

A photograph of a man with a beard, wearing a blue and white checkered shirt over a red t-shirt, holding a sleeping baby in a pink long-sleeved shirt. The man is looking down at a laptop screen. A red circular graphic element is overlaid on the image, partially obscuring the man's face and the baby. The background is a softly lit room with white curtains.

# Vodacom Group Limited BEE transaction

June 2018



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Up to **R17.5bn**

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BBBEE ownership transaction

Largest in the ICT sector

## Committed to transformation in South Africa

## True broad-based empowerment

YeboYethu with c.85 000 black  
shareholders and Vodacom ESOP

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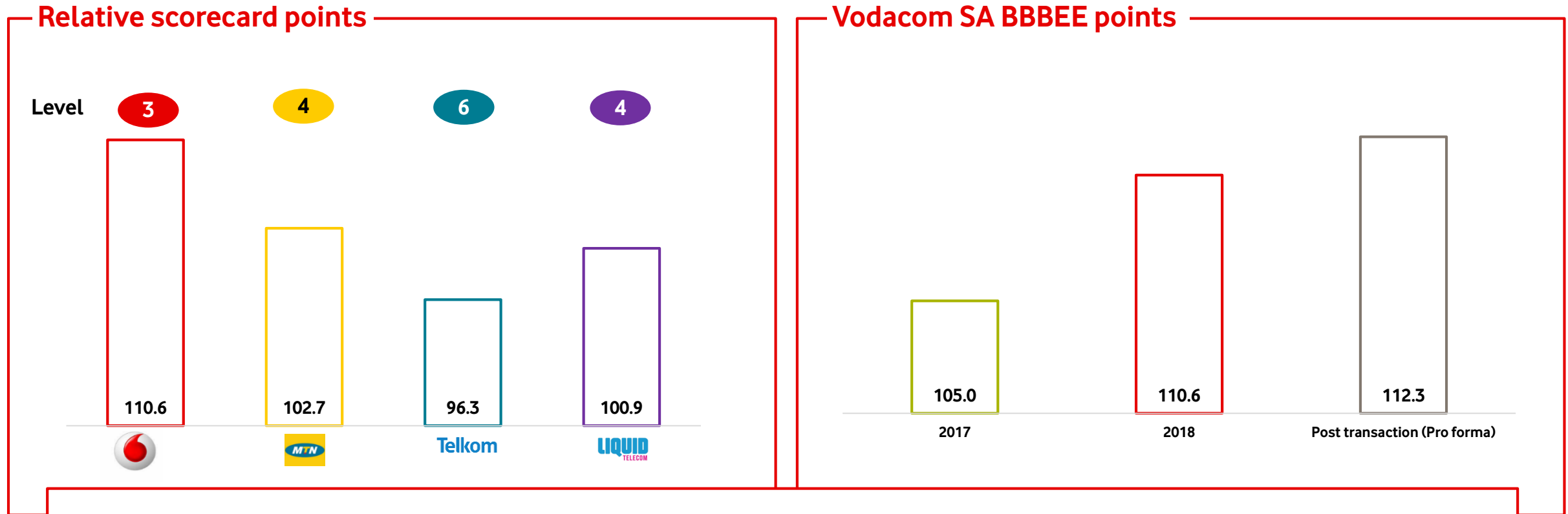
Royal Bafokeng Holdings has  
c.150 000 members located  
in the North West Province

Thebe is controlled by the  
Batho Batho Trust with a 52%  
shareholding

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New employee share scheme,  
Vodacom ESOP will include  
c.5 000 qualifying Vodacom  
employees

# Current BEE Status amongst South Africa's network operators



- Vodacom SA has the highest BEE score and rating amongst South Africa's network operators
- This proposed BEE transaction allows us to increase our BEE ownership and to maintain our BEE rating

1. Vodacom rating against FY17/18 period ending 31 March 2018, Telkom and Liquid Telecom rating against FY16/17 period ending 31 March 2017, MTN rating against FY16 period ending 31 December 2016.  
2. Cell C certificate issued 13 September 2017 valid until 12 September 2018 indicates non-compliant contributor.



# BEE transaction guiding principles

## Principle

- Preserve Vodacom SA's BEE ownership level by ensuring that black ownership is not diluted
- Provide significant liquidity and a return of capital to Vodacom SA BEE shareholders
- Lower the cost of facilitating the proposed BEE transaction
- Bolster and grow YeboYethu and enable trading from day one by an increased shareholder base
- Provide BEE shareholders exposure to the South African operations, International operations and Safaricom
- Broaden ownership

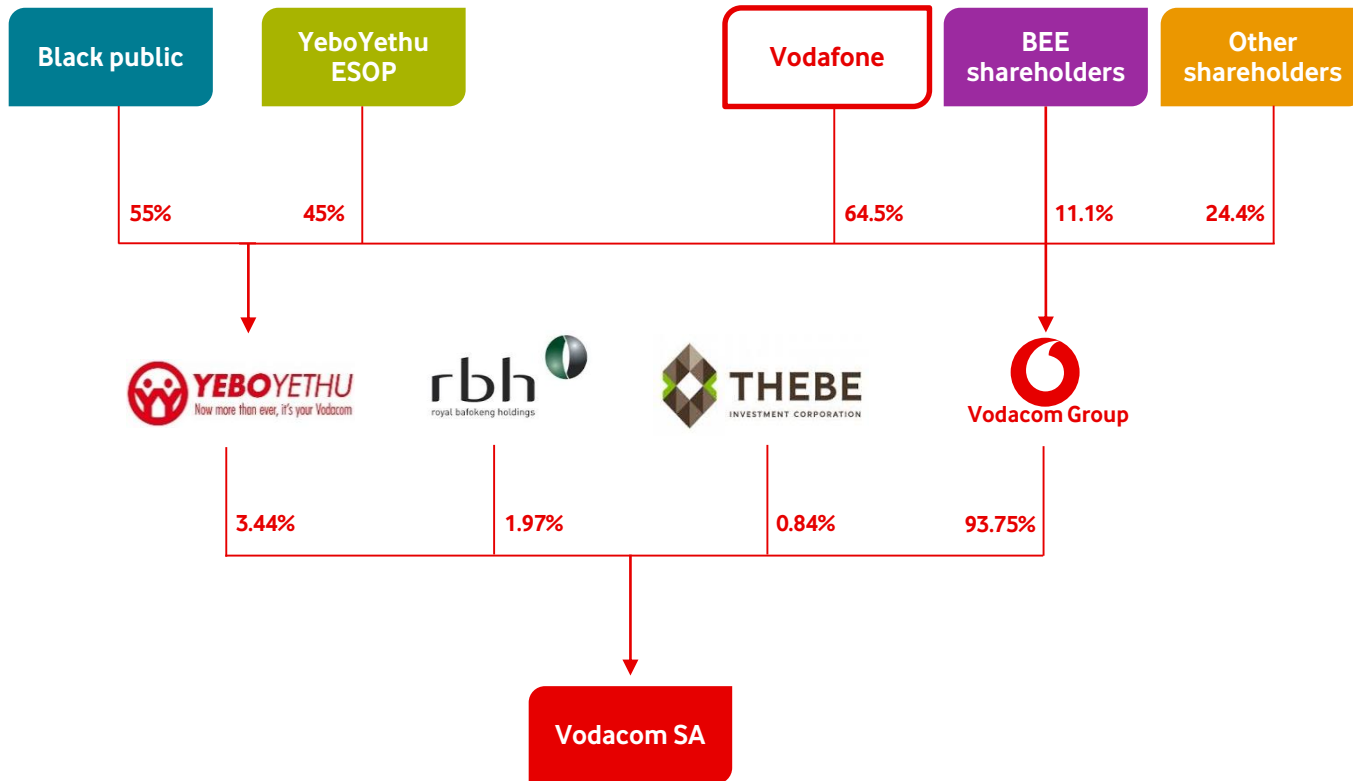
## How implemented?

- ✓ Unwind of the existing BEE structure and the implementation of the proposed BEE transaction with minimum a 10-year period
- ✓ Payment of an upfront special dividend
- ✓ Commitment of equity by BEE shareholders into the transaction and 3rd party gearing the BEE net asset value realised
- ✓ Consolidate Vodacom BEE shareholders in a listed and tradeable platform, YeboYethu
- ✓ Implement transaction at Vodacom Group level
- ✓ New ESOP that includes qualifying employees of Vodacom Group
- ✓ Provide access to new BEE investors through open trading on the BEE Segment of the JSE



# Pre-transaction structure

Vodacom SA BEE effective ownership of 16.9%



- Vodacom SA implemented its R7.5bn broad-based BEE deal with RBH, Thebe and YeboYethu in 2008
- 6.25% deal at the Vodacom SA level facilitated by Vodacom Group through a notional vendor finance (NVF) structure that raised R900m of black capital
- This transaction has contributed meaningfully to Vodacom Group's current effective BEE ownership of 17%
- The current transaction is scheduled to unwind in October 2018 and hence the new BEE transaction includes the unwind of this structure
- Based on an assumed R152.50 Vodacom Group share price, the unwind of the existing VSA BEE structure will deliver c. R7.5bn of value to our existing partners



# Sources and uses of funds

Sources of funds	Rm	%
Economic value of Vodacom Group discount of subscription price	1 750	10.0
Equity contribution – Vodacom SA BEE shareholders (including YeboYethu shareholders)	4 500	25.6
Equity contribution by Vodacom ESOP	750	4.3
Preference shares from 3 <sup>rd</sup> party funders	5 833	33.2
Preference shares from Vodacom Group	4 733	26.9
<b>Total</b>	<b>17 566</b>	<b>100.0</b>

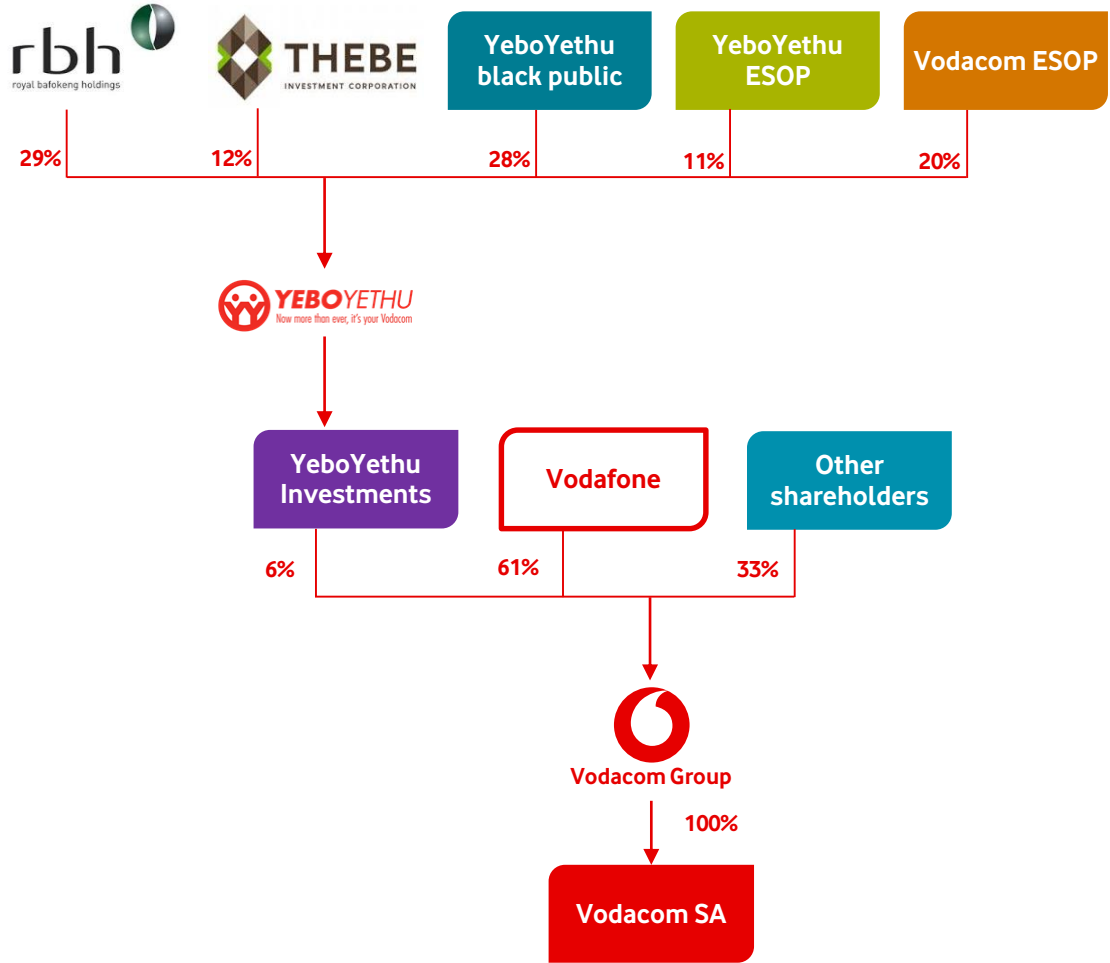
Uses of funds	Rm	%
Acquisition of Vodacom Group shares	17 500	99.6
Transaction costs	66	0.4
<b>Total</b>	<b>17 566</b>	<b>100.0</b>

The table above sets out the sources of funding to discharge the payment obligations in terms of for the proposed transaction. For illustrative purposes, the values reflected above are based on a 60-day VWAP of R152.50 per Vodacom Group share to and including the last practicable date.



# New BEE structure

Vodacom SA BEE effective ownership of c.20.0%





# Vodacom Group dividend policy

## Dividend policy

### **90% of pre-Safaricom headline earnings**

Vodacom Group intends to add back the day one non-recurring share-based payment charge (c.R2.7bn) relating to YeboYethu shareholders, excluding the Vodacom ESOP, to headline earnings, for the purpose of the dividend calculation, for the 2019 financial year.

+

### **Flow through of Safaricom cash dividend (net of withholding tax)**

=

### **Total Vodacom Group dividend**



# Financial effects based on 31 March 2018

Based on 31 March 2018	After, excl non-recurring			% change (B/A)	% change (C/A)
	Before (A)	IFRS 2 charge (B)	After (C)		
Basic earnings per share (cents)	947	904	734	(4.5)	(22.5)
Diluted basic earnings per share (cents)	919	881	716	(4.1)	(22.1)
Headline earnings per share (cents)	923	879	710	(4.8)	(23.1)
Diluted headline earnings per share (cents)	895	857	692	(4.2)	(22.7)
Net asset value per share (cents)	3 792	3 637	3 620	(4.1)	(4.5)
Net tangible asset value per share (cents)	3 255	3 101	3 084	(4.7)	(5.3)
Weighted average number of Group shares in issue (millions)	1 620	1 620	1 620		
Weighted average diluted number of Group shares in issue (millions)	1 622	1 663	1 663		
Number of Group shares in issue (millions)	1 700	1 700	1 700		
<ul style="list-style-type: none"> <li>Total number of Group shares in issue (millions)</li> </ul>	1 721	1 836	1 836		
<ul style="list-style-type: none"> <li>Treasury shares (millions)</li> </ul>	(21)	(136)	(136)		

The table sets out the sources of funding to discharge the payment obligations in terms of the proposed BEE transaction. The values reflected are based on an illustrative Vodacom Group share price of R152.50.



# Key benefits



- Largest BEE deal in the ICT sector
- Significant value realised from the Vodacom SA BEE transaction and recommitted to the transaction
- 10 year funding term ensures Vodacom Group can count YeboYethu as a BEE investor for at least 10 years
- Consolidation and “flip-up” through YeboYethu provides direct access to Vodacom Group shares creating a transparent pricing reference
- Attractive pricing on YeboYethu funding (blended funding rate = c.69% of prime), ensuring long term benefit and sustainability of the transaction
- Vodacom Group receives a net cash inflow of R2.4 billion from the transaction
- Transaction does not require new capital raising process – existing holders committing R4.5 billion of value realised from previous deal
- New BEE investors have access through open trading on the BEE exchange



# More information

Visit our website for more information

The screenshot shows the Vodacom website's 'YeboYethu' section. At the top, there is a navigation bar with links for 'About Us', 'Investors', 'Press', and 'Careers', along with search and globe icons. Below the navigation is a large banner image of a man with a beard, with the text 'YeboYethu' and 'YeboYethu Limited is a public company incorporated in South Africa on 19 June 2008.' Below the banner is a breadcrumb trail: 'Welcom... > Investors > Financia... > YeboYethu'. The main content area is divided into two columns. The left column, titled '2018', contains the text: 'YeboYethu', 'Shameel Joosub (CEO), Till Streichert (CFO) and Nadya Bhattay, Chief Officer, Strategy and Business Development will host a call with investors and analysts on Monday, 11 June 2018 at 16:00 (SA time), 10:00 (New York time) and 15:00 (London time). To request conference call details, please mail [VodacomIR@vodacom.co.za](mailto:VodacomIR@vodacom.co.za)', and a link for 'YeboYethu website' with a download icon. The right column, titled 'Share price', shows 'ZAR cent 14,445' with a green upward arrow and '+146.00 +1.02 %'. Below this is a line chart showing share price fluctuations over time, with a date of '21/06/2018'. At the bottom of the share price section, it lists 'Dividend Yield % 5,59' and 'EPS 14,445'. A red button labeled 'Share price information centre >' is at the bottom of the share price section.

<http://www.vodacom.com>

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# Forward-looking statements

This presentation contains 'forward-looking statements', which 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, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's businesses by governments in the countries in which it operates; the Group's expectations as to the launch and roll out dates for 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.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Enterprise and broadband; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues.

All subsequent oral or written forward-looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Vodacom expressly disclaims any liability in respect of the content of any forward looking statement and also expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based.





Q & A

The future is exciting.  
**Ready?**



A photograph of a young Black woman with her hair styled in a large bun of braids, wearing sunglasses and smiling. A large red speech bubble is overlaid on the left side of the image, containing the word 'Appendices' in red text. The background is a blurred city street.

# Appendices



# Transaction steps

## Unwind existing BEE deal

- BEE shareholders (incl YeboYethu ESOP) settle outstanding NVF through a share repurchase
- Post repurchase, RBH, Thebe and YeboYethu hold 4% of Vodacom SA
- YeboYethu ESOP holds YeboYethu shares

1

## Consol of VSA BEE in YeboYethu

- RBH and Thebe exchange their Vodacom SA ordinary shares for YeboYethu shares

2

## YeboYethu declares a special dividend

- YeboYethu declares a special dividend of **c.R3bn** or **R67.28** per YeboYethu ordinary share

3

## Contribution to Vodacom ESOP

- Vodacom Group contributes **R1.05bn** to Vodacom ESOP
- Vodacom ESOP purchases **R300m** in YeboYethu ordinary shares from YeboYethu ESOP
- Vodacom ESOP subscribes for **R750m** of new YeboYethu ordinary shares

4

## Vodacom SA BEE shares for Group shares

- YeboYethu incorporates a new wholly owned sub (YeboYethu Investment Co) to hold YeboYethu's Vodacom Group shares
- YeboYethu exchanges Vodacom SA shares for shares in YeboYethu Investments Co
- YeboYethu Investments Co exchanges its Vodacom SA shares to Vodacom Group in exchange for Vodacom Group shares

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## YeboYethu raises funding for Vodacom Group shares

- YeboYethu issues preference shares to 3<sup>rd</sup> party funders to raise **R5.8bn**
- YeboYethu issues preference shares to Vodacom Group to raise **R4.7bn**
- YeboYethu will fund special dividend, pay transaction costs and subscribe for additional YeboYethu Investment Co shares
- YeboYethu Investment Co subscribes for Vodacom Group shares at a **R1.75bn** discount

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All the above inter-conditional steps will happen over four successive business days.

Assumption: For illustrative purposes, the transaction has been based on a Vodacom Group share price of R152.50 per price





# Transaction parameters

Pricing date

Funding and dividends

Listing, trading and facilitation

## Pricing date

- Pricing date of the Transaction will happen post announcement to minimise the time between locking in the Vodacom Group share price and Vodacom Group/Vodacom SA, equity swap ratio and the date of conclusion to reduce market risk and pricing volatility.
- Transaction will implemented based on the 60-day VWAP of a Vodacom Group share on the last practicable date before the JSE approval of the Vodacom Group and YeboYethu circulars (pricing date), which is expected around 3 July 2018.

## Pricing parameters

- The parties have agreed the following key transaction parameters, which will be determined on the pricing date

60-day VWAP	R155 to R165	R150 to R155	R147.50 to R150	R145 to R147.50	R140 to R145
Transaction size	R17.5 billion	R17.2 billion to R17.5 billion	R16.9 billion to R17.2 billion	R16.6 billion to R16.9 billion	R16.0 billion to R16.6 billion
Equity swap ratio of Vodacom SA to Vodacom Group	69.5%	71.0%	71.0%	71.5%	73.0%
Subscription price discount from Vodacom Group	10%	Fixed R1.75 billion	R1.75 billion to R1.94 billion	R1.94 billion to R2.06 billion	R2.06 billion to R2.22 billion
VSA BEE shareholders reinvestment	R4.5 billion	R4.4 billion to R4.5 billion	R4.1 billion to R4.4 billion	R3.8 billion to R4.1 billion	R3.4 billion to R3.8 billion
Special dividend to YeboYethu shareholders	R3.0 billion to R3.7 billion	R3.0 billion	R3.0 billion to R3.1 billion	R3.1 billion to R3.2 billion	R3.2 billion to R3.4 billion
Vodacom ESOP subscription for new YeboYethu ordinary shares	R750 million	R750 million	R750 million	R750 million	R750 million
Gearing of YeboYethu through 3 <sup>rd</sup> party financing and vendor funding from Vodacom Group	60%	60%	60%	60%	60%
Effective YeboYethu ownership in Vodacom Group (%)	5.8% - 6.3%				



# Transaction parameters

Pricing date

Funding and dividends

Listing, trading and facilitation

## Funding terms

- YeboYethu is raising preference share funding on the following basis:

	Term	R'm	Ratio	Funding rate
Third party funding (non recourse preference shares)	5 years	5 833	55.6%	68% of prime
Vendor funding from Vodacom Group	10 years	4 667	44.4%	70% of prime
<b>Total</b>		<b>10 500</b>	<b>100%</b>	

## Funding period

- Funding raised by YeboYethu is 10 years (5 year + 5 years on third party funding and 10 years on Vodacom Group funding).
- Post the financing period, the underlying Vodacom Group shares held by YeboYethu (that remain following the settlement of YeboYethu funding) will be available for distribution to shareholders.

## Dividends

- Ongoing Vodacom Group dividends received will be used to pay taxes, administration costs and to service non recourse preference shares
  - 20% of the remaining amount after servicing non recourse preference shares will be declared as a dividend to YeboYethu shareholders (Trickle Dividend), subject to a minimum annual Trickle Dividend of R76 million (increased at 5% per annum).
  - Balance of 80% used to service the vendor funding from Vodacom Group.



# Transaction parameters

Pricing date

Funding and dividends

Listing, trading and facilitation

## Listing and trading

- YeboYethu to remain listed on the BEE Exchange, now holding Vodacom Group shares.
- YeboYethu shareholders will be able to continue trading their YeboYethu shares from day 1 and throughout the life of the transaction.
- Opportunity for new BEE investors to participate through acquiring YeboYethu shares.

## BEE restrictions

- No restriction on trading in YeboYethu shares beyond JSE rules (ie. Restricted to trading amongst black individuals and black groups).
  - Black groups are black companies and black entities incorporated or formed in South Africa, in which black people participate in more than 51% of the economic interest and voting rights.
- YeboYethu to provide BEE ownership verification certificate annually to Vodacom Group.
- Remedy period of 40 days in the event of any breach of BEE undertakings.

## Facilitation

IFRS 2 cost (R'm)	4 246
Non recurring share based payment charge (excluding Vodacom ESOP)	2 744
Recurring share based payment charge – Vodacom ESOP	1 502
Deal size (R'bn)	17 500
% of deal value	24.3%
Vodacom Group market cap (R'm)	262 516
% of market cap	1.7%



# YeboYethu timelines and regulatory requirements

Date	Key Events
■ 11 June 2018	Announce new BEE transaction
■ July 2018	Pricing date
■ July 2018	Circular distribution
■ August 2018	Shareholders meeting
■ August 2018	YeboYethu shareholders to vote
■ September 2018	Special dividend
■ September 2018	Implementation of new BEE transaction

Transaction expected to close in September 2018

■ Announcement date   ■ Event

