

Vodacom Group Limited trading update for the quarter ended 31 December 2021 short form announcement
01 February 2022
Vodacom Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
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ISIN: US92858D2009 ADR code: VDMCY
(Vodacom)

Vodacom Group Limited trading update for the quarter ended 31 December 2021 (short form announcement)

Highlights

- Group revenue grew 6.4% (5.7%*) to R26.7 billion underpinned by strong service revenue growth.
- Group service revenue was up 5.3% (4.4%*), supported by sustained demand for connectivity and growth in new services such as financial services.
- South Africa service revenue grew 4.5% with excellent growth in Vodacom Business.
- International service revenue increased by 6.7% (3.5%*), supported by data and M-Pesa revenue growth.
- Financial services revenue increased 12.5% to R2.0 billion, with strong adoption of our South African super-app, VodaPay.

Rm	Quarter ended 31 December		YoY % change	
	2021	2020	Reported	Normalised*
Group service revenue	20 664	19 627	5.3	4.4
South Africa	14 950	14 306	4.5	4.5
International	5 913	5 543	6.7	3.5
Group revenue	26 745	25 134	6.4	5.7
South Africa	20 875	19 729	5.8	5.8
International	6 110	5 685	7.5	4.3

Shameel Joosub, Vodacom Group CEO commented:

The third quarter of our financial year coincided with a fourth wave of milder COVID-19 infections across most of the world but was largely shaped by economies beginning to recover from the impact of the pandemic. The Group remains committed to focusing on the economic recovery in markets where we operate through the execution of a purpose-led six-point plan. This plan includes expanding network coverage and resilience, accelerating support to governments, enhancing digital accessibility and digital adoption, supporting our customers as they adapt to new ways of working and promoting financial inclusion.

We expect that the two strategic acquisitions we announced in November last year – a majority interest in Vodafone Egypt and a strategic stake in the fibre assets of Community Investment Ventures Holdings (Pty) Limited (CIVH) - will be instrumental for this plan. It is particularly pleasing that our minority shareholders recently overwhelmingly voted in favour of the R41 billion Vodafone Egypt transaction as this presents significant diversification and growth opportunities for shareholders in a substantial and largely unbanked market and is expected to be transformational in our evolution from a telco to a techco. This approval represents an important milestone in our target to close the transaction by 31 March 2022. However, the transaction remains subject to regulatory approvals including from the National Telecom Regulatory Authority of Egypt (NTRA) and Egypt's Financial Regulatory Authority.

The CIVH fibre transaction in South Africa is also expected to accelerate Vodacom's purpose of connecting people for a better future by facilitating an ambitious fibre roll-out programme that will assist in narrowing the digital divide by enabling affordable access to connectivity in some of the most vulnerable parts of our society. Vodacom has submitted regulatory filings in respect of the transaction to the Competition Commission and ICASA, respectively, initiating a process to obtain regulatory approval.

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 in the full trading update.

The *pro-forma* financial information has not been audited or reviewed or otherwise reported on by external auditors.

The quarterly information has not been audited or reviewed by Vodacom's external auditors.

All growth rates quoted are year-on-year and refer to the quarter ended 31 December 2021 compared to the quarter ended 31 December 2020.

Amounts marked with an * in this document represent normalised growth which presents performance on a comparable basis. This excludes merger acquisition and disposal activities where applicable and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using the current year as base) to show a like-for-like comparison of results.

The assignment of additional spectrum in South Africa will also be instrumental in extending coverage, improving quality of service and lowering the cost to communicate, all of which are expected to support economic growth. With the auction scheduled for March 2022, we are working with the government, ICASA and the other telecommunication operators in South Africa to unlock this economic tailwind and avoid further delays. The allocation of high demand spectrum remains a key strategic priority for the Group.

Revenue in the third quarter was up 6.4% driven by a sustained demand for connectivity and the growth of new services, which includes financial and digital services, IoT and fixed. Our service revenue growth of 4.4%* on a normalised basis was in line with the Group's medium-term target and supported by a resilient performance in South Africa on the back of sustained investment into technology and our network to further enhance customer experience.

Financial services remains a clear strategic priority for the Group and this business continues to gain momentum. This is evidenced by the 12.5% increase in financial services revenue to breach the R2 billion mark for the first time in a quarter. Our M-Pesa platform, including Safaricom, continues to scale at an impressive rate with transaction values up 16.1% to exceed R430 billion per month. In South Africa, the launch of our VodaPay super-app in October last year has exceeded our expectations by attracting 1.4 million downloads and 1.0 million registered users in its first three months. We see VodaPay as a precursor to M-Pesa's evolution and further strengthening our fintech position across our footprint.

In South Africa, we invested a further R2.3 billion in the network during the quarter and delivered great value to customers through a highly successful summer campaign that attracted over 400 million engagements, unlocking prizes and rewards for our expanded customer base. We service 45.7 million customers in South Africa, an increase of 3.3% in a year, which contributed to a 4.5% increase in service revenue.

Supported by our continued focus on financial inclusion and accelerated capital expenditure, service revenue for our International operations grew 6.7% to R5.9 billion, or 3.5%* on a normalised basis. The reported growth was underpinned by a 12.9% increase in M-Pesa revenue and a 21.2% rise in data revenue. Tanzania's financial performance and progress in driving financial inclusion was impacted by government levies imposed on mobile money and airtime recharges. A key focus for our International portfolio is digital inclusion, which will be supported by our growing 21.5 million data customer base and driving higher smartphone adoption. International customers on smartphones stands at 12 million.

Looking ahead, we are encouraged by the post COVID-19 recovery taking place in many of the markets in which we operate and look forward to making meaningful contributions to foster economic development.

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/2022/jse/isse/VOD/3Q22_SENS.pdf and is also available on our website 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.

Sponsor: UBS South Africa (Pty) Limited