Safaricom Limited H1FY17 Results Presentation

4 November 2016

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CONTENT

OUR TRANSFORMING LIVES STORY

16 Years Of Inclusive Growth

Safaricom

OUR TRANSFORMING LIVES STORY

The Story Of A Base Station

OUR TRANSFORMING LIVES STORY

Solutions That Transform Lives

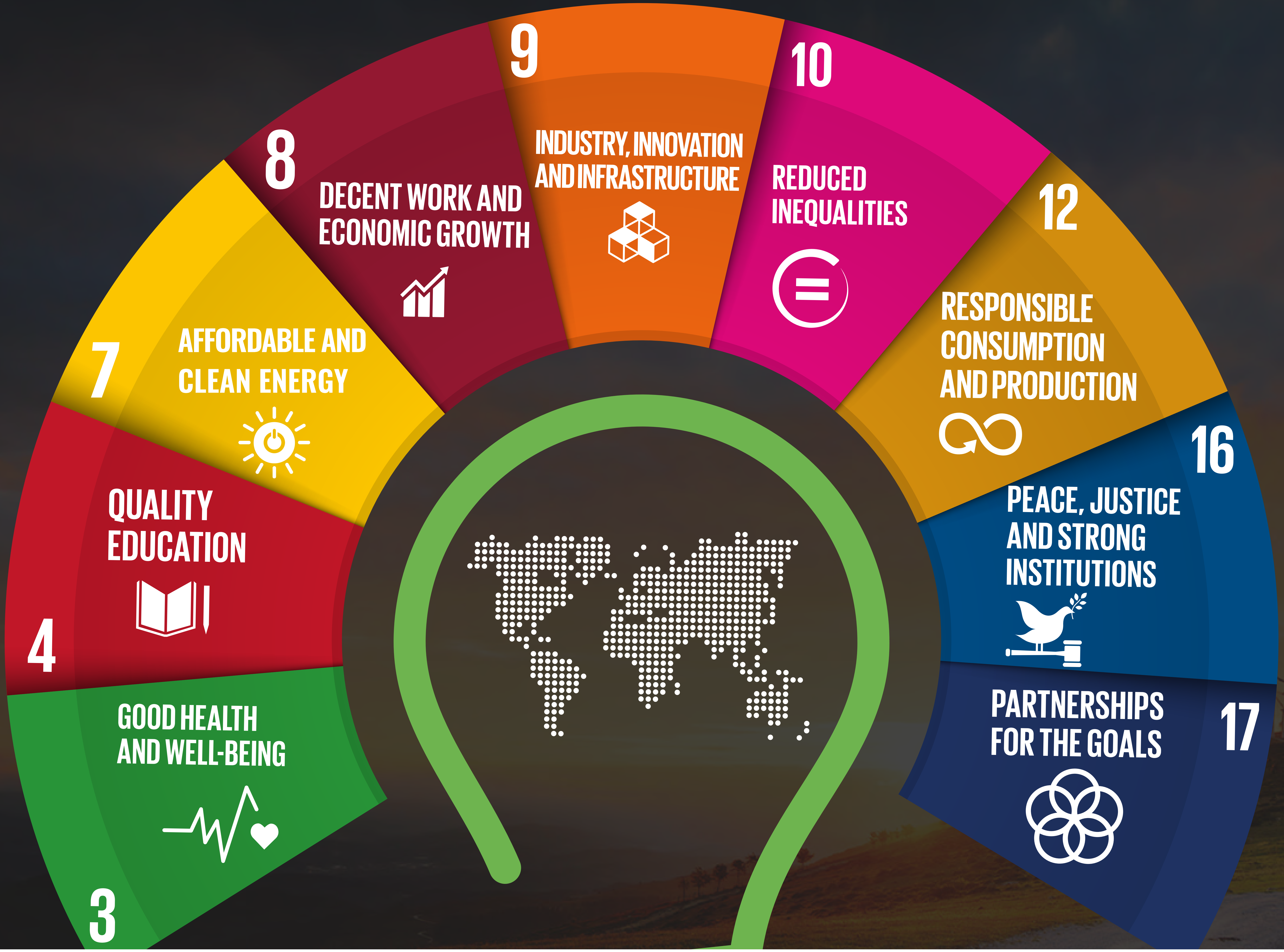
OUR TRANSFORMING LIVES STORY

Case Study: Chakula Chap Chap – Dignity Restored

Dignity

OUR TRANSFORMING LIVES STORY

Building A Sustainable Future



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DELIVERING OUR STRATEGY

Focus. Fix. Fine Tune.

DELIVERING OUR STRATEGY
Enhancing Our Relationship With The Customer

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DELIVERING OUR STRATEGY

Leveraging Partnerships To Meet Customer Needs

Spark Fund Investments

eneza education
Sendy
LYNK

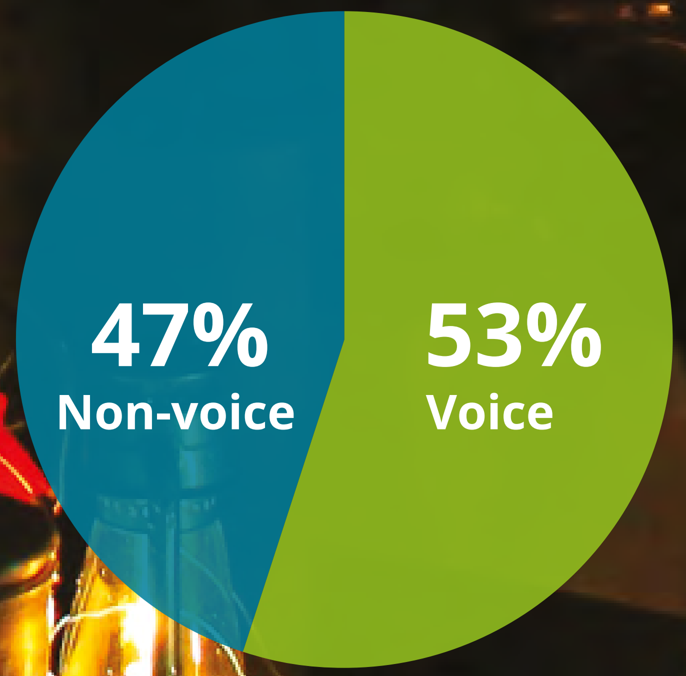
Innovation

m-tiba

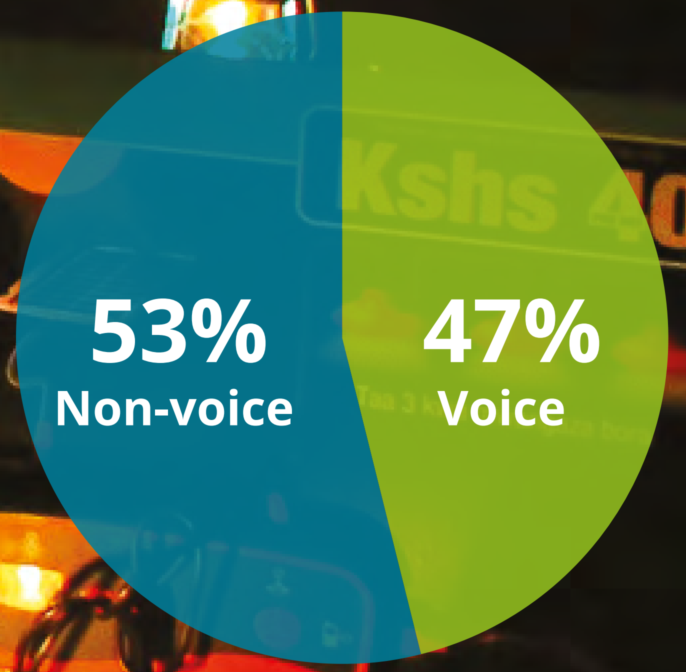
Co-creation and Partnerships

mSurvey
Little

H1FY16



H1FY17



DELIVERING OUR STRATEGY

Building A Network For The Future

Over **600** 4G sites

Over **16,000** homes passed with High Speed Fibre

M-PESA availability close to **100%**

Over **4,000** 2G sites. **80%** 3G population coverage

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DELIVERING OUR STRATEGY

Our Growth Strategy

Customer First

+

Relevant Products

+

Operational Excellence

=

- Revenue
- EBITDA
- Net Income
- Free CashFlow

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The Numbers

Strong Financial Performance | Delivered By Our Purpose And Strategy

Key Financials	H1FY17	H1 FY16	YoY%
Service Revenue	98.0	84.9	+15.4%
EBITDA	50.8	38.8	+30.8%
Underlying EBITDA*	47.4	38.8	+22.2%
Net Income	23.9	18.1	+32.4%
Free Cash Flow	20.1	9.5	+111.6%

*Excludes one off adjustment of Shs 3.4Bn

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H1 Service Revenue | Driven By M-PESA & Mobile Data

+15.4% YoY

M-PESA +7.7ppts

- +33.7% (YoY)
- 26.4% of Service Revenue

Mobile Data +4.9ppts

- +46.3% (YoY)
- Total data 16.0% of Service Revenue

Outgoing Voice

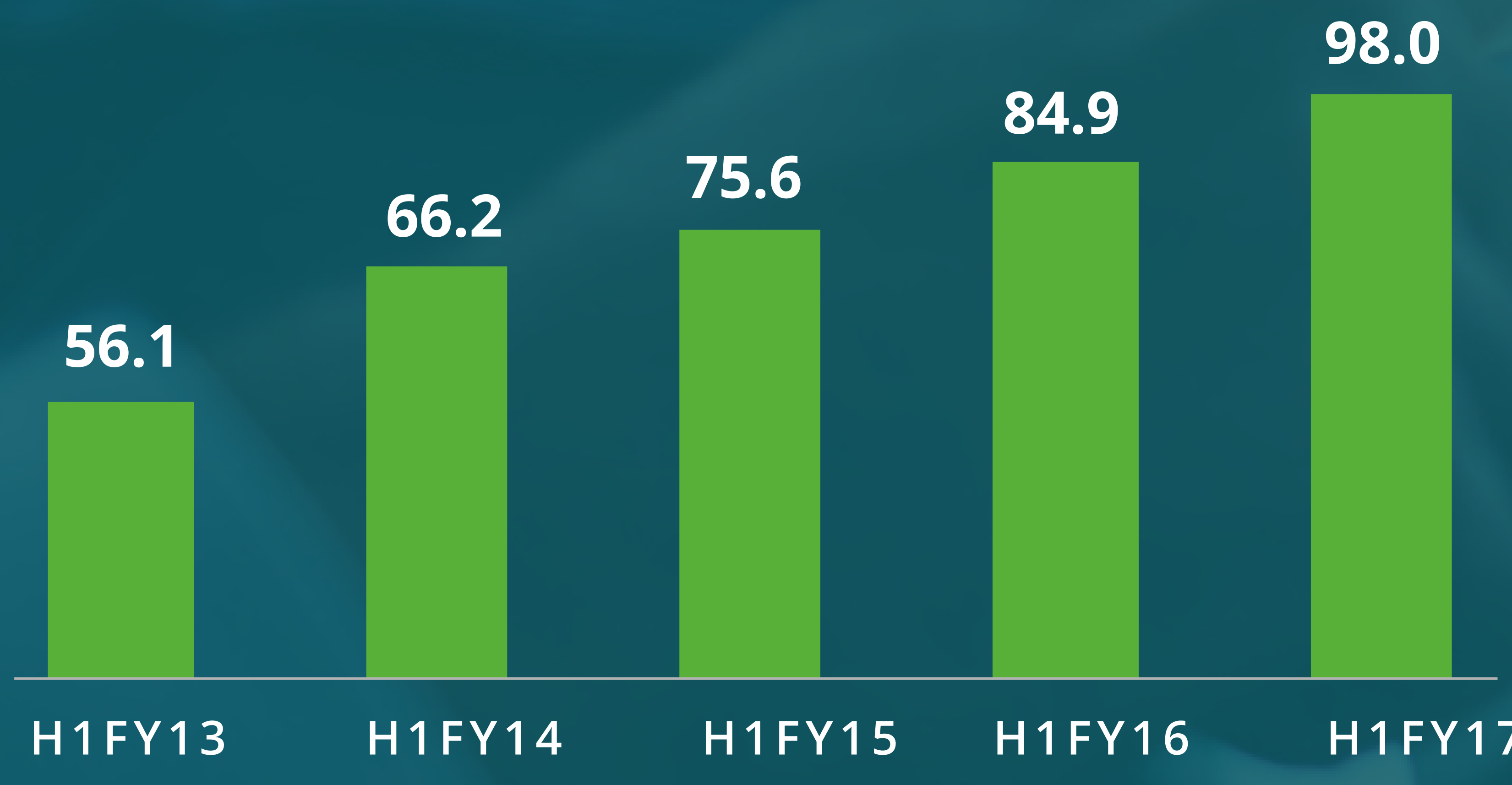
- **+0.9ppts (+1.9% YoY)**
- 43% of Service Revenue

Messaging

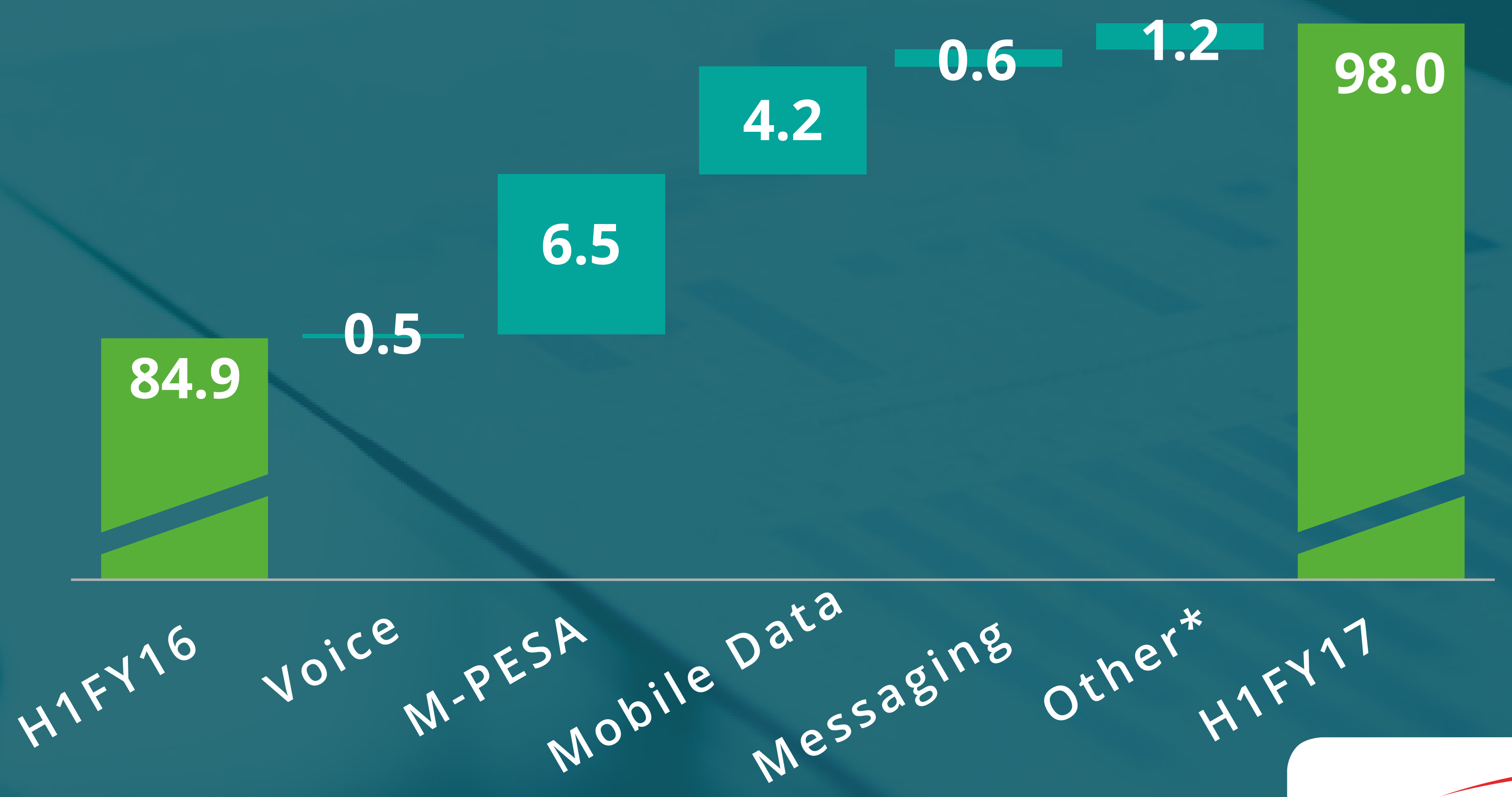
- **+0.7ppts (+8.1% YoY)**
- 8.8% of Service Revenue

Customer base now at 26.6m (+6% YoY)

Service Revenue (Shs Bn)



Service Revenue Waterfall (Shs Bn)



*Includes Fixed data and other Service Revenue (Okoa Jahazi)

M-PESA Revenue | Delivers Growth Driven By Deeper Customer Engagement

+7.7 ppts

Bread & Butter +3.9 ppts

(P2P & Withdrawals)

- 76% of M-PESA Revenue

New Business +3.8 ppts

(C2B,B2C,B2B,LNM,etc.)

- 24% of M-PESA Revenue

Bread and Butter

- Person to Person transfers (P2P) **+19% YoY**
- Withdrawals **+21% YoY**

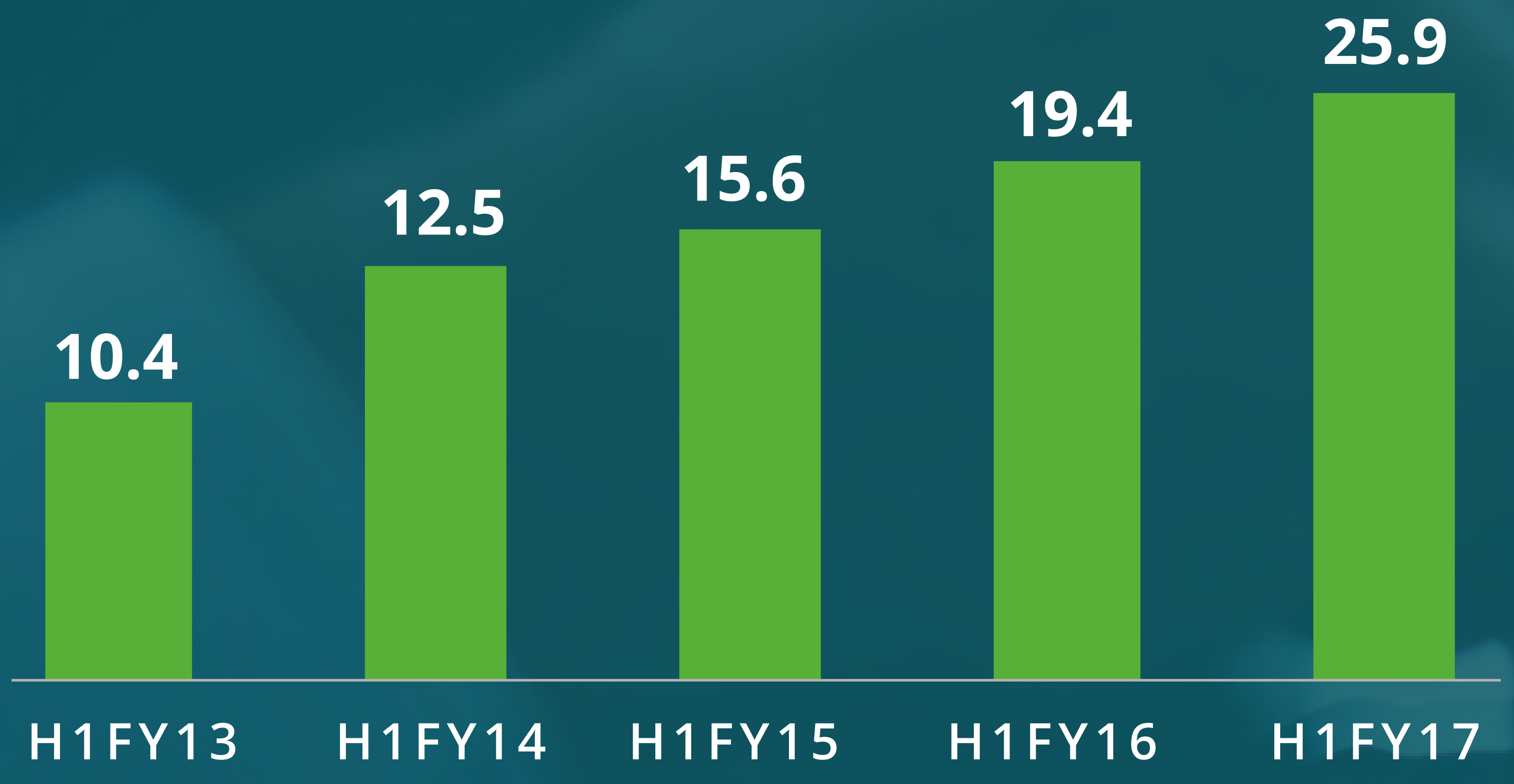
New Business

- Customer to Business (C2B)
- Business to Customer (B2C)
- Business to Business (B2B)

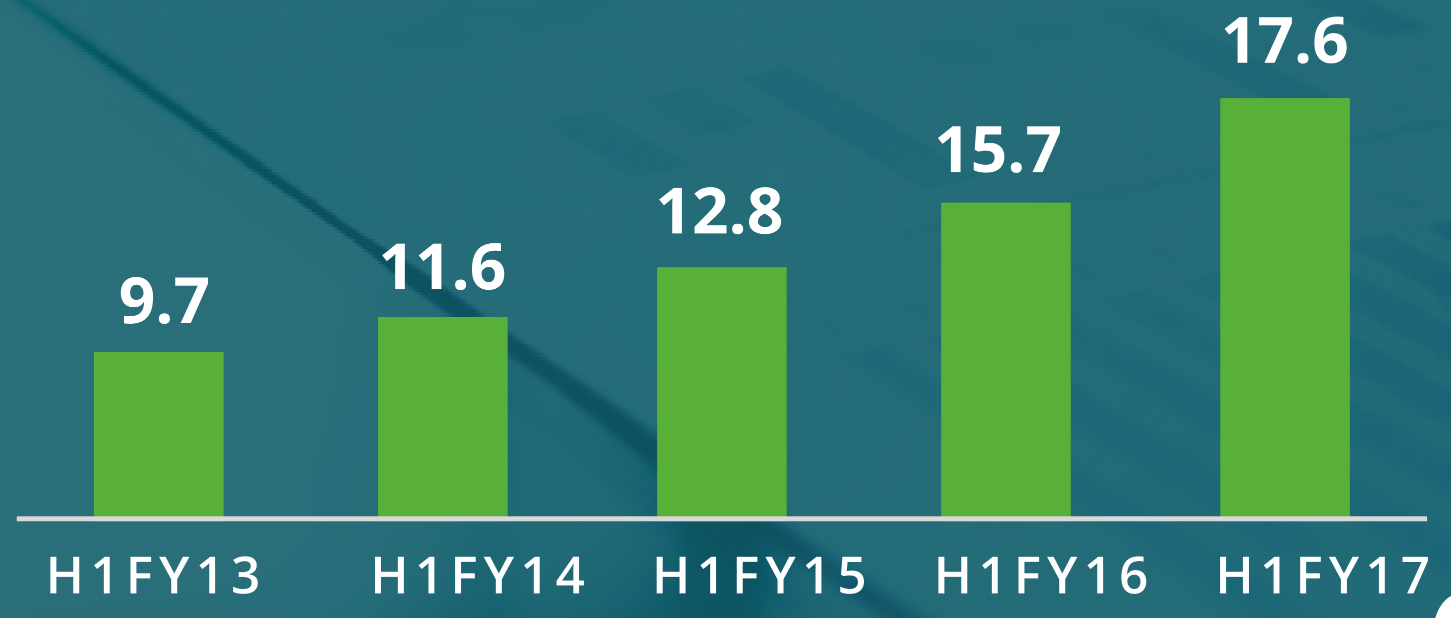
+64% YoY

- Lipa Na M-PESA **+73% YoY**

M-PESA Revenue (Shs Bn)



30-day Active M-PESA Customers (m)



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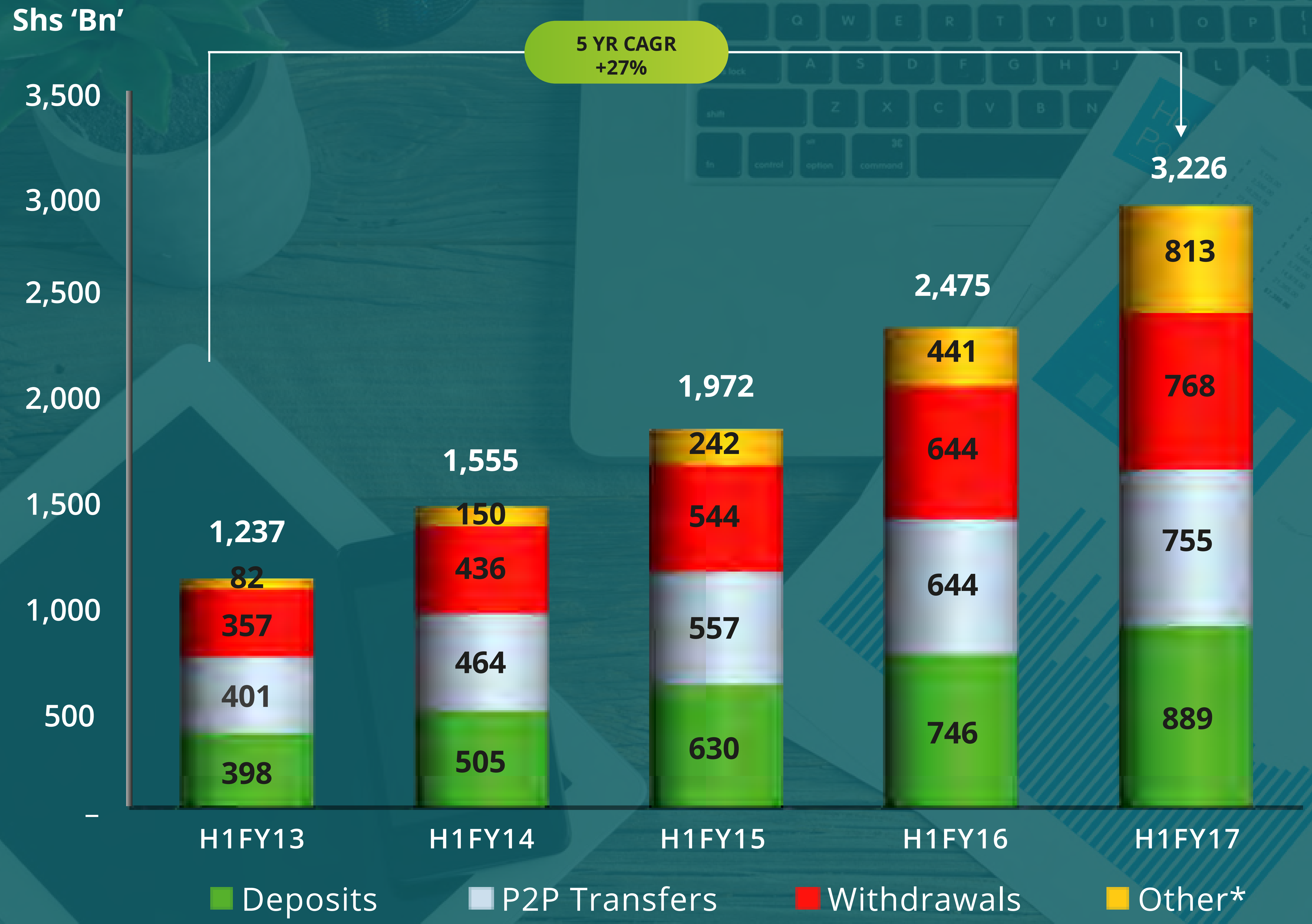
M-PESA Transaction Values | Growth Continues In Bread And Butter, Acceleration From New Business



H1 YoY%	CAGR 5 Years
+84%	+78%
+19%	+21%
+17%	+17%
+19%	+22%

* Other includes; B2C, C2B, B2B, Lipa Na M-PESA, IMT, Airtime, e.t.c

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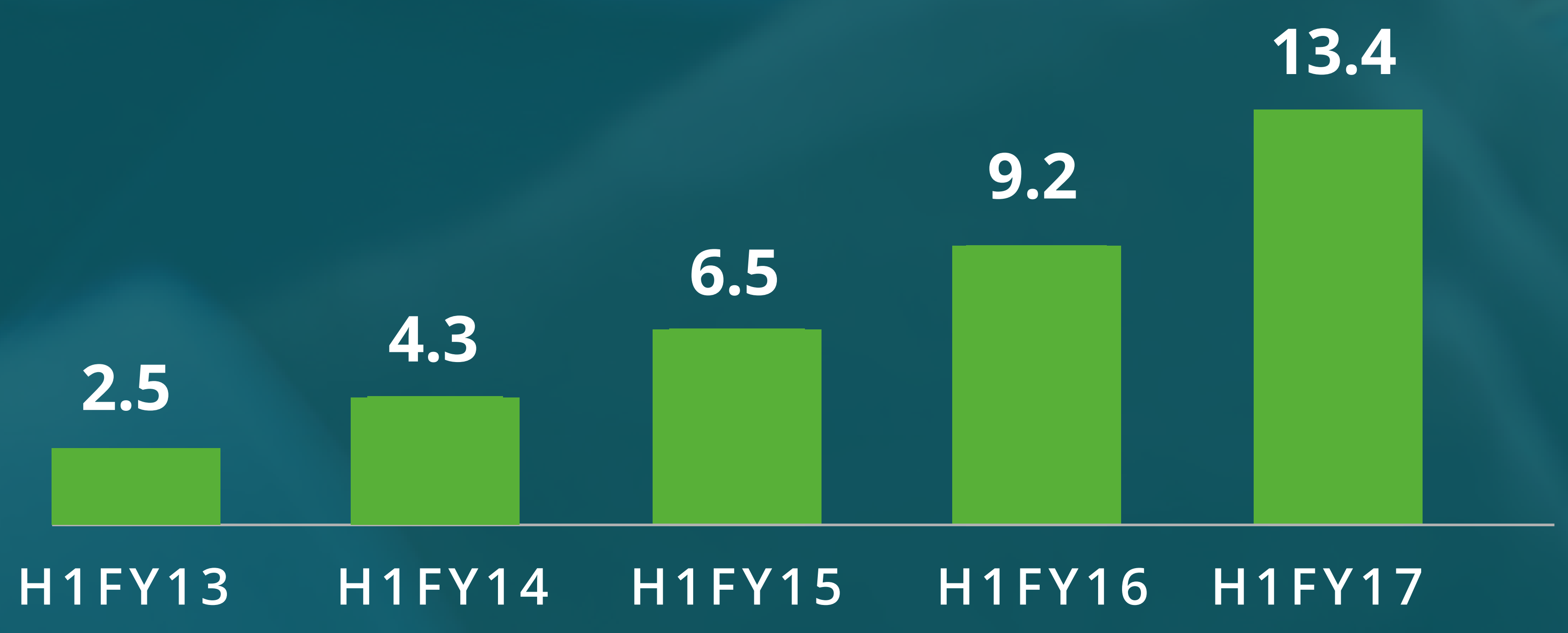
Mobile Data Revenue | Customers And Usage Driving Growth

+4.9ppts

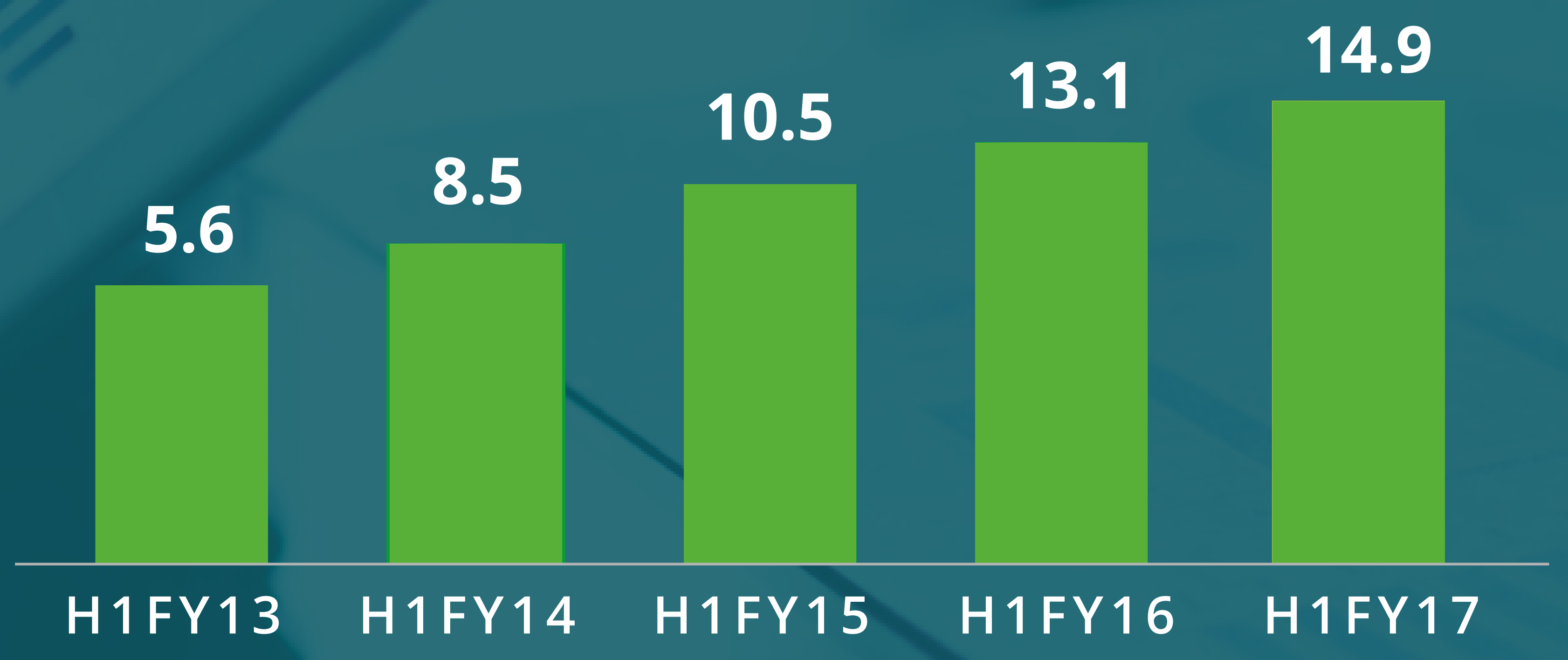
Active customers +2.3ppts **ARPU +2.6ppts**

- Mobile Data ARPU* – Shs 144 **+21% (YoY)**
- Usage per customer per month at 231MBs **+44% (YoY)**
- Total mobile data volume (Bn) - 21.1MBs **+74%** (**YoY)**
- Rate/MB - Shs 0.63 reduced - **16% (YoY)**

Mobile Data Revenue (Shs Bn)



30-day Active Mobile Data Customers (m)



*Mobile Data ARPU based on distinct data customers

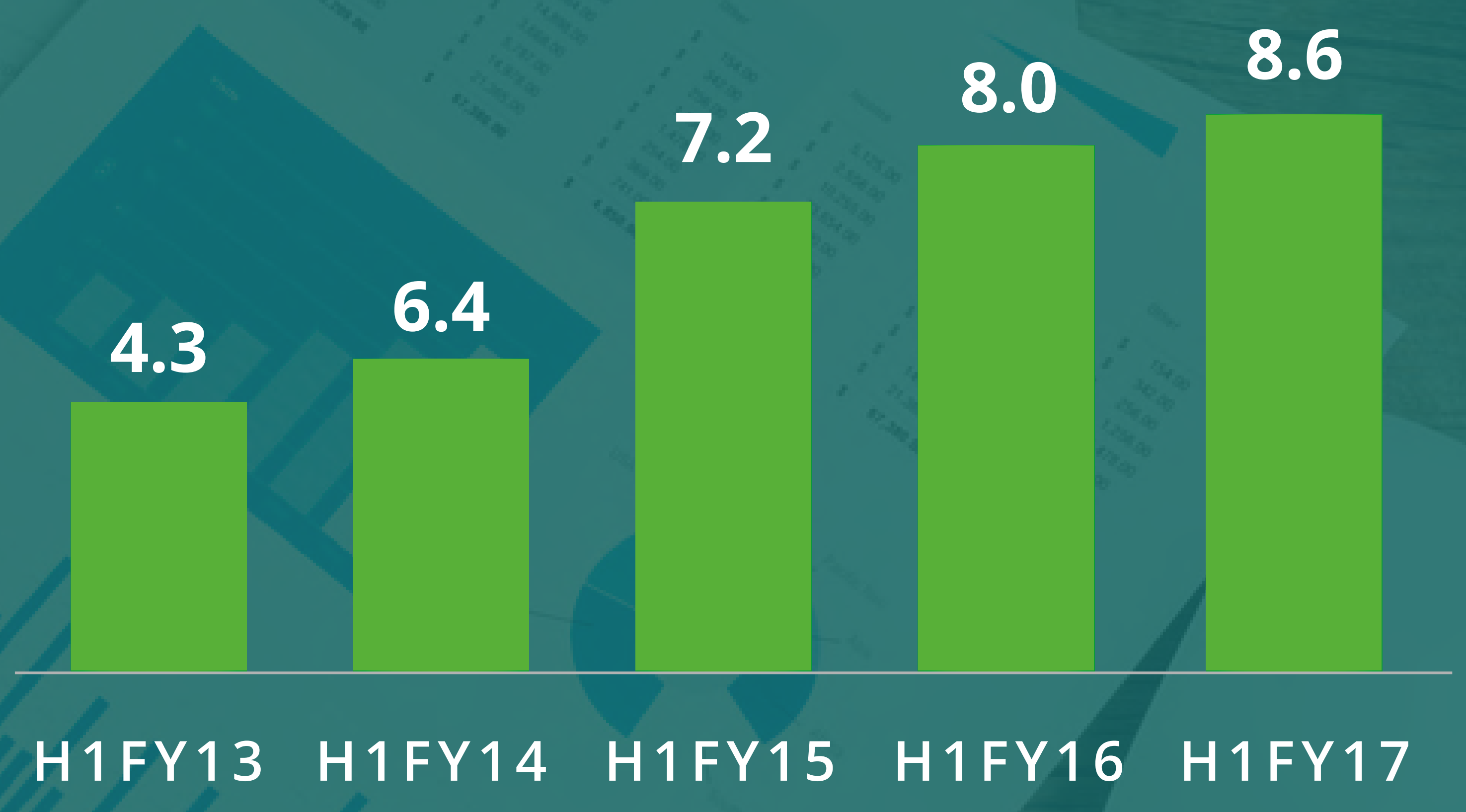
Traditional Telco Revenue Streams | Voice As Well As SMS Continues To Deliver Growth

Voice Revenue (Shs Bn)

- 30 day active voice customers, 21m **+6.8% (YoY)**
- M-PESA airtime top ups, 45.7% +**4.7ppts**
- Voice ARPU* - Shs 294 reduced **8% (YoY)**

*Voice ARPU based on total subscribers

Messaging Revenue (Shs Bn)



- Active SMS users, 15.7m **+6.5% (YoY)**
- SMS bundle users, 4.9m **+3.7% (YoY)**
- PRS SMS users, 6.4m **+30.8% (YoY)**

*PRS - Premium Rate Services

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EBITDA | Supported By Revenue Growth And Cost Management

+30.8%*
EBITDA

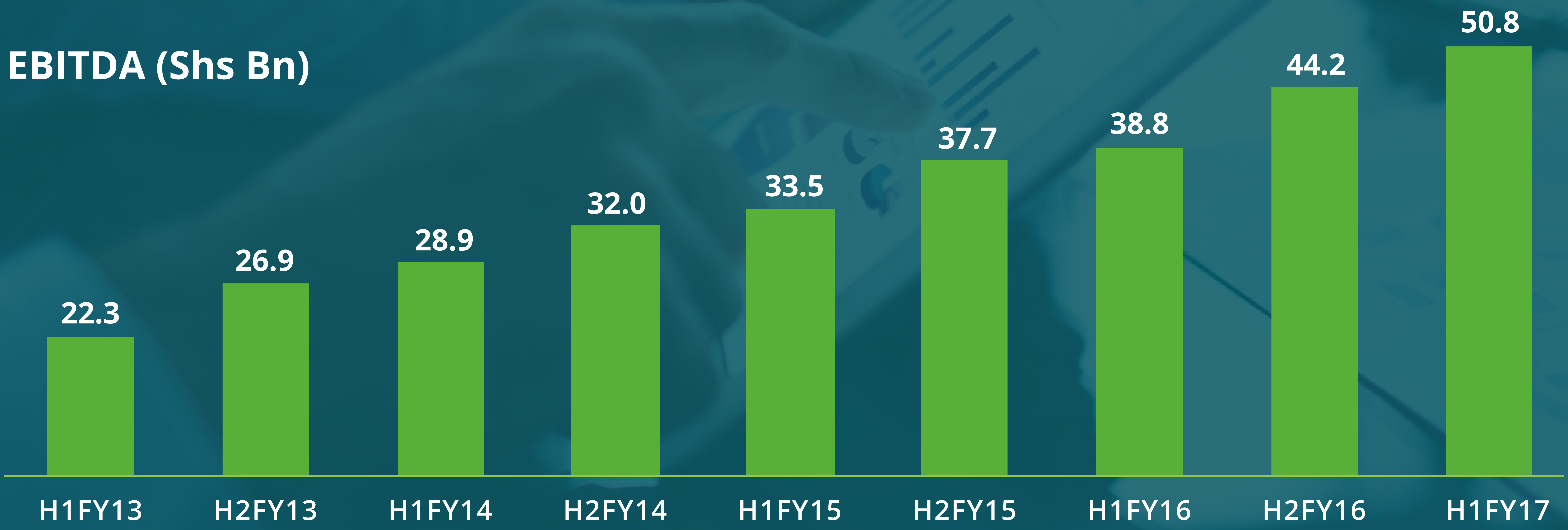
+22.0%
Contribution Margin

9.3%**
OpEx

*Underlying EBITDA growth **+22.2%(YoY)**

**Operating expenses (OpEx) growth excludes forex on trading activities

EBITDA (Shs Bn)



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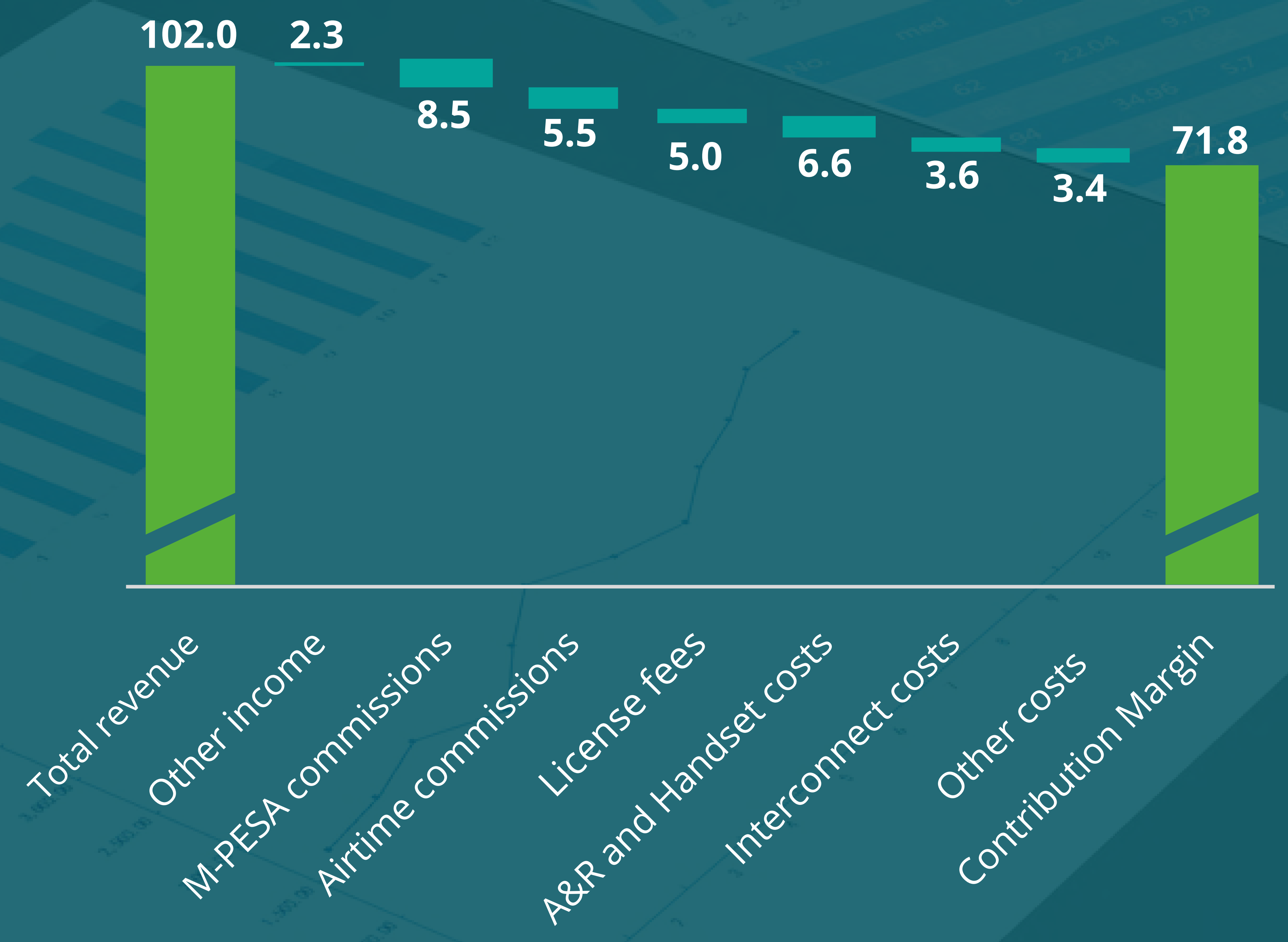
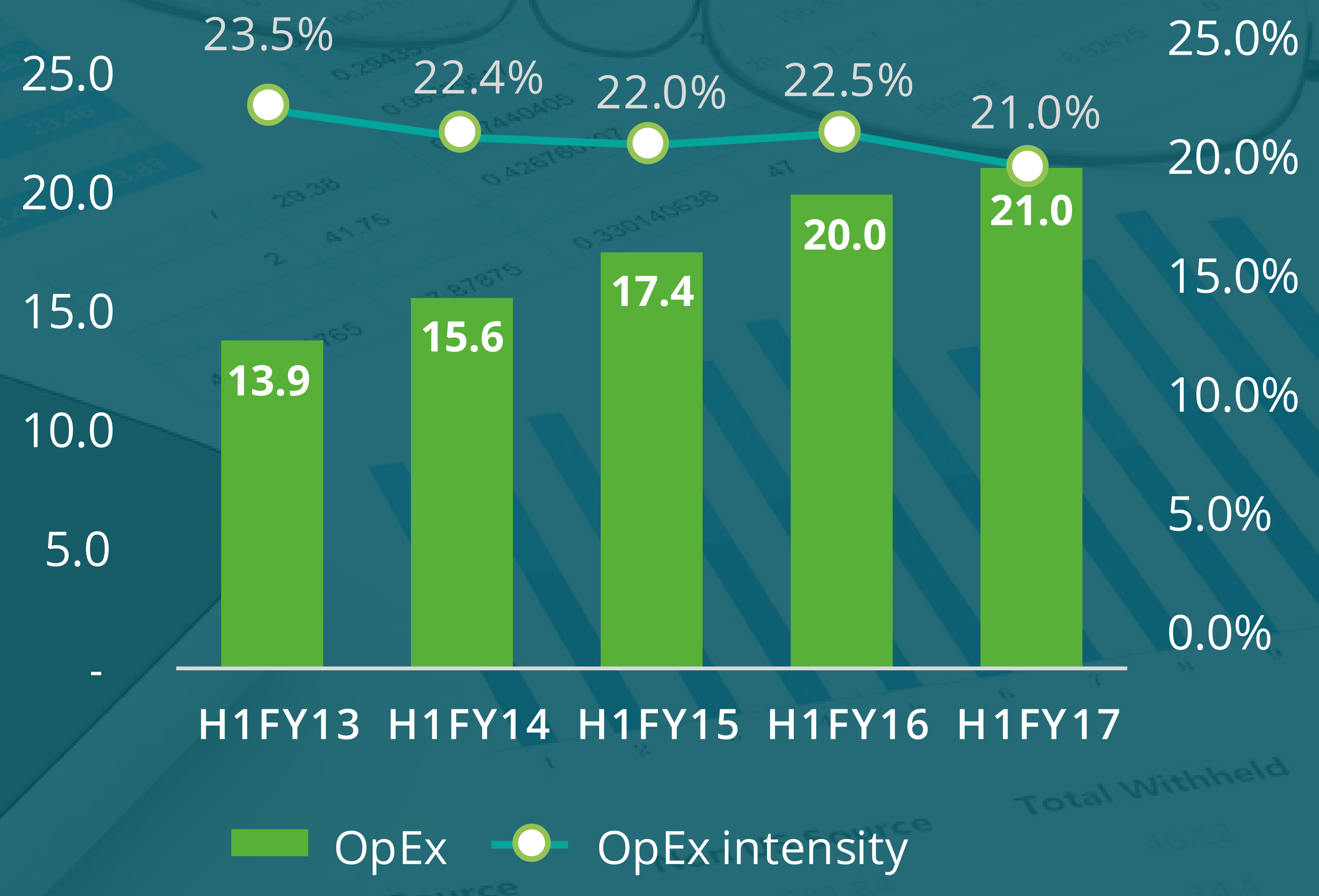
Operational Excellence | In Managing Costs

Contribution Margin (Shs Bn)



- Growth in contribution **+22.0% (YoY)**
- Contribution margin at **70.4%**, **+4.14ppts**
- Underlying margin at **68.2%**

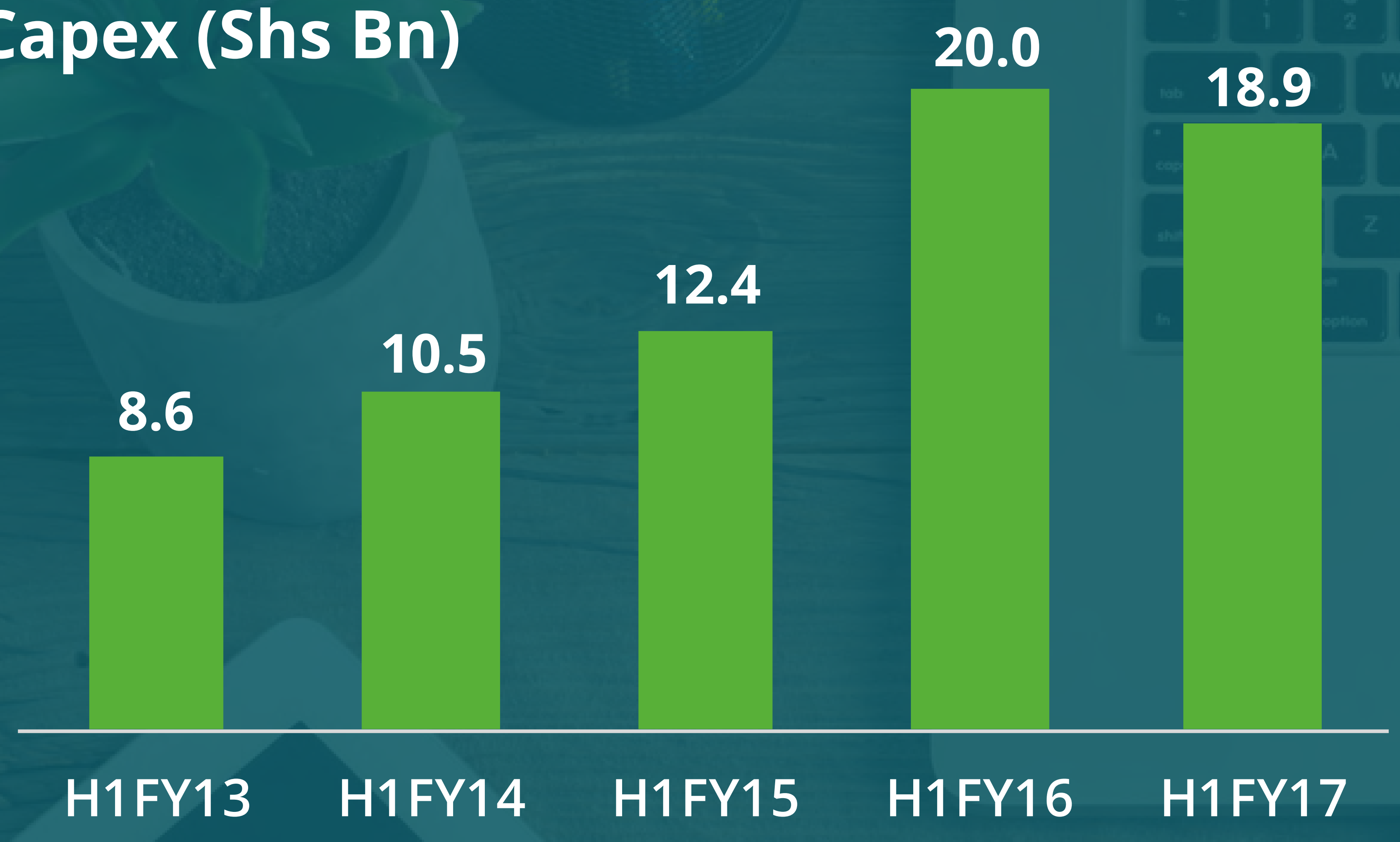
OpEx (Shs Bn) and OpEx Intensity (%)



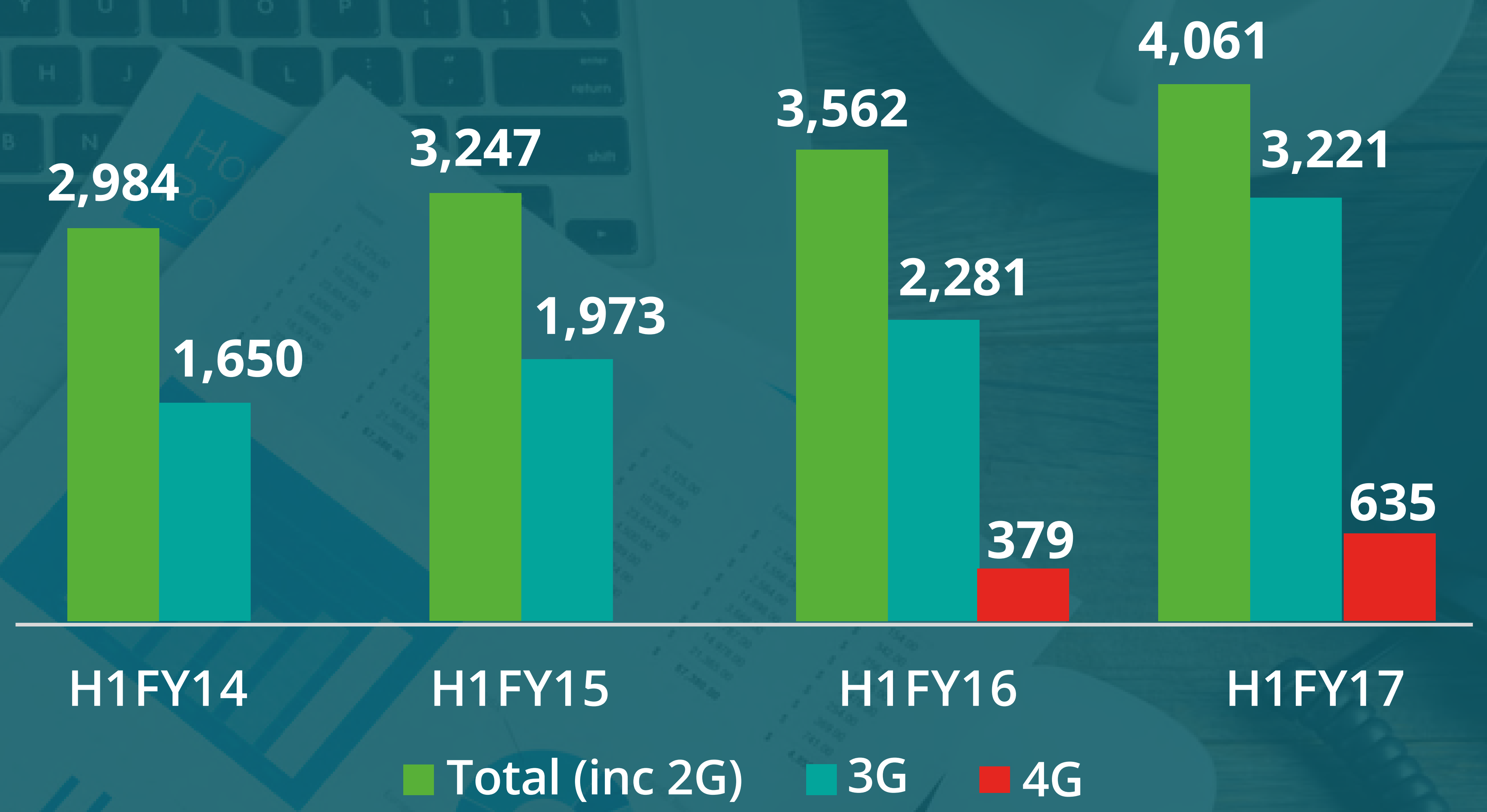
- Declining YoY OpEx as a % of revenue (down **1.5ppts)**
- OpEx costs growth **+9.3% (YoY)** vs Service Revenue growth of **+15.4% (YoY)**

Operational Excellence | Wide Network For Our Customers

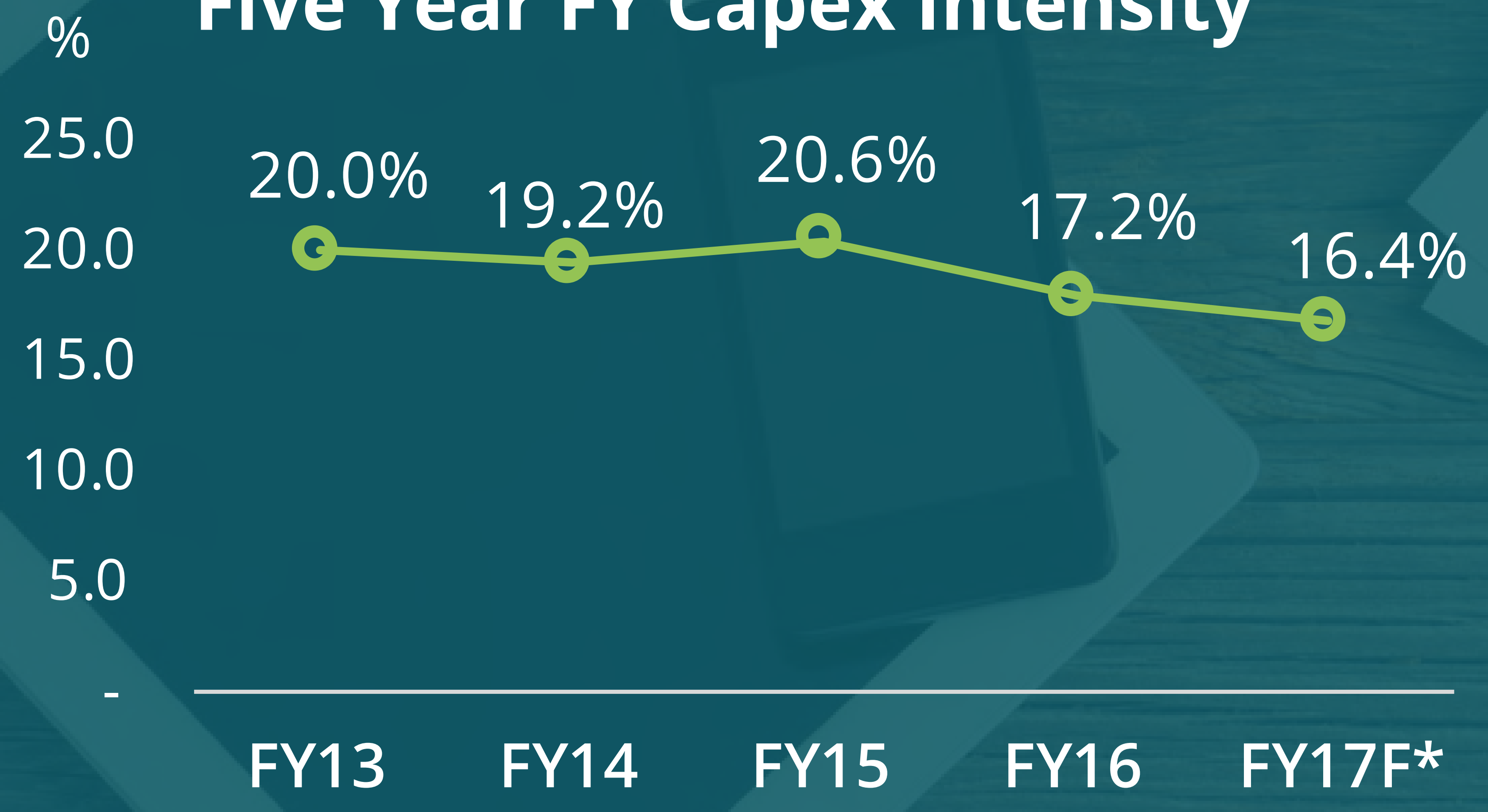
Capex (Shs Bn)



Base Stations



Five Year FY Capex Intensity



*Forecast

Sites

- 2G sites growth, **+14% (YoY)**
- 3G Population coverage at 80%
- 4G in 32 out of 47 counties

Own Fibre Roll out

- Connected 34% of our sites
- Over 16,000 homes passed with our Fibre To The Home (FTTH)

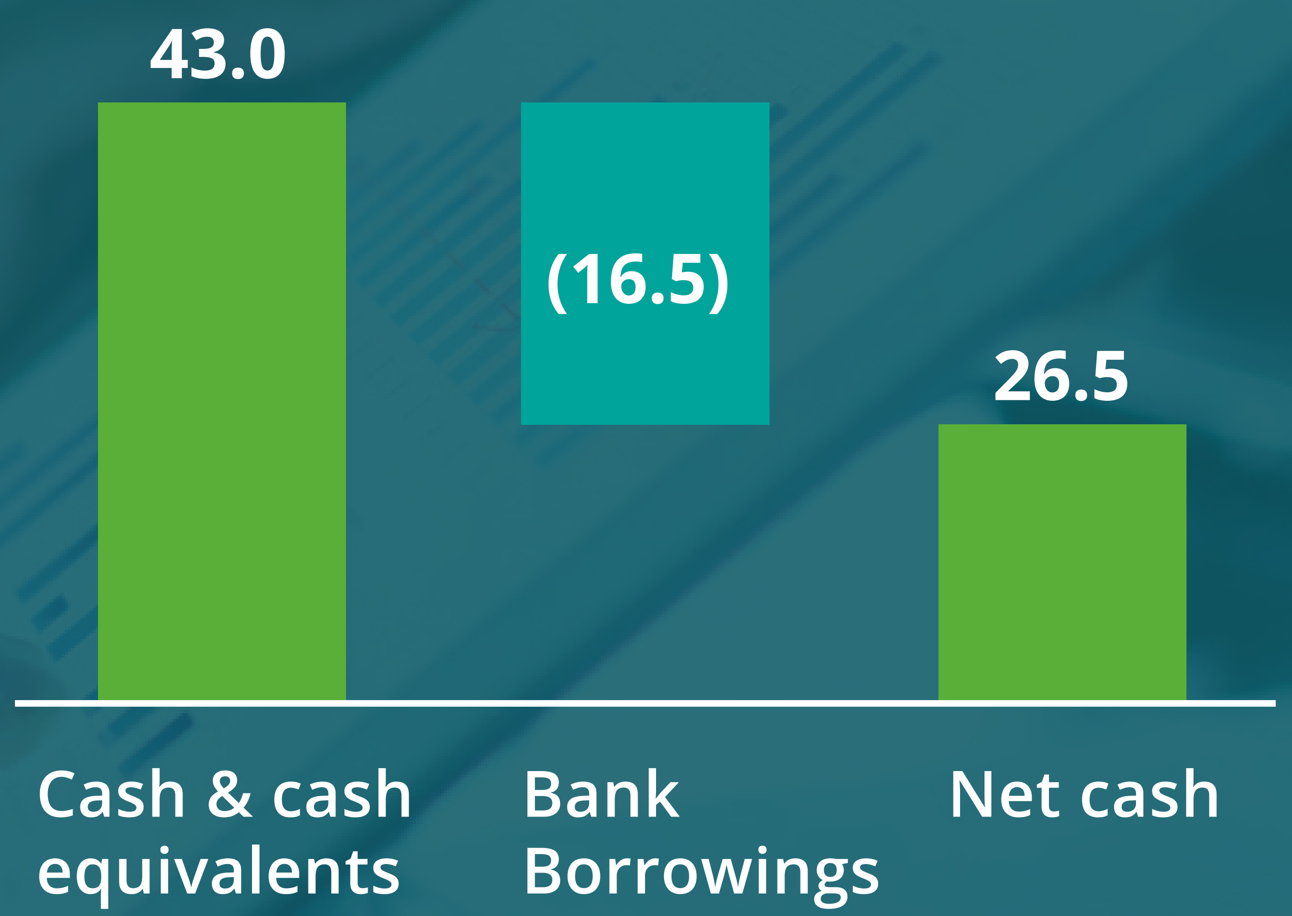
Better Internal Systems

- M-PESA availability close to 100%

Free Cash Flow | Growth Delivered By Rising Trading Performance

Free Cash Flow (Shs Bn)

Net Cash Position (Shs Bn)



Free cash flow up, +111.6% (YoY)

- On improved trading results

Key Financials | Statement Of Income

Shs Bn	H1 FY17 Reported	H1 FY17 Normalized**	H1 FY16	YoY% Reported	YoY% Normalized
Voice revenue (Outgoing & Incoming)	45.70	45.70	45.19	1.1%	1.1%
Messaging revenue	8.63	8.63	7.98	8.1%	8.1%
Mobile data revenue	13.40	13.40	9.16	46.3%	46.3%
Fixed service revenue	2.40	2.40	1.86	29.0%	29.0%
M-PESA revenue	25.87	25.87	19.35	33.7%	33.7%
Other service revenue	2.01	2.01	1.37	46.7%	46.7%
Service Revenue	**98.01**	**98.01**	**84.91**	**15.4%**	**15.4%**
Handset and other revenue	4.01	4.01	3.87	3.6%	3.6%
Construction revenue	0.08	0.08	8.44	-99.1%	-99.1%
Total Revenue	**102.10**	**102.10**	**97.22**	**5.0%**	**5.0%**
Other income	2.28	0.05	0.08	>100.0%	-37.5%
Direct costs	(32.50)	(32.50)	(30.02)	8.3%	8.3%
Construction costs	(0.08)	(0.08)	(8.44)	-99.1%	-99.1%
Contribution Margin	**71.80**	**69.57**	**58.84**	**22.0%**	**18.2%**
*Contribution margin %**	*70.38%*	*68.19%*	*66.23%*	*4.15ppts*	*1.96ppts*
Operating costs	(21.00)	(22.12)	(19.22)	9.3%	15.1%
Forex loss on trading activities	0.01	0.01	0.78	<100.0%	<100.0%
*Operating cost & Fx loss % total revenue**	*20.57%*	*21.68%*	*22.53%*	*1.96ppts*	*0.85ppts*
EBITDA	**50.81**	**47.46**	**38.84**	**30.8%**	**22.2%**
*EBITDA margin %**	*49.80%*	*46.52.%*	*43.75%*	*6.05ppts*	*2.77ppts*
Depreciation, impairment & amortisation	(16.35)	(16.35)	(13.55)	20.7%	20.7%
Net financing income	0.03	0.03	0.33	-90.9%	-90.9%
Forex gain on cash and cash equivalents	(0.01)	(0.01)	0.69	<100.0%	<100.0%
Share of associate profit/(loss)	0.01	0.01	0.09	-88.9%	-88.9%
Taxation	(10.56)	(10.56)	(8.32)	26.9%	26.9%
Net Income	**23.93**	**20.57**	**18.08**	**32.4%**	**13.8%**
Earnings Per Share (EPS***)	0.60	0.51	0.45	32.4%	13.8%

*All margins are calculated on total revenue less Construction revenue **Normalised for one off adjustment ***EPS in Shs

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WAY FORWARD
SUSTAINABLE GROWTH FOR KENYA

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WAY FORWARD

TRUE VALUE HIGHLIGHTS FY 2015/16

REVENUE GENERATION IN THE ECONOMY

383.36
SHS BILLION
18% more than the 2014/15 contribution

413.86
SHS BILLION

SAFARICOM'S TRUE EARNINGS FOR 2015/16

IMPACT ON KENYAN HOUSEHOLDS

305.2
SHS BILLION
An increase from Kes 245bn in 2014/15

CONTRIBUTION TO GOVERNMENT REVENUE

62.00
SHS BILLION
13% more than the 2015/16 contribution

845,000+
Jobs sustained

CAPITAL EXPENDITURE

27.42
SHS BILLION
Generated 23% more economic value

SOCIAL IMPACT OF M-PESA

184.6
SHS BILLION
4.45 times the total amount of transaction fees earned

The 2014/15 value bridge estimates that the total value Safaricom created for Kenyan Society in FY15 was around **10 times greater** than the financial profit the company made during the same period.
For the FY16, this has **increased to 10.9 times**

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WAY FORWARD
INTRODUCING M-PESA KADOGO

WAY FORWARD

UPGRADED EBITDA* & CAPEX GUIDANCE FOR FY17

EBITDA

From
Shs 89 - 92 Bn

To
Shs 94 - 97 Bn

CAPEX

From
Shs 32 - 33 Bn

To
Shs 34 - 35 Bn

*EBITDA Guidance includes one off adjustment

Q&A

APPENDIX

SUMMARY INDUSTRY PERFORMANCE | APRIL - JUNE 2016

Mobile Operator	Safaricom		Airtel		Orange		Equitel	
Quarter Ending / Key Indicator	Jun '16	Mar'16	Jun '16	Mar'16	Jun '16	Mar'16	Jun '16	Mar '16
Market Share by Subscribers (%)	65.2	65.6	16.60	17.5	13.20	12.5	5.1	4.4
Mobile Subscribers in Millions	25.9	25.2	6.5	6.7	5.2	4.8	2.0	1.6
Market Share by Voice Minutes (%)	77.8	76.8	13.90	14.5	7.8	8.3	0.5	0.4
SMS Market Share (%)	93.9	89.9	5.4	8.8	0.6	1.1	0.1	0.1
Mobile Data market share (%)	63.8	60.8	18.7	21.1	10	11.2	7.5	6.8

Source: Communications Authority of Kenya June 2016 Sector Statistics Report

Key: Increase Decrease No Change