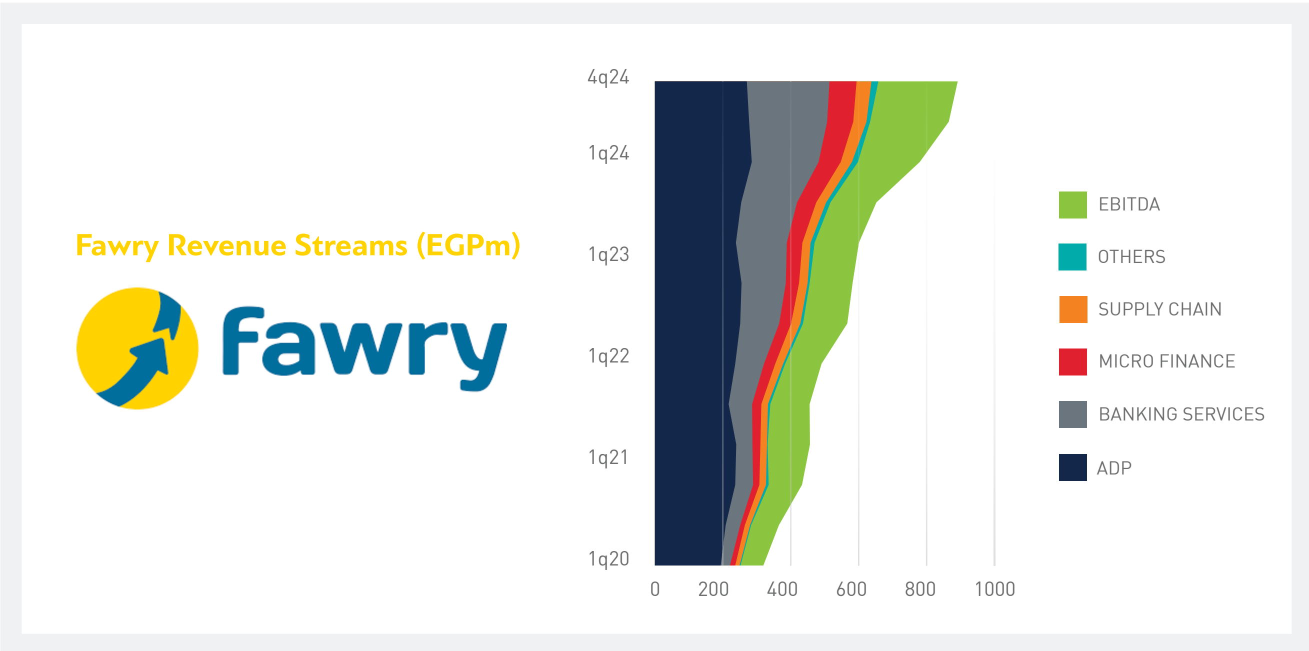
MONTHLY MARKET REPORT FEBRUARY 2025

Region: Africa | Issued by: Imara Asset Management Limited | Author: Tony Schroenn, Hector Fleming

AFRICA FINTECH OVERVIEW

PUBLIC MARKETS : 2024 RESULTS SEASON KICKS OFF WITH A FAWRY BANG!

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 4q24 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 6-fold**. Egypt's extremely low penetration of financial services will ensure that these growth rates will continue into the foreseeable future.



For the fourth quarter specifically, revenues grew 74%, EBITDA +113% and EPS a whopping 119%. Encouragingly, the original service, Alternative Digital Payments (ADP) is having a re-acceleration to +37%, as new products get put on the ADP platform. The newer services like Acceptance and Financial Services are growing at 116% and 152% respectively.

From a valuation perspective, **Fawry trades at a forward EV/EBITDA of 6x and a EV/Revs of 3.5x, with a PE of 11x**. This is extremely cheap for a company growing this fast and with a **RoE of 41%**.

VENTURE MARKETS : AFRICA VC AND PE DEAL UPDATE

Big news for Basata, (insert Basata logo), Egypt's second largest payments platform. The company successfully closed an investment in **Jordan's leading bill payment platform, MadfoatCom**. This marks the first phase of a strategic initiative to establish a regional payments and remittance group across the MENA region. **Imara Asset management**, in collaboration with its JV partners in New York, Anniston Capital, served as the exclusive global advisor, **playing a key role in securing the deal and raising the required USD14m in investment capital**.

IN OTHER VC NEWS

- Egyptian SaaS startup Qme has raised $3 million in a seed round.
- Egyptian fintech Fawry has invested $1.6M for majority stakes in Dirac Systems, Virtual CFO, and Code Zone.
- Ghanaian fintech Affinity Africa has raised $8 million in an oversubscribed seed round.
- Ghanaian fintech Oze has secured an undisclosed investment from backers including Visa and DEG.

- Tunisian e-commerce platform Dabchy has raised an undisclosed pre-Series A round
- Nigerian fintech unicorn Moniepoint has partnered with AfriGO, the national domestic card scheme, to roll out five million contactless payment cards and tap-to-pay solutions across Nigeria
- PalmPay, the Nigerian fintech with over 35 million users, has partnered with AfriGO, the national domestic card scheme, to roll out five million contactless payment cards and tap-to-pay solutions across Nigeria

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

Nigeria's **economy grew by 3.4% in 2024, up from 2.7% in 2023**. On a more granular basis, q4 showed an even faster acceleration, up by 3.8% y/y. This is very encouraging and points to tangible evidence from the new governments' economic reform program.

Saudi Agriculture and Livestock Investment Company (SALIC) is set to acquire 44.58 per cent stake in Olam Agri for $1.78 billion in the first tranche of the deal. The agreement announced in a joint statement, added that upon completion of tranche 1, SALIC would own a controlling 80.01 percent stake in Olam Agri. Investments like these are critical to enable Nigeria to move toward food independence.

Nigeria's pension industry recorded an impressive growth of N4.16 trillion in 2024, pushing total pension assets to a historic high of N22.51 trillion from N18.36 trillion in the previous year. **This is an important step in deepening local capital markets and providing funds for investments into the country**.

Macro releases included (January stats):

- Inflation accelerated to 24.5% y/y (Dec: 34.8%).
- FX reserves slide to USD 38.5 mn (Dec: USD 40.8mn).
- PMI was 52(Dec: 52.7).

24.5% y/y	US$ 38.5bn	52.0
INFLATION RATE	FX RESERVES	PMI

EGYPT

Egypt's net international reserves (NIR) were up by USD156mn in January to a **new all-time high of USD47.3bn**, according to the Central Bank of Egypt (CBE). The rise was mostly driven by an increase of USD772mn in holdings of gold (as CBE purchased c16k ounces of gold) which likely drove a USD615mn drop in the balance of foreign currencies. Meanwhile, tier-II reserves increased by USD222mn, reaching USD10.2bn. As a result, total FX reserves at the CBE rose by USD378mn during Jan reaching USD57.4bn, which we estimate covers 7.8 months of imports.

Egypt's **non-oil private sector saw its first expansion in months, with the PMI rising to 50.7 in Jan**, from 48.1 in Dec, according to the latest S&P Global survey data. The increase reflected higher output and sales, marking the sector's best performance since Nov 2020. Surveyed firms attributed the improvement to better domestic market conditions and lower material costs, which helped slow output price inflation to its lowest level in four-and-a-half years.

Remittances from Egyptian expats extended their recovery in Dec, doubling Y-o-Y to USD3.2bn, according to a statement by the Central Bank of Egypt (CBE). Remittances were also up sequentially, rising 24.5% M-o-M, from USD2.6bn in Nov. Overall, in 2024, remittances more than doubled, rising 51.3% Y-o-Y to USD29.6bn vs USD19.5bn in 2023. The recovery was more apparent in the second half of the year, when they jumped 80.7% Y-o-Y to USD17.1bn in 2H24.

Egypt signed a USD7bn framework deal with Britain's Shard Capital for a petrochemical complex in its northern coastal city of New Alamein, in partnership with Saudi Arabia's Alkahtani Group, the Egyptian Ministry of Petroleum and Mineral Resources said Wednesday. "The project will maximise the added value of our resources to produce high-quality petrochemical products, contributing to a strong economic return for Egypt by increasing production and exports to generate foreign currency revenue and providing essential inputs for local industries," Egyptian Minister of Petroleum and Mineral Resources Karim Badawi said.

Moody's Ratings affirmed the government of Egypt's Caa1 long-term foreign and local currency issuer ratings and maintained the **positive outlook**. The positive outlook, in place since Mar 2024, still reflect the prospects for an improvement in Egypt's debt service burden and external profile. The rating agency noted that progress in external and fiscal rebalancing has been made. With the devaluation and flotation of the currency, Egypt has now stronger foreign exchange buffers, and borrowing costs have started to decline. In addition, monetary policy credibility and effectiveness is increasing as the central bank maintains a policy stance consistent with inflation targeting and a floating exchange rate regime. This should allow policy rates to decline, bringing further relief on the cost of debt, while maintaining an environment favourable to steady foreign-currency inflows. The government's efforts towards fiscal consolidation and enhancing tax revenues are also underway, aiming to achieve primary surpluses of 3.5% of GDP.

Macro releases (January stats):
- Inflation was 24.0% y/y (Dec: 24.1%).
- FX reserves were USD 47.3mn (Dec: USD 47.1mn).
- PMI slip to 50.7(Dec: 48.1).

24.0% y/y	US$ 47.3bn	50.7
INFLATION RATE	FX RESERVES	PMI

KENYA

Macro releases (January stats):
- Inflation was 3.3% y/y (Dec: 3.0%).
- PMI slide to 50.5(Dec: 50.6).
- 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%.

3.3% y/y	50.5
INFLATION RATE	PMI
USD 920m	5.7%
ACCOUNT DEFICIT	GDP GROWTH

MOROCCO

Cement deliveries rose to 1,286kT in January 2025, **up 13.75% as compared with January 2024**.

Swiss-based cleantech company Synhelion is planning to invest USD1bn in Morocco to develop a sustainable synthetic fuel production facility using solar power technology, company CEO and co-founder Gianluca Ambrosetti announced in early February. The company aims to produce approximately 100k tons of fuel using "sun-to-liquid" technology developed by the Swiss Federal Institute of Technology. The process involves solar fields with sun-tracking mirrors that reflect sunlight onto a tower. Financing will rely on a combination of bank funding, share sales and potential governmentt financing.

Macro releases included (January stats):
- Inflation was 2% y/y (Dec: 0.7%).
- FX reserves was USD 32.8bn (Dec: USD 33.1bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).

2.0% y/y	US$ 32.8bn	-3.1%
INFLATION RATE	FX RESERVES	GROSS INVESTMENT

MAURITIUS

Macro releases (December stats):
- Inflation was 1.9% y/y (Nov: 2.9%)
- Bank of Mauritius (BoM) kept the interest rate remained 4.0%

1.9% y/y	4.0%
INFLATION RATE	INTEREST RATE

COMPANY UPDATES

Key to brackets: (Country | Industry)

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.