

AFRICA FINTECH OVERVIEW

PUBLIC MARKETS – EGYPT'S USD 35BN BONANZA : THIS IS A BIG DEAL, A VERY BIG DEAL

Black Swan events are by definition rare, surprising and extremely impactful. Rarer still are positive ones, so the announcement by the UAE to inject USD 35bn into Egypt for the development of the Ras al Hekma peninsula is very special. It is a big deal, a very BIG deal that for perspective equates to their Net Foreign Reserve position of USD 36bn. An IMF deal of USD 8bn, an EU deal of USD5-6bn and a World Bank deal of USD 3bn are following hotly on its heels.

The CBE was able to float the currency, clear the FX backlog and re-ignite the bond carry trade in one fell swoop. In addition to the external position, the fiscal position is substantially improved from income and interest expense savings. There are many beneficial knock-on effects, the largest being that the economy and its financial markets can now freely function again. Foreign investors can also return, comfortable that dividends and profits can be repatriated as and when they are generated.

What does this mean for us? 45% of NAV in our Fintech Fund is invested in Egypt and a number of the unlisted investments we are looking at, have exposure to Egypt. It also makes the overall Africa story more attractive and credible, with Egypt being the third largest economy. To provide an indication of the quantum of this initial improvement, the GDR of CIB, Egypt's largest and listed private banks, has risen 50% and can still go a lot further. See the chart below. Locally listed share prices can be unreliable indicators of country value, for a number of reasons, but as we always say in African investing "the GDR never lies", that is where foreign willing buyers and sellers trade Egyptian assets and cashflows, in USD. A rising GDR is empirical evidence that global investors are willing to pay more, a lot more for Egypt.



VENTURE MARKETS - AFRICA VC AND PE DEAL UPDATE

- Uber is in talks to invest \$100 million into African startup Moove - in what could be the biggest deal in Africa's mobility space. This could push Moove's value to about \$750 million.
- Egyptian fintech **MoneyHash raises \$4.5 million in seed funding**. The funding will help MoneyHash to bolster its payment technology and scale across the Middle East and Africa region.
- **Mastercard** and MTN MoMo **are teaming up to launch a prepaid virtual card**. Now MTN's mobile money customers in 13 African markets can access over 100 million payment points worldwide. Plus, MoMo merchants will be able to accept card payments.
- South Africa's **Financial Sector Conduct Authority** has approved operating licences for 59 cryptocurrency companies from the 12th of March. The regulator received 355 applications for crypto licenses - 59 of them were approved, and 262 are still being vetted.
- **Simera Sense**, an end-to-end optical solutions company, raises \$14.7 million in its first growth investment round.
- Egyptian ad-tech startup **dKilo** has raised US\$3.2 million in seed funding to create a new channel for brands to engage with consumers through its online platform, and expand into the Saudi market.
- **UXLINK**, a Web3 social platform and infrastructure, closed a new round of funding, amounting to over \$9 million total investment.
- **Youverify**, a Nigerian provider of identity verification and anti-money laundering solutions for banks and startups, secures a \$2.5 million investment from **Elm**, which specialises in customised digital solutions for public and private institutions in Saudi Arabia.
- **MDaaS Global**, a pioneering health tech company and operator of Nigeria's fastest-growing healthcare network – **BeaconHealth Diagnostics**, raises a \$3 million Pre-Series A round of financing. The round was co-led by **Aruwa Capital Management** and follow-on investor **Newtown Partners** to expand its healthcare network to all 36 states in Nigeria.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

It's amazing what happens when you let the market work it out for itself. Nigeria's two major price interventions have been removed, namely the fixed FX rate and the petrol subsidy. On the FX side, **diaspora remittances have surged 433%** from USD 300m in January to USD 1.3bn in February. USD 30bn of FDI has also been attracted so far. On the subsidy side, since removal, 50% less petrol has been imported or 990m litres less per month. **That's a whopping USD 1.5bn import saving for the CBN's coffers.**

Separately, The Federal Government and the **World Bank are planning to invest USD 3bn on an additional 120,000km of fibre optic cables**, to improve broadband infrastructure and connectivity in the country. In a data driven future, that will have a massive enabling and knock on effect for Nigerians and the economy.

Macro releases included (January stats):

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- Inflation accelerated to 29.9% y/y (Dec: 28.9%).
- FX reserves slipped to USD 32.2bn (Dec: USD 33.4bn).
- PMI was 54.5 (Dec: 52.7).

29.9% y/y
Inflation Rate

US\$ 32.2bn
FX Reserves

54.5
PMI

EGYPT

Tourist arrivals rose 27.4% y-o-y in 2023 to 15m and increased during the first 40 days of 2024 by 7% y/y. Egypt is targeting a market share of 1.6% of global tourism by 2028, compared to 1.2% in 2023. The government is planning to ramp up the number of hotel rooms by about 25k new rooms in 2024 and 40k in 2025, after reaching 14k rooms in 2023.

The Central Bank of Egypt (CBE) released the core set of financial inclusion indicators for 2023, highlighting a **notable rise in the country's financial inclusion rates**. The number of adults (16 years and above) with transactional accounts, including bank accounts, Egypt Post accounts, mobile wallets and prepaid cards, reached 46.9mn out of 66.4mn, according to the CBE. As a result, Egypt's financial inclusion rate has soared to 70.7% by end-2023, up from 64.8% in 2022, signifying an overall growth rate of 174% over the period from 2016 to 2023. Moreover, the number of financially included women has risen to 20.3mn, bringing the total to 32.3mn being financially included until Dec 2023, reflecting a growth rate of 244% since 2016 and an inclusion rate of 62.7%. Moreover, the financial inclusion rate for youth, encompassing individuals aged 16 to 35, reached 36.6mn citizens, recording 51.5%, with a growth rate of 48.5% from 2020 to 2023.

Government signs 7 deals worth USD40bn over 10 years with international developers in green hydrogen, renewable energy in the SCZone. Investments in the pilot phase are seen at around USD 12bn and total investments are expected to be around USD 40bn over 10 years. Companies involved in the deals include United Energy Group's Egypt branch and Smartenergy.

BP plans to invest USD1.5bn in Egypt over the next 3-4 years. The spending will be exclusively from BP and comes in the wake of the announcement that it will form a JV with ADNOC, slated for completion in 2H24 with the aim of focusing on gas in Egypt. The JV will involve approximately 30% of BP's existing interests in Egypt. The investment comes as part of BP's endeavour to develop gas and drilling projects in the largest Arab country in terms of population.

Macro releases (January stats):

- Inflation surged to 29.8% y/y (Dec: 33.7%).
- FX reserves were USD 35.3bn (Dec: USD 35.2bn).
- PMI slid down to 48.1(Dec: 48.5).
- M2 growth was +19.9% (Dec: 20.1%).

29.8% y/y
Inflation Rate

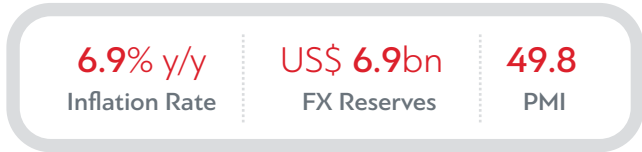
US\$ 35.2bn
FX Reserves

48.1
PMI

KENYA

Kenya
Macro releases (January stats):

- Inflation was 6.9% y/y (Dec: 6.6%).
- FX reserves were USD 6.9bn (Dec: USD 6.6bn).
- PMI fell to 49.8(Dec: 48.8).
- 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%.



MAURITIUS

Macro releases (January stats):

- Inflation slowed to 5.2% y/y (Dec: 3.9%).
- FX reserves slipped to USD 6.0bn (Nov: USD 6.1bn).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.



MOROCCO

Morocco welcomed nearly 1mn tourists in January 2024. Morocco welcomed 992,000 visitors in January, marking a 10% Y-o-Y increase, according to the country’s Ministry of Tourism. In its statement, the Ministry said the surge in arrivals was due to a 9.5% increase in the number of Moroccans residing abroad who visited the country last month, compared to an 11% increase for foreign tourists. Morocco welcomed 14.5mn visitors last year, marking a 34% increase from 2022. The number also represented a 12% surge compared to 2019.

Aciturri Aerospace Group to expand in Morocco. Spanish aerospace supplier Aciturri Group signed a partnership agreement with Midparc, a Moroccan industrial development company, to establish a new manufacturing facility in Morocco. The agreement was signed in Casablanca on Wednesday in the presence of Moroccan Industry Minister Ryad Mezzour, Aciturri Group CEO Gines Clemente and Midparc Chairman Hamid Benbrahim El Andaloussi. The project will help transfer technology and develop skills in the Moroccan workforce. It will contribute to strengthening the national aeronautical industry, through the development of the engine parts ecosystem in Morocco.

Aterian Plc uncovers substantial copper reserves in Morocco’s Atlas region. Aterian Plc, a critical metal-focused exploration and development company, announced promising findings from its recent reconnaissance missions in Morocco. In a statement, the company said its ventures into the Akka and West Tazalaght Projects have yielded evidence of substantial copper mineralisation. Reports indicate a copper grade of 3.93%. In addition, the projects’ geographical positioning in central Morocco, located within the western Anti-Atlas region, holds promise for sedimentary-hosted copper mineralisation. Commenting on the news, Charles Bray, Chairman of Aterian, expressed optimism about the preliminary findings, saying that they align with the company’s exploration strategies in the Anti-Atlas region. “The country is emerging as a preferred destination for global mining and manufacturing companies seeking to enter the EU and USA with preferential trade status,” he said.

Macro releases included (January stats):

- Inflation was 2.3% y/y (Dec: 3.4%).
- FX reserves fell to USD 31.8bn (Dec: USD 32.7bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).



COMPANY UPDATES

Key to brackets: (Country, Industry)

There 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, 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. Agricultural production is promising, with good rains since November supportive of growth. 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