

Safaricom Plc reported a 13.6% y-y dip in Profits before tax (PBT) to KES 88.35Bn in FY-23 from KES 102.21Bn in FY-22. Profits after tax was down 22.2% y-y to KES 52.48Bn from KES 67.50Bn the previous financial year. The company which is in its third year of 5-year strategy saw the bottom line was affected by a KES 21.61Bn loss in Safaricom Ethiopia business and an effective tax rate of 40.6% from a 34.0%. Topline saw total revenues increase by 4.3% y-y to KES 310.90Bn from KES 298.08Bn while service revenues improved to KES 282.23Bn, a 4.6% y-y rise from KES 269.86Bn.

The board of directors proposed a final dividend of KES 0.62 per share for a total dividend of KES 1.20 (interim KES 0.58). The board retained the tradition of paying near 80.0% payout with a payout of 77.4% with the calculation on payout profit after tax attributable to equity holders of the company and excluding hyperinflationary impact from Ethiopia numbers.

The telecoms operations were affected by tough economic environment, low consumer spending, slowdown in business during election period, high energy cost due to tariff change and subsidy removal, increased in excise duty on Sim card, Mobile Termination Rates (MTR) from KES 0.99 to KES 0.58 effective 1 Aug 2022.

Service revenue increased by 4.6% y-y to KES 282.23Bn from KES 269.86Bn this was enabled by:

- Mobile data revenue growth of 11.4% y-y due to increase in usage as the growth of smart grew by 10.0% while active 4G enabled phones increased by 20.6%. usage was also improved on reduction of cost increasing the average GBs per user to 3.8 from 3.4. The revue line contributed 19.1% to total revenues up from 17.6%
- M-Pesa revenues 8.8% y-y to see its contribution to the overall revenues up 41.5%. M-Pesa- saw increase in momentum in H2-23 due to reinstatement of bank to wallet and wallet to bank fees in Q4-23. Growth in merchant payment which saw a 17.3% y-y surge. Global payments revenues increased by 14.6% y-y while financial services revenues were up 0.7% y-y.
The M-Pesa sustained momentum was supported by increase in ARPU & Chargeable Transactions per one-month active customers which were up to 315.4 and 24.6 respectively in FY-23 from 307.1 and 22.4 in FY-22. Volume and value of transaction were up 33.5% and 21.4% respectively during the period.
- SMS revenues posted a surprise 4.6% y-y growth boosted by H2-223 which saw a 18.9% growth. The revenue contribution for SMS was sustained at 4.7%. Voice revenues were down 2.6% y-y with its contribution declining to 33.2% from 34.1% in FY22. The two lines are expected to continue a low single digit decline as the peak maturity and change in customer demographics.
- Fixed service revenue increased by 17.3% y-y to KES 6.7Bn. There still a lot of untapped opportunities in this space as more homes are to be connected. This will also benefit from the government digitization agenda and MSME space.

Safaricom Plc	
Current Price	15.30
3-Month Average	19.45
6-Month Average	21.73
Y-T-D	20.62
12-Month Average	24.60
52 Week High/Low	32.40 - 15.30
No Of Shares (Mn)	40,065
Market Cap (Bn)	613
Free Float	25.0%
EPS	1.55
PE	9.87
BVPS	6.57
PB	2.33
Dividend	1.20
Payout	77.4%
Dividend Yield	7.8%

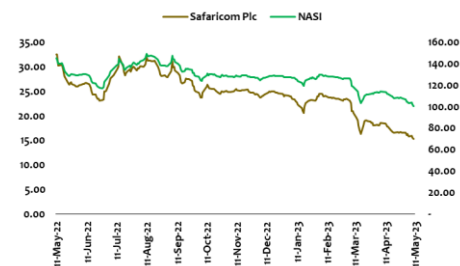
Price Movement		
Period	Safaricom Plc	NASI
10-May-23	15.30	100.51
3-Months	19.45	115.01
6-Months	21.73	120.92
Y-T-D	20.62	118.44
Y-Y	24.60	127.33
52-Week Max	32.40	148.81
52-Week Min	15.30	100.51

Price Return		
Period	Safaricom Plc	NASI
10-May-23	15.30	100.51
3-Months	-36.0%	-21.6%
6-Months	-39.4%	-21.5%
Y-T-D	-36.4%	-21.1%
Y-Y	-52.8%	-30.8%

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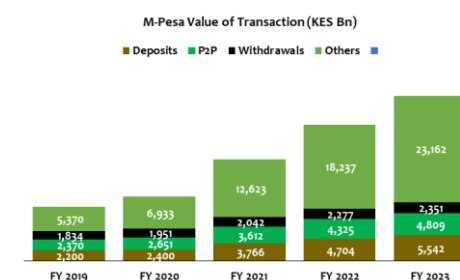
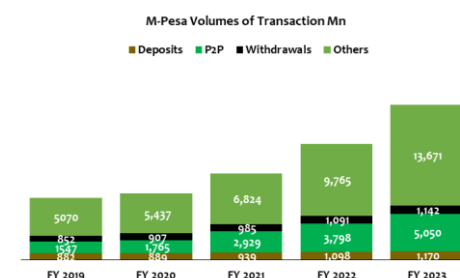
Safaricom Ethiopia

- Safaricom Ethiopia posted KES 562.4Mn in revenues with driven heavily by data and voice which contributed 63.4% and 24.1% respectively. The key selling point is reliable and stable network. There was a slowdown in mobile data due to social media restriction. The country remains in a hyperinflationary environment but will not have an impact on dividend payout.
- The entity posted KES 30.72Bn in operating loss and KES 21.61Bn in profits after loss.
- Safaricom Ethiopia has acquired mobile money license and plans to launch its mobile financial services by end of 2023 under the brand M-Pesa. The license costed a one off USD 150.0Mn and will be amortized over a 15-year period. The mobile money unit will be regulated by the National Bank of Ethiopia in a similar format with the Kenyan mobile money business.
- The 90-day active customers in the 7-months the entity have been in operation, the company has voice customers 2.0Mn, data 1.4Mn and message customers 0.7Mn. The average customer consumption of data is 1.5GB.



Costs

- Direct costs were marginally up by 0.8% leaving contributory margin at 68.8%. Operating costs increased by 34.2% on a KES 19.98Bn operating costs inclusion of Safaricom Ethiopia that helped push the Groups Opex to revenues ratio to 23.8%. the increased saw operating profits dip 22.1% y-y.
- Finance cost was up 10.1% y-y to KES 7.09Bn. Net finance cost to borrowing stood at 8.3% in FY-23, lower than 9.9% in FY-22.
- Slowdown in Group capex was at KES 96.1Bn (excluding hyperinflationary impact) from a projection of KES 100.0Bn – KES 108.0Bn due to delay entry in Ethiopia while the Kenya entity was at KES 40.4Bn and KES 55.8bn in Ethiopia for a total KES 96.1Bn. Ethiopia was to support the sites and infrastructure require to launch to expand the coverage.
- Ethiopia financing saw a total of USD 1,928Mn finance as Shareholders Y1-Y USD 1,238Mn and Safaricom Plc Y1-Y2 USD 690Mn.



Outlook –

- The Group still projects growth in new spaces including Cloud and ICT, IOT, Content, fixed business, next financial services including insurance, wealth and M-Pesa- Pochi la Biashara payment.
- Accelerate enterprise proposition using ICT, support and continue to accelerate digitization and ICT agenda for national and county governments boosting fixed services provision.
- Grow penetration of 4G devices through Lipa Mdogo Mdogo. The telecom also targets 800 5G sites by FY24 with ongoing test on the current 5G sites.
- Scale Ethiopia operations - Launch M-PESA to offer mobile money services and target. Target is to roll out a total of 10,000 - 12,000 sites by the 10th year. In FY-23, they set up 1,272 sites with a to set up 3,000 sites as end of 2024. Breakeven year remains 4-years. Aggressive network expansion, sim-card penetration, and mobile financial service launch. Total Capex USD 1.5Bn – USD 2.0Bn.

The shareholders of Global Partnership for Ethiopia B.V (GPE), the investment vehicle to Ethiopia.

Safaricom PLC (55.71%)

Vodacom Group (6.19%)

Sumitomo Corporation (27.2%)

British International Investment (formerly CDC Group PLC) (10.9%)

Revenue Contribution	FY 2020	FY 2021	FY 2022	FY 2023	Ethiopia
Voice revenue	35.7%	33.9%	30.9%	28.7%	24.1%
SMS revenue	6.4%	5.6%	4.0%	4.0%	0.7%
Mobile data revenue	16.6%	18.4%	17.6%	19.1%	63.4%
M-Pesa Revenues	34.9%	35.1%	40.1%	41.5%	0.0%
Mobile Incoming Revenues	3.5%	3.9%	3.7%	2.9%	11.8%
Other service revenue	3.0%	3.2%	3.6%	3.7%	0.0%

Income Statement KES Mn	FY-2021	FY-2022	FY-2023	Δ% 2022	Δ% 2023	Kenya	Ethiopia
Voice revenue	82,552.0	83,211.8	81,053.9	0.8%	-2.6%	80,918.2	135.8
SMS revenue	13,602.4	10,876.7	11,375.6	-20.0%	4.6%	11,371.7	3.9
Mobile data revenue	44,796.2	47,441.0	53,952.4	5.9%	13.7%	53,596.0	356.5
M-Pesa Revenues	85,647.4	107,691.8	117,192.2	25.7%	8.8%	117,192.2	-
Mobile Incoming Revenues	9,470.4	9,848.2	8,109.5	4.0%	-17.7%	8,055.9	66.2
Other service revenue	7,779.2	9,795.3	10,550.8	25.9%	7.7%	10,550.8	-
Mobile Service Revenue	243,847.6	268,864.8	282,234.4	10.3%	5.0%	281,684.8	562.4
Service Revenue	250,351.8	281,107.3	295,692.3	12.3%	5.2%	295,181.4	562.4
Total Revenues	264,026.5	298,077.9	310,904.8	12.9%	4.3%	309,121.8	1,834.5
Direct Cost	(80,015.1)	(91,467.8)	(92,232.1)	14.3%	0.8%	(90,441.6)	(1,803.1)
Operating Expense	(46,034.8)	(55,187.0)	(74,085.0)	19.9%	34.2%	(53,608.0)	(19,980.5)
EBITDA	134,129.2	149,061.9	139,862.4	11.1%	-6.2%	160,352.0	(19,954.0)
Depr and Amor	(37,964.3)	(39,933.3)	(54,865.0)	5.2%	37.4%	(44,097.6)	(10,767.4)
EBIT	96,164.9	109,128.6	84,997.4	13.5%	-22.1%	116,254.4	(30,721.4)
Net Finance Cost	(2,022.4)	(6,439.2)	(7,087.1)	218.4%	10.1%	(5,942.6)	(1,270.2)
PBT	93,635.5	102,213.4	88,345.2	9.2%	-13.6%	110,363.6	(21,608.5)
PAT	68,676.2	67,496.1	52,482.8	-1.7%	-22.2%	74,501.2	(21,608.5)
EPS	1.71	1.74	1.55	1.8%	-10.9%		
Dividend	1.47	1.39	1.20	-5.4%	-13.7%		

Balance Sheet KES Mn	FY-2021	FY-2022	FY-2023	Δ% 2022	Δ% 2023
Non-Current Assets	174,719.9	281,548.6	436,771.5	61.1%	55.1%
Current Assets	55,909.4	65,250.0	72,435.5	16.7%	11.0%
Total Assets	230,629.3	346,798.6	509,207.0	50.4%	46.8%
Non-Current Liabilities	17,541.7	68,947.1	105,463.9	293.0%	53.0%
Current Liabilities	75,452.3	98,150.6	140,377.2	30.1%	43.0%
Total Liability	92,994.0	167,097.7	245,841.1	79.7%	47.1%
Shareholders Equity	137,635.3	179,700.9	263,365.9	30.6%	46.6%
Liability and Shareholders' Equity	230,629.3	346,798.6	509,207.0	50.4%	46.8%

Key Margins	FY-2021	FY-2022	FY-2023	Kenya	Ethiopia
Contribution Margin	68.6%	68.5%	68.8%	69.2%	1.4%
Opex to Total Revenues	17.4%	18.5%	23.8%	17.3%	1089.2%
EBITDA Margin	50.8%	50.0%	45.0%	51.9%	-1087.7%
Opex Margin	36.4%	36.6%	27.3%	37.6%	-1674.6%
PBT Margin	35.5%	34.3%	28.4%	35.7%	-1177.9%
Net Margin	26.0%	22.6%	16.9%	24.1%	-1177.9%
ROA	29.8%	19.5%	10.3%		
ROE	49.9%	37.6%	19.9%		
Current Ratio	74.1%	66.5%	51.6%		
Debt to Equity	10.7%	36.3%	32.5%		
Debt to Capital	9.7%	26.7%	24.5%		
Dividend Payout	86.0%	79.9%	77.4%		

Key Performance Indicators		FY 2020	FY 2021	FY 2022	FY 2023	Δ% FY 2021	Δ% FY 2022	Δ% FY 2023
Total Client	Month Active Customers (Mn)	28.63	31.45	32.81	33.11	9.8%	4.3%	0.9%
	One Month RPU	758.7	689.82	725.04	750.17	-9.1%	5.1%	3.5%
Voice	Month Active Customers (Mn)	25.7	27.5	28.38	26.19	7.0%	3.2%	-7.7%
	One Month RPU	287.16	257.72	248.91	248.59	-10.3%	-3.4%	-0.1%
M-Pesa	Month Active Customers (Mn)	24.91	28.31	30.53	32.11	13.6%	7.8%	5.2%
	One Month RPU	294.68	256.74	305.37	311.28	-12.9%	18.9%	1.9%
Mobile Data	Month Active Customers (Mn)	21.99	23.77	25.22	26.07	8.1%	6.1%	3.4%
	One Month RPU	179.7	186.28	205.73	239.04	3.7%	10.4%	16.2%
Messaging	Month Active Customers (Mn)	21.4	21.79	22.27	21.17	1.8%	2.2%	-4.9%
	One Month RPU	60.77	52.74	41.71	43.82	-13.2%	-20.9%	5.1%

Revenue Stream	KES BN	FY 2020	FY 2021	FY 2022	FY 2023	Δ% FY 2021	Δ% FY 2022	Δ% FY 2023
Fuliza	Value	244.6	351.20	502.60	701.50	43.6%	43.1%	39.6%
	Revenue	2.8	4.54	5.94	5.40	62.1%	30.8%	-9.1%
KCB M-Pesa	Value	116.6	51.10	46.30	42.20	-56.2%	-9.4%	-8.9%
	Revenue	1.2	0.80	0.70	0.60	-33.3%	-12.5%	-14.3%
M-Shwari	Value	129.6	94.50	86.10	91.50	-27.1%	-8.9%	6.3%
	Revenue	1.7	2.20	1.90	2.10	29.4%	-13.6%	10.5%

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