

Broadband Innovations

Corporate review 2008



1. WHO ARE WE, TODAY?

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- BI is a South African licensed telecommunications provider governed by the Electronic Communications Act
- Niche focused multi-tenant operator in the corporate and residential markets
- Offer data and voice services provisioned via fixed line and wireless distribution

2. WHAT IS OUR CORE BUSINESS, TODAY?

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- Commercial office parks
- Residential estates requiring communication solutions
- Commercial services:
 - Diginet
 - ADSL
 - Voice
- Residential services:
 - Intercom
 - Voice: (Prepaid & Post-paid)
 - Data: (Prepaid & Post-paid)

3. THE OPPORTUNITY (MARKET COMPARISON)

THE OPPORTUNITY (MARKET COMPARISON SE - SA)

- SA = 4.6M Internet Subscribers
Pop 44M (10.5%),
Rank 63 (% Penetration)
Broadband Internet subscribers = 378,000
as of Sept/08, per ITU
- SE = 7.0M Internet Subscribers
Pop 9M (77.4%),
Rank 6 (% Penetration)
- Comparatively many years behind

Data: June 08 www.internetworldstats.com

4. ACHIEVEMENT TO DATE

ACHIEVEMENT TO DATE

- Developed good corporate base, several high profile clients
- Successful application for an IECNS and IECS license
 - The advantage of being able to self-provide
 - Apply for fixed line numbers - national dial plan
- Retained and refined a core set of skills competency
- Increased output capacity
 - Residential complex capacity has been doubled
 - Existing capacity can be doubled within 3 months
 - Continue to reduce cost of sales to protect margins in a highly competitive sector

ACHIEVEMENT TO DATE (continued)

■ Technology developments

- Billing integration with financial systems
- Setup prepaid & post-paid billing platform (voice & data)
- Standardised infrastructure platform for both software & hardware (greater degree)
 - Stability and reliability
 - Reduced support costs
 - Refining & ongoing improvement
- National voice network, with POPs in key areas
- Market leader in voice quality & provisioning capacity

5. WHAT HAS CHALLENGED US?

WHAT HAS CHALLENGED US?

- Delays on voice inter-connects and fixed line infrastructure (6 months)
 - Delayed deployment in residential complexes
 - Loss of momentum in sales cycle
 - Deal with biggest VAR put on hold until Dec 08 due to voice network delays
- Slower than expected initial uptake/penetration in residential market
 - Reduction in property development due to economic climate
 - Sales cycle on existing complexes longer than new complexes
- Skills shortage

WHAT HAS CHALLENGED US?

- Technology hurdles
 - Key supplier changed their pricing model in Aug 08 resulting in a 200% increase in COS
 - In turn placed pressure on R&D, with limited capacity
- Small staff compliment
 - 50/50 split between technical and sales; installations; administration & accounts
 - Limited capacity for major change/deviation
 - Not yet reach critical mass

6. COUNTER MEASURES

COUNTER MEASURES

- Applied for new Individual license – self provision
- Reallocated responsibilities in technical team and key R&D outcomes
- Focused on streamlining processes for installations
- Deployed voice at almost no margin to maintain momentum
- Exploring incentive measures to retain key staff

7. HOW DOES THIS ADD UP (FINANCIAL)?

WHAT IS THE IMPACT OF THE GLOBAL ECONOMIC CLIMATE?

■ Local market

- Well managed exchange control
- Banks more highly capitalised
- Effects less severe than UK & US

■ Impact

- Save money sentiment, but general positive
- Multi-nationals likely to reduce travel and seek more cost effective means of communication

- Ideal timing of our voice product launch as

8. WHERE TO FROM HERE (STRATEGY)?

SHORT/MEDIUM-TERM STRATEGY

- Business development
 - Short-term
 - Upsell voice to existing corporate data customers
 - Upsell PABX products to existing corporate voice customers
 - Expand residential footprint
 - Medium-term
 - Develop PABX channel
 - Deploy wireless backbone
 - Implement telesales strategy

MEDIUM/LONG-TERM STRATEGY

■ Market expansion

- Expand product offering
 - Corporate
 - Security
 - Utility computing
 - Residential
 - Security
 - Media and broadcasting
 - Home automation
- Protect margins and increased service delivery timelines
 - Self-provisioning – new licenses

9. EXIT STRATEGY

EXIT STRATEGY

- Aggressively increase market share
 - Competitors poor service delivery & excessive pricing
 - Local telecommunication market has historically been associated with poor service delivery
 - BI can capitalise on this opportunity and as the company grows