



## **TELKOM SA SOC LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1991/005476/30)

Share code: TKG

JSE bond code: BITEL

ISIN: ZAE000044897

("Telkom" or the "Company")

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### **DISPOSAL OF TELKOM'S MASTS AND TOWERS BUSINESS HOUSED IN SWIFTNET SOC LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

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Shareholders of Telkom ("Shareholders" or "Telkom Shareholders") are referred to the cautionary announcements released on the Stock Exchange News Service ("**SENS**"), the last of which was dated 19 February 2024, which advised that Telkom was in exclusive negotiations with a preferred bidder, being a consortium of equity investors (including a Black Economic Empowerment ("**BEE**") partner), (collectively the "**Consortium**"), led and managed by a reputable private equity firm, in respect of the potential disposal of its masts and towers business housed in its wholly-owned subsidiary, Swiftnet SOC Limited ("**Swiftnet**").

The board of directors of Telkom (the "**Board**") is pleased to announce that Telkom has entered into a sale agreement ("**Sale Agreement**") with an entity incorporated by the Consortium for the purpose of the acquisition and comprising: (i) an infrastructure fund managed by a subsidiary of Actis LLP ("**Actis**"); and (ii) a vehicle owned by Royal Bafokeng Holdings Proprietary Limited ("**RBH**") as its BEE partner, in connection with the proposed disposal by Telkom to such acquisition vehicle of all of its shares (comprising 100% of the issued shares) in, and all or part of its claims on loan account against, Swiftnet (the "**Disposal**").

The Disposal constitutes a Category 1 transaction in terms of the listings requirements of the JSE Limited ("**JSE Listings Requirements**") in respect of Telkom, as the consideration for the Disposal exceeds 30% of the market capitalisation (excluding treasury shares) of Telkom. Consequently, implementation of the Disposal is subject to, among other suspensive conditions detailed below, the approval of Telkom Shareholders by way of an ordinary resolution. A circular (the "**Circular**") containing full details of the Disposal, and convening an extra-ordinary general meeting to approve the Disposal, will be sent to Shareholders in due course in compliance with the JSE Listings Requirements. The salient dates and times related to the Disposal, including the date of the general meeting, will be announced on SENS on the day of issue of the Circular.

#### **Key Highlights:**

- **Disposal is in line with stated value-unlock strategy, which includes considering non-core assets for disposal**
- **Purchase consideration represents an enterprise value of R6,75 billion**
- **Proceeds to be utilised to primarily pay down Telkom debt, thereby strengthening Telkom's balance sheet and enabling it to release free cash flow for investment in Telkom's core businesses and deployment in pursuit of growth opportunities**

#### **Background and Rationale for the Disposal**

The Board has previously communicated its view that Telkom's market capitalisation does not represent its intrinsic value, and that it will explore all strategic options to unlock value. The Disposal is in line with such value-unlock strategy and involves the disposal of a non-core asset, allowing Telkom to reduce debt from the Disposal proceeds.

In addition, Telkom has ambitious growth plans across its business units, particularly for Openserve (South Africa's leading wholesale infrastructure connectivity provider with the largest open-access network across South Africa) and Telkom Consumer (South Africa's largest fixed broadband provider measured by network deployed, an internet service provider and, together with its mobile network, a converged communications provider). The reduction of Telkom debt through application of the Disposal proceeds will strengthen Telkom's balance sheet and enable Telkom to release free-cash-flow for investment in Telkom's core businesses and deployment in pursuit of growth opportunities.

The Disposal has the support of the Board, which recommends that Shareholders vote in favour of the resolution to approve the Disposal.

## **About the Purchaser**

The purchaser is Towerco Bidco Proprietary Limited (the "**Purchaser**"), an entity incorporated by the Consortium for the purpose of the acquisition and comprising: (i) an infrastructure fund managed by Actis, which will hold the majority of the issued shares of the Purchaser; and (ii) RBH, which will hold no less than 30% of the issued shares of the Purchaser.

### *Actis*

Actis is a leading global investor in sustainable infrastructure, delivering competitive returns for institutional investors and measurable positive impact for the countries, cities and communities in which it operates. Actis invests in structural themes that support long-term, equitable growth in defensive, critical infrastructure across energy transition, digitalisation transition, and supply chain transformation.

The firm's decades of global experience, operational know-how and strong culture allows it to create global sustainability leaders at scale. Since inception, Actis has raised US\$25 billion to invest in a better tomorrow. Over the last two decades Actis has deployed *circa.* US\$1.4 billion in investments in South Africa. Digital infrastructure represents an important sector for Actis. The firm has committed more than US\$1.5 billion into the sector globally and digital infrastructure will continue to be an important part Actis' investment strategy. Actis is a signatory to the United Nations backed Principles for Responsible Investment ("**UNPRI**"), an investor initiative developed by the United Nations Environment – Finance Initiative. The firm has consistently been awarded the highest rating score in the UNPRI independent assessment.

*For further detail on Actis please refer to [www.act.is](http://www.act.is)*

### *Royal Bafokeng Holdings*

RBH is an African community investment holding company with a unique responsibility of preserving and growing the financial capital of the Royal Bafokeng Nation ("**RBN**"). RBH is a long-term investor with a legacy of acquiring significant stakes in high growth, defensive sectors and high-quality companies with established track-records. RBH actively manage a diverse portfolio consisting of listed and unlisted assets in a range of geographies and sectors, including telecoms, infrastructure, property, financial services, resources and industrials. RBH is a B-BBEE Level 1 contributor.

*For further detail on RBH please refer to [www.bafokengholdings.com](http://www.bafokengholdings.com)*

## **Description of Swiftnet**

Swiftnet's core business involves generating revenue from leasing space on its owned mast and tower related infrastructure to customers, mainly mobile network operators, enabling such customers to deliver connectivity to their respective subscribers or customers and/or operate wireless networks.

Swiftnet is one of the largest owners, operators and developers of masts and towers infrastructure in the South African market. It owns approximately 3 900 commercially viable masts and towers in South Africa.

## **Particulars of the Disposal**

### *Introduction*

On 20 March 2024 (the "**Signature Date**"), Telkom and the Purchaser entered into the Sale Agreement, pursuant to which the Purchaser will acquire from Telkom all of the issued shares of, and all or part of the

claims of Swiftnet (the “**Sale Equity**”), subject to salient terms below. The Sale Agreement is governed by the laws of South Africa.

#### *Purchase Consideration*

The aggregate cash consideration payable for the Sale Equity by the Purchaser in cash to Telkom on the Closing Date (as defined below) will be calculated with reference to an enterprise value of ZAR6 750 000 000 (six billion, seven hundred and fifty million South African Rand) (the “**Base Purchase Price**”), being the base value of Swiftnet on a debt free cash free basis and before considering the adjustments mentioned below.

The Base Purchase Price will be subject to the following adjustments: (i) positive adjustment for any cash; (ii) if applicable, a negative adjustment for the Continuing Telkom Loan (as defined below); (iii) negative adjustment for any debt (excluding, *inter alia*, if applicable, the Continuing Telkom Loan (as defined below)); (iv) if applicable, negative adjustment for capital expenditure; and (v) positive or negative adjustment for working capital, with each of these adjustments to be calculated as at the Effective Date (as defined below) (the “**Total Purchase Price**”).

In addition, interest (at a rate of Prime minus 5%) will accrue (for the benefit of Telkom) on the Total Purchase Price from the Effective Date (as defined below) up to (and including) the Closing Date.

The Purchaser will fund the purchase consideration from both equity and third-party debt.

#### *Telkom Shareholder Loan*

As at the date of this announcement, an amount of *circa* R360 000 000 (three hundred and sixty million Rand) remains outstanding under a shareholder loan advanced by Telkom to Swiftnet (the “**Existing Shareholder Loan**”). At the Closing Date, a portion of the Existing Shareholder Loan of up to R225 000 000 (two hundred and twenty-five million Rand) may remain outstanding as payable by Swiftnet to Telkom together with applicable interest on the outstanding loan amount until fully settled (the “**Continuing Telkom Loan**”). To the extent that this occurs, the Continuing Telkom Loan will not be transferred to the Purchaser (and will be excluded from Sale Equity) and the Base Purchase Price will be adjusted accordingly as noted above.

#### *Suspensive Conditions and Termination*

The Disposal is subject to the fulfilment or, to the extent permissible, waiver of the following suspensive conditions contained in the Sale Agreement (the “**Suspensive Conditions**”):

- given that the Disposal constitutes a Category 1 transaction for Telkom in terms of section 9 of the JSE Listings Requirements, Telkom Shareholders having passed an ordinary resolution approving the Disposal;
- approval for the implementation of the Disposal having been obtained from the South African competition authorities in accordance with the requirements under the Competition Act, 1998;
- approval for implementation of the Disposal, which results in a change of control of Swiftnet licences, having been obtained from the Independent Communications Authority of South Africa in accordance with the requirements of the Electronic Communications Act, 2005;
- approval, to the extent necessary, of the applicable regulatory authorities, for the direct and/or indirect capital structure of the Purchaser;
- the Purchaser having converted their credit approved long-form debt term sheets into acquisition debt financing agreement/s with its third-party lenders for the provision of debt funding for the Disposal, and such agreement/s becoming unconditional in accordance with their terms;
- the conclusion of a transitional services agreement (described below) and amendments to certain operational agreements to which Swiftnet is a party;
- an amendment of the Existing Shareholder Loan agreement to make provision for the Continuing Telkom Loan, to the extent applicable at the Closing Date; and
- no material adverse change occurring in accordance with the provisions of the Sale Agreement.

Each of the Suspensive Conditions above have a specific fulfilment date, and all the Suspensive Conditions must either be fulfilled or waived (to the extent permitted) within 15 months from the Signature Date of the Sale Agreement (with an automatic extension of 3 months if the regulatory approvals are not timeously obtained or such longer period as the parties may agree). If the Suspensive Conditions are not satisfied or waived by the relevant party on or before the relevant fulfilment date, then the Sale Agreement will automatically terminate.

#### *Pre-Completion Undertakings*

Telkom has given certain customary undertakings to operate the business of Swiftnet in the ordinary course and not to take certain actions in relation to the business of Swiftnet during the period between the Signature Date of the Sale Agreement and the Closing Date (as defined below).

#### *Warranties and Indemnities*

The Sale Agreement contains certain warranties and indemnities in favour of the Purchaser which are customary for a transaction of this nature, and the warranties and specific indemnities are subject to customary financial and other limitations of liability.

#### *Restrictive Covenants*

Telkom has provided customary non-compete and non-solicitation undertakings in respect of tenants, suppliers and employees of Swiftnet. The restrictions will apply for a period of 24 months from the Closing Date (as defined below).

#### *Other Significant Terms*

A six month transitional services arrangement (with an option to renew for a further six months) is being implemented to ensure the continuity in the operation of Swiftnet's business post the Closing Date (as defined below).

#### *Effective Date and Closing Date*

The Sale Agreement will take full legal effect on the last day of the month preceding the month in which all of the Suspensive Conditions have been fulfilled or, to the extent legally permissible, waived (the "**Effective Date**").

Within 20 business days of the Effective Date, Telkom is required to prepare and deliver a closing statement supported by effective date management accounts ("**Closing Statement**") to the Purchaser, which Closing Statement will confirm: (i) the provisional purchase price adjustments to be made to the Base Purchase Price to arrive at the Total Purchase Price; and (ii) the total amount of interest accrued on the Total Purchase Price, payable by the Purchaser to Telkom (the aggregate of which being the "**Provisional Consideration**").

The Provisional Consideration is required to be paid by the Purchaser on the 15<sup>th</sup> (fifteenth) business day after the delivery of the Closing Statement (the "**Closing Date**"), and against such payment the Disposal will close and take effect and delivery of the Sale Equity will take place.

Within 60 business days of the Effective Date, Telkom is required to procure that the effective date management accounts are audited ("**Audited Effective Date Accounts**") and delivered to the Purchaser. After having received the Audited Effective Date Accounts, the Purchaser is required to deliver to the Seller a calculation statement of the final consideration ("**Final Consideration**") with reference to the Audited Effective Date Accounts ("**Final Consideration Statement**"). The Seller will have 10 business days to review the Final Consideration Statement and either confirm its agreement with the Final Consideration Statement or, in the event of dispute, such dispute will be finally resolved by an independent third party expert as provided for in the Sale Agreement.

In the event that the Final Consideration is greater than the Provisional Consideration, the Purchaser shall pay the difference, on a Rand-for-Rand basis to Telkom. In the event that the Final Consideration is less than the Provisional Consideration, Telkom shall re-imburse the Purchaser the difference, on a Rand-for-Rand basis,

including interest accrued on such amount from the Closing Date until the date of settlement.

### **Use of Proceeds**

As detailed above, Telkom will use the proceeds of the Disposal primarily to reduce Telkom's debt to strengthen Telkom's balance sheet and enable Telkom to release free-cash-flow for investment in Telkom's core businesses and deployment in pursuit of growth opportunities.

### **Financial Information on Swiftnet**

#### *Net Asset Value*

The net asset value of Swiftnet as at 31 March 2023 and 30 September 2023 was R806.4 million and R952.7 million, respectively.

#### *Profit After Tax*

The profit after tax attributable to Swiftnet for the twelve months ended 31 March 2023 was R584 million, and the profit after tax attributable to Swiftnet for the six months ended 30 September 2023 was R321 million.

#### *EBITDA*

The earnings before interest, taxation, depreciation and amortisation ("**EBITDA**"), and after IFRS 16: *Leases*, attributable to Swiftnet for the twelve months ended 31 March 2023 was R896 million, and the EBITDA, and after IFRS 16: *Leases*, attributable to Swiftnet for the six months ended 30 September 2023 was R488 million.

The information above was extracted from Telkom's interim results for the six months ended 30 September 2023, and its audited results for the twelve months ended 31 March 2023, both of which were prepared in accordance with the JSE Listings Requirements, SAICA Financial Reporting Guides, International Financial Reporting Standards and the Companies Act, No. 71 of 2008 (as amended) ("**Companies Act**").

### **Categorisation of the Disposal and Shareholder Approval**

The Base Consideration measured against the market capitalisation (excluding treasury shares) of Telkom, as at the close of business on Wednesday 20 March 2024, results in a percentage ratio of more than 30%. Accordingly, the Disposal is classified as a Category 1 transaction in terms of section 9.5(b) of the JSE Listings Requirements and as such requires Shareholder approval by way of an ordinary resolution of Shareholders, which will require the support of more than 50% of the votes exercised thereon at a general meeting of Shareholders in terms of paragraph 9.20 of the JSE Listings Requirements.

For the avoidance of doubt, the Disposal does not constitute a disposal of the greater part of the assets or undertaking of Telkom, as contemplated in section 112 of the Companies Act.

The Disposal is not made to a "*related party*" and accordingly does not constitute a "*related party transaction*" in terms of the JSE Listings Requirements.

### **Circular to Shareholders**

The Circular will be sent to Telkom Shareholders, in due course, setting out the information required by the JSE Listings Requirements in relation to the Disposal (including historical financial information of Swiftnet and the *pro forma* financial effects of the Disposal on Telkom) and convening a meeting of Shareholders to consider, and if deemed fit, pass the ordinary resolution referred to above.

### **Withdrawal of Cautionary Announcement**

With the release of this announcement, Shareholders are advised that, as particulars of the Disposal have now been announced, caution is no longer required to be exercised by Shareholders when dealing in Telkom securities.

## **Management Conference Call**

Telkom management will host a conference call on Friday, 22 March 2024 at 11h00 South African time (UTC+2) to discuss Telkom's disposal of the Masts & Towers business housed in Swiftnet and withdrawal of cautionary announcement followed by a question-and-answer session.

Conference call dial-in and playback details will be made available on the Telkom Group website, <https://group.telkom.co.za/ir/>. Participants are required to pre-register via a link. Once registered, participants will be provided with the information to join the call, including the dial-in numbers and a passcode. Please ensure that you dial-in 5 minutes prior to the start time.

Friday, 22 March 2024

### **JSE Sponsor to Telkom**

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

### **Legal Advisor to Telkom**

Bowman Gilfillan Inc.

### **Financial Advisor to Telkom**

FTI Capital Advisors (DIFC) Limited

### **Legal Advisors to the Purchaser and members of the consortium**

Webber Wentzel (for Actis and the Purchaser), Baker McKenzie

### **Financial Advisors to the Purchaser and members of the consortium**

Rothschild & Co (for Actis and the Purchaser), Rand Merchant Bank (a division of FirstRand Bank Limited) and Itai Capital