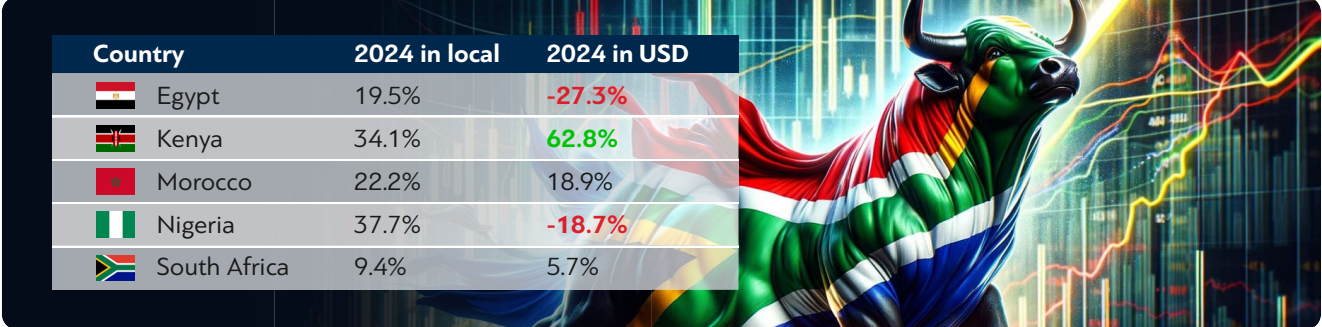







AFRICA FINTECH OVERVIEW

PUBLIC MARKETS : A MIXED YEAR FOR AFRICAN STOCK MARKETS

Two major themes stand out from the table below. Very solid and in some cases exceptional performance from the main African exchanges, however currency moves in Egypt and Nigeria were a major dampener. Egypt, in particular is our key market, with 36.8% of NAV exposure. Nigeria represented 13.4% of NAV, with the two markets combining to 50.2% of NAV. In light of this, we believe the FUND, at -2.1% in USD, put in a robust performance.



| Country | 2024 in local | 2024 in USD |
|--|---------------|-------------|
|  Egypt | 19.5% | -27.3% |
|  Kenya | 34.1% | 62.8% |
|  Morocco | 22.2% | 18.9% |
|  Nigeria | 37.7% | -18.7% |
|  South Africa | 9.4% | 5.7% |

Both currency moves (EGP and NGN), were sharp devaluations, as the respective central banks, floated or “let their currencies go” so to speak. Economically, floating the currency is the correct thing to do, but the issue with FX moves from a stock market, USD share price perspective, is that the bulk of the damage happens all at once, whereas the benefit takes time to bear fruit.

Importantly, the bad news and negative impact is in the rear-view mirror and the growth from improved economic policy will drive earnings and share prices higher. In fact, this has already started happening and will continue into 2025 and beyond. As we highlighted in last month’s issue, our Egyptian positions financial performance is shooting the lights out, as is the case for our Nigerian ones. As high conviction, long only equity managers we stay true to the maxim that rising earnings drive rising share prices. Our high quality, high growth companies are no exception!

We are also extremely positive about continued strong performance in our Kenyan and South African positions, as financial performance has been very strong and share prices have a long way, sometimes over 100%, to rise before even clawing back the losses from the 2022-2023 crash.

VENTURE MARKETS : AFRICA VC AND PE DEAL UPDATE

- The volume and value of instant online transactions surged to 5.63 billion and \$307 Billion H1 2024, up from 3.5 billion and \$165.6 Billion in the same period of 2023. To put it in perspective, Nigerians increased how often and how much they paid online by 60% and 85%, respectively.
- Zambian fintech eShandi is expanding to Kenya, South Africa, and Zimbabwe. They’re targeting unbanked Africans and SMEs with their services.
- Tunisian fintech Konnect has secured an undisclosed amount of funding from Renew Capital, marking the firm’s first investment in Tunisia. The funds will support Konnect’s expansion efforts.
- Nigerian fintech PalmPay has partnered with Jumia, enabling customers to pay for products directly from their PalmPay accounts.
- Klasha, a global cross-border payment company, has teamed up with Asian fintech LianLian Global to enable seamless payments between China and Africa..
- Tizeti, a Nigerian internet provider startup, is planning an IPO on the Nigerian Stock Exchange. If the IPO goes through, it’ll become the first startup on the exchange.
- HUB2, an Ivorian fintech, has raised €8M (\$8.3 million) in Series A funding to build better payment infrastructure for Francophone Africa. HUB2’s tech will let businesses process local and cross-border payments through mobile money, bank transfers, card payments, and cryptocurrency.
- South Africa’s digital lender Tyme Group has raised \$250 million in a Series D round led by Nu Holdings, the parent company of Nu Bank, Latin America’s most valuable fintech, which invested \$150 million for a 10% stake at a \$1.5 billion valuation. Tyme becomes Africa’s ninth unicorn, two months after Nigeria’s Moniepoint hit the billion-dollar threshold.
- South African fintech, Sourcefin, has raised \$8.2 million from FutureGrowth Asset Management to scale its funding support for small and medium-sized businesses.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

The Director-General of the national pension commission (PenCom), Omolola Oloworaran, has revealed that the micro pension scheme would be remodelled to **boost participation**. Together with rising domestic pension assets in the main pension system, this bodes well for **deepening of local capital markets**.

Diaspora remittances rose by **61% y/y**. The central bank of Nigeria (CBN) has revealed that diaspora remittances processed through international money transfer operators reached USD 4.2bn between January and October 2024. This figure nearly **doubles the USD 2.6bn recorded during the same period in 2023**.

Nigeria's Internet subscriber base grew by **1.9m in October 2024, reaching a total of 134.8m**, up from 132.9m recorded in September, according to the latest report by the Nigerian communications commission. Mobile phone lines increased to 158m.

We've exported petrol to Cameroon, Ghana, Angola, South Africa — Dangote Refinery: The Dangote petroleum refinery said it has exported premium motor spirit, also known as petrol to Cameroon, Ghana, Angola and South Africa. **This is a momentous occasion for Nigeria**.

The most recent data on external reserves from the Central Bank of Nigeria shows that Nigeria's gross official reserves increased by USD 446.9m to USD 40.2bn in November 2024. The increase implies that gross official reserves have **grown by about USD 7.3bn over the eleven-month period to November 2024**.

Macro releases included (November stats):

- Inflation accelerated to 34.6% y/y (Oct: 33.9%)
- FX reserves slide to USD 40.9bn (Oct: USD 40.2bn)
- PMI was 49.6 (Oct: 46.9)

| | | | | |
|------------------|--|--------------------|--|-------------|
| 34.6% y/y | | US\$ 40.9bn | | 49.6 |
| INFLATION RATE | | FX RESERVES | | PMI |

EGYPT

Fitch Financial inclusion rates in Egypt increased 181% from Dec 2016 to Jun 2024, according to a statement by the Central Bank of Egypt (CBE). The number of citizens with financial transaction accounts rose to 48.1m, out of a total of 67.3m citizens aged 16 and above. These accounts include ones opened at banks, Egypt Posts, mobile phone wallets or prepaid cards. In June 2024 alone, the financial inclusion rate stood at 71.5%. The volume of financing granted to micro, small and medium-sized enterprises (MSMEs), especially for women and youth, jumped by 388% during the period from Dec 2015 to June 2024, while financing directed to the industrial sector increased by 61%. In addition, financings directed to these projects grew to 72% in the Delta governorates and to 59% in the Upper Egypt governorates from Dec 2020 to June 2024. The microfinance portfolio in the banking and non-banking sectors witnessed significant growth exceeding 1,350%, driven by the initiatives and measures taken by the CBE.

The Ministry of Investment issued a statement, highlighting the prospective interest of a number of German companies in investing in Egypt following a visit last week by Investment Minister Hassan El Khatib to Germany. German metal manufacturer SMS Group showed interest in building a reduced iron factory worth EUR1bn with a capacity of 2.5mn tonnes per year, which could expand to 4mn tons and potentially creating 1k jobs. An SMS delegation is set to arrive in Egypt for further negotiations soon, with the company still looking for a company to partner with for the project and wanting to explore establishing the factory in the Suez Canal Economic Zone. Second, advanced textile material producer Belchem is considering an EUR 30m factory for flame-resistant material. The factory will be built on a 100k sqm plot and cover all stages of production, from creating fibre glass and then turning it into flame-resistant fibres for use in the automotive, aviation and cookware appliance industries, amongst others. Third, bicycle manufacturer Cube is considering an EUR 5m first phase factory for bicycle parts with projected production capacity of 300k parts with EUR 10m in annual exports. Finally, auto parts manufacturer Mutares Group is looking to establish a factory over 10k sqm and would export 90% of its production.

Macro releases (November stats):

- Inflation was 25.5% y/y (Oct: 26.5%)
- FX reserves were USD 47.0mn (Oct: USD 46.9mn)
- PMI slip to 49.2(Oct: 49.0)

25.5% y/y INFLATION RATE | **US\$ 47.0bn** FX RESERVES | **49.2** PMI

KENYA 

Equity The World Bank has tapped Equity Bank boss James Mwangi to be a member of its newly-established advisory council, that seeks to gather policy and programme recommendations on global job creation strategies.

Macro releases (November stats):

- Inflation was 2.8% y/y (Oct: 2.7%)
- PMI slide to 50.9(Oct: 50.4)
- 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%

2.8% y/y INFLATION RATE | **50.9** PMI
USD 920m ACCOUNT DEFICIT | **5.7%** GDP GROWTH

MOROCCO 

Cement deliveries up 8.9% in eleven months to November 2024 and up 14.8% for the month y/y to reach 12.3m tons YTD. This is a very positive development for the economy and the sector.

The Consumer Price Index (CPI) decreased by 0.2% in November 2024 as compared to October 2024, translating a 0.4% decrease in the food consumer price index, as well as, a stagnation in the non-food consumer price index. Therefore, CPI recorded a 0.8% increase as compared to November 2023. As for the underlying inflation indicator, which excludes volatile price products and regulated ones, it increased by 0.2% as compared to October 2024, and 2.6% as compared to November 2023.

The Board of Bank Al-Maghrib lowers its key interest rate by 25 bps to 2.5%. The Board of Bank Al-Maghrib held its quarterly meeting on Tuesday December 17th, 2024. During this meeting, the Board examined recent economic, monetary and financial developments, as well as, inflation forecasts. Following this meeting, Bank Al-Maghrib's Board decided to decrease its key interest rate by 25 bps to 2.5%, taking into account the following elements:

- A further slowdown in inflation reaching an average rate of 1% in 2024. In 2025 and 2026 inflation is expected to stand at 2.4% and 1.8% respectively.
- GDP growth expected to stand at 2.6% in 2024.

Macro releases included (November stats):

- Inflation remained 0.7% y/y (Oct: 0.7%)
- FX reserves was USD 32.8bn (Oct: USD 32.8 bn)
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%)

0.7% y/y INFLATION RATE | **US\$ 32.8bn** FX RESERVES | **-3.1%** GROSS INVESTMENT

MAURITIUS 

Macro releases (November stats):

- Inflation rose to 3.4% y/y (Sep: 3.1%)
- Bank of Mauritius (BoM) kept the interest rate remained 4.0%

3.4% y/y INFLATION RATE | **4.0%** INTEREST RATE

COMPANY UPDATES

Key to brackets: (Country | Industry)



Safaricom (Kenya | Communications Services) – 1h25 results update: Revenue grew 13%, EBITDA declined -5% and EPS were -18% as Ethiopia roll-out and FX weakness dampens earnings. FCF was exceptionally strong, coming in up 71% due to higher EBITDA and improved working capital. Within revenues, MPESA grew 17% and Data 22%, with Voice growth slower at 5%. From a geographic split, Kenya remains exceptionally strong, despite relative maturity. Revenues grew 13%, with MPESA +17% and Data +20%. In Ethiopia, the greenfield expansion, there are now 6m customers with revenue streams all growing in triple digits off a low base. We forecast EPS of 1.7-1.8 for FY25, which values the company at a 9x PE multiple, extremely unchallenging such a high quality business.

MARKET OUTLOOK

Africa is expected to outperform the rest of the world with an improved outlook in 2025. 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 2025. 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.