



# REVIEWED FINANCIAL RESULTS

## For the year ended 30 June 2023

### 2. NOTES TO THE FINANCIAL RESULTS (Continued)

#### 2.2 Basic and Headline earnings per ordinary share

The basic earnings and headline earnings per share for the year ended 30 June 2023 are calculated as follows:

	30 June 2023 Reviewed N\$	30 June 2022 Audited N\$
<b>Earnings</b>		
Profit for the year attributable to the equity holders of the parent	18 825 653	21 321 410*
Headline adjustments:		
After taxation loss / (profit) on sale of property, plant and equipment	13 675	3 913
Impairment on loans	(57 247)	-
Loss on revaluation of owner occupied property	-	4 730 000
<b>Headline earnings</b>	<b>18 782 081</b>	<b>26 055 324*</b>
Basic earnings per ordinary share (cents)	38.64	43.76*
Headline earnings per ordinary share (cents)	38.55	53.48*

\*Subsequent to the release of the reviewed prior year results, changes were made to some figures due to a restatement.

#### 2.3 Property, plant and equipment

	30 June 2023 Reviewed N\$	30 June 2022 Audited N\$
Net book value at the beginning of the year	614 606 160	390 016 662
Capital expenditure	450 574 262	279 910 068
Revaluation on property	-	(7 650 000)
Disposals	(32 609)	(162 625)
Depreciation	(71 280 770)	(47 507 945)
<b>Net book value at the end of the year</b>	<b>993 867 043</b>	<b>614 606 160</b>

#### 2.4 Intangible assets

	30 June 2023 Reviewed N\$	30 June 2022 Audited N\$
Net book value at the beginning of the year	291 266 200	296 488 834
Capital expenditure	4 160 721	2 027 836
Amortisation	(6 760 380)	(7 250 470)
<b>Net book value at the end of the year</b>	<b>288 666 541</b>	<b>291 266 200</b>

#### 2.5 Borrowings

During September 2022 Paratus Holdings raised an additional N\$130 million through the Domestic Medium-Term Note Programme.

The N\$130 million raised consist of the following:

- N\$30 million in Senior Unsecured Floating Rate Notes maturing on 16 September 2025 and bearing interest at 270 basis points above the 3 Month ZAR JIBAR rate; and
- N\$100 million in Senior Unsecured Floating Rate Notes maturing on 16 September 2027 and bearing interest at 325 basis points above the 3 Month ZAR JIBAR rate.

Total finance cost repayments during the year on these borrowings amount to N\$29 181 644 (30 June 2022: N\$13 951 588). The finance cost that has accrued on these borrowings at year-end amounts to N\$1 167 296 (30 June 2022: N\$521 656). The current portion of borrowings include Senior Unsecured Floating Rate Notes due to mature during June 2024. Management has the intention of rolling over these notes, amounting to N\$175 million.

#### 2.6 Contract liabilities

Contract liabilities consist of funds received in advance for various contracts. These contracts include the Indefeasible right-of-use ("IRU") of the Trans-Kalahari fiber route, Equiano Submarine Cable and Equiano spectrum. During the year finance cost amounting to N\$22 938 605 (30 June 2022: N\$11 472 429) pertain to these IRU contracts in aggregate.

### 3. DIRECTORS' COMMENTARY

#### 3.1 The market and prospects

According to the Bank of Namibia Economic Outlook Report, Namibia's GDP growth is estimated to moderate downwards to 3.3% in 2023, from 4.6% in 2022 largely due to weaker global demand. The latest growth projection of 3.3% for 2023 represents a slight improvement from 3% published in the March 2023 Economic Outlook Report. Risks to domestic growth are predominantly in the form of monetary policy tightening globally and high cost of key import items.

External risks to the domestic economic outlook include weakening global economic activity, tighter global monetary policy, elevated crude oil prices and continued geopolitical tensions. Inflation revised downwards and is expected to average 5.6% in 2023.

For the financial year ending 30 June 2023 Paratus delivered continued revenue growth of 17% (2022:15%) against a backdrop of a continued weak local economy due to high interest rates and inflationary pressure. The double-digit revenue growth is mainly driven from the expansion of our fiber and LTE network across Namibia and the occupation of the new Data Center, which was inaugurated during the current financial year.

Paratus remains well placed to grow revenues due to extensive infrastructure investment during the financial year, which is driven by the continued demand for reliable internet.

The anticipated growth for the 2024 financial year is to be driven mostly by the ongoing occupancy of the Data Center and the utilization of the Equiano Submarine Cable Landing Station, which will provide the lowest latency connection between SA and Europe via the Paratus terrestrial fiber. There will also be a renewed focus to monetize the existing last mile fiber infrastructure to enhance the return on the infrastructure investments to date.

For the year ended 30 June 2023, Paratus Telecommunications (Proprietary) Limited ("Paratus Namibia"), the operating entity, realised recurring revenue of N\$428.2 million (30 June 2022: N\$351.7 million) which represents a growth of 22%. Non-recurring revenue, which represents Local Area Network installations in the commercial office space and the sale of Telecommunication Equipment, amounts to N\$35.4 million (30 June 2022: N\$43.5 million). This represents a decline of 19%. The decline is mainly attributable to management's focus to grow recurring revenue as opposed to lower margin non-recurring revenue.

The net profit before taxation, for the operating entity, for the year ended 30 June 2023 amounts to N\$33 million (30 June 2022: N\$43.8 million) and earnings before interest, taxation, depreciation and amortisation ("EBITDA") amounts to N\$163.6 million (30 June 2022: N\$122.5 million). This represents decline of 24.7% and a growth of 33.5%, respectively.

The main contributor to the decline in profitability is the increase in non-cash depreciation charges emanating from new infrastructure completed during the year, and include the Data Center, Cable Landing Station, and the Equiano Submarine Cable Branch. The combined cost of this new infrastructure is N\$358 million.

The increase in interest rates combined with the new N\$130 million bond issued during September 2022 have resulted in additional finance cost of N\$18.4 million when compared with the 2022 financial year.

Included in finance cost is the impact of IFRS 15 (significant financing component) which relates to contracts with customers where services are delivered over an extended period in lieu of upfront cash or assets in kind settlement. The IFRS 15 financing component included in finance cost amounts to N\$22.9 million (2022: N\$11.5 million).

#### 3.1 The market and prospects (Continued)

Over the same period the operating expenses increased by 8.6% due to the growth of the national network and the increase in distributions centres across Namibia. The recently completed Data Center which is not fully occupied also results in additional operating expenses.

Management considers EBITDA as an important operational performance measure, as it mirrors Paratus Namibia's ability to generate cash flows from operations. The disparity between profit after taxation and EBITDA stems mainly from the large depreciation charges recorded on infrastructure deployed.

The decline in the gross profit margin ("GP%") from 52.1% for the year ended 30 June 2022 to 51.4% for the year ended 30 June 2023 stems from the large depreciation charge emanating from the newly constructed Data Center, Equiano Submarine Branch and the Cable Landing Station which was Ready-For-Service on 12 January 2023. The depreciation charge on these assets amounts to N\$6.9 million, whilst the occupancy of the Data Center and utilisation of the Equiano Submarine Branch and Cable Landing Station were low at year-end.

The directors are of the opinion that the continued aggressive investment in infrastructure assets bodes well for both revenue growth and improved operating margins.

#### 3.2 Capital projects

For the year ended 30 June 2023 Paratus Namibia has invested N\$450 million in infrastructure (30 June 2022: N\$282 million). This includes N\$185 million from the Equiano Submarine Branch, which was acquired in lieu of services on existing infrastructure. At 30 June 2023 an amount of N\$37.65 million reflected under current liabilities, pertain to a portion of the Equiano Submarine Branch acquisition price, which was not converted to services yet. Once the fiber route running between Buitepos and Lobatse in Botswana is completed, the remaining liability of N\$37.65 million will be converted to a service on this route and the liability will be settled over time. It is expected that the construction of this route will be completed by 30 November 2023 at a total cost of approximately N\$45 million. This route from Johannesburg running through Botswana and Namibia to the Equiano Submarine Cable in Swakopmund and onwards toward Europe will provide the shortest route with the lowest latency to Europe and is therefore of strategic importance to Paratus for future revenue growth.

Other highlights for the year include the remaining construction cost of N\$26 million to complete the Data Center, which brings the total construction cost to N\$135 million.

A total amount of N\$60 million was invested in the LTE network to expand the Paratus coverage in the larger towns throughout Namibia.

The construction of a 200km long-haul fiber between Karibib and Otjiwarongo was completed during February 2023 at a total cost of N\$11 million. The fiber is constructed to serve the growing demand for bandwidth in the North. The project will result in a cost saving, as the capacity is currently sourced from a third-party supplier. Furthermore, this will enable Paratus to improve the service quality of our customers along the route.

Paratus has also embarked with the roll-out of fiber and LTE in Lüderitz to cater for the increased activity emanating from the oil exploration activities in the area.

The investment in infrastructure bodes well for the group, as is evident from the improvement in the EBITDA margin, emanating from the cost savings realised by using own infrastructure, as well as adding customers to existing network infrastructure.

#### 3.3 Events after the reporting period

The directors are not aware of any other material subsequent events after the reporting period.

#### 3.4 Changes to the Board

Mr R R Graig was appointed as director to the Board and elected as chairman of the ESG committee. Mr G P J Duvenhage was appointed as an alternate director for Mr A Hall. In accordance with the Articles of Association, one third of non-executive directors are subject to retirement by rotation. Messrs J J Esterhuysen and S H Birch were subject to retirement at the Annual General Meeting, neither of whom made themselves available for re-election.

The Board would like to convey our thanks and appreciation to Messrs J J Esterhuysen and S H Birch for their invaluable contribution and dedication towards the establishment and successes of Paratus Namibia Holdings.

#### 3.5 Contingent liabilities

As at the date of approval of the financial results, the Board was not aware of any contingent liabilities.

#### 3.6 Dividends declared

During the 2023 financial year the Group has declared dividends to the ordinary shareholders amounting to N\$ 9 744 625 (30 June 2022: N\$9 744 625).

The directors declared a final dividend of 10 cents per ordinary share.

The salient dates of the dividend declared are as follows:

• Board declaration date:	19 September 2023
• Last date to trade cum dividend:	20 October 2023
• First day to trade ex dividend:	23 October 2023
• Record date:	27 October 2023
• Payment date:	10 November 2023

#### 3.7 Appreciation

The Board would like to thank the management team and staff, service providers and our valued customers for their continued support and dedication. Finally, we would like to thank our shareholders for their support and association with Paratus Holdings.

By order of the Board

H B Gerdes - Chairman of the Board  
22 September 2023

#### REGISTERED OFFICE

Paratus Namibia Holdings Limited  
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Windhoek, Namibia

#### TRANSFER SECRETARIES

Transfer Secretaries (Proprietary) Limited  
4 Robert Mugabe Avenue, Windhoek  
P O Box 2401, Windhoek, Namibia

#### COMPANY SECRETARY

Cronje Secretarial Services (Proprietary) Limited

#### DIRECTORS

H B Gerdes (Chairman) #, S I de Bruin ^, S L V Erasmus ^, M R Mostert #, J N N Shikongo #, A Hall ^, B R J Harmse ^, R R Graig #, R P K Mendelsohn+, G P J Duvenhage+  
(#Independent, ^Executive, +Alternate)

#### SPONSOR

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