

Vodacom Group Limited
(Incorporated in the Republic of South Africa)
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(Vodacom)

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31 January 2023

Vodacom Group Limited trading update for the quarter ended 31 December 2022 (short form announcement)

Highlights

- Group revenue increased 14.8% (4.7%*) to R30.7 billion, positively impacted by the acquisition of Vodafone Egypt and rand depreciation against our basket of international currencies.
- Group service revenue was up 16.1%, with normalised growth of 3.5%*, supported by growth in data revenue and financial services.
- South Africa service revenue grew 3.0%, underpinned by a strong performance in mobile prepaid.
- International service revenue increased 18.0% (4.5%*), driven by data revenue growth and a weaker rand.
- Financial services revenue increased 30.6% (16.5%*) to R2.6 billion, with VodaPay super-app downloads reaching 4.5 million.
- Vodafone Egypt was consolidated from 8 December 2022.

Rm	Quarter ended 31 December		YoY % change	
	2022	2021	Reported	Normalised*
Group service revenue	23 998	20 664	16.1	3.5
South Africa	15 393	14 950	3.0	
Egypt	1 821	^	^	
International	6 975	5 913	18.0	4.5
Group revenue	30 705	26 745	14.8	4.7
South Africa	21 915	20 875	5.0	
Egypt	1 876	^	^	
International	7 126	6 110	16.6	3.3

Shameel Joosub, Vodacom Group CEO commented:

The third quarter of our current financial year is the first set of results that includes revenues from what we expect will be a transformative transaction for the Group – our acquisition of a 55% stake in Vodafone Egypt. In December last year we announced the finalisation of the R43.6 billion deal, the largest in Vodacom Group's history, and one that cements our position as a leading pan-African technology company in addition to diversifying and accelerating our growth profile. It also means that our population reach exceeds 500 million people across Africa, providing a clear growth path for Vodacom.

Vodafone Egypt was consolidated from 8 December 2022, contributed over R1.8 billion to Group service revenues and was a key factor, alongside currency gains and operating model resilience, in the 16.1% improvement in our service revenue, despite ongoing financial market volatility and weaker prospects for the global economy.

The 4.7%* increase in normalised Group revenue – which strips out currency fluctuations and the impact of Vodafone Egypt's acquisition – underscores the ongoing resilience of the Group's portfolio at a time when economic uncertainty prevails in the face of the war in Ukraine and the supply chain impacts of the COVID-19 pandemic.

In addition to delivering value to shareholders by ensuring the smooth integration of Vodafone Egypt into the Vodacom Group, we remain firmly focused on our purpose of connecting people for a better future and, in particular, assisting customers impacted by cost of living constraints.

A prime example of delivering on this promise was through our recent innovative summer campaign whereby customers in South Africa, our largest market, benefited from Vodabucks rewards, which were convertible into cash and could be used for purchases on the VodaPay super-app. While producing even greater value to customers, this mechanism also showcases an evolution in the Vodacom ecosystem that resulted in a significant uplift in downloads of the VodaPay super-app, breaking through the 4.5 million mark, with 2.7 million registered users.

Notes:

Certain financial information presented in this trading update 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 2022 compared to the quarter ended 31 December 2021.

* Normalised growth which 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.

^ Vodafone Egypt Telecommunications SAE (Vodafone Egypt) was consolidated from 8 December 2022 representing the effective date of the transaction. No comparative information or growth rates are included.

Another of our many purpose-led initiatives which I am proud of is our 'Code Like A Girl' programme. This programme aims to tackle low representation of girls in Science, Technology, Engineering and Mathematics (STEM) education and get more girls into careers that require coding skills, or to help them get a start as STEM entrepreneurs. First implemented in 2017, we have ramped up efforts in the quarter, particularly in South Africa, Mozambique and Lesotho. By connecting more girls through 'Code Like A Girl', investments of this nature are helping to build a more digital, inclusive, sustainable future on the continent.

Our sustained investments into technology innovation and our network infrastructure has further enhanced the experience we deliver to customers and this philosophy continues to reap rewards, evidenced by Vodacom South Africa's 5.0% increase in revenue. In addition to a successful summer campaign, this growth was led by a greater contribution from new services and an acceleration in prepaid mobile revenue.

Our proposed purchase of a joint venture stake in South African fibre company Maziv, previously InfraCo, is expected to assist in narrowing the digital divide by enabling affordable access to connectivity in some of the most vulnerable parts of the country through an ambitious fibre roll-out programme. The joint venture will house the material fibre network assets of Vodacom South Africa and CIVH and having received ICASA approval in October last year, the transaction remains subject to the Competition Commission's ongoing approval process.

Financial services, the fastest growing contributor to the Group's suite of new services, remains a clear strategic priority and continues to gather momentum. This is evidenced by the 30.6% increase in financial services revenue to reach R2.6 billion, largely on the back of demand for services on an evolving M-Pesa platform across our international portfolio as well as double digit growth in insurance policy and Airtime Advance sales in South Africa.

Supported by our continued focus on financial inclusion and accelerated capital expenditure, service revenue for our International operations grew 18.0% to R7.0 billion, or 4.5%* on a normalised basis. The reported growth was underpinned by a 33.6% (18.3%*) increase in M-Pesa revenue and a 32.5% rise in data revenue. Over the last twelve months, M-Pesa processed US\$366.7 billion, an increase of 17.0%, and remains Africa's largest mobile money platform by transaction value.

Digital inclusion remains a key focus for our International portfolio, where we invested R1.1 billion in capital expenditure in addition to spectrum purchases in Tanzania and Mozambique during the quarter. Investments of this nature are an important contributor to driving data affordability and accelerating fixed-wireless access across our footprint.

Looking ahead, 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 ensure 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.

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/2023/jse/isse/VOD/3Q23SENS.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 email: vodacomir@vodacom.co.za.

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