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Segmented propositions

We are using digital tools to deepen our understanding of customers' needs and behaviours, and to develop personalised propositions across consumer segments.

- ✓ Achieved
- ✗ Not achieved
- ↔ Unchanged



Developing segmented propositions using Big Data analytics

Over the past three years, we have deepened our understanding of our customers' needs and behaviours to develop personalised propositions for the following four segments:

- ✓ **Youth:** Our Vodacom NXT LVL platform focuses on supporting and empowering South Africans under the age of 25 through affordable devices and preferential rates on value bundles. It also gives access to e-School (a zero-rated learning platform), Future Jobs Finder (a zero-rated career guidance and training content portal), reduced subscriptions on music and gaming services, and other lifestyle benefits. Since its inception in 2015, the proposition has delivered notable results, with over 3.8 million active customers on the platform. This year we saw an 8% year-on-year increase in our customer base, with data ARPU up by 100% and smartphone penetration growing at 11%. By leveraging our multiple-vendor strategy and substantial subsidy, we have driven down the prices of entry-level 4G devices to ensure our Youth customers enjoy access to our 4G network.
- ✓ **Mass segment:** With low-income customers in the emerging prepaid segment in mind, we developed our Siyakha platform which facilitates digital inclusion through affordable price packages, entry-level smartphones, and targeted offers and content. Since its launch in 2017, free access to the Vodacom Mum & Baby portal has impacted the lives of 1.8 million parents and guardians across South Africa by democratising access to healthcare, providing pregnant women and new parents with health information by

registered medical professionals on health issues relating to pregnancy and young children up to the age of five. The platform continues to have a strong uptake and drive commercial benefits, with engaged customers having a 16% higher ARPU. This year we launched ConnectU, aggregating our free resources and most beneficial services under one umbrella, providing free access to internet essentials categorised as six key pillars: education, jobs, health and wellness, safety and security, social, government services and essential internet services.

- ✓ **High value:** Our Vodacom RED proposition provides high-value customers with a seamless worry-free connection that includes increased data and unlimited voice allocation plans, priority 24/7 service, data-sharing services, international roaming propositions and various exclusive rewards. This year we launched a contract rewards platform offering discounts on travel, and we rewarded our loyal RED customers with various exclusive experiences, including a Ferrari track day; access to the Vodacom Super Rugby Finals Tour in New Zealand, hosted by former Springbok Bryan Habana; a Blue Train experience to the Vodacom Durban July; personalised events with the Kaizer Chiefs, and VIP access to the annual SA Fashion Week. In the year, RED customers' data usage per user grew 37%, the number of 4G users reached 97%, and smartphone penetration was 99%. With RED, our customers can always expect more, and this past year was no different.
- ✓ **Home:** We aim to provide South African families and households with solutions that will enable them to seamlessly connect through all available technologies. Our ambition is to connect 40% of South African households by 2023.

Monetising mobile data

We have continued to deliver a pleasing performance in each of the four focus areas of our accelerated data growth strategy.

Commercial network rollout

✔ We have continued to invest in infrastructure improvements to expand our network, adding 137 new rural sites in South Africa this year. Our investment of R28.2 billion over the last three years has focused on promoting digital inclusion by increasing rural coverage. Our network now extends to over 99.5% of South Africa for 3G users, approximately 99% for urban coverage of 4G users, and 82.9% for rural coverage of 4G users.

↔ Unfortunately, the further expansion of our 4G+ footprint has been limited by spectrum constraints. We remain optimistic that the regulator will soon make high demand spectrum available. In the interim, customers will benefit from our revised roaming deal with Rain that will further expand our 4G capacity.

✔ After being the first network to launch 5G commercially in Africa through Vodacom Lesotho, we launched 5G services in South Africa on 5 May 2020, making use of the temporary spectrum assigned to us during the COVID-19 crisis. We have however secured spectrum for 5G through our agreement with Liquid Telecom.

Device penetration

✔ This year in South Africa, there were 20.1 million smart devices on our network, up 3.9%, while the number of 4G devices increased by 34.5% to 12.9 million. In our International markets, smartphone users increased by 4.2% to 10.2 million, representing only 26% of our customer base, highlighting continuing growth opportunity.

✔ In the 2019 financial year, we were the first mobile network operator (MNO) in Africa to launch its own smart feature phones and in the 2020 financial year we improved the proposition and products, now offering the Vodacom Vibe 3G and 4G devices. Over 100 000 of these devices have been sold in South Africa over our summer promotion period.

✔ To further reduce the barrier to entry to 4G devices and services, this year we trialled prepaid device financing, enabling customers with no credit facilities to pay for 4G devices by instalments. We also began to offer network-locked devices from April 2019 with higher subsidies to drive affordability, and have since sold more than one million of these, primarily to our mass customer segment.

✔ We launched Samsung eSIM capable watches and a One Number service this year, with the same capability on Apple devices expected soon. We sell more than 2 300 watches per month and have also entrenched ourselves as one of the largest laptop distributors in South Africa. With our favourable connectivity propositions and payment terms, we have grown device sales turnover by +1.7% year-on-year, and boosted store accessory sales by 19% year-on-year in volume and 39% in revenue.

Bundle engagement

✔ Our use of Big Data analytics to deliver personalised bundle offers based on customer behaviour continues to differentiate us from our competitors, with our Just 4 You platform accelerating the uptake of bundle offers across most of our markets.

✔ In South Africa, we reduced pricing on certain 30-day bundles. On 1 April, we accelerated this pricing transformation with discounts on all 30-day bundles of up to 40%. We sold 996 million data bundles this year, up 15%.

✔ In South Africa, the average monthly data used by customers on smart devices increased 56% to 1.5GB, boosted by customer migration to 3G and 4G devices, and our targeted data offerings.

Upselling digital services to existing users

✔ This year, the contribution of digital services revenue to service revenue is up 3.4% compared to 3.0% in the previous year, a 0.4ppts increase, reflecting our progress in increasing the availability and appeal of our digital products and services.

Driving enterprise growth in South Africa

In the context of a challenging market environment, with aggressive competitor pricing in both fixed and mobile, Vodacom Business delivered another solid performance. While legacy voice and data products decreased in ARPU, we achieved robust growth in our fixed, IoT, cloud, hosting and security offerings.

✔ Total service revenue grew 6.7% year-on-year, driven by strong performance in roaming revenues (up 75.3%), and growth in IoT (up 38.5%) and fixed-line revenue (up 8.5%).

✘ This growth was partially offset by a 7.5% decline in mobile customer revenue. The effects of ICASA's End-User Subscriber Services Charter regulations continue to be felt. This has been compounded by very aggressive pricing from competitors, and a subdued macroeconomic environment, particularly in the last quarter.

✔ Fixed-line revenue growth was driven by our growing internet protocol virtual private network (IPVPN) portfolio and SD-WAN client acquisitions, supported by our rich offerings in cloud, hosting and security (28.6% growth) and connectivity revenue (11.4% growth). Revenue growth in cloud, hosting and security were underpinned by growth in infrastructure-as-a-service (IaaS), software-as-a-service (SaaS) and our security offerings.

✔ Following the streamlining of our services and a focus on targeted acceleration opportunities, we secured several landmark deals with blue-chip clients. Our Toyota Internet-in-the-Car wins delivered a market first, with mobile wireless networks enabling rich content and lifestyle management options, extending into fleet management.

✔ IoT performed exceptionally well, underpinned by growth in solutions offerings and machine-to-machine and GDSP connections. The successful integration of the IoT.nxt acquisition, and a consolidated IoT landscape, extended our industry-specific use-case capability, with specific sector prowess emerging in the mining, FMCG, logistics, health, e-learning and agriculture domains. This was further boosted by our exported IoT solutions to Europe and the USA, with further opportunities explored in Singapore, China and Africa.

✔ Our IoT.nxt acquisition was successfully integrated within our IoT business by mid-year, achieving global and Vodafone-wide recognition for our leading industry-specific solutions, such as IoT for the mining industry or smart buildings. IoT.nxt also provided smart edge computing solutions to optimise base station energy management and reduce battery loss for Vodacom and Vodafone, with keen interest coming from markets such as the UK, New Zealand and the US.

Segmented propositions

continued



✔ Savings achieved under the National Treasury agreement in South Africa continued to outperform the original contract stipulations, with significant value added to the government in the provision of enterprise mobility solutions across the time and attendance, fleet management and asset management domains.

✔ We deepened our engagement with government in other areas, working closely in developing responses to COVID-19, furthering our e-learning platforms across countries, and extending the reach of policing into the community domains through our mySAPS application.

✘ Regrettably, despite substantial investments made to minimise client impacts, our connectivity offerings and services were impacted by extended load-shedding and base station vandalism in South Africa.

Our various partnerships have continued to deliver positive results.

✔ We strengthened our partnership with Amazon Web Services, deepening our expertise and capabilities with more than 600 Vodacom employees receiving AWS training, Vodacom has successfully established its AWS Cloud Centre of Excellence. Following the launch of Africa regional cloud by AWS in Cape Town, we are now perfectly poised to offer services to our Enterprise customers.

✔ Mezzanine, our digital healthcare and agriculture specialist subsidiary, has seen growth across its core product offering, including winning a significant e-learning deal in Ghana this year. When the COVID-19 crisis hit South Africa, Mezzanine was well positioned to respond rapidly and provide impact solutions. Mezzanine's Stock Visibility Solution is used to monitor personal protective equipment (PPE) stock levels across the country. Add to this the monitoring and visibility it already provides the Department of Health for essential medicine stock levels in primary healthcare facilities across the country. The business offers exciting growth potential across Africa in agriculture and healthcare solutions.

✔ XLink, the retail and financial services payments entity, extended its remit from providing connectivity to point-of-sale (POS) devices to delivering its digital services. It has partnered successfully with Vodacom Financial Services to provide new industry solutions to offer new innovative payment solutions for the retail industry.

✔ Through Nexio (Stortech) we maintained our strong commitment with Microsoft. Nexio has focused on further enhancing its already excellent cybersecurity and cloud capabilities.



Vodacom Vision 2025

We will accelerate customer revenue growth and disrupt the market by remaining customer-centric at our core, delivering on the following four strategic focus areas:

- Keeping the cellphone at the centre of people's lives so that our customers can be entertained, pay bills, invest, lend and insure;
- Deepening our customer engagement by driving data democratisation through competitive customer propositions, embedding our loyalty programme and enhancing regional execution;
- Driving radical simplification to transform the customer experience, ensuring end-to-end journey simplification and optimisation, and true convergence of our multi-product offerings;
- Ensuring a digital-first offering, transforming distribution to deliver a multi-product omni-channel digital experience; and
- Repositioning the Vodacom brand from a 'telco' to a 'techco', strongly underpinned by purpose and spirit.

We will grow our digital enterprise propositions, leveraging our connect, communicate, collaborate and cloud solutions. In meeting our growth ambitions, we will:

- Use AI and Big Data analytics to deepen understanding of our clients in the industry and market context, and co-create solutions by building on all Vodacom Group offerings and solutions;
- Extend our market reach through traditional and next-generation partnerships that leverage unique market propositions, leading and building volume from our Connect and Communicate offerings;
- Increase market traction through dynamic product configurations and pricing;
- Drive the development of rich SME offerings across all Vodacom Group value propositions;
- Extend the reach of our current IoT use-cases geographically and develop new solutions collaboratively by working with targeted customer segments; and
- Leverage and extend our current professional and managed service offerings through deep partnerships and extended capabilities, while building depth in AI and augmented reality.