ECONET
Wireless

ECONET WIRELESS ZIMBABWE LIMITED
(Incorporated in Zimbabwe on 4 August 1998 under Company registration number 7548/98)
ZSE alpha code: ECO ISIN: ZW 000 901 212 2

TRADING UPDATE FOR THE PERIOD ENDED 31 AUGUST 2020

The Company is pleased to provide a trading update for the second quarter and half year period ending 31 August 2020.
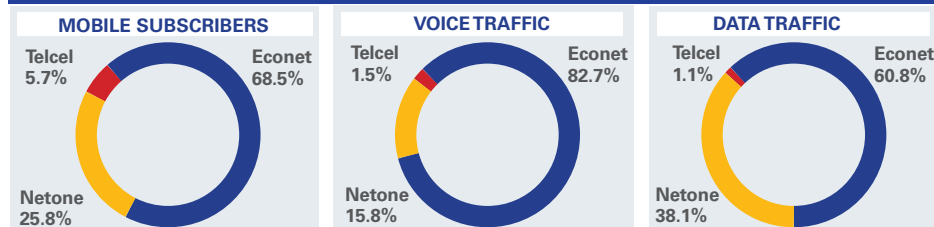
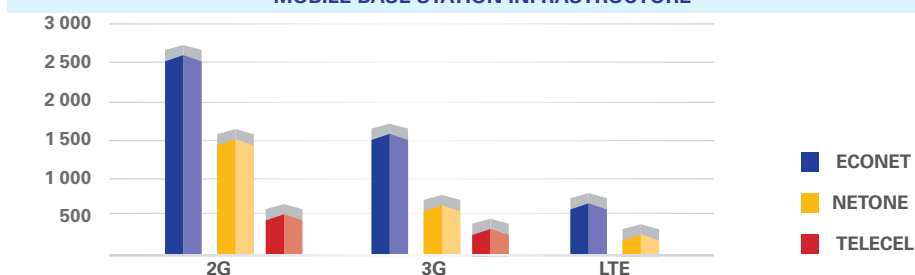## OPERATING ENVIRONMENT

Economic environment
Zimbabwe experienced a general decline in economic activity and aggregate demand in most sectors of the economy due to COVID19 as well as the challenging macro-economic environment.
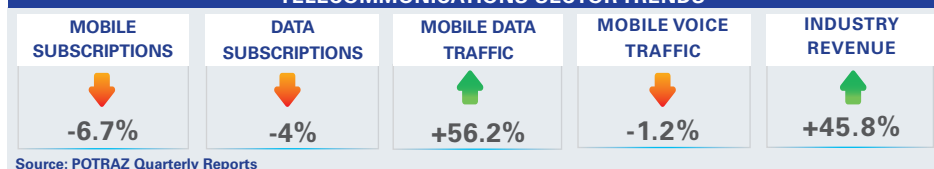
SECTOR DEVELOPMENTS

OPERATOR MARKET SHARE

MOBILE SUBSCRIBERS
- Telcel 5.7%
- Econet 68.5%
- Netone 25.8%

VOICE TRAFFIC
- Telcel 1.5%
- Econet 82.7%
- Netone 15.8%

DATA TRAFFIC
- Telcel 1.1%
- Econet 60.8%
- Netone 38.1%

MOBILE BASE STATION INFRASTRUCTURE

- ECONET
- NETONE
- TELECEL

TELECOMMUNICATIONS SECTOR TRENDS

MOBILE SUBSCRIPTIONS	DATA SUBSCRIPTIONS	MOBILE DATA TRAFFIC	MOBILE VOICE TRAFFIC	INDUSTRY REVENUE
-6.7% ↓	-4% ↓	+56.2% ↑	-1.2% ↓	+45.8% ↑

Source: POTRAZ Quarterly Reports

In its most recent industry update, the Postal and Telecommunications Regulatory Authority ("POTRAZ"), reported an overall decline in active subscriptions in the second quarter of 2020 due to the negative impact of the COVID19 pandemic on business activity. The performance of the telecoms sector is largely dependent on the economic environment which affects service demand and consumption levels, operating costs and investment.

The Company remains a market leader in all its critical operating segments and continues to focus on consumer satisfaction to ensure it retains its overall share of consumer spend.

Tariffs and costs
POTRAZ has implemented an inflation linked pricing system based on a specific price index for the Telecommunications Sector which is referred to as the Telecommunications Pricing Index ("TPI"). This pricing system takes into account telecommunication operator costs to determine a viable tariff to ensure operational sustainability whilst balancing the need to keep telecom services affordable for consumers. The Company prices all its services within the limits set by POTRAZ. During the period, POTRAZ reviewed the industry's Zimbabwe Dollar denominated tariffs in line with TPI in a bid to align prices with inflation.

The increase in telecommunications sector costs were largely driven by the rapid deterioration of the Zimbabwe Dollar against the US Dollar and other foreign currencies. Foreign currency is required by operators for infrastructure; software upgrades; and network support services as well as operating software licence fees. The significant requirement for foreign currency impacts the ability of operators to ensure quality of service is maintained at an acceptable standard. The Company welcomes introduction of the Foreign Currency Auction System by the Reserve Bank of Zimbabwe and has been successful in some of its bids on the Auction System.
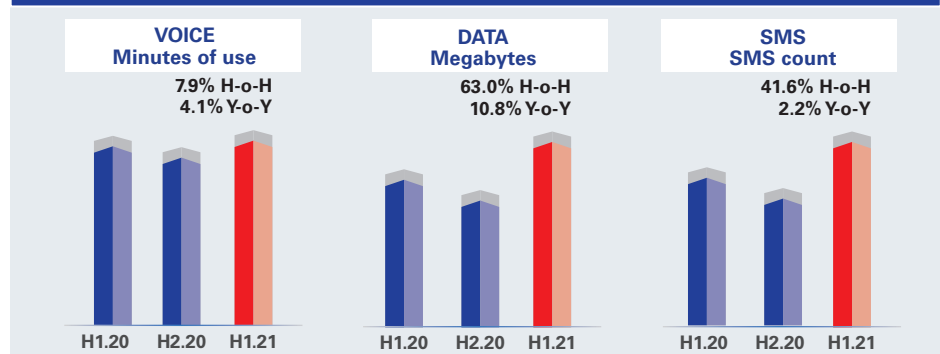
BUSINESS PERFORMANCE

Company operating metrics
Given the obtaining hyperinflationary environment, the Company is focused on its operating metrics as a key measure of performance. In first half of the current financial year, all volume metrics of the business increased as prices were not adjusted in line with inflation, therefore our services were perceived by our customers to be cheaper relative to other price escalations in the economy. This resulted in a significant increase in usage during this period. Despite the recent price adjustments to more reasonable tariffs, the Company has been able to sustain its volumes at the higher prices, demonstrating the resilience and adaptability of our operating model to changes in the operating environment. Whenever POTRAZ approves a price adjustment, we study our consumer consumption patterns and determine appropriate price points for our different consumer segments. Through the use of bundles and targeted offers, we are able to drive maximum usage without a significant drop in volumes when new prices are introduced.
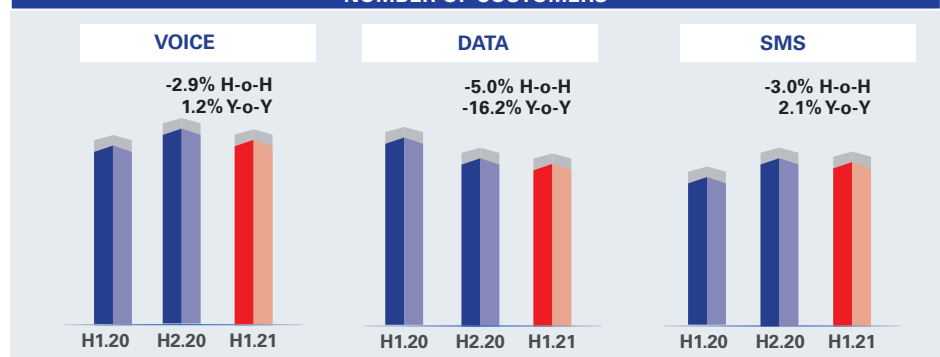
Telecommunications
Our products and services have been critical in providing the much needed connectivity as our customers observed physical distancing protocols required under the prevailing COVID19 environment. Data traffic increased as digital enablers were required in various sectors of the economy. Voice traffic increased by 7.9%, data consumption was up 63% whilst SMS traffic was up 41.6% compared to the previous half year period. The national lockdown had an impact on incomes as most business activity was curtailed to stem the spread of COVID19. This resulted in a decline in the number of our active customers. As the lockdown restrictions are gradually eased, the Company has experienced a steady increase in its active customer base. Targeted campaigns have also been launched to drive usage and sustain customer activity.

TRAFFIC TRENDS

VOICE Minutes of use
- 7.9% H-o-H
- 4.1% Y-o-Y
- H1.20 H2.20 H1.21

DATA Megabytes
- 63.0% H-o-H
- 10.8% Y-o-Y
- H1.20 H2.20 H1.21

SMS SMS count
- 41.6% H-o-H
- 2.2% Y-o-Y
- H1.20 H2.20 H1.21

NUMBER OF CUSTOMERS

VOICE
- -2.9% H-o-H
- 1.2% Y-o-Y
- H1.20 H2.20 H1.21

DATA
- -5.0% H-o-H
- -16.2% Y-o-Y
- H1.20 H2.20 H1.21

SMS
- -3.0% H-o-H
- 2.1% Y-o-Y
- H1.20 H2.20 H1.21

Improving the digital customer experience
The COVID19 pandemic increased adoption and acceptance of digital channels for customer interactions and query resolution. Multiple digital touchpoints such as chatbots, web self-care, USSD self-care and WhatsApp helplines are now available for customer convenience and efficiency. These increase in the adoption of these channels is the direct result of COVID19 physical distancing and safety measures implemented by the Company to protect its customers our teams from infection.

Technology
The Company's digital transformation roadmap leverages on technology to deliver innovative solutions that respond to customer needs and deliver value. The Company has invested in opportunities in business process outsourcing, enterprise solutions, connected services, gaming and music. Biometric solutions are being implemented to mitigate against fraud.

Financial performance
The Company implemented an aggressive cost reduction strategy which required all suppliers to reduce costs by 20%. The operating margins of the company remain positive at about 40% EBITDA (Earnings Before Interest Depreciation Tax and Amortisation). The drive towards revenue sustainability whilst managing costs has allowed the business to remain cash flow positive.

Net foreign currency position
The Company continues to engage meaningfully with its vendors who have been very supportive of the business based on the relationships with these vendors spanning over 20 years. Where necessary, payment arrangements have been made to allow the Company to meet its ongoing obligations on a sustainable basis, without disrupting business operations.

The Company holds an investment in Liquid Telecommunications (Jersey) Limited ("Liquid Telecom"), which is valued at over US$ 135 million. Liquid Telecom owns and operates Africa's largest cross border fibre network spanning over 73,000 km's from Cape Town to Cairo. Through its subsidiary, Africa Data Centres, Liquid Telecom is also Africa's largest data centre operator. Our investment in Liquid Telecom is valued in US Dollars at a level higher than our foreign currency obligations.

Impact of COVID-19 pandemic on the business
In response to the COVID19 pandemic, the business put in place comprehensive measures to ensure the health and welfare of our customers and staff. Our offices and shop layouts were adapted to conform to the physical distancing and safety guidelines recommended by the World Health Organisation (WHO) and the Ministry of Health and Child Welfare (MoHCW). Our shops which had been closed when COVID19 first broke out in the country have since re-opened. Meanwhile, telecommuting and serving our customers through digital channels has become our preferred way of doing business. We will continue to enhance these channels as a new way of conducting business. During the national lockdown our services enabled businesses, schools, churches, hospitals, individuals and all sectors of the economy to operate remotely, without any significant or prolonged service disruptions.

OUTLOOK
The operating environment remains volatile and uncertain. The "new normal" post the COVID19 induced lockdown has created new opportunities for the business to leverage agile working technologies and deliver digital solutions for our consumers. Even under challenging operating circumstances, we believe the business will continue to thrive based on our adaptable business model, our dedicated staff, our strong digital platforms and our unrelenting desire to continuously improve, adapt and innovate as we build a *digitally connected future that leaves no Zimbabwean behind.*

By order of the Board

C. A. Banda
Company secretary

13 October 2020

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