

## Covid-19 and the African Fintech Revolution

The African stock exchanges we invest in have high quality Fintech's that would be at home on the Nasdaq, growing rapidly and attractively valued, exploiting our key theme of cash to non-cash. **Covid has accelerated first time adoption and boosted usage of (and on) these platforms.** The Imara Africa Fund Class A ("The Fund") has **21%** direct Fintech exposure and **30%** indirect through innovative banks and telcos that tap the whole population pyramid, generating small, recurring and growing revenue streams whose profitability increases exponentially with scale. With 97% of transactions in Africa made with cash, the runway for growth is long, wide and one of the top investment opportunities globally.

### Cellphone ubiquity points us to the endgame

At the start of the century, cynics asserted that cellphones were a luxury few in Africa could afford, with low penetration. Roll the clock forward and 80% of Africans have a cellphone, creating tremendous wealth for their investors. We believe financial inclusion, driven by Fintech, banks and telcos will follow the same pattern. Governments are lending their weight. Countries vary, but bank account penetration is 30% and PoS devices is 120 per 100k people. Interestingly Egypt, one of the most attractive markets, **has 75/100k, incredibly low vs Brazil at 2,500/100k.**

This is rapidly changing, as key holding Fawry (9.5% of The Fund NAV) demonstrated in 2q 20 with PoS devices +40%, enabled Merchants +49%, Revenue +46%, EBITDA +75% and EPS +275%.

### Covid is a key to the lock

We repeatedly assert and have been proven correct over 12 years of investing Africa, that with wide income pyramids, products and services need large scale adoption. The lock is first time adoption, finding the key is tricky. For telcos it was affordable handsets, government initiatives and private sector innovation.

Covid is acting as a key:

- **Lockdowns FORCED first time consumer adoption**, paying for essentials. Fawry customers +29% y/y.
- **Lockdowns FORCED services providers onto Payment platforms to reach customers.** Fawry number of services +30%, merchants +49%. **Think SHOPIFY (merchants/stores to online platforms).**
- **Governments leaning in** – Covid can be spread on cash. Specific incentives and regulatory tailwinds.
  - In Morocco (HPS 5.5% of The Fund NAV), govt surcharge on cash purchases at till.
  - In Egypt, payment of govt employees switched from cash to card, plans afoot to allow pensions to be paid into mobile wallets and promotions for merchant PoS adoption to name a few.
  - In Kenya, electricity smart meters, MPESA mobile money (Safaricom 9.5% of The Fund NAV) and the electric utility are linked real time, a giant leapfrog from standing in govt office a queue to pay your electricity bill.

**Remittances direct to mobile money wallet or bank account**– remittances from workers abroad is a significant source of FX and income for Africa. Western Union et al, **forced to accelerate efforts** to send money direct to mobile money wallets (Sonatel 6% of The Fund NAV) as their local outlets shut, as well as being safer for the recipient who can now receive their money without leaving home. Visa and Mastercard partnering with local banks (Equity Bank 6% of The Fund NAV), to achieve the same.

Company	Countries	Sector	Key activities	% NAV
Fawry	Egypt	Payments	Leading alternative digital payments provider	9.5%
Safaricom	Kenya	Communication	Leading cellphone and mobile money provider	9.0%
Equity Bank	Kenya, Tanzania, Uganda, DRC	Financials	Largest retail bank, leading digital bank	5.5%
Sonatel	Senegal, Mali, Guinea, Sierra Leone	Communication	Leading cellphone and mobile money provider	5.0%
Hightech Payment Systems ('HPS')	Morocco and EMEA	IT	Payments processing, card issuance, merchant acquisition	5.5%