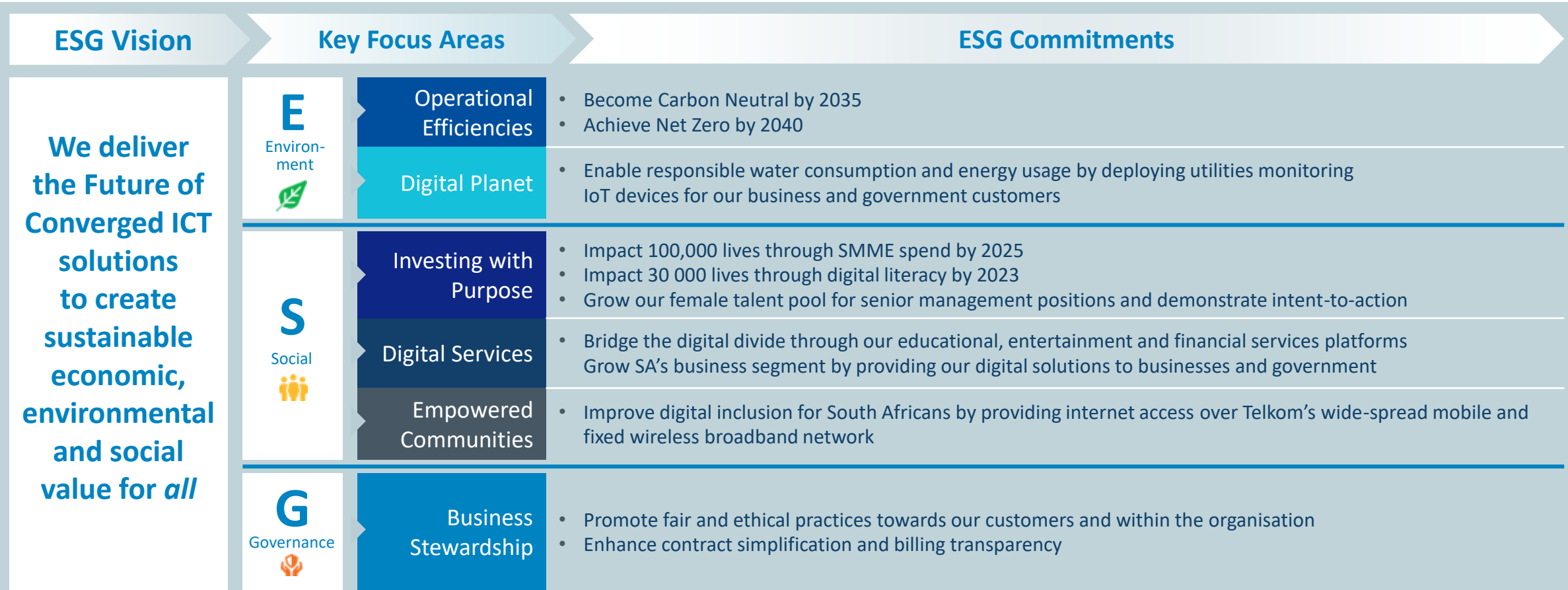
Efficiencies

- Opportunities to **augment & drive network & infrastructure efficiencies**
- **Procurement efficiencies**

Market expansion

- **Go to market capabilities** e.g., channels, salesforce, bundling

Our ESG strategy



Demonstrating our ESG commitment

Key Focus Areas		What we've been focused on			
<p>Environment</p>	Operational Efficiencies	SBTi <ul style="list-style-type: none"> Set science based targets and pathway to Net Zero 	E-waste <ul style="list-style-type: none"> ~2000 tonnes recycled 	Water <ul style="list-style-type: none"> Consumption down 5% y.o.y. 	Buildings <ul style="list-style-type: none"> Optimised HVAC roll-out underway
	Digital Planet				
<p>Social</p>	Investing with Purpose	ICT solutions <ul style="list-style-type: none"> New products: <ul style="list-style-type: none"> eMarketPlace for SMBs insurance policies payment solutions 60% ↑ y.o.y. in fixed broadband connections Homes passed up 52.7% 	Skills <ul style="list-style-type: none"> ~2000 participants in FTTX and FTTH prog. 103 graduates in Advanced Management Leadership prog. Awarded ~200 bursaries in digital and data science fields 	Employees <ul style="list-style-type: none"> Dedicated learning platform >3000 modules 10% participants in FLDP were promoted Largest y.o.y. improvement in Net Sentiment** 	CSI <ul style="list-style-type: none"> Futuremakers: supported 2 500 enterprises, creating 27 000* jobs since 2015 Township Innovation: ~50 local businesses Telkom Foundation: psychosocial support for ~650 000 people
	Digital Services				
	Empowered Communities				
<p>Governance</p>	Business Stewardship	Data security <ul style="list-style-type: none"> Retained ISO/IEC 27001:2013 certification 	Health & Safety <ul style="list-style-type: none"> LTIFR improved by 50% to 0.07 	Covid-19 <ul style="list-style-type: none"> Vaccination drive in partnership with DisChem 	Hybrid model <ul style="list-style-type: none"> Telkom grant for employees who are telecommuters

* Indirect and direct jobs

**Reputational and Operational Net Sentiment relative to other local wireless network providers

BU strategic focus areas



- Accelerate mobile growth
- Drive high-speed fibre broadband adoption
- Expand the network
- Drive E-commerce and Fintech



- Converged Communication
- Cloud platform services
- Digital platform services



- Modernise the network
- Commercialise the network
- Transform service delivery



- Increase tenancy on existing portfolio
- Acquire strategic sites and build new towers in line with MNO demand
- Expand range of products and services offering



- Optimise utilization on existing Data Centre
- Real Estate Portfolio segmentation and development of viable projects with prospective investment prospective

5

Value
unlock



InfraCo, present significant value unlock opportunities



Tower assets

5 960	Full portfolio of towers
3 916	Productive Portfolio
2 675	Growth Towers: 1 or less tenants
1 241	Mature Towers: 2 or more tenants
42%	Anchor tenancy (Mobile and Openserve)

~ 2.5mill	Premises covered by Fibre ready Nodes
839 691	Fibre to the home
46.3%	Connectivity Rate
NOC	World Class Managed Services Operation Centre
Top 3	Undersea landing stations in South Africa

10	Data Centres Carrier Neutral
3 out of 4	Certified Tier 4 data centres in SA
Size	~11 MW IT ~ 6500m ²
78%	Occupancy rate

Rationale for strategic options

Value unlock



- Affirm valuation of Swiftnet and Group
- Potential sale proceeds to reinvest in the business
- Enhance EV/EBITDA and/or PE ratio

Scale & capabilities



- Be part of a bigger M&T portfolio
- Opportunity to access markets outside South Africa
- Opportunity to tap into operational synergies and more advanced expertise/capabilities

Growth prospects



- Increase in tenancy and sustainable revenue
- Spectrum and 5G present new growth opportunities
- Increased financial contribution to Group

BCX Strategic Equity Partner (SEP)

Attributes of the SEP



- similar aspirations to and **alignment to BCX future growth strategy**
- a comprehensive and **complementary product portfolio and solutions**
- a **presence in industries** in which BCX has ambitions to grow
- a significant geographical presence or **ambitions to enter new markets where BCX has a solid footing**

Focused Capabilities



- **System integrator with capabilities mainly in digital solutions**
 - IOT, data analytics and automation
 - Cloud Consulting

Key strategic priorities



Q&A Thank you



Telkom SA SOC Ltd

Annexure Detailed BU performance



Telkom

Telkom Consumer

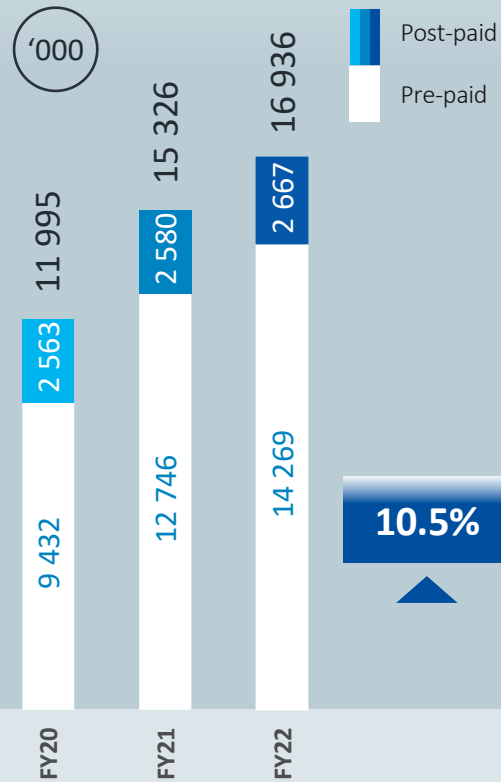
10.5%
growth in mobile subscribers

42.4%
increase in 4.5G integrated sites

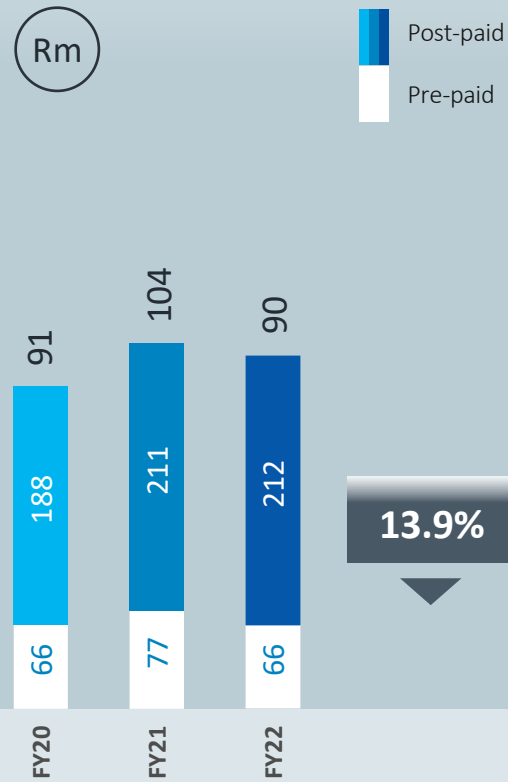


Solid performance against strong prior year

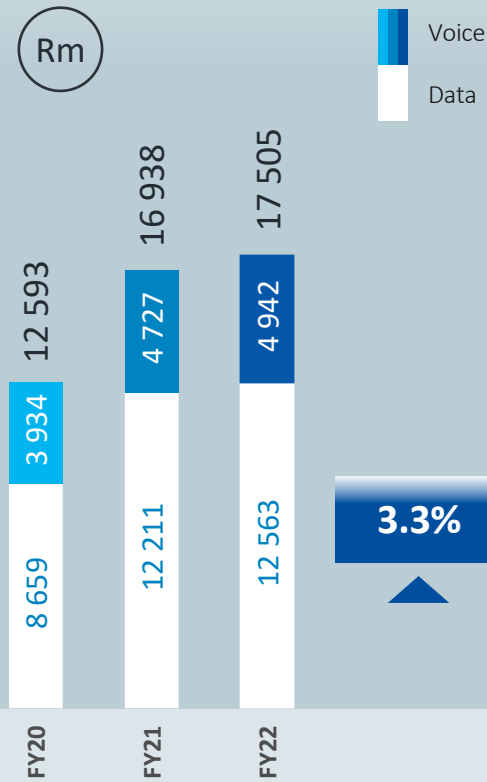
Subscriber growth



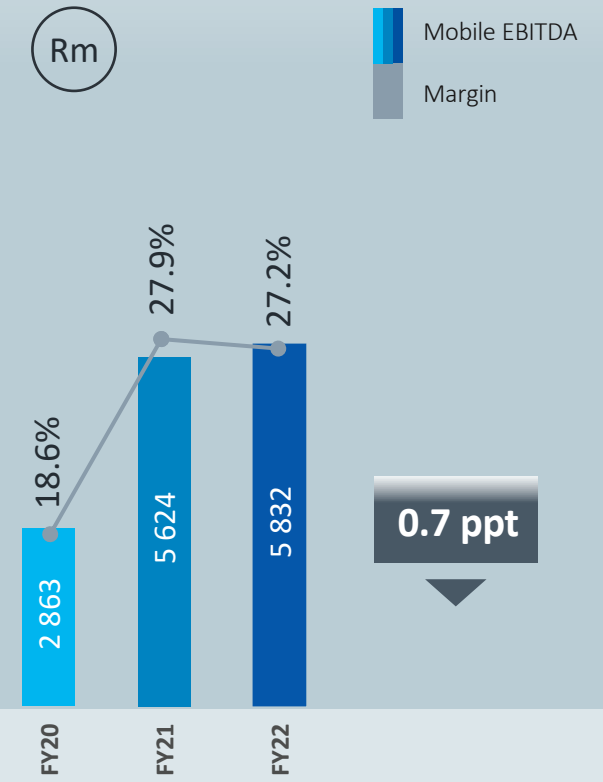
ARPU



Mobile service revenue

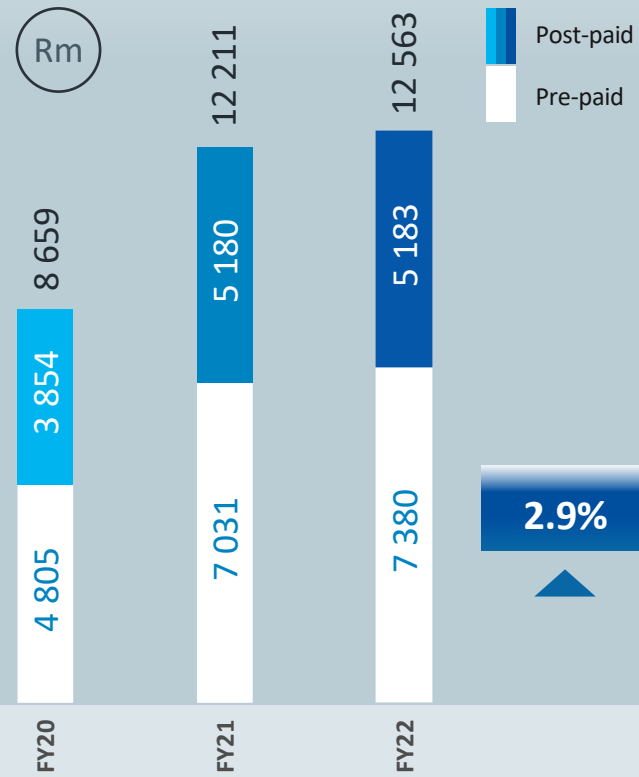


Mobile EBITDA/margin

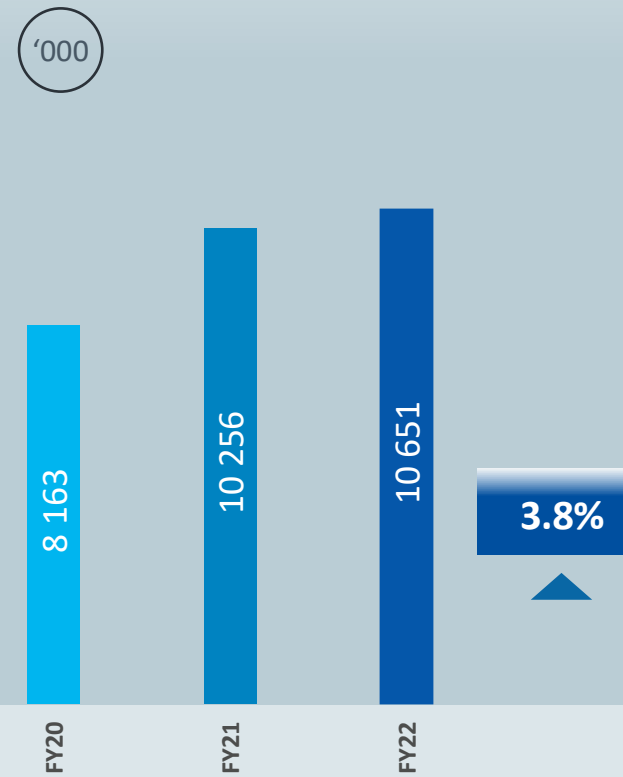


Monetisation of broadband traffic

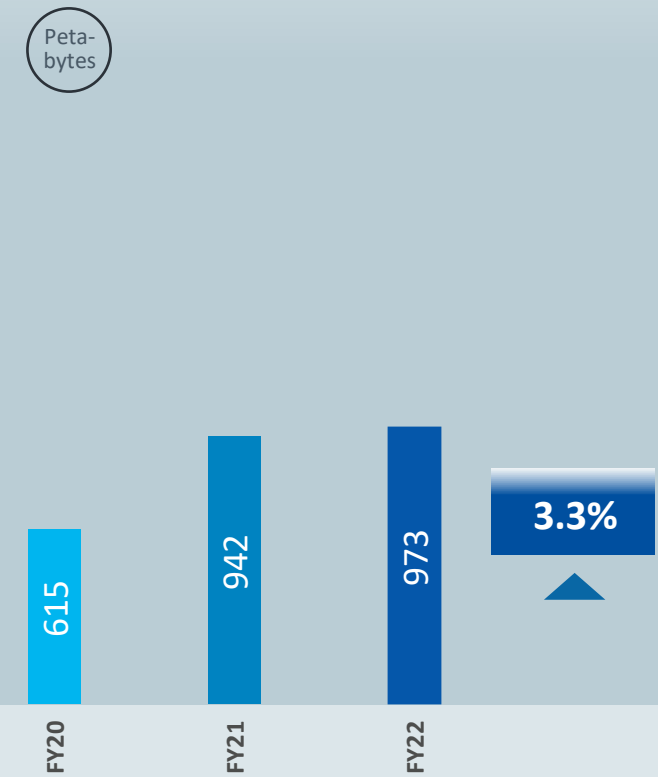
Mobile data revenue



Total mobile broadband subscribers

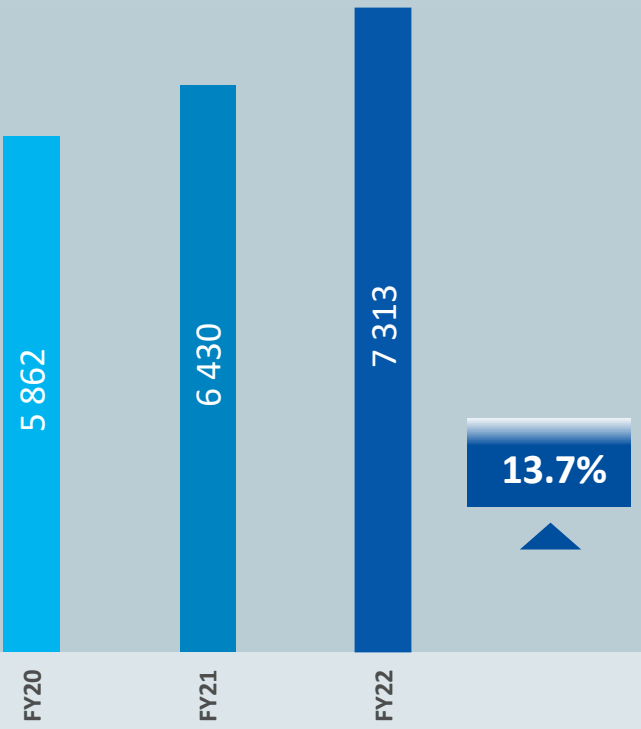


Mobile broadband traffic

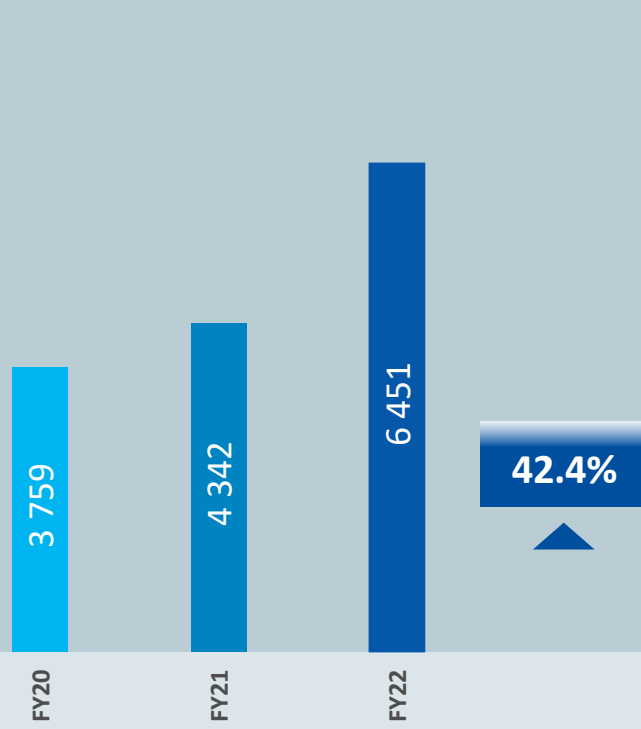


Ongoing network investment

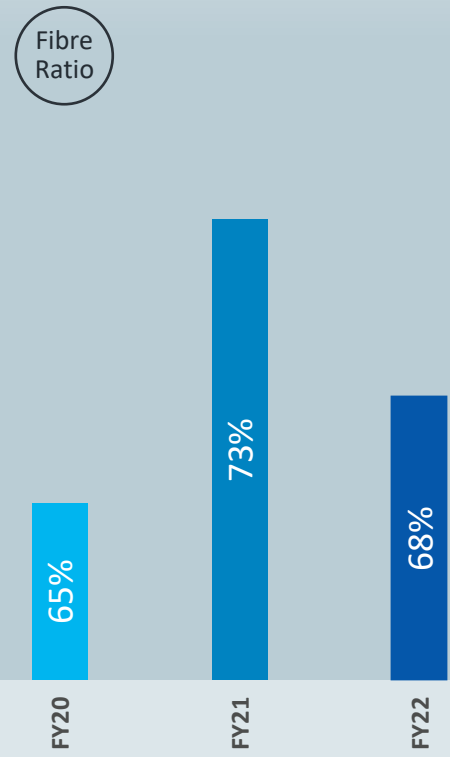
Mobile sites integrated



4.5G integrated sites



Site backhaul





2.6% decline in Revenue to **R15.3 bn**

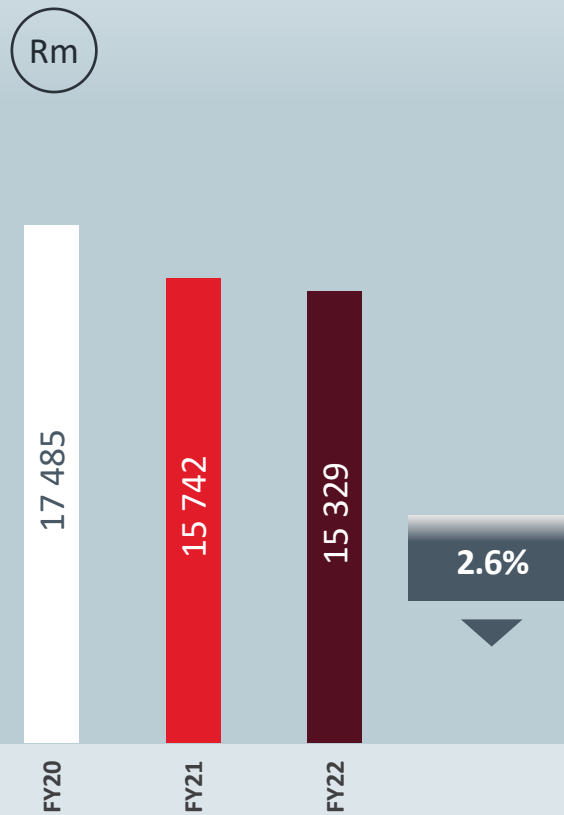
1.9% decline in Operating expenses to **R 13.1 bn**

**Exception growth in Cybersecurity,
IoT Solutions, Innovation and Technology**

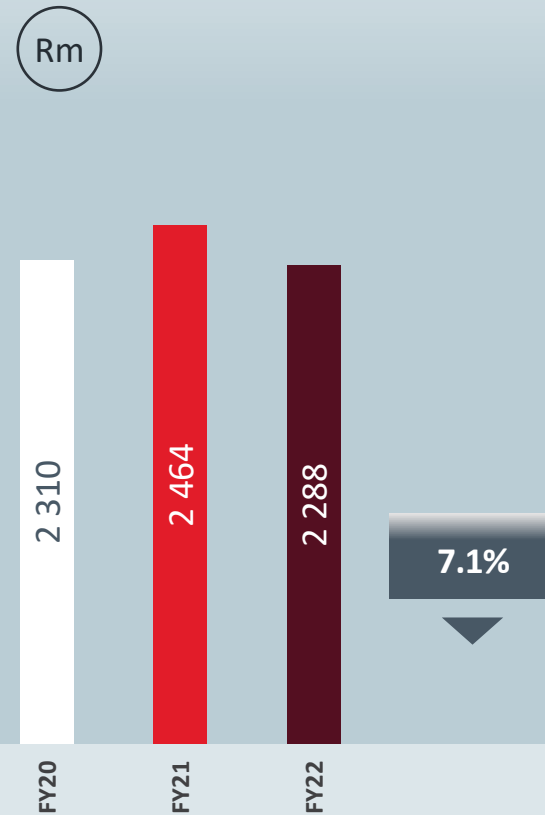


Financial performance under pressure

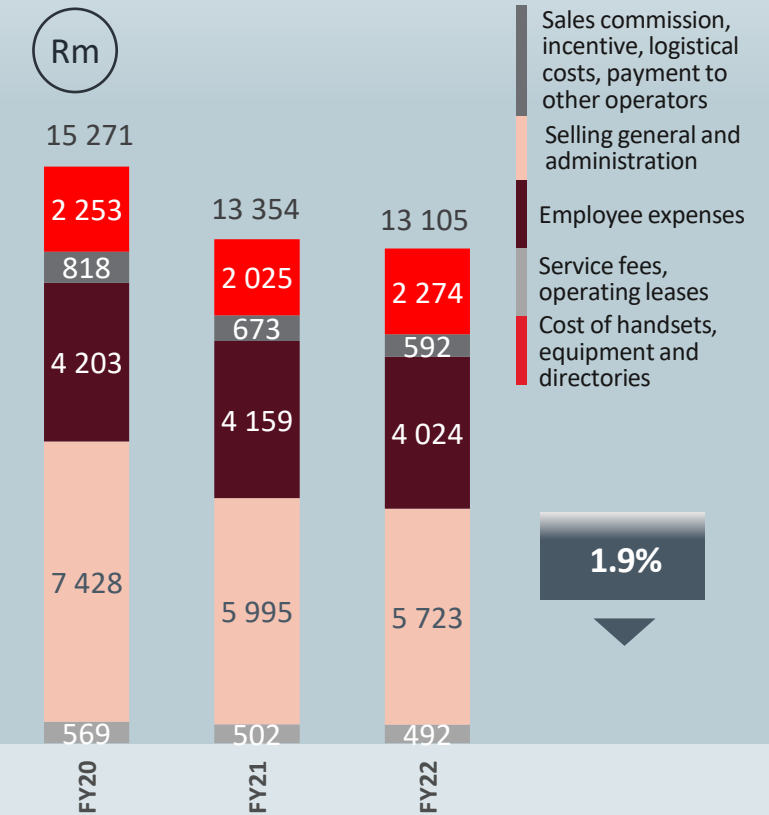
Revenue



EBITDA & margin

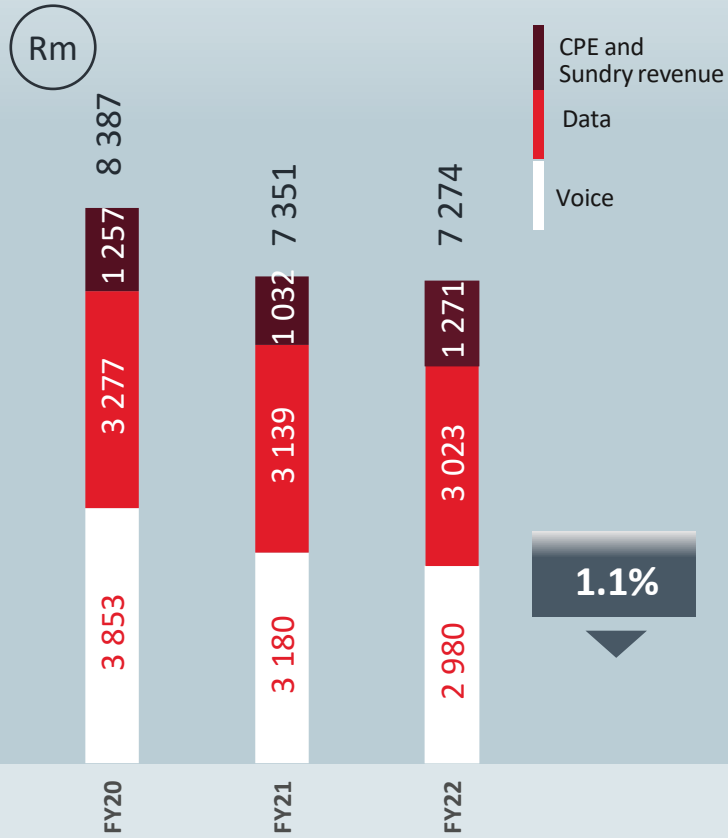


Total Expenses



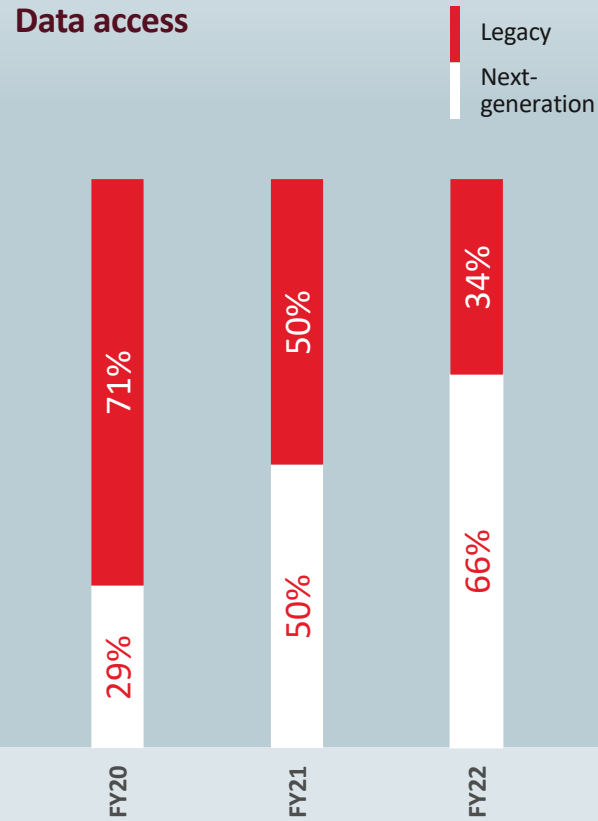
Converged comms nearing stabilisation

Revenue

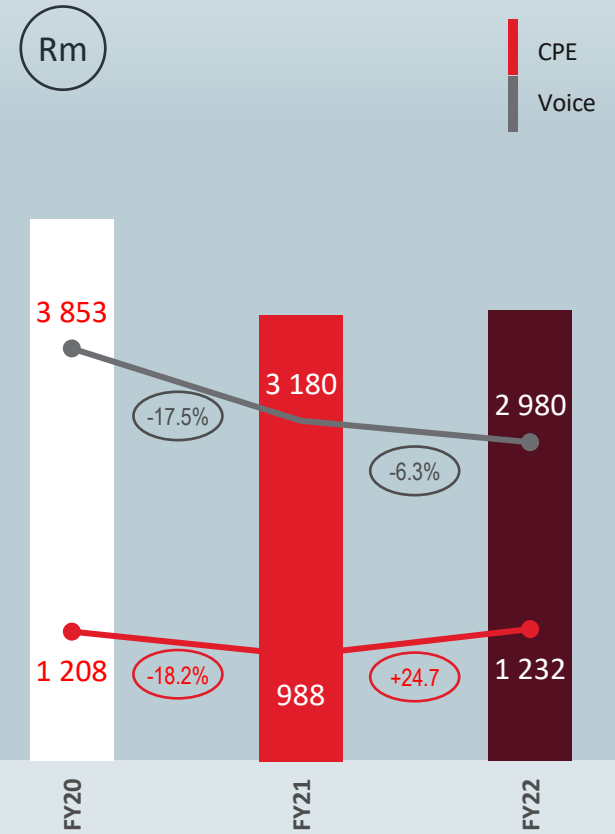


Next-generation revenue

Data access

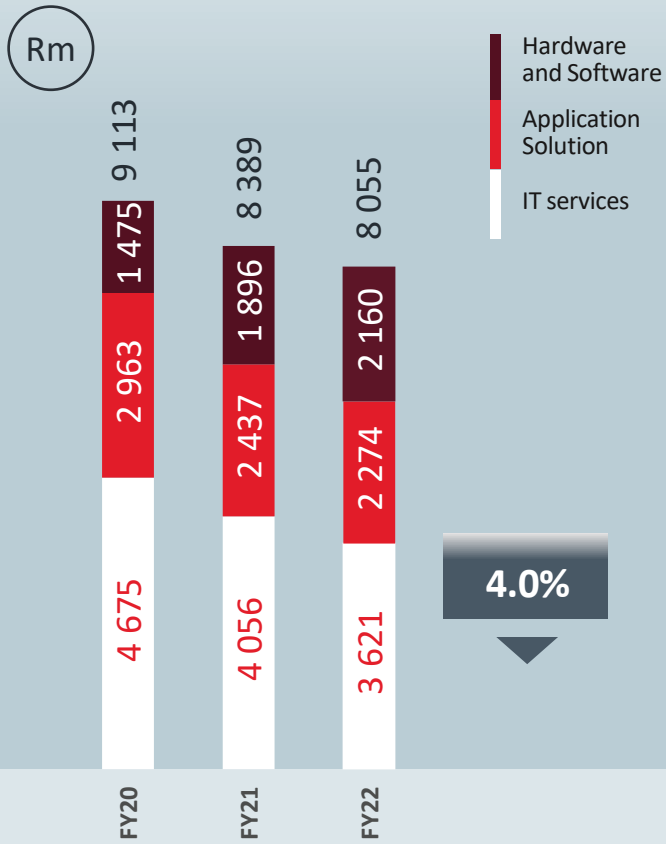


Slow down of UC decline

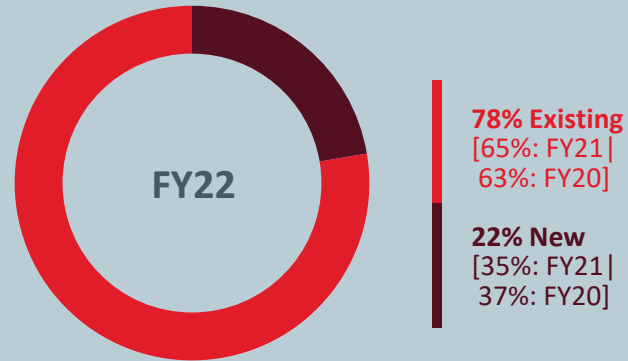


IT remains under pressure

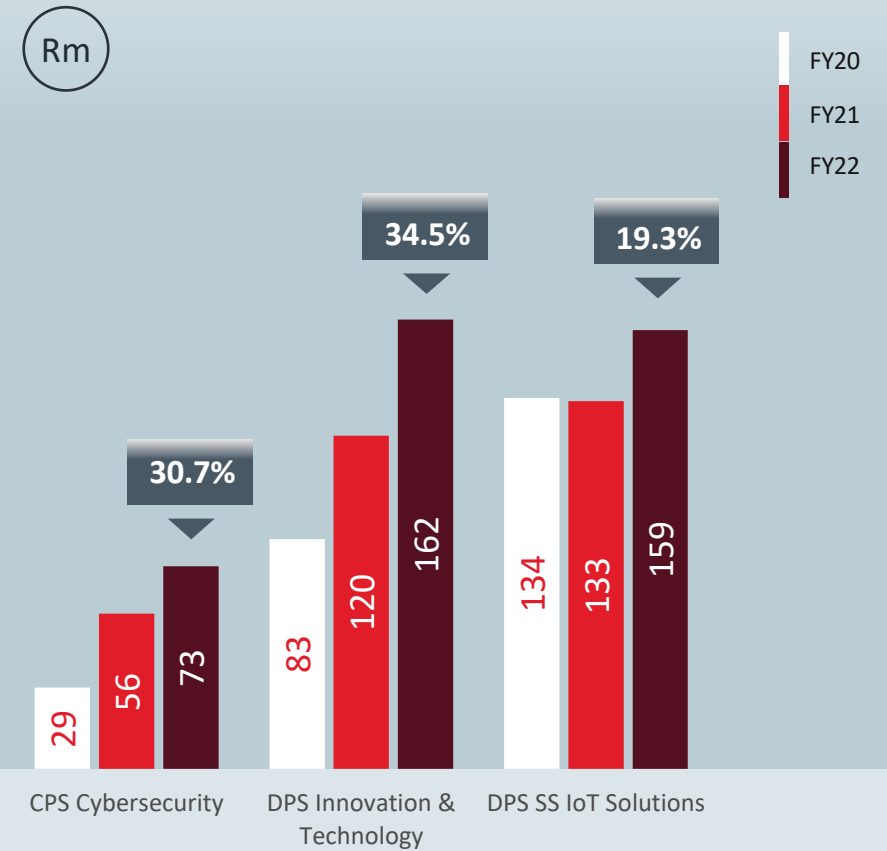
Revenue

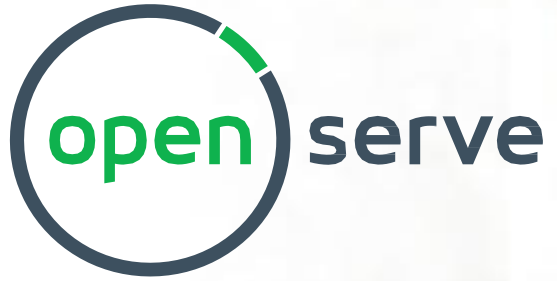


Annuity revenue ratio



Exceptional growth





46.3%

FTTH connectivity rate

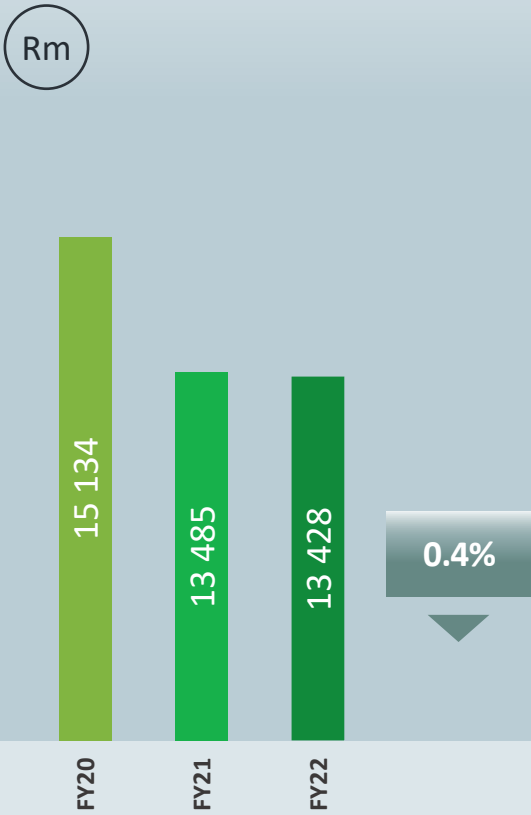
16.6% growth

Fixed line broadband data consumption

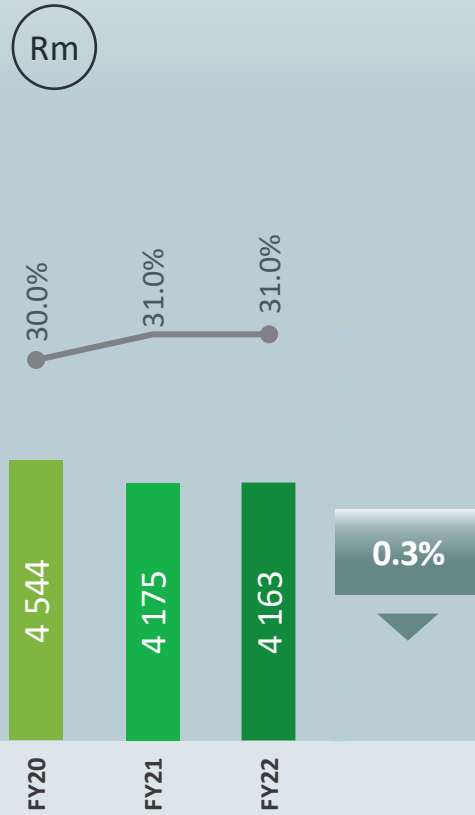


Stable financial performance

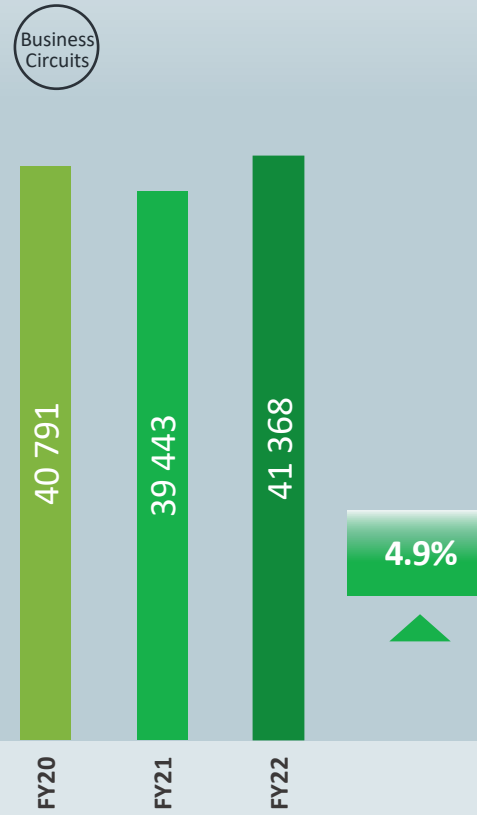
Revenue



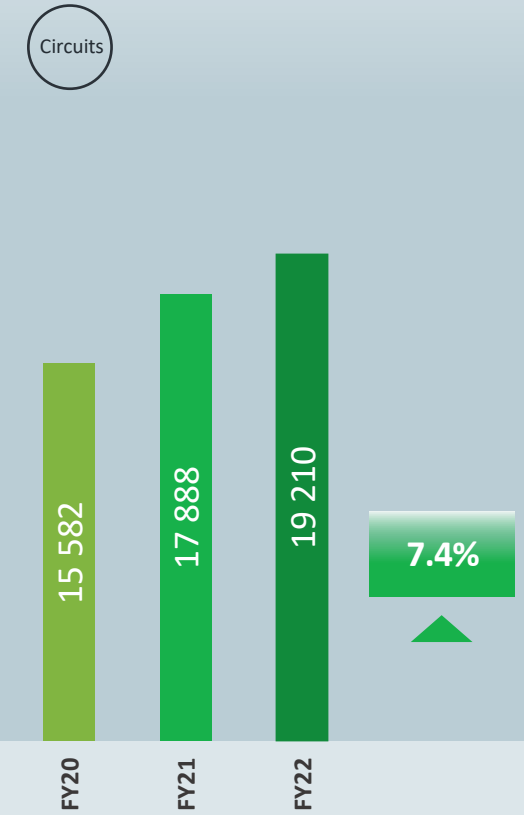
EBITDA/EBITDA margin



Enterprise¹



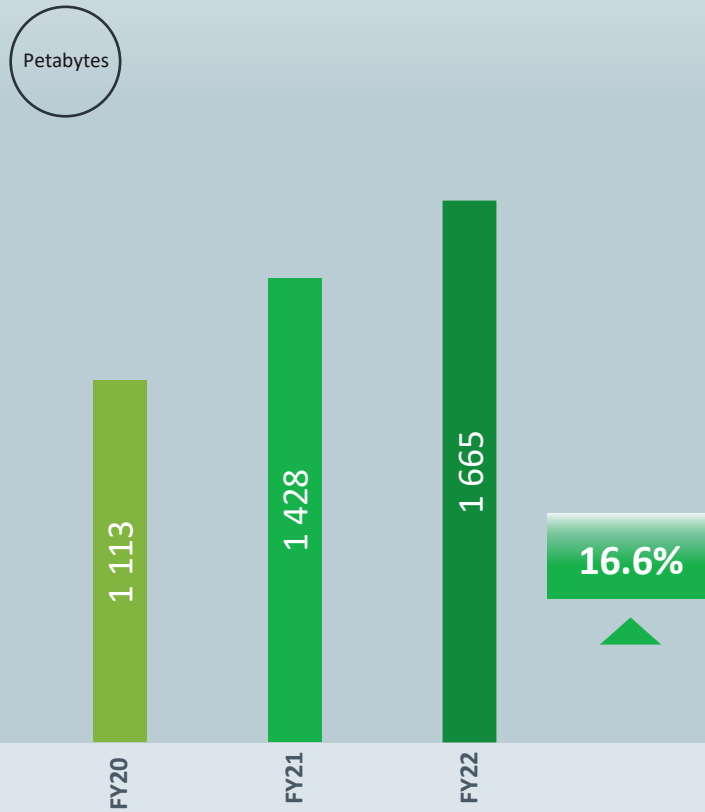
Carrier¹



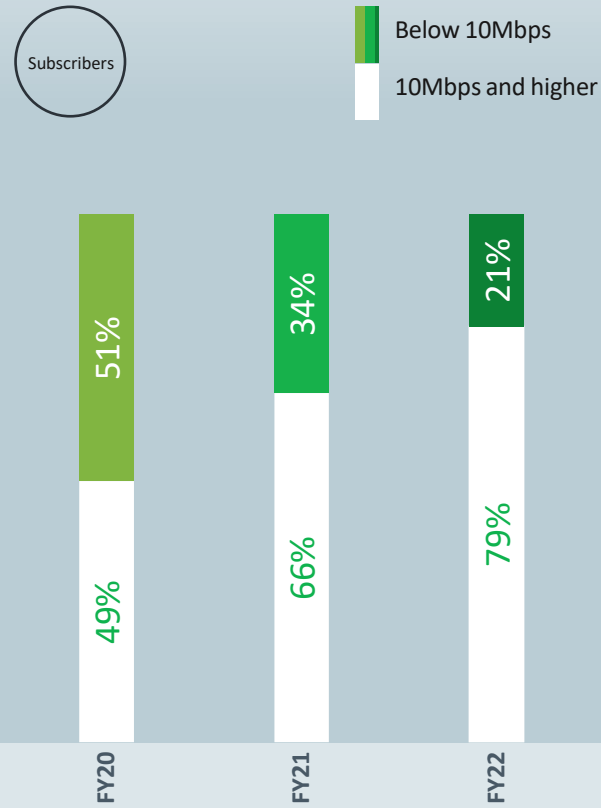
¹ Segment lead approach

Fixed broadband evolution

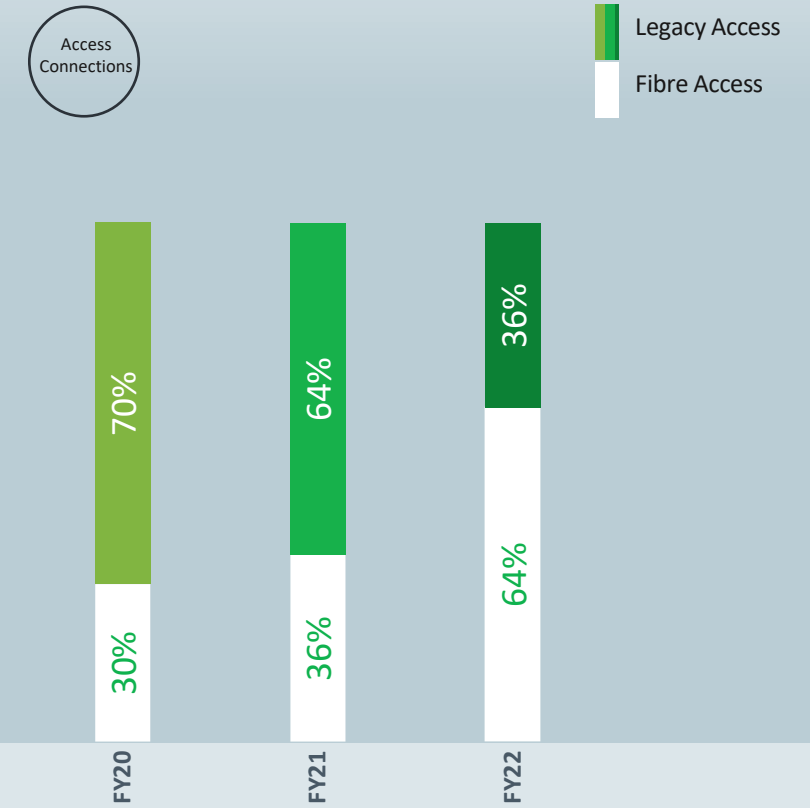
Fixed line broadband data consumption



Fixed line broadband services

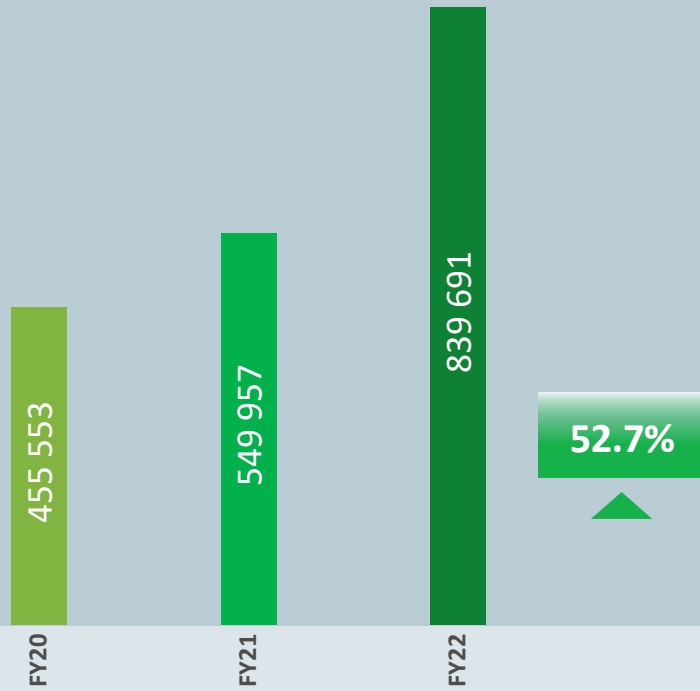


Fixed line broadband connections

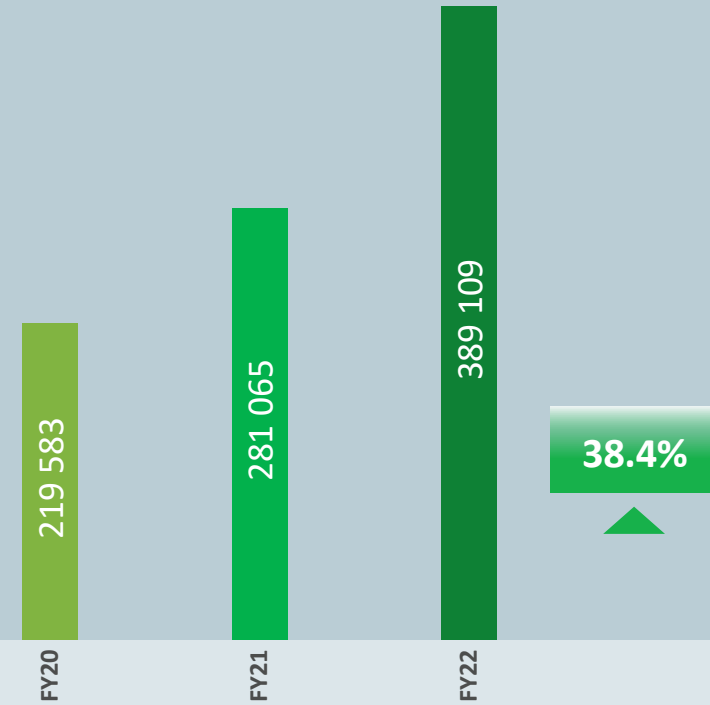


Accelerated investment in fibre

Homes passed with fibre



Fibre homes connected¹



¹ Since FY2021 Homes Connected measure as per the FCGA Definition of Terms



4.4%

Revenue growth (at 70.4% EBITDA margin)

5.9%

Increase in productive portfolio

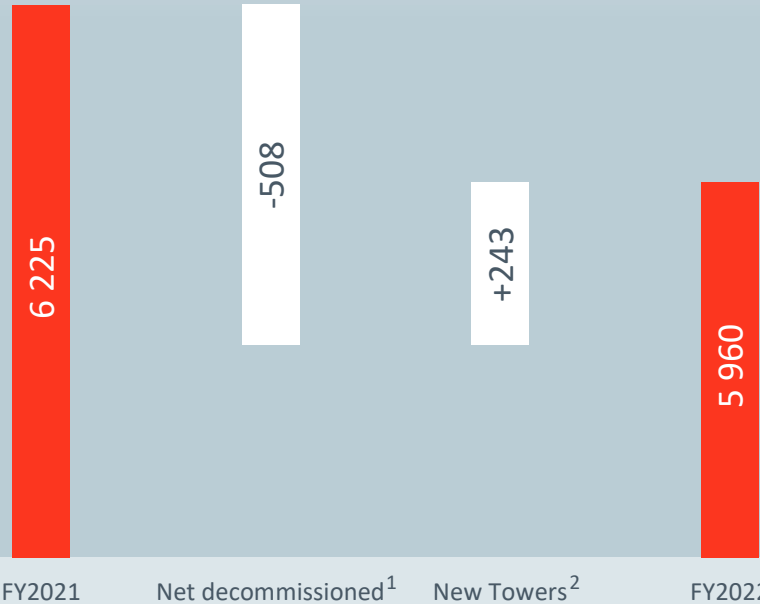


Commercialised productive portfolio



Tower portfolio (all site types)

(# of sites)



Productive portfolio growth

(# of sites)



Notes:

- 1: Net decommissioned comprising of: -591 sites Decommissioned; +83 additional sites through additional database clean-up/adjustments
- 2: 243 New Towers includes 74 towers completed in FY21 and 169 towers started and completed in FY22. FY21 previously not included as they were awaiting power.

Notes:

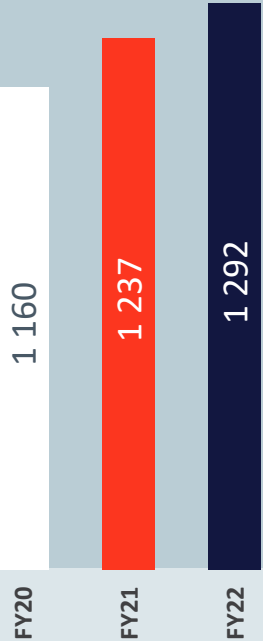
- 3: Net decommissioned comprising of: -53 sites Decommissioned; +27 additional sites through additional database clean-up/adjustments

Strong earnings performance



Revenue

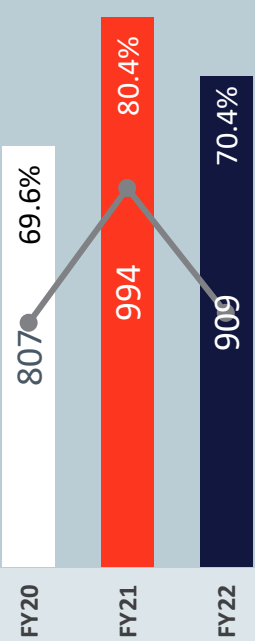
Rm



4.4%

EBITDA* & margin*

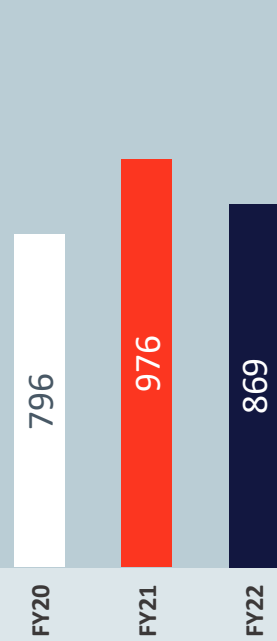
Rm



8.6%

EBIT*^

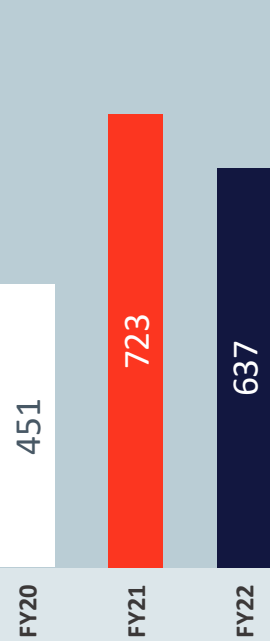
Rm



11.0%

PAT*^

Rm



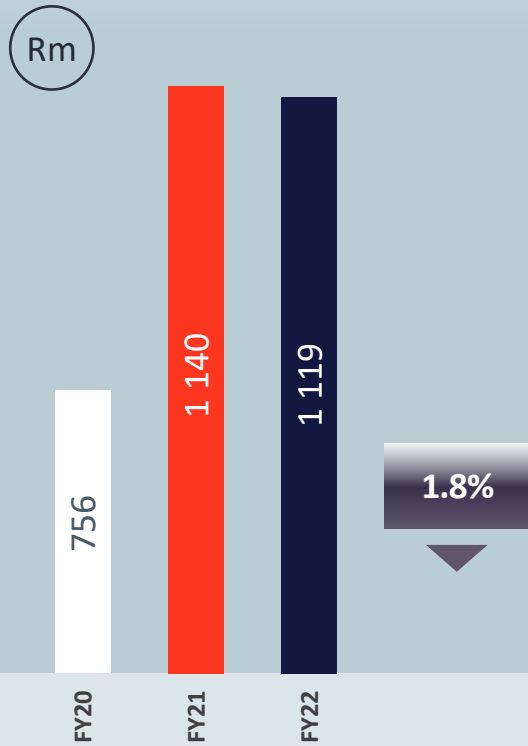
11.9%

*The decline in FY22 was driven by the refinement in the property operating cost allocation methodology during the second half of the financial year, across the different Telkom business areas. On a normalised basis, excluding the impact of the refinement in property operating costs, the EBITDA increased by 2.7% from the prior year to R1 021m, at a 79% EBITDA Margin.

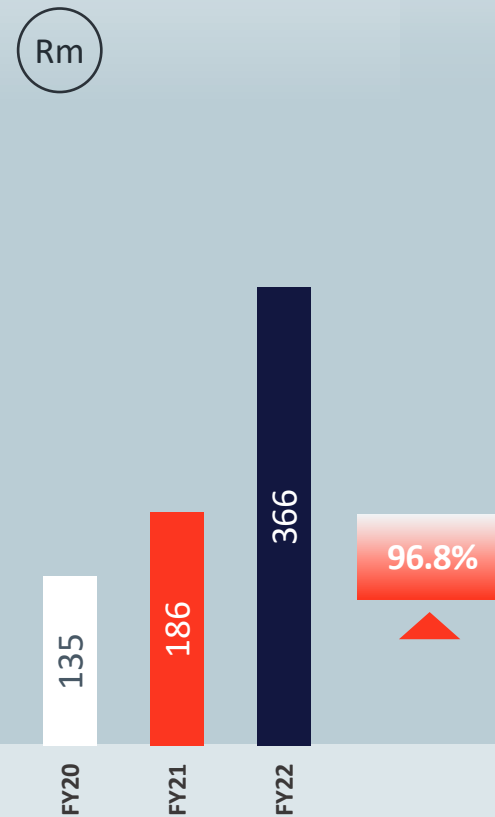
^ EBIT = Earnings Before Interest ; PAT = Profit After Tax

Highly cash generative and lowly geared balance sheet

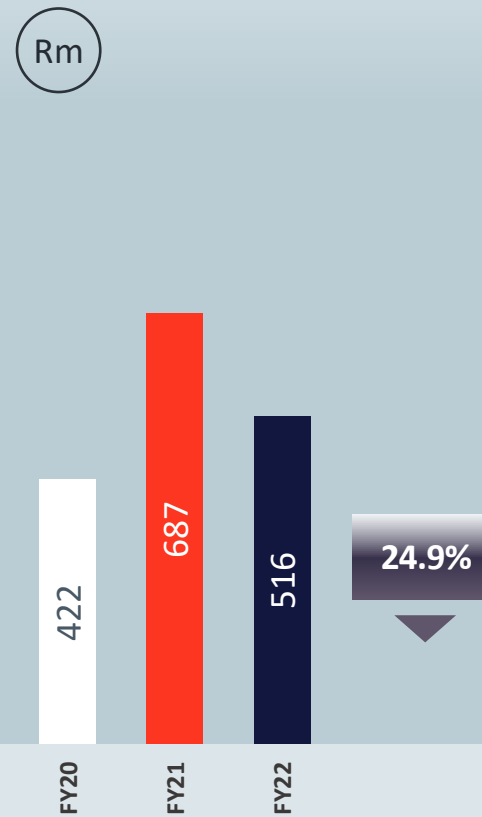
Cash generated from operations



Capex



FCF



Net debt

