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Conference Call Transcript

18 May 2021

ANNUAL RESULTS ANALYST CALL

Operator

Good day ladies and gentlemen and welcome to the Vodacom Group Ltd results conference call for the year ended 31 March 2021. Vodacom Group CEO, Shameel Joosub, will host the conference call. Before I hand over the call to Shameel I would ask that you refer to and familiarise yourself with Vodacom's forward-looking disclaimer. This is set out on slide 43 of the annual results presentation and can be located on www.vodacom.com. Alternatively, if you would like a copy of the results announcement or presentation sent to you, please email investor relations 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 conference is recorded. I would now like to hand the conference over to Shameel Joosub. Please go ahead, sir.

Shameel Joosub

Good afternoon and good morning to those joining the call from the US. I'm joined by Group CFO, Raisibe Morathi, as well as our Head of Investor Relations, JP Davids. Our purpose-led business shapes our outlook and our strategy as we connect for a better future. The purpose is evident from our response to COVID-19 with the Vodacom Group in the forefront of helping governments curb the spread of COVID-19 where we operate. We swiftly responded earlier this year to strategic partnerships with the likes of Discovery Health and Microsoft in a wide range of initiatives including free devices and airtime for health workers, accelerating support to government by donations of handsets, connectivity and medical equipment, and making contactless payments more accessible through zero rated services and expanded M-PESA ecosystem to address social distancing challenges.

Alongside the Vodafone Foundation we recently announced an R87 million financial pledge to support access to vaccines, rollout of culture and technology, and provide logistics support to ensure the safe delivery of COVID-19 vaccines to vulnerable and hard to reach communities in South Africa, DRC, Lesotho, Mozambique, Ghana and Tanzania. We have partnered with the African Union to build digital infrastructure to manage the distribution of COVID-19 vaccines in up to 55 countries following successful deployment in South Africa and leveraging our mVacciNation platform. For those of you who are not able to join our webcast this morning, I encourage you to download our announcement and slides to get a better sense of our COVID-19 interventions.

Also this morning I will provide an update on our strategic progress, notably our accelerated evolution from a TelCo to a TechCo. Vodacom has a track record of innovation and evolving its business model to capture growth. As evidence of our progress, we are already positioned to generate a 360 degree view of our customer, enabling an ecosystem approach to product development. We believe our product suite and strategy gives a sustainable system of advantage. From here our strategic journey gets more exciting. In the coming years we will build on our TechCo foundations to adopt a lifestyle approach to serving our customers. We have and are introducing more and more offers that are powered by big data, supporting new revenue streams as we embed ourselves into the lives of our customers and personalise to the segment of one. After all, technology is nothing without humanity.

Our strategy and purpose-led model was clearly evident in our financial and operational performance for the year. At a high level and considering the magnitude of challenges arising from the pandemic – the data price cuts we effected from 1st April 2020 in South Africa, and the zero rating of person to person M-PESA transfers across most of our international markets – it is really pleasing that we were able to deliver such a strong group performance. As I move into the review of our performance for the year where relevant I will call out normalised growth which excludes M&A and the translation effects of foreign currency.

At a Group level we reported strong service revenue growth of 5.8% with revenue up 8.3%. This pleasing top line growth reflects the resilience of our business model, strategic execution and growth in new services, which includes fixed, IoT, digital and financial services. Revenue growth filtered down the P&L and I'm happy to report that our ordinary annual dividend grew 5.1%. We added 8.2 million customers in the Group including Safaricom to reach 123.7 million. Data customers represent 50% of this base and amounted to 62.4 million. We now service almost 58 million financial service customers across the Group, up 12.9% year on year, representing 47% of our customer base.

Digital and financial inclusion is key focus areas for management and included in our remuneration scorecard from this financial year. Our commitment to financial inclusion was demonstrated by our intervention in M-PESA where we provided free person to person transactions across most of our international markets to facilitate economic activity during the most disruptive periods of COVID-19.

This intervention impacted our revenue by R2 billion including Safaricom, but was clearly the right thing to do for our customers. Headline earnings per share were up 3.7%, subdued by the performance of our international operations and Safaricom and the associated intervention from free P2P transactions. We invested R13.3 billion in network infrastructure during the year, ensuring the resilience of our networks to cope with the significant increases in mobile data traffic volumes.

Let's now look at it from a product level. New services, which comprises fixed, IoT, digital and financial services, continue to scale rapidly. In the interests of time I will focus on financial services. Including Safaricom on a 100% basis our financial services portfolio generated R19.3 billion of revenue in the financial year, contributing 17% of combined service revenue. While our P2P interventions negatively impacted revenue growth, it supported midlife platform economics. This is evident from the massive growth in transaction value across the platform. We now process a monthly M-PESA transaction value of $24.5 billion, up 63.5% year on year. This platform expansion sets up a very exciting growth outlook for M-PESA, and this is borne out by the growth that we've seen in the fourth quarter with all the entities now generating again more than 20% growth year over year.

Then to enhance our disclosure on financial services we provide additional colour in our presentation of proportionate revenue and profit before tax. This is especially relevant when comparing FinTech valuations to market cap. On a proportionate basis we generated R10 billion of service revenue from financial services in the year. This equates to 12% of proportionate service revenue. We expect this contribution to scale materially with the upcoming launch of our lifestyle super app, VodaPay, in South Africa. From a profitability perspective the low cost intensity profile of financial services means that it generates a higher profit margin than our core mobile business. In fact, 17% of our Group's proportionate profit before tax comes from financial services at a PBT margin of around 40%. This equates to R4.4 billion or very close to $300 million. The value of our financial service assets is not recognised by the market over time we will need to look at ways to optimise this portfolio including partial monetisation to better reflect the underlying value of these assets.

Shifting focus to South Africa, in the contract segment we gained 133,000 customers since March, supported by our multi-product approach to both consumers and business. Vodacom Business including wholesale had a particularly strong year, delivering growth of 11.3% to R15.9 billion. In addition to mobile and fixed connectivity and wholesale solutions, Vodacom Business' tailored service offers are class leading and play in high-growth areas like cloud, hosting, managed security, managed services, geospatial fulfilment and IoT.

In the prepaid segment mobile customer revenue increased by 8.5% supported by increased usage of connectivity and digital services and the accessibility of airtime via our Airtime Advance product. The usage of these products was supported by a successful summer campaign and our new behaviour loyalty programme, VodaBucks. Since launching in September 2020 our loyalty programme has attracted 24 million unique customers in South Africa who earn, bank and spend their VodaBucks via our My Vodacom app. We've already given away a retail value of over R6.5 billion in lifestyle rewards to our customers.

Personalisation remains a key focus area for us, and this is core to our pricing approach. We sold 1.2 billion data bundles this year, up 15.8% year over year. I'm encouraged by this behaviour as it means we are making data more affordable, but also the customers are truly growing into higher data usage. Data traffic increased 55.6% through the year with the number of smart devices on our network up 9.5% to 23.2 million customers now using data or using smart devices. Average usage per smart device increased by an impressive 39% to 2.1 GB per customer.

Financial services in South Africa continue to perform well with revenue increasing 18.9% to R2.4 billion for the year. 10.8 million customers have made use of our Airtime Advance platform this year, which has supported accessibility and inclusion. In the fourth quarter Airtime Advance amounted to 43% of total prepaid recharges. That means that 43% of the time people lend airtime from us before buying airtime from us. Our insurance revenue increased 14.2% with policies up 8.3% to 2.1 million as we continue to expand our portfolio of products. EBITDA grew 5.7% while margins contracted 1.7ppts to 40%. EBITDA growth was supported by strong service revenue but moderated by COVID-19 related bad debt and investment into future growth areas such as our 5G roaming deal with Liquid.

Our international operations reported muted service revenue growth of 1.6% in the year reflecting disruption to our commercial activities and pressure on consumer spend due to COVID-19, our zero rating of person to person M-PESA transaction, and the impact of service barring in Tanzania due to biometric registration compliance. Service revenue declined by 1.9% in the year, normalising for foreign exchange impacts. Consistent with our guidance we did see a clear improvement in normalised growth through the year and delivered positive 4.3% service revenue growth in the fourth quarter. EBITDA was up 1.2% as margins recovered in the second half, offsetting the margin decline in the first half. The full year margin, which was flat year on year, reflected disciplined cost containment despite inflationary cost pressures.

Data services remain a key area of growth in this segment with data revenue up 11.8% to R4.1 billion. We added 661,000 new customers to end the period at 20.6 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. M-PESA revenue was impacted by the free person to person transactions but still grew at 13% to R4.5 billion. In the fourth quarter with the reimplementation of person to person fees, normalised M-PESA revenue grew 21%. We added 1.4 million M-PESA customers in the period to 16.1 million customers, a growth of 9.6%. Only 47% of our customers are using M-PESA, again highlighting the opportunity for growth.

Wrapping up my financial review, our associated holding in Safaricom contributed R3.5 billion to operating profit, up 2.5% on a normalised basis. Safaricom's results reflected a challenging year and were impacted by depressed economic activity and the material impact of free person to person M-PESA transactions related to the COVID-19 pandemic.

Positively, free person to person transactions supported accelerated platform growth for M-PESA with customers up 13.6% and the total annual value of M-PESA transactions up 58% to an equivalent $202 billion in Kenya. This platform growth and the reintroduction of P2P fees on 1st January 2021 resulted in M-PESA service revenue growth recovering to 21.2% in the fourth quarter. This represents a clear step change from the M-PESA revenue decline of 14.5% reported by Safaricom at its interim results for the six months ended 30th September 2020.

Looking ahead we are very excited about the growth potential of Safaricom and our overall M-PESA business. In the medium term, the VodaPay super-app sets the bar even higher for M-PESA and we intend replicating this lifestyle app approach across our M-PESA footprint. This ambition is captured in our 2025 ambition for M-PESA, which is to develop the platform into Africa's clear fintech leader.

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 in the delay to the spectrum ITA and we are hopeful that the process can resume as soon as possible. We see the assignment of spectrum being instrumental in the data pricing dynamic of our largest market.

The government of Ethiopia through the Ethiopian Communications Authority issued a final request for proposals on 5th March 2021 for the award of two full service mobile licenses in Ethiopia. On 26th April the Group participated in the consortium led by Safaricom Plc bidding for a mobile license in Ethiopia. Shortly after the Ethiopian Communications Authority confirmed that our consortium, called the Global Partnership for Ethiopia, was one of the two qualified bidders. We await feedback from the Ethiopian authorities on the final outcome of the process. Raisibe and I are now ready to answer any questions you may have.

Operator

Thank you sir. 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 Maurice Patrick of Barclays. Please go ahead.

Maurice Patrick

Afternoon. Thanks for taking the question. Shameel, to your point about monetising M-PESA, at Vodafone Nick Read was asked on the call this morning about that. He seemed to push the idea back around selling a stake in it despite Airtel doing it and MTN talking about it. In your comments today you say the market doesn't reflect it, that you might look at it. Can you give some thoughts in terms of what you mean by that? Is there a time horizon? How long would you think about it and what structure it might be in? That would be helpful. Thank you.

Shameel Joosub

Sure. Look, let me start off by saying that being the largest fintech provider and having such a big presence I think is a huge asset in our stable. I think that's hugely positive in that regard. I'd say we probably get some of the benefit of that into the Safaricom share price – I wouldn't say all of it – reflecting the true potential of M-PESA and the multiples that you can get on financial service assets. But of course a better reflection of that is in Safaricom than we see in the Vodacom share price. Now, the growth potential of M-PESA and financial services in South Africa is huge when you consider where we are today and the $1.3 billion that are being generated by financial services, and also the growth potential where we see this being able to grow in high teens for the foreseeable future.

What we have decided to do is on one side strategy. We are growing out the platform. We have created a base for Africa. We are putting the focus on it. We are busy making sure that all the markets have implemented the product road map which is lending, which is payments, which is merchants, and essentially growing that part. We are creating some exciting partnerships that we will announce in due course. That allows us to extend the platform even further. So that's on the one side. We're doing the same in South Africa, but essentially here because we haven't implemented the M-PESA platform we have less restrictions, and therefore the partnership with Alipay to launch the full Alipay platform becomes hugely exciting. It's a window of what we're going to do with M-PESA.

As we grow the smartphone penetration, and now that we've basically built and implemented the platform for South Africa, that gives us the capability to then take elements of that platform and then replicate that – of course with Alipay – into the international markets and leverage off that as we move into a more e-com world, but also give our merchants the ability to expose their products in an e-com world and sell beyond their immediate geographical areas. Remember in M-PESA today you're walking into a store and you're paying for services. This takes you into an e-com world. So the beauty of it is you're going to have both sides of the platform. You've got the physical world, the offline world, and you're covering the online world. I think that's where it becomes really exciting going forward.

And of course the sophistication and AI machine learning and the investments we've made into big data and so on becomes quite compelling going forward. So that's the strategy. We want to grow the M-PESA business. What we've also done is created optionality, sometimes because of regulatory and sometimes just opportunistic, where we've actually put all the financial service businesses into separate companies across our footprint. So they are in separate entities. An example would be in South Africa. It's a separately managed business with its own CEO, and its own board of directors, and its own regulatory requirements and governance and so on. So we've set that up properly. We've done the same in each of our markets. And then of course we've set up M-PESA Africa as well. So it gives us optionality.

We would like to see the market, to be honest, give us credit for it and that the value is reflected in our share price. If at a later stage that's not happening, then we need to consider our options. But at least we have optionality. We think it's too early to have that conversation now. Maybe two or three years down the line it would be a different conversation. We still want to unlock. If you do it early, yes, we know we can get multiples of 25x and upwards. We've had unsolicited offers coming through in that regard. But we're not in that space yet. We want to grow the business more and then decide whether we want to look at this optionality or not. But hopefully you guys will give us credit for it and we won't have to have this conversation.

Maurice Patrick
That's super helpful. I think you've carved out into a separate company now, haven't you? The process of doing it shouldn't be too onerous I guess.

Shameel Joosub
No, it's already done. We set it up about two years ago in the international markets. So for various reasons we've had to create them as separate companies. And then of course M-PESA Africa is a separate entity itself from where we do all the product development, and Vodacom Financial Services has various different companies housing our insurance assets and so on with its own board of directors and governance and so on as well.

Maurice Patrick
Okay. Thank you.

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

Jonathan Kennedy-Good
Good afternoon. Firstly on VodaPay, I'm just trying to understand the strategic thrust here. It seems to be given the super-app status that it's targeted more at the mid and upper tier and smartphone users within the base. I'm just trying to understand whether there's a strategy that deals with the unbanked, I suppose similar to what the M-PESA product does through Africa, and whether that requires opening up mobile wallets in South Africa. I seem to recall last time around there were FICA regulation issues with opening bank accounts etc. I'm just trying to understand whether those have been resolved, or whether it's not particularly important to the strategy.

Shameel Joosub
Remember what the platform is. Firstly, you always have a sponsor bank. So the deposit taking institution will always be a sponsor bank. That is always inherent in the platform, not just in South Africa but throughout the M-PESA world as well. And essentially that's what we will have. That will be there. You will have your own store value within the app. you can do various different things to fill up the wallet. You can link your credit card, you can do an EFT, or you can go and put cash down and transfer it in one of the retailers into the wallet itself. You are right that it is dependent more on a smartphone world. We will be targeting the smartphone world, but remember we are also growing the number of smartphones and basically penetrating more and more of that base as well.

We do have certain of the benefits that will flow outside of the platform. Things like your airtime advances and some of your vouchers and so on we will still do outside of the platform itself. But remember the feature can also work on 3G smartphones. It can work on smart feature phones. So we will be penetrating the base, and as I said earlier we've got 23.2 million smart device/data users, so that's where we will attack first if you like.

Jonathan Kennedy-Good

Thank you. Then just an operating question from my perspective on the post-paid revenue strength in the fourth quarter. It looked extremely strong, roughly 10% in South Africa. I'm just wondering what your thoughts are into this quarter and the first half, how the data price cuts are impacting the growth in that post-paid contract market and whether the volume growth has been more than enough to offset the price cuts, particularly in light of the tougher base you face now.

Shameel Joosub

A lot of the growth in the fourth quarter also came from enterprise. We had a very strong fourth quarter in contract in enterprise, so I think that was very positive. And of course having made a couple of good wins in that respect with corporate clients. In terms of the impact of the data cuts let's just say we're comfortable that we will through elasticity offset the decline from the 14% price decline that was implemented on 1st April. We should be able to offset that with data elasticity. So you will have maybe slightly – there will be a bit of a step down on a normalised basis from the price cuts, but then remember you've also got the Cell C revenue coming in for the first time which will help to offset that.

Jonathan Kennedy-Good

Thank you. That's very helpful.

Operator

Thank you. The next question is from Alistair Jones of New Street. Please go ahead.

Alistair Jones

Hi. Just a couple of follow-ups from Jonathan's questions. Just on the post-paid revenue, you said a lot of that came from enterprise. Are those one-off projects or is that ongoing? It looked like a very big jump up in the first quarter, so I'm trying to understand if it becomes a little bit more lumpy as you get more corporate or enterprise revenues or if it's sustainable at this new base level. Then the second question is just following up on the elasticity question. My understanding is that data traffic growth was around 27% in the final quarter. Given the price cuts that happened this time a year ago [break in audio] less than 20%. So it suggests your data revenues – I know you don't disclose that – is looking at low to mid-single digit growth. It looks like the elasticity has been subdued recently, which you can understand. But going forward what do you think is going to drive that growth in terms of [break in audio].

Shameel Joosub

Okay, so just to be clear, in the contract segment remember essentially you've got a lot of your new services also coming through. So a lot of the enterprise revenue is coming from wins, but the wins are also coming through from things like cloud, IoT, fixed services. So the revenue is flowing, and these are recurring revenue services, so they're not once-off. They do reoccur and they are reoccurring services, so the strength in enterprise and the revenues in contract will continue. That said, of course there are the price cuts which you have to take into account when you look at the contract segment. But then of course we do expect the elasticity of that to come through.

Now, when you look at the 27% year on year growth in the quarter we did have a very high comp last year, and so that has factored into the numbers. Going forward of course we still think traffic will grow strongly. We see traffic growth in the 30s and early 40s going forward, so we don't think that the traffic growth steps down. And if we look at the average usage per customer it's up 39% to 2.1 GB - we still think this is low given the trends we're seeing around the world. So there is still a lot of growth to come. So for me 30% to 40% growth per year is what we should be achieving on a per customer basis.

Alistair Jones

Great. Thank you.

Operator

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

Myuran Rajaratnam

Good afternoon guys and thanks for the opportunity. The first one is just a clarification on slide 29 your medium-term guidance. Next year's outlook – well, the current year I suppose – you say operating growth is impacted by phasing of growth in South Africa, the first half versus the second half. What do you mean by this? Does it mean the same thing it meant a few slides back where it's back end loaded? What does it actually mean? That's just a clarification. I've got two questions as well.

Raisibe Morathi

Thanks for that question. So the call out on phasing comes from the base where in 2021 we did see EBITDA growth of 9.9% in the first half versus 1.8% in the second half. And that shape was informed by the opex which is more skewed towards the second half. That opex is as a result of a publicity campaign for the summer season and also some deferral of spending from the first half. So, the shape of operating profit growth in FY22 is expected to be impacted by the shape of the comparative year, being FY21. Whereas in our international markets the shape is the other way around because their first half was more affected by the P2P being zero rated for a portion of the first half. And that zero rating ended effectively on 31st December for all the markets.

Myuran Rajaratnam

Thank you Raisibe. My first question is just on the competitive dynamics in South Africa, but specifically data. Recently we've been seeing Cell C back in the game with aggressive offers. Telkom has always got some really good data bundles and SIM only deals. And recently MTN came out with some discounted weekly and daily bundles. So how are you seeing this data environment? Like some of the previous callers seemed to suggest, the growth is tapering a little bit perhaps on the revenue side on the data side. Is this not the case? What is the competitive dynamic like, Shameel?

Shameel Joosub

So I think realistically there is always competition and you will get aggression from Telkom as it tries to find its space all the time. There are offers that you respond to and there are offers that you don't. So we will never be at the same price as Telkom. Let me be straight up about that. But we do believe that we can command some price premium, and if we're in the hunt – as I like to call it – when it 10% or 15% more expensive we can still gain those customers. So we monitor all offers and we respond differently to some of them. So some of the offers that are out there we have responded to or will be responding to in the coming weeks.

We also don't respond to every offer because I think people have to have their day in the sun as well. But if these offers are more permanent and not promotional, then of course we do respond. But we always work from the premise of much more for more. How can we get more from the customer and give more value to the customer? I think one of the powerful tools that I'm not sure people fully recognise, I think our big data and machine learning capability and the Just 4 You platform is a powerful tool across our markets that our competitors don't really have the full capability. They have CVM, but we keep evolving and we keep giving ourselves an edge, and I think that benefits us across our markets.

Myuran Rajaratnam

The last question is capex and quality of network related. You spend about R10 billion of capex in South Africa, give or take. And you also have the facility to roam on Rain and Liquid. But some of the speed tests by various authorities seem to suggest – I hope I'm not being unfair here – you're falling a little bit behind the network leader at the moment. Is it something that is affecting? How are you dealing with it? What is the strategy around network speed and quality of service and things like that? And is this becoming a hurdle in terms of recruiting customers on the data side? Thanks.

Shameel Joosub

To be frank with you, you need to separate between what I call the ego world and the real world. What do I mean by that? To win a test you can always concoct different things to be able to do it. I think what's important is what we measure carefully, the actual customer experience. And we use things like Facebook Analytics and so on to be able to do competitive analysis of how we compare to competition by region. So when you look at it, in most regions in the country, we lead on voice completely. And on data it is fair to say that MTN have a slight lead.

But to be frank with you, some of these tests, honestly the customer is not really concerned about who is faster or slower. You're more concerned about does the service work, and does it work to my benefit. So you get into this where you've got bragging rights. That's the ego part versus the reality. I am cognisant that I taught some of these people how to boast, so I will take responsibility for that. But I think that's the important part. From a network quality perspective it's not affecting us. What we are carefully measuring of course is quality of service, making sure that we're putting in capacity proactively, that we're putting in the network fast and so on.

The issue for us at the moment, to be honest with you, is not so much the speed of MTN. It's more the power issues. That's what we're trying to make sure that we're dealing with. That is playing a bit of havoc. It is coming out into the numbers. Raisibe would have talked about it. You're putting in batteries. You're putting R1 billion into batteries which you're depreciating over three years versus eight years. That is causing an extra depreciation charge on the income statement. It whittles down your results. These are the types of pressure points that I think are more important. And of course we carefully monitor NPS and so on. It is fair to say I think we clearly lead on coverage. We clearly led on voice. And MTN have a slight advantage on data speed, but not data quality.

Myuran Rajaratnam

Great. Thanks for answering my questions. Thanks for being frank as well.

Operator
Thank you. The next question is from John Kim of UBS. Please go ahead.

John Kim
Hi everybody. Good afternoon. Two unrelated questions. First, on the presentation this morning you did lay out targets for service revenue growth outside of core telcos. Can you help us unpack the 2024 and 2026 targets? Conceptually how much of that should we be looking for from South Africa versus the international operations? And how much of that is broad based, what you might call basic mobile money services like M-PESA, versus a higher-end product like an Alipay VodaPay sort of application in South Africa? A second question on the cost structure. Can you help us unpack the growth in cost particularly in SA as we head into H2? And what do you see as one-time versus perhaps a new cost base as we go forward into 2022? Thanks so much.

Raisibe Morathi
Okay, so in terms of the first question the forward look our guidance shows how we intend to grow beyond model services from around 17% today towards and then past 30%. While the group is at 17% of service revenue from beyond mobile, South Africa is at 14%. Our IB Markets are at roughly component growth at roughly 27%. Taking the fourth quarter as a proxy, IB is growing these new revenue streams like M-Pesa at roughly 21%. And in the case of South Africa, new services are growing at 17%, with financial services at 19%. We expect both of them to continue to grow at a pace which is similar to those levels. Of course the augmentation from the super-app is what is creating a sustainable base at those levels.

In Rand terms South Africa service revenue from financial services is roughly around R4 billion, so it is quite a chunky amount even though it is dwarfed by the size of the mobile operations. So even though it is 4.2% it is a business that is quite credible. Then when you look at the penetration in the different markets, the penetration in South Africa still has a lot of room. Airtime Advance currently contributes towards 43% or prepaid top-ups. We think there is still potential for growth. Insurance policies, again lots of room for growth. And the lending component is still pretty much a new business and we see that continue to grow as the super-app comes to life and people are able to buy things from an e-commerce platform. Then in that 17% contribution of beyond mobile, M-PESA will continue to deliver relatively fast growth.

So moving to your second question about the cost of Liquid, this is similar to Rain in terms of securing the roaming capacity, from a 5G perspective. The roaming costs related to Liquid stand out because we don't have any revenue that has been booked against it. We do anticipate that we will start booking revenue going forward, in which case the EBITDA impact should reduce over time. So I would say not so much a once-off but more around the timing for monetising that roaming capacity. Of course we see it as a long term investment in securing roaming capacity in the context of the delayed spectrum in SA as the ITA has now stalled.

John Kim
Sorry if I missed it, but what is the timeline to breakeven on those revenue streams or costs?

Raisibe Morathi
For Liquid?

John Kim
For any kind of network capacity, Liquid, Rain agreements.

Raisibe Morathi
Rain is already sitting with the revenue that helps offset the costs incurred. And then Liquid from FY22 we will start booking revenue.

John Kim
Okay. Helpful. Can we Segway to the financial targets?

JP Davids
Sorry, John. Did you miss some of the commentary on the financial targets?

John Kim
Yeah, I did. Sorry. At a high level is it broad based, or is it going to be concentrated in South Africa?

Shameel Joosub
I think it's more broad-based. I think what Raisibe has tried to do if you look at the slides is to show the growth profile of where the revenue is going to come from going forward, and the make-up of the new services, and how that grows exponentially. So you will see from fibre, to financial services, to IoT, to things like cloud and fixed services and so on are all growing exponentially in all of the markets with high teens, early 20s growth. So it is broad-based. We have given you colour in the slides of what that looks like in 2024 and 2025 going forward so that you will be able to extrapolate out from there. I think you can look at the growth rates that we're achieving and then of course

extrapolate that out. The services should continue to grow strongly at least high teens, early 20s for the foreseeable future.

John Kim
Okay. Thank you.

Operator
The next question is from Georgios Ierodiaconou of Citi.

Georgios Ierodiaconou
Good afternoon. I've got a couple of questions mainly on your strategy considerations. You outlined during the presentation your options on fibre. I was just curious if you could go into more detail as to how you are thinking of the different options, whether there have been any infrastructure funds that you have been in touch with in terms of how you could perhaps structure some off balance sheet vehicles. And then similarly for towers, I believe one of your main peers is more minded towards the sale of these assets. But I was wondering whether you are seeing any strategic rationale in pooling together resources on towers and having a double MSA TowerCo similar to the ones we've seen in Italy for example. I was just curious because obviously Vodafone Group is moving in that direction in Europe, whether it's something you are considering perhaps as an option in your footprint. Thanks a lot.

Shameel Joosub
I think it's a very good question. A couple of things. I think firstly from a fibre perspective as you've seen very strong growth, 145,000 end-points passed, over 100% growth in the fibre to the home category. So it has been growing very strongly and I think we're quite pleased with the results. That said we do want to increase our fibre presence. I think strategically there are three options on the table, and effectively we're currently in the process of finalising which one we will pursue this year still. One is of course increased investment into the fibre vehicle. That's one. Two is basically externalising our assets into a vehicle, bringing on developmental funding into that vehicle. Yes, we have been in touch with entities that are willing to partner with us in that regard. And then of course use that opportunity to grow our more fibre to the home and fibre to the business in that regard.

And we've already done the work of separating our assets. We run it already as a separate division, so very easy to move into a separate company. And then of course across the internationals we are looking at partnering with developmental companies to essentially put more focus on fibre to the home and fibre to the business going forward. And we will be looking for a partner in that regard to extend fibre to the home and fibre to the business as the demand for it grows. So it won't be millions of houses. It will be so that we're there to capture the demand as the demand grows, so that will be the intention going forward and some more focus on fibre in the years to come in terms of strategic rationale.

In terms of towers we've taken a lot of the learnings from Vodafone and we're staying quite close to what's happening and drawing different lessons from within the Group. Our first prize of course is what we're going to do is – we will start in South Africa – move the towers into a separate vehicle. We will look at opportunities to partner. We agree with you that if there is an opportunity to basically put the towers together with another big player there is opportunity there. And that will increase tenancy, so we do see the strategic rationale for that and we will take that into consideration as we pursue it. We're not going to run out and do some strange things. Of course it will be very considered. As you know, we are quite conservative.

Basically the first step is to set up the TowerCo as such, externalise the assets, make sure that we've got the right, that we're achieving all the opportunities. And if there is a partnership opportunity we will definitely look at that, but also look at opportunities around maintenance and so on. The whole purpose us increased tenancies, increased focus on the towers, seeing it as a separate asset and making sure that we can get the full benefits from that. And that's the same approach we will then replicate into the other markets. First prize always is see if you can't partner and create a joint TowerCo with another player in the market. But to be clear, we are not in the mind-set of selling off the towers. We are not looking to raise cash as some of our competitors or other players on the continent are doing as they are under cash pressure or debt pressures. We don't have that issue.

Georgios Ierodiaconou
Thank you.

Operator
Thank you very much. The next question is from Sunil Rajgopal of HSBC.

Sunil Rajgopal
Hi. Can you comment a bit about the capex trajectory, especially taking into consideration the delay in the spectrum auctions? How should we be thinking about this year and the next year? Thank you.

Raisibe Morathi

So our capex intensity at between 13% and 14.5% still remains. From a telcos perspective we have always indicated that our capex intensity will remain whether or not we get the spectrum. So from that perspective we will continue to support the current network and look at other opportunities that are available in the market. And of course also to continue the strategy of sharing, in which case it does give a little bit of optimisation from a capex perspective. So the 13.5% we showed you this year with consistent capex spending we expect to continue to be within that bracket as we come into FY22 and basically the medium term.

Sunil Rajgopal
Thank you.

Operator
Thank you very much. The next question is from Nadim Mohamed from SBG Securities.

Nadim Mohamed
Good afternoon. Thanks for the opportunity to ask a few questions. My first question is just on international data revenue. That was up 6.5% for the year while volumes were up about 52%. I just wanted to understand. Is that perhaps due to a lot of pricing pressure in these markets, or perhaps the elasticities you were expecting didn't come through? And secondly, [break in audio] Liquid. I just want to get a sense of how many sites you have rolled out for Rain and Liquid, if that can be shared. Thank you.

Shameel Joosub
Okay. So we don't share site counts for Liquid and Rain. Remember at the moment we're not really using much of the Liquid capacity as yet, but we are picking up the cost as it's a long-term deal. That's the one. We don't share the exact sites on Rain. And it's complicated because there are various different ways in which it works. So we don't provide colour on that. In terms of the international data revenue and monetisation, I think it is fair to say that we did have more pressures in Tanzania specifically around data pricing after the customer deletes and so on. What's positive is that the regulator has recognised the need for a price floor in Tanzania to ensure that there's a continuous investment cycle. It's quite positive for the industry. They were going to do it all at once, and then decided that maybe it's not such a good idea to do it all at once. Now we're looking at a phased approach. But I think what's encouraging is that the rate will go up, and that will allow for better monetisation of data. It's quite a significant increase, so it will allow for better data monetisation through the year in that regard.

Nadim Mohamed
Thanks so much. I really appreciate it.

Operator
Thank you. Sir, we have no further questions in the queue. Do you have any closing comments?

Shameel Joosub
In closing it has been a really pleasing set of results in trying circumstances. Specifically dealing with the effects of COVID-19 crisis of course will be a key priority for us. And we will continue to support our staff, governments and our customers. Thank you for joining us on today's call. If there are any questions you may have, please reach out to the Vodacom investor relations team. Enjoy the rest of your day. Thank you.

Operator

Thank you very much, sir. Ladies and gentlemen, that then concludes this conference call and you may now disconnect your lines.

END OF TRANSCRIPT