



# Safaricom Ltd

FY 2011 Results Announcement

18<sup>th</sup> May 2011

**Niko na Safaricom**



# Delivering on Strategy

We have achieved

Growth in  
Revenues

Maintained Market  
Leadership

Increased  
penetration of  
innovative products

through well aligned actions

Increased focus on Data,  
M-PESA and Value Added  
services to fuel Revenue  
growth

Investment in Infrastructure to  
support the quality & capacity  
of our Network and Services

Passionately focused on the  
customer while strengthening  
our brand presence

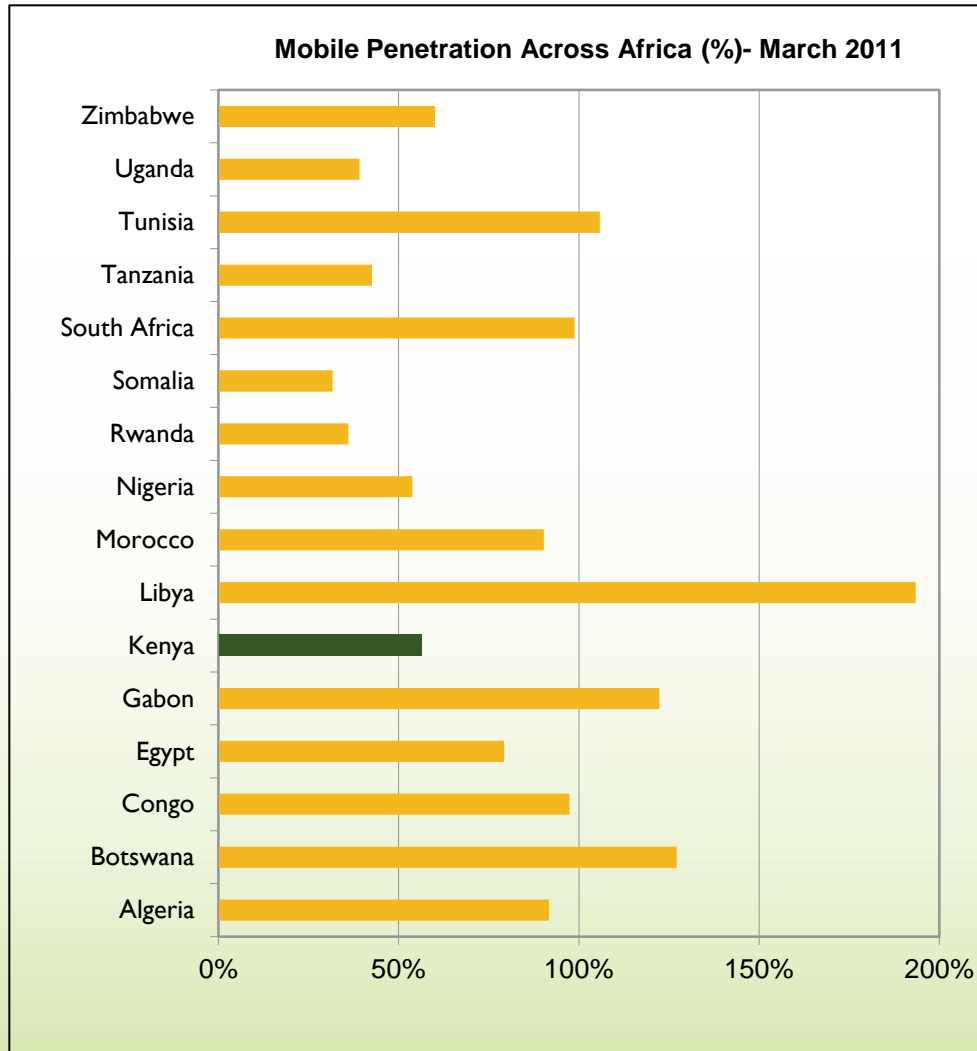
operating in a highly competitive market

Aggressive competition  
in mobile tariffs

Increased regulatory  
activity

Economy impacted by  
inflationary pressure, high fuel  
prices & lower disposable  
incomes

# 4 Market Dynamics

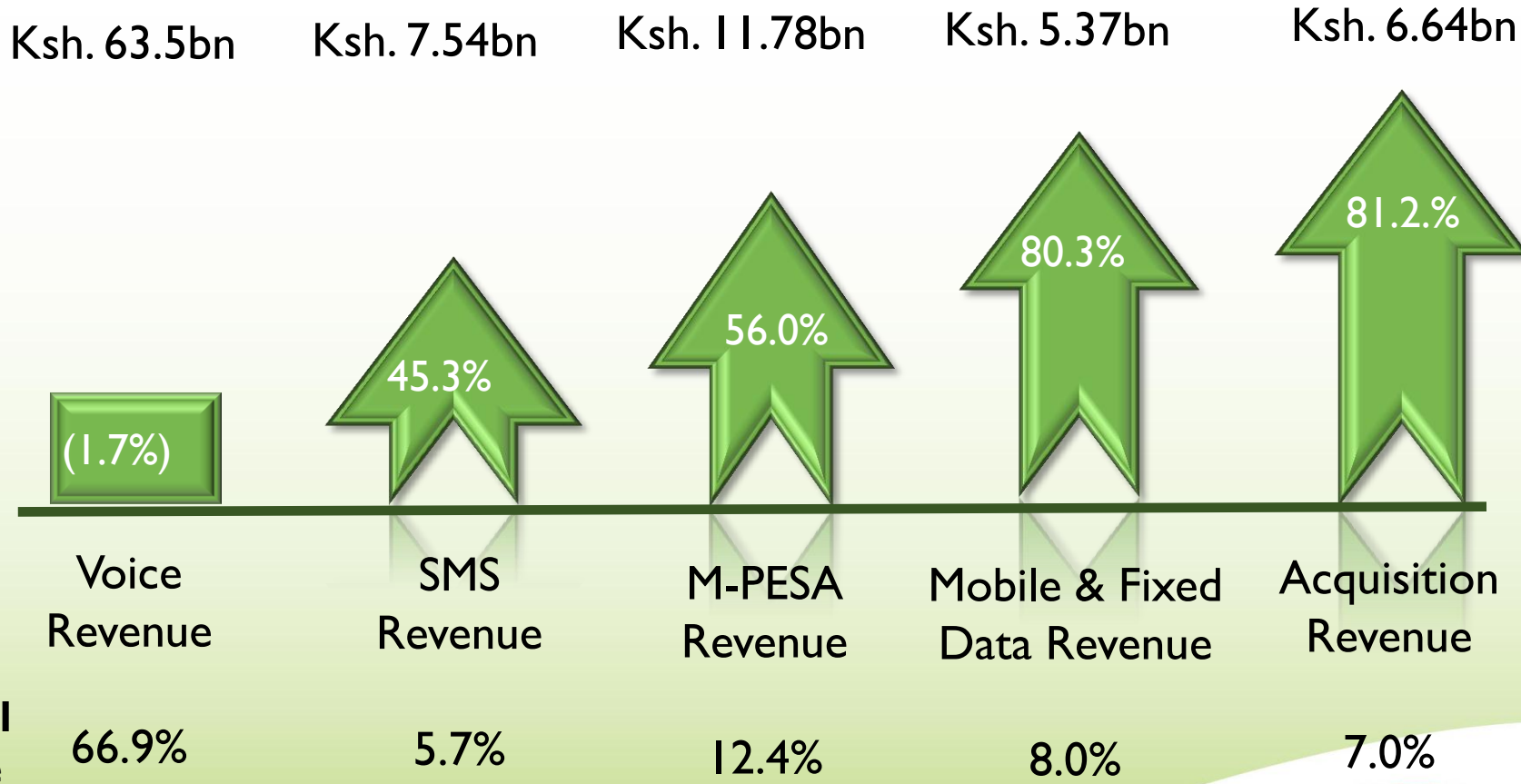


- Mobile phones now the primary communication tool for most Kenyans
- SIM penetration over 60%
- M-PESA is the preferred money transfer service globally
- Most Kenyans have their first internet experience via their mobile phone
- Internet penetration still low at less than 15% in 2010
- Mobile Data & Mobile Money is the next milestone for the Telecoms Industry in Africa

# COMPANY PERFORMANCE

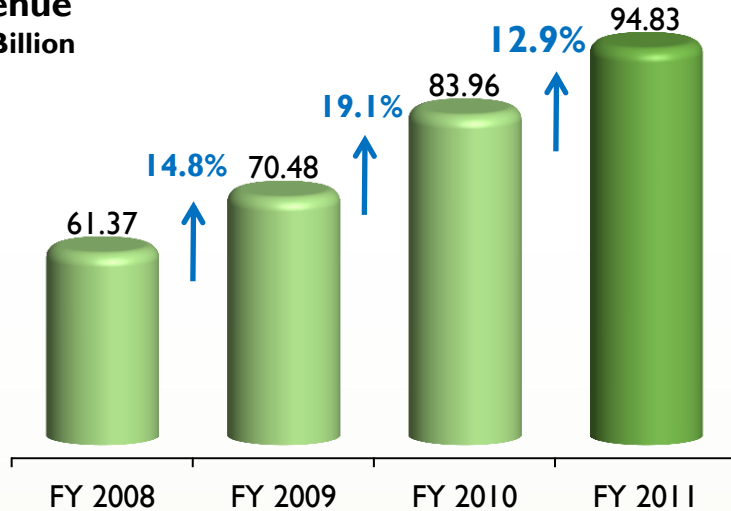
# 6 Revenue Growth

**12.9%** growth in Turnover to Ksh. **94.83 bn**  
**9.8%** growth in Ongoing Revenue to Ksh. **88.20 bn**

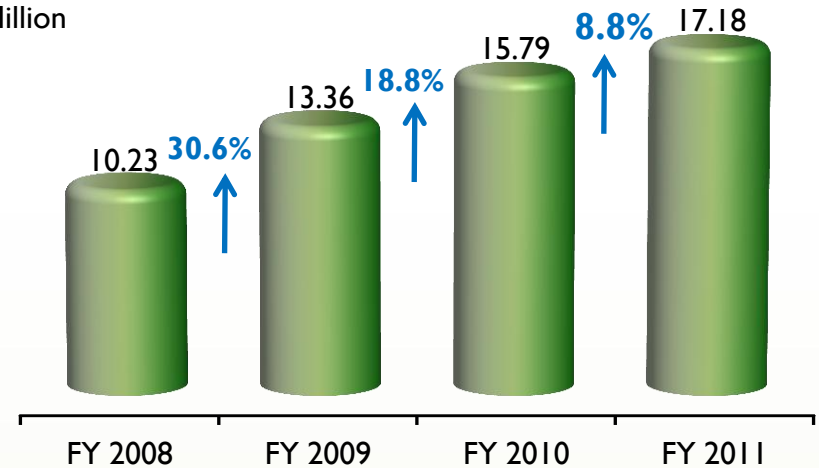


# Revenue Growth Beats Expectations

**Revenue**  
Ksh. Billion



**Subscribers**  
Million



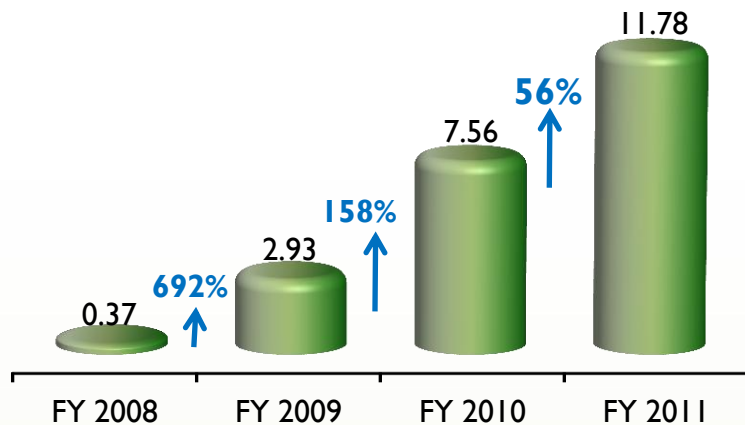
Revenues grew at a faster rate than subscriber growth as we continue to maintain market leadership

Minutes of Use per subscriber also increased significantly from 60.6 minutes to 96.0 minutes

# Exceptional Performance from Data & M-PESA

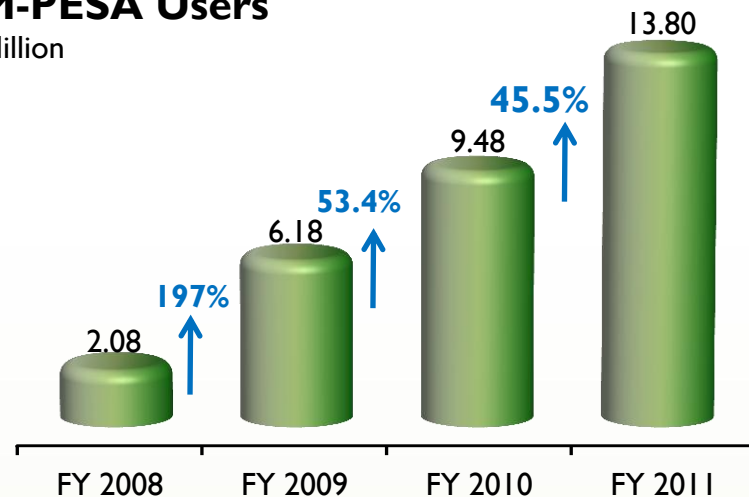
## M-PESA Revenue

Kshs. Billion



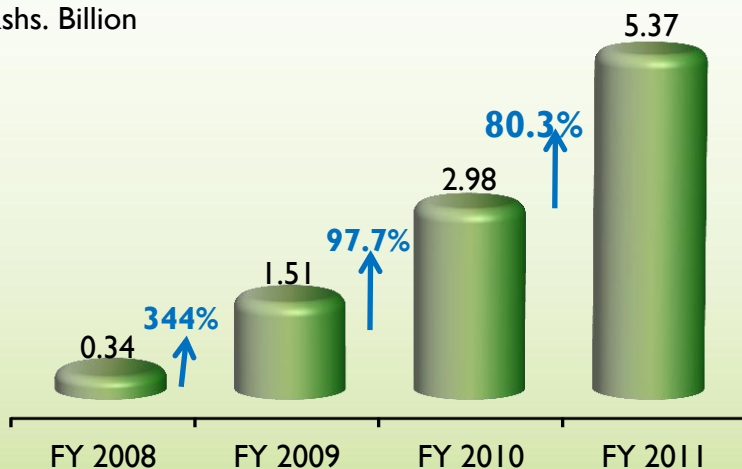
## M-PESA Users

Million



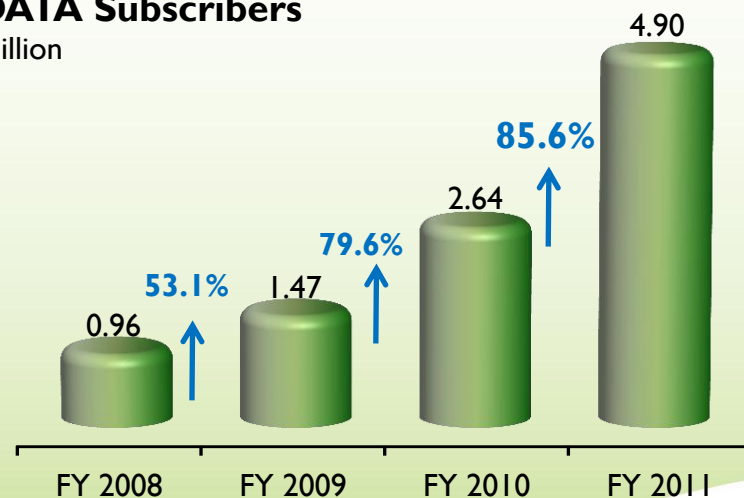
## Mobile & Fixed Data Revenue

Kshs. Billion



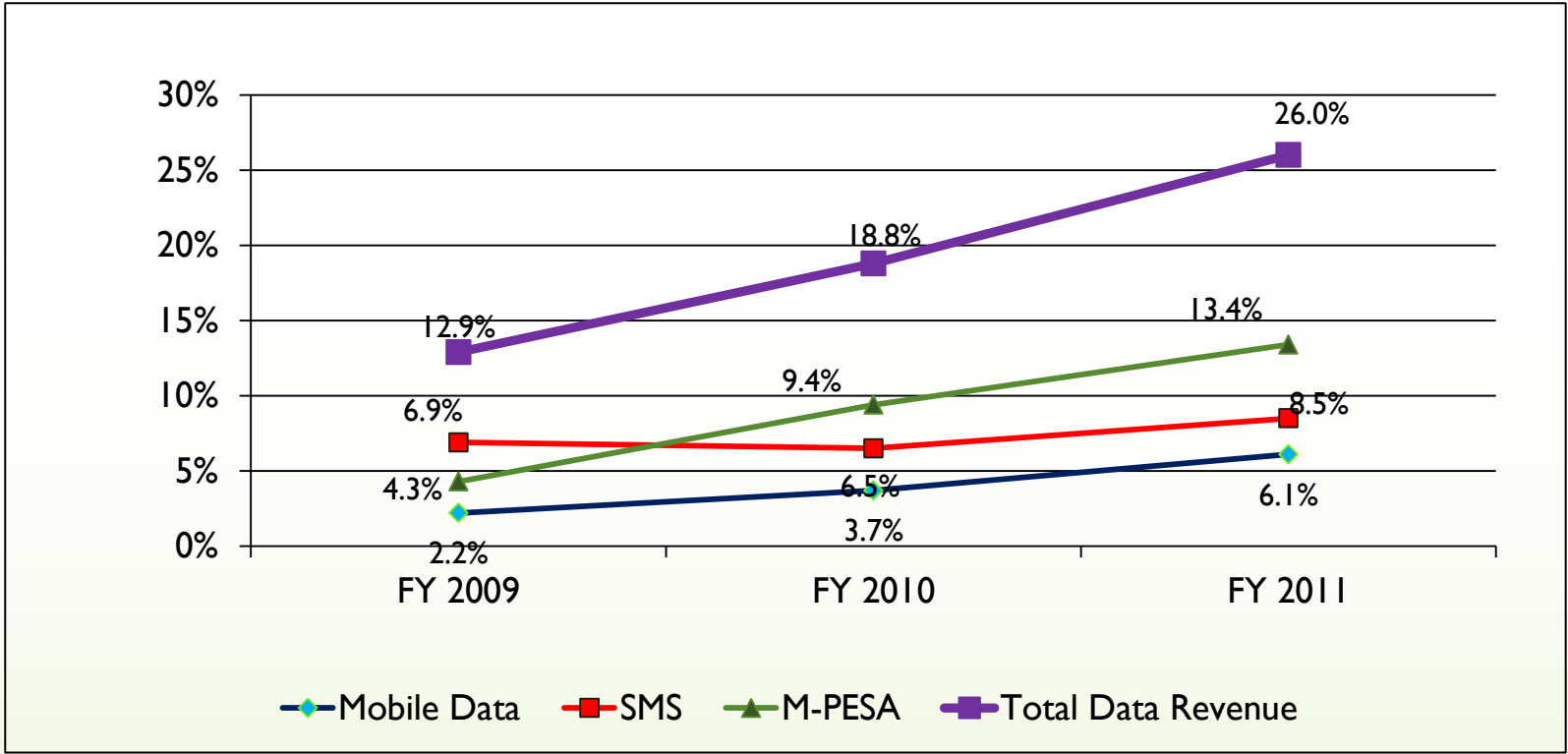
## DATA Subscribers

Million



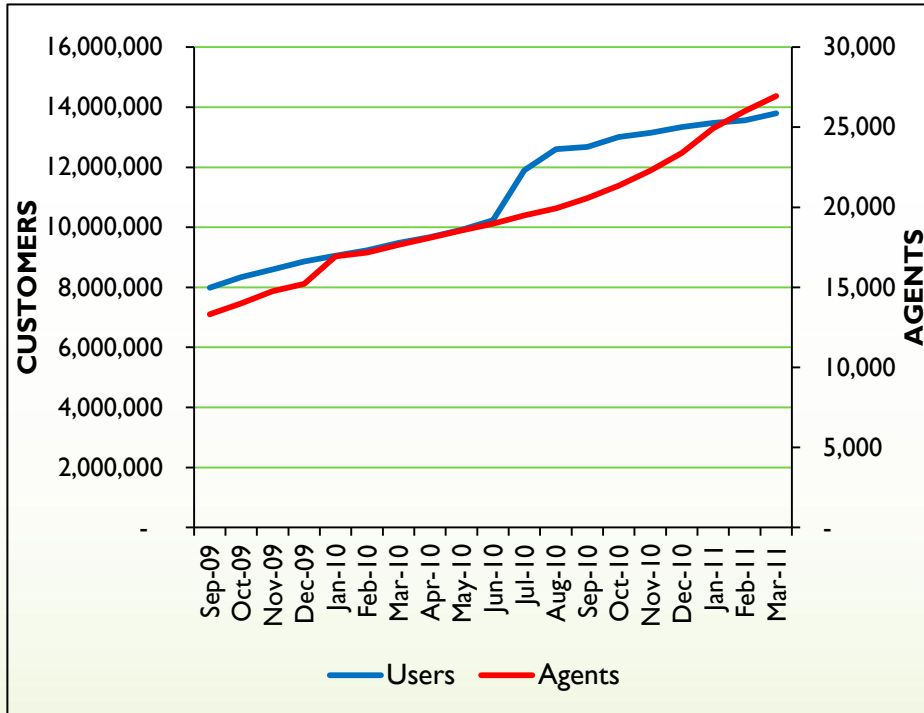
# Phenomenal Growth

## Mobile Data/SMS/M-PESA Contribution to Ongoing Revenue



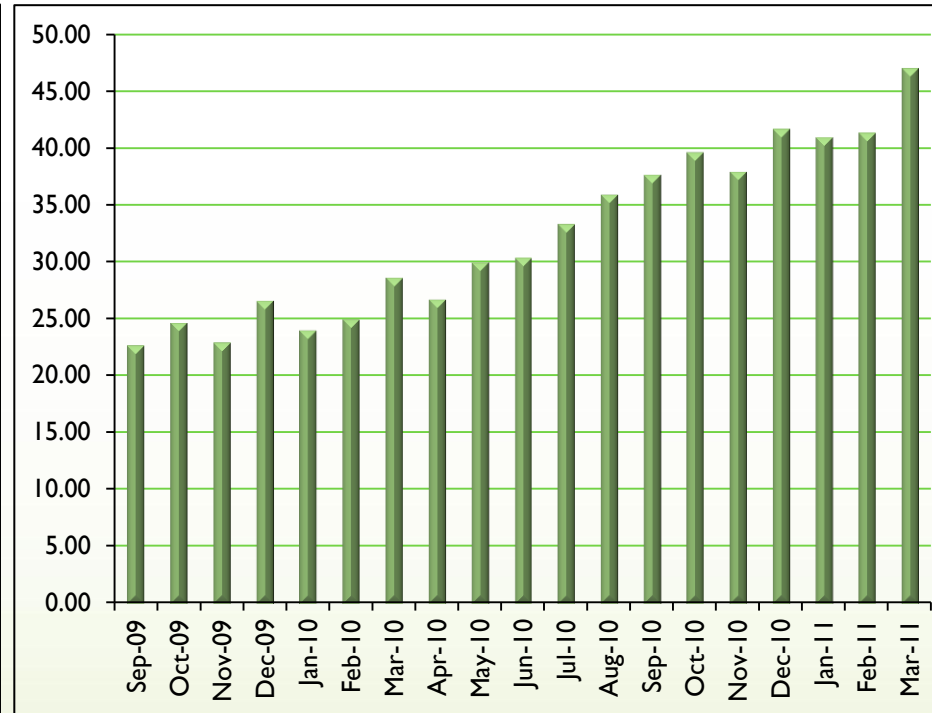
The 3 revenue channels now contribute over a quarter of revenues and are gradually offsetting the decline in Voice revenues

## M-PESA Customers/Agents



## Monthly P2P Transactions

Ksh. Billion



M-PESA continues to experience strong growth in users to 13.8 million in March 2011

The Agent network has expanded further to a total of 26,948 agents countrywide

Person-to-Person transactions for March 2011 stood at Kshs. 47 billion (\$ 0.57 billion)

Cumulative value of transactions from inception is Kshs. 828 billion (\$ 9.98 billion) as at end of the period

- Voice remain the biggest revenue stream with Ksh. 63.5 bn generated by March 2011
- Declining prices and potential further reductions in mobile termination rates
- Declining Voice ARPU

## ***Firming up Voice Revenues***

- Continued focus on the Customer to understand and satisfy their needs
- Attractive pricing
- Easy access to airtime for our customers by expanding our distribution channels
- Promotional activities aimed at stimulating usage and spending
- Further investment in the network to guarantee quality and reach
- Building on brand awareness and loyalty



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**28th February 2011 - 7th March 2011**

At all Safaricom Shops countrywide.

- Relative high cost of handsets and data enabled the main inhibitor to Data penetration in Kenya
- Over 500,000 data enabled handsets and laptops sold within the financial year
- Acquisition revenues increased by 81.2% to Ksh. 6.64 bn (Ksh.3.66 bn in March'10)
- Growing demand for Smart devices and faster internet speeds
- 35 retail shops countrywide and an expansive dealer network with over 230,000 touch-points



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**HP COMPAQ CQ62-230ei**

- Microsoft Windows 7 Starter
- Processor - Intel® Dual Core 2.30GHz
- 15.6" HD BrightView Screen
- Memory - 3GB RAM
- Hard Drive - 500 GB
- DVD-RW Optical drive
- Active Listening Audio speakers
- Webcam (External)
- WiFi (802.11n) Enabled

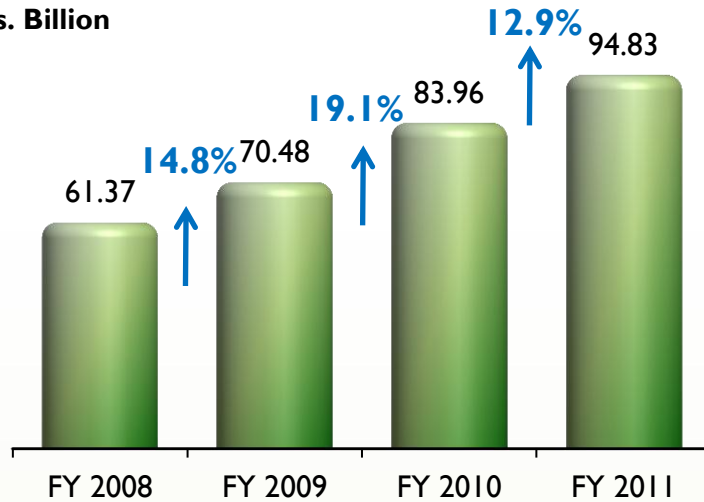
Purchase the HP Compaq CQ62-230ei and receive a **FREE HP DESKJET D2663 Printer**, HP USB Mouse, Modem & 40 MB Data.

# FINANCIALS

# Strong Operational Performance

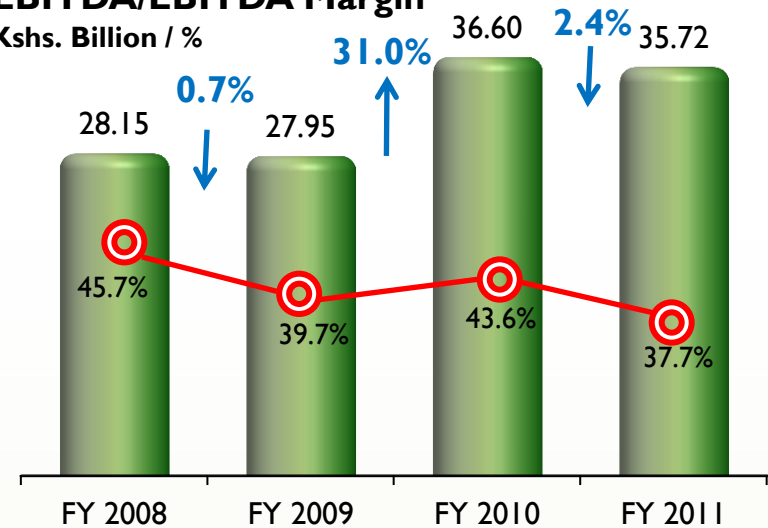
## Revenue

Kshs. Billion



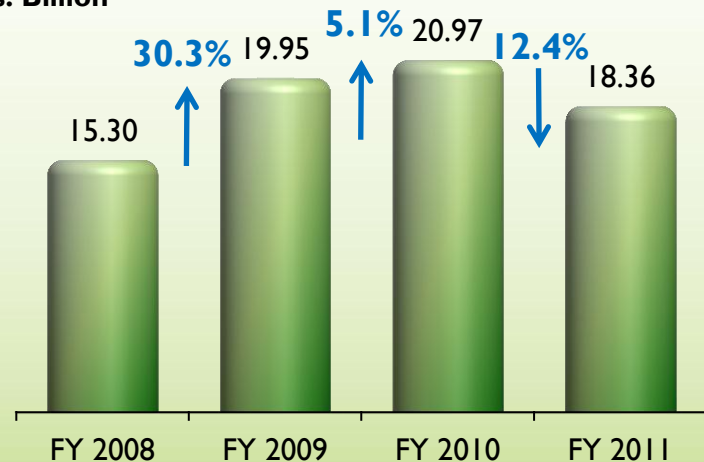
## EBITDA/EBITDA Margin

Kshs. Billion / %



## Profit Before Tax

Kshs. Billion



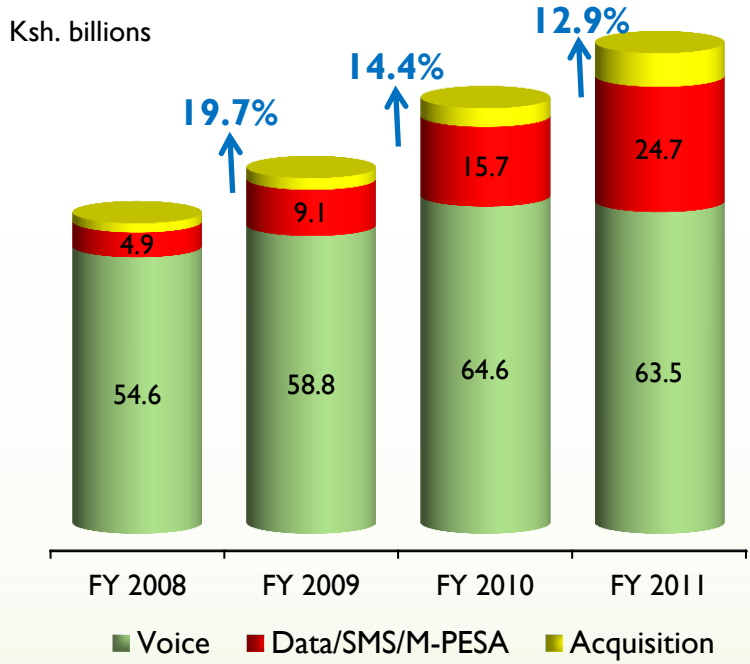
## Net Income/ Margin

Kshs. Billion / %

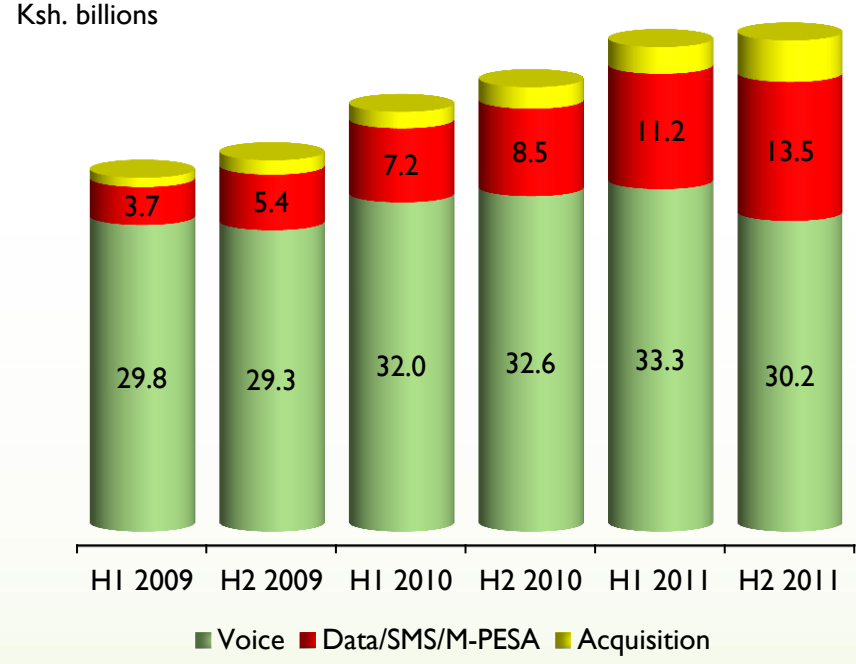


# KPIs: Continued Revenue Growth

## YoY Revenues Analysis



## HI/H2 Revenue breakdown

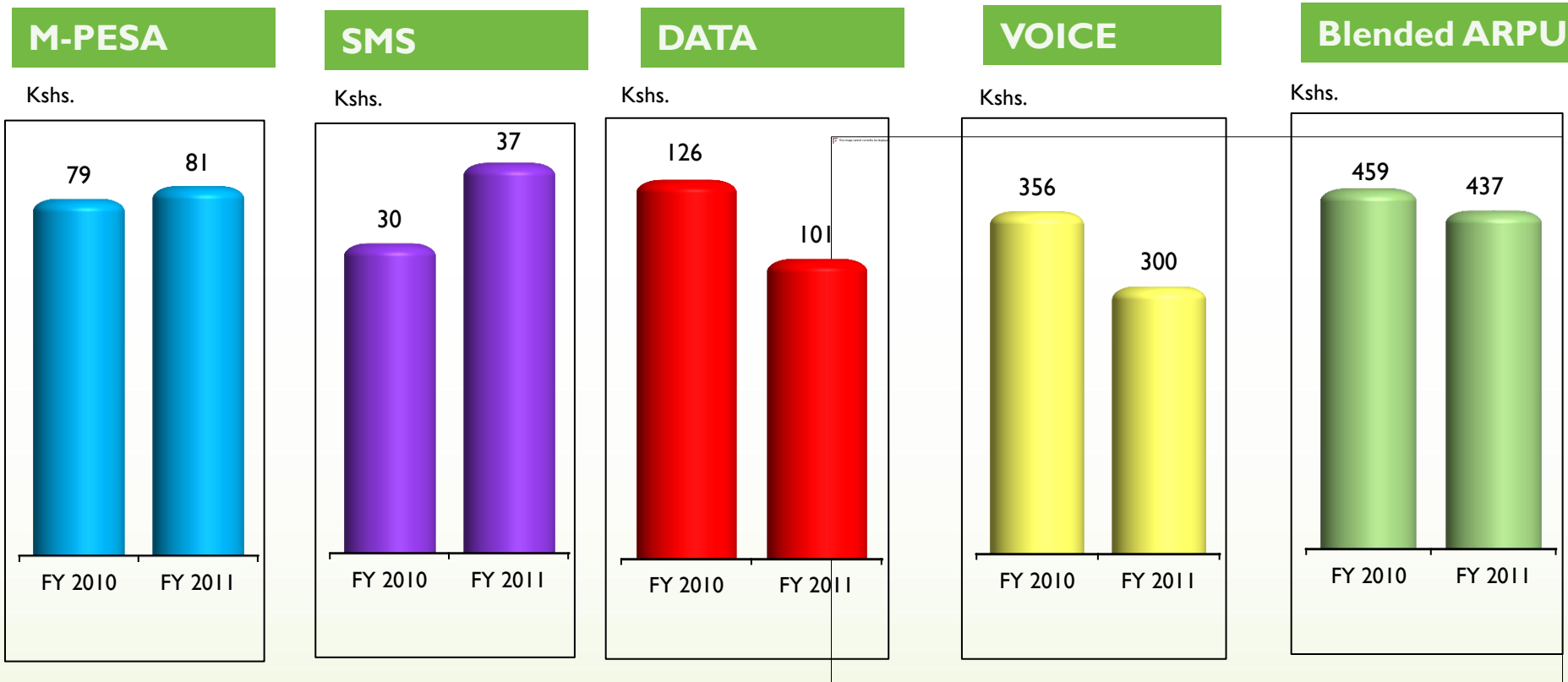


Total Revenues still growing with a 12.9% increase to Ksh. 94.83bn

- Voice Revenue with the largest contribution of Ksh. 63.50 bn
- Data revenue increased by 57.1% to Ksh. 24.70 bn accounting for 28.0% of ongoing revenues (19.6% Mar 10)
- Acquisition revenue increased by 81.2% representing 7% of revenues (2% Mar 10)



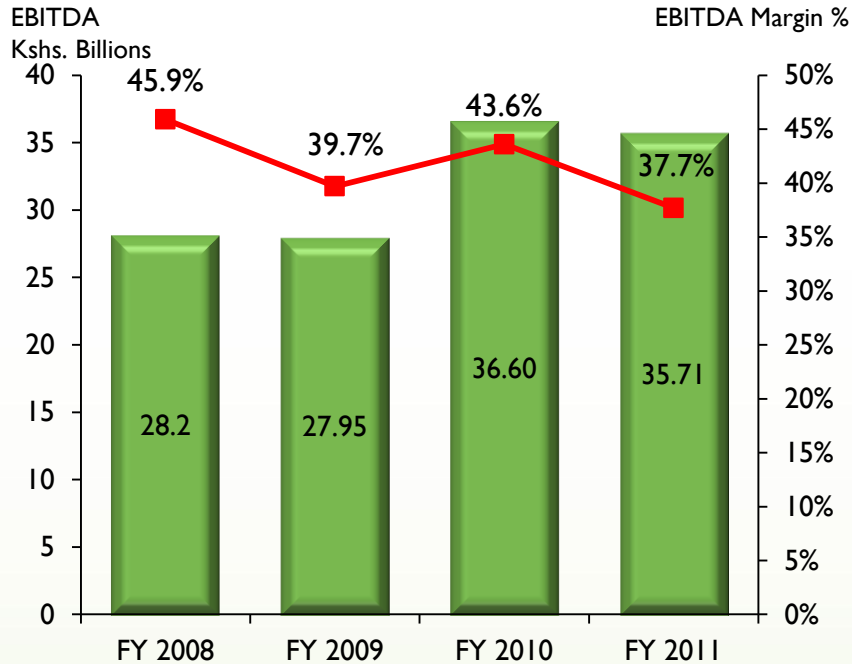
# 16 KPIs: Robust ARPU



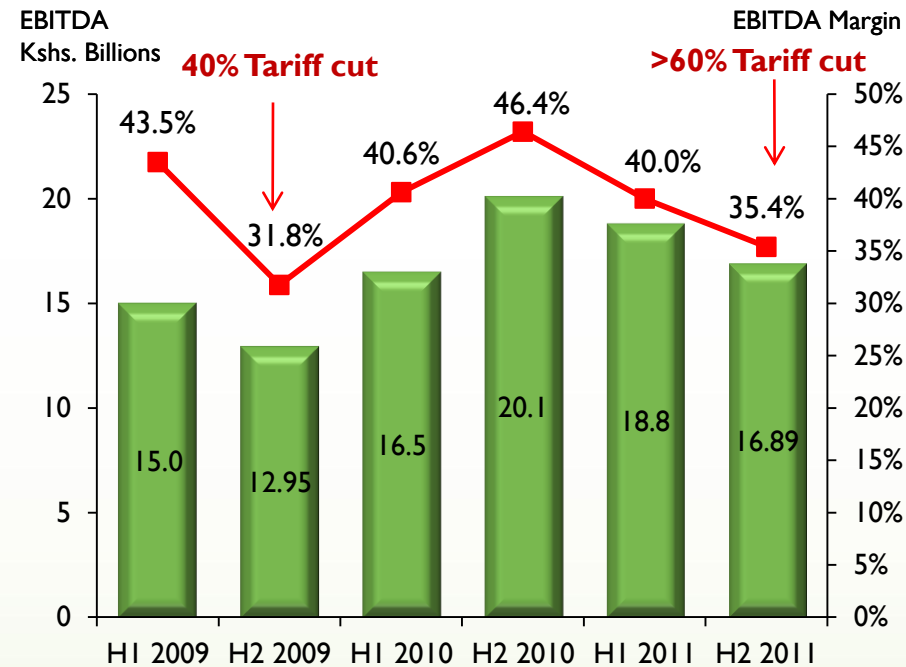
- Even with increase in M-PESA subscribers, M-PESA ARPU has increased by 2.7 %
- SMS ARPU grew by 23 % as a result of an intensified drive to grow SMS usage
- Voice ARPU declined as a result of tariff reduction and dilutive impact of new subscribers who tend to spend less

# KPIs: Resilient EBITDA & Margins

## YoY EBITDA

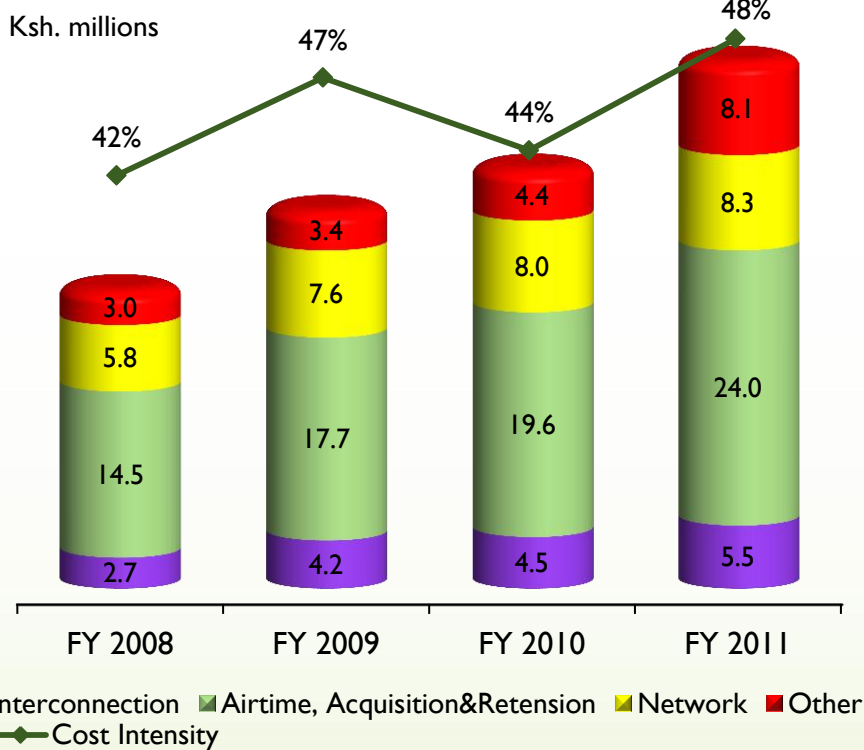


## HI/H2 EBITDA

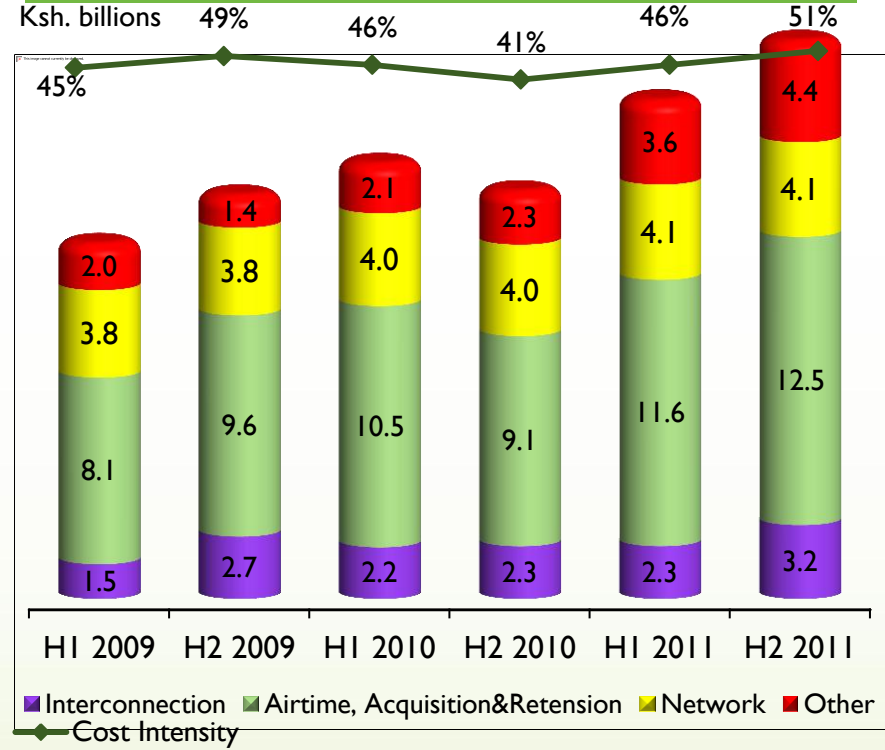


- Resilient EBITDA of Ksh. 35.72 billion and EBITDA margin of 37.7%
- EBITDA margin is above the average for our African peers

## YoY Operating Expenses



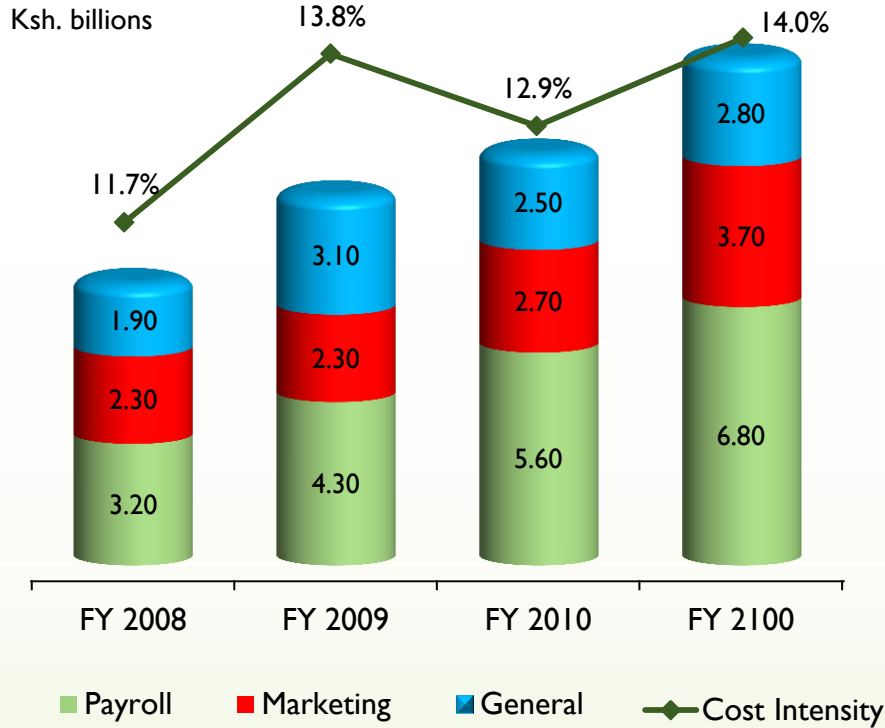
## HI/H2 OPEX Breakdown



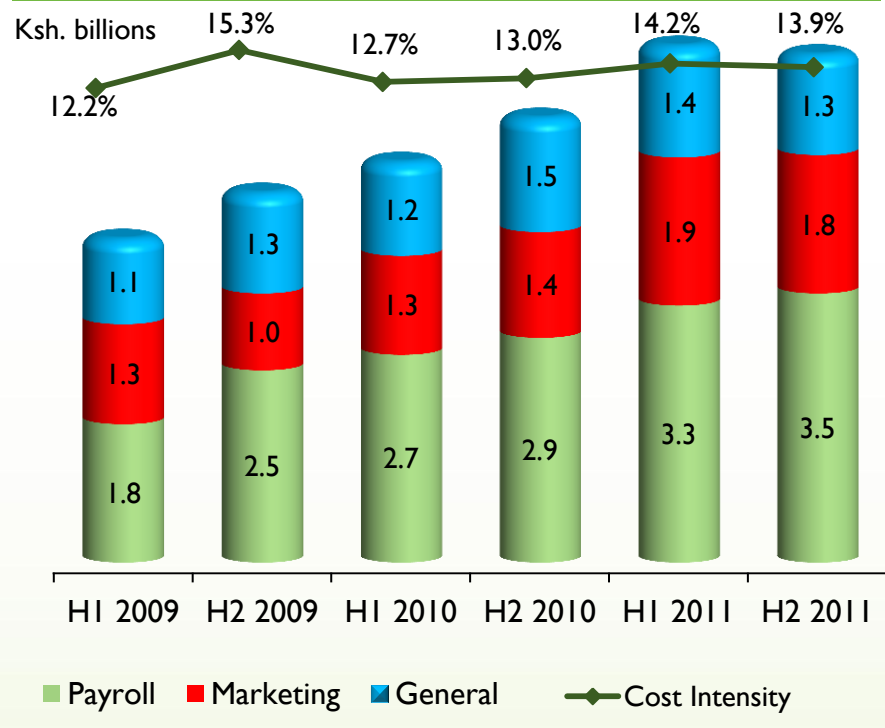
- Acquisition Costs grew in line with the customer acquisition strategy particularly for M-PESA and Data
- Other costs increased in License costs and Value Added Services costs in line with continued coverage and revenue growth
- Increase in interconnection expenses with the decline in off-net tariffs and termination rates
- Savings in airtime cost

# 19 Cost Structure: SG&A

## YoY SG&A



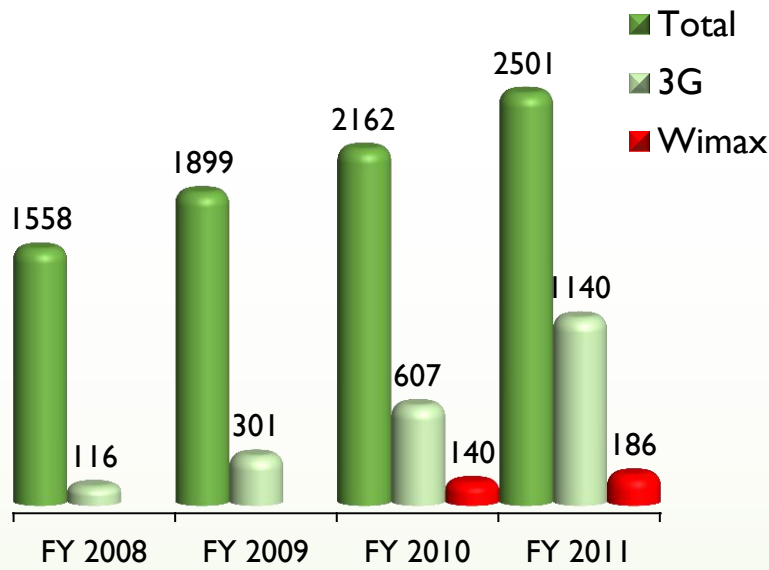
## HI/H2 SG&A Breakdown



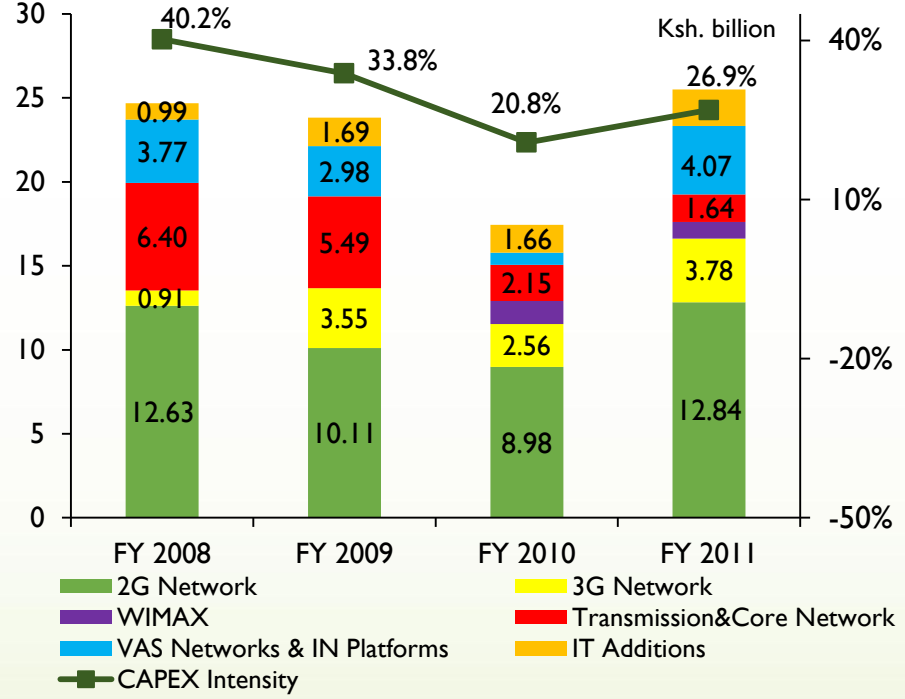
- Marketing costs increased by 37% due to heightened market activity
- Yearly adjustments in pay and increase in head count
- Retail shops increased by 17% from 30 to 35 within the same period

# Capital Expenditure:-Investing for the Future

## Base Stations



## CAPEX



Network growth from 2,162 sites to 2,501 sites

Increase in Capex, for the period by 46.1% to Ksh.25.48bn.

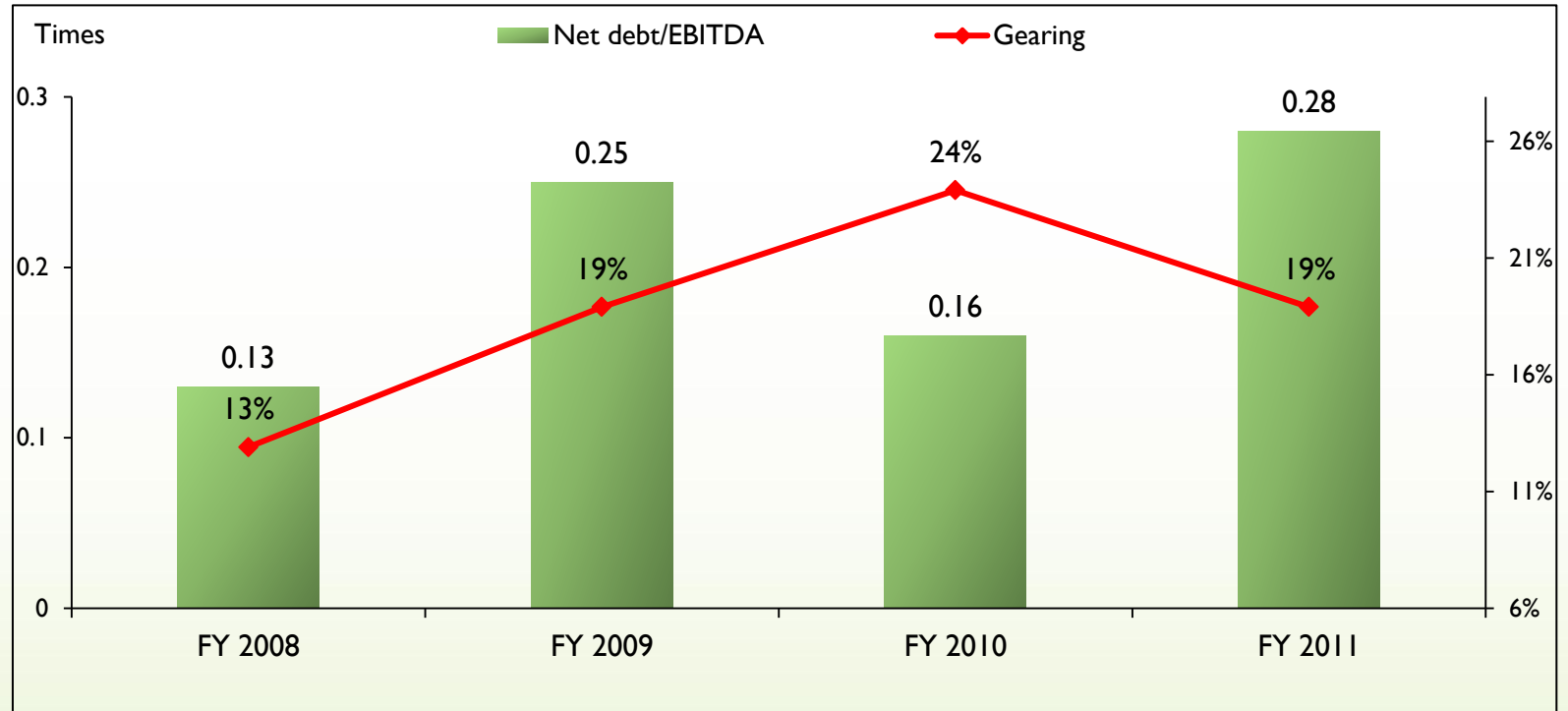
Capex intensity of 26.9%

Capital expenditure expected to continue at a high level in these key investment areas

- Fixed data infrastructure
- 3G Network equipment
- Upgrade of existing 2G equipment (Quality & Capacity)



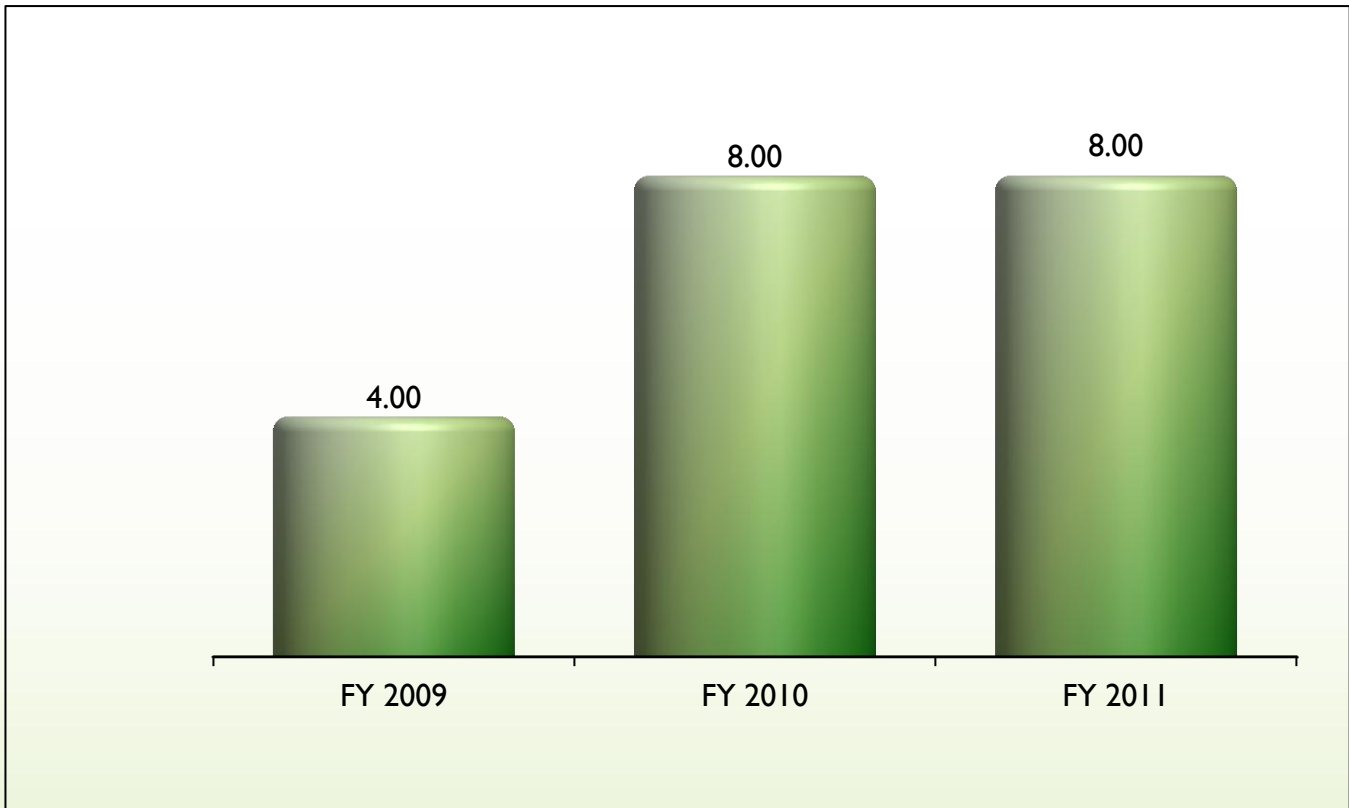
## Gearing & Net/EBITDA



Highly under-leveraged

Significant capacity to gear further

**Dividends**  
Kshs. Billion



Consistent dividend payout despite lower earnings

Increased payout ratio from 53% to 61%

# FUTURE OUTLOOK

Customer segmentation

Voice Revenue & ARPU

Realignment of Company Strategy - **SAFARICOM 2.0**

## **Company focus**

Take ownership of the enterprise sector

Mobile Data and Mobile Money- continued market leadership

- M-PESA
- Mobile Data
- Fixed Data
- Value Added Services
- Network improvements
- Acquisition products- mobile handsets, data devices and accessories

We have the most extensive and advanced network and are well placed to take full advantage of the expansion in Mobile Money and Data



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