Conference Call Transcript

11 May 2020

RESULTS ANALYSTS

Operator

Good day ladies and gentlemen and welcome to the Vodacom Group Ltd results conference call for the year ended 31 March 2020. Vodacom Group CEO, Shameel Joosub, will host the conference call. I will read the forward-looking disclaimer before handing over to Shameel.

This announcement which sets out the results for Vodacom Group Ltd for the year ended 31 March 2020 contains forward looking statements. These statements 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, revenues, expenses, financial conditions, dividend policy and future prospects, business and management strategies relating to the expansion and growth of the Group, the effects of regulation on the Group's businesses by governments in the countries in which it operates, the Group's expectations as to the launch and rollout dates of 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.

If you do not have a copy of the results announcement or results presentation, it is available on the investor relations website at www.vodacom.com. Please note all participants are currently in listen-only mode and there will be an opportunity to ask questions later during the conference. If you should need assistance during the call please signal an operator by pressing * then 0. Please also note that this call is being recorded. I would now like to hand the conference over to Shameel Joosub. Please go ahead, sir.

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Shameel Joosub

Thank you. Good afternoon everyone and good morning to those joining us on the call from the US. I'm joined by Till Streichert, our CFO, and Shaun Van Biljon, our Head of Investor Relations. The emergence of the coronavirus pandemic has heralded a time of unprecedented uncertainty and now more than ever before our communities rely on us to keep them digitally connected while they are forced to be physically apart. We are proud of offer world-class network technology in all the countries we operate in to keep our customers connected. You have already seen the numbers and we have taken you through most of it at the results presentation. This call I will take you through some of the key take-outs for the period.

I am pleased with our results for the year, particularly the strong momentum gained in the second half with South Africa specifically turning from negative top line growth to finish strong with positive growth in the second half. Our investment in Safaricom continues to perform well. Safaricom contribute R3.6 billion in after-tax profits. They continued to deliver solid results, growing their net profit by 19.5% for the year. We are also very excited with the opportunity to work even more closely with Safaricom in driving financial inclusion across our operations now that we've acquired the M-PESA brand and development assets in a joint venture with them.

Our financial services portfolio delivered strong growth across all our markets as we expanded our service offerings, integrating more payment options, enabling merchant payments, insurance, and bringing loans and savings opportunities to over 53 million financial service customers. Our M-PESA business continues to deliver solid growth and as a group we now process R2.6 trillion annually through the M-PESA platform. We strengthened our partnership with AWS who have also launched regional operations with the launch of the Africa Regional Cloud in Cape Town, deepening our expertise and capabilities with 51 employees certified in AWS cloud services.

Looking at the numbers, during today's call I will be quoting a few additional numbers. The reason for this is that we have adopted new accounting standards for leases which impacted growth and the cost from our BEE deal in the prior year which also impacted the underlying performance. When I talk about normalised growth this is growth which excludes those impacts as well as the currency translation differences, so this gives you the best view of how the business is performing on a like for like basis.

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From a group perspective we have reported solid service revenue growth of 5.0% with revenue up 4.8%. We added 5.9 million customers in the group including Safaricom to reach 116 million. We added 6.1 million data customers across the group to reach 61.5 million with just over half of our customers using data, with still more opportunity for growth. EBITDA increased 11.6% boosted by the accounting changes. On a normalised basis this was up 2.3% supported by strong growth in the international operations as well as the South African second half performance. The international portfolio has provided a good hedge against the weaker Rand during the period.

Headline earnings per share were up 8.9%. We have spent R13.2 billion on expanding and improving all our networks. More importantly, the board declared a dividend of 405 cents per share in line with policy, bringing the total dividend to 845 cents, up 6.3% on last year.

Let's look at the segments in more detail. In South Africa service revenue grew by 2.3% or 3.3% after adjusting for the deferral release to revenue in the prior year of R389 million and the current year change in mobile termination rates. We saw South Africa returning to strong growth in the second half of the year. This was from the anticipated increased in data usage which offset the impact from the reduction in out of bundle rates by 50% from the beginning of the year. This is a good result in a low economic growth environment.

Service revenue growth was further supported by revenue from the Telkom roaming agreement which came into full effect this year. In the contract segment we gained 247,000 customers with both the enterprise and consumer segments delivering strong growth. Overall contract customers were up 4.2% year over year. In the prepaid segment net additions were negative by 2.1 million due to the ongoing efforts to optimise new additions to improve the quality and the cost of the base.

We continue to gain traction from our pricing transformation efforts. We have made a number of changes over the past two years especially on data pricing and we will be continuing on this journey in the year ahead. We have made some further price adjustments particularly on 30 day bundles, and we expect the current work and entertain from work scenario will help to drive required elasticity even further. These commitments have been made as part of the Competition Commission settlement.

The underlying data metrics were strong. We added 1.9 million data customers this year, closing up 9.7% for the year. Data traffic increased 66% in the year with even stronger data traffic growth in the fourth quarter and usage per smart device grew 56% to 1.5 GB with 12.9 million 4G devices

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connected on our network. We sold just under 1 billion data bundles this year, up 15%. I'm encouraged by this behaviour as it means that we are making data more affordable but also that customers are truly growing into higher data usage.

As mentioned, customers that are using our digital platforms are growing strongly. This remains a key strategy to drive data usage and the next step is to roll this out across all our markets. Financial services continue to perform well with the revenue increasing 21.5%, making it a R2 billion business now. 9.9 million of our customers have accessed R9.9 billion of airtime through our Airtime Advance platform which in the time of the lockdown has proven to be very effective. Our insurance revenue increased 16.1% with policies up 45% to 1.9 million with a growing portfolio of products on offer now.

EBITDA grew 4.9% or flat on a normalised basis. I will unpack this for you in a bit. There are a few once-off items worth mentioning as they impacted growth. The first is a R389 million deferral release in the prior year. The second is the impact of the Rain roaming cost as we increased the number of sites. The third is a BEE charge of R226 million included in staff expenses. Excluding these adjustments underlying growth was 2.2%, which was a great result given the top line declines in the first half of the year.

Our international operations continued to perform well with strong commercial execution and increased focus on cost containment. This was offset by the challenges faced by Tanzania as a result of the biometric registration regulations imposed in January this year. Notwithstanding this, service revenue grew by 12.5% or 7.1% on a normalised basis, a solid performance. It is evident that the international portfolio has provided a good hedge against the weaker Rand during the period. EBITDA grew by 38.8% further boosted by the accounting changes. On a normalised basis EBITDA was up 9.4%.

The performance in the international operations has been propelled by strong performance in M-PESA and data. Data revenue increased 17.3% and we added 2.3 million data customers in the year. We accelerated our 4G rollout across all our operations, resulting in increased data usage with data usage reaching almost 1 GB in Tanzania and Mozambique.

Demand for our mobile financial services through the M-PESA platform remains strong in all our international markets. Active M-PESA customers increased by 9.2% to 14.7 million. M-PESA revenue grew 29.8% representing 18.3% of service revenue. We are seeing good progress across

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the portfolio on profitability with EBITDA margins expanding strongly by 0.8ppts on a normalised basis as a result of a strong revenue growth and continued focus on cost containment through our 'Fit for growth' programme.

Safaricom announced their results at the end of April. Their performance was solid with service revenue increasing 4.8%, underpinned by strong growth in the customer base and M-PESA revenue growth. Growth was achieved despite pricing adjustments that were made in response to the competitive environment. We have included profits of R3.6 billion from Safaricom and we will be passing a dividend of R1.1 billion on to shareholders.

On the regulatory front we have made great progress this year. In March we announced that we had concluded our talks with the Competition Commission and entered into a consent agreement. This now concludes the matter fully as the tribunal has also approved it and made it an order. In terms of the agreement we have introduced price reductions across all our monthly bundles from 1st April and providing free access to basic internet for essential services and more affordable pricing. This is a continuation of our pricing transformation while also a social contract with our customers and the commission.

ICASA is also making progress on allocating high demand spectrum. By their own account they are aiming to complete this process by the end of the year. In the meantime we have been allocated temporary spectrum in order to manage the increased capacity during crisis. The spectrum will naturally have to be returned before the auction which is likely to happen before the end of the year.

In Tanzania there are two main regulatory issues. First a quick update on the biometric registration. From January we barred 2.9 million customers who were not registered of which 707,000 have already been reconnected. As at the end of March we have fully registered almost 75% of the base of over 15 million customers. The regulator has since halted further barring in respect to the COVID-19 pandemic. Secondly, there are further regulations on SIM card ownership. As of the 30th June an individual is allowed to own and use not more than one SIM card per network operator for the use of voice, data and SMS services.

Before taking questions let's talk about the impacts from COVID-19 on our operations. We are in a privileged position as a telco to both maintain our business during this time but also play a key and vital role in enabling government to respond to the pandemic, businesses to continue working and

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customers to remain connected. Immediately as the COVID-19 pandemic started escalating across our operations Vodacom was at the forefront of lending support to government.

We have made numerous contributions both in cash and in kind across all our operations. These include making data and voice services available for critical and essential health workers and free-rating a number of government and health sites in order to keep people informed about the pandemic. We donated 20,000 devices with airtime and data to be used to facilitate the immediate collection and transfer of data to the National Department of Health COVID-19 Information Centre. We have also extended similar interventions in Lesotho.

We partnered with entities such as Discovery to offer free virtual consultations to patients. Ensuring that businesses have the necessary connectivity tools, hardware and data services to continue working. Ensuring our networks have sufficient capacity and stability for customers to remain connected. We have free rated schools and university portals to ensure students can continue with their education. This includes our e-school platform in which we saw a surge in enrolments. We have made person to person M-PESA transfers free up to a certain threshold in most of our operations to enable a contactless payment method and ensuring that traders can continue.

We will continue to support our staff, our governments and our customers to fight this threat of the disease where possible. The period does however bring some uncertainty with it as well. We have seen some changes in behaviour from customers on our network in the short term during lockdown or movement restrictions. Data traffic has increased an average of c20% in South Africa since lockdown started, with the highest increases two weeks following the lockdown of up to 40%.

We have seen a surge in gross connections in the two weeks leading to the lockdown, but once all stores closed this pretty much flattened out. Similarly, churn has reduced dramatically. Our stores in South Africa have just reopened with the easing of the lockdown restrictions on the 1st May. Recharges in South Africa have slightly increased during this period despite the price cuts implemented on 1st April. This is a very encouraging trend, but we did see some effects in our international operations where lockdown is in full force. These are however in limited scenarios.

Finally, the free rating of person to person services through M-PESA does impact our revenue. It does however give more people the opportunity to enter into the electronic money world and become long-term customers. Till will give you some insights into our balance sheet positions.

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Till Streichert

Thanks Shameel. From a balance sheet perspective we have a very strong balance sheet with comparatively low debt and immediate commitments which should help us weather the situation. The strength of our balance sheet allows us to lead our business through volatility and certain levels of economic downturn expected over the short to medium term. We have a low gearing of 0.7x net debt to EBITDA, limited debt repayments in the short term, with sufficient facilities to maintain liquidity.

90% of our debt is Rand denominated, limiting the foreign currency exposure. We also maintain a market neutral debt structure between floating and fixed debt which allows us to participate with half of our debt floating in lowered interest rates, which we have seen in South Africa now, while the other half of fixed debt protects against significant adverse interest movements.

We are also encouraged by improved growth which we have seen in South Africa and sustained good performance in our international operations. However, these are unprecedented times and factors used for forecasting continue to change. As a result we have taken the decision to postpone guidance until we have more certainty once the pandemic and its effects normalise.

We continue to transform data pricing for the benefit of our customers, grow our financial digital services and M-PESA across all our markets, grow data services in our international operations with increased penetration and expanded 4G services. We believe the strength of our balance sheet and our resilient business model will ensure that we are able to minimise the impacts of COVID-19 and continue to create value for all stakeholders. This concludes our comments and we are now ready for any questions.

Operator

Thank you very much sir. Ladies and gentlemen, at this time if you do wish to ask a question please press * and then 1 on your touchtone phone. If you wish to withdraw your question please press * and then 2 to remove yourself from the queue. Our first question is from JP Davids of JP Morgan. Please go ahead.

JP Davids

Hi. Good afternoon. Two questions from my side. Firstly, Till, just following up on the balance sheet comments you made, I'm just wondering if you could frame your risk appetite at the moment from a strategic perspective. So when it comes to things like M&A or investing in new growth areas is this

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the time to be taking risk or is this the time you're going to keep powder dry? I guess as a consumer being scared witless by government lockdowns I'm just wondering from the corporate perspective what the risk appetite feels like. And then separately just on enterprise in the South African business. Have you got any sensitivities in that business segment, particularly if there are any big discretionary spend buckets that you could see come under pressure as COVID-19 plays out. Thanks you.

Till Streichert

Let me take the first question on balance sheet risk appetite. Look, I'll probably give you a bit of a balanced answer to that. Of course we've been modelling different scenarios between a very positive view on the tenure or on the time period COVID-19 will be with us and the economic impact and a bad case where it may take quite a while for recovery. So that's point one. Point two, we are obviously from a balance sheet position in quite a strong position. I've commented on it earlier in the presentation. If you would just say you step back from everything and you say today's net debt to EBITDA of 0.7x and if I were to allow it to go to 1.5x, which is still a pretty comfortable level to manage, we could take on another R28 billion additional debt. Or everything else equal we could have EBITDA declining by the requisite amount.

So from a risk appetite point of view I do think it is very important to not miss strategic opportunities to continue to invest also now. Therefore I give you a balanced answer. Yes, you need to keep enough powder dry – which I think we have – and at the same time you are going to see us continuing to pursue those opportunities that we think are pretty important for the longer term of the business. And also short term liquidity which belongs to these aspects I've commented on earlier. We've doubled our committed facilities to bridge also any short-term working capital aspects.

Let me also add perhaps just on that one my closing comment. We've not yet seen customers or business partners being substantially in arrears. I do expect that there's further pressure coming certainly. What we've done so far is we've supported customers through extended payment terms on the top-up collect proposition and we equally supported channel partners where we could to some extent with extended payment terms. All of this still falls for me into the managed category, which I think is good so far.

Shameel Joosub

So on the enterprise part I think there will be pressure for corporates, but I think there will also be opportunities. I think the way we're approaching the crisis is there is definitely some eventualities,

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as Till was explaining, that we'll have to deal with like bad debt and so on. And we've taken steps to provide customers with deferred payment plans, what we call downward migrate but extend your contract for longer to try and make up the amount. So there are various different tools that we've created to assist customers through this and to minimise the loss of customers. There will be some bad debt impacts coming through from those who have gone into business rescue, especially if you believe they won't emerge from out of there, and those you know who they are. We have already provided for those customers.

Businesses will be under pressure. We also see opportunities for them. We see opportunities in helping companies through their digitisation journey. We see an opportunity in helping companies expand on their work from home as more and more services go online. And therefore you will see we forged a partnership with Accenture, Deloitte and a few others in a sell with and sell through arrangement which we also announced today.

Operator

We move on to the next question from Jonathan Kennedy-Good of Standard Bank Group Securities. Please go ahead.

Jonathan Kennedy-Good

Hi. Thanks for taking the questions. Just two from me. I guess it's pretty difficult to determine what's happening to market share in South Africa, but I wondered if you had any colour given the fact that data prices have come down, you've narrowed the gap between yourselves and competitors. Are you seeing any changes in SA market share at the moment? And secondly, could you just give us a sense of your revenue exposure to government with regard to the renewal of the contracts with government when that has to take place?

Shameel Joosub

Okay. So firstly from a market share perspective the last numbers we have is at December. Compared to December the prior year we increased market share from 47.7% to 49.2%. That's revenue market share. And then in terms of the government renewal of its contract it's about R1 billion of revenue and it comes up in August 2020, so that's one of the things that we've built into our plans for this year. So it expires in August.

Operator

Thank you. The next question is from Dilya Ibragimova of Citi. Please go ahead.

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Dilya Ibragimova

Hi. Thanks very much for the opportunity. I have a couple of questions please. First is on your comment on customer behaviour during the lockdown. You mentioned the traffic increase and also increase in recharges. Looking specifically at South Africa in April and maybe these two weeks in May would it be fair to assume that actual customer revenue may be increasing year on year, just excluding the potential impact this lockdown would have on the macro. And the second question is on Ghana. I think Vodacom is now in charge of managing the Ghana operations. I was wondering if you could give us some colour on what the arrangements are, whether Vodacom will be receiving any management fees going forward, and how you see the relationship between Vodacom and Vodafone Ghana changing in future. Thanks.

Shameel Joosub

So firstly on the traffic increase what we've seen is obviously a jump in traffic as we said, 20% pre-lockdown and 110% year over year. And we've seen recharges being slightly positive. So yes, we have seen an increase in customer revenue even though we've taken the impact of the price decreases. That said I think we must not get overly carried away from that because it's early days still. So far so good is the way we're looking at it. But we do think that there will be some impacts as people return to work and the longer term impacts on the economy. Therefore that's why we've postponed guidance until the changes become a little bit clearer.

In terms of Ghana's operations essentially the way it works is we are not looking to acquire and so on. We are only managing it on behalf of Vodafone. And yes, there will be management fees that are paid. And it will be supported from our international business operations that already support the other four markets in our international portfolio. So not too much of a stretch for us. It's more guiding and ensuring that management are making the right decisions and so on.

Dilya Ibragimova

Thank you. And just a follow-up. Where would the focus be in Ghana? Are there any areas you may have identified already where you'd like focus to be stronger, whether that's on the telco side or on the payment side? If you could share some thoughts there. Thanks.

Shameel Joosub

To be honest it's still early days. We are still working through it, but we are currently constructing together with the local management a plan of action and what we would need to be able to implement that plan in terms of capital investments including what level of debt we require, all of

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these types of considerations. We're looking at everything. We only started from 1st April so it is still very much early days. We are still learning more and more about the market, remotely because we can't get there.

Dilya Ibragimova

That's very helpful. Thank you.

Operator

Thank you. Ladies and gentlemen, just a reminder, if you wish to ask a question please press * then 1. The next question is from Sunil Rajgopal of HSBC. Please go ahead.

Sunil Rajgopal

Hi. I just have one question. Can you please comment on the capex plans for this year? Should we expect any kind of a slowdown in spending for this year? And linked to it, how does the current environment impact your decision making in terms of fibre or 5G investments? Thank you.

Till Streichert

Should I take the first part of the question and you take the fibre question? Okay. Look, on the capex plans as I said on the one side we will retain a solid level of capex investment in South Africa. We've closed the year on R9.8 billion in South Africa last year. I think it might be a little less as we now go into COVID-19, but as I said a solid investment level in order to support the growth. But at the same time – and that's probably just the normal disclaimer that you can assume – we will retain flexibility both to react short term to changing priorities or changing needs as we see them coming. I think we've got a pretty good plan and I think everything is covered, but we will retain a certain level of flexibility to also respond short notice if we have to.

Shameel Joosub

So on fibre, yes, we will continue to look at fibre and we will continue to invest in fibre as part of our capex portfolio, both the enterprise and consumer. But also we will look at inorganic opportunities should they present themselves.

Sunil Rajgopal

Thank you very much.

Operator

Thank you. The next question is from Alistair Jones of Newstreet. Please go ahead.

Alistair Jones

Hi guys. Thanks for the question. I just wanted to talk through the traffic increase that you've seen with the COVID impact of 20% on average. I was wondering if you could split that up between prepaid and contract. Is there one where the traffic has been a lot more prevalent or the traffic increase has been a lot more prevalent, or is it pretty much consistent across both prepaid and contract? And then secondly, I think you mentioned about R1 billion impact in terms of revenues from the CompCom decision or agreement that you made. I'm just wondering given what's changed in terms of traffic flows whether that R1 billion – if I'm correct on that – has changed in your view. Obviously I know it's early days, but I'm just trying to get a sense. Maybe elasticity is just a little bit higher or quite a lot higher post COVID and actually that R1 billion impact might be lower. Thank you.

Shameel Joosub

Firstly on the traffic split between segments, I would say probably a little higher in contract and the enterprise segments specifically in contract because we did see a lot of companies taking APNs and so on for their staff. So it definitely created a spike there. But we also saw better usage in prepaid as well.

Till Streichert

Just on the second question on CompCom effect, when we sealed the Competition Commission settlement agreement we quantified it was about 1.5% of service revenue drag at group level. So if your question is are you seeing that holding true the reality is we've got just a couple of weeks into it, and those few weeks were actually impacted by something that obviously impacted the entire world, COVID-19, which makes it a bit harder to really isolate trends. But by and large I would say that what we have forecast and expected from CompCom both in terms of the price reduction which was implemented plus the requisite traffic growth, and as a result the elasticity, I would say is holding true.

And remember price reductions took place on 1 April, and from that moment you actually start working yourself through greater utilisation and traffic nearer and nearer to your breakeven point of elasticity, which means you carry in your first one or two quarters more of the downside effect than in your third and fourth quarters. A pretty similar revenue profile from a build-up as we've seen a year ago when we had the out of bundle rate cut on the back of the End User Subscriber Charter.

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This is where you see we exited the year a lot stronger revenue growth post reaching the elasticity point.

Shameel Joosub

And obviously you did get the boost as we said earlier during this COVID period, but as Till says that's really the impact that we see coming through for the year and that's the trajectory of how it will play out. Hopefully some of the increased traffic that you've seen through COVID-19 sticks and basically changes behaviour.

Alistair Jones

Great. Thanks guys.

Shaun Van Biljon

Shameel, John Kim couldn't ask his question earlier. Three questions. What is the timing for the decision in Ethiopia?

Till Streichert

Shall we take it one by one? Okay, perfect. John, just give me on second. I will just tell you on the timing. We have basically seen on the 28th April the government of Ethiopia issued some directives for public consultation with response date today. We have responded to it. You can see there is activity taking place. But at the same time we are still waiting for the invitation to express our interest. That has not yet been published or this has not yet been requested. We think that this is going to happen still within the next couple of months, but all subject to probably COVID-19 and their capacity or their time plans around this auction preparation. But again things are happening and we are part of the consultation process and obviously also interested in continuing as a consortium together with Safaricom and other investors to assess this opportunity.

Shaun Van Biljon

His second question is what are your thoughts and plans regarding the rules on foreign ownership in mobile money assets there?

Shameel Joosub

I think obviously we need to build it into the plans in terms of how we can build that in. Initially what's encouraging is that they're starting to look at opening up mobile money. Remember in the previous version the mobile money wasn't being considered or going to be allowed. So now there are potential restrictions on foreign ownership. We can still build that into a workable model, and so

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we will work around that. But it's good to know where you stand because then essentially you can build that into your business plans, taking into account any of these requirements. So what's becoming clearer now we're updating our plans accordingly, but that will also determine the kind of purchase price that is put forward on this.

Shaun Van Biljon
The final question is can you quantify the impact of zero rating offerings in mobile money?

Shameel Joosub
It's still early days to be honest, but there is definitely a negative effect coming through on M-PESA and it is subduing the growth of M-PESA. But a lot of it is temporary. It is one of the things we want to have further proof points on. That will also assist us with the guidance going forward. At the moment the zero rating is for a definitive period but it has the benefit that the customers will stay with you for a lot longer post the period.

Till Streichert
Exactly. Just adding to it I think there are two things. Short term negativity as you zero rate. A definitive period so far in the market. We need to see how that evolves. And thirdly, longer term of course it helps converting more customers to stay on M-PESA as you have incentivised it now through the free P2P. And going cashless is a benefit in this COVID-19 scenario.

Shaun Van Biljon
Thank you. Chris, we can take the other question now.

Operator
Of course. The next question is from Ziyad Joosub of Nedbank. Please go ahead.

Ziyad Joosub
Hi everyone. Thank you very much for the question. Just one question please. It has got to do with your Q4 2020 data traffic growth acceleration. It's quite interesting because Q4 is generally your Christmas quarter. And I've never seen such a strong acceleration in data traffic growth. It looks like data traffic growth is close to 80% or just above 80% in Q4. Given that we can see that a lot of the service revenue growth came through fixed and other service revenue lines, it seems that there was a lot of data price transformation in Q4. Did you guys push through any price cuts in Q4? What I'm trying to get at is has a lot of your CompCom price transformation, or at least a bit of it, already been done in Q4? Thanks very much.

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Shameel Joosub

Okay. So what happened in Q4 was essentially remember it was also Christmas so that means we give away things. So that filtered into January and we continued the Shake promotion for longer which we normally would have stopped earlier last year. So last year we stopped it early in January. This year it continued way into February with the Shake promotion. So that was a big part of the free traffic that we were getting. There weren't any big price transformations in the fourth quarter because a lot of it then obviously comes from the price change on 1st April. That said what we did do after February is we pulled back on a lot of the promotions and cut the promotional or free traffic quite substantially going into March ahead of the CompCom changes. So the traffic that you're seeing now is a limited amount of free traffic back to pre-Christmas levels. Also going into the price cuts we also needed to make sure that we get the elasticity coming through strongly. So the traffic that you're seeing now is more monetisable than it was in the fourth quarter.

Ziyad Joosub

Okay. Understood. Thanks very much.

Operator

As a final reminder, if you wish to ask a question please press * and then 1. Sir, we have no further questions in the queue. Do you have any closing comments?

Shameel Joosub

Thank you. This is a pleasing set of results in trying circumstances. Our priority is to ensure the safety of our staff and customers while at the same time providing customers with the high customer experience standards which they may have become accustomed to. It is also a time when our balance sheet strength, prudent risk diversification and resilient business model will stand us in good stead. Thank you for joining us on today's call. If there are any other questions which you may have please reach out to the Vodacom investor team. Enjoy the rest of your day.

Operator

Thank you sir. Ladies and gentlemen, that then concludes this conference call and you may now disconnect your lines.

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