

LETSHEGO AFRICA HOLDINGS LIMITED

H1 2024 Results Presentation

Presented by

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Group Chief Executive

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Group Chief Financial Officer

01

Strategy and Operational Review

Group Chief Executive Officer
Aupa Monyatsi



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Strategy & Operational Review

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Financial Review

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Looking Ahead

Key Messages

The Business has Returned to a Profit following double-digit Top-line Growth in Challenging Operating Environment



Macro Economics

- ❖ High **Inflation Pressures** in key markets
- ❖ **Currency Depreciation** in Operating Markets
- ❖ Muted GDP growth
- ❖ **Disposable Income Pressure**



Performance Highlights

- ❖ **Group returned to Profit position**
- ❖ **Operating Income up by 22%**
- ❖ **Mobile lending income up by 334%**
- ❖ **Core DAS portfolio up by 9%**



Operational Challenges

- ❖ ECL profile mainly affected by discontinued products
- ❖ Collection challenges in certain markets
- ❖ Increased competitive landscape
- ❖ Rising Cost of Funds
- ❖ Continued Hyperinflationary Accounting in Ghana

Performance Summary: Strong Fundamentals



Top-line Business Growth has grown in line with expectations despite challenge operating environment.

Core Business Highlights

DAS Loan Book

P11.8b



Mobile Loans Book

P909m



Mobile Loans Revenue

P308m



Insurance Revenue

P158m



Customer Deposits

P1.7b



Post Write-Off Recoveries

P110m



Segment Performance

Operating Income: South

P993m



Operating Income: East & West

P497m



Ghana Update: Mobile Loans-Led Growth



The Mobile Loans product has led to continued exponential revenue and profitability growth in the business



Awards & Recognition

- ❖ Best **Digital Instant Loan** - 2024
- ❖ Best **Savings & Loans Brand** - 2024
- ❖ **Outstanding Digital Leader** - 2024
- ❖ Best in **Promotion of Financial Inclusion** - 2024
- ❖ **Finance Innovation Leadership Award** - 2024



Mobile Loans Performance

- ❖ **562% Revenue Growth** to P278m
- ❖ **78% growth in Net Advances** to P684m
- ❖ **3x Growth in Customer Deposits** to P260m
- ❖ **+90% Contribution** to total income



New Ecosystem Products

- ❖ **90-day instalment loan** with MTN
- ❖ **MTN Qwiksave**, powered by Letshego
- ❖ Further products under developments

Ghana Performance Summary



H1 Profit up 46% Y-o-Y on Historical Accounting basis, before Hyperinflationary adjustment.

Country Highlights

Constant Currency (CCY) | 2024 GHS/BWP Rates

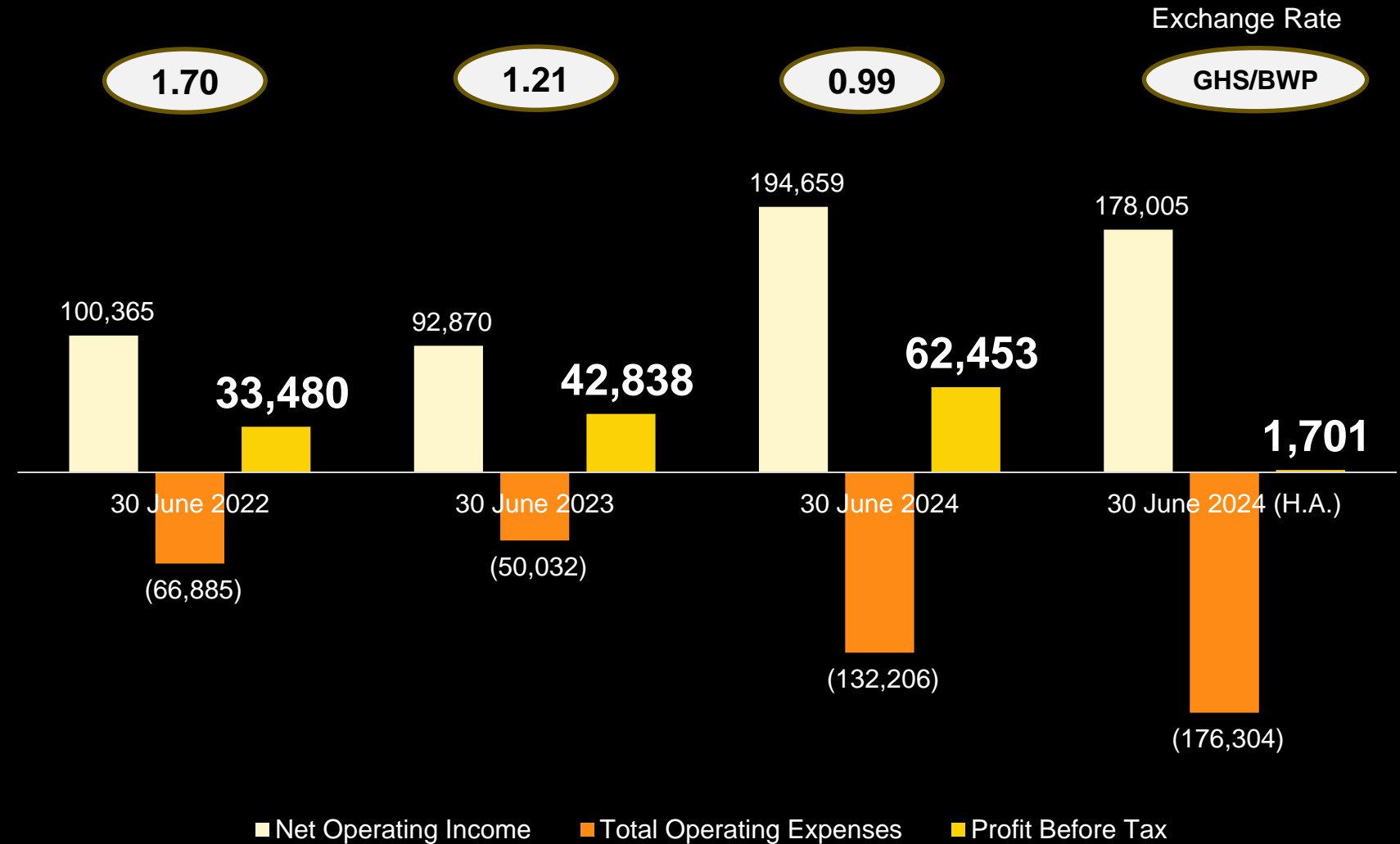
P278m
 562% **Mobile Loans Revenue**
 H1 '23: P42m

P650m
 69% **Mobile Loan Gross Adv.**
 H1 '23: 384m

P259m
 220% **Customer Deposits**
 H1 '23: P81m

Hyperinflationary Impact

BWP '000s



Strategic and Operational Overview



Continued Growth Achieved in line with Execution of Product Diversification Strategy

Mobile Loan Performance



Live in **7** Markets



11 Fintech/MNO Partners



Over **2.6m** Active Customers



P909m Total Book

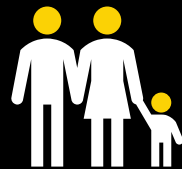
Insurance Highlights



7 Product Types



6 Cell Captive Live in 6 Markets



Over **277k** Individual Policies



P158m Fee Income

Digital Mall Uptake



93% Migration and Uptake by DAS and MSE Clients



Over **3.7m** Registered Users



Over **800k** Active Users



P178m Revenue Generated

Execution on Plan 5 of Our 6-2-5 Strategy Remains Resilient despite Macroeconomic Headwinds

1 Product Diversification

- **Mobile Lending** book up 73% to P909m. Tanzania launched mobile lending in Q1, rapidly growing to P138m in a few months
- **DAS Lending** book up 9% to P12.4 billion
- **Insurance revenue** up 8% y-o-y to reach P158m.
- **Customer Deposits** up 30% y-o-y to over P1.7 billion.

2 Digitisation

- **Over 3.68 million** registered users as at H1 2024.
- Digital Mall user base reached over 800K active users vs 477K in 2023, a 67% growth.
- Digital Mall is live in all markets and now available across USSD, App, web and WhatsApp channels

3 Geographic Rebalancing

- Operating Income up 50% to P457m in East and West African Markets.
- Net Interest Income up 12% to P868m in Southern African Markets.
- Stronger balance sheet and revenue contribution from DAS and Mobile Loans, following deliberate actions to derisk from MSE portfolio.

4 Execution Engine

- Improved efficiencies in DAS lending process with up to 50% reduction in TAT for customers in some markets.
- New Talent acquired to leverage and optimise income generation from investments in Technology capabilities.
- Introduction of Business Process Re-Engineering in H1 is increasing alignment of processes to Target Operating Model and strengthening controls.

5 Sustainable Stakeholder Value

- Strong balance sheet growth supported by well capitalised subsidiaries
- Strong regulatory relationships in all markets.
- Strong ESG Agenda.
- Despite positive fundamental business performance, ECL pressures persist.
- We remain optimistic about sustaining and increasing business momentum across all lines.

02

Financial Review

Group Chief Financial Officer
Gwen Muteiwa



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Looking Ahead

Key Performance Highlights: Balance Sheet



Balance Sheet Grew against Key Metrics and across Traditional and Mobile Lending Portfolios


 **P14,374m**
9% **Gross Advances**
H1 '23: P13,286m

 **P13,371m**
6% **Loans and Advances**
H1 '23: P12,628m

 **P18,235m**
7% **Total Assets**
H1 '23: P16,995m

 **P10,094m**
22% **Borrowings**
H1 '23: P8,278m

 **P659m**
2% **Retail Deposits**
H1 '23: P644m

 **P1,740m**
30% **Customer Deposits**
H1 '23: P1,337m

Balance Sheet Summary



Strong Performance Driven by Core Product Demand and New Product Introductions

Assets (BWP'000s)	H1 2024	H1 2023	Δ%
Cash and Similar instruments	1,796,474	1,069,726	68
Investment Securities	720,738	787,474	(8)
Financial Assets at Fair Value	749,441	1,230,505	(39)
1 Advances to Customers	13,371,868	12,628,663	6
Other Assets	1,597,309	1,278,316	25
Total Assets	18,235,830	16,994,684	7
Liabilities	H1 2024	H1 2023	Δ%
Financial Liabilities at Fair Value	751,847	1,219,465	(38)
2 Customer Deposits	1,739,678	1,336,735	30
3 Borrowings	10,094,430	8,278,246	22
Other Liabilities	736,421	891,194	(17)
Total Liabilities	13,322,375	11,725,640	14
Equity	H1 2024	H1 2023	Δ%
Stated Capital	897,909	917,909	
Hyperinflation translation adjustment	183,935	-	
Retained Earnings	3,651,913	4,187,375	
Equity Attributable to Parent	4,462,313	4,834,832	
Non-Controlling Interests	451,141	434,212	
Total Shareholders' Equity	4,913,454	5,269,044	(75)
Total Liabilities and Equity	18,235,830	16,994,684	7

Commentary

1 Steady Loan Book Growth Despite Intensified Competition:

- DAS loans grew in core markets, despite aggressive competition from Tier 1 commercial banks in core markets.
- Mobile lending loan book increased by 73%.

2 Growing Customer Deposits:

- New digital savings products launched in key depositing taking markets helping sustain growth in customer deposits.
- Enhanced transactional capabilities to sustain growth in H2.

3 Borrowings:

- Borrowings grew by 22% to support:
 - Subsidiary liquidity buffers following strong customer demand for core loan products.
 - To facilitate growing requests for Balance Sheet as a Service solutions from Fintech/MNO partners.


Key Performance Highlights: Income Statement



Buoyant Performance Supported by Strong Consumer Demand Despite More Challenging


 **P1,865m**
19% Interest Income
H1 '23: P1,570m

 **P799m**
18% Interest Expense
H1 '23: P679m

 **P1,066m**
20% Net Interest Income
H1 '23: P891m

 **P280m**
32% Non-Funded Income
H1 '23: P212m

 **P827m**
35% Total Operating Expense
H1 '23: P613m

 **P1,346m**
22% Operating income
H1 '23: P1,103m

Income Statement Summary



Strong Top-Line Performance Driven by Strong Customer Demand for Core Lending Products

	Income Statement (BWP'000s)	H1 2024	H1 2023	Y-o-Y Δ%	FY 2023
1	Interest Income	1,865,021	1,570,432	19	3,424,947
2	Interest Expense	(799,089)	(679,216)	18	(1,702,674)
	Net Interest Income	1,065,932	891,216	20	1,722,273
	Net Fee and Commission Income	154,854	133,362	16	258,231
	Other Operating Income	125,561	78,445	60	256,141
	Operating Income	1,346,347	1,103,023	22	2,236,645
	Expected Credit Losses	(333,491)	(221,191)	51	(456,591)
	Net Operating Income	1,012,856	881,832	15	1,780,054
	Employee Costs	(234,872)	(263,150)	(11)	611,604
	Other Operating Expenses	(591,726)	(349,530)	69	1,046,989
3	Total Operating Expenses	(826,598)	(612,680)	35	1,658,593
	Profit before Taxation	186,258	269,152	(31)	121,461
	Taxation	(168,501)	(198,076)		(270,260)
	Profit for the Year	17,757	71,076	(75)	(148,799)

Key Messages

Interest Income:

- Strong top-line growth driven by strong growth in Mobile lending and steady growth in core DAS products.

Interest Expense:

- Interest expense increased due to increased borrowings and full impact of policy rate hikes from prior year.

Operating Expenses:

- **Direct Costs:** Mobile fee expenses and levies linked to loan growth increased by 260%, mainly driven by mobile lending volumes in Ghana. Work continues to streamline costs.
- **Other Costs:** Includes net monetary loss of P50m on Ghana hyperinflation.
- **Employee costs:** decreased 11% year on year against prior year majorly supported by the realised improved efficiencies from restructuring, which took place in 2023.

Credit Quality: Expected Credit Losses (ECLs)



<i>BWP millions</i> H1 '24 H1 '23	DAS		Non-DAS		MSE		Mobile		Total	
Total Outstanding	11,881	11,181	571	511	1,011	1,063	909	525	14,375	13,286
Impairment Expense	(4.2)	(4.6)	(130.0)	(142.2)	62.9	(55.0)	(120.1)	(7.5)	(209.3)	(191.4)
Write-Offs	(109.1)	(39.7)	(107.9)	(15.7)	(35.3)	(36.9)	0.0	0.0	(252.3)	(92.3)
Post Write-Off Recoveries	97.0	71.0	3.1	0.1	4.5	2.7	5.6	6.9	110.2	80.5
Net Impairment Charge	(16.4)	26.5	(234.8)	(157.9)	(32.2)	(89.2)	(114.5)	(0.6)	(333.5)	(222.0)
Loan Loss Ratio (%)	0.3%	0.5%	86.6%	61.8%	(6.2%)	16.8%	31.9%	0.2%	4.8%	3.4%

Credit Quality: Expected Credit Losses (ECLs)



Strengthened Coverages in line with increases in Stage 3 Provisions and After Change in Stage 3 Discounting

Group Consolidated ECL Coverage as at 30th June 2024

Gross Advances	Dec-21	Jun-22	Dec-22 Restated	June-23 Restated	Dec-23	Jun-24
Stage 1	10,994	11,111	11,229	11,527	12,119	12,121
Stage 2	678	722	1,006	596	755	694
Stage 3	768	979	896	1,162	1,472	1,560
Total	12,440	12,812	13,131	13,285	14,346	14,375
ECL	Dec-21	Jun-22	Dec-22	June-23 Restated	Dec-23	Jun-24
Stage 1	131	141	107	100	118	122
Stage 2	110	95	47	33	39	36
Stage 3	323	377	323	524	700	844
Total	564	613	477	657	857	1002
Coverages	Dec-21	Jun-22	Dec-22	June-23 Restated	Dec-23	Jun-24
Total Coverage	5%	5%	4%	5%	6%	7%
Stage 3 coverage *	73%	63%	53%	57%	58%	64%

*Stage3 Coverage = Total ECL / Stage 3 ECL

1

Conservative Provisioning on 'Test & Learn' Portfolios

- 100% provisioning for mobile lending portfolios in Eswatini and Kenya.
- P96m impact in the first half of the year.
- Additional provisions taken on discontinued products.

2

Core Products are Performing Well

- Our core Products DAS and MSE delivered strong performance recording LLR of 0.3% and -6.2%.

3

Improved Recoveries

- Recovery efforts showing green shoots with recoveries increasing by 37% year on year.
- Growth in Coverages driven by book growth and increased LGDs to cover discontinued products.

03

Looking Ahead

Group Chief Executive Officer
Aupa Monyatsi



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3 Looking Ahead

Our Focus Areas

1 Protecting Market Share

- Defending Core DAS portfolio.
- Launching new Mobile lending offerings in portfolio.

2 Mobile Lending Growth

- New Mobile Lending and Balance Sheet as a Service partnerships in pipeline in existing and new markets.

3 Strategy Transition

- As 6-2-5 strategy draws to a conclusion in 2025, we have progressed strategic planning that will steer the Group into the next chapter of sustainable growth.
- Stakeholders will be updated once final planning and governance is complete.

Performance Outlook

1 Focus on Collections and Recoveries

- Increased commitment to focus on collections and recoveries, following increased provisioning and conservative write-off approach.

2 Expect Macroeconomic Headwinds to Persist

- Hyperinflationary pressures persist in key markets.
- Product portfolio rebalancing at market level to help counter challenging macros.

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