

Conference Call Transcript

23 July 2021

Q1 RESULTS ANALYSTS

Operator

Good day ladies and gentlemen and welcome to the Vodacom Group Ltd results conference call for the three months ended 30 June 2021. Vodacom Group CEO, Shameel Joosub, will host the conference call. Before I hand the call over to Shameel I would ask that you refer to and familiarise yourself with Vodacom's forward-looking disclaimer. This is set out on page 15 of the trading update and can be located on www.vodacom.com. Alternatively, if you would like a copy of the trading update sent to you, please email investor relations website at vodacomir@vodacom.co.za. All participants are in listen only mode and there will be an opportunity to ask questions later during the conference. If you need assistance, please signal an operator by pressing * and then 0. Also note that this event is being recorded. I would now like to hand the conference over to Shameel. Please go ahead, sir.

Shameel Joosub

Thank you Chris. Good afternoon and good morning to those joining the call from the US. Thank you for joining our first quarter trading update call for the financial year 2022. I'm joined by our Group CFO, Raisibe Morathi, as well as our Head of Investor Relations, JP Davids.

We are deeply saddened by the recent unrest in South Africa and related tragic loss of life. Our purpose and business model means that we will work tirelessly to support South Africa's recovery whilst also doing everything we can to keep our customers connected. Through the Vodacom Foundation's disaster relief fund we have provided support including food relief parcels to communities affected by the social unrest. We also stepped up to provide relief in Cape Town following the fires in April and the volcanic disasters in Goma, DRC, during May.

In addition to these relief efforts, we have prioritised assistance to governments and communities to enable more Africans to be vaccinated. In April, we partnered with the African Union to accelerate the COVID-19 vaccine rollout through our mVacciNation platform that manages appointments and stock readiness and the logistics chain around the vaccine distribution. In South Africa the National Department of Health is leveraging our mVacciNation platform to manage the deployment of vaccines. This is in addition to the R87 million pledge made by Vodacom and Vodafone during the

quarter to provide logistics support and cold chain technology to deliver COVID-19 vaccines to underprivileged and rural communities in the DRC, Lesotho, Mozambique, South African, Tanzania and Ghana.

Alongside our social contract initiatives we achieved two significant strategic milestones in the quarter. In May our consortium led by Safaricom was awarded a mobile telecommunications license by the government of Ethiopia following a contested international process. We are honoured to be part of this powerful consortium with an effective 6.2% direct stake and additional exposure through our associate holding in Safaricom. We look forward to providing world class services to the people of Ethiopia.

In June we announced exciting progress on our South Africa super app, VodaPay. More than 70 merchants have already joined our VodaPay ecosystem ahead of its highly-anticipated launch in the coming months. We see this super app as a precursor to M-PESA's evolution, supporting accelerated growth across our financial service businesses and assisting us in connecting the next 100 million customers so that no one is left behind.

Moving on to the trading update for the quarter, our performance was characterised by sustained growth in South Africa and a strong performance across our international markets. On a normalised basis, which excludes the impact of foreign curacy, we delivered strong service revenue growth of 7.8% in the quarter. The growth was supported by an acceleration across our international markets and strong growth in new service areas that includes fixed, IoT and financial services. Our financial services portfolio delivered a particularly strong result in the quarter with both South Africa and M-PESA contributing. Group financial services growth was up 33.9%, on a normalised basis, and contributed 9.8% of group service revenue. This excludes any contribution from Safaricom. Normalised group revenue growth was 14.2%, our fastest growth rate in a decade.

On a reported basis the Rand sharp recovery in the quarter impacted our results. Notably, the Rand appreciated by approximately 20% against a basket of our international currencies, generating a material foreign exchange headwind. Despite this headwind we reported revenue growth of 9.0% to R24.8 billion. Then on capex to further enhance customer experience we invested R3.4 billion in our network across the group in the quarter including the expansion of 4G coverage, speed and capacity.

Shifting now to South Africa, service revenue increased 5.2% as people continued to work, educate and learn from home. Revenue increased 13.2% supported by equipment sales as we lapped the impact of retail restriction in the prior year. In the contract segment, Vodacom Business delivered strong growth supported by our work from home solutions. In addition to mobile, Vodacom Business delivered excellent growth across wholesale, cloud and hosting, security and IoT to report a 14.1% revenue growth. IoT revenue increased 45.5% and we now have 5.7 million IoT connections. In the prepaid segment mobile customer revenue increased by 1.8% supported by our initiatives to manage the number of days a customer remains active on the network. This growth was achieved despite the base effect of a strong quarter in the prior year. We added 532,000 customers in the quarter with 15.1% growth in the customer base.

The strong customer base growth rate impacted the year on year ARPU trend. Prepaid ARPU was down 3.5% quarter on quarter as we completed the price adjustments agreed with the Competition Commission and faced challenges to the consumer wallet which impacted spend potential. Adjusting for these quarter on quarter impacts, our underlying prepaid ARPU increased 0.5% from the fourth quarter. Data metrics were robust given the substantial base we were lapping. Data traffic increased 8.1% with the prior year up 97.7%, so a very strong comp that we were battling against. Smart devices on the network increased 13.3% while 4G customers increased nicely, up 26.8% to 16.4 million.

Financial services in South Africa continued on its growth trajectory with revenue increasing 19.1% to R0.6 billion for the quarter. Airtime Advance amounted to 46% of total repaid recharges versus 38% in the prior year, enabling customer convenience. Our insurance revenue increased 15.4% with policies up 14.8% to 2.2 million as we continued to expand our portfolio of products. From a capex perspective we invested R2.9 billion in South Africa to support the demand for data.

And then on to our international operations. We delivered a meaningful acceleration in normalised growth supported by M-PESA. Normalised service revenue was 13.5% in the quarter compared with a decline of 1.9% in the prior financial year. M-PESA revenue increased 43.2% as we captured platform economics following our COVID-19 intervention on free person to person transfers last year. M-PESA customers increased by 14.3% to 16.8 million representing 48% of our international customers. Our M-PESA ecosystem, including Safaricom, processed \$25.0 billion a month in transaction value in the first quarter, up an impressive 62.6%. M-PESA now represents 23.2% of our international service revenue following the strong growth in the quarter.

Product development for M-PESA continues, coordinated by our strategic joint venture, M-PESA Africa. A good example of this was Safaricom's recent launch of the M-PESA super app with mini app capabilities. We will replicate this app's progress across all our M-PESA markets, also leveraging the learnings and capabilities of the VodaPay super app. Data services also contributed to growth with normalised data up 13.9% and data traffic up 27.3%. We added 207,000 new customers to end the period at 20.9 million data customers. With just over 30% of our customers currently using a smartphone across our international markets, there is still a massive untapped opportunity in the data space.

On the regulatory front we are grateful for the extension of the temporary spectrum in South Africa which has supported network capacity in the period. We are however disappointed by the ongoing delays to the allocation of high demand spectrum. We are hopeful that ICASA's mediation process can find a timely solution, and we as Vodacom are committed to this process. We see the assignment of spectrum being instrumental to the data pricing dynamic of our largest market.

Wrapping up my review with a few words on the outlook, dealing with the effects of the COVID-19 crisis and the added burden of civil unrest in South Africa will of course be key priorities for us and we will continue to support our staff, government and customers. From a strategic perspective we are very excited about implementing our system of advantage which is designed to meet our customers where they are today and grow with them as we strive to be a strategic partner of choice and an integral part of their lives, homes and offices. Our strategy sets out our growth path for traditional mobile business which is then enhanced by new areas like fixed, digital, IoT and financial services. Before we open to question I will hand over to JP to set the scope for the Q&A questions.

JP Davids

Thank you Shameel. Hi everyone and thanks for joining the call. As a reminder, we do not disclose margins or profitability metrics in our quarterly trading updates. For our outlook and targets related to operating profit please refer to the disclosure we provided with our full year results which were announced in May. And then finally, the results of our associate investment in Safaricom are disclosed on a bi-annual basis and therefore are not included in this quarterly update. With that, Shameel and Raisibe are ready to answer any questions you may have. Chris, over to you.

Operator

Thank you very much. Ladies and gentlemen, if you wish to ask a question, please press * and then 1 on your touchtone phone or on the keypad on your screen. You will hear a confirmation tone that

you have joined the queue. If you wish to withdraw your question please press * and then 2. Our first question is from Preshendran Odayar of Nedbank CIB. Please go ahead.

Preshendran Odayar

Good afternoon everyone. Thank you for the opportunity to ask some questions. I've got three from my side if I can. The first one just has a clarification in it. I wanted to confirm, your other service revenue line that is where your roaming revenue from the likes of Cell C and Telkom along with your financial services and IoT revenue sits. And your non-service-revenue line is where the leasing revenue from Rain and hopefully Liquid sits. If that's the case, it looks like your other service revenue grew really well. So my question is, is the Cell C roaming revenue now coming in? And how big of an impact is that going forward? And secondly, the leasing revenue from Liquid, if that sits in the non-service-revenue line, it doesn't look like it's come in. I just wanted to get some clarification on timelines on when you could see that coming in.

The second question is also related somewhat to Liquid. How much of your traffic is being carried on Liquid and Rain's network this quarter versus last year's Q1? And then the last question is your fixed service revenue line grew really strongly. I'm assuming this is fibre. I just wanted an update on your fibre plans because we saw CIBH's rights issue and its plans to lower debt. So does this asset look a little bit more sexy and attractive to you and within your fibre expansion plans? Thanks very much.

JP Davids

Preshendran, thanks for the questions. I'll help with the clarification question and then hand over to Shameel and Raisibe for the more detailed questions on Liquid, Rain traffic and the fixed line aspirations. Just in terms of the clarification, you are broadly right in terms of other service revenue. So yes, that includes IoT. Yes, that includes wholesale revenue. But it's not all of the financial service revenue. Actually the majority of financial service revenue will sit within the customer service revenue both within prepaid and contract depending on what type of financial service we are selling.

And then you are correct that the Rain agreement is captured within that other non-service-revenue line item. To just round off on that, you're asking about the contribution to growth from Cell C. If we can round it off by saying that the wholesale revenue growth in the quarter added 1 percentage point to service revenue growth. So all else equal we would have printed 4%. Instead we printed 5% because of the bump up in wholesale revenue. And that is captured within the other service revenue

line that you called out. Let me hand to Shameel on Liquid and traffic-related questions and then on the fixed side.

Shameel Joosub

Yes. So just on Liquid, the Liquid part is still getting very low traffic because it's 5G roaming as such and there is not a hell of a lot happening in that space as yet, so it's still quite light. We have within the envelope that we have with Rain in terms of commitments sought to maximise some of the opportunities around traffic or paying for capacity that we're basically taking advantage of that more fully. So we have optimised more where we utilise those agreements. Of course we don't disclose the exact amount of traffic, but most of it is within the envelope of what we agreed.

Raisibe Morathi

The next question was on fixed and you're asking about fibre. So remember we had roughly about 145,000 homes passed on fibre. So that is what it is relating to.

Shameel Joosub

The growth in fixed remains very strong. We've been growing 70% or 80% over the last period, over the last year in terms of fixed deployment both from an ISP perspective and a resell perspective as well as growth in terms of connecting the homes that we've already passed.

Preshendran Odayar

I assume that 145,000 is homes passed by your own fibre network that you guys have built up, right? Is that correct?

Raisibe Morathi

That is correct.

Preshendran Odayar

And just if you can, CIVH, does it look a little bit more attractive for you guys to expand, or are you guys comfortable with your current strategy of building where you are?

Shameel Joosub

Look, of course we don't comment on speculation and so on, but effectively what we've said to you is we will this year finalise our fibre plans, which as I said at the full year will either take the form of a fibre JV or potential acquisitions in the space. So we are looking at doing more with our fixed assets, bring on a partner and further accelerate our fibre build.

Preshendran Odayar

Awesome. Thanks very much, Shameel. Thanks, Raisibe and JP, as well.

Operator

Thank you. The next question is from Maurice Patrick of Barclays. Please go ahead.

Maurice Patrick

Morning or afternoon guys. Thank you for taking the question. If I could dive into the 43% growth in normalised M-PESA revenues, you saw a pretty significant step up. Shameel, in your presentation remarks you referred to the fact that you are able to charge for the service rather than elements being free last year. Could you talk a little bit to things like what is the elasticity around that? Giving a service away for free obviously is making people use it, and then you start charging for it. I presume at least some of them realise the benefit of using it and others say, oh no, you're charging for it, I can't be bothered. Can you walk us through the extent to which how elasticity is running through with that 43% number? Is that the run rate going forwards? Thank you very much.

Shameel Joosub

Sure. Look, you would have seen that firstly on M-PESA there was an acceleration of the customer base from last year. So when we zero-rated M-PESA we saw two effects. One effect came from an increase in customers. And now we're almost a half year into it if we take the quarter and the end of the quarter of charging or resuming charging in January. You can see that the customer base being up 14.3% means that those customers have stuck. So that's the first part. Your increased customer base has remained with you, and that's very positive.

The second part is the number of transactions has increased quite dramatically. We saw during the free P2P period that traffic was up 68%. And you will see for the quarter we're saying that traffic is up 62.6%. So you've seen this massive increase in traffic. And those come with charging for transactions. So the transition that people made to mobile money during the COVID period has stuck with us. That's why we call it platform economics midlife because that zero rating actually increased the number of transactions and increased the customer base. And now that we're charging again it has actually been hugely positive for us across all the operations.

Maurice Patrick

That's very helpful. I believe, Shameel, that 63% number and 68% to include Safaricom. Was it broadly similar in the Vodafone international segment?

Shameel Joosub

Yes. It has been because essentially everywhere the 13% or 14% customer base growth is just for the international, right, excluding Safaricom. So you've seen the customer base growth and you've seen the envelope of transactions increasing as well. Also important to understand is M-PESA Africa. The way we operate is that we lay certain foundations and then a year in, 18 months later you start to see the benefits of that flowing through. I see M-PESA Africa as now nicely kicking in in terms of the product set, the product rollout, the consistency of the platform, the ecosystem, making sure that we can improve it in each country so it all can be very similar to what we have in Kenya.

So the intent always is we launch in Kenya first and then we replicate across the markets. So you will see we've launched the M-PESA app which includes mini app capabilities into the app. so we are taking the learnings from South Africa, we are implementing it there, and essentially we are seeing this nice pick up in revenue. Now, that is not catered for in these numbers because of course it's early days. But all these things are driven to create the success, making sure we get the Fuliza product rolled out to all the markets, making sure that we have consistent platforms. So through the year you will see more of these products and services in different markets coming to bear.

Maurice Patrick

Thank you. If I can ask a basic question. You talked about having 70 merchants signed up for the super app. I'm not sure if that's a big number or a small number. Is there a critical mass or number you expect to have when you launch? What's an acceptable number of merchants to have signed up by the time you launch?

Shameel Joosub

The super app is very much about eventually you will get to hundreds of different entities coming in. but initially you need to have enough meat, as I call it, in the super app to ensure the success. What's very encouraging is the big brands that have come on, that have signed up, the likes of Massmart – which includes Makro, Game, Builder's Warehouse and so on – and then also companies like Clicks and the Edcon or Retailability Group as it is now called. Like that you've got some really nice, big partners that have come on which immediately ensures that you've got enough substance in the app to launch. I think that's the big part. And then of course the number of parties is a lot more than the 70, but all of them will not be ready for launch. So in the days and the weeks

that follow different ones will kick in all the time. So your ecosystem just keeps on expanding and there is always something new that you bring into the super app.

Maurice Patrick

Got it. Thank you so much indeed.

Operator

Thank you. The next question is from Jonathan Kennedy-Good of JP Morgan. Please go ahead.

Jonathan Kennedy-Good

Good afternoon. Just two questions from me please. I saw some comments I think by Nick Read at Vodafone's results talking about potentially spinning out M-PESA. I just wondered if any thoughts had changed around keeping the business within the group or potentially unlocking value there. Secondly, you made some comments on the spectrum auction. I would like to understand whether you have access to temporary spectrum beyond the end of August – think that's the date that was originally set if I'm correct – and how you see the timeline for spectrum playing out now that we've seen another three month delay it seems.

Shameel Joosub

Okay, so to be clear we didn't say we're spinning off the company or anything of that sort. What he did say – which we've said to you before – is we basically took the initiative a while back, and in some instances the regulatory part, where effectively we have split out that base of companies into separate entities. And that's now of course in the Vodacom stable. So we have basically created that optionality as such. But also what's clear is that the financial service part is growing at different rates and the multiples are hugely attractive. We're seeing multiples of 26x plus.

That said we're not yet in the mode of wanting to spin anything off. What we're hoping for is that all of you will give us credit for it and it will become more prevalent in our share price when we have the strong revenue growth and revenue pool part. So I think that's why you'll see, as you would have seen at the year-end results, increased disclosure around this. I think that will be the trend in telco in Africa for a while to come, basically a lot more excitement, disclosure and understanding around financial services and the potential growth, and the contribution that it's making to each of our entities, and how material it's becoming in our businesses. So we are keeping optionality though, but ideally all of you will see the light and give us value.

In terms of the spectrum auction I think where we are is twofold. One is the court case. The court case I think is coming up in September. So that's the one side. ICASA is hard at work. The one side is the court case. Of course with the court you will have a hearing and they could have a postponement and so on, so I can't give you an end date of when that happens. My personal view is that once the digital migration has happened, which is by the end of March, that takes away one of Telkom's primary arguments that you're auctioning spectrum that's not available. So that's the one side.

But ICASA is hard at work in trying to reach a settlement, and they have of course been engaging with all of us as operators in terms of proposals around the settlement. And we've been actively engaging. Were hopeful that they will be able to find a solution, Telkom permitting. Why I call it Telkom permitting is that Telkom will always find a reason to delay and play games. That's always there. It does look more positive and it does look like they're coming to the table. I say that fingers crossed.

Jonathan Kennedy-Good

Thank you.

Shameel Joosub

Temporary spectrum is extended to end of August, but we think that if ICASA finds a solution they will continue to extend that.

Jonathan Kennedy-Good

Thank you.

Operator

Thank you. The next question is from Myuran Rajaratnam of MIBFA. Please go ahead.

Myuran Rajaratnam

Good afternoon guys. Thanks for taking my questions. The first question is on your data subs. In the last few quarters we see that you've been able to add prepaid subs and a bit of post-paid subs. Quite a number of prepaid subs. But the data active subscriber is actually coming down, so perhaps you can explain. Is this an internal thing, or is it the market environment that you're playing in? I've got a few more questions.

Shameel Joosub

I think it's more an internal thing. We have taken certain actions on the Facebook Flex and we're also putting in measures to control the free traffic on the network and so on. So we've put stricter controls on certain things, specifically Facebook Flex. And that does have an impact. But of course the customers that have come off are low spending to no spending customers. And of course you have seen a strong growth in the number of smartphones as well, so the smartphone base continues to expand.

Myuran Rajaratnam

There are a few moving parts there, Shameel. ARPU seems to be coming down as well, so they are not necessarily the lowest spending customers who are going out.

Shameel Joosub

The ARPU part you must just be careful of ARPU in total versus last year because remember you have the bigger base now. Last year you had that massive increase in ARPU, remember, because of the volumes and the big comp that we're battling against. So I think it's more important to look at quarter on quarter than it is to look at year over year.

Myuran Rajaratnam

Sure. The trend line seems strange to me.

Shameel Joosub

Quarter on quarter was 0.5% difference in ARPU.

Myuran Rajaratnam

If you normalise for everything that went wrong, right?

Shameel Joosub

Well, not for everything that went wrong. Quarter on quarter, so basically it's more when you take – we're saying on a quarter on quarter basis ARPU declined 3.5%. Adjusting for the impacts it was 0.5%. Remember we also decreased prices about 14%.

Myuran Rajaratnam

For sure. Fair enough. My next question is the wholesale revenue grew, which is nice to see. I think JP was kind enough to say it had a 1% boost to the revenue growth in South Africa. But presumably

that didn't come full bang on 1st April. So it came in waves through the quarter. Is it fair to assume that's just the average improvement, so the exit rate is probably 2% or more?

Shameel Joosub

No, I would say most of the traffic if not all of the traffic is on from 1st April. Remember it came in already from 1st March, so you've had a full quarter of revenue.

Myuran Rajaratnam

Okay. That's helpful. Thanks. The next one is a quick one in Airtime Advance. It's a phenomenal product; there is no doubt about it. You have 46% of your prepaid revenue coming through the Advance programme. Is there a limit to this? It keeps growing, and actually it seems to have grown even more robustly lately than in the past because it's growing off such a big base. Just some thoughts on that please, Shameel.

Shameel Joosub

Look, I think to be honest with you in terms of 46% or 47%, I think we exited the quarter on 47% of airtime going through it. I do think there is a limit on the one side. If we think about it a bit more simply, 47% of the people are borrowing airtime before buying airtime, which is interesting on the one side. The benefits that flow from it are a couple of fold, right. One is it increases your active days, so that helps us a lot. The second thing is that we keep reinventing the Airtime Advance. Why the growth is still coming is what we're doing now is initially it was low balance or no balance. If you didn't have money, we lend you some.

4 million times a day someone tries to buy something and doesn't have money and we extend an advance. The interesting part is that now what we do is what we call partial bundle completion. So if you've got R5 in your wallet we push you a R10 bundle. We basically lend you the R5 increment. That has the ability to do two things. One, it's pushing up spend. So a lot of the benefit also comes through in telco of this product. But secondly, it increases your active days because that bundle could be for another seven days, or another two days or three days or whatever it is. So it increases your activity as well. That's why we're putting a lot of focus on Airtime Advance not just in South Africa but in all our markets to make sure we can get the same benefits that we've had in the South African market. I think that's an important part.

The other interesting thing is there are 17 million customers provided provision, but only 10.8 million that are using the service. So there is still growth there in terms of potential customers that would use the service. But to be honest, I wouldn't get too carried away because I think 47% of airtime is big. That's the one part. I do think over time it does slow down. That said, the same functionality would be used for things like Voucher Advance which will create another growth trajectory for the Nando's burgers. Of course a lot of those things will come to light in the VodaPay platform.

Myuran Rajaratnam

It sounds like a very clever product, the advanced airtime and the changes you're making. Just a last one. The government contract, when do we start seeing some impact from it? I'm talking about the post-paid one. Thanks. I'll leave it there.

Shameel Joosub

Look, to be honest I think we'll be able to give you better colour at half year and then through the year in terms of impact. It's still early days on the government contract. I think we're very comfortable with the competitiveness of the offerings that we put forward. But remember every department now, all 460 odd of them, have to decide to renew or change. And of course they will do it with different timelines. We will be able to give you more at the half year.

Myuran Rajaratnam

Perfect. Thank you so much.

Shameel Joosub

Thank you. The next question is from Nadim Mohamed of SBG Securities. Please go ahead.

Nadim Mohamed

Good afternoon, Shameel, Raisibe and JP. Just two questions from my side. Firstly, it seems like the turnaround in Vodacom international was quite broad-based. I see voice revenue up as much as 7.6% on a normalised basis. I was wondering is that because of an economic recovery in those markets, or is it due to specific interventions that you've put in place in those markets? Secondly, we came across the M-PESA Business Till app. I think this is a very exciting opportunity for M-PESA. I'm just wondering [break in audio] and are you planning to launch it in other markets, even South Africa? I think there could be some relevance here as well.

JP Davids

Nadim, would you mind repeating the second question around M-PESA? We lost you at the end there.

Nadim Mohamed

Apologies. Maybe my connection is not very good. I was just asking about the M-PESA Business till app that was launched last year with merchants. It seems to be scaling up quite well in market. I'm just wondering how far you are on the J-curve in that, and are you planning to roll it out in other markets such as South Africa and some of your other Vodacom international markets as well.

Shameel Joosub

So maybe firstly on your first question on the international revenue, you are right. It is broad-based. Revenue is coming from different areas. I think it is coming from twofold. One is that there is definitely economic recovery that is happening across all the markets. I think a step up across the board in every market in terms of performance. That has come from both voice and data, so a much stronger performance there. But we're also putting a lot of focus using the personalisation engine, the CVM part specifically on voice but also on data. And now we're making sure that the CVM activities also extend to M-PESA.

So there are deliberate actions like morning offers, these types of things, and across the group now what we've done – including South Africa – is what we call an active day focus. So we break the base down into voice active, data active, ten days voice, five days data and so on. So five days, ten days, 20 days on the one axis, and then on the other one axis is voice and one axis is data. And we put that into different quadrants. Basically what we do is we put more targeted offers against those customer bases to try and increase the active days. Because if we can increase the active days by two days across our markets, we shoot the lights out.

So we are that sensitive to the active day piece. So we're putting a lot more focus on trying to drive up the active days in each market because in my simple view no customer puts a phone into their drawer at all, not even for two days a month. If anybody is less than 30 days active or 28 days active, then effectively they're using somebody else's network. So how can we then counter that by putting compelling offers? So if we know you're only ten days active, by day seven we have to come up with a compelling offer to extend that usage. And using the AI tools and making them work a bit harder in that respect, we think we can achieve better results. So that's a key focus for us.

I think as far as M-PESA goes I think the opportunity is still huge, right. If you look at the contribution to service revenue, it's around 20%. So there is still a huge opportunity to grow in terms of revenue going forward where we should be able to grow the financial services portfolio high teens, early 20s I would say for the foreseeable future. So I think that portfolio will grow continuously. That said, we are also targeting it from two segments to a point. The one segment is the consumer part, and therein comes the lending, the loan marketplaces, making sure the full ecosystem of products are available, the new app, the mini app capability and so on. So that's one bucket. And the use of big data analytics and CVM is on the consumer side.

On the merchant part or the enterprise part I think the merchant app becomes a bigger play in the M-PESA markets. So we're rolling that out to all the markets as well and putting more focus on it. I think the strategy in that regard is very well defined in Kenya and in South Africa. In Kenya where we have 300,000 odd merchants as at March, that's been a big play for us. And the other markets have been lagging on the merchant part, so we're putting a lot more focus on that and growing the merchant products through the merchant app and so on. That merchant app that you've seen is of course from M-PESA Africa.

Then in South Africa of course we've got a very well-oiled ecosystem where we have point of sale devices which we are now rolling out and scaling up, the loans we are extending from the point of sale devices, the business advances from R10,000 all the way to R1.5 million. Then of course the VodaPay platform where you can order from all the FMCG companies through the platform. And we have now introduced invoice financing which will be new. All of these products help to create the ecosystem that we're pushing, which is the two-sided ecosystem of both merchant and consumer.

Nadim Mohamed

Thank you so much. It sounds very exciting on the merchant side as well as the consumer side.

Shameel Joosub

Yes, definitely.

Operator

Thank you very much. Sir, we have no further questions in the queue.

Shameel Joosub

Okay. If there are no further questions, thank you for joining today's call. If there are any other questions that you may have, please reach out to the Vodacom investor relations team. Enjoy your weekend. Thank you.

Operator

Thank you sir. Ladies and gentlemen, that then concludes this event and you may now disconnect.

END OF TRANSCRIPT