AFRICA FINTECH OVERVIEW

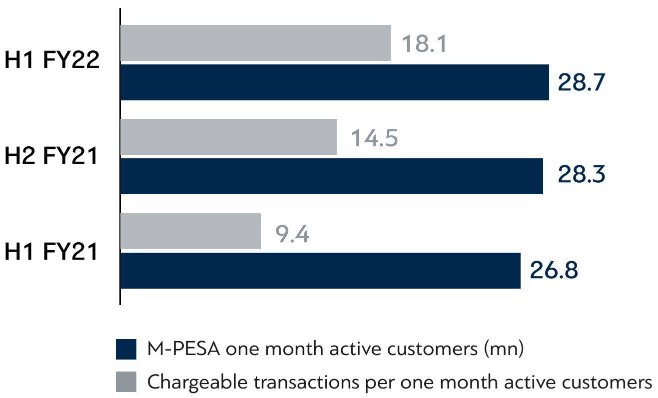
PUBLIC MARKETS

STRONG GROWTH LOOKS LIKE THIS

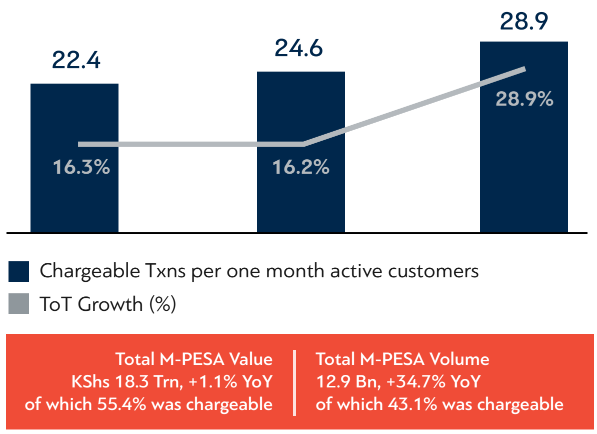
We often talk about the components of growth being length and width of runway. Few companies demonstrate this better than **Safaricom's MPESA (Kenya, 5.0% of NAV)**. The pictures below show the number of customers in Kenya using this product (length), as well as the number of transactions they perform on the platform every month (width). In terms of length of runway, they have grown fast to get to 32.5m customers, **but whats really important** is that not only are there more customers, but **more customers are using it more often**. These numbers don't land in your lap, you get there by having the best platform and the best suite of services.

The two pictures are extracts from the 1h22 and 1h24 interim results. You can see how over the space of 3 years, average transactions per user, per month, have risen from 9.4 to 28.9, a **200% growth rate**.

Usage Growth, Opportunity to Drive Penetration Remains

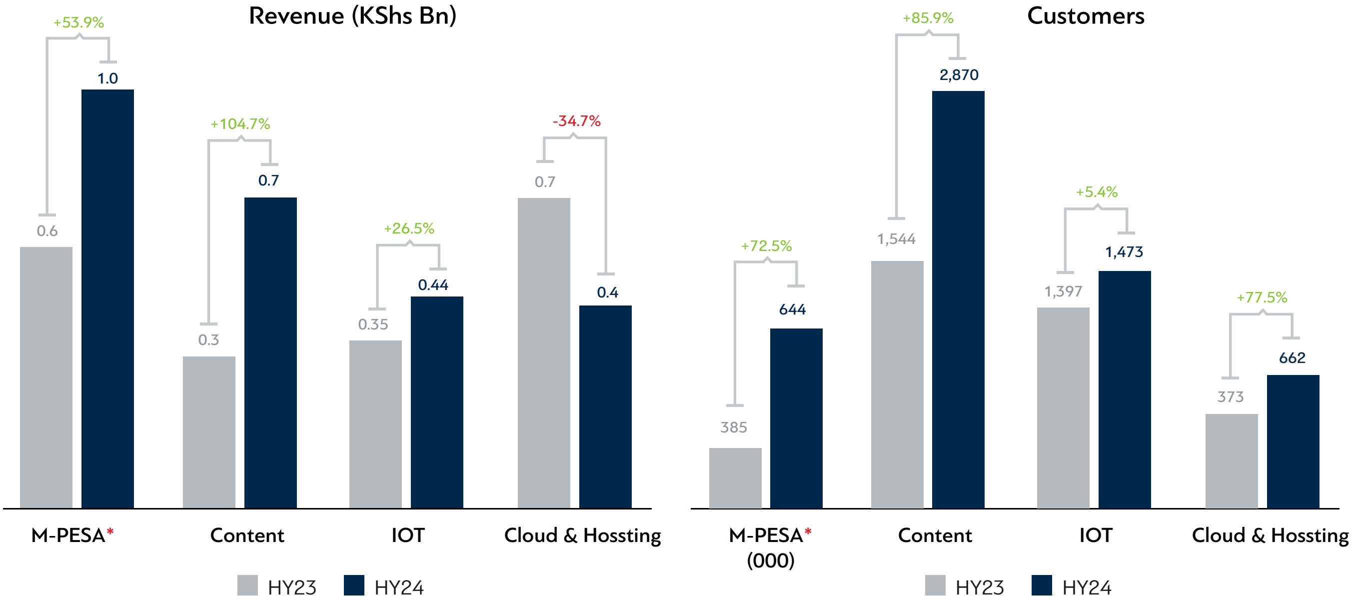


M-PESA : Increased Usage Driving Growth



In terms of new services and widening the runway, consider the growth rates in the chart below. Think of these as seedlings in whose shade you as investors will sit in the months and years to come.

New Growth Areas : Driving Sustainable Revenue Growth



** This relates to M-PESA revenue and customers on Pochi la Biashara (Wallet for micro / small businesses and vendors), Transacting till for businesses and Merchant overdraft facility*

VENTURE MARKETS

Venture capital is a driving force for change, catalyzing innovation and technology advancements in Africa. Venture capital is supporting the African fintech entrepreneur to bring financial and social inclusion across the Continent as well as the opportunity for robust returns for investors. Imara has made two venture fintech investments this year, with a rich pipeline for 2024. **Watch this space**.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

Some significant developments this month: MSCI announced a reclassification of the MSCI Nigeria indexes, moving them to Standalone Market status as of end-February 2024 (Prev: Frontier Markets). The primary justification is due to the extreme FX shortage which adversely affects access to equity markets and creates an ongoing divergence of the official and parallel market rates. President Tinubu – whose election win was upheld by the Supreme court this month – is committed to easing the FX liquidity crisis, with new FX rules anticipated by year- end.

The new Central Bank of Nigeria (CBN) Governor, Cardoso, started strong by cancelling the list of banned imports. This has positive implications for setting a path for monetary policy and FX liquidity. The CBN has already demonstrated a looser grip on the currency this month, and sold OMOs indicating tightening monetary policy and a material shift in yields for investors. The Federal Executive Council approved the supplementary budget of NGN 2.2trn (USD 2.8bn) for 2023. The Cabinet further approved a World Bank loan of USD 1.5bn as budget support.

Macro releases included (September stats):

- Inflation accelerated to 26.7% y/y (Aug: 25.8%).
- FX reserves slipped to USD 33.2bn (Aug: USD 34.0bn).
- PMI was 51.1 (Aug: 50.2).
- M3 grew +36.2% y/y (Aug: 33.2%).
- Private sector credit growth was +44.6% y/y (Aug: 39.2%).

26.7% y/y	US$ 33.2bn	51.1	+36.2% y/y
INFLATION RATE	FX RESERVES	PMI	M3 GROWTH

EGYPT

Moody's Ratings Agency downgraded Egypt to Caa1 with a stable outlook earlier this month. This is on the back of climbing external debt service payments, down from its previous rating of B3 with a negative outlook. In a similar vein, S&P Ratings Agency downgraded the sovereign credit rating to B- with a stable outlook (Prev: B, negative outlook). Reasons given were delays in executing key monetary structural reforms and identified constraints of external funding gaps.

With this backdrop, the government is committed to adopting a flexible exchange rate and the IMF is proceeding with first and second reviews in the next few months. The IMF forecasts GDP growth reaching 4.2% in 2023, and 3.6% in 2024. The World Bank sees GDP for FY23/24 reaching 3.7%.

Macro releases (September stats):

- Inflation surged to 38.0% y/y (Aug: 37.4%).
- FX reserves were USD 35.0bn (Aug: USD 34.9bn).
- PMI slid down to 48.7 (Aug: 49.2).
- M2 growth was +23.0% (Aug: 24.4%).

38.0% y/y	US$ 35.0bn	48.7	+23.0% y/y
INFLATION RATE	FX RESERVES	PMI	M2 GROWTH

KENYA

GDP growth for 2q23 was released, higher than expected at +5.4% y/y (1q23: 5.3% and 2q22: 5.2%). Agriculture rebounded +7.7% y/y with increased production and good weather conditions. Positive growth was also seen in finance & insurance +13.5% y/y, food & accomodation +12.2% y/y and information & communication +6.4% y/y sectors.

President Ruto has reached 1 year in his position, and government spending on social programmes (health coverage and affordable housing) is expected to increase into his second year. This implies a heavier tax burden for workers and businesses. Ruto is pushing to improve Kenya's debt outlook, and signed into a law a bill that limits government debt at 55% of GDP. The government is still committed to paying off the USD 2bn Eurobond in June 2024, initiating facilitation talks with the IMF and other lenders.

Macro releases (September stats):

- Inflation was 6.8% y/y (Aug: 6.7%).
- FX reserves were USD 6.9bn (Aug: USD 7.1bn).
- PMI fell to 47.8 (Aug: 50.6).
- Remittances grew +7.1% y/y to USD 340.4m (Aug: +14.2% to USD 354.4m).
- 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%.

6.8% y/y	US$ 6.9bn	47.8
Inflation Rate	FX Reserves	PMI

MAURITIUS

FDI rose +34% y/y to end-June because of property and tourism. Tourism has since been consistently improving, up +20.7% y/y in September and arrivals reaching 97.8k. The recovery rate stood at 97%.

The government raised fuel prices as the account deficit widened, then subsequently cut the price by -4.3% due to relief from the stabilisation fund.

Macro releases (September stats):

- Inflation slowed to 5.2% y/y (Aug: 5.9%).
- FX reserves slipped to USD 6.6bn (Aug: USD 6.8bn).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.

5.2% y/y	US$ 6.6bn
Inflation Rate	FX Reserves

MOROCCO

Morocco signed a memorandum of understanding for a total of USD 1bn with Afreximbank towards a trade and investment programme. Additionally, the European Investment Bank committed to EUR 1bn over the next 3 years to support the country's post-earthquake recovery.

Fuel prices are increasing, with an upward adjustment of c.50c for diesel prices. Consumers are feeling the pressure, with increases passed on and distributors unable to absorb the cost. Gasoline has been largely steady at MAD 15.5 per litre, while diesel is more than MAD 14.0 per litre. The government had previously introduced subsidies in passenger and freight transport sectors in order to mitigate the adverse impact on individuals.

The IMF and World Bank held their first meeting in Africa in 50 years, following which the IMF released its World Economic Outlook citing a tough global macroeconomic outlook and slower global growth.

Macro releases included (September stats):

- Inflation was 4.9% y/y (Aug: 5.0%).
- FX reserves fell to USD 34.5bn (Aug: USD 35.3bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).

4.9% y/y	US$ 34.5bn
Inflation Rate	FX Reserves

COMPANY UPDATES

KEY TO BRACKETS: (COUNTRY, INDUSTRY)

GTB (Nigeria, Financials) 3q23 Results: Net revenues grew a robust +38.1% y/y, driven by NII +74.4% y/y. The yield curve shifted upwards, leading to interest income +74.2% y/y. Interest expenses grew +73.4% y/y due to cost of funds which climbed by 50bps. NIMs expanded by 60bps to 5.9%. NFI declined -28.2% y/y. Net fees and commissions, as well as trading income, had muted growth +2% y/y and +1% y/y respectively. The fall was due to other income, as revaluation losses reversed some of the gains from the previous quarter and there was a steep decline in gains from forward transactions. Provisions significantly increased off a low base due to stage 2 impairments; notably 3q22 had a steep y/y decline. Operating expenses fell, leading to PBT +59% y/y and PAT +65% y/y. In terms of the balance sheet, loans grew +20% y/y, down -4% q/q. Deposits grew +49% y/y and were flat q/q. Given these strong results, GTB is set to beat our topline and earnings expectations if 4q is as expected. The share is still significantly undervalued.

Stanbic IBTC (Nigeria, Financials) 3q23 Results: Another quarter of strong operational results. Net revenues grew +50.1% y/y, driven by net interest income +63.2% y/y and bolstered by non-interest income +37.9% y/y. Yields continued to shift upwards, and interest income grew significantly +91.5% y/y. This was partially offset by spiking funding costs leading to interest expense growth +179% y/y. NIMs expanded by 95bps to 5.66%. NFI growth was led by trading income (35% of NFI) +75% y/y and net fees and commissions (65% of NFI) +27% y/y. Strong line item growth noted in e-banking +132% y/y and PBB documentation/admin fees +318% y/y. Impairments booked were doubled from 3q22, notably off a low base. Opex growth was above inflation +36.7% y/y due to IT costs and other software-related expenses. PBT grew +60.4% y/y and PAT +71.0% y/y. Notably, the NPL ratio fell by 10bps to 2.5%. Looking at the balance sheet, loans grew strongly +56.1% y/y and +6.2% q/q while deposits were also robust +55.4% y/y and +7.6% q/q.

Nestle (Nigeria, Consumer staples) 3q23 Results: Revenues grew +21.4% y/y, with negative operating leverage leading to significant earnings decline y/y. Topline was driven by food (65% of revs) up +29.9% y/y and beverages (35% of revs) a muted +8.1% y/y growth. COGS growth was muted +10.9% y/y due to FX hedges. GP margin expanded significantly by 579bps to 39%. Operating costs grew below inflation +19.9% y/y. EBITDA margin also expanded by 604bps to 25.1%. Leverage increased materially, so interest expenses 4x. PBT fell -14.9% y/y and PAT -44% y/y on the back of increased taxes.

MCB (Mauritius, Financials) FY22 Results: Net revenues grew +29% y/y, beating our expectations, driven by both NII and NFI. Yields shifted upwards, and interest income grew strongly +83.8% y/y. Funding costs expanded significantly, up in the triple digits from 0.6% to 2.5%. NII grew +30.3% y/y as a result. NIMs expanded by 43bps to 2.8% because of better margins on FX interest-earning assets and increases in FX loans and investment securities. NFI grew +27% y/y due to fees and commissions (70% of NFI) up +12.9% y/y, and trading income (24% of NFI) which doubled y/y. Impairment growth was muted +4.7% y/y, with gross NPLs falling from 3.7% in FY22 to 3.2%. Opex grew +23.3% y/y as the group continued to invest in IT and software upgrades, as well as staff cost increases. PBT grew +40.4% y/y and PAT +37.7% y/y. Deposits grew +13.7% y/y and loans +7.3% y/y.

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.