



Safaricom PLC

HY23 Investor Presentation
11th November 2022

TUINUANE
Let's Go Beyond

Disclaimer

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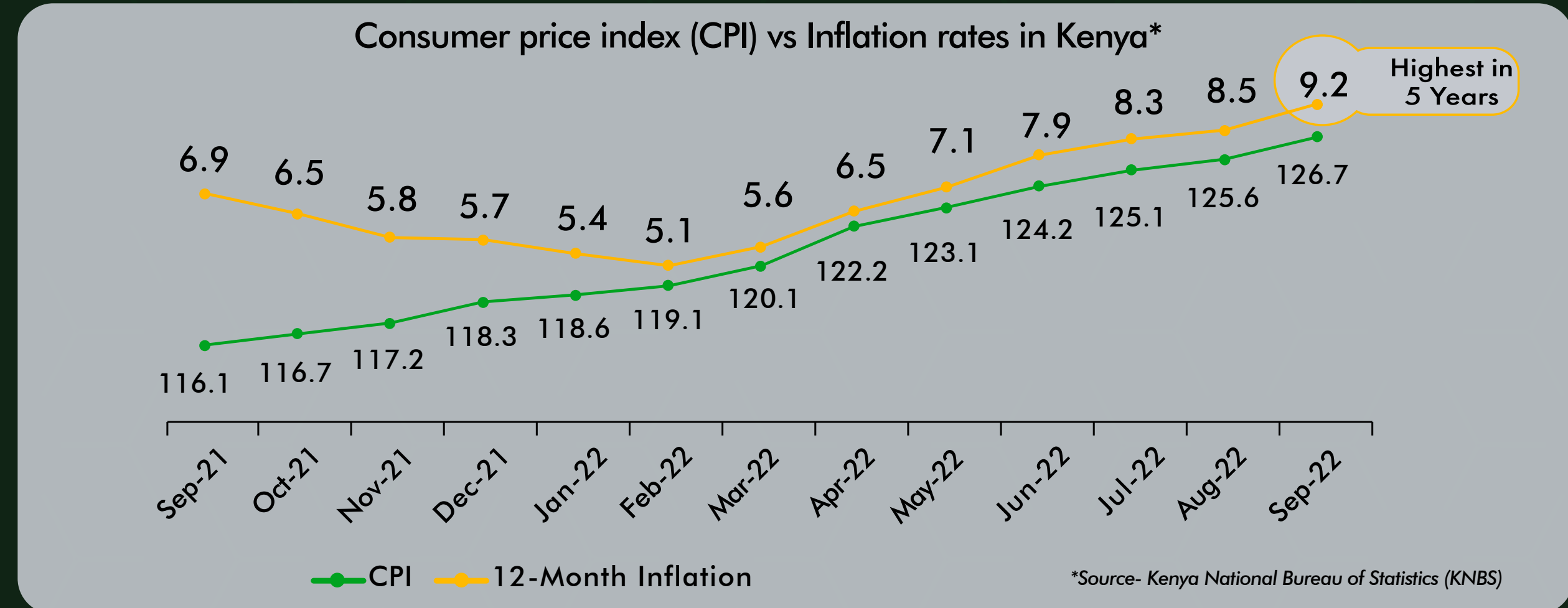
The Group's management believes these measures provide valuable additional information in understanding the performance of the Company's businesses because they provide measures used by the company to assess performance. Although these measures are important in the management of the business, they should not be viewed as replacements for, but rather as complementary to, the comparable GAAP measures. All growth rates quoted are year-on year and refer to the six (6) months ended 30 September 2022 compared to the six (6) months ended 30 September 2021, unless stated otherwise.

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Operating Context | Challenging Macroeconomic Environment

Macroeconomic

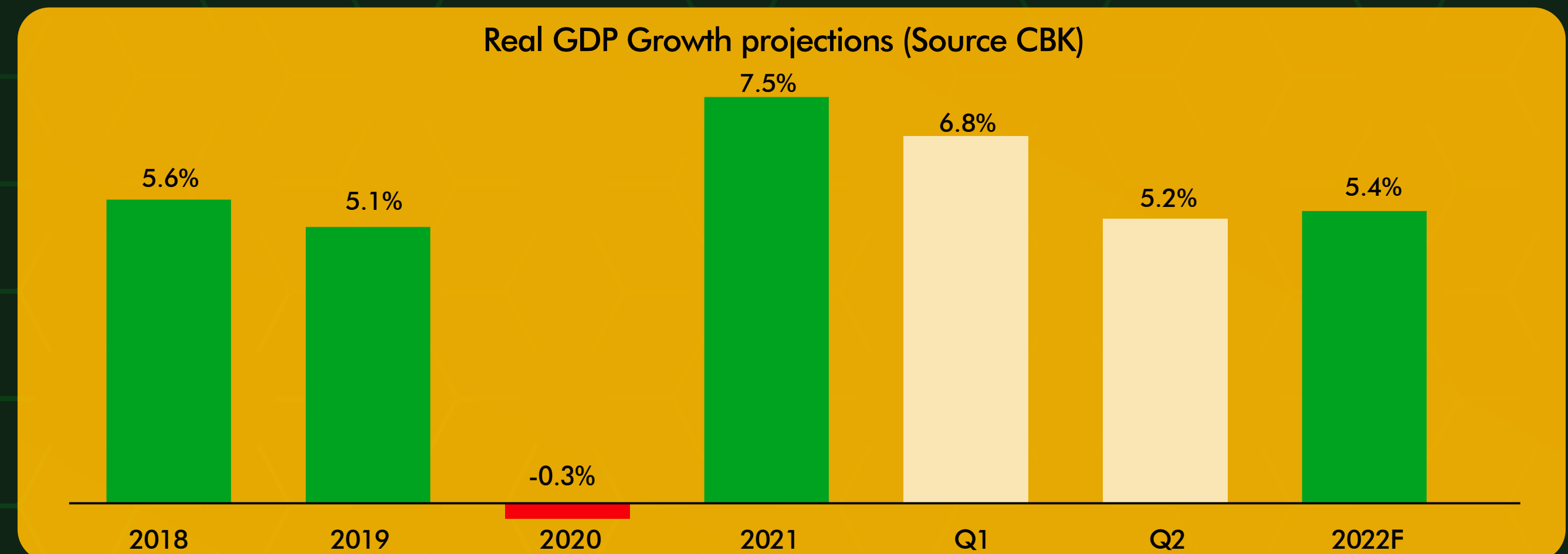
- Rising inflation, shrinking consumer wallet
- Currency depreciation
- Geopolitical risks
- Slowdown in business activity in an election year
- Mounting challenges in the global economy



...Strong optimism in Kenya's economic prospects in 2022

Regulatory

- Mobile termination rate (MTR) revision from KShs 0.99 to KShs 0.58, pending network cost study
- Taxation of smartphones impacting penetration
- Customer acquisition/subscriber registration changes
- Sim card charge of KShs 50 per unit





TUINUANE

Let's Go Beyond

-Our refreshed way of thinking about our business, and our relationship with society
-A renewed sense of inspiration and hope to do what is right by lifting others and making the future better for everyone despite these trying times...

Commitment to Our Purpose | Transforming Lives

We remain committed in creating shared value guided by...



Our Purpose
Transforming Lives



Our Vision
To be a purpose-led Technology company by 2025



Our Brand Promise
Simple • Transparent • Honest
FOR YOU

True Value Assessment*



Impact on Society
10.4x more than profit generated

↑ **8%**



Economic value added
KShs 393Bn through Operations and taxes

↑ **9%**



Social value of M-PESA
KShs 275Bn

↑ **14%**



Environmental externalities
KShs 1,189Mn

↑ **25%**



*For more details on our True Value Assessment, please see our 2022 Sustainability Report available on our website via;
<https://www.safaricom.co.ke/images/Downloads/2022-Safaricom-Sustainability-Report.pdf>

Our Impact | Environment, Social and Governance focus

Environment



- Over 1Mn tree planting for carbon offset programme ongoing
- Upgrading 25% of all our sites to solar in FY23
- 1683 tonnes of E-Waste recycled
- Driving clean energy consumption and powering 50% savings for customers through M-Gas now with +300k customers in KE & TZ

Social



- Diversity and inclusion:
 - 49%: 51% Male/Female Gender ratio, 3.0% of workforce PwDs, 35.6% Women in senior management
- Investing KShs 510Mn in Safaricom Foundation for FY23
- 9.5% of our procurement spend going to local marginalized groups (women, youth and PwDs)

Governance



- Board Diversity: Male 64%; Female 36%
- 85% of our suppliers signed up to the Code of Ethics for Businesses in Kenya
- 98% of staff taken through ethics and anti-corruption training

Safaricom is Rallying a Private Sector Response to the Prolonged Drought in Kenya

Total Cash Donations; **KShs 104Mn**

- Safaricom PLC & M-PESA Foundation; KShs 100Mn
- KCB Foundation; KShs 2.5Mn
- Huawei; KShs 1.0Mn
- Chandaria Foundation; KShs 0.5Mn

Bonga Points worth **KShs 8.0Mn** donated by Kenyans

KShs 20.1 Mn Donations in Kind by Naivas, Quick Mart & G4S

Free publicity given by all Main Media Houses

Final distribution done by National Drought Management Authority

The Pamoja Tuungane Campaign

Dial *126# to donate cash or bonga points, or donate foodpacks from Naivas branches countrywide

Consumer & Enterprise Segments | Driving Relevant Products and Services

Reduced Fuliza pricing by upto 50% for the daily fee for transactions upto KShs 1,000 for the first 3 days

Driving affordability for mobile data, **-31.7% price reduction resulting in usage growth of +69.8% to 3.4GB**

Digital content services enhancing **personalized viewing, freedom & choice** via Baze Platform

Regulatory approval to launch **Wealth Management product** obtained

Launched **Data transparency tools, Data manager, Usage Statement** driving clarity on usage to customers

Leading innovation in digital services; **Internet of things (IoT), ICT & Cloud Services**

5G | Commercially Launched After Months of Successful Piloting



5G Sites in 5 Towns

35

Our 5G Spectrum



60 MHz

2600 band

(5G & 4G LTE* & TDD*)

65 MHz

3500 band



Expanding to

200

Sites by March 2023



Upto

100 Mbps

Speeds offered

Our 5G offering:

- High speeds
- Low latency
- Fixed Wireless Access
- Reliable connectivity
- 5G WiFi

Sectors



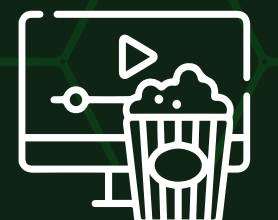
Health



Transport



Smart cities
& homes



Entertainment

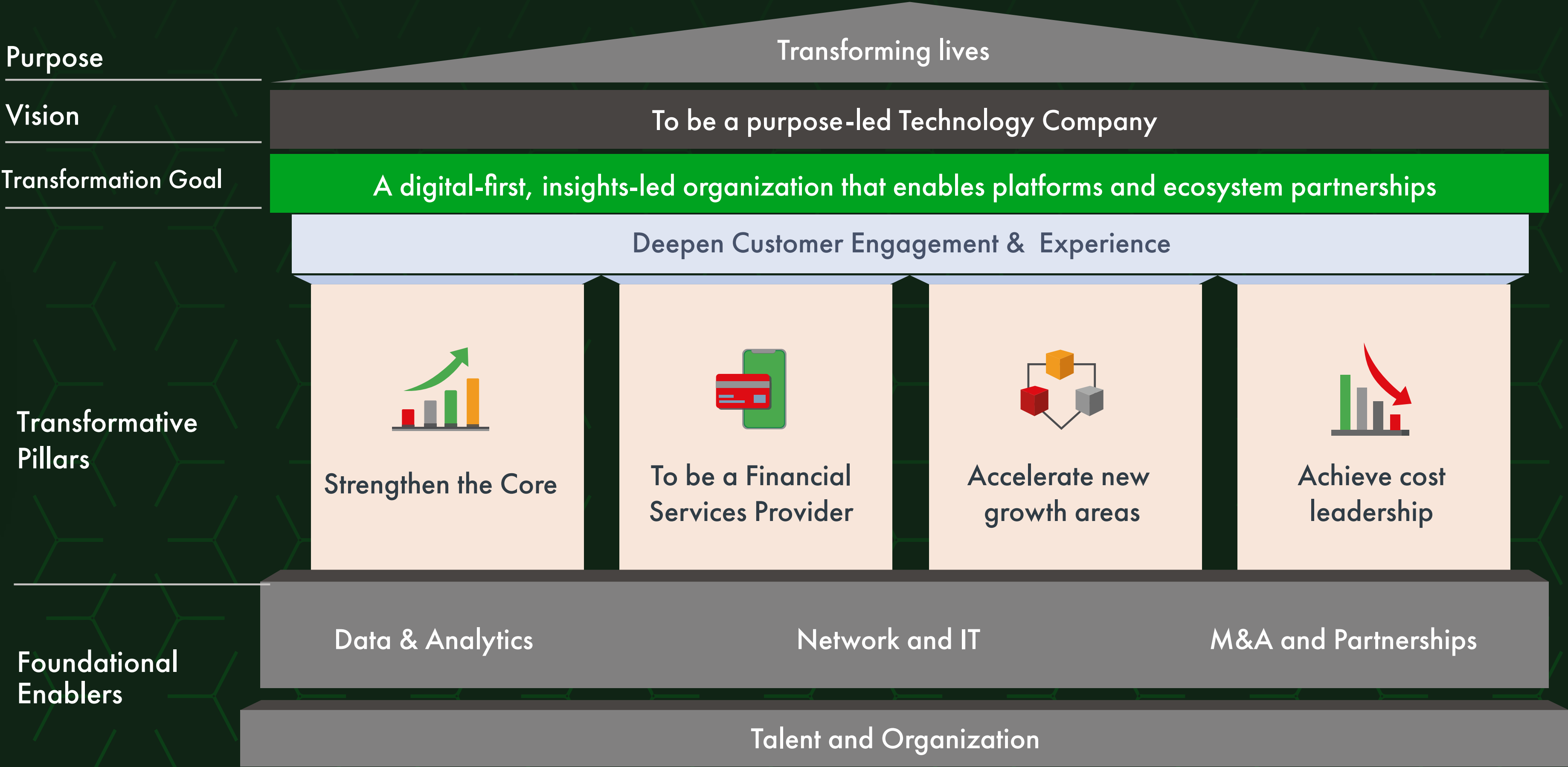
To check available 5G zones or to get the 5G Wi-Fi, visit internet.safaricom.co.ke

*LTE- Long Term Evolution

*TDD- Time Division Duplex

Our Strategy | On Track to Deliver Our FY23 Strategic Focus

FY23 Focus; Accelerate new growth areas delivering superior customer experience



Performance Against our Strategy



Market shares

- 65.8% Market Share
- 66.1% Voice traffic
- 90.3% SMS share
- 34.3% Fixed Data
(#1 out of 10 Industry providers)
- 77.4% Data Revenue share

**Source: Q4 CA Sector Statistics
Report June 2022*



Network

- 4G Everywhere- 97% Coverage
- Commercially launched 5G services with 35 sites
- M-PESA capacity upgraded to process 2600 transactions per second up from 2000 in FY22
- 1.2Mn 4G devices added to our network in H1 FY23
- Upgrading 25% of all our sites to solar in FY23



M-PESA

- Reduced Fuliza pricing by upto 50%, with no daily fee upto 3 days
- Launched M-PESA Virtual Visa Card
- Launching M-PESA GO for children below 18 years
- Regulatory approval to launch Wealth Management product obtained



ETHIOPIA UPDATE

Ethiopia | Our Opportunity to Transform Lives for a Digital Future



Large population
>115Mn



Over 75Mn
of population below the
age of 25 years



High affinity of Data usage
over 3.7Mn
Monthly active TikTok users



99% of all payments
are done in Cash*
Large cash based economy
large bank branches and
ATM network



**Virgin Enterprise market
opportunity beyond connectivity**
Data Centres, IOT, Cyber Security

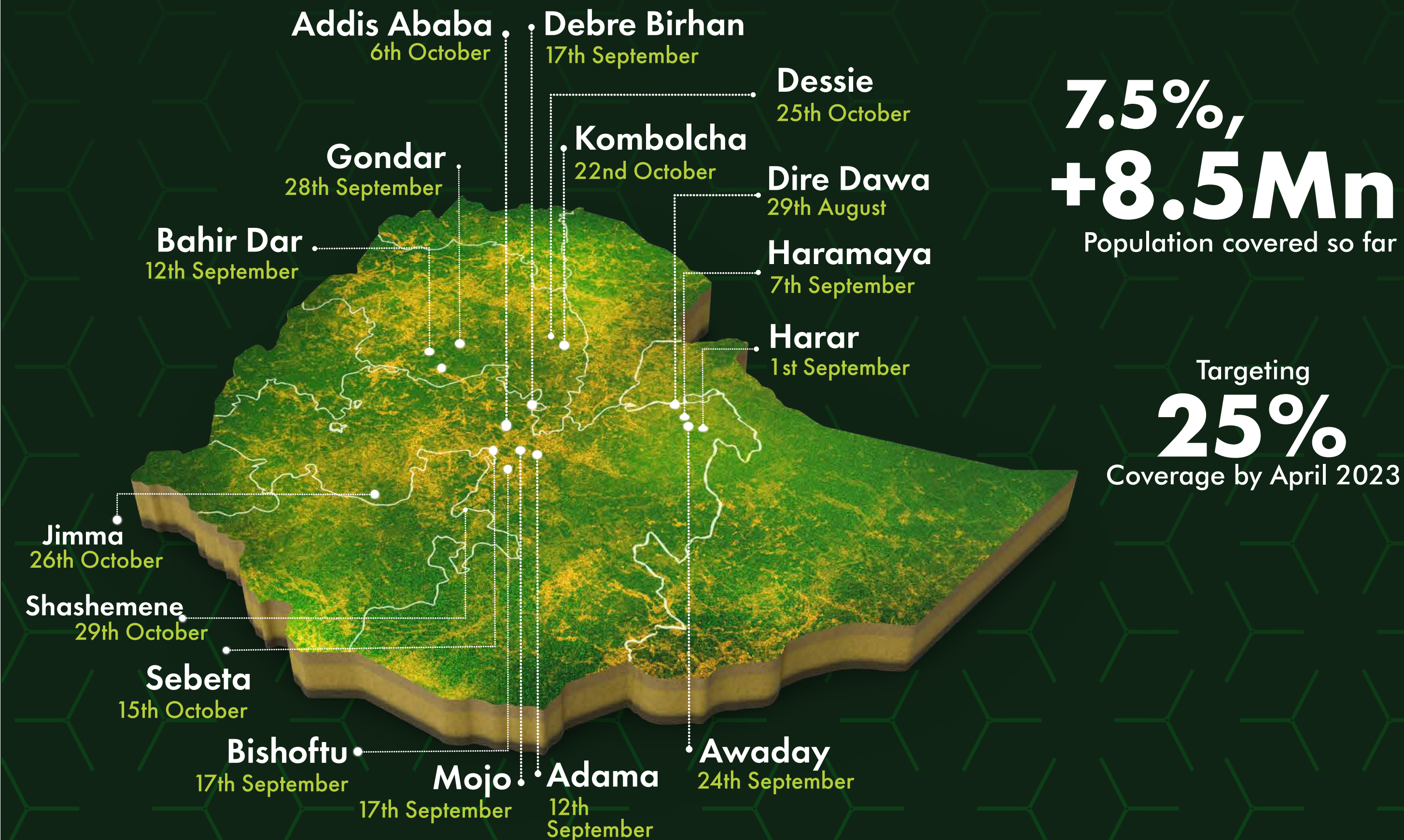


A high growth opportunity,
low penetration of
telecom and
mobile financial services

*Source; <https://blogs.worldbank.org/africacan/financial-inclusion-in-ethiopia-10-takeaways-from-findex-2017>

Ethiopia | Commercial Operations Launched on 6th October 2022

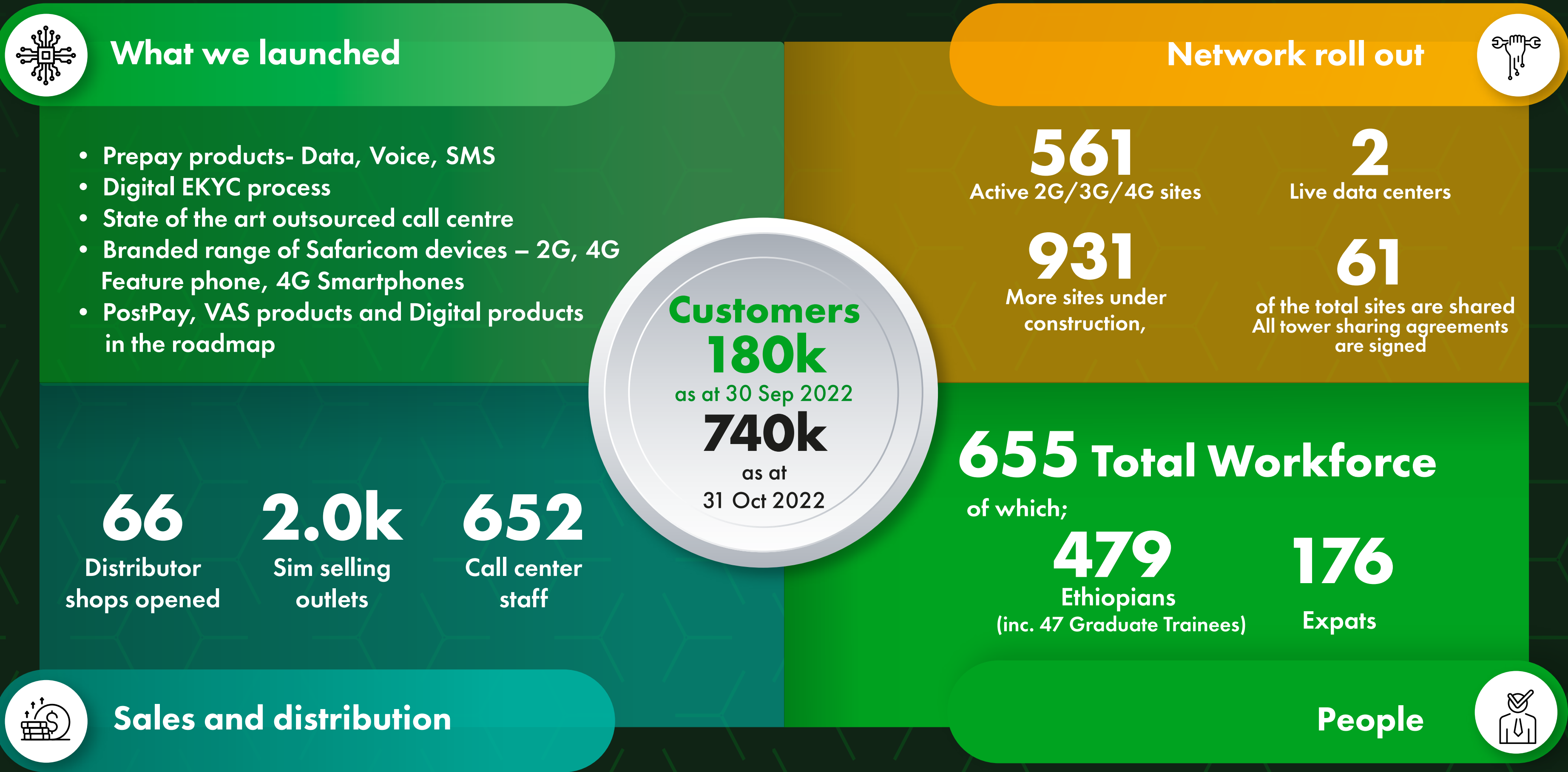
16 cities launched



Our learning experience from the 16 cities

- Validated consumer demand with **20k average daily customers onboarded** after Addis Ababa launch
- Our end to end **Digital Know Your customer onboarding process** including finger prints biometrics **works smoothly at scale**
- **High consumer affinity for Data**
- Nearly same number of data users as voice users; **data usage for October >700MBs**
- Early **great customer feedback on the quality of their data experience**
- **Combination of localised face to face customer care** via own staff in distributor shops and central call centre
- **High affinity for a range of Safaricom branded devices**, 2G, 4G Feature phone and Entry level smartphones

Ethiopia | Transforming Lives for a Digital Future



All Ethiopia numbers here are reported as at 31 October 2022 unless otherwise stated

Ethiopia | Our Value Proposition

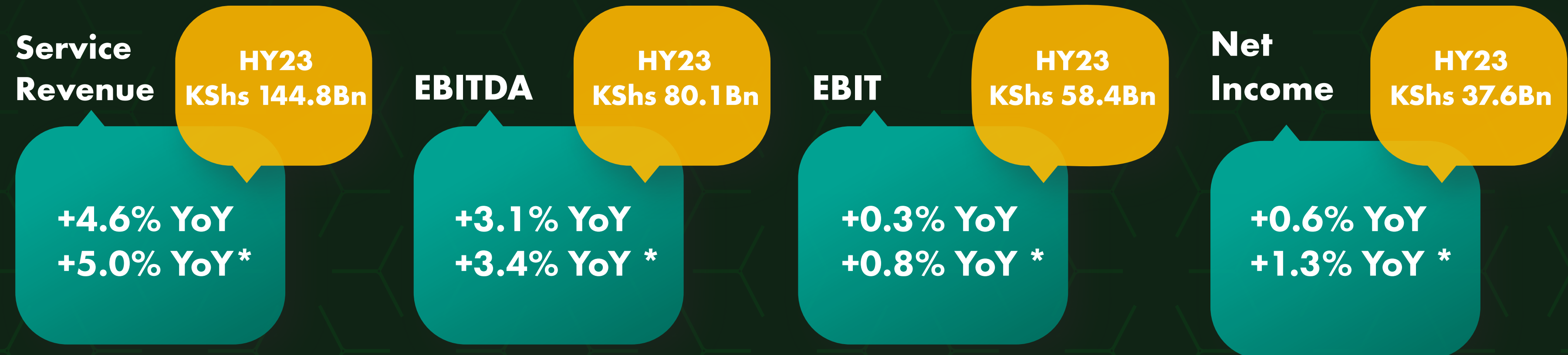




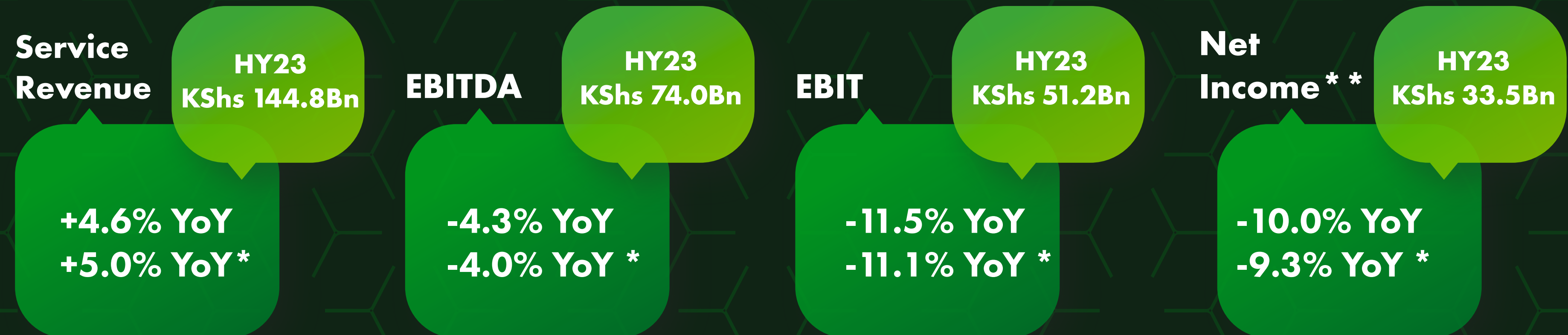
HY23 Group Financial Performance

HY23 Performance | Slowdown Attributed to Macro Backdrop & Ethiopia Start-up Losses

Safaricom Kenya Performance



Safaricom Group performance (including Ethiopia)



*YoY growth is calculated on an underlying basis- excluding impact of revision of Mobile Termination Rates (MTR) from KShs 0.99 to KShs 0.58 effective 1 Aug 2022

**Excludes Minority interest (loss) attributable to the other shareholders of Global Partnership for Ethiopia (GPE) the investment vehicle which owns Safaricom Telecommunications Ethiopia

Productivity & Efficiency | Responding to Macroeconomic Challenges

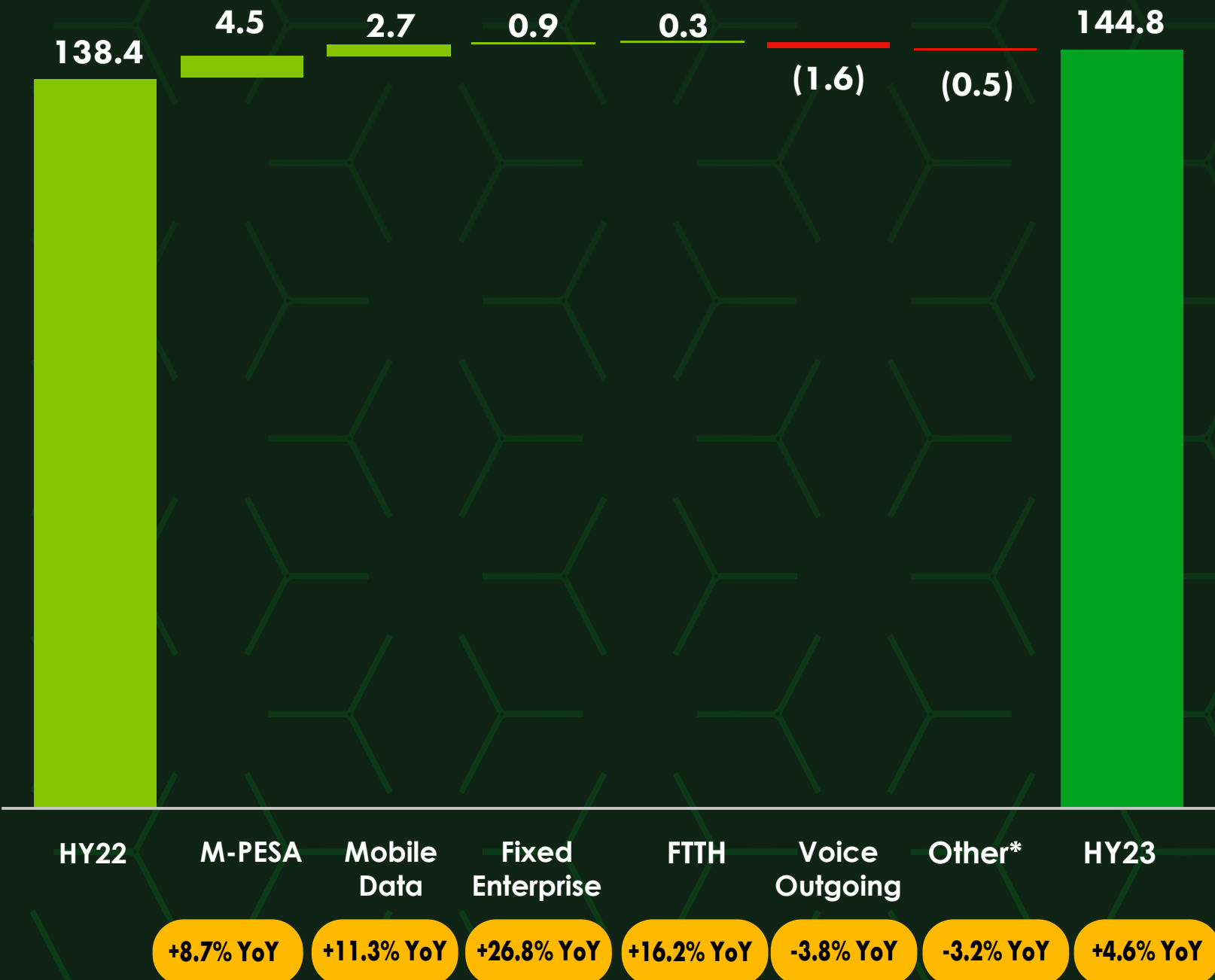




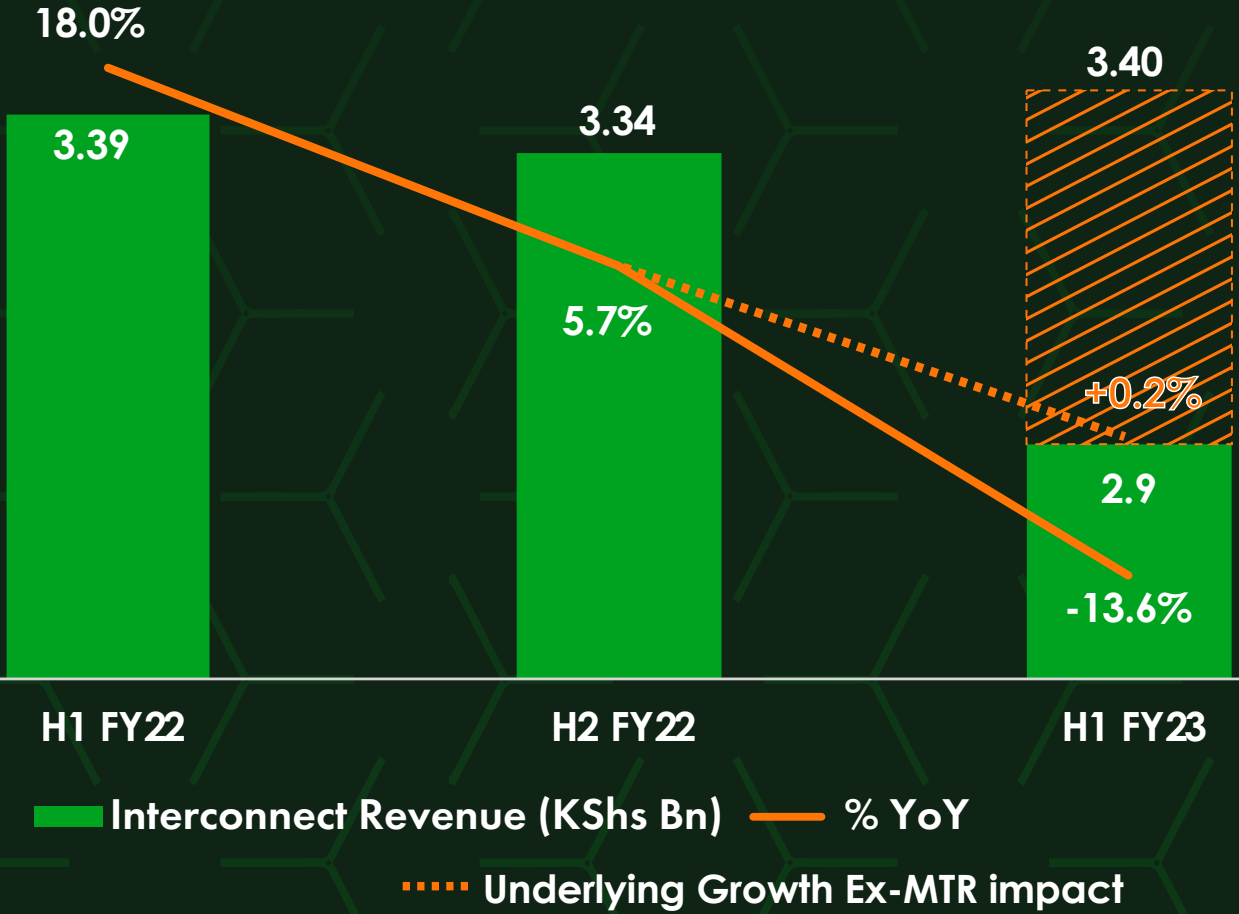
THE NUMBERS IN DETAILS

Service Revenue | Growth Supported by M-PESA and Mobile Data

Contribution to Service Revenue Growth (KShs Bn)

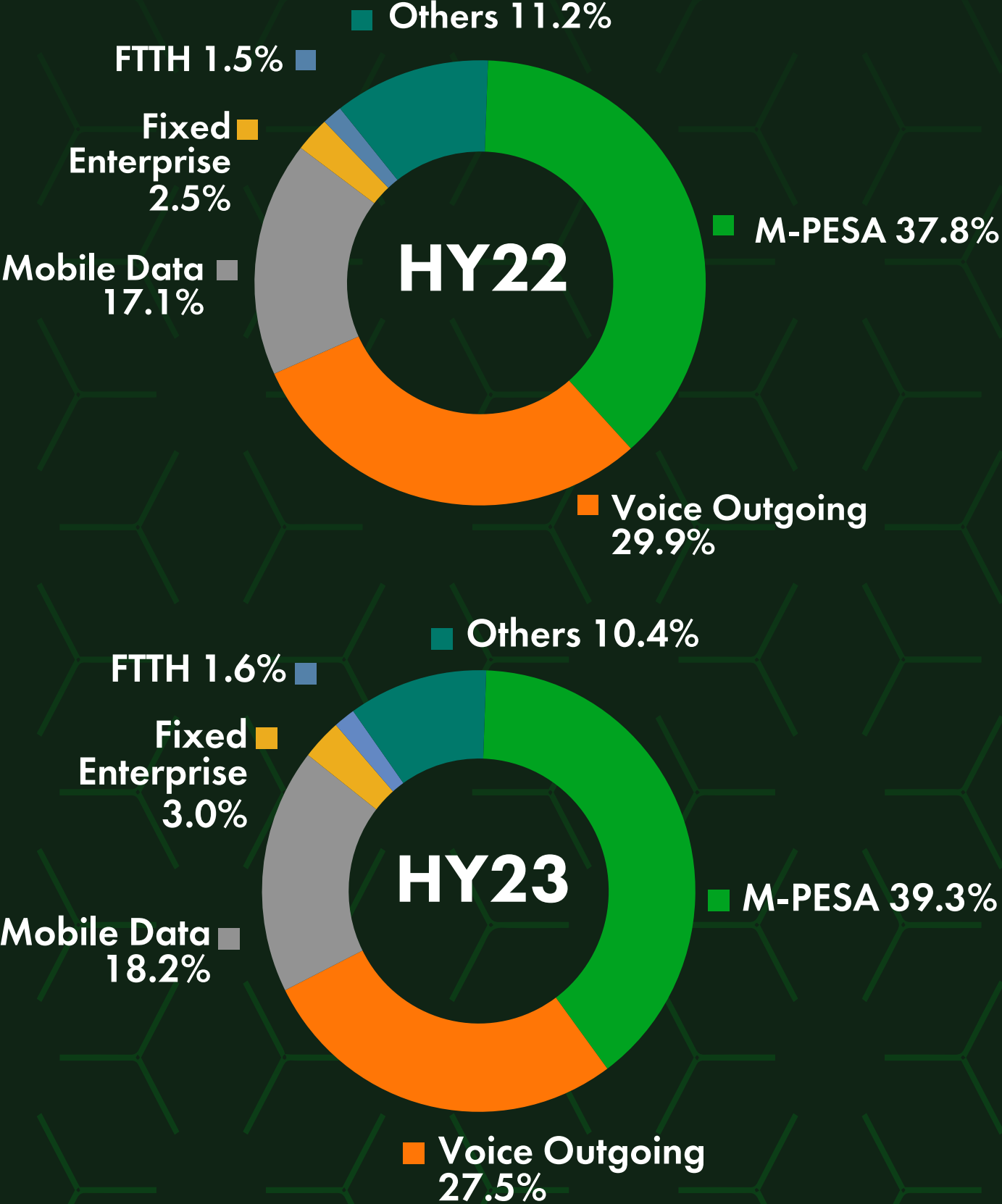


Interconnect Revenue Impacted Largely Due to MTR Revision



Mobile Termination Rates (MTR) changes from KShs 0.99 to KShs 0.58 effective 1 August 2022 impacted our Interconnect revenue from local partners as above

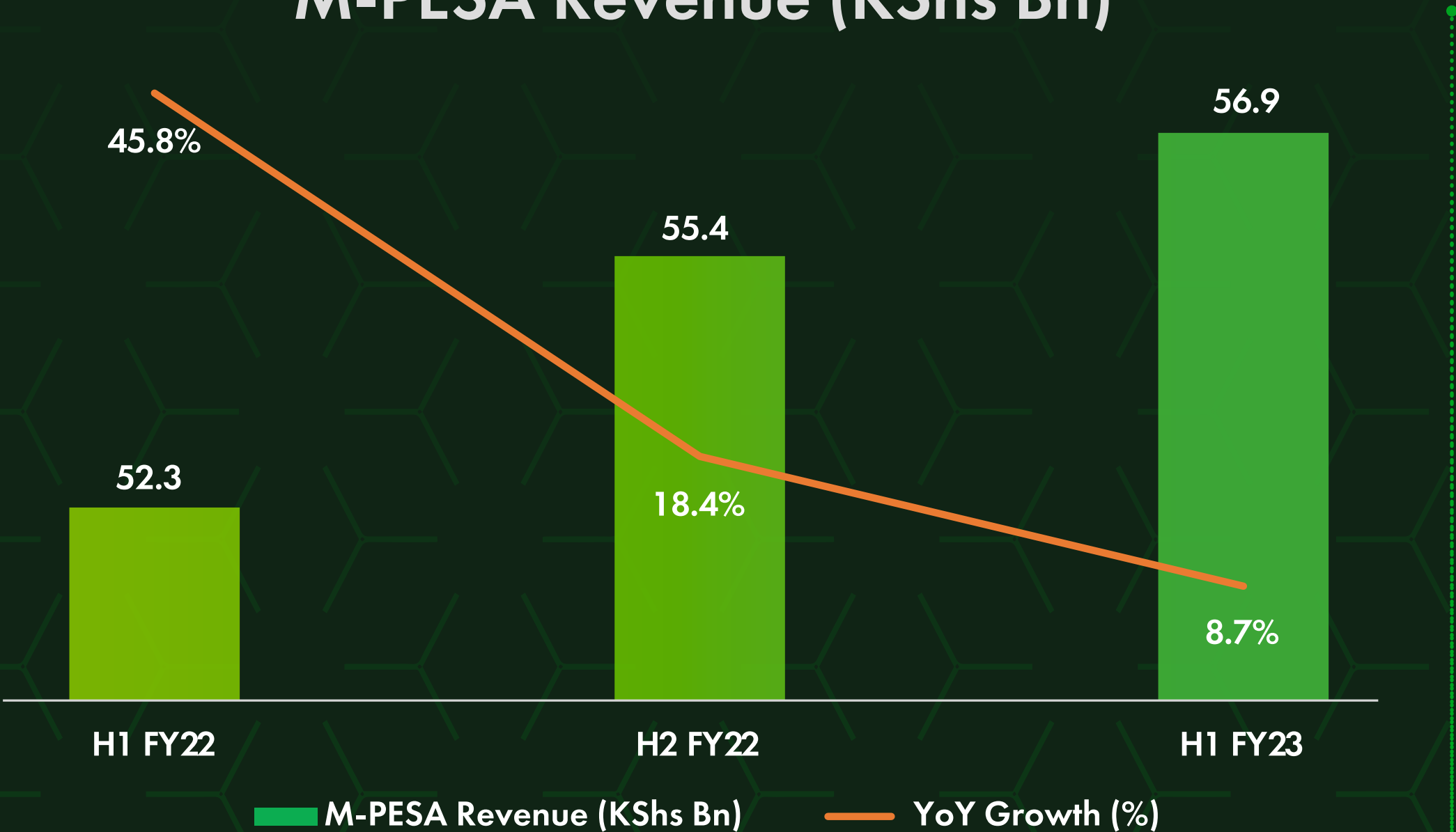
Evolution of Service Revenue Profile



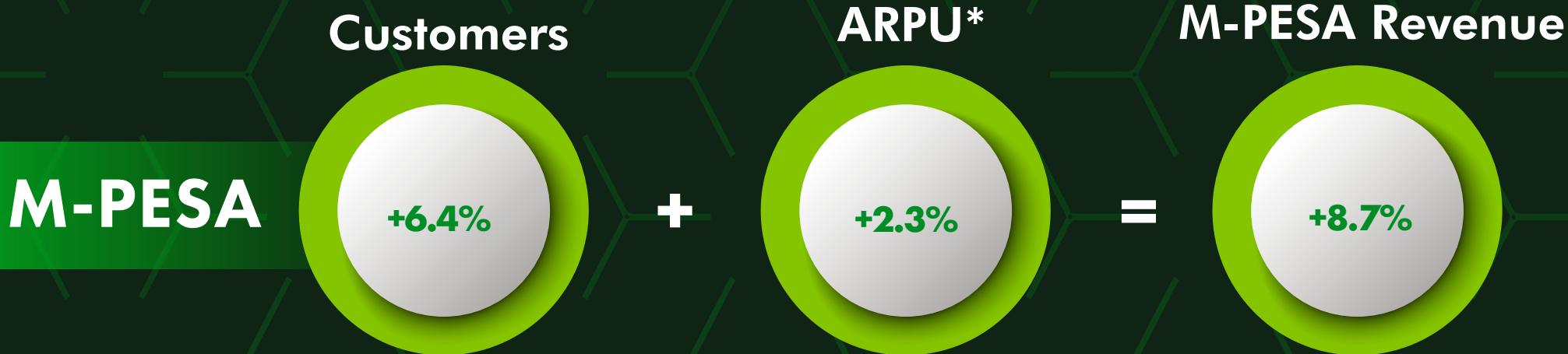
*Others- Voice Incoming, Messaging Revenue and Other Service Revenue

M-PESA | Slowdown During an Election Year, Growth Normalizing to Pre-COVID-19 Levels

M-PESA Revenue (KShs Bn)

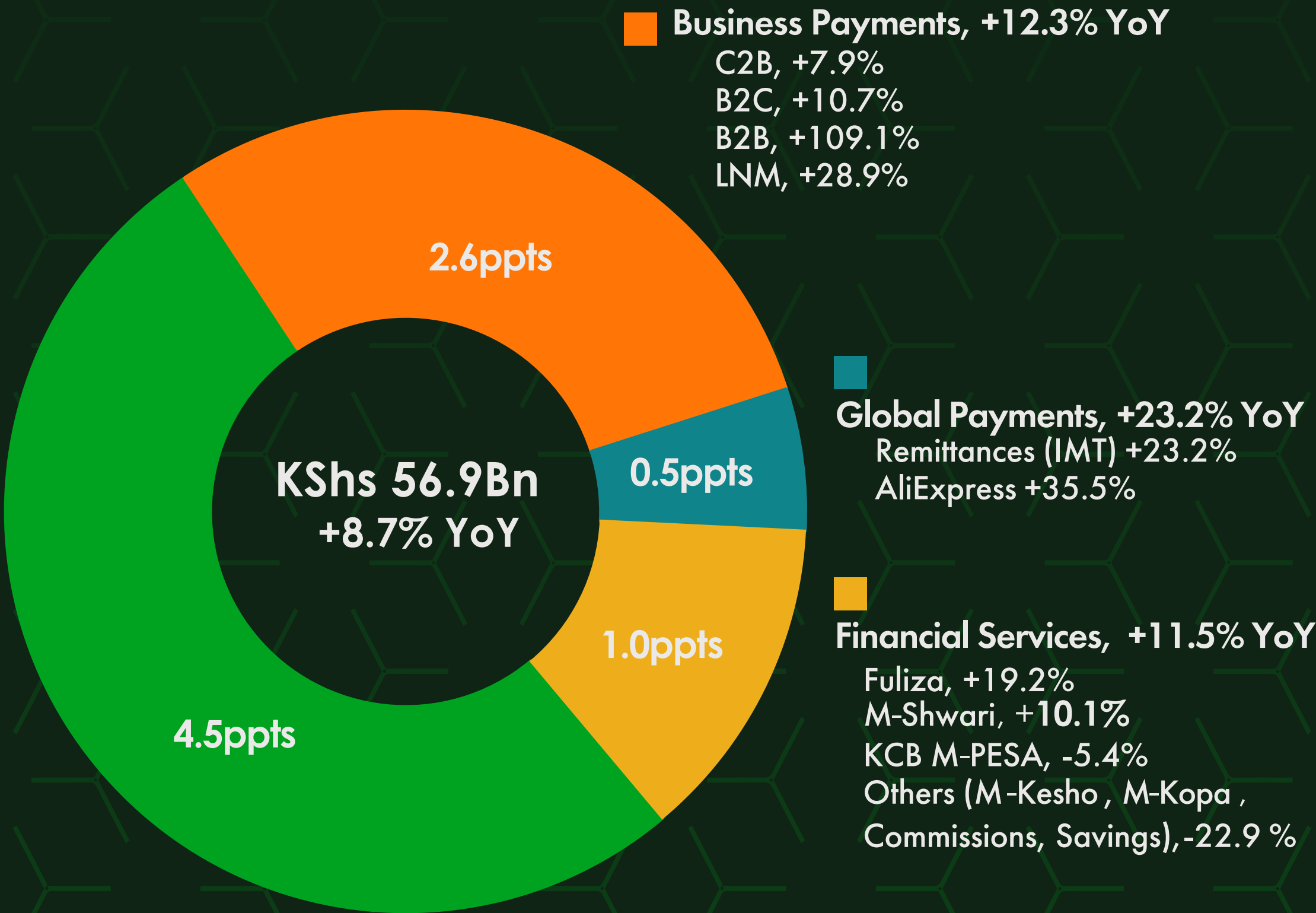


Contribution to M-PESA Revenue Growth by;



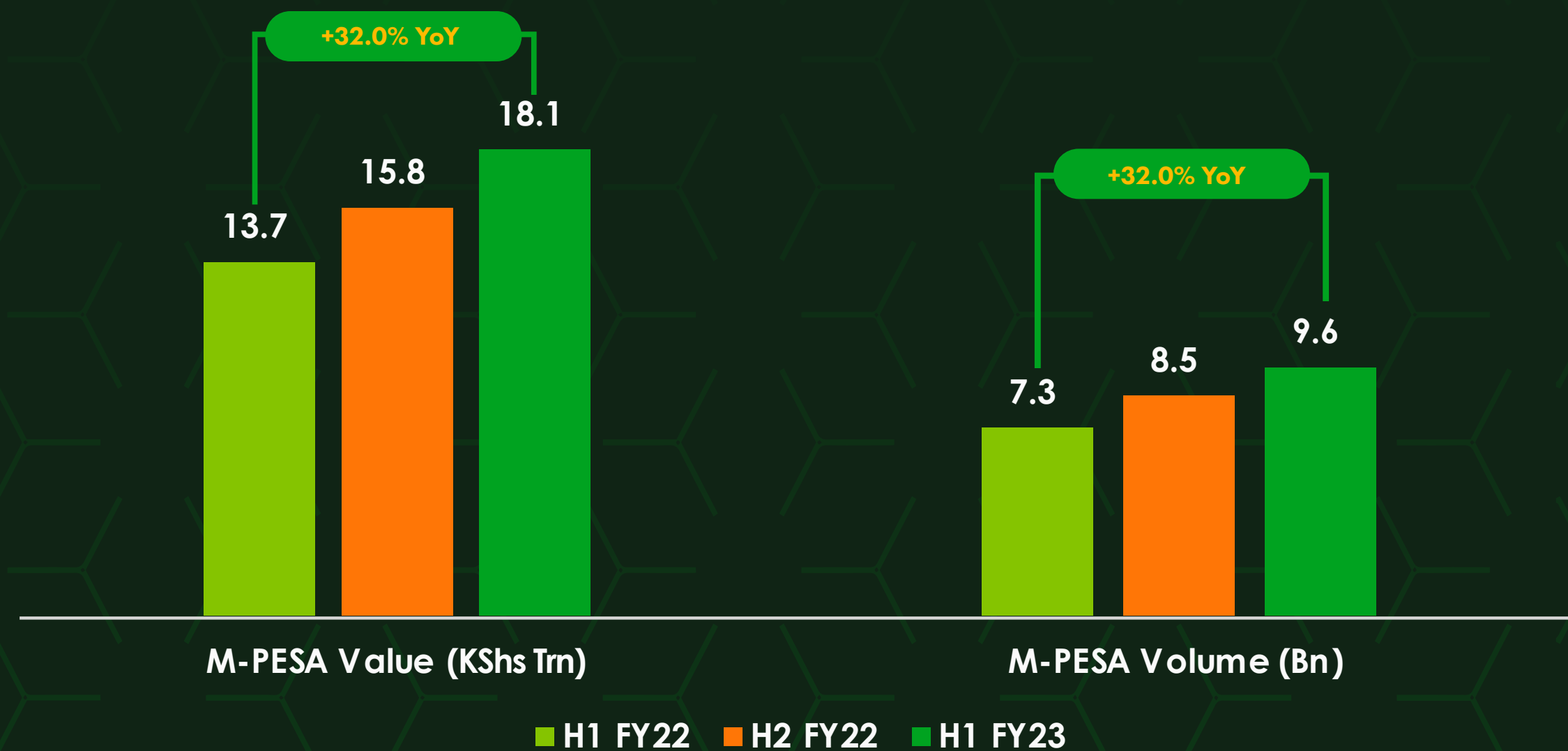
*Average Revenue per User

Contribution to M-PESA growth



M-PESA | Sustained Momentum Driven by Increased Usage

M-PESA Value & Volume



Chargeable Transactions Per One Month Active Customers



M-PESA Chargeable Transactions (Bn)



One month active
M-PESA customers
+8.6% YoY to
31.2Mn

One month active
LNM tills
+39.0% YoY to
538.5k

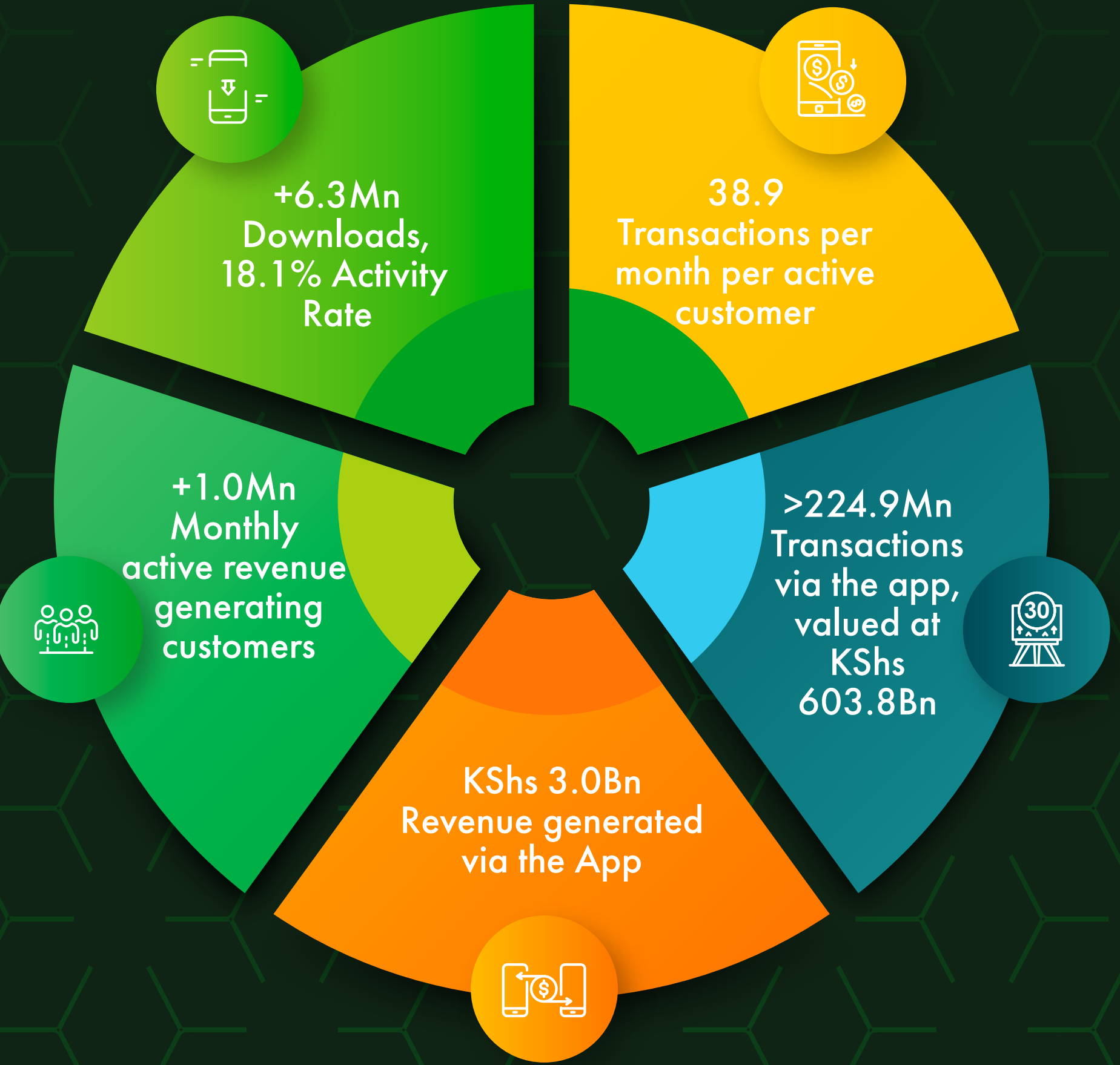
Chargeable
transactions per one
month active customers
+16.3% YoY to
22.4

*Traditional include P2P transfers and withdrawals

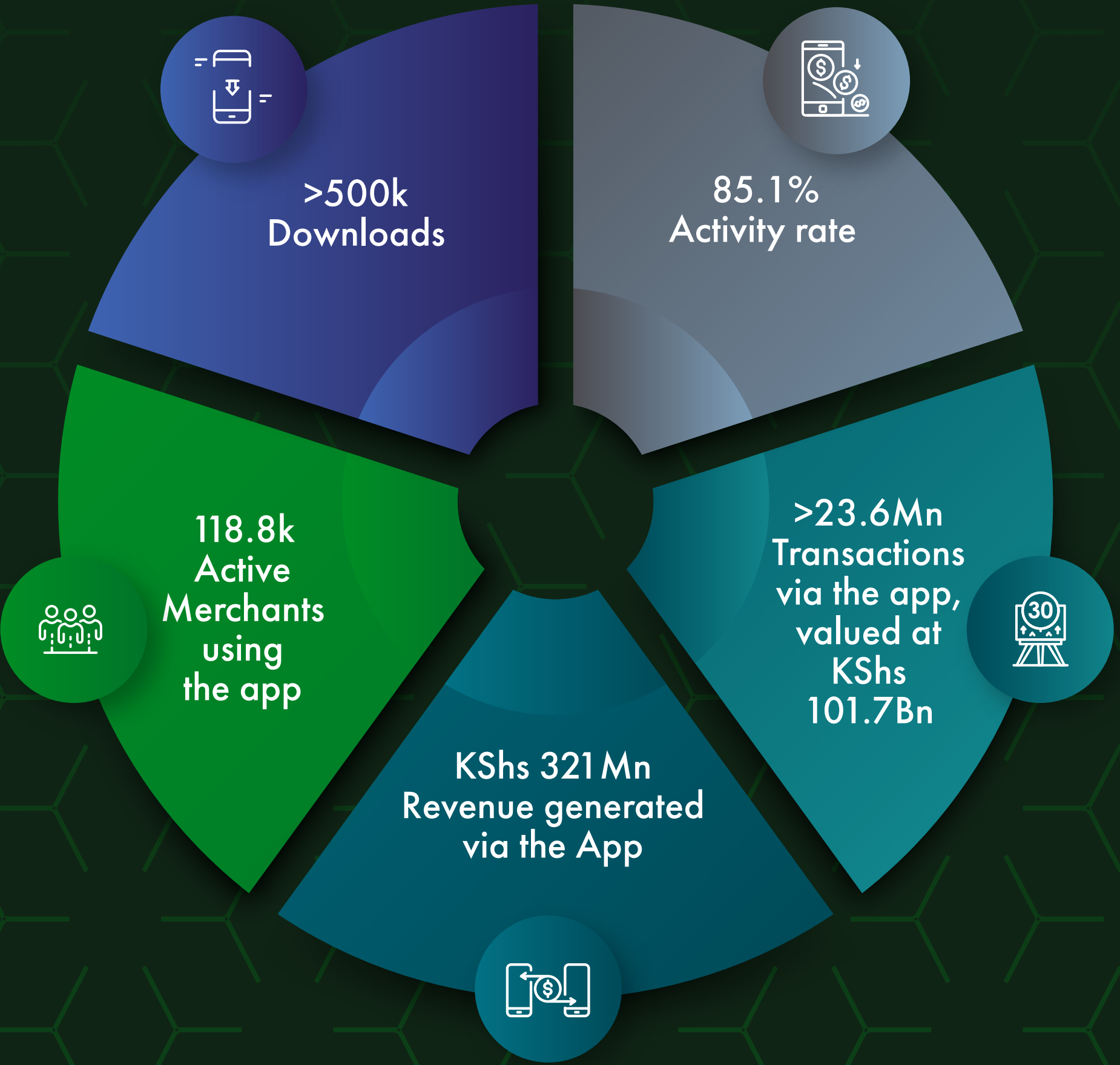
**New Business include Payments (B2C, C2B, B2B, Lipa na M-PESA), Fintech (M-Kesho, M-Shwari, KCB M-PESA, Fuliza and IMT)

M-PESA Apps | Two-sided Ecosystem Powering Digital Lifestyles and E-Commerce

Consumer Super App

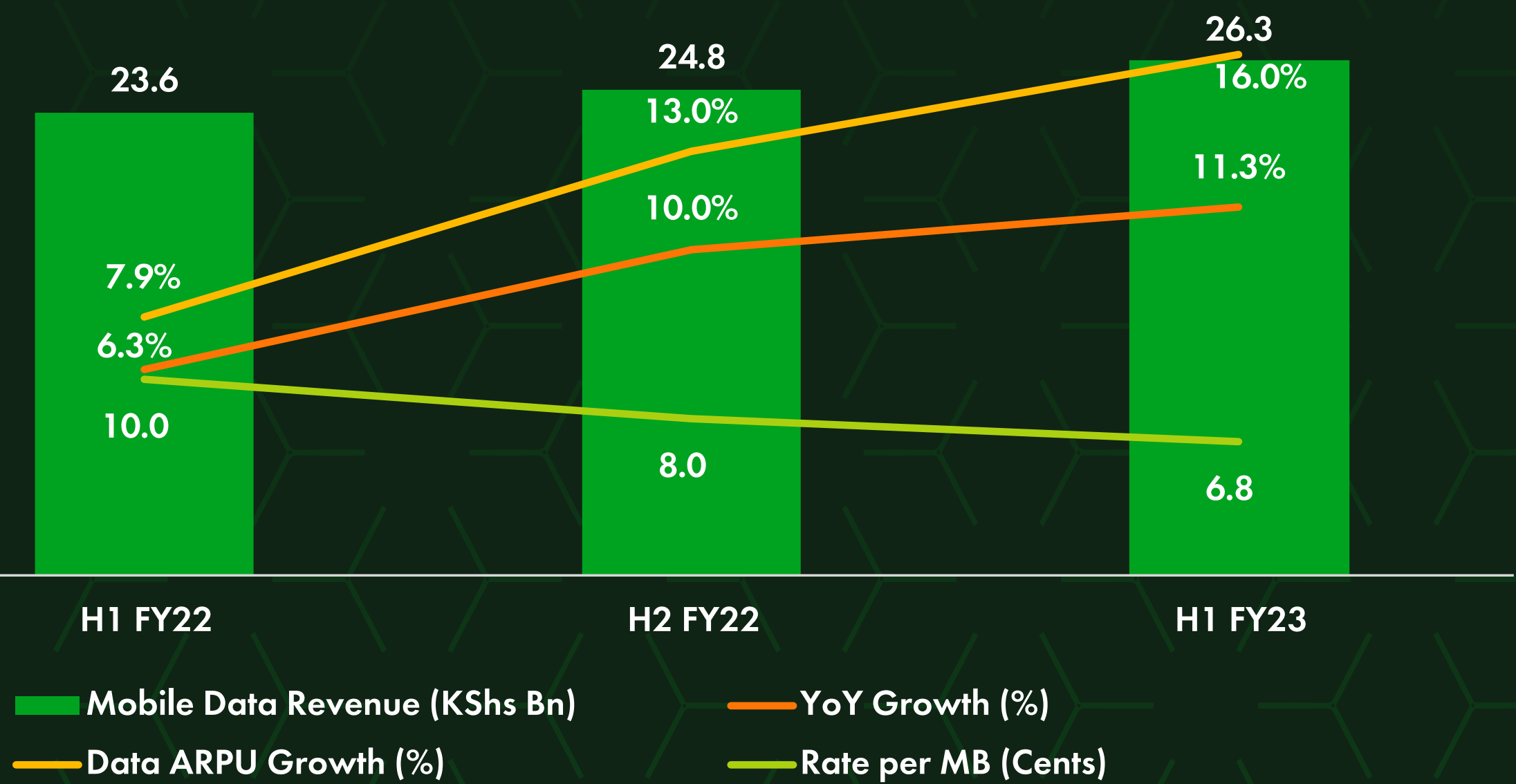


Business Super App

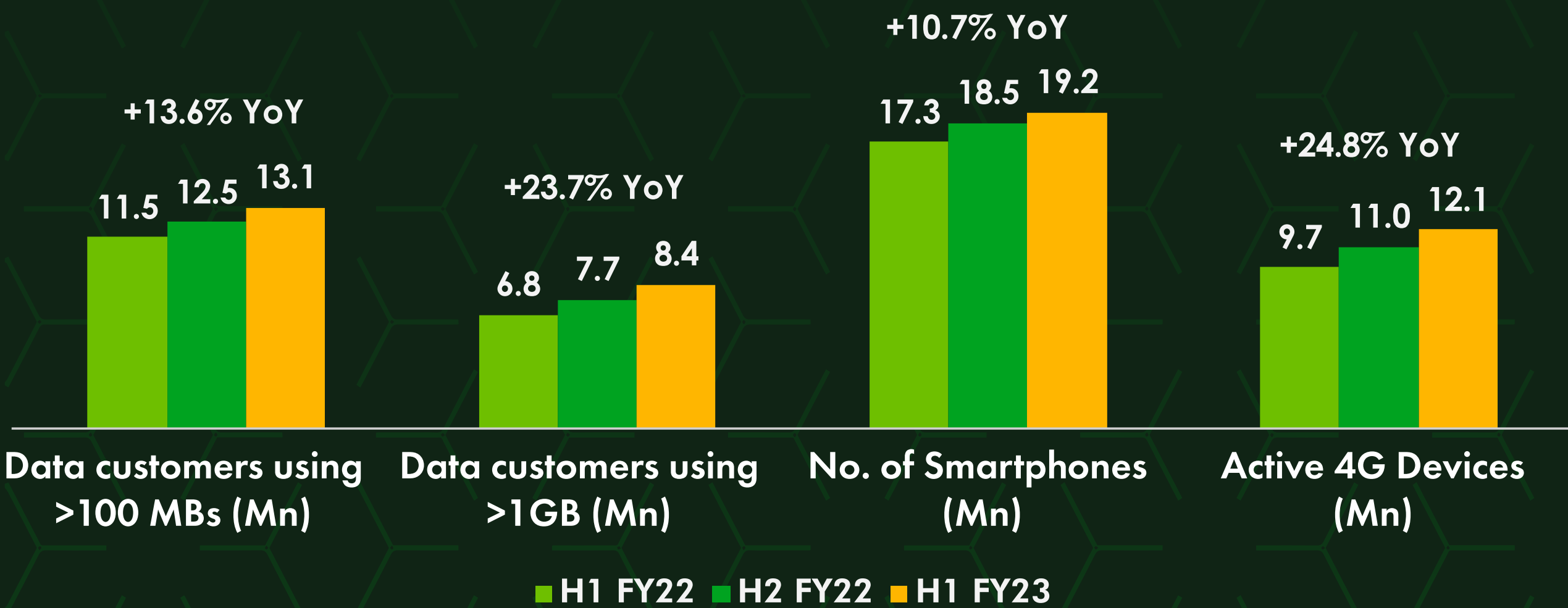


Mobile Data | Double Digit Growth Driven by Increased Usage

Mobile Data Performance



Latent Potential for Growth Remains



97%
4G Coverage

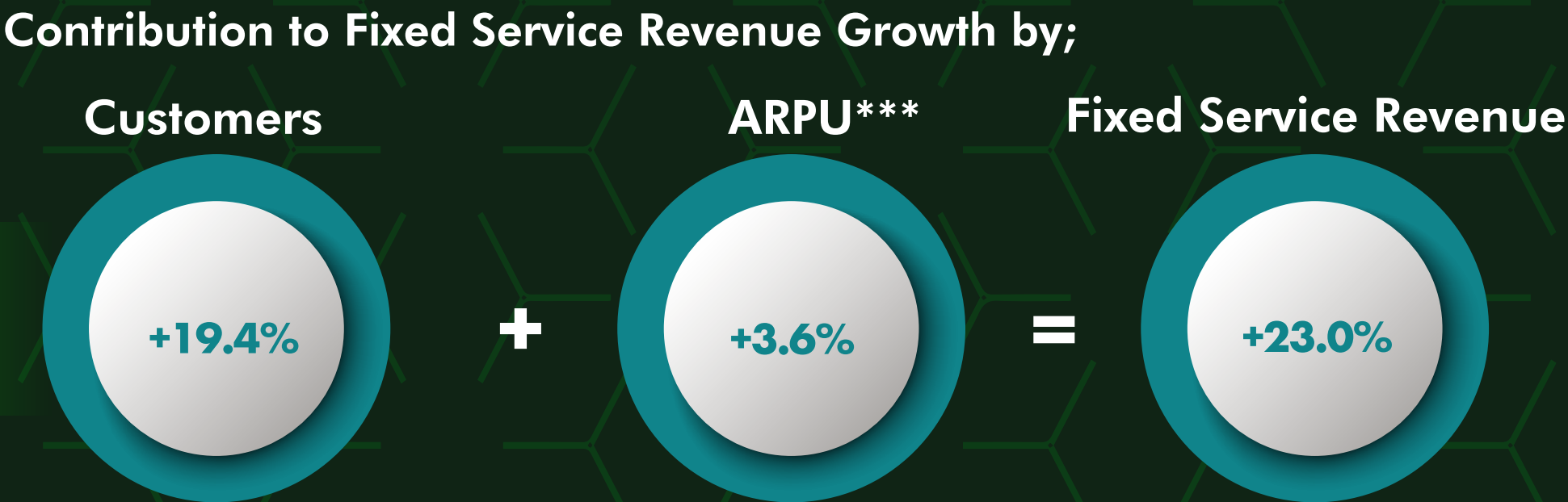
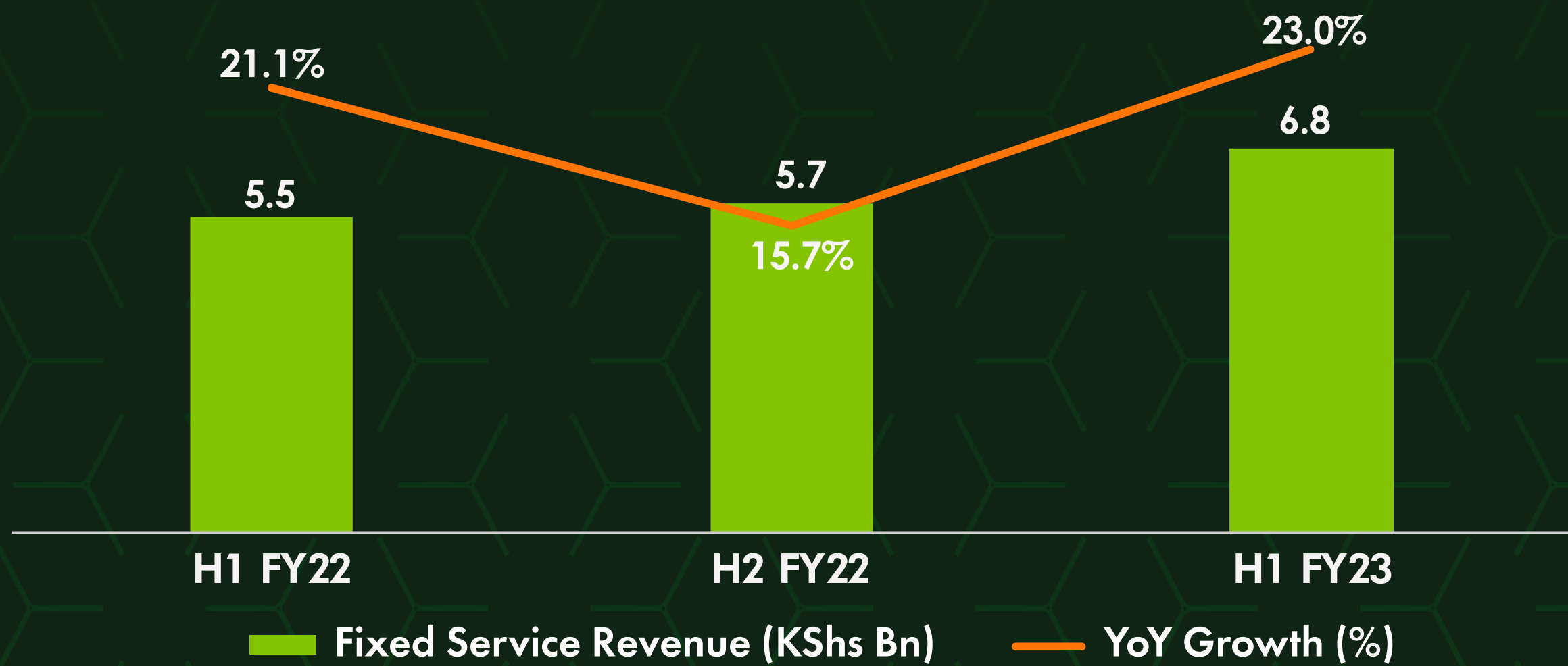
3.4 GB
Average GBs per user
+69.8% YoY

KShs 230.1
ARPU per active user
+16.0% YoY

6.8
Rate per MB (cents)
-31.7% YoY

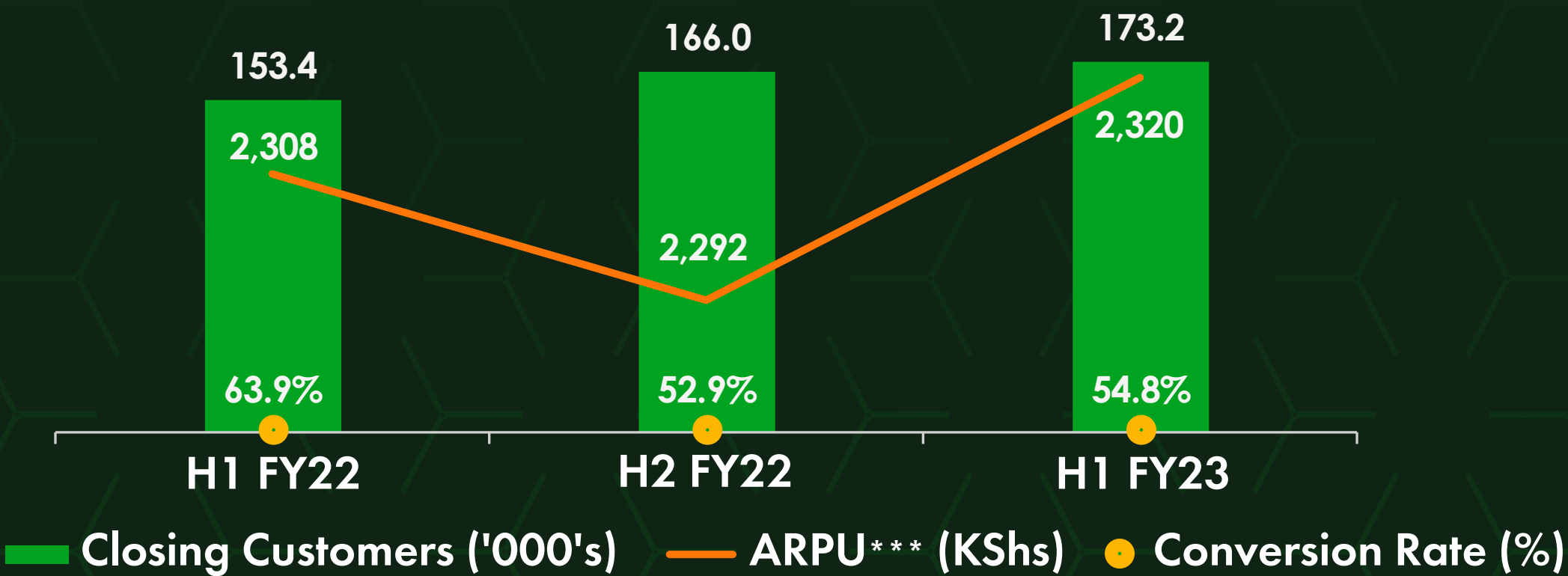
Fixed Service | Accelerated Connections and Customer Acquisition Drive Revenue Growth

Fixed Service Revenue

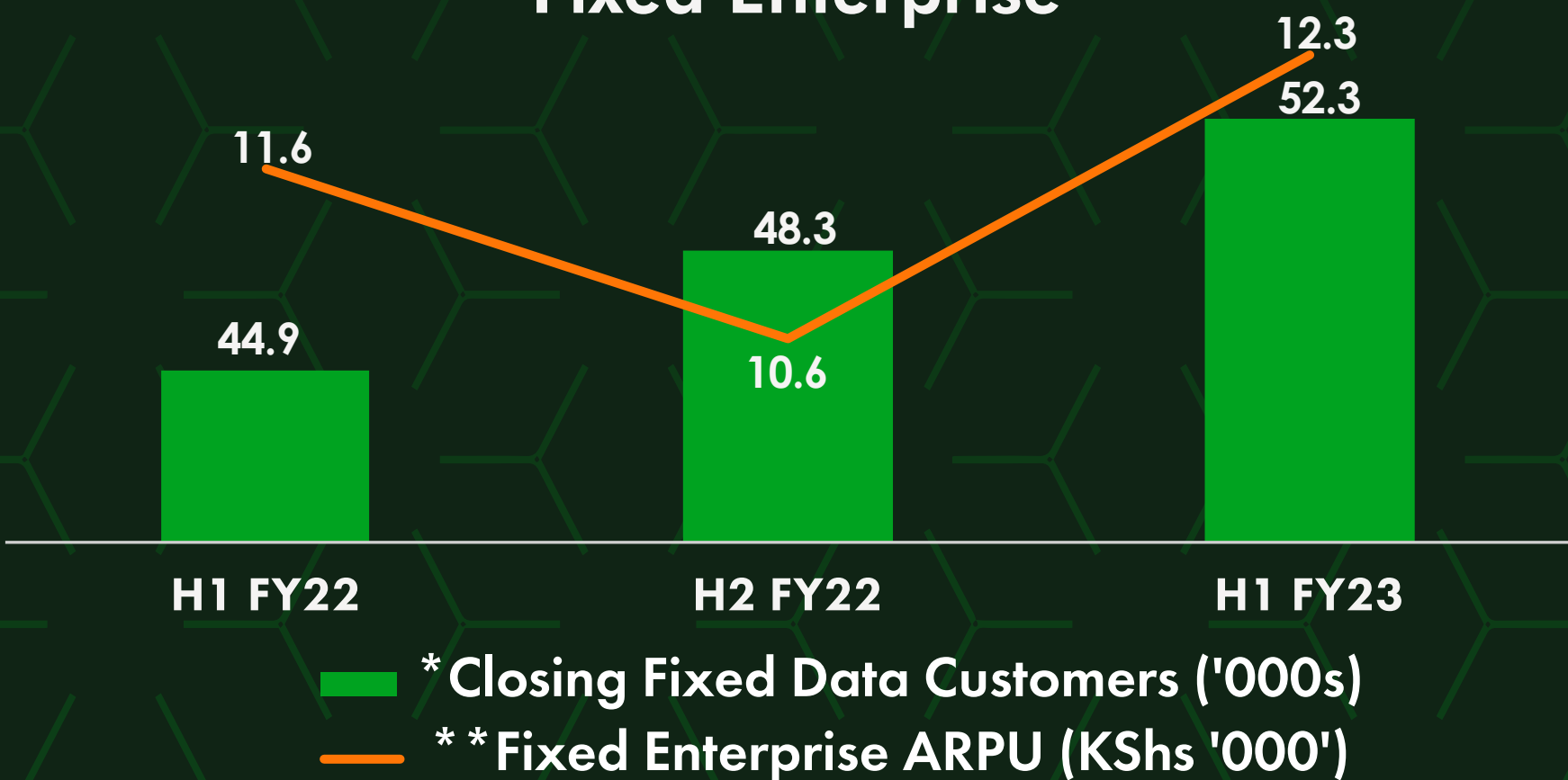


*Long Term Evolution (LTE) customers 31.6k, +21.2% YoY making up 60.4% of total fixed data closing customers at 52.3k, +16.6% YoY
**Fixed Enterprise ARPU ex-LTE KShs 27.42k, LTE ARPU 3.56k, Fixed Enterprise ARPU KShs 12.31k in HY23
***Average Revenue per User (ARPU) based on one month active customers

FTTH

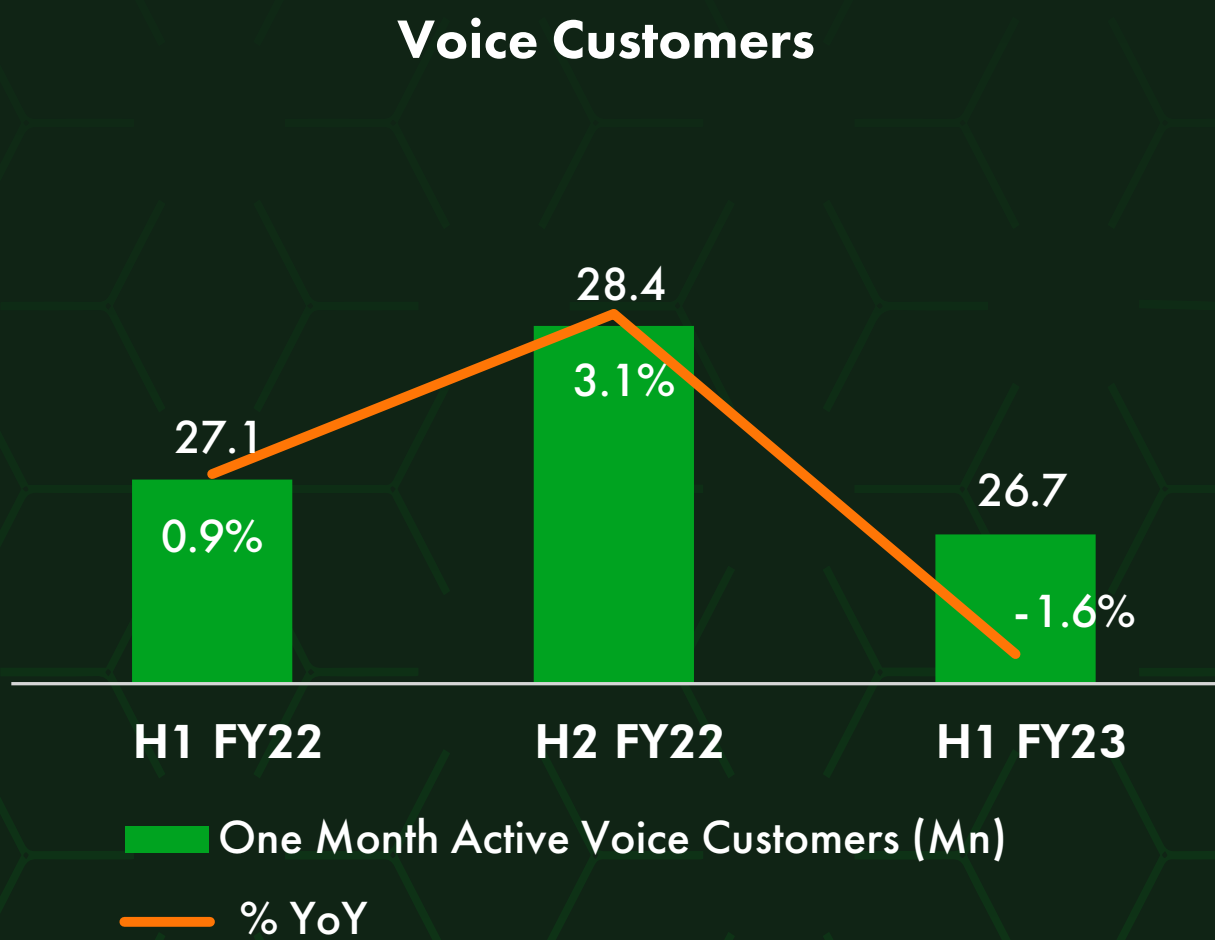
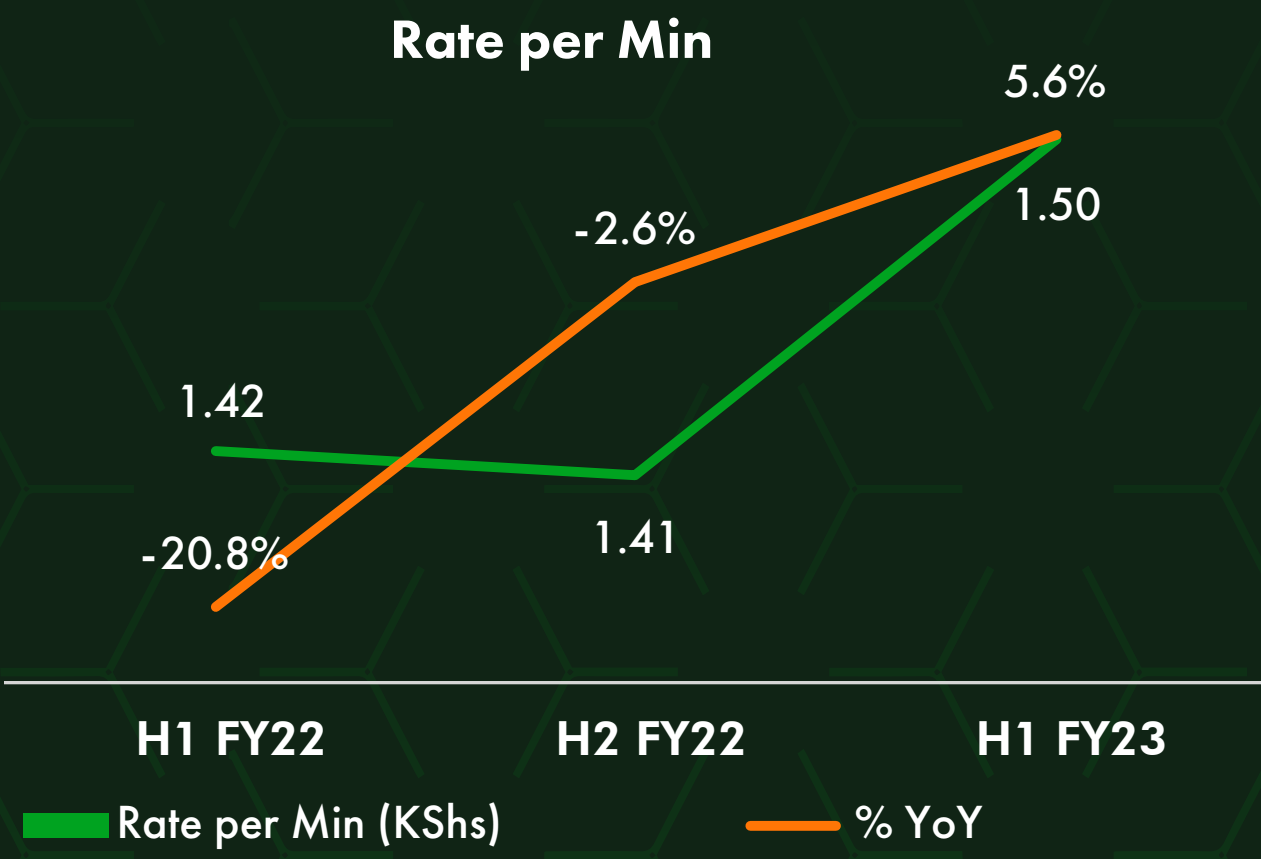
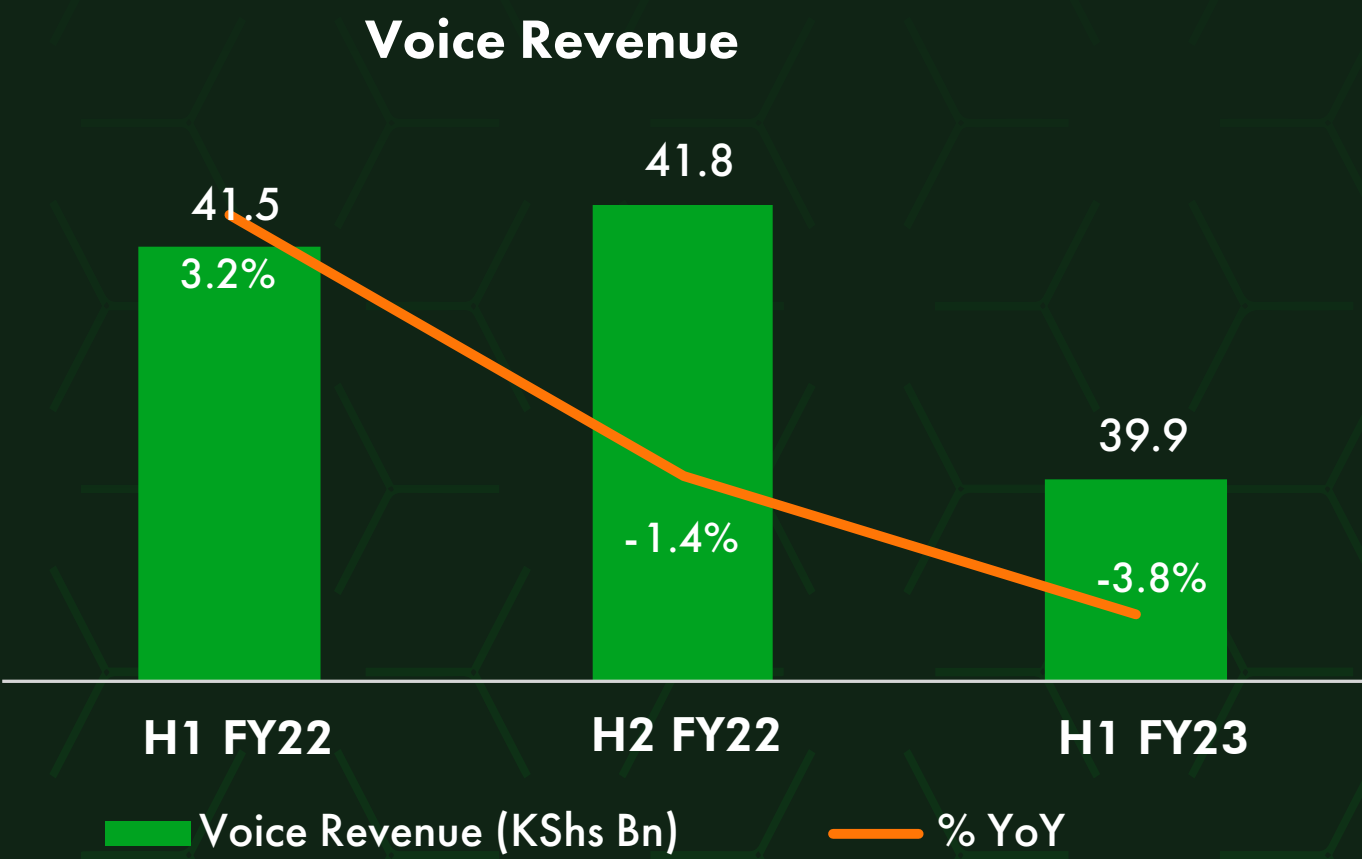


Fixed Enterprise

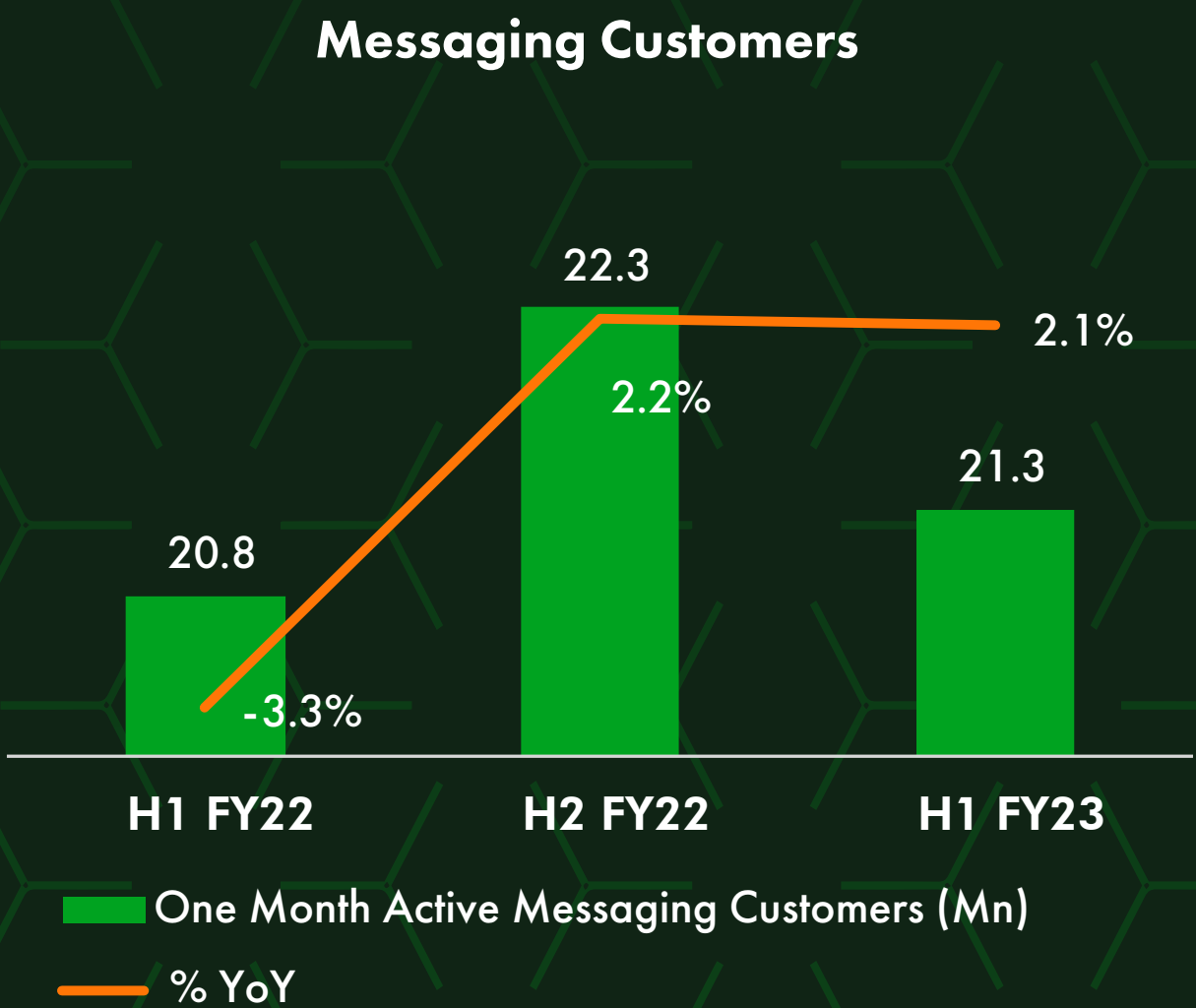
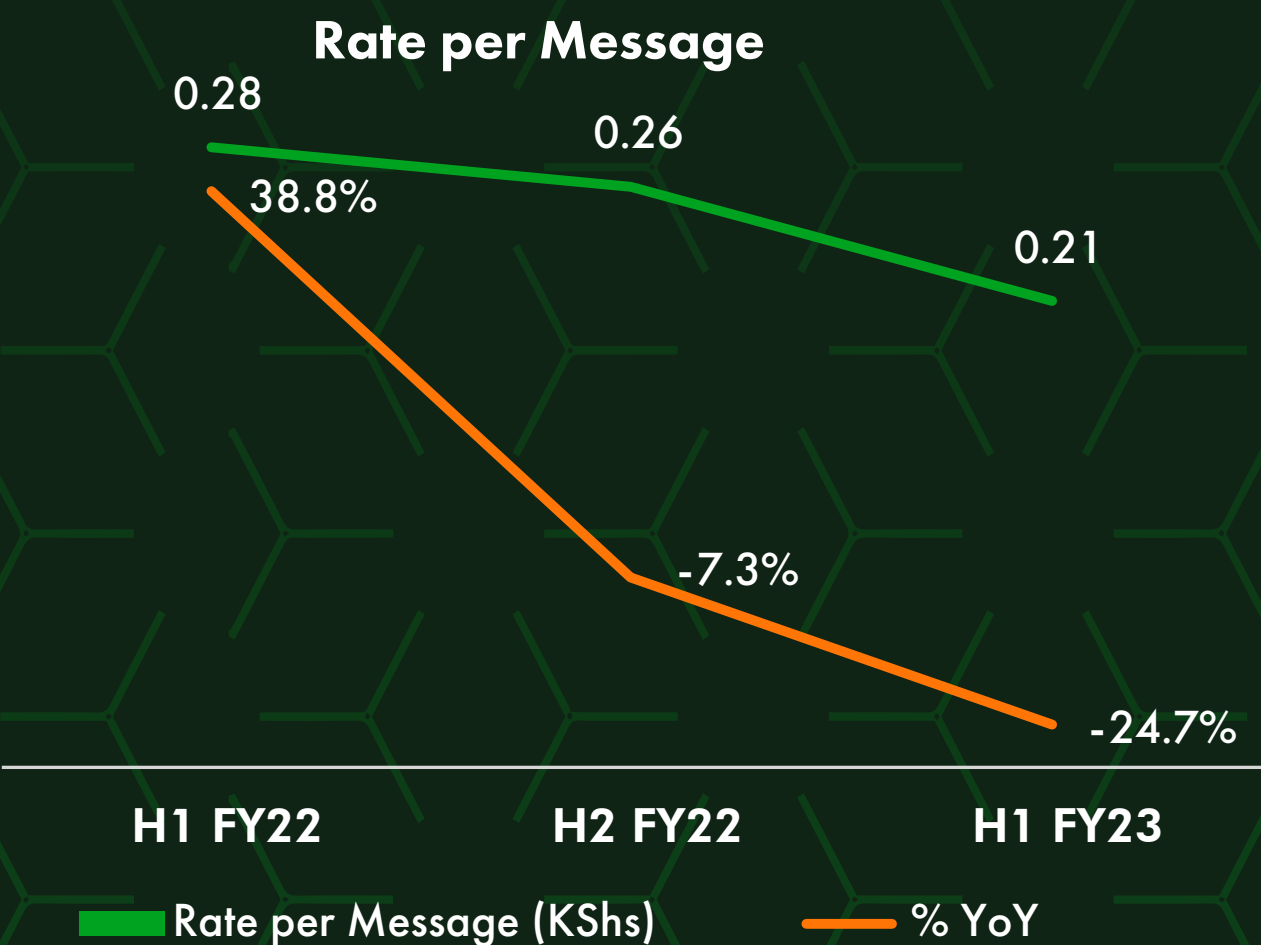
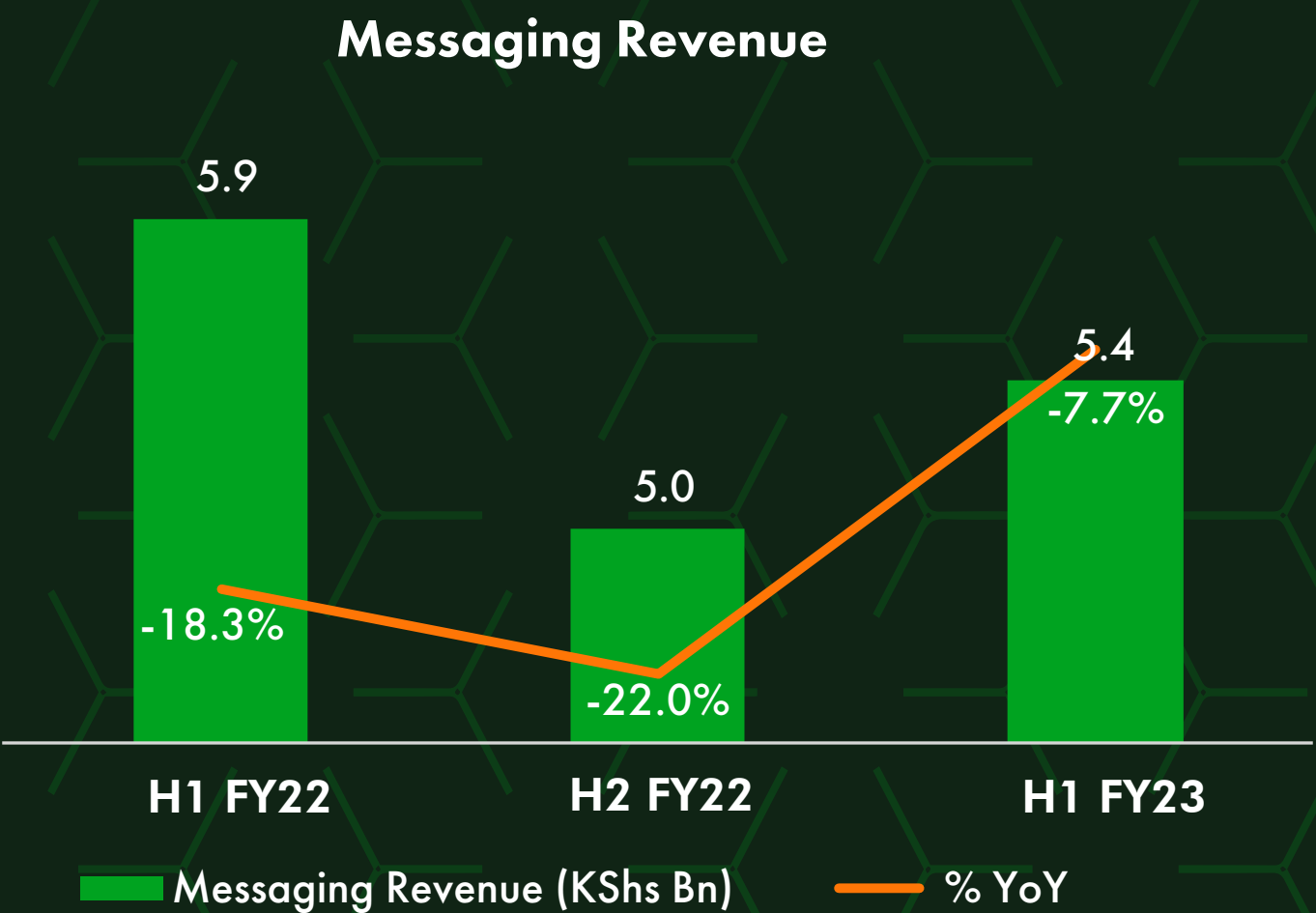


Voice & Messaging | Driving Affordability

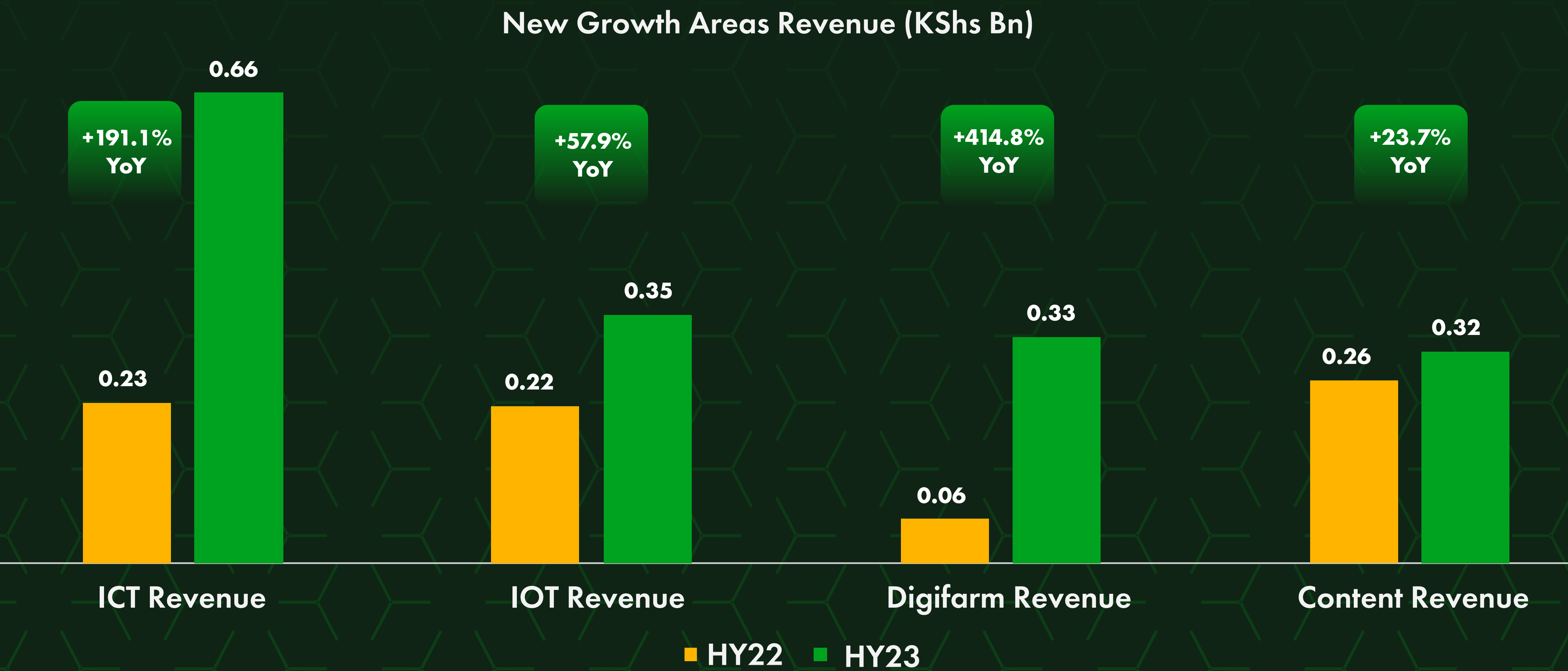
Voice



Messaging



New Growth Areas | Scalable Businesses Gaining Momentum



Ethiopia Performance | Key Business Metrics Since Launch



180k

Total Customers onboarded
as at 30 Sep 2022

740k as at 31 Oct 2022 with
20k daily average since launch



One month active customers
as at 31 Oct

Voice **591k**

Data **407k**



Average MBs
of use per active Data
customers for Oct 2022



KShs 9.1 Mn

Service Revenue

KShs 98.3 Mn

Total Revenue

generated in the 1st month to 30 Sep 2022



68.7k

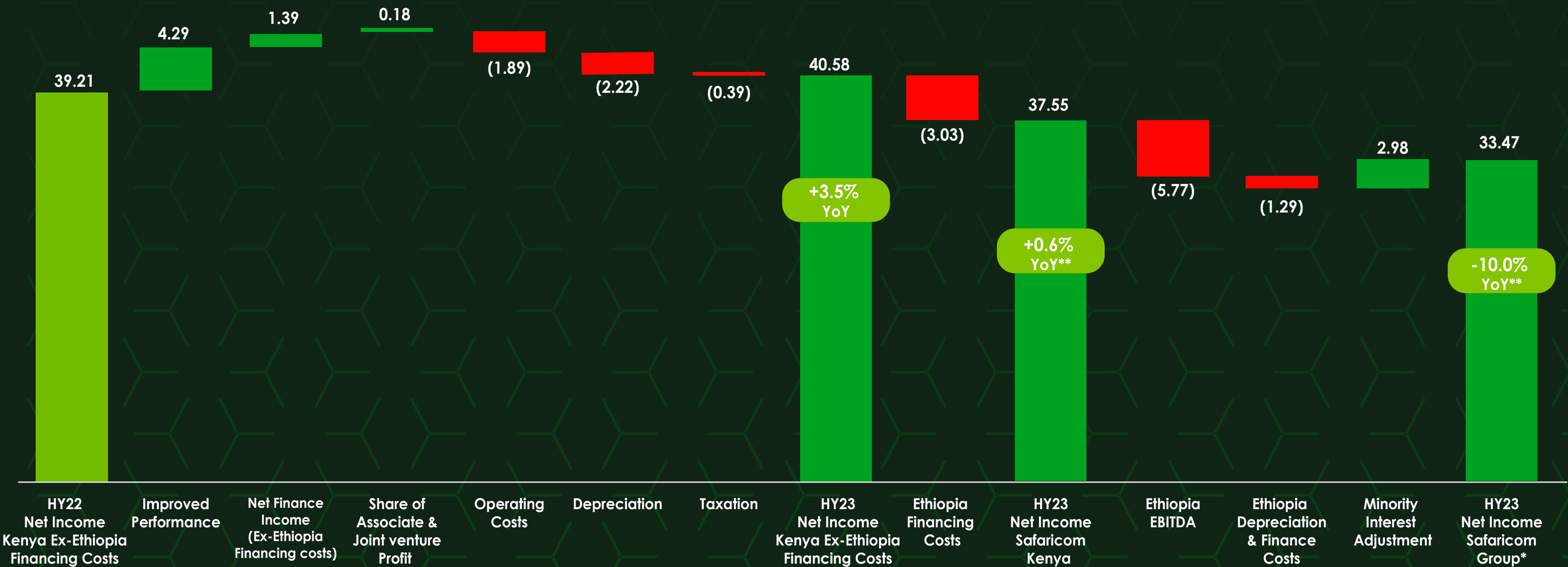
Handsets sold
as of 31 Oct 2022



30

Average Minutes of Use
per active Voice customers
for Oct 2022

Group Net Income | Slowdown from Ethiopia Startup Costs



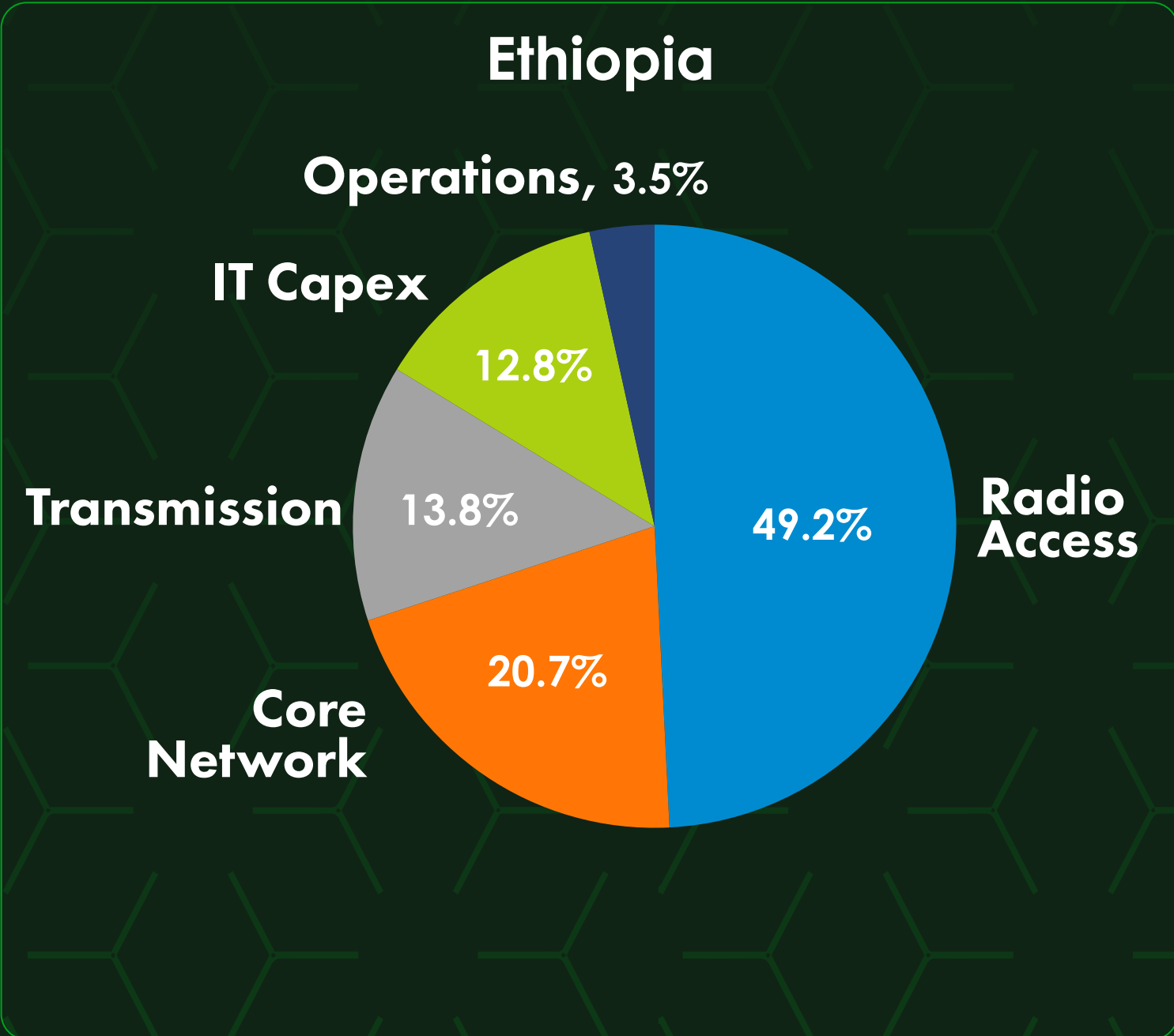
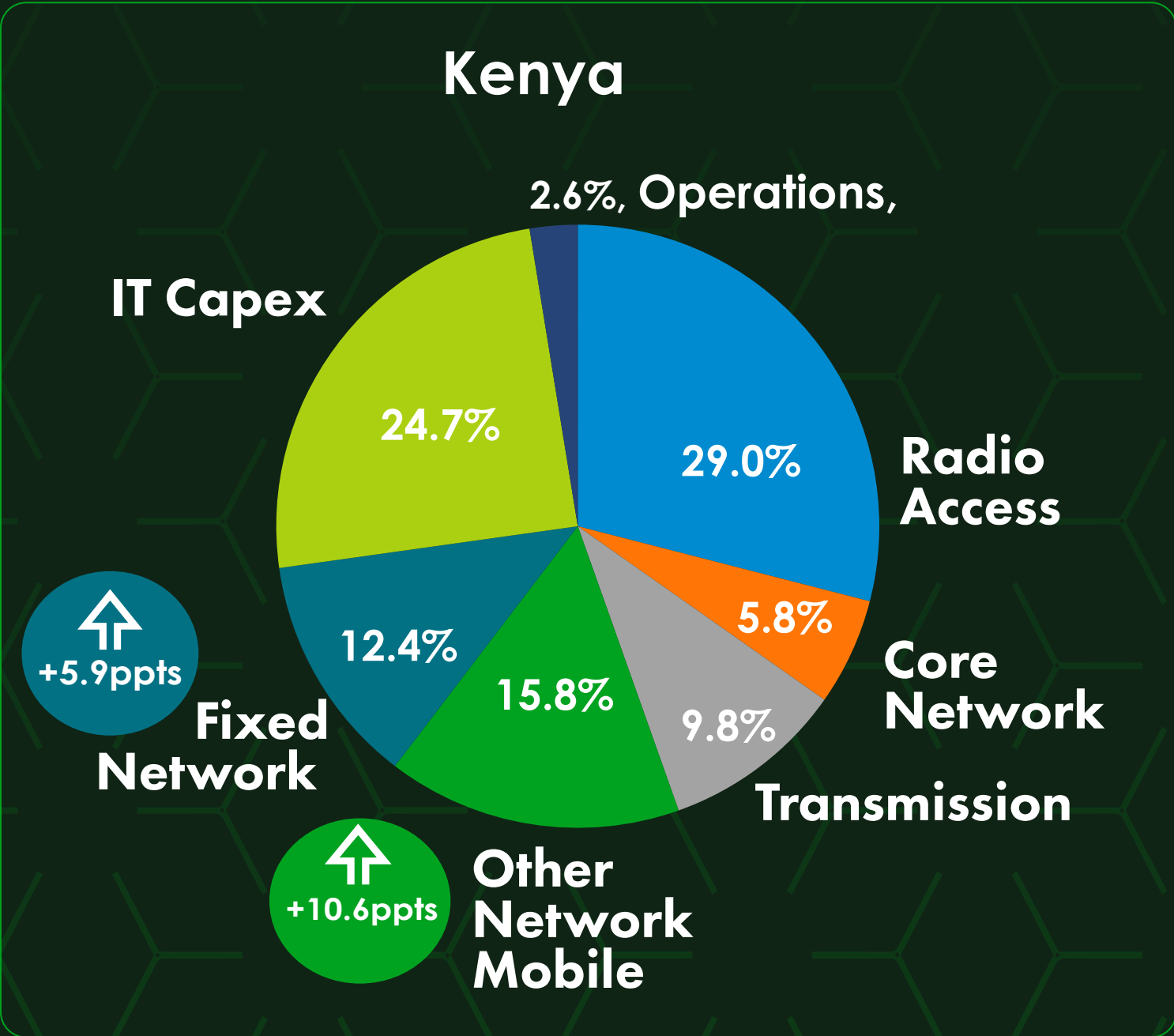
*Excludes Non-controlling interest
**Growth rates based on corresponding base numbers in prior periods

Overall HY23 Group Performance

	Safaricom Kenya (KShs Mn)	Safaricom Ethiopia (KShs Mn)	Safaricom Group (KShs Mn)	Safaricom Kenya % YoY	Safaricom Ethiopia % YoY	Safaricom Group % YoY
Service Revenue	144,816.4	9.1	144,825.4	4.6%	100.0%	4.6%
Total Revenue	153,332.1	98.3	153,430.3	4.8%	100.0%	4.8%
Contribution margin	105,113.4	(107.0)	105,006.3	4.3%	100.0%	4.2%
Operating costs	(25,004.5)	(5,959.6)	(30,964.1)	8.2%	>100.0%	32.2%
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	80,108.9	(6,066.6)	74,042.2	3.1%	>100.0%	(4.3%)
Depreciation, impairment & amortisation	(21,708.7)	(1,087.6)	(22,796.3)	11.4%	100.0%	16.9%
Earnings before Interest and Tax (EBIT)	58,400.2	(7,154.2)	51,245.9	0.3%	>100.0%	(11.5%)
Profit / (loss) before income tax	55,573.2	(7,322.1)	48,251.0	1.1%	>100.0%	(11.8%)
Profit/ (loss) after tax excluding Minority Interest	37,551.4	(4,,079.2)	33,472.2	0.6%	>100.0%	(10.0%)
Capex	18,035.0	19,466.7	37,503.7	-9.1%	>100.0%	64.3%

CAPEX | Diversified Investment to Unlock Potential in New Growth Areas

HY23 Capex Split



Sites



Kenya

2G sites
+7.1% YoY
6,203

3G sites
+7.3% YoY
6,190

4G sites
+7.3% YoY
6,088



Ethiopia

Active 2G/3G/4G Sites; 561

931 Sites under construction

Numbers as at 31 Oct 2022

Ethiopia | Funding and Medium Term Outlook



Funding sources

- Equity
- Vendor financing
- Third party financing (DFI, Local Banks)

Total Funding by;

- **Shareholders***
Y1-Y2; USD 1,073Mn
- † **Safaricom PLC**
Y1-Y2; USD 598Mn



Capex Investment

5YR Plan;
USD 1.5-2.0Bn

Y1-Y2;
USD 247Mn

10Yr Sites Rollout Target;
10-12k



EBITDA break-even in Y4

EBITDA Margin Y10 est. at
around 40%

Enablers

Aggressive network expansion
Sim card penetration
Mobile financial services launch

*Shareholders & their respective shareholding of Global Partnership for Ethiopia B.V (GPE), the investment vehicle to Ethiopia;
Safaricom PLC (55.71%), Vodacom Group (6.19%), Sumitomo Corporation (27.2%) and British International Investment (formerly CDC Group PLC) (10.9%)



**LOOKING
AHEAD**

H2 FY23 Outlook



Risks

Kenya Business

- Inflationary pressure, shrinking consumer wallet
- Currency depreciation
- MTR impact
- Chipset shortage
- Impact of smartphone tax, slowing down smartphone penetration
- Subscriber registration compliance

Ethiopia Business

- Political conflict
- Macro challenges; Inflation, Currency Depreciation
- Forex Availability

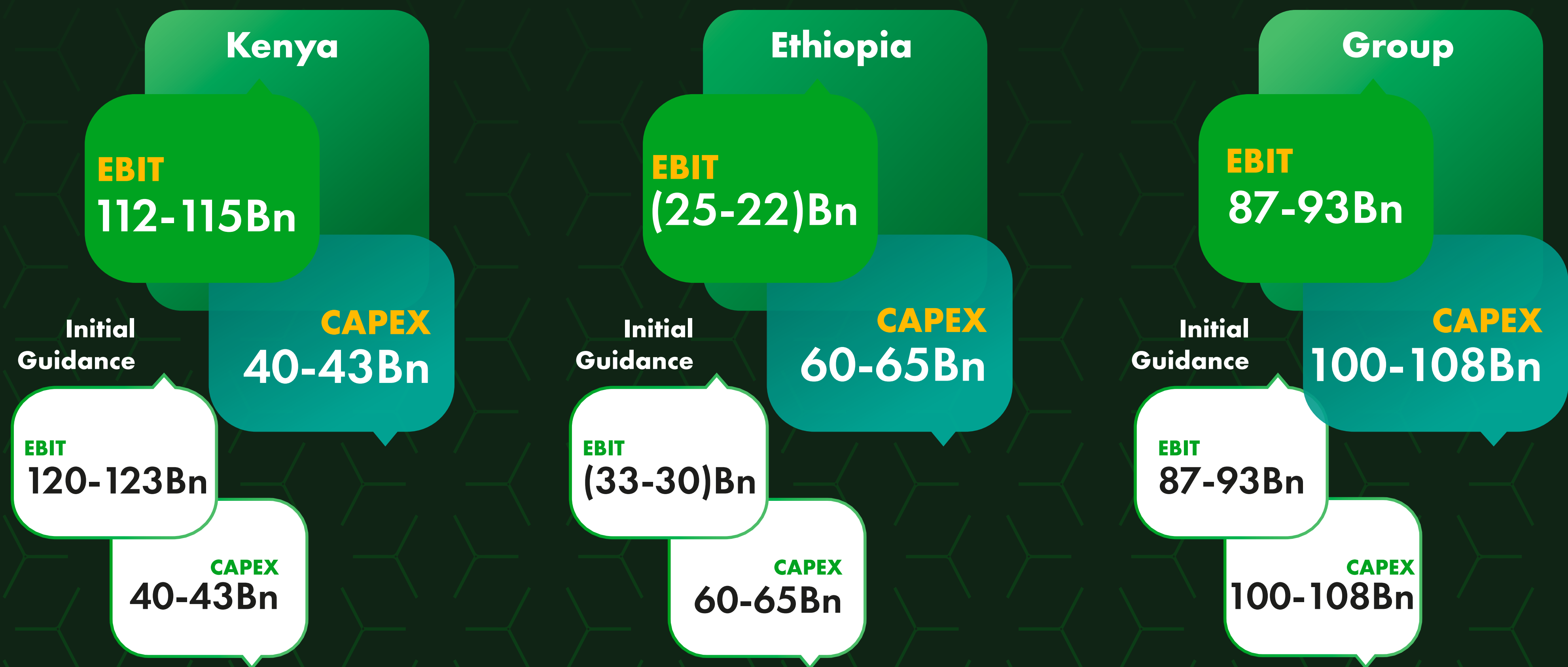


Opportunities

- Accelerate merchant acquisition and lending
- Driving targeted customer value propositions
- Return to charging on banking transactions

- Mobile money license in Ethiopia
- Build fastest data network in 25 cities by March 2023
- Delivering 70% distribution penetration in 25 cities

FY23 Guidance | Revision to Reflect Unveiling Macro-economic Challenges



All numbers are in KShs
FY23 CAPEX Guidance maintained



TUINUANE

Let's Go Beyond

Simple • Transparent • Honest
FOR YOU