

Safaricom Limited HY2018 Results Presentation

Friday 3rd November 2017

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A PURPOSE DRIVEN COMPANY

BUILDING A MORE SUSTAINABLE SAFARICOM

**Purpose,
People
and Profit**

**Reputation
before
Revenue**

**A purposeful
business is a
successful
business**

A NEW DREAM FOR KENYA: TWaweZA

WHEN WE COME TOGETHER, GREAT THINGS HAPPEN

Twaweza
is the belief that
when we come
together, great
things happen.

Kenya is bubbling
with possibilities
where hustle is in our
soul, and optimism is
in our heart



A NEW DREAM FOR KENYA: TWaweZA

WHEN WE COME TOGETHER, WE CONNECT KENYA

Connecting
Bura to a
world of
possibility

One base
station
transforming
lives

A NEW DREAM FOR KENYA: TWaweZA

WHEN WE COME TOGETHER, WE EMPOWER KENYA

**Connected
Farmers:**
80,000 gaining
access to new
markets.

Small holder
farms account
for **75% of**
Kenya's output

A NEW DREAM FOR KENYA: TWaweZA

WHEN WE COME TOGETHER, WE DIGITIZE KENYA

Mobile Money has increased access to essential government services from 20% to 90% (GSMA Study 2017)

Enhancing
**speed and
convenience**
of government
services

ECONOMIC HEADWINDS

ROBUST PERFORMANCE DESPITE UNPRECEDENTED OPERATIONAL PRESSURES

Elections &
Re-election
Impact

Regulatory
Conditions

Drought

Service
Revenue
+12% YoY

GDP down
to 5%

High
Inflation

Reduced
access to
credit

DELIVERING THE STRATEGY

Customer
First

Relevant
Products

Operational
Excellence

DELIVERING THE STRATEGY

Customer First



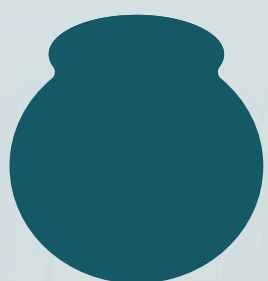
**29.5 MILLION
SUBSCRIBERS**

MY DATA
MANAGER
42%
OF DATA
CUSTOMERS

SAFARICOM
MTAANI
120
MARKETS
PER MONTH

EXPANDED
CUSTOMER
CARE BY
300
PEOPLE

Relevant Products



**35
MILLION**
IN AVERAGE BONGA
REDEMPTIONS

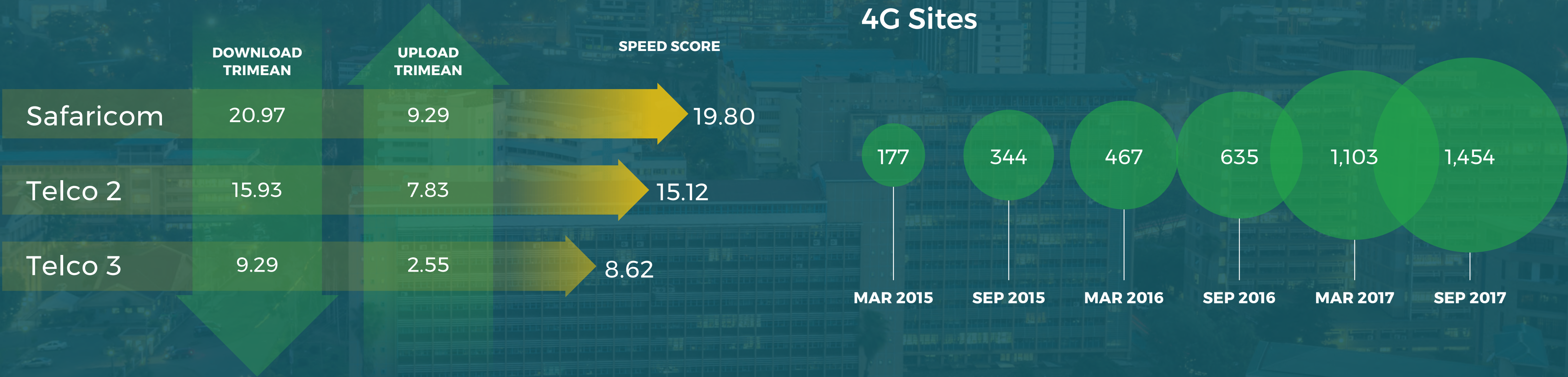
TUNUKIWA
30%
SUBSCRIBERS
HAVE TAKEN
PERSONALIZED
OFFERS

M-PESA
KADOGO
NOW 11%
OF M-PESA
TRANSACTIONS,
UP FROM 1%
LAST YEAR

1.8
MILLION
CUSTOMERS
ON BLAZE

DELIVERING THE STRATEGY

OPERATIONAL EXCELLENCE: CONSISTENT FOCUS ON OUR CORE NETWORK



Source: Ookla, 2017

THE NUMBERS

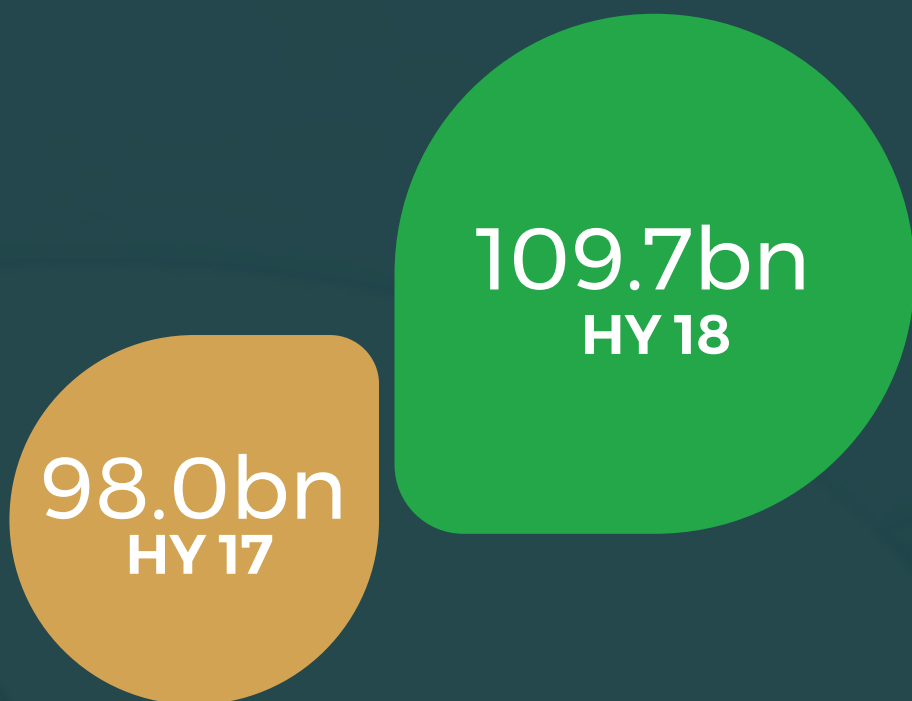
HY 18 - 1ST APRIL 2017 TO 30TH SEPT 2017



Financial Performance | Strong growth across all key financials

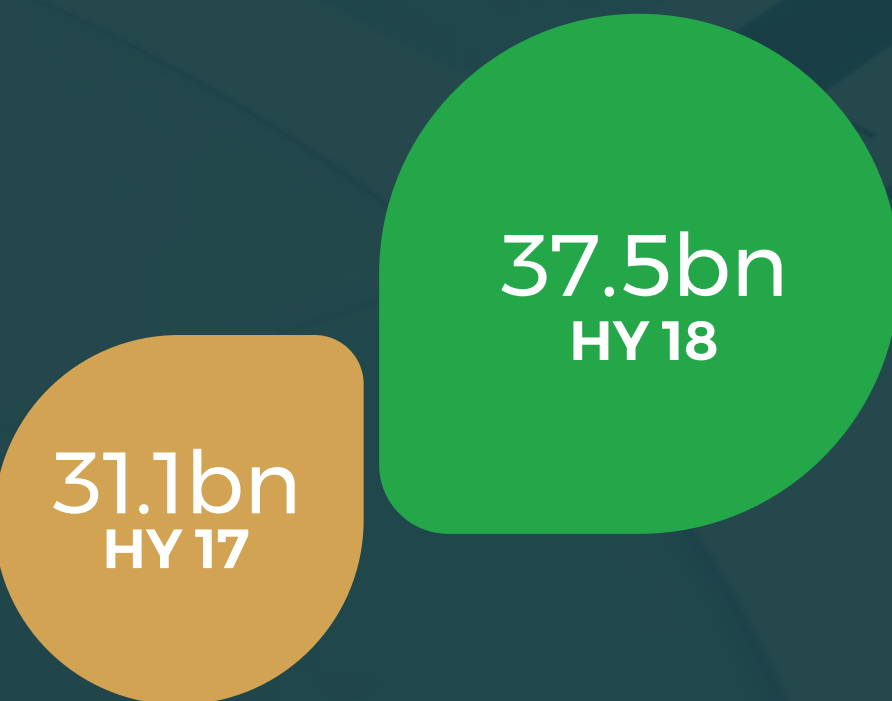
Service Revenue

▲ +12.0% yoy



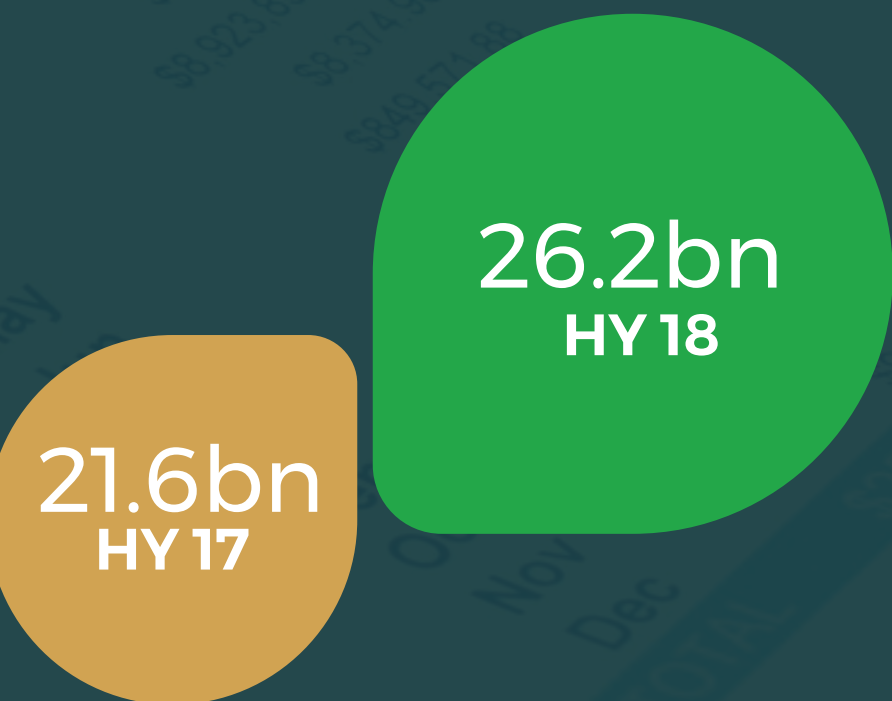
EBIT*

▲ +20.6% yoy



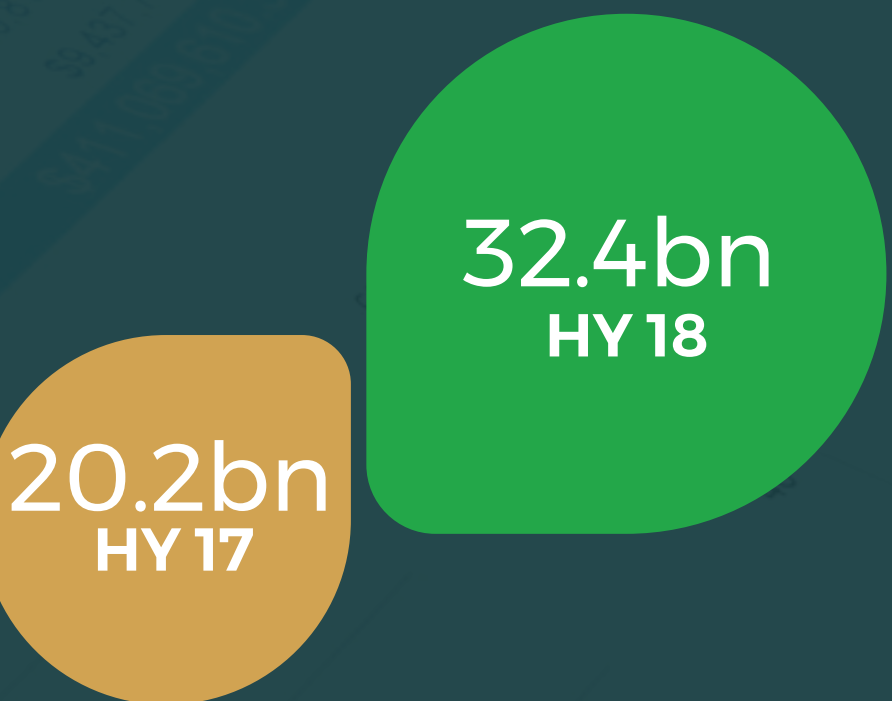
Net Income*

▲ +21.4% yoy



Free Cash Flow

▲ +60.8% yoy



*Excludes one off adjustment in HY 17 of Shs3.4bn (plus the tax impact)

Higher investment and affordable prices | Putting the customer first



Investment



Prices*



Customers



4,841
sites



1,454
sites



4,700km
fibre



Customer
analytics



↓ 1%
Voice



↓ 29%
Data



↓ 21%
SMS



↓ 27%
P2P



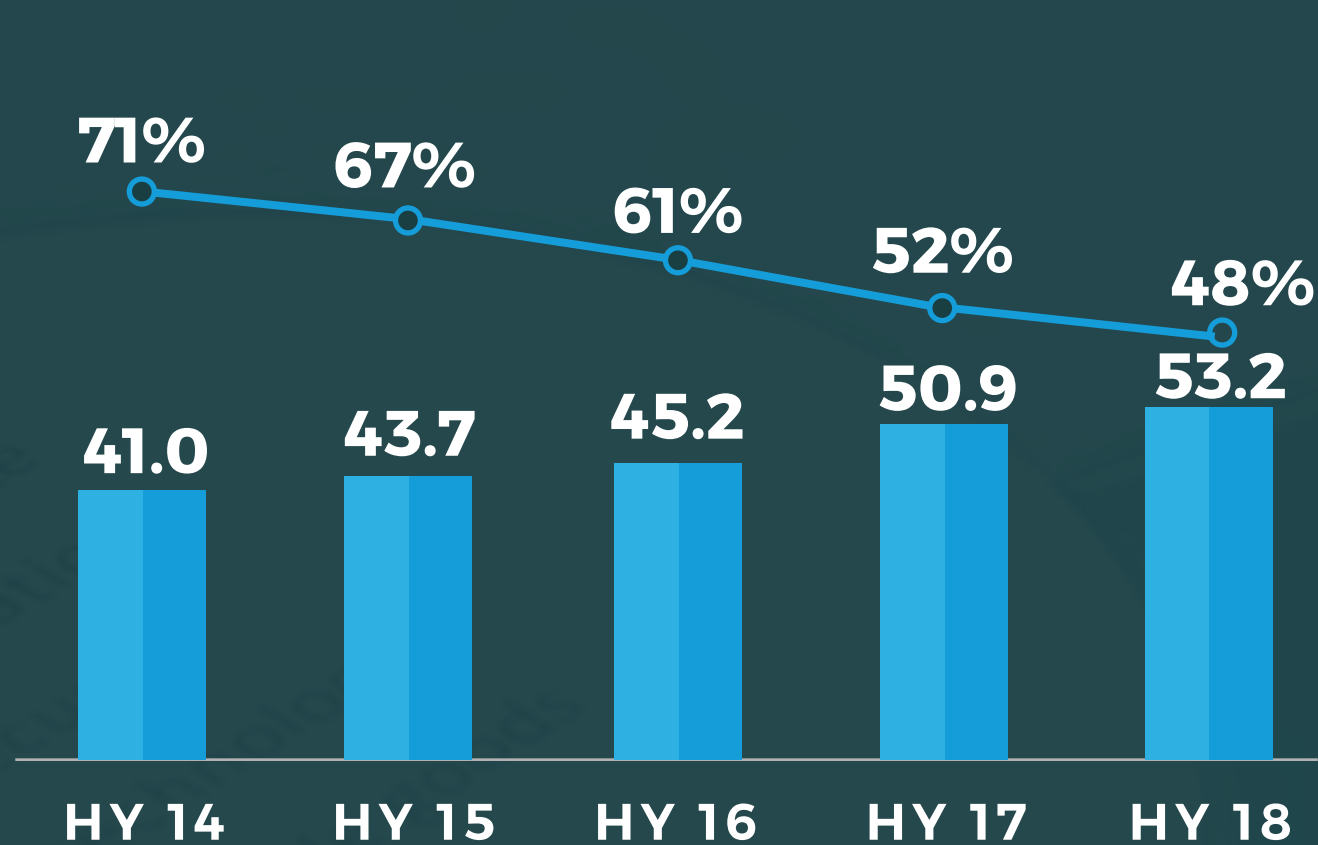
↑ 10.8%

*Effective average rate per unit

Business Model | Resilience in telco revenue streams, growth in data and M-PESA



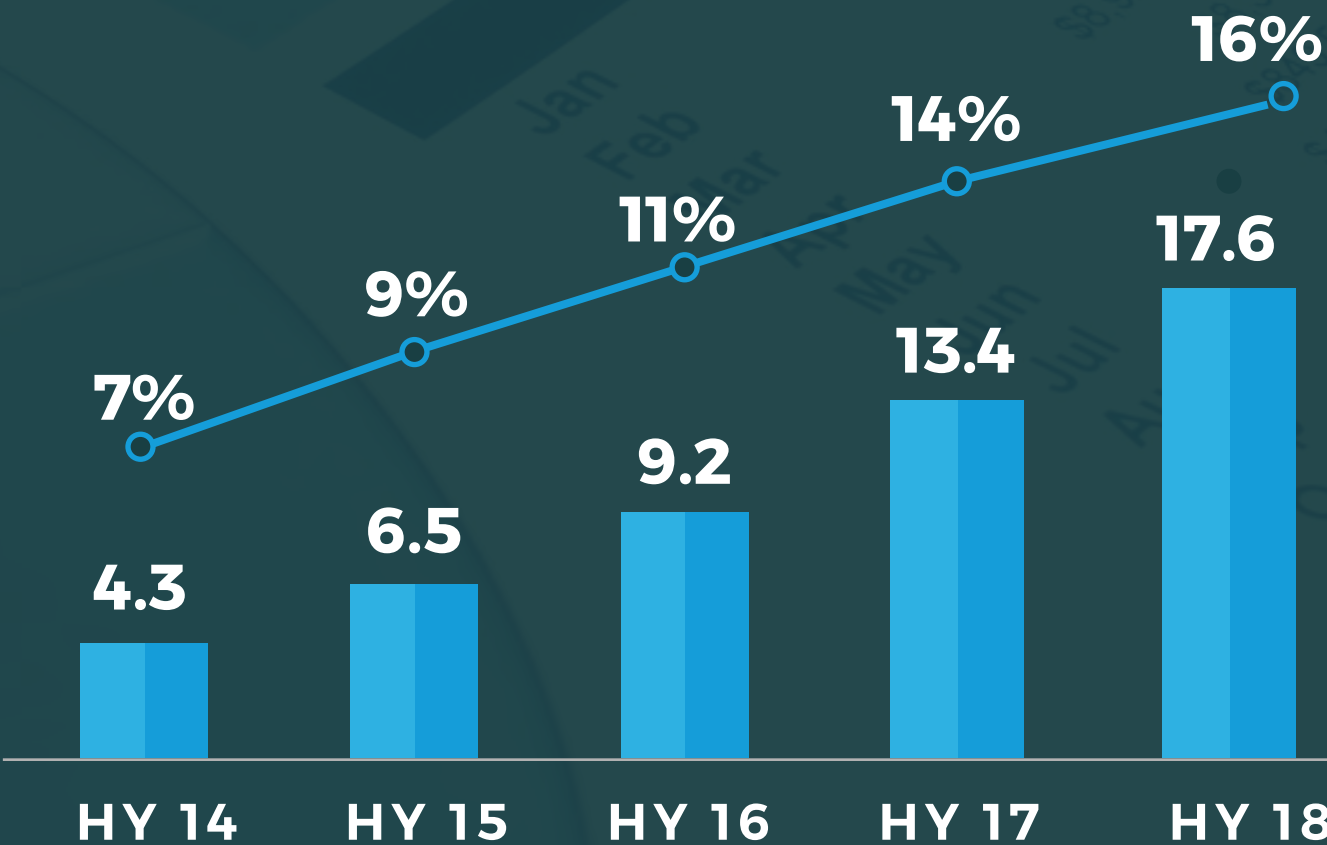
Voice* & SMS (Shs Bn, % SR)



• Increased customer base and usage



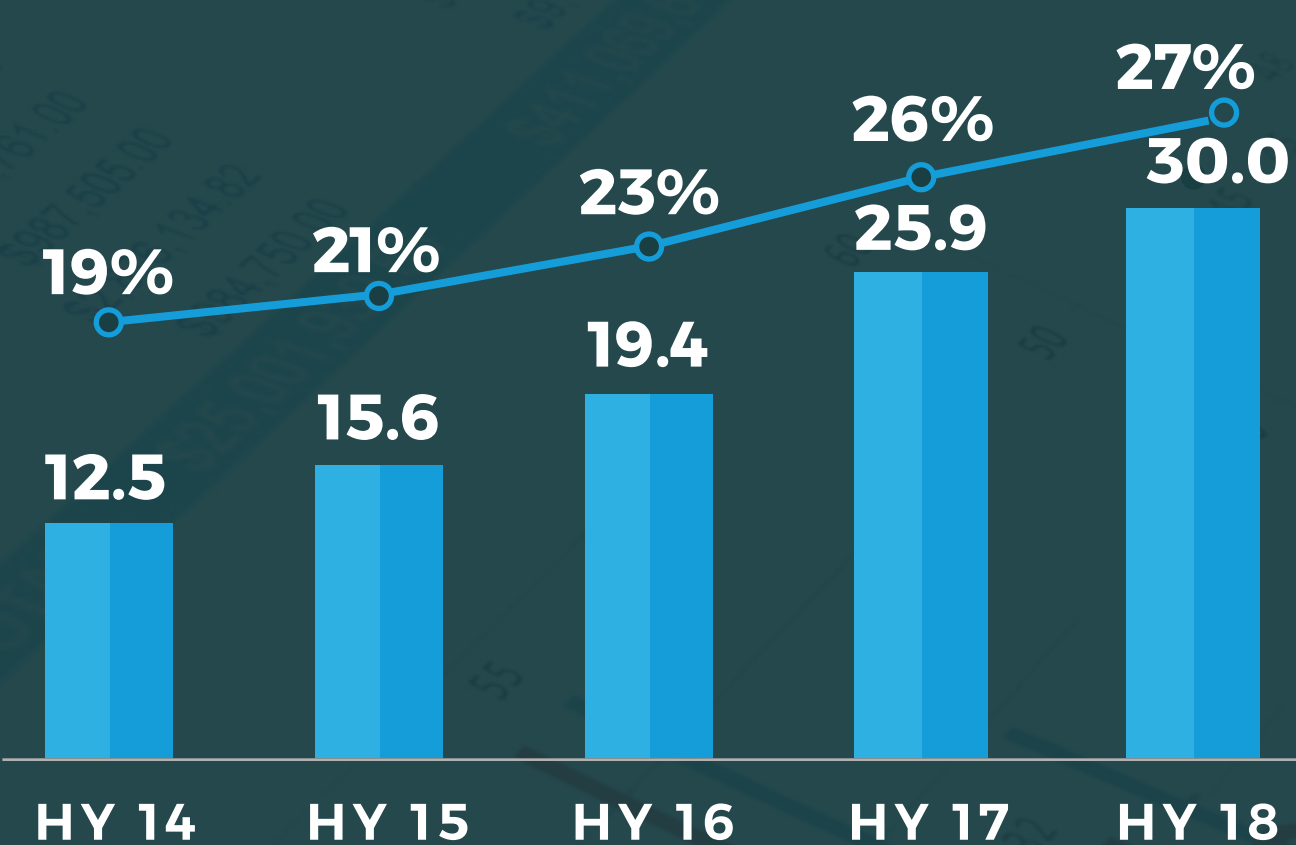
Mobile Data (Shs Bn, % SR)



• Increased data users and usage



M-PESA (Shs Bn, % SR)



• Increased M-PESA users and use cases

***Outgoing Voice**

HY18 Service Revenue | M-PESA and Mobile Data continue to be the engines of growth

 **+12.0% YoY**

 **M-PESA +4.3ppts**

- +16.2% (YoY)
- 27.4% of SR (+1.0ppts YoY)

 **Mobile Data +4.3ppts**

- +31.0% (YoY)
- 16.0% of SR (2.3ppts YoY)

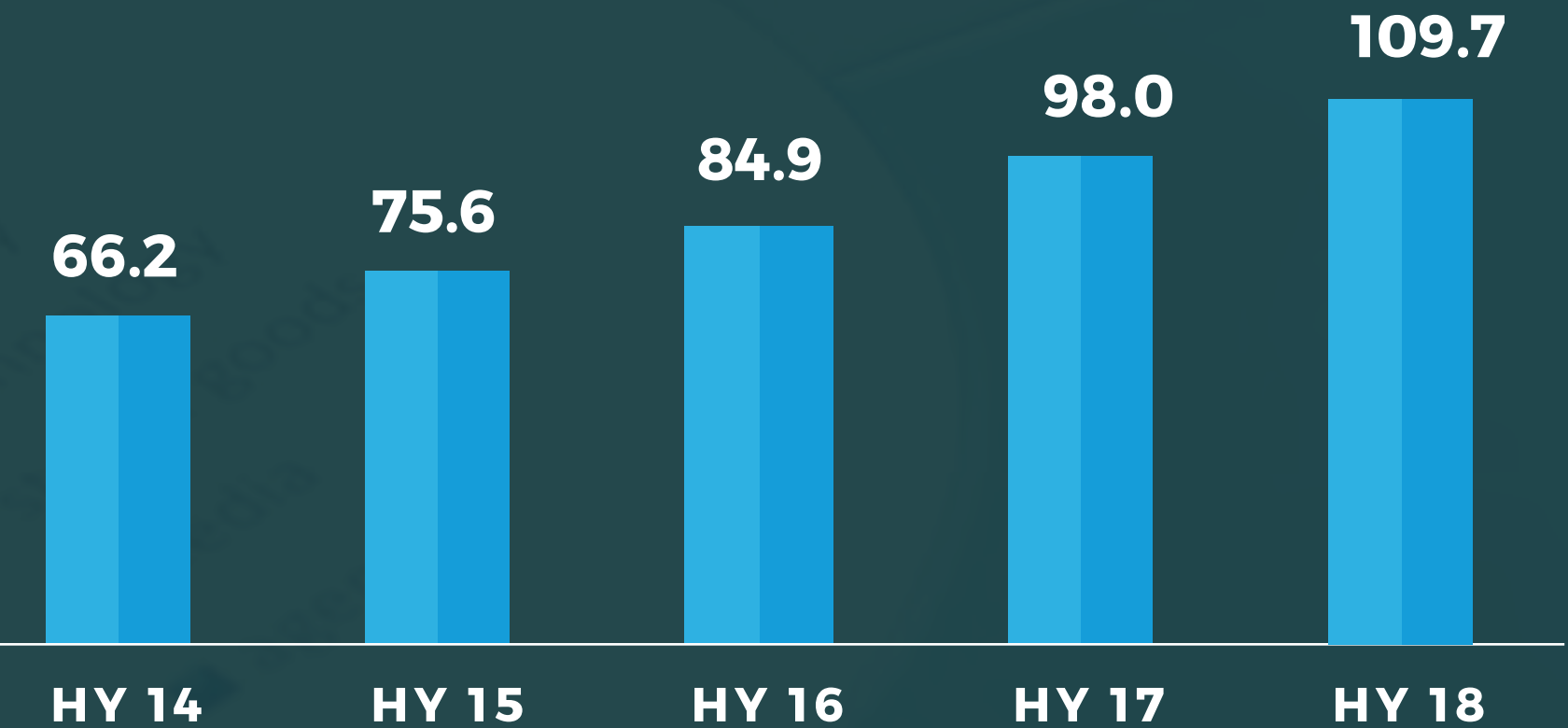
Outgoing Voice

- +1.9ppts (+4.6% YoY)
- 40.3% of SR (-2.8ppts YoY)

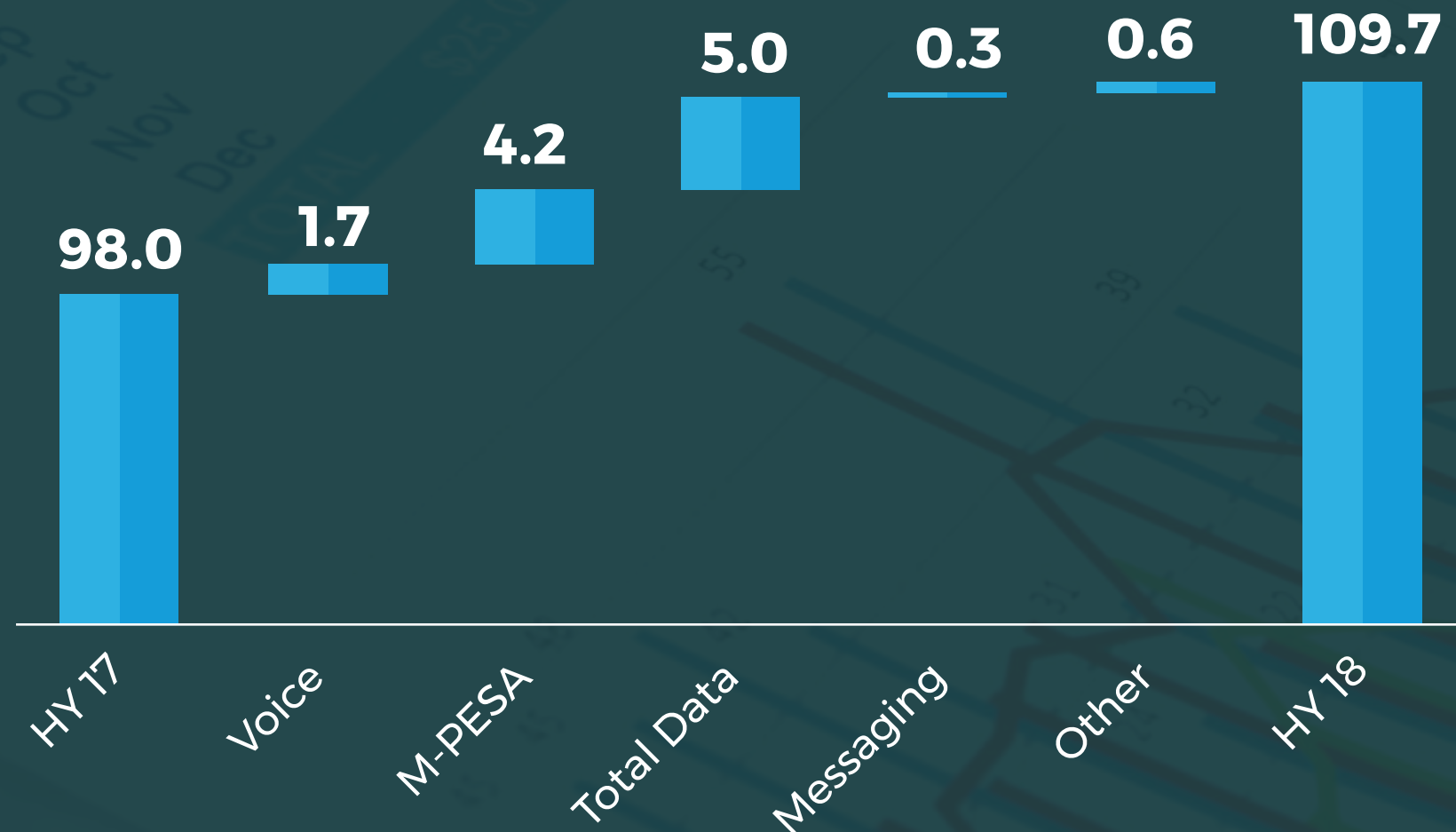
Fixed Data

- +0.9ppts (34.7% YoY)
- Total Data 18.9% of SR (+2.8ppts YoY)

Service Revenue (Shs Bn)



Service Revenue Waterfall (Shs Bn)



M-PESA Revenue | Focus on long term sustainability

 **+4.3 ppts**

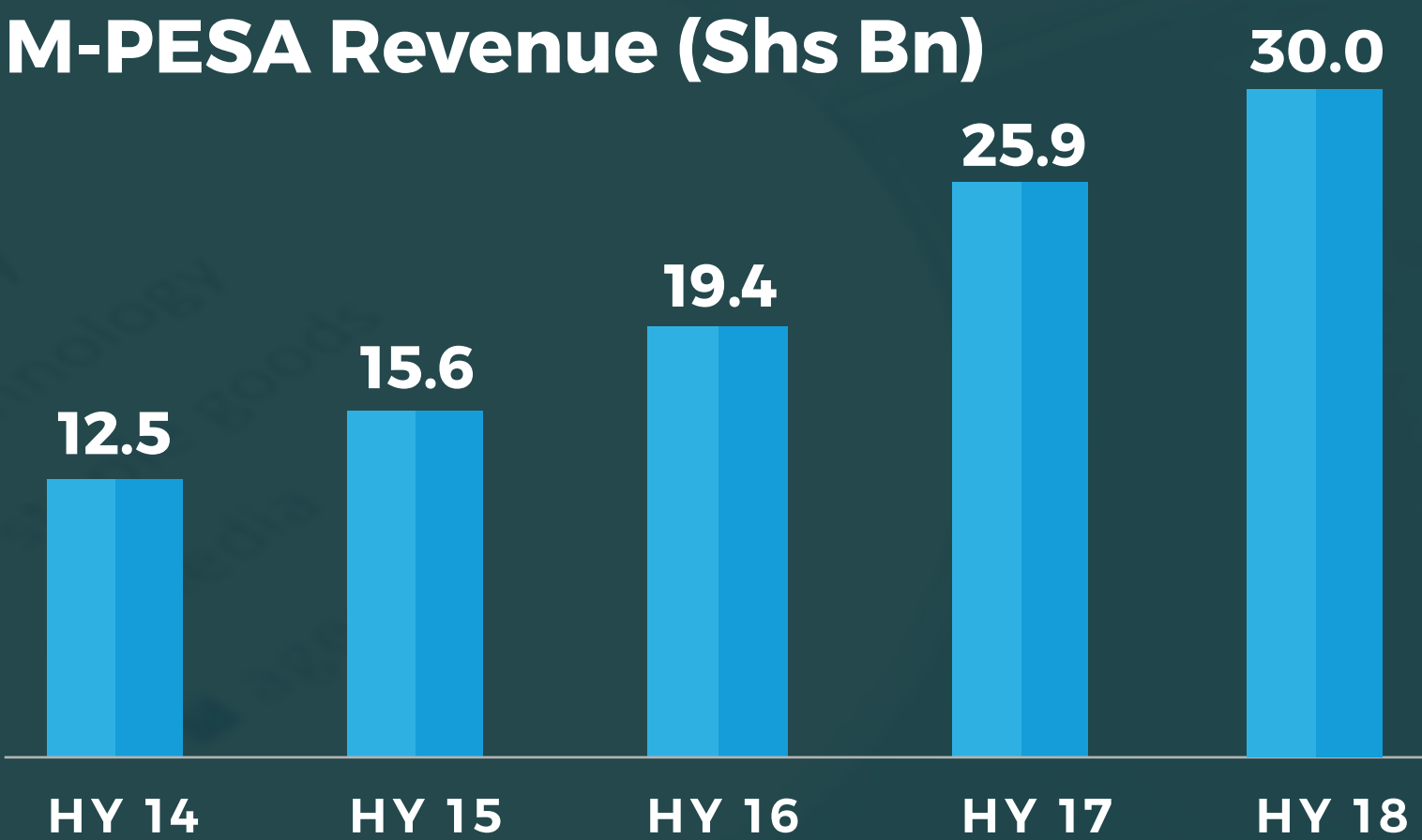
 **Bread & Butter +2.8 ppts**

- 74% of M-PESA Revenue
- P2P +17.1% (YoY)
- Withdrawals +11.6% (YoY)

 **New Business +1.5 ppts**

- 25.8% of M-PESA Revenue
- C2B/ B2C/ B2B +27.9% (YoY)
- Lipa Na M-PESA (LNM) +0.9% (YoY)
- Other +13.9% (YoY)

M-PESA Revenue (Shs Bn)



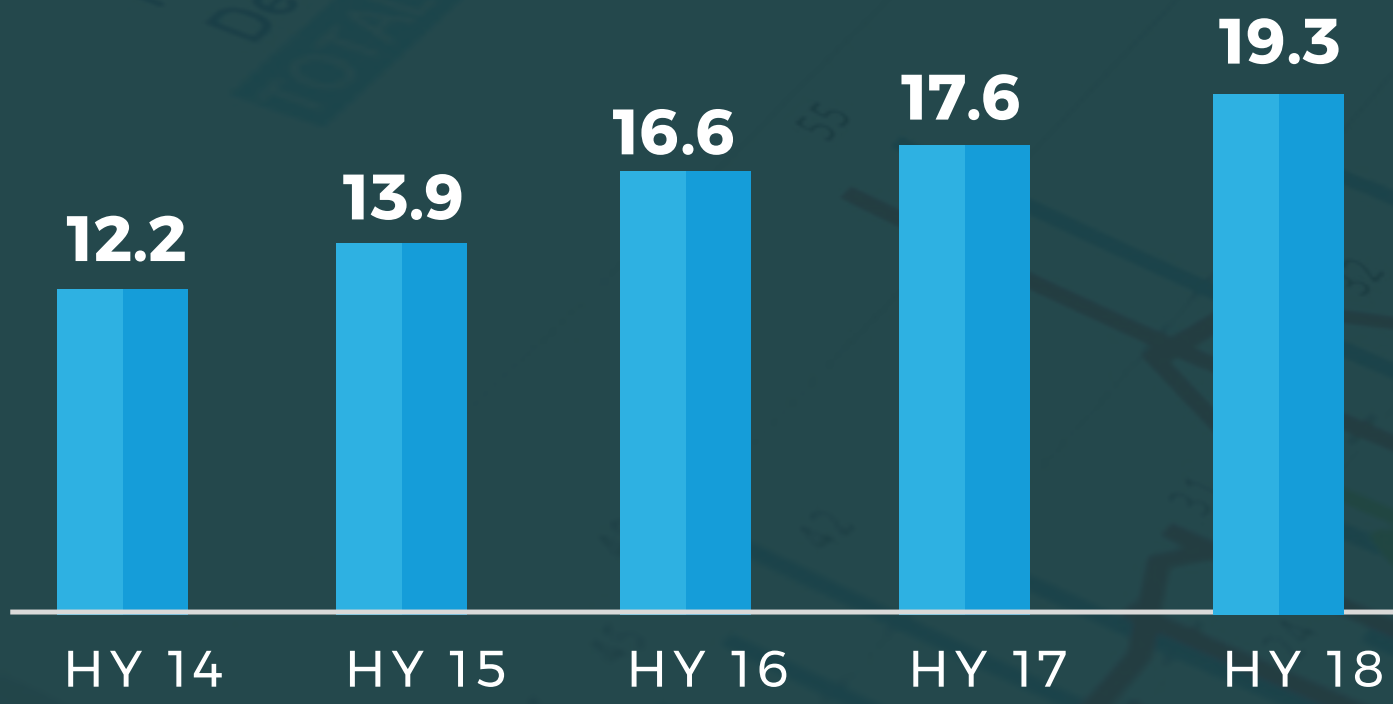
Growing the Eco-system

- 19.3m 30 day active M-PESA subs +9.5% (YoY)
- 140k+ M-PESA Agents +29.6% (YoY)
- 11 transactions per customer per month +13.6% (YoY)

Lipa Na M-PESA

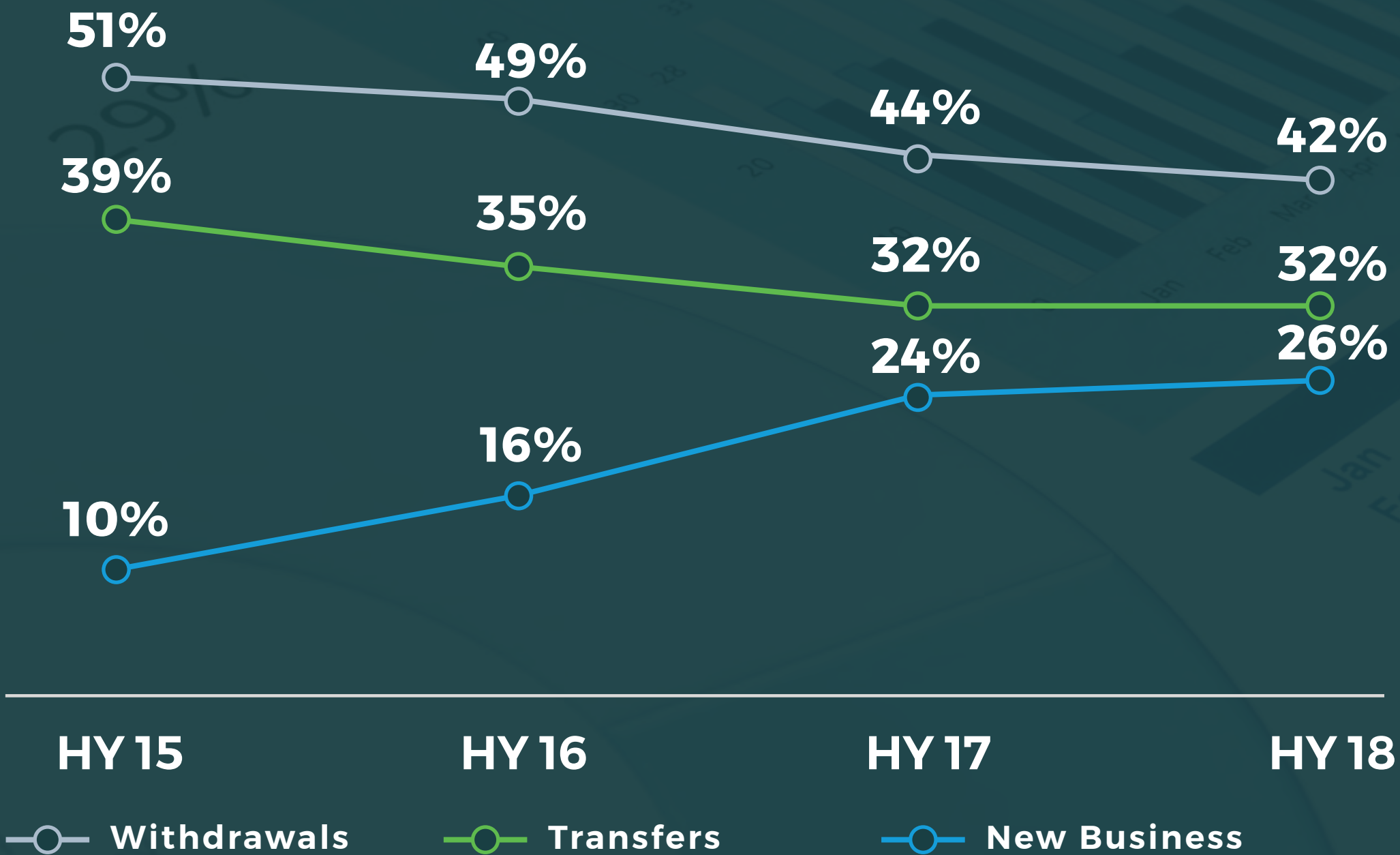
- 70k+ 30 day active LNM tills +53.0% (YoY)
- Shs 175bn total transaction value +37.7% (YoY)
- 62.9m LNM transactions +62.7% (YoY)

30-day Active M-PESA Customers (m)



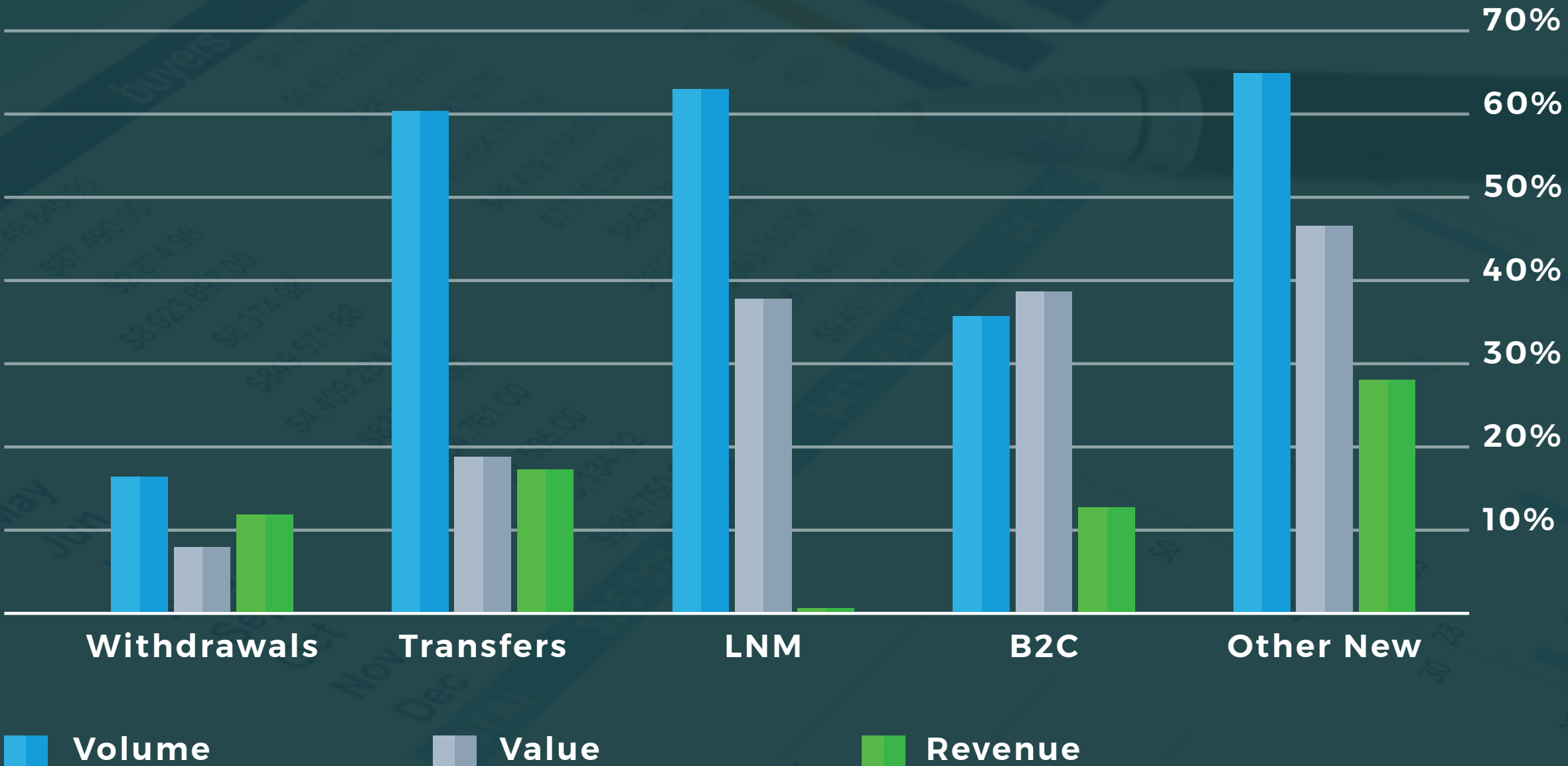
M-PESA | Evolution of the eco-system

M-PESA Revenue Contribution



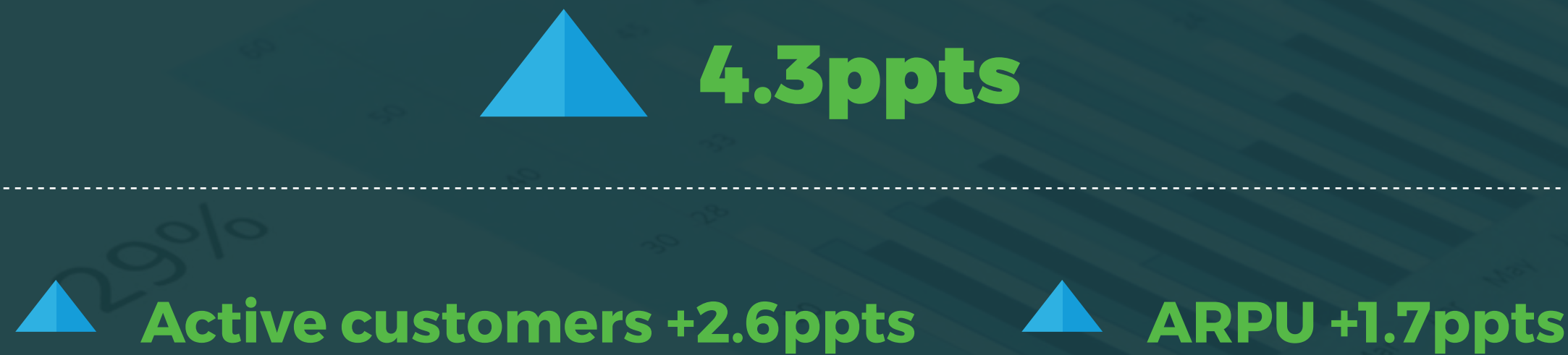
- Future opportunity lies in payments
- Focus on long term sustainability by
 - Growing and retaining E-value
 - Accelerating velocity of payments
 - Seamless payments across value chains
- Focus on superior customer experience through M-PESA 1Tap

HY 18 YoY Growth



- Transfers and payments growing at a faster rate than withdrawals
- Rate reduction on LNM and B2C to stimulate usage and drive long term strategy
- Volume includes Kadogo transactions (Transfers, LNM, Other New)
- Chargeable transaction volume growth of 31% YoY

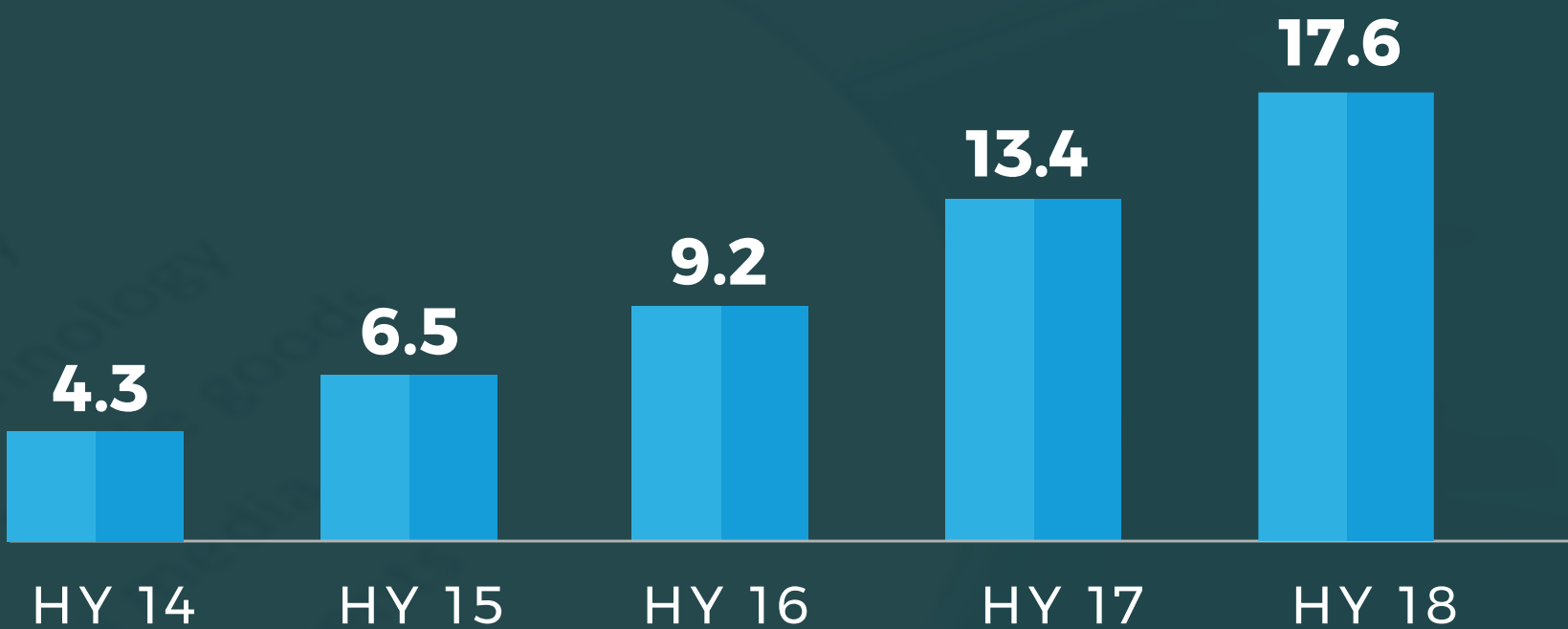
Mobile Data Revenue | Increased usage supporting growth



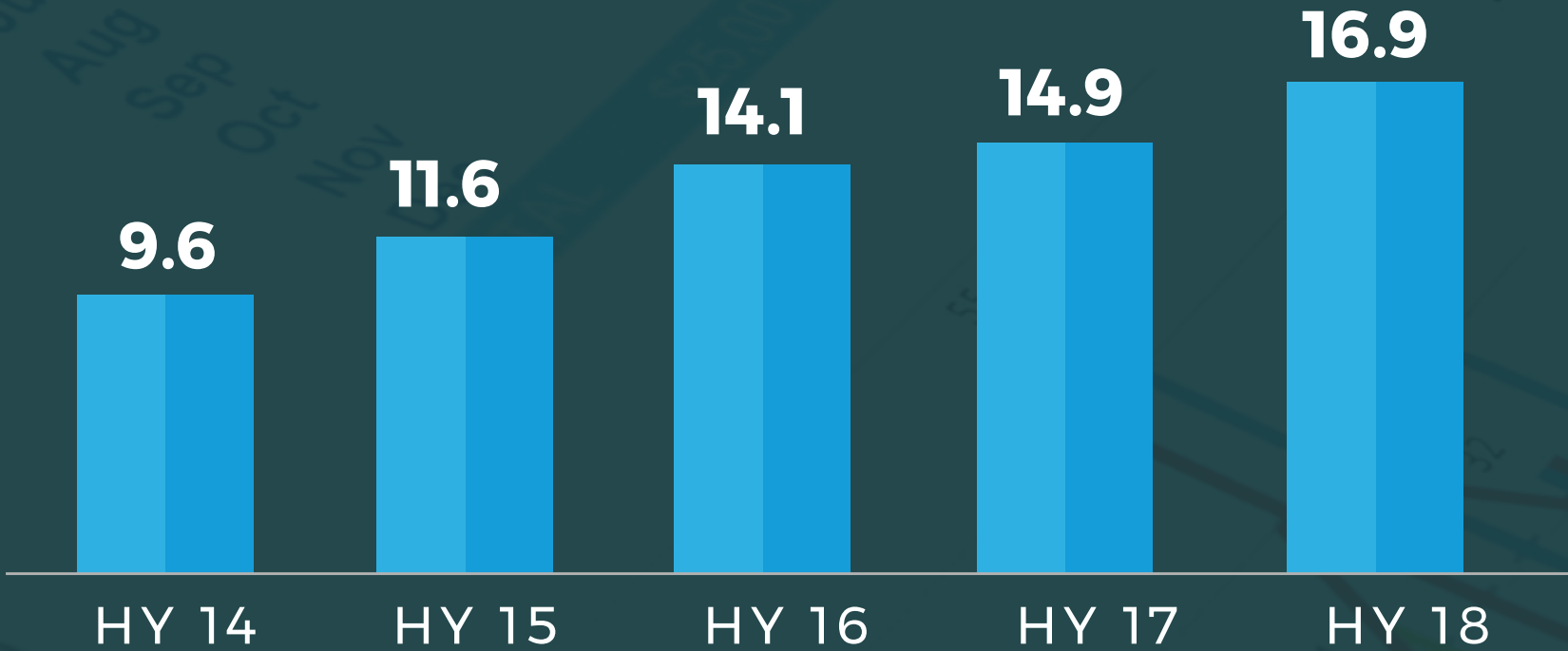
Driving the digital revolution

- Mobile Data ARPU* **Shs170 +18.1% (YoY)**
- Data subs now at **16.9m +13.5% (YoY)**
- Usage per customer per month at **382MBs +65.9% (YoY)**

Mobile Data Revenue (Shs Bn)



30-day Active Mobile Data Customers (m)



*Mobile Data ARPU based on distinct data customers per month

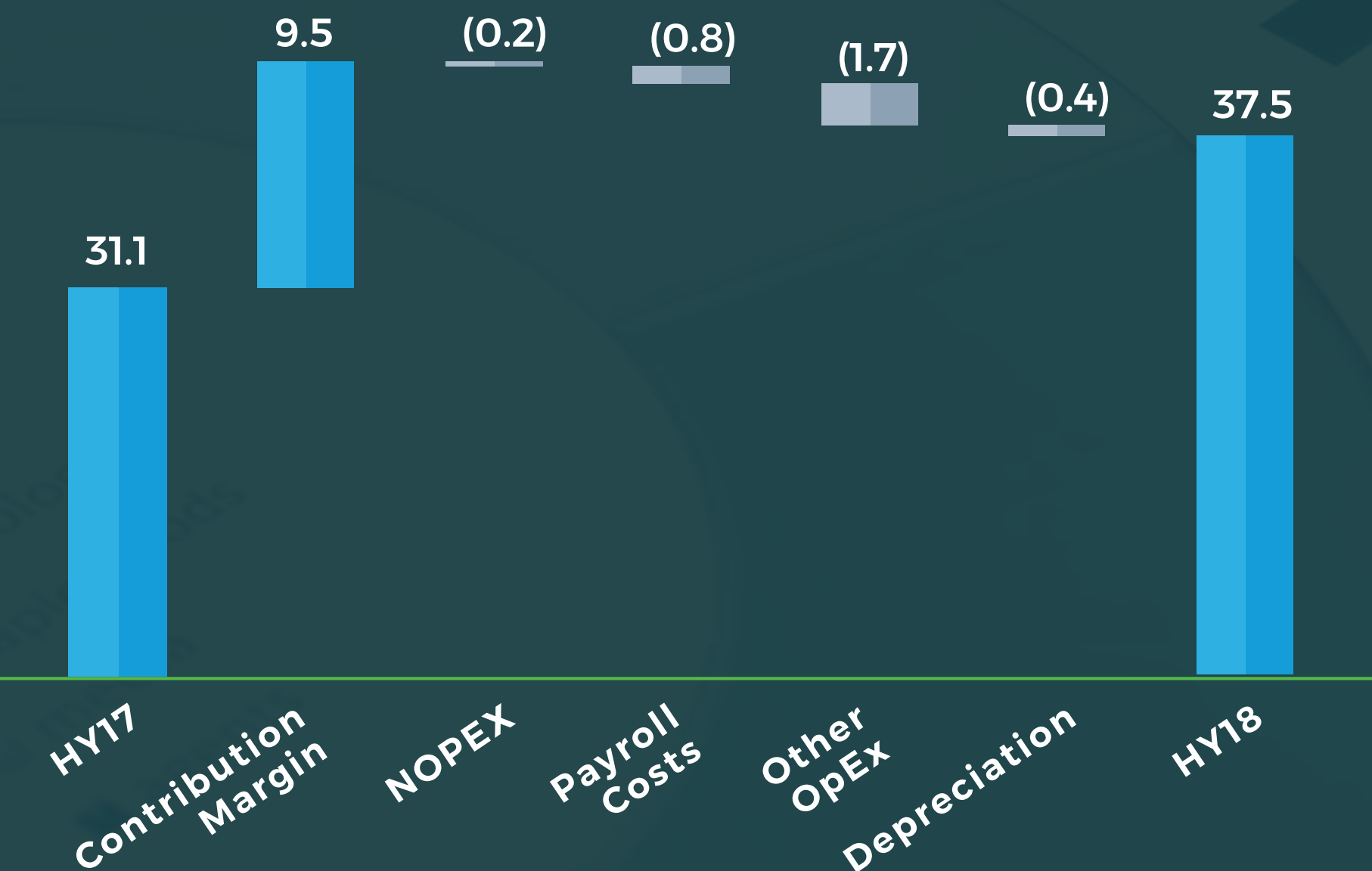
EBIT* | Supported by revenue growth and cost management



Performance on reported basis

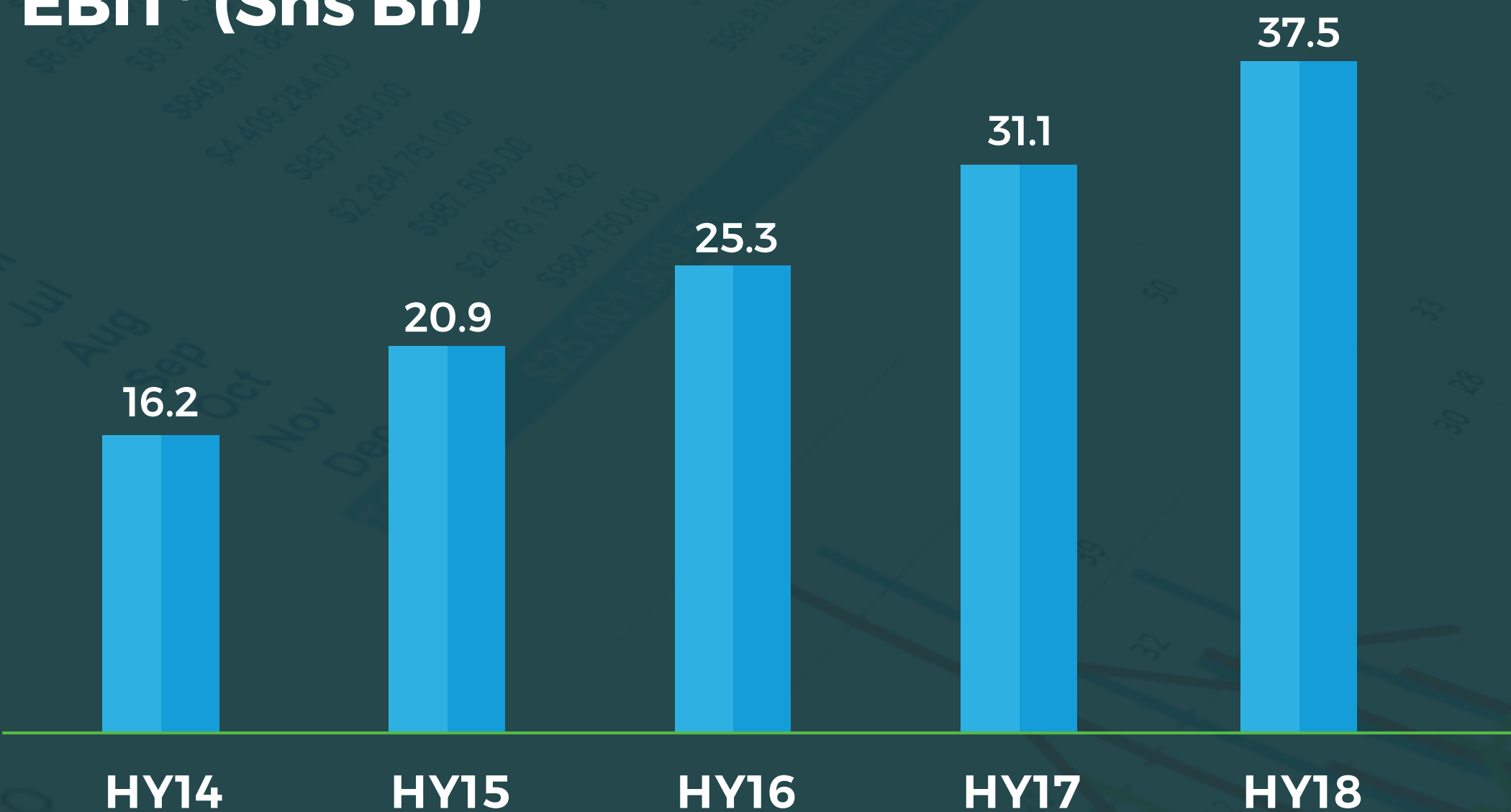
- EBIT 8.9% (YoY)
- Contribution margin 10.2% (YoY)
- Opex 17.9% (YoY)

EBIT* YoY (Shs Bn)



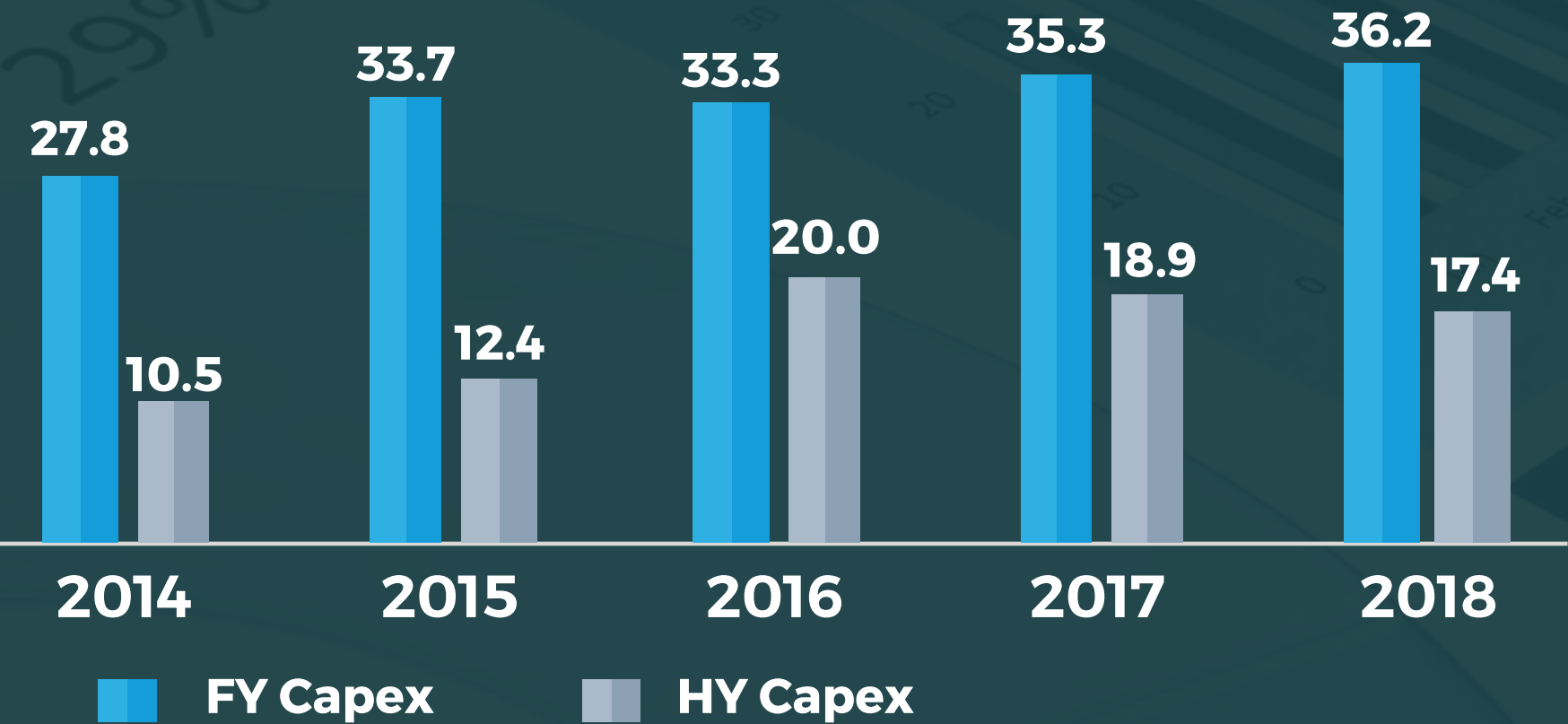
*Excludes one off adjustment in HY 17 of Shs3.4bn

EBIT* (Shs Bn)

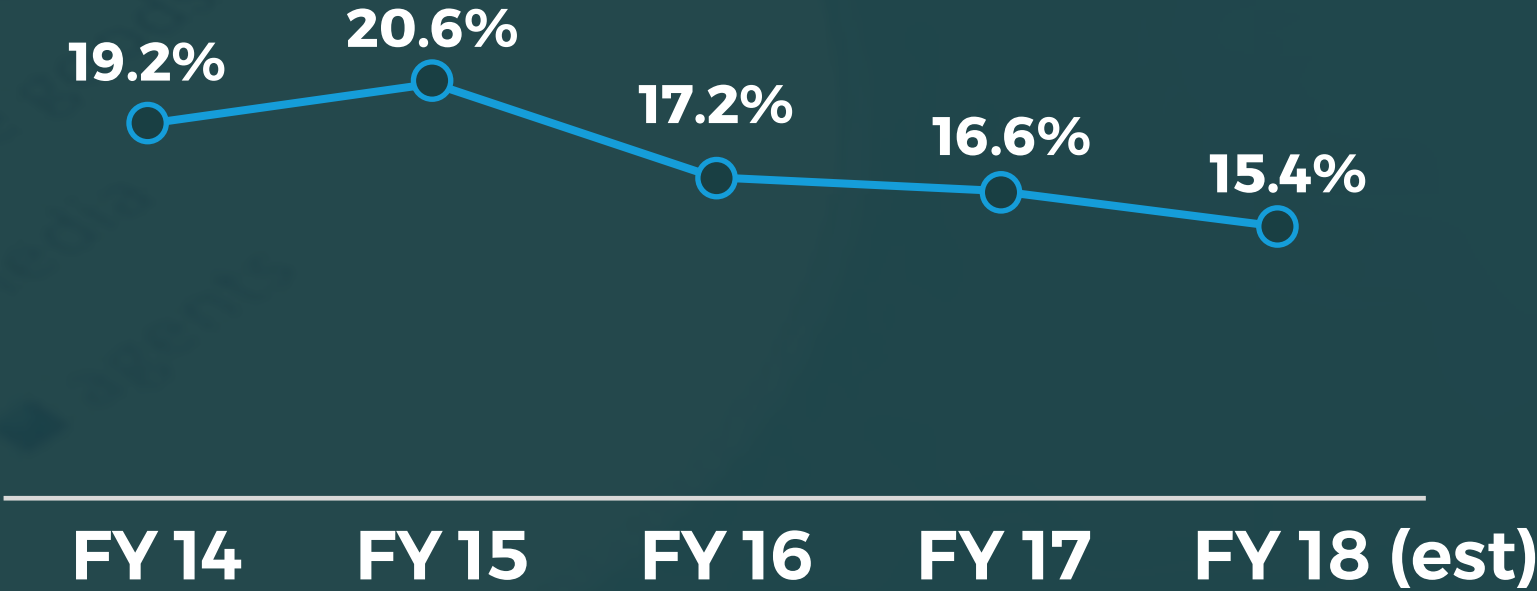


Capex | Sustained investment to stay ahead of the curve

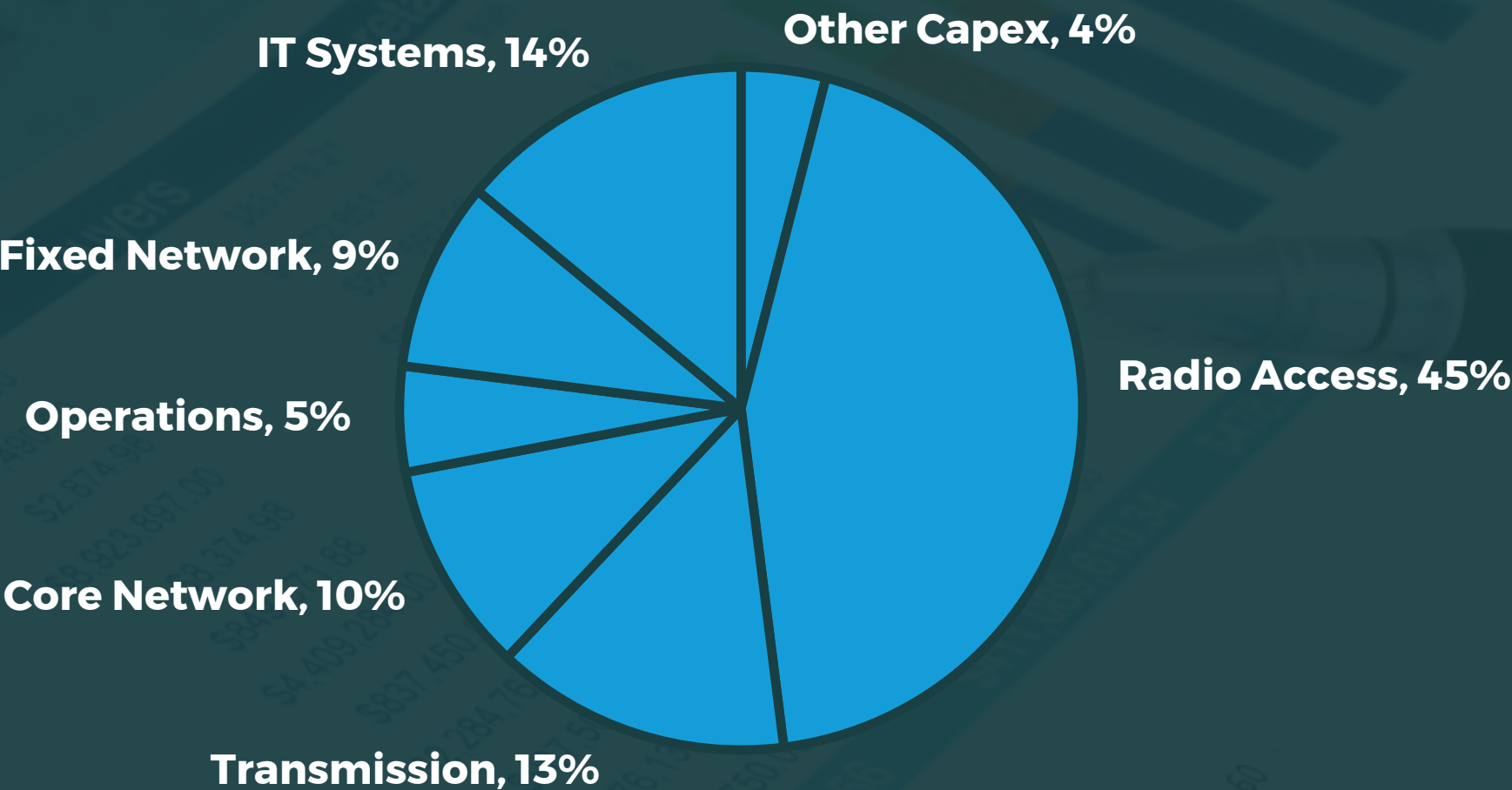
Capex (Shs Bn)



Five Year FY Capex Intensity



HY 18 Capex Allocation



Sites

- 4,841 sites, 96% coverage
- 3,913 3G sites, 86% coverage
- 1,454 4G sites, 32% coverage

Own Fibre Roll out

- Over 90k+ homes passed with FTTH
- 1,670 commercial buildings with FTTB

Cashflow | Growth supported by operating performance

Net Cash & Usage (Shs Bn)



Healthy Debt Position

- Debt / Equity Ratio: 0.07x
- Debt / EBITDA Ratio: 0.12x

Statement of Income | Key highlights

Shs Bn	HY 18	HY 17 Reported	HY 17 Normalized**	YoY% Reported	YoY% Normalized
Voice revenue (Outgoing & Incoming)	47.35	45.70	45.70	3.6%	3.6%
Messaging revenue	8.92	8.63	8.63	3.4%	3.4%
Mobile data revenue	17.55	13.40	13.40	31.0%	31.0%
Fixed service revenue	3.23	2.40	2.40	34.7%	34.7%
M-PESA revenue	30.05	25.87	25.87	16.2%	16.2%
Other service revenue	2.63	2.01	2.01	30.7%	30.7%
Service Revenue	109.73	98.01	98.01	12.0%	12.0%
Total Revenue	114.43	102.10	102.10	12.1%	12.1%
Contribution margin	79.11	71.80	69.57	10.2%	13.7%
Contribution margin %*	69.1%	68.8%	68.2%	0.2ppts	0.9ppts
EBITDA	54.27	50.81	47.46	6.8%	14.4%
EBITDA margin %*	47.4%	48.7%	46.5%	(1.3)ppts	0.9ppts
EBIT	37.53	34.46	31.11	8.9%	20.6%
EBIT margin %*	32.8%	33.0%	30.5%	(0.3)ppts	2.3ppts
Net Income	26.20	23.93	21.58	9.5%	21.4%
Net Income %*	22.9%	22.9%	21.1%	(0.1%)	1.7%
Earnings per share***	0.65	0.60	0.54	9.5%	21.4%

*Margin is calculated on total revenue (less construction revenue) plus other income

**Normalised for one off in HY17 of Shs3.4bn

***Not Annualised



**WHERE
WILL WE
GO NEXT?**

WAY FORWARD

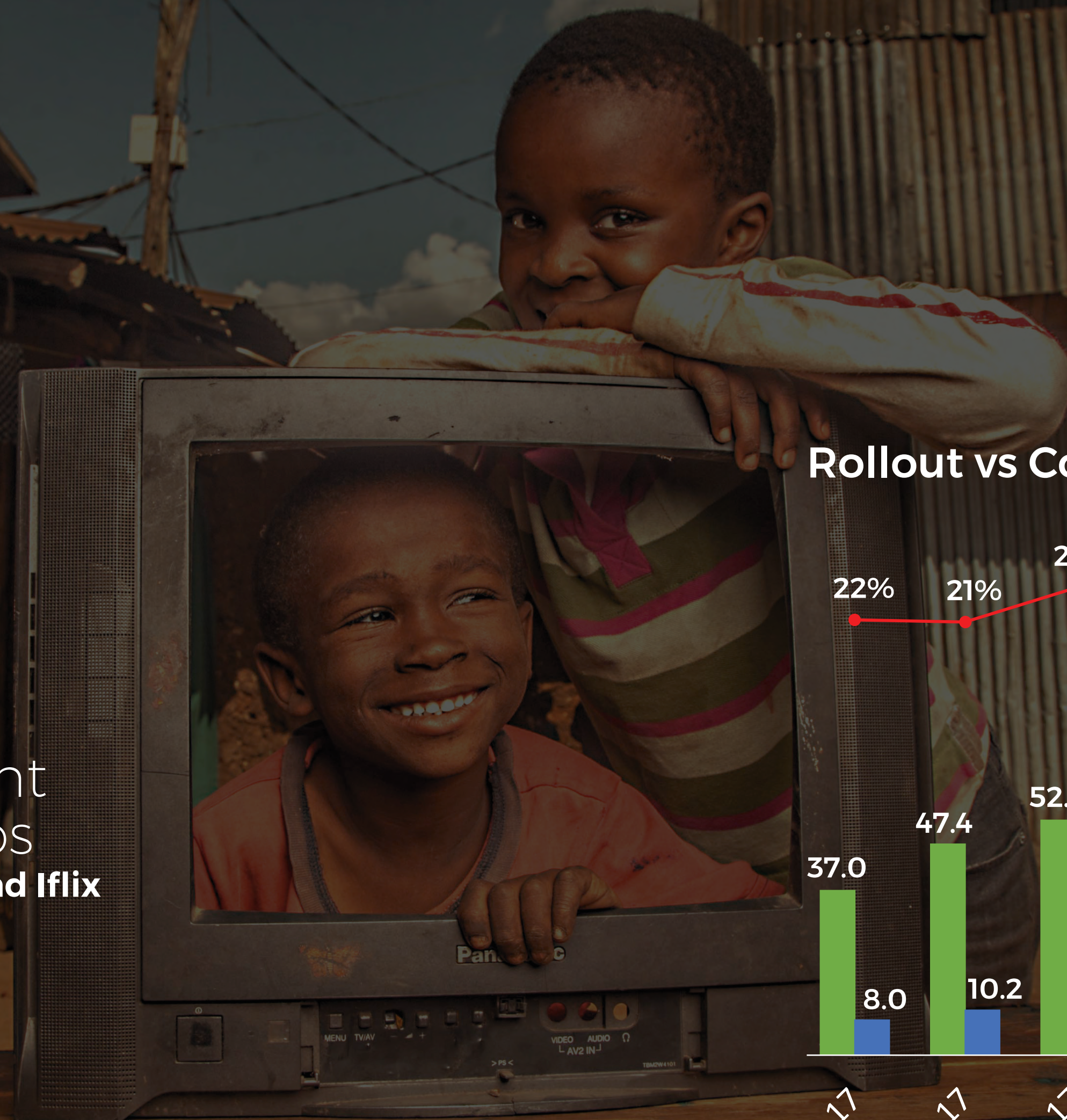
FIBRE TO THE HOME



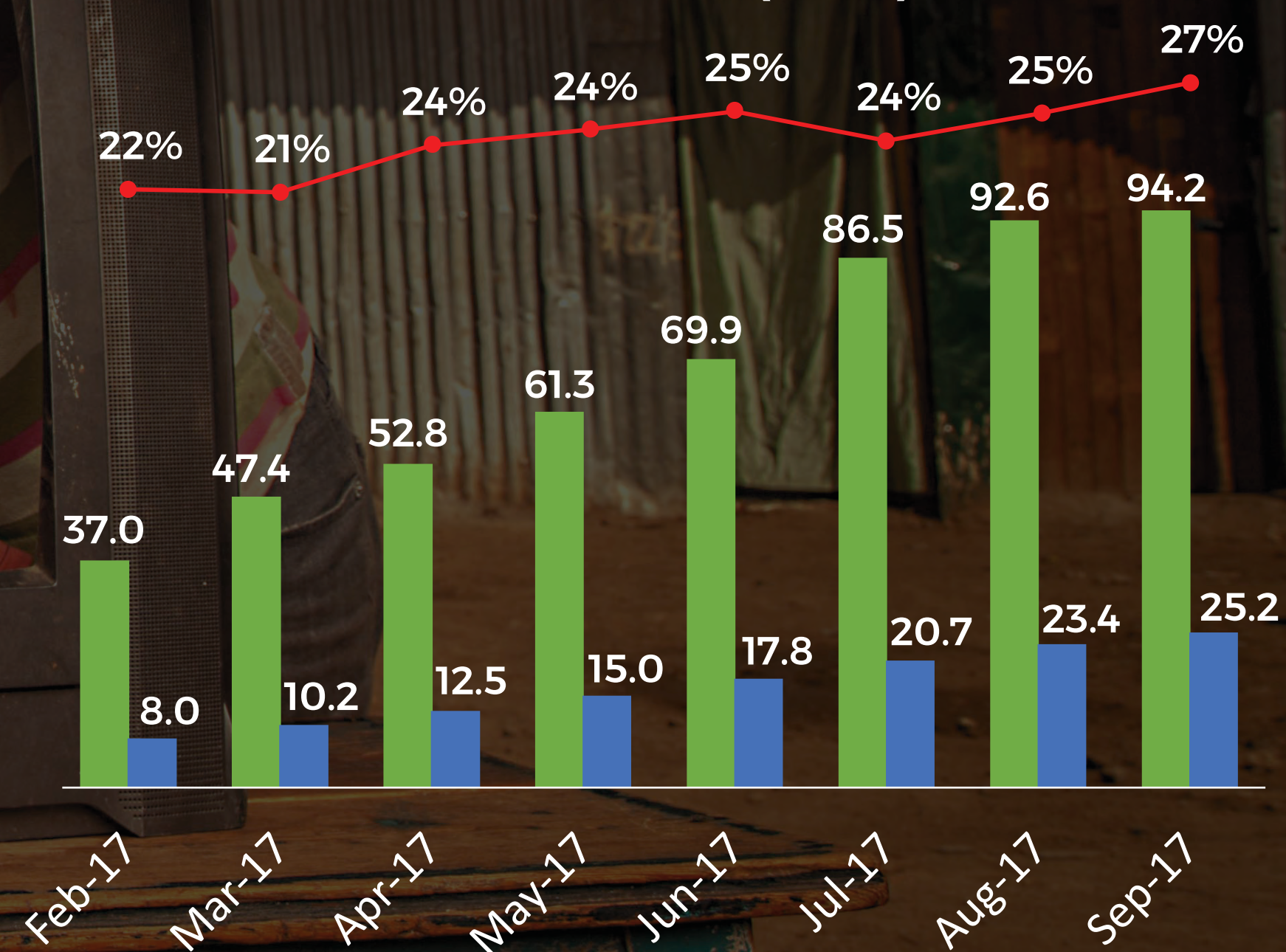
Rich content
partnerships
with **Showmax** and **Iflix**

Over 90k
Homes Passed

Over 28k
Customers

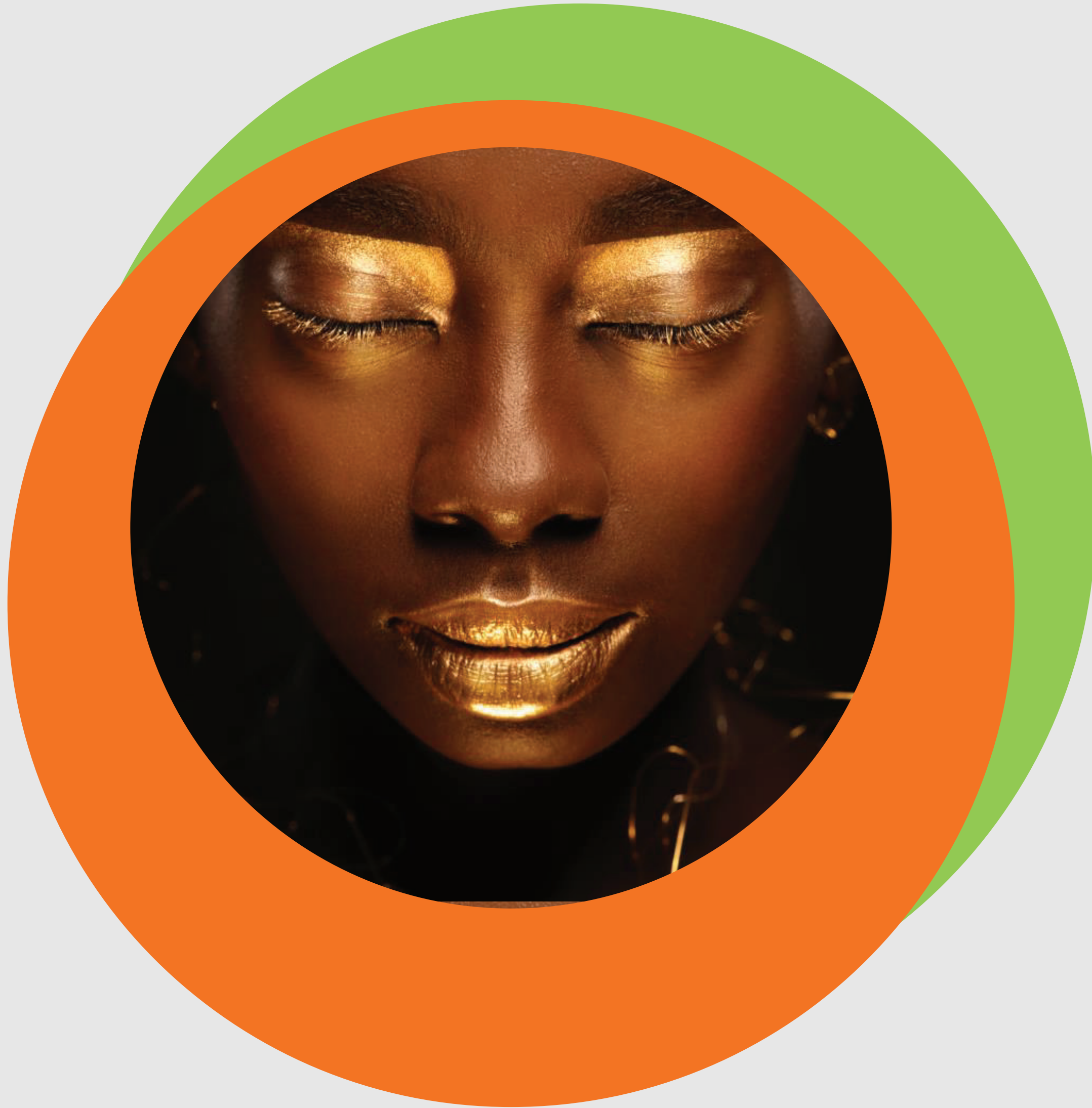


Rollout vs Connections (000)



■ Homes Passed ■ Homes Connected — Penetration

INTRODUCING MASOKO



The lifestyle e-commerce brand
made in kenya for the world.

Brought to you by kenya's most
innovative and trusted brand,
Safaricom.

INTRODUCING MASOKO

UNTAPPED POTENTIAL



Mobile
is the future



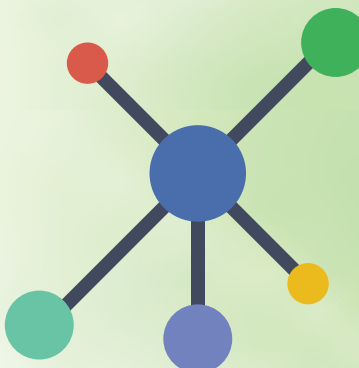
Today's discerning
shopper is
online



Trust
is still a major
barrier to online
shopping in Kenya



Most trusted
brand in Kenya



Largest Digital
eco-system



WAY FORWARD

GUIDANCE MAINTAINED ON EBIT AND CAPEX FOR FY18

EBIT

To
Shs 71-75Bn

From
Shs 67Bn
FY17 (normalized)

CAPEX



To
Shs 35-38Bn

From
Shs 35Bn
FY17

When we come together,
great things happen.

Q&A

Safaricom
Twaweza

APPENDICES



Statement of Income | Service Revenue to Contribution Margin

Shs Bn	HY 18	HY 17 Reported	HY 17 Normalized*	YoY% Reported	YoY% Normalized
Service Revenue	109.73	98.01	98.01	12.0%	12.0%
Handset and other revenue	4.49	4.01	4.01	11.9%	11.9%
Construction revenue	0.20	0.08	0.08	165.0%	165.0%
Total Revenue	114.43	102.10	102.10	12.1%	12.1%
Other Income	0.32	2.28	0.05	(86.0%)	570.9%
Direct costs	(35.43)	(32.50)	(32.50)	9.0%	9.0%
Construction costs	(0.20)	(0.08)	(0.08)	152.3%	152.3%
Contribution margin	79.11	71.80	69.57	10.2%	13.7%
Direct costs					
M-PESA Commissions	(9.62)	(8.51)	(8.51)	13.1%	13.1%
Airtime Commissions	(5.79)	(5.49)	(5.49)	5.5%	5.5%
Licence Fees	(4.92)	(4.96)	(4.96)	(0.8%)	(0.8%)
Interconnect & Roaming	(3.62)	(3.55)	(3.55)	2.0%	2.0%
Handset costs	(3.44)	(2.69)	(2.69)	28.1%	28.1%
Customer Acquisition and Retention	(3.62)	(3.92)	(3.92)	(7.7%)	(7.7%)
Value Added Services costs (Voice & SMS)	(2.82)	(2.92)	(2.92)	(3.2%)	(3.2%)
Other	(1.59)	(0.46)	(0.46)	245.9%	245.9%
Total	(35.43)	(32.50)	(32.50)	9.0%	9.0%

*Normalised for one off in HY 17 of Shs3.4bn

Statement of Income | Contribution Margin to Net Income

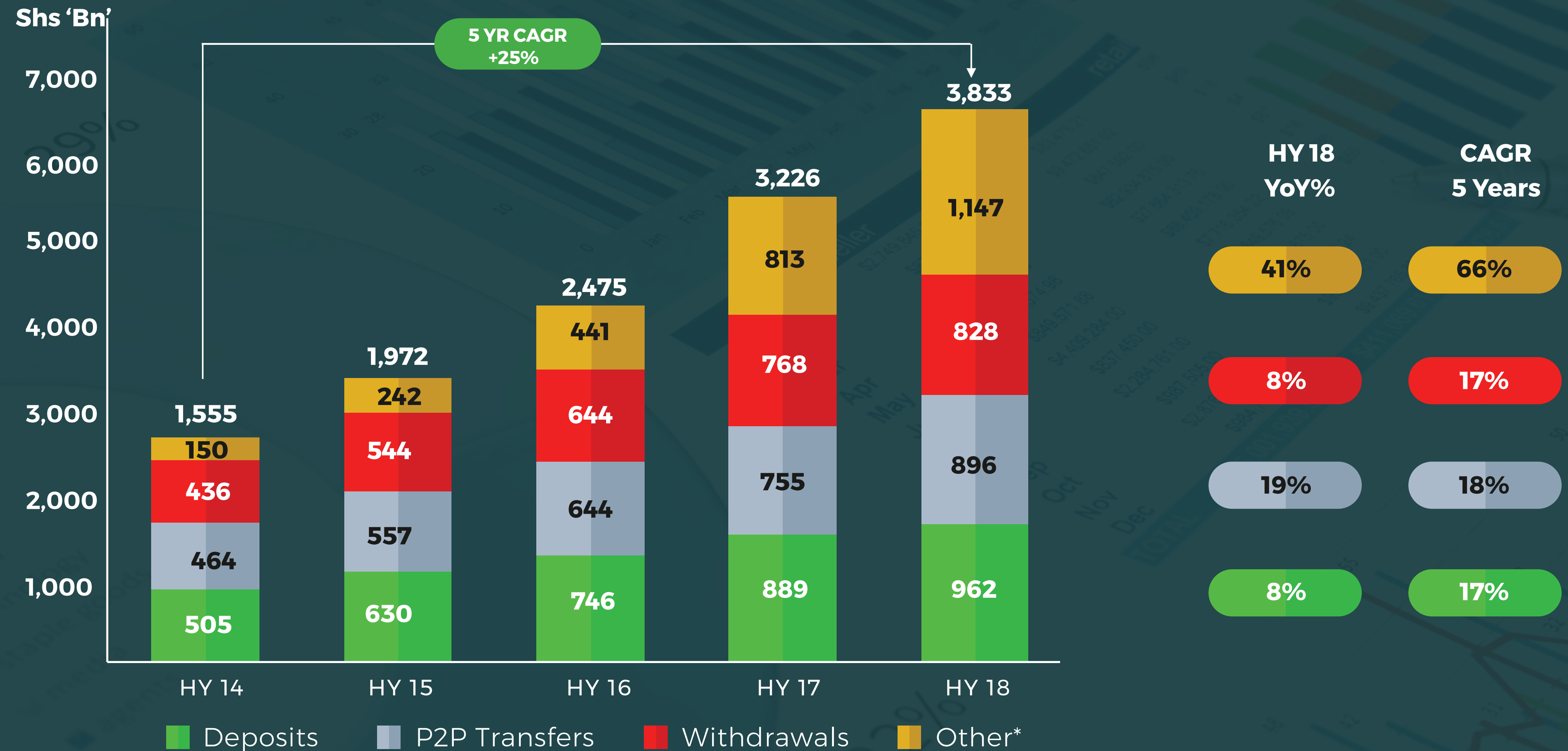
Shs Bn	HY 18	HY 17 Reported	HY 17 Normalized*	YoY% Reported	YoY% Normalized
Contribution margin	79.11	71.80	69.57	10.2%	13.7%
Operating costs	(24.76)	(21.00)	(22.12)	17.9%	11.9%
Forex Loss on trading activities	(0.08)	0.01	0.01	(900.0%)	(900.0%)
EBITDA	54.27	50.81	47.46	6.8%	14.4%
Depreciation, impairment & amortisation	(16.74)	(16.35)	(16.35)	2.4%	2.4%
EBIT	37.53	34.46	31.11	8.9%	20.6%
Net Financing, Forex and Fair Value Losses	0.28	0.02	0.02	1294.6%	1294.6%
Share of associate profit/(loss)	0.01	0.01	0.01	(43.6%)	(43.6%)
Taxation	(11.61)	(10.56)	(9.55)	10.0%	21.5%
Net Income	26.20	23.93	21.58	9.5%	21.4%
Operating costs					
Repairs and maintenance	(0.12)	(0.12)	(0.12)	(1.1)%	(1.1)%
Operating lease rentals'- Buildings	(0.54)	(0.44)	(0.44)	24.0%	24.0%
Operating lease rentals'- Sites	(1.18)	(1.03)	(1.03)	14.7%	14.7%
Warehousing costs	(0.16)	(0.15)	(0.15)	5.8%	5.8%
Employee benefits expense	(7.50)	(6.59)	(6.59)	13.9%	13.9%
Auditor's remuneration	(0.03)	(0.03)	(0.03)	1.8%	1.8%
Sales and advertising	(3.33)	(3.29)	(3.29)	1.2%	1.2%
Consultancy	(0.83)	(0.44)	(0.44)	86.5%	86.5%
Site/facilities costs	(6.43)	(6.57)	(6.57)	(2.0%)	(2.0%)
Travel and accommodation	(0.35)	(0.37)	(0.37)	(4.2%)	(4.2%)
Computer maintenance	(1.11)	(0.91)	(0.91)	21.4%	21.4%
Office upkeep	(0.59)	(0.47)	(0.47)	24.9%	24.9%
Other operating expenses	(1.95)	(0.76)	(1.88)	156.6%	(3.5%)
Bad Debts	(0.64)	0.17	0.17	(468.1%)	(468.1%)
Total	(24.76)	(21.00)	(22.12)	17.9%	11.9%

*Normalised for one off in HY 17 of Shs3.4bn

Free Cashflow | Key Movements

Shs Bn	HY 18	HY 17		YoY
Cashflow				
Trading cash flow (EBITDA)	54.27	50.81		6.8%
Movement in inventory	(1.69)	(0.72)		135.0%
Movement in receivables	1.35	(4.26)		(131.8%)
Movement in payables	9.24	4.86		90.1%
Net Working capital changes	8.90	(0.11)		(7,890.6%)
Operating cash flow				
Capital Additions	(17.39)	(18.95)		(8.2%)
Operating free cash flow	45.78	31.75		44.2%
Interest received / (paid)	0.33	0.67		(51.6%)
Taxation received / (paid)	(13.70)	(12.27)		(11.6%)
Free cash flow	32.40	20.15		60.8%

M-PESA Transaction Values | Growth continues in Bread and Butter, acceleration from New Business



* B2C, C2B, B2B, Lipa Na M-PESA, IMT, Gaming, M-Shwari, KCB M-PESA, Airtime.