• Mobile sector – where are we today?
• Mobile pricing – what has changed?
• Mobile transparency
• What are the challenges and how can Government assist?
• Strategies to improve South Africa’s international ranking
Welcome to the Bold New Digital World.

Where are we today?
SA penetration is driven by intense price competition in the mobile voice and data markets ...

- South Africa showed a 43% growth rate in mobile customers over the past 4 years
- On a year-on-year (y-o-y) basis, the market grew by 7 %
- Market conditions suggest the market is saturated and compounded by lower disposable income that may have an impact on investments.
MTN has invested significant capital into the South African market and we have plans to invest further…

- Broadband enables economic participation in the economy
- The MTN SA Foundation’s **School Connectivity Programme** is rolling out computer laboratories to meet the challenges
- Through its **health portfolio** the MTN Foundation promotes sustainable healthy lifestyles in communities in its school and community-based initiatives targeting TB, lifestyle diseases and HIV and AIDS.
Say goodbye to the briefcase and say welcome to the tablet. 

Welcome to the Bold New Digital World.
Voice tariffs have decreased 68% in the last 6 years

Voice Rates Decrease by 68% since 2009 …

MTN View….

- Our voice tariffs have significantly decreased over the last 6 years by approx. 68%
- MTN continues to drive innovative products and services and strives to enable lower prices supported by a high quality network
- Ongoing infrastructure investment is needed and is being done
Data rates have decreased by 87%

Data Effective Rates plummeted by **87%** in the last 5 Years...

<table>
<thead>
<tr>
<th>Year</th>
<th>Data Rate (−87%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>2010</td>
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<tr>
<td>2011</td>
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<td>2012</td>
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<tr>
<td>2013</td>
<td></td>
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<tr>
<td>2014</td>
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</tbody>
</table>

**MTN View…**

- Our data tariffs have significantly decreased over the period of 6 years by approx. **87%**
- Lower data rates and the availability of Smartphones, tablets and modems has seen a significant increase in traffic on the network.
- Low cost handset developed and distributed i.e. Steppa phone – remove barriers to entry
- The increase in data traffic places significant pressure on the network
- MTN forecasts that data growth rate will continue and requires the requisite infrastructure investment to ensure network sustainability
Media’s portrayal of the mobile price war

Another mobile price war brewing in 2014?

The big question which may lead to a correction is whether Cell C and Telkom will trigger an aggressive pricing move on the market.

SA mobile price war part II?

A financial services group argues that a reduction in termination rates, as proposed by Icasa, may arm the likes of Cell C and Telkom Mobile to initiate yet another price war.

Mobile price war to heat up

By Bonnie Toleo, ITWeb telecoms editor, Johannesburg, 21 Feb 2013

Related

- Intensified competition
- No more excuses
- Big shift
- Economic

The mobile price war, instigated by Vodacom CEO Alan Knott-Craig’s company last year, is about to heat up.

This comes as the final reduction in interconnect rates under the Independent Communications Authority of South Africa’s (ICASA) termination rate (MTR) glide path over a week’s time, which continues to hit operators hard.

Price war, at last

By Toby Shapshak, 23 April 2013

PRICE war! I’ve waited years to say it. To proclaim it. To cry it from the rooftops. At last, the war over cellphone call costs is real. Last week, MTN stunned the industry by announcing so-called promotional rates of 79c/minute across all networks. This is the latest turn in the long-running mobile termination rate (MTR) saga, in which the cost of receiving a call
Say goodbye to the briefcase and say welcome to the tablet.

Welcome to the Bold New Digital World.
MTN strives to regularly inform our customers as to what our tariffs entail through our customer journey process.

**Customer journey**

Y’ello. You are on MTN Pay Per Second where you pay 79c per min on any call anytime. Stay with MTN for more. T&C’s apply. Reply STOP to opt out.

**Education**

Did you Know, you can save on your SMS cost by buying a 15 SMS bundle from MTN for only R5? T&C’s apply. Reply STOP to opt out.

**Usage notification**

Y’ello! You are now halfway through your XXX wallet. Consider loading another internet bundle by dialling *141*2#. Visit www.mtn.co.za for T&C’s.

**Transparency**

Y’ello! Kindly note roaming rates are higher than South African rates. Please monitor your data usage. Credit limits may not apply while roaming. Regards MTN.

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**my Balances**

Research shows network coverage most important to customers

**Network coverage is main driver for network preference, closely followed by price.**

<table>
<thead>
<tr>
<th>Factor</th>
<th>6%</th>
<th>14%</th>
<th>19%</th>
<th>21%</th>
<th>22%</th>
<th>78%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network coverage</td>
<td></td>
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</tr>
<tr>
<td>Price</td>
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<tr>
<td>Quality / Reliability of network received</td>
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<tr>
<td>Promotions and value</td>
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<td>Service received</td>
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<tr>
<td>MTN Zone</td>
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<td></td>
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<tr>
<td>Loyalty Points / Loyalty related</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All my friends / family / colleagues</td>
<td></td>
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<td></td>
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<tr>
<td>Ability to top-up airtime / recharging</td>
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</tbody>
</table>

**Network Coverage is the highest driver for dissatisfaction amongst mobile subscribers.**

- Network Coverage: 78%
- Recharging / Airtime: 22%
- Service Experience: 21%
- Pricing: 19%
- Packages / Products: 14%
- Loyalty Programme: 6%

**The Net Promoter Score**

Recent independent survey findings have found that:

a) There is an increase in the value perception of MTN products;

b) A significant improvement in International Calling customer satisfaction;

c) MTN Affinity remains above user share, indicating that mobile owners are committed to, and most likely to be using MTN as their main brand; and

d) MTN has added nearly 1.4 million subscribers in the last quarter.
Say goodbye to the briefcase and say welcome to the tablet.

Welcome to the Bold New Digital World.

What are the challenges and how can Government assist?
Challenges to growth

Vandalism

- Vandalism and copper theft.
- Impacts industry and customers

Absence of Rapid Deployment

- LG approval is not coordinated – slows rollout
- Fast track planning and local Authority approvals

Lack of high demand radio frequency

- Mobile operators evolve to newer technologies such as LTE, we still need to support those initial legacy platforms such as GSM
- Re-farming spectrum for broadband services has limited scope as ultimately it will degrade the quality of service to existing

Power outages
Say goodbye to the briefcase and say welcome to the tablet.

Welcome to the Bold New Digital World.

Strategies to improve South Africa’s international ranking
Based on MTN SA’s lowest headline tariff we would position ourselves 3rd out of 20 countries….

Operators offer different packages to suit the different demands of the their customer base (i.e. calling preferences, on-net/off-net calling, demographic demands, lifestyle segmentation etc.

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**Additional comments**

1. Based on headline prepaid tariffs in USA cents
2. MTN SA benchmark based on the lowest price plan.
“Mauritius, which ranks 39th globally, tops the African list, followed by Seychelles, Botswana and South Africa. These four countries are the only countries where the IPB represents less than 5 per cent of average monthly GNI per capita.”

Say goodbye to the briefcase and say welcome to the tablet.

*Welcome to the Bold New Digital World.*
MTN has implemented the mobile termination rates as required from 1 October 2014 in compliance with the regulations.

New Interconnection regime effective 01 Oct 2014

<table>
<thead>
<tr>
<th>Period</th>
<th>MTN and Vodacom</th>
<th>Asymmetric</th>
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</thead>
<tbody>
<tr>
<td>1 Oct 2014 to 30 Sept 2015</td>
<td>0.20</td>
<td>0.31</td>
</tr>
<tr>
<td>1 Oct 2015 to 30 Sept 2016</td>
<td>0.16 (-35%)</td>
<td>0.24 (-39%)</td>
</tr>
<tr>
<td>1 Oct 2016 to 30 Sept 2017</td>
<td>0.13</td>
<td>0.19</td>
</tr>
</tbody>
</table>
Conclusions

- The mobile market is effectively competitive, i.e. mobile price wars mean prices are decreasing rapidly.

- Competition has already delivered much cheaper mobile prices, both for voice and data.

- The big opportunity for SA is data, which requires massive capital investment. This can be done by private companies and be achieved by incentivizing investment and releasing spectrum to efficient operators who have the requisite economies of scale.

- South Africa performs well in terms of relative pricing as against peer countries and African counterparts.

- MTN supports the call for transparency in a highly competitive market and has developed a customer journey process to regularly inform our customers of our tariff offerings.
thank you