Conference call transcript

19 February 2024

Q3 2024 TRADING UPDATE

Operator

Good day, ladies and gentlemen, and welcome to the Telkom Limited Q3 FY 2024 trading update conference call. All participants are currently in listen-only mode and there will be an opportunity for you to ask questions later during the call. If you should need assistance during the call, please signal an operator by pressing * and then 0. Please note that this event is being recorded. I will now hand over to the Group CEO, Serame Taukobong. Please go ahead.

Serame Taukobong

Thank you, Chris. Good afternoon, everyone. Welcome to our call for the Q3 F24 trading update. On the call with me is our new Group CFO, madam Nonkululeko Dlamini, and the investor relations team, as well as the CFO community from our business units. Earlier today we published our Q3 F24 trading update. I will touch on the key aspects of it under the assumption that you went through it, starting with the business performance. Nonku will then give an update on revenue and EBITDA performance at group and BU level for the quarter. After Nonku's update, I will come back and talk to the progress we've made on the Swiftnet proposed disposal, touch on the regulatory environment, as well as legal updates. We will then conduct the Q&A session.

We made good progress in the third quarter on the journey of positioning Telkom as a leading infrastructure company at the heart of South Africa's digital future. Group performance was pleasing against a strong comparative quarter and Telkom managed to grow the top line as the compelling value propositions drove NGN revenue growth, affirming our data-led strategy. The continued uptake of our NGN products by retail and enterprise customer grew through active, mobile, and fixed subscribers. This, along with double digit increases in data consumption bode well for the group, and NGN revenue grew by 5.1%, an increase of R440 million, offsetting traditional revenue declines.

Our cost reduction initiatives continue to improve operating EBITDA as they partially offset the impact of inflationary increases, higher debt provision and the added cost of load shedding. Overall, group EBITDA was stable despite the impact of continuing inflationary pressures on retail consumers and enterprises against a backdrop of muted economic growth in the country. Our relentless work in mitigating the risk and impact of load shedding on our operations and capital expenditure investments made in alternative sources to improve our mobile and fibre networks' resilience yielded results with the mobile network availability improving from 89% to 94%.

Regarding the proposed disposal of Swiftnet, substantial progress has been made in meeting the remaining agreed milestones under the exclusivity agreement entered to in late 2024. I will now take you through the performance of our business units. Let's start with Telkom Consumer.

Telkom Consumer growth led by mobile data growth. Telkom Consumer expanded revenue with the upstream predominately ascribed to the performance of the mobile business and the strategic expansion of our fibre services. The fibre subscriber base in Consumer grew 12.2%, whereas the traditional copper based voice revenues continue to decline and their contribution now to total operating revenue reduced to 3.5%.

Mobile revenue increased mid-single digits, stemming primarily from the commitment to be innovative and compelling value propositions. Significantly contributing to this growth was a 7.1% uptick in mobile service revenue. Notably, consumers exerted an inclination towards seeking value through Mo'Nice, our exclusive prepaid pricing platform, which contributed 43.7% of recharge revenue. The mobile expansion emanated predominantly from the augmentation of our customer base, registering an upswing of 6.4% to 19.7 million with a blended ARPU of R86. Our prepaid base grew by 7.5%, reaching 16.8 million subscribers, at an ARPU of R66.

The post-paid base customer was relatively flat at 2.9 million subscribers, recording an ARPU of R182, with this ARPU holding around this mark for the past three quarters. Mobile data traffic increased by 19.7%, totalling 370 petabytes. This growth was further reinforced by a 10.9% rise in mobile broadband subscribers, now totalling 12.7 million, and constituting 64.6% of the total mobile subscriber base. Consequently, mobile data revenue grew robustly, registering a growth of 11.5%. Non-connectivity services revenue expanded by 20% to reach R360 million. And central to this growth is our airtime advanced product, which now stands at approximately R1.1 billion rand, constituting 32% of our overall recharges.

Let's touch on Openserve. Fixed data next generation revenue increased by 6.2% underpinned by growth in enterprise services, broadband services and carrier services, which increased 12.5%, 10% and 1.7% respectively. The NGN portfolio contributed 72.5% of total revenue for the nine months to December 2023, which contributed 77% for the quarter. Openserve overall revenue, however, continued to decline low single digits as growth in NGN services persists to be offset by the accelerated decline in total fixed voice revenue.

As demand for connectivity and consumption increased, fixed data traffic grew by 24.4% to 612 petabytes. In line with the strategic imperative of creating a pervasive network, Openserve increased its access network which saw the number of homes passed increased by 16% to 1.2 million homes. Furthermore, the drive to provide fibre connectivity to all South Africans coupled with executing on its connection led strategy resulted in a 20.8% increase in the number of homes connected to 567,350 while maintaining a market-leading connectivity rate of 47.9%.

While HDL services decreased to approximately 82,000 lines, the focused execution in modernising the network through fibre deployment resulted in an overall broadband growth of 6.6% to over 670,000 connections. Openserve continued to diversify its energy mix with the expansion in battery distribution, an increase in number of solar deployments, and an improved diesel delivery model resulting 7% in diesel spend with the reduced load shedding supporting this decline. The energy mix efforts resulted in a continued availability of the core network at 99.99%.

Touching on BCX, BCX maintained its top line amid a challenging trading environment. BCX revenue declined marginally with the majority of the converged communications decline offset by growth in IT as we continue to drive growth in this portfolio. The IT revenue grew low teens and continues to be driven by the overperformance of the software and hardware businesses, supported by the improved order fulfilment due to the easing of the global chip set shortage. While the low margin hardware and software businesses have sustained revenue, it is done to strategically allow BCX to gain access to a wider client base and facilitate expansion into high margin IT services in order to improve the product mix.

The IT business also benefits from the strengthening cloud offerings and solutions due to the acquisition of Dotcom. The decline in traditional fixed voice data due to the ongoing migrations to next generation products and churn of subscriptions persists to impact the converged communication business. Data connectivity revenue in this business has reached an inflection point with 78.2% of revenue comprising next generation.

Coming on to Swiftnet, the Swiftnet build programme remains steadily on track with additional towers and IBS sites constructed in the quarter, with revenue growing mid-single digits. The build pace increased in view of demand that materialised during the quarter. Revenue from growing customers grew in mid-teens, underpinned by escalations, new tenancies, 5G expansion, and antenna upgrades, reflecting customer-centric focus on network improvement and modernisation. The first rollout of Power as a Service was initiated with sites expected to be completed and operational before the end of the current financial year. Nonku will now take you through group revenue and EBITDA performance for the quarter.

Nonkululeko Dlamini

Thank you, Serame. And we will now look at revenue and EBITDA performance for the quarter index. If we start with the group numbers, revenue increased 2% to R11.3 billion, largely driven by the compelling data connectivity propositions from our mobile and fixed networks supported by Swiftnet's commercialisation of the mast and tower portfolio. EBITDA was stable at R2.5 billion, supported by revenue growth and cost reductions from the organisational restructuring.

The resulting EBITDA margin of 21.9% decreased, largely affected by product mix at BCX, higher expected credit losses on trade receivables as retail and enterprise customers remained under pressure from the weak economic environment, together with the load shedding related costs. While load shedding days reduced to 63 days from 89 days year on year, the cost of load shedding remains in the operating cost base that we are carrying through.

If I just go into some detail in terms of the revenue performance per business unit, and I will start with Telkom Consumer business, which recorded a 2.5% expansion in revenue, reaching R6.9 billion. Mobile revenue increased 4.8% to R6 billion and the significant contributor was the mobile service revenue, which experienced a 7.1% growth to R4.9 billion. Mobile data revenue grew robustly, registering a growth of 11.5% to R3.7 billion.

Openserve fixed data next generation revenue increased by 6.2% for the quarter. This was underpinned by growth across all segments in enterprise services, which increased up to 12.5%, broadband up 10% and carrier services up 1.7%. However, the impact of traditional revenue declines, which totalled fixed cost revenue of 25.4% decline, negatively impacted on the overall revenue, resulting in a decline of 3.1% to R3.1 billion in the Openserve business.

If I move on to BCX, the revenue declined marginally, as Serame has indicated, by 0.7% to R3.5 billion. The IT business grew revenue by 13.1% to R2.1 billion, largely driven by the continued overperformance of the software and hardware business that saw a growth of 34.2%. However, the converged communications revenue declined by 16.4% to R1.4 billion. Total Swiftnet revenue increased by 4.7% to R333 million, with revenue from continuing customers growing by 16.3% to a total of R257 million.

If I just give you some details on EBITDA performance per business unit as well, starting with Telekom Consumer EBITDA, it increased by 20.6% to R983 million. And this was driven by the revenue expansion and the judicious commitment of cost containment that we were driving in the business. EBITDA margin also improved to a 14.3% for the quarter. Mobile EBITDA grew 3.5% to R1.2 billion despite the increased provisions for bad debt, reflecting the ongoing financial challenges faced by our customers and the adverse impact on profitability caused by load shedding costs, which amounted to about R115 million that we had to spend.

Openserve EBITDA increased by 7% to R1 billion on the back of operational improvement, coupled with the benefits derived from other cost-efficiencies initiatives, such as the headcount and exchange portfolio optimisation. And this resulted in an increase of 3.1 percentage points in the EBITDA margin to 32.5%. BCX EBITDA declined by 27% to R322 million due to the impact of the higher revenue growth from the low margin hardware and software business, the converged business latency decline, as well as the higher impairments on receivables due to the slow collections that we experienced, particularly in relation to our public sector customers.

The decline in EBITDA was partially offset by the cost reduction emanating from the staff restructuring initiatives and other cost containment efforts within BCX. EBITDA margin contracted by 3.4%, resulting in a margin of 9.2%. The Swiftnet EBITDA increased by 11.3% to R246 million, resulting from the optimisation of operating costs. The business continued to operate at a strong EBITDA margin of 73.9%, a 4.4% improvement. I will now hand back to Serame to cover the renewal of the Swiftnet cautionary as well as an update on our regulatory and legal matters.

Serame Taukobong

Thank you kindly, Nonku. I think since the last SENS update, we continue to make very positive and substantial progress in the line of this transaction, meeting the remaining agreed milestones under the exclusivity agreement, including that the parties have made very solid progress in their negotiations to agree transaction agreements. I would kindly remind you all that the transaction is classified as a Category 1 transaction and is subject to shareholder and regulatory approval.

Telkom expects to be able to make a more detailed announcement on or before it's required to update this cautionary announcement, as is required by the JSE listing requirements. The conclusion of this proposed disposal will be a key milestone for us in excluding, in executing and demonstrating Telkom's value unlock strategy of disposing non-core assets while we retain access to and the use of this infrastructure.

On the regulatory front, ICASA published the results of the cost modelling exercise for comment on the 12th of December 2023, in relation to call termination rates. They are currently reviewing the comments they have received, including comments we submitted, and draft regulations on mobile and fixed call termination rates are expected to be published by the 15th of March 2024.

In relation to spectrum, we paid the final auction fee of R972 million in December 2023 for the sub-1 gig spectrum we acquired in March 2022 auction process. This spectrum has subsequently become available nationally and we have already deployed it. The regulator started the process of licensing additional high-demand spectrum and aims to conclude it by the end of March 2024. The consultations for the licensing of the spectrum have not fully commenced, making it unlikely that ICASA will complete the licensing process by the indicated date. We submitted a comprehensive response for the Electronic Communication Amendment Bill and engagements with the Minister and all other parties are ongoing.

In regard to the SIU matter, following the Pretoria High Court declaration, the presidential proclamation to investigate Telkom regarding certain matters unconstitutional, the High Court granted both the President and the ICU leave to appeal to the Supreme Court appeal and the matter is currently pending before the court. This concludes the call and I now hand over to the operator for Q&A.

Operator

Thank you very much sir. Ladies and gentlemen, if you do wish to ask a question, please press * and then 1 on your touchtone phone or on the keypad on your screen. You will hear a confirmation tone that you have joined the queue. If you wish to withdraw the question, please press * and then 2 to remove yourself from the list. Our first question is from Preshendran Odayar of Nedbank. Please go ahead.

Preshendran Odayar

Hi everyone, and thanks for the opportunity to ask some questions, and congratulations on the results. I've got three questions to start off with. Sorry, Nonkululeko, I'm going to start with a few financial ones. First one is, I know you guys don't disclose your free cash flow at this quarterly trading update, but can you give us an indication of how this is tracking given that your capex in this quarter was quite low? And was that driven by the fact that free cash flow might be under pressure and what are you expecting for the end of the year?

Secondly to the new CFO, what are your top three or top five priorities you're going to action as CFO of Telkom Group? And then obviously one for Serame, because I can't leave him out. On this renewed cautionary, can you give us just a little bit more colour on what is taking so long on this deal? I mean, is it valuation? Is it cost? No offense, but it sounds like you're the bride that always goes to the wedding, but you never actually get married. It's like runaway bride. So, just wanted to see if I can push you for a little bit more colour on why there's still a delay on this Swiftnet transaction. Thanks.

Operator

Thank you. The next set of questions come from Jonathan Kennedy-Good of Prescient Securities. Please go ahead.

Jonathan Kennedy-Good

Good afternoon. Just a couple on the mobile business and the margin seemed to be flat. I know you pointed out credit losses, but I would have thought with substantial load shedding reduction would mean lower diesel costs and potentially lower roaming costs as well, which I would have thought would have led to a rebound in margin there. So, just wondering whether you can give us some colour and some split on how much that provision for bad debts is and whether you see it deteriorating further. And then, furthermore, on the 800 MB spectrum, as you've deployed that, what do you see in terms of network headroom and impact on capex, opex, going into the new financial year? Thank you.

Operator

Thank you. The third set of questions is from Nadim Mohamed of SBG Securities. Please go ahead.

Nadim Mohamed

Good afternoon, and well done on an excellent set of results, especially in mobile. Just two questions from my side. In the report, it was mentioned that mobile was driven by higher recharges and price increases in prepaid. So, I just want to get a sense, have you been able to push through material price increases? Is this the direction of the industry right now, and what sort of quantum are we looking at? Because we do see ARPU holding up quite well.

And then secondly, just in terms of BCX, we think BCX could be a significant leverage point in terms of creating value for shareholders by turning that part of the business around. So, I would like to get an update in terms of how to think about, firstly, within IT moving into those higher value areas like cloud. How far away are we from getting to material contribution from those areas? And secondly, on the converged comms business, what's your plan to fix that? What's the latest status on how that turns it out? Thank you.

Serame Taukobong

Okay, thank you. We'll start with Presh, your free cash flow question. Yes, I knew you were trying to attack Nonku, so I'm here to protect her. Generally, we don't shed colour on free cash flow. You did talk about the capex generally being low. I think we steered the capex generally in the same range that we've been giving the guidance on. Yes, we are coming in lower than the higher level guidance. I think we will probably land at that same lower 14% tier. It is not necessarily that we are choking the capex to release the free cash flow. It is because the spend is really smarter, particularly in mobile.

What the guys have been doing like we've always explained, they've now got two roaming partners in both Vodacom and MTN. So, they build the capex exactly where it is more effective or cost effective for them to manage their roaming costs. So, I think that is driving the affordability. But naturally you would see in terms of the quarter, we've indicated that we did have to make the payment for spectrum. So, you would have taken a bit of a knock in the payments done for December. We generally don't forecast, but we are still holding onto our steer that it will be negative to the levels where we closed the year last year. I don't know if, Nonku, you want to be brave enough to give a steer following that.

Nonkululeko Dlamini

No, absolutely. Thank you, Serame. So, I think you've covered the free cash flow question quite adequately, so I'll not repeat your words. The focus is to invest capex smartly and manage within the envelope of the financial framework that we are trying to drive.

But also, Presh asked a question about my thinking and priorities as I start at Telkom. And I think it's quite a good period for me to start because the business has shared the focus on the strategic direction. And mine is to ensure that from the financial stewardship we support the business with regard to the value unlock transactions. And Swiftnet is obviously one that the market has been asking about. And also, the strategy of One Telecom in relation to the direction going forward, which will be very critical for me and the finance team to drive and ensure that we support the business with the financial rear view mirror with regard to where the strategy is taking us, and certainly working with the business in that regard. Thanks, Serame.

Serame Taukobong

Presh, your other question, you called us a runaway bride. No offense taken. The process does seem to, if you look at the complexities involved in that, as we said in the last update, things like due diligence and those key material matters have been crossed. So those elements have been done, which was the update we gave. It's now getting to the crossing of the Ts and the dotting of the Is. Now, this kind of tower sale in terms of – and let me use your proverbial example of the bride – it is not unfortunately a very simple bride, because the father as such happens to be not just a simple landowner but kind of like the king of a country.

And with that, then, there are all sorts of entities and rights and all those other very complicated legalities that pertain to what dowries are due to this bride. So, I am trying in very complicated English to remain within my constraints of the JSE to outline how complicated this process is. But we are extremely confident that a lot of these processes are now coming to a closure. Presh, I hope I’ve answered you in a very positive manner.

We'll jump to then Jonathan. Jonathan, I think in terms of your question of mobile running margin flat, I have our good colleague Hasnain on the call here. Hasnain, would you like to take a stab at Jonathan there?

Hasnain Motlekar

Thanks, Serame. Afternoon everybody. Point noted on the margin expansion for mobile. But also, firstly, maybe bear in mind that quarter four is for us a seasonal high activity quarter for us where we invest quite a bit in the market during that particular period. And also, more to the point we alluded to earlier on the ECL provisions. We've taken a far more conservative approach in terms of pushing through the provision on ECL because we are seeing the consumers under stress. We just use the word ECL, expected credit loss.

We're expecting these losses to continue at the levels that they've been set post-COVID. It's not abating yet, and we're not seeing it only within our environment. We're seeing it across the banking sector as well as the clothing retailers. But even taking that into account, the EBITDA has sort of held flat in the year. So, we are okay where we landed from an EBITDA perspective, but the point is noted that the margin expansion has to start opening up again.

We think we beat the highest number in terms of provision and we should start seeing a levelling off of that initial provision. But bear in mind, if you look at our prepaid business, given what we saw around post-paid, our prepaid business grew quite nicely and we focused and we over indexed on that during the current year. In addition, we also made the access to post-paid contracts more stringent in the business.

So, we've slowed it down, taking a view around in terms of ECL going forward on the base. And so, we should see a normalising of that from the current height. It's elevated in terms of percentage of total revenue back towards normal. And that will contribute to a margin expansion into the new year, I believe. But it is tough at the moment for a post-paid consumer. We're not taking that the duress the consumers under very lightly. Thanks, Serame.

The 800 megahertz spectrum, maybe just to add on that one. So, if you recollect when we had COVID spectrum in 2021/22, that was issued by ICASA, we used that spectrum to a large extent to deploy the sub-1 gig. So, when we got the 800 through the auction, we were able to convert that 800 spectrum to the auction spectrum, so we were quite far down the road in terms of spectrum deployment from the sub-1 gig. We have about over 3,500 sites deployed already.

We will continue to deploy. As you noticed earlier, the capex deployment was limited this year, but we're looking to expand it going forward, but within the reasonable ratios we've set ourselves from a payback perspective. So, we're quite far down in terms of 800 deployment, and it contributes significantly towards the roaming limitation, or the cost limitations we've seen for the last two or three years. Thank you, Serame. I think that covers the two mobile questions.

Serame Taukobong

Perfect. I think you had one more question, which was from Nadim, in regard to your price increases.

Hasnain Motlekar

So, that's not price increases. We did have sub CPI price increase at the beginning of the year on post-paid, but not necessarily so on prepaid. We've continued to drive value on the prepaid side using the CVM tool we have in terms of Mo’Nice, and that's kept our ARPU fairly flat at R84, which we're quite comfortable with at a blended. And even the prepaid held quite nicely. So, even though the post-paid under duress, the pre-paid ARPU came through nicely without pushing through significant price increases on prepaid. We don't expect to actually do above CPI going forward, but obviously given where we are from an inflation cost push through, there will be some adjustment going forward, but not significantly. So, the ARPU is not held up by price increase, to answer your question.

Serame Taukobong

Excellent, and I think to close on Nadim’s question, absolutely right in terms of BCX. I think the solution really around the converged comms is a two-pronged approach. You are right, the big focus is really on to driving the higher value, higher margin focus on cloud, complementing the firepower on BCX with the purchase of Dotcom, which is helping us to play then into that cloud service. So, the bigger focus there is in cloud, cyber, IoT, playing in the space of Alibaba. That starts to get us into that cloud.

It's a double punch. Even though your hardware is low margin, it does give you a foot in the door where you can then layer on your IT services and solutions and play a bigger role in the cloud service to offset the decline in your converged comms. So that is what we are doing in the BCX space. I hope then that covers you, Presh, Jonathan, and Nadim.

Operator

Thank you very much sir. Ladies and gentlemen, just a reminder if you do wish to ask a question, please press * and then 1 to call join the queue. Our next questions are from Nomandla Duma of PSG Asset Management. Please go ahead.

Nomandla Duma

Just a follow-up question on the free cash flow tracking wall. I just wanted to ask a question. Can you just please clarify, Serame, on the sub-1 gig spectrum? What does it do post-deployment for just the capex number? Do we stay at the 14% guided number, or do we go back? I just wanted to ask that question. And then I guess some clarity also on just the Swiftnet deal, which I'm trying to understand the father of the bride. I just wanted to understand that in the process, is the regulator also involved? Are part of the negotiations also just not with the two parties that are involved in the transaction, but also just also negotiating or rather ensuring that the transaction does potentially go through if the two parties agree with the regulator. Were you referring to the regulator when you were referring to the father, or were you referring to Telkom themselves, the board also? Thank you guys.

Operator

Thank you. Sir, we have no further questions in the queue at the moment.

Serame Taukobong

Thank you. So, on the sub-1 gig, as Hasnain highlighted, a lot of the capex for the sub-1 gig was already spent when we got the allocation around COVID. What was outstanding, Nomandla, is there were some areas where the sub-1 gig was not available due to interference in smaller patches because of the late migration from the radio stations. So, that migration has happened and that is why the late payment then happened. So, most of the expenditure has been done for the payment of the license, but the rollout on capex was just literally switching on the antennas when it's done. So, you won't see a significant improvement in terms of that band. It will remain in that 14% range in that regard.

In terms of the complicated bride, this is the process of the engagement with the parties to purchase and sign the agreement. Post this, it then goes through the normal processes of going to the regulator, being ICASA, and the Competition Commission. In terms of the process, we don't foresee any significant blocks in that regard from competition nor regulator. We also do have from our primary shareholder support for this transaction. So, those things we are quite comfortable with. What we can't go into details further, as much as we'd want to, and I'm sure you'd want to hear, is the finer details of the commercials, who the transaction partners is, what the value is, because those are elements obviously we can't go into greater detail due to the JSE commitments. Thank you.

Operator

Thank you, sir. The next questions are from Myuran Rajaratnam of MIBFA. Please go ahead.

Myuran Rajaratnam

Good afternoon, guys, and thank you for the opportunity. A question on the mobile service revenue growth. You definitely seem to be growing faster than some of your peers who have reported thus far. I know you said it's CVM-related and not so much pricing on the prepaid, but how much was the network availability benefit? Is there any way to break it up? You went up from 89% to 94%. That must help clearly with the sales revenue growth as well. Thanks.

Operator

Thank you. Those are the only questions in the queue at the moment, sir.

Serame Taukobong

Yeah, I think definitely availability does play a role. It would be twofold. It would play a role in helping us with our roaming, for one. Two, it would obviously play a role, especially in this particular quarter, because typically what happens is customers would say, if I go to my village, Telkom is not available, so I flip to my other. And now when I go there, and Telkom is available, obviously your customers stay on for longer.

And what the guys have been doing, CVM, please do not underplay that. It has been a massive engine that Hasnain’s team in Consumer have deployed. Because what we've been looking at, Myuran, is active base management. So, the guys have been very, very harsh on… I think I used to sing this song in my old days in mobile, looking at your seven day active users. Because those are the guys who really drive your proper usage. So let me not be accused of always wearing a mobile hat. Hasnain, let me rather let you sing your own praises so that I'm not accused of being a mobile-friendly person and wear my group hat.

Hasnain Motlekar

No, we appreciate your mobile friendly disposition, sir. Maybe just one more to add to that, Myuran, is that also we've got the nano loans. The airtime lending is also coming through strongly in the last quarter. But be careful not to overplay that. I know some of our competitors pushing higher percentages of prepaid revenue into that space. But we've actually grown that business quite significantly in terms of absolute numbers over the years. And we have disclosed this, but we also set the focus tool. So, together with CVM, database management, the nano-loaning, and also working closely with our dealer community, it's a confluence of many things.

There isn't one silver bullet. I'd love to say there's a silver bullet that makes business much more easier. That is not. It's hard work, doing the basics right across the board, specifically in prepaid, because your prepaid is very much dependent on your footprint out there from a dealer fraternity and how your CVM plays its hand, and how you're able to affect nano loans when there isn't money in the wallet to actually purchase airtime. So, those kinds of things, we figure out the mix slowly but surely. But it's very much many ingredients that goes to make up that prepaid stuff.

And like I said, we are also slowed down by inertia through higher entrance levels for post-paid, just indexed on the prepaid. So, that has helped us through this. And we can see the duress in the consumer's hands. And this is actually plays to our strong hand, so to speak. And we hope to continue. You’re basically trading day in and day out on every single active customer in terms of usage, the way they actually recharge, when they recharge, when there's cash in their wallets, things of that nature. It's basically doing basics well. What Serame always reminds us of is, guys don't do the stuff that requires talent. Do the stuff well that doesn't require talent. And this is what this is. Thanks, Serame. Serame, I think you might be on mute.

Serame Taukobong

Yes, I think we have covered everything.

Operator

Thank you, sir. Then we do have a follow-up question from Nomandla Duma of PSG Asset Management.

Nomandla Duma

Cool. Sorry, guys. Just wanted to check, Serame, can you just give us a sense on the total load shedding costs to the group in this quarter? Just want to get a sense of whether the costs and implication from load shedding are actually getting better or are they still tracking the same at a run rate that is similar to the last one. And then the second question will be an update on the working capital release programme that you guys had just on the handset financing. Is that on track?

Nonkululeko Dlamini

Thank you, Nomandla. If I can just give you a bit of a flare on the cost of load shedding, and we've broken it up to the two parts of the business that are largely affected by load shedding. So, in the consumer space, we spend a total of about R115 million to deal with load shedding related matters. And then in Openserve, we spend about R89 million. And the total is just over R200 million that we've been managing to improve the impact of load shedding in the business.

Serame Taukobong

And then the second question was the capital, the devices and handsets. Your working capital question. How much do you have left in your kitty in terms of your devices? Do you have working capital projects?

Hasnain Motlekar

So, we've done about R250 million to R270 million in Q3. That’s in the quarter under review year. We're looking to do a similar amount in Q4. So, it's becoming pretty much [unclear]. We release the device debtor books to the banks and sell them off. And obviously, [unclear], but it's now becoming [unclear]. It's a standard operating procedure. But like I said earlier, we also try to moderate the inflow to ensure that we get a good quality of book. So, when you sell the books to the banks, the banks don't feel that you're selling them a [unclear]. So, it's managed conservatively, so that when you hand the book over to the bank, the bank doesn't feel short-changed by this quality of the book you've given them. So, it's now become BAU [?] to a large extent. We are trying to do about R300 million a quarter, on good quarters, maybe up to R400 million, R500 million. But we should be around the R250 million to R300 million mark a quarter.

Serame Taukobong

Thanks. Nomandla, are you happy with that?

Nomandla Duma

Thanks, guys. Thank you so much.

Serame Taukobong

Perfect.

Operator

Thank you. We do have a follow-up question from Myuran Rajaratnam as well. Please go ahead.

Myuran Rajaratnam

Thank you. Just to follow up on the roaming side, is there any part of the country where you've actually decommissioned the network and just give the entire traffic to one of your roaming partners, something like what Cell C does? Question for Hasnain, I think.

Serame Taukobong

Yeah, I don't think he would ever totally decommission the network. So, there are instances where he would not build new sites because there's better coverage with competition, but there is no areas where you would decommission network because of that. Hasnain?

Hasnain Motlekar

100%, because you take a very circumspect process towards deploying it. Once you put it down, it's basically there for life. So, we will not decommission, unless the one caveat when vandalism gets quite severe. There are certain sites we will replace four, five, six, seven times. We might take a different approach to it. But we will never on mass decommission a network and actually hand it over to a roaming partner. Because we find that we always remain the lowest cost per MB producer, and we can provide that value to our customers. The roaming is an adjunct, not a primary input into providing the service to the customer. So no, we will never decommission.

Operator

Thank you very much. Then sir, we have no further questions in the queue. Would you like to make some closing comments?

Serame Taukobong

Thank you very much for all your questions and thank you kindly for your continued support. Thank you for joining us in this call and thank you for taking interest in Telkom. As always, if you do have any further questions, do forward it to our investor relations team and we'll be more than happy to answer them. Do have a wonderful day onwards.

Operator

Thank you very much, sir. Ladies and gentlemen, that concludes today's event and you may now disconnect your lines.

END OF TRANSCRIPT