

WHERE WILL WE
GO NEXT?

Chairman's Statement



Nicholas Nganga Chairman



Our business ethos is grounded in the desire to deliver improved shareholder value, provide an unrivalled service offering to our customers and remain focused on the company's purpose of transforming lives.

Transforming Lives the Safaricom Way

Overview

Despite political and macroeconomic uncertainties during the year, the business remained resilient and delivered solid results.

Of concern was the drought that affected parts of the country last year, creeping inflation, election year disruptions as well as regulatory pressure. I am however happy to report that despite these concerns, we are confident that we are well placed to manage the shifting economic landscape.

Regulatory environment

The fluctuating regulatory environment remains an area of utmost influence on our operations.

In the second half of the financial year, investors shared increasing concerns on the likely impact of regulatory interventions in the telecommunications sub-sector.

In May 2016, the Communications Authority of Kenya (CA) appointed Analysys Mason to conduct a study on competition within the telecommunication sub-sector.

The draft report suggested that Safaricom was dominant in a number of market segments. It proposed severe regulatory interventions against Safaricom despite the eventual conclusion that the company had not engaged in any anti-competitive actions.

We believe some of the proposals were inconsistent with international best practice. The proposed interventions around the separation of M-PESA from Safaricom, retail price controls, and mandated infrastructure sharing were particularly unfair.

These regrettable developments had an adverse impact on our share price.

However, the Government of Kenya's position that it does not support the structural separation of Safaricom calmed investors. Our share price has since recovered and continues to be resilient.



During the year, Vodafone, one of our shareholders, made a decision to transfer a significant portion of its shareholding to Vodacom, its South African subsidiary.

Our investors drew comfort from this, and in the spirit of encouraging a more consultative process for these kind of initiatives, we will continue to proactively engage the industry regulator.

We support the development of a regulatory framework that promotes investment and innovation in the telecommunications sector as well as a sustainable business environment in accordance with international best practice.

Competitive landscape

We continue to witness shifts in the competitive landscape with new forms of competition continuing to emerge from non-telecommunication players. For instance, the integration of Fintech in the banking sector is a signal that competition from non-traditional players is going to be a major challenger to our legacy mobile money products, hence, the urgent need to embrace these threats through innovation.

Competition from other technology industry players also means we must continue differentiating our products, and delivering solutions to our customers that gives us an edge. We remain confident we will continue offering our customers a superior experience as we are a company that is known for its innovation and charting new paths.

Corporate governance

During the year, there were some changes to the board. Mr. Vivek Badrinath was appointed to the board as non executive director while Dr. Bitange Ndemo joined the board as an independent director. Ms. Serpil Timuray resigned from the board. I welcome the new directors and wish to sincerely thank Ms. Timuray for her contribution during her tenure on the board.

Outlook

Our business ethos is grounded in the desire to deliver improved shareholder value, provide an unrivalled service offering to our customers and remain focused on the company's purpose of transforming lives.

We remain steadfast in delivering on our strategy and growing shareholders' wealth. Sustaining the company's growth is key to the board and that is why we made a considered decision to extend the contract of the CEO, Bob Collymore, for an additional two years. He has successfully navigated our company through some of its most difficult years, whilst also venturing into new areas of business that will shape this company's future. The board has full confidence in him and pledges its support.

During the year, Vodafone, one of our key shareholders, made a decision to transfer a significant portion of its shareholding to Vodacom, its South African subsidiary. We see this as an opportunity for Safaricom to take services such as mobile payments into other African countries.

We recognise that we would not exist without our people: both those who work for us and those who buy and use our products. We are extremely grateful and thankful to our staff, customers, business partners, stakeholders and the government for giving us the platform to move the business to the next level.

Nicholas Nganga
Chairman