

Vodacom Group Limited interim results for the six months ended 30 September 2021 short form announcement

15 November 2021

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1993/005461/06)

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(Vodacom)

Vodacom Group Limited interim results for the six months ended 30 September 2021 (short form announcement)

Highlights

- Group revenue of R49.9 billion was up 4.2%, as strong normalised growth of 7.9%* was partially offset by rand appreciation.
- Normalised Group service revenue and Group operating profit growth of 5.4%* and 5.7%* respectively, is in line with our medium-term targets.
- Net profit from associate and joint ventures declined 36.1% (+11.9%*) to R1.6 billion, negatively impacted by an R805 million one-off deferred tax rate adjustment in the prior period and foreign exchange translation headwinds.
- Added 6.2 million customers, to serve a combined 129.9 million customers across the Group, including Safaricom on a 100% basis.
- Our M-Pesa platform, including Safaricom, processed US\$301.9 billion in transaction value over the last twelve months, with transaction value up 31.2% in the second quarter.
- Headline earnings per share declined 5.1%, but when adjusted for the one-off deferred tax rate adjustment in the prior period, grew 3.0%.
- Interim dividend of 420cps up 1.2%.
- Announced two material M&A transactions to accelerate our growth and returns profile.

Group statutory performance measures

Rm	Six months ended 30 September		% change	
	2021	2020	Reported	Normalised*
Revenue	49 856	47 844	4.2	7.9
Service revenue	38 915	38 515	1.0	5.4
Net profit from associate and joint ventures ¹	1 644	2 571	(36.1)	11.9
Operating profit ¹	14 058	14 465	(2.8)	5.7
Net profit	8 873	9 271	(4.3)	
Earnings per share (cents)	504	533	(5.4)	
Headline earnings per share (cents)	505	532	(5.1)	
Interim dividend per share (cents)	420	415	1.2	

Group alternative performance measures

Rm	Six months ended 30 September		% change	
	2021	2020	Reported	Normalised*
EBITDA	20 076	19 433	3.3	5.7
EBITDA margin (%) ²	40.3	40.6	(0.3ppt)	
Capital expenditure ³	6 920	6 551	5.6	
Capital intensity (%) ³	13.9	13.7	0.2ppt	
Operating free cash flow ⁴	6 458	6 848	(5.7)	
Free cash flow ⁴	4 456	5 280	(15.6)	
Financial services revenue ⁵	3 704	3 341	10.9	22.7

Notes:

1. In the prior year, net profit from associate and joint ventures and operating profit was impacted by a positive one-off deferred tax rate adjustment of R805 million. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. At a net income level, and after the impact of non-controlling interests, the adjustment was R705 million.
2. EBITDA margin is EBITDA as a percentage of revenue.
3. Detail relating to capital expenditure is set out in the full announcement. Capital intensity is capital expenditure as a percentage of revenue.
4. A reconciliation of operating free cash flow and free cash flow is set out in the full announcement.
5. 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 excludes tax related adjustment where applicable and adjusting for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) 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 2021 compared to the six months ended 30 September 2020, unless stated otherwise.

Shameel Joosub, Vodacom Group CEO commented:

I am extremely proud of the way Vodacom has held steadfast to its purpose of connecting people for a better future throughout the global health crisis. Cognisant of our ongoing duty to step up and make a societal difference, we assisted governments and communities in Africa through the deployment of a wide range of 'tech for good' solutions that help mitigate the effects of the pandemic and bridge the digital divide.

One of the most impactful of these initiatives is our partnership with the African Union Development Agency to accelerate the COVID-19 vaccine roll-out across the continent through our mVacciNation technology platform. Additionally, we are providing cold chain technology and logistical support to our markets to ensure the safe delivery of COVID-19 vaccines. Outside of the pandemic, Vodacom and the Vodafone Foundation launched a fund to support communities in the DRC devastated by the volcanic eruption of Mount Nyiragongo. In South Africa, we assisted communities that were affected by the social unrest in July 2021 and have accelerated efforts to assist impacted SMEs.

Vodacom Group's decision to diversify our geographic exposure continues to pay dividends. Our strategic investment in Kenya's Safaricom in 2017 has proven to be value accretive, generating an annual total shareholder return of 26%. Significantly, we recently announced two transformative acquisitions to further enhance the Group's growth and return profile. In Egypt, we intend to acquire a controlling share in Vodafone Egypt, a clear market leader with a track record of strong growth and attractive returns. Vodafone Egypt's growth outlook is supported by a network and spectrum advantage versus peers, market leadership in both the consumer and enterprise segments and a brand synonymous with technology leadership. In addition, Vodacom sees scope to create significant value by scaling the Group's multi-product strategy called the System of Advantage into Egypt. A key element of our System of Advantage is financial services and with more than 80% of Egypt's 100 million population unbanked, Vodacom sees a compelling opportunity to leverage our financial services platforms into Egypt. Separately, in South Africa, Vodacom announced the acquisition of 30% of Community Investment Ventures Holdings (Pty) Limited's (CIVH) market leading fibre subsidiaries, with an option to increase the stake to 40%. This transaction marks a major step forward in diversifying our connectivity offering, optimising our assets through sharing costs and accelerating fibre reach in South Africa to help bridge the digital divide.

Delivering on our strategy and medium-term targets while continuing to deal with the widespread effects of the COVID-19 pandemic bears testament to the depth and strength of talent in our business that is able to execute on our strategy with precision. Last month we commercially launched our highly anticipated VodaPay super-app in support of greater digital and financial inclusion, and together with our M-Pesa app roll-out, we have cemented our position as Africa's largest fintech platform by subscribers. From a financial perspective, the Group's service revenue increased 5.4%* while operating profit increased 5.7%*, both on a normalised basis. Our dividend per share was 420 cents, up 1.2%. We now service 129.9 million customers across the Group, including Safaricom on 100% basis, a gain of 6.2 million customers in the period.

Our new service offerings continue to grow, contributing to increasingly diverse revenue streams, while at the same time delivering innovative new products to our customer base. Collectively, new services, which encompass financial and digital services, the Internet of Things (IoT) and fixed, accounted for 17.6% of Group service revenue having generated R6.9 billion in the six-month period. Financial services revenue, the largest component of new services, was up 10.9% to R3.7 billion. Growth was impacted by the strong rand, and on a normalised basis, growth was up 22.7%*. Financial services is a clear strategic differentiator for the Group and is integral to our purpose-led business model. Our M-Pesa platform, including Safaricom on a 100% basis, processed US\$26.8 billion of transaction value per month in the second quarter, up 31.2%. And, over the last twelve months we have processed an impressive \$301.9 billion of transaction valuation through our M-Pesa platform.

In South Africa, we delivered service revenue growth of 3.6% driven by connectivity demand, an additional 1.1 million data customers, incremental wholesale revenue and growth in our new services. This was an impressive result given the demanding comparative associated with lockdowns in the prior period. Vodacom Business delivered another strong performance in the period under review, with service revenue increasing by 11.5% to R8.5 billion while revenue generated from financial services in South Africa increased by 15.0% to R1.3 billion. In the current financial year, we will invest more than R10.5 billion into our world-class network, in addition to the R47 billion we spent over the past five years alone. This is particularly relevant at a time when many of our customers continued to work, entertain, and educate from home.

Our International operations delivered a strong recovery, with normalised service revenue growth up 9.0%*, underpinned by a return to charging for M-Pesa transactions and strong data demand. Reported service revenue of R10.7 billion was down 6.1%, negatively impacted by the rand's recovery. From a purpose perspective, we are making good progress on the roll-out of our ConnectU platform across our International markets. ConnectU provides zero-rated access to a wide range of websites, including job portals, online learning platforms and discounted offers for poor communities, to support digital inclusion.

Safaricom delivered service revenue growth of 16.9%* in the period, with M-Pesa's contribution reaching 37.8% of service revenue. M-Pesa revenue was up 45.8% driven by strong platform growth, product adoption and greater value through updated peer-to-peer pricing from 1 January 2021. Safaricom's new M-Pesa app has already attracted over 2 million monthly active users since its launch in June 2021. We remain committed to expanding the M-Pesa ecosystem so that we continue to democratise financial services.

Looking ahead, we are focused on the development of our diverse service offerings and M&A deal completion as we continue our exciting evolution from a telco to a techco. In the face of continued data demand and the uncertainty of the ongoing pandemic, we are encouraged by ICASA's proposed licensing of provisional spectrum in South Africa. It is estimated that circa 10 million South Africans have benefitted from the service that operators have been able to provide as a result of the temporary spectrum allocation. We will also continue to engage with Tanzanian authorities regarding the introduction of mobile money transaction levies in the country so as not to interrupt the significant strides made in the last decade in reducing barriers to financial inclusion.

Declaration of final dividend number 25 – payable from income reserves

Notice is hereby given that a gross interim dividend number 25 of 420 cents per ordinary share in respect of the six months ended 30 September 2021 has been declared payable on Monday 6 December 2021 to shareholders recorded in the register at the close of business on Friday 3 December 2021. 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 336.00000 cents per ordinary share.

Last day to trade shares <i>cum</i> dividend	Tuesday 30 November 2021
Shares commence trading <i>ex</i> -dividend	Wednesday 1 December 2021
Record date	Friday 3 December 2021
Payment date	Monday 6 December 2021

Share certificates may not be dematerialised or rematerialised between Wednesday 1 December 2021 and Friday 3 December 2021, both days inclusive.

On Monday 6 December 2021, 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 6 December 2021.

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

Dividend policy

Since the financial year ended 31 March 2021, the Board has maintained its dividend policy of paying at least 90% of adjusted headline earnings, excluding the contribution of the attributable net profit from Safaricom. In addition, the Group distributed any dividend it received from Safaricom, up to a maximum amount of the dividend received, net of withholding tax. It is expected that this dividend policy will be maintained for the remainder of the current financial year.

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

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

For and on behalf of the Board

Sakumzi Justice Macozoma
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Raisibe Morathi
Chief Financial Officer

Midrand

12 November 2021

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/2021/jse/isse/VOD/HY22_SENS.pdf and is also available on our website www.vodacom.com.

The full announcement is also available at our registered office and our sponsor's office for inspection, at no charge, during office hours. Copies of the full announcement may be requested by contacting Investor Relations on telephone: +27 (0) 11 653 5000 or email: vodacomir@vodacom.co.za.

Sponsor: UBS South Africa (Pty) Limited