

**Tsholo
Molefe**

GCFO



Telkom

Sustainable financial framework

1. Defend and grow

Decelerate decline in legacy business:

- Migrate customers to new technologies to protect the Revenue
- Accelerate new revenue streams:**
- Mobile, M&T, IT Solutions

2. Sustainable cost management

Effectively manage and contain cost escalation:

- External Spend
- Process & Organisation
- Rationalise IT landscape
- Reduce Cost-to-serve

3. Disciplined Capital Allocation Framework

Framework that supports our sustainable value creation:

- Capital & Operational productivity
- Maintain a healthy balance sheet
- optimal capital prioritisation criteria
- Maximum shareholder returns

4. Free Cash Flow

- Optimise net working capital
- pursue cash release opportunities
- Supply chain financing
- Handset financing
- Opportunistic Tower and property transactions
- Sale of non-core assets

OPERATING REVENUE
Mid-single digit

EBITDA growth
Mid-single digit

NET DEBT/EBITDA
1x – 1.2x

Positive FREE CASH FLOW

Sustainable cost management

Transformation management

Drive change through strong PMO



External spend

Strategic sourcing -
Network, IT, Sales



Processes & organization

Robotic Process
Automation, lean
organisation



IT & Network landscape

Efficient Network
and IT -
simplification,
rationalisation,
virtualisation



Cost to serve methodologies

Digital and self-help
channels, sales
management and
back-office
automation,
commission
structures

Total cost to revenue ratio reduce from 75% to 73% over the next 3 years

Limit cost escalation to below inflation

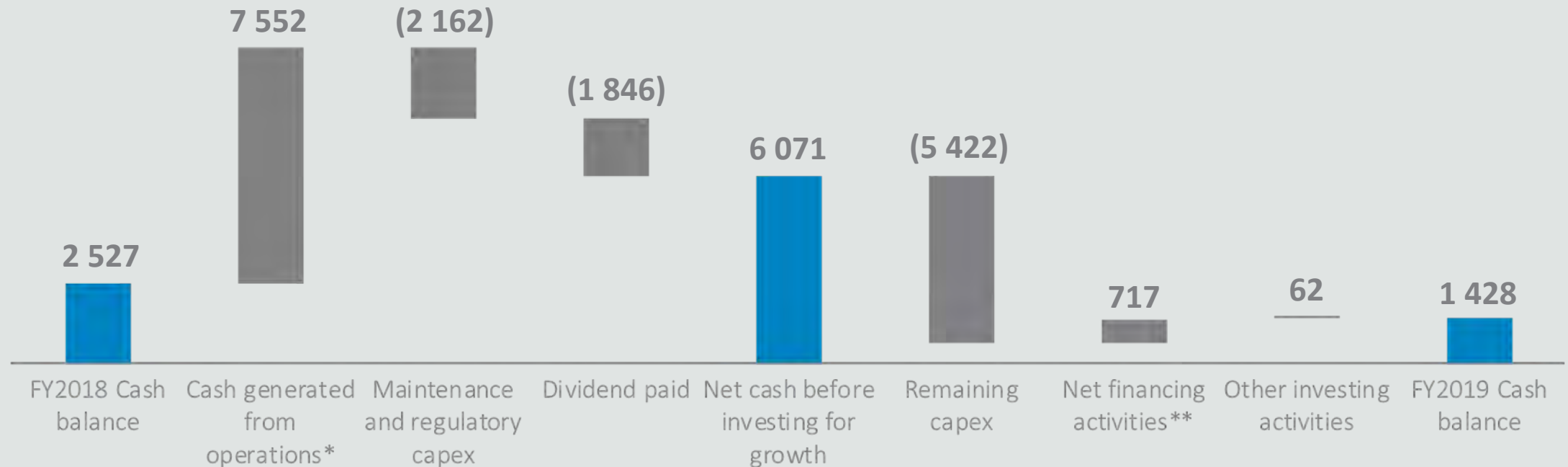
Tracking of cost measures will take place against FY2020 actuals

Priority areas targets are derived top-down based on global cost benchmarks

Disciplined capital allocation – FY2019

Cash management

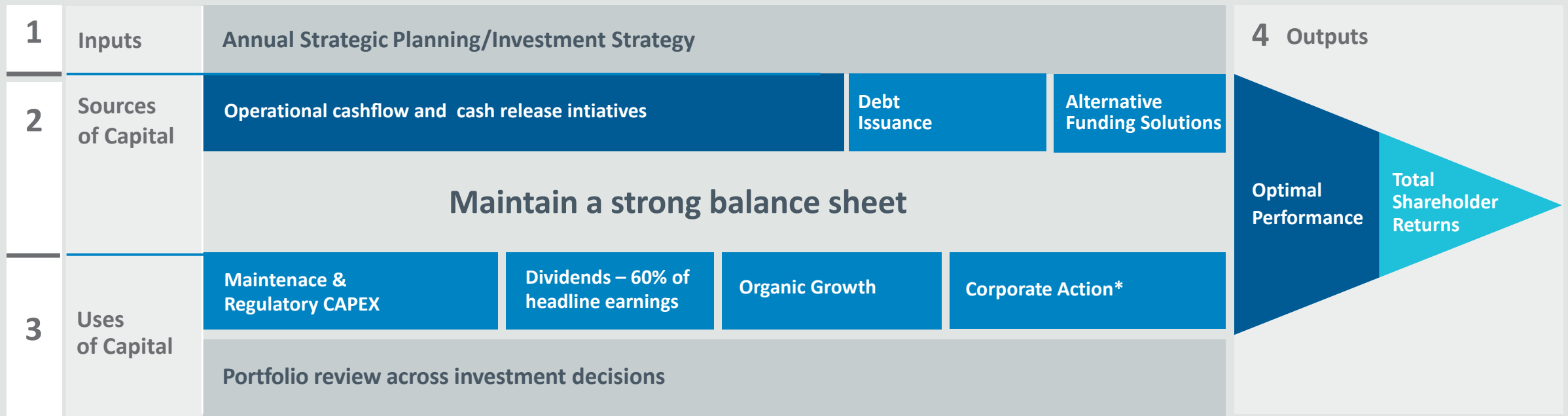
Rm



*Includes the cash payment of R566 million relating to voluntary early retirement packages (VERP), voluntary severance packages (VSP) and section 189 costs.

** Includes net funding raised of R702m and net proceeds from derivatives

Capital allocation framework



*Selective M&A and spectrum



Positive free cash flow

Key initiatives

Working capital management



Receivables

Optimise invoicing cycle

Inventory

Improve inventory cycle

Capital expenditure

Maximise capex returns

Cash release opportunities



Supply chain financing

Handsets receivables financing

Disposal of non-core assets