

SAFARICOM PLC

CONDENSED AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2020



Safaricom is committed to keeping Kenyans connected and we will continue to support the Government of Kenya and Kenyans at large during this unprecedented pandemic.

The total value of our contribution to the fight against the coronavirus pandemic currently stands at KShs 6.5bn, and this is a cost that is growing every day. We have been able to offer this support because of operating in a regulatory environment that allows innovative businesses to thrive.

Nicholas Nganga, Chairman



In FY20, my aim was to ensure the organization focused more on the customer, regaining both the Customer Trust and Market Share

We have stayed the course, given customers more value, and put the consumer first by delivering relevant products and services.

As a result, the business has delivered exceptionally well, outperforming the guidance, in the process generating solid returns to our shareholders.

Michael Joseph, Outgoing CEO



The COVID-19 pandemic presents an opportunity for Safaricom to leverage its digital and data capability to support customers and community during this period and through the recovery process. We will focus on developing a range of digital products and services that will provide sustainable solutions to challenges in sectors like: agriculture, health, education and essential services.

Whilst FY21 is going to be a challenging one, I feel as a business we are well placed to navigate our way through the uncertainty that lies ahead.

Peter Ndegwa, CEO

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended KShs Bn

	31-Mar-20 IFRS 15/16	31-Mar-20 IFRS 15/IAS17	31-Mar-19 IFRS15/IAS17	Change% IFRS 15/IAS17
Service revenue	251.22	251.22	239.77	4.8%
Handsets and other revenue	10.48	10.48	9.45	10.9%
Construction revenue	0.58	0.58	0.60	(3.3%)
Other income	0.28	0.28	0.46	(39.1%)
Total revenue	262.56	262.56	250.28	4.9%
Direct costs	(74.70)	(74.70)	(71.80)	4.0%
Provision for expected credit loss (ECL) on receivables	(1.67)	(1.67)	0.01	<100.0%
Construction costs	(0.58)	(0.58)	(0.60)	(3.3%)
Other expenses	(47.56)	(50.97)	(53.59)	(4.9%)
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	138.04	134.63	124.30	8.3%
Depreciation and amortisation	(36.55)	(33.62)	(35.33)	(4.8%)
Earnings Before Interest and Taxes (EBIT)	101.49	101.01	88.97	13.5%
Net finance income	0.92	2.56	2.24	14.3%
Share of profit of associate	0.06	0.06	0.01	>100.0%
Share of profit of Joint Venture (M-PESA Global Services Limited)	3.30	3.30	0.00	>100.0%
Profit before income tax	105.77	106.93	91.22	17.2%
Income tax expense	(32.12)	(32.23)	(28.73)	12.2%
Profit after tax	73.66	74.70	62.49	19.5%
Other comprehensive income	0.00	0.00	0.00	0.0%
Profit and total comprehensive income for the year	73.66	74.70	62.49	19.5%
Attributed to:				
Equity holders of the company	73.66	74.70	62.49	19.5%
Basic and diluted earnings per share (EPS)	1.84	1.86	1.56	19.5%
Proposed dividend	56.09	56.09	50.08	
Proposed dividend per share (DPS)	1.40	1.40	1.25	

Condensed Consolidated Statement of Financial Position as at KShs Bn

	31-Mar-20 IFRS 15/16	31-Mar-20 IFRS 15/IAS17	31-Mar-19 IFRS15/IAS17	% Change IFRS 15/IAS17
Capital employed				
Share capital (including share premium)	4.20	4.20	4.20	0.0%
Retained earnings	82.79	83.83	65.22	28.5%
Proposed dividends- Normal	56.09	56.09	50.08	12.0%
Proposed dividends- Special	0.00	0.00	24.84	(100.0%)
Total equity	143.08	144.12	144.35	(0.2%)
Represented by:				
Non-current liabilities	13.64	1.97	1.87	5.3%
Total equity and non-current liabilities	156.72	146.09	146.22	(0.1%)
Non-current assets	164.40	149.17	142.52	4.7%
Current assets				
Contract assets	2.56	2.56	1.99	28.6%
Inventories	1.86	1.86	1.78	4.5%
Receivables and prepayments	17.19	18.36	18.13	1.3%
Cash and cash equivalents	26.76	26.76	20.03	33.6%
Other Financial assets	0.19	0.19	8.04	(97.6%)
Current income tax	0.26	0.14	0.00	100.0%
	48.82	49.87	49.96	(0.2%)
Current liabilities				
Lease liability	3.55	0.00	0.00	0.0%
Contract liabilities	9.41	9.41	9.28	1.4%
Dividend payable	1.05	1.05	0.00	100.0%
Payables and accrued expenses	29.92	29.92	28.70	4.3%
Provision for other liabilities	4.46	4.46	3.89	14.7%
Income tax payable	0.11	0.11	0.35	(68.6%)
Borrowings	8.00	8.00	4.03	98.5%
	56.50	52.95	46.26	14.5%
Net current (liabilities)/assets	(7.68)	(3.08)	3.70	(<100.0%)
	156.72	146.09	146.22	(0.1%)

Condensed Consolidated Statement of Cash Flows for the Year Ended KShs Bn

	31-Mar-20 IFRS 15/16	31-Mar-20 IFRS 15/IAS17	31-Mar-19 IFRS15/IAS17	% Change IFRS 15/IAS17
Operating activities				
Cash generated from operations	139.60	135.86	125.29	8.4%
Movement in restricted cash	(0.07)	(0.07)	(0.33)	(78.8%)
Interest received	2.94	2.94	2.32	26.7%
Income tax paid	(32.11)	(32.11)	(27.46)	16.9%
Net cash from operating activities	110.36	106.62	99.81	6.8%
Investing activities				
Dividends paid	(29.63)	(29.63)	(45.05)	(34.2%)
Interest paid	(73.88)	(73.88)	(44.07)	67.6%
Other financing activities	(0.35)	(0.35)	(0.20)	75.0%
	0.23	3.97	0.04	>100.0%
Net movement in cash and cash equivalents	6.73	6.73	10.53	(36.1%)
Movement in cash and cash equivalents				
At start of year	20.03	20.03	9.50	>100.0%
Increase	6.73	6.73	10.53	(36.1%)
At end of the year	26.76	26.76	20.03	33.6%

Commentary on Results

The Board of Directors is pleased to announce the audited results for the year ended 31 March 2020. The same accounting policies and methods of computation have been used as were in the last financial statements with the exception of IFRS 16 and change in PPE useful life for specific asset categories. More details are available in our results booklet on our website.

COVID-19 Comment

In an increasingly digital economy, Safaricom plays a critical role in responding to the challenges weighed in by the COVID-19 pandemic. To demonstrate resilience as a business, we aim to innovate and execute with speed more sustainable solutions to the needs facing our customers now, which will ensure sustainability of our business in the long term. Our purpose of transforming lives remains at the core of everything we do. We continue to implement measures to cushion customers and Kenyans at large from the negative impact of the pandemic. Our current support which extends to 30 June 2020, is valued at KShs6.5bn. We anticipate that the challenges caused by the pandemic will have a negative impact on the business in the short term.

Operating Review

Service Revenue in the year grew 4.8% to KShs 251.22bn as at 31 March 2020 from KShs 239.77bn driven by sustained customer growth, mobile data growth returning to double digit along with sustained M-PESA and fixed data growth. The growth was partially offset by COVID-19 response and a contraction of betting industry. On an underlying basis Service Revenue increased 5.9%. Customers in the year increased 12.2% to 35.6mn as at 31 March 2020. M-PESA one month active customers increased 10.0% to 24.9mn while mobile data one month active chargeable customers increased 10.2% YoY to 19.6mn. Capital expenditure in the network for the year ended 31 March 2020 stood at KShs 36.10bn. To finance this expansion, the company levered its statement of financial position and continues to invest a significant portion of internally generated cash.

Share of Profit of Joint Venture

This is a one-off exceptional gain arising from acquisition of the M-PESA brand. The profit and total comprehensive income for the year grew 19.5% YoY but normalized for this exceptional item, it grew 14.3% YoY.

Borrowings

As at 31 March 2020, bank borrowings were KShs 8.00bn while cash and cash equivalents stood at KShs 26.76bn leaving a net cash of KShs 18.76bn.

Taxation

The Group continues to be a major contributor to the revenues of the Government and remitted KShs110.98bn in duties, taxes and license fees for the year ended 31 March 2020. This increased the total duties, taxes and fees paid since inception to KShs 809.50bn.

Dividends

The Board remains committed to investing in the business and continuing our strong record for paying progressive dividends each year. The proposed dividend for FY20 is KShs 56.09bn. The proposed dividend per share (DPS) of KShs 1.40 has been computed at 80% of the profit and total comprehensive income for the year excluding the one-off exceptional item of share of profit of joint venture of KShs 3.3bn, divided by number of issued share capital on IFRS 15/16 basis.

Notes

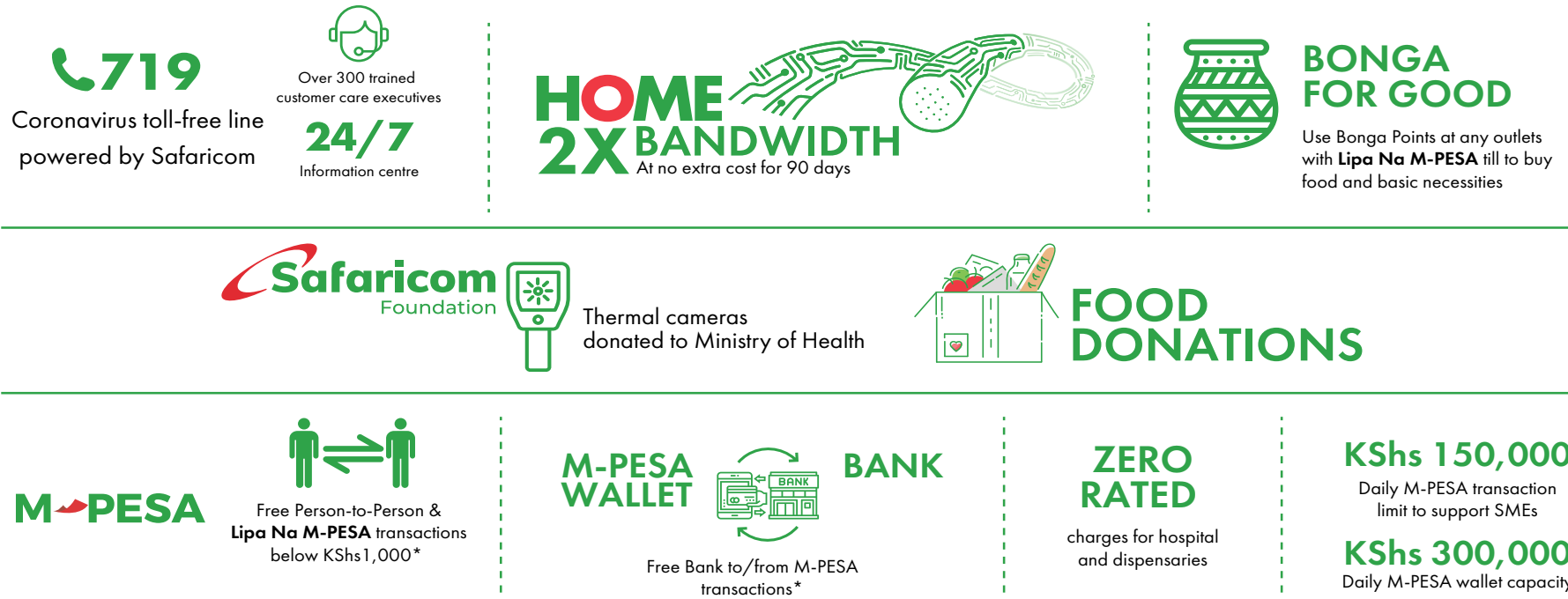
Following the adoption of IFRS 16 - Leases on 1 April 2019, the Group's results for the year ended 31 March 2020 are on an IFRS 15/IFRS 16 basis, whereas the results for the period to 31 March 2019 are (as previously reported) on an IFRS 15/IAS 17 basis. To ensure appropriate disclosure during the period of transition onto IFRS 16, numbers for the period ended 31 March 2020 have been disclosed on both IFRS 16 and IAS17 basis and our commentary describing our operating performance has been provided solely on an IFRS 15/IAS17 basis.

By order of the Board

Nicholas Nganga
Chairman
28 April 2020

KSHS 6.5BN SUPPORT SO FAR FOR COVID-19 RESPONSE

In the face of **COVID-19**, each of us has to play our part in keeping ourselves safe. Safaricom is here with you as we move forward in these tough times



*From 16th March 2020 to 30th June 2020

DRIVING A SUSTAINABLE BUSINESS, INVESTING IN:

Our Economy

- Duties, taxes, licence fees paid **KShs 810bn** since inception
- Tax payer of the year **12 years** in a row
- Supporting nearly **1m** people through **direct & indirect employment**
- **74%** of procurement spend to local suppliers (up **7% YoY**)

Our Community

- Directly impacting **1m+ Kenyans** in FY20
- Supporting projects across **health, education, economic empowerment, water and environmental conservation**
- **Safaricom Foundation** invested **KShs 481mn** in FY20
- **M-PESA Foundation** invested **KShs 1.1bn** in FY20

Our People

- **35% women in leadership**, targeting gender balance by 2021
- **23% women in technology**, up from just 10% in 2014
- Women in technology programmes to support **women engineers**
- **2.3% of staff are differently-abled**, with plans to expand

Environmental Sustainability

- Targeting **Net-Zero** carbon emissions by 2050
- **5 million trees** to be planted within the next 5 years
- **E-Waste** collection and recycling, **1,287 tonnes** collected to date
- Total solid waste collected in FY20 is **299,911 tonnes** and out of this **97.4%** was recycled

KEY HIGHLIGHTS | IMPROVED SHAREHOLDER RETURN AND CONTINUED INVESTMENT IN KENYA

Service Revenue
+4.8% YoY

KShs 251.2 bn FY20
KShs 239.8 bn FY19

HEPS*
+14.3% YoY

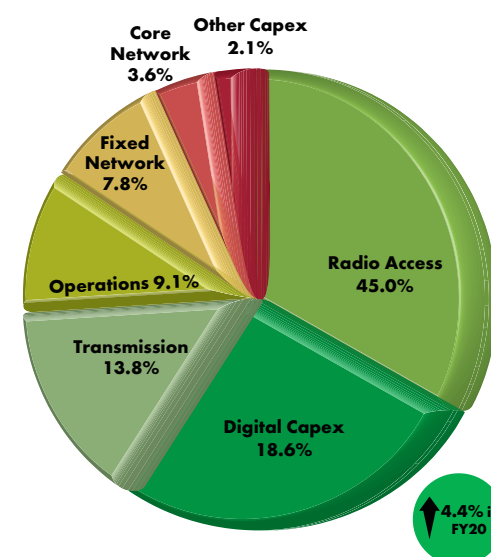
KShs 1.78 FY20
KShs 1.56 FY19

EBIT
+13.5% YoY

KShs 101.0 bn FY20
KShs 89.0 bn FY19

Free Cashflow
+11.4% YoY

KShs 70.3 bn FY20
KShs 63.1 bn FY19



*Headline Earnings per Share (HEPS), excludes a one-off gain arising from acquisition of the M-PESA brand