



**BROADBAND INFRACO
SOC LIMITED
CORPORATE PLAN AND
ANNUAL PERFORMANCE
PLAN
2017/18**

**Portfolio Committee
M. Ngcobo
Chairperson of the Board
of Directors**



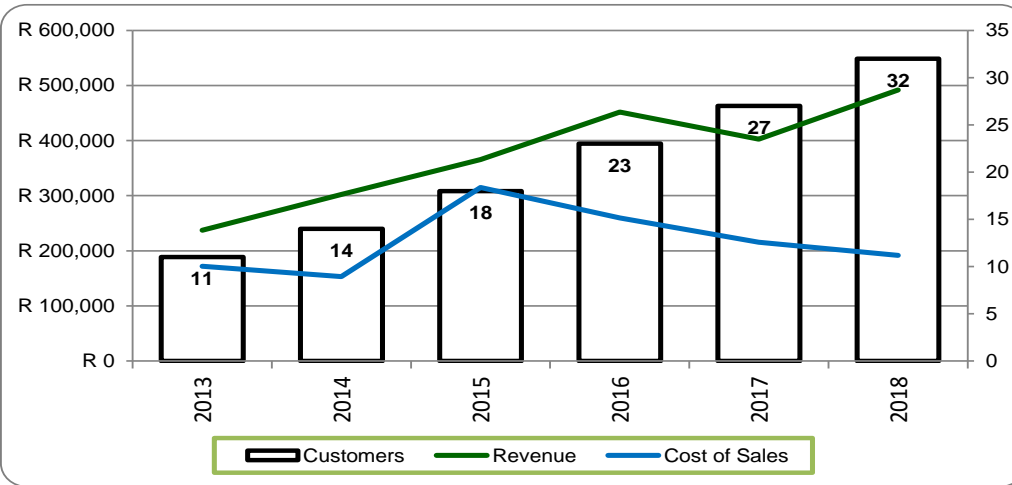
Linking Outcomes and Goals/Objectives

MTSF Outcomes/ DTPS Goals		9 point Plan	BI Strategic Goals & Objectives
Outcome 6	An efficient, competitive and responsive economic infrastructure network	Nr. 8 Reform of the SOC, broadband roll out infrastructure	SG 1: Resilient Network SO 1: Develop an integrated packet transport network that encompasses growth/expansion and technology evolution
DTPS	SO 1.1 Coordinate the Broadband connectivity to achieve 100% population coverage by 2020		
DTPS	SO 4.1 Improve performance of SOC's through proactive and stringent oversight	Nr. 7. Unlocking SMME; cooperatives; townships and rural enterprises.	SG 2: Financial Sustainability SO 2: Ensure long term business sustainability SG 3: Economic and Social Transformation SO 3: Drive Socio-Economic Transformation
Outcome 4	Decent employment through inclusive economic growth		
DTPS	SO 2.2 Promote transformation of the ICT Sector through the development of ICT SMME Support Strategy		SG 4: Pursue Operational Excellence SO 4: Integrated Strategy Execution
Outcome 5	Skilled and capable workforce to support an inclusive growth path		SG 5: Sound Human Capital Practices SO 5: Build high performance organisation
DTPS	SO 4.2 Create a high performing organisation to enable achievement of the Department's mandate		
			SG 6: Corporate Governance SO 6: Effective Corporate Governance

Performance at a glance: Revenue and CoS (p2-5)



Customers, Revenue and Cost of Sales



What does each axis represent?

Customers

Growth of the customer base from 23 to 27 from April 2016 to March 2017

Revenue

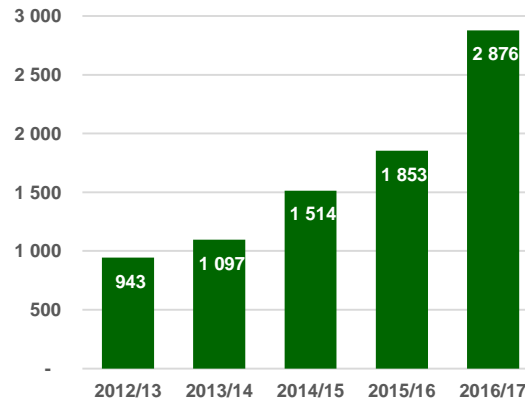
The Company has grown its customer base from 23 to 27 in the current cycle. It has acquired up-sell opportunities from existing customers and also sold capacity to new customers.

Cost of Sales

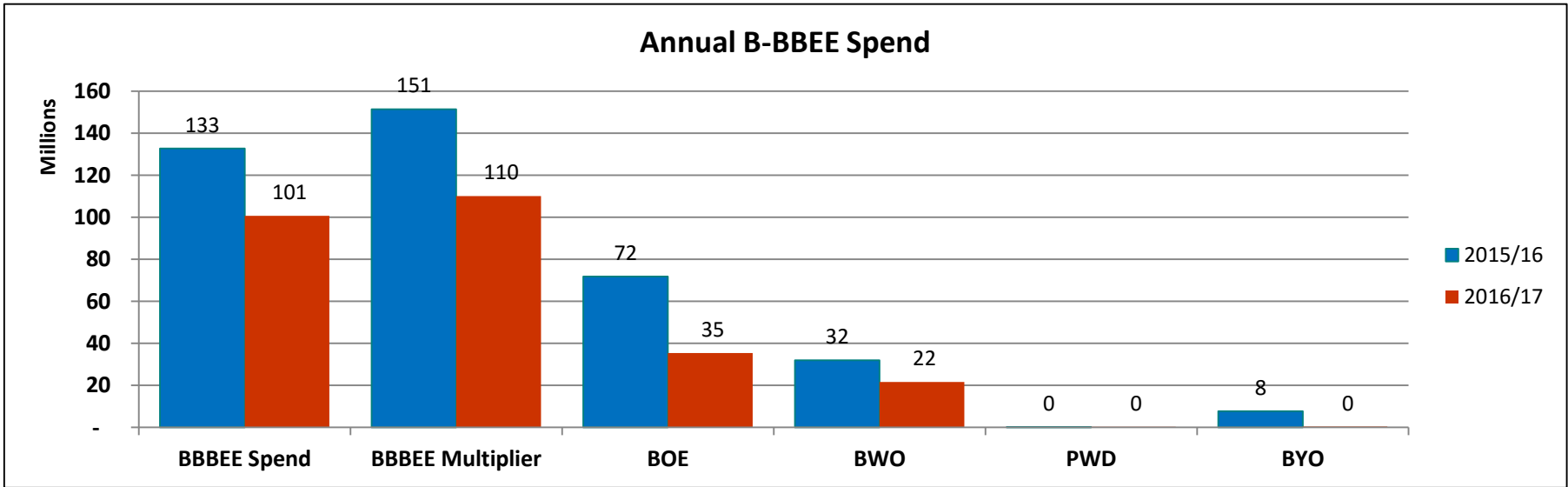
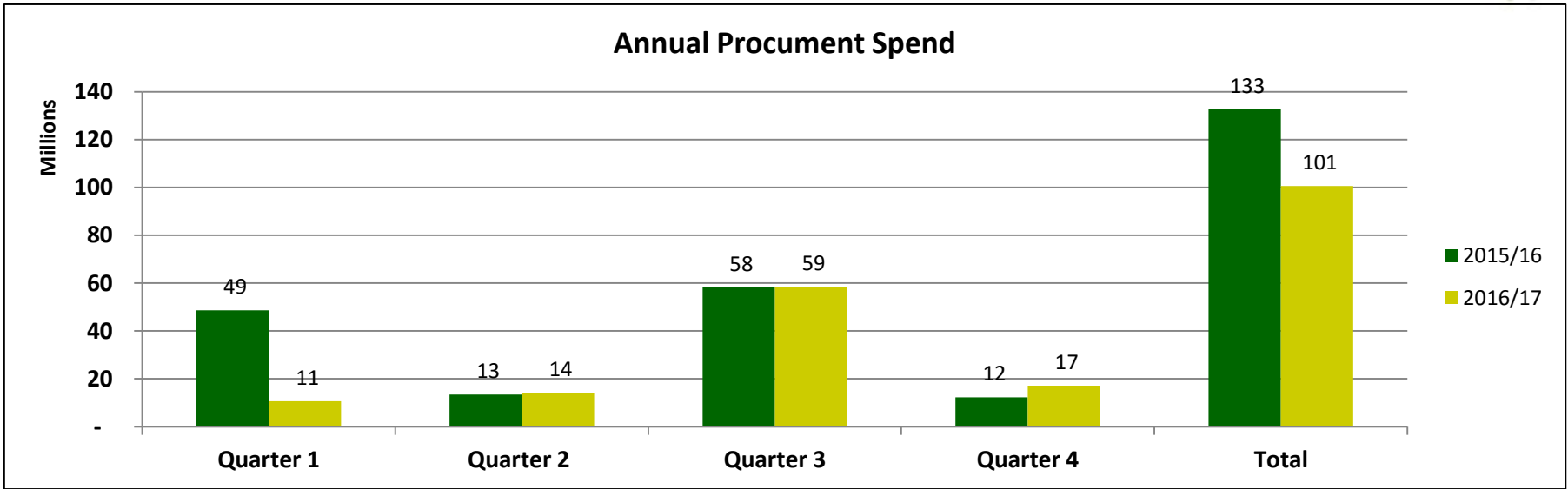
Management continued optimisation initiatives from the previous period to reduce the cost of sales through re-negotiations of maintenance contracts and fibre lease agreements, optimisation of routes, building of new networks instead of leasing expensive routes amongst others.

Province	POP	Fibre (Km)
Eastern Cape	19	1829
Free State	17	1482
Kwazulu Natal	21	2363
Limpopo	11	890
Mpumalanga	15	1527
North West	9	949
Northern Cape	27	2529
Gauteng	17	1461
Western Cape	20	1889
Totals	156	14919

STM 1 Equivalents



Performance at a glance: Procurement Spend



Key Market Trends

Mobile Traffic

- IP traffic is expected to grow at a compound annual growth rate of 23% from 2015 to 2020.
- Mobile data traffic in South Africa is expected to grow at a compound annual growth rate of 55% between 2015 and 2020;
- Mobile operators complemented the infrastructure roll out investments with tariff hikes ranging from 3% to 40%.

Fixedline Access

- The market is evolving at a fast pace as those providing end user services are deploying technologies to meet the demand for services.

FTTX

- A wave of FTTH and FTTB continues to sweep the local telecoms market;
- Reseller models have been developed with various operators and ISP's selling the bandwidth on behalf of the FTTH providers (e.g. VOX, MWEB, Cell C, and Link Africa)

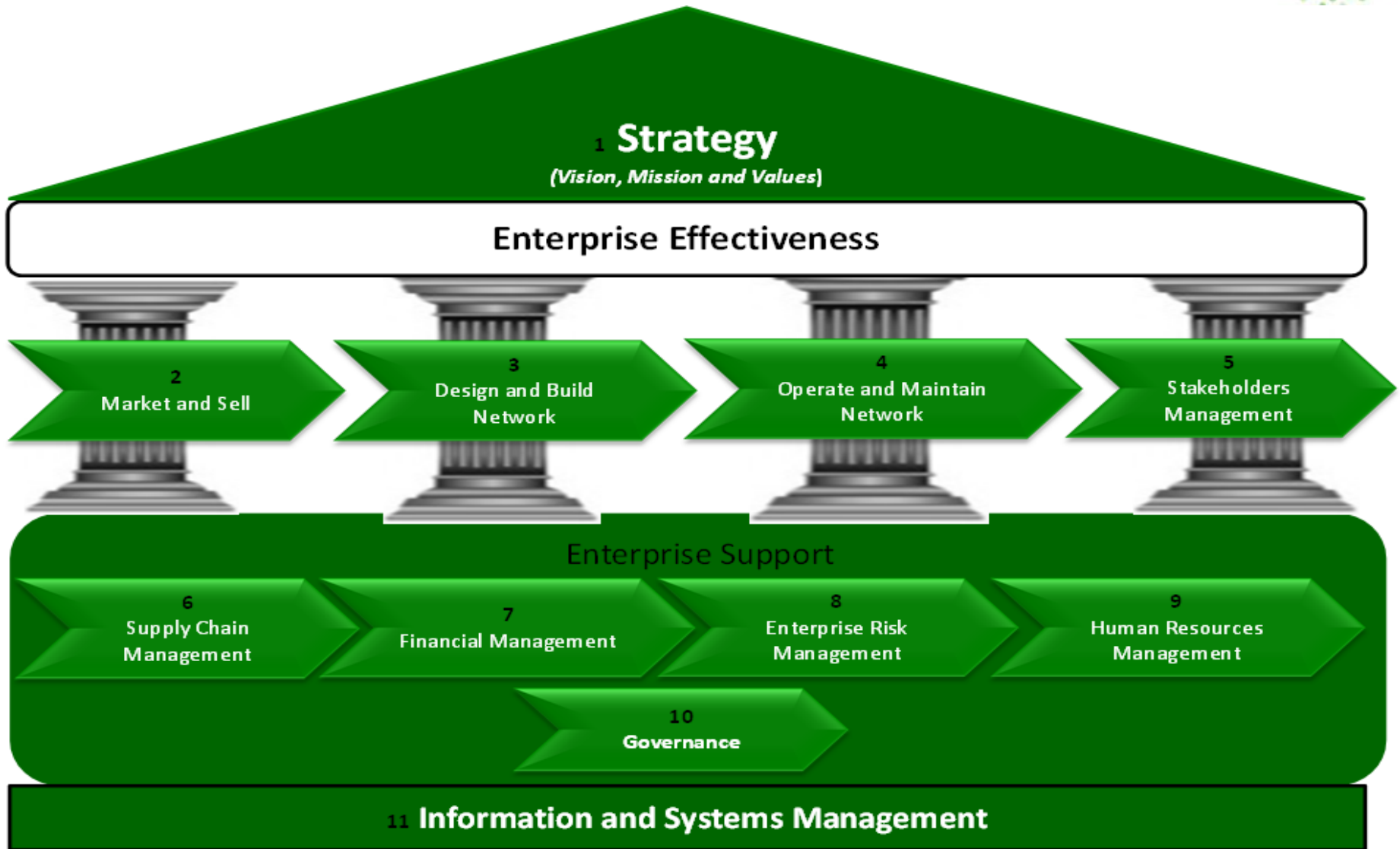
Regional and International Connectivity

The key operators in South Africa share capacity in the international submarine cables making it a very competitive market. Notably, Telkom, Vodacom, Neotel and MTN are shareholders in both WACS and EASSy.

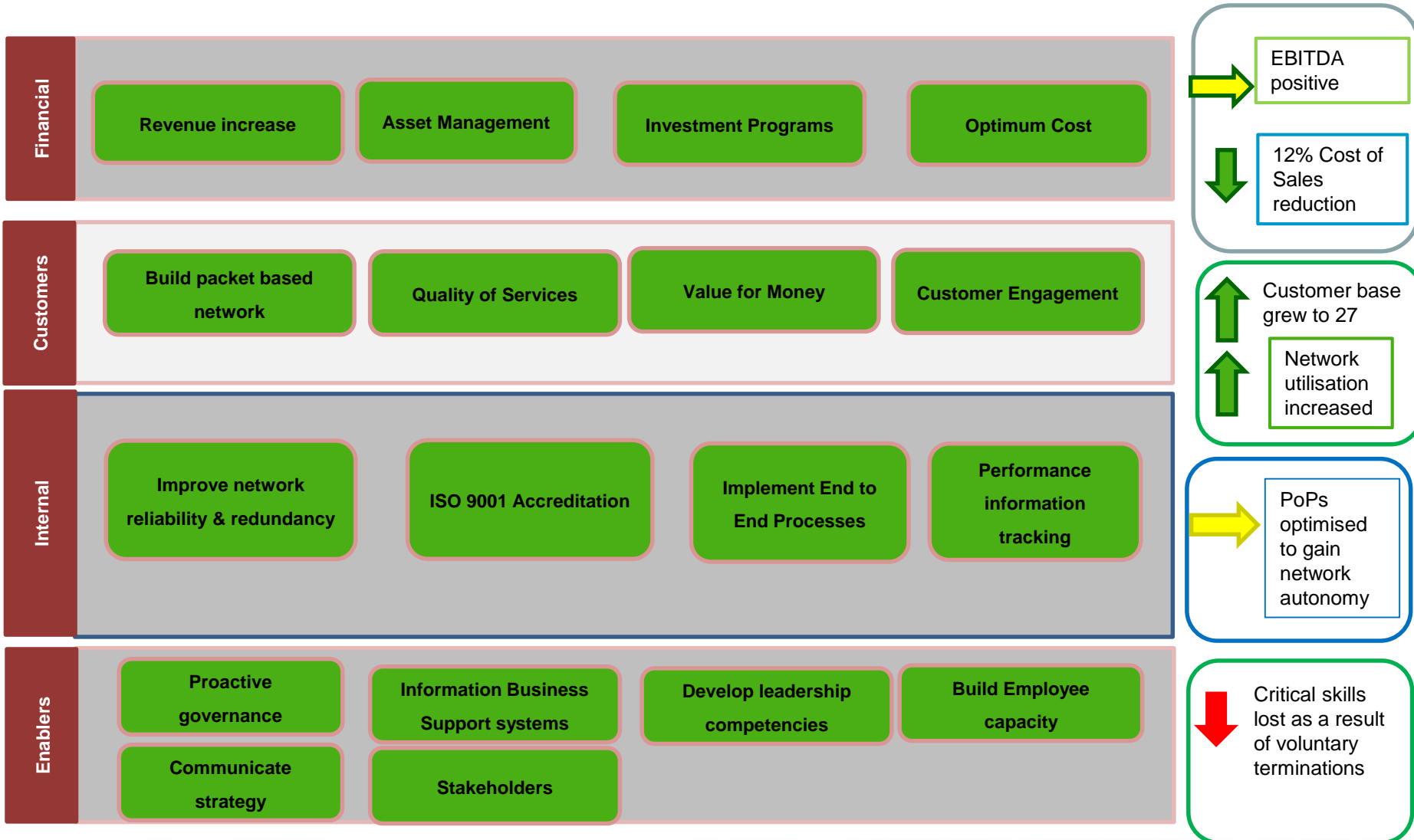
Market Consolidation

The deals that have gone through during this period include:

- The acquisition on BCX by Telkom in the previous period has now resulted in the merger of Telkom Business and BCX into one entity;
- Approved Mweb Connect (Business ISP) acquisition by Internet Solutions (ISP);
- Acquisition of Neotel by Liquid and Royal Bafokeng Holdings;
- MTN Dis-investment in Afrihost (ISP);
- Approved Dynamic IT (IT provider) acquisition by Vox Telecoms (ISP);
- Approved Wireless Business Solutions (wireless operator) acquisition by Multisource (integrated operator); and
- Blue Label Telecommunication acquisition of Cell C.



Strategy: Strategy Map (p24)



Alignment to Executive Authority Objectives (p9 -10)



Strategic Goal	Objectives	Key Performance Areas	2017/18 Targets	DTPS Objectives	Outcome No
SG1 Resilient Network	SO 1.1 Develop an integrated packet transport network that encompasses growth/expansion and technology evolution	Network Planning	Migration from SDH to packet based network	SO 1.1 Coordinate broadband connectivity to achieve 100% population coverage by 2020	6
		Network Build	Deployment of DWDM core symmetrical network		
		Network performance management	7.5 hours to Restore Core Network Faults		
Network performance rebates paid as percentage of gross revenue					
SG 2 Broadband Infracore will endeavour to be financially sustainable by 2018	SO 2.1 Ensure long-term business Sustainability	Financial Management	R89.2 million Revenue Growth	SO 4.1 improve performance of SOCs through proactive and stringent oversight	
			R116.0 mil Increase amount of EBITDA annually		
			Debtors' collection of 45 days per contract		

Alignment to Executive Authority Objectives (p9 -10)



Strategic Goal	Objectives	Key Performance Areas	2017/18 Targets	DTPS Objectives	Outcome No
SG 3 Economic and Social Transformation	SO 3.1 Drive Socio-Economic transformation	Increase participation of HDI's in the ICT sector	70% spend of BBBEE discretionary budget	SO 2.2 Promote transformation of the ICT Sector through the development of ICT SMME support strategy.	4
			40% spend on BOE		
			10% spend on Women of 40% on BOE		
		Corporate Social Investment	Cyber Security installation at Seshigo High School		
		Facilitate Enterprise Development	3 X small BEE companies trained in OHSAS18001		
SG4 Operational Excellence	SO 4.1 Integrated Strategy Execution	Systems Management	Monitored operationally	SO 4.2 Create a high performing organisation to enable achievement of the Department's mandate	
		Process Management			
		Quality Management			

Alignment to Executive Authority Objectives (p9 -10)



Strategic Goal	Objectives	Key Performance Areas	2017/18 Targets	DTPS Objectives	Outcome No
SG 5 Sound Human Capital Practices	SO 5.1 Build high performance organisation	Skills and capability development	1% of the wage bill spend on training by end of year	SO 4.2 Create a high performing organisation to enable achievement of the Department's mandate	5
			70% Technical Interns Qualified for P1 and P2		
SG6 Proactive Corporate Governance	SO 6.1 Effective Corporate Governance	Effective oversight of the Board and Sub-Committees	Monitored operationally	SO 4.1 Improve performance of SOC's through proactive and stringent oversight	
		Efficient legal services and Telecoms Regulatory compliance to safeguard the interests of the Company		SO2.1 Develop and Implement the Policy and legislation aimed at improving access and affordability of ICT's	

Annual Performance Plan 2016/2017 (p43-44)



Strategic Goals	Strategic Objective	KPA	KPI	Baseline	2017/18 Target	Q1 Targets	Q2 Targets	Q3 Targets	Q4 Targets
SG 1: Resilient Network	SO 1: Develop an integrated packet transport network that encompasses growth/expansion, technology evolution	Network performance management	Network performance rebates paid as percentage of gross revenue	0.10%	≤0.2% of gross revenue	≤0.2% of quarterly gross revenue	≤0.2% of quarterly gross revenue	≤0.2% of quarterly gross revenue	≤0.2% of quarterly gross revenue
			Actual Time to Restore Core Network Faults	8hrs	7.5hrs	7.5hrs	7.5hrs	7.5hrs	7.5hrs
			Average Percentage service availability per month	New	98%	98%	98%	98%	98%
SG 2: Financial Sustainability	SO 2: Ensure long-term business Sustainability	Financial	Increase Revenue by R89.2 million	(48.8 million)	R89.2 million	R22.1 million	R23.5 million	R23.5 million	R21.7 million
			Current Ratio	93%	115%	178%	159%	131%	115%
			Increase amount of EBITDA annually	R33.8 million	R116 million	R23.9 million	R29.8 million	R31.1 million	R31.2 million
			Number of days per outstanding customer invoice	45 days	45 days	45 days	45 days	45 days	45 days
SG 3: Economic and Social Transformation	SO 3: Drive Socio-Economic Transformation	Safety, health and environment	Number of small BEE companies trained on OSHA	3 SMMEs	3 SMMEs	Identify the SMMEs to be trained	Train 1 X SMME	Train 1 X SMME	Train 1 X SMME

Annual Performance Plan 2016/2017 (p43-44)



Strategic Goals	Strategic Objective	KPA	KPI	Baseline	2017/18 Target	Q1 Targets	Q2 Targets	Q3 Targets	Q4 Targets
SG 3: Economic and Social Transformation	SO 3: Drive Socio-Economic Transformation	Procurement	Allocation of BBBEE budget discretionary spend	112%	70%	10% spend of BBBEE	20% spend of BBBEE	20% spend of BBBEE	20% spend of BBBEE
			Percentage increase on black owned entities spend	39.55%	40% spend of BBBEE	5% spend of BBBEE	10% spend of BBBEE	15% spend of BBBEE	10% spend of BBBEE
			Percentage spend of Black Women Owned entities	15.24%	10% spend of 40% spend on BOE	2% spend of 40% on BOE	3% spend of 40% on BOE	4% spend of 40% on BOE	1% spend of 40% on BOE
		Corporate Social Responsibility	Cyber Security installed at High schools	ZERO	Seshigo High School Computer laboratory secured	Develop a cyber-security Strategy & Implementation Plan	Identify partners to install cyber security	Train teachers and students on cyber security	Secure computer lab & Tablets
SG 5: Sound Human Capital Management Practices	SO 5: Build high performance organisation	Human Resources Capacity Building	Training spend as percentage of payroll	1.55%	1% of the wage bill spend on Targeted training and development by end of year	Compile Workplace Skills Plan and Annual training report	Training spent at 0.5 of payroll	Training spent at .25 of payroll	Training spent at 0.25 of payroll
			% of Technical Intern qualified for P1 and P2	ZERO	70% of Technical Interns completed P1 and P2	Review of first 6 months and submission of reports and PoEs	Report to MICT SETA and formal development	Development and on the job training continues	Preparation for final reviews and 2 nd leg

Capex – Critical Maintenance & Refurbishment

Project Category	Capex Category	Project Name	Region	Estimated Project Cost
Refurbishment	Essential upgrades and refurbishments	SPOF rectification at Eskom Park (Witbank) to Rayton, Strengthening-Transmission	Mpumalanga	9,672
Refurbishment	Essential upgrades and refurbishments	LAINSBURG - refurbishment of SKA line	Western Cape	6,000
Software Upgrade and Maintenance	Essential upgrades and refurbishments	Essential upgrade of Network Management System	National	2,308
Software Upgrade and Maintenance	Essential upgrades and refurbishments	Essential upgrade of of DCN	National	2,363
Refurbishment	Essential upgrades and refurbishments	ASON Implementation	National	10,000
Technology Evolution	Generation of Revenue	Roll out of IP Core Phase 3	National	38,730
Service Cards	Operational Capex	Service Engineering Cards	All	5,231
Head Office	Operational Capex	NOC Video Walls and Controllers	Gauteng	5,000
Head Office	Operational Capex	IT Phase 2	Gauteng	1,000
All	Operational Capex	Capitalization of salaries	National	2,880
Essential	Protection of Revenue	Replace Adlash Helios-Juno, TFR	Northern Cape	25,464
Refurbishment	Protection of Revenue	BLOUPUTTS - Radio solution	Northern Cape	3,500
Refurbishment	Protection of Revenue	ROUTE 7 REDUNDANT LINKS	Western Cape	10,000
Access network	Protection of Revenue	Megawatt Park to Minerva to NZASM	Gauteng	1,884
Customer	Protection of Revenue	Adlash: Replace Pembroke-Poseidon Refurbishment-Fibre Cable	North West	3,500
				R127,532

Critical Capital Investments:

- Equipment only bought on a just in time for critical replacement only
- To deliver on the Broadband Infraco Mandate
- Technology Evolution
- Software Upgrades Maintenance
- Critical Route Adlash Refurbishment
- Most of the projects here are for revenue protection and refurbishment of the network
- IP Rollout is customer required and will increase revenue

Financial Performance (p50)



	Mar-16 Year end Prev Year R'000	Mar-17 Year end Forecast R'000	Mar-18 Year end Budget R'000	Mar-19 Year end Budget R'000	Mar-20 Year end Budget R'000	Mar-21 Year end Budget R'000	Mar-22 Year end Budget R'000
Continuing operations							
Total revenue	451,648	402,802	492,046	567,727	592,085	634,145	688,783
<i>Year on Year Growth</i>		-10.8%	22.2%	15.4%	4.3%	7.1%	8.6%
Cost of Sales excluding depreciation	259,573	215,772	191,647	205,062	219,416	234,775	251,210
Cost of Sales	380,799	358,757	332,756	344,481	340,904	340,501	343,101
<i>Year on Year Growth</i>		-16.9%	-11.2%	7.0%	7.0%	7.0%	7.0%
Gross Profit	70,849	44,045	159,290	223,246	251,181	293,644	345,683
<i>Gross Profit</i>	15.7%	10.9%	32.4%	39.3%	42.4%	46.3%	50.2%
Other income	4,379	-	-	-	-	-	-
Operating expenses	175,280	166,249	197,289	207,982	220,276	233,363	247,295
Results from operating activities	(100,052)	(122,204)	(37,999)	15,264	30,905	60,281	98,387
Finance income	8,808	5,664	205	-	-	-	-
Finance charges and fair value movements	(150)	(969)	(11,571)	(13,235)	(10,733)	(7,951)	(6,723)
Interest and facility fee	(3)	(1,011)	(11,571)	(13,235)	(10,733)	(7,951)	(6,723)
Foreign exchange and fair value gains/(losses)	(147)	42	-	-	-	-	-
Profit/(loss) before taxation	(91,394)	(117,509)	(49,365)	2,029	20,172	52,330	91,664
Taxation	-	-	-	-	-	-	-
Profit/(loss) for the year	(91,394)	(117,509)	(49,365)	2,029	20,172	52,330	91,664
EBITDA	29,992	33,723	116,002	167,574	165,283	178,897	203,169
Employee Cost as % Revenue	24.2%	25.6%	23.7%	21.9%	22.4%	22.4%	22.1%

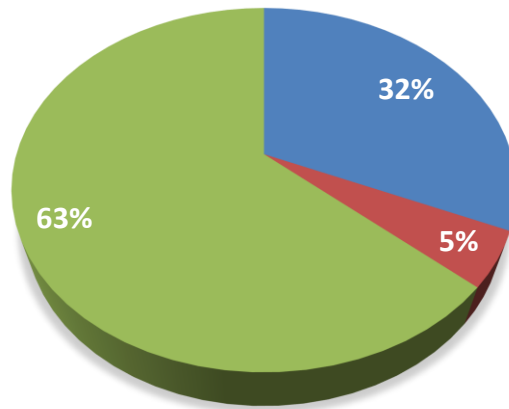
Financial Position (p53)



	Previous year Actual - Audited 31-Mar-16 Actual R'000	Year end Forecast 31-Mar-17 Actual R'000	Year end Budget 31-Mar-18 Budget R'000	Year end Budget 31-Mar-19 Budget R'000	Year end Budget 31-Mar-20 Budget R'000	Year end Budget 31-Mar-21 Budget R'000	Year end Budget 31-Mar-22 Budget R'000
Assets							
Non-current assets	1,366,919	1,307,030	1,279,422	1,128,853	996,359	879,938	777,518
Property, plant and equipment	1,354,471	1,295,721	1,269,252	1,119,822	988,467	873,185	771,904
Deferred Expenses	12,448	11,309	10,170	9,031	7,892	6,753	5,614
Current assets	191,392	90,385	84,388	161,511	238,342	330,845	449,472
Inventories	0	0	0	0	0	0	0
Cash and cash equivalents	141,625	31,768	4,349	92,287	160,583	250,967	365,261
Short term portion of deferred expense	1,139	1,139	1,139	1,139	1,139	1,139	1,139
Trade and other receivables	48,629	57,478	78,900	68,085	76,620	78,740	83,072
Total assets	1,558,311	1,397,415	1,363,810	1,290,364	1,234,702	1,210,784	1,226,990
Equity and liabilities							
Equity attributable to owners of the parent	872,266	754,756	705,391	707,420	727,592	779,921	871,585
Share capital	0	0	0	0	0	0	0
Shareholders' loan - DTSP	1,351,130	1,351,130	1,351,130	1,351,130	1,351,130	1,351,130	1,351,130
Shareholders' loan - IDC	478,400	478,400	478,400	478,400	478,400	478,400	478,400
Retained earnings	(957,264)	(1,074,774)	(1,124,139)	(1,122,110)	(1,101,938)	(1,049,609)	(957,945)
Non-current liabilities	504,087	483,300	512,056	425,618	336,735	247,748	158,207
Interest-bearing debt	0	33,527	125,719	102,717	77,269	51,718	25,613
Deferred revenue	504,087	449,773	386,337	322,901	259,465	196,029	132,593
Current liabilities	181,958	159,359	146,363	157,326	170,376	183,115	197,198
Trade and other payables	109,049	93,337	78,748	89,319	100,903	113,566	127,379
Current portion of deferred revenue	70,529	63,589	63,589	63,589	63,589	63,589	63,589
South Africa Revenue Services - PAYE and VAT	2,380	2,433	4,026	4,418	5,884	5,960	6,230
Total liabilities	686,045	642,659	658,419	582,944	507,111	430,862	355,405
Total equity and liabilities	1,558,311	1,397,415	1,363,810	1,290,364	1,234,702	1,210,784	1,226,990



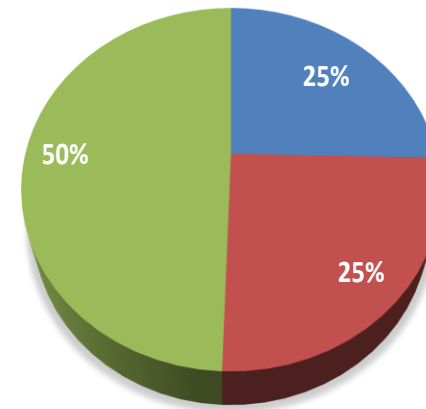
New Funds Raised



■ Vendor Financing ■ Asset Financing ■ Medium Term Debt Financing

- All funds raised is net of 10% deposit paid to reduce financing costs
- Total funds to be raised in 2018 is R110 mil
- New **Vendor Financing** of R35 mil budgeted for IP Core phase 3 roll out
- R5 mil **Asset Finance** for NOC
- R70 mil from **Medium Term Debt Finance** to supplement funding generated from operations required for customer and refurbishment projects

Balances at 31 March 2018



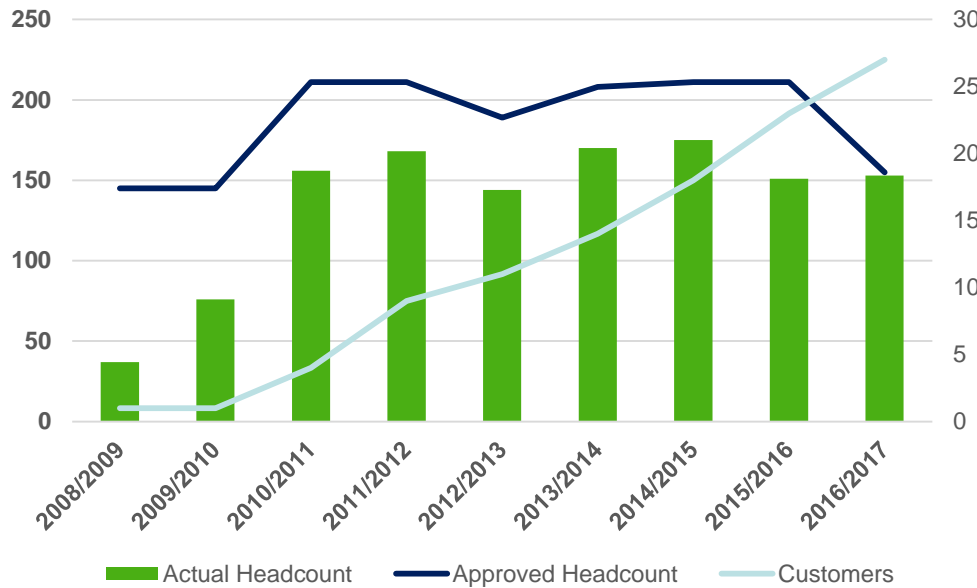
■ Vendor Financing ■ Asset Financing ■ Medium Term Debt Financing

- **Medium debt represents 50% of outstanding balance budgeted – R62 mil**
- **Asset finance and Vendor each represent 25% - about R32 mil each**
- **The balance of asset finance is higher than the funds raised in the budget as R35 mil asset finance was raised in the current year**

Headcount Overview: (SO 5.1)



Headcount Movement vs Customer Growth



Employment Equity Demographics (Inclusive of Interns)

Job Levels	2012	2012/13	2013/14	2014/15	2015/16	2016/17
Executives	6	9	7	7	8	6
Senior Management	19	13	18	23	18	14
Professional Specialist & Middle Management	41	39	32	36	48	41
Supervisory & Junior Management	77	68	92	91	73	66
Support	14	15	21	19	8	9
Sub Total (Permanent)	157	144	170	176	155	136
Interns	11	2	11	10	1	17
GRAND TOTAL	168	146	181	186	156	153

- Broadband Infraco was licensed in the last quarter of 2009
- 49% growth human resources within the maintenance, sales and marketing environment for the 2010/2011 year
- 2011/2012 insourcing of the Network Operations Centre and integrating it into one environment to service all customers
- January 2012 marked the end of Rights of Use Agreement and instilling HR discipline in the organisation
- Refocus on acquisition of critical skills required for the growth of the organisation as well as optimisation of performance management
- Productivity analysis and HR Optimisation
- The split between core and support as at 31st March 2016 is as follows: Core = 72%, Support = 28%

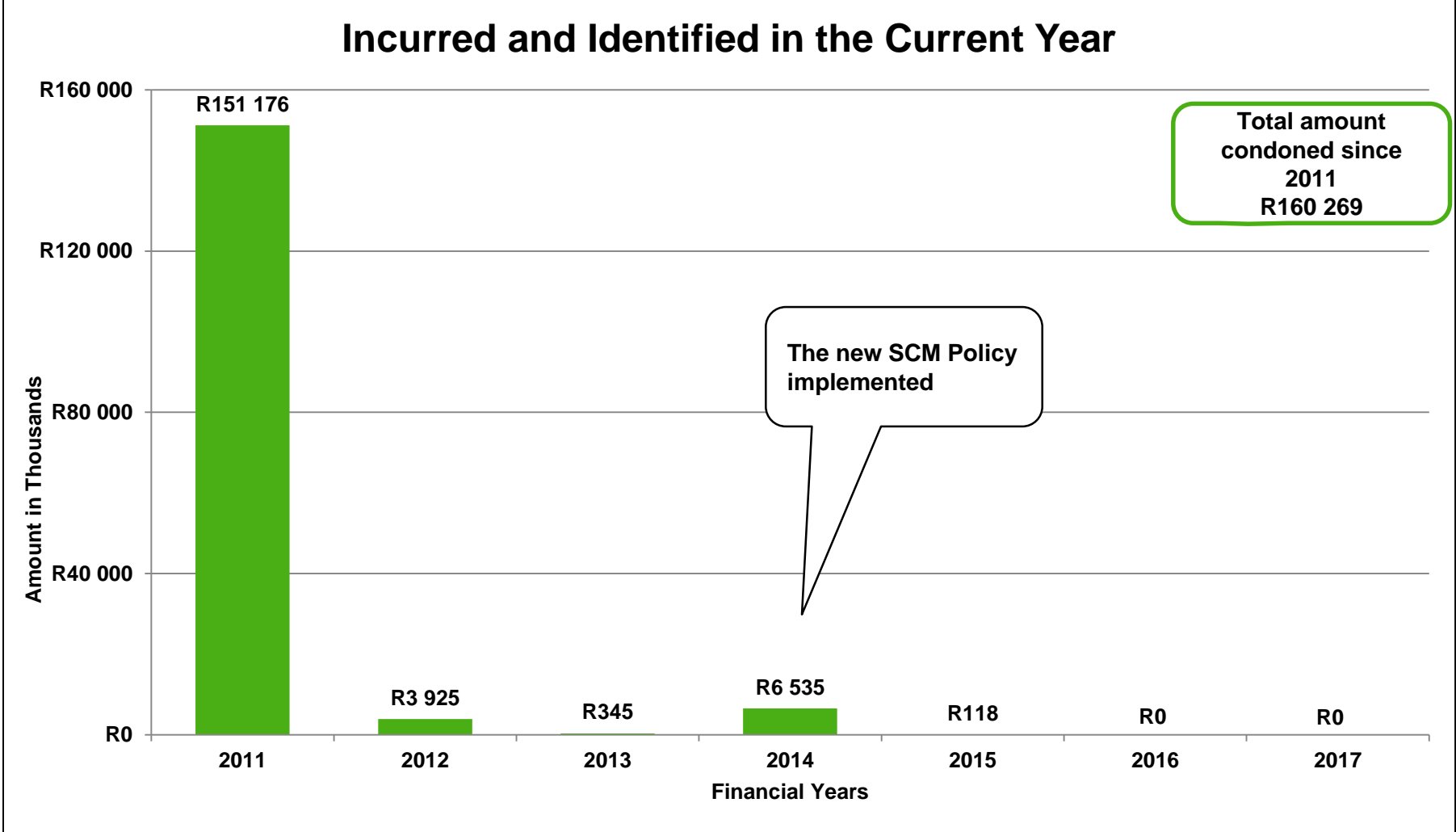
Details of Performance Areas (p27-28,34-36)

Objective	KPA	
SO 1.1: Develop an integrated packet based transport network that encompasses growth/expansion and technology evolution	Product Development	NOC added as a service with full pricing and associated metrics
	Network Planning	Upgrade 13 network nodes of the network to M-Tera version
		Complete the M-Tera project for 11 network nodes and increase network core capacity by 50%
	Build Network	Deployment of DWDM core symmetrical network
	Operate Network	Network performance rebates paid as percentage of gross revenue
Maintenance of Network	7.5 hours to Restore Core Network Faults	
SO 2.1: Ensure long term business sustainability	Revenue	Increase Revenue by R89.2 million
	Funding	Improve current ratio to 115%
		Collect outstanding debt within 45 days
	Increase EBITDA to R116 million	
SO 3.1: To drive socio-economic transformation	Procurement	80% Allocation of BBBEE discretionary budget spend
		45% increase on black owned entities spend
		20% spend of Women Owned entities
	Safety, Health and Environment	3 small BEE companies trained on OSHA
Corporate Social Responsibility	Cyber security installed at Seshigo High School	

Strategic Objective 4.1 Integrated Strategy Execution. This objective is internally focused. The Key Performance Areas include: Quality management, Process Improvement, Information and Systems Management as well as Performance Monitoring and Evaluation.

Objective	KPA	
SO 5.1: Build a high performance organisation	Aligned HR Capacity Building and Optimization	Fill critical positions to rebuild 90% capacity in core functional areas for sustainability and growth
		Introduce Incentives for assistance to source successful candidates after probation
		Review remuneration structure and benchmark variable pay components
	Strategic Acquisition of critical scarce skills	Train 10% of management on Competency based interviewing technique
		70% P1 and P2 interns to complete to obtain their qualifications by
	Integrated HRD strategies for organisation development	Implement performance management process for 2 financial years (24 months) by July 2017
		Minimum 1% of the salary bill for spend for training expenditure
		Line and organised labour empowerment on HR management fundamentals
	Effective talent retention strategies	Implement non cash components of Recognition & Reward programme
		Prioritise Sales incentive schemes

SO 6.1 Effective Corporate Governance. Broadband Infracore promotes good governance by ensuring compliance to all legislative requirements and effective internal control systems and risk management. Key Performance Areas include: Company secretariat, Legal and Regulatory, Compliance, internal controls and risk management.



External Audit Findings 2015/16

Department	Finding Category	Total number of findings	Status February 2017	
			Resolved	In Progress
Finance	Going Concern	1		1
	Revenue	1		1
Performance Information	Compliance	5	5	
Shareholder	Compliance	1		1
Total		8	5	3
Percentage		100%	63%	37%

Strategic Risks 2017/18 (Annex B)

	Strategic Risks	Preventative Action/ Mitigation		Strategic Risks	Preventative Action/ Mitigation
1	Likelihood not to continue as a going concern	<ol style="list-style-type: none"> a. Continue with the sales drive. b. Negotiate long tenure revenue contracts. a. Renegotiation of key supplier contracts. b. Rigorous cash management. Continue to apply for funding from external parties. 	6	Difficulty to raise Funds	<ol style="list-style-type: none"> Extended credit terms with major suppliers (Rated and international suppliers). Continue to apply for funding from external parties. Implement technology update.
2	Regulatory constraints impeding organisational agility.	<ol style="list-style-type: none"> Optimise demand planning in procurement. Engaging Shareholder on borrowing limits. Continue to provide inputs on how to integrate government ICT infrastructure. 	7	Damage to the reputation of Broadband Infraco	<ol style="list-style-type: none"> Reinforce the current communication strategy. Harmonize the external communication with the Shareholders. Continuous engagement with journalist.
3	Margin Pressure	<ol style="list-style-type: none"> Embed and continue to optimise pricing strategy Renegotiation of key suppliers contracts 	8	Limitations in resolving fulfilment value chain	<ol style="list-style-type: none"> Cross functional processes integration.
4	The impact of Non ICT SOC's on the cost to communicate	<ol style="list-style-type: none"> Continue to engage non ICT SOC's Engage the regulators to ensure that non ICT SOC's are governed by the regulations 	9	Market consolidation resulting in a changed market structure	<ol style="list-style-type: none"> Actively monitor ICT environment. CTO to actively pursue CTO- CTO engagements.
5	Lack of awareness for new imperatives in privacy and security of information	<ol style="list-style-type: none"> Engage cyber security experts to conduct cyber security awareness throughout the Company. Use Mimecast to inform cyber security alerts. Knowledge transfer from co-sourced partners. 	10	Difficulty to retain and attract the required skills while appropriately managing the cost to revenue ratio	<ol style="list-style-type: none"> Roll out of Internship programme to include both core and non-core units. Intensify employee engagement strategy. Pilot retention strategy.

Thank You