AFRICA FINTECH OVERVIEW

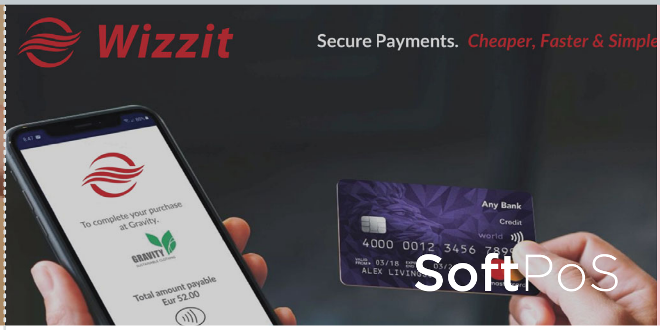
PUBLIC MARKETS : Fawry first in MENA to get MPoC Certification for its Soft PoS Solution

Fawry recently announced that its fully in-house developed Soft POS solution, "Tap N Pay," has successfully completed the MPoC certification cycle, making it the first company in the MENA region and the 10th globally to achieve this. This certification enhances Fawry's capability to provide secure, compliant, and cheaper payment solutions to the millions of underserved businesses in the MENA region.

Why is this so important in the payment space and why is it important for Fawry? Lets get through some of the acronyms and jargon first. A Point of Sale (PoS) device is the machine that you swipe, insert or tap your debit/credit card on to make a payment.

THE PROBLEM. As it is a physical device it is called a HardPoS. Like the fax machine and the fixed line telephone, it does its job but its clunky, expensive and has limited functionality. The cost of, and logistics required to install and maintain, a HadrPoS, have hindered mass adoption by businesses in Africa. There are approximately 5m HardPoS devices in Africa, yet there are close to 100m medium, small and micro businesses.

THE SOLUTION, just about every one of those business owner/s has a mobile phone. SoftPoS (in Fawry's case Tap N Pay) is the ***certified*** software that enables a mobile phone to be a secure, compliant and cheap PoS device. The certification, MPoC, is overseen by Mastercard and Visa and is an entry ticket into their payment rails. MPoC certification requires significant investment in time and money, acting as a barrier to entry and competitive advantage.



CONS
- Device cost US$ 300
- Limited payment options
- Have to replace to upgrade
- Long, expensive physical delivery times
- Lost, broken or stolen causing business delays

REQUIREMENTS
• Connection - electricity and internet
• Testing
• Security
• Maintenance

PROS
+ Device is registered, coded, vetted
+ No viruses or "bad software

PROS
Software has been developed and is available for free +
Download to already owned mobile phones +
Download any software upgrades to the phone +
Replacing a new phone easier than replacing a hardPOS +
Phone maintenance simpler +

REQUIREMENTS
Phone has battery and mobile data •
Software pre tested •
Security •
None required •

CONS
Phone is off the shelf, not vetted or tested -
Software can have viruses -

Circling back to why its important for Fawry, the Company has 383k HardPoS on its network in Egypt. They believe, and we firmly agree, that SoftPoS will enable this number to grow significantly. To put the potential in context, Egypt has 450 PoS/100k population, SA and Kenya are closer to 900 and the developed world is around 8,000/100k population. **Bridging this gap is not fanciful; Africa had 3% fixed line penetration and now has over 80% mobile phone penetration. Sotware is quick, easy and cheap to distribute.**

VENTURE MARKETS : Africa VC and PE deal update

- Moniepoint has achieved unicorn status after raising $110 million in a Series C funding round led by Development Partners International. The company will use the funds to expand throughout Africa, starting in Kenya, where it is close to acquiring KopoKopo.
- Kuda Bank, Moniepoint, OPay, and Palmpay are expanding their compliance and fraud monitoring teams in response to the Nigerian central bank's customer onboarding ban. The fintechs are also improving transaction monitoring, customer management, and Know Your Customer (KYC) processes.
- Bamboo, a Y Combinator-backed investment app that lets Africans trade in the global stock market, is expanding to Canada after getting a Money Service Business (MSB) license. Bamboo has also launched a remittance app called 'Coins by Bamboo' for fee-free money transfers from the diaspora to Africa.
- Vesti, an AI-powered neobank and visa service for immigrants, plans to preorder 100 Tesla Robotaxis. This will offer convenient pick-up and drop-off services in major cities, helping immigrants settle smoothly into new environments.
- After hitting 200,000 users in Kenya, Chumz - a habit-focused savings app - is expanding to Rwanda. The app lets users save as little as $0.05 at a time while tying it to their spending habits.
- Tendo, Ghana's retail-tech startup, just acquired Shopa, which connects suppliers with 3,000 retailers. It's a solid move to strengthen Tendo's supply chain and expand its footprint.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

The Dangote Petroleum Refinery has started supplying petrol, to local distributors. This is **hugely positive as a tangible step towards fuel self sufficiency and significant FX savings**.

Nigeria's external reserves grew by USD 3bn over a three month period, rising from USD36bn in July to USD 39bn.

The federal government is pressing ahead with critical tax reforms, not just to boost tax revenue and efficiency but also to meet the requirements for a USD750m loan from the World Bank.

Macro releases included (September stats):

- Inflation accelerated to 32.7% y/y (Aug: 32.2%).
- FX reserves slide to USD 37.0bn (Aug: USD 36.3bn).
- PMI was 50.5(Aug: 48.3).

32.7% y/y	US$ 37.0bn	50.5
INFLATION RATE	FX RESERVES	PMI

EGYPT

US company Apache intends to **invest about USD1.3bn in Egypt** through Khalda Petroleum Company in FY24/25, as it aims to increase the volume of its daily production of natural gas by about 11% to reach 500mn cubic feet per day. The company also aims to increase its production of crude oil and condensates by about 5% to reach 145k barrels per day, according to what a government official said.

Investment deals between the Egyptian and Saudi private sectors will exceed USD15bn. The investment deals come on the back of an agreement signed in Cairo on Tuesday by Egyptian President Abdel Fattah El-Sisi and Saudi Crown Prince Mohammed bin Salman to encourage and protect mutual investments between the two countries. The deals include **investments in renewable energy, industry, real estate development, tourism and technology**.

In the first quarter post the flotation of the EGP, external balances recorded an improvement in 2Q24 (4QFY24) as the **current account deficit (CAD) narrowed sharply, thanks largely to a strong recovery in remittances**.

Egyptian Prime Minister Mostafa Madbouly has stressed the importance of the export reimbursement in driving Egypt's economic growth, highlighting plans to offer unprecedented incentives for localising industries and streamlining payment procedures for exporters. In a Cabinet meeting on Sunday, the PM emphasised that the programme is crucial to achieving the government's ambitious goal of doubling exports in targeted sectors, opening up new opportunities for Egyptian businesses in regional and global markets..

Macro releases (September stats):

- Inflation was 26.4% y/y (Aug: 26.2%).
- FX reserves were USD 46.9mn (Aug: USD 46.6mn).
- PMI slip to 48.8 (Aug: 50.4).
- M2 growth was +29.6% (Aug: 28.8%).

26.4% y/y	US$ 46.9bn	48.8
INFLATION RATE	FX RESERVES	PMI

KENYA

America's biggest bank JPMorgan Chase has ended a 12-year wait for final approval to open an office in Kenya in the wake of a regulatory hitch that blocked its Nairobi operations and slowed the lender's expansion in Africa.

Macro releases (September stats):

- Inflation was 3.6% y/y (Aug: 4.4%).
- PMI slide to 49.7(Aug: 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%.

3.6% y/y	49.7	5.7%
INFLATION RATE	PMI	GDP GROWTH

MOROCCO

Morocco's airports hit a new milestone in 2024, recording 24.3mn passengers by the end of September, , representing 20% y/y growth, according to data released by the Office National des Aéroports (ONDA). ONDA attributed the strong performance to a mix of increased tourism, expanding flight options and growing regional air links. Domestic traffic surged 28.8%, reaching over 2.5mn passengers. International flights, which represent the bulk of Morocco's air traffic, rose 18.7% Y-o-Y, reaching 21.7mn passengers. Growth in international arrivals was primarily driven by European travellers, with traffic from Europe increasing by 19.9%, Africa by 17.7% and the Middle East by 12%.

Morocco's tourism sector continues to show robust growth, with **tourist arrivals rising by nearly 2mn y/y to 13.1m in 9M24**, according to the Ministry of Tourism. September was particularly notable with 1.3m tourists visiting the country, representing growth of 33% y/y with 40% y/y growth in the number of foreign tourists.

Macro releases included (September stats):

- Inflation slide to 0.8% y/y (Aug: 1.7%).
- FX reserves was USD 33.8bn (Aug: USD 33.3bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).

0.8% y/y	US$ 33.8bn	-3.1%
INFLATION RATE	FX RESERVES	GROSS INVESTMENT

MAURITIUS

Macro releases (September stats):

- Inflation rose to 3.1% y/y (Aug: 2.7%).
- Bank of Mauritius (BoM) kept the interest rate changed to at 4.0%.

3.1% y/y	4.0%
INFLATION RATE	INTEREST RATE

COMPANY UPDATES

Key to brackets: (Country | Industry)

Safaricom

Safaricom (Kenya | Communications Services) – 1h25 results update: Revenue grew 13%, EBITDA declined -5% and EPS were -18% as Ethiopia roll-out and FX weakness dampens earnings. FCF was exceptionally strong, coming in up 71% due to higher EBITDA and improved working capital. Within revenues, MPESA grew 17% and Data 22%, with Voice growth slower at 5%. From a geographic split, Kenya remains exceptionally strong, despite relative maturity. Revenues grew 13%, with MPESA +17% and Data +20%. In Ethiopia, the greenfield expansion, there are now 6m customers with revenue streams all growing in triple digits off a low base. We forecast EPS of 1.7-1.8

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.