



Safaricom PLC

**HY20 Results Presentation
1st November 2019**

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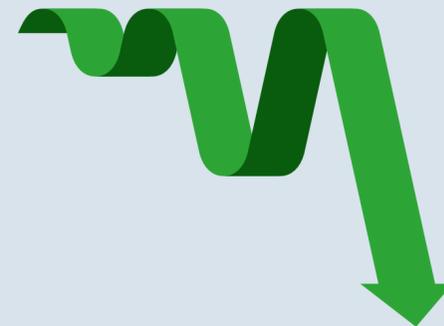
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Following the adoption of IFRS 16 - Leases on 1 April 2019, the Group’s results for the six months ended 30 September 2019 are on an IFRS 16 basis, whereas the results for the period to 30 September 2018 are (as previously reported) on an IFRS 15/IAS 17 basis. To ensure appropriate disclosure during the period of transition onto IFRS 16, numbers for the six months ended 30 September 2019 have been disclosed on both an IFRS 16 and IAS17 basis and our commentary describing our operating performance has been provided solely on an IFRS 15/IAS17 basis.

CONTINUED MACROECONOMIC STABILITY, BUT TOUGH OPERATING ENVIRONMENT



Headwinds:

- Regulatory risk
- Shrinking consumer wallet
- Changing competitive landscape



Tail winds:

- 2019 GDP forecast 5.6% and World Bank GDP forecast of 6.1% in 2020
- Stable currency, inflation and political environment
- Improved business sentiment



OPERATIONAL REVIEW

Achievements

- Increased market share
- 30-Day active customer growth at **8.9%**
- Improved trust and brand consideration



Investment in Our Network:

- **732** additional 4G sites rolled out, covering **63%** of the population



Self Service:

- Chat Bot
- Voice Biometrics



INVESTING IN OUR COMMUNITY



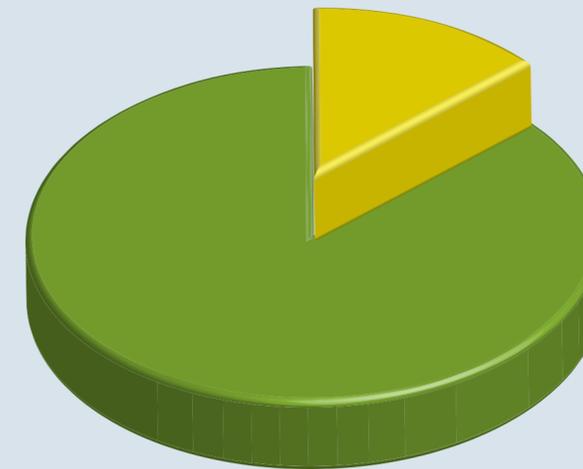
The Foundations:

- Maternal health: 53k mothers benefited
- Education: 40k+ students benefited
- Economic empowerment: Phase III launched targeting 20k beneficiaries



Employment:

- Employer of the Year Award
- 2.3% differently-abled employees
- 30% staff upskilled digital skills



6.3%
contribution
to GDP



GROWTH DRIVERS

M-PESA



Up by
12.4%
from HY19

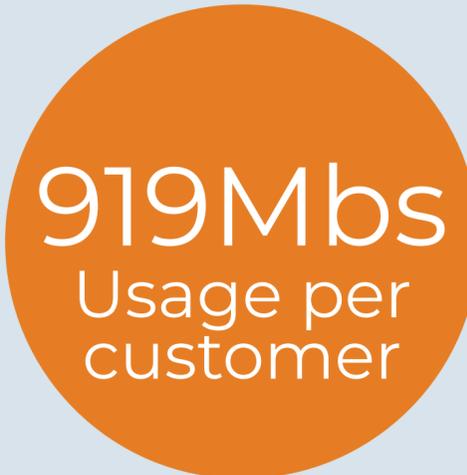


Up by
11.4%
from HY19

Data



Up by
14.8%
from HY19



Up by
43.6%
from HY19

*One Month Active

OUR DIGITAL STRATEGY - BEYOND A TELCO

ENABLING DIGITAL LIFESTYLES



Brand of Choice

- Personalised and simplified products
- Product affordability
- Enhanced self service platforms
- Best 4G network coverage



Financial Partner of Choice

- Wealth management
- Driving a savings culture
- Payment lifestyle platform
- Security enhancements for financial products

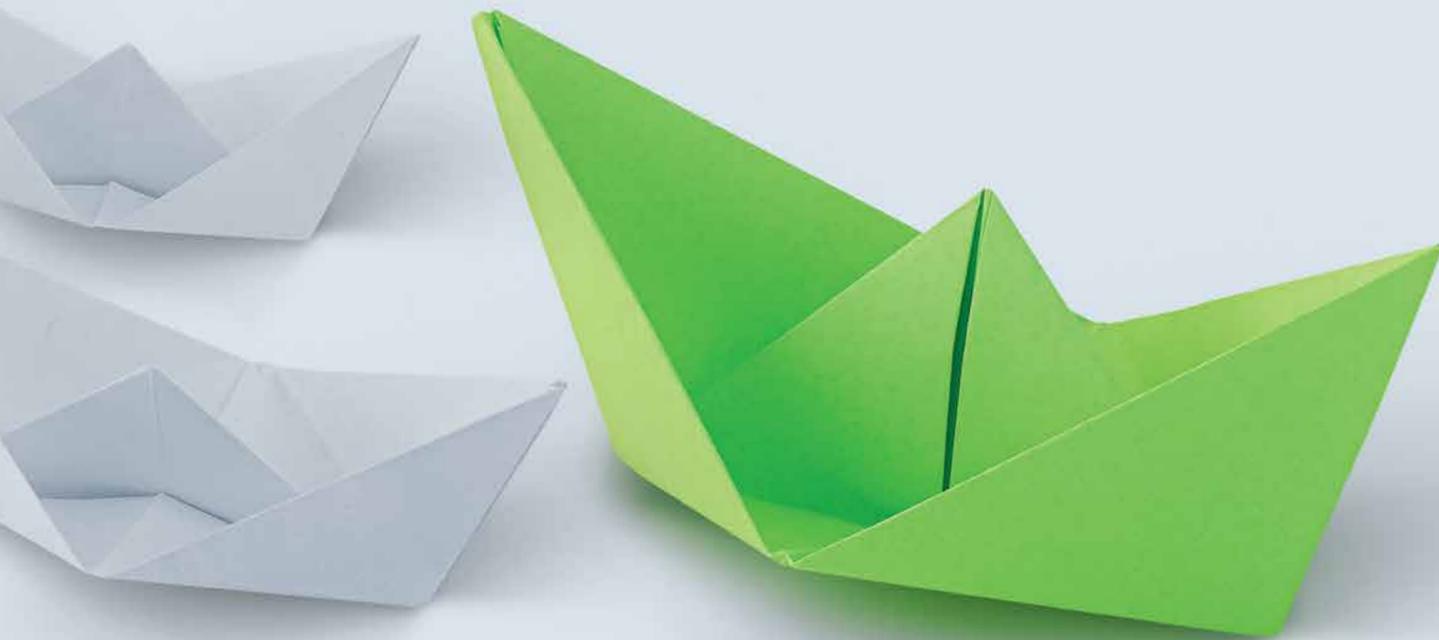


Business Partner of Choice

- Creating value through Cloud, IoT, WiFi analytics, managed security
- E-commerce and Agriculture platforms
- Expansion/ Mergers and Acquisition



DELIVERING OUR PROMISE



Simple • Transparent • Honest

FOR YOU

Freedom to purchase
at any amount

50% extra talk time

NO EXPIRY

Serve Customers
in under 5 minutes

Provide personalised
experience

EBIT



Capex



Our financial outlook for 2020 reflects the adoption of the IFRS 15 and IFRS 16 accounting standards.



The Numbers

Following the adoption of IFRS 16 - Leases on 1 April 2019, the Group's results for the six months ended 30 September 2019 are on an IFRS 16 basis, whereas the results for the period to 30 September 2018 are (as previously reported) on an IFRS 15/IAS 17 basis. To ensure appropriate disclosure during the period of transition onto IFRS 16, numbers for the six months ended 30 September 2019 have been disclosed on both an IFRS 16 and IAS17 basis. Numbers in slides 11-20 have been provided solely on an IFRS 15/IAS17 basis.

KEY HIGHLIGHTS

STRONG CUSTOMER GROWTH WITH CONTINUED DOUBLE DIGIT GROWTH ON BOTTOM LINE



+8.9% YoY

One Month Active Customers

27.5Mn HY20
25.2Mn HY19



+5.3% YoY

Service Revenue

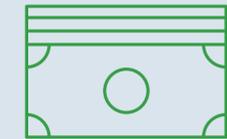
KShs 124.3Bn HY20
KShs 118.1Bn HY19



+12.7% YoY

EBIT

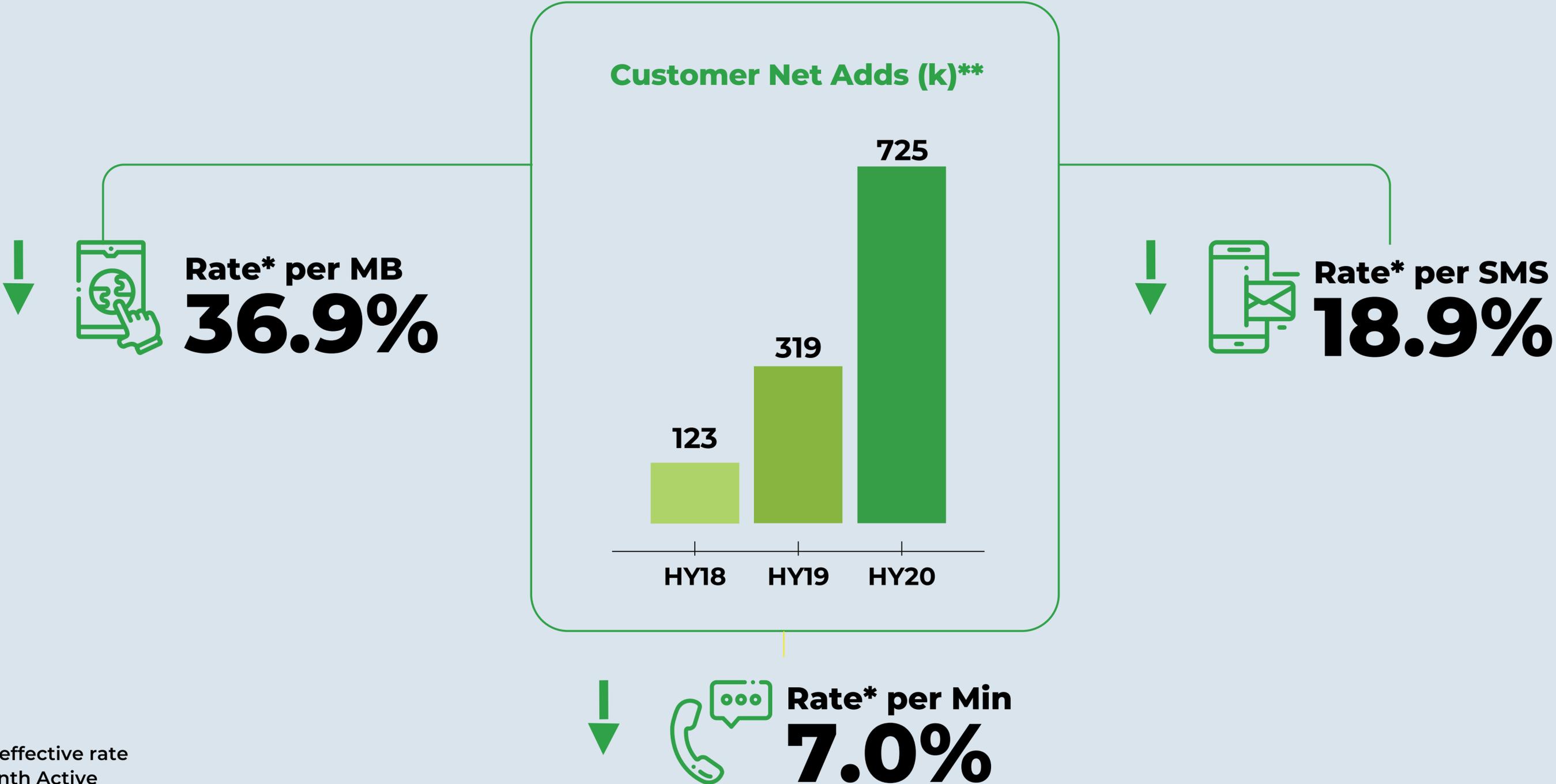
KShs 49.8Bn HY20
KShs 44.2Bn HY19



+14.4% YoY

Net Income

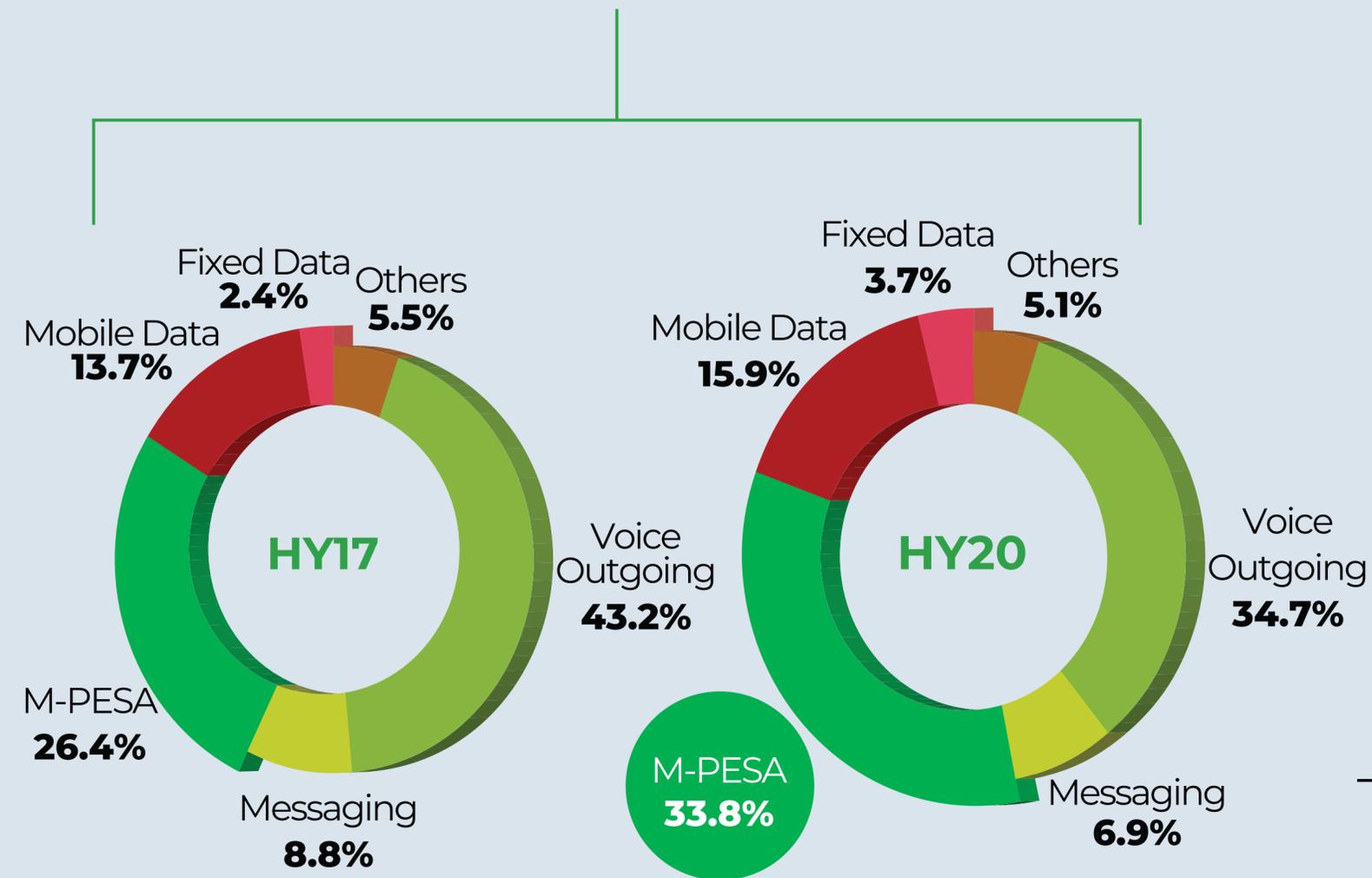
KShs 35.7Bn HY20
KShs 31.2Bn HY19



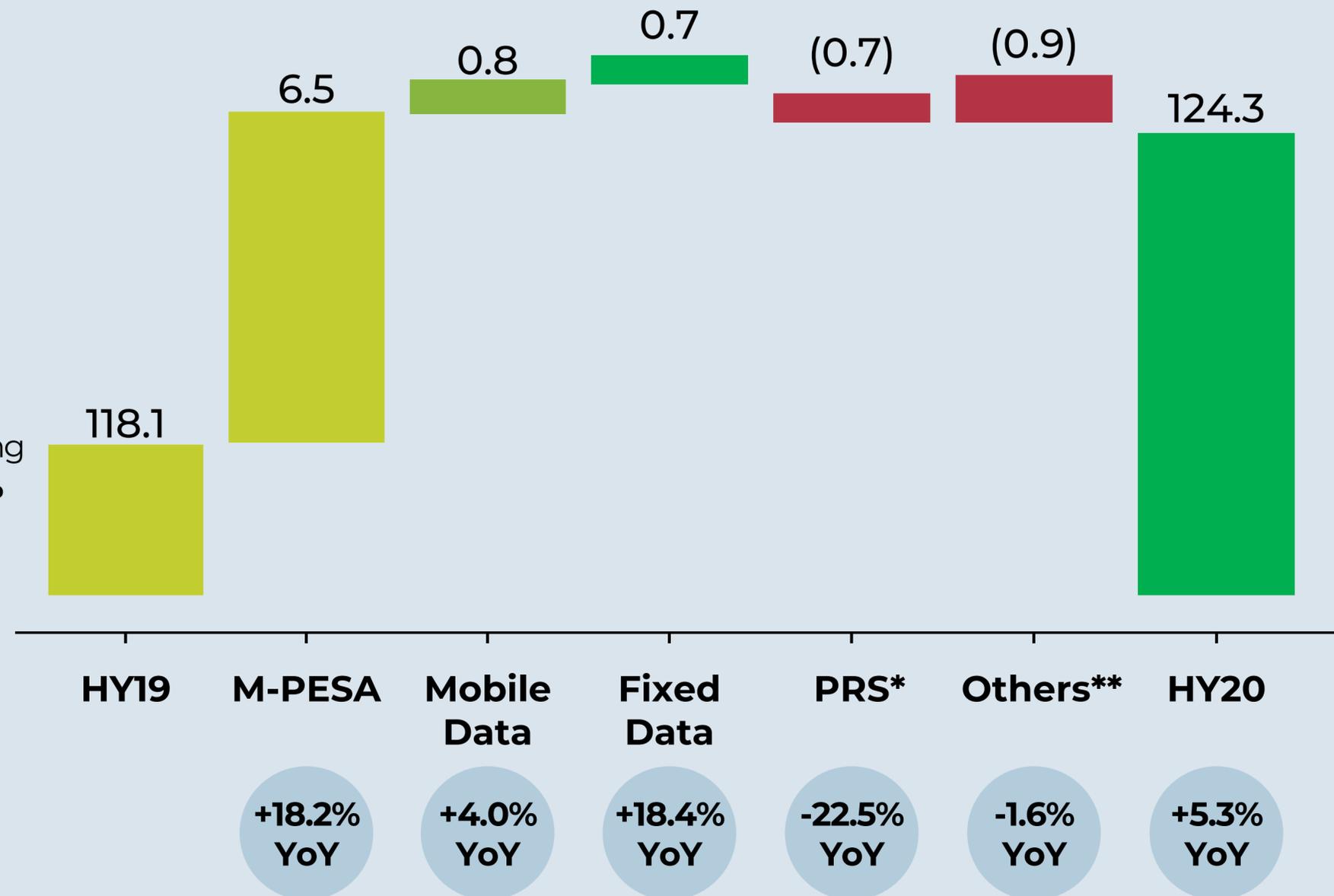
*Average effective rate
**One Month Active

HY20 SERVICE REVENUE | DIVERSIFIED PORTFOLIO COMPARED TO TRADITIONAL TELCO

Evolution of Revenue Profile



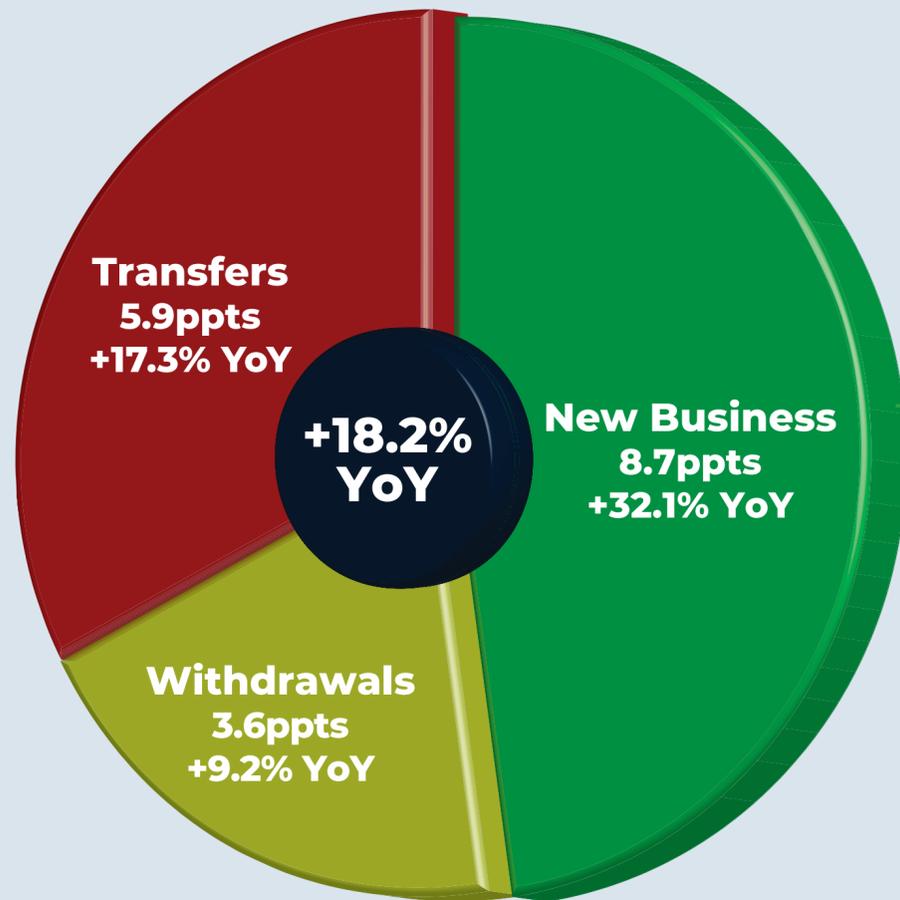
Contribution to Service Revenue Growth (KShs Bn)



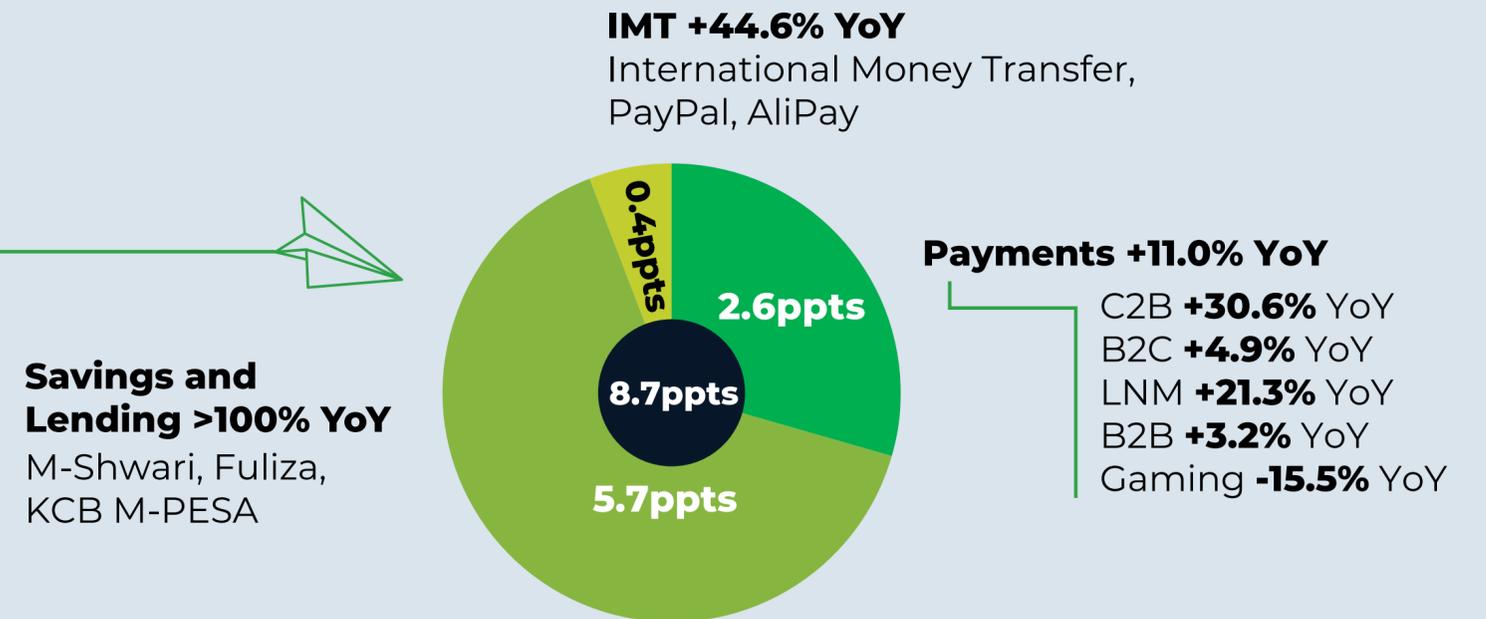
*Premium Rate Service

**Other; Voice outgoing -1.1% YoY, Voice incoming -3.9% YoY, SMS -5.2% YoY and Other SR +2.5% YoY

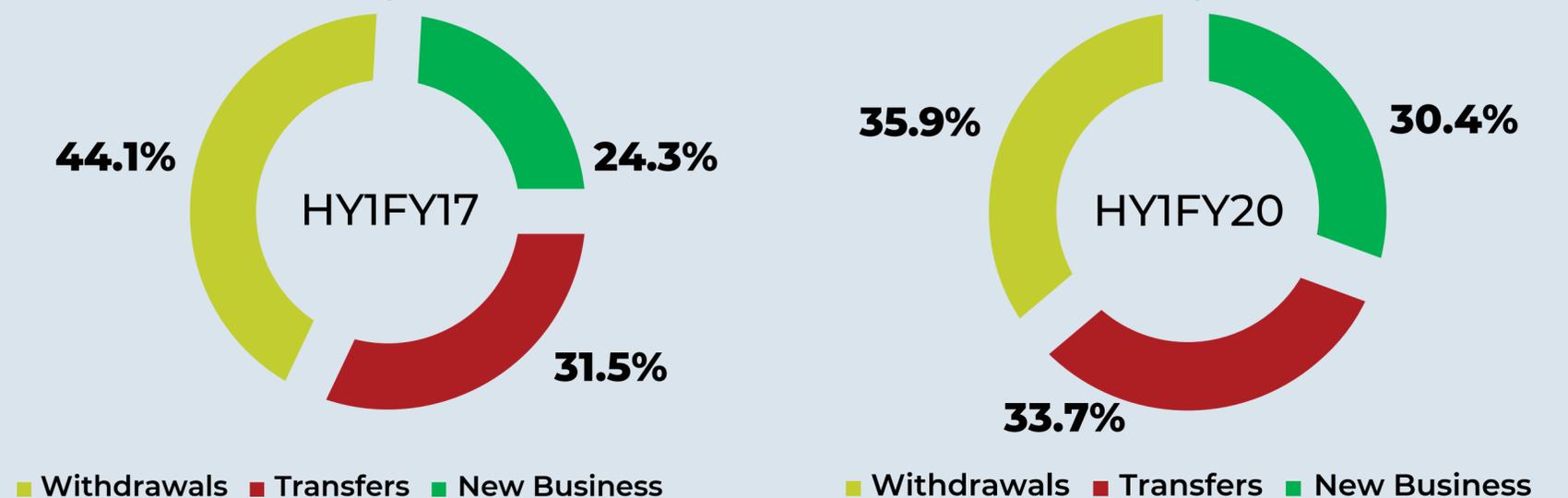
Contribution to M-PESA Growth



Contribution to New Business Growth



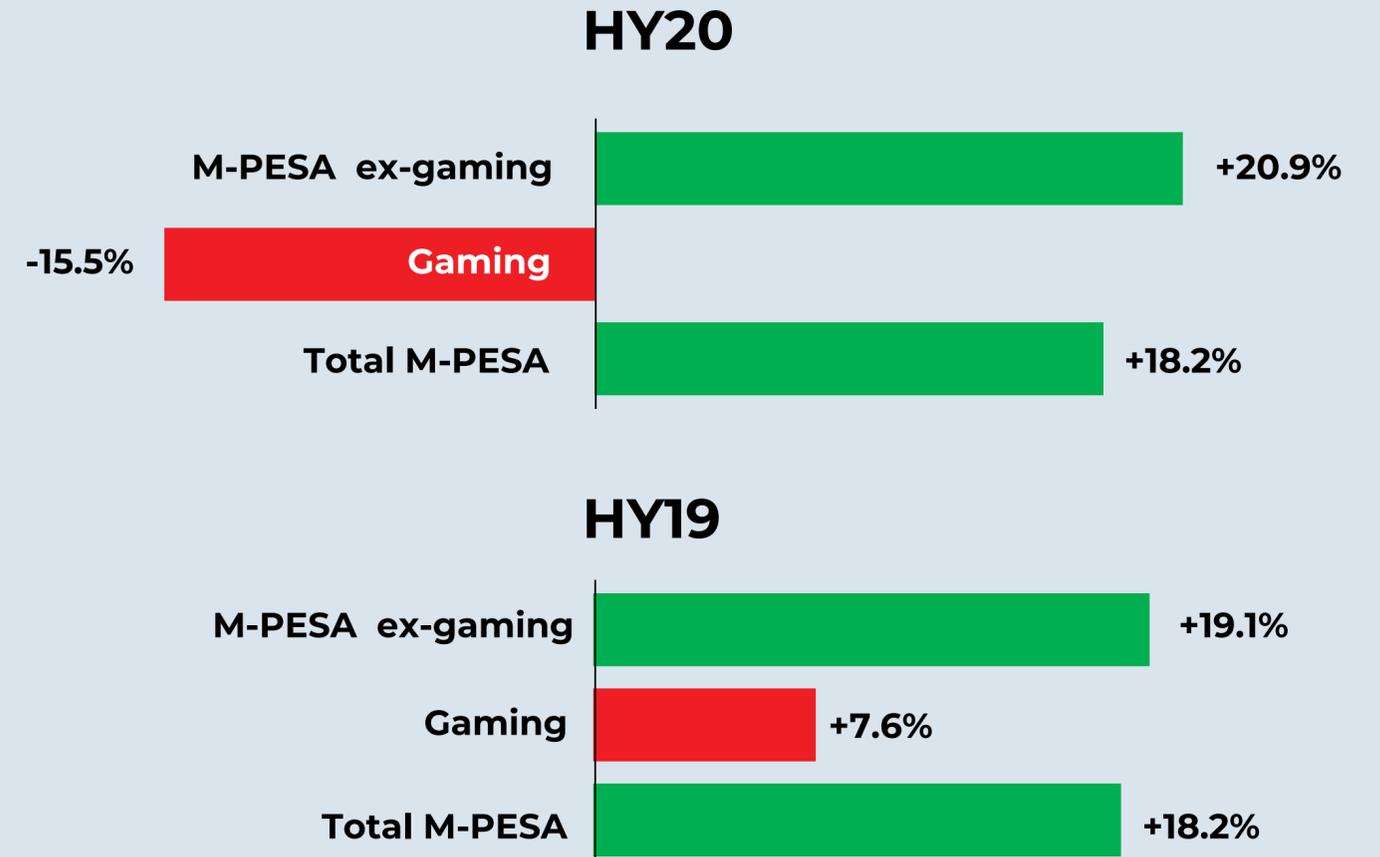
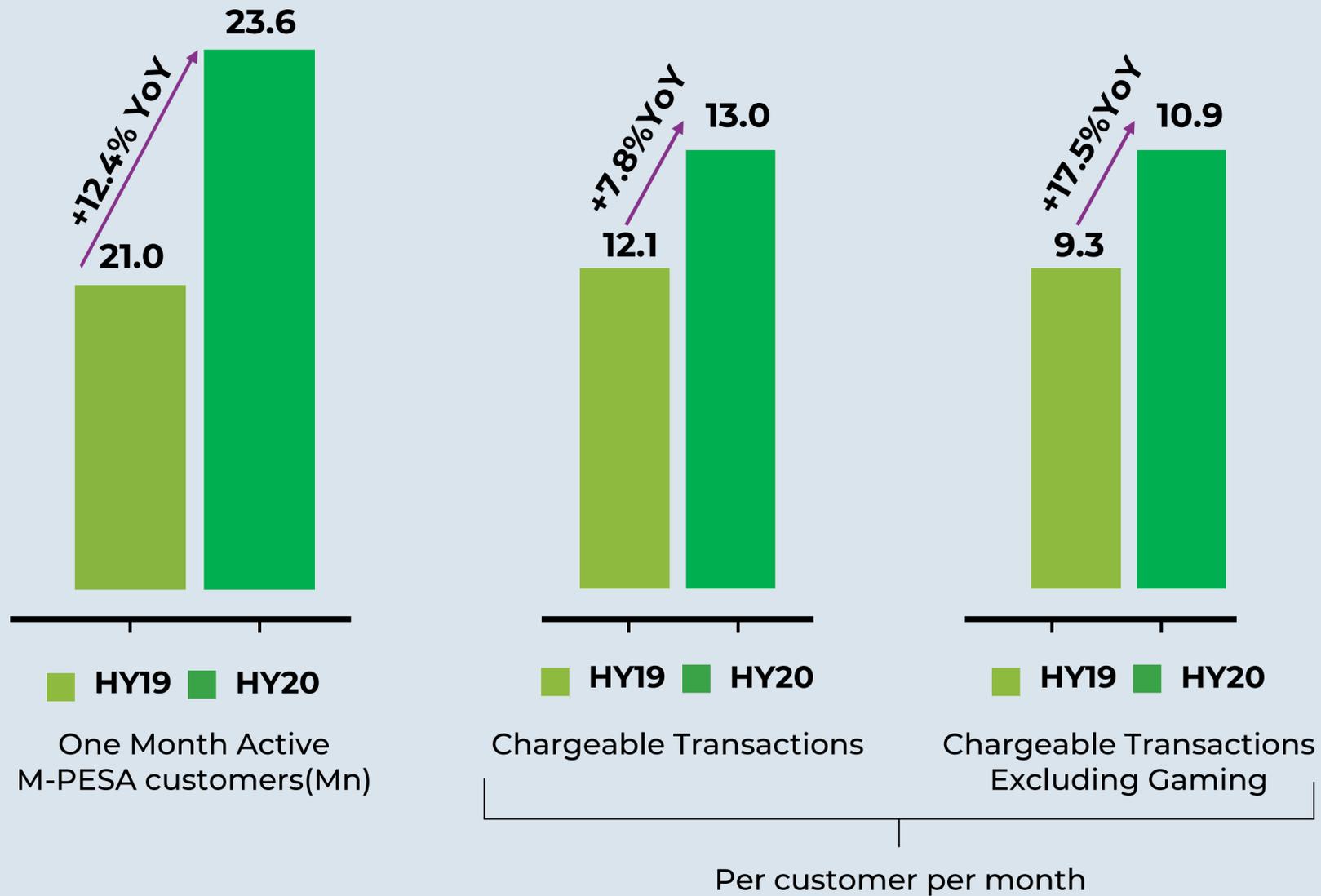
Evolution of Revenue Profile



M-PESA Call Outs

- Value of M-PESA Transactions +23.9% YoY
- Volume of M-PESA Transactions +11.4% YoY
- LNM 30 Day Active Tills +15.5% YoY
- M-PESA Agents +8.2%

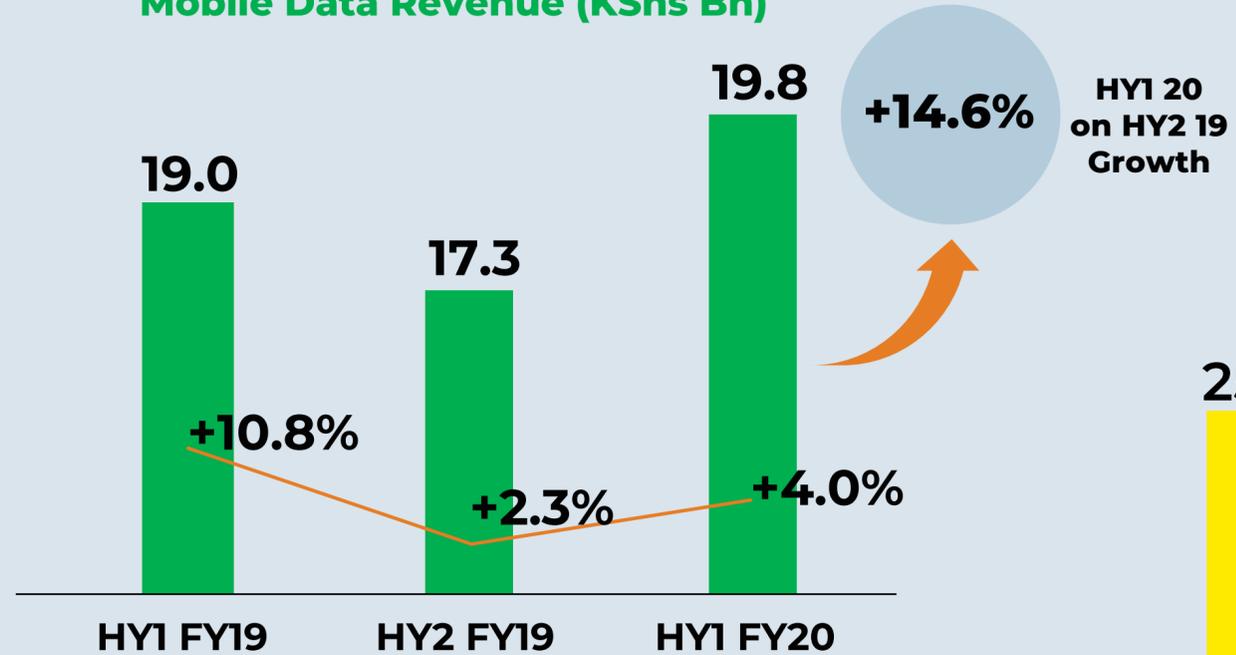
Increased penetration, usage and revenue growth despite slow-down in gaming



MOBILE DATA REVENUE

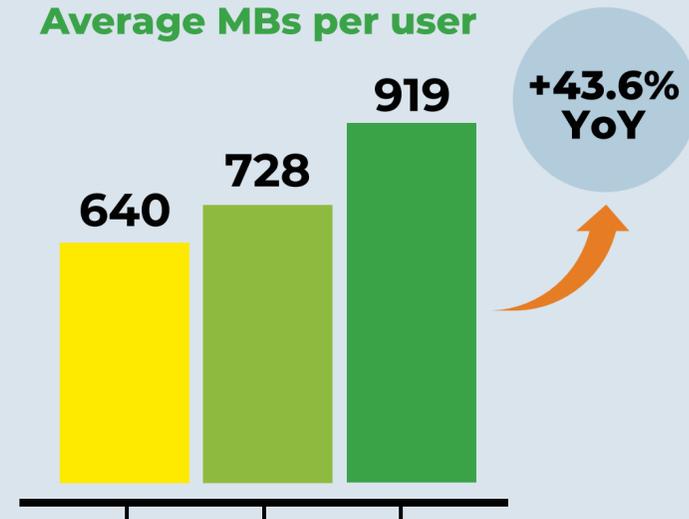
SEQUENTIAL HALF YEAR GROWTH OF 14.6%

Mobile Data Revenue (KShs Bn)



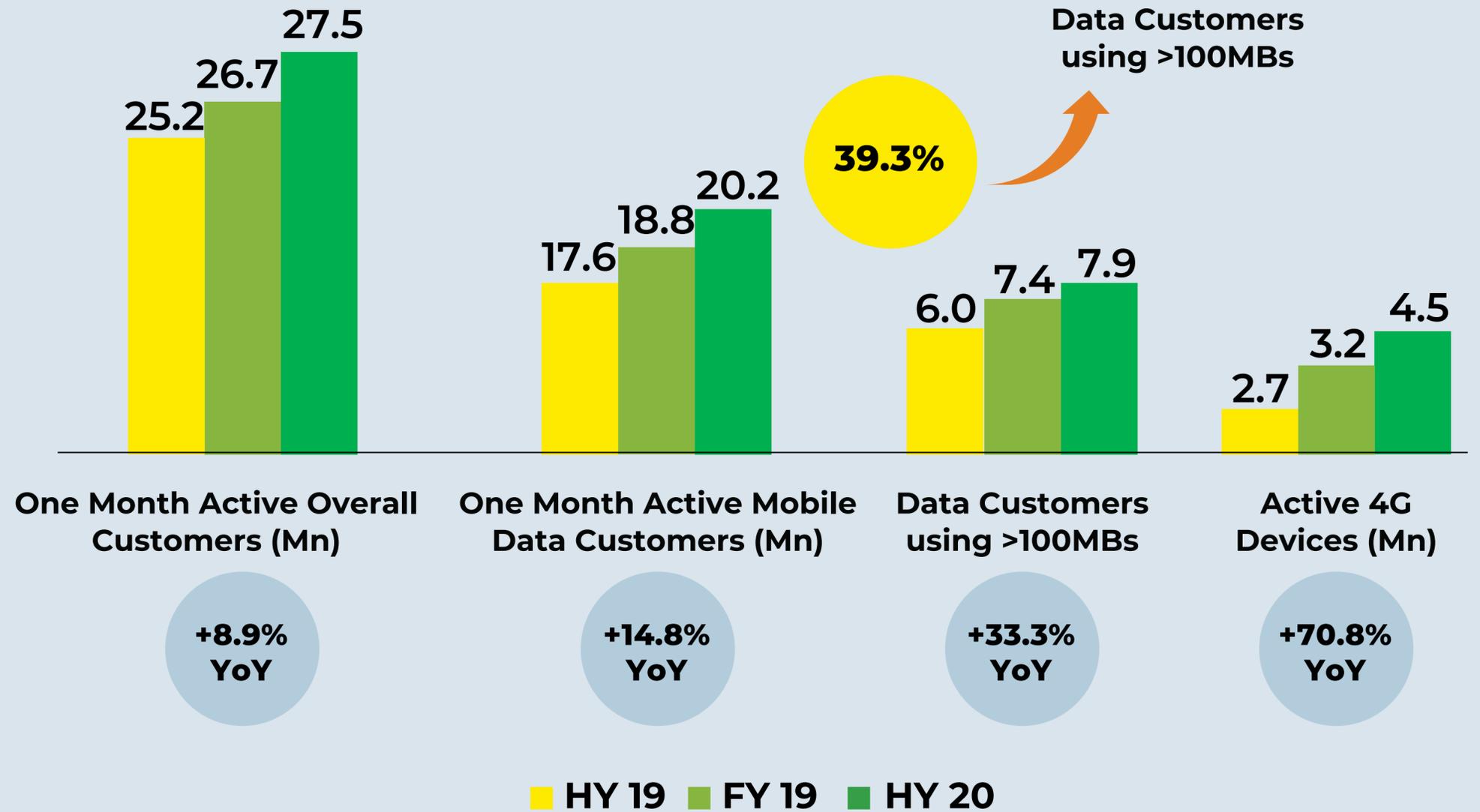
Revenue YoY% growth

Average MBs per user



HY 19 FY 19 HY 20

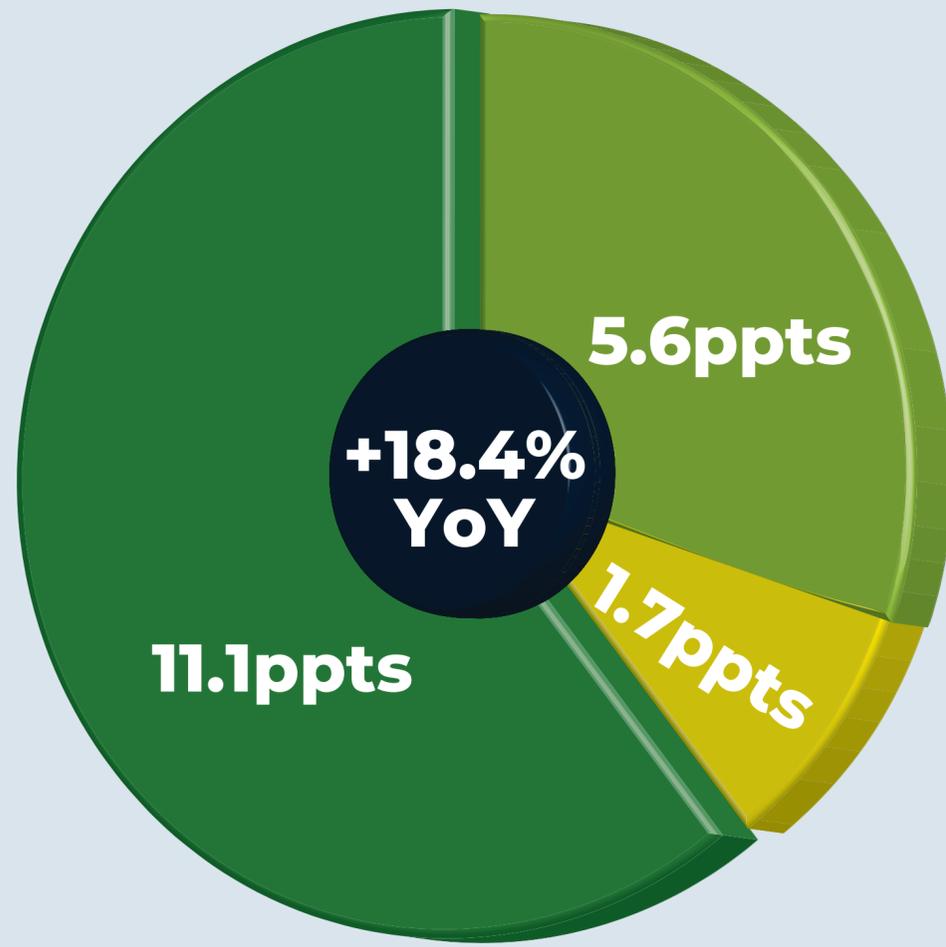
Unlocking the latent potential is key for growth



HY 19 FY 19 HY 20

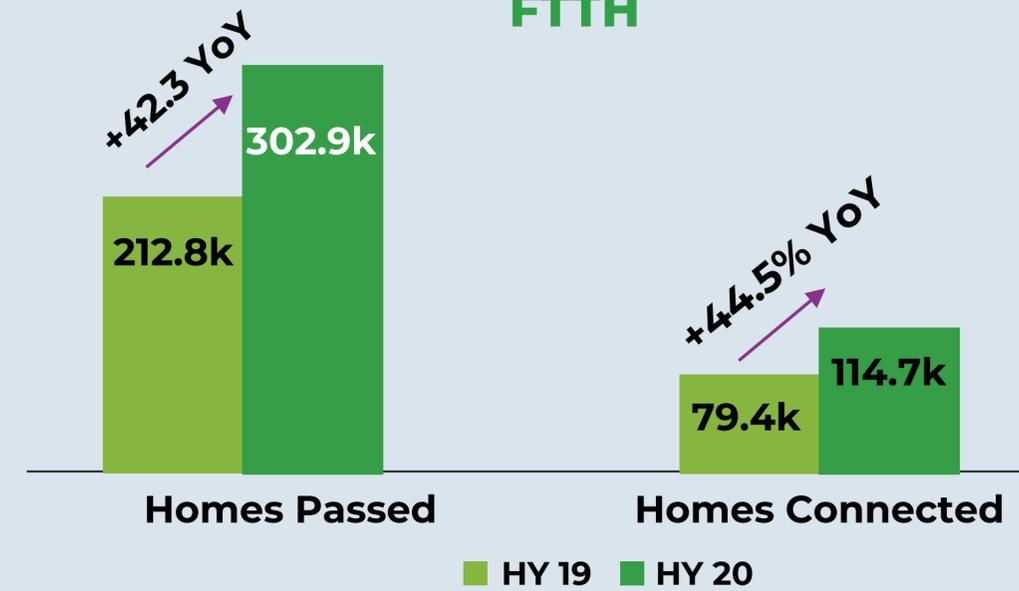
FIXED SERVICE REVENUE | CONTINUED DOUBLE DIGIT GROWTH

Contribution to Fixed Revenue Growth

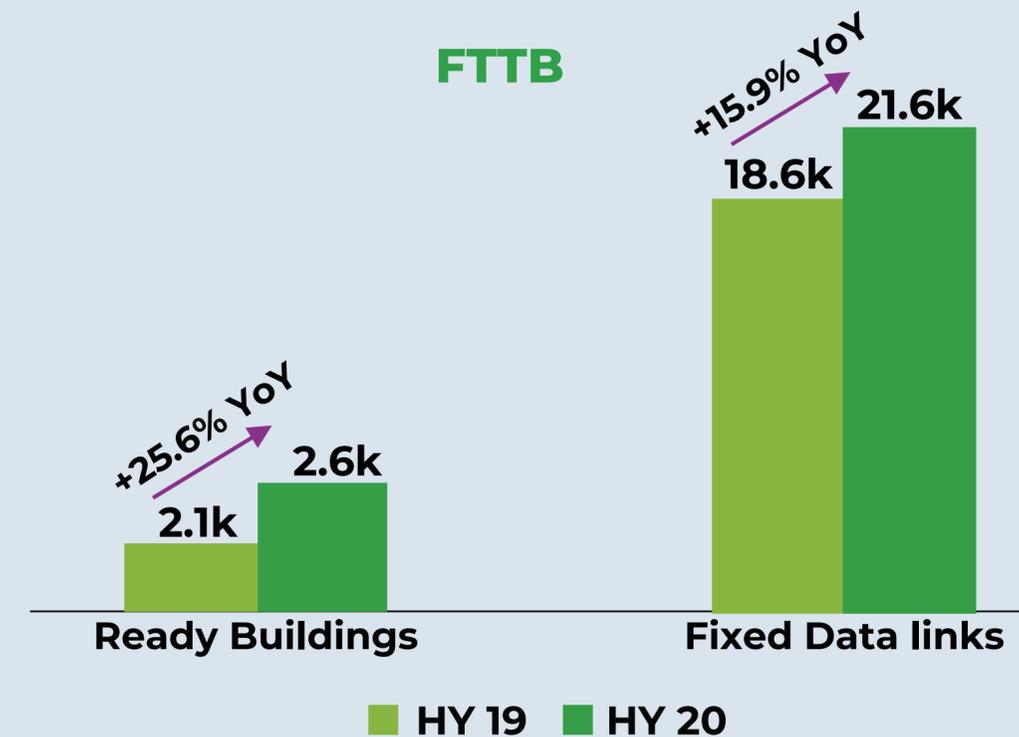


■ **FTTH** Fibre to the home
■ **FTTB** Fibre to the business
■ **Other**

FTTH

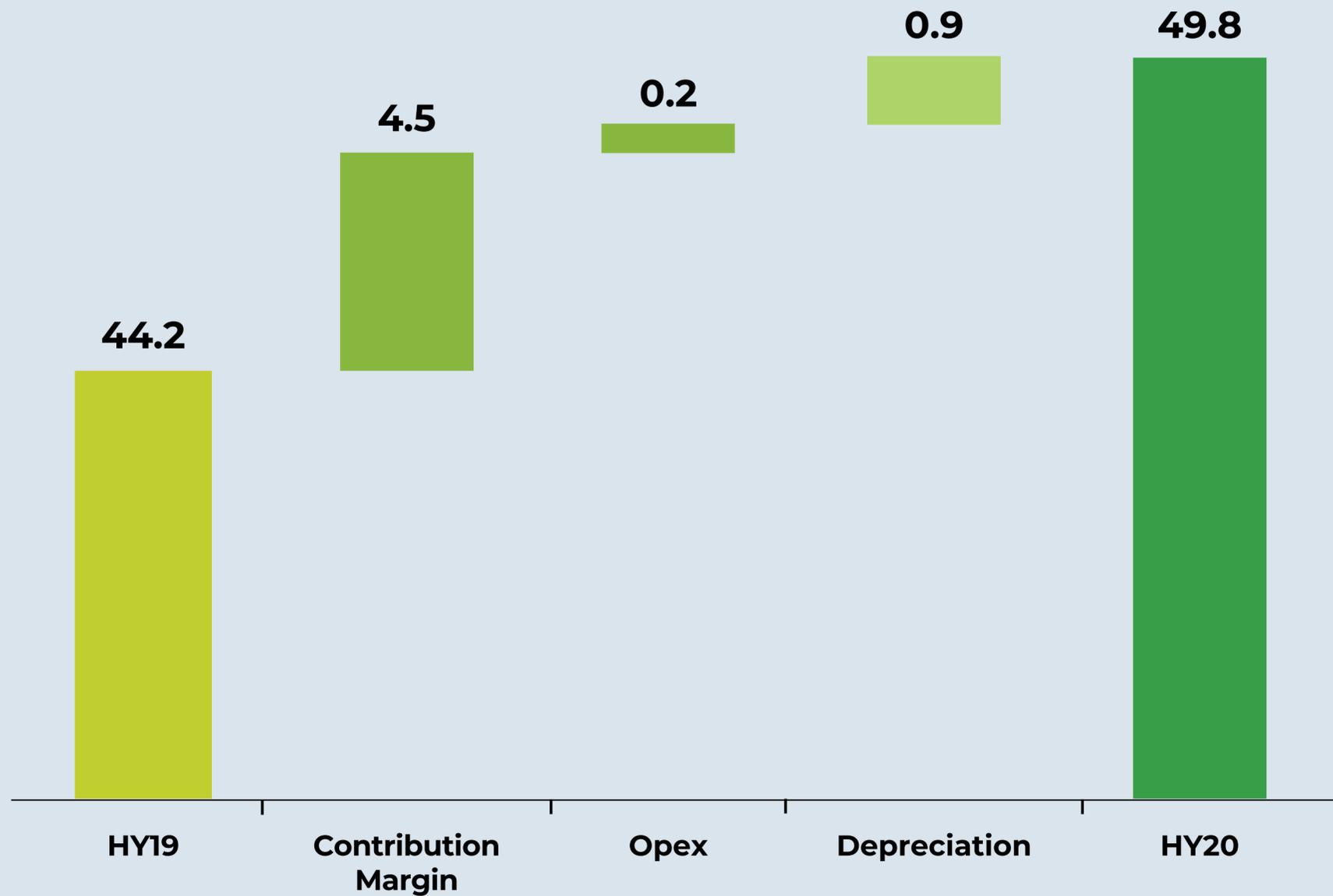


FTTB



EBIT | +2.4PPTS DRIVEN BY REVENUE GROWTH AND OPERATING EFFICIENCIES

HY20 EBIT (KShs Bn)

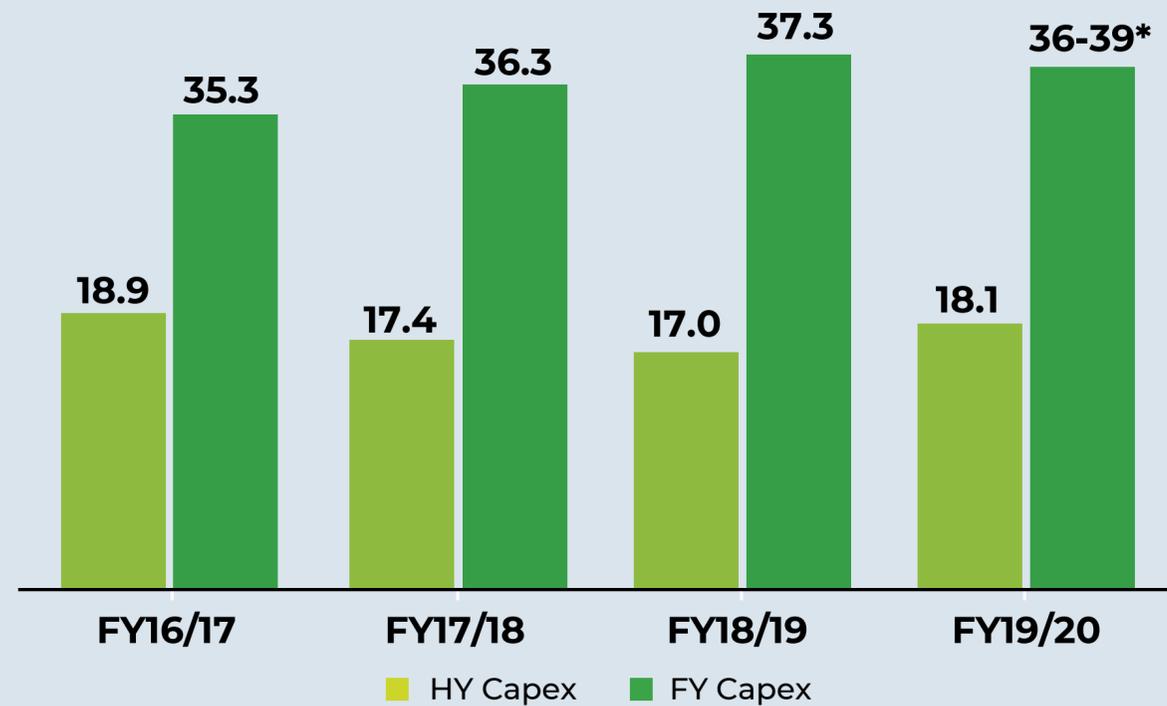


Service Revenue & EBIT (KShs Bn)



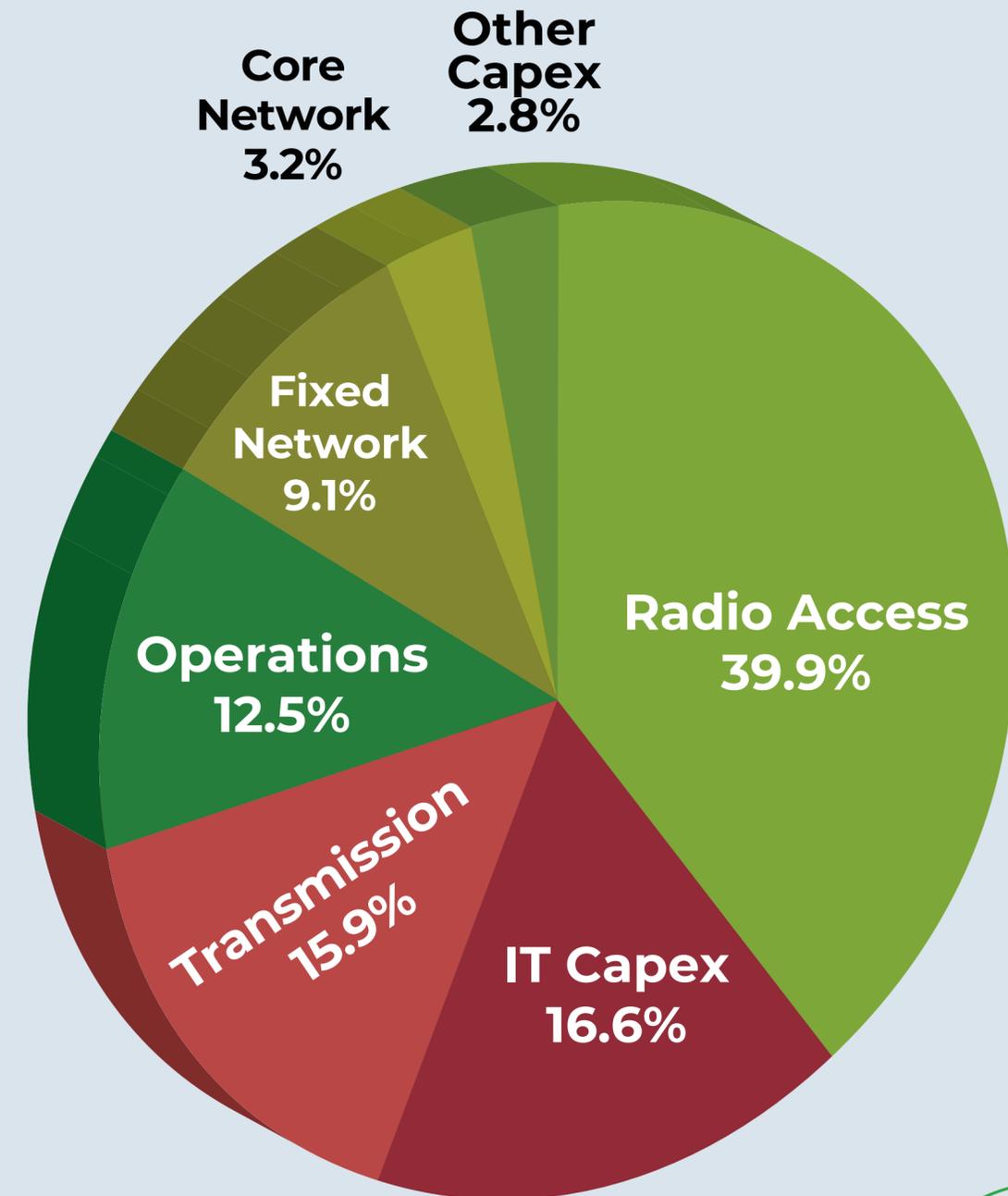
• Opex Intensity improves 1.3ppt YoY

Capex (KShs Bn)

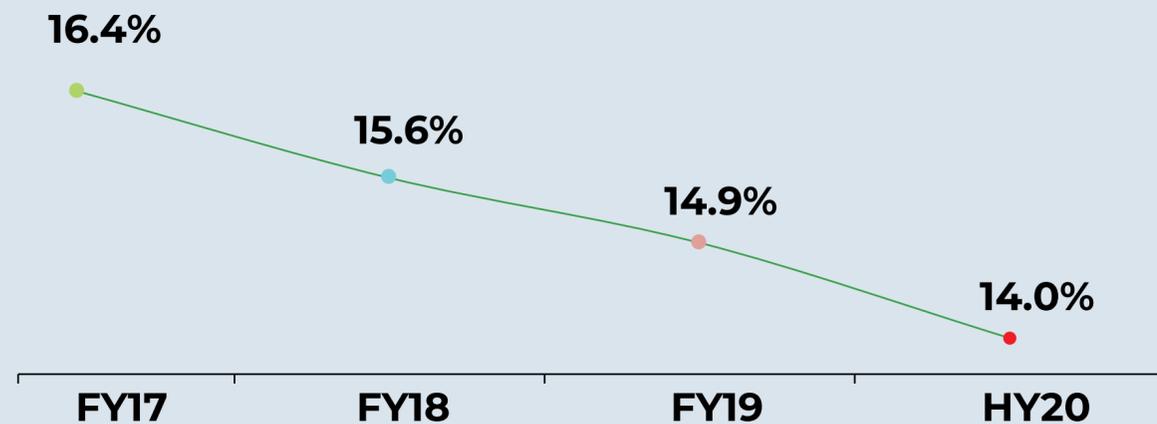


*Range based on FY20 CAPEX guidance

Capex Split



Capex Intensity

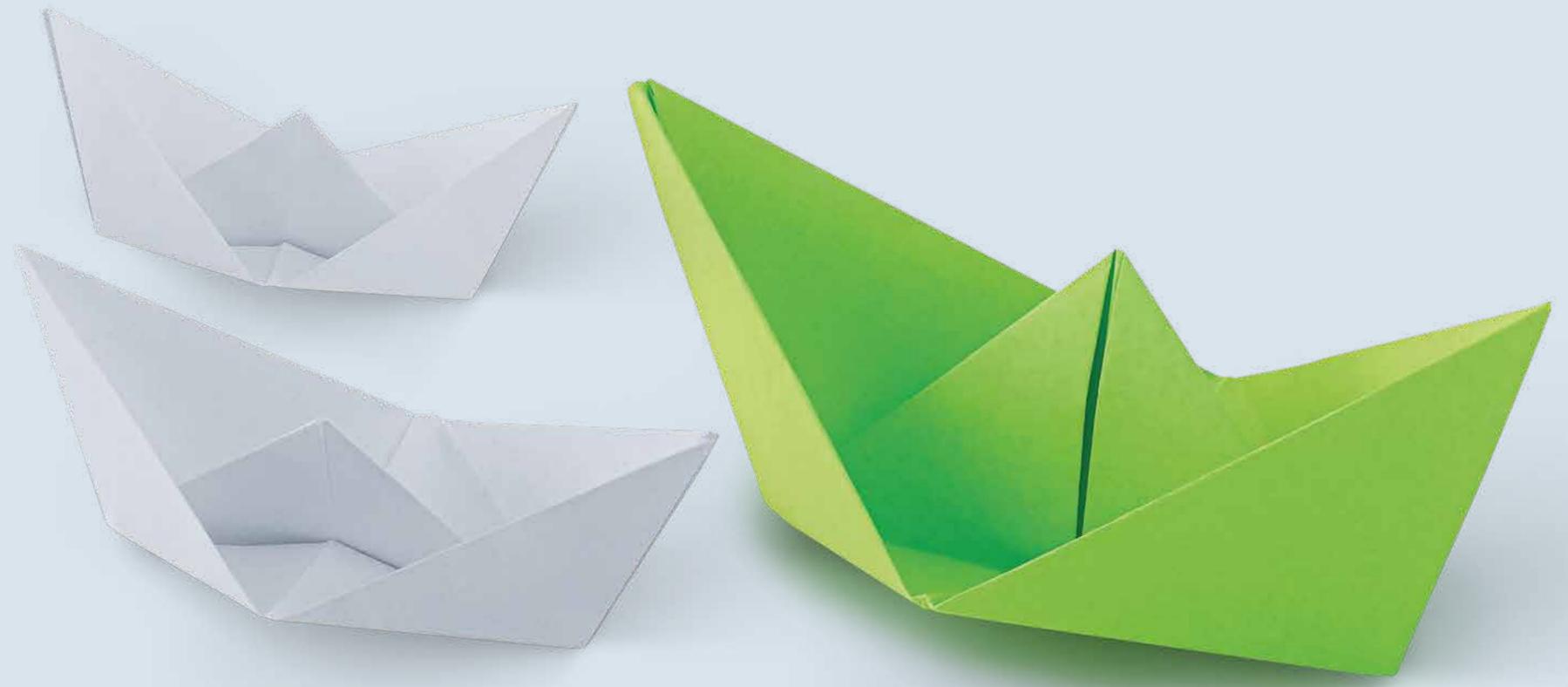


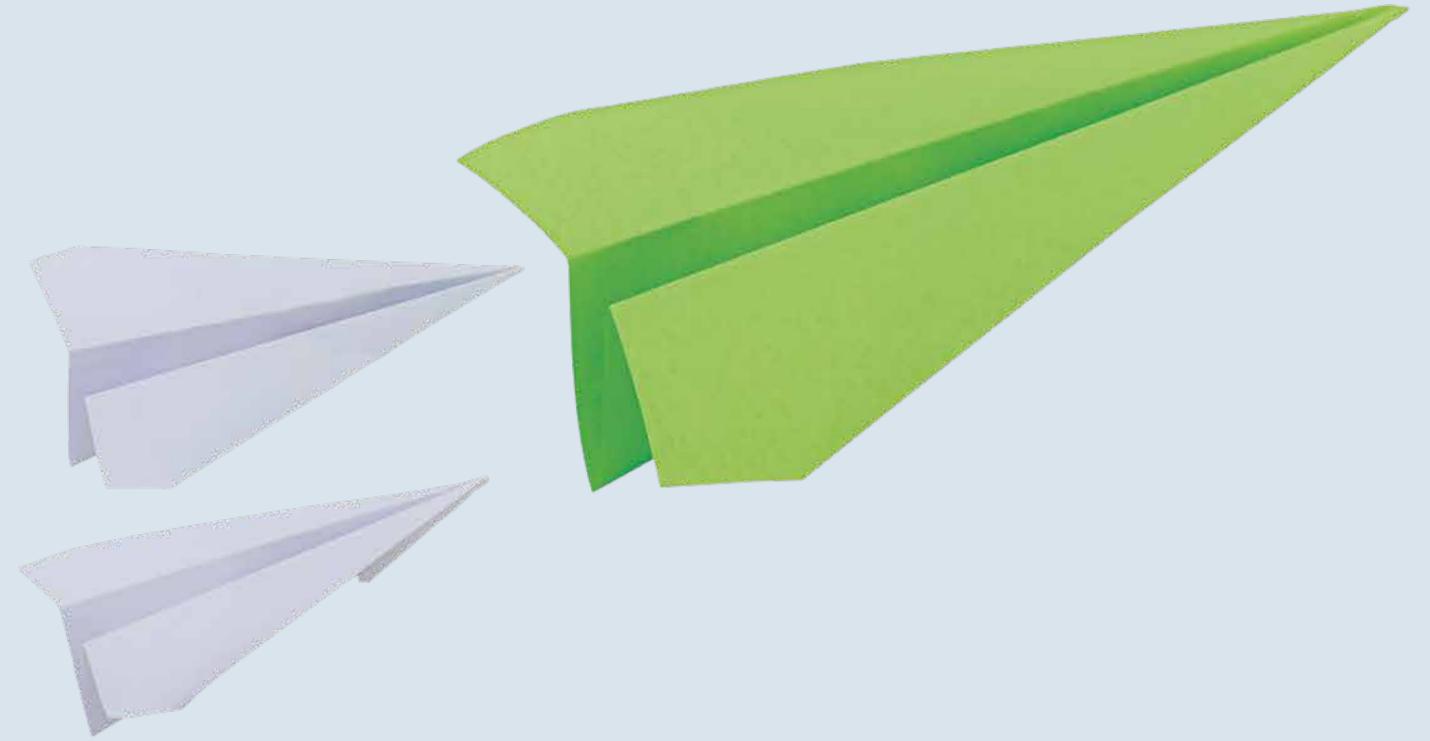
FREE CASHFLOW

IMPACT FROM ACCELERATED 4G ROLLOUT EXPECTED TO UNWIND IN H2

KShs Bn	30 Sep 2019	30 Sep 2018	YoY Variance	% Change
EBITDA	66.49	61.79	4.71	7.6%
Net Working Capital Movements	2.94	5.99	(3.06)	(51.0%)
Other Movements	(0.01)	(0.08)	0.07	(86.5%)
Operating cash flow	69.42	67.70	1.72	2.5%
Capital Additions	(18.11)	(16.85)	(1.26)	7.5%
Operating free cash flow	51.31	50.85	0.46	0.9%
Net Interest received	1.80	1.28	0.52	40.3%
Taxation paid	(15.77)	(13.71)	(2.06)	15.0%
Free cash flow	37.33	38.42	(1.09)	(2.8%)

Q&A





Appendices

Statement of Income I Key Highlights

KShs. Bn	HY20 IFRS15/16	HY20 IFRS15/IAS17	HY19 IFRS15/IAS17	% Change IFRS 15/IAS17	IFRS 16 Impact
Voice revenue (Outgoing & Incoming)	46.87	46.87	47.53	(1.4%)	0.00
Messaging revenue	8.60	8.60	9.67	(11.0%)	0.00
Mobile data revenue	19.78	19.78	19.01	4.0%	0.00
Fixed service revenue	4.55	4.55	3.84	18.4%	0.00
M-PESA revenue	41.97	41.97	35.52	18.2%	0.00
Other service revenue	2.55	2.55	2.49	2.4%	0.00
Service Revenue	124.32	124.32	118.05	5.3%	0.00
Total Revenue	129.93	129.90	122.83	5.8%	0.03
Contribution margin	92.10	92.07	87.57	5.1%	0.03
<i>Contribution margin %*</i>	71.1%	71.1%	71.5%	(0.4ppt)	0.0ppt
EBITDA	68.37	66.49	61.79	7.6%	1.87
<i>EBITDA margin %*</i>	52.8%	51.3%	50.4%	0.9ppt	1.5ppt
EBIT	50.25	49.82	44.22	12.7%	0.43
<i>EBIT Margin %*</i>	38.8%	38.5%	36.1%	2.4ppt	0.3ppt
Net Income	35.20	35.65	31.17	14.4%	(0.45)
<i>Net Income %*</i>	27.2%	27.5%	25.4%	2.1ppt	(0.3ppt)
Earnings per share	0.88	0.89	0.78	14.4%	(0.01)

*Margins are calculated on total revenue (excluding construction revenue, gain on lease termination and gain on disposal of fixed assets)

Statement of Income | Key Highlights

KShs Bn	HY20 IFRS15/16	HY20 IFRS 15/IAS17	HY19 IFRS 15/IAS17	% Change IFRS 15/IAS17	IFRS 16 Impact
Service Revenue	124.32	124.32	118.05	5.3%	0.00
Handset and other revenue	5.16	5.16	4.31	19.7%	0.00
Construction revenue	0.35	0.35	0.30	15.2%	0.00
Other Income	0.10	0.07	0.17	(58.8%)	0.03
Total Revenue	129.93	129.90	122.83	5.8%	0.03
Direct costs	(37.48)	(37.48)	(34.96)	7.2%	0.00
Construction costs	(0.35)	(0.35)	(0.30)	15.2%	0.00
Contribution margin	92.10	92.07	87.57	5.1%	0.03
Direct costs					
M-PESA Commissions	(11.78)	(11.78)	(10.59)	11.2%	0.00
Airtime Commissions	(5.45)	(5.45)	(5.50)	(1.1%)	0.00
Licence Fees	(5.25)	(5.25)	(5.19)	1.0%	0.00
Interconnect & Roaming	(3.77)	(3.77)	(3.61)	4.5%	0.00
Handset costs	(3.78)	(3.78)	(2.75)	37.6%	0.00
Customer Acquisition and Retention	(4.07)	(4.07)	(3.61)	12.8%	0.00
Value Added Services costs (Voice & SMS)	(2.69)	(2.69)	(3.10)	(13.0%)	0.00
Bad debts	(0.37)	(0.37)	(0.10)	>100.0%	0.00
Other	(0.32)	(0.32)	(0.50)	(36.0%)	0.00
Total	(37.48)	(37.48)	(34.96)	7.2%	0.00

Statement of Income | Contribution Margin to Net Income

KShs Bn	HY20 IFRS15/16	HY20 IFRS 15/IAS17	HY19 IFRS 15/IAS17	% Change IFRS 15/IAS17	IFRS 16 Impact
Contribution margin	92.10	92.07	87.57	5.1%	0.03
Operating costs	(23.75)	(25.59)	(25.82)	(0.9%)	1.85
Forex Loss on trading activities	0.02	0.02	0.03	(51.0%)	0.00
EBITDA	68.37	66.49	61.79	7.6%	1.87
Depreciation, impairment & amortisation	(18.12)	(16.67)	(17.56)	(5.1%)	(1.45)
EBIT	50.25	49.82	44.22	12.7%	0.43
Net Financing, Forex and Fair Value Losses	1.03	1.85	1.41	31.2%	(0.81)
Share of associate profit/(loss)	0.05	0.05	(0.01)	<100.0%	0.00
Taxation	(16.13)	(16.07)	(14.46)	11.1%	(0.06)
Net Income	35.20	35.65	31.17	14.4%	(0.45)
Operating costs					
Repairs and maintenance	(0.18)	(0.18)	(0.15)	20.7%	0.00
Operating lease rentals'- Buildings	(0.19)	(2.02)	(1.90)	6.0%	1.82
Warehousing costs	(0.16)	(0.16)	(0.16)	4.0%	0.00
Employee benefits expense (Note 9)	(8.51)	(8.53)	(8.22)	3.8%	0.02
Auditor's remuneration	(0.03)	(0.03)	(0.03)	(4.5%)	0.00
Sales and advertising	(3.44)	(3.44)	(3.87)	(11.3%)	0.00
Consultancy	(0.39)	(0.39)	0.38	(<100.0%)	0.00
Site/facilities costs	(6.82)	(6.82)	(7.15)	(4.6%)	0.00
Travel and accommodation	(0.41)	(0.41)	(0.46)	(11.3%)	0.00
Computer maintenance	(1.12)	(1.12)	(1.12)	0.2%	0.00
Office upkeep	(0.54)	(0.54)	(0.74)	(27.1%)	0.00
Other operating expenses	(1.95)	(1.95)	(2.39)	(18.5%)	0.00
Total	(23.75)	(25.59)	(25.82)	(0.9%)	1.85

Free Cashflow | Key Movements

KShs Bn	30 Sep 2019 IFRS 15/16	30 Sep 2019 IFRS 15/IAS17	30 Sep 2018 IFRS 15/IAS17	% Change IFRS15/IAS17	IFRS 16 Impact
EBITDA	68.37	66.49	61.79	7.6%	1.87
Net Working Capital Changes	3.70	2.94	5.99	(51.0%)	0.77
Movement in:					
ROU assets and lease liabilities	(2.61)	0.00	0.00	0.0%	(2.61)
Gain on lease terminations	(0.03)	(0.00)	0.00	0.0%	(0.03)
Gain on PPE disposal	(0.01)	(0.01)	(0.08)	(86.5%)	0.00
Operating cash flow	69.42	69.42	67.70	2.5%	0.00
Capital Additions	(18.11)	(18.11)	(16.85)	7.5%	0.00
Operating free cash flow	51.31	51.31	50.85	0.9%	0.00
Net Interest received	1.80	1.80	1.28	40.3%	0.00
Taxation paid	(15.77)	(15.77)	(13.71)	15.0%	0.00
Free cash flow	37.33	37.33	38.42	(2.8%)	0.00

MOVEMENT IN CASH (KShs Bn)

