

# Vodacom Tanzania Public Limited Company

## Quarterly report

### for the period ended 31 December 2023

Vodacom Tanzania Public Limited Company  
(Incorporated in the United Republic of Tanzania)  
Registration number: 38501  
Stock Exchange (DSE) registration number  
ISIN: TZ1996102715  
Stock name: VODA

Together we can 

## Managing Director's review



**Dear shareholders,**  
I am pleased to announce Vodacom Tanzania's report for the third quarter of the financial year. This report is compliant to the reporting requirements as per the Dar es Salaam Stock Exchange rules, and we supplement the disclosures with additional information on key non-financial performance indicators and other business updates relevant to you and the broader stakeholder community.

**Philip Besimire**

Our purpose-led business model is centred around creating a digital society, ensuring inclusion for all and operating with the planet in mind. To deliver on our purpose pillars, we leverage our 'Tech for Good' platforms and partnerships to develop products and undertake projects and initiatives that help transform lives.

As a TechCo organisation – and in alignment with our purpose – we contribute to creation of a digital society to empower a connected society. **Digitalisation of critical sectors** including healthcare, agriculture, government services and businesses is at the forefront of delivering on this pillar. This is executed through the provision of connectivity and innovative products, with a special focus on inclusivity, customer experience and simplicity. And in so doing, we strive to deliver sustainable growth.

We are particularly proud of the evolution of our M-Pesa products that **facilitate digital financial transactions** and contribute towards a cashless economy. Our **M-Kulima** platform, now with over 3 million registered farmers, enables electronic payments to farmers for their sales proceeds, enhancing safety, speed of disbursements and avoiding challenges associated with the physical collection of cash. In the quarter, a total of TZS4.0 billion was disbursed to 7 500 farmers through this platform, with cumulative disbursements reaching more than TZS20 billion in the current financial year.

Our M-Pesa platform is integrated with the Government electronic Payment Gateway (GePG) and plays an important role in **facilitating government transactions** by providing a simplified, secured and cost-efficient channel for revenue collection and funds disbursement. In the quarter, government collections through M-Pesa increased 26.1%, while the number of transactions was up 16.4%. These growth rates showcase a growing demand for M-Pesa services as an enabler of government collections. In the **business segment**, our efforts to grow our merchant payment system continued to yield results through acquisition of merchants and customer awareness. During the quarter, more than 280 000 merchants accepted digital payments through our merchant payment system, 'Lipa kwa simu', an increase of 119.2%. Additionally, the value of merchant transactions processed is approaching a trillion shillings per month, an increase of 43.1%.

We continued to expand our **inclusive care initiative** across customer touchpoints, improving access to our services for people with hearing and physical mobility challenges. The sign language customer care service is now available in 64 retail shops and service desks countrywide as well as through video call. We are pleased to have served 3 400 customers through the inclusive care service during this quarter.

In support of **financial inclusion**, we are pleased with the continued uptake of innovative products offered through M-Pesa in partnership with various financial institutions. Our micro loan products – Songesha and short term loans, continued to support seamless completion of transactions and provide easy access to short term financing. During the quarter, more than 3 million customers and over 50 000 agents received micro loans worth TZS500 billion through M-Pesa, an increase of 44.5%, which enabled them to meet their short-term financing needs. Our M-Koba product is designed to promote security and transparency of funds pooled by the community groups, while providing easy access to funds and additional income to members of the community groups – invested in pooled funds. In the quarter, M-Koba transactions worth over TZS200 billion were processed, representing a growth of more than 100%.

We delivered a strong **business performance** in the quarter thereby continuing the good momentum across key performance indicators. Our continued focus on network investment provided critical support to our commercial execution, enabling growth in both customers and traffic carried on our network. Our customer base grew 17.4% to 19.1 million, of which 9.9 million were data users, representing growth of 17.8%. We reached 9.7 million M-Pesa customers, an increase of 22.0%, while fixed service customers rose an impressive 70.6%. The strong growth in customer metrics was underpinned by our focus on customer acquisition and retention initiatives, complimented by our strong customer value management (CVM) and machine learning capabilities.

Traffic metrics were also strong in the quarter with data traffic up 29.8%, boosted by 4G traffic growth of 70.6% and supported by a 23.4% increase in smartphone users and a best-in-class data network. Our execution excellence supported customer growth in addition to our ongoing leadership in Net Promoter Score (NPS), a method used for measuring customer satisfaction, while at the same time sustaining our customer market share leadership in the industry.

Our **financial results** demonstrate continued growth momentum. **From a profitability perspective**, we generated operating profit of TZS40.1 billion, an increase of 51.8% and reported TZS17.7 billion net profit after tax, representing significant growth compared to the previous year. This pleasing performance was supported by our sound commercial execution, which resulted in double-digit revenue growth – with M-Pesa and data being key growth drivers. Our continued focus on cost saving initiatives delivered over TZS13 billion savings in the quarter which partially absorbed the pressure on increased energy cost, contractual escalation on service contracts, investment in network expansion and an increase in the rate of fees payable to government to support universal communication service access projects. Additionally, our net profit was partly diluted by a TZS6.9 billion foreign exchange loss incurred in the quarter, a result of continued local currency depreciation against the major foreign currencies.

**Looking forward**, we will continue to drive our purpose of connecting Tanzanians for a better future. We aim to broaden digital inclusion through increased access to connectivity services as well as support the financial inclusion agenda by growing adoption of our M-Pesa service. In particular, we will focus our M-Pesa efforts on advanced financial services which include savings, borrowings, insurance, international money transfer and merchant payments.

Investing in our network remains a critical success factor in enabling our digital inclusion ambition. As we promote a digital society, we will drive accessibility to data services across both mobile and fixed, which will open up more opportunities for Tanzanians. Together with our partners, we will continue to support availability of affordable smartphones through innovative funding mechanisms to drive smartphone adoption, which will further enable digital inclusion.

We will continue to enhance customer satisfaction and experience on our network by leveraging our multi-product approach – called the System of Advantage – and our artificial intelligence tools, CVM and machine learning capabilities. Our aim is to enhance the provision of simplified and segmented offers to our customers, which address their personalised needs. As we deliver on this aim, we expect to capture further growth and cost saving opportunities and deliver enhanced value to our shareholders.

We are encouraged by the good relations with our regulators and the government in general. We will continue to actively engage with the government on all relevant matters relating to our industry and collaborate in executing projects that will deliver on our role as a responsible corporate citizen.

## Summary of financials

TZS m	Quarter 3 December 2023	Quarter 3 December 2022	YoY % change
<b>Service revenue</b>	<b>330 791</b>	277 732	19.1
Non-service revenue	4 896	4 024	21.7
<b>Revenue</b>	<b>335 687</b>	281 756	19.1
Direct expenses	(109 581)	(89 856)	(22.0)
Operating expenses	(119 917)	(101 664)	(18.0)
Depreciation and amortisation	(64 966)	(63 306)	(2.6)
Net credit losses on financial assets	(1 158)	(537)	(115.6)
<b>Operating profit</b>	<b>40 065</b>	26 393	51.8
Net financing cost	(13 414)	(13 504)	(0.0)
Net (loss)/gain on foreign currency transactions	(2 630)	132	<(200)
<b>Profit before tax</b>	<b>24 021</b>	13 021	84.5
Income tax expense	(6 288)	(7 886)	20.3
<b>Net profit after tax</b>	<b>17 733</b>	5 135	>200

## KPIs and other business updates

### Salient features

We now connect

**19.1 million** ↑  
customers, up 17.4%.

Data customers increase of

**17.8%** ↑  
to 9.9 million.

M-Pesa customers up

**22.0%** ↑  
to 9.7 million.



## Key indicators' review

	31 December 2023	30 September 2023	31 December 2022	YoY % Change	Quarterly % Change
Customers <sup>2</sup> (thousand)	19 126	18 502	16 292	17.4%	3.4%
Data customers <sup>3</sup> (thousand)	9 951	9 745	8 445	17.8%	2.1%
M-Pesa customers <sup>4</sup> (thousand)	9 715	9 311	7 960	22.0%	4.3%
Minutes of use per month <sup>5</sup>	292	302	286	2.1%	(3.3%)
ARPU <sup>6</sup> (shillings per month)	5 611	5 690	5 558	1.0%	(1.4%)

In the quarter we continued with our commercial execution driving customer acquisition, retention, and number of days a customer is active in our network, resulting to 624 000 additional customers to reach 19.1 million.

Additionally, our commercial initiatives in growing data delivered encouraging results, with increased usage per customer driving improved ARPU and 17.8% growth in data users to 9.9 million. Data usage per customer grew 10.2% reaching an average of 2.2 gigabytes per customer per month, which contributed to an overall 29.8% increase in data traffic, most of which was carried on our 4G network. The growth in usage reflects an increasing demand for data services, driven by the evolution towards a digital lifestyle associated with smartphone adoption. Smartphones users were up 23.4% to 6.2 million. We ended the quarter with 2 708 4G sites across the country, up 447 year-on-year.

We were also pleased with growth of M-Pesa customers which reflects a significant progress in our efforts to support financial inclusion. At the end of the quarter, we reached 9.7 million M-Pesa customers representing 22.0% growth and accumulation of 1.5 million new customers within the first nine months of this financial year. Positively, more than half of our M-Pesa customers used our innovative M-Pesa products, which include lending, insurance, and merchant payments. Additionally, the number of merchants accepting payments through M-Pesa more than doubled to over 280 000 merchants, facilitating safe and speedy settlements from more than 3.0 million customers who utilised the merchant service monthly. The value of transactions processed for these innovative products during the quarter, grew by over 40% to more than TZS3 trillion contributing significantly to overall M-Pesa business growth.

## Regulatory matters

### Termination Rates "MTR"

In July 2023, the Tanzania Communications Regulatory Authority issued the Interconnection Rates Determination No.6/2023, which was applicable retrospectively starting January 2023. The determination decreased the voice call termination charges per minute for local calls by 7.0% from TZS 2.0 to TZS1.86 which was applicable to December 31, 2023, and a further 5.4% decline to TZS1.76 applicable from 1 January to 31 December 2024. Overall impact of MTR reduction on our financial performance for the quarter was negligible.

### Levies on mobile money transfers and withdrawals

On 30 June 2021, the President approved the Finance Act 2021, which included the amendments to the National Payment System Act (NPS Act, 2015) and Electronic & Postal and Communication Act (EPOCA, 2010 RE: 2022), introducing a levy on mobile money transfer transactions. In respect of mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Following engagements with stakeholders and due consideration by the Government, the following amendments have been implemented since the introduction of the levies:

- **September 2021:** an initial 30% levy reduction, to a maximum levy of TZS7 000.
- **1 July 2022:** an additional 43% reduction to the maximum levy band was passed through the Finance Act 2022, marking a cumulative 60% reduction since the levy's introduction. This reduction set the maximum levy chargeable at TZS4 000. The Finance Act 2022 also re-defined the scope of the levy, to include withdrawals and transfers effected through banks, which were earlier excluded. The levy, which was previously only chargeable on mobile transactions, also became applicable to transfers between mobile accounts, bank accounts, and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATMs).
- **1 October 2022:** through a special supplement to the National Payment System (Electronic Money Transactions Levy) (Amendment Regulations) the maximum levy chargeable was set at TZS2 000, which was equivalent to 20% of the levy charged at inception; and
- **1 July 2023:** The Finance Act 2023 amended the National Payment System Act, Cap. 306 and Cap. 437, effectively abolishing the Airtime Levy and the Mobile money transaction levy on electronic transfers. The levy on cash withdrawals was retained and continued to be charged accordingly.

1. Unless otherwise specified, all percentage growths in this report are year-on-year growths comparing quarter to December 2023 against quarter to December 2022.

## Historical key indicators

	31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2022
Customers <sup>2</sup> (thousand)	19 126	18 502	17 316	16 735	16 292
Data customers <sup>3</sup> (thousand)	9 951	9 745	9 215	8 748	8 445
M-Pesa customers <sup>4</sup> (thousand)	9 715	9 311	8 240	8 197	7 960
Minutes of use per month <sup>5</sup>	292	302	281	265	286
ARPU <sup>6</sup> (shillings per month)	5 611	5 690	5 415	5 238	5 558

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

- 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.
- 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.
- M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 12.9 million unique customers generated revenue related to M-Pesa.
- 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 238 (2022: 228).
- ARPU is calculated by dividing the average monthly service revenue during the period by the average monthly active customers.

## Condensed statement of profit or loss and other comprehensive income

for the quarter ended 31 December 2023

TZS m	Group		Company	
	Quarter 3 December 2023	Quarter 3 December 2022	Quarter 3 December 2023	Quarter 3 December 2022
<b>Revenue</b>	335 687	281 756	243 564	210 691
<b>Direct expenses</b>	(109 581)	(89 856)	(54 885)	(47 758)
<b>Operating expenses</b>	(119 917)	(101 664)	(97 874)	(83 732)
Staff expenses	(18 994)	(17 036)	(13 200)	(12 337)
Publicity expenses	(8 335)	(5 740)	(4 295)	(1 693)
Tower lease and maintenance costs	(36 130)	(30 636)	(36 130)	(30 636)
Other operating expenses	(56 458)	(48 252)	(44 249)	(39 066)
<b>Depreciation and amortisation</b>	(64 966)	(63 306)	(63 318)	(61 653)
<b>Net credit losses on financial assets</b>	(1 158)	(537)	(1 089)	(524)
<b>Operating profit</b>	40 065	26 393	26 398	17 024
Finance income	6 360	5 959	409	74 442*
Finance costs	(19 774)	(19 463)	(14 319)	(15 291)
Net (loss)/gain on foreign currency transactions	(2 630)	132	(2 531)	92
<b>Profit before tax</b>	24 021	13 021	9 957	76 267
Income tax expense	(6 288)	(7 886)	(1 220)	(4 793)
<b>Profit for the quarter</b>	17 733	5 135	8 737	71 474
Other comprehensive income	–	–	–	–
<b>Total comprehensive income for the period</b>	17 733	5 135	8 737	71 474
<b>Basic and diluted gain per share (TZS)</b>	7.92	2.29	3.90	31.91

\* Included in finance income for the company in the comparative period is TZS73.3 billion dividends received from M-Pesa Limited.

## Condensed statement of financial position

as at 31 December 2023

TZS m	Group		Company	
	Quarter 3 December 2023	Quarter 3 December 2022	Quarter 3 December 2023	Quarter 3 December 2022
<b>ASSETS</b>				
<b>Non-current assets</b>	1 232 898	1 329 895	1 202 970	1 301 101
Goodwill	1 639	1 639	–	–
Property and equipment	598 252	588 651	596 645	584 351
Intangible assets	201 411	212 260	180 069	190 533
Right of use assets <sup>7</sup>	287 864	385 820	287 864	385 820
Capacity prepayments	31 769	43 534	31 769	43 534
Trade and other receivables	13 325	15 530	12 524	15 530
Income tax receivable	36 120	42 511	33 098	42 511
Deferred tax assets	62 518	39 950	60 501	38 322
Investment in subsidiary	–	–	500	500
<b>Current assets</b>	1 037 709	921 969	252 044	302 993
Capacity prepayments	12 783	15 223	12 783	15 223
Inventory	5 517	6 309	5 517	6 309
Trade and other receivables	146 897	144 486	140 354	132 868
Income tax receivable	12 502	24 440	10 452	21 157
Mobile financial deposits	706 772	543 686	–	–
Cash and cash equivalents	153 238	187 825	82 938	127 436
<b>Non-current assets held for sale<sup>8</sup></b>	8 871	–	8 871	–
<b>TOTAL ASSETS</b>	2 279 478	2 251 864	1 463 885	1 604 094
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>	846 781	811 319	779 597	757 588
Share capital	112 000	112 000	112 000	112 000
Share premium	442 435	442 435	442 435	442 435
Capital contribution	27 698	27 698	27 698	27 698
Retained earnings	264 648	229 186	197 464	175 455
<b>Non-current liabilities</b>	320 102	415 876	320 102	415 876
Lease liabilities <sup>8</sup>	303 362	409 062	303 362	409 062
Long term borrowing	9 747	–	9 747	–
Government grants	30	50	30	50
Trade and other payables	–	128	–	128
Provisions	6 963	6 636	6 963	6 636
<b>Current liabilities</b>	1 112 595	1 024 669	364 186	430 630
Lease liabilities	99 120	85 377	99 120	85 377
Short term borrowing	2 599	–	2 599	–
Government grants	10 165	1 874	10 165	1 874
Mobile financial payables	706 772	543 686	–	–
Trade and other payables	287 636	384 757	246 228	334 724
Licence payables classified as debt	–	896	–	896
Provisions	6 303	8 079	6 074	7 759
<b>Total liabilities</b>	1 432 697	1 440 545	684 288	846 506
<b>TOTAL EQUITY AND LIABILITIES</b>	2 279 478	2 251 864	1 463 885	1 604 094

7. The decrease in Right-of-use assets is mainly driven by the amortisation of leases and conversion of lease contracts from USD to TZS whereas payments and the aforementioned lease currency conversion are the main drivers to the decline in the non-current lease liabilities.

8. This relates to fibre assets that are anticipated to be transferred to the Government within a year as part of an agreement between the fibre consortium members and the Government of Tanzania.

## Condensed statement of changes in equity

for the quarter ended 31 December 2023

TZS m	Share capital	Share premium	Capital contribution	Retained earnings	Total
<b>GROUP</b>					
<b>Quarter ended 31 December 2023</b>					
At 1 October 2023	112 000	442 435	27 698	246 915	829 048
Total comprehensive income for the period	–	–	–	17 733	17 733
<b>At 31 December 2023</b>	112 000	442 435	27 698	264 648	846 781
<b>GROUP</b>					
<b>Quarter ended 31 December 2022</b>					
At 1 October 2022	112 000	442 435	27 698	224 124	806 257
Total comprehensive income for the quarter	–	–	–	5 135	5 135
Dividends	–	–	–	(73)	(73)
<b>At 31 December 2022</b>	112 000	442 435	27 698	229 186	811 319
<b>COMPANY</b>					
<b>Quarter ended 31 December 2023</b>					
At 1 October 2023	112 000	442 435	27 698	188 727	770 860
Total comprehensive income for the period	–	–	–	8 737	8 737
<b>At 31 December 2023</b>	112 000	442 435	27 698	197 464	779 597
<b>COMPANY</b>					
<b>Quarter ended 31 December 2022</b>					
At 1 October 2022	112 000	442 435	27 698	103 981	686 114
Total comprehensive income for the quarter	–	–	–	71 474	71 474
<b>At 31 December 2022</b>	112 000	442 435	27 698	175 455	757 588

## Condensed statement of cash flow

for the quarter ended 31 December 2023

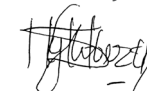
TZS m	Group		Company	
	Quarter 3 December 2023	Quarter 3 December 2022	Quarter 3 December 2023	Quarter 3 December 2022
<b>Cash generated from operations</b>	173 518	100 370	128 836	59 059
Income taxes paid	(5 659)	(8 182)	(1 924)	(4 883)
<b>Net cash generated from operating activities</b>	167 859	92 188	126 912	54 176
<b>Cash flows from investing activities</b>				
Additions to property and equipment and intangible assets	(57 212)	(125 049)	(57 212)	(125 044)
Finance income received	720	1 780	409	1 150
Cash held in restricted deposits	(45 994)	(30 457)	–	–
Payment towards acquisition of subsidiary	(2 933)*	–	(2 933)	–
Dividend income received	–	–	–	73 292
Interest received from M-Pesa deposits	5 640	4 178	–	–
<b>Net cash used in investing activities</b>	(99 779)	(149 548)	(59 736)	(50 602)
<b>Cash flows from financing activities</b>				
Dividends paid	(22 205)	(165)	(22 205)	(8)
Payment of lease liabilities – Principal	(18 381)	(24 223)	(18 381)	(24 223)
Payment of lease liabilities – Interest	(13 986)	(14 215)	(13 986)	(14 215)
Mark-to Market liabilities – paid	(2 730)	(39)	(2 730)	(39)
Repayment of other borrowings – Principal	(433)	–	(433)	–
Repayment of other borrowings – Interest	(330)	–	(330)	–
Interest paid to M-Pesa customers	(5 280)	(4 183)	–	–
<b>Net cash used in financing activities</b>	(63 345)	(42 825)	(58 065)	(38 485)
<b>Net increase/(decrease) in cash and cash equivalents</b>	4 735	(100 185)	9 111	(34 911)
Cash and cash equivalents at the beginning of the quarter	148 330	287 616	73 554	161 993
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	173	394	273	354
<b>Cash and cash equivalents at the end of the quarter</b>	153 238	187 825	82 938	127 436

\* This is related to the initial payment towards the acquisition of Smile Communications Tanzania Limited.

The quarterly unaudited condensed consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 24 January 2024 and were signed on its behalf by:



Philip Besimire  
Managing Director



Hilda Bujiku  
Finance Director

Issued pursuant to Section 53 of the Dar es Salaam Stock Exchange Rules 2022.

### Trademarks

Trademarks Vodafone, the Vodafone logo, M-Pesa, Vodacom, Connected Farmer and Vodafone Supernet 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 2023, 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 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.