

Vox Telecom

Interim Results – April 2011

*Douglas Reed, Group MD
Gert Koen, Group CFO*

vox telecom

Be heard

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voxtelecom.co.za*

Agenda

- > Introduction
- > Group Overview
- > Divisional Overview
- > Financial Performance
- > Vision and Strategy
- > Summary
- > Q&A

Agenda

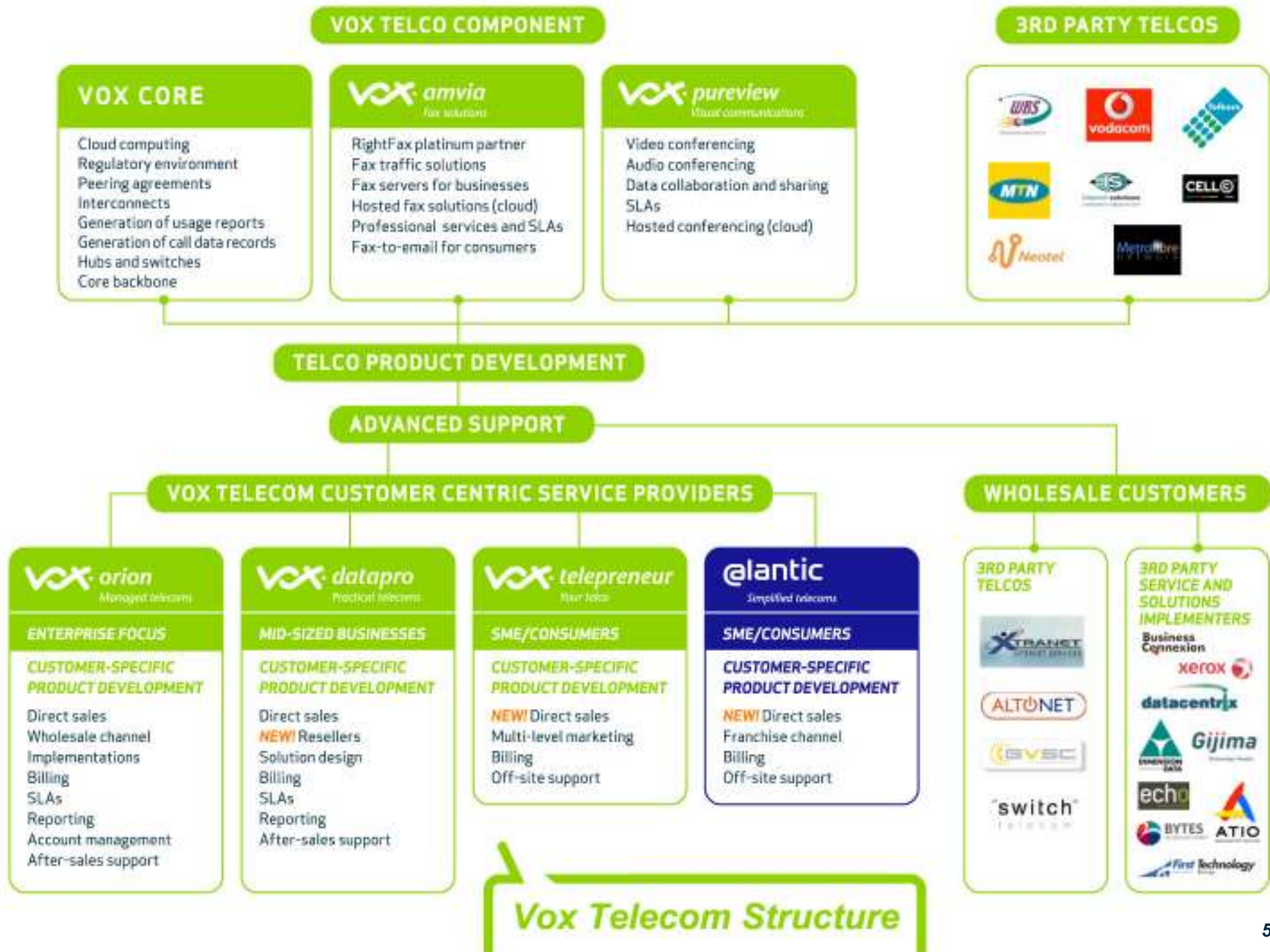
- > *Introduction*
- > *Group Overview*
- > *Divisional Overview*
- > *Financial Performance*
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- > *Summary*
- > *Q&A*

Group Overview



Key Information:

- > Leading, independent supplier of voice and data services to the South African and Namibian market
- > Provide critical telecommunications products and services to over 15,000 corporate customers and over 130,000 consumers
- > 788 highly skilled employees
- > Listed on Alt-X Exchange of the JSE BEE shareholding of 40.6% - the largest black owned telecommunications company in SA
- > Leader in the delivery of competitively priced telecommunications products and services to the telecoms market




fishbone™
LINE BONDER


eyeris™
VIDEO CONFERENCING

lego90™
Google Apps™
Premier Edition

CRISTAL VOX™

**VOX
COCKTAIL™**

**PER
SCOPE™**
VIRTUAL
PRIVATE
NETWORK

ZEPPELIN™

VERTO™
Hosted Telephony

supafone™

voxair™

POWWOW™
HOSTED PRIVATE BRANCH EXCHANGE

VOX™ telecom

Our Products

Agenda

- > *Introduction*
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- > ***Divisional Overview***
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A stack of seven sliced green apples is shown on the left side of the image. Above the stack is a green speech bubble containing the text "Vox Divisions".

*Vox
Divisions*

VOX® orion

VOX® datapro

@lantic

VOX® amvia

VOX® telepreneur

VOX® *orion*

Managed telecoms

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our products



Vox Orion

voks uh-rah-yuh n

* Vox Orion

- > Supply telecommunication services to large businesses
 - Operates in South Africa and Namibia
 - National footprint with branches in 14 cities and towns around SA
- > Enterprise focus
 - Service a large number of the JSE Top 200 companies
 - Significant government contracts including 4 Provincial governments, SANDF, SAPS and 56 local councils
- > Over 14 years' experience
 - Employ 293 people
 - Strong account management

Vox Orion

voks uh-rah-yuh n

* Vox Orion

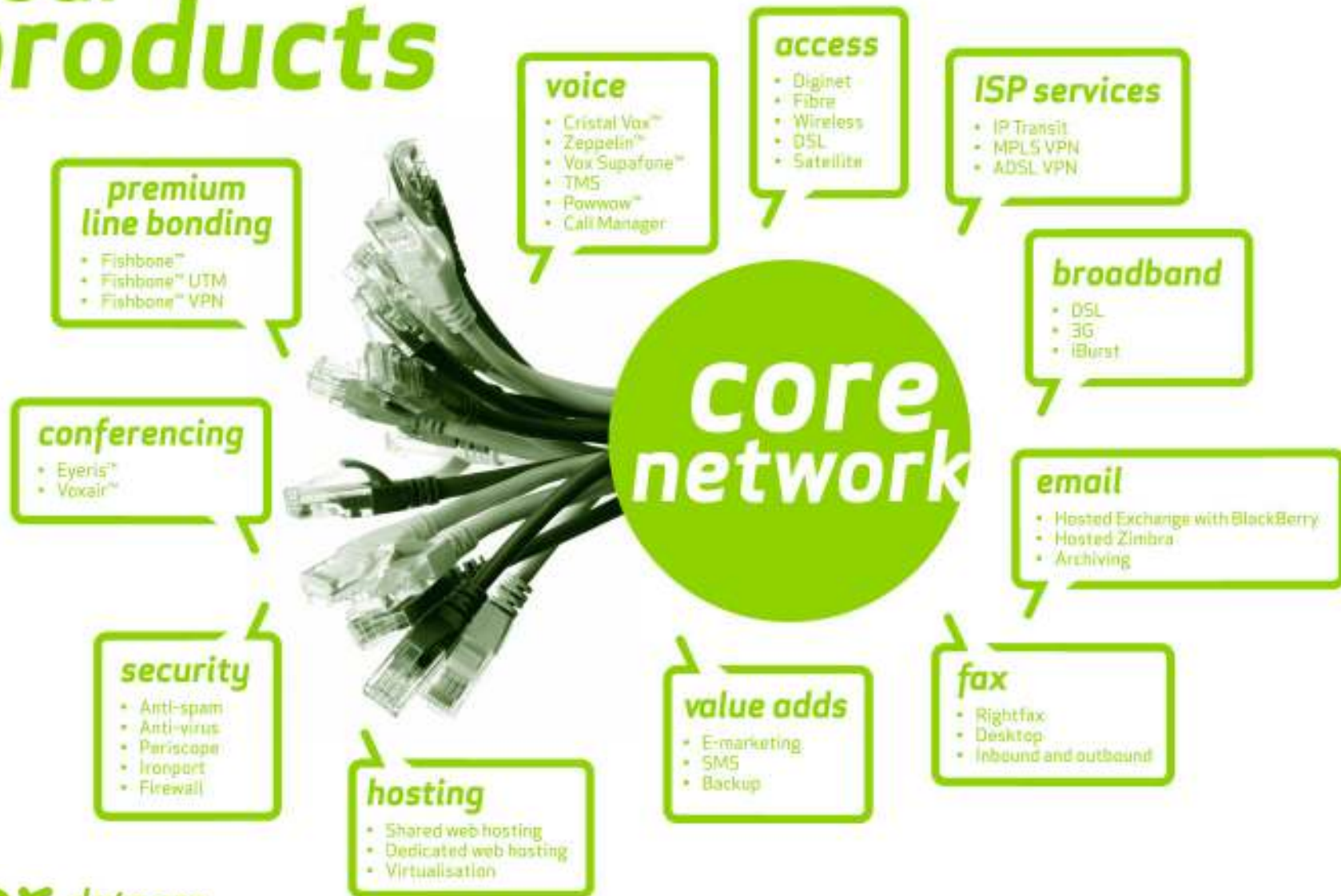
- > LCR to Cristal Vox conversion strategy on track
- > The viability of the LCR offering has been extended by improved costs and a less than expected competitive environment
- > Cross selling strategy on track with data sales improving and new products like Verto (Hosted PBX), Vox Pureview (Video Conferencing) being launched
 - Vox Orion has become Vox Amvia's largest reseller
 - The Vox Group is an additional outlet for Vox Orion's products
- > The interconnect reduction has had a positive impact

VOX[®] *datapro*

Practical telecoms

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our products



Vox Datapro

0101011001101111011110000010000001
0001000110000101110100011000010111
00000111001001101111*

* Vox Datapro

- > Provide telco services
 - Operate in JHB, CPT and DBN
 - Voice, data and internet services
- > Mid-sized business focus
 - Typically companies or branches with 25 to 200 PC users
- > Over 13 years' experience
 - Employs 107 people
 - Strong sales organisation

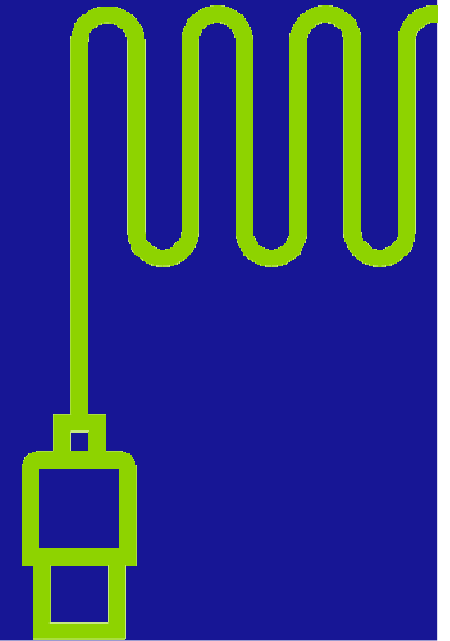
Vox Datapro

0101011001101111011110000010000001
0001000110000101110100011000010111
00000111001001101111*

* Vox Datapro

- > Converged sales strategy on track
 - Voice complementing the data solutions
- > Impacted positively by the interconnect rate reduction
 - General boost to voice offerings
 - Rendered some business models obsolete
 - > Negative 5 million minutes

@lantic



Simplified telecoms



@lantic

- > Supply telecommunication services to SMEs and Consumers
 - Consumer internet services, Vox Supafone, mobile and wireless solutions
- > National footprint with over 98 franchisees and 200 resellers
 - Over 64% are “*platteland*” customers
- > Over 15 years’ experience
- > Employ 58 people

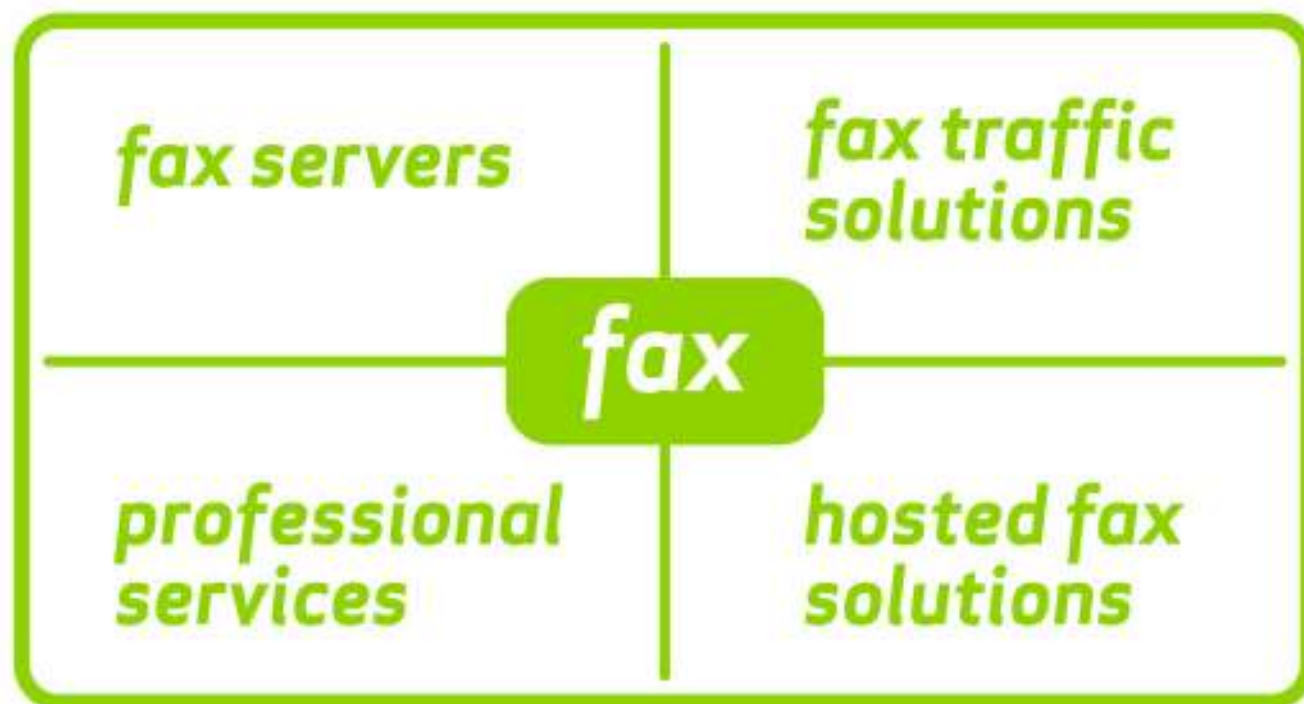
@lantic

- > Negatively impacted by
 - Loss of dial-up rebates
 - Competitive environment
 - General economy
- > Converged sales strategy is beginning to get traction
 - Dial conversion
 - Voice sales
 - Launching new Direct Sales division

VOX[®] *amvia*
Fax solutions

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our products



Vox Amvia

- > Supply Faxing Equipment and services
 - Leading international distributor of RightFax
 - Enterprise fax servers
 - Professional services (SLAs)
 - Hosted fax solutions (cloud)
 - Onsite fax solutions
 - Fax traffic solutions
- > Sell through Vox Service Providers and 3rd Party Implementers
 - Provide Corporate faxing solutions to the majority of the JSE Top 100 list
 - OpenText Platinum Partner status
 - Microsoft Gold Partner status



Vox Amvia



- > Strategy to move into services on track
 - The majority of revenue is now recurring
 - Fax enabling any applications for 3rd party software such as Softline and Microsoft
 - Capturing fax traffic

VOX[®] telepreneur
Your telco

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Vox Telepreneur

*Get paid
to receive calls*

- > Supply telecommunication services to SMEs and consumers
 - Sophisticated commission structure that is adaptable for retailers, resellers, individuals and referral marketing
 - National dealer network of resellers
 - Distributes through major retailers
 - Online business with offsite support

VOX telepreneur
Your telco



Vox Telepreneur

- > SME and Consumer focus
 - Launched in February 2008
 - Employ 9 people
 - Online service
 - Cash generative

Get paid
to receive calls



vox telepreneur
Your telco

Vox Telepreneur

- > Vox Telepreneur is an incubator for the Group
 - Test products and platforms
 - Test pricing and analyse breakage
 - Small and nimble enough to speed up time to market
- > Plan to target the lower LSM bands with GSM products and eWallets
- > Include prepaid as an option



VOX CORE

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Vox Core

- > Provides the Core platforms for the Groups Telco services
 - Core network
 - Data Centres
 - Hubs and switches
 - Cloud computing
- > Holds the licences, peering agreements, major wholesale agreements and interconnect agreements
- > Provides the billing engines for the SP's billing systems
- > R&D and new product development
- > Software development for internal customised applications
- > Provides the utilities, platform and HR for the Group's Service Centre
- > Provides the necessary legislative and regulatory functions
- > Handles Group rentals

Vox Core

- > Completed the Core backbone update
- > Implemented the new voice switching platform
- > In the process of increasing Points of Presence (PoPs) around the country
- > Implemented comprehensive skills training programs
- > Implemented partnerships
- > Renegotiated all interconnect agreements
- > Installed IP Centrix, video conferencing and hosted services
- > Launching the next generation of Fishbone, Eyeris and ADSL

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Financial Overview For The Period Ending 28 February 2011

	Feb 11 '000	Feb 10 '000	% change
Revenue	925 026	1 044 277	(11%)
Gross profit	256 965	234 871	9%
Gross Profit Percentage	28%	23%	5%
Profit for the Period	23 895	25 522	(6%)
EBITDA	77 781	76 440	2%
Weighted Average Shares	1 108 501	1 108 501	
Earnings per Share	2.16	2.30	(6%)
Headline Earnings per Share	2.17	2.30	(7%)
Cash and bank balances	121 802	106 299	15%

Financial Overview For The Period Ending 28 February 2011

- > Matters Impacting financial performance:
 - Significant churn in dial-up revenue
 - R3.2m Telkom rebates (6 months ending February 2010) discontinued
 - Significant investment into new products
 - Deflationary environment impacting revenue growth
 - Increased spend towards improving general quality of service at VTSC
 - Growth constraints within Vox Core and impact on conversion of LCR to Cristal Vox

Statement of Comprehensive Income as at 28 February 2011

	Interim - Feb 2011 '000	Interim - Feb 2010 '000	% Change
Revenue	925 026	1 044 277	(11%)
Cost of sales	(668 061)	(809 406)	(17%)
Gross profit	256 965	234 871	9%
Other income	1 915	2 389	(20%)
Depreciation and amortisation	(41 895)	(37 146)	13%
Employment costs	(104 320)	(95 830)	9%
Occupancy costs	(12 516)	(11 281)	11%
Other operating costs	(64 263)	(53 708)	20%
Operating profit	35 886	39 294	(9%)
Finance costs	(5 356)	(8 293)	35%
Finance income	3 815	4 640	(18%)
Net finance cost/income	(1 541)	(3 653)	(58%)
Profit before taxation	34 345	35 642	(4%)
Taxation	(10 450)	(10 120)	3%
Profit for the Period	23 895	25 522	(6%)

Statement of Comprehensive Income as at 28 February 2011 – Segmental Report

Segmental comparison between Feb 2010 to Feb 2011	Vox Orion* R'000	Vox Datapro# R'000	@lantic R'000	Vox Amvia R'000	Vox Core # R'000	Vox Telepreneur R'000	Corporate and other R'000
Revenue (External customers)	(107 201)	(11 189)	(10 490)	4 409	19 360	1 455	15 593
EBITDA	9 107	1 920	(7 736)	4 213	(1 631)	(472)	(4 032)

Segmental comparison between Feb 2010 to Feb 2011	Vox Orion*	Vox Datapro#	@lantic	Vox Amvia	Vox Core #	Vox Telepreneur	Corporate and other
Revenue (External customers)	(16%)	(5%)	(10%)	30%	139%	9%	93%
EBITDA	26%	8%	(40%)	113%	(8%)	(26%)	(16%)

- > * - Vox Orion Namibia revenue of R16.4m was included under Corporate and other in 2010. In 2011, Vox Orion Namibia is included under Vox Orion.
- > # - Included in Vox Datapro's 2010 revenue is R58.8m which is wholesale revenue, and in 2011 is being billed out of Vox Core.

Statement of Financial Position as at 28 February 2011

	Feb-11 '000	Aug-10 '000	Feb-10 '000
Assets			
Non-current assets	558 207	571 974	1 443 720
Fixed assets	130 523	128 763	149 147
Goodwill	86 803	86 803	599 358
Other intangibles	330 272	345 398	678 717
Other financial assets	2 106	1 529	1 625
Deferred tax	8 503	9 481	14 873
Current assets	369 474	418 085	375 761
Inventory	25 726	28 941	33 161
Trade receivables	213 182	217 890	233 556
Current tax Receivable	8 764	6 324	1 960
Finance lease receivable	-	766	785
Cash and bank balances	121 802	164 164	106 299
Total assets	927 681	990 059	1 819 481

Statement of Financial Position as at 28 February 2011

	Feb-11 '000	Aug-10 '000	Feb-10 '000
Capital and reserves	517 727	491 564	1 193 143
Share capital	1 109	1 109	1 109
Share premium	1 018 876	1 018 876	1 018 877
Reserves	16 397	14 129	10 499
Retained Income	(518 655)	(542 550)	162 658
Non-current liabilities	69 511	105 388	238 952
Non-current borrowings:			
- Interest-bearing	170	37 683	79 743
- Interest-free	2 141	2 275	988
Deferred taxation	67 200	65 430	158 221
Current liabilities	340 443	393 107	387 386
Trade and other payables	249 777	283 904	291 449
Provisions	14 755	26 279	12 491
Taxation	739	2824	10 257
Current borrowings	75 172	80 100	73 189
Total equity and liabilities	927 681	990 059	1 819 481

Statement of Financial Position as at 28 February 2011

> Interest bearing liabilities:

	Feb 2011 '000	Aug 2010 '000	Feb 2010 '000	Aug 2009 '000	Feb 2009 '000	Aug 2008 '000	Feb 2008 '000	Aug 2007 '000	Feb 2007 '000
Long term loans	2 311	37 683	79 743	118 982	121 513	140 103	232 103	141 754	174 693
Current borrowings	75 172	80 100	73 189	82 824	102 956	47 976	36 969	29 217	8 018
	77 843	117 783	152 931	201 806	224 469	188 079	269 072	170 971	182 711

- > Investec quarterly debt repayments: R18,4 million
 - Expected settlement date Feb 2012
- > Other monthly debt repayments: R1 million
 - Settled Feb 2011 – immaterial balance still to be settled Feb 2012
- > Excludes immaterial leases

Statement of Financial Position as at 28 February 2011

> Trade debtors and receivables summary:

	Feb 2011 '000	Feb 2010 '000	Feb 2009 '000	Feb 2008 '000	Feb 2007 '000
Trade Receivables	213 182	233 556	275 026	274 227	150 641
Trade payables	249 777	291 449	310 070	231 485	208 982

Debtor days	37.30	39.09	41.61	39.25
Creditor days	63.93	59.65	52.71	52.56

- > =>90 days ageing = R29,5 million
- > Amount provided deemed more than adequate at R32.6 million

Cash Flow Statement as at 28 February 2011

	6 months ending 28 Feb 2011 R'000	6 months ending 28 Feb10 R'000
Cash flow from operating activities		
Operating cash before working capital movements	83 564	78 708
Working capital movements	(38 356)	32 955
Cash generated from operations	45 208	111 664
Interest paid	(1 541)	(3 653)
Taxation paid	(12 226)	(17 736)
Net cash inflow from operating activities before exceptional item	31 441	90 275
Exceptional items		
Net cash inflow from operating activities	31 441	90 275
Cash flow from investing activities		
Additions to plant, equipment and intangible assets to expand operations	(37 018)	(27 448)
Other movements from investing activities	5 656	
Net cash outflow from investing activities	(31 362)	(27 448)
Cash flow from financing activities		
Proceeds / (Net cash outflow from long and short-term borrowings)	(42 441)	(48 645)
Net cash inflow from financing activities	(42 441)	(48 645)
Net (decrease) increase in cash and cash equivalents	(42 362)	14 181
Cash and cash equivalents at the beginning of the year	164 164	92 117
Cash and cash equivalents at the end of the year	121 802	106 299

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Our Vision

> To be the leading, independent provider of voice and data services to the Southern African market



Short-term strategy

- > To maximise the value of the network, we are refining our focus on:
 - Increasing the scale of the network
 - Increasing the number of users
 - Increasing the networks we are interconnected with
 - On the agenda for the year
 - > Complete national roll out of the Core backbone
 - Adding 8 new towns (current PoPs: JHB, PTA, CPT, DBN and PE)
 - > Migrating all ADSL solutions to the Vox Core Network
 - > Expanding the interconnects within the ADSL Cloud and GSM platforms

Short-term strategy

- > Increasing the internet capacity
 - New WACS lines coming on stream
 - Increase local agreements and hubs such as Teraco
- > Replacing the ATM technology with Metro Ethernet
- > Complete migration to new voice platforms
- > Building major Microsoft environment for hosted services (cloud computing)
- > Launching new satellite service in December 2011
- > Creating a direct sales division for the consumer businesses

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Summary

- > LCR to Cristal Vox conversion strategy on track
- > The interconnect reduction has had a positive impact
- > Cross selling/converged sales strategy on track for all divisions
- > Launching Direct Sales division for consumer businesses
- > The majority of Vox Amvia revenue is now recurring
- > Launching the next generation of Fishbone, Eyeris and ADSL
- > Continue to focus on improving market share in voice and data



Summary

- > Expand and scale up the Core network to cover a bigger geographic area and move all 3rd party services to our own network
 - Continue to invest in infrastructure
 - In the process of increasing Points of Presence (PoPs) around the country
- > Drive development of wholesale voice business
- > Continue to differentiate through service and product excellence





Q&A



...ahhhh

Investor Information

Investor packages are available with latest Annual Report

Additional information available at
www.voxtelecom.co.za

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Be heard

