

LETSHEGO HOLDINGS LIMITED

Full Year Group Results 2021

Andrew F Okai
Group Chief Executive

Full Year Results 2021

Full Year Headlines & Achievements

Headlines

6-2-5 roadmap

Plan 2 progress

Financial Highlights

Financial Performance

Credit Overview

Funding & Liquidity

Strategic outlook

Plan 2 and beyond

Watchlist

Empowering our People

Creating a future organisation

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Full Year 2021 Performance: Take aways



Strong financial performance



Our business remains resilient



Culture and Enterprise Agility integral to our transformation



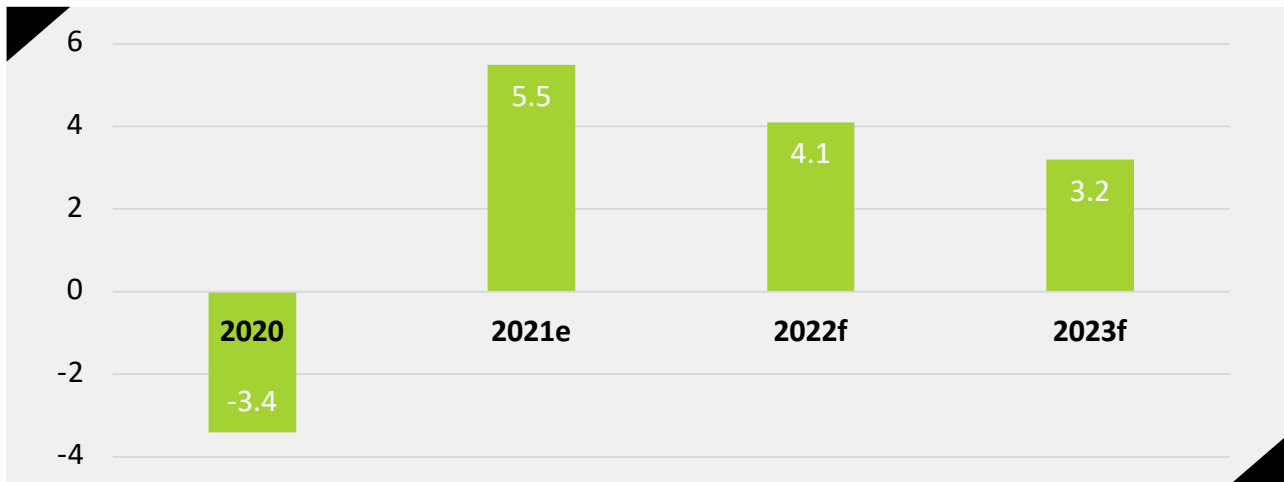
Generating shareholder value remains our priority



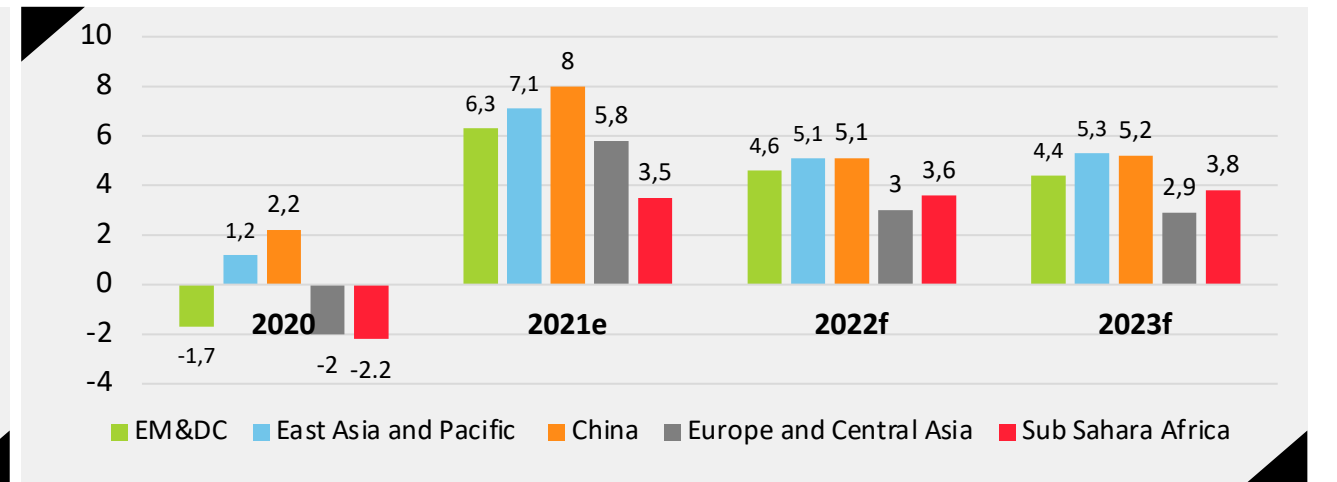
Accelerating our digitalisation agenda to create a future organisation

Global Economic outlook points to a disrupted recovery amid COVID19 flare-ups

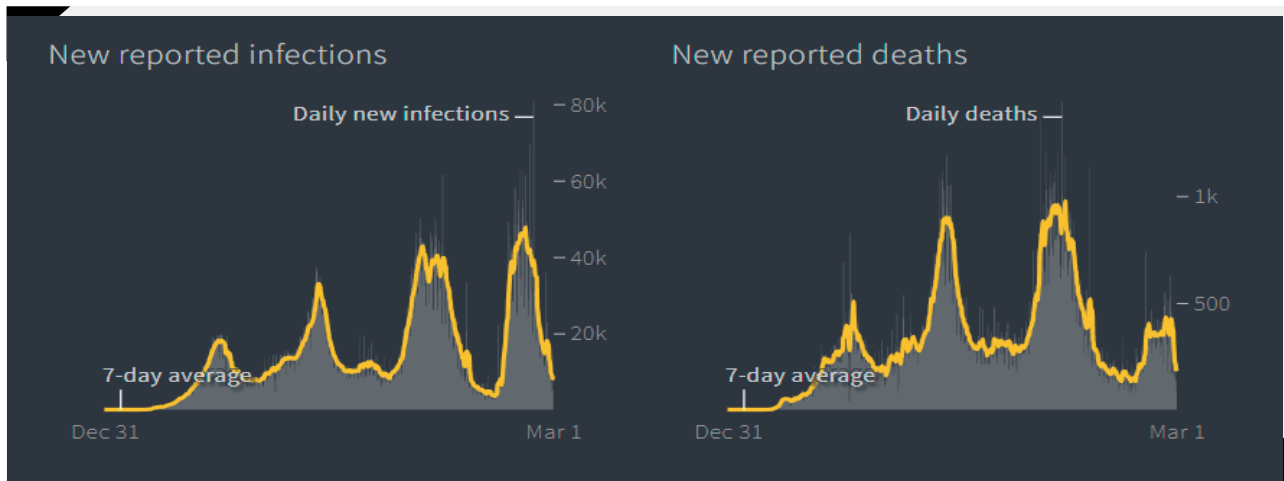
World GDP Trajectory 2020 - 2023





Emerging Markets & Dev Countries GDP 2020 - 2023




Africa Covid 19 infections and deaths begin to subside in 2022



 Pace of economic recovery projected to decelerate in the medium term.

 Diminishing policy support, continued COVID-19 flare-ups, elevated geopolitical tensions and persistent supply bottlenecks are the main downside risks.

 Commodity dependent Sub Saharan economies remain fragile - a more moderated global recovery could reverse the gains in commodity prices recorded in 2021

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

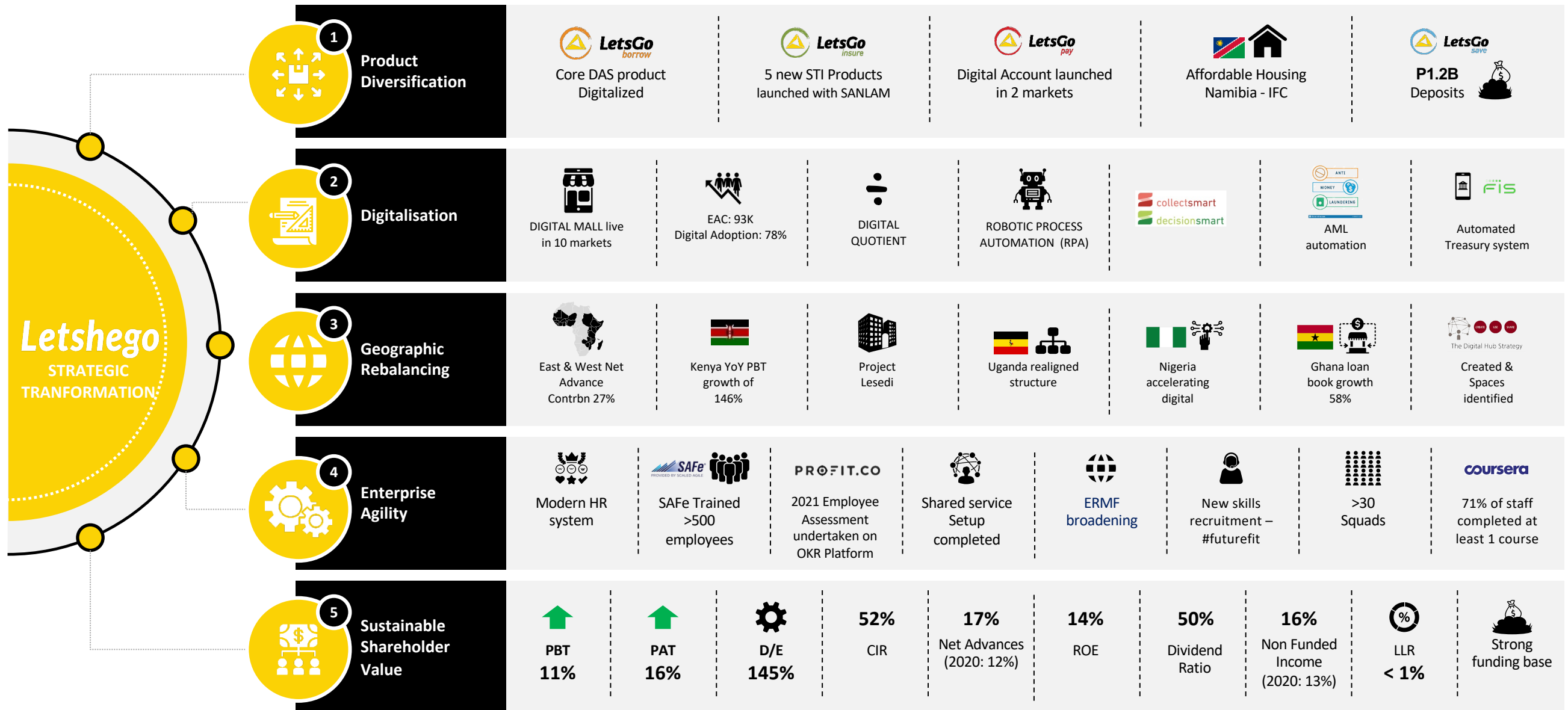
Platform Thinking

6
Months

2
Years

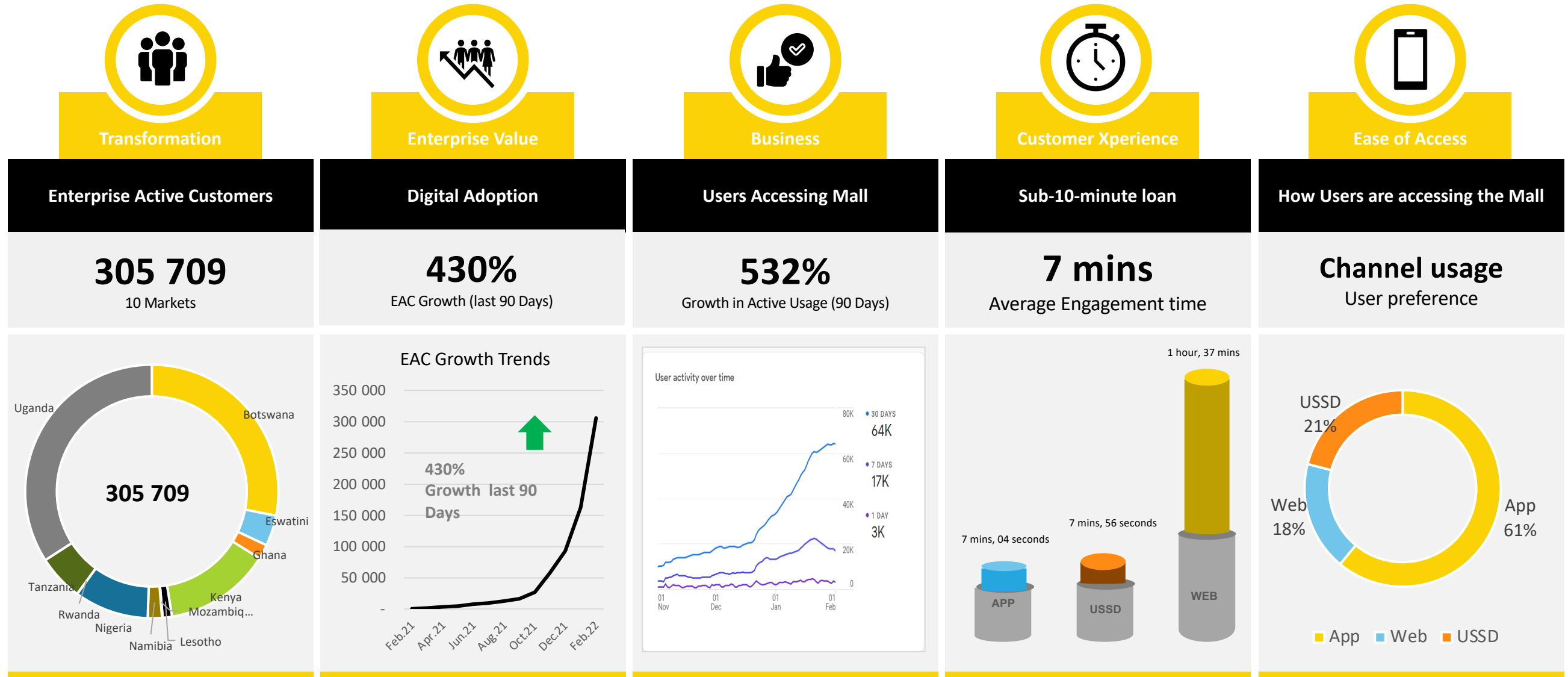
5
Years

Full Year 2021: Progress on 5 Strategic Conversations



Exponential growth of the LetsGo Digital Mall EAC

Last 90 Days 430 % EAC Growth Trending towards 1 Million EAC in 2022



Closed 2021 with **93,184 Enterprise Active Customers (EAC)**

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Net Interest Income

FY 2021: **P1.98 bn**

FY 2020: P1.86 mn



6%

Impairment (release) / charge

FY 2021: **(P17 mn)**

H1 2020: P 26 mn



167%

Profit before Tax

FY 2021: **P1.15 bn**

FY 2020: P1.03 mn



11%

Cost to income

FY 2021 **52%**

FY 2020 **50%**

Loan loss ratio

FY 2021 **-0.1%**


FY 2020 **0.3%**

Return on equity






FY 2021 **14%**

FY 2020 **13%**

Income Statement Commentary

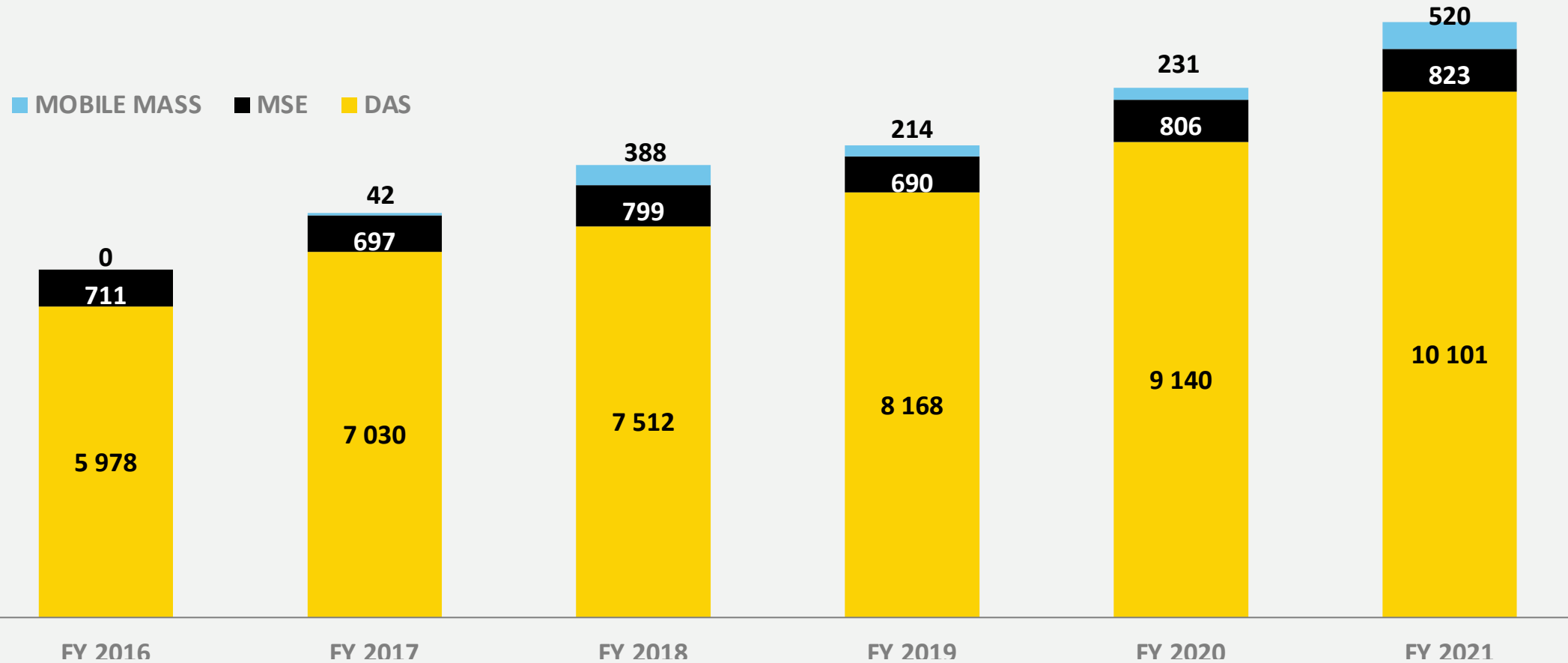
	FY 2021	FY 2020	Change %
Net interest income	1,979	1,861	6%
Non funded income	368	284	30%
Operating income	2,347	2,145	9%
Operating costs	(1,217)	(1,089)	(12%)
Pre - provision profits	1,130	1,056	7%
Expected credit losses	17	(26)	167%
Profit before tax	1,147	1,030	11%
Tax charge	(417)	(399)	(4%)
Profit after tax	730	631	16%
 Basic Earnings per Share (thebe)	31.5	27.1	16%

Key Messages

- 
Net interest up 6%. Interest income up 15% in line with a 17% portfolio growth. This was diluted by a 15% increase in cost of funds on borrowings and deposits in line with the Group's strategy to diversify our funding profile and growing the deposits base.
- 
NFI increased by 30% with income from insurance arrangements being the major contributor as the insurance structures in Namibia were set up in the latter part of 2020.
- 
Operating expenditure up 12% . This is in line with continued investment on future capability on robotics, data analytics and process automation.
- 
Impairment release and an LLR of -0.1 were driven by a once off recovery of a single party exposure in East Africa.
- 
ETR at 36% and down 3% from prior year. This was driven by a 11% increase in the Group's profit which was propelled by a 30% increase in non-funded income (mainly insurance arrangements).

Overall Book Growth achieving a 6 year high

Net Advances Performance - FY 2021 (P Millions)



17% YoY Growth Net Advances

11% DAS YOY Net Advances

7% MSE YoY Net Advances Growth




125% Mobile Informal YoY Growth

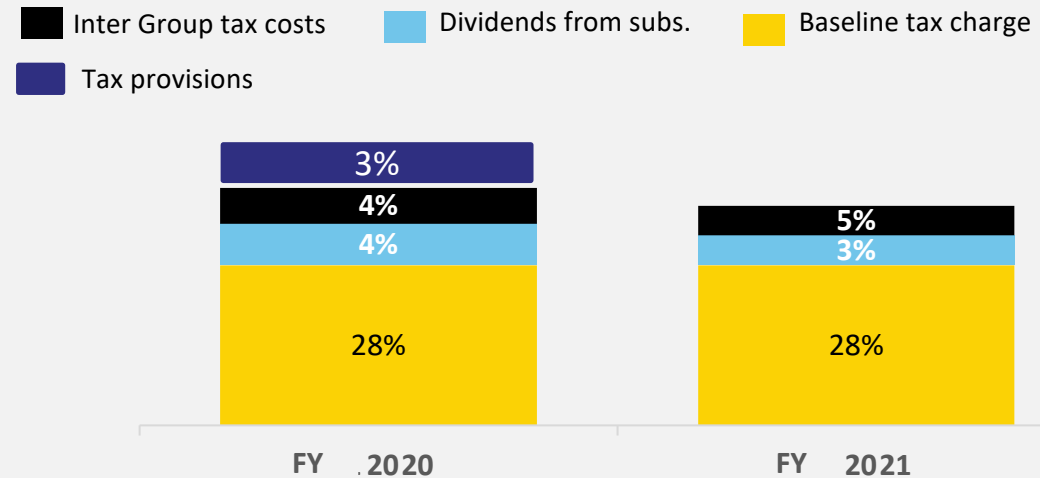
43% YoY Net Payouts

Effective tax rate improves to 36% for FY 2021

Key drivers and tax components

Effective tax rate 36% (FY2020: 39%)

-  Operating income 9% higher than prior year
-  Increased dividend extraction expected from subsidiaries going forward
-  Continuous improvement in ETR, anticipated through localized tax planning initiatives



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



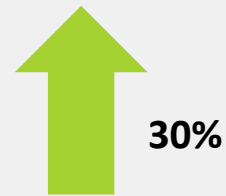
Inter-Group tax costs

Double digit Balance Sheet growth achieved in FY 2021

Total Assets

FY 2021: **P15.8 bn**

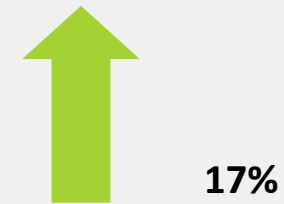
FY 2020 : P12.2 bn



Net Advances

FY 2021: **P11.9 bn**

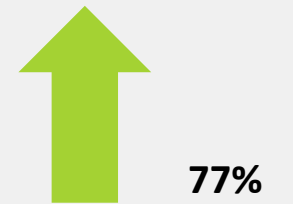
FY 2020: P10.2 bn



Customer deposits

FY 2021: **P1.18 bn**

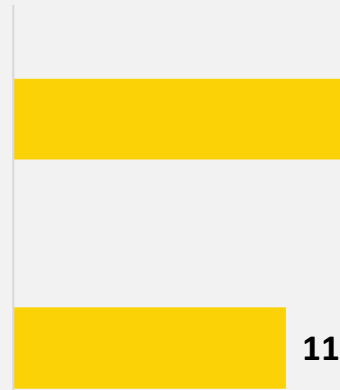
FY 2020: P664 mn



Debt to Equity

FY 2021 145%

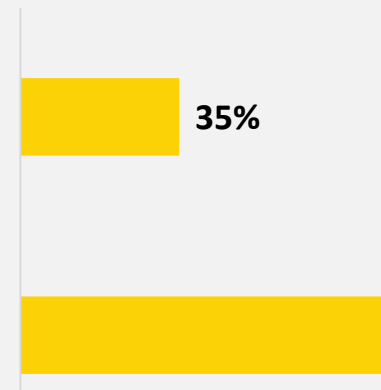
FY 2020 118%



Capitalisation Ratio

FY 2021 35%

FY 2020 39%




Shareholder return

9.7t FY 2021 Final dividend


8.3t FY 2020 Final dividend



Balance Sheet Commentary

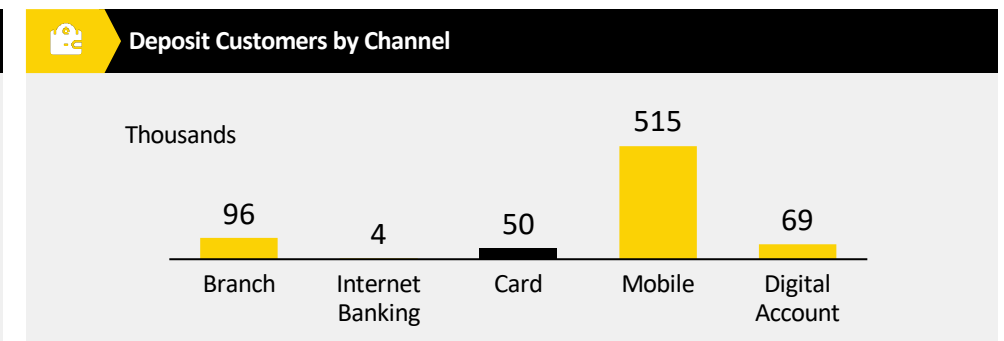
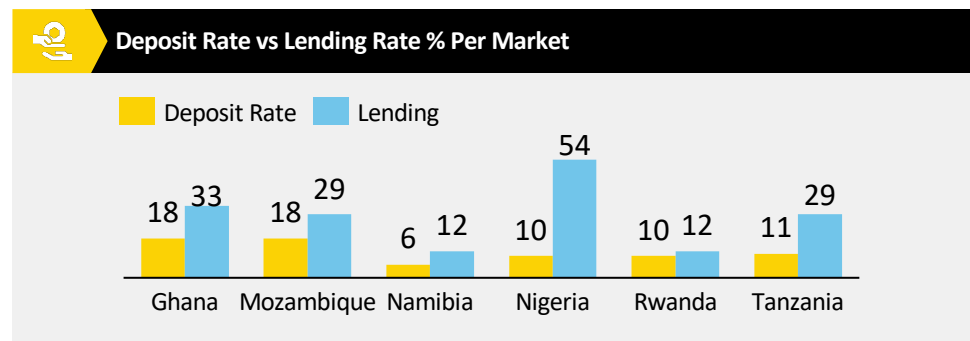
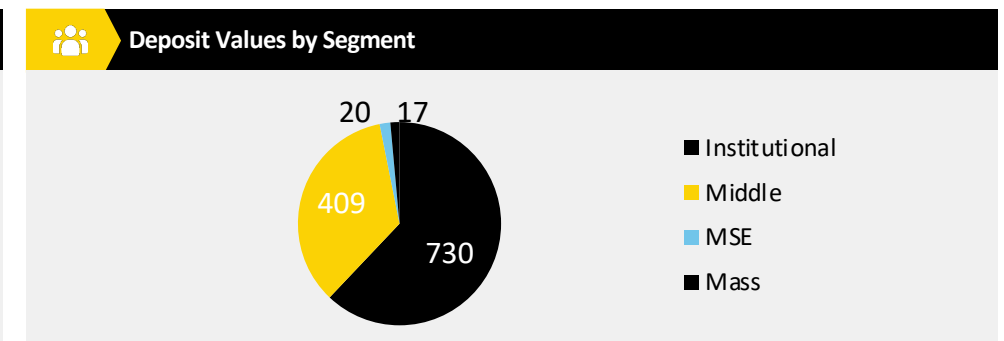
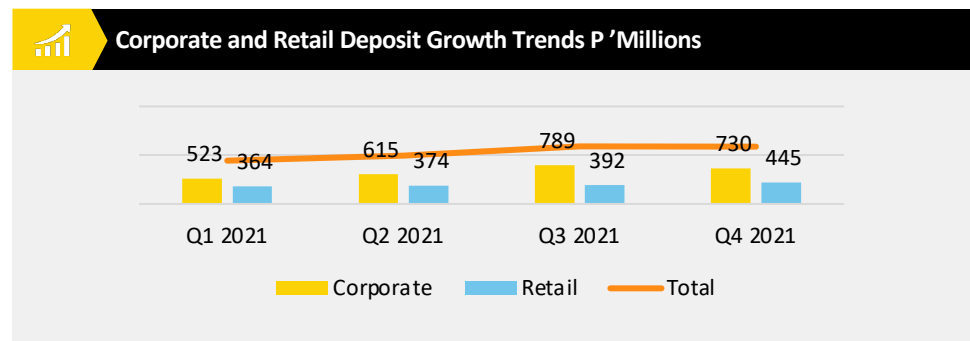
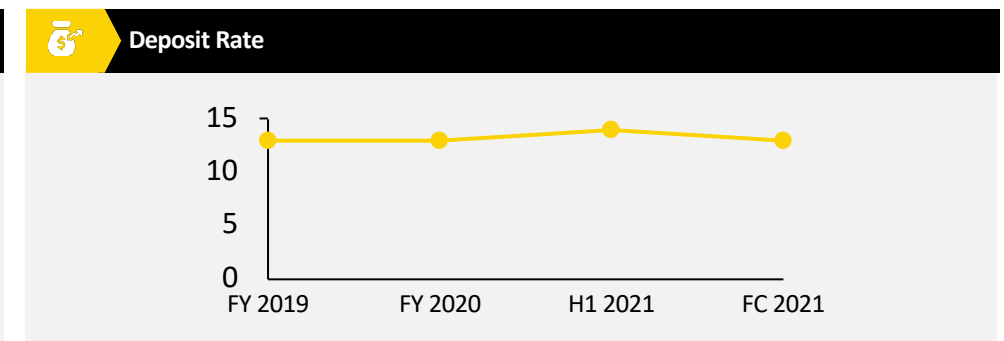
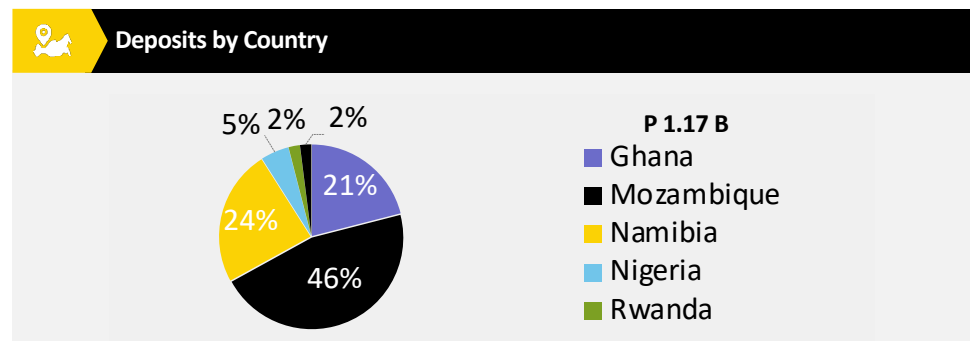
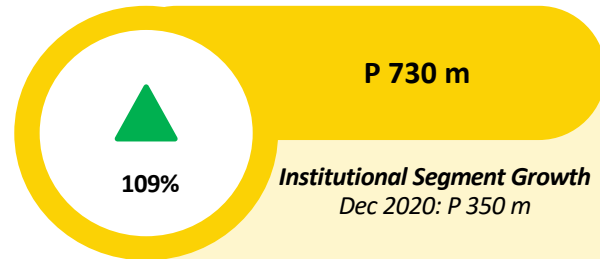
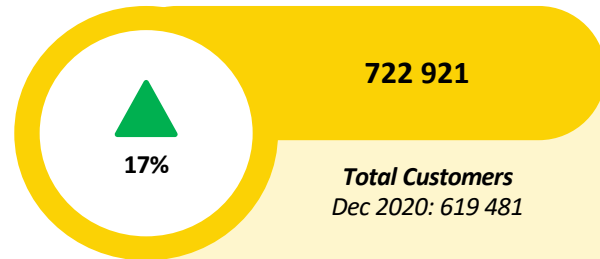
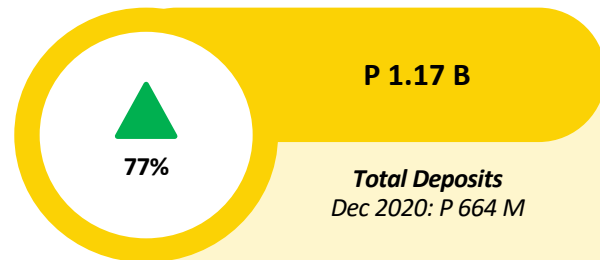
	H1 2021	H2 2020	Change %
Cash and cash equivalent	1,414	976	45%
Net advances to customers	11,876	10,162	17%
Other Assets	2,556	1,088	135%
Total Assets	15,846	12,226	30%
Customer deposits	1,176	664	77%
Borrowings	7,381	5,650	31%
Other Liabilities	1,783	1,122	59%
Shareholders funds	5,067	4,372	16%
Non controlling interest	439	418	5%
Total Liabilities & Equity	15,846	12,226	30%
 Return of assets	5%	5%	-

Key Messages

-  **Strong Cash and cash equivalents up 45% year on year** depicting healthy cash flow and liquidity position
-  **Net Advances to customers up 17% year on year** driven by a 43% increase in net disbursements.
-  **Customer deposits growth of 77%** . The growth was triggered by strengthening partnerships at institutional levels and the development of the LetGoPay ecosystem in the digital mall
-  **Borrowings up 31%** with strong pipeline and continued focus on changing the deposit mix and sourcing long term funding.
-  **Shareholder funds strong** at P5.07 billion and up 16% year on year.

Deposits Grow to over P 1 Billion for First Time

Key Drivers of growth were : small institutional investors in Mozambique and Namibia (Avg Deposit P 950K)and Middle Income retail customers (Avg Deposit P 3K)

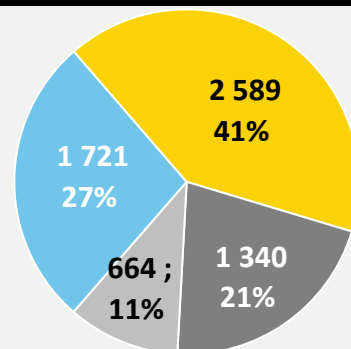


Our balance sheet profile reinforced in strength



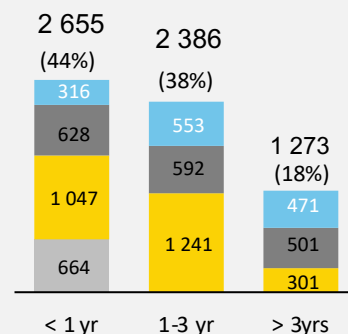
Dec 2020

External Funding Sources



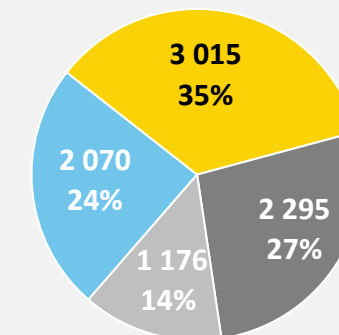
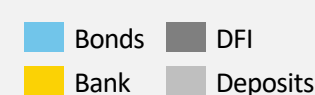
Debt Profile

Security	P'm	Interest Profile	P'm
Secured (49%)	3,110	Fixed (45%)	2,860
Unsecured (51%)	3,204	Floating (55%)	3,454
Total	6,314	Total	6,314



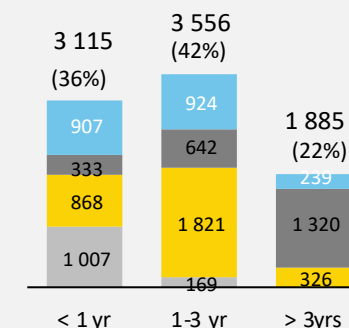
Dec 2021

External Funding Sources



Debt Profile

Security	P'm	Interest Profile	P'm
Secured (15%)	1,282	Fixed (45%)	3,879
Unsecured (85%)	7,274	Floating (55%)	4,677
Total	8,556	Total	8,556



Funding

- Concluded P3.7bn of new facilities and rollovers
- Significant progress in long term debt funding increasing to 64% from 56%.
- Commercial Bank debt reduced from 41% to 35%.
- DFI debt increased by 71% to P2.3bn

Deposit Mobilisation

- Retail deposits increased by 36% to P429 mn
- Corporate deposits increased by 114% to P747mn
- Deposit base increased by 77% to P1,176mn

Credit Rating

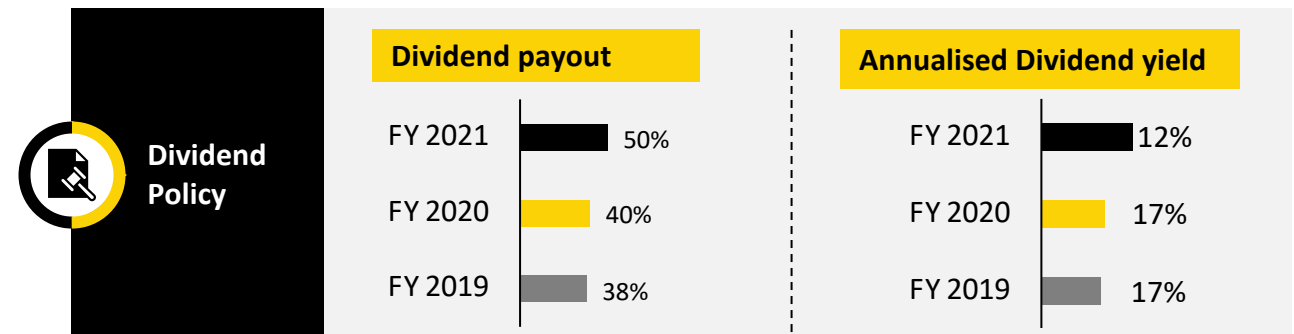
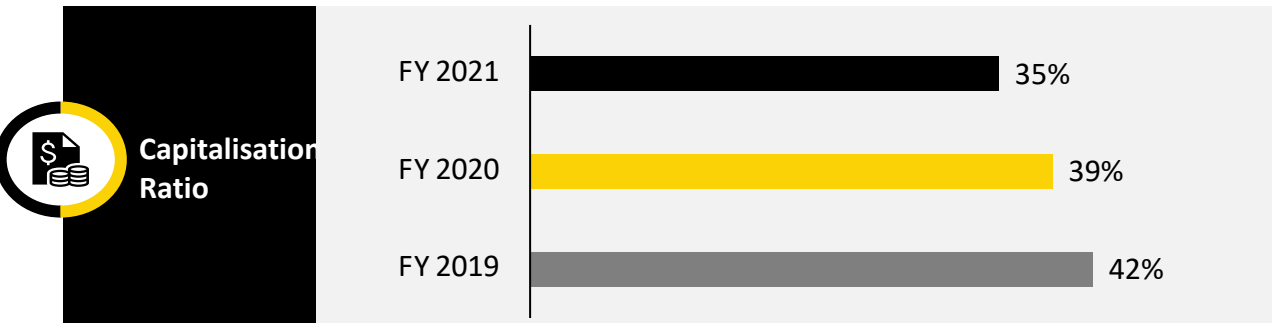
- Ba3 (stable) outlook issuer rating affirmed by Moody's
- Ba2 Corporate Family Rating (CFR) assigned
- Cash reserves on hand P1.4bn
- Secured debt reduced to 15% from 49%.

Maintaining strong capital levels

Regulated Entities Capital Position as at June 2021

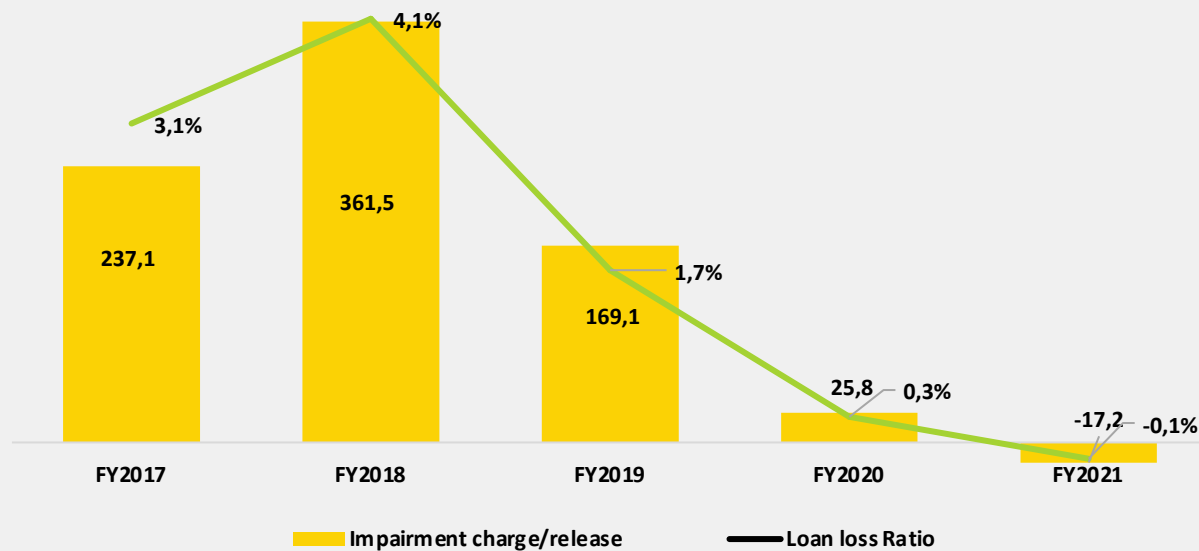
Country	Capital Adequacy ratio		Tier 1 Capital ratio		Min. Core Capital	
	Regulatory Limit	Actual Dec 2021	Regulatory Limit	Actual	Regulatory Limit (LCY'm)	Actual
Ghana	10%	11%	8%	12%	15	30.5
Mozambique	12%	51%	80%	83%	1,700	1,700
Namibia	10%	62%	7%	58%	10%	62%
Nigeria	10%	56%	10%	62%	2,000	3,152
Rwanda	15%	39%			300	5,500
Tanzania	13%	53%			15,000	16,010

- Group Capitalisation ratio strong at 35%
- Capital optimisation plan underway with focus on sustainable shareholder value, through ensuring all subsidiaries have adequate capital for growth, exploring value creating acquisition and dividends
- Rwanda and Tanzania Bank capitalised during the course of the year
- Ghana conversion of sub debt to Tier 2 equity
- Nigeria and Uganda to be capitalised for growth in 2022



FY2021 net credit impairment release of P17.2m, reflecting normalised DAS position, improved macro's and higher recoveries

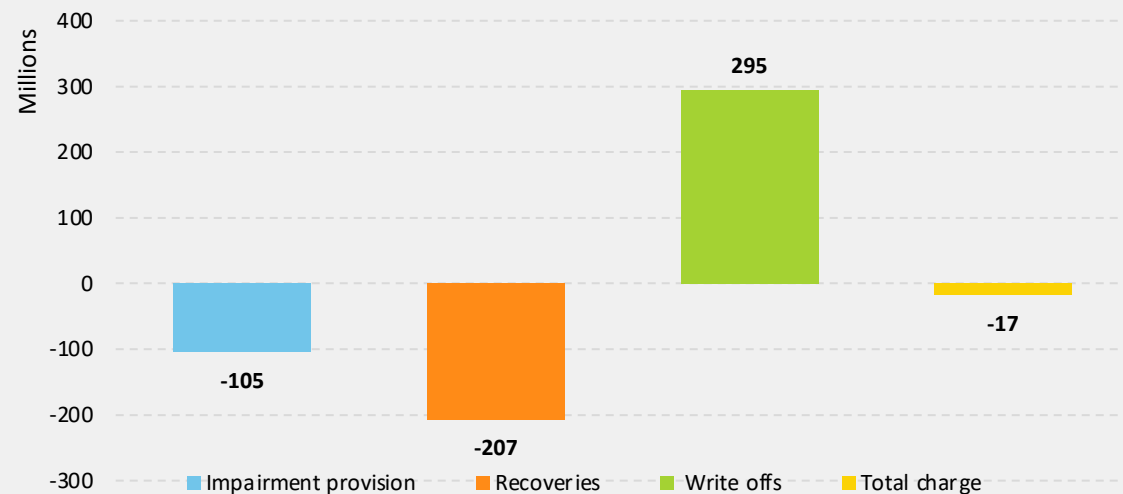
Impairment Charge/release Trends (Pm)



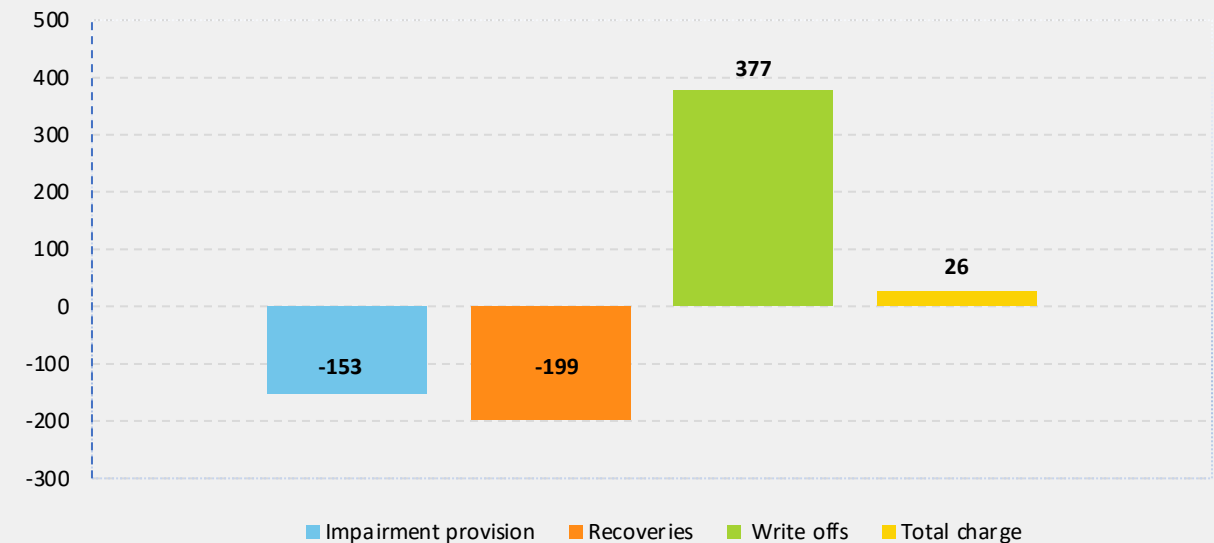
Drivers of impairment charge / (release)

- Provision write back of P105 million is mainly driven;
 - Once off write back of P76million in East Africa
 - Increase in NPL recoveries and Post write off recoveries..
- Improved macroeconomic outlook resulted in minimized impact of Forward looking factors on PD and LGD calculations
- Annualised loan loss rate (LLR) for Dec 2021 is -0.1% compared to 0.3% same period last year
- LGD outcome period revised to allow recent default vintages to recover therefore improving LGDs in predominately DAS markets which show high recoveries .

FY2021



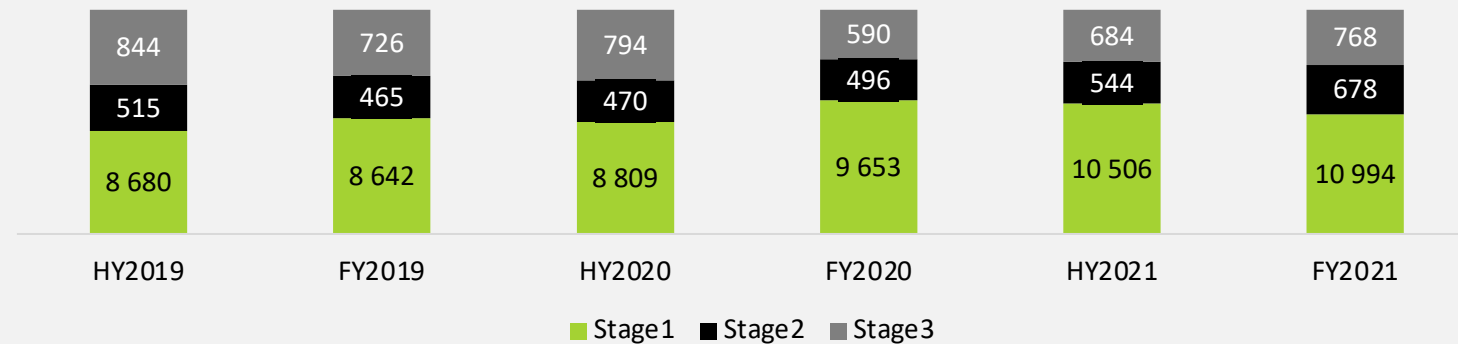
FY2020



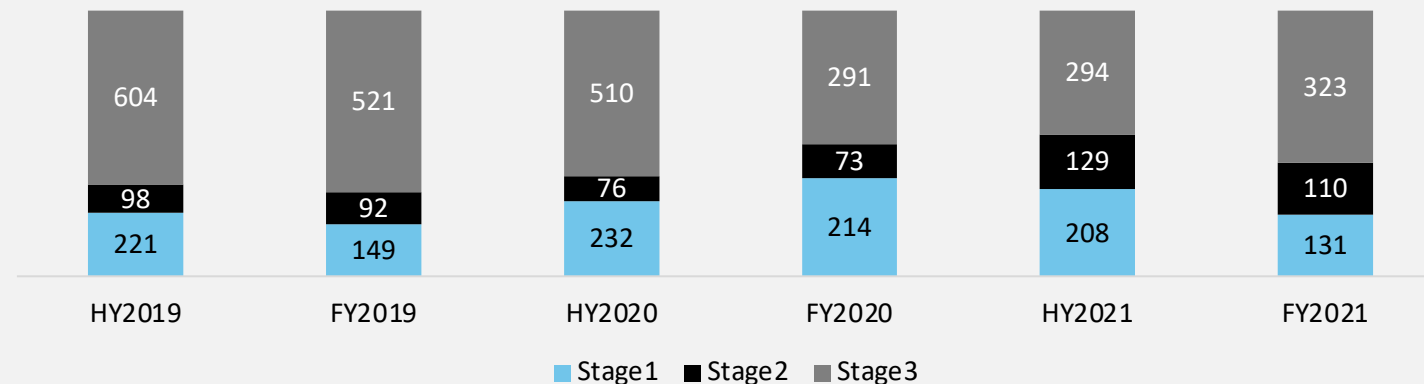
Expected Credit Losses (ECL): Reduced Impairment Coverage

Coverages	HY 2019	FY2019	HY2020	FY2020	HY2021	FY2021
Total Impairment Coverage	9.2%	7.7%	8.1%	5.4%	5.4%	4.5%
Stage 3 coverage	109%	105%	103%	98%	92%	73%

Gross Advances to customers in BWPm



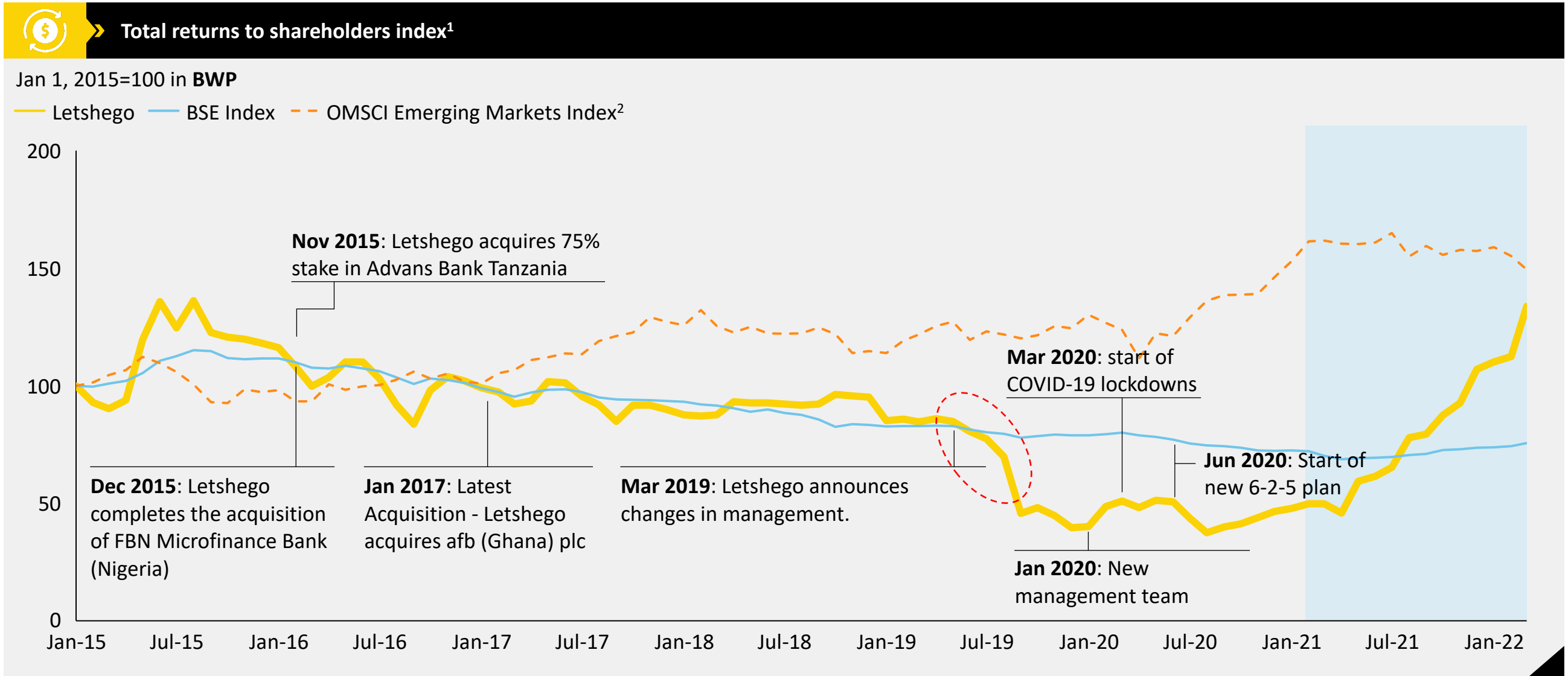
Expected Credit Losses (Provisions) in BWPm



Key Highlights

- Overall impairment coverage reduced to 4.6% in 2021 (5.4% in Dec2020) at the back of P76million provision release for a single party exposure in East Africa
- Loan loss rate moving to -0,1% from 0.3% full year 2020, with increase in Gross advances that increased from P10.74 billion in 2020 to P12.4billion in 2021.
- Stage 1** - Growth in DAS portfolios on the back digitisation strategy and introduction of individual lending in Botswana at the back of credit scoring implementation.
- 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 impact of 3rd wave on MSE portfolio. Investments in collections and recoveries continues.

Letshego's TRS has outperformed over the last year



1. In client reporting currency BWP

2. The MSCI Emerging Markets Index comprises of 21 emerging market country indices, which include Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey

Source: Capital IQ, Press search

Group interim results 2021

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What we watch....



Fluid macro environment in our footprints – challenging prospects for economic recovery, rising public debt and inflation and pressure on currencies and policy rates



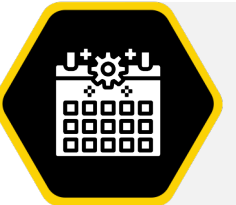
Elevated geopolitical tension – fallout from Russia/Ukraine conflict and potential contagion effect



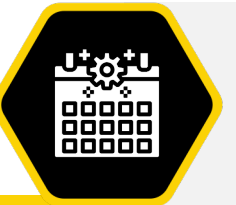
Evolution of COVID-19 flare ups and future pandemics



Political risks in some of our footprints - Upcoming elections in Kenya (2022) and Nigeria (2023)



Government action - Inherent potential for policy changes in deduction codes and public service rationalisation



Digital infrastructure maturity and rising cyber risk vulnerabilities



The logo for 'LIFTING GEARS' is displayed on a yellow rectangular background. It features a stylized icon of a gear with a vertical line through it, followed by the word 'LIFTING' in a large, bold, sans-serif font. Below 'LIFTING' is the word 'GEARS' in a smaller, spaced-out, sans-serif font. To the right of the text are three interlocking gears of varying sizes.

LetsGo BIG
LetsGo Community
Empowering digital employees

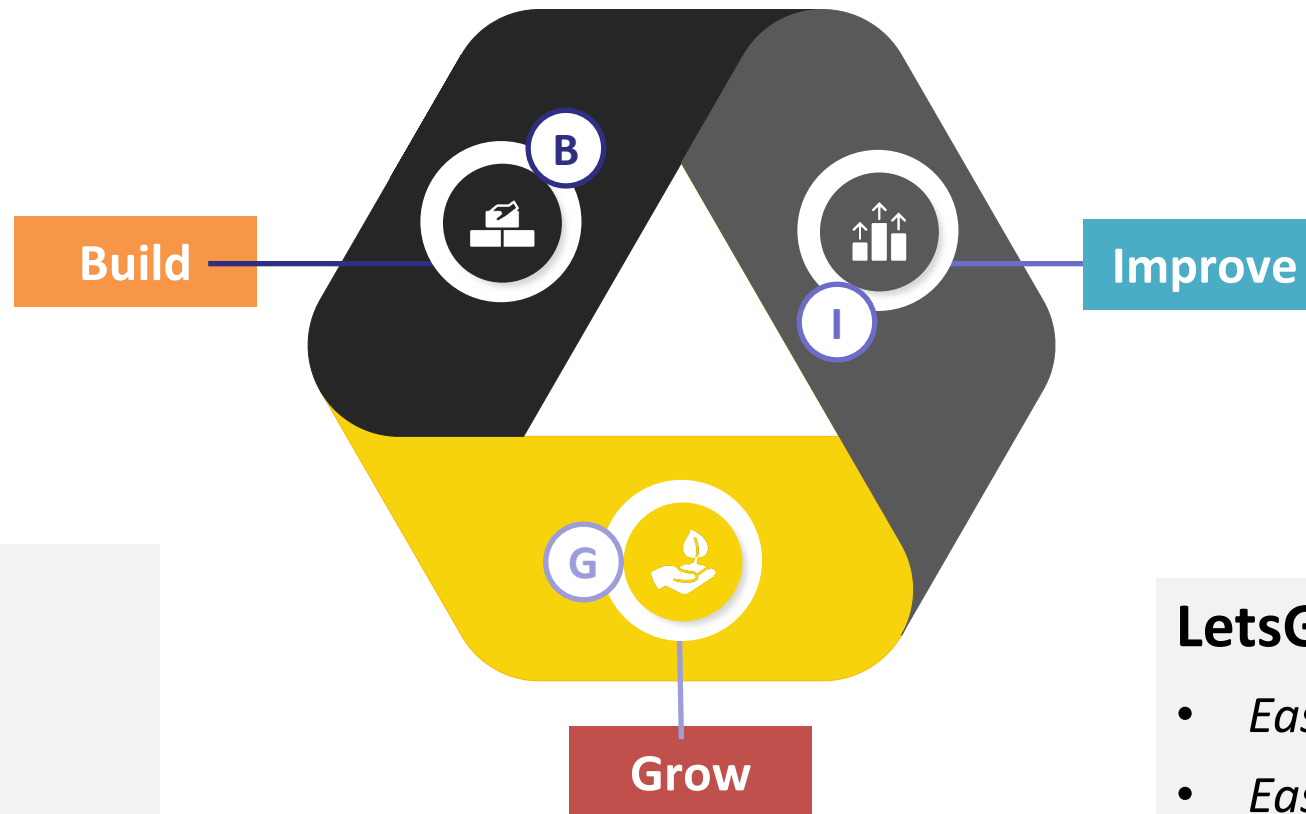
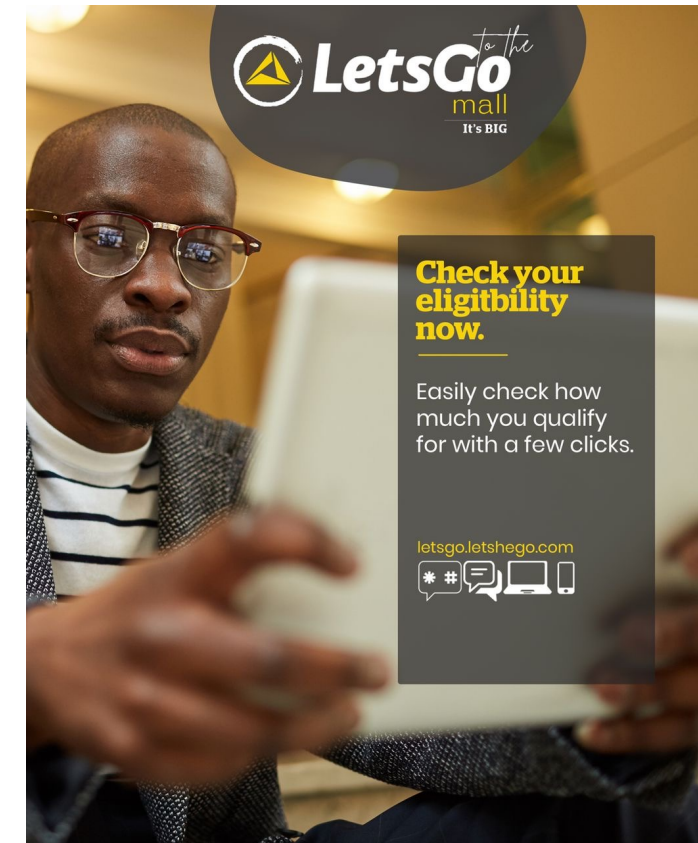
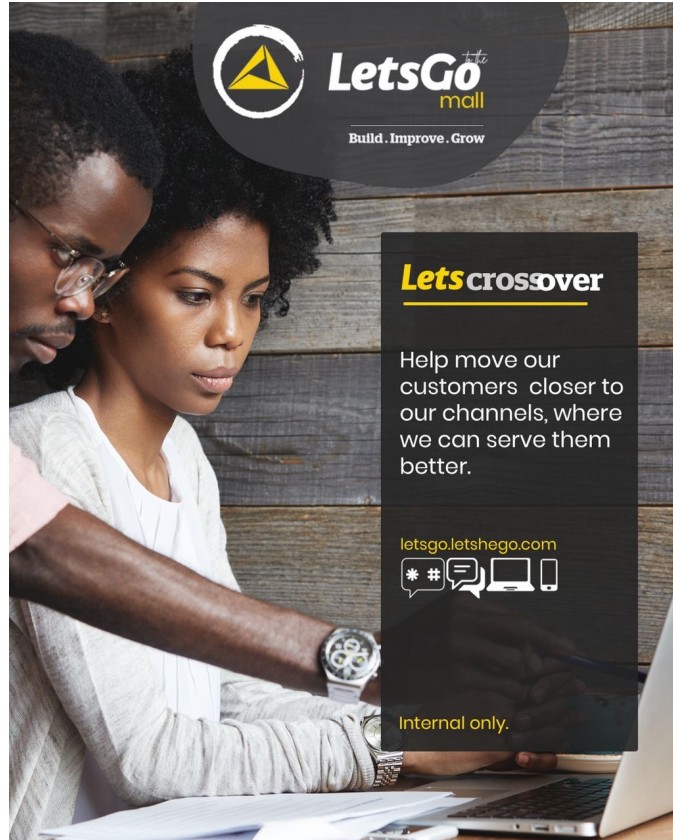
We have made exceptional progress...future is compelling



Launching LetsGo2theMall...Build Improve Grow (BIG)



The Concept



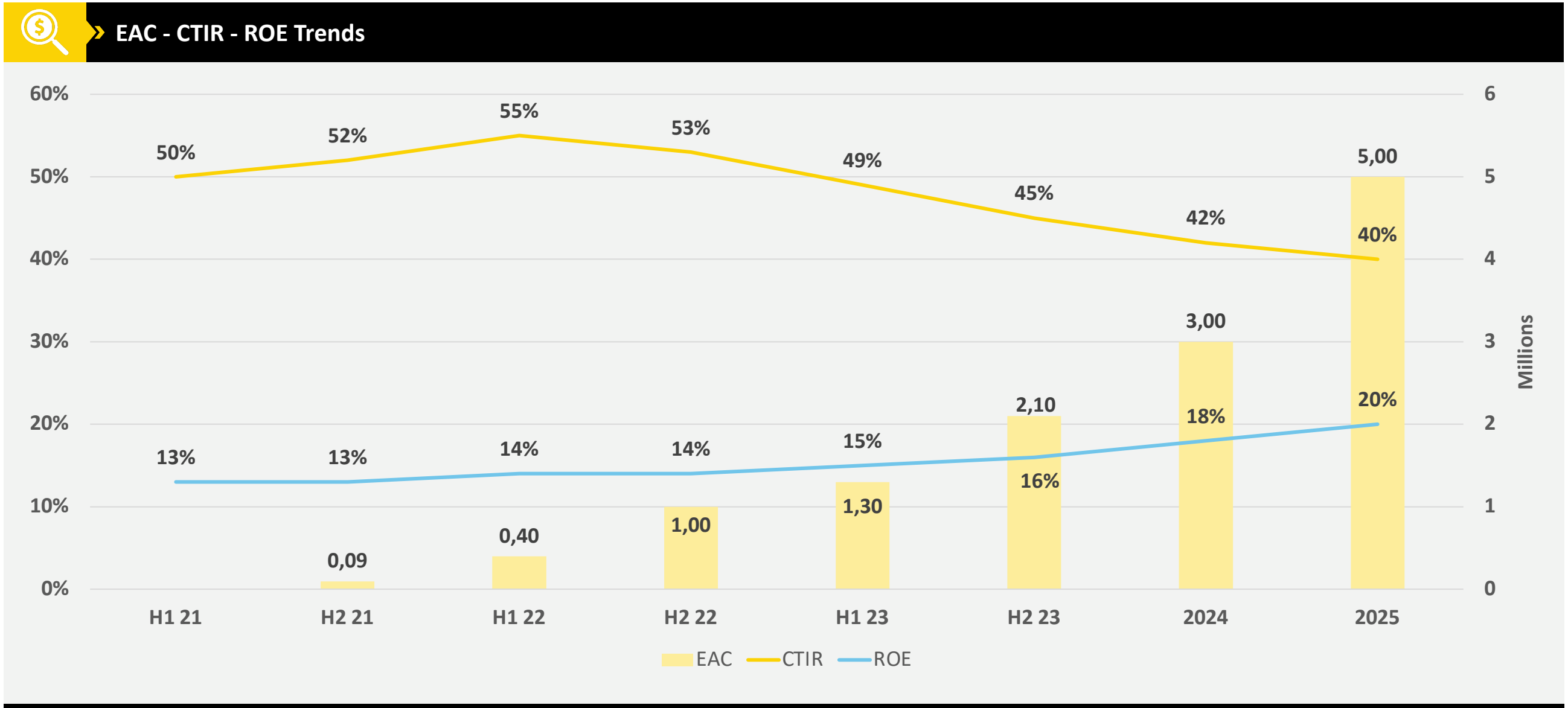
Going "B.I.G"

- Livelihood
- Education
- Business
- Housing...etc

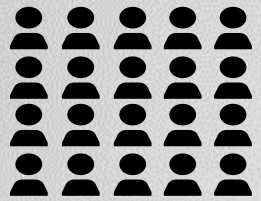
LetsGo to the Mall

- *Easy to join*
- *Easy to use*
- *Easy to win*

Accelerating investments to achieve scale will drive our strategic objectives



Empowering our people to be future-fit



30+
squads working on
digital platforms

coursera



97%
registration



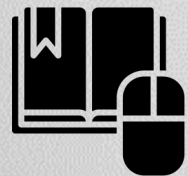
4672
courses



45423 Learning hours
=26 hours per employee



131
new digital skills
roles appointed



Inaugural Digital
Mastery Programme
launched targeting
10 Bright Minds

McKinsey Black
Leadership Academy

#futurefit #digitalskills #transformation












LetsGoNation

A community of followers and users of the digital mall

...Start-ups, Bloggers , innovators, Digital Ideators, African Fintechs, the young entrepreneurs, visionaries, the creatives, trail blazers and trendsetters



 Strong Performance	Double digit growth in PBT and PAT
 Shareholder Value	Increasing shareholder returns. Annual dividend per share up 39% yoy
 Creating future organisation	Accelerating digitalisation, leveraging to ZERO OPS and tech within Target Operating Model
 End-2-End Automation	Leveraging emerging technologies, fintechs, techfins and ecosystems
 Strategic Partnerships	Strategic Partnerships embedded to extend technology, product delivery and customer experience
 Improving Lives	Programmatic lending to accelerate social impact and support ESG Framework
 People First	Building a culture of digital leadership, through enhanced knowledge and skills

Thank you