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SAFARICOM PLC ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2019.

KEY HIGHLIGHTS ⁱ

Full-Year Guidance Achieved

- Service revenue growth of 7% to KShs 240.30bn.
- Voice service (incoming and outgoing) revenue grew by 0.3% to KShs 95.94bn.
- M-PESA revenue grew by 19.2% to KShs 74.99bn.
- Mobile data revenue increased by 6.4% to KShs 38.69bn.
- Messaging revenue declined by 1.3% to KShs 17.50bn.
- Fixed service revenue increased by 22.7% to KShs 8.19bn.
- Total customer base increased by 7.7% to 31.8m.
- 30-day active M-PESA customers increased 10.2% to 22.6m.
- 30-day active mobile data customers increased 6.6% to 18.8m.

Strong financial performance

- 13.1% growth in EBIT (Earnings before Interest) to KShs 89.61bn with an EBIT margin of 35.8%, up 1.9ppts YoY.
- Net Income increased by 14.7% to KShs 63.40bn.
- Free Cash Flow up 13.9% to KShs 63.11bn.

Bob Collymore, Safaricom PLC CEO commented:

In a year where macro issues weighed on customer choice, we continued to generate positive momentum. We achieved this by focusing on the customer, investing in the quality of our service, the performance of our network and creating differentiated customer experiences. Our actions were guided by our purpose of transforming lives.

Our top priority for FY19 was focusing on the customer and I am pleased to advise that we have witnessed improved customer sentiment, through measures such as NPS and brand consideration. This translated into an accelerated growth in customers from 400k in the first half of the year, to 1.9m in the second half of the year.

We increased the use of data analytics to provide predictive, proactive and personalised offers to our customers, driving down effective prices of our offering. This impact can be clearly seen within mobile data and voice with the average rate per megabyte reducing 42% YoY, and the average rate per minute reducing 10%.

We sustained our level of investment in FY19, with capital expenditure totaling KShs 37.25bn for the year. This enabled us to expand our network to ensure the widest reach

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to our customer base. We increased our sites by 9% year on year, and our 3G and 4G coverage to 93% and 57% respectively, and we have plans to accelerate our 4G roll out this coming year to cover every town in the country, thus cementing ourselves as Kenya's best 4G+ network.

We extended our fibre footprint to 6,700kms, up from 5,000kms last year. We also invested in network quality including rolling out a capacity upgrade on the M-PESA platform to support 1200 TPS (transactions per second) up from 900 TPS and the deployment of a 400G network link.

Innovation and partnerships continue to define our approach to revenue diversification and growth. This year we made good progress by securing key partnerships for our M-PESA business including AliExpress to drive our payments business, Western Union to drive remittances and "Fuliza", our overdraft product, to drive lending.

We continue to accelerate our digital transformation and agile agenda. Our continued focus on digital engagement with customers enabled us to launch "Zuri", an artificial intelligence (AI) Chatbot assistant, to meet our customer requests through automated, digital support. Zuri enables our mobile data users to perform a wide range of tasks saving on costs and driving efficiencies.

Looking ahead, the business will sustain its momentum of investing in the quality of our service and diversification of our revenue portfolio to ensure sustained returns to shareholders. We are excited about the future of M-PESA expansion, Home including surveillance and content, E-commerce, Agri-business and Enterprise solutions including IoT (Internet of Things).

We remain committed to our purpose of transforming lives. Our latest True Value Report indicates that Safaricom's value to the Kenyan society increased by 12% to KShs 543 billion. This was 10 times more than the financial profit the company made during the same period, and we contributed a total of 6.5% to the country's Gross Domestic Product. We continue to leverage in the power of mobile technology to deliver on shared value propositions that disrupt inefficiencies and impact lives positively in health, agriculture and education sectors, such as M-Tiba, DigiFarm, Shupavu and M-Salama.

Operating review

Service Revenue growth of 7% for the year was driven by strong M-PESA performance, contributing roughly three quarters of the service revenue growth. Mobile data and fixed data combined contributed roughly one quarter of the growth.

Voice and messaging

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Voice grew 0.3% and messaging declined 1.3%, driven by competitive pressures and migration to newer technologies. Voice and messaging are now 47.2% of service revenue.

M-PESA

M-PESA grew 19.2% for the year. The growth in M-PESA has been driven by an increased number of users, higher velocity of funds within the ecosystem, and adoption of new use cases. In the period, we added 2.1 million active M-PESA customers. MPESA now accounts for 31.2% of service revenue, further accelerating displacement of traditional voice and messaging services.

Mobile Data

Mobile data revenue increased by KShs 2.33bn on an absolute basis, and continued to witness a slow-down in the growth rate from the first half of the year, growing at 6.4% for the full year. The slow-down in growth reflects both competitive conditions in the market and increased taxation that was absorbed for in bundle customers. Mobile data is now 16.1% of service revenue.

Fixed Data

The business continues to extend the reach of fibre broadband which is now available to more than 100k homes connected. Safaricom has now passed nearly 300k homes and has more than two thousand fibre ready buildings. Fixed data now contributes 3.4% to total service revenue and grew at 22.7% year on year in the period.

Capex

We sustained strong investments in FY19. Our capital additions of KShs 37.25bn, expressed as a percentage of our revenues remained in the 'mid-teens', driven by our focus on enhancing monetization and cost savings opportunities upon deployment.

IFRS15

During the 2019 financial year, the Group adopted IFRS15 accounting standard, which has been reported alongside our results in FY19 on an IAS18 basis.

Dividend

The board remains committed to investing in the business and continuing our strong record for paying progressive dividends each year. The proposed dividend for FY19 is KShs 50.08bn, an increase of 13.6% year on year. Given the strong position of the balance sheet, we are also happy to propose a special dividend for this year of KShs 24.84bn.

Summary and outlook

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We are pleased with the strong results we have delivered for the year, building on our long track record of consistent delivery, protecting shareholder wealth and putting the customer first, and we foresee continued growth in the future

Our financial outlook for 2020 reflects the adoption of the IFRS 15 and IFRS 16 accounting standards guidance for EBIT moving from KShs 89bn to KShs 93-97bn, with Capex remaining within the KShs 36-38bn range.

ⁱFollowing the modified retrospective adoption of IFRS 15 - Revenue from Contracts with Customers on 1 April 2018, the Group's results for the year ended 31 March 2019 are on an IFRS 15 basis, whereas the results for the year ended 31 March 2018 are (as previously reported) on an IAS 18 basis. To ensure appropriate disclosure during the period of transition onto IFRS 15, numbers for the year ended 31 March 2019 have been disclosed on both an IFRS 15 and IAS 18 basis and our commentary describing our operating performance has been provided solely on an IAS 18 basis

1. Key Performance Indicators

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Key Performance Indicators	FY19	FY18	% Increase/ (Decrease)
Total customers (m)	31.85	29.57	7.7%
Total customer ARPU*	658.30	638.65	3.1%
30 day active customers (m)	26.73	24.89	7.4%
30 day active customer ARPU*	773.00	760.14	1.7%
Churn (%)	23.45%	24.62%	(1.2ppts)
Voice Outgoing			
30 day active voice customers (m)	24.24	22.96	5.6%
30 day active voice customer ARPU*	339.58	351.03	(3.3%)
M-PESA			
Number of M-PESA agents	167,083	156,534	6.7%
30 day active M-PESA customers (m)	22.64	20.55	10.2%
30 day active M-PESA ARPU*	289.95	264.00	9.8%
Mobile Data			
30 day active mobile data customers (m)	18.83	17.67	6.6%
30 day active mobile data ARPU*	175.66	172.94	1.6%
SMS			
30 day active SMS customers (m)	17.92	17.44	2.8%
30 day active SMS customer ARPU*	81.67	84.57	(3.4%)
Base Stations			
2G base stations	4,949	4,534	9.2%
3G base stations	4,907	4,183	17.3%
4G base stations	2,791	1,648	69.4%

*ARPU (Average Revenue Per User) is in KShs

Note; All KPIs are on an IAS18 basis

1. Condensed consolidated statement of comprehensive income

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KShs. Billion	FY19 IFRS 15	FY19 IAS 18	FY18 IAS 18	IAS 18 % Change
Voice revenue	95.80	95.94	95.64	0.3%
M-PESA revenue	74.99	74.99	62.91	19.2%
SMS revenue	19.61	17.50	17.72	(1.3%)
Mobile data revenue	36.27	38.69	36.36	6.4%
Fixed service revenue	8.10	8.19	6.67	22.7%
Other service revenue	5.00	5.00	5.24	(4.5%)
Service Revenue	239.77	240.30	224.54	7.0%
Handset revenue and other revenue	9.45	9.58	8.98	6.7%
Construction revenue	0.60	0.60	0.20	>100.0%
Other Income	0.46	0.46	0.51	(8.9%)
Total Revenue	250.28	250.96	234.22	7.1%
Direct costs	(71.79)	(71.82)	(70.55)	1.8%
Construction costs	(0.60)	(0.60)	(0.20)	>100.0%
Contribution margin	177.89	178.53	163.47	9.2%
Contribution margin %*	71.2%	71.3%	69.9%	1.5ppts
Operating costs	(53.65)	(53.65)	(50.61)	5.8%
Forex Loss on trading activities	0.06	0.06	(0.03)	(<100.0%)
Opex & forex loss % total revenue	21.4%	21.3%	21.6%	(0.3ppts)
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	124.30	124.94	112.83	10.7%
EBITDA margin %*	49.8%	49.9%	48.2%	1.7ppts
Depreciation & amortisation	(35.33)	(35.33)	(33.56)	5.3%
EBIT (Earnings Before Interest and Tax)	88.97	89.61	79.27	13.1%
EBIT Margin %*	35.6%	35.8%	33.9%	1.9ppts
Net Financing, Forex and Fair Value Gains	2.24	2.24	0.63	>100.0%
Share of associate profit	0.01	0.01	0.01	0.0%
Earnings Before taxation	91.22	91.86	79.91	14.9%
Taxation	(28.73)	(28.46)	(24.62)	15.6%
Net Income	62.49	63.40	55.29	14.7%
Net Income %*	25.0%	25.3%	23.6%	1.7ppts
Earnings per share	1.56	1.58	1.38	14.7%

*All margins are calculated on total revenue (excluding construction revenue and gain on disposal of fixed assets).

2. Condensed consolidated statement of financial position

	31-Mar-19	31-Mar-19	31-Mar-18	% Change
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Kshs Bn	IFRS 15	IAS 18	IAS 18	IAS 18
Capital Employed				
Share capital (including share premium)	4.20	4.20	4.20	0.0%
Retained earnings	65.22	64.12	75.64	(15.2%)
Proposed dividends - normal	50.08	50.08	44.07	13.6%
Proposed dividends - special	24.84	24.84	0.00	0.0%
Shareholders' Funds	144.35	143.24	123.91	15.6%
Represented by				
Non-current liabilities	1.87	1.63	0.00	>100.0%
Total Equity and Non-current liabilities	146.22	144.87	123.91	16.9%
Non-Current Assets	142.52	141.55	139.98	1.1%
Current Assets:				
Contract assets	1.99	0.00	0.00	0.0%
Inventories	1.78	1.78	1.61	10.6%
Receivables and prepayments	18.13	18.03	15.86	13.7%
Cash and cash equivalents	20.03	20.03	9.50	>100.0%
Other financial assets	8.04	8.04	0.00	>100.0%
Income tax recoverable	0.00	0.00	0.50	>100.0%
	49.96	47.88	27.46	74.3%
Current Liabilities:				
Contract liabilities	9.28	7.94	8.85	(10.3%)
Payables and accrued expenses	28.70	28.61	26.47	8.1%
Provisions for other liabilities	3.89	3.89	4.03	(3.3%)
Income tax payable	0.35	0.08	0.14	(42.4%)
Borrowings	4.03	4.03	4.04	(0.2%)
	46.26	44.55	43.53	2.4%
Net Current Assets/ (Liabilities)	3.70	3.32	(16.06)	(<100.0%)
	146.22	144.87	123.91	16.9%

3. Net Cash

KShs. Bn	31-Mar-19	31-Mar-19	IAS 18

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	IFRS 15	IAS 18	IAS 18	% Change
Cash and cash equivalents	20.03	20.03	9.50	>100.0%
Bank borrowings	(4.03)	(4.03)	(4.04)	(0.2%)
Total net cash	16.00	16.00	5.46	>100.0%

4. Free cash flow

KShs. Bn	IFRS 15 FY19	IAS 18 FY19	IAS 18 FY18	%Increase/ (Decrease)
EBITDA	124.30	124.94	112.83	10.7%
Working capital movement	(0.07)	(0.07)	4.49	>100.0%
Capital Additions	(37.25)	(37.25)	(36.40)	2.3%
Movement in contract liabilities and provision for other liabilities	1.22	0.58	0.00	>100.0%
Proceeds from disposal of Property, Plant & Equipment	0.25	0.25	0.00	>100.0%
Operating free cash flow	88.45	88.45	80.92	9.3%
Net Interest paid/received	2.12	2.12	0.75	>100.0%
Income tax paid	(27.46)	(27.46)	(26.28)	4.5%
Free cash flow	63.11	63.11	55.39	13.9%