

VODACOM Tz

EARNINGS

HIGHLIGHT

March 2024



VODACOM TZ FINANCIAL HIGHLIGHTS FOR THE 6 MONTHS ENDING MARCH 2024

INCOME STATEMENT ANALYSIS

Net Profits decreased by 19.64% from TZS 29.62 Billion as of Sept 2023 to TZS 23.80 Billion as of March 2024.

Possible Reasons:

Income tax expenses increased by 677.35% from TZS 2.8 billion as of Sept 2023 to TZS 21.75 billion as of March 2024, resulting in a growth in the company's tax ratio from 8.63% to 47.75% during the same period. This increase was brought about by half-year and full-year re-alignment of tax provisions relating to tax expense and deferred tax.

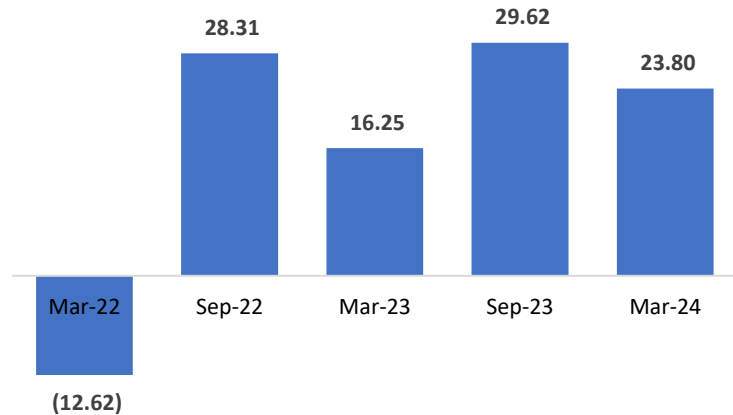
Finance costs also increased by 15.29% due to increased interest expense obligations related to the acquisition of Smile Communications Tanzania, and increased interest payments to M-pesa balances

Improvements In the Income Statements:

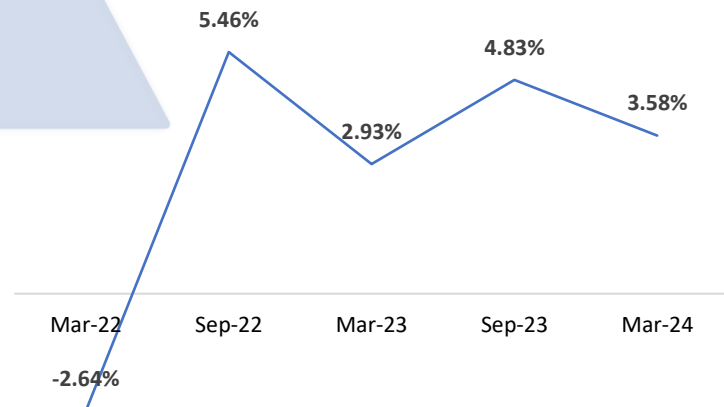
Vodacom's revenue increased 8.6% from TZS 612.77 billion as of September 2023 to TZS 665.45 billion as of March 2024. The growth was due to acquiring over 1.55 million customers, increased average revenue per user (APRU) in revenue items such as Mobile Data and M-Pesa, and increased adoption of fixed revenue. Despite recording a reduction in tariffs and the average spend per user, Mobile Voice and SMS also recorded strong growth due to increased usage of these services, which offset the falling APRU trend.

Operating expense growth remained under control, with a 5.82% increase from TZS 555.80 billion to TZS 588.14 billion, reflecting cost optimization and efficiency as part of the company's corporate objectives.

Net Profit Trend in Billions TZS



Net Profit Margin Trend



Other Performance Indicators:

Operating Profit Margins increased from 9.30% in September 2023 to 11.62% in March 2024

Net Profit Margins decreased from 4.83% in September 2023 to 3.58% in March 2024

Income Statement Analysis Amounts in Billions TZS	Mar-22	Sep-22	Mar-23	Sep-23	Mar-24
Revenue	478.17	518.35	554.67	612.77	665.45
Growth Rate	-2.98%	8.40%	7.01%	10.48%	8.60%
Operating Expenses	453.34	490.09	501.45	555.80	588.14
Growth Rate	0.02%	8.11%	2.32%	10.84%	5.82%

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BALANCE SHEET STATEMENT ANALYSIS

Assets had increased by 5.43% to reach TZS 2.38 Trillion as of March 2024 compared to TZS 2.25 Trillion during Sept 2023

Possible Reasons:

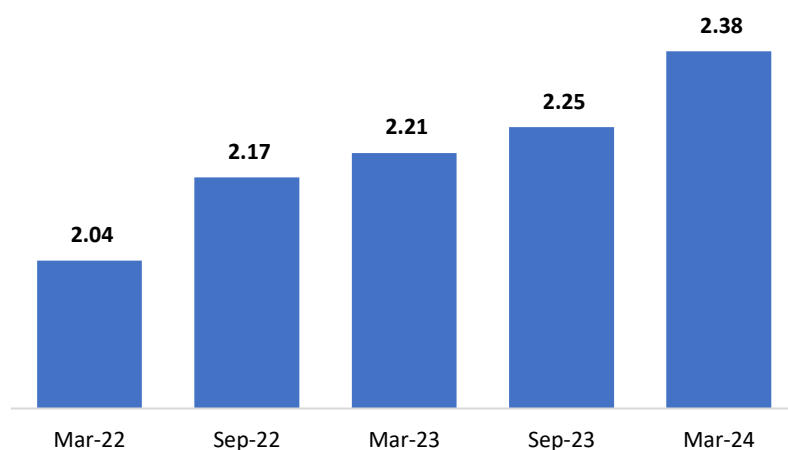
There was a 37.44% growth in intangible assets from TZS 203.78 billion as of September 2023 to TZS 280.07 billion as of March 2024, perhaps due to the acquisition of Smile Communications TZS 78.3 billion spectrum licenses.

Mobile financial deposits were up by 10.52% from TZS 660.78 Billion as of Sept 2023 to TZS 730.29 Billion as of March 2024. The growth was likely due to the company recording up to 1.05 million new M-Pesa users, bringing the total number of M-pesa subscribers to 20.23 Million as of March 2024 from 19.18 Million as of Sept 2023

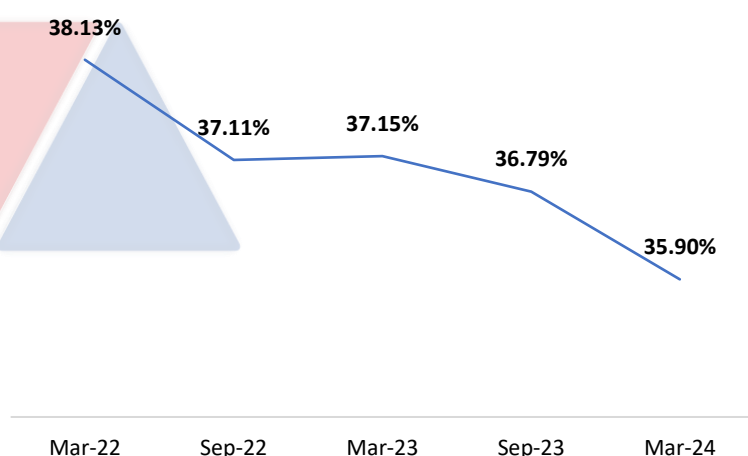
There was a 49.46% increase in the company's cash and cash equivalent, amounting to TZS 221.70 billion as of March 2024 from TZS 148.33 billion as of September 2023, brought about by increased cash flows from revenue, lower capital expenditures during the second half of the year, and the reduction in financing activities due to bulk repayment for the TZS 72.16 Billion license payable for the spectrum acquired by the company in the 2023 financial year.

The assets were mainly financed by a 12.25% growth in the company's liabilities, with most of the growth from the liability section attributed to a 10.52% increase in mobile deposits payables and 18.16% increase in trade and other payables

Total Asset Trend in Trillions TZS



Total Asset to Equity Trend



Other Performance Indicators:

Return on Assets decreased to 1.00% as of March 2024 from 1.31% as of Sept 2023

Return on Equity decreased to 2.79% as of March 2024 from 3.57% as of Sept 2023

Total Equity to Assets stood at 35.90% as of March 2024 from 36.79% as of Sept 2023

Liabilities to Equity Ratio stood at 178.57% as of March 2024 from 171.81% as of Sept 2023

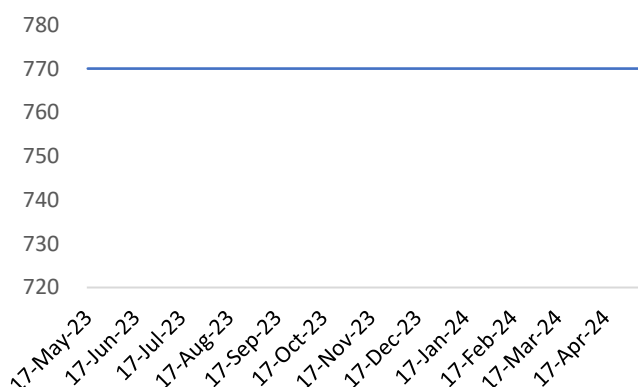
Balance Sheet Analysis Amounts in Millions TZS	Mar-22	Sep-22	Mar-23	Sep-23	Mar-24
Total Assets	2.04	2.17	2.21	2.25	2.38
Growth Rate	-2.59%	6.57%	1.81%	1.88%	5.43%
Total Equity	0.78	0.81	0.82	0.83	0.85
Growth Rate	-1.60%	3.72%	1.92%	0.89%	2.87%
Total Liabilities	1.26	1.37	1.39	1.42	1.52
Growth Rate	-3.19%	8.32%	1.75%	2.46%	6.92%

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INVESTORS' CORNER

Since the release of the company's 4th Quarter and full-year results on 10th May 2024, the company's shares have remained stagnant at the price of TZS 770 per share. Turnover activity for the counter remains low with the overall turnover since the results stood at TZS 11.93 Million compared to its market capitalization of TZS 1.72 Trillion. The counter also has more outstanding shares available for sale at 366,309 shares, with no shares outstanding on the buy side as of 27th May 2024, indicating it is a seller's market.

Vodacom Tanzania 52-Week Share Price Trend



Year to Date Share Price Performance

COUNTER	Opening Price as of 2 – Jan – 2024	Closing Price as of 27 – May – 2024	Capital Gain
VODA	TZS 770	TZS 770	0.00%

Other Financial Indicators

VODA	March 2024
Price to Book Value Ratio*	2.02x
Dividend Yield**	1.55%

* Closing share price TZS 770 as of 27th May 2024 was used against the book value per share of TZS 380.73 as of March 2024

** The projected dividend per share for 2024 is TZS 11.915 per share, compared to the share price at the start of the year.

ANALYSTS' COMMENTARY

From a cumulative perspective, the company's earnings increased by 19.91% from TZS 44.56 billion as of March 2023 to TZS 53.42 billion as of March 2024 due to stronger revenue growth from all of its services except for revenue from Mobile Termination rates and controlled operating expenses, which grew at a lower rate of 15.37% resulting in sustainable growth of the company's operating income.

As we advance into 2024/25, we anticipate the key revenue segments that will continue to deliver stronger growth for the company's topline to include M-Pesa as a result of increased digital transactions and the growing contribution of its additional services such as lending, insurance, and International Money Transfers. The market for Fixed Data has, for the most part, remained untapped. Thus, we foresee stronger organic growth from this segment as more businesses and households adapt to this internet service provision. Mobile data growth is also likely to contribute to the company's top line significantly as increased smartphone adoption in the country and increased APRU caused by increased internet consumption per user will likely propel the company's mobile data revenue toward greater heights.

Regarding Mobile Voice, SMS, and Mobile termination rates, we anticipate further pricing pressures likely to have a greater impact than the growth in minutes and SMS consumed by users, resulting in a further decline for these revenue segments. To consolidate the success of fixed internet and mobile data, we anticipate increased capital expenditures to expand the company's 5G sites across the country and increase spectrum acquisition to improve internet quality. While increased marketing for their services and continued strategic partnerships with players from the financial sector will likely play a great role in increasing M-Pesa's revenue.

For further information please contact Us : 2124495 /2112874 /0764269090 /0714 269090

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PSSSF House, Ground Floor
Samora Avenue / Morogoro Road
P.O. Box 77049
Dar es Salaam

+255 764 269090
+255 714 269090



research@solomon.co.tz

[@sstockbrokers](#)

[#elimuYaUwekezajiHisa](#)

www.solomon.co.tz