Cell C

FY 2020 ANNUAL RESULTS

20 APRIL 2021

**Unaudited Results*

Cell C Year End Results

CALL PRESENTERS

DOUGLAS CRAIGIE STEVENSON

CHIEF EXECUTIVE OFFICER

3 years in company
20+ years in telco industry

ZAF MAHOMED

CHIEF FINANCIAL OFFICER

2 years in company
20+ years in various industries

AGENDA

01
STRATEGIC AND OPERATIONAL REVIEW

Douglas Craigie Stevenson, CEO

02
FINANCIAL REVIEW

Zaf Mahomed, CFO

03
LOOKING FORWARD

Douglas Craigie Stevenson, CEO

01

STRATEGIC AND OPERATIONAL REVIEW

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TURNAROUND STRATEGY

MAPPING THE JOURNEY

KEY

- LEADERSHIP
- OPERATIONAL RATIONALISATION
- NETWORK STRATEGY
- LIQUIDITY

Mar 2019
New leadership team
Key new appointments CEO, CFO, COO, CTO, Chief Legal and Chief HR

May 2019
Establish liquidity committee
A liquidity platform to ensure a successful recapitalisation

Cost efficiency pgm & hiring freeze
R215m Cost savings due to section 189; R40m cost savings due to store closure

Aug 2019
Informal debt standstill

July – Nov 2019
Product review
Discontinue non-profitable offerings and rebalance traffic on network

Nov 2019
New network strategy – A significant wholesale aggregator
MTN agreement

Jan 2020
Appointment of non-executive, independent directors to the board
Bolster governance, improve diversity and transformation

March 2020
New operating model & restructuring
Revenue per employee ratio R7m

Achieve Level 2 BBBEE status

Dec 2020
Transition of contract customers
Vodacom agreement
~700k migrated

Jan 2021
Seamless transition of prepaid customers
Virtual Radio access network with MTN
Sites deactivated to date: 1500
Sites decommissioned to date: 1298

New Brand Launch

2021+

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TURNAROUND AS AN MNO

2019 - 2020

- **Network strategy** including product review and optimisation of traffic on the network.
- **Operational rationalisation** including cost efficiency programme, restructuring and announce new operating model.
- **Recapitalisation** work in progress, due to be completed in 2021
- **Liquidity Platform**

- ✓ Improved financial performance
- ✓ Operationally efficient
- ✓ Foundation set for new business model.

TRANSITION AND EVOLVE

2021 - 2023

- Three year transition to virtual RAN provisioned by MTN as part of network strategy.
- Reduction in network expenses, finance leases and capex
- Implement new business model
- Introduce new products to market
- Manage clean customer base
- Recapitalisation to strengthen the balance sheet

- ✓ Transition successfully managed

GROWTH AS A TECHCO

2024

OUR VISION

To be a market-leading, customer-centric digital lifestyle company.

OUR STRATEGY

1. Become a pioneering, digital services provider that **leverages its telco platform**
2. Strengthen and leverage our position as a **significant wholesale buyer** and **aggregator of network capacity**
3. Drive **customer centricity** and focused market segmentation
4. **Reset** organisation to a new way of doing business

ENABLED BY

1. Accelerated **digital transformation**
2. A scalable and cost-efficient **network strategy** in transition phase from ‘21 –’ 23
3. An ecosystem of collaborations and partnerships to **innovate on products and services**
4. Being product-led to **customer value proposition-led**
5. Continued **operational excellence** and **efficiency programme**
6. **Change management** to build a start-up mentality, accountable and innovative culture

PIVOTING FROM A TELCO TO A TECHCO

INFRASTRUCTURE RACE VS WHOLESALE AGGREGATOR

PLAYING CATCH UP

INFRASTRUCTURE FOOTPRINT (# OF SITES)

18 years would be required to catch up with big infrastructure players (based on 400 new sites built per year and assuming no new sites are added by infrastructure player.)

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5,500

Delta
7,500

Infrastructure player
13,000

ESTIMATED CAPEX REQUIRED TO CATCH UP P/A

R12.4bn
Capex p/a

VS

PIVOTING TO TECHCO

1. New operating model allows Cell C's customers **access to MTN's infrastructure** and **benefit from its scale.**
2. The platform business model being embarked on, would **leverage off existing and new partnerships** to offer value to consumers by **bundling services according to their needs.**
3. Data will become the cost of sales, with the real value being created through **servicing customer needs using our platform ecosystem.**
4. In a recent report from the **Free Market Foundation (FMF)** the point is made that **spectrum should be fully legalised in SA** and the airwaves shouldn't be treated differently to any other commodity.

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FIT FOR PURPOSE COST STRUCTURE

RESPONSIBLE SPEND FOR ROI | ONGOING COST SAVINGS IN 2021

CUSTOMER & ACQUISITION retention cost rationalisation

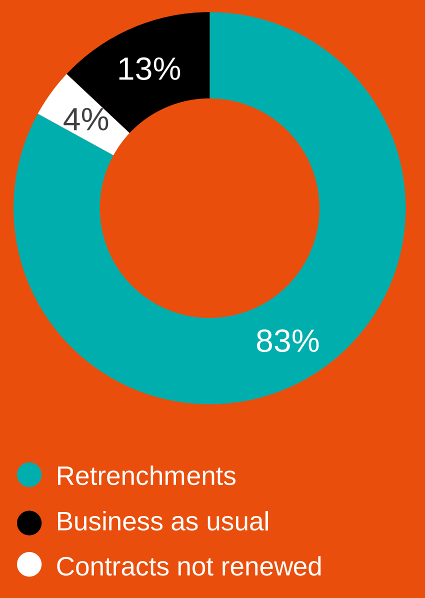
R533m

REDUCTION IN subcontracting and professional **SERVICES**

R32m

PEOPLE

Headcount reduced from **2 600** to **1 340**



SAVINGS of

R171m

on salaries and wages going forward

250

STAFF ARE BEING RESKILLED for new positions in digital marketing, techno-prenuership and data science.

NETWORK COSTS reduced

(excluding once-offs)

R50m

R16m **SAVINGS** on property rentals

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BUSINESS STABILISING, DESPITE CHALLENGING CONDITIONS

BETTER POSITIONED TO IMPLEMENT NEW STRATEGY

MARKET DYNAMICS

COVID 19 | Recession | Consumers under pressure

INTERNAL FACTORS

Section 189 process | Liquidity management | Delay in recapitalisation

BETTER QUALITY REVENUE

BASED ON STRATEGY TO MAINTAIN PROFITABLE CLIENT BASE

- Total revenue of **R13.8bn**
- A profitable and resilient **customer base 12.5m** (Up from 11m H1 2020)
- Prepaid base decreased by 15% but annualised **ARPU increased 28%**
- Contract base decreased by 18% but the annualised **ARPU increased by 7%**

IMPROVEMENT IN QUALITY OF EARNINGS

- Direct Expenditure excluding once off **costs down 18%**
- Normalised **EBITDA up 30%** in 2020
- OPEX costs excluding once off **costs down 14%**
- No increase in debt in 2019 and 2020

UNDERPINNED BY:

Retain and acquire profitable customers / Network management / Cost optimisation

02
FINANCIAL OVERVIEW

2020 HIGHLIGHTS

BUSINESS IN TRANSITION

0.5%

Gross margin percentage **increased** by 0.5% from 2019

9%

Direct expenditure **decrease**

30%

Normalised EBITDA increase vs 2019

19%

Increase in overall ARPU compared to 2019

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RAND WEAKENING R237m

From R13.99 (Dec '19) to R14.68 (Dec '20):

This has resulted in Forex loss of R237m for the full year as at Dec 2020 vs gain of R181m for the full year as at Dec 2019

Due to informal debt standstill and pending recapitalisation, this is a non cash flow item and will be addressed as part of the recapitalisation.

Items impacting reporting results

ONCE OFF EXPENDITURE R5.736bn

Recapitalisation costs: R434m 31 Dec 2020

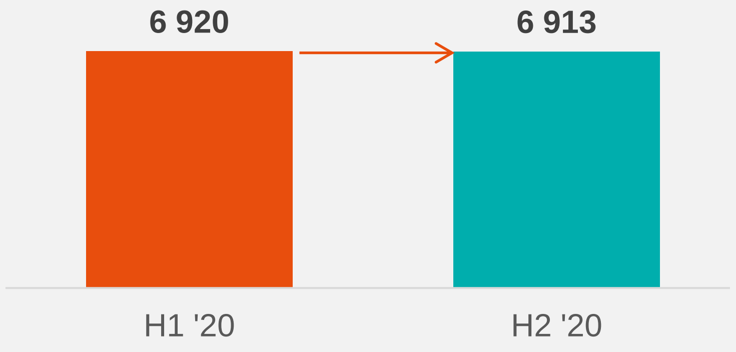
Impairment: R5.0bn

Network Site Restoration: R248m

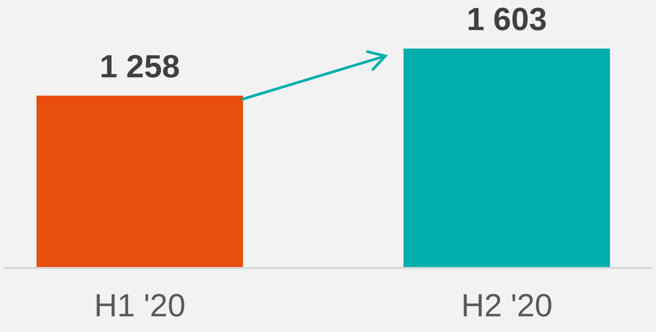
H1 vs H2 2020 HIGHLIGHTS

PERFORMANCE DRIVEN BY OPTIMISATION OF COSTS AND NETWORK STRATEGY

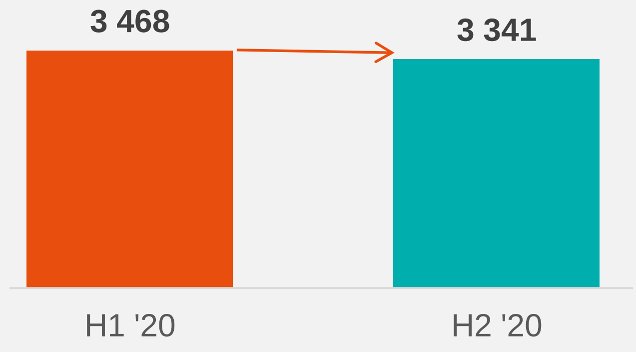
Revenue (R'm)
Focus on profitable customers



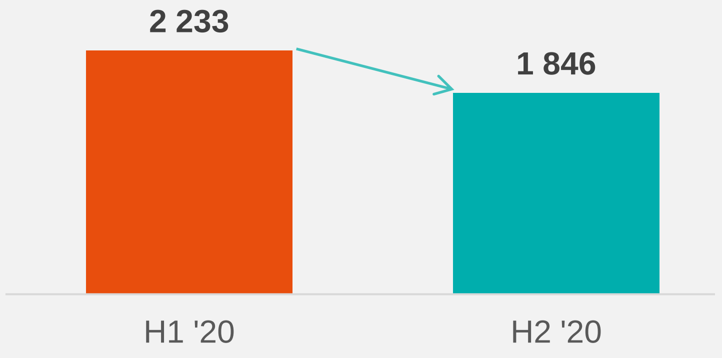
EBITDA (R'm)
Strong H2



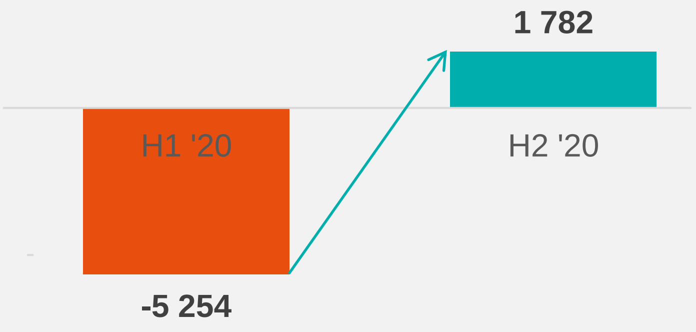
Gross Margin (R'm)
Stabilising



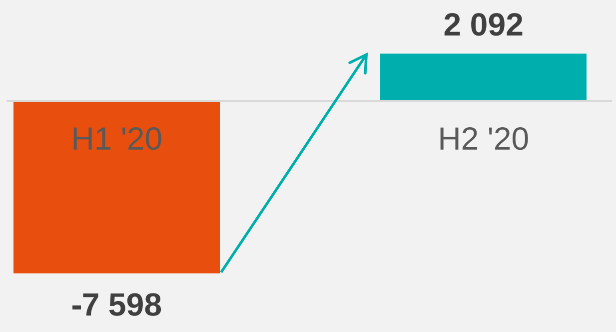
Operating Expenses (R'm)
Fit-for-purpose entity



EBIT (R'm)
Impact of Impairment in H1



Net Loss / Profit (R'm)
Quality earnings



H1 vs H2 2020

Performance driven by optimization of costs and network strategy

Rand Million	H2 2020	H1 2020	%
Revenue	6 913	6 920	0%
Mobile	6 446	6 542	-2%
Prepaid	3 068	3 123	-2%
Direct Expenditure	(3 572)	(3 454)	-3%
Gross Margin	3 341	3 468	-4%
Operating Expenses	(1 846)	(2 233)	17%
EBITDA	**1 603**	**1 258**	**27%**
Depreciation and Amortisation	213	(1 419)	115%
Impairment	(34)	(5 093)	99%
EBIT	**1 782**	**(5 254)**	**134%**
Finance Income and Costs	(795)	(1 002)	21%
Forex Gains/(Losses)	1 105	(1 342)	182%
Net profit/(loss) before tax	**2 092**	**(7 598)**	**128%**

EBITDA H1 vs H2 2020

H1 2020

R1 258m

H2 2020

R1 603m

Results include the adoption of IFRS 16

2020 Results

Summary of reported financial information

R'm	2020	2019	% change
Service revenue	12 989	14 154	-8%
Non-Service revenue	844	930	-9%
Total revenue	**13 833**	**15 084**	**-8%**
Gross margin	6 806	7 343	-7%
Gross margin %	49.1%	48.6%	0.5%
EBITDA	**2 860**	**3 849**	**-25%**
EBITDA margin %	21%	26%	-5%
Net loss after tax	**(5 506)**	**(4 088)**	**-34%**

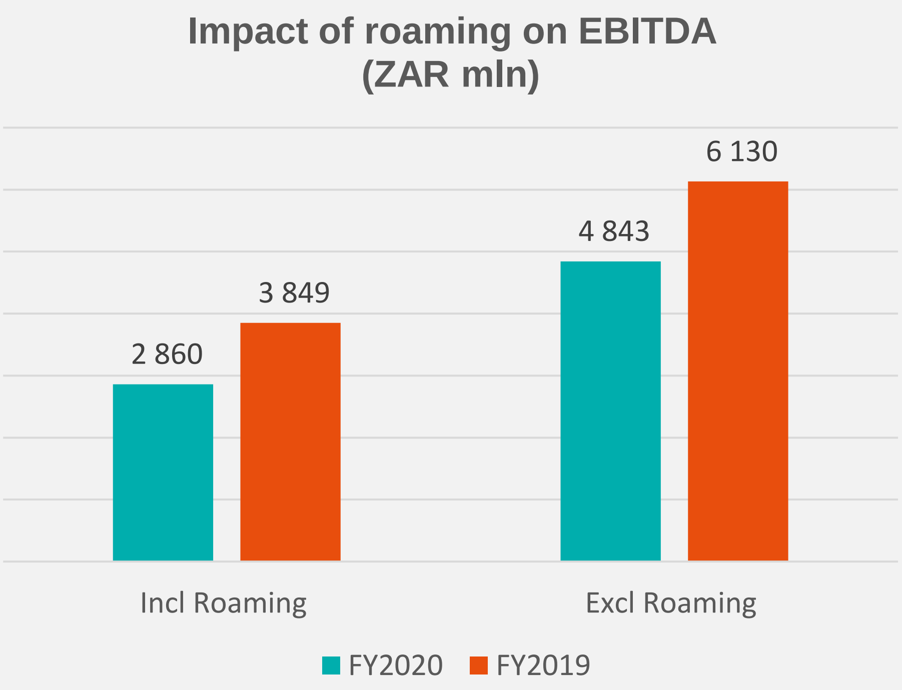
Results include the adoption of IFRS 16

NOTES & COMMENTS

An annual impairment assessment was performed and this resulted in an impairment of R5.1bn.

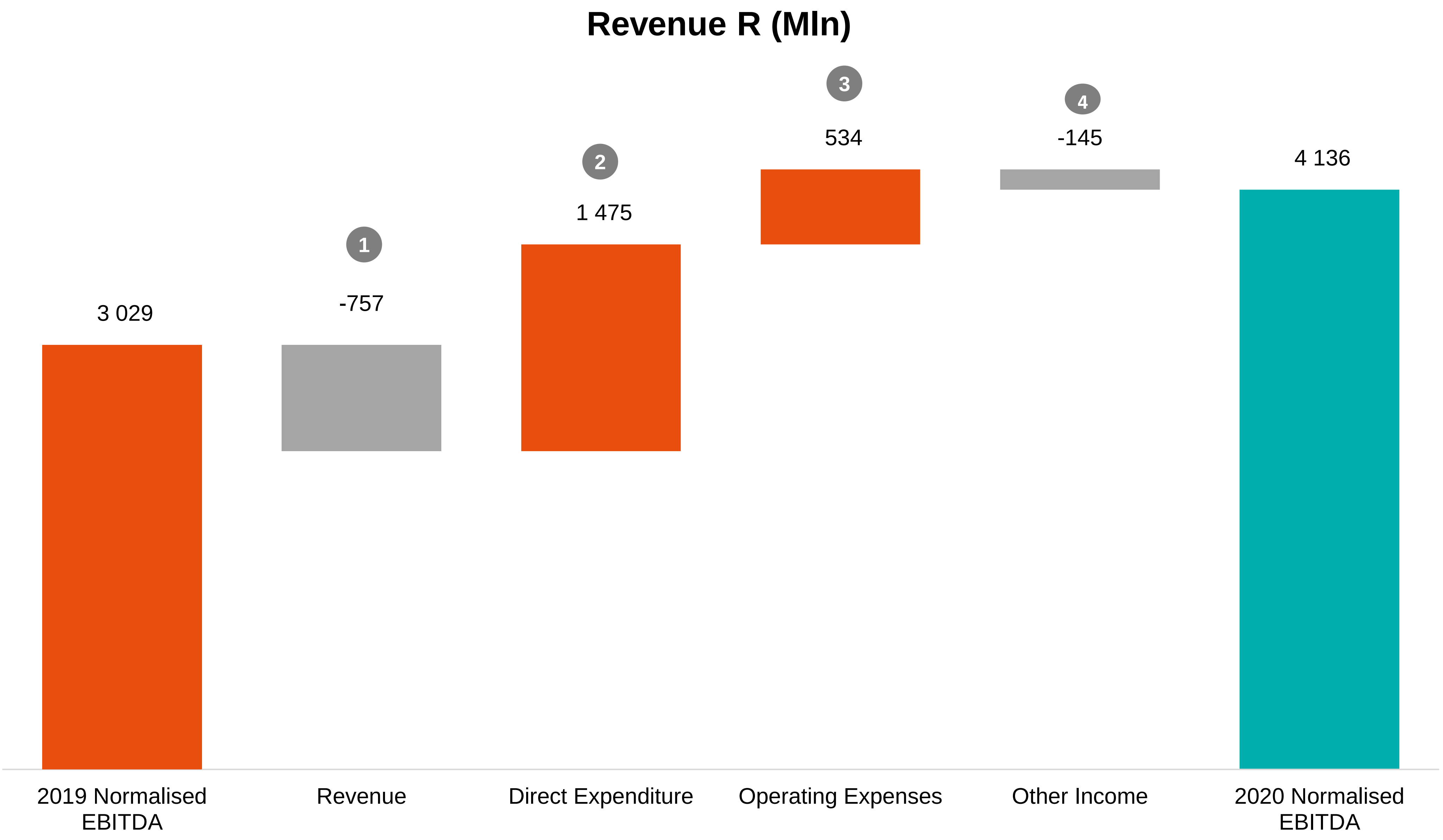
Gross margin percentage increased by 0.5%.

Current year net loss after tax excluding the impact of impairment is a loss of R380m.



Recon of Normalised EBITDA shows that the business is operationally more efficient

From 2019 to 2020



NOTES & COMMENTS

1. Total normalised revenue generated decreased by 5% year-on-year. The decline is attributable to the company strategy that focused on retaining and acquiring profitable customers. The new strategy however resulted in an increase in ARPU during the year.

2. Normalised direct expenditure decreased by 18% which was mainly driven by the decrease in roaming costs, prepaid subscriber acquisition costs and the handset and sim costs.

3. Normalised operating expenses decreased by 11% which was mainly driven by the decrease in commercial expenses of 48%.

4. Other income due to termination of lease obligations in the current year.

- Cash flow increased as reflected in cash EBITDA at R844-million compared to R240-million in the previous year.

Normalised excludes once off transactions in the respective periods.

ANNUAL REVENUE STORY

Maintained gross margin while optimising the customer base

Unpacking our Subscribers

Other key performance indicators

Thousand	2020	2019	% change	
A3 prepaid base	9 227	10 886	-15%	1
Contract base	904	1 103	-18%	2
Postpaid Base	200	303	- 34%	
Hybrid Base	704	800	-12%	
Broadband base	315	383	-18%	3
Wholesale^	2 062	2 035	1%	4
Total Subscribers	**12 508**	**14 407**	**-13%**	

YTD ARPU 'R	2020	2019	% change	
Prepaid	69	54	28%	
Contract	307	287	7%	
Broadband	173	191	-9%	5

^ - MVNO and BSP base.

NOTES & COMMENTS

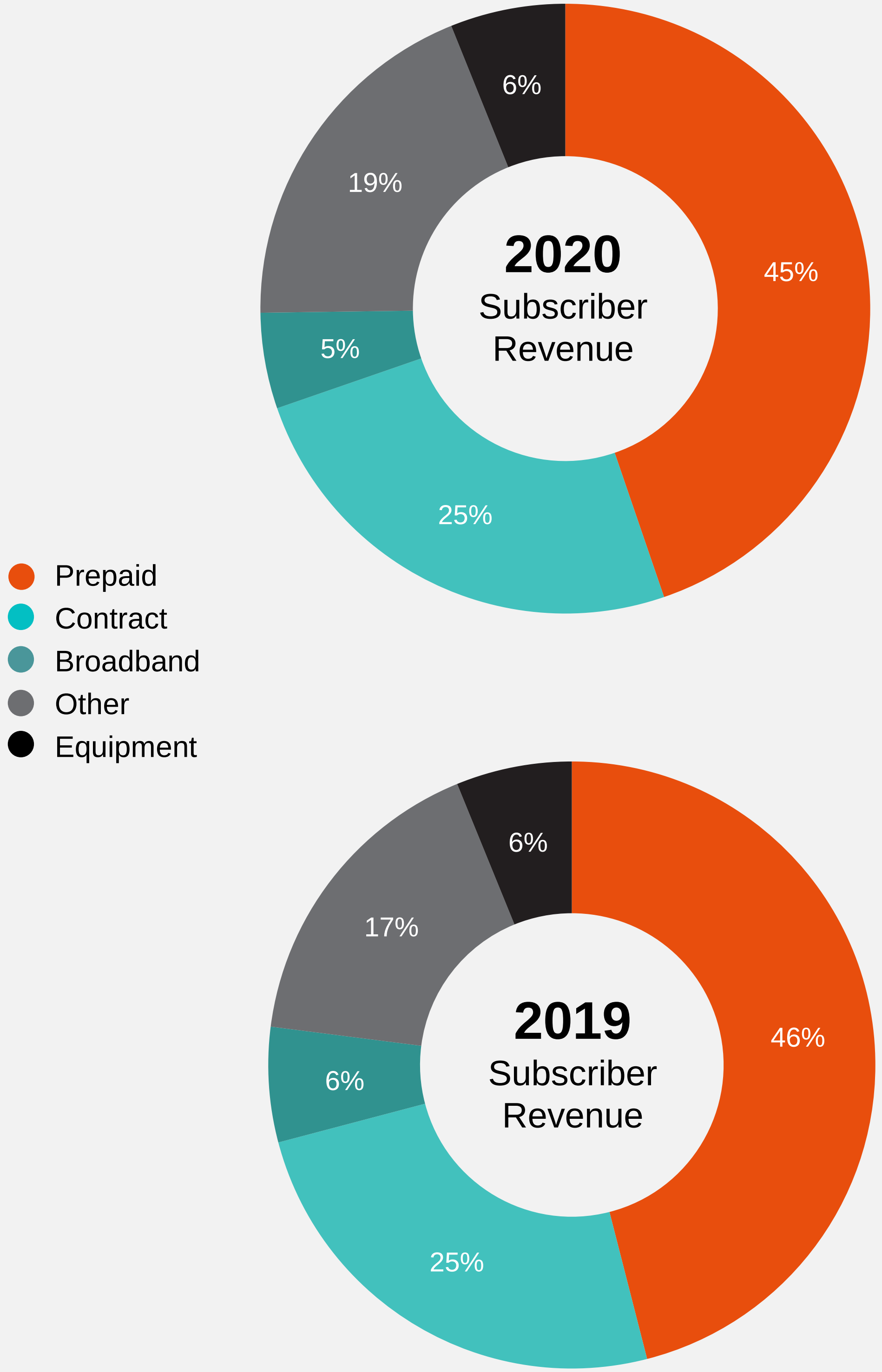
1. Prepaid base decreased by 15%. However, annualised ARPU increased 28%. Our strategy is to focus on profitable subscribers rather than size of subscriber base.
2. Contract base decreased by 18% due to shifts in consumer purchasing habits and economic factors. ARPU has increased by 7%.
3. Broadband decreased 18% because of rationalising the traffic and products. ARPU decreased by 9%.
4. Wholesale base increased by 1%. This is mainly due to the focus of improved product offerings and attracting more customers.

Revenue by subscriber type

Segment (R'm)	2020	2019	% change
Prepaid*	6 191	6 940	-11%
Contract*	3 451	3 752	-1%
Broadband*	703	924	-24%
Mobile revenue	**10 345**	**11 616**	**-11%**
Other^	2 644	2 537	4%
Net Service revenue	**12 989**	**14 154**	**-8%**
Equipment	844	930	-9%
Total Revenue	**13 833**	**15 083**	**-8%**

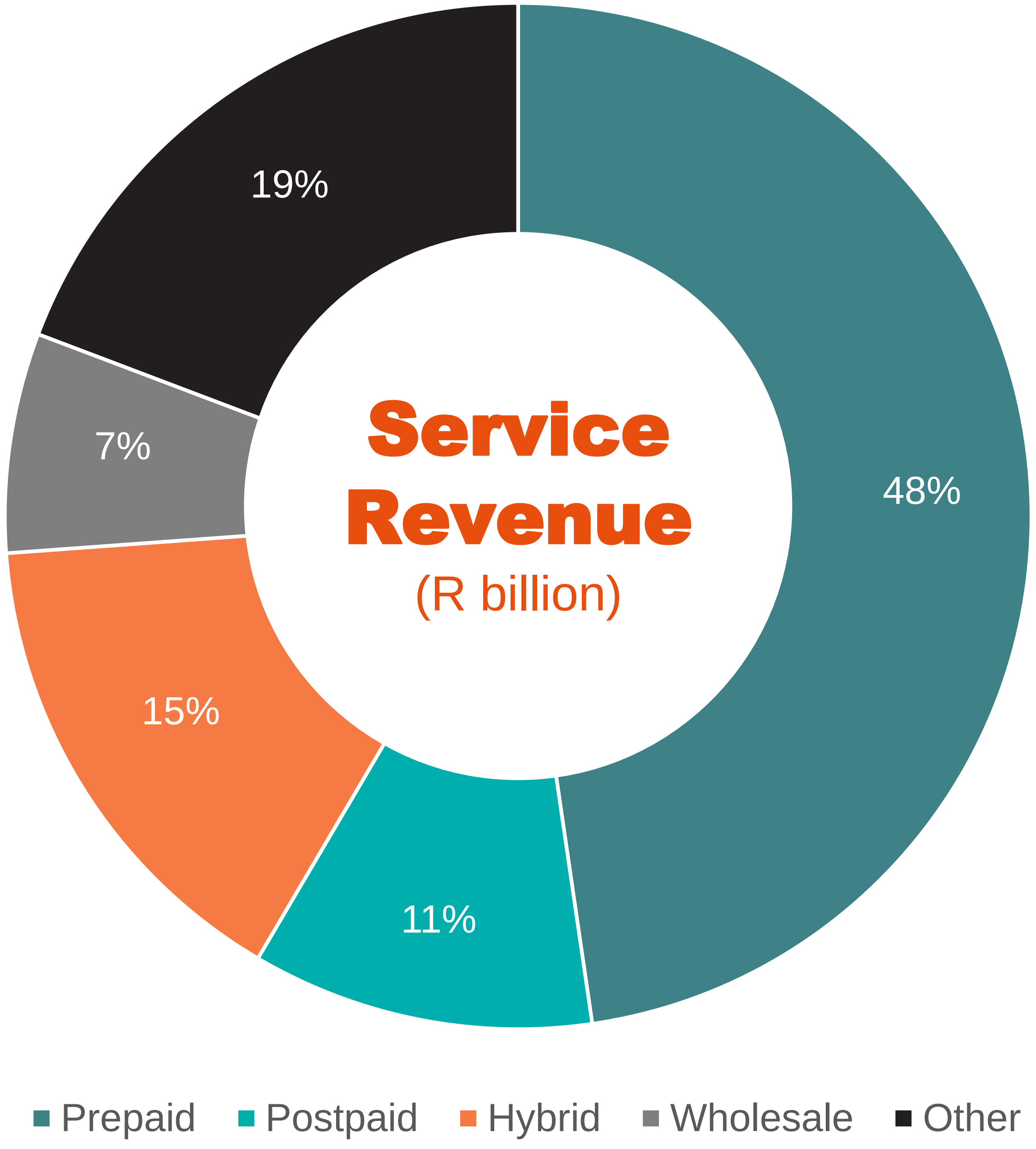
- * Segments of mobile revenue are net of volume discounts.
- ^ Other revenue includes MVNO, FTTH, other bulk SMS, BSP's, Content, Roaming, Financial services.

NOTES & COMMENTS



Revenue by line of business

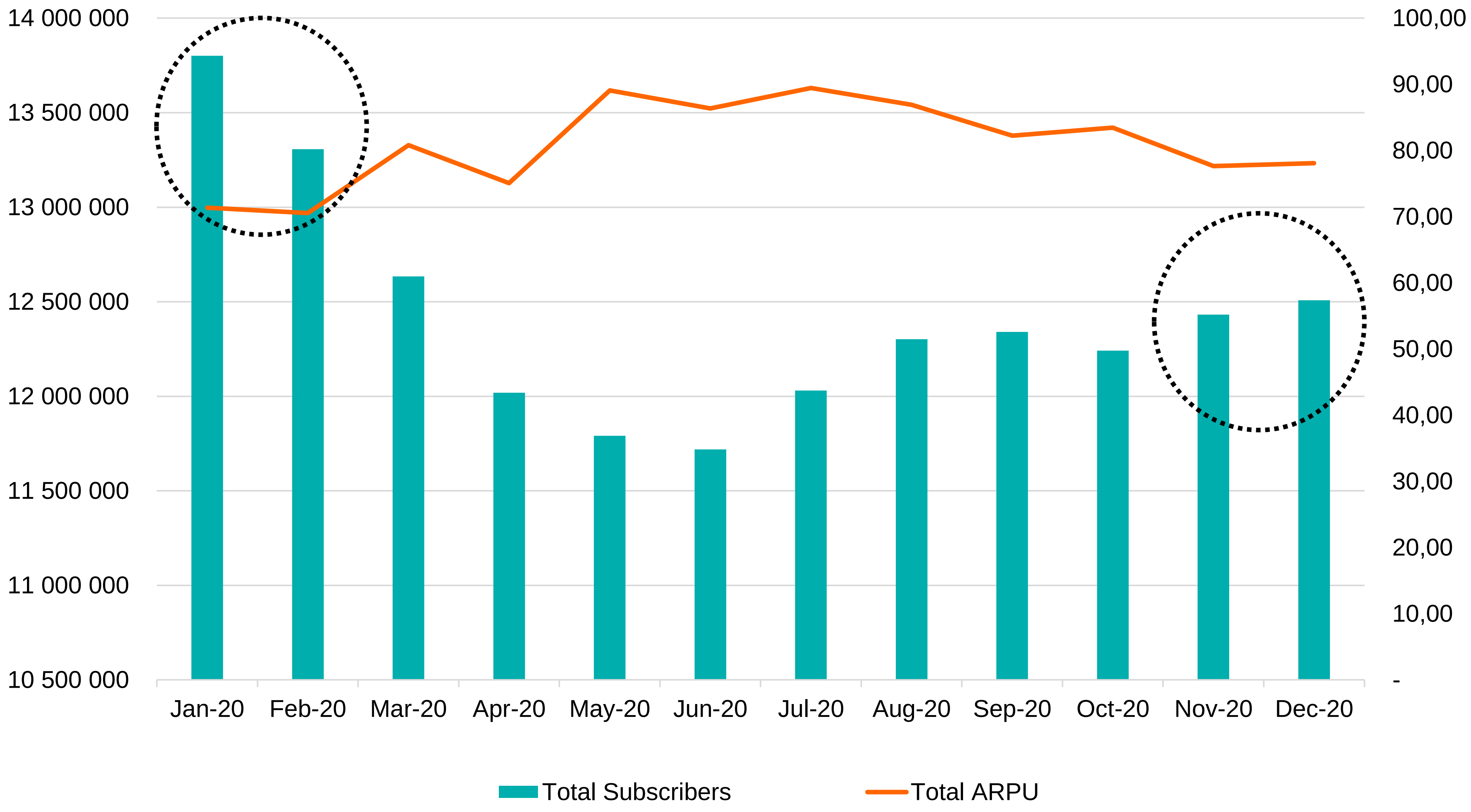
Revenue split	Rm	Contribution to service revenue
Voice	3675	28%
Data	5623	43%
SMS	475	4%
Wholesale	897	7%
Other*	2319	18%
Total	**12 989**	



- * Other includes other mobile services, FTTH, interconnect and roaming

Focus on quality subscribers

Total Subscribers vs Total ARPU



NOTES & COMMENTS

The strategy to pursue profitable customers.

At the end of 2020, the total subscriber base was back up to over 12.5 million (H1 2020: 11.7 million).

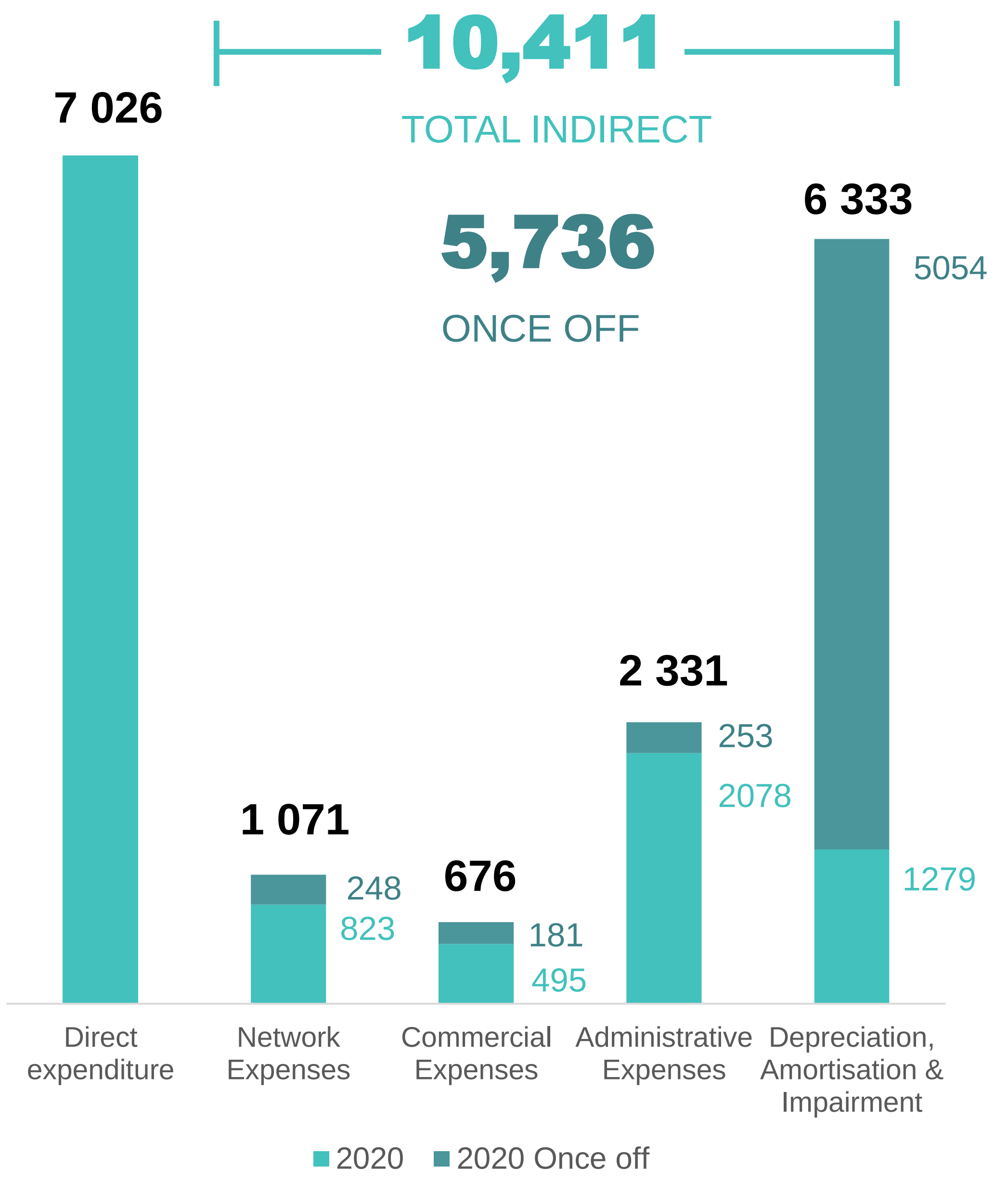
R81 ARPU average at end of period.

OPERATIONAL EXPENDITURE STORY

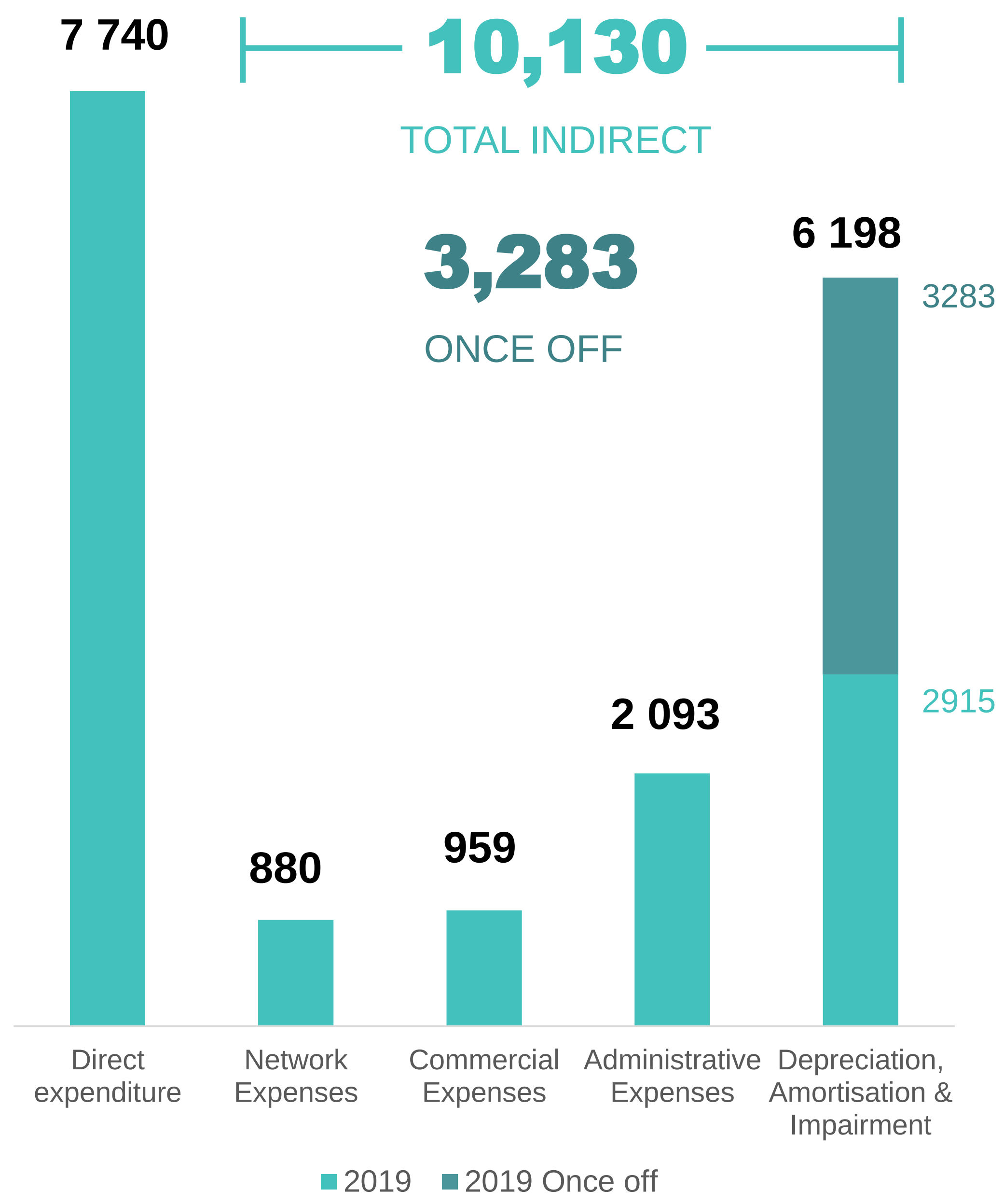
Normalised expenses excluding once off expenses as part of transition.

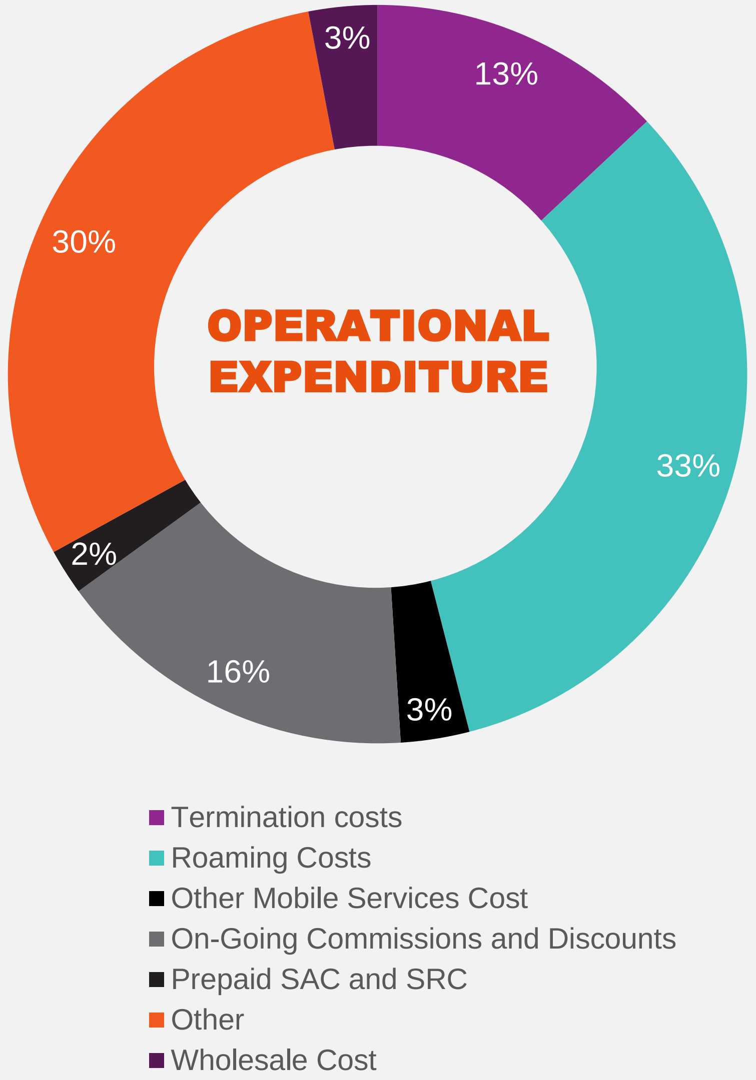
Expenditure Once off vs Ongoing (R'm)

2020 EXPENDITURE



2019 EXPENDITURE





CAPITAL EXPENDITURE

2020
R195m

2019
R273m

BALANCE SHEET STORY

Balance Sheet

R'm	2020	2019	% change
Fixed Assets	3 275	8 587	-62%
Intangible assets	778	988	-21%
Trade receivables and other assets	3 745	4 368	-14%
Total assets	**7 798**	**13 943**	**-44%**
Loans and borrowings	8 553	8 678	-1%
Other liabilities and provisions	7 984	7 199	11%
Lease obligations	4 721	6 021	-22%
Total Liabilities	**21 258**	**21 898**	**-0.3%**
Net equity	**(13 460)**	**(7 955)**	**-69%**

NOTES & COMMENTS

1. Fixed and intangible assets decreased significantly as a result of the impairment of R5-billion in FY20.
2. The company is currently in a debt standstill. The debt will be addressed as part of the recapitalisation.
3. The recapitalisation and optimisation of the leases, through the network transition, will strengthen the balance sheet and net equity position.

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03 LOOKING FORWARD

Changing our customer’s world

WITH BEST VALUE FOR MONEY OFFERS

YOUTH, MASS & HIGH VALUE

- Flexibility
- Value
- Control
- Lifestyle benefits

HIGH VALUE PREPAID

- Relevance
- Value
- Instant Gratification
- Rewards

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LOOKING FORWARD

STRATEGIC

- Successfully **conclude recapitalisation.**
- Leverage the recapitalisation quickly by **allocating capital and liquidity judiciously.**
- **Finalise partnerships** and **collaborations.**
- **Drive digital transformation** through the business.

OPERATIONAL

- **Continue to manage costs tightly.**
- **Effectively manage the network transition** process and monetise the capacity.
- **Launch new propositions** based on **customer insights.**

CULTURE

- **Enhance our EVP and culture** with an emphasis on **growing and reskilling our talent** and improving innovation.
- Upskilling, a new way of business.
- **Entrenched governance** and ethical business practice.


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THANK YOU
Changing our world, to change the lives of our customers