Telkom

Telkom SA SOC Ltd

Q1 FY2027 Trading Update

for the quarter ended 30 June 2026

Seamlessly connecting
our customers to a better life

Telkom reports strong first quarter performance, with data-led strategy delivering growth

Highlights

- **Group data revenue increased by 8.8% to R6 922 million, contributing 62.4% to total revenue driven by:**
  - 11.4% rise in mobile data revenue, and
  - 4.0% growth in fibre-related data revenue
- **Pre-paid service revenue growth of 9.1% was the driver of mobile service revenue increase of 6.4%.**
- **Openserve maintained overall positive revenue trajectory which increased by 5.6%.**
- **BCX IT services revenue was stable at 0.3% in a constrained IT sector, with Cybersecurity growing 36.6% and Cloud Services 11.8%.**
- **Group EBITDA margin expanded to 27.7%, benefitting from double-digit growth in EBITDA.**
- **The total Mobile subscriber base increased by 6.1% to 25.3 million, underpinned by pre-paid subscriber growth, while data subscribers grew 15.5% to 19.8 million.**
- **The industry-leading fibre connectivity rate further improved to 53.9%, on the back of homes connected increasing by 16.6% to 843 563.**

Group financial information

	Quarter ended 30 June		
R million	2026	2025	Y-o-Y % change
Group revenue	**11 096**	10 817	2.6 %
Group data revenue	**6 922**	6 361	8.8 %
Group EBITDA	**3 079**	2 798	10.0 %
Group EBITDA margin	**27.7%**	25.9 %	1.8 ppts
Capex	**888**	1 102	(19.4)%
Capex intensity	**8.0%**	10.2%	(2.2) ppts

Notes:

1. The information contained in this trading update has not been audited or reviewed by the external auditor of Telkom.

2. The percentage movements quoted are year-on-year ("Y-o-Y"), referring to the quarter ended 30 June 2026 ("Q1 FY2027") compared to the quarter ended 30 June 2025 (Q1 FY2026), unless stated otherwise.

3. Percentage points has been abbreviated to ppts.

Group Chief Executive Officer – Serame Taukobong commented:

We commenced the new financial year with strong data-led growth supported by Mobile and Openserve. Mobile and Openserve delivered solid revenue and EBITDA growth, as mobile service revenue re-accelerated compared to the preceding quarter (Q4 FY2026). We continued with our OneTelkom approach. Furthermore, our cost discipline initiatives contributed to a solid Group EBITDA growth and the EBITDA margin expanded. BCX continued to experience revenue pressure, mainly as a result of revenue decrease in Converged Communications as well as IT hardware and software sale. As expected, subdued performance in BCX remains, while the new management continues the reshaping of the business.

In July 2026, Openserve launched its own Internet Service Provider (ISP) to monetise its existing infrastructure and improve the connectivity rate.

Group data revenue continued to drive revenue growth

Group revenue increased by 2.6% for the quarter, driven by robust Group data revenue growth of 8.8%, underscoring the health of our growth engine. Data revenue contribution to total Group revenue improved to 62.4% (Q1 FY2026: 58.8%). Fibre-related data revenue for the Group increased by 4.0% to R2 095 million, while mobile data revenue rose by 11.4%. Data-led revenue (mobile and fibre-related data revenue) increased by R561 million, offsetting a R124 million decline in traditional fixed revenue, as BCX continued to experience revenue strain in Converged Communications.

Group EBITDA margin continued to expand

Group EBITDA grew by 10.0%, resulting in Group EBITDA margin expanding by 1.8 ppts to 27.7% for the quarter. Our drive for cost efficiencies resulted in total expenses declining by 1.9% for the quarter, mainly due to a decrease in roaming costs in Mobile, maintenance costs and impairment of receivables.

Smart capex deployment

Capital expenditure of R888 million was 19.4% lower for the quarter, primarily attributable to the timing of multi-year projects in Openserve, as Q1 FY2026 included a higher level of network project completions and associated capital recognition. We mainly invested in our Mobile business and Openserve, while a portion of the capex was directed towards IT solutions relating to the transformation programme for business support systems (BSS). Capex intensity was at 8.0% for the period and we will ramp-up the spend for the remainder of the year.

In the Mobile business, R421 million was invested primarily to expand network capacity and upgrade base stations. As a result, 84 sites were added during the quarter, increasing the network footprint of Mobile to 8 504 base stations. The business also invested in IT transformation and in the upgrade of BSS and digital platforms. Openserve invested R379 million in capex during the period to modernise and expand its network, passing 26 541 homes and connecting 26 023 for the quarter.

Performance of business units and property disposals

Service revenue for the Mobile business grew by 6.4% supported by market-leading pre-paid service revenue growth of 9.1%. The execution of the regional strategy resulted in revenue from non-metro regions increasing in the double digits. Mobile data traffic increased 19.6%, while data subscribers grew to now represent 78.4% of the total base. Pre-paid subscribers rose by 7.1% to 22.3 million, with the pre-paid ARPU broadly stable at R59 year-on-year. The EBITDA margin of Mobile remained strong, expanding by 2.7 ppts to 29.1%.

Openserve overall revenue increased by 5.6% due to fibre-related data revenue growth, while external revenue grew by 18.2%. The increase in revenue and EBITDA growing by 6.7% translated in the EBITDA margin expanding to 33.2%. Openserve maintained its industry-leading connectivity rate which improved to 53.9% driven by the proven connect-led strategy of the business.

Revenue in BCX declined by 10.9% with IT services revenue was stable, as Cybersecurity and Cloud Services recorded robust growth. EBITDA increased 2.6% driven by improved margins in the IT services segment, lower impairment of receivables and disciplined cost management. This led to EBITDA margin expanding by 1.0 ppts to 7.5%.

During the quarter, we sold 100 properties with a sales value of R200 million and 105 properties are in conveyancing valued at R264 million.

Outlook

As we pursue our priorities of growth and improving efficiencies, our data-led strategy will continue to drive expansion, while cost optimisation initiatives remain a key focus. Our OneTelkom approach is delivering on its promise, reinforcing our leadership in digital infrastructure and strengthening our role as the backbone of South Africa's digital future. We expect capex intensity to be within the 12%-15% of our guidance. We remain focused on delivering on our medium-term guidance objectives.

The drive for pre-paid growth will continue in the Mobile business coupled with advancing the execution of our country-wide regional strategy in gaining share in under-indexed and underserved regions. Accordingly, service revenue is expected to grow in the mid-single digits, potentially trending above the upper end of the range. Openserve will continue to focus on growing external wholesale revenues, deepen partnerships with ISPs, enterprises and carriers, maintain disciplined capital allocation and drive greater operational efficiency through network simplification, energy transformation and digital automation. The launch of Openserve ISP provides an additional channel to increase fibre adoption and improve network utilisation, while remaining fully aligned with our wholesale open-access strategy. We remain committed to providing fair, transparent and non-discriminatory access of our network to all service providers.

BCX turnaround requires time and the new leadership has commenced with repositioning and reassessing the IT product portfolio to ensure that focus remains on scalable high margin offerings. Key priorities include completing modernisation initiatives and enhancing cloud, data and AI capabilities to support customer digital transformation requirements. As enterprise demand for AI-enabled solutions continues to grow, BCX remains focused on strengthening the underlying digital infrastructure, advisory and managed services capabilities required to support responsible AI adoption. There is further repositioning of connectivity as the foundation for digital services. IT hardware and software revenue is expected to recover as the financial year progresses, although the pace of recovery will depend on the extent to which global supply chain disruptions associated with the geopolitical conflict moderate. Disciplined cost management will be maintained and the focus on cash collections will continue, in order to improve EBITDA margin of BCX.

Business unit reviews – standalone

Telkom

The pre-paid segment continued to drive market-leading service revenue growth

R million	Quarter ended 30 June 2026	2025	Y-o-Y % change
Telkom Consumer revenue	**7 323**	6 954	5.3%
Mobile service revenue (external)	**5 731**	5 386	6.4%
Mobile data revenue (external)	**4 673**	4 193	11.4%
Mobile EBITDA	**1 920**	1 632	17.6%
Mobile EBITDA margin	**29.1 %**	26.4 %	2.7 ppts

The Consumer business continues to deliver solid operating revenue growth momentum in mobile and fibre. Mobile service revenue expansion was underpinned by a pleasing 9.1% increase in pre-paid service revenue to R3 970 million. This unparalleled pre-paid growth was attributed to targeted customer acquisition, deep segmentation through our best in class and people-led AI capabilities, with our effective customer value management (CVM) platforms (Mo'Nice and Mo'Town) accounting for 54.6% of pre-paid service revenue. Our country-wide regional strategy continues to increase our share of acquisitions and gain market share, with double digit revenue growth being achieved in non-metro regions. Mobile data revenue increase was driven by mobile data subscribers and data traffic growth of 19.6% to 574 petabytes.

Customer growth continued, with the mobile subscriber base increasing by 6.1% to 25.3 million, attributable to pre-paid subscriber growth of 7.1% to 22.3 million at a stable ARPU of R59. The post-paid subscriber base was flat at 3.0 million, with ARPU at R183. Mobile data subscribers increased by 15.5% to 19.8 million and now represents 78.4% of the total base.

Fibre revenue grew by 8.0% due to subscriber growth of 11.1%, while ARPU contracted marginally. The beyond connectivity services recorded revenue of R425 million. Airtime advance lending offering, which represented 24.7% of pre-paid recharges, is a key contributor and had 4.4 million active users during the quarter.

Consumer EBITDA improved by 17.9% to R1 678 million, leading to EBITDA margin expanding by 2.4 ppts to 22.9%. Mobile EBITDA increased by 17.6% driven by service revenue growth and prudent cost management, including a decline of impairment of receivables and roaming costs, resulting in an EBITDA margin of 29.1%.

Our focused strategy remains on driving deeper regional penetration, delivering differentiated data-led propositions and scaling margin enhancing beyond connectivity solutions. This is all underpinned by our continued investment in a strong mobile and fibre network, which is sustaining our growth momentum and strengthening our competitive position in the market.

openserve

Overall positive revenue trajectory sustained

	Quarter ended 30 June		
R million	2026	2025	Y-o-Y % change
Revenue	**3 320**	3 143	5.6 %
Fibre-related data revenue	**2 672**	2 507	6.6%
External revenue	**1 475**	1 248	18.2%
EBITDA	**1 101**	1 032	6.7%
EBITDA margin	**33.2 %**	32.8 %	0.4 ppts

Openserve delivered a resilient performance, maintaining solid operational execution while continuing to strengthen its revenue base. Overall revenue increase was as a result of fibre-related data revenue growth. Fibre-related revenue contributed 89.2% to total operating revenue, reflecting the continued transition of the business towards high-quality recurring infrastructure revenue. At a segment level, broadband revenue grew by 9.7% and carrier services by 2.3%.

External revenue grew by 18.2%, supported by increasing demand for broadband, fibre connectivity, Ethernet and next-generation carrier services. This reflects the execution of our strategy to grow our wholesale business and expand our external customer base. Our strong performance reinforces the competitiveness of our open-access model, as more service providers, enterprises and carrier customers choose Openserve to grow their own businesses. Growing external revenues remains a strategic priority, as it enhances the quality of our earnings and diversifies our revenue base.

Openserve continued to monetise its national fibre infrastructure, increasing homes connected to 843 563 and expanded the fibre footprint to 1 565 750 homes passed. This lifted the industry-leading connectivity rate to 53.9%. This reflects a continued focus on improving utilisation of existing infrastructure, improves returns and reinforces the long-term value of our infrastructure assets.

The quarter was also characterised by severe weather events in the Eastern and Western Cape, which required significant network restoration efforts. Through the dedication of our teams and the resilience of our network, we successfully restored services with minimal disruption to customers. Furthermore, fuel prices increased and this impact was substantially mitigated through deployed lithium battery and solar backup solutions across our network. These additional costs were absorbed through our efficient operating model.

The resilience of our network and our ability to respond rapidly to major disruptions while maintaining high service standards for our customers, resulted in Openserve achieving 99.94% availability for broadband, 99.92% for aggregation network and 99.99% for the core network. Customer satisfaction remained exceptionally strong delivering a Net Promoter Score of 80.6 (Q1 FY2026: 80.1) and our operational excellence remains our key differentiator in the market.

EBITDA increased by 6.7% driven by revenue growth, disciplined cost management and continued operational efficiencies. We accelerated our network simplification and energy transformation programme for the period, improving the efficiency, resilience and sustainability of our network.

BCX

IT services revenue was stable, amid challenges in the sector

R million	Quarter ended 30 June 2026	2025	Y-o-Y % change
Revenue	**2 594**	2 910	(10.9)%
Information technology service revenue	**1 048**	1 045	0.3%
IT hardware and software revenue	**424**	607	(30.1)%
Converged Communications	**1 084**	1 220	(11.1)%
EBITDA	**194**	189	2.6%
EBITDA margin	**7.5%**	6.5%	1.0 ppts

IT services revenue was stable despite extended customer decision cycles. Overall revenue declined primarily due to revenue decrease in Converged Communications and IT hardware and software sales. The migration to fibre services resulted in traditional voice and data revenue declining by R37 million in total. Fibre-related data revenue reduced by R54 million. Enterprise performance continued to be impacted by clients favouring cost-efficiency measures, instead of transformation initiatives. The continued structured operating cadence has strengthened oversight of performance, pipeline quality and deal execution.

The stable IT services revenue is commendable considering that the IT sector remained constrained, a testament of the focus on customer retention and a reflection of shifting the portfolio towards scalable, higher margin and annuity-oriented offerings. Total IT business revenue declined by 10.7% driven by a 30.1% decline in IT hardware and software revenue, which was impacted by delivery and customer decision delays as input costs have been significantly impacted by a geopolitical conflict. However, the drive to attach services that support annuity-based revenue remains. Cybersecurity services revenue increased by 36.6%, reflecting sustained client demand for advanced threat management, advisory and network protection services. Cloud Services revenue increased by 11.8% due to increased consumption in the BCX OneCloud environment. Our own IP portfolio saw significant growth in Payroll services (up 8.0%), with Municipal Services remaining flat. Field Services saw revenue growth of 5.4%, while IoT revenue declined due to deals being delayed.

The Converged Communications revenue decline was due to the ongoing managed migration to fibre-based platforms and continuing pricing dynamics challenges. Fibre-related data revenue declined by 10.4% and contributed 81.6% to total data revenue. The decline was as a result of a loss of key client contracts and transfer of a key government contract to Openserve. The focus is on stabilising connectivity through disciplined renewal defence efforts, targeted retention actions and improved pipeline conversion.

EBITDA increased due to improved margins in the IT services business, lower impairment of receivables and continued disciplined cost management. This was partly offset by the margin impact emanating from the decline in the Converged Communications revenue leading to an EBITDA margin of 7.5%. The continued focus on cost transformation resulted in operational expenditure declining by 8.1%. Impairment of receivables decreased due to the focus on collections of long outstanding debt as we continue to manage receivables proactively.

Telkom management to host conference call

Management will host a call for the investment community on Monday, 03 August 2026 at 16h00 South African Standard Time (UTC+2,) to discuss the trading update and conduct a Q&A session. Dial-in details will be made available on the Group's website https://group.telkom.co.za/ir/overview.html.

Centurion
03 August 2026

Sponsor
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Supplementary financial information

The financial information in the tables below has not been audited or reviewed by the external auditor of Telkom.

	Q1 FY2027 June 2026	Q4 FY2026 March 2026	Q3 FY2026 December 2025	Q2 FY2026 September 2025	Q1 FY2026 June 2025
Continuing operations					
Group revenue	**11 096**	11 239	11 134	11 287	**10 817**
Group data	**6 922**	6 662	6 864	6 711	**6 361**
Other	**4 174**	4 577	4 270	4 576	**4 456**
Group EBITDA	**3 079**	3 220	3 237	3 225	**2 798**
Group EBITDA margin (%)	**27.7%**	28.7%	29.1%	28.6%	**25.9%**
Group capex	**888**	2 260	1 304	1 768	**1 102**
Consumer	**458**	1 130	676	912	**473**
BCX	**39**	148	45	102	**61**
Openserve	**379**	905	557	700	**557**
Other	**12**	77	26	51	**11**
Revenue breakdown					
Mobile	**6 559**	6 375	6 687	6 504	**6 148**
Mobile voice and subscriptions	**951**	976	1 061	1 060	**1 036**
Mobile interconnection	**107**	112	118	116	**157**
Mobile data	**4 673**	4 477	4 617	4 465	**4 193**
Handset and device sales	**730**	708	797	773	**668**
Significant financing component	**97**	102	94	89	**92**
Other	**1**	1	-1	1	**2**
Fixed	**3 149**	3 129	3 120	3 162	**3 100**
Voice	**413**	451	443	510	**504**
Interconnection	**47**	44	43	43	**51**
Data	**2 249**	2 185	2 247	2 246	**2 168**
Fibre-related services	**2 095**	2 069	2 074	2 088	**2 014**
Other data services	**154**	116	173	158	**154**
Handset and device sales	**245**	248	271	254	**274**
Sundry revenue	**195**	202	115	109	**103**
Information technology	**1 240**	1 600	1 145	1 461	**1 421**
Information technology service revenue	**921**	1 045	859	977	**893**
IT hardware and software	**310**	520	273	469	**514**
Interest revenue	**9**	15	13	15	**14**
Other	**148**	135	182	160	**148**
Digital media sales	**24**	32	32	36	**27**
Insurance revenue	**66**	67	70	68	**78**
Lease revenue	**58**	36	80	56	**43**
Total	**11 096**	11 239	11 134	11 287	**10 817**

Business unit stand-alone information

	Q1 FY2027 June 2026	Q4 FY2026 March 2026	Q3 FY2026 December 2025	Q2 FY2026 September 2025	Q1 FY2026 June 2025
Revenue					
Telkom Consumer	**7 323**	7 154	7 476	7 296	**6 954**
Telkom Mobile	**6 589**	6 409	6 716	6 538	**6 177**
Mobile service revenue (external)	**5 728**	5 565	5 796	5 641	**5 386**
BCX	**2 594**	2 902	2 642	2 958	**2 910**
Openserve	**3 320**	3 132	3 173	3 184	**3 143**
EBITDA					
Telkom Consumer	**1 678**	1 822	1 807	1 676	**1 423**
Telkom Mobile	**1 920**	1 985	1 994	1 874	**1 632**
BCX	**194**	220	275	392	**189**
Openserve	**1 101**	1 032	1 090	1 076	**1 032**
EBITDA margin (%)					
Telkom Consumer	**22.9%**	25.5%	24.2%	23.0%	**20.5%**
Telkom Mobile	**29.1%**	31.0%	29.7%	28.7%	**26.4%**
BCX	**7.5%**	7.6%	10.4%	13.3%	**6.5%**
Openserve	**33.2%**	32.9%	34.4%	33.8%	**32.8%**

Quarterly operational information

	Q1 FY2027 June 2026	Q4 FY2026 March 2026	Q3 FY2026 December 2025	Q2 FY2026 September 2025	Q1 FY2026 June 2025
Mobile subscribers					
Active mobile subscribers	**25 278 864**	25 651 212	25 259 920	24 542 533	**23 818 683**
Pre-paid	**22 275 730**	22 601 372	22 208 917	21 553 227	**20 795 811**
Post-paid	**3 003 134**	3 069 840	3 051 003	2 989 306	**3 022 872**
ARPU blended (rand)	**74.87**	76.29	77.24	77.27	**75.40**
ARPU pre-paid (rand)	**59.20**	59.91	60.68	60.07	**58.49**
ARPU post-paid (rand)	**182.51**	186.19	187.41	190.18	**187.13**
Mobile data subscribers	**19 828 195**	19 961 588	19 318 975	18 479 491	**17 165 079**
Fixed subscribers					
Fixed broadband lines	**650 866**	611 369	602 379	577 318	**577 318**
Fibre	**639 735**	597 582	585 302	568 217	**552 012**
xDSL	**11 131**	13 787	17 077	20 922	**25 306**
Network population coverage					
Homes passed	**1 565 750**	1 539 209	1 501 406	1 453 810	**1 414 927**
Homes connected	**843 563**	817 540	786 490	756 409	**723 337**
Fibre connectivity rate (%)	**53.9%**	53.1%	52.4%	52.0%	**51.1%**
Mobile sites integrated	**8 504**	8 420	8 265	8 115	**7 965**
Traffic					
Mobile broadband (petabytes)	**574**	547	544	513	**480**
Total fixed-line traffic (millions of minutes)	**741**	805	779	820	**817**

Forward looking statements

Certain financial information presented in this trading update announcement may constitute forward looking statements.

All statements, other than statements of historical facts, including, among others, statements regarding our strategy; future financial position and plans; objectives; capital expenditures (“capex”); projected costs and anticipated cost savings and financing plans; as well as projected levels of growth in the communications market, are forward-looking statements. Forward-looking statements can generally be identified by terminology such as “may”, “will”, “should”, “expect”, “envisage”, “intend”, “plan”, “project”, “estimate”, “anticipate”, “believe”, “hope”, “can”, “is designed to” or similar phrases. However, the absence of such words does not necessarily mean a statement is not forward looking.

Forward-looking statements involve several known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from our expectations include, but are not limited to, those risks identified in Telkom’s most recent integrated report which is available at https://group.telkom.co.za/ir/overview.html.

Telkom cautions readers not to place undue reliance on these forward-looking statements. All written and verbal forward-looking statements attributable to Telkom, or persons acting on Telkom’s behalf, are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this document, so that they conform either to the actual results or to changes in our expectations.

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