



SAFARICOM LIMITED: 1H25 EARNINGS UPDATE

Dear All,

Safaricom PLC announced its 1H25 results recording a 17.7% y-o-y decline in net income attributable to equity holders of the company to KES 28.1 BN largely impacted by a 59.6% y-o-y increase in operating expenses to KES 37.7 BN and an 11.5% y-o-y rise in direct costs to KES 49.5 BN. Service revenue, on the other hand, rose by 13.1% y-o-y to KES 179.9 BN. **The Group's profit after tax declined by 63.2% y-o-y to KES 10.0 BN.** No interim dividend was recommended. Safaricom Ethiopia's 90-day active customers stood at 6.07 MN, with registered M-PESA customers standing at 8.31 MN (mobile financial services were launched in August 2023, currently mainly being used for airtime purchase).

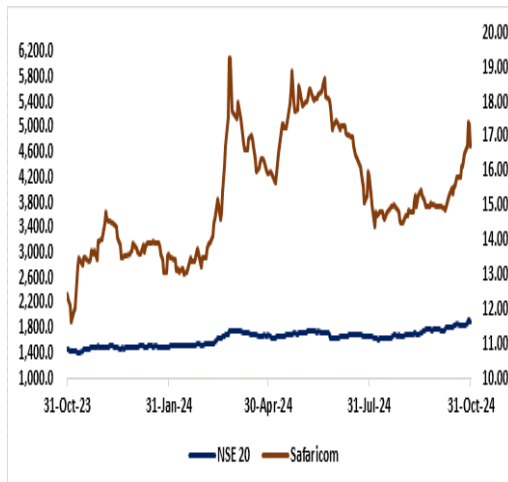
Below please find key highlights:

Group service revenue grew by 13.1% y-o-y to KES 179.9 BN mainly supported by a 16.6% y-o-y growth in M-PESA revenue to KES 77.2 BN and a 21.5% y-o-y growth in mobile data revenue to KES 37.6 BN. **Ethiopia's service revenue contribution stood at KES 2.6 BN, representing 1.5% of total service revenue.**

M-PESA revenue performance was largely supported by 23.0% y-o-y usage growth, cushioning the impact of 9.9% y-o-y decline in the pricing rate per MB. M-PESA revenue from personal payments grew by 12.9% y-o-y to KES 48.6 BN while revenue from business payments recorded a 29.1% y-o-y increase to KES 22.8 BN. **The contribution of business payments to M-Pesa revenue stood at 29.5% (1H24: 26.6%), while that of personal payments stood at 62.9% (1H24: 64.9%).**

Mobile data revenue growth came on the back of increasing usage and growing subscriber base. The number of subscribers using smart phones went up by 15.7% y-o-y to stand at 24.7 MN while the number of data customers using >1GB increased by 18.6% y-o-y to 10.9 MN. Active 4G devices edged up by 34.5% y-o-y to 20.1 MN, driving usage growth.

SAFARICOM: 52 WEEK PRICE PERFORMANCE



(Source: NSE, DBIB Research)

PRICE RETURN	ABSOLUTE RETURN	EXCESS RETURN
3 months	5.35%	(8.8%)
6 months	5.02%	(7.7%)
12 months	34.54%	4.12%

KEY METRICS

Current Price (KES)	16.35
52 week Range (KES)	11.70-19.30
YTD Return (%)	20.5
Issued Shares (Mn)	40,065
Market Cap (USD Mn)	5,194.2
Enterprise Value (USD Mn)	5,269.1
EV KES BN	680.8

Trailing EPS (KES)	1.42
EV/EBITDA (x)	9.1
P/B (x)	2.9
P/E (x)	11.5

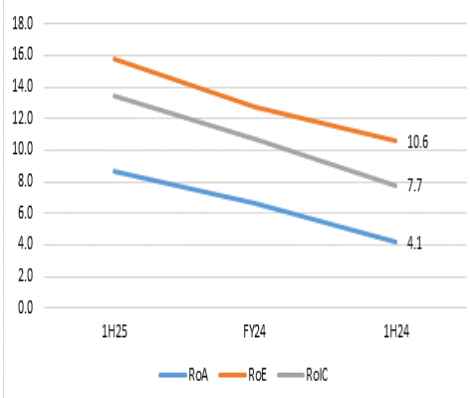
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Annualized Investment Returns (%)



M-PESA and mobile data contribution to service revenue in turn rose to 42.9% (1H24: 41.6%) and 20.9% (1H24: 19.4%) respectively.

Voice revenue grew by 4.5% y-o-y to KES 40.9 BN, reversing its downward trend while **SMS revenue continued to grow at 8.0% y-o-y to KES 6.2 BN, defying global industry trends**. Voice and SMS revenue contribution to service revenue declined to 22.7% (1H24: 24.6%) and 3.5% (1H24: 3.6%) respectively. Voice and SMS revenue growth were mainly supported by subscriber growth and increase in usage. Voice ARPU eased by 4.1% y-o-y to KES 239.84 while SMS ARPU rose by 5.7% y-o-y to KES 48.46.

Safaricom Kenya's one month active customer ARPU went up by 8.2% y-o-y to KES 849.85 supported by a **13.1% y-o-y rise in M-PESA ARPU to KES 389.27**, with one month active M-PESA customers increasing by 4.1% y-o-y to 33.46 MN. The M-PESA ARPU increase coupled with subscriber growth in turn drove the segment's revenues up. **The number of chargeable transactions per one month active customer stood at 37.37, up 25.6% y-o-y** compared to 29.87 transactions in 1H24, driving ARPU numbers. M-PESA transaction volumes in turn grew by 30.6% y-o-y to 17.09 BN transactions compared to 13.09 BN transactions in 1H24.

Mobile data ARPU increased by 13.5% y-o-y to KES 263.25, supporting mobile data revenue growth alongside **10.5% y-o-y increase in one month active chargeable mobile data customers to 28.83 MN** and **9.8% y-o-y growth in MBs per subscriber to 4.1GB**. These in turn supported mobile data revenue growth. **The rate per MB declined by 3.3% y-o-y, marking a less aggressive stance on mobile data price cuts.**

Ethiopian Business: One month active customers stood at 4.48 MN. One month active **customer ARPU settled at KES 186.99**, with voice ARPU at KES 30.10 (-20.6% y-o-y), mobile data ARPU at KES 196.76 (+9.1% y-o-y) and messaging ARPU at KES 7.13 (+55.0% y-o-y). One month active customers for voice stood at 3.57 MN, mobile data at 3.50 MN and SMS at 1.87 MN. **Registered M-PESA customer numbers stood at 8.31 MN** while volumes transacted stood at 86.50 MN. Mobile data revenue stood at KES 2.0 BN, representing 77.9% of Ethiopia's service revenue.

Group EBITDA margin deteriorated by 890 bps y-o-y to stand at 40.0% following a 59.6% y-o-y increase in operating costs to KES 60.2 BN (impacted by Birr depreciation) and an 11.5% y-o-y increase in direct costs to KES 49.5 BN. **EBIT margin in turn shed 290 bps y-o-y to 22.3%** cushioned by a 14.0% y-o-y decline in depreciation & amortization costs to KES 32.9 BN. The group's **net finance cost stood at KES 10.9 BN, up 53.3% y-o-y**. Owing to the hyperinflationary environment in Ethiopia, the group realized a monetary gain of KES 3.4 BN.

CAPEX: Capital expenditure in 1H25 stood at KES 58.7 BN, translating to a CAPEX intensity of 16.5% -- Kenyan unit CAPEX spend stood at KES 30.8 BN, Ethiopian unit CAPEX spend stood at KES 27.9 BN (including ETB depreciation impact).

Capex Split	Kenya	Ethiopia
Radio access	36.2	69.5
Core network	4.8	6.4
Transmission	15.0	7.1
Operations	1.6	1.1
Fixed network	6.5	-
IT	28.7	7.2
Others	7.2	8.8

Source: Company

Fixed service revenue grew by 13.1% y-o-y to KES 8.3 BN on the back of 17.8% y-o-y growth in FTTH customers to 262k and a 20.8% y-o-y increase in fixed enterprise customers to 66k. FTTH ARPU increased by 3.2% y-o-y to KES 2,421 while activity rate increased to 65.4% compared to 1H24's 61.4%.

Management's FY25 EBIT guidance (including Safaricom Ethiopia) has been adjusted downwards to KES 94.0 BN - KES 100.0 BN, while **CAPEX guidance (including Safaricom Ethiopia) has been adjusted upwards to KES 80.0 BN – KES 86.0 BN** on account of the Ethiopian Birr depreciation.

Safaricom is currently trading at a P/E multiple of 11.5x and a P/B multiple of 2.9x. Its ROE stands at 25.2% and ROA stands at 11.8%.

PROFIT AND LOSS SUMMARY (KES BN)

Year End: March	1H25	FY24	1H24	2H24	y-y % ch	h-h % ch
Voice revenue	40.87	89.11	39.11	50.00	4.5	(18.3)
Messaging revenue	6.23	12.32	5.76	6.55	8.0	(5.0)
Mobile Data revenue	37.60	67.40	30.95	36.45	21.5	3.1
Fixed Data revenue	8.33	14.96	7.37	7.59	13.1	9.8
M-PESA revenue	77.24	140.01	66.24	73.77	16.6	4.7
Other service revenue	9.65	11.55	9.70	1.85	(0.5)	421.9
Service revenue	179.92	335.35	159.14	176.22	13.1	2.1
Handset and other revenue	7.81	10.54	3.84	6.70	103.5	16.6
Total Revenue	187.74	345.89	162.97	182.92	15.2	2.6
Other income	1.68	3.55	1.64	1.91	2.6	(11.9)
Direct costs	(49.51)	(97.05)	(44.40)	(52.65)	11.5	(6.0)
Provisions for ECLs on receivables	(4.59)	(5.81)	(2.80)	(3.00)	63.7	52.8
Contribution	135.32	246.59	117.41	129.18	15.2	4.8
Operating Costs	(60.25)	(83.30)	(37.74)	(45.56)	59.6	32.2
EBITDA	75.07	163.29	79.67	83.62	(5.8)	(10.2)
Depreciation & amortization	(32.87)	(82.95)	(38.23)	(44.72)	(14.0)	(26.5)
Net financing costs	(10.91)	(16.64)	(7.12)	(9.52)	53.3	14.6
Associate share of (loss)/profits	2.57	(1.38)	12.61	(13.99)	(79.6)	(118.4)
PBT	33.86	84.69	46.94	37.75	(27.9)	(10.3)
Taxation	(23.85)	(42.03)	(19.75)	(22.28)	20.7	7.1
Net Income	10.01	42.66	27.19	15.47	(63.2)	(35.3)
EPS	0.70	1.57	0.85	0.72	(17.6)	(2.8)

(Source: Company, DBIB Research)

BALANCE SHEET SUMMARY (KES BN)

Year End: March	1H25	FY24	1H24	y-y % ch	h-h % ch
Equity and non-controlling interest	189.67	335.75	345.55	(45.11)	(43.5)
Borrowings	68.83	63.09	59.20	16.25	9.1
Capital employed	258.50	398.84	404.75	(36.13)	(35.2)
Non-current assets	408.80	558.62	547.69	(25.36)	(26.8)
Contract assets	5.32	5.20	2.38	123.47	2.3
Inventories	2.19	4.53	3.59	(38.88)	(51.6)
Receivables and prepayments	37.05	48.12	44.65	(17.03)	(23.0)
Cash and cash equivalents	29.10	22.87	20.46	42.24	27.3
Current assets	74.33	82.54	76.44	(2.77)	(10.0)
Contract liabilities	11.24	11.39	10.88	3.26	(1.4)
Provisions	2.94	2.94	4.52	(35.04)	-
Dividend payable	1.08	6.65	1.56	(31.21)	(83.8)
Payables and accrued expenses	96.74	94.92	77.39	25.01	1.9
Borrowings	38.77	45.05	46.24	(16.15)	(13.9)
Current income tax	1.63	0.19	-	#DIV/0!	742.4
Current liabilities	158.38	167.82	147.61	7.30	(5.6)
Net current liabilities	(84.06)	(85.28)	(71.17)	18.11	(1.4)
Net assets	324.74	473.34	476.52	(31.85)	(31.4)

(Source: Company, DBIB Research)

SUBSCRIBER STATISTICS (KENYA)

	1H25	FY24	1H24	y-y % ch	h-h % ch
Total Customers (MN)	45.94	44.67	44.12	4.13	2.8
30 day active Customers (MN)	35.27	34.64	33.27	6.01	1.8
30 day active Voice Customers (MN)	28.46	28.28	25.73	10.61	0.6
30 day active SMS Customers (MN)	20.92	21.51	20.82	0.48	(2.7)
30 day active MPESA Customers (MN)	33.46	32.41	32.13	4.14	3.2
30 day active mobile data Customers (MN)	28.83	27.59	26.09	10.50	4.5

(Source: Company)

	1H25	FY24	1H24	y-y % ch	h-h % ch
Voice ARPU**	148.29	166.24	147.74	0.4	(10.8)
30 day active Voice ARPU**	239.36	262.58	313.08	(23.5)	(8.8)
SMS ARPU**	22.59	22.98	21.78	3.7	(1.7)
30 day active SMS ARPU**	49.61	47.73	46.15	7.5	4.0
30 day active MPESA ARPU**	384.73	359.99	343.60	12.0	6.9
30 day active Data ARPU**	217.35	203.59	197.71	9.9	6.8
Service ARPU**	652.75	625.61	601.15	8.6	4.3
30 day active Service ARPU**	850.22	806.76	797.19	6.7	5.4

**In-house calculations may differ from Safaricom's figures

(Source: DBIB Research)

OPERATING PERFORMANCE

	1H25	FY24	1H24	y-y % ch	h-h % ch
Contribution margin (%)	71.4	70.6	71.3	11	87.2
EBITDA margin (%)	40.0	47.2	48.9	(890)	(722.2)
EBIT margin (%)	22.3	23.0	25.2	(290)	(71.1)
Pretax margin (%)	17.9	24.2	28.5	(1,064)	(26.2)
PAT margin (%)	5.3	12.2	16.5	(68.0)	(56.7)
Asset Turnover (x)	0.5	0.6	0.3	54.2	(25.9)
Inventory Turnover (x)	86.4	77.2	45.9	88.3	11.9
Receivables Turnover (x)	5.1	7.3	3.7	38.7	(29.6)
Payables Turnover (x)	2.0	3.7	2.1	(8.0)	(46.8)
Working capital turnover (x)	0.8	1.4	0.7	10.8	(41.7)

(Source: DBIB Research)

INVESTMENT RETURNS

	1H25	FY24	1H24	y-y % ch	h-h % ch
RoA	4.1	6.7	8.7	(52.4)	(37.7)
RoE	10.6	12.7	15.7	(32.9)	(16.9)
RoIC	7.7	10.7	13.4	(42.3)	(27.6)

*Annualized

(Source: DBIB Research)

FINANCIAL STABILITY

	1H25	FY24	1H24	y-y % ch	h-h % ch
Net debt/(cash) (KES MN)	9,671.8	(22,098.1)	25,783.6	(62.5)	(143.8)
Net debt (cash)/equity (%)	5.1	(6.6)	7.5	(31.7)	(177.5)
Net debt (cash)/EV (%)	1.4	(3.2)	3.8	(62.5)	(143.8)
EV/EBIT (x)	16.1	8.5	16.4	(1.8)	90.4
EV/EBITDA (x)	9.1	4.2	8.5	6.1	117.5
EV/Subscriber (x)	14,818.6	15,239.9	15,429.9	(4.0)	(2.8)
Current ratio (x)	0.5	0.5	0.5	(9.4)	(4.6)
Interest cover (x)	(6.9)	(9.8)	(11.2)	(38.5)	(29.9)
Adj cash int cover (x)	(6.9)	(9.8)	(11.2)	(38.5)	(29.9)
Net debt (cash)/share (KES)	0.24	(0.6)	0.6	(62.5)	(143.8)
Book value/share (KES)	4.73	8.4	8.6	(45.1)	(43.5)

(Source: DBIB Research)

APPENDIX

COMPANY INVESTMENT RATINGS

Buy: Share price may generate more than 15.0% upside over the next 12 months

Overweight: Share price may generate between 5.0% and 15.0% upside over the next 12 months

Hold: Share price may fall within the range of <+5.0/ -10.0% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels. Company fundamentals however remain strong

Underweight: Share price may generate between 10.0% and 15.0% downside over the next 12 months

Sell: Share price may generate more than 15.0% downside over the next 12 months, significant business and/or financial risks present, industry concerns

Not Rated: Counter is not within regular research coverage

SECTOR INVESTMENT RATINGS

Overweight: Industry performance better than that of the whole market

Equal weight: Industry performance about the same as that of the whole market

Underweight: Industry performance worse than that of the whole market

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