

y'ello

**Select Committee on
Communications & Public Enterprises**

Cost to Communicate

28 March 2018



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Outline

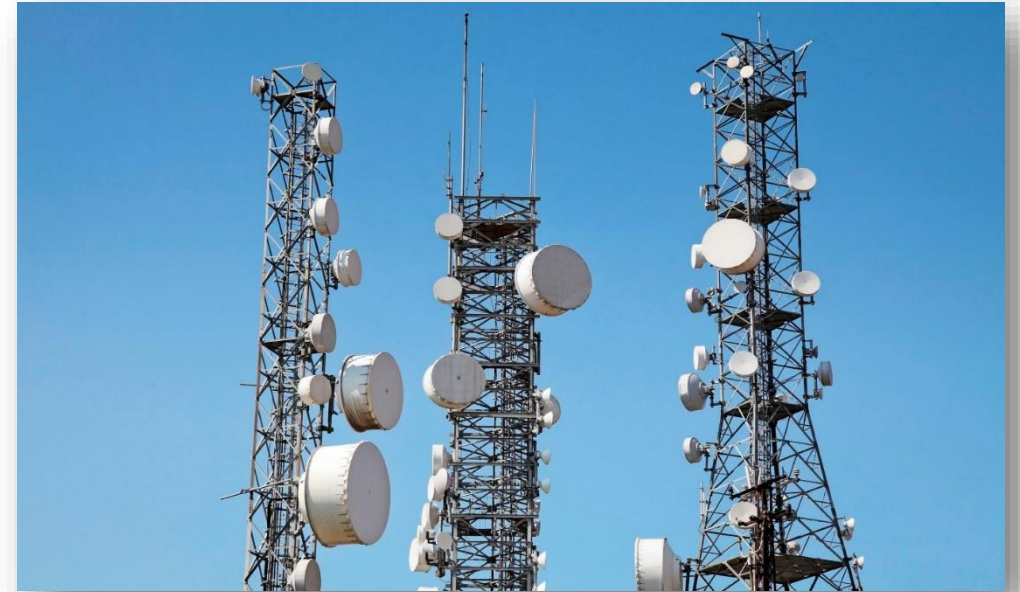


1. MTN – Who we are

2. MTN's response to reduce the cost to communicate

3. Corporate Social Investment

4. Conclusion



MTN – Who we are

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MTN Group Operations

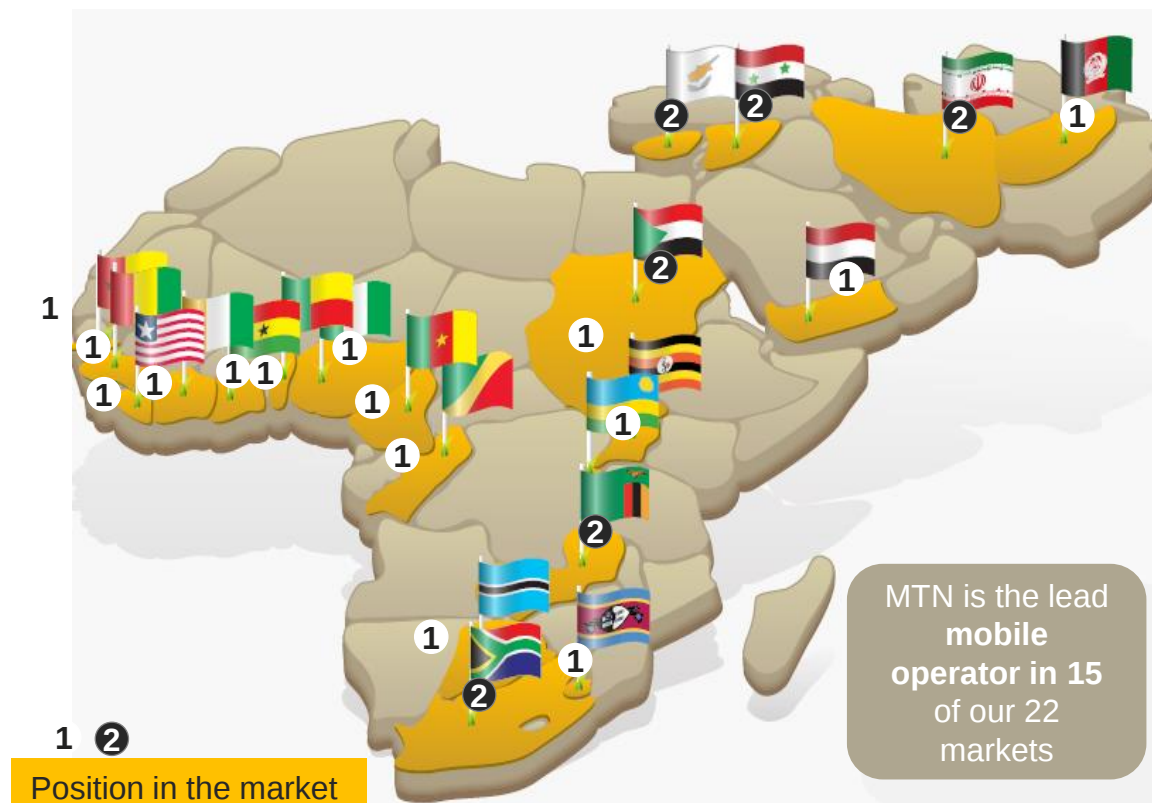


OUR VISION

To lead the delivery of a Bold new Digital World to our customers

OUR MISSION

To make our customers' lives a whole lot brighter



- Born at the dawn of democracy in 1994
- Proudly South African
- Guided by strong South African values
- 230 million customers (over 29m in SA)
- 25 countries
- Listed on the JSE

Economic transformation (SMME spend)

- MTN is one of the most empowered organizations
- Currently Level 4 BBBEE Status
- R7.2bn spent with 51% BO Entities (Over 3 Years)
- R12.7bn spent with 30% BWO entities (Over 3 Years)
- R3.3bn spent with SMME's (Over 3 Years)

PREFERENTIAL PROCUREMENT SPEND	2014		2015		2016	
	Spend	# Vendors	Spend	# Vendors	Spend	# Vendors
Black owned vendors (BO) >51%	> R 2.2 bn	131	> R 2.0 bn	94	> R 3.0 bn	107
Black women owned vendors (BWO) > 30%	> R 1.1 bn	59	> R 3.5 bn	44	> R 8.1 bn	59
Exempted micro enterprises (EME) < R10m	> R 59 m	67	> R 148 m	42	> R 286 m	51
Qualifying small enterprises (QSE) < R50m	> R 816 m	112	> R 1.0 bn	120	> R 1.0 bn	104

5



Contribution to the fiscus over 3 years

- Direct Tax Contributions > **ZAR 5.0 billion**
- Indirect Tax Contributions > **ZAR 4.6 billion**



MTN SA invests in people

- Total direct employees of **4,500**
- Employee earnings of **ZAR 2,1bn**
- Graduate and learnership programme with **175 incumbents employed**
- Learnership Development spend of **ZAR 3.4m**
- Overall employee development investments is **ZAR 72m**
- Employment of over **1,000 youth within the next 12 months – 24 months**
- Study assistance to employees with disabilities

**MTN's response to reduce
the cost to communicate**

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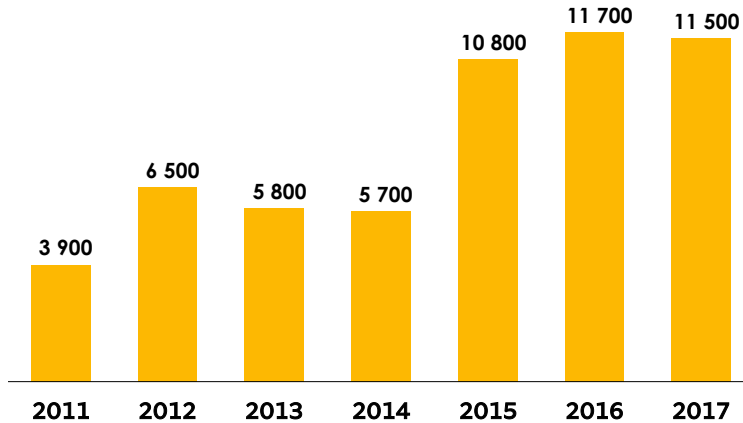


Challenges in the operating environment



We have been investing on average 28% of sales annually in capex over the past three years, >R11bn

Capex Investment (R'm)



Ever increasing cost due to spectrum constraints

- Faced with capacity constraints, a mobile network operator can deploy:
 - new spectrum
 - or build new sites
- Built over 2,300 sites in 2017 and 2016
- At least 60% of these sites are built to alleviate capacity constraints and in-built coverage requirements.
- MTN continues to invest heavily in infrastructure, despite spectrum constraints, policy uncertainty, increasing operating costs and a slowing economy.

Losses due to site vandalism and theft

250% increase in generator fuel costs in 2017

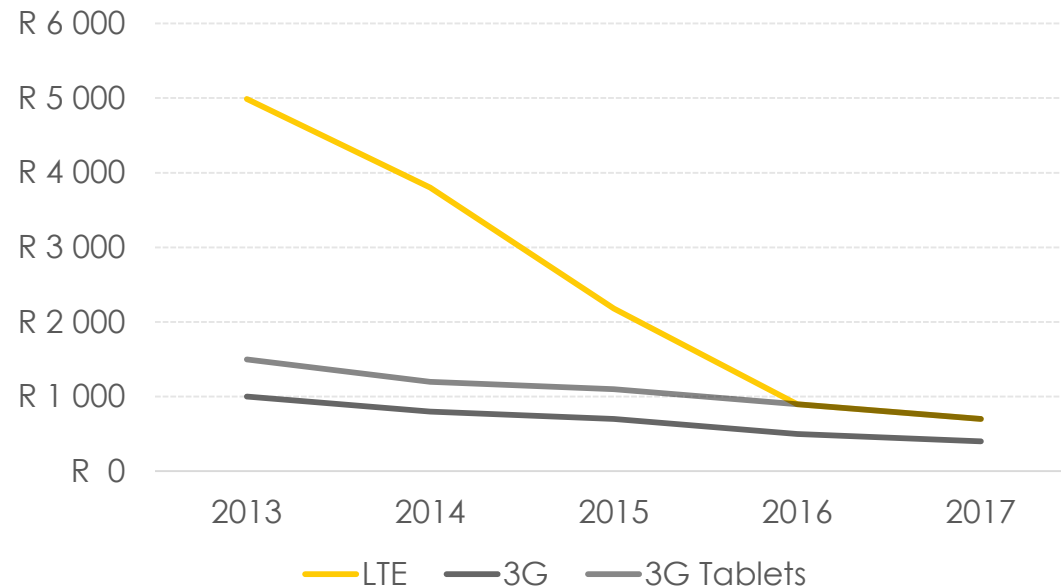
due to municipal disconnections, lack of electricity infrastructure and maintenance, as well as theft of batteries on sites.

570m spent on ad valorem duties for devices. Subsidising the cost of ad valorem.

MTN's driving affordability by reducing device costs in order to increase BB penetration and rural accessibility



Handset Pricing for Consumers



Over the past 5 years MTN has reduced the costs to consumers by an average of 66%

- Post paid packages for LTE devices start at R99 per month
- 3G Devices are now available to customers at R399.00 RRP
- Entry level LTE handset at 4" screen is available to consumers R699 on prepaid package.
- Most affordable 3G tablet is available to consumers at R699 (7" tablet)
- To allow for data inclusivity we continue to provide massive subsidies on pre-paid handsets

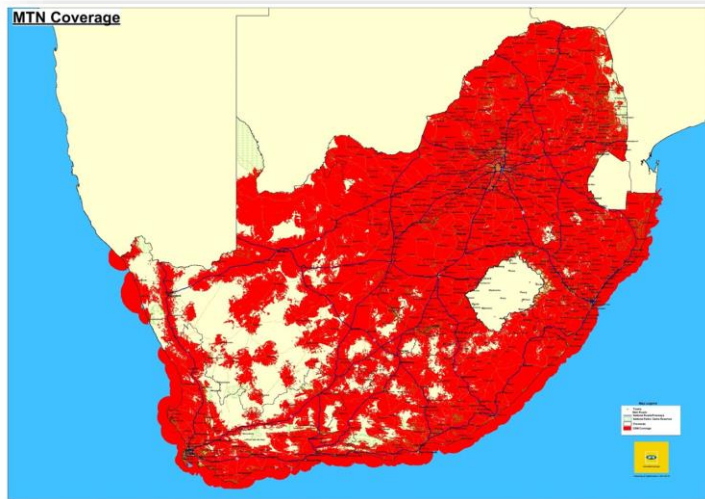
MTN continues to drive network coverage to bridge the digital divide



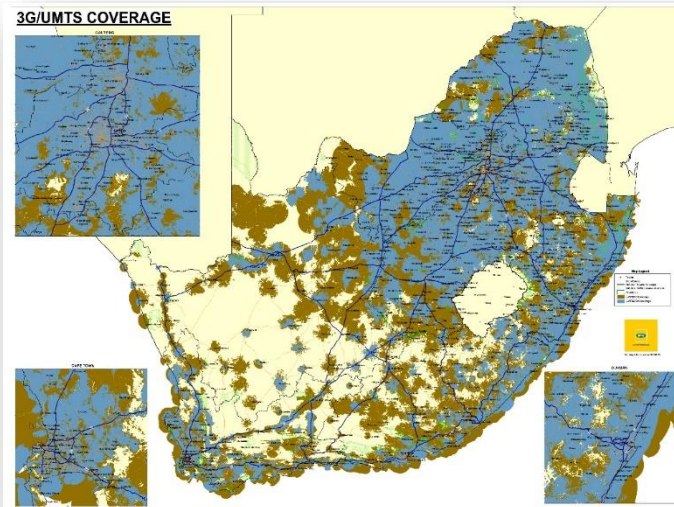
Network coverage within MTN SA

- 2G – 99%
- 3G – 98%
- 4G - >75%

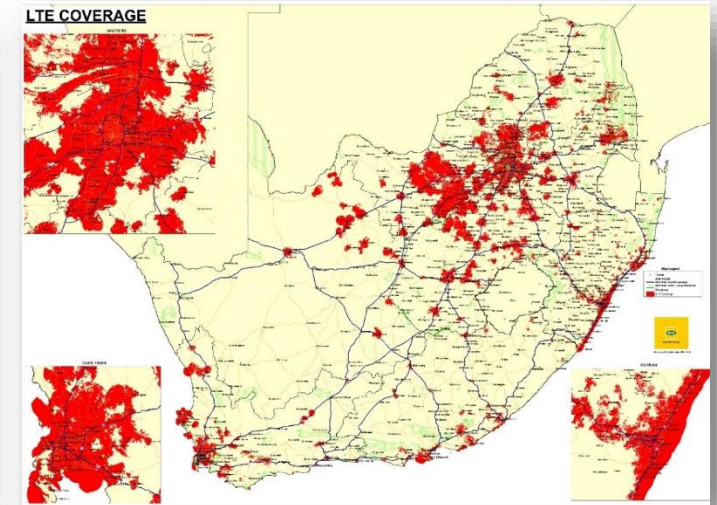
2G Coverage



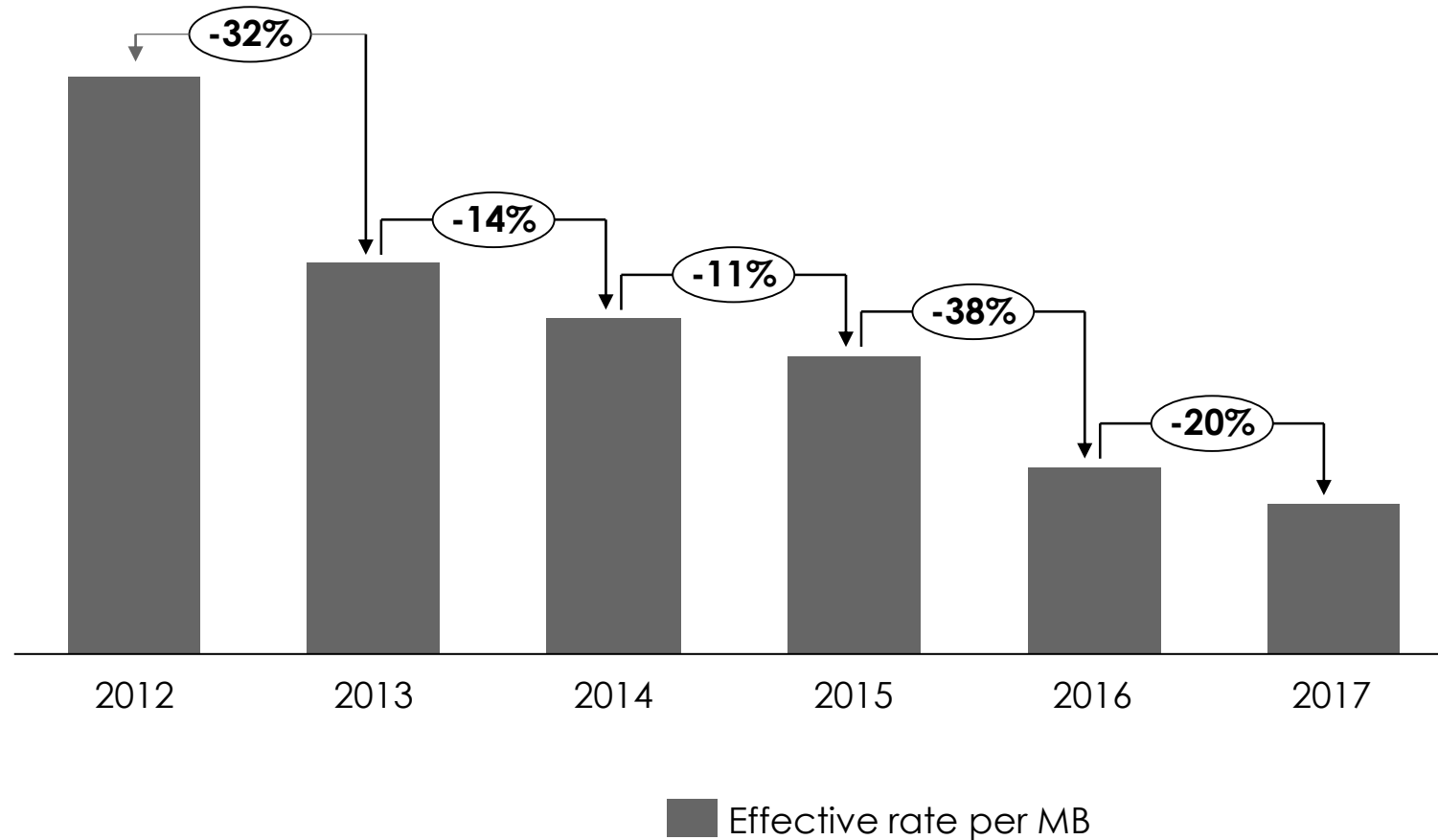
3G Coverage in urban and rural areas



75% LTE Coverage in urban and rural areas, continuous roll out over the next few years



Effective rate of data decreased by over time. 58% decrease in 2 years



Measures to Reduce Cost to Communicate



On 1 December 2017 MTN further reduced Out of Bundle data pricing by up to 70%

New post-paid strategy Made 4 Me	• Out-of-bundle (“OOB”) rates at low as R0.50 • Additional bolt on data bundles to prevent OOB spend • Top up option to eliminate OOB
Promotions add extra value	• Double your data promotion • 50% and 25% data promotion • 2 for one deals
Reduction of OOB	• Target 5 million most vulnerable customers who qualify of R0.29 per mb • Customers can opt into R0.60 per mb
Usage notifications introduced	• Customers are notified of usage at intervals
Usage limits introduced	• Customers can set usage limits to prevent OOB and manage bill
Recurring bundles	• Monthly recurring bundles keep prepaid customers in bundle • Carry over is extended when a new bundle is loaded

Corporate Social Investments

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MTN Universal Service Obligations



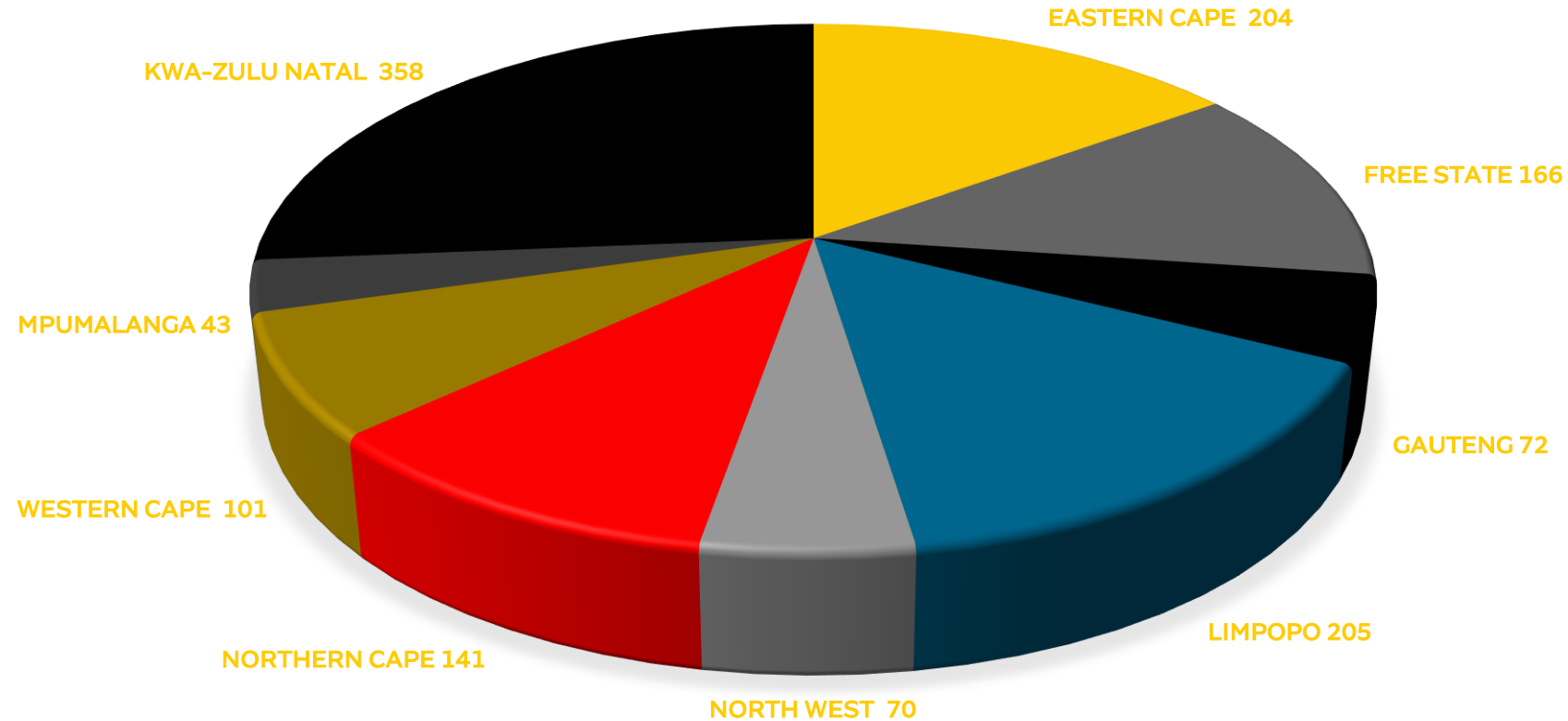
MTN has rolled out ICT computing equipment to **1360 mainstream public schools**

The Solution

- mobile trolley
- 24 tablets
- 2 teacher laptops (1 admin)
- Smartboard
- Projector
- Wi-Fi
- Connectivity (e-rate)
- Printer (1 admin)

Currently rolling out 140 special needs schools

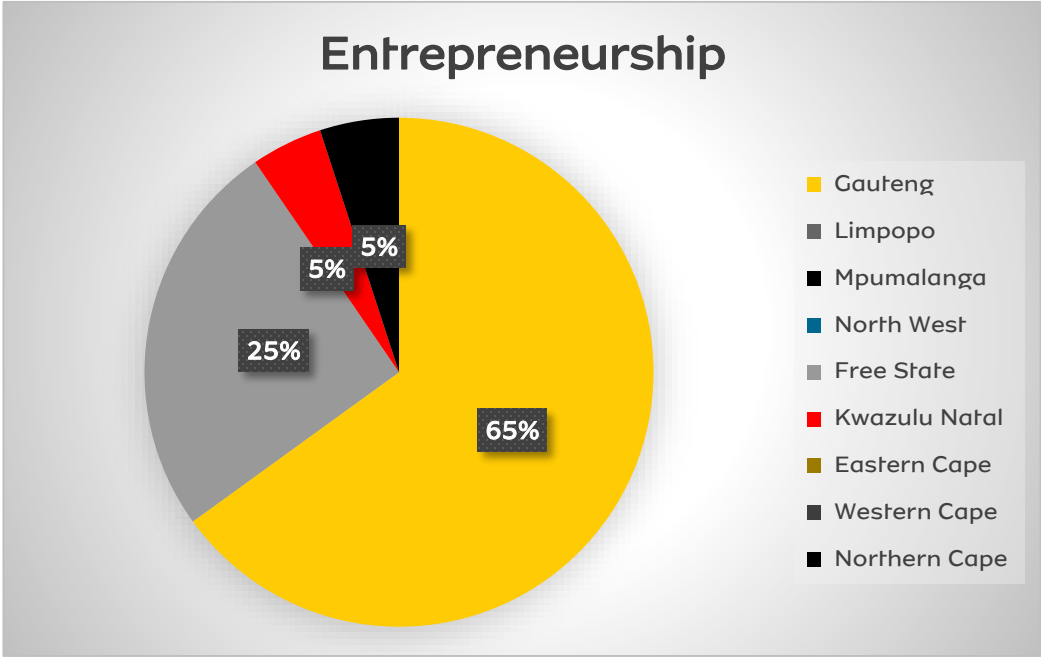
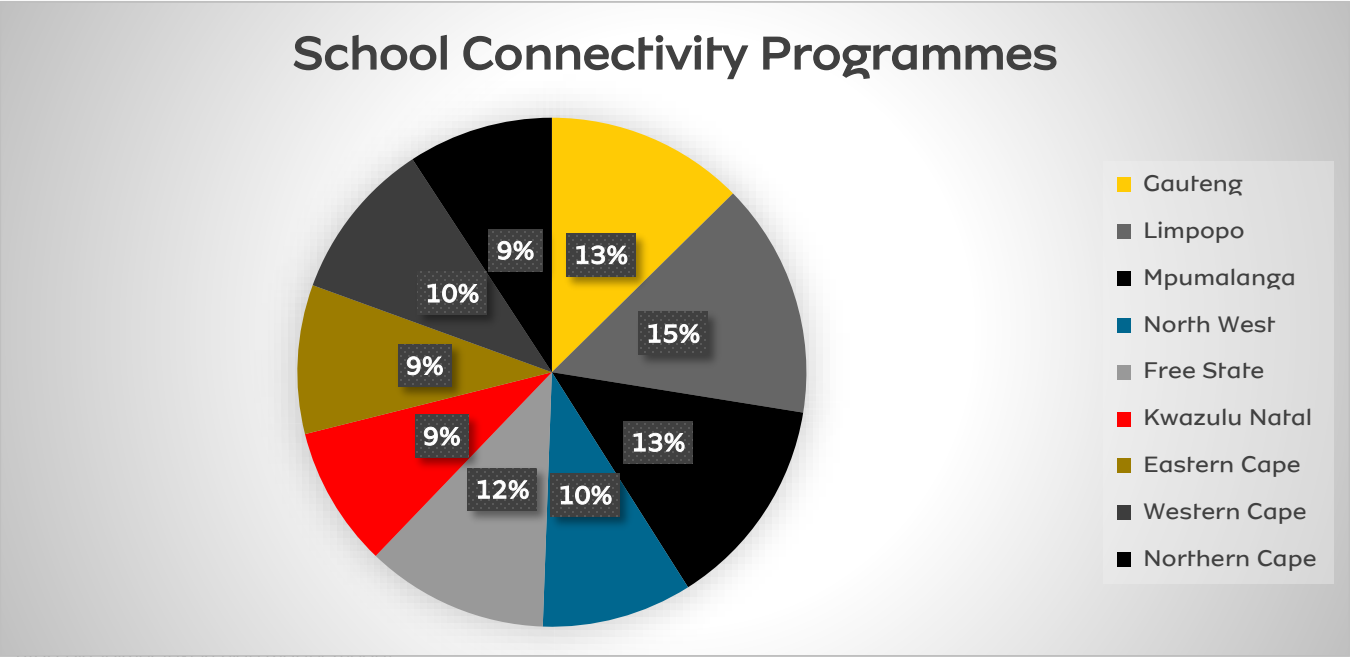
TOTAL INSTALLATIONS PER REGION



MTN Foundation Investment



R300 million Rand invested in education and entrepreneurship programmes



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Conclusion and Asks

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Conclusion



Access to affordable communication services is crucial for South African and the economy and as MTN South Africa.

- **Investment in World Class ICT Infrastructure and Digitisation of the economy**
- **Committed to elimination of the digital divide and provision of universal access**
- **Prepare South Africa towards the 4th industrial revolution**
- **Committed to providing affordable communications services to all sectors of society**
- **Continue to invest in social development and transformation**
- **Committed to providing employment opportunities**

Asks:

- **Certainty in the policies and operating environment**
- **Allocation of much need Spectrum to the industry players**

Thank **you**

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