IMARA
Asset Management

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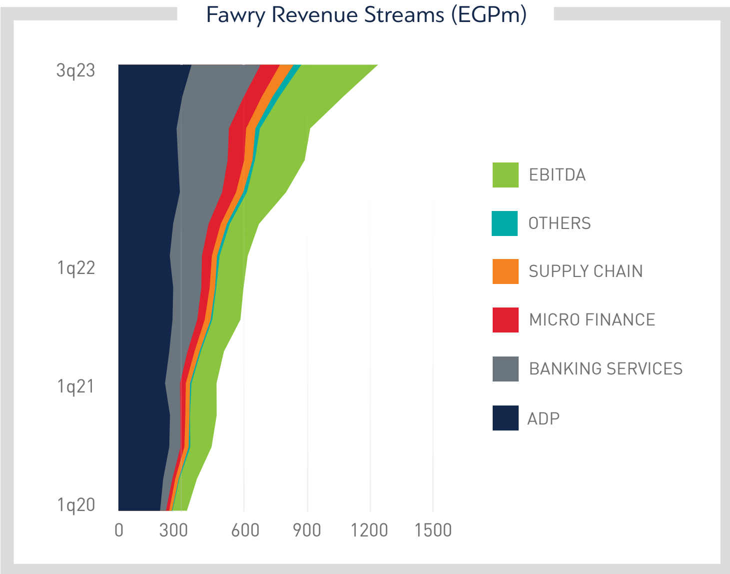
AFRICA FINTECH OVERVIEW

PUBLIC MARKETS

EMPIRICAL EVIDENCE KEEPS ROLLING IN, WITH EXCELLENT 3Q23 NUMBERS FROM KEY FUND HOLDING FAWRY

Another great example of WIDTH and LENGTH of runway to visualize the GROWTH and PROFITABILITY prospects of our investments. To demonstrate the concept of long and wide runways, it would be hard to find a better example than Fawry, one of our key positions in the Egyptian fintech space. The chart below shows the evolution and contribution from 1q20 to 3q23 to revenues by the different streams, as well as the growth, in Green, of EBITDA. The Green line is critical, as we have long argued that these new revenues carry little incremental cost and therefore boost margins. Over the period, EBITDA has grown a fantastic 4 fold. Egypt's extremely low penetration of financial services will ensure that these growth rates will continue into the foreseeable future.

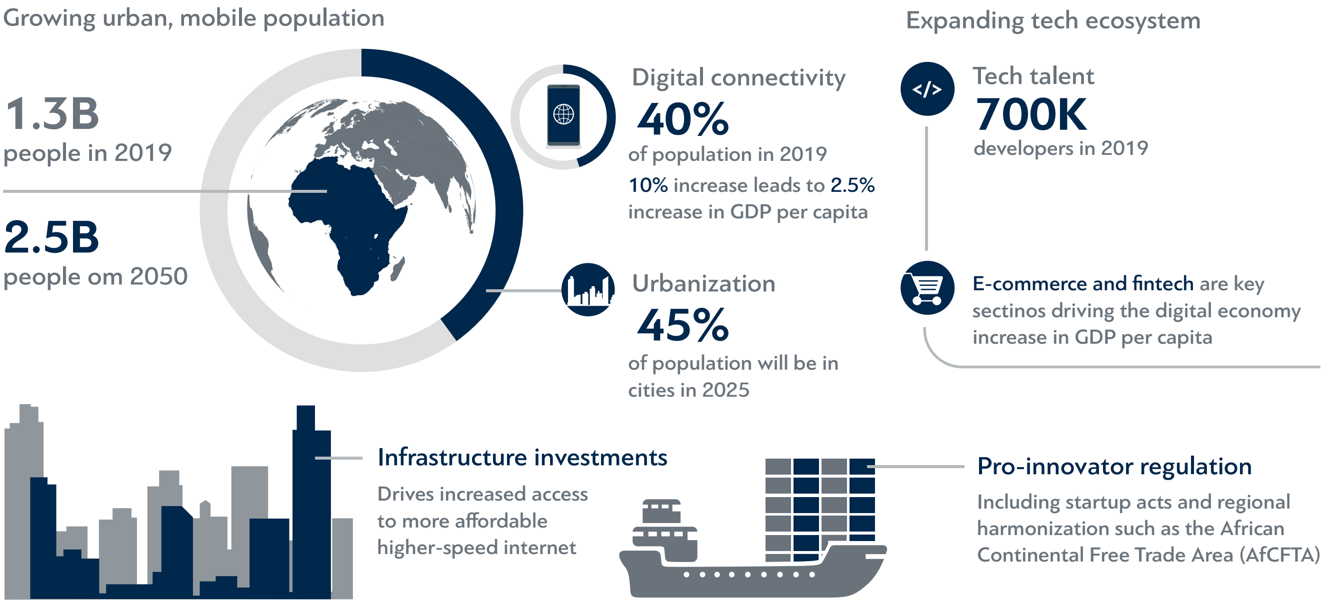


VENTURE MARKETS

2023 deals and investment are down on 2022 YTD following the global trend but remain at multiples higher than they were 10 years ago. The industry is continuing to evolve and we are seeing some great opportunities that are being priced attractively and more rationally than 12 months ago.

Google and IFC predict that Africa's internet economy will be worth $180bn by 2025, but this is just the beginning and would only represent c.4% of Africa's GDP.

AFRICA'S $108B INTERNET ECONOMY FUTURE



Africa VC and PE deal update

- South African fleet management startup GoMetro announced the successful completion of a $11.5 million Series A funding round.
- Kenya's President, William Ruto has announced that the country's Startup Bill 2022 is set to become law by May or April 2024.
- South African insurtech Pineapple, an online car insurance company, raises a mega $21.3 million in Series B.
- MNT-Halan, Egypt's fintech startup, raises another $130 million led by CI Capital, contributing to a total of over $400 million raised this year.
- Kenya opens its first smartphone factory to make low-cost phones. The factory is set to produce up to 3 million 4G-enabled phones a year priced from as low as $50.
- Norrsken22 has successfully closed its fundraise at $205 million to invest in growth-stage companies across Africa.
- Nigeria's AFEX, a commodities trading platform in Africa that supports smallholder farmers, has raised $26.5 million.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

In a very positive trend, oil production has been raised by 30% y/y to 1.6mbpd, just below the OPEC quota of 1.7mbpd. This will go a long way to supporting the new government's development initiatives and improved economic policy, in particular a liberalized FX market and free floating Naira.

Another positive development for Nigeria, Dangote's USD 20bn, 650k bpd refinery, is set to kick off in December. An Achilles heel in the Nigerian economy has always been the absence of local oil refining, meaning that while Nigeria exports large quantities of crude oil, it imports refined products. The refinery will move Nigeria toward self-sufficiency and even result in some exports of refined products. This could save the country anywhere between USD 10-15bn per annum, which put in perspective is approximately 30% of Gross FX Reserves. A very timeous development for a new technocratic government, embarking on repairing Nigeria's economy.

Macro releases included (Nigeria stats):

- Inflation accelerated to 27.3% y/y (Sep: 26.7%).
- FX reserves slipped to USD 33.4bn (Sep: USD 33.2bn).
- PMI was 49.1 (Sep: 51.1).

27.3% y/y	US$ 33.4bn	49.1
Inflation Rate	FX Reserves	PMI

EGYPT

Egypt received 13mn tourists in 9m23, with revenues likely to increase 15% y-o-y in 2023. This increases the likelihood of hitting the government's annual target of 15m tourists a year, a 32% increase y-o-y, despite the geopolitical tensions due to the war in Gaza and Ukraine. This would result in the increase of tourism revenues to USD14bn, a 15% rise y/y. This is a very welcome and positive development, as tourism is one of the largest sources of FX and a significant amount of it gets injected directly into the economy.

Net foreign reserves edged up to USD35bn in October. Last month, the government issued USD500m worth of Panda bonds and secured a USD957m loan from the China Development Bank.

Macro releases (October stats):

- Inflation surged to 38.1% y/y (Sep: 38.0%).
- FX reserves were USD 35.1bn (Sep: USD 35.0bn).
- PMI slid down to 47.9 (Sep: 48.7).

38.1% y/y	US$ 35.1bn	47.9
Inflation Rate	FX Reserves	PMI

KENYA

Kenya's ability to meet and roll over its upcoming Eurobond, has been an area of concern and has weighed negatively on sentiment and the Shilling. Bridge funding has been received from the IMF, which allays short term fears but external funding remains a concern.

Macro releases (October stats):

- Inflation was 6.9% y/y (Sep: 6.8%).
- FX reserves were USD 6.8bn (Sep: USD 6.9bn).
- PMI fell to 46.2 (Sep: 47.8).
- 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%.

6.9% y/y	US$ 6.8bn	46.2
Inflation Rate	FX Reserves	PMI

MAURITIUS

Macro releases (October stats):

- Inflation slowed to 4.6% y/y (Sep: 5.2%).
- FX reserves slipped to USD 6.7bn (Sep: USD 6.6bn).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.

4.6% y/y	US$ 6.7bn	4.5%
Inflation Rate	FX Reserves	Interest Rate

MOROCCO

In a positive development for Morocco, one its new IPO's and leading healthcare provider Akdital, released very strong financial 9m23 results. By the end of September 2023, Akdital achieved a turnover of MAD 1,330m, up 86% as compared to the same period in 2022. This solid performance was mainly driven by (i) the ramp-up in activity of the facilities opened during 2022 and 2023 (notably the clinics in Salé, Safi, Agadir, Tangier, Mohammedia, Bouskoura and Fez), as well as (ii) the significant turnover growth of the historic clinics in Casablanca and El Jadida. Moreover, the Group pursued its expansion strategy, increasing its bed capacity to 2,192 beds and aiming to establish itself in 11 of the Kingdom's 12 regions by 2025.

In another positive development for Morocco, CPI further slowed in October, down to an annual rate of 4.3% from 4.9% in September. Prior to the global spike in inflation, CPI ranged between 2-3%, so we are rapidly getting back to normal..

Macro releases included (October stats):

- Inflation was 4.3% y/y (Sep: 4.9%).
- FX reserves fell to USD 34.6bn (Sep: USD 34.5bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).

4.3% y/y	US$ 34.6bn	-3.1%
Inflation Rate	FX Reserves	Gross Investments

COMPANY UPDATES

Key to brackets: (Country, Industry, Fund Allocation)

Fawry (Egypt, IT, 11%) – 3q23 results update: A defining set of results that reinforces the positive trend. Revenues came in +42%, EBITDA +95% and attributable earnings +184%. The portfolio effect continues to kick in, with ADP now only making up 40% of revenues, down from almost 90% at the IPO in 2019. Conversely, Banking Services and MicroFinance are now 38% and 11% from virtually nothing. These newer and now heavier weighted streams are growing at 60% plus, compared to ADP at +19%, helping to drive total revenue up by 42%. This trend will continue as ADP's weighting steadily falls. Encouragingly, these incremental revenue streams are coming at a lower marginal cost, which drives EBITDA, up by 95%. An additional boost to attributable earnings come from the lower minority charge on new stream profits, compared to ADP where there was leakage.

MTIE (Egypt, Consumer discretionary, 15%) – 3q23 results update: A very strong set of results, Group revenues came in +101%, driven mostly by a 110% increase in Consumer Electronics. A major driving factor is the resumption in supply of locally manufactured Samsung phones. EBITDA rose 76% and net profit 120%.

MTN (SA, Communications Services, 5%) – FINTECH update: MTN gave a very positive update, despite some challenges in ramping up revenues in Nigeria. This Fintech division is already a significant business, with active MoMo users of 64m, SuperApp users 31m, number of Agents 1.3m and merchants of 1.8m. Revenues increased 22%. To quote 3the company, "The development of our overall fintech ecosystem remained robust with a 33.9% increase in transaction volumes to 12.7 billion transactions, and transaction value up by 57.1%* to US$203.7 billion".

From a country perspective, MTN Ghana and Uganda were the key drivers, while from a product perspective, value processed in Payments and e-Commerce grew 50%, BankTech +170% and remittances 64%.
Of immense psychological and strategic value, earlier in the year, Mastercard took a minority stake in the business, valuing it at USD 5bn. While this value is not as high as we believe it is worth in the longer term, it is big vote of confidence in Africa Fintech and suggests that the MTN Group at only a USD 10bn valuation, is extremely undervalued.

MARKET OUTLOOK

Africa is expected to outperform the rest of the world with an improved outlook in 2023. 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 outlook for Egypt remains positive with continued accumulation of FX reserves and the CBE's sound monetary policies keeping the bond carry trade alive. 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 2023. 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.