

Safaricom PLC

HY2019 Results Presentation

2nd November 2018

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Following the modified retrospective adoption of IFRS 15 - Revenue from Contracts with Customers on 1 April 2018, the Group’s results for the six months ended 30 September 2018 are on an IFRS 15 basis, whereas the results for the six months ended 30 September 2017 are (as previously reported) on an IAS 18 basis. To ensure appropriate disclosure during the period of transition onto IFRS 15, numbers for the six months ended 30 September 2018 have been disclosed on both an IFRS 15 and IAS 18 basis.

Sustained investment in a tough environment

Headwinds:

- Regulatory risks
- Mobile tariffs competition
- Increased taxes

Tailwinds:

- 2018 GDP forecast at 5.8%*
- Low inflation, 4.5% as at September 2018**
- Political stability

What we have delivered:

- Solid growth
- Sustained network investments
- Increased penetration of innovative products
- Sustained contribution to the society

* Source: The National Treasury

** Source: Central Bank of Kenya

People Purpose

Creating value

Customers

- Over 96% 2G coverage
- More than 162k M-PESA Agents
 - 460k+ customers enrolled on voice biometric service

Employment

- 50% of employees and 32% of senior management are women
- 1.7% are differently-abled

6.5%

Contribution to
Kenya's GDP

Community

- 200k+ people economically empowered
- 15k+ jobs created
- 2.8m+ students on Shupavu291
- M-PESA Foundation Academy - 100 scholarships
- M-Tiba - 1.2m+ healthcare visits
- Free medical camps - 1m+ beneficiaries

Shareholders

- FY18 dividend KShs 44.1 Bn
- HY19 Capex investment KShs 17.0 Bn

SDGs

- Integration of 9 sustainable goals

Connecting

People to people,
knowledge and
opportunities

Enablers

Fibre
Over 5,500km
From 4,700km HY18

3G
91% coverage
+5ppts YoY

4G
53% coverage
+21ppts YoY

Homes Passed
Over 200k
From 90k HY18

Cloud

Self service
channels

Internet of
Things

VoLTE

Services

M-PESA

Expanding into new horizons

Domestic

- M-PESA overdraft
- CVM and machine learning
- Enterprise payments



Global

- From remittances to payments
- 500k+ partner agents worldwide

Regional

- Exploring regional opportunities



Digifarm

Enabling farmers



Knowledge

Quality &
Affordable input

Market Size

Value of agriculture transactions - 2.5Tn

Agriculture 26%
of Kenya's GDP*

20m farmers

Market
Opportunities

Credit &
Insurance

* Source: Food and Agriculture Organisation of the United Nations

Masoko

E-commerce: connecting sellers and buyers



Conceptualization, Building and testing

- Stable platform
- Simplified customer journey
- Improved check out
- Identifying and growing quality vendors

Scale and grow



Challenge

Logistics

Solutions

- 160k agent pick up points
- Multiple delivery partners
- Upgraded seller centre

Leveraging the opportunities

- Trusted payment platform
- Big data opportunity
- Underpenetrated e-commerce market
- Reliable data services

Reflecting on our Journey

Listening to our customers

“Nawe Kila Wakati.” - Always with you

Giving customers more control on:

- Choice of data speed
- Premium rate services

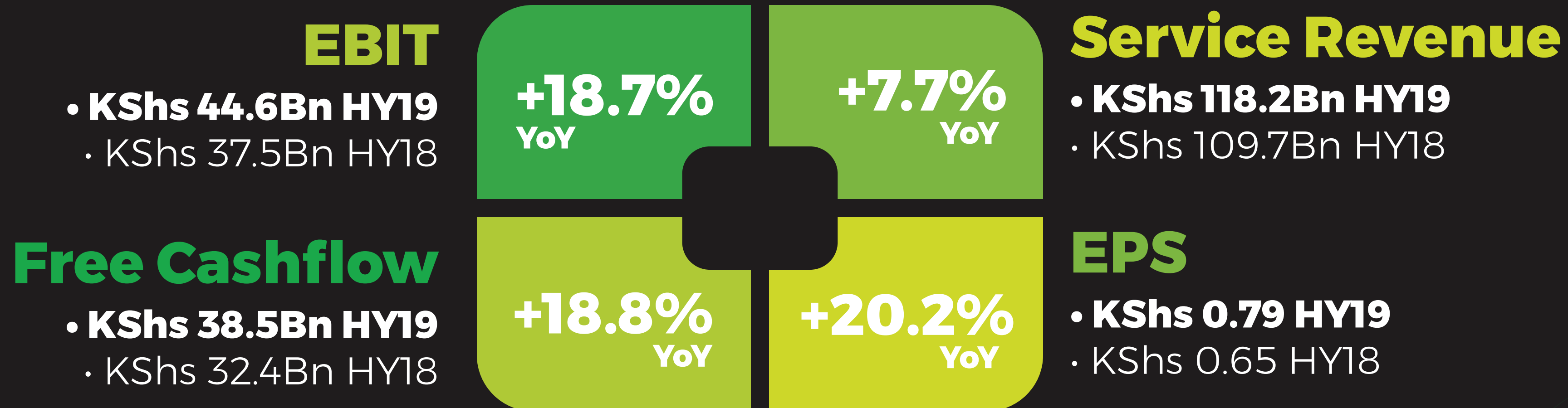
Driving affordability through:

- More-for-more bundles
- Data freeze & rollover

Key

Financials

Sustained momentum on EPS growth, investment and free cash flow



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The Numbers



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HY19 Service Revenue

Growth supported by M-PESA

+7.7% YoY

M-PESA
+5.0ppts

+18.2% (YoY)

Mobile Data
+1.7ppts

+10.8% (YoY)

Fixed Data
+0.6ppts

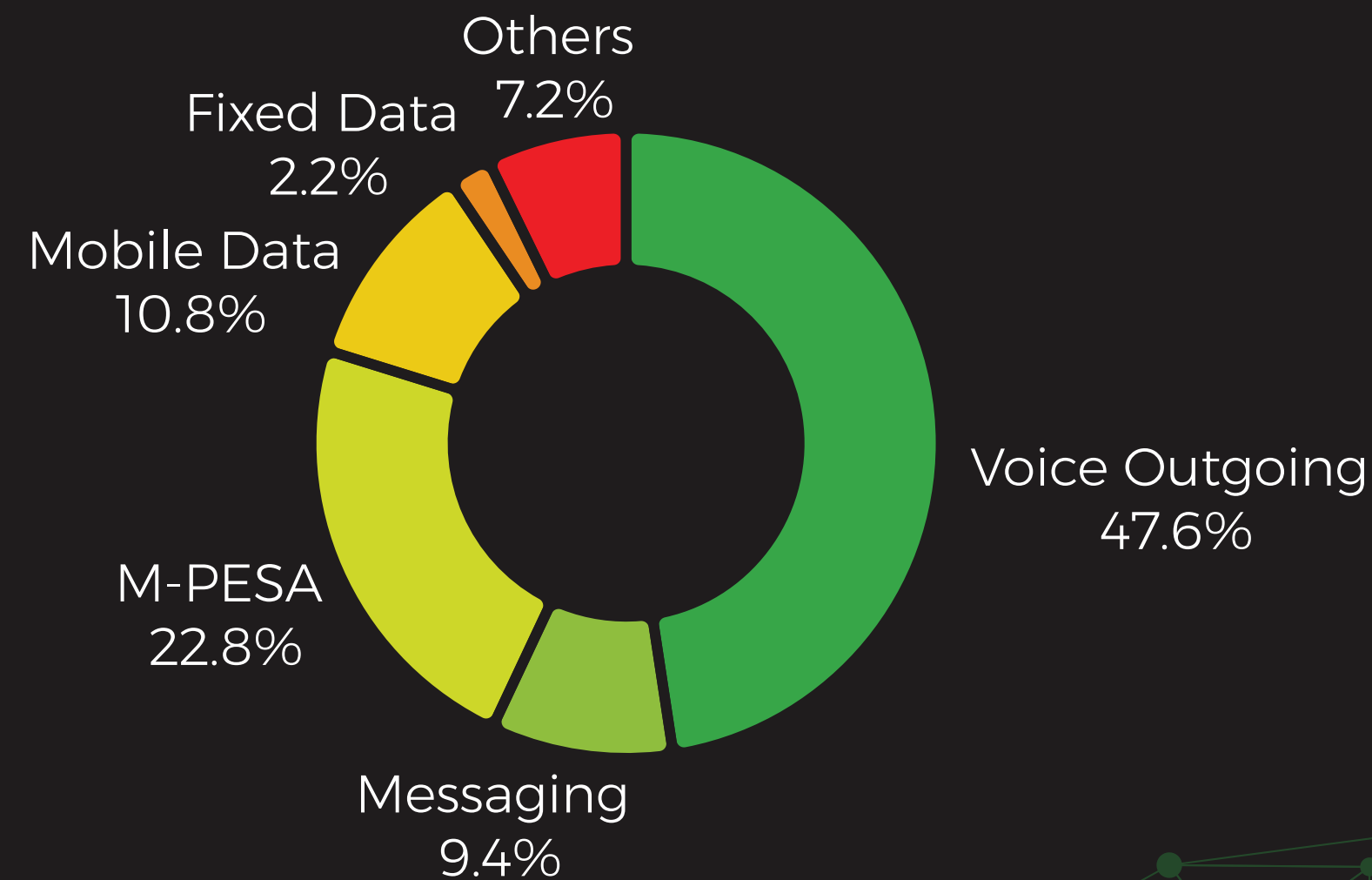
+21.0% (YoY)

Others
+0.4ppts

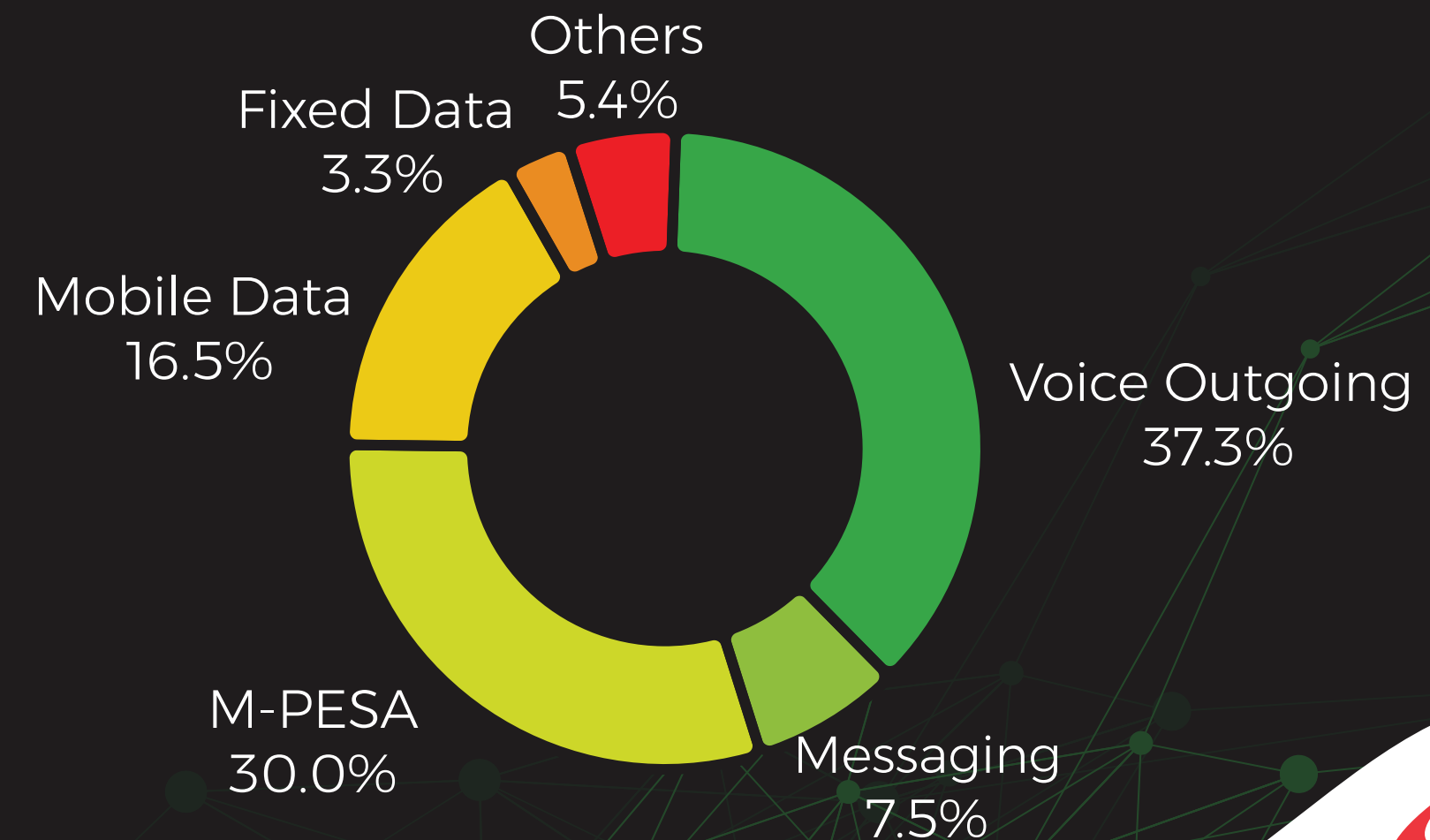
+0.7% (YoY)

Others: voice, messaging and other service revenue

HY16 Revenue Contribution



HY19 Revenue Contribution



M-PESA Revenue

Expanding penetration across multiple use cases

21.0m

30 day active M-PESA customers, **8.8%** YoY growth

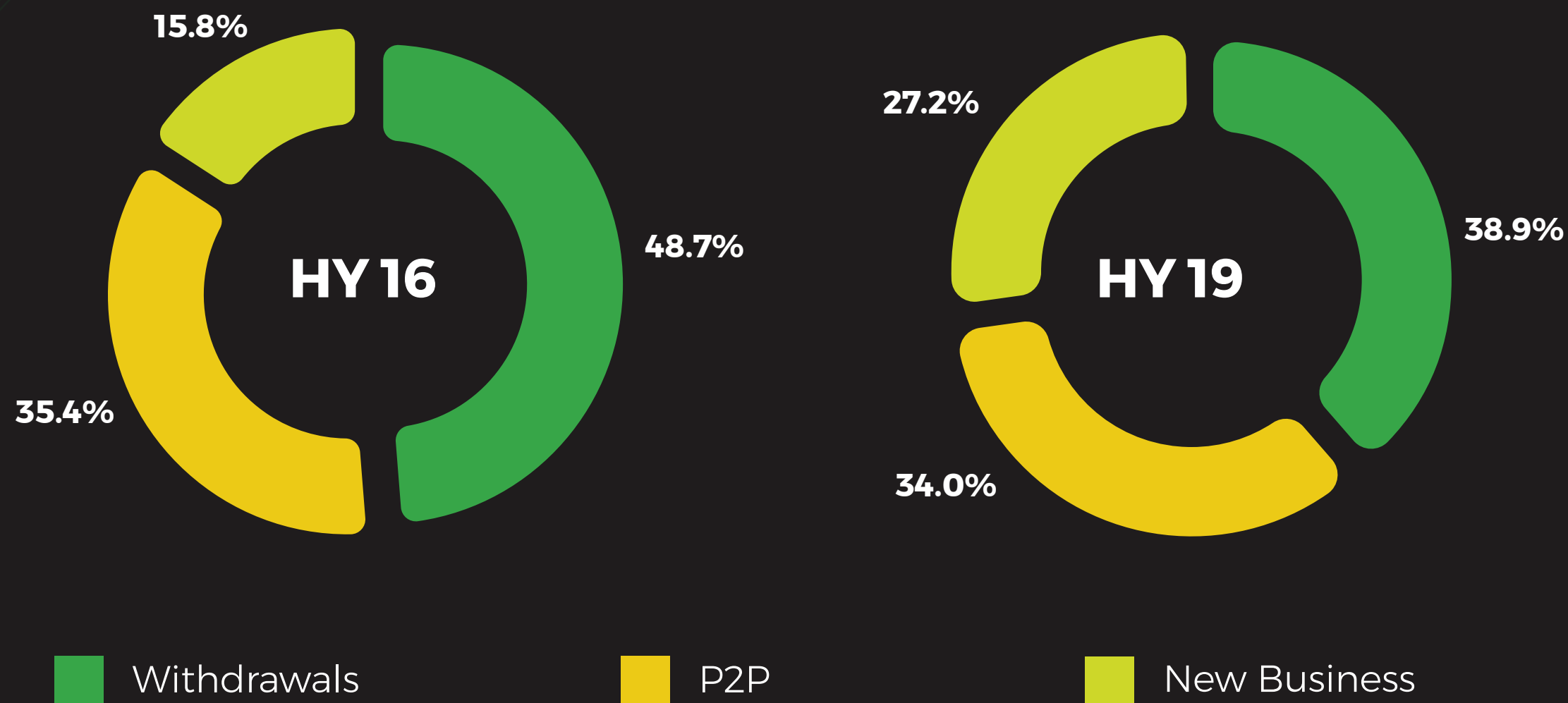
12 Txns

Per customer per month. **14.8%** YoY growth

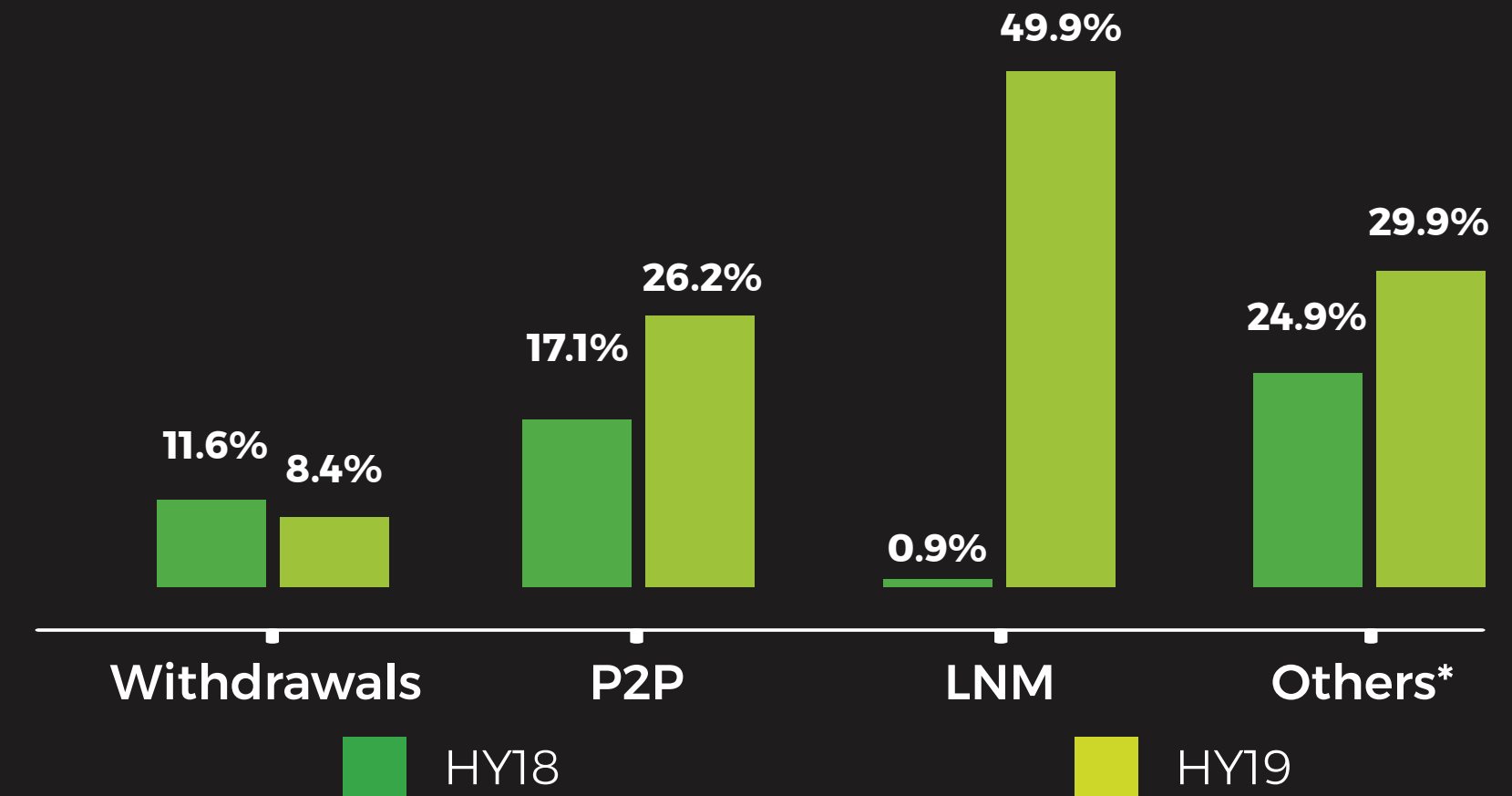
ARPU

10.2% YoY growth to KShs **284**

M-PESA Revenue Contribution



Revenue Growth YoY



Traditional Business

Withdrawal Revenue +8.4% YoY Transaction value +6.8% YoY Transaction volume +11.9% YoY	P2P Revenue +26.2% YoY Transaction value +28.0% YoY Transaction volume +55.1% YoY 162k+ active agents +9.9% YoY
New Business LNM Revenue +49.9% YoY 109k+ Active LNM merchants +42.1% YoY C2B revenue +26.3% YoY B2C revenue +21.0% YoY IMT revenue +68.2% YoY	Future Opportunities User experience leadership: API, QR, APP New consumer and business lending propositions Enterprise payments Global and regional expansion

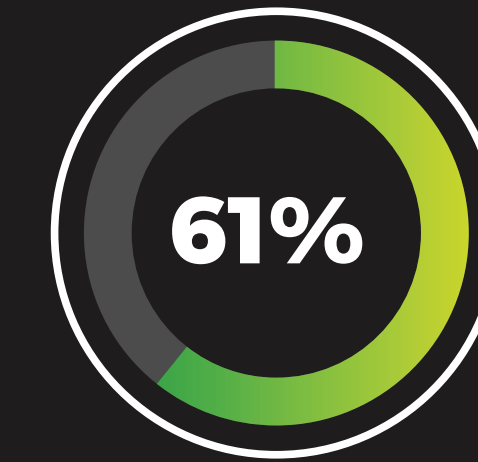
New Business

*B2C, C2B, B2B, IMT, M-Shwari, KCB M-PESA,

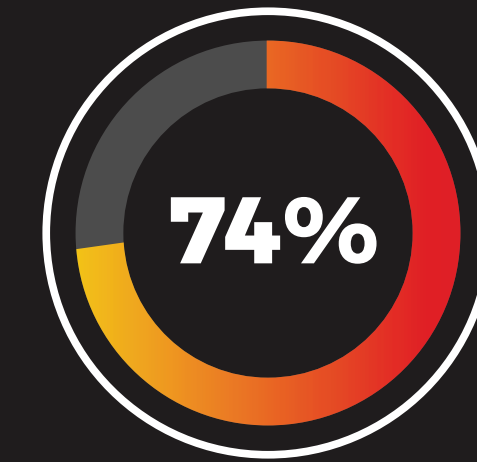
Mobile Data Revenue

Increased usage, drive to increase penetration

<100MBs
70% of the data capable phones have usage below 100MBs

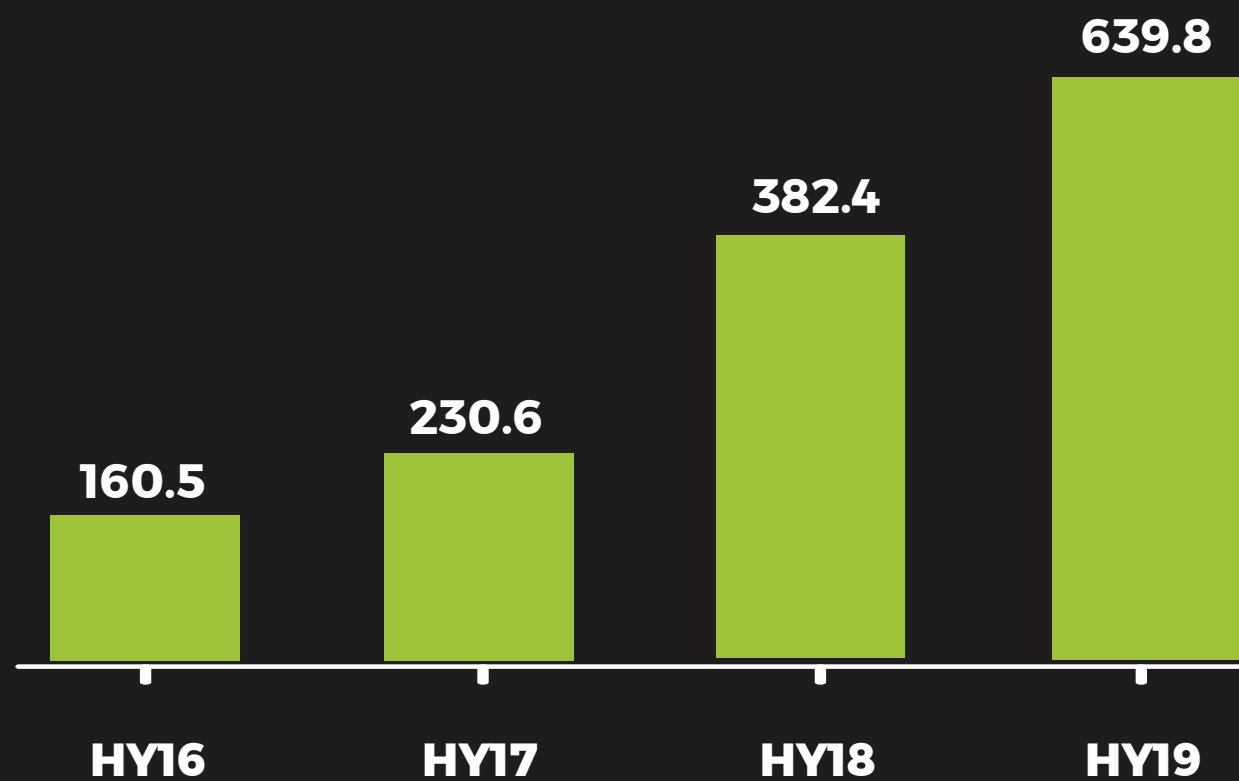


HY16 in bundle data revenue

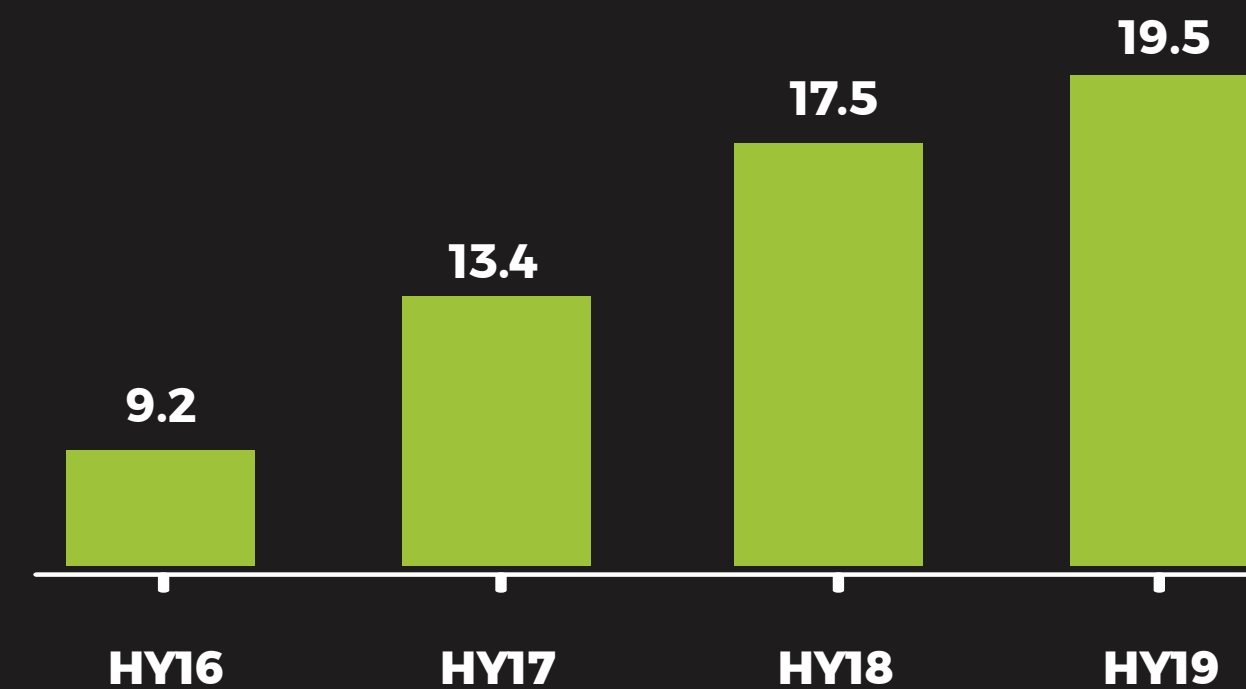


HY19 in bundle data revenue

Usage in MB per user



Revenue (KShs Bn)



17.6m

mobile data customers. ARPU +7.9% to KShs 183

4x

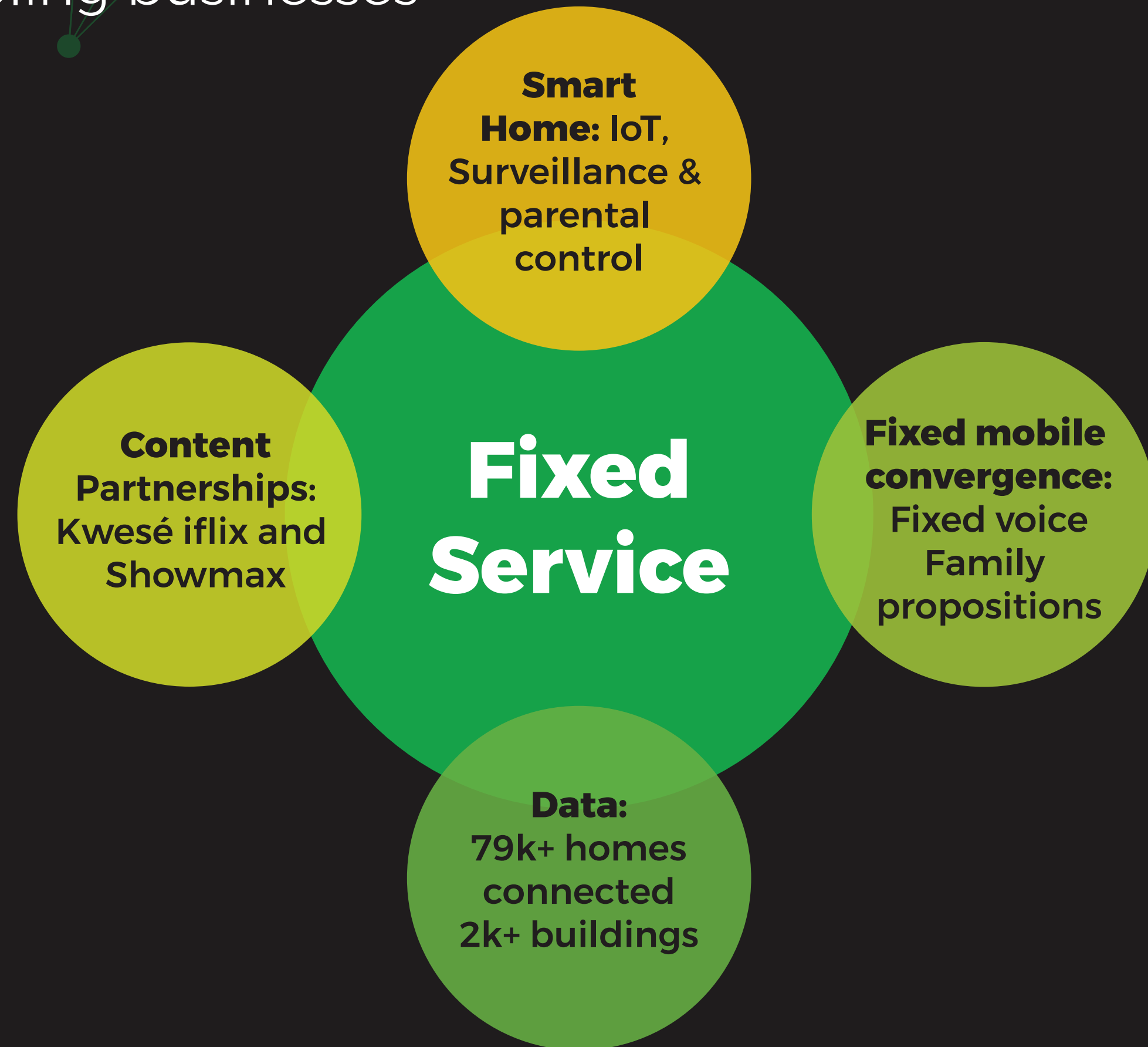
growth in MBs per user to 640MBs from 160MBs in HY16.

- 2G coverage 96%
- 3G coverage 91% +5ppts YoY
- 4G coverage 53% +21ppts YoY
- Effective rate per MB reduced by 36% YoY

Fixed Data

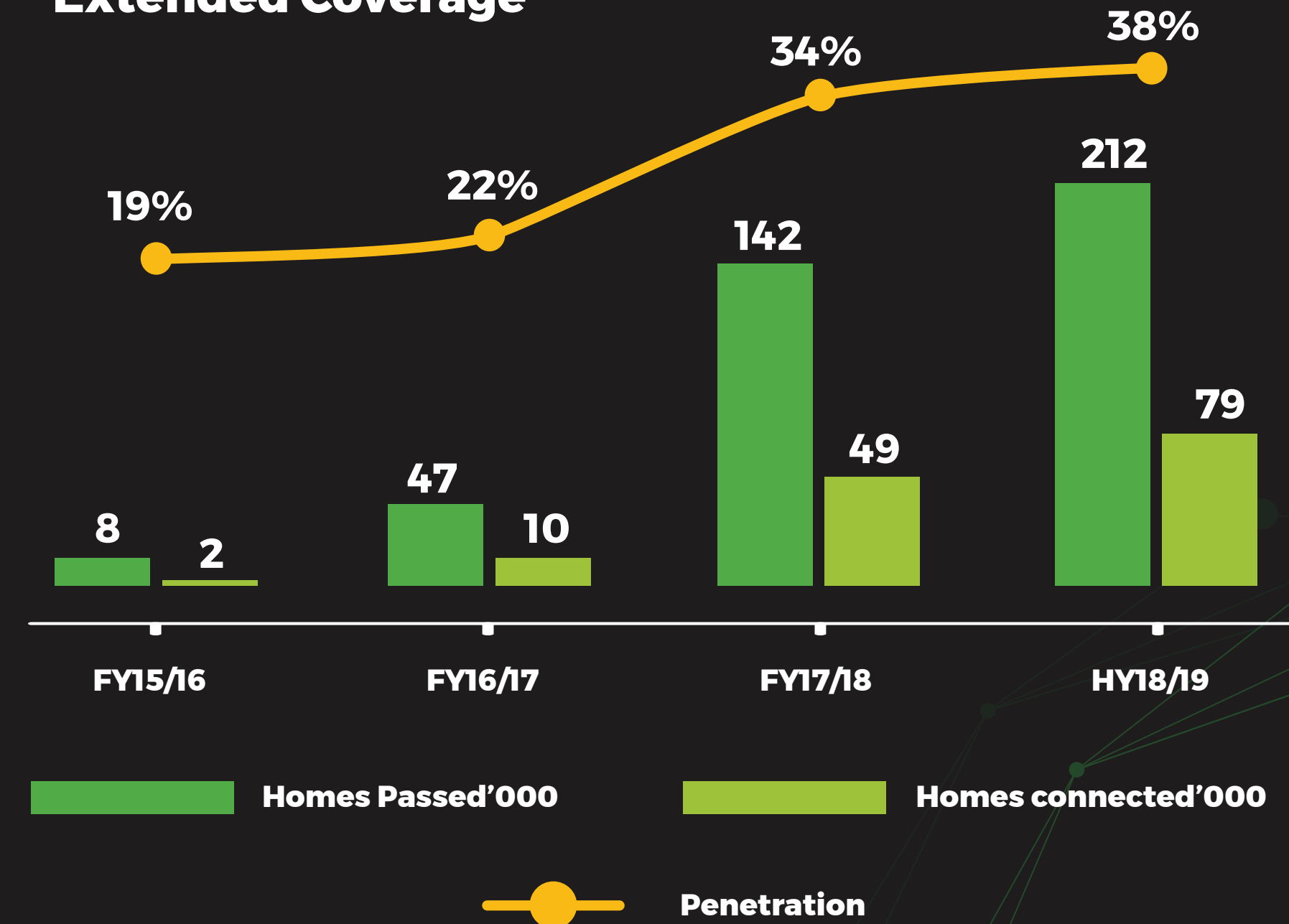
Revenue

Connecting families
Enabling businesses



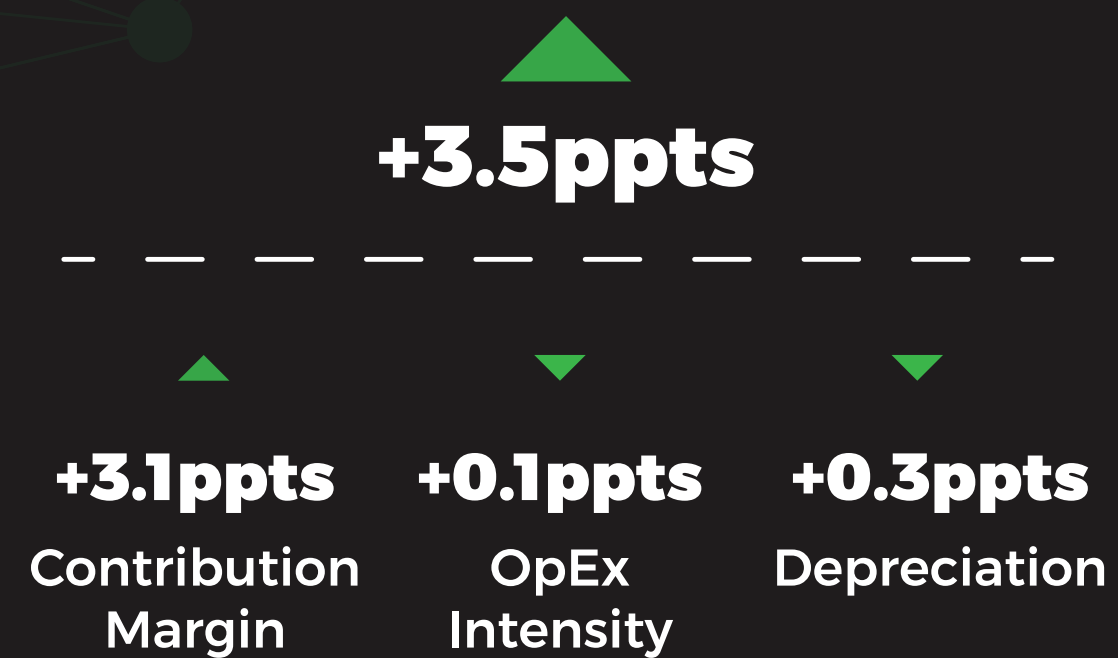
Over **5,500Km** of fibre laid from 4,700Km in HY18
Over **200k** homes passed with FTTH from 90k in HY18
Over **2,000** buildings passed with FTTB from 1,600 in HY18

Extended Coverage

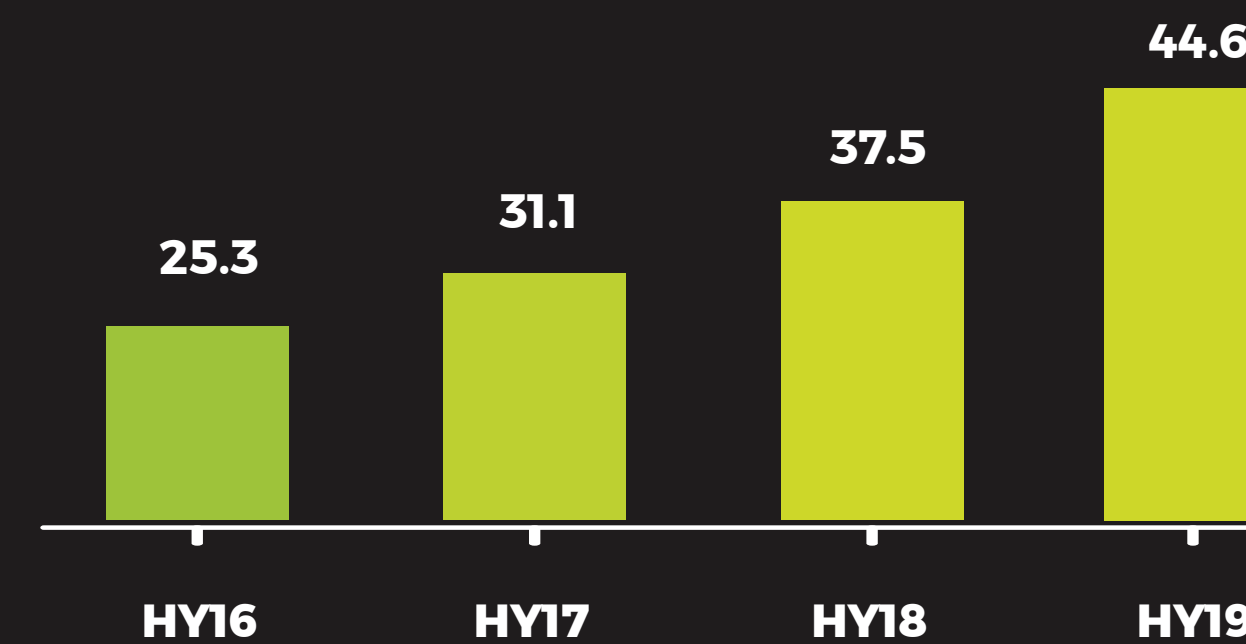


EBIT

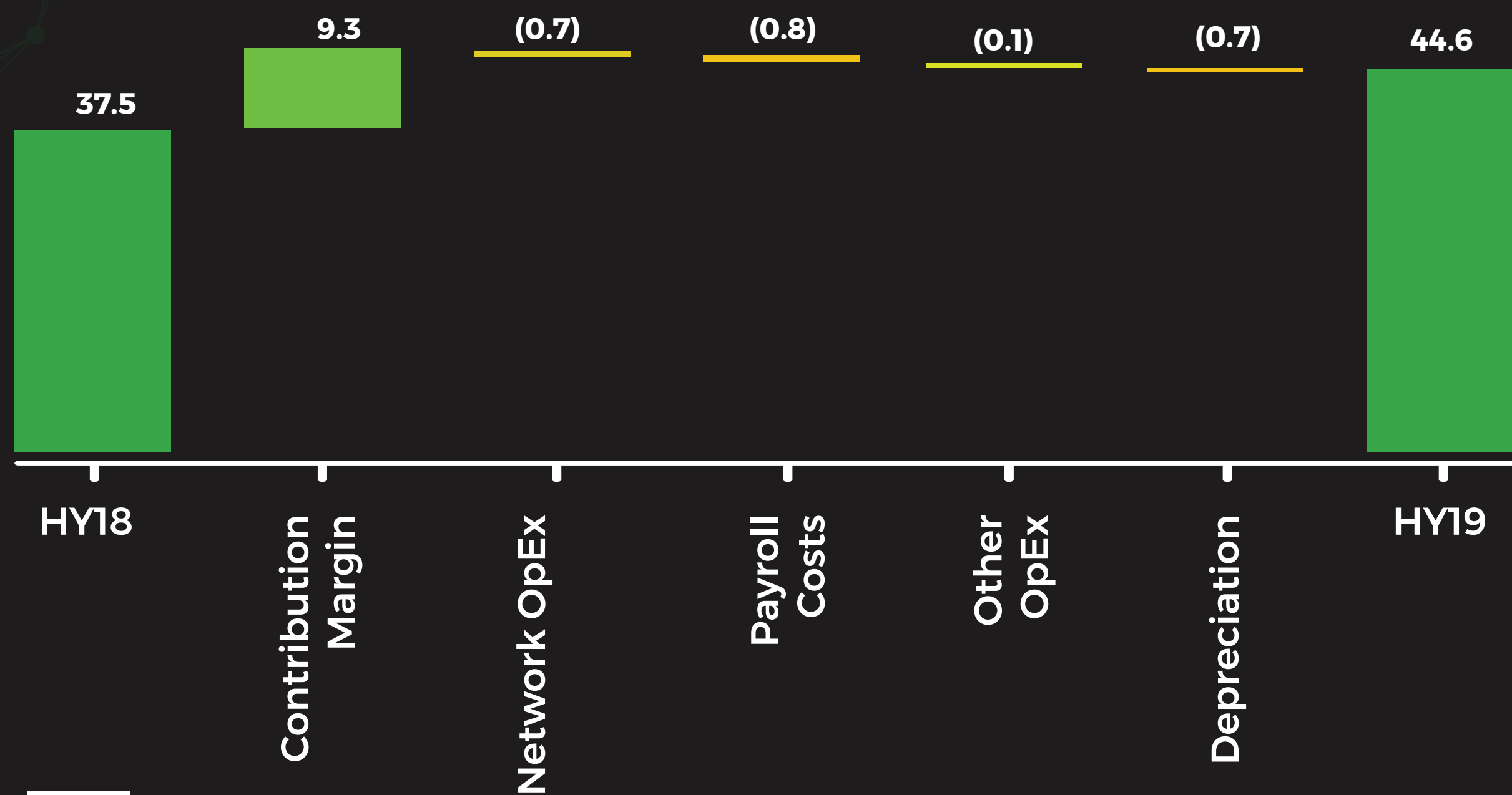
Supported by revenue growth and cost optimisation



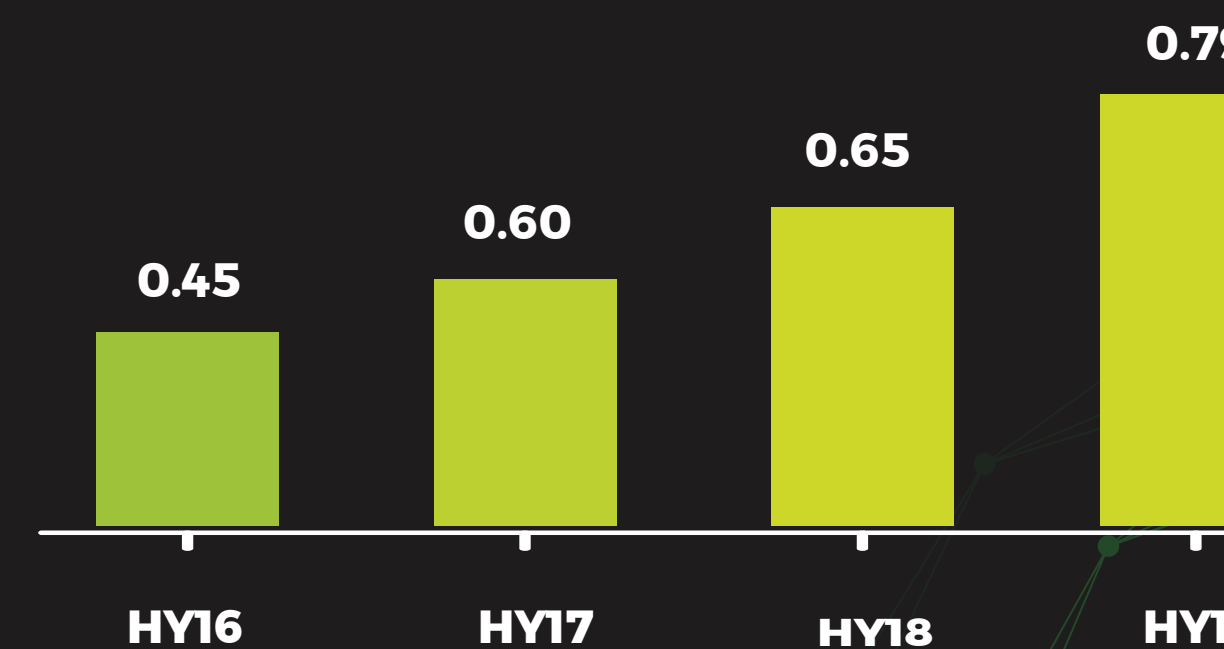
EBIT (KShs Bn)



EBIT Waterfall YoY (KShs Bn)

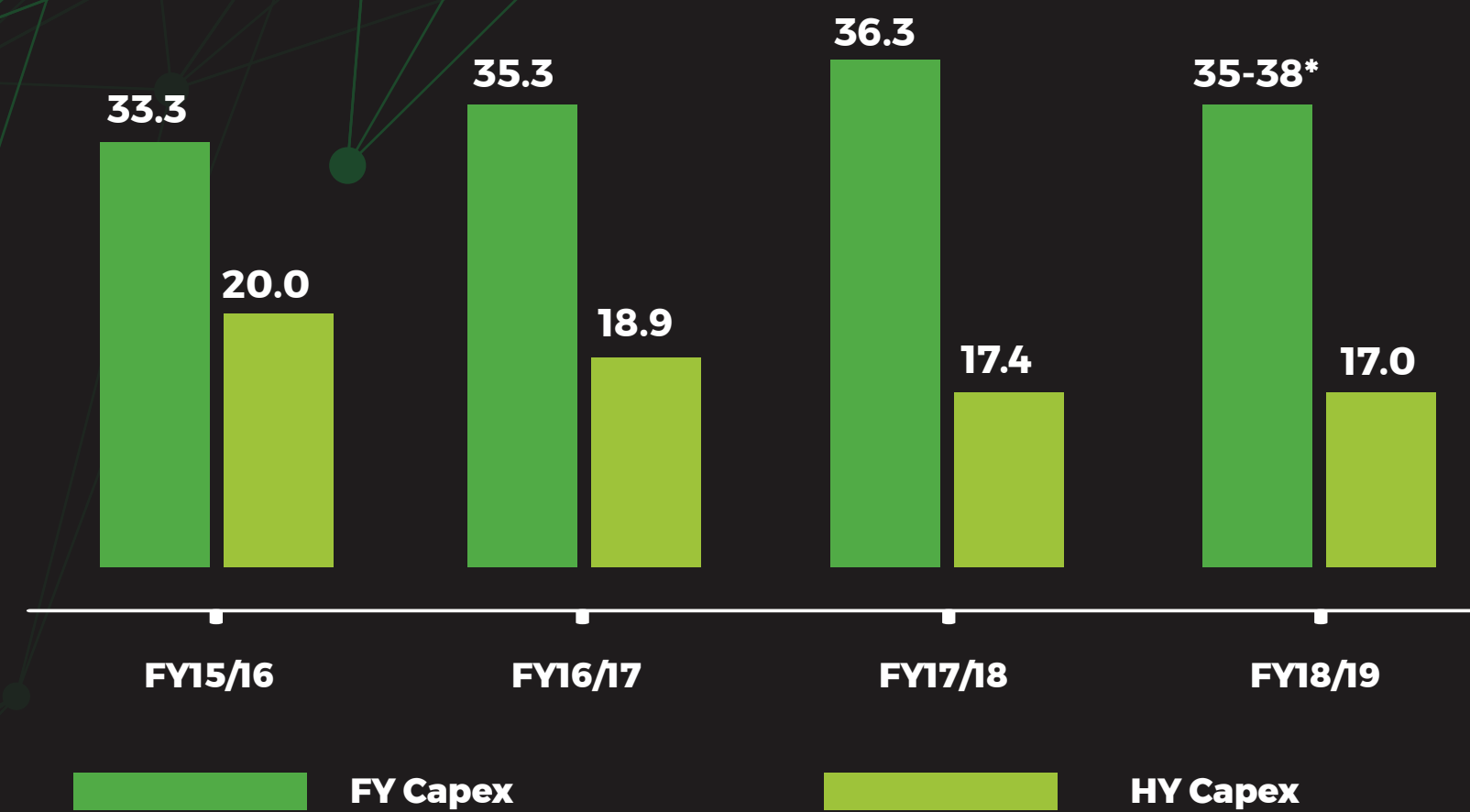


EPS (KShs)

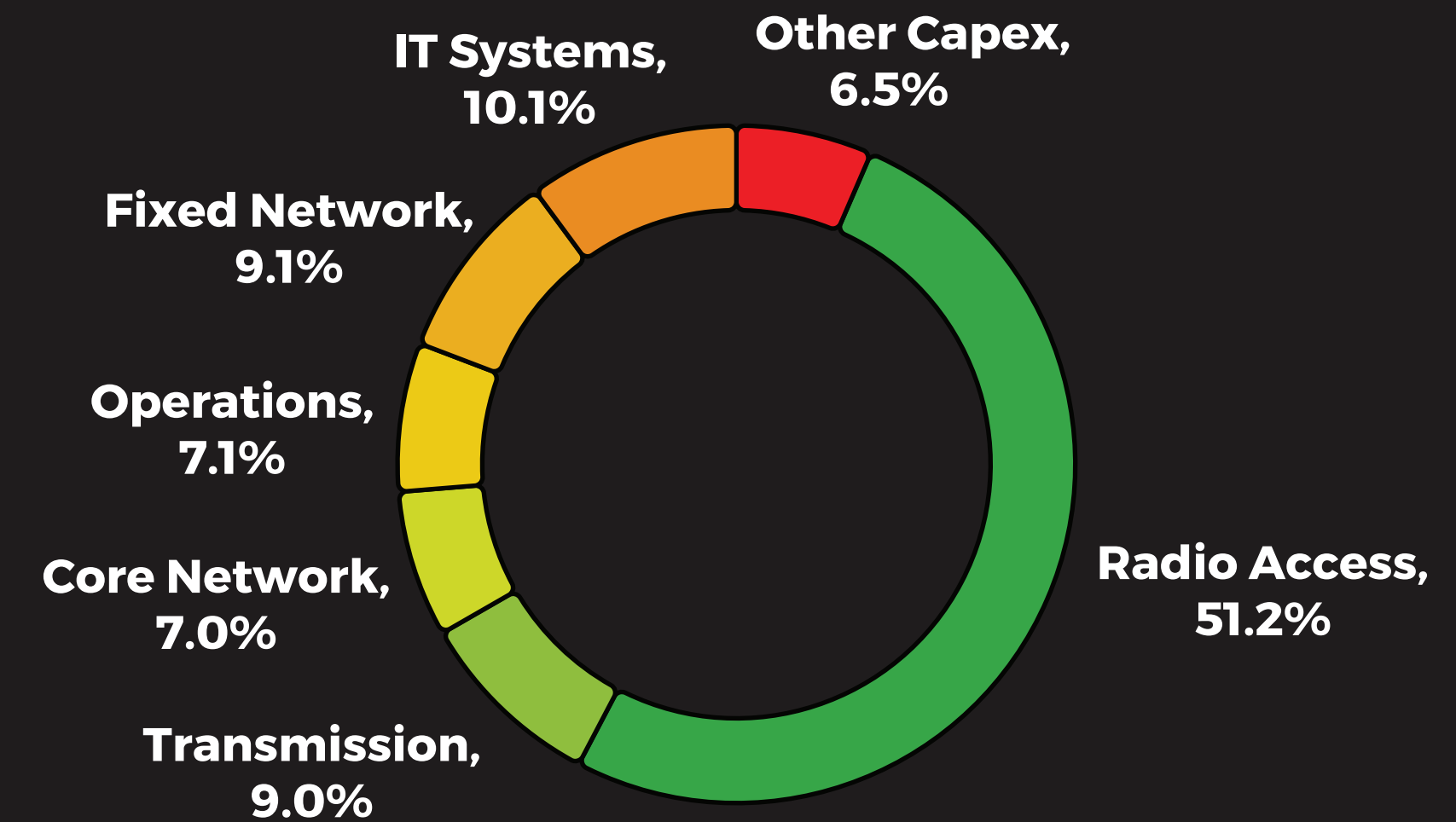


CAPEX

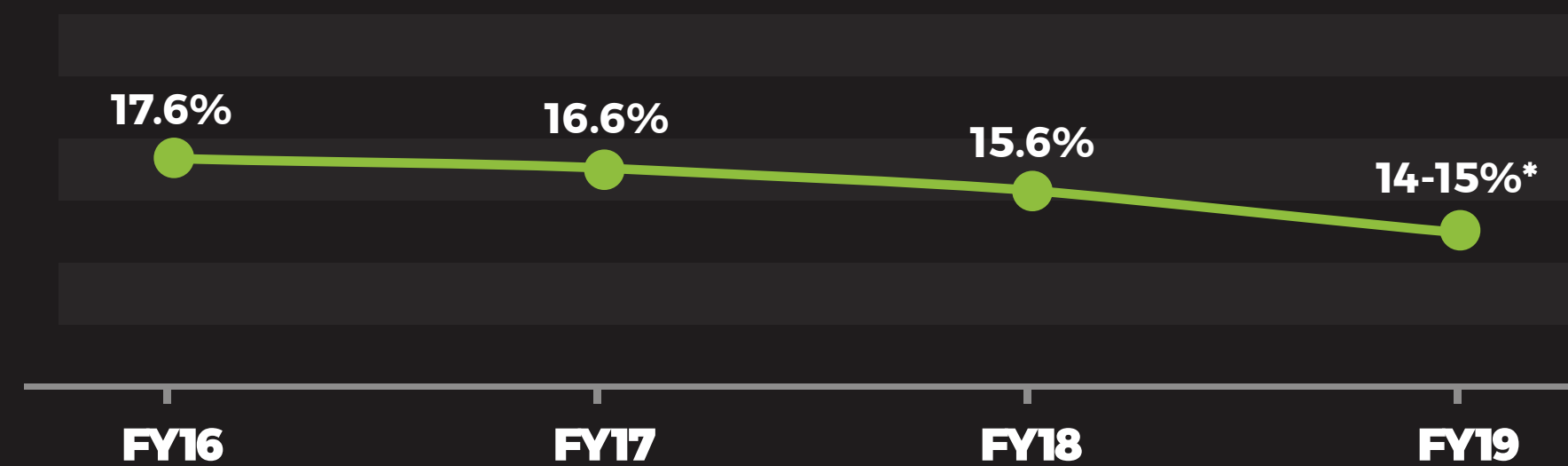
CAPEX (KShs Bn)



CAPEX Allocation



Capex intensity



Sites

- Sites +8.6% YoY to 5,256
- 2G sites +9.1% YoY to 4,839
- 3G sites +21.1% YoY to 4,737
- 4G sites +61.8% YoY to 2,353

Guidance

Guidance maintained on EBIT and CAPEX

EBIT



From
KShs 79.3Bn FY18

FY19 Guidance
KShs 85Bn - 89Bn

CAPEX



From
KShs 36.4Bn FY18

FY19 Guidance
KShs 35Bn - 38Bn



Q & A

Appendices



Statement of Income

Key Highlights

KShs Bn	HY 19 IFRS 15	HY19 IAS 18	HY18 IAS 18	YoY% IAS 18
Voice revenue (Outgoing & Incoming)	47.53	48.03	47.35	1.4%
Messaging revenue	9.67	8.81	8.92	(1.2%)
Mobile data revenue	19.01	19.45	17.55	10.8%
Fixed service revenue	3.84	3.91	3.23	21.0%
M-PESA revenue	35.52	35.52	30.05	18.2%
Other service revenue	2.49	2.49	2.63	(5.3%)
Service Revenue	118.05	118.21	109.73	7.7%
Total Revenue	122.66	122.84	114.43	7.4%
Contribution margin	87.57	87.90	78.47	12.0%
Contribution margin %*	71.5%	71.6%	68.5%	3.1ppts
EBITDA	61.79	62.12	54.27	14.5%
EBITDA margin %*	50.4%	50.6%	47.4%	3.2ppts
EBIT	44.22	44.56	37.53	18.7%
EBIT Margin %*	36.1%	36.3%	32.8%	3.5ppts
Net Income	31.17	31.50	26.20	20.2%
Net Income %*	25.4%	25.7%	22.9%	2.8ppts
Earnings per share	0.78	0.79	0.65	20.2%

Statement of Income

Contribution Margin to Net Income

KShs Bn	HY19 IFRS 15	HY19 IAS 18	HY18 IAS 18	YoY% IAS 18
Direct costs				
M-PESA Commissions	(10.59)	(10.59)	(9.62)	10.0%
Airtime Commissions	(5.50)	(5.50)	(5.79)	(4.9%)
Licence Fees	(5.19)	(5.20)	(4.92)	5.6%
Interconnect & Roaming	(3.61)	(3.61)	(3.62)	(0.3%)
Handset costs	(2.75)	(2.75)	(3.44)	(20.1%)
Customer Acquisition and Retention	(3.61)	(3.46)	(3.62)	(4.6%)
Value Added Services costs (Voice & SMS)	(3.10)	(3.10)	(2.82)	9.6%
Bad Debts	(0.10)	(0.10)	(0.64)	(84.0%)
Others	(0.50)	(0.50)	(1.59)	(68.2%)
Total	(34.96)	(34.81)	(36.07)	(3.5%)
Operating costs				
Repairs and maintenance	(0.15)	(0.15)	(0.12)	25.8%
Operating lease rentals'- Buildings	(0.60)	(0.60)	(0.54)	10.1%
Operating lease rentals'- Sites	(1.30)	(1.30)	(1.18)	10.8%
Warehousing costs	(0.16)	(0.16)	(0.16)	(2.1%)
Employee benefits expense	(8.22)	(8.22)	(7.50)	9.6%
Auditor's remuneration	(0.03)	(0.03)	(0.03)	12.8%
Sales and advertising	(3.87)	(3.87)	(3.33)	16.3%
Consultancy	0.38	0.38	(0.83)	<100.0
Site/facilities costs	(7.15)	(7.15)	(6.43)	11.1%
Travel and accommodation	(0.46)	(0.46)	(0.35)	31.1%
Computer maintenance	(1.12)	(1.12)	(1.11)	1.3%
Office upkeep	(0.74)	(0.74)	(0.59)	24.9%
Other operating expenses	(2.39)	(2.39)	(1.95)	22.6%
Total	(25.82)	(25.82)	(24.13)	7.0%

Free Cashflow

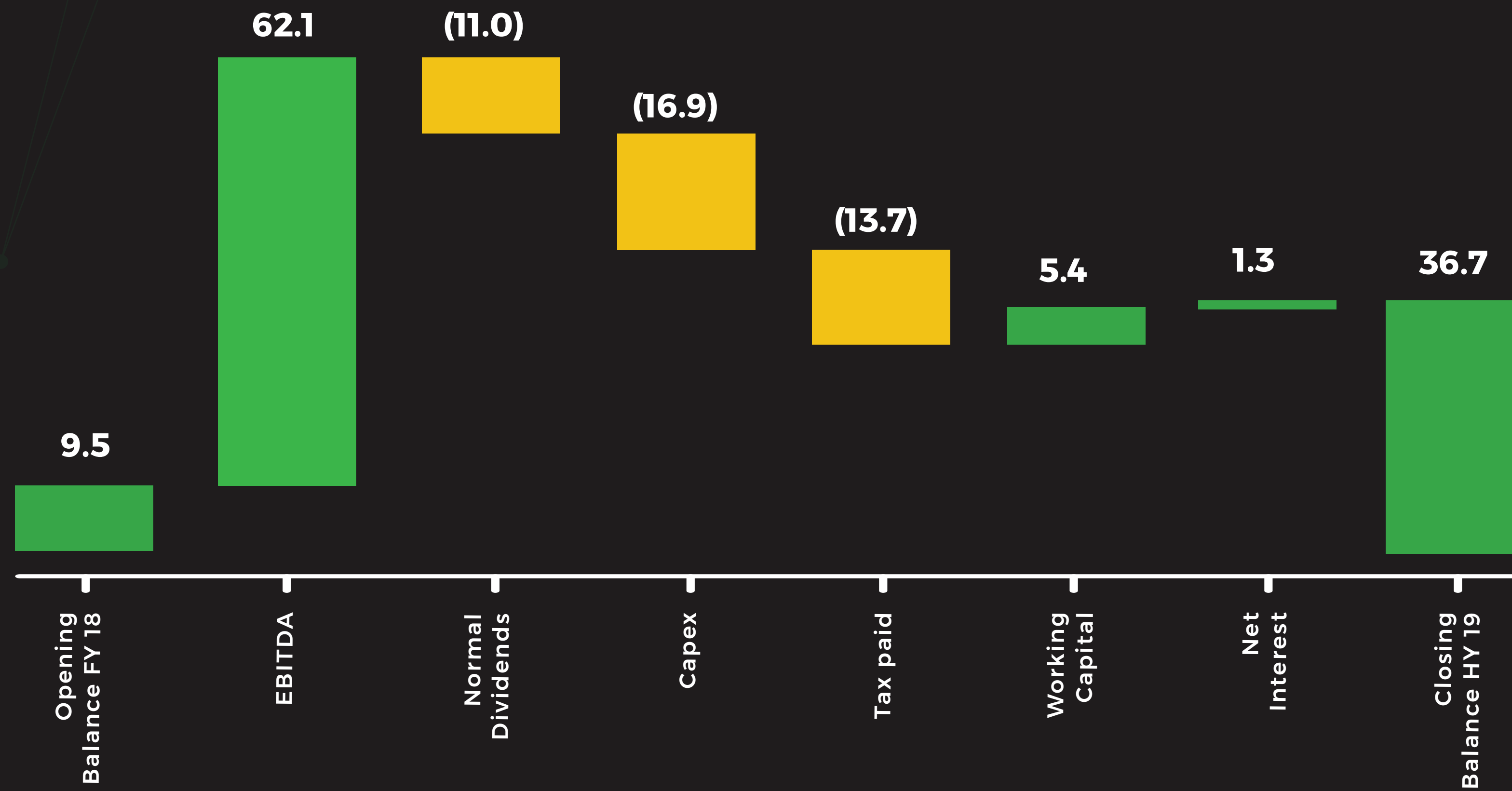
Key Movements

Lorem ipsum

KShs Bn	HY19 IFRS 15	HY19 IAS 18	HY18 IAS 18	YoY% IAS 18
Cashflow				
Trading cash flow (EBITDA)	61.79	62.12	54.27	14.5%
Movement in inventory	(0.48)	(0.48)	(1.69)	(71.9%)
Movement in receivables	(4.63)	(4.63)	1.35	<100.0%
Movement in payables	11.56	10.55	9.24	14.1%
Net Working capital changes	6.45	5.44	8.90	(38.9%)
Movement in contract liabilities and prov for other liabilities	0.22	0.22	0.00	-
Operating cash flow				
Capital Additions	(16.85)	(16.85)	(17.39)	(3.1%)
Operating free cash flow	51.60	50.92	45.78	11.2%
Interest received / (paid)	1.28	1.28	0.33	>100.0%
Taxation received / (paid)	(13.71)	(13.71)	(13.70)	0.1%
Cashflow	39.18	38.50	32.40	18.8%

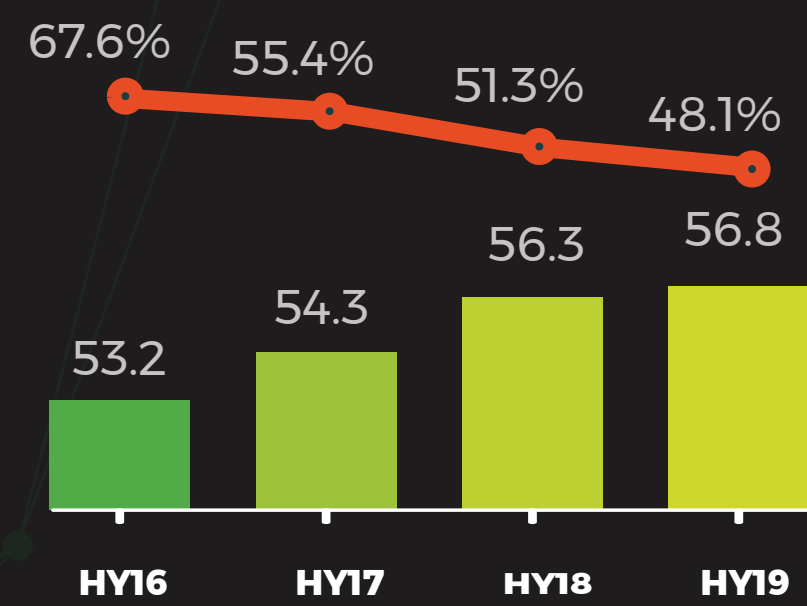
Cashflow

Net Cash & Usage (KShs Bn)

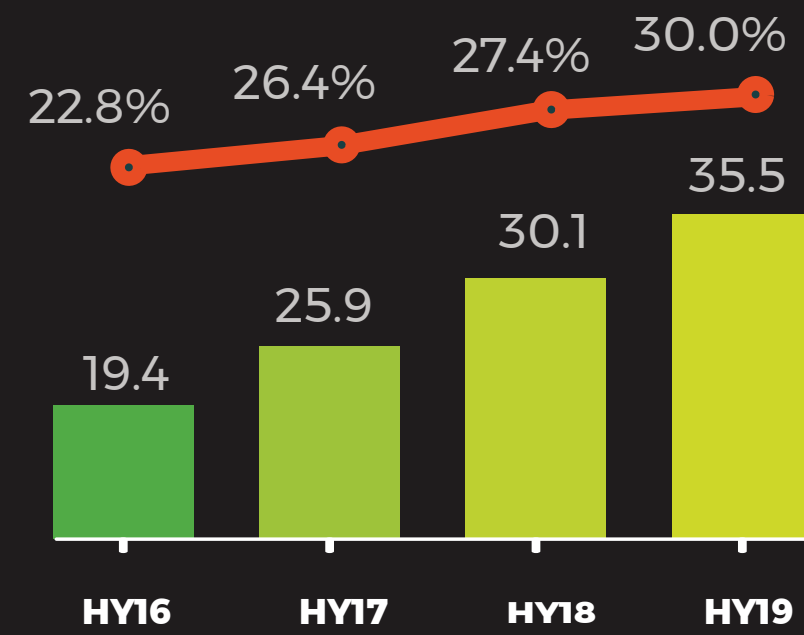


Revenue and Customer Evolution

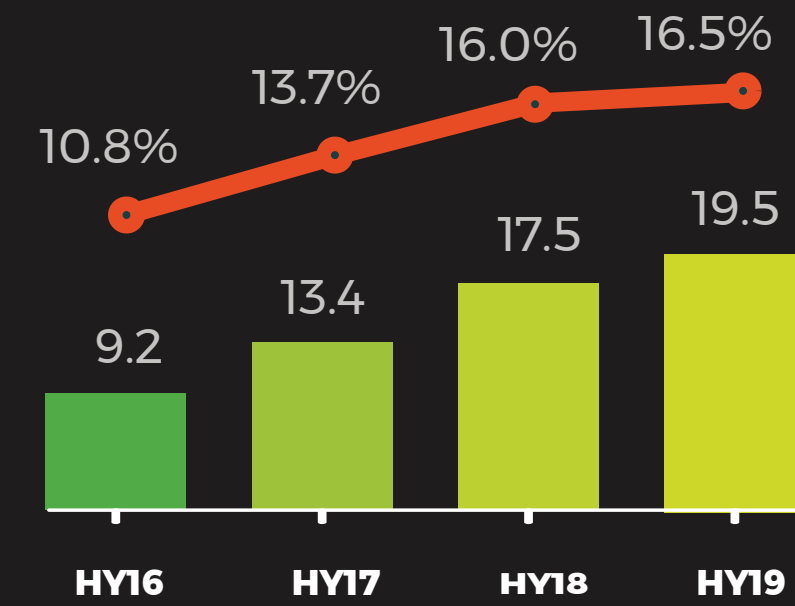
Voice & SMS Revenue % of SR



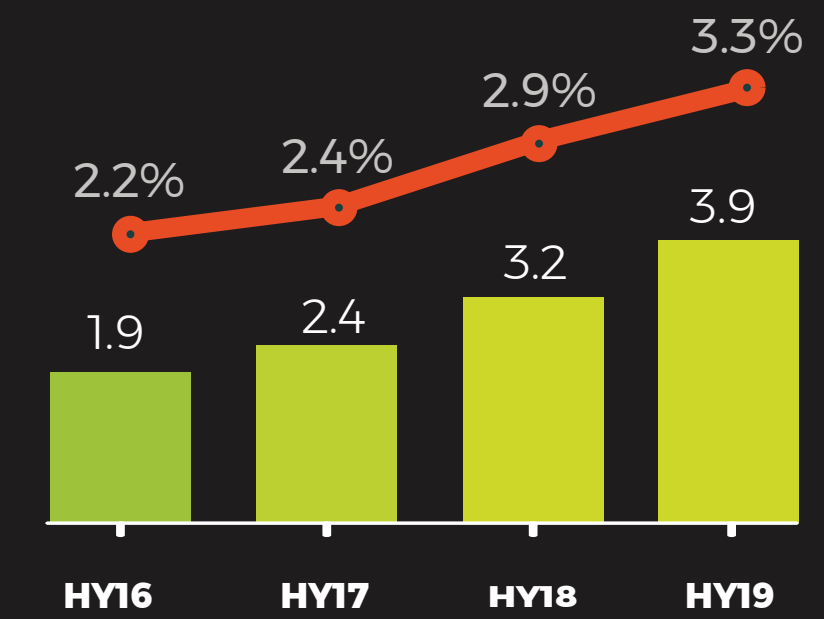
M-PESA Revenue % SR



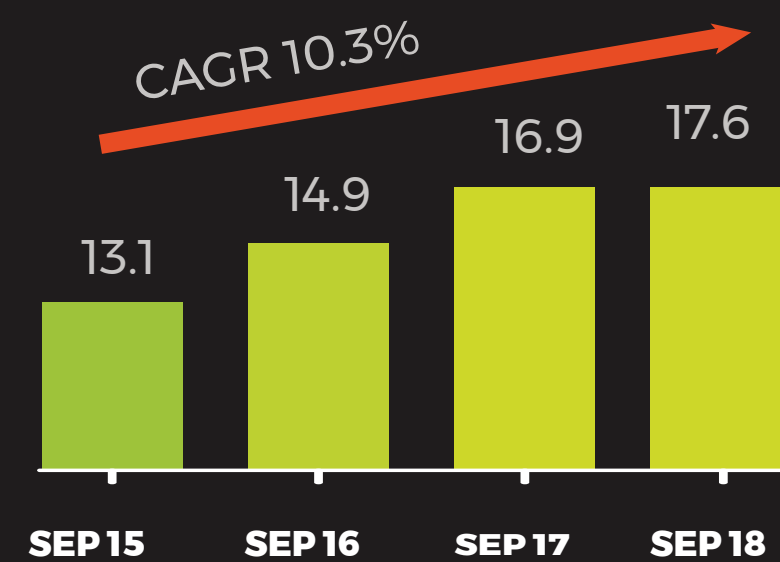
Mobile Data Revenue % SR



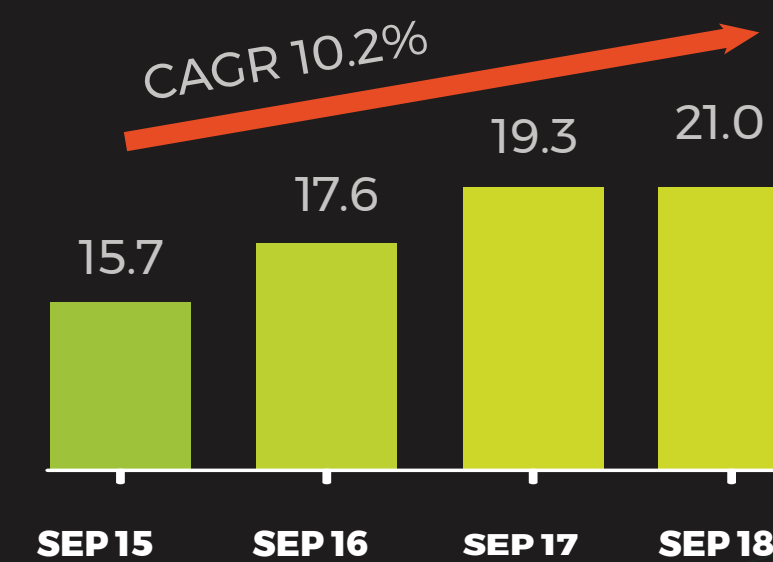
Fixed Data Revenue % SR



30 day active Mobile Data Customers



30 day active M-PESA Customers



M-PESA Value of transaction

