

AFRICA FINTECH OVERVIEW

PUBLIC MARKETS – Recent developments in Egypt point to a sustained economic turnaround



Egypt is one of the largest and most attractive markets in Africa and we have a number of core portfolio investments. 2022 to 2023 was an incredibly difficult period, with something of a perfect storm. Russia's invasion of Ukraine spiked prices of key imports, wheat and oil, while US rate hikes and risk-off drove massive portfolio outflows. A frozen FX market severely constrained investment and growth. This culminated in a devaluation of the EGP in Q1 24. But that is all behind us and improved CBE policy should make this less likely in the future. Things are looking up and there have been a number of very positive developments. The largest was undoubtedly in February 2024, where the UAE and Egypt entered into a multi-year real estate sale and development deal worth USD 35bn. Since then there have been a number of encouraging data releases:

- August Net International Reserves reached an **all time high of USD 47bn**.
- The S&P Global PMI survey printed in August its first positive reading since Nov 2022, signaling expansion in private sector non-oil activity. The PMI reading stood at **50.4 in Aug, up from 49.7 in July**, as businesses raised their output levels for the first time in exactly three years. The uplift came amidst further reports of a demand recovery with companies also **expanding their inventories and hiring additional staff, as optimism towards future business activity improved**.
- The state's tax revenues jumped 25% Y-o-Y to EGP 216bn in the first two months of the current FY24/25 fiscal year. Income taxes grew 30% Y-o-Y to EGP65bn, while VAT revenues rose 23% Y-o-Y to EGP92bn, according to the same sources. The latter attributed the growth to **reforms in tax administration that broadened the tax base, as well as digitalisation of payroll taxes** for both public and private sector workers.
- President Abdel-Fattah El-Sisi directed the government on Sunday to expand the health insurance umbrella to **cover 8.5mn more citizens**.
- Remittances by Egyptian expatriates **rose sharply by 87% y/y in July to USD 3bn**, from USD 1.6bn a year ago, according to a statement by the Central Bank of Egypt. Remittances were also up 16% M-o-M, according to the statement. YTD, remittances are up 32% Y-o-Y in 7M24 to USD 15.5bn. Recovery of inflows from Egyptian expats continue to gain more pace, with July recording the highest month of remittances so far this year.
- Italian company Eni is preparing to implement a new plan early next year to **increase the production of the giant Zohr field to c2bn bcfd by pumping investments exceeding USD 100m**, to carry out the work of re-routing two wells inside the field with the aim of discovering layers.

VENTURE MARKETS - Africa VC and PE deal update

- African tech startups raised \$306.3 million in funding last quarter.
- US-based fintech GrabrFi has launched in Nigeria, allowing Nigerian users to make cross-border payments using GrabrFi's international US debit card.
- PayRetailers, a LatAm payments company, has expanded into Kenya and seven other African markets - increasing its presence on the continent to 12 countries.
- Nigerian agritech startup Winich Farms has raised \$3 million in pre-series A funding.

- Egyptian fintech SETTLE has raised a \$2 million pre-seed round.
- Nala partnered with NCBA Bank Kenya to power cross-border payments.
- Tanzania based Ennovate Ventures launched TheNextFund 3.0 to support East African early stage startups.
- Zambian fintech Lesaka has completed its acquisition of Adumo for \$96 million.
- Kazang launched card-acquiring service to ease payments for merchants in Zambia.
- Payment unicorn Zepz raised \$267 million to expand its reach in Africa, two years after reaching profitability for the first time, It was valued at \$5 billion when it previously raised \$232 million in 2021. The fintech will use the funding to expand its reach in Africa. It currently operates in over 150 countries including South Africa, Uganda, Kenya, Rwanda, Tanzania, and South Africa.
- Happy Pay, a South African fintech, has raised \$1.8 million in pre-seed funding.
- South-African startup Scale raised \$700K to help fintechs issue cards
- Mastercard and Amazon partnered to enhance digital payments in Egypt and South Africa.
- Xero, the global accounting software giant, is acquiring Syft, a South African analytics platform, for \$70 million.
- TymeBank, a South African digital bank, has raised \$9.5 million from African Rainbow Capital. The startup has 9.5 million customers and has seen strong growth in South Africa, Vietnam and the Philippines.

ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

E-payment transactions in the country jumped by 86% y/y to NGN 566trn (USD 343bn) in the first half of 2024 (H1'24) from NGN 304trn (USD 184bn) in the same period of last year, according to data from the Nigeria inter-bank settlement system (NIBSS). The steady rise in mobile telephony services and internet penetration, an increasing number of fintech companies and the CBN's cashless policy drive are some of the factors responsible for the growing adoption of electronic payment systems in the country.

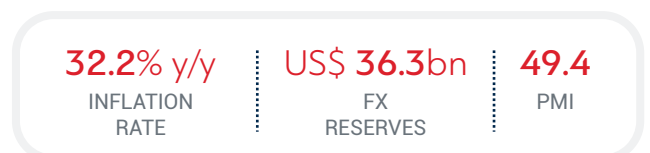
The federal executive council (FEC), yesterday, approved a raft of far-reaching economic policies and infrastructure programmes. It endorsed a bill which seeks federal and state collaboration to suspend certain taxes on small businesses and vulnerable populations.

Nigeria's minister of finance and coordinating minister of the economy, Mr. Wale Edun, yesterday, said that the economic reforms embarked upon by the present administration are yielding positive results, as the country recorded a net inflow of **USD 16.5bn into its foreign reserve** in the first seven months of the year.

Coca-Cola plans USD1bn investment for Nigeria over five years: Coca-Cola Hellenic Bottling Company has announced plans to invest USD1bn in Nigeria over the next five years as part of its expansion drive in the country.

Macro releases included (August stats):

- Inflation accelerated to 32.2% y/y (July: 33.4%).
- FX reserves slide to USD 36.3bn (July: USD 36.8bn).
- PMI was 49.4(July: 42.8).



EGYPT

Egypt aims to restore normal production at its natural gas fields by next summer, Prime Minister Mostafa Madbouly said on Thursday, signaling that the government is moving to settle its arrears with production companies. Madbouly told a news conference that production had fallen because of the arrears, but did not say how much the gov't owed nor when it might be repaid. "Electricity load-shedding cuts won't return again," Madbouly said, adding the government had set aside USD2.5bn to

ensure this. He said there were also plans to bring an Egypt-Saudi power grid link online in a first phase by the summer of 2025.

Egypt is targeting USD 1.5bn of pharmaceutical exports for the current fiscal year, according to the Prime Minister, with the figure expected to rise within two years to cUSD2bn, and up to cUSD3bn before 2030. As for the shortage in medicine, there were 580 drugs facing shortages, of which 470 drugs have been made available, and issues related to the remaining 110 drugs are targeted to be resolved by next month. Local production accounts for c91% of total medication, with the remaining 9% coming from imports that are mostly for advanced diseases, such as oncology and other diseases that the government is seeking to localize.

Egyptian Cabinet said in a statement on Monday that Saudi Crown Prince Mohammed bin Salman has directed the Saudi Public Investment Fund (PIF) to **pump USD 5bn worth of investment money into Egypt** in what it called a "first stage". The statement came after Egyptian Prime Minister Mostafa Madbouly had met with the Saudi Crown Prince in Riyadh and discussed boosting bilateral relations. The statement contained no further details on when the funds are going to be invested, the nature of the investments or over how many stages the Saudi government is planning to make its investments. PIF did not immediately respond to a Reuters request for comment.

Macro releases (August stats):

- Inflation was 26.2% y/y (July: 25.7%).
- FX reserves were USD 46.6bn (July: USD 46.5mn).
- PMI slip to 50.4(July: 49.7).
- M2 growth was +28.8% (June: 27.2%).



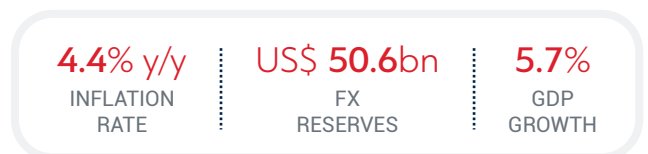
KENYA 

Safaricom has avoided a price war with billionaire Elon Musk’s Starlink and instead raised its home fibre internet speeds by up to five times in efforts to protect revenues and guard its customer base.

The Central Bank of Kenya (CBK) will require lenders to disclose climate finance risks and meet certain climate targets from January 2027, marking the latest regulatory push to align the sector with the global sustainability wave.

Macro releases (August stats):

- Inflation was 4.4% y/y (July: 4.6%).
- PMI slide to 50.6(July: 43.1).
- 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 

Morocco’s **tax revenues surged 11.7% Y-o-Y in 8M24, reaching MAD194.88bn (USD 19bn)**, according to a report from the Ministry of Economy and Finance. The increase reflects a strong performance in key sectors, surpassing 72% of the government’s annual revenue target. Corporate tax revenues saw a notable boost, growing by MAD 4.5bn, achieving a realisation rate of 73%, fueled by better tax collection on third-party payments and investments by non-resident legal entities. Personal income tax revenues also saw significant growth, with collections rising by MAD 4.3bn, representing a realisation rate of 75.2%. VAT revenues recorded an increase of MAD 6.7bn, with both domestic and import VAT contributing to this rise.

The Moroccan government approved a decree to expand the “Tangier Automotive City” (TAC) in the exports Free Zone during their weekly Cabinet meeting on Thursday. The project aims to meet the rising demand from industrial investors. The expansion will increase the area of the current zone from 517 hectares to 1,185 hectares, nearly doubling its size to accommodate growing investor interest in the region. The TAC has been instrumental in **positioning Morocco as a major player in the automotive manufacturing sector, as well as fostering economic growth and boosting exports.**

Cement deliveries up 7.2% by the end of August 2024: The Ministry of National Land Use Planning, Urban Development, Housing and Urban Policy (Le Ministère de l’Aménagement du Territoire National, de l’Urbanisme, de l’Habitat et de la Politique de la Ville) has published the evolution of cement deliveries as of August 2024. Cement deliveries stood at 1,265 kT in August 2024, up **9.7% as compared with August 2023**. Cumulatively, cement deliveries rose by 7.2% to 8,730 kT over the first 8 months of the current year.

Macro releases included (August stats):

- Inflation rose to 1.3% y/y (June: 1.8%).
- FX reserves declined to USD 33.0bn (June: USD 32.9bn).
- Gross investments into Morocco slowed, down -3.1% in 2q23 (2q22: -8.4%).



MAURITIUS 

Macro releases (August stats):

- Inflation remained 2.7% y/y (July: 2.7%).
- Bank of Mauritius (BoM) kept the interest rate unchanged at 4.5%.



COMPANY UPDATES

Key to brackets: (Country | Industry)



Fawry (Egypt | Payments) - Egypt's leading e-payments solutions provider, announced today that its Buy Now, Pay Later (BNPL) business has surpassed EGP 1bn in total disbursements as of September 2024. This milestone was reached just over a year after the official launch of the service, highlighting the success of Fawry's strategic approach. By capitalizing on its vast consumer base—with over 10 million downloads of the myFawry app at the time of launch—and the introduction of the myFawry prepaid card, Fawry has firmly established itself in the market. This achievement not only showcases the company's capability to scale its offerings but also underscores its expanding reach and influence within the embedded finance ecosystem.

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.