



Safaricom Ltd

FY 2013 Presentation



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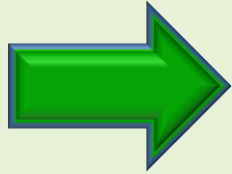
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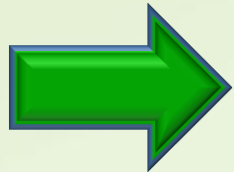
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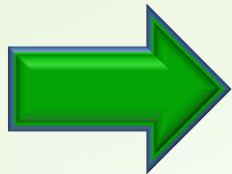
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FY 2013 Highlights



FY 2013 Financial Review



Strategic Focus and Guidance

FY 2013 Highlights

- Strong commercial and financial performance across all segments and metrics
- Continued investment and innovation in network and services
 - Best Network in Kenya program progressing well
 - Nationwide metro fibre network build begun
 - M-Shwari launched to enable access to micro deposits and loans
- Robust growth in Non-Voice service revenue
- Brand engagement and customer satisfaction continues to increase
- Great progress on our initiatives to transform lives, especially in financial inclusion

Delivering on key financial metrics

TOTAL REVENUE



+16% to Kshs 124.3bn

VOICE REVENUE



+13% to Kshs 77.7bn

NON-VOICE REVENUE
(SMS, DATA and M-PESA)



+29% to Kshs 40.4bn

EBITDA



+31% to Kshs 49.2bn

NET PROFIT BEFORE TAX



+47% to Kshs 25.5bn

FREE CASH FLOW



+55% to Kshs 14.5bn

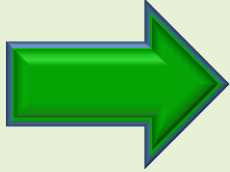
PROPOSED DIVIDEND PER SHARE



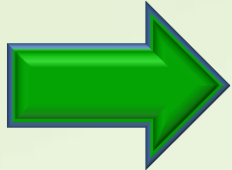
+41% to Kshs 0.31



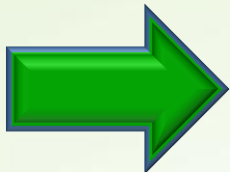
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FY 2013 Highlights



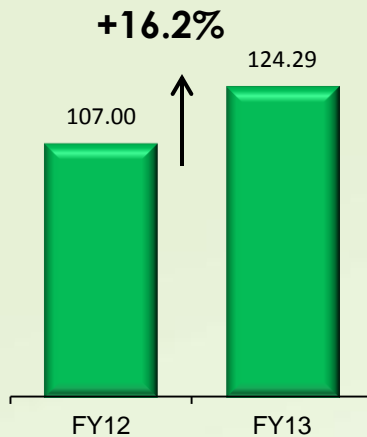
FY 2013 Financial Review



Strategic Focus and Guidance

Delivering on strategy: Strong financial results

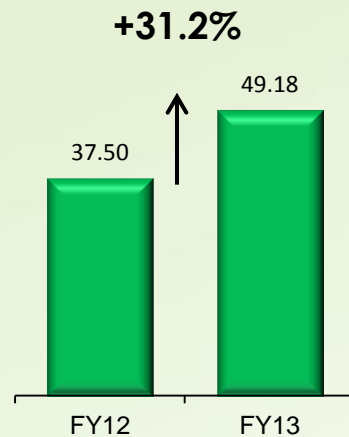
Total Revenue
Kshs. Billion



Increased usage for all services (Voice, SMS, data and M-PESA)

Increasing ARPUs across Voice, SMS and M-PESA

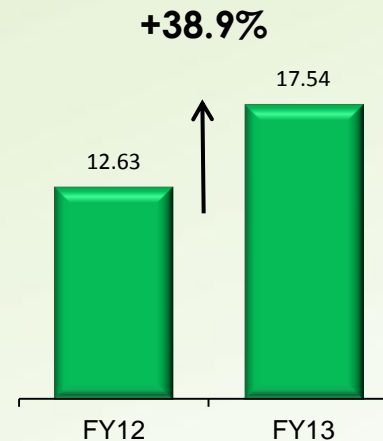
EBITDA
Kshs. Billion



16% growth in revenue whilst containing costs growth at 8%

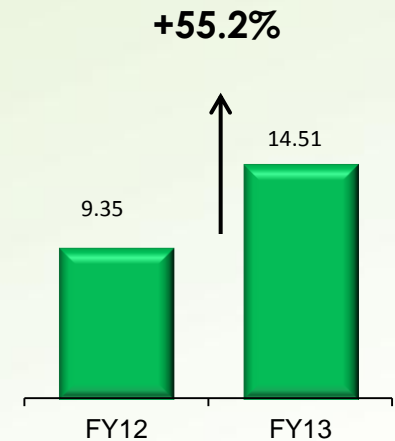
Robust EBITDA margin at 39.6% - up 4.5 ppt

Net Income
Kshs. Billion



Driven by improved EBITDA and lower financing costs

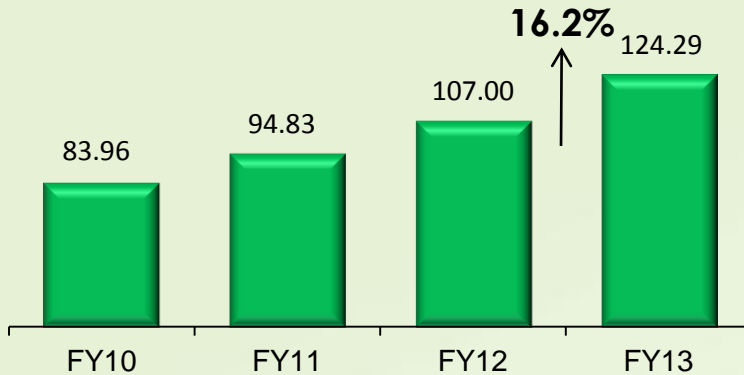
Free Cash Flow
Kshs. Billion



Positive impact of EBITDA increase whilst holding capex steady

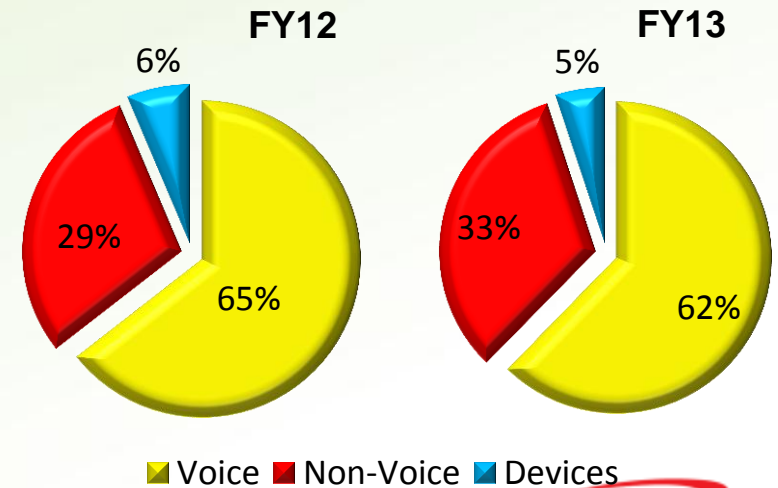
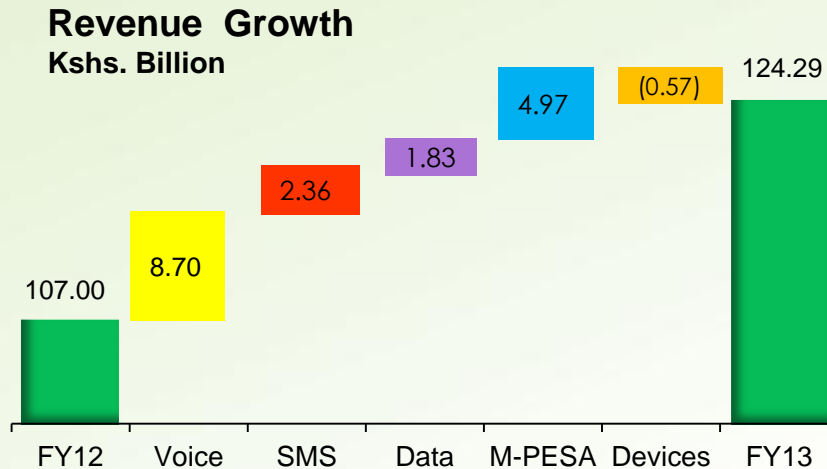
Strong revenue growth in the year

FY13 Revenue
Kshs. Billion

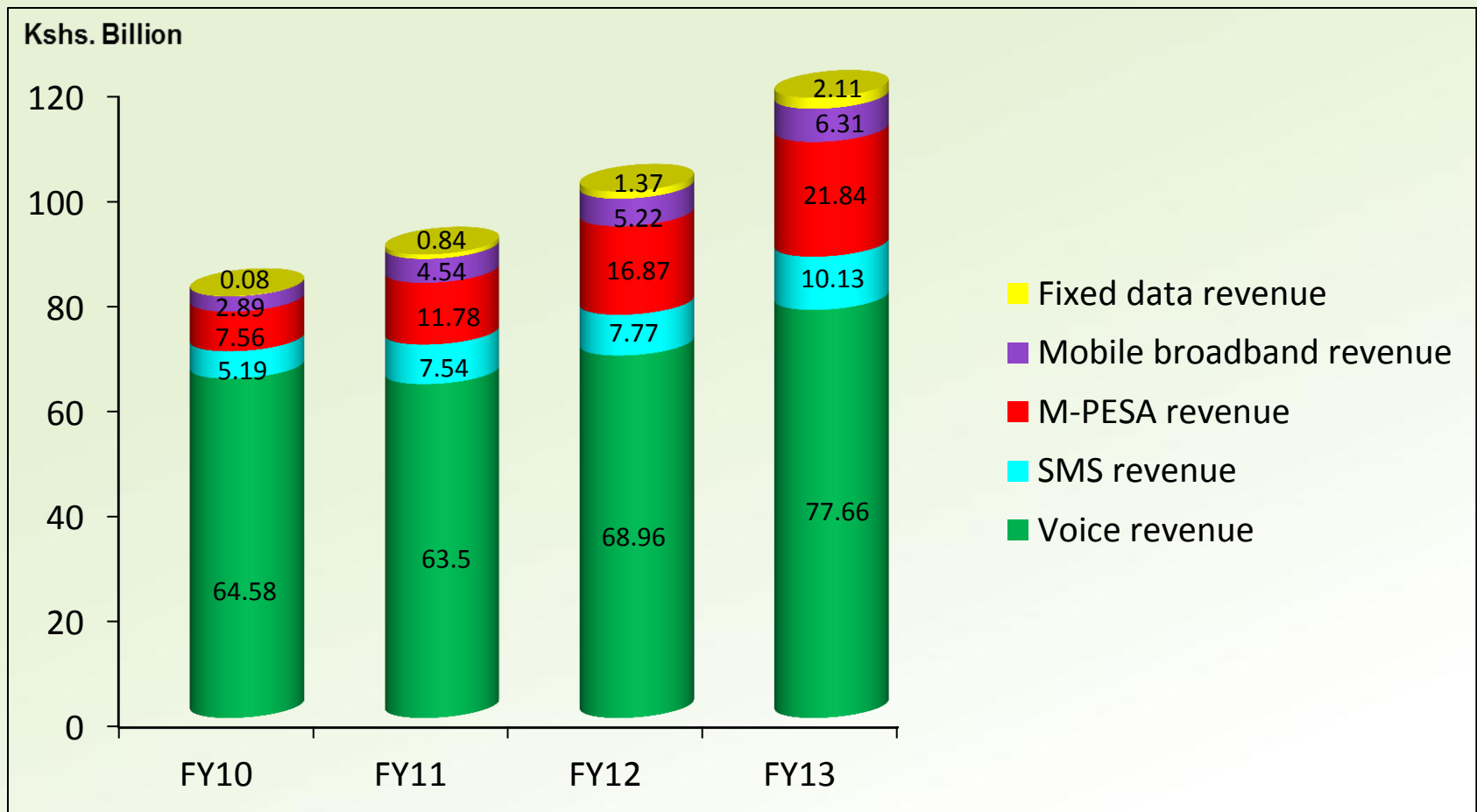


- 16% growth in total revenue; with growth across all service revenue streams
- Customer base now 19.4m customers (19.1m in FY 2012) following disconnection of 1.4m customers who did not meet the new customer registration requirements
- Successfully growing usage across all service revenue streams

Revenue Breakdown
Kshs. Billion



Service revenues: Growth across all products



Lowest retail prices & MTR rate in sub-Saharan Africa

Country	Prepay Retail Price per Minute	MTR
Kenya	\$0.04	\$0.02
Angola	\$0.04	
Ghana	\$0.06	\$0.02
Rwanda	\$0.08	\$0.07
Nigeria	\$0.08	\$0.05
Gambia	\$0.09	\$0.03
Uganda	\$0.10	\$0.04
Tanzania	\$0.10	\$0.02
Benin	\$0.14	\$0.12
Namibia	\$0.14	\$0.04
Burundi	\$0.14	\$0.03
Mozambique	\$0.14	\$0.08
Guinea Bissau	\$0.15	
Congo	\$0.16	
South Africa	\$0.16	\$0.04

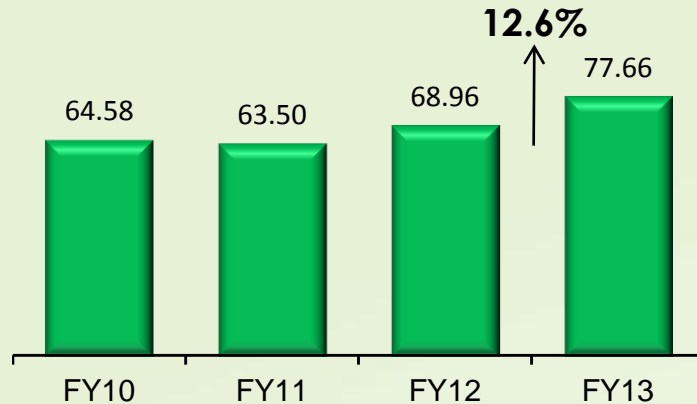
Country	Prepay Retail Price per Minute	MTR
Burkina Faso	\$0.16	\$0.10
Cote D'ivoire	\$0.17	\$0.06
Malawi	\$0.17	\$0.08
Botswana	\$0.18	\$0.04
Central African Republic	\$0.19	
Cameroon	\$0.19	\$0.16
Mali	\$0.21	
Togo	\$0.23	\$0.11
Chad	\$0.25	
Madagascar	\$0.30	
Gabon	\$0.32	\$0.06
Cape Verde	\$0.34	
Lesotho	\$0.42	\$0.06
Liberia	\$1.71	\$0.15

Source: Mobile Africa Tariff Tracker 2013

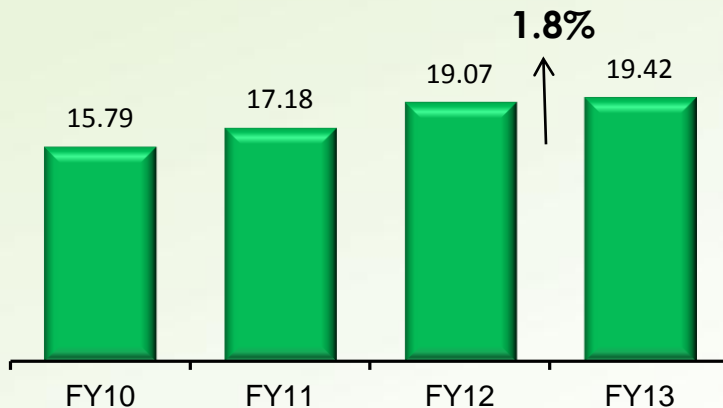


Voice: Growth momentum sustained

Voice Revenue
Kshs. Billion



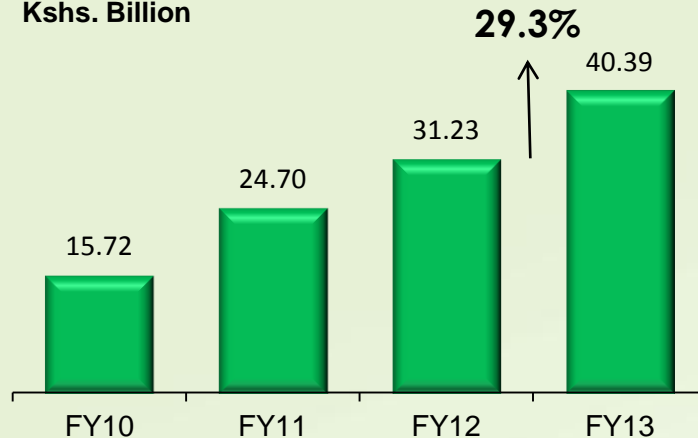
Customers
Million



- 13% growth in voice revenue
- Promoting brand recognition and customer loyalty
 - Revitalization of the brand
 - Variety of promotions aimed at retention
- Improved distribution
 - Airtime distribution across over 250,000 retail outlets
 - 32% of airtime top-ups directly through M-PESA
- Our programme to ensure we have the best network in Kenya has reduced dropped calls and improved call quality considerably

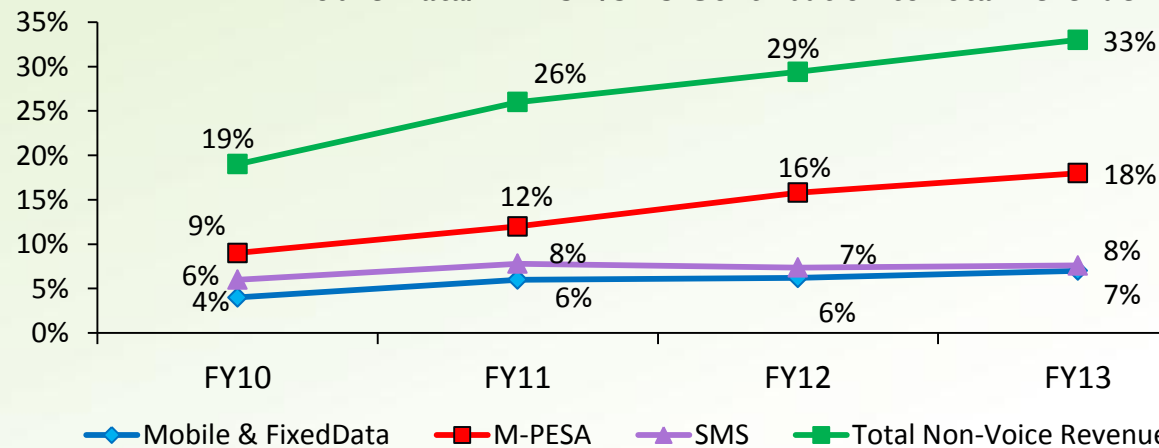
Strong growth in Non-Voice service revenues

Non-Voice Revenue
Kshs. Billion



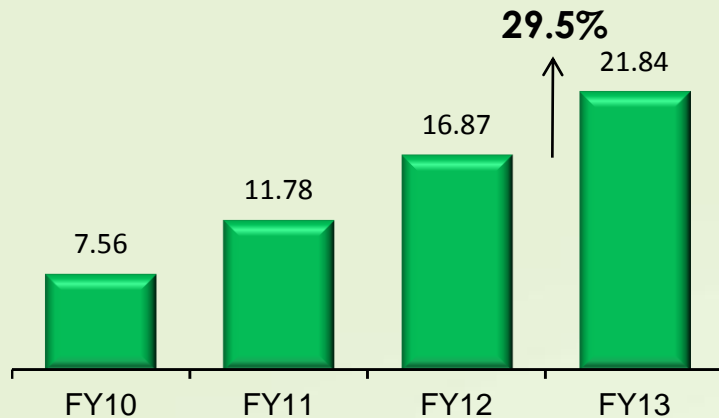
- Non-Voice revenue grew 29% - now 33% of total revenue
- Driven by increased customers and increased usage. Revenue growth of:
 - M-PESA +29%
 - SMS +30%
 - Mobile data +21%
 - Fixed service +54%

Mobile Data/M-PESA/SMS Contribution to Total Revenue

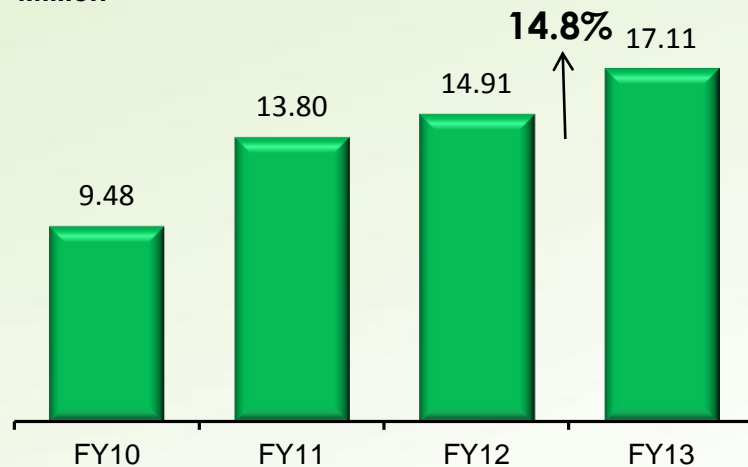


M-PESA: Major Non-Voice revenue driver

M-PESA Revenue
Kshs. Billion



M-PESA Customers
Million



- 29.5% growth in M-PESA revenue, driven by
- Increase in 30 day active users to 10.5m
- Increase in number of transactions
- Contributes 18% of total revenue
- 26,000 M-PESA agents added in the year; now 65,547 M-PESA agents
- 10% excise duty introduced through the Finance Act of 2012; effective February 2013

Kshs 522bn* payments transacted between customers within M-PESA

Kshs 444bn* deposited into M-PESA via agents

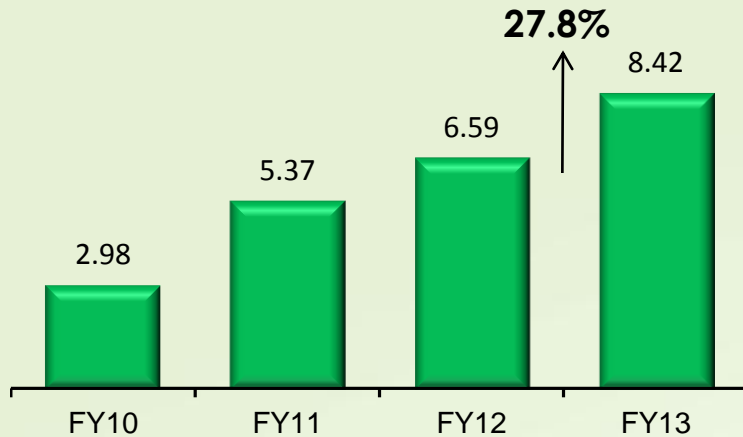
Kshs 390bn* withdrawn from M-PESA via agents

* Oct. 2012 -Mar. 2013

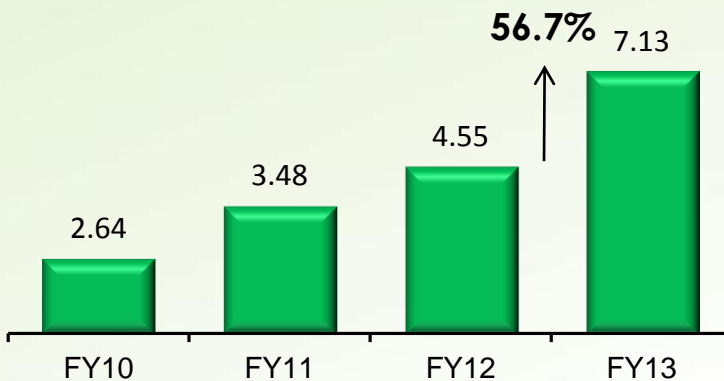
Safaricom

Data: Customers and usage drive growth

Mobile Data & Fixed Service Revenue
Kshs. Billion



30-day active Data Customers
Million

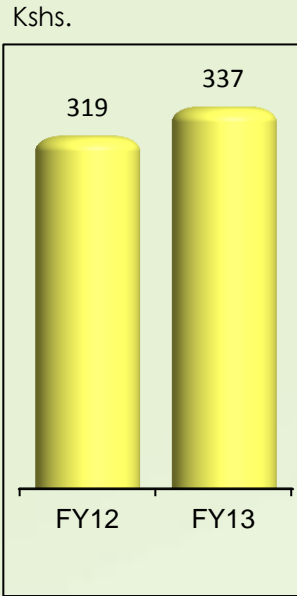


- 28% growth in mobile data and fixed service revenue
- 30 day active mobile data users grew 57% to 7.1m – now 37% of our customer base
- Usage per customer increased by 1%, while price per MB declined by 28%
- 12% increase in fixed data customers to 6,731
- Prices of data enabled handsets and devices declining



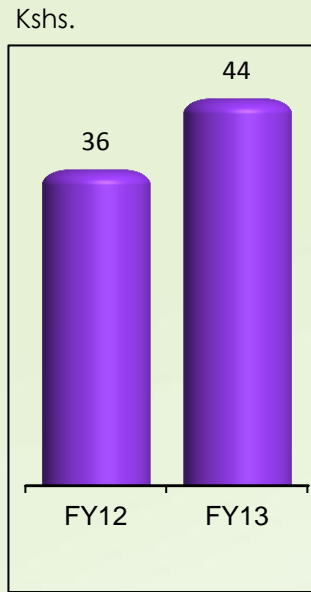
Sustained ARPU growth

Voice



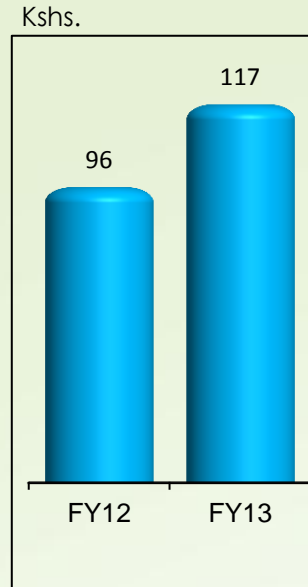
Loyal customer base benefiting from positive promotions

SMS



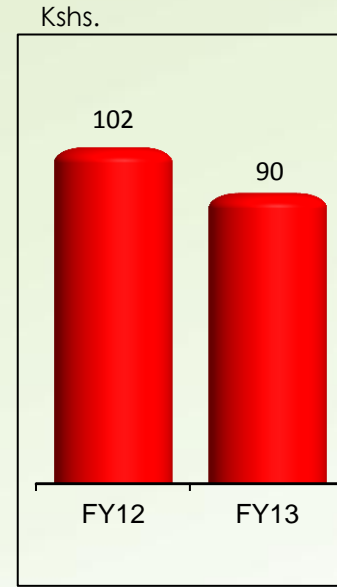
New SMS bundles driving usage

M-PESA



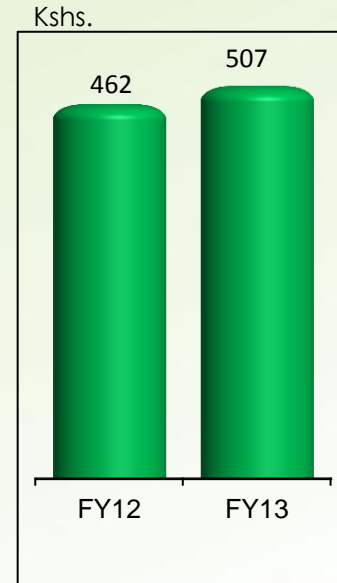
Increased in active customers
Increased transactions per active customer

Mobile Broadband



Reduced pricing diluted ARPU, but attracted growth in customer numbers by 57%

Service ARPU



10% increase

Includes fixed line ARPU of Kshs 26,584

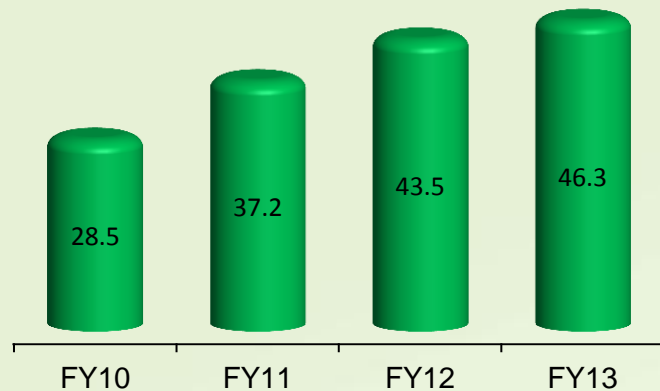
* Voice, SMS and Service ARPU are calculated based on total customers

* M-PESA and Mobile Broadband ARPUs are calculated based on total M-PESA and Mobile Broadband customers respectively

Direct cost control improves contribution margin ¹⁶

FY Direct Costs

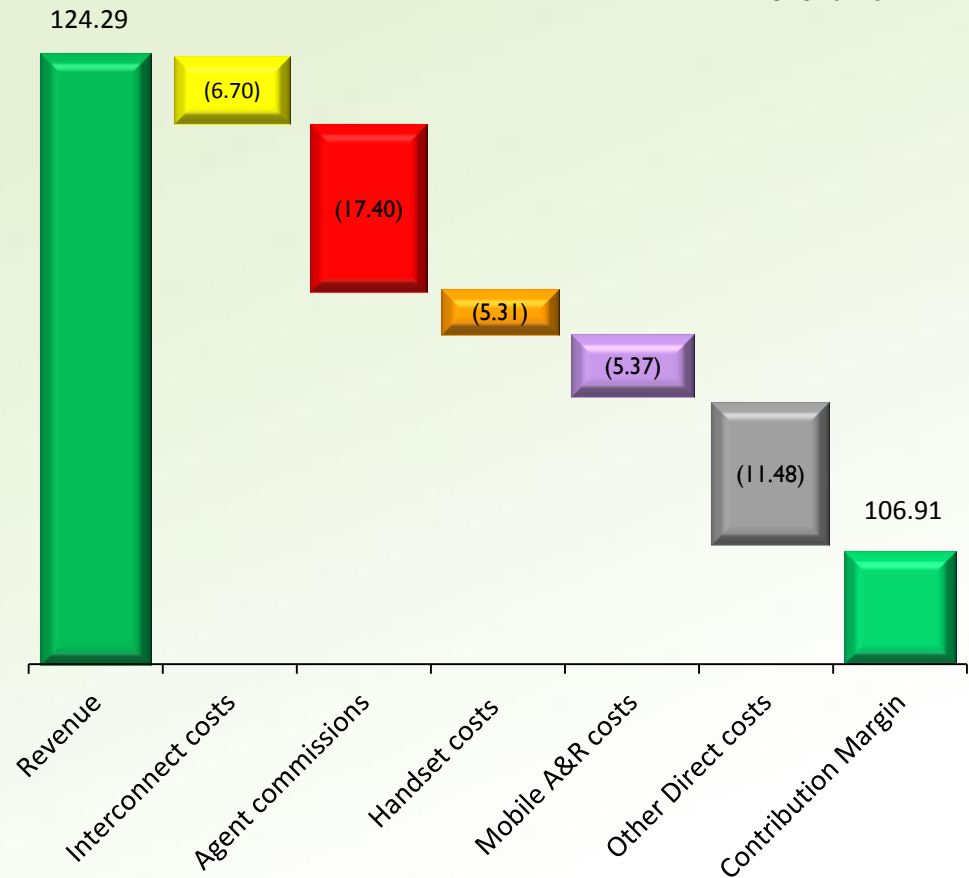
Kshs. billion



- 6% increase in direct costs , compared to a 16% increase in total revenue
- Contribution margin increased to 62.8% up 3.4 ppt
- Cost savings in:
 - Interconnect costs
 - Acquisition costs
 - Handset costs
 - Spectrum management
 - Top-up card production costs

FY Direct Costs Breakdown

Kshs. billion



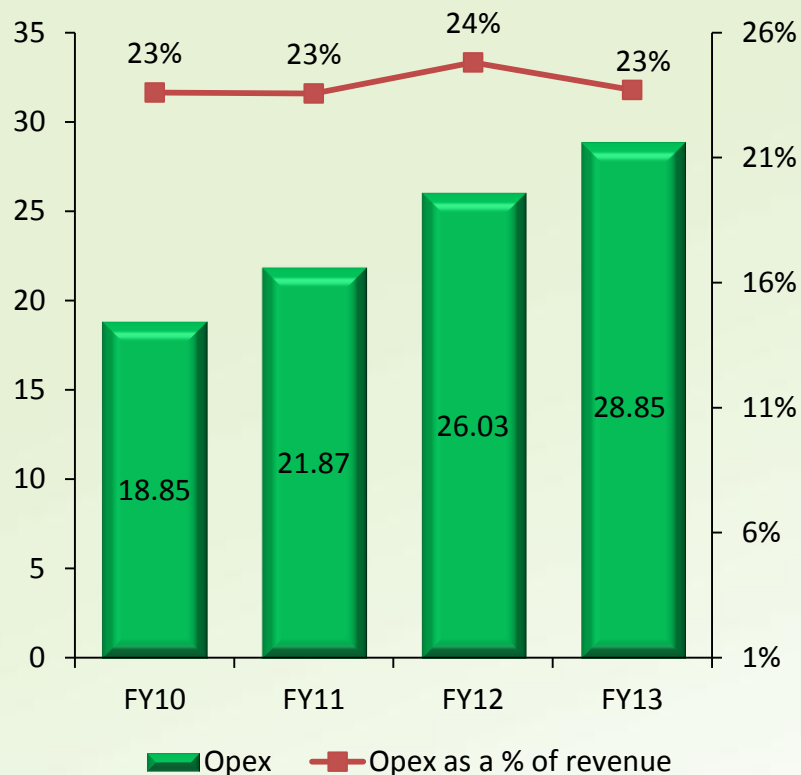
* Other costs relate to SIM cards, top-up cards, VAS billing, bad debts and license fees costs

Focus on operating cost initiatives continues

17

FY OPEX

Kshs. billion



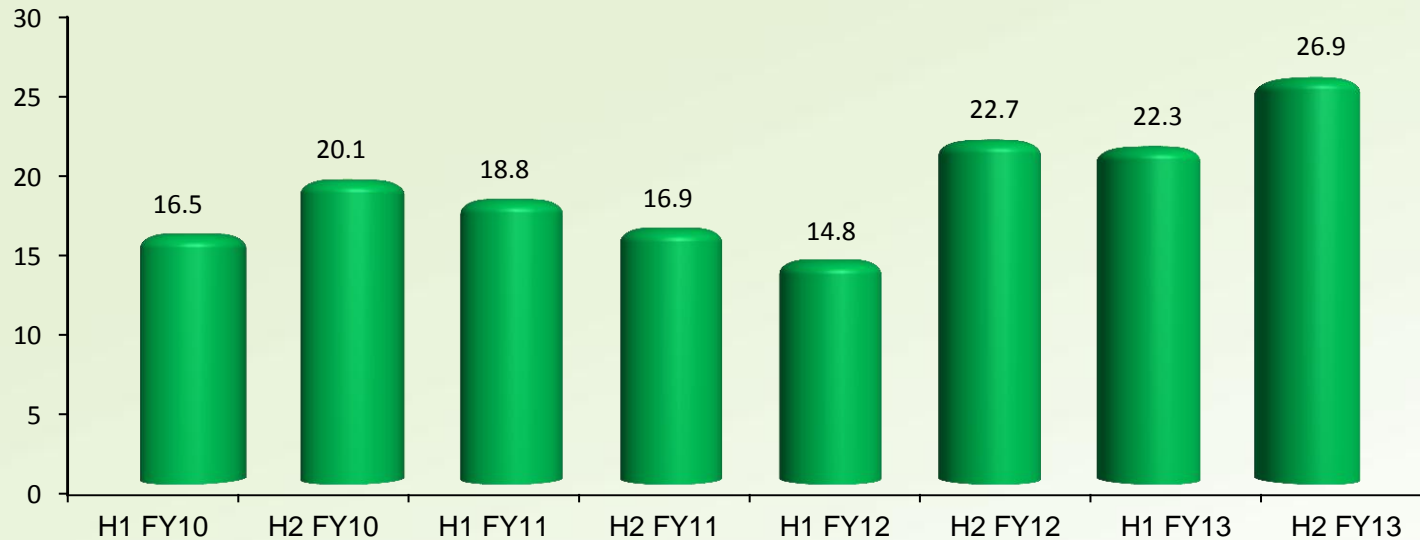
- Operating costs as a % total of revenue declined to 23% of total revenue
- 11% increase in operating costs versus a 16% increase in revenue
- Operating cost saving initiatives focus on
 - Transmission costs
 - Inventory costs
 - Network operating costs (including fuel)
 - IT operational costs
 - Headcount control
 - Insurance

* Operating costs relate to Payroll, Publicity, Leased Lines, Network & IT operational costs, and Other (rent, rates, insurances, etc)

Strong growth in EBITDA

H1/H2 EBITDA

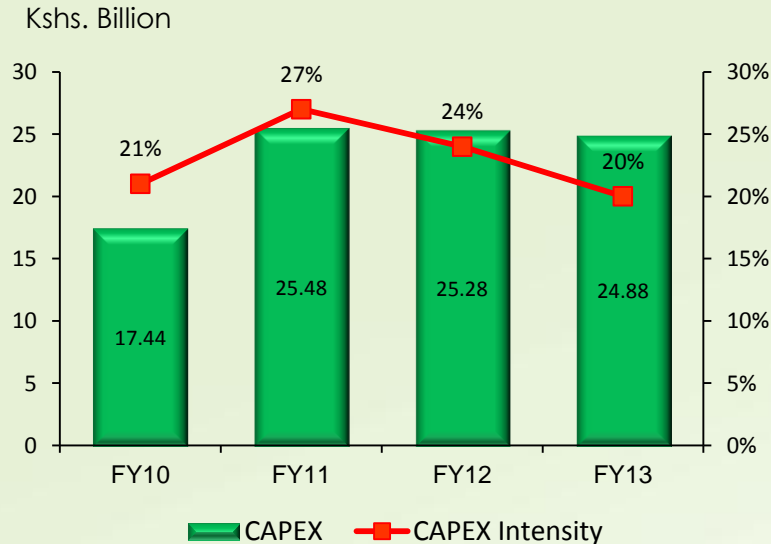
Kshs. Billion



- 31% growth in FY EBITDA to Kshs 49.2bn
- FY EBITDA margin improves 4.5 ppt to 39.6%
- 2nd half EBITDA traditionally stronger, except for FY11 price war

Largest & Fastest Network in Kenya

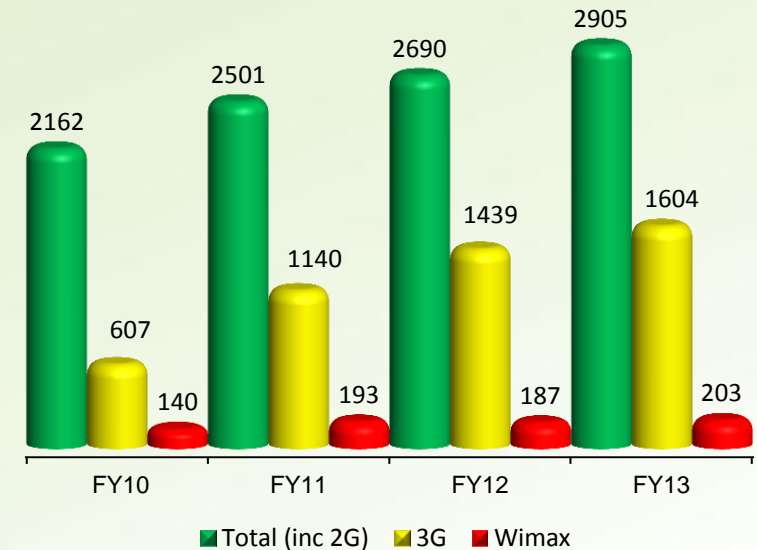
CAPEX



Capital expenditure of Kshs 24.9bn invested in:

- Site roll out
- RAN modernization and Radio optimization
- Transmission improvements
- Energy efficiency

Base Stations

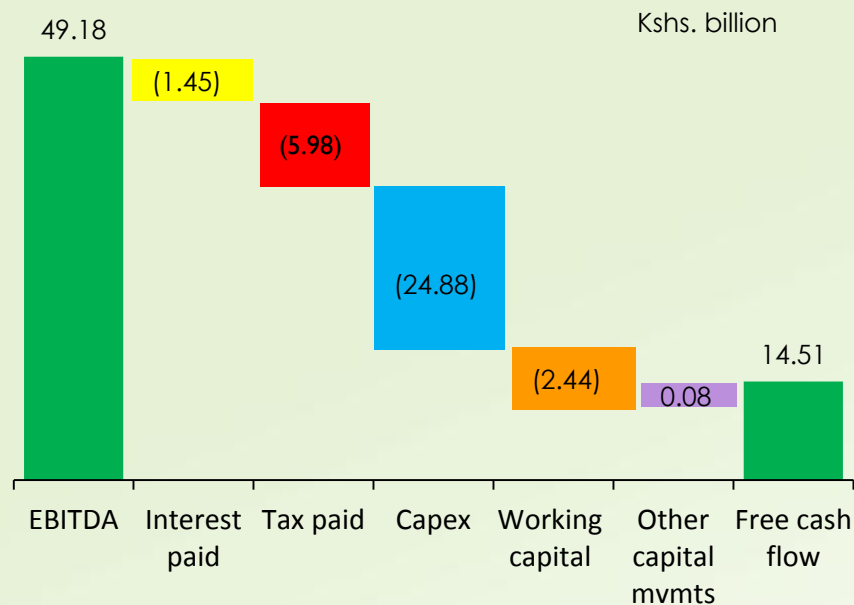


Largest 2G and 3G network:

- 2,905 2G enabled base stations
- 1,604 3G enabled base stations
- 689 3G sites at 21mbps
- 155 3G sites at 42mbps

Improved cash generation

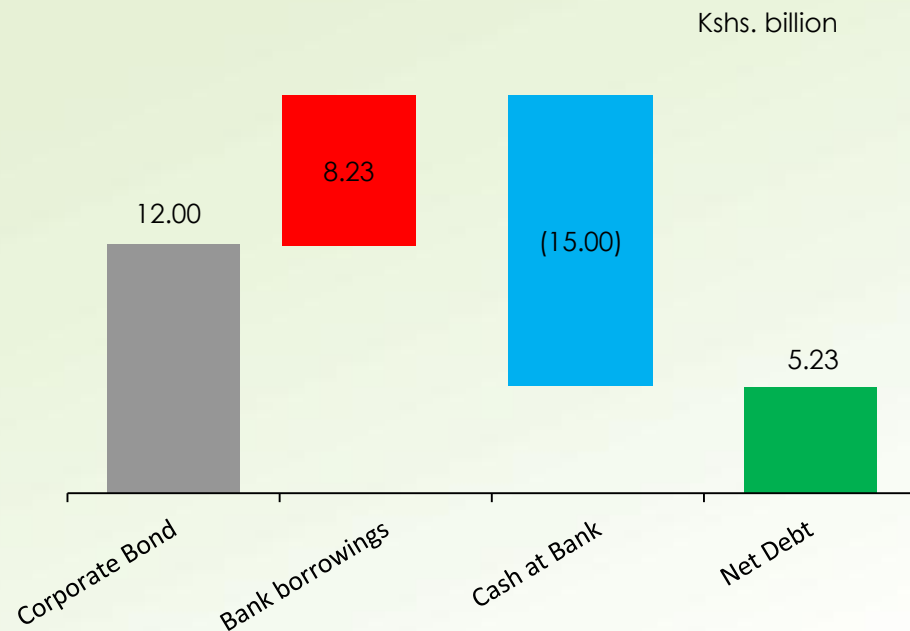
FY Free Cash Flow



- Improved Free Cash Flow from Kshs 9.35bn in FY12 to Kshs 14.51bn.
- Driven by improved EBITDA and steady capex

* Free Cash Flow excludes Mergers & Acquisitions activity

FY Net Debt

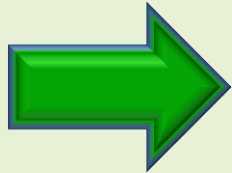


- Kshs 8bn corporate bond at 12.25%, expires Nov 2014
- Kshs 4bn corporate bond at 7.75%, expires Dec 2015
- Bank borrowing range between 1% and 1.5% above 91/182 day T-bill rate

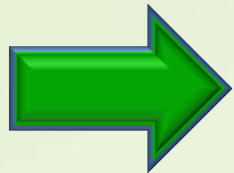
Key Financials:

	FY 12	FY 13	VARIANCE	H2 FY12	H2 FY13	VARIANCE
Voice revenue	68.96	77.66	12.6%	37.47	40.24	7.4%
Messaging revenue	7.77	10.13	30.4%	4.12	5.86	42.2%
Mobile data revenue	5.22	6.31	20.9%	2.77	3.34	20.6%
Fixed service revenue	1.37	2.11	54.0%	0.74	1.10	48.6%
M-Pesa revenue	16.87	21.84	29.5%	8.99	11.41	26.9%
Service Revenue	100.19	118.05	17.8%	54.09	61.95	14.5%
Handset revenue	5.94	4.93	-17.0%	2.83	2.50	-11.7%
Acquisition and other revenue	0.87	1.31	50.6%	0.45	0.72	60.0%
Total Revenue	107.00	124.29	16.2%	57.37	65.17	13.6%
Direct costs	(43.47)	(46.26)	-6.4%	(21.50)	(23.86)	-11.0%
Contribution margin	63.53	78.03	22.8%	35.87	41.31	15.2%
<i>Contribution margin %</i>	<i>59.4%</i>	<i>62.8%</i>	<i>3.4%</i>	<i>62.5%</i>	<i>63.4%</i>	<i>0.9%</i>
Operating costs	(26.03)	(28.85)	-10.8%	(13.13)	(14.42)	-9.8%
<i>Operating costs % total revenue</i>	<i>24.3%</i>	<i>23.2%</i>	<i>-1.1%</i>	<i>22.9%</i>	<i>22.1%</i>	<i>-0.8%</i>
EBITDA	37.50	49.18	31.1%	22.74	26.89	18.2%
<i>EBITDA margin %</i>	<i>35.0%</i>	<i>39.6%</i>	<i>4.5%</i>	<i>39.6%</i>	<i>41.3%</i>	<i>1.6%</i>
Depreciation & amortisation	(17.35)	(22.08)	-27.3%	(8.62)	(12.17)	-41.2%
Net Financing cost	(2.78)	(1.65)	40.6%	(2.14)	(0.78)	63.6%
Taxation	(4.74)	(7.91)	-66.9%	(3.36)	(4.17)	-24.1%
Net Income	12.63	17.54	38.9%	8.62	9.77	13.3%
Earnings per share	0.32	0.44	37.5%	0.22	0.25	13.6%
Free Cash Flow	9.35	14.51	55.2%	10.09	9.37	-7.1%
Recommended Dividend	8.80	12.40	40.9%			
Dividend per share	0.22	0.31	40.9%			

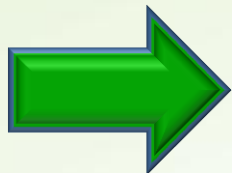
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FY 2013 Highlights



FY 2013 Financial Review



Strategic Focus and Guidance

Strategy Overview

Our focus for the next 12 months is to:

- Deliver the Best Network in Kenya program
- Grow Mobile and Fixed Data
- Deepen financial inclusion
- Retain and reward our loyal customer base
- Encourage further innovation

Deliver the Best Network in Kenya

What we have achieved:

- Modernization of 80% of the planned cell sites complete
- Call drops have reduced by 25%
- Network downtime reduced by 66% to below 20 min per week

Top priority items in pipeline:

- Complete network modernization in 6 key cities
- Increase population coverage in 2G and 3G
- Fibre rollout to 40% of sites in Nairobi
- Improve on network quality and coverage



Grow Mobile and Fixed Data

What we have achieved:

- Increased data customers by 57% to 7.1m
- Increased the number of 3G devices on the network to 2.3m, of which 1.2m are smartphones
- Introduced *Sambaza* Internet
- Data bundles purchase via M-PESA

Top priority items in pipeline:

- Lay fibre to our metro base stations
- Keep providing lower priced 3G smartphones
- Encourage developers to create relevant local content
- Ensure seamless purchase of data bundles



Deepen financial inclusion using M-PESA

What we have achieved:

- Recruited 26,000 new M-PESA agents in the year
- Increased the 30 day active customer base to 10.5m
- Improved system availability substantially
- Launched M-Shwari, currently 1.2m active customers

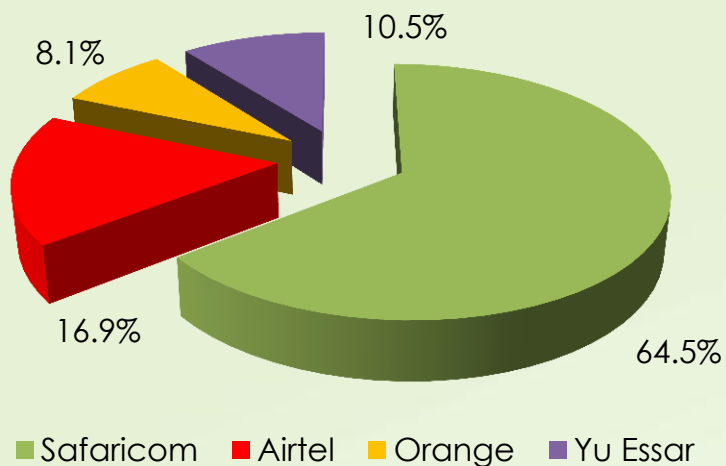
Top priority items in pipeline:

- Improved M-PESA system availability
- System redundancy across geography
- Embark on 18 month project to replace existing M-PESA system
- Grow retail and e-commerce payments

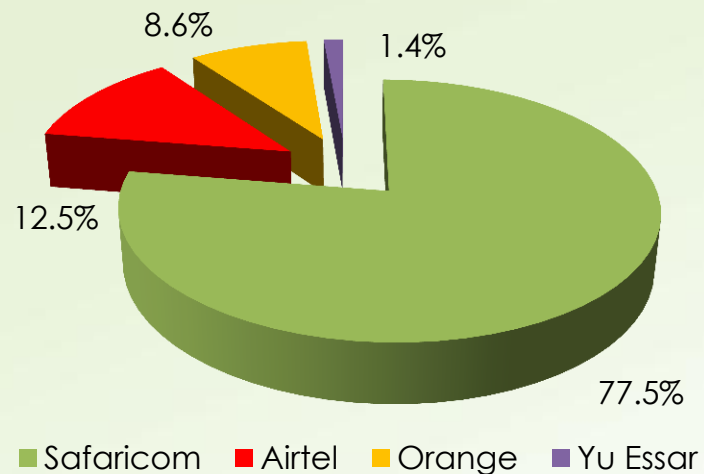


Retain market leadership

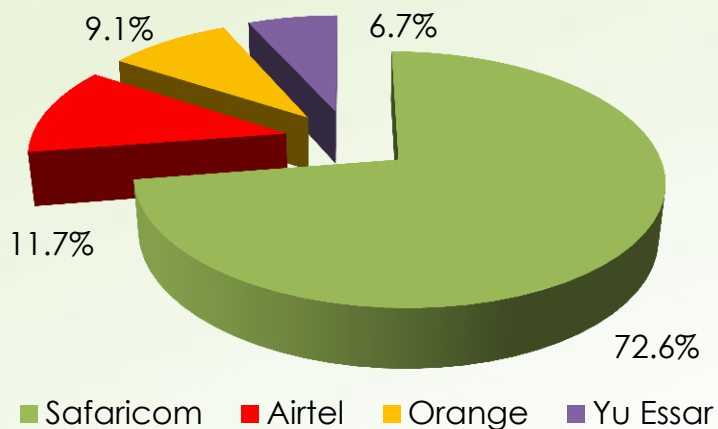
Subscriber market share-Dec 2012



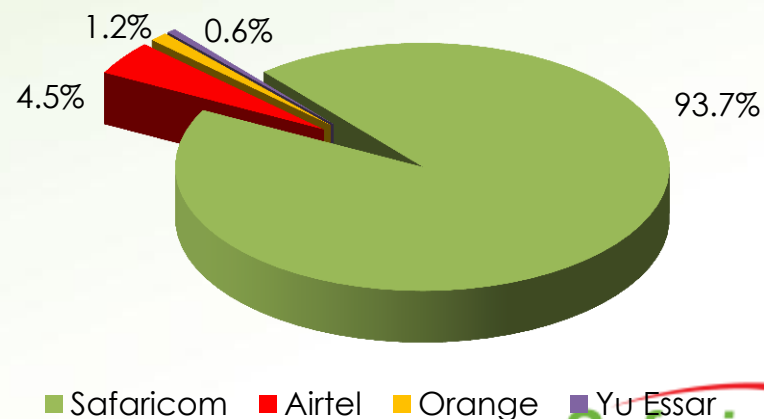
Voice traffic market share-Dec 2012



Mobile Data market share-Dec 2012



SMS market share-Dec 2012



Source: Communication Commission of Kenya (CCK)

Encourage further innovation

What we have achieved:

- Launched M-Shwari to provide interest bearing deposits and micro-loans
- Launched m-health, e-learning and m-agriculture services
- Launched m-Kopa solar lighting : pay as you go
- Launched the Safaricom AppStar competition to drive and reward innovations in mobile applications
- Launched a Contacts back-up service



CONTACTS BACKUP

Dial *100# for PrePay
or *200# for PostPay,
select 'Contacts Backup'



FY 2014 Guidance

Free Cash Flow:

Expected to be in the range of Kshs 15.5 bn to Kshs 17.5bn

FY 2013 Highlights

- Strong commercial and financial performance across all segments and metrics
- Continued investment and innovation in network and services
 - Best Network in Kenya program progressing well
 - Nationwide metro fibre network build begun
 - M-Shwari launched to enable access to micro deposits and loans
- Robust growth in non-voice service revenue
- Brand engagement and customer satisfaction continues to increase
- Great progress on our initiatives to transform lives, especially in financial inclusion



Q&A

Safaricom