Safaricom PLC FY2018 Results Presentation

Wednesday 9th May 2018

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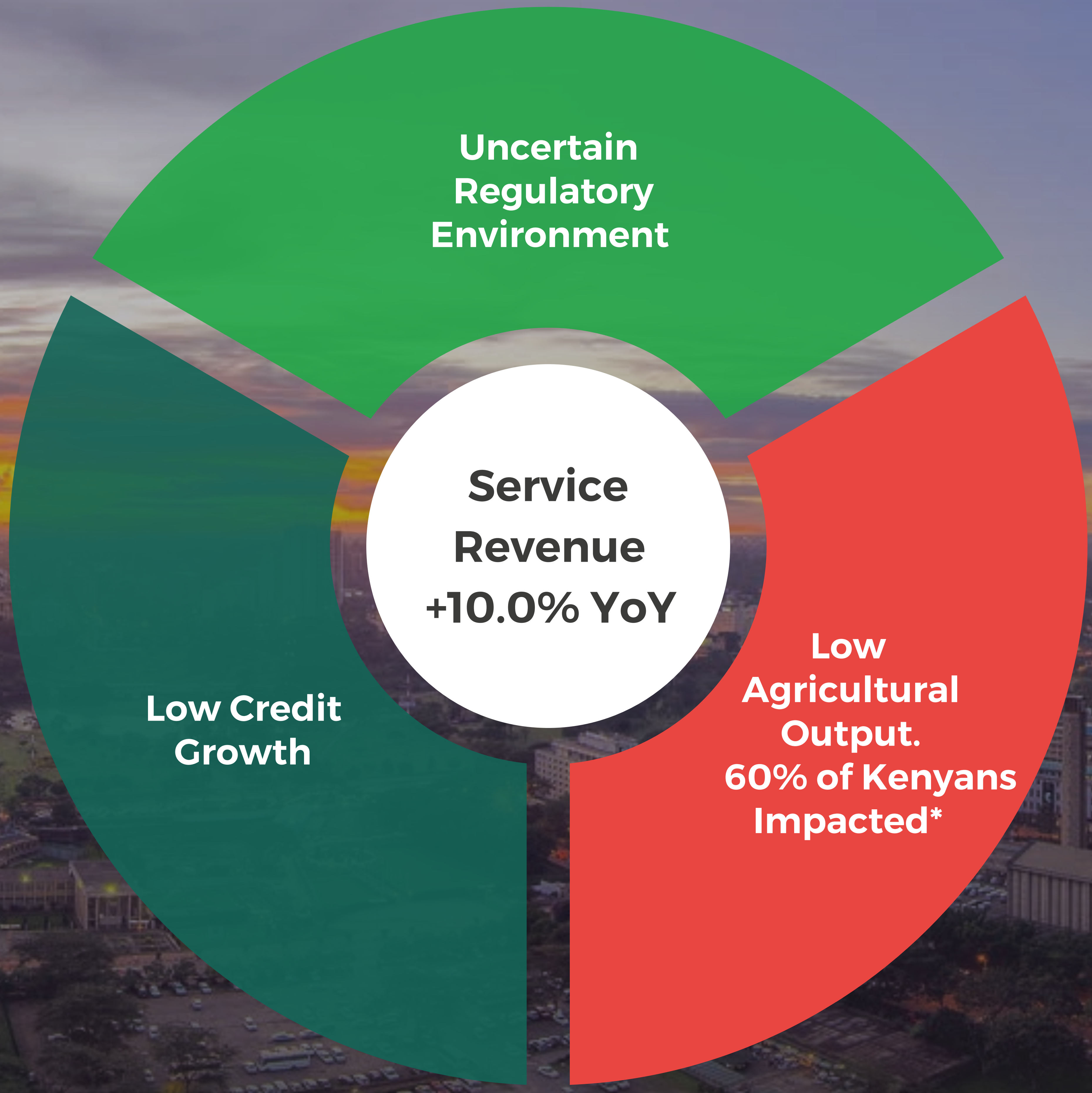
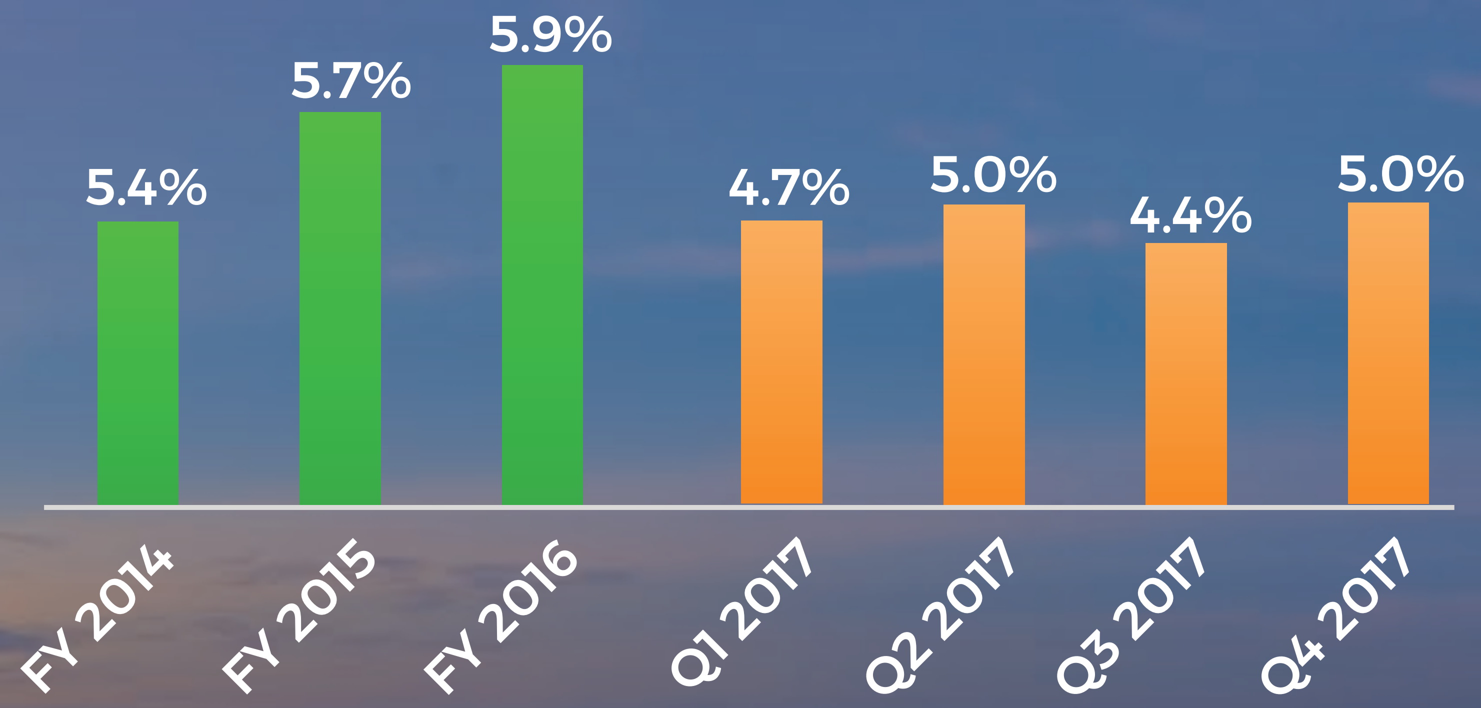
ECONOMIC HEADWINDS IN FY 2017, GRADUAL RECOVERY EXPECTED

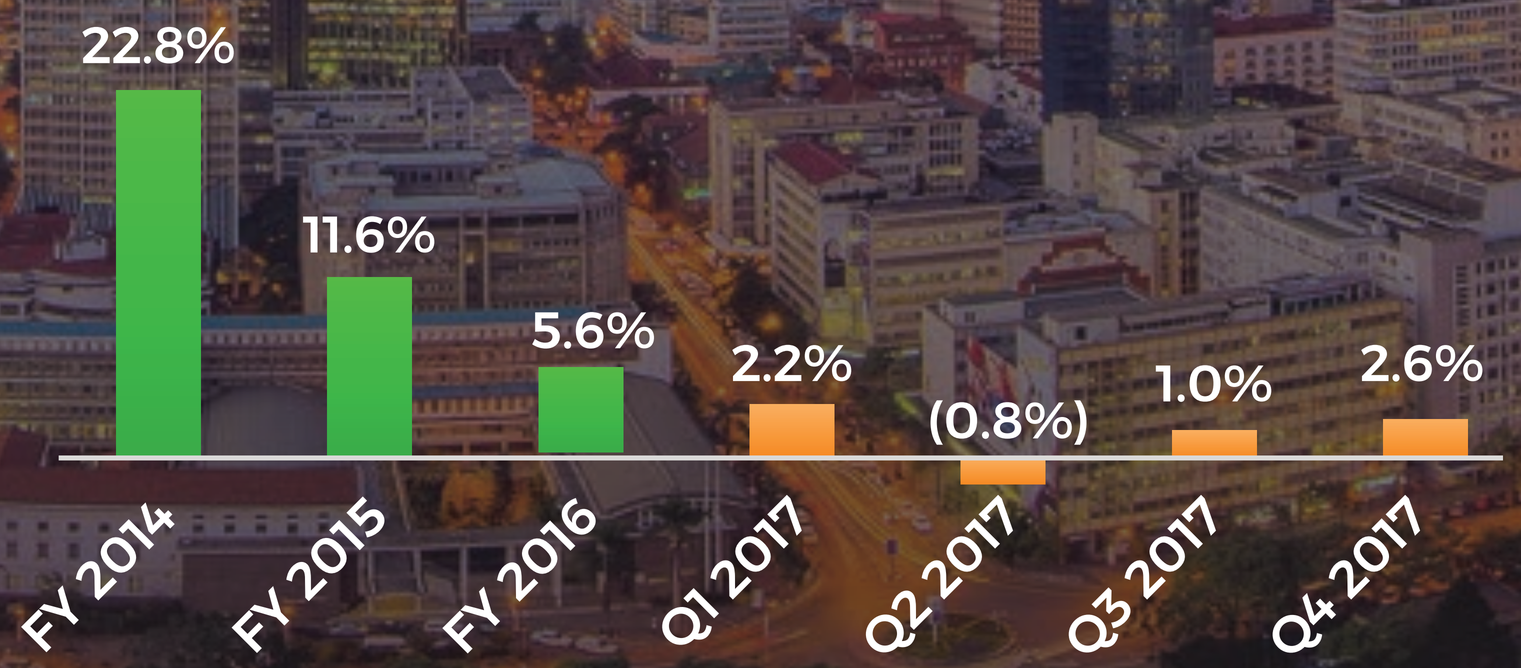


Source: World Bank Country Economic Indicators - Kenya

GDP Growth Slows Down to 4.9% in FY 2017 **



Private Sector Credit Growth Trend***



**Source: Kenya National Bureau of Statistics
***Source: Central Bank of Kenya Quarterly and Annual Reports

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BRINGING TWAWEZA TO LIFE

DIGIFARM AND CONNECTED FARMER

60% of Kenyans dependent on farming*

Technology best positioned to transform lives - 90% of farmers have mobile phones

Empowering farmers to scale through mobile technology

Providing access to knowledge and information

Giving underserved farmers access to credit

*Source: World Bank Country Economic Indicators - Kenya

Safaricom Twaweza

BRINGING TWAWEZA TO LIFE

M-TIBA- MOBILE HEALTH WALLET

2 in every 5 Kenyans lack access to healthcare due to poverty

Enabling access to quality affordable healthcare through the mobile phones

Over 1m enrolled to M-TIBA

Over 400 medical facilities on board as partners

Over KShs 200m paid out in more than 100k healthcare visits

Safaricom Twaweza

BRINGING TWAWEZA TO LIFE

TRANSFORMING LIVES IN OVER 80K COMMUNITY PROJECTS

Areas of focus: Education, Health, Water, Disaster relief & Environment conservation

Over **22k lives** touched through free medical camps

Over **34 schools** for visually impaired transformed through informational and knowledge upgrade

DELIVERING THE STRATEGY

WE CONTINUE TO PUT OUR CUSTOMERS FIRST

Enhanced customer care touch points:

- New call centre opened
- Over 800 people employed

Enhanced usage on selfcare:

- My Safaricom App - 700k daily usage (500% YoY)
- USSD - 24m daily usage (60% YoY)
- IVR - 51k daily usage (42% YoY)

Enhanced security using state of art technology:

- Voice Biometrics
- P2P self reversal
- Withdrawal vicinity checks
- Hakikisha (Confirm)

DELIVERING THE STRATEGY

USE OF SEGMENTATION TO OFFER RELEVANT PRODUCTS

Flexible and convenient bundle offering 35% more value (275k sign ups)

3.5m youth access affordable bundles

Worry free integrated plans

Connecting businesses (15k businesses on fixed service)

Connecting homes (Approx. 141k homes passed)

Personalised offers to give better customer value (198m bundles uptake)

DELIVERING THE STRATEGY

MAINTAINING OUR LEAD WITH THE BEST TECHNOLOGY

IT modernization for better experience:
- 10 major systems upgrade

Digital transformation:
- Approx. 2m users on **My Safaricom App**
- Approx. 2,000 developers on **API**
- Approx. 20m personalised offers to customers through **Tunikiwa**

Rated Fastest Network in Kenya by Ookla

Network delivering world class experience:
- 4G sites up 49.4% YoY to over 1,600 sites
- More than 5,000 km of fibre rolled out
- Average deployment cost down by 30%
- Rated best network in Kenya by P3

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THE NUMBERS

Financial Performance | Earnings higher than guidance despite macro headwinds

EBIT

FY 18 Guidance
KShs 71-75Bn

Achieved
KShs 79.3Bn

CAPEX

FY 18 Guidance
KShs 35-38Bn

Achieved
KShs 36.4Bn

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Key Financials | Sustained investment, margin expansion and EPS growth

Service Revenue

+10.0%
YoY

- **KShs 224.5Bn FY18**
- KShs 204.1Bn FY17

EBIT*

+18.3%
YoY

- **KShs 79.3Bn FY18**
- KShs 67.0Bn FY17

EPS*

+19.9%
YoY

- **KShs 1.38 FY18**
- KShs 1.15 FY17

Free Cashflow

+27.3%
YoY

- **KShs 55.4Bn FY18**
- KShs 43.5Bn FY17

+2.4ppts
EBIT Margin*

1.0ppts
Better CAPEX Intensity

*Excludes one off adjustment in FY17 of KShs 3.4bn (plus the tax impact)

1.4m Additional Customers | Strong investments and personalised offers

Investment

+49%
Sites YoY

Call
Centre

Customer
Analytics

+200%
Homes
Passed YoY

Prices*

↓ **29%**
Data

↓ **12%**
SMS

↓ **29%**
P2P

Customers

29.6m

*Effective average rate per unit

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FY18 Service Revenue I M-PESA and Mobile Data continue to drive growth

+10.0% YoY

M-PESA +3.8ppts
- **+14.2%** (YoY)

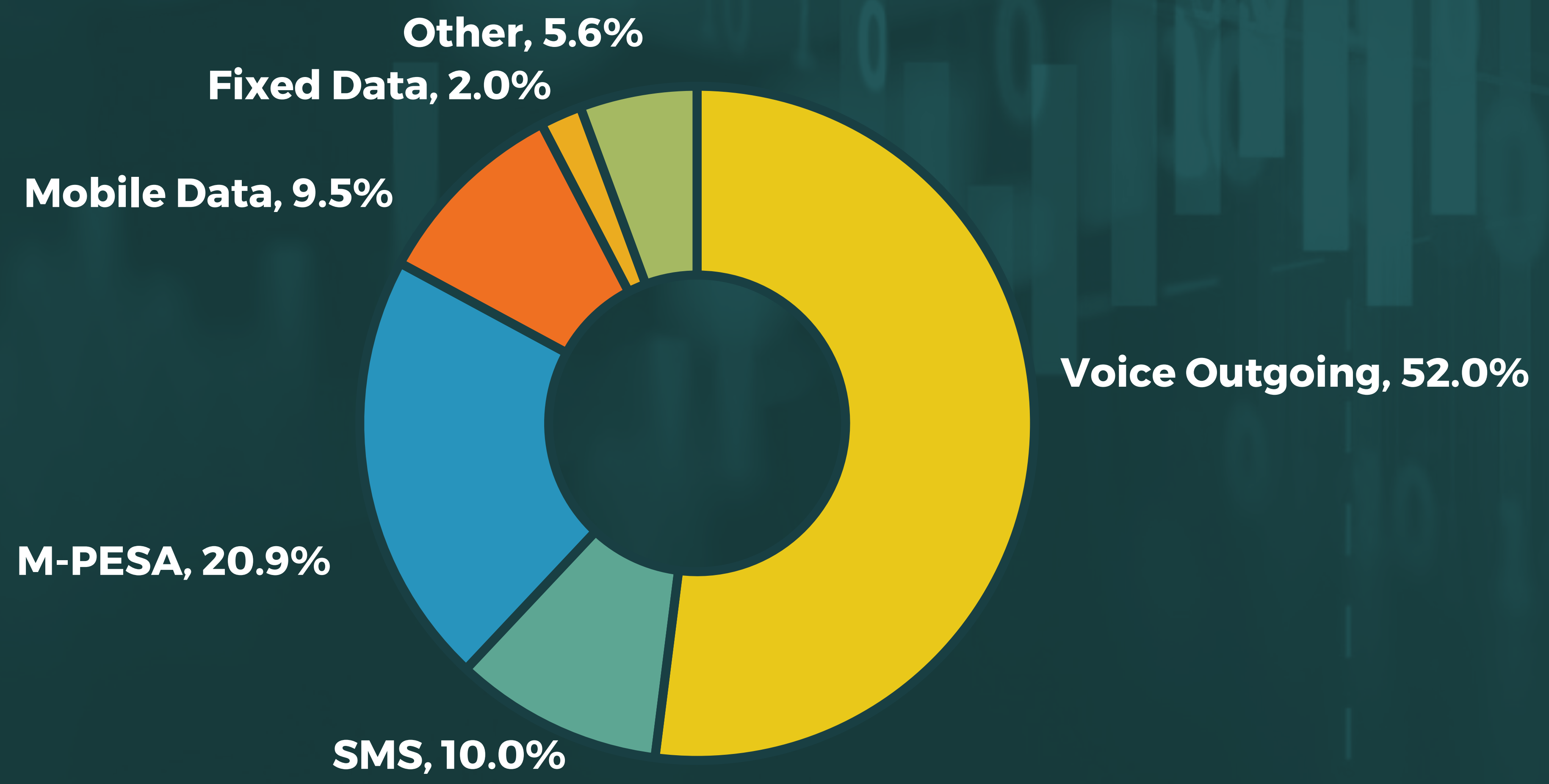
Mobile Data +3.5ppts
- **+24.0% (YoY)**

Voice Outgoing +1.0ppts
- **+2.4 % (YoY)**

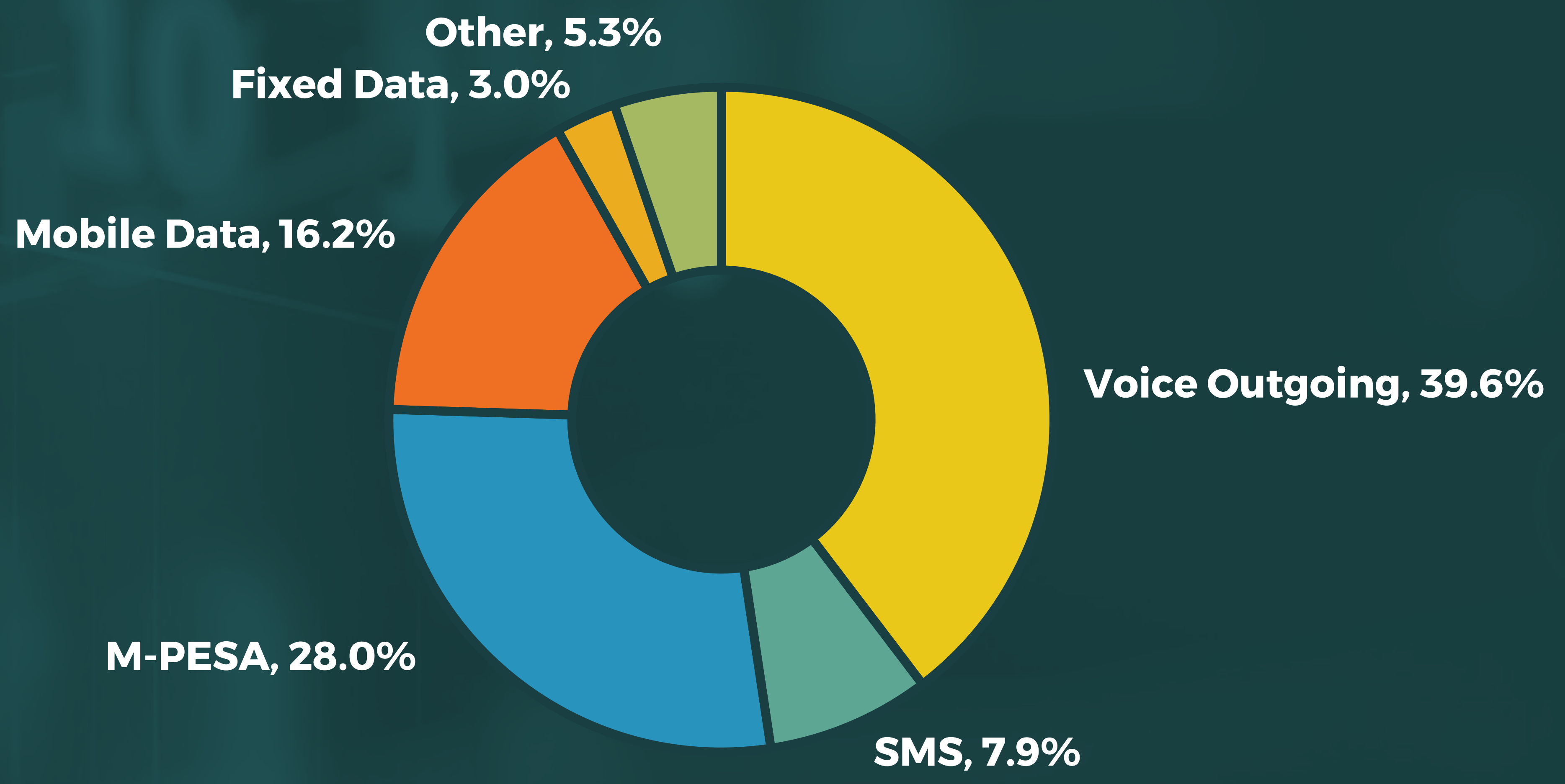
Fixed Data +0.7ppts
- **+27.3% (YoY)**

Others: SMS, Voice Incoming and other service revenue +1.0%

FY15 Revenue Contribution



FY18 Revenue Contribution



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M-PESA Revenue I Continued focus on long term sustainability

+3.8 ppts

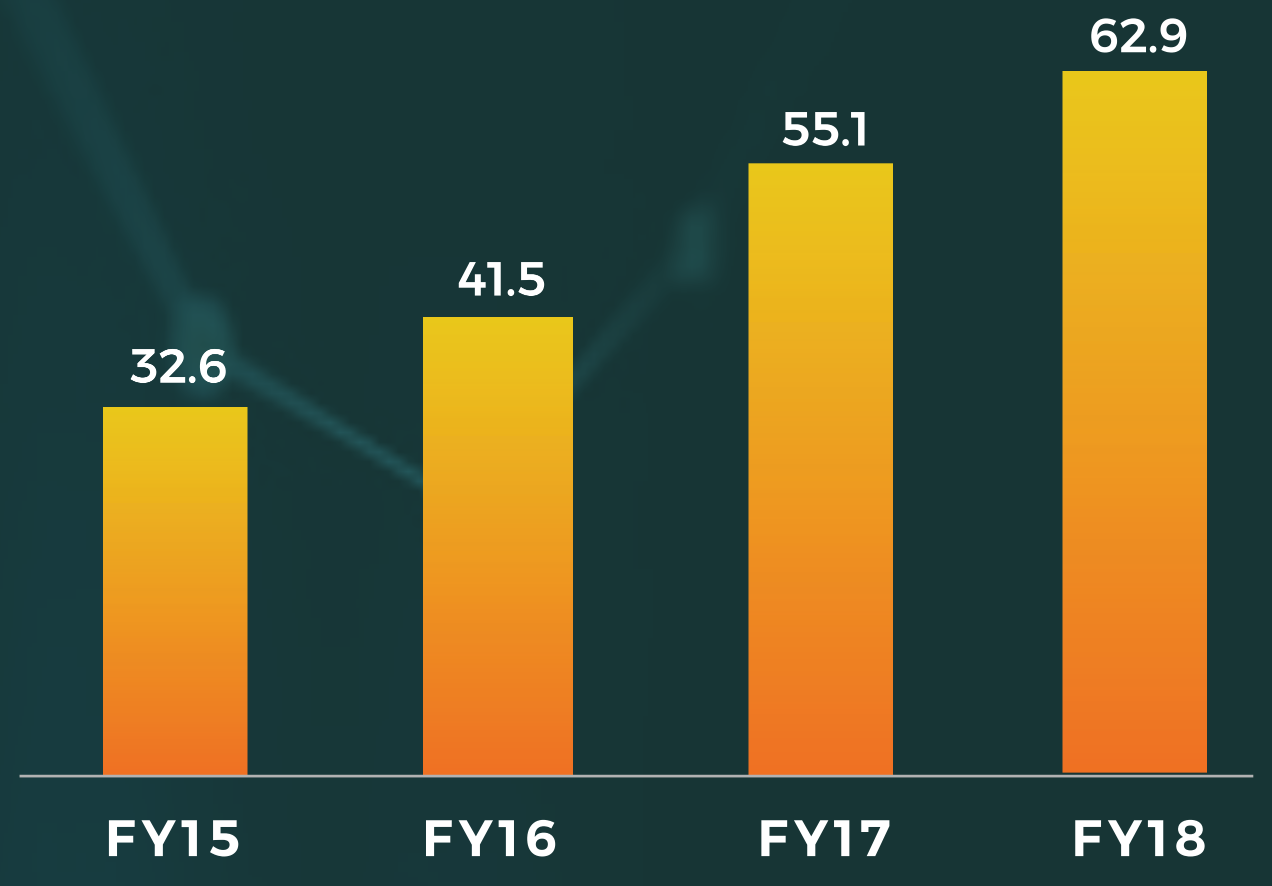
Traditional +2.4 ppts

- **73.6% of M-PESA Revenue**
- P2P **+18.0% (YoY)**
- Withdrawals **7.5% (YoY)**

New Business +1.4 ppts

- **26.4% of M-PESA Revenue**
- C2B/ B2C/ B2B **+24.1% (YoY)**
- Other **+15.8% (YoY)**

M-PESA Revenue (KShs Bn)



Growing the Eco-system

- **20.5m** 30 day active M-PESA subs **+8.0% (YoY)**
- **156k+** M-PESA Agents **+15.5% (YoY)**
- **11** transactions per customer per month **+14.6% (YoY)**

Lipa Na M-PESA

- **101k+** 30 day active LNM tills **+76.6% (YoY)**
- **147.6m** LNM transactions **+63.5% (YoY)**

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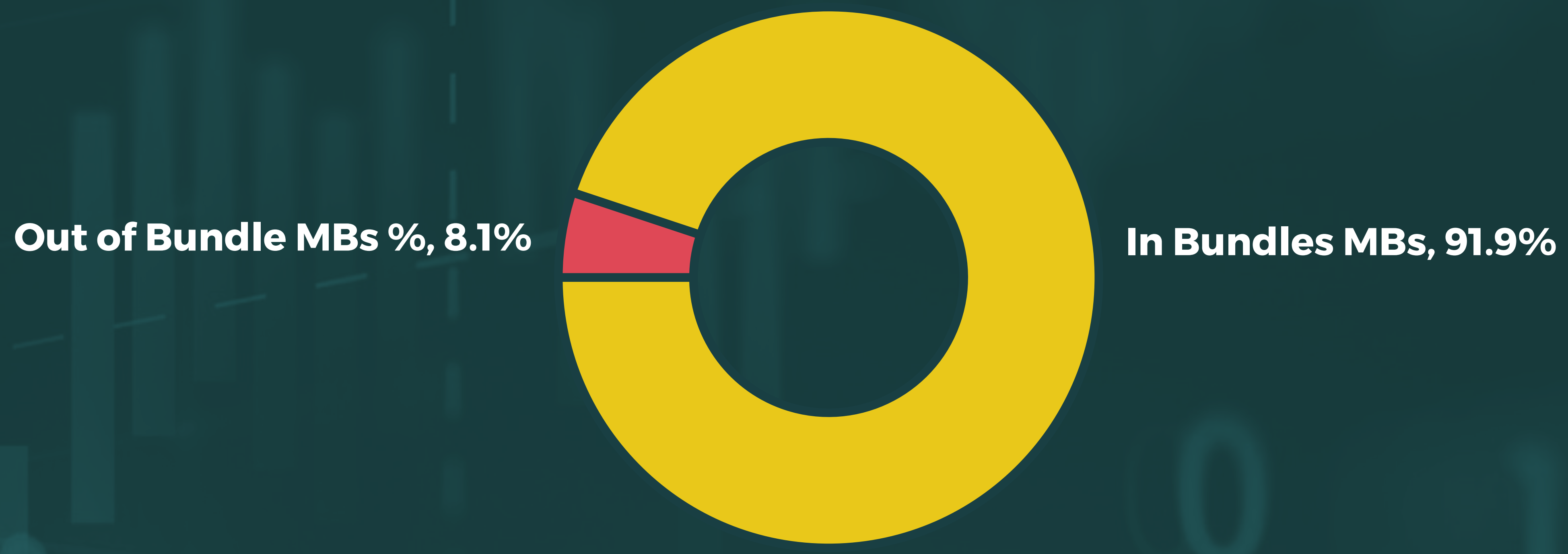
Mobile Data revenue | Driving the digital revolution

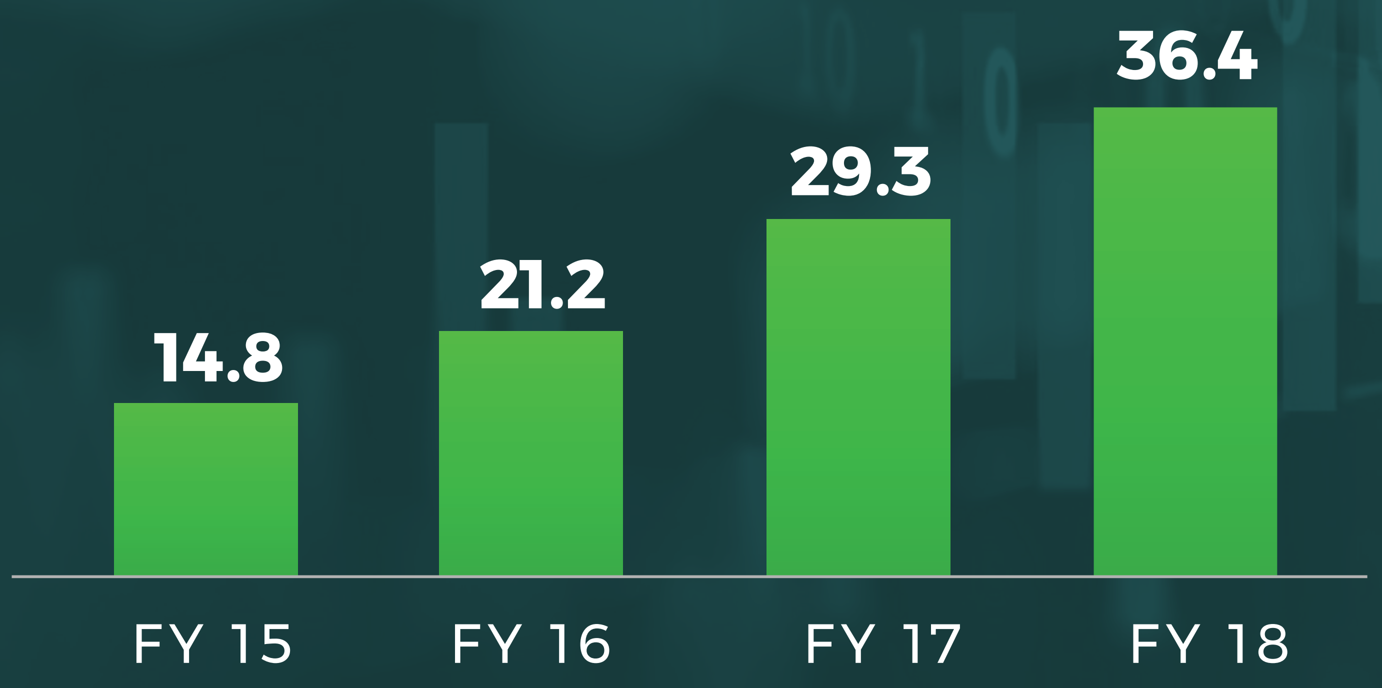
+3.5ppts

Active customers +1.5ppts **ARPU* +2.0ppts**

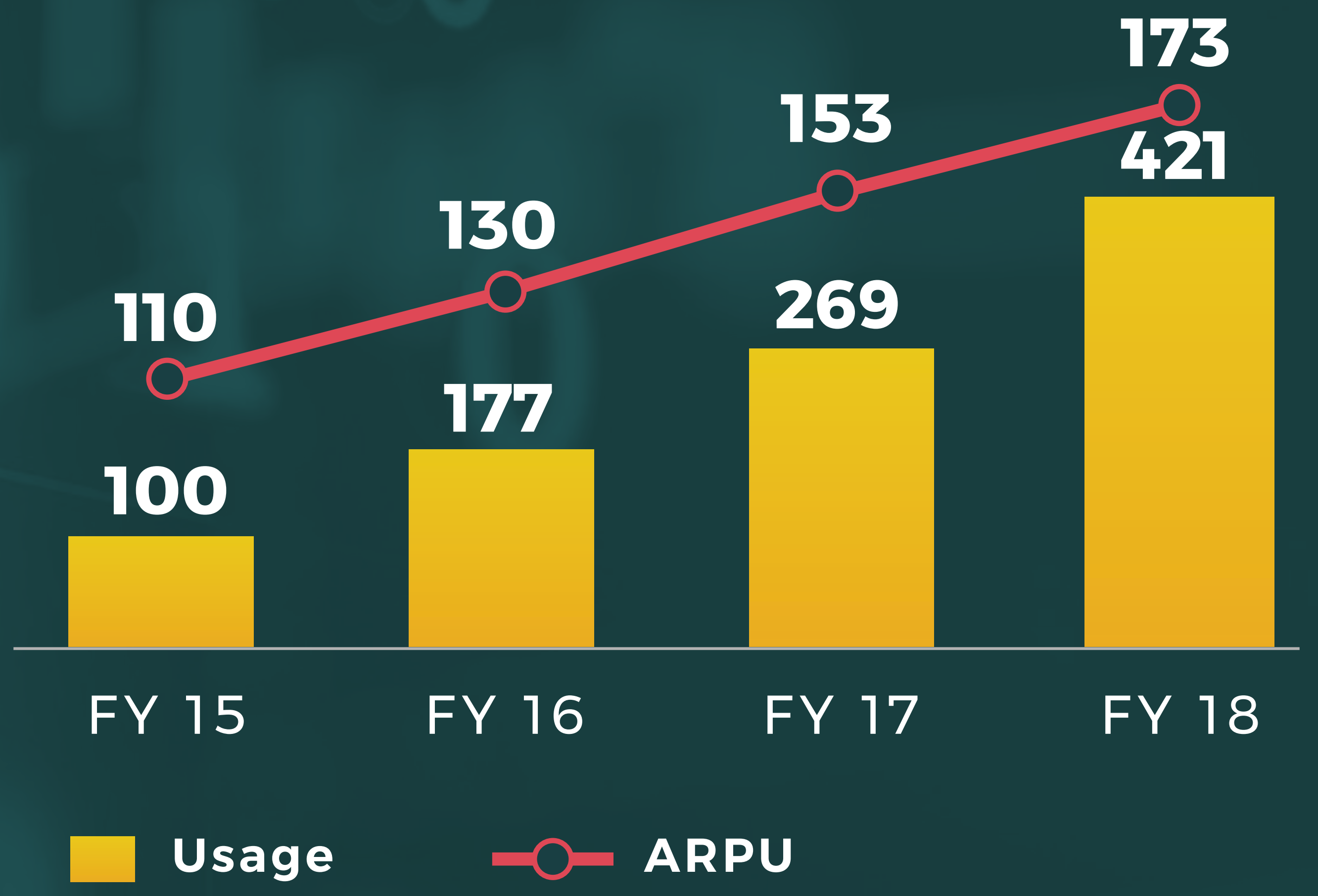
Data Usage Driven by Bundles



Mobile Data Revenue (KShs Bn)



Mobile Data CAGR**| Usage 61%; ARPU 16%



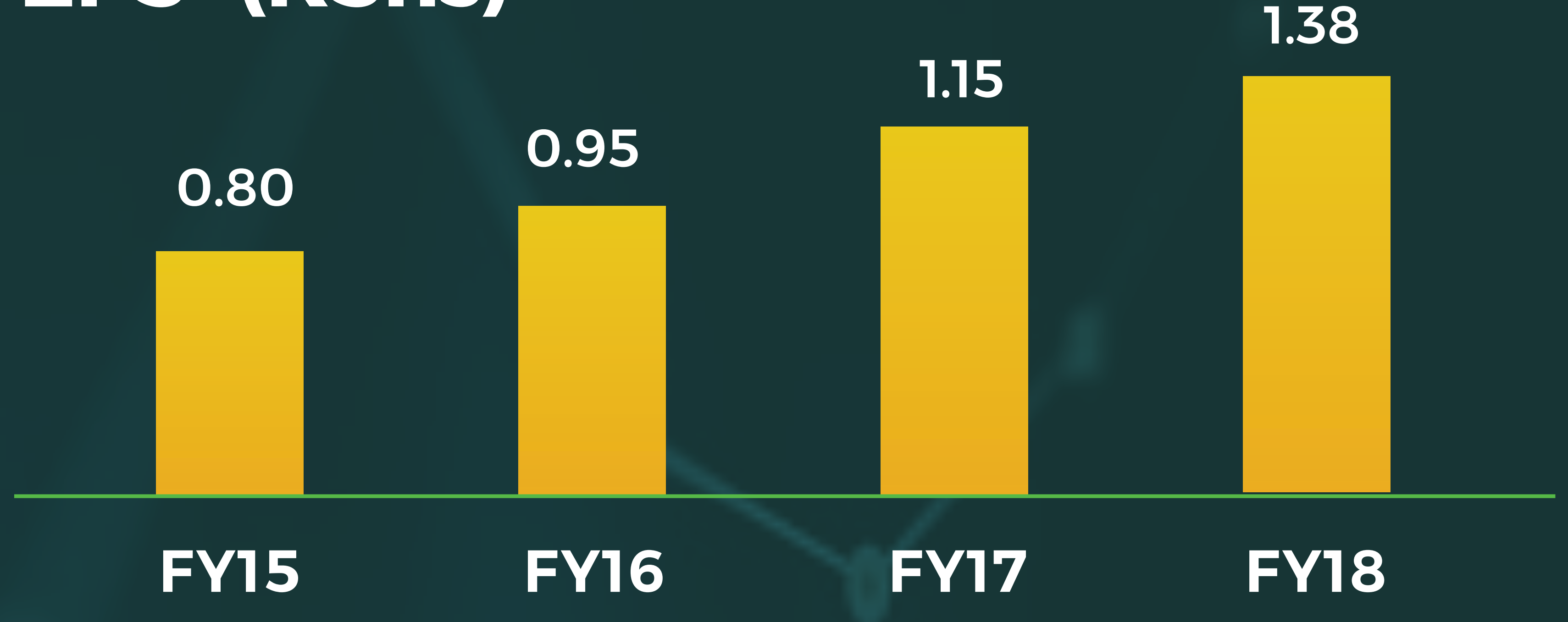
*Mobile Data ARPU (Average Revenue Per User) based on distinct data customers per month
**CAGR - Compound Annual Growth Rate

EBIT | Supported by revenue growth and effective cost management

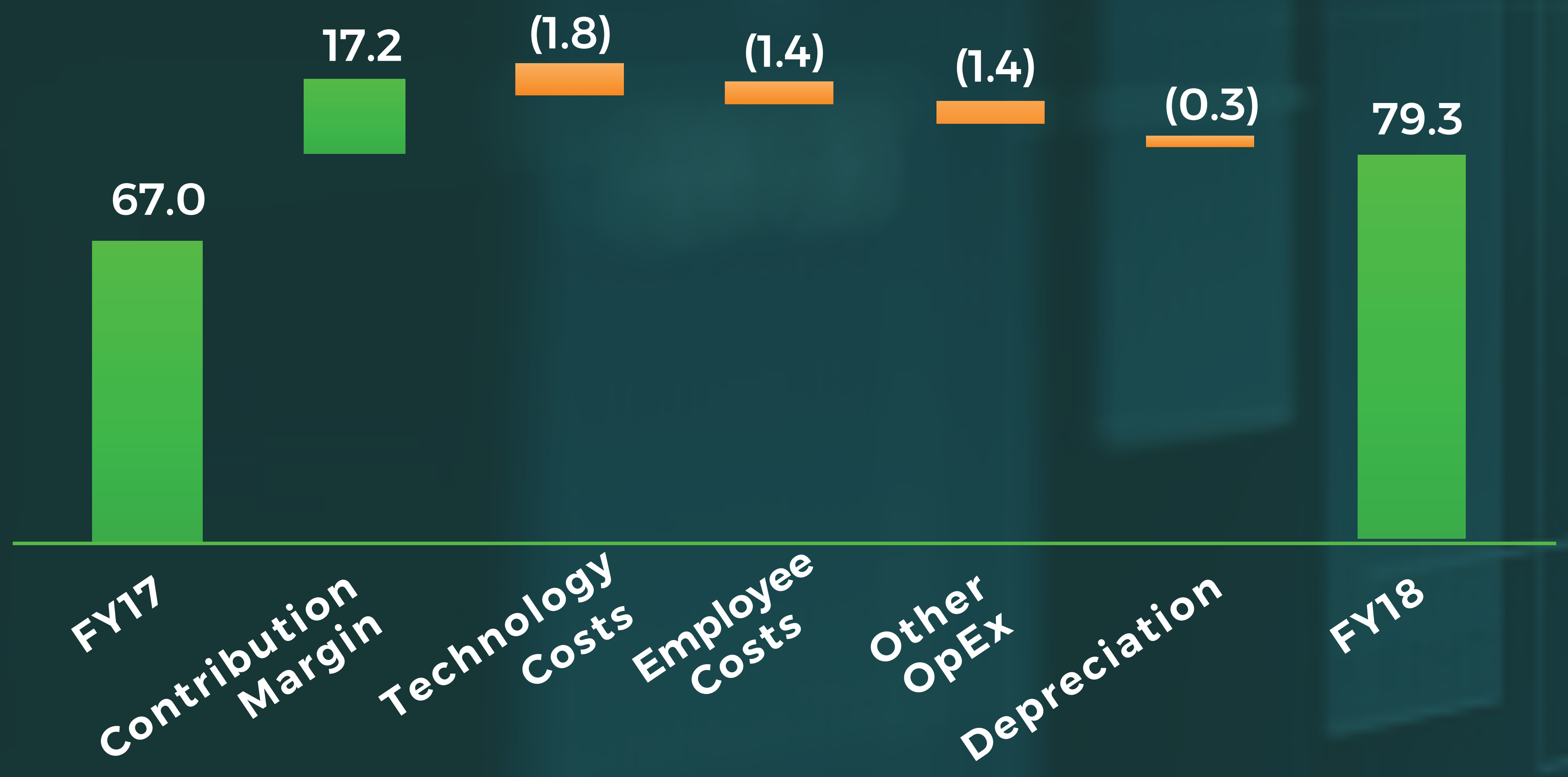
+2.4ppts*

+1.2ppts	-0.1ppts	+1.3ppts
Contribution Margin**	**OpEx Intensity***	**Depreciation**

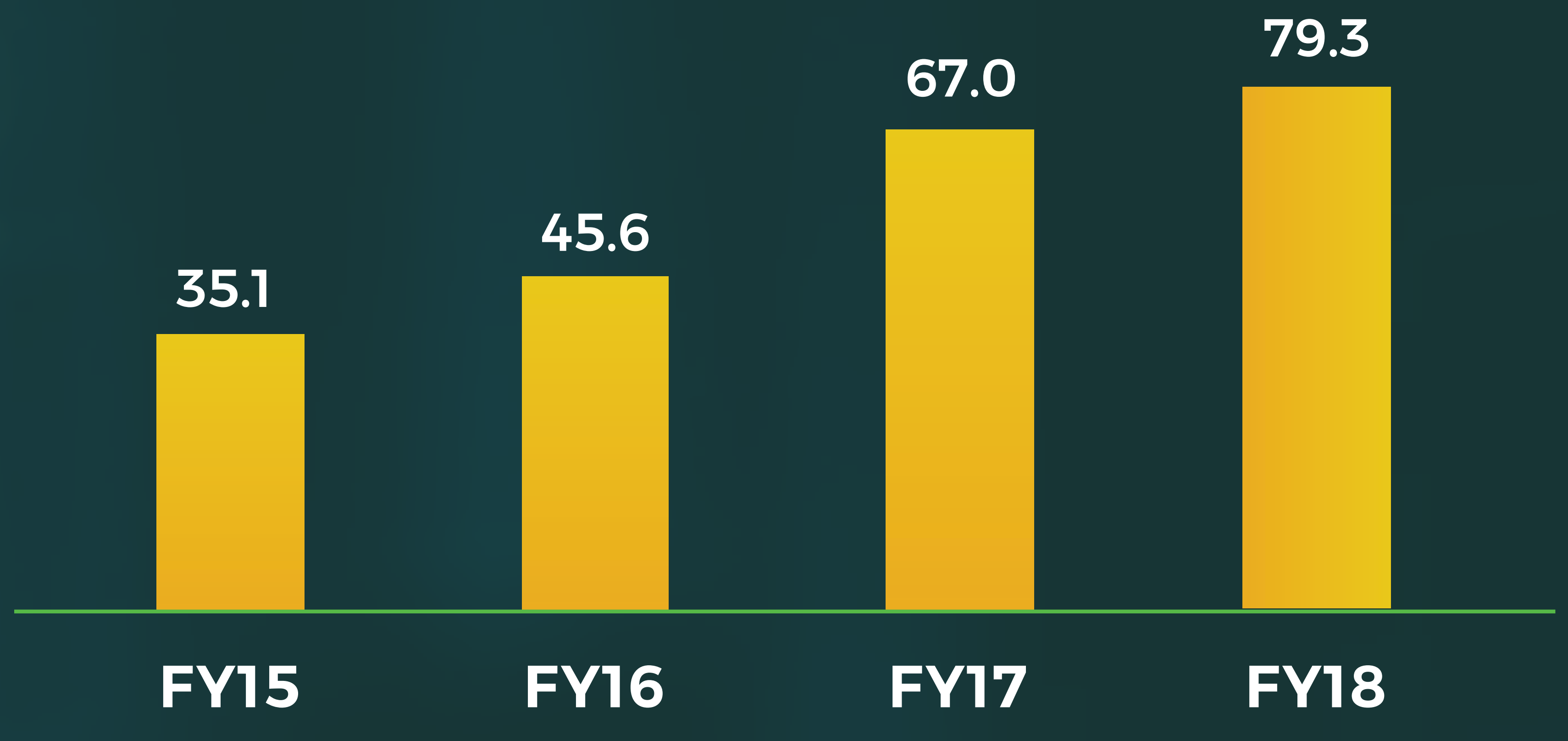
EPS* (KShs)



EBIT* Waterfall YoY (KShs Bn)



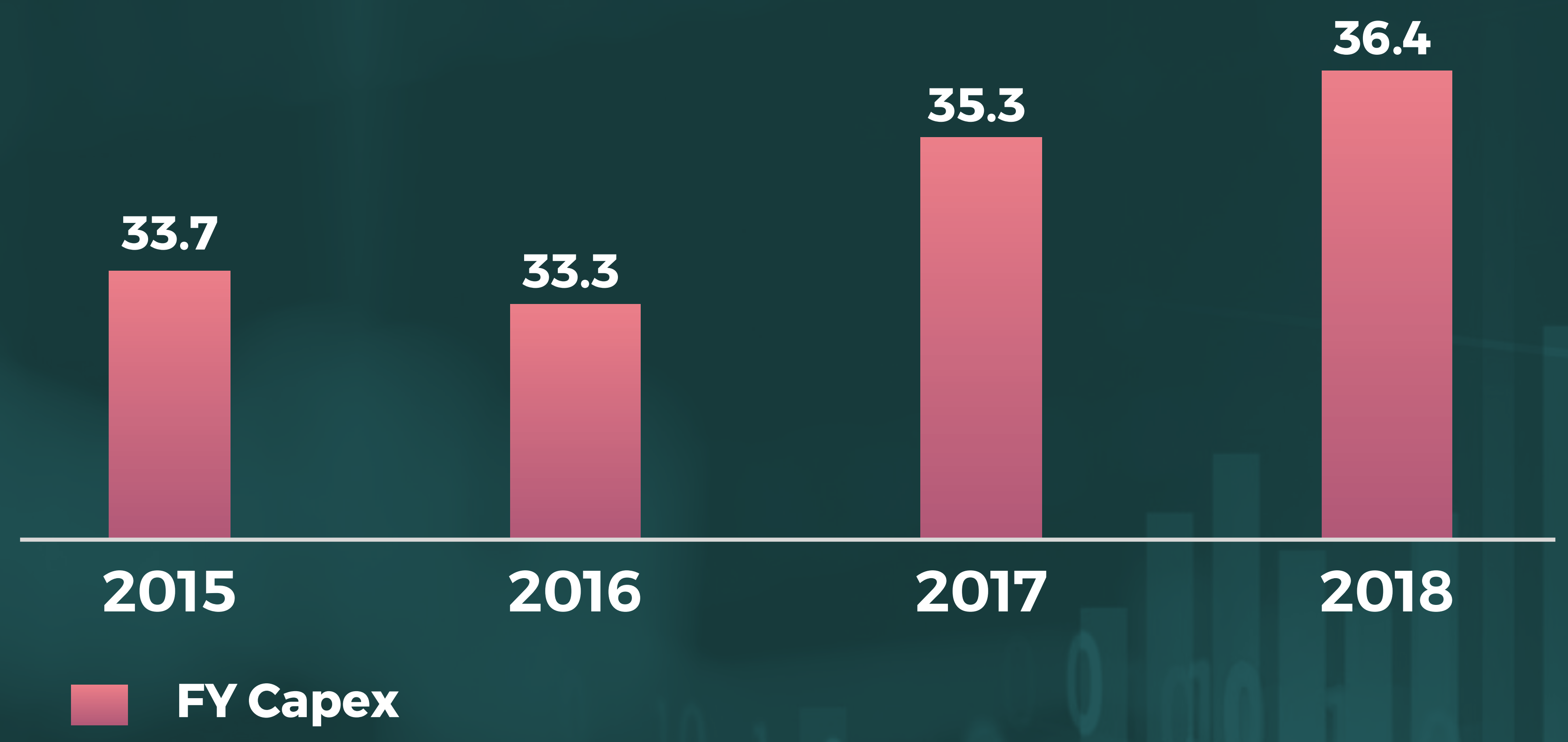
EBIT* (KShs Bn)



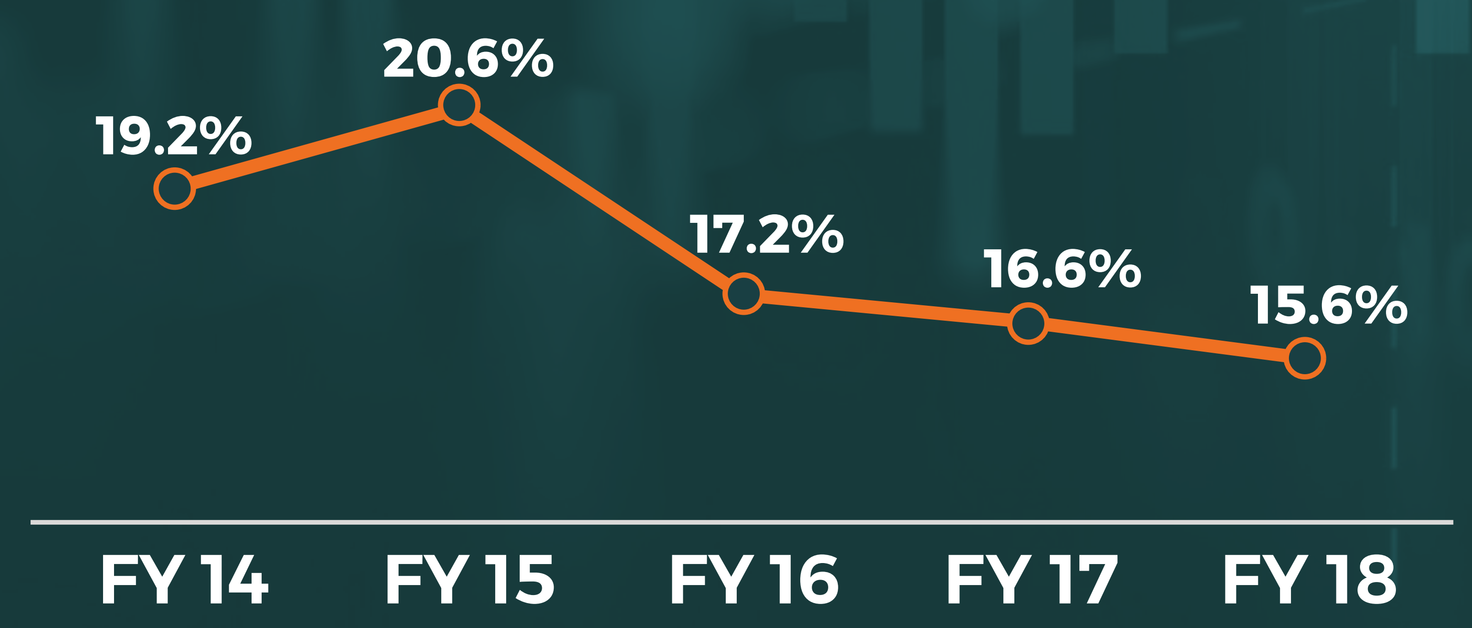
*Excludes one off adjustment in FY17 of KShs 3.4bn (plus the tax impact)

CAPEX I Sustained investment to support growth

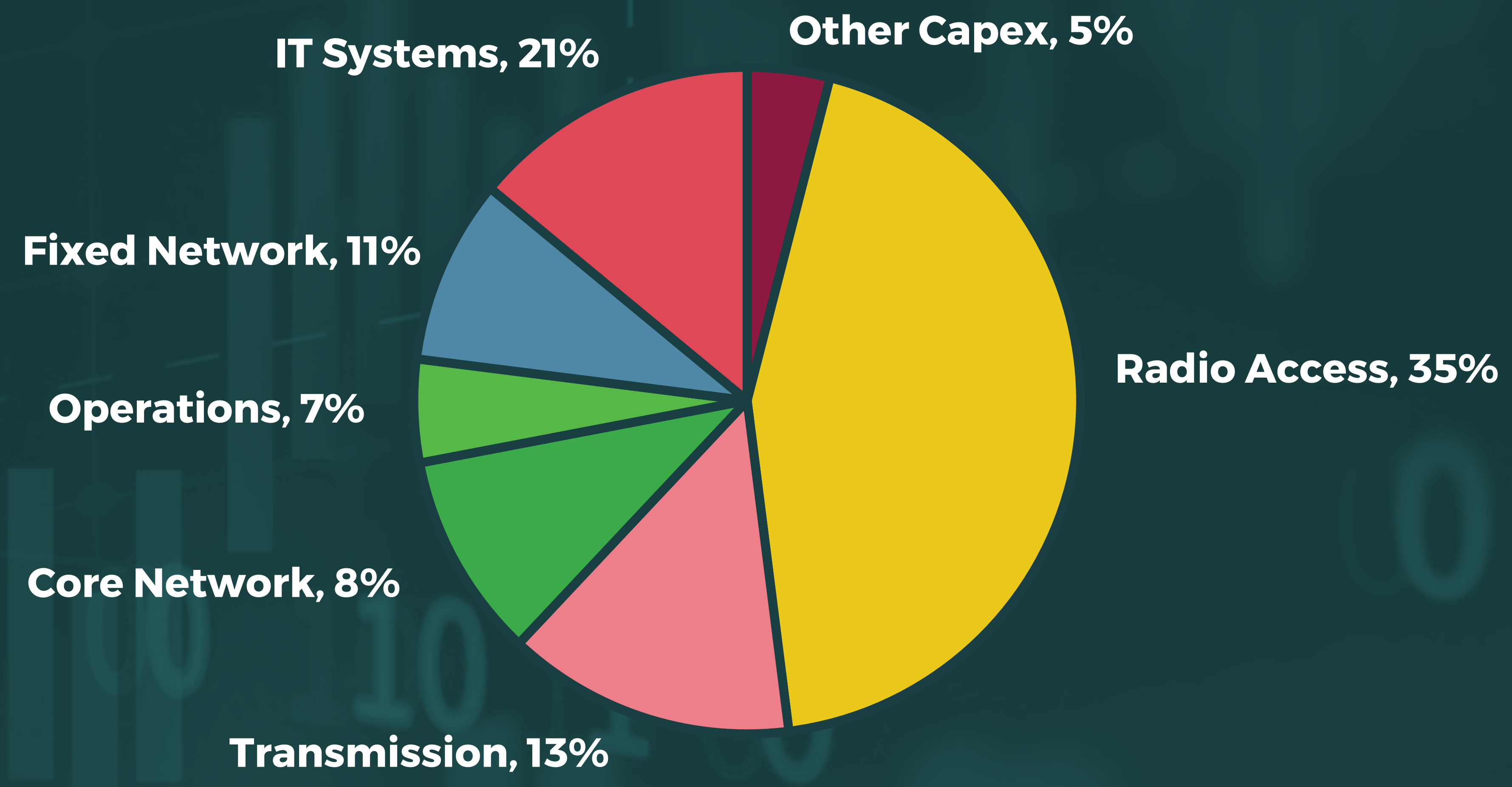
Capex (KShs Bn)



Five Year FY Capex Intensity



FY 18 Capex Allocation



Sites

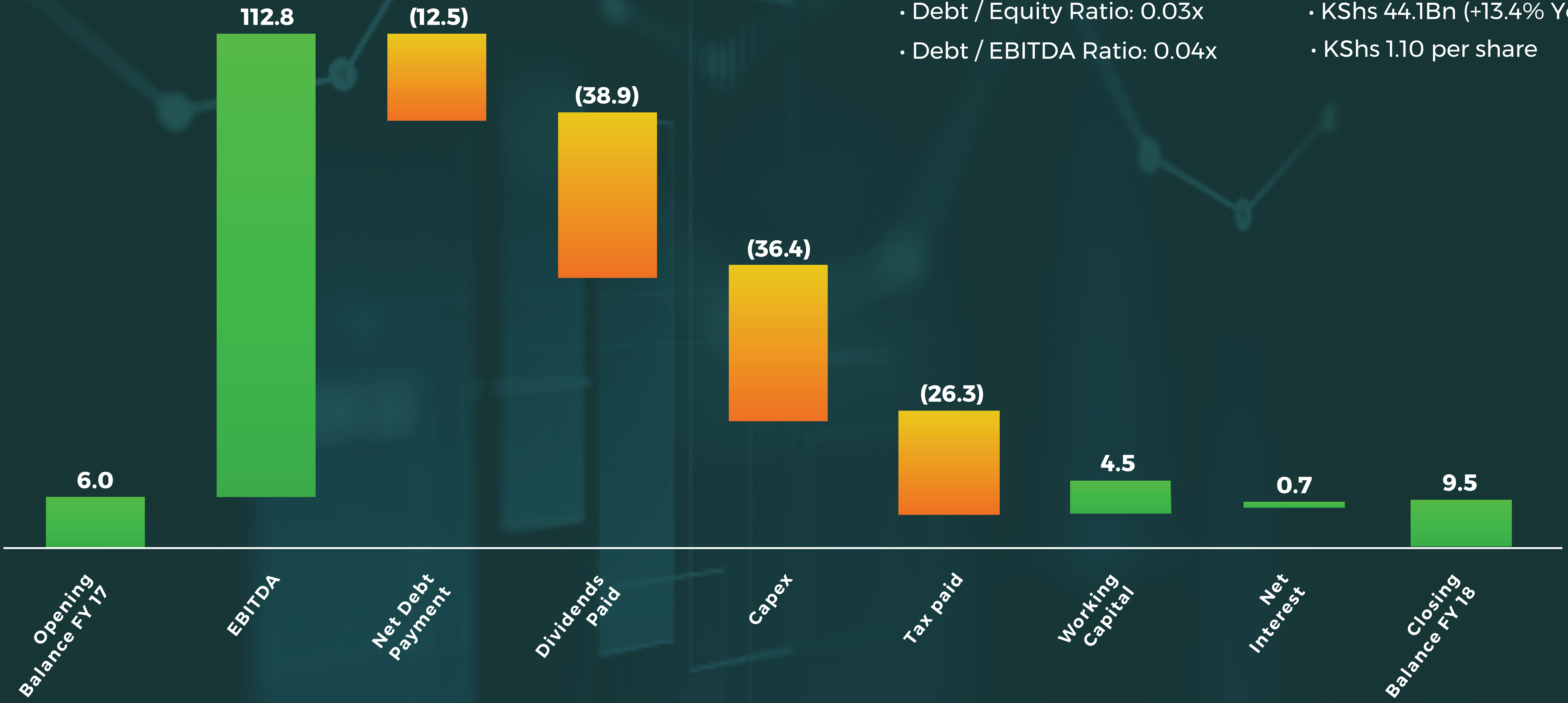
- **4,945** sites, **96%** coverage
- **4,183** 3G sites, **86%** coverage
- **1,648** 4G sites, **35%** coverage

Own Fibre Roll out

- Over **141k** homes passed with FTTH
- **Over 15k** businesses using fixed data services
- Over **5,000km** fibre laid

Cashflow I Growth supported by strong operating performance

Net Cash & Usage (KShs Bn)



Healthy Debt Position

- Debt / Equity Ratio: 0.03x
- Debt / EBITDA Ratio: 0.04x

Proposed Dividend

- KShs 44.1Bn (+13.4% YoY)
- KShs 1.10 per share

WAY FORWARD

TRANSFORMING TO A DIGITAL COMPANY

Insight Driven Customer Proposition

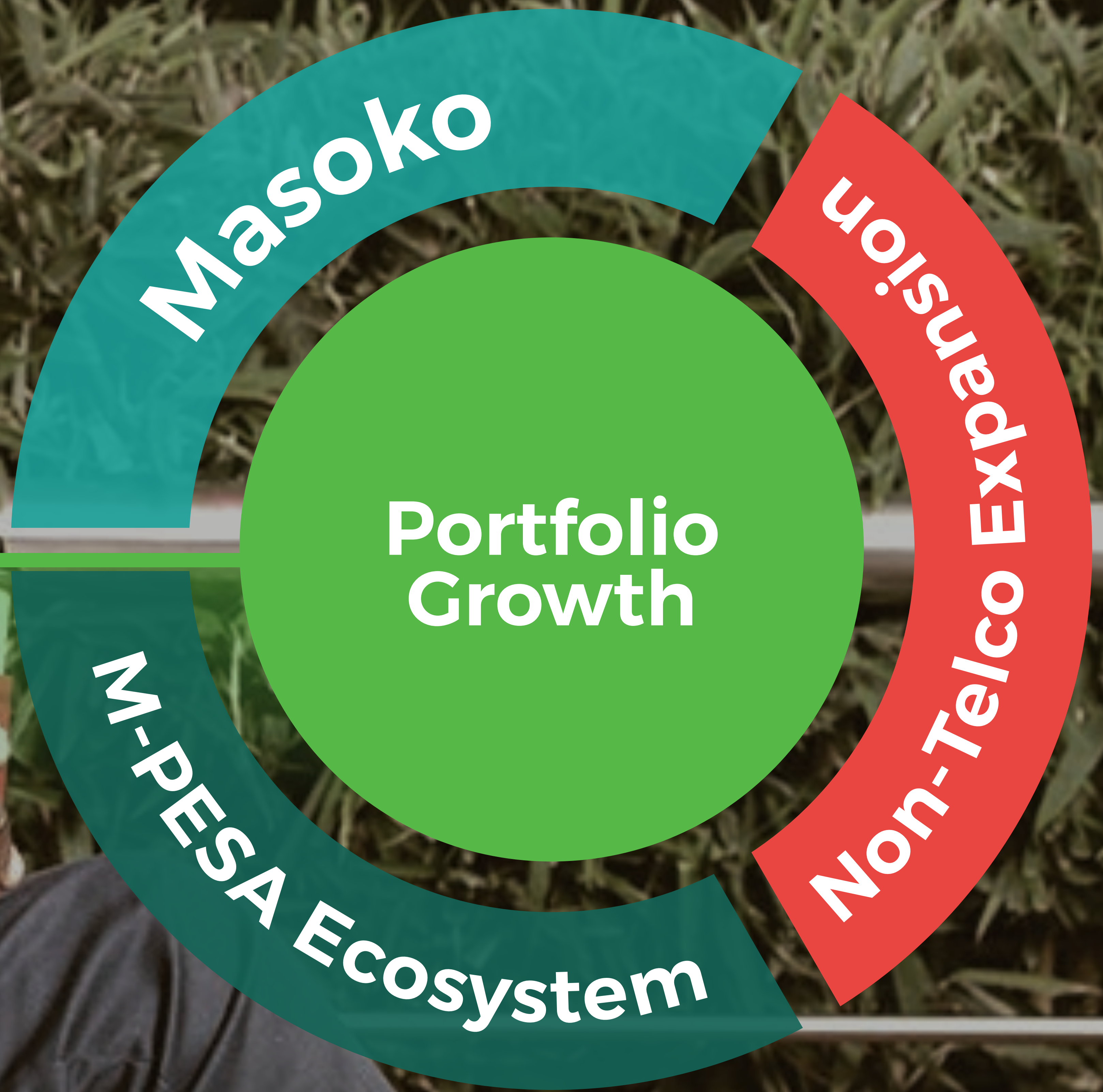
- Tunukiwa
- Platinum
- Flex
- Blaze

Connected Services

- Business solutions
- Home solutions
- IoT

Mobile money

- Accelerate growth in new business
- Paypal and Google Play Store
- Interoperability



Guidance | Sustained investment and profit growth

EBIT ▲

From
KShs 79.3Bn

FY 19 Guidance
KShs 85-89 Bn

CAPEX ▲

From
KShs 36.4Bn

FY 19 Guidance
KShs 35-38Bn

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When we come together,
great things happen.
Q&A
Safaricom
Twaweza

APPENDICES

Statement of Income I Key Highlights

Shs Bn	FY 18	FY 17 Reported	FY 17 Normalized**	YoY% Reported	YoY% Normalized
Voice revenue	95.64	93.46	93.46	2.3%	2.3%
Outgoing voice revenue	88.96	86.84	86.84	2.4%	2.4%
Incoming voice revenue	6.68	6.62	6.62	0.9%	0.9%
Messaging revenue	17.72	16.68	16.68	6.2%	6.2%
Mobile data revenue	36.36	29.33	29.33	24.0%	24.0%
Fixed service revenue	6.67	5.24	5.24	27.3%	27.3%
M-PESA revenue	62.91	55.08	55.08	14.2%	14.2%
Other service revenue	5.24	4.32	4.32	21.3%	21.3%
Service Revenue	224.54	204.11	204.11	10.0%	10.0%
Total Revenue	233.72	212.89	212.89	9.8%	9.8%
Contribution margin	163.47	148.54	146.31	10.1%	11.7%
Contribution margin %*	69.9%	69.0%	68.7%	0.9%	1.2%
EBITDA	112.83	103.61	100.25	8.9%	12.5%
EBITDA margin %*	48.2%	48.1%	47.1%	0.1%	1.1%
EBIT	79.27	70.38	67.02	12.6%	18.3%
EBIT Margin %*	33.9%	32.7%	31.5%	1.2%	2.4%
Net Income	55.29	48.44	46.11	14.1%	19.9%
Net Income %*	23.6%	22.5%	21.6%	1.1%	2.0%
Earnings per share	1.38	1.21	1.15	14.1%	19.9%

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

**Normalised for one off in FY 17

Statement of Income I Service Revenue to Contribution Margin

Shs Bn	FY 18	FY 17 Reported	FY 17 Normalized**	YoY% Reported	YoY% Normalized
Service Revenue	224.54	204.11	204.11	10.0%	10.0%
Handset and other revenue	8.98	8.70	8.70	3.2%	3.2%
Construction revenue	0.20	0.08	0.08	>100	>100
Total Revenue	233.72	212.89	212.89	9.8%	9.8%
Other Income	0.50	2.51	0.28	(80.1%)	79.2%
Direct costs	(70.55)	(66.78)	(66.78)	5.6%	5.6%
Construction costs	(0.20)	(0.08)	(0.08)	>100	>100
Contribution margin	163.47	148.54	146.31	10.1%	11.7%
Direct costs					
M-PESA Commissions	(19.76)	(17.75)	(17.75)	11.3%	11.3%
Airtime Commissions	(11.42)	(11.42)	(11.42)	0.0%	0.0%
Licence Fees	(9.34)	(10.18)	(10.18)	(8.3%)	(8.3%)
Interconnect & Roaming	(7.05)	(7.36)	(7.36)	(4.2%)	(4.2%)
Handset costs	(6.64)	(6.18)	(6.18)	7.4%	7.4%
Customer Acquisition and Retention	(7.32)	(7.24)	(7.24)	1.1%	1.1%
Value Added Services costs (Voice & SMS)	(5.99)	(5.70)	(5.70)	5.1%	5.1%
Bad Debts	(1.04)	(0.03)	(0.03)	>100	>100
Other	(1.99)	(0.92)	(0.92)	>100	>100
Total	(70.55)	(66.78)	(66.78)	5.6%	5.6%

*Normalised for one off in FY17

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Statement of Income I Contribution Margin to Net Income

Shs Bn	FY 18	FY 17 Reported	FY 17 Normalized**	YoY% Reported	YoY% Normalized
Contribution margin	163.47	148.54	146.31	10.1%	11.7%
Operating costs	(50.61)	(44.92)	(46.04)	12.7%	9.9%
Forex Loss on trading activities	(0.03)	(0.01)	(0.01)	>100	>100
EBITDA	112.83	103.61	100.25	8.9%	12.5%
Depreciation, impairment & amortisation	(33.56)	(33.23)	(33.23)	1.0%	1.0%
EBIT	79.27	70.38	67.02	12.6%	18.3%
Net Financing, Forex and Fair Value Losses	0.63	0.23	0.23	>100	>100
Share of associate profit/(loss)	0.01	0.02	0.02	(50.0%)	(50.0%)
Taxation	(24.62)	(22.19)	(21.16)	11.0%	16.3%
Net Income	55.29	48.44	46.11	14.1%	19.9%
Operating costs					
Repairs and maintenance	(0.28)	(0.30)	(0.30)	(6.7%)	(6.7%)
Operating lease rentals'- Buildings	(1.12)	(0.96)	(0.96)	16.7%	16.7%
Operating lease rentals'- Sites	(2.50)	(2.18)	(2.18)	14.7%	14.7%
Warehousing costs	(0.32)	(0.32)	(0.32)	0.0%	0.0%
Employee benefits expense	(15.15)	(13.72)	(13.72)	10.4%	10.4%
Auditor’s remuneration	(0.05)	(0.04)	(0.04)	25.0%	25.0%
Sales and advertising	(7.22)	(6.26)	(6.26)	15.3%	15.3%
Consultancy	(1.52)	(2.16)	(2.16)	(29.6%)	(29.6%)
Site/facilities costs	(13.92)	(12.53)	(12.53)	11.1%	11.1%
Travel and accommodation	(0.79)	(0.76)	(0.76)	3.9%	3.9%
Computer maintenance	(2.25)	(1.84)	(1.84)	22.3%	22.3%
Office upkeep	(1.35)	(1.10)	(1.10)	22.7%	22.7%
Other operating expenses	(4.14)	(2.75)	(3.87)	50.5%	7.0%
Total	(50.61)	(44.92)	(46.04)	12.7%	9.9%

***Normalised for one off in FY17**

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Free Cashflow I Key Movements

Shs Bn	FY 18	FY 17	YoY
Cashflow			
Trading cash flow (EBITDA)	112.83	103.61	8.9%
Net Working capital changes	4.49	(1.27)	>100
Capital Additions	(36.40)	(35.33)	3.0%
Operating free cash flow	**80.92**	**67.01**	**20.8%**
Interest received / (paid)	0.75	0.50	50.0%
Taxation received / (paid)	(26.28)	(24.00)	9.5%
Free cash flow	**55.39**	**43.51**	**27.3%**

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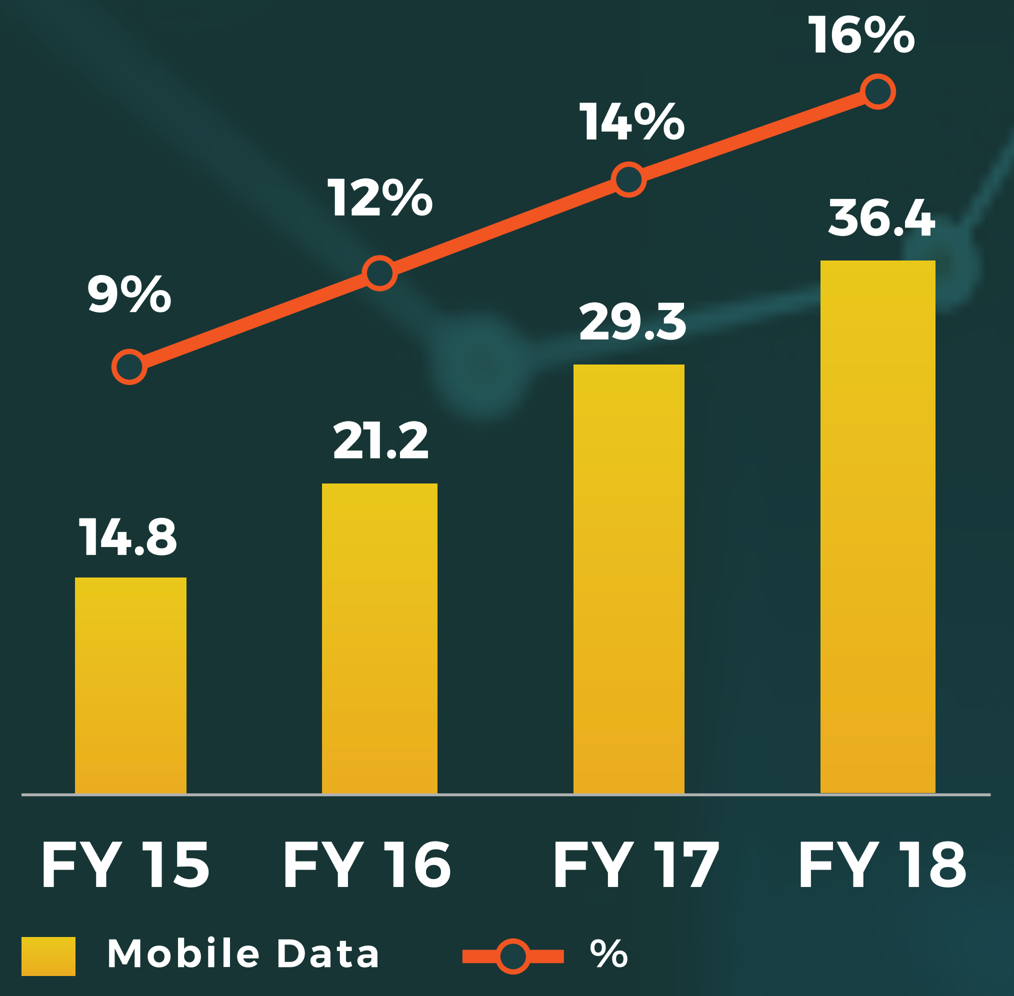
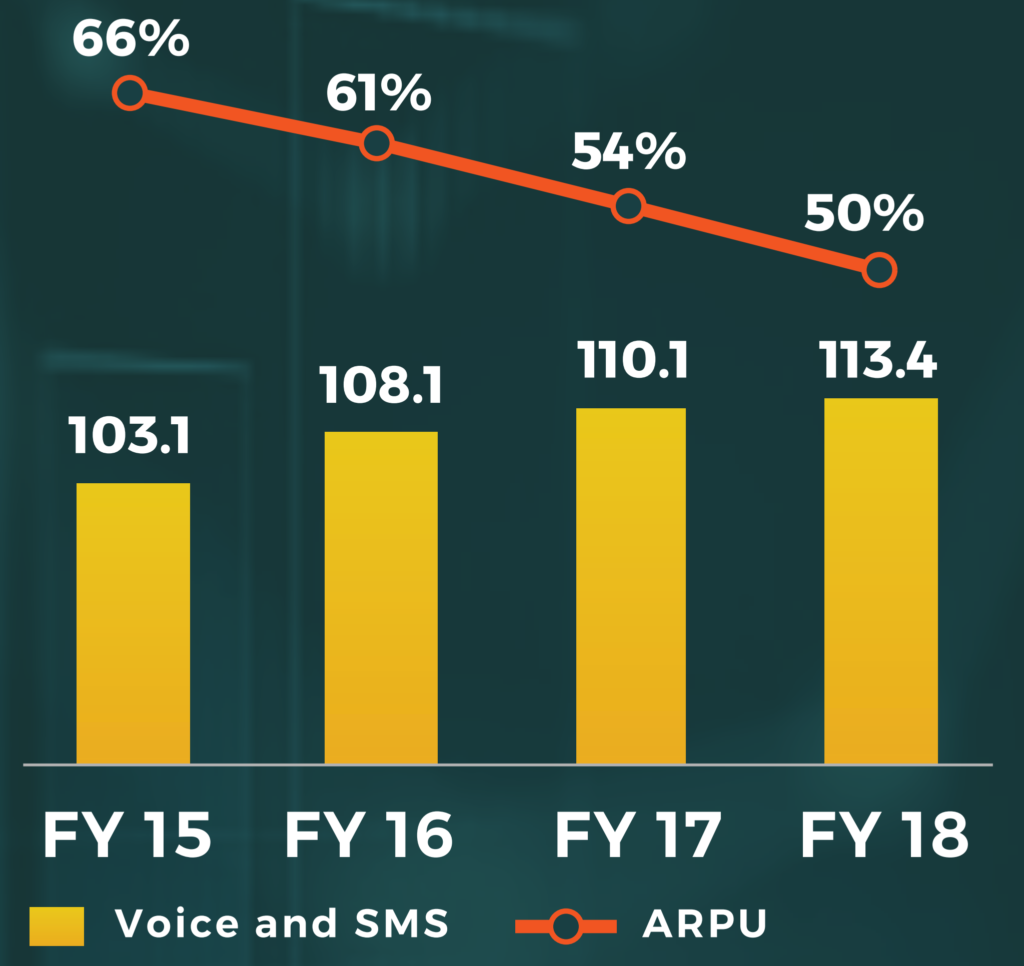
Appendix | Revenue contribution % SR

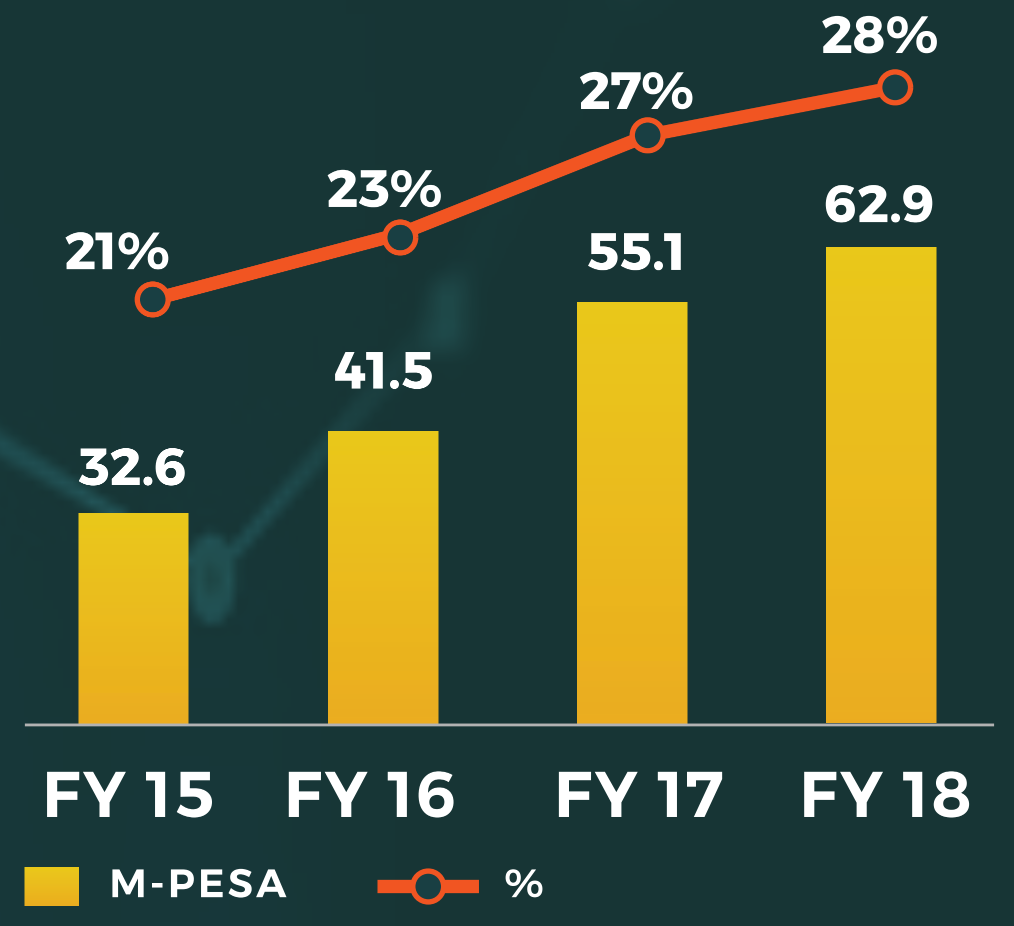
Mobile Data (KShs Bn% SR)



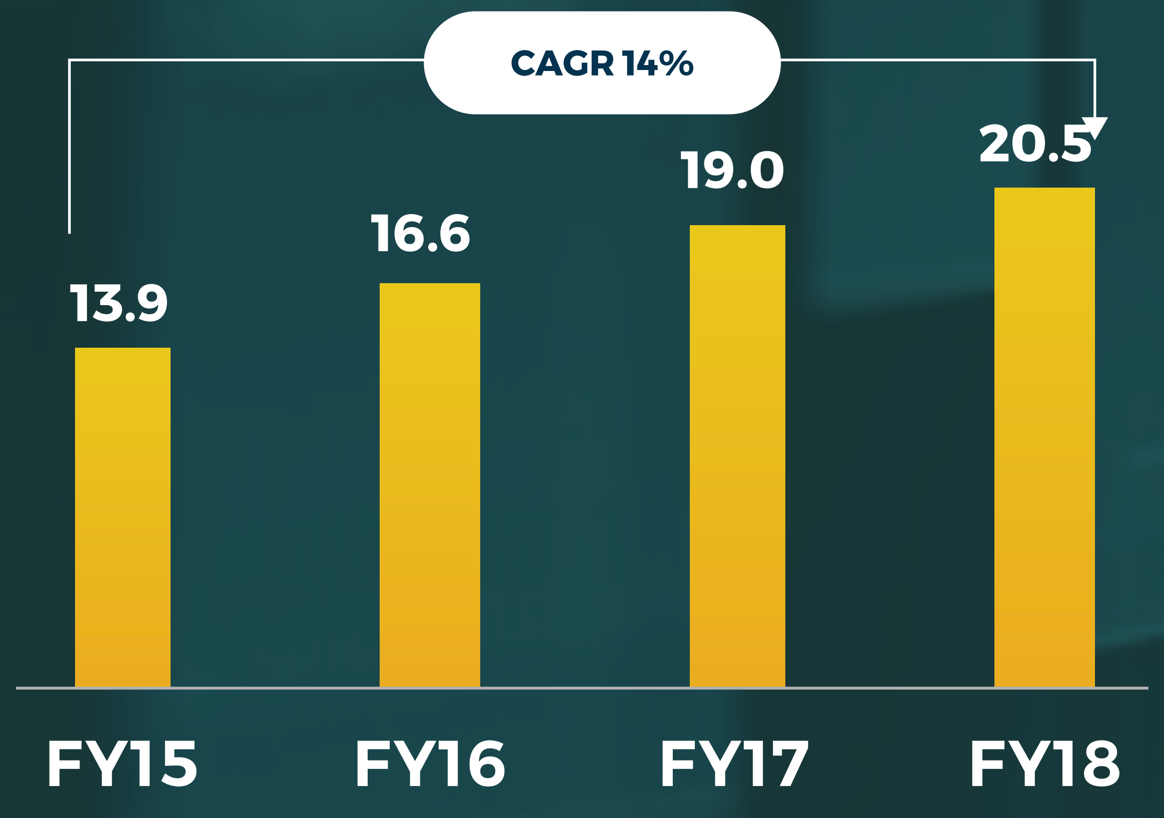
Voice and SMS (KShs Bn% SR)



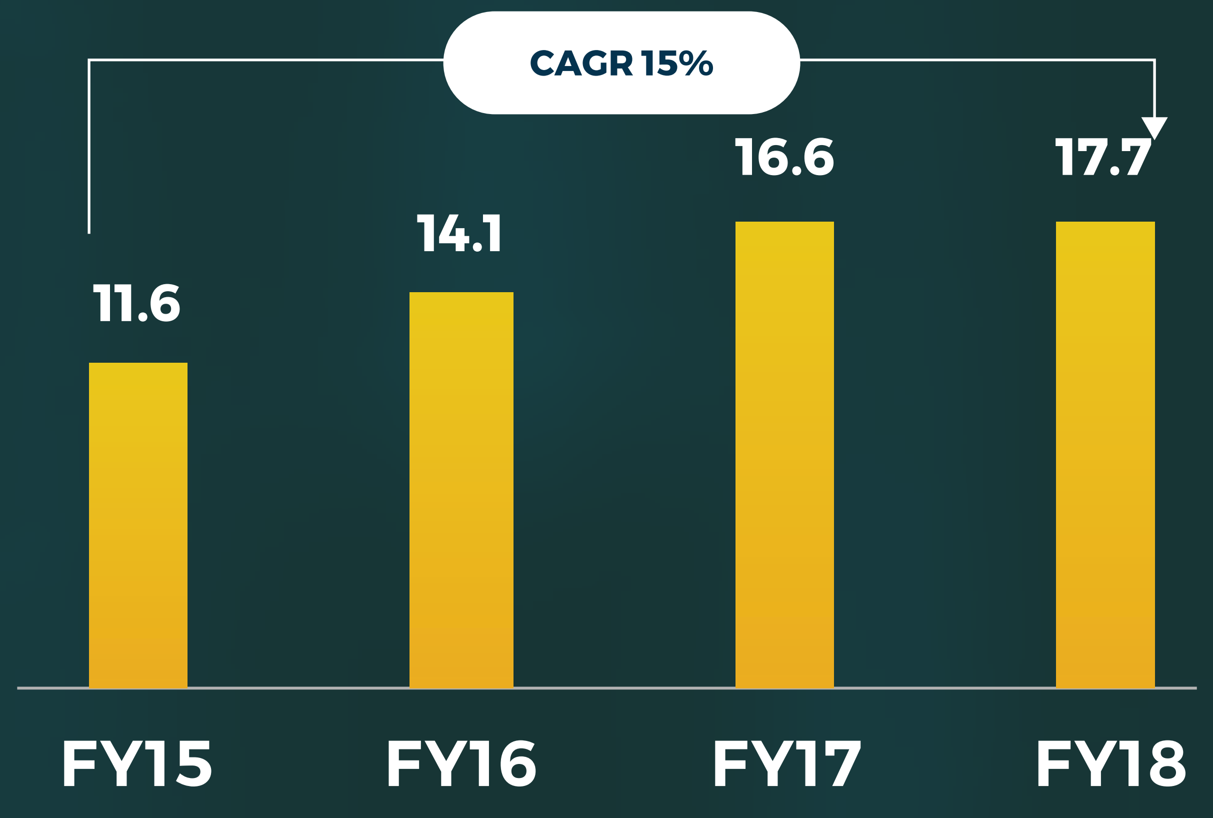
M-PESA (SKhs Bn% SR)



30 day active M-PESA customers



30 day active Mobile Data Customers



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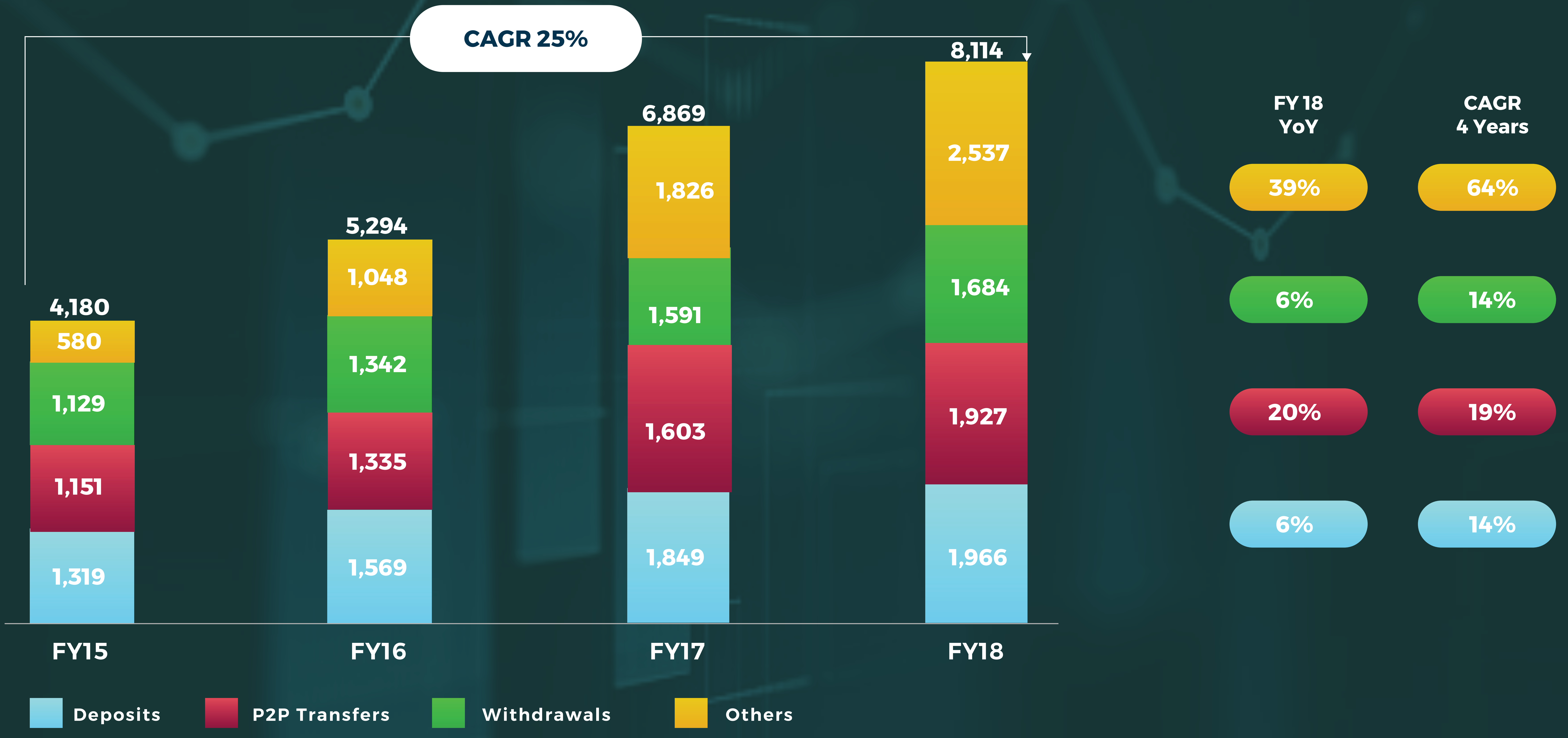
Appendix | M-PESA transaction value trend

M-pesa Transaction Value



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OUR LONGTERM STRATEGY
CONSUMER BUSINESS

Kenya's brand of choice enabling digital lifestyles and transforming lives.

C	A	R	E
Connectivity & Security	Always excellent value	Reward loyalty	Easy, personal, instant support
Differentiate our brand through network quality	Deliver personalized experience for our consumers	Drive growth through monetization of data and mobile money.	Lead & grow enterprise through payments, fixed data & segment led proposition.

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Twaweza

OUR LONGTERM STRATEGY
ENTERPRISE BUSINESS

Become the digital partner of choice for businesses enabling success

1 Service delivery	2 Care	3 Enterprise products	4 Digital Proposition	5 Channel optimization
Enabling automation of processes	Offer best digital customer experience	Grow fixed data and voice penetration	Leverage existing platforms to innovate, grow cloud and security	Optimize digital distribution channels