Annexure 5D. Material Assumptions to Projections

ANNEXURE 5D

MATERIAL ASSUMPTIONS TO THE PROJECTIONS CONTAINED IN ANNEXURE 5A, 5B AND 5C.

REVENUE ASSUMPTIONS

1. The model assumes CPI at 7% per annum throughout the forecast period.
2. The FY 24 revenue projections are based on management forecasts.
3. The BRPs projections assumes that SA Post Office will be able to arrest the decline in revenue and grow revenues in line with CPI.
4. Certain revenue streams such as the Bulk mail revenue and Motor Vehicle Licensing (MVL) was increased by 10 % per annum.
5. The projections assume that the RTIA National roll-out additional will provide additional revenue of R300m by FY27.
6. The projections assumes that SA Post Office will invest in its own Fleet which could provide additional Logistics revenue of R 300 million per annum by FY26.
7. Interest on average cash balances projected at 6,5% per annum for the forecasted period.

COST ASSUMPTIONS

1. The projections assume a reduction of 6 000 staff resulting in reduction of costs of c R1,3 bn from FY25 in staff costs. It is assumed that the Section 189 process will be completed by March 24 and reduced staff costs take effect from April 2024
2. Operating costs were increased by CPI except for certain costs such as Transport Costs, Material and Services costs and Marketing and Branding costs which were increased in line with the revenue growth assumptions.
3. The USO subsidy was projected at R728m for FY25 based on the SA Post Office application to DCDT. It is increased thereafter by CPI.
4. The Branch network reduced to 600 branches with efficiencies driven through remaining branches.

BALANCE SHEET AND CASHFLOW ASSUMPTIONS

1. The projections assume that the initial allocation from Government of R2,4 bn will be drawn down in full by January 2024, a further R2bn drawn down by end of 1st quarter of FY25 and a further R1,8bn drawn by end of 1st quarter of FY26.
2. A Business Rescue Dividend to all Creditors of 12 cents in the Rand paid after the R2 bn referenced in point 1 above is received. A further dividend of 18 cents in the Rand paid to SARS and Payroll Creditors paid after the draw down of the R1,8bn tranche. Total Business Rescue Dividend of R1,5bn.
3. Investments in capital equipment including Information Technology (R1 bn in aggregate), Mail Processing Equipment (R325 m), Buildings and Branch Network upgrades (R875m) and a Logistics Fleet of R550 m in aggregate.
4. An amount of R9,4 bn capitalised to SA Post Office reserves because of the compromise with Creditors, resulting in SA Post Office being solvent.