


Vodafone Egypt acquisition

Enhancing Vodacom's
growth and returns



November 2021

Further together 

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Vodafone Egypt | A quality asset and the clear leader in a growing market

100.9 million
large and
growing population

Attractive real
GDP growth
(5.2% FY21-FY26 CAGR¹)

ICT growth > GDP
(Egypt's Digital Agenda)

#1
Telecom operator
in Egypt

43.0
million
customers²

43%
Mobile revenue
market share³

61%
smartphone
penetration³

14.2%
Revenue CAGR
(FY17-21)

42.1%
EBITDA margin⁴

> 60% cash
conversion⁴

¹ EIU data.
² As at 30 September 2021.
³ Company data and estimates as at 31 March 2021
⁴ For the year ended 31 March 2021. Cash conversion = OpFCF as a percentage of EBITDA

Vodafone Egypt | Market leader with strong growth potential

Growth outlook supported by:

#1 across consumer & enterprise




#1 spectrum portfolio & network position

#1 brand & recognised as technology leader

#1 digital player powered by big-data & AI



Multiple high growth opportunities:

	From (FY21)	Upside scenario (FY26)	Enablers
Fintech revenue 	1% of revenue	Align with Group >20% of service revenue (SR)	M-Pesa Africa & global tech partnerships
IoT revenue 	1% of revenues	Mid-single digit SR contributor	Scaling Vodacom solutions such as IoT.next (smart infra) & Mezzanine (smart farming)
Fibre 	4% of revenues	Double-digit SR contributor	Market share opportunity with self-build potential in gated communities


Transaction rationale | A single transaction to enhance Vodacom's growth and returns

What we like about Vodafone Egypt

- 1 Market leader,** with >30% ROCE
- 2 Strong growth outlook** supported by ICT sector growth across mobile & fibre
- 3 Material fintech opportunity,** with >80% of population unbanked
- 4 Asset owners,** with market leading tower & spectrum portfolio

with further upside from synergies across


 Financial services, leverage super-app capabilities	 Big data capabilities, including behavioural loyalty	 Enterprise & IoT, capturing share with pan-African solutions	 Digital services, accelerated through psychographic segmentation	 Talent, highly skilled resource pool
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Enhanced growth

Accelerate medium-term Group operating profit growth potential into **double digits**

Scope to reach >100m financial service Group customers by FY26



Enhanced returns

Vodafone Egypt generates >30% ROCE

Deal is **ROCE accretive**

Transaction in context | **Scaling our System of Advantage**



>500m

Population

supporting scalable partnerships



51%

Smartphone

penetration proving structural data opportunity



60m¹

Financial Services

customers, extending our leading fintech position



37,000¹

Network sites

and one of Africa's largest tower owners

Egypt



- High quality asset
- Constructive sector outlook
- Material financial services opportunity

Ethiopia



- Unique telecom growth opportunity
- Safaricom-led consortium with our 6% direct stake

System of Advantage enhancements



- Scaling South Africa fibre
- VodaPay super-app launch

Strategic outcomes



- Medium-term operating profit growth potential enhanced to double digit
- ROCE outlook improved
- Attractive dividend payout



1. Including Safaricom at 100%.

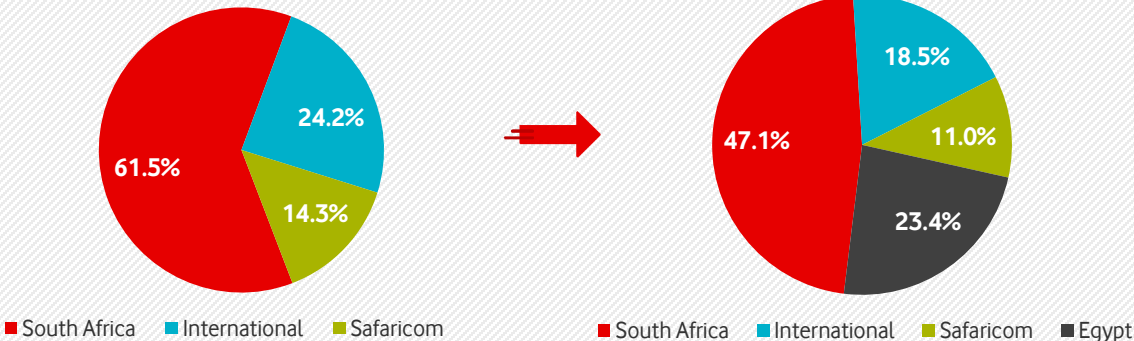
Group growth outlook | Diversifying and enhancing growth outlook

Before Vodafone Egypt deal

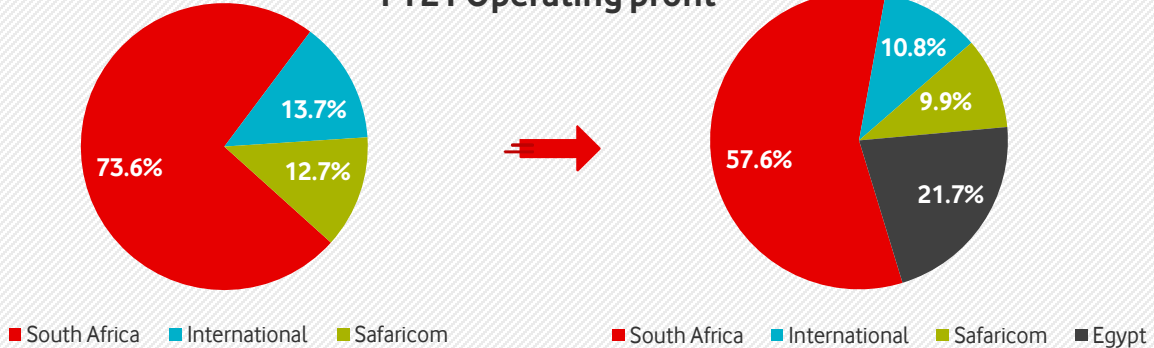
After Vodafone Egypt deal

Growth and diversification

FY21 Service revenue¹



FY21 Operating profit



- Vodafone Egypt’s market position, supported by its leading brand, network and advanced segmentation positions it to grow with the mobile market in double digits
- Operating profit mix expected to improve diversification of growth
- Update on medium-term guidance to be provided at FY22 results

¹Illustrative contribution based on our proportionate shareholding in Safaricom; in practice Safaricom is only reported in the “profit from associates” line within the Group income statement. Vodafone Egypt will be consolidated.

Transaction summary | **Acquiring a quality asset with mix of equity and debt**

Process followed

- Independent sub-committee of the Board appointed
- External advisors hired for due-diligence (KPMG) and advisory (UBS)
- PwC appointed as independent expert to sub-committee and ENS as legal advisor

Valuation

- US\$2.738bn equity value, implying 6.5x EV / annualised FY1H22 EBITDA
- Closing net debt to be deducted from offer price to derive an equity value
- Offer price within valuation range as per PwC independent expert fairness opinion

Consideration

- Transaction funded through a mix of equity (c.80%) i.e. new Vodacom shares issued to Vodafone and cash (c.20%) funded by debt
 - Issue of 242 million new shares, resulting in total issued share of 2 078 million and increasing Vodafone ownership to 65.1%
- Consolidating \$0.9bn (R14.4bn) of Vodafone Egypt debt and incurring \$0.5bn (R8.2bn) for debt element of purchase price.
- ZAR debt financing, with internal leverage threshold remaining at 1.5x net debt

Conditions Precedent

- **Vodacom shareholder approval in respect of**
 - I. the transaction as a related party transaction, and
 - II. to issue the consideration shares to Vodafone
- **Offshore Egyptian approvals**
 - I. Obtain the necessary Egyptian regulatory approvals (eg. NTRA)
- **Onshore South African approvals**
 - I. Approval from the Financial Surveillance Department of the South African Reserve Bank

Vodacom dividend policy

- Following the completion of the deal and subject to Board approval, we intend to simplify the dividend policy to at least 75% of Vodacom Group headline earnings
- The simplified policy and proposed acquisition provide a high pay-out on enhanced growth prospects

Strategy unchanged | **Leading African TechCo with clear System of Advantage**

1 Footprint finalised

2 Secure leadership in Mobile and Fixed

Diversify and differentiate with our digital ecosystem

3 Scale Financial and Digital Services

4 Digital Partner of choice for enterprises

5 World class loyalty and customer experience

6 Personalisation through CVM and Big Data

Optimised, future-ready TechCo

7 Optimise assets through sharing

8 Technology leadership in Network and IT

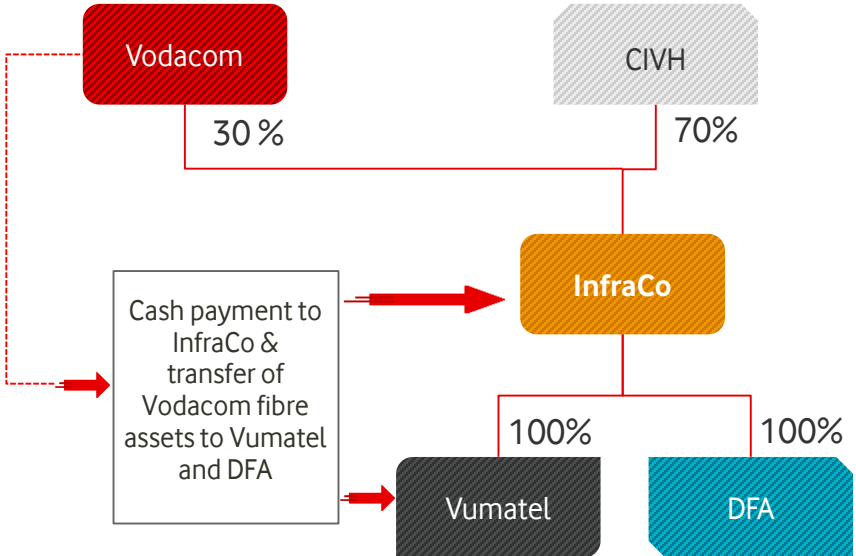
9 TechCo organisation and culture

10 Purpose-led brand and reputation

Our multi-product strategy, called the **System of Advantage**, delivers diversified, differentiated offerings to our customers

South Africa fibre | Aligned with our System of Advantage

Proposed structure



Strategic alignment:

Vumatel

Consumer System of Advantage
Further together, growing with our customers

- Enhancing our home connectivity offering
- Addressing South Africa's digital divide

FTTH market leader with standalone c40% market share

Dark Fibre Africa (DFA)

Business System of Advantage
Trust is everything

- Best connectivity
- Best gigabit transmission & backhaul

A leading **FTTB and dark fibre** provider

Capital structure | Accelerating our System of Advantage

Accelerate
System of Advantage

Utilising
debt capacity

Simplify
dividend policy

Enhance
shareholder value

M&A –
Vodafone Egypt

VE debt impact
around R23 billion

Capacity to
accelerate growth

Disciplined and strong
M&A track record

M&A – Fibre
South Africa

Debt capacity for
SA fibre

Scope to deliver
post M&A

Remain one of the
highest dividend
payouts on JSE

Organic - lead in
connectivity and
new services

Internal net debt
threshold of 1.5x
EBITDA

Aligning to dividend
upstreaming mix

Returns enhanced by
growth acceleration

Focused on ROCE, leveraging scale and shifting from techco to telco as we **unlock growth and returns potential**

Summary | A quality asset that will enhance the Group's growth and returns



Acquiring a **controlling stake** in a Egypt's telecom **market leader** with a track record of high growth and high returns



Growth outlook supported by the #1 position across network, spectrum, brand and digital



Material fintech opportunity, with >80% of population unbanked and scope to leverage the Groups experience and partnerships



Market leading position to >500 million, footprint finalised

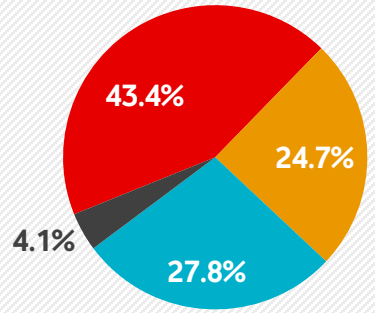


Enhancing Vodacom Group's growth and returns profile

Appendix slides

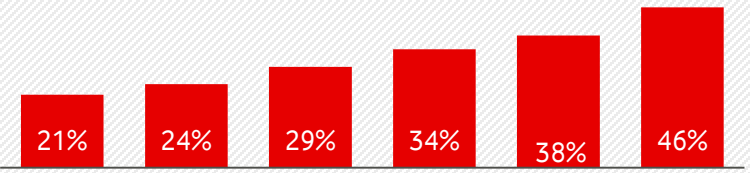
Egypt telecom market | Vodafone Egypt is a clear #1

FY21 Mobile telecom revenue market share



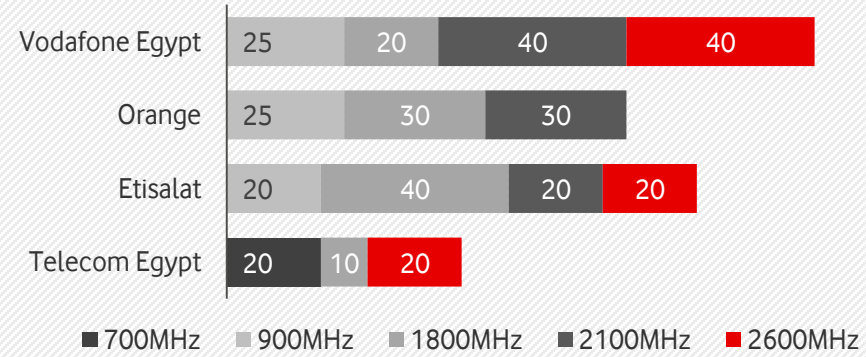
■ Vodafone Egypt ■ Orange ■ Etisalat ■ Telecom Egypt

Data revenue progression



■ Data as % of revenue

Leading spectrum position (unpaired MHz)



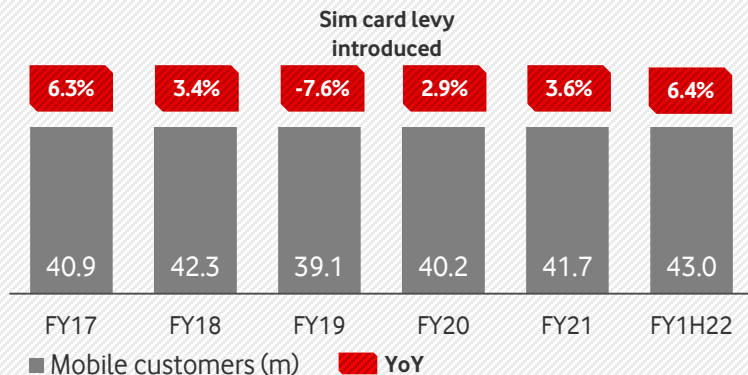
■ 700MHz ■ 900MHz ■ 1800MHz ■ 2100MHz ■ 2600MHz

Positioned for growth

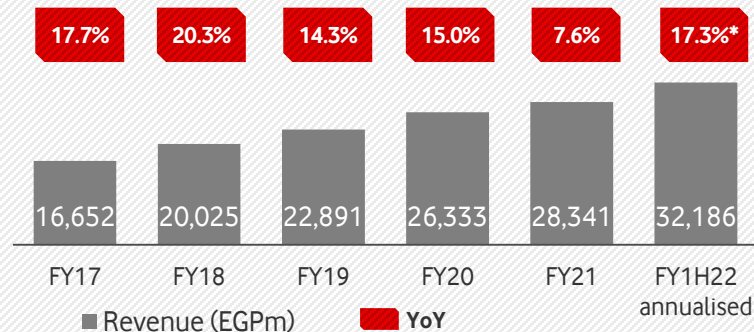
- Mobile coverage 4G – 93.7%
- **#1 Network leadership** position, with >9000 4G sites
- 61.0% smartphone penetration
- Growing opportunity in fibre, with fixed broadband market expected to growth 20.9% CAGR 2021-23E
- Material opportunity in mobile money, 2.3m customers, 92% share of total wallet transactions
- Experienced management team with deep market knowledge

Vodafone Egypt | Consistent track record of growth and strong FCF generation

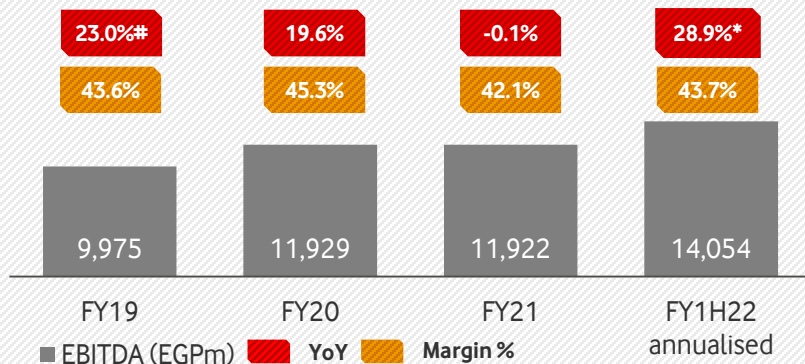
Total mobile customers (m)



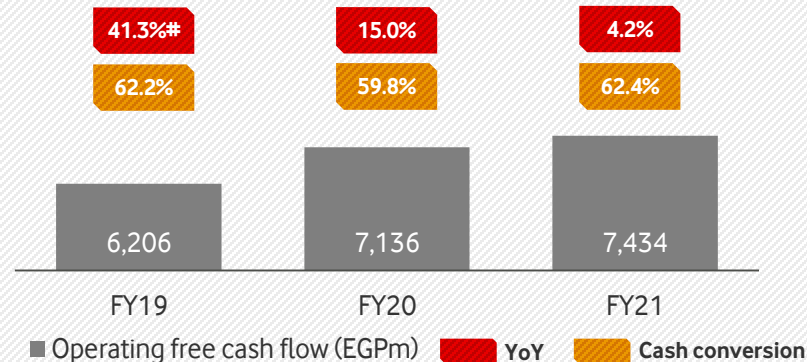
Strong revenue growth



Maintaining EBITDA margin above 40%



Accelerating cash flow generation



* FY22 growth rate based on 1H22 vs 1H21. FY22 absolute number based on FY1H22 annualised.

Growth based on management accounts

Operating free cash flow = EBITDA less capex & lease payments +/- working capital

Further together

Egypt macro | Supportive environment providing growth backdrop

Egypt society

Age distribution

< 24	25-34	35-49	> 50
51%	16%	17%	16%



82%
Unbanked

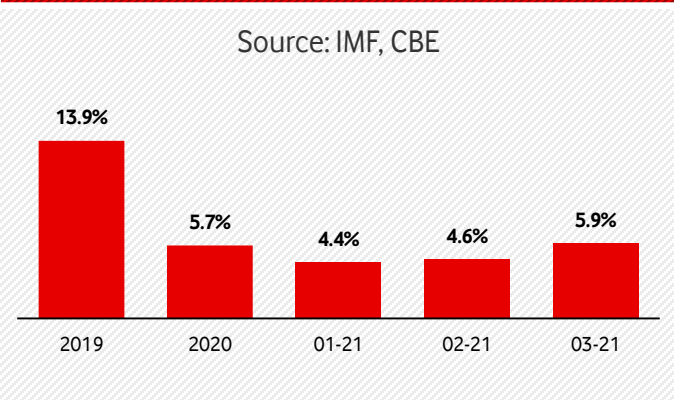


4.4%
Of GDP cashless

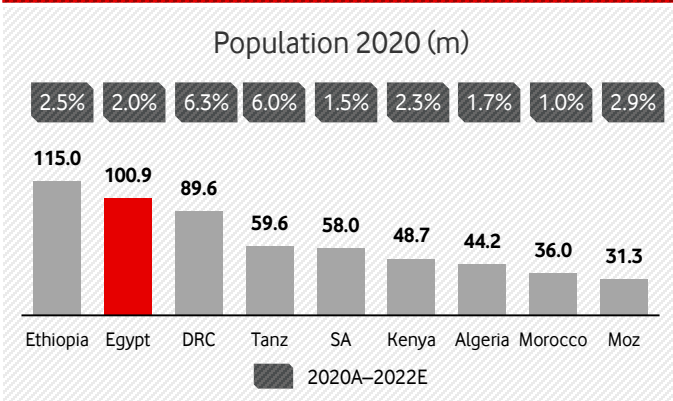
High GDP growth despite Covid



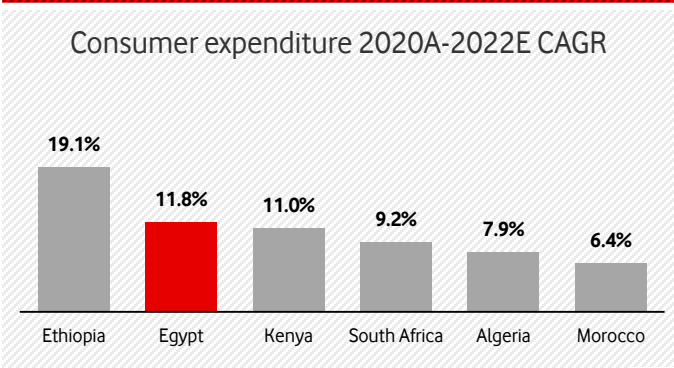
Normalising inflation environment in Egypt



Large and growing population



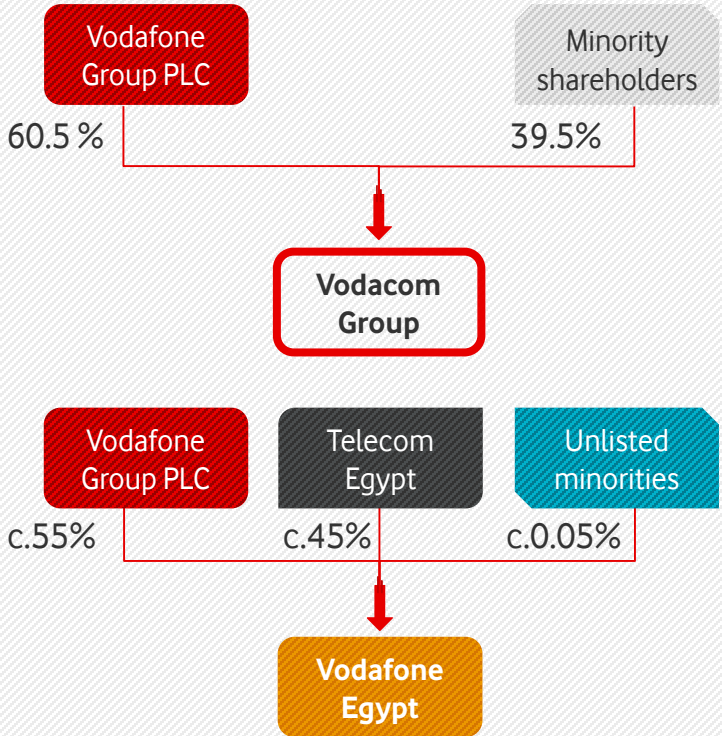
Growing customer spending power



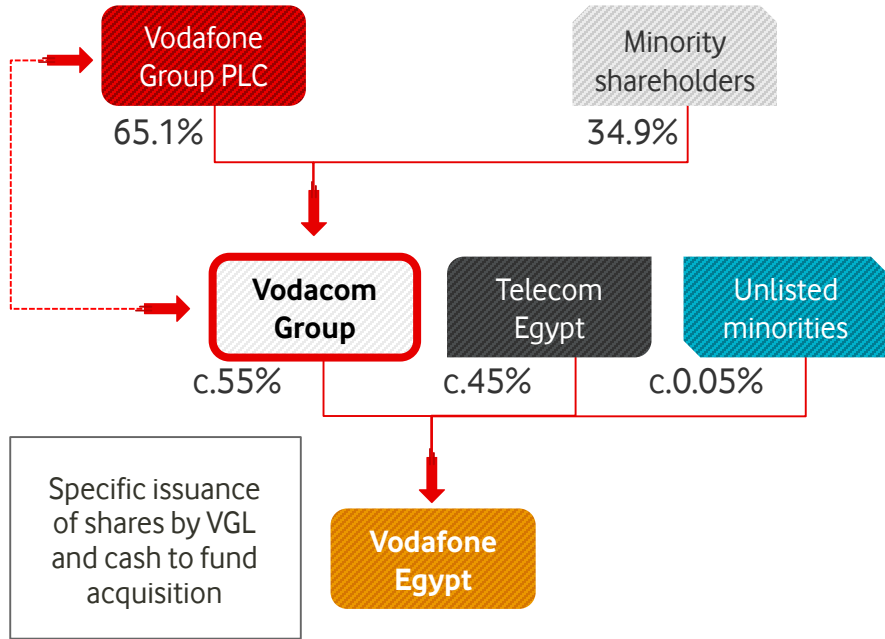
Sources: Central Band of Egypt, World Bank, IMF, Euromonitor

Transaction structure | Acquiring a controlling stake

Current structure



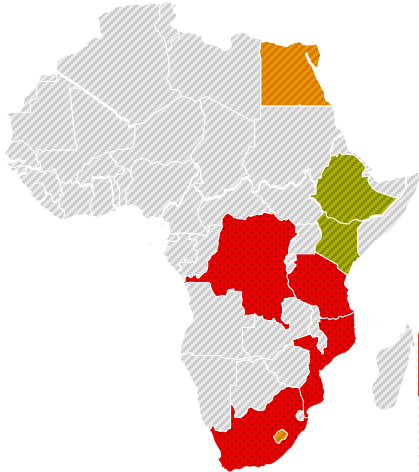
Proposed structure



Accounting treatment for acquisition


Pooling of interest method


Vodacom Group | Market leading position to >500 million people




Information is for the year ended 31 March 2021.


1. IMF and World Bank (Extraction date: October 2021).
2. Vodacom Group has an effective stake of 34.94% in Safaricom.
3. The Group, excluding its indirect interest via its shareholding in Safaricom PLC, has an effective interest of 6.2% in Ethiopia. In addition, the Group has indirect exposure through Safaricom PLC's 55.7% effective interest in Ethiopia.


South Africa 	
Ownership	100%
Population ¹	58.0 million
Customers (90-day active)	44.1 million
Market position	1st

Tanzania 	
Ownership	75%
Population ¹	59.6 million
Customers (90-day active)	14.9 million
Market position	1st

Lesotho 	
Ownership	80%
Population ¹	2.1 million
Customers (90-day active)	1.7 million
Market position	1st

DRC 	
Ownership	51%
Population ¹	89.6 million
Customers (90-day active)	15.2 million
Market position	1st

Mozambique 	
Ownership	85%
Population ¹	31.3 million
Customers (90-day active)	8.0 million
Market position	1st

Safricom ² (Kenya) 	
Ownership	35%
Population ¹	48.7 million
Customers (90-day active)	39.9 million
Market position	1st

Ethiopia ³ 	
Ownership	6.2%
Population ¹	115.0 million
Customers (90-day active)	-
Market position	-

Egypt 	
Ownership	55%
Population ¹	100.7 million
Customers (90-day active)	41.7 million
Market position	1st

Timetable and key requirements

Key Dates



10 Nov
Deal announced



15 Nov
Interim results announced



15 Dec
Publication of circular



18 Jan
General meeting



Before 31 March
Target closing

Key milestones and requirements

- Egyptian regulatory approvals
- SARB approval
- Ordinary resolution approving the transaction as a related party transaction in terms of JSE Listings Requirement
 - Vodafone will not be able to vote on the matter but will be counted for quorum
- Special resolution to issue consideration shares in terms of section 41(1)(b) of the Companies Act
 - Vodafone can vote on this resolution
- Ordinary resolution to approve the issue of the consideration shares in terms of clause 5.7.2 of Vodacom's memorandum of incorporation

Additional information available from circular

- Pro-forma financial information

Thank you