

# Weak economy hurts Telkom's mobile hopes

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Telecommunications company Telkom says its mobile unit won't break even by March 2016 anymore owing to South Africa's sluggish economy. This is according to Telkom's quarterly trading and operational update for the third quarter ended 31 December 2015.



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In July last year, an upbeat Telkom said its mobile unit's net revenue increased 68.5% to approximately R350m for the quarter ended June 30 2015. At the time, Telkom said it incurred a loss of approximately R30m at its mobile business but this was an "87.9% improvement compared to the prior comparative period".

## Challenging outlook

Telkom, in July 2015, further said that "our mobile business continues to grow and we remain confident of achieving break-even during this financial year (March 2016)". However, Telkom has this week played down hopes of its mobile business breaking even. "Our initial expectation that the mobile business would break even by March 2016 has been tempered by the operating environment and cost pressures," said Telkom.

In its quarterly update, Telkom said that South Africa's economic "outlook remains challenging on the back of lower growth expectations, higher interest rates and rising inflation". Telkom further cited "lower commodity prices and a weakening rand" as putting pressure on its overall business.

The International Monetary Fund (IMF) has forecast that South Africa's gross domestic product (GDP) may only expand by 0.7% this year. The rand has also been trading at record lows amid the axing of Finance Minister Nhlanhla Nene late last year and the country's weak economic fundamentals.

## Subscriber growth

Despite the economic pressures, Telkom reported that its mobile business continued to achieve growth with services revenue up 37% and data revenue having grown 56% year-on-year.

The telecoms company added that its number of active mobile subscribers has grown 22% to 2 565 793 with a blended average revenue per user (Arpu) of R90.26. Meanwhile, its postpaid mobile subscribers grew 45%, its prepaid customers increased by 15% and its number of LTE sites are up 9% to approximately 1,400 sites.

This result comes amid Telkom's fixed data revenue - excluding its leased line revenue - having increased 5% and its number of ADSL subscribers having growing 3% to 1 018 107 during the period.

Source: [Fin24](#) via News24 Wire

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