

# SAFARICOM PLC

## CONDENSED AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2021



**“** The COVID-19 pandemic brought about socio-economic challenges that disrupted our economy, straining the consumer wallet and businesses across the country. We were not spared either. The unpredictable times affected our business operations resulting in subdued financial performance. However, the Board remained engaged throughout the year, supporting management and approved the new business strategy that positions the company to become a Purpose-led Technology company.

I assure the shareholders that the Board is committed to working with management to deliver value to them. In the year, an interim dividend of KShs 18.03Bn was declared, not just in recognition of our solid half-year performance but also to support our shareholders during these tough economic times. The company continues to implement measures to cushion our customers and Kenyans at large from the negative impact of the pandemic and invested KShs 339Mn through our Foundations in the year.

Michael Joseph, Chairman

**”**



**“** Our Purpose of Transforming Lives remains a guiding light for our decision making in this tough operating environment. We remained resilient in a disruptive year, demonstrating strong operational capacity, diligence and commitment in supporting the country, our customers and shareholders. We are thankful to our customers, employees and other stakeholders for supporting us through this uncertain time.

Our immediate focus in the year has been to ensure that network capacity, operations and financial services are prioritized to limit disruptions. We have taken significant steps in diversifying our business as a digital technology company and sustained capital investment to meet the evolving needs of our digital consumers. This will allow us to grow new revenue streams outside the traditional business.

During the year, we launched the customer obsession programme that will enable us to be intuitive to our customers' needs, listen to their concerns and address them as effectively and efficiently as possible. We also set out on a new strategic journey that will see Safaricom focus on new frontiers in agribusiness, education, healthcare, next financial services and enterprise solutions. This new journey has enhanced our purpose, innovation and collaboration to deepen not just the customer experience but also our stakeholder engagement.

Peter Ndegwa, Chief Executive Officer

**”**

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended KShs Millions

	Group		
	31-Mar-21	31-Mar-20	% Change
Service revenue	250,351.8	251,214.1	(0.3%)
Handsets and other revenue	12,316.5	10,487.8	17.4%
Construction revenue	837.7	583.9	43.5%
Other income	520.5	269.9	92.8%
<b>Total revenue</b>	<b>264,026.5</b>	<b>262,555.7</b>	<b>0.6%</b>
Direct costs	(80,015.1)	(74,701.0)	7.1%
Expected credit losses (ECL) on financial assets	(3,009.7)	(1,669.6)	80.3%
Construction costs	(837.7)	(583.9)	43.5%
Other expenses	(46,034.8)	(47,559.7)	(3.2%)
<b>Earnings before interest, taxes, depreciation &amp; amortisation (EBITDA)</b>	<b>134,129.2</b>	<b>138,041.5</b>	<b>(2.8%)</b>
Depreciation and amortisation	(37,964.3)	(36,547.7)	3.9%
<b>Earnings Before Interest and Taxes (EBIT)</b>	<b>96,164.9</b>	<b>101,493.8</b>	<b>(5.3%)</b>
Net finance (expense)/income	(2,022.4)	922.2	<(100.0%)
Share of (loss)/profit on Associates & Joint Venture	(507.0)	3,357.0	<(100.0%)
<b>Profit before income tax</b>	<b>93,635.5</b>	<b>105,773.0</b>	<b>(11.5%)</b>
Income tax expense	(24,959.3)	(32,115.1)	(22.3%)
<b>Profit after tax</b>	<b>68,676.2</b>	<b>73,657.9</b>	<b>(6.8%)</b>
Other comprehensive income	0.0	0.0	0.0%
<b>Total comprehensive income for the year</b>	<b>68,676.2</b>	<b>73,657.9</b>	<b>(6.8%)</b>
<b>Attributed to:</b>			
<b>Equity holders of the company</b>	<b>68,676.2</b>	<b>73,657.9</b>	<b>(6.8%)</b>
<b>Basic and diluted earnings per share (EPS)*</b>	<b>1.71</b>	<b>1.84</b>	<b>(6.8%)</b>

### Condensed Consolidated Statement of Financial Position as at KShs Millions

	Group		
	31-Mar-21	31-Mar-20	% Change
<b>Capital Employed</b>			
Share capital (including share premium)	4,203.3	4,203.3	0.0%
Retained earnings	96,571.8	82,785.2	16.7%
Proposed dividends	36,860.2	56,091.6	(34.3%)
<b>Total equity</b>	<b>137,635.3</b>	<b>143,080.1</b>	<b>(3.8%)</b>
Represented by:			
<b>Non current liabilities</b>	<b>17,541.7</b>	<b>13,644.1</b>	<b>28.6%</b>
<b>Total equity and non current liabilities</b>	<b>155,177.0</b>	<b>156,724.2</b>	<b>(1.0%)</b>
<b>Non current assets</b>	<b>174,719.9</b>	<b>164,402.7</b>	<b>6.3%</b>
<b>Current assets</b>			
Cash and cash equivalents	26,736.1	26,759.7	(0.1%)
Other financial assets	0.0	188.6	(100.0%)
Receivables and prepayments	22,347.9	17,190.3	30.0%
Inventories	2,487.0	1,859.4	33.8%
Current income tax	7.2	260.4	(97.2%)
Loans receivable from related party	1,287.8	0.0	100.0%
Contract assets	3,043.4	2,563.8	18.7%
	<b>55,909.4</b>	<b>48,822.2</b>	<b>14.5%</b>
<b>Current liabilities</b>			
Payables and accrued expenses	34,021.4	29,920.1	13.7%
Dividends payable	8,684.1	1,045.1	>100.0%
Current income tax	260.3	112.9	>100.0%
Lease liability	4,119.5	3,549.4	16.1%
Borrowings	14,772.0	8,000.0	84.7%
Provision for other liabilities	2,561.5	4,462.3	(42.6%)
Contract liabilities	11,033.5	9,410.9	17.2%
	<b>75,452.3</b>	<b>56,500.7</b>	<b>33.5%</b>
<b>Net current liabilities</b>	<b>(19,542.9)</b>	<b>(7,678.5)</b>	<b>&gt;100.0%</b>
	<b>155,177.0</b>	<b>156,724.2</b>	<b>(1.0%)</b>

\*EPS based on results to 31 March 2021

### Condensed Consolidated Statement of Cash Flows for the Year Ended KShs Millions

	31-Mar-21	Group	31-Mar-20	% Change
<b>Operating activities</b>				
Cash generated from operations	132,551.8		139,604.2	(5.1%)
Movement in restricted cash	180.1		(67.9)	>100.0%
Interest received	1,566.7		2,940.9	(46.7%)
Income tax paid	(28,921.2)		(32,114.6)	(9.9%)
<b>Net cash from operating activities</b>	<b>105,377.4</b>	<b>110,362.6</b>	<b>(4.5%)</b>	
<b>Movement in cash and cash equivalents</b>				
At start of year	26,759.7		20,030.1	33.6%
(Decrease)/Increase	(23.6)		6,729.6	<(100.0%)
<b>Cash and cash equivalents at end of year</b>	<b>26,736.1</b>	<b>26,759.7</b>	<b>(0.1%)</b>	

#### Commentary on results

The Board of Directors is pleased to announce the audited results for the year ended 31 March 2021. The same accounting policies and methods of computation have been used as were in the last financial statements.

#### Operating review

**Service revenue** declined 0.3% YoY in FY21, with a decline of 4.8% YoY in 1H FY21 and 4.0% growth in 2H FY21. Recovery in 2H was driven by return to charging on zero-rated M-PESA transactions in Q4, double digit growth in mobile data, fixed data growth alongside growth in customers and usage. In the year, one-month active customers grew 9.9% YoY to 31.45Mn adding 2.8Mn customers to the base.

**M-PESA revenue** declined 2.1% YoY with a decline of 14.5% YoY in 1H FY21 and recorded significant recovery in 2H FY21 growing 10.1% YoY attributed to the lapse of free fees in Q4. As we continue to drive affordability and innovation, we reduced P2P transaction charges by upto 45% for low value transaction bands upto KShs 7,500 upon resumption of charging on 1 January 2021. Total M-PESA transaction value grew 58.2% YoY to KShs 22.04Trn while volume of M-PESA transactions grew 29.8% YoY to 11.68Bn. The business added 3.4Mn one-month active M-PESA customers growing at 13.6% YoY to 28.31Mn in FY21.

**Mobile data revenue** grew 11.5% YoY sustaining the double digit growth trend from prior year driven by sustained momentum in customer growth and usage. Distinct data bundle customers grew 12.4% YoY to 16.71Mn while one-month active chargeable mobile data customers grew 2.1% YoY to 20.04Mn. Active 4G devices grew 39.8% YoY to 8.5Mn while data customers using more than 1GB in our network grew 31.1% YoY to 6.1Mn.

**Fixed service and wholesale transit revenue** grew 6.0% YoY to KShs 9.5Bn, supported by growth in FTTH revenue which grew 49.1% YoY to KShs 3.5Bn driven by working and schooling from home trends across our customers and increased penetration of homes connected which increased 15.6ppt to 58.5% for the period. FTTH customers grew 31.5% YoY to 137.4K.

**Capital expenditure** in the network for the year ended 31 March 2021 stood at KShs 34.96Bn with an investment of KShs 22.75Bn in 1H FY21 increasing 25.5% YoY and KShs 12.21Bn in 2H FY21 declining 32.1% YoY. Overall capex spend declined 3.2% YoY in FY21. We accelerated capital investment in 1H FY21 to meet increased demand for connectivity at the onset of the pandemic and will continue to efficiently enhance our network in support of growth of traffic and scaling into a digital IT network.

#### Borrowings

As at 31 March 2021, bank borrowings were KShs 14.77Bn while cash and cash equivalents stood at KShs 26.74Bn leaving a net cash of KShs 11.96Bn.

#### Taxation

The Group continues to be a major contributor to the revenues of the Government of Kenya and remitted KShs 105.92Bn in duties, taxes and license fees for the year ended 31 March 2021. This increased the total duties, taxes and fees paid since inception to KShs 915.42Bn.

#### Dividends

The Board remains committed to investing in the business and maintaining a consistent dividend payout ratio. At the Annual General Meeting to be held on 30 July 2021, a final dividend of KShs 0.92 per ordinary share amounting to KShs 36.86Bn in respect of the year ended 31 March 2021 is to be proposed for approval. An interim dividend of KShs 0.45 per ordinary share amounting to KShs 18.03Bn was declared during the year. This brings the total dividend for the year to KShs 54.89Bn which represents KShs 1.37 per ordinary share in respect of the year ended 31 March 2021.

By Order of the Board

Michael Joseph  
Chairman  
12 May 2021

**FY21 Key Highlights:** Solid Performance in 2H Driving Recovery



**One month active customers**

+9.9% YoY  
31.45Mn FY21  
28.63Mn FY20



**Service Revenue**

-0.3% YoY FY21  
1H FY21 KShs 118.41Bn -4.8% YoY  
2H FY21 KShs 131.95Bn +4.0% YoY



**EBIT**

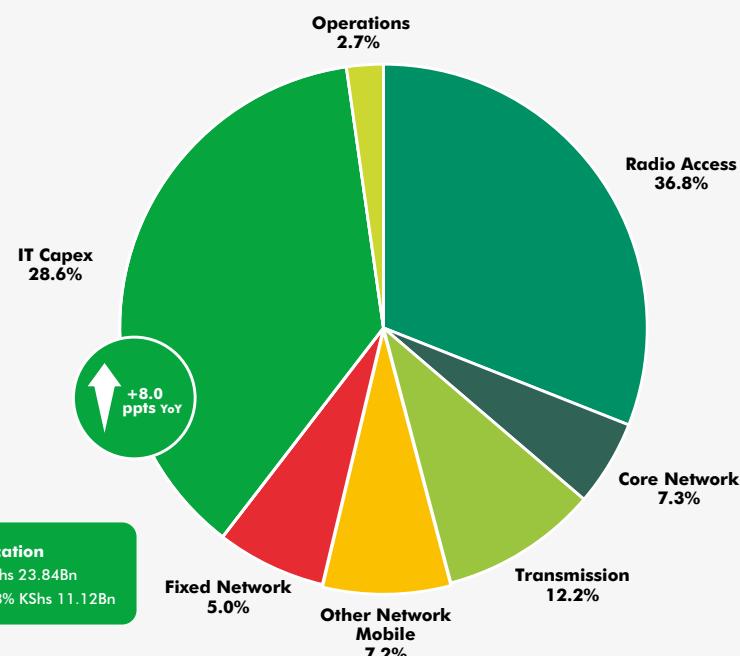
-5.3% YoY FY21  
1H FY21 KShs 44.97Bn -10.5% YoY  
2H FY21 KShs 51.20Bn -0.1% YoY



**Capex**

-3.2% YoY FY21  
1H FY21 KShs 22.75Bn +25.5% YoY  
2H FY21 KShs 12.21Bn -32.1% YoY

**FY21 CAPEX:** Sustained Investment to Enhance Customer Digital Experience



**Our Performance:** Strong Operational and Commercial Momentum in 2H

**Restrictions put in place**

- Cessation of movement, Dusk to dawn curfews
- COVID-19 shutdown - Airports, schools, offices, hotels and restaurants

**Response**

**Building resilience in a disruptive period**

- \*Free fees for M-PESA transactions, 1.7Bn zero-rated transactions valued at KShs 4.38Trn
- Double bandwidth offered on fibre connections for 90 days
- Strengthening the core - Voice, Mobile Data, Fixed
- Accelerated 4G investment
- Mobile data usage growth
- Supporting working from home for our People

**Results**

**Reinvigorating our Business**

- Customers growth
- Service revenue recovery
- Permanent double bandwidth on fibre connections
- Interim dividend
- Enhanced financial services offerings
- Investing in our people – Agile ways of working
- Supporting our country through Foundations - Invested KShs 339Mn

\*Person to Person and Lipa na M-PESA transactions below KShs 1,000; Bank to M-PESA wallet and M-PESA wallet to Bank transactions, Zero-rated paybill bills for hospitals and dispensaries

**Commitment to Our Purpose:** Transforming Lives

**Community**

- Education, health and empowerment programmes impacting +1.6Mn beneficiaries
- Ndoto Zetu initiatives, +1.1Mn beneficiaries, +330 projects in 47 counties



**Governance and People**

- 34% Women in leadership
- 2.4% People With Disabilities (PWDs)
- 25% Women in technology



**Environment**

- 38.0% YoY reduction in travel emissions
- 8.0% YoY increase in carbon emissions
- 113 tonnes of e-waste collected, recycled/ repurposed
- +500k trees planted

