



MTN SA

Tim Lowry
VP SEA Region & MD SA



Agenda



1. **Introduction** – Tim Lowry, MD
2. **Unpacking the financials** – Zunaid Bulbulia, CFO
3. **People and organisation** – Tim Lowry, MD
4. **Brand and value propositions** – Pieter Verkade, CMO
5. **Distribution and customer experience** – Brian Gouldie, CSSO
6. **Quality network and IT** – Sameer Dave, CTO
7. **Regulatory** – Zunaid Bulbulia, CFO
8. **In summary** – Tim Lowry, MD



Introduction

Tim Lowry
MD

Strategy going forward



Preparing for increase in market maturity

Opportunities

- Market still growing both in terms of subscribers and revenues
- Low residential fixed line penetration giving
 - Mobile a strong position
 - Wireless data opportunities
- Business
 - Fixed-mobile convergence
 - SME opportunity
- Class mobility

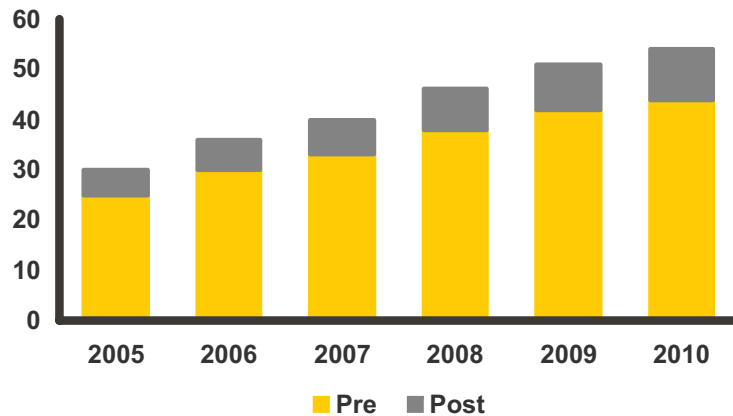
Balance between financial efficiency and market effectiveness

Total market size



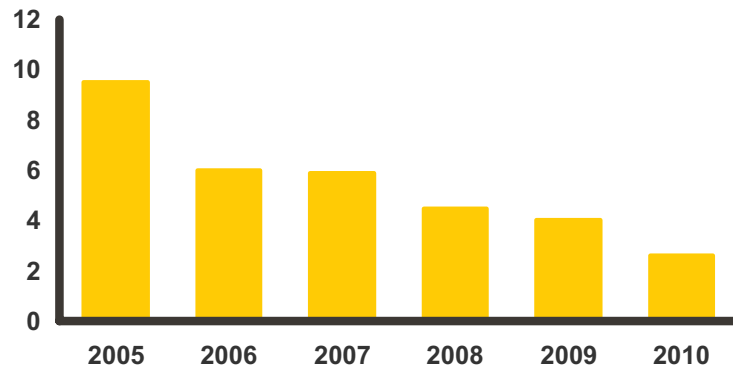
Total number of subscribers still growing

Total market (90 days active)



- Unadjusted penetration grow from 81% in 2007 to around 98% in 2012
- People penetration will increase from 56% to just under 70% in 2012

Net adds (90 days active)

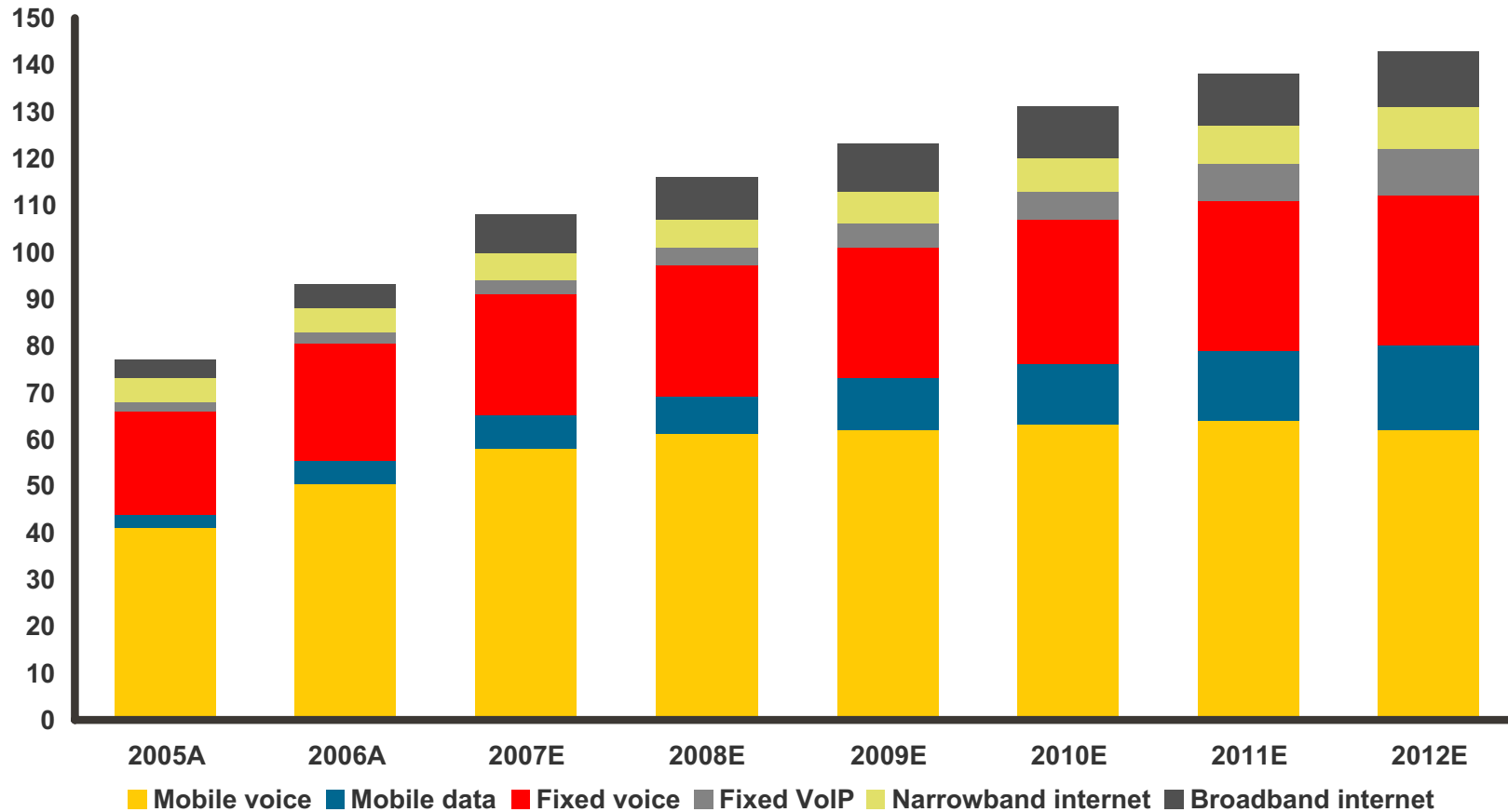


- Multiple devices (data cards, data centric vs. voice centric) account for largest increases
- Payphones, telemetry
- Multiple price plans and NWs (business vs. private)
- Illegal immigrants

Market dynamics



Fixed and mobile data to drive revenue growth (Rb)

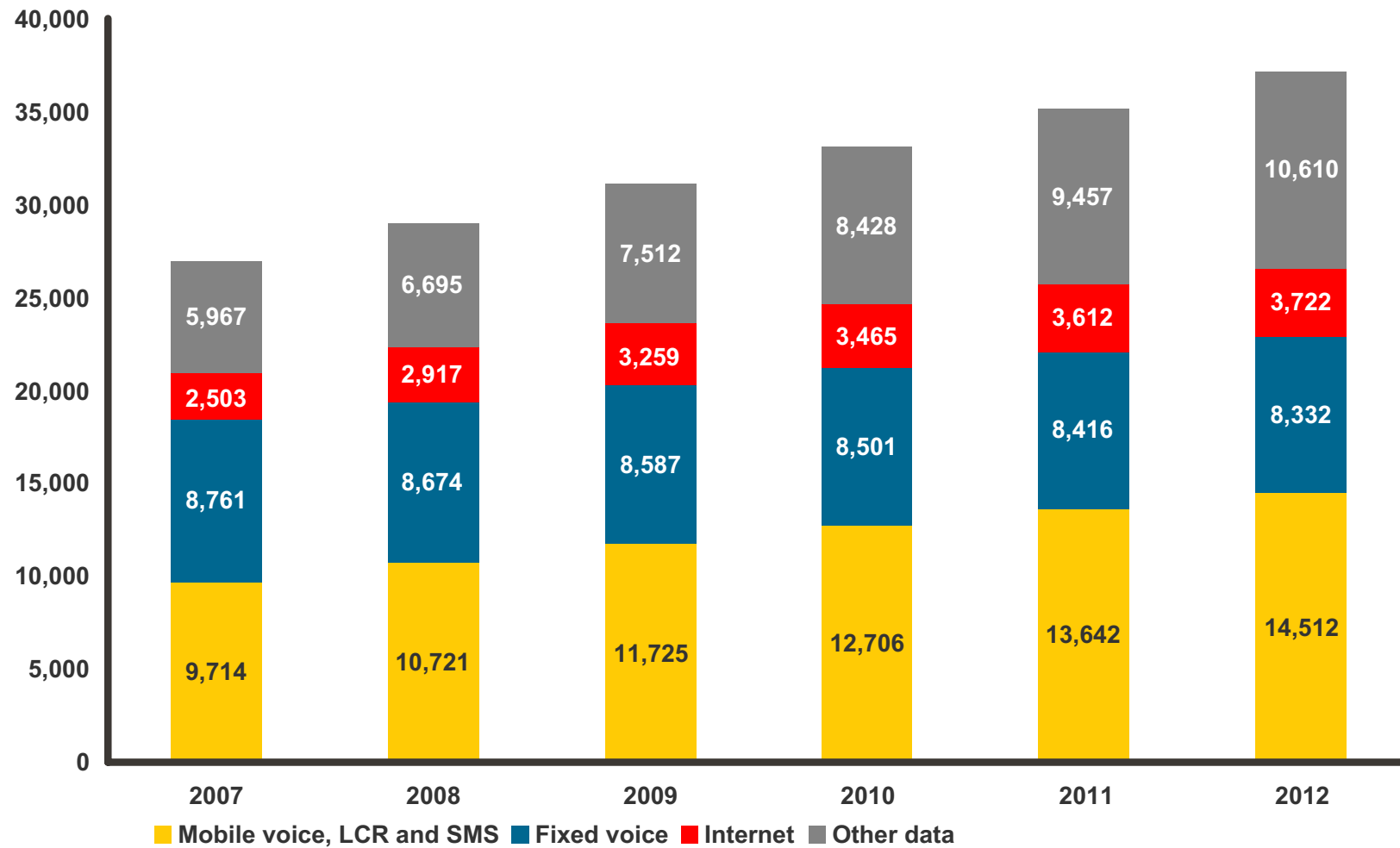


Overall telecom market set to grow by over ZAR 20 billion between 2007 and 2010

Strong growth in corporate telecom spend



Corporate telecoms spend by service type (Rm), 2007-2012

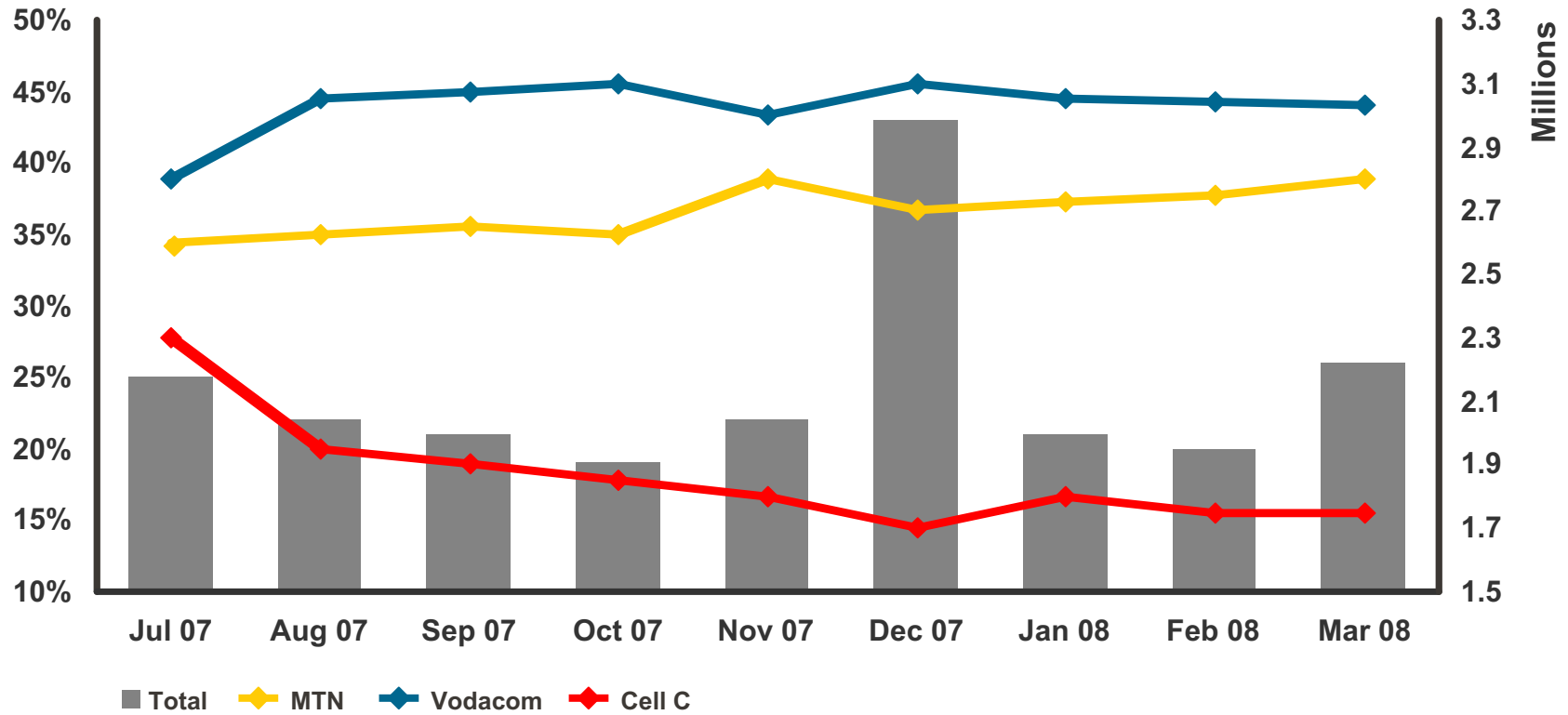


Source: BMI-T, 2007

Competitive trends



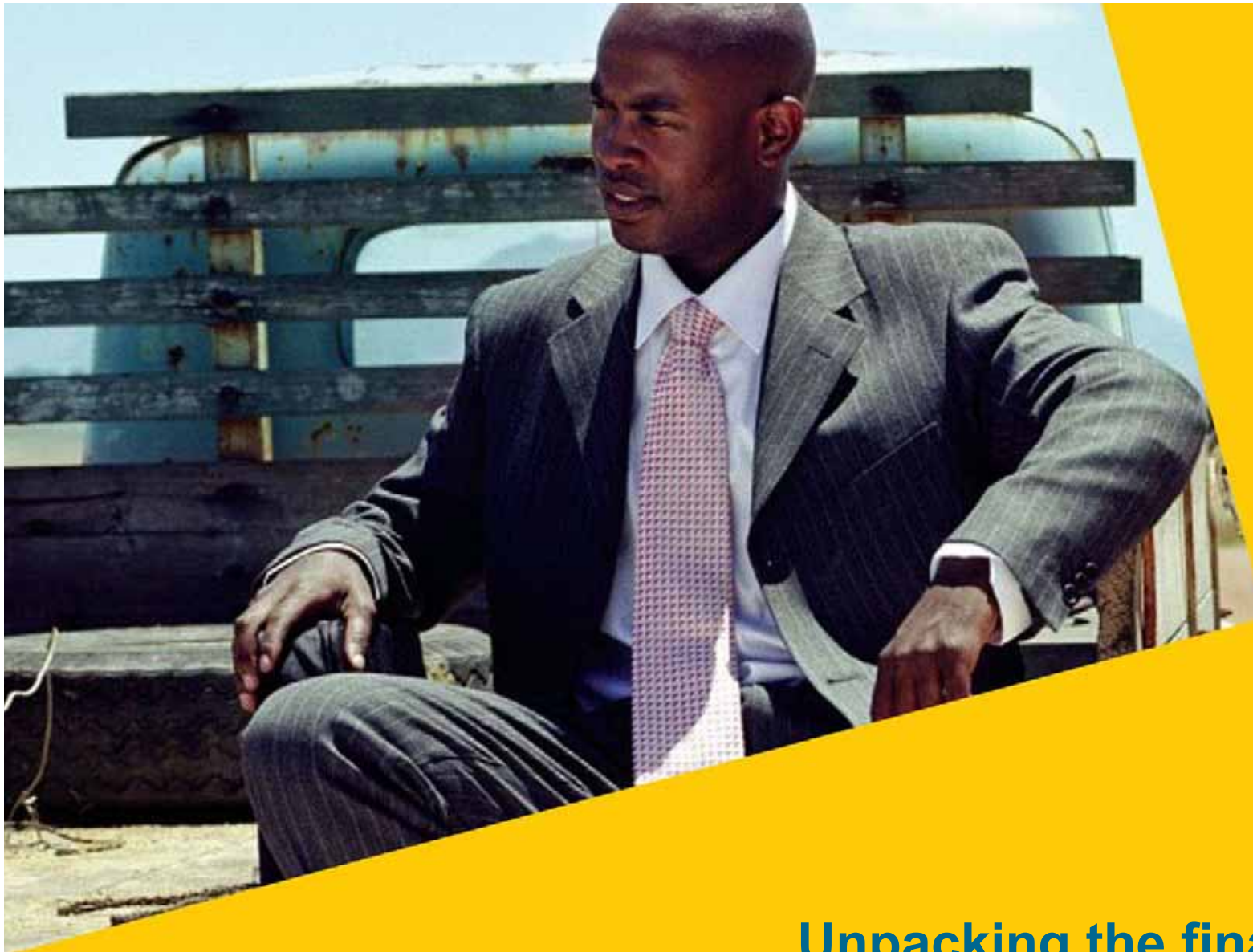
Total prepaid acquisition



- Low end value proposition driving subscriber market share
- MTN overall market share growing (unique A+B party)

Key pillars of MTN SA's strategy





Unpacking the financials

Zunaid Bulbulia
CFO

Overview



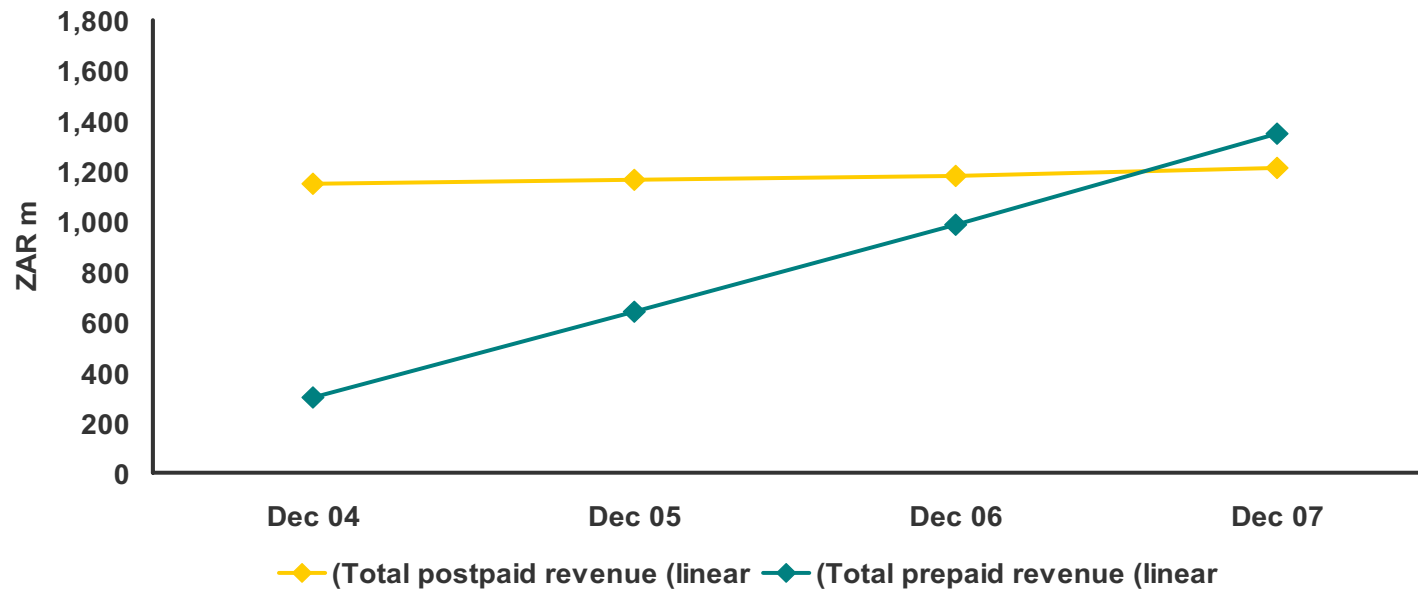
- Prepaid voice is still key revenue driver
- Data increasingly important
- Interconnect
- Current investment programme:
 - Quality network
 - Distribution
 - Customer service
- Continued strong cost control

Balance between financial efficiency and market effectiveness

Total prepaid and postpaid revenue

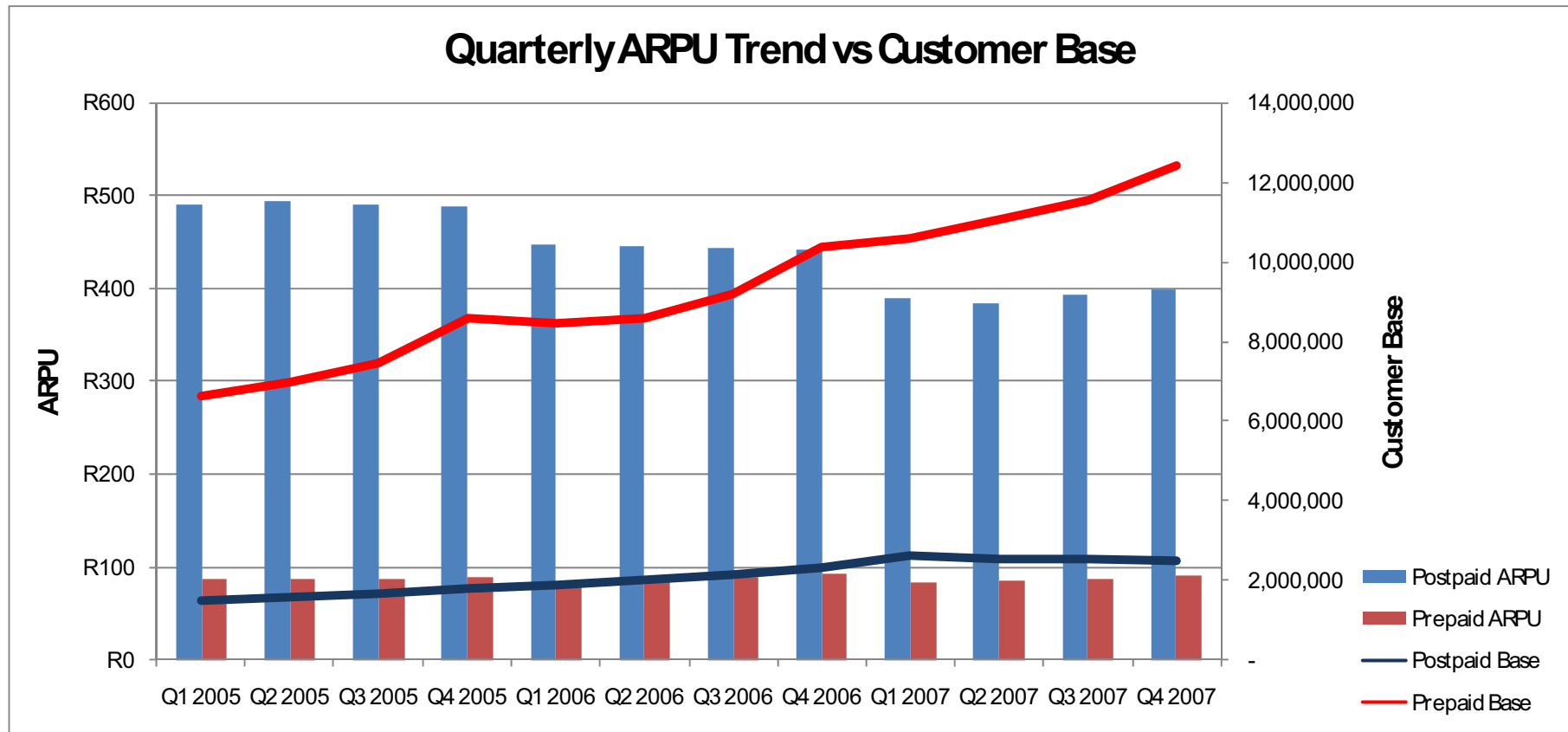


Driven by prepaid voice revenue

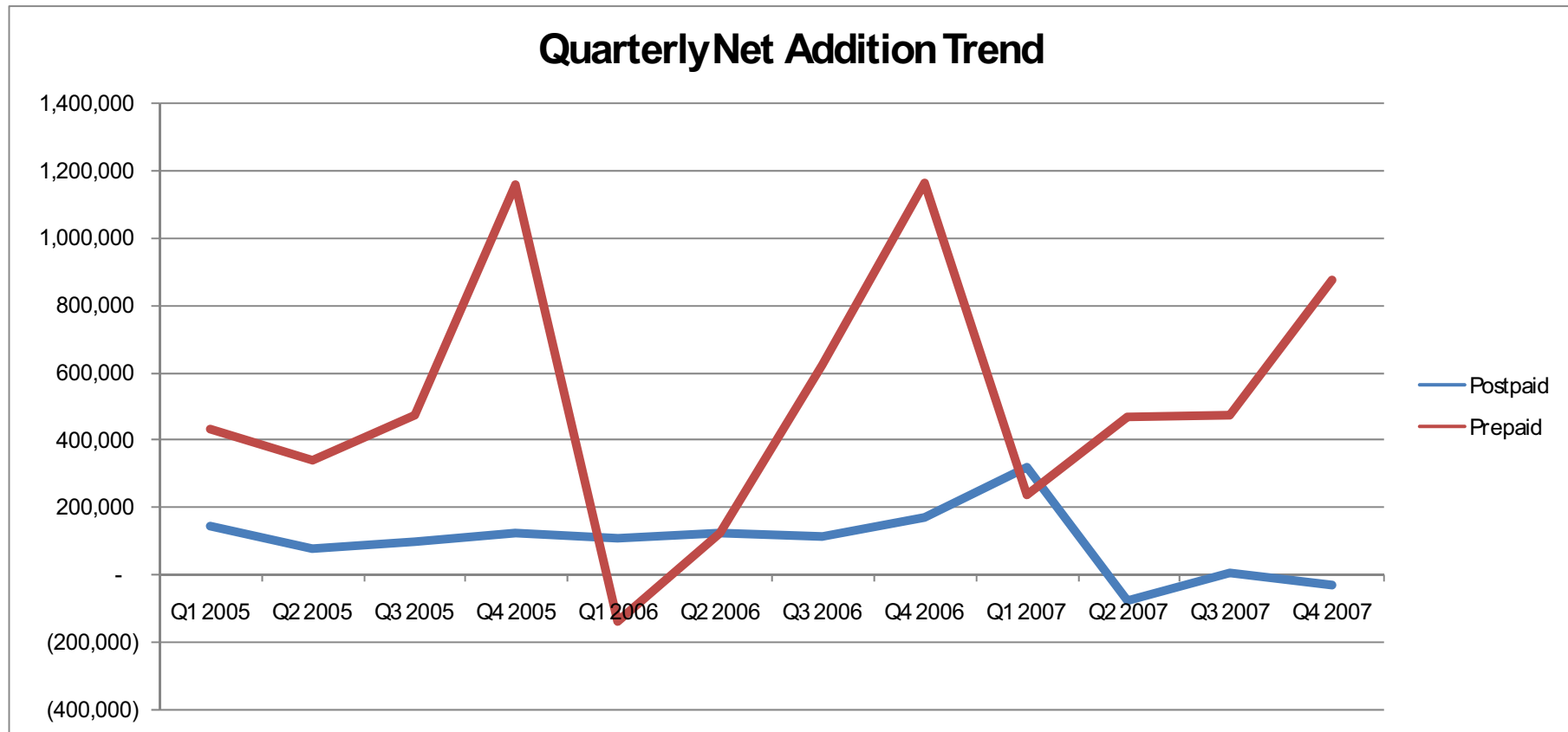


- Data contribution increasing
- Interconnect contribution decreasing

Quarterly ARPU trend vs customer base



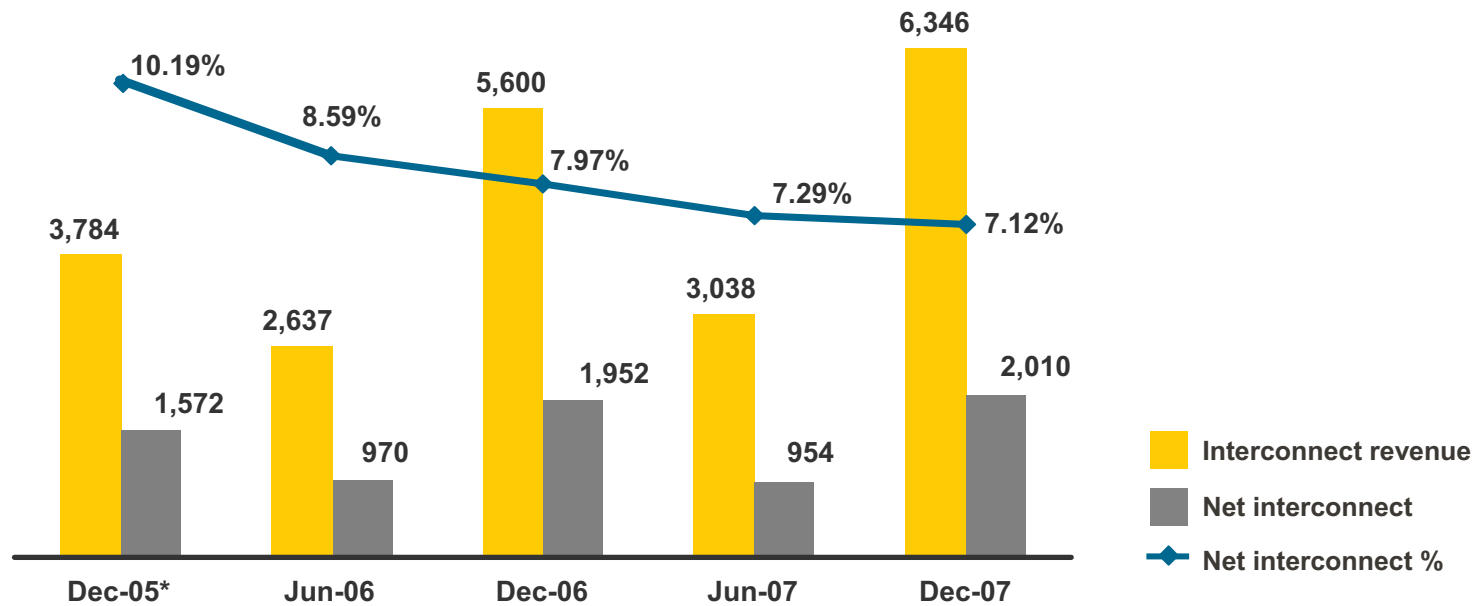
Quarterly net addition trend



Interconnect



Interconnect revenue

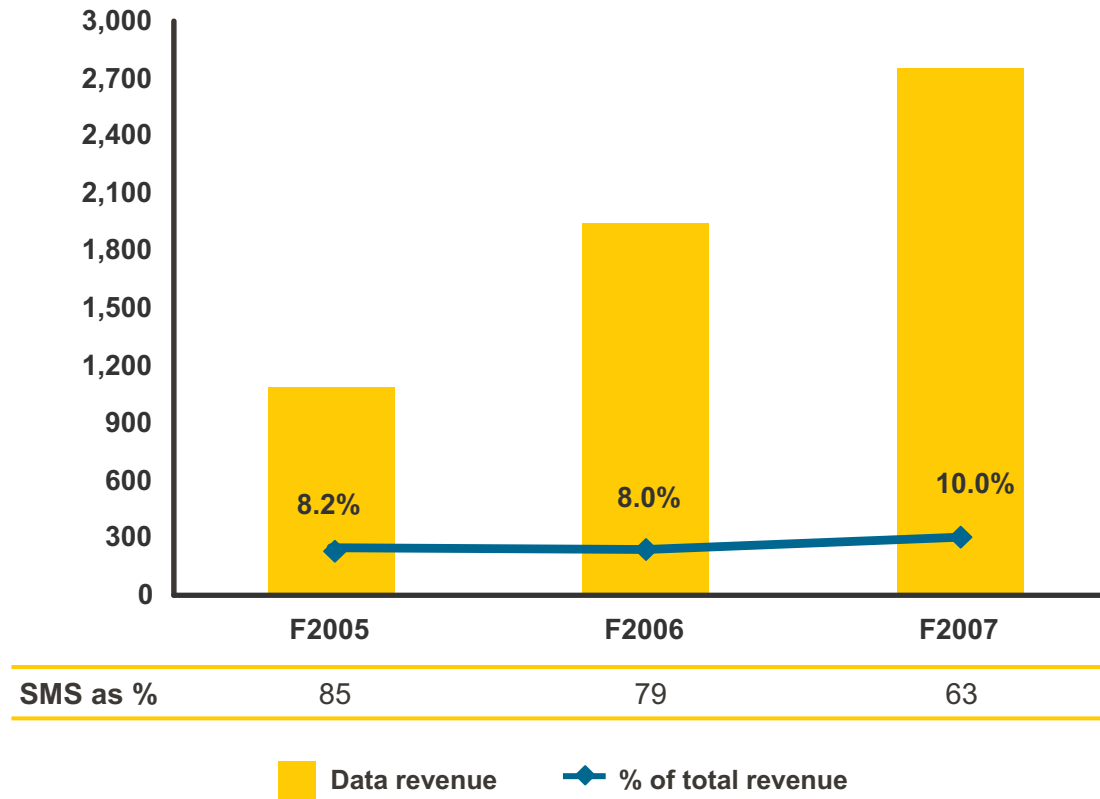


- Interconnect revenue has decreased from 25% (FY05) to 22% (FY07) of total revenue

Data

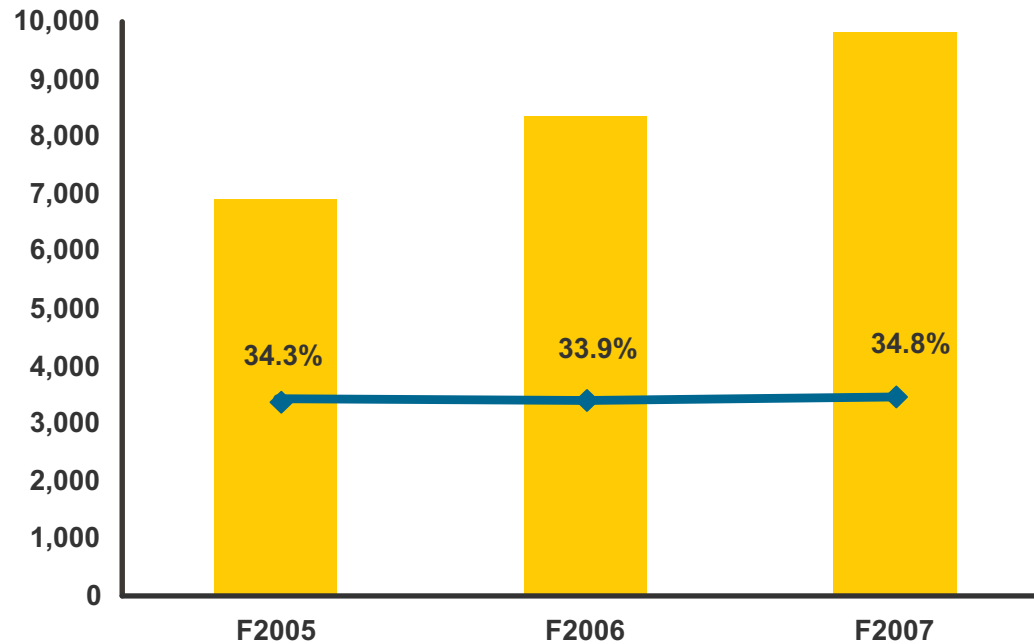


Data revenue



- 750% increase in traffic from FY06 to FY07 to 55 gigs per month
- 42% increase in revenue

EBITDA



	F2005	F2006	F2007
Transmission costs	±400	±500	±600

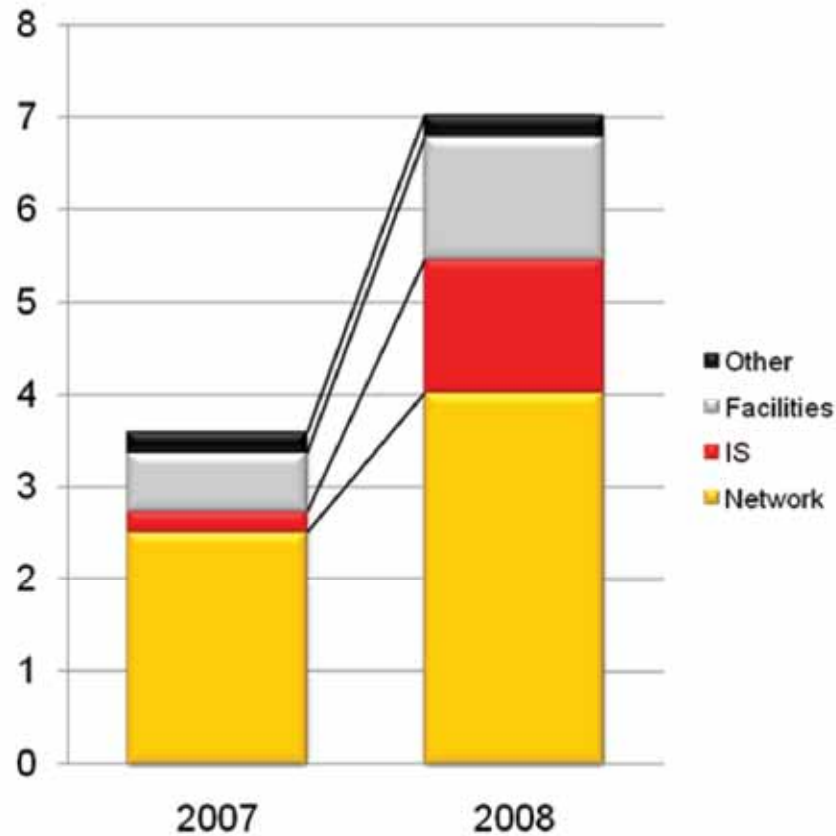
■ EBITDA ◆ % of total revenue

- Margin improvement
- Current pressures include increased investment, transmission and increasing competition

Capex analysis



CAPEX 2007 & 2008



Key focus areas

- Quality, quality and quality
- Coverage:
 - 50% more 3G sites than 2007
 - Rural 2G/EDGE
- Transmission self provisioning
- Product and service development
- Distribution and customer service



People and organisation

Tim Lowry
MD

Organisational requirements of strategy



Organisational requirements

Strong brand

- Brand driven organisation with consistent brand communications
- Brand driven value propositions

Value proposition

- Clear and actionable segmentation
- Consistent and differentiated value propositions
- Reinforced focus on SMEs

Customer driven delivery

- Consistent customer experience across all channels
- Stronger and share support platforms to deliver efficiency

Quality network

- Stronger focus on network expansion and quality
- Agile logistics and investment decision processes
- Closer interaction between network/IT

Control over distribution

- Strong MTN branded sales and distribution
- Co-ordination across sales channels to optimise profitability

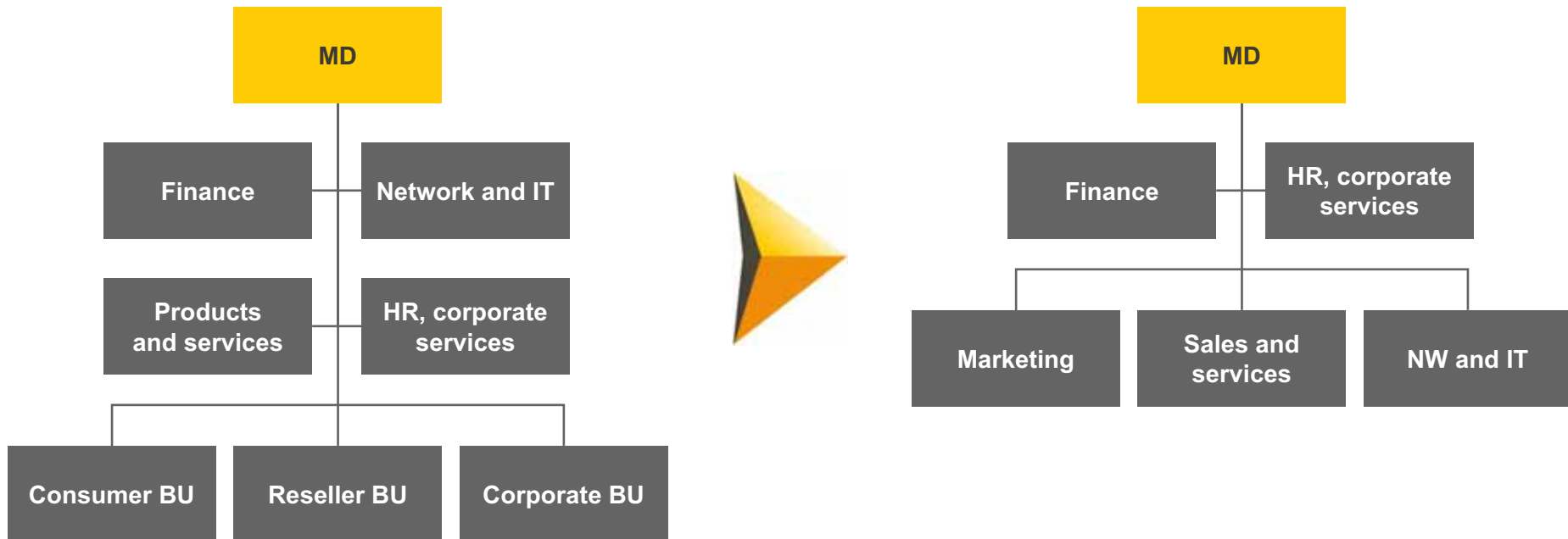
Focused people

- Clear roles and responsibilities
- Empowered and focus organisation

Efficiency and effectiveness

- Minimal layers and optimal spans of control
- Minimal duplications and overlaps

From business units to functional

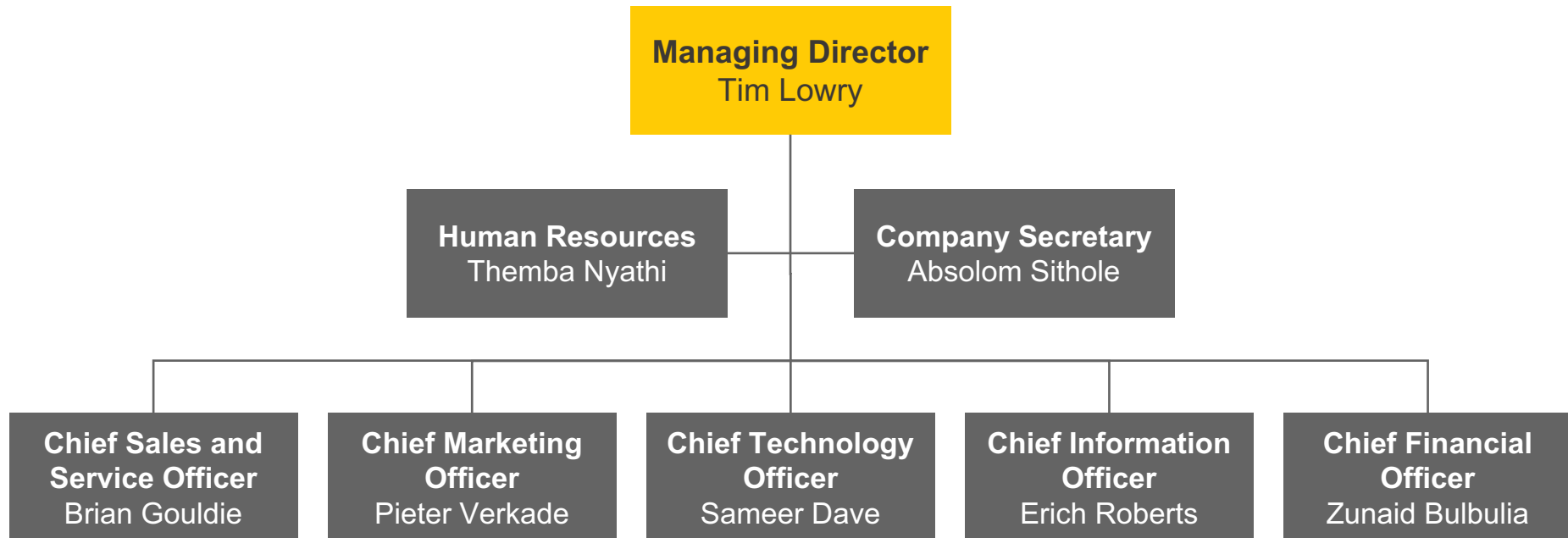


- Reduce complexity in the management process
- Quicken decision-making
- Increase business focus of the organisation
- Functional organisation provides streamlined reporting
- Maximum co-ordinated approach especially in marketing

New operational structure



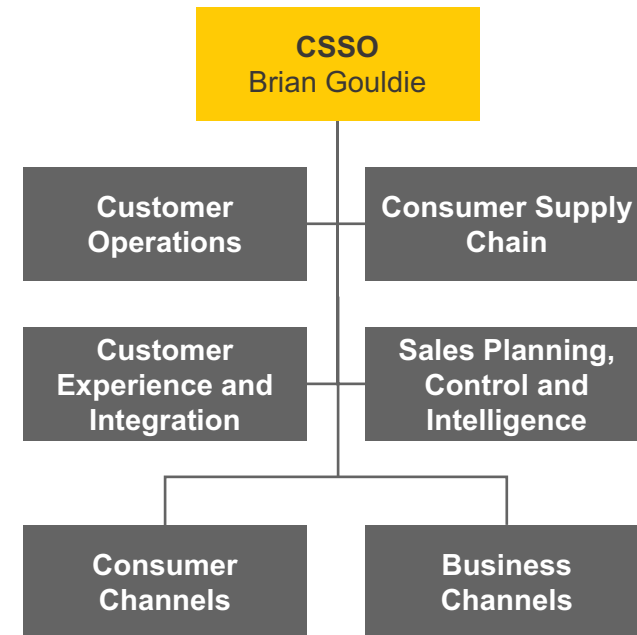
Significant organisational restructuring to enable execution of new strategy



New sales and services organisation



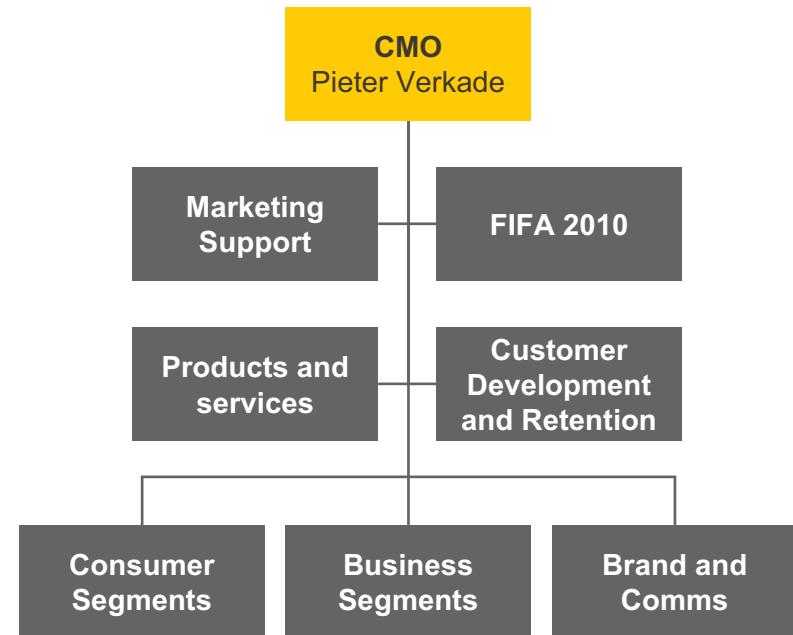
- Sales and services integrated to ensure delivery of a consistent customer experience across all customer touch points
- Consumer and business focused sales channels teams to push Marketing driven value propositions consistently and efficiently across all sales channels
- Stronger integration and customer orientation on handset management
- Integrated customer service to explore synergies with differentiated service levels aligned with value propositions
- Strategy, planning and control support function to monitor and control sales and optimise channels mix, sales performance and profitability



New marketing organisation



- Consolidation brand and communications to deliver a consistent brand
- Consumer and business focused marketing teams to design segmented and differentiating value propositions
- Market intelligence and customer insights to re-enforce MTN SA's understanding of customer trends and needs and competitive intelligence
- Products and services to co-ordinate all developments efforts across the organisation
- Specialised CRM function to create focused customer acquisition and retention programmes



Key aspects of the MTN-IBM partnership



Access to scarce skills

- IBM has a worldwide reach of skills

Share pooling of key skills

- There are some key skills which we can only afford to employ in limited numbers

Dealing with fluctuating demand

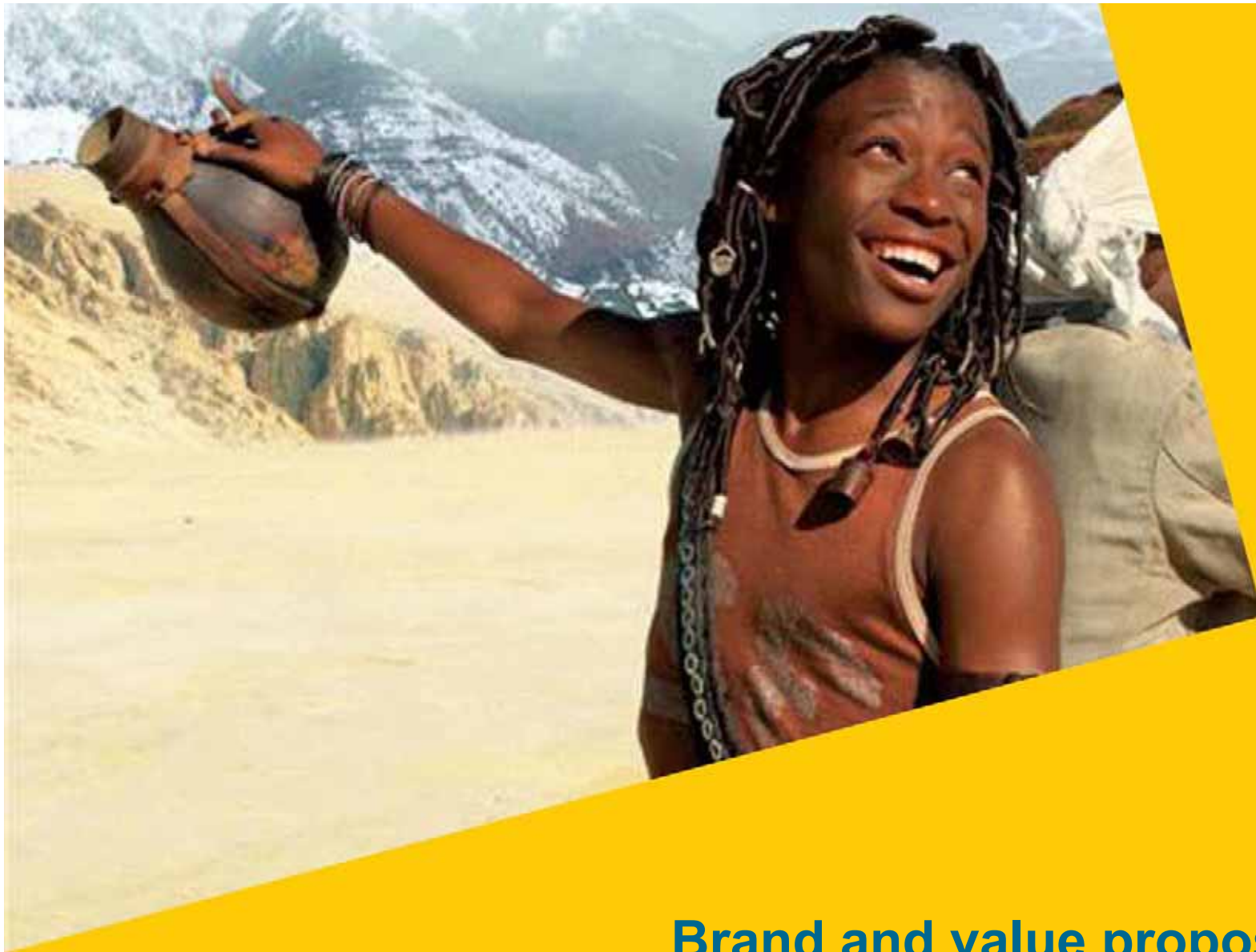
- A partner would be in a position to have a large pool of resources
- They would be in a better position to manage these peaks

Access to best IS practice

- Access to best practice or out of the box implementations is key

Management focus

- Allow management to focus on those things which could gain advantage for MTN



Brand and value propositions

Pieter Verkade
CMO

Key focus items on the brand



- **Consistency: Messages**
- **Consistency: Tone of voice**
- **Consistency: Look and feel**
- **Honour our brand values**
- **Do what we promise internally and externally**

Value propositions



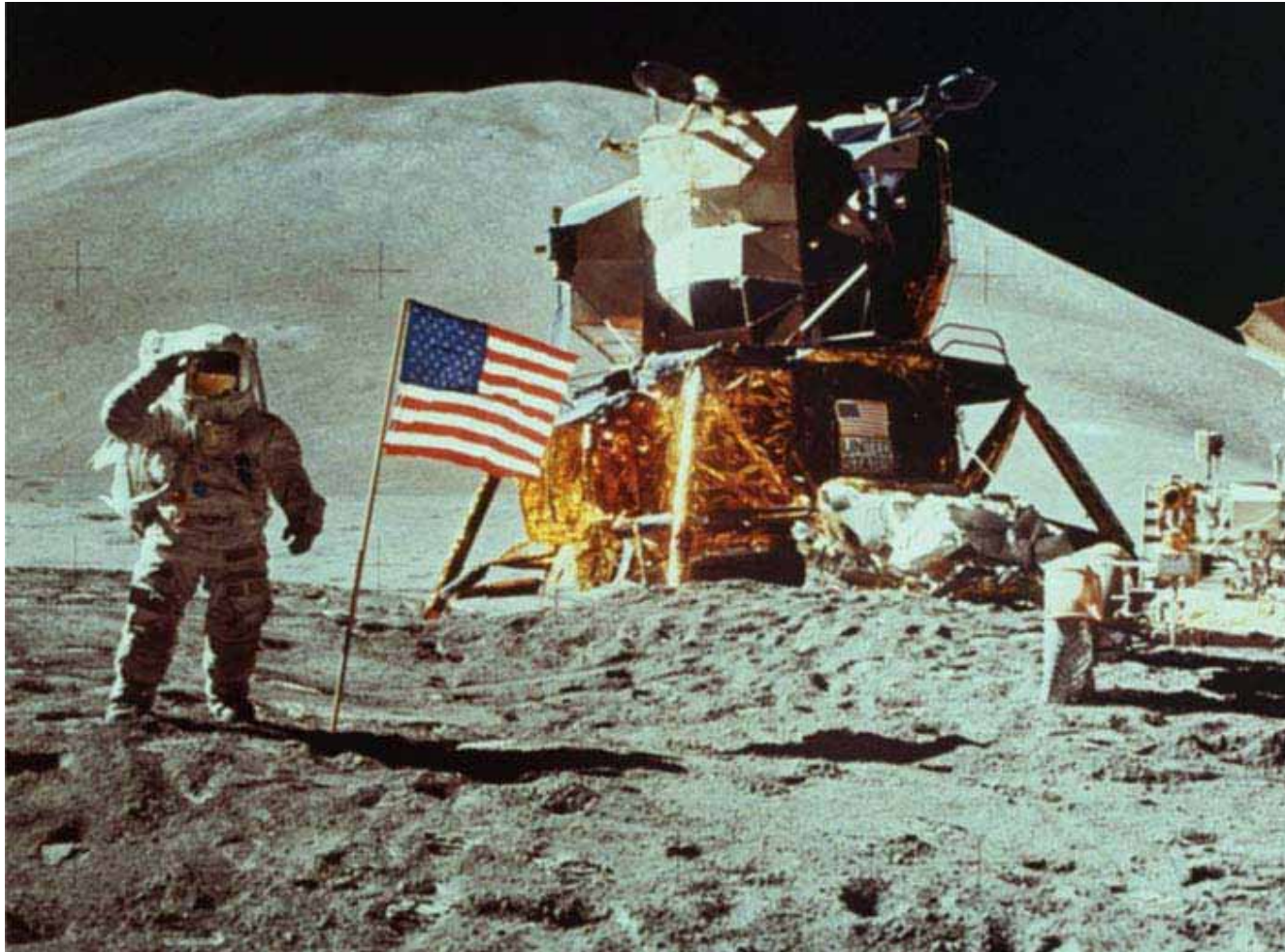
From many small things...



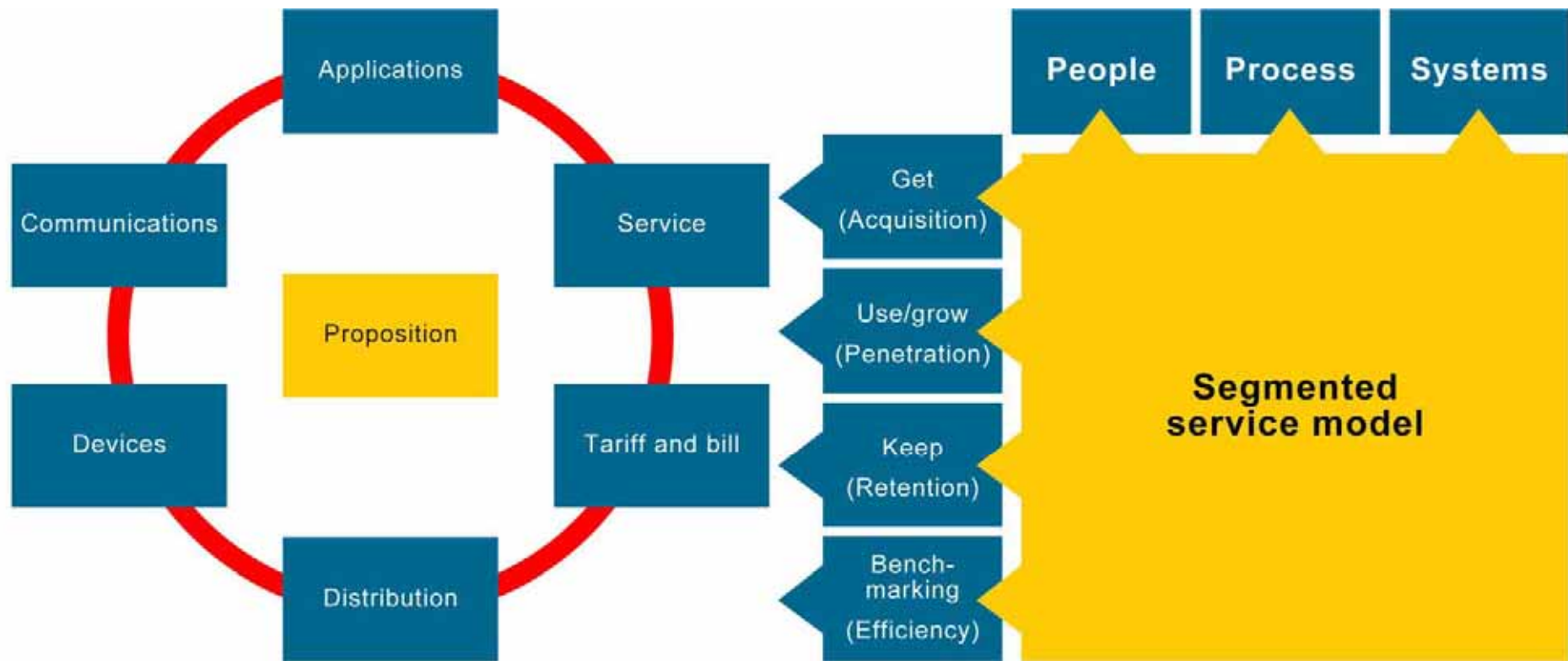
Value propositions



...to a few big ones



Value propositions



The MTN Zone price plan



Terms and Conditions apply

MTN Zone

Get up to
95% off

MTN PayasyouGo to MTN calls

GO SPREAD THE WORD



everywhere you go

MTN Zone – the results



MTN Zone customers call more

- **~400k “new” customers**
- **35% of prepaid base, 39% prepaid revenue**
- **Churn 1.2% per month**

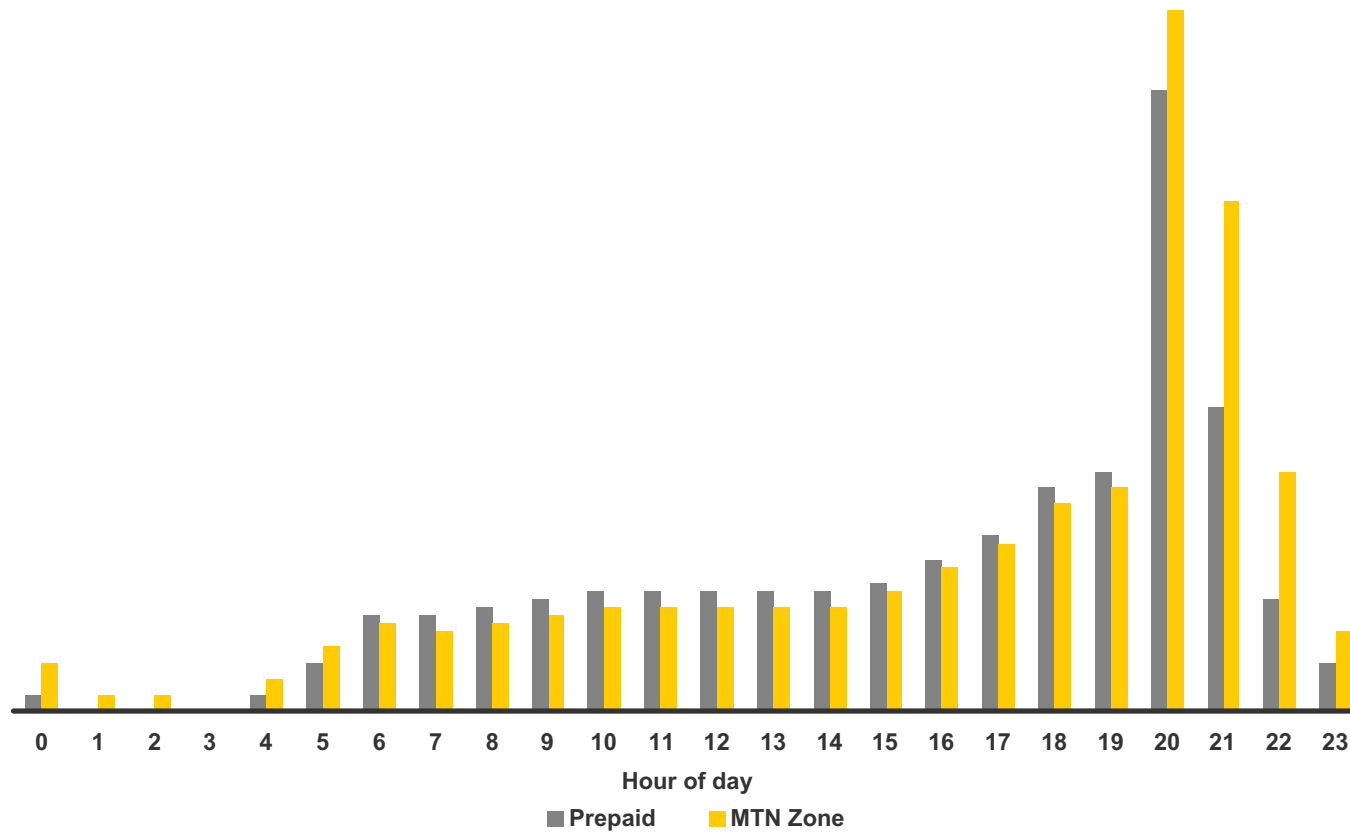
1400 town stormers



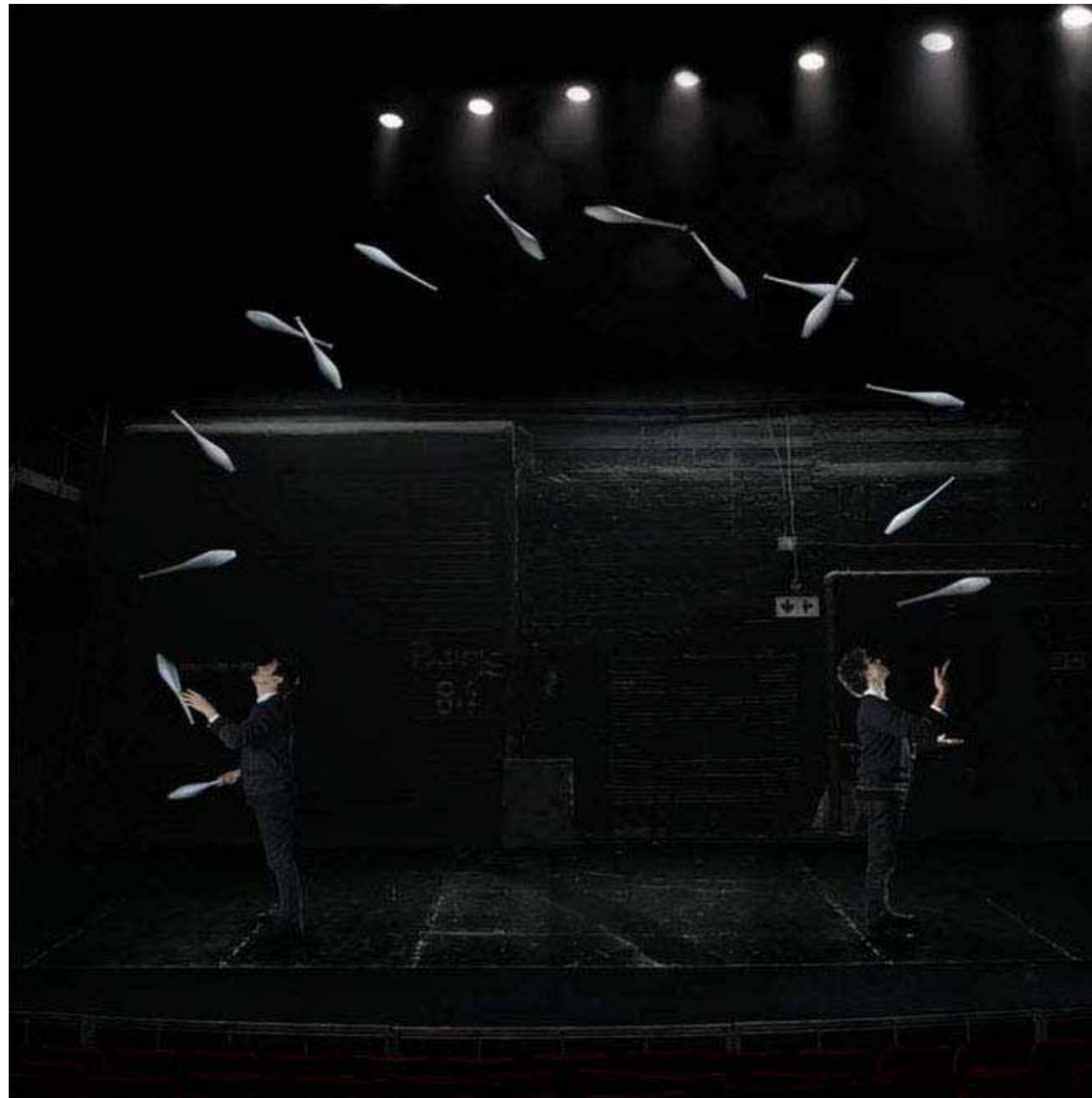
Traffic increase on net



On-net minutes



Corporate value proposition



ISP and MTN



The combination of an ISP and MTN creates a strong proposition

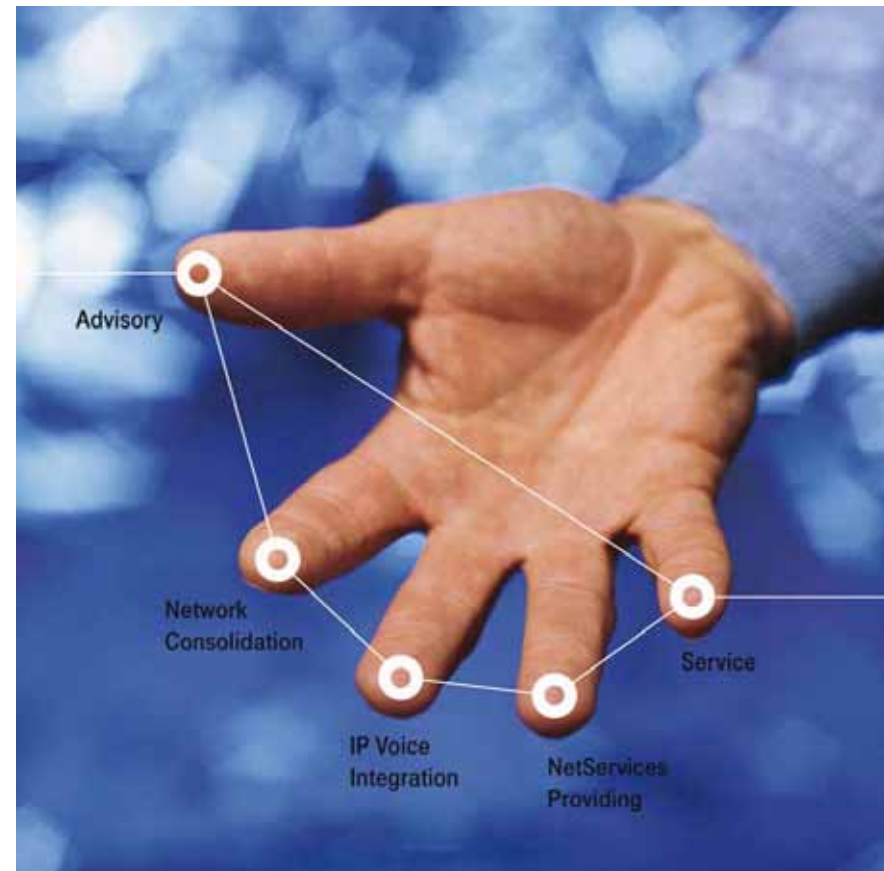
- **The transaction is in line with MTN’s stated strategy to provide integrated communications solutions in all of its markets and follows similar acquisitions by MTN subsidiaries in Nigeria, Cameroon, Cyprus and Cote d’Ivoire.**
- **Supports MTN’s strong customer focus and commitment to providing greater choice and a broad range of communication offerings beyond its strong mobile services.**

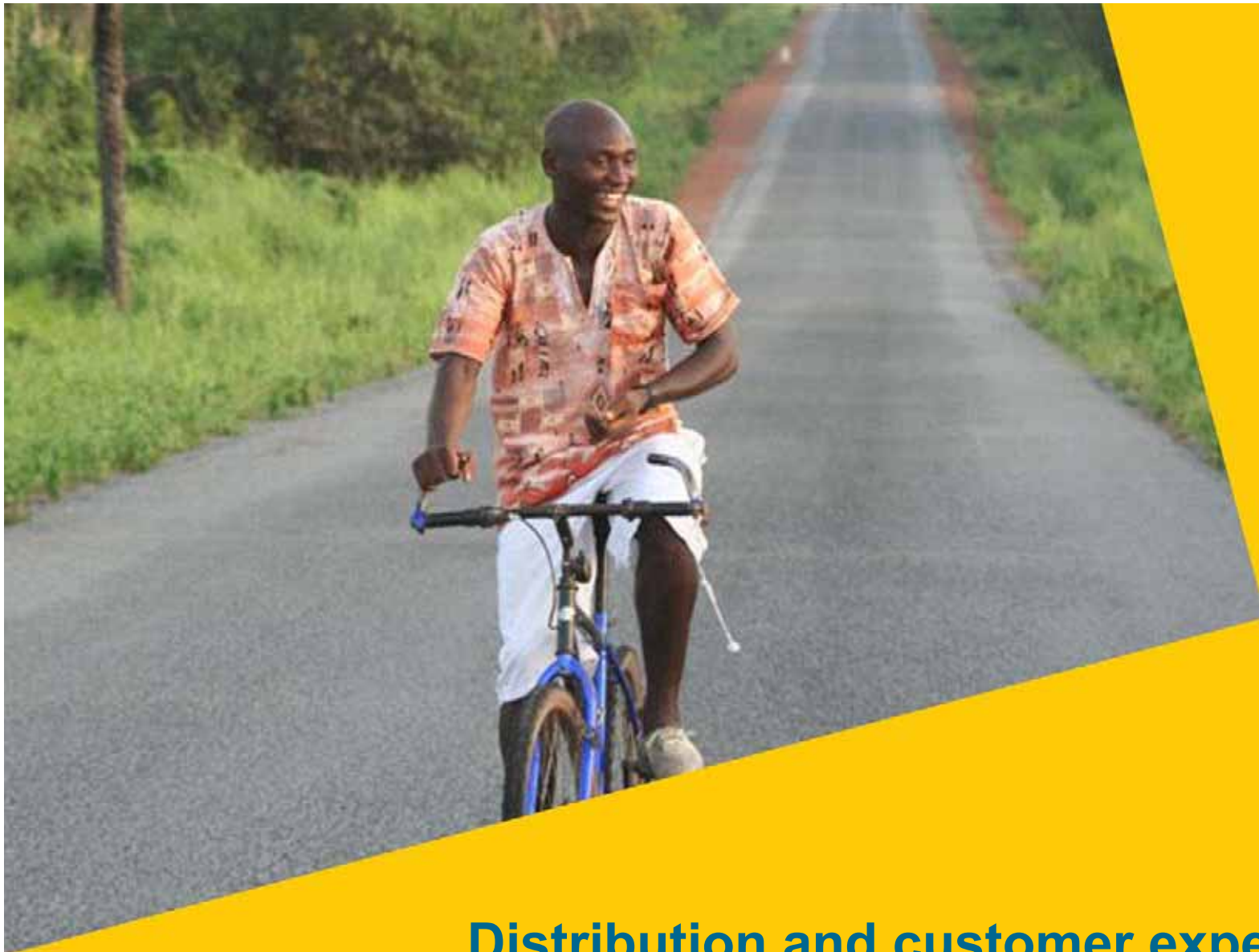
MTN's corporate value proposition



Comprehensive solutions based on customer demands

- **Single outsource solution provider**
- **Provision of data connectivity**
- **Ensuring quality of service**
- **Providing managed services**
- **Creating operational visibility**
- **Service management – single point of contact**
- **African ISP opportunity**





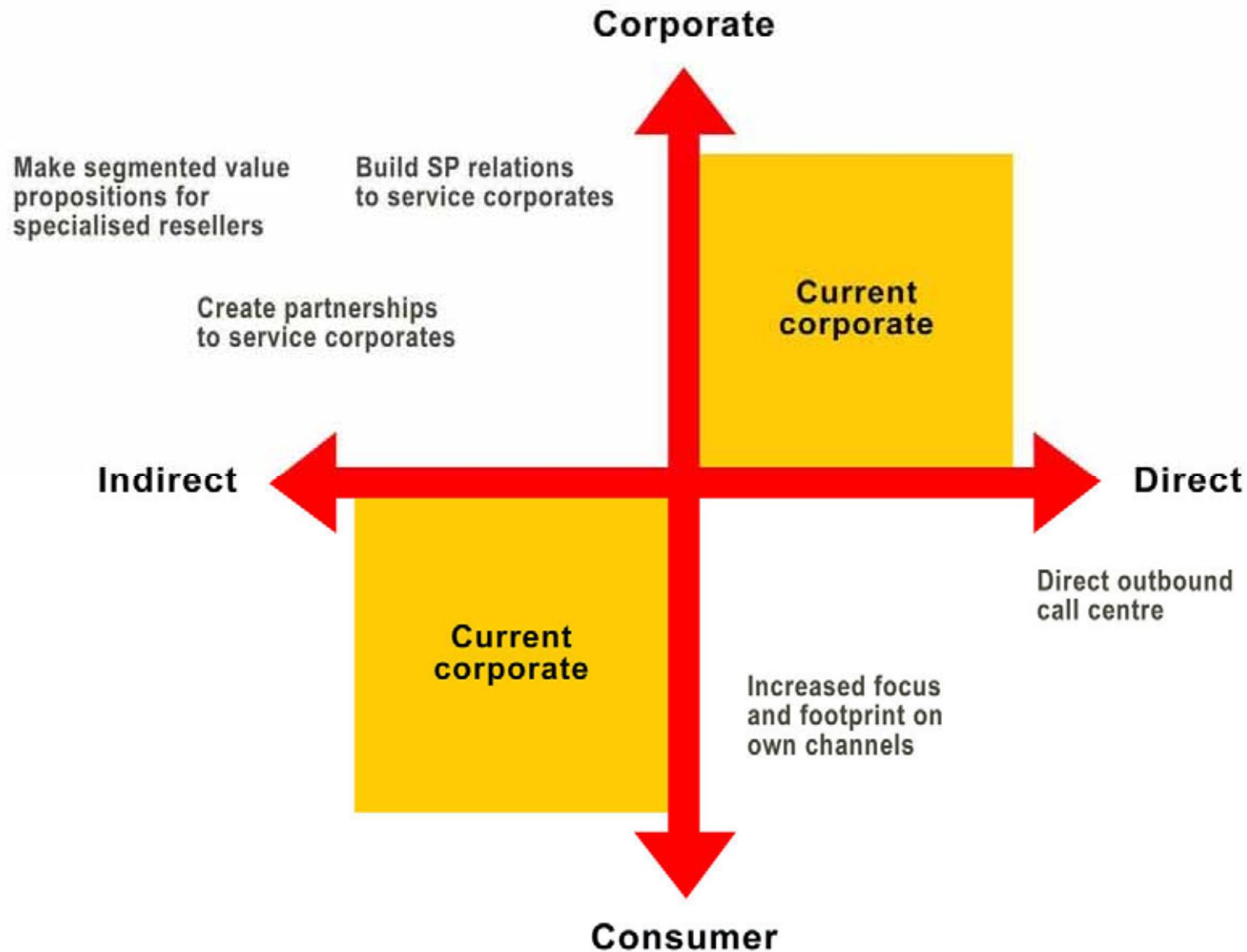
Distribution and customer experience

Brian Gouldie
Chief Sales and Services Officer

Changing market environment requires adjustments in distribution strategy

- South African market will steadily move from acquisition to retention
 - Upgrades and churners will increasingly drive market share movement
 - Therefore MTN South Africa's distribution strategy has been revised to enhance its sales effectiveness and profitability
 - In a retention market (and increasingly sophisticated products) it is essential to build a more intimate customer relationship
- Our key initiatives include
 - Extending our own distribution footprint
 - Realigning our channel mix
 - Improving the customer experience (people, systems, facilities)

Balancing and realigning the channel mix



A differentiated customer touch point



Flagship



Store



Kiosk



- Increased footprint
- Seamless customer experience in all branded MTN point of sales
- Premium retails locations
- Target focus on high value individuals and youth segments

Performance improvements



High volume repair centre – repair time significantly decreased from 10 days to 3 days

Call centre performance – increased answer rate from approximately 77% to above 90%

Service Centers – significant decrease from an average of 25 minutes to below 10 minutes



Building a quality network

Sameer Dave
CTO

Quality network



- Coverage and capacity
- Segmented quality of service
- Abundant transmission
 - Self provisioning
 - International cabling

Coverage and capacity



- Build capacity headroom using “step increase” strategies to keep ahead of demand
 - The network signaling capacity increased by 70% YTD
 - Provisioned subscriber capacity increased by 43% YTD
 - Active subscriber capacity increased by $\pm 20\%$ YTD
- Identify where customers live, work, play and deploy the appropriate bearers
 - Drive traffic and revenue increase
- 2G and 3G in-building coverage consolidation in urban areas
- Expansion of 3G coverage footprint and deployment of high speed bearers
 - 26% channel element (simultaneous voice calls) capacity added on 3G radio network
- New 2G coverage in rural and virgin growth areas
 - 9% erlang capacity added on 2G radio network

Quality of service



- Improve voice quality by developing better codecs on radio and lowering compression core network
 - Sandton area reduction in half rate, increase AMR and improvement in speech quality
 - Reduction in usage of half rate channels, introduction of better quality adaptive multi rate channels, reduction of ATM core network compression
- Make network more resilient and robust by revisiting / optimising network architecture
 - IP ready
- Intense ongoing focus on network optimisation
 - National percent AMR HR traffic take-up all hours weekly
 - Significant improvement in 3G drop call rate
 - Significant improvement in call set-up success rate

Self provisioning



Significant acceleration in site-roll and capacity expansions

Deployment of a fibre optic metropolitan network in high traffic zone of Gauteng

- Trials completed in June, contact award imminent
- Going live in 3Q09
- Estimated total CAPEX R120-150 million

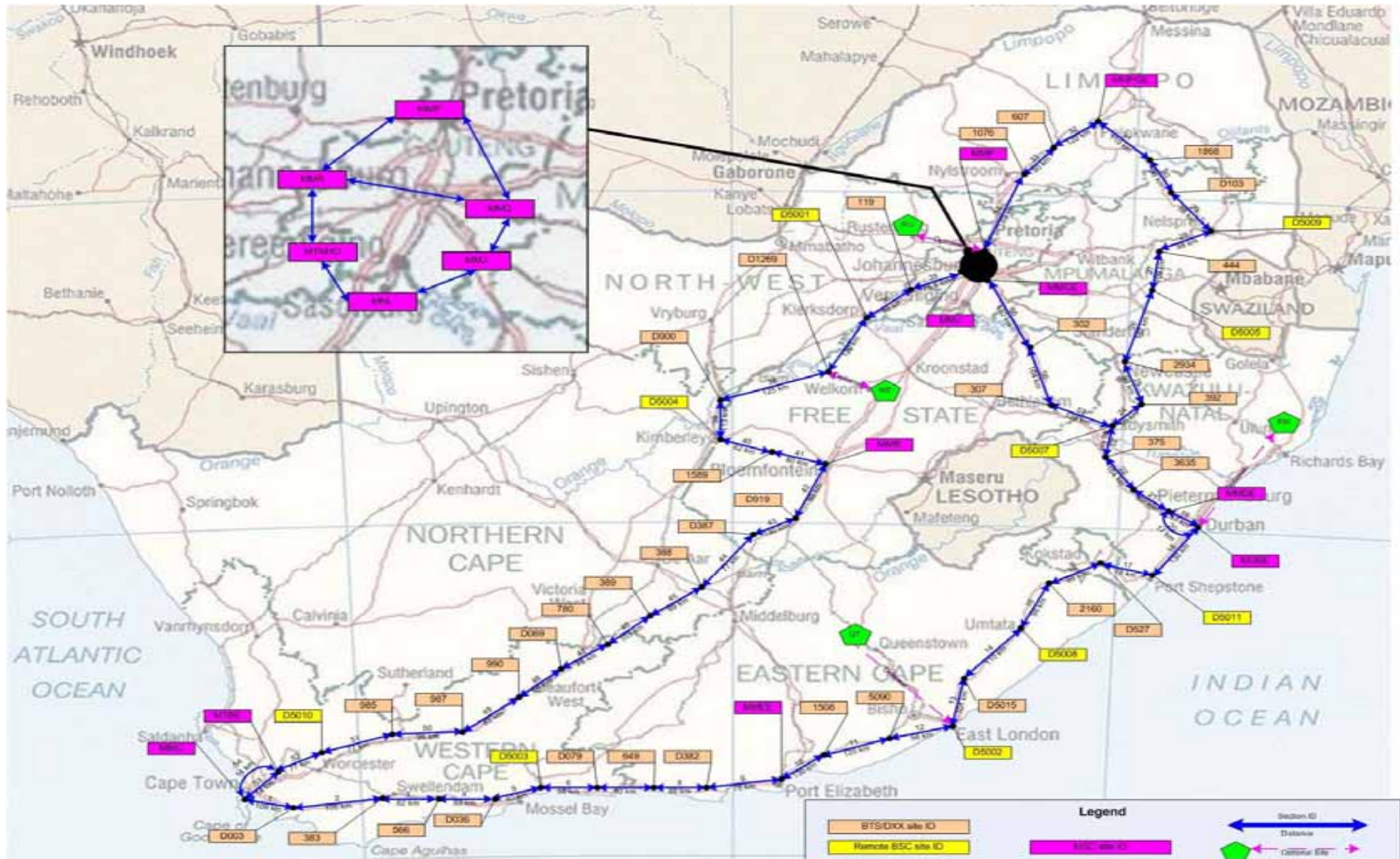
Deployment of a 5000km national fibre optic network

- Initial tender evaluation complete, possible co-building
- Build to start in 2008, planned completion by 2010
- Estimated total CAPEX R1.2-1.5 billion

Analysing alternatives to meet MTN's international connectivity requirements, including option of deploying West African SA-Europe submarine cable

- Issue is being addressed at the MTN Group level, as part of the International Carrier Services Strategy
- Significant OPEX savings
- Better service quality

Self provisioning – fibre rollout



International connectivity



- Invested in EASSy (East Africa) and EIG (Europe and India Gateway) submarine cables
- Capacity leased from SAT3
- Will enable connectivity through key routes for SA and other MTN operations





Regulatory

Zunaid Bulbulia
CFO

Regulatory



Mobile licences	<ul style="list-style-type: none">• Licence conversion required by the ECA by January 2009• MTN engaging with ICASA re: content and finalisation
Spectrum allocation	<ul style="list-style-type: none">• 900MHz, 1800MHz and 3G frequencies to be confirmed as part of the licence process
Interconnect and facilities	<ul style="list-style-type: none">• ICASA issued draft regulations on 24 Dec 2007• Public hearings were held to solicit further views from industry• Industry awaiting final regulations to be published by ICASA
BEE	<ul style="list-style-type: none">• Industry aligned the ICT Charter to BEE Codes and submitted to DTI• Still to be finalised by DTI



Summary

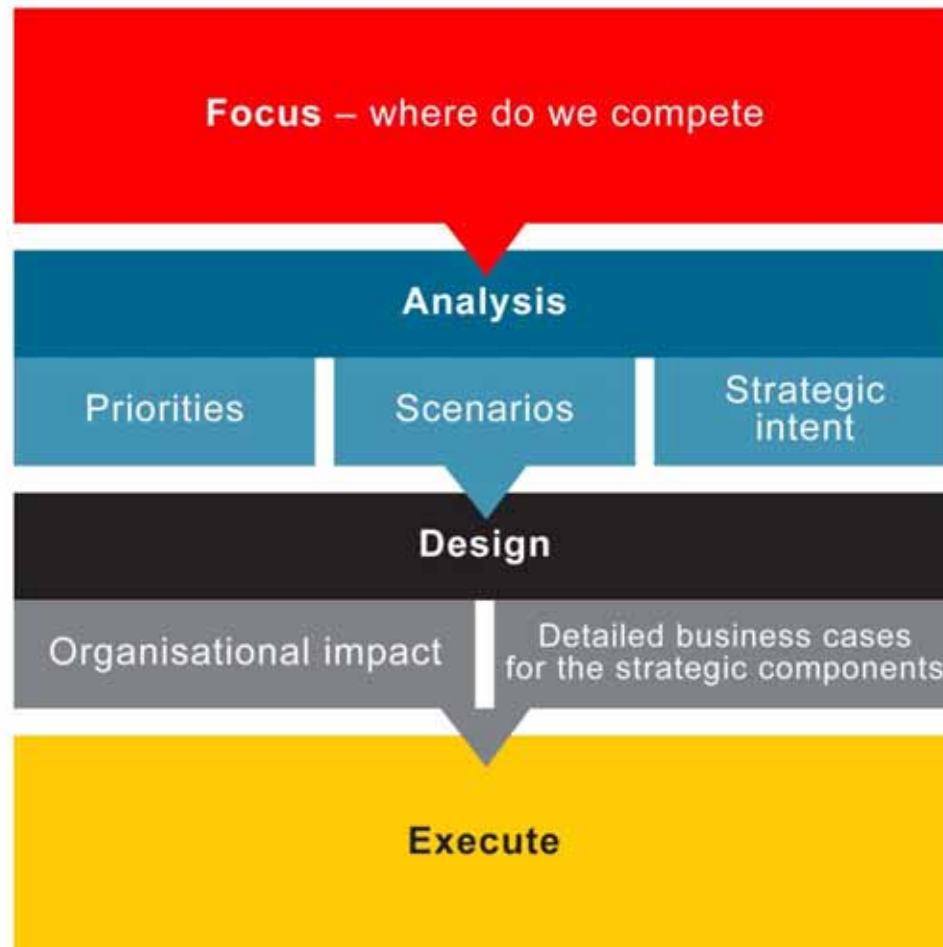
Tim Lowry
MD

In summary



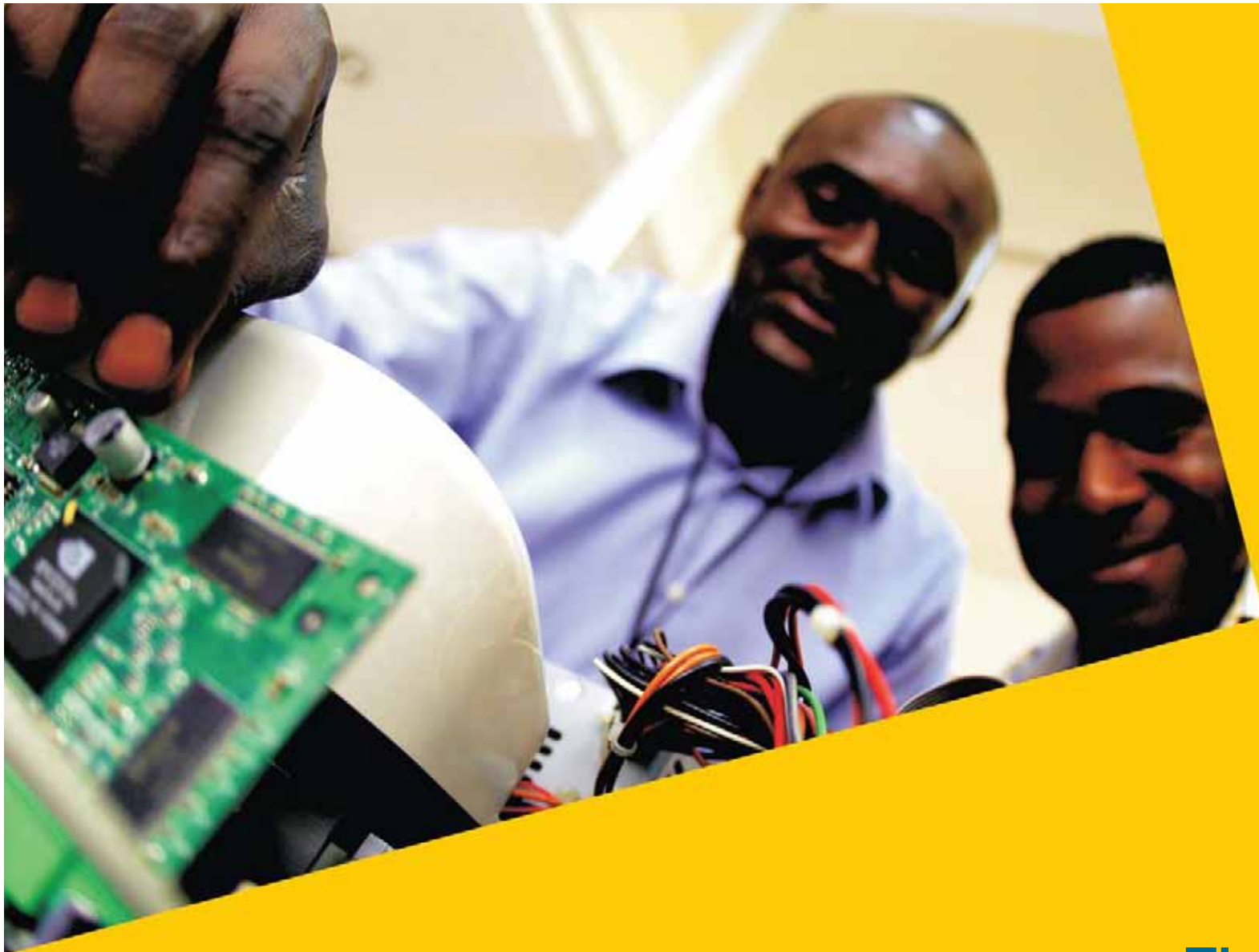
From planning to execution

Short-term actions



Medium-term vision





Thank you

Questions?