



Telecommunications and Postal Services Portfolio Committee
Cost to Communicate Presentation
20 September 2016



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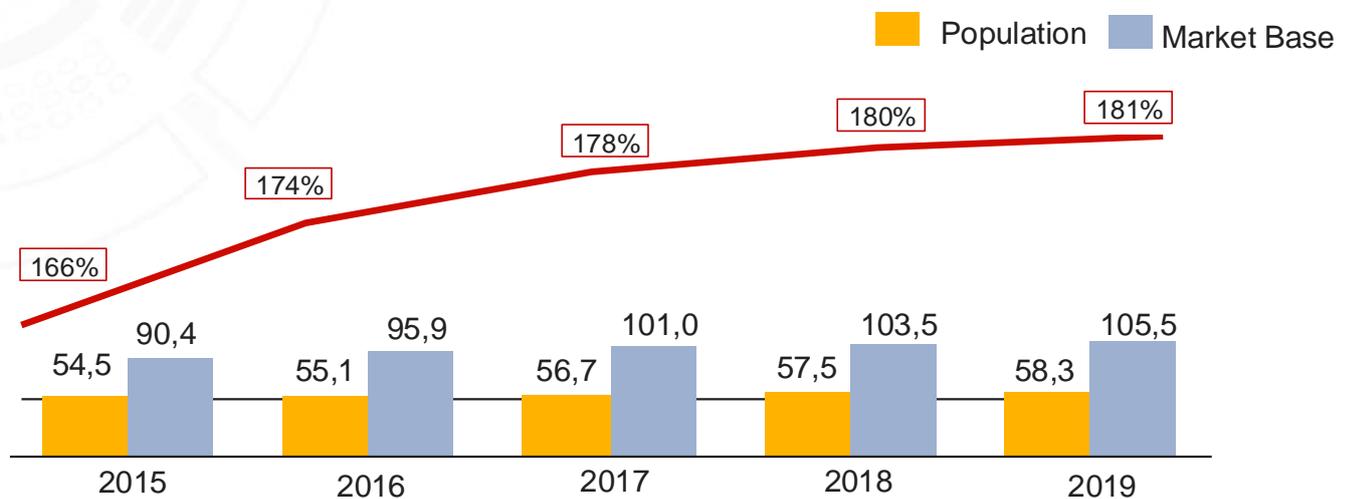
Content

1. SA Mobile Market Overview
2. MTN Business Realities
3. Mobile Pricing and Affordability
4. Conclusions

SA Mobile Market Overview -SA Telecoms Market continues to mature, reaching a 181% penetration rate



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Source: Ovum 2016

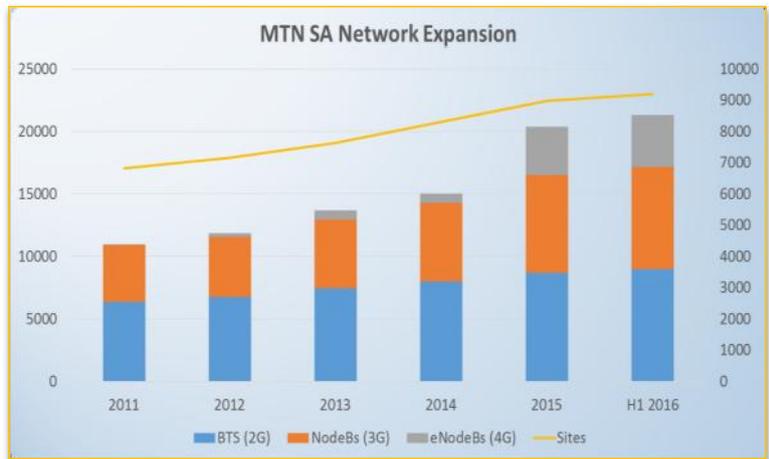
- **MTN operating in highly competitive market**
- **Aggressive price competition by operators**
- **Customer has access to wide range of competitive services**
- **Mature distribution strategy**
- **Market at a point of saturation**

MTN remains committed to investing in its network and customer experience demonstrated by continued significant capex investments

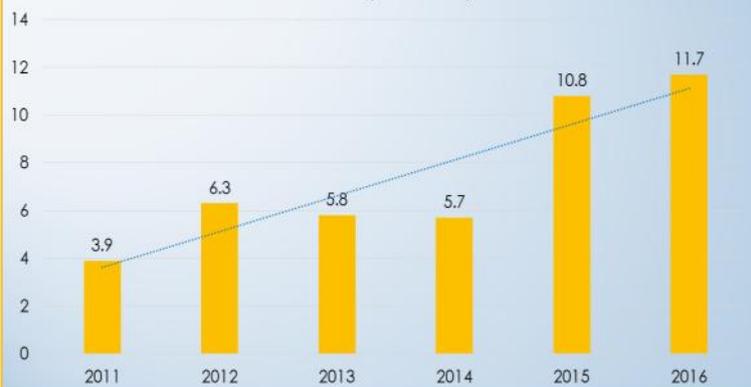


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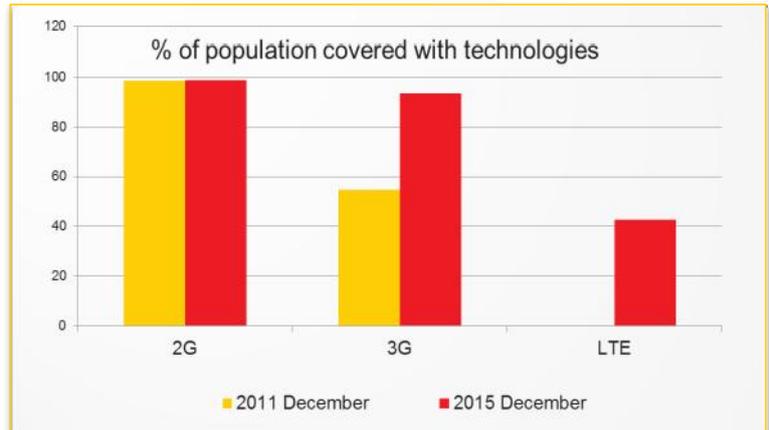
MTN continues to make substantial investment in capital infrastructure to provide coverage and throughput to the South African consumer



MTN SA Capex R bn p.a.



% of population covered with technologies

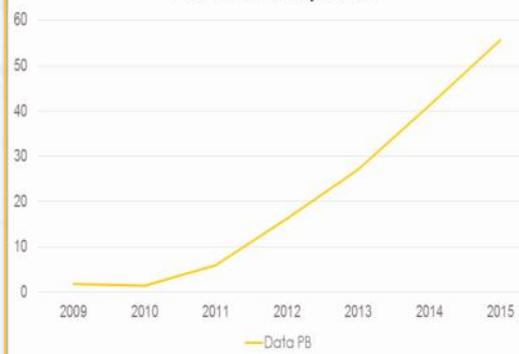


Despite the explosion of data traffic demanded, MTN faces investor pressures as a result of lower revenue growth and lower returns on assets

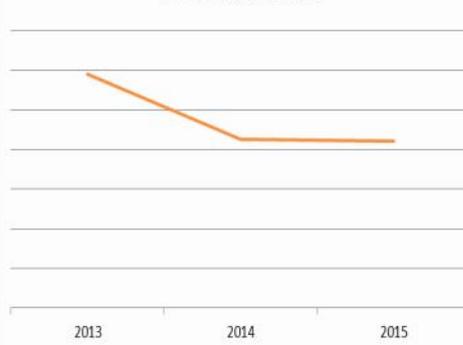


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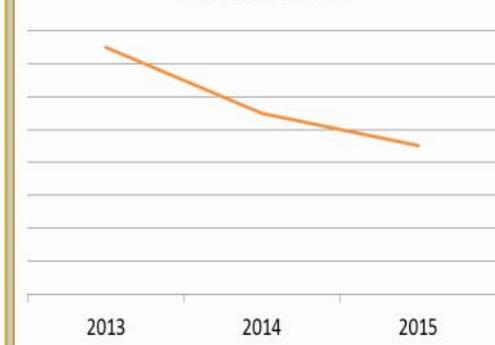
Data Traffic Explosion



Profit after Tax



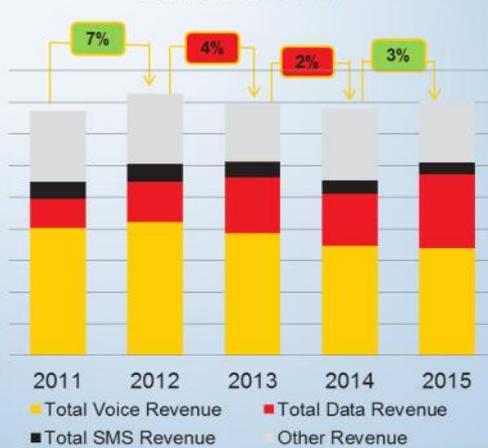
Return on Assets



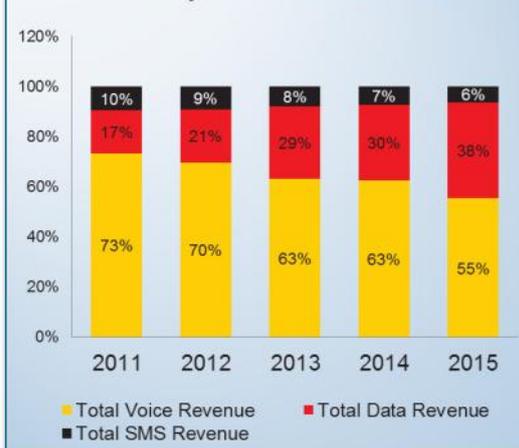
Data traffic continues to explode, and as a result of spectrum constraints **significant capital investment is required**

Voice revenues are declining substantially, but not being substituted by Data revenues.

Total Revenue



Composition of Revenue



MTN SA's Business Reality

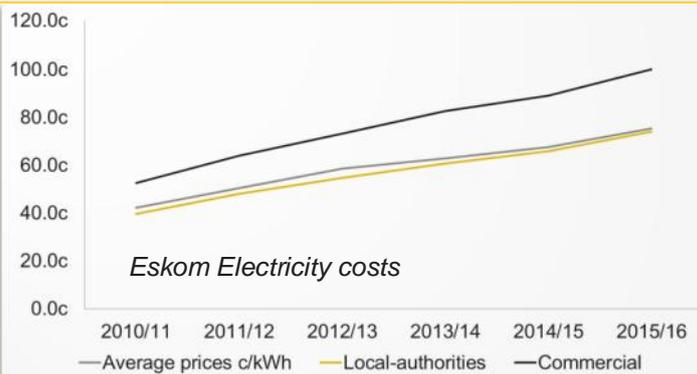
External Pressures continue to drive costs up



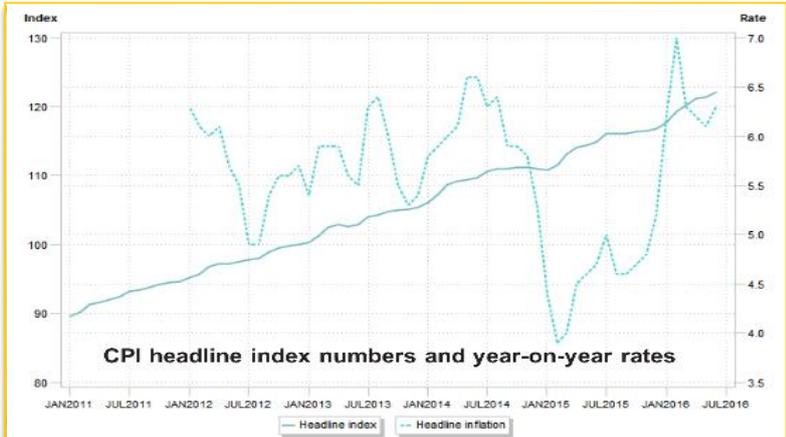
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ZAR per 1 USD

3 Aug 2011 00:00 UTC - 1 Aug 2016 12:08 UTC
USD/ZAR close: 13.88482 low: 6.72331 high: 16.88446



- Majority of MTNs network infrastructure, licences and handsets are priced in **USD**.
- Approximately **40%** of MTNs Capex Budget was eroded due to **currency volatility**
- **Electricity prices**, and **Load Shedding** resulted in an average increase of **33%** in power and fuel.
- **Rising CPI** restricts **access to credit**, hampering sales and has resulted in **substantial increases in operating expenses** including Site rentals, Staff costs, Cost of Sales and Insurance.



MTN SA's Cost Reduction Initiative

MTN has undertaken several measures to reduce costs it can control



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**Vehicle and
Fleet
Optimisation**

**Staffing and
Employee
Benefits
Optimisation**

**Commission
costs
reductions**

**General
Culture of
Cost Control**

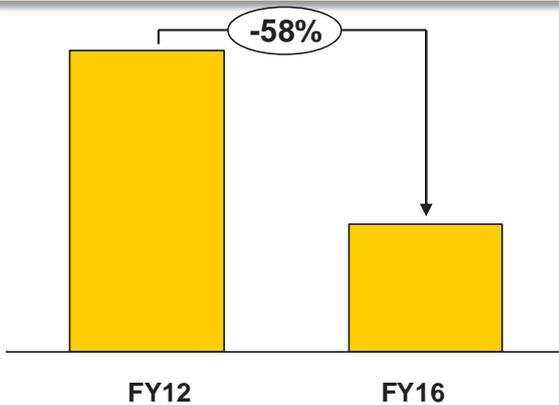
**Marketing
Spend
Reduction**

Despite the challenging economic environment MTN has decreased voice and data effective tariffs by 58% and 73% respectively in the last 5 years...

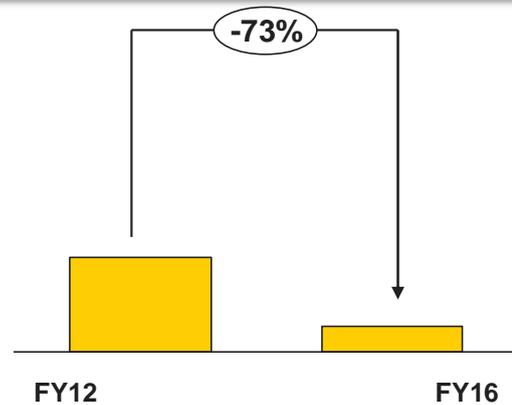


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Voice Rates Decrease by 58% since 2012 ...



Data Rates Decrease by 73% since 2012 ...



MTN View....

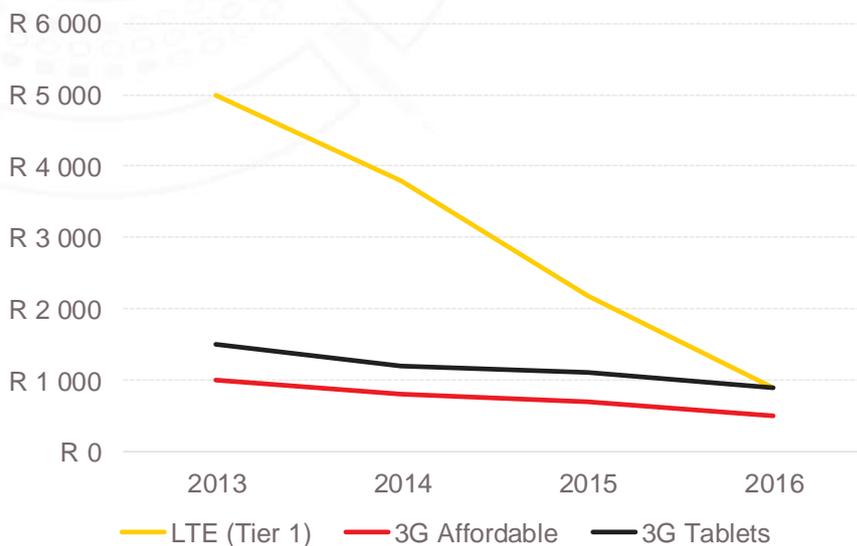
- Our voice and data tariffs have significantly decreased over the last 5 years by 58% and 73% respectively
- This is despite a 30% growth in CPI over the same period
- Lower data rates and the availability of affordable smartphones, tablets and modems has seen a significant increase in traffic on the network
- This indicates a competitive market place and demonstrates significant competitive pressure to remain relevant to the customer base

MTN's driving affordability by successfully driving down handset costs for consumers in order to increase BB penetration and rural penetration



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Handset Pricing for Consumers



- Post paid packages for LTE devices start at R99 per month
- 3G Devices are now available to customers at R499.00 RRP
- Entry level Tier 1 LTE handset at 4.5" screen is available to consumers R899 on prepaid package.
- Most affordable 3G tablet is available to consumers at R999 (7" tablet)
- To allow for data inclusivity we continue to provide massive subsidies on pre-paid handsets

Over the past 3 years MTN has reduced the costs to consumers by an average of 60%

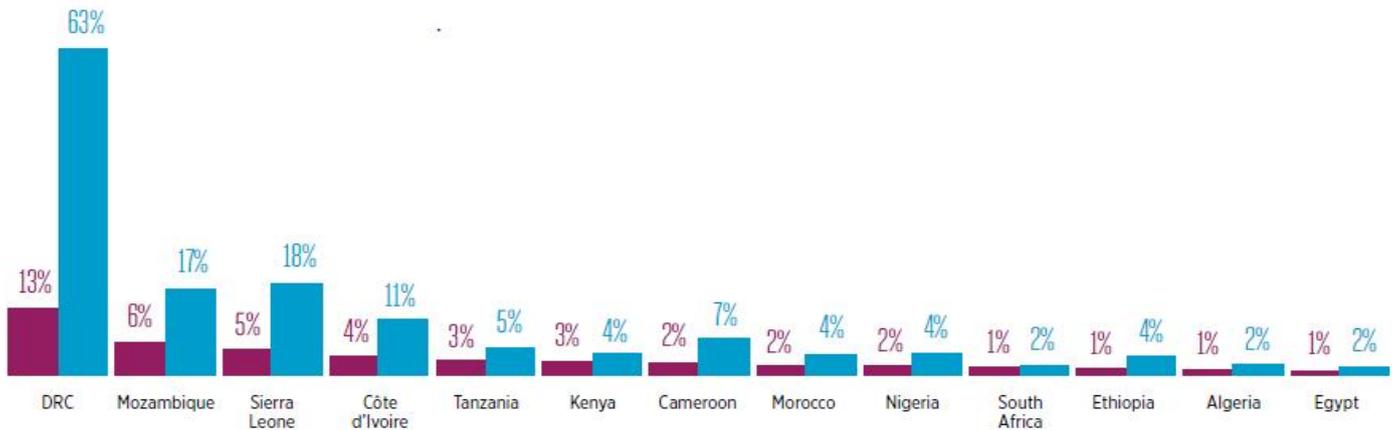
SA ranks well in an African context in respect of affordability and the cost of mobile ownership as a share of monthly income



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- The average cost of mobile ownership in Africa is 11%
- The cost of mobile ownership represents the cost of the device and the cost of mobile services (voice, SMS and data) as a share of monthly income

Cost of mobile ownership (after tax) as a share of monthly income



Mobile spend as a share of monthly income

Cost of mobile ownership as a share of monthly income

Source: GSMA Intelligence Consumer Survey 2015

Conclusions



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- MTN is committed to providing reliable cost effective telecommunication services and to bridging the digital divide.
- MTN continues to grow its investment in its network to improve quality of service and customer experience that enables a larger contribution to GDP.
- MTN will continue to invest in rural and developing areas that enables an inclusive Broadband strategy.
- Maintaining these trends will require more investment and scale and Government's support by reducing forex, CPI and power cost pressures.
- The big opportunity for SA is data, this can be addressed by Government incentivising investment and releasing the much needed spectrum.



thank you



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