Conference Call Transcript

11 May 2023

FY23 2023 RESULTS

Caroline Wambugu Moderator

Good morning, good afternoon, and good evening from wherever you're joining us from and welcome to the Safaricom PLC Analysts call post our results released this morning in Nairobi, Kenya. My name is Caroline Wambugu. I'm the head of investor relations and finance planning analysis and I'll be moderating the discussion. We have our CEO, Peter Ndegwa, who will make introductory remarks. Thereafter our CFO Dilip Pal will give a high-level performance overview before we open up the session to field your questions to the leadership team.

Before we kick off the session, I would like to speak through a few housekeeping rules. Please ensure you have joined the session with your full names for ease of identification when you post your questions or comments. And if you haven't, you can take a moment now to rename yourself by hovering the cursor over your name and clicking the rename tab on the dropdown. Throughout this session, any questions you have will be shared via the Q&A tab and at the end of your question, kindly remember to include your organization's name. And in staying committed to our promise on diversity and inclusion, a live transcript has been made available for the comfort of anyone with hearing difficulties who has joined the call. You can access this by clicking the view transcript tab at the bottom of your Zoom application under the show captions. This will allow you to keep up with the conversation in a more comfortable manner.

Finally, and in case you require any other form of assistance from us that is not related to the discussion, you can write to us via the chat platform and the Investor Relations team will be at hand to assist you from the backend. And with that, I now welcome our CEO, Peter Ndegwa, to kick off the session. Thank you. Peter, over to you.

Peter Ndegwa

Thank you, Caroline. Please confirm that you can hear me well or I need to increase my volume in any way.

Caroline Wambugu Moderator

We can hear you, Peter. You may proceed.

Peter Ndegwa

Okay. Good afternoon, good morning, everyone, depending on where you are. And as Caroline has said, we are delighted that we were able to release our results this morning and Dilip our CFO will be going through a summary of those results. But I just wanted to say a couple of words. One is some big milestones, one is the fact that we've now received formal confirmation of the award of the Mobile Financial Services license in Ethiopia, which was also confirmed by the National Bank of Ethiopia this morning. That's a great milestone. We've been waiting for it. It will allow us to now complete the preparatory work that we've been doing in order for us to start rolling out our financial services business in the coming weeks and months. We will be able to give you an indication of what it will take to deliver that.

The second is another big highlight on Kenya, as you know, has gone through just like any country, major issues with respect to impact on macros, currency, the drought in the Horn of Africa and so on, and also an election year. And as we announced our half year results, we saw subdued performance in the second quarter, which affected the half. That continued in the third quarter, but I'm happy to say that from Q4, from actually around December, we saw a clear momentum. And therefore, our second half is a recovery compared to our first half. We also got the return to charging on M-PESA, which is also an important milestone, not just because of the revenue considerations, but because it also allows us to build a market that is less distorted than we were seeing before. So, we are happy with the solid results in Kenya. We are satisfied with the progress that we are making in Ethiopia. There's a lot of execution that we need to focus on, and we'll be speaking to that. I'm sure there will be lots of questions on Ethiopia, but certainly delighted that we can also now start to operate mobile money in the same way that we are doing in GSM. So that's all I wanted to say, Caroline, hand over to Dilip to give us a bit of a summary of where things are, and then we open it up for questions.

Caroline Wambugu Moderator

Thank you, Peter. Over to you, Dilip.

Dilip Pal

Thank you, Caroline. Confirm you can hear me well.

Caroline Wambugu

Yes, we can hear you. You may proceed.

Dilip Pal

Thank you. Good morning, good afternoon, and good evening from wherever you have joined. It's a pleasure to talk to you today. As you have seen, we have released our results this morning, and some of you may have been through the numbers, or you have participated in the update call. For me, I'd like to say that it's been a very challenging year as Peter alluded. We had quite a few headwinds coming from macros like high inflation, a depreciating shilling, but beyond that we also had severe drought, and then increase in energy cost driven by tariff reviews as well as subsidy removal. We also had communication authority driven subscriber registration process that led to approximately 1.6 million customers leaving us who couldn't complete the process. I think the most important part was the mobile termination rate review. Which resulted into a reduction of 40% from 99 cents to 58 cents that impacted our top line in the last financial year by KShs 2 billion. On an annualized basis, that impact leads to a KShs 3 billion impact in our top line. That said, as Peter mentioned, we also had a return to charging for wallet to bank and bank to wallet, which was good news and that has also boosted our M-PESA performance in quarter four. Starting with Kenya, I'll just give a very high-level overview, and that with customers, our overall customers grew by 3% to 44 million, and our one-month active customers are closing at 33 million. One-month active customers on M-PESA grew by close to 2 million, closing at 32 million as at end of March 2023. From a revenue perspective, we have seen improvement in the second half compared to the first half, adjusting to mobile termination rate (MTR). Our second half service revenue grew by 6.5% compared to a growth of 5% in H1, and for the full year, adjusting with MTR, revenue grew by 5.7% on a reported basis growth of 5%. M-PESA, mobile data and fixed are the key revenue drivers. M-PESA overall recorded a growth of 8.8%, driven by ARPU uplift coming from increased number of transactions per customer per month, which increased to over 24, which is 16% growth from last year. And with return to charging coming in, M-PESA also grew by 12.2% in quarter four. Mobile data was a good story, double digit growth continued, driven by an ARPU uplift of 16% and also usage growth of 54% closing at 3.6 GB per customer per month. Overall fixed revenue grew by about 20%, driven by customers and a stable ARPU. The traditional revenue like voice and messaging has been under pressure, but I'm happy to report that messaging revenue actually grew by close to 5%. And we have seen improved performance in H2 in voice declining only by 1.7%, finally closing at 2.8% for the year. In terms of costs, direct costs came in more or less flat or a slight decline, driven by reduction in interconnect costs and also reduced handset sales resulting in lower handset costs. Operating expenses overall went up by 7%, driven by energy cost, the depreciation in the shilling and also increasing payroll costs. With all of this, it's a solid performance in a very challenging macro environment. Adjusted with MTR, the headline numbers are: service revenue grew by 5.7%, net income on a reported basis, adjusting to MTR grew by 4%, and if you normalize with Ethiopia, financing costs grew by 6.4%. Group performance overall came within the guidance, both for EBIT as well as CAPEX.

Now moving to Ethiopia, as Peter mentioned, we are very excited about the news of finally getting the MFS license and we are hopeful to launch our services as soon as possible. Now, other than that, in seven months we have acquired close to 3 million customers, and we have seen very good momentum on our mobile data and customers are happy about using our network and that is also reflected on the mobile data usage per customer per month, which closed at 1.5 GB per customer per month. Our rollout is now picking up speed. We have closed at close to 1,300 sites by year end and we are on course to close 3,000 sites by March 2024. Now, I'm sure you have gone through the numbers in the morning, but let me pause here and now I hand over back to Caroline for Q&A. Back to you Caroline.

Caroline Wambugu Moderator

Thank you very much Dilip for that and I can see lots of questions have started streaming in, which gives us great pleasure now to get into it so that we can tackle each and every one within the time allocated and we trust that we shall do the best that we can but keep them coming. So let me start off with a question here from Modi of CITI and this is to you Dilip. Please could you quantify the benefit from reinstating mobile money charges and what proportion of the 12% of the mobile money revenue growth comes from this? Also, do we expect similar kind of growth trajectory what you've seen in Q4 into the next business year which is this current FY. Dilip over to you.

Dilip Pal

Thank you, Caroline. So, return to charging and remember what we have done is also rationalized pricing. So, over 14% price rationalization has happened because we wanted to drive affordability and also to make sure that we can retain the volumes and the values that was coming through this channel.

The average monthly uplift is anything between three to two to four hundred million that's what has come in, in Q4. From a growth perspective, we have always been messaging around our ambition to grow the M-PESA revenue which is now contributing 40% of our service revenue. And we said that a minimum of double-digit growth is what we're expecting on a medium-term basis. So, I think it just reconfirms the kind of growth that we have seen in Q4 that M-PESA is back to where it should be and you have seen the numbers actually in the fourth quarter number, with more that 11% growth. So Q1 was 11% and then as the election was approaching and also because of the macroeconomic factors we have seen a slowdown. So, Q1 was very good. Q2, Q3 subdued and then we are back to where we normally see in our M-PESA revenue growth. Thank you.

Caroline Wambugu Moderator

Thank you, Dilip, for that. Let's take a question here and this is to you, Peter, from Zintle Tuala. The question is, you reported having a coverage of 22% in Ethiopia end of March, and this is under the 25% regulatory requirement. Are there any implications of not meeting the target and when do you expect to be compliant?

Peter Ndegwa

Thank you, it's a great question. So, yes, the license requirements are that we should be hitting 25% population coverage by end of March 2023. We were aware throughout the period that this was a requirement. We reported to the regulator that based on the fact that we launched commercially a bit late for various reasons including some of the initial political instability where we had to take the team out of market and so on and so forth, that there was always expectation that there would be some flexibility in terms of ability to do that. And our commitment is that we would meet that by the end of June and which we will meet that commitment and hit the 25%. And based on the target that we have set for the year, for calendar or financial year 2024, we should be well within the original milestones that were required by the regulators. So, it is an issue the regulators are aware and also it is primarily because there were some challenges at the beginning that meant that we were not able to deliver on our rollout within the time frame that we expected.

Caroline Wambugu Moderator

Thank you very much Peter for that. The next question is from Maddy of HSBC. I think this I'll share out between the two of you but the first one is, can you please elaborate on the hyperinflation impact in Ethiopia, especially going forward, can you please give some scenarios, e.g., if nothing changes inflation goes higher or lower by certain points? So that's to you Dilip. Second question is on what's the drivers behind lower EBIT growth expectations in Kenya and the split between telco, M-PESA and what levels of revenue expectations are built into the EBIT guidance? I think Dilip you can first take those two then I'll speak to the other two

Dilip Pal

Thank you. So, let me first start with hyperinflation. So, hyperinflation in this continent is not new, there are few other countries which have been through this but for Ethiopia it is new. As I have alluded in my presentation, when the cumulative inflation for three years exceeds 100% which is what happened in the case of Ethiopia, the IAS-29 is required to be applied and because we are an IFRS compliant group we have to apply that. Now, you would have seen the impact coming through income statement and net impact of 3.5 billion. In summary, in simple terms, basically the monetary assets and monetary liabilities are restated. Because we have more monetary liabilities driven by vendor financing benefit that we have, this resulted into a gain. And to your question on how you see this going forward, of course, as you go along as you start paying off vendor financing liabilities, the monetary liabilities will go down and therefore it will unwind. And also, there are possibilities of Ethiopia coming out of hyperinflation environment and therefore we move back to historical basis of reporting. I think one additional point I wanted to highlight here is these are accounting adjustments and in no way impacts shareholder return simply because we have decided to even exclude this, the net gain in the income statement of 3.5 billion from calculation of dividend. So that the numbers reflect the underlying performance of the business.

Now, on the guidance, this is the management view about what we think the Kenyan-Ethiopia business will be I think you're referring to probably the Kenyan business. The way to look at it is the macro challenges still continue and I think the estimate for the growth that the economic growth is also anything between 5 to 5.5%. So, I think recovery, macro recovery, is going to take time and that's the sentiment that goes into the overall number. To your point on the revenue which is what kind of revenue growth is factored in. Normally we guide only on EBIT, we don't guide on revenue, but I think this is a fair reflection of what you're expecting in the coming year in terms of guidance for Kenya. And for Ethiopia, we have also highlighted FY24 will be the peak EBITDA losses or EBIT losses because that's when we are expanding our network. We mentioned about going up to 3000 sites by end of financial year, which means the cost is going to be coming in faster than the revenue pickup. The revenue will start coming in, but the losses will be peak in FY24. And you have seen CAPEX guidance, pretty much similar profile, Ethiopia will be spending almost similar to what Kenya would be spending in the next financial year. Thank you, Caroline.

Caroline Wambugu Moderator

Thank you, Dilip, for that. To Peter, can you elaborate on M-PESA license in Ethiopia, what activities you can take, what's not allowed, what's allowed and what price you paid for the license? That's from Maddy of HSBC, Peter.

Peter Ndegwa

Yeah, okay. So that's a great question. Dilip has been telling me that the fact that we have acquired a license means he doesn't have to answer that question, but I warned him that it will come with many other questions about what we do from here, which is true. So of course, we are delighted that the license has come in we've paid 150 million US dollars, which then has been paid by the subsidiary of Safaricom Ethiopia. So, the law requires that we set up a subsidiary of Safaricom Ethiopia to operate mobile financial services license as an international telco operator in Ethiopia. So that is the first thing in terms of setup of the actual construct of the shareholding structure. So, we'll have a subsidiary hundred percent owned by Safaricom Ethiopia PLC. The second thing of course is now to see what the regulations allows us to do and not do. The National Bank of Ethiopia has generally borrowed from what is happening in the rest of the region in terms of what they will allow for an operator to conduct in terms of types of services to operate and so on and so forth. There are small differences here and there, but those will come over time and we will be able to inform investors. But by and large, we will be able to operate normal basic services withdraw and deposits, P2P, you know, all the normal payments services that we operate. It doesn't rule out any services such as credit, merchant work that we do here in Kenya. So, it is really up to us to sequence the way we want to launch the services. In terms of readiness, we have the technology already set up. We have the platforms in place. We will have one super app that will hold both the GSM, but also the mobile financial services business. And then we are now starting to set up the distribution infrastructure. As you know, mobile financial services, the biggest asset that we need is wide distribution across the country that allows customers to withdraw and deposit money and therefore so that it fuels the persons-to-persons transfer. Then later on you can then overlay the merchant type services. So, the landscape is very similar. I can ask Anwar to say if there are some specific issues that we need to deal with. But certainly, the landscape is very similar. And in terms of the way we expect this to mature, we expect to set up the foundations first before we now start to sophisticate the products. Really, it will depend on how fast our GSM business grows and our intention is to create a 10 million customer base by the end of this financial year in terms of active customers. And we hope that a large proportion of that will be using mobile financial services. But the faster we roll out the GSM business, the faster the mobile financial services will grow. The other aspect is we believe that mobile financial services will be an attraction point to our network, but also a retention point for our customers. So, I ask Anwar if you can add to the answer to that question.

Anwar Soussa

Thank you, Peter. There's not much to go beyond what you said. The only addition I probably say or make would be that in Ethiopia mobile financial services, while a good portion of the society uses them, it's not as ubiquitous as it is in Kenya. So, there will be a large component of educating the public to our services and that's going to be a little bit of a drag. However, we do expect significant uptake. The branch network for banks is significant there and we intend to use them as well as part of our ecosystem in terms of the rollout. So that should make things a little bit easier too. But largely in line with what Peter said.

Caroline Wambugu Moderator

Okay, thank you very much Peter. Thank you, Anwar. And to you, Dilip the last question from Maddy of HSBC, is your EBIT guidance for Ethiopia inclusive of M-Pesa rollout costs? And we can combine that together with a question from James Banan of Coeli. How does the Ethiopian EBIT develop after 2024? What is the pathway to break even in 2026 given an extremely low ARPU of voice and messaging in that market? What needs to be done to get there?

Dilip Pal

Okay. The first question EBIT guidance whether it includes cost relating to mobile financial services launch. The answer is yes, all costs have been factored, including CAPEX and for the second question on EBIT break even, so what we have given as an outlook is year four break even for EBIT. Now, of course, you know, we have done that based on our assessment of the market reality. Yes, you are correct the ARPU levels are low, in general ARPU levels are low in Ethiopia. But for us, I mentioned in our update call this morning that these are very early days. So initially when we started the lot of introductory welcome offer and you know, there are in general you try and attract customers through freebies. So therefore, I said that let's not take this information as is for a modeling purpose. As you have seen that the uses are important, acquisition of new customers is important. We have seen great uses in mobile data and the acquisition trajectory is also in the right level. As we are ramping up our network from the current level of 1,300 sites to 3,000 sites, which by the way, from a scale point of view, it's substantial. It's almost half of the size of Kenya. So, it's going to be a substantial business from all points of view, all perspective. So yes, we have factored in all those elements, including the ARPU level and the market dynamics to come to a point because this is what we have been stating, I think in every investor call that we have had with you, that ARPU we can break even. Thank you.

Caroline Wambugu Moderator

Thank you very much, Dilip and to you Peter a question here from Jeroen. Can you comment on whether or not the management team is considering separating M-PESA activity with the telco business in that process releasing value on the M-PESA side and focusing attention on the telco side as well? A service agreement between the two can obviously be established. Your comments, Peter.

Peter Ndegwa

Yeah, before I go to comment on, I'm sure, our favorite topic of everyone on the call about separating M-PESA from the GSM business in Kenya, just to add to what Dilip also spoke about in terms of ARPU or voice, I think it's also important to realize that when you have low customer base, the on-net component of the business is not really viable until you reach a certain level of scale. So, there is a lot of off net calling at the beginning that of course reduces the ability of the business to make significant amounts at this stage and that's why getting scale on customers is important getting scale on sites and contiguous coverage is very important. The second aspect is that from an MTR perspective, what is currently being used in Ethiopia is a preliminary assessment before a formal review is done by the regulator, because this is a new regulator it is the first time that you have two players in the market. And certainly, currently and Anwar can update on that, is they are going through a study, that eventually will land the MTR at the right level given now that you have two players rather than one. So, the scale of sites, the kind of customer base, the mix between on-net and off-net and also MTR will influence kind of how the voice business evolves over time, but we are really satisfied with the data business, because regardless of where, the actual quality is experienced by customers from day one. Which is really fantastic, because it's a 4G network, 5G ready. And clearly, built to be able to deliver fantastic data experience. So, Anwar before I go into the Kenya question you want to add on the status of the regulatory review.

Anwar Soussa

The cost study should be finalized by July, which will then give us a more, let's say more permanent MTR, which will then potentially cause some repricing in the market. But July is the date that we've been given.

Peter Ndegwa

Yes, I do need to pre-warn analysts and investors that July doesn't mean they will implement from August. July means they will get the cost study done. The regulator will decide at their own time when they actually conclude this, but certainly in the foreseeable future in the next year or so, we should be able to see a pathway to an MTR that reflects a new operating environment where you have two players versus one player which was at the initial determination. In terms of the Kenya piece, I've always been very consistent. I've been asked this question many times, are you going to separate M-PESA, from the core connectivity business? And are you going to start realizing value from the M-PESA business? As I've already said, we are not in a hurry to do it. We actually don't see the benefit at this stage, not in the distant future to do it. And therefore, we will keep the businesses together. We will come up with a group holding company that allows us to set up companies such as tower company and others that allow our business to start to monetize some of the assets we have, especially on the tower side. But at the moment, the connection between our financial services business in Kenya and our connectivity business is solid enough. And we benefit from them remaining the way they are. They are run in a way, in an independent way because they are separate teams and now because we are agile, we don't notice the difference. But from a structural perspective, there is no intention in the near term to separate the two.

Caroline Wambugu Moderator

Thank you very much, Peter. And now moving back to you, Dilip. There's a question here from, Samuel Njihia of RenCap. There was a slowdown in the revenues from the lending so what is causing this slowdown, especially on KCB M-PESA? And then a second follow up question on Fuliza. The question is what's the impact if any, did the restructured Fuliza tariffs have on repayment periods and transaction activity, and is Fuliza slowing down because the repayment rates have also gone down? So, are you seeing an uptake in non-performing facilities on Fuliza?

Dilip Pal

Thank you, Caroline, and thanks Samuel. Let me start with Fuliza. If you have seen our results booklet where we give breakdown of revenue and the customers, you'll see that Fuliza customers actually grew. The pricing of the tariff review that we have done was to make sure that the product becomes more affordable, and more and more customers can take it. We have about 6 million customers last year. Now it went up to 8 million and the values disbursed through the platform, Fuliza platform has also gone up. So, in terms of engagement in terms of customers' acceptance in terms of all of those, are positive. However, it does take time to come back to the revenue level that we have seen before, because we did a substantial price correction. And that was needed given that the Fuliza tariff has not been reviewed for quite some time and the customer expectation is always providing more values. We believe this was something which is going to help us in the long run to expand the coverage of customers who are able to take the Fuliza facility.

Now, I think on the lending revenue, as you have seen, the overall lending revenue did come down because of Fuliza and I think the KCB credit has also gone down. In general, there is a bit of hesitancy in terms of allowing more credit by the banks because of some of the issues that the banks have faced. But I think if you have seen the numbers before it's more or less, I mean over the years, this revenue line was stable. I think the overall growth was happening through Fuliza, KCB and MSHWARI was more or less a stable revenue. I think Fuliza overall revenue reduction is what is probably causing what you see that the overall lending revenue coming down year over year. But as I said Fuliza is a great product. It's a significant part of the credit portfolio. We have now recently launched Merchant Credit, Merchant Overdraft facility already recruited in a very short period of time 73,000 merchants. The base is still quite high as you know we already have 600,000 merchants as at end of March 2023. So, it's a huge opportunity so that will also enable credit growth which we have been waiting for quite some time.

Caroline Wambugu Moderator

Thank you very much, Dilip. So, I'll combine three questions here on EBIT. And this will be to you Dilip but let me first allow Peter to answer the question on MTR. So, Rohit Modi of CITI is asking, could you please share some color around your discussion with regulator on MTR? So that is to you Peter. But let me read the three questions on EBIT so that Dilip can follow through once you're done. Is there any risk to EBIT guidance if there will be another cut on MTR? And then still on EBIT given the good momentum in Kenya, H2 being better than H1 and the reintroduction of charges in M-PESA, why is the guidance for FY24 EBIT basically flat? That is from Banan of Coeli and still a follow up on EBIT so that we can clarify the EBIT questions from Mishra of HSBC, why is Kenya EBIT guidance so low? What's the built-in revenue growth assumption for this guidance? So, Peter on MTR discussions and Dilip you can pick up the EBIT clarification.

Peter Ndegwa

Yeah, no problem. So, on MTR mobile termination rates. The question is, what conversations are we having with the regulators. I think when you are an operator and you have regulators who want to do certain things with respect to MTR, you can make your case in a very robust way, but the regulator makes a judgment about how to deal with it. I think the way we resolved the previous issue was actually very good. We landed at a place that we felt was sensible. When you benchmark the MTR of 0.58 compared to other markets, we are generally in the lower quartile of most of the African markets and our response to the regulators is any further reduction is going to start to dis-incentivize investment in a country where investment still needs to be accelerated. And you can see a level of investment. The Government has talked about ICT being the primary driver of social and economic development, expanding fiber, expanding penetration of 4G devices and an internet connectivity anyway. So, an inadvertent significant reduction in MTR, we've been making the point, is not progressive and it's also not going to lead to lower prices for customers and to just reallocate revenue between operators. And it doesn't also help with respect to investment. We invest 10 times more than the nearest competitor. We are willing to share assets like towers and so on and so forth. That's not an issue so, we've been fairly fact-based in saying let MTRs be based around cost, cost of operating in Kenya is much higher in the region, especially because of power cost. And then secondly, that we should make sure that at a minimum, we also benchmark where the rest of the countries in Africa are. We believe that the regulator has listened to us. We are also engaging broader stakeholders like the Treasury and other stakeholders who are interested because at the end of the day we need to do what is in the best interest of the country. How that evolves, I think we can only just keep you informed. I don't think any of us can predict how that evolves. Whichever the case, if there was a different MTR that was determined, I'm sure there would be a gradual process of getting to the ultimate number. But at the moment, those are the conversations we've had with various stakeholders.

Dilip Pal

Thank you, Peter. Let me pick up the questions on EBIT. The first one is actually linked with the MTR. Whether there is a risk to EBIT guidance. Remember, first of all the current MTR, which is at 58 cents, is applicable up to 31st July 2023. Now, as Peter mentioned, currently we are engaging with the Communications Authority to see what the conclusion on the cost study is, which should reflect the real cost of providing the interconnection. If that concludes, then if there is a change, we would not know now. So therefore, you always say that our guidance reflects the current regulation. So, we cannot project or predict what would change from August and that's why we have a guidance that reflects the current MTR rate and the current regulatory environment.

For the second question on H2 improvement, being as a result of M-PESA return to charging? Yes, those are very positive and very encouraged by the improvement that we have seen. The improvement, actually within H2 also you have seen coming from around December with return to charging coming in quarter four, was pretty good from an M-PESA point of view. But beyond that, what you have to keep in mind is the overall economic recovery that still is slow. The second part is inflation and the cost, most importantly the energy cost. The full year impact of tariff revision still hasn't come in, in FY23, so we expect that also to come significantly impacting our cost side, operating cost, because of energy, next year. So, all those things are factored in just not the top line and also the cost most importantly from energy side is what is driving the level of EBIT that we are projecting or guiding. I think the third question is also something similar. It's what management assessment at this point in time from a top line and also from the cost point to view the EBIT guidance reflects the current reality. Thank you. Back to you, Caroline.

Caroline Wambugu Moderator

Thank you, Dilip. Thank you, Peter. So, there's a question from Wesley Manambo of Genghis. And the question is do you see any opportunities in providing satellite connectivity through the low earth orbit constellation model? Also, is this something you might consider in the long term? And then a follow up question is please provide some color with regard to spectrum prices in Ethiopia vis a vis Kenya? I think I'll give that to you. Maybe Peter, you could start, and I know Morten is also on the call but happy for you to guide.

Peter Ndegwa

Yeah, so I will ask Morten to respond but certainly we've learnt and testing a number of technologies from the work that we do together with Vodafone and Morten can explain that and those are relevant for both Kenya and also Ethiopia. With respect to spectrum when we acquired the license to operate GSM business and paid the 850 million. It included a fairly sizeable spectrum 80 megahertz, Dilip if I recall. And so, generally we should be okay 5G is not included in the spectrum. And Morten probably you can also comment or Dilip you can comment on how that was going forward. But certainly, with respect to 2, 3 and 4G we are largely covered for now, but and also always included in the original license that we paid. Morten do you want to talk about the other question.

Morten Bangsgaard

Yes. So good afternoon. So, on the satellite as Peter mentioned we will be testing with the AST or space mobile this year. That technology will allow people with standard handsets to connect to satellites so you can give a full population and geographical coverage. It will still take quite a while before all the satellites are up to cover, for testing we will start this year. We are also in a lot of common dialogue with a number of other companies as we also see opportunity to use satellite as a fixed wireless technology for remote connections. Just on the spectrum in Ethiopia as Peter mentioned it's the traditional banks, we have now for 2G, 3G, 4G and the other mid-band spectrum. We see around the world use for 5G hasn't been auctioned yet in Ethiopia.

Caroline Wambugu Moderator

Thank you very much Peter, thank you very much Morten. Moving on to a question here from Farouk of All Africa Partners. A number of questions from Farouk and I'll start with what initiatives will drive M-PESA revenue growth back to double digits? Second one being on market share have we had any market share losses in data, voice, mobile money in Kenya in 2022, so for this FY23 performance? I think we can start with those two and I'll direct this to Dilip but happy to be supported. I know Fawzia is also on the call for the market share conversation. But Dilip maybe if you could start on the M-PESA.

Dilip Pal

So, on M-PESA top line growth if you see the slides that we have given as part of our update this morning, because the return to charging came in quarter four, we have provided quarterly breakdown of the growth. So, from that chart you will see clearly visible that we started well, close to 11% growth in quarter one. Then growth slowed down to around 6% YoY and with return to charging coming in quarter four we have seen M-PESA revenue growth bouncing back to 12.2%. We have always maintained our ambition to grow double digit on M-PESA. They are all supported by many initiatives that we have started with different product launch that we have done. I think in Peter's presentation he's spoken about the ones which we have launched recently, including the one I spoke about Merchant credit, Merchant overdraft facility. There are quite a few other initiatives that we have already launched. So, with all of this and our ambition to expand financial services horizon beyond what we are doing and also becoming the partner of choice for incomes to payment solution. I think we are very well poised to secure a double-digit growth in M-PESA. On market share, I don't know Fawzia if you are on the call. You can very quickly update. Or else I'm happy to take that as well.

Fawzia Ali-Kimanthi

Yes. All right. So, I think on market share, we have continued to hold our share. On the voice side, we've continued to hold our share at the two thirds mark from a customer perspective and from a revenue perspective. Above the three-quarter mark in terms of holding that share. We keep that as a very important part of our mission because we believe that by holding the voice share at the two thirds mark for customers, it means that we continue to generate the match first in terms of the customer base to have the customer base that will be able to drive usage for other new use cases. And then secondly, it helps us to fuel the new group areas. So, in the area of voice, we've managed to hold share. In the area of mobile data, especially 4G currently holding our customer share above 80% from a 4G perspective, but from a data perspective above the 67% mark. So, we continue to hold our share across all our products.

Caroline Wambugu Moderator

Okay. Thank you very much Fawzia. Thank you very much Dilip. So, Dilip there are two follow up questions from Farouk. So, any concerns on repatriation of funds from Ethiopia back to Kenya? And what about access to dollars to service the debt taken for Ethiopia? And the last one being any changes to the way you plan to fund the Ethiopia CAPEX investment, given that interest rates are much higher today versus what we had at the planning stage for the new business? Dilip over to you.

Dilip Pal

Okay. The first question on Ethiopia repatriation, from a regulation point of view, there is no issue. But remember, we are quite far away from that, because we're talking about year 4 EBIDA break even and for dividend repatriation, it will be even further. So, from a regulation point of view, it is fine. But issue is more on the availability of the currency. So, if you pay us going through quite a bit of a significant crunch in terms of the currency availability and also the rate difference between the gray market and the official market. So, when we went to the market, we knew that it's going to be taking some time for us to expect dividend repatriation. And we're also hoping that by that time, some of the economic reforms, mostly in the currency area gets sorted out by that time. I think the government of Ethiopia is committed, but they're slightly behind because of the other challenges the country has faced. I think the way to say is that yes, regulation doesn't stop from repatriation, but availability of currencies is an issue, which we have to watch out very closely.

On servicing of debt that you have taken for Ethiopia license. If your question is how that's doing remember, we took about 400 million dollars equivalent of a loan 70% was in Kenya shilling and 30% was in dollar terms and so Kenya shilling portion of that is we have a moratorium, so repayment has not started yet, but the dollar loan that we have started repayment in fact we have started repayment fast-tracking the repayment because of the dollar volatility.

I think your third question is more around how we do a capital structure for the future for Ethiopia. I did mention about putting in more debt into Ethiopia balance sheet. Towards that, we have been in discussion with IFC over a long period of time, and their intention to come in as an equity partner as well as providing debt facility. I think we did indicate about the quantum that they are willing to bring in as an equity partner up to 157 million dollars and as a debt funding of 100 million dollars. So, we are progressing quite well, and we are at the final stages of negotiation with Ethiopia, and that comes into a positive outcome. We do believe that will ease up quite a bit of funding requirements that we will have for Ethiopia. But beyond that 100-million-dollar commitment from IFC, they are also able to bring in more DFI's from other institutions who are willing to lend as part of the facilities that we have. We have discussed with them and the options for us are also if the IFC doesn't go through them, we also have other options that we have formalized but are now focusing mostly on IFC. But in any case, all the constituted members are committed towards providing funding for the business so far, the unit is well funded and well resourced. Thank you.

Caroline Wambugu Moderator

Yes, thank you.

Peter Ndegwa

Caroline, can I add one item to what Dilip said in terms of repatriation or actually accessing currency. There are two components. One is whether we get our dividends out when the time comes, and I think Dilip has covered it well. The second is once we start to accumulate bills, local currency as our business grows, we need to convert that to be able to import items, CAPEX and so on and so forth to refinance the business from internally generated funding. So, at that time, I suspect that's where the test will come in. We have all the promises that telecoms will be prioritized. But we know obviously the country is never able to meet the requirements that are needed for FX. But at the moment, the flow is one way. But certainly, when we start to accumulate enough local currency, we will need to really test whether we are able to get enough dollars locally. I think the other element, I think Dilip you mentioned, is that we are also making sure that we get local funding. So that's as much as possible the local currency expenses are actually paid out of local debt rather than bringing in FX.

Caroline Wambugu Moderator

Yeah, thank you Dilip and thanks Peter for that addition and to you Peter a question from Sila of EFG Hermes with respect to the QR code innovation that was rolled out just the other day. the question is what is your assessment on how competitive dynamics in the payment space could evolve with the rollout of fully interoperable merchant QR codes? Could you kindly elaborate how the merchant experience, and the customer experience will be? And lastly, what would be the revenue share dynamics who will be the acquiring merchant etc.? So just basically how is this meant to work. Peter.

Peter Ndegwa

It's very interesting just we launched it. I'll say what you normally say let's celebrate the moment after launch. But I can also see Esther is in the room but generally the kind of quick response the QR codes are actually very useful in terms of creating a payments-neutral way of customers thinking about how they are paying and also merchants benefiting from the fact that it is interoperable. So, I think if you think about this country, we have evolved into interoperability over time. I think this is just one step further. It helps customers, you know, if you're in a queue in a shopping mall, and if you are carrying different methods of payment. The second is it also helps merchants. But I think more importantly, it will also force the industry to push even further the realization of this outcome through driving smartphone penetration. The smart phone element of it. Then we'll still compel to 2G holders to use USSD compared to more kind of seamless methods of paying. I think so it's early days. I think we need to test and see how it works and then take it from there. But certainly, merchants are very excited about it. Esther who came from the bank side can talk to us about how she sees the opportunities in this area.

Esther Waititu

Yes, and good afternoon, everybody. I believe this is going to be a massive opportunity for us in terms of how we can then improve the merchant experience and I know there are also questions around, you know, how we can drive utilization of apps. And I think the key purpose of the unification of the QR code is to simplify the payment process. Which will continue to achieve as we launch the fact that our clients would also have the ability to use apps also means that the use of 4G, 5G devices will then continue to increase in our market. And I know there was a question similar to that around the scaling of apps. It will make then the user experience a lot better. From a merchant perspective and having come from banking. One of the key things is that banks use their own internet banking platforms. But with the use of the standard QR code, we're also addressing a segment of the market that has been generally left out, which is the MSME space. And so, this will play a very big role in terms of also ensuring that they have access to the relevant financial tools and instruments that can help to scale and propel their businesses. So, I believe that would be one of the key changes and we'll watch it quite closely. Thank you.

Caroline Wambugu Moderator

Thank you very much Peter, thank you very much Esther also for that addition and moving on to another question here from Sam of Vergent. This is to you, Dilip. Will you be able to fully offset the tax losses in Ethiopia against future earnings? Dilip.

Dilip Pal

Thank you for the question. The current assessment is, yes, we'll be able to use the losses that we'll have, but it has timelines. It has the time limitation. So, this is something that we'll be watching out very closely as we become profitable. But currently our assessment is that we'll be able to utilize tax losses.

Caroline Wambugu Moderator

Okay, thank you for that, Dilip. And Peter, just more clarification here required on the MFS services in Ethiopia. And the question is from Maryna of M&G. So, from your comments previously, could you please expand on the rollout of MFS in Ethiopia using bank branch networks? Will you partner with these banks and what will be the difference from how M-PESA is run in Kenya? So just a little more color on what differentiates it in Ethiopia.

Peter Ndegwa

Yeah, I think the observation with respect to Ethiopia and Anwar am sure will comment on this is that your footprint of branches in Ethiopia are more than what you have in this country in Kenya. But if you remember the way banks also evolved in Kenya, they had lots of branches, then actually we drift from those branches. And even as mobile money has evolved, actually the need for branches, even for banks, has reduced because we are the biggest now collection ecosystem for banks. There is wallet to bank, bank to wallet. That whole interoperability really allows seamless movement of money. At the end of the day, the most important element is not really the kind of the way money moves from one place to the other, it is how customers experience the use case that they need to use. So, agents are fundamental, whether those agents are bank branches or local agents are fundamental for withdrawing deposits. Yeah, so whatever we call agents, it's the same turf that you have to have points of distribution that allows a customer at arm's length withdraw and deposit. And then the rest, which is the backend of how we integrate with banks is very straightforward. I mean, the technology exists and so on and so forth. So, from a customer perspective, I think the physical distribution of banks will give us capacity to expand quicker, especially if you can sign with the CDE, which has close to 1700 branches, which is unheard of in some of our markets.

But in terms of the future footprint, we still need physical distribution points that allow customers to do what they would do. And then you overly merchants and so on, which is kind of the merchant side. Anwar, please go ahead and comment.

Anwar Soussa

No, you covered that very well. Thank you, Peter.

Caroline Wambugu Moderator

Okay, thank you. Thank you, Peter. Thanks, Anwar. So, Dilip a question to you from Bob of Gen Africa. So, he says that there is a significant hyperinflationary gain in the P&L, which of course is it from Ethiopia so has the company borrowed heavily in Ethiopian currency? So just some clarification on the monetary gain.

Dilip Pal

Thank you. That's a good question. The hyperinflation gain that you have seen in Ethiopia. I think first of all, to say that at an income statement level net impact is 3.5 billion Kenya Shillings. So that's the first point. Second part, I think you were looking at the adjustment, the monetary liabilities coming from whether you're taking more loan, I clarified that. Yes, we do have a local overdraft facility. But that's not very big we have about $80 million of local facility. But the bigger element is the vendor financing liability, which is what actually results into a gain in adjusting with CPI so it's not the local funding that it is, it's mainly on account of the vendor financing liability that we have.

Caroline Wambugu Moderator

Okay, thank you very much, Dilip. Two questions here on the loss in Ethiopia. So one is from Wesley, from Genghis. Please provide some color on how the loss on Ethiopia is shared across the joint venture (JV)? And the other one is from Danesh from Franklin Templon and the question is what is the time lag on the Ethiopia tax losses?

Dilip Pal

Yeah, so on the first question on the loss on Ethiopia. If you see our income statement. We have a net income level. And that net income is actually split into two parts. The first part is what we call as net income attributable to shareholders of Safaricom. So that's where we remove the losses attributable to the minority shareholders, which is about 44.3%. So, we have 55.7% and minorities are 44.3%. It basically means that 55.7% of the losses we take and 44.3% of the losses are shared by the JVs, the other consortium partners. On tax losses I can check and confirm, if I remember correctly, I think it is five years that you have to offset the losses that you incur. I can check and reconfirm but I think as far as I can recall it is five years.

Caroline Wambugu Moderator

Thank you very much, Dilip. So, Peter, a question from Baiju Shah, Baiju is with Apollo. And the question is, although the cloud business is still in the infancy stage and the partnership with AWS, would you be able to provide guidance on how you'll be sharing revenue with Amazon? Further, do you expect cloud services and data centers to become a large part of revenue in line with data revenue? Peter.

Peter Ndegwa

Yeah, certainly even during the results announcement, we talked about ICT, IoT and cloud as a critical enabler of our future growth. We are moving in that direction as a company ourselves. And we see a great opportunity for that, for enterprise and also government. In terms of the business models that we adopt, we are currently going through a number of reviews with various partners and I can tell Morten, if you feel it's an appropriate time to share, if you don't then probably say we will do it in the future in terms of how we are thinking about it, but from a usage, from a market opportunity, it is a significant opportunity for our business going forward as an enabler of our enterprise acceleration and also government work that we are doing at the moment. So, Morten, go ahead, in terms of the business model and anything else you want to add.

Morten Bangsgaard

I think it's too early to comment on any partnership model. We are looking at several of the hyperscalers at the moment.

Peter Ndegwa

I thought you'd say that. But it is actually true. I think it's not avoiding the question. Literally, even yesterday we were on a call that was looking at various options. So, I think that's why you're hearing the answer that we are giving at the moment.

Caroline Wambugu Moderator

Thank you, Peter. Thanks Morten. So, a question here Sam of Vergent. Sam is asking, M-PESA agents are flat year on year. Is that because of a lot of churn or do you think the market is becoming saturated? So, I think I'll give that to you, Esther, on M-PESA agents.

Esther Waititu

Great. Thank you very much for the question. I don't think the market is saturated with agents at this stage. I think there's still an opportunity for us to continue to grow the agency network. I think going into the into the new financial year, our focus will continue to be on how we can support the agents and scale that growth to support specifically the merchants. And I think against also the backdrop of digitization of a lot of our services using the apps and everything. I think that's also another opportunity for us, which has also then seen us not scaling as aggressively in terms of the agents' network. But it's still a critical part and a pillar of the growth from an M-PESA perspective and you will be seeing movement in this regard for the next financial year. Thank you. Over to you, Caroline.

Dilip Pal

So, Caroline and if I may just add, I think some of you, many of you have been watching our numbers, especially on the agent side. If I remember correctly pre-COVID, the numbers that I think we, agent network has almost doubled. So, obviously, you don't see a growth from last year to this year, but if you look back, and then at that time, the question was when it was half of what it is today that time the question was that has the market saturated. No market has been saturated. There is still opportunity for growth, but there is always an optimal distribution footprint that you'd like to have. And then as you increase more depth of distribution, if there are more opportunities, more businesses, more line of products and services that come in, there is always an opportunity to have more agents. I think one of the key drivers for agents' growth during that period was also the deposits. We became the collection agents for small and medium businesses, who instead of going to bank branches, they were actually going to agents for deposit. So that never existed before. So, I think it's something that gets evolved over a period of time.

Peter Ndegwa

Yeah, thank you. Let me add, I think it's a very useful question. And I think it's also related to the question that was being asked about Ethiopia. The biggest reason why M-PESA is what it is, is not the technology we have. It's not probably the products we have. It is the physical availability of arm's length points of access for customers, and people feel as long as I have money in my phone I can either send it electronically or I can go and pick it up or actually deposit. So, it is a real important component of making this success. Esther and Dilip are right, we need to optimize it geographically. So, there may be areas where geographically you need more agents. But actually, there is areas. I know the channel team is actually looking at the map across the country and saying, do we really need level concentration that we are seeing in agents in certain areas like in urban centers and all that. But there are many others in the same way you deepen network. We need to make sure physically we have the optimal agent.

The second aspect as we go through our consumer review is to say, are the agents making a return for what they are doing. And therefore, the number also determines that and then can we use them as points of sale for some of our other products in future, including service. That's one of the areas that we've always thought about what we could use agents for in the future if we fully digitized that channel. So, as we evaluate the future of agents, both the roll they have played in the past, but also what we could do, going forward with them, and make sure that they are also making money.

Caroline Wambugu Moderator

Okay, Thank you very, very much. So, three questions here from Samuel Njehia of Ren Cap on merchant interoperability that was recently introduced, and the question is, do you share revenues with other players when transactions are done on other platforms? Secondly, on Fuliza for business, how do you share the revenues between Safaricom and KCB? And Samuel, I can see you are very bold you're asking what is the percentage for each? but I'll let Dilip speak into that. And thirdly, do you get any revenues from disbursing hustler funds? Let me give this to you, Dilip and maybe Esther can support if you need to, Dilip.

Dilip Pal

Thank you. Yeah, I think let's start with the hustler fund, which I think is something that we're very proud of the way it has been delivered in a very short period of time and in such a short period of time, the response that we received from the market with 15 - 16 million customers, opting for the services. So, yes, we do have revenue from hustler fund as well. But as you know, we are the platform provider. And we get a fee for that service that we're providing. It's not huge given that this was meant to be an affordable credit for masses. And when you have affordable products for masses the initiative from government is to make sure that the rate of interest is low and therefore the direct revenue from hustler fund is not necessarily a big amount. But what we have seen is the way the disbursement happens through the platform, and then money in circulation goes up and there are many other downstream activities those are happening, and they contribute to the revenue. So, the revenue line, they appear in the other, whether it is person to person transfer, whether it’s withdrawal, or payments, you know, any of this. And we have seen a significant improvement in the engagements almost 2 million customers got added during that period when hustler fund was introduced in our network, and we have an opportunity to actually monetize those customers in that. I think two questions are related for example business and percentage of that. I mean, what we’re providing, as I said, all this, the credit risk lies with the banks, and what we use is our platform. And therefore, we get a platform fee, and this is something that we have not disclosed publicly. And I won't be able to talk about that. I will request Esther to talk about the merchant interoperability question. I actually forgot what the question was. Esther, if you remember, if you can answer that.

Esther Waititu

Yes, I do. Okay, happy to answer. So, on the merchant interoperability, I think some of the question was really around, do we share the revenues? The way merchant interoperability works is that we are able to route the right transactions to their respective platforms. So, when transactions are routed to the appropriate platform, that platform will then charge accordingly. So, there would be no need to share revenue at that stage. We all earn the fees that are expected by each party as per the tariffs that we have shared. So, I hope that helps to clarify that we, everyone, gets their revenue based on the tariffs that they have negotiated individually with their clients. Thank you.

Caroline Wambugu Moderator

Yeah, thank you very much, Esther, for that clarification. Thank you, Dilip, for the input as well and to Peter, there’s a question here from Baiju Shah of Apollo, and the question is; there is a cause of concern regarding litigation against Safaricom. We understand that this happens in many large organizations globally. However, would you be able to provide any clarification if this should be a cause of concern for investors such as ourselves? Peter.

Peter Ndegwa

Yeah, I think it's a good question and Baiju, you're right. Companies like ours will attract litigation that is legitimate. That actually is derived from normal costs of business, commercial, etc. and others, you know, and who feel that they could potentially get some money from Safaricom or go after an agenda they want to deal with. Sometimes it can happen. But the way we look at it is we make an assessment around the legal risk on various components of our business. We update the board on a very regular basis. We have a panel of lawyers that allows us to make a very clear assessment of the risk we are taking. There are some, of course, that we see as high risk and then therefore we put the best lawyers on it. Generally, what we find is for the most part, we have clear defenses and also, we have the ability to mitigate those cases over a very long period of time. But that doesn't prevent third parties from deciding whether they will sue Safaricom for one reason or the other. But I think we take them seriously. The board is informed or rather the board is involved, and we have a very, very strong legal panel.

Caroline Wambugu Moderator

Yeah, thanks Peter. Now that we have you here, Peter, another question here from Wesley, from Genghis. From your stress test, at what point in the business lifeline do you see the Kenyan GSM business getting to a saturation point? Peter, I think you're the best one to answer this one

Peter Ndegwa

I think they should have asked that to Dilip. I think the way we look at it, I think it's a great question though, the way we look at the GSM business is not to lump it as GSM, is to think about, what is the maturity level of each of the areas of the connectivity business if I may call it that way over time. And also learn from what is happening in other markets and also then calibrate for income levels, calibrate for smartphone penetration and so on and so forth. So, the only one, the only area that we have been saying that is under pressure and is much more mature is voice. We've continued, I think, to surprise ourselves, our ability to keep the voice area energized and in the past year in particular, we have actually grown minutes of use. We have grown generally engagement through personalization, through CVM and so on and so forth. We are starting to see pockets of opportunity but also segments where if we give more personalised services, we can actually continue to stimulate voice in terms of days of use, in terms of minutes of use, in times of day and so on and so forth. Outside of voice, I mean, Dilip spoke about SMS which we thought again was in double-digit decline. Again, we have been able to re-energise it. But I think there's a linkage between voice and over the top like WhatsApp and so on. So as those gain traction, the data side gains traction, we expect that it will offset some of what customers are using. Mobile data, still a huge opportunity for growth. We've been growing usage by between 20% and 40%. Just because we have been correcting price, it doesn't show up in very, very strong double-digit growth but it's still double-digit growth. Smartphone penetration means that if we could take smartphone penetration to 4G from 30% to 70%, huge opportunity for growth. And as the country digitizes both at a national but also at a business level, we expect the use cases to improve. We are still one of the lowest users of data in the region. So, I think the only one that we keep tracking is voice. And I don't want to speculate about how long it will take, but that's why we've been guiding about low-to-mid single-digit decline from a revenue or over-revenue perspective, but keeping the usage energized through CVM and personalised offerings.

Caroline Wambugu Moderator

Yes, thank you very, very much, Peter. I note we are now; we've actually ran out of time; we are exactly at 5.30. But we'll take just one more question and then we'll promise to do a follow-up for the remaining questions, but a number of them are actually repeated from previous questions that have been answered by our leaders. So, once you get to see the transcript, you get to benefit from the responses that were given. So, you'll bear with us in the interest of time.

We've also posted our email address for investor relations on the chart so that if you have any other follow-up questions, you can feel free to reach out to us. But allow me to ask one last question to Dilip from Twala.

So, on the balance sheet, contract costs rose by 49.2% and payables and accrued expenses were up 76%. Could you give some colour on why the large increase? So, Dilip, if you could answer that one, then we invite Peter for closing remarks and before we close.

Dilip Pal

I think let me answer the payables one and Caroline we then can take the contract cost question for a subsequent so that you can answer them, send the response separately. So, the payables are mostly coming from Ethiopia at the group level. As you know, we have ramped up our capital expenditure last year. So, a lot of capital creditors got accumulated at the end of the financial year and that's almost 20 billion increases coming from Ethiopia and 5 to 6 billion increases in the payables coming in Kenya. That's purely coming from our, you know, we also have increased level of CAPEX and also some of the payment standardization, payment term standardization that we have done in the last financial year. So, I'm happy to take note of the other questions, contract costs, Caroline, and you can respond separately. Thank you.

Caroline Wambugu Moderator

Okay, thank you, Dilip. We'll take note of that. We'll get back to you on that question, Twala, together with the remaining questions. Allow us to bring this call to an end so that we respect your time as well. As I invite Peter for just quick closing remarks. Peter.

Peter Ndegwa

Yeah, thank you, Caroline. And thank you everyone for attending. We are happy to continue engaging with you. We'll be going into a series of what do you call it, Caroline?

Caroline Wambugu Moderator

Roadshows.

Peter Ndegwa

Roadshows. So hopefully we are able to meet so many of you face to face, which would be fantastic. I'm hearing many questions on Ethiopia, so hopefully we'll give you a lot of information that allows you to have a baseline for thinking about Ethiopia in the future. By the time we have a half year results, I'm sure that we will have even a lot more information, especially as we drive up penetration further and also start to experience the launch of the financial services or mobile financial services.

On Kenya, I'm hearing a lot of questions on financial services and also the maturity of the GSM business. So, we take note of that and hopefully when we are engaging one on one, we will be able to cover that even in greater detail. But thank you for everything. I think because our business now has two markets that you need to understand separately, we will always make sure that we tailor our work to give you as much information as you need to make judgments about both the performance, the ambition, but also the execution. So, thank you.

Caroline Wambugu Moderator

Thank you very much, Peter. Thank you very much, Dilip. Thank you very much, Anwar, all the way from Ethiopia. Thank you, Expo team. Thank you, investors and analysts for making time to join this very important discussion. And as Peter has said, we'll definitely do follow ups as we have the road shows. And just a reminder, we've also posted on the chat our email address should you have any follow up questions, but which I'll also endeavor to answer or respond to any that has been left outstanding. Thank you very much. Have a good day. Good evening, wherever you are tuning in from but thank you so, so much. Thank you. Thanks everyone.

The End.