



**SAFARICOM PLC**

# RESULTS BOOKLET

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**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2021**

## SAFARICOM PLC ANNOUNCES AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2021

# Key Highlights

### Solid Performance against the COVID-19 backdrop



#### Service revenue

Service Revenue declined **0.3% YoY** to **KShs 250,351.8Mn**



#### Voice revenue

Voice Revenue declined **4.6% YoY** to **KShs 82,552.0Mn**



#### Messaging revenue

Messaging revenue declined **11.7% YoY** to **KShs 13,602.4Mn**



#### Mobile data revenue

Mobile data revenue grew **11.5% YoY** to **KShs 44,793.2Mn**



#### M-PESA revenue

M-PESA revenue declined **2.1% YoY** to **KShs 82,647.4Mn**



#### Other mobile service revenue

Other mobile service revenue grew **7.5% YoY** to **KShs 7,779.2Mn**



#### One month active customers

One month active customers grew **9.9% YoY** to **31.45Mn**



#### One month active M-PESA customers

One month active M-PESA customers grew **13.6% YoY** to **28.31Mn**



#### One month active mobile data customers

One month active mobile data customers increased **2.1% YoY** to **20.04Mn**, Distinct Bundle users grew **12.4% YoY** to **16.71Mn**

### EBIT Outperforms Guidance Despite Subdued Financial Performance

#### EBIT

**5.3% YoY** decline in EBIT, or Earnings/Profit before Interest and Tax to **KShs 96,164.9Mn** with an EBIT margin of **36.5%**, declining **2.2ppts**

#### Net Income

Net Income or Profit after Tax decreased **6.8%** to **KShs 68,676.2Mn**

#### Capex

Capex declined **3.2% YoY** to **KShs 34,960.2Mn**

#### Opex

Opex declined **3.2% YoY** to **KShs 46,034.8Mn**, **KShs 6.9Bn** Opex Savings

# Operating review

## Pandemic, Recession and Recovery



### Peter Ndegwa, Safaricom PLC CEO commented:

The COVID-19 pandemic brought about socio-economic challenges that disrupted our customers, strained 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. Our Purpose of Transforming Lives remains a guiding light for our decision making in this tough operating environment. We are thankful to our customers, employees and other stakeholders for supporting us through this uncertain time.

While the year was marked by a slowdown in economic activity, I am proud of the actions we took to stand with the country. Our most critical support to the country was and remains, ensuring network stability to keep the country connected, offering relevant products and support to our customers including SMEs and MSMEs, which make up the bulk of businesses in the country. During the year,

we made significant steps to meet the increased demand for network capacity and evolving consumption patterns of our digital consumers. We supported working and schooling from home and the use of mobile money for transfers and payments to reduce cash handling and curb the spread of the virus.

During this period, we saw an increased demand for affordable data offerings, growth in traffic for free education content as well as information from government and health portals on COVID-19. We permanently adjusted the double bandwidth offering in support of our Home Fibre customers. To continue empowering our customers with super-fast internet at work, at home and when on the move, we launched 5G trials in April 2021 for individual and enterprise customers and we will expand 5G sites to more than 150 across nine towns over the next 12 months. 5G will supplement our growing fibre network.

In the year, we set out on a new strategic positioning that will see Safaricom transform into a Purpose-led Technology company. This strategy will see us focus on new business and technology frontiers in agribusiness, education, healthcare, financial services and enterprise solutions. We remain focused in supporting our customers, staff and stakeholders to weather the pandemic. Safaricom 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.

### Beyond 20 Years

Safaricom turned 20 years in this financial year with a renewed customer obsession programme that will see us deepen customer engagement and experience. This will enable us to be intuitive to our customers' needs, listen to their concerns and address them as effectively and efficiently as possible. This new journey has enhanced our purpose, innovation and collaboration to deepen not just the customer experience but also our stakeholder engagement.

We continue to support our economy through job creation, returns to shareholders and business partnerships. Safaricom Plc remains a major contributor to the revenues of the Government of Kenya through shareholder returns, duties, taxes and license fees. For the 13<sup>th</sup> year in a row, we were awarded the 2020 top Kenyan taxpayer by the Kenya Revenue Authority.

### Recovery in 2H through strong operational and commercial momentum

Service revenue declined 0.3% YoY in FY21, with a 4.0% growth in 2H FY21 and a decline of 4.8% YoY in 1H FY21. Recovery in 2H was driven by the 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. Our operational efficiencies contributed to relatively stable margins in the year, yielding cost savings from improved asset utilization and cost efficiencies.

We gained 4.5 percentage points on voice traffic share to 69.2% thanks to accelerated customer targeting efforts through Customer Value Management (CVM) and the Tunukiwa - Talk More Campaigns. In line with our strategic priority of becoming a fintech-anchored ecosystem, we launched the M-PESA Bill Management service in January 2021. This innovation empowers businesses such as schools, landlords, utilities and other businesses that have repeat payments with a platform where they can present and receive pending payments from customers.



### Voice and Messaging

Voice and messaging revenue recorded a blended decline of 5.7% YoY in line with global industry trends. Voice outgoing minutes per subscriber grew 19.1% YoY and incoming minutes grew 16.2% YoY driven by “Tunukiwa” talk more campaign, aimed at customers with low usage. One month active voice customer ARPU however, declined 10.3% YoY. Voice and messaging are now 38.4% of service revenue.

### M-PESA

To cushion Kenyans from rapid transmission of the Coronavirus, guided and in collaboration with the Central Bank of Kenya, the industry waived fees on; Person to Person (P2P) for transactions of KShs 1,000 and below, as well as Bank to M-PESA wallet and M-PESA wallet to bank transfers (C2B and B2C). In addition, we zero-rated paybills and tills for hospitals and dispensaries as well as Lipa na M-PESA transactions below KShs 1,000. This was lifted from 1 January 2021. On resumption to charging, we reduced P2P transaction charges by up to 45% for low value transaction bands below KShs 7,500 and retained unlimited M-PESA Kadogo (KShs 100 and below) transactions. M-PESA wallet to Bank and Bank to M-PESA wallet (C2B and B2C) transactions continue to be free.

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 supported by resumption to charging in Q4 FY21. Total M-PESA transaction value grew 58.2% YoY to KShs 22.04Trn while volume of transactions grew 29.8% YoY to 11.68Bn. The business added 3.4Mn one month active M-PESA customers up 13.6% YoY to 28.31Mn in FY21 and M-PESA now accounts for 33.0% of service revenue.

### Mobile Data

Mobile data grew 11.5% YoY sustaining the double digit growth trend from prior year. This was largely 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. Effective rate per MB has continued to decline as we drive affordability, declining 21.9% YoY. Usage per data subscriber grew 32.7% supporting an ARPU growth of 3.7% YoY.

### 4G

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. The business aims at growing usage by driving access to the network through 100% population coverage on 4G currently at 94%, driving smartphone penetration through the device financing programme and introducing new use cases. We remain committed to driving data affordability by encouraging in bundle usage and data democratization.

### Fixed line and Wholesale transit

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.

Fixed Enterprise revenue recorded a modest growth of 0.7% affected by the impact of office closures and customer downgrades in FY21. Enterprise customers grew 56.9% YoY to 38.92k while ARPU declined 31.9% YoY driven by migration of Enterprise customers to the Fixed LTE product which has a lower ARPU. Fixed LTE customers account for 54.9% of total fixed customers and grew >100.0% YoY to 21.36k in FY21. Excluding LTE, Fixed Enterprise ARPU grew 5.3% YoY.

### Capex

Capital expenditure declined 3.2% YoY to KShs 34.96Bn, growing by 25.5% YoY in 1H FY21 to KShs 22.75Bn and declining 32.1% YoY to KShs 12.21Bn in 2H FY21 as we continue to support growth of traffic and scaling a digital IT network.

### Outlook and FY22 Guidance

We are pleased with the results delivered for the year and remain committed to protecting shareholder wealth and putting our customers first by continuously innovating to offer relevant products, services and solutions to meet their needs.

As the economy continues to bear the brunt of the pandemic, the outlook of the country's macro and operating business environment remains uncertain. The key impact on our business from the pandemic that continue to guide our assumptions include how the pandemic and economic recovery in the country will play out in FY22 alongside sustained pressure on the consumer wallet and its influence on consumption patterns.

In view of this, we expect EBIT to be in the range of KShs 105 – 108Bn and Capex spend to be in the range of KShs 40 – 43Bn for FY22.

## Key Performance Indicators

	FY21	FY20	% Change
Total customers	39.90	35.61	12.0%
90-day active total customer ARPU	551.35	614.58	(10.3%)
One month active customers (Mn)	31.45	28.63	9.9%
One month active customer ARPU	689.82	758.70	(9.1%)
Churn (%)	32.37%	25.22%	(7.2ppt)
<b>Voice</b>			
One month active voice customers (Mn)	27.52	25.75	6.9%
One month active voice customer ARPU**	257.72	287.16	(10.3%)
<b>M-PESA</b>			
Number of M-PESA agents	247,869	173,259	43.1%
One month active M-PESA customers (Mn)	28.31	24.91	13.6%
One month active M-PESA ARPU	256.74	294.68	(12.9%)
Chargeable transactions per one-month active	12.00	12.72	(5.6%)
<b>Mobile Data</b>			
One month active mobile data customers (Mn)	23.77	21.99	8.1%
Distinct Bundle Users (Mn)	16.71	14.87	12.4%
One month active chargeable mobile data customers (Mn)	20.04	19.62	2.1%
One month active chargeable data ARPU	186.28	179.70	3.7%
<b>Messaging</b>			
One month active messaging customers (Mn)	21.79	21.40	1.8%
One month active messaging customer ARPU**	52.74	60.77	(13.2%)
<b>Fixed Service</b>			
FTTH Home Customers	137,390	104,498	31.5%
FTTH ARPU	2,126	1,959	8.5%
Penetration/Conversion rate	58.5%	42.9%	15.6ppt
Fixed Enterprise customers	38,918	24,802	56.9%
of which LTE	21,364	8,517	>100.0%
Fixed Enterprise ARPU	13,810	20,285	(31.9%)
of which LTE	3,524	4,511	(21.9%)
<b>Base Stations</b>			
2G base stations	5,526	5,314	4.0%
3G base stations	5,500	5,275	4.3%
4G base stations	5,387	4,342	24.1%

\*ARPU is in KShs.

\*\*Voice and Messaging ARPU calculated in line with Group format of revenue classification, see page 10 section 5 (b) for details.

## Summary Financial Information

### 1. Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

KShs Mn	FY21	FY20	% Change
Voice Revenue*	82,552.0	86,529.9	(4.6%)
Messaging Revenue*	13,602.4	15,403.5	(11.7%)
Mobile Data Revenue*	44,793.2	40,157.5	11.5%
M-PESA Revenue	82,647.4	84,438.0	(2.1%)
Mobile Incoming Revenue*	9,470.4	8,481.8	11.7%
Other Mobile Service Revenue*	7,779.2	7,236.5	7.5%
<b>Mobile Service Revenue</b>	<b>240,844.6</b>	<b>242,247.2</b>	<b>(0.6%)</b>
Fixed Line and Wholesale Transit Revenue	9,507.2	8,966.9	6.0%
<b>Service Revenue</b>	<b>250,351.8</b>	<b>251,214.1</b>	<b>(0.3%)</b>
Handset revenue 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%
<b>Contribution margin</b>	<b>180,164.0</b>	<b>185,601.2</b>	<b>(2.9%)</b>
<b>Contribution margin %**</b>	<b>68.5%</b>	<b>70.8%</b>	<b>(2.3ppt)</b>
Total operating costs	(46,034.8)	(47,559.7)	(3.2%)
Operating costs - % of total revenue	17.5%	18.2%	(0.7ppt)
<b>Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)</b>	<b>134,129.2</b>	<b>138,041.5</b>	<b>(2.8%)</b>
<b>EBITDA margin %**</b>	<b>51.0%</b>	<b>52.7%</b>	<b>(1.7ppt)</b>
Depreciation, impairment & amortisation	(37,964.3)	(36,547.7)	3.9%
<b>Earnings before Interest and Tax (EBIT)</b>	<b>96,164.9</b>	<b>101,493.8</b>	<b>(5.3%)</b>
<b>EBIT Margin %**</b>	<b>36.5%</b>	<b>38.7%</b>	<b>(2.2ppt)</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>Profit and total comprehensive income for the year</b>	<b>68,676.2</b>	<b>73,657.9</b>	<b>(6.8%)</b>
Profit and total comprehensive income for the year %**	26.1%	28.1%	(2.0ppt)
<b>Basic and diluted earnings per share (EPS)</b>	<b>1.71</b>	<b>1.84</b>	<b>(6.8%)</b>

\*Disclosures on Service Revenue streams (FY20 and FY21) reclassified to align to Group reporting format. More details are provided in page 10 section 5 (b) for the affected lines.

\*\*All margins are calculated on total revenue excluding construction revenue.

**A. Direct Costs**

<b>KShs Mn</b>	<b>FY21</b>	<b>FY20</b>	<b>% Change</b>
M-PESA commissions	(28,205.6)	(23,823.4)	18.4%
Airtime commissions	(9,674.7)	(10,961.9)	(11.7%)
License fees	(9,609.2)	(9,794.7)	(1.9%)
Interconnect and roaming costs	(7,681.7)	(7,596.3)	1.1%
Handset costs	(8,624.2)	(7,580.8)	13.8%
Customer acquisition and retention	(10,057.2)	(8,511.6)	18.2%
Promotions and Value Added Services costs (Voice & SMS)	(4,879.4)	(5,790.2)	(15.7%)
Other direct costs	(1,283.1)	(642.1)	99.8%
<b>Totals</b>	<b>(80,015.1)</b>	<b>(74,701.0)</b>	<b>7.1%</b>

**B. Operating Costs**

<b>KShs Mn</b>	<b>FY21</b>	<b>FY20</b>	<b>% Change</b>
Operating lease cost - buildings*	(32.7)	(48.8)	(33.0%)
Auditors remuneration	(55.4)	(55.6)	(0.4%)
Computer maintenance	(2,572.4)	(2,092.7)	22.9%
Consultancy	(1,197.9)	(1,431.4)	(16.3%)
Employee benefits expense	(18,188.1)	(16,937.5)	7.4%
Net foreign exchange gains, other than on borrowings and cash and cash equivalent	(610.7)	172.3	<(100.0%)
Office administration	(481.7)	(1,020.5)	(52.8%)
Other operating expenses	(3,901.9)	(5,189.6)	(24.8%)
Repairs and maintenance expenditure on property, plant and equipment	(323.2)	(334.1)	(3.3%)
Sales and advertising	(4,083.3)	(5,792.4)	(29.5%)
Operating lease cost - sites*	(604.4)	(345.1)	75.1%
Network operating costs	(13,163.4)	(13,408.2)	(1.8%)
Travel and accommodation	(457.6)	(751.4)	(39.1%)
Inventory storage costs	(362.1)	(324.7)	11.5%
<b>Totals</b>	<b>(46,034.8)</b>	<b>(47,559.7)</b>	<b>(3.2%)</b>

\*Relates to non-lease components of the lease e.g. service charges, VAT disallowed on payments of leases. The cost is excluded from the measurements of the lease liability as provided for in IFRS 16.

## 2. Condensed Consolidated Statement of Financial Position

KShs Mn as at	31-Mar-21	31-Mar-20	% Change
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>



### 3. Net Cash

KShs Mn as at	31-Mar-21	31-Mar-20	% Change
Cash and cash equivalents	26,736.1	26,759.7	(0.1%)
Bank borrowings	(14,772.0)	(8,000.0)	84.7%
<b>Total net cash</b>	<b>11,964.1</b>	<b>18,759.7</b>	<b>(36.2%)</b>

### 4. Free Cash Flow

KShs Mn	31-Mar-21	31-Mar-20	% Change
<b>EBITDA</b>	<b>134,129.2</b>	<b>138,041.5</b>	<b>(2.8%)</b>
<b>Net Working Capital Changes</b>	<b>(2,497.3)</b>	<b>2,420.1</b>	<b>&lt;(100.0%)</b>
<b>Movement in;</b>			
RoU assets and lease liabilities	(3,656.2)	(4,581.6)	(20.2%)
Gain on lease terminations	(37.4)	0.0	100.0%
Gain (Loss) on PPE disposal	(38.0)	(56.5)	(32.7%)
<b>Operating cash flow</b>	<b>127,900.3</b>	<b>135,823.5</b>	<b>(5.8%)</b>
Capital additions	(34,960.2)	(36,098.5)	(3.2%)
Proceeds from disposal of Property, Plant & Equipment	84.6	70.9	19.3%
<b>Operating free cash flow</b>	<b>93,024.7</b>	<b>99,795.9</b>	<b>(6.8%)</b>
Net interest received	412.1	2,592.1	(84.1%)
Taxation paid	(28,921.2)	(32,114.6)	(9.9%)
<b>Free cash flow</b>	<b>64,515.6</b>	<b>70,273.4</b>	<b>(8.2%)</b>

## 5. Supplementary Information

The foregoing information was extracted from the Group's financial statements for the year ended 31 March 2021.

### a. Basis of preparation

These condensed consolidated financial statements for the year ended 31 March 2021 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2021.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies.

### Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies in the Group's financial statements.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies. The financial statements are presented in Kenya Shillings rounded to the nearest million (KShs Mn), except where otherwise stated.

### Revenue recognition

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that best reflects the delivery of the Group's performance obligations; or
- at a point in time, when control of the goods or services is transferred to the customer.

The Group applies the five-step model as per IFRS 15 - Revenue from contracts with customers, to determine when to recognise revenue and at what amount. The following approach is used:

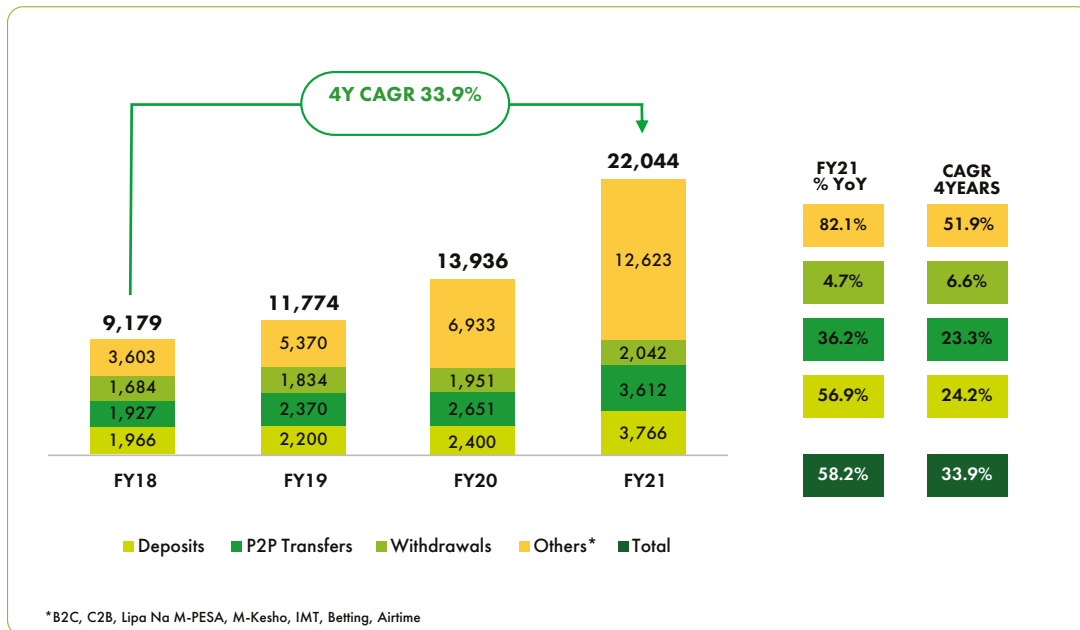
- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue.

### b. Service Revenue lines affected by reclassification to align to Group reporting format

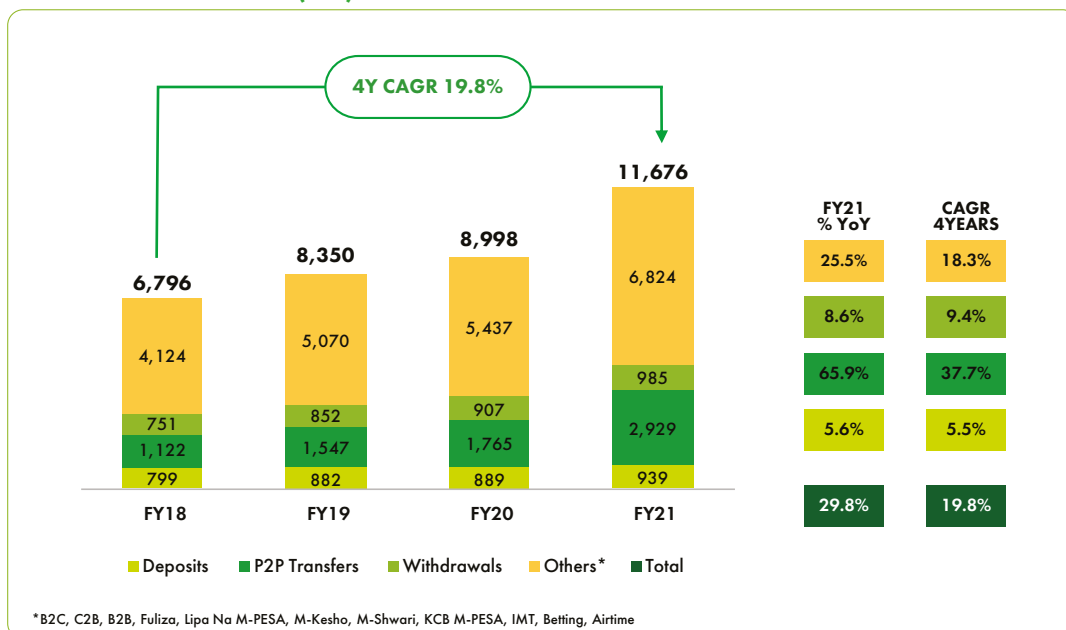
KShs Mn	FY21	FY20	FY20 Reported	Change	Comments
Voice Revenue	82,552.0	86,529.9	94,452.1	(7,922.2)	Incoming Voice revenue and Visitor revenue are excluded from Voice revenue
Messaging Revenue	13,602.4	15,403.5	17,184.9	(1,781.4)	Bulk SMS, Visitor SMS and Incoming SMS revenues are excluded from Messaging revenue
Mobile Data Revenue	44,793.2	40,157.5	40,668.0	(510.5)	Visitor data revenue is excluded from Mobile data revenue
M-PESA Revenue	82,647.4	84,438.0	84,438.0	0.0	Not affected
Mobile Incoming Revenue	9,470.4	8,481.8	0.0	8,481.8	New line which includes Incoming Voice revenue and Incoming Messaging revenue
Other Mobile Service Revenue	7,779.2	7,236.5	5,504.2	1,732.3	Bulk SMS and Total Visitor Revenue is included here
<b>Mobile Service Revenue</b>	<b>240,844.6</b>	<b>242,247.2</b>	<b>242,247.2</b>	<b>0.0</b>	
Fixed Line and Wholesale Transit Revenue	9,507.2	8,966.9	8,966.9	0.0	
<b>Service Revenue</b>	<b>250,351.8</b>	<b>251,214.1</b>	<b>251,214.1</b>	<b>0.0</b>	

### c. Additional M-PESA KPIs

#### i. M-PESA Value of Transactions (KShs Bn)



#### ii. M-PESA Volume of Transactions (Mn)



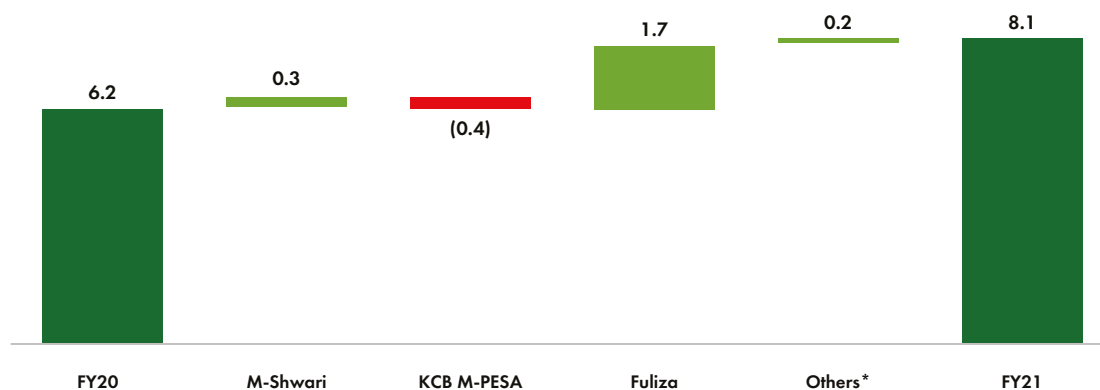
### COVID-19 Impact on value and volume trends

In FY21, we saw increased activity in the M-PESA ecosystem as customers took advantage of the free fees on P2P, Lipa na M-PESA (LNM) transactions below KShs 1,000 and M-PESA wallet - Bank and Bank - M-PESA wallet transfers. This change in customer behavior has also sustained after return to charging. However, it is difficult to quantify the transactions driven by the free fees from those driven by changes in customer behavior. 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 in the year.

## iii. Savings &amp; lending value and revenue trends

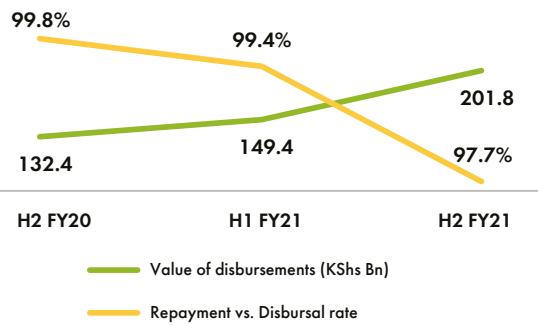
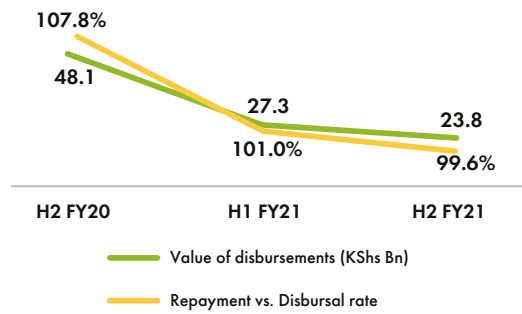
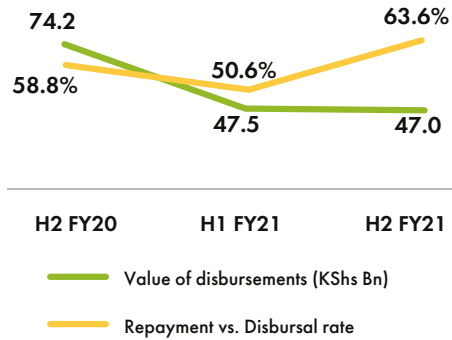
Fuliza	FY21	FY20	% YoY
Value of Disbursements (KShs Bn)	351.2	244.6	43.6%
Value of Repayment (KShs Bn)	345.7	241.7	43.0%
% Repayment vs Disbursal	98.4%	98.8%	(0.4ppt)
Average Ticket Size (KShs)	446.2	622.7	(28.3%)
Revenue (KShs Bn)	4.5	2.8	61.3%
Daily active Fuliza customers (Mn)	1.4	0.7	>100.0%
KCB-M-PESA			
Value of Loan Disbursements (KShs Bn)	51.1	116.6	(56.2%)
Value of Loan Repayments (KShs Bn)	51.3	121.7	(57.9%)
% Repayment vs Disbursal	100.3%	104.4%	(4.0ppt)
Average Loan (KShs)	8,724.7	8,123.4	7.4%
Revenue (KShs Bn)	0.8	1.2	(31.2%)
One month active KCB M-PESA customers (Mn)	3.3	4.8	(32.1%)
M-Shwari			
Value of Loan Disbursements (KShs Bn)	94.5	129.6	(27.1%)
Value of Loan Repayments (KShs Bn)	53.9	78.4	(31.3%)
% Repayment vs Disbursal	57.1%	60.5%	(3.5ppt)
Average Loan (KShs)	5,575.0	4,415.3	26.3%
Revenue (KShs Bn)	2.2	1.9	15.5%
One-month active M-Shwari customers (Mn)	4.0	4.7	(14.7%)

## Contribution to Savings and Lending Revenue (KShs Bn)



\*M-Kesho, M-Kopa and Savings

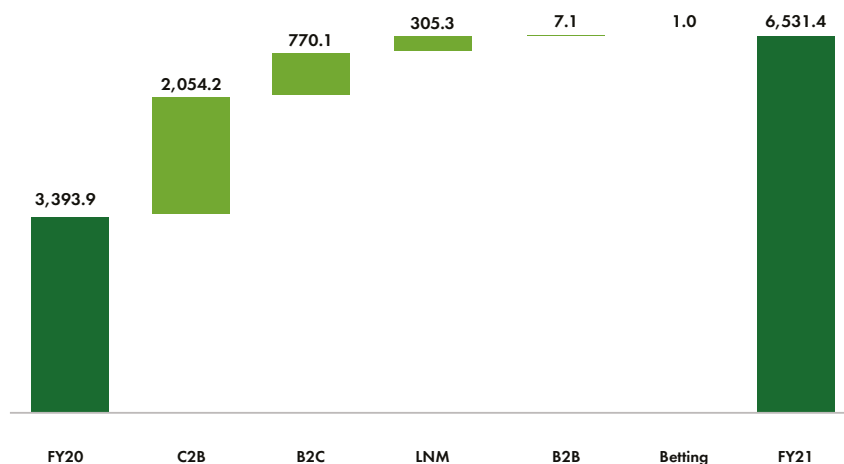


**Fuliza****KCB M-PESA****M-SHWARI**

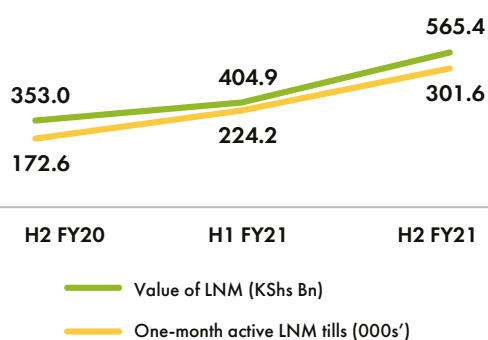
## iv. Payments and Betting

	Value (KShs Bn)		Volume (Mn)		Revenue (KShs Bn)			
	FY21	FY20	FY21	FY20	FY21	FY20	% YoY	% Contribution to growth
C2B	3,159.92	1,106.04	1,251.01	757.72	8.84	9.38	-5.8%	-3.0%
B2C	2,177.80	1,407.73	288.51	180.11	1.12	2.83	-60.5%	-9.4%
B2B	86.60	79.48	4.18	2.72	0.08	0.06	19.1%	0.1%
LNМ	970.23	664.98	685.73	352.81	2.68	2.16	24.1%	2.9%
Betting	136.85	135.62	528.31	506.53	4.26	3.80	12.1%	2.5%
<b>Totals</b>	<b>6,531.41</b>	<b>3,393.86</b>	<b>2,757.73</b>	<b>1,799.89</b>	<b>16.97</b>	<b>18.24</b>	<b>-7.0%</b>	<b>-7.0%</b>

Contribution to payments value (KShs Bn)



LNМ



## v. Focus on SMEs and Enterprises



**vi. M-PESA Agents and Merchants**

M-PESA Agents & Merchants (000s')	FY21	FY20	%YoY
Number of active M-PESA Agents	247.87	173.26	43.1%
One month active LNM Merchant tills	301.60	172.56	74.8%

**vii. M-PESA Global**

Registered M-PESA customers are able to send and receive money from countries across the world. The service has continued to gain momentum and current partnerships include: Western Union, MoneyGram, Ria, WorldRemit, Wave, Remitly among others.

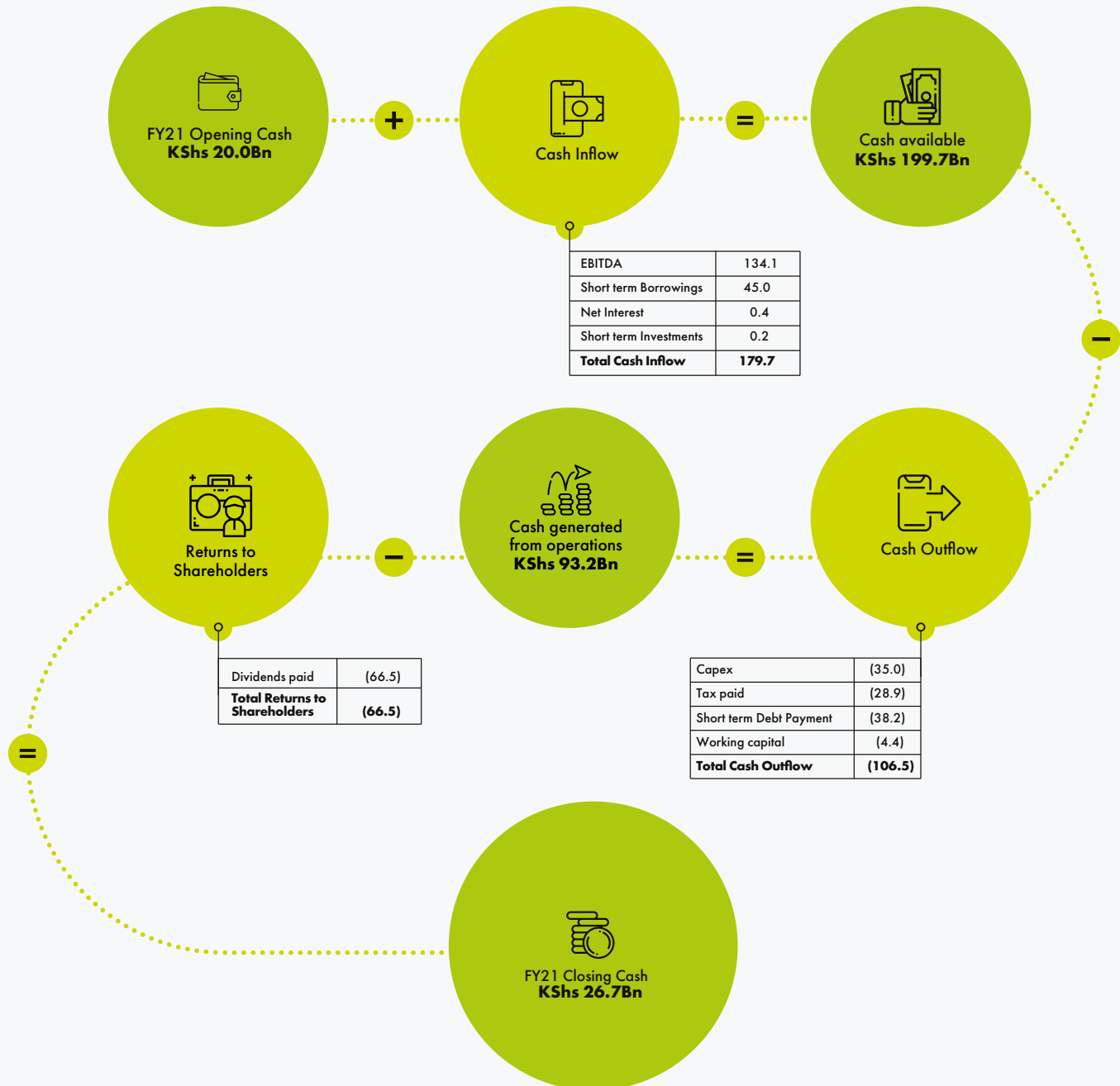
	Value (KShs Bn)		Volume (Mn)		Revenue (KShs Bn)		
	FY21	FY20	FY21	FY20	FY21	FY20	% YoY
M-PESA Global	289.69	164.78	23.71	15.13	2.01	1.32	54.5%

	FY21	FY20	% YoY
One month active M-PESA Global customers (000s')	823.10	552.16	49.1%



## d. Cash Movement in FY21



**Net Debt/EBITDA ratio: 0.09**

## Glossary

### i. Description of M-PESA Profile

Item	Description
<b>Transfers/P2P/W2W</b>	This represents customer deposits in the M-PESA e-wallet that can be funded by direct cash deposits at agent level or through person to person (P2P) transfers.
<b>M-PESA Agents</b>	M-PESA Agents include Safaricom authorized dealers, operating one or more outlets around Kenya, retailers with a substantial distribution network like petrol stations, distributors, supermarkets, registered SMEs and selected Banks and Micro-Finance Institutions. Their key tasks include; registering M-PESA customers, depositing cash into registered customers' M-PESA wallets, processing cash withdrawals for registered and non-registered M-PESA customers and compliance with Safaricom AML & KYC Policy and business practices.
<b>Withdrawals/Cash out</b>	Withdrawal is the removal of e-money from M-PESA e-wallet to cash through M-PESA agents.
<b>Deposits/Cash in</b>	Customers fund their M-PESA e-wallet through M-PESA agents or directly from their bank accounts through a short code.
<b>Payments</b>	
<b>C2B/W2B, B2C/B2W and B2B.</b>	Customer to Business (C2B) or Business to Customer (B2C) are mainly bank transfers while Business to Business (B2B) is for business transactions. These together with LNM and revenue from betting transactions form the payments channels in the M-PESA ecosystem.
<b>Lipa Na M-PESA (LNM)</b>	LNM is a platform that enables merchants to transact using a till number to collect payments from customers. LNM has two major use cases; <ul style="list-style-type: none"> <li>• Buy Goods - mainly used for one-off payments to merchants, this is done 'on the go', mainly face to face but can also be done remotely.</li> <li>• Billers - This is the paybill option/C2B of LNM which mostly happens remotely/online and is mainly used for repetitive transactions done on utility payments to government agencies, SACCOs, electricity &amp; water providers and hospitals.</li> </ul>
<b>Savings and Lending</b>	
<b>M-Shwari</b>	M-Shwari is a micro-lending/savings product in partnership with NCBA (a tier 1 Kenyan Bank).  The M-Shwari Loan Account is a micro-credit product which allows customers to borrow money or to complement their savings towards an investment or enterprise.  The M-Shwari Deposit Account is a micro-savings product which allows customers to securely store their money for a specific purpose or for unexpected events.
<b>KCB-M-PESA</b>	KCB M-PESA is a savings and loan service in partnership with KCB Bank (a tier 1 Kenyan bank) that enables M-PESA customers to save as little as KShs 1, and access credit from KShs 1,000.  The KCB M-PESA loan account is a micro-credit product which gives customers access to loans for an emergency or to fund a project or an enterprise.
<b>Fuliza</b>	In partnership with Kenyan lenders, NCBA and KCB Bank, the Group operates an Overdraft (OD) facility dubbed 'Fuliza', a product that enables customers to access unsecured line of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to an applicable pre-determined limit. Fuliza is available to all M-PESA customers, however the awarding of limits will depend on the customer's credit scoring and how long they have been using M-PESA.  Customers who 'opt in' on Fuliza are charged a one-off access fee and daily maintenance fees on unpaid loan amounts based on a pre-determined matrix.

<b>M-Kesho</b>	In partnership with Equity Bank, M-Kesho Bank Account was launched to enable Safaricom's mobile money clients to directly access their Equity bank accounts. Registration is free and the account has no charges, ledger fees nor minimum account balance requirement.
<b>M-Kopa</b>	<p>M-KOPA provides solar home systems that innovatively integrate machine-to-machine technology (M2M) with a micro-payment solution. The system includes embedded GSM technology for monitoring and metering usage, while its pay-as-you-go service carries the advantage of no large initial cash outlay.</p> <p>After an initial deposit, customers pay daily instalments via a mobile money service (M-PESA) until paying off the balance. Once this repayment is complete, customers own the unit outright. Importantly, this solution is cheaper and healthier than the alternative, kerosene lamps for rural households with no electricity.</p> <p>M-KOPA solar is currently available in 750 outlets nationwide in Kenya through the Safaricom distribution network.</p>
<b>IMT</b>	
<b>International Money Transfer (IMT)</b>	<p><b>M-PESA Global</b></p> <p>Safaricom Plc through its fully owned subsidiary, Safaricom Money Transfer Services Limited (SMTSL), operates remittance services that allows customers to send and receive money to a beneficiary through registered mobile phone numbers in partnership with third party International Money Remittance (IMT) providers. Revenue is earned from transaction fees charged to customers for international money transfers (inbound and outbound).</p> <p>M-PESA global enables M-PESA registered customers to send and receive money:</p> <ol style="list-style-type: none"> <li>1. To East Africa: Rwanda, Tanzania &amp; Uganda.</li> <li>2. Globally: To millions of Bank accounts and over 500,000 Western Union locations globally.</li> <li>3. Through PayPal: Access funds quickly and shop around the world with PayPal mobile money service with M-PESA.</li> </ol>
<b>AliPay Partnership</b>	Safaricom partnered with AliPay to integrate M-PESA as a payment method on AliExpress e-commerce.
<b>E-Commerce</b>	
<b>Paypal Partnership</b>	<p>Safaricom, PayPal and TransferTo announced a collaboration on 9 April 2018 for a new service that allows movement of funds between M-PESA and PayPal accounts.</p> <p>Qualifying M-PESA customers in Kenya can link their PayPal accounts to their M-PESA wallets, enabling them to easily and securely buy goods and services from merchants around the globe.</p>

Smart Lifestyle Channels	
<b>M-PESA App</b>	<p>The M-PESA App which is in the piloting stage will deliver the suite of M-PESA solutions to our consumers in a customer centric approach through the Consumer App. This will redesign M-PESA journey to reduce demand in Call Centre and simplify multiple payments.</p> <p>It will serve as a one stop shop for all SMEs needs including instant Lipa Na M-PESA sign up through the Merchant App, increased access to market to achieve scale through SME Marketplace and integration of third party services through Mini Apps.</p>
<b>M-PESA Business/ Merchants Transacting Till (Buy Goods)</b>	<p>The M-PESA Business till is an enhancement of the existing Lipa Na M-PESA Buy Goods till that enables business owners to collect payments on the till and use the money collected to make other transactions directly from their till.</p> <p>The M-PESA for Business till is ideal for businesses in retail, such as supermarkets, restaurants, hardware, pharmacies, boutiques, salons etc. that collect money from customers regularly as part of their business. The product can be accessed via USSD *234*2# or via app M-PESA for Business App.</p>
<b>M-PESA Business App</b>	<p>M-PESA for Business App allows merchants and businesses to better visualize their payment collections and spend, see full statements and transact directly from their M-PESA Business till using the App. The App provides users a faster and simpler payment experience. Its an alternative to the USSD service *234# Option 2.</p>
<b>M-PESA Bill Manager</b>	<p>This is a service that allows customers to save and pay bills in one transaction, memorizing all paybills and account numbers and better still, a way for them to be reminded of the bill payment due dates. The service is available to all M-PESA registered customers and can be accessed by dialling *234# then selecting M-PESA Products followed by Bill Manager.</p>
<b>Pochi la Biashara</b>	<p>Pochi La Biashara, translated to 'Business Wallet' in English, is a product allows M-PESA registered customers who own informal businesses such as; food vendors, kiosk owners, boda-boda operators, second hand clothes dealers, etc. to receive and separate business funds from personal funds on their M-PESA line.</p>



## ii. Abbreviations

<b>ARPU</b>	Average revenue per user
<b>Churn</b>	Total gross customer disconnections in the period divided by the average total customers in the period
<b>2G</b>	Second-generation Technology
<b>3G</b>	Third-generation Technology
<b>4G</b>	Fourth-generation Technology
<b>FTTH</b>	Fibre to the Home
<b>Bn</b>	Billion
<b>LNm</b>	Lipa na M-PESA
<b>Mn</b>	Million
<b>MSMEs</b>	Micro Small and Medium Enterprises
<b>MDAs</b>	Ministries, Departments and Agencies
<b>IFRS</b>	International Financial Reporting Standards
<b>NSSF</b>	National Social Security Fund
<b>HELB</b>	Higher Education Loans Board
<b>KFS</b>	Kenya Ferry Services
<b>MB</b>	Megabyte
<b>Ppt</b>	Percentage points
<b>SMS</b>	Short Message Service
<b>ROU</b>	Rights of Use
<b>Trn</b>	Trillion
<b>AML</b>	Anti-money Laundering
<b>KYC</b>	Know Your Customer

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