

AFRICA FINTECH OVERVIEW

PUBLIC MARKETS – Morocco’s HPS to acquire banking and payment software company CR2

HPS (a core Fund holding and high growth payments software company headquartered in Morocco) announced that it has agreed to acquire CR2: CR2 is a digital banking and payment software company headquartered in Dublin, Ireland. The terms have not been announced, but **we view this positively as it should build on HPS’s already successful global expansion. It reminds us that Africa has world class companies in the Fintech space.** CR2 provides digital banking and payments solutions through its flagship platform, BankWorld. It powers over 90 financial institutions across more than 50 countries with digital banking, digital wallet and payment services (card issuing, merchant acceptance and ATM management). It has a sizeable pool of Tier 1 banking customers, such as Standard Chartered, QNB and Absa. CR2’s revenue stood at EUR23.8mn in its 2023 fiscal year ending June 2023 (HPS revenue in 2023 was EUR107mn, MAD1.2bn). The company has offices in Dublin, Dubai, Jordan, India and Australia.



Product complementarity, geographical reach to unlock revenue synergies: CR2’s innovative mobile wallet and strong digital banking solutions offer complementary capabilities to PowerCARD. In addition, **its strong presence in English-speaking Africa and Australia can widen HPS reach**, which has been historically centred in Francophone regions. Management stated that the transaction is expected to be **EPS-accretive in the first year following completion and emphasised that CR2’s business is highly attractive and aligned with HPS’s growth plan.** Management highlighted that CR2 and HPS have similar organisational cultures focusing on top-notch digital solutions and customer experience, which should smoothen the integration process.

HPS has successfully integrated its two latest acquisitions, Morocco-based ATM mgmt. and fraud monitoring company, IPRC, in 2021, and Mauritius-based SaaS processing company, ICPS, in 2022 (used to be 20% owned by HPS, 80% by Mauritius Commercial Bank). The cross selling of IPRC services (ATM mgmt., fraud monitoring, data analytics) to HPS customers enabled it to increase the number of managed ATMs from 5,000 to 7,000 and the number of cards under fraud monitoring from 7mn to 15mn. ICPS enabled HPS’ entry into 18 new Anglophone African countries.

VENTURE MARKETS - VC and PE deal update

- Zone, a Nigerian payment startup, has launched a blockchain-powered PoS payment gateway. This will speed up payments and cut chargeback fraud by sending money directly, all within the Central Bank’s rules.
- South Africa’s Revio, a payment-as-a-service startup, has rebranded to Precium after its global expansion plans “exceeded expectations”. The startup is helping merchants save money, avoid risk, and grow faster.
- Selcom Tanzania, a fintech service provider, has acquired Access Microfinance Bank in a deal that has made it one of the biggest microfinance banks in Tanzania.
- Google Cloud launched its first African cloud region (read: data centre) in South Africa.
- Microsoft and G42 invested \$1 billion to build a data centre in Kenya.
- Huawei is supporting Nigerian startups with \$10 million worth of cloud credits.
- Oracle is opening two data centres in Morocco this year.

























The University of Cape Town (UCT), Africa’s top-ranked university, is not just an academic giant.



UNIVERSITY OF CAPE TOWN
 IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

They’ve minted 74 tech CEOs in Africa, including Katlego Maphali from Yoco and Thando Hlongwane of Lipa Payments.

Universities behind African visionaries - A look at the Alma Materes of CEOs driving African startup success.

UNIVERSITY	CONTINENT	COUNTRY	NO. OF STARTUP CEOs	NOTABLE STARTUP CEOs
 University of Cape Town	Africa		74	Katlego Maphai - Sam Clarke - Michael Heyink
 The American University in Cairo	Africa		40	Mostafa Kandil - Amir Barsoum - Ahmad Hammouda
 University of Oxford	Europe		39	Jesse Moore - Xavier Helgesen - Ladi Delano
 Obafemi Awolowo University	Africa		36	Tosin Eniolorunda - Femi Kuti - Adeyinka Adewale
 Stanford University	North America		35	Noureddine Tayebi - Ned Tozun - Eli Pollak
 Harvard University	North America		25	Crispin Murira - Sangu Delle - Sim Shagaya
 Cairo University	Africa		24	Omar Gabr - Ahmed Khairy - Amr Shawqy
 MIT	North America		21	Adetayo Bamiduro - Ani Vallabhaneni - James Paterson
 Columbia University	North America		19	Sara Menker - Kaivan K. Sattar - Elizabeth Rossiello
 University of Lagos	Africa		19	Adeyemo Simisoluwa - Michael Adeyeri - Damilola Olokesusi
 Imperial College London	Europe		18	Mansoor Hamayun - Abasi Ene-Obong - Uzoma Dozie
 INSEAD	Europe		18	Dare Okoudjou - Joseph Rehmann - Momtaz Moussa

Source: Africa The Big Deal By Yassin El Hardou

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

The Federal Government deploys NGN 20trn pension funds in infrastructure investment push. The FG is making a move to rev up economic growth by unlocking NGN20trn (USD13.2bn) from the nation’s pension funds to finance critical infrastructure projects across the country. **Reinvestment of pensions into long term, productive assets is a positive development.**

The Governor of the Central Bank of Nigeria, Dr Olayemi Cardoso, has disclosed that the foreign exchange inflows recorded in the first quarter of 2024 into Nigeria were about 136% of the total inflows recorded in 2023. **This extremely positive, as business and industry has been deprived of the FX they need to function.**

Minister of State, Petroleum Resources, Heineken Lopkobiri, recently raised hope of improved investments in the sector, with Total Energies and other International Oil Companies expressing appreciable interest in Nigeria’s new oil bid round, launched recently at the 2024 Offshore Technology Conference in Houston, Texas.

The Chief Operating Officer of Seplat Energies Plc, Mr. Samson Ezugworie, has said the company is set to increase its gas production capacity from 460 million standard cubic feet of gas per day to 850mmscf per day by year end. **This is positive as Nigeria has unutilized gas resources, often wasted in flaring, that should be used locally or exported.** Credible private sector players like Seplat, have the greatest chance of achieving this.

Macro releases included (April stats):

- Inflation accelerated to 33.7% y/y (Mar: 33.2%).
- FX reserves slipped to USD 32.2 bn (Mar: USD 34.3bn).
- PMI was 51.1 (Mar: 51.0).

37.7% y/y	US\$ 32.2bn	51.1
INFLATION RATE	FX RESERVES	PMI

EGYPT 

The House of Representatives approved in principle a draft law submitted by the government allowing both public and private sectors to establish, manage, operate and develop healthcare facilities in Egypt. The draft law aims to **boost contributions of both public and private sectors to healthcare services**, thereby enhancing the quality of services offered to citizens. This is in addition to bolstering the efficiency and geographical distribution of such services.

UAE reportedly transfers final tranche of Ras El Hekma deal funds. The tranche consists of USD14bn of fresh liquidity and transfer of a USD6bn previous deposit by the UAE at the Central Bank of Egypt. The first tranche, USD15bn cash and deposit transfer, was received in late February 2024. **This deal was and will continue to be critical to sustainable economic development.**

Fitch Ratings revised the outlook on National Bank of Egypt (NBE), Banque Misr, Banque du Caire and CIB's Long-Term Issuer Default Ratings (IDRs) to Positive from Stable and affirmed the IDRs at 'B-'. The rating follows the revision of the outlook on Egypt's sovereign rating last week and reflects the strong correlation of Egypt banks' creditworthiness with that of the Egyptian sovereign, given the banks' significant direct exposure to the sovereign through sizeable holdings of Egyptian government debt and lending to public sector companies.

Macro releases (April stats):

- Inflation surged to 32.5% y/y (Mar: 33.3%).
- FX reserves were USD 41.1bn (Mar: USD 40.4bn).
- PMI slide to 47.4(Mar: 47.6).
- M2 growth was +25.1% (Mar: 25.4%).

32.5% y/y	US\$ 41.1bn	47.4
INFLATION RATE	FX RESERVES	PMI

KENYA 

President William Ruto and his US counterpart Joe Biden on Thursday announced a raft of multibillion-shilling new investment deals in Kenya, as the two countries marked 60 years of partnership. **The US/Kenya relationship is mutually important politically and highly beneficial economically for Kenya.**

Two Kenyan firms are among 21 globally selected to join the inaugural Google.org Generative AI Cohort and access more than \$20m in funding for their projects. The firms are Jacaranda Health and EIDU.

Macro releases (April stats):

- Inflation was 5.0% y/y (Mar: 5.7%).
- PMI rise to 50.1(Mar: 49.7).
- 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%.

5.0% y/y	5.7%	50.1
INFLATION RATE	GDP GROWTH 2023	PMI

MOROCCO 

Ghita Mezzour, Minister Delegate in charge of Digital Transition, celebrated the signing of an agreement with **US technology giant Oracle for the launch of the Research and Development Center** in Africa. Mezzour announced the news, saying that she signed the agreement for the initiative in San Francisco, California, at Oracle’s offices, adding that the centre is the **“first of its kind in Africa.”** **“This agreement is meant to employ more than 1,000 skilled IT Moroccans** who will develop cloud computing and AI solutions, among others, to accelerate the development of Oracle’s cutting-edge technologies that help solve customer challenges worldwide,” Mezzour said.

The projected **production of key cereals is set to fall 43% Y-o-Y in FY23/24** to an estimated 31.2mn quintals, according to an update by the Ministry of Agriculture. The planted area has also dropped 33%, now covering 2.47mn hectares, with a harvestable area of 1.85mn hectares. This season’s breakdown includes 17.5mn quintals of soft wheat, 7.1mn quintals of durum wheat and 6.6mn quintals of barley. The regions of Fez-Meknes, Rabat-Sale-Kenitra and Tanger-Tetouan-Al Hoceima are major contributors, accounting for 84% of the nation’s total production. As of 22 May, cumulative rainfall stood at 237 millimeters, 31% lower than the annual average. Agricultural dams are filled to 31% capacity, the Ministry’s data showed. It detailed that the current agricultural season faced significant adverse climatic conditions, impacting the sowing of autumn crops.

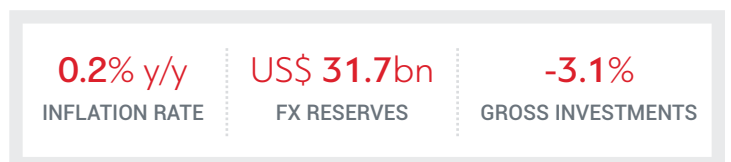
Chariot Oil & Gas, a British energy company, announced a **significant discovery in the Dartois field located in northern Morocco**. The exploration has revealed an estimated 12bn cubic feet of natural gas reserves. Duncan Wallace, Chariot’s technical director, expressed optimism about the operation’s progress, highlighting the promising results and the potential for further discoveries. areas.

Morocco plans to invest USD7bn to add 9GW to its 11GW installed energy capacity by 2027, Energy Minister Leila Benali said Wednesday. Renewables would make up 6.5GW (72%) of the added capacity, Benali said. Renewable capacity is currently 4.5GW, or 37.6% of total capacity, according to the electricity regulator. Morocco has invested USD6bn in renewables since 2009 and seeks to increase their share of the country’s energy mix to 52% by 2050, mostly through investments in solar and wind. "We must invest more in areas like grids – to enhance development of renewables in our country - storage and batteries," Benali said. In terms of actual production, about 70% of Morocco’s electricity is generated from coal, with renewable energy accounting for 20% last year, official figures showed. The gov’t said in March that it will build liquefied natural gas infrastructure in the Mediterranean port of Nador and connect it with a pipeline through which Morocco has been importing gas from Spanish LNG terminals.

The Mohammed VI Tanger Tech City will host two large scale industrial projects, representing total investments worth USD910mn. The first project concerns Hailiang, whose investment will span over an area of 30 hectares, investing USD450mn and starting from 2024. The company will create 1,800 jobs. The company is specialised in the production of automotive copper parts such as pipes, bars and pipe fittings. The second project from Shinzoom will span over an area of 20 hectares for an investment of USD490mn. The project will start this year and seeks to create 2,000 jobs. The company specialises in the production of anodes for lithium batteries. The projects were announced and signed by the President of the Tanger Tech Development Company (SATT) Othman Benjelloun.

Macro releases included (April stats):

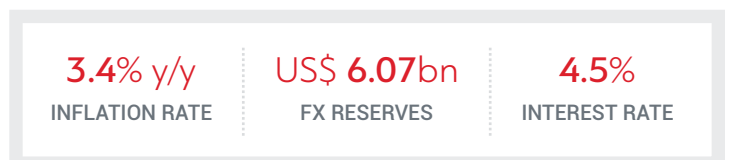
- Inflation was 0.2% y/y (Mar: 0.9%).
- FX reserves rose to USD 31.7bn (Mar: USD 31.7bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).



MAURITIUS 

Macro releases (April stats):

- Inflation slid to 3.4% y/y (Mar: 4.9%).
- FX reserves slipped to USD 6.0bn (Mar: USD 6.0bn).
- 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.