Conference call transcript

2 August 2022

Q3 2023 TRADING UPDATE

Operator

Good day, ladies and gentlemen, and welcome to the Telkom SA Ltd Q1 2023 trading update. All participants will be in listen only mode. There will be an opportunity to ask questions later during the conference. If you should need assistance during the call, please signal an operator by pressing * then 0. Please note that this call is being recorded.

I will read the following forward looking statements. Certain financial information presented in this trading update announcement may constitute forward looking statements. All statements other than statements of historical facts including, amongst others, statements regarding our strategy, future financial position and plans, objectives, capital expenditures, projected costs and anticipated cost savings and financing plans, as well as projected levels of growth in the communications market, are forward looking statements. Forward looking statements can generally be identified by terminology such as 'may', 'will', 'should', 'expect', 'envisage', 'intend', 'plan', 'project', 'estimate', 'anticipate', 'believe', 'hope', 'can', "is designed to" or similar phrases.

However, the absence of such words does not necessarily mean a statement is not forward looking. Forward-looking statements involve several known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from our expectations include, but are not limited to, those risks identified in Telkom's most recent integrated report which is available at www.telkom.co.za/ir.

Telkom cautions readers not to place undue reliance on these forward-looking statements. All written and verbal forward-looking statements attributable to Telkom, or persons acting on Telkom's behalf, are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this document, so that they conform either to the actual results or to changes in our expectations. I would now like to turn the conference over to Mr Serame Taukobong. Please go ahead, sir.

Serame Taukobong

Thank you, Claudia. Good afternoon, everyone, and good morning to those in the US. I'm joined on this call by our group CFO, Dirk Reyneke, our acting Head of Investor Relations, Robin Coode, and the investor relations team. Today we published our first quarter trading update for the 2023 financial year. Our flow for this afternoon will be as follows. I will unpack the business performance over the quarter. I will hand over to Dirk to walk you through the financial performance, and I will return for the closure.

Our first question results were achieved amidst a very challenging operating and economic environment brought about by the geopolitical tensions having a significant impact on global local economy, directly impacting both our revenue and our cost lines. Despite these challenges, rising fuel prices, higher interest rates, load shedding and a weakening currency over the quarter, we continue to unabatedly pursue our long-term strategic imperatives of accelerating legacy migration, fibre connectivity, mobile subscriber growth and our value unlock initiatives which I'll shed more colour on at the end.

Let me first start with our mobile and consumer business. Consumer and small business revenue declined by 4.2%. the revenue decline in consumer was impacted by accelerating migration of legacy to next generation technologies and competitive pressure on the mobile market. Our continuous focus on de-risking ourselves from copper based voice and fixed broadband services continued to negatively impact revenue, but we saw this trend slowing on the fixed broadband if you compare Q1 of F23 relative to Q4 of F22. The total mobile revenue declined by 2% due to the continued execution of value compelling propositions and driving data consumption from consumers to secure long-term loyalty and stickiness.

Mobile service revenue declined by 3.6% year on year despite a 7.8% increase in active subscribers to 17.3 million at a blended ARPU of R88.53. From a post-paid perspective we saw our post-paid subscriber base grow by 8% to 2.8 million subscribers, incited by our favourable value propositions, pricing options and extended contract periods leading to a post-paid ARPU of R208.50. We grew our prepaid base by 1 million subscribers to 14.5 million at a growth rate of 7.7%.

Mobile data traffic grew by 12.4% to 263 petabytes supported by a 2% growth in mobile broadband subscribers to 10.7 million. Despite the increase in usage and customers, overall mobile revenue declined by 4% due to an effective 14.8% decline in effective price per MB. Looking ahead in the mobile and consumer space, our medium-term ambition is that we will continue to hold a pricing advantage while seeking to continue to attract customers as evidenced by the 7.8% growth in total mobile subscribers in the current quarter. And we also will continue to re-establish trajectory pricing between customer growth, consumption and service revenue.

We remain encouraged by our growth in our non-connectivity or application services where we witnessed a double digit growth with an emphasis on financial services, gaming and content. What we call the non-connectivity revenue has increased by 15.3%. Our cumulative investment in device sales is starting to bear fruit, as we've seen in the post-paid growth market. The handset revenue increased in the quarter as we see more customer opting for the affordable 36 month versus 24 month contract. The device sales strategy supported the recovery of our post-paid base positively with the handset revenue increasing by 17.6% and is expected to reduce acquisition costs in the future.

We will also continue to leverage our customer value management proposition known as Mo'Nice, which currently accounts for 40% of our prepaid revenue. This offering has gained traction, driving far longer days on network consumption where we have witnessed a 100% increase in network utilisation for the customers who are on the Mo'Nice platform relative to those who are not. We continue to aggressively migrate customers to this platform. At the end we are witnessing a prepaid ARPU holding steady within our target range of between R60 and R70.

I will now switch to Openserve where Openserve has sustained its fibre growth trajectory in the first quarter of the year. Openserve continued to see growth in fibre revenue with a year on year growth of 6.5% mainly driven by its broadband and carrier services contributing to its leadership in providing open access connectivity across all of South Africa. This trend is expected to continue, underpinned by the ongoing demand for data consumption which is reflected through the 18.9% growth in fixed data traffic to 452 petabytes. Openserve saw a sustained increase in its overall broadband base over the last three quarters as it focussed on smart deployment of its infrastructure coupled with the connected led strategy.

With fibre connectivity offsetting the copper access decline, Openserve broadband services grew to over 612,000. This growth across the data portfolio contributed to Openserve's Q1 revenue, while a 24% decline in fixed voice revenue across the enterprise and small and medium businesses resulted in an overall year to year revenue decline. As Openserve transitions to the change in technology, revenue and channel mix, it has seen a strong growth in revenue of 8.4% from its external channels. The ongoing growth in fibre broadband has seen the external channel contribution go to 57% for Openserve fuelled by the growing base of over 200 ISPs on the open access network.

Openserve grew its homes passed by 45.3% year on year to more than 890,000 and increased the number of homes connected with fibre by 35.2% year on year, representing an industry leading connectivity rate of 46.6%. Openserve saw positive feedback from its customers through a continued interaction NPS score of above 65. This was also reflected through Openserve's high standards of connectivity in its fibre broadband customers within an average of three days while maintaining 99.9% availability across its core network.

Shifting to our other business, I will move to Swiftnet which continued to commercialise the masts and towers portfolio. It remains on course in commercialising its product portfolio, which was up 2.7% to 3,935 towers. Swiftnet continued its proactive site acquisition and permitting initiatives and has a pipeline of permitting of over 2,000 sites, which includes 393 building plan approvals ready to be executed when triggered by an anchor tenancy, thus significantly reducing the time between demand confirmation and revenue realisation. Swiftnet is also in exploration phase in terms of power as a service and security value-added service offering to its customers.

I will lastly move to BCX which recorded growth after a challenging period. BCX IT business delivered good performance for the second quarter in succession after a challenging period that was negatively impacted by subdued expenditure from corporates and constraints in the global supply chain of ICT products. The investments in core capabilities and new operating model implemented two years ago are starting to yield results with the revenue growth of 2.6% in the IT business. We have seen a growth in our strategic focus areas of the business such as cyber security services, cloud services and in the hardware business due to improved global supply.

Converged communication has seen a decline of 9.6%. The business unit is in the fourth year of a five year migration plan from legacy solutions to next generation solutions. Part of the revenue decline is in line with this migration plan. Additional fixed voice revenue is showing a predicted year on year decline. However, during the first quarter the portfolio tracked marginally above plan due to higher than predicted usage and adoption of subscription based VoIP services. Data revenues declined due to a drive by the business to accelerate migration away from copper-based services. With the increase in adoption of hybrid cloud services, traditional data customers are shifting away from premium MPLS services and adopting new SD-WAN technologies that are driving a shift to lower ARPU broadband services.

With the accelerated migration, the business anticipates exiting copper services sooner than originally planned of the five year plan. Overall, BCX revenue declined by 3.7% in the first quarter. However, improvements in the global supply chain delays and increasing economic activity in the market signals a positive outlook for the year ahead for BCX. I will now hand over to Dirk to take you through the financial messages.

Dirk Reyneke

Thank you, Serame, and good afternoon, everybody. The key group financial numbers include revenue, EBITDA and capex, and I will unpack all of them separately. Group revenue declined by 3.2% year on year to R10.3 billion, impacted by the accelerated migration from legacy, the operating environment and intense competitive landscape. The group EBITDA declined by 15.2% with EBITDA margin contracting by 3.2% to 22.7%. We invested R1 billion in capex during the quarter in the key growth areas of fibre and mobile.

If we then look at the group revenue, as mentioned, the decline in group revenue of 3.2% was mainly driven by the accelerated migration from legacy to next generation technologies following a slowdown of the migration in the past two years as we catered for customer demands in the intense COVID-19 environment. The migration to next generation resulted in fixed legacy voice revenue declining by almost 20% year on year, mainly seen across the enterprise and small and medium business segments, the decline in fixed legacy voice being partly offset by an increase in the external revenue of BCX IT business and Openserve by 4.8% and 8.4% respectively.

If you look at the consumer revenue, it declined by 4.2% to R6.2 billion as a result of the economic environment, accelerated migration of legacy to next generation and competitive pressure in the mobile market. The total mobile revenue declined 2% to R5.2 billion due to pricing and the continued provision of value compelling propositions driving data consumption whilst seeking to continue to attract customers on the longer term as we re-establish the trajectory parity between customer growth, consumption and service revenue. Our handset revenue increased by 17.6% to R827 million as more customers opt for 36 months versus 24 month contracts. Mobile service revenue, however, declined 3.6% year on year to R4.3 billion despite the year on year growth in active subscribers. Mobile data revenue declined by 4% due to 14.8% decline in effective price per MB.

Revenue in Openserve declined 3.9% to R3.2 billion, again predominantly due to the continued decline in fixed legacy voice revenue of 24% year on year despite the steady year on year growth across the data product portfolio. Fibre enablement revenue grew 6.5% year on year. In Swiftnet we achieved revenue of R322 million during the first quarter, marginally down from the R325 million reported in the comparative period. Revenue was mainly negatively impacted by terminations by one of our external mobile network operators as well as Openserve’s decommissioning of legacy based technologies. Lease escalations, new tenancies and equipment upgrades on sites where our tenants already had tenancy as they continued to modify their networks positively impacted revenue. Overall BCX revenue declined 3.7% to R3.4 billion in the first quarter. The IT business, however, saw revenue growth of 2.6% while converged communication revenue declined by 9.6%.

If we look at an EBITDA level, the group EBITDA declined by 15.2% with a margin contraction of 3.2% to 22.7%. This was impacted by the accelerated migration from legacy, the operating environment and intense competitive landscape impacting both our revenue as well as our cost base. BCX EBITDA improved by 15.6% to R445 million as a result of continued drive for efficiencies together with the turnaround in IT, also resulting in margin expansion of 2.2% to 13.1%. In Openserve we achieved an EBITDA margin of 29.9%, by and large flat with the 30% reported at year end despite the ongoing challenges of load shedding which saw a significant increase in fuel cost to provide a consistent experience across the network during such disruptions.

We continue to focus on transforming our fixed cost and are confident of executing on our cost transformation initiatives while maintaining a high level of customer experience. Mobile EBITDA margin contracted by 5.4% to 23%, emanating from reduced top line performance, adverse foreign exchange rate in respect of handsets, and the short-term impact of the increase of contracting period from 24 to 36 months. The margin contraction was offset by the continued optimisation of our roaming cost which led to mobile cost to serve ratio remaining steady at around the 28% mark.

The Swiftnet EBITDA margin contracted by 4.3% to 71.4% impacted by the change in cost allocation methodology in the second half of the prior year as reported at year end. On a normalised basis, however, including the impact of this new methodology in the comparative numbers, EBITDA increased by 5.5% and the margin improved by 4.2% from the normalised 67.2% to 71.4%. I will now hand back to Serame to deal with the value unlock, discussions with MTN and the SIU investigation. Thanks, Seram.

Serame Taukobong

Thank you, Dirk. An update on the value unlock programme for shareholders. I am pleased to announce that the board has approved the legal separation of Openserve following the completion of balance sheet and asset allocation exercise. Effective from 1st September 2022, Openserve will become a 100%^ subsidiary of Telkom SA Ltd. With regards to Swiftnet value unlock, the capital markets remain volatile and unattractive for a new listing. However, progress has been made in considering other strategic options relating to Swiftnet and the tower business. Shareholders will be advised at the appropriate time of the board's final decision regarding the Swiftnet value unlock, specifically the towers.

With regards to discussions with MTN, on the 15th of July, Telkom and MTN announced that they have entered into discussions in relation to MTN acquiring the entire issued share capital of Telkom in return for shares or a combination of cash and shares of MTN. Discussions are at early stage and still in progress. Given the price sensitive nature of this matter, Telkom is trading under a cautionary announcement and shareholders will be updated on these developments at an appropriate time through the JSE stock exchange news SENS platform.

In terms of the Special Investigation Unit, the SIU investigation, Telkom contends that the SIU has no jurisdiction over it. Telkom has approached the High Court to declare the proclamation of the SIU as invalid. The board considered the likely precedent this proclamation would set and has opted to protect the organisation. Telkom consistently upholds the principles of good corporate governance. This concludes the call. I will now hand over to the operator for questions and answers. Thank you.

Operator

Thank you very much, sir. Ladies and gentlemen, if you would like to ask a question, please press * then 1 on your touchtone phone or on the keypad on your screen. If you decide to withdraw your question, please press * then 2 to remove yourself from the list. Again, if you would like to ask a question, please press * then 1. The first question comes from Cesar Tiron from Bank of America. Please proceed, sir.

Cesar Tiron

Hi everyone. Thanks for the call and the opportunity to ask questions. I have three questions if that's okay. The first one would be if you could explain what you think has changed the most in the past three to four months since you last issued guidance to the market, because it does seem that the numbers reported in Q1 at least are quite different from what you guided for the full year and longer term expectations. That's the first one.

The second question would be on your capex outlook for the year. It does seem that it has been reduced quite significantly in Q1. Was this mainly driven by the lower performance of the business and the pressure on EBITDA, so you basically tried to mitigate the impact on free cash flow? Or is there any shrinking of the capex or are you trying to reduce capex for the full year? Then the third question that I have would be on the pressure on the margin. Obviously, some of it is due to the increase in personnel expenses due to the hikes in salaries. What mitigating factors do you have to that cost increase for the next couple of quarters? Thank you so much. Sorry for the many questions.

Serame Taukobong

Thank you, Cesar. I will take some of the questions. On the first one, what has changed in the past few months, I think since we last spoke, we were definitely not in the deep phase of load shedding that we are seeing in the market. As Dirk highlighted, that obviously has resulted in increases in diesel costs. Equally, if you look at the impact of load shedding it also has a significant impact on network availability, which is obviously linked to revenue. The third factor that we actually picked up in the market, particularly in the prepaid market, is there have been delayed in the payments of grants which effectively then impacts those customers because the disposable income is challenged. So, it really has been the market conditions which our customers faced which have changed quite dramatically in the past few months.

In terms of the mobile capex, if you're comparing quarter to quarter, as we've highlighted in the past report, as a result of the temporary spectrum that was allocated to us, we had to pre-load the capex spend for mobile. Given that we did secure the desired spectrum at the auction, what we're seeing is the lag impact of the fact that we did pre-spend on mobile capex in that regard. Dirk will shed more colour in terms of the outlook for capex for mobile for the rest of the year. Dirk, do you want to carry the margin question?

Dirk Reyneke

I think just in terms of capex, I think there is also the cyclical nature of Q1 capex. Serame is correct. If you compare Q1 with Q1 last year, we still had some emergency spectrum built in there. I'm comfortable, Cesar, that we should end the full year capex within guidance of 16% to 18% of revenue. So, we are not currently throttling capex as a result of free cash flow or any operating results. Suffice to say that, as we said at year end, there is a move from mobile into fibre. So, that trend will continue that we will spend less on mobile capex and accelerate the fibre to the home rollout. That trend will continue.

I think in terms of the price margin and the cost increase, we've continuously spoken about the sustainable benefit from prior cost initiatives which I think we saw the full benefit for the first time in the previous full year where we had negative cost growth. I think our cost growth is now returning more in line with inflationary levels. As I said before, there is as we speak no wholesale restructuring on the table. But we are looking at specific pockets of cost where we should be in a position to announce more detail at half year if we pursue those. And it relates mostly to the direct cost of acquisition in the consumer space. In that space, your direct retail stores, I don't see significant benefit in the current year. But the initiative will start, and we will see how we flow that through the year. And then we will still look at pockets of excellence where we think we can gain more efficiencies. But as we speak there is no follow-up of wholesale cost initiatives, Cesar.

Cesar Tiron
Great. Thank you so much. That was very clear. I appreciate the help. Thank you.

Operator
Thank you. The next question comes from Jonathan Kennedy-Good from JP Morgan. Please proceed, Jonathan.

Jonathan Kennedy-Good
Good afternoon, and thanks for the opportunity to ask a question. Just a quick one from me on the group's revenue guidance for mid-single digits over the medium term. If I am correct in my understanding, the last four quarters have seen group revenue decline. I'm trying to understand which parts of the business you see will drive us back towards that mid-single digit mark. If you could provide some colour on where you're more optimistic, please.

Dirk Reyneke
Jonathan, let me take that one. First of all, I think we will have to look at the guidance when we look at half year results to say does it still hold. As we speak, we are not changing the guidance. I want to be upfront with that. I think if we look at different business units, the one that has impacted most on the current quarter is the mobile business, specifically the prepaid recharges where you will recall that we said that our mobile business should grow in line with peers. And if I look at what some of the peers have announced so far, I think we are lacking a bit there. So, the negative side is on the mobile side.

I think in the Openserve business that revenue is slightly declined, but we are confident that on the Openserve business we are replacing external revenue with internal legacy shortfall. And then I think the biggest uptick is on the IT side where in the last quarter we have now had two consecutive quarters of growth in IT revenue and specifically in BCX EBITDA. Therefore, we think BCX will be the major contributor to that growth, Jonathan. But mid-single digits, I will have to come back and confirm at half year whether that still stands or not.

I think the mast and towers, Swiftnet, and Gyro, they are in line with projection and what we anticipated for them. But that is small in the bigger scheme of things. That cannot close the consumer mobile gap. So, it's really the consumer mobile challenge where I think it's too soon to project Q1 over the full year. Q1 in mobile is normally slower. I think the disappointment is that it's lacking against the peers. We will have to see what we do to up that number, Jonathan.

Jonathan Kennedy-Good
Great. Thank you, Dirk.

Operator
Jonathan, do you have any further questions?

Jonathan Kennedy-Good
No, that's it from me. Thank you.

Operator
Thank you very much, sir. Ladies and gentlemen, just another reminder, if you would like to ask a question, please press * then 1. If you would like to ask a question or follow-up question before we conclude, please press * and then 1. We will pause to see if there are any further questions. The next question comes from Nadim Mohamed from SBG Securities. Please proceed, Nadim.

Nadim Mohamed
Good afternoon. Thank you for the opportunity to ask questions. Just a few from my side. Clearly, pricing is a key part of your mobile strategy. In this quarter it seems to have not worked in that you didn't seem to gain sufficient uplift in volumes to warrant the losses in pricing. I would like some colour into how you are implementing [?] that strategy and where you think the elasticity could get to with that strategy going forwards, seeing that you have employed Mo'Nice and other CVM features in the market.

Secondly, I would like to ask about your [break in audio]. It seems like it is quite far advanced, representing 37% of recharges. I would like to understand more about when you introduced that and how far you think it has gone in terms of penetration in the prepaid base. Lastly, just in terms of the loss of the 700 MHz spectrum that was on a temporary basis, and the fact that you can't use that much of your 800 MHz spectrum, I want to get a sense of how much that has impacted you in terms of optimising your roaming cost in terms of your strategy with spectrum. Thank you.

Serame Taukobong
Thanks. Your second question, were you referring to Mo'Nice? I just lost you a bit there.

Nadim Mohamed
Apologies. I think my connection is not that great today. Basically, I wanted to get a sense. It was actually one of the first questions in terms of your pricing strategy, where you see the elasticity going in this market seeing that you haven't got

sufficient volume uplift in the current quarter for your lower pricing. And with Mo'Nice are you seeing more room to manage the elasticity going forward?

Serame Taukobong

Excellent. I think on the pricing thing, if you look at the growth in the volume, there is a positive growth in volume of about 12.4% as a result of that increase. Yes, the revenue uplift was not pound for pound, but I think in terms of where we see the long-term plan for it, the fact that we've seen good growth, especially in post-paid number of subscribers as well as prepaid, means that the price play that we're investing in is certainly buying more subscribers for acquisition, but more importantly, holding on retention. So, I think it remains the strategy that we've followed, and we will support that. Typically, we do see a lag and then we do catch up.

If I may indulge, if we look at the new post-paid tariff plans that we've done, it talks to the philosophies that I've approached. Effectively, what the new tariff plans, which are called FlexOn and Infinite, represent is if you compare it to the previous FreeMe proposition, in effect we have taken a small increase at the headline level. So, your FreeMe 99 has now been replaced by the equivalent of FreeMe 99 but with higher value. So, we have not dropped the headline price but offered more value for the customers. Where you used to have, for instance, the FreeMe 189, that has now been replaced by FlexOn 199 also offering more value. So, it's not about driving the headline price down significantly, but continue to offer value in the customers.

Equally, if you look at the mix, I think the 36 month post-paid contract in the quarter we're comparing to accounted for 20% of our new contracts. Right now, obviously in response to market pressure we are seeing that up to 50% of our new post-paid tariff plans are on a 36 month contract as opposed to the 24 months. Obviously, that gives a customer a lower price to pay at a monthly perspective, but it has also the ripple effect of ensuring that we don't have to replace handsets every two years. So, we see that holding and sustaining.

In terms of the Mo'Nice services, as I said, we've got about 3.5 million active subscribers on that of our prepaid base. We are looking at increasing those by making sure that we offer better value. So, the Mo'Nice pricing propositions are generally far better than your published retail pricing. And as I've said, what we've seen is with these customers who are on Mo'Nice we have higher tenure, lower churn, and definitely better activity for those subscribers. So, we will continue to invest especially in big data to make sure that we tailor make and segment those propositions to cover as much of our base as possible.

You are absolutely right in terms of the 700 spectrum. Obviously, with that switch off it did have a marginal impact on roaming, especially because not all of the 800 is available. We are obviously continuing to mitigate that with things like the DPS roaming that we have with Vodacom and equally ensuring that our site build makes up for the shortfall where we see gaps and roaming increasing. I hope that covers you there, Nadim.

Nadim Mohamed

Just one other one. I think maybe the connection was bad when I asked it. Just on your airtime advance, it seems to be quite advanced in the sense that it has reached 27% of prepaid recharges. I wanted to get a sense of when you introduced that, how quickly it ramped up to that level. And also, where do you account for it? Is it within your mobile subscription revenue or is it some other line item within your disclosure?

Serame Taukobong

It was actually launched literally just a few months before the COVID lockdown started. So, the timing was quite interesting. If I give you the indication of growth, we had our own in-house platform before which I think at its best was doing about R250,000 worth of recharges. I'm pleased to announce that for the month of July, the month ended now, we've reached R300 million worth of recharges coming through that platform. So, it shows significant growth for us. And we do account for it in the service revenue.

Nadim Mohamed

Excellent. That's really helpful. I appreciate that. Thank you.

Operator

Thank you. The next question comes from Godwill Chahwahwa from Coronation Fund Managers. Please proceed, Godwill.

Godwill Chahwahwa

Hi Serame. Hi Dirk. Thanks for the opportunity to ask questions. I've just got a question around your legacy revenues across your business. I think about a year ago you had reached a stage where the legacy was starting to get offset by the new business. And in this period, you've had an acceleration of that legacy in terms of the decline. Firstly, is that a deliberate strategy to accelerate the wind down of the legacy? And if it is, what sort of time period do you expect that to take to wind down this legacy? And then I think you alluded somewhere that you now expect some of that legacy to be exited sooner than you had planned. What are the timeframes across your business that we can expect to see that legacy being exited? Thanks.

Dirk Reyneke

Godwill, thanks for that question. I think in terms of the different business units, first of all, when we indicated the inflection point, that was specifically relating to Openserve and BCX. In BCX we had a five year plan. That's where Serame has just indicated that there we're slightly ahead of plan. In BCX we should probably complete most of the legacy exits by the end of the following book year. I think in terms of accelerating now, the comment that we're accelerating, that is deliberate. You will recall that 18 or 24 months ago we said during COVID we actually changed our product construct and pricing to sweat the copper assets longer. That was twofold. It was because we were held back in new build, and therefore the migration was held back. And we had to monetise the copper asset longer.

We slowed down the migration deliberately two years ago, 18 months ago. And we are now back on the new normal of exiting that legacy in a speedier fashion. I think it depends who you ask on the timelines. But what's remaining in the consumer space we're probably talking 12 to 24 months max. I think on the wholesale space – and remember that's not only copper voice. There is also satellite etc. – it might be probably a bit longer, 24 to 36 months. That's the current timelines. Then at the end you're going to get to a space where you sit with some residual legacy customers where simply you don't have fibre and/or LTE or new technology. And you will have to make the call to say do you switch them off or what do you do with them. That's the timelines, Godwill.

Operator

Thank you. Godwill has just dropped off. If we may move on to the next question, the next question comes from Myuran Rajaratnam from MIBFA. Please proceed, sir.

Myuran Rajaratnam

Good afternoon, guys, and thank you for the opportunity. I have one question. You mentioned that Openserve legal separation was approved by the board and from the 5th of September. My question is will we get more colour in the first half results about Openserve in terms of legacy versus new generation technology and the revenues and margins and return on capital? Thanks.

Dirk Reyneke

Myuran, you're pushing your luck there. I think you and I discussed it before. I committed to by year end give more colour on different returns on different technologies. Even across business units that might be problematic, but I'll be able to split the cost and revenue over different technologies. And that's what I've committed to do by year end. What you will see at the half year results is the consolidation of a separate legal entity, being Openserve. Therefore, you will see their balance sheet and cash, debt, equity etc. split into a separate subsidiary. But in terms of what you're looking for, ROIC on different technologies, I indicated before that it's a big exercise. The revenue is fairly straightforward, but the cost split is a bigger challenge. And we're busy with that, and I've committed to give you that breakdown by year-end results, Myuran.

Myuran Rajaratnam

Fair enough. Thanks so much.

Operator

Thank you. Mr Taukobong, at this time we do not have any questions in the queue. May I hand back to you for closing remarks, sir?

Serame Taukobong

Thank you, Madam Claudia. Thank you for attending this call. I'm sure Dirk and I will be seeing some of you over the next two days. Please, if you have any questions, do channel them through Kamohelo and the team, and we'll be happy to answer. Thank you and have a good day onwards.

Operator

Thank you very much, sir. Ladies and gentlemen, that does conclude today's conference. Thank you very much for joining us. You may now disconnect your lines.

END OF TRANSCRIPT