

# Conference Call Transcript

14 November 2022

## INTERIM RESULTS

### Operator

Good day, ladies and gentlemen, and welcome to the Vodacom Group Limited results conference call for the six months into 30 September 2022. Vodacom Group CEO, Shameel Joosub, will host the conference call. Before I hand the call over to Shameel, I would ask that you refer to and familiarise yourself with Vodacom's forward-looking disclaimer. This is set out on slide 42 of the interim results presentation and can be located on [www.vodacom.com](http://www.vodacom.com). Alternatively, if you would like a copy of the results announcement or presentation sent to you, please email investor relations at [vodacomir@vodacom.co.za](mailto:vodacomir@vodacom.co.za). Also note that this event is being recorded. I would now like to hand the conference over to Shameel. Please go ahead, sir.

### Shameel Joosub

Thanks, Chris. Good afternoon and good morning to those joining the call in the US. I'm joined by our group CFO, Raisibe Morathi, as well as our Head of Investor Relations, JP Davids. The first half of the financial year was set against a backdrop of heightened uncertainty about the global economy. The war in Ukraine, which followed hard on the heels of the global health crisis, continues to result in increased inflationary costs and elevated living costs in many countries across the world, including the markets where Vodacom operates. We have attempted to absorb the inflationary pressures from the dramatic increase in energy costs as far as possible, which has impacted our results for the period but not our purpose led focus.

To support digital inclusion, we're expanding our connectivity reach, financing affordable smartphones, providing free access platforms and transforming pricing. Leveraging our big data and CVM capabilities, we've accelerated personalised and bite sized offers to customers. These bite sized offers help our customers navigate through the challenging economic conditions and customer facing periods of sporadic income generation. Vodacom has responded by reiterating and enhancing our commitment to lower prices to the poorest towns and provide free access via our ConnectU platform across all markets.

In South Africa, our steadfast commitment to gender inclusion is evidenced by an equal gender split on the executive committee. Across our group 36.1% of management roles are held by women. Further increasing this percentage is a component of management's long term incentive awards.

To improve food security, we're harnessing the power of Mezzanine and M-PESA to improve productivity, revenue and resilience for farmers. One such solution is called Connected Farmer, and it already has 1.5 million registered small-scale farmers in Africa, connecting them to information, inputs, credit and buyers to improve their outcomes.

Our IoT solutions are also supporting energy saving solutions, creating cleaner and more efficient communities. We engaged in these capabilities extensively at COP27, where we were a principal partner of the UN Climate Change Conference. Beyond IoT, Vodacom is pursuing numerous other climate change projects, some of which include renewable energy powered rural sites, and a pilot renewable energy solution in South Africa with Eskom.

One of our many purpose-led initiatives which we are proud of is our mobile health care programme in Tanzania called m-mama, a service that provides emergency transport for pregnant and postpartum 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. Beyond Tanzania, we are working with the Vodafone Foundation and USAID to bring m-mama to more markets in Africa, having already launched it in the DRC and Lesotho.

As we connect for better future, our commercial mobile launch in Ethiopia stands out as a strategic highlight of the period. It was also confirmed that Safaricom Ethiopia will be awarded a financial service licence, another exciting prospect given it has an unbanked population of almost 18 million people. We see Ethiopia as a transformational opportunity for the group as we accelerate our ambition to transform lives in Africa's second most populous country.

In Egypt, I have an exciting update to share on our acquisition of a controlling 55% stake in Vodafone Egypt. We have been informed that Egypt's financial regulatory authority has approved the transaction. This marks a key milestone in completing the transaction and follows the approval of Egypt's national telecoms regulatory authority. With these key approvals, we are confident that we can complete the transaction in the near term. This means that the transaction is now more procedural, and all the necessary approvals have been obtained.

Meanwhile, Vodafone Egypt is delivering excellent financial results with service revenue growth of 18.6% and EBITDA up 21.4% in the six-month period. Vodafone Egypt's growth is supported by leadership across both consumer and enterprise segments. It has a clear network and spectrum advantage versus peers and a brand synonymous with technology leadership. Building on this connectivity scale, Vodafone Egypt also offers a massive fintech opportunity. We intend to leverage the combined strength of M-PESA Africa and Vodacom Financial Services to accelerate opportunity in both Egypt and the Ethiopian market, including the rollout of our super apps.

In addition to mobile, our system of advantage sets out a plan to establish a meaningful play in fibre. To support this ambition, we announced the acquisition of a strategic stake in CIVH In South Africa, the leading fibre open access operator. We recently received approval from ICASA, the industry regulator, for the transaction with the Competition Commission the remaining regulatory hurdle. We expect this transaction will narrow the digital divide in South Africa by expanding the reach of affordable high-speed connectivity, while also providing a blueprint for shared cost fibre rollouts across our other markets.

Our leading market share positions and connectivity provide us with the platform to scale our digital ecosystem. This ecosystem spans across Big Data, IoT, financial and digital services. In financial services, we remain Africa's leading FinTech operator with \$355 billion of M-PESA transaction value processed over the last 12 months. This is up 17.6% year on year. These are truly impressive numbers. Financial service customers were up double digits as Tanzanians benefited from significant reductions in mobile money levies.

In addition to our progress in purpose and strategy, I am pleased to announce a good set of financial results in which we delivered strong revenue growth. Our bottom line was impacted by higher interest costs and expected start-up losses associated with Ethiopia. We are also maintaining our medium-term guidance which reflects the confidence in our strategy and incremental cost containment initiatives.

At a group level, our financial highlights included revenue of R53.7 billion, a strong result and up 7.7%. In the second quarter, revenue growth accelerated to 10.3% supported by an improvement in normalised growth and foreign exchange tailwinds.

Growth acceleration was also evident in service revenue with normalised growth of 4.9% in the quarter. The improvement was driven by data revenue and financial services growth. Data customers were up 2.1 million in the second quarter with data traffic growth of more than 30%. Our financial services customers including Safaricom were up 10.2% to 63.1 million. While I'm pleased with the acceleration in revenue growth through the period, there were a few factors that impacted our profitability.

Group EBITDA increases 0.6% to R20.2 billion impacted by an acceleration of network operating expenditure and back-office costs in South Africa, higher energy costs across the group, and a lease contract separation in the DRC. We expect a clear improvement in group EBITDA growth into the second half of the financial year, as we accelerate costs initiatives and lap the impact of the network and back-office costs, the lease contract separation and the levies on mobile money transactions in Tanzania will all be lapped in the next period.

Group operating profit decreased 5.6% to R13.3 billion as the EBITDA growth was offset by higher depreciation and amortisation and expected start-up losses for Ethiopia. The higher depreciation was a result of a deliberate step up in capex intensity over recent periods to improve network resilience in South Africa and expand 4G coverage across international. This investment supported our revenue resilience in the period.

Headline earnings per share decreased 9.5% to 457 cents and was impacted by higher finance costs as interest rates normalised post COVID and our Ethiopian losses. Our underlying operational earnings performance was broadly stable year on year. Capital expenditure was up 9.8% we accelerated investment into network performance to strengthen our network leadership position. We updated and simplified the dividend policy, which we communicated with Vodafone Egypt and CIVH transactions to at least 75% of headline earnings. Recognising that our strategic acquisition of Vodafone Egypt has not yet been completed, the dividend pay-out ratio was set above the minimum threshold of 80%, with the board declaring an interim dividend of 340 cents per share.

Moving on to looking at the business with a slightly different lens, at the product level, we reported strong growth in our new services categories, reflecting our multi-product strategy. These new services which comprise fixed, IoT, digital and financial services, reached 18.9% of group service revenue, edging closer to our target of 25% to 30% in the medium-term. Financial services delivered growth of 19.2% and 10.7% on a normalised basis as we continued to scale user adoption, new products and services.

In the second quarter, normalised financial services growth accelerated to 20.4% as Tanzania lapped mobile money levies imposed in July 2021 and our financial services continued to scale. Our financial services strategy supported by a dual sided ecosystem across consumers and merchants, bringing these segments together through exceptional personalised experiences relating to entertainment, e-commerce, payments, savings, investments, lending, and insurance services. A key driver of this strategy, our two super apps, VodaPay and M-PESA, integrate our own products and services with the best offerings from our partners.

Alongside the super-app roll-out, our active merchant base continues to scale meaningfully in South Africa and across our international markets. Our merchant base across international was up four-fold to almost 137,000 while Safaricom's merchant base up 39% to 539,000. This growth helps expand our addressable commission pool beyond peer-to-peer payments and withdrawals into both online and offline commerce.

Shifting focus to South Africa, service revenue grew 3.0% to R29.5 billion in the period supported by the mobile contract segment, and resilient performance in prepaid and growth in our new services. New services were up 7.6% and contributed 14.5% or R4.3 billion of South Africa's service revenue. Financial services increased 8.1% underpinned by our insurance portfolio and accelerated to 11.6% in the second quarter as Airtime Advance revenue improved. Our insurance policies went up 19.4% to 2.6 million as we continued to expand our portfolio of products. Our super app, VodaPay, reached 2.2 million registered users through 3.5 million downloads in less than a year since launch.

The contract segment performed well with revenues up 5.7% and we added over 114,000 customers in the six-month period. The performance was supported by a price up announced at the start of the financial year. Our prepaid segment delivered a good performance given the challenging macro backdrop arising from the increase in cost of living and disruptions to the social grant payments. Pleasingly, prepaid data growth accelerated into double digits into the second quarter. Vodacom Business revenue grew 2.1% to R8.6 billion supported by sustained demand for mobile connectivity and IoT. The performance was somewhat subdued by a tough competitor for wholesale and pressure associated with the government's RT15 contract.

Data metrics remained strong. Data traffic was up 30.3% in the six-month period. We added almost a million data customers and increased the number of smart devices on our network by 11.8% to 27.6 million, while the average usage per smart device increased 24% to 2.8 gigs per customer.

EBITDA declined by 0.6%. As already noted, we accelerate the spend on technology opex to support improved network resilience, faced energy cost inflation and higher back-office expenses such as publicity, office accommodation and travel. Our network resilience programme was initiated in the second half of the previous financial year. Pleasingly, this intervention supported our network availability and further extended our market leading network NPS positions. We expect an improvement in South Africa's EBITDA trend in the second half of the financial year as we accelerate cost initiatives and lap the back office and higher network expenditure.

In our international operations, we reported service revenue of R12.6 billion which is up 17.9%. On a normalised basis service revenue was 5.6% and accelerated to 8.7% in the second quarter. This performance was supported by strong growth in data and a recovery in M-PESA. Our customer base increased 3.3% to 43.9 million, with net additions of 1.2 million customers, reflecting strong commercial traction across the portfolio.

Data services remained a key driver of growth and our commitment to connect for a better future. Data revenue increased 32% supported by data traffic growth of 34.7%. M-PESA revenue was up 25.2% to R3 billion contributing 23.8% of international service revenue. In the second quarter growth accelerated an impressive 39.3% driven by Tanzania which lapped the impact of the levies on mobile money that were introduced in July last year. Further, from 1<sup>st</sup> of July 2022, the Tanzanian government implemented a further meaningful reduction of the levies of up to 43% re-accelerating customer growth and supporting financial inclusion for the people of Tanzania.

International EBITDA margins contracted by 2.7 percentage points to 36.6% and was impacted by lease contract separation in the DRC effected in the second half of last year. The adjustment impacted growth by 3 percentage points in the period and will be lapped in the second half of the financial year.

Concluding my review with Safaricom from a numbers perspective, Safaricom contributed R1.5 billion to group operating profit, down 7.3%. The decline was attributable to start-up losses in Ethiopia. On a normalised basis and excluding Ethiopia, Safaricom's operating profit was up 4.9% and accounted for 11.6% of group's operating profit. Service revenue was up 4.6% supported by the recovery in mobile data growth and an excellent performance in the fixed business. M-PESA revenue was up 8.7% while growth was tempered by lower business activity associated with the August election cycle in Kenya. The platform's excellent product production came through in both

the consumer and merchant segments and provides comfort on the growth outlook for M-PESA going forward.

EBITDA in Kenya was up 3.1% with margins broadly flat. Safaricom's overall EBITDA including Ethiopia's start-up costs declined 4.3%, reflecting the start-up losses associated with the rollout. By the end of October, Safaricom Ethiopia had already reached 740,000 customers with mobile services in 16 cities including Addis Ababa. Safaricom's capex guidance for Ethiopia incorporates a plan to launch services in 25 cities by April 2023. Raisibe and I are now ready to answer any questions you may have.

### **Operator**

Thank you very much, sir. Ladies and gentlemen, at this time if you do wish to ask a question, please press \* and then 1 on your touchtone phone or on the keypad on your screen. You will hear a confirmation tone that you have during the queue. If you wish to withdraw your question, please press \* and then 2 to remove yourself from the queue. Our first question is from Madhvendra Singh of HSBC. Please go ahead.

### **Madhvendra Singh**

Hi. Thanks for taking my question. My first question is on the Egypt transaction. So, given that now it has been approved by the FRA, so if you could guide us about the timing of closing the transaction. Should it be happening in the third quarter, or will it be towards the end of the fourth quarter? And then about the transaction, given that currency in Egypt has moved quite considerably since this transaction was announced, I'm wondering whether there is any implication accounting terms wise, how the transition will be booked, and whether there is any FX gain or loss or something that has to be also taken into account at all, if at all. So, if you could help there.

And then on the mobile money front, it's great news to hear about the transaction levy being reduced, going lower. So, what kind of user behaviour you have seen since then? Do you think now we are in the total normal growth phase for mobile money? And if you could share some recent numbers in terms of transaction volume or revenue trends, if you could share something around that, that will be very helpful.

And very quickly, staying on the mobile money point, but in South Africa, given that it has been quite a few attempts in South Africa already, what kind of difference you are seeing in user behaviour in

South Africa on the VodaPay mobile money, the new app basically. If you could talk about that, that will be also very helpful. What kind of trends you are seeing differently this time? Thank you.

**JP Davids**

Okay, Madi. We got four questions from you. Timing on Egypt, accounting implications, levies in Tanzania and VodaPay. Shameel, do you want to kick off?

**Shameel Joosub**

Yeah, sure. So, I think firstly, on the timing of the Egyptian transaction, we've now got both the NTRA as well as the FRA approvals, which leaves us now with more procedural processes that need to be followed, that will hopefully make sure that the deal will close in the near term, near term being probably the next two months or so. In terms of the accounting...

**Raisibe Morathi**

So, the transaction in Egypt, the transaction terms were finalised. And for that, nothing is going to change. That was also agreed whilst we were waiting for the regulatory approvals. So, what we did, of course, was to make sure that we also take some risk mitigation factors in terms of NPCs and so on. So, from an accounting perspective, there is nothing that's going to change the transaction as and when we have completed all the final steps as indicated from a timing perspective. So, no change.

**JP Davids**

Then we're coming to the levies in Tanzania, some of the trends we've seen their post reduction.

**Shameel Joosub**

Yeah, I think because the reductions have been phased over a period, what we have seen is the customers coming back strongly. So, customers are up 20%. So, that's been hugely positive. But we haven't seen a full recovery yet of all the transaction volumes to the same level of pre the drops. But it is coming back. It is coming back slowly. I think the first part, and important part, is the return of the customers. I think that's very positive. And yeah, so we are expecting that the volumes will recover in the near term.

In terms of VodaPay and what is different to the mobile money, the mobile money we started with basically cash in, cash out, money transfers, and so on. And then we evolved into payments, lending, and now with the super app into e-commerce. In VodaPay we started the other way around where we started with the e-commerce platform, and then are slowly evolving into the other use cases. So, the next phase is the launch of cash in and cash out on VodaPay, which will be in the

near term. And then that will basically bring more of the capabilities of M-PESA or make it very similar to M-PESA in that regard.

So, what we're seeing is a lot of activity on the mobile side, but also a number of the merchants gaining a lot of benefits from it. And someone like KFC as an example is doing exceptionally well on the platform. So, if you put the dedicated team behind it and take advantage of all the inherent capabilities of the platform, you're immediately seeing a lot of benefit. What we're focusing on now is to try and help the merchants accelerate the performance in the platform by the utilisation of big data and our CVM platforms.

### **Madhvendra Singh**

Thank you very much, Shameel.

### **Operator**

Thank you. The next question is from Cesar Tiron of Bank of America. Please go ahead.

### **Cesar Tiron**

Yes, thanks for the call and the opportunity to ask questions. I have two questions. The first one, can you please share again why you expect the EBITDA patterns to be better in the second part of the of the year versus the performance that you achieved in the first part? And I have exactly the same question on the significant working capital outflow and why you expect that to improve in H2, obviously besides the usual seasonality that we see in your business in the previous years. And how do you explain that very significant spike in this year compared to the previous years? Thank you so much.

### **Raisibe Morathi**

In terms of the EBITDA, the lapping effect of Tanzanian levies, as well as the improved data pricing that have been introduced in Tanzania, so we expect that from a revenue perspective, we should be able to pick up despite the M-PESA volumes not having fully reverted. But nevertheless, it is still a momentum coming from where the levies had been harshly increased by 80% and now reduced by roughly about 65%. So, the effect of that in the second half, noting that when the levies were first introduced, it was in July 2021, and progressively decreased over a period of time.

We also point out to the costs that we saw in the period last year, and more notably the DRC lease separation, which is a one-off and basically creates a base for us to be able to see the growth in the second half. And then we also continued with our initiatives for cost efficiencies. We already have a

programme that has been running for growth, and just continue to focus on the discretionary spending and so on. And that is more going to be coming through in the SA environment. So, a combination of those factors we see as a boost for a better growth in the second half from an EBITDA perspective. Let me just pause.

So, from a cash flow perspective, seasonally our cash flow is more generated in the second half, partly because of the third quarter that is a strong quarter. And also, we tend to upfront a number of activities in the first half so that we have a longer period for generating revenue. That's including capex and so on. So, as we go into the second half, we also expect that from an SA perspective, you will see the capex, which is kind of flat to last year, i.e., at R11.1 billion, and therefore, which means that your capex in the second half will be slightly lower than what it is in the first half. So, if you take a sum total of those plus the seasonality, it does give us a sense of comfort that our free cash flow will improve in the second half of the year.

### **JP Davids**

Cesar, I think just two small builds on that. Just for everyone's benefit, on our slide pack, on slide 23 of our slide pack, we have a waterfall chart just helping with some EBITDA trends that Raisibe was calling out. In short, if you sum up all of the one-off impacts in second half last year, it's about R1 billion. So, you've got R1 billion of expenditures we expect to lap into the second half of the year. That R1 billion on R20 billion of EBITDA is about five percentage points of growth. So, standing still, we expect that type of improvement in EBITDA growth in the second half of the year, absent of all of the other things Raisibe talked to.

I think you also wanted to know why working capital is so high or why there is seasonal outflow in the first half of the year. There are various different drivers of that. But one in particular is just gearing up for the big summer campaign we have in South Africa. So, as Shameel likes to say, we're getting bread in the bakery to make sure we are primed for the big summer campaigns across our portfolio.

### **Cesar Tiron**

Sure. Thank you so much for all this. I get that. But why was it significantly higher this year, compared to last year? I understand the H1/H2 seasonality. But why are these much higher than last year?

### **JP Davids**

Yeah, so while I've got the microphone, there were two impacts. One, we did buy a bit more inventory this time this year, rather than last year. And that was pre-empting some of the supply chain concerns that were out there in the market. Hopefully those ease going forward. But the bigger impact was a capex creditor that we paid in the year, in the first half of the year. So, if you think back to the fourth quarter of last year, we accelerated capex to take advantage of a stronger Rand or a favourable Rand at that point in time. So that P&L was put onto the balance sheet. And then we actually settled the cash element of that in April/May. So, you had a big payment of a capital creditor. So that was an unusual factor this year that didn't play out last year. Hopefully, that's clear.

### **Raisibe Morathi**

And I think if you recall, when the Ukraine war started, the Rand first appreciated. The value that we saw, which obviously did have some indications that it could be a short-term window, so we did take advantage of that strong Rand at that point in time.

### **Cesar Tiron**

Great, thank you so much.

### **Operator**

Thank you. The next question is from Nadim Mohamed of SBG Securities. Please go ahead.

### **Nadim Mohamed**

Good afternoon. Thank you for the opportunity to ask questions. Just two from my side. Firstly, just some insight into your investments into network availability. It seems like you've been invested well ahead of your peers, MTN in South Africa. I'm assuming they're constrained by having a lot of their sites run by a tower company. So, I would just like to get a sense, even anecdotal, of how your availability compares to MTN now, and whether that has allowed you to perform better in the last quarter, and then also perhaps even take market share going ahead because of the availability.

And then secondly, I would like some colour on the trajectory of new services going forward. If I remember correctly in the presentation, you said you're expecting 20% three-year CAGR. But if I look at South Africa, new services are growing at about 8%, M-PESA in the last quarter growing about 20% helped a bit by Tanzania. Do you expect those services over time to accelerate again closer to that 20% CAGR mark? Thank you.

### **Shameel Joosub**

Okay, so maybe to start off with the network part, I think from a network perspective, yes, we are clearly seeing a differential between us and competition in terms of network resiliency. I think that's playing out into our prepaid numbers, and you'll see in the quarter, we had a better performance than any of our competitors. And so, I think it has become an advantage. Of course, we've done it to make sure that we could keep the network up and put a number of different measures in, in terms of basic generator availability, making sure we've got enough batteries available, moving towards armed response on the sites and all of these types of things so that we can provide better network resiliency. And I think that's paid off. It's come out into our NPS, where we've grown our NPS leadership in the market, our network NPS leadership. And that's been really, really good for us.

Will it result in market share gains? I mean, in the in the period, we have gained share slightly. So, I think we are all good in that respect. But the consumer is under pressure, and we do see that. We are picking up some of the costs associated with this. Specifically, what's different to last year is that the fuel prices have gone up. And then of course, the amount of outage days have gone up quite significantly. I think it's almost four times as much as it was last year. So, we are picking up increased blackout days or increased load shedding days than what we saw last year. So, that is playing a bit of havoc on the network. But it's important that we can provide that service to our customers.

In terms of the diversification of revenue, I think it's picking up quite nicely. I mean with everything; the underlying growth of these new assets are always quite strong. There's always some counterbalances of things that you have to take, for instance, the levies in Tanzania which dampen the growth and so on. But I think double digit growth or even mid-teens growth on M-PESA or financial services going forward is definitely doable.

### **Nadim Mohamed**

Thanks so much. I really appreciate the colour on that.

### **Operator**

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

### **Jonathan Kennedy-Good**

Good afternoon. I just want to follow up on Nadim's question. Just wanted to understand. You mentioned I think a fourfold increase in the amount of power downtime across the network this year. If we see that fourfold run rate move into next year and the following year, is the network investment you've made enough to keep the network resilient, or will you have to invest significantly more? And

I'm thinking about a scenario where grid availability declines to say 10 hours a day over the next two years on average. I mean, what would that do to capex requirements for power generation and opex in terms of diesel on the SA network?

**Shameel Joosub**

Yeah, I think if it gets worse, we are trying to achieve two things. On the one side, bring down the power cost itself with this pilot with Eskom where we can contribute more renewables or new IPP power to the grid, and then be able to contain the cost in that regard. So, the pilot with Eskom is to make our power green, but also to contain the cost, because the IPP cost is significantly cheaper than the Eskom costs today. So that's one initiative that we are busy with.

Secondly, we have to put out batteries. And if you go to 10 hours a day, then of course, we will have to increase the number of batteries. We wouldn't increase the capex envelope, but it would increase the batteries and then that plays out a little bit into the amortisation because normal network equipment is eight years plus, and batteries is probably three years. So, you do have this differential, and that's playing out a little bit into our numbers as well because your batteries depreciate much faster than your normal network equipment.

**Jonathan Kennedy-Good**

Thank you.

**Shameel Joosub**

But yes, you would have to add batteries if it gets substantially worse. But we are also starting to look at some permanent solutions. Like on very important sites, do we just go to putting in generators from the start, like we do in Africa? And then of course, we are looking at clean energy generators as well going forward.

**Jonathan Kennedy-Good**

Thanks. That's helpful.

**Operator**

Thank you. The next question is from Georgios Ierodiconou of Citi. Please go ahead.

**Georgios Ierodiconou**

Thank you for taking my questions. It's actually another follow-up on energy, I'm afraid. I just wanted to understand a bit better some of the comments you just made around your ability to maybe invest in renewables and other options. And I'm just curious, how long do you think these kinds of PPAs

come live? Like, is it credible for FY25 or FY26 to be a period by which you could be able to sign enough of these deals or any other arrangements in order to have better visibility on your energy costs? And if that was the case, you can give us an indication of the kind of financial implications of these kinds of arrangements, please.

And then my second question is just more around the super app, if you can give us an update in terms of the financial performance, anything in particular that is progressing better or worse versus your expectations in the last few months. Thank you.

### **Shameel Joosub**

So, I think on the on the IPPs, effectively where we are is the big issue is getting Eskom. We are now busy finalising the sign-off of the pilot and so on and that the pilot works because the issue that we have is that we have 15,000 sites in South Africa. So essentially what we've got to do, the wheeling has to go through the normal transmission network. And that's why this pilot is important. What Eskom is trying to achieve if the pilot works, then other corporates will do the same. And we can do that for the rest of our power and contribute it to the grid. Then they will charge us a wheeling charge, but then pass us a credit on the differential on cost between the price that we are paying today versus the price that we'll be getting from the IPPs, plus the wheeling charge. So, that recon needs to be done.

We've also provided a system for the recons, and we've already worked on that and shared that with them as well for the pilots. And they quite liked our system that we provided that we built out of our company called Mezzanine. So, it's gaining momentum, but we need them to sign on the dotted line to be frank. They can be a bit faster, in my view. We try to push them to move a bit faster on these things, because if this works, then that will help them to relieve some of the power pressures, because other corporates will do the same. And then that gives them a chance to go and fix some of the historical infrastructure that exists.

The cost is less than half on an IPP versus what you can get from Eskom per kilowatt hour. So, the economics make sense. But let me put it this way. If we had big plants, it was easy, because then we could do a IPP nearby and seamlessly wheel it or do self-generation. Here we have to contribute it to the grid. So, this part is extremely important. The deals that you can get on the IPPS, some can launch within 12 months, some within 24 months. So, all they are waiting for is the commitments from corporates such as ourselves to be able to do it. There's enough supply and people want to do the supply. And of course, we've done the RFP. So, we've got a credible list of suppliers who can do

it. But the missing step is we need to get Eskom to complete the pilot and to sign up. Then we can sign the IPP agreements. Otherwise, we sign the IPP agreements, but we can't get into the site.

**Operator**

Thank you. Ladies and gentlemen, just a reminder, if you wish to ask a question, please press \* and then 1. Our next question is a follow-up from Madhvendra Singh. Please go ahead.

**Madhvendra Singh**

Thanks for taking my follow-up. Very quickly, in the morning presentation Shameel mentioned about the operational separation of the new services such as mobile money, but also talked about potential monetisation. So, I'm just wondering, what do you have in mind? If you could give some more colour about the form and type of monetisation you're looking at? And any potential timelines attached to that? Thank you.

**Shameel Joosub**

Yeah, so I think we've taken the structural parts where we've created these companies, the separate companies within the group. And that gives us optionality. But we're not yet in a position where we've taken any firm decisions about moving towards monetising part of these assets. We're still hoping that you guys will see the light and give us credit for it. The light is not that bright at the moment, but we still live in hope, on a lighter note.

I mean, it does give us optionality. And I think in time we will consider it. Also, I think the big part is that you don't want to do it too early, because if you do it too early, the other thing is that you're giving away good value. So, you want to make sure that you can get that right. And I think also at the moment the market is not conducive for these types of things given that some of the financial services stocks did come under pressure in the last while. So, I think it would be a bit premature and not the right time to do something now. Interest wise, lots of interest.

**Madhvendra Singh**

So, we are specifically talking about the mobile money part, right. Are there any other services or platforms you're looking at from this angle?

**Shameel Joosub**

Specifically, mobile money is what are we talking about here.

**Madhvendra Singh**

Got it. Thank you very much.

**Shameel Joosub**

In terms of fibre and these types of things, we are looking at JVs going forward. And we'll probably partner more with the CIVH Group into Africa in an off-balance sheet JV type of thing that we are considering. And the same with rural coverage.

**Operator**

Thank you very much, sir. We have no further questions in the queue. Sir, do you have any closing comments?

**Shameel Joosub**

No, just to say thank you to everybody for joining us today on the call. And we will see you on the road shows.

**Operator**

Thank you very much, sir. Ladies and gentlemen, that then concludes today's conference, and you might disconnect.

**END OF TRANSCRIPT**