



Presentation to Portfolio Committee on Telecommunications & Postal Services

21 October 2014

BACKHAUL PROVIDER OF CHOICE

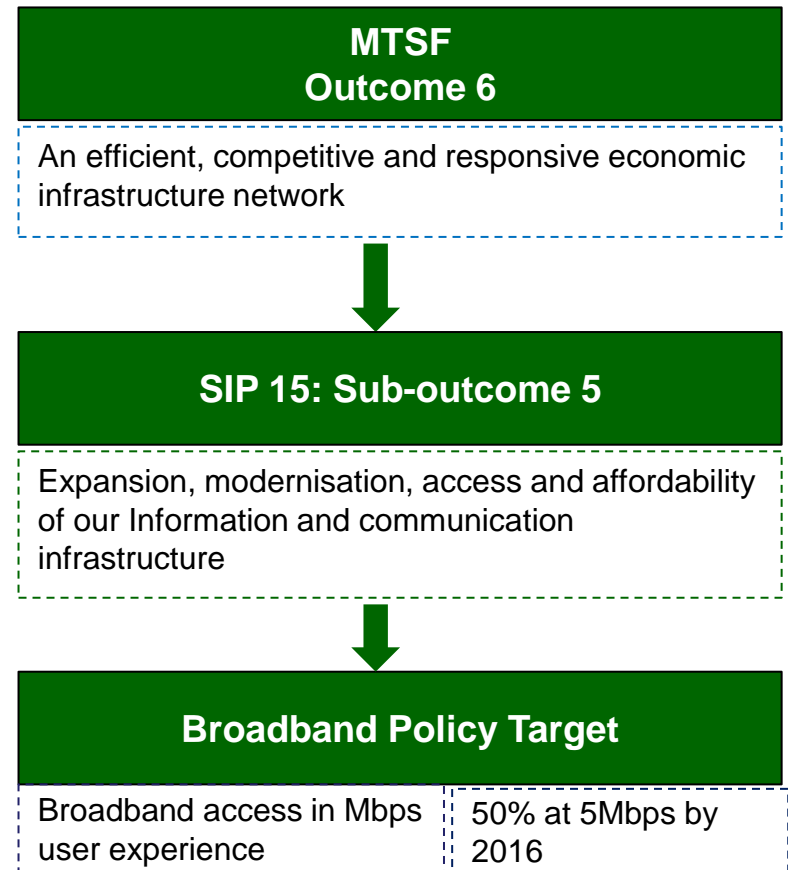


Mandate and Outcomes

- Broadband Infraco's legislative mandate is set out in the Broadband Infraco Act No. 33 of 2007 (the "Act").

The main objects as set out in the Act are to expand the availability and affordability of access to electronic communications;

- Including but not limited to under developed and under serviced areas;
- In support of projects of National Interests;
- In accordance with the Electronic Communications Act and commensurate with international best practice and pricing;
- Through the provision of electronic communications network services and electronic communications services.



Broadband Policy Anchors



Digital Readiness Public/Private

Broadband Infraco boast an open access network and supports public and private investments in the telecommunications sector

- Broadband Infraco enables competition by being the carrier neutral provider of infrastructure to Cell C and Neotel
- Broadband Infraco also provisions links for dominant players like Vodacom and MTN
- In line with the policy and ensuring that there is no duplication of infrastructure Broadband Infraco engages other telecomms infrastructure providers and these include Telkom, DFA and FibreCo
- Broadband Infraco provides regional connectivity to all 6 neighbouring countries and has customers from across the SADC region

Digital Readiness – Public Collaboration

Broadband Infraco engages and collaborates with other SOC's in line with both the NDP and the Broadband Policy

- SITA – in pursuit of self funding model and a strategic partnership with SITA an agreement was concluded on the 31st of July 2014
- USAASA- Broadband Infraco has collaborated with USAASA and provided inputs to the MTEF application for delivery of broadband to underserved and under developed areas
- Eskom – A fibre allocation model has been agreed between the two entities
- Transnet – Engagements for fibre usage initiated
- PRASA – Discussions in progress about fibre utilisation by Broadband Infraco
- CSIR – WACS capacity sourced from Broadband Infraco

Digital Development

Broadband roll out aligned to other departmental programmes. Establish aggregated public sector demand

- Broadband Infraco has engaged extensively with the following Provinces KZN, Limpopo, Mpumalanga and Eastern Cape
- Based on the engagements an IIPSA grant application was submitted by the company in collaboration with both Limpopo and Mpumalanga province

Delivery of Mandate and outcomes

Delivery of Mandate	As at 31 March 2012	As at 31 March 2013	As at 31 March 2014 Year to Date
Kms of Fibre	12681km	12793km (112km added)	13 000 KM Geographic Coverage
Access Points	144	152	162 PoPs
SADC Connectivity	4 PoPs	5 PoPs (Beitbridge PoP added)	Connected all SADC neighbouring countries (Ramatlabama connected)
International Access	Only SADC	WACS connected national terrestrial network	
Business Operations	None	Insourcing completed, OSS/ BSS designed.	Implemented Phase 1 of the ERP system. User requirements specifications for Phase 2 in progress
Security around 54 Mesh	None	One (1) site secured (Athene site).	Thirteen (13) sites planned for this next financial year.
IP Update to date	IP/MPLS on Golden Triangle	No expansion - currently using Ethernet over SDH as workaround.	Expansion to 3 priority provinces planned for this year (Limpopo, Mpumalanga and Eastern Cape)

Broadband Policy Target



Broadband Policy Target	
Broadband access in Mbps User Experience	50% at 5 Mbps 2016

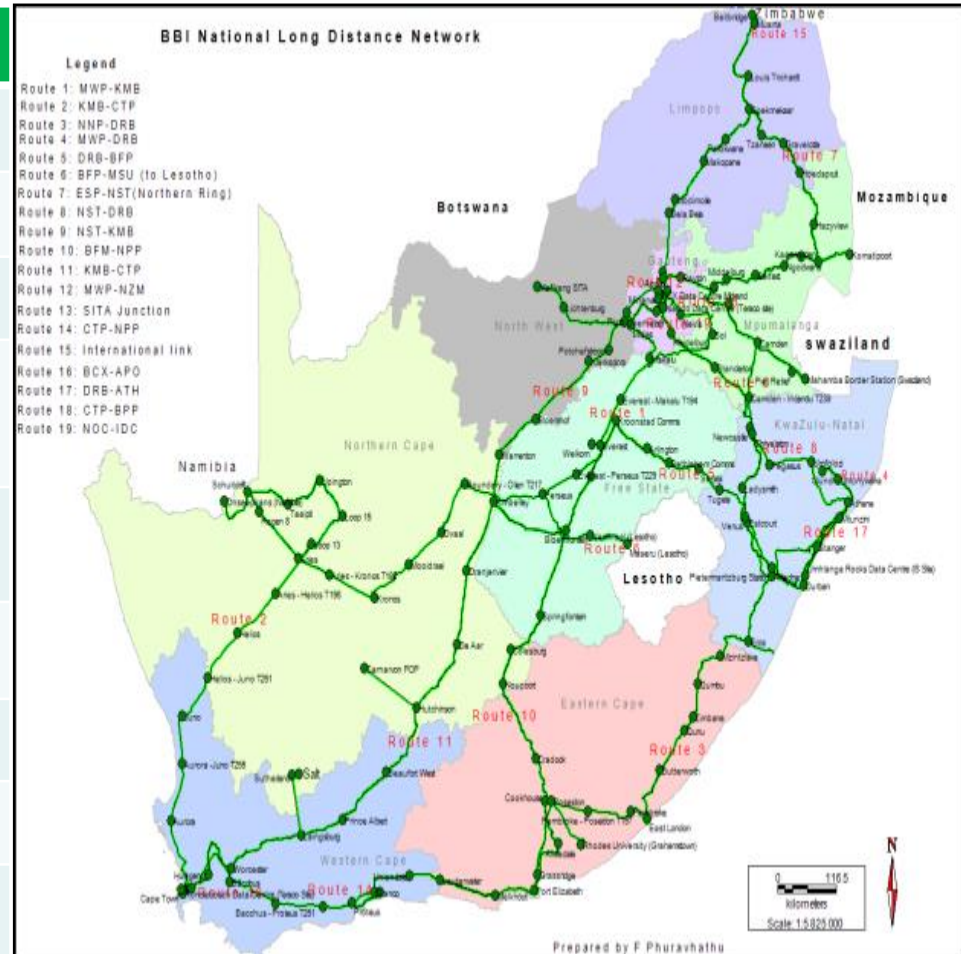
Initiatives	Areas	Outcome
Northern Ring Upgrade	Limpopo Mpumalanga	Capacity increased for 160 Gbps -> 480Gbps
MTS upgrade	Eastern Cape, KZN, Gauteng & Western Cape, Northern Cape	From 40 Gigs to between 80 Gig – 120 Gig
SADC	All 6 neighbouring countries	Capacity 155 Mbps – 40 Gigs

- Renewed 40% of obsolete transmission equipment

Driving the Digital Readiness Pillar




Province	Status as at 2014
Mpumalanga	Final Stages of concluding a Memorandum of Understanding. Also implementing a CSI project.
Limpopo	Regular meetings of the Task Teams discussing best implementation path.
Eastern Cape	Proposal issued for a Proof of Concept with a comprehensive technical solution with SITA.
Kwa-Zulu Natal	Comprehensive technical proposal given covering all the health sites including costing. Awaiting feedback from the Province including last-mile discussions.
Gauteng	The plan is to approach major metros (Ekurhuleni & Tshwane) to connect to the provincial backbone.
Free State	Broadband Infraco re-engaging to establish provincial readiness.
Western Cape	Tender awarded to Neotel
Northern Cape	Broadband Infraco re-engaging to establish provincial readiness.
North West	Broadband Infraco re-engaging to establish provincial readiness.





Performance overview for 2013/2014



Financials (Y-o-Y)

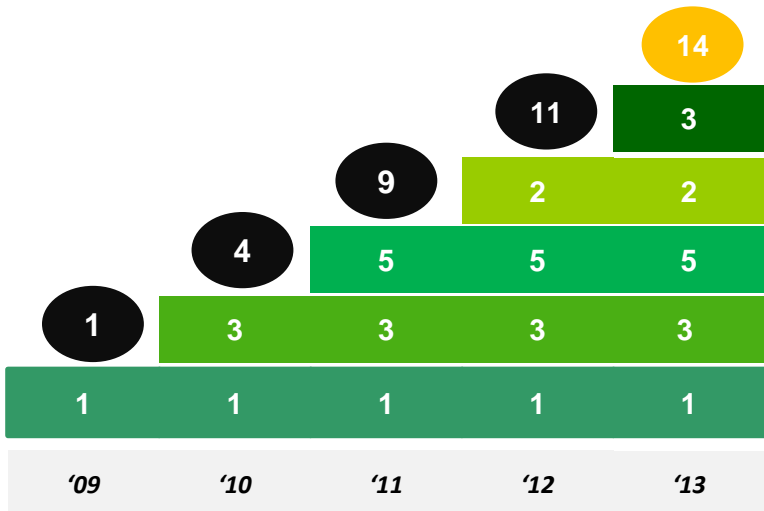
Revenue 
27.4%
 R302.4 million

Cash Generated 
28.8%
 R441.0 million

EBIDTA 
55.5%
 (R36.14) million

Cost of Sales 
11.1%
 R153.0 million

Other indicators



- Secured 2nd Anchor client
- Satisfaction rate of 3.5 vs 3 industry norm

Shareholder Compact
96%

Unqualified Audit Report

70%
 Employee Satisfaction Rate

Annual Performance Plans 2013/14



Key Performance Indicator	Target	Achieved	Results
Financial Sustainability			
Volume growth in capacity utilisation	10%	29.4%	✓
EBIDTA	(R182.8) m	(R31.4) m	
Funding Plan	Funding Plan	Comprehensive Funding Plan Developed	
Stakeholder Management			
Measurement of Customer service performance	Customer Survey	Customer Survey completed	✓
Measurement of Employee service performance	Employee Survey	Employee Survey completed	
Network Expansion			
Upgrade capacity on the Northern Ring	480Gbps	480Gbps	✓
Increase number of access PoPs	5	5	
Collaboration Agreement with Eskom	Collaboration Agreement	Collaboration Agreement concluded	
Collaboration agreement with TFR	Collaboration Agreement	Collaboration Agreement concluded	

Annual Performance Plans 2013/14 continued



Key Performance Indicator	Target	Achieved	Results
B-BBEE Contribution			
B-BBEE Spend	70%	70%	✓
Spend on BOE	40%	42%	
Spend on BWO	10%	27.75%	
Spend on BYO	10%	0.25%	✗
Spend on PWD	R250 000	R -	
Training			
Leadership Training	Develop Leadership Training	Leadership Modules Developed	✓
Training Spend	3.0%	3.2%	
Interns in Training	10	10	
Jobs Created			
Indirect jobs created	Enterprise Development Strategy	Enterprise Development Strategy Developed	✓
Direct jobs created	19	22	

Statement of financial performance for the year ended 31 March 2014



R'm	Audited March 2014	Audited Restated March 2013*	Audited March 2012
Revenue	302	237	394
Cost of sales	(153)	(172)	(276)
Gross profit	149	65	118
Operating expenses	(312)	(262)	(258)
Results from operations	(163)	(197)	(140)
Finance income	20	22	54
Finance costs	0	0	(9)
Profit/ (Loss) before taxation	(143)	(175)	(95)
Income tax expense	-	-	-
Profit/ (Loss) for the year	(143)	(175)	(95)

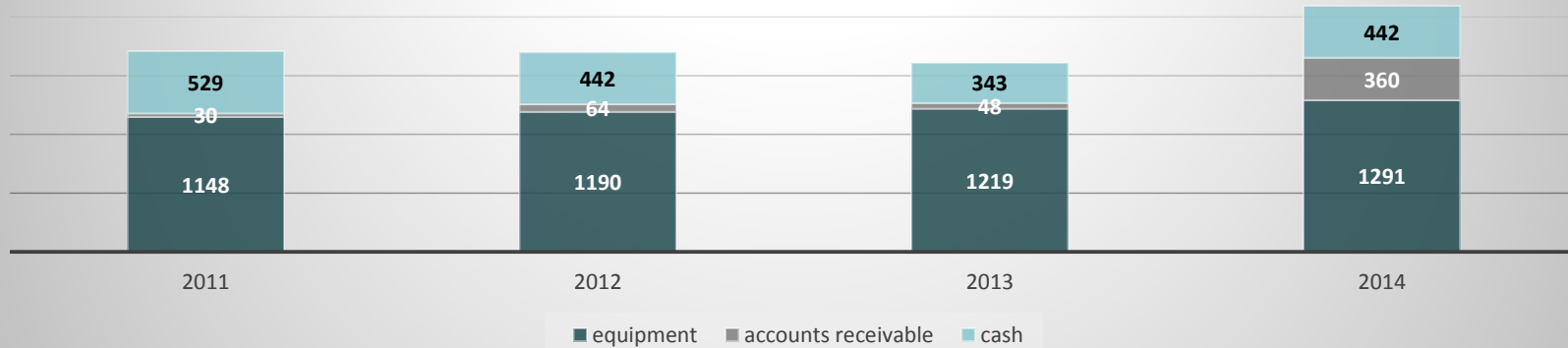
- Revenue increased by 27% to R302.4 million.
- Cost of sales decreased by 11% to R153 million.
- Cost of sales reduction, resulting from lower fibre lease cost.
- Operating cost of R312.4 million increased by 19%.
- Operating loss decreased from R175 million to R143 million.

* Review of useful life R6.7m restatement of depreciation

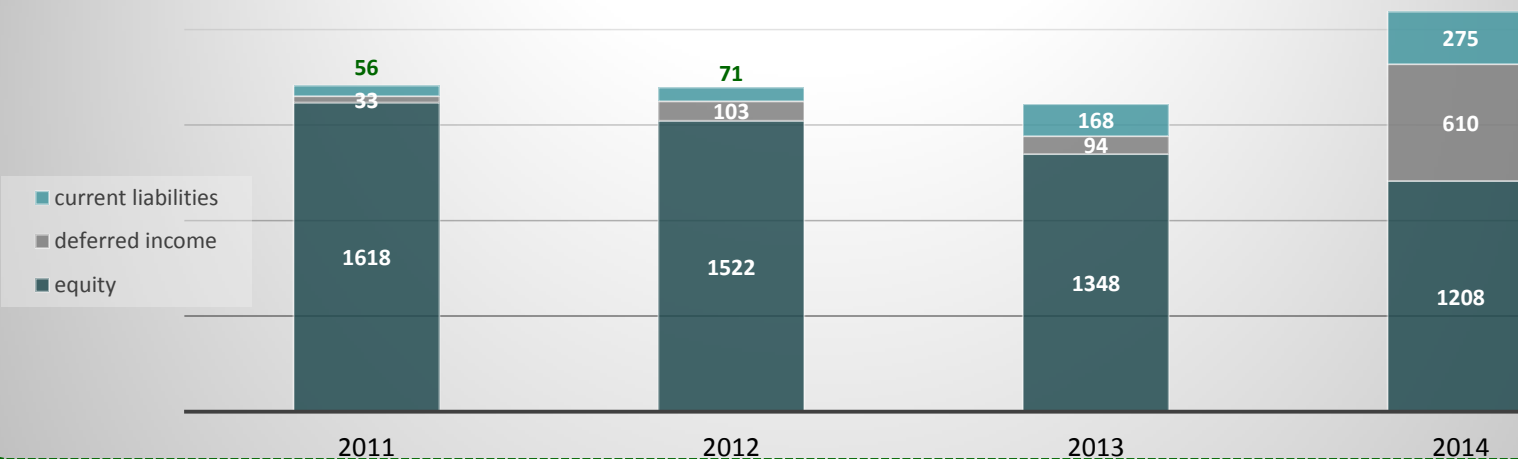
Financial position as at 31 March 2014



Assets (R' m)



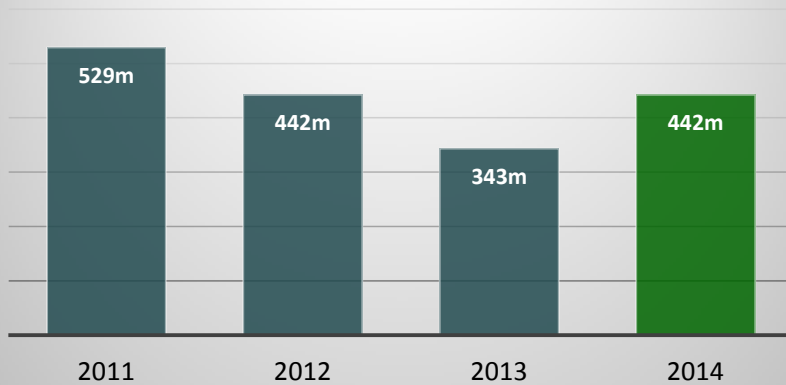
Equity and liabilities (R' m)



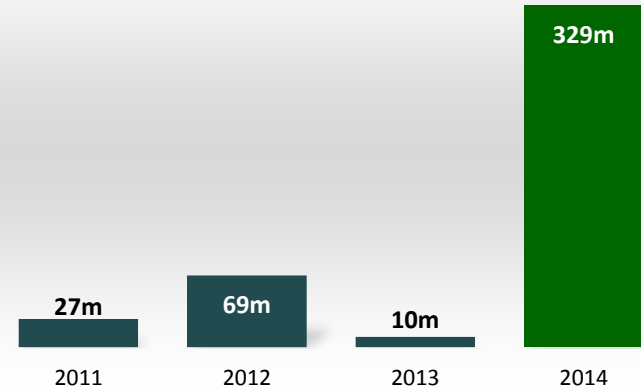
Cash flow position



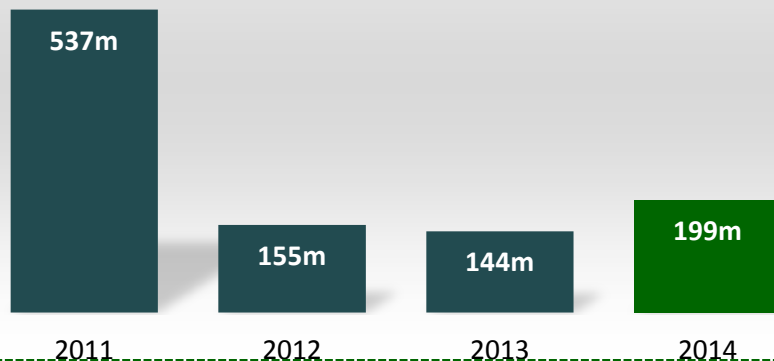
Cash and Cash Equivalents (R' m)



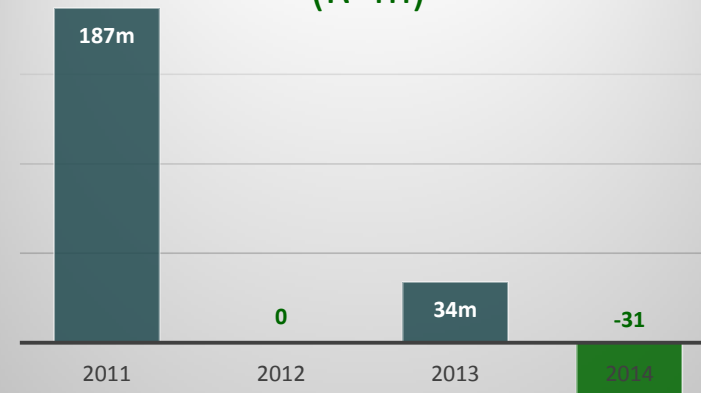
Cash from operations (R' m)



Cash used in investing activities (R' m)



Cash from financing activities (R' m)



Going Forward

Financials

- Diversify product portfolio
- Grow our asset base
- New commercial models

Network

- Shared infrastructure ownership (joint-build, fibre-sharing models, co-manage)
- Evolution to IP-based network
- Eliminate network anomaly

Value Proposition

- Entrench the company as a solutions provider
- SOC-SOC collaboration
- Provincial engagements

Funding

- R3.5 Billion MTEF application submitted to the Department of Public Enterprises. Applications expected to be considered by the Fiscal and Liability Committee of National Treasury in November
- R170 Million short term guarantee and R528 million medium term guarantee have been submitted to the Executive Authority in the in Mid October

Shareholder Compact 2014/15



Strategic Objective	KPI	Target	
Ensure Business Sustainability & Network Saleability (60%)	Network performance rebates paid as percentage of gross revenue	≤3%	Company Sustainability
	Cash at the end of the year	≥R100 mil	
	Measure EBIDTA based on budget	≥(116.6) mil	
	Overall increase in capacity sold at STM-1 equivalent in the Golden Triangle, Northern Ring and other routes	10% increase (113 STM-1)	
Network Improvement (20%)	Extend the network and enable the connection of the 2nd anchor customer (Cell C)	75 services by 1 Jan 2015	Mandate Delivery
	Establish new open access PoPs	5 PoPs by 31 December 2014	
	Establish a laboratory at Broadband Infracore premises	Fully functional Lab by 31 March 2015	
Economic Transformation (20%)	Training spend as percentage of payroll	3	Socio-economic transformation
	Increase in number of engineers in training per annum	10	
	Increase in number of direct jobs created	baseline+2% (3 employees)	
	Increase in number of indirect jobs created	10	
	Allocation of BBBEE budget discretionary spend	70%	
	Percentage increase on black owned entities spend	40% spend of BBBEE	
	Percentage spend of Youth Owned entities	10% spend of 40% spend on BOE	
	Percentage spend of Women Owned entities	10% spend of 40% spend on BOE	
	Amount spend on People with disabilities owned entities	300000	
CSI projects completed	Interactive whiteboards and internet facilities and Maths equipment		

Thank You