

Nigerian Fintech

OPay Investment Proposal





Recommendation

Investment - taking a 5% equity stake in OPay, a mobile money platform, at a \$2.67 billion valuation.

Investment Thesis - Necessity for accessible banking for an untapped and rapidly growing market in Nigeria and broadly Africa as whole. Along with the need to formalise the economy for further regional development provides the framework for likely long-term profits.

Valuation - Upon its most recent deal with Softbank, OPay was valued at \$2 billion - we believe the value since then has increased to \$2.67 billion.

Risks - Compliance with developing regulations and strong competition from regional competitors such as Fawry in Egypt.



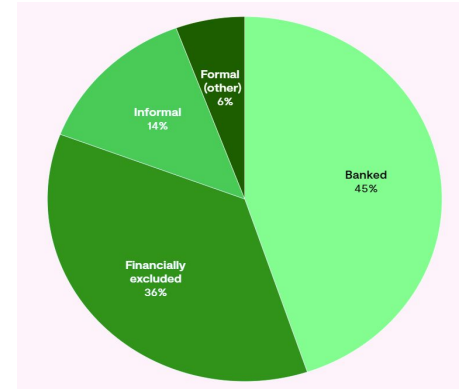
Market Summary

Current Market:

- 7% of Africa's GDP result of technological innovation
- 50% of Nigerians are either financially excluded or using informal means of banking
- 51% Nigerians use Internet compared to African average of 34%

Future trajectory and catalysts

- Fintech global market projected to increase by a CAGR 23.4%
- Nigerian population to double to 400m by 2050
- Mobile phone usage to triple to 140m by 2025





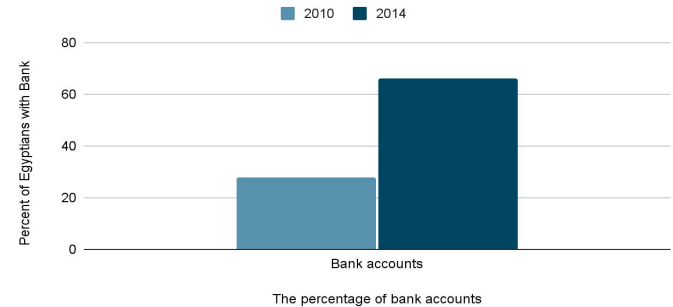
Market Summary

Morocco Case Study (2010)

- Large percentage of population was financially excluded and low accessibility
- Creation of Al-Barid Bank to develop Postal Banking Service
- Targeted market mostly low-income
- Use of existing post office infrastructure, providing banking services now
- Financial inclusion: Increased 38% between 2010-2014
- New Accounts per Year: Averaging 450,000
- Number of Bank Accounts: Increased 31% between 2010-2017

Similar trends in postal banking service have been seen in India with financial inclusion increasing by 25%, and strong developing trends for fintech banks have already been seen in Egypt and Kenya

The level of Financial Inclusion in Egypt through bank account creation





Company Overview: OPay (I)



- Mobile payment platform for payment, transportation, food & grocery delivery operated by and licensed by the Central Bank of Nigeria
- 10 million active users in Nigeria
- Monthly transaction volume of \$3billion
- Processes 80% of money operated transactions
- With investments from \$400million in Capital from Softbank we expect expansion to increase market share, diversify services and lowering consumer costs to use

Company overview (II)

- 5% equity for \$133 million
- August 23rd 2021 Softbank 20% share for \$400million → Company valued at \$2billion
- Fawry = mobile and digital payment platform in Egypt



Similarities	Fawry	OPay
Active merchants	225 600 merchants	300 000 merchants
Valuation	Around \$2.4billion	Around \$2.67billion
Investors	HSBC (pre-IPO)	Softbank

Company Overview (III)

RPM
\$408.3

Applied MDR to GTV Per Merchant

Assumption that OPay uses Nigerian Central Bank MDR rates



GP per Merchant
\$208.2

Apply Fawry Gross Profit Margins

We assume that Fawry profit margins are similar to OPay's



Gross Profit
\$81.6m

Use est. merchant # to calculate est. gross profit

We use implied merchant growth rates with our est. profit per merchant



P/E Multiple
32.7

Generated P/E multiple using Softbank's valuation and applied it to est. gross profit

This multiple is above industry average of 23.7, however below other high performing competitors

Valuation = \$2 667 592 647



Risks and Mitigation

Risk 1

National
Economy and
Activity

Risk 2

Strong performance and market
share expansion by Intra-African
competitors

Risk 3

Political and
Regulatory
changes

Recommended Hedges - diversify stake into a portfolio of Nigerian or even broader African Fintech equity as the greatest risk is being outperformed by competitors



Executive Proposal Summary

1. 5% equity for \$133million in OPay
2. Promising projected growth for increased accessibility to banking based on historical trends in other countries
3. Formalising population banking is essential for growing Nigerian economy
4. Our modelling suggests strong future growth for OPay based on its recent development and business strategy
5. Despite initial risks, portfolio hedging strategy provides mitigation for OPay