

# Monday, 27 May 2019

## Telkom doubles mobile subscribers, delivers solid group performance.

### Key salient features:

- Group operating revenue up 5.3% to R41.8 billion
- Headline earnings per share (HEPS) up 22.6% to 722.0 cents
- Earnings before interest, tax, depreciation and amortisation (EBITDA) up 8.5% to R11.3 billion
- Adjusted free cash flow up 12.9% to R534 million.
- Final ordinary share dividend of 249 cents taking the annual dividend to 362 cents, an increase of 2.0% year on year.

Telkom's performance for year ended 31 March 2019, driven by the mobile business, saw mobile services revenue increase by 58.3% underpinned by the group's broadband-led proposition. This is on the back of increased competition and the fact that technology changes continue to place the fixed business under pressure. The results offer proof that the group's strategy of investing in new technologies continues to bear fruit.

Group operating revenue increased by 5.3% to R41.8 billion. EBITDA increased by 8.5% to R11.3 billion, which can be attributed to our ongoing sustainable cost management. The group EBITDA growth is faster than the revenue growth of 5.3%. The EBITDA margin expanded by 0.8% to 27.1%. Telkom remains focused on operational efficiencies to preserve margins while revenues evolve, and we manage the impact of inflation on expenses.

*"In line with global trends, our fixed business remains under pressure. With that in mind, investing in technologies to drive future revenue streams necessitates the evolution of the group's skill base and acquiring various capabilities. Our human capital investment focuses on creating efficiency and effectiveness in the context of growing the business, achieving operational excellence, retaining key skills and ensuring our future competitiveness," said Telkom Group CEO Sipho Maseko.*

The significant growth in mobile service revenue was supported by 85.9% growth in active subscribers to 9.7 million, as our affordable broadband-led proposition continues to resonate with customers. Despite adding 4.5 million subscribers, Telkom's blended average revenue per user was stable at R100.

Over the past six years, the contribution of our growth pillars grew significantly with mobile revenue contribution increasing from 3.2% to 25.7%, while information technology revenue grew from 0.9% to 16.2%. We continue to invest in the fibre ecosystem which is sustaining our fixed data revenue.

Gyro's revenue increased by 24.%, underpinned by the group's strategy to separate the property portfolio to improve management focus and unlock value for the group. Further to this, the dedication and focus on the mast and tower as well as the property portfolio has enabled the business to service clients more effectively and will enhance competitiveness as the largest independent tower company in South Africa. Telkom will continue to explore and deploy the latest technology to reduce development cost and maximise development yield while offering competitive rental levels to clients.

The challenging operating environment in South Africa, including a technical recession in the first half of the year, with consumers who remain under pressure from increases in tax and fuel and a weaker currency, continued to dampen the performance of BCX which touches all sectors of the economy. However, BCX's revenue significantly improved from a R1 billion revenue decline in the prior year to a

revenue decline of R683 million. This is attributable to several initiatives to stabilise the business, including a change in operating model and the enhanced strategy to focus on customer retention.

The pricing transformation journey that Openserve embarked on two years ago is starting to show positive signs and revenue was resilient despite customers migrating to next-generation technologies at lower price points. Despite price reductions over the past two years, ongoing voice revenue pressure and a change in the revenue mix, Openserve contained the revenue decline at 3.3% and EBITDA grew by 3.4 points to 37.1%. This was enabled by, among others, our strategy to modernise the network to improve cost to connect and cost to serve.

Telkom's capital investment of R7.7 billion - with a capital expenditure to revenue ratio of 18.4% – continues to underpin business growth. The ongoing investment enabled Telkom to grow new revenue in evolving technology, offsetting the traditional revenue shrinkage. Telkom will continue to proactively invest in technologies and the network so that the group remains at the forefront of change.

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