VODACOM TANZANIA PLC

Equity Research Update

TICKER SYMBOL: VODA

EQUITY RESEARCH

KADOO Securities

Vodacom Tanzania PLC

Reported momentum, earnings normalisation and the M-Pesa valuation gap

DSE: VODA | July 2026 | Fiscal year end: 31 March

Executive Investment View

TZS 800
CURRENT PRICE

TZS 1,688
BLENDED FAIR VALUE

111%
IMPLIED UPSIDE
vs current price

TZS 102
FY27E EPS
normalised earnings

40.5%
FY27E M-PESA MIX
of total revenue

1. The revenue base has changed

M-Pesa and data are now the structural engines; voice is no longer the centre of gravity.

2. FY26 earnings were distorted

EBITDA strengthened, but RAN-related accelerated depreciation held back reported EBIT and net income.

3. Q1 FY27 confirms normalisation

Depreciation declined YoY while EBITDA expanded, creating a cleaner view of earnings power.

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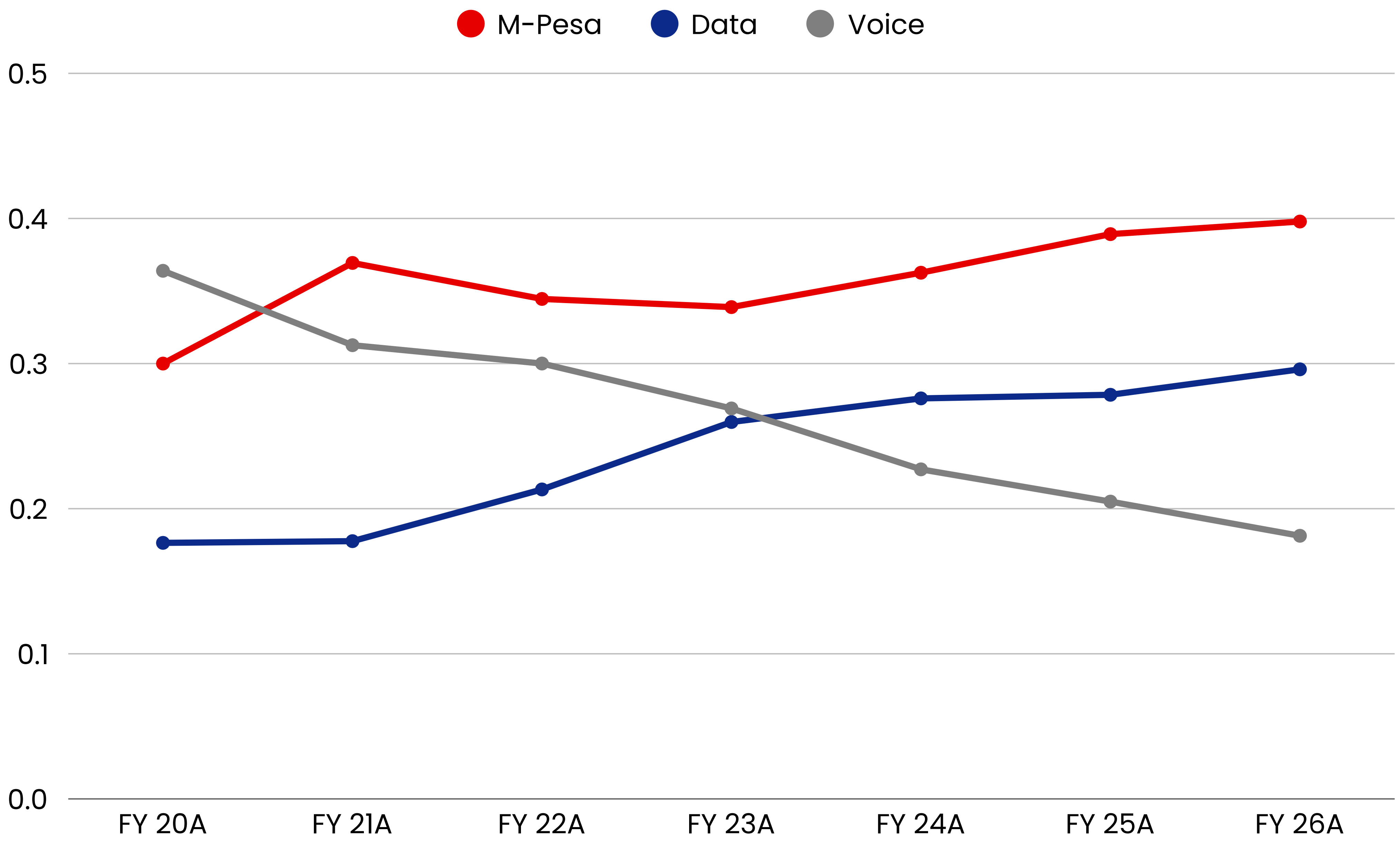
Vodacom has already shifted from a voice-led telco to a digital platform

Service revenue mix, historical actuals



M-Pesa becomes the largest service line

Mix increased from 35.0% in FY20A to 39.8% in FY26A.

Data becomes the second engine

Data mix rose from 17.6% to 29.6% over the same period.

Voice keeps shrinking

Voice mix declined from 36.4% to 18.1%.

Implication: valuation should reflect a mix of mature connectivity and faster-growth financial-services economics.

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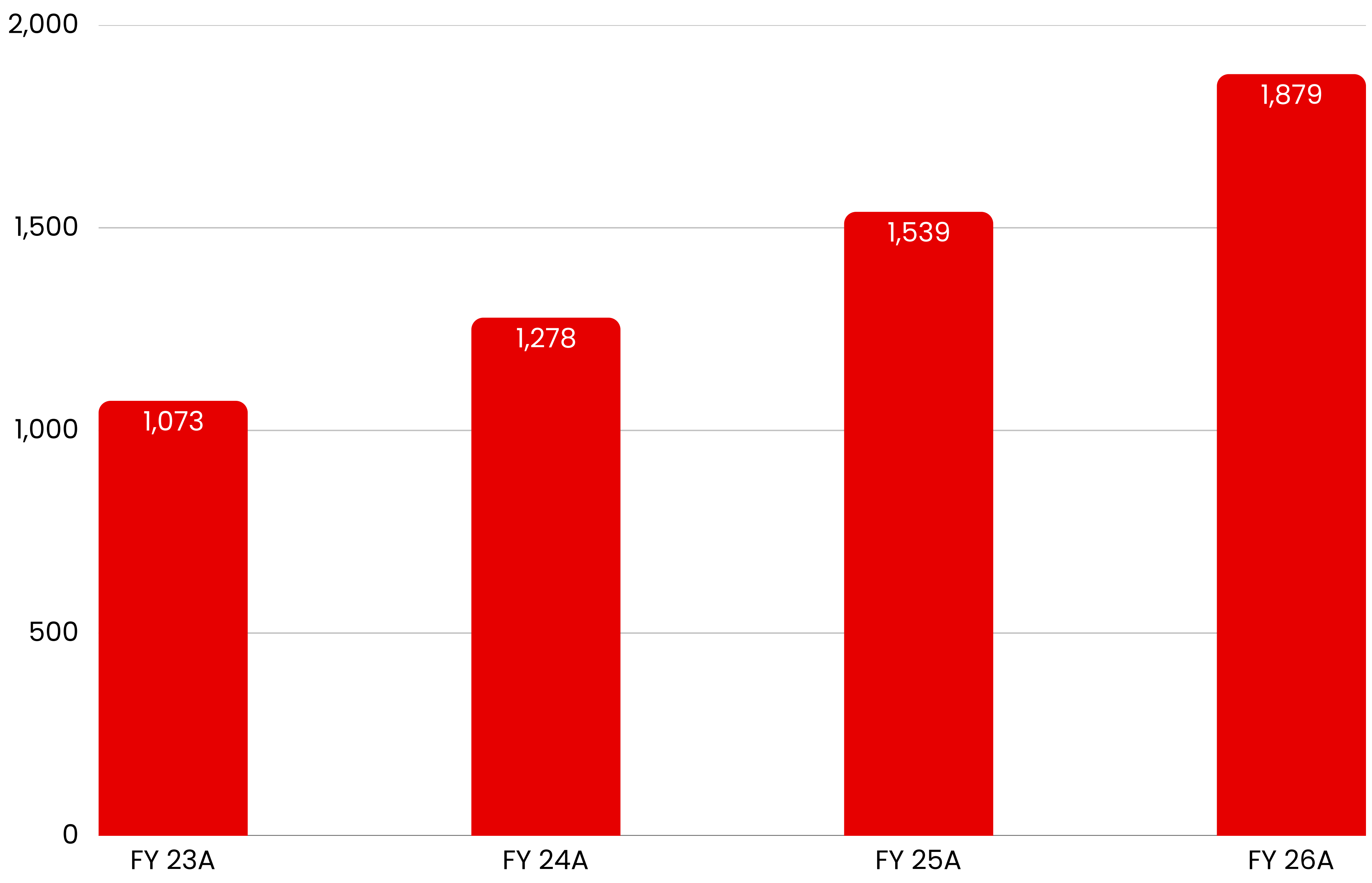
Revenue re-accelerated before the FY27 forecast begins

Historical actuals + Q1 FY27 current trading



TZS 515bn

Q1 FY27 REVENUE

18.2% YoY

TZS 511bn

Q1 FY27 SERVICE REVENUE

21.7% YoY

Reported growth is broadening

The latest quarter supports a revenue-growth story driven by service revenue, not by non-service noise.

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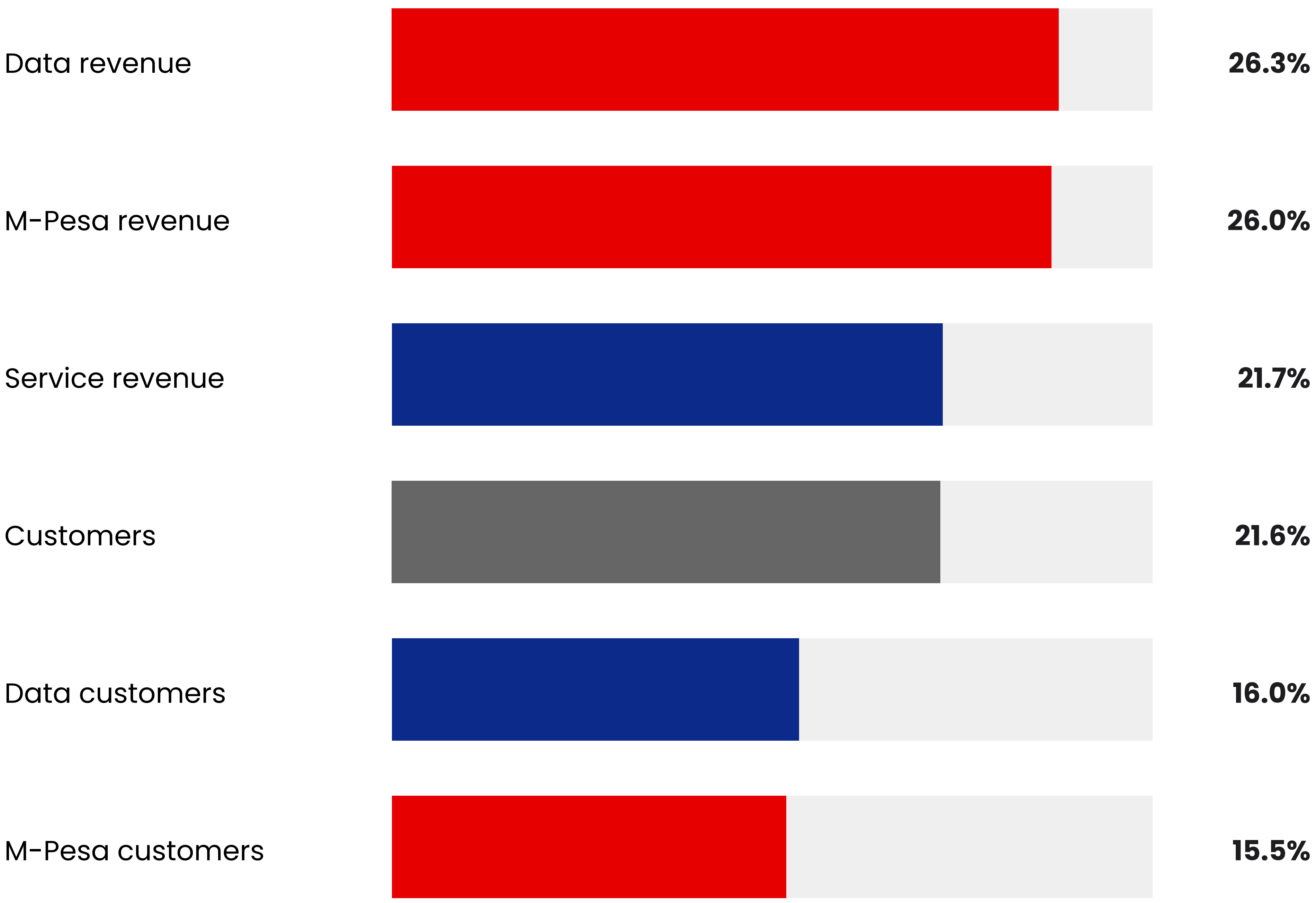
M-Pesa and data are doing the heavy lifting in current trading

Q1 FY27 year-on-year growth



Digital-financial services remain central

M-Pesa revenue growth of 26.0% continues to validate the platform thesis.

Data adoption remains a structural driver

Data revenue and data customer growth show continued monetisation of network investment.

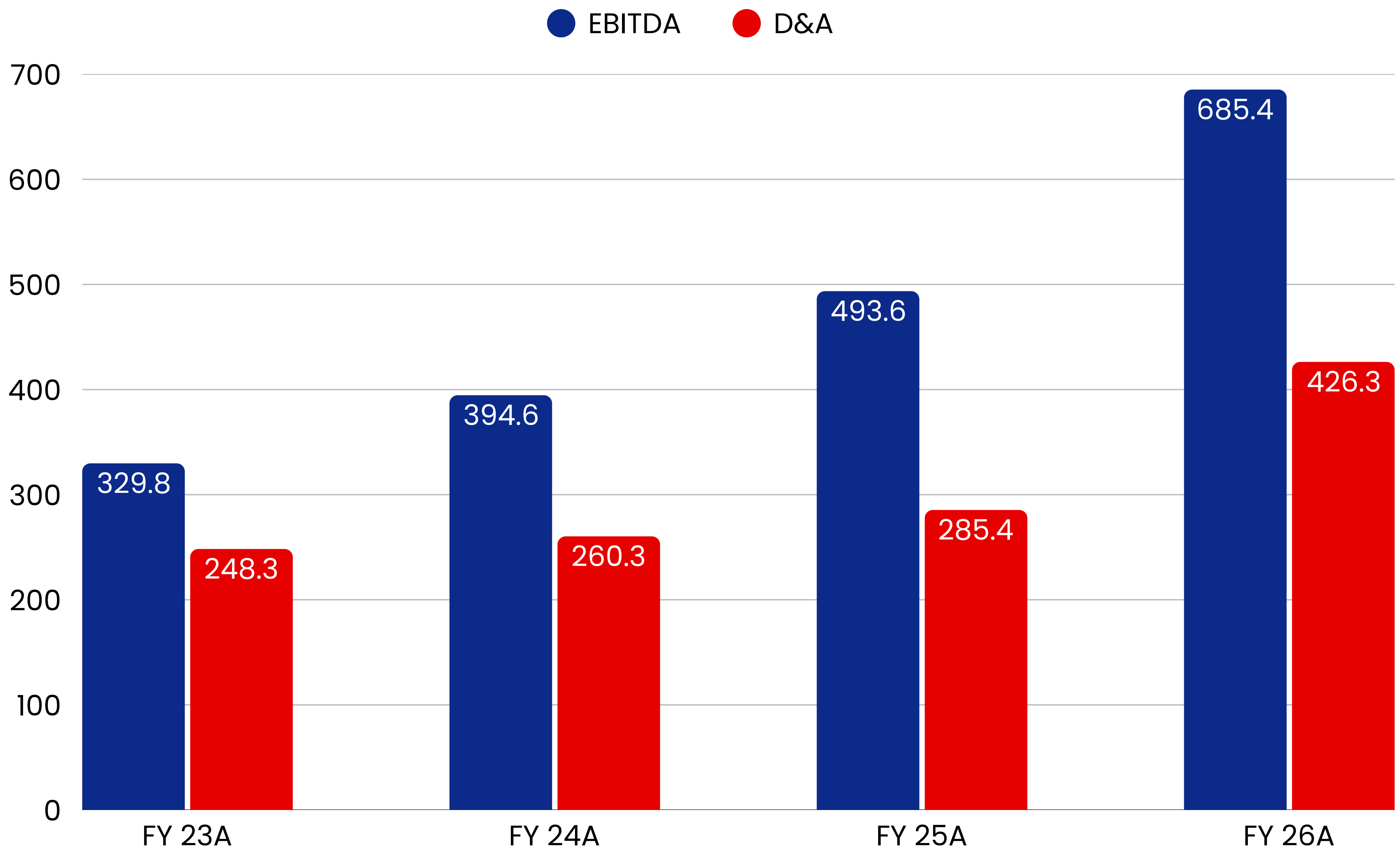
Customer growth is still healthy

Customer base growth of 21.6% creates room for further product penetration.

Source: Vodacom Tanzania Q1 FY27 quarterly report.

FY26 EBITDA strength was masked by a temporary depreciation spike

Historical actuals, TZS bn



38.9%

FY26 EBITDA GROWTH

49.4%

FY26 D&A GROWTH

depreciation spike

Why it matters

Reported EBIT under-reflected underlying operating momentum because legacy RAN assets were being retired faster.

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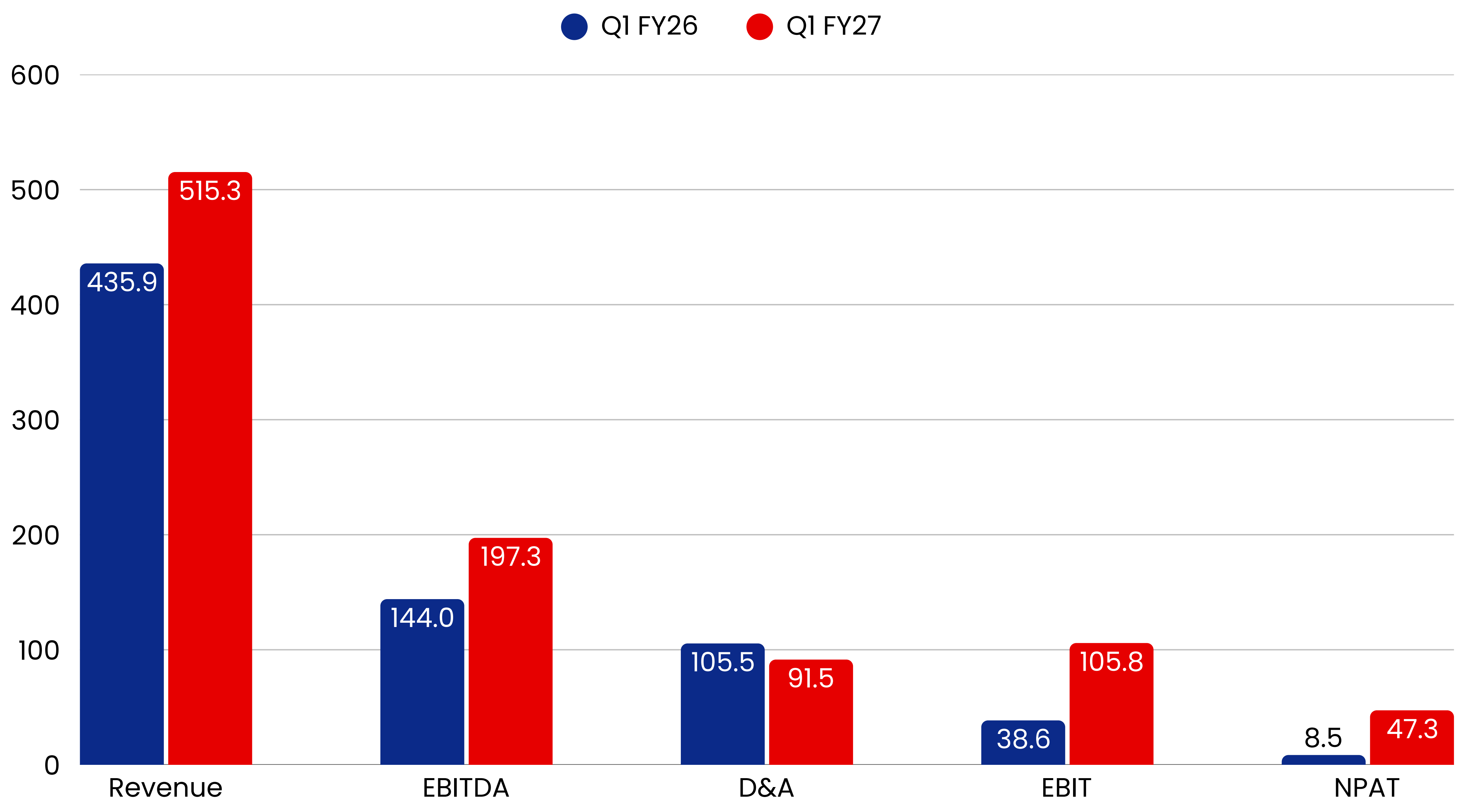
Source: Annual financials; FY26 preliminary results; Kadoo Research analysis.

Q1 FY27 provides the first clear evidence of earnings normalisation

Quarter ended 30 June 2026 vs prior-year quarter, TZS bn



-13.3%

D&A CHANGE

YoY decline

174.4%

EBIT CHANGE

normalisation + growth

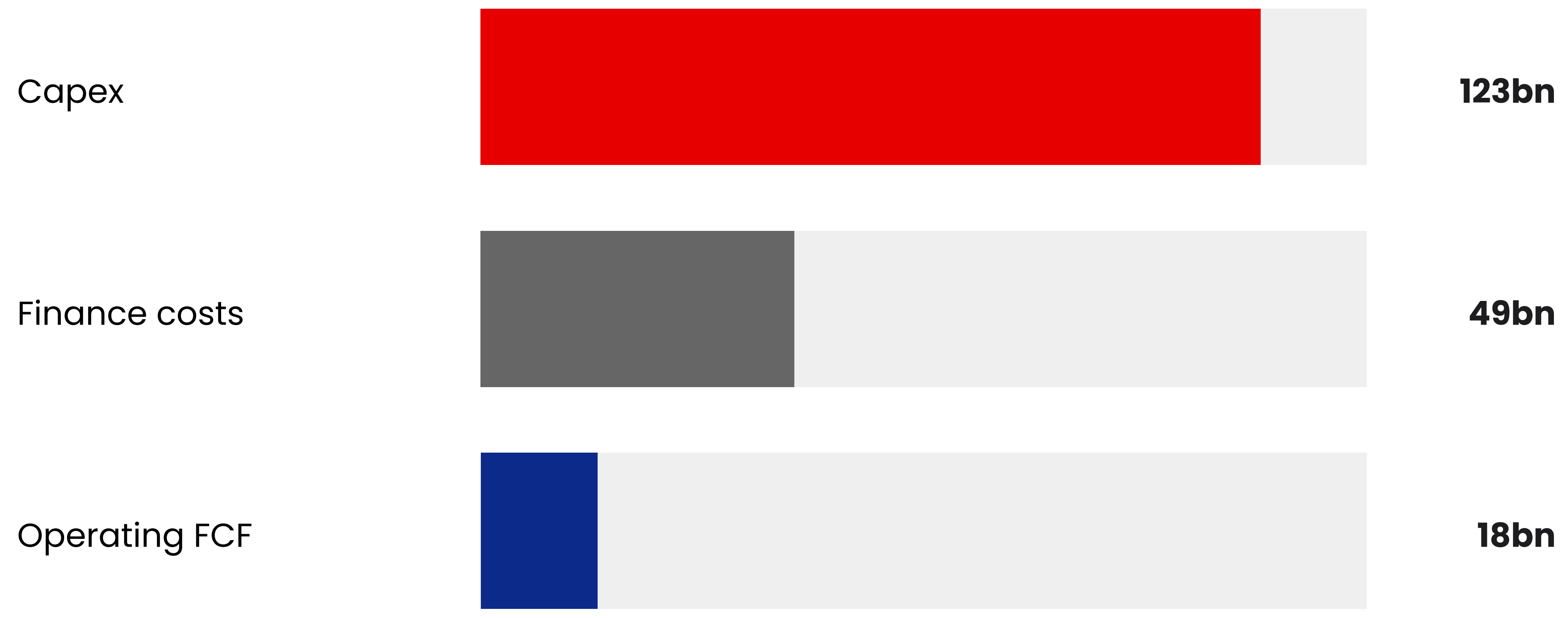
Key signal

D&A fell even while capex nearly doubled, supporting the view that accelerated legacy depreciation is rolling off.

Source: Annual financials; FY26 preliminary results; Kadoo Research analysis.

Earnings are recovering ahead of cash conversion

Q1 FY27 cash and financing burden



94.6%

CAPEX YOY

Q1 FY27

TZS 18bn

OFCF

positive but thin

The timing mismatch is important

FY27 earnings can improve materially while free cash flow remains pressured by capex and lease/finance costs.

Valuation implication

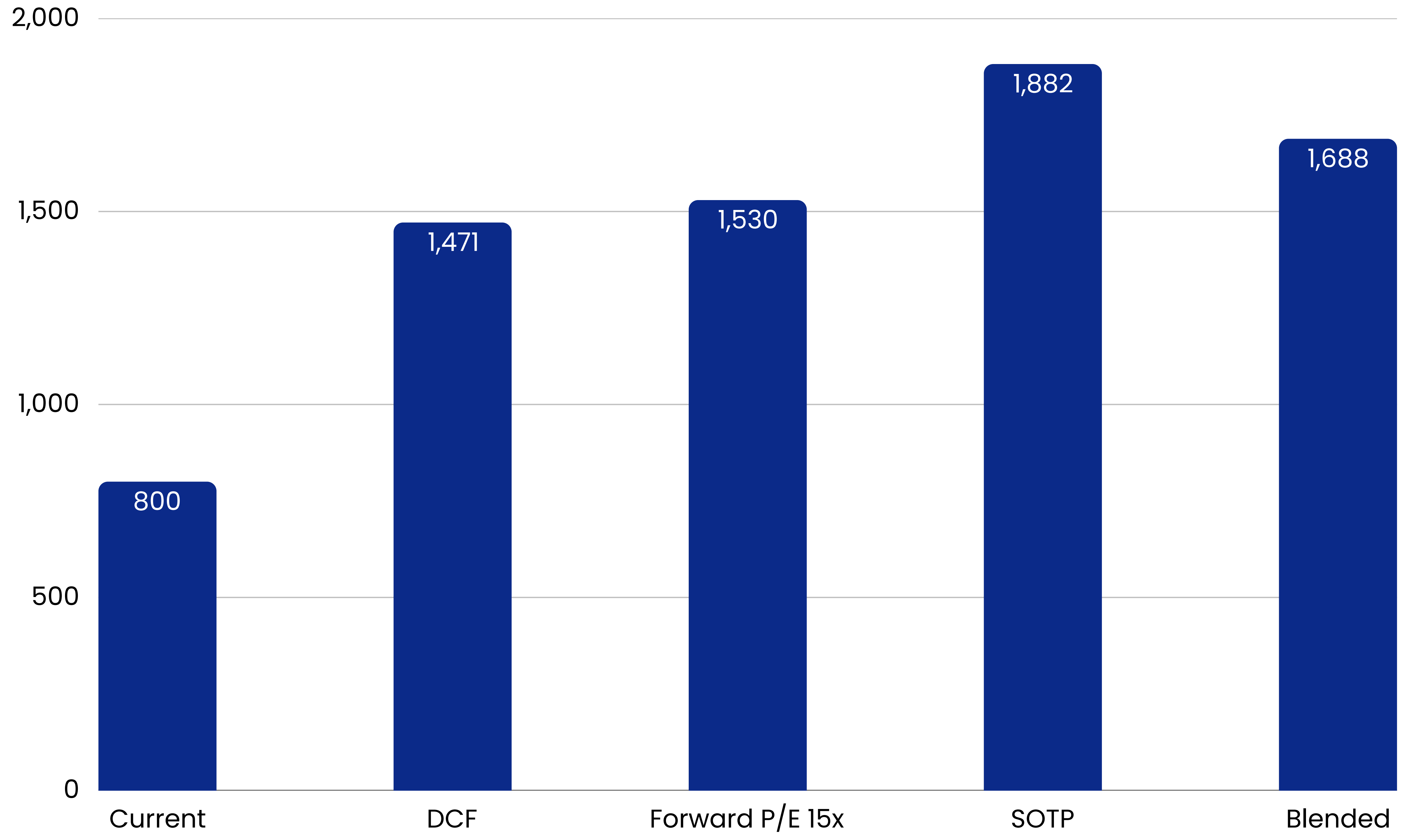
DCF is below SOTP because near-term cash conversion is still constrained.

cash flow consideration

cash conversion may improve after capex begins to normalise.

Valuation

Fair value / share, TZS



TZS 1,688

BLENDED FAIR VALUE

weighted output

111%

UPSIDE

from TZS 800

Why SOTP leads

M-Pesa has different growth, capital intensity and economics from core telecom.

Why DCF is lower

FY27 cash conversion remains burdened by capex, finance costs and leases.

Source: Kadoo Research.

The M-Pesa value pool is material enough to warrant separate treatment

Base-case SOTP, FY27E

Enterprise value split

4.5x
CORE TELECOM MULTIPLE
EV/EBITDA

3.0x
M-PESA MULTIPLE
EV/Revenue

TZS 1,882
BASE SOTP VALUE
per share

M-Pesa revenue share

M-Pesa is modelled at 40.5% of FY27E revenue, not a small optionality line.

Key sensitivity

Bear/base/bull SOTP range: TZS 1,319–2,445 per share.

Source: Kadoo Research

Risks & Outlook

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The investment case is already supported by Q1 FY27 operating momentum; the main risk is that capex and finance costs delay free-cash-flow recovery.

Q1 FY27 evidence

+18.2%	Revenue growth
+37.0%	EBITDA growth
-13.3%	D&A declined YoY
+94.6%	Capex still elevated

Base-case outlook

Growth	Data and M-Pesa continue to carry service-revenue momentum; FY27E revenue growth remains near 20%.
Earnings	D&A normalises from the FY26 RAN spike, allowing EBIT and EPS to recover faster than EBITDA.
Cash flow	Capex remains high in FY27E; FCF recovery becomes clearer only once network investment normalises.

Priority risk

Capex duration	Modernisation takes longer; FCF recovery delayed
Finance burden	Lease / interest costs absorb EBIT improvement

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