

AFRICA FINTECH OVERVIEW

PUBLIC MARKETS – Kenya and South Korea sign financing deal for Konza Technopolis



Kenya has signed an agreement with South Korea for project financing of USD 284m towards the establishment of a state of the art Digital Media City at Konza Technopolis (78km southeast of Nairobi). This financing is part of the Kenya and South Korea partnership under the Economic Innovation Partnership Program (EIPP).

The Konza Digital Media City (DMC) project is designed to position Kenya as a creative and content industry leader in Africa by providing a state-of-the-art facility to promote the emerging creative sector space to enable the country to unlock the opportunities that the creative sector in a tech sector presents to the country's economic development ambitions.

The Konza digital media city will offer professional level skilling and commercial services in gaming, animation, filming, photography, and entertainment, software development among others. Hosting film studios, broadcasting stations, and innovators within the media space in a space that will incorporate research, training, propagation of new technologies, innovation, production of digital media content and entertainment facilities.

The financing agreement of the Konza Digital Media City is part of the Republic of Korea Knowledge sharing and Economic Investment Partnership Program (EIPP) between Kenya and South Korea. The project will be financed through the Korea Exim bank under a cooperation model framework that finances infrastructure and urban development related projects.

The opportunity ahead is immense, Africa has barely scratched the opportunity in content and media. Kenya's creative industry is estimated to have recorded over USD 2bn in total sales and is projected to grow annually at 10%, contributing to the country's GDP.

The feasibility study for the project was concluded in January 2023, and the environmental social impact assessment completed successfully in paving way for the financing of the project. This project builds on the Kenya's strong ties with South Korea; A country that transformed from a low-income country to a leading global economy anchored on Science, Technology, and innovation. The commitment to nurture the development of Africa's silicon savannah is evident in the support already realised in the established of the Kenya Advanced Institute of Science and Technology, A post graduate research university that is the knowledge hub of Konza Technopolis.

VENTURE MARKETS - VC and PE deal update

- Telecom Egypt has teamed up with Hungary's 4iG Group, an IT solutions provider, to build a \$600 million modern fibre network to provide high-speed internet to six million Egyptian households.
- Egypt's Connect Money has raised \$8 million in seed funding to launch its embedded finance platform
- Ugandan fintech, Level Africa, has acquired Utilis Ventures, one of Uganda's leading investment advisory firms.
- Starlink now lets Kenyan users pay for their internet using M-Pesa and mobile money in their local currency. The company said it had doubled its users in Kenya since it launched last year.

- Bamboo, a Nigerian fintech helping Africans invest in global stock markets, has launched in South Africa. The startup acquired a financial services provider license and is now live in three countries - Nigeria, Ghana and South Africa.
- Mama Money, a South African cross-border payments startup, has teamed up with Access Bank and Paymentology, a global card issuer, to launch a virtual bank card that works through WhatsApp.
- South African retail giant, Shoprite, is making its first-ever move into the eCommerce space.
- South African agritech startup, Pumpkin, has secured investment from Renew Capital to help improve access to credit for African farmers and agribusinesses.
- South African fintech startup, Ukheshe, has changed its name to EFT Corporation a few months after acquiring a payments company with the same name. Ukheshe's CEO, Clayton Howard, said they rebranded to put all their products together with EFTs under one name.
- Pan-African banking payments provider Stitch* will now let customers digital wallet payments from all major providers (Apple Pay, Google Pay and Samsung Wallet).
- African startup funding is down 56% against H1 2023, according to data released by Africa: The Big Deal, a funding database for the African tech ecosystem.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

Total direct remittances reached USD 365m in May, 80% y/y growth: Data released by the CBN has revealed that total foreign remittances for May 2024 amounted to USD 365m, marking an 80% y/y increase compared to May 2023, which recorded USD 202m.

Domestic, foreign sources grow FX inflows to USD3.1bn in May: Supported by broad-based increases in inflows from both domestic and foreign sources, total inflows into the Nigerian autonomous foreign exchange market (NAFEM) **surged to USD3.1bn in May, representing a 61% m/m growth** from USD2.0bn recorded in April.

Nigeria's gas production capacity is set to grow by 300m scfd as Nedogas Development Company Limited (NDCL), a Joint Venture company between Xenergi Limited and NCDMB Capacity Development Intervention Company, in collaboration with the NNPC Gas Infrastructure Company (NGIC), a subsidiary of the Nigerian National Petroleum Company (NNPC) Limited, has successfully completed the construction and technical commissioning of a 300 MMscfd Capacity Kwale Gas Gathering (KGG) and injection facility located in the Umusam Community, near Kwale in Delta State.

The World Bank, yesterday, approved a total sum of USD2.25bn for Nigeria to enable the federal government to **sustain its reform momentum**, accelerate non-oil resource mobilisation, and support poor Nigerians.

Macro releases included (May stats):

- Inflation accelerated to 34.0% y/y (Apr: 33.7%).
- FX reserves slipped to USD 32.7 bn (Apr: USD 32.2bn).
- PMI was 52.1 (Mar: 51.1).



EGYPT

The Remittances from Egyptians abroad **surged 43.8% Y-o-Y to USD2.2bn in April**, a source at the Central Bank of Egypt (CBE) said. They increased for the second consecutive month, rising 2.6% M-o-M.

Egypt's **net international reserves (NIRs) rose to a historical record in May** on the back of inflows from the Ras El Hekma (REH) property deal with the UAE. NIR jumped by USD5.1bn in May to USD46.1bn, yielding eight months of import cover, according to data released by the Central Bank of Egypt (CBE).

Foreigners have **significantly increased their holdings of T-bills** in March 2024, the month when the EGP was floated,

according to data released by the Central Bank of Egypt (CBE). Foreign holdings of T-bills jumped by USD19bn M-o-M in March, reaching an all-time high balance of USD32.7bn, from USD13.6bn; this means foreigners held 41% of total outstanding T-bills by March. This data release is the first of carry trade inflows since the float and flags the sizable inflows that have entered the market post floating the local currency.

Suez Canal revenues continued to decline in May, falling 64.3% Y-o-Y to record USD 338m, according to Al Mal. A little over 1.1k ships crossed the canal during the month, compared to nearly 2.4k during the same period last year.

Macro releases (May stats):

- Inflation surged to 28.1% y/y (Apr: 32.5%).
- FX reserves were USD 46.1bn (Apr: USD 41.2bn).
- PMI slide to 49.6(Apr: 47.4).
- M2 growth was +25.1% (Apr: 25.1%).



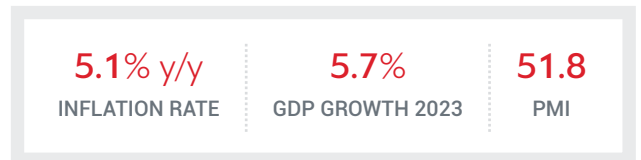
KENYA 

Safaricom and the Institute of Certified Investment and Financial Analysts (Icifa) have signed a memorandum of understanding (MoU) to improve access and inclusivity in financial education.

The government is considering scrapping the monthly limit on the quantity of cheaper electricity that electric vehicles (EVs) are allowed to enjoy, in a bid to accelerate the adoption of the technology further.

Macro releases (May stats):

- Inflation was 5.1% y/y (Apr: 5.0%).
- PMI rise to 51.8(Apr: 50.1).
- 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 

Bank Al-Maghrib (BAM), Morocco’s Central Bank, **surprised markets with a 25bps rate cut to its benchmark policy rate** at its meeting held yesterday. BAM cut the rate to 2.75%, delivering its first cut after having kept rates unchanged for four consecutive meetings. A key driver is the notable slowdown in inflation, as well as the anchoring of inflation expectations (with the bank’s survey for corporates showing inflation expectations have “declined significantly in 2Q24”).

Moroccan Crown Prince El Hassan launched the construction of the Casablanca seawater desalination plant on Monday in the commune of Lamharza Essahel in the province of El Jadida. **The largest of its kind in Africa**, the plant is projected to have an annual production capacity of 300m cubic metres and **serve an estimated 7.5mn people**. The project is in line with Morocco’s approach to tackle the water crisis, particularly in the area marked by a major rainfall deficit and very high pressure on conventional water resources. The construction will cover two phases on a 50 hectare site. This project will require a total investment of MAD 6.5bn (USD 652m), mobilised through a public-private partnership. The project is also part of the Improvement of Water Supply axis of the 2020-27 National Program for Drinking Water Supply and Irrigation that King Mohammed VI launched in 2020, with an overall cost that is expected to reach MAD 143bn

The Sino-European group GOTION High-Tech, with Volkswagen as a key shareholder, is slated to **build the first electric battery gigafactory in the Middle East and Africa**. The state-of-the-art facility, to be located in Kenitra, Morocco, represents a MAD 12.8bn (USD 1.3bn) investment and promises to **generate 17,000 jobs**. The announcement was made during a signing ceremony in Rabat on 6 Jun, presided over by Prime Minister Aziz Akhannouch. "This project is a monumental step for Morocco, positioning us at the forefront of the electric mobility revolution in the region," announced Prime Minister

Akhannouch. "It underscores the confidence international investors have in our nation's potential." The Kenitra gigafactory will have an initial production capacity of 20 GWh, with plans to expand to 100 GWh and a total investment of USD6.8bn. This initial phase alone will create 17,000 jobs, including 2,300 highly skilled positions, marking a significant boost to Morocco's labour market and technical expertise.

Macro releases included (May stats):

- Inflation was 0.4% y/y (Apr: 0.2%).
- FX reserves rose to USD 33.4bn (Apr: USD 33.4bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).



MAURITIUS 

Macro releases (May stats):

- Inflation slid to 2.9% y/y (Apr: 3.4%).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.



COMPANY UPDATES

Key to brackets: (Country | Industry)



MM Group (Egypt | Consumer and Fintech) reported 1Q24 results, with net profits expanding 62% Y-o-Y to EGP248mn, driven by better operational performance (revenue and margins) and lower below-EBIT net costs (+4% Y-o-Y to EGP27mn). Revenue increased c12% Y-o-Y, driven by: i) a 9% increase in consumer electronics sales (c76% of total 1Q24 revenue), with the home appliance segment increasing 35% Y-o-Y (c55% of consumer electronics revenue) and the mobile segment +11% Y-o-Y (c45%); ii) the automotive segment increasing 102.1% Y-o-Y to EGP608mn (c22% of total), on a higher number of cars sold (140 vs 63 in 1Q23). Gross margin expanded c3.3pp Y-o-Y to 14.7% in 1Q24, with gross profit up c44% Y-o-Y. Headline EBITDA margin expanded c2.7pp Y-o-Y to 9.9%, with EBITDA up 54% Y-o-Y to EGP275mn, as SG&A costs' growth (+27% Y-o-Y) was slower than revenues.

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.