

Vodacom Tanzania Public Limited Company

Trading update for the quarter ended 30 June 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 30 June 2021

22 July 2021

Salient features

- Added 667 000 M-Pesa customers, driven by ecosystem expansion and services adoption.
- Increased smartphone penetration to 49.4% of our data customers, up 4.1pp, achieved through sustained network investment, targeted smartphone campaigns and enhanced data experience for customers.
- We continue to pioneer the mobile money industry, with popular M-Pesa services like Songesha and international money transfers supporting financial inclusion.

Key Indicator review

	30-Jun 2021	31-Mar 2021	30-Jun 2020	YoY % change	Quarterly % change
Customers ¹ (thousand)	14 771	14 861	14 743	0.2	(0.6)
Data customers ² (thousand)	7 710	7 695	7 714	(0.1)	0.2
M-Pesa customers ³ (thousand)	7 791	7 395	7 124	9.4	5.4
MOU per month ⁴	207	201	209	(1.0)	3.0
Total ARPU ⁵ (shillings per month)	5 555	5 152	4 978	11.6	7.8

The first quarter of the new financial year saw Vodacom Tanzania Plc deliver on its Social Contract through a number of purpose-led initiatives. These include the acceleration of our connected farmer platform - M-Kulima - aimed at digitising a sector that is critical sector to Tanzania's GDP growth. Over 125 000 farmers and 300 cooperative unions have registered on this innovative platform with cashless disbursements to farmers increasing significantly during the quarter.

Strategically, we have also made significant progress in deploying our system of advantage, leveraging machine learning to enhance customers' active days management and increase product uptake. This focus underpinned our 11.6% ARPU growth, with both M-Pesa and connectivity services contributing. The ARPU performance was also shaped by the implementation of a regulatory directive that introduced bundle rules and data price floor in early April, which was subsequently withdrawn in mid-April.

M-Pesa customers increased 9.4% to 7.8 million, representing 52.7% of our customer base and an improvement of 4.4pp. This was largely on the back of heightened platform adoption, evidenced by growth in customers and transactions as well as product expansion. Quarterly trends point to a robust growth outlook for M-Pesa having processed more than TZS6.0 trillion a month in transactions, up 26.1% on the previous quarter. We continue to lead the mobile money industry with the customer market share of 41.7%⁶. Our lending product, Songesha, continued to perform well in facilitating seamless completion of transactions, with a strong growth recorded during the quarter. Our international money transfer business also continues to play an important role in supporting financial inclusion with more than 35% growth in transaction values to over TZS160 billion.

¹ 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.

² 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 the 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 month.

³ M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month. There are 11.8 million M-Pesa customers who generated revenue in the past three months.

⁴ 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 customers during the period. Outgoing MoU was 140 (2020: 132)

⁵ Total ARPU is calculated by dividing the average monthly mobile customer and incoming revenue during the period by the average monthly customers.

⁶ Tanzania Communication Regulatory Authority quarterly statistics report as at March 2021.

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Data services remain a key growth driver and are central to our commitment of connecting Tanzanians to a better future. Of our 7.7 million data customers, 49.4% are currently smartphone users - showcasing the potential for further smartphone penetration. Data traffic eased to 16.6% from 32.3% in the previous quarter with usage normalising post the spike in traffic fuelled by the aggressive competition following customers barring and a decline in promotional activity because of changes in regulations on bundles and data price floors.

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. As at 30 June 2021, less than one million SIM cards generating TZS2.6 billion revenue per month remain non biometrically registered. We continue to engage with NIDA to ensure these customers are issued with NIN, and with TCRA with the aim to extend the deadline for registration to accommodate these customers who are yet to receive the NIN.

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 up to five SIM cards if they follow the correct approval process. We continue to drive awareness to customers on SIM card verification process.

Data price reform

On 4 March 2021, the TCRA issued new rules and directive that introduced a retail price floor and ceiling for data services with effect from 2 April 2021. The data price floor and ceiling was set at TZS2.03 per Mb and TZS9.35 per Mb respectively, including tax. The bundle rules also required mobile network operators to offer a maximum of 50 local bundles. On 2 April 2021, Vodacom Tanzania Plc together with the country's other mobile network operators implemented the directive from TCRA. Subsequent to the implementation, the TCRA directed the mobile network operators to revert to the previous bundle tariffs. We continue to engagement with TCRA, Ministry of Communication and Technology and other relevant Government institutions on industry reforms. We believe that, industry reform will foster capital investment in the country that will accelerate digital and financial inclusion.

Other matters

Introduction of 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) and Electronic & Postal and Communication Act (EPOCA) - introducing levies on mobile money transfer transactions and airtime. The NPS and EPOCA Acts required the Minister of Finance, in consultation with the Minister of Communication and Minister of ICT, to make Regulations prescribing the manner and modality in which the levies will be collected. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was approved, representing a levy of up to 4.4% of transaction value. Additionally, an airtime levy of between TZS5 and TZS222.70 based on recharge value was approved. These levies represent a material increase to end-user charges. The mobile money transfers and withdrawal levies have been implemented effective from 15 July 2021. Vodacom Tanzania Plc and the other mobile operators continue to engage with TCRA, Bank of Tanzania, Tanzania Revenue Authority and other relevant Government institutions to assess the impact of the levies on the industry and Tanzanian citizens.

Historical key indicators

	30-Jun 2021	31-Mar 2021	31-Dec 2020	30-Sep 2020	30-Jun 2020
Customers (thousand)	14 771	14 861	15 171	14 958	14 743
Data customers (thousand)	7 710	7 695	7 881	7 742	7 714
M-Pesa customers (thousand)	7 791	7 395	7 447	7 449	7 124
MOU per month	207	201	213	234	209
Total ARPU (shillings per month)	5 555	5 152	5 467	5 437	4 978

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Trademarks

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Forward-looking statements

This update which sets out the quarterly results for Vodacom Tanzania Public Limited Company for the three months ended 30 June 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.