

# Letshego Holdings Limited

Group Interim Results 2021

**Andrew F Okai**  
Group Chief Executive

## GROUP INTERIM RESULTS 2021



### H1 Headlines & Achievements

- Headlines
- 6-2-5 roadmap
- Plan 2 progress



### Financial Highlights

- Financial Performance
- Credit Overview
- Funding & Liquidity

## STRATEGIC OUTLOOK



### Plan 2 and beyond

- Economic and business outlook
- Foundation for the future - LetsGO Mall
- 2025 Targets

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### Plan 2 and beyond

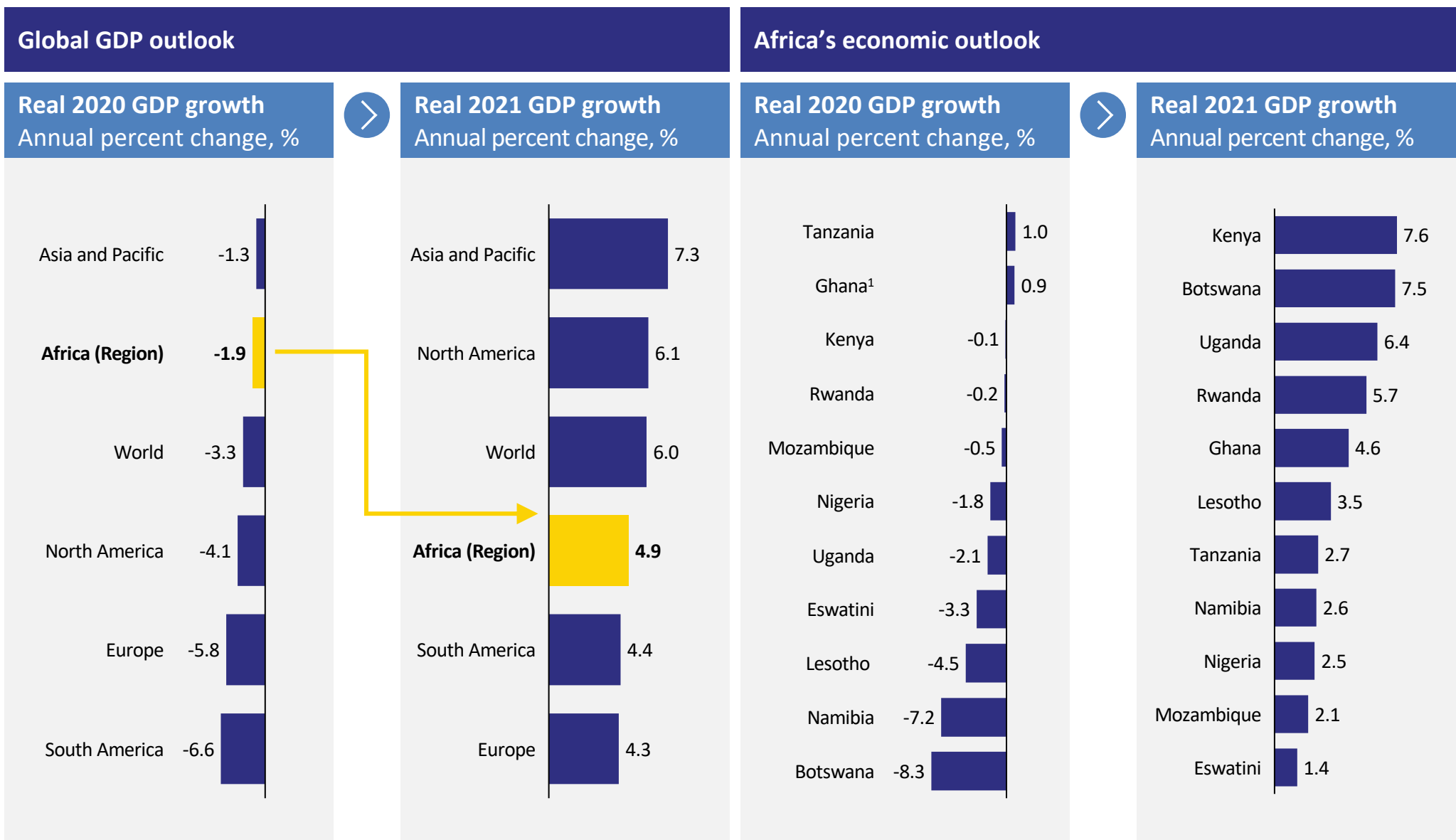
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 <b>Strong Performance</b>	Strong loan growth underpinning significant uplift in PBT and PAT (in excess of 20%)
 <b>Shareholder Value</b>	50% dividend payout ratio combined with 17% dividend yield driving higher returns
 <b>Digital First</b>	Accelerating digitalisation - LetsGO digital platform now live in 10 markets
 <b>End-2-End Automation</b>	Leveraging emerging technologies (RPA) and Data to enhance productivity and efficiency. First 'Bots' deployed
 <b>Business Transformation</b>	Digital Quotient (DQ) improves from 25% to 51% driven by strides in Enterprise Agility
 <b>Improving Lives</b>	Programmatic lending to accelerate social impact. BWP400 million boosting reach
 <b>People First</b>	Continued commitment to prioritising lives and livelihoods of our people, customers and communities. Building a culture of digital leadership, through enhanced knowledge and skills 97% uptake of digital learning solutions



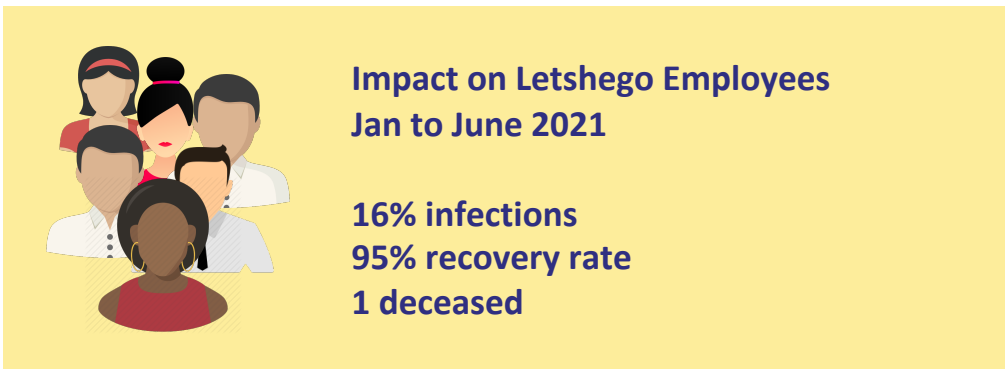
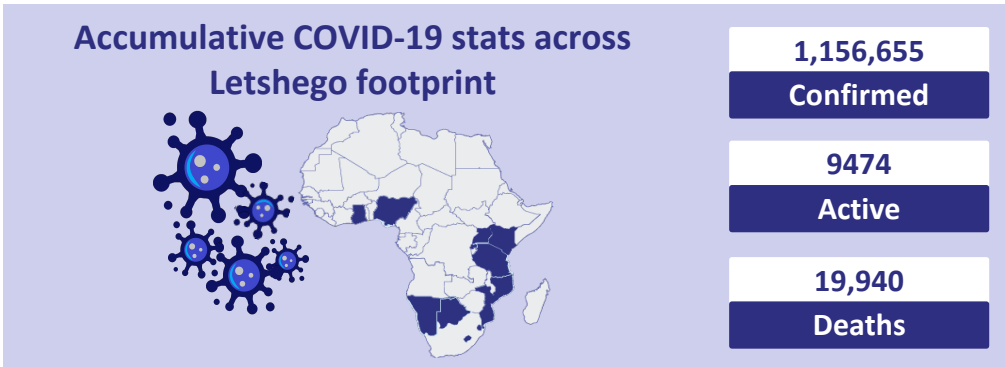
# Business environment has been challenging...

IMF GDP Projections (August 2021)

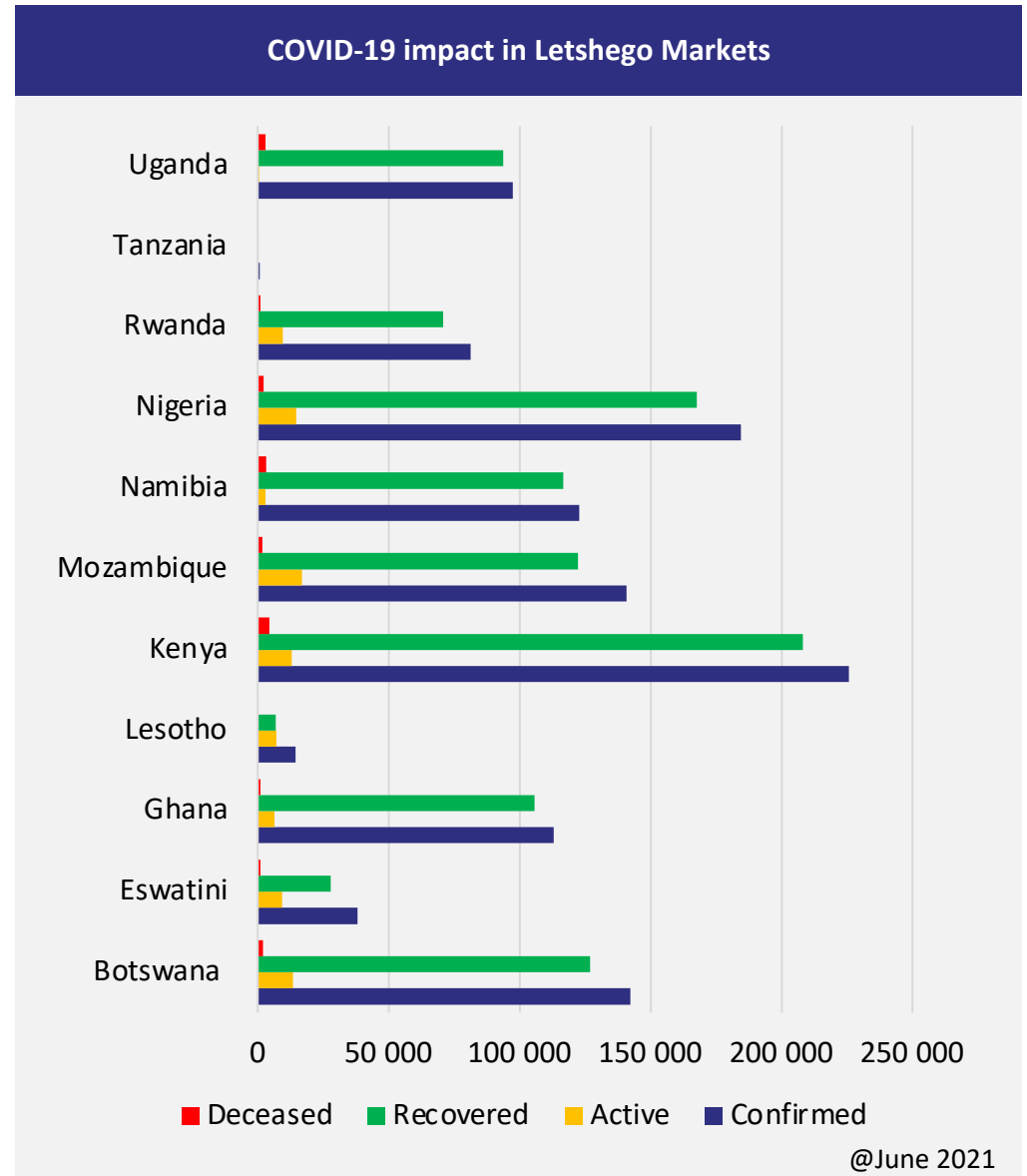


1. Ghana's own estimate per budget statement is 0.2%  
Source: IMF GDP Forecast (August 2021)

# Third wave COVID (Delta variant) impacting regional markets and likely to influence economic environment into 2022



Most of Letshego countries are under partial Lockdown, with curfews in some. No country is on full lockdown albeit some occasional regional movement restrictions within the countries.

# Our 6-2-5 Plan: 'Return to growth'

## Creating a world class Retail Financial services organisation

**Short term:** Leverage on our strengths to deepen impact

**Medium /Long term :** Customer ; Talent, Innovation and technology

### STRENGTHEN our foundation

- Build on core business, DAS
- Key digital channels to improve DAS productivity
- Diversify solutions & Funding

### BECOME customer led

- Invest in Customer Experience
- Leverage on emerging transformative technologies
- Customer led, speed to market
- Enterprise Agility as a methodology .

### CREATE the future organisation

- Talent mobility
- Relentless Innovation culture
- Digital delivery – Innovation hubs / Platform/Ecosystem thinking

Productivity of Solutions

Transformative Technologies

Platform Thinking

6

Months

2

Years

5

Years

# We have rolled out the DIGITAL MALL to 10 Letshego markets (DAS-focused)



**74%**  
Digital adoption

## Key Insights from the Digital Mall Rollout

> 20 000

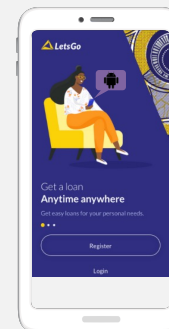
Customers Registered

77%

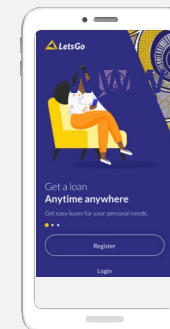
Customers New to Letshego

### All channels available

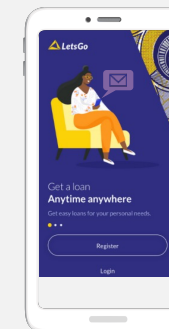
Android



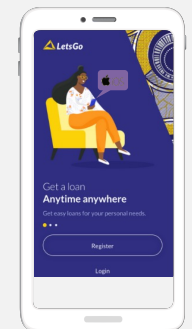
Web



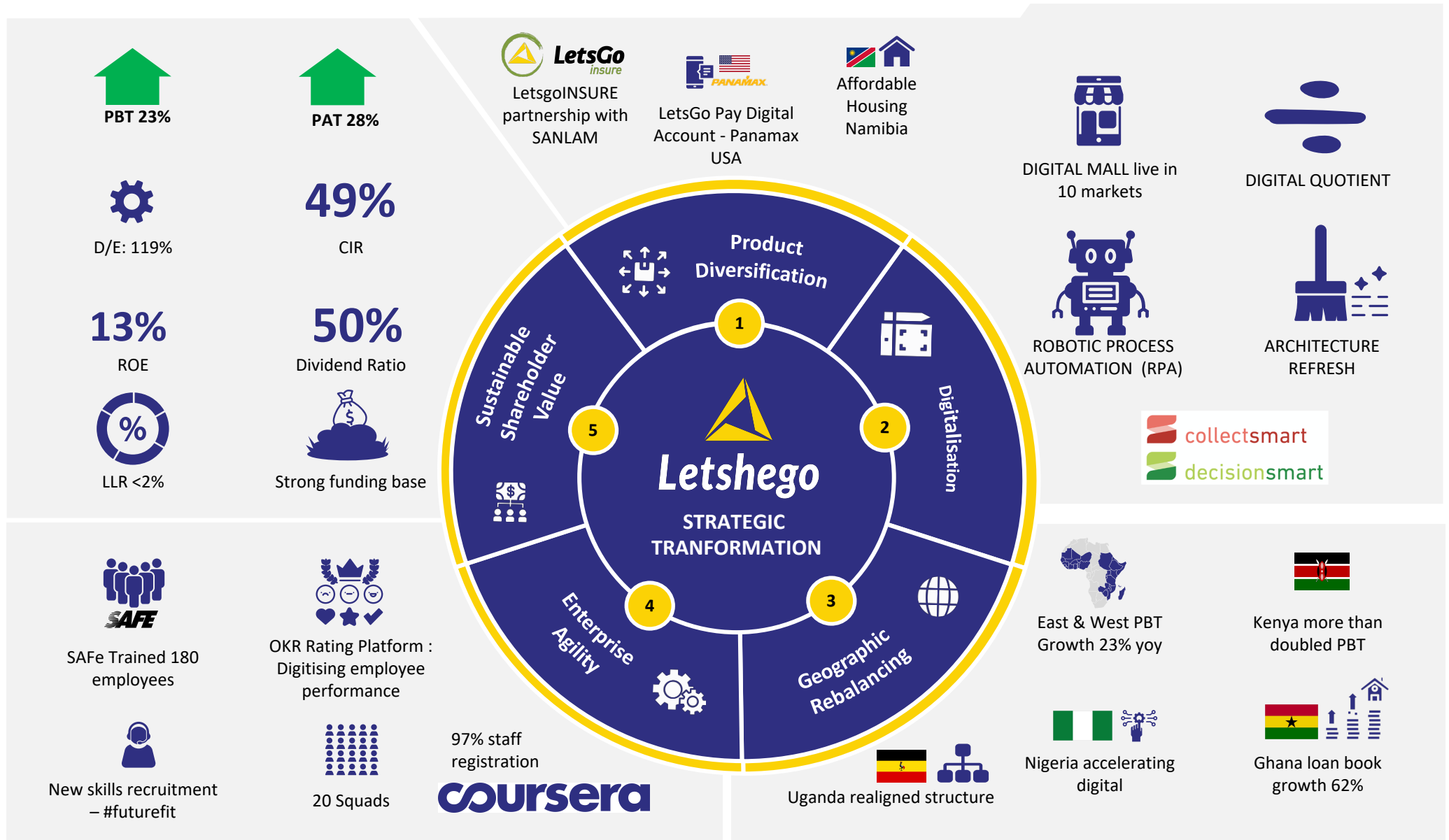
USSD



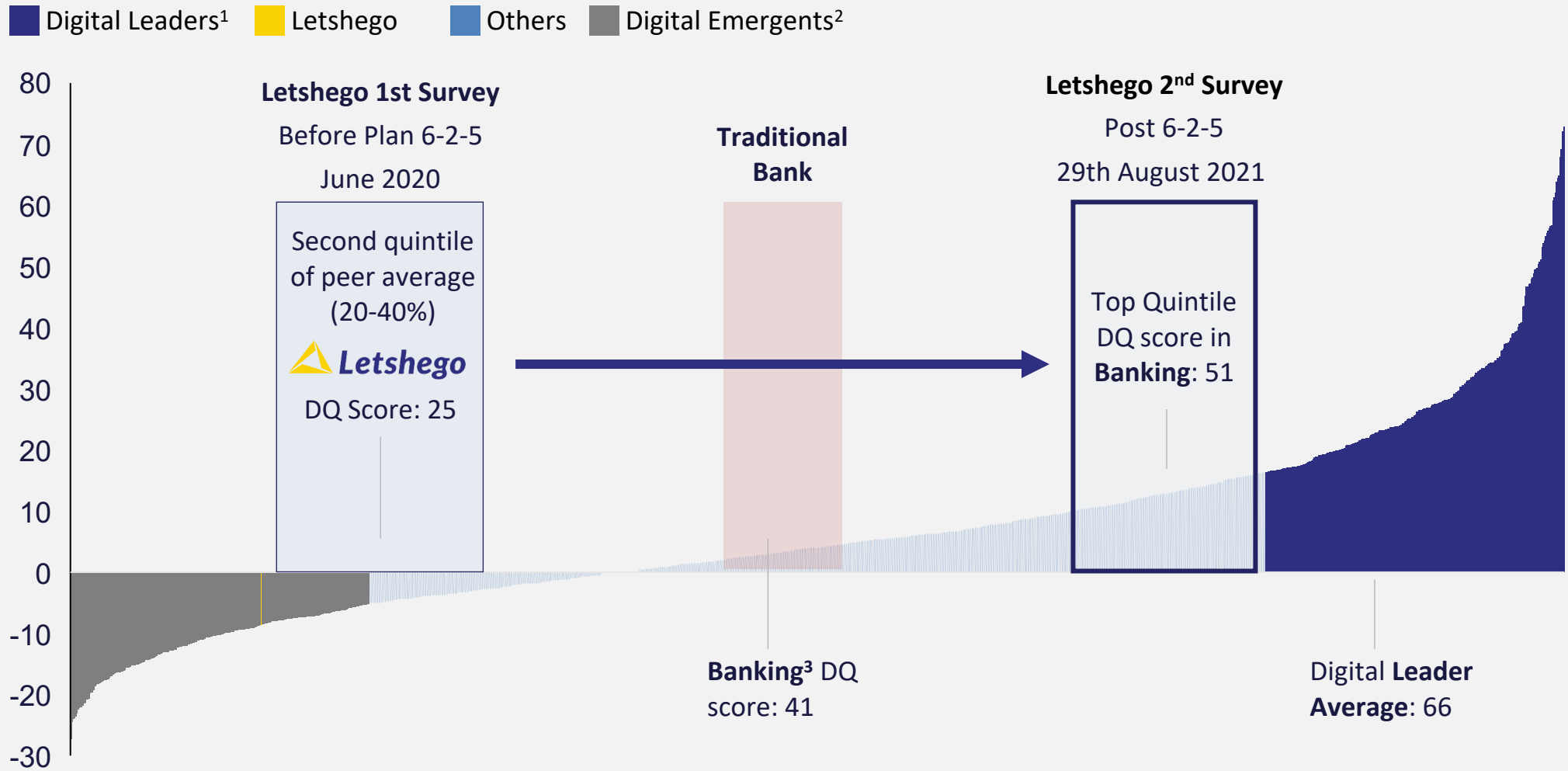
iOS



# Strong traction in strategy execution



## Distribution of DQ score (DQ Scores Out of 100)



Source: McKinsey Digital Quotient

1. Digital Leaders are defined as the top quintile companies in the DQ database
2. Digital Emergents are defined as the bottom quintile companies in the DQ database
3. Banking average includes 182 Banking players across the Globe



**Strong financial performance**



**Our business remains resilient**



**Accelerating our digitalisation agenda**



**Culture and Enterprise Agility integral to our transformation**



**Generating long term shareholder value remains our priority**

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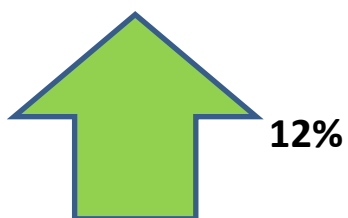
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## Net Interest Income

H1 2021: **P1.02 bn**

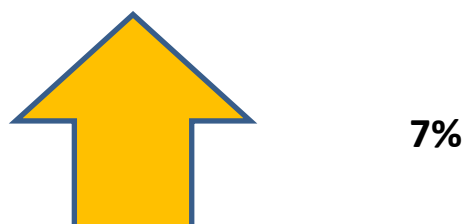
H1 2020: P910 mn



## Impairment Charge

H1 2021: **P76 mn**

H1 2020: P 71 mn



## Profit before Tax

H1 2021: **P544 mn**

H1 2020: P 443 mn



## Cost to income

H1 2021: 47%

H1 2020: 49%

## Loan loss ratio

H1 2021: 1,4%

H1 2020: 1,4%

## Return on equity

H1 2021: 13%

H1 2020: 11%

# Income Statement Commentary

	H1 2021	H1 2020	Change %
Net interest income	1,019	910	12%
Non funded income	150	113	33%
<b>Operating income</b>	<b>1,169</b>	<b>1,023</b>	<b>14%</b>
Operating costs	(549)	(509)	(8%)
<b>Pre - provision profits</b>	<b>620</b>	<b>514</b>	<b>21%</b>
Expected credit losses	(76)	(71)	(7%)
<b>Profit before tax</b>	<b>544</b>	<b>443</b>	<b>23%</b>
Tax charge	(230)	(198)	(16%)
<b>Profit after tax</b>	<b>314</b>	<b>245</b>	<b>28%</b>

 <b>Basic Earnings per Share (thebe)</b>	<b>13.4</b>	<b>10.7</b>	<b>25%</b>
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## Key Messages



**Net interest** up 12% from prior period on the back of net loan book growth of 20% mainly in Namibia, Ghana and Mozambique



**NFI increased by 33%** as the insurance structures in Namibia were set up in the latter part of 2020. **Increased transactional activities** expected in H2 .



**Operating expenditure up 8%** . This is in line with continued investment on future capability on robotics, data analytics and process automation.



**Credit impairment charge. LRR was 1.4%**, same as last year. Asset quality has remained strong, despite impact of Covid -19 on MSE portfolio



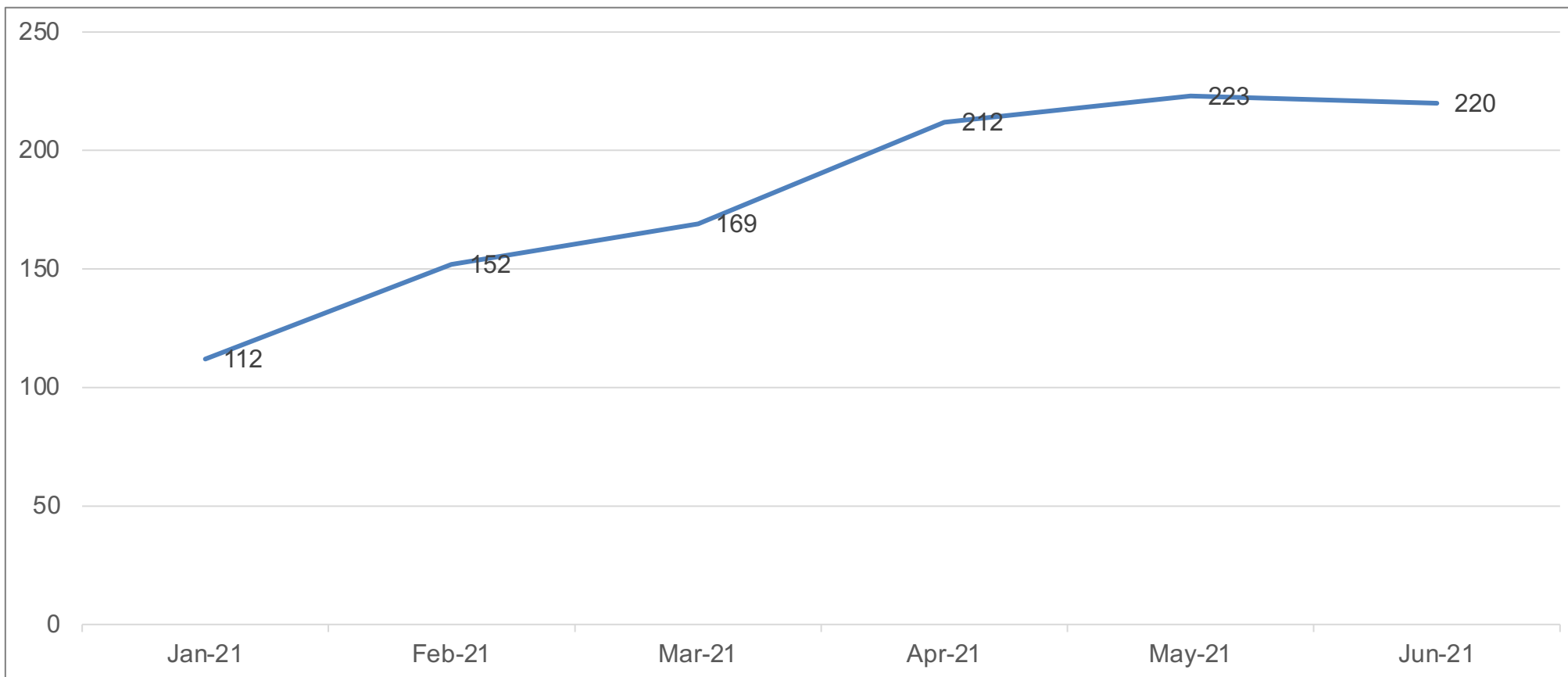
**ETR at 42% and down 3% from prior year.** This was driven by a 23% increase in the Group's profit which was propelled by the increase in non-funded income (mainly insurance arrangements).

# Despite severe headwinds across our markets, Business is on an upward trajectory path as Plan 2 is implemented



## Overall DAS Performance

Value (BWP Mlns) — Net Payouts



25%

YOY Growth  
Net Payouts

16%

YOY Growth  
Net Advances

37%

New Customers

98%

Collection Rate  
(2020: 92%)

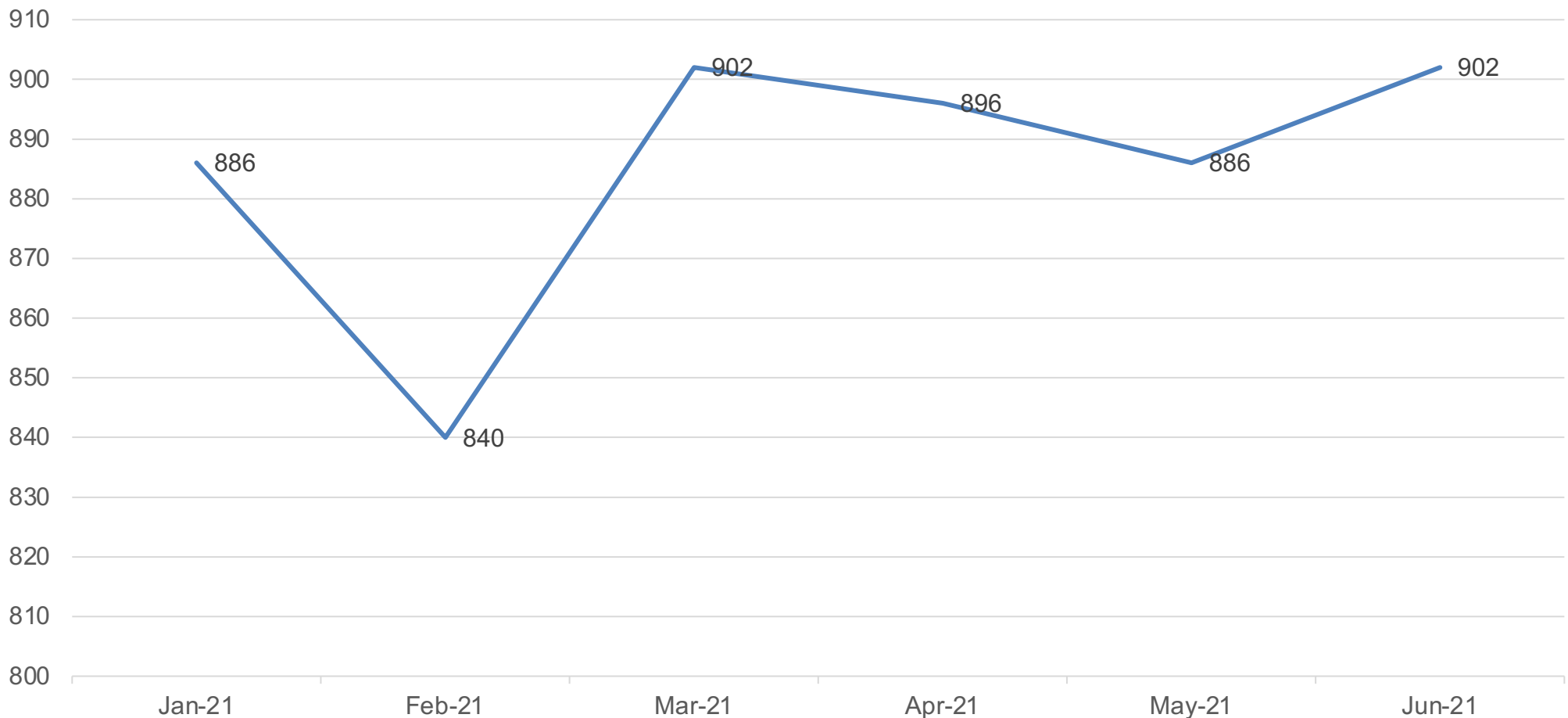
31%

YOY PBT Growth

# Challenging year for MSE in 2020, marked recovery in H1 2021

Whilst retaining growth in Disbursements and PBT, our Programmatic Approach is geared to drive Customer and Loan Book growth in the Medium to Long

## MSE Net Loan Book Growth Jan 2020 to June 2021 (BWP 'M)



15%

YOY Decline in #  
of Customers

45%

YOY Growth in  
Disbursements

6%

YOY Net Loan  
Book Growth

77%

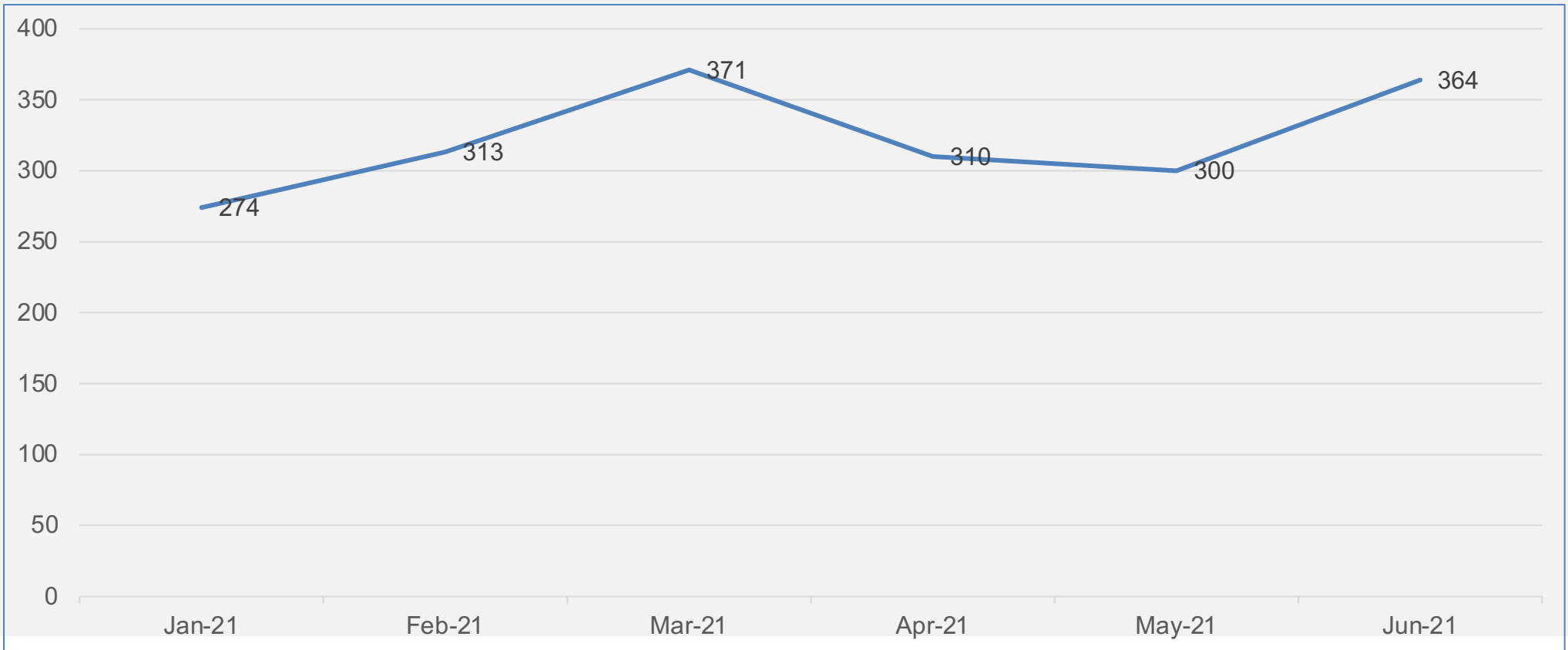
Collection Rate  
(2020: 80%)

271%

PBT Growth  
YOY

## Overall Mass Mobile Performance

### Net Advances P' Millions



**218%** YOY growth  
Net Advances

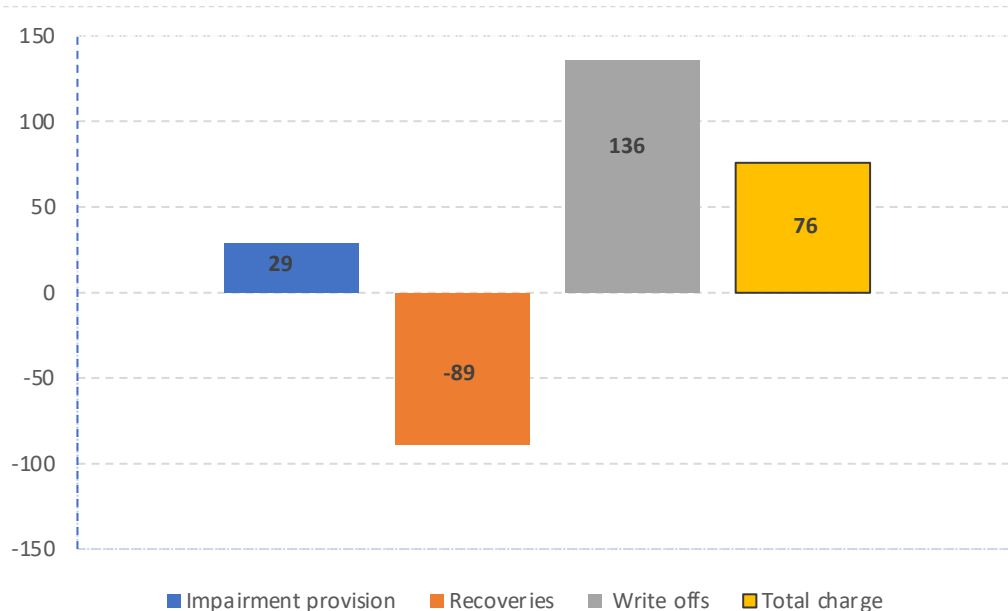
**>30%** Active Customer Usage grows  
by 1,5 Million

**20%** YOY PBT  
increase

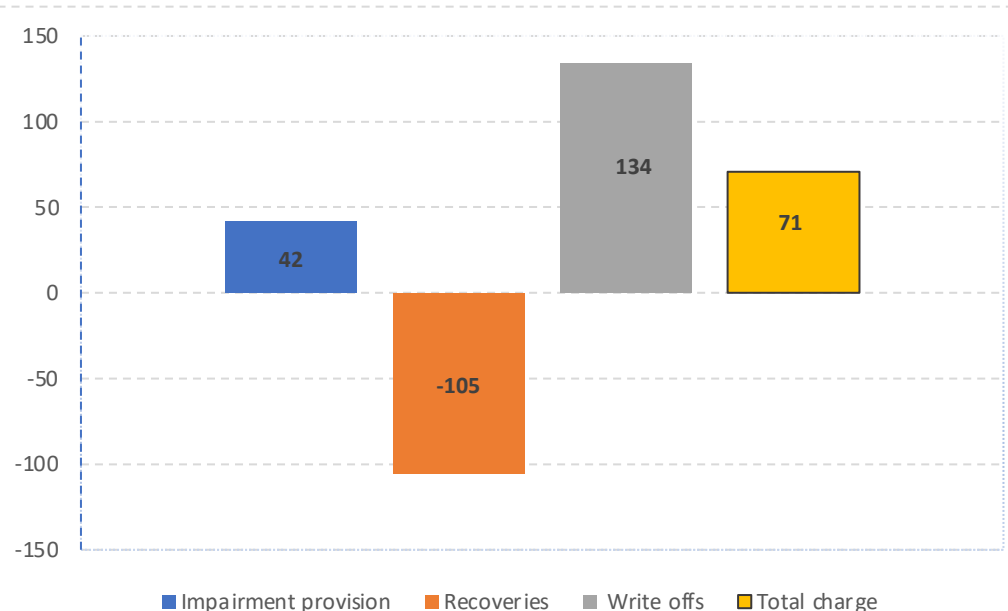
# Income Statement: Impairment Charge Trends



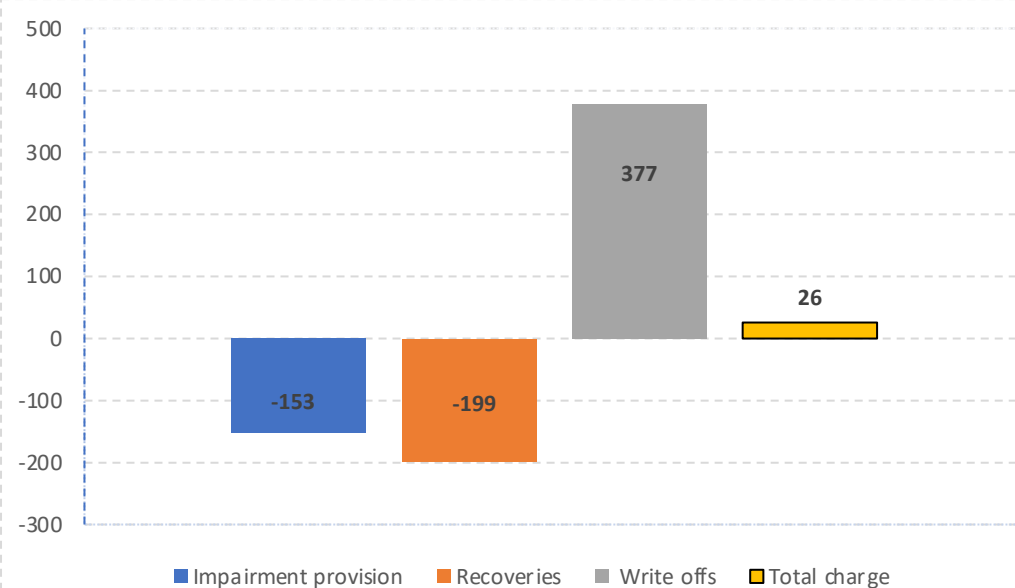
## HY2021



## HY2020



## FY2020



June 2021 Impairment Charge is unfavorable by **7%** in comparison to same time last year ( Jun21: P75.7m ,Jun20 :P70.9m)

Turnaround strategy in mobile lending resulted in Ghana Qwikloans impairment charge reducing by 97% last year .

Annualised loan loss rate (LLR) for June 2021 is 1.4% compared to 1.4% same period last year .

Covid-19 provisions – Stress testing led to staging amendments and therefore additional provision of P13.2m

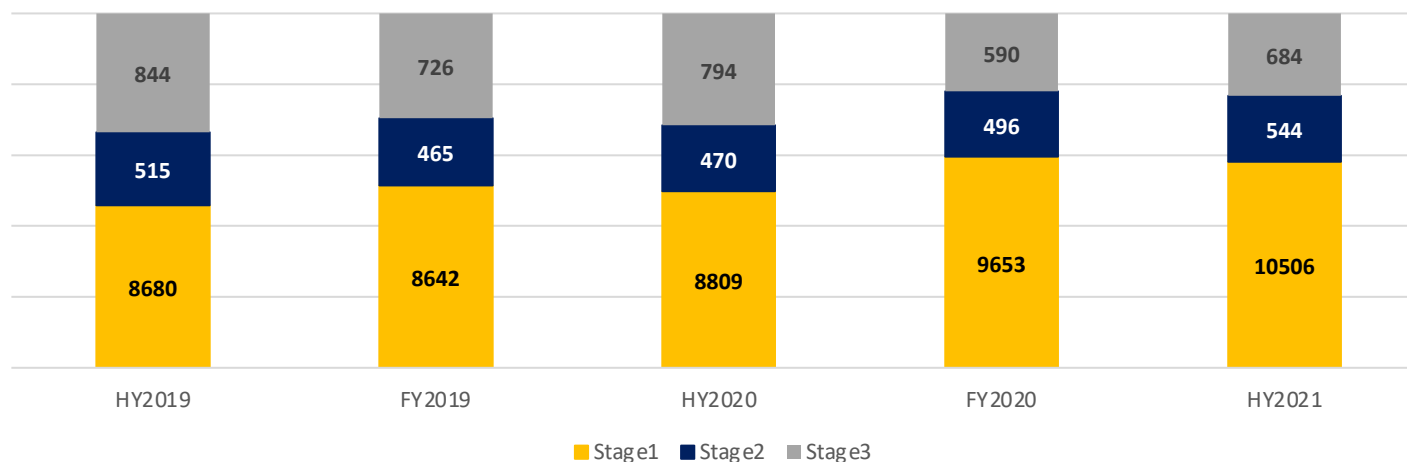
Forward Looking Provisions – All macro economic outlook variables stretched to downside in our ECL models . These include CPI, unemployment rate ,GDP and Inflation ..

# Expected Credit Losses (ECL): Stable Impairment Coverage; ECL increase in downside macroeconomic environment

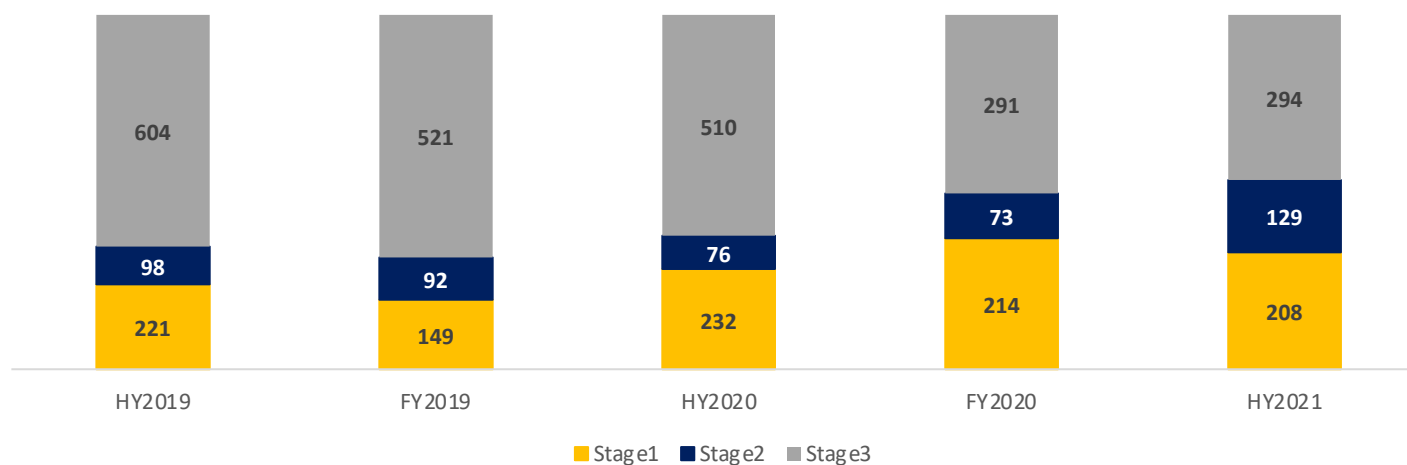


Coverages	HY 2019	FY2019	HY2020	FY2020	HY2021
Total Impairment Coverage	9.2%	7.7%	8.1%	5.4%	5.4%
Stage 3 coverage	109%	105%	103%	98%	92%

Gross Advances to customers in BWPm



Expected Credit Losses (Provisions) in BWPm



## Key Highlights

- Overall impairment coverage remained stable at 5.4% in June 2021 ( 5.4% in Dec2020)
- Loan loss rate moving to 1.4% from 0.3% full year 2020, with increase in Gross advances that increased from P10.74 billion in 2020 to P11.7billion at June 2021
- Stage 1** - Growth in DAS portfolios at the back digitization strategy
- Stage 2**- Increase in accounts having significant increase in credit risk at the back of sectoral risk in MSE portfolio
- Stage 3** – Increase driven by increased impact of 3<sup>rd</sup> wave on MSE portfolio . Investments in Collections and recoveries continue.

# Effective tax rate improves to 42% for the first half of 2021



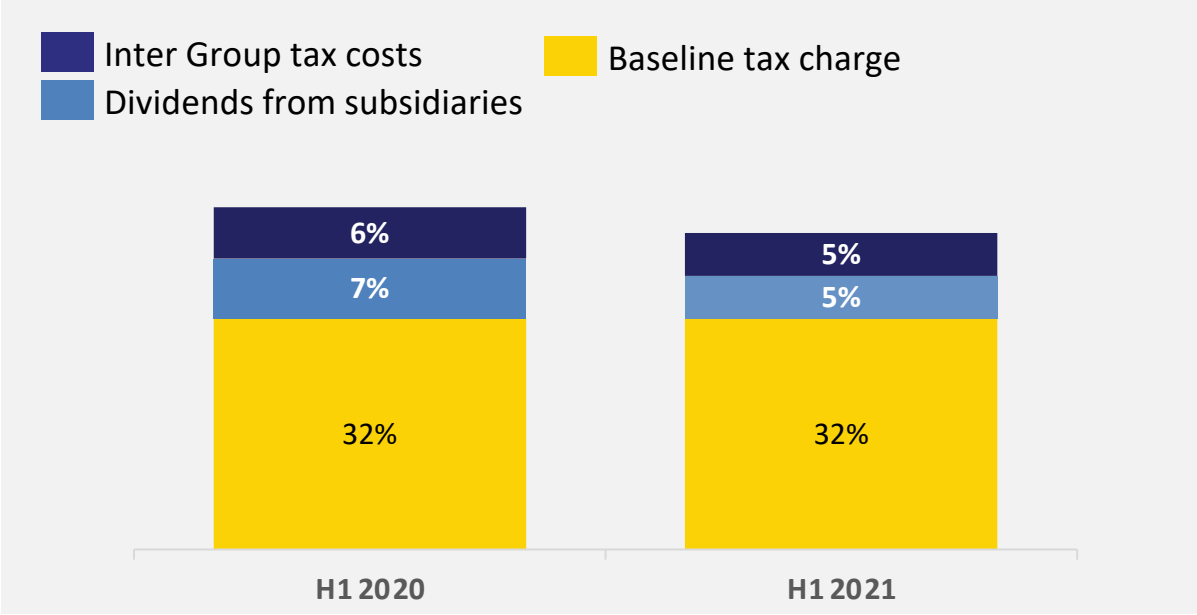
## Key drivers and tax components

Effective tax rate 42% (H1 2020: 45%)

Operating income 23% higher than prior period

Increased dividend extraction expected from subsidiaries going forward

Continuous improvement in ETR towards 2025 target range <40%



## Group Tax optimisation

With specialist tax team now in place, tax rate optimisation continues, with a focus on:

- Streamlining of processes
- Tax compliance and reporting
- Tax audit management
- Transfer pricing regulations
- Inter-Group tax costs



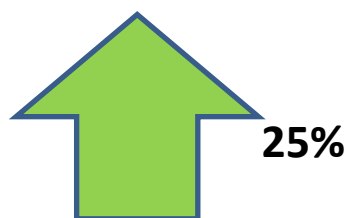
# Double digit Balance Sheet growth achieved in H1 2021



## Total Assets

H1 2021: **P13.3 bn**

H1 2020: P10.6 bn



## Net Advances

H1 2021: **P11.1 bn**

H1 2020: P 9.3 bn



## Customer deposits

H1 2021: **P989 mn**

H1 2020: P499 mn



## Debt to Equity

H1 2021 119%

H1 2020 105%

## Capital Adequacy

H1 2021 34%

H1 2020 37%

## Shareholder return







7.3t

H1 2021 interim dividend

3.9t

H1 2020 interim dividend

# Balance Sheet Commentary

	H1 2021	H2 2020	Change %	Key Messages	
Cash and cash equivalent	<b>1,006</b>	624	61%	 <p><b>Strong Cash and cash equivalents up 61% year on year</b> depicting healthy cash flow and liquidity position</p>	
<b>Net advances to customers</b>	<b>11,103</b>	<b>9,256</b>	<b>20%</b>		
Other Assets	1,230	767	60%		
<b>Total Assets</b>	<b>13,339</b>	<b>10,648</b>	<b>25%</b>	 <p><b>Net Advances to customers up 20%</b> year on year driven by a 44% increase in net disbursements.</p>	
Customer deposits	989	499	98%		
Borrowings	5,858	4,809	<b>22%</b>		
Other Liabilities	1,334	768	<b>74%</b>	 <p><b>Customer deposits growth of 98%</b> . Growth was triggered by strengthening partnerships at institutional levels, providing easier access to funds, and linking savings to loan solutions.</p>	
<b>Shareholders funds</b>	<b>4,722</b>	<b>4,219</b>	<b>12%</b>		
Non controlling interest	436	352	24%		
<b>Total Liabilities &amp; Equity</b>	<b>13,339</b>	<b>10,648</b>	<b>25%</b>	 <p><b>Borrowings up 22%</b> with strong pipeline and continued focus on changing the deposit mix and sourcing long term funding.</p>	
 <b>Return of assets</b>	<b>5%</b>	<b>5%</b>	-		 <p><b>Shareholder funds strong</b> at P4.7 billion and up 12% year on year.</p>

# Asset Quality and Provisioning: Business remains resilient during C-19



Asset quality	HY2021	FY2020	HY2020	FY2019	HY2019	FY2018	FY2017
Portfolio at risk – 90 days (NPL)	5.6%	5.3%	7.9%	6.9%	7.3%	7.1%	6.8%
Portfolio at risk – 30 days	8.7%	8.3%	11.2%	10.0%	10.6%	10.4%	9.9%
Non-performing loan coverage ratio	92.0%	98.0%	103.0%	112.0%	109.0%	115.0%	70.0%
Loan loss rate – actual	1.4%	0.3%	1.4%	1.7%	2.5%	4.1%	3.1%
Loan loss rate – excluding once-off items	1.9%	1.8%	1.4%	1.7%	2.5%	2.0%	2.5%

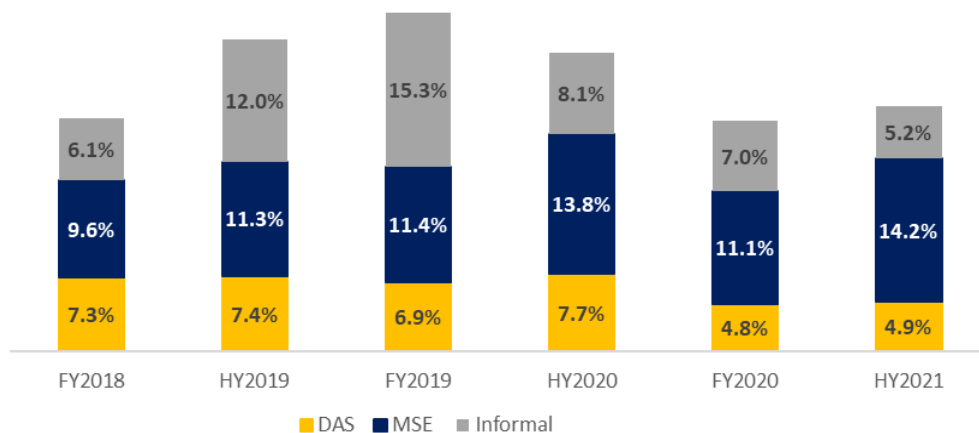
- Underlying asset quality remains resilient despite impact of 3<sup>rd</sup> wave on African economies
- June 2021 impairment loan loss rate remains stable at 1.4% (Budget at 1.9%) with all Consumer Finance businesses now within 1% to 3% benchmark .
- We continue to make investments to strengthen and improve collection and recoveries bench strength and strategy.
- The Group PAR>90(Non Performing loans ) have improved to 5.6% from 7.9% in June2020
- YTD impairment charge deteriorated slightly by 7% YOY .June20 at P70.9m verses June 21 at P75.7m.
- Recoveries remain strong despite of impact of the 3rd covid wave on our subsidiaries and some countries invoking lockdowns therefore affecting our ability to collect on the MSE portfolio
- Once off recoveries on mobile book leading to a write back of P105m in 2020 resulted in a loan loss rate of 0.3%. Normalized LLR at 1.8%
- We Continue to automate credit decision and collection and recoveries processes.

# Asset Quality (Segmental) :

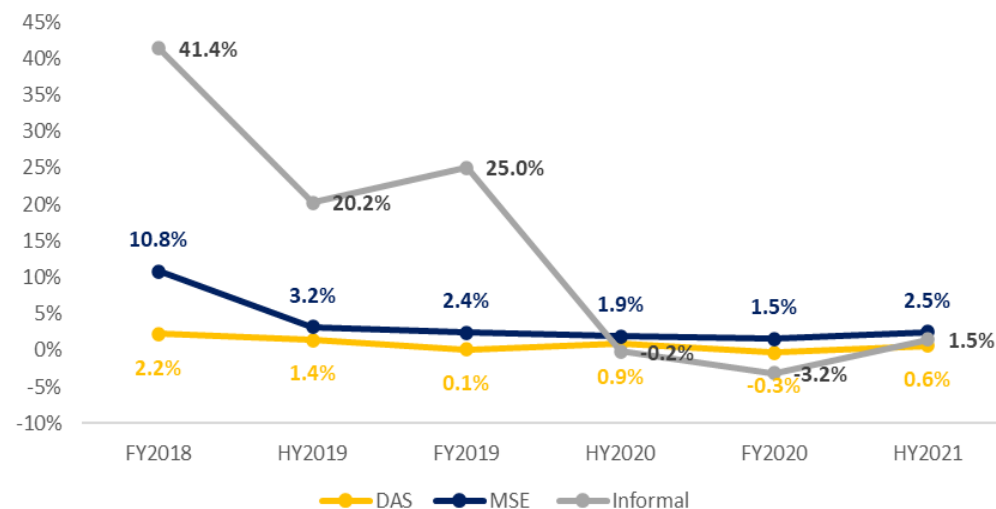
## Our portfolios are holding strong against C-19 Headwinds



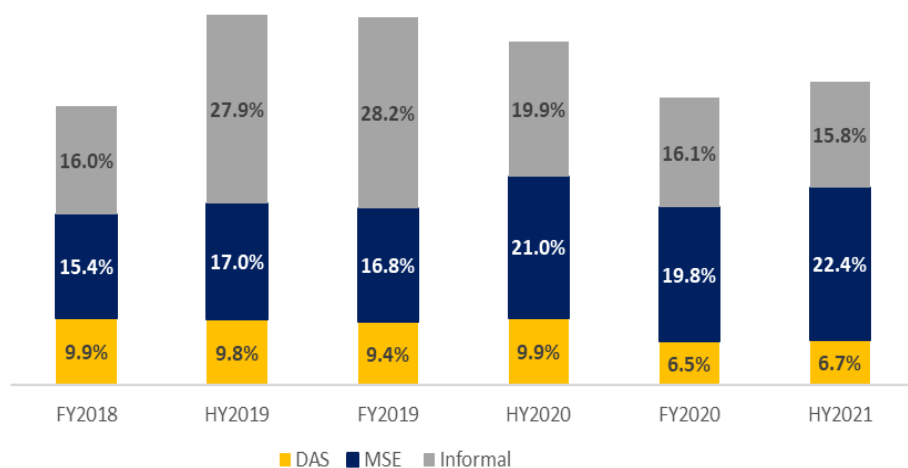
Portfolio at risk – 90 days (NPL)



loan loss ratio (LLR) Trends



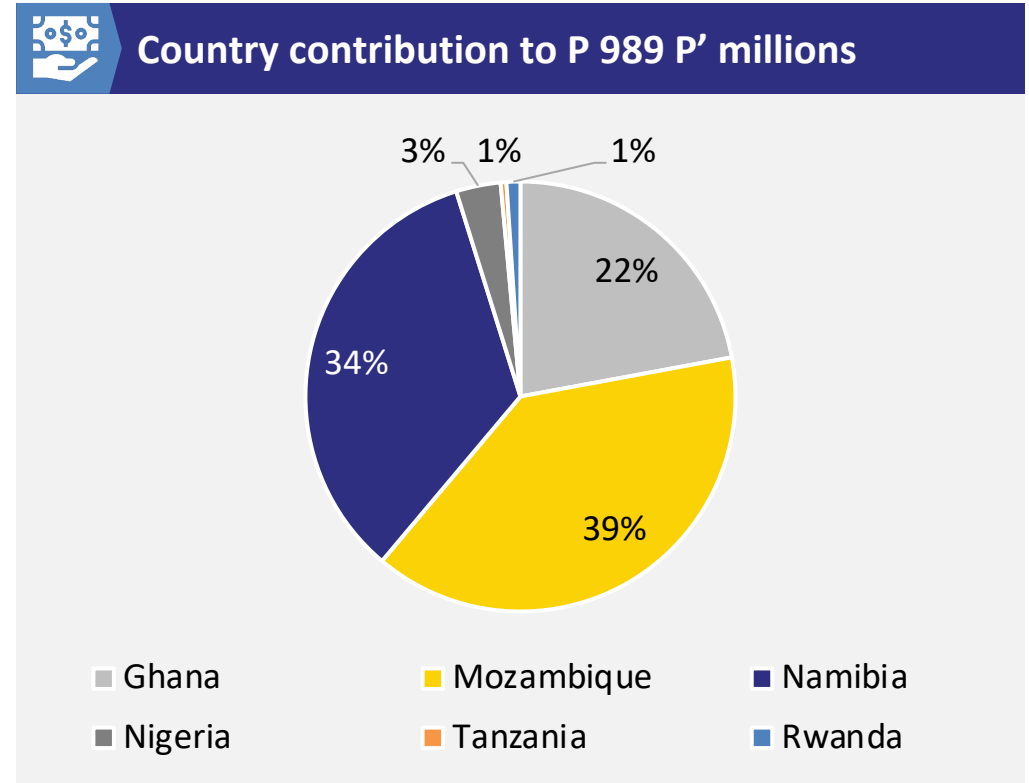
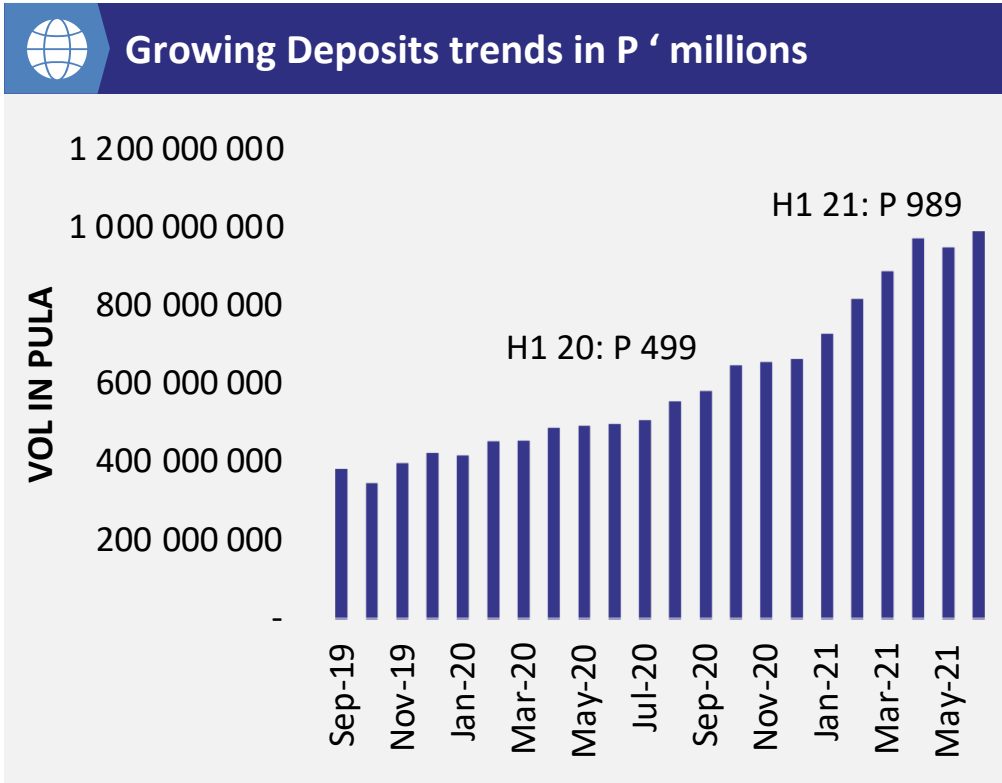
Portfolio at risk – 30 days




- Group PAR 30 / PAR 90 remain around the benchmarks of 10% and 5% respectively notwithstanding restrictions to collections and recoveries related activities occasioned by Covid.
- MSE portfolio still recovering from impact of 3<sup>rd</sup> wave and sectoral initiatives being taken to curb any further deterioration.
- Portfolio adequately covered for future losses
- Portfolio remains resilient
- Increased Investments & focus on Collection & recoveries

# Deposit growth of 98% yoy contributing to lower cost of funds

Deposit values doubled to P989million in the first half (H1 2020; P499m)




### Grow Deposits




Deposit value growth YOY  
**98%**

### Lower cost of customer deposits



Costs decrease YOY  
**2 percentage points**

### Grow the franchise



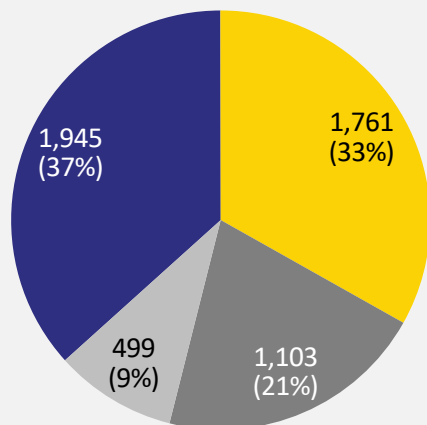
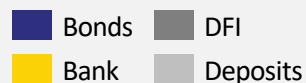
YOY 19%  
**694 273**  
108 504 New Customers

# Our balance sheet profile is strengthening



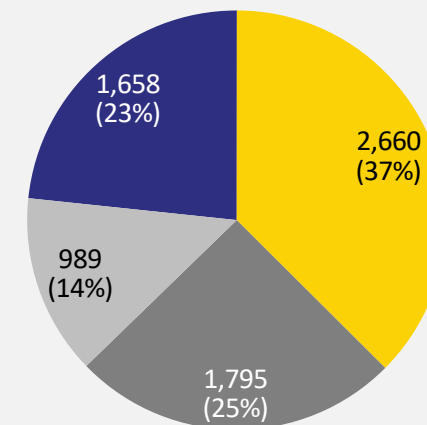
June 2020

## External Funding Sources



June 2021

## External Funding Sources



## Debt Profile

Security	P'm	Interest Profile	P'm	Term		
Secured (34%)	1,843	Fixed (41%)	2,067	784	337	1,604
Unsecured (66%)	3,465	Floating (59%)	3,241	1,238	343	846
<b>Total</b>	<b>5,308</b>	<b>Total</b>	<b>5,308</b>	499	503	818
				<1 yr	1-3 yr	> 3 yrs

## Debt Profile

Security	P'm	Interest Profile	P'm	Term		
Secured (19%)	1,331	Fixed (23%)	1,627	370	390	1,427
Unsecured (81%)	5,771	Floating (77%)	5,475	1,050	282	1,009
<b>Total</b>	<b>7,102</b>	<b>Total</b>	<b>7,102</b>	980	127	1,483
				<1 yr	1-3 yr	> 3 yrs

## Funding

- Concluded P1.7bn of rollovers and new facilities
- Significant progress in long term debt funding
- Cash reserves on hand P1bn

## Deposit Mobilisation

- Retail deposits increased by 37%
- Corporate deposits increased by 172%
- Deposit customers increased by 19%

## Credit Rating

- Ba3 (stable) outlook issuer rating affirmed by Moody's
- Ba2 Corporate Family Rating (CFR) assigned



## Regulated Entities Capital Position as at June 2021

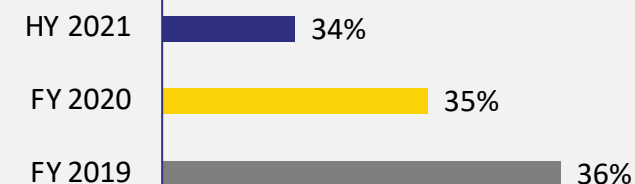
Country	Capital Adequacy ratio		Tier 1 Capital ratio		Min. Core Capital	
	Regulatory Limit	Actual June 2021	Regulatory Limit	Actual	Regulatory Limit (LCY'm)	Actual
Ghana	10%	12%	8%	12%	15	30.5
Mozambique	12%	46.31%	80%*	85%	1,700	1,700
Namibia	10%	63%	7%	60%	Min 6%	55%
Nigeria	10%	58%	10%	12%	2,000	3,698
Rwanda	15%	37%			300	1,117
Tanzania	14.5%	50%			15,000	15,096

- All entities are within regulatory limits for Capital Adequacy.
- All entities comply with Tier 1 Capital Ratios.
- Minimum core capital within the subsidiaries are above limits.

### Group Capital Position

- Group maintains a CAR which is higher than minimum regulatory capital requirements
- Subsidiaries adequately capitalised

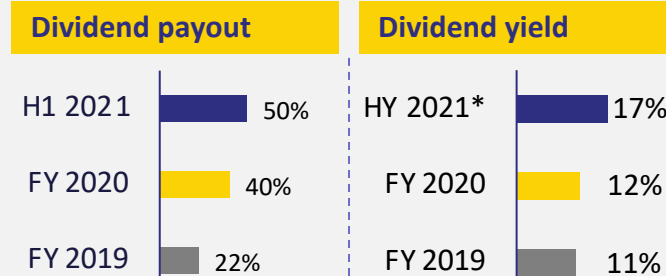
### Capital Adequacy Ratio



### Capital allocation and Optimisation

- Capital Allocation project concluded
- Outcomes to be communicated as appropriate

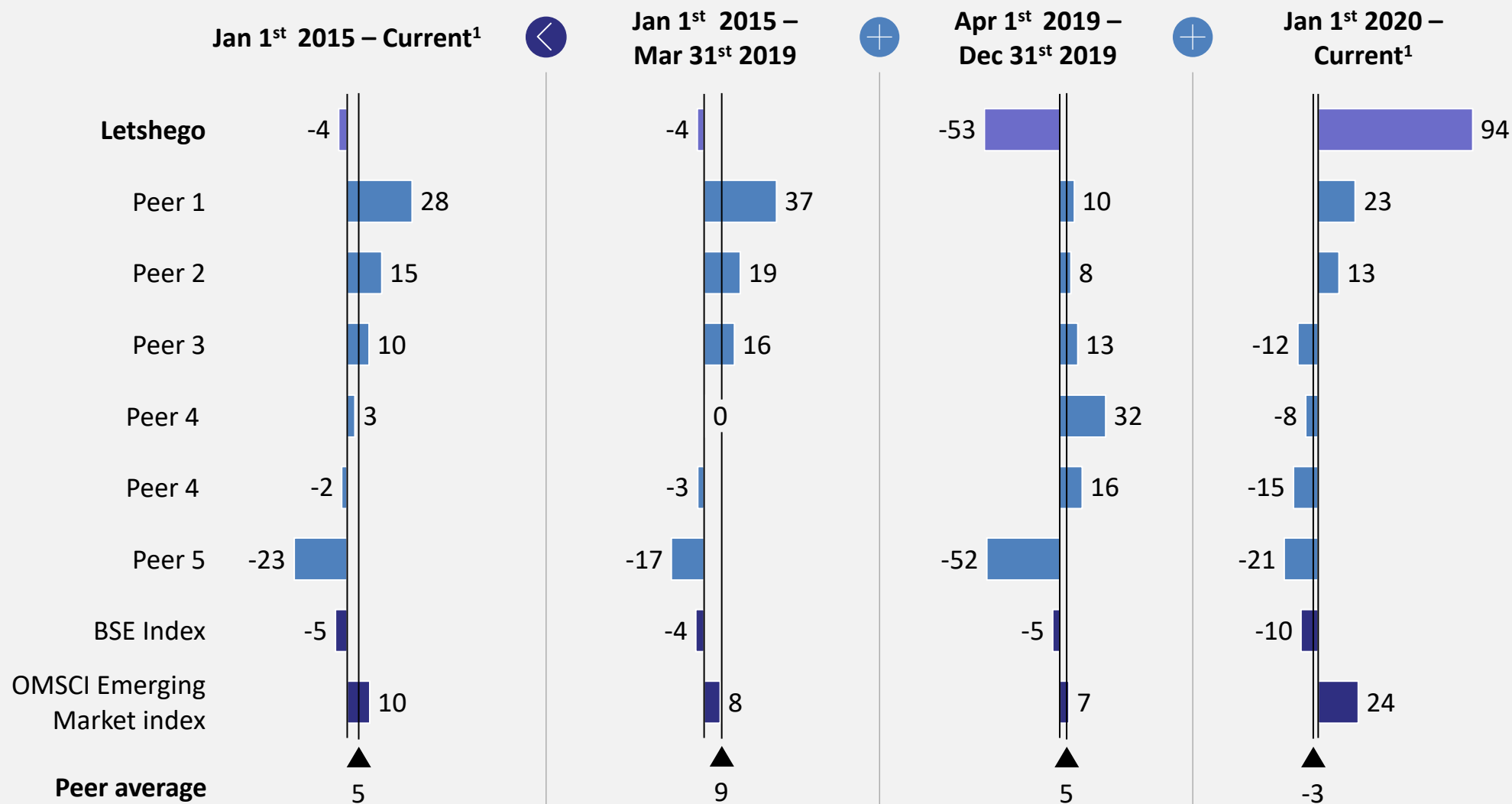
### Dividend Policy



\* - annualised

# Letshego's returns since 2020 lead peers

TRS (% change in share price + dividends) CAGR, in BWP, Percent CAGR



1. As of Aug 16, 2021. CAGR for all periods greater than 1 year else actual returns used  
Source: Capital IQ, Analyst reports



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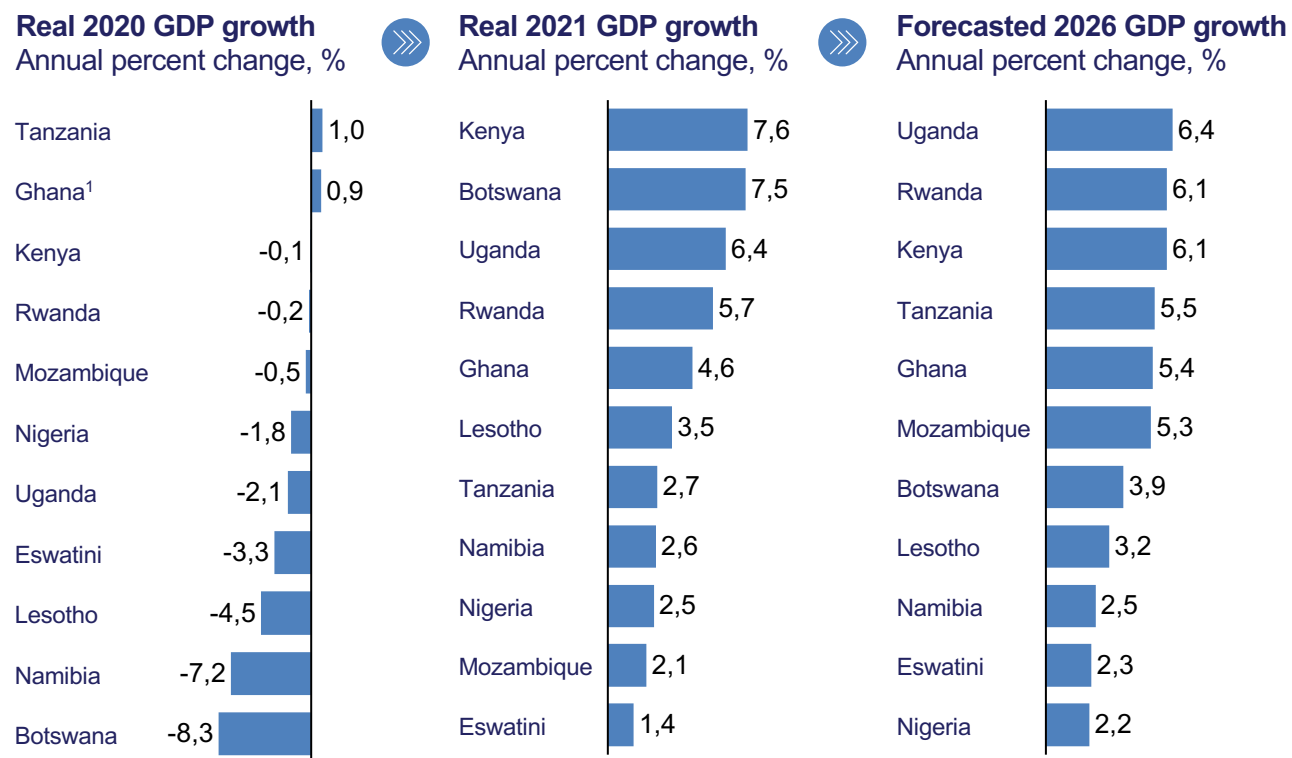
# Business environment to remain challenging but expected to rebound

## IMF GDP Projections (August 2021)

### Global GDP outlook



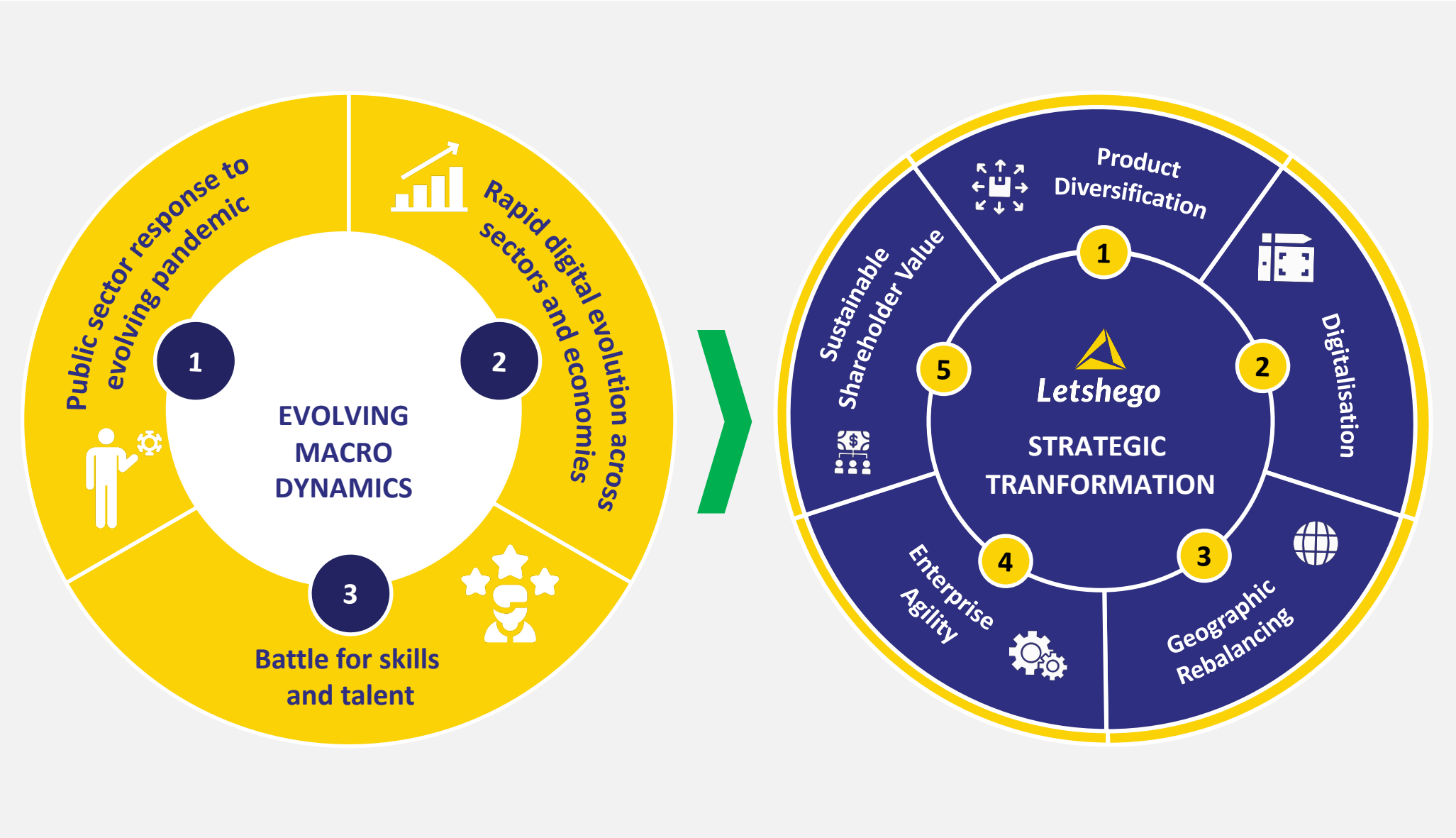
### Africa's economic outlook



1. Ghana's own estimate per budget statement is 0.2%  
Source: IMF GDP Forecast (August 2021)

# Navigating external factors and environments

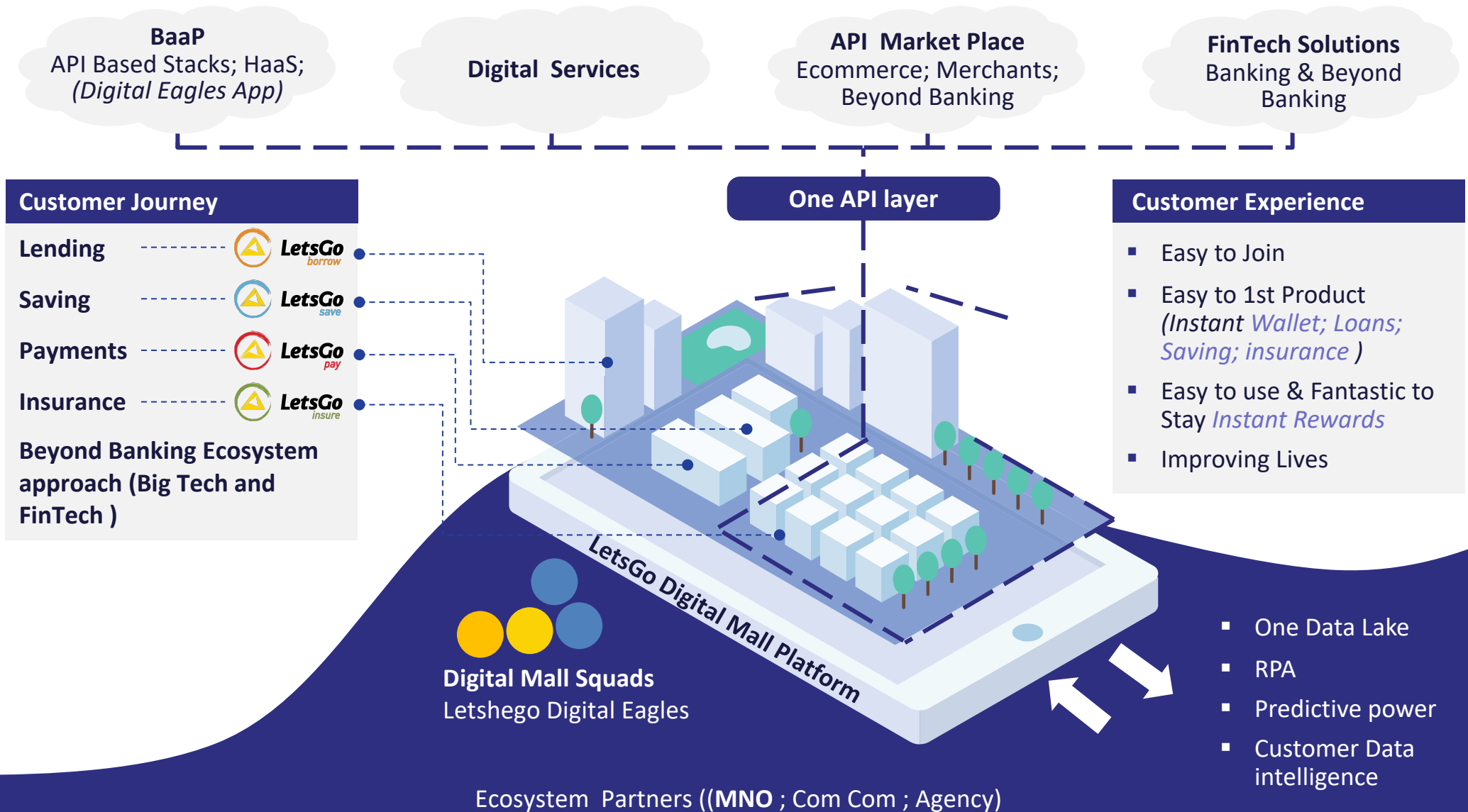
Responding to emerging environment through our 5 Conversations



# LETSGO MALL .....LetsGo FAST



(Frictionless; Agile ; Simple & Timely)™



## Customer Journey

- Lending — LetsGo borrow
- Saving — LetsGo save
- Payments — LetsGo pay
- Insurance — LetsGo insure
- Beyond Banking Ecosystem approach (Big Tech and FinTech )

## One API layer

## Customer Experience

- Easy to Join
- Easy to 1st Product (*Instant Wallet; Loans; Saving; insurance* )
- Easy to use & Fantastic to Stay *Instant Rewards*
- Improving Lives

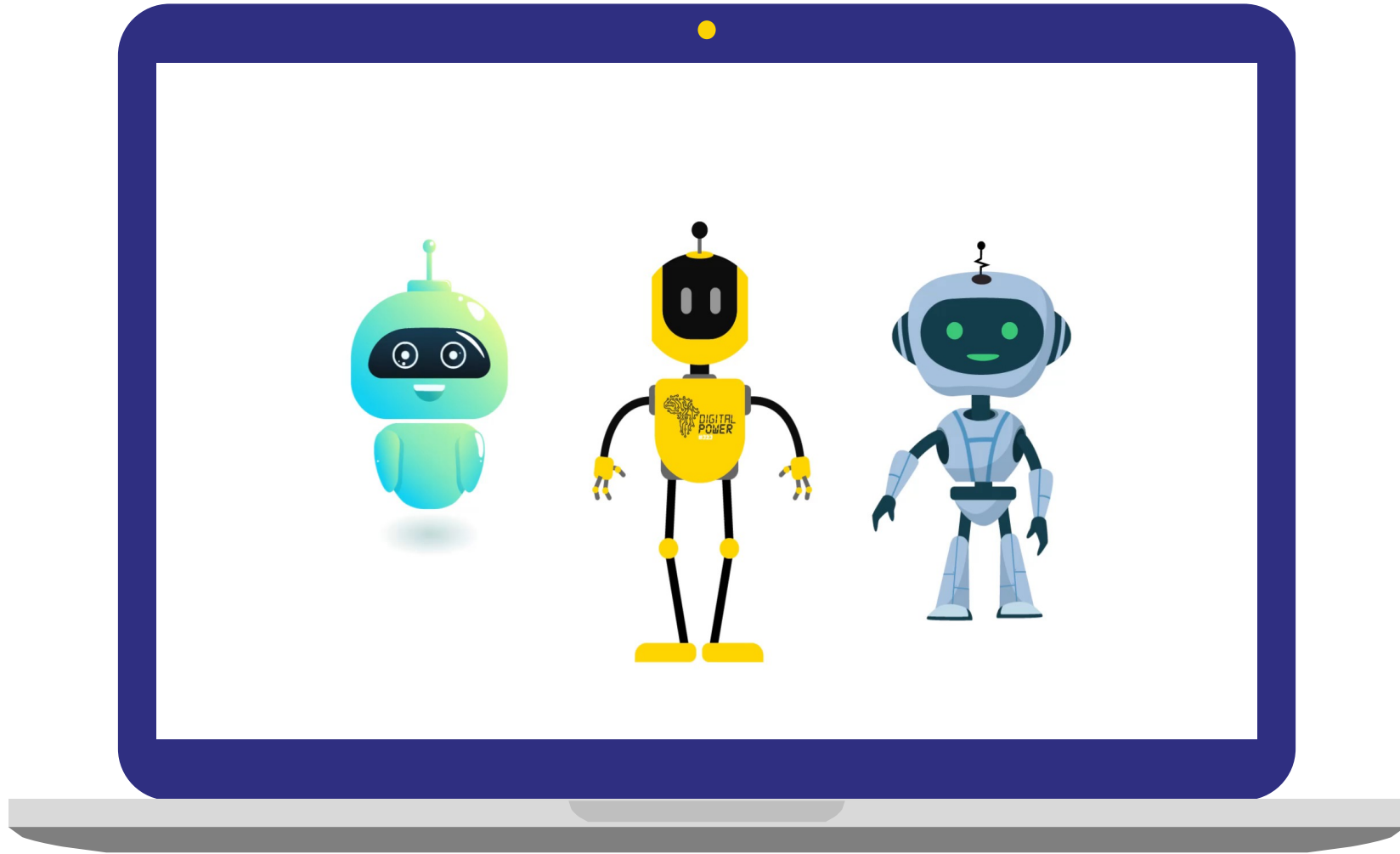
Digital Mall Squads  
Letshego Digital Eagles

Ecosystem Partners ((MNO ; Com Com ; Agency)

- One Data Lake
- RPA
- Predictive power
- Customer Data intelligence

# Robotics and Process Automation (RPAs)

Implemented RPA to enhance LetsGo Mall Customer Experience



LetsGo Mall Fast Turn around time



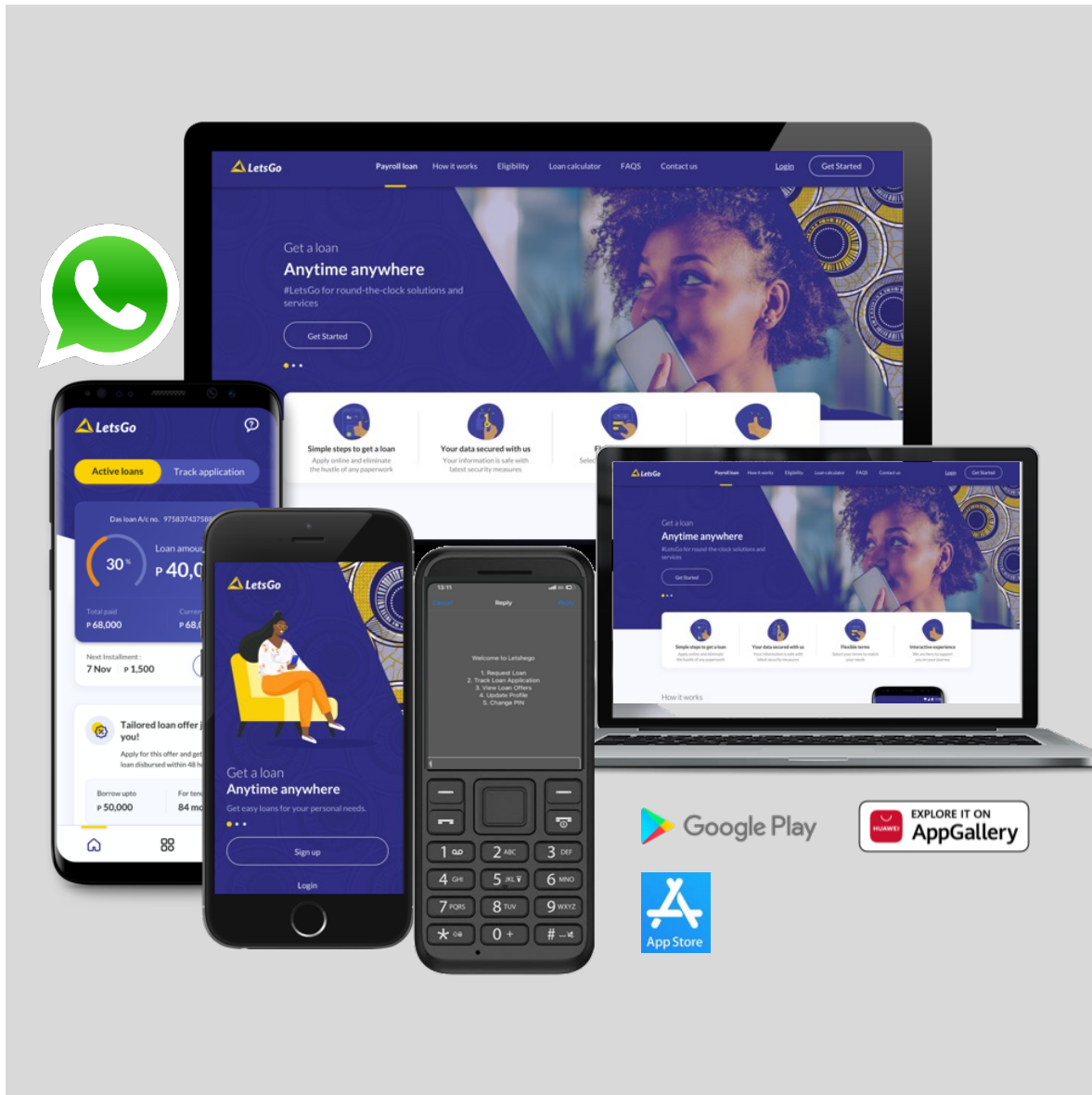
Improved Customer satisfaction

# Providing *FAST* access to the products on the LetsGo Mall



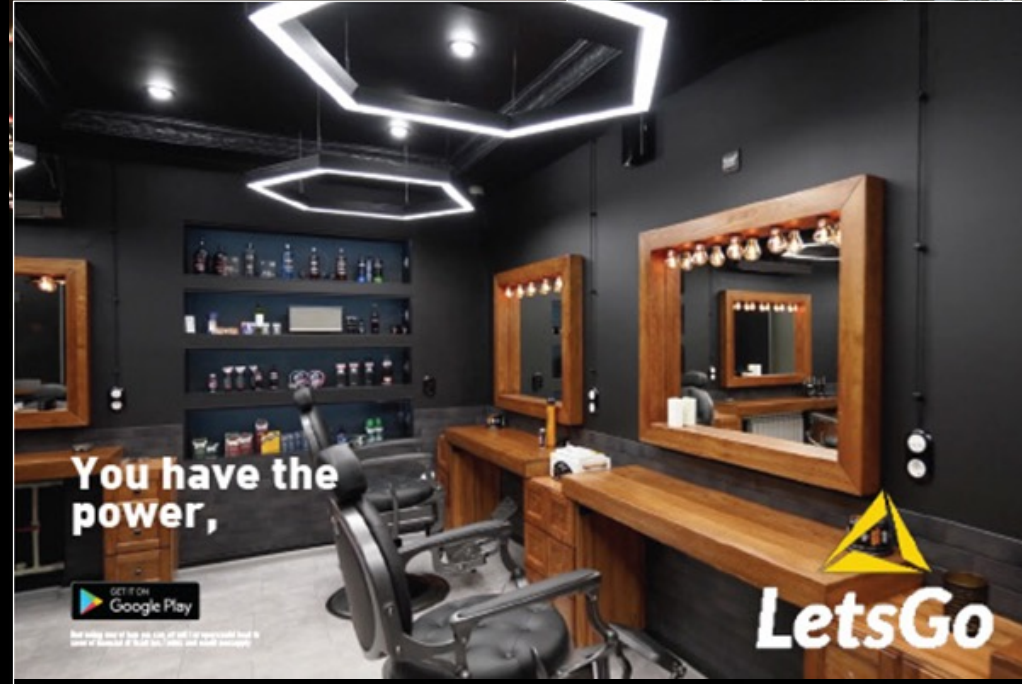
-Our Vision of the LetsGo Mall is to bring a World Class Retail financial services platform into the Hands of Africa's underserved.

*Eg A, farmer in Funhaloro with LetsGoPay buys a machine in China and has it delivered to her, without her leaving the village.*



-  **LetsGo borrow** | Personal Loans (DAS)
-  **LetsGo borrow** | Personal Loans (Non-DAS)
-  **LetsGo borrow** | Programmatic Loans
-  **LetsGo insure** | Life and Short-term insurance
-  **LetsGo pay** | Wallets; Cards and Remittances
-  **LetsGo save** | Scale Deposits
-  **Beyond Financial Services: Lifestyle Partnerships**





@letsgodigitalafrica

***Building a digital community of African Doers, Shakers, Changers, Believers entrepreneurs (LetsGoprenuers) who are using their common energy to 'get things done FAST' to help 'improve lives' for all.***



 **>40%**

Strong fundamental trend (shift away from cash, digitization...)\*

 **USD  
27bn**

Africa estimated domestic payment size by 2025\*\*  
Payment Player growing faster than Bank

 **77%**

LetsGo Mall Customer are new

 **>80%**

Instant completion of LetsGo Mall registration for West Africa

 **+30%**

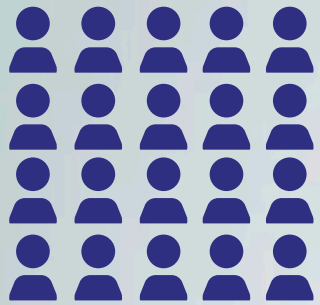
Improved Operational efficiency (from >70% STP)

Source:

\* McKinsey Global Payments Map; Central Bank data, Team analysis

\*\* McKinsey 2020 Global Payments Report





# 20

squads working  
on digital  
platforms

# courseera



97%  
registration



4672  
courses



2561  
digital



# 30

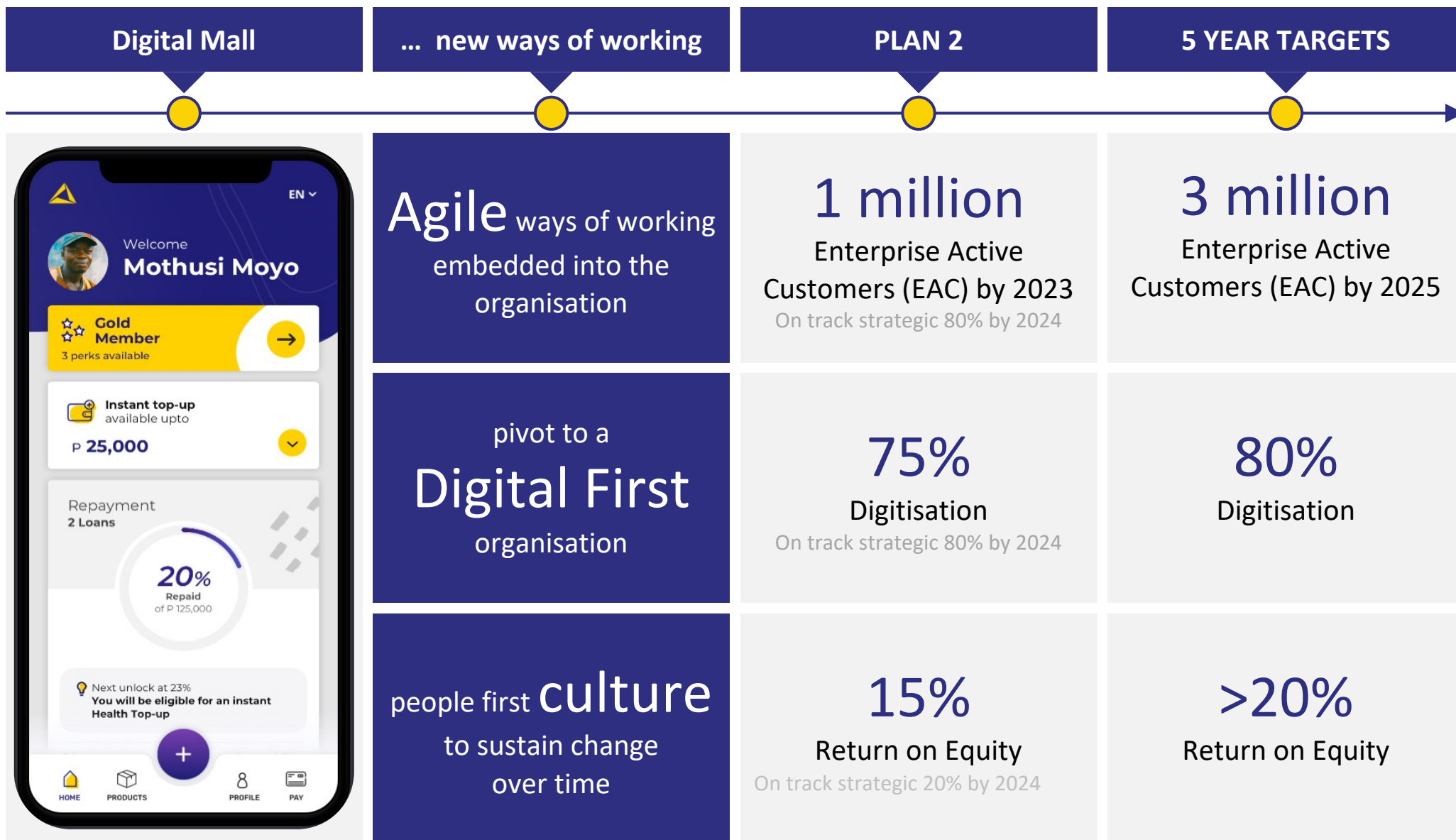
new digital skills roles  
appointed



-  Resilient business driving an uplift in PBT
-  Results means higher returns for shareholders
-  Digital accelerated, and Business fundamentals are strong
-  Robotic deployment to increase operational efficiencies
-  Empowering our people to be Future Fit by embedding Agile digital culture and learning
-  Improving lives by accelerating high social impact programs

**“Digital is not a revolution, Digital is life”**

# Delivering on this roadmap will mean significantly transforming Letshego Group



**Thank you**

[www.letshegoinvestor.com](http://www.letshegoinvestor.com)

**Queries?**  
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