AFRICA FINTECH OVERVIEW

PUBLIC MARKETS – ENCOURAGING NEWS FROM RESULTS SEASON

A bumper set of FY23 and 4q23 results confirm our conviction in the Africa Fintech story. Recent positive share price movements have clawed back some losses, but we believe there is still lots more to go. Two years of falling share prices, juxtaposed against rising earnings have created a lot of daylight between current share prices and our target prices.

We have **Equity Group**, which trades on a forward price to book of 0.7x and a PE of 3x where fair value is closer to 2x price to book, for a well capitalized, high growth 30% RoE bank. **Fawry**, grew revenues by 47%, EBITDA by 72% and EPS by 97% in 2023 and trades on a forward EV/revs of 5x and generates a 35% RoE. **HPS**, an African company with an increasingly large set of prominent international banks as customers, provides key software and systems behind the Fintech revolution. They are growing at a healthy 20% clip and at EV/revs of 2.4x, are at a huge discount to global peers. Lastly, our hidden-asset realization play, **MTIE**, continues to perform strongly, with +50% RoIC, despite a tough 2023 in Egypt. 2024 should be a bumper year for MTIE in their consumer and Fintech businesses.

EQUITY | fawry | HPS | MTI MM Group For Industry & Int. Trade S.A.E.

VENTURE MARKETS - AFRICA VC AND PE DEAL UPDATE

- Solar irrigation startup **SunCulture** raises $27M equity round co-led by Netflix's Reed Hastings and Alphabet's Eric Schmidt.
- Transport fintech startup **Moove** raises $100M Series B funding round led by Uber to help solidify its position by securing valuable partnerships.
- Fintech startup **Zeepay** raises equity funding to fuel ongoing expansion across Africa and the Caribbean.
- Fintech startup **Affinity Ghana** raises funding from Renew Capital to scale its digital banking infrastructure and welcome new customers.
- Huawei Cloud pledges $10M to support Nigerian startups from early to middle-stage.
- Fintech company **MNT-Halan** acquires Advans Pakistan Microfinance Bank for an undisclosed amount.
- Commerce startup **Tappi** enters Ivory Coast with partnership with MTN to help businesses promote themselves online for as little as $8.
- Insurtech startup **mTek** raises $1.25M to support rapid growth in the East African market.
- BNPL startup **Float** raises $11M from Standard Bank to launch a card-linked installment platform.
- Ethiopia - EV startup **Dodai** raises $4M Series A, marking one of the largest funding rounds in the country.
- Morocco - Fintech startup **ORA Technologies** raises $1.5M to activate its e-wallet product.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

Last month we highlighted the benefits of improved economic policy. Below are supporting data points that reinforce our view:

- **Nigeria witnessed forex inflows increase in February:** The CBN has announced a surge in foreign exchange inflow into the economy during February 2024. This increase is attributed to substantial growth in remittance payments from Nigerians abroad and heightened interest from foreign portfolio investors in acquiring naira assets.
- **External reserves surge by USD993m, hit 8-month high of USD34.1bn:** Recent data released by the CBN reveals a notable uptick in external reserves, increasing by USD993m within a month and reaching an eight-month peak of USD 34bn compared to the previous month's figure of USD 33bn recorded on February 8, 2024.
- **CBN clears valid FX transactions, eliminates USD7bn legacy backlog:** The central bank of Nigeria (CBN) has announced that all valid FX backlogs have now been settled, thereby fulfilling a key pledge of the CBN governor, Olayemi Cardoso, to process an inherited backlog of USD 7bn in claims.

Macro releases included (Feb stats):

- Inflation accelerated to 31.7% y/y (Jan: 29.9%).
- FX reserves slipped to USD 33.5bn (Jan: USD 33.3bn).
- PMI was 51.1 (Jan: 54.5).

31.7% y/y	US$ 33.5bn	51.1
Inflation Rate	FX Reserves	PMI

EGYPT

Egyptians working abroad are sending more money home since the country sharply devalued its currency last week, officials and bankers said Wednesday. Four bankers told Reuters **remittances had surged in the week since the devaluation**. Egyptians abroad had been holding onto their funds or sending them home outside the banking system via the black market, bankers said. Population.

The EU announced an **EUR 7.4bn funding package and an upgraded relation with Egypt** on Sunday. The agreement lifts the EU's relation with Egypt to a "strategic partnership" and was unveiled, as a delegation of leaders visited Cairo. It is designed to boost cooperation in areas including renewable energy, trade and security, while delivering grants, loans and other funding over the next three years to support Egypt's economy. The proposed funding includes EUR 5bn in concessional loans and EUR 1.8bn of investments, according to a summary published by the EU.

S&P Global Ratings has become the second rating agency this month to **upgrade Egypt's outlook**, raising its outlook to positive from stable, citing a significant increase in FDI and recent policy measures taken by the Central Bank of Egypt (CBE) that have helped the country access a bigger package from the International Monetary Fund (IMF). S&P also affirmed its B-/B rating for Egypt's long- and short-term foreign and local currency sovereign credit. Egypt's positive outlook "reflects our view that the determination of the exchange rate via market forces will help drive GDP growth and over time support the government's fiscal consolidation plan," S&P said. The policy measures and funding "should support Egypt's ability to adjust to external shocks and eventually reduce inflation, interest rates and government debt service costs.

Egypt has the largest hotel development pipeline in the continent this year, with 109 hotels in development, totalling 26,241 rooms, according to a report by W Hospitality Group and the African Hospitality Investment Forum (AHIC). Egypt has 28% of the hotels in development, and 71% being developed are the Big 5: Accor, Hilton, IHG, Marriott International and Radisson Hotel Group.

Macro releases (February stats):

- Inflation surged to 35.7% y/y (Jan: 29.8%).
- FX reserves were USD 35.3bn (Jan: USD 35.2bn).
- PMI slid down to 47.1(Dec: 48.1).
- M2 growth was +19.9% (Dec: 20.1%).

35.7% y/y	US$ 35.3bn	47.1
Inflation Rate	FX Reserves	PMI

KENYA

The government has kicked off the sale of its stake in five hotels, including the Kenya Safari Lodges, Mt Elgon Lodge Limited, Golf Hotel Limited, Sunset Hotel, and Kabarnet Hotel. The Privatisation Authority on Tuesday invited consultants to guide on the sale of the Kenya Development Corporation (KDC) controlled hotels. We view all forms of privatization as a positive development.

Kenyan coffee exports nearly doubled to 2,685 tons in January on demand for the larger quantities of quality crops from the main October-December production season in Kenya. The performance marks a rebound in the performance of exports of the commodity which had fallen to 1,478 tons in December, the lowest monthly level since January 1999.

Macro releases (February stats):

- Inflation was 6.3% y/y (Jan: 6.9%).
- PMI rise to 51.3(Jan: 49.8).
- 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%.

6.3% y/y	US$ 920m	51.3
Inflation Rate	Account Deficit	PMI

MOROCCO

Moroccan airports are experiencing a **significant surge in passenger traffic, with a 17% Y-o-Y increase YTD Feb 2024**, according to the National Airports Office (ONDA). Feb 2024 saw a particularly strong performance, with passenger numbers jumping 19% Y-o-Y to reach 2.27m. International travel played a major role in this growth, accounting for a staggering 91% of total traffic. Notably, European destinations led the pack with a 20% increase, followed by impressive gains from the Middle East, Far East, Africa, North America and the Maghreb region. Though international traffic dominated, domestic travel also saw a healthy uptick in Feb, registering an 8% Y-o-Y increase.

Headline annual inflation slowed markedly in February, falling to 0.3%, from 2.3% in Jan, according to the Higher Planning Commission (HCP). Food prices actually dropped 0.4% Y-o-Y, while non-food inflation stood at 0.9%. Core inflation also slowed down to 2.2%, from 2.9% in Jan. On a monthly basis, inflation fell 0.3% on the back of a 0.7% drop in food prices, while non-food inflation was largely flat. The number continues to point to a normalisation of inflation after it reached a peak of 10.1% in Feb. We expect the Central Bank to be cautious before cutting prices, but see ample room for 25-50bp of rate cut(s) in 2H24. Real rates now stand at 260bps.

Morocco is bracing for the prospect of declining harvest due to the climate-induced drought. According to a statement from the farm-lobby group Comader cited in a Bloomberg report, **Morocco will need to ramp up its wheat imports to compensate for a significantly diminished crop yield this year**. Comader Chairman Rachid Benali said the rain deficit has resulted in a wheat crop anticipated to be “a lot less” than the previous year’s 4m tons. In addition, the grain harvest is expected to fall substantially short of the gov’t’s budgeted 7.5m tons,” he said.

Morocco’s government said Monday it will allocate 1m hectares to green hydrogen projects, starting with 300,000 hectares in a first phase, as part of an offer to attract investors. The initiative would help Morocco "play a major role in the field of energy transition globally," the Prime Minister's office said in a statement. Morocco's offer applies to integrated projects covering electricity generation from renewable energies and electrolysis, to the conversion of green hydrogen into ammonia, methanol and synthetic fuel, it said. It also includes incentives to investors, the statement said, without offering details. The offtake would be both for export and for domestic use, it said. Some 100 investors have already expressed interest in producing green hydrogen in Morocco, which has ambitions to capitalise on abundant sun and wind to accelerate its energy transition.

Macro releases included (February stats):

- Inflation was 0.3% y/y (Jan: 2.3%).
- FX reserves rose to USD 32.0bn (Jan: USD 31.8bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).

0.3% y/y	US$ 32.0bn	-3.1%
Inflation Rate	FX Reserves	Gross Investment

MAURITIUS

Macro releases (February stats):

- Inflation rise to 6.2% y/y (Jan: 5.2%).
- FX reserves slipped to USD 6.1bn (Jan: USD 6.0bn).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.

6.2% y/y	US$ 6.1bn	4.5%
Inflation Rate	FX Reserves	Interest Rate

COMPANY UPDATES

Key to brackets: (Country, Industry)

Fawry (Egypt, IT) – 4q23 results update: A defining set of results that reinforces the positive trend. Revenues came in +47%, EBITDA +72% and attributable earnings +97%. The portfolio effect continues to kick in, with ADP now only making up 39% of revenues, down from almost 90% at the IPO in 2019. Conversely, Banking Services and MicroFinance are now 39% and 13% from virtually nothing. These newer and now heavier weighted streams are growing at 60% plus, compared to ADP at +17%, helping to drive total revenue up by 47%. This trend will continue as ADP's weighting steadily falls. Encouragingly, these incremental revenue streams are coming at a lower marginal cost, which drives EBITDA, up by 72%. An additional boost to attributable earnings come from the lower minority charge on new stream profits, compared to ADP where there was leakage.

MTIE (Egypt, Consumer discretionary) – 4q23 results update: A very strong set of results, Group revenues came in +30%, driven mostly by an 8% increase in Consumer Electronics. A major driving factor is the resumption in supply of locally manufactured Samsung phones. EBITDA rose 76% and net profit 76%. Cash and cash equivalents rose by 20%, despite heavy capex. The Company has very little debt and is well funded for the various growth initiatives in 2024.

HPS (Morocco, IT) – FY23 results update: HPS achieved consolidated revenues of MAD 1,192m, up 18% (20.0% at constant exchange rates). This aligns with the deployment of the « AccelR8 » strategic plan, implemented in 2022 to boost the Group's growth, resilience, and diversification and achieving the target revenue growth of 12-17%. Within this growth, Payments revenues (86% of total) were +19% and Switching +13%. There was also a strong EBITDA grew by 19%, despite a strong rise in R&D costs and roll-out costs associated with the launch of the new Powercard version 4. Net income fell by 15%, as a results of the FX translations as well as the new tax rate in Morocco. The year was marked by the winning of significant new customers, particularly in Canada and Australia, enabling the Group to considerably broaden its geographical reach into regions with strong development potential. In addition to these achievements, HPS opened two new offices in Canada and India and expanded its office in Singapore to support its development and the growing needs of its customers in North America and Asia.

Equity Group (Kenya, Financial services) – FY23 results update: Net revenues grew a solid +25% y/y, driven by both Non-funded income +30% y/y and Net interest income +21% y/y. The non-funded side benefitted from FX trading (30% of NFI) up +31% y/y and other fees and commissions (50% of NFI) +46% y/y. Interest income grew +30% y/y but partially offset by interest expenses +56% y/y as funding costs rose. As a result, NIMs were flat y/y. Management was cautious, booking higher impairments due to concerns around asset quality given the current macro challenges and potential impact on the loan book. Impairments grew +133% y/y. What is particularly encouraging is that the DRC subsidiary is performing very strongly. Two year CAGR in deposits, assets and PBT was 18%, 22% and 95% respectively.

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.