

Conference call transcript

18 November 2025

INTERIM RESULTS

Operator

Good afternoon to everyone who has joined. Welcome to Telkom SA Limited's interim results presentation. All attendees will be in listen-only mode. There will be an opportunity to ask questions when prompted. If you should need assistance during the call, please signal an operator by keying in * and then 0. Please note that this event is being recorded. I will now hand over to Kamohelo Selepe of Investor Relations. Please come ahead.

Kamohelo Selepe

Thank you, Judith. Good afternoon, everyone. My name is Kamohelo Selepe. I'm part of the investor relations team at Telkom. Welcome to our Q&A session for the interim results for the period ended 30 September 2025. With me on the call is our Group CEO, Mr Serame Taukobong, and our Group CFO, Mrs Nonkululeko Dlamini. Before we start with the Q&A, I'll quickly provide the key highlights of our performance for the period.

Starting with the group highlights, our data-led strategy continues to drive growth. Our group data revenue increased by 7.9% to now 49.1% of total group revenue. This was driven by a fibre data-related revenue growth of 12.3% and mobile data revenue increase of 10.3%. We reported group EBITDA margin of 27.2%, but if you exclude the non-core property disposals, excluded at 26.4%. HEPS improved by 16.4% 106 cents, highlighting the quality of our earnings. Free cash flow was stable at R724 million. Cash generated from operations before capital spend increased by 7.9%.

Going into the BUs, our mobile business continues to deliver market-leading service revenue growth, which increased by 7.9%. The growth in our mobile business was driven by our prepaid segment. Our CVM, Mo'Nice, has contributed 48.2% to prepaid service revenue. And this is where we drive value-compelling pricing propositions in our mobile business. Mobile EBITDA margin expanded to 7.6% with roaming costs and [unclear] remaining stable.

Going to Openserve, Openserve grew revenue for the second successive quarter and overall revenue for the business increased by 2.7% in the first half. Revenue grew across all segments in Openserve. Enterprise revenue was up 15.7%, broadband revenue improved by 7.3%, and carrier services revenue increased by 5.1%. Openserve continued with its industry-leading connectivity rate, which stood at 52%. The EBITDA margin of the business was resilient at 33.3% driven by revenue growth and cost efficiencies.

Jumping into BCX, the targeted actions implemented have resulted in improved profitability. As a result, EBITDA margin for the business improved to 9.9%. This was due to a 4.5% decline in operational expenditure. The IT business in BCX increased by 1.2% with IT services portfolio revenue being resilient. Fibre-related data revenue within converged communications

grew by 13.8% offsetting a decline in traditional connectivity and voice services. We can now hand over back to the operator to start the Q&A. Thank you.

Operator

Thank you very much, sir. Ladies and gentlemen, we will now be conducting the question and answer session. If you would like to ask a question, please key in * and then 1 on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may key in * and then 2 to leave the question queue. Just a reminder, if you would like to ask a question, you are welcome to key in * and then 1. Our first question comes from Madi Singh of HSBC. Please go ahead.

Madhvendra Singh

Hi. Thanks a lot for taking my question. I just wanted to hear your views on the current competitive environment in South Africa, especially on the prepaid side. Do you see this almost price floor like situation can continue for a while or do you see some improvement in the environment? So, that's the first question. And then second question is on your asset monetisation plan. Going forward is the likes of Openserve or any other OpCo is still up for potential monetisation? And if so, what are the most likely scenarios you can think of for them getting monetised? Thank you.

Serame Taukobong

Thanks, Madi, for your questions. If we look at the competitive environment in South Africa, absolutely it will continue. And what's important, Madi, is that we stick to our knitting. What's key for us is that our data-led strategy is clearly yielding results. Competition is buckling in response to our strength, and we will continue to leverage our strength. Our CVM propositions are driving the right price points for our customers. Competition is struggling to meet those price points, and we've seen it in 12 consecutive quarters of leading revenue growth. So, that is the key thing for us, that Telkom Mobile, as we said, is now the benchmark of growth in the sector. And it is for competition to follow us. In regard to asset monetisation, as we've said, Openserve is key to our InfraCo strategy. There is no plan in terms of any further asset monetisation in that regard. I hope I've covered you there, Madi.

Madhvendra Singh

Yes, thanks. Any other assets which can be monetised besides Openserve? Thank you.

Serame Taukobong

Not at this point, Madi.

Madhvendra Singh

Thank you very much.

Operator

Ladies and gentlemen, just a further reminder, if you would like to ask a question, you're welcome to key in * and then 1. The next question comes from Preshendran Odayar of 361. Please go ahead.

Preshendran Odayar

Hi everyone, good afternoon. Congratulations on the results. And congratulations, Kamo, for stepping up there. I don't know if this is a very, very early succession plan for Serame, but he's still quite young and got a few years left. But I'll start with two quick questions. First is on Openserve's revenue and EBITDA. Can you perhaps give us the split of what's coming from the legacy copper business and what's coming from fibre?

Then the second one is more for Nonku. Your plans for the debt that is maturing in 2027. Just want to know what your plans are for that and if I can bolt that on to potentially higher dividend pay-out that could happen at the end of this 2026 financial year if you weigh those two options up. Thanks.

Serame Taukobong

Thanks, Presh. I'm certainly encouraged by the step up of young Kamo. It looks like our talent pipeline is growing quite well. If we look at the Openserve revenue, were you talking to legacy and fibre?

Preshendran Odayar

Yeah, legacy and fibre.

Serame Taukobong

What we've reported there is that legacy is now contributing close to, it's almost insignificant I think. Under 10 % odd is the fibre revenue at that level. We don't disclose at EBITDA level yet, Presh. So, I'll have to be kicked under the table to give you those details. And then next question was to Nonku.

Nonkululeko Dlamini

Yes, thank you, Presh. So, largely the upcoming maturities are related to the bond issuances that we have. And in fact, we have been engaging in the same roadshows with the bond market. And in the context of continued leveraging the balance sheets, we are considering refinancing the bonds that are maturing. And depending on the feedback from the market when we finally do deal roadshows, we will then assess on whether it is a clear refinancing, obviously looking at the cost and the tenure that we get. as well as the market interest in the sounding that we will do. But I think for where we are, we are driving a strategy of refinancing the maturing bonds. And most of them will probably be in H1 of 2027.

Serame Taukobong

I hope you're covered there, Presh.

Preshendran Odayar

Yeah. Thanks very much, Nonku. Thanks very much, Serame.

Operator

The next question comes from Jono Bradley of Absa. Please go ahead.

Jono Bradley

Good afternoon, everyone. Thanks very much again for the call. I thought I'd just ask two quick questions on your prepaid segment. The first is, Serame, you mentioned in the presentation this morning that WhatsApp bundles have been quite a big part or a key differentiator for Telkom. I'm wondering if you could just give us an idea of how big the WhatsApp bundles are in your prepaid recharges. I mean, any sort of steers, a rough percentage or proportion. And then the second question is just around airtime advance, how big that is or was in the last quarter, and is that sort of increasing or remaining the same or decreasing? Thanks very much.

Serame Taukobong

Thank you, Jono. In terms of WhatsApp, we generally don't give it in terms of the shape or what that is as a percentage. The steer I would give, Jono, is when you look at what is in that bundle and where competitors are struggling to match, the unique proposition is Telkom Mobile was in fact the first operator in South Africa to freely open up WhatsApp as a proposition, because when we were launching at that time, it was our unique differentiator in response to the market, given our challenger proposition.

The second, and that's key at this point in time, is the fact that our WhatsApp bundle actually allows for voice calling, which is quite a key differentiator to Vodacom and MTN. And why I say this is that if you look at the significant 2G voice base that those two have, this is the unique punch point that Telkom Mobile has. And to the point of competition and competitiveness, that's why when you see MTN, for example, launching an on-net voice package at 2G level, it has no impact on us because we don't have that 2G voice challenge.

So, the uniqueness of the WhatsApp bundle is the fact that the Telkom WhatsApp bundle actually allows voice calling. And that is the uniqueness of that. Airtime advance, it is sitting at about 30% or 32%, and we keep it there because for us, anything above that threshold, you start now running into a danger of rotational churn, and we intentionally keep it at those levels. So, I hope I've covered you there, Jono.

Jono Bradley

Yes, thank you. Maybe just a follow-up on mobile, just on handset sales. It increased a bit in the second quarter. How should we be thinking about that going into the summer campaigns and the Black Friday specials? Would you look to ramp that up? And when we're thinking on a quarter-on-quarter basis, is there scope to further push that, and that will potentially drag on your working, so keeping working capital as an outflow? Maybe just give us a steer in terms of how to think about the handset sales and the impact on the working capital in the second half.

Serame Taukobong

So, the handset sales in the second quarter, so firstly, what's important there is the handset sales that are attached to that are predominantly in prepaid devices. So, we don't want you guys to think that we're going back to the scary days three years ago where you saw the IFRS impact in post-paid devices. This is not a post-paid move. This is prepaid devices. Once again, an intentional strategy to tactically go after seeding those entry-level prepaid devices as part of our acquisition of the top end of the 2G voice space who are migrating to prepaid. So, that is one.

It will continue, but it will wash out, I think, over a 12 -month period. And it is linked to the revenue growth. So, it's an opportunity for the guys to seed those prepaid devices, entry-level prepaid devices, into your Peps etc., to aid with that. Summer, as you rightly said, for Black Friday, which is a 13-day campaign, and also into December, will be part of that campaign going in. So, it will wash out over the next 12 months, but it is linked to that prepaid revenue growth. I hope I've covered you there, Jono.

Jono Bradley

Yes, thank you very much.

Operator

Ladies and gentlemen, just a further reminder, if you'd like to ask a question, you're welcome to key in the * and then 1 to place yourself in the question queue. We have a question from Jonathan Kennedy-Good of Prescient Securities. Please go ahead.

Jonathan Kennedy-Good

Good afternoon. Just a quick question on capital return. I was just wondering how the board thinks about potential share buybacks vis-à-vis dividends, particularly given obviously the stock price has come off a little bit and performance and cash flow seems to be quite strong. So, I just would like some colour there if you can.

Serame Taukobong

Thank you, Jonathan. I'll give that to Nonku, or should I take it?

Nonkululeko Dlamini

You can take it.

Serame Taukobong

So, I think if we look at share buyback particularly, this is a question that was raised last time when we were paying dividend. It's a double-edged sword. One, given the pool, the impact would be marginal because the size of the dividend pay-out was so small. That's the first part. The second part is also in terms of the protection of the minority shareholders, because if you do a share buyback, it means that the majority shareholder, that's the 40.5% shareholder, then becomes bigger in size.

So, that is also in light of protecting the minority shareholders. So, the size of the dividend pay-out does not really make that significant an impact because the effective share buyback will really not move the dial at all. But it's also saying that it has the opposite effect then of not protecting minority shareholders and the 40.5% will be bigger. So, that's the big challenge which the board then faces in that regard. So, that's why it was debated and was not considered in that regard. I hope I've covered you there Jonathan.

Jonathan Kennedy-Good

Yes, thank you.

Operator

Ladies and gentlemen, with no further questions in the question queue, we have reached the end of our question and answer session. I will now hand back for closing remarks.

Kamohelo Selepe

Thank you, Judith. Thank you everyone for joining the call. We will see you in our roadshows in the two coming days, those we are seeing. That concludes the call for today. Thank you.

Operator

Ladies and gentlemen, that concludes today's event. Thank you for joining us and you may now disconnect your lines.

END OF TRANSCRIPT