



# THE COMMERCIAL VALUE WE DELIVER

Our financial capital

102



# 100





# Our financial capital

**Our financial capital includes shareholders' equity, debt and reinvested capital, is a critical input in executing business strategy, and the activities we engage in to generate, access and deploy other forms of capital.**

During the year under review, our objectives in managing capital continued to be to safeguard our ability remain a going concern, in order to deliver value for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Our financial capital was enhanced as we delivered a solid financial performance, with service revenue (SR) increasing by 12.3%, supported by M-PESA (+30.3%), Mobile Data (+8.1%) and fixed data growth (+18.3%).

We celebrated 15 years of M-PESA services, crossing the 30 million active customer mark, and growing 7.8% YoY to 30.53 million. With M-PESA revenue growing 30.3% YoY to KShs 107.69 billion, it overtook voice to become the largest contributor of revenue, accounting for 38.3% of service revenue while voice contributed 29.6%. Another significant sign of M-PESA's progress was the 63.4% increase in lipa na M-PESA merchants to reach just below 500,000.

Mobile data revenue recovered strongly in the second half of the year (H2), growing 10.0% YoY to 24.81 billion, having risen by 6.3% in H1 to KShs 23.63 billion, to deliver 8.1% YoY growth to KShs 48.44 billion. This was supported by our Customer Value Management (CVM) initiatives driving personalised offers to our customers.

Fixed revenue grew by 18.3% YoY, driven by increased activity in the penetration of FTTH and growth in enterprise fixed-data revenue. The growth was supported by a 16.9% increase in enterprise revenue to KShs 7.05 billion, as well as a 20.6% growth in consumer revenue to KShs 4.19 billion.



Having been granted the telecommunications licence by the ECA in July 2021, preparations are underway for the commercial launch of the network in 2022. The subsidiary was established within the current financial reporting period and has been fully consolidated in the Group's financial statements for the year ended 31 March 2022. As a result, it being the first year of establishing the Ethiopia Opco before the launch, Safaricom Ethiopia incurred operating costs of KShs 5.11 billion. These costs for the most part covered staff-related expenses, consultancy costs in establishing the operating company and publicity. At Group level, adjusting for minority interest, this resulted in a net loss after tax of KShs 2.71 billion for our Ethiopia operations attributed to Safaricom PLC, and a KShs 2.15 billion loss attributed to non-controlling interest.

In the year under review, we continued to require natural capital such as land and energy to deploy and operate our manufactured capital. Accessing these inputs diminishes our financial and natural capitals, the impact of which is lowered through energy-efficiency initiatives and site sharing.

## The evolution of our business model

As we continue with our journey to be a purpose-led technology company by 2025, we fully transitioned as an organisation to the Agile way of working in FY2022, firmly establishing a customer-obsessed, technology-driven culture.

Other key aspects of our inputs that changed during the year include evolving M-PESA into a two-sided digital platform serving both businesses and consumers and investing in the use of big data and analytics.

In building a tech organisation for the future, in our quest for the requisite talent, we onboarded 511 technology people, and launched Pochi la Biashara for MSMEs as well as the M-PESA Super Apps with Mini-App functionalities to power digital consumer lifestyles and empower businesses.

In delivering our strategy during the year, we focused on the four key pillars of our strategic focus for FY2022 to deepen customer engagement and experience:

- Strengthening the core
- To be a financial services provider
- Accelerate new growth areas
- Achieve cost leadership

In FY2023 we will focus on accelerating new growth areas. To this end we will be exploring and maximising the potential of IoT, ICT, DigiFarm and M-PESA, with an emphasis in the latter on insurance and wealth management. For more on strategy and our business model, see page 49 and 53 respectively.

