

AFRICA FINTECH OVERVIEW

AFRICA PUBLIC MARKETS UPDATE – BUMPER FIRST QUARTER RESULTS BUILD ON 2023 MOMENTUM

A number of our core positions have recently released their first quarter results. After what was an incredibly encouraging set of 2023 numbers, these 1q24 numbers further build on that momentum. The **strong growth in revenues AND profitability** reinforces our thesis on the companies themselves as well as the Fintech theme in Africa. Cash transactions are increasingly becoming non-cash and financial inclusion is rising, better serving a robust consumer. On a country level basis, consider these stats from **Nigeria, where the value of electronic payment transactions (EPT) grew by 89% y/y to NGN257.7trn (USD223.7bn) in 1q24** from NGN136.2trn (USD118.2bn) in 1q23, according to the latest report released by the Nigerian interbank settlement system (NIBSS).

Fawry grew 1q24 revenues by a whopping 61%, EBITDA by 111% and EPS by 149%. These achievements will continue as the higher growth segments increase their weight in the portfolio of service offerings. Within this revenue growth, Acceptance grew 96% and Supply Chain Solutions grew 70%.

Equity Group grew 1q24 revenues by 25%, with PAT growing by 25% and delivering a RoE of 29%. This puts them on a 2024 PE of 2.1x and a Price to book of 0.6x, an unhinged valuation given their high RoE, capital adequacy ratio and conservative loan provisioning.





Safaricom Kenya grew revenue 12%, within that MPESA, their mobile money arm, grew 19% and now has 32m customers. Safaricom Ethiopia launched MPESA in the second quarter and already has 5m customers, strong revenue growth will follow suit. The Group now trades, well below its historic range on a forward PE of 9x and EV/EBITDA of 4x, as Ethiopia grows and contributes to profitability, these multiples will wind down very fast.



VENTURE MARKETS - AFRICA VC AND PE DEAL UPDATE

Meta AI assistant was launched in April in Nigeria, South Africa, Ghana, Kenya, Uganda, Zambia, Zimbabwe, and Malawi. Meta is moving fast with its AI into Africa because it has 200 million users with the highest penetration rate for WhatsApp in the World at 96%.

WHATSAPP IN AFRICA

93.5%	95.4%	91.9%	
of internet users	of internet users	of internet users	
KENYA 	SOUTH AFRICA 	SOUTH AFRICA 	

Moniepoint, OmniRetail, M-Kopa, and other African startups made the Financial Times list of the top 100 fastest-growing companies in Africa.

Egyptian fintech, Mnzl, has raised \$3.5 million in seed funding from Ingressive Capital, P1 Ventures, and Localglobe.

Amazon, the global retailer, has launched an online marketplace in South Africa, marking its entry into the African market.

Airtel Africa’s mobile money unit, Airtel Money, has announced its plans to go public in 2025, but the CEO won’t tell what exchange they’re listing on. This is Airtel Africa’s fastest-growing business unit and analysts predict it could IPO for as

much as \$4 billion. This is coming after a \$100 million investment in the unit from Mastercard.

South Africa's Lesaka, a fintech startup, has acquired Adumo RF, an online payment platform for \$86.4 million in cash and equity. This is happening three months after it acquired 100% of Touchsides, a data analytics company formerly owned by Heineken.

Egyptian fintech startup, Swypex, is launching with \$4 million in seed funding from Accel, Foundation Ventures, and The Raba Partnership. The startup is building an all-in-one fintech platform for businesses.

Bolt, the ride-sharing app, and M-Kopa, a Kenyan fintech company, are partnering to launch 5,000 electric bikes in Kenya. The partnership allows riders to finance their bikes with M-Kopa while working on Bolt.

Nigerian fintech startup, Anchor, has launched Ondeck with Anchor, a YouTube series which gives an insider's perspective on the fintech industry. Each episode looks at a specific aspect of fintech, from payments and cards to regulation and emerging technologies. Watch the first episode here and subscribe to Anchor's YouTube channel.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

Portfolio Investments on the Nigerian exchange limited (NGX) in February 2024 rose by 24% m/m to NGN65.8bn (USD49.9m) from NGN53.1bn (USD40.2m) in the previous month.

The most recent data from the National Pension Commission (PenCom) shows that **Nigeria's pension assets sustained its upward trajectory in Feb '24. Specifically, the total assets under management (AUM) of the regulated industry increased markedly by +28% y/y to NGN19.8trn as at end-Feb '24.** This is critical to the sustained development and deepening of Nigeria's capital markets.

E-Payment transactions rise 89% y/y to NGN257.7trn in Q1'24: The value of electronic payment transactions (EPT) grew by 89% y/y to NGN257.7trn (USD223.7bn) in Q1'24 from NGN136.2trn (USD118.2bn) in Q1'23, according to the latest report released by the Nigerian interbank settlement system (NIBSS).

President Tinubu secures USD600m Danish investment to expand Nigeria's existing seaport infrastructure: President Bola Tinubu, on Sunday, secured an investment of USD600m from Danish shipping and logistics company, A.P Moller-Maersk, to expand existing port infrastructure to accommodate more container shipping services in Nigerian ports.

Macro releases included (March stats):

- Inflation accelerated to 33.2% y/y (Feb: 31.7%).
- FX reserves slipped to USD 34.3 bn (Feb: USD 33.5bn).
- PMI was 51.0 (Feb: 51.1).

33.2% y/y

Inflation
Rate

US\$ 34.3bn

FX
Reserves

51.1

PMI

EGYPT

Egyptians Egypt received portfolio investments into its local debt market worth USD14-16bn since the Central Bank of Egypt (CBE) floated the EGP on 6 March. **This is a positive development in securing USD inflows and liquidity.**

Tourist arrivals grew 4% Y-o-Y to 3.7mn in 1Q24, but arrivals to Sharm El-Sheikh were down 20% Y-o-Y in the same period, an unnamed gov't official said. Egypt initially targeted 18mn tourists this year, but the target is looking increasingly difficult as a result of the geopolitical tensions in the region, Tourism Minister Ahmed Issa said Feb. The country received a record 14.9mn tourists in 2023, up 27% Y-o-Y.

Macro releases (March stats):

- Inflation surged to 35.3% y/y (Feb: 35.7%).
- FX reserves were USD 40.4bn (Feb: USD 35.3bn).
- PMI slid up to 47.6(Feb: 47.1).
- M2 growth was +16.6% (Feb: 16.6%).

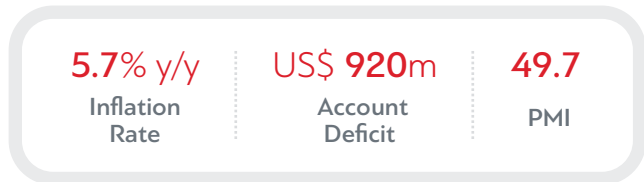


KENYA 

Kenya is set for KES 131 billion (\$1 billion) in new financing from the IMF in June at the end of the seventh review of its multi-year programme with the multilateral lender. The disbursement awaiting both staff-level agreements and the nod from the IMF executive board is expected to be the largest access yet from the programme approved in 2021.

Macro releases (March stats):

- Inflation was 5.7% y/y (Feb: 6.3%).
- PMI slow down to 49.7(Feb: 51.3).
- 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%.

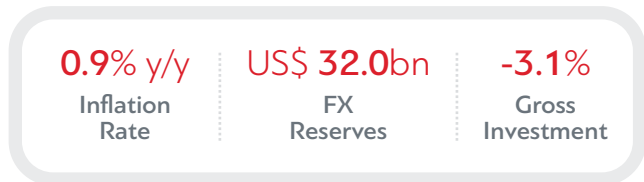


MOROCCO 

Moroccan S&P Global Ratings revised its outlook on Morocco’s economic prospects from Stable to Positive, citing the country’s resilience in the face of various challenges and its commitment to socioeconomic and budgetary reforms. The agency affirmed Morocco’s long- and short-term local and foreign currency sovereign credit ratings at ‘BB+/B’. Despite enduring shocks as a result of the Russia-Ukraine War, the COVID-19 pandemic and droughts, Morocco has maintained access to both domestic and external financing, according to the report. **“The positive outlook reflects our expectations that Morocco will build on its recent track record of implementing socioeconomic and budgetary reforms, paving the way for stronger and more inclusive growth, and a reduction in budget deficits,”** S&P said. One of the key factors contributing to the revised outlook is the notable decrease in budget and current account deficits in 2023, surpassing S&P’s expectations. The budget deficit narrowed to 4.4% of GDP, while the current account deficit narrowed to 0.6% of GDP. Sustained reforms, particularly in sectors such as tourism, automotive and phosphates, are expected to strengthen economic performance. The report also highlighted the country’s ongoing shift in economic structure towards formalisation and inclusivity as a positive development. Efforts to extend social protection and increase digitalisation are expected to formalise more of the economy, widen the tax base and mitigate income disparities between urban and rural areas.

Macro releases included (March stats):

- Inflation was 0.9% y/y (Feb: 0.3%).
- FX reserves rose to USD 32.0bn (Jan: USD 31.8bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).



MAURITIUS 

Macro releases (March stats):

- Inflation slid to 4.9% y/y (Feb: 6.2%).
- FX reserves slipped to USD 6.1bn (Jan: USD 6.0bn).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.



COMPANY UPDATES

Key to brackets: (Country, Industry)

There are 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 extremely positive on the back of the UAE real estate deal, the IMF and the World Bank deals. The tourism outlook has improved, wheat prices have halved, and strong remittance growth has returned. 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. 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.