INVESTOR BRIEFING CONFERENCE CALL TRANSCRIPT

SAFARICOM PLC FY21 RESULTS

13th May 2021

Vincent Opiyo - Moderator:
Good morning, good afternoon, and good evening to everyone; depending on where you're joining from, we are glad to have you for our financial year 2021 earnings release investor call. My name is Vincent Opiyo; I am head of investor relations and financial planning at Safaricom, and I will be moderating today's discussions. In today's call, we will have a short update from our CEO Peter Ndegwa who will also introduce the leadership team accompanying him today; he will be followed by our CFO Dilip Pal, who will speak briefly on the financial results that we announced earlier today, I hope you have had a chance to look at them on our website. Thereafter we will be giving you a chance to field your questions, which Peter will answer with support from the rest of our leadership team. Before we kick off our session, I would like to speak through a few house rules.

Throughout this session, any questions you have for our leadership team should be shared via the Q&A tab, please type in your questions, and we will read them out later and provide answers. At the end of your question, remember to include your organization name. Please ensure you have joined the session with your full names for ease of identification when you post your questions; if you haven't, you can rename yourself now by hovering the cursor over your name and clicking rename on zoom. In staying committed to our promise on diversity and inclusion, a live transcript has been made available. For the comfort of anyone with hearing difficulties, who is joining this call, you can access these by clicking the view transcript tab at the bottom of your zoom application under more options. This will allow you to keep up with the conversation in a more comfortable manner. Finally, if you require any assistance from us, which is not related to the discussion, you can write to us via the chat platform, and we shall try our best to help you from the back end. I now welcome our CEO Peter Ndegwa to kick off the session. Welcome, Peter.

Peter Ndegwa
Thank you, Vincent. Good morning, good afternoon, all our investors from wherever it is that you're calling from. Delighted this afternoon from Nairobi, Kenya, we will be able to speak to you; As you know, Vincent is our new Head of Investor Relations; many of you remember Illana, who moved on and delighted to have Vincent to replace Illana. I'm also joined by Dilip Pal; this is Dilip's first full year engagement with investors, and we are looking forward to Dilip's contribution. Dilip joined us as CFO in November. Then we have Steve, a veteran; many of you know Steve, who handles both Corporate Relations and Legal for Safaricom, has a lot of history about Safaricom, and has been involved with the progress that you see in our business. I am also joined by Joseph Wanjohi, who is our acting enterprise business unit head and will be answering any questions relating to that area. So I will refer questions to them when you do ask those questions. My intention was not to go into the detail; we have already released our results and we went through this morning. Our investor presentation between the Chairman, myself, and Dilip outlined the performance; today's intention is Dilip will provide a very short overview of the financial results, and then we'll spend most of the time on Q & A. In terms of summary, as you know, it was a tough year, a very challenging year for the world, indeed very challenging for Africa and Kenya and also for our industry. So we are very pleased with the kind of results that we have released in particular, we are pleased about the role that we played in this country in supporting the Community by living our purpose of transforming lives and keeping the country connected and using our platforms, such as M-PESA to ensure that we cushion Kenyans through a tough period. We've also seen significant recovery of our

business as the economy opened up in the second half. We also saw strategic and operational momentum, which we will be talking through in a few minutes. So, in a minute, I will hand it over to Dilip. Still, before I do that, I also want to introduce Sitoyo, who is our Chief of Financial Services, primarily M-PESA and I'm sure there'll be many questions on M-PESA. When I don't know the answer, I will certainly hand it over to Sitoyo to answer. So thank you for attending Sitoyo, so I hand it over to Dilip to summarize and then go to Q & A. Thank you.

Dilip Pal
Thank you, Peter thanks, Vincent. Good morning, good afternoon, and good evening. I also wish to highlight that with Vincent, we also have Wanzila and Mercy, who will also help us take questions on any responses that you need us to provide back to you.

Today I would like to be very brief; as we have announced our results this morning, I think we'll keep most of our sessions today for Q & A; you may have gotten a chance to look at our numbers but just to summarize what we have released today. So starting off, as Peter mentioned, we are going through extraordinary times. The pandemic has not spared us, we have seen a flavor of our performance in H1 and H2. H1 was deeply impacted and also by the fact that our response to the COVID-19 pandemic was also on zero-rating of M-PESA transactions has created a significant effect on our top line, but you'll see a gradual recovery.

Our top-line service revenue grew 4% in H2 compared to a minus 4.8% decline in H1, with an overall decline of 0.3% FY21. In terms of our customer additions, this is probably one of the best years in recent history in the last four years. We added 2.8 million to the active customers and also 3.4 million active M-PESA customers in this financial year, the best we have seen in the last four years. Giving a little more flavor on the revenue stream, voice has been a very good story if you recall our first-half performance. Our voice revenue declined 6.5 percent actually; our Q1 decline was close to 10%. We saw a recovery in H2 with a minus 2.7% decline which we believe is as a result of all the actions that we have taken in terms of our CVM offerings and value propositions to our customers. This is also reflected in our share of traffic as we could improve our share close to now 69% as per communication authority data, which was released recently. We sustained 11.5% revenue growth in mobile data. You'd recall our discussions in our half-year release that, voice decline was to continue, but one of the things that we did was making sure that our acceleration in mobile data can more than offset our voice decline. In the chart, you'll see that our increase in mobile data over the year was 4.6 billion compared to the decline of 4 billion in voice, so overall, I would say voice and mobile data performed quite well. We are quite happy with that performance. Fiber to home performed extremely well; we saw close to 50% growth year over year we saw growth in customers, which led to an overall growth. I think, in the fixed for business, is where we have seen a decline in the first half and then some recovery in the second half, and this was necessitated by the fact that as movement stopped restriction on all of this resulted in a lot of business, moving to home, and then a requirement of more of home customers. M-PESA is a completely different flavor in the year started with a significant decline in our revenue, COVID-19 and also combined with our free fees, but as you can see from our numbers H1 and H2 had a different flavor. H2 our revenue declined 14.5 percent, but we saw a growth of 10% in the second half.

But interestingly, what we have also seen our average number of transactions per customer, go up from 11 to 12, 13 in Q4 of last year, in the beginning of this year, we have seen it sitting up to 20 when the charging was still free, till Q3, but when charging started, actually stabilized at 18, which is a significant improvement, we saw an increase in the volume and value across all chains of M-PESA revenue. Earnings before interest and tax declined 5.3% again in the second half; we managed to keep it flat year over year. As you have also noticed, against our guidance for FY21 91-94 billion, we exceeded that we close the year with 96 billion on EBIT. We sustained our investment in network and IT systems with capital expenditure of 35 billion. We also can remain at the lower end of our guidance, which was 35 to 38 billion, so I will pause here and then hand it back to Vincent for the rest of the session, thank you.

Vincent Opiyo - Moderator:
Thanks, Dilip, thanks to Peter, just a reminder to all in the call. Use the Q & A tab to post your questions, which we will answer thereafter. To begin with, there are two questions on Ethiopia, and even, as you post your questions, remember to put your name and the organization that you come from.
So I will pick on two questions from Sunil of HSBC. So the first question is on Ethiopia. Can you please take us through the next steps and timelines on Ethiopia's ambitions? And if you can, any early thoughts on the capex and break-even targets? Then I will batch that together with a question from Ayobami Omole thanks for the congratulations on the good results, but your question is, can you clarify if you'd be able to offer mobile money services in Ethiopia if you're awarded the license? There seem to be a lot of conflicting media reports, so Peter, I will hand over those two questions to you.

Peter Ndegwa
Thank you, Vincent. Thank you, Sunil, and Ayobami, and also just before I answer the questions, just to welcome Sylvia, who has also joined us. She heads our customer organization in case there are questions that I can direct to her. Ethiopia, of course, is topical at this stage, but I have to be honest that there are certain things that I will not be able to comment on; we are in a competitive bid process at this stage, you know we have submitted a bid as part of our consortium, which we are leading we were one of the two bidders that have submitted bids.

The Ethiopian government is currently processing that; we will await the results of that assessment; just so that you're aware, the Ethiopian government had the option of awarding one license, awarding two licenses, or awarding no licenses in the end. We have confidentiality agreements that we've signed, so therefore we cannot disclose anything to do with the bid until the process is fully complete. So that's all I can say; at this stage, we expect, of course, that process would be completed relatively shortly, and as soon as that is done, we can always have an investor call that we can brief further. With respect to mobile money, because that's public information, there are a couple of things that I want to say; one is from a legal perspective- foreign operators which the two licensees would be foreign because those are the only foreign companies that have applied for the licenses would not at this stage, based on the Law that is there in Ethiopia to be allowed to operate mobile money. Because mobile money can only be operated by local companies, we are aware, that, during this week that Ethiotel the incumbent has launched mobile money, and we are trying to clarify what that means. However, what the authorities in Ethiopia have said in public conversation is that the foreign operators will be allowed to operate mobile money within a period of 1-3 years. This week we had one year in the past we've had two to three years. But it is still not in Law, so at this stage, we cannot be able to confirm at what point a new licensee would be able to operate mobile money. Our read of the situation, though it is likely that future licensees will be allowed to operate mobile money, the timing of which is the one that is not clear, but we believe because it's in the interest of the Ethiopian economy for mobile money, to be part of the financial services offering. So that's all I will say, Vincent, to those questions.

Vincent Opiyo - Moderator
Thank you, Peter, so I will take two questions from Raj again from HSBC on capex. So the first question is the Capex intensity appears to be increasing, can you please provide more color on where the additional capex is spent? Then the other part of his question on capex is how much of the capex guidance is aligned towards 5G?

Dilip Pal
Vincent, I'll take this. First, on 5G, I think in terms of our ambition for 5G, it will be more of a trial. But when we started, we had about 15 sites where we have had the signal as we speak; this is expected to go up to about 100-250 sites by the end of the year, so it's not a big element of the capex that you've see in our capex guidance. However, I think our outlook for capex is to continue to invest in our network for capacity, which is to support our growth in our core business, mobile and financial services. In addition to that, as you have seen, we have had good traction in our fixed businesses, both on business, as well as home. We do have the ambition to take our fixed businesses to anything between 700,000 to a million over a period of time, so we continue to invest in fixed and then also in our new growth area. In FY21 we see those use cases coming up more to life in growth areas like IoT, ICT, and broadening financial services, which will also require investment. And so I think broadly, these are the areas that we continue to invest in to improve our customers' experience. We are investing in platforms in IT, and we are also broadening our services to include new growth areas; with all of this, we expect the guidance that we have provided in today's financial release this morning to reflect our ambition.

Vincent Opiyo - Moderator
Thank you, Dilip we have a number of questions on M-PESA and I'll pick on Jacqueline Onyango's question. "Good afternoon; thank you for the session. Looking at what is happening to MTN South Africa, do you foresee a situation where you may have to spin off the M-PESA business line?"
And then I'll also pick another question from Sunil. "It appears that the M-PESA commissions have gone up meaningfully for the year; can you please provide thoughts on how you see the path forward and what new initiatives you are taking on the M-PESA front?".

Peter Ndegwa
Happy to take the M-PESA question, and then I will ask both Dilip and Sitoyo to take the question on commissions. So in terms of the business model for us. Our intention is to continue to operate our business as a combined business; we see significant synergies between our two businesses. We do note what is going on in the market or whether, with respect to Airtel or MTN, it is not our intention to go in that direction. As you know, we also signed a JV between Safaricom and Vodacom on M-PESA Africa, which allows us to look at M-PESA at a regional level, develop platforms that allow us to take advantage of future opportunities and also drive innovation at scale and share experiences across the region. So our intention would be within the market is to continue to operating M-PESA together with the GSM business. There are significant synergies and dependencies especially from a customer perspective. We do see as significant data, big data and analytics opportunity for us in keeping the two businesses together. Just one thing that I wanted to mention on commissions before I hand over to Dilip. As you know, last year we had the free B2B when we came back to charging in January, the wallet to bank and bank to wallet is still free, and we have seen significant growth since our franchise is being used more like a collection platform, and that's one of the reasons why you see the commissions going up. But I'll ask either Sitoyo or Dilip to comment on whether they are too high or not.

Sitoyo Lopokoiyit
Thank you. I think Peter has mentioned bank to M-PESA and M-PESA to bank being zero-rated. What we've seen is a change in customer behavior, so businesses that have collected cash will go to an agent, deposit that money then send it to the bank because it's a free channel, so for the first time we've seen M-PESA to bank actually exceed bank to M-PESA and what this means is that agents around businesses are doing more transactions, which means more Commission because we pay deposits commissions on that. But this is an opportunity for us to innovate products and services, as we see more businesses using that channel which means the money is in our ecosystem, so it is about how do we innovate around the SMEs and the

merchant businesses to provide products and services that can take advantage of that. We know, eventually the c2b charges hopefully, we'll come back on, but it's great that these funds are coming through us as Peter has mentioned it's leveraging on our distribution network, and I saw a question also on the growth of the agent network, and this explains the growth of the agent network, especially with COVID-19 being there and will become a key strength of our distribution network as shown very strongly during this period of time with the customers using our agent network for depositing money and withdrawing, and so the demand for agents has also gone up. Thank you.

Vincent Opiyo - Moderator
Thank you, Sitoyo. I think staying on with the M-PESA know that you've answered Sam's question on agents, I'll go to the first part of this question. Can you please explain why you saw a reduction in M-PESA margins? Why did commissions not fall in line with revenue? Then I'll batch that with Kat Mukuru's question, the question is, having seen the airtel money transaction, is this type of transaction that Safaricom would consider for M-PESA? Do you envisage a day when M-PESA would be a listed entity? Is this part of your strategic direction for M-PESA? If not, how do you see M-PESA developing over the next five years? So, Peter, I'll hand it over to you and distribute it accordingly.

Peter Ndegwa
Can I ask a Dilip to answer the first question?

Dilip Pal
Thank you. So I think on M-PESA, let me unpack it for you. So what happened in FY21 is that we had free P2P and also free wallet to bank and bank to wallet, so that's one bucket, and revenue came down and then, bank to wallet and wallet to bank became free as Peter and Sitoyo mentioned. We saw a significant increase in deposit volumes. So customers are using M-PESA as a channel to deposit money they would have otherwise deposited directly to the bank because this is free. We still had to pay for the Commissions on deposits, and so as we explained, increase in the deposit Commission was from there, so it's a double effect, we did not earn revenue that we should have earned, and then we incurred more costs and, of course, that has resulted, into a reduction in margin. So Peter, back to you.

Peter Ndegwa
Thank you, Dilip, and to add one point to Dilip's great answer is that, of course, going forward, we would expect, at some point, you'll go back to normality in the same way that free p2p has reverted to charging, but still, Sitoyo is right, the key is to see how we innovate and monetize the increase in both transactions, but also wallet-size within our system and that's why we are less worried about paying for Commission because we believe it is an important component of our overall business. In terms of the business model question on Airtel and whether we are looking to do a similar thing, I think I answered that question earlier. Our intention is to retain connection between businesses and will always evaluate as we go, of course. What we have messaged in terms of strategic agenda for M-PESA going forward, and I can ask Sitoyo to say a few words about some of the big areas. It's that we want to broaden M-PESA so that it is more than just payments and credit for individuals. We want to significantly focus on the enterprise side, in particular for SMEs. I'll ask Sitoyo just to give a bit of flavor of some of the things we've started doing just to make sure that that is broadened; of course, there are some that we cannot talk about because we are still discussions with the regulatory authorities, but to the extent, we can, am sure Sitoyo can take us through.

Sitoyo Lopokoiyit
Thank you, Peter I think just from what we see, first M-PESA is a two-sided network, so we have the side of the business and basically the SMEs, as well as the large enterprise on one side, and here we have over 300,000 merchants and over 50,000 businesses. And on that side, I think the

booklet showed it's about $6 billion on a monthly basis that moves through that business side and then, on the other side, we have the consumer side of the business, which is where we provide relevant products and services for our consumers for everyday use in it. And in those two areas we're looking at, the first bit is on dramatically changing the customer experience. We launched the business app in the last financial year and, in that today we see over 50% of all merchant businesses already now on the business app. This business app allows the business to see its inflows outflows make payments; they can manage their business remotely, so we're beginning to anchor and make it a super app for business. On the customer side, as Peter mentioned earlier, we've developed the M-PESA app, which is based on the super concept in which it's been released we're going to launch it this month, and this just sets up the play to become also an M-PESA super app within the core of it is the tech platforms, and here we are we're looking at our platforms for the credit platforms, savings platform, wealth management platforms, insurance, you know, looking at how we diversify our products, services and this is key to improve our target addressable market so today, we could be at 80%-85% of Safaricom's GSM base in terms of penetration, but as Dilip said you know our customers are doing 18 transactions per month, yet cash will probably be used six times a day, so we've got a big target addressable market that's still out there in terms of how we provide the relevant products and services. So, in a nutshell, it is improving our tech and providing the right architecture, focusing on our two-sided network, and then improving the cardents of innovation to better diversified products and services to continue to grow.

Peter Ndegwa
Perhaps, just to add to that Sitoyo, you could talk about some of the elements we are doing with SMEs and even micro SMEs because I think that would be helpful, which has come through even bigger during COVID-19?

Sitoyo Lopokoiyit
Thanks, Peter, and I think for SMEs, what we've seen is that when COVID-19 started, we had a decline in our merchant base, but the team innovated. We introduced self-onboarding and today, this account for 30% of our merchant as businesses change and embrace more digital forms of payments, we saw an acceleration in terms of merchant acquisition, merchant volume, merchant values. We couple that as I mentioned with the business app and then we introduced very innovative products for micro SME's, and these are micro SME's who receive their M-PESA payment via the peer to peer model. Now they're able to separate their personal cash from their business cash, and this is just the beginning, because now we can now identify. We've identified about 5 million micro SME's within our ecosystem and already have about a million already opted into the service, so we're going to now create a new business model for these micro SMEs. In addition to the SME business, we were also looking at capacity building for SMEs; we were engaging them on empowering them. And the intention is, as an example, if they spend $1 on us, then they can generate $5 from the capabilities of have given them to grow their business.

Peter Ndegwa
Thank you Sitoyo I'll hand it over to you Vincent.

Vincent Opiyo - Moderator
Thank you, Sitoyo, thank you, Peter. A number of questions from Tracy Kivunyu of SBG securities, and before I field those questions, just a reminder, kindly use the Q & A tab. To post your questions and remember to also include your organization, as you put that in. So Tracy, a number of questions one of them is, please explain some cost movements such as the direct costs, I believe you mean which have grown 100%? And a decline in advertising costs and other opex? Then you are asking how sustainable are these declines? Lastly, a breakdown of 7 billion opex savings? Then I'll just merge that with your other question on M-PESA. What are the airtime top-ups via the M-PESA currently? Do you think the dynamic of high growth in

deposits will persist, so this new level of agency commissions as a percentage of M-PESA Revenue, I think you mean, will it persist as a percentage of overall M-PESA revenue? Thank you.

Dilip Pal
Okay, it looks like many questions, so remind me if I forget. I think, on the first part, if I recall one question on the direct costs, yes, you're right that direct costs now include costs related to Fuliza, which we do have some sharing of revenue which we do incur as a cost and we have now started booking. That's part of the costs that you see in other direct costs. In terms of your questions on publicity reduction and how sustainable it is? Part of the reduction, I could admit, is also driven by the fact that there are movement restrictions, there's no benefit of doing certain types of promotions in a pandemic situation, so you know I would say quite a bit of part of this is from avoiding costs in publicity, but also, I think we are moving more and more into digital advertising more than physical. I think there is a combination of both, which we believe will sustain and part of that will come back, as we see the market opening up. I think on answering your questions on 7 billion, I think, probably, we can give you more details to it just to give you a flavor, and half of that came from our smart procurement in terms of negotiating our different lines of cost items year over year reduction. You may be familiar with our cost reduction or cost optimization program and that's the 6.9 billion number that you see, as what we have delivered in FY21. I think more details of that can be provided by investor relations separately. Okay, what's the next question, Vincent.

Peter Ndegwa
There was the airtime top-up question.

Dilip Pal
Yes, I think the question is what percentage Sylvia can correct me if I'm wrong. I think it's close to 70%. I think it's around 68-69%, Sylvia. I think that's the number.

Sylvia Mulinge
Yes, it is; we are always looking to balance. Because also we have a dealer ecosystem that also pushes this air time for us. And also, we are trying to benefit from the interactions and capitalize on that that the retailers have with consumers. So 70% is an ideal number for us to be able to work with, delivering for us significant savings. It's also very much enabling the consumer digital lifestyles, where they do not want to travel to go buy airtime, and they can be which do it from the convenience of their phones. And M-PESA is a fantastic platform to do that, so the ratio between 70-30 is working for us right now. Thank you.

Peter Ndegwa
But perhaps Sylvia, just to add to that, we're going to also give the investors just a view of:(a) why we don't want it to go too low, so that we maintain, as you say, the network. (b) other areas where the dealers could play a role, going forward to make sure that we keep them incentivized to maintain that franchise.

Sylvia Mulinge
Okay, so one of the key things we are currently looking at is how we evolve our dealer ecosystem, to allow our channels such as retail shops, M-PESA Agents to begin delivering the strategy that we are working towards, of enabling our consumers meet their digital lifestyles through provision of the right terminals. Our consumers are also looking to get the right recommendations in terms of the propositions they should have. So having their distribution channel, working profitable and keeping our partners happy is an important business model, for example, now, when we are beginning to look at data and voice, when a customer walks into a retailer shop and gets served as they're buying the other daily household goods. A

retailer can be able to leverage a CVM platform to make a recommendation to that customer in terms of what proposition they should be able to buy. Either on data or invoice, so we are leveraging the retailer's voice, who is very much a trusted person in the Communities, that we are in to make a recommendation for our brand. The other thing, of course, is when you look at a product like terminals, how can we leverage the wide distribution ecosystem that we have across the country by ensuring, just as you can't walk 10 minutes and not find an M-PESA agent, you can't walk 10 minutes and not find somebody who can be able to sell to you Safaricom 4G device, we still have a huge opportunity on our network to digitize our customers, many of them are still using 2G phones and, as we now look to scale, what we are doing with our lipa mdogo mdogo mobile device financing product where customers pay as low as 20 shillings per day. The next key thing will be to say if the proposition is right, how do we make sure it's in the customers' hands at the shortest distance possible, and that's where the power of the distribution channel comes in. The last thing that I also call out is that looking at driving more cost-efficient business model dealer touchpoints and M-PESA agents are fantastic points for us to begin extending services. So there's no need for us to keep on rolling additional shops, as we already have a presence in the all counties across the country now if we want to get more in terms of how we offer our customer service. We can leverage this dealer touchpoints to get them to offer the basic services like Sim swaps customers don't have to travel long distances to be able to get set services or if they have basic inquiries about different products and services that they can be able to access, so we have now begun to roll out very aggressively dealer empowered outlets where they can now begin to offer services to our customers, which therefore goes to that whole customer obsession vision that Peter spoke to in the morning during the results presentation. Those are the three main things that I can call out. But obviously, there's a lot more that we can do with this channel, thank you.

Vincent Opiyo - Moderator
Thank you, Sylvia. A number of questions on the split of profit from the JV and associates. Maybe Dilip will pick that one, and then I am also seeing a number of questions on M-PESA app. Just perhaps a flavor on what it will achieve and when it is due for launch.

Dilip Pal
Thanks Vincent I'll pick up the JV questions, and then Sitoyo will answer on the M-PESA app. So in terms of profits or losses from associates and joint venture in two parts, our share of loss or profits from associates was a loss of 192.9 million in FY21. This is coming from two Companies, Circle gas and Teams. I think, circle gas faced some headwinds due to COVID-19 in terms of their customer acquisition and therefore as they are startups, so they will continue making losses. In terms of figures 19 million is attributable to teams and 90 million in circle gas. And then from the JV you saw profit last year, which is the profit book by M-PESA Africa in the financial year 2020 as part of the transfer of the brand and this year there's a loss of 314 million. And predominantly I mean we are not expecting them to be profitable in year one, but I think COVID-19 also impacted their revenue, because all markets, including us, as you have seen our M-PESA revenue did not grow, we actually declined 2.1% so they get a share of the revenue, which means that their revenue declined where the cost will remained the same, but I also want to highlight that M-PESA Africa was not expected to make a profit in year one, so I think combine these two 314 million from JV and 192 million from associate companies is what you see as the split of profit or loss from the JV, then over to Sitoyo on the M-PESA app.

Sitoyo Lopokoiyit
Thank you, Dilip, and I will start with M-PESA app from point of customer obsession and digital first. On M-PESA, we've traditionally used the same tool kits, and then we launched an M-PESA USSD last year, and this was to make it easier from a customer experience standpoint not to need to remember your codes when you're making a payment. We also re-bundled all the USSD's and put them on to M-PESA USSD for redirect so that it's easier for customers to know. If they don't need to remember different USSD codes, they only need to know the M-PESA one.

Then we embarked on M-PESA app and the intention is to make the M-PESA app a super app as mentioned, and it is now available on both play stores and customers a beginning to use it, but we're not officially launched it some of the key features that it has. It's both static and dynamic QR code, you have your real time statements we have what we call the mini programs platform, this is the same platform that you would see in any other place like a Paytm or Ant financials which allows third parties to publish their Apps within it, so it's almost becoming a sort of quote and quote, a marketplace for Apps within it we already have seven mini-programs already published on to it. We now have a chat functionality, global payments it'll have a tab of grow, which is the wealth management part of it; how do we encourage customers to look at financial health we've been very good financial inclusion. I spoke about financial health also the products that are going to be around there. The customer experience is dramatically improving. You would be able to pay your workers at the end of the month; for example, if you have ten workers, you'll be able to pick and select all ten and just put your pin once as opposed to today, where you have to do it ten times in it. It is also an ott play, so if a tourist comes to Kenya, we have about 2 million tourists a year. There will be, say the roaming with Safaricom network they will be asked download M-PESA app and pair the card and use it across all our multiple points, so it is quite innovative. It is looking at and benchmarking against the super Apps out there and ensuring that we do have the same capabilities and especially for pricing from the customer experience standpoint, so it's going to be launched officially in this month, but it is already available on the play store, and we do have about 800,000 customers, using the service as of now, thank you.

Vincent Opiyo - Moderator
Thanks, Sitoyo, let me go to the next batch of questions. Linet from ABSA is asking what is driving our short term debt? Then Donatus from LGM investments is asking on our expected credit loss again, what is the driver there? Then lastly, Boniface is asking about the book Closure date for the final dividends?

Dilip Pal
I'll pick this up. On the short term debt, yes, it did increase from a level of Kes 8 billion in financial year 2020 to a level of Kes 14 billion this year, representing a Kes six billion increase. It's predominantly for the working capital needs that we had throughout the year. But you may have seen our position of cash balance as well, so our cash balance at the end of the year was 26 billion, so we are still net positive from a net position Kes 14 billion debt and Kes 26 billion cash. On expected loss, yes, I think we spoke about this in H1 as well we did see the accumulation of losses from Telkom Kenya and overall co-location and interconnect all put together is the amount of about 1.5 billion, so that's the major chunk of the increase in expected loss you may have seen compared to last year. Also to highlight is that we did see some headwind in terms of collection delays as the COVID-19 hit both in our hospitality segment, as well as in the government collections in large enterprise, so those kinds of more of a timing and winding up. But on a conservative basis, we take provision and that's why you've seen an increase in expected loss. On your question on dividend, the way to look is that the Board has proposed, and this is subject to approval by our shareholders in the next annual general meeting. Then we have the normal time, as you know, we've only within 90 days from that date, so that's the kind of next steps on dividend. I'm not sure Vincent you want to add anything on the closure date?

Vincent Opiyo - Moderator
Our AGM is slated for June 30 of July so usually the book closure date is that date of the AGM, so we expect them to pay dividends, you know latest by 31st August. Probably just to pick some questions on regulatory from Lynette Muriungi any update on the Kenya Information and Communications Amendment Bill tabled in Parliament and the National Payment Systems Vision and Strategy by the Central Bank of Kenya.

Peter Ndegwa
Steve do you want to take that?

Steve Chege
Yes, thanks, Peter. Those are two different explanations; if I can start with the first one on the Kenya Information and Communications Bill. That's the Bill that proposes to among other things, to see the split of M-PESA and Safaricom. It also proposes a few other amendments but that's a key one, and that's the one that is of concern as to what has happened to the Bill. It has gone to the second reading, which means that interested parties such as us or affected parties have been able to submit and give submissions to the committee that is looking at the Bill, it has some few more stages to go; the third reading and the fourth reading if at all, it's going to pass through and become Law. What we tend to do in this time is interact heavily with the decision-makers and explain to them the potential concerns that we would have if such a thing is passed. We always want a situation where Parliament's does not prescribe how companies should be run and, in the past, where this Bill has come, it has failed to pass. So again, we shall ensure that they have the right information so that they do not seek to redirect how companies are managed or run. And a lot of these sometimes is based on poor information or inaccurate understanding of a number of things. On the other Bill, which proposes to give the central bank the powers to manage the mobile money lenders. It does not affect Safaricom's products because all our products are already regulated by the Central Bank. If you ever look at M-Shwari, which was our earliest proposition in that space, it is regulated, so is Fuliza, and this particular Bill does not present a lot of concern to Safaricom we see it as a bill that could bring some sanity in that space and as Sitoyo has said, move us from a situation of looking at deepening financial inclusion to financial health. A lot of these mobile lenders have been blamed for predatory pricing of the loans that they give to Kenyans, and that is why this Bill has been moved so that they can be controlled, so that's a summary of both views. We are watching both of them carefully and we're engaging with all the relevant stakeholders to ensure Safaricom is protected.

Vincent Opiyo - Moderator
Just to remind us that we have seven minutes to go, I know there are a number of questions on the Q & A side, so our promise is will answer all of them through our normal email channel from investor relations. So there's a question from Sruti on data, so your question is, can you unpack the deceleration in data revenue growth in half two more detail elasticity seems to be increasing but a second half growth rate is materially lower than half one twenty-one?

Dilip Pal
Thank you Sruti for the questions. You're right, our H1 one year over year growth was better than H2 but remember H1 was also driven by a lot more demand necessitated by the pandemic, so we did see significant uplift in terms of the demand in Q1 Q2 and that's what we have seen. It's still very high; we still aren't quite satisfied with what we have done, but you're right the year over year growth in H1 was higher than what you've seen in H2. I think also Sylvia will probably add more in terms of how we are unpacking the value for our customers. We also want to make sure that the customers have the value; we don't change our headline price; we do more to our CVM offerings. So, Sylvia can unpack a little more on what we're doing in terms of our customer propositions.

Sylvia Mulinge
Thank you, Peter Thank you, Dilip so one of the strategies that we deliberately embraced last year, especially as we saw that pressure on the consumer wallet increasing due to COVID-19, was to figure out how we deliver a lot more value to our customers. Now we were able to do that very aggressively on voice, and you can see it paid back for us in terms of increased traffic market share. And after seeing the success of that so to replicate the same on the mobile data side. Now, one of the challenges obviously that we've had in the past and discussed in the

previous conversation has been the fact that we have always had a premium in this market. We progressively sought to bring that premium down. I think something which you have been able to do quite progressively over the year, but if you then look at the input KPI's that drive our data performance in terms of total number of customers that you were able to grow if you look at the usage on the network. We grew that significantly over the period if you look at the active days of use. So by delivering a lot more value to customers, we have been able to positively influence these KPI's; what we believe now is as we drive more use cases and you'll see a lot of the campaigns. The campaigns will be looking to not only convert customers who have the right devices in their hands but also provide them with the right use cases. Our technology team have done a brilliant job of giving us almost 92% coverage of 4G across the country. To now enable that to turn back now into usage and as usage increases then figure out, the right monetization formula to ensure that the same show up in overall revenues. I think, by and large the strategy of delivering more value for customers, if I summarize, has resulted in the right customer KPI's movement, which had the right input KPI's. And as Peter likes to remind us if you do the right things then definitely the revenue outcomes will follow, so let's see how that pans out this year so year I think that's it all thanks.

Vincent Opiyo - Moderator
I see our time is spent. Peter, I don't know what your steer is.

Peter Ndegwa
How many questions do we have?

Vincent Opiyo - Moderator
22 unanswered questions.

Peter Ndegwa
Okay, all right, let's go until five past if the investors want to remain, and then send the rest.

Vincent Opiyo - Moderator
Okay, so, then Peter, I think.

Peter Ndegwa
Let's do an extra 10 minutes on our time.

Vincent Opiyo - Moderator
I'll pick a question from Marvin Galiwango from NSSF Uganda, can you expand the new strategic direction you talked about regarding agriculture, education, and healthcare. Also, with regards to credit and saving, will you remain the originator, or do you plan to turn into a challenger bank like orange digital bank, this would enable revenue growth in terms of interest margin? Over to you, Peter.

Peter Ndegwa
So I will pick up the question on some of the new digital ecosystems that we are going into and Sitoyo will pick up on some of the wealth management question like savings that has been asked, I think, on Agriculture, Health and moderately Education is not new ground, but what we are doing now, now that we have a clear strategy for to be a purpose led technology company, we are narrowing down about what we need to do to be able to have a commercial model that really works so DigiFarm is not new to the investors what. But we are putting a lot more intensity in making sure that whatever model we go with is a model that is sustainable, but also put the right talent in there that allows us to access the experience of the agricultural side, and also the digitization of the process. And, we feel we've started to make progress there are some green shoots on DigiFarm we've seen the farmers covered grow the revenue growth in the past year we made one and a half million dollars from DigiFarm. I know

it's a small amount. But it's an indication that if we get it right, the model can work we of course have a lot of interest from potential partners if we can make this work. On the health side, you've seen the large gap that there is during COVID-19 in terms of the population that is not covered. Our intention, and we are slightly behind this one, is to get a minimal viable product on health, understand, the right partners and then come back to investors in terms of how we're thinking about it. On education I'll ask Sylvia to talk about what we've done during COVID-19 and some of the learnings that we've seen on education, but, as we have not yet set up a model commercially, but you started to learn a lot about education so, can I ask Sylvia to finish on the education piece, and then hand over to Sitoyo on the wealth management.

Sylvia Mulinge
Okay, so obviously every crisis is always an opportunity for those who are prepared, or at least have a prepared kind of mindset, so what COVID-19 did, is that ended up having school getting closed, we had a lot of us students being home until the end of the year, and it, therefore, put an opportunity for us to be able to begin to think about as in line with our purpose of transforming lives, how can we avail educational content to this customer. So one of the first steps was availing a bandwidth double bandwidth. To customers, at the same price, so they were connected, at the same time, we also developed mobile data propositions that are specifically structured around educational content and were hugely subsidized to enable our customers who wanted to access. That educational content to get access to the same those bundles was tied to specific products that we jointly developed with the local educational institutions that are responsible for developing curriculum so that that data was only being used for the consumption of that educational content of our network. The work that we also did around device financing also put cheaper devices or more affordable devices in the hands of our customers. So they could do now have the devices to be able to access the content, using our network at the right value propositions that have been provided for them. There still remains a lot of work that needs to be done; we have also looked at different institutions such as universities, working together with our enterprise colleagues who service customers developed special bundles for university students during the COVID-19 period, which allowed them to continue to access online learning. Even though they were still at home, so this remains an area where there's a lot of opportunity for growth, the huge appetite that we saw during the COVID-19 period provides a fantastic reference for us to be able to grow, so I think the key challenge for us is to figure out based on the success you've seen this far, how we then scale this going into the future, thank you.

Sitoyo Lopokoiyit
On the financial health side of it, we're looking at more of partnerships and having a market-placed approach. So traditionally we've had a bilateral relationship with regard to some of our products and services. But going forward, we look more at having a marketplace approach, putting up a platform, whether it's for insurance or wealth management and working with the industry. Whether it's in propositions such as savings and so on, we are a payment provider, and we know deposit-taking is a different kind of license. And hence the reason for partnership and having a marketplace approach to what we want to do. So I'll just pause at that and say it is a play for a marketplace approach that we're taking. Thank you.

Vincent Opiyo - Moderator
Thank you, Sitoyo question from Sam Griffiths. How should we think about the potential regulation of digital lending impacting M-PESA revenue, and how are the conversations going on with the regulator?

Peter Ndegwa
Steve, is it you or Sitoyo.

Steve Chege
In terms of the legislation, we just clarified that legislation would not ordinarily impact us directly as all our services are already regulated by the CBK, Central Bank of Kenya. Therefore it is not legislation that would have any impact on us, if it is passed. We also find that it could actually bring some sanity around the issue of mobile lending. In terms of how some of our products are viewed M-Shwari and Fuliza, we do not like being categorized in the same breath, together with these mobile apps that have cropped up some of which are quite predatory in how they present the loans and recover them from customers.

Vincent Opiyo - Moderator
Steve now that we have you. Maybe you can handle this next question from Kishan Popat. There are concerns at Safaricom regarding the potential for senior leadership changes at the communications authority, I think, are their concerns at Safaricom regarding the potential for senior leadership changes of the communications authority?

Steve Chege
Okay, that's a good question. The way we work with our regulators is that we have relationships at the board level and at the management level. We note that the communications authority there's a transition from the current Chairman to a new chairman.
Based on the tenure for the previous Chairman ending sometime in April. There's also the continuing a situation where the current Director-General is in an acting capacity, which has been the case, for I think, two years now. We just want to confirm that whatever changes take place, we retain very good relationships at a working level with the teams, the teams that approve our tariffs, and that are responsible for the day to day management of the relationship between ourselves and them. We also retain a good relationship with the current DG, the exiting chairman and even the incoming Chairman, we also retain good relationship with the Board. We have regular and occasional meetings with them to bring them up to speed with what Safaricom is planning to do in terms of our product rollout so that we have an environment that continues to support our growth, so, while that is happening, we don't foresee any change, and we shall just work with whoever is appointed in those roles.

Vincent Opiyo - Moderator
Thank you Steve I think the additional time that we were allocated is gone, as promised, we will ensure that the questions that we have not responded to will be answered through email and then I know as we begin our roadshows on Monday, we will be interacting with a lot of you through those sessions, so Peter I'll bring it back to you to close the session.

Peter Ndegwa
Thank you, Vincent, Thank you, Safaricom team, most importantly, thank you to all our investors. I hope that we have provided answers to the questions that you had I know there's quite a few, as Vincent has said, we will reach out. We are having a full week next week interacting with various analysts and investors across the board, so I'm sure we'll get into a lot more detail, but I would suggest that you feel free to reach out to our investor relations team if there's still anything that you want covered, that has not been covered through this session. So I wish you a great evening or a great afternoon, depending on where you are and thank you very much for attending the session very well attended, thank you very much.

Dilip Pal
Thanks, everyone, thank you.

Peter Ndegwa
Thank you.