

Vodacom Group Limited preliminary results for the year ended 31 March 2020 short form announcement

11 May 2020

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1993/005461/06)

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(Vodacom)

## Vodacom Group Limited preliminary results for the year ended 31 March 2020 (short form announcement)

### Highlights

- Group revenue up 4.8% (3.5%\*) supported by Group service revenue growth of 5.0% (3.5%\*).
- Added 5.9 million customers, to serve a combined 116 million customers across the Group.
- Total financial services customers up 12.8%, to 53.2 million, adding 6 million customers in the year.
- South Africa service revenue grew 2.3%, with data usage elasticity supporting recovery to growth in the second half.
- International operations delivered strong service revenue growth of 12.5% (7.1%\*), with foreign currency translations boosting reported Group growth.
- Earnings per share were up 7.7% and headline earnings per share up 8.9%, boosted by the one-off BEE costs of R1.5 billion (including transaction costs) included in the prior period.
- Declared a final dividend of 405cps.

### Statutory performance measures

Rm	Year ended 31 March		% change	
	2020 IFRS 16	2019 IAS 17	Reported	Normalised*
Revenue	90 746	86 627	4.8	3.5
Net profit from associate and joint ventures	4 149	2 774	49.6	
Operating profit	27 711	24 490	13.2	2.2
Net profit	16 644	15 532	7.2	
Earnings per share (EPS) (cents)	939	872	7.7	
Headline earnings per share (HEPS) (cents)	945	868	8.9	
Total dividend per share declared (cents)	845	795	6.3	

### Alternative performance measures

Rm	Year ended 31 March	% change
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#### Notes:

Certain financial information presented in this results announcement constitutes *pro-forma* financial information in terms of the JSE Listings Requirements. The applicable criteria on the basis of which this *pro-forma* financial information has been prepared is set out in the supplementary information contained in the full announcement. The *pro-forma* financial information includes:

\* Normalised growth, which presents performance on a comparable basis. This excludes merger, acquisition and disposal activities where applicable and adjusting for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and IFRS 16 related adjustments in the current year and IAS 17 related adjustments in the prior year, to show a like-for-like comparison of results.

Amounts marked with an \* in this document, represents normalised growth as defined above.

All growth rates quoted are year-on-year and refer to the year ended 31 March 2020 compared to the year ended 31 March 2019, unless stated otherwise.

	2020 IFRS 16	2019 IAS 17	Reported	Normalised*
Service revenue	73 354	69 867	5.0	3.5
EBITDA	37 610	33 714	11.6	2.3
EBITDA-aL	33 539	n/a	n/a	
Capital expenditure	13 218	12 957	2.0	
Operating free cash flow	21 782	21 643	0.6	
Free cash flow	16 284	14 865	9.5	

#### Note with regard to the adoption of IFRS 16

IFRS 16 was adopted by the Group on 01 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. As a result, information presented for the year ended 31 March 2019 is presented under the previous statement IAS 17, while the year ended 31 March 2020 is presented in accordance with IFRS 16. The reported change reflected in this document is done on this basis while normalised growth adjusts for differences in reporting of the current year and the prior year, to give the reader a like-for-like comparison of underlying performance.

#### Shameel Joosub, Vodacom Group CEO commented:

An improved second half performance in South Africa and the sustained growth of our International businesses contributed to the Group's 8.9% increase in headline earnings per share to 945cps and a dividend return of 845cps to shareholders. This follows last year's substantial investment in South Africa's largest ever Broad-Based Black Economic Empowerment transaction in the telecommunication sector. Group service revenue rose 5.0%.

The past year has been characterised by strong customer growth - we now connect 116 million customers across the Group, including Safaricom – and the benefits of prudent portfolio diversification.

In South Africa, sharp data price reductions, specifically out-of-bundle data rates, announced in the first quarter led to a steady increase in data traffic as the year progressed with 1.9 million more data customers connecting to the Vodacom network, a 9.7% increase to 21.9 million.

While it is still early days, the trend of increased data usage has continued into the current financial year following reductions in

30-day data bundle tariffs of up to 40% from 1 April 2020 and the launch of our ConnectU platform, which provides easy access to numerous zero-rated essential service websites. These initiatives will provide savings of R2.7 billion to customers at a time when economies around the world are suffering from the COVID-19 pandemic.

Despite deteriorating economic pressures and the proactive price cuts to our out-of-bundle rates, service revenue rose 2.3% in our biggest market, where initiatives to deliver greater value to customers through pricing transformation and sustained investment in network infrastructure and IT systems are being rewarded.

As part of our strategy to build diverse and sustainable revenue streams, our efforts to introduce "one more service" to customers continue to gain momentum. For instance, revenue from our Financial Services business in South Africa jumped by 21.5% to R2.0 billion, on the back of our popular Airtime Advance, insurance and VodaPay services. Our digital services business has also produced solid growth, contributing R1.5 billion in revenues on the back of increasing purchases of our video-on-demand offering and our music, sports, gaming and other video services.

It has been another stellar year for our International portfolio, where we recorded margin expansion for a second year, and further diversifies our currency exposure from the South African rand. An additional 4.0 million customers and increased demand for data and M-Pesa services in each of our operations contributed to a 12.5% increase in service revenue across our International operations.

Our investment in Safaricom, Africa's second biggest Telco by market capitalisation after Vodacom, delivered a 30.4% boost in profits from this associate, with growth bolstered by currency factors and inclusion of the new M-Pesa joint venture. Significant investments in network and infrastructure, an acceleration in pricing transformation and a 17.2% underlying increase in revenue from M-Pesa, all contributed to Safaricom's success.

M-Pesa continues to deliver on its promise of delivering financial inclusion, while at the same time positively contributing to economic growth in markets where it is ubiquitous. Having expanded the M-Pesa ecosystem, customers in our International markets, including Safaricom, now process more than US\$14.7 billion a month in transactions through the platform.

We currently have 40 million customers transacting on M-Pesa across all our operations, generating total revenue of R16.2 billion and growing at 22% a year. Our focus, with our newly created joint venture, is to ensure that we align all product roadmaps across our operations and continue to expand the M-Pesa ecosystem across all countries. This will include the roll-out of nano lending platforms and getting the system ready for a smartphone world, where we can on-board more partners in this space. Our nano lending platform is already being used by 17 million customers in Kenya and Tanzania where it is driving our commitment to promote financial inclusion.

Over the past 12 months, the Group has made significant progress on a number of regulatory matters, including finality on the Competition Commission's data services market inquiry in South Africa. The assignment of available high-demand spectrum seems imminent, with ICASA indicating that this process will be concluded by the end of this year. Looking ahead, our immediate collective emphasis is to assist in addressing pressing societal challenges in each of the markets where we operate, particularly as the world strives to halt the spread of COVID-19 and recovers from the economic impacts of the pandemic. We remain committed to supporting governments where we operate in whatever way we can. Through numerous public and private sector partnerships across our footprint, Vodacom's teams are working hard in difficult conditions to keep communities, businesses and governments connected. The assignment of temporary spectrum in South Africa and elsewhere is welcomed and will assist in alleviating network congestion as more people work and are entertained at home. At the same time, we are executing on our robust, scalable operational continuity plans by anticipating and reacting to the current extraordinary environment to ensure our long-term sustainability.

We believe that collaborative efforts will be instrumental in defeating the pandemic, which is why we have partnered, for example, with Discovery Health to launch a simple but powerful online healthcare platform to help citizens understand their personal risk for COVID-19 and to immediately schedule free healthcare professional consultations where necessary. We have also partnered with the National Department of Health to deploy 20 000 smartphones with free voice call minutes and data, to be used by frontline health workers to collect and transmit data in real time for resource planning purposes, as government accelerates its COVID-19 testing campaign.

We have consolidated all our existing zero-rated data services with new essential services aimed at social upliftment into our single ConnectU platform. This social platform provides Vodacom customers with access to a wide range of zero-rated content that will assist customers during the lockdown and recovery period. The platform includes free access to job portals, where youth can search for employment and upload their CVs as well as access to our e-School platform that provides CAPS curriculum aligned content from Grades R – 12. In addition to launching special tariffs for virtual classrooms, we have expanded our zero-rated offering to all public schools, universities and T-Vet colleges across the country to ensure that students enrolled into these institutions will be able to access relevant information for free via these portals. In our International operations, we have zero-rated M-Pesa and greatly reduced fees below certain thresholds for person to person transfers, to minimise the use of cash for payments.

These are just some of the numerous activities that we have implemented across our markets to assist governments in their response to COVID-19. We continue to prioritise network quality so that we deliver on our purpose of connecting people to a better tomorrow.

## **Dividend**

### **Declaration of final dividend number 22 – payable from income reserves**

Notice is hereby given that a gross final dividend number 22 of 405 cents per ordinary share in respect of the financial year ended 31 March 2020 has been declared payable on Monday 29 June 2020 to shareholders recorded in the register at the close of business on Friday 26 June 2020. The number of ordinary shares in issue at the date of this declaration is 1 835 864 961. The dividend will be subject to a local dividend withholding tax rate of 20% which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 324.00000 cents per ordinary share.

Last day to trade shares <i>cum</i> dividend	Tuesday 23 June 2020
Shares commence trading <i>ex</i> -dividend	Wednesday 24 June 2020
Record date	Friday 26 June 2020
Payment date	Monday 29 June 2020

Share certificates may not be dematerialised or rematerialised between Wednesday 24 June 2020 and Friday 26 June 2020, both days inclusive.

On Monday 29 June 2020, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 29 June 2020.

Vodacom Group Limited tax reference number is 9316/041/71/5.

For and on behalf of the Board

**Jabu Moleketi**

Chairman

**Shameel Aziz Joosub**

Chief Executive Officer

**Till Streichert**

Chief Financial Officer

Midrand

**8 May 2020**

The preliminary condensed consolidated financial statements have been reviewed by Ernst & Young Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Group's registered office, together with the financial statements identified in the auditor's report, as well as on the Company's website at [www.vodacom.com](http://www.vodacom.com).

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement that has been published on SENS [https://senspdf.jse.co.za/documents/2020/jse/isse/VOD/FY20\\_SENS.pdf](https://senspdf.jse.co.za/documents/2020/jse/isse/VOD/FY20_SENS.pdf) and is also available on our website [www.vodacom.com](http://www.vodacom.com).

The full announcement is also available at our registered office and our sponsor's office for inspection, at no charge, during office hours. Copies of the full announcement may be requested by contacting Investor Relations on telephone: +27 (0) 11 653 5000 or email: [vodacomir@vodacom.co.za](mailto:vodacomir@vodacom.co.za).

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