

02 Financial services

(including Safaricom)



We scale our financial services offerings to empower the lives of our customers through financial inclusion.

Capitals impacted:



Manufactured capital



Social and relationship capital

How financial services support our purpose

We create and scale cost-effective and accessible digital financial solutions to promote inclusion, and provide platforms for consumers and merchants to grow. Our M-Pesa platform was instrumental in facilitating economic activity during COVID-19 lockdowns when we zero-rated P2P M-Pesa transactions. While this intervention negatively impacted our financial results, it was the right thing to do for our customers and it supported accelerated platform adoption. Looking ahead, we are particularly excited about our partnership with Alipay and the imminent launch of our single lifestyle app for customers and merchants in South Africa. We see this super-app as a precursor to M-Pesa's evolution, supporting us in connecting the next 100 million African customers so that no one is left behind.

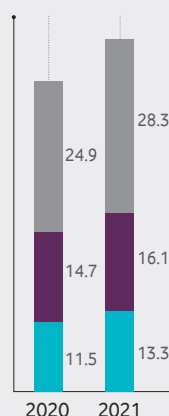


FY21 at a glance

100% basis (including Safaricom)

58 million

Financial services customers (million)

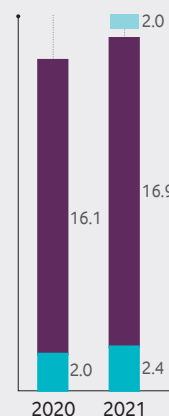


SA
IB M-Pesa
SF M-Pesa

50% penetration

R19.3bn/US\$1.3bn

Financial services revenue (Rbn)

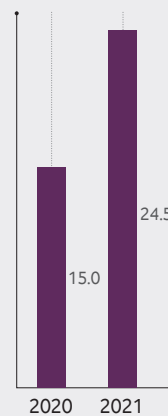


M-Pesa free P2P impact
M-Pesa (IB + SF)
SA

17% of service revenue

US\$24.5bn

M-Pesa monthly transactions (\$bn)



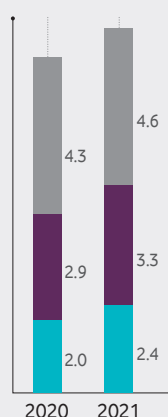
M-Pesa (IB + SF)

64% YoY growth

Proportionate basis (excl minorities, incl associates)¹

R10.0bn/US\$680 million

Financial services revenue (Rbn)



SA
IB M-Pesa
SF M-Pesa

12% of service revenue

R4.4bn/US\$290 million

FY21 Financial services PBT¹ (%)



SA
M-Pesa (IB + SF)

17% of Group
40% PBT margin

1. M-Pesa Safaricom not reported. PBT margin based on International. Actual results may differ from this illustration. SA = South Africa; IB = International; SF = Safaricom. Service revenue and PBT are based on the closing exchange rate of R14.77 to the US dollar.

South Africa

In South Africa, we operate Vodacom Financial Services, a wholly owned and independently managed subsidiary of Vodacom South Africa. It has its own board, management team and budget. This independence is important for a high-growth company and it supports our agile culture.

We are particularly excited about the upcoming launch of our lifestyle super-app, **VodaPay**.

VodaPay will be supported by the world-class technology of Alipay, and zero-rated for consumers. Our super-app will offer services ranging from loans and savings, seamless QR and person-to-person payments, to entertainment and personalised shopping experiences. The shopping platform will be supported by South Africa's leading retail brands across all key verticals.

We are also building out the merchant side of the platform with our own point-of-sale devices and FMCG trading platform, called VodaTrade. This platform already processes R200 billion of transactions in South Africa, and will facilitate products like invoice financing. In addition we will provide merchant lending via our VodaLend product, where SMEs can borrow up to R1.5 million, supporting financial inclusion.



Lifestyle super-app, a first in Africa





02 Financial services continued

Insurance

VodaSure offers life, funeral and various other short-term insurance products. The business reported pleasing results: revenue was up 14.2% to R927 million year-on-year, profit increased by 9.7% to R255 million and the EBITDA margin was 24.2%.

The company's steady growth during the year is attributable to:

Increasing uptake of device insurance and contract cover, which increased to 2.1 million active policies;

Launching a new funeral insurance product, achieving sales of 5 000 per month;

Developing a variable pricing model to adjust pricing according to a customer's risk profile, which resulted in accumulated revenue of R30 million and contributed to affordable insurance product offerings for VodaSure customers; and

Delivering a healthcare platform providing online doctor consultations and education on COVID-19, supporting the fight against COVID-19 while avoiding overcrowding South Africa's healthcare facilities.

Payments

Top-ups of airtime and data through Vodacom digital payment channels grew 25% year-on-year. In total we processed just over R1 billion in sales through these channels. Results are attributable to promotional deals that provided customers with additional value when purchasing through the digital channels. To further leverage the increased use of digital payment solutions, Vodacom Financial Services launched several value-added services through the MyVodacom app and Vodacom Express Recharge. These include prepaid utilities and bill payments.

Vodacom launched its very first POS device. The "Max" Android POS device enables merchants to process debit and credit card payments while also offering them the ability to vend a range of value-added services to their consumers. To date, Vodacom processes in excess of R92 million per month in payments through the devices and has over 1 700 actively trading merchants.

This growth was achieved through helping customers when they needed it most in hard lockdown, by providing innovative payment solutions and propositions that provided greater value through direct engagement through our digital channels.

Trading Bridge

Our Trading Bridge portfolio services a large base of enterprise and SMEs, enabling annual trade of R200 billion. During this past year, Trading Bridge achieved 7% year-on-year revenue growth despite difficult trading conditions due to restrictions and lockdowns.

To ensure SMEs are not left behind in their digital journey, Trading Bridge launched VodaTrade, which enables small suppliers to seamlessly transact with large organisations using more complex systems.

This creates a one-stop interface for businesses to integrate their trading operations and expand their partner networks. Key features include receiving orders, managing catalogues, confirming or rejecting fulfilment and sending invoices.

Lending

Airtime Advance continues to provide airtime without immediate payment, improving accessibility of connectivity. This year, we advanced R12 billion in airtime – an increase of 21.1% – growing our customer base to 10.8 million customers – an increase of 17.3% – as we helped South Africans who were impacted by COVID-19 during the months of hard lockdown. Airtime Advance has been expanded to be accessible to customers across all of Vodacom's channels, such as ConnectU, VodaBucks and Just4You, and continues to provide convenience to our customers. Vodacom launched Voucher Advance to supplement the Airtime Advance offerings, affording qualifying customers the opportunity to have a third-party restaurant or store voucher advanced to them seamlessly through the MyVodacom app.

Vodacom's small, medium and micro enterprises (SMMEs) focused lending solution (Vodalend Business Term Advance) continued to grow after its recent launch, advancing over R74 million in funding to 330 small businesses during a period in which COVID-19 had impacted so many small businesses across South Africa. In addition to growing this product, the Business Cash Advance product was launched, allowing seamless advances to POS customers with a few clicks, and daily repayment through POS transactions.

M-Pesa

In March 2020, Vodacom and Safaricom acquired the M-Pesa brand, product development and support services from Vodafone Group through a newly created joint venture, M-Pesa Africa.

M-Pesa Africa coordinates and implements our M-Pesa strategy, driving product expansion and leveraging best practice across the portfolio. It is a significant milestone for Vodacom as it will accelerate our financial services aspirations in Africa. The joint venture will allow Vodacom and Safaricom to drive the next generation of the M-Pesa platform – an intelligent, cloud-based platform for the fourth industrial revolution. It will also enable us to promote greater financial inclusion and help bridge the digital divide in the communities where we operate.

M-Pesa Vision 2025

Accelerating and scaling Africa's largest fintech platform via M-Pesa Africa

AMBITION

Build the largest
fintech platform in
Africa



The preferred payment platform for
Consumers offering services to enable
a digital lifestyle

A true business partner to create a
seamless end-to-end experience to
accelerate digital transformation

Powered by state-of-
the-art, common
technical platforms



Next
Generation
Tech



AI, Big Data
and AML



Open API



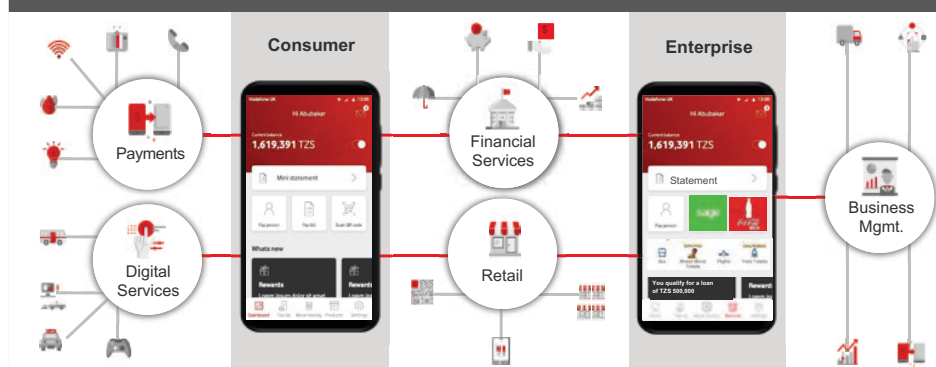
Single Point
of Integration



Cloud
enabled

FINTECH PLATFORM

We are building a fully fledged lifestyle super-app with mini app capabilities, exposing the best merchants' and partners' offers to the broadest customer base.



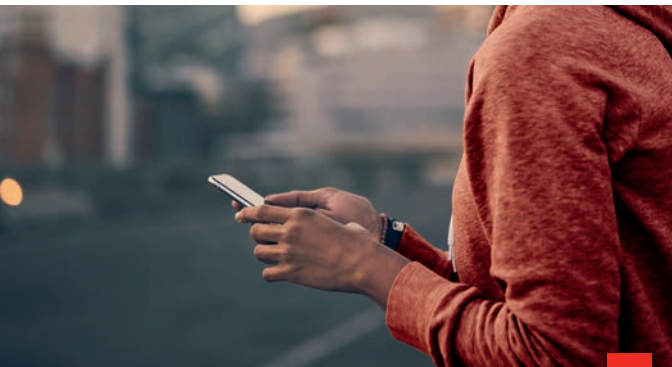


02 Financial services continued

Platform growth



Since launching in 2007, M-Pesa has grown to service more than 44.5 million customers (including Safaricom), a 12.1% year-on-year increase. The platform processed more than US\$24.5 billion in transactions a month in the last quarter, making it the biggest financial services provider in Africa. It has evolved into a broader payments platform that offers access to life-enhancing personal services such as healthcare, education, employment, transportation and social protection – including enterprises, financial services and mobile commerce.



M-Pesa empowers women

CASE STUDY

M-Pesa empowers women in Mozambique through access to approximately 13 000 banks.

Maria Carla Chico, one of our agents in Mozambique, lost her livelihood after her grocery store was destroyed by fire. M-Pesa came to the rescue when she became an agent, which helped her build a thriving business again and continue to support her family with instant cash transfers to a remote part of the country.

Another agent, Jennifer Fernandes Lyimo, who runs her own dry-cleaning business, had to close her office and wait in queues at the bank whenever her husband sent money from the UK. M-Pesa made life easier for her and her customers.

Product growth



Revenue from M-Pesa increased 4.5% to R16.9 billion, including Safaricom. Our International markets contributed R4.5 billion of this revenue. The platform's financial services offering is considered a key driver of socioeconomic growth and is becoming a gateway to the digital economy. M-Pesa (including Safaricom) is used by more than 900 enterprises to collect and disburse payments, and over 170 000 retail and online merchants accept M-Pesa.

Below are examples of ongoing product expansion which is accelerated and directed by our strategic hub, M-Pesa Africa.

Nano-lending platforms



Our nano-lending platforms continue driving growth in our International markets, providing easy, secure and almost instant access to cash. Songesha, our overdraft facility in Tanzania, in partnership with Tanzania Postal Bank, provides cash for our agents to ensure their liquidity and availability to our customers. In Kenya, 1.4 million customers use our Fuliza overdraft facility.

Savings and loans



In the DRC, Vodacom introduced a savings and loans solution in partnership with microfinance FINCA Bank that enables M-Pesa customers to save and access microloans through Vodacash. People in remote areas can access payment, loans and savings on their mobile devices without having to travel to access traditional banking services. Over 4.3 million customers have used Vodacash since its launch.



We launched our savings offering, Mokhatlo, enabling M-Pesa customers to save for a common goal. It gives a group of M-Pesa registered customers controlled access to a shared account that pays for goods and services. In Mozambique, over 70 000 community members save money through the virtual Xitique wallet. Vodacom Tanzania partnered with Tanzania Postal Bank to create M-Koba, a group savings solution that enables community members, particularly women, to mobilise savings, investments and microloans. More than 20 000 groups have activated M-Koba since its inception. In 2021, Vodacom Tanzania made the product interoperable so that subscribers from other mobile network operators can save through M-Koba.



In Lesotho, Vodacom launched VodaInsurance free funeral cover for customers who reach a monthly spend threshold. The customers receive covers ranging from M1 000 to M4 000.



In Mozambique, M-Pesa has extended beyond basic financial transactions in its portfolio and now offers a savings product, bank interoperability functionality that further promotes inclusion as the banked can transfer funds to M-Pesa wallets, and functionality that allows M-Pesa payments onto approximately 13 000 bank POS terminals countrywide. M-Pesa has more than 4.9 million customers in Mozambique with a bank interoperability of approximately 13 000 banks.

Merchant capabilities

As part of our Vision 2025 strategy we are actively building out our capabilities across the value chain, including in the merchant space. In Kenya we already have more than 300 000 active merchants.

Product growth

Foreign exchange and remittances

In Tanzania, individual M-Pesa customers can process local and international remittances and make payments to registered merchants across the country. In the DRC, Vodacom partnered with Equity Bank to introduce a foreign exchange product for customers, enabling them to seamlessly convert between the Congolese franc and the US dollar – the country's dual currencies – through M-Pesa. In Lesotho, our partnership with Hello Paisa enables migrant workers to send money home to their families, which was particularly important during COVID-19-related travel restrictions and lockdowns.

Improving financial inclusion

In Lesotho, M-Pesa is used to drive socioeconomic projects, such as the school feeding and COVID-19 relief project partnership between M-Pesa and the World Food Programme (WFP). M-Pesa is used to disburse funds to the WFP's 9 800 beneficiaries in different districts of the country. In the DRC, we partnered with the WFP to bring assistance, via M-Pesa, to 23 000 vulnerable members of society to alleviate the impact of COVID-19 over a period of nine months. At the height of the pandemic, Vodacom Lesotho zero-rated P2P and merchant fees on M-Pesa to ease the burden of transacting.

Also in Lesotho, and through our International Finance Corporation team, we engaged with and registered 9 664 customers of whom 55% were women. This is a great step in improving women's financial inclusion. Since the inception of this phase of the programme we have registered over 83 000 customers, of whom 51.7% are female. Over the course of 2020, we registered 955 new merchants and over 1 000 M-Pesa agents, creating jobs across the M-Pesa ecosystem and providing financial independence for the Basotho citizens.

Vodacom Mozambique launched its M-Pesa Women's Forum, with events in two cities providing financial management information as well as HIV testing and counselling, child immunisation and the issuing of national identities in partnership with the government.

Across our markets we are working to ensure that all markets are at the same level of product offering and payments and lending ecosystem.

	Kenya	Tanzania	DRC	Mozambique	Ghana	Lesotho
Money transfer and basic services	Cash in/cash out (including ATM)	●	●	●	●	●
	P2P transfer	●	●	●	●	●
	GSM service top-up	●	●	●	●	●
	Bank transfers/digital top-up	●	●	●	●	●
	International money transfer	●	●	●	●	●
Consumer payments and enterprise services	Consumer to business, e.g. bill payments	●	●	●	●	●
	Business to consumer, e.g. salary disbursements	●	●	●	●	●
	Business to business, e.g. cashless distribution	●	●	●	●	●
Financial services	Microloans	●	●	●	●	●
	Overdraft	●	●	●	●	●
	Insurance	●	●	●	●	●
	Investments and savings	●	●	●	●	●
Merchant payments	In-store merchant payments	●	●	●	●	●
	E-commerce/online payments	●	●	●	●	●

How financial services support the system of advantage

Through our financial services, we aim to accelerate platform and product expansion across the Group. To this end, we intend to monetise investments, partnerships, platforms and new capabilities to generate growth. Once launched, our super-app will create a single platform for customers to access a marketplace, save and invest, complete payments and apply for finance. Furthermore, we will focus on digitalising M-Pesa and scaling our financial and digital services to expand the Vodacom ecosystem and capture more opportunities across this system of advantage.

**Vodacom
Vision
2025**

We will continue to invest in digital innovation to enable growth by specifically:

- Leveraging opportunities in the consumer and enterprise segments;
- Enhancing our existing AI capabilities and real-time management information systems with our landmark Alipay;
- Using VodaTrade as the foundation for additional SME-focused services, including supply chain, finance and insurance;
- Implementing compliance and risk mitigation to ensure distribution models are compliant and sustainable; and
- Relaunching Vodacom Life with "treating customers fairly" principles.