# Safaricom Limited
# FY2017 Results Presentation

**10 May 2017**

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# NCHI YETU, STORI YETU

## (Our country, Our Story)

# NCHI YETU, STORI YETU
## THE POWER OF CONNECTION

**90%**
of Kenya's
population
covered by mobile

Mobile provides
wider access to
**health,**
**education** and
**financial**
**services**.

Telecoms
contribution to
economy is
**8%** of **GDP**

Source: Kenya Economic Survey, CA Reports

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# NCHI YETU, STORI YETU

## THE POWER OF CONNECTION

For over
**26 million**
M-PESA users, mobile money is more than just money transfer

In Kibera, M-PESA is providing access to water for over
**80,000 residents**

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NCHI YETU, STORI YETU
IMPACTFUL INNOVATION
Making a Difference: 120 projects this year creating meaningful impact in health, agriculture and education
Commitment to responsible business by fully aligning with the Global Goals
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# NCHI YETU, STORI YETU
## A HUMAN NETWORK

We have forged over **35,000 partnerships** across industries to drive change this year

**Over 70%** Safaricom staff dedicate their time to community projects

We believe in the power of unity to build a better Kenya.
**#Twaweza**

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# NCHI YETU, STORI YETU

SUSTAINABLE GROWTH FOR KENYA | 2006/7 - 2016/7

TRUE VALUE

## IMPACT ON SOCIETY

**10x PROFIT**

CONTRIBUTION TO GDP

**6.5%** on average annually

SUSTAINING EMPLOYMENT

**845K** jobs in 2016 up from 426k in 2006

SOCIAL IMPACT OF M-PESA

**184.6 SHS BILLION** up from 83m in 2006

These results were calculated using KPMG's 'True Value' methodology which uses proprietary methodology to establish the business value of companies.

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# DELIVERING THE STRATEGY

# DELIVERING THE STRATEGY

Customer First

+

Relevant Products

+

Operational Excellence

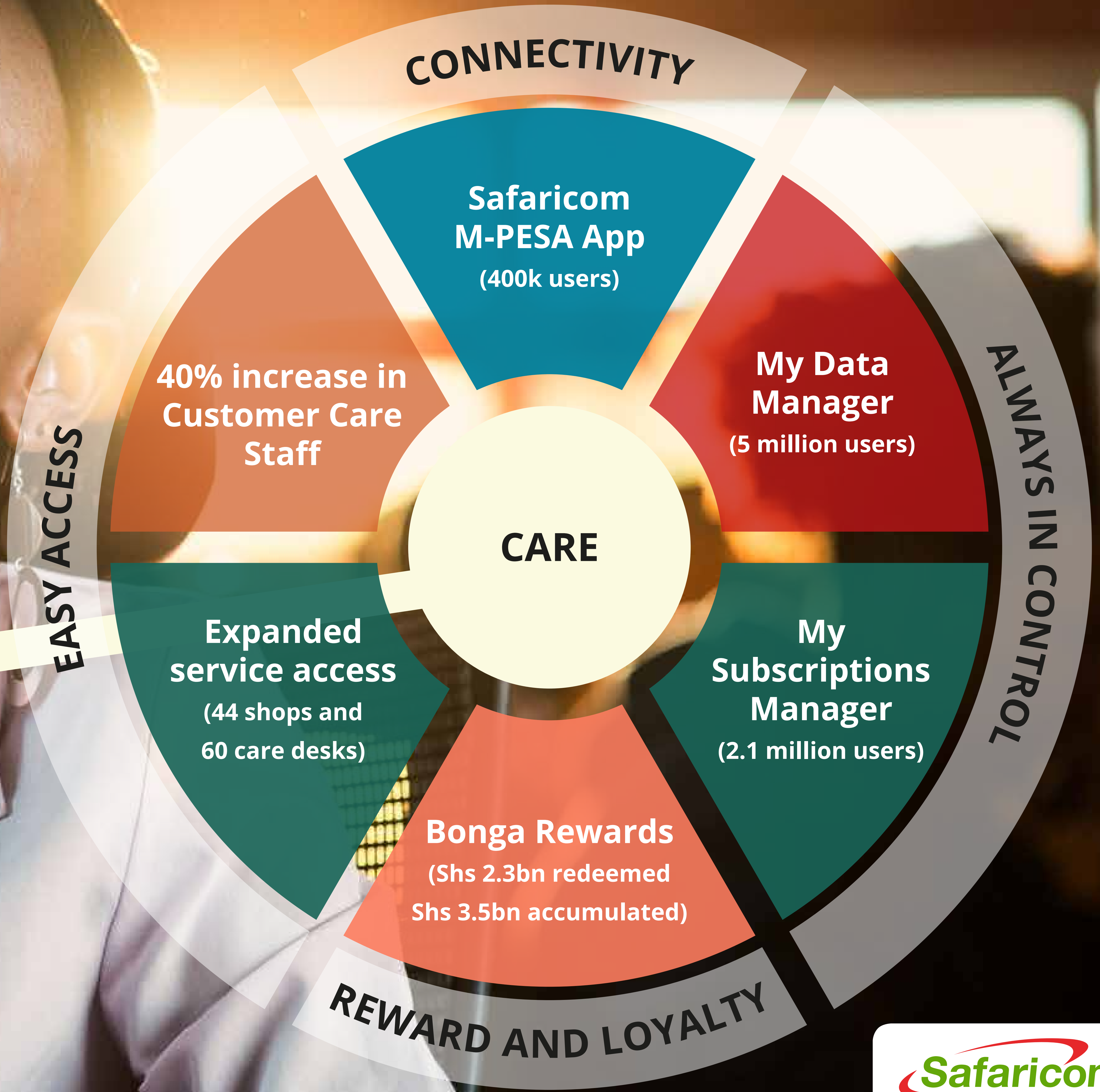
=

- Revenue
- EBIT
- Net Income
- Free CashFlow

# DELIVERING THE STRATEGY

## CUSTOMER FIRST

**Segments-led approach**
driving sharper customer focus

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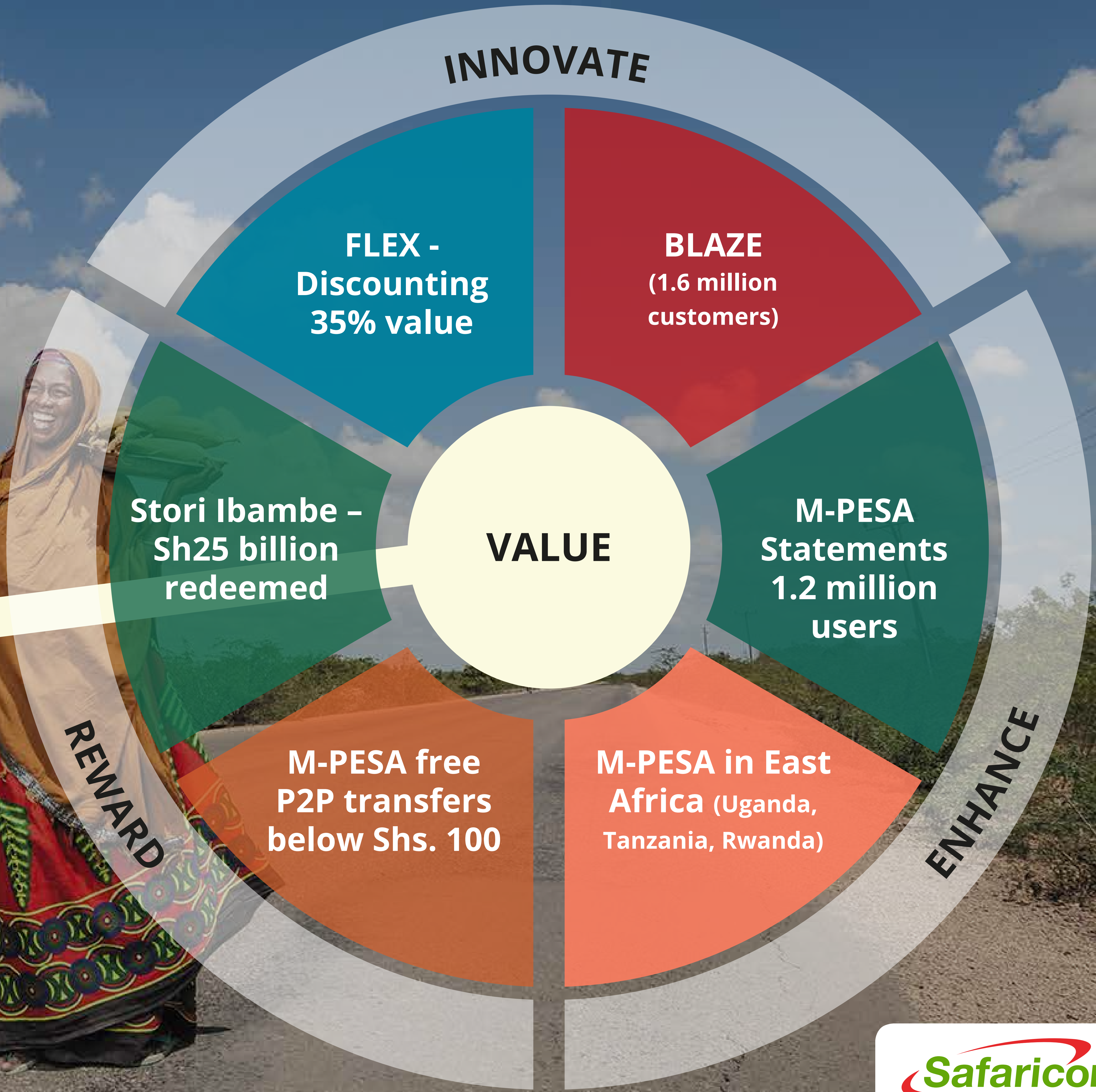
# DELIVERING THE STRATEGY

## RELEVANT PRODUCTS




Deep analytics guiding a more **customised customer relationship**

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# DELIVERING THE STRATEGY
## OPERATIONAL EXCELLENCE


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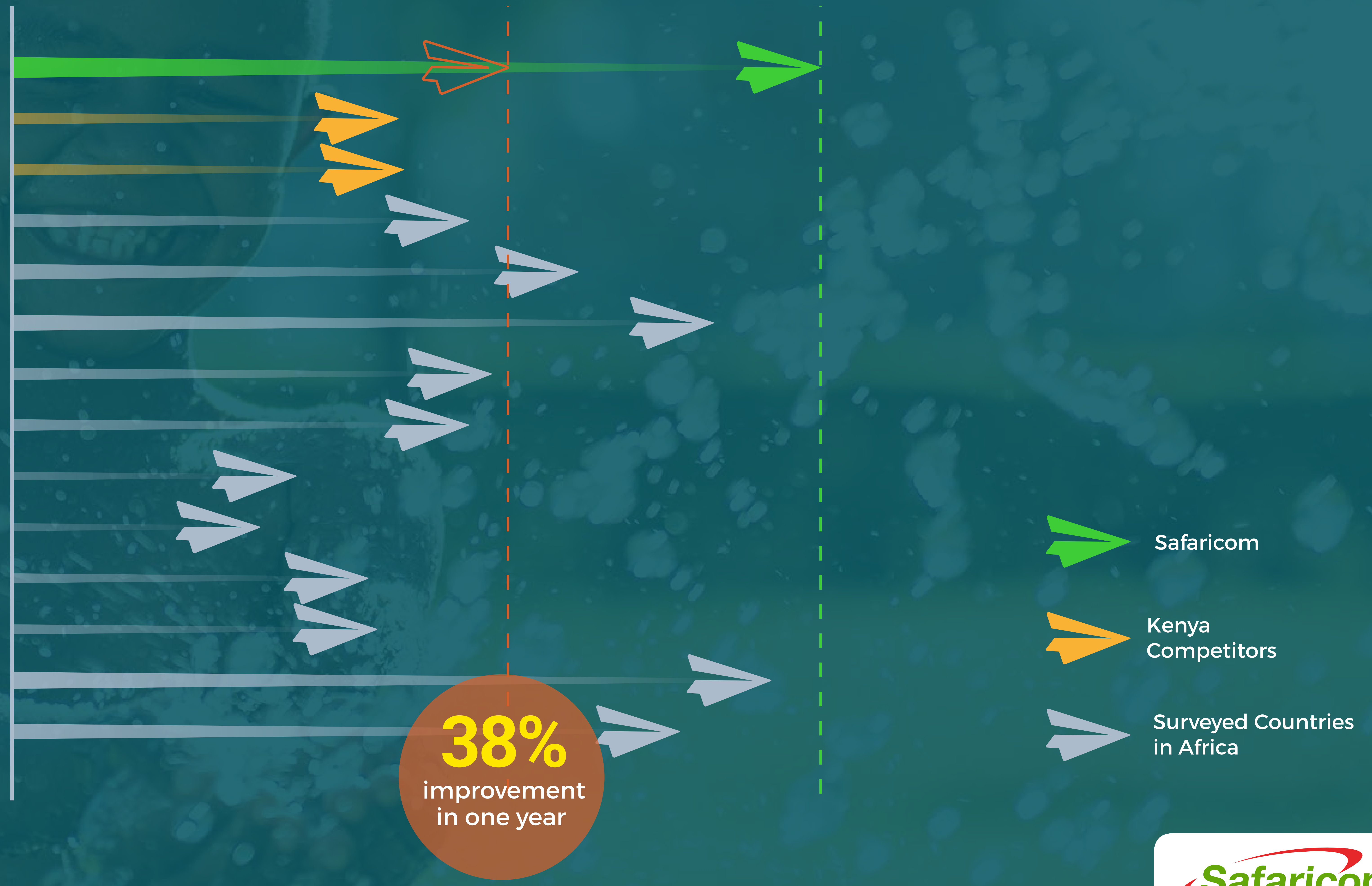
# DELIVERING THE STRATEGY

## HIGH NETWORK PERFORMANCE

Our network is ranked **the best** when compared to other networks in Kenya and Africa




Source: P3, an independent analyst has found that our network is ranked the best when compared to other networks in Ghana, South Africa and Egypt.

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# THE NUMBERS

## **Strong Financial Performance** | Delivered by our purpose and strategy

| Key Financials | FY17 | FY16 | YoY% | |
|---|---|---|---|---|
| Service Revenue | 204.1 | 177.8 | +14.8% | ▲ |
| EBITDA* | 100.3 | 83.1 | +20.7% | ▲ |
| EBIT* | 67.0 | 55.1 | +21.6% | ▲ |
| Net Income* | 45.1 | 38.1 | +18.3% | ▲ |
| Free Cash Flow** | 43.5 | 30.4 | +43.3% | ▲ |

*Excludes one off adjustment of Shs 3.4Bn in H1

**Excludes Dividends, Spectrum purchases and any M&A activity

## **Higher investment and affordable prices** | 3m additional customers have chosen Safaricom

Shs. 38Bn

**Investment*** ▲

**4,677** sites

**1,103** sites

**4,190km** fibre

Customer analytics

**Prices*** ▼

↓ **8%** Voice

↓ **22%** Data

↓ **19%** SMS

↓ **9%** P2P

**Customers** ▲

↑ **11.8%**

*Includes Capital expenditure and 4G Spectrum purchase

**Effective average rate per unit

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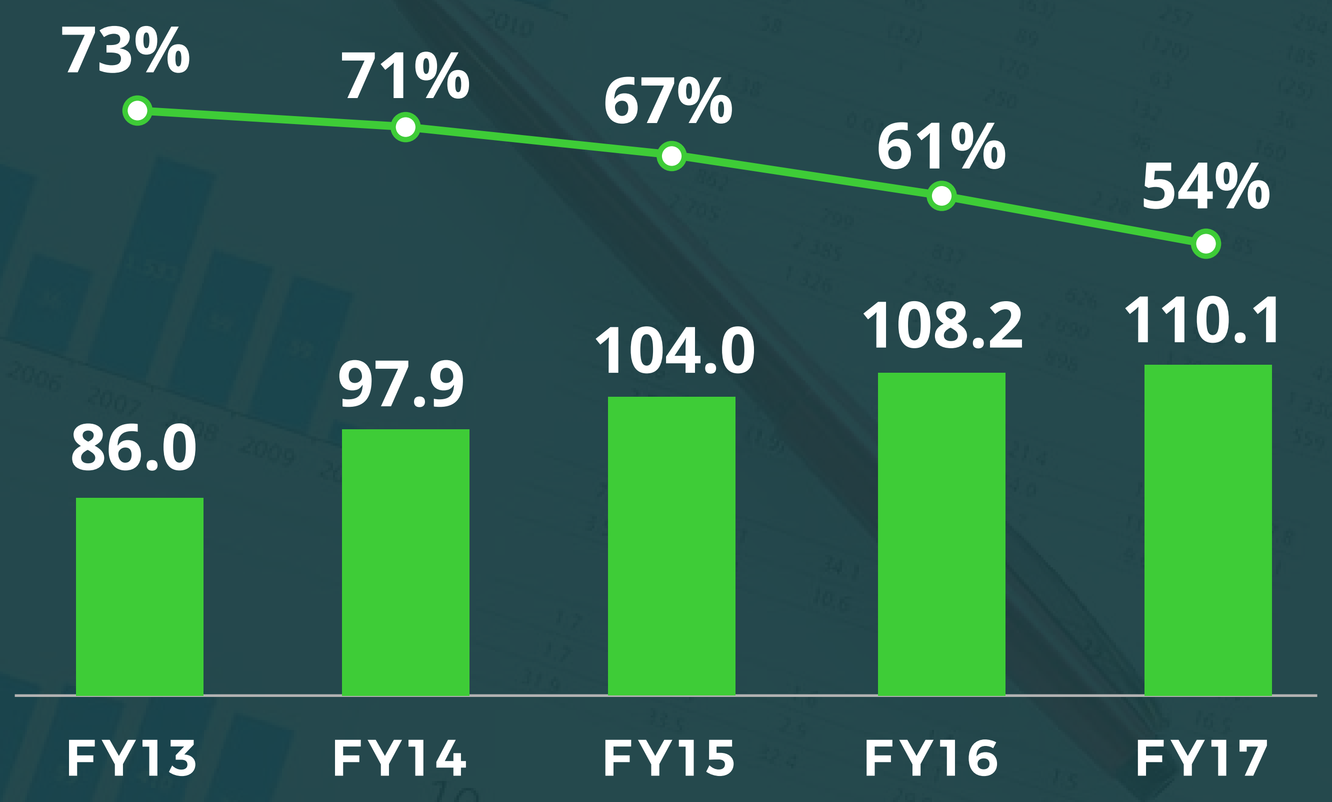
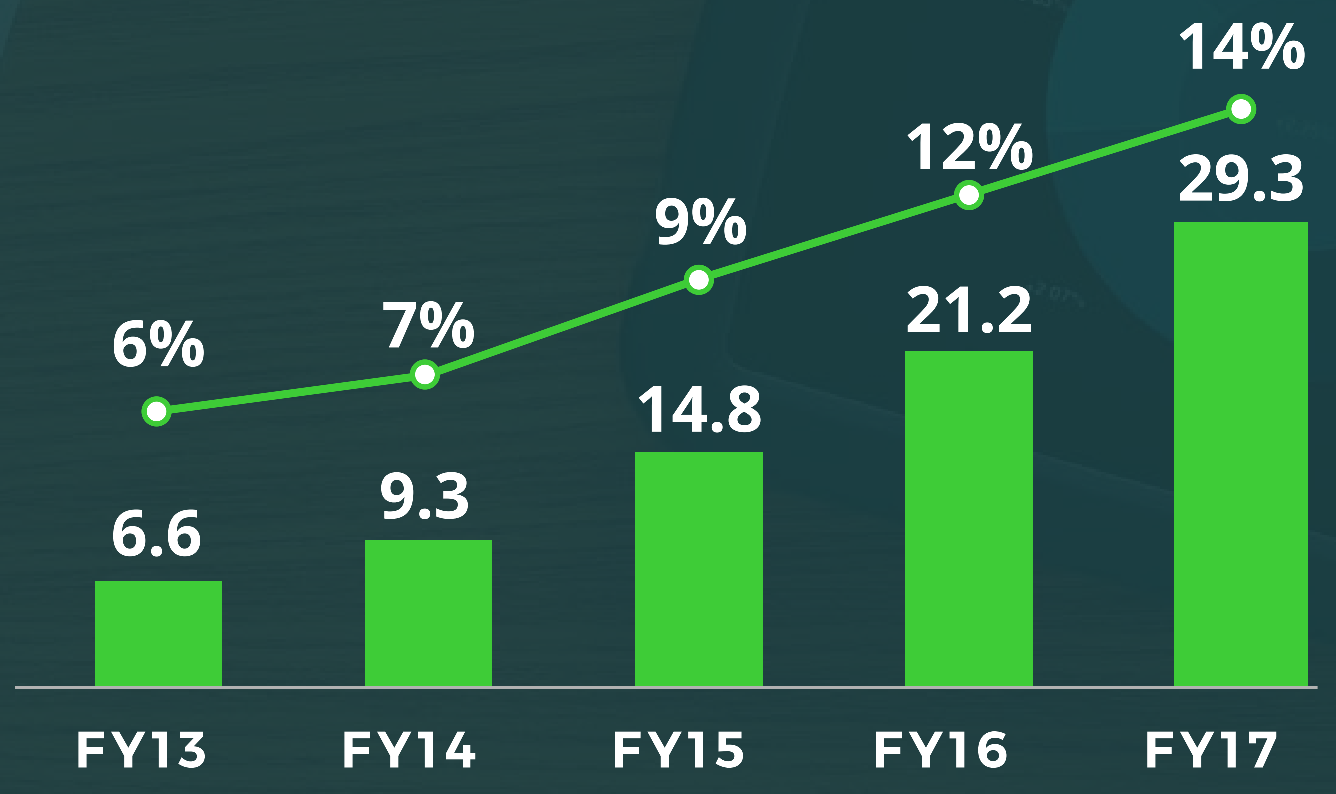
## **Resilient Business Model** | Stable traditional telco streams, growing data & financial services

### Voice* & SMS (Shs Bn, % SR)



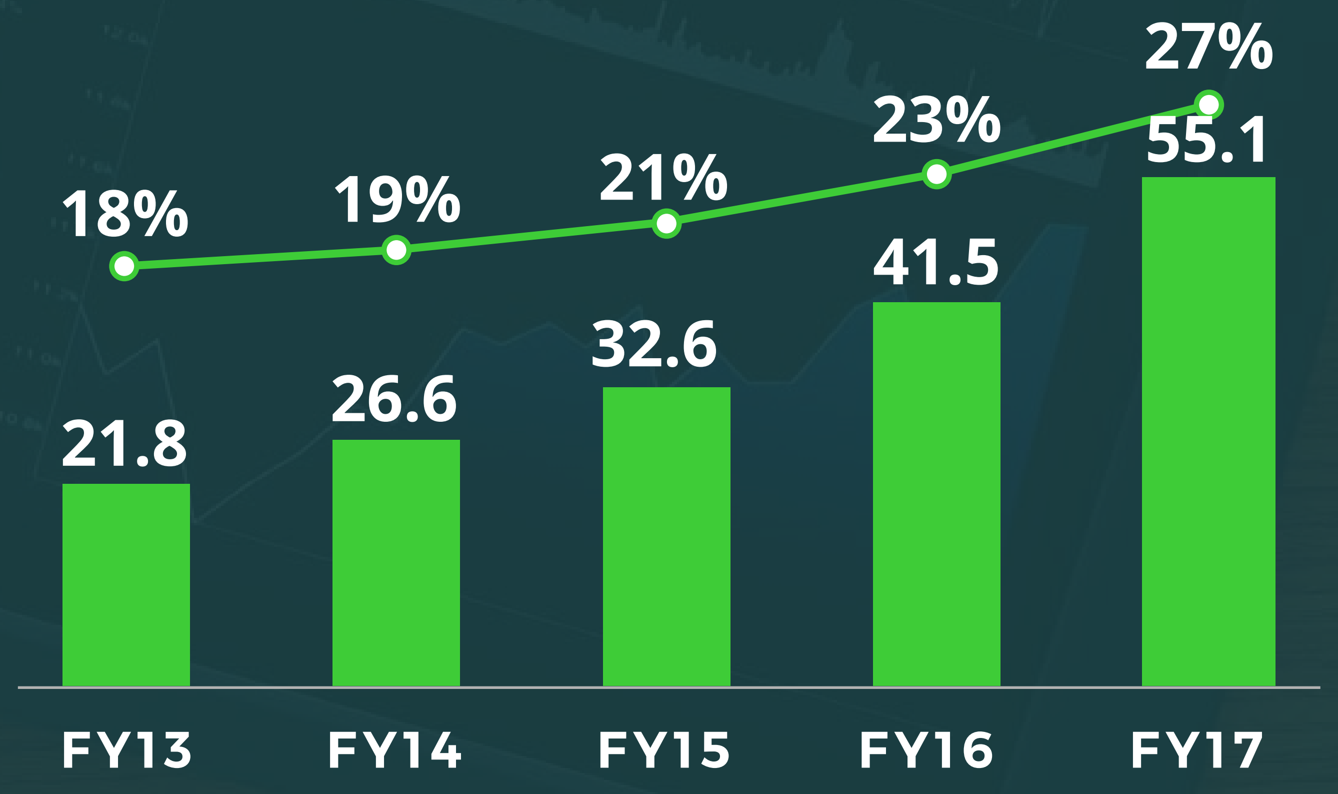

- Increased customer base and usage

### Mobile Data (Shs Bn, % SR)




- Increased data users and usage

### M-PESA (Shs Bn, % SR)




- Increased M-PESA users and use cases

*Outgoing Voice

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## **FY17 Service Revenue** | M-PESA & Mobile Data continue to drive growth

**+14.8% YoY**

**M-PESA +7.6ppts**

- **+32.7%** (YoY)
- **27.0%** of SR (**+3.7ppts YoY**)

**Mobile Data +4.6ppts**

- **+38.5% (YoY)**
- **14.3%** of SR (2.4ppts YoY)

### Outgoing Voice

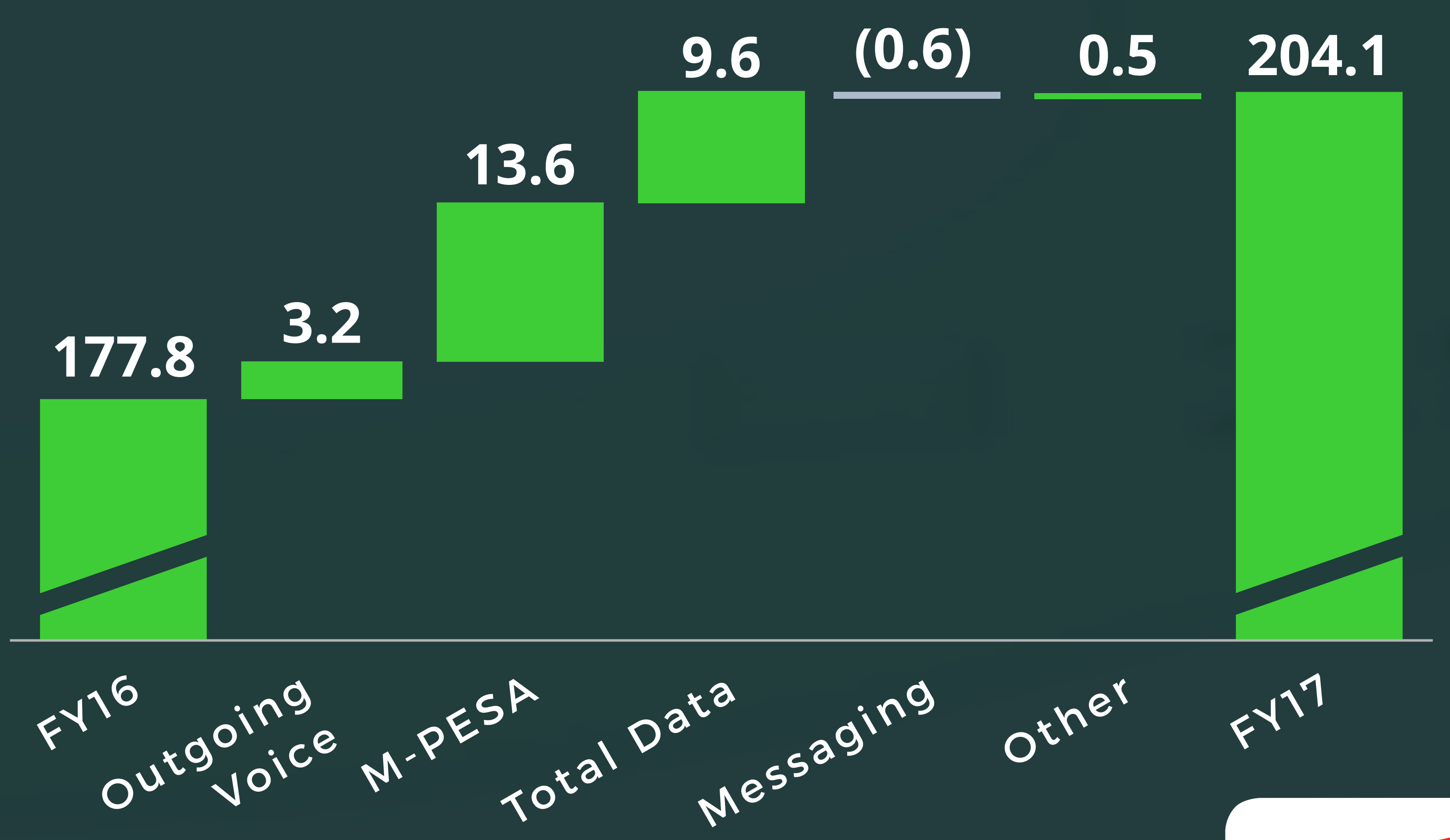
- **+1.8ppts (+3.8% YoY)**
- **42.5%** of SR **(-4.5ppts YoY)**

### Fixed Data

- **+0.8ppts (37.4% YoY)**
- Total Data **16.9%** of SR **(+2.9ppts YoY)**

### Service Revenue (Shs Bn)


### Service Revenue Waterfall (Shs Bn)

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# M-PESA Revenue | Expansion of the eco-system drives growth

**+7.6 ppts**

## Bread & Butter +4.2 ppts

- **75%** of M-PESA Revenue
- P2P **+21% (YoY)**
- Withdrawals **+24% (YoY)**

## New Business +3.4 ppts

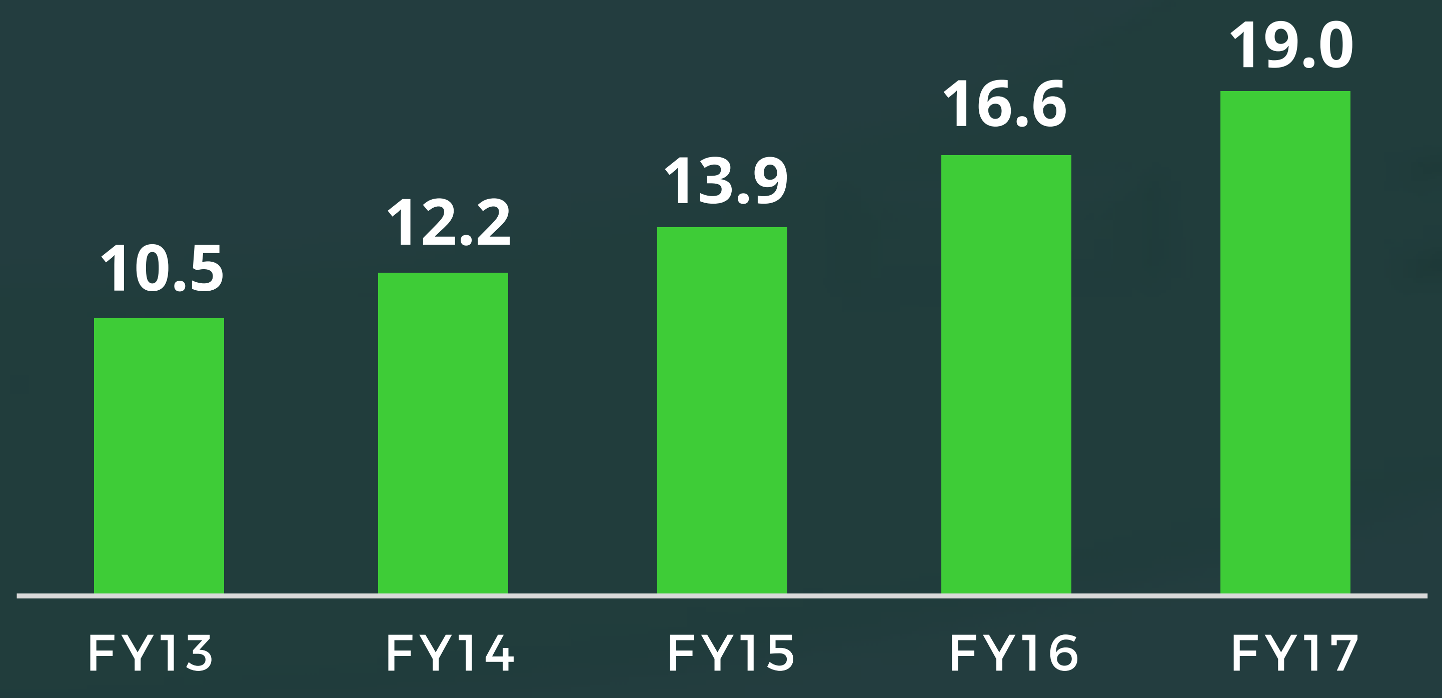
- **25%** of M-PESA Revenue
- C2B/ B2C/ B2B **+103% (YoY)**
- Lipa Na M-PESA (LNM) **+61% (YoY)**
- Other **+10% (YoY)**

## Growing the Eco-system

- **19m** 30 day active M-PESA subs **+14.6% (YoY)**
- **130k+** M-PESA Agents **+35% (YoY)**
- **50k+** 30 day active LNM tills **+32% (YoY)**
- **7m** 30 day active loan customers **+48% (YoY)**
- **10** transactions per customer per month **+35% (YoY)**

## M-PESA Revenue (Shs Bn)


## 30-day Active M-PESA Customers (m)

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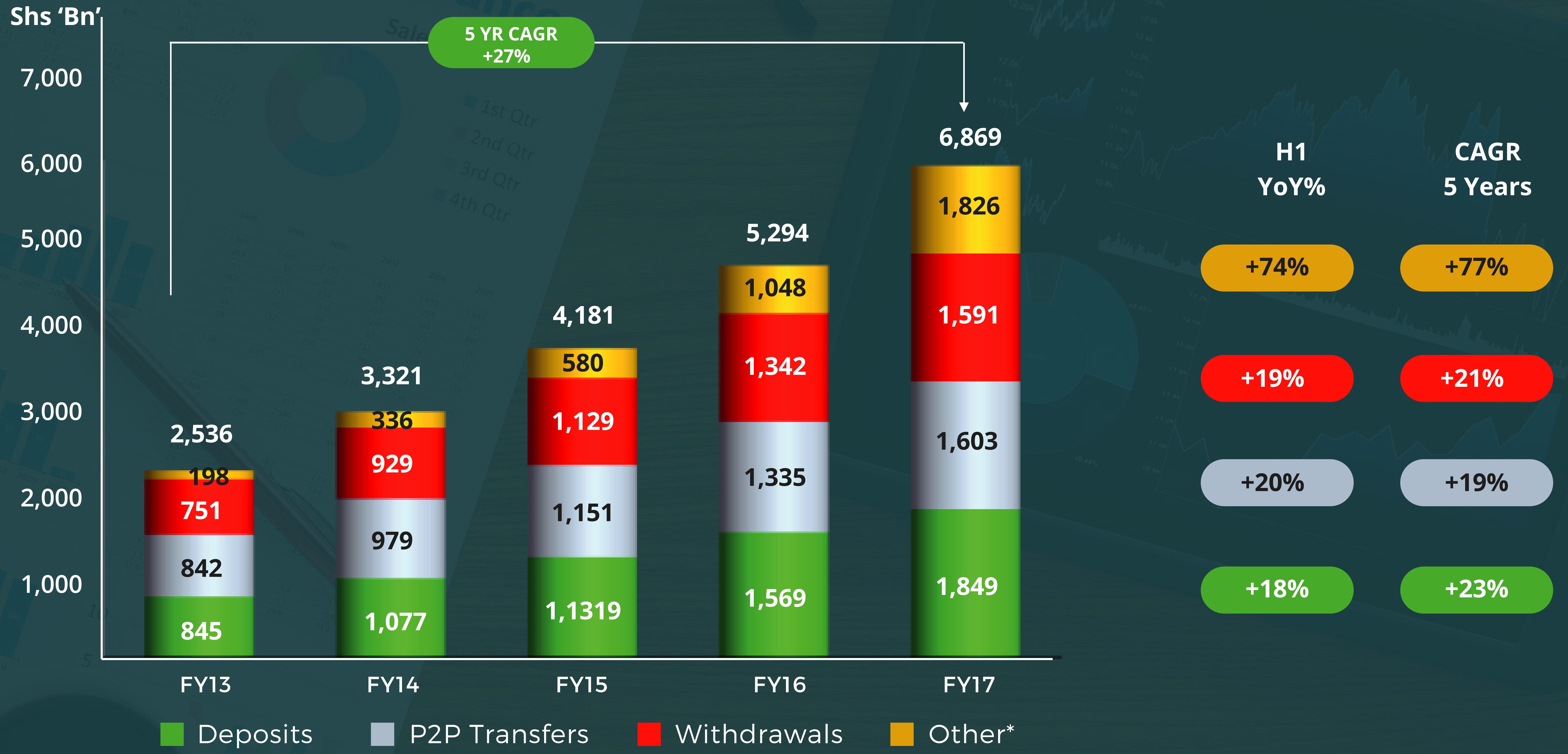
## **M-PESA Transaction Values** | Growth continues in Bread and Butter, acceleration from New Business




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

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# **Mobile Data Revenue** | Increasing penetration to drive growth

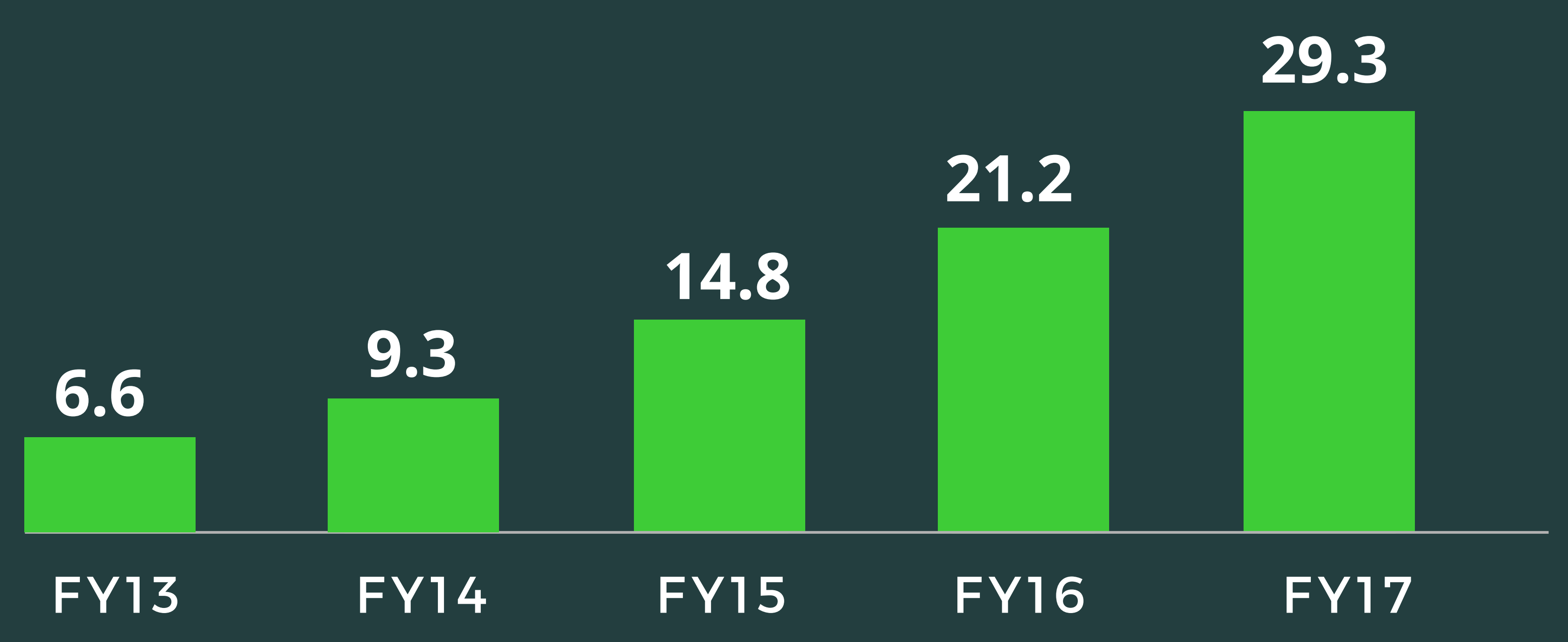
**4.6ppts**

**Active customers +2.3ppts** **ARPU +2.3ppts**

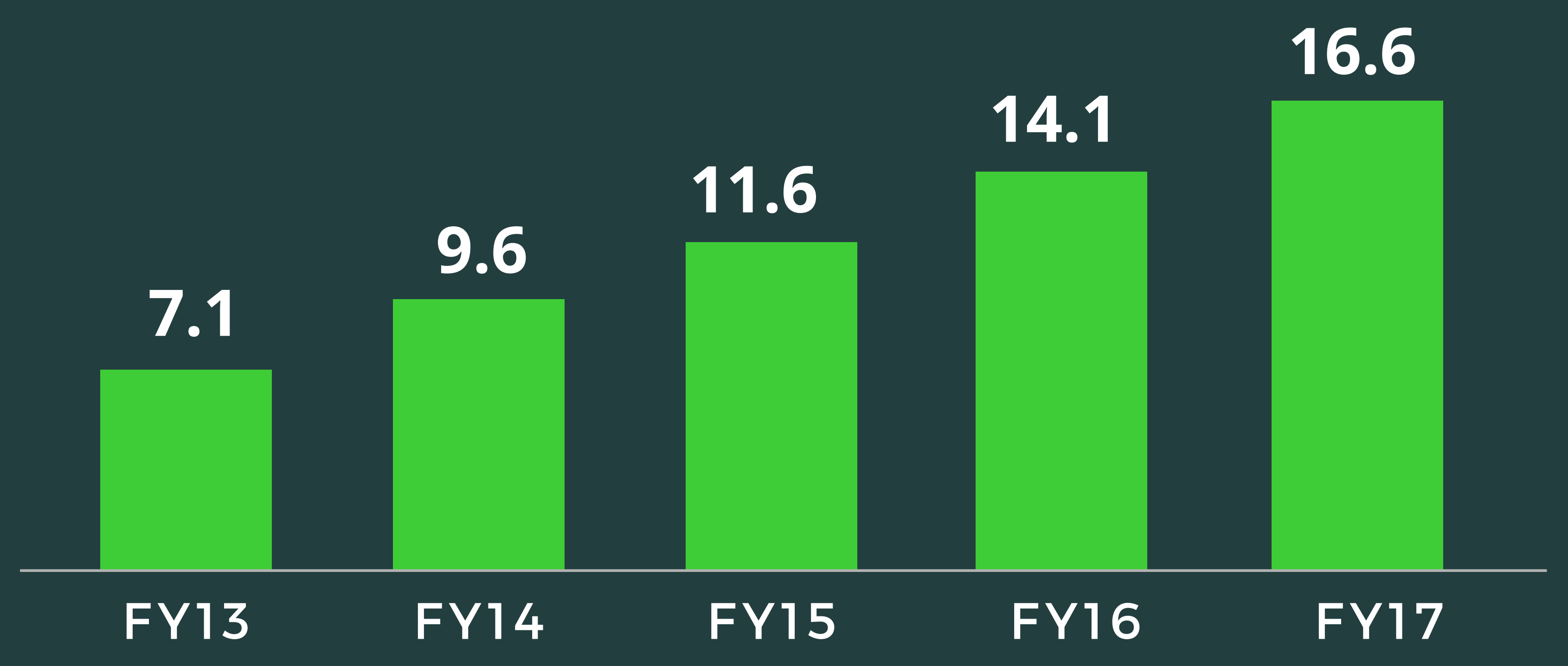
## Driving the digital revolution

- Mobile Data ARPU* – **Shs 153 +17% (YoY)**
- Data subs now at **16.6m +18.1% (YoY)**
- Usage per customer per month at **269MBs +52% (YoY)**
- Data enabled devices now at **41% +10ppts (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

**+21.6%**

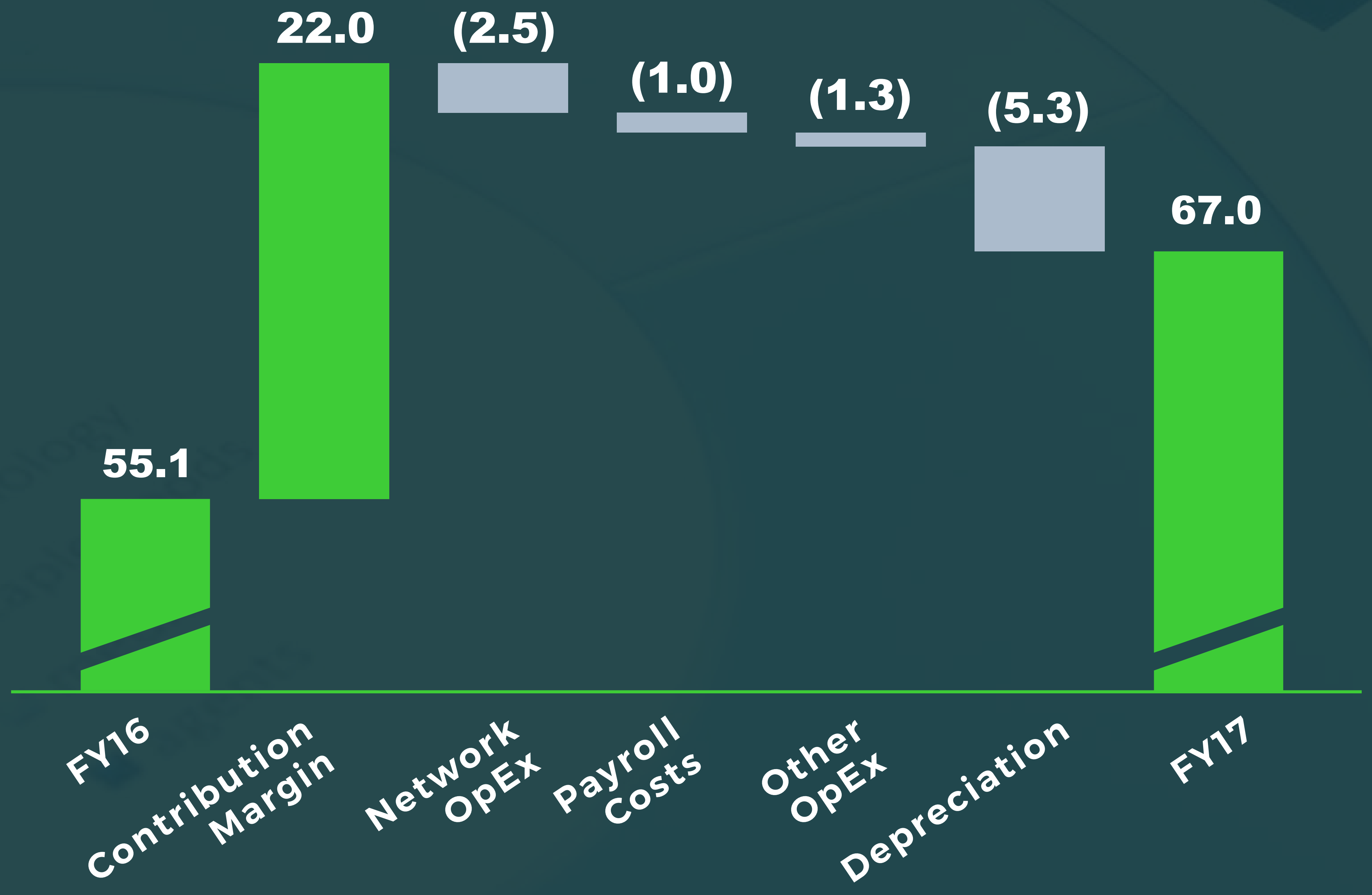
**+17.7%** Contribution Margin*

**12.4%** OpEx*

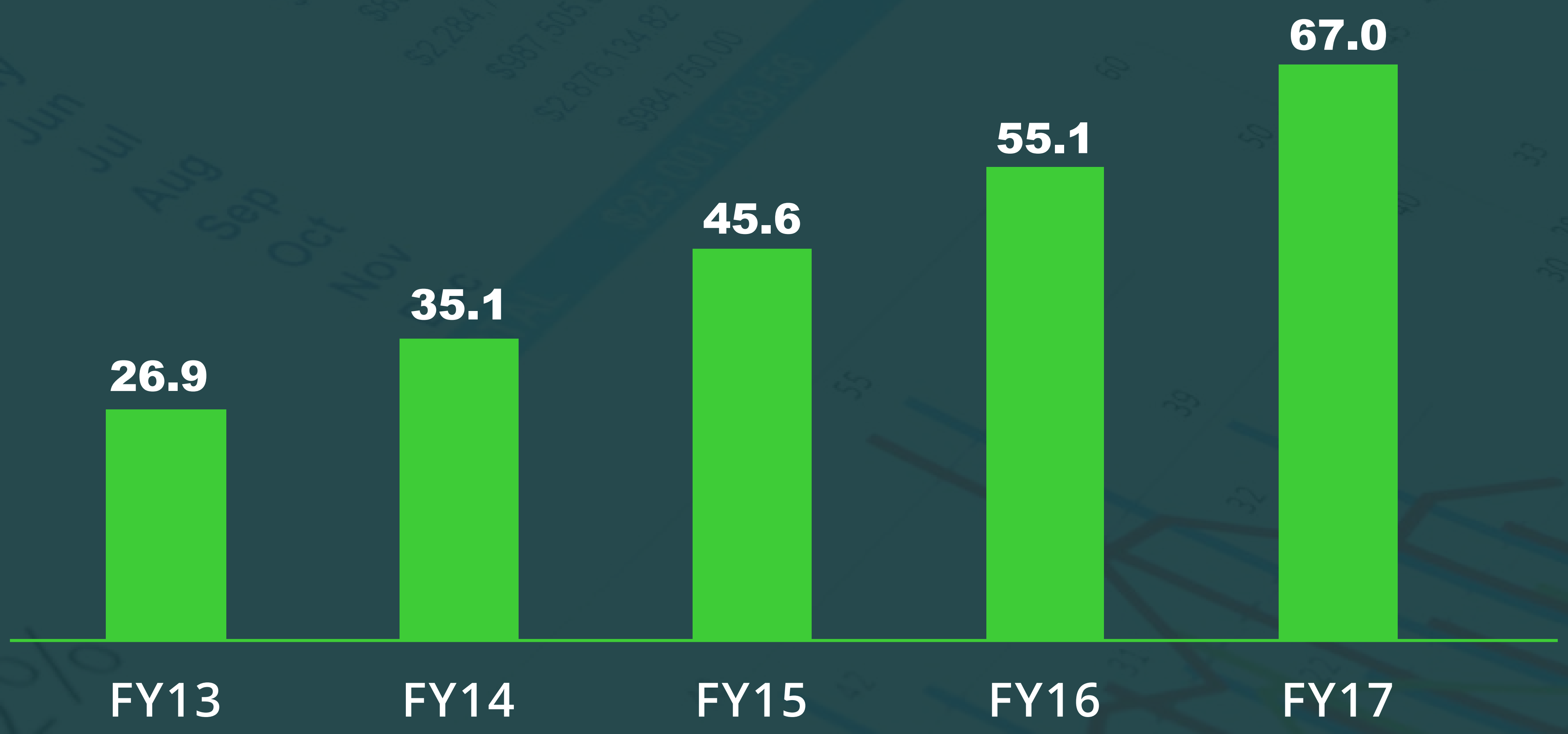
## Performance on reported basis

- EBIT **27.7% (YoY)**
- Contribution margin **19.5% (YoY)**
- Opex **9.7% (YoY)**

## EBIT* YoY (Shs Bn)




## EBIT* (Shs Bn)




*Excludes H1 one off adjustment

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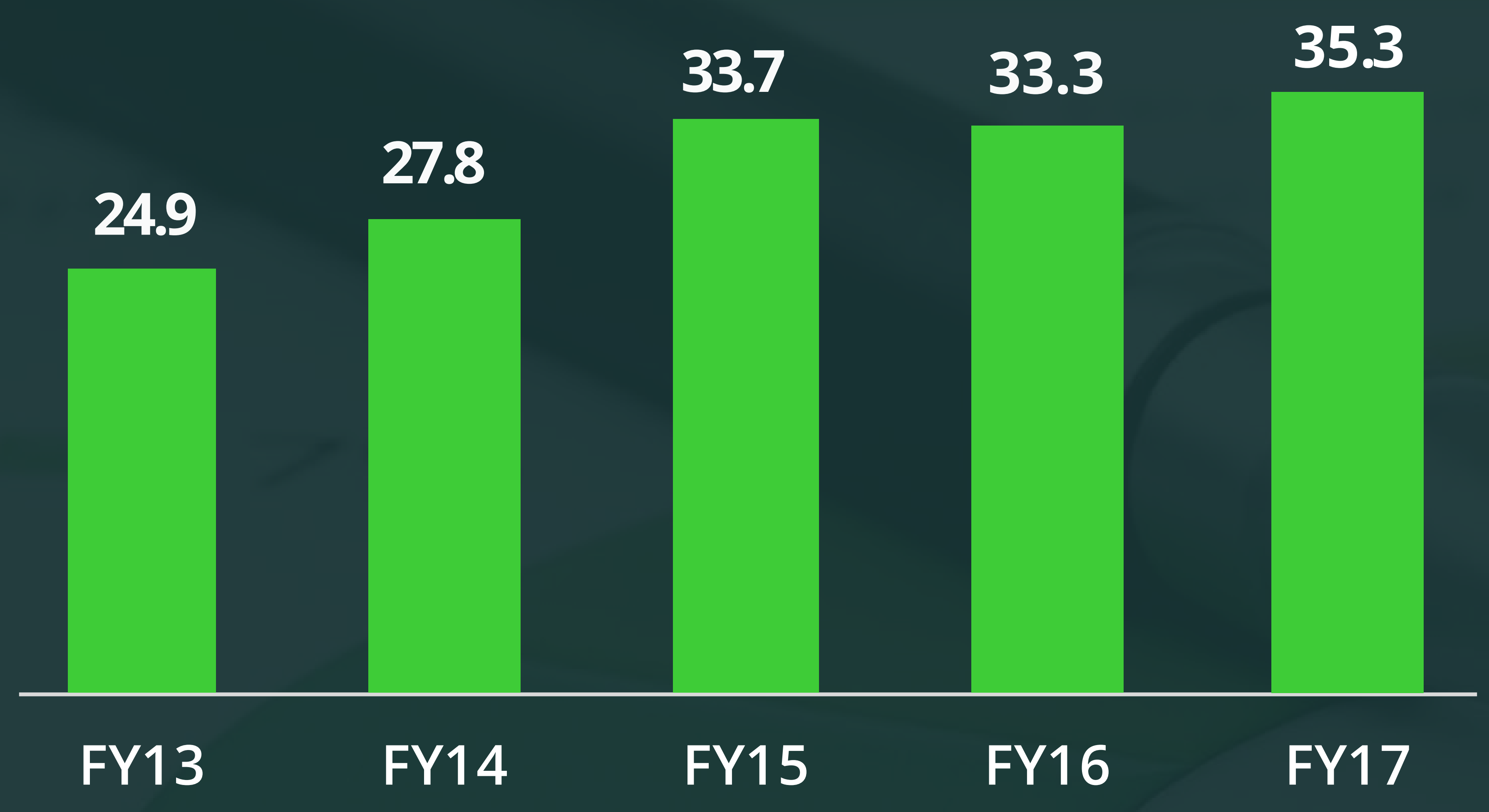
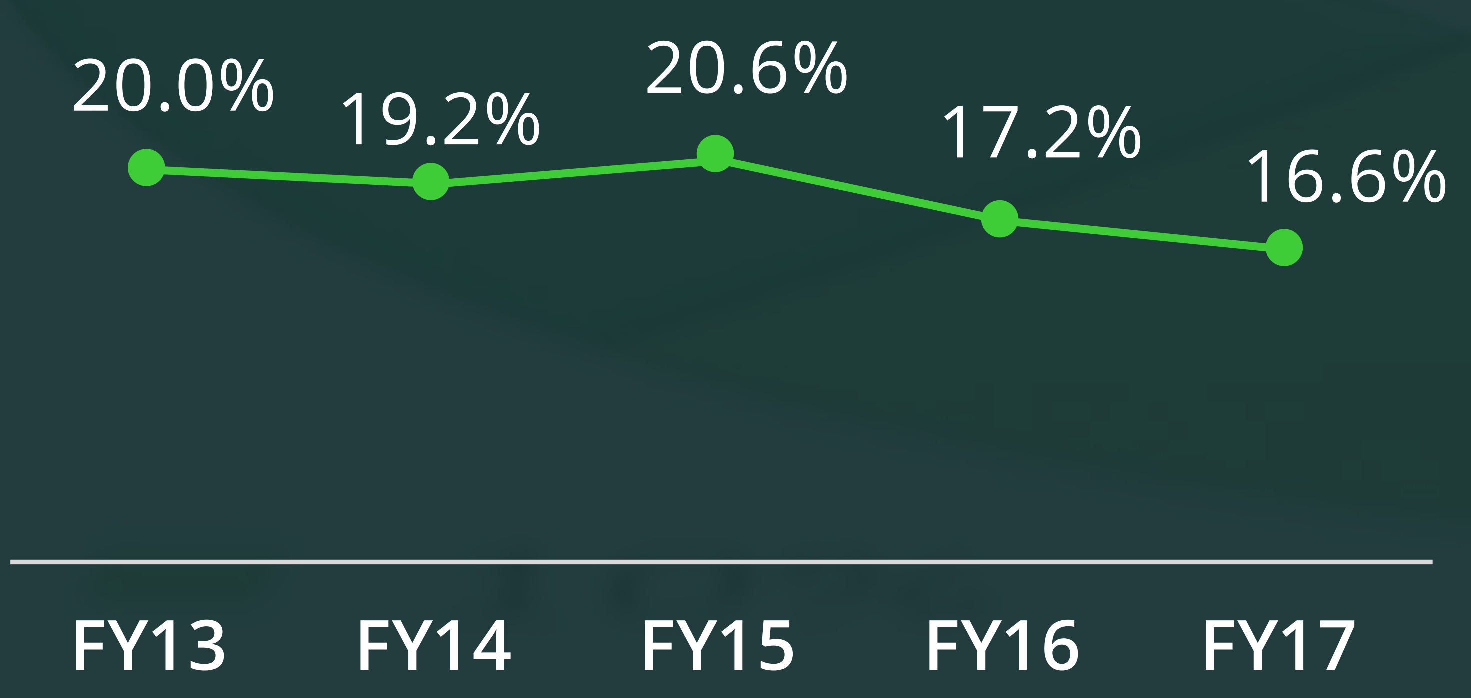
# **Capex** | Driven by our commitment to keep Kenya ahead in the technological roadmap

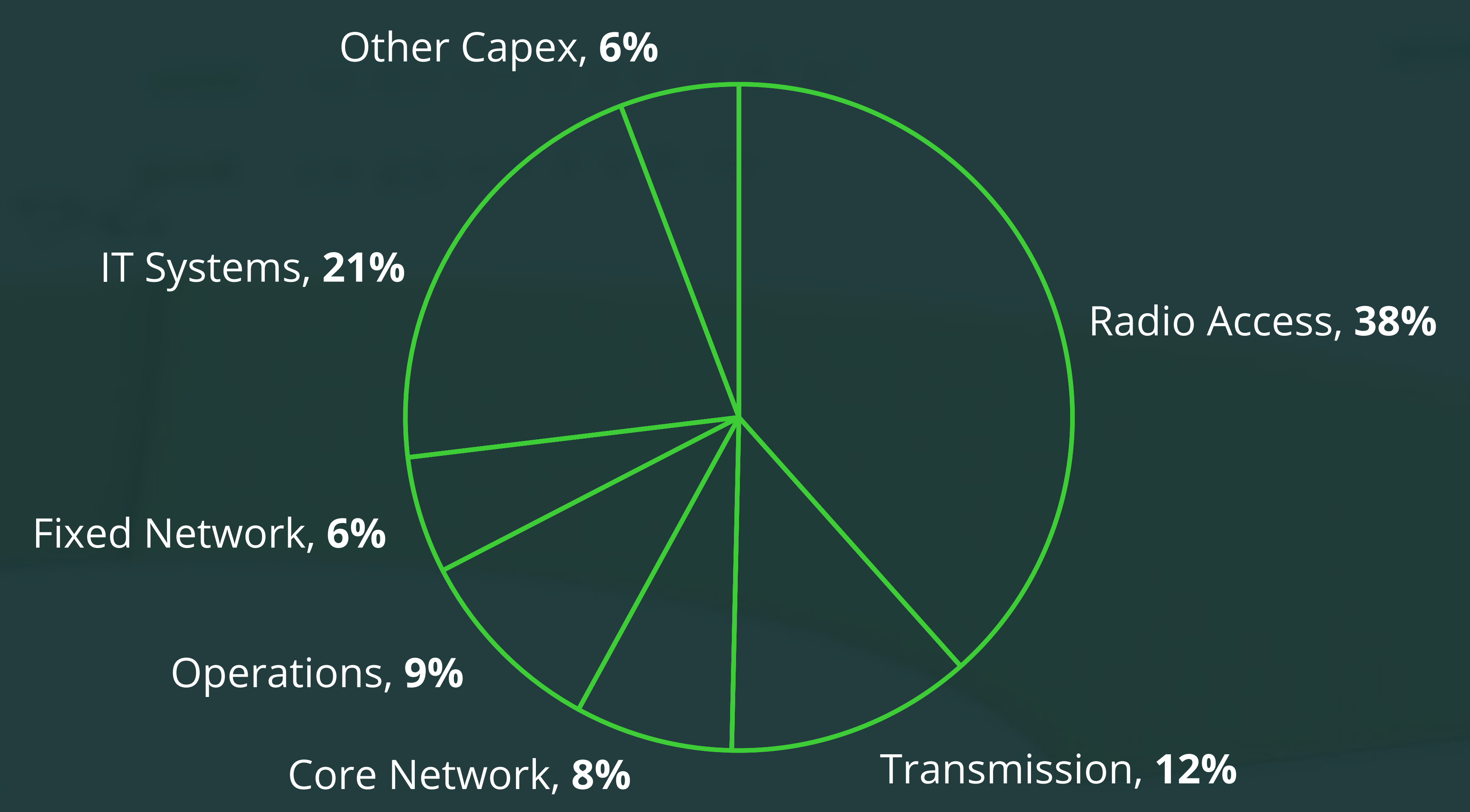
## Capex (Shs Bn)




## Five Year FY Capex Intensity




## Capex Allocation




## Sites

- **4,677** sites, **95%** coverage
- **3,517** 3G sites, **85%** coverage
- **1,103** 4G sites, **25%** coverage

## Own Fibre Roll out

- Over **47k+** homes passed with FTTH
- **1,445** commercial buildings with FTTB

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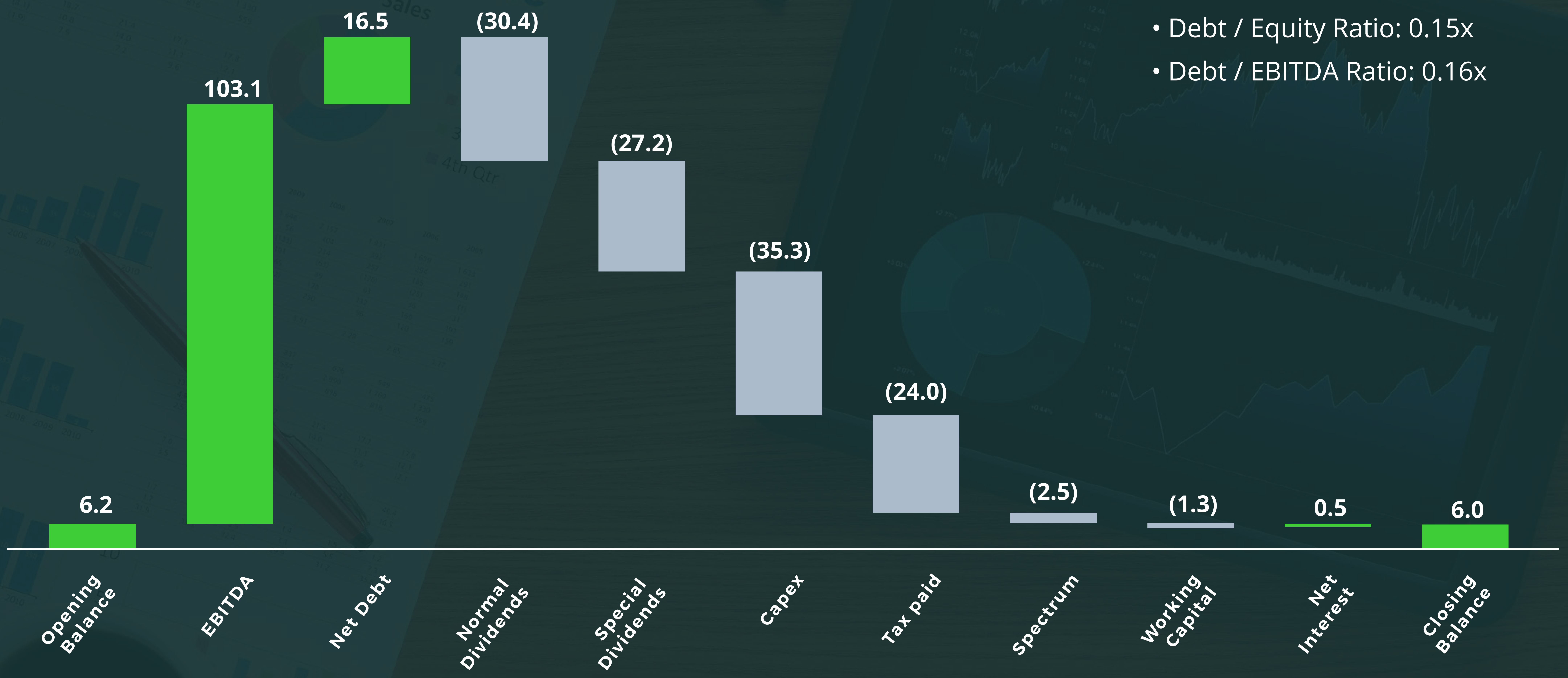
## **Cash Flow** | Growth delivered by better operating performance

### Net Cash & Usage (Shs Bn)




### Healthy Debt Position

- Debt / Equity Ratio: 0.15x
- Debt / EBITDA Ratio: 0.16x

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# **Key Financials** | Statement of Income

| Shs Bn | FY17 Reported | FY17 Normalized** | FY16 | YoY% Reported | YoY% Normalized |
|---|---|---|---|---|---|
| Voice revenue (Outgoing & Incoming) | 93.46 | 93.46 | 90.80 | 2.9% | 2.9% |
| Messaging revenue | 16.68 | 16.68 | 17.33 | (3.7%) | (3.7%) |
| Mobile data revenue | 29.29 | 29.29 | 21.15 | 38.5% | 38.5% |
| Fixed service revenue | 5.24 | 5.24 | 3.82 | 37.4% | 37.4% |
| M-PESA revenue | 55.08 | 55.08 | 41.50 | 32.7% | 32.7% |
| Other service revenue | 4.36 | 4.36 | 3.18 | 36.8% | 36.8% |
| **Service Revenue** | **204.11** | **204.11** | **177.78** | **14.8%** | **14.8%** |
| Handset and other revenue | 8.70 | 8.70 | 8.62 | 0.9% | 0.9% |
| Construction revenue | 0.08 | 0.08 | 9.28 | (99.2%) | (99.2%) |
| **Total Revenue** | **212.89** | **212.89** | **195.68** | **8.8%** | **8.8%** |
| Other income | 2.51 | 0.28 | 0.23 | >100% | 20.5% |
| Direct costs | (66.75) | (66.75) | (62.31) | 7.1% | 7.1% |
| Construction costs | (0.08) | (0.08) | (9.28) | (99.1%) | (99.1%) |
| **Contribution Margin** | **148.57** | **146.34** | **124.33** | **19.5%** | **17.7%** |
| *Contribution Margin %** | 69.0% | 68.7% | 66.6% | 2.4ppts | 2.1ppts |
| Operating costs | (44.95) | (46.08) | (40.99) | 9.7% | 12.4% |
| Forex loss on trading activities | (0.01) | (0.01) | (0.27) | (97.4%) | (97.4%) |
| Operating cost & Fx loss % total revenue* | 20.9% | 21.6% | 22.1% | (1.2%) | (0.5%) |
| **EBITDA** | **103.61** | **100.25** | **83.07** | **24.7%** | **20.7%** |
| *EBITDA Margin %** | 48.1% | 47.1% | 44.5% | 3.6ppts | 2.5ppts |
| Depreciation, impairment & amortisation | (33.23) | (33.23) | (27.94) | 18.9% | 18.9% |
| **EBIT** | **70.38** | **67.02** | **55.12** | **27.7%** | **21.6%** |
| *EBIT Margin %** | 32.7% | 31.5% | 29.5% | 3.1ppts | 1.9ppts |
| Net Financing, Forex and Fair Value Losses | 0.23 | 0.23 | 0.90 | (73.9%) | (73.9%) |
| Share of associate profit | 0.02 | 0.02 | 0.10 | (82.0%) | (82.0%) |
| Fair Value Loss on Investment property | - | - | (0.37) | - | - |
| Taxation | (22.19) | (22.19) | (17.66) | 25.7% | 25.7% |
| **Net Income** | **48.44** | **45.09** | **38.10** | **27.1%** | **18.3%** |
| *Net Income %* | 22.5% | 21.2% | 20.4% | 2.1ppts | 0.7ppts |
| **Earning per share (EPS)*** ** | **1.21** | **1.13** | **0.95** | **27.1%** | **18.3%** |
| **Dividend per share (DPS)*** ** | **0.97** | **0.97** | **0.76** | **27.5%** | **27.5%** |

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

**Normalised for one off adjustment

***Proposed for FY17, paid FY16 excluding special dividend

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# WAY FORWARD

# OUR OPERATING ENVIRONMENT

# DIGITISING THE HOME

# THE EVOLUTION OF M-PESA

**2007** Simple Money Transfer

**2009** Payments for Services (Kenya Power)

**2011** International Money Transfer

**2012** Savings and Loans (M-Shwari)

**2013** Payments for Goods and Services (Lipa na M-PESA )

**2015** M-PESA Comes Home

**2016** Value Addition (API, Hakikisha, Statements, Bulk Payments, M-PESA Kadogo)

**2016** M-TIBA

**2017** Safaricom App

**2017** One Tap

FUTURE

# REVOLUTIONALISING PAYMENTS


TAP. PIN. PAID.

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# FY18 GUIDANCE

EBIT

From
**Shs 67 Bn**
FY17 (normalized)

To
**Shs 71-75 Bn**

CAPEX

From
**Shs 35Bn**

To
**Shs 35-38Bn**

# Q&A

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