



**PPCC Public Hearings**  
**MTN SA CEO - Karel Pienaar**  
Cape Town 30<sup>th</sup> November 2012



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1. Mobile pricing - Much has changed and for the good
2. International benchmarking - How does SA retail pricing compare with international peer markets?
3. Mobile affordability
4. Where to from here –
  - i. What are the challenges and how can Government assist?
  - ii. How does MTN's investment support the "Broadband for All" vision

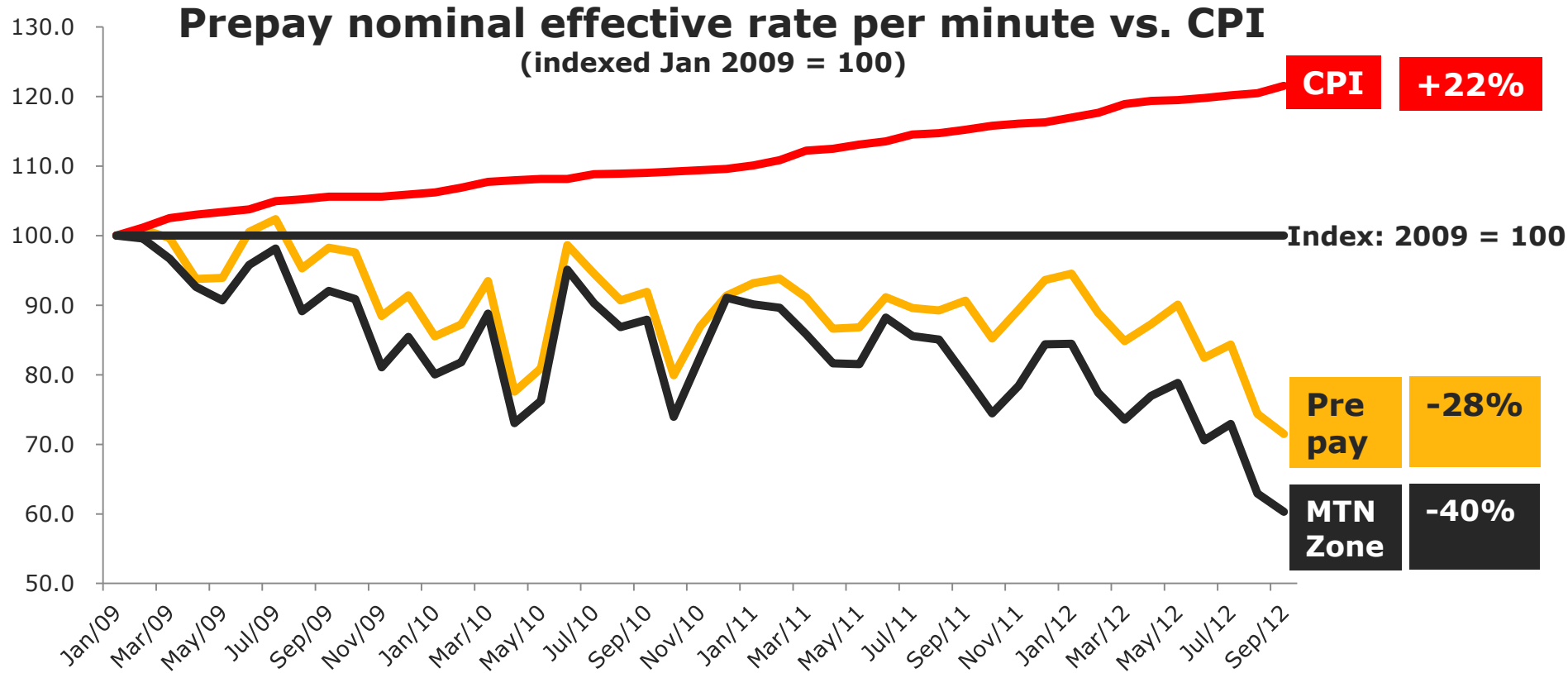


# MOBILE PRICING



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# How have MTN voice prices fared in the last 3 years?

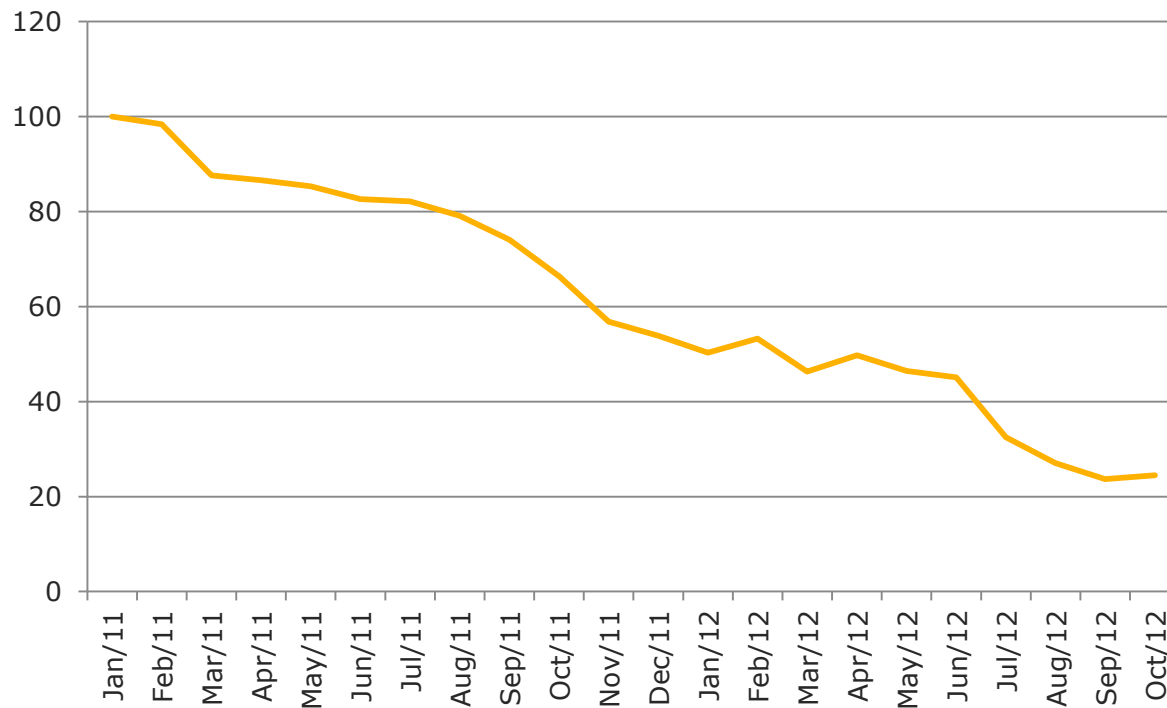


**An average MTN Zone customer now pays less than 99c / min to make a voice call (and our customers experience that)**

# Data prices are falling even faster



**MTN data effective tariff per MByte**  
(indexed Jan 2011 = 100)



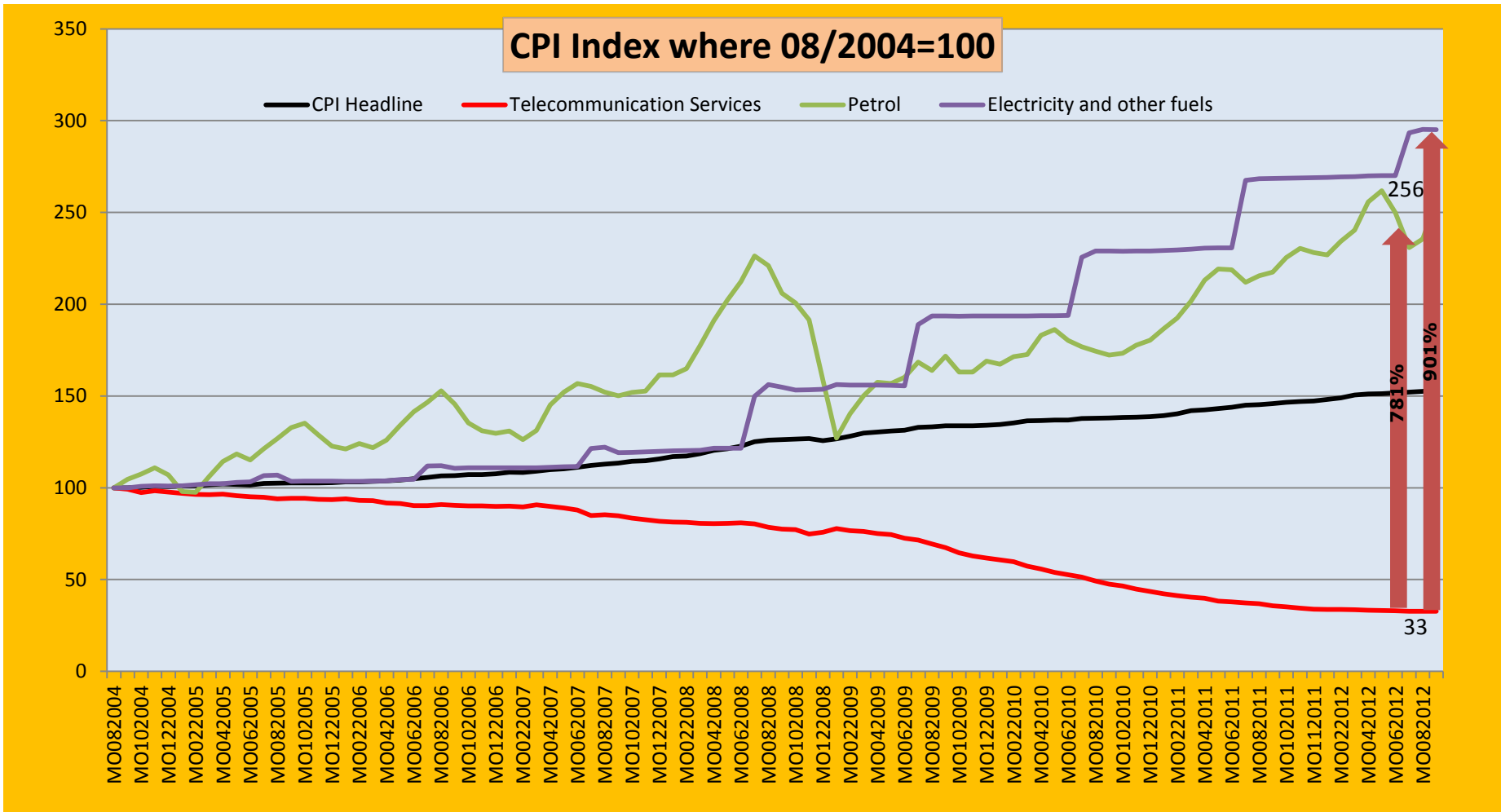
**-60%**

## Data becoming ever more relevant

- c. 50% of base is data active
- Almost 4 million smart phones on the network
- MTN Download speed = 6.1Mbps  
(Source: My Broadband)

**Over the last 23 months, price per Mbyte has fallen by 60%**

# Where should the focus of price reduction really be?





# **PRICE BENCHMARKING: Strategy Analytics and Pygma Consulting Report (2012)**



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# Why are "PEER" group countries critical in a price benchmarking analysis?



- A performance comparison must be based on similar socio-economic and ICT indicators otherwise it will be meaningless as retail prices are influenced by these factors.

Socio-economic Indicator	ICT Indicator
Area (sq km)	Mobile penetration rates
Share of Urban Population %	Number of Base Stations per sq km
GDP per capita	Share of Technology
Purchasing Power Parity (PPP)	EBITDA margin



**Independent Benchmarking report having applied this rigorous selection criteria identified 10 Peer Group Countries for South Africa:**

Algeria	Mexico
Egypt	Saudi Arabia
Morocco	Columbia
Poland	Peru
Turkey	Venezuela

Source: Strategy Analytics / Pygma Consulting (2012)



## Strategy Analytics / Pygma Consulting benchmarking methodology:

1. Start with 151 countries and selected 10 "peer" countries
2. Price benchmarked all services, i.e. voice, SMS and data;
3. Establish South African usage profiles - considers prices from a mobile user perspective;
4. Collection and analysis of actual effective mobile tariffs (not headline tariffs) for MTN, Vodacom and Cell C and peer countries
5. Analysis of results must account/reflect purchasing power parity ("PPP")/Tax and VAT levels and discounts.

*# Competitive information shared directly with Consultant to comply with competition laws*

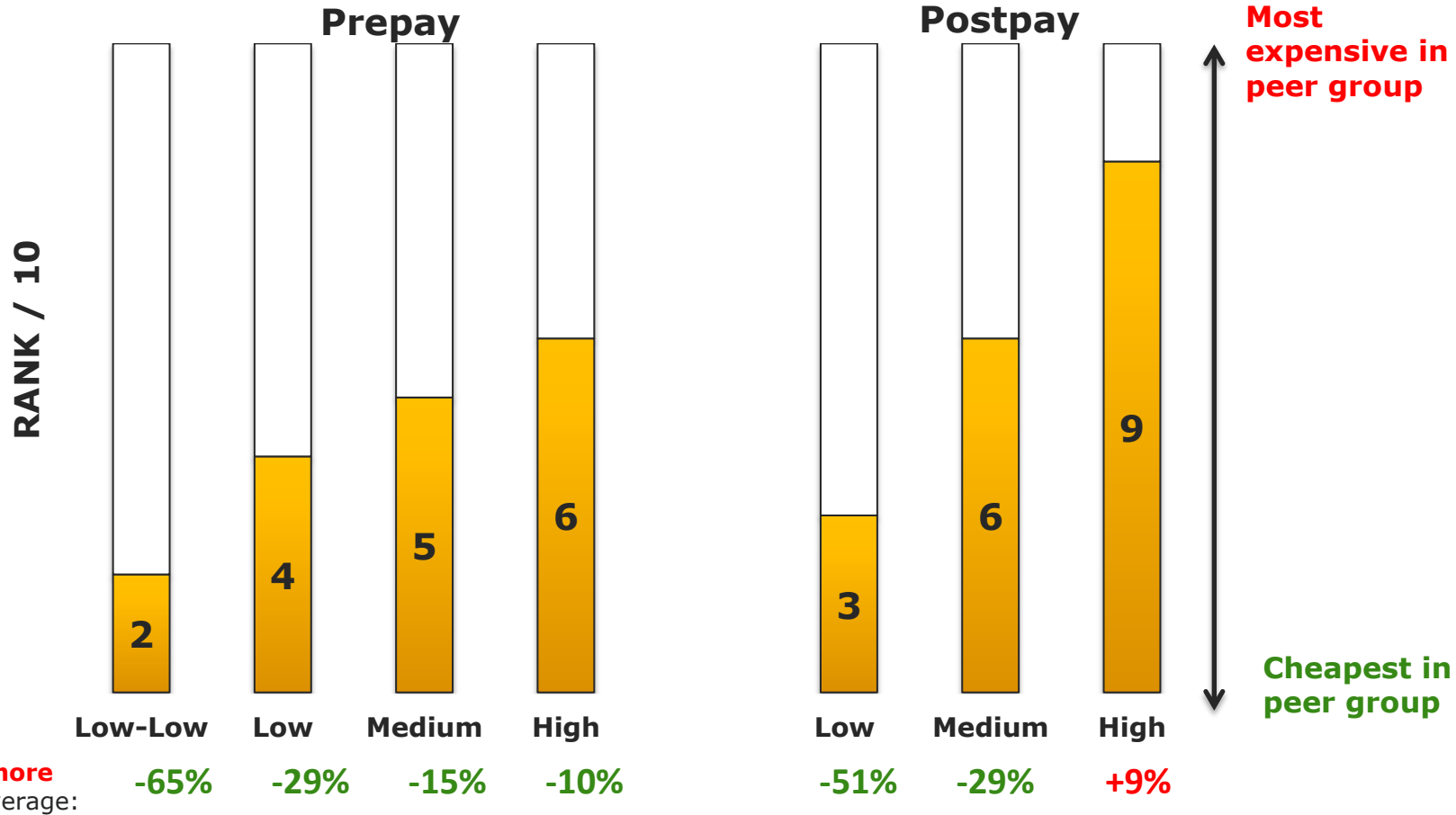
*Source: Strategy Analytics / Pygma Consulting (2012)*

# Results show the poorest get a great deal in SA – up to 65% cheaper than average in peer group



## Voice + SMS + data baskets

SA rank in peer countries group<sup>1</sup>



1. Source: Strategy Analytics / Pygma Consulting / MTN analysis

# The competitive landscape has changed



MTN's  
traditional  
cellular  
competitors



New  
Competitors



# In summary on mobile pricing



1. SA may not have the lowest mobile price per minute in the world, BUT
2. We compare very favourably with peer countries in low usage category (where majority of mobile subscriber base is located (LSM 1-4))
3. Effective prices are falling quickly – cf. voice by 40% since Jan 2009, data even more aggressively (c. 60% yoy);
4. SA has great voice and data coverage, cheap devices, R4-6bn capex p.a. being invested in future-proofing a key piece of economic infrastructure; and
5. Mobile is delivering Broadband for All, while also ensuring the poorest South Africans get a good deal.



# MOBILE AFFORDABILITY

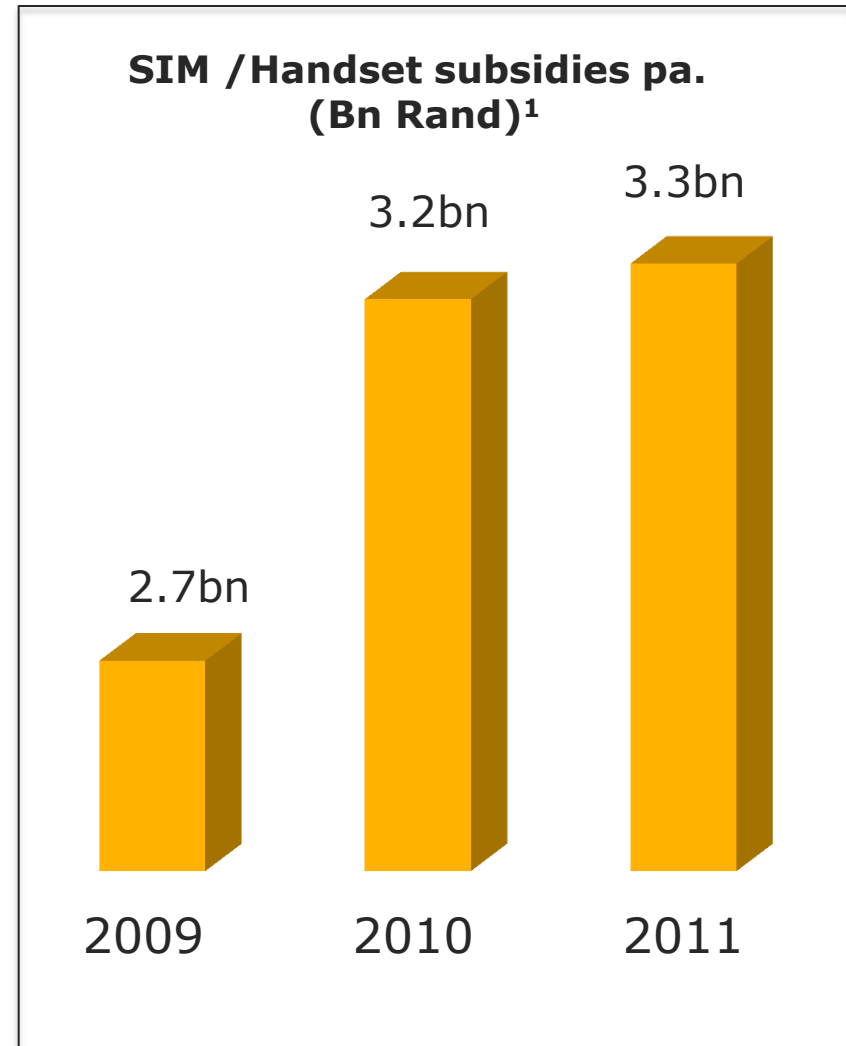


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# But affordability is more than just a price per minute



- Affordability =
  1. Cost of *getting* connected,
  2. Cost of *staying* connected, and
  3. Cost of *using* the service.
- Price per minute / price per MB is just about the latter.
- Ignores significant drivers of affordability: eg. MTN spends to to 3.3bn p.a. subsidizing SIMs and handsets to get more people connected, faster.



1. Connection Incentive and Promotional Funding



# What has MTN Done in the past 6 months?



## It's bigger, it's better. Nothing beats Mahala.

**MTN Mahala Day**

Up to 100% discounts\* on calls and SMSs from 6am to 6pm every day.

**MTN Mahala Night**

Get free calls and SMSs from 1am to 4am every night, guaranteed.

**50% MAHALA**

**MTN Mahala Thursday**

Even more Mahala with up to 100% discounts\* and free airtime when you recharge.

**MTN Mahala Weekend**

All weekend long, get up to 100% discounts\* on calls and SMSs.

Get more Mahala when you join MTN Zone with up to 100% discounts\* on calls and SMSs. Dial \*141\*4\*2# to be part of the MTN Zone family. What's more, if you recharge with R10 or more on Thursdays, you get 50% of your airtime recharge value back, for free.



## Get 50% free airtime on MTN Mahala Thursdays.

Recharge with MTN airtime every Thursday and get 50% of your airtime recharge value back for free, for sure. This means, if you recharge with R30, you get R15 free. To qualify for 50% free airtime value, you need to recharge with a minimum of R10. Your free airtime expires at 23h59 on the same Thursday. Recharge every MTN Mahala Thursday to qualify.

Promotion starts on 29/03/2012 and ends 03/05/2012. Prices shown include VAT. Open to MTN TopUpGo and MTN TopUp subscribers only. The maximum recharge value is R10.00 and the 50% airtime grantback will expire on the same day, Thursday, at 23h59. Free airtime shall be used for MTN to MTN calls and SMSs only. Go to [www.mtn.co.za](http://www.mtn.co.za) for full Terms and Conditions. E&OE.



Ringa mahala, day and night on MTN Mahala Thursdays.

With MTN Mahala Thursdays, you can get up to 100% mahala\* discounts on talk time and SMSs, all day and all night, depending on your location. Dial \*141\*4\*2# to join MTN Zone.



**TALK FOR LONGER** with up to 100% mahala\* discounts on calls and SMSs with MTN Zone. Dial \*141\*4\*2# to join.

\*Up to 100% discounts apply to 100% discounting day. Terms and conditions apply. See [www.mtn.co.za](http://www.mtn.co.za)

Get 50% free airtime on MTN Mahala Thursdays. Recharge now >>

You'll wish every day was a Thursday with MTN Mahala Thursdays.



Available 13 and 14.

## Get Mahala, day & night.

Get more Mahala, more of the time by joining MTN Zone. You could get up to 100% Mahala\* discounts on calls and SMSs every day between 6am and 6pm with MTN Mahala Day, and Mahala calls every night between 1am and 4am with MTN Mahala Night. Dial \*141\*4\*2# to join, and \*133# to check your discount. Mahala, everywhere you go.

\*Up to 100% discounts available on MTN to MTN numbers only. MTN Zone customers must have available airtime to qualify for discounts. Discounts will vary depending on location and time of day. Discounts are only applicable to MTN Zone, MTN Muziq, and MTN Zone on MTN TopUp. Visit [www.mtn.co.za](http://www.mtn.co.za) for full Terms and Conditions that apply. E&OE.



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Get up to 100% discounts\* on calls and SMSs on your MTN TopUp contract.

Dial \*141\*4\*2# to join.



**FREE international calls with MTN Zone, because nothing beats Mahala.**

Get up to 100% Mahala discounts\* on MTN international call rates to over 200 countries. All you have to do is join MTN Zone by dialling \*141\*4\*2# and you can get Mahala international calls from 1 November 2012 to 31 January 2013. To check your discounted international call rates, dial \*111\*2#. Get Mahala or uzosala.

\*Up to 100% discounts available on MTN to MTN numbers only. MTN Zone customers must have available airtime to qualify for discounts. Discounts will vary depending on location and time of day. Discounts are only applicable to MTN Zone, MTN Muziq, and MTN Zone on MTN TopUp. Visit [www.mtn.co.za](http://www.mtn.co.za) for full Terms and Conditions that apply. E&OE.



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# MTN handset strategy



Samsung GT-E1050



R99



R99

HUAWEI G6005



R69

ZTE S505

Lowest priced device in the market in 2011

Nokia 111



R99



R99

Nokia 1616



R129

Samsung E1205



R139

❖ MTN has driven a low cost handset strategy applying heavy subsidies over the past three years that has seen the average handset cost declining by 10% to 15% year on year, and this has attracted new mobile customers in LSMs 1 to 3.





**BUT WHAT ARE OUR CUSTOMERS  
TELLING US ABOUT THEIR NEEDS...**

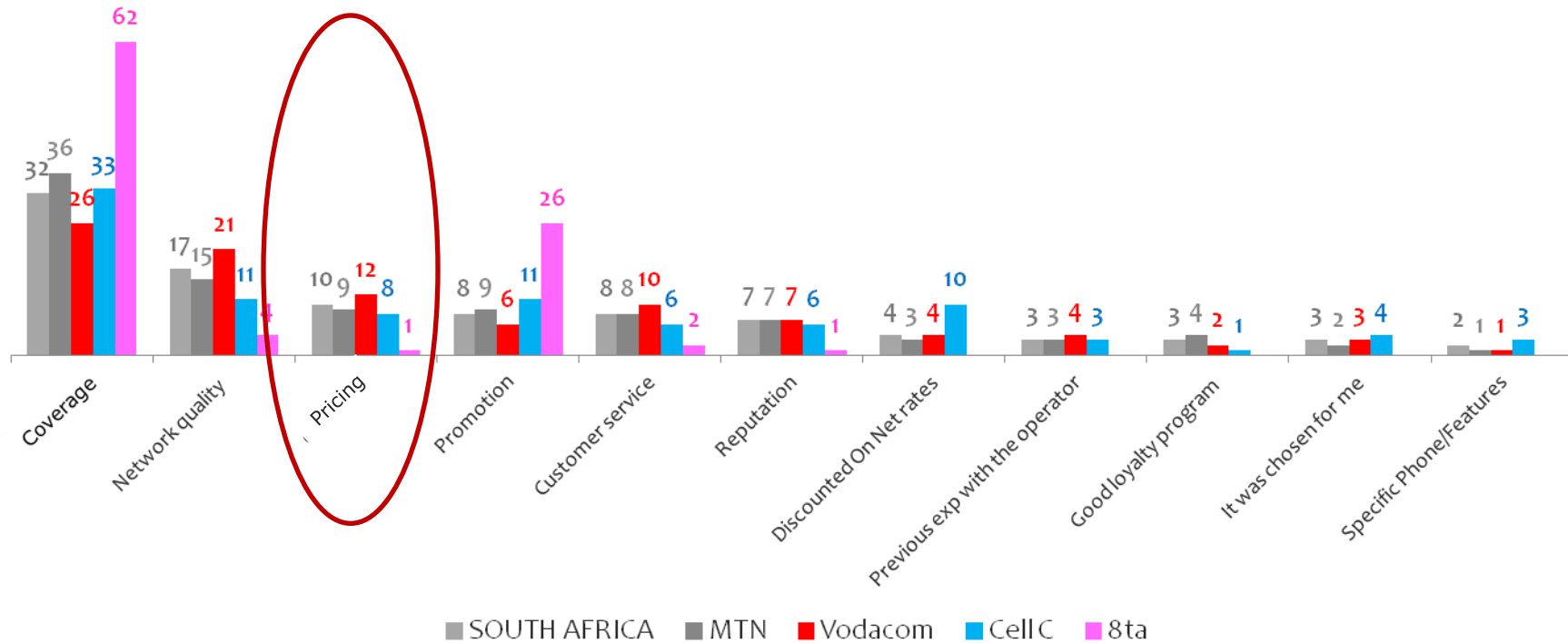


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# Reasons for selecting a mobile operator



❖ Network quality and coverage are of prime importance when choosing a mobile service provider. Promotions also have some influence together with pricing.



Base: All Respondents n=2000 (Pop n = 17833)

Nielsen Mobile Report 2012



# INVESTMENT CASE/ MARGIN COMPARISON

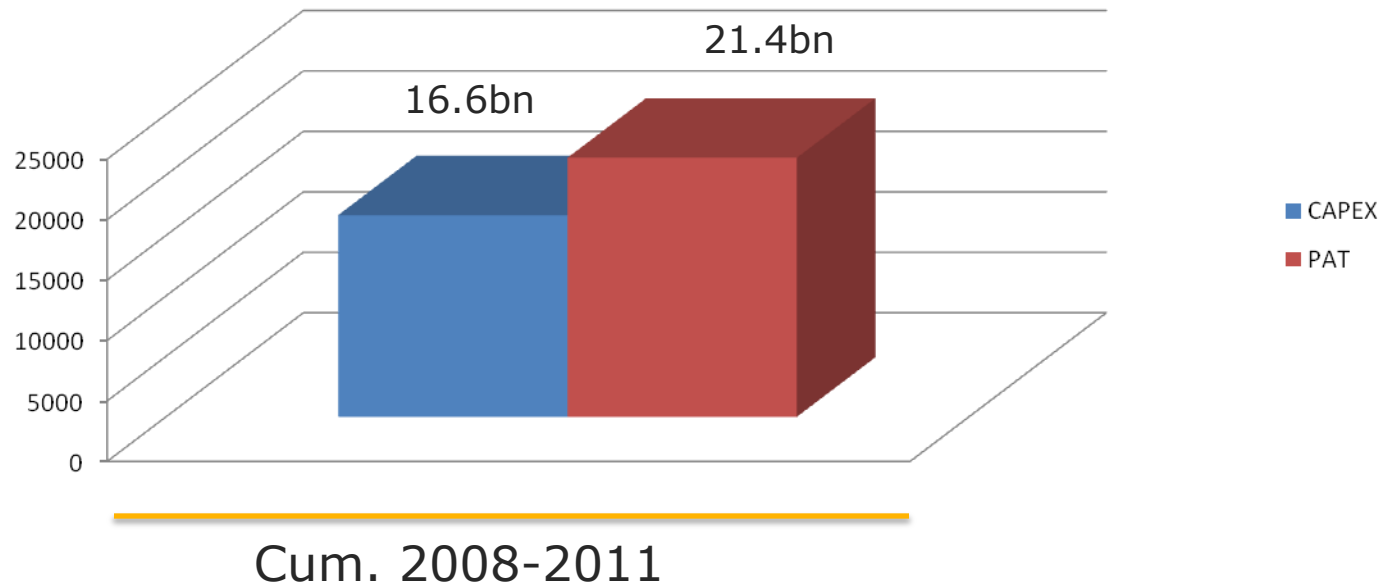


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# 80% of MTN SA profits are being ploughed back into SA infrastructure



## Where is MTN SA spending its profits?

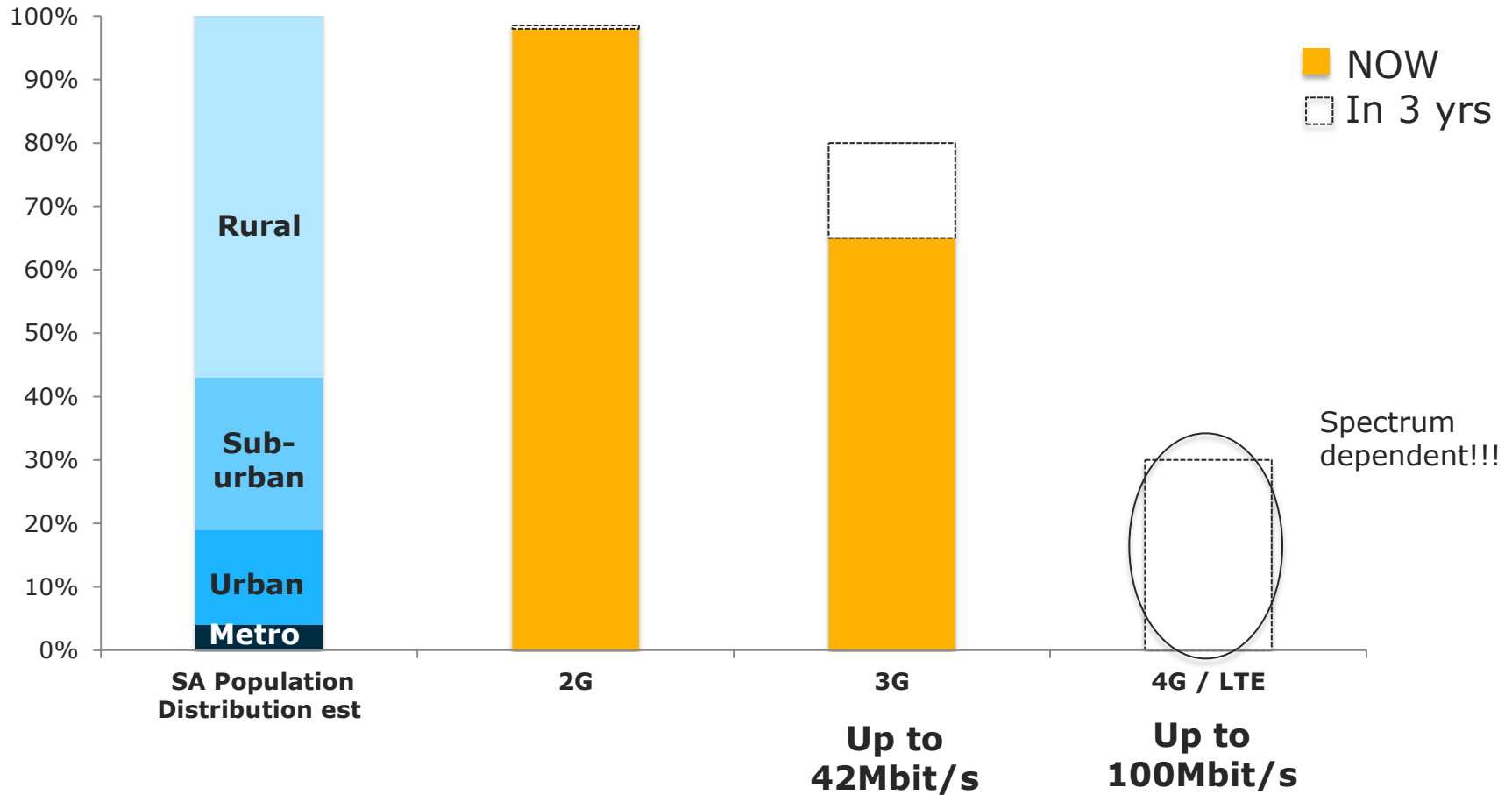


- Over the last 4 years, MTN has re-invested nearly 80% of its profits into infrastructure (delivering new coverage, capacity, broadband).

# The results of MTN's investment : Broadband for All being delivered *today*



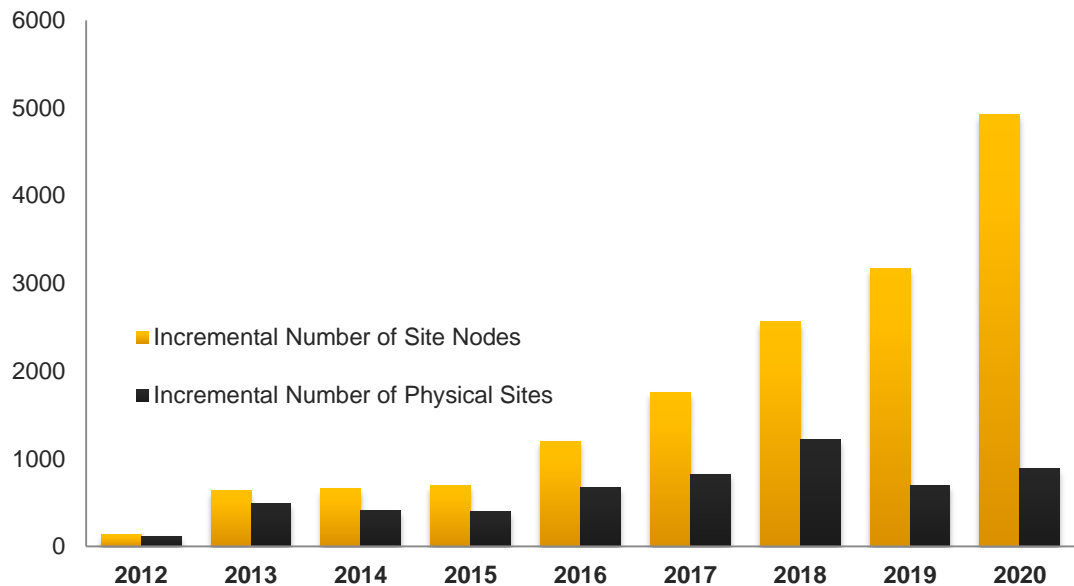
## MTN SA population coverage



# We still have a long way to go on infrastructure...



**Based on maximum performance of individual nodes, approx 6,000 more physical sites will be required to carry the traffic forecasted for 2020.**



- Site acquisition
- Power and utilities
- Environmental approvals
- Fibre or microwave backhaul

**The speed at which these rollouts need to happen is still accelerating. And the vast majority of these new sites will require fibre to the base station...**



**What is the way forward?**

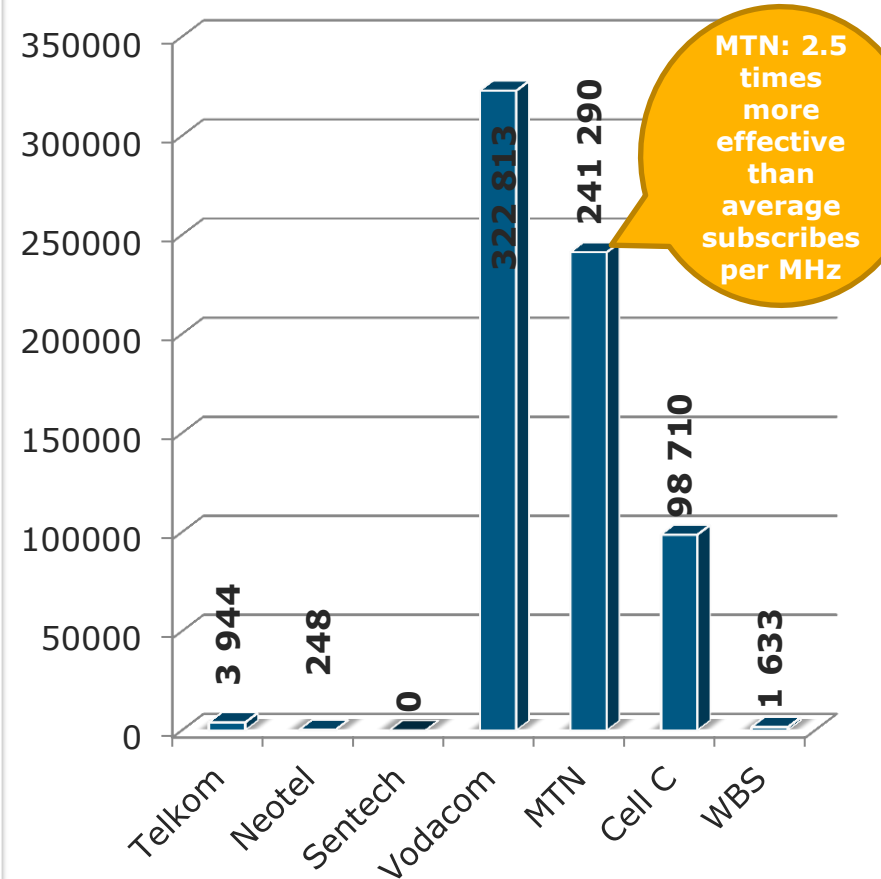


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# What pragmatic steps can Government take - Spectrum



Number of subscribers per MHz



- The lions share of Broadband for all will be delivered by mobile operators;
- Don't exclude the most spectrally efficient operators (those that have the largest number of subscriber per MHz) from obtaining the necessary spectrum that will be utilised to drive the attainment of the SA vision of Broadband for all.
- Finalise the Broadband policy earlier rather than later



# What about the next 3 years?

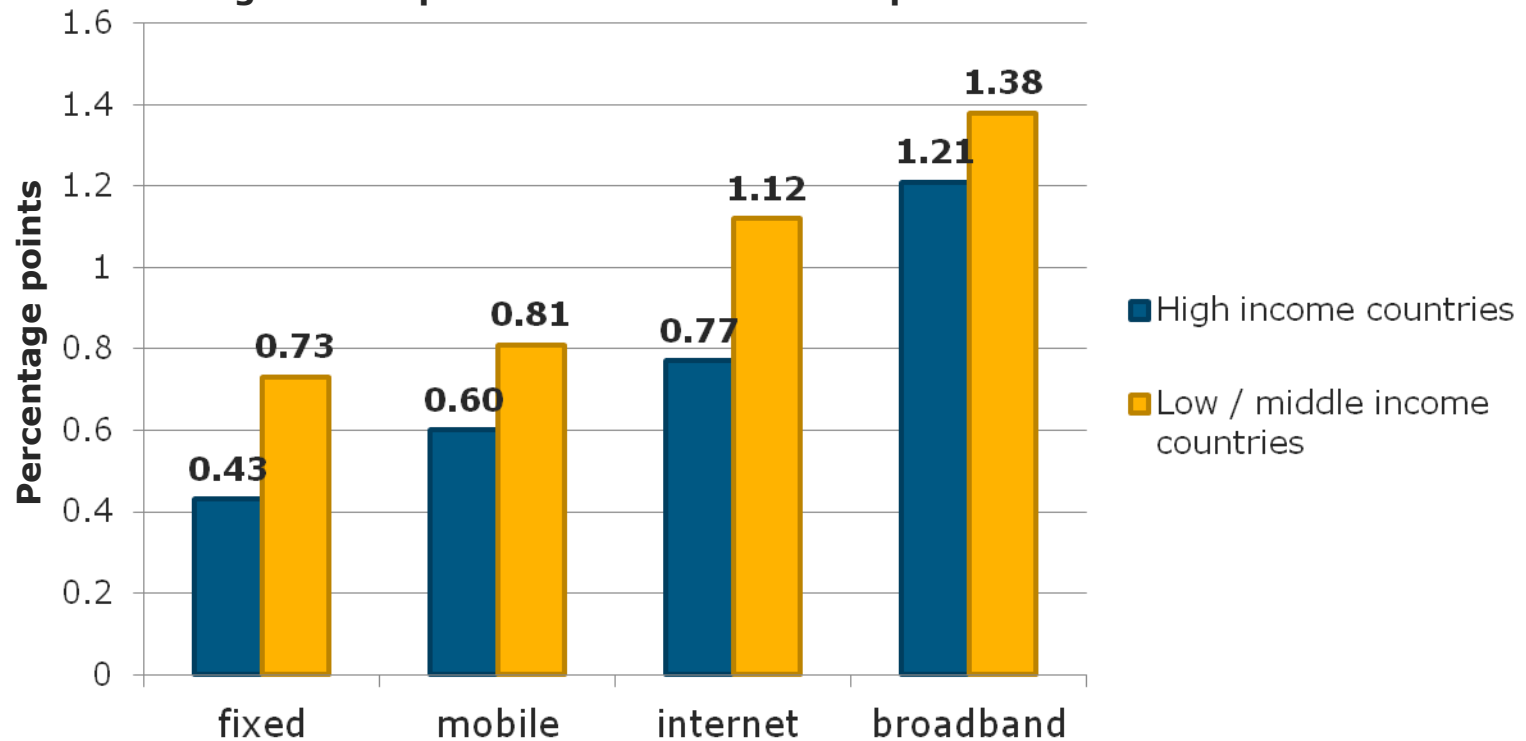


1. Competition has driven down mobile pricing (comparing favourably with peer countries) - **let market forces continue to drive pricing down**
2. There is no place for regulatory subsidies between mobile operators any longer (“asymmetries on interconnection for mobile”) - **don’t reward inefficient operators**
3. The big challenge and opportunity for SA is now data. **Data needs massive capital investment.** With your help, we can leapfrog years of fixed under-investment and deliver “Broadband for All” faster than ever before
4. **Incentivise Broadband investment in infrastructure roll out by private** companies by providing spectrum to those that can use it efficiently and that have the required economies of scale
5. Address Rights of Way, permits – finalise the rapid roll out guidelines

# The prize: economic growth, jobs and inclusiveness



**Growth effects of ICT infrastructure<sup>1</sup>**  
GDP growth impact of a 10% increase in penetration



**MTN is looking forward to continuously delivering better prices, better broadband, better growth and new jobs opportunities to SA**

# Full Steam Ahead



# Thank You