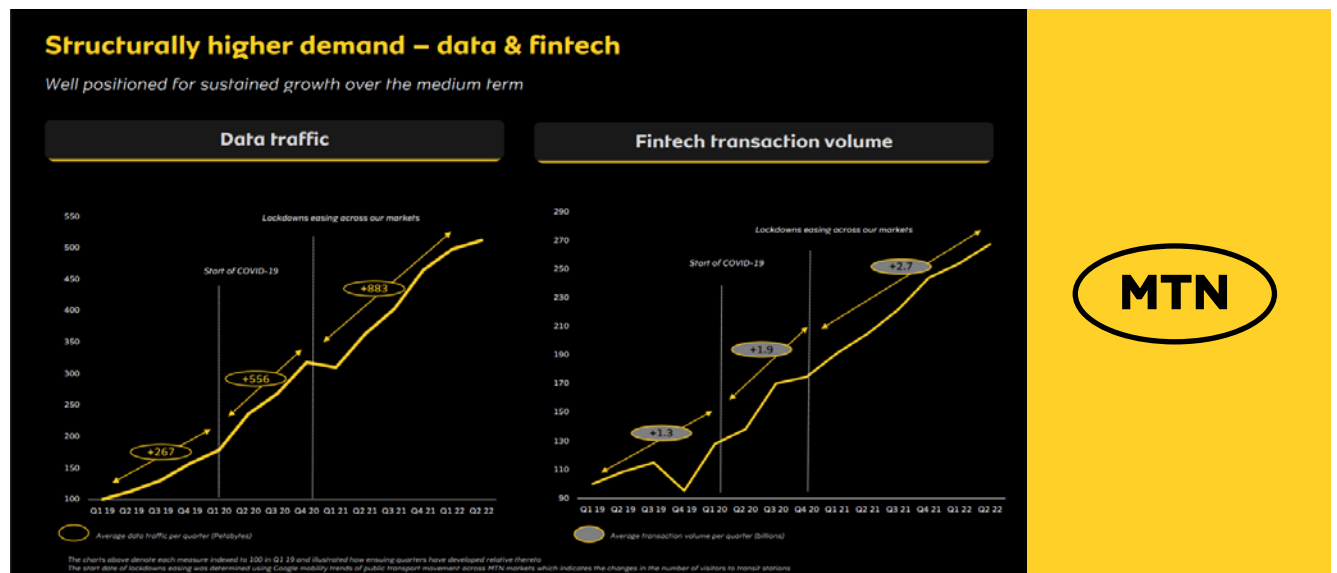


AFRICA FINTECH OVERVIEW

Great numbers from core holding MTN

Unperturbed by global events as well as its 30% share price fall, MTN punched out an excellent set of first half numbers. Revenues grew by 14.8%, EPS by 30.9% and FCF by 24.1%. The stock now trades on a ridiculous 2022 EV/EBITDA of 3.1 and PE of 8.6. The charts below are extracted from their presentation, which demonstrate the robust demand for data and Fintech in Africa.



Anatomy of an important data release in Nigeria

The latest data from the Nigeria Inter-Bank Settlement System (NIBBS) shows that the total value of electronic transactions recorded under its NIBSS Instant Payments (NIP) between January and July 2022 amounted to NGN205.5trn, representing a growth of 41% y/y. The significant y/y growth in transactions was supported by a 46% y/y increase in the number of transactions performed electronically, to 2.7 billion. The mobile USSD channel allows all Nigerian banks access to the NIP payment platform.

- Mobile transactions recorded a total value of NGN9.3trn, far behind the value of transactions for NIPs. However, it delivered the fastest growth of 159% y/y. **Our take:** *Mobile is just getting started in Nigeria, with MTN leading the charge on the back of proven successes of its MoMo in Ghana and Uganda.*
- The data also shows that the point-of-sale (PoS) channel, and E-bills pay platform (which facilitates the payment of bills) recorded growth of 29% y/y and 32% y/y to NGN4.6trn and NGN1.7trn respectively over the same period. **Our take:** *Over and above our exposure in MTN, we are invested in the top Nigerian bank, GT, who is a leading player in PoS and E-bills.*
- Nigeria’s e-commerce market value is estimated by various sources to be between USD7bn and USD13bn. The nearly instantaneous speed at which transactions are completed and the strong adoption and uptake by the younger demographic are all supporting factors for the rapid growth of e-payment channels. **Our take:** *The total addressable market or TAM is huge in Africa and Africa has a younger demographic that will drive this for years to come.*
- The regulatory push by the CBN to actively drive financial inclusion has also helped, particularly due to the cost reduction benefits of electronic payments compared with other payment channels. **Our take:** *Regulation is mostly a tailwind to Fintech adoption in Africa.*
- We believe that the CBN’s approval of payment services bank (PSB) licenses for the two biggest GSM operators in the country will further help to drive financial inclusion and faster adoption of e-payment channels, particularly in rural communities which are supposed to be a key focus for PSBs. **Our take:** *MTN is the largest and best of the above mentioned operators.*

Positive dots on Morocco's mosaic

A number of press releases have emerged from Morocco over the last few months that, individually might not justify significant attention, but together point to positive developments and outcomes. Four of Morocco's universities were ranked among the top universities globally. Their central banker, Abdellatif Jouahri, who received a grade of A- in a Global Finance report, is among the top bankers making recognizable and good performances at the helm of their respective countries' central banks, says the report. Published annually since 1994, the report gives grades to central bank governors, taking into account success in areas including inflation control, economic growth goals, currency stability, as well as interest rate management. It is no wonder that global corporations are setting up factories requiring and providing highly skilled workers. A good example would be STMicroelectronics recently inaugurating its new USD300m plant in Morocco, designed to produce 25m integrated circuits per day and employ 2,500 people.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

2q22 GDP growth of 3.54% y/y (1q22: 3.11%, 2q21: +5.01%). Unsurprisingly, the non-oil sector drove growth, up +4.8% y/y. The oil sector contracted by -11.8% y/y; an improvement on the previous quarter's -26% contraction. Average crude oil output was 1.43mbpd (1q22: 1.61mbpd). Agriculture grew +1.2% y/y (1q22: +3.2%).

The World Bank is sending USD 8.5bn to Nigeria to fund various issues within several sectors including agriculture and education; the latter allocated c.USD 2.5 – 3bn.

The Central Bank of Nigeria (CBN) has mandated banks to raise the lending rates on intervention loans to 9% (Prev: 5%). This is a direct reversal of the rate requirements introduced during the pandemic.

Macro releases (July stats):

- Inflation rose to 19.6% y/y (Jun: 18.6%).
- FX reserves remained flat at USD 39.22bn.
- PMI improved to 53.2 (Jun: 50.9) but slipped to 52.3 in August.
- M3 growth was 21.4% y/y (Jun: 23.7%).
- Private sector credit growth was 21.3% y/y (Jun: restated to 17.9%).
- Broadband subscriptions grew +10.9% y/y to 84.6m in June.
- Active mobile lines grew to 206m in June, implying a mobile teledensity of c.103%
- Internet connections grew to 151m in June; an internet penetration rate of 76%.
- The eNaira is set for a relaunch, following new innovations introduced since the initial launch.



EGYPT

FY21/22 GDP (2q22) came in at a strong 6.6% y/y (FY 20/21: 3.3%). This is higher than the preliminary figure released of 6.2%. The expansion was driven by the hospitality industry, led by restaurants and hotels up +45% y/y, followed by communications up +16.3% y/y. Suez Canal +11.7% y/y and manufacturing +9.9% y/y also contributed to growth, with marginally lower growth noted in construction, health and education sectors. Further, unemployment remained stable at 7.2% in 2q22.

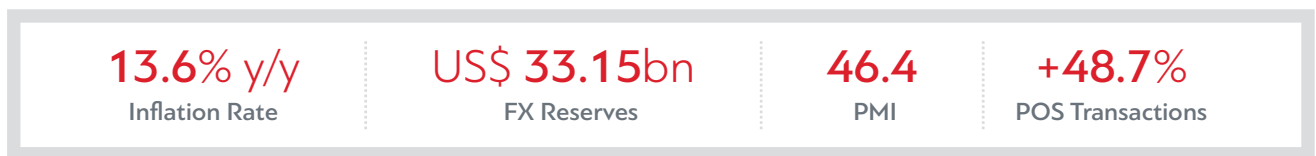
The Central Bank of Egypt (CBE) Governor Tarek Amer resigned this month, in order to take up a special advisory role to President al Sisi. Hassan Abdallah has been appointed Acting Governor for one year until the new legislative season. Abdallah has over 40 years' experience in international banking and served on various boards including that of the CBE. He is also the founder and chairman of advisory and private equity firm Panther Associations. He has since appointed two advisors following a meeting with leaders in the banking sector: Hisham Ezz El Arab (Former Chairman of CIB) and Mohamed Naguib (Former Chairman of Societé Arabe Internationale Bank).

We continue to believe that the Egyptian economy is in good hands, with both good and continuous policy, despite the

challenging circumstances. We expect a favourable agreement will be reached with the IMF in the coming weeks.

Macro releases included (July stats):

- Inflation was 13.6% y/y (Jun: 13.2%).
- FX reserves slipped to USD 33.15bn (Jun: USD 33.38bn).
- PMI marginally increased to 46.4 (Jun: 45.2), and this rose to 47.6 in August.
- The Central Bank of Egypt (CBE) has raised the daily cash withdrawal limits, reversing those introduced during COVID-19 encouraging cashless transactions.
- POS transactions rose +48.7% y/y to EGP 108.7bn in 1H22 (1H21: 73.1bn). Total number of transactions reached 110.6m.
- E-commerce grew +68.9% y/y in value to EGP 22.3bn in 1H22 (1H21: 13.2bn), totalling 60.3m transactions.
- The Central Bank of Egypt (CBE) has reported on InstaPay transactions since inception in March at EGP 4.6bn in revenues. Transactions stood at 1.33m in the quarter. The CBE is also working on Apply Pay and Samsung Pay partnerships.



KENYA

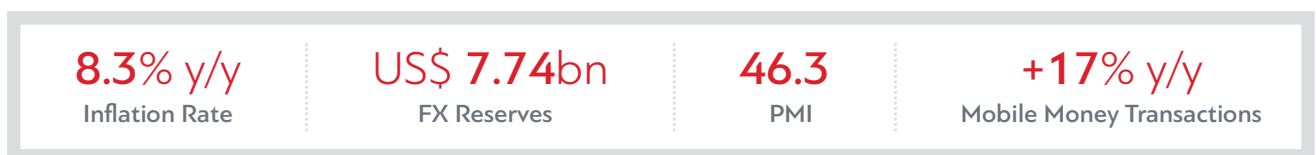
The Presidential election went by relatively peacefully, with Deputy President William Ruto declared the winner with 50.5% of the vote. Odinga, a strong candidate with a marginal loss of 48.9% of the vote, filed a petition in the Supreme Court arguing that the results were invalid because his rival had failed to gain the over 50% required to be declared an outright winner. His argument comes as 4 of 7 electoral commissioners rejected the final outcome citing that the process’s final stage was opaque. The matter was referred to the Supreme Court, which rejected the claims and upheld the election result. This is a very positive development as the last thing Kenya needed in this environment was a protracted post-election dispute.

Cash handled by mobile money agents in 1h22 grew by +17.5% y/y to KES 3.8trn (USD 31.6bn), implying that 1 in 3 shillings spent in Kenya moved via mobile money transfer. M-Pesa agents handle the bulk, equalling 31% of GDP, recorded at KES 12trn (USD 100bn). The number of mobile wallets grew to 70.3m as at the end of this period, showing that most adults have more than 2 subscriptions.

S&P Ratings Agency affirmed Kenya’s sovereign rating to BB with a stable outlook. Strong economic growth is expected with modest fiscal consolidation. External financial pressures are expected to remain, with Kenya relying on the domestic and external concessional funding to finance fiscal debt. However, the post-election outlook is anticipated to remain smooth and peaceful.

Macro releases (July stats):

- Inflation increased to 8.3% y/y (Jun: 7.9%).
- FX reserves fell to USD 7.74bn (Jun: USD 7.98bn), equivalent to 4.46m import cover.
- PMI was 46.3 (Jun: 46.8).
- Remittances contracted -5.1% y/y to USD 319.4m (Jun: +6.6% y/y to USD 326.1m).
- Mobile money transactions grew +17% y/y in 1H22.



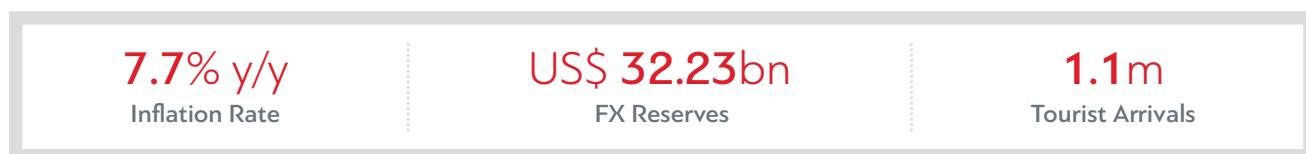
MOROCCO

Morocco is holding up well despite drought and a poor agricultural season. Morocco recorded more than 1.14 million tourist arrivals in June, showing a 5% and 235% growth compared to the same period in 2019 and 2021 respectively, according to

the Ministry of Tourism. The ministry further noted that the expansion of airlines' passenger capacity, partnerships signed with tour operators to secure a significant number of arrivals, and the various measures undertaken to promote the attractiveness of the destination will further contribute to the revival of tourism in Morocco. Among the measures the country introduced to revive the sector is the introduction of e-visas for foreigners coming from 49 countries. The e-visa is valid for a maximum of 180 days from the day it is issued and allows entry into Moroccan territories for up to 30 days.

Macro releases (July stats):

- Inflation accelerated to 7.7% y/y (Jun: 7.2%).
- FX reserves were USD 32.23bn (Jun: USD 32.94bn).
- Jan-July budget deficit down -58% to MAD 16.6bn (USD 1.6bn).
- Tourist arrivals reached 1.1m in June, up +235% on that of 2021 and +5% above that of 2019.



COMPANY UPDATES

KEY TO BRACKETS: (COUNTRY, INDUSTRY, WEIGHTING)



Mutandis (Morocco, Consumer staples) 1H22 results: Revenues up +48% y/y, albeit off a low base over the past 2 years. 2q specifically had aggressive growth +54% y/y. Despite material input price increases, most are being passed onto the consumer and seem to not have affected volumes. All categories showed strong growth, Detergents (32% of revs) grew +12% y/y, driven by +8% volume growth. Own brands (+10% y/y) drove the bulk of this as consumers downtraded. The newly launched machine powder and dishwashing liquid showed promising growth at +128% y/y and +61% y/y respectively. Seafood (25% of revs) was up +27% y/y with the strongest growth of the segments, driven by prices and stable volumes. Season Brand already contributes 23% of topline, and grew +17% y/y much in line with management's expectations. Beverage bottles (16% of revs) grew +22% y/y, as consumption increased and volumes rebounded. Fruit juices, the smallest at 4% of revs, and weakest at -8% y/y contraction due to a new player in the market taking market share. Encouraging overall results as consumers accepted price increases – some quite significant in seafood – without adversely affecting volumes. Management's outlook is strong growth in revs and higher EBITDA for the year.



Fawry (Egypt, IT) – 2q22 results update: Revenues grew 35.0%, with Gross Profit +39.4%, EBITDA +21.8% and EPS down 13.7%. The Company has guided to this trend in the near term as staff, marketing and development costs ramp up. Encouragingly, the same revenue trends are still in place with ADP +7.6%, Banking Services +92.3%, MicroFinance +73.1% and Supply Chain +25.1%.



Stanbic IBTC (Nigeria, Financials) 1H22 results: Strong topline recovery +43.8% y/y consistent in both quarters. This was a welcome set of figures after their disappointing full year results. Topline was driven by NII up +53% y/y. Interest income grew an impressive +54% y/y, on account of loan volumes as well as higher yields. Loans continued on their strong growth trajectory, up +37% y/y. Interest expenses were affected by a higher cost of funds due to more term deposits. As a result, NIMs expanded by 87bps from 1H21 to 4.2%. NFI, contributing 56% of revenues, grew +37% y/y. Fee and commission revenue (76% of NFI) grew +10% y/y and trading revenue doubled contributing 26% of NFI. Increased provisions were booked, as stage 3 loan exposure increased. Opex saw inflation-based increases for staff, resulting in PBT growth +63% y/y. Despite a higher effective tax rate as the tax exemption expired, PAT grew +37% y/y. ROE was a strong 33%. Share still significantly undervalued.



GTB (Nigeria, Financials) 1H22 results: Net revenue growth +11% y/y, driven by both NII and NFI. NII stronger at +13% y/y, as the yield curve rose. Funding costs were up over 20bps which led to a sharp increase in interest expenses +39% y/y. However, NIMs expanded by 24bps to 4.8%. NFI growth was a more muted +7% y/y, driven by the trading book +33% y/y. Net fees and commissions grew +5% y/y, while other income declined. The group booked lower provisions, mainly in 2q, and opex growth was below inflation. This resulted in PBT growth +11% y/y. PAT was down -2% y/y because of higher effective tax. Loan growth was +12%

y/y and deposits increased +14% y/y. The company proposed a dividend of 30kobo, meaning a dividend yield of 1.5%.



Equity Bank (Kenya, Financials) 1H22 results: Topline grew a robust +26% y/y, as 1q and 2q each showed solid growth at +22% y/y and +31% y/y respectively. Interest income growth was in both treasury +50% y/y and loans across all subsidiaries +21% y/y. The group's Pay with Equity merchant payment channel reported exceptional volume and value growth of +382% y/y and 314% y/y respectively. NII grew +28% y/y, despite a material increase of +31% in interest expenses. NFI (39% of topline) grew +24% y/y, largest contributor to NFI at 45% was other fees and commissions growing +31% y/y. NIMs marginally expanded by 20bps to 6.5%. Provisions shot up +40% y/y and opex grew +22% y/y. Despite this, PBT grew +30% y/y and PAT a solid +38% y/y. Loans grew strongly at +29% y/y and deposits were up +19% y/y. Cost of risk declined to a reported 1.0% and the NPL ratio was reduced by 220bps to 8.5%. ROE for the group reached 31%; if ROE is maintained at these levels, we could see a rerating of PBV. Notably, BCDC's RoAE has gone up from 13% to 20% in the past year alone much in alignment with management's plans of strong loan growth and improved NIMs.

MARKET OUTLOOK

We continue to allocate to high quality businesses; those that score highly on our internally developed, Likert Q-scoring system, both currently and over time. We have two additional quantitative overlays, valuation and growth. We also have two qualitative overlays being management and ESG. What is particularly exciting is that we have a number of businesses across Africa that fit these criteria.

The key transformational trends of financial inclusion, urbanisation and economic formalisation underpin a robust African consumer story that is taking shape regardless of global volatility. We allocate to the best companies in the sectors that tap into this transformation. At the moment, we have a bias towards financial inclusion and fintech themes as they do particularly well on our growth metrics.

Nigeria – Nigeria's outlook is improving with substantially higher oil prices making painful but necessary economic reforms more likely. However, the latest plan to delay fuel subsidy reform again shows institutional weakness. We still wait for a signal from the CBN for a free flow and float of the Naira which is for us the real trigger for economic recovery. The communications, fintech and banking sectors are growing strongly, yet high quality companies exploiting these, are at all time low valuation multiples.

Egypt – The outlook for Egypt remains positive especially towards the end of 2022 when a new capex cycle is expected to kick off. The exceptional progress made under the IMF program from 2017 to 2022 has been evidenced in more robust FX reserves, consistently good and continuous economic policy as well as additional funding from the IMF. Moving from gas importer to exporter helped cushion the blow from lost tourism revenues and the CBE's sound monetary policies have kept the bond carry trade alive. With the bulk of household consumption in cash, the investment opportunity for us in fintech is immense in this 100m population country and it will also drive economic formalisation and increased government revenue through widening of the tax net. Management teams are signalling a new capex cycle. We expect an acceleration of capex projects towards the end of 2022 as capacity becomes stretched.

Morocco – Morocco's key economic drivers are mining, agriculture and tourism. Strong commodity prices and a better rainy season 2022/23 should help to offset weakness from the drought in 2021/22 as well as the hit from higher soft commodity prices. In terms of outlook it remains a stable, mid-growth country with excellent opportunities in retail, manufacturing and fintech.

Kenya – Peaceful elections and a new, business friendly President bode well for the country in the foreseeable future. Continued recovery in tourism and lower soft commodity import prices, should provide tailwinds too. Corporate expansion into neighbouring countries such as the DRC and Ethiopia, provide significant opportunities for Kenya. Safaricom and Equity Group are the two main drivers. IMF and World Bank support will also allow the country to maintain a strong growth trajectory.