

Seamlessly
connecting our
customers to a
better life

Telkom SA SOC Ltd

Group Interim Results Presentation

For the six months ended
30 September 2023



Telkom

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Execution & results





**Over the last
six months
we've been executing
on our aspiration to
position Telkom as an
InfraCo that is the
backbone of SA's digital
future built
on our unrivalled
assets.**

**Today
we are starting
to see the early
results of this
strategy.**

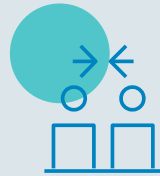
**A milestone
in our strategic
journey**

The early results of our strategy in motion



Strong operational performance

- Mobile and fixed data traffic up +23% and +18% respectively
- Homes passed and connected up +21% and +22% respectively
- Leading home connectivity rate at 47%
- Mobile broadband subscribers up +11%



Improved financial performance

- Mobile and Openserve fixed data revenue up +10% and +9% respectively
- EBITDA up +2% and profit after tax up +52%
- +96% improvement in cash generated from operations¹
- Improved FCF +130% excluding restructuring costs



Delivering on strategic imperatives

- Exclusivity with preferred bidder - for Masts & Towers disposal
- Opex savings from organisational restructuring, network resilience programme and cost reduction initiatives
- InfraCo roadmap

¹ Excluding restructuring costs

Group highlights - total operations

Group revenue

up by 2.5% to
R21.8 million

HEPS

up 46.7%
to 195.0 cents
per share

Free cash flow

improved 74.9%
to negative
R474 million

EBITDA

up 1.7% with
EBITDA margin
at 23.1%

Basic EPS

up 52.1%
to 200.2 cents
per share

Net debt to EBITDA

at 1.8x

The Telkom logo is displayed in white text within a blue rectangular box. The background of the entire slide features a hand holding a smartphone with a financial chart on the screen, overlaid with a circular graphic containing the performance highlights and a faint world map.

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Business Overview

2



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10.3% | Mobile data
revenue increase

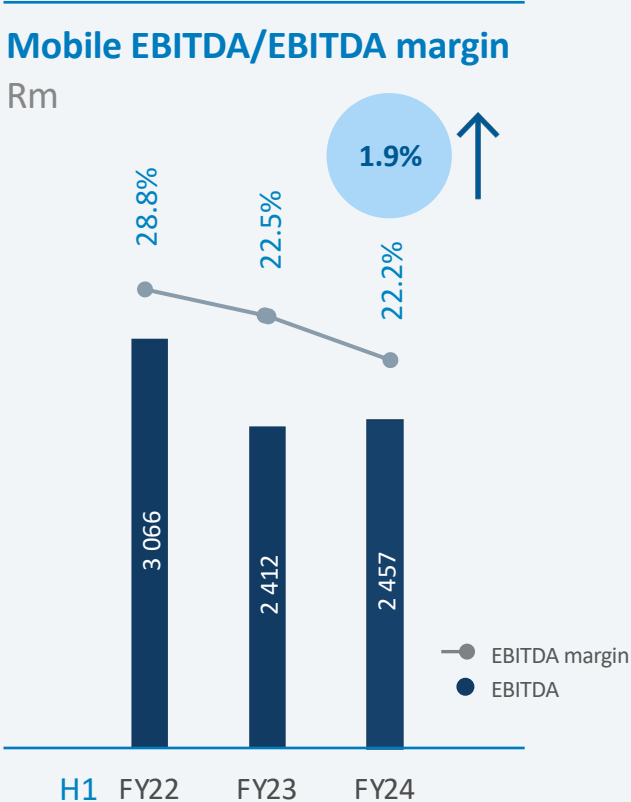
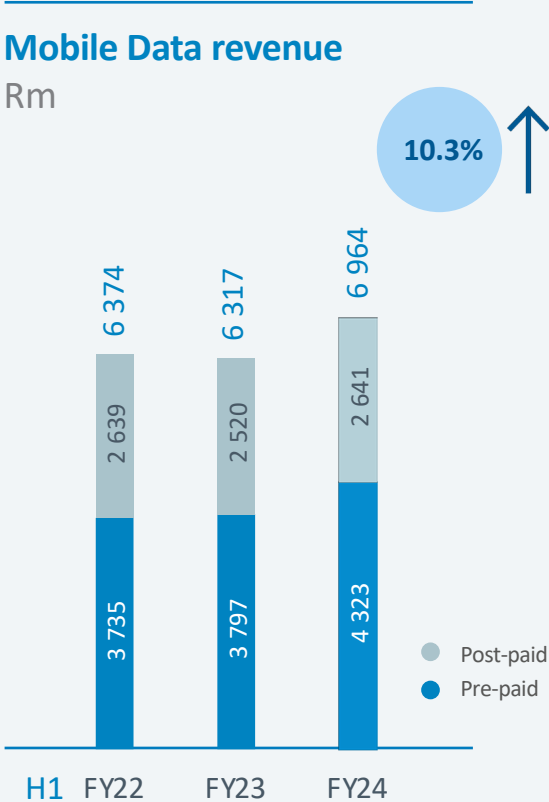
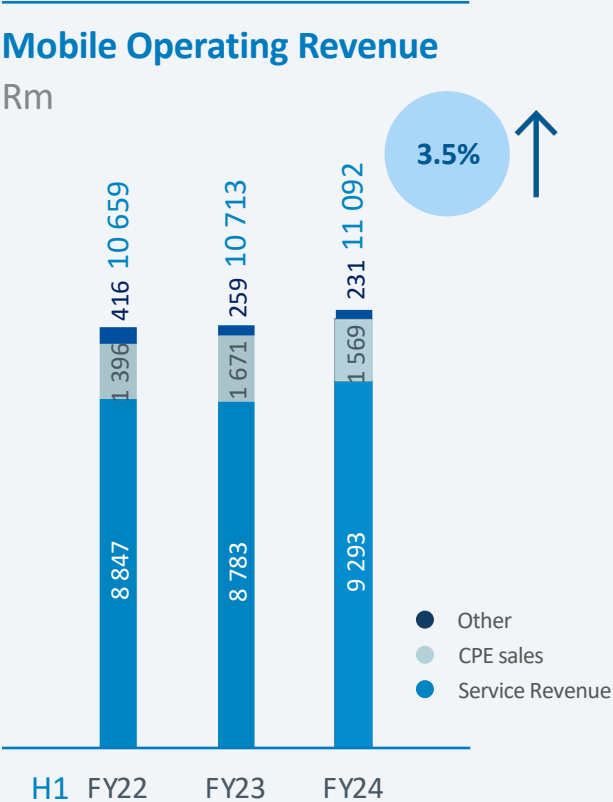
14.6% | EBITDA
growth

22.9% | Mobile data
traffic growth

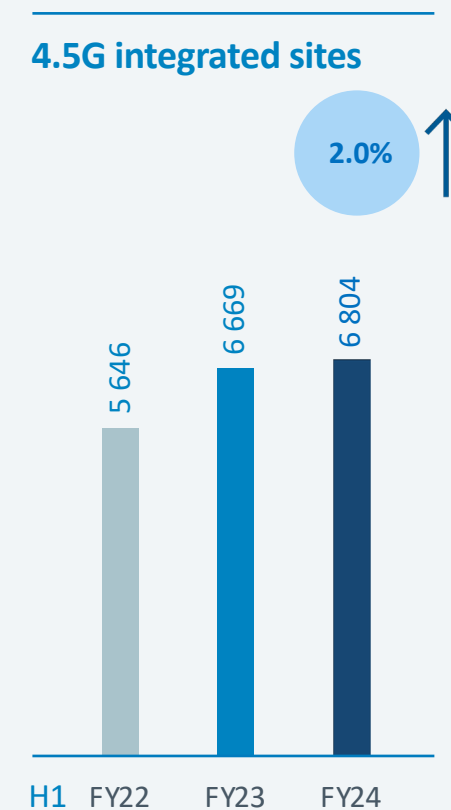
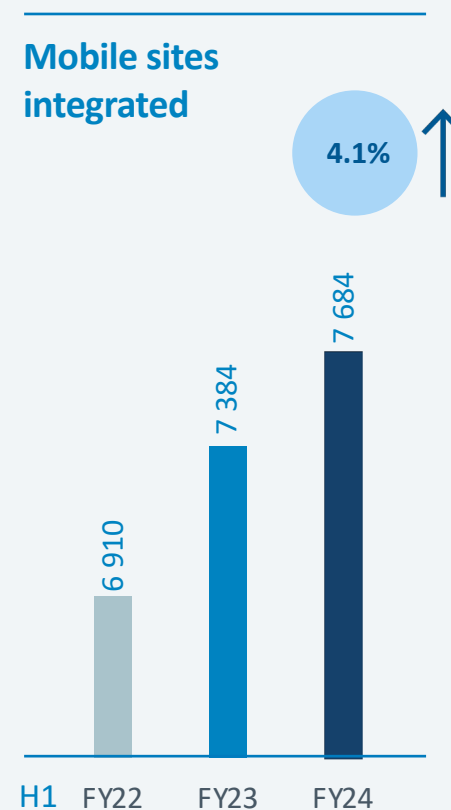
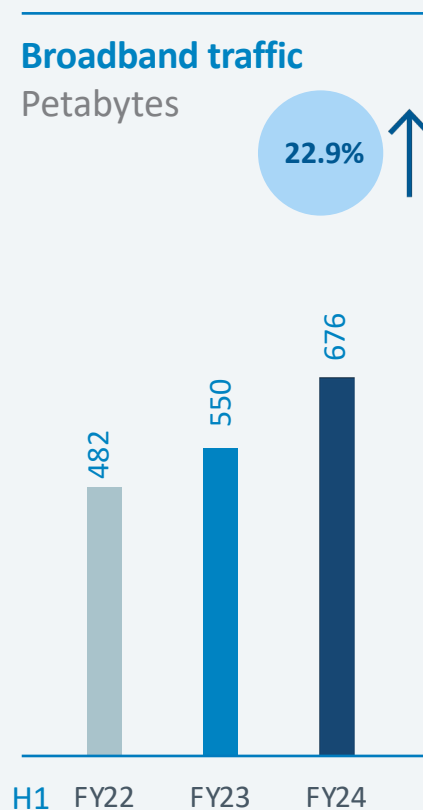
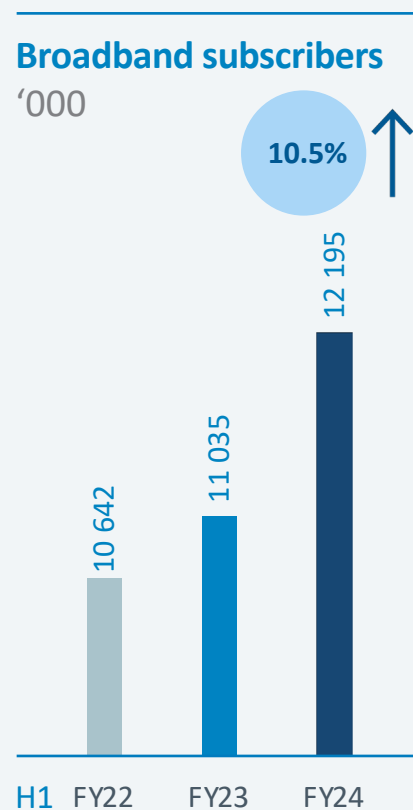
Telkom
Consumer

Fibre
revenue
growth | 31.2%

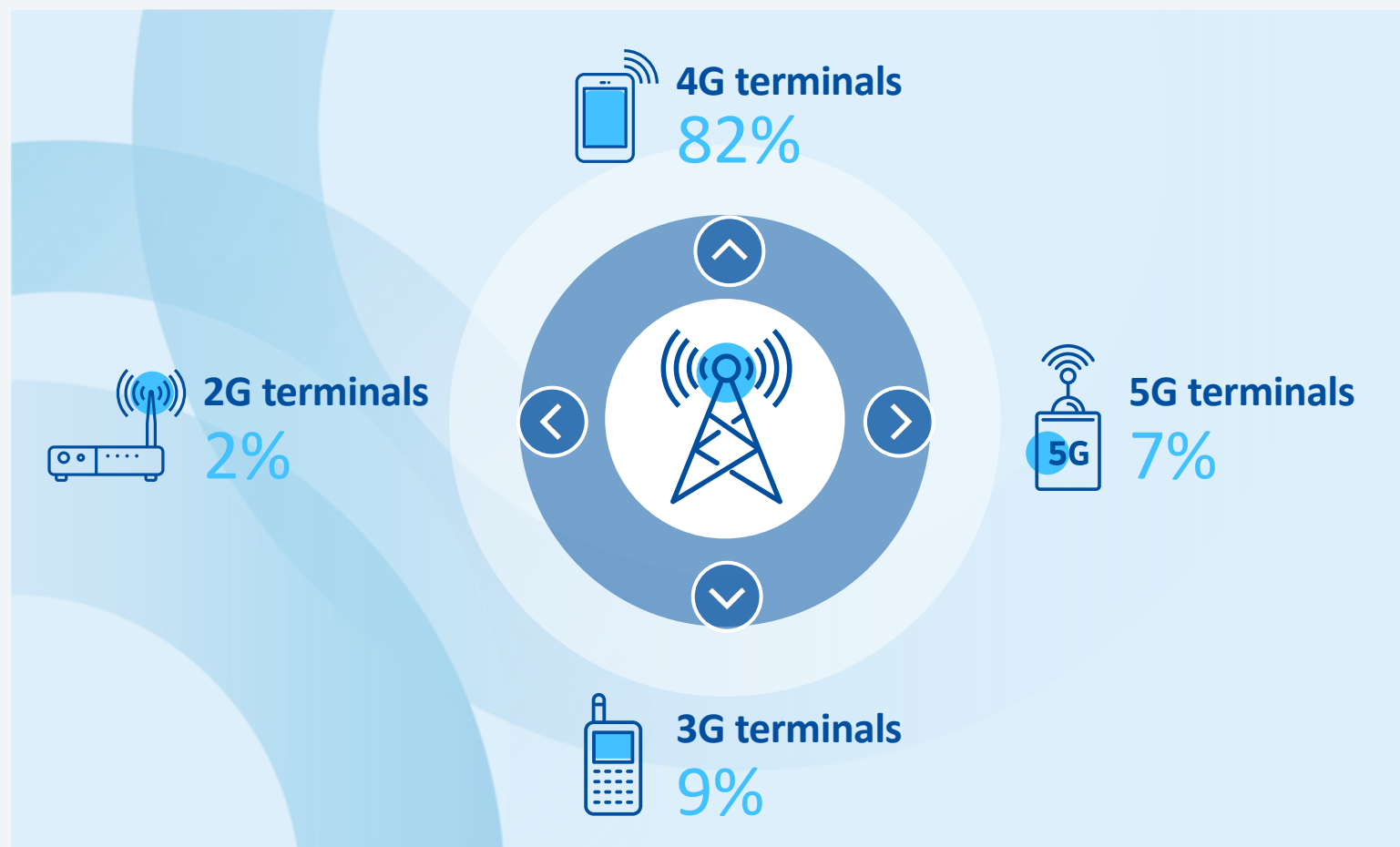
Continued Mobile improvement in the face of headwinds



Mobile broadband traffic continues to grow



High 4G device penetration and growing 5G base



- **89%** of customers are 4G and 5G
- 40% of voice customers on Voice over LTE (VoLTE)
- No legacy 2G network, all 2G terminals use roaming
- >100% growth of active 5G sites to 413 sites



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74.4%

Up from 67.2%

NGN
revenue
contribution

6.9%

NGN revenue
growth

31.8%

Up from 29.3%

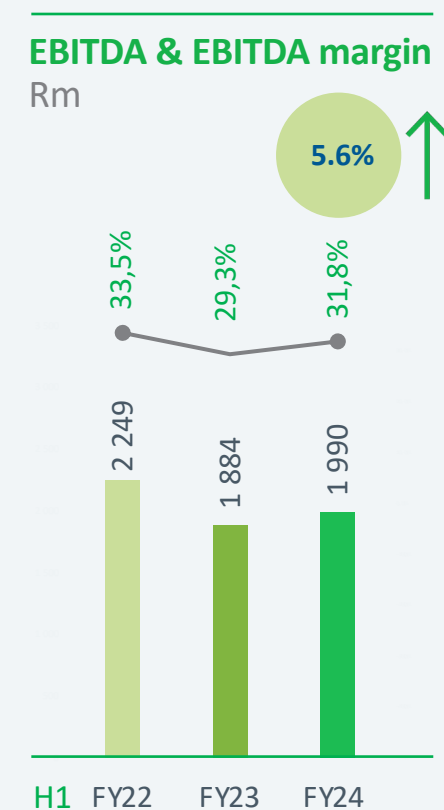
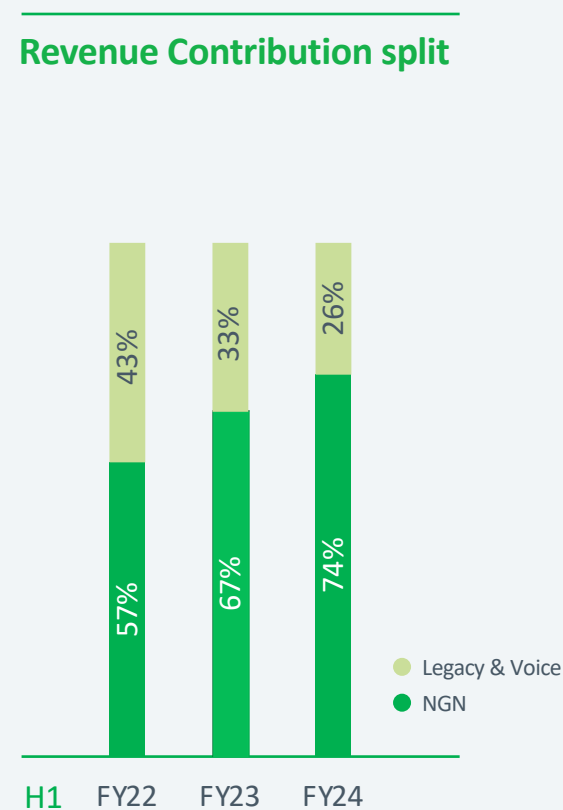
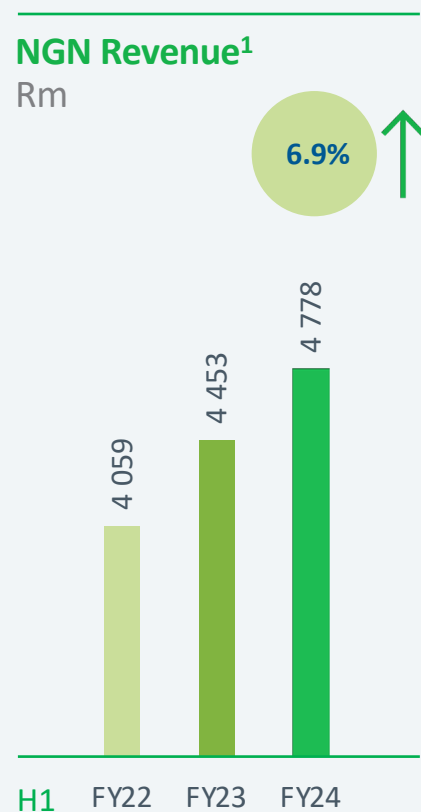
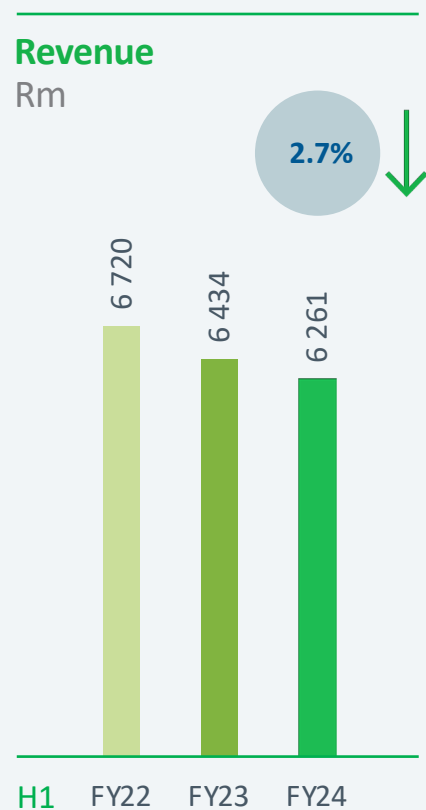
EBITDA
Margin

Highest
market
connectivity
rate

46.8%

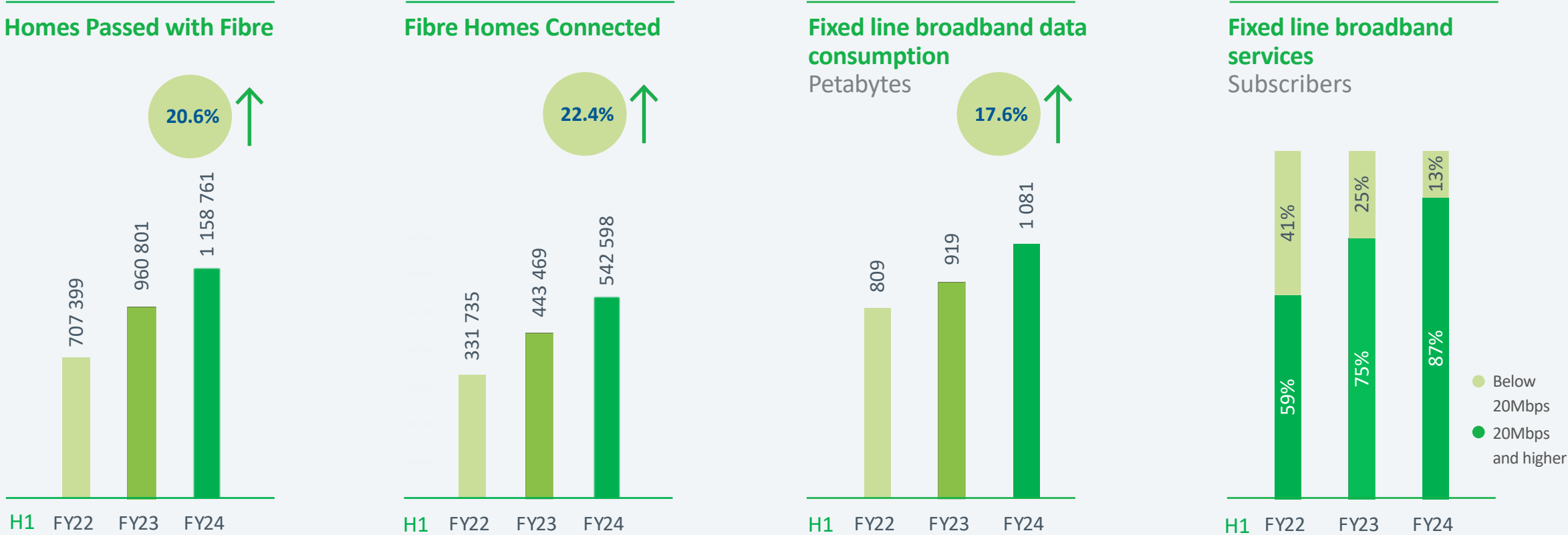


Impressive NGN revenue growth at 7%



¹ Inclusive of Internet Access, Managed Services & Interconnect Revenue

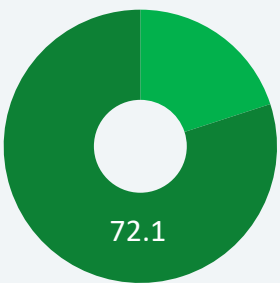
Connect-led strategy continues to deliver market leading connectivity rate – 47%



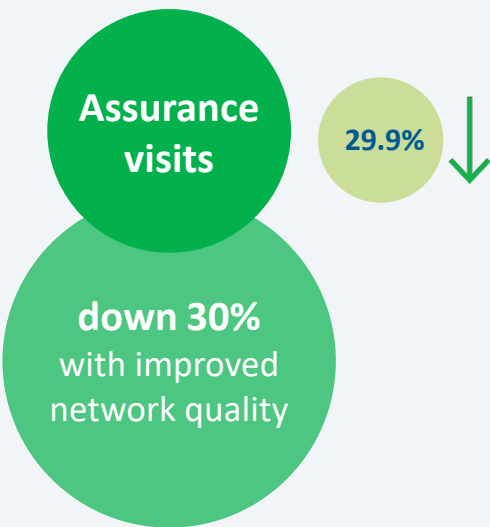
Modernisation of network transforming service delivery



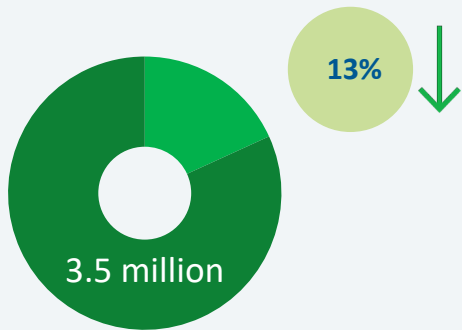
Net Promoter Score (NPS)



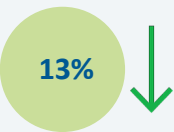
Continued excellence in Net Promoter Score (NPS)



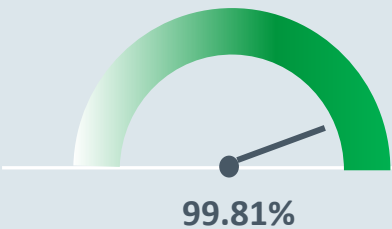
Kilometres Travelled



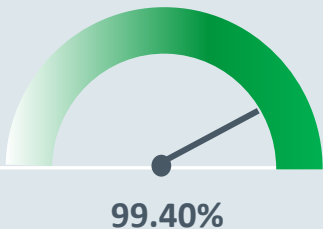
Less kilometres travelled



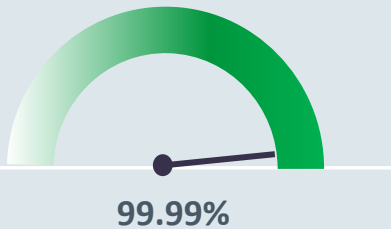
Access Network Availability



Transport Network Availability



Core Network Availability



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10.3% | Growth in IT
Business revenue

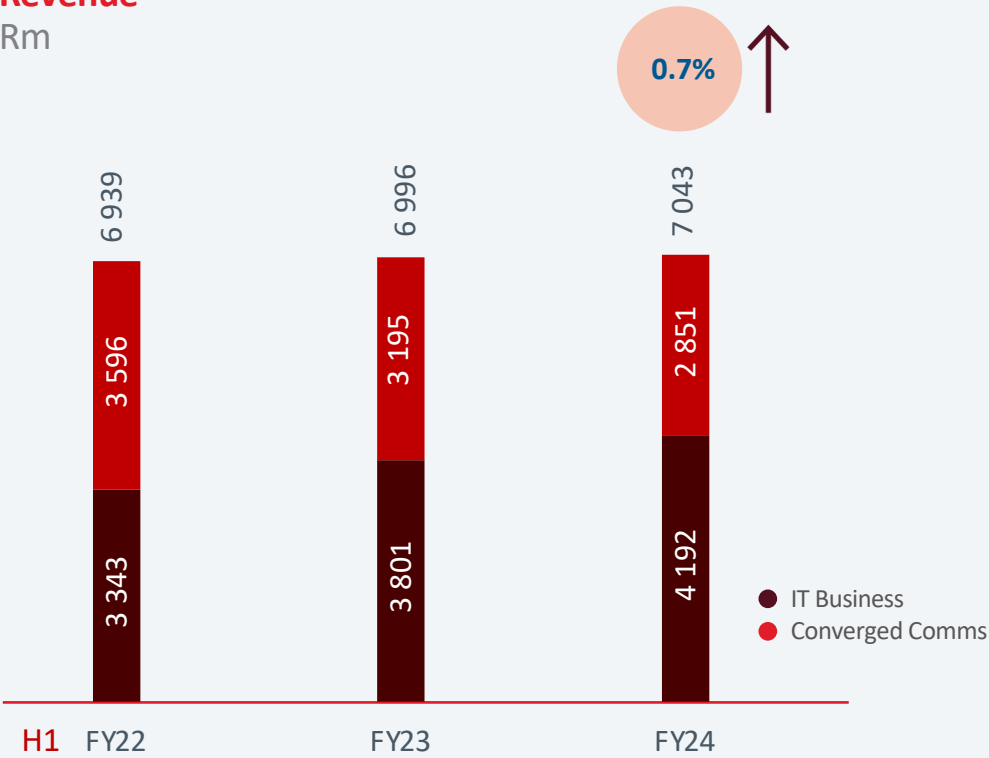
23.4% | Growth in IT
hardware &
software revenue

BCX

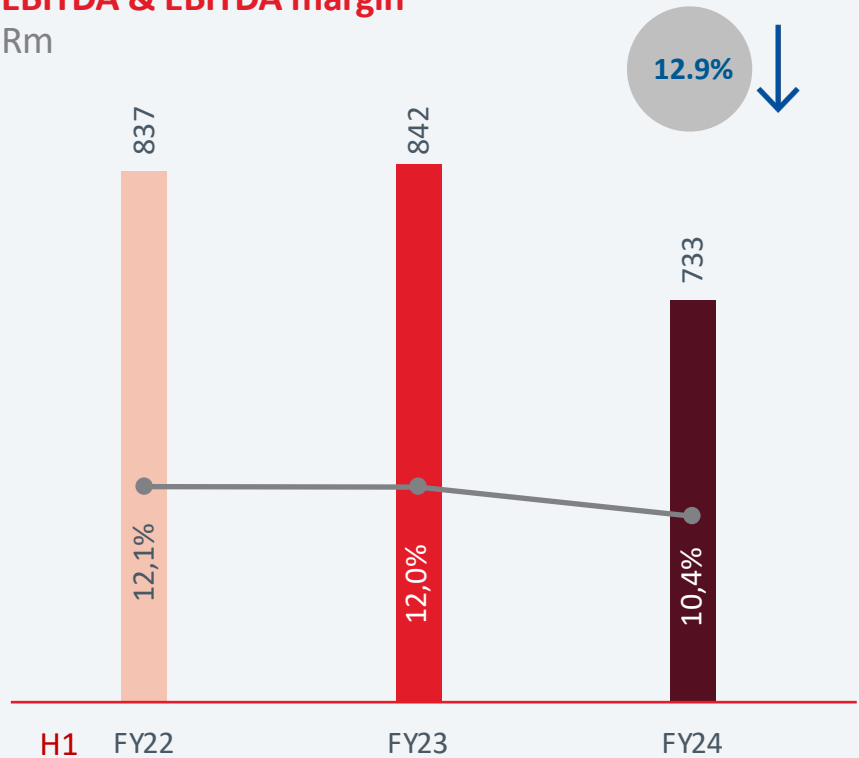
IT revenue growth offset legacy Converged Communications revenue declines



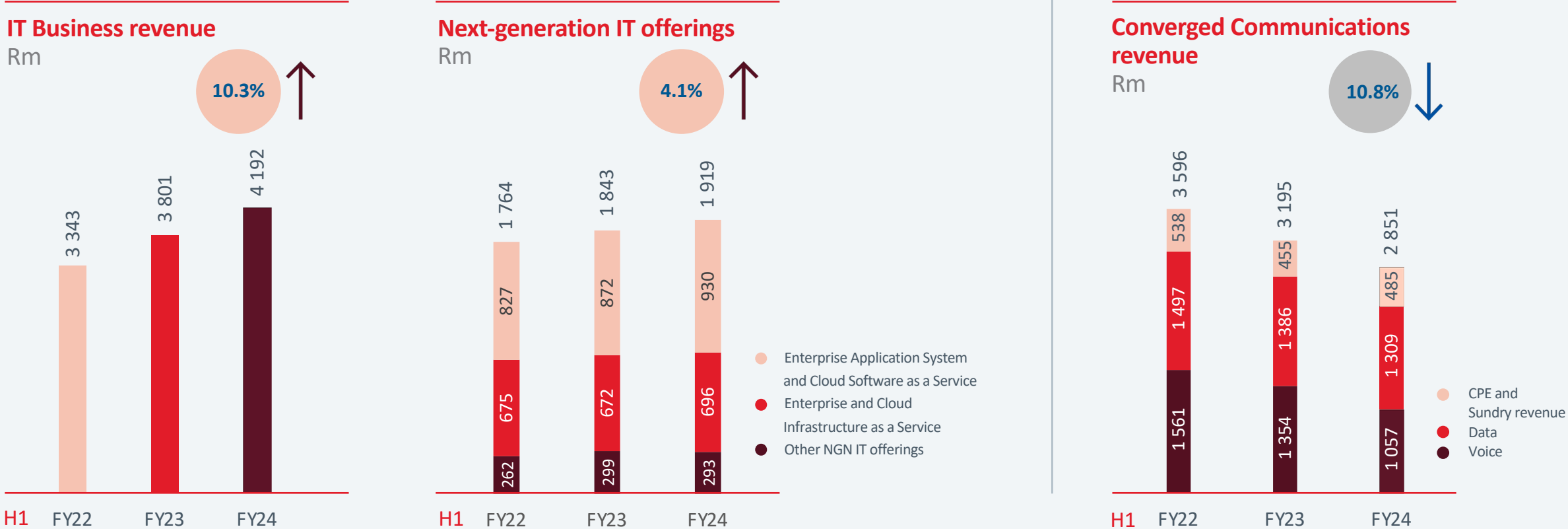
Revenue
Rm



EBITDA & EBITDA margin
Rm



IT business performance driven by IT services and related hardware and software growth



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EBITDA
margin

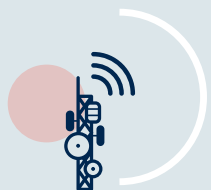
74.8%

Productive
portfolio

4 008

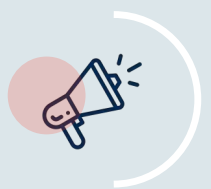


Disposal of Swiftnet - transaction rationale



Masts & Towers not strategic for InfraCo

- Transaction allows Telkom to focus on its core business whilst still allowing for company access to towers through market related commercial arrangements
- Telkom able to retain upside through FTTT and small cells



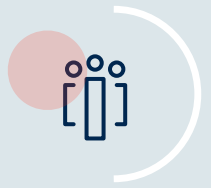
Address current market undervaluation of Telkom vs SotP

- The value of Swiftnet is currently reflected as part of the Telkom Group at Telkom's current lower telco EV/EBITDA multiple
- The transaction affirms value of Swiftnet and unlocks the value of Swiftnet for Telkom shareholders based on the transaction valuation



Provide cash injection to: i) reduce debt ii) accelerate investments in core to secure growth

- Rebalance the company's Balance Sheet and accelerate investment on growth areas to enable Telkom to effectively compete across the value chain
- Telkom Group has ambitious growth plans across different segments, particularly for Openserve (core business) and Consumer



Transaction neutral to Mobile business

- No material differences in commercial terms

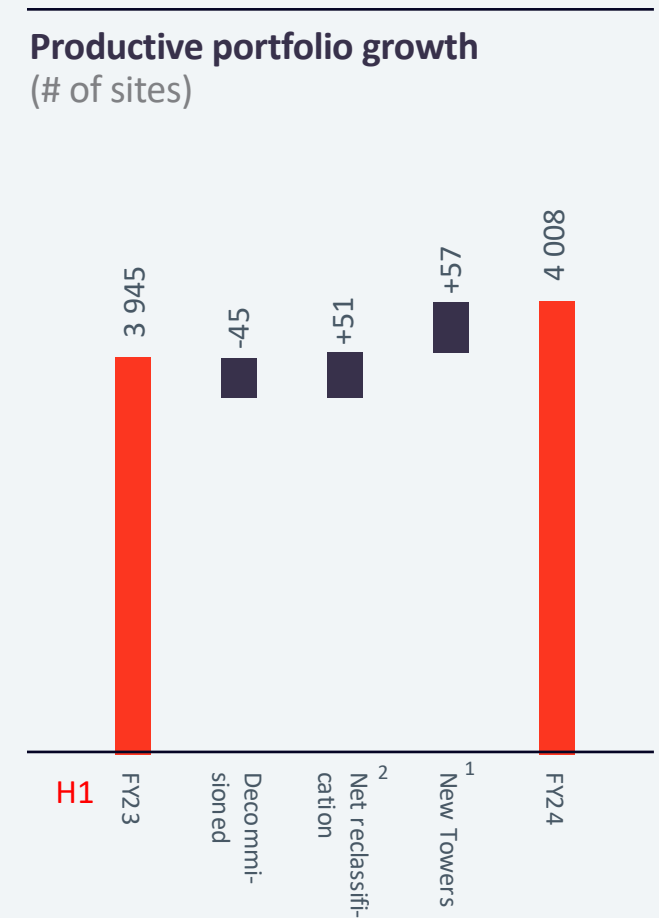
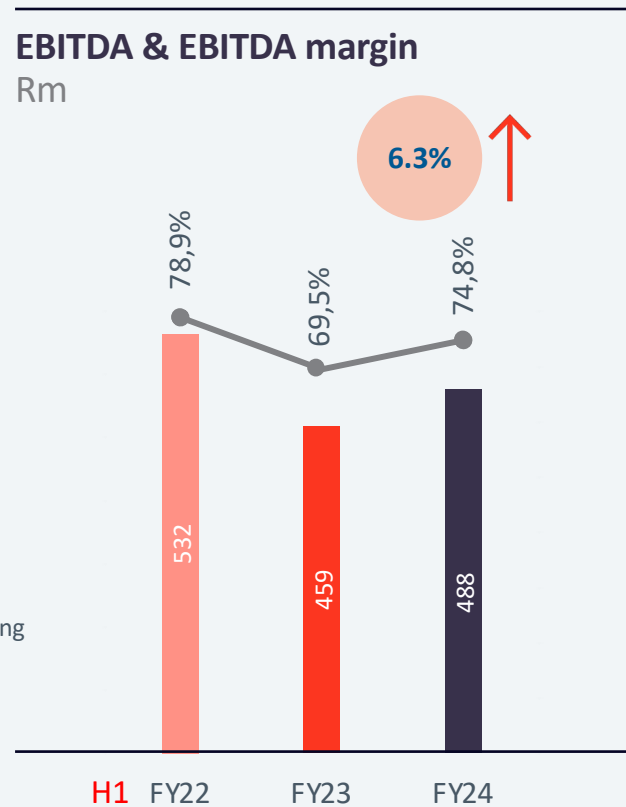
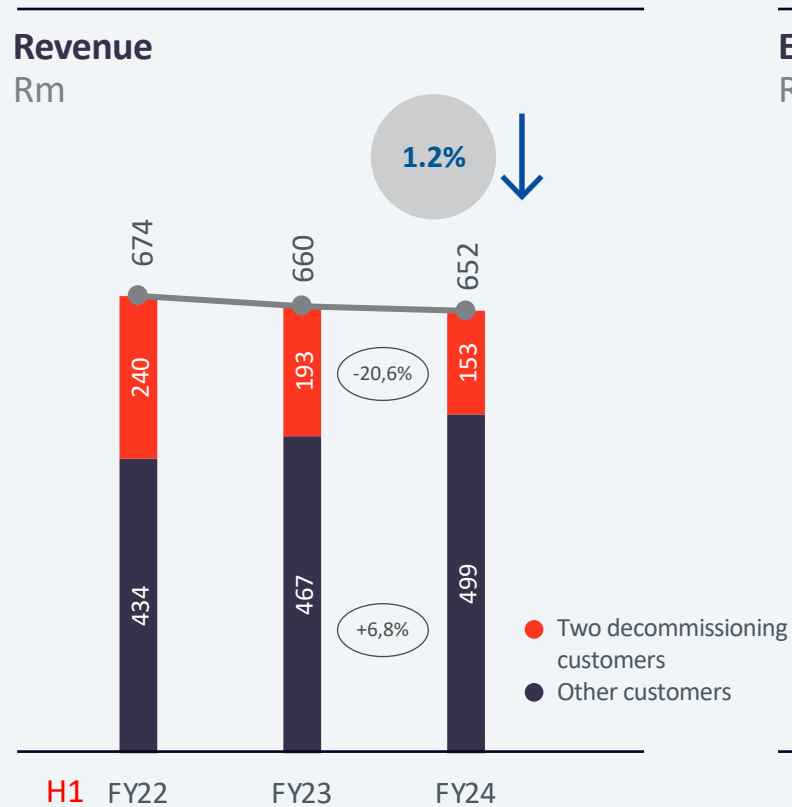
Allows Management to focus on InfraCo core businesses



The disposal of Swiftnet would allow Telkom to address strategic objectives



Earnings growth at strong margins



Notes:

1: 57 New Towers includes 52 towers and 5 In-Building Solutions

2: Net reclassification includes 57 towers reclassified to the productive portfolio, and 6 towers reclassified from the productive portfolio

Towers decommissioned or reclassified from the productive portfolio were supporting legacy Openserve equipment (and are not capable of supporting Mobile Network Operators ('MNOs'))

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3

Financial overview



Group financial performance

Total operations

2.5% ↑ Revenue
R21.8bn

52.1% ↑ BEPS
200.2 cps

1.7% ↑ EBITDA
R5.0bn

46.7% ↑ HEPS
195.0 cps

0.2 pts ↓ EBITDA margin
23.1%

0.1x ↑ Net debt to EBITDA
1.8x

52.3% ↑ Profit after tax
R1.0bn

130.4% ↑ Adjusted Free Cash Flow (FCF)*
R0.6bn

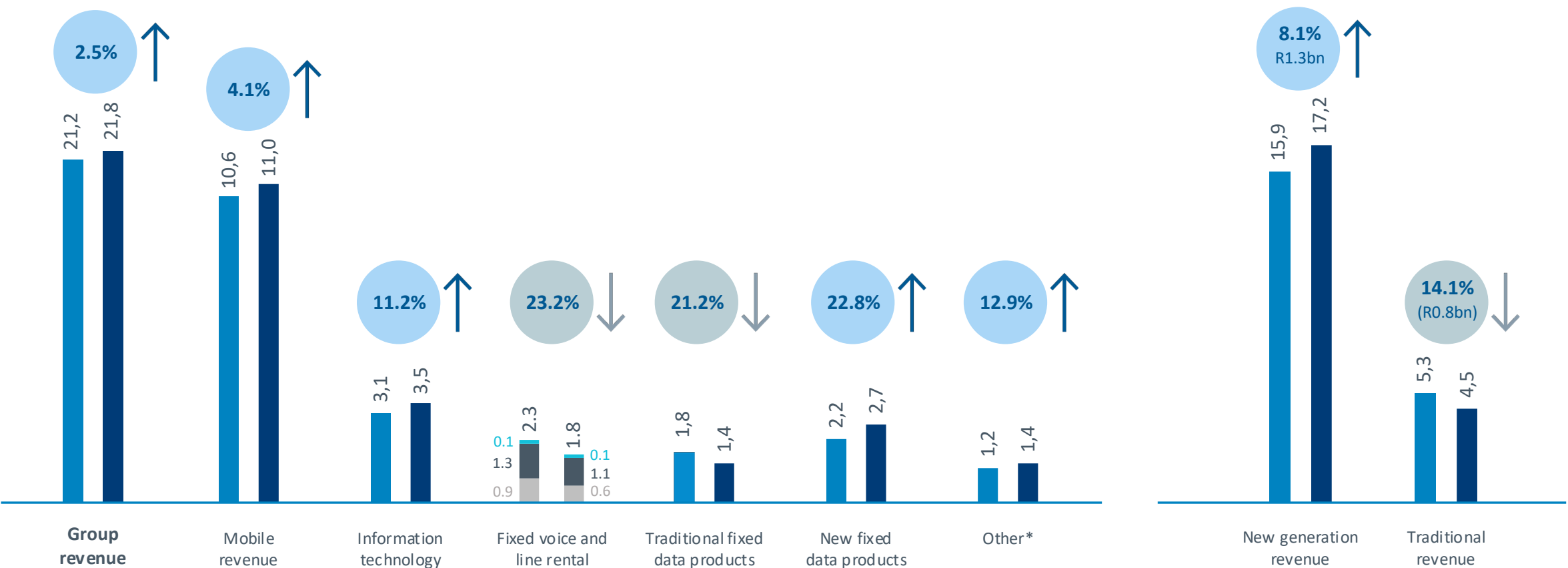
Group revenue supported by growth in new generation revenue

Total operations

● H1 FY23 ● H1 FY24 ● Interconnection ● Subscriptions ● Usage

Revenue by stream

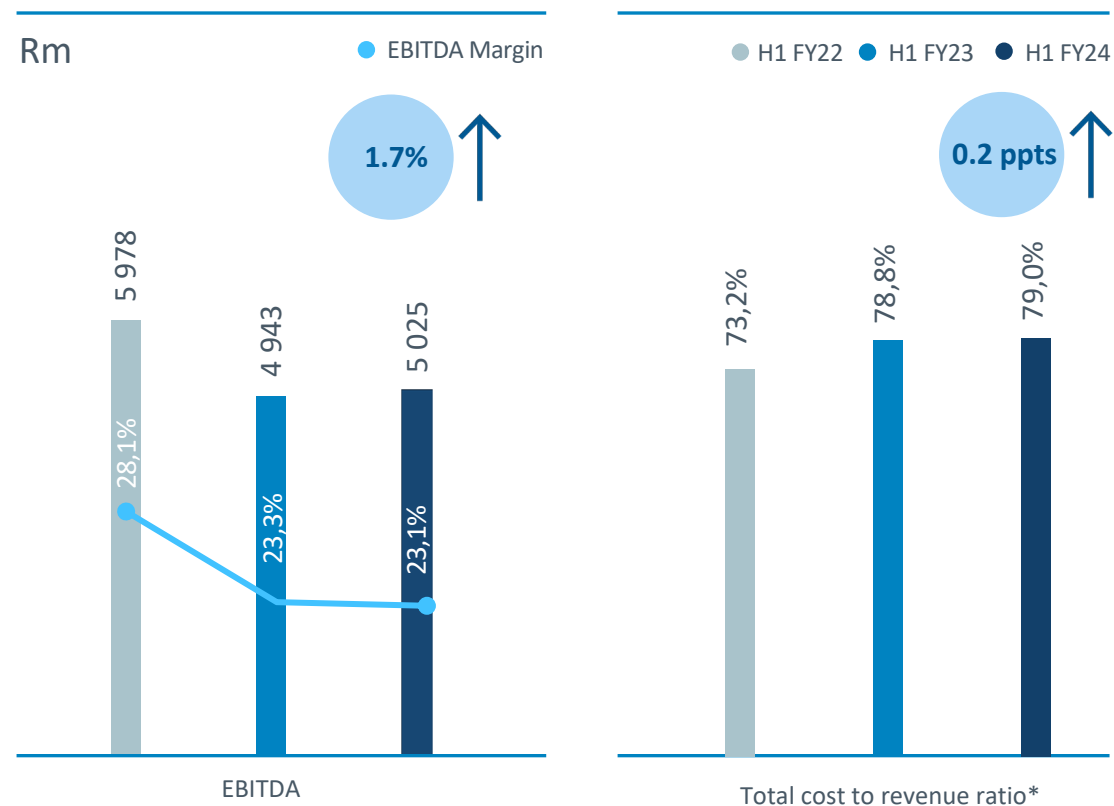
Rbn



* Includes revenue from mast and towers, insurance services, directories, rentals and maritime services

EBITDA stable

EBITDA analysis Total operations



EBITDA largely impacted by:

- Total data revenue growth of R779 million;
- IT hardware and software growth of R315 million;
- Total voice and line rental revenue decline of R668 million; and
- Increase in impairment of receivables and contract assets of R389 million due to current economic environment.

Opportunities implemented to recalibrate sustainable cost levels:

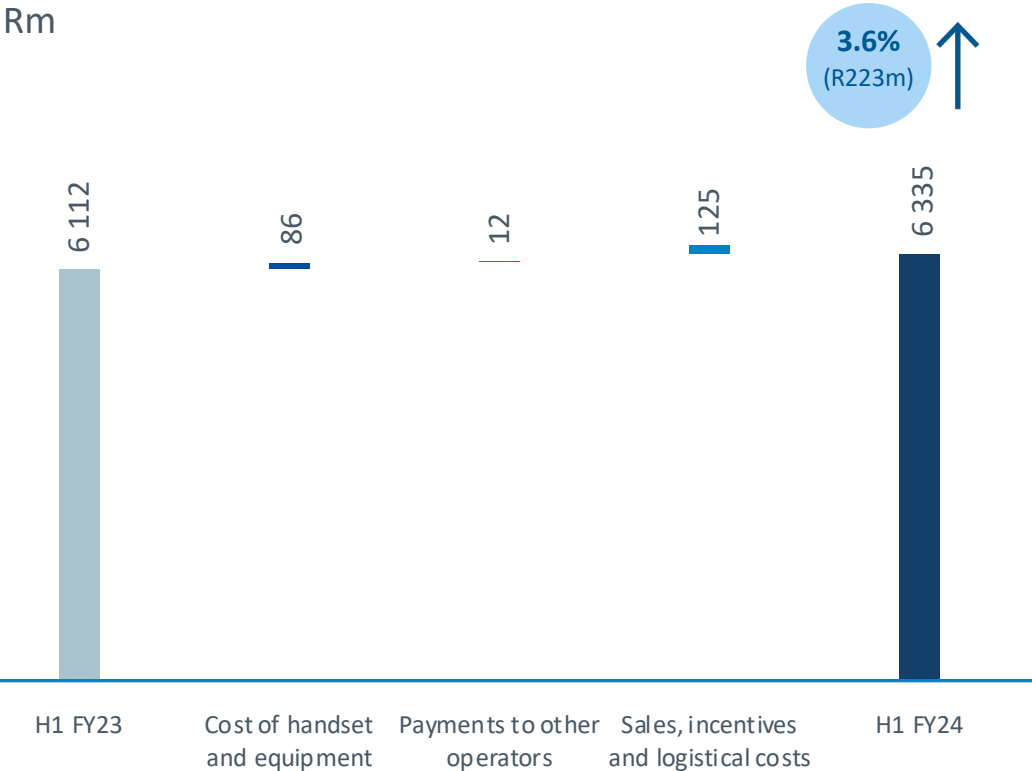
- Restructuring process finalised – full annualised benefit expected in FY2025;
- Optimised roaming costs as we maintain stringent roaming traffic thresholds and migrate traffic to our network; and
- Other productivity and efficiency initiatives in flight.

* Total cost includes direct and operating expenses

Impact of growing mobile post-paid sales on mobile costs normalising

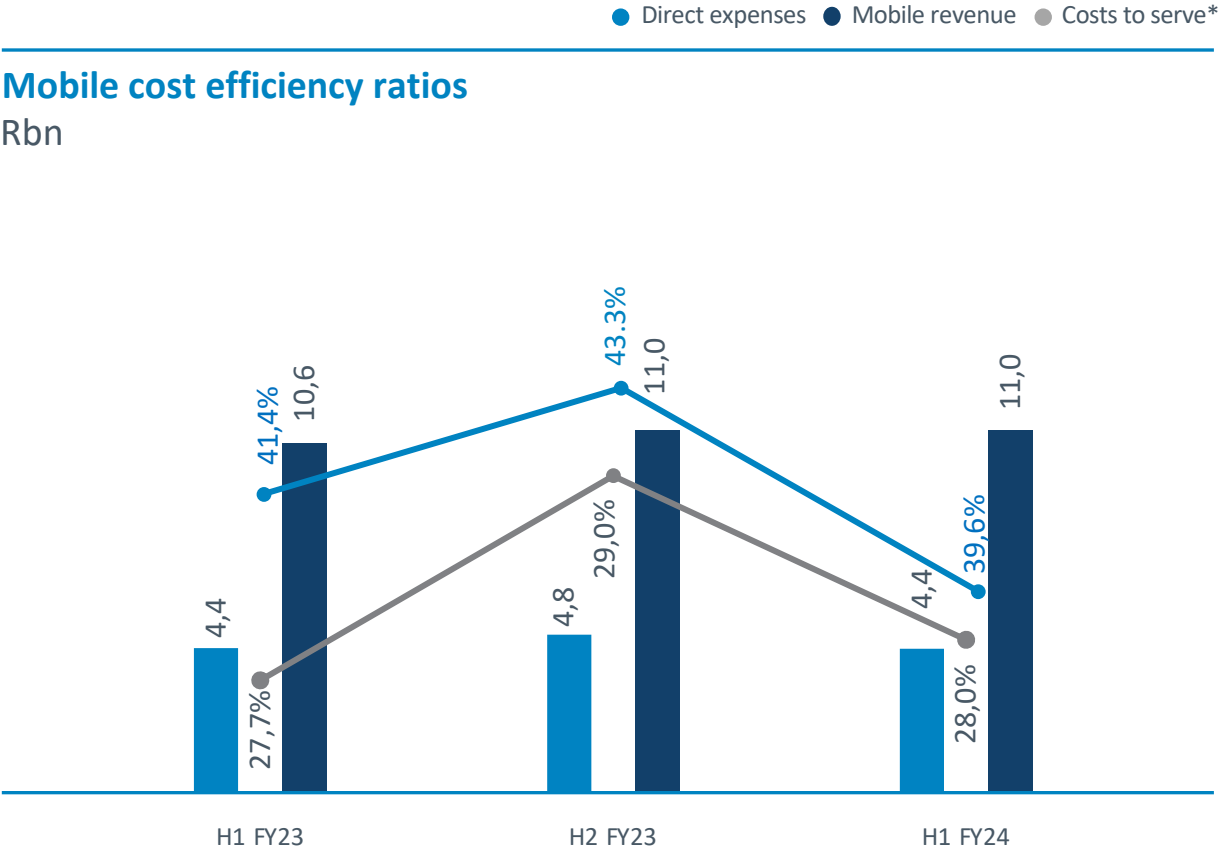
Direct expenses

Rm



Mobile cost efficiency ratios

Rbn



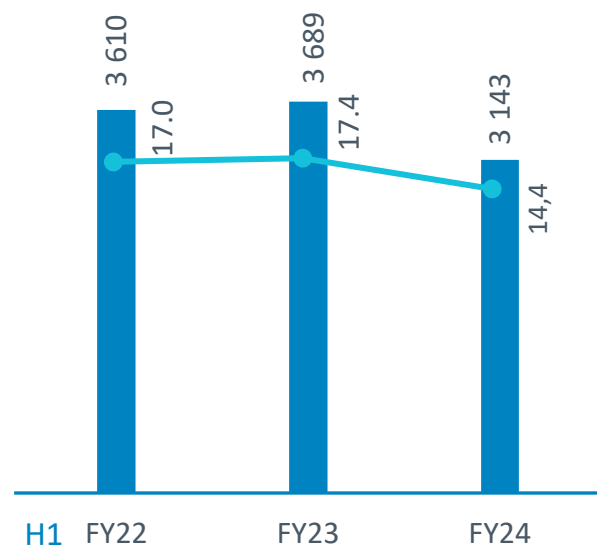
*Payments to other Operators (PtoO) and sales commission and incentives in relation to mobile service revenue

Capex – Continue to adequately invest in growth areas

Capex spend and intensity

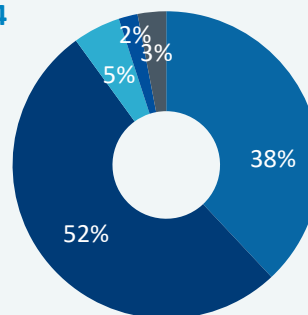
Rm

- Capex spend
- Capex to revenue (%)

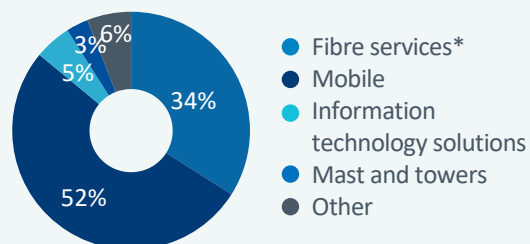


Capex investments allocation

H1 FY24



H1 FY23



- Fibre services*
- Mobile
- Information technology solutions
- Mast and towers
- Other

Network expansion

	H1 FY24	H1 FY23	H1 FY22
Fibre to the home	1 158 761	960 801	707 399
Homes connected	542 598	443 469	331 735
Active fibre connectivity rate %	46.8	46.2	46.9

Mobile footprint

	H1 FY24	H1 FY23	H1 FY22
Mobile sites integrated	7 684	7 384	6 910

Capex to revenue (%)

	H1 FY24	H1 FY23	H1 FY22
Openserve	20.3	22.1	25.5
Consumer	12.7	15.1	11.6
Mobile stream	14.7	17.8	13.6
BCX	2.0	2.5	2.6
Gyro	5.7	12.7	20.6

* Fibre services include FTTH and Core network.

Strong FCF improvement from underlying business

Free cash flow (FCF) movement				H1 FY24 vs H1 FY23 %
Rm	H1 FY24	H2 FY23	H1 FY23	
Cash receipts from customers before working capital impact	22 687	22 202	21 220	6.9
Movement in working capital	(350)	(2 140)	(860)	59.3
Cash receipts from customers	22 337	20 062	20 360	9.7
Cash paid to suppliers before working capital impact and restructuring cost paid	(17 490)	(15 715)	(18 306)	4.5
Movement in working capital	728	(489)	793	8.2
Cash paid to suppliers excluding restructuring cost paid	(16 762)	(16 204)	(17 513)	4.3
Cash generated from operations	5 575	3 858	2 847	95.8
Repayment of lease liability	(619)	(563)	(523)	(18.4)
Interest received	194	180	102	90.2
Finance charges paid	(1 007)	(802)	(654)	(54.0)
Taxation paid	(259)	(246)	(301)	14.0
Cash generated from operations before dividend paid and received	3 884	2 427	1 471	164.0
Cash paid for capital expenditure	(3 311)	(3 262)	(3 358)	1.4
Adjusted FCF (excluding restructuring cost paid)	573	(835)	(1 887)	130.4
Restructuring cost paid	(1 051)	-	-	(100.0)
FCF	(478)	(835)	(1 887)	74.7

Cash burn rate	H1 FY24	H2 FY23	H1 FY23
Closing cash balance	3 585	3 469	2 499
Opening cash balance	3 469	2 499	3 239
Cash movement utilised	116	970	(740)
Net movement in borrowings	(448)	(1 244)	(1 181)
Cash movement for the period	(332)	(274)	(1 921)

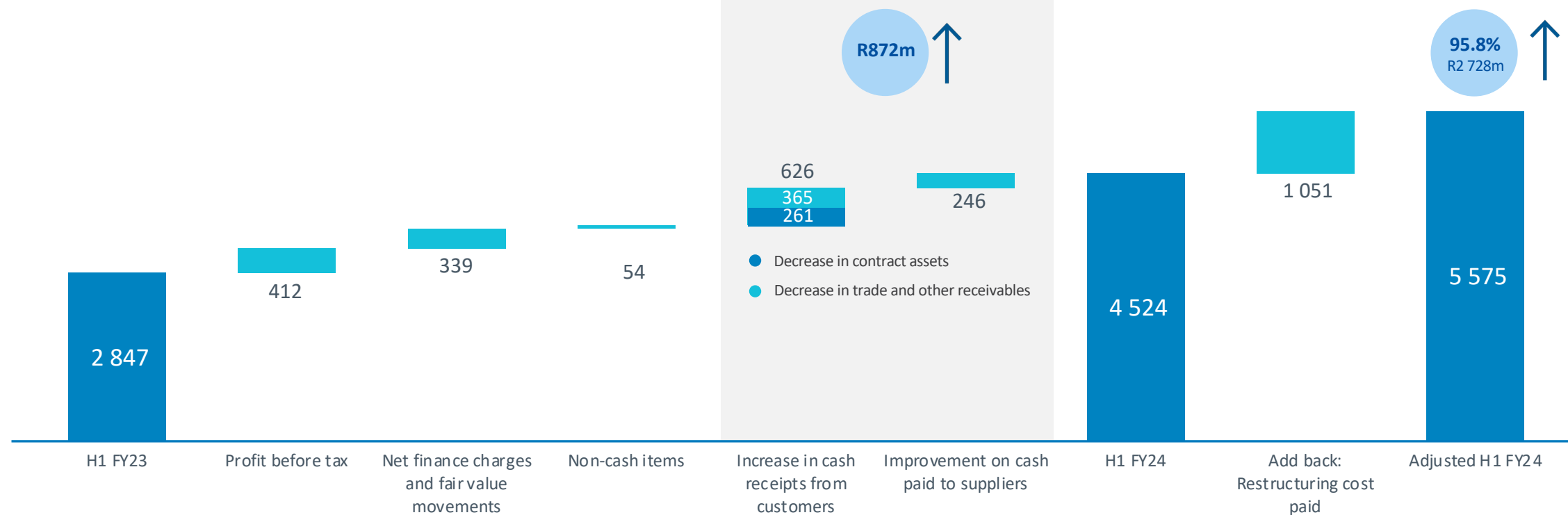
Key features

- Improved cash collections; and
- Negative cash movement of R332 million for H1 FY24 includes R1 051 million restructuring cost paid. **The cash movement is positive R719 million excluding restructuring cost.**

Cash generated from operations

Cash generated from operations movements

Rm

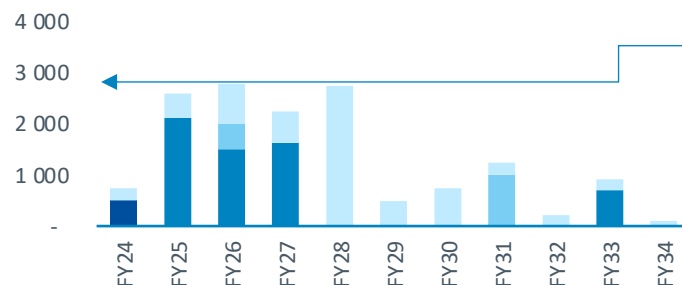


Strong balance sheet with enough headroom to finance growth

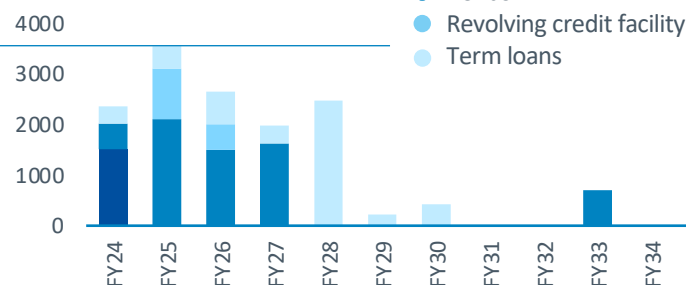
Total operations				
Rm	H1 FY24	FY23	H1 FY23	H1 FY24 vs FY23 %
Cash balances	3 585	3 469	2 499	3.3
Interest bearing debt	14 804	14 356	13 113	(3.1)
Opening balance	14 356	11 932	11 932	(8.8)
Net funding raised/(repaid)	431	2 320	1 135	81.4
Other	17	104	46	83.7
Lease liabilities	6 937	5 889	5 712	(17.8)
Opening balance	5 889	5 374	5 374	(9.6)
IFRS16 lease liability raised	1 048	515	338	(103.5)
Net debt	18 156	16 776	16 326	(8.2)
Net debt/EBITDA (times)	1.8	1.8	1.7	-
Average cost of debt (%)	10.0	8.6	7.5	(1.4)

Debt maturity profile improved significantly

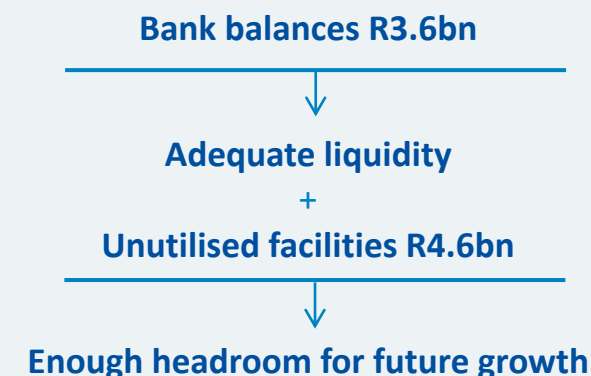
H1 FY24







FY23



Credit matrix	Loan covenants	H1 FY24	FY23	H1 FY23
Net debt to EBITDA	Not exceed 3:1	1.8x	1.8x	1.7x
Interest cover Incl. IFRS 16		5.4	6.7	8.0
Interest cover Excl. IFRS 16	At least 3.5:1	7.5	10.3	13.5



Financial framework to drive sustainable growth

Inputs	Drivers	Medium term guidance FY2023 – FY2025 (CAGR)	H1 FY24 Actual *	Outputs
Annual strategic review >	New revenue streams (Fibre, Mobile & IT businesses)	Low to mid single digit Revenue growth 	2.5%	> Sustainable organic growth
	Sustainable cost management program (staff optimisation, roaming, channel optimisation and legacy costs)	Low to mid single digit EBITDA growth* 	1.7%	
	Capex to fund growth	16 - 18% 	14.4%	
	Adequate balance sheet capacity to fund growth	Net debt to EBITDA of 1.5x – 1.9x 	1.8x	

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Outlook & Strategic Actions



4



Challenging economic environment

- Marginal GDP growth – 0.6% (Q2 2023)
- Inflationary headwinds
- Added cost of load shedding
- Weaker Rand vs major foreign currencies
- Dynamic regulatory environment



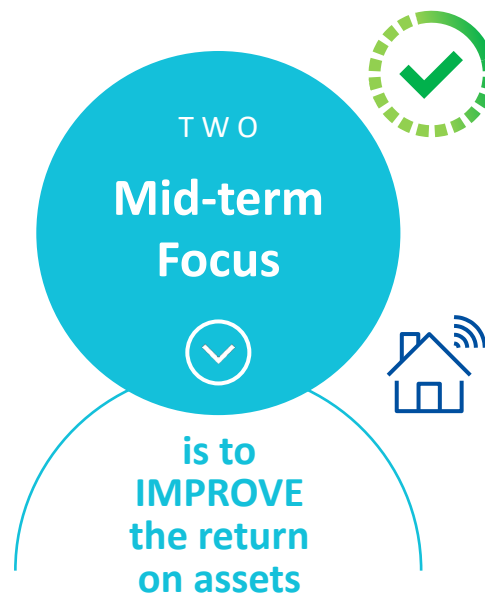
Guidance unchanged

- Data consumption drives growth
- Prioritising cash generation
- Ongoing opex rationalisation
- Capex - prioritising growth areas and network availability
- Further power diversification to address load shedding and ESG

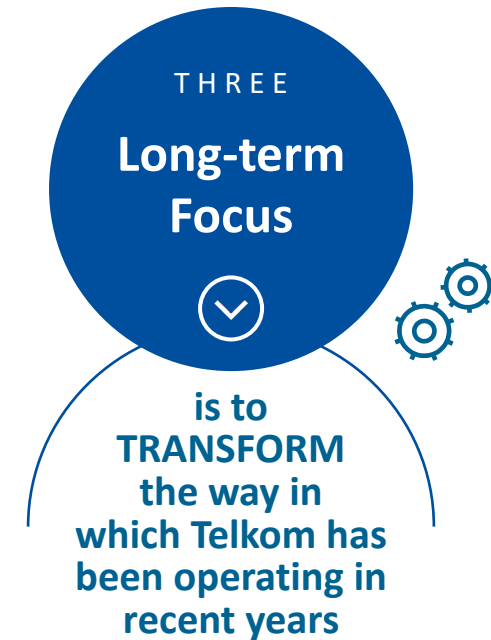
Strategic action priorities



... through **disposal of non-core assets** and **OPEX rationalisation**, providing the required **financial strength and baseline** to engage in Telkom's Transformation



... through a deliberate process of **sweating current assets**, and being **laser-focussed** in the **deployment of new assets**



... by **executing** on actionable activities vs launching new businesses, where the organization does not have the required assets and/or capabilities to succeed

Transforming to value creation for shareholders



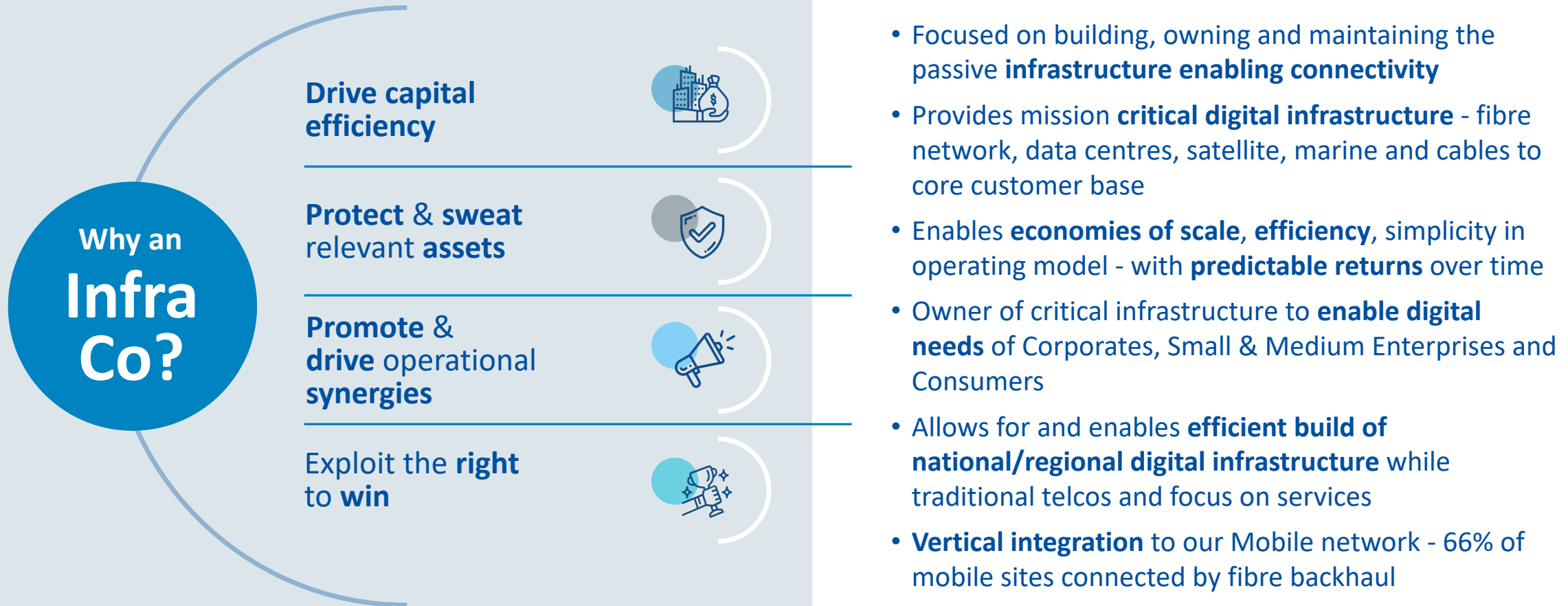
- At final stages of disposal process for Swiftnet
- Telkom entered into exclusivity with a preferred bidder
- Accordingly, Swiftnet classified as 'Asset Held for Sale'



- Market sounding exercises concluded
- Focused on repositioning Telkom as InfraCo
- Future growth plans in place for assets
- Further explorations for minority and/or strategic equity partnerships deferred until InfraCo reorganisation is in place



Delivering value through OneTelkom as an InfraCo



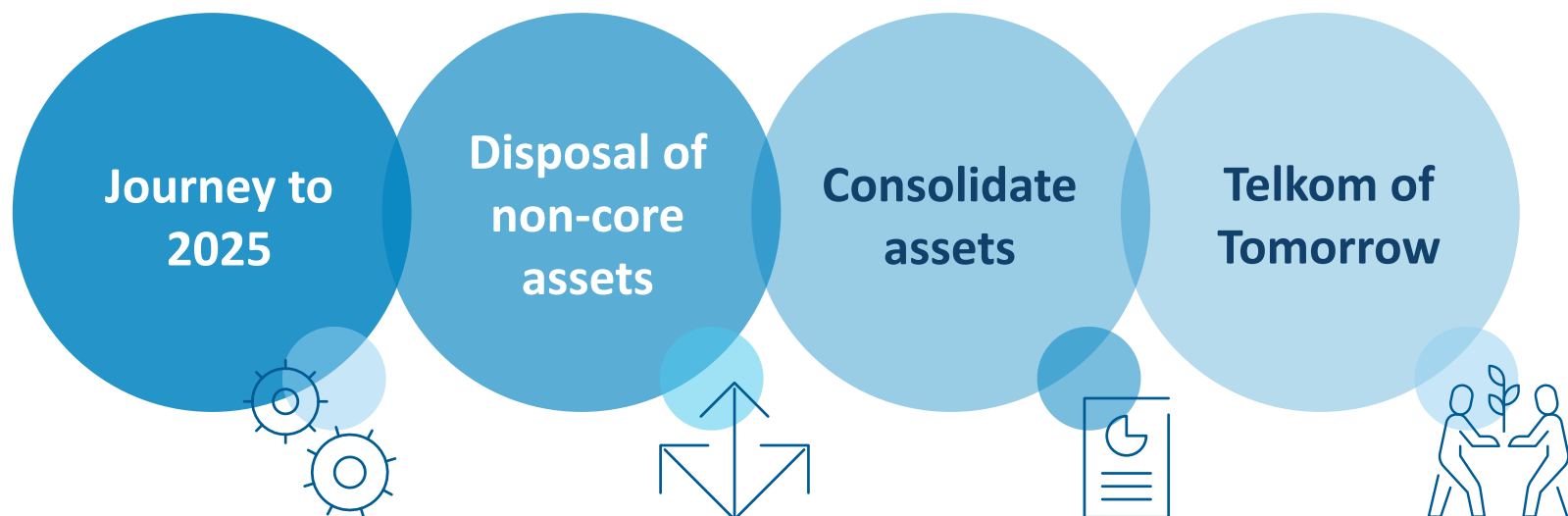
Transforming into the Telkom of Tomorrow

Telkom's transformation to InfraCo

Journey to
end of 2025

Culture refresh &
leadership alignment

Consolidate core
assets into InfraCo



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Q&A
Thank you



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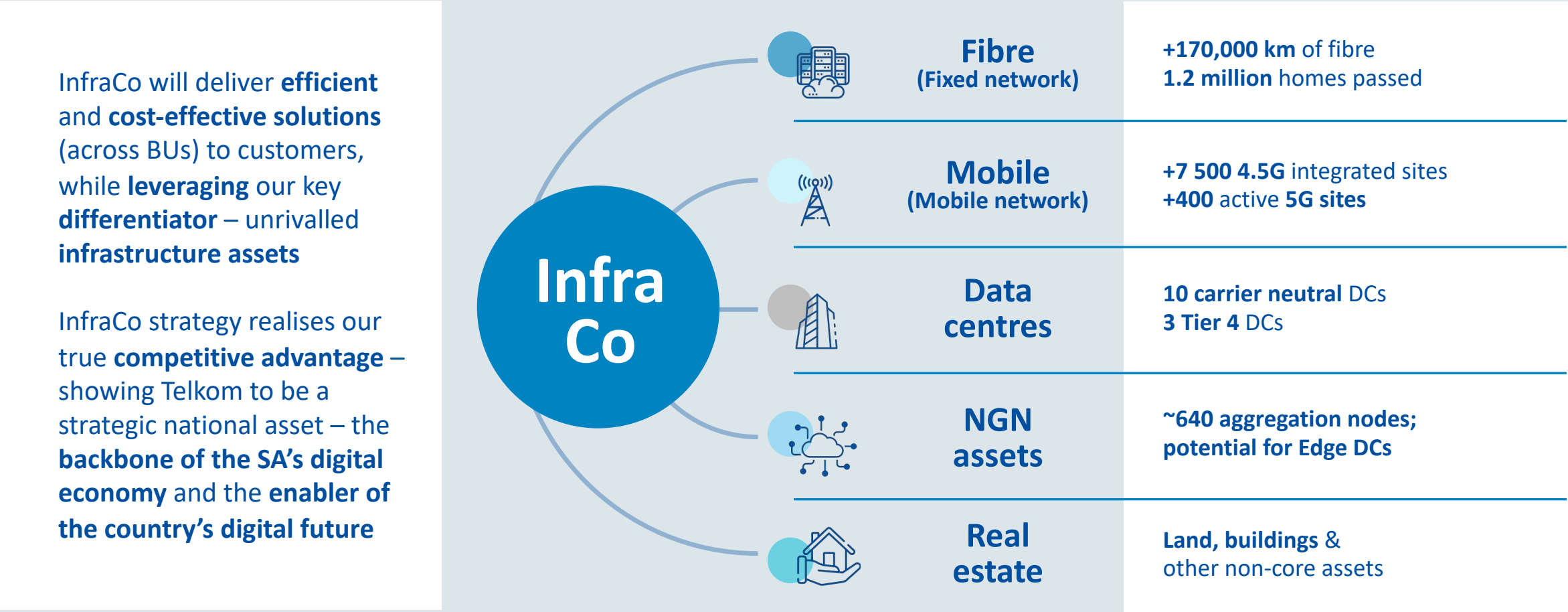
5

Telkom SA SOC Ltd

Annexures Strategy

Telkom's true competitive advantage

Multiple digital ecosystems supported by one backbone



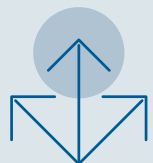
Seamlessly connecting South Africa to a better life

Telkom

An essential enabler and catalyst for growth



- Without essential digital infrastructure, there is no effective digital economy
- Digital infrastructure is potent economic accelerator
- South African economic impact up to US\$116 billion by 2030 through impact of digital technologies*
- Open access infrastructure drives healthy competition
- Digital infrastructure is in the national interest -
 - bridges digital divide, ensures commercially marginal communities are connected
 - Our infrastructure footprint covers rural and other underserved areas



The importance of **digital infrastructure** was illustrated during lockdown.

“If you aren’t using Telkom, **you’re using someone who’s using Telkom.**”



NGN data-led strategy drives our investment case



High demand sector with growing addressable market over the medium to long-term

- High data consumption
- Growing population base



Leading digital infrastructure player with exposure across key verticals

- Long-standing history in the market
- Strong brand recognition
- Leading market position



Significant Barriers to entry

Significant invested asset base with over 170,000km of fibre



Key verticals performing well

- Telkom Consumer exhibits strong customer engagement due to continued NGN value proposition
- Continued growth in homes connected while maintaining industry-leading connectivity rate



Services and products

Ability to access entire market with diverse tailored products and services



Strong cash generation profile and resilient business model

- Single country exposure reducing volatility and complexity
- Top line growth and growing margins
- Cash generation trending in the right direction, with high potential in the medium-long term from significant infrastructure base
- Wholesale business model



Experienced management team

- Country, industry and operational know how

ESG highlights



54%

of target annual
4.2% reduction in carbon
emissions achieved due
to decarbonisation
initiatives

34%

female representation
at management/
leadership roles and
33% overall in our
permanent
workforce



460 250

SMMEs with presence
on our Yep digital
marketplace aimed at
growing and enhancing
reach for local
businesses



365

network sites installed
with lithium ion
batteries for primary
backup during power
outages

12 744
tCO²e

emissions avoided from
decommissioning of
legacy equipment and
diesel optimisation
initiatives

1 670
tonnes

of copper recovered
from our network
for recycling

Telkom

Seamlessly
connecting our
customers to a
better life

Telkom

Business Unit performance



Seamlessly
connecting our
customers to a
better life

10.3%

Mobile data
revenue increase

14.6%

EBITDA
growth

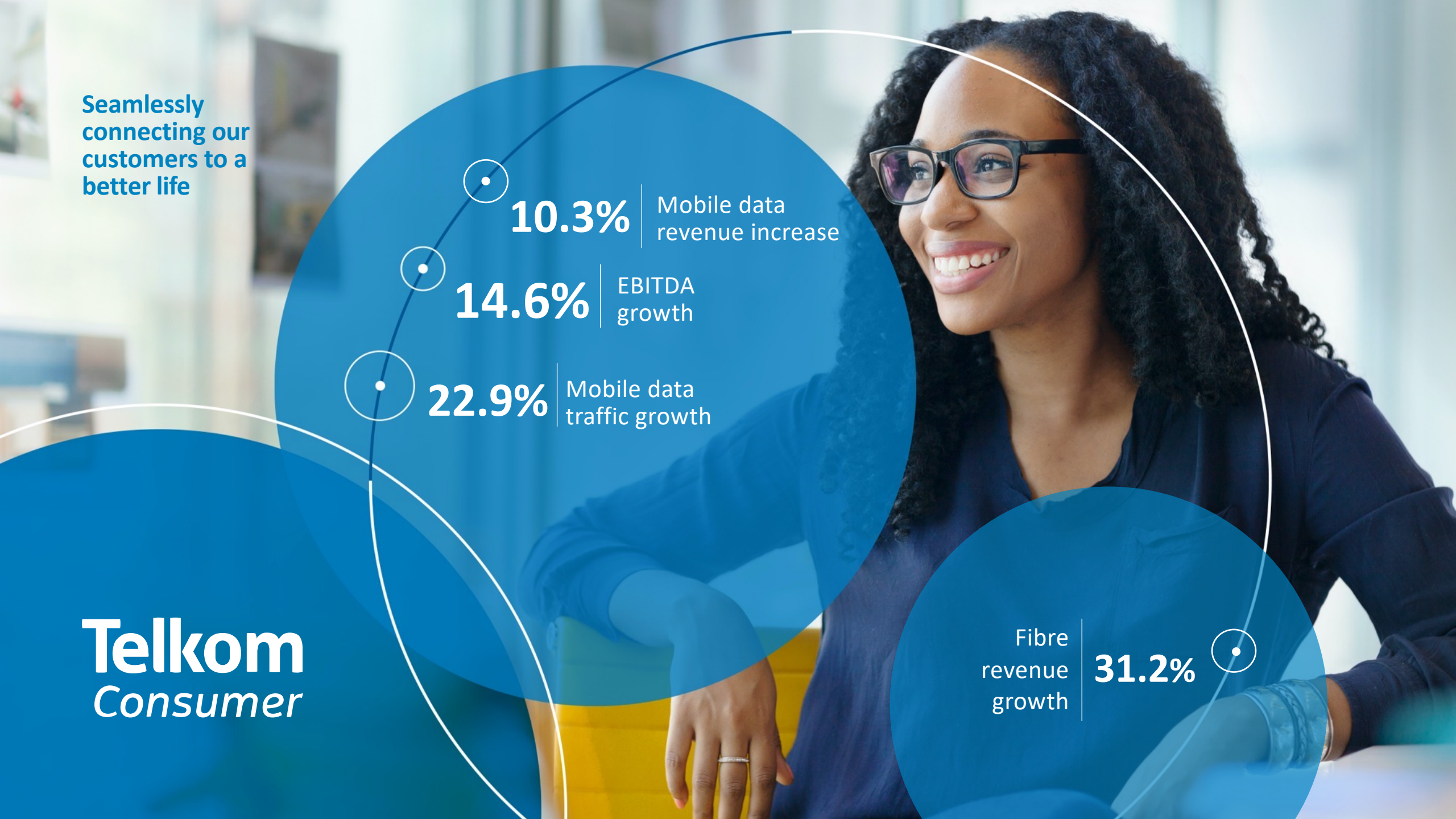
22.9%

Mobile data
traffic growth

Telkom
Consumer

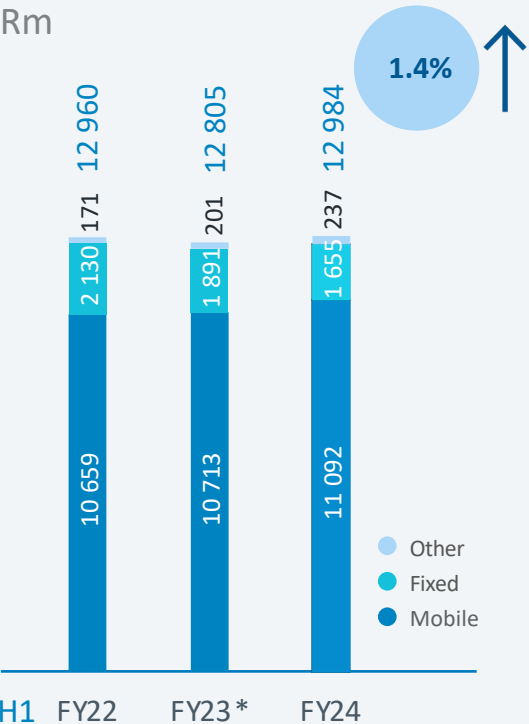
Fibre
revenue
growth

31.2%

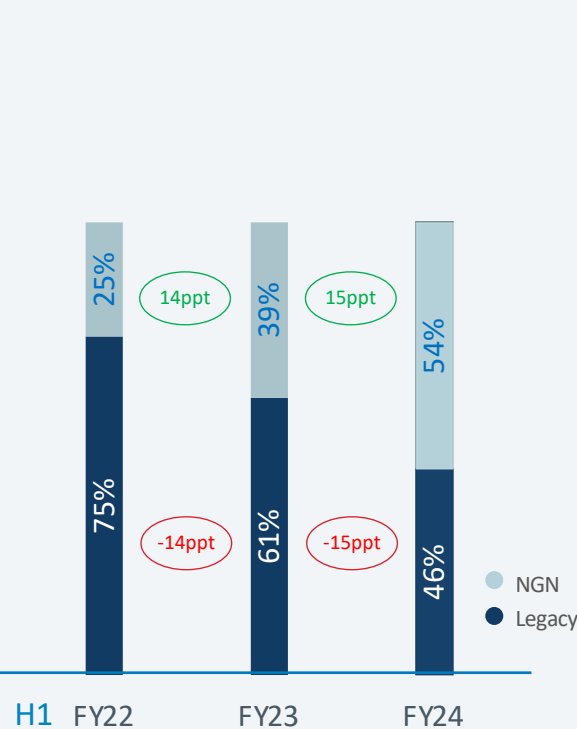


NGN technologies driving growth

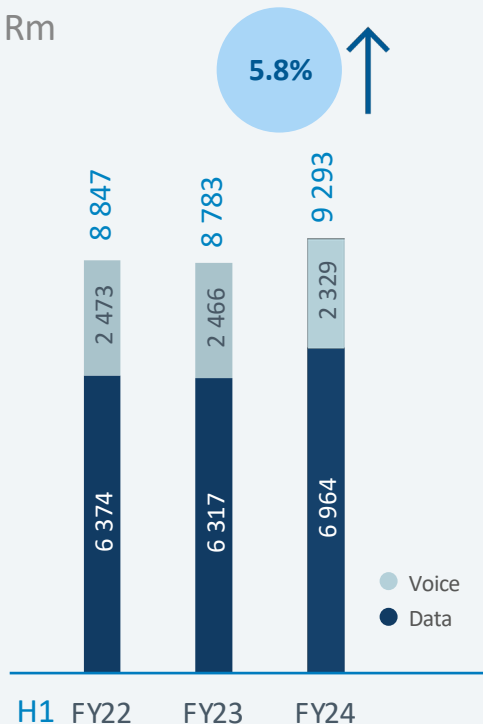
Operating Revenue



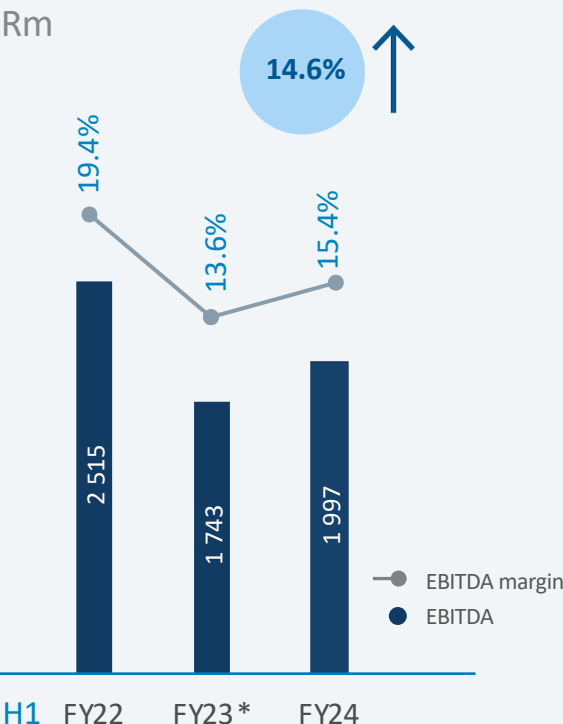
Fixed-line NGN vs legacy split



Mobile service revenue



EBITDA/EBITDA margin

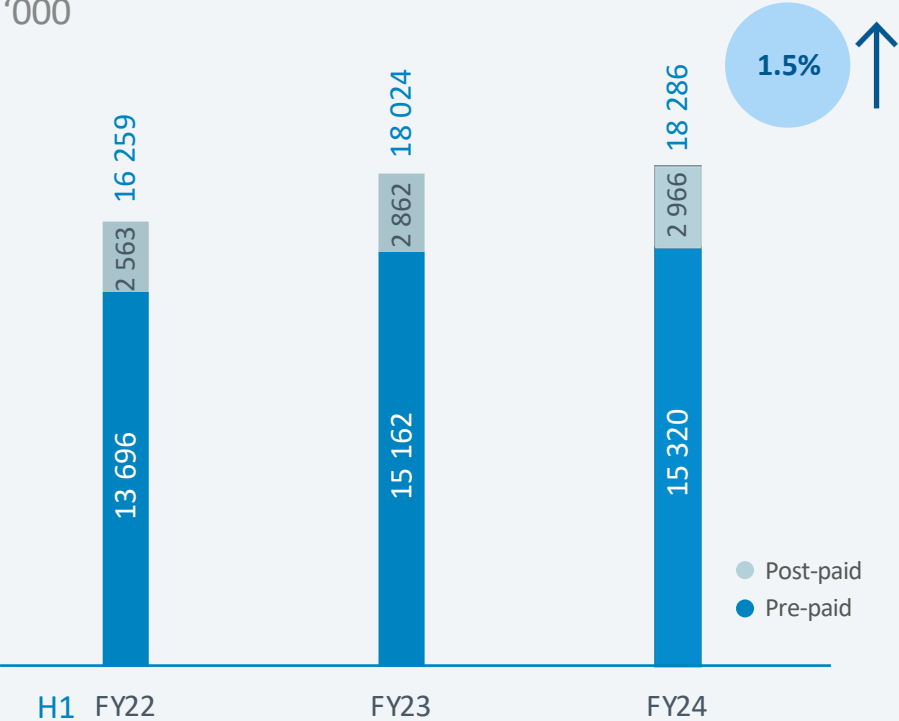


* Restated for IFRS17 (Insurance contracts)

Good performance from Mobile despite marginal growth of customer base

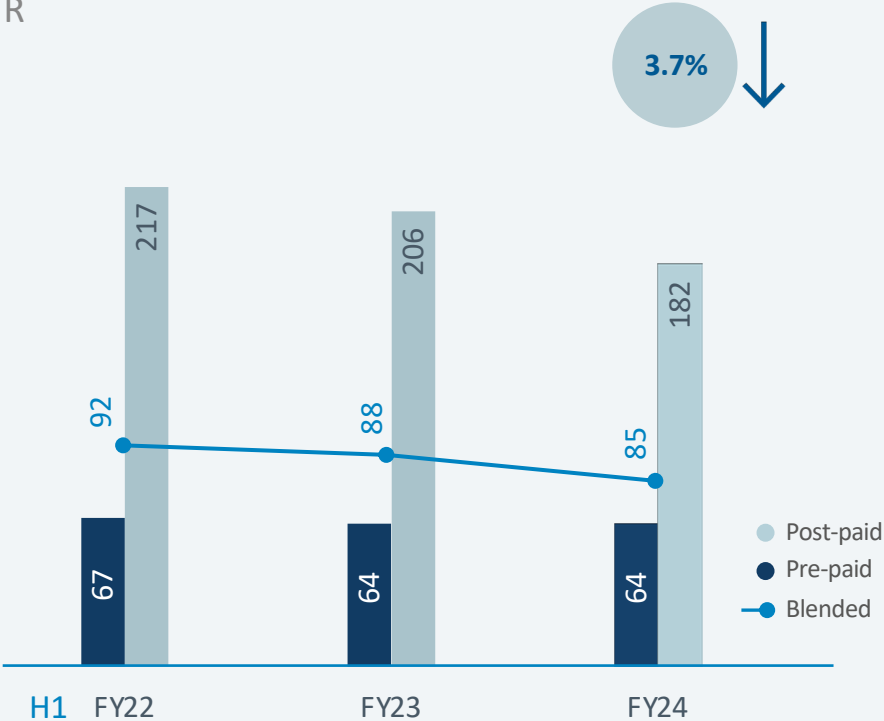
Subscriber growth

'000



ARPU

R



Seamlessly
connecting our
customers to a
better life

74.4%
Up from 67.2% | NGN
revenue
contribution

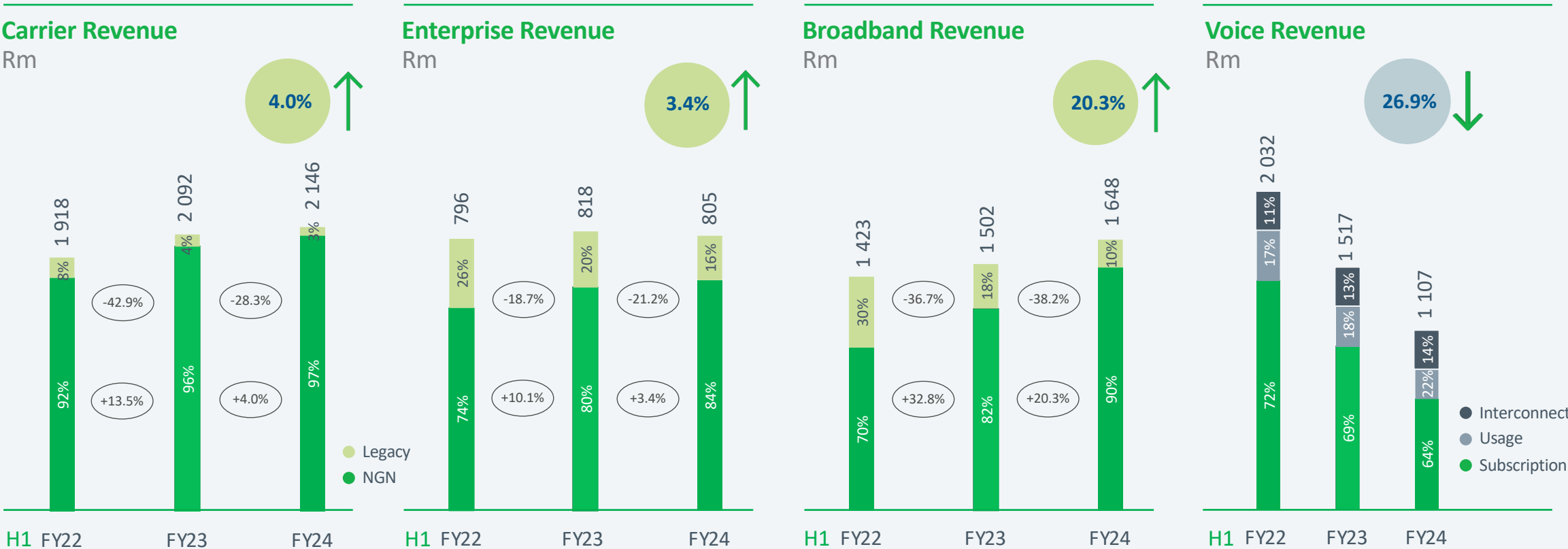
6.9% | NGN revenue
growth

31.8%
Up from 29.3% | EBITDA
Margin

Highest
market
connectivity
rate | **46.8%**

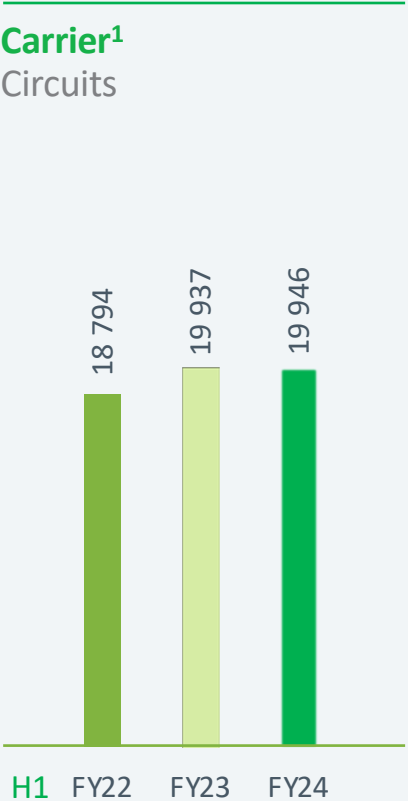
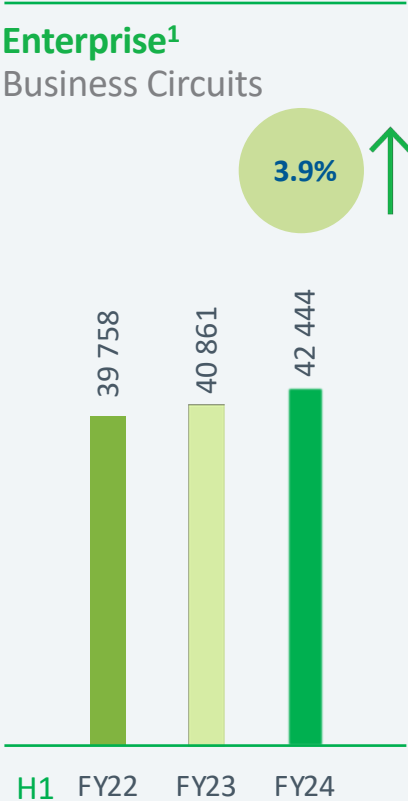
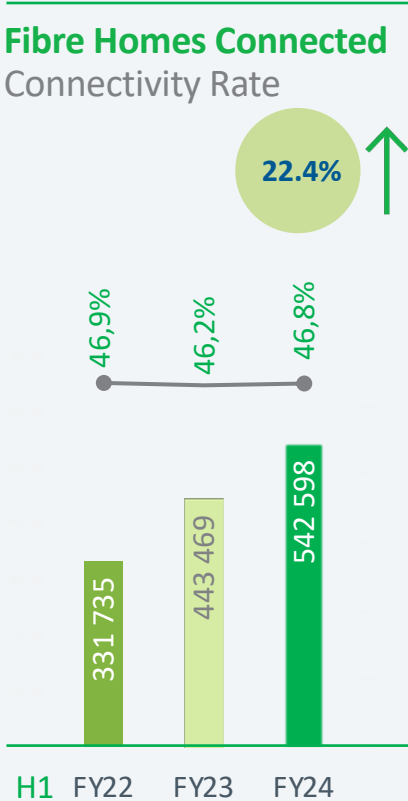
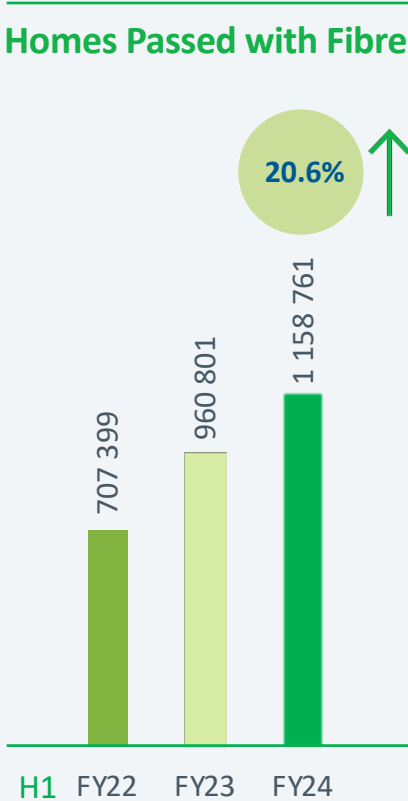


Evolution of new generation revenue



1 Carrier NGN includes Cross Connect
2 Carrier Legacy includes Passive Infrastructure
3 Broadband NGN excludes WebReach

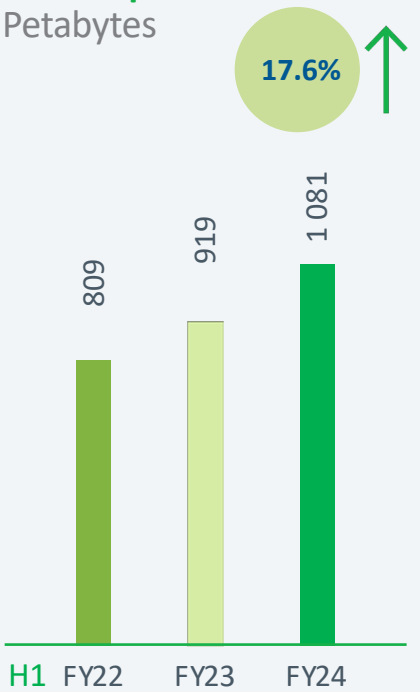
Connect-led strategy delivers highest connectivity rate – 46.8%



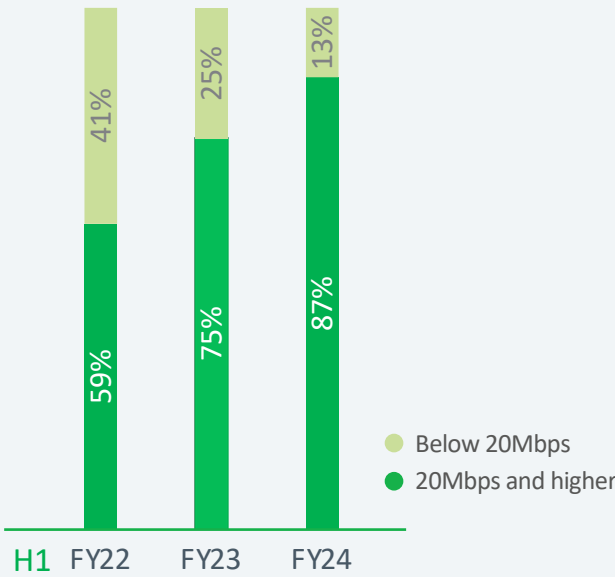
¹ Segment lead approach

Fixed broadband evolution

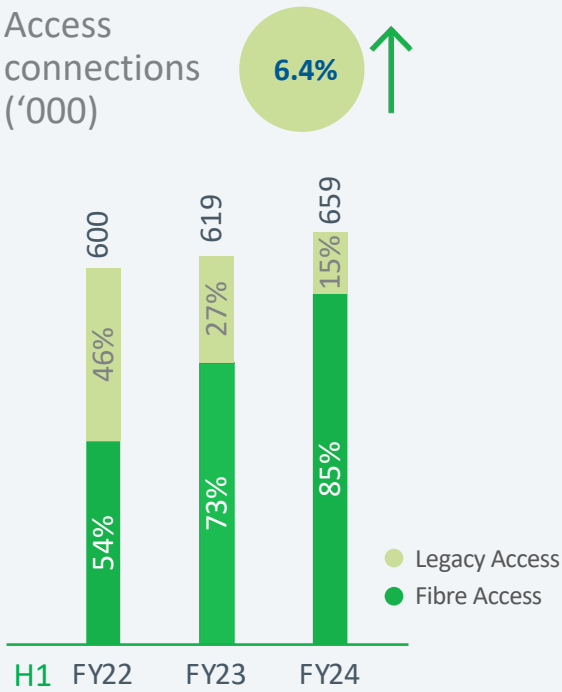
Fixed line broadband data consumption
Petabytes



Fixed line broadband services
Subscribers



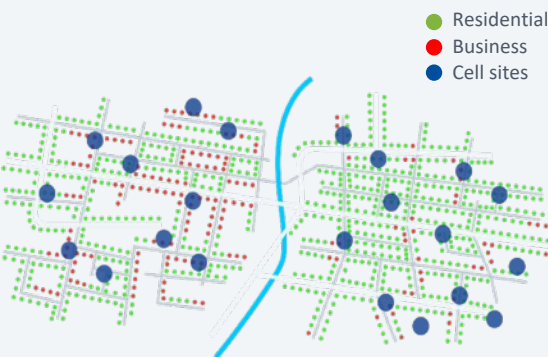
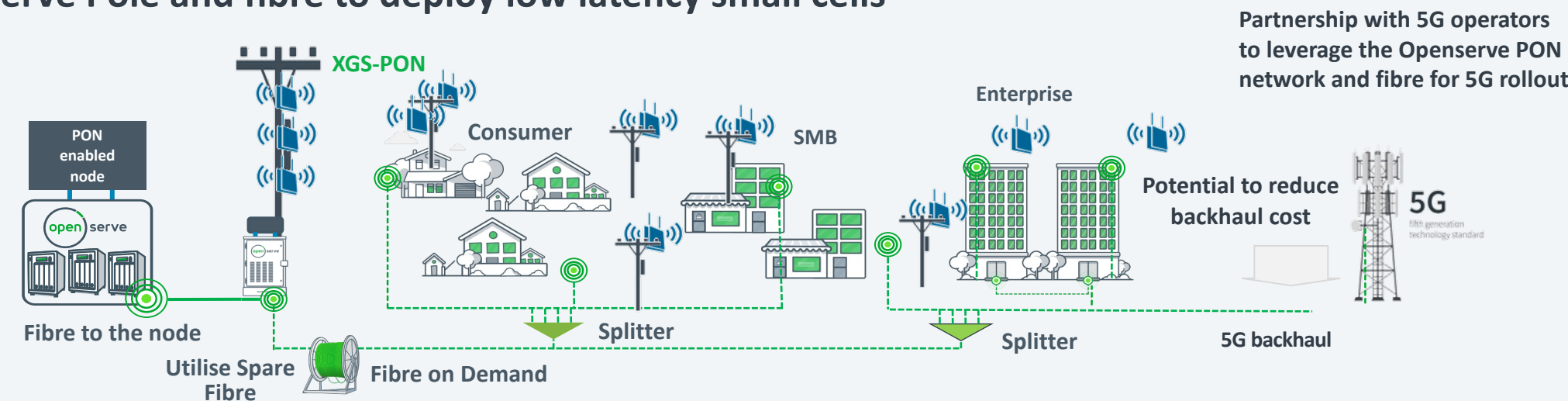
Fixed line broadband connections
Access connections ('000)



Fibre on demand strategy aligned to future 5G enablement



Openserve Pole and fibre to deploy low latency small cells



“The World is Going 5G, 5G is going Fibre”

Only fibre can support the 5G demand of massive connectivity, high speed and low latency
Fibre and 5G complements each other and drive the growth and evolution

5G transport



Offload to Wi-Fi



Connect faster



Openserve has deployed **XGS-PON FTTH access fibre** over xPON technology (up-to 10Gbps)

5G wireless networks use high-frequency millimetre waves, however, these waves can only travel about 60 metres. This means that operators will rely on fibre networks for the final stage of connectivity.

Telecommunication companies will install lower-cost, small cell sites – which are much cheaper than macro cell towers – thereby relying on fibre networks as the backbone of 5G technology.

Seamlessly
connecting our
customers to a
better life

• **R35m**

Property sale
proceeds realised

• **R304m**

Property disposals
concluded for Gyro
and Telkom properties

•

Property development
opportunities at investment
partnership stage

Gyro