

2021

Annual Results Presentation

For the year ended
31 March 2021



SENTECH
connecting You



Sentech SOC Ltd

CONTENTS



OPERATING ENVIRONMENT



BUSINESS PERFORMANCE
&
RISK



PERFORMANCE HIGHLIGHTS



FINANCIAL OVERVIEW



STRATEGY



OUTLOOK

Operating Environment



- The global entertainment and media (E&M) industry has experienced steady growth over the past decade, while experiencing significant disruption as **technology has advanced and changed the way in which entertainment and media are consumed.**
- Structural shifts in the industry show **new digital platforms and distribution models have gained a larger share of overall revenues** at the expense of traditional distribution models.
- Covid-19 pandemic has disrupted human and business behaviour and this will require a **strategy that is future fit and aligned to the new normal.**
- Going forward, consumers of **E&M products and services are likely to be more at home and will engage differently with content and will demand more** of the overall user experience

Performance Highlights



Delivering good performance

Healthy financial company



- Net profit after tax increased to R313 million
- Operating Profit at R253million
- Total revenue of R1.4bn
- Sales revenue at R1.3bn
- Cash balance of R2bn available for growth
- Going concern

Achieved 82% of set targets



- Nine out of eleven predetermined objectives achieved
- All financial targets achieved
- Network availability targets achieved, putting our customers on air without fail daily throughout the year.

Contributed to socio-economic transformation



- Preferential procurement spend of R79 million, benefited SMMEs, Youth, Black owned and Black Female owned enterprises.
- Skills development spend of R21 million
- Enterprise and Supplier development spend of R6 million
- We have increased our payment of SMMEs from 10 days to 2 days.











MEASURING OUR PERFORMANCE

PERFORMANCE COMPARED TO PREVIOUS YEAR

REVENUE  R1.4bn	EARNINGS BEFORE INTEREST AND TAX  R253m	NET PROFIT AFTER TAX  R313m
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PERFORMANCE AGAINST SET TARGETS

SALES REVENUE  R1.3bn	EBIT  R253m	CUSTOMER SATISFACTION LEVELS  65%
BRAND EQUITY SCORE  76%	REPUTATION SCORE  72%	SOCIO-ECONOMIC TRANSFORMATION SPEND  R106m
PREDETERMINED OBJECTIVES ACHIEVED 82%	RISK MATURITY SCORE OF 4 out of 5	SMME EARLY PAYMENT of 2 days
BROADBAND SITES CONNECTED 99	UNQUALIFIED AUDIT WITH FINDINGS	

 *Target achieved*
 *Target not achieved*

PERFORMANCE
AT
A GLANCE

Strategy



Evolving from a broadcasting signal distributor to a full-service digital infrastructure company

VISION

A global leader in digital content delivery

MISSION

Creating smart communities by connecting customers and people through the delivery of content and innovative digital solutions

VALUE PROPOSITION

Keeping our customers connected all the time anywhere



VALUES - I CARE

Innovative

Customer
Centric

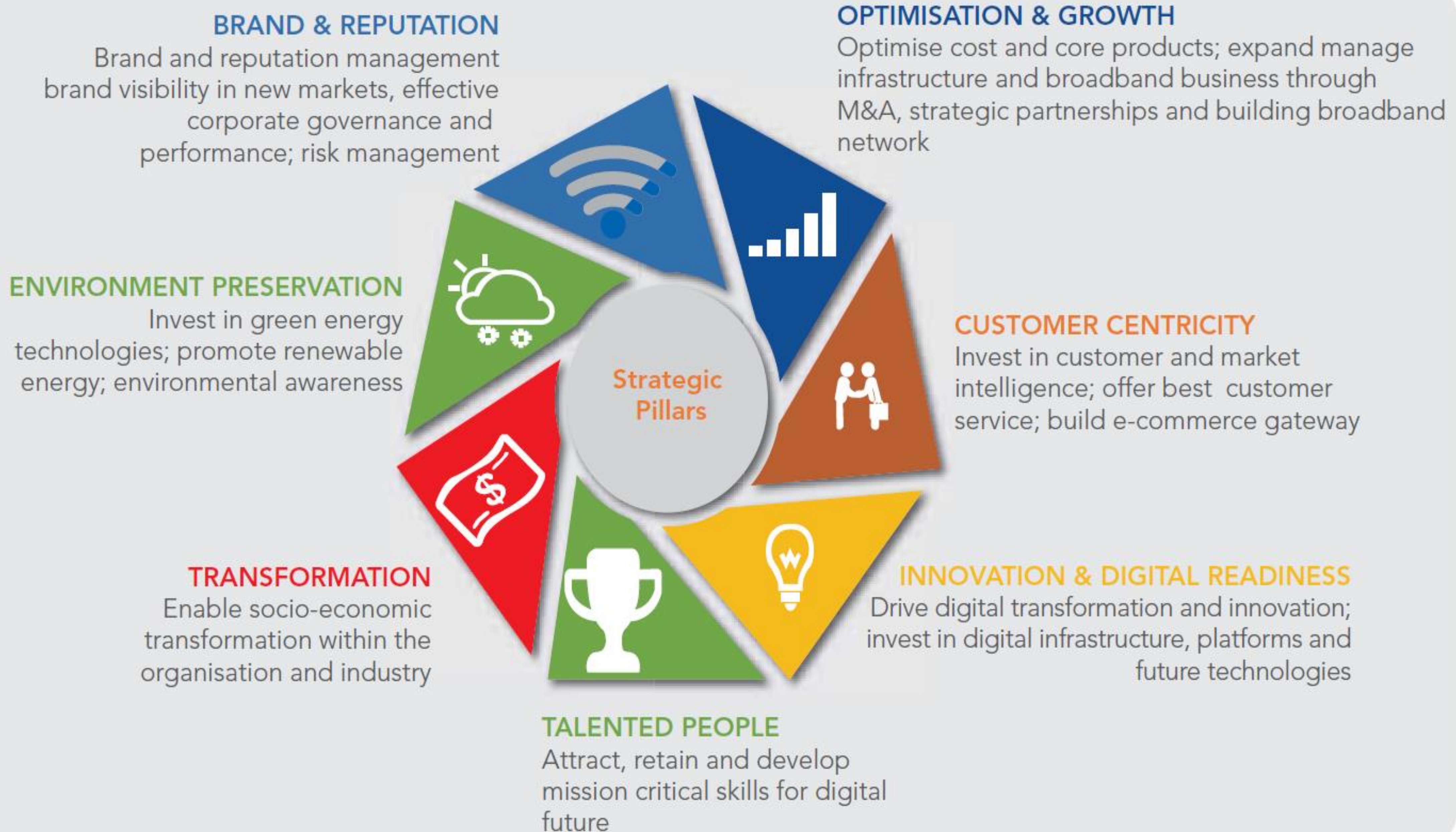
Accountable

Responsible

Ethical



Strategy anchored on seven pillars to ensure achievement of strategic objectives





Effective governance

- The Company is committed to the highest standards of governance, ethics, and integrity, which are embedded in the culture and are designed to secure long-term effectiveness and sustainability.
- Good corporate governance is an expression of the Company's values and creates a solid framework for effective leadership, accountability, risk management, performance management, and transparency.
- SENTECH consistently reviews its governance practices and processes to ensure that it always acts in the best interests of all stakeholders.
- The Board is ultimately accountable and bears full responsibility for the performance and affairs and the Company, as well as for ensuring that it adheres to the highest standards of ethical behaviour.
- In terms of the SENTECH Act, the Board should consist of three executive directors and at least four non-executive directors, all appointed by the Minister.
- The current board consists of 7 Non-Executive Directors and 3 Executive Directors (CEO, COO, CFO)

Term of office of the current Non-Executive Directors is 31 October 2021

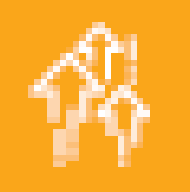

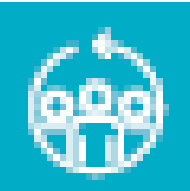
Board Committees



Business Performance

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Sentech achieved 9 out of 11 Predetermined objectives.

STRATEGIC PILLAR	OUTCOME INDICATOR	ANNUAL TARGET	ACTUAL PERFORMANCE	STATUS	VARIATION EXPLANATION
OPTIMISATION AND GROWTH 	Sales revenue (R)	R1 185 billion	R1 275 billion	▲	Business revenue-positive performance was bolstered by TV and DTH portfolios which were above budget at 11% and 21% respectively.
	Earnings before interest and tax (R)	R137 million	R253 million	▲	The result of revenues being above budget by R116 million and underspending on operational expenditure by R42 million.
	Developed blueprint for the New Broadband Network Company (NBNC)	Strategy Document for New Broadband Network Company (NBNC)	Corporate strategy developed for the NBNC	▲	Follow-through and collaboration with relevant stakeholders to speed up execution resulted in this target being achieved.
INNOVATION AND DIGITAL READINESS 	Number of 4IR projects initiated	Two 4IR technologies initiated (Data Analytics and AI)	Two 4IR technologies (Data Analytics and AI) have been initiated	▲	Improved planning and better collaboration have resulted in the attainment of this KPI.
	Number of digital products launched for commercial customers	Two digital products launched for commercial customers	Data Centre services and VoIP product completed and demonstrated for potential customers	▲	Renewed focus on execution has made it possible to achieve this target.
CUSTOMER CENTRICITY 	Percentage customer satisfaction levels	Customer satisfaction levels of baseline +5%	Customer satisfaction levels at 65%	▼	Broadcast segment scored lowest and an action plan will be developed to improve overall score.
	Percentage weighted average network availability (WANA) based on product revenues	99.80% Weighted average network availability (WANA) based on product revenues	99.89% WANA achieved	▲	Better network management has led to attainment of this target.

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Sentech achieved 9 out of 11 Predetermined objectives.

TALENTED PEOPLE



Percentage of planned skills training interventions implemented

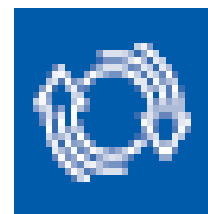
85% of planned skills training interventions implemented

95.6% of planned skills training interventions implemented



Better planning and execution resulted in the overall positive outcome.

TRANSFORMATION



Percentage of allocated budget spent on Enterprise and Supplier Development (ESD)

100% of allocated budget spent on ESD

100% allocated budget spend on ESD achieved



Improved internal collaboration and support has resulted in this KPI being achieved.

ENVIRONMENTAL PRESERVATION



Number of sites converted to green energy supply

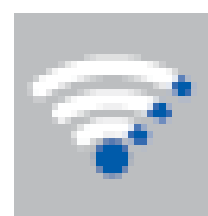
Two sites converted to green energy supply

Two sites converted to green energy supply



Renewed focus on execution has made it possible to achieve this target.

BRAND & REPUTATION



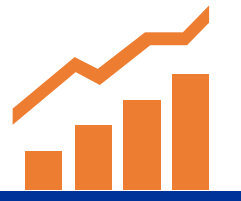
Clean audit achieved

Clean audit achieved

Unqualified with findings

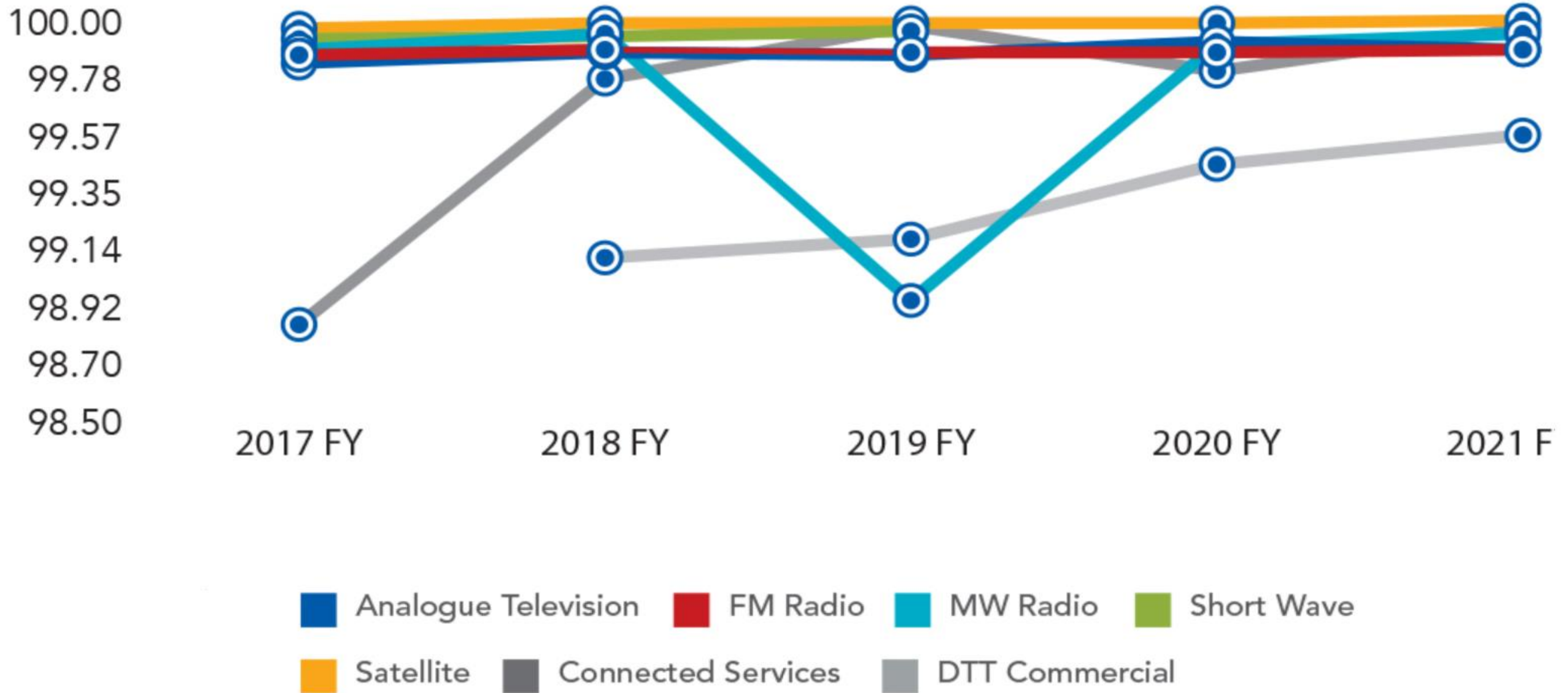


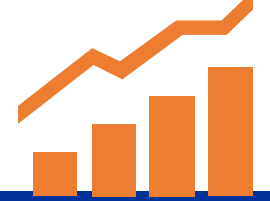
Clean audit outcome not achieved and management will implement a plan to strengthen internal controls and clear identified audit findings.



NETWORK PERFORMANCE

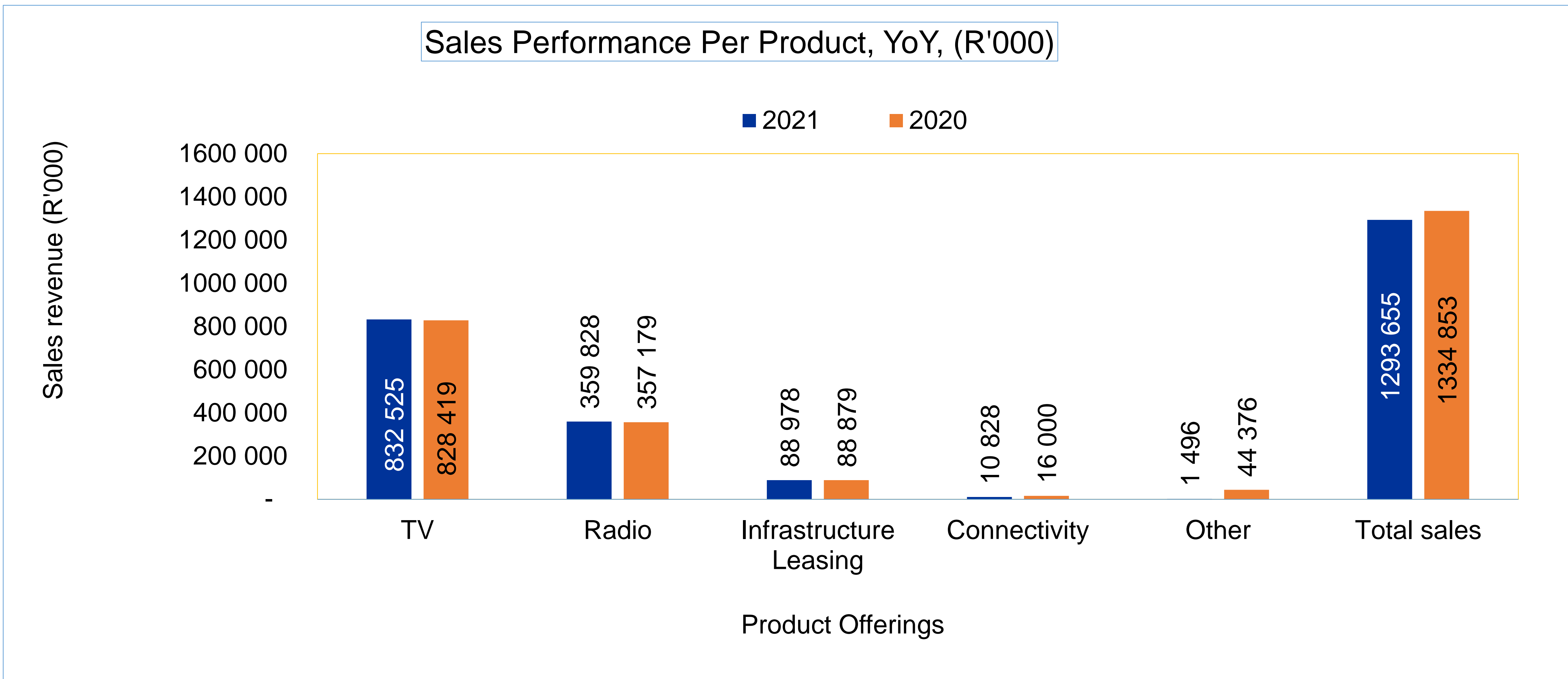
Achieved a 99.89% weighted average network availability over time against a SLA target of 99.80% across all platforms.





PRODUCT PERFORMANCE

Total sales performance decreased slightly by half a percentage compared to the previous year



Revenue from several customers was affected by Covid-19 and this had a negative impact on SENTECH's sales and product performance.

Risk management process continues to be effectively embedded in the organisation



TOP 5 RISKS AND CURRENT CONTROLS

STRATEGIC GOALS AND OBJECTIVES

RISK DESCRIPTIONS

CURRENT CONTROLS MITIGATION AND OPPORTUNITIES

SUSTAINABLE GROWTH

1 INADEQUATE BROADBAND MARKET PENETRATION
SENTECH needs to diversify the revenues received from broadcasting and has strategies and resources in place to enter the broadband market. This is, however, a highly competitive environment and the target market is currently being impacted by the declining economy, resulting in a very long sales cycle.

Inorganic growth strategies are being implemented to accelerate entry into and participation in the broadband market. The process is, however, extremely long for a public entity owing to regulatory requirements.
The current operating model is being reviewed to improve processes and to better position SENTECH for participation in the highly competitive broadband market.

OPTIMISED COST STRUCTURE

2 THREATS TO FINANCIAL SUSTAINABILITY
Financial risks include increases in operating costs (including employee and energy costs), volatility in the financial markets and a declining broadcasting market, all of which are factors that are impacting SENTECH's sustainability. Most of these costs are fixed and they are increasing at a rate higher than revenues.

Cost reduction strategies have been implemented and alternative energy sources have been identified to reduce the cost of energy.
Forward contracts are standard practice for foreign currency-dominated supplies in order to control the risk of exchange rate volatility.
The product portfolio is being diversified to offset declining revenues from the broadcasting market.

SUSTAINABLE GROWTH

3 DECLINING REVENUES FROM EXISTING BUSINESS
Spurred on by new technologies, the broadcasting market is declining and this is having a direct impact on SENTECH. Most of the Company's revenues are generated from broadcasting and the decline in this market is affecting both revenues and growth plans.

Revenue diversification initiatives are underway to substitute declining revenues from broadcasting. Wherever possible, cost-reduction strategies have been implemented to increase profitability and secure sustainability.

WEIGHTED AVERAGE NETWORK AVAILABILITY

4 CYBER ATTACKS
Cyber attacks are on the increase around the world and every organisation is exposed to this risk. SENTECH could be exposed to a cyber attack if there are vulnerabilities in its systems.

There is a cyber-security strategy and plan in place and both systems and networks are constantly monitored. Systems are also being upgraded to make them more resistant to cyber attacks.

WEIGHTED AVERAGE NETWORK AVAILABILITY

5 SERVICE DISRUPTIONS DUE TO INFRASTRUCTURE DEGENERATION AND COVID-19
The risk of service disruptions is mainly due to SENTECH's ageing analogue infrastructure and the delays in the ASO.
The risk of disruption due to Covid-19 is being well managed, but the situation remains uncertain.

Technologies are constantly maintained and are being replaced wherever applicable.
The switch-off of the analogue system has started in Free State and is due to be completed within the first half of the current year. This will reduce the risks associated with obsolete infrastructure.
ASO does, however, introduce new risks and these need to be managed.

Financial Overview



FINANCIAL SUMMARY

Increased profit after tax of R313m
and return on equity of 12%

Figures in Rand thousand	Year Ended 31 March 2021	Year Ended 31 March 2020	Year Ended 31 March 2019
Turnover	1 442 237	1 480 928	1 399 127
Normalised EBIT (excluding shortfall in dual illumination funding)	252 751	261 208	154 650
EBIT	252 751	261 208	154 650
EBIT margin%	18%	18%	11%
Net Profit/(Loss)	313 323	(72 368)	201 330
Statement of Profit or Loss and other Comprehensive Income	308 193	(59 150)	308 463
Cash generated from operations	565 593	441 854	74 974
Acquisition of Property, Plant and Equipment and Intangible assets	(70 742)	(72 922)	(78 537)
Government grants received	230 113	218 203	177 305
Cash balances	1 999 780	1 516 393	1 112 407
Total equity	2 603 986	2 295 793	2 332 051
Return on Equity	12%	(3%)	9%



FINANCIAL POSITION

Healthy and strong balance sheet at R4.3 billion

Figures in Rand thousand	Note	GROUP & COMPANY	
		2021	2020
ASSETS			
Non-Current Assets			
Property Plant and Equipment	6A	1 051 178	1 107 129
Intangible assets	6B	19 650	20 824
Deferred tax	13	–	37 504
Right-of-Use assets	6C	1 063 335	1 206 104
		2 134 183	2 371 561
Current Assets			
Inventories	8	58 524	54 693
Tax	14	9 127	953
Trade and other receivables	9	137 359	343 255
Cash and cash equivalents	10	1 999 780	1 516 393
		2 204 790	1 915 294
Total Assets		4 338 973	4 286 855
EQUITY			
Share capital	11	(75 892)	(75 892)
Reserves		(776 015)	(776 015)
Accumulated profit		(1 752 079)	(1 443 886)
		(2 603 986)	(2 295 793)
LIABILITIES			
Non-current liabilities			
Employee Benefits	12	(20 759)	(11 434)
Deferred tax	13	(14 419)	
Lease Liability	6C	(1 140 170)	(1 466 593)
		(1 175 420)	(1 478 127)
Current liabilities			
Tax Payable	14	–	(4 518)
Trade and other payables	15	(164 974)	(136 927)
Current portion of lease liability	6C	(76 086)	(111 301)
Deferred income	16	(286 307)	(214 189)
Provisions	17	(32 200)	(46 000)
		(559 567)	(512 935)
Total liabilities		(1 734 987)	(1 991 062)
Total Equity and Liabilities		(4 338 973)	(4 286 855)



STATEMENT OF PROFIT AND LOSS

A profitable business with EBIT of R252m and Net profit of R313m

Figures in Rand thousand	Note	GROUP & COMPANY	
		2021	2020
Revenue	18	1 442 237	1 480 928
Depreciation and amortisation	19	(262 750)	(233 491)
Lease expenses	19	(8 060)	(31 883)
Direct expenses	19	(241 259)	(267 606)
Operating expenses	19	(249 780)	(223 043)
Employee costs	20	(427 703)	(463 757)
Other Income		66	60
Operating Profit		252 751	261 208
Finance income	21	66 528	83 603
Finance costs	22	(167 347)	(161 426)
Foreign Exchange gain/(loss)*		247 567	(314 502)
Profit/(Loss) Before Taxation		399 499	(131 117)
Taxation	23	(86 176)	58 749
Net Profit/(Loss)		313 323	(72 368)
Remeasurement of defined benefit		(7 125)	18 358
Income tax		1 995	(5 140)
Total Comprehensive Income/(Loss)		308 193	(59 150)



CASHFLOW STATEMENT

Positive cash flow of close to R2billion

Figures in Rand thousand	Note	GROUP & COMPANY	
		2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	24	565 593	441 854
Interest received		54 460	65 296
Dividends received		12 068	18 307
Interest paid	22	(165 791)	(158 594)
Tax Paid	25	(48 519)	(39 413)
Net cash from operating activities		417 811	327 450
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in capital assets		(70 742)	(72 922)
Proceeds from disposal of capital assets		57	-
Net cash used in investing activities		(70 685)	(72 922)
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received	16	230 113	218 203
Lease payments		(106 877)	(84 879)
Interest on government grant		1 324	16 134
Net cash from financing activities		136 261	149 458
Total cash movement for the year		483 387	403 986
Cash at the beginning of the year	10	1 516 393	1 112 407
Cash at the end of the year		1 999 780	1 516 393

Outlook



- Information, educational and entertainment content in high demand
- Broadband has become a new lifeline for business and education thus providing a business opportunity for SENTECH as a licensed ICT company
- Uncertainty related to the pandemic continues to be a key risk factor, as do adverse economic conditions, both locally and internationally;
- SENTECH will continue to review costs on an ongoing basis while always delivering quality services to its customers.
- Effective negotiations with key suppliers will be undertaken to secure terms and conditions that are favourable to both parties.
- Sentech will continue to build on its current revenue streams and diversify into new revenue streams through strategic partnerships and acquisitions.
- SENTECH is focusing on growth in the area of broadband.
- Research and innovation are the driving engine on the development of new business.



Thank You!