



# Vodacom interim results presentation

for the six months ended  
30 September 2016



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## Strategy | Delivering on our strategy

 <p><b>Customer</b> Clear NPS leadership</p> <hr/> <p>Best network experience Best value Best service</p>	 <p><b>Growth</b> Diversify revenue to deliver growth</p> <hr/> <p>Grow data Grow new services Grow International Grow enterprise</p>	 <p><b>Operations</b> Deliver cost and process efficiency</p> <hr/> <p>Structural savings Process simplification Multi-year initiatives</p>	 <p><b>People</b> Best talent, best practice</p> <hr/> <p>Enhancing diversity Developing skills Growing talent</p>	 <p><b>Reputation</b> Transform society and build stakeholder trust</p> <hr/> <p>Positive impact Maintaining leadership</p>
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## Highlights

**+4.1%**

Group revenue

R40 151 million

**+4.1%**

Group EBITDA

R15 278 million

**-%**

HEPS

440 cents per share

**R5.7bn**

 Group capital  
expenditure

14.2% of revenue

**+39.4%**

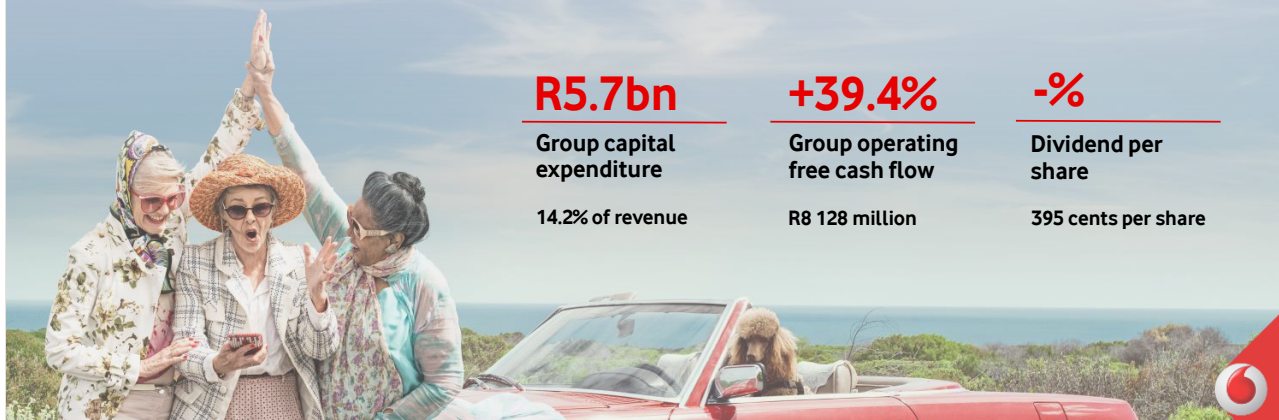
 Group operating  
free cash flow

R8 128 million

**-%**

 Dividend per  
share

395 cents per share



## South Africa | Strong demand for data underpins growth

Key indicators	1H17	% change
Revenue (Rm) <sup>1</sup>	31 446	3.8
Service revenue (Rm)	25 463	5.6
EBITDA (Rm)	13 013	6.1
Active customers ('000)	35 685	5.7
Active data customers ('000)	18 158	4.1
Smart devices ('000)	15 071	19.5

**+3.8%**

Revenue growth

**+6.1%**

EBITDA growth

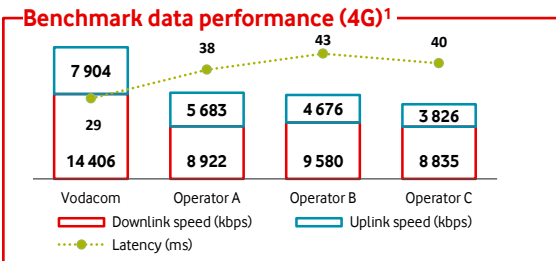
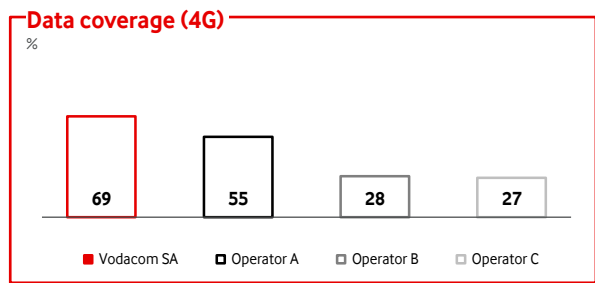
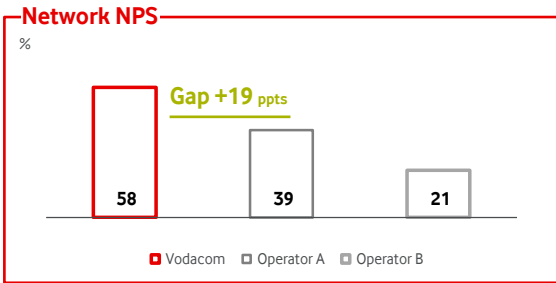
**+19.5%**

Data revenue growth

1. Restated – refer to note 10 of the condensed consolidated interim financial statements.  
Interim results | 30 September 2016



## Customer | Best network promise

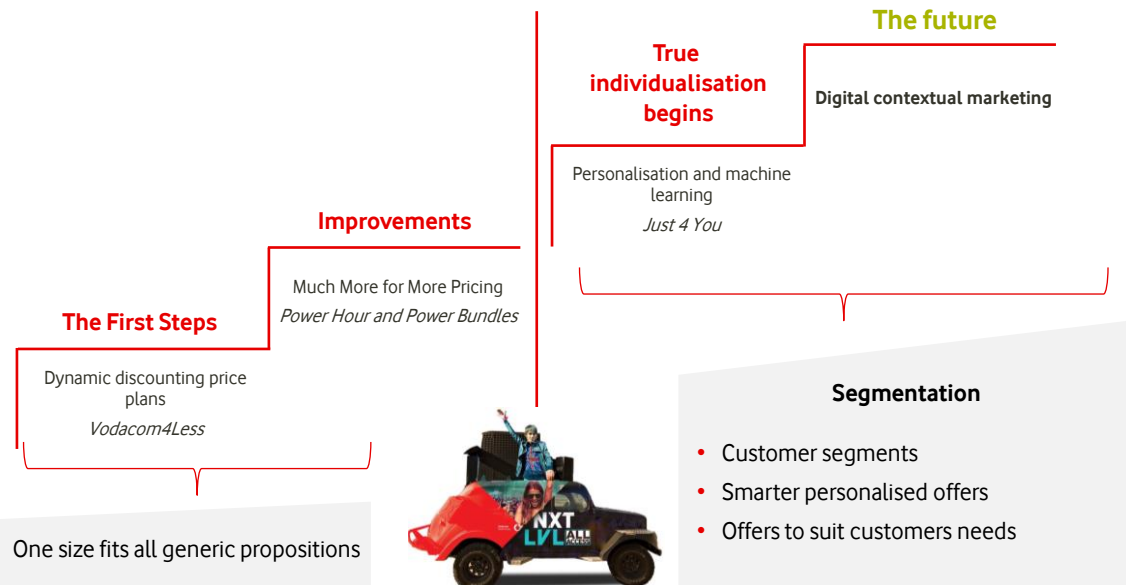


1. Source: Atio (September 2016)

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## Value transformation | From mass to segments and personalisation



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## Segmentation | Targeted customer propositions



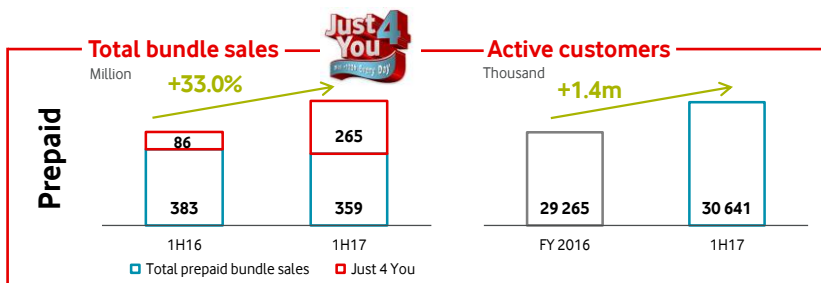
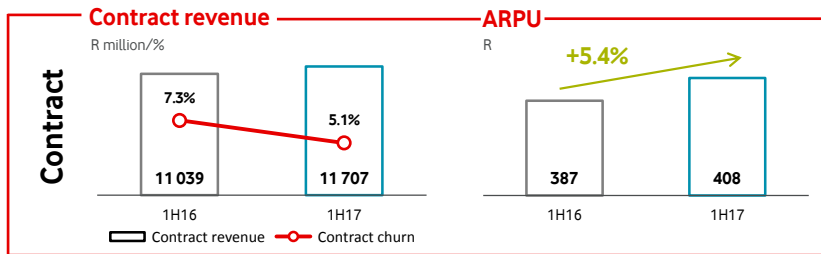
- 638 000 customers
- Strong ARPU uplift
- Age restricted price plans
- Search select job sites FREE
- Exclusive rewards
- Targeted digital content



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## Customer | “Best value” driving customer and ARPU growth

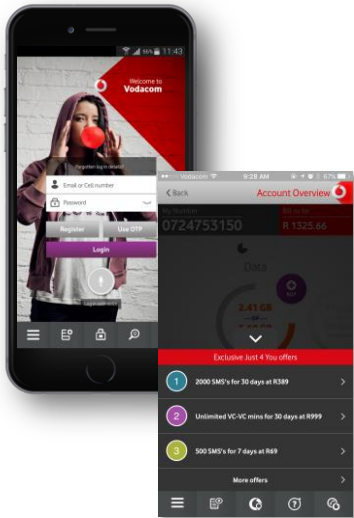


- Price per mb down -13.0%
- 624 million bundles sold
- 1.4 million prepaid customers added
- Effective prepaid PPM down -15.4% to 33c

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## Enhancing the customer experience | NPS leadership



### Consumer NPS points differentiation

**+16ppts lead**  
**53 NPS score**

- Just 4 You on app
- Dropped call compensation
- Improved notifications

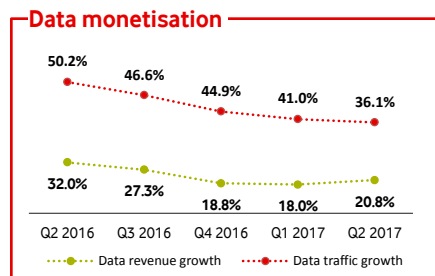
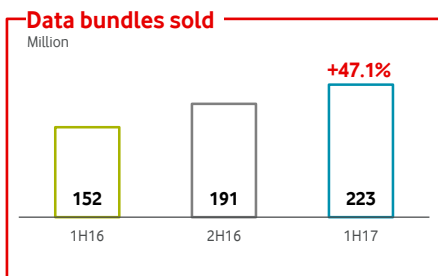
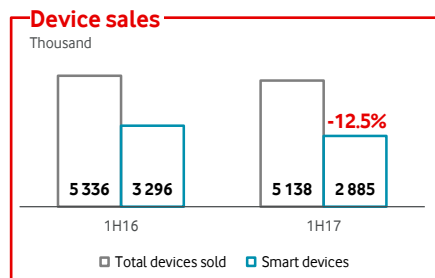
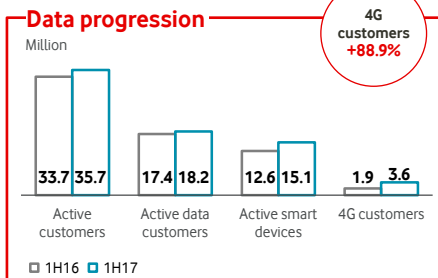


Top Brands Grand Prix – Sunday Times  
My Broadband War Drive  
Best customer service telecoms – Ask  
Afrika Orange Index 2016/17

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## Data growth | Device, pricing and network supporting demand



- Average usage per smart device **629MB**
- 3G to 4G ARPU uplift **+23.7%**
- **99.2%** 3G coverage
- Widest 4G coverage

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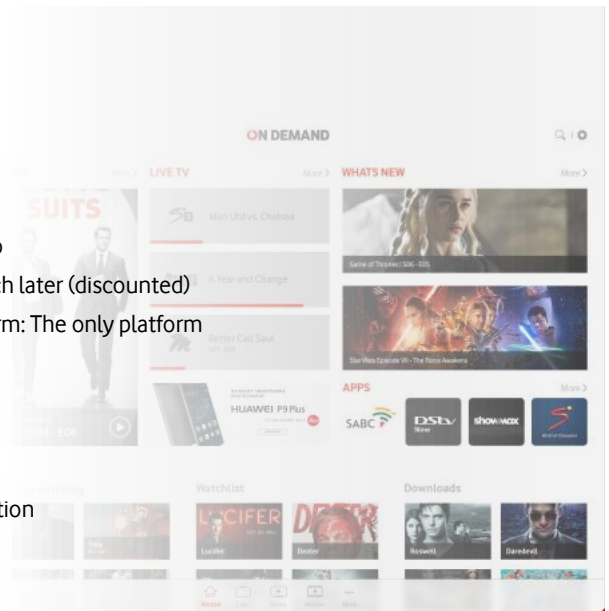


## Content | To drive data adoption

### Video Play



- Delayed download (affordability)
- Predominantly local content
- Simplified billing, data inclusive
- Unlimited Subscription Offers
- Millennial (youth) content
- Mobile and fixed
- iOS, Android and Web
- Watch now and Watch later (discounted)
- Widest choice platform: The only platform that offers
  - T VOD
  - S VOD
  - Linear
  - 3rd party integration



### New partnerships



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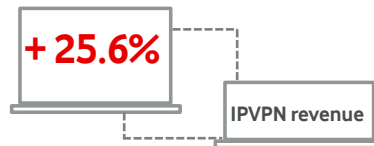
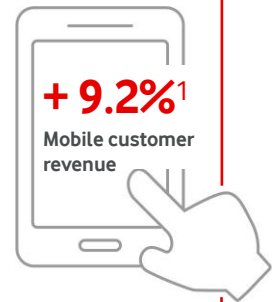
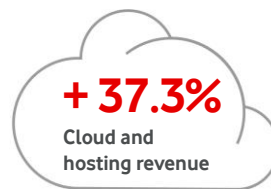
## Enterprise | Double digit growth

### Major wins



- Enterprise revenue contribution **+24.1%**
- Enterprise data revenue **+24.5%**<sup>1</sup>
- Improved churn **5.3%**

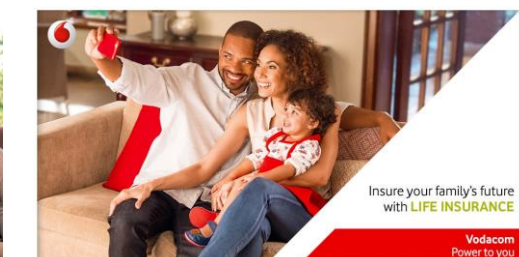
### Demand supporting growth



<sup>1</sup>. Growth normalised for the impact of Autopage.  
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## New services | Capturing new revenue shares



### Insurance

- Insurance revenue **+16.7%**
- Device insurance policies **+34.7%**

- ### Fibre
- Over **30 300** homes and businesses passed
  - Wholesale partnership agreements additional access to **over 175 000** end points

### IoT

- IoT revenue up **+17.1%**<sup>1</sup>
- Connections **+27.7%**
- GDSP platform delivery



1. Growth normalised for the impact of Autopage and X-Link.  
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## International | Impacted by customer registration

Key indicators	1H17	% change
Revenue (Rm)	9 049	6.1
Service revenue (Rm)	8 725	5.4
EBITDA (Rm)	2 351	(2.2)
Active customers ('000)	27 918	(11.0)
Active data customers ('000)	11 965	14.0
Active M-Pesa customers	10 933	19.3

### +6.1%

Revenue growth

### +791k

Net customer additions

### +36.8%

M-Pesa revenue growth

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## International | M-Pesa



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### Transforming lives

Launched April 2008

Transfer money

Buy airtime

Bill payments

### M-Pawa

Savings and loans

### Business integrations

Merchant payments

### IMT

International money transfer

**+36.8%**

YoY growth in M-Pesa revenue



## Group income statement

R million	1H17	1H16	% change	% Normalised*
<b>Revenue<sup>1</sup></b>	<b>40 151</b>	<b>38 552</b>	<b>4.1</b>	<b>3.5</b>
Service revenue	33 968	32 244	5.3	4.5
<b>EBITDA</b>	<b>15 278</b>	<b>14 681</b>	<b>4.1</b>	<b>5.6</b>
Depreciation and amortisation	(4 523)	(4 177)	8.3	
<b>EBIT</b>	<b>10 847</b>	<b>10 567</b>	<b>2.6</b>	
<b>Operating profit</b>	<b>10 717</b>	<b>10 169</b>	<b>5.4</b>	
Net finance charges	(1 303)	(909)	43.3	
<b>Profit before tax</b>	<b>9 414</b>	<b>9 260</b>	<b>1.7</b>	
Taxation	(3 139)	(2 814)	11.5	
<b>Net profit</b>	<b>6 275</b>	<b>6 446</b>	<b>(2.7)</b>	
<b>Attributable to:</b>				
Equity shareholders	6 442	6 464	(0.3)	
Non-controlling interests	(167)	(18)	>200.0	
<b>HEPS (cents)</b>	<b>440</b>	<b>440</b>		
Weighted average shares in issue (million)	1 467	1 467		

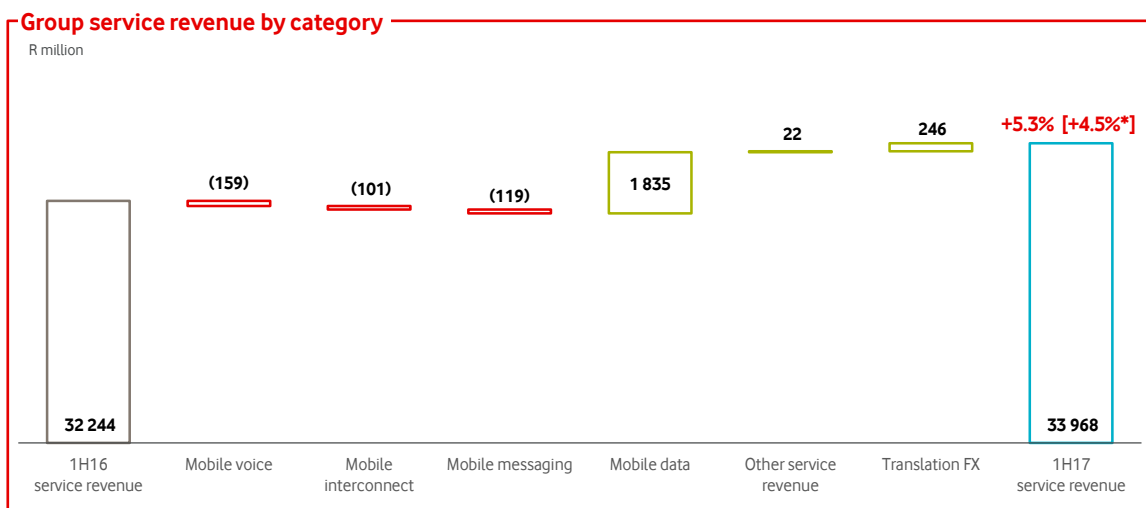
1. Restated – refer to note 10 of the condensed consolidated interim financial statements.

\* Normalised growth adjusted for trading foreign exchange and at a constant currency (using current period as base).

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## Group service revenue | Driven by data growth



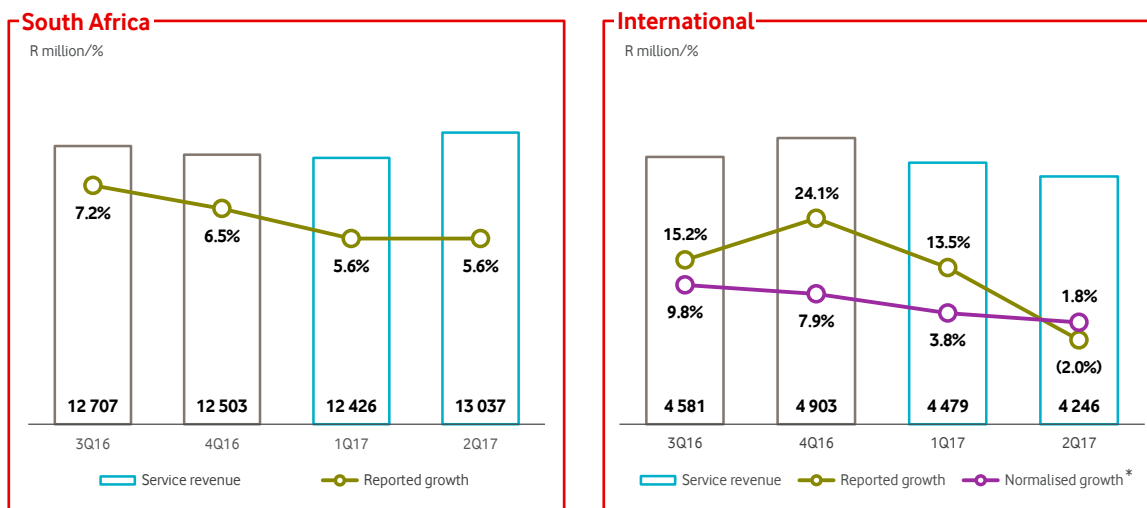
Categories at a constant currency (using current period as base).

\* Normalised growth adjusted at a constant currency (using current period as base).

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## Service revenue | SA strong, International short-term headwinds



\* Normalised growth adjusted at a constant currency (using current period as base) (collectively 'foreign exchange').

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## Group expenses | +3.7%, below revenue growth of +4.1%

Group total expenses <sup>1</sup>			
R million	1H17	1H16	% change
<b>Total expenses</b>	<b>24 881</b>	<b>23 990</b>	<b>3.7</b>
Direct expenses	15 022	15 182	(1.1)
Staff expenses	2 764	2 575	7.3
Publicity expenses	967	963	0.4
Other operating expenses excl foreign exchange	5 877	5 263	11.7
- Foreign exchange	251	7	>200.0
Of which:			
South Africa	18 436	18 032	2.2
International	6 703	6 243	7.4

### Normalised growth

- South Africa 1.4%
- International 1.0%

### Cost management

- Continued execution of Fit for growth initiatives

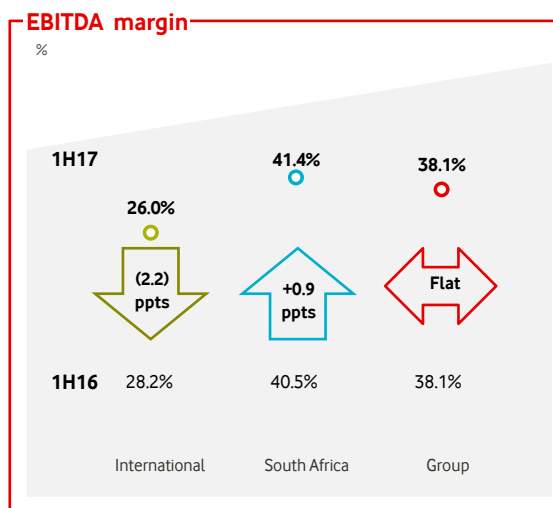
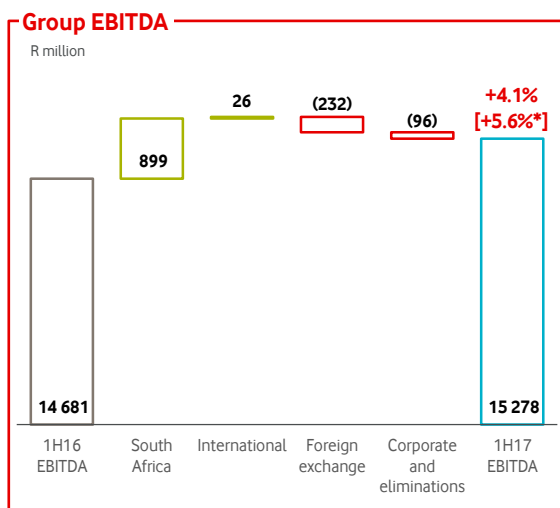
1. Excluding depreciation, amortisation, BEE charge/income and net loss from associate and joint venture.

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## Group EBITDA | Grew by +4.1% and margin maintained



Categories at a constant currency (using current period as base)

\* Normalised growth adjusted for trading foreign exchange and at a constant currency (using current period as base) (collectively 'foreign exchange').

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## Basic earnings | Impacted by one-offs

**Group net profit attributable to equity shareholders**

R million	1H17	1H16	% change
Operating profit	10 717	10 169	5.4
Net finance charges	(1 303)	(909)	43.3
Profit before tax	9 414	9 260	1.7
Taxation	(3 139)	(2 814)	11.5
Net profit	6 275	6 446	(2.7)
Non-controlling interest (NCI)	167	18	<200.0
Basic earnings	6 442	6 464	(0.3)
One-offs (net of NCI and tax)	511	257	
<b>Net profit attributable to equity shareholders excl one-offs</b>	<b>6 953</b>	<b>6 721</b>	<b>3.5</b>

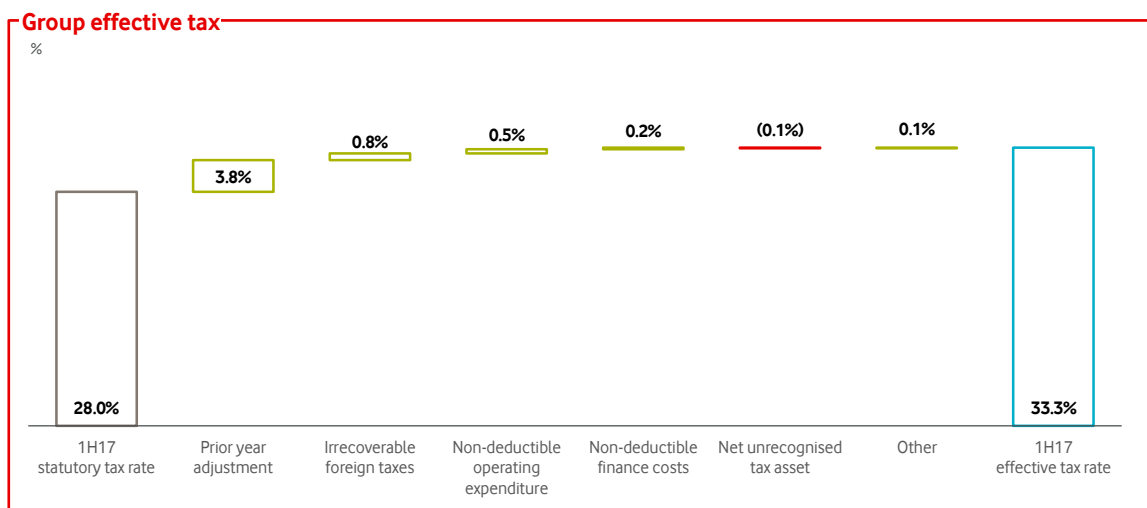
### One-offs

- R177 million loss from associates in HTT in prior year
- R326 million net remeasurement of foreign currency denominated intergroup loan
- R257 million Tanzania tax adjustment

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## Group tax | Effective tax rate impacted by Tanzania adjustment



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## Financing costs | Impacted by higher borrowings and rate change

Group net finance charges			
R million	1H17	1H16	% change
Net finance costs	(947)	(703)	34.7
Net loss on remeasurement and disposal of financial instruments	(356)	(206)	72.8
<b>Net finance charges</b>	<b>(1 303)</b>	<b>(909)</b>	<b>43.3</b>
<b>Average cost of debt (%)</b>	<b>8.3</b>	<b>7.2</b>	

Group net debt		
R million	1H17	FY16
Bank and cash balances	8 443	7 934
Bank overdrafts	(90)	(183)
Current borrowings	(2 196)	(2 284)
Non-current borrowings	(30 592)	(26 658)
Other financial instruments	(74)	(96)
<b>Net debt</b>	<b>(24 509)</b>	<b>(21 287)</b>
<b>Net debt/EBITDA (times)</b>	<b>0.8</b>	<b>0.7</b>

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## Headline earnings per share | Adjusted HEPS +3.5%

Group HEPS		1H16 HEPS		1H17 HEPS	
Cents					
HEPS	440	HEPS	440	0.0%	
Remeasurement of foreign currency denominated intergroup loan	8	Remeasurement of foreign currency denominated intergroup loan	20		
Loss from associate	10	Tanzania tax adjustment	14		
Adjusted HEPS	458	Adjusted HEPS	474	+3.5%	

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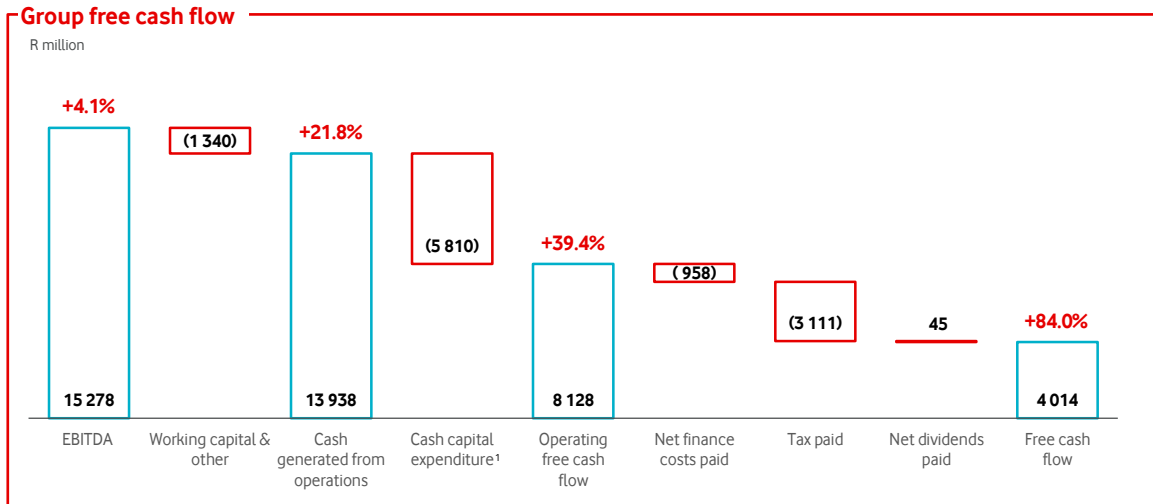
## Balance sheet | Healthy position maintained

R million	1H17	FY16	Movement
<b>Assets</b>			
Property, plant and equipment	39 417	39 744	(327)
Intangible assets	9 088	9 517	(429)
Other non-current assets	2 575	1 824	751
Current assets	29 579	27 618	1 961
<b>Total assets</b>	<b>80 659</b>	<b>78 703</b>	<b>1 956</b>
<b>Equity and liabilities</b>			
Total equity	21 945	23 024	(1 079)
Borrowings	32 788	28 942	3 846
Other liabilities	25 926	26 737	(811)
<b>Total equity and liabilities</b>	<b>80 659</b>	<b>78 703</b>	<b>1 956</b>

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## Cash flow | Strong cash flow generation

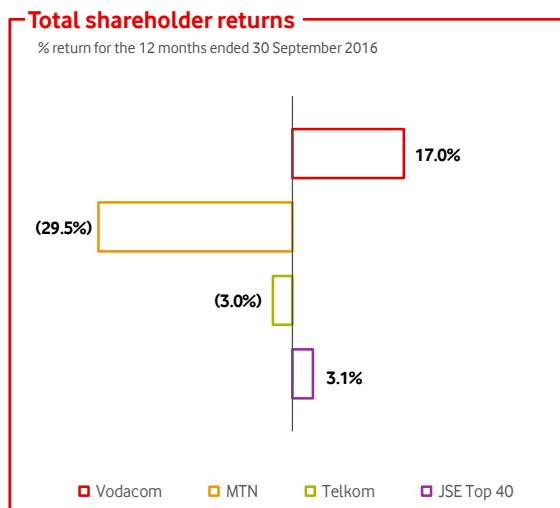
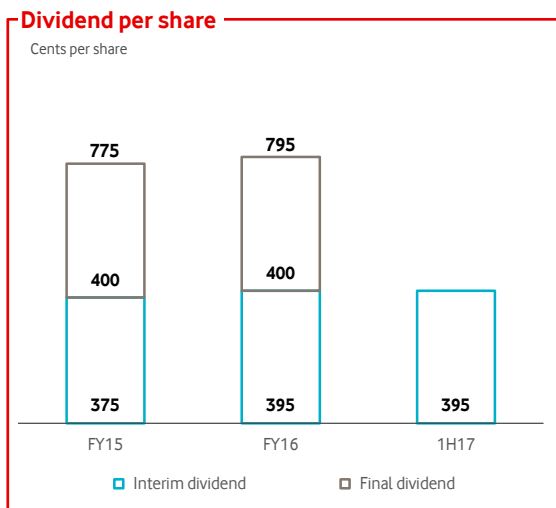


1. Cash capital expenditure comprises the purchase of PPE and intangible assets, other than license and spectrum payments, net of cash from disposals. Purchases of customer bases are excluded from cash capital expenditure.

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## Improving shareholder returns | TSR 17.0% for 12 months

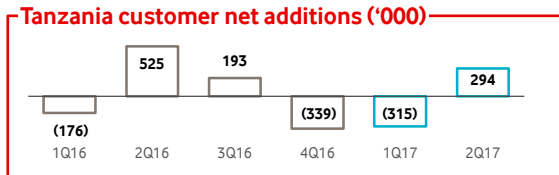
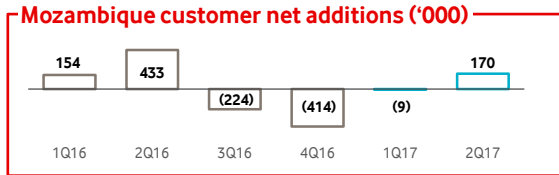
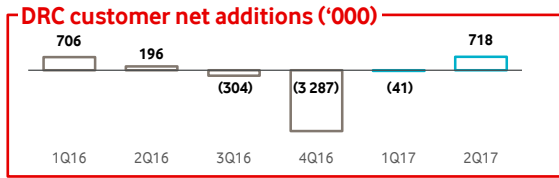


Source: Factset

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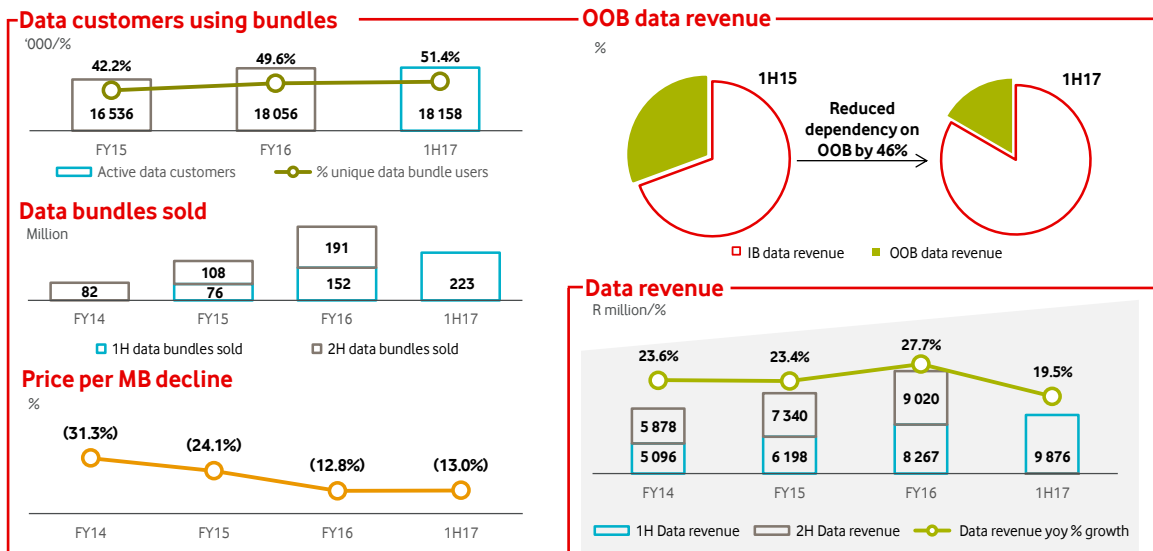
## Customer registration | Improvements on the horizon



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## South Africa data journey | Bundles and pricing

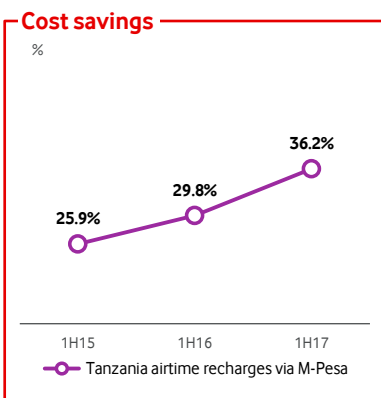
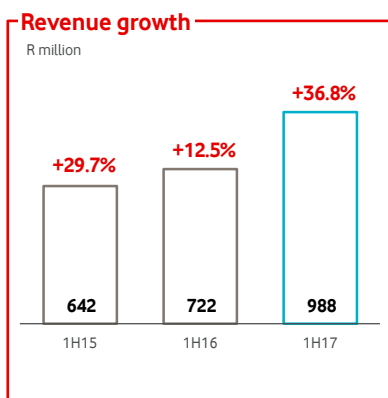


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## M-Pesa | Mobile money benefits



### Customer loyalty

M-pesa customers have a **lower** propensity to **churn**

- MNO service revenue contribution **+12.3%**
- **Tanzania** contributing **>25%** of their service revenue

- Commission savings through direct channel substitution
- **Moz recharges tripled** to 13.0%
- **DRC doubled** M-Pesa airtime purchases

- **Tanz:** 56.9% M-Pesa penetration
- **Moz:** 38.4% M-Pesa penetration
- **DRC:** 18.1% M-Pesa penetration

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## Targets | Group medium-term targets confirmed

	Group service revenue	Group EBITDA	Capex intensity
<b>Medium-term targets</b>	Low to mid single-digit	Mid to high single-digit	12% to 14% of Group revenue



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## Outlook

- 1 Customer registration
- 2 Competitive environment in SA and Tanzania
- 3 Data
- 4 Mozambique and DRC macroenvironment
- 5 Tanzania listing

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## Key priorities

### Strategic

Spectrum  
White paper  
Fibre investment

### Commercial

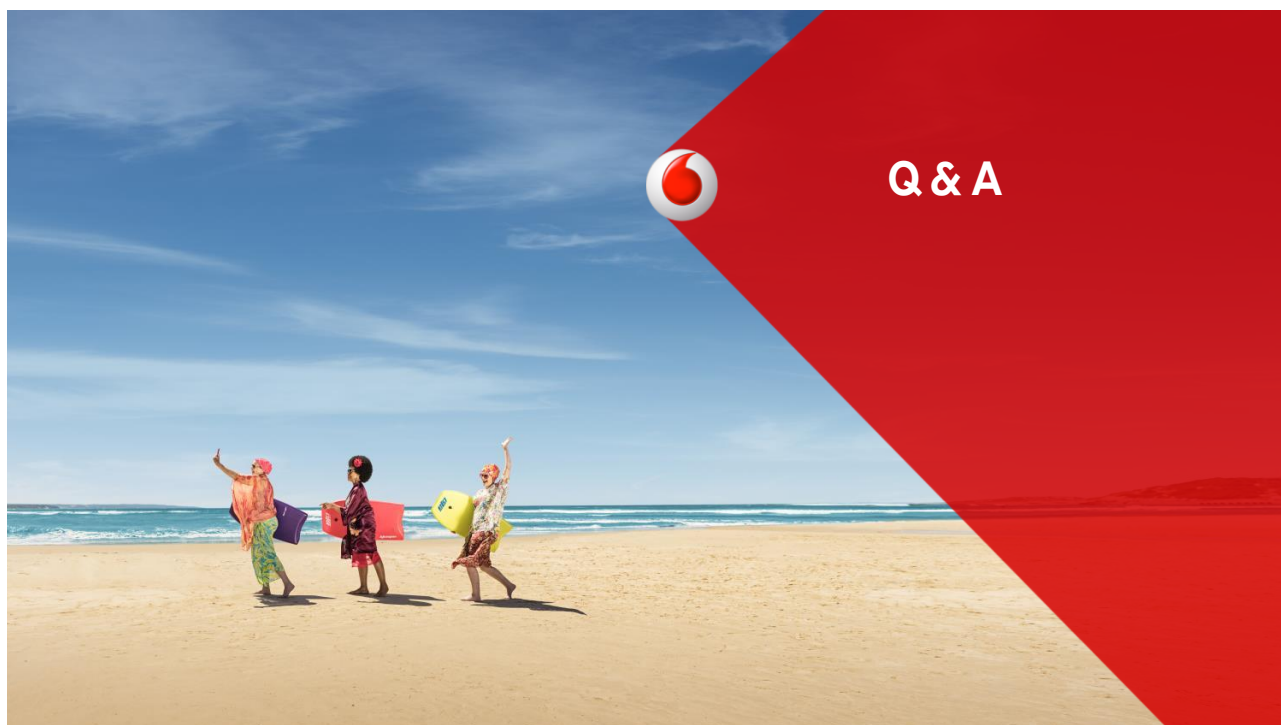
Segmentation  
CARE  
Data monetisation  
Pricing transformation  
Cost efficiency

### Growth

Content/Video  
Enterprise  
Internet of Things  
Financial services (including M-Pesa)

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## Country data

	South Africa	Tanzania	DRC	Mozambique	Lesotho
Population <sup>‡</sup> (million)	55	55	73	29	2
GDP per capita <sup>‡</sup> (USD)	77 281 <sup>¶</sup>	814	445	382	923
GDP growth estimate <sup>‡</sup> 2016 (%)	-0.2	6.4	3.8	3.6	2.1
Ownership (%)	100 <sup>#</sup>	82.2	51	85	80
License expiry period	2029	2031	2028/2032 <sup>¶¶</sup>	2018/2026 <sup>¶¶</sup>	2036
Active customers (thousand)	35 685	12 354	9 204	4 987	1 373
ARPU (rand per month)	110	40	57	50	62
ARPU (local currency per month)	110	6 032	3.9	215	62
Minutes of use per month	135	160	53	116	80

<sup>‡</sup> The Economist Intelligence Unit.

<sup>¶</sup> GDP per capita in Rand for SA.

<sup>#</sup> 6.25% held indirectly through special purpose entities which are consolidated in terms of SIC 12: Consolidation – Special Purpose Entities as part of the broad-based black economic empowerment transaction.

<sup>¶¶</sup> 2028/2018 relates to the 2G license and 2032/2026 relates to the 3G license.



## Impact of foreign exchange

### Revenue

YoY % growth

1H17	Reported	Normalised*
South Africa	3.8	3.8
International	6.1	3.0
Group	4.1	3.5

### Service revenue

YoY % growth

1H17	Reported	Normalised*
South Africa	5.6	5.6
International	5.4	2.3
Group	5.3	4.5

\* Normalised for trading foreign exchange and at a constant currency (using current year as base).

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### Average exchange rates

	1H17	1H16	% change
USD/ZAR	14.54	12.54	15.9
ZAR/MZN	4.38	3.06	43.1
ZAR/TZS	150.72	166.43	(9.4)
EUR/ZAR	16.33	13.92	17.3

### EBITDA

YoY % growth

1H17	Reported	Normalised*
South Africa	6.1	7.4
International	(2.2)	1.0
Group	4.1	5.6



## Definitions

<b>Active customers</b>	Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
<b>Active data customers</b>	Active data customers have been restated to exclude customers with free allocated data bundles not used. Active data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
<b>ARPU</b>	Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
<b>Contribution margin</b>	Revenue less direct expenses as a percentage of revenue.
<b>EBITDA</b>	Earnings before interest, taxation, depreciation and amortisation, impairment losses, profit/loss on disposal of investments, property, plant and equipment, and intangible assets, profit/loss from associate and joint venture, restructuring cost and BEE income/charge.
<b>Free cash flow</b>	Cash generated from operations less additions to property, plant and equipment and intangible assets, proceeds on disposal of property, plant and equipment and intangible assets, tax paid, net finance charges paid and net dividends received/paid.
<b>HEPS</b>	Headline earnings per share.
<b>International</b>	International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, the Democratic Republic of Congo, Mozambique and Lesotho as well as the operations of Vodacom International Limited (Mauritius) and Vodacom Business Africa Group (Pty) Limited and its subsidiaries.
<b>MOU</b>	Minutes of use per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
<b>Normalised growth (*)</b>	Adjusted for trading foreign exchange and at a constant currency (using current year as base) from ongoing operations.
<b>Operating free cash flow</b>	Cash generated from operations less additions to property, plant and equipment and intangible assets other than licence and spectrum payments and purchases of customer bases, net of proceeds on disposal of property, plant and equipment and intangible assets, other than license and spectrum payments and disposals of customer bases.
<b>South Africa</b>	Vodacom (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPV's.
<b>Traffic</b>	Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.

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## Forward-looking statements

This presentation which sets out the interim results for Vodacom Group Limited for the six months ended 30 September 2016 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'. 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 will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its industry to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future.

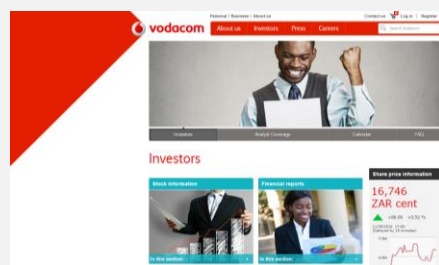
All subsequent oral or written forward-looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Vodacom expressly disclaims any liability in respect of the content of 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.

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<http://www.vodacom.com/about-us/investors/investors-home>

### FY17 upcoming dates

Q3 results

**1 February 2017**

Annual results

**15 May 2017**

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