Cell C

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Annual Results Presentation

For the 12 month period ending 31 May 2019 and

Plans for the Recharged Cell C

Agenda

- The Cell C story to date
- Turnaround strategy
- Performance over the last three months – post the annual reporting period
- Results of annual period June 1, 2018 to May 31, 2019 – in line with BLT's reporting period
- Key financial indicators
  - Income statement
  - Balance sheet
- The way forward
- Questions

The Cell C Story

How we got here

- ***Strong and stable capital base***
  - Under-capitalisation of the business over many years resulted in signing punitive contracts to finance growth
  - Tower agreements (2011) and other risk-based pricing on certain contracts have created significant financial drag on the business.
  - In addition, the company has often operated in stop-start scenarios due to the uncertain capital structure.

- ***Operational decisions***
  - Growth in customers & revenue were inconsistent and did not convert into positive cash flow
  - Competing with two strong incumbents drained cash resources and increased debt.
  - Poor decision making which drove cash consumption without returns e.g. content division of black.
  - Followed the mandate of customer growth and revenue growth which have long been common industry targets. These growth targets did not convert into positive cash flow for Cell C.

The Cell C Story

The Cell C Opportunity

- We have significant valuable assets and some of them are underused:
  - Spectrum: possible increased leverage of this valuable asset
  - Customer base of almost 16-million active customers
  - Distribution channels including over 240 stores
  - Valuable brand, recently recognised as one of the top 30 valuable brands in SA
  - Tax losses in excess of R20-billion

- With a targeted business strategy and well capitalised balance sheet, it will lead to better leverage of these assets.

- To do this, the Cell C management team is actively focused on
  - Operational rationalisation
  - Liquidity
  - Improved network strategy
  - Recapitalisation

Cell C's Turnaround Strategy

Turnaround strategy to focus on sustainable growth based on…

1 Liquidity Planning

A consortium of local banks committing to provide a liquidity platform to a recapitalisation of the business.

In addition to the new funding facility, lenders have also extended the maturity of an existing R1.175Bn funding facility which would have matured in August 2019.

2 Network strategy

Cell C aim to avoid network duplication and the burden on the environment, where the effective use of infrastructure drives utilisation in the delivery of services to consumers.

We are entering into an updated agreement whereby Cell C will be able to manage its network capacity requirements in a more scalable and cost-efficient manner.

3 Operational Rationalisation

Business plan and operational rationalisation plan.

Traditionally mobile telecommunication companies have been run in a high growth scenario and not on a cost conscious model.

Cell C is focusing heavily on operational efficiencies and results are starting to come through.

4 Recapitalisation

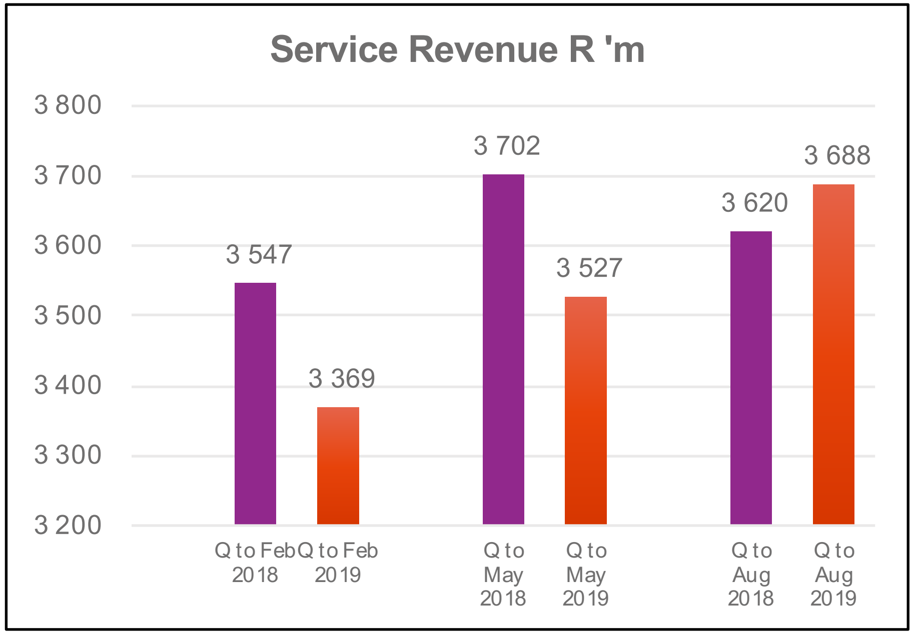
The recapitalisation is expected to be substantially completed in 2019.

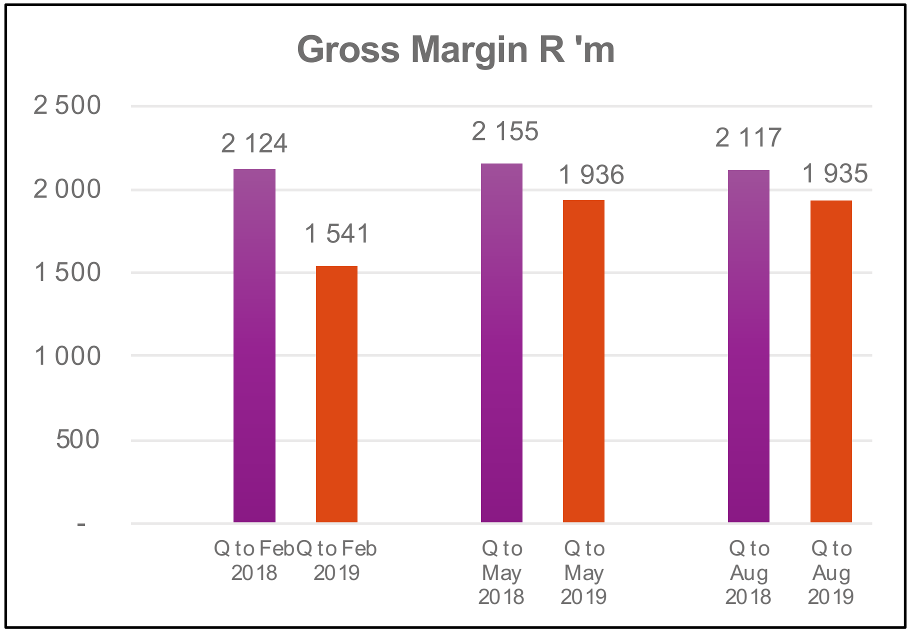
Cell C balance sheet has always been under indexed vs peers.

The recapitalisation will dramatically change the structure of the balance sheet and position the business as a strong, modern telco.

2019 Quarterly performance

Performance trend





Operational EBITDA is growing strongly on a monthly basis in 2019

Financial Results

For the annual period ended 31 May 2019

Highlights 12 months to May 2019

Key performance indicators

+4%

vs 2018
Service Revenue
R14.2 Billion

Growth in contract and broadband segments

-19%

vs 2018
EBITDA
R3.4 Billion

Driven by capital expenditure for operational expenditure substitution on expanded network roaming agreement

12%

of revenue
Capital Expenditure
R1.9 Billion

Low capital intensity due to reduced network capital expenditure

EBITDA for 2018 excludes a once-off recapitalisation amount of R4,139 million.

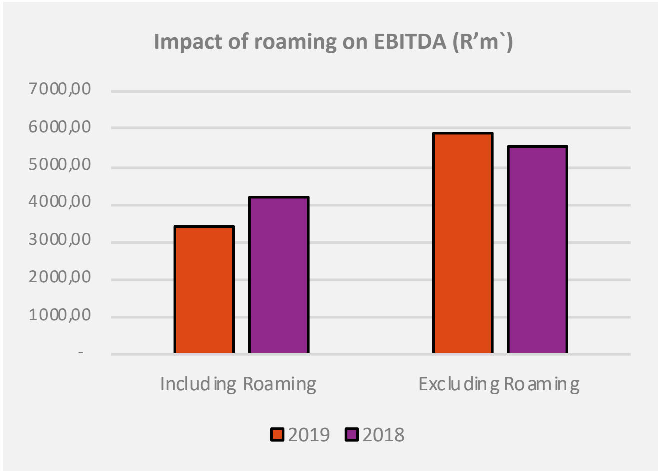
2019 Results

Summary of reported financial information

R'm	2019	2018	% change
Service revenue	14 134	13 527	▲ 4%
Non-Service revenue	1 271	1 696	▼ -32%
Total revenue	**15 405**	**15 223**	▲ **1%**
Gross margin	7 442	8 078	▼ -8%
Gross margin %	48%	53%	▼ -5%
EBITDA	**3 391**	**4 184**	▼ **-19%**
EBITDA margin %	22%	27%	▼ -5%
Net loss after tax	**-8 028**	**-656**	▼ **> -100%**

EBITDA for 2018 excludes a once-off recapitalization amount of R4,139 million.

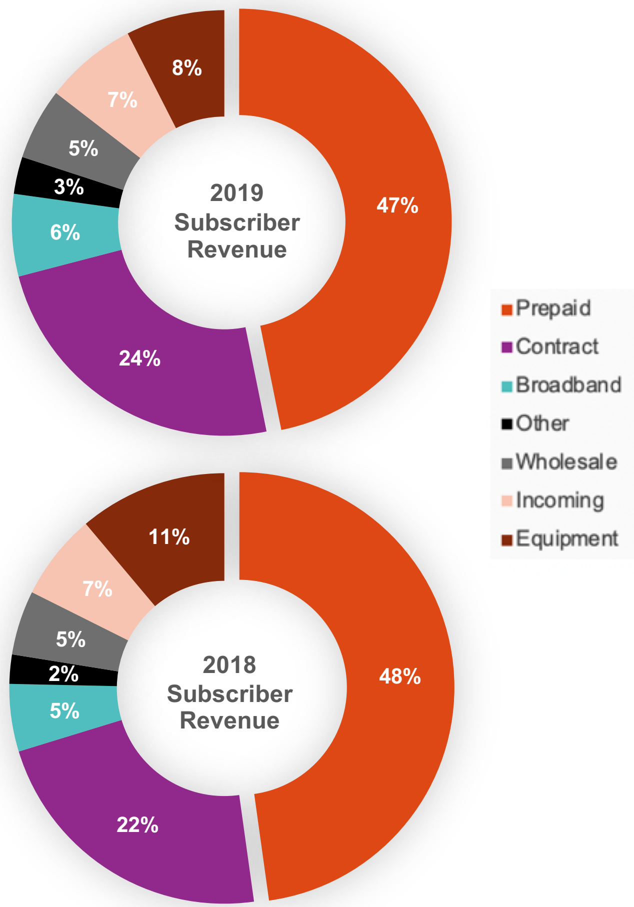
- In 2019, the net loss after tax includes **non-cash impairments to the value of R6 275 million.** This includes **Network asset, intangible asset totalling** R2 181-million and deferred taxation R4 094-million
- **In 2019, net loss after tax without the non-cash impairment totals a loss of R 1 753 million**



Revenue by subscriber type

Segment (R'm)	2019	2018	% change
Prepaid*	7 212	7 276	-1%
Contract*	3 635	3 420	6%
Broadband*	931	773	20%
Mobile revenue	**11 778**	**11 469**	**3%**
Other^	435	334	30%
Wholesale	838	737	14%
Incoming	1 083	987	10%
Net Service revenue	**14 134**	13 527	4%
Equipment	1 271	1 696	-25%
Total Revenue	**15 405**	15 223	1%

* Segments of mobile revenue are net of volume discounts. ^ Other revenue is made up of FTTH, other bulk SMS and content.

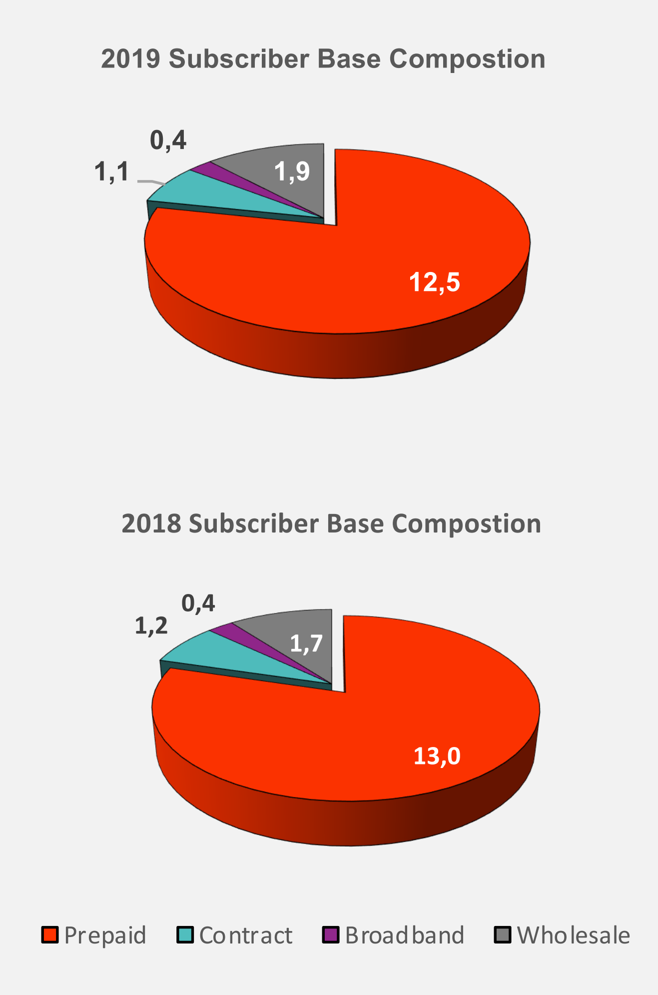


Unpacking our subscribers

Other key performance indicators

Thousand	2019	2018	% change
A3 prepaid base	12 468	12 971	▼ - 4%
Contract base*	1 134	1 205	▼ - 6%
Broadband base*	413	455	▼ - 9%
MVNO^	1 911	1 685	▲ 13%
Total Subscribers	**15 926**	**16 316**	▼ **- 2%**

* - Customer base excludes Business Service Provider (BSP) base. ^ - BSPs have been added to MVNO base.



Operational expenditure

R'm	2019	2018	% change
Direct expenditure	7 962	7 145	▲ 11%
Network expenditure	918	1 299	▼ -29%
Operating expenditure	3 306	2 956	▲ 12%
Depreciation, amortisation and impairment*	5 033	3 090	▲ 63%
Total expenditure	17 219	14 490	▲ 19%

- 2019 includes **impairment** of property, plant, and equipment of R1 761million and impairment of intangible assets (black) of R346-million
- Normalised **operational expenditure** year on year growth of 4.75%

Capital expenditure

- Capital expenditure has been strategically focused to enable us to provide mobile voice, data services and content through a combination of our own LTE-Advanced network that overlays our LTE, 3G and 2G networks.

R'm	2019	2018
Capital expenditure	1 873	1 217

2019 Results presentation

Income statement financial key performance indicators

R'm	2019	2018	% change
Total Revenue	15 405	15 223	▲ 1%
EBITDA	3 391	4 184	▼ - 19%
Depreciation	2 118	2 346	▼ - 10%
Amortisation	734	690	▲ 6%
Impairment	2 181	54	▲ > 100%
EBIT	-1 642	1 064	▼ > -100%
Net Finance Costs^	-2 152	-3 861	▲ 44%
Net (loss)/profit before tax)	-3 794	-2 767	▼ - 37%

^ Net finance costs include, interest, finance cost and foreign exchange

Balance Sheet

R'm	2019	2018	% change
Network Assets	12 118	12 639	▼ - 4%
Intangible assets	1 415	1 372	▲ 3 %
Trade receivables and other assets	4 820	4 401	▲ 10%
Deferred tax	-	4 094	▼ -100%
Total assets	**18 353**	**22 506**	▼ -18%
Loans and borrowings	8 916	7 495	▲ 19%
Other liabilities and provisions	8 018	6 028	▲ 33%
Lease obligations	6 345	5 421	▲ 17%
Total Liabilities	**23 279**	18 944	▲ 23%
Net equity	**- 4 926**	3 562	▼ - 238%

- **Network assets** reduced due to impairment of R1 761million and **intangible asset** reduced due to impairment of R346-million
- **Deferred tax** asset has been impaired to nil from R4 094-million
- **Loans and borrowings** have increased due to capital expenditure related funding and contract short term subsidy financing (breakdown on next slide)
- Increase in **other liabilities and provisions** is due to an increase in deferred payments and unearned revenue

Analysis of debt and finance cost

Description	Debt 2019	Debt 2018	Interest 2019	Interest 2018	F-X 2019	F-X 2018
Long term debt	6 639	5 937	696	1 086	676	524
Short term debt	2 278	1 558	202	85	-	-
	8 917	7 495				
Finance leases	6 345	5 421	812	865	-	-
Other finance costs	-	-	318	698	-481	656
- Other finance costs	-	-	124	204	-	-
- Discounting future cash flows	-	-	149	306	-	-
- Working capital	-	-	-	-	125	230
- Derivatives	-	-	-	-	-605	426
- Other interest	-	-	49	187	-	-
Cash interest income	-682	-53	-61	-47	-	-
Net debt excl. leases (net of cash)	**8 235**	**7 442**	**1 155**	**1 822**	**195**	**1 179**
Net debt incl. leases (net of cash)	**14 580**	**12 863**	**1 967**	**2 686**	**195**	**1 179**
Handset finance (off balance sheer)	1 868	1 795	181	277	-	-

** Annualised*

Breakdown of long and short term debt

Description		Debt 2019	Debt 2018
Listed Bonds	Unchanged in USD	2 686	2 334
CBD	Unchanged in USD	1 956	1 695
ICBC	Unchanged in ZAR	1 037	1 036
Nedbank	Unchanged in ZAR	790	789
DBSA	Unchanged in ZAR	189	188
		6 658	**6 042**
RMB/ABSA/ NVAM	Increased new facility	1 250	1 035
Capitalised finance costs	New Facility	-21	-
ZTE bridge vendor	New Facility	151	-
Subsidy	Increased	879	418
		2 259	**1 453**
	Total	***8 917***	***7495***

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Thank you