

Vodacom Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
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(Vodacom)

Share code: VOD
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16 May 2022

Vodacom Group Limited preliminary results for the year ended 31 March 2022 (short form announcement)

Highlights

- Group revenue of R102.7 billion was up 4.5%, as strong normalised growth of 5.8%* was partially offset by rand appreciation.
- Normalised Group service revenue and Group operating profit growth of 4.6%* and 5.4%* respectively, is in line with our medium-term targets.
- Added 5.9 million customers, to serve a combined 129.6 million customers across the Group, including Safaricom on a 100% basis.
- Financial services customers, including Safaricom on a 100% basis, up 5.0% or 2.9 million to 60.6 million.
- Free cash flow up 4.6%.
- Full year dividend of 850cps, up 3.0% and declared a final dividend of 430cps.

Group statutory performance measures

Rm	Year ended 31 March		% change	
	2022	2021	Reported	Normalised*
Revenue	102 736	98 302	4.5	5.8
Service revenue	79 936	77 574	3.0	4.6
Net profit from associates and joint ventures	3 056	3 501	(12.7)	17.5
Operating profit	28 236	27 652	2.1	5.4
Net profit	17 734	17 071	3.9	
Earnings per share (cents)	1 013	978	3.6	
Headline earnings per share (cents)	1 013	980	3.4	
Total dividend per share (cents)	850	825	3.0	

Group additional performance measures

Rm	Year ended 31 March		% change	
	2022	2021	Reported	Normalised*
EBITDA	39 888	39 299	1.5	2.1
EBITDA margin (%) ¹	38.8	40.0	(1.2ppt)	
Capital expenditure ²	14 642	13 307	10.0	
Capital intensity (%) ²	14.3	13.5	0.8ppt	
Operating free cash flow ³	22 693	22 338	1.6	
Free cash flow ³	15 660	14 974	4.6	
Financial services revenue ⁴	7 626	6 885	10.8	14.4

Notes:

1. EBITDA margin is EBITDA as a percentage of revenue.
2. Detail relating to capital expenditure is contained in the full announcement. Capital intensity is capital expenditure as a percentage of revenue.
3. A reconciliation of operating free cash flow and free cash flow is set out in the full announcement.
4. The combination of South Africa financial services revenue and International M-Pesa revenue.

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 announcement. The *pro-forma* financial information includes:

* Normalised growth presents performance on a comparable basis. This adjusts for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and excludes the impact of merger, acquisition and disposal activities, at a constant currency basis where applicable, to show a like-for-like comparison of results.

Amounts marked with an * in this document represent normalised growth as defined above.

All growth rates quoted are year-on-year and refer to the year ended 31 March 2022 compared to the year ended 31 March 2021, unless stated otherwise.

Shameel Joosub, Vodacom Group CEO commented:

The past year is best described as being a watershed year for Vodacom in which we made significant strides in our transition to a pan-African technology company through the two significant proposed strategic acquisitions we announced in November last year and the commercial launch of our consortium in Ethiopia this year. The purchase of a 55% stake in Vodafone Egypt, which has a proven track record of consistently delivering strong revenue growth, is nearing conclusion and will help us promote greater digital and financial inclusion in Egypt through leveraging our financial services platforms, global partnerships and best practices.

Similarly, our proposed acquisition of a strategic stake in Community Investment Ventures Holdings (Proprietary) Limited (CIVH), will assist in narrowing the digital divide by enabling affordable access to connectivity in some of the most vulnerable parts of our society, is before South Africa's regulators for approval. Additionally, our financial services business is underpinned by Africa's clear fintech leader by transaction volumes, M-Pesa, which recently celebrated its 15th anniversary.

Our efforts as a purpose-led organisation continue to be the core ethos of the Vodacom brand and we support and uplift the communities across our markets wherever possible, in keeping with our Social Contract. In KwaZulu-Natal, which has recently been ravaged by devastating flooding, Vodacom donated R3 million to the Gift of the Givers Foundation to help towards relief efforts. As part of one of our flagship projects to combat the scourge of Gender Based Violence (GBV) in South Africa, Vodacom also pledged R10 million to fund a private sector-led, multi-sectoral 'Gender-Based Violence and Femicide Response Fund 1'. This is in addition to various GBV initiatives that support the implementation of the South African government's National Strategic Plan (NSP), and the wider GBV response in the country.

Looking to some of our other purpose-led initiatives across the continent, I was honoured to be part of a delegation in Tanzania attended by President Samia Suluhu Hassan, celebrating the national launch of Vodafone Foundation and Vodacom Tanzania Foundation's m-Mama. The service, which provides emergency transport for pregnant and postpartum women, is expected to save the lives of up to 9 000 mothers and babies over the next five years. It has already cut maternal mortality rates by 30%. In keeping with our continued efforts to combat COVID-19, the Vodafone Foundation and Vodacom donated R87 million to purchase vaccines and support vaccine roll-outs to vulnerable people in hard-to-reach communities across our markets. This includes funding the delivery of cold chain units to the Democratic Republic of Congo (DRC), Ghana, Mozambique, South Africa and Tanzania.

The coming financial year also promises to be significant in the lives of the South African consumer now that the long-awaited spectrum auction has concluded in March 2022 and is expected to contribute to the long-term sustainability of the industry in Vodacom Group's largest market. In addition to accelerating our rural coverage programme and fast-tracking the roll-out of our 5G network, access to high-demand spectrum will result in even faster data connectivity and will ultimately assist in delivering greater value for customers, who have already benefitted from a 43% drop in headline data prices since 2020 and our R50 billion investment in infrastructure over the past five years alone.

In building resilience of our networks to cope with significant increases in mobile data traffic volumes, enabling businesses to operate, facilitating online learning and assisting governments in providing critical services, we invested R14.6 billion into capital expenditure across the Vodacom Group markets, helping underpin the 3.0% (4.6%*) increase in Group service revenue.

In particular, I am also pleased with the growth of our Group financial services and Internet of Things divisions in an increasingly difficult trading environment. The strong operating results supported a 3.0% increase in full year dividend to 850 cents per share, a testament to having the right strategy in place and the manner in which the Group and its employees adapt to crises while at the same time resolutely delivering on our purpose-led ambitions.

In South Africa, revenue grew by 5.3% to R80.8 billion on the back of growth in our new services, continued demand for connectivity and incremental wholesale revenue. New services, such as financial and digital services, fixed and Internet of Things (IoT), grew 8.5% and contributed R8.4 billion or 14.4% of South Africa's service revenue.

Our International operations reported muted revenue growth of 0.6% in the year, impacted by a stronger rand and new levies on mobile money in Tanzania, which has proven to be a setback for our financial inclusion efforts in that country. Despite the impact of the levies, normalised growth came in at 5.6%*, showcasing the operational strength of our International portfolio. Our continued investments in our 4G capacity and coverage to enhance our network lead in all our markets continues to pay dividends with data services a key driver of growth. This is evidenced by the 11% increase in data revenue, contributing 20.7% of International service revenue.

Through our sustained investments into financial, digital and lifestyle services, we remain focused on providing opportunities to enhance our relationship with the 129.6 million customers we serve across our footprint. I am particularly excited about VodaPay's high adoption rate since its launch in South Africa in October last year. This super-app has attracted 2.2 million downloads and 1.6 million registered users and will offer services ranging from loans and savings, seamless QR and person-to-person payments, to entertainment and personalised shopping experiences, promoting greater financial inclusion.

Alongside M-Pesa, which is expected to further establish itself as Africa's largest fintech provider through the implementation of an enhanced product roadmap, VodaPay will be instrumental in our quest in connecting the next 100 million African customers so that no one is left behind. M-Pesa across our markets has grown to serve more than 47.1 million customers and 550 000 merchants through 510 000 agents in the DRC, Kenya, Lesotho, Mozambique and Tanzania. M-Pesa processes over 52 million transactions daily with a value of US\$324.6 billion during the year. We now serve 60.6 million financial services customers across our footprint, including Safaricom on a 100% basis.

While we remain encouraged by the post COVID-19 recovery taking place in many of the markets in which we operate, the Ukraine-Russian war has significantly impacted commodity prices, heightening inflation risk globally which will likely impact customer affordability and weigh on economic growth. This will place even greater reliance on our ability to deliver personalised nano pricing through our innovative 'Just4You' platform, in addition to other proactive innovations to adjust to shifts in customer behaviour.

In addition to focusing on the closure of the proposed acquisitions, and the expansion into Ethiopia, our priorities in the year ahead will include scaling our super-apps, deeper penetration of financial services and delivering innovative products to assist customers with the higher cost of living.

Declaration of final dividend number 26 – payable from income reserves

Notice is hereby given that a gross final dividend number 26 of 430 cents per ordinary share in respect of the financial year ended 31 March 2022 has been declared payable on Monday 27 June 2022 to shareholders recorded in the register at the close of business on Friday 24 June 2022. 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 344.00000 cents per ordinary share.

Last day to trade shares cum dividend	Tuesday 21 June 2022
Shares commence trading ex-dividend	Wednesday 22 June 2022
Record date	Friday 24 June 2022
Payment date	Monday 27 June 2022

Share certificates may not be dematerialised or rematerialised between Wednesday 22 June 2022 and Friday 24 June 2022, both days inclusive.

On Monday 27 June 2022, 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 27 June 2022.

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

Dividend policy

Since the financial year ended 31 March 2013, the Board has maintained its dividend policy of paying at least 90% of adjusted headline earnings, excluding the contribution of the attributable net profit from Safaricom. In addition, the Group distributed any dividend it received from Safaricom, up to a maximum amount of the dividend received, net of withholding tax.

Looking ahead, the acquisition of Vodafone Egypt and an up to 40% stake in Community Investment Ventures Holdings (Proprietary) Limited's (CIVH) fibre assets, provides a compelling opportunity to accelerate our System of Advantage and the Group's growth profile. Mindful that these deals will utilise debt capacity and while also wanting to retain headroom to invest into growth areas, the Board considered it appropriate to review the current dividend policy.

Accordingly, on completion of the Vodafone Egypt acquisition, the Group intends to amend and simplify its dividend policy and institute a policy of paying dividends of at least 75% of Vodacom Group headline earnings. The simplified policy and proposed acquisitions combine to provide a high pay-out on enhanced growth prospects. Notwithstanding the change in dividend policy, Vodacom Group will still have one of the highest dividend pay-out policies on the JSE. Additionally, the policy provides scope for the Group to invest within its 13 - 14.5% capital intensity target, de-lever the balance sheet and accommodate the upstreaming and dividend pay-out profiles of Safaricom and Vodafone Egypt.

For and on behalf of the Board

Sakumzi Justice Macozoma
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Raisibe Morathi
Chief Financial Officer

Midrand

13 May 2022

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/FY22SENS.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.

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