ROCK
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SAFARICOM PLC

INITIATION OF COVERAGE

Building Africa's Digital Future

Safaricom

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SAFARICOM PLC

Target Price	Implied Upside	Expected Return
KES 38.25	19.53%	27.73%

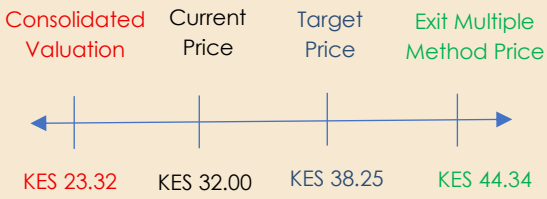
We initiate coverage of Safaricom with a "Strong Buy recommendation". The stock is currently trading at **KES 32.00** against our **12-month price target of KES 38.25**, implying a **19.53% upside** from the closing price of **18th June 2026**. We believe this gap is partly explained by a **conglomerate discount** as the market continues to value Safaricom as a single blended entity, despite M-PESA's distinct growth, margin, and capital-intensity profile relative to the core telecommunications business. Including **our forecast dividend yield of 8.2%,** we estimate a total **expected shareholder return of 27.73%,** supporting our recommendation.

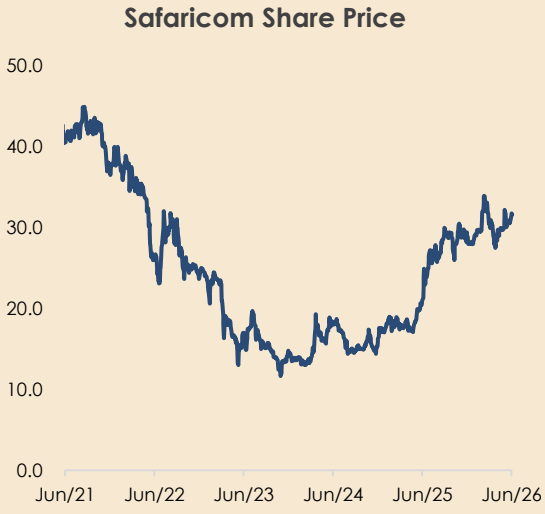
This view rests on three factors. First, we believe investors continue to underestimate the earnings inflection embedded within Safaricom Ethiopia as the operation approaches EBITDA breakeven and transitions from a material earnings drag to a contributor to group profitability. Second, M-PESA's expanding role within the broader financial ecosystem continues to reinforce network effects and strengthen barriers to entry, supporting sustained earnings growth. Third, management's ongoing transition toward a value-based segmentation framework has improved monetisation across key customer cohorts, supporting revenue growth despite a more mature domestic telecommunications market.

While elevated geopolitical risk and inflationary pressures may weigh on market multiples in the near term, we believe Safaricom's defensive earnings profile, strong balance sheet, and structural growth opportunities leave the counter well positioned to deliver on our 12-month target, with further upside potential as the Ethiopian and M-PESA growth stories mature over the medium term.

Key Statistics	
Market Price	*32.00*
Bloomberg Code	*SAFCOM.KN*
Reuters Code	*SCOM.NR*
NSE Code	*SCOM*
Free Float	*20.5%*
Price change YTD	*8.3%*
52 Week High - Low	*34.10-17.00*
Trailing P/E	*12.9x*
Dividend Yield	*6.07%*

Source: Bloomberg, RIB Research





Source: NSE, RIB Research

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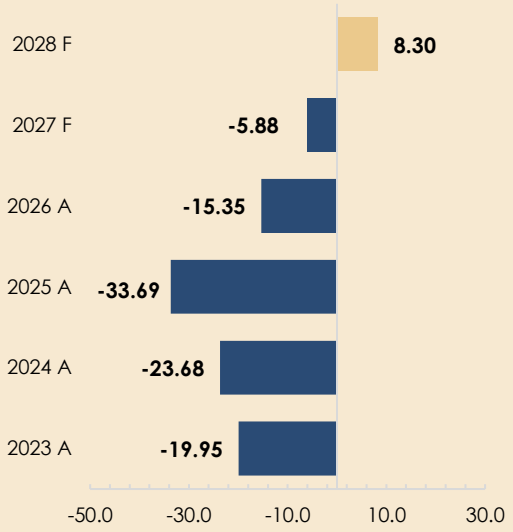
Why Safaricom? Why Now?

We value Safaricom using a hybrid Sum-of-the-Parts (SOTP) framework that separately assesses the telecommunications and financial services businesses to better capture their distinct growth profiles and valuation characteristics. For the telecommunications segment, we apply a Discounted Cash Flow methodology based on Free Cash Flow to Firm. For M-PESA, we utilize a peer-based EV/EBITDA multiple approach that reflects the asset-light nature, superior growth profile, and fintech characteristics of the business. Combining the standalone enterprise values of both segments and adjusting for group net debt, yields an implied *equity* value corresponding to a target price of KES 38.25 per share. At our target price, Safaricom would trade on an implied forward P/E multiple of approximately 12.3x, which we view as attractive given the company's market leadership, defensive cash flow profile, and exposure to one of the most compelling telecommunications growth opportunities in Sub-Saharan Africa.

Safaricom EBITDA (KES Bn)



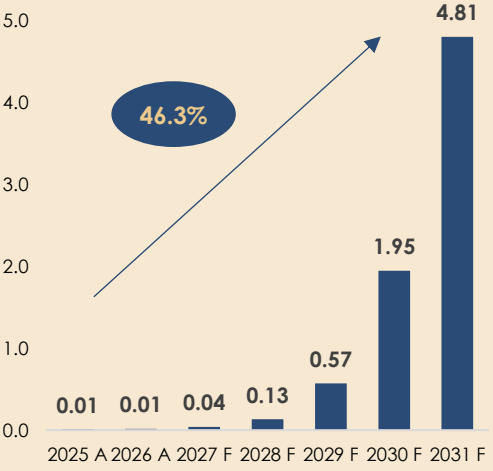
Source: Company Disclosures, RIB Research

Investment Thesis

1. Continued growth in Ethiopian subsidiary is expected to strengthen overall group performance as EBITDA Breakeven approaches

The primary investment debate surrounding Safaricom remains the timing and scale of value creation from its Ethiopian operations. Since launch, the business has made meaningful progress, with EBITDA losses narrowing from KES 19.98 Bn in FY2023 to KES 15.35 Bn in FY2025, driven by expanding network coverage, subscriber growth, and improving operating leverage. As the network approaches critical scale, we expect fixed costs to be increasingly absorbed by a growing revenue base, supporting continued margin improvement. We forecast the subsidiary to achieve EBITDA breakeven by FY2028, slightly behind management's FY2027 guidance, reflecting our more cautious view on the impact of inflationary pressures and softer consumer spending on near-term revenue growth. Despite current losses, we believe the market is underestimating Ethiopia's long-term earnings potential. As profitability approaches, the subsidiary is likely to transition from earnings drag to a meaningful contributor to group performance, creating a significant upside catalyst for Safaricom's valuation.

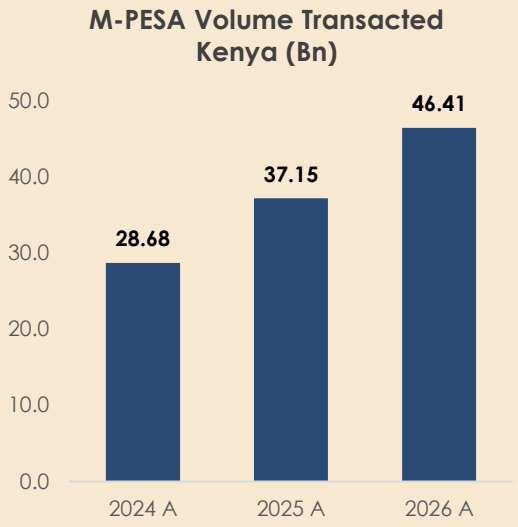
M-PESA Revenue Ethiopia (KES Bn)



Source: Company Disclosures, RIB Research

2. M-Pesa utilization remains robust supported by product innovations which continue to entrench it into the financial ecosystem creating a moat that competitors are unlikely to bridge

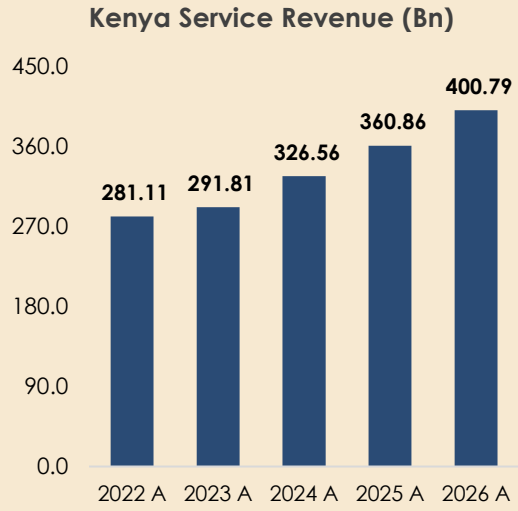
M-PESA continues to exhibit strong usage momentum despite being in a mature phase in Kenya. Transaction volumes have grown at an average of **27% year-on-year over the past two years**, while monthly active users have increased by around **12% annually**, indicating deeper engagement rather than pure customer acquisition. This resilience is supported by ongoing product innovation, which continues to embed M-PESA more deeply within the financial ecosystem. In Ethiopia, recent integration with the national payment switch (EthSwitch) significantly expands the addressable market and strengthens adoption prospects. We forecast Ethiopia M-PESA revenues to grow at a **46.3% CAGR over the next five years**, making it a key incremental growth driver for Safaricom.



Source: Company Disclosures, RIB Research

3. Adoption of value-based segmentation pricing strategy continues to supplement revenue and user expansion

A less appreciated driver of Safaricom's recent performance has been the shift toward value-based customer segmentation. Historically, growth was driven primarily through subscriber acquisition and broad-based tariff adjustments. Increasingly, however, management has focused on tailoring product offerings to distinct customer segments based on usage behaviour and willingness to pay. This strategy has enabled the company to improve revenue realization across voice, data, messaging, fixed connectivity, and mobile financial services while maintaining customer affordability and supporting subscriber growth. FY2026 results provide early evidence that this strategy is working. While ARPU growth across several business lines remained modest, total service revenues continued to expand as customer volumes increased and product mix improved. We expect this approach to remain an important contributor to revenue resilience and margin stability over the coming years.



Source: Company Disclosures, RIB Research

Business Overview

Safaricom Plc is Kenya's leading telecommunications company, offering services across mobile voice, messaging, broadband connectivity, fixed-line solutions, and mobile financial services. Over time, the company has evolved from a traditional telecommunications operator into a technology-driven enterprise, expanding into digital solutions such as cloud computing, enterprise services, e-commerce, and fintech to strengthen its ecosystem and customer value proposition.

Established in 1997, Safaricom emerged during the liberalization of Kenya's telecommunications sector in the 1990s. Prior to liberalization, the sector was characterized by low penetration, inadequate infrastructure, limited innovation, and poor service quality under the monopoly of the Kenya Posts and Telecommunications Corporation (KPTC). Supported by reforms backed by the International Monetary Fund (IMF) and the World Bank, the Kenyan government restructured KPTC into Telkom Kenya, the Postal Corporation of Kenya, and the Communications Commission of Kenya (CCK), which became the sector regulator.

Safaricom, was initially a wholly owned subsidiary of Telkom Kenya before Vodacom Group Plc acquired a 40% stake and management control in 2000. Later, in 2008, the Government of Kenya sold a 25% stake through an IPO on the Nairobi Securities Exchange, one of Kenya's largest public offerings.

Shareholder	No of Shares	% of Total
Vodafone Kenya Limited	16,000,000,000	39.9%
Cabinet Secretary to the National Treasury	14,022,572,580	35.0%
Standard Chartered Kenya Nominees Ltd A/C KE004667	380,658,806	1.0%
Kenya Commercial Bank Nominees Limited A/C KE1019D	365,227,900	0.9%
Kenya Commercial Bank Nominees Limited A/C 915B	345,582,886	0.9%
Stanbic Nominees Limited NR7522171	245,596,200	0.6%
Stanbic Nominees Limited A/C NR1030824	224,513,900	0.6%
Standard Chartered Nominees RESD A/C KE11401	201,930,759	0.5%
Stanbic Nominees Limited R6631578	188,160,853	0.5%
Standard Chartered Nominees RESD A/C KE11443	163,458,207	0.4%
Others	7,927,725,909	19.8%
Total	**40,065,428,000**	**100.0%**

Source: Company Disclosures, RIB Research

History Timeline

2000

Safaricom Official Launch.

Vodafone (UK) buys a 40% stake in the company.

2002

Converted into a public company with 60% owned by the government of Kenya and 40% owned by Vodafone Kenya Limited (UK)

2007

Launch of MPESA (mobile money transfer service) which later expanded to incorporate lipa na mpesa , mshwari services and money market services.

2008

Safaricom initial public offering (IPO) and listing in the NSE. The IPO raised an approximate KES 50.0Bn.

2022

Commercial Launch of Operations in Ethiopia

2025

Safaricom Marks its 25 years of operations , whilst Mpesa marks 18 years of operations.

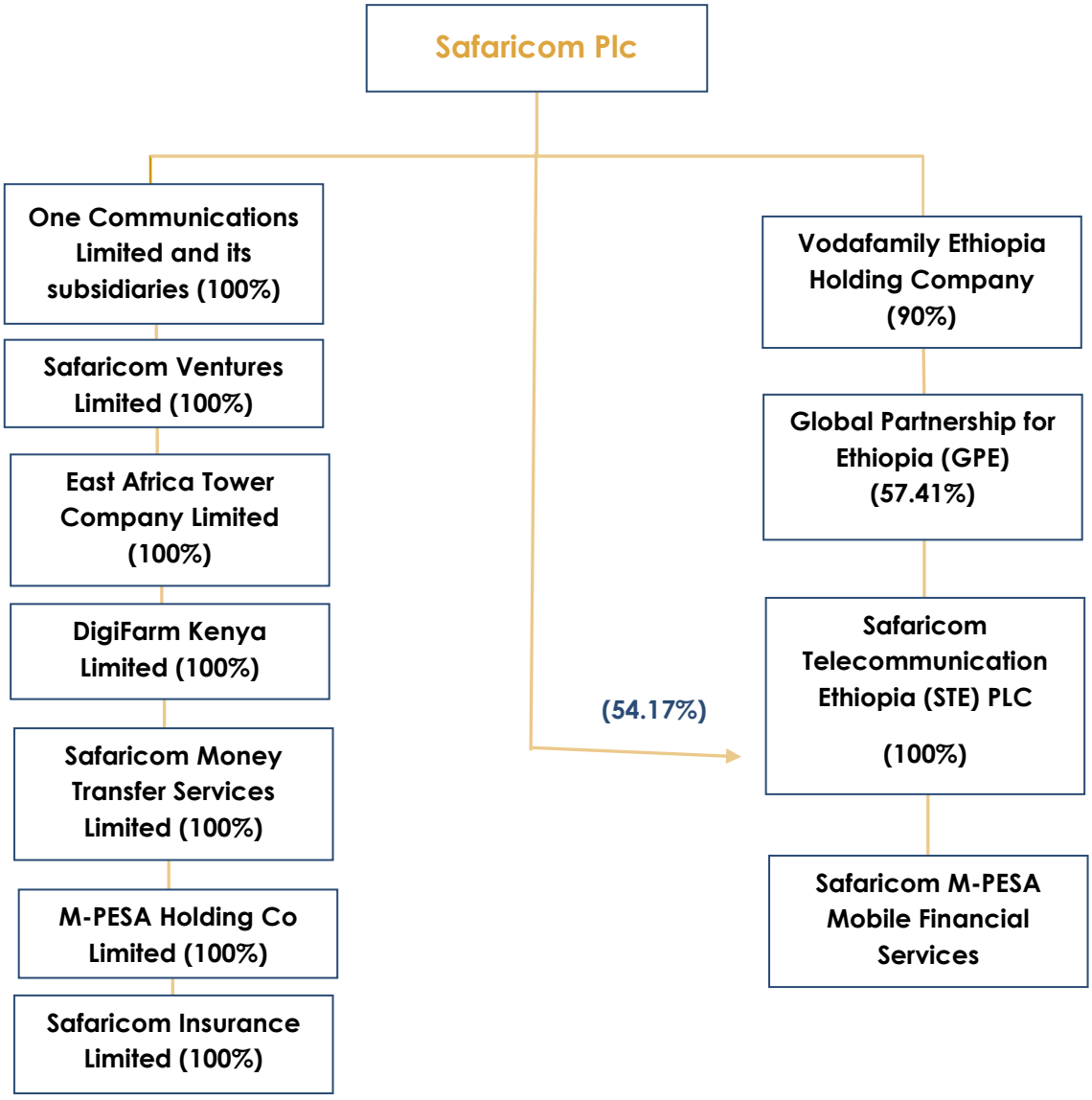
Launch of Ziidi Money Market Fund Powered by MPESA and licensed by the capital markets authority

Source: Company Disclosures, RIB Research

Safaricom Group Structure

Safaricom Plc comprises several subsidiaries and strategic business units that collectively enable the company to operate across multiple sectors of the economy. This diversified structure enhances the Group's market reach while allowing it to deliver more specialized and targeted solutions to customers, compared to operating under a single umbrella entity.

Safaricom Plc Subsidiary Breakdown



Source: Company Disclosures, RIB Research

Business Segments

Safaricom's operations are organized into four key business segments that collectively underpin its market leadership and diversification strategy.

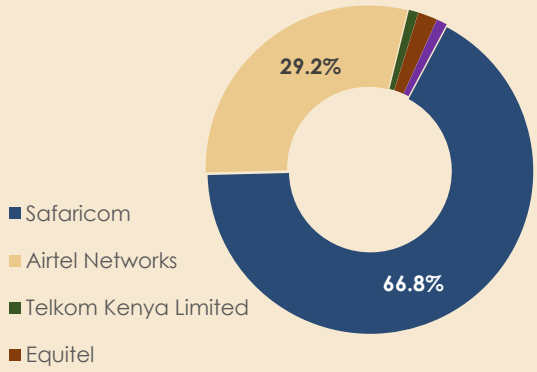
Mobile Connectivity segment: This remains the core revenue driver, with Safaricom maintaining a dominant position in Kenya's telecom market. The company serves approximately 52.53 million customers, representing a 66.8% market share of the 78.39 million mobile subscriptions in Kenya, reflecting high SIM penetration and multi-SIM usage. This leadership is supported by an extensive network infrastructure of over 24,000 base stations covering 2G, 3G, 4G LTE, and 5G services, enabling strong performance across voice, messaging, and mobile data services.

Financial Services segment: anchored by M-PESA, is a key growth engine and a major contributor to financial inclusion in Kenya. It facilitates a wide range of services including person-to-person (P2P), business-to-business (B2B), and business-to-consumer (B2C) transactions, as well as credit and savings products such as M-Shwari. New offerings like Ziidi Money Market Fund and Ziidi Trader further expand its ecosystem. In FY2026 alone, the platform processed transactions worth approximately KES 41.68 trillion, reinforcing its role as a critical earnings driver.

Digital and Enterprise Services segment: This includes fixed-line connectivity, fibre broadband, cloud computing, and cybersecurity solutions. Leveraging its fibre infrastructure, Safaricom serves both enterprise and retail customers, supporting increasing demand for digital transformation across public and private sectors. Despite competition, the segment maintains a strong market presence.

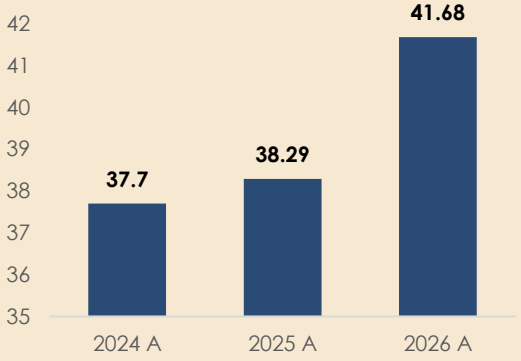
Value-Added Services: These include products such as Fuliza overdraft services, M-Shwari micro-lending, Digifarm for agriculture, and device financing initiatives, including local handset manufacturing to support 4G adoption and digital inclusion.

Mobile Maket Share Breakdown



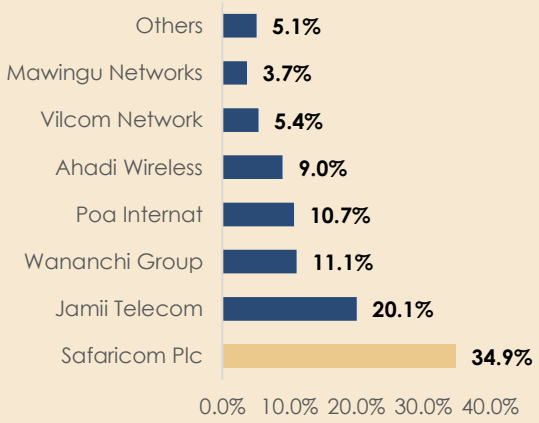
Source: CAK Statistics, RIB Research

M-PESA Transacted Value Kenya (KES Tn)



Source: Company Disclosures, RIB Research

Fixed Service Market Share



Source: CAK Statistics, RIB Research

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Industry Overview: Navigating the Post-Connectivity Growth Era

Industry GDP Contribution & Revenue Outlook

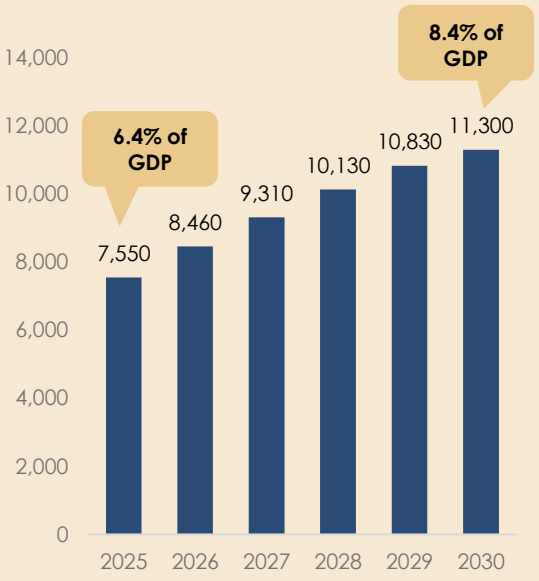
Mobile technologies and services are projected to account for **8.4%** of global GDP **by 2030,** amounting **to $11.3 trillion** in absolute terms, according to GSMA's Mobile Economy 2026 report — up from $7.6 trillion (6.4% of GDP) in 2025. This growth trajectory is expected to expand at a CAGR of 8.4%, approximately three times the projected global GDP growth rate of 2.6% over the same period, underscoring the sector's outsized role as a driver of broader economic activity.

However, despite this headline momentum, the next leg of industry growth is unlikely to be delivered through traditional means. A PwC report on the global telecom outlook highlights that telecom service revenue is expected to register only a marginal **2.8% CAGR** between **2024 and 2029**, with service revenues rising from **$1.15 trillion** to **$1.32 trillion** over the period. This modest trajectory reflects a structural challenge that is now well understood across the industry — consumers have demonstrated a persistent unwillingness to pay materially higher prices for data services despite continuously increasing usage volumes, creating sustained pressure on average revenue per user (ARPU) growth and limiting the extent to which top-line revenue can track the broader GDP contribution narrative.

The Subscriber Growth Ceiling

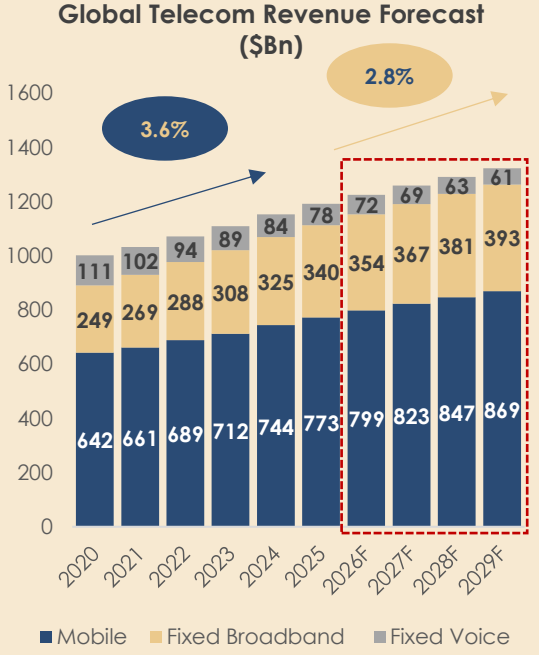
A second traditional growth lever — subscriber expansion — is similarly approaching exhaustion at the global level. The industry currently supports **5.8 billion unique subscribers, representing approximately 70% of the global population**, while total wireless connections stand at **8.8 billion**, a figure significantly higher than unique subscriber counts. This divergence reflects the widespread prevalence of multi-SIM usage, data-only connections and connected device proliferation across markets. Kenya is a notable illustration of this dynamic, where mobile SIM subscriptions materially exceed the total national population — demonstrating that connection growth has increasingly decoupled from genuine subscriber base expansion.

Economic Impact of Mobile through to 2030 ($ Bn)



Source: GSMA Mobile Economy 2026, RIB Research

Global Telecom Revenue Forecast ($Bn)



Source: PWC Global Telecom Outlook, RIB Research

The structural underpinning of this subscriber ceiling is stark. **96%** of the global population already resides within areas served by mobile broadband networks, with the global coverage gap now standing at just **4%** of the total population. The era of subscriber growth driven by network expansion is, for practical purposes, over.

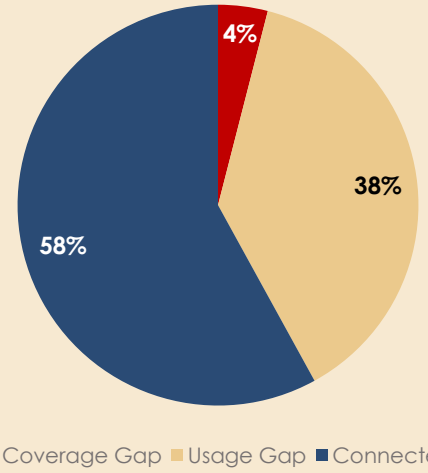
The more meaningful metric going forward is the **usage gap** — defined as the population living within coverage areas who nonetheless choose not to access mobile internet services. This gap currently stands at **38%** of the global population, approximately 10 times larger than the coverage gap, representing over 3 billion people. Critically, this is not an infrastructure problem but a demand-side challenge, shaped by device affordability constraints, digital literacy gaps, safety concerns and the absence of sufficiently relevant local content. The industry's growth strategy must therefore pivot decisively from infrastructure buildout toward demand stimulation — a fundamentally different commercial and operational challenge requiring a different set of capabilities and partnerships.

The New Growth Frontier: AI, 5G and Digital Services

Recognizing these structural constraints, the industry has begun a meaningful strategic repositioning, with leading operators pivoting toward AI-enabled services and advanced connectivity as the primary engines of future value creation. **45%** of operators now identify AI-enabled revenue streams as a strategic priority, with monetization opportunities spanning core and private cloud deployments through to enterprise and device-level edge applications.

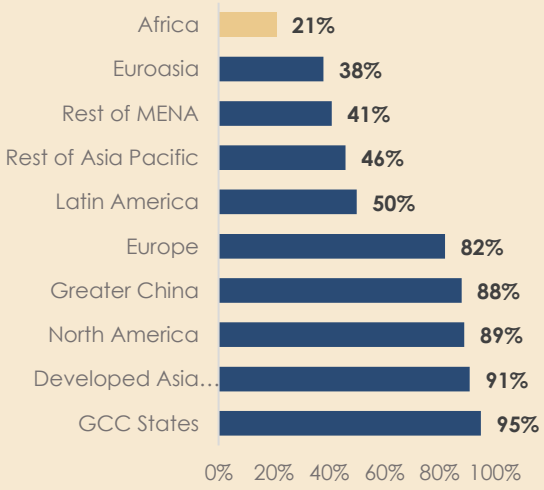
Underpinning this strategic shift is continued investment in 5G network expansion, which delivers the high-speed, low-latency connectivity required to support AI workloads, data centre operations and the next generation of enterprise digital services. The GSMA projects that **57%** of all mobile connections globally will be on 5G **by 2030**, though adoption rates vary considerably by region — with GCC states leading **at 95%** penetration and Africa trailing **at 21%**, reflecting the uneven pace of infrastructure investment and spectrum policy maturity across markets.

State of Mobile Connectivity



Source: GSMA Mobile Economy 2026, RIB Research

5G as a Share of Total Connections

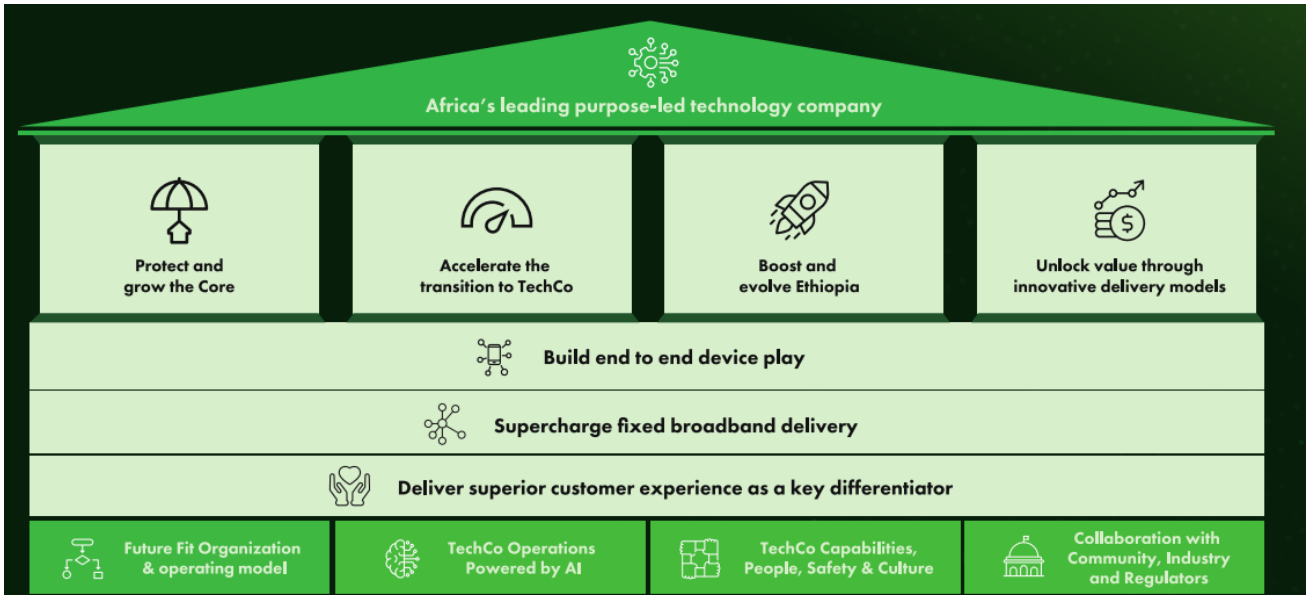


Source: GSMA Mobile Economy 2026, RIB Research

The commercial logic of this repositioning is compelling. Operators are evolving from traditional connectivity providers toward full-stack technology partners, integrating network assets with cloud computing, edge infrastructure, cybersecurity and AI capabilities to capture a greater share of enterprise digital transformation spending. Enterprises globally are expected to allocate approximately 10% of revenues to digital transformation initiatives between 2025 and 2030, with anticipated returns of approximately 200% over the same period — a significant addressable market for operators willing and able to move up the value chain.

Implications for Safaricom

We believe this industry dynamics have directly informed Safaricom's strategic repositioning under its 2030 vision to become Africa's leading purpose-led technology company. The strategy is centred on delivering personalized, AI-enabled digital services while positioning the company as the preferred digitization and financial services partner for enterprises and government institutions.



Source: Company Disclosures, RIB Research

In our view, this represents a well-calibrated response to the structural challenges facing the telecommunications sector. As subscriber growth and traditional ARPU expansion moderate, Safaricom's focus on value-based segmentation, personalized offerings, and enterprise solutions provides a credible pathway to sustaining revenue growth and enhancing customer monetization.

Another key pillar of this strategy is the continued evolution of the M-PESA ecosystem. Through the introduction of adjacent services such as wealth management, merchant solutions, and stock trading, Safaricom is deepening customer engagement and strengthening network effects. We believe this enhances switching costs, reinforces M-PESA's competitive moat, and supports long-term revenue growth while expanding the company's share of customer financial activity.

Safaricom in Numbers

Group Financials

Income Statement	2024 A	2025 A	2026 A	2027 F	2028 F	2029 F	2030 F	2031 F
Gross Margin	72%	74%	76%	76%	77%	78%	79%	80%
EBITDA Margin	47%	44%	52%	53%	54%	56%	57%	59%
Tax Burden	50%	49%	58%	57%	55%	54%	55%	56%
EBIT Margin	23%	27%	34%	40%	40%	40%	41%	44%
Net Profit Margin	12%	12%	17%	20%	20%	21%	22%	25%
Interest Coverage Multiple	3.6	3.5	N/A	8.9	9.7	9.2	9.1	9.7

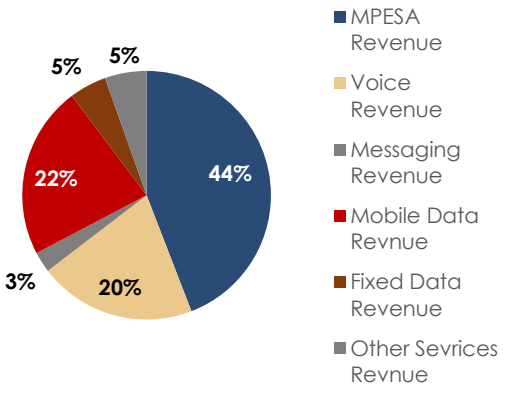
Source: Company Disclosures, RIB Estimates

Balance Sheet	2024 A	2025 A	2026 A	2027 F	2028 F	2029 F	2030 F	2031 F
Liquidity Ratios								
Current Ratio	0.5	0.5	0.6	0.6	0.7	0.9	1.1	1.3
Quick Ratio/ Acid Test	0.4	0.5	0.5	0.5	0.6	0.8	1.0	1.3
Total Asset Turnover Ratio	0.5	0.7	0.8	0.9	0.9	0.9	0.9	0.9
Cash Ratio	0.1	0.2	0.2	0.1	0.3	0.5	0.7	0.9
Efficiency Ratios								
Inventory Turnover Ratio	21.4	34.4	64.5	28.1	30.0	31.2	34.4	34.4
PP&E Turnover Ratio	1.2	1.6	1.7	1.8	1.9	2.1	2.3	2.5
Cash Turnover Ratio	14.2	12.6	15.0	20.5	9.5	6.6	4.8	3.9
Leverage, Solvency and Capital Structure Impact								
Debt to Equity	0.5	0.6	0.5	0.5	0.4	0.4	0.4	0.4
Debt to Capital	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Long Term Liability to Equity	0.6	0.8	0.8	0.6	0.5	0.5	0.5	0.4
Total Assets to Equity	2.8	2.9	2.6	2.4	2.4	2.3	2.1	2.0
Rate of Return								
Return on Asset	9.8%	13.5%	18.5%	22.8%	23.9%	25.6%	27.5%	30.0%
Return on Equity	27.8%	39.3%	47.5%	55.3%	56.6%	57.9%	58.9%	61.3%

Source: Company Disclosures, RIB Estimates

In the post-pandemic period, Safaricom's growth profile moderated as the Kenyan telecommunications market approached maturity. Traditional revenue streams, particularly voice and messaging, continued to face structural pressure from changing consumer behaviour and the increasing adoption of over-the-top (OTT) communication platforms such as WhatsApp. Consequently, the contribution of voice and messaging to total service revenue growth declined from 34% and 5%, respectively, in FY2020 to 20% and 3% by FY2026. Prior to the launch of the Ethiopian subsidiary, service revenue growth remained subdued, with a three-year CAGR of -3% between FY2020 and FY2022, although this was partly influenced by the disruption caused by the COVID-19 pandemic and the inflationary environment that followed.

Service Revenue Breakdown FY'2026



Source: Company Disclosures, RIB Estimates

The commercial launch of Safaricom Ethiopia in FY2023 marked a significant inflection point for the group. Between FY2023 and FY2026, group revenues recorded a CAGR of 12%, with FY2026 revenue growth accelerating to 61% year-on-year. This performance was supported by improving operating conditions in Ethiopia and reduced foreign exchange volatility following the Ethiopian government's transition to a market-based exchange rate regime. Notwithstanding this progress, the subsidiary remained EBITDA-negative at KES 15.35 billion in FY2026 and contributed only 4% of group revenue, limiting its earnings contribution.

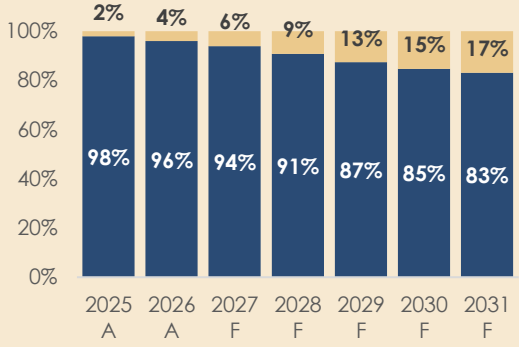
Looking ahead, we expect Ethiopia to become an increasingly important growth driver as network deployment approaches management's medium-term target of 4,000 sites, supporting broader geographic coverage, subscriber growth, and higher service utilization. Our forecasts indicate that the Ethiopian operation could contribute approximately 17% of group revenues by FY2031, underpinning a projected group revenue CAGR of 13.4% over the forecast period.

Revenue Drivers Break down (Kenya)

1. Voice Revenue

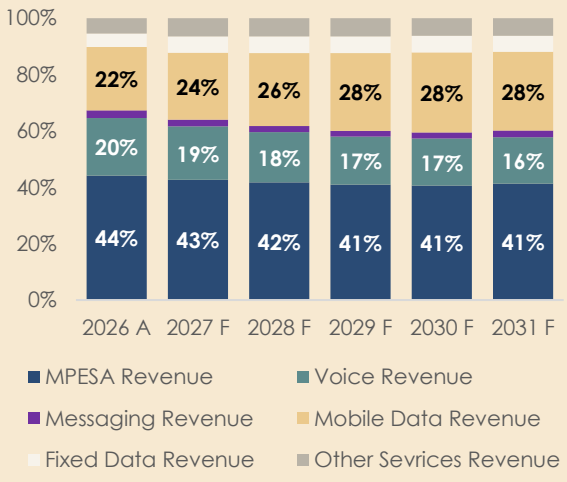
Voice revenue has largely plateaued in the post-pandemic period, recording a FY2020–FY2026 CAGR of -0.8%, reflecting the continued migration of consumers toward over-the-top (OTT) communication platforms such as WhatsApp. Nevertheless, revenue performance improved between FY2024 and FY2026 as Safaricom implemented a more targeted pricing strategy under its value-based segmentation framework. This appears to have supported customer retention, with the company's voice traffic market share recovering modestly to 62.2% in Q4 2025 from 61.2% in Q3 2025 (according to CAK statistics). While voice services remain a significant revenue contributor, structural industry trends are likely to limit growth. We therefore forecast a modest revenue CAGR of 0.1% over FY2027–FY2031.

Subsidiary Revenue Contibution Breakdown



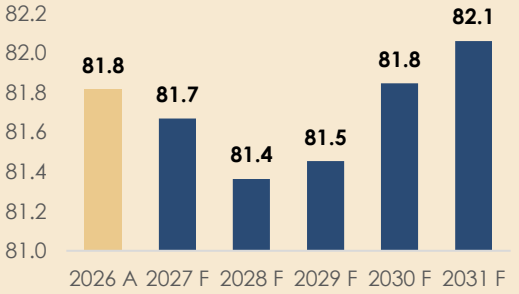
Source: Company Disclosures, RIB Estimates

Forecasted Group Service Revenue Breakdown



Source: Company Disclosures, RIB Estimates

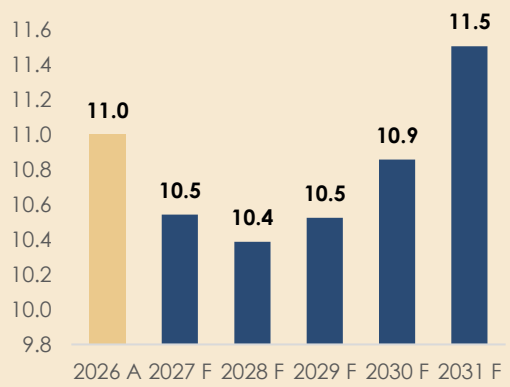
Voice Revenue Forecast - Kenya (Bn)



Source: Company Disclosures, RIB Estimates

2. Messaging Revenue

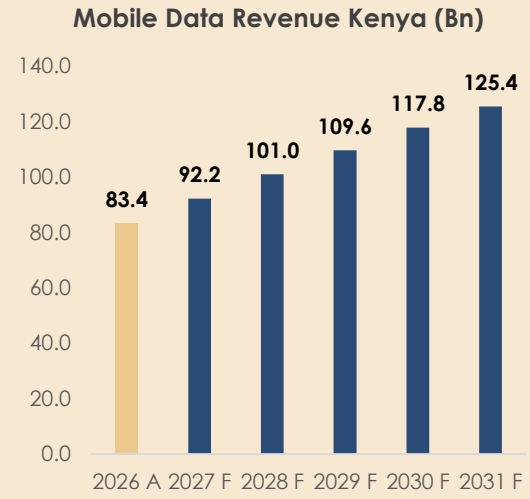
Messaging revenue continues to face structural headwinds from the increasing adoption of internet-based messaging applications. As a result, SMS revenue recorded a FY2020–FY2026 CAGR of -4.7%. However, Safaricom's SMS traffic market share has remained resilient, rising from 89.5% in Q2 2023 to 91.5% in Q4 2025, suggesting the decline reflects broader industry dynamics rather than company-specific pressures. We expect pricing optimization and continued enterprise messaging demand to partially offset volume declines, supporting a modest revenue CAGR of 1.8% through FY2031.



Source: Company Disclosures, RIB Estimates

3. Mobile Data

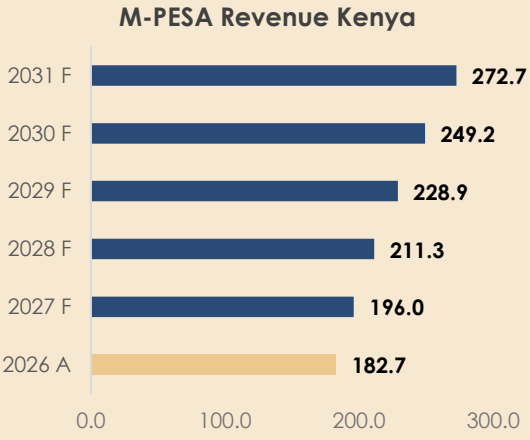
Mobile data remains Safaricom's fastest-growing core telecommunications segment, delivering a FY2020–FY2026 CAGR of 11.0% and accounting for 22% of total service revenue in FY2026. Growth has been driven by rising smartphone penetration, expanding 4G and 5G coverage, and increasing demand for digital services including video streaming, social media, and remote work solutions. The company's value-based segmentation strategy has supported higher usage despite declining data tariffs, while ARPU has remained on an upward trajectory. Looking ahead, we forecast a 6.4% CAGR over FY2027–FY2031, supported by growing internet penetration, AI-enabled applications, and broader adoption of connected devices.



Source: Company Disclosures, RIB Estimates

4. MPESA

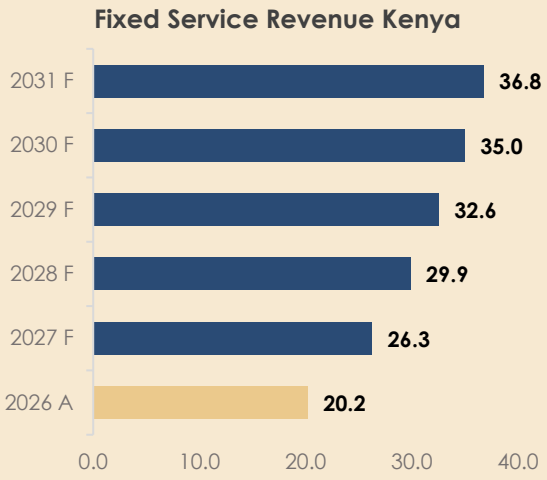
M-PESA remains Safaricom's most strategic growth engine, generating a FY2020–FY2026 CAGR of 11.7%. Growth continues to be driven by deeper integration into the financial ecosystem through merchant payments, Pochi la Biashara, Ziidi wealth management, and other value-added financial services. The increasing prevalence of low-value transactions, which represented 58% of total platform activity in FY2026, highlights M-PESA's growing utility across customer segments. We believe ongoing product innovation and strong network effects will continue to strengthen the platform's competitive moat, supporting a forecast revenue CAGR of 6.8% through FY2031.



Source: Company Disclosures, RIB Estimates

5. Fixed Services

Fixed services remain a key growth pillar, delivering a FY2020–FY2026 CAGR of 12.3% amid continued fibre network expansion and rising household broadband adoption. Safaricom maintained market leadership with a 34.9% share despite an increasingly competitive market comprising more than 14 service providers. Growth has been supported primarily by residential customers, although increasing competition from alternative providers, including satellite-based solutions, has moderated ARPU growth. We forecast fixed service revenue to expand at a CAGR of 7.0% over FY2027–FY2031, supported by continued household penetration and demand for reliable broadband connectivity, with the slower overall growth attributed to high competition in the enterprise business space, which will likely to mitigate the upside.

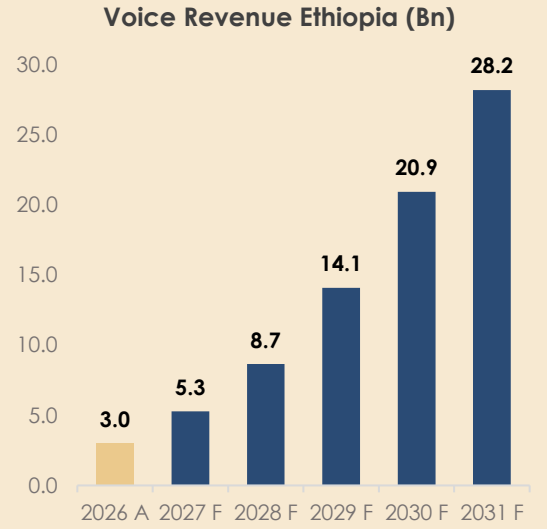


Source: Company Disclosures, RIB Estimates

Revenue Drivers Break down (Ethiopia)

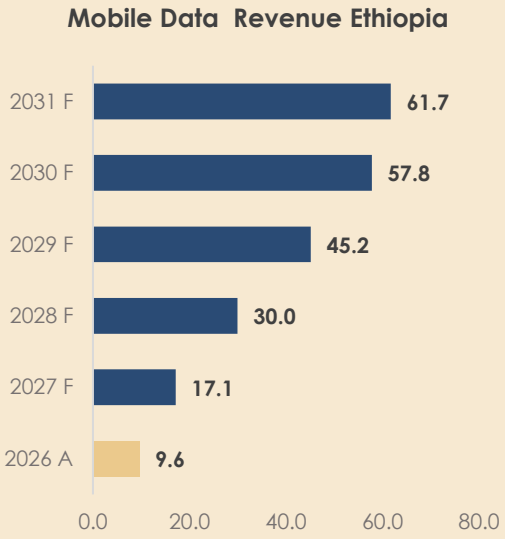
The Ethiopian business continues to exhibit strong growth as network coverage expands, with 4G services now reaching approximately 59% of the population. Since launch, revenues have grown at a CAGR of 123.7%, while EBITDA margins improved from -108.7% to -88.5%, reflecting early operating leverage as the business scales.

Voice Revenue: Voice services remain a major revenue driver for Safaricom Ethiopia, reflecting the market's relatively early stage of digital adoption. Since launch, voice revenue has recorded a CAGR of 117.0%, supported by rapid subscriber growth and the continued reliance on traditional communication services. Internet penetration in Ethiopia remains low at 21.3% of the population (approximately 28.6 million people) as of early 2025, sustaining demand for voice services as a primary communication channel. We expect this momentum to continue as network coverage expands and the active subscriber base grows, forecasting a 39.8% CAGR for voice revenue over FY2027–FY2031. The outlook is further supported by the Ethiopian Communications Authority's cost-based retail tariff framework, which allows operators greater pricing flexibility and improves revenue realization across service lines.



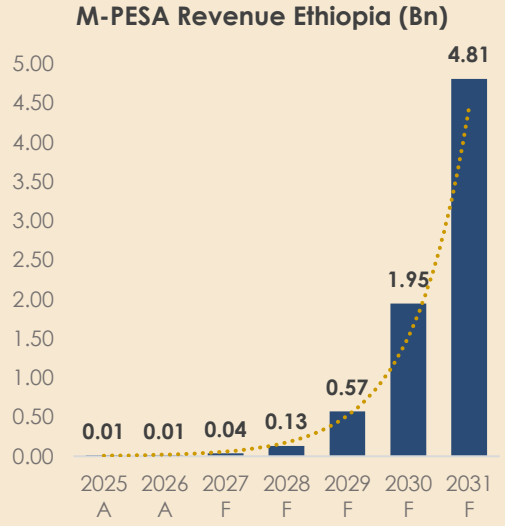
Source: Company Disclosures, RIB Estimates

Mobile Data: Although internet penetration in Ethiopia remains low at 21.3% of the population, mobile data is emerging as a key revenue driver for Safaricom Ethiopia. The subsidiary has built a compelling value proposition through its 4G and 5G rollout, which now covers more than half of the population and has supported service-line revenue growth at a 127.6% CAGR since launch. We expect data usage to continue rising as network coverage expands, supported by favourable demographics, with Ethiopia's median age of 19.1 positioning younger consumers at the centre of mobile-first adoption. We remain mindful, however, that handset affordability is still constrained by import duties and foreign exchange scarcity, which have pushed up device prices. Even so, we expect mobile data growth to remain resilient over the forecast period, with an estimated CAGR of 29.2%.



Source: Company Disclosures, RIB Estimates

MPESA: Although M-PESA adoption has grown rapidly, monetization remains at an early stage, with users primarily utilizing the platform for airtime and bundle purchases. As a result, revenue contribution remains immaterial despite active users reaching 5.2 million by FY2026. We believe the recent integration of M-PESA into Ethiopia's national payment switch (EthSwitch) represents a significant catalyst, enabling broader interoperability and expanding use cases across the financial ecosystem. Accordingly, we forecast strong revenue acceleration over the medium term, although the service is likely to remain a relatively small contributor to group revenues in the near future.



Source: Company Disclosures, RIB Estimates

Ethiopia – Break Even or Bust?

Income Statement (KES Bn)	2023 A	2024 A	2025 A	2026 A	2027 F	2028 F
Voice revenue	0.14	1.03	1.17	3.01	5.28	8.66
Messaging Revenue	0.00	0.04	0.08	0.17	0.31	0.62
Mobile Data Revenue	0.36	4.17	5.66	9.56	17.15	29.97
M-Pesa Revenue	0.00	0.09	0.01	0.01	0.04	0.13
Mobile incoming revenue	0.07	0.36	0.37	0.71	1.71	3.41
Other mobile service revenue	.	0.05	0.19	0.41	0.62	0.92
Mobile service revenue	0.56	5.74	7.49	13.88	25.11	43.72
Fixed line and wholesale transit revenue	0	-0.15	0.06	0.20	0.30	0.45
Service revenue	0.56	5.59	7.55	14.08	25.41	44.17
Handset revenue and other revenue	0.68	1.77	0.38	0.40	0.52	0.69
Construction revenue	0.00	0.00	0.00	0.00	0.00	0.00
Other income	0.60	0.03	-0.02	2.88	2.88	2.88
Total revenue	1.83	7.39	7.91	17.36	28.81	47.74
Direct costs	-1.80	-7.25	-5.23	-7.25	-8.76	-11.08
Expected credit loss (ECL) on receivables	-0.01	-0.04	-0.15	-0.08	-0.08	-0.08
Construction costs	0.00	0.00	0.00	0.00	0.00	0.00
Contribution margin	0.03	0.10	2.53	10.02	19.97	36.57
Contribution margin (%)	1.4%	1.4%	32.0%	57.8%	69.3%	76.6%
Total operating costs	-19.98	-23.78	-36.22	-25.38	-25.85	-28.27
Operating costs - % of total revenue	-1089.2%	-321.6%	-458.0%	-146.2%	-89.7%	-59.2%
Earnings before interest, tax, Depreciation and Amortization (EBITDA)	**(19.95)**	**(23.68)**	**(33.69)**	**(15.35)**	**(5.88)**	**8.30**
EBITDA MARGIN %	-1087.7%	-320.3%	-426.0%	-88.5%	-20.4%	17.4%

Source: Company Disclosures, RIB Estimates

Using our internal operating model, we estimate that Safaricom Ethiopia remains on a credible path toward EBITDA breakeven, although we take a more conservative view than management's FY2027 guidance. Our FY2027 forecasts are underpinned primarily by continued strength in voice and mobile data revenues, which we project to grow by 76% and 70% year-on-year, respectively. Growth is expected to be supported by expanding network coverage, subscriber acquisition, and the implementation of cost-based retail tariff regulations that improve revenue realization across key service lines.

While these forecasts appear conservative relative to the historical growth rates recorded since launch, we note that historical performance was distorted by significant foreign exchange volatility following the depreciation of the Ethiopian Birr, which affected the translation of local currency revenues into Kenyan Shillings. As such, we believe normalized growth rates provide a more appropriate basis for forecasting future performance.

Overall, we forecast FY2027 revenue of KES 28.8 billion, comprising KES 25.4 billion in service revenue and KES 0.5 billion in handset sales. We assume other revenue streams remain broadly flat given their limited disclosure and historical volatility. On the cost side, we model direct and operating expenses as a percentage of revenue, reflecting the gradual operating leverage observed over the past three years. Given limited subsidiary-level balance sheet disclosure, we maintain a conservative assumption for expected credit losses.

Under these assumptions, we forecast FY2027 EBITDA of negative KES 5.9 billion, representing a 62% improvement from FY2026 and the strongest year of EBITDA progression since launch. While this suggests management's FY2027 breakeven target may prove ambitious, particularly against a backdrop of elevated inflation and weaker consumer purchasing power, we believe the business is approaching a critical inflection point.

Accordingly, our base case assumes EBITDA breakeven is achieved in FY2028. That said, we acknowledge upside risk to our forecasts, particularly from the full-year impact of recently implemented tariff reforms, the benefits of which were only partially reflected in FY2026 results. Faster-than-expected monetization could accelerate margin expansion and bring breakeven forward toward management's stated timeline.

Valuation

Valuation Summary

We issue a **"Strong Buy"** recommendation on Safaricom based on a **hybrid Sum-of-the-Parts (SOTP) valuation methodology**, under which the telecommunications and financial services (M-PESA) segments are valued independently before being combined to derive the Group's intrinsic value. We believe that a traditional consolidated valuation framework fails to fully capture the value embedded within M-PESA, whose growth prospects, profitability profile, and business model differ significantly from those of the core telecommunications business.

For the telecommunications segment, we applied a Discounted Cash Flow (DCF) valuation using the Free Cash Flow to Firm (FCFF) methodology, discounted at a **WACC of 19.44%**. We consider FCFF the most appropriate valuation approach given Safaricom's substantial reinvestment requirements, including continued network expansion and investments in its Ethiopia subsidiary. These investments are expected to generate long-term cash flows but may not be adequately reflected in dividend-based valuation models, potentially understating the segment's intrinsic value. The FCFF analysis was further subjected to sensitivity testing to derive both conservative and optimistic valuation outcomes.

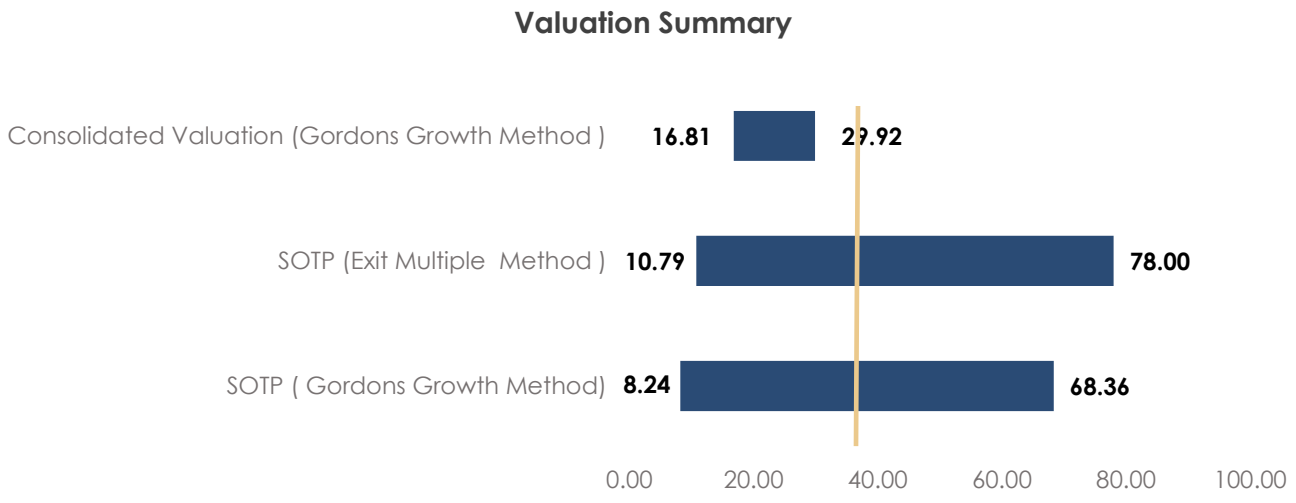
For the M-PESA segment, we employed an EV/EBITDA multiple-based valuation, consistent with methodologies commonly used for fintech and payments businesses. Valuation ranges were derived using both the lower and upper bounds of selected comparable company EV/EBITDA multiples. Segment revenues were estimated using an implied revenue allocation methodology to construct standalone financial profiles for the business segment.

The resulting enterprise values for both segments were aggregated under conservative and optimistic scenarios, with the average outcome implying an equity value of **KES 38.25 per share**, representing a **19.53% upside** to the current market price.

Group Target Price (Low EV/EBITDA)	
Telecom (FCFF)EV	383.09
MPESA EV	85.09
Total Group EV	468.19
(+) Cash	26.96
(-) Debt and Lease liabilities	(166.77)
Equity Value	328.38
Number of Shares	40.07
Implied Equity Value Per Share	**8.20**

Group Target Price (High EV/EBITDA)	
Telecom (FCFF) EV	614.33
MPESA EV	2,261.90
Total Group EV	2,876.24
(+) Cash	26.96
(-) Debt and Lease liabilities	(166.77)
Equity Value	2,736.43
Number of Shares	40.07
Implied Equity Value Per Share	**68.30**

Group Valuation Summary	Low	High	Target
Group EV/EBITDA	8.20	68.30	38.25



Source: RIB Estimates

WACC Derivation

We estimate Safaricom's weighted average cost of capital (WACC) at **19.44%**, reflecting the company's operating exposure to both the Kenyan and Ethiopian markets, as well as prevailing capital market conditions. To derive a robust estimate of the cost of equity, we utilize the average of three valuation methodologies: the Capital Asset Pricing Model (CAPM), the Bond Yield Plus Risk Premium approach, and the Dividend Discount Model (DDM). We believe this blended framework mitigates the limitations associated with relying on a single methodology and provides a more balanced estimate of shareholders' required returns.

WACC Assumptions	
Capital Asset Pricing Model (Cost of equity)	25.84%
Bond Yield Plus Risk Premium (Cost of Equity)	24.66%
Dividend Discount Model (Cost of Equity)	13.17%
Average Cost of Equity	21.22%
After Tax Cost of Debt	9.38%
Weight of Debt	15%
Weights of Equity	85%
WACC	**19.44%**

Source: RIB Estimates

For the **CAPM**, we use the **five-year harmonic average yield on Kenya's 10-year government bond (13.63%)** as the risk-free rate, which we believe better reflects normalized long-term market conditions than prevailing spot rates. We apply an adjusted **Bloomberg beta of 0.86**, calculated using one-year weekly returns against the NSE 20 Index, and a **Kenya equity risk premium of 14.26%** based on Professor Damodaran's country risk estimates.

Under the Bond Yield Plus Risk Premium approach, we use the yield on Safaricom's most recent five-year **medium-term note of 10.40%,** supplemented by the same **14.26% country equity risk premium**.
For the Dividend Discount Model, we assume a **FY2027 dividend of KES 2.50 per share**, a reference share price of **KES 30.55** as of 29th May 2026, and **a long-term sustainable growth rate of 5.0%,** broadly aligned with Kenya's long-run nominal GDP growth trajectory.

The **after-tax cost of debt of 9.38%** is based on the effective borrowing cost disclosed in the FY2025 annual report, as FY2026 audited financial statements were not available at the time of valuation.

FCFF Discounted Cashflow: Gordons Growth Method (Telecom Business)

We use a Free Cash Flow to Firm (FCFF) DCF framework as our primary valuation approach for Safaricom, given the company's elevated capital intensity driven by ongoing network expansion and the ramp-up of its Ethiopian operations. FCFF is, in our view, better suited than earnings-based approaches to capture the timing and cash impact of these investments.

Given limited segment disclosure, particularly for M-PESA, we construct implied financials to separate telecom and financial services contributions. We estimate M-PESA revenue as a share of group revenue and apply the group EBIT margin to derive implied M-PESA EBIT. We apply the same revenue-share approach to proxy D&A, capex, and working capital. These are then backed out from consolidated figures to isolate FCFF for the core telecom business. This ensures internal consistency across cash flow components in the absence of segment reporting.

FCFF – Gordons Growth (KES Mn)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Earnings Before Interest and Tax	110.81	122.89	138.70	155.55	178.07
Tax Charge (30%)	(33.24)	(36.87)	(41.61)	(46.67)	(53.42)
EBIT Less Tax	77.57	86.02	97.09	108.89	124.65
(+) Depreciation & Amortization	35.51	44.22	53.28	63.54	61.92
(-) Capex	(40.82)	(45.42)	(50.80)	(56.05)	(60.06)
(+) Changes in Working Capital	(29.28)	(34.65)	(35.16)	(34.73)	(33.75)
FCFF	**42.98**	**50.18**	**64.40**	**81.64**	**92.76**
Terminal Value					642.35
Time	**0.80**	**1.80**	**2.80**	**3.80**	**4.80**
Discount Factor	0.87	0.73	0.61	0.51	0.43
Present Value	**37.30**	**36.45**	**39.16**	**41.57**	**313.35**

FCFF – Gordons Growth Summary	
Implied Enterprise Value	467.83

Source: RIB Estimates

We apply a Gordon Growth terminal value model using a 5.0% long-term growth rate, aligned with long-run GDP expectations and Safaricom's structural growth profile, particularly supported by Ethiopian expansion. Using a **WACC of 19.44%,** we derive a terminal value of **KES 642.35Bn**.

Discounting forecast cash flows and terminal value results in an implied enterprise value of KES 467.83Bn.

Sensitivity (WACC vs Growth)
We stress test using a 17.4%–21.4% WACC range and 3.0%–7.0% terminal growth:

- **Bear case (21.4% WACC / 3.0% g):** KES 383.09Bn
  Driven by slower Ethiopian monetization and weaker Kenyan growth under inflationary pressure.
- **Bull case (17.4% WACC / 7.0% g):** KES 614.33Bn
  Reflecting faster Ethiopia breakeven and stronger-than-expected service revenue growth.

WACC \ Growth	3.0%	4.0%	5.0%	6.0%	7.0%
17.4%	500.57	522.66	548.31	578.43	614.33
18.4%	465.36	483.83	505.04	529.66	558.58
19.4%	434.52	450.10	**467.83**	488.20	511.85
20.4%	407.30	420.55	435.51	452.55	472.12
21.4%	383.09	394.45	407.18	421.56	437.94

Source: RIB Estimates

FCFF Discounted Cashflow: Exit Multiple Method (Telecom Business)

We also value Safaricom's telecom operations using a FCFF DCF framework, maintaining the same operating assumptions as our base case but applying an alternative terminal value approach as a cross-check to the Gordon Growth specification. In this case, we adopt an exit multiple methodology to assess whether the perpetual growth assumption may be understating terminal value.

For the terminal value, we apply a **5.17x EV/EBITDA multiple to FY31F EBITDA of KES 239.98Bn**, implying a **terminal enterprise value of KES 1,241.0 Bn**. Combined with forecast FCFF over the explicit period and discounted at a **WACC of 19.44%,** this yields an implied enterprise value of **KES 723.03 Bn**.

FCFF – Exit Multiple (KES Mn)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Earnings Before Interest and Tax	110.81	122.89	138.70	155.55	178.07
Tax Charge (30%)	(33.24)	(36.87)	(41.61)	(46.67)	(53.42)
EBIT Less Tax	77.57	86.02	97.09	108.89	124.65
(+) Depreciation & Amortization	35.51	44.22	53.28	63.54	61.92
(-) Capex	(40.82)	(45.42)	(50.80)	(56.05)	(60.06)
(+) Changes in Working Capital	(29.28)	(34.65)	(35.16)	(34.73)	(33.75)
FCFF	**42.98**	**50.18**	**64.40**	**81.64**	**92.76**
Terminal Value					1,241.04
Time	**0.80**	**1.80**	**2.80**	**3.80**	**4.80**
Discount Factor	0.87	0.73	0.61	0.51	0.43
Present Value	**37.30**	**36.45**	**39.16**	**41.57**	**568.55**

FCFF – Exit Multiple Summary	
Implied Enterprise Value	723.03

Source: RIB Estimates

Sensitivity Analysis (WACC vs Exit Multiple)

We stress test valuation outcomes across a WACC range of 17.4%–21.4% and exit multiples of 3.17x–7.17x to capture uncertainty around execution in Ethiopia and the Kenyan growth trajectory.

- **Bear Case (21.4% WACC / 3.17x multiple): KES 484.67 Bn**
  Reflects prolonged Ethiopian losses and weaker-than-expected domestic growth under sustained inflationary pressure.

- **Bull Case (17.4% WACC / 7.17x multiple): KES 997.18 Bn**
  Assumes accelerated monetization in Ethiopia and sustained high-growth performance across core service lines in Kenya.

		Exit Multiple				
		3.17x	4.17x	5.17x	6.17x	7.17x
WACC	17.4%	555.45	666.38	777.32	888.25	999.18
	18.4%	536.51	643.02	749.53	856.04	962.55
	19.4%	518.44	620.73	**723.03**	825.33	927.63
	20.4%	501.17	599.45	697.74	796.02	894.31
	21.4%	484.67	579.13	673.59	768.05	862.51

Source: RIB Estimates

Relative to the Gordon Growth DCF, the exit multiple approach yields a meaningfully higher valuation, reflecting the premium typically embedded in current market multiples relative to a perpetuity-based terminal value.

While the two FCFF methodologies diverge in magnitude, we view this as expected rather than concerning: exit multiples capture prevailing market growth expectations, whereas the Gordon Growth approach is anchored to a more conservative long-run sustainable growth assumption. We therefore present our implied price of **KES 44.32 per share** as a more optimistic scenario, reflecting a blended interpretation of prevailing macroeconomic conditions, Ethiopian execution risk, and market-implied valuation signals — rather than our central case.

Group Target Price (Low EV/EBITDA)	
Telecom EV	484.67
MPESA EV	85.09
Total Group EV	569.76
(+) Cash	26.96
(-) Debt and Lease liabilities	(166.77)
Equity Value	429.95
Number of Shares	40.07
Implied Equity Value Per Share	**10.73**

Group Target Price (High EV/EBITDA)	
Telecom EV	999.18
MPESA EV	2,261.90
Total Group EV	3,261.09
(+) Cash	26.96
(-) Debt and Lease liabilities	(166.77)
Equity Value	3,121.28
Number of Shares	40.07
Implied Equity Value Per Share	**77.90**

FCFF Valuation Summary	Low	High	Target
MPESA EV/EBITDA	10.73	77.90	44.32

Source: RIB Estimates

Comparables Analysis

For our valuation of M-PESA, we adopt a comparable company analysis framework focused on businesses with similar payment processing, transaction-based, and financial services economics. Given M-PESA's unique positioning across payments, money transfers, merchant services, and digital financial solutions, no single peer perfectly replicates its business model. As a result, we select a range of global fintech and payments companies that collectively capture different components of the M-PESA value chain.

Our primary valuation metric is EV/EBITDA, which we believe best reflects the cash-generative nature of transaction-driven businesses while minimizing differences in capital structures across peers.

Comparables	P/E	EV/EBITDA
Block, Inc. (XYZ)	32.2x	21.4x
Visa	29.7x	24.0x
MasterCard	28.2x	19.4x
PayPal	7.5x	5.8x
Western union	5.3x	0.9x
Average	**20.6x**	**14.3x**
Median	**28.2x**	**19.4x**
Minimum	**5.3x**	**0.9x**
Maximum	**32.2x**	**24.0x**

Peer Rationale

Visa and Mastercard: Represent the closest analogues to M-PESA's transaction-processing business. Both derive value from facilitating payment flows across large-scale networks and benefit from strong network effects. While their ecosystems are predominantly bank- and card-based, compared to M-PESA's mobile-wallet infrastructure, they provide valuable benchmarks for assessing the valuation of scaled payment platforms. Their premium EV/EBITDA multiples of 24.0x and 19.4x reflect their global reach, dominant market positions, and resilient earnings profiles.

PayPal: Offers exposure to digital wallet economics and is arguably the closest global fintech peer to M-PESA from a customer engagement perspective. Both platforms facilitate payments, store value, and generate revenues from transaction activity and value-added financial services. PayPal's lower EV/EBITDA multiple of 5.8x reflects a more mature growth profile and increasing competitive pressures, providing a useful lower-end reference point within our peer set.

Western Union: Captures M-PESA's remittance and money transfer business, particularly through M-PESA Global. Although Western Union remains more heavily exposed to cross-border remittances than domestic payments, both businesses generate revenue primarily from transaction fees. Its 0.9x EV/EBITDA multiple reflects structural growth challenges and heightened competition from digital-first payment providers.

Block, Inc.: Provides exposure to a broader financial services ecosystem spanning merchants and consumers. Similar to M-PESA, Block benefits from ecosystem effects whereby increased participation drives higher transaction volumes and monetization opportunities. Its 21.4x EV/EBITDA multiple reflects strong growth prospects and a diversified payments platform.

Valuation

To estimate M-PESA's standalone enterprise value, we derive an implied **FY26 EBITDA of KES 94.14bn** by applying the group's EBITDA margin to estimated M-PESA revenue. Applying the minimum and maximum EV/EBITDA multiples from our peer group (0.9x–24.0x) results in an enterprise value range of **KES 85.09 Bn–KES 2,260.90Bn.**

This valuation range forms the basis of our broader sum-of-the-parts analysis and sensitivity framework. Combining the implied M-PESA valuation with our telecom business valuation yields a central equity value estimate of approximately **KES 38.25 per share.**

M-Pesa EBITDA	2021	2022	2023	2024	2025	2026
MPESA Revenue	82.65	107.69	117.19	140.01	161.13	182.74
Group EBITDA Margin	50.8%	50.0%	45.0%	46.7%	44.3%	51.5%
Estimated MPESA EBITDA	41.99	53.85	52.72	65.42	71.37	94.14

Target Price (Low EV/EBITDA)	
M-Pesa EBITDA	94.14
Min EV/EBITDA	0.9
	85.09

Target Price (High EV/EBITDA)	
M-Pesa EBITDA	94.14
Max EV/EBITDA	24.0
	2,261.90

Source: RIB Estimates

Consolidation Valuation Cross-Check

As a final cross-check to our preferred hybrid sum-of-the-parts (SOTP) valuation, we value Safaricom as a single integrated entity rather than separately valuing the telecom and M-PESA segments. This exercise allows us to quantify the potential discount embedded within the group's market valuation and assess the value creation arising from our segment-based approach.

For the consolidated valuation, we employ a blended methodology comprising an FCFF DCF analysis and a comparable company valuation. Unlike our SOTP framework, no segment-level adjustments are made to EBIT, depreciation and amortization, capital expenditure, or working capital. Instead, we utilize consolidated group financials to derive enterprise value.

FCFF Valuation

Using consolidated forecasts, we project FCFF over the explicit forecast period and discount cash flows using a **WACC of 19.44%.** For terminal value estimation, we apply the Gordon Growth methodology with a **5.0% perpetual growth assumption**, consistent with our SOTP valuation framework.

This results in **a terminal value of KES 1.08 Tn** and an implied enterprise value of **KES 785.50 Bn**. After adjusting for cash balances, debt, and lease liabilities, we derive an implied equity value of **KES 645.69 Bn**, equivalent to **KES 16.12 per share**.

Compared to the current market price of KES 32.00, the DCF implies a downside of approximately 49.6%.

FCFF – Consolidated (KES Mn)	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Earnings Before Interest and Tax	188.81	206.84	230.76	258.08	299.18
Tax Charge (30%)	(56.64)	(62.05)	(69.23)	(77.42)	(89.75)
EBIT Less Tax	132.16	144.79	161.53	180.65	209.43
Add: Depreciation & Amortization	60.51	74.44	88.64	105.41	104.03
Minus: Capex	(69.56)	(76.45)	(84.52)	(93.00)	(100.91)
Add: Changes in Working Capital	(49.88)	(58.32)	(58.50)	(57.62)	(56.71)
FCFF	**73.23**	**84.46**	**107.15**	**135.45**	**155.84**
Terminal Value					1,079.25
Time	**0.80**	**1.80**	**2.80**	**3.80**	**4.80**
Discount Factor	0.87	0.73	0.61	0.51	0.43
Present Value	**63.56**	**61.34**	**65.16**	**68.96**	**526.47**

DCF Valuation Summary	
Implied Enterprise Value	785.50
(+) Cash	26.96
(-) Total Borrowings	109.26
(-) Lease Liabilities	57.51
Implied Equity Value	**645.69**
Number of Shares (Mn)	40.06
Implied Equity Value Per Share	**16.12**
Current Price per Share	32.00
Upside/ Downside	**-49.6%**

Source: RIB Estimates

To assess valuation sensitivity, we stress-tested our assumptions across a **WACC range of 17.4%–21.4%** and a **perpetual growth range of 3.0%–7.0%.** The resulting valuation range spans **KES 12.56–22.26** per share, with our base case of **KES 16.12 per share** situated near the midpoint of the range.

		Perpetual Growth				
		3.0%	4.0%	5.0%	6.0%	7.0%
WACC	17.4%	17.49	18.41	19.49	20.75	22.26
	18.4%	16.01	16.79	17.68	18.71	19.92
	19.4%	14.72	15.37	**16.12**	16.97	17.96
	20.4%	13.58	14.13	14.76	15.48	16.30
	21.4%	12.56	13.04	13.57	14.18	14.86

Comparable Company Valuation

For the relative valuation, we selected a peer group of regional telecommunications operators including MTN Group, Telecom Egypt, Telkom SA, Zain, and Vodacom. These companies provide exposure to similar emerging market demographics, mobile connectivity trends, data monetization opportunities, and, in the case of MTN, a sizeable mobile money business that closely mirrors aspects of Safaricom's operating model.

The peer group trades at **EV/EBITDA multiples ranging from 4.5x to 5.9x,** with a **median multiple of 5.17x.** Applying the valuation range to Safaricom's EBITDA and adjusting for net debt yields an implied equity value range of **KES 20.98–37.47 per share**, with a central valuation of **KES 29.23 per share**.

Comparables	P/E	EV/EBITDA
Telecom Egypt	7.3x	4.9x
Telkom SA SOC	3.9x	4.5x
Zain KWSE	10.6x	5.9x
Vodacom Group (South Africa)	14.5x	5.7x
MTN Group	18.8x	5.2x
Safaricom	12.8x	6.2x
Average	**11.0x**	**5.2x**
Median	**10.6x**	**5.17x**
Minimum	**3.9x**	**4.5x**
Maximum	**18.8x**	**5.9x**

Target Price (Low EV/EBITDA)	
Safaricom EBITDA	220.26
Min EV/EBITDA	4.5
Enterprise Value	980.35
(+) Cash	26.96
(-) Debt and Lease liabilities	(166.77)
Equity Value	840.54
Number of Shares	40.06
Implied Equity Value Per Share	**20.98**

Target Price (High EV/EBITDA)	
Safaricom EBITDA	220.26
Max EV/EBITDA	5.9
Enterprise Value	1,307.59
(+) Cash	26.96
(-) Debt and Lease liabilities	(166.77)
Equity Value	1,501.32
Number of Shares	40.06
Implied Equity Value Per Share	**37.47**

Source: RIB Estimates

Consolidated Valuation

We assign equal weighting to the FCFF and comparable company methodologies, ***resulting in a blended target price of KES 23.32 per share***. Relative to the **current share price of KES 32.00**, the blended valuation implies a 27.1% downside, which is partially offset by an expected dividend yield of **approximately 8.2%,** resulting in a **total expected return of -18.9%.**

Group Valuation Summary				
	Low	**High**	**Target**	**Weight**
FCFF	12.56	22.26	17.41	0.5
EV/EBITDA	20.98	37.47	29.23	0.5
Target Price				**23.32**
Current Price				**32.00**
Premium/(Discount)				**-27.1%**
Dividend Yield				**8.2%**
Total Return				**-18.9%**

Implications for SOTP Valuation

The consolidated valuation ***of KES 23.32 per*** *share compares with our hybrid SOTP valuation* ***of KES 38.25 per share,*** *implying a discount of approximately* ***39.03%.*** *This highlights the significant value dilution that can occur when high-growth and high-return businesses such as M-PESA are valued within a broader telecommunications group rather than on a standalone basis.*

In our view, this outcome reinforces the rationale for adopting a SOTP framework as our primary valuation methodology. While the consolidated valuation serves as a useful downside scenario, we believe it understates the intrinsic value of the business given the strong earnings significance of the M-PESA segment

Key Valuation Risks

1. Exchange rate impact form geopolitical fallout from the Middle East on the Ethiopian birr

One of the most significant headwinds to Safaricom Ethiopia's earnings trajectory has been exchange rate volatility. Following Ethiopia's transition from a fixed to a market-determined exchange rate regime, the Ethiopian Birr depreciated by 55.5% in 2024 and a further 18.1% in 2025 against the US dollar. While the reform has improved foreign currency liquidity and eased historical constraints around capital repatriation, it also resulted in a material translation impact on Safaricom's reported earnings, contributing to a KES 20.5 billion foreign exchange loss in FY2025.

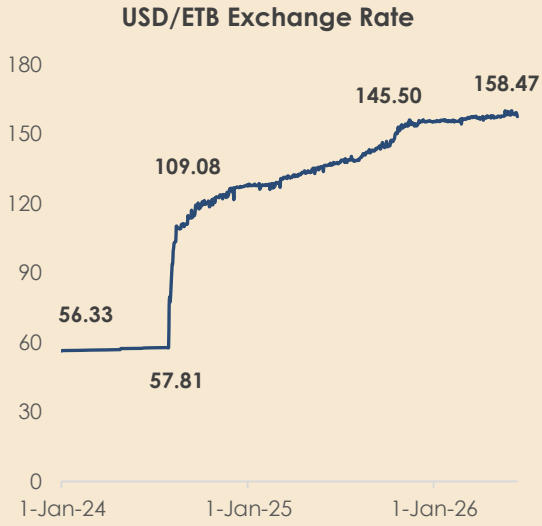
Looking ahead, elevated energy prices resulting from ongoing geopolitical tensions in the Middle East could place renewed pressure on Ethiopia's external balance through a higher import bill and rising domestic inflation. This could trigger further currency weakness, adversely affect the translation of Ethiopian earnings and potentially delay the subsidiary's path to EBITDA breakeven.

> ***Valuation Impact:*** *Assuming a 200bps increase in WACC, our valuation declines from KES 38.25 to KES 36.50 per share.*
>
> ***Likelihood:*** *Moderate. While the Birr has depreciated only 3.7% year-to-date, suggesting limited immediate market stress, prolonged energy market disruptions remain a key risk to currency stability.*

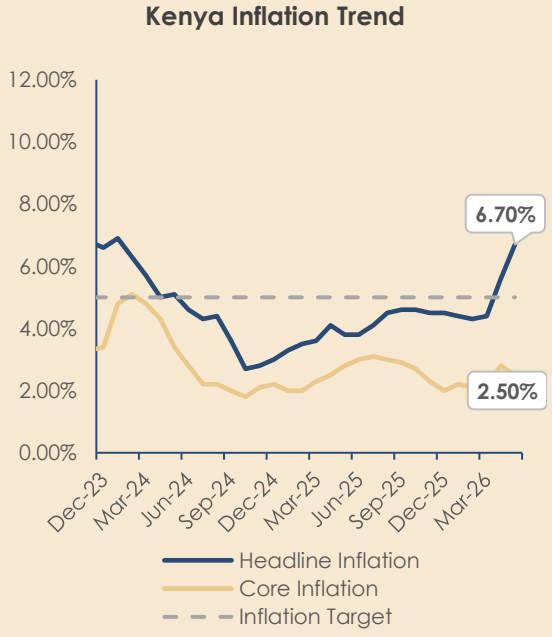
2. Inflationary fallout from increased global energy prices impacting consumer spending power and possible trigger higher interest rate environment:

The inflationary effects of the Middle East conflict have already begun to filter through regional economies. Kenya's latest headline inflation reading rose to 6.7%, while Ethiopia's inflation rate returned to double-digit territory at 11.7%.

Should elevated energy prices persist, household disposable incomes could come under increasing pressure, potentially slowing growth across Safaricom's core service lines, including mobile data and M-PESA transaction volumes. Furthermore, a sustained inflationary environment may compel central banks to



Source: Investing.com, RIB Research



Source: KNBS, RIB Research

adopt a tighter monetary policy stance, increasing borrowing costs and potentially weighing on valuation multiples across regional equity markets.

Valuation Impact: *Assuming a 200bps increase in WACC and a reduction in terminal growth from 5.0% to 3.0%, our target price declines to KES 35.76 per share.*

Likelihood: *High. Given the ongoing geopolitical uncertainty and continued disruption to global energy markets, we view inflationary pressures as one of the most immediate risks to our forecasts.*

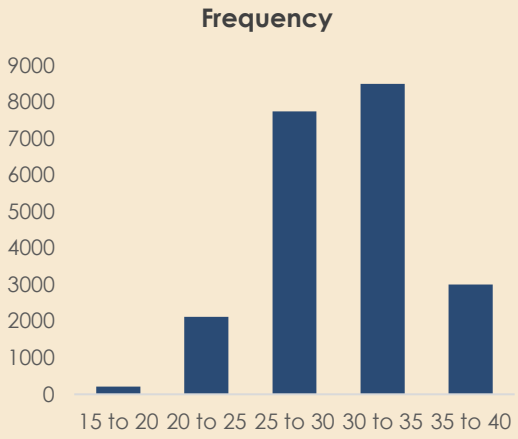
3. Fallout from 2027 election period could impact performance of Kenyan subsidiary:

As Kenya moves closer to the 2027 general elections, political uncertainty could emerge as a near-term overhang on both operating performance and investor sentiment. Historically, election periods have been associated with slower economic activity, reduced consumer spending, and periods of heightened market volatility, all of which can affect telecommunications demand and equity market performance.

To assess potential market outcomes, we conducted a Monte Carlo simulation using historical daily logarithmic returns observed during the 2017 and 2022 election cycles. The results indicate that the majority of simulated price outcomes fall within a KES 30–35 range during periods of elevated political uncertainty. While this suggests some downside relative to our target price, the simulation continues to imply positive returns from current trading levels, supporting our constructive long-term view on the stock despite potential short-term volatility.

Valuation Impact: *Primarily affects market sentiment and valuation multiples rather than the company's long-term fundamentals.*

Likelihood: *Moderate. Political risk remains a recurring feature of Kenyan election cycles, although the magnitude of market disruption varies significantly across election periods.*



Source: NSE, RIB Estimates

Summary Statistics	
Maximum	54.59
3rd Quartile	33.75
Average	30.95
Median	30.55
1st Quartile	27.73
Minimum	16.91

Source: NSE, RIB Estimates

Investment Summary

Investment Thesis

***1.* Ethiopia's Progress Toward Profitability Should Drive the Next Leg of Group Growth**

We view Safaricom Ethiopia as the company's most significant long-term growth opportunity. We forecast the subsidiary's contribution to group revenue to increase from approximately 4% in FY2026 to 17% by FY2031 as network coverage expands, subscriber penetration deepens, and service utilization increases. Importantly, we expect the business to reach EBITDA breakeven by FY2028, before generating EBITDA of approximately KES 66.5 billion by FY2031. As the Kenyan telecommunications market matures, Ethiopia provides a sizeable runway for incremental revenue and earnings growth. Moreover, our forecasts primarily reflect growth from voice and mobile data services and therefore do not fully capture the longer-term monetization potential of M-PESA, which could represent an additional source of upside as the ecosystem develops.

2. M-PESA's Ecosystem Strength Continues to Reinforce Its Competitive Moat

M-PESA remains one of Safaricom's most valuable strategic assets, with revenues growing at an 11.2% CAGR over the past five years. The platform facilitated KES 41.7 trillion of transaction value in FY2026, equivalent to nearly half of Kenya's GDP, underscoring its central role within the country's financial ecosystem. While competition has intensified, we believe the risk of material market share erosion remains limited given M-PESA's entrenched network effects and expanding suite of value-added services, including Ziidi, merchant solutions, and small-business financial products. These innovations continue to deepen customer engagement, increase switching costs, and support sustainable revenue growth.

3. Value-Based Segmentation Supports Sustainable Revenue Growth

Safaricom's transition toward a value-based segmentation strategy has become an increasingly important driver of revenue growth across voice, messaging, data, and fixed services. By tailoring products to specific customer needs and willingness to pay, the company has successfully expanded its user base while improving service monetization. We believe this strategy is particularly important in a mature Kenyan market where traditional subscriber growth opportunities are becoming increasingly limited. Looking ahead, rising smartphone penetration, broader adoption of 4G and 5G devices, and targeted affordability initiatives such as Lipa Mdogo Mdogo should support continued customer acquisition and usage growth, underpinning resilient top-line performance over the medium term.

Bottom Line

In our view, the market continues to value Safaricom predominantly as a mature Kenyan telecommunications operator while assigning limited value to its Ethiopian growth platform and the long-term earnings potential embedded within M-PESA.

As Ethiopia approaches profitability and M-PESA continues to deepen its role within East Africa's financial ecosystem, we believe Safaricom is positioned to deliver earnings growth that exceeds current market expectations. Combined with an attractive dividend profile and resilient cash generation, this supports our "Strong Buy" rating and target price of KES 38.25.

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Financial Statements

Income Statement ('Bn)	2026 A	2027 F	2028 F	2029 F	2030 F	2031 F
Voice Revenue	84.82	86.95	90.02	95.55	102.79	110.25
Interconnect Revenue from Local Partners	0.00	4.46	4.24	4.03	3.83	3.75
Messaging Revenue	11.17	10.85	11.00	11.91	13.33	16.30
Mobile Data Revenue	92.91	109.32	130.95	154.73	175.58	187.16
Fixed Data Revenue	20.01	26.57	30.33	33.23	36.02	38.29
M-Pesa Revenue	182.74	196.03	211.41	229.46	251.16	277.48
Other Services Revenues	13.00	14.18	15.47	16.98	18.72	20.89
Mobile Incoming Revenue	9.48	10.96	12.85	15.07	16.31	17.12
Service Revenue	**414.14**	**459.33**	**506.27**	**560.96**	**617.74**	**671.24**
Handset Revenue	6.85	6.63	6.00	5.61	5.56	5.23
Connection Revenue	0.00	2.01	2.05	2.05	2.34	2.40
Construction Revenue	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue from Contracts with Customers	**420.99**	**467.97**	**514.32**	**568.61**	**625.65**	**678.87**
Revenue From Other Sources	6.57	6.57	6.57	6.57	6.57	6.57
Total Revenue	**427.56**	**474.53**	**520.89**	**575.18**	**632.21**	**685.44**
EBITDA	**220.26**	**249.32**	**281.28**	**319.40**	**363.49**	**403.21**
EBIT	**146.32**	**188.81**	**206.84**	**230.76**	**258.08**	**299.18**
Profit attributable to Owners of the Company	**73.68**	**96.41**	**106.64**	**120.31**	**140.61**	**170.44**

Source: Company Disclosures, RIB Estimates

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Balance Sheet ('Bn)	2026 A	2027 F	2028 F	2029 F	2030 F	2031 F
Assets						
Current Assets	79.95	90.85	130.05	167.42	214.24	265.08
Non-current Assets	438.10	458.12	473.01	485.89	487.52	496.45
Total Assets	**518.05**	**548.97**	**603.06**	**653.31**	**701.76**	**761.53**
Liabilities & Equity						
Total Liabilities	287.12	293.05	318.28	335.14	345.04	359.10
Total Equities	230.92	255.92	284.78	318.18	356.72	402.43
Total Liabilities & Equity	**518.05**	**548.97**	**603.06**	**653.31**	**701.76**	**761.53**

Source: Company Disclosures, RIB Estimates

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