

Safaricom Profits Dip 4.1% on Ethiopia Losses Amid a 12.4% Surge in Revenues

Safaricom plc reported a 4.1% drop in profits before tax (PBT) of KES 84.69Bn compared to KES 88.35Bn recorded same time in 2023. The performance remained heavily impacted by Safaricom Ethiopia which had a loss before tax of KES 42.08Bn in FY-2024 from that of KES 21.61Bn in FY-2023. As a result, profit after tax (PAT) fell 18.7% year-on-year (y-y) from KES 52.48Bn to KES 42.66Bn.

The parent company, Safaricom Kenya, however, recorded a 16.1% jump in PBT of KES 128.15Bn in FY-2024 from KES 110.36Bn of FY-2023 elevated by faster growths in m-pesa and data usage revenues. Overall, Safaricom Kenya's PAT for FY-2024 was 15.6% higher at KES 86.12Bn in relation to KES 74.50Bn of FY-2023. The performance defied earlier predictions of the Kenyan unit almost hitting the optimum point of single digit growths.

The Board of the telco announced KES 0.65 final dividend for FY-2024 whose book closure and payment dates are 31st July and 31st August 2024 respectively. This brings to KES 1.20 total dividend similar that of FY-2022, a payout ratio of KES 76.4% from the FY-2024 performance. We retain a Long-Term BUY Recommendation in the telco's share price, on a strong local unit performance and expected subsidiary break-even projected for 2026.

Total revenue expanded 12.4% from KES 310.90Bn to KES 349.45Bn on account of Safaricom Kenya which contributed KES 342.10Bn or 97.9% of the total revenue. Service revenue remained on an uptrend from a contribution of 90.8% to total income in FY-2023 to contribute 91.7% in FY-2024.

Ethiopia revenue improved to KES 7.39Bn within the 12-months of full operation and roll-out as subscribers rose to 9.4Mn and the network coverage grew to 40.0% of the population. M-Pesa registrations stood at 4.5Mn by close of March 2024 with 4.4Mn being active customers.

Voice and Message Revenues

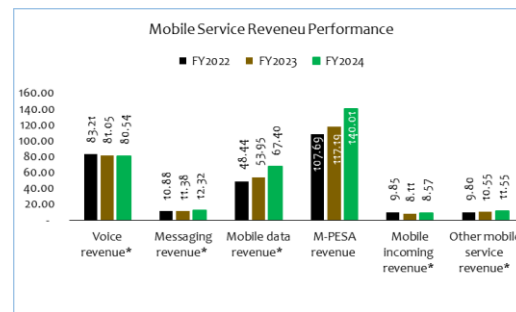
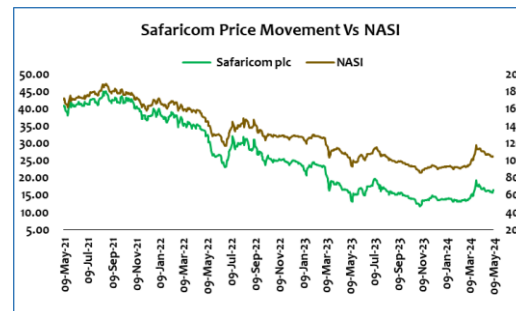
- Voice revenue declined 0.6% from KES 81.05Bn to KES 80.54Bn on a downward review of rate per minute from an average of KES 1.44 into KES 1.25 per minute by close of FY-2024. As a result of the declines, voice revenue contribution to service revenue declined from 27.4% in FY-2023 to 24.0% in the FY-2024.
- Messaging revenue went up 8.3% to KES 12.32Bn to contribute 3.7% of the service revenue elevated by upward reviews of text costs from KES 0.23 to 0.26 per message (SMS) in FY-2024. Short message service (SMS) usage per user however declined 4.8% to 184.6 messages on what we view as rise in data communication.

M-Pesa Revenues

- M-pesa revenue accelerated 19.5% up from KES 117.19Bn to KES 140.01Bn to account for 41.7% and 40.1% of the service revenue and total revenue contributions up from a contribution of 39.6% and 37.7% in FY-2023 respectively. The M-pesa uptick was majorly elevated by full re-instatement of charges on M-

Bloomberg Ticker Recommendation	SAFCOM KN BUY
Share Statistics	
Current Price	16.50
3-Month Average	15.37
6-Month Average	14.56
12-Month Average	15.1060241
52 Week High/Low	11.65 - 19.70
No of Shares (Mn)	40,065.43
Market Cap (KES Bn)	661,079.56
Market Cap (USD Mn)	5,038.21
Free Float	25.0%
EPS	1.57
PE	10.51
BVPS	5.65
PB	2.92
Dividend	1.20
Dividend Yield	7.3%
Dividend Payout	76.4%

Period	Performance Return	
	Safaricom	NASI
3- Month	26.4%	16.8%
6- Month	24.1%	20.6%
y-t-d	20.0%	15.8%
y-y	5.8%	4.3%



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Pesa to Bank and from Bank to M-Pesa (C2B and B2C) charges reinstated in January 2023. In the new financial year 2025, we expect a slowdown in this growth to levels below 7.0%.

- Business payments income had the highest growth of 39.8% y-y from KES 27.34Bn to KES 38.22Bn supported by rises in active merchant numbers which grew by 4.3% to 633,01k.
- Consumer payments are a major contributor at 64.6% of total M-Pesa revenue while growing by 15.4% from KES 78.26Bn in FY-2023 to KES 90.33Bn in 2024. This was as the velocity of money accelerated driven by fintech solutions including lending payments, savings, and international remittances.

Mobile Data Revenue

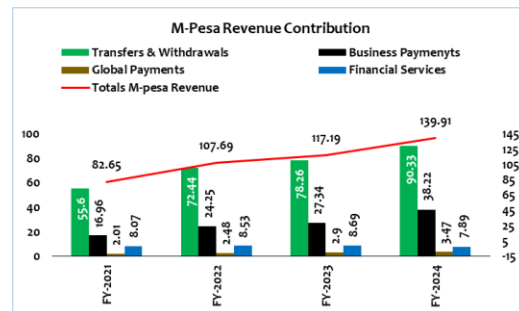
- Mobile data revenue climbed 24.9% from KES 53.95Bn to KES 67.40Bn to contribute 19.3% of the total revenue in FY2024 up from 17.4% the prior year, as revenue per user grew marginally at 1.5% to KES 242.71.
- Safaricom Ethiopia mobile data usage per user rose faster to surpass that of Kenya by over 0.50 gigabytes, pushing the average revenue per user (ARPU) 182.5% up from KES 76.19 to KES 215.20 closer to that of Kenya which improved from KES 239.04 to KES 242.71 ARPU in Kenya.
- Smartphones under Safaricom network grew by 12.9% y-y to 22.93Mn with 5-G devices rising by 79.3% to 669,71K indicating more opportunities for data revenue growth.

Operating Costs

- Total operating costs were 12.4% y-y higher at KES 83.30Bn in FY-2024 from that of KES 74.09Bn.
- Network operating costs escalated 32.9% y-y from KES 19.70Bn to KES 26.19Bn, most of which went to the scaling up of the Ethiopia network.

Balance Sheet

- Safaricom total assets enlarged by expanded by 25.9% from KES 436.77Bn to KES 558.62Bn largely on new property and equipment in the set-up of the Ethiopia subsidiary.
- Total shareholders' equity went up 27.5% y-y to KES 335.75Bn on faster rises in retained earnings which went up 10.3% y-y from KES 121.82Bn to KES 134.31Bn in FY-2024. This was further supported by growths in other reserves which jumped 68.4% up from KES 36.69Bn to KES 61.79Bn.
- To support the operations in Ethiopia, the Group grew its borrowings from KES 42.05Bn to KES 63.09Bn.
- The Group's capital expenditure (CAPEX) for FY-2024 stood at KES 93.54Bn out of which KES 46.25Bn went into Safaricom Ethiopia operations as the Kenya unit spent KES 47.3Bn on its capital intensity.



Business Payments Revenue			
Payment Channel	FY-2023	FY-2024	%Δ y-y
B2C	2.6	3.74	43.8%
C2B	19.13	25.91	35.4%
B2B	0.29	0.41	41.4%
LNM	5.29	7.31	38.2%

- In the FY-2024, the telco giant expects to spend KES 73Bn to KES 79Bn towards CAPEX out of which KES 52 – 55Bn is a capex guidance for Kenya.

Full Year Revenue Summary				
Revenue Item	Mar-22	Mar-22	Mar-23	Mar-24
Voice revenue*	83.21	83.21	81.05	80.54
Messaging revenue*	10.88	10.88	11.38	12.32
Mobile data revenue*	48.44	48.44	53.95	67.40
M-PESA revenue	107.69	107.69	117.19	140.01
Mobile incoming revenue*	19.64	9.85	8.11	8.57
Other mobile service revenue*	9.80	9.80	10.55	11.55
Mobile service revenue	269.86	269.86	282.23	320.39
Fixed line and wholesale transit revenue	11.24	11.24	13.46	14.96
Handset revenue and other revenue	16.53	281.11	295.69	335.35
Other Revenue	0.44	0.44	3.76	3.55
Total revenue	298.08	298.08	310.90	349.45
Direct costs	(91.47)	(94.67)	(97.98)	(101.41)
Total operating costs	(55.19)	(55.19)	(74.09)	(83.30)
EBITDA	149.06	149.06	139.86	163.29
EBIT	109.13	109.13	85.00	80.34
Profit before income tax	102.21	102.21	88.35	84.69
Profit after tax	67.50	67.50	52.48	42.66

Balance Sheet	Mar-22	Mar-23	Mar-24
Non-Current Assets	281.5486	436.7715	558.6224
Current Assets	65.25	72.4355	82.5419
Total Assets	346.7986	509.207	641.1643
Borrowings	44910.8	42050	63093.2
Non-Current Liabilities	68.9471	105.4639	137.5943
Current Liabilities	98.1506	140.3772	167.8221
Total Liability	167.0977	245.8411	305.4164
Shareholders' Equity	139.4686	187.5559	226.3491

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Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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