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Event Code: x959 – Login in and set up your profile, if you want to stay anonymous you don't have to do this step

Test question – Go to the POLLS section and rate the question: How energized are you feeling this afternoon



The screenshot displays a web browser window with two tabs: "Executive Forum 22 August ..." and "Slido - Audience Interacti...". The address bar shows the URL "https://admin.sli.do/event/v7viivhv/polls". The page header includes the event name "Executive Forum 22 August ..." with dates "22 - 25 Aug 2019" and an "UPGRADE" button, the hashtag "#X953", the status "Public", a "Present mode" button, and a "WP" logo. The navigation menu contains "Questions", "Ideas", "Polls", and "Analytics". The "Polls" section is active, showing a "Live poll" with 0 participants. The poll question is "How energized are you feeling this afternoon?". Below the question is a rating scale with five stars and a "SEND" button. The poll results are displayed as a bar chart with five bars, each representing a rating from 1 to 5, with a score of 0.0. A "Chat with us" button is visible in the bottom right corner.

Executive Forum 22 August ...
22 - 25 Aug 2019 UPGRADE #X953 Public Present mode WP

Questions Ideas **Polls** Analytics Switch view

Live poll 0

How energized are you feeling this afternoon?

Give your rating:

★ ★ ★ ★ ★

SEND

How energized are you feeling this afternoon? 0 0 0

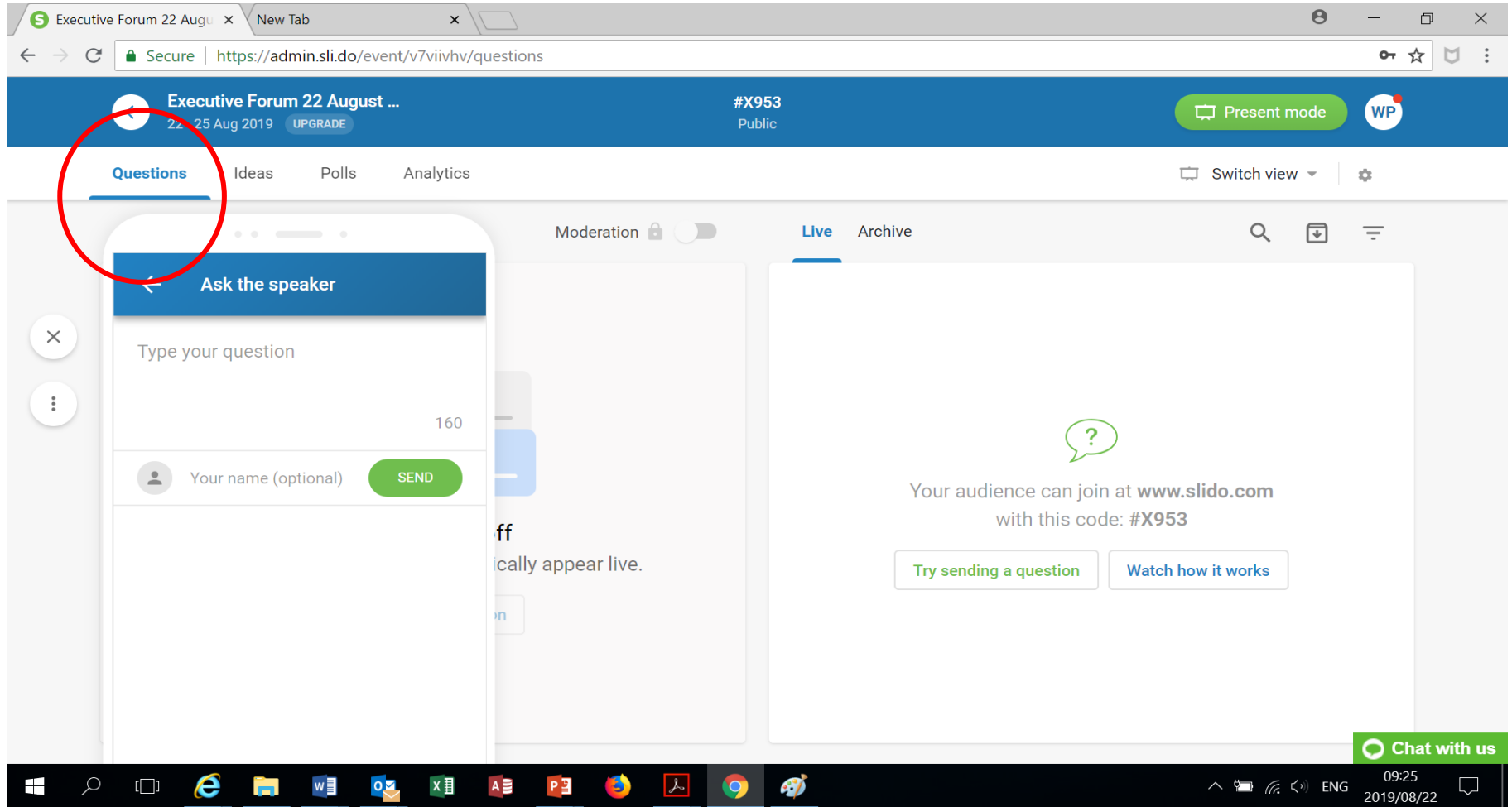
Score: 0.0

0 0 0 0 0

1 2 3 4 5

Chat with us

While the GCE is speaking please go to the QUESTIONS section and enter your questions and if someone else has asked it just like it



Given your limited time together, please try keep your questions to ones that relate to the presentation and are for clarity or more detail.
If your question is not answered in the session we will revert back at a later date.

Engagement on Eskom's Strategy Executive Forum

August 2019

Eskom in its current form is unsustainable



Debt



Revenue



Costs



Operations



Outdated Business Model

Debt approaching R450B

Unable to service from own EBITDA

Must borrow to service debt

Volume declining 1% per year, not coming back

Tariffs not cost efficient

Collection rate at 80%, R38B in receivables outstanding

Opex increased 30% in 5 years, reaching R151B in FY19

Large increases in employee, coal costs

EAF below 70% during FY19

Load shedding, increased costs, lost revenue, lost credibility

Utility death spiral

Operational and structural inefficiencies

Lack of transparency

Change in energy landscape

If we do nothing,
Eskom will
collapse and
bring down
South Africa

Eskom ran out of cash and came close to complete collapse on multiple occasions in 2019

Company debt represents **~17% of total sovereign debt**

An Eskom collapse would have **devastating consequences for South Africa**

- Sharp depreciation of Rand
- Downgrade of credit rating to junk status
- Sell-off of South African bonds
- International bailout

Eskom's importance to South Africa is the only reason why company still exists

We have developed a turnaround plan centered on 5 focus areas

RESPONSIBILITY

ESKOM

GOVERNMENT

ESKOM AND GOVERNMENT



Debt Relief

R130B debt relief from government over 3 years

Long term debt restructuring



Revenue Management

Above-inflation tariff increase

Improved collection



Business Separation

Separation into 3 businesses

Gx, Dx subsidiaries

Tx under DPE

Legal Separation



Cost Initiatives

Cost reduction of R33B/year across entire value chain



Operational Stability

Recovered EAF to 78%

Improved security of supply

STRATEGY TO A NEW ESKOM

Vision: Drive economic growth by being a financially stable provider of energy solutions across Africa

Stabilise

1

Separate

2

Grow

3

TURNAROUND PLAN

Debt relief

Revenue Management

Cost initiatives

Business separation

Operational stability

HIGH PERFORMANCE CULTURE

ADVOCACY AND STAKEHOLDER ENGAGEMENT

CO-CREATING AN INDUSTRY AND MARKET STRUCTURE

STABILISE

- Improved governance
- Improved profitability - R79.3bn EBITDA
- Improve electricity reliability- EAF 78%
- Cost reflective tariff path
- Retain existing customers
- Cumulative savings R77bn
- Debt Relief
- Improved receivables

SEPARATE

- Decentralised service functions
- Separate Tx company
- Ring-fenced Dx and Gx under Eskom Holdings
- Lean and efficient Eskom

GROW

- Lower carbon energy mix
- Renewables player
- E-mobility
- Storage
- Micro and mini-grids
- New electricity customers
- Smart grids expansion

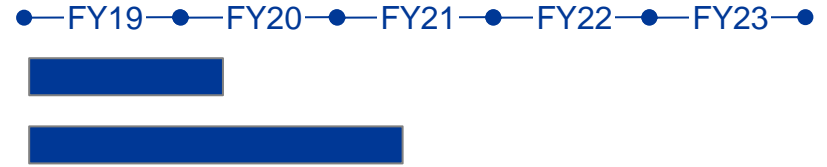
Path to Strategy Implementation

1. STABILISE



Debt

- ✓ Initial debt relief to boost liquidity
- CRO to restructure remaining debt



Revenue

- ✓ Tariff increase
- Work with government on debt collection



Cost

- ✓ Savings target definition (R33B)
- Savings execution (annual run rate)



Operations

- ✓ Recovery plan definition (9 Point Plan)
- 9 point plan execution



Separation

- ✓ Overall concept and end state
- Relinking
- Tx legal separation
- Gx, Dx legal separation



3. GROW



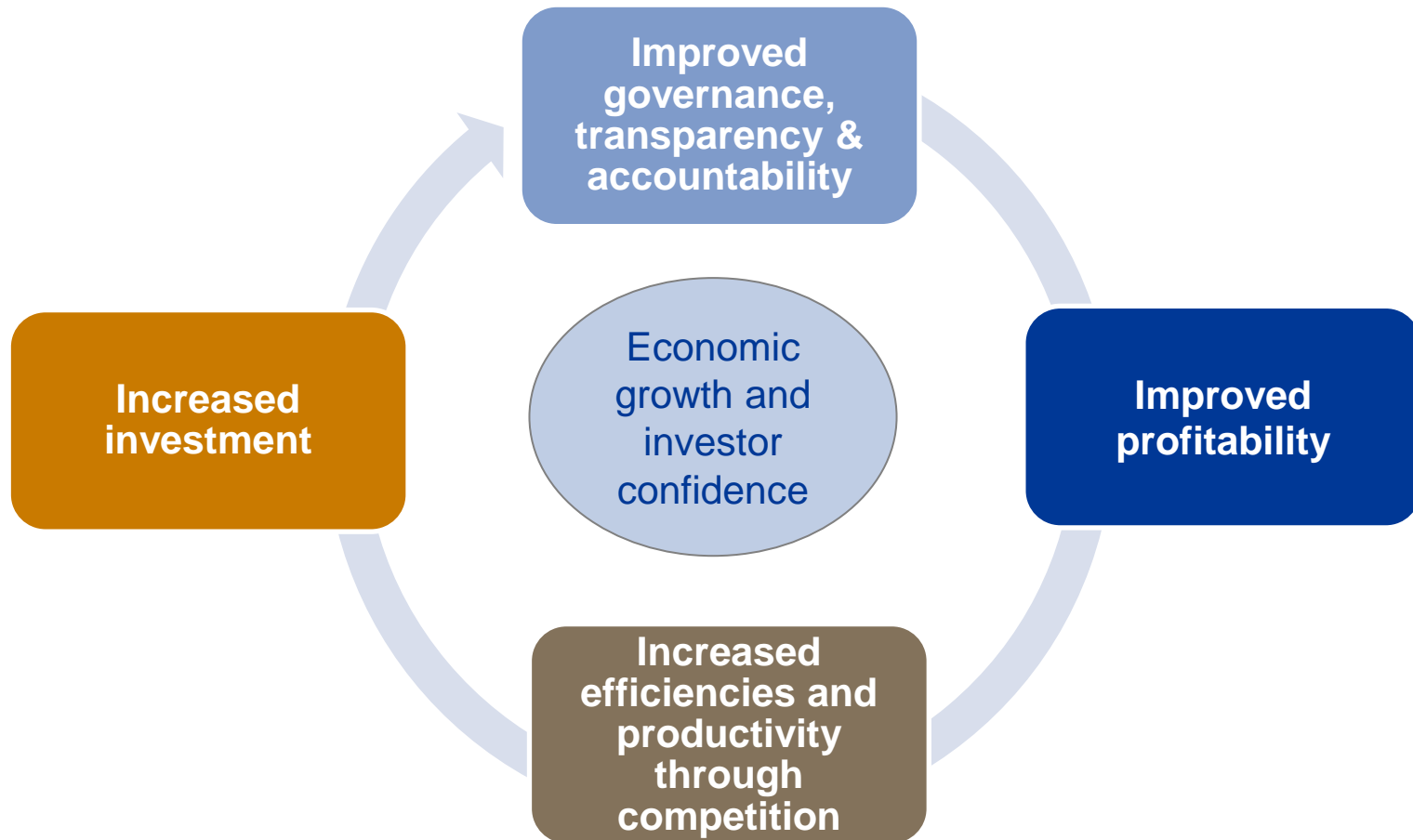
Revenue

- ✓ Shrink to grow
- ✓ No regret options
- ✓ Existing markets
- New markets and new products



What does success look like?

What do we ultimately want to achieve?

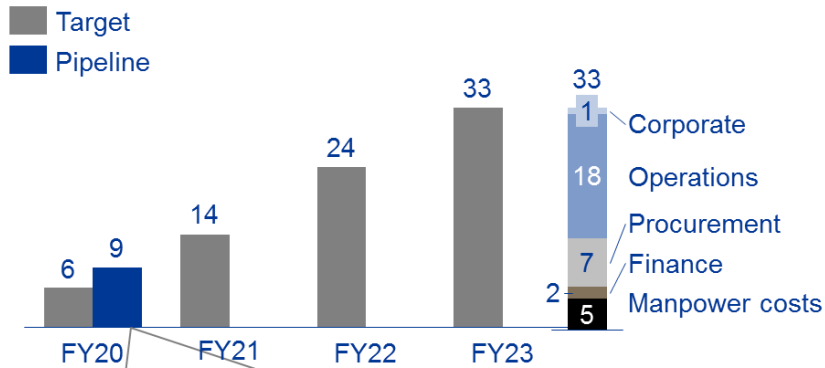


SUSTAINABLE ESKOM

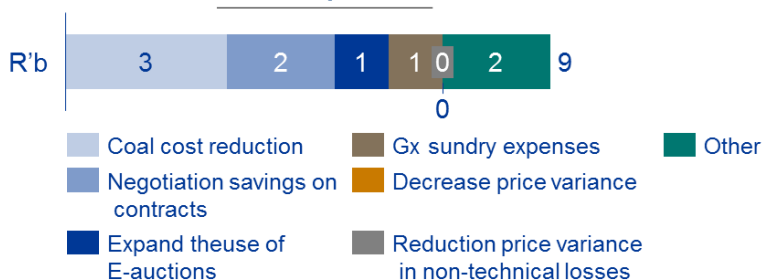
SUSTAINABLE ENERGY SUPPLY CHAIN

COST MANAGEMENT

Net savings target by FY (Rbn)



FY20 expansion



REVENUE MANAGEMENT

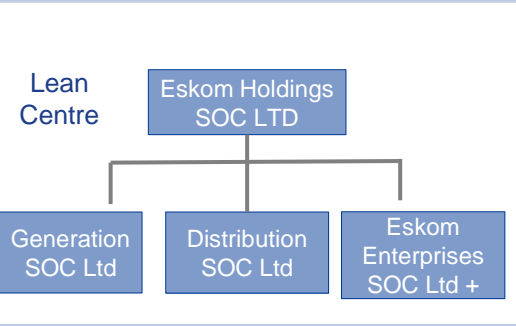
- Cost reflective tariffs
- Increase in sales volumes
- Revenue collection

Setup for growth

- Develop pipeline for new products and access to new markets (storage, e-mobility, mini grids etc)
- Africa Strategy, Renewables Energy Strategy and SMART strategy have been developed
- Use RT&D for new product development

Eskom's ability to implement its growth strategy is dependent on a change in market structure and policy. Strong advocacy will be required to influence this.

Overview of Business Separation



	Phase 0: Eskom Today	Phase 1: Functional separation	Phase 2: Legal separation	Phase 3: Transmission as a separate SOC
What is the legal entity?	Eskom	Eskom	Holding, Gx, Tx, Dx	Holding, Gx,Dx, Transmission Company
Where does the P&L reside?	Eskom	Eskom, Gx, Tx, Dx	Holding, Gx, Tx, Dx	Holding, Gx,Dx, Transmission Company
Who employs the FTEs?	Eskom	Eskom	Holding, Gx, Tx, Dx	Holding, Gx,Dx, Transmission Company
Where does the debt reside?	Eskom	Eskom	Holding, Gx, Tx, Dx	Holding, Gx,Dx, Transmission Company
How long to implement from today?	N/A	12-18 months	Tx co 24 months Legal separation in total 48 months	36 - 60 months

Phase 3 may be required to be executed in parallel with Phase 2

We are committed to the following

- ✓ Clear strategic direction
- ✓ Willingness to listen to your ideas
- ✓ Full commitment and alignment of the Exco to the strategy
- ✓ Clear definition of roles, responsibilities and lines of accountability
- ✓ Management and alignment of external stakeholders
- ✓ Regular, open and consistent communication

REQUIRES URGENCY

WILL BE PAINFUL

What we expect from you

- ✓ Your buy-in
- ✓ Your input
- ✓ Demonstrate commitment and leadership daily
- ✓ Rigorous, disciplined execution of what is within your control
- ✓ Tangible results to gain credibility
- ✓ Clear and consistent messaging throughout the organisation

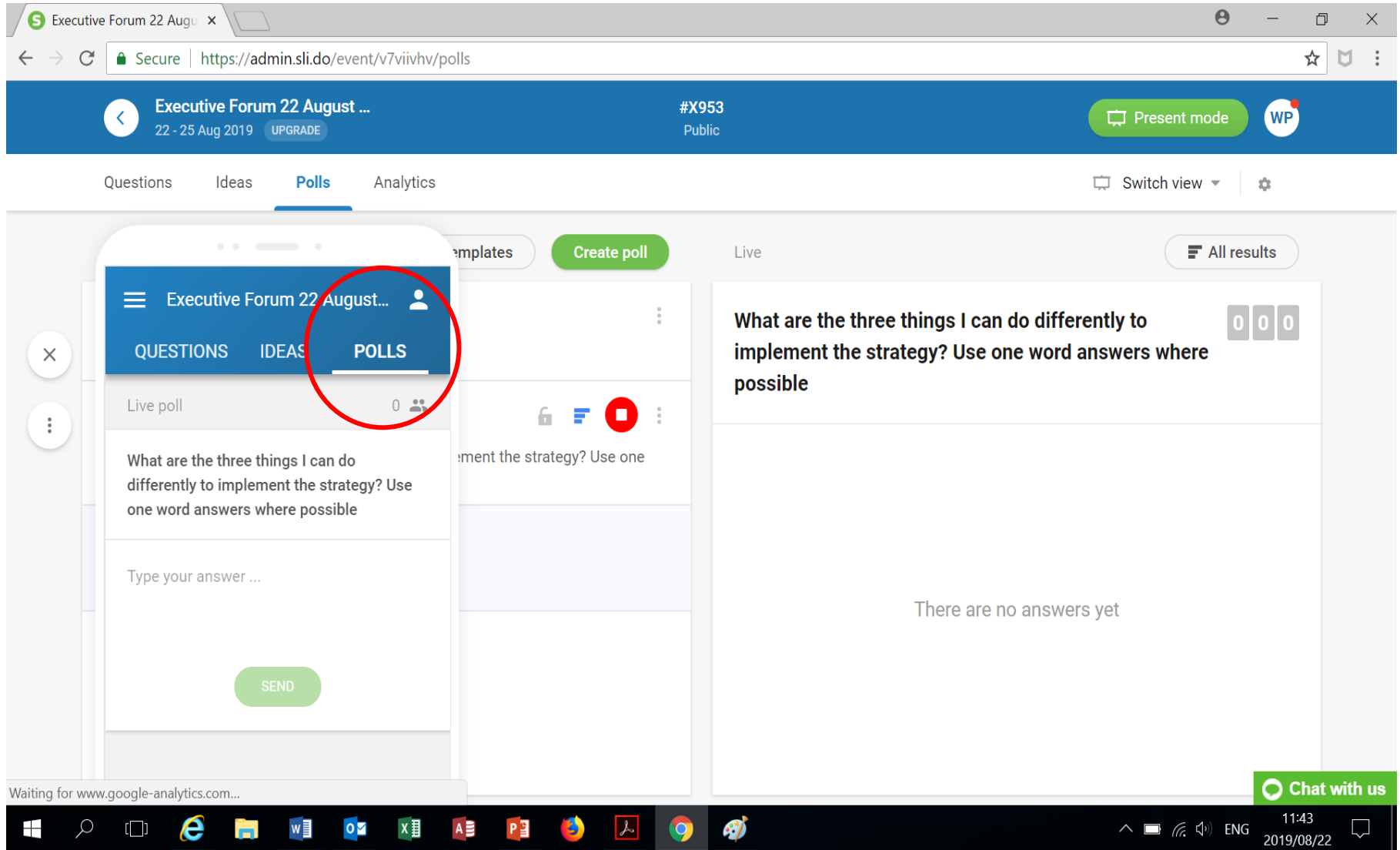
REQUIRES TOUGH DECISION-MAKING

TRADE-OFFS NEEDED

What do we do differently from today... ?



Go to POLLS and insert answer to: What are the three things I can do differently to implement the strategy? Use one word answers where possible



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