

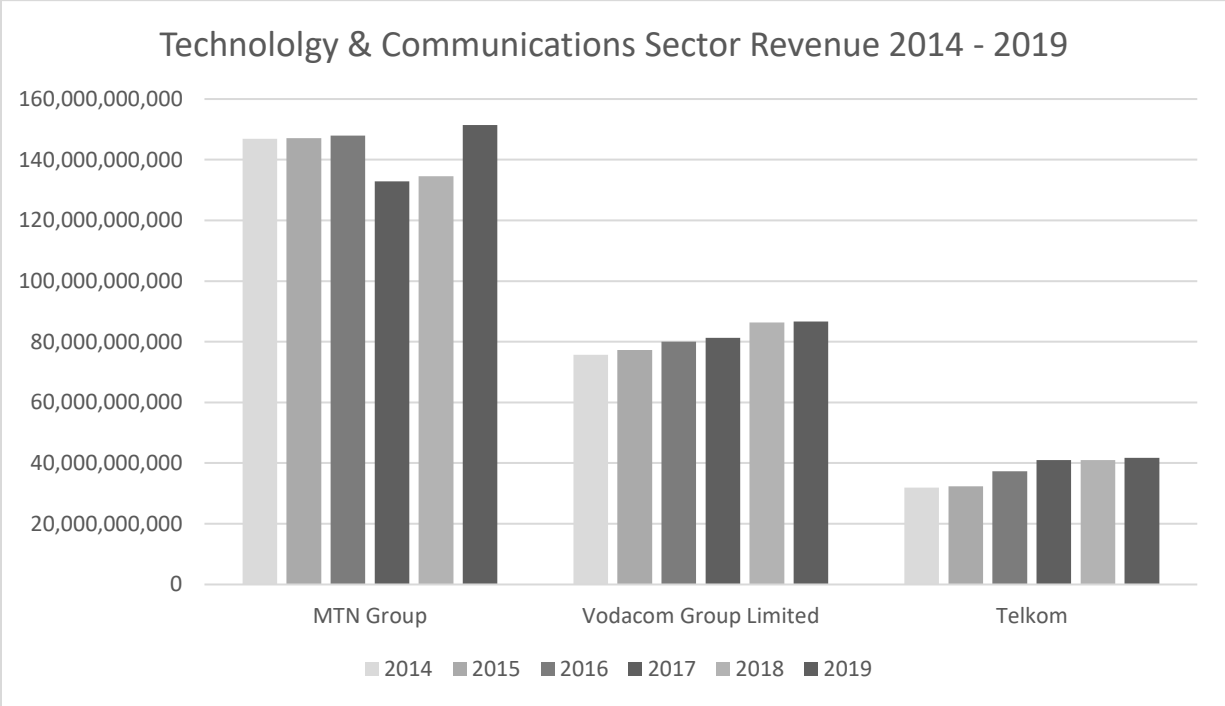
2020 Sector Report: Technology and Telecommunications

Introduction

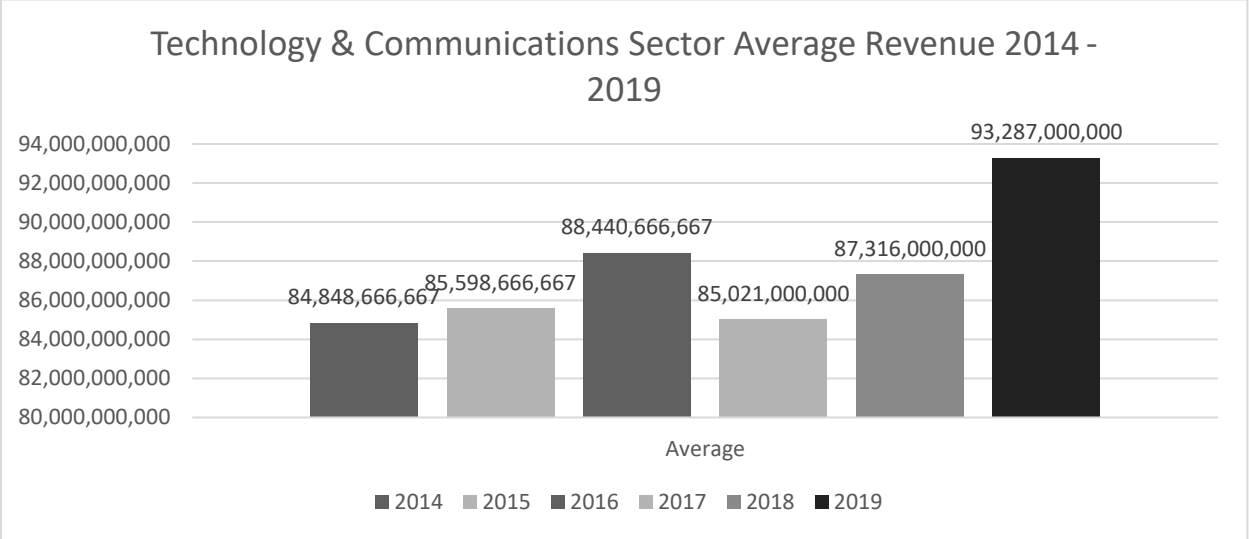
This report analyses MTN and Vodacom Group Limited which are listed under mobile telecommunications on the JSE, and Telkom which also offers fixed line telecommunications.

Revenue

MTN Group Limited maintained its lead in the technology and communications sector in generating the highest revenue whilst also reporting the largest growth of 12% from R134 billion in 2018 to R151 billion in 2018. Vodacom and Telkom maintained steady revenues of R86 billion and R41 billion respectively.



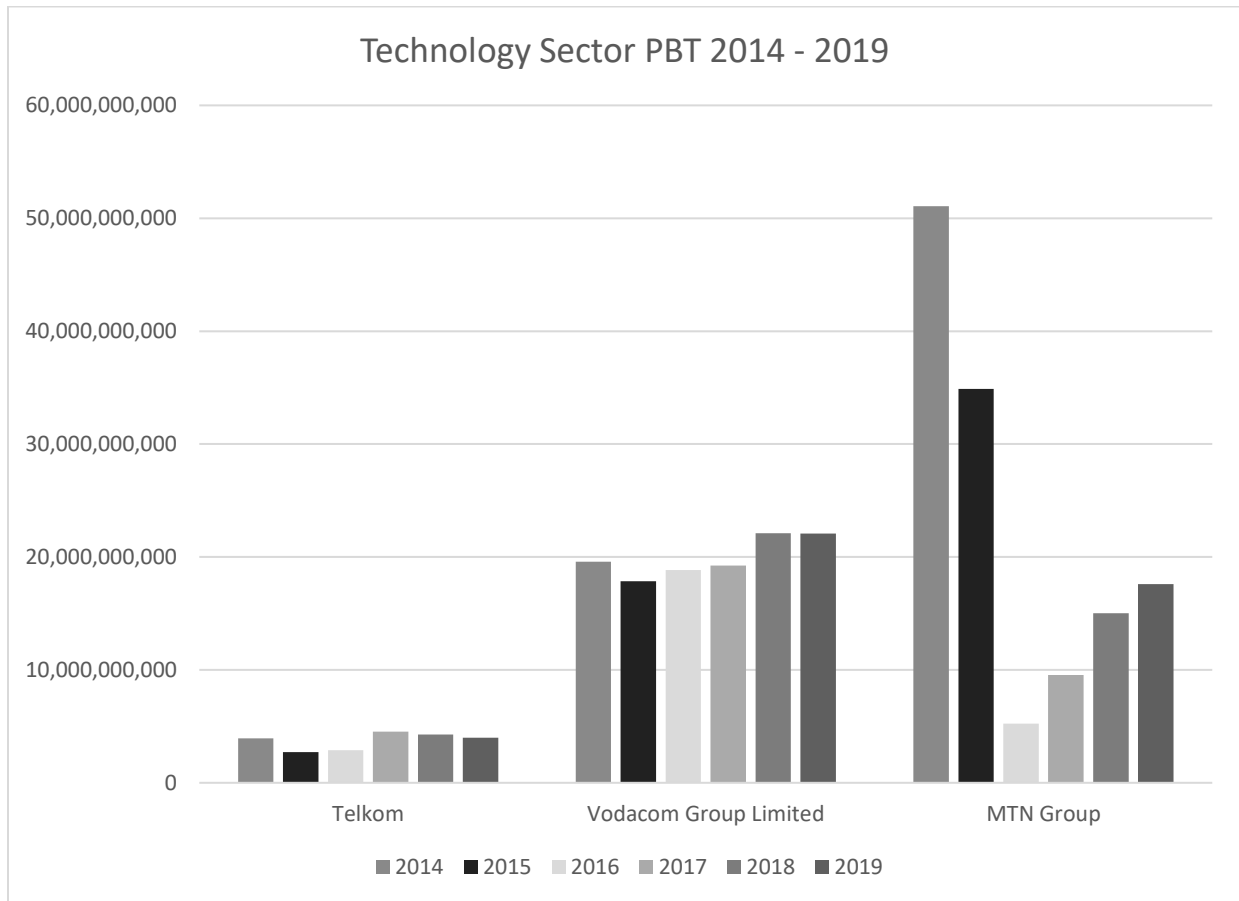
All the companies in the sector maintained positive revenue growth. Therefore, on average, the sector revenue grew by 6% from R7 billion in 2018 to R93 billion.



Significantly, the technology and communications sector reported the highest average revenue since 2016, and the highest in the last seven financial years.

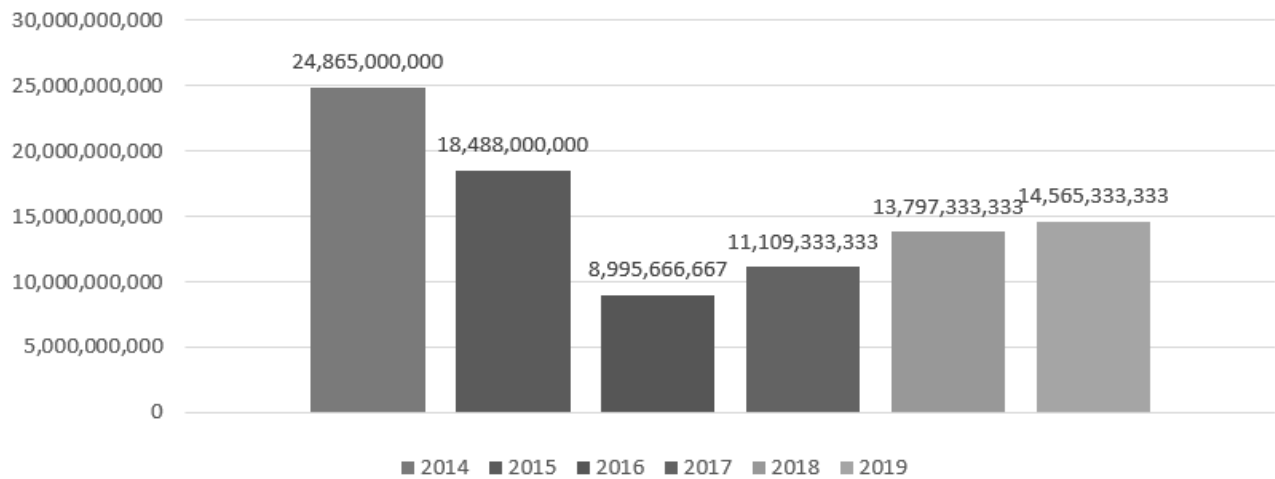
Profit

Vodacom Group Limited retained its spot as the sector lead after accruing profit before tax of R22 billion in the 2019 financial year with a slight decrease of 0.02% from the 2019 profit figure. Telkom experienced the largest decrease in profit of 6% whilst MTN Group Limited recorded the highest growth in profit of 17% from R15 billion in 2018 to R17 billion in 2019.



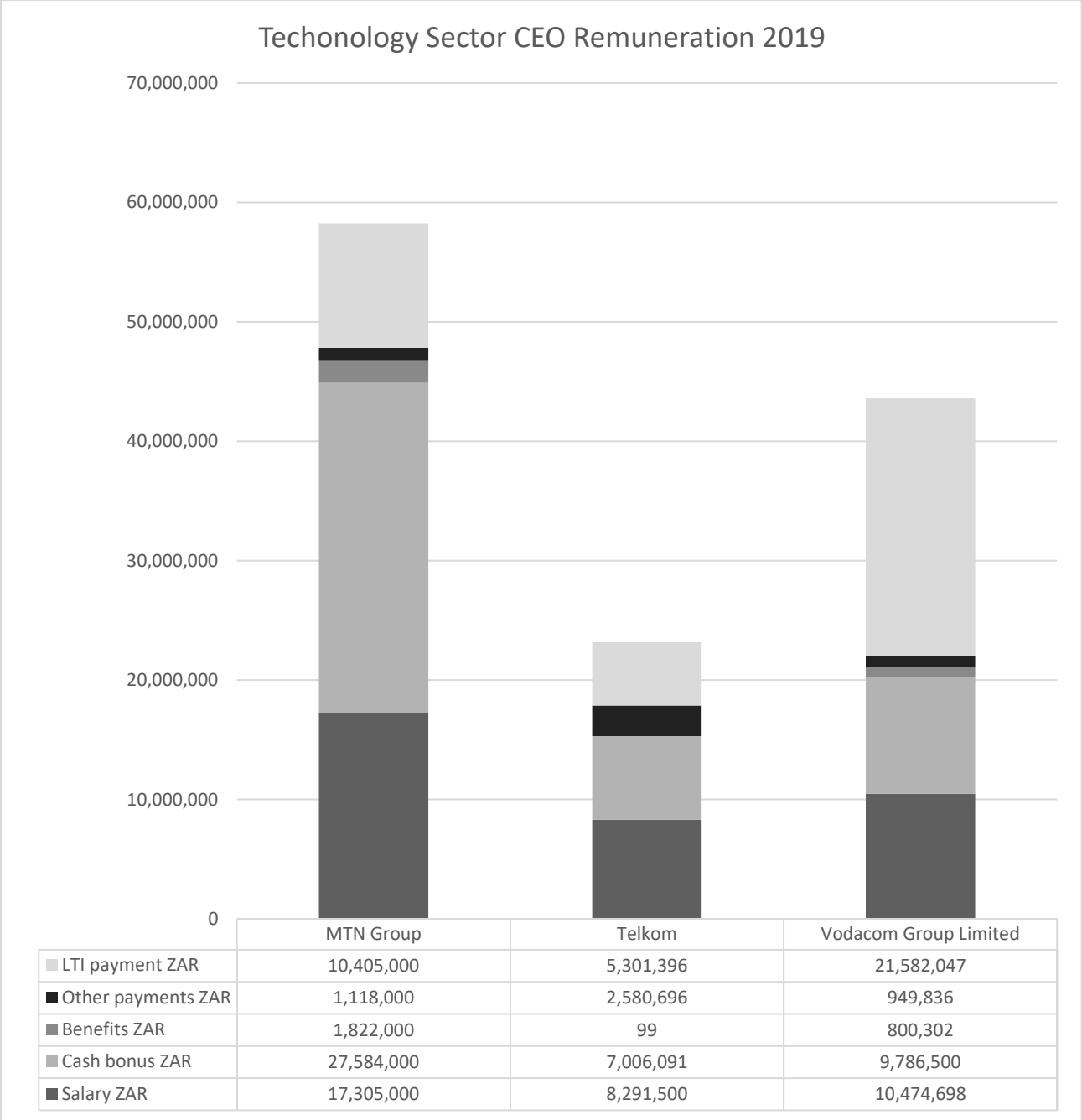
Notwithstanding that Vodacom reported no positive increase in profit, average profit in the sector increased by 5% from R13,7 billion in 2018 to R14,5 billion in 2019. This is largely attributable to the growth in MTN's profits which are steadily increasing after they dropped in 2015.

Technology Sector Average PBT 2014 - 2019



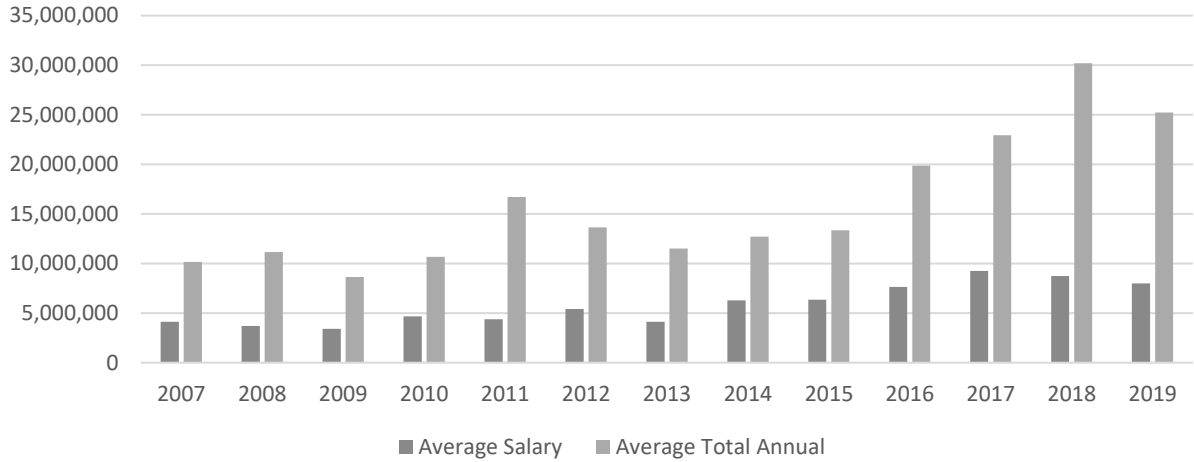
Directors' Remuneration

MTN Group CEO Rob Shutter received total remuneration of R58,2 million in the 2019 financial year. In addition to a R17 million annual salary, he received a cash bonus over R27 million and a long-term incentive payment of R10 million. Vodacom's chief executive officer Aziz Joosub to home R43 million owing to a R21,5 million LTI and a cash bonus and salary of roughly the same amount.



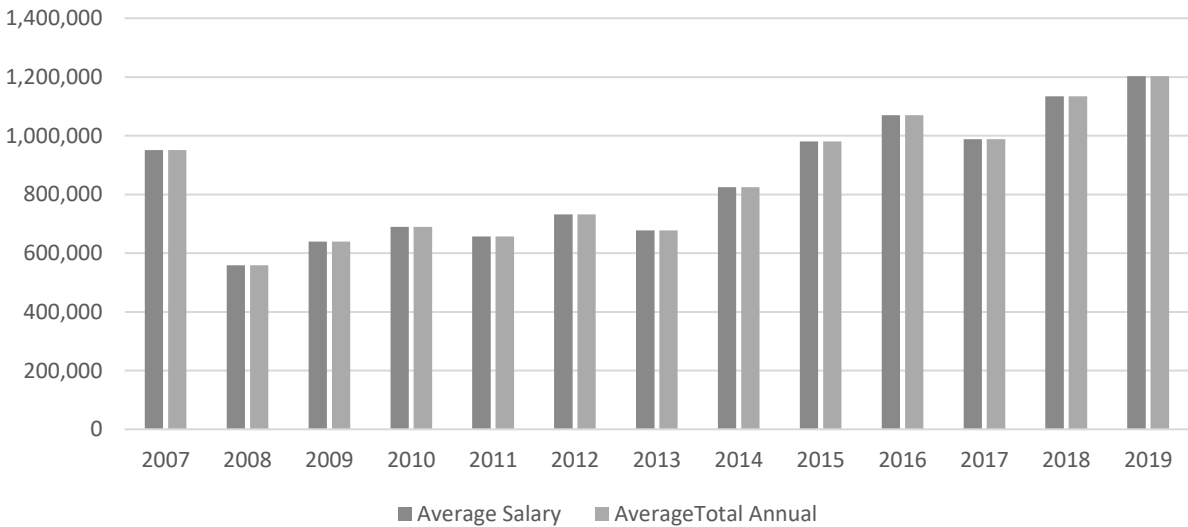
There are seven executive directors in the sector and their average salary decreased by 8% in the 2019 financial year from R8,7 million to R8 million in 2019. Total executive remuneration decreased on average by 16% from R30,1 million to R25, 2 million in the current financial year.

Technology & Telecommunications Average ED Remuneration 2007 to 2019



Non-executive directors’ average remuneration for the 45 non-execs increased by 6% from R1,1 million in 2018 to R1,2 million in 2019.

Technology & Telecommunications Average NED Remuneration 2007 to 2019



Conclusion

South Africa's global ranking for internet speed was at 96 for fixed bandwidth and 60 for mobile broadband¹. This was despite increasing calls for data prices to fall owing to the increased cost of accessing the internet². Telecommunications companies MTN and Vodacom continue to play a key role in providing network coverage and control at least 70% of the cellular industry³. Following the competition commission's ruling ordering MTN and Vodacom to cut their data prices by 30 to 50 percent, the sector may adjust to these changes in ways which could involve job losses owing to decreasing revenue.

¹ <https://www.icasa.org.za/uploads/files/State-of-the-ICT-Sector-Report-March-2020.pdf>

² <https://www.iol.co.za/business-report/economy/data-must-fall-vodacom-mtn-called-out-on-data-prices-spectrum-issue-brushed-aside-38503614>

³ <https://mg.co.za/article/2019-12-06-00-from-data-must-fall-to-data-for-all/>