

Safaricom Plc's MTN Programme: Balance Sheet Mastery Meets Market Timing

Executive Summary

Kenya's fixed-income market continues to see renewed blue-chip participation, with **Safaricom Plc** launching a large-scale Medium-Term Note (MTN) Programme.

Safaricom's entry into the market follows EABL's earlier issuance this month, and while both issuers sit at the top of the corporate credit hierarchy, their approaches, pricing, structures, and strategic motivations diverge meaningfully.

- **Safaricom Plc** is raising **KES 40Bn**, commencing with a **KES 15Bn (KES 5Bn greenshoe) Green Bond** priced at **10.40%**, **tax-exempt**, offering investors an **effective yield of ~12%**.
- **EABL Plc** returned earlier with a **KES 20Bn Programme**, launching **KES 11Bn** at **11.80%**, taxable

Safaricom Overview

Safaricom has opened the **first tranche** of its kes 40Bn Medium Term Note Programme, offering up to **KES 15Bn in five-year green notes** priced at a **fixed 10.40%** as the company moves to fund eligible green projects under its sustainability framework.

The Structure

Item	Summary
Programme Amount	Up to KES 40.0Bn
Tranche I Amount	KES 15.0Bn + KES 5.0Bn Greenshoe
Instrument	Listed Green Corporate Bond
Tenor	5 Years
Coupon	10.40% p.a. (Tax-Exempt)
Effective Yield	~12% (Tax Adjusted)
Offer Period	25 Nov – 5 Dec 2025
Listing	Nairobi Securities Exchange
Minimum Subscription	KES 50,000
Use of Proceeds	Eligible Green Projects.

Key Takeaways

- Tax-exempt interest boosts **effective yield to ~12%**, placing Safaricom's paper at the top tier for risk-adjusted returns.
- Positioned at the **tightest end of corporate credit spreads**, only marginally above sovereign rates.

Strategic Rationale

ESG Advantage.

The NSE-listed telco confirmed that 100% of the proceeds from this tranche will be allocated to financing and refinancing eligible green projects under its Sustainable Finance Framework. These projects focus on areas with environmental impact, such as renewable energy, energy efficiency, green buildings, and sustainable waste management.

Tax Shield.

The tax-exempt coupon lowers the effective cost of capital, boosting post-tax returns. On top of that, structuring this as a Green Bond opens doors to ESG-focused capital pools and reinforces.

Previous debt Raises

Safaricom's return to the bond market marks the continuation of a strategy first tested in **2009**, when the company priced its inaugural MTN at **12.25%**, split between fixed and floating tranches.

By **2011**, improving fundamentals and strong investor confidence saw the second tranche clear at a materially lower **7.756%**, underscoring the market's appetite for the issuer even amid sector headwinds. The fully subscribed outcomes of both historical issuances established a track record of **consistent demand**, positioning Safaricom as one of Kenya's most reliable corporate borrowers.

The **2025 green MTN at 10.4%** fits squarely within this trajectory: priced tighter than peers, reflective of the firm's credit strength, and reaffirming its ability to attract capital across cycles.

Our Insight:

Kenya's **domestic fixed-income market remains shallow for A-rated corporates**, making Safaricom's MTN a meaningful addition that deepens supply while preserving the scarcity premium for high-quality issuers.

The **tax-exempt structure materially enhances investor appeal**, attracting both **income-seeking and ESG-aligned participants**. **Tight credit spreads**, combined with **robust demand for credible blue-chip names**, underscore the uneven depth of the market and highlight the **strategic advantage of early issuance ahead of Supplementary Appropriation I**.

From a macro perspective, the transaction **signals stabilizing conditions**, with **steady inflation expectations and improved rate visibility**, even amid lingering fiscal pressures—positioning Safaricom's paper as **one of the most compelling risk-adjusted propositions** in the market today.

Peer Comparison: Safaricom vs EABL vs Sovereign.

Issuer	Tenor	Coupon	Tax Status	Implied Yield	Commentary
Safaricom Plc	5Y	10.40%	Tax-Exempt	~10.40%	Tightest IG spread; quality + tax advantage
EABL Plc	5Y	11.80%	Taxable	~12.50%	Benchmark spread; supported by strong brand
FXD Govt Bond	5Y	10.00%	Taxable	~12.15%	Sovereign risk , short tenor.
IFB Govt Bond	5Y	12.00%	Tax-Exempt	~12.65%	Sovereign risk, attractive coupon.

Recommendation

We view the Safaricom issuance as a **strategically timed, confidence-led transaction** supported by:

- strong fundamentals,
- disciplined balance-sheet management,
- access to ESG capital, and
- enhanced investor returns through tax exemption.

While pricing is tight, the **risk-adjusted yield remains compelling**, especially for institutional investors seeking stability, currency-matched duration, and diversification.

As the market evolves, broader corporate issuance will remain vital to deepen participation, widen credit pricing discovery, and reduce concentration within Kenya's fixed-income ecosystem.

How To apply.

You can buy the Notes through USSD (dial ***483*810#**) or through the application portal found at <https://safaricombond.e-offer.app/>. You will need to have a CDS Account number to participate.

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