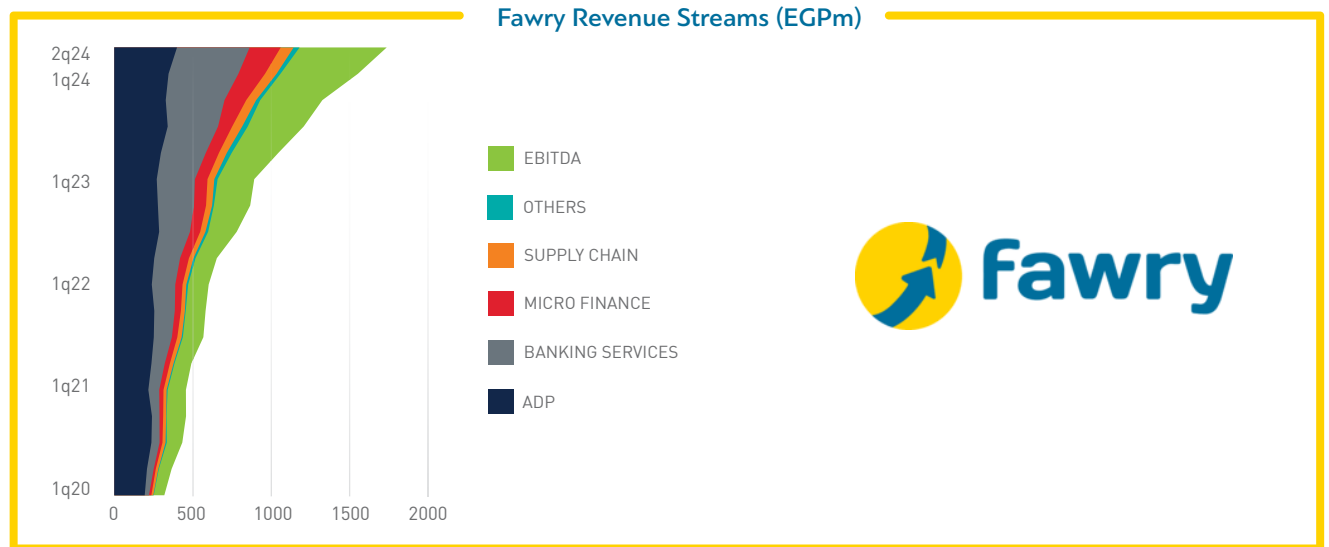


## AFRICA FINTECH OVERVIEW

### PUBLIC MARKETS – Fawry shooting the lights out

A 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 2q24 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 5-fold. Egypt's extremely low penetration of financial services will ensure that these growth rates will continue into the foreseeable future.



For the second quarter specifically, revenues grew 58%, EBITDA +87% and EPS a whopping 101%. Encouragingly, the original service, Alternative Digital Payments (ADP) is having a re-acceleration to +35%, as new products get put on the ADP platform. The newer services like Acceptance and Fin Servs are growing at 78% and 124% respectively.

### VC PORTFOLIO COMPANY UPDATE



**Omnisient**, a South African fintech startup, secures a USD 7.5m Series A investment from Arise to support its mission of enhancing financial inclusion across Africa and beyond. The investment will help Omnisient expand its tech to African, European, and US markets.

### VENTURE MARKETS - Africa VC and PE deal update

- MaxAB and Wasoko finalised their merger, making them the biggest e-commerce company by volume and reach in Africa.
- Egyptian digital savings startup Mentum has teamed up with CI Capital Asset Management to launch a USD fixed-income fund to elevate Egypt's savings and investment landscape. Launched in November 2022, Mentum is a B2B and B2C digital savings platform that provides an innovative way to invest in safe treasury bills.
- Kredete, a payments and lending startup for African immigrants, has raised an undisclosed amount from Launch Africa Ventures.
- Zone, a Nigerian payment infrastructure startup, has teamed up with the Nigeria Inter-Bank Settlement System Plc (NIBSS) to introduce blockchain technology into POS terminal payments. This will speed up transaction settlements, and reduce disputes and chargebacks.
- TymeBank, a South African digital bank, will launch in Indonesia by the end of 2024. The company plans to focus on offering its merchant lending product to SMEs in Indonesia, similar to its strategy in Vietnam.
- Waza, a cross-border B2B payments startup for Africa, raised \$8 million in seed funding from Blyd Ventures, Y Combinator, Norrsken Africa, and Timon Capital. The round included \$3 million in equity and \$5 million in debt, and the funds will help Waza expand its operations and pilot trade financing for its clients.
- Fido, a consumer-lending startup, has raised \$10 million in Series B funding from FMO, a Dutch development bank. This funding will support its growth in Ghana and Uganda and its expansion into new African markets.

## ECONOMIC AND POLITICAL OVERVIEW

### NIGERIA

The number of metered electricity consumers in Nigeria **increased by 49% to 5.9m between 2019 and 2024**, the National Bureau of Statistics has said.

Nigeria has secured at least USD 1.25bn in loans from the World Bank and the African Development Bank (AfDB), to **boost electricity supply** under the administration of President Bola Tinubu.

The CEO of Zenith Bank Plc, Adaora Umeoji, has said that the NGN 290bn the bank aims to raise through its ongoing equity offer, will be used for expanding its operations across Africa and other international markets, enhancing its IT infrastructure and providing working capital to support the real sector, **particularly SME's**.

The Central Bank of Nigeria has announced a **significant increase in remittance inflows, reaching USD 553m in July 2024**. It said the amount is a 130 per cent increase from the corresponding period in 2023.

#### Macro releases included (July stats):

- Inflation accelerated to 33.4% y/y (June: 34.2%).
- FX reserves rose to USD 36.8bn (June: USD 34.1bn).
- PMI was 49.4(May: 50.1).

**33.4% y/y**  
INFLATION  
RATE

**US\$ 36.8bn**  
FX  
RESERVES

**49.4**  
PMI

### EGYPT

Finance Minister Ahmed Kouchouk said his Ministry is focusing on three main pillars in its conduct of fiscal policy. The first is how to **sustain the tax results** while achieving a partnership with the business community at the same time. The second focuses on fiscal policy and how it will effectively **contribute to development** and economic circumstances. The third is to guarantee that the **debt and debt services are on the path to retreat**," Kouchouk stated. Moreover, the Minister said that priorities will be rearranged so that public expenditure can be more considerate of the social dimension to encompass the effects of economic reforms. This will happen through a **25% increase in education expenditure, a 24% rise in health expenditure and a 20% increase in social protection expenditure**. On debt service, the Minister said the bill is still high due to the rise in inflation rate and interest rates, adding that the target is to decrease it to 35% of the total expenditures in the medium term.

Egypt's remittances from its overseas workers **surged 66% Y-o-Y to USD2.6bn in June**, extending strong gains since the EGP was floated back in Mar, according to a statement by the Central Bank of Egypt (CBE). Remittances were up 44% in April and 74% in May, with June sustaining this strong recovery. Overall in 2Q24, remittances jumped 63% Y-o-Y to a two-year high of USD 7.5bn.

The Electricity Ministry plans to carry out USD 4bn worth of hydroelectric power projects in partnership with the private sector, Al Arabiya reports, citing unnamed government sources. The gov't will reportedly seek out global hydropower companies and financiers to implement the projects. The Ministry is looking to set up a water pumping and storage station with a capacity of 2.4 GW in Egypt's mountainous Ataka region. The gov't had reportedly inked an MoU with a Chinese company over three years ago to implement the project, before being indefinitely postponed because of financial and technical issues.

Egypt's net international reserves (NIR) inched up in July, sustaining its rise since the float, though at the slowest pace, according to data released by the Central Bank of Egypt (CBE). NIR was up USD 105m to USD 46.5bn in July, driven mostly by a rise in the CBE's value of gold holdings. A drop of USD 583m in the balance of foreign currencies was more than compensated for by a USD 398m increase in the value of gold holdings and USD 290m in special drawing rights (SDR) holdings. Meanwhile, tier-II reserves were also up in July, rising by USD 289m to USD 10bn. In that respect, total FX reserves at the CBE were up USD 394m in July; this is the slowest pace of increase in total reserves since the float, though largely expected, given the absence of any major official flows during the month. The reserves balance covers 8.1 months of imports.

Minister of Finance Ahmed Kouchouk said Tuesday that Egypt is targeting USD2-2.5bn from the initial public offering (IPO) programme for state-owned companies through FY24/25. In statements on Tuesday, Kouchouk explained that the gov't is focused on offering companies to the private sector in pharmaceutical and chemical industries, and building and construction; lowering its shares in electric power plants; and providing opportunities to the private sector for investing in four other sectors. The state has generated USD 3.1bn in revenues from the IPO programme since Mar 2023, Kouchouk said.

**Macro releases (July stats):**

- Inflation was 25.7% y/y (June: 27.5%).
- FX reserves were USD 46.5bn (June: USD 46.4bn).
- PMI slip to 49.7 (June: 49.9).
- M2 growth was +28.8% (June: 27.2%).

**25.7% y/y**  
INFLATION  
RATE

**US\$ 46.5bn**  
FX  
RESERVES

**49.7**  
PMI

**KENYA** 

The number of Safaricom Ethiopia's active subscribers grew to 4.6m in the quarter ended June, representing additions of about a quarter million clients. The company, a subsidiary of Nairobi Securities Exchange-listed Safaricom Plc, had 4.35 million 90-day active customers at the end of March.

The heavy rains during the first half of the year **boosted hydropower production by 66%** over the period, increasing supplies of the relatively cheaper source of energy to the national grid.

Safaricom has expanded the coverage of its super-fast fifth-generation (5G) network to all of Kenya's 47 counties with the opening of 311 new sites within the past four months, which has seen the telco's total launched 5G sites hit 1,114, up from 803 as of March this year.

**Macro releases (Julu stats):**

- Inflation was 4.3% y/y (June: 4.6%).
- PMI slide to 43.1 (June: 47.2).
- 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%.

**4.3% y/y**  
INFLATION  
RATE

**US\$ 43.1bn**  
FX  
RESERVES

**5.7%**  
GDP  
GROWTH

**MOROCCO** 

China's BTR Group specialising in lithium-ion battery materials announced that it will construct a plant in Morocco's Tangier Technology City. "The Moroccan project represents a total investment not exceeding USD366mn, with the construction expected to take approximately two years," BTR said in a statement. The company described the project as a "significant step forward" as part of its international expansion. Under its new project, BTR aims to achieve an annual production capacity of 60k tonnes of lithium-ion battery anode materials with the goal of enhancing service offerings to overseas customers.

**Macro releases included (July stats):**

- Inflation rose to 1.3% y/y (June: 1.8%).
- FX reserves declined to USD 33.0bn (June: USD 32.9bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).

**1.3% y/y**  
INFLATION  
RATE

**US\$ 33.0bn**  
FX  
RESERVES

**-3.1%**  
GROSS  
INVESTMENT

**MAURITIUS** 

**Macro releases (July stats):**

- Inflation rose to 2.7% y/y (June: 2.2%).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.

**2.7% y/y**  
INFLATION  
RATE

**4.5%**  
INTEREST  
RATE

**COMPANY UPDATES**

Key to brackets: ( Country | Industry )



**MM Group (Egypt, Consumer | Fintech)** reported 2Q24 results, with net profit expanding 73.5% Y-o-Y to EGP246mn, driven by better operational performance (revenue and margins). Revenue increased c35% Y-o-Y, driven by: i) a c27% increase in consumer electronics sales in 1H24 (c77% of total 1H24 revenue), with the home appliance segment increasing 41% Y-o-Y in 1H24 (c28% of consumer electronics revenue) and the mobile segment +13% Y-o-Y (c72%); ii) the automotive segment increasing 81.2% Y-o-Y to EGP1.3bn in 1H24 (c21% of total), on a higher number of cars sold (245 vs 149 in 1H23). Meanwhile, telecom sales declined 79% Y-o-Y in 1H24 (c2% of total), while tractors sold (c0.2%) fell 21% Y-o-Y. Gross margin expanded c2pp Y-o-Y to 13.0% in 2Q24, with gross profit up c60% Y-o-Y. Headline EBITDA margin expanded c2pp Y-o-Y to 8.9%, with EBITDA up 73% Y-o-Y.

**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.