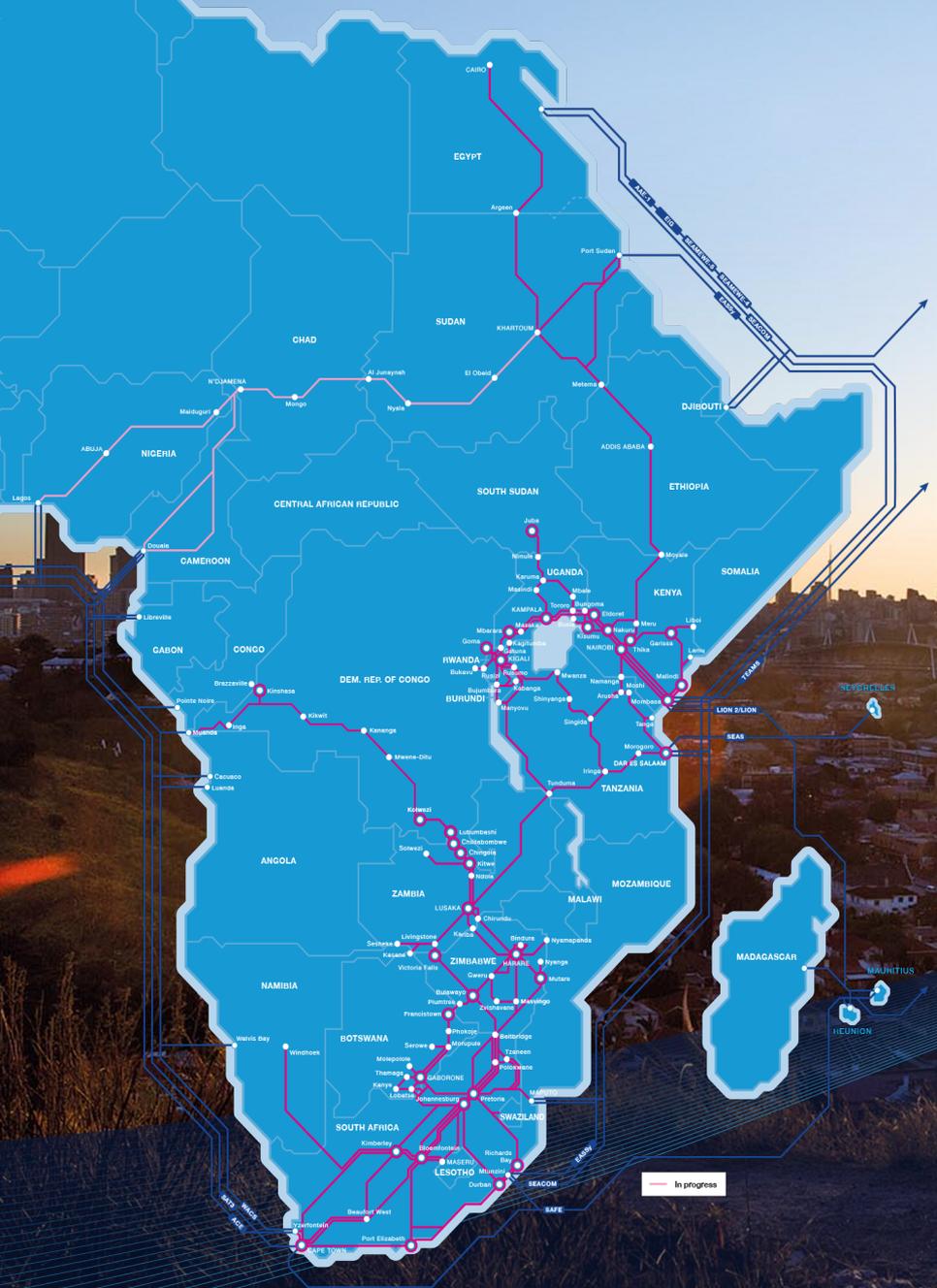


# LIQUID TELECOM

Building Africa's  
digital future



## Liquid Telecom Q2 2019-20 Results

29 October 2019

## DELIVERING GROWTH

Strong recovery in our operations:

- Strong recovery in our South African operation in our Wholesale and Enterprise segments
- Good development in wholesale in Rest of Africa driven by the wholesale segment in Kenya
- Effective cost management across the business as we realise the benefit of our improved operating model
- Invested USD 25.1 million capital expenditure in the second quarter focussing on our backbone network, data centre infrastructure and connecting enterprise customers to the “One Africa” network

## FOOTPRINT

Expanded our fibre footprint to c.70k Kilometres<sup>1</sup>:

- Continued investment in long haul routes (NLD 5 & 6) in South Africa
- Upgraded 600 POP sites and cabinets in South Africa
- Metro fibre and GPON roll-out in Eastern and Southern regions and LTE in the Southern region
- Geographical expansion through partnerships with capacity leasing to grow backbone network
- Invested in our backbone and metro offering in the DRC
- In July, we agreed to invest in South Sudan to connect businesses and government organisations to the rest of Africa and the world. The first phase is estimated to be finished by the end of the year

## PRODUCT PORTFOLIO

Broadened and monetised our product portfolio:

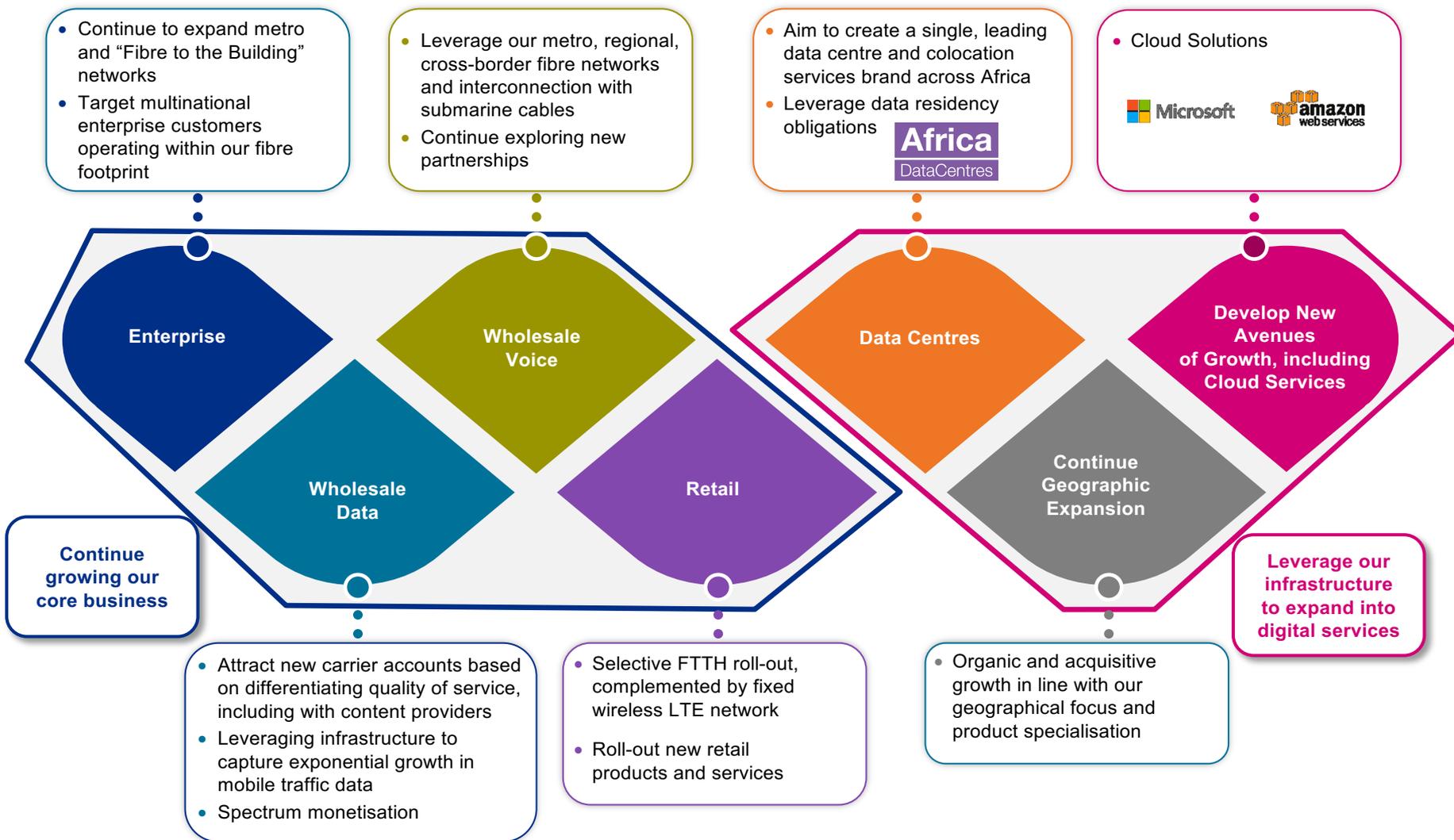
- Connected more sites for MNOs, SMEs and government organisations
- In June the large-scale 15 year network roaming agreement with MTN South Africa went live
- We expanded our data centre capacity through further investment in our South African and East African data locations. Further data centre expansion is underway to enable us to meet demand from hyperscale cloud providers

## PEOPLE / RESOURCES

Realigning Group for growth:

- Kate Hennessy was appointed as Group CFO replacing Phil Moses. Kate started the role on 4 October 2019
- Merged Zambian retail (HA) and enterprise (CEC Liquid) businesses
- Headcount decreased by 14.7% vs Q2 2018-19 to 2,095
- During the period we renegotiated the Revolving Credit Facility in order to realign the covenants more closely with the bond and extend the maturity to April 2022

# What do our strategic imperatives mean in practice



# Q2 2019-20 Key Operational Highlights



0.61%

11,290

1,436

298

74,527

Churn

Enterprise  
customers

Data Centre  
(racks sold)

Voice minutes  
(in million)

Retail GPON  
and LTE  
customers

(47)bps QonQ

+4.2% QonQ

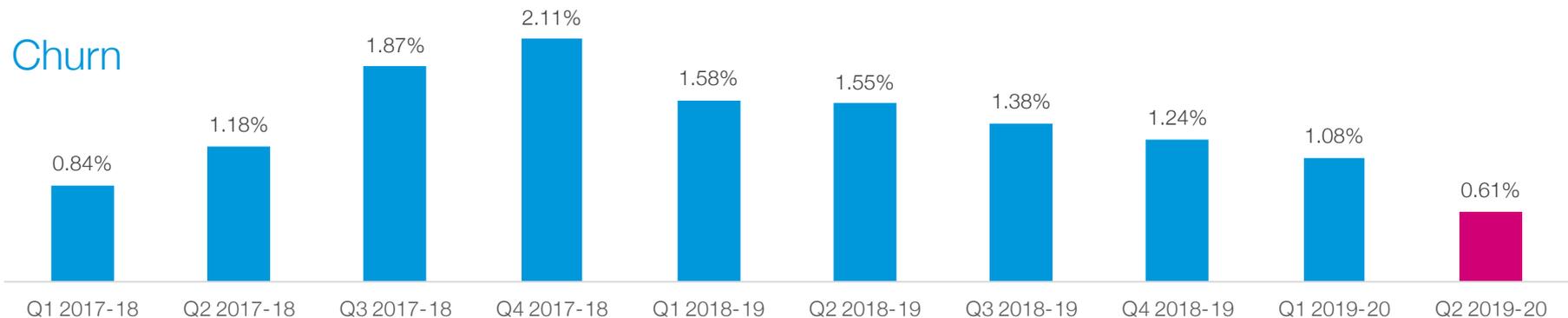
(0.5)% QonQ

(2.6%) QonQ

+14.3%  
QonQ

69,550 KM of fibre

Churn



# Segmental revenue – H1 2019-20



Revenue per segment	31 August 2019 (H1)	31 August 2018 (H1)	2019 versus 2018	<i>Percentage split of H1 2019-20 revenue</i>
	(USDm)	(USDm)	%	%
Wholesale data	123.4	111.0	11.2	<i>36.3</i>
Enterprise	124.2	135.5	(8.3)	<i>36.6</i>
Retail	18.0	27.8	(35.3)	<i>5.3</i>
Wholesale voice	74.0	74.5	(0.7)	<i>21.8</i>
<b>Total Revenue</b>	<b>339.6</b>	<b>348.8</b>	<b>(2.6)</b>	

# Segmental revenue – Q2 2019-20



Revenue per segment	31 August 2019 (Q2)	31 August 2018 (Q2)	2019 versus 2018	<i>Percentage split of Q2 2019-20 revenue</i>
	(USDm)	(USDm)	%	%
Wholesale data	77.9	54.8	42.2	<i>42.1</i>
Enterprise	62.4	64.3	(3.0)	<i>33.7</i>
Retail	6.8	14.1	(51.8)	<i>3.7</i>
Wholesale voice	38.0	37.3	1.9	<i>20.5</i>
<b>Total Revenue</b>	<b>185.1</b>	<b>170.5</b>	<b>8.6</b>	

# Continued operational progress



USDm (1dp)	H1 2018-19		H1 2019-20 (Pre IFRS 16)		Percentage change (%)	
	Zimbabwe	Non-Zimbabwe	Zimbabwe	Non-Zimbabwe	Zimbabwe	Non-Zimbabwe

Adjusted EBITDA	37.4	59.5	12.4	75.2	-66.8	26.4
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- Strong recovery in South Africa with pre IFRS 16 Adjusted EBITDA increasing from USD 23.7 million (H1 2018-19) to USD 40.1 million (H1 2019-20) driven by the Wholesale and Enterprise segments.
- Good development in the wholesale segment in the Rest of Africa driven by a number of sales to Mobile Network Operators (MNOs) in Kenya.
- Effective cost management across the business as we realise the benefit of our improved operating model.

# H1 2019-20 Income statement



## To adjusted EBITDA

USDm	H1 2019-20 (Post IFRS 16)	IFRS 16 impact	H1 2019-20 (Pre IFRS 16)	H1 2018-19	Post IFRS 16 change (%)	Pre IFRS 16 change (%)
Revenue	339.6	-	339.6	348.8	(2.6)	(2.6)
Cost of Goods Sold	(141.5)	(11.9)	(153.4)	(127.7)	10.8	20.1
Gross profit	198.1	11.9	186.2	221.1	(10.4)	(15.8)
Gross profit margin (%)	58.3%	n/a	54.8%	63.4%	(5.1)pp	(8.5)pp
Operating costs	(93.7)	(5.0)	(98.7)	(124.2)	(24.5)	(20.5)
<i>Other income</i>	0.7	-	0.7	0.5	40.0	40.0
<i>Selling, distribution and marketing costs</i>	(5.1)	(0.1)	(5.2)	(8.4)	(39.3)	(38.1)
<i>Administrative expenses</i>	(42.4)	(4.9)	(47.3)	(55.4)	(23.5)	(14.6)
<i>Staff costs</i>	(46.9)	-	(46.9)	(60.9)	(23.0)	(23.0)
Adjusted EBITDA	104.4	(16.8)	87.6	96.9	7.7	(9.6)

# Q2 2019-20 Income statement

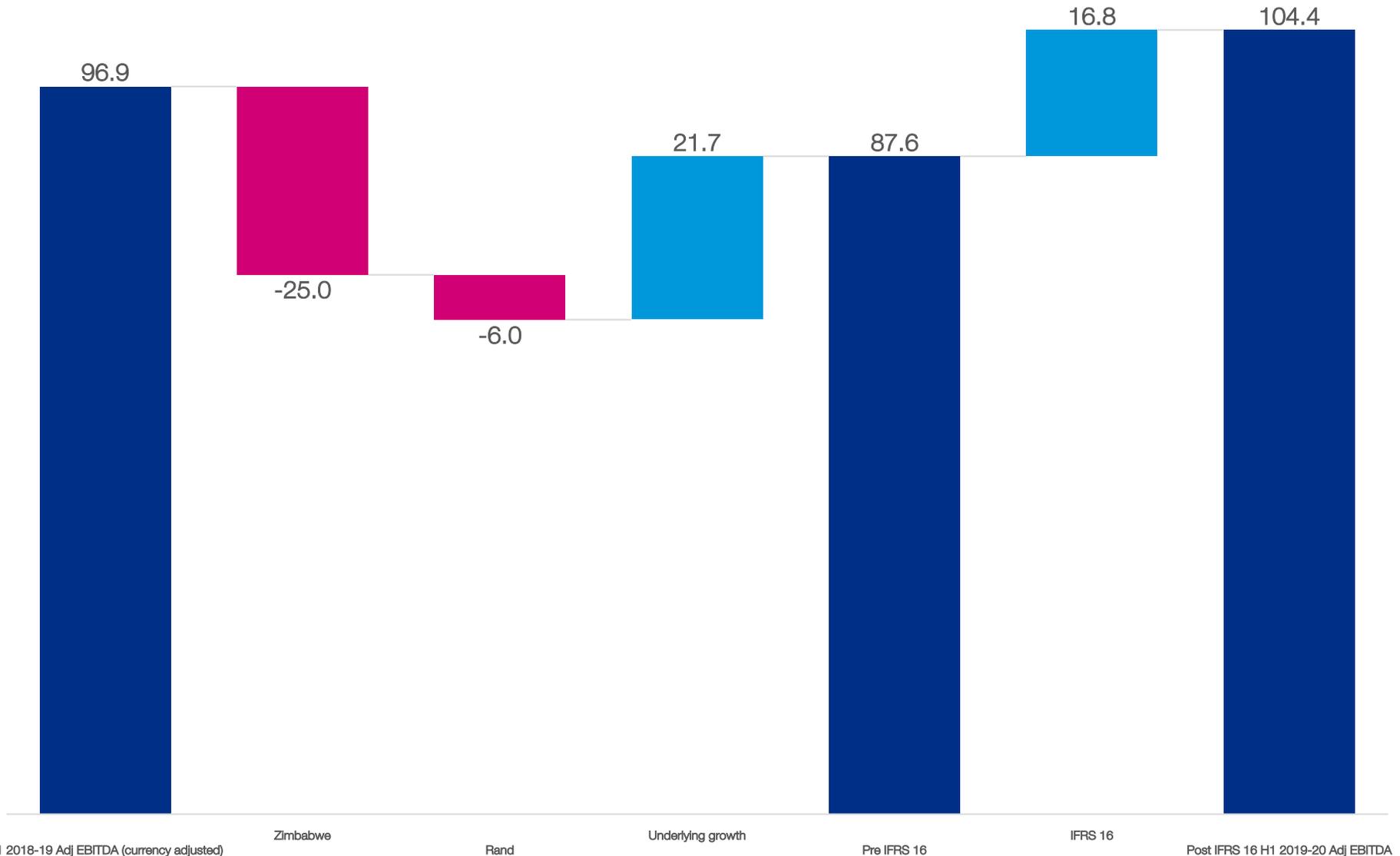


## To adjusted EBITDA

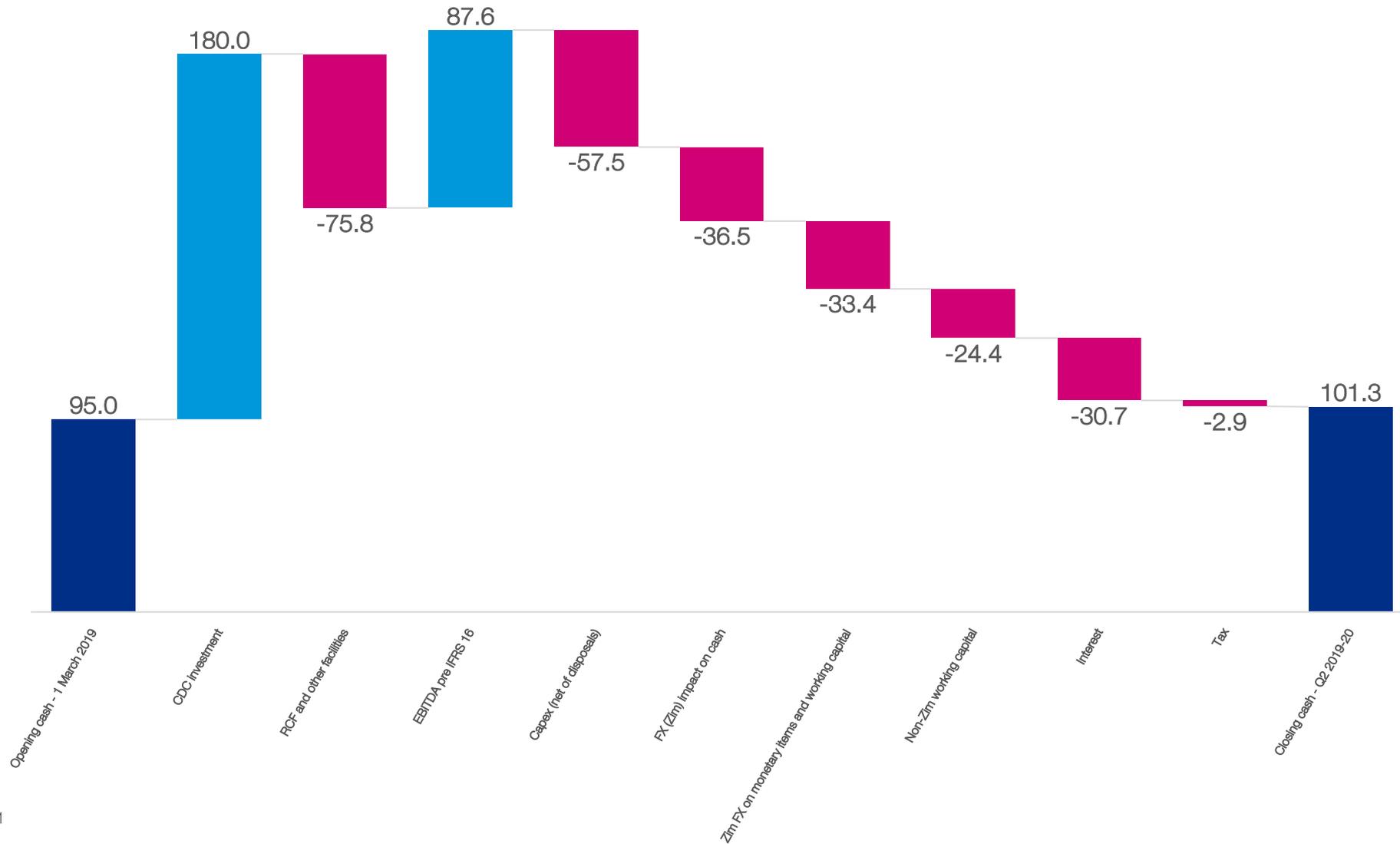
USDm	Q2 2019-20 (Post IFRS 16)	IFRS 16 impact	Q2 2019-20 (Pre IFRS 16)	Q2 2018-19	Post IFRS 16 change (%)	Pre IFRS 16 change (%)
Revenue	185.1	-	185.1	170.5	8.6	8.6
Cost of Goods Sold	(84.7)	(5.3)	(90.0)	(64.7)	(30.9)	(39.1)
Gross profit	100.4	(5.3)	95.1	105.8	(5.1)	(10.1)
Gross profit margin (%)	54.2%	n/a	51.4%	62.1%	(7.8)pp	(10.7)pp
Operating costs	(46.6)	(2.7)	(49.3)	(56.8)	(18.0)	(13.2)
<i>Other income</i>	0.4	-	0.4	0.3	33.3	33.3
<i>Selling, distribution and marketing costs</i>	(2.6)	-	(2.6)	(4.5)	(42.2)	(42.2)
<i>Administrative expenses</i>	(21.2)	(2.7)	(23.9)	(25.4)	(16.5)	(5.9)
<i>Staff costs</i>	(23.2)	-	(23.2)	(27.2)	(14.7)	(14.7)
Adjusted EBITDA	53.9	(8.0)	45.9	49.0	10.0	(6.3)

# H1 2019-20 EBITDA waterfall

## Underlying EBITDA growth outside Zimbabwe



# H1 2019-20 cash flow waterfall chart



# H1 2019-20 Income statement



## Below adjusted EBITDA

USDm	Post IFRS 16	IFRS 16 impact	Pre IFRS 16	H1 2018-19	Post IFRS 16 change (%)	Pre IFRS 16 change (%)
<b>Adjusted EBITDA</b>	<b>104.4</b>	<b>16.8</b>	<b>87.6</b>	<b>96.9</b>	<b>7.7</b>	<b>(9.6)</b>
Depreciation, impairment and amortisation	(62.4)	(15.9)	(46.5)	(50.5)	23.6	(7.9)
<b>Operating profit</b>	<b>42.0</b>	<b>0.9</b>	<b>41.1</b>	<b>46.4</b>	<b>(9.5)</b>	<b>(11.4)</b>
Restructuring costs	(0.5)	-	(0.5)	-	n/a	n/a
Acquisition and other investment costs	(0.3)	-	(0.3)	(0.7)	(57.1)	(57.1)
Interest income	1.8	-	1.8	3.3	(45.5)	(45.5)
Finance costs	(38.9)	(4.6)	(34.3)	(34.6)	12.4	(0.9)
Foreign exchange loss	(358.3)	-	(358.3)	(5.4)	n/a	n/a
Share of profits from associates	-	-	-	-	-	-
<b>Loss before tax</b>	<b>(354.2)</b>	<b>(3.8)</b>	<b>(350.4)</b>	<b>9.1</b>	<b>n/a</b>	<b>n/a</b>
Tax expense	(3.1)	-	(3.1)	(8.7)	(64.4)	(64.4)
<b>Loss for period</b>	<b>(357.3)</b>	<b>(3.8)</b>	<b>(353.5)</b>	<b>0.4</b>	<b>n/a</b>	<b>n/a</b>

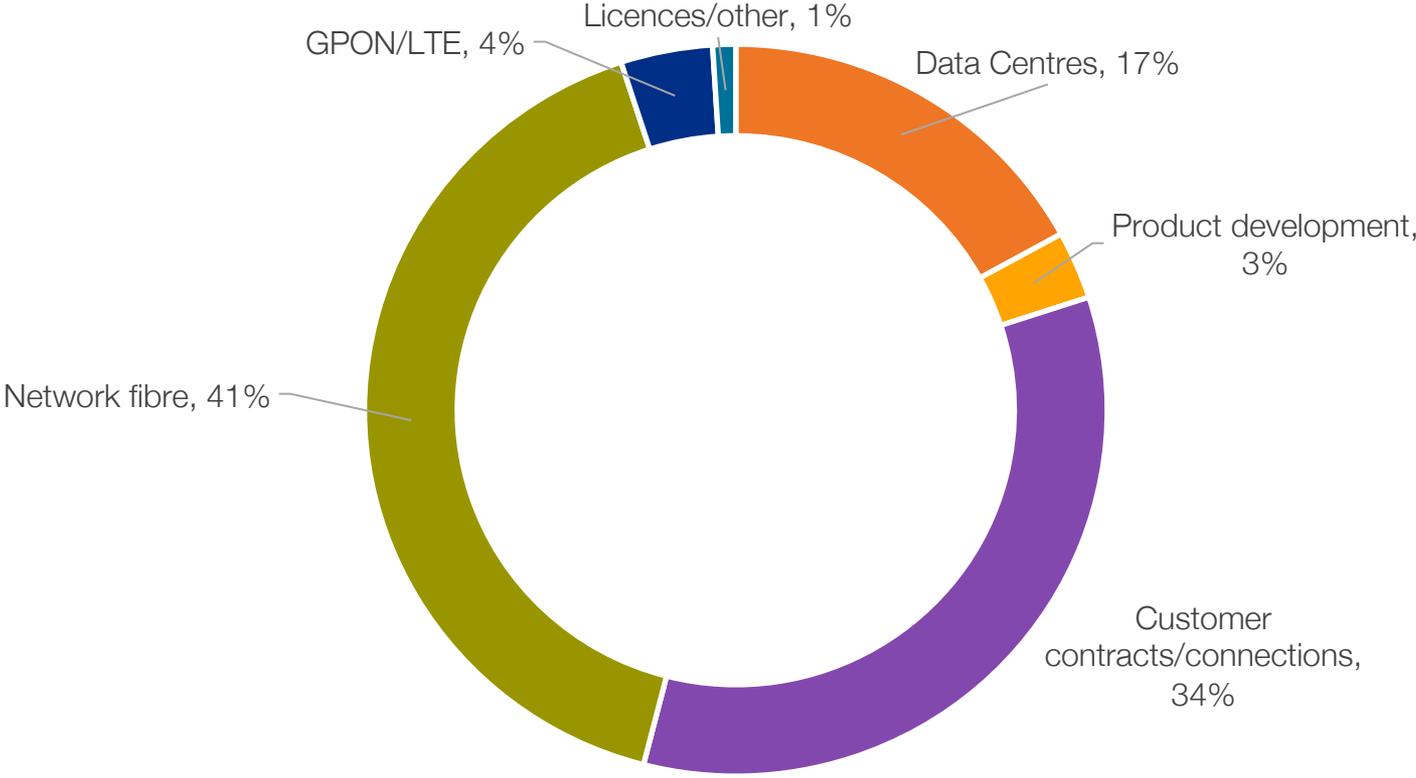
# Q2 2019-20 Income statement



## Below adjusted EBITDA

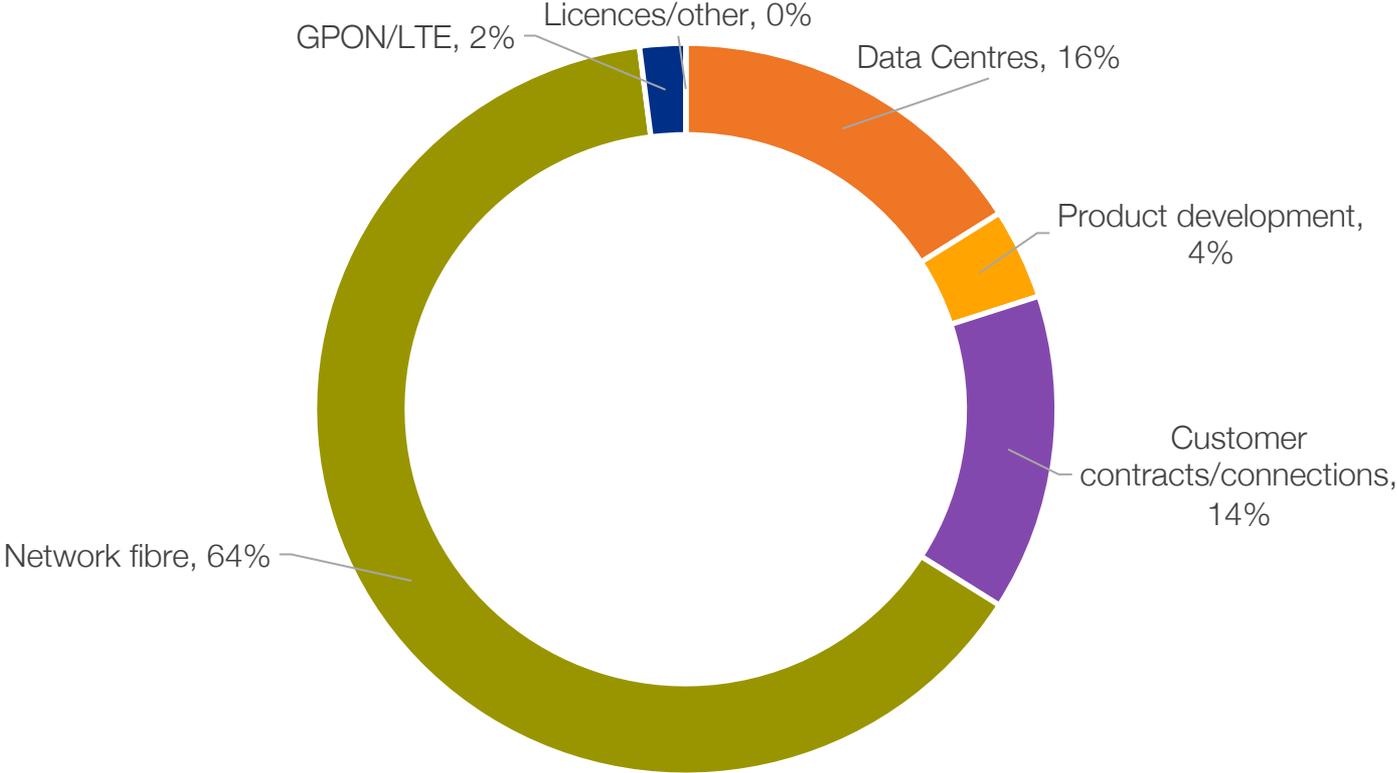
USDm	Post IFRS 16	IFRS 16 impact	Pre IFRS 16	Q2 2018-19	Post IFRS 16 change (%)	Pre IFRS 16 change (%)
<b>Adjusted EBITDA</b>	<b>53.9</b>	<b>8.0</b>	<b>45.9</b>	<b>49.0</b>	<b>10.0</b>	<b>(6.3)</b>
Depreciation, impairment and amortisation	(32.0)	(8.3)	(23.7)	(25.5)	25.5	(7.1)
<b>Operating profit</b>	<b>21.9</b>	<b>(0.3)</b>	<b>22.2</b>	<b>23.5</b>	<b>(6.8)</b>	<b>(5.5)</b>
Restructuring costs	-	-	-	-	-	-
Acquisition and other investment costs	(0.2)	-	(0.2)	(0.5)	(60.0)	(60.0)
Interest income	0.9	-	0.9	2.6	(65.4)	(65.4)
Finance costs	(19.2)	(2.5)	(16.7)	(17.0)	12.9	(1.8)
Foreign exchange loss	(165.6)	-	(165.6)	(3.7)	n/a	n/a
Share of profits from associates	-	-	-	-	-	-
<b>Loss before tax</b>	<b>(162.2)</b>	<b>(2.8)</b>	<b>(159.4)</b>	<b>4.9</b>	<b>n/a</b>	<b>n/a</b>
Tax expense	(0.6)	-	(0.6)	(5.2)	(88.5)	(88.5)
<b>Loss for period</b>	<b>(162.8)</b>	<b>(2.8)</b>	<b>(160.1)</b>	<b>(0.3)</b>	<b>n/a</b>	<b>n/a</b>

**H1 2019-20 Capex projects (USD 57.5m, net of disposals)**



**USD 57.5m  
Capex (net of disposals)**

**Q2 2019-20 Capex projects (USD 25.1m, net of disposals)**

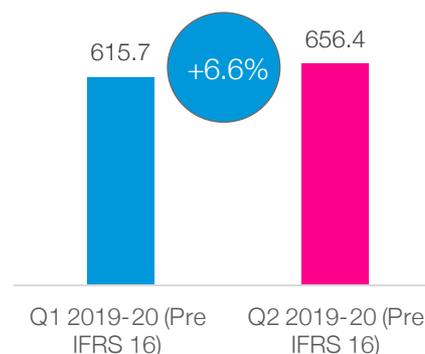


**USD 25.1m  
Capex (net of disposals)**

Gross debt (USDm)  
(Q2 2019-20 and Q1 2019-20)



Net debt (USDm)  
(Q2 2019-20 and Q1 2019-20)



Gross / Net debt (Pre IFRS 16)	Q2 2019-20
	USD m
<b>Total gross debt:</b>	<b>756.1</b>
Eurobond	730.0
Other debt (mainly Zambia)	17.8
Bond interest accrued	8.3
Less: unrestricted cash and cash equivalents*	(99.7)
<b>Net debt</b>	<b>656.4</b>

Q2 2019-20 (all Pre IFRS 16)	
Gross debt/Adjusted EBITDA:	3.74x
Covenant:	3.75x
Net debt/Adjusted EBITDA:	3.25x
Covenant:	4.25x

NB. USD 180 million received from CDC in April 2019

\* This includes cash and cash equivalents located in Zimbabwe (USD 6.8 million) as per Note 2 of the financial statements.

Africa's Cloud  
**is Liquid.**<sup>TM</sup>

