

# News Release



## SAFARICOM LIMITED ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2015.

### KEY HIGHLIGHTS

#### Continued growth in all revenue streams with continued focus on non-voice revenues

- Total revenue increased by 13% to Kshs 163.4bn.
- Service revenue growth of 13% to Kshs 156.2bn of which – voice service revenue grew by 4% to Kshs 87.4bn and non-voice service revenue increased by 27% to Kshs 68.8bn.
- Customer base grew by 8% to 23.3m.
- SMS revenue grew by 15% to Kshs 15.6bn.
- MPesa revenue increased by 23% to Kshs 32.6bn.
- 14% increase in 30 day active MPesa customers to 13.9m – 60% of our total customer base.
- Mobile data revenue grew by 59% to Kshs 14.8bn.
- 21% increase in 30 day active mobile data customers to 11.6m – 50% of our total customer base.
- Fixed service revenue growth of 22% to Kshs 3.1bn.

#### Strong financial and commercial performance

- 17% growth in EBITDA to Kshs 71.2bn with an EBITDA margin of 43.6%, up 1.4ppt.
- Profit after tax increased by 38% to Kshs 31.9bn.
- Free cash flow has improved by 21% to Kshs 27.5bn.
- Capital expenditure for the period increased by 21% to Kshs 33.7bn.
- 36% increase in the proposed dividend to Kshs 25.6bn

#### **Bob Collymore, Safaricom Limited CEO commented:**

We continue to strive to deliver the best service to our customers and for that we have been rewarded with strong commercial and financial performance. We have delivered on our goal to transform lives by providing unmatched services; improving our network quality; and deepening financial inclusion with the customer uptake of Lipa na MPesa.

Our 4G network is now available in Nairobi and Mombasa, and we will roll out to another 13 towns and cities by year end. This is a first for Kenya and will enable our customers to experience superfast home broadband and mobile data offerings.

In December 2014 the Government of Kenya entrusted Safaricom to build the National Police Network in Nairobi and Mombasa to help with security. Delivery of this 4G push-to-talk network and CCTV cameras is progressing, with phase one on schedule to be launched at the end of May 2015.

We have grown our total revenue by 13% to Kshs 163.4bn through focusing on providing quality services that resulted in double digit growth across our non-voice service revenue streams. Voice service revenue which now stands at 54% of total revenue grew at 4% while non-voice service revenue which accounts for 42% of total revenue, sustained its growth trajectory with a 27% increase to Kshs 68.8bn driven mainly by Data and MPesa. Devices and other revenue contribute 4% of total revenue.

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Mobile penetration in Kenya stood at 80.6%\* with Safaricom recording the largest subscriber share of 67.4%\*. Our customer base has grown by 8% to 23.3m while churn rate dropped to 17.3% as a result of efforts centered on retaining and rewarding our loyal customers.

Voice service revenue grew 4% to Kshs 87.4bn, this growth was supported by our loyal customer base attracted by a superior network experience, convenient airtime distribution and attractive consumer propositions and promotions such as the 'Tetemeshwa' campaign.

Messaging revenue increased by 15% to Kshs 15.6bn which represents 10% of our total revenue. This was driven by increased usage from affordable SMS bundles and SMS based promotions such as 'Bonyeza Ushinde'.

MPesa, now contributing 20% of total revenue, continues to be a significant driving factor in our growth. This was driven by a 14% increase in 30 day active MPesa customers to 13.9m as well as an increase in the average number of transactions per customer. In the year, we expanded our MPesa agent outlets to 85,756 thereby promoting accessibility of the service to our customers. Since its launch, the Lipa na MPesa service has enabled cashless merchant payments and facilitated trade between businesses and their customers while improving business efficiency. In March 2015 the service had 49,413 merchants active on a 30 day basis, who received Kshs 11.6bn of payments.

Mobile data revenue grew at an impressive 59% driven by an increased uptake of affordable data bundles and a 21% growth in 30 day active mobile data customers to 11.6m. By 31 March 2015 we had 4.3m customers on 3G enabled devices of which 3.4m were smartphones. Fixed data revenue increased by 22% to Kshs 3.1bn on the back of 23% growth in fixed data customers.

We continue to focus on our 'Best Network in Kenya' program with Kshs 33.7bn invested on capital expenditure during the year, our goal being to provide the best customer experience through improving our network quality, capacity and coverage. We have increased the population coverage of our 3G network to 69%, completed the modernization of our 2G network which covers 92% of the population and have connected 30% of our base stations to our fibre.

In March 2015, we commissioned another independent drive test to measure key quality metrics such as dropped calls, voice quality and data speeds, these tests confirm that our network is the best in Kenya and delivers world class data and voice services.

For another consecutive year, we have delivered robust results and ensured value for our shareholders supported by growth across all our revenue streams. This increase in revenue coupled with cost efficiency has driven the EBITDA margin to 43.6%, a 1.5ppt improvement.

Free cash flow has increased by 21% to Kshs 27.5bn as a result of the strong trading results and positive working capital movements. The National Police security network negatively impacted free cash flow in the year by Kshs 1.1bn, and we expect the negative impact to be Kshs 5.9bn in FY16.

In light of the strong financial performance in the past year, the Board recommends a dividend of Kshs 0.64 per share – an increase of 36%. Pending approval by shareholders we will pay out a dividend of Kshs 25.64bn, which represents 80% of our net income, for the year ended 31 March 2015; once again, the largest dividend in Kenyan history.

\* Source: CCK December 2014

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## **FY16 Guidance**

We expect our net income for FY16 to be in the range of Kshs 32bn to 34bn, and free cash flow expected to be in the range of Kshs 25bn to Kshs 26bn.

## **Strategic Priorities**

MPesa is at the forefront in deepening financial inclusion in Kenya. In the past year, we have been commercializing the revolutionary Lipa na MPesa service that enables our customers to use their MPesa account as a method of payment when retail shopping. We believe that in March 2015 Lipa na MPesa substituted approximately 5% of what was previously a cash transaction, and our goal is to accelerate the inroads. This will make a significant contribution to the lives of our customers and move Kenya towards a cash-lite economy.

We are focused on being the business partner of choice by empowering the growth of businesses through the provision of relevant and innovative ICT solutions. We are soon to complete the fibre connection of our first 1,000 buildings to further enhance our hosted PABX, fixed calling, fixed data, cloud services and managed services offerings.

Mobile data is one of the key drivers of future growth. Today we are announcing the launch of Safaricom's home broadband solution, which is a set-top box that brings the 3G and 4G network into the home, and distributes the superfast connectivity via Wi-Fi to any existing Wi-Fi enabled devices. As an added bonus the set-top box brings Kenyan digital free-to-air TV channels to the customers' TV. We will offer a wider range of relevant content and Video-on-demand in the coming year.

We continue on our Best Network in Kenya journey, with a new set of goals to increase our 3G population coverage to 80%, and to roll-out our 4G network to an additional 13 towns and cities by December 2015.

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## Key indicators and summary financial information

The following are the key highlights of the results compared to the prior period ended 31 March 2015:

Key Performance Indicators	31-Mar-15	31-Mar-14	% Increase/ (Decrease)
Total customers (m)	23.35	21.57	8.25
MPesa registered customers (m)	20.63	19.34	6.67
MPesa - 30 day active customers (m)	13.86	12.16	14.00
Mobile data - 30 day active customers (m)	11.59	9.56	21.20
Fixed data customers	8,624	7,020	22.85
Churn (%)	17.25	19.33	(2.08)
Service revenue ARPU (Kshs)*	586.93	557.50	5.28
Voice ARPU (Kshs)*	328.33	347.72	(5.58)
SMS ARPU (Kshs)*	58.72	54.67	7.41
MPesa ARPU (Kshs)**	209.08	190.76	9.60
Mobile data ARPU (Kshs)**	110.11	87.29	26.14
Fixed service ARPU (Kshs)**	32,639	30,844	5.82
Non-voice service revenue (MPesa /SMS/Broadband /Other service revenue) % total revenue	42.14	37.36	4.78
Number of MPesa agents	85,756	81,025	5.84
2G base stations	3,382	3,140	7.71
3G base stations	1,943	1,847	5.20
4G base stations	236	-	>100
Wimax sites	195	203	(3.94)

\* Voice, SMS and Service ARPUs are calculated based on total mobile customers

\*\* MPesa, Mobile data & Fixed service ARPUs are calculated based on respective 30 day active customers

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## Condensed consolidated statement of comprehensive income

Kshs Bn	31-Mar-15	31-Mar-14	% Increase/ (Decrease)
Voice revenue	87.41	84.32	3.66
Messaging revenue	15.63	13.62	14.76
Mobile data revenue	14.82	9.31	59.18
Fixed service revenue	3.13	2.57	21.79
MPesa revenue	32.63	26.56	22.85
Other Service revenue	2.63	1.98	32.83
<b>Service Revenue</b>	<b>156.25</b>	<b>138.36</b>	<b>12.93</b>
Handset revenue	5.67	4.95	10.55
Acquisition and other revenue	1.44	1.36	5.88
<b>Total Revenue</b>	<b>163.36</b>	<b>144.67</b>	<b>12.92</b>
Other Income	0.58	0.13	>100
Direct costs	(56.71)	(51.96)	9.14
<b>Contribution margin</b>	<b>107.23</b>	<b>92.83</b>	<b>15.50</b>
<i>Contribution margin %</i>	65.64%	64.17%	1.47
Net operating costs	(36.04)	(31.89)	13.01
<i>Net operating costs % total revenue</i>	22.06%	22.01%	0.05
<b>EBITDA</b>	<b>71.19</b>	<b>60.94</b>	<b>16.82</b>
<i>EBITDA margin %</i>	43.58%	42.12%	1.46
Depreciation, impairment & amortisation	(25.57)	(25.79)	0.85
Net financing income/(costs)	0.42	(0.20)	<100
Asset purchase gain	0.11	-	-
Taxation	(14.28)	(11.97)	19.30
<b>Net Income</b>	<b>31.87</b>	<b>23.02</b>	<b>38.44</b>
Earnings per share	0.80	0.57	38.44
Recommended dividend per share	0.64	0.47	36.17

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## Condensed consolidated statement of financial position

Kshs Bn	As at 31-Mar-15	As at 31-Mar-14	% Increase/ (Decrease)
Equity and non-controlling interest	104.28	91.24	14.29
Borrowings	0.49	5.10	(90.39)
<b>Capital employed</b>	<b>104.77</b>	<b>96.34</b>	<b>8.75</b>
<b>Non-current assets</b>	<b>124.37</b>	<b>106.28</b>	<b>17.02</b>
Inventories	8.26	2.95	>100
Receivables and prepayments	10.30	7.75	32.90
Cash and cash equivalents	14.03	17.62	(20.37)
<b>Current assets</b>	<b>32.59</b>	<b>28.32</b>	<b>15.08</b>
Payables and accrued expenses	42.04	30.75	36.72
Borrowings	10.15	7.51	35.15
<b>Current liabilities</b>	<b>52.19</b>	<b>38.26</b>	<b>36.41</b>
Net current liabilities	(19.60)	(9.94)	97.18
<b>Net assets</b>	<b>104.77</b>	<b>96.34</b>	<b>8.75</b>
Gross gearing (gross borrowing) % Capital employed	10.16%	13.09%	(2.93)

- Included in inventories are the ongoing construction costs of a secure communication network for the National Police Service.
- Lower gearing ratio after part repayment of the long-term bond earlier in the year.

## Net Cash

Kshs Bn	As at 31-Mar-15	As at 31-Mar-14	% Increase/ (Decrease)
Cash and cash equivalents	14.03	17.62	(20.37)
Bank and short term borrowings	(10.15)	(7.51)	35.15
Long term borrowings	(0.49)	(5.10)	(90.39)
<b>Total net cash/(debt)</b>	<b>3.39</b>	<b>5.01</b>	<b>(32.34)</b>

- Decline in net cash position attributed to payments for operating license renewal and spectrum purchase.

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## Free Cash Flow

<b>Kshs Bn</b>	<b>31-Mar-15</b>	<b>31-Mar-14</b>	<b>% Increase/ (Decrease)</b>
<b>EBITDA</b>	<b>71.19</b>	<b>60.94</b>	<b>16.69</b>
Working capital movement	3.66	1.13	>100
Capital additions	(33.70)	(27.78)	21.31
<b>Operating free cash flow</b>	<b>41.15</b>	<b>34.29</b>	<b>20.03</b>
Interest received/(paid)	0.22	(0.35)	<100
Taxation paid	(13.85)	(11.25)	23.11
<b>Free cash flow</b>	<b>27.52</b>	<b>22.69</b>	<b>21.29</b>

- Increase in free cash flow due to favourable trading results and positive working capital movement.
- Increase in taxes paid is in line with improved trading results.