

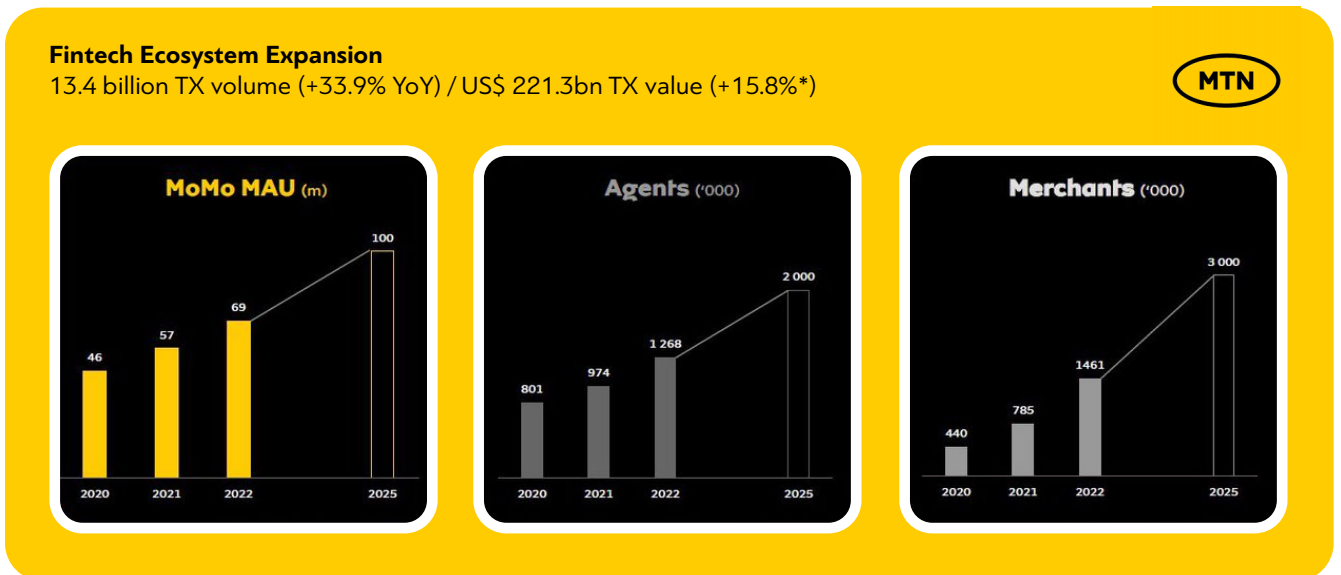
AFRICA FINTECH MARKET UPDATE

PUBLIC MARKETS – PUTTING YOUR MONEY WHERE YOUR MOUTH IS

The recent signing of a definitive agreement between MTN and Mastercard, for the latter’s acquisition of a minority stake in MTN Fintech, is a timely reminder of this hugely significant deal that was first announced in August last year. Mastercard is voting with their feet and **validating our positive view on African fintech** by investing **USD 200m** in cash for a minority stake in MTN Fintech. **The deal values the MTN Fintech at USD 5.2 billion.** As an important aside, stripping this valuation out of the MTN Group (10% of Fintech Fund NAV), *leaves the remaining telco, data and enterprise business valued at 1.5x EBITDA!*

We have highlighted key points in MTN’s statement. “These agreements complement the larger commercial relationship between the MTN Group and Mastercard to support the continued development and growth of technology and infrastructure to drive financial inclusion across the African continent. This commercial relationship is a key enabler for the acceleration of our fintech business’ payments and remittance services”.

As the graphic below shows, as at 30 June 2023 interim results, MTN Fintech is already a substantial business with a large platform for growth, or as we like to say a long and wide runway.



The agreement will initially, and specifically support growth and profitability of fintech across a number of MTN Fintech verticals:

- **Issuance** - Mastercard state-of-the-art technology & global network to enable MoMo users to create virtual cards linked to primary MoMo wallets.
- **Acceptance** - will enable Group Fintech merchants to accept Mastercard payments as trusted & universally recognised payment method.
- **Remittances** - Accelerates Group Fintech’s scale & scope as remittances player.

The potential

Interestingly, and importantly for future growth potential, MTN Fintech is yet to harness its potential in its two largest markets, Nigeria and South Africa. We think the Mastercard tie up can help resolve this. Nigeria with its large, but nascent market is particularly interesting. In recent data released by the Nigeria Inter-Bank Settlement System (NIBSS), electronic payments **rose by 55% to USD 400bn** and PoS transactions **rose by 28% to USD 7bn.**

MTN Nigeria has a vast cellular network and is an excellent platform, with 97% population coverage, 77m voice subscribers, 227k Mobile Money (MoMo) agents and 38k merchants. Yet, it only has 3.1m active MoMo wallets, a **4% penetration** of its customer base. Contrast this to Ghana, where MTN Ghana has just over **50% penetration**, with 27m voice subscribers and 14m active MoMo wallets.

VENTURE MARKETS - AFRICA VC AND PE DEAL UPDATE



Across Africa, 50 active companies have secured a remarkable 60% share of the total funding secured by ventures on the continent over the past decade, amounting to \$13.8 billion out of \$22.5 billion raised, according to Briter.

Visa has partnered with the Egyptian Banks Company (EBC), the technological arm of the Central Bank of Egypt (CBE), to simplify international remittances for Egyptians by introducing innovative digital wallet and electronic payment solutions.

Nigerian edtech startup Klas raises \$1 million in pre-seed funding to scale across Africa and expand its online teaching platform to India and North America.

Shamba Pride, a Kenyan agritech startup that tackles farmers' pricing and quality worries via its digishop merchant network, raises \$3.7 million in debt-equity pre-series A funding from the EU agriculture financing initiative EDFI AgriFI and Seedstars Africa Ventures (SAV). The startup plans to use this funding to scale its growth in Kenya.

Edura, an Egypt-based ed-tech startup that connects teachers and students through recorded or live interactive lessons, raises an undisclosed pre-seed funding round

DXwand, a Cairo- and Dubai-based AI startup, raises \$4 million in Series A funding

Morocco (71%), Egypt (67%), and Nigeria (60%) rank among the top seven countries globally with the highest unbanked population.

Google has launched its first Africa cloud region in South Africa, giving local businesses the chance to up their game with its robust cloud services

Envisionit Deep AI made history as the first African-founded AI imaging medical device to secure FDA clearance for its RADIFY Triage software. This means their Chest X-ray AI device can now assist in spotting Pneumothorax and Pleural Effusion, critical issues in emergency rooms and intensive care units.

Bboxx, a data-driven cleantech startup that provides clean energy in Africa, has moved its HQ from London to Rwanda, to show its commitment to being Africa-first. The company also plans to invest \$100 million in Rwanda and train 500 Rwandans in the next 5 years.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

Nigeria's food production will rise by 48% to USD 63bn between 2021 and 2024, according to Fairtrade and OTACCWA. In a statement, Fairtrade and OTACCWA, organizers of the Nigeria Agrofood and Plastprintpack trade show, disclosed that the country's food production had improved by 40% from USD 26bn in 2016 to USD 36.3bn in 2020.

In recent data released by the Nigeria Inter-Bank Settlement System (NIBSS), electronic payments rose by 55% to USD 400bn and PoS transactions rose by 28% to USD 7bn.

Macro releases included (December stats):

- Inflation accelerated to 28.9% y/y (Nov: 28.2%).
- FX reserves slipped to USD 33.4bn (Nov: USD 32.9bn).
- PMI was 52.7 (Nov: 48.0).

28.9% y/y

Inflation Rate

US\$ 33.4bn

FX Reserves

52.7

PMI

EGYPT

The IMF is in the final stages to conclude a deal with Egypt on the first and second review of its loan programme, IMF Managing Director Kristalina Georgieva said Sunday. Georgieva added that the augmentation of the programme will be big with an aim to boost confidence in the Egyptian economy. The financing gap has been determined and will be announced after negotiations wraps up, she added. The Egyptian government has to comply with a number of issues, including phasing of megaprojects under construction, she said.

Food exports rise 14% in 2023. Egypt's food exports increased 14% Y-o-Y to an all-time high of USD 5.1bn in 2023, according to data released by the Food Export Council (FEC) on Monday. July stood out as the most significant month of growth, with exports skyrocketing 64% Y-o-Y to USD 487m. Arab countries were the leading importers of Egyptian food products. They imported 54% of the total share, equivalent to USD 2.7bn, followed by the European Union with 17% share in Egyptian food exports. Non-Arab African countries also demonstrated robust demand, with food imports growing 22% to USD 467m.

EU-Egypt Association Council ends with EUR 3.2bn pledge of additional financing. Following the meeting of the EU-Egypt Association Council, EU Commissioner Olivér Várhelyi told the press that their Economic and Investment Plan will mobilise EUR 9bn to invest in "growth and jobs in Egypt in areas that are the most critical: food, water, energy for any sustainable economy," according to a statement from the EU. Out of the EUR 9bn, "we have already mobilized EUR 5.8bn in investments in Egypt," Várhelyi said. It is also unclear how much of the remaining EUR 3.2bn is part of a concrete pledge from the EU and its associated bodies or an investment target from private EU sector companies.

Macro releases (December stats):

- Inflation surged to 33.7% y/y (Nov: 34.6%).
- FX reserves were USD 35.2bn (Nov: USD 35.2bn).
- PMI slid down to 48.5 (Nov: 48.4).
- M2 growth was +20.1% (Nov: 20.9%).

33.7% y/y

Inflation Rate

US\$ 35.2bn

FX Reserves

48.5

PMI

KENYA

Safaricom triples M-Pesa users in Ethiopia to 3.1m. The number of M-Pesa users enrolled by Safaricom's Ethiopia unit has nearly tripled in four months to 3.1m with KES 18.5bn worth of transactions, offering hope for success in the populous country. The latest quarterly update showed that Safaricom Telecommunications Ethiopia closed in December 2023 with 3.1m M-Pesa users.

Macro releases (December stats):

- Inflation was 6.6% y/y (Nov: 6.8%).
- FX reserves were USD 6.7bn (Nov: USD 6.7bn).
- PMI fell to 48.8(Nov: 45.8).
- 2q23 current account deficit widened to KES 138.7bn (USD 920m).
- The Central Bank of Kenya (CBK) anticipates GDP growth for 2023 at 5.7%.

6.6% y/y

Inflation Rate

US\$ 6.7bn

FX Reserves

48.8

PMI

MAURITIUS

Macro releases (December stats):

- Inflation slowed to 3.9% y/y (Nov: 4.0%).
- FX reserves slipped to USD 6.1bn (Nov: USD 5.5bn).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.

3.9% y/y	US\$ 6.1bn	4.5%
Inflation Rate	FX Reserves	Interest Rate

MOROCCO

Morocco's headline inflation decelerated to 3.4% in December from 3.6% in November as food inflation continued to normalise. Food inflation decelerated to 6.7%, the lowest since February 2022, while non-food inflation accelerated marginally to 1.0% from 0.7% in November. On a monthly basis, inflation fell 0.1% M-o-M, sustaining a depressed trend in 4Q23 which further indicates inflation is on a decelerating trend.

Tanger Med Port plans big expansion. This is a very positive development as Morocco seeks to expand its role as a near-shore manufacturing and assembly hub for the EU. Tanger Med Port Authority (TMPA), a Moroccan state-owned company in charge of the development of the Tanger Med Port Complex (TMPC) is planning a massive USD714mn backed by the World Bank. According to a recent statement from the World Bank, the investment plan will primarily focus on extending the capacity of passenger and truck terminals and modernising its zone of imports. The Tanger Med Port Complex is looking to raise EUR350mn in debt financing, to fund the capital expenditure related to the expansion.

Macro releases included (December stats):

- Inflation was 3.4% y/y (Nov: 3.6%).
- FX reserves fell to USD 36.2bn (Nov: USD 35.0bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).

3.4% y/y	US\$ 36.2bn	-3.1%
Inflation Rate	FX Reserves	Gross Investments

COMPANY UPDATES

Key to brackets: (Country, Industry)

There no company updates this month.

MARKET OUTLOOK

Africa is expected to outperform the rest of the world with an improved outlook in 2024. 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 – The new President is taking reforms seriously, collapsing all rates to a single I&E window; a hugely positive signal to the markets. This, as new bills have been signed into law coupled with other positive moves, including the removal of fuel subsidies. The road to full recovery will take committed policy change and will be bumpy. The communications, fintech and banking sectors are growing strongly, yet high quality companies exploiting these, are at all time low valuation multiples.

Egypt – The short term outlook for Egypt is opaque as the CBE weighs up FX devaluation versus inflation, however longer term it remains positive. The tourism outlook has improved, wheat prices have halved, and strong remittance growth continues. 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.

Morocco – Morocco's key economic drivers are mining, agriculture and tourism. Agricultural production is promising, with good rains since November supportive of growth. Tourism is rebounding with positive indicators for 2024. In terms of outlook, it remains a stable, mid-growth country with excellent opportunities in retail, manufacturing and fintech.

Mauritius – Tourism rebounded and growth prospects are positive.

Kenya – Peaceful elections and a new, business-friendly President bode well for the country in the foreseeable future. Continued recovery in tourism, lower soft commodity import prices and a rebound in food exports should provide tailwinds. 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.