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APRIL 2020

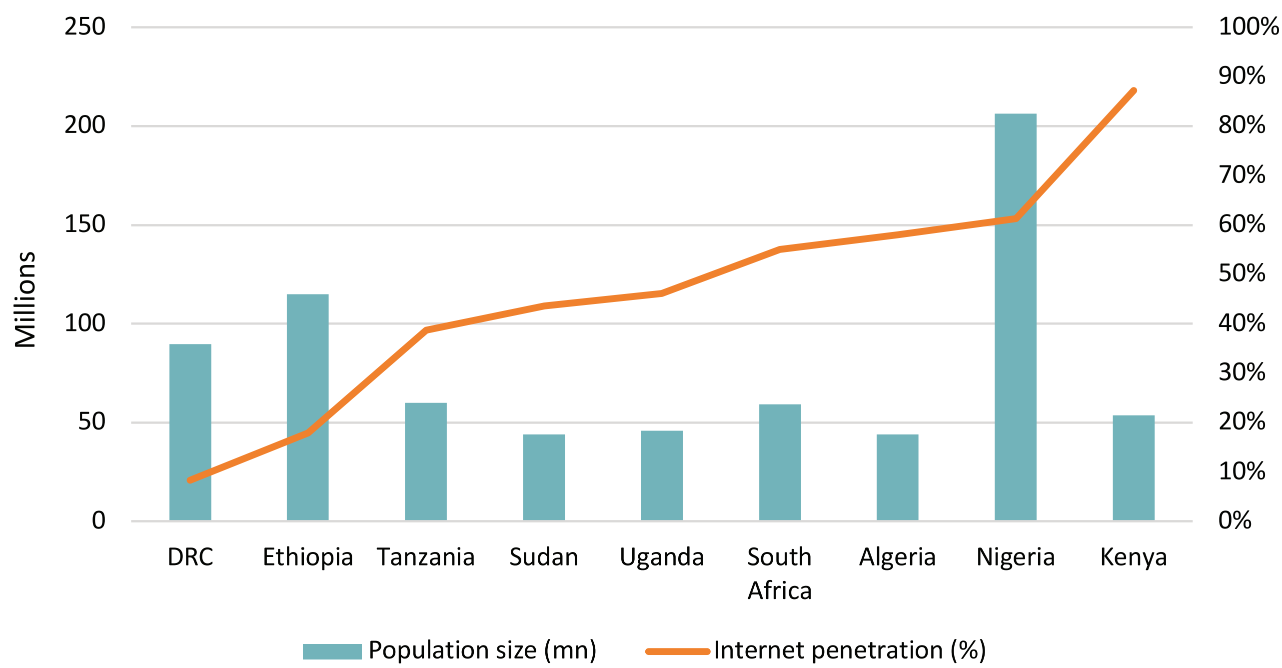
COMPLIMENTARY UPDATES AND INTELLIGENCE BRIEFINGS

COVID-19 SPARKS FINTECH BOOM ACROSS AFRICA

March was a watershed month for the adoption of Fintech on the African continent. A combination of corporate interest from both local and foreign financial services companies, and the Covid-19 pandemic, have spurred a push for the rapid adoption of such services, practically overnight in some African markets. Jumia and Paga, both locally owned Nigerian Fintech start-ups, have been targeted for significant investment by influential foreign backers during March. Jumia, which secured US$55 million in funding from Goldman Sachs in February, has partnered with Mastercard in plans to roll out its service offerings to emerging markets. Paga, a close competitor with expansion plans in Nigeria, Ethiopia and Mexico, has partnered with Visa, highlighting gains in local consumer markets that large venture capitalists feel could be made. Further east, the Kenyan government is encouraging its citizens to sign up on the local M-Pesa platform in an attempt to keep the economy functional while still employing social distancing.

The surge in global Covid-19 cases and resulting travel restrictions and lockdowns have offered an unprecedented growth opportunity for mobile money apps and other platforms that allow commercial activity to be performed without making personal face-to-face contact. Foreign investment, pro-digitisation policies from local governments, and the near universal penetration of mobile devices means that the local informal economy is well-positioned to make use of these new opportunities. Much of this growth will be confined at first to bigger regional economies like Kenya, Ghana, Nigeria and South Africa, but this may soon change. World Bank research on the success of digital money apps in Somalia, and an announcement this month by Societe Generale that it hopes to soon expand its Fintech offerings to Madagascar, highlight how Fintech and mobile adoption have transformed formerly peripheral markets into potential investment destinations.

Internet penetration in Africa's 10 most populous countries



TURKISH INVESTMENT OPENS UP NEW OPPORTUNITIES IN NORTH AFRICA

Recent months have seen the Turkish government ramp up its commitment to expanding the country's share of commercial activity in Africa. The relationship between the two regions has grown ever stronger since 2002, when the Turkish government announced its intent to become more heavily involved on the continent. Since then, Turkey has obtained observer status at the African Union; become a partner of the African Development Bank; and expanded its diplomatic and commercial reach on the continent further than any country except China. Its motivations are manifold, partly originating from a desire to reclaim its prestige as a key political player in Muslim North Africa, but more so driven by the opportunities Africa presents as the world's last emerging market.

This combination of diplomatic and commercial expansion has helped transform former peripheries in North Africa into viable destinations for further investment. This is especially true for Turkish investments into energy and transport infrastructure in the Sahel and the horn of Africa, where a history of political upheaval has left many countries in a fragile state. Turkish investments have, for instance, done a great deal to stabilise Somalia and provided the basic infrastructure necessary in Mali for further development of its agriculture, mining and healthcare industries. Turkey is also keen to develop the African retail market, which absorbs US$11.9 billion in annual manufacturing exports. Ongoing Turkish interest in the region should give investors cause to reappraise the viability of local investments in primary sectors like agriculture, mining and energy, provided that the prospective parties are willing to accept ongoing operational risks in the Sahel such as militant activity and overall political uncertainty.

Turkish corporate presence in Africa at a glance

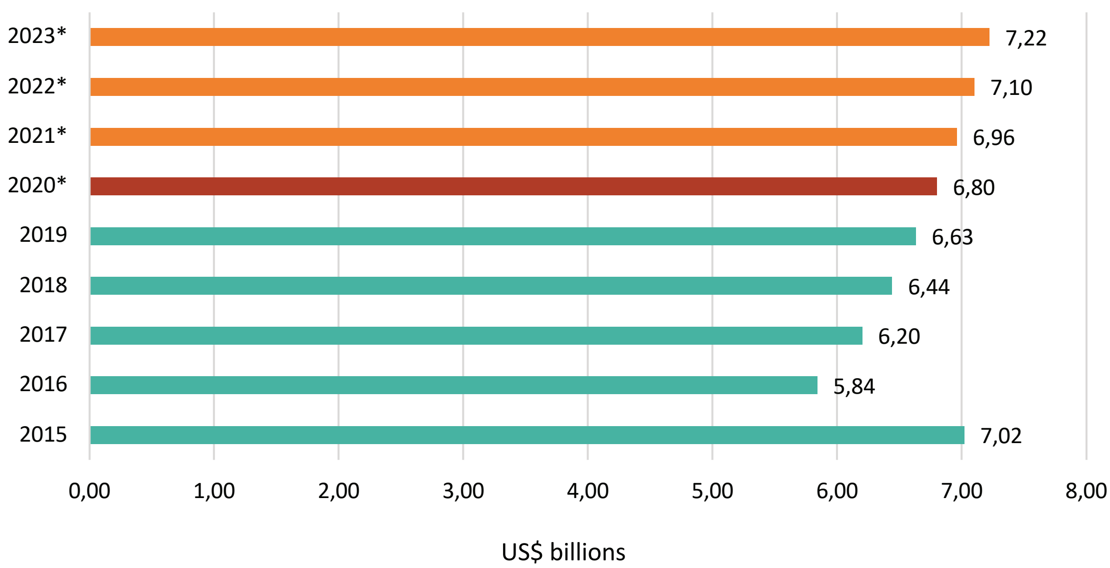
COMPANY NAME	COUNTRIES OF OPERATION	SPECIALISATIONS/MAJOR PROJECTS
AE Arma-Elektropanc	Algeria Ethiopia	Convention centres, hotels, technology parks
Doganlar Yatirim Holdings	Senegal	Highways, social facilities
Enka Insaat	Gabon Libya	Gas turbine power plants, cement factories
Mapa Insaat	Algeria Ghana Libya	Railways, water works and water treatment facilities
Limak Holding	Cote d'Ivoire Mozambique Senegal	Airport construction and management, cement factory construction
Ronesans Holding	Gabon Libya Nigeria	Airports, hotels, business centres, universi-ties, social housing projects
Summa Insaat	Libya Republic of the Congo Rwanda Senegal	Brazaville City Centre Complex Kintele Convention Centre Bliase Diagne International Airport housing projects
Tav Airports	Tunisia	Construction and management of Enfidha Airport
Yenigun Insaat	Algeria Cameroon	Construction of Cameroon Douala Japoma Stadium, steel smelting facilities (Algeria)

SOUTH AFRICAN FOUNDRY SECTOR SET TO ADVANCE

The South African government has taken steps this month to arrest the gradual decline of the local foundry industry. The state plans to ensure that all locally based industries, including mining, eventually source 60% of their manufactured content from the local forging, machining and casting sector. In March the government announced that it would be placing a tax on all exported scrap metal, which makes up the majority of stock at local foundries as it can be sourced more cheaply than metal ores. Local producers have requested such protection since 2013 as the scarcity of scrap metal hindered cost-effectiveness. This has in turn coincided with relaxation of regulations surrounding the Independent Power Producer space. The Independent Power Producer space is a major consumer market for the foundering and fabrication sector and is expected to grow exponentially in the coming months and years amid the country's energy crisis.

One key obstacle for investment in this space is a shortage of development finance. This is especially true for the foundry space, which has seen a gradual decline in recent years due to a diminishing skills base. Another major contributing factor is a tendency for formerly large customers in the state-owned railway sector, like Prasa and Transnet, to favour imports of foreign components. As municipal government imposes localisation rules, foundries most likely to benefit are automotive manufacturers and related Original Equipment Manufacturers (OEMs) who are responsible for fabricating parts. Friendly government policy and robust export growth mean that already invested foreign companies like BMW, Mahindra and Volkswagen, will likely shift more of their manufacturing to local shores. This promises to create lucrative opportunities for investors in the foundry and fabrication space willing to cede significant start-up costs. Interested parties would be advised to seek partnerships with established OEM's, particularly with those who supply the automotive and renewable energy sectors.

Revenue generated in SA iron and steel manufacture



Source: Statista, 2020

AFRICA'S **TOP 10 STORIES**

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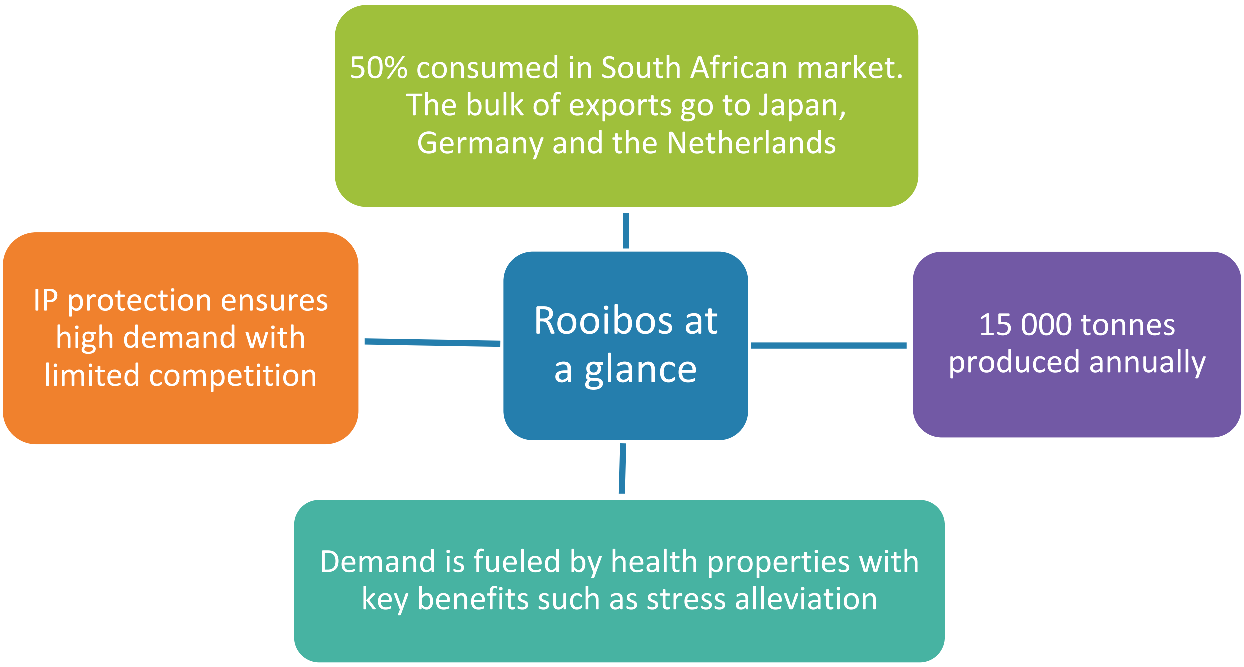
UGANDA SIGNS GREEN BUSINESS DEAL WITH EU

The Ugandan government has signed a US$97.5 million deal with the European Union to fund the adoption of 'green business' in the country. This will include climate smart agriculture, which adapts conventional farming methods to the effects of human-induced climate change. Other green businesses included are: off-grid waste disposal and renewable projects; green cities; eco-tourism; and the development of Liquified Petroleum Gas (LPG) projects for both industry and households. This is in addition to a grant financing agreement worth €85.9 million that Uganda has signed with the European Union. The deals are of great importance to the Ugandan government as it is key to building its exports with the EU. The EU considers such agreements a vital part of its 'Green Deal' strategy which seeks to make the European economy carbon neutral by 2050.

2

ROOIBOS GAINS SPECIAL FOREIGN EXPORT CODE FOR UK

South African growers and distributors of the world-famous rooibos tea have exhaled a sigh of relief after it was announced in mid-March that the commodity would retain its GI protection status in the UK after Brexit comes into effect. This protection allows a GI code, which is generally used to link a certain product to a geographical area and ensure IP protection. The GI code was agreed upon in 2014 through a deal between the Southern African Customs Union and the European Union. In this case, it links the Rooibos, or "Red bush" tea, to a particular tea grown during the winter rainfall periods of the Western and Northern Cape regions of South Africa. It is hoped that this registration will eventually allow for permanent GI cover in the EU and the adoption of an international Harmonised System, or HS code, to facilitate the tracking of product movement internationally.



Source: Rooibos Council, 2019

3

ADCOCK INGRAM ACQUIRES PLUSH IN A BID TO DIVERSIFY INCOME

South Africa-based pharmaceutical giant Adcock Ingram announced in mid-March its acquisition of fellow listed entity Plush for a yet to be disclosed sum. Plush, formerly known for its leather care products, has diversified its product offering since 2010 to include homecare and cleaning products. This is an unregulated price market which has helped net Plush an annual sales revenue of at least US$11 million (R200 million). Adcock Ingram sees expansion into such markets as a vital part of its strategy to maintain profitability in South Africa's uncertain economic environment, in which successive recessions and now a national lockdown have severely cut retail revenues. Similar diversification strategies have been employed in recent months by other local corporates including Metair (an energy storage solutions manufacturer), now venturing into the automotive business and Murray and Roberts (formerly a construction firm), which has now diversified into oil and natural gas projects across the continent.

4

NIGERIA TO UTILISE WHITE SPECTRUM TV FREQUENCIES TO BRIDGE TELECOMS GAP

The Nigerian government has announced that it will be utilising white spectrum TV frequencies to help fill what it calls its 'telecommunications gap' and bring the internet to the 22 million people in the country who do not yet have access to it. 'White spectrum' are the so-called 'white spaces' between TV channels which prevent interference between them. Since as early as 2010, these spaces in the UHF and VHF spectra have proven of viable use for the broadcast of broadband internet without causing any interference to surrounding channels. The method holds numerous advantages above conventional Wi-Fi, not least of which is Non-Line of Sight or NLOS performance. NLOS is the ability to broadcast over man-made and geographical obstructions at a far greater range of 10kms compared to the ideal range of 100m for unobstructed Wi-Fi. The Federal Ministry of Communication has stated that the roll-out of this technology is considered a priority as the economy prepares for participation in the Fourth Industrial Revolution (4IR.)

TV White Space vs Wi-Fi: A comparative view

TV WHITE SPACE (TVWS)	WIRELESS FREQUENCY (WI-FI)
• Ideal for increasing rural connectivity • NLOS connectivity increases penetration through various structures • Increased range of connection over multiple kilometres • Inexpensive and easy to deploy	• Most feasible in urban locations • Limited to working in close proximity unobstructed • Limited spectrum available in license-exempt frequencies • Overuse of 2.4 and 5.8GHz lines due to low cost has created considerable interference

Source: Double Radius, 2020; ITWeb, 2019

5

ECOBRICKS ENABLES RENEWABLE INDUSTRY TO REACH CONSTRUCTION MILESTONE

Ecobricks, or bricks constructed from recycled plastic, have been used for the construction of 'The Ridge', a commercial property on the V&A Waterfront which will serve as Deloitte's new office in Cape Town, South Africa. This latest development marks the first time the technology has been employed in the construction of commercial property. The developers utilised the design philosophy of 'dematerialisation' in using less building material to minimise the project's environmental impact. The building will also be using rainwater harvesting and greywater recycling methods, with estimates predicting a R12-R18/m² reduction in the utility bill. This proof of concept on such a large scale means that ecobricks will likely play an expanding role in the local construction industry. As South Africa's construction sector languishes due to lack of demand, cost-saving innovations like ecobricks go a long way to keep local businesses afloat, and are of beneficial use within social housing projects for the country's rural and urban poor.

6

AFRICAN STATES TAKE STRONGER MEASURES AS COVID-19 CASES MOUNT

As international cases of Covid-19 surpass1 363 123 as of 07 April various governments across the African continent have taken extreme measures in an attempt to mitigate further spread of the virus. In late March Nigeria closed its land borders after recording its first death, while nearby Cote d'Ivoire and Senegal announced states of emergency and imposed travel restrictions. South Africa, the continent's second largest economy, announced a 21-day lockdown that came into effect on 26 March. Algeria, Cameroon, Congo-Brazzaville, Ghana, Guinea-Bissau, Rwanda and Uganda have all closed borders and stopped flights. Numerous other countries, including Angola, Botswana, Kenya, Tanzania, Tunisia and Zambia have placed travel restrictions on persons flying in from affected regions. While this early action is expected to greatly lessen the impact that the virus could have on the health of local populations, the global nature of the pandemic and the heavy toll it has taken on key export and import markets in Europe and China will have far more drastic financial impact.

Africa's key supply chain concerns

MEDICINE
Difficulties sourcing Active Pharmaceutical Ingredients (API's) from China means a possible shortage of vital medicines from Indian generic pharmaceutical manufacturers and others in Israel and the US.

FOOD
The ongoing locust plague, instability in South Sudan and difficulties with importing food could cause food shortages in East Africa. Most affected by this will be Ethiopia, Kenya, Somalia and South Sudan.

INDUSTRIAL INPUTS
The manufacturing sectors of industrialised African economies such as Ethiopia, Egypt, Ghana, Morocco, Nigeria and South Africa will suffer acute supply shortages for the medium term as lockdowns affect key import partners like the EU (35%), China (16%) and India (14%).

FUEL
The DRC, Rwanda and Uganda could face serious fuel shortages in the coming weeks as supply through Mombasa slows.

Source: Daily Maverick, 2020; Daily Compliance News, 2020

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TOP SOUTH AFRICAN FINANCIAL FIRMS INVEST IN DATA PRIVACY START-UP

Omnisient, a Cape Town based 'data collaboration' start-up, has secured 'pre-series A' funding from some of the country's largest investment entities including Compass Venture Capital, Investec and Nedbank. Omnisient's business is based on the intersect.io platform which allows various firms to access a collective pool of data for analytics on consumer interests, behaviour and purchasing decisions while simultaneously providing better data protection and privacy for those same consumers. Data collaboration is a fairly recent phenomenon which allows for unparalleled collaboration between businesses with similar strategic goals. Interested parties like strategy consultants and venture capitals can make use of such a platform to gain greater clarity on viability of business projects. Omnisient is the first start-up of its kind in Africa and its investors hope that the 'first mover' advantage of the firm will lead to large capital gains as the company expands its services across the region.

9

SUPERCOMPUTER IN KENYA TRACKS EMERGING LOCUST SWARMS

The Kenyan government has deployed a specialised supercomputer in a bid to combat the spread of Red Sea locusts threatening to devastate crops across East Africa. While the first infestation cycle of locusts has subsided, a latent danger is that the eggs laid by this previous swarm will hatch and mature. Should this occur, the implementation of mitigation strategies will be more difficult. To moderate this risk, the Intergovernmental Authority on Development Climate Predictions and Applications Centre based in Nairobi, aims to use a supercomputer to predict and track the movement of 'hoppers' – young locusts not yet able to fly – for extermination. The computer uses inputs including wind speed and direction, temperature, humidity, soil moisture and vegetation cover to predict the position and movement of hopper swarms. Researchers and ground teams have a small window of opportunity to track and stop swarms of potential billions before they mature and devastate crops further.

NOTABLE UPDATES

Rwandair raises stakes in battle against rival carriers in East Africa

The Rwandan government has signalled its commitment to supporting the national carrier in its ongoing battle with Ethiopian airlines, signing 101 bilateral aviation safety agreements with foreign nations in preparation for the establishment of flight routes.

East Africa SGR rail network to be expanded ahead of AfCFTA commencement

Tanzania has rolled out ambitious plans for the expansion of its Single Gauge Railway network ahead of the AfCFTA enforcement date. The government has already spent US$36 million on the project from a US$1 billion loan for the programme provided by COMESA's Trade and Development Bank last year.

IMF backs reform in Kenya and Tanzania

In March the International Monetary Fund came out in support of fiscal reform strategies in Kenya and Tanzania. Both are seeking to bring their national debt under control by cutting lending and improving local revenue collection.

Kenyan marketplace provides new opportunities for African farmers

Selina Wamucci, a Kenya-based start-up, has expanded its farmers market platform to individual farmers, cooperatives and companies across the continent. This has come after the widely successful 2015 launch in Kenya saw the platform put local farmers in touch with customers in 17 African counties.

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