

Conference Call Transcript

11 November 2019

INTERIM RESULTS ANALYSTS

Operator

Good day ladies and gentlemen and welcome to the Vodacom Group Ltd results conference call for the six months ended 30 September 2019. Vodacom Group CEO, Shameel Joosub, will host the conference call. I will read the forward-looking disclaimer before handing over to Shameel.

This announcement which sets out the interim results for Vodacom Group Ltd for the quarter ended 30 September 2019 contains forward looking statements. These statements have not been reviewed or reported on by the group's auditors with respect to the group's financial condition, results of operations and businesses and certain of the group's plans and objectives. In particular such forward-looking statements include statements relating to the group's future performance, future capital expenditures, acquisitions, divestitures, revenues, expenses, financial conditions, dividend policy and future prospects, business and management strategies relating to the expansion and growth of the group, the effects of regulation on the group's businesses by governments in the countries in which it operates, the group's expectations as to the launch and rollout dates of products, services or technologies, expectations regarding the operating environment and market conditions, growth in customers and usage and the rate of dividend growth by the group.

If you do not have a copy of the results announcement or results presentation it is available on the investor relations website on www.vodacom.com. Please note all participants are currently in listen-only mode and there will be an opportunity to ask questions later during the conference. Please also note that this call is being recorded. I would now like to hand the conference over to Shameel Joosub. Please go ahead, sir.

Shameel Joosub

Morning to those joining the call in US. I'm joined by Till Streichert, our CFO, and Shaun van Biljon, our Head of Investor Relations. You have already seen the numbers and we have taken you through most of it at the results presentation. For this call I will take you through some of the key take-outs for the period. I'm pleased with our results for the six months and particularly the strong momentum gained in the second quarter with South Africa turning around to positive growth. Our investment in Safaricom continues to perform well. Safaricom contributed R1.7 billion in after-tax profits and we received a dividend from Safaricom which included a special dividend which we are also passing on to investors. We continue to deliver solid results, growing their net profit by 14.4% in the half.

Our financial services portfolio delivered strong growth across all our markets as we expanded our service offerings, integrating more payment options, enabling merchant payments and insurance and bringing loans and savings opportunities to our 50 million financial service customers. Our M-PESA business continues to deliver solid growth and as a group we now process R2.4 trillion annually through the M-PESA platform. Our content business is also making good progress in enabling new platforms to generate additional data usage such as our video, music and gaming propositions. We have over 1 million customers who made 14.8 million video on demand purchases

during the six months. Our recently launched gaming platform has 343,000 subscribers with over 2,000 games available.

We continue to build our digital telco capability and we are finding ways to be more efficient, responsive, proactive and smart, thereby creating an improved customer experience and savings on costs. One of the areas we are seeing good progress here is in the reduction of total call volumes to our call centres by 25% supported by Tobi, our ChatBot. Our acquisition of a 51% stake in IoT.next has received Competition Commission approval and is now being concluded. We are working closely with the team to develop new solutions and delivering new products in additional verticals. The AWS partnership is also progressing well and we are in track to deliver new products and services to our existing and new customers during the first part of the new financial year.

Looking at the numbers, during today's call I will be quoting a few additional numbers. The reason for this is that we have adopted new accounting standards for leases which impacted growth and the cost from our BEE deal in the prior period also impacts underlying performance. When I talk about normalised growth this is growth which excludes these impacts as well as the currency translation differences, so it gives you the best view of how the business is performing on a like for like basis.

From a group perspective we have reported solid service revenue growth of 4.2% with revenue up 3.9%. The international portfolio has provided a good hedge against the weaker Rand during the period. We added 5.4 million customers in the group including Safaricom to reach 115 million. We added 4.8 million data customers across the group to reach 61.3 million with just over half of our customers using data, with still more opportunity to grow. EBITDA increased 9.9% boosted by accounting changes and on a normalised basis this was up 0.7% supported by strong growth in the international operations. Headline earnings per share were up 18.9%. We have spent R6.3 billion on expanding and improving all our networks. And finally, the board declared an interim dividend of 380 cents per share in line with policy and a special dividend of 60 cents per share, bringing the total dividend to 440 cents, up 11.4% on last year.

Let's look at the segments in more detail. In South Africa service revenue grew by 0.3% or 1.5% after adjusting for the R292 million adjustment in the prior year. I am particularly pleased with the strong performance in the second quarter with underlying service revenue growth of 4.2%. The positive growth was from the anticipated uptick in data usage which began to offset the drag from the reduction in out of bundle rates by 50% from the beginning of the year. This is a good result in a low economic growth environment. In March we implemented the End User and Subscriber Service Charter regulations in South Africa relating mainly to out of bundle data usage rules, and went a step further by reducing out of bundle rates by 50%. This saw service revenue decline in the first quarter with improved elasticity in the second quarter, returning to positive growth.

Service revenue growth was supported by the full on-boarding of Telkom as our new roaming partner in the second quarter. In the contract space we gained 192,000 customers with both enterprise and consumer segments delivering strong growth. Overall contract customers were up 8.8% year over year. In the prepaid segment we added 498,000 prepaid customers in the second half. Customers continued to utilise our highly discounted bundle offers with shorter validity periods such as daily or weekly rates and personalised offers through our Just 4 You platform. We now sell more than 2.4 billion bundles a year.

The underlying data metrics were strong with data traffic increasing 54.6% in the half with even stronger data traffic growth in the second quarter. Usage per smart device grew 53.5% to 1.3 GB with 11.3 million 4G customers connected on our network. We sold 472 million data bundles this period, up 7.9%, which has also accelerated in the second quarter. I'm encouraged by this

behaviour as it means that we are making data more affordable, but also that customers are truly growing into higher data usage. As mentioned, customers using our digital platforms are growing strongly. This remains a key strategy to drive data usage.

Financial services continues to perform well with the revenue increasing 37.1% to R972 million, or close to R2.0 billion annualised. 9.9 million of our customers have accessed R4.9 billion of airtime through our airtime advance platform. Our insurance revenue increased 21.8% with policies up 55% to 1.6 million driven by the introduction of new products and services.

EBITDA grew 0.8% or declined 3.9% on a normalised basis. I will unpack this for you a bit. There are a few once-off items worth mentioning as they impacted growth. The first is the R292 million deferral release in the prior year. The second is the impact of the Rain roaming costs as we increased the number of sites. The third, a BEE expense charge of R113 million included in staff expenses. And finally, and IFRS 15 adjustment of R177 million. These adjustments had a 5.4% negative impact on EBITDA growth, so excluding these once-offs normalised EBITDA would have increased 0.6%.

Our international operations continued to perform well with strong commercial execution and increased focus on cost containment. The successful execution of our strategic priorities has led to double-digit reported service revenue growth of 15.5% in the half boosted by currency translation from the weaker Rand. EBITDA grew by 47.7%, further boosted by the accounting changes. On a normalised basis service revenue grew 15.5% and EBITDA was up 15.4%.

The performance in the international operations has been propelled by strong performance in M-PESA and data. Data revenue increased 27.2% and we added 2 million data customers in the first half of the year. We accelerated our 4G rollout across all our operations resulting in increased data usage. Demand for our mobile financial services through the M-PESA platform remains strong in all our international markets. Active M-PESA customers increased 8.5% to 14.3 million. M-PESA revenue grew 37.4%, representing 18% of service revenue. We are seeing good progress across the portfolio on profitability with EBITDA margins expanding strongly by 2.2ppts, on a normalised basis as a result of strong revenue growth and continued focus on cost containment through our fit for growth programme.

Safaricom announced their results last week. Their performance was solid with service revenue increasing 5.3% and net profit increasing 14.4% underpinned by strong growth in the customer base and M-PESA revenue growth. We have included profits of R1.7 billion from Safaricom after deducting the amortisation of fair valued assets and passed on a cash dividend of R2.3 billion in December.

Let's move on to some more topical regulatory items. ICASA has issued the long-awaited information memorandum on the licensing process for spectrum. We are very encouraged that we continue to see progress on finally getting spectrum allocated, and more encouraged that 5G spectrum allocation is included in the memorandum as well. We will be considering the information memorandum and providing our comments to ICASA by the 31st January next year. An area which we will be looking for further guidance on will be the conclusion of the digital migration which is necessary to make sub 1GHz spectrum available for use. We continue to cooperate with both the Competition Commission and ICASA in terms of the data market review and the enquiry into mobile broadband services. We anticipate that the findings from the data service market enquiry will be used as an input into ICASA's enquiry into mobile broadband services.

In Tanzania the Tanzanian Telecommunications Authority directed biometric registration of customers using national IDs. This was effective from 1st May. The implementation of biometric

registration is challenging given the low penetration of national identification cards as well as the ambitious deadline of 31st December 2019 set by the regulator. We are taking all the reasonable necessary measures to ensure compliance in alignment with the industry and engaging with the TCRA to ensure compliance and agree on practical steps to implement.

Finally, let me move over to our medium term targets and provide an update on priorities. We are encouraged by the improved growth that we have been seeing in South Africa and the sustained good performance in our international operations. We are progressing well on transforming data pricing for the benefit of our customers. We will continue to grow our financial services and M-PESA offerings across all our markets. We will grow data services in our international operations with increased penetration and expanded 4G services in our markets. We are looking to extend our partnership as we scale up on new businesses. We maintain our guidance. Group service revenue growth of mid-single digits, group operating profit of mid- to high single-digit growth and a capex intensity of 13% to 14.5% of group revenue. This concludes my comments. Till and I are now ready for any questions.

Operator

Thank you very much sir. Ladies and gentlemen, at this time if you do wish to ask a question please press star and then one on your touchtone phone. If you decide to withdraw your question please press star and then two to remove yourself from the queue. Again if you wish to ask a question please press star and then one now. Our first question is from John Kim of UBS. Please go ahead.

John Kim

Hi. Thanks for the opportunity. A couple of questions here. First very broad strokes. Ethiopia, my understanding is that you will be bidding via a consortium with Safaricom. Can you give us some colour there as to what the consortium might consist of and what the timeline might look like for that? On ICASA and the spectrum, given the proposal with the bundles put forth by ICASA including the sub 1GHz spectrum could you give us some guidance on a timeline here? so if you were to get and pay for spectrum by the first half of next year when would that spectrum then be farmed and usable to you i.e. when will we see it in the numbers? And third, can you unpack M-PESA growth a little bit more for us? I'm interested in active subs versus ARPU and what is driving ARPU acceleration. Thanks so much.

Shameel Joosub

Okay. Let's start with Ethiopia. So I think firstly on Ethiopia what we've done is we've basically created a consortium which is us, Safaricom and some other players – let's just say influential players, multinationals that we haven't put into the public domain, so I can't tell you who they are at this stage. But it's safe to say that these are strong consortiums that we have put together. That's the first part. The second part is that there is a licensing process. Some information has been released. More information will be released by the end of December. It is envisaged that the auction or bidding process would take place in April/May next year. Two licenses are up for bidding as well as opportunity to invest into Ethiotel, so three different entry points if you like.

Of course in the end we are putting our best foot forward, but in the end the business case has to make sense. So that will be considered against the backdrop of exchange controls, the obligations, the price point in terms of the upfront cost, the network costs and so on. So we have teams on the ground looking at all the options and putting business plans together and so on, but really in the end it will come down to does it make sense to make the investment and what that upfront cost is, what are the terms and conditions, what are the coverage obligations. And all these things will have to be carefully considered before we decide to finally bid and decide internally what that threshold is whether it makes sense or not.

In terms of the spectrum where we are is the ICASA document is out for comment. Essentially comments have to be in at the end of January, after which a spectrum auction will then... It will take them a few months I guess to put it all together. It's not clear exactly when the deadline will be for it, but it should be within the first couple of months. It should take them a couple of months before the auction actually happens. There seems to be more pressure from the treasury and the presidency to get on with it. So that's one part. That said the sub 1GHz spectrum will not be available immediately. So it's not clear how they are going to allocate it. And the part that is missing in the document is the digital migration. I think what seems to be the case is they're hoping to raise the money from the auction and use that to clean up the spectrum. And they think they could do that within a year. So that's the one part, so we'll see.

That said they can release the spectrum in tranches because there are areas in the country where depending on whether it is 700MHz or 800MHz spectrum it is not being utilised. But that is not clear whether they would consider that or rather wait until it is all clear before allocating it. So a little bit up in the air still. And I think that is also what they are hoping for, to get commentary from us in terms of highlighting some of these things. I think largely positive because basically it provides for the allocation of spectrum in the hybrid model. There are some things that don't really make sense yet, are a little bit illogical, but that will come through in the commentary side.

So a simple example would be why would you want to put MVNOs onto us? I mean we're open to take on MVNOs, but why would you want us to take on MVNOs, because then who is the WAN going to sell to? So you kill the WAN before it starts by taking its customers and giving it to the big operators. The whole concept is that the WAN should be able to provide services a little bit to the industry but these people, your MVNOs, your smaller operators, your ISPs are potentially where the WAN's customers come from. So I think the logic is a little bit messed up and I think they have convoluted and confused certain things. But in fairness they have said, look, we've put everything in, it's open for comments, give us the comments.

Till Streichert

John, shall I take the M-PESA question? Just starting off with key drivers, key numbers of that, M-PESA grew pretty well for the international market in totality. That's the 37%. Just in local currency Tanzania grew close to 16%, DRC 44%, and Mozambique 68%, which is our fastest growing market, and Lesotho 32%. Just in terms of net additions, because we continue to expand the growth in our own base it was collectively about 800,000 customers that we've taken up. And I think what's more important is basically the growth potential that we see on the M-PESA side which comes from several drivers.

One driver is take-up of the base. And in Tanzania, our leading market in our international portfolio, you've got already two-thirds of the customer base using M-PESA. Again there is still further room to grow. But more so in the DRC where we've got about 24% of the customers using M-PESA. Mozambique is very similar to Tanzania, also two-thirds of the customer base. And Lesotho is 50%. So this is in essence one of the areas of further growth. And then it comes down to transaction volumes i.e. velocity within the system of trades and of course the expansion of basically further products through the M-PESA suite like Songesha, like lending products that belong to the financial services suite that we offer through M-PESA.

John Kim

Okay. Helpful. Thank you, guys.

Operator

The next question is from Vikhyat Sharma of RMB Morgan Stanley. Please go ahead.

Vikhyat Sharma

Hi guys. Thanks for the opportunity. Just two questions from my side. First, you've talked about that 30 day bundle transformation that is happening. And right now I read that it is only happening on your app and on VodaPay. So when do you plan to take it to all distribution channels? If you could just comment on the elasticity of that thing. Will it be initially dilutive and it will take time to recover? I think that's the first question. The second question is on the one-off that was given in the presentation of 20 cents per share, just to be very clear, the IFRS 15 adjustment and the deferral adjustment, there is nothing new there in the second half that is in the base that will come and impact the base?

Shameel Joosub

Okay. So let me start off with the bundle one and Till will take the second question. So on the bundles what we are doing is transforming the pricing on monthly data bundles. So the way we're approaching it is by first doing the VodaPay ones and the app, and then slowly... So we've done two things actually. We've already changed all the pricing in the VodaPay and the app to lower pricing and we're personalising pricing as well. And secondly, we are doing the financial institutions in a staged approach to make sure that we can then manage the impact if you like of the pricing transformation. So I'd say we are about a third of the way thus far during the year, so we will progress that through the year and manage it according to how quickly we can take the impacts into the numbers. So we are trying to manage to a result, balancing between the out of bundle plus this new transformation as well.

Till Streichert

Okay. So your second question in terms of once-off, the IFRS 15 adjustment in essence the project is closed so there is nothing in half two that I can see coming on that angle. And the prior year R292 million deferral release was obviously history in the prior year. Now, of course if you think of what's to come in terms of going forward I said earlier in the presentation we are seeing some softer comparatives in the third quarter and the fourth quarter. This is mainly due to the fact that last year we didn't have the Telkom roaming traffic in the third quarter. In the fourth quarter it started to come in. we had a little weaker summer promo last year which you remember we called out when we commented on the third quarter. And of course the fourth quarter was with one month affected by the adoption of the End User Subscriber Charter. And this is why we are confident together with the underlying performance of increased elasticity and M-PESA growth, financial services growth, this is why we are confident that we are seeing good growth in the second half.

Vikhyat Sharma

Thank you.

Operator

Thank you. The next question is from Dilya Ibragimova of Citi. Please go ahead.

Dilya Ibragimova

Hi. Thanks very much for the opportunity. The question I had is actually a follow-up on the ICASA information memo. ICASA mentions in the obligation section that likes the Germany approach. And one of the things that it wants to impose is prioritising rural coverage before urban when the spectrum is released. I'm just wondering what your thoughts are and whether you see opportunity to perhaps get together with other players to do some shared or combined investment. It does happen in Germany now. Whether you think ICASA would support that as well. Thanks.

Shameel Joosub

Thanks Dilya. So firstly, I think some of the concepts have again been convoluted. So what they've done is taken old concepts that are now a little bit outdated, pre discussion of WAN and these types of things, and basically put all of it. So they put everything they could think of into the document. I think it just needs to be considered in a WAN world. I would say the most compelling part of where the WAN is actually needed is rural coverage. If I was the WAN I would say let me do that shared infrastructure for you. If you think about it, for the WAN to have any market it must go where the highest demand is. The highest demand will be in rural areas. We're not going to really require the WAN in urban areas. So the best thing for the WAN to do is actually go where it's going to get the highest demand. So that's on the one side. So I think ICASA needs to think that through carefully. Secondly, rural into urban, if that becomes a requirement will we do shared infrastructure? Definitely. Everybody will have the same obligation, and therefore we will have to find a way to do it quickly. And that's one way to make sure that you share that. If it becomes part of the regulation I think the operators will very quickly find each other.

Dilya Ibragimova

Thanks very much.

Operator

Thank you. The next question is from Jonathan Kennedy-Good of SBG Securities. Please go ahead.

Jonathan Kennedy-Good

Good afternoon. Thanks for the opportunity. I just wanted to talk a little bit about South Africa and the potential for service revenue recovery there. Once you've adjusted for your deferred revenue calcs it looks like you posted 4% second quarter revenue growth. I'm just wondering how sustainable that is into the second half and whether you see that as a potential number that could continue into 2021. And on the back of that I'm just trying to understand what you see as the competitive environment more broadly in the South African space. Is this turnaround really related to a lapping of data numbers as a result of the ICASA implementation or is there some easing of competitive pressure in the SA market?

Shameel Joosub

So firstly, just remember we had a weaker third quarter and fourth quarter last year, so we will be battling against softer comps, so you will get a boost from that. So that's the one part. The second part is that the elasticity has started to come through quite nicely. Obviously in the first quarter it was still recovering. In the second quarter it gets better and should get better through the year. That said, to the earlier discussion, we are doing some monthly price transformation paths, but that has been built into the overall guidance that we've given. But yes, once we are through all of these price transformations it is a bit more stable or we're a lot more competitive and so on. But I think it would be irresponsible to say that it will just start to grow because I think there is always a level of price transformation that you're continuously busy with. And also the economy is a bit soft, right. So I think the sooner we get the boost in the economy that will also help. But there are also some new revenue streams that those can continue to grow. So the core business I think the low single-digit growth in South Africa is probably there for the next couple of years in the core, but with new revenue streams and some of the new stuff that we're doing. I don't think we'll go back to double-digit service revenue growth or anything of that sort. Also you're growing off a massive base so it's much more difficult.

Jonathan Kennedy-Good

Understood. And just on the competitive pressures in South Africa what are you seeing from your competitors?

Shameel Joosub

I think it's not any more competitive than it was six months ago to be frank. It's more or less a stabilisation of competition. But I think Vodacom and MTN are going through a repricing if you like, Cell C to some degree. And I think Telkom finds itself in a difficult position where it has now gained some momentum. I would say with Cell C becoming less and less relevant it is making it easier for Telkom, because remember those users that chose Cell C in the first place were looking for a better deal, and Telkom is giving a better deal. Our competitiveness to Telkom is what we've been narrowing in the last year and a half or so. I think we are much more competitive today. There is still some work to be done on the monthly data prices, but I think we are much more competitive today than we were six months ago or 12 months ago, so that's a good place to be in.

An example would be all the big data bundles. We dropped it in February last year and we've seen a nice increase in market share in that space. So I would say all going well, but I'd say Telkom is in a difficult position. It's easy to come in at a low price, but then the realities of telco's start to catch up with you. And the reality of telco is that you have to invest. Or if you're using roaming there is a cost attached to that. And therefore you need to be able to have a certain level of return to continue the investment cycle that is inherent in the type of business that we're in. And therefore I think Telkom needs to see how it improves its margins and so on or how long it can sustain its current modus operandi.

Jonathan Kennedy-Good

Thank you. That's very helpful.

Operator

Thank you. The next question is from Eduard Pienaar from Tantalum Capital. Please go ahead.

Eduard Pienaar

Hi guys. Thanks for the call. Just a quick follow-up on Jonathan's question there. Your other service revenue, which is ostensibly the roaming revenues from Telkom, that has grown very nicely in the first half of the year. What do you think the trajectory for that revenue line looks like for the coming year and the year thereafter? Thank you.

Till Streichert

Look, I think you have pointed to it. I will just quickly unpack what is sitting in that category. It is a R1.9 billion category at the moment for the first six months. It has grown 24%. Roughly 50% of that category is basically what we call mobile wholesale revenue, and within that the largest part is basically roaming. So if you now look at it going forward you've got to work out that basically the first quarter we didn't have the full Telkom traffic. So you can imagine if you take the run rate from the second quarter, your third and fourth quarter being similar, next year if you have the full four quarters of it you will still see from roaming an upside. But please note that in November 2020 the Cell C roaming deal comes to an end. We've commented on that before. That of course could be extended. So that's the one item.

The second item that sits in that category which I think is worthwhile noting where we are placing obviously a lot of expectations on is machine to machine IoT. That has grown at a rate of 20%. And I would imagine also with our acquisition of IoT.next, and how we actually utilise that shareholding in IoT.next, that machine to machine is going to continue to grow quite nicely. And then you have got other areas like bulk sales, messaging, advertising revenue where we do expect good growth going forward.

Eduard Pienaar

And am I right in saying the financing income from the airtime top-up also comes into that line?

Shaun van Biljon

No. So the fee from the airtime advance goes in customer revenue.

Eduard Pienaar

Okay. Cool. Thank you, guys. Appreciate it.

Till Streichert

It is related to individual customers transacting.

Eduard Pienaar

Cool. Thank you.

Operator

Thank you. Ladies and gentlemen, a final reminder, if you wish to ask a question please press star and then one now. We've got a question from Siphamandla Shozi of Coronation Fund Managers. Please go ahead.

Siphamandla Shozi

Hi guys. Thank you very much for the presentation. I just have two questions and they both relate to what ICASA released. The first one is if they want you guys to have at least MVNOs on your network what will the effect of that be? Will it be that you are providing the same network quality to your competitors, so would that reduce your network advantage? And the second one relates to... It sounds like they are going to regulate the access price that the WAN would be accessing your infrastructure. And it sounds like the roaming will also be regulated. So if you can just give us a bit of colour on that.

Shameel Joosub

Yes, Siphamandla, my view is that they've convoluted and confused different concepts. If they do what they say they're going to do then you don't have to worry about WAN, because the WAN is dead then and they might as well bury the WAN before they start. Why I say that is because who are the WAN's customers? Who is the WAN going to sell to? The WAN's customers... The networks said they will buy 30% of the capacity. And that includes all the networks, so all six of us. So essentially what are you left with? You're left with MVNOs. You're left with ISPs and so on. Now, if you take those customers away from the WAN then what is the WAN going to have? Literally nothing. So that's the one part.

Then the second part is why would the WAN require roaming when the WAN doesn't sell to anyone besides the existing players? Again I think they have confused different concepts. Almost like they wrote the one section of it and then put the other section down. In fairness they have said, okay guys, give us comments. That is why the document is there. And look, to be honest, one feels more confident in the ICASA process because we've done multiple of these things and in the end, like the End User Subscriber, if you think about where we started and where we ended I think what we ended off with was very palatable. And remember the impact actually came not from the ICASA implementation. It actually came from us proactively dropping the price.

So I just think they just need to think carefully through how this all operates because then it doesn't make sense. In terms of giving access to the WAN to facilities and all of those types of things we don't have a problem because it's an additional customer. So where they need to use towers and so on that's not a problem. I think the WAN's success is a direct correlation to how much investment is there. In terms of MVNOs it will be on a commercial basis, so again the same thing. If we all end up

taking MVNOs firstly that's the death of Cell C because the MVNOs are all sitting on Cell C today. So then there is no more Cell C. In terms of differentiation you can negotiate those types of things, which we have done in the past. Basically you say, look, you only have access to this. You can limit the speeds. You can do whatever you want to in a commercial agreement. So there are ways and means to create competitive advantage anyway. In the end it comes down to what price you're going to charge for that access to the MVNO. So it is going to be a commercial deal, but that MVNO then still needs to make a success.

Siphamandla Shozi

Okay. Thank you very much guys.

Shameel Joosub

And to be honest we prefer MVNOs to WANs. I think it would have been a much cleverer way to have done it because that is more globally accepted. The WAN hasn't worked anywhere else in the world. So I just think we will help to make the WAN successful, but they are confusing two different concepts.

Siphamandla Shozi

Okay. Thank you.

Operator

Thank you. The next question is from Adam Fox-Rumley of HSBC. Please go ahead.

Shameel Joosub

Adam, are you there?

Adam Fox-Rumley

I beg your pardon. I'm sorry. Thank you for taking the question. I just had a quick one on Tanzania please. In the release you discuss the implementation of biometric registration and the tight timeline that is being set. It seems very ambitious. I just wanted to see if there is anything we should be aware of if the deadline can't be met for whatever reason. Thank you.

Till Streichert

Look, in essence what we are highlighting is that there is this biometric registration in progress. We have invested into it. Together with the entire industry we are trying to biometrically register as many customers as we can. At the same time there is industry lobbying. You can read it in the public domain. There is obviously also discussion on how authorities can enhance and accelerate the biometric data at the home affairs database, because that is basically where some of the problem lies. Of course needless to say if the deadline is being approached and there is no extension we will of course ensure compliance from our side after we have taken all reasonable efforts to ensure that as we approach that deadline we've done what we could. But in the end bottom line we will always ensure compliance if we need to.

Adam Fox-Rumley

I understand. That's clear. Thank you.

Operator

Thank you very much. Sir, we have no further questions in the queue.

Shameel Joosub

Okay. Maybe then just some concluding remarks. In closing I would like to thank you all for joining the call. I'm happy to share these results with everybody following two years of necessary impacts on the business, one on the diversification of course on Safaricom, which is literally bearing dividends and the second the conclusion of the BEE deal which we have now lapsed. The BEE deal has set us up well for the future with the added benefit that we now easily qualify for the spectrum requirements as per the information memorandum, so I think that leaves us in a very good place. Thank you for joining us.

Operator

Thank you very much sir. Ladies and gentlemen, that concludes this conference call and you may now disconnect your lines.

END OF TRANSCRIPT