Conference Call Transcript

15 May 2023

ANNUAL RESULTS INVESTOR & ANALYST CALL

Operator

Welcome to the Vodacom Group Limited results conference call for the year ended 31 March 2023. 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 41 of the annual results presentation and can be located on www.vodacom.com. Alternatively, if you would like a copy of the results announcement or presentation sent to you, please email investor relations website at vodacomir@vodacom.co.za. Shameel, over to you.

Shameel Joosub

Thank you. Good afternoon and good morning to those joining us from on the call from the US. I'm joined by our group CFO, Raisibe Morathi, as well as our Head of Investor Relations, JP Davids. Financial year 2023 was a year defined by simultaneous global and domestic macroeconomic headwinds including supply chain challenges, an energy crisis, higher interest and inflation rates and foreign exchange volatility. Against this backdrop, Vodacom Group delivered a satisfactory set of results which showcases the resilience of our strategy and our track record of adapting quickly to changes across the operating environments.

In the year, the global energy outlook was also put into sharp focus with the war in Ukraine, while South Africa also faced heightened power availability challenges. This operating context reaffirmed our focus on the planet and our partnership role at the COP27 Climate Change Conference hosted in Egypt last year. We continued on our quest to reduce greenhouse gas emissions and recently embarked on a major new solar plant installation at our Midrand campus in South Africa.

Our steadfast agenda on financial inclusion for all has seen us reach 71 million financial service customers, having added Vodafone Egypt's fast-growing 5 million strong customer base. We now transact $1 billion a day across our platforms, an impressive milestone which highlights the scale of this business. It was also really pleasing to see that more than half of the growth of international M-PESA revenue was from new services such as lending, savings, and merchant payments. This proves that our FinTech ecosystem is capturing more addressable market opportunities. Our tech for good platforms help to diversify our revenues and drive societal benefits. We actively contribute to creating a digital society by developing solutions across critical verticals including education, healthcare, and agriculture.

In South Africa, we provide stock solutions to more than 4,000 health facilities and training to 120,000 healthcare workers across Kenya and Tanzania. Our farming solutions span across the value chain from small-scale farms in Africa to precision commercial farms in the US. In Tanzania, our M-Kulima service provides farmers with the benefits of digital agricultural services, including cashless electronic payments, market information and weather forecasts. Through this mobile first solution, we continue to digitise farming communities and with the support from the ministry responsible for agriculture, we accelerated farming registrations to over 3.1 million.

Of the many purpose-led initiatives that we support over the past year, I'm particularly proud of our Code Like a Girl programme. Code Like a Girl tackles low representation of girls in science, technology, engineering, and mathematics education, and to get more girls into careers that require coding skills. Introduced in 2017, we have ramped up efforts this year, having educated more than 4,000 girls across our markets this year.

In the enterprise space, we are partnering with business to accelerate their growth. We are transforming the operations through digital technology in high growth areas like cloud, hosting, security, many services in IoT. These solutions are enabled and enhanced by our subsidiaries, IoT.next, XLink, Nexio, Mezzanine, and our associate AfriGIS. These solutions are ready to digitise government, and our recent IoT deal with Eskom is an example of this.

This multi-product approach to serving our customers is the foundation of our strategy, which we call our system of advantage. It aims to deliver diversified and differentiated offerings to our customers, further strengthening and growing our relationships with them. As we pull together our connectivity, digital and financial services capabilities, we create a ring around the customer. This is critical to our growth story. As we expand our addressable market, we are also making the customer proposition so much more than just a decision based on price.

A key strategic highlight in the year was the acquisition of a controlling stake in Vodafone Egypt. The deal was finalised in December. As reflected in our updated guidance, the acquisition enhances our growth and return potential, while also diversifying the group. Over the medium term, we now expect EBITDA growth to trend at a high single digit from mid to high single previously.

As we implement our system of advantage, we put an equal focus on considerations to improve our overall customer proposition, return on capital employed and value creation. A key part of this optimisation is that we use the power of scale and partnerships to drive down the cost to communicate. That is particularly relevant as we accelerate our deep rural fibre aspirations. To accelerate our rural penetrations, we have made good inroads and innovative new financing models for rural base stations.

Additionally, there is scope for our satellite partnership with AST Space Mobile to transform this model. In April, AST made history by connecting the first ever space voice call using everyday smartphones. The call was made from an AT&T subscriber in Texas to a Rakuten subscriber in Japan using their spectrum. Space-based towers, a very interesting development to follow.

In addition to our progress in purpose and strategy, I'm pleased to report financial results that showcase the resilience of our business and growth potential. In particular, I am pleased with the significant improvement in the second half of EBITDA growth as we accelerated cost initiatives. The bottom line result was however muted with net profit growth of 2.1%, which was impacted by higher interest costs and expected start-up losses associated with Ethiopia.

Looking at the numbers at a group level, our financial highlights included revenue of R119.2 billion, which is a strong growth and was up 16%. This included the contribution from Vodafone Egypt from the 8th of December. Excluding this contribution, revenue growth was up 8%. Group service revenue growth was up 17.2% or 7.2% excluding Vodafone Egypt. On a normalised basis and removing the impact of currency moves, our service revenue growth was 3.5%. This growth was driven by data revenue and financial services.

Data customers reached 74.3 million with the inclusion of Vodafone Egypt, up 8.1% with data traffic growth of more than 40%. Group financial services customers, including Safaricom, were 70.6 million. With Egypt in the base, this reflects growth of 5%. For both data and financial services, with penetration of these services at around 40% of our overall base, there's clear upside for long-term growth. That is exciting, because 60% of our customers are still not using a financial service product, data or a smartphone. And so, a big opportunity for future growth.

Group EBITDA increased from 13.2% to R45.1 billion, or 6% excluding Vodafone Egypt. On a normalised basis, EBITDA grew 3.6%. Pleasingly normalised growth accelerated to 8.1% in the second half. Group operating profit grew 3.6% to R29.3 billion, supported by EBITDA, but was impacted by higher depreciation and amortisation as the expected start-up losses in Ethiopia crystallised. On a normal basis and adjusting for Ethiopia start-up losses, operating profit declined 0.9%.

Below the operating profit line, finance charges increased as a result of higher interest rates and new debt utilised to fund the Vodafone Egypt and spectrum acquisitions. This was partly offset by a gain in foreign exchange revaluation at year end, but overall finance charges were up 15.7%. Accounting for all these moving parts, net growth was still up 2.1%.

Our headline earnings per share decreased 6.4% to 948 cents per share. This was impacted by the issuance of new shares to fund the Vodafone Egypt transaction. Capital investment was up 12.6% or 4.3% excluding Vodafone Egypt as we accelerated investment into network performance to strengthen our network leadership position across our markets. The board declared a dividend of 330 cents per share, which reflects our updated and simplified dividend policy of at least 75% of headline earnings. This implied a total dividend per share of 670 cents per share.

At a product level, we report a strong growth in our new services categories, reflecting our multi-product strategy. These new services, which comprised fixed, IoT, digital and financial services, reached 19.3% of group service revenue, edging closer to our target of 25% to 30% in the medium term. Financial services delivered growth of 29.2% or 14.3% on a normalised basis as we continue to scale user adoption, new products and services. In the fourth quarter, normalised financial service growth accelerated to 18.8% as Tanzania lapped mobile money levies imposed levies imposed in July 2021, and our new financial services continued to scale.

Our financial services strategy is supported by a dual-sided ecosystem across consumers and merchants, bringing these segments together through exceptional and personalised experience relating to entertainment, e-commerce, payments, savings, investments, lending, and insurance services. As key drivers of the strategy, our two super apps, VodaPay and M-PESA, integrate our own products and services within the best offerings from our partners. But the best offerings from our partners. Alongside the super app rollout, our active merchant base continued to scale meaningfully in South Africa and across our international markets. Our merchant base across international was up threefold to almost 196,000. This growth helps to expand our addressable market pool beyond peer-to-peer payments and withdrawals into both online and offline commerce.

Shifting to South Africa, service revenue grew 2.6% to R60 billion, supported by resilient performance in prepaid and growth in our new services. New services were up 9.7% and contributed 15.3%, or R9.2 billion of South African service revenue. Financial services revenue increased 10.8% underpinned by our insurance and Airtime Advance products. Insurance revenue increased by 13.3%, supported by growth in policies, which were up 6.8% of total pre-paid recharges. We advanced R12.8 billion in airtime during the year, representing 44.7% of total prepaid recharges. Our super app, VodaPay, reached 3.3 million registered users through 5.7 million downloads.

Mobile contract revenue was up 2.8%, supported by price increases and almost 200,000 new customers in the year. As we pull together our connectivity, digital and financial service capabilities, we create a ring around the customer. This is critical to our growth story. Excellent consumer contract performance of 5.9% was offset by Vodacom Business, which faced a strong prior year comparative as well as repricing pressures associated with the RT15 government contract. Vodacom Business service revenue declined 1.7% to R17.4 billion as a result of these headwinds. We expect Vodacom Business to return to growth in FY24.

Our prepaid segment delivered good performance, given the challenging macro backdrop arising from the increase in the cost of living pressures, and grew 3.1% for the year. Pleasingly, prepaid data growth accelerated to 17.4% in the fourth quarter, supported by network investment into resilience and capacity. This supported prepaid revenue growth a new growth of 4.1% in the quarter, representing another sequential improvement in growth.

Data metrics remains strong. Data traffic was up 36.6% in the year and accelerated to 45.4% in the fourth quarter. We added 2 million data customers and increased the number of smartphone devices on our network by 11.1% to 29.3 million, while the average usage for smart devices increased 29% to 3 gigs per customer. EBITDA grew by 2.6% in the year but accelerated to 5.8% in the second half of the year, despite load shedding pressures. This was supported by accelerated cost containment initiatives.

Load shedding was a major theme in the year and warrants a special call-out. Starting with the demand for our product, we have seen that as power goes out, there is incremental demand for data. This is evident in our data traffic matrix, and as I mentioned, growth accelerated to 45% in the fourth quarter. This demand is, however, associated with more costs. We are spending incremental R300 million on operating costs in the year, mostly on diesel. In addition to opex, we have spent R4 billion on energy resilience capex over the last four years. Interestingly, our peak spend was in FY21 rather than FY23, reflecting advanced planning. Unfortunately, this $4 billion investment was a clear trade-off with new capacity that could have accelerated network expansion in 5G in South Africa. The upshot of our investment into energy resilience is that we have maintained network availability at above 90% throughout the year. This facilitated the data traffic acceleration. We expect power to remain a key theme for FY24.

Our international operations reported service revenue growth of R26.4 billion, up 18.8%. On a normalised basis, service revenue grew 5.3%. This performance was supported by strong growth in data and a recovery in M-Pesa. In the fourth quarter, normalised service revenue growth of 5.4% accelerated from the third quarter, despite the humanitarian crisis in Mozambique associated with Cyclone Freddie.

Our customer base increased 20.4% to 50.2 million, with net additions of 8.5 million customers in the year, reflecting strong commercial attraction across the portfolio. Data services remain a key driver of growth and our commitment to connect for a better future. Data revenue increased 33.2%, supported by data traffic growth of 33.1%. M-PESA revenue was up 31.1% to R6.5 billion, contributing 24.6% of international service revenue, a really impressive number.

M-PESA growth was supported by a strong performance in the DRC, with Tanzania recovering as levies on mobile money were reduced during the year. International debt EBITDA grew 19.3% to R10.1 billion. On a normalised basis, it was up 6.6%, again reflecting a clear improvement in the second half supported by cost containment. As I highlighted earlier, we consolidated Vodafone Egypt from the 8th of December.

In our release, we also provide an update on the trading performance for the full year, which was strong. In local currency, service revenue was up 21.7% in the year, supported by an increase in data demand, as well as growth in Vodafone Cash and fixed-line services. In the fourth quarter, service revenue accelerated to 25.8%, supported by good traction on our flex pricing packages and its associated entertainment propositions and a new loyalty programme. An additional R4.6 billion was invested into the network just a year, and R1.2 billion during the period of consolidation. The data metrics was strong in Egypt, with data traffic up 44% to 26.3 million customers now using data.

Financial services is a key focus area for us and was R1.2 billion for the year, up 123 % in the quarter. Vodafone Cash made up 5% of service revenue, clearly indicating the growth potential. The growth of Vodafone Cash was supported by more than a 50% increase in customers to 5.4 million. Vodafone Egypt contributed R2.9 billion to Group EBITDA for the period of consolidation. The EBITDA margin was impacted by foreign exchange losses and working capital balances as the Egyptian Pound depreciated against major currencies. Excluding foreign exchange losses for the full year, the normalised EBITDA margin was a healthy 43.7%.

Shifting then to Safaricom from a numbers perspective. Safaricom contributed R2.8 billion to group operating profit down 9.9%. The decline was directly attributable to start-up losses in Ethiopia. On a normalised basis excluding Ethiopia, Safaricom operating profit was up 9.3%. Service revenue was up 5.2% in local currency, supported by an improved performance in M-PESA revenues in the second half of the year and an excellent performance in the fixed business. M-PESA revenue was up 8.8% with fourth quarter growth accelerating into double digits, supported by strong platform growth and a return to charging for bank-to-wallet and wallet-to-bank transactions from January 2023.

EBITDA in Kenya was up 4% with margins broadly flat at 51.9%. The 4% increase in EBITDA was despite the fact of a big mobile termination exchange during the year. Safaricom's overall EBITDA including Ethiopia declined 6.1%, reflecting the start-up losses associated with the Ethiopian rollout. Safaricom Ethiopia has already reached 2.1 million customers with mobile services in 26 cities, including Addis Ababa. We also had a new mobile money license that was issued last week, and that bodes well for the future of growth in Safaricom Ethiopia, and we are readying ourselves for launch of mobile money.

Concluding my review with some comments on our targets, as I mentioned earlier, execution of our study and consolidation of Vodafone Egypt has supported in upgrade to our medium-term outlook. We now target service revenue growth of mid to high single digit from mid-single digit previously. We have also upgraded our EBITDA growth to high single digit while keeping our capital intensity ratio unchanged. This should bode well for our free cash flow growth prospects going forward. With our EBITDA and impacting our operating profits, Safaricom is guided to a step up in EBITDA losses for Ethiopia in FY24 but has also said that this will be the peak EBITDA loss year.

From a finance cost perspective, the interest rate cycle is likely to continue impacting us into FY24. However, our dividend policy provides scope for us to de-lever post M&A, which should be supportive of our medium-term earnings and dividend growth outlook. On that good note, Raisibe and I am now ready to answer any questions you may have.

Operator

Thank you. Ladies and gentlemen, if anyone would like to ask a question, you're welcome to press * and then 1 on your touchtone phone or on the keypad on your screen. If you however wish to withdraw the question, you may press * and then 2 to remove yourself from the question queue. Once again, if you would like to ask a question, you're welcome to press * and then 1. The first question is from Maddy Singh of HSBC. Please go ahead.

Madhvendra Singh

Yes, hi. Thanks for taking my questions. So, a few questions. On Egypt, if you could talk about the margin outlook there, especially given the effects depreciation. So, I calculate the margins for Q4 are around 42%. So, is that a good level which can be sustained? And if you could also talk about sensitivity to FX like Egyptian Pound depreciation versus Dollar, that will be very helpful.

Then second question is around South African performance. Given that post-paid segment sees regular price increases and I am not sure whether prepaid sees a similar price increase or not, but I'm wondering whether that creates a big difference in the price level, effective prices between post-paid and prepaid, and whether that is causing any churn out of post-paid into prepaid. If you could talk about that balance, how you plan to manage that balance.

And the final one is on pricing trends in international markets, especially given high inflations. If you could talk about whether you have been able to push through price increases in any of the international markets as well, and what is the plan around that, that will be very useful.

Raisibe Morathi

Good afternoon, everyone. So, in terms of the margin outlook for Egypt, as you pointed out the 42%. So, that is not a downward trend, but it was affected by the FX related adjustments in the working capital line. And that is something that is partly occasioned by the fact that we do not have an FEC market in Egypt. Our direction in terms of the margin is we expect it to still be normally around 44%. So, the FX adjustment that you see is also offset by the natural hedge that is coming through below the line.

So, from that perspective, it is not necessarily a – it doesn't take away the bottom line per say. In terms of the sensitivity to EGP devaluation, obviously, we are concerned about the devaluation. But the comfort is that the business has been growing fairly strongly. And as you would have seen sales, service revenue at 22% up and with EBITDA also growing fairly strongly.

So, we expect that the cyclical nature of this at some stage will come off, but at this stage we still see the growth in VSE [?] Vodafone Egypt ahead of the other basket of what makes up Vodacom and such that we have been able to upgrade guidance to service revenue of mid to high single digit and higher single digit for EBITDA as a result of contribution of Egypt, partly because the growth in Egypt, we believe that still remains robust.

Shameel Joosub

Okay, so on prepaid versus post-paid price stuff. So, I think, firstly, starting with post-paid, the modus operandi that we've deployed now is to increase prices, which we think we want to make a more permanent feature of our strategy going forward, but at the same time to give more value. So, what we're doing is we're increasing the allocation of data that comes with it. An example would be if you have had a 6% to 7% increase, you have got between 15% to 20% increase in the bundle that we are now allocating to the customer. We think that that will be the modus operandi for the foreseeable future.

In prepaid, where we find ourselves is that we haven't put up any price ups. What we're trying to do there is more price optimisation. Our effective rates are very low, and that's driven by selling a lot of short-term bundles, hourly, dailies, weeklies. And so there will be a little bit of a transformation where effectively we'll allocate a little bit more data on the monthly packages and slightly lift the price at the bottom to be able to do it. But we're also putting a large focus on making sure that customers are getting the maximum out of it. So, through our CVM platforms, if they're properly engaged, it increases their active days. We've built a new measure into our AI platforms that doesn't just look at the uplift, but also pushes more deliberate active day management to try and get more days out to the customer.

In terms of international trends, I would say in Egypt, of course, you have got the price floors. We are still waiting for approval for the price ups in the Egyptian market. So, the government is open to it, but it has not finally been approved. So, that is the one side. We think it will come. The question is just when do they finally approve it? So that's the first part. In Tanzania, we've introduced price floors in data. We're engaging with government to put one in for voice, but the data ones are working really, really well. Hence the accelerated growth in the Tanzanian market. And we think that will give a strong teen growth going forward. And it's a good mechanism and government's very happy with the outcome on the data side in terms of the additional taxes that they've been able to implement. And I think that bodes well for the discussions around voice price floors.

In the DRC, we have a voice price floor and we're pushing for the implementation of a data price floor. But we're also seeing price ups that have come into that market, which has been important. In Mozambique, we've repriced our pricing because of competitive. And that, honestly speaking, messed up last year to a large degree, messed up from the perspective that we are now much more competitive. We had to take it on the chin, so to speak. But I think it bodes well for this year and the continuous growth. We have seen good growth in customers and data users, so a stronger performance is expected in the new year and a return to good growth, I would say.

Madhvendra Singh
Thanks, Shameel. Just following up on the South African post-paid versus pre-paid, the question was also around, are you seeing any churn out of post-paid into pre-paid because of the pricing difference between the two?

Shameel Joosub
No, we're not. And there isn't a pricing difference because remember what you're doing is when you push the price up, you're giving more value. And then also you have the device. What we are seeing, which is quite interesting, is more than 60% of what we sell today is three-year contracts, which I think bodes very well and is a strategic lever that we've pulled, and we've been doing for a while now. And that bodes well for churn going forward because of course you've got a longer period that the customer is signed up to you.

Madhvendra Singh
That's great. Thank you very much, Shameel.

Shameel Joosub
In fact, to be clear, there is a 200,000 net growth in contract customers for the year. So, there's definitely no decline in contract customers.

Operator
The next question is from Rohit Modi of Citi. Please go ahead.

Rohit Modi

Thank you for the opportunity. Just two questions from my side, both on South Africa. Firstly, in terms of service revenue trends, so given a couple of underlying factors for this quarter in terms of service revenue performance in South Africa, how do you see it in 2024, particularly the impact from RT-15? How is the competition evolving in that sense? In previous quarters, you mentioned that there is a gap between the network availability. Is this gap narrowing and are you seeing more competition coming? And so, what kind of service level evolution do you see for next year?

Again, on the margin side, you had a decent margin this quarter, in the second half, by cost control. Is this sustainable margin? Do you feel like this cost control will remain next year? And what kind of load shedding impact do you see next year, particularly? Thank you.

Shameel Joosub

I think what we're encouraged by in terms of the numbers is the exit rates on FY23 going into FY24 and the growth that we've seen in the base. So, I think that's quite positive. And so, I think that bodes well for the coming. I mean, you've got the post-paid price up. That will, of course, help to accelerate service revenue for this year. And then you've got the prepaid focus and momentum from the last quarter that we will hope to continue with. We want to push more on smartphone penetration, device financing and so on.

We also see continuous growth in the financial and digital services space. And the intention is to still grow that double digit as well. Fibre should have a better year. We have had a number of ones this year that we cleaned up on the base, and I think that will be more positive. A lot of the RT-15 impacts will be in the base. So, I think it does bode well for a clearer growth trajectory going forward. Let's put it that way.

Raisibe Morathi

Okay, so in terms of margin, we see 38% margins still being sustainable at this level, noting that we have come off a peak of 40%, which we gained in the period of COVID. And that is because some of the costs had been deferred or due to restrictions on some of the different activities like traveling and so on. And secondly, during which time in the mix, the equipment sales or the handset sales was somewhat limited. So, the normalised margin of 38% is partly to be supported by the price increases that we have been able to put across.

And secondly, just a continued effort in terms of the cost efficiencies. So, the long-term program of Fit for Growth still exists and continues to be beneficial with teams focusing on various things, such as negotiating contracts with suppliers, share these opportunities and so on. We have a network of 8,000 suppliers. So, we've had RFPs in different areas to fine tune the pricing and manage the demand for various products. We are looking to convert the foreign denominated cost to Rand, where there's opportunities to do so, and digitising a lot of our initiatives.

So, with RPA continue to roll out, we're seeing efficiencies coming from just digitising many of the initiatives or activities. And also, other examples would be where we negotiated with the oil majors to get a discount on the digital pricing. So, a combination of all of those factors, we believe that the cost efficiencies will continue to support margin being sustained at the levels of around 38%.

Operator
The next question is from Vikhyat Sharma of RMB Morgan Stanley. Please go ahead.

Vikhyat Sharma
Hi guys. Thank you for the opportunity. I almost had a clarification and a question. Your roaming contract with Rain, does it allow for roaming on voice as well or is it just data roaming contract? Because recently Rain has kind of announced that they want to offer voice services. So, could there be an uplift in terms of if Rain starts to use more of your network, or could there be a pathway for let's call it a better roaming agreement, which could involve voice as well?

Shameel Joosub
So, the agreement has been upgraded to include voice. And so, they are roaming now on voice and on data. So, the contract is with us and yes, there is upside from the contract.

Vikhyat Sharma
Thank you.

Operator
The next question is from Nadim Mohamed of SVG Securities. Please go ahead.

Nadim Mohammed
Good afternoon. Thank you for the opportunity to ask questions. Just three short ones from my side. Firstly, just as you spend less capex on network availability, I'd like to understand where you're allocating your investment priorities. Where you see opportunities, perhaps in quick wireless access to leverage the spectrum you gained last year?

Secondly, we hear from some of your peers that eight-hour batteries are really important for the network resiliency plan. I wanted to get your sense on that and whether you need to at some point upgrade batteries from [unclear] kilowatt batteries. And lastly, just following on from Vikhyat's question, just in terms of MVNOs in the SEA market, we see a lot more with interesting pricing and aggressive pricing schemes. I'd just like to see if you are seeing them and what you think about their strategies thus far. Thank you.

Shameel Joosub

So, what we've done is we have a capex envelope that we spend within. The capex envelope for this coming year will be just on R11 billion that we're spending into the coming fiscal in South Africa. The priorities in that will continue to be power. There will always be power investments. I think what we were saying was that the big funding happened in FY21, but it does depend on the level of load shedding. So, we would have to then look at reprioritisation depending on the level of spend.

But of course, there's a lot of priorities that we have. And frankly speaking, we need to balance a number of different things. So, we have IT investments, we have network investments, we have financial service capex investments. So, we have a number of different things that we continue to invest in. But of course, if there is some let up from power, then a lot of that will go into expanding coverage, expanding 5G coverage.

But also, you know, we do a very careful investment profile, which is going to deliver the returns quicker. And we can always pivot from one thing to the other. And so, we give ourselves that room. But of course, if power takes a bigger issue, then of course you're redeploying the capex to an area where you wouldn't have to.

Just to be clear, it's not that the entire network is on four hours. We've got batteries at four, we've got batteries at six, batteries at eight, we have generators running around. It is a mix mash of different things that we are dealing with. If we need to upgrade more sites to a certain level of standby, that of course that is what we will do. But it's within the existing capacity envelope, and I think that's the important part to stress.

In terms of MVNOs, look, my view is very simple. One needs to watch the MVNO progression, but we must remember that there's only ever been one MVNO in South Africa that's ever been successful. And one could argue that they haven't grown in the last 10 years, which is FNB. Sorry. I think the reality is that you've got some new aggressive offers and one doesn't want to underestimate the potential, but I think also one needs to recognise that 80% plus of what we sell is below the effective rates of what these new entities are providing.

So, if the focus is trying to push to the price of the 1G price point, we will anyway add more resources to that going forward, as we balance the price ups in some areas and price downs in other areas. What we have done is we carefully identifying all customers using our big data analytics who have a linkage to a particular entity, and then making sure that they are getting the J4U offers, that they have the right effective pricing and so on and so on to that minute detail. So, managing the impacts of any potential… so, proactive, making sure that people are on the right plane so that we don't lose any customers, but we're carefully monitoring the situation.

Nadim Mohammed
Thank you very much, very clear.

Operator
Ladies and gentlemen, just a final reminder, if you would like to ask a question, you may press * and then 1. The next question is from Preshendran Odayar of Nedbank CIB. Please go ahead.

Preshendran Odayar
Hi everyone and thanks for the opportunity to ask questions. I have got two quick ones. I just want to know, what was the voice revenue percentage, either growth or decline in the quarter? I just want to know. You guys talked about the aggressive data growth in the quarter in South Africa, but I just want to know, is this substituting voice for data or did voice also do quite well in the quarter? Just a percentage if you can share with us that.

And then the second question is, does Rain also benefit from your tower uptime where they lease infrastructure from you and is there an additional cost to them where you have to, for example, pay for diesel to keep that site up or pay for extra security if there's batteries there and you want to prevent theft? I just want to get some understanding on that. Thanks.

Shameel Joosub
So, I think on voice, we've seen a high single digit growth. Sorry, a high single digit decline. But I think that was also off the back of we did see an uplift in voice during the COVID periods. It kind of returned back to the normal levels. One of the realities that we have got to deal with, and I think we will see more moves towards integrated pricing across our markets from us to manage the voice part. We are managing it very well in Egypt, or better than everywhere else. And so, we will

replicate those models across our markets to ensure that we can contain any potential voice decline, as there's always the risk of substitution over the Voice over IP, specifically WhatsApp voice. What was the second question?

JP Davids
Sorry, Preshendran, do you mind repeating the second question?

Preshendran Odayar
Sure, no problem, JP. So, on your towers, does Rain also benefit from the uptime that you might get from either diesel or extra batteries and security for protecting those sites? Or do they have to pay for that as an additional service where they lease the tower infrastructure from you guys?

Shameel Joosub
I think it depends. If it's roaming, then of course they get the benefit through that benefit. Where it's their towers, some of that cost will be picked up by them. So yes, they do pick up some of the cost, but they also get the benefit through roaming. It's a bit of a complicated answer. But yes, they do get some of the benefit that flows from it.

Preshendran Odayar
Okay, cool. Thanks very much, Shameel.

Operator
It seems we have no further questions on the conference call. Shameel, over to you for any closing comments.

Shameel Joosub
Thank you for joining us today. If there are any other questions that you may have, please reach out to our Vodacom investor relations team. Enjoy the rest of the day and see you on the roadshows. Thank you.

Operator
Ladies and gentlemen, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT