

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

Share code: VOD  
ADR code: VDMCY

14 November 2022

## Vodacom Group Limited interim results for the six months ended 30 September 2022 (short form announcement)

### Highlights

- Group revenue of R53.7 billion was up 7.7%, supported by normalised growth of 5.0%\* and rand depreciation against our basket of International currencies.
- Group service revenue growth was 7.2% in the period, with normalised growth accelerating to 4.9%\* in the second quarter.
- Muted EBITDA growth of 0.6% (-1.8%\*) to R20.2 billion impacted by one-off factors and higher energy and network costs.
- Financial services customers were up 10.2% to 63.1 million, including Safaricom on a 100% basis.
- Headline earnings per share declined 9.5%, impacted by start-up losses in Ethiopia and higher finance costs as interest rates normalised to pre-COVID levels.
- Net debt to EBITDA at 1.1 times reflecting spectrum acquisition in South Africa and elevated network investment.
- Implementation of new simplified dividend policy and interim dividend of 340cps.
- Progress made on the regulatory approvals for the Vodafone Egypt and CIVH joint venture acquisitions.

### Group statutory performance measures

| Rm  | Six months ended 30 September |        | % Change |             |
|---|-------------------------------|--------|----------|-------------|
|   | 2022                          | 2021   | Reported | Normalised* |
| Revenue                                       | 53 713                        | 49 856 | 7.7      | 5.0         |
| Service revenue                               | 41 729                        | 38 915 | 7.2      | 3.9         |
| Net profit from associates and joint ventures | 1 466                         | 1 644  | (10.8)   | 5.1         |
| Operating profit                              | 13 268                        | 14 058 | (5.6)    | (5.1)       |
| Net profit                                    | 8 072                         | 8 873  | (9.0)    |             |
| Earnings per share (cents)                    | 457                           | 504    | (9.3)    |             |
| Headline earnings per share (cents)           | 457                           | 505    | (9.5)    |             |
| Interim dividend per share (cents)            | 340                           | 420    | (19.0)   |             |

### Group additional performance measures

| Rm                                    | Six months ended 30 September |        | % Change |             |
|---------------------------------------|-------------------------------|--------|----------|-------------|
|                                       | 2022                          | 2021   | Reported | Normalised* |
| EBITDA                                | 20 200                        | 20 076 | 0.6      | (1.8)       |
| EBITDA margin (%) <sup>1</sup>        | 37.6                          | 40.3   | (2.7ppt) |             |
| Capital expenditure <sup>2</sup>      | 7 599                         | 6 920  | 9.8      |             |
| Capital intensity (%) <sup>2</sup>    | 14.1                          | 13.9   | 0.2ppt   |             |
| Operating free cash flow <sup>3</sup> | 4 806                         | 6 458  | (25.6)   |             |

#### 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, which presents performance on a comparable basis. This adjusts for 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 six months ended 30 September 2022 compared to the six months ended 30 September 2021, unless stated otherwise..

|  |       |       |        |      |
|--|-------|-------|--------|------|
| Free cash flow (pre-spectrum) <sup>3</sup> | 2 028 | 4 456 | (54.5) |      |
| Financial services revenue <sup>4</sup>    | 4 414 | 3 704 | 19.2   | 10.7 |

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

Despite ongoing financial market volatility and weaker prospects for the global economy, Vodacom Group's resilient revenue performance in the first quarter continued into the second quarter, evidenced by the 7.7% increase in Group revenue to R53.7 billion in the first half of the current financial year.

The war in Ukraine, which followed hard on the heels of a global health crisis, continues to result in increased inflationary pressures and elevated living costs in many countries across the world, including markets where Vodacom operates. Vodacom has attempted to absorb considerable inflationary costs from the dramatic increase in energy costs as far as possible and, as a purpose-led organisation, has sought to accelerate various initiatives to deliver even greater value to financially strained customers.

These efforts, coupled with expected start-up costs associated with the recent launch in Ethiopia of a national telecommunications network through Safaricom Ethiopia, in which Vodacom holds a minority and which is accounted for as an associate, contributed to a 9.3% decline in earnings per share. Encouragingly, the fact that it was recently announced that Safaricom Ethiopia will be awarded a financial services licence is expected to accelerate our ambition to transform lives in Africa's second most populous country. We have already launched our network in 16 cities in Ethiopia with plans to expand services to 25 cities by April 2023, to reach our first milestone of 25% population coverage.

We continue to transform lives in South Africa where we were recognised as a level one Broad-Based Black Economic Empowerment (B-BBEE) contributor for a fourth consecutive year and remain one of the JSE's most transformed companies. As Vodacom Group, we continue to make good progress in addressing climate change. In our role as a partner of the COP27 UN Climate Change Conference hosted in Egypt earlier this month, we re-affirmed our pledge of halving the Group's environmental impact by 2025.

One of our many purpose-led initiatives which I am particularly proud of is our mobile healthcare programme in Tanzania called 'm-mama', a service that provides emergency transport for pregnant and post-partum women. Tanzania has one of the highest maternal mortality rates in the world, many of which could be prevented by reducing delays in receiving care. 'M-mama' is expected to save the lives of around 9 000 mothers and babies over the next five years. It is estimated that the service has already helped reduce the maternal mortality rate by 30% in the Lake Zone region in Tanzania, showcasing what the right partnerships and digital solutions can achieve.

Substantial investments into technology and our networks continues to resonate with customers, having attracted an additional 3.0 million customers in the period. This means we now serve 132.6 million customers across our footprint, where we now have an addressable market of more than 400 million people, with Vodafone Egypt set to add further scale. Our efforts to deepen financial inclusion continue to thrive, supported by the double digit increase in financial services customers to 63.1 million (including Safaricom on a 100% basis). We are Africa's leading fintech player measured by a processed transaction value of US\$355.2 billion over the last twelve months, up 17.6%.

Tanzanians in particular have benefitted from significant reductions in mobile money levies, with the government implementing decreases of up to 43% effective from 1 July 2022. This helped drive an additional 19.5% increase in the number of Tanzanians using M-Pesa, and is clearly supportive of financial inclusion.

Accelerated growth of 39.3% in the second quarter saw our M-Pesa revenue end the six-month period 25.2% higher at R3.0 billion, accounting for nearly a quarter of International service revenues. In addition to M-Pesa's recovery, strong data growth and foreign exchange tailwinds largely contributed to the 17.9% growth in service revenue from our International operations to R12.6 billion.

In South Africa, we invested R5.8 billion in our network – the most in a six-month period – to further enhance the customer experience at a time when the country experienced record levels of power outages. In the past two years, we invested over R2.0 billion in batteries alone to enhance the resilience of our network so that we keep customers connected during extended periods of loadshedding. At the same time, we continue to work closely with Eskom to find a renewable energy solution for the benefit of our planet and customers, having announced in September 2022 an in-principle agreement with South Africa's energy utility to pilot a programme that would see Vodacom South Africa source its electricity from renewable independent power producers and contribute this into the national grid.

It is also particularly pleasing to see that the investments into our South African network – more than R50.0 billion over the past five years alone – have culminated in further extending our Net Promoter Score (NPS) lead over our nearest competitor while at the same time driving growth from our new services - such as financial and digital services, fixed and IoT. In addition to increased demand for personalised bundles and strong equipment sales, these factors contributed to a 4.9% rise in revenue in our largest market. Underpinned by an almost 20% increase in insurance policies, revenue generated from financial services improved 8.1% to R1.4 billion. Launched almost a year ago, our super-app VodaPay, reached 2.2 million registered users through 3.5 million downloads while near-term plans to add cash-in and cash-out capabilities and scale our affordable consumer micro loans positions this business well to expand our offerings and drive deeper penetration of financial services.

Vodacom has a proven track record as a resilient company, and we are committed to ensuring that we follow our purpose of connecting people to a better future while delivering value for our shareholders. Like many other companies, the operating environment that we face requires an unwavering focus to deliver our strategy, to meet our business objectives and to serve our customers. We continue to act swiftly so that we have the right measures in place – including our commercial initiatives and cost efficiency programmes – to help mitigate the impacts from the global macroeconomic risks.

Looking ahead, we expect that the Vodafone Egypt acquisition and Community Investment Ventures Holdings (Proprietary) Limited (CIVH) joint venture will enhance our system of advantage and provide scope to accelerate the growth profile of the Vodacom Group. In Egypt, the transaction obtained approval from the National Telecom Regulatory Authority and remains subject to the Financial Regulatory Authority’s approval and other key suspensive conditions as set out in the circular to shareholders published by the Company on 10 December 2021. Our strategic acquisition of a joint venture stake of up to 40% in CIVH, recently received approval from ICASA subject to licence conditions, such as open-access, and remains subject to Competition Commission approval.

#### Declaration of interim dividend number 27 – payable from income reserves

Notice is hereby given that a gross interim dividend number 27 of 340 cents per ordinary share in respect of the six months ended 30 September 2022 has been declared payable on Monday 5 December 2022 to shareholders recorded in the register at the close of business on Friday 2 December 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 272 cents per ordinary share.

|                                       |                            |
|---------------------------------------|----------------------------|
| Last day to trade shares cum dividend | Tuesday 29 November 2022   |
| Shares commence trading ex-dividend   | Wednesday 30 November 2022 |
| Record date                           | Friday 2 December 2022     |
| Payment date                          | Monday 5 December 2022     |

Share certificates may not be dematerialised or rematerialised between Wednesday 30 November 2022 and Friday 2 December 2022, both days inclusive.

On Monday 5 December 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 5 December 2022.

Vodacom Group Limited tax reference number is 9316/041/71/55.

#### Dividend policy

The pending acquisition of Vodafone Egypt and an initial 30% stake into a joint venture with CIVH, provides a compelling opportunity to accelerate our system of advantage and the Group’s growth profile. Given the progress on acquiring Vodafone Egypt, the Board considered it appropriate to implement the simplified dividend policy it proposed with the acquisitions in November 2021.

Accordingly, from this interim period, the dividend policy is set at least 75% of Vodacom Group headline earnings. The policy and announced 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 13.0% to 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

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**11 November 2022** (published on SENS on 14 November 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/HY23SENS.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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