

# Our profit formula

We generate profit by investing in our core mobile and fixed networks to attract and retain consumer and enterprise customers. At the same time, we scale our financial and digital services through comprehensive lifestyle solutions. Our competitive differentiation lies in the quality of our network and infrastructure, and the innovation and range of our multi-product offerings. This is supported by our strong market-specific distribution channels, market leadership position, proven ability to manage our cost base and the strength of the relationships we have with key stakeholders – all enhanced by a globally recognised brand.

## Our revenue

Our core mobile services – data, messaging and voice – remain our primary revenue generator, and continue to be supported by the uptake of smart devices, expanded network coverage and data bundles becoming increasingly affordable. Our core and new services, which include digital and financial services, fixed and IoT, are underpinned by our Big Data, loyalty and CVM capabilities. We intend to scale our new revenue services into formidable businesses in line with our Vision 2025.

While our revenue mix is largely consumer-driven, strong growth within Vodacom Business (including wholesale) increased its contribution to

**25.2%**

of Group service revenue (FY2021: 23.2%).

### Key revenue differentiators

- A clear and powerful purpose-led strategy, supported by 10 drivers of success to deliver shareholder value.
- Our financial services business – the largest contributor to new services revenue and a clear strategic priority – positions Vodacom as the leading fintech operator on the continent, enriched by our super-apps.
- Best-in-class customer service support systems.
- Vertically integrated solutions for consumers and enterprises, acting as enablers of inclusion and economic growth.
- Leveraging our global enterprise relationships for pan-African service delivery and our relationship with Vodafone to drive global best practice.
- Loyalty programmes and segmented customer profiles to offer competitive, personalised and compelling solutions.
- Customer-centric systems, people and processes.
- Unique Big Data insights we can leverage to improve our offerings to customers.
- A market-leading position serving as the platform to deploy our digital ecosystem, giving us scope to selectively partner with global tech giants and the scale to optimise returns.
- Consistently high rankings in network quality in the countries where we operate, supported by ongoing investment in infrastructure and rolling out 5G (South Africa and Lesotho) and 4G to increase speed and capacity.

## Our costs

We have a demonstrated history of optimising expenses and converting revenue into cash flow. We successfully limited increases to our cost profile by implementing a fit-for-growth programme, driving efficiencies in employee expenses, optimising publicity spend and other operating expenses (opex) through an influential Group culture of cost containment. Furthermore, with the proposed acquisition of CIVH's market-leading fibre subsidiaries, we intend to take a major step forward in diversifying our connectivity offering and optimising our assets through sharing costs. One of the opportunities looking forward is further optimisation via sharing.

This approach enables us to invest in new growth areas ahead of commercialisation, such as 5G. We are also embracing best-in-class technologies and, in many ways, leading the way for optimising costs through RPA, Big Data, AI and the implementation of a scaled agile framework (SAFE) to improve efficiencies. Because of this, our steady cash flow allows us to maintain a high level of capital reinvestment to protect our leading position in network coverage, call quality and data speed in our markets. In addition to investing in Vodacom's future, cash generated from our activities allows us to maintain steady shareholder returns.

### Key cost differentiators

- Saved R1.6 billion through Fit For Growth initiatives.
- Leveraging global best practice on cost optimisation, benefiting from and sharing best practice with Vodafone.
- Ability to optimise costs through our leading use of RPA, Big Data and AI.
- Benefiting from the global purchasing power of Vodafone Procurement Company (VPC).
- Consistent investment in our network, delivering continued improvement in operating costs through more efficient technologies and network innovation.
- Robust governance processes in place to approve investments and review product, cost and investment decisions.
- Shared services and initiatives with Vodafone and across our own African footprint to optimise back-end costs.
- Optimal network deployment using AI.
- Optimising power utilisation across our buildings and sites using the IoT.next platform.

 For more information, please visit <https://www.vodacom.com/investor-relations.php>.