

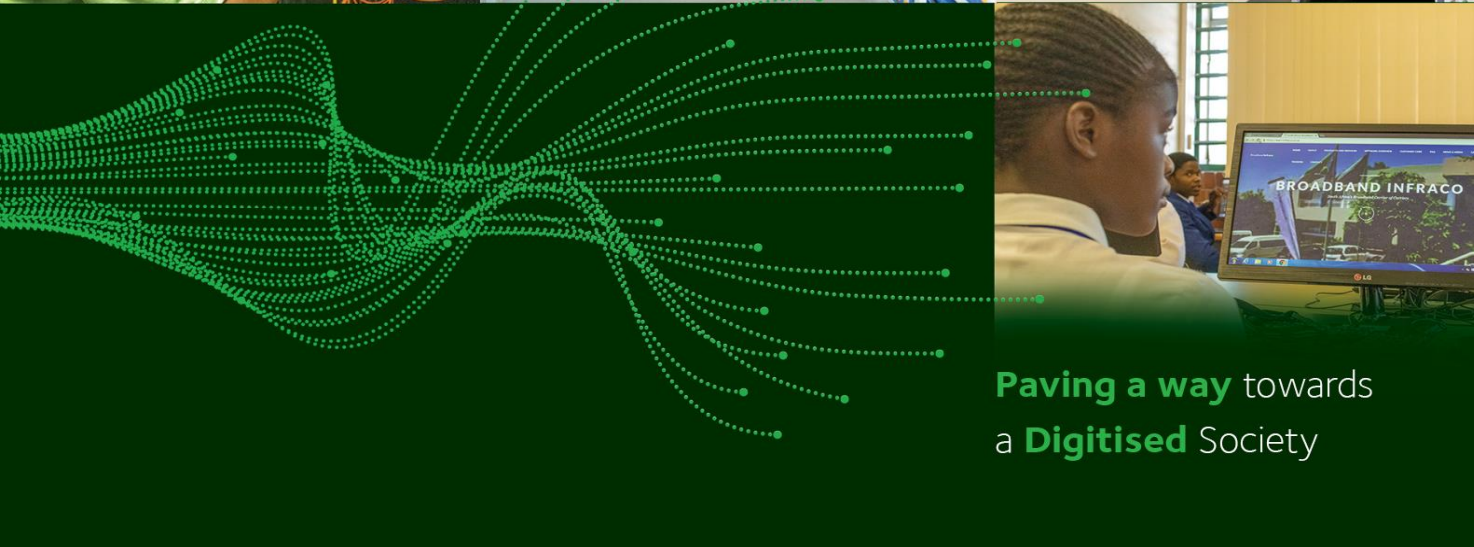
Connect. Growth. UNLOCKED.

Q1 2021/22 FY REPORT

Portfolio Committee Presentation

By
Chair of the
Board

??? 2021



Paving a way towards
a **Digitised** Society

For the quarter under review, 14 of the 19 targets were achieved. Of the five targets not achieved, three of these pertained to financial sustainability, one to resilient network, and one socio-economic transformation target. The summary below outlines the Company's performance against the strategic objectives for Quarter 1 as provided in the APP:

The Areas of Significant Achievement

Four Financial Sustainability targets were met:

- A gearing ratio of 12% was achieved against a target of 95%.
- A R68 million positive cash balance was maintained against a target of R15 million.
- Small, Micro, and Medium Enterprises (SMME) invoices were paid within 14 days against a target of 30 days.
- Debtors' days were reported at 42 days against a target of 60 days.

Two Resilient Network targets were met:

- Core network faults were restored within 6:60 hours against a target of 7:5 hours.
- 713 SA Connect Sites were connected to Broadband Infraco's network and maintained against a set target of maintaining 713 sites.

Five Economic Transformation targets were met:

- A panel of SMMEs has been established and work has been allocated to one. This is against a target of identifying SMMEs.
- A discretionary spend of 99% on Broad-Based Black Economic Empowerment (B-BBEE) was achieved against a target of 70%.
- A spend of 40% on Black-Owned Entities (BOE) was achieved against a target of a spend of 40%.

Five Economic Transformation targets were met (continued):

- A 36% spend was achieved on Black Women-Owned Entities (BWOE) against a target of a 10 spend%.
- A school and a province were identified in alignment with the Department of Communications and Digital Technologies (DCDT), against a target to identify a school and province.

One Organisational Enablement target was met:

- An integration strategic plan has been approved by the Department of Communication Digital Technologies (DCDT) against a target of an approved strategic plan.

One Human Resource Development target was met:

- During the quarter under review, 0.28% of the salary bill was spent on training. The Workplace Skills Development Plan and Report were submitted, meeting the target of submitting the plan and report.

One Governance target was met:

- The follow-up report to resolve external audit findings was submitted against a target of resolving external audit findings.

Areas of Under-Achievement

Three Financial Sustainability targets were not met:

- R7 million in new sales was contracted against a target of R100 million. Whilst an increase in demand for the services offered by BBI were noted, the Company was unable to take advantage of the business potential due to the challenges experienced with the OEM supplier of core network equipment. From June 2020 to March 2021, the Sales and Engineering team were unable to provide delivery times to customers who had requested quotations. This was also as a result of challenges experienced with the OEM supplier.

Areas of Under-Achievement (continued)

- Whilst revenue improved year-on-year by 5%, it was not sufficient to meet the targeted improvement of 26%. The main reasons for the nonattainment of the target is that the anticipated allocation of SA Connect 1C did not materialise as was anticipated and as a result the revenue from SA Connect is tracking below budget by some 48%. Secondly, the upgrades from a High Data SoC have not yet materialised. Lastly, the economic impacts of COVID-19 continue to extend the sales to billing cycles.
- An operating profit target was set for a decline of R5 million, but the operating profit (before depreciation, and after interest) had declined by R6 million. The greatest contributing factor to this decline is the non-achievement of the revenue target.

One Economic Transformation targets were not met:

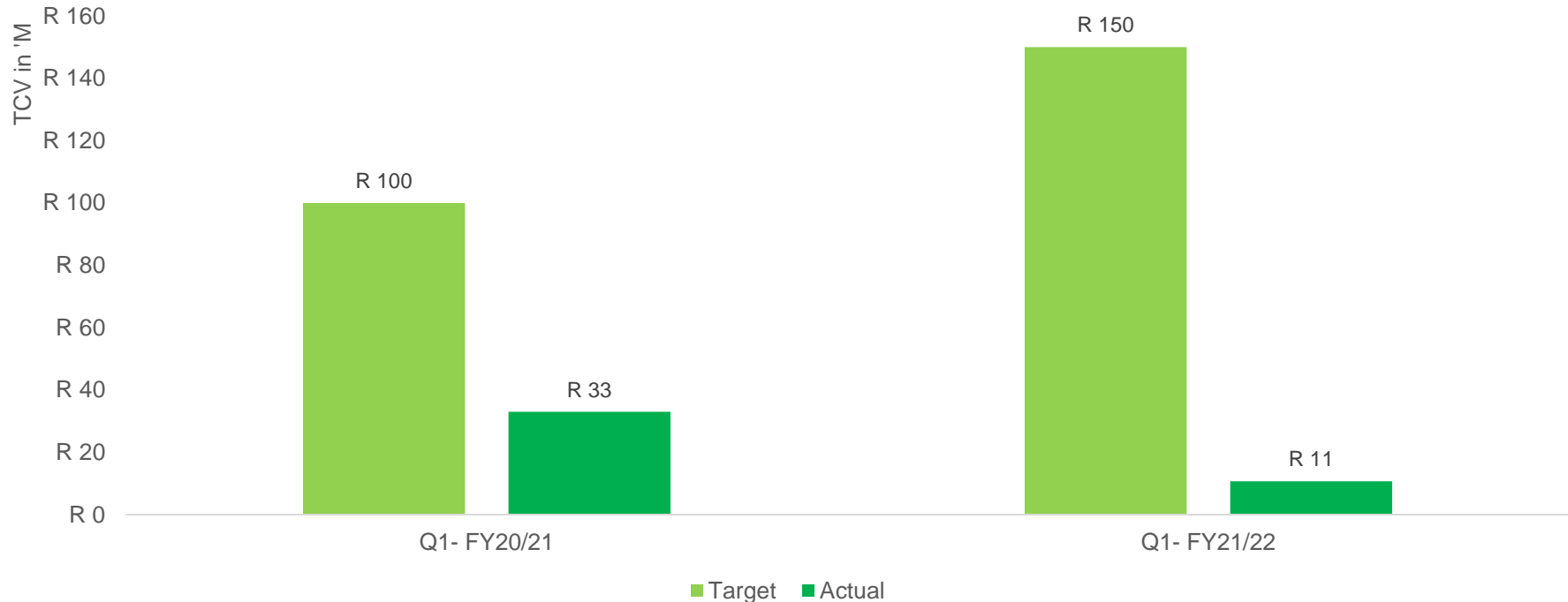
- The target for the appointment of a B-BBEE consultant to perform the new year audit was not achieved during the quarter. Supply chain is in the process of approving the comparative schedules. Due to staff shortages and capacity constraints the specifications and comparative schedules took longer to finalise. The appointment will be made early in the second quarter and the audit will commence immediately after the appointment.

One Resilient Network target was not met:

- 0.66% of gross revenue has been provided for the payment of network performance rebates. This is against a target of $\leq 0.3\%$. The final figure may change once the customers submit rebates requests. The fibre breaks occurred mainly on route 7 of the network, the Liquid Telecom fibre route between Johannesburg (JHB), Oberholzer, and the East London (EL) – Pembroke and Bisho. Power failures were a result of load-shedding implemented by Eskom.

FINANCIAL CAPITAL

Sales Performance



- ✓ As illustrated the sales achievement for the quarter is **3%** of the target for whilst the previous financial year it was an over-achievement by **33%**.
- ✓ For the quarter this means this achievement is the worst of all three but was to be expected due all internal issues.
- ✓ The improvement of sales performance in the next quarter is dependant mainly in the organisation addressing the key issues of capacity constraints, stable network and lead times in equipment delivery and quick on-boarding of suppliers.

Sales Performance



50% to 79% Probability

SALES PIPELINE		
Priority	Bandwidth in Mbps	Total Contract Value (TCV)
Content Providers		
FTTx		
High Data SOC		
Infrastructure Players	118600	R 53 901 896
International Players	50000	R 31 106 846
ISP Tier 1		
ISP Tier 2	71000	R 26 510 426
ISP Tier 3	157900	R 52 853 883
Metros & Municipalities	100000	R 72 285 895
MNO-1	50000	R 12 300 000
MNO-2		
Local / Provincial Government		
Regional Player	6000	R 5 801 677
Reseller		
WACS	1000	\$ 184 351
Total	553500	R 254 944 974

80% to 100% Probability

SALES PIPELINE		
Priority	Bandwidth in Mbps	Total Contract Value (TCV)
Content Providers		
FTTx		
High Data SOC	2000	R 31 311 787
Infrastructure Players	20000	R 2 513 491
International Players	155500	R 21 888 144
ISP Tier 1		
ISP Tier 2		
ISP Tier 3	16790	R 5 372 530
Metros & Municipalities	5000	R 1 478 196
MNO-1	10000	R 1 628 835
MNO-2		
Local / Provincial Government		
Regional Player	150	R 576 381
Reseller		
WACS		
Total	209440	R 64 769 363



1

Bandwidth

**Total Bandwidth
Requirements
55 GB**

**Maximum Capacity
10GB**

**Minimum
50mbps**

**Upgrades
A total of 4 services were
upgraded**

Plus Colocation

Bandwidth Requirement

This is a measure of what customers are sourcing from us. This shows a great disparity to previous years and is driven by what is available capacity on the network for selling.

- The total bandwidth requirement for the quarter is just under 55Gbps with 80% of the requirement coming from the ISP's. This shows a shift from Key customers who are normally contributing significant value in terms of revenue.
- FNO relationship yielding results with the third service order for a 10Gbps, thus almost 1 service every quarter.
- There is also a requirements from small ISPs for capacity and this tend to double the requirements through upgrades within the same financial year.
- Colocation and Cross Connects as a service is increasingly becoming very popular and this has a potential of growing the contribution

Financial Position

	Year to Date 30-Jun-20	Year to Date 30-Jun-21	Year to Date 30-Jun-21	Year end 31-Mar-21	Year end 31-Mar-22	Year end 31-Mar-22
	Actual	Actual	Budget	Unaudited Actual	Forecast	Budget
	R'000	R'000	R'000	R'000	R'000	R'000
Assets						
Non-current assets	1 106 883	967 242	1 094 708	986 625	1 467 526	1 598 027
Property, plant and equipment	1 087 869	954 766	1 085 878	969 317	1 456 842	1 587 954
Deferred Expenses	19 015	12 475	8 830	17 308	10 684	10 073
Current assets	166 912	117 624	300 700	155 726	270 910	142 033
Cash and cash equivalents	31 564	28 787	185 544	21 630	51 483	2 905
DCDT Advance Payment	31 005	39 313	-	66 006	-	-
Short term portion of deferred expense	1 139	1 128	1 139	1 128	1 128	1 139
Trade and other receivables	103 205	48 396	114 016	66 962	218 299	137 989
Total assets	1 273 796	1 084 866	1 395 408	1 142 352	1 738 438	1 740 060
Equity and liabilities						
Equity attributable to owners of the parent	497 156	389 793	511 155	405 606	574 919	709 426
Share capital	-	1 829 530	1 829 530	-	1 829 530	1 829 530
Shareholders' loan - DTPS	1 351 130	-	101 800	1 351 130	-	106 000
Shareholders' loan - IDC	478 400	-	-	478 400	-	-
Retained earnings	(1 332 374)	(1 439 737)	(1 420 175)	(1 423 924)	(1 254 611)	(1 226 104)
Non-current liabilities	371 141	250 548	506 448	315 528	710 639	628 870
Interest-bearing debt / long term loans	-	-	256 280	-	482 575	478 761
Deferred revenue	371 141	250 548	250 168	315 528	228 064	150 109
Current liabilities	405 500	444 525	377 805	421 218	452 880	401 763
Trade and other payables	200 079	265 488	165 229	240 172	424 404	188 924
Current portion of deferred revenue	141 489	148 410	68 237	148 411	0	68 237
Finance Lease Liability	56 588	30 333	56 588	30 496	30 333	56 588
Current portion of long term liabilities	5 019	-	85 304	0	0	85 568
South Africa Revenue Services - PAYE and VAT	2 324	294	2 446	2 139	(1 856)	2 446
Total liabilities	776 641	695 073	884 253	736 746	1 163 519	1 030 633
Total equity and liabilities	1 273 796	1 084 866	1 395 408	1 142 352	1 738 438	1 740 060

- Advance payment from DCDT, which is shown separately, at R39 million
- Debtors days reduced to 42 days
- Shareholders' Loans now reflected as equity
- Deferred revenue decreased as no new IRUs was received or signed during the quarter
- Capex spend was R20 million

Financial Performance



Jun-20	Jun-21	Jun-21		Jun-20	Jun-21	Jun-21		Mar-21	Mar-22	Mar-22	
Month Actual R'000	Month Actual R'000	Month Budget R'000	Utilised %	YTD Actual R'000	YTD Actual R'000	YTD Budget R'000	Utilised %	Year end Actual R'000	Year end Forecast R'000	Year end Budget R'000	Year end Utilised %
39 600	34 939	57 228	61%	119 231	125 262	156 103	80%	463 136	878 888	914 242	96%
Continuing operations											
Total revenue											
16 036	12 295	17 544	70%	48 323	51 216	52 923	97%	171 015	191 956	188 278	102%
11 372	11 022	26 135	42%	30 512	33 074	63 292	52%	133 219	421 880	452 098	93%
7 675	5 964	7 383	81%	22 828	19 412	21 391	91%	87 087	187 590	198 963	94%
4 517	5 658	6 166	92%	17 568	21 559	18 497	117%	71 814	77 463	74 903	103%
	<i>-11.8%</i>				<i>5.1%</i>			<i>8.4%</i>	<i>89.8%</i>		
18 705	18 742	21 673	86%	55 272	66 313	71 478	93%	217 538	311 396	307 916	101%
30 331	29 027	33 887	86%	88 803	96 166	107 236	90%	373 922	471 783	482 853	98%
	<i>0.2%</i>				<i>20.0%</i>			<i>43.1%</i>			
9 269	5 913	23 341	25%	30 428	29 096	48 867	60%	89 213	407 105	431 389	94%
<i>23.4%</i>	<i>16.9%</i>	<i>40.8%</i>		<i>25.5%</i>	<i>23.2%</i>	<i>31.3%</i>		<i>19.3%</i>	<i>46.3%</i>	<i>47.2%</i>	
-	-	-		-	-	244		-	-	977	
16 764	11 603	21 803	53%	44 918	43 666	56 140	78%	182 524	205 130	213 905	96%
(7 495)	(5 691)	1 537	-370%	(14 489)	(14 570)	(7 029)	207%	(93 311)	201 975	218 461	92%
205	207	-		877	724	-		1 542	724	-	
(341)	(1 374)	(2 791)		(1 337)	(2 589)	(7 626)		(14 643)	(34 008)	(39 045)	
(341)	(1 473)	(2 791)	53%	(1 172)	(2 534)	(7 626)	0%	(14 115)	(33 953)	(39 045)	0%
-	99	-	0%	(165)	(55)	-	0%	(528)	(55)	-	0%
(7 631)	(6 858)	(1 254)	547%	(14 949)	(16 435)	(14 655)	112%	(106 412)	168 691	179 416	94%
0	0	0		0	(149)	0		(87)	(149)	0	
(7 631)	(6 858)	(1 254)	547%	(14 949)	(16 584)	(14 655)	113%	(106 499)	168 542	179 416	94%
5 937	7 679	14 752	52%	24 490	19 865	31 895	62%	76 020	380 579	401 554	95%
27.9%	13.5%	19.3%		23.9%	20.3%	19.9%		25.7%	13.5%	13.6%	
EBITDA											
Employee Cost as % Revenue											

- Revenue is R31 mil (20%) below budget. Includes retention from key account. SA Connect lower.
- Cost of sales increases year-on-year by 20% (7% below budget), mainly due to ANP costs and projects
- OPEX is same as previous year and 22% below budget mainly due to reduced remuneration costs, low travel, repairs and maintenance, off the back of higher outsource costs

Statement of Cash Flow



	Year to Date Actual 30-Jun-20 R'000	Year to Date Actual 30-Jun-21 R'000	Year to Date Budget 30-Jun-21 R'000	Year end Unaudited Actual 31-Mar-21 R'000	Year end Forecast 31-Mar-22 R'000	Year end Budget 31-Mar-22 R'000
Cash flows from operations	(27 656)	2 159	(1 700)	24 674	180 631	265 180
Cash flows from operating activities	(294)	(1 810)	(7 626)	(12 573)	(33 229)	(39 045)
Finance income received	877	724	-	1 542	724	-
Impairment of fixed assets	-	-	-	-	-	-
Unrealised foreign exchange gain/ (loss) difference reversed	-	-	-	-	-	-
Finance charges paid	(1 172)	(2 534)	(7 626)	(14 115)	(33 953)	(39 045)
Taxation paid	-	-	-	-	-	-
Cash (used in)/ generated from operations	(27 950)	349	(9 326)	12 101	147 402	226 134
Cash flows from investing activities	(7 086)	(19 884)	(100 768)	(17 052)	(666 129)	(747 012)
Proceeds on disposal of property, plant and equipment and intangible assets	-	-	-	-	-	-
Additions to property, plant and equipment and intangible assets	(7 086)	(19 884)	(100 768)	(17 052)	(666 129)	(747 012)
Additions to other investments	-	-	-	-	-	-
Cash flows from financing activities	(12 602)	-	292 261	(17 621)	482 575	520 406
Shareholders' loan received	-	-	100 600	-	-	106 000
Loans (repaid) received	(12 602)	-	191 661	(17 621)	482 575	414 406
Finance lease capital repaid	-	-	-	-	-	-
Increase in net financial assets	-	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	(47 638)	(19 535)	182 168	(22 571)	(36 152)	(472)
Net cash and cash equivalents at beginning of year	110 207	87 635	3 377	110 207	87 635	3 377
Net cash and cash equivalents at end of year	62 568	68 100	185 544	87 636	51 483	2 905

- Cash generated by operations remained positive amidst difficult trading conditions
- Capex spend was R20 million
- Cash resources decreased slightly for the year to date

Irregular Expenditure

R'000	Audited March 2019	Audited March 2020	Audited March 2021	Audited June 2021
Opening balance	1 603	53 935	82 747	56 476
Incurred and identified in current year	0	0	299	
Continued to utilise services after contract expired			248	
Contract renewal not approved by NT			51	
Incurred in previous years incurred in the current year	13 277	34 697	5 776	1 368
• Non-compliance to cost containment instructions issued by National Treasury				
• Non-compliance to a provision of legislation (Co Act)				
• Continued to utilise services after contract negotiations failed	6 398			
• Website Hosting	31			
• Tender not advertised for 21 working days	5 974	15 095		
• Continued to utilise services after contract expired	874	858	793	
• Contract renewal not approved by NT	0	5 467	4 984	1 368
Carried forward	14 879	75 355	88 822	57 844

Irregular Expenditure



R'000	Audited March 2019	Audited March 2020	Audited March 2021	Audited June 2021
Brought forward	14 879	75 355	88 822	57 844
Incurred in prior year, identified in the current year	39 258	7 392	0	
• Continued to utilise services after contract negotiations failed	26 324			
• Tender not advertised for 21 working days	3 885	7 392		
• Continued to utilise services after contract expired	9 049			
Removal from register	(202)		(32 346)	
Condoned during the year	0	0	0	0
Amount not condoned carried over*	R53 935	R82 747	R56 476	R57 844
*Internal processes in progress				

- We are in process of requesting condonation through the process for the rest of the irregular expenditure.

SA Connect per Province maintained

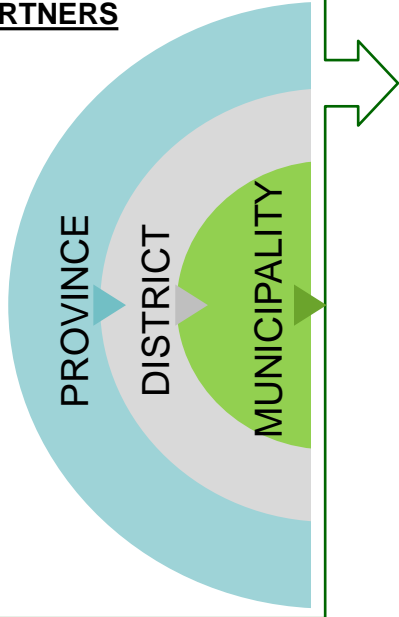
DCDT KEY FOCUS AREAS

DIGITAL TRANSFORMATION

ENABLING DIGITAL ENVIRONMENT

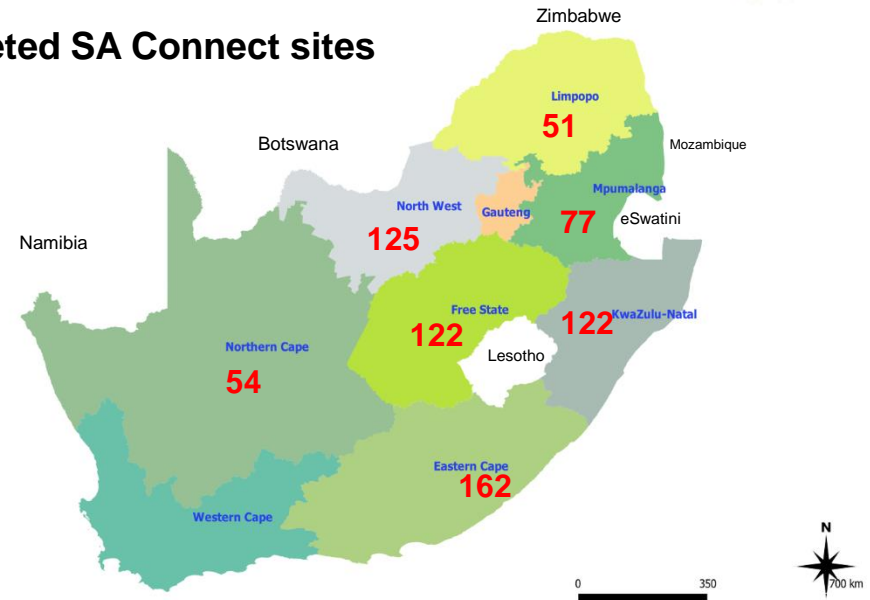
DIGITAL INFRASTRUCTURE

KEY DELIVERY PARTNERS



SA CONNECT

Number of Completed SA Connect sites



Number of Completed and Planned SA Connect Sites

Province	Completed
Eastern Cape	162
Free State	122
KwaZulu Natal	122
Limpopo	51
Mpumalanga	77
North West	125
Northern Cape	54
Gauteng	0
Western Cape	0
Total	713

Targeted Procurement – 30 June 2021



	BBI BBEE Scorecard			
	Areas	Total Procurement Spend	Target/s	Actual %
SCM Performance Compact	BBBEE Spend	R 39,580,104.90		
	BBBEE Multiplier	R 39,277,193.29	70%	99%
	BOE	R 15,727,721.13	40%	40%
	BWO	R 5,639,878.12	10%	36%
	PWD	R -	1%	0%
	BYO	R 1,117,576.51	5%	7%
Verification Compact	Value Adding	R 23,812,374.98	80%	60%
	Generic	R 11,166,687.68	N/A	28%
	QSE	R 1,087,400.82	15%	3%
	EME	R 8,595,979.86	15%	22%
	> 51% Black Owned	R 8,622,220.52	51%	22%
	> 30% Black Women Owned	R 6,036,729.13	30%	15%

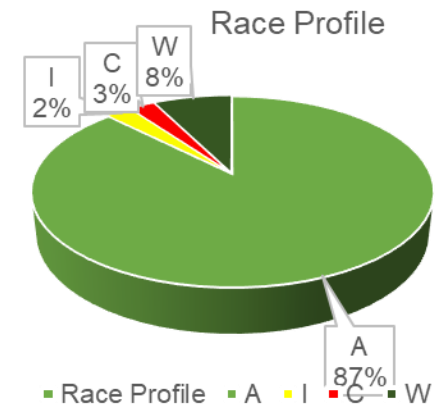
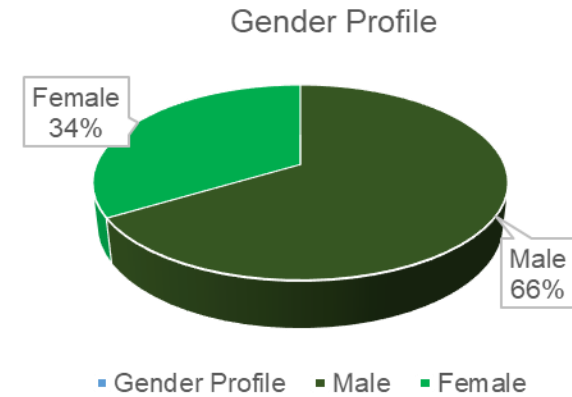
- The B-BBEE multiplier achieved at the end quarter 1 was 99% against the ICT sector code target of 70%;
- The target for Black-Owned Entities (BOE) was achieved on target of 40%;
- Spending on Black Women-Owned Entities is at 36%, well above the target of 10%;
- The target for Black Youth-Owned Entities was met at 7% against a target of 5%; and
- The target for People with Disabilities was not met against the target of 1%.
- The value-adding spend and QSE was not achieved in the first quarter at 60% and 3 % respectively;
- Spend on suppliers that are >30% Black Women-Owned and on suppliers that are >51% Black Owned were not met

Employment Equity Demographic profile



EMPLOYMENT EQUITY DEMOGRAPHICS

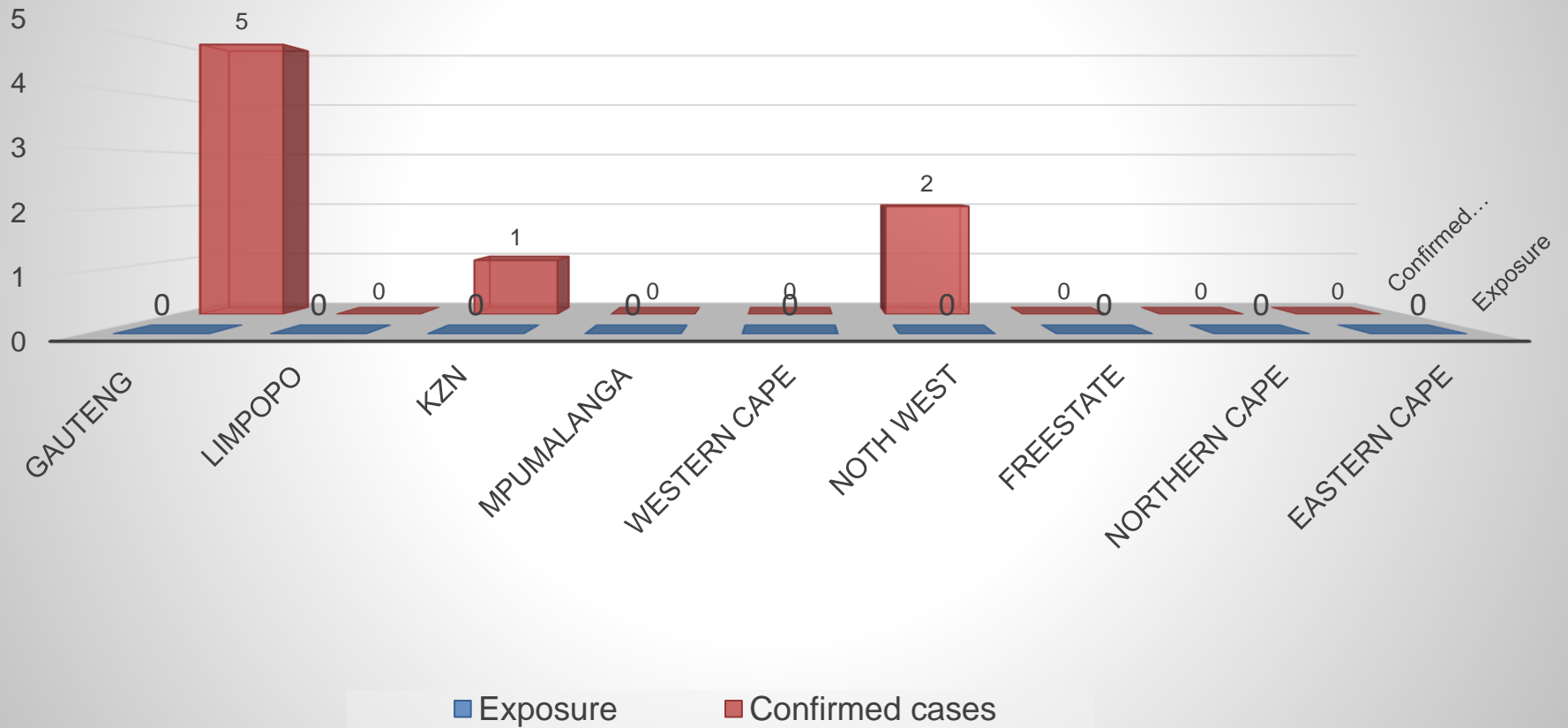
Job Levels	Male				Female				Foreign Nationals		Sub Totals		Total
	A	C	I	W	A	C	I	W	M	F	M	F	
Executives	3	0	0	1	1	0	0	0	0	0	4	1	5
	60%	0%	0%	20%	20%	0%	0%	0%	0%	0%	80%	20%	100%
Senior Management	5	1	0	1	2	0	0	0	1	1	8	3	11
	45%	9%	0%	9%	18%	0%	0%	0%	9%	9%	73%	27%	100%
Professional Specialist & Middle Management	24	1	2	4	12	1	0	0	0	0	31	13	44
	55%	2%	5%	9%	27%	2%	0%	0%	0%	0%	70%	30%	100%
Supervisory & Junior Management	11	0	0	2	4	0	0	0	0	0	13	4	17
	65%	0%	0%	12%	24%	0%	0%	0%	0%	0%	76%	24%	100%
Operational	24	0	1	0	14	0	0	0	0	0	25	14	39
	62%	0%	3%	0%	36%	0%	0%	0%	0%	0%	64%	36%	100%
Support	0	0	0	0	5	0	0	1	0	0	0	6	6
	0%	0%	0%	0%	83%	0%	0%	17%	0%	0%	0%	100%	100%
Total permanent and fixed term contracts	67	2	3	8	38	1	0	1	1	1	81	41	122
	55%	2%	2%	7%	31%	1%	0%	1%	1%	1%	66%	34%	100%
GRAND TOTAL	67	2	3	8	38	1	0	1	1	1	81	41	122



Appointment of new Directors: 24 May 2021

NAME	COMMITTEE
<u>Leah Khumalo</u> (Non-Executive Director)	<u>Chairperson:</u> Board of Directors
<u>Bojane Segooa</u> (Non-Executive Director)	<u>Chairperson:</u> Audit and Risk Committee <u>Member:</u> Investment, Finance, Tender and Procurement Committee
<u>Devesh Mothilall</u> (Non-Executive Director)	<u>Member:</u> Social and Ethics Committee; Technology, Knowledge and Information Management Committee
<u>Lungile Mabece</u> (Non-Executive Director) IDC Appointee	<u>Chairperson:</u> Social and Ethics Committee <u>Member:</u> Audit and Risk Committee
<u>Sydney Mabalayo</u> (Non-Executive Director) IDC Appointee	<u>Member:</u> Human Resources and Remuneration Committee; Social and Ethics Committee
<u>Zandile Kabini</u> (Non-Executive Director)	<u>Chairperson:</u> Human Resources and Remuneration Committee <u>Member:</u> Audit and Risk Committee; Technology, Knowledge and Information Management Committee
<u>Patrick Makape</u> (Non-Executive Director)	<u>Chairperson:</u> Investment, Finance, Tender and Procurement Committee <u>Member:</u> Human Resources and Remuneration Committee
<u>Loyiso Tyira</u> (Non-Executive Director)	<u>Chairperson:</u> Technology, Knowledge and Information Management Committee <u>Member:</u> Investment, Finance, Tender and Procurement Committee

BBI - COVID-19 Regional Status 2021



Strategic Risks

NO	RISK DESCRIPTION	Q 4 RESIDUAL 2020/21	Q 1 RESIDUAL 2021/22	Movement
1	Cyber security risk	Level 2	Level 2	No Change
2	Delays in conversion of the Shareholder loan to Equity	Level 2	Level 3	Risk gone down
3	Possible failure to continue as a going concern	Level 2	Level 2	No Change
4	Difficulty to raise Funds	Level 2	Level 2	No Change
5	Inability for the organisation to respond to rapid changes in market and technology	Level 2	Level 2	No Change
6	Possible loss of the market share	n/a	Level 2	New risk
7	Commercialisation of fibre infrastructure	Level 1	Level 1	No Change
8	Impact of Covid_19	Level 3	Level 2	Risk gone up
9	Failure to innovate/ embrace innovation	Level 2	Level 2	No Change
10	Margin pressure	Level 2	Level 2	No Change
11	Regulatory constraints impeding organisational agility.	Level 2	Level 2	No Change
12	Inadequate stakeholder management	Level 3	Level 3	No Change
	Moratorium on filling of vacancies	Level 1	Level 1	No Change

Level 1	Very High Risk
Level 2	High Risk
Level 3	Medium Risk
Level 4	Low Risk

External Audit Findings

2019/20	Follow up on Audit findings	
Description	Number	%
Findings addressed	12	80%
Findings partially addressed (Going concern, Creditors and Asset management)	3	20%
Findings not yet due	0	0%
Finding Not Addressed	0	0%
Total Findings	13	100%

2020/21	Follow up on Audit findings	
Description	Number	%
Findings addressed	0	0%
Findings partially addressed	0	0%
Findings not yet due	8	100%
Findings not addressed	0	0%
Total Findings	8	100%

Thank You

