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
STRATEGIC AND OPERATIONAL REVIEW
TURNAROUND STRATEGY
MAPPING THE JOURNEY

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

- 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

- Informal debt standstill

- Product review
  - Discontinue non-profitable offerings and rebalance traffic on network

- New network strategy
  - A significant wholesale aggregator
  - MTN agreement

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

- New operating model & restructuring
  - Revenue per employee ratio
  - R7m

- Achieve Level 2 BBBEE status

- Transition of contract customers
  - Vodacom agreement
  - 700k migrated

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

- New Brand Launch

---

**KEY**

- **LEADERSHIP**
- **OPERATIONAL RATIONALISATION**
- **NETWORK STRATEGY**
- **LIQUIDITY**
**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

INFRASSTRUCTURE 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.)

Cell C 5,500
Delta 7,500
Infrastructure player 13,000

ESTIMATED CAPEX REQUIRED TO CATCH UP P/A
R12.4bn
Capex p/a

PIVOTING TO TECHCO

New operating model allows Cell C’s customers access to MTN's infrastructure and benefit from its scale.

1

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.

2

Data will become the cost of sales, with the real value being created through servicing customer needs using our platform ecosystem.

3

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.

4
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

STAFF ARE BEING RESKILLED for new positions in digital marketing, technopreneurship and data science.
250

NETWORK COSTS reduced (excluding once-offs)
R50m

PEOPLE
Headcount reduced from 2 600 to 1 340
Savings of R171m on salaries and wages going forward

SAVINGS

- Redeployments
- Business as usual
- Contracts not renewed

R16m on property rentals
BUSINESS STABILISING, DESPITE CHALLENGING CONDITIONS
BEFTER 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
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
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.
H1 vs H2 2020 HIGHLIGHTS

PERFORMANCE DRIVEN BY OPTIMISATION OF COSTS AND NETWORK STRATEGY

**Revenue (R’m)**
Focus on profitable customers

- H1 ’20: 6,920
- H2 ’20: 6,913

**EBITDA (R’m)**
Strong H2

- H1 ’20: 1,258
- H2 ’20: 1,603

**Gross Margin (R’m)**
Stabilising

- H1 ’20: 3,468
- H2 ’20: 3,341

**Operating Expenses (R’m)**
Fit-for-purpose entity

- H1 ’20: 2,233
- H2 ’20: 1,846

**EBIT (R’m)**
Impact of Impairment in H1

- H1 ’20: -5,254
- H2 ’20: 1,782

**Net Loss / Profit (R’m)**
Quality earnings

- H1 ’20: -7,598
- H2 ’20: 2,092
## H1 vs H2 2020
Performance driven by optimization of costs and network strategy

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

Results include the adoption of IFRS 16.
# 2020 Results
Summary of reported financial information

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service revenue</td>
<td>12 989</td>
<td>14 154</td>
<td>-8%</td>
</tr>
<tr>
<td>Non-Service revenue</td>
<td>844</td>
<td>930</td>
<td>-9%</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>13 833</td>
<td>15 084</td>
<td>-8%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>6 806</td>
<td>7 343</td>
<td>-7%</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>49.1%</td>
<td>48.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>2 860</td>
<td>3 849</td>
<td>-25%</td>
</tr>
<tr>
<td>EBITDA margin %</td>
<td>21%</td>
<td>26%</td>
<td>-5%</td>
</tr>
<tr>
<td>Net loss after tax</td>
<td>(5 506)</td>
<td>(4 088)</td>
<td>-34%</td>
</tr>
</tbody>
</table>

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.

Results include the adoption of IFRS 16.

Impact of roaming on EBITDA (ZAR mln)

<table>
<thead>
<tr>
<th></th>
<th>FY2020</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incl Roaming</td>
<td>2 860</td>
<td>3 849</td>
</tr>
<tr>
<td>Excl Roaming</td>
<td>4 843</td>
<td>6 130</td>
</tr>
</tbody>
</table>
Recon of Normalised EBITDA shows that the business is operationally more efficient

From 2019 to 2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Normalised EBITDA</th>
<th>Revenue</th>
<th>Direct Expenditure</th>
<th>Operating Expenses</th>
<th>Other Income</th>
<th>2020 Normalised EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3,029</td>
<td>1,475</td>
<td>-757</td>
<td>534</td>
<td>-145</td>
<td>4,136</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
ANNUAL REVENUE STORY

Maintained gross margin while optimising the customer base
### Unpacking our Subscribers

**Other key performance indicators**

<table>
<thead>
<tr>
<th>Thousand</th>
<th>2020</th>
<th>2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3 prepaid base</td>
<td>9 227</td>
<td>10 886</td>
<td>-15%</td>
</tr>
<tr>
<td>Contract base</td>
<td>904</td>
<td>1 103</td>
<td>-18%</td>
</tr>
<tr>
<td>Postpaid Base</td>
<td>200</td>
<td>303</td>
<td>-34%</td>
</tr>
<tr>
<td>Hybrid Base</td>
<td>704</td>
<td>800</td>
<td>-12%</td>
</tr>
<tr>
<td>Broadband base</td>
<td>315</td>
<td>383</td>
<td>-18%</td>
</tr>
<tr>
<td>Wholesale^</td>
<td>2 062</td>
<td>2 035</td>
<td>1%</td>
</tr>
<tr>
<td>Total Subscribers</td>
<td>12 508</td>
<td>14 407</td>
<td>-13%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YTD ARPU ‘R</th>
<th>2020</th>
<th>2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid</td>
<td>69</td>
<td>54</td>
<td>28%</td>
</tr>
<tr>
<td>Contract</td>
<td>307</td>
<td>287</td>
<td>7%</td>
</tr>
<tr>
<td>Broadband</td>
<td>173</td>
<td>191</td>
<td>-9%</td>
</tr>
</tbody>
</table>

### 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.

^ - MVNO and BSP base.
### Revenue by subscriber type

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

- * 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

**2020**

- Prepaid: 45%
- Contract: 25%
- Broadband: 5%
- Other: 19%
- Equipment: 6%

**2019**

- Prepaid: 46%
- Contract: 25%
- Broadband: 6%
- Other: 17%
- Equipment: 6%
### Revenue by line of business

<table>
<thead>
<tr>
<th>Revenue split</th>
<th>Rm</th>
<th>Contribution to service revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice</td>
<td>3675</td>
<td>28%</td>
</tr>
<tr>
<td>Data</td>
<td>5623</td>
<td>43%</td>
</tr>
<tr>
<td>SMS</td>
<td>475</td>
<td>4%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>897</td>
<td>7%</td>
</tr>
<tr>
<td>Other*</td>
<td>2319</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12 989</strong>*</td>
<td></td>
</tr>
</tbody>
</table>

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

---

**Service Revenue**

(R billion)

- Prepaid: 19%
- Postpaid: 48%
- Hybrid: 15%
- Wholesale: 11%
- Other: 7%

---

* Other includes other mobile services, FTTH, interconnect and roaming
Focus on quality subscribers

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

- **Total Indirect**: 10,411
  - Once Off: 5,736
  - On-Going: 4,675

### 2019 EXPENDITURE

- **Total Indirect**: 10,130
  - Once Off: 3,283
  - On-Going: 6,847

---

**Operational Expenditure**

- **Termination costs**: 33%
- **Roaming Costs**: 2%
- **Other Mobile Services Cost**: 16%
- **On-Going Commissions and Discounts**: 3%
- **Prepaid SAC and SRC**: 13%
- **Other**: 3%
- **Wholesale Cost**: 30%

---

**Capital Expenditure**

- **2020**: R195m
- **2019**: R273m
BALANCE SHEET STORY
## Balance Sheet

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

### 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.
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

SA Telco Sentiment Index
2020
LOWER DATA PRICES

STAY ONLINE FOR LONGER
GET 200GB FOR R899
100GB ANYTIME DATA 100GB FREE MME DATA • Valid for 100 days

SOCIALIZA BUNDLES
POWER UP YOUR DATA WITH SOCIALIZA BUNDLES TO STAY IN TOUCH AND SOCIALIZE FOR LONGER!

ALL NEW ALL-IN-ONE BUNDLES CONNECT AND CALL
10GB 50 ANYTIME MIN | UNLIMITED CALL TO CALL
NO CONTRACTS, NO VETTING MORE FLEXIBILITY

WE’RE COMMITTED TO MAKING DATA ACCESSIBLE FOR ALL.
10GB FOR R59
Prepaid Wi-Fi for easy, instant connection. Just simple affordable data to bridge the digital divide.
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.
THANK YOU
Changing our world, to change the lives of our customers