Conference Call Transcript

21 July 2023

Q1 RESULTS ANALYST CALL

Operator

Good day, ladies and gentlemen, and welcome to the Vodacom Group Limited results conference call for the three months ended 30 June 2023. Vodacom Group CEO, Shameel Joosub, will host the conference call. Before I hand the call over to Shameel, we would like to ask that you refer to and familiarise yourself with Vodacom's forward looking disclaimer. This is set out on page 16 of the trading update and can be located on www.vodacom.com. Alternatively, if you would like a copy of the trading update sent to you, please email investor relations at vodacomIR@vodacom.co.za. All participants are in listen-only mode and there will be an opportunity to ask questions later in the conference. Also note, this event has been recorded. I will now hand the conference over to Shameel. Please go ahead, sir.

Shameel Joosub

Thank you. Good afternoon and good morning to those joining the call from the US. I'm joined by our group CFO, Raisibe Morathi, as well as our Head of Investor Relations, JP Davids. Our first quarter performance was set against a backdrop of ongoing macro challenges, as high interest rates and inflation continue to impact consumer spending. Despite this, our performance demonstrated a number of encouraging trends. I was particularly pleased with the resilient growth in Vodafone Egypt, Vodacom South Africa's data and fixed performance, and the ongoing growth in our financial service businesses as we continue to expand the ecosystem.

The Vodafone Egypt acquisition, which was completed in December 2022, presents a unique opportunity to advance our multi-product strategy called the System of Advantage. At our full year results announcement in May, we set out upgraded medium-term targets that reflect the integration of Vodafone Egypt into the group and our System of Advantage. On a target compatible basis, Group service revenue growth was up 9.0% in the quarter, at the higher end of our medium-term range, which is a great outcome.

We are a performance-focused and purpose-led company. The breadth of our purpose-led initiatives, which enable a digital society, drive inclusion and reduce our impact on the planet, were detailed in our recently published integrated reporting suite. Among these initiatives this quarter, we wanted to showcase an example of our societal impact in Mozambique. Our purpose-led initiative, Faz Crescer, promotes digital inclusion in the country. Since its launch in 2018, we have successfully established 66 computer labs in public secondary schools across all provinces of the country. This translates to the provision of 1,300 computers and over 45,000 gigabytes of free internet, benefiting more than 215,000 students and teachers so far.

In South Africa, load shedding continues to impact our operating environment. We have responded to the power crisis with increased investment in power resilience and meaningful engagement with stakeholders. We welcome the government's block exemptions for energy users and suppliers, which enables more efficient procurement and use of backup energy solutions and more sharing between competition. We are confident that our virtual agreement with Eskom will be signed off in the near term and that this will have a positive impact on the country's power grid and renewable energy mix.

From a mergers and acquisition perspective, we await regulatory approval for our proposed acquisition of a joint venture stake of up to 40% in MAZIV, which will accelerate fibre reach in South Africa, fostering economic development, and helping bridge South Africa's digital divide.

In addition to our progress on purpose and strategy, I'm pleased to report a good first quarter trading update that showcases the resilience of our business and growth potential. At a Group level, our financial highlights included revenue of R35.7 billion for the quarter, which sets a new quarterly record for Vodacom and was up 36.9%. This result included the contribution from Vodafone Egypt. Excluding this contribution, revenue growth was still up strongly at 9.7%. Group service revenue growth was up 43.8%, or 9.8%, excluding Vodafone Egypt.

South Africa delivered good growth in the contract segment, fixed and financial services. International service revenue was up 23.8% on a reported basis, driven by data and M-PESA revenue growth and a weaker Rand. On a normalised basis and removing the impact of currency moves, the service revenue growth for South African and international business was up 4.3% in the quarter. Vodafone Egypt delivered a meaningful contribution to the group with local currency growth of 27.6% as VodaCash revenues more than doubled. With Egypt in the group on a pro forma and constant currency basis, our growth was 9%, at the higher end of all medium-term targets.

Our growth potential is underpinned by data and new services opportunities across the portfolio. Data customers reached 76.1 million, up 13% with data traffic growth of more than 40%. Capital expenditure was up 96.9% or 51%, excluding Vodafone Egypt. We accelerated the phasing of capital expenditure for the financial year to capture strong data demand and accelerate the growth outlook for the second half.

Our mobile money platforms, including Safaricom, processed $361 billion of transaction value over the last 12 months, up 5.8%, reflecting our ongoing leadership in the space. At a product level, we reported excellent growth in our new service categories, reflecting our multi-product strategy. These new services, which comprise fixed, IOT, digital and financial services, reach 19.8% of group service revenue, edging closer to our target of 25% to 30% in the medium term.

Financial services delivered growth of 46.2% to R3 billion or 14.2% on a normalised basis as we continue to scale user adoption, new products and services. This R3 billion of course excludes Safaricom. Our financial service strategy is supported by dual-sided ecosystem that addresses the needs of both consumers and merchants. As key drivers of the strategy, our two super apps, VodaPay and M-PESA, integrate our own products and services with the best offerings from our partners.

Alongside the super app rollout, our active merchant base continues to scale meaningfully in South Africa and across our international markets. Our merchant base across international was up threefold to 234,000. This growth helps extend our addressable revenue pool beyond peer-to-peer payments and withdrawals into both online and offline commerce.

Let's now shift and just focus on South Africa for a bit. Service revenue grew 3.9% to R15.1 billion and was supported by strong growth in the consumer contract segment, financial services, digital services, fixed and a resilient performance in pre-paid. New services were up 15.8% and contributed 16.5% or R2.5 billion of South Africa's service revenue for the quarter. Financial services revenue grew 15.6%, with insurance policies up 10.2% to 2.6 million. We facilitated R3.1 billion in Airtime Advance during the quarter, representing 45.5% of total prepaid recharges.

Our super app, VodaPay, reached 3.7 million registered users through 6.7 million downloads, while the contract revenue was up 4.8% as we implemented a 6% average price increase. The price increase was coupled with an additional data allocation of around 20% to support our value commitment to customers. Consumer contract delivered an excellent result with revenue growth of 7.3%.

Vodacom Business service revenue increased 0.8%, returning to growth in the quarter following the 1.7% decline reported in the prior quarter. The prepaid segment delivered a good performance given the challenging macro backdrop and grew 2.7% in the quarter. Pleasingly, prepaid data revenue growth accelerated to 15.8% and was supported by network investment into resilience and capacity. The growth in data revenue was underpinned by an acceleration in data traffic, which is up 48%. We added 448,000 data customers and increased the number of smart devices in our network by 11.9% to 29.6 million, while the average usage per smart device increased 36% to 3.6 GB per customer.

Our international operations reported service revenue of R7.3 billion, up 23.8%. On a normalised basis and excluding the impact of currency, service revenue was up 4.9%. The growth was driven by data and M-PESA. The growth of 4.9% is however below our ambition for the segment. Mozambique's performance was impacted by its pricing transformation programme and the tough macroeconomic environment slowed growth in the DRC. We expect the top-line performance of our international operations to improve through the course of the year, as we leverage growth in the customer base and exciting data and financial service opportunities.

Our customer base reached 51.7 million in the quarter with 1.5 million net adds in the quarter in our international segment. Data revenue increased 45.2% in Rands and 23.4% on a normalised basis, supported by data traffic growth of 36.9%. Smartphone penetration across our international operations reached 33.2% in the quarter, highlighting the opportunity for innovative handset financing options to accelerate adoption and data revenue. M-PESA revenue was up 34.4% to R1.9 billion, contributing 25.6% of international service revenue. M-PESA performance was supported by strong performance in the DRC and Tanzania.

Vodafone Egypt delivered an excellent quarter. Service revenue of R6.8 billion contributed 23.6% of group service revenue. In local currency, service revenue was up 27.6%, accelerating from the prior quarter rate of 25.8%. Growth was supported by increased data demand, as well as growth in Vodafone Cash and fixed line services. Data metrics were strong in Egypt with data traffic up 43.2% and data customer growth of 10.3% to 27.1 million. Financial services is a key focus area for us, and revenue for this segment was R369 million then in the quarter, up 139.2%.

The growth of Vodafone cash was supported by 50% increase in customers to 5.9 million. An additional R1.2 billion was invested into the network in the quarter as we accelerated the phasing of capex to capture growth. We continue working towards a price up in the market. We have confidence that this can happen in the current financial year.

Results for our associate, Safaricom, are disclosed on a biannual basis and therefore are not included in the quarterly update. However, I would like to highlight the following updates from Ethiopia. In early June, we announced the addition of the IFC to our global consortium, which already included powerful partners from the UK and Japan. The IFC will make $157 million equity investment and $100 million loan to Safaricom Ethiopia. Following the investment, IFC will hold a minority position in Safaricom Ethiopia, modestly reducing our direct equity exposure from 6.2% to 5.7%. Safaricom will remain in control of the consortium with 51.7% of the equity.

From an operational perspective, Safaricom Ethiopia surpassed 2.7 million customers by the end of June. The network rollout also continued apace. By 30th of June, Safaricom Ethiopia integrated sites had reached almost 1,700. Following the award of a mobile financial services license in May, we anticipate that M-PESA will be launched in the second quarter. This launch along with the ongoing rollout are key to our ambitions of transforming lives in Ethiopia and connecting every Ethiopian to a digital economic future. Raisibe and I are now ready to answer any questions you may have.

Operator

Thank you very much, sir. Ladies and gentlemen, at this time, if you wish to ask a question, please press * then 1 on your touchtone phone or on the keypad on your screen. You will hear a confirmation tone that you have joined the queue. If you wish to withdraw your question, please press * and then 2 to remove yourself from the queue. Our first question is from Preshendran Odayar of Nedbank. Please go ahead.

Preshendran Odayar

Thanks, and congratulations on the results, everyone. I've got three questions to start off with and then I'll probably circle back for some additional ones. They're mainly on South Africa. I noticed that you've got an increase in data usage. Are you seeing an accelerated decline in voice in South Africa? I know at full year results, you mentioned the decline was high single digits, so I just wanted to determine if there was an increase in this decline and data is being used as a substitute to make traditional voice calls in the quarter.

Second, I noticed that IoT connection showed a decent increase in the quarter. Can we assume that the revenue from IoT is increasing by a similar percentage in the quarter? I know the normalised run rate was around R350 to R380 million a quarter, so if you can give me some more colour on that. And then lastly, while we're talking about colour, a little bit more colour on the other service revenue line in SA and what drove that 5.6% decline in the quarter. Thank you.

Shameel Joosub

Yes. I think, firstly, on voice, the trend of declining voice in high single digit is continuing. We have put a number of measures in to try and improve the voice part, but the acceleration of data growth has seen that. And I think also there's been the effect of people returning to work, which is coming through a little bit in the corporate segment where you are starting to see the work-from-home traffic reducing with people now going back to work. In IoT, the normal run rate is about R370 million a quarter now.

JP Davids

Yeah, so just finishing with that, Preshendran, there is a little bit of lumpiness with IoT business here and there, but I think the broader trend, yes, it wasn't the strongest growth quarter for IoT. But we are still very optimistic of the year ahead. And that probably also explains the other service revenue, which Shameel will talk to in a second, where IoT is growing, but not quite at the level we want it to grow at, mostly because of a tougher prior year comp. But, Shameel, did you want to mention? Yeah, so just to finish off on other service revenue, the big component is wholesale revenues, which is obviously with our roaming partners, Cell C and Telkom. There remains a bit of pressure in that segment. That is not a new trend. It’s an existing trend that is continuing. And hopefully, looking for that to improve through the course of the year.

Preshendran Odayar

Thanks, Shameel. Thanks, JP.

Operator

Thank you very much. The next question is from Cesar Tiron of Bank of America. Please go ahead.

Cesar Tiron

Yes. Hi everyone. Thanks for the call and the opportunity to ask questions. I have a couple if that's okay. The first one is on South Africa. Just wanted to check if you were able to make some price adjustments in prepaid as well, not just in post-paid. The second question is also on South Africa. I just wanted to check if you can give us some data points on your network availability and how it compares to your largest competitor. Third question would be on Egypt. I just wanted to check if you were going to pay a dividend at a point in time just to test if you're able to repatriate cash from Egypt. And one last question. I apologise. Just on Safaricom and Ethiopia. It looks like the business needs incremental capital. Are you planning to commit additional capital to that business? Thank you so much.

Shameel Joosub

Okay, so first thing on South Africa, we basically put through price increases in contract. We are looking at putting further price increases on some of the fixed products. And we are looking at opportunities and where we can smartly increase prepaid pricing using a similar basis to what we did in contract. And what we did in contract, which worked really well, was we put the price up and we gave more allocation. So, we put up the price by an average of 6%, but we gave 20% more data allocation as an example. And that worked pretty well.

So, we are looking at in which segments could we potentially see some further price opportunity. We do, frankly speaking, want prepaid to grow faster. And so, that is one of the things that we're looking at. We're not putting any numbers to it at this point. It's a work in progress, to be frank, but we are looking at where can we execute those potential opportunities.

In terms of network availability, I think, firstly, you would have seen us winning the umlaut tests for best network or most reliable network. And I think that has come through strongly. Of course, as you know, competition was lagging behind. I think on the one side, we are, you know, we will be and are looking to cooperate more in sharing generators and so on with them. But of course, the issues that they have are bigger than that. And so, we do have a big lead on network quality at this stage, compared to our nearest second, third and fourth competitor. So, I think that's a good place to be.

On Ethiopia, basically, we have got a capex envelope. It's within the plan of what we're doing. Of course, there has been some adjustments that we've made. The first year, we didn't roll out as many sites as we wanted to, because once you got onto the ground, we ended up doing a lot more cell phones as opposed to sharing and so on. So there has been some changes there, and of course there's been currency fluctuations as well. So, but it doesn't mean an increased capex envelope. Some of this year's capex will then flow into next year because now the sites are actually coming up at a much faster pace. And we're very happy. We are at 1,700 sites today, which is the amount that we'd have in some big countries. So, the sites are coming up quite at that pace now, let's put it that way.

Raisibe Morathi

So, and if I can just maybe put one more build on Ethiopia before I answer the last question. So, bringing in IFC, we see it as an acceleration of the strategy of basically working with the DFIs. So, they're joining BII and Sumitomo, who have kind of a similar profile. And also, when they bring in debt, it is actually a good capital structure to be able to leverage the balance sheet. So, this is in addition to the debt that we already raised from the local market and also from the vendor financing component. So, there's no shortage of funding. The business remains fully funded, but obviously quite strategic in terms of the stakeholders that we work with.

In terms of the dividend in Egypt, we have declared a dividend in terms of our shareholders agreement. And that is a due for distribution now end of July. We are working with the local banks to look for mechanisms to be able to get the dividend to South Africa. However, we do recognise that given the liquidity challenges in Egypt at this point in time, if there are delays in getting the dividend in South Africa, it does not have a negative impact in terms of our day-to-day operations. So, there's still dividends flowing from all the other operations. And as a result, we've been able to fulfil our requirements for paying the dividend now, and we think that operationally we should be okay. But we are working with the institutions to look at the different options.

Cesar Tiron

Thank you so much.

Operator

Thank you. The next question is from Madhvendra Singh of HSBC. Please go ahead.

Madhvendra Singh

Yes, hi. Thanks for taking my questions. My first question is on South Africa versus Egypt. I noticed something that South African data traffic growth was faster than Egypt at 48% versus 43%. So, am I missing something? I mean, is the traffic levels in Egypt very high already that they're not growing faster than South Africa? And the second question is on Ethiopia. Post the investment from IFC, you mentioned that consortium will continue to have 51% stake. I just want to know whether this means that Safaricom continues to consolidate the business or is there any change in consolidation at Safaricom level as well? If you could confirm that.

And then the last question from my side is on the update on price hikes in Egypt. If you could talk about that. Is there any assurances from the regulator that it's coming soon or it's looking more and more a next year event? Thank you.

JP Davids
Okay, maybe just kicking off with your first question, Madi, which is around data usage growth, comparing that in South Africa to Egypt. I think the first thing to call out is that it's been quite a big change as load shedding has impacted. So, if you go back to the beginning of last financial year, we were running at about 30%, mid-30s in terms of data growth. And what we've seen is as stages of load shedding have accelerated, that data adoption has accelerated. And I guess perhaps that is substituting for other forms of entertainment and other forms of discretionary spend, perhaps, or even non-discretionary spend.

But obviously in South Africa, the one thing to call out is that the data usage per customer is still half of that of Egypt. So, yes, you're growing faster, but it's still on a much smaller base. So, I guess a little bit easier to grow off a much smaller base. Egypt's growth has been fairly consistent in the 40s. To IFC?

Raisibe Morathi
Yeah. So, the rate at which IFC came in did not dilute Safaricom's ability to consolidate. It is still above 50%, so they are the leading shareholder. In terms of the price hikes in Egypt?

Shameel Joosub
On the price hikes, effectively where we are is it should be coming through anytime soon. So, we have got certain approvals in place. There is certain work that's still being done with the other operators. But we are hoping that in the near term it will be fully implemented.

Madhvendra Singh
Great. Thank you very much.

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

Rohit Modi
Hi, thanks for the opportunity. Most of my questions have been answered. Just to mostly follow up. Firstly, on the Telkom and RT-15 impact, I think the message last year was that the impact will fade

out gradually this year. I just wanted to confirm, is that the case, still the case? Or you continue to see higher impact, at least in the first half?

Secondly, on the DRC side, there has been a decline in data subscribers. The ARPU declined a lot as well. Is that a market issue, or you're losing market share there? And is that something that will, you know, go on for this year? Do you see that kind of pressure this year in DRC?

Shameel Joosub

Okay, so Telkom, of course, you've got two factors playing out in Telkom. One is as they build their own network, you will have some pressures coming from that. But remember that 20% of the traffic is with MTN, so you're still having some of that migration still happening. And then of course, you've also had some market share adjustments. So, there's different things that are playing out in there, but I think you will have some pressure still on Telkom during the year.

RT15, actually what we're managing to do, and we were just doing a review earlier with the team, I think we've managed to…by and large, most of the negative impacts of RT-15 are behind us. We are managing the dilution with inflow. And so, I would say probably more flattish, now stabilising in terms of dilution. In terms of the macro, or it will be more stable throughout the year. So, we don't see RT-15 being hugely dilutive during the year, just to be clear. But we don't see it being hugely accretive either because we think whatever residual effects are there, are being offset by the inflow, so it's okay. And we've retained SAPS, which is of course our biggest account within the public sector. So, that's been really, really good.

In terms of DRC, it's more associated with the macro at this stage. The underlying performance of the company is still good. And we are pushing, of course, for a certain EBITDA performance, and we're making sure that we deliver that, which is pushing towards a double-digit EBITDA growth.

Rohit Modi

Thank you.

Operator

Thank you very much. The next question is from Myuran Rajaratnam of MIBFA. Please go ahead.

Myuran Rajaratnam

Good afternoon, guys. I've got two questions. The first one is voice revenue in international. I mean, this time around, you had those pricing initiatives in Mozambique and a bit of macro in DRC. But just medium term, maybe a year out when you lap these things and maybe year or two out, do you expect voice revenue to be positive in these African markets? That's one.

And then the second question is on FinTech in Egypt. I mean, you've got your feet under the table now. What's working in terms of services that are differentiated to maybe Safaricom or international business? And what's working in terms of distribution as well? Maybe those two things, thanks.

Shameel Joosub

Yes, I think on voice revenue, to be frank, we are seeing a bit of pressure on voice revenue across the board. Some markets are flattish to slightly growing, but I think the days of 9% or 10% growth in voice is long gone, to be honest. So, I think that's reality. As we start to move more into smartphones, you see the data traffic picking up and you see voice coming under more pressure. I think in the better markets, you're able to get 2% or 3% growth. And in the worst ones, you're seeing a negative on voice of high single digit. So, it depends. So, it differs market by market, but certainly on voice I would not pencil in a growing voice market. I'd pencil in probably flattish to slightly negative, offset by much stronger growth, I would say, in data.

We are taking measures to up the voice across all the markets and we're coming up with different measures to be able to do that, including a lot more personalisation to deal with it, but also price floors. So, remember, we've got the data price floor in Egypt. We've got the voice price floor in the DRC. We've got the data price floor in Tanzania. We're pushing for voice. Mozambique are now considering price floors as well. So, that's quite positive for us. So yeah, of course, Ethiopia will be there. Kenya's kind of managing around flattish. And South Africa we discussed. So, I think there is certainly some pressure on voice, let's put it that way. Through hyper-personalisation and floors, we're trying to make sure that we can manage it into a positive trend as opposed to negative. So, that's where we are.

In terms of Egypt and getting our feet under the table now, I think what's worked really well is I think their branding capabilities and so on has been very strong. I think the strong customer base has worked very well. Strong distribution has worked really, really well for them over the years. Also accelerating some of the new growth areas and always being ahead of the curve a bit, I think helps. So, for instance, now we're busy pushing a lot more cloud services, as an example, and cloud partnerships and these types of things. And I think that then gives them an edge. They're doing SD-WAN, as many of you have seen when you went into country.

So, you know, that being a little bit ahead of the market in terms of those opportunities, I think has worked. And then of course, now the financial services side is growing quite strongly as well. So, picking up the opportunities. The second thing is I think a very strong trading mentality. The Egyptians are hustlers, right? And probably the best hustlers we have in the group if I might say so myself. I think that is very good. Then, of course, talent. We have got very talented people. So, I think the mix is quite good, but also now bringing the group part in. You have already seen with the focus we've put on financial services, how quickly it's accelerated. So, for me, that opportunity was there.

I think sometimes also putting the lens on certain things that you want to prioritise definitely plays a big role. We're putting a big focus on enterprise, but we're also looking to the future with things like fixed and how can we pick up. Although the fixed growth is very strong in certain of the gated communities and these types of things. How do we pick up a larger part or be more proactive in that regard?

Raisibe Morathi
And the FinTech growth in Egypt, it is partly as a result of really just the integrated manner in which they run their consumer business. So, increased visibility and so on. And I mean, that is what we are doing in all the other markets. But I think they just probably a bit more integrated in terms of the Vodafone Cash, the GSM products, as well as the loyalty program and so on. And as we indicated, they have one app, which is the direction that we're still taking for all the different markets. In terms of the use cases, largely P2P, and then a payment of utilities. But there's still a lot of opportunities for growth, especially as we are planning to upgrade the platform that they operate on, so that you can be able to add more use cases from a financial services perspective.

Myuran Rajaratnam
Great, thank you so much.

Operator
Thank you. The next question is from Nadim Mohamed of SBG Securities. Please go ahead.

Nadim Mohamed
Good afternoon and congrats on a strong set of results. I'd just like to ask two questions. Firstly, just on the fixed and fibre performance, which is really strong. I think it was 19.8% if you exclude wholesale transit. Could you give us some colour into that? Was there a bit of maybe lumpiness in

this quarter? Was there something that Vodacom executed on really well? I'd like to understand that.

And secondly, just if I look at Egypt, the blended ARPU growth was around about 20% in local currency. And that is quite impressive. And is there a sense of passing on inflation, which we know is at quite raised levels in Egypt? Is that why we're seeing this gorwth in the ARPU, or is it more about perhaps migrating customers into some of the higher prepaid packages and so on? Just any colour on ARPU, what is driving the ARPU increase and how sustainable it is. Thank you.

Shameel Joosub

Yeah, so the performance in fixed in South Africa has been a deliberate effort in terms of firstly cleaning up the base last year, making sure that we could get certain processes, making it better and all of those type of things, creating a dedicated fixed unit. That has started to prove to deliver even better results. We have seen good, strong performance come through in that respect, and I think they will continue to build on that success going forward. So, I think very encouraging in terms of the fixed side. Last year, we took a bit of pain while we cleaned up some of the billing stuff and so on, and also put the right processes in place. Now SA is back to growth.

In terms of Egypt, remember, structurally, Egypt always has a benefit on ARPU because of the price floors. So effectively, how sustainable is the growth? Very sustainable because if traffic's growing 45%, you're seeing that conversion. And that's why we're stressing this item with both regulators, and also internally for ourselves and also with yourselves. The price floors are a very good way of making sure that you've got a sustainable industry going forward. And so, I think that is going to help a lot.

And so, you've got the floor. And with the traffic increases, that's converting into revenue. And that's sustainable going forward because of the floors. But also, now remember, because of the price ups that are coming, you all get a lift to the floor, so to speak. And that will also generate even more revenue going forward. So yeah, I think we're in a very good part. And the more we can do that, you're seeing that play out into Tanzania numbers now as well. So, it's a lot more sustainable. You're seeing the data traffic convert into revenue. It's coming through nicely. So, the more countries we get these floors in, the better the growth is going to be.

JP Davids

Yeah, and then just a small build on that. I think in the quarter itself, some very healthy campaigns run by the Vodafone Egypt team, firstly around Ramadan and the loyalty programme there, and then following on from that, you had Eid, where they had a specific campaign that was pushing customers into slightly higher packages with the support of content. So again, that's a bit of a differentiator in the market, the way they bundle content into their tariffs in a very value accretive way, i.e., EBITDA margin healthy way. So again, I'd say content and campaigns, loyalty, adding to that outcome for the quarter.

Shameel Joosub
And all the offers are integrated offers which also helps. It's got integrated, plus integrated and content. And as it is getting bigger and bigger, what's happening is it almost becomes a self-fulfilling prophesy to be honest, because what happens is as you're getting the growth, with new content players coming to market and they're seeing the success of everybody else, they want to partner with you too. So, you become the go-to person. So, it's actually becoming quite a nice model. And we're trying to see where else we can replicate it.

Nadim Mohamed
And just as a follow-up question. You mentioned the price up on the price floors. Does that imply that the price floors are being increased in the markets, or am I misunderstanding that?

Shameel Joosub
Remember this is the price up that we talk about, that is imminent, that basically we now getting all the approvals and so on in place. And then we'll be able to implement. The in-principle approvals are there. It's just now making sure that everybody's aligned, it's done in the right way, and so on and so on. So, that's the part between the operators. But certainly, there will be an increase in the floor. This is based on the motivation given inflation and so on.

Nadim Mohamed
Excellent. Thank you so much.

Operator
Thank you. The next question is a follow-up from Preshendran Odayar. Please go ahead.

Preshendran Odayar
Thanks, guys. Just a little bit more from me, mainly around fibre. Now that we are about 18 months from when you initially announced the deal, does the valuation change on what you plan to

contribute in terms of your assets to MAZIV, and obviously the cash that you wanted to contribute? Does the numbers of the deal change when it eventually does get closed?

Secondly, are you able to share with us how many kilometres your own fibre network covers in South Africa? I know you mentioned houses passed, but just trying to get a sense of the mileage of this, because it can differ whether you're in more densely populated or sparsely populated areas. Third one is, can you tell us what your capex intensity is for your fibre business?

And then if I can sneak in one last one, just some thoughts on MVNOs. I mean, we know Cell C does a lot of MVNO business. We've seen a lot of headlines on MTN onboarding FNB. You guys are quite big and got a network advantage, but you've been relatively quiet the last couple of years on MVNOs. Just some thoughts on that if you can. Thanks.

Raisibe Morathi
Thank you. On the first one, we have locked the price. That was an announcement we issued in March, and that was precisely to make sure that we don't have the repricing effects that could affect the ability of the company to carry on with investments and so on. So, we're quite comfortable that with the price locked, there is no really big movements apart from waiting for the regulatory approvals. So, we will send you the announcement if you didn't pick up on it. So, that is what we have done. And obviously once the transaction goes live, we'll then just be able to close out on the pricing as we previously indicated. And this applies in terms of the assets that we put in, the cash that we include in the business, and then more importantly, in reference to the EBITDA multiple that we had agreed on.

In terms of capex intensity for fibre, we won't have much of capex spend on fibre going forward, because the transaction, because once we have done the transaction, transferred the assets that we have and put some cash, what remains for us on fibre is the ISP component. And all the fibre-related capex will be spent in the joint controlled operation. And the other two, in terms of the kilometres that we have.

Shameel Joosub
Yeah, we've got about 165,000 homes passed. And then of course, we've got a lot of fibre to the base station as well. I don't have the exact kilometres to be honest, and it keeps changing. JP can send you a sense of what that looks like in terms of kilometres.

JP Davids
And then MVNOs?

Shameel Joosub
So, on MVNOs, I think two parts. I think, to be honest, we're not seeing a lot of movement. Let me put it to you this way. I think the risk with the MVNOs, and it's quite interesting what Cell C is doing because I think they're also putting themselves at risk, if I'm honest about it, because I think those are customers who are looking to optimise their bills. So now if you go, you're buying traffic from MTN, say, for example, at a rate. If you put a low markup on the rate for the MVNO, and then that same MVNO tackles your base. So, now you are getting a better margin. So, now you're giving up that business to the MVNO. So, the first one that's going to get tackled is Telkom and Cell C, in my view, in terms of the MVNOs.

Of course, from an operational perspective, we keep a tight watch on all competitors. So, we continue to watch that, but we're not seeing any real movement in that regard. We have signed one retail MVNO, and basically we'll announce that in due course. And we will launch a black-lead MVNO as well. But yeah, to be honest with you, we also don't want to rush into trying to win all the traffic away and then just keep pushing the rates down, because we think that will just further stoke the market. So, I think a lot of good experience. And let's just say we're very savvy about the way we manage ourselves. I'm not sure all our competitors are that savvy.

Preshendran Odayar
Thanks. Thanks, Shameel. And then, you know, you said you've got hustlers in the group. You clearly haven't seen JP in Lagos. That man's a good hustler as well.

JP Davids
Giving away secrets here.

Operator
Thank you. The next question is also a follow-up from Madhvendra Singh. Please go ahead.

Madhvendra Singh
Yes, hi. Thanks. So, just a couple of follow-ups. On the price hike in South Africa, if you could talk about what kind of elasticity have you seen. Have any impact on gross disconnections and anything like that? And also, it is interesting to see that despite the price hike, the data traffic actually has grown at 48%. So, is there any way data elasticity is different than the voice elasticity in your experience so far? And the second question is on the mobile interconnect revenues, which you

have, I think, grown at 10% almost during the quarter. So, is that purely an impact of better network availability because of lower load shedding at the competitors' side? Thank you.

Shameel Joosub

Okay, so I'm not sure I've completely understood the last question. Let me try. So, I mean, the benefit that we get from load shedding is a couple of fold. I think firstly, just making sure that our network is available to our customers gives us an advantage in terms of net adds in the market and so on. And that's the one part where you have a certain level of more attraction to customers. So, you are seeing where there's no coverage or more impact that you do see customers who then either introduce a second SIM or potentially move their SIM and so on.

So, there's definitely benefits that flow from that. Is it millions of customers that are moving? No. But certainly then you win more active days. So, I think that is definitely playing out into the performance of customers. But also having your network more available then gives rise to data growth that we see. And there I think we're outpacing competition quite nicely in terms of data growth, data availability, and so on.

In terms of elasticity, remember, consumer contract has grown 7.3%. So, you can see the elasticity come through. Now, of course, within there, there'll be different dynamics, right? So, you've got a price up, so your subscription goes up. Remember one of the things that we're doing really, really well at the moment is also changing the mix of the base between 24-month and 36-month contracts. So, that's also been one of the good things that we're doing in terms of it. So, the price increase happens in both the front book and the back book, and that actually goes through to the entire base.

Then because you've allocated more data, you'll see certain changes. So, you'll see out of bundle come down naturally. You'll see in bundle go up. So, those are the different things. And then of course, you will have allocation between voice and data being different as well because of the price up, because you've now increased the data allocation within the bundle. So, that will affect the fair allocation piece as well. So, there's different dynamics that play out. And so, one also needs to take that into account when you're looking at the voice lens as well. If you look at it in aggregate, 7.3% on consumer contract and on contract in general, I think is very positive.

Madhvendra Singh

Yes. Thanks, Shameel. And just to clarify, the question I wanted to ask was, the interconnect revenues for Vodacom have grown at a quite good rate, almost 10% during the period. So, is that because of lower load shedding? So, you're getting more incoming traffic from the competitor's side because of that.

JP Davids
Yeah. Madi, JP here. I think there's probably a couple of elements to it. But I think the one would definitely be just where we were last year with interconnect being under a lot of pressure. So, it's a much easier comp. So, in terms of the glide path, the impacts are not as big there anymore. So, yeah, I think it's more of a comparative issue than anything structurally changing in the interconnect market.

Madhvendra Singh
Okay, got it.

JP Davids
It's not a big driver in South Africa anymore.

Shameel Joosub
Yeah, I think it's like 2.0% of turnover now. It’s very small now as a percentage of turnover.

Madhvendra Singh
Yeah. Got it. Thank you. Thank you both.

Operator
Thank you very much. Sir, we have no further questions in the queue. Would you like me to make some closing comments?

Shameel Joosub
Thank you. Thank you for joining us. And please reach out to our investor relation team if you have any further questions. Thank you.

Operator
Thank you very much, sir. Ladies and gentlemen, that concludes today's event and you may now disconnect your lines.

END OF TRANSCRIPT