

Vodacom Tanzania Public Limited Company

Trading update for the quarter ended 31 December 2021

Vodacom Tanzania Public Limited Company
(Incorporated in the United Republic of Tanzania)
Registration number: 38501

News release

Vodacom Tanzania Public Limited Company trading update for the quarter ended 31 December 2021

28 January 2022

Salient features

- Added 194 000 customers to reach 15.4 million, representing 1.3% growth year-on-year.
- M-Pesa customers grew 10.1% from the second quarter, underpinned by ecosystem expansion and service adoption.
- We continue to lead the mobile money industry with customer market share of 38.2%¹.
- ARPU grew 2.3% quarter on quarter supported by increased demand for data services.

Key Indicator review

	31-Dec 2021	30-Sep 2021	31-Dec 2020	YoY change	Quarterly change
Customers ² (thousand)	15 365	15 237	15 171	1.3%	0.8%
Data customers ³ (thousand)	7 641	7 875	7 881	-3.0%	-3.0%
M-Pesa customers ⁴ (thousand)	7 118	6 463	7 447	-4.4%	10.1%
MOU per month ⁵	246	236	213	15.5%	4.2%
Total ARPU ⁶ (shillings per month)	5 154	5 037	5 467	-5.7%	2.3%

Vodacom Tanzania continues to make solid progress in deploying its system of advantage, leveraging machine learning to enhance customers' activity and increase product uptake. This focus underpinned our 2.3% ARPU growth in the quarter, supported by a significant contribution from connectivity services which helped offset the negative impact of services being barred to non-biometrically registered customers, a slow recovery from government levies on electronic money transfers and withdrawals as well as the implementation of an airtime levy. Our M-Pesa platform processed TZS14.2 trillion in transaction value during the quarter, a decline of 24.8% compared to previous year, underscoring the significant impact by the new levies despite these being adjusted 30% lower in September 2021.

Despite these headwinds, our commercial execution delivered a strong M-Pesa customers growth of 10.1% compared to the previous quarter. We continued to lead the mobile money industry with customer market share of 38.2%¹. Our lending product 'Songesha' continued to perform well in facilitating seamless completion of transactions. Over TZS130 billion Songesha loans were disbursed to agents and customers during the quarter, representing a growth of more than 20% year-on-year. Our international money transfer business continues to play an important role in supporting financial inclusion with more than 40% growth in transaction values to over TZS200 billion.

Data customers declined 3.0% to 7.6 million year-on-year, negatively impacted by service barring to non-biometrically registered data customers. Positively, our continuous efforts to drive data and digital adoption through affordable smartphones and investment in the network showed good traction. Smartphone penetration reached 51.9% of data

¹ Tanzania Communication Regulatory Authority quarterly statistics report as at September 2021.

² Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.

³ Active data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during this month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.

⁴ M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 9.8 million unique customers generated revenue related to M-Pesa.

⁵ Minutes of use (MoU) per month is calculated by dividing the average monthly minutes (both incoming and outgoing traffic) during the period by the average monthly active customers during the period. Outgoing MoU was 198 (2020: 169).

⁶ Total ARPU is calculated by dividing the average monthly service revenue during the period by the average monthly active customers.

Vodacom Tanzania Public Limited Company

Trading update for the quarter ended 31 December 2021

customers, up 1.5pp compared to the previous quarter– showcasing potential for further growth with data usage per customer increasing 2.9% to reach an average of 1.7 gigabyte per customer per month.

Regulatory matters

SIM Card Registration

On 1 May 2019, the Tanzania Communication Regulatory Authority ('TCRA') issued new customer registration guidelines, directing the biometric registration of SIM cards using the National Identification Number ('NIN') issued by the National Identification Authority ('NIDA'), as the only accepted identification. On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process. We continue to drive awareness to customers on SIM card verification process.

During the quarter, as directed by the TCRA, we continued with service barring to non-biometrically registered customers.

Other matters

Levies on mobile money transfers and withdrawals and airtime

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – introduced levies on mobile money transfer transactions and airtime. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Subsequent to the implementation and following our continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 03 September, reducing the levy by 30%. Despite this reduction, transaction volume and values are still at the lower levels compared to the transactions before levies were implemented, as the levies still represent a material increase to end-user charges.

Additionally, and in accordance with the Electronic and Postal Communications (Airtime Levy) Regulations 2021, airtime based levies of between TZS5 and TZS223 were implemented on 20 October 2021.

Vodacom Tanzania Plc and the other mobile operators continue to engage with the relevant Government institutions to assess the impact of the levies on the industry and the wider economy.

Historical key indicators

	31-Dec 2021	30-Sep 2021	30-Jun 2021	31-Mar 2021	31-Dec 2020
Customers (thousand)	15 365	15 237	14 771	14 861	15 171
Data Customers (thousand)	7 641	7 875	7 710	7 695	7 881
M-Pesa Customers (thousand)	7 118	6 463	7 791	7 395	7 447
MOU per month	246	236	207	201	213
Total ARPU (shillings per month)	5 154	5 037	5 555	5 152	5 467

The quarterly information has not been audited or reviewed by the Group's external auditors.

Vodacom Tanzania Public Limited Company

Trading update for the quarter ended 31 December 2021

Trademarks

Vodafone, the Vodafone logo, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom 4 Less and Vodacom Change the World are trademarks of Vodafone Group Plc (or have applications pending). M-Fundi, M-Shamba, M-Pawa and Vodacom Faraja are trademarks of Vodacom Tanzania Public Limited Company (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This update which sets out the quarterly results for Vodacom Tanzania Public Limited Company for the three months ended 31 December 2021, contains 'forward-looking statements', which 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, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's businesses by governments in the countries in which it operates; the Group's expectations as to the launch and roll out dates for 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.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'will', 'anticipates', 'aims', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans' or 'targets'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its industry to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future.

All subsequent oral or written forward-looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Vodacom expressly disclaims any liability in respect of the content of any forward looking statement and also expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based