

# H1 Results

As at end June 2021

27 OCTOBER 2021



# Call Presenters



**Douglas Craigie Stevenson**

**CHIEF EXECUTIVE OFFICER**

4 years in company | 20+ years in telco industry



**Zaf Mahomed**

**CHIEF FINANCIAL OFFICER**

3 years in company | 20+ years in various industries

A close-up photograph of a person's hands holding a gold-colored smartphone. The person is wearing a blue jacket and a patterned shirt. The background is blurred, showing a red and white patterned wall.

# Agenda

01

## **Strategic and Operational Review**

Presented by Douglas Craigie Stevenson

02

## **Financial Overview**

Presented by Zaf Mahomed

03

## **Looking Forward**

Presented by Douglas Craigie Stevenson

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01

# **Strategic and Operational Review**

# Transition and Evolve

2021 - 2023

01

Implement new business model

02

Implement Network Strategy

03

Reduction in network expenses,  
finance leases and capex

04

Introduce new products to market

05

Optimise the customer base

06

Recapitalisation to strengthen  
the balance sheet

01

# Good progress in transitioning to new business model

From build, own and run everything ourselves to focused investment, partnering and a buyer of services

## OUR FOCUS

### Network strategy

Scalable and cost efficient

### Platform-based solutions

Overlay quality services

### Focused product & services offering

Leverage adjacent technologies

### Superior customer experience

Embed customer proximity

## OUR POSITIONING

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

An innovative Disrupter



## NEW CELL C

Lean

Agile

Flexible

Responsive

Accountable

Resilient

02

# Network Strategy implementation is on track

As the mobile industry evolves collaboration and partnerships are the new way of doing business

## OUR NETWORK PARTNERS

### Prepaid subscribers and MVNO

- Phased 3-year seamless transition
- A virtual radio access network provisioned on MTN's infrastructure
- Shut down radio network and move all prepaid traffic onto MTN's network
- Nationwide 2G, 3G and 4G roaming with full access to MTN's 12 500 sites across SA
- As MTN's coverage expands so will Cell C's
- Vodacom 2G roaming de-activated end Feb 2021 - replaced by 2G MTN roaming arrangement.
- Able to offer broadband product and fixed LTE.

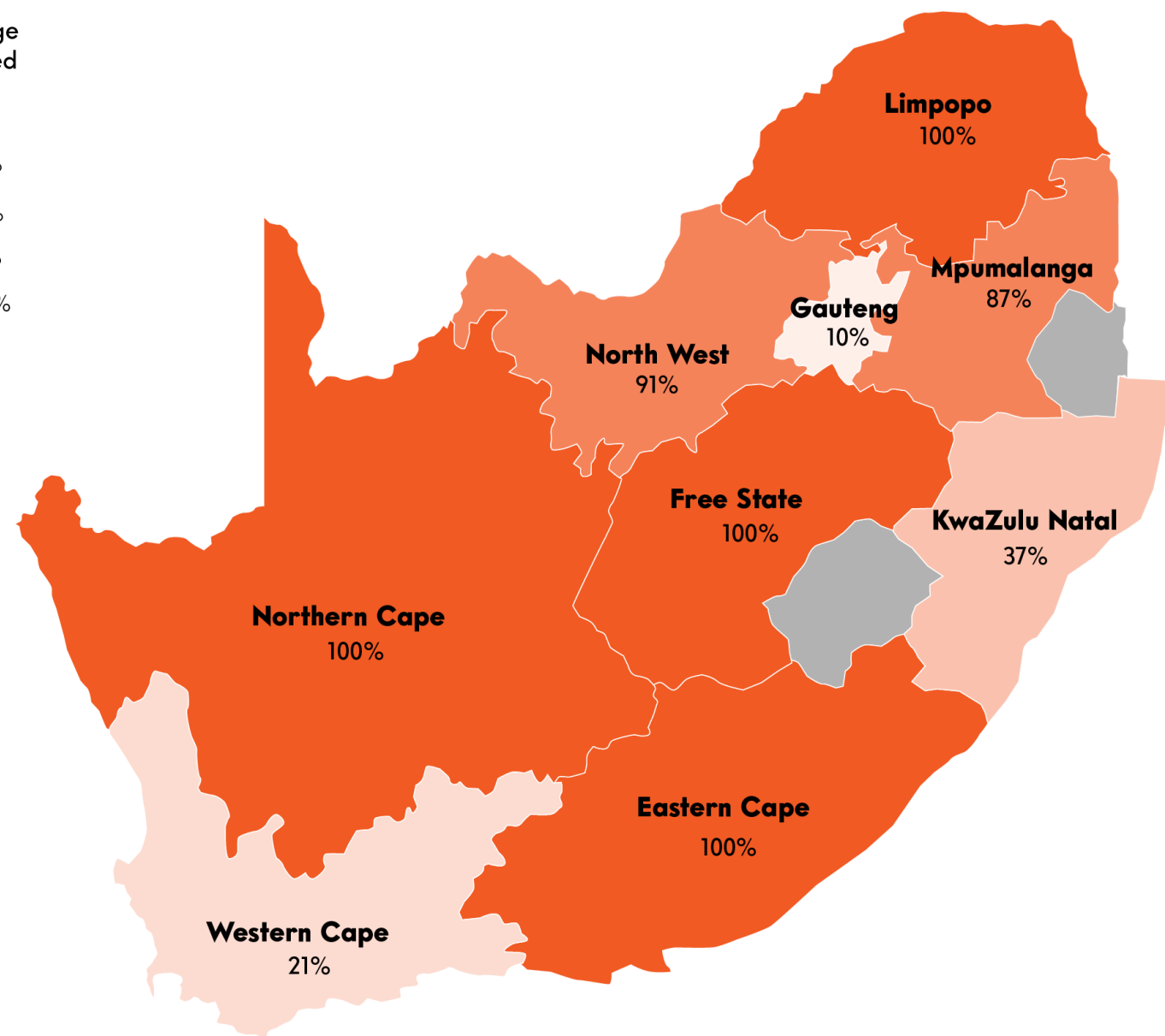
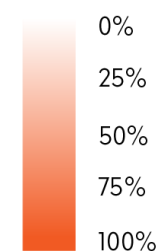
### Postpaid subscribers

- 2001 - Vodacom roaming agreement - nationwide 2G
- 2015 - rural 3G connectivity for all Cell C subscribers.
- New arrangement with Vodacom - is expanded nationwide roaming agreement for 2G, 3G and 4G connectivity

02

## Network Strategy implementation is on track

Percentage Completed



**40%**  
Overall completion

**4 provinces**  
100% migrated

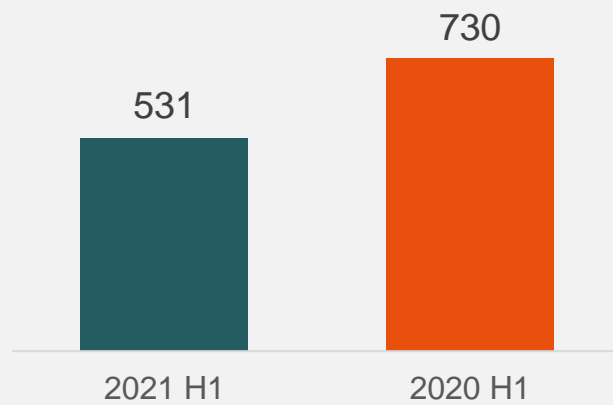
**7500 sites** as at end  
October 2021  
95% are 4G/LTE enabled

03

# Reduction in network expenses, finance leases and capex

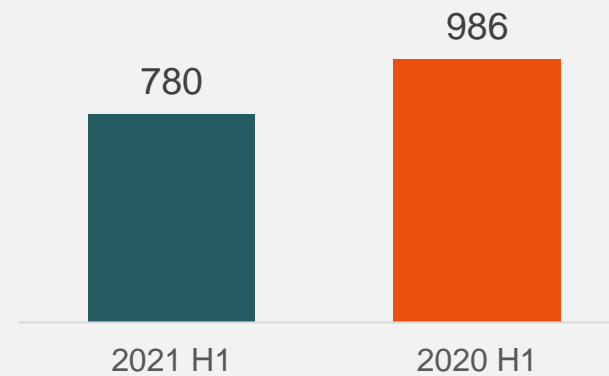
An asset-light infrastructure model leading to improved profitability

## Network Expenses R'm



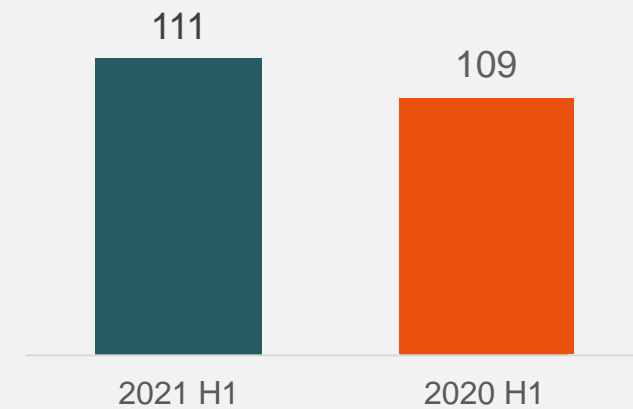
↓ **27%**  
Decrease

## Finance Leases R'm



↓ **21%**  
Decrease

## Capital Expenditure R'm



↑ **2%**  
Increase  
Off a very low base

4&5

# Introduce new products to market & optimise customer base



## Increased customer base

by providing value offers

## Network Migration Campaign

HOME CONNECTA FLEXI PREPAID LTE	INCLUDES	PAY ONLY
10GB	1GB ANYTIME DATA, 9GB WTE DATA	R59
20GB	2GB ANYTIME DATA, 18GB WTE DATA	R139
50GB	5GB ANYTIME DATA, 45GB WTE DATA	R179
100GB	10GB ANYTIME DATA, 90GB WTE DATA	R199
200GB	20GB ANYTIME DATA, 180GB WTE DATA	R389
400GB	40GB ANYTIME DATA, 360GB WTE DATA	R699
1TB	80GB ANYTIME DATA, 720GB WTE DATA	R899

**Home Connecta**  
Launched March 2021

Prepaid Subscriber Base

**15% increase**

Smartphone Users

Increase to 54.8% of the base, adding

**+501k users**

Prepaid Broadband Users

**354% Increase**

Year-on-Year



## Top Industry Awards For Customer Service

**Winner** of the Overall Telecommunications Industry Award 2020/2021 Ask Afrika Orange Index®

**Leader** in overall customer **satisfaction** and **perceived value** in South African Customer Satisfaction Index (SA-cs)



## Overall quality of network continues to improve



In partnership deliver an MVNO solution to Shoprite **k'nect**



## A preferred supplier to government



## Ranked 19<sup>th</sup>\*

Most Valuable Brand in SA **Top 30** for 3 years in a row

\* Kantar Study

# 2021 Highlights



## Certified by the Top Employer Institute

for meeting global HR best practices for past 8 years

06

## Recapitalisation to strengthen the balance sheet

Cell C management continues to focus on the operations of the business

### Secured Funding

**Blue Label**, one of Cell C's shareholders, updated the market in August that it has secured funding from various banks. The announcement is between shareholder and funders.

### Making Progress

This is a **positive first step** for Cell C's recapitalisation, but it is only part of the overall process and structure of a possible transaction.

### Announcement

Cell C will **update the market and provide commentary** on an overall transaction that directly affects the financial position of the mobile network operator, at the appropriate time.

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02

# **Financial Overview**

# H1 2021 Highlights


IMPROVED PROFITABILITY AND OPERATIONAL EFFICIENCY




**7.1%**  
**EBITDA increase**  
due to the new  
company strategy  
taking effect



**114%**  
**Year-on-year  
EBIT increased**  
due to new company  
strategy taking effect



**102%**  
**Net Income  
increased from  
a loss to a profit**



**25%**  
**Decrease in  
Operating Expenses**  
Network Expenses down 27%,  
Commercial Expenses down 27%  
Admin Expenses down 22%

# H1 2021 vs H1 2020

Performance driven by optimisation of costs and network strategy

Rand Million	H1 2021	H1 2020		%	
Revenue	6 599	6 920	▼	-5%	
Direct Expenditure	(3 640)	(3 454)	▲	-5%	
Operating Expenses	(1 684)	(2 233)	▼	25%	
<b>EBITDA</b>	<b>1 347</b>	<b>1 258</b>	▲	<b>7%</b>	1
Depreciation and Amortisation	(587)	(1 419)	▼	59%	2
Impairment	(24)	(5 093)	▼	100%	
<b>EBIT</b>	<b>736</b>	<b>(5 254)</b>	▲	<b>114%</b>	
Finance Income and Costs	(747)	(1 002)	▼	25%	
Forex Gains/(Losses)	159	(1 342)	▲	112%	
<b>Net profit/(loss) before tax</b>	<b>148</b>	<b>(7 598)</b>	▲	<b>102%</b>	3

## Notes & Comments

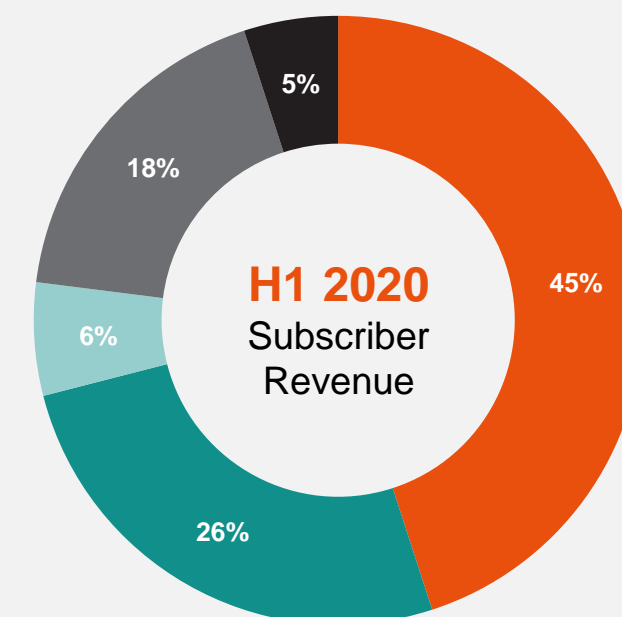
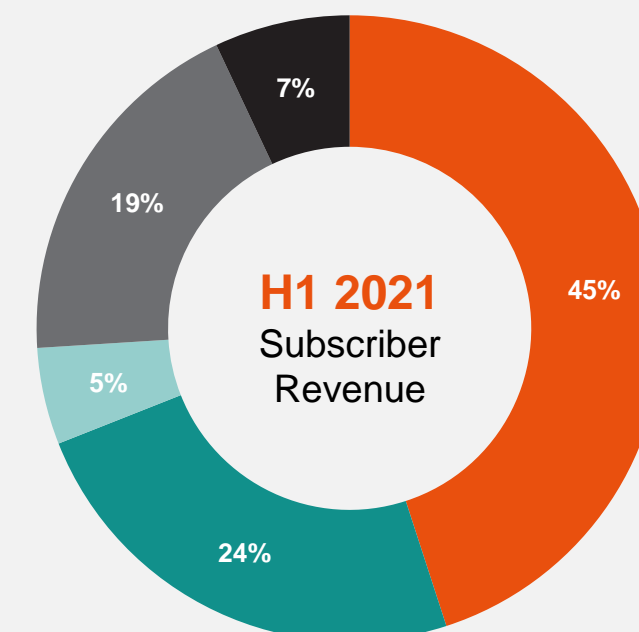
- 1 Interventions as part of the turnaround strategy has resulted in a 7% increase in EBITDA, despite a 5% decrease in revenue.
- 2 The impairment processed last year resulted in depreciation and amortisation decreasing by 59% during the current year.
- 3 Net income after tax has increased by over 100% which is mainly driven by the impairment from the prior year.

# Revenue by subscriber type

Segment (R'm)	H1 2021	H1 2020	% change	
Prepaid*	3 006	3 123	▼	-4%
Contract*	1 564	1 805	▼	-13%
Broadband*	334	383	▼	-13%
<b>Mobile revenue</b>	<b>4 904</b>	<b>5 311</b>	▼	<b>-8%</b>
Other	1 258	1 231	▲	2%
<b>Net Service revenue</b>	<b>6 162</b>	<b>6 542</b>	▼	<b>-6%</b>
Equipment	437	378	▲	16%
<b>Total Revenue</b>	<b>6 599</b>	<b>6920</b>	▼	<b>-5%</b>

- Segments of mobile revenue are net of volume discounts.
- ^ Other revenue is made up of FTTH, other bulk SMS, Content, Roaming revenue and Financial services.

## Notes & Comments



■ Prepaid ■ Contract ■ Broadband ■ Other ■ Equipment



# Unpacking our Subscribers

## Other key performance indicators

Thousand	H1 2021	H1 2020	% change		
A3 prepaid base	9 643	8 350	▲	15%	1
Contract base	806	968	▼	-17%	2
Postpaid Base	169	255		- 34%	
Hybrid Base	637	713		-11%	
Broadband	423	335	▲	26%	3
Prepaid Broadband Base	159	35		354%	
Contract Broadband Base	264	300		-12%	
Wholesale^	2 022	2 066	▼	-2%	
<b>Total Subscribers</b>	<b>12 894</b>	<b>11 719</b>	▲	<b>10%</b>	

YTD ARPU 'R	H1 2021	H1 2020	% change		
Prepaid	66	66	▬	0%	1
Contract	305	304	▲	0,3%	2
Broadband	159	178	▼	-11%	

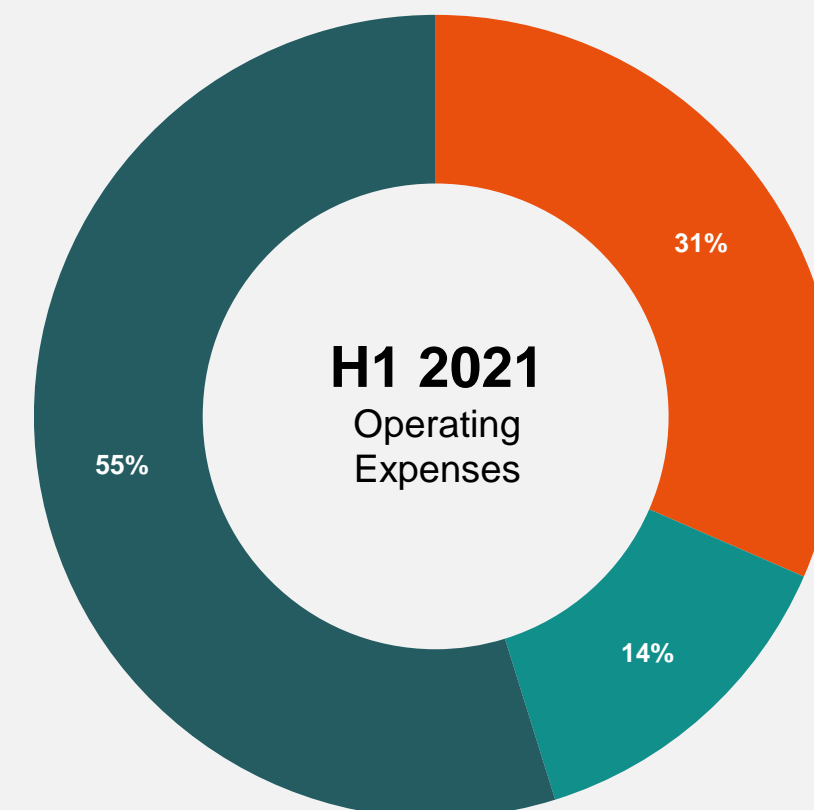
## Notes & Comments

- 1 Prepaid base increased by 15% and the annualised ARPU has remained consistent at R66. This is in line with Cell C's strategy to focus on profitable customers.
- 2 Contract base decreased by 17%, however the ARPU has remained consistent at around R305. This is in line with our strategy to focus on profitable customers.
- 3 The increase to Prepaid Broadband is attributable to the introduction of the Home Connecta Flexi product.

# Expenditure

R'm	H1 2021	H1 2020	% change	
Operating Expenses	1 684	2 233	▼	-25%
Network Expenses	531	730	▼	-27%
Commercial Expenses	230	317	▼	-27%
Administrative Expenses	923	1 186	▼	-22%
Depreciation, Amortisation & Impairment	611	6 512	▼	- 91%
Capital expenditure	111	109	▲	2%

## Notes & Comments



■ Network Expenses ■ Commercial Expenses ■ Administrative Expenses

- Segments of mobile revenue are net of volume discounts.
- ^ Other revenue is made up of FTTH, other bulk SMS, Content, Roaming revenue and Financial services.



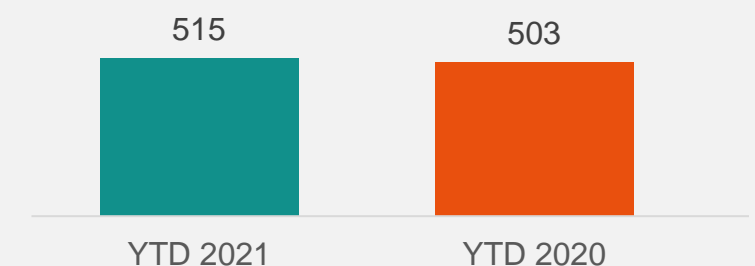
# Balance Sheet

R'm	H1 2021	H1 2020	% change		
Network Assets	2 768	2 055	▲	35%	1
Intangible assets	715	224	▲	219%	3
Trade receivables and other assets	4 731	5 405	▼	-12%	
<b>Total assets</b>	<b>8 214</b>	<b>7 684</b>	▲	<b>7%</b>	
Loans and borrowings	8 226	9 716	▼	15%	
Other liabilities and provisions	9 179	9 199	▼	0%	
Lease obligations	4 002	4 321	▼	7%	2
<b>Total Liabilities</b>	<b>21 407</b>	<b>23 236</b>	▼	<b>8%</b>	
<b>Net equity</b>	<b>(13 193)</b>	<b>(15 552)</b>	▲	<b>15%</b>	

## Notes & Comments

- 1 The increase is due to the reassessment of the useful life of the assets post the re-negotiation of the transition plan. The effective date of the network transition plan is 1 January 2021.
- 2 The decrease in lease liability is in line with the network transition plan. In some instances, expired lease agreements and terminations have not been renewed, due to the high cost of renewal. Expired leases are now recorded as month-to-month contracts as operating expenses through profit and loss statement.
- 3 The increase in Intangible assets is due to capitalisation of contract subscriber acquisition cost and computer software additions.

Cash flow from operating activities (R'm)



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03

**Looking  
Forward**

# Priorities Going Forward

Effectively  
manage the  
**network transition**  
process and  
monetise the  
capacity

Launch new  
propositions  
based on **customer**  
insights

Continue to  
manage costs  
**tightly**

Successfully  
**conclude**  
**recapitalisation**  
and allocate capital  
and liquidity  
judiciously

**Underpinned by digital transformation, culture of performance and innovation, and entrenched governance and ethical business practices**



**Thank You**