Results Presentation

Monday, March 23, 2020

For the year ending 31 December 2019

Cell C's Turnaround Strategy takes shape

Agenda

1. The Cell C Journey
2. Cell C's Strategy
3. Financial Results (for YE 31 December 2019)
4. Highlights
5. Balance Sheet
6. The Way Forward
7. Questions

The Cell C Journey

The Cell C Journey

Focus

- Operational efficiencies
- A new network strategy
- A new capital structure

Turnaround strategy

Turnaround strategy has delivered **improved operational efficiencies** with the positive impact of these changes flowing through in the latter half of the reporting period.

Improved Performance

Improved business performance allows for a successful recapitalisation with a sustainable debt stack.

A Step Change

Positioning Cell C for Growth

Growth

Recapitalisation

Network Strategy

NEW

OLD

Operational Efficiencies

Liquidity Platform

Cell C Turnaround Strategy

What the results will cover

Cell C's Strategy

Recap of turnaround strategy to focus on sustainable growth

1 Liquidity Focus

Liquidity platform is in place.

Informal debt standstill, current terms on hold while debt is restructured as part of recapitalisation.

Complete

2 Network strategy

Network strategy is an evolution of the capex intensive, infrastructure-based network.

This is a capex for opex substitution.

Expanded roaming agreement with MTN concluded.

Complete

3 Operational Rationalisation

A cost efficiency programme.

Review of product portfolio & rebalancing traffic.

Shift to revenue generating activities.

Ongoing

4 Recapitalisation

Complex restructure.

Multiple stakeholders.

Structures are being discussed.

All parties remain vested in the process.

In Progress

Financial Results

For the annual period ended 31 December 2019

Annual highlights for 2019… 1/2

Key performance indicators

-1%

vs 2018 Service Revenue

R14.2 Billion

Maintained revenue considering decline in subscriber base

-15%

vs 2018 EBITDA

R2.5 Billion

Tough economic conditions resulted in higher bad debt and delays in implementing the revised MTN roaming agreement penalised financial performance

2%

of Revenue Capital Expenditure*

R0.3 Billion

Low capital intensity due to reduced network capital expenditure

Results excluding the adoption of IFRS 16.
* - Excluding intangible assets and leased assets.

Annual highlights for 2019… 2/2

Key performance indicators

-1%

H1 vs H2

4%

R273 Million

vs 2018 Service Revenue

R14.2 Billion

Maintained revenue considering decline in subscriber base

-15%

H1 vs H2

136%

R1 Billion

vs 2018 EBITDA

R2.5 Billion

Tough economic conditions resulted in higher bad debt and delays in implementing the revised MTN roaming agreement penalised financial performance

2%

of Revenue Capital Expenditure*

R0.3 Billion

Low capital intensity due to reduced network capital expenditure

Results excluding the adoption of IFRS 16.

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2019 Results Full year

Summary of reported financial information

R'm	2019	2018	% change
Service revenue	14 218	14 385	▼ -1%
Non-Service revenue	937	1 282	▼ -27%
Total revenue	**15 155**	**15 667**	▼ **-3%**
Gross margin	7 412	8 090	▼ -8%
Gross margin %	49%	52%	▼ -3%
EBITDA	**2 467**	**2 897**	▼ **-15%**
EBITDA margin %	16%	18%	▼ -2%
Net loss after tax	**(3 936)**	**(7 337)**	▲ **46%**

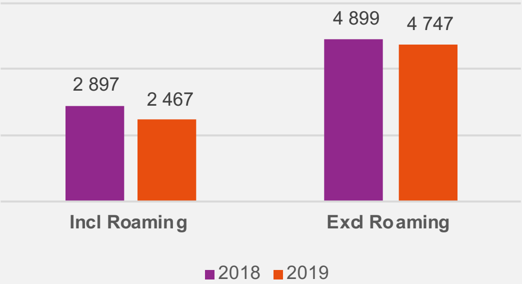
Results excluding the adoption of IFRS 16.

Notes & Comments

- In 2019, the net loss after tax includes non-cash impairments to the value of R 3 283 million.
- In 2019, net loss after tax without the non-cash impairment totals a loss of R 697 million.

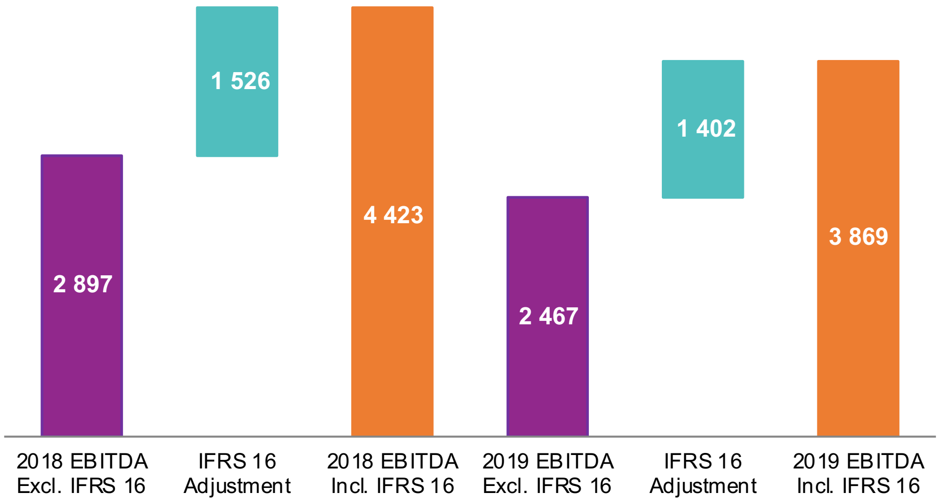
Impact of roaming on EBITDA

(ZAR mln)



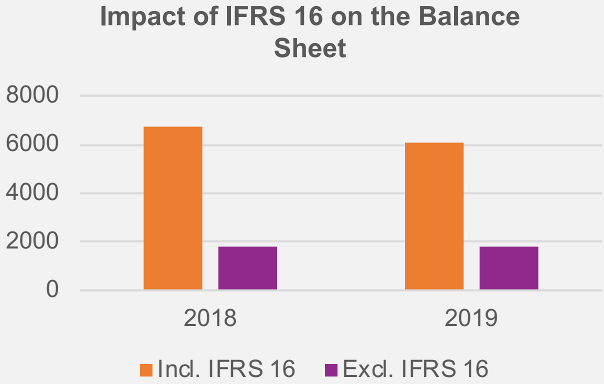
Impact of IFRS 16 on the financial results

Impact of IFRS 16 on the income statement



Notes & Comments

- Increase in EBITDA as operating leases are recognized as finance expenses.
- Increase in the debt portfolio due to an increase in the lease liability. There is an increase in the right-of-use lease asset which is depreciated over the period of the lease term.



H1 vs H2 2019

Summary of reported financial information

Rand Million	H1 2019 Excl. IFRS 16	H2 2019 Excl. IFRS 16	%
Revenue	7 464,8	7 690,6	3%
Mobile	6 972,4	7 246,0	4%
Prepaid	3 468,2	3 536,2	2%
Direct Expenditure	(3 927,0)	(3 816,9)	-3%
Gross Margin	3 537,8	3 873,7	9%
Operating Expenses	(2 938,6)	(2 415,8)	-18%
EBITDA	**734,6**	**1 732,3**	**136%**

EBITDA H1 vs H2 2019

H1 2019
R734,6m

H2 2019
R1 732,3m

Results excluding the adoption of IFRS 16.

Highlights from H2 2019

Impact of the turnaround strategy

9%
Gross Margin increase

18%
Operating Expenses decrease

EBITDA more than Doubled
R1-bil
Turnaround

EBIT before impairments
R705m

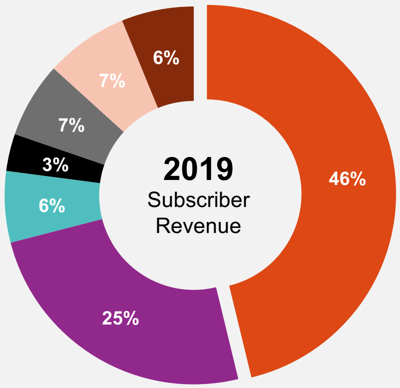
Annual revenue story

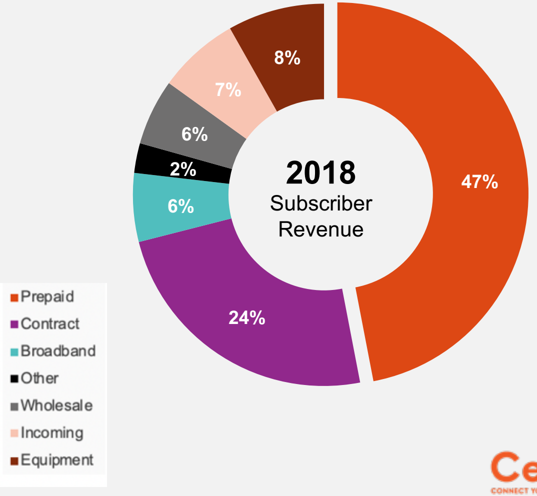
Maintained revenue while right-sizing the customer base

Revenue by subscriber type

Segment (R'm)	2019	2018	% change
Prepaid*	7 004	7 359	-5%
Contract*	3 753	3 769	0%
Broadband*	924	910	2%
Mobile revenue	**11 681**	**12 038**	**-3%**
Other^	482	394	22%
Wholesale	981	875	12%
Incoming	1 074	1 078	0%
Net Service revenue	**14 218**	**14 385**	**-1%**
Equipment	937	1 282	-27%
Total Revenue	**15 155**	**15 667**	**-3%**

* 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	10 886	13 845	▼ - 21%
Contract base*	1 103	1 156	▼ - 5%
Postpaid Base	303	421	- 28%
Hybrid Base	800	735	9%
Broadband base*	383	409	▼ - 6%
MVNO^	2 035	1 828	▲ 11%
Total Subscribers	**14 407**	**17 238**	▼ **- 16%**

ASPU 'R	2019	2018	% change
Prepaid	50	49	▲ 2%
Contract	275	251	▲ 9%
Broadband	189	162	▲ 17%

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

Notes & Comments

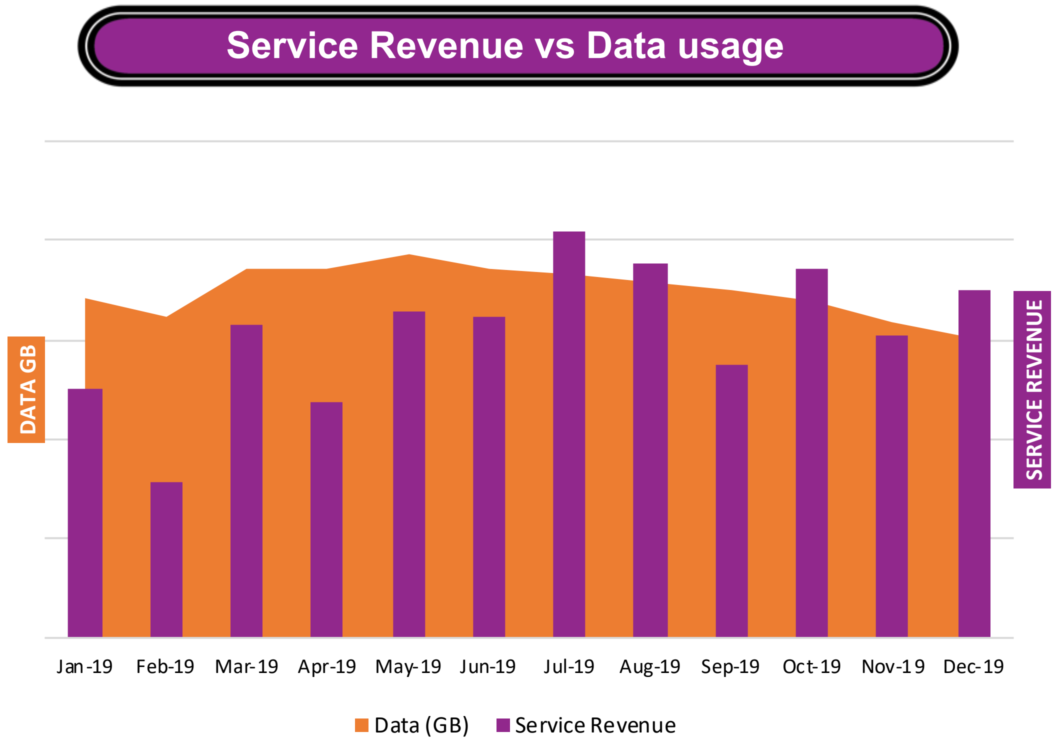
Prepaid base down 21%. Annualised ARPU -2%, however ARPU up 7.5% on an annual Dec vs Dec basis. Total cost of acquisition down 43% annually. We are connecting better customers and focusing on profitable subscribers. We are not chasing subscriber growth as a cosmetic indicator.

Contract base -5% with dramatically lower subsidies. ARPU has increased by 9%.

Broadband -6% with ARPU up 17% with base down 6% as we were more selective in deal value.
Fibre to the home revenue up 36%. Although off a smaller base it is growing quickly.

Wholesale MVNO base up 11%. We still managed to grow as we reduced prices that our MVNOs paid and growth was severally curtailed as our financial uncertainty slowed down the rollout of new MVNOS. This includes the BSP business.

Optimising network traffic to improve profitability

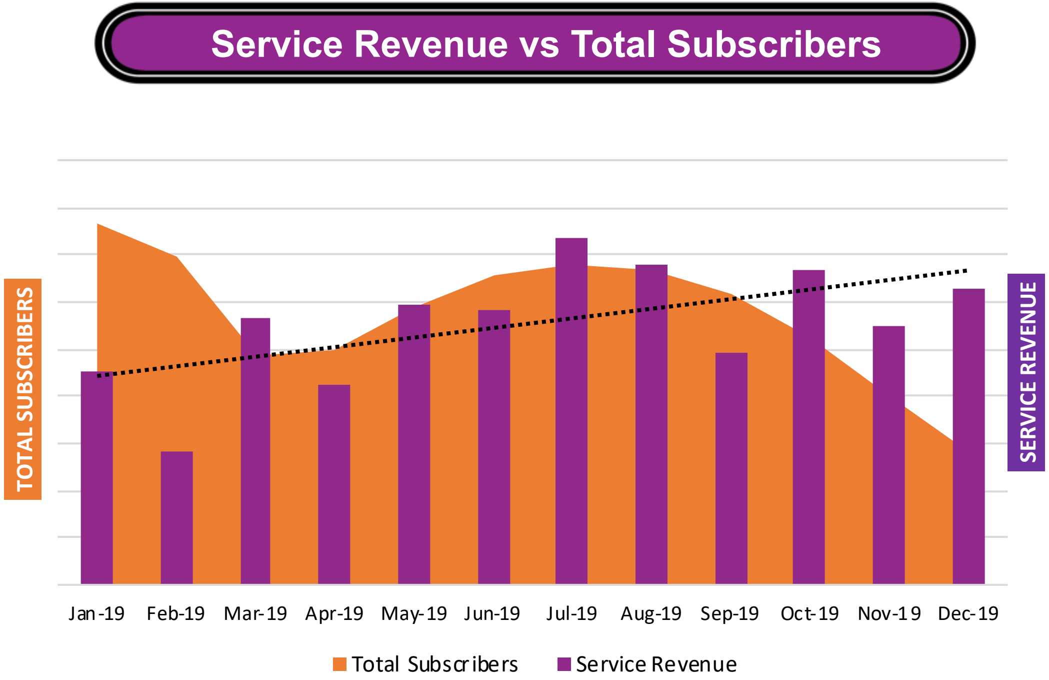


Notes & Comments

- Data Traffic reduced during the period.
- H2 service revenue outperforms H1 with less data traffic.

- ^ Data in GPRS

Evolution of the customer base in pursuit of profitability

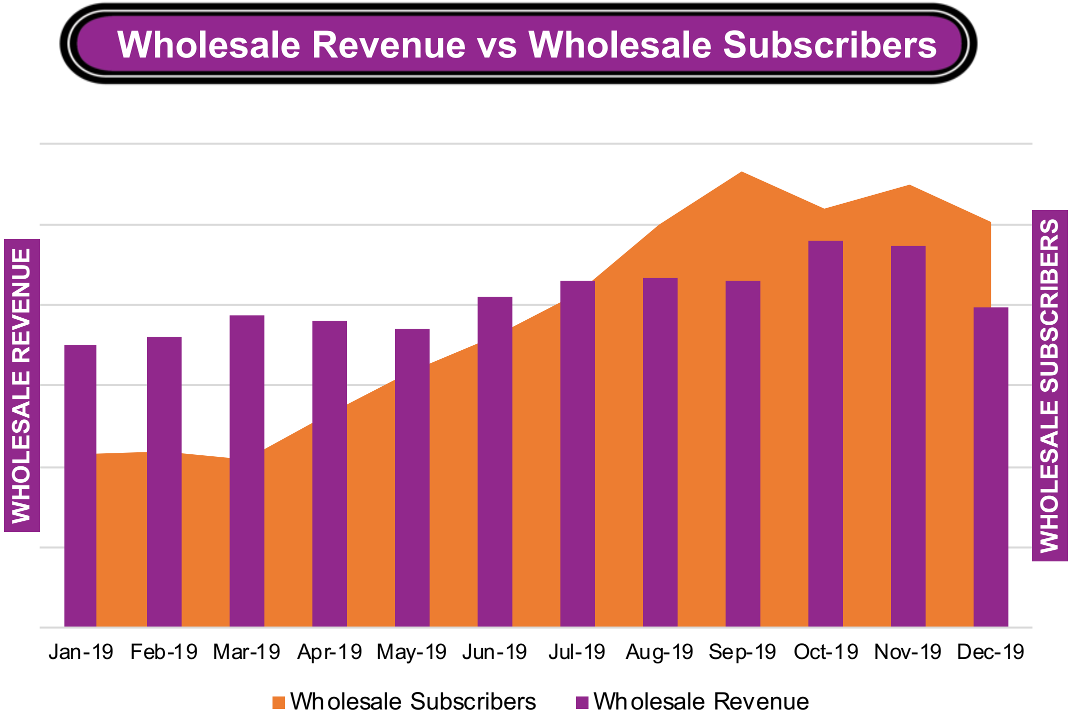


Notes & Comments

- We have been actively managing our customers by pursuing more profitable customers.
- This has caused a reduction in the Cell C customer base.
- Cell C removed non-profitable products and increased its focus on retail product pricing.
- An example of this of this was the cancellation of Wholesale Fixed LTE services that were no longer feasible.

- Customer base excludes FTTH and CST subscriber bases.

Robust Wholesale Model



Notes & Comments

Wholesale revenue contributes 7% of the total service revenue.

The value proposition proposed by new MVNOs creating new demand for subscribers.

Operational expenditure story

Operating expenses was 18% lower when comparing H1 vs H2, right sizing the operator for future growth.

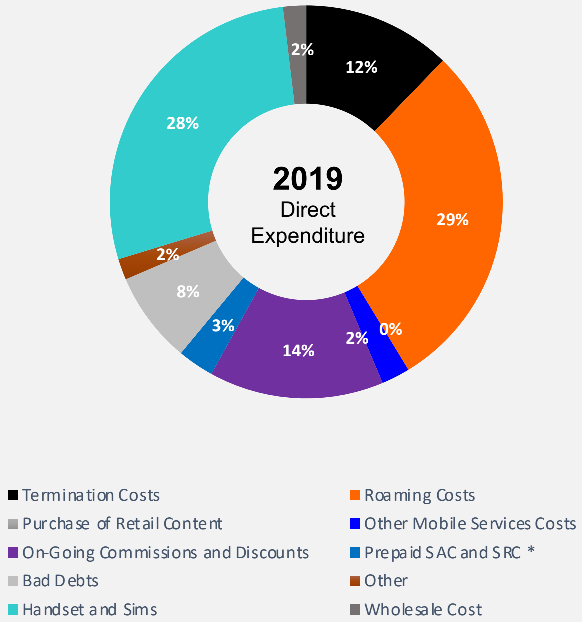
Operational expenditure

R'm	H1 2019 Excl. IFRS 16	H2 2019 Excl. IFRS 16	H1 vs H2 %
Direct expenditure	**(3 927.0)**	**(3 816.9)**	▲ **3%**
Network Expenses	(1 037.0)	(1 031.0)	▲ 1%
Commercial Expenses	(644.5)	(412.5)	▲ 36%
Administrative Expenses	(1 256.9)	(972.3)	▲ 23%
Depreciation, Amortisation & Impairment	(767.5)	(4 268.1)	▼ >100%

R'm	2019	2018
Capital expenditure	273	2 112

Capital expenditure

- Capital expenditure is lower than 2019 due to the prioritisation of the turnaround strategy.
- Furthermore, the expansionary capex ceased due to the current liquidity pressures.



Depreciation, amortisation and impairments
An annual impairment assessment of fixed and intangible assets was concluded which resulted in an impairment of R3.2 billion. In accordance with IFRS, we could not consider the benefits from the recapitalization and the extended roaming agreement.

Results excluding the adoption of IFRS 16.

Balance sheet story

Balance sheet

R'm	2019	2018	% change
Network Assets	5 096	8 401	-39%
Intangible assets	951	1 113	-14%
Trade receivables and other assets	2 822	4 620	-39%
Total assets	**8 869**	**14 134**	**-37%**
Loans and borrowings	8 706	8 970	-3%
Other liabilities and provisions	6 187	7 264	-15%
Lease obligations	1 824	1 768	3%
Total Liabilities	**16 717**	**18 002**	**-7%**
Net equity	**(7 848)**	**(3 868)**	**>-100%**

Results excluding the adoption of IFRS 16.

Notes & Comments

Trade receivable have decreased due to early settlements by customers to support the liquidity platform.

Other liabilities and provisions decreased due to the cost and network optimization which focused on incurring costs for profitable growth.

Analysis of debt and finance cost

Description	Debt 2019	Debt 2018	Interest 2019	Interest 2018	F-X 2019	F-X 2018
Long term debt	-	-	-	-	-	-
Short term debt*	8 706	8 970	905	819	-209	405
	8 706	8970				
Finance leases	1 824	1 768	267	256	-	-
Other finance costs	-	-	412	275	28	280
- Other finance costs	-	-	185	93	-	-
- Discounting future cash flows	-	-	53	92	-	-
- Working capital	-	-	-	-	28	280
- Derivatives	-	-	-	-	-	-
- Other interest	-	-	174	90	-	-
Cash / interest income	-262	-493	-33	-61	-	-
Net debt excl. leases (net of cash)	**8 444**	**8 477**	**1 284**	**1 033**	**-233**	**685**
Net debt incl. leases (net of cash)	**10 268**	**10 245**	**1 551**	**1 289**	**-181**	**685**
Handset finance (off balance sheet)	1 749	1 825	254	189	-	-

Notes & Comments

Cost of funding remains excessively high.

Debt has not increased in 2019. Instead, a decline through settlement of short-term debt.

Handset financing liability decreasing due to not acquiring customer at any cost.

Results excluding the adoption of IFRS 16.

Breakdown of long- and short-term debt

Description		Principal Debt 2019	Principal Debt 2018
Listed Bonds		2 705	2 666
CDB		1 940	1 935
ICBC	Unchanged in ZAR	1 105	1 046
Nedbank	Unchanged in ZAR	847	797
DBSA	Unchanged in ZAR	230	190
RMB/ABSA	Unchanged in ZAR	1 081	1 400
Capitalised Finance Costs		-11	-36
ZTE Bridge Vendor		151	107
Subsidy	Reduced	686	865
	Total	**8 706**	**8 970**

Notes & Comments

R264m reduction of financial debt.

In a foreign currency static situation the total Pro-forma financial **debt reduced by R352m** in the comparative period.*

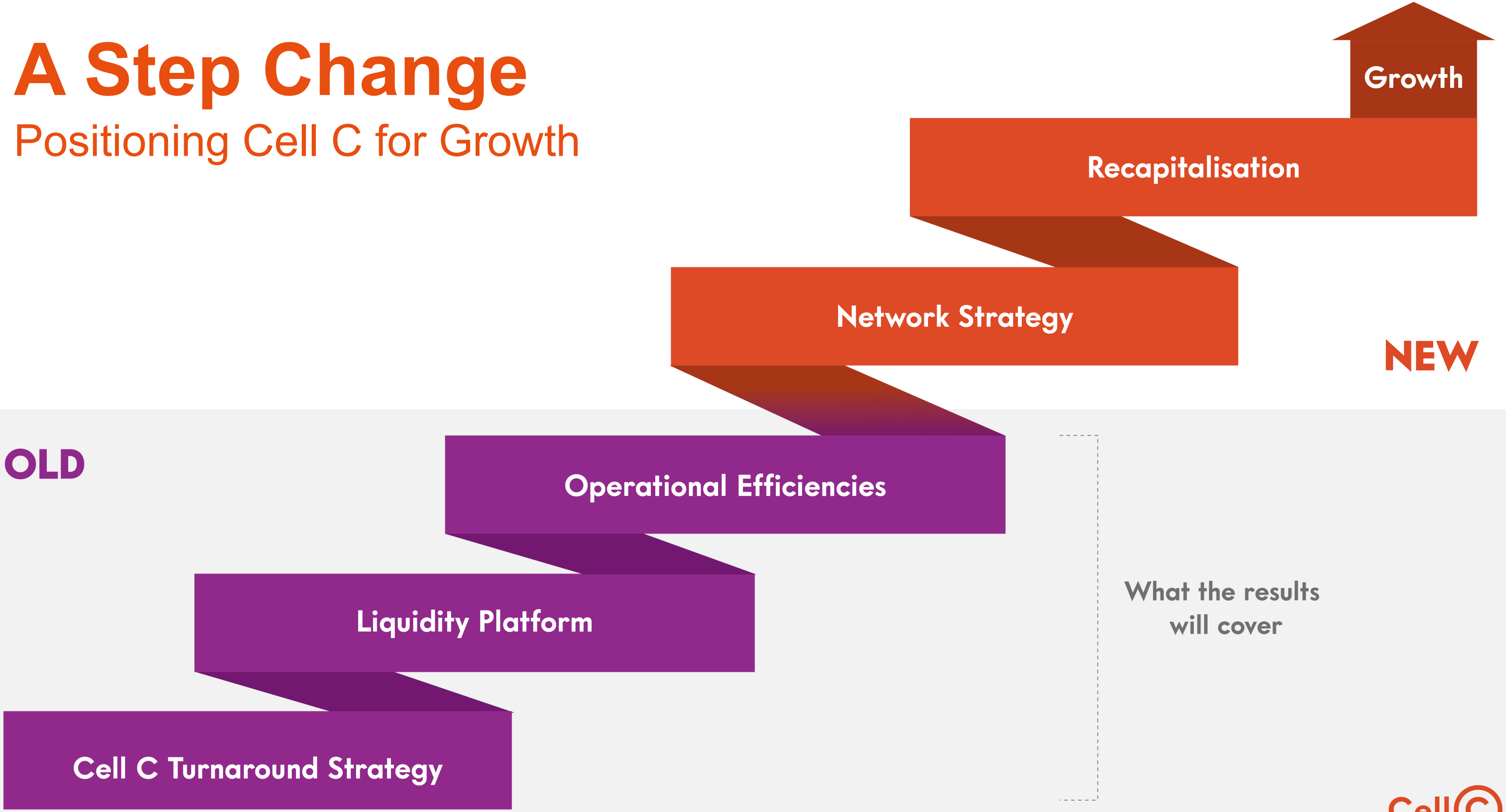
Debt reduction in trying times.

* - At a USD/ZAR closing exchange rate of R14.39 as at 31 December 2018.

The Way Forward

A Step Change

Positioning Cell C for Growth



Cell C
CONNECT YOUR WAY

Looking forward

- Operationally sound business
- Financially viable and competitive
- Business performance allows for a successful recapitalisation and sustainable debt profile
- Continue to be a customer champion offering innovative products and services

Questions?