Conference Call Transcript

18 July 2013

TRADING STATEMENT

Operator
Good day, ladies and gentlemen, and welcome to the Vodacom Group Limited trading statement conference call for quarter ended 30th June 2013. Vodacom Group CEO, Shameel Joosub, will host this conference call. I will read the forward-looking disclaimer before handing over to Shameel Joosub.

This trading statement for Vodacom Group Limited for the quarter ended 30th June 2013 contains forward-looking statements with respect to the Group's financial position, results of operations and businesses and certain of the Group's plans and objectives.

In particular such forward-looking statements include statements relating to the Group's future performance, future capital expenditures, acquisitions, divestitures, expenses, revenues, financial positions, 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, Group growth in customers and usage and the rate of dividend growth by the Group.

If you do not have a copy of the trading statement it is available on the investor relations website at www.vodacom.com. All participants are now in listen-only mode and there will be an opportunity for you to ask questions after today's presentation. If you should need any assistance during the conference then please signal an operator by pressing star and then zero. Please note that this conference is being recorded. I would now like to turn the conference over to Shameel Aziz Joosub. Please go ahead, sir.

Shameel Aziz Joosub
Thank you. Good afternoon and good morning to those in the US. Welcome to Vodacom's trading update conference call for the quarter ended 30th June. I am joined today by our CFO, Ivan Dittrich, and our investor relations team, Shaun and Belinda.

We have provided you with an update of revenue performance and key customer indicators for the quarter. Some of the salient points of our results are our reported group service revenue was down 2%, impacted by the inclusion of Gateway Carrier Services' revenue in the prior year. The Gateway Carrier Services revenue contributed about R764 million in Q1 last year. Excluding this and the impact of foreign exchange translation service revenue grew by 2.3%.

Group revenue was boosted by higher handset sales and grew by 3% or 5.1% on a normalised basis. We now have 51.5 million customers active on our network, growing by 5.3% as our International operations have extended their coverage.

On a side note you will note that we have now excluded machine-to-machine customers from our reported customer base. The main reason for this is in order for us to give a more meaningful reflection of our contract customer base's underlying performance. This year we had 1.2 million machine-to-machine customers.

The two main drivers of the performance are data, which is growing healthily at 28.2% and 23.3% more customers are now using data, with increased usage per customer. Effectively our international operations have grown service revenues by 31.5% or 14.1% if we strip out the benefit we got from translating the revenue with the weaker Rand. The South African trends are now improving with revenue and service revenue growth outpacing that of the third quarter.

Before I comment specifically on each segment I would like to highlight that we have changed our revenue disclosure to align to Vodafone, but we have still provided our old revenue disclosure for those of you who don't like change. Our new disclosure now provides you with mobile customer revenue for both prepaid and contract segments as well as the split of what we generate from subscription or bundle purchases and out-of-bundle, which is more aligned to how we are managing the business internally.

For the new disclosure there are some changes in terms of what falls under customer revenue and other service revenue. Essentially customer revenue is generated from our mobile customers for mobile services. Revenue generated from other operators like business services for fixed lines and machine-to-machine collection are all now classified as other service revenue.

Let's take a look at the quarter in a little bit more detail. Firstly let's look at South Africa. In South Africa service revenue was flat year on year, but excluding MTRs growth was up 2.9%. If we look at just the revenue increase the revenue increased 3.9%, boosted by higher sales as we increased access to finance deals.

I think it's important to explain a little bit about the finance deals. Finance deals are now becoming a bigger portion of our sales with 40% of our customers choosing this route to get a better device. Putting a better device into people's hands also helps us to unlock more data opportunity. What is also important is that some of the revenue would have moved between service revenue and revenue as customers are now opting to use financing as opposed to trading up. So this is only true for some customer segments, but it is relevant to focus on more closely as we go forward.

We are encouraged by better service revenue growth trends from those recorded in the previous two quarters, which showed a decline of 2% and 1.7% respectively. So recovering back to flat was a big positive for us. This was mainly as a result of improved voice revenue trends, declining 2.5% as opposed to 3.8% in the previous quarter.

If we look at our contract customer revenue which excludes interconnect, it was flat with contract customers up 2.3% from the prior year. We continue to transform our base to integrated pricing with more value in our packages. 13.5% of our contract base is now on integrated price plans and almost 30% of our contract mobile customer revenue is now coming from these customers. We have also seen an increase in the in-bundle revenue to 63.1% from 62.3%, which you will note we have now disclosed.

Prepaid customer revenue increased 5.4% from the increased take-up of data bundles and strong growth in voice minutes offsetting our price reductions. Our decision to reduce the volume of calling cards in our base started bearing fruit as expected. We have now returned to positive customer growth as we have removed most of these customers from the system. We are also seeing improvement in underlying metrics such as ARPU increasing 1.4% and minutes of use growing by 21% as we provide our customers with much more inclusive value.

Data revenue continues to grow with a second consecutive quarter of greater than 20% growth at 21.8%. Data now represents 21.3% of service revenue compared to 17.5% a year ago. Penetration is also key to our data growth strategy as we continue to drive accessibility through cheaper handsets and also financing handsets. We added 1.3 million smartphones in the last 12 months, more than 310,000 in this quarter alone.

Our underlying usage trend growth still remains strong. Smartphone users are now using 75.4% more data than a year ago, up to 216MB per customer. Tablets and PC connectivity has also showed good usage growth of 17.2% and 21.4% to 659MB for a tablet and 750MB per user for a PC. Pricing pressures have come down from previous levels. The effective price per MB only reduced 7.4% in this quarter.

From an International perspective the International operations growth remains strong, however slowed from previous quarters as we see competition increasing mainly in the DRC. Obviously where we translate it back into Rands that's where we get over 31% growth. Reported service revenue in International declined by 1.7%. However, adjusting for Gateway Carrier Services revenue, service revenue increased by just over 30% in the international operations.

Despite some challenging competitive environments, especially in the DRC where a number of operators are charging below the regulated minimum price floor, we have seen strong customer growth of 17.3% across our international portfolio. Supported by the acceleration of our network investment we have launched new pricing in all our operations, resulting in traffic growth of 57.2%, more than offsetting pricing pressures. This has seen voice revenue growing at 21.8%.

Competitive bundle offers and the increase in M-Pesa users has seen an increase in Tanzanian customer ARPU by 21.4%. Take-up of data and financial services in our International markets is supporting growth. Data revenue increased 87.1% in the year, and now contributes 14.1% to service revenue, almost double that of a year ago.

Underpinning this growth is the growth in money transfer services. M-Pesa customers increased 44.9% to 5.2 million customers. These services have now been launched in all our operations with the most recent launches in Mozambique and Lesotho. Those are all our International operations, with South Africa to come later in the year. In Tanzania 53.4% of the customer base is now actively using M-Pesa and contributing 18.2% of its service revenue, up from 12.3% a year ago. M-Pesa customers alone contribute an additional $2 of ARPU.

I will now hand back to the operator to assist with any questions you may have before wrapping up.

Operator
Ladies and gentlemen, at this time if you would like to ask a question please press star and then one on your touchtone phone. If you then decide to withdraw your question please press star and then two to remove yourself from the list. Our first question comes from JP Davids of Barclays. Please go ahead.

JP Davids
Good afternoon everyone. Two questions on regulation please. Firstly on South Africa, could you give us a bit of colour and context about how you think the regulator's cost to communicate programme is going to impact you, and what you see as potential outcomes there? And then the second part of the regulatory question is just in Africa. Maybe you can talk about Tanzania specifically. There have been a couple of new taxes that have been added to revenues there. But also I understand there are some more pending changes with regards to subscriber taxes. If you

could provide a little bit of colour in the tax and regulatory environment in Tanzania that would be appreciated. Thank you.

Shameel Joosub
Thanks, JP. Firstly, on the South African regulatory environment, I think where we are is the mobile termination rate will basically come to an end in March next year. And so we are currently busy re-negotiating a new glide path going forward. I think the way it will play out is there will be an ICASA process where effectively they will look at our cost to carry which is the underlying cost per call. And that will be the deciding factor of what the mobile termination rates will reduce to. My feeling is it will definitely come down, but there will probably be a glide path in how we get to the ultimate number. There is a lot of noise obviously from Cell C with regards to asymmetry and asking for a much bigger asymmetry than is currently the case. I think the regulator will hold to the 10% asymmetry that is currently in place.

In Tanzania what has happened is that there have been additional taxes that have been implemented on customers. So basically I think the government has taken the opportunity to increase the tax on M-Pesa transactions and to increase the taxes on airtime. Those have all been passed through to the customer base. There is one more tax which is pending which is an excise duty that they would like to implement on customers. We're pushing back on that one. And they've taken that one under review. So that will also be passed through to customers.

Ivan
Shameel, if I could maybe just add, the extra taxes that we've passed on to customers are consistent with all the operators in that market. So they have all passed it on to the customers.

JP Davids
Got it. If I could just quickly follow up on South Africa, you mentioned termination rates. Do you think that is the big thing the regulator is looking at? Do you think there is anything else the regulator is looking at under the cost to communicate programme that we should be aware of, or for that matter worried about?

Shameel Joosub
No, I don't think there is anything else. If you look at our effective price per minute now it has reduced even further. We're down to 64 cents on prepaid. So the prices are coming down quite aggressively. And even the overall price per minute is now down to 91 cents.

Operator
Our next question comes from Jonathan Kennedy-Good of SBG. Please go ahead.

Jonathan Kennedy-Good
Good afternoon. Two questions from me. You made comments on your integrated plans and customers moving towards those red packages. Can you give some colour on how margin has developed on that line of customer as a result of those changes? And then also on your South African data outlook, you mentioned 6.3 million smartphones on the base now. What is the penetration on the post-paid base? I guess my question is angled for how much room is there to grow just on penetration in that post-paid base where we would expect higher data spend from those customers on a smartphone?

Shameel Joosub
So I think firstly what we're seeing on the migration to the new plan is that we're seeing an ARPU uplift coming through. I said to the team not to read too much into it, because as we add more load onto it I will be happier that it is slightly positive to flat. I would be happy if we create a

transformation into integrated plans and keep the revenue flat. But currently it is ARPU positive in the transformation that we've already done. In terms of data penetration where we sit, firstly we see data growing strongly, continuing to grow in the 20s as we go forward. If we look at smartphone penetration we are sitting with 60% smartphone penetration in post-paid and only 14% smartphone penetration in prepaid.

Jonathan Kennedy-Good
Thank you.

Operator
Our next question comes from Peter Takaendesa of Rand Merchant Bank. Please go ahead.

Peter Takaendesa
Good afternoon, Shameel and your team. Just two quick ones. The first one is it looks like you have pushed prepaid quite nicely during this quarter. We have numbers from some of the other SA operators. It looks like to me Vodacom has at least maintained its revenue share or grown that a bit. What's your assessment on that? That's the first one. The second one is, is your mid-term guidance remaining changed?

Shameel Joosub
Firstly, I won't comment on the guidance, but I think from a market share perspective we expect to gain some market share this quarter. We've had a very strong quarter on prepaid specifically, but I think contract has also done quite well as we go through the transformation.

Ivan
And then just on your question on guidance, our medium-term guidance remains unchanged.

Peter Takaendesa
Fair enough. If I look at South Africa again from a service revenue momentum last time it looks like you were targeting more to improve margins than revenue share. Has there been a shift this quarter?

Shameel Joosub
No, I think there is no shift. The cost programme is very much intact and is delivering according to plan. And also I would say the focus on revenue has not changed. What happened is that we gained market share last quarter. We were up to about 52.5% revenue market share. And we have seen that having grown in this quarter further. So I think the recovery plan that we put in in terms of the little bit of share that we lost at the beginning of last year, we exited the year at the same market share that we lost at the beginning half we gained in the second half. And now we are taking market share.

Peter Takaendesa
Thank you very much.

Operator
Our next question comes from Johan Snyman of Renaissance Capital. Please go ahead.

Johan Snyman
Good afternoon, gentlemen. Just two questions from my side. Firstly, maybe some colour on the enterprise business. I think at year end you said it was around 14% or 15% of the total revenue pool, but that included obviously mobile services. I just want to get a sense of growth in that

segment. And then secondly, if I look at the M-Pesa ARPU in Tanzania of $2 it seems to be a little bit higher than I would calculate for Safaricom in Kenya. Can you comment on why that would be?

Shameel Joosub
I think you need to remember that Safaricom has a higher penetration of its base than Tanzania does. I can't really comment on the Safaricom numbers, but what I can tell you is the $2 ARPU we're getting we're very pleased about. So we are seeing an improvement from the $1.50 that we were getting last year. We've managed to grow that quite nicely up to the $2 as we've managed to improve the ecosystem in terms of paying vendors through M-Pesa, and also being able to pay for things like electricity and other goods and services. And also the integration with the banks in Tanzania is extremely important. So your ability to move money from M-Pesa to bank and from bank to M-Pesa is extremely important. What was happening before was if you had money in the M-Pesa pipe it would remain there. Now you can earn some interest, and we share that interest with the bank 50/50.

Johan Snyman
Thank you.

Shameel Joosub
On enterprise, enterprise is growing slightly stronger than consumer. So our enterprise fixed business is growing still by 20% plus and our mobile business is doing slightly stronger than the consumer part.

Johan Snyman
Thank you.

Operator
Our next question comes from Alex Balakhnin of Goldman Sachs. Please go ahead.

Alex Balakhnin
Good afternoon. Two questions from me if I may. The first is on your comment regarding asymmetry of the mobile termination rate. The ICASA plans, from that standpoint, do you think they would be able to achieve their targets on the pricing and allow competition 10% asymmetry between the incumbents and the rivals? My second question is longer term. If you think about your long-term revenue growth do you think it will be largely coming from the re-pricing of the bundles which you offer, so essentially people will be paying more to have a faster speed or more minutes included, or do you rather think the pricing for the bundles is already at a level where you probably will have to add more value for the same price? So do you think you have a pricing power to re-price your bundles going forward, if I can put it that way? Thank you.

Shameel Joosub
On your first question on asymmetry I think the big issue was firstly if you look at what has happened globally in terms of mobile termination rate decline I think it is only reasonable to expect that there will be a glide path. That precedent has already been set with ICASA. And the way we reached the number the last time around – just to explain – is we admitted the analysis of our cost per call. ICASA came back with the number to say this is the number that has come from your results and we are effectively entering a glide path to get the mobile termination rates down. That was a negotiated glide path to reach a number. So we see a similar kind of process. Will that turn the smaller competitors profitable? No. I think the issue around the smaller competitors has really got to do with the level of investment. So they have to create significantly more investment into it if they're going to compete. With the swaps and so on we spend R7 billion a year in South Africa. I think if you want to compete with that you have to put in the capital investment.

In terms of growth going forward I would say strong growth in data as we go forward, from the perspective that we need to push more data bundles into the space. Is there a chance to price up on the data bundles? Probably not. But I would say there is the opportunity to sell more data bundles. What we're doing at the moment, what is proving to be very successful, is the daily data bundles that we're selling. So we're pushing a lot of daily data bundles. We convert the daily data bundles into weekly data bundles, and the weeklies into monthlies. That is how we get an uplift. And the customers who are not using data we give them some free data first and then try and uplift them into a daily tariff, a daily to weekly and so on.

There is a big opportunity still in prepaid with only 14% of the base having smartphones. We are now introducing low-cost smartphones. We have a $67 smartphone. Later in the year we will have a $50 smartphone. So we are basically trying to drive up smartphone penetration.

Alex Balakhnin
Thanks so much.

Operator
Our next question comes from Mike Gresty of Deutsche Bank. Please go ahead.

Mike Gresty
Good afternoon guys. Just a couple of things from me. Firstly just on your churn on the prepaid side. I had anticipated that it would probably come down a bit more than it did do in the last quarter as the calling card stuff worked through the system. It still seems pretty high. Can you just comment on what you're seeing in that space? Is it competitive movements or is there still noise from the calling card activity? Could you comment if you can on what relative margins are between in and out of bundle? I'm assuming it is significantly higher in out of bundle. Then finally, I'm seeing utilisation rates across your network going up quite a bit. Does that pose any risk to guidance on capex?

Shameel Joosub
To start with the churn question first, I think from a churn perspective basically we are still seeing some of the calling card behaviour still in the numbers in the quarter. But the model that we've opted for as well in the South African context is a model where because of the low price of access to get a SIM card is free, so you do have a big turnover of SIM cards in the market. The second part is on the in and out of bundle rates. We can't really comment. We don't disclose margins per service. And on the capex question the increased voice capacity is within the budget. So we are getting more capacity in the budget for this year and even for the next two to three years to make sure that we can cope with the additional traffic as we get more value to our customers now that we are creating the pricing transformation. That is fundamentally the difference between our strategy and that of our competitors. We are trying to provide more value to our customers for a similar spend.

Mike Gresty
Would you suggest then sticking at near the 13% level for the medium term would be reasonable? It is not likely to come down I would assume then.

Shameel Joosub
Our capex guidance is in the region of 11% to 13%. That is unchanged. In the last year that we've reported we were at the top end of that guidance.

Mike Gresty
And likely to stay there?

Shameel Joosub
Probably.

Mike Gresty
Thanks very much, guys.

Operator
Our next question comes from Chris Grundberg of UBS. Please go ahead.

Chris Grundberg
Thanks very much. Just a couple of questions on the handset sales. Just a little bit more colour, if that's possible. You mentioned the lower-end smartphones. I wondered if you could give any sense within the handsets you sold in this quarter what the split was between the lower- and higher-end smartphones, or smartphones versus feature phones. Any detail on that would be helpful by volume rather than value. And could you remind us on the kind of margin profile between the low and much higher-end smartphones that would be helpful. And then as a follow on, also on the handsets, last year there was a working capital impact from those sales. I wonder if you could comment on whether you're seeing the same kind of impact this year, and whether there is any update on handing that financing off to a financing partner? Thanks.

Shameel Joosub
I will start off by responding to your third question. We couldn't really hear your second question, so maybe after my response to your third one you could maybe just re-phrase the second one. The handset financing deals are continuing to increase. We've already started by selling some of those cash flows associated with these financing deals to financial institutions to achieve better matching between the flows that you get from your customers and the outflows to your suppliers. So one would expect a better cash flow profile going forward.

Chris Grundberg
Sorry for the lack of clarity. Just a comment on the split of sales, handset sales, in the quarter between high- and low-end smartphones and then what the margin profile is.

Shameel Joosub
The margin profile I would say is between 5% and 8% on a device. In the quarter we sold 200,000 BlackBerrys, 200,000 androids and about 50,000 of Apple devices.

Belinda Williams
I don't have the split here of low-end smartphones and high-end smartphones.

Chris Grundberg
Thanks very much for that colour. Thank you.

Shameel Joosub
The rest would be feature phones and other smartphones. But our IR team can give you the detail, Chris.

Operator
Our next question comes from Ziyaad Joosub of JP Morgan. Please go ahead.

Ziyaad Joosub
Hi everyone. Thanks for taking my question. Is it possible for you to provide what your blended pricing for the quarter was in prepaid? It looks like it could have dropped quite a bit, by 20%. Is that right?

Shameel Joosub
The effective price per minute for prepaid was 64 cents. That is down by 19%.

Ziyaad Joosub
Thank you very much.

Operator
Our next question is a follow-up. It comes from JP Davids of Barclays. Please go ahead.

JP Davids
Hi again. Two more questions from me please. The first one is on M-Pesa in Tanzania. Obviously you're getting a bit of scale there, penetration there. Are you able to get more visibility now into how much of the consumer's wallet you're actually consuming? And to that end are there plans to launch new services to attract more share of wallet? The second question is one of your reclassifications is moving from tower sharing revenues, which were nought in the first quarter 2014 from R67 million in 2013. Why has it gone to zero in tower sharing revenues? What did that relate to? Thank you.

Shameel Joosub
Okay in Q1 of this fiscal year we were in a net paying position, so that would be reclassified in operating expenses as opposed to revenue. If we are in a net receiving position, like we were in the comparative quarter, it would form part of revenue.

JP Davids
Got it. Have you got any quantum there? Similar sorts of numbers, just the other way around?

Shaun
On the expense side?

JP Davids
Yes, on the expense side.

Shaun
We don't have that on us. We will get that to you after the call.

JP Davids
No worries.

Shameel Joosub
On the question of M-Pesa, yes, we see that there is opportunity to increase ARPU. We haven't yet introduced micro loans, which Kenya has already done. What we do is we test the concept in Kenya and then in Tanzania and then the rest of the market. It is doing exceptionally well there, so we see an opportunity to increase ARPUs using some micro loans opportunity.

JP Davids
Thanks. And no plans for anything more exotic than that, i.e. outside the financial services sphere or vertical? Thank you.

Shameel Joosub
I think the opportunity presented by having access to a second wallet will continue to grow. As you get more vendors you continuously improve the ecosystem. The way I like to think about it is you have the ability to access a second wallet. So you've got the mobile wallet and then you've got the M-Pesa wallet. What we obviously do from there is from the M-Pesa wallet we first try to eke out the mobile part by giving an incentive if you buy extra airtime with M-Pesa. So we like to take our share first of the M-Pesa wallet. And more than 20% of our sales in Tanzania now come from M-Pesa.

JP Davids
Super. Thanks for your time.

Operator
Our next question comes from Richard Barker of Credit Suisse. Please go ahead.

Richard Barker
Thank you very much. A couple of quick ones. On the data pricing I was quite interested to hear you reporting what is quite a small reduction year on year in your average price per MB in view of what has been some fairly aggressive promotional activity in the quarter. I wondered if you could talk a little bit about the dynamics. It looks basically as though smaller sized smartphone packages are accounting for an increasing proportion of the take-up, and I guess that is the area where you've seen minimal pricing pressure. I wondered if you could talk a little bit about the pricing there, what is the split between dongles and smartphones, and what the pricing elements are on each of those segments? I've got a second one, but let me come back to that after the first one.

Shameel Joosub
Let me start off with the data pricing itself. What was important in the quarter is firstly if we compare back to a year ago a lot of the big price drops happened a year ago. So we're not seeing such a big price drop coming through. And also a big chunk of the price drop is on the MBB, on your mobile broadband, and not so much on the smartphones. What is happening is we're growing smartphones a lot more aggressively. If you look at the MBB pricing that has kind of stabilised in terms of the drops on MBB. So I think more reasonability has set in. Having said that, the pricing on the MBB now is at the levels you would find in Europe, so it is at the very low end. And obviously on smartphones it is slightly higher, but also at a very low rate. So effectively where the growth is coming from is increased usage on the one side, so increased usage coming through on dongles, on PCs and so on, but also more importantly on smartphones. So by driving smartphone penetration more and basically making sure that we attach that with data bundles, we're getting the data growth coming from that. And then also driving data more effectively into the prepaid and top-up base we're seeing a good uplift in terms of data utilisation there, both on 3G phones and on smartphones.

Richard Barker
Roughly speaking what would be the split between smartphones and MBB then? Secondly, what kind of growth in revenue terms are you seeing in the MBB segment?

Shameel Joosub
The split is now 60% of the data revenue is now coming from smartphones and 40% from MBB. That has been a big change for us as well. That turnaround is obviously a big reason for the bigger data growth. And then obviously the handset financing is playing a bigger role as well, because when you're financing almost 50% of your devices you are putting better devices into people's hands. And as you bring better devices into people's hands your ability to unlock more of the data opportunity is there.

Richard Barker
And you're seeing revenue growth in the MBB segment then? That hasn't kind of flattened out.

Belinda Williams
We are seeing... I mean it is probably low single-digit revenue growth versus the smartphone growth.

Richard Barker
That's great. Thank you very much. The second question I was going to ask was just about the debate around voucher and recharge validity periods, and whether you're coming under any pressure from the regulator to extend the validity period. I know there has been a certain amount of debate around the Consumer Protection Act. It's debatable, let's put it that way. I wondered if you had seen any movement on that, whether you expect any change on that.

Shameel Joosub
We don't have a problem. Some of our competitors have done windows on their prepaid vouchers and they effectively claim that revenue back a lot sooner. We are in full compliance with the law in terms of the prepaid vouchers. Now it is up to three years.

Richard Barker
And that is on voice and data?

Shameel Joosub
That's on voice. What we are doing differently is we're now offering bundles, but those bundles we offer have clear expiries. So we are kind of unlocking value from that by pushing daily bundles and so on. In terms of our mobile data bundles they have a one-month carryover. And in terms of our new integrated plans they all have moved to one-month carryover from basically where we used to have six month carryover.

Richard Barker
Right. And there is no regulatory debate around whether that is too short a period? You don't have any problems on that score.

Shameel Joosub
We've basically given customers a lot more value than what they were getting before. And we still have the old packages available, so you could still opt for one of the old packages. But what we've done here is given the customer a lot more value and offset it a little bit by shorter termination periods.

Richard Barker
That's great. Thank you very much.

Operator
Our next question comes from Chris Grundberg of UBS. Please go ahead.

Chris Grundberg
Just a quick follow-up. I wondered if you could comment. You mentioned that the in-bundle revenues were at 62%. What is your internal thinking around where that settles eventually? It is trending up at the moment. Where might that get to? Thanks.

Shameel Joosub

The intention is obviously to move as much as possible into the integrated plan. And effectively the more we can penetrate the integrated bundle to try and secure more of the spend as we move forward the more we see coming from increasing the in-bundle percentage. What is also important to note is that roaming on international is always out of bundle.

Chris Grundberg
And can you say roughly how much that would account for?

Shameel Joosub
We don't disclose those numbers, Chris.

Chris Grundberg
Thanks very much.

Operator
Our next question comes from Franca di Silvestro of HSBC. Please go ahead.

Franca di Silvestro
Hi. I just have one question. When I look at your DRC numbers I would like a comment on whether you think you have implemented an aggressive enough strategy given current market conditions. I would just like your comment on that.

Shameel Joosub
I think where we are with the DRC is that we basically decided to take the fight back to some of the competitors. We are still pushing for... we're basically saying to government they need to decide whether they plan to enforce the pricing floor. If not, then we will then create even more aggressive packages and play that game more aggressively in the DRC. What we have done is created more daily bundles and so on to offset some of the pressure.

Franca di Silvestro
All right. Thank you.

Shameel Joosub
It's not that we're losing share. It's just that the growth is slow because of that.

Franca di Silvestro
I understand. Thank you.

Shameel Joosub
I mean the DRC is still growing by 13%.

Operator
Our next question comes from Ziyaad Joosub of JP Morgan. Please go ahead.

Ziyaad Joosub
Just a quick one please. Can you tell me what total data traffic was on your network for the quarter? Total data traffic growth, that is.

Shameel Joosub
Our total data traffic growth on the South African network or globally?

Ziyaad Joosub
The South African network please.

Shameel Joosub
40%.

Ziyaad Joosub
Thanks a lot.

Operator
Ladies and gentlemen, a reminder that if you would like to ask a question please press star and then one now. We will pause a moment to see if we have any further questions. It appears we have no further questions. Do you have any closing comments?

Shameel Joosub
In summary, we've delivered normalised group service revenue growth of 1.9%, within our medium-term guidance. Data and international continued to be the drivers of growth. Data remains an important part of our growth plans, and increasing uptake of smartphones and data services such as M-Pesa is helping to drive data growth and has now been launched in all our International operations. In South Africa actions taken during the last year are now starting to bear fruit and we are showing an improved trend from prior quarters. Thank you for dialling in. that concludes our call.

Operator
Thank you very much, sir. On behalf of Vodacom that concludes this conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT