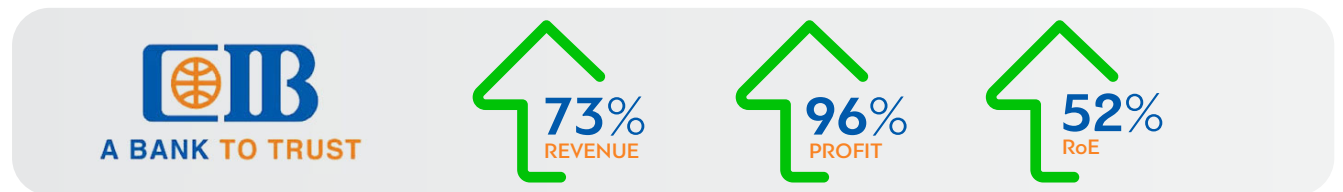


## AFRICA FINTECH OVERVIEW

### PUBLIC MARKETS – A healthy, thriving banking sector bodes well for Fintech

Egypt's two largest publicly listed banks produce exceptionally strong second quarter results, with strong balance sheets and robust income growth. **CIB, the larger of the two, grew revenue by 73%, profit by 96% and delivered a RoE of 52%.** Importantly, the balance sheet ratios are rock solid, with loan/deposit ratio of only 33% and a Capital Adequacy Ratio of 26%. The bank serves mid to large sized companies in the private sector and has over 2m retail customers. The second, Credit Agricole, grew profits by 49% and generates a 47% RoE.



We strongly believe that a healthy and growing banking sector increases financial inclusion and creates an ecosystem for Fintechs to flourish. We do not subscribe to the view that the opportunity is for the banks OR the Fintechs, or the banks OR the telcos, rather that they are all collaborators in seizing the immense opportunity in African financial services. Staying with Egypt for example, only **20% of adults have bank accounts** and the bulk of consumption is still in cash. **Mobile wallet transactions rose 112%** in 2023. There is lots of room for everyone, or as we like to say, a LONG (increased penetration) and WIDE (new products and services) runway for growth.



### VENTURE MARKETS - VC and PE deal update

- African startups had a record-breaking month in July 2024. They raised a whopping \$420 million, the most in over a year. A total of 47 ventures secured at least \$100,000 in funding last month. This makes July the second-best month of the year for the amount of deals closed
- Telecom Ticketmaster, the world's leading ticket marketplace, has acquired 11-year-old South African startup Quicket to expand its reach in Africa. Quicket's platform will be used to offer ticketing solutions for events of all sizes across the continent.
- Risevest, a Nigerian fintech startup, is in talks to acquire Hisa, a Kenyan startup that provides access to US stocks, as part of its expansion strategy into Kenya. If successful, this acquisition would mark Risevest's second purchase following its acquisition of Chaka in 2023
- Egyptian fintech company MNT-Halan has raised \$157.5 million in capital, with \$40 million coming from the International Finance Corporation (IFC). The startup connects customers, vendors, and micro-enterprises, offering services like ride-hailing and logistics
- Flutterwave has secured a Payment Service Provider (PSP) license in Ghana. Flutterwave can now offer money transfers and support businesses with various payment solutions in Ghana
- OurPass, a former Nigerian e-commerce startup, has secured a microfinance banking licence to offer business banking services to large corporates. It wants to combine traditional banking stability with fintech-driven efficiency and customer experience
- Egyptian AI startup Synapse Analytics has raised \$2 million to expand its AI technologies for financial decision-making across Africa and the GCC region. The company wants to address financial inclusion issues by providing AI software for credit scoring, cross-selling, and other financial processes
- Lucky ONE, an Egyptian fintech, has raised \$3 million to grow its business. They plan to use the money to help more people get loans and expand to other countries. The consumer credit company wants to make it easier for people to borrow money, especially those without bank accounts.

## ECONOMIC AND POLITICAL OVERVIEW

### NIGERIA

MTN Nigeria has set a target to build the largest **fintech platform in the country, aiming to reach 30 to 40 million active MTN MoMo wallets by 2025.**

President Bola Tinubu, on Wednesday, disclosed that Nigeria has **secured over USD2bn in investments in the renewable energy sector.** President Tinubu highlighted the critical role of natural gas as a transitional fuel necessary for the fundamental restructuring of Nigeria's economy. "Over the past decade, Nigeria has attracted over USD2bn in investment in the renewable energy sector, which has become one of the fastest-growing sectors in our economy. We are committed to continuing this trajectory and increasing private sector involvement in renewable energy, including the local production of solar panels and batteries," Tinubu stated.

The President of Dangote Group, Aliko Dangote, has said that his businesses' USD30bn revenue target by the end of 2025 will boost the Naira. The new oil refinery began full operations in 2024, initially focusing on refining intermediate products, such as polypropylene, naphtha, RCO, petrol, diesel, and jet fuel. He explained that the refinery entered its steady-state production phase in March 2024. Additionally, he anticipated production ramping up to 500,000 barrels per day with 15 crude cargoes per month by August, increasing to 550,000 bpd by the end of the year, and aiming for 650,000 bpd by the first quarter of 2025. He also revealed that the group intends to list Dangote Petroleum Refinery & Petrochemicals and Dangote Fertilizer Limited on the Nigerian Exchange Group in the first quarter of 2025.

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

- Inflation accelerated to 34.2% y/y (May: 34.0%).
- FX reserves rose to USD 34.1 bn (May: USD 32.7bn).
- PMI was 50.1 (May: 52.1).

**34.2% y/y**  
INFLATION  
RATE

**US\$ 34.1bn**  
FX  
RESERVES

**50.1**  
PMI

### EGYPT

Egypt aims to **increase annual gold output to 800k ounces from 560k** currently, Karim Badawi, Minister of Petroleum and Mineral Resources, said at a conference in Cairo. The country has 7.3mn ounces of confirmed gold reserves, and has produced 560k ounces of gold and 17.5mn tons of other minerals in the fiscal year ended June. The Ministry targets raising the contribution of the mining sector to 5% of GDP, from 1% now.

**Remittances surge 74% Y-o-Y in May.** Egyptian expats' remittance inflows jumped 74% Y-o-Y to USD2.7bn in May, the Central Bank of Egypt (CBE) announced on Monday. Remittances grew 26.6% M-o-M in May from USD2.2bn in April. The CBE attributed this development to the economic reform package implemented on 6 March.

Egypt's **Net International Reserves (NIR) edged higher in June to USD46.38bn, hitting a new all-time high,** according to data released by the Central Bank of Egypt (CBE). NIR were up USD258mn M-o-M, reflecting a USD331mn rise in the balance of foreign currencies that was partially weighed by a USD72mn drop in the value of gold holdings. Meanwhile, tier-II reserves were up by USD287mn M-o-M, reaching a balance of USD9.6bn. As a result, total FX reserves at CBE were up USD545mn in Jun to USD56bn, providing an import cover of eight months. The numbers carried some surprise, in view of the absence of any major inflows during the month.

Egypt's agricultural exports jumped 26% Y-o-Y to USD2.9bn in 1H24, the Ministry of Agriculture and Land Reclamation said Wednesday. The statement said the volume of agricultural exports increased 6.5% Y-o-Y to 4.9mn tons.

**Revenues of Suez Canal shrank 57.2% Y-o-Y** to USD959mn in 1Q24, due to a drop in transit receipts, according to a statement from the Central Bank of Egypt (CBE). In 9MFY23/24 (Jul-Mar), the canal receipts dropped 7.4% Y-o-Y to record USD5.8bn, due to a 15.6% Y-o-Y drop in net tonnage to 944.9mn tons and the number of transiting vessels by 11.5% Y-o-Y. This decrease stemmed primarily from the Red Sea traffic disruptions, which forced several commercial shipping companies to divert their shipping routes.

**Macro releases (June stats):**

- Inflation was 27.5% y/y (May: 28.1%).
- FX reserves were USD 46.4bn (May: USD 46.1bn).
- PMI rose to 49.9(May: 49.6).
- M2 growth was +27.2% (May: 25.1%).



**KENYA** 

Stanbic Holdings (large Kenyan bank) last year issued USD122m loans whose pricing in subsequent years is tied to borrowers' achieving pre-agreed environmental, social, and governance (ESG) targets, increasing its focus on sustainability.

**Macro releases (June stats):**

- Inflation was 4.6% y/y (May: 5.1%).
- PMI slide to 47.2 (May: 51.8).
- 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%.



**MOROCCO** 

Morocco announced a **40% increase in airline seats this year** as the country continues to pledge more efforts to boost tourism. Minister of Tourism Fatima-Zahra Ammor said Monday that this development follows a 22% increase achieved in 2023. Ammor announced that the Tourism Ministry is now working on several fronts, including promoting air connections, diversifying tourism offerings and boosting tourism infrastructure. The challenge is to promote year-round domestic tourism, so that all Moroccans can benefit from their country's tourism qualification through coastal and natural space series.

Morocco's Office National des Aéroports (ONDA) reported a **19% Y-o-Y increase in passenger traffic** at the country's airports during 1H24 to 15.1mn, marking a new record for the nation's aviation sector. The growth trend appears to be widespread, with several airports experiencing significant increases. Rabat-Sale recorded the highest jump at 40%, followed by Agadir (34%) and Marrakech (29%). Other hubs, including Tetouan, Tangier and Fes, also saw increases in passenger traffic, ranging from 12% to 23%. While international travel remains dominant, domestic traffic also showed positive signs. Domestic passenger numbers reached over 1.5mn, recording a 22% Y-o-Y rise.

Foreign direct investment (FDI) into Morocco is showing strong signs of recovery, **growing 20% Y-o-Y** to MAD 16.1bn (USD1.6bn) in 5M24, according to recent data from Office d'Echange (OE). This resurgence comes after a significant downturn during the post-COVID-19 period. Although the current figures show promising recovery, FDI levels remain below their pre-pandemic peak. In 2018, Morocco saw an all-time high of USD 3.5bn in FDI, but this figure plummeted to an estimated USD1.7bn in 2019 as the global economy grappled with the fallout from the pandemic.

Riva Industries, a Moroccan steel manufacturer, launched Saturday an integrated industrial complex in Jorf Lasfar, backed by a substantial investment of approximately MAD2.9bn (USD290mn). The new industrial complex, covering 75 hectares, is poised to manufacture products such as reinforcing steel bars, wire rods, large-diameter coils, steel ingots and special steel. The investment is expected to create 3,000 jobs, including 1,100 direct and stable positions. The project is strategically designed to address the growing needs of the national market and expand into international markets, particularly in Europe and Africa. The emphasis will be on delivering high-quality, high-value-added steel products.

Morocco and the African Development Bank (AfDB) announced four financing agreements totaling over MAD6.45bn (EUR 600m). The agreements cover the financing of the Support Program for the Transformation of a Digital Entrepreneurial, and Inclusive Moroccan University with a budget of EUR 120m. The second program is the Results-Based Program for Improving Territorial Competitiveness in Morocco with a budget of EUR 201m. About EUR84mn will support the Inclusive and Sustainable Development Support Program for Forest Areas, while EUR 200m will cover the Guercif-Nador Highway Project.

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

- Inflation rose to 1.8% y/y (May: 0.4%).
- FX reserves declined to USD 32.9bn (May: USD 33.4bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).

**1.8% y/y**  
INFLATION  
RATE

**US\$ 32.9bn**  
FX  
RESERVES

**-3.1%**  
GROSS  
INVESTMENT

**MAURITIUS** 

**Macro releases (June stats):**

- Inflation slide to 2.2% y/y (May: 2.9%).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.

**2.2% y/y**  
INFLATION  
RATE

**4.5%**  
INTEREST  
RATE

**COMPANY UPDATES**

Key to brackets: ( Country | Industry )

**No updates this month. Get ready for a wave of very strong Q2 results in our August issue!**

**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.