Vodacom – 04 December 2025

JP DAVIDS
Good afternoon, everyone, and good morning to those joining from the US. My name is JP Davids. I look after Investor Relations for the Vodacom Group. Thank you for joining this call to discuss the acquisition of a strategic stake in Safaricom. As a reminder, we have put out an announcement this morning on the Johannesburg Stock Exchange, alongside Safaricom. We've also published a presentation to our website, which is available at www.vodacom.com, and if you need that presentation, you can reach out to myself, or the investor relations team. I am pleased to say we joined on today's call by both Vodacom and Safaricom management. On the Vodacom side, Shameel and Raisibe, who you know well. We also have Sean Bennett joining us. Sean is our Chief Officer of M&A and Business Development. From the Safaricom team, thanks to Peter, Dilip and Caroline for joining us. And with that, I'll hand over to Shameel for some opening remarks, and then we will move on to Q&A Thank you.

SHAMEEL JOOSUB
Thank you everybody for joining us. I think you know, a very big day for us, because we see this as a transformational investment for a number of reasons, given the context of Safaricom, the size, the trading, and so on, and of course, the big Fintech play, and the fact that as the Vodafone Group, we've invested for the last 25 years. We've announced today is that we intend acquiring a 15% shareholding from the Government of Kenya, and a 5% shareholding from Vodafone, so that will give us 20%. That 20% will amount to $2.1 billion, which is the purchase price, or equivalent to KES34 per Safaricom share. This will increase our shareholding to 55% of Safaricom and give us the ability to consolidate. And this will, of course, be very complementary to our Vision 2030 strategy.

Now the split in terms of how much we're paying is US$0.5 billion or $500 million, for the Vodafone stake, so R9 billion for the Vodafone 5% share. Or the way it’s held is 12.5% in Vodafone Kenya Limited. So, we'll buy the 12.5% that we don't own, and then we'll own 100% of Vodafone Kenya going forward.

The second part of the transaction is buying the 15% from government, for an equivalent of US$1.6 billion, or R27 billion. And then we've also bought some of the future dividends on the remaining government holding, which is equivalent to about R7.4 billion of dividends, for purchase price of R5.3 billion. This transaction will give us the ability to, as I said, to consolidate on Safaricom. It's an established player. What the ownership structure would look like post the transaction is 55% Vodacom, 20% government, and 25% still listed.

The EBITDA margin in Kenya is running at 57.3%, and for the Group, because of the losses in Ethiopia, its 49.5%, so it's a lucrative business. It's been growing double-digit, so very good. Safaricom has 38 million PESA customers in Kenya, and that's already contributes 44% of revenues in Kenya. So, this will give us the, from a Vodacom perspective, the benefits are that it diversifies our portfolio more. If we look at it, post consolidation, we'll end up with and EBITDA split of approximately 35% South Africa, 31% Safaricom, and then 21% Egypt, at about 13% from the International, so it gives us very nice diversification. Also exposes you to three big markets, which is Kenya, Egypt, and South Africa. And of course, it's one of the prize assets in Telco on the continent, but also globally, market leader with 65% customer market share in Kenya. It's got, you know, and of course, the revenue market is even higher. You know, it's got 90% of the Fintech market. Safaricom is also a leader in fiber. So, a full integrated portfolio of assets. It's also got a lot of fiber to the sites. It owns most of its towers, or almost all of its towers. I think a very strong portfolio, very strong positioning in the market, and also governments staying on as a shareholder, we see as a positive. The public, private, listed partnership that we've created, is the reference point for how this can be done worldwide, is actually turned out to be very positive.

And of course, both government and Vodacom we've recommitted to the terms of our undertakings, and they've recommitted to us in terms of our partnership going forward, and, how we can create a mutually beneficial business and also how we can support with the digitization of the country. So, and then maybe just to add, there's a fairness opinion that's been done. We're are waiting for the final approval of this fairness opinion by the JSE. It's a CP to the deal. It's been done by an independent expert, Deloitte’s. I'll pause there for questions.

JP DAVIDS

Super thanks, Shameel, we have a few coming through already. Just as a reminder, there is a facility on the webcast to post questions. Perhaps we'll kick off with one from Jonathan Kennedy-Good and then another one for Raisibe, which is the same question from Myuran and Mike. So starting with Jonathan's question, is there any lock up period for the remaining government's sake of 20%, also, do you have a first right to refusal. Perhaps that's one for you, Shameel. And then the second one is, just around the financing, is the R35 billion of new debt incurred by Vodacom tax deductible?

SHAMEEL JOOSUB

Okay, so the 20% we haven’t made an offer on, and the is government doesn't intend selling it. I think selling the 15% was quite painful for them, because they really see value in the asset, and they really see the strategic investor. So they committed publicly, even today, in the press release, in the press conferences, and so on, that they want to hold on to the 20% for the foreseeable future, because they see this model of being an investor as government, as a strategic stake, in participants in the biggest company in Kenya.

RAISIBE MORATHI

And then in terms of tax deductibility of the interest, no. We have taken term facilities, and we wanted to make sure that, first step, we close the transaction and then start looking at opportunities of refinancing. This will be similar to what we have done previously, when we did the Egypt transaction, where we did a preference structure subsequent to that first leg. However, the terms of the of the funding are relatively positive, or attractive, such that it doesn't create a lot of pressure for us to go and refinance the facilities. We were funded by Vodafone Luxembourg, which basically runs a treasury environment, and we are able to either refinance the whole package, or part of the package, and we have left that level of flexibility. The component, that is in Kenya, which is the buying of the dividend stream, that is funded in Shilling, and that is obviously, you know, going to be repaid from the dividend stream that comes through. Yes, so that is the outcome. And of course, preference shares will still be one of the preferred methods. We were also quite conscious that we were raising funding to close out on the fiber deal, on Maziv transaction, so, and for that reason, we wanted to separate the two. So, yes, we will explore opportunities. As it turns out, I'm getting a lot of emails from banks, saying, when you refinance, we are available, so we will do that in due course.

JP DAVIDS

Thank you. Follow on questions for the funding of the deal. The first one comes from the Dumisani at SPW. I would start off by saying and quoting him. Says, looks like a master stroke of a deal. Congrats, guys. But his question on the funding is, is the $2.1 billion or a US dollar facility, or have you carved out shares, or perhaps Ethiopian birr, to align with Safaricoms cash flows. If so, what does the mix look like, and just to confirm whether, in that answer, you're talking about the Vodafone facility or the government dividend facility, or the government upfront payment for the dividends. So, asking us just to talk through some of the high level financing of parameters of the deal, things like interest costs, currencies, et cetera, you can probably tackle both of those with the same answer. Thank you.

RAISIBE MORATHI

Okay, thanks. JP. So, the dividend facility, which is an equivalent of $300 million, that is in cash, in a local currency, and that is a facility that we got from one of the local banks, and with a guarantee from Vodacom Group, and that will be settled as such in Kenya. Shillings. Then the component that acquires the 15% from the government, and the 5% from Vodafone, are both in ZAR funded by Vodafone Luxembourg. The government will receive dollars, and Vodafone will receive Euro, but the funding that we receive is in ZAR, and that is a in a very similar pattern, as the funding that we normally get from Luxembourg, which is arriving at us, price and everything already with the currency swaps, and it is still fairly attractive in terms of pricing, when you compare to what we get from the other financial institutions. And we always shop around. We never just take the first available capacity. But as I said, you know, a higher concentration with Luxembourg, is in part because we are already raising some money in the market. But yes, I mean, we did negotiate hard. It is at arm’s length, and it is priced at an average of around 8% volume rate. So quite comfortable with that, and we will continue to explore opportunities, as I said, later on, and the opportunity that could probably match that practically will be the preference.

JP DAVIDS

Great. We have a couple of questions around the dividend aspect of the deal. The first one is from Jonty at Allan Gray, and then Robert at Deutsche Bank, is also asking around that, perhaps there's an element of overlap to the two questions, but I'll just ask them separately. The first one from Jonty, how is the value of the dividend stream calculated, just to confirm it's the fixed R7.4 billion, or is it rather related to all future dividends you're contemplating here. And then Robert's question is similar, is the R7.4 billion on the forward dividends based on a definitive or fixed timeline, or is it just till the 20% of the remaining government stakes reaches that that R7.4 billion. So, perhaps just a little bit more color around how that particular transaction will work.

SEAN BENNETT

This is Sean. So, what we did is we took a percentage of the expected dividends, over a three year period, and then we discounted it at an IRR in the teens. And the way it works is, if those dividends are more than the percentage, then it will pay down the facility quicker, in which case the IRR will go up. However, we're capped the IRR, so it's, and we actually fully expect it to be paid down, in just over two years.

JP DAVIDS

Thank you, Sean. Perhaps switching to a couple of Preshendran questions from 36One. He's got one here on the effective tax rate on the, for the Group, given that the interest is not going to be tax deductible. I think Preshendran that, one's probably a little bit too specific for today's call. We're not giving pro forma numbers on this call, and I guess, you know, with these types of things, we'll try help a little bit more over time. Switching to questions from HSBC, couple of questions. Firstly, what is this going to do to leverage for the Group after this, and the Maziv deal are contemplated together? And then, I guess just a broader question around the path of the dividends, or the outlook for the dividends. So specifically, is there any risk to the dividend here.

RAISIBE MORATHI

Okay, so the question being around leverage, so we are expecting to be a touch below 1.5 times, which is our internal threshold metric, and this is after this transaction, and after the Maziv transaction, which we have paid, already the R8 billion, on the 1st of December. Our plan will be to deliver as opportunities arise, and to continue and refinance, you know, as we go along. But, yes, so the net debt to EBITDA metrics are still at a healthy 1.5 times.

JP DAVIDS

And then any comments you want to give on the dividend, Raisibe.

RAISIBE MORATHI
So, we still maintain the dividend policy at Vodacom Group, at 75%, obviously, if there's any change or anything like that, we will consider, but at this point, we're quite comfortable that this is the level where we are. The dividend policy of Safaricom is 80%, and that is also no change at this stage. And, yes, so if there are any changes, or anything, we will come back to the market, but no plan to do that at this stage,

JP DAVIDS
Okay, maybe switching gear a little bit into some of the other questions that are coming through, related to things outside of the structuring. So, Robert's other question was just around, probably more one for you Shameel and perhaps the Safaricom team. But, you know, is there anything we plan on doing with Safaricom in terms of its strategy with regard to financial services or payments. How are we going to leverage Safaricoms expertise into the region, into the rest of our portfolios, that's question one. And then a separate question from the Nadim at Standard Bank, just asking about what the board structure will look like, post this deal, if we can provide him a little bit of help there, and I guess more broadly, what strategic value do we see of having greater control of Safaricom. So how would this create shareholder value for, I guess, you know, Vodacom and Safaricom.

SHAMEEL JOOSUB
Let's start with the last question. So, I think from a strategic perspective, effectively from a Vodacom perspective, it helps us to diversify revenues, and could do the consolidation, and have exposure to what's very, more exposure towards a fantastic asset. That's, you know, even combined, even with the Ethiopia losses, is running at 49.5% EBITDA margin. Now, you know, Kenya running at 57%, so once you start, you know, you get to EBITDA break even, which is projected to be next year for Ethiopia, you start to see that number getting a lot better. So that's the one side. And then, of course, it's got strong earnings, strong growth, strong market positioning, strong assets, and so on, both in fiber, FinTech and mobile as well. Where we see synergies, of course, is definitely procurement. We see synergies in working even closer together. Remember, it is part of the Group today. So, it's not like we buying an asset that we don't know, you know, we've been part of creating the success for the last 25 years as Vodafone, Vodacom. And essentially, you know, so we have deep insight into the business in lots of context. I think the further opportunities will come from sharing. An example, one of the things that will happen immediately is, the Chief Commercial Officer will join the board of Maziv, from Safaricom on to Maziv. And the reason for that is that we want to cross pollinate the fiber ideas and opportunities. So where we build cheaper, but of course, we've got deeper experience, having a bigger base in SA. So these are the type of things that, you know, we would leverage, and so that working

together, all the way from governance through to, try to working together on commercial, will be there.

And, of course, we plan to continue to leverage the Financial Services part. Remember, we built and M-PESA up in Kenya, so we'll still look, leverage the capabilities and skills of Safaricom. Raisibe was here last week looking at, for instance, at the whole governance part in terms of M-PESA, and we saw some good best practices that can be replicated in other markets given the more mature basis of how long Fintech and financial services has been around for Safaricom.

So there's a lot of cross pollination learnings and ideas. We're working on products together, everything from loyalty products to big data, we share people. So all of this will just become a lot tighter, and we think that will lead to even more success as we go forward. So it will be beneficial, remember, there's a shareholder transaction, but I think Safaricom will gain from it. And I think also, just to put a perspective, we're more comfortable, or we are comfortable with the regulatory framework, and so on, with the new licensing having been published for public comment, and so on, in the environment. So quite comfortable that we've got a good, sustainable business going forward.

In terms of the board structure, currently we have one Vodafone, three Vodacom. It will all become Vodacom. So you'll have five Vodacom directors, and then you'll have two government, four independents, and one exec, which is the CEO, which is a slight change from today, because basically we'll take over one from government.

JP DAVIDS
Thank you, Shameel. A question from Jonathan from Prescient, around the shareholder structure for Ethiopia, and whether we see any changes there as a result of this deal, and then perhaps also just following up on the regulatory outstanding approvals. Perhaps we can just give a give a sense of what are some of the big ones from, you know, the conditions precedent that we require to get this deal over the line.

SHAMEEL JOOSUB
Let me comment on the all the approvals on the Safaricom, sorry, on Ethiopia shareholding. Safaricom owns about 53%, we own just under 6%. So that won’t change, except for, if any of the partners want to, want to change hands, or so on. So, the transaction doesn't affect the structure in Ethiopia, per se, but we always make sure we've got the right partners, you know, to make sure that we fund the business and have the momentum going forward.

SEAN BENNETT

So on the sort of regulatory approvals we've got to receive, there's quite a lot. There's competition ones, in relation to COMESA and the East African competition, I think it's called. We've got the Capital Markets Authority, have to sign off on the fact that we don't make an offer to minorities. We've got the Central Bank, will need to improve the dividend perspective, Communications Authority, and then we've got to receive the Reserve Bank in South Africa, and so there's a reasonable amount. We're still waiting for the JSE approval in relation to the fairness opinion on the related party aspects of the transaction, although the work has been finished, and they're just reviewing the report, and that's expected the next 24 hours.

JP DAVIDS
Great, reverting back to some questions on the financing side, Adelaide from Standard Chartered Bank, just asking around what sort of tenure the Luxembourg facilities have. And Jonathan from ABSA is interested in the broader repayment terms of those facilities. i.e., are they amortizing or bullet payments. Maybe take those two, and then there's a follow up from Dumisani, but I'll let you answer first. Thank you, Raisibe.

RAISIBE MORATHI
Okay, thank you. In terms of tenure, we have credit to allow that refinancing plan. So there's a portion, small portion, that is a one year bridge facility, and that is based on our scanning of the market, where we know that we can be able to refinance that fairly quickly. And then the balance is spread between three, five and seven years. So, that is, with the capacity to refinance without, you know, kind of punitive charges, but obviously we have to give a notice period, so if we get to that point. So that is that part. And then, sorry, what was the second one again, JP.

JP DAVIDS
So, that was just around the, I think you've nailed both. So that's, that's all good. But just moving onto Dumisani's question, which is also related to this. I think he just wanted to clarify, in a scenario where we do refinance these facilities, would it be in in local currency, i.e., Kenyan shillings. I guess Dumisani's main point here is, he's just worried about, to what extent we would be taking on foreign exchange risk going forward, he's interested in, you know, the thoughts around our approach to managing foreign exchange risk.

RAISIBE MORATHI
So when we refinance, it's still in ZAR. So, our basic approach in terms of a debt is in ZAR, and the only exceptions are in markets like DRC, where it is a dollar economy, and obviously that is, you know, serviced in the local environment, or any other facilities that we have in any other market will be in local currency. Our facilities, our debt, is concentrated in SA, and it is all in ZAR. So therefore, if we refinance, when we refinance, is also still going to be in ZAR. And just to be clear, the one that is in

cash, is the dividend advance, which is going to benefit from the dividend inflow, that basically becomes a liquidity match, with the loan that we have taken, and that should be dispensed off very quickly, and there's no facility in Birr, because nothing in this transaction happens in Ethiopia. So it is between SA, and Kenya, with the smallest component being in Kenyan shilling. Otherwise, the balance of our facilities are in rand.

JP DAVIDS

Okay. Shameel, I think you might like this one. It's from Linet, she's saying, Safaricom's up 80% over the last 12 months. Why didn't you buy Vodafone's 5% stake last year. A separate question from Pradyumna from HSBC, just wanted an update on, if this transaction at all impacted that discussion around the separation of M-PESA. I guess you've made some comments in the past, Shameel, just wanted to see if those are changed. We just wanted to check if those have changed in any way.

SHAMEEL JOOSUB

So maybe let me start there. The minister came out today, was asked the same question, and he clearly stated that there's no splitting of M-PESA. So I think that deals with that. In terms of the price, and just also, to be clear, we've made commitments to government, they make commitments to us, in terms of this transaction. And the other thing, just to, on the Vodafone, why didn't we buy it at a lower price, because, honestly, they weren't that stupid to sell it to us at the low, of course, we tried, but they weren't biting. And I think, here, what we've managed to do, is to get a good price, and I think also, you know, they've given us an attractive funding package, and what we've also, the consolidation is the, sorry, being able to take 100% helps us a lot from a tax perspective, because we save in capital gains, because, basically, when we get the dividend, we use that to pay off the loan.

RAISIBE MORATHI

Withholding Tax

SHAMEEL JOOSUB

Withholding tax, sorry.

JP DAVIDS

Thank you. A question perhaps for Sean. And Sean, I'd ask that you answer this as high level as humanly possible, just asking around a rough sense of the transaction costs associated with the deal. And then a follow up from Jonathan at Prescient, I think we've dealt with most of it, but let's just see, Raisibe, which is, you know if, if we are intending to refinance the Vodafone term loan with bank funding, how much would we consider refinancing.

RAISIBE MORATHI

Okay.

SEAN BENNETT
So the transaction costs, they're relatively low for a transaction of this size, so in sort of a range of R200 to R300 million. So, 200 to 300 is sort of a reasonable estimate.

SHAMEEL JOOSUB
So a lot of that is stamp duty and brokerage.

SEAN BENNETT
There's various on, it's a block trade in Kenya. So there are various sort of fees that have to be paid, regulatory fees, etc. That's a large portion of that.

RAISIBE MORATHI
And then in terms of the refinance, the reason why we split it up in the one year bracket, three years, five years, and seven years, is also to allow us that opportunity of how much to refinance at a point in time, and also blended with our maturity profile, or our other debt, our other existing debt. And the order of what to refinance is driven by a component of what is coming up for renewal, as well as what is more expensive. So this being debt that is non-tax deductible, the preference will be to refinance it with the preference shares, to the extent that, you know, that capacity is still available, and as and you'll recall that we did a preference share recently for our Maziv transaction, but in our packaging order, a one year facility is the one that will refinance first, and then it will depend on whether we are able to get 10 facilities, which are well priced, to match the pricing that we have from Luxembourg, or if we are able to put that into the preferences shares.

JP DAVIDS
Super, thank you Raisibe. Just as a reminder, we have put a presentation onto the, to the website, the Vodacom website, and if you do need to access that and you can't find it reach out to our investor relations team. Shameel, at this point, we do not have any further questions. Sorry, one's just come in and then let's see if any more dribble in after that. So this is from Rohit at Citi, quick follow up on the M- PESA separation. So is there a commitment from the government and the regulator, that this won't be forced on M-PESA in the future, i.e., is who's making this commitment.

SHAMEEL JOOSUB
I think there's a clear statement from government that there is no intention to split it.

JP DAVIDS

Okay and with that question, so happy to hand over to you to finish off that, that question and wrap up the call. Thank you.

SHAMEEL JOOSUB

So, basically, the big part is that the government has come out clearly saying there's no engagement to split it. So think that's the big part, in terms of it. And, yes, so, we're quite comfortable with that. I mean, the noise levels of splitting have been around for as long as I've been involved. That's coming on, you know, eight to nine years now, and it hasn't happened. So, I think we have a very good understanding with government. And also, government is a shareholder, and also that the value that M-PESA brings both to the economy, but there isn't a basis or a splitting. And remember, even if one day it came to pass, we would still own, you don't split and take the company away from us. We own both sides of the company.

And thank you, thank you for joining us. If you have any other questions, please reach out to JP, be happy to have further discussions on it.

JP DAVIDS

Shameel, we've had one final one question pop in. Have you still got a second to answer it. We got a question from M&G, can you provide any clarity on the commitments made to the government and the commitments made by the government to you at this point in time.

SHAMEEL JOOSUB

Well, the government's kind of given some of it out already in their press release, and we haven't released any of the, anything, but it's more around how we work together, essentially building on the commitments that we had before, and just recommitting to each other how we are we run the business here, and, I mean, and then the standard stuff like, we won't change the brand. That is a commitment we had for the last 10 years, or even longer. And things like, you know, there won't be any retrenchments as a result of the transaction, you know, for the next two years, those type of, three years, sorry, so they won't, as a result of the transaction, except for in the normal course of business, those type of commitments, and that we keep with the foundations activities, and won't stop the, you know, the foundations as it relates to how it operates currently here, which, by the way, is licensed, you know, that the interest money goes into a foundation, and then that goes into social development, and that will stand

JP DAVIDS

Super. Thank you, Shameel, and thank you to everyone for dialing in. We will end the call there.