POST MARKET UPDATE ADDITIONAL INFORMATION – 30 SEPTEMBER 2022

FINANCIALS

Post recap the company is still in a negative equity position. This is because of the historical cumulative losses, which post recap are expected to decrease over time while the company is in recovery. With time and the successful implementation of the recovery strategy and elimination of the once-off's (i.e., liquidity support costs, recap cost, impairments, etc.) the company will return to sustainable profitability and convert the retained loss to retained profits. Also, there's no cash interest repayment implications on the debt for the first 24months.

DAY 1 POST-RECAP BALANCE SHEET

Summary Balance Sheet	Pre Recap		Post - Recap	Notes
			Forecast	
	Unaudited		*Unaudited*	
	31-Aug-22		**30-Sep-22**	
	R'm		**R'm**	
Non-current assets	**3 576**		**3 097**	
Current assets	**5 271**		**3 107**	
Trade and other receivables	4 978		2 692	1
Inventories	177		177	
Cash and cash equivalents	116		238	
Total assets	**8 847**		**6 204**	
Non-current liabilities	**(2 420)**		**(4 795)**	2
Interest-bearing loans and borrowings			(2 382)	
Obligations under finance leases	(2 380)		(2 373)	
Provisions	(40)		(40)	
Current liabilities	**(21 286)**		**(7 617)**	
Interest-bearing loans and borrowings	(9 856)		(461)	2
Obligations under finance leases	(1 147)		(1 147)	
Trade and other payables	(8 906)		(3 160)	1
Unearned revenue	(1 183)		(2 656)	3
Provisions	(193)		(193)	
Total Liabilities	**(23 706)**		**(12 412)**	
Negative Equity	**14 858**		**6 208**	4
Share premium	(25 501)		(25 501)	
Retained (earnings)/loss	40 359		31 709	
Equity and liabilities	**(8 847)**		**(6 204)**	

1. **Working Capital:** Cell C has negotiated new terms for long-outstanding balances with Blue Label Telecom, Comm Equipment Company, MTN, Net 1 and ZTE resulting in a significant reduction in Net Working Capital of +/- R2bn.

2. **Interest-bearing borrowings:** Cell C has negotiated the exit of previous lenders for a final offer of R1.4bn. Blue Label Telecom has provided R1,032bn of new money and ICA creditors have reinvested R0.43bn. Senior debt repayments start in August of 2024.

3. **Unearned revenue:** Cell C has received upfront funding from BLT via the sale of airtime of net R1,2bn (Incl. VAT).

4. **Negative equity:** Post recap the company is still in a negative equity position. This is as a result of the historical cumulative losses, which post recap are expected to decrease over time while the company is in recovery. With time and the successful implementation of the recovery strategy, the company will return back to profitability and convert the retained loss to retained profits.

The recap was a debt deleveraging exercise and did not result in new/increased share capital as it was not a equity issue. Post-recap debt balances have been reduced. Cell C investors have displayed confidence in the revised strategy by investing through recapitalisation by debt issue, it should however be noted that with the history with Cell C and the share value not yielding positive returns and so it is expected that reinventors will be cautious and would want to secure their investment in the form of guaranteed repayments (loan repayments and interest charges).

Detail Break-down	Pre-Recap R'm	Post-Recap R'm
Working Capital	(4 934)	(2 946)
Trade and other receivables	4 978	2 692
Trade and other payables	(8 906)	(3 160)
Unearned revenue	(1 183)	(2 656)
Inventories	177	177
Interest-Bearing Borrowings		(2 843)
ZAR	(2 441)	(2 843)
% of Total	25%	100%
US $	(7 416)	
% of Total	75%	
Interest bearing loans and borrowing breakdown		
Non-current liabilities Interest-bearing loans and borrowings	-	(2 382)
ZAR Denominated Debt: New Money	-	(1 032)
ZAR Denominated Debt: ICA Reinvestment	-	(546)
Other Unsecured Debt	-	(804)
Current Interest-bearing loans and borrowings	(9 856)	(461)
ZAR Denominated Debt	(2 441)	(461)
USD Denominated Debt	(7 416)	

Total Interest-bearing loans and borrowings of R2 382m (per the above table) is made up substantially of renegotiated debt from R2 382m short term debt to R2 266m long term (payable after 42months post recap). Breakdown of the renegotiated balances are as follows Day 1 – Post Recap:

1. CEC – R 1 256m (renegotiated payment terms – reclassified from short term to long term).
2. Net1 – R270m (renegotiated payment terms – reclassified from short term to long term).
3. ZTE – R110m (Reduced balance, also renegotiated payment terms to extend it from current to long term).
4. MTN – R582m (renegotiated payment terms – reclassified from short term to long term).
5. BLT – 47m (Reduced balance, also renegotiated payment terms to extend it from current to long term).

INTEREST EXPENSES

The R2.6 billion is capital repayments, the cash flow interest payment in up until the end of 2026 will comprise R706 million in terms of the recap terms.

ZARm	Post Recap FY22	FY23	FY24	FY25	FY26	Total
Total secured debt						
Interest payments	-	(10)	(202)	(300)	(194)	(706)
Capital repayments	-	(60)	(180)	(2 368)	-	(2 608)

When looking at recorded interest expense for the coming years, an initial increase will be seen as interest needs to be accrued for in terms of accounting despite the "cash interest holidays" offered by BLT and the ICA lenders. However, when looking at interest expense and forex fluctuations combined, a reduction will be seen as there is no more foreign denominated loans therefore removing Cell C's forex exposure.

Once capital repayments commence (after the payment holiday) decrease in interest will be evident **in our (profit).*

EBITDA NORMALISATION

Decrease in **EBITDA** is mainly due to once-off and recap costs. See below the recon for Half year (H1-22 vs. H1-21) and full year (FY21 vs FY20).

H1 Normalisation	**H1-22**	**H1-21**	***y- on-y variance***
EBITDA	**366**	**1 278**	**71%**
Liquidity Support	382	223	
Legal and Consulting Costs	136	101	
Lease Conversion	177	189	
Costs relating to winding down of contract base	504	-	
Network site restoration	-	69	
Normalised EBITDA	**1565**	**1860**	**16%**

Half year normalised underlying performance *(BAU) decline R295m (16%) is mainly due to running down of the post-paid book, decrease in the base by 1%, increase in the handset and sim cost and load shedding.*

FY - Normalisation	**FY20**	**FY21**	***y- on-y variance***
EBITDA FY	**2 890**	**2 583**	***-12%***
Liquidity Support	591	496	
Legal and Consulting Costs	701	310	
Lease Conversions	-	370	
Costs relating to winding down of contract base	-	68	
Normalised EBITDA	**4182**	**3827**	***-9%***

Full year normalised underlying performance *is mainly due to the decline R355m (19%) shift in the subscriber base from between prepaid broad band and the prepaid.*

Decrease in **Net Profit/Loss** is mainly due to Impairment Forex losses (with unfavourable depreciation in the Rand as most of our debts, pre-recap, were in dollar denominations), Interest Finance charges due to debt freeze.

	H1-21	**H1-22**	***y- on-y variance***
Net profit/(loss)	**148**	**(1 998)**	***-1450%***
Forex (gain)/loss	(159)	155	
Interest & Finance Costs	751	747	
Impairment	24	784	
Recap costs	582	1 199	
Normalised Net profit/(loss)	**1346**	**887**	***-34%***

EBITDA GUIDANCE

The increase of 18% is on a R2.5 billion base. This is to be achieved through the growth in revenue while maintaining costs at the lowest possible levels, however roaming costs are expected to increase by 17.9% using a 5-year CAGR as a result of the MTN network transition.

Coupled with this, a decrease in finance lease costs (as a result of renegotiated lease agreements as part of the recap) and declining CAPEX spend in line with the CAPEX light business strategy result in a higher adjusted EBITDA - which should be around R3billion at the end of a 5-year period (191.9% higher on a 5-year CAGR).

CAPEX

The higher CAPEX for H1-22 is as a result of the fees spent to acquire Cell C's Spectrum licenses. With the new digital business strategy, CAPEX expenditure will still be present as a result of investments which need to occur to enhance Cell C's digital structure. These amounts will be lower than previous years and the strategy is CAPEX-light structure *(to run a business, intangible and tangible asset investments are needed. With Cell C's digital approach, the focus shift from tangible to intangible investments)

FREE CASH FLOWS

Over the short term the compounded annual improvement rate (CAIR) of our cash flow will be 30%.

RECAP DEBT REPAYMENTS

Bottom line will not be negatively affected with the debt repayments for recap. Debt balances will be settled from recap cash (which has a balance sheet impact). Post pre-recap debt settlement, a decreased finance and forex expense is expected. The recap process is deleveraging Cell C from foreign denominated loan balances, alleviating the forex fluctuations impact and the interest expense will decrease with the new debt terms.