SIB Standard Investment Bank

27TH MAY 2025

EQUITY RESEARCH

SAFARICOM PLC FY26 VALUATION UPDATE

Dual Momentum: Kenya soars, Ethiopia losses in retreat

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EQUITY RESEARCH

Telecommunications Sector

26th May 2025

Price: KES 19.90

Fair Value Estimate: KES 36.38

Upside potential: +82.8%

Trailing P/E: 12.66x

Trailing B/B; 4.49x

Div. yield: 6.0%

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Executive Summary

We have updated our valuation for Safaricom with the fair value estimate for the GSM business coming in at KES 14.35 (down from KES 15.16 in FY24) while that of the financial services business comes in at KES 22.03 (up from KES 17.99 in FY24). Since surpassing the telecommunications business in 2019, the financial services division has continued to do the heavy lifting, now contributing 60.6% of our total valuation. We started valuing the two businesses separately in 2014. Combined, the fair value estimate for Safaricom Group is **KES 36.38**, representing a **BUY** recommendation with 82.8% upside potential from the current price levels.

Outlook

Kenya

We maintain the view that maturity in Voice and SMS will show in the medium term, and that customer-focused price propositions (though commendable) may not be able to sustain revenue growth in the long run – *given the shift of consumer trends to over-the-top technologies (like WhatsApp) and the deepening of smartphone penetration in Kenya*. While we expect data revenues to augment as smartphone penetration deepens, a potential disruption from satellite internet players is a key medium-term risk. For the financial division, license acquisition into the broader financial services segment may be the next growth frontier as the mobile money ecosystem matures – although the current multi-tenant structure seems to serve the firm well.

Ethiopia

We see significant opportunities for mobile data growth, given that a bulk of the population is offline. The low smartphone penetration gives Safaricom a unique opportunity to deliver low-cost devices through EADAK (25% stake) and other providers. On voice, we opine revenue growth as the telco gains critical mass. Further, the downward revision of MTR rates in Ethiopia might see more affordable pricing by the subsidiary for voice services, driving usage and lowering costs that the company would have otherwise absorbed to remain competitive. We are hopeful about the long-term prospects of M-Pesa in Ethiopia, which we believe may gain traction as it expands to offer financial services products like overdraft facility.

Consilient Viewpoint

There is a compelling case for telcos to partner with satellite network operators (like SpaceX, OneWeb, Telesat, and Amazon's Kuiper). First, such partnerships will aid in coverage expansion (with satellites acting as base stations in space) to rural areas that have low population density and tend to have highly unfavorable network economics. Secondly, better coverage may considerably reduce churn, thus boosting subscriber spend within the network.

Thirdly, as mobile and IoT device technology advances, direct compatibility of devices with satellite internet will be ubiquitous over time, which may see satellite operators competing directly with telcos at a retail level, unless partnerships that will have telcos owning customer relations and satellite operators receiving a fee for connectivity take root earlier.

We highlight the risk around policy changes and their potential impact on the reversal of M-Pesa transactions to cash, more so for merchants, as a key concern. Recent trends suggest that it is reasonable to expect policy changes (on personal data information for integration into the electronic tax management system) at some point as the government consolidates its efforts to ramp up revenue collections.

Group FY25 Performance Review: Beats top-line projection, in line with EPS, but under-performs on dividend payout.

The group reported a per-share earnings print of KES 1.74 in FY25, a 10.8% y/y growth from 1.57 in the prior year. This came in line with our EPS estimate of 1.73. The growth was driven by the 11.2% y/y rise in topline to KES 388.7Bn – outpacing our projection of KES 378.6Bn. As expected, Kenya accounted for the bulk (c.98.1%) of the revenues, with Ethiopia growing strongly on voice and data.

Earnings before interest, tax, depreciation, and amortization (EBITDA) grew by 5.4% y/y to KES 172.2Bn – lower than our KES 174.8Bn projection. The Group's net earnings grew 7.3%y/y to KES 45.8Bn – below our KES 49.4Bn forecast. That said, earnings attributable to shareholders grew 10.8%y/y to KES 69.8Bn (in line with our estimate of KES 69.5Bn) with KES 24.0Bn in losses passed on to minority shareholders of the Safaricom Ethiopia consortium – higher than our expectation of KES 20.0Bn.

The board of directors has recommended a per-share final dividend of KES 0.65 - bringing the total dividend payment for FY25 to KES 1.20 (similar to the prior two years). **The final dividend will be paid on or about 31st August 2025 to shareholders on the register at the close of business on 31st July 2025**. Our expectation of FY25 dividends was KES 1.34; thus, FY25 dividend payout underperformed by 12%.

Group Performance Highlight (FY25 Actual Vs Forecast & FY26 – FY29 Projections)

Income Statement (KES, m)	2025A	2025F	2026F	2027F	2028F	2029F
Revenue	388,689	378,628	439,999	488,640	535,272	587,518
Operating costs	(205,392)	(197,301)	(220,125)	(244,459)	(267,789)	(293,926)
EBITDA	172,151	174,809	214,069	237,169	259,803	285,161
Depreciation and amortisation	(68,101)	(84,237)	(69,365)	(72,012)	(69,483)	(72,330)
EBIT	104,050	90,572	144,586	164,839	183,027	202,872
Net interest (cost)/income	(20,909)	(17,444)	(16,068)	(15,091)	(16,110)	(15,277)
Earnings before tax	93,211	84,309	128,476	149,561	166,132	183,943
Net profit	45,757	49,409	64,716	75,337	83,684	92,655
Attributable to shareholders	69,799	69,501	82,619	92,412	98,467	104,390

Group Performance Highlight (FY25 Actual Vs Forecast & FY26 – FY29 Projections)

GSM Business

Voice and SMS: Outperform forecasts on lower pricing and increased utility in Kenya, Ethiopia yet to pocket gains from critical mass. FY26 expected to post growth in both revenue lines

In Kenya, Voice and SMS revenues surprised on the upside in FY25 with growth of 1.6% each to KES 80.8Bn and KES 12.5Bn, respectively – above our projection of KES 79.8Bn and KES 10.8Bn, respectively. Better price proposition was behind the outperformance, with the monthly Average Revenues per User (ARPU) for voice and SMS declining by 6.9%y/y and 7.6%y/y to KES 233.73 and KES 43.75.

We maintain the view that maturity in these segments will continue to manifest in the medium term *(in line with global trends)*. While customer-focused price propositions are commendable, these may not be able to sustain revenue growth in the long run, given the shift of consumer trends to over-the-top technologies *(like WhatsApp)* and the deepening of smartphone penetration in Kenya. Further, we opine that revenue growth is propelled by utility as opposed to pricing might bring margins under pressure within the GSM division.

Ethiopia posted a rise of 14.1%y/y and 93.9%y/y to KES 1.2Bn and KES 82m for voice and SMS revenues, respectively. Unlike in Kenya, we expect voice and SMS revenues in Ethiopia to benefit from the low smartphone penetration – highlighted in detail in our *FY25 Valuation Update* – in the medium term.

At a group level, expectations of maturities in Kenya should be offset by Ethiopia, which will augment significantly as the network gains critical mass[1]. **For FY26, we project group voice and SMS revenues at KES 84.1Bn (+2.6%y/y) and KES 12.8Bn (+2.1%y/y), respectively**.

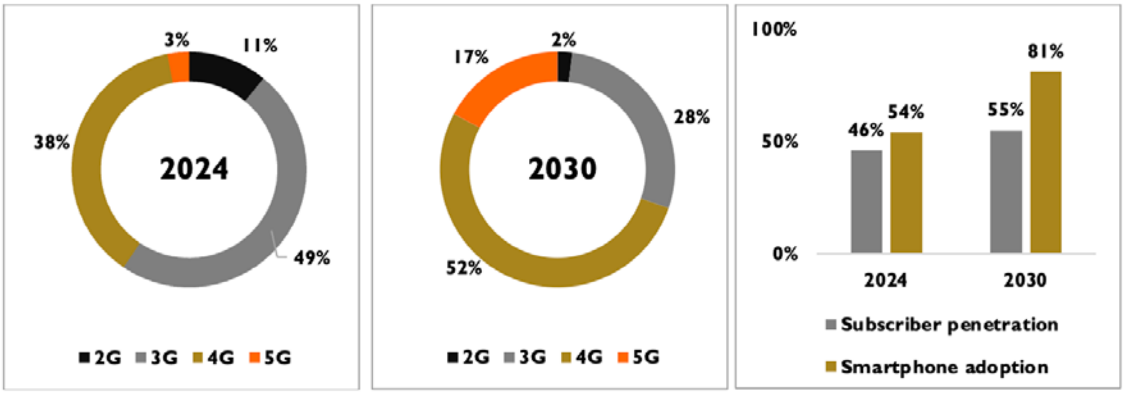
Mobile Data: Smartphone penetration in Kenya ahead of SSA, Ethiopia largely offline. Strong growth expected in FY26

Mobile data revenues in FY25 rose by 16.5%y/y to KES 78.5Bn – outpacing our group projection of KES 74.0Bn. At a granular level, both Kenya and Ethiopia posted strong performance with revenues up 15.2%y/y to KES 72.9Bn in Kenya, and 35.8%y/y to KES 5.7Bn in Ethiopia. Kenya grew faster than expected.

Behind the outperformance was a growth in users in Kenya, which was up 11.2%y/y to 30.7m, outpacing our forecast of 28.8m users. As expected, data prices continued to soften, with the rate per MB declining by 3.3%y/y in FY25 to KES 0.062 from KES 0.064 in FY24. **As we highlighted in our FY25 valuation update, we continue to believe that price is a key proposition to consumers and that, beyond growth in user base, more effective cost-share strategies on internet subsidization partnerships should be adopted by mobile operators since they bear most of the infrastructure costs, facilitating networked internet access**.

As of 31st December 2024, CA reported that smartphone penetration in Kenya stood at 80.5% *(which is c. 5 years ahead of the forecast for Sub-Saharan Africa)*, with mobile phone device penetration at 139.8%. Benching this data to findings by GSMA, smartphone penetration in Kenya is about that of the global estimate (c.80% in 2024) and above the current smartphone adoption in Sub-Saharan Africa (c. 54% in 2024).

Sub-Saharan Africa (SSA) GSM Technology Trends



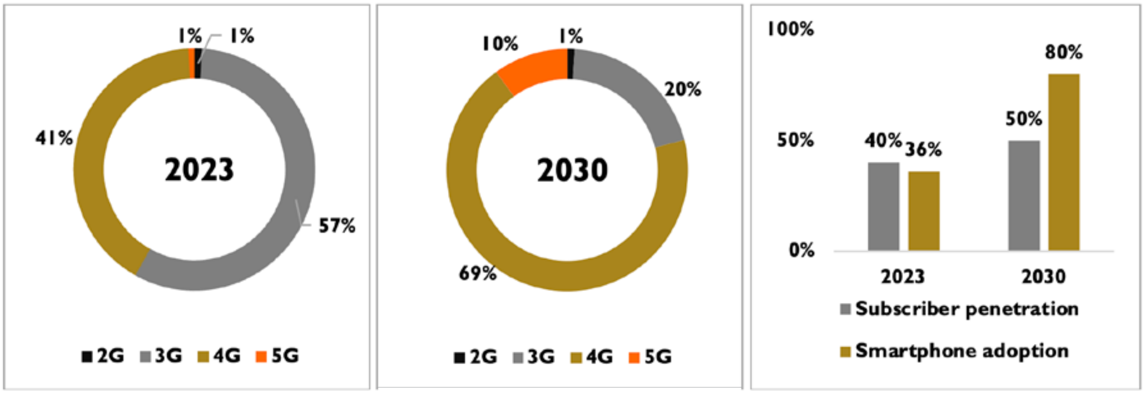
Source: GSMA, The Mobile Economy 2025

With smartphones expected to drive internet penetration, mobile data revenues should maintain strong growth prints in the long run. That said, a potential disruption, highlighted in our 1H25 Results Commentary, is in satellite internet providers moving to acquire licenses to offer D2D services[2]. Such a move would intensify pricing pressures on data for telcos to remain competitive and, potentially, in the worst case, customer attrition.

[1] Critical mass in the Global System of Mobile Communications (GSM) refers to the minimum number of subscribers a mobile network needs to reach, for its growth to become self-sustaining, driven by strong network effects that make the service increasingly valuable as more people join.

[2] D2D is a technology that will enable smartphone users to connect to satellite internet without the need for dedicated hardware and perform basic functions like texting, calling, and internet browsing.

Ethiopia GSM Technology Trends



Source: GSMA, The Mobile Economy 2025

Looking at Ethiopia, GSMA data shows that smartphone adoption is below the SSA average, implying that opportunities for mobile data in the long haul are high. Further, the country's internet penetration as of 2024 was estimated at 19.4% of the total population, signaling that the bulk of the country is offline. This, coupled with the GSMA growth forecast (for smartphone adoption to 80% by 2030), provides a unique opportunity for East Africa Device Assembly Kenya Limited (EADAK) , of which Safaricom is a 25% shareholder, to profit from device sales.

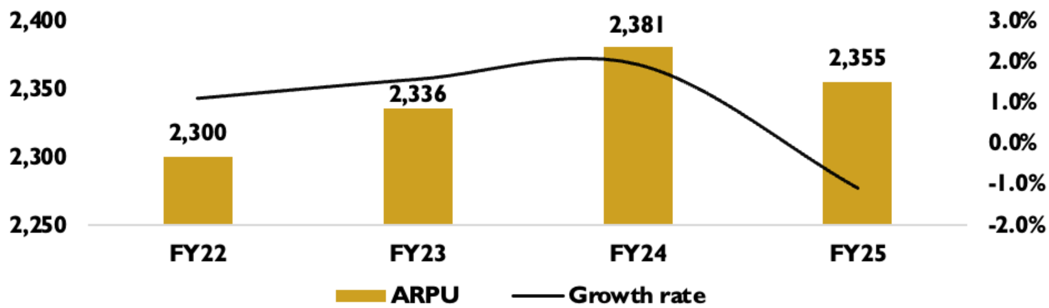
Unique to EADAK, three of the top five smartphone markets in SSA by 2030 are forecasted to fall within the Eastern Africa Region, with Ethiopia leading the region at c. 97m smartphone devices while Tanzania and Kenya follow at estimated 92m and 73m smartphone devices. If EADAK[3] strategy falls on the goldilocks of impressive features at affordable prices (on subsidization strategies), the business should profit on the aforementioned growth. **For FY26, we forecast group mobile data revenues at KES 91.7Bn (+16.8%y/y)**.

Fixed Data: Competition from satellite to drag APRU in the near term, rise in users to support topline growth.

Fixed data revenues in FY25 grew 12.3%y/y to KES 16.8Bn for the Group – in line with our estimate of KES 16.3Bn. Behind the strong growth was a rise in user base in Kenya with home customers surging 21.3%y/y to 301.5k and business customers up 17.5%y/y to 69.9k.

We, however, noted a decline in home customers' spending (see below) in FY25, which we believe is on the back of the price discounts introduced across most home fibre packages within the year. The discounts, coupled with the increase in home fibre speeds without increasing prices, were, in our view, a direct response to the competitive pressure from Starlink. This came in line with our assessment *(pointed out in the FY25 valuation update note, linked above)* that satellite operators are significant contenders and disruptors to the fixed data services market.

Fibre to the Home (FTTH) ARPU Trends



Source: Company filing, Standard Investment Bank estimates

[3] EADAK is a smartphone assembly plant, located in Athi River. It was launched in October 2023 and is a joint venture between Safaricom, Jamii Telecom, Chinese phone manufacturer Telel, and the Industrial Technology Training Company Limited. Each of the joint venture members has a 25% shareholding.

As of 31st December 2024, Starlink had a market share of 1.1%, with Safaricom leading with a 36.1% market share. **Our view remains that price pressures will continue to show in the APRU in the near-term** with our analysis and inquiry (pointed out in 1H25 results commentary, linked above) signaling a likely upward price adjustment of satellite internet in the medium-term. This implies that cash-rich fixed data operators who opt to absorb costs relating to upscaling bandwidth allocations or taking price cuts may have a silver lining in the long run – a plus for Safaricom's strategy. **For FY26, we project fixed data revenues at KES 18.0Bn (+7.2%y/y)**.

Overall, for data services, we continue to believe that mobile data should maintain the highest operational efficiency within data services revenue lines on the back of strong 4G usage that continues to leverage the pay-as-you-use dedicated model. The shared home fixed data services should maintain better operating margins to dedicated enterprise fixed data, with an exponential rise in user base being requisite for profitability in the near term, with easing price pressure from satellite operators bettering margins in the long run.

Consilient Viewpoint: A compelling case for Telcos to partner with satellite operators

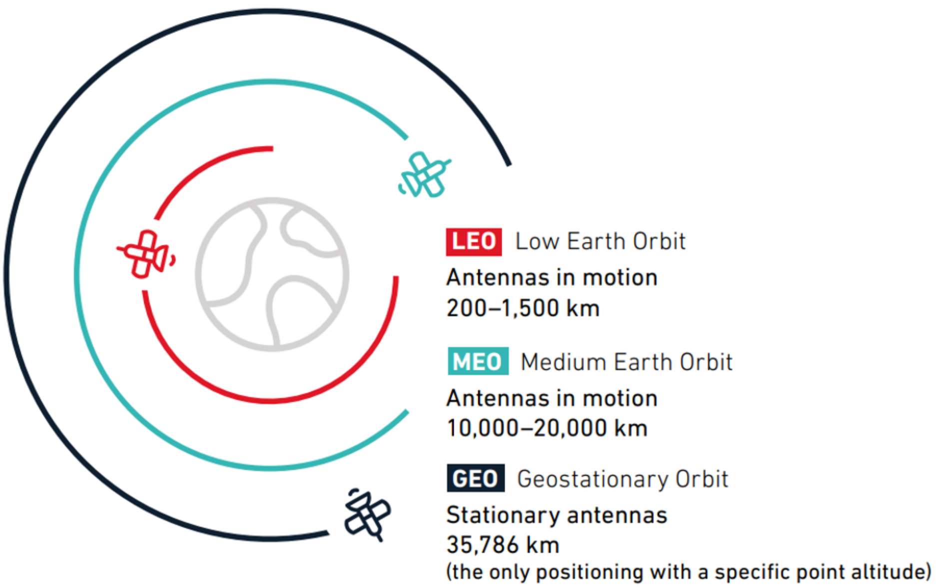
There is a compelling case for telcos to partner with Low Earth Orbit[4] (LEO) constellations satellite network operators *(like SpaceX, OneWeb, Telesat, and Amazon's Kuiper)*. First, such partnerships will aid in coverage expansion (with satellites acting as base stations in space) to rural areas that have low population density – which tend to have highly unfavorable network economics, even with small cells and existing backhaul solutions.

GSMA intelligence report on D2D dubbed Satellite 2.0, highlighted that, "… backhaul costs for telcos rise disproportionately with distance in rural areas, making fibre, ethernet and even microwave – the mainstays of mobile backhaul – very expensive."

Worth noting, the number of LEO satellites is estimated to rise to c. 10,000 by 2028 (from c.5,000 in 2022), theoretically implying a near-complete global coverage. **From our vantage point, such partnerships will see reduced capex and opex costs relating to network expansion and ongoing maintenance – a plus in bettering margins and/or lowering tariffs to remain competitive**.

[4] "LEO satellites operate 300–2,000 km above Earth's surface. By contrast, medium Earth orbits (MEOs) range from 2,000 to 35,000 km above Earth's surface (though most orbit between 18,000 and 24,000 km), and geosynchronous orbits (GEOs) operate at 35,786 km. This means LEO satellites can offer higher data throughput and lower latencies compared to MEOs and GEOs." - source GSMA report, Connecting from the Sky.

Satellite Geopositioning



Source: GSMA "Connectivity from the Sky" Report

Second, better coverage may considerably reduce churn[5]. This would likely translate to a rise in ARPU from the existing user base, and potentially even attract new users, given that network coverage, according to GSMA findings, is the number one or two purchasing criterion for users in many countries. **We are of the opinion that in the long run, a strong base station (ground tower) network may not necessarily be a competitive advantage for telcos in the event such partnerships take root**.

Indeed, in the Airtel Africa SpaceX partnership, coverage expansion through cellular backhauling[6] was mentioned as part of the deal. We believe that if Airtel Africa is successful in this, their network coverage will improve significantly across most markets, which may see reduced churn, a rise in users, and consequently their ARPU.

Third, as 5G NR NTN[7] is deployed, over time, most mobile and IoT devices will be compatible with D2D. This, in our view, points to the need for telcos to act fast in partnering with satellite providers in a way that telcos will own the customer relationship while satellite operators receive a fee for connectivity. **Failure to which, satellite operators may end up competing with telcos at a retail level**.

Financial Services Business

M-Pesa: Policy trends in Kenya remain a key risk

M-Pesa revenues for FY25 grew 15.1%y/y to KES 161.1Bn, higher than our KES 157.0Bn forecast. One-month active M-Pesa APRU grew 9.4%y/y to KES 395.22 (vis-à-vis our KES 383.43 estimate), with 30-day active customers growing 10.5% to 35.82m (in line with our 35.83m estimate).

From a revenue contribution mix, consumer payments (transfers and withdrawals) remain the key revenue driver at 62.2% of M-Pesa revenues in FY25. Its decline over the years is attributable to a faster growth in revenues from business payments (which now contributes 30.2% to total M-Pesa revenues). Worth noting is that the contribution from financial services (lending and savings) has declined for the fourth consecutive year to 5.2% – despite a growth in the quantum in FY25. Global payments contribution also eased to 2.4%.

M-Pesa Revenue contribution and profile mix

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	y/y Δ
Consumer Payments (Transfers & Withdrawals)	53.93	58.7	55.6	72.44	78.26	90.33	100.21	10.94%
Business Payments (C2B, B2C, B2B, LNM)	17.98	18.21	16.96	24.25	27.34	38.22	48.62	27.21%
Global Payments (Remittances, AliExpress)	0.86	1.31	2.01	2.48	2.9	3.47	3.89	12.10%
Financial Services (Lending and Savings)	2.22	6.22	8.07	8.53	8.69	7.89	8.38	6.21%
Total	**74.99**	**84.44**	**82.64**	**107.7**	**117.19**	**139.91**	**161.1**	**15.15%**

Source: Company filing, Standard Investment Bank estimates

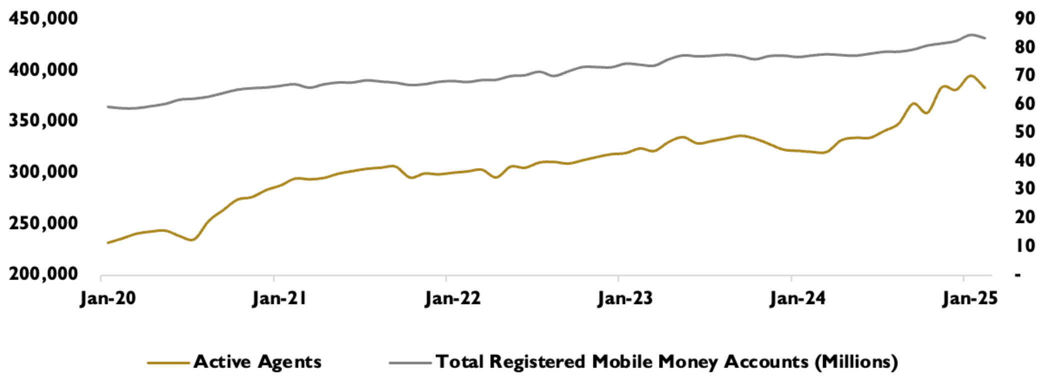
[5] The rate at which customers stop using a service or switch to a competitor over a given period.

[6] Connecting cellular base stations to the mobile operator's core network – enabling mobile data, voice, and other communications to travel from users' devices – using satellite links instead of traditional terrestrial infrastructure like fibre or microwave. This approach is pragmatic in rural and hard-to-reach areas where laying cables or building microwave links would prove to be difficult, expensive, or even impossible.

[7] That is, the technology that allows 5G wireless signals to be sent not only from ground-based cell towers but also from satellites and high-flying platforms like balloons or drones.

From the regulator's data, we continue to observe maturity in the mobile money ecosystem, with a broad plateau in the number of mobile money accounts. This implies that, in as much as Kenya's population structure is a broad-based pyramid[8], innovation will be a critical driver in revenue augmentations.

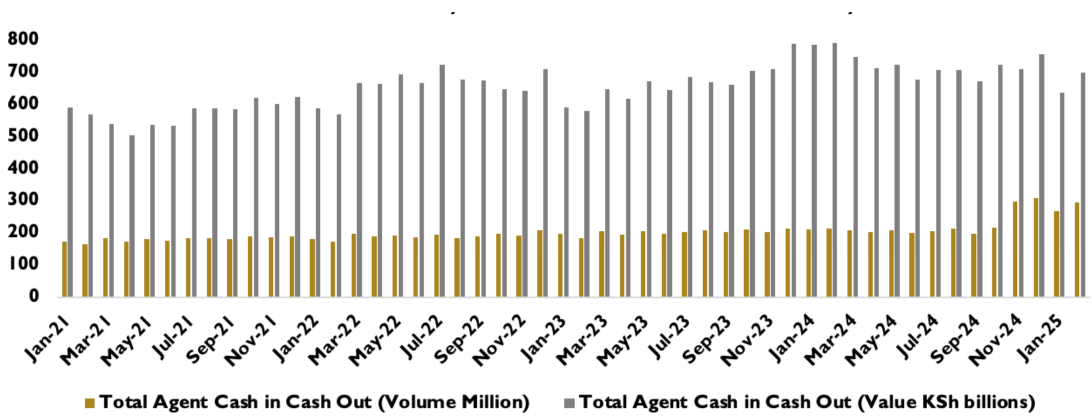
Active Agents and Mobile Money Accounts in Kenya (Jan 2022 – Feb 2025)



Source, CBK

As such, we are impressed with Safaricom's innovations beyond consumer and business payments into asset management, global payments, and insurance. **We, however, continue to believe that licence acquisition into the broader financial markets will be the next growth frontier in Kenya – although the current multi-tenant structure seems to serve the firm well**.

Mobile Money Transactions volumes and values in Kenya



Source, CBK

From a group perspective, Ethiopia remains a promising market given the dominance of cash as a payment method. Management highlighted the upcoming launch of Fuliza (an overdraft facility) within the month, and plans to launch lending and asset management products as part of their pipeline. **For FY26, we project M-Pesa Group revenues at KES 191.2Bn (+18.7%y/y)**.

[8] Kenya has a median age of c. 20 years, which implies that the country has a higher proportion of younger people. This signals that over time, more people will be coming of age – securing a ready market from a consumption vantage point, what is referred to as demographic dividends.

Consilient Viewpoint: Policy change uncertainty remains a long-term risk

In our prior valuation note, we highlighted the risk around policy changes[9] and its potential impact on the reversal of M-Pesa transactions to cash, more so for merchants, as a key concern. While this did not see the light of day, following the withdrawal of the Finance Bill 2024, we believe uncertainty around policy changes may undermine mobile money usage in the long run.

Indeed, later in the financial year, there was news on plans to convert mobile money merchant accounts into electronic tax registers, which also fizzled out, but like the prior policy adjustments, it carried the risk of impacting consumer trends in favour of cash transactions. Following these trends in the past financial year, it is reasonable to expect that such policy changes might eventually materialize as the government consolidates its efforts to ramp up revenue collections.

Certainly, in the Finance Bill 2025, there is a proposal to allow the taxman to access personal data information for integration into the electronic tax management system. This, in our view and in the context of mobile money, may fasten maturities within the ecosystem and likely thaw milestones achieved with financial inclusion – which were driven by mobile money penetration.

Ethiopia: Out of the shadows, stepping into the dawn of brighter tomorrows?

As of FY25, Safaricom Ethiopia has a total of 3,141 base stations (1,718 that it owns and 1,423 shared), with its coverage at 50% of the population. It currently has 8.84 million 3-month active customers with an average spend of c. KES 123.08 within the network.

Looking ahead, we expect the business's service revenues to grow faster than costs as it continues to gain critical mass on voice with data uptake remaining strong. Further, the downward glide path on Mobile Termination Rates (MTR) should boost voice revenues and lower voice-related costs. Management pointed to the launch of Fuliza (overdraft facility) in Ethiopia within the month, with term loans and savings products in the pipeline. We see these initiatives as a plus for the prospects of financial services revenues.

The 5-year capex plan has been retained at USD 1.0-1.3bn, with the 4-year actual capex spend at USD 1.2Bn. As of FY25, Safaricom Ethiopia's funding stands at USD 2.3bn (with USD 2.0bn in equity investment from the consortium, of which USD 1.1m is by Safaricom Group). The subsidiary's EBITDA break-even is expected in FY27, which is the fifth year of operation, with FY25 (the financial year ended 31st March 2025) expected to be the peak loss period for the subsidiary.

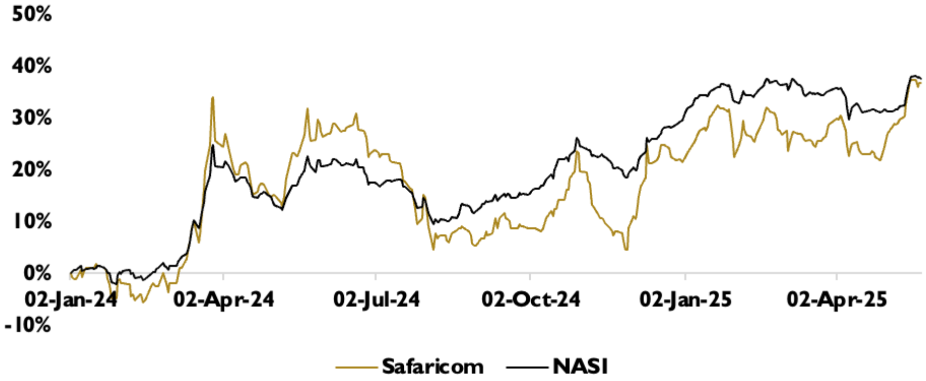
Price Performance

The counter gained 22.7% in 2024 but underperformed the broad market, with the All-Share Index returning 34.1% in the year. The underperformance was largely on the back of the banking sector (which accounted for 44.5% of the market share), gaining 44.3% in the year, outpacing the telco.

As of YTD, Safaricom has outperformed the market, having gained 16.7% vis-à-vis 8.4% by the All-Share Index. We opine that the counter should continue to see recovery within the year as the market harmonises price to the business's fundamentals. That said, the ripples of Trump 2.0 policies and their impact on investors' outlook in frontier markets cannot be overlooked; thus remains a key risk to price discovery.

(i) Proposed amendment to the Data Protection Act (CAP. 411C) under the Finance Bill 2024 that aimed to provide an exemption to the taxman on processing personal data, and (ii) proposed excise adjustment on money transfer services from 15% to 20%.

Indexed Price Performance



Source: NSE, Standard Investment Bank estimates

Shareholding Structure: Government of Kenya likely to reduce its holding?

The government of Kenya is reported to be planning to sell a significant portion of its stake in Safaricom (currently at 35%), before June 2026 – in efforts to raise the majority of KES 149Bn expected from the privatization of state enterprises. The current stake is worth c. KES 279Bn. We believe that the actualisation of the sale, if done through floating the shares in the market, may drive prices downwards. That said, if an off-market transaction is done, similar to what we saw in the banking sector[10] , premium on the sale may drive prices upwards.

Valuation Update

We have revalued the business in light of the FY25 performance, industry trends and expected evolutions, and changes in NYU Stern's country default spreads and risk premium estimates. Our fair value is derived using discounted cash flows based on 5-year estimates for the GSM Business and a mix of EV/EBITDA (weight 80%) and market capitalization to revenue (weight 20%) for the financial services.

Our fair value estimate for the GSM business is **KES 14.35** (down from KES 15.16 in FY24) and **KES 22.03** (up from KES 17.99 in FY24) for the financial services. Since surpassing the telecommunications business in 2019, the financial services division has continued to do the heavy lifting, now contributing 60.6% of our total valuation. We started valuing the two businesses separately in 2014. Combined, the fair value estimate for Safaricom is **KES 36.38**, representing a **BUY** recommendation with 82.8% upside potential from the current price levels.

For investors who do not share the same level of assumptions on the discounting factor and the terminal growth rate, we have provided a sensitivity analysis that captures fair value estimates at different levels of assumptions. Laws of congruence should apply for data points not captured in the table.

Fair Value Estimate Sensitivity Analysis

36.38	**12.9%**	**13.9%**	**14.9%**	**15.9%**	**16.9%**	**17.9%**	**18.9%**
3.6%	**38.45**	36.3	34.6	**33.12**	31.9	30.9	30.0
4.6%	**40.27**	37.7	35.7	**34.01**	32.6	31.5	30.5
5.6%	**42.60**	39.5	37.0	**35.08**	33.5	32.2	31.0
6.6%	**45.65**	**41.7**	**38.7**	**36.38**	**34.5**	**33.0**	**31.7**
7.6%	**49.86**	44.6	40.8	**37.98**	35.8	34.0	32.5
8.6%	**56.01**	48.7	43.7	**40.03**	37.3	35.2	33.4
9.6%	**65.85**	54.5	47.5	**42.72**	39.3	36.6	34.6

Source: NSE, Standard Investment Bank estimates
Row (WACC) and column (Sustainable Terminal Growth Rate)

[10] AfricInvest bought British International Investment's 10.13% stake in I&M Group at KES 48.42 via a block trade on 30th May 2024. The trade was at an 81% premium to the 30-day Volume Weighted Average Price.

Valuation Summary

Retention rate	20.0%	Risk-free rate (%)	4.1%
Average ROE	33.1%	Equity risk premium (%)	14.3%
implied sustainable growth estimate	6.6%	Sovereign spread	6.4%
		Cost of equity (%)	24.8%
		Cost of debt (%)	13.0%
		Tax rate (%)	30.0%
		After-tax cost of debt (%)	9.1%

Beta Calculation

Current beta of the company	1.0
Avg debt/equity historically	54.1%
Avg debt/equity over forecast period	56.5%

Valuation date	**22-May-25**

Market capitalization	795,299

	FY26F	FY27F	FY28F	FY29F	FY30F
Group GSM	**Mar-26**	**Mar-27**	**Mar-28**	**Mar-29**	**Mar-30**
Estimated EBITDA	164,359	184,421	204,624	227,735	253,974
Tax expense	57,526	64,547	71,618	79,707	88,891
Net Income	106,833	119,873	133,005	148,028	165,083
Add: depreciation & amortization	69,483	72,330	76,776	82,289	88,295
Less: working capital changes	-13,237	3,407	7,981	9,157	10,552
Less: CAPEX	-79,446	-86,875	-93,997	-101,975	-110,962
Less: Cash Tax	-63,761	-74,225	-82,449	-91,288	-101,235
Free cash flow	**19,873**	**34,511**	**41,316**	**46,211**	**1,152,967**
Weighted cost of capital (%)	15.9%	15.9%	15.9%	15.9%	15.9%
Discount period	0.86	1.86	2.86	3.86	4.86
Discount factor @ WACC	0.88	0.76	0.65	0.56	0.49
Present value of free cash flow	17,506	26,219	27,062	26,106	561,776

Value of operations	658,669
add: net cash	-37,399
less: non-controlling interest	-46,326
Equity value	574,943
No. of shares	40,065
Value (KES/share)	**14.35**

Terminal Value	
Growth rate	*6.6%*
Net earnings	*102,752*
WACC	*15.9%*
Terminal Value	**1,101,234.11**

Financial Services	**FY26F**	**FY27F**	**FY28F**	**FY29F**	**FY30F**
Estimated EBITDA	**49,710**	**52,749**	**55,179**	**57,427**	**59,750**
EBITDA margin estimate	26.0%	26.5%	27.0%	27.5%	28.0%

EV/EBITDA Multiple Valuation	1,097,597
Market Cap to Revenue	22,004
Average	**882,478**
no. of shares	40,065
Value (KES/share)	**22.03**

Fair value (KES/share)	**36.38**

Source: Bloomberg, Standard Investment Bank estimates

Earnings Model

Income Statement (KES, m)	2025A	2026F	2027F	2028F	2029F	2030F
Revenue	388,689	439,999	488,640	535,272	587,518	646,367
Operating costs	(205,392)	(220,125)	(244,459)	(267,789)	(293,926)	(323,368)
EBITDA	172,151	214,069	237,169	259,803	285,161	313,725
Depreciation and amortization	(68,101)	(69,483)	(72,330)	(76,776)	(82,289)	(88,295)
EBIT	104,050	144,586	164,839	183,027	202,872	225,429
Net interest (cost)/income	(20,909)	(16,110)	(15,277)	(16,895)	(18,929)	(21,442)
Earnings before tax	93,211	128,476	149,561	166,132	183,943	203,987
Net profit	45,757	64,716	75,337	83,684	92,655	102,752

Balance Sheet (KES, m)	2025F	2026F	2027F	2028F	2029F	2030F
Non-current assets	431,235	483,867	521,758	574,007	643,036	731,168
Current assets	84,049	98,733	150,334	182,708	201,763	210,148
Property, plant & equipment	247,201	260,569	287,908	329,428	387,508	465,835
Cash and cash equivalents	29,996	34,836	75,093	100,779	112,366	112,366
Total Assets	**515,284**	**582,599**	**672,092**	**756,716**	**844,800**	**941,315**
Total liabilities	291,263	299,264	340,861	381,617	425,583	475,643
Shareholder equity	224,021	283,335	331,231	375,099	419,217	465,672
Total equity and liabilities	**515,284**	**582,599**	**672,092**	**756,716**	**844,800**	**941,315**
Net capital invested	75,514	79,446	86,875	93,997	101,975	110,962

Cash Flow (KES, m)	2025F	2026F	2027F	2028F	2029F	2030F
Cash generated from operations	183,649	203,212	242,955	270,163	296,698	326,656
Taxation	-48,626	-63,761	-74,225	-82,449	-91,288	-101,235
Cash flow from operations	**137,694**	**123,341**	**153,453**	**170,820**	**186,482**	**203,980**
Cash flow from investing	**-75,514**	**-79,446**	**-86,875**	**-93,997**	**-101,975**	**-110,962**
Free cash flow	62,180	43,896	66,579	76,823	84,506	93,018
Cash flow from financing	**-40,677**	**-39,055**	**-26,322**	**-51,137**	**-72,920**	**-93,018**
Net change in cash	21,503	4,841	40,257	25,686	11,587	0
Cash and cash equivalent at end	**29,995**	**34,836**	**75,093**	**100,779**	**112,366**	**112,366**

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