

# LETSHEGO HOLDINGS LIMITED

**Group Interim Results**

**Monday 29 August 2022**

**Aobakwe Aupa Monyatsi**

Group Chief Executive

**Gwen Tintotenda Muteiwa**

Group Chief Financial Officer



## Interim Results 2022

<b>First Half Headlines</b>	 <ul style="list-style-type: none"><li>Strategy</li><li>Approach to deliver</li><li>Focus on Shareholder value</li></ul>
<b>Financial Highlights</b>	 <ul style="list-style-type: none"><li>Financial Performance</li><li>Credit Overview</li><li>Funding &amp; Liquidity</li></ul>



## Strategic outlook

<b>Plan 2 and beyond</b>	 <ul style="list-style-type: none"><li>Improving lives</li><li>Business outlook</li></ul>
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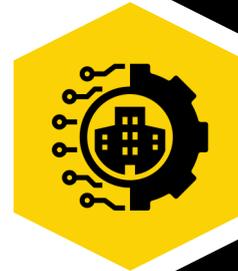
Transformation Strategy remains on track guided by 6-2-5 plan



Resilient business despite macro economic headwinds



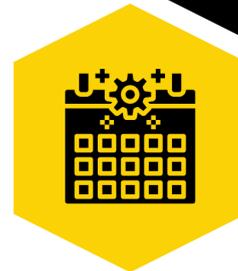
Simplicity, Focus and Discipline in execution

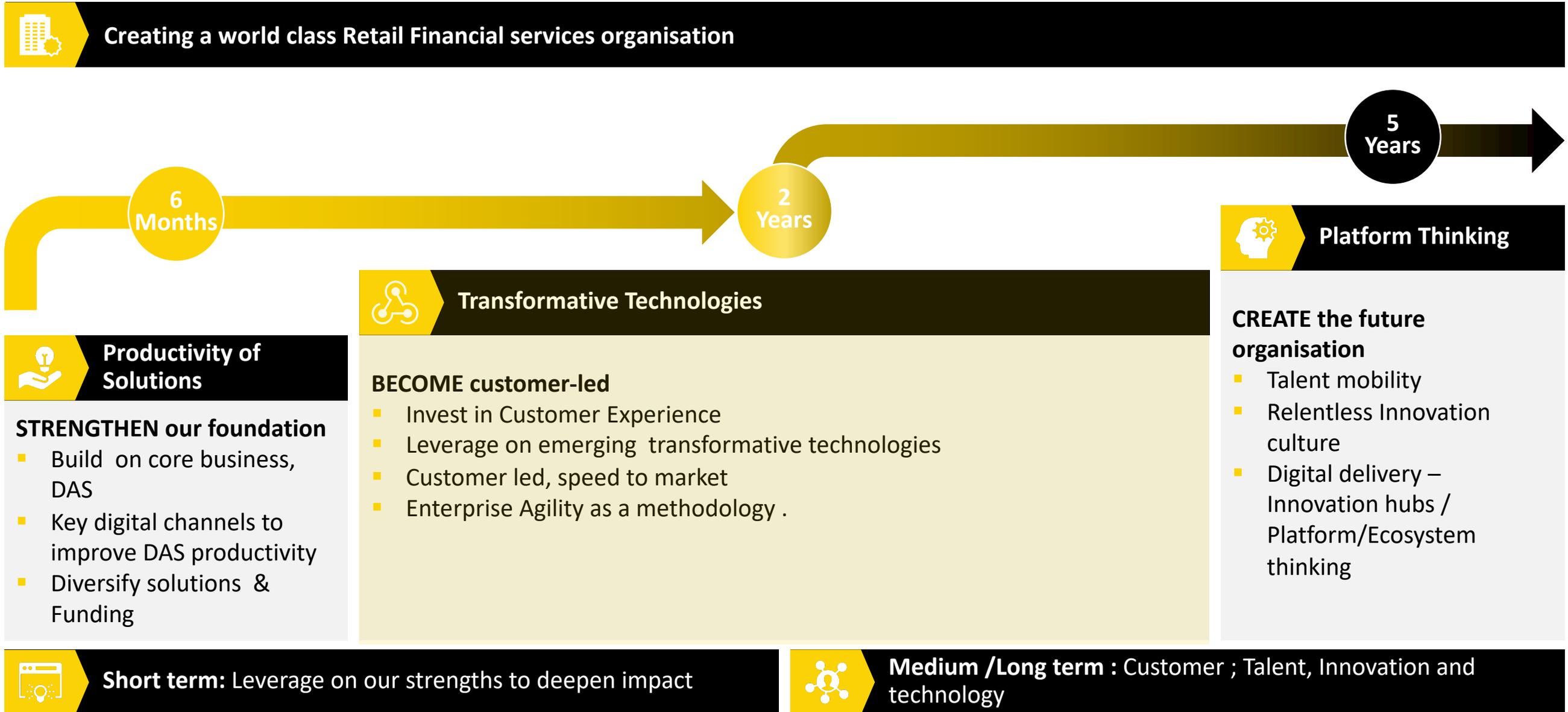


Sustainable shareholder value remains priority



Customer Value Proposition refreshed to support employers and customers





## Simplicity



- **Simple Customer Experience**
- *Fast, Efficient and Easy platforms and process for our customers to use*

## Focus



- **Delivering results**
- Integrating product and partner offerings into a comprehensive and refreshed value proposition
- Digital distribution
- Fueling the **Sales Engine**

## Discipline



- **Right Measurement**
- **Performance Management**
- **Capital Management**
- **Risk Management**

## Interim Results 2022

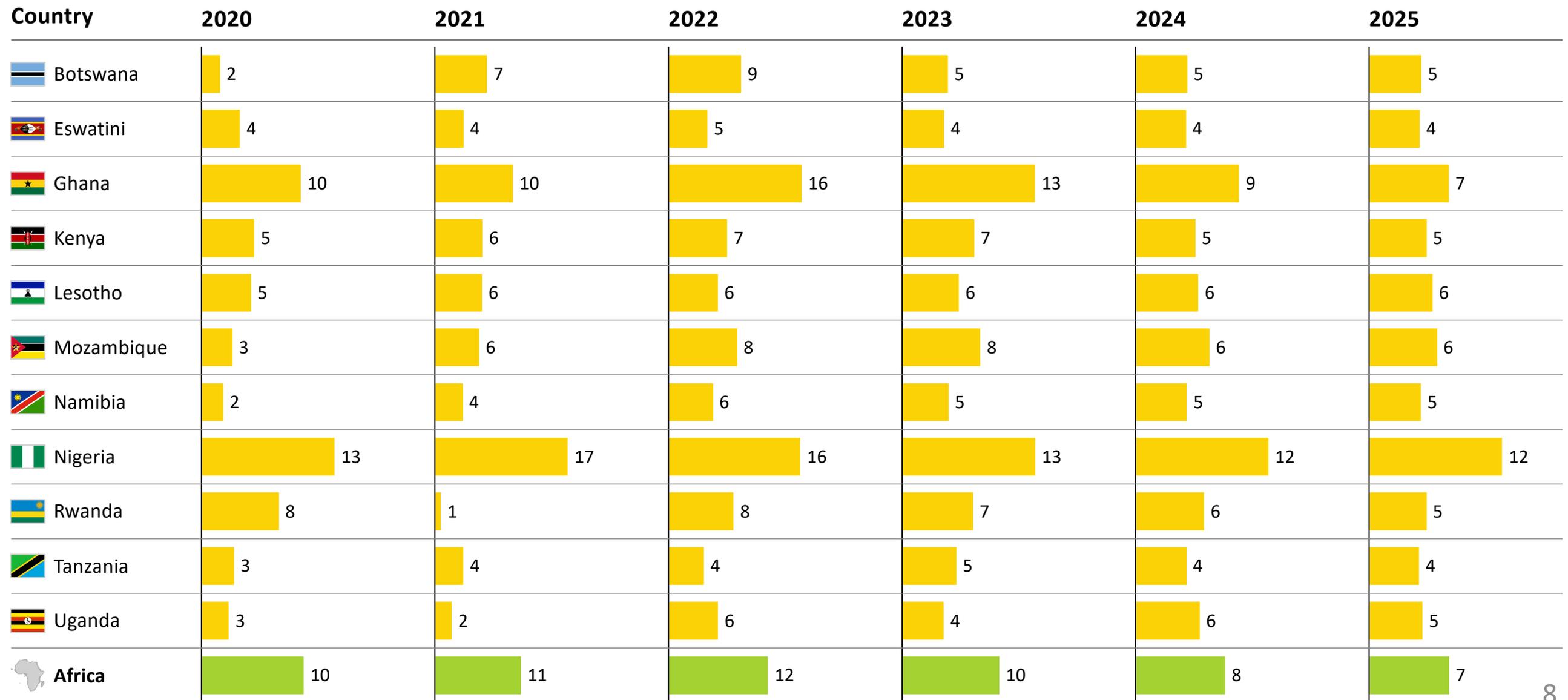
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# Inflation expected to spike in 2022 with recent global events – many countries to see slow down without convergence to 2020 levels

## LETSHEGO FOOTPRINT MARKETS: Average Inflation percentages



# Trends in Prime, Reference Rates and Exchange Rates

31 Dec 2021 – Current

Country	Prime lending rate (Dec 21)	Prime lending rate (Current)	Change in Prime	Ref Rate (Dec 21)	Ref Rate (Current)	Change in Reference Rates	Exchange rate to BWP (Dec 21)	Exchange rate to BWP @ 18 Aug 2022	Change in Exch. rates
BWP	5.25%	5.76%	↑ 10%	1.1%	2.15%	↑ 95%	1.00	1.00	-
LSL	8.56%	9%	↑ 5%	3.75%	5.5%	↑ 47%	1.35	1.32	↑ 2%
ZAR	7.5%	9.0%	↑ 20%				1.35	1.32	↑ 2%
NAD	7.50%	9.25%	↑ 23%	3.75%	5.5%	↑ 47%	1.35	1.32	↑ 2%
SZL	7.25%	8.5%	↑ 17%	3.75%	3.75%	-	1.35	1.32	↑ 2%
GHS	14.50%	22%	↑ 52%	14.5%	23.66%	↑ 63%	0.52	0.75	↓ 44%
MZN	18.60%	20.6%	↑ 11%	13.25%	15.25%	↑ 15%	5.4	4.97	↑ 8%
KES	12.12%	12.27%	↑ 1%	7%	7.50%	↑ 7%	9.63	9.32	↑ 3%
RWF	16.76%	15.8%	↓ -6%	4.5%	6%	↑ 33%	87.86	80.55	↑ 8%
TZS	14%	13.8%	↓ -1%	5%	12%	↑ 140%	196.15	182.569	↑ 7%
UGX	18.6%	19.35%	↑ 4%	6.5%	9%	↑ 38%	302	297.651	↑ 1%
USD	3.25%	5.5%	↑ 69%	0.25%	2.81%	↑ 1024%	0.08437	0.07887	↑ 7%

# Statement of Profit and Loss Highlights H1 2022

## Interest Income

H1 2022: **P1.6 bn**

H1 2021: P1.51 bn



6%

## Non Funded Income

H1 2022: **P253 mn**

H1 2021: P 150 mn



68%

## Profit before Tax

H1 2022: **P446 mn**

H1 2021: P544 mn

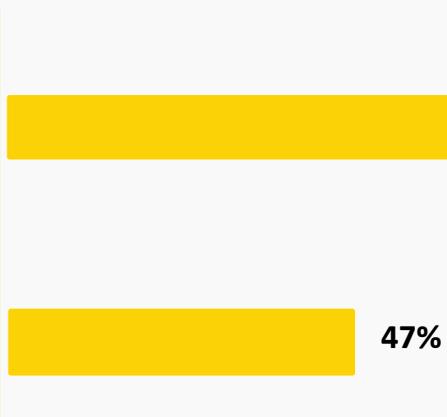


18%

## Cost to income

H1 2022 57%

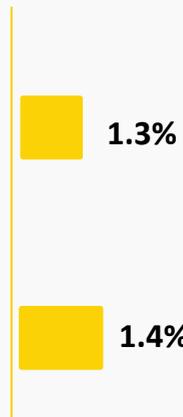
H1 2021 47%



## Loan loss ratio

H1 2022 1.3%

H1 2021 1.4%



## Interest Expense

H1 2022: **P682 mn**

H1 2021: P492 mn



39%

# Statement of Profit and Loss Commentary

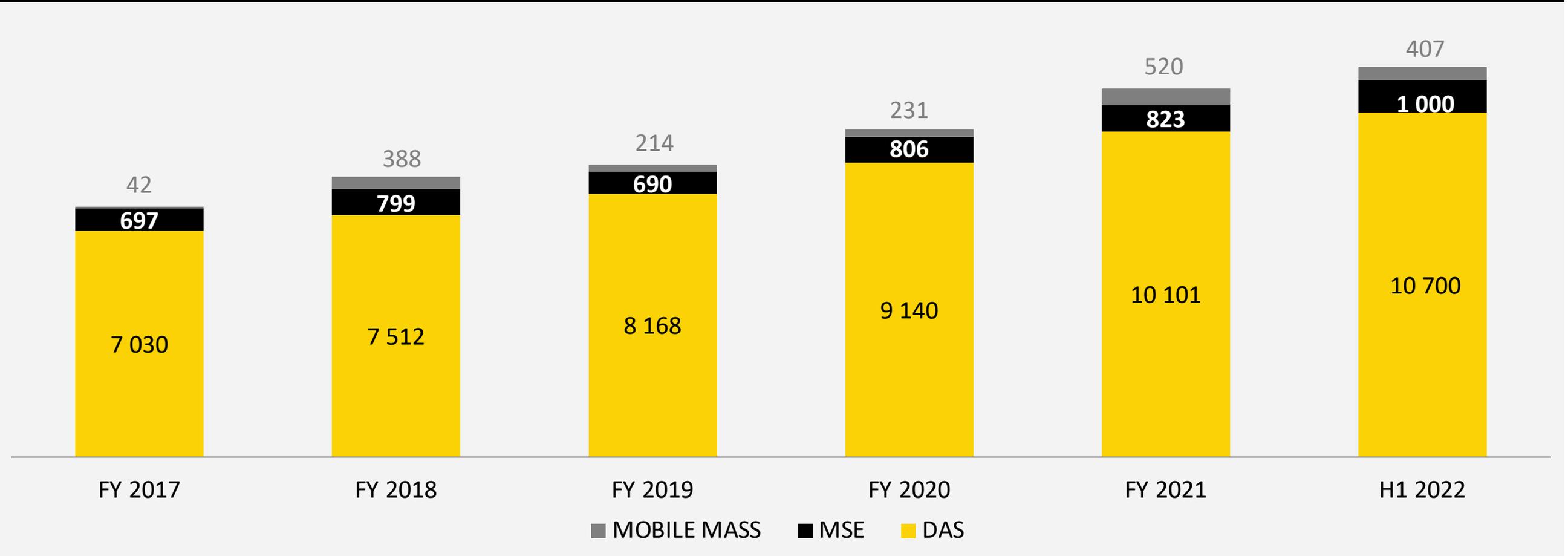
	H1 2022	H1 2021	Change %
Net interest income	917	1,018	(10%)
Non funded income	253	150	68%
<b>Operating income</b>	<b>1,170</b>	<b>1,168</b>	<b>---</b>
Operating costs	(644)	(549)	(17%)
<b>Pre - provision profits</b>	<b>526</b>	<b>619</b>	<b>(15%)</b>
Expected credit losses	(81)	(76)	(6%)
<b>Profit before tax</b>	<b>446</b>	<b>544</b>	<b>(18%)</b>
Tax charge	(198)	(230)	(4%)
<b>Profit after tax</b>	<b>249</b>	<b>314</b>	<b>(21%)</b>
 <b>Basic Earnings per Share (thebe)</b>	<b>10.1</b>	<b>13.4</b>	<b>(24%)</b>

### Key Messages

- 
**Net interest** down 10%, although Interest income was up 6%, following a 10% portfolio growth. The growth in Interest income was diluted by a 39% increase in interest expense that was mainly driven by an increase in borrowings, coupled with reference rate increases in several of the Group's markets.
- 
**NFI increased by 68%** on the back of a growth in income from insurance arrangements and net foreign exchange gains.
- 
**Operating expenditure up 17%** with keen focus on digital mall and infrastructure growth in the first half of the year.
- 
**LLR of 1.3%** was within the Group's risk appetite levels and an improvement from 1.4% same period last year.
- 
**ETR at 44% was up 2% from prior year.** This was driven by an increase in withholding tax at the Holding Company, following a growth in dividend payments from subsidiaries.

# Overall Book increasing to BWP 12.2 billion

## Net Advances Performance – H1 2022 (P Millions)



**10%** YoY Growth Net Advances

**8%** DAS YOY Net Advances

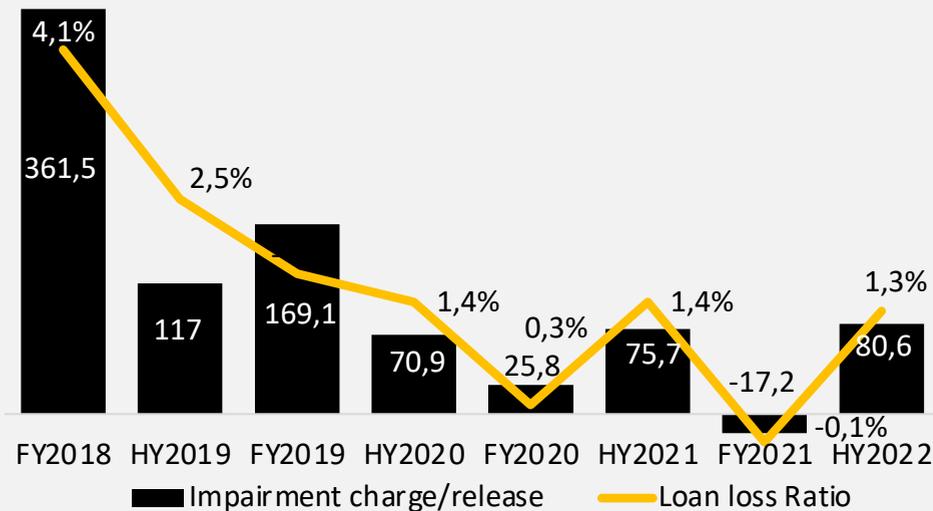
**24%** MSE YoY Net Advances Growth

**12%** Mobile Informal YoY Growth

# Slight uptick in net impairment charge - minimal impact on our key markets



## Impairment Charge Trends in BWPM

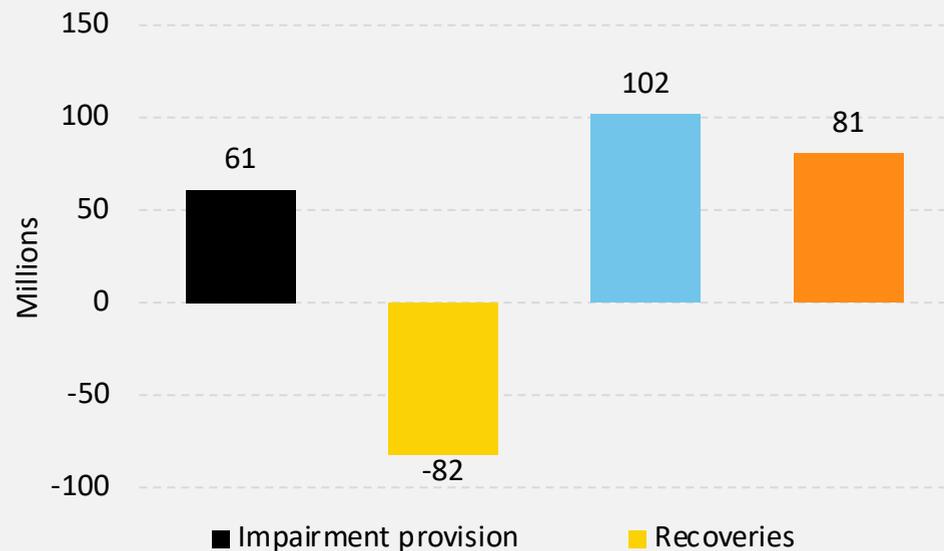


## Drivers of Impairment Charge /Release

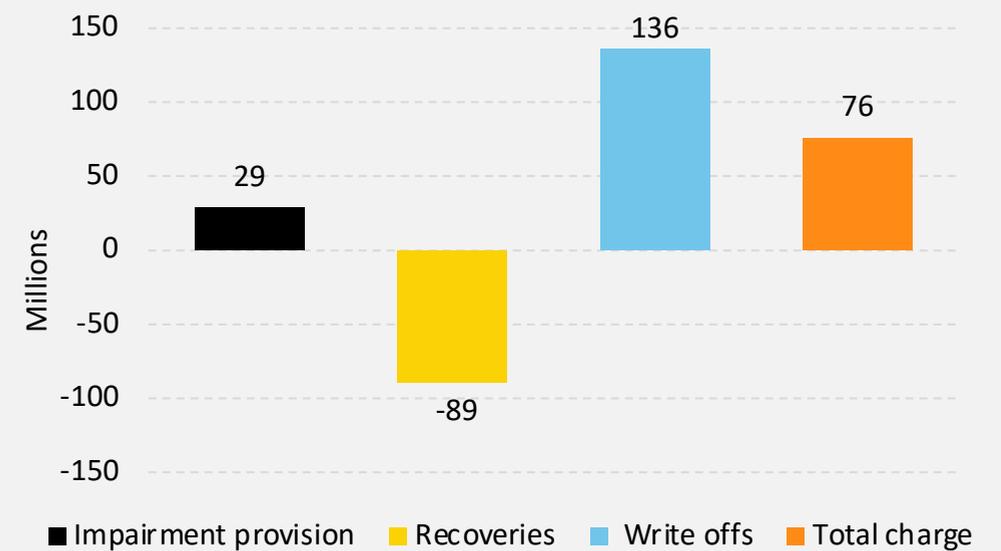
- Annualised loss ratio performing better than same period last year at 1.3% (HY2021 :1.4%)
- Underlying asset quality in key markets is within expected range .
- Rate of write off decreased by 25% year on year.
- Slight drop in recoveries at the back of impact of external operational pressures and macros .
- Certain once offs didn't recur in 2022.



## HY 2022



## HY 2021



# Expected Credit Losses (ECL): Loan loss reserves adequate for portfolio construct

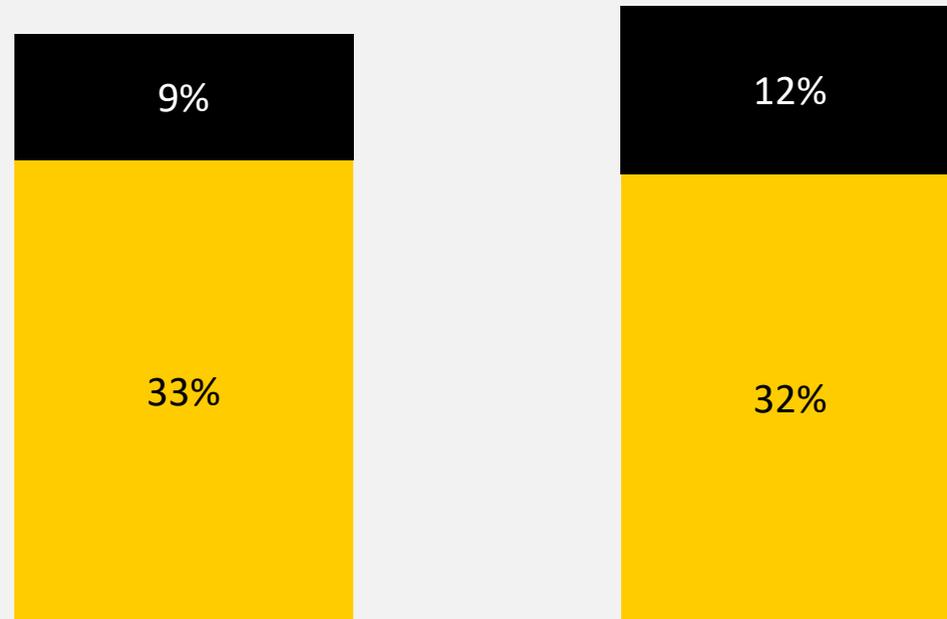


 Group			Jun-19	Dec-19	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22
<b>Gross Advances to Customers</b>	Stage 1		8,680	8,642	8,809	9,653	10,506	10,994	11,111
	Stage 2		515	465	470	496	544	678	722
	Stage 3		844	726	794	590	684	768	979
	<b>Total</b>		<b>10,038</b>	<b>9,833</b>	<b>10,074</b>	<b>10,740</b>	<b>11,734</b>	<b>12,439</b>	<b>12,812</b>
<b>Expected Credit Losses (Provisions )</b>	Stage 1		221	149	232	214	208	131	141
	Stage 2		98	92	76	73	129	110	95
	Stage 3		604	521	510	291	294	323	377
	<b>Total</b>		<b>922</b>	<b>761</b>	<b>818</b>	<b>578</b>	<b>631</b>	<b>564</b>	<b>613</b>
<b>Coverages incl . Chase bank</b>	Total Impairment Coverage		9.2%	7.7%	8.1%	5.4%	5.4%	4.5%	4.8%
	Stage 3 coverage *		109%	105%	103%	98%	92%	73%	63%

\* Stage 3 Coverage = Stage 3 ECL/Gross Advances

# Effective Tax Rate (ETR) analysis

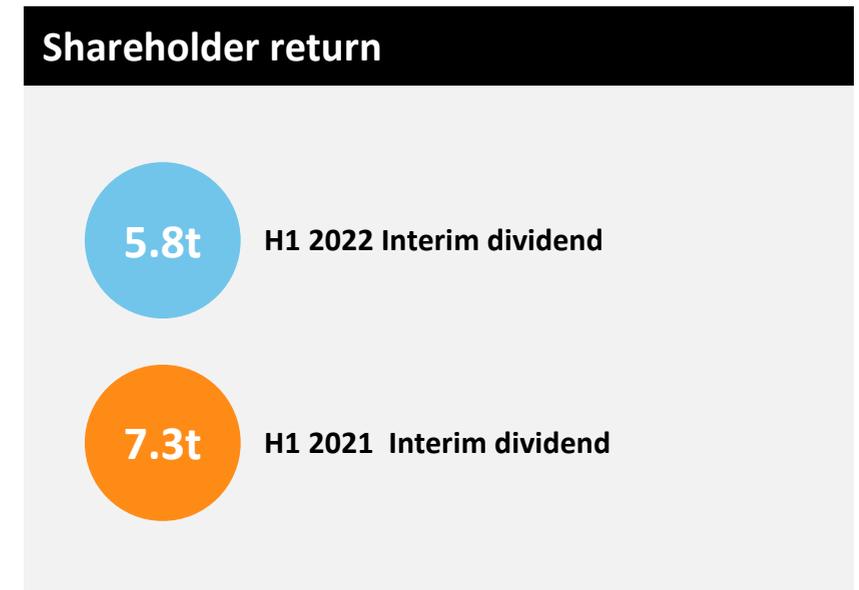
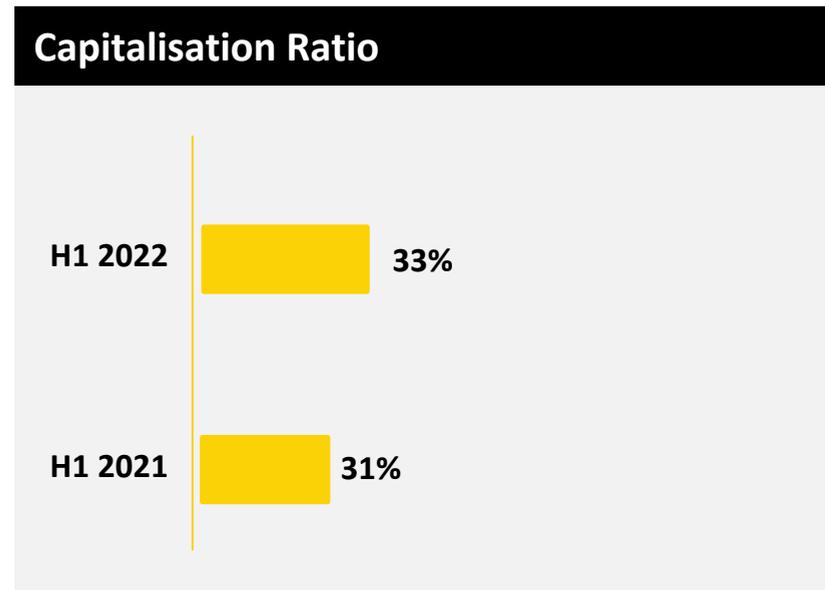
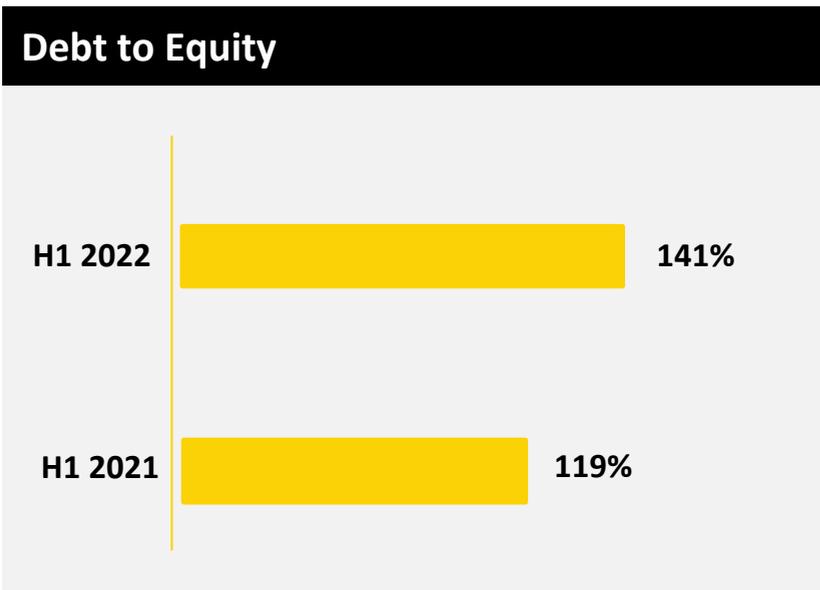
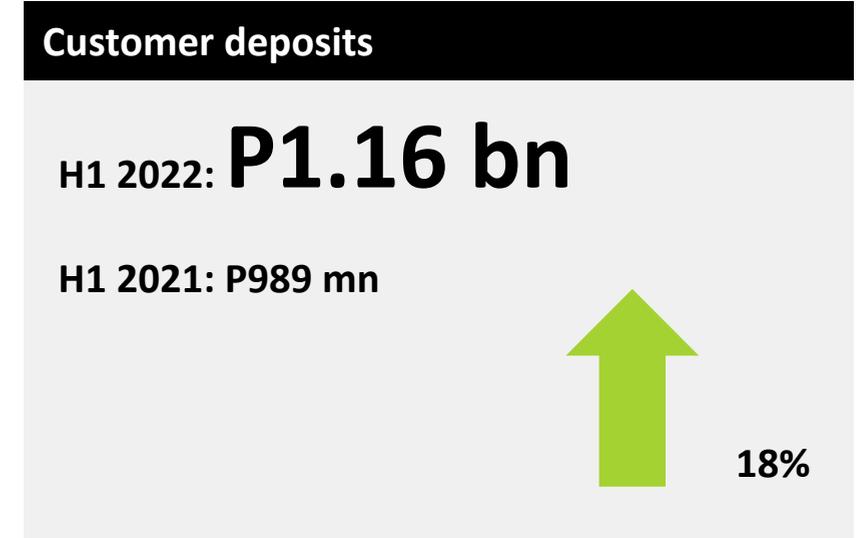
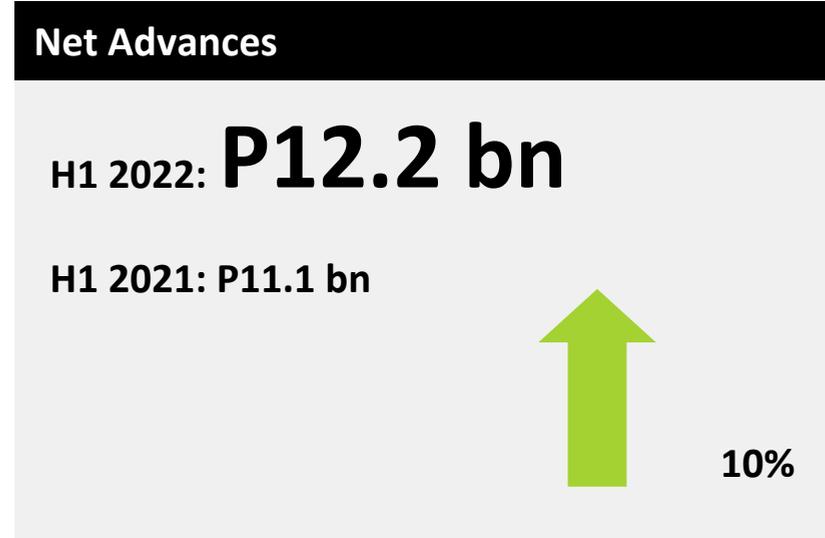
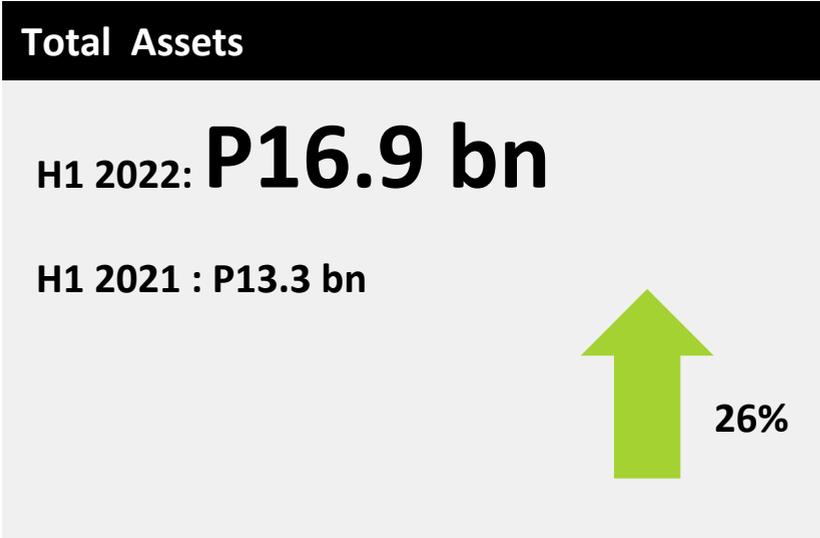
Effective Tax Rate June 2022: 44% (June 2021: 42%)



- Dividends from subsidiaries & preference shares (WHT) (increased by 3%)
- Baseline tax charge (current and deferred tax) (reduced by 1%)

## Comments:

- ETR increased from 42% to 44% year on year on the back of reduced income.
- However, absolute tax decreased by 4% on the back on stringent tax management
- Withholding tax on Dividends from subsidiaries and preference shares increased by 3% on the back of increase in dividends from subsidiaries from P346 million at 30 June 2021 to P470 million at 30 June 2022
- Continuous involvement of Group Tax in Revenue Authority audits to minimize adjustments
- Work with local tax consultants who understand the markets



# Statement of Financial Position Commentary

	H1 2022	H1 2021	Change %
Cash and cash equivalents	1,317	1,006	31%
Investment in securities	948	---	100%
<b>Net advances to customers</b>	<b>12,200</b>	<b>11,103</b>	<b>10%</b>
Financial assets at fair value through P/L	1,128	261	332%
Other Assets	1,277	969	32%
<b>Total Assets</b>	<b>16,870</b>	<b>13,339</b>	<b>26%</b>
Customer deposits	1,164	989	18%
Borrowings	7,889	5,858	35%
Financial liabilities at fair value through P/L	1,110	256	334%
Other Liabilities	1,117	1,078	36%
<b>Shareholders funds</b>	<b>5,155</b>	<b>4,722</b>	<b>9%</b>
Non controlling interest	435	436	---
<b>Total Liabilities &amp; Equity</b>	<b>16,870</b>	<b>13,339</b>	<b>26%</b>
 Return of assets	3%	5%	---

## Key Messages



**Strong Cash and cash equivalents up 31% year on year** depicting healthy cash flow and liquidity position



**Net Advances to customers up 10%** year on year driven by a 9% increase in overall portfolio. **Financial assets at fair value through P/L**, which constitute hedging instruments for risk management, increase aligned to borrowings growth



**Customer deposits growth of 18%** spurred by an increase in Retail Deposits



**Borrowings up 35%** with strong pipeline and continued focus on changing the deposit mix and sourcing long term funding



**Shareholder funds strong** at P5.2 billion and up 9% year on year

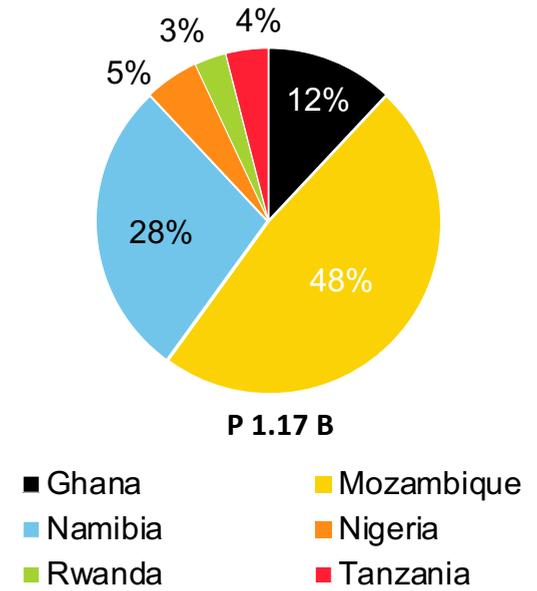
# Deposits increase 18% yoy BWP1.17billion - 57% growth in Retail Deposits

Product Performance Update

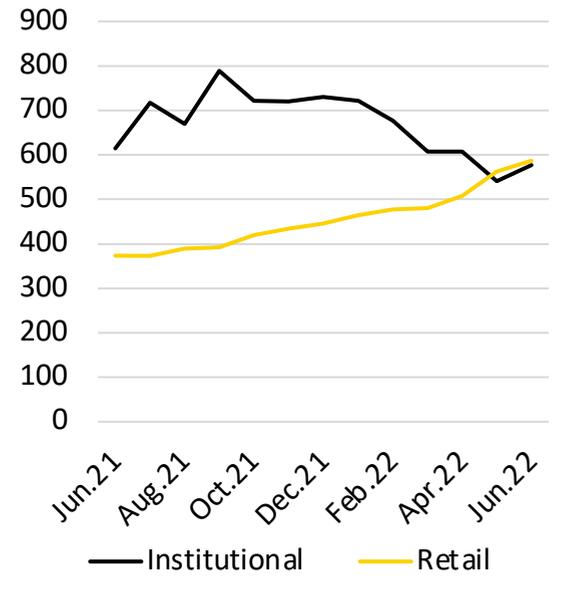
**Retail deposits grew by 57% year on year to P 587 million (constituting 50% of total deposits compared to H1 2021 which constituted 37%).**



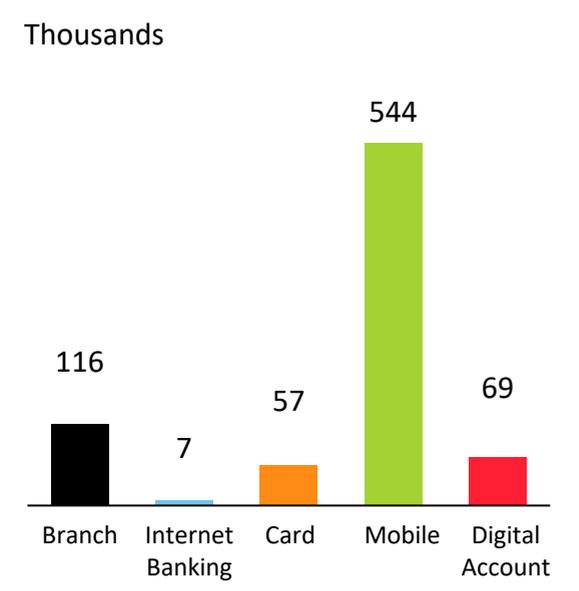
## Deposits by Country



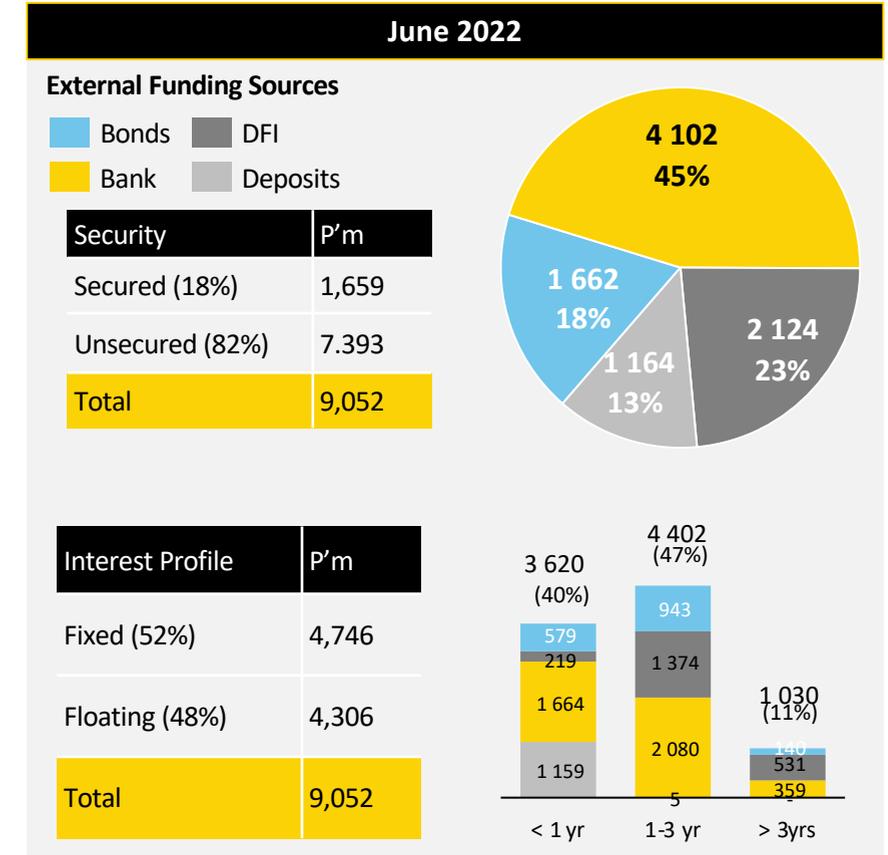
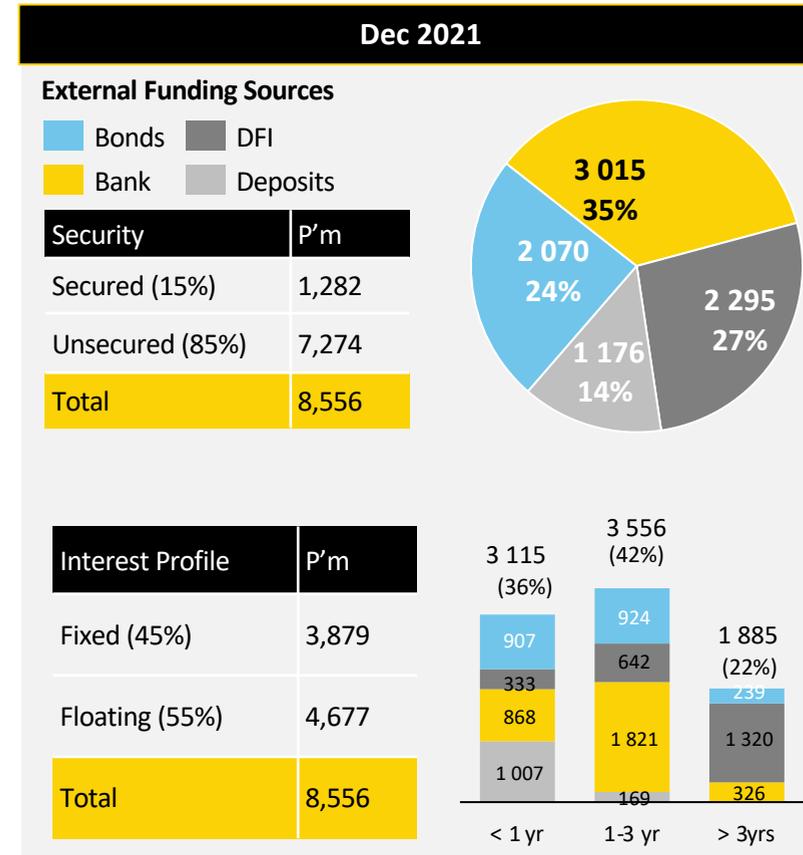
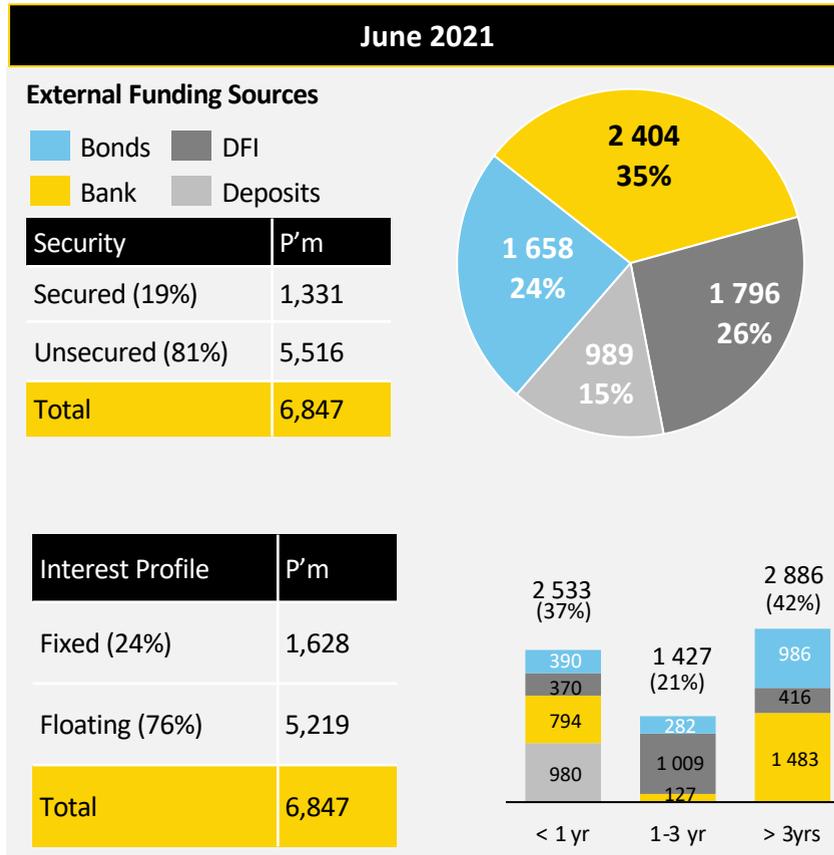
## Corporate and Retail Deposit Growth Trends P 'Millions



## Deposit Customers by Channel



# Our Funding profile reinforced in strength



- ### Funding
- New debt of P725m raised, rollovers of P215m executed during 2022.
  - Significant progress in fixed debt funding increasing to P4.7bn(52%).
  - 1-3 year debt increased by P1bn since June 2021.

- ### Deposit Mobilisation
- Retail deposits increased by 36% to P510mn.
  - Corporate deposits decreased by 6% to P654m.
  - Deposit base increased by 18% to P1,164m

- ### Credit Rating
- Ba3 (stable) outlook issuer rating affirmed by Moody's
  - Ba2 Corporate Family Rating (CFR) assigned
  - Cash reserves on hand P1.3bn
  - Secured debt reduced to 18% from June 21
  - Investment of P947m held.

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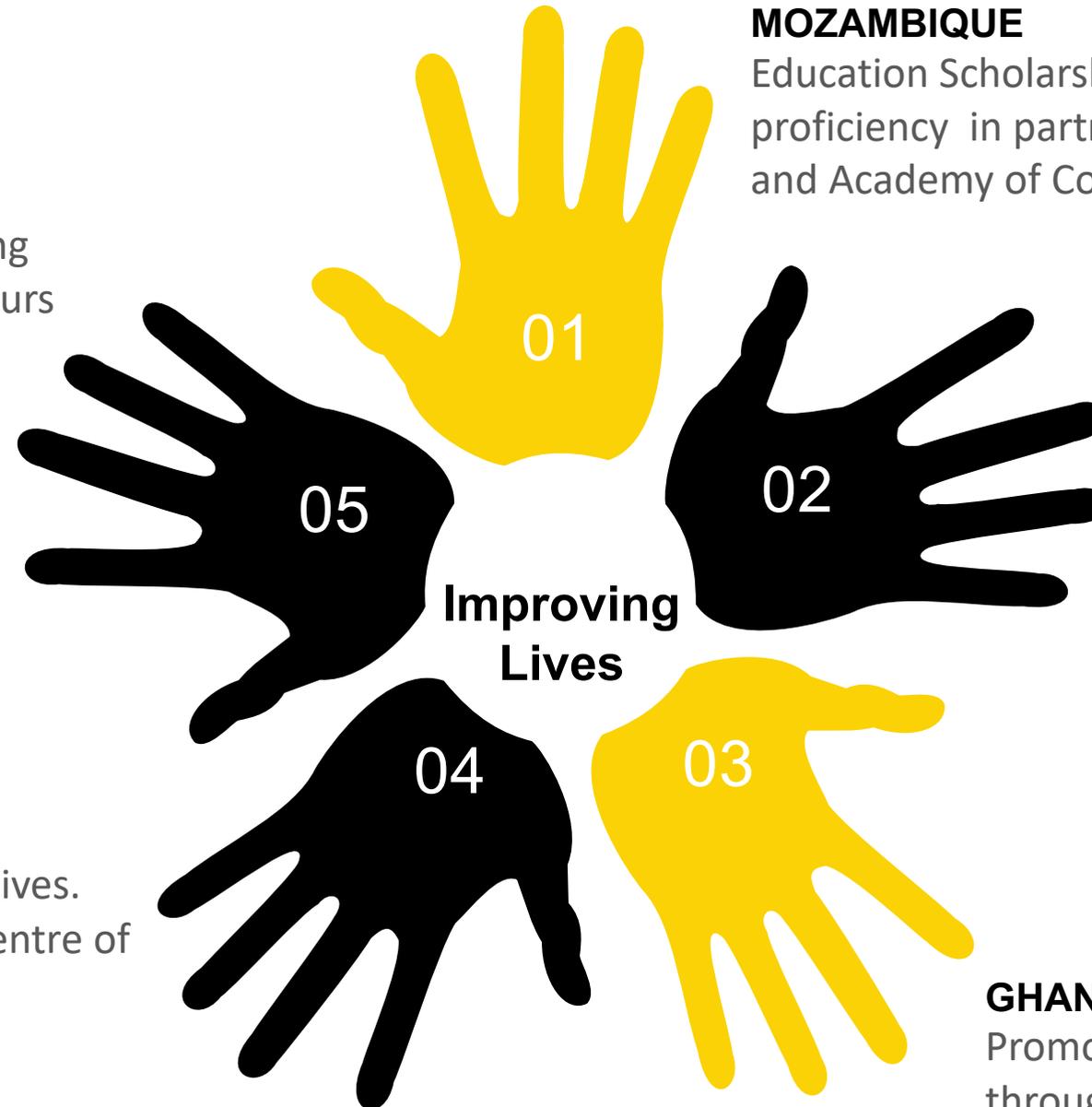
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## **BOTSWANA**

Digital Mastery Program benefiting young aspiring Digital Entrepreneurs to support Career growth and development

## **NAMIBIA / BOTSWANA / KENYA**

Driving Affordable Housing initiatives. Partnerships with DFIs and the Centre of Affordable Housing



## **MOZAMBIQUE**

Education Scholarships for youth Technical proficiency in partnership with Ministry of Education and Academy of Community Development (CADE)

## **UGANDA**

Rotary Partnership for Maternal Child and Mental Health in less advantaged communities through youth sport engagement .

## **GHANA**

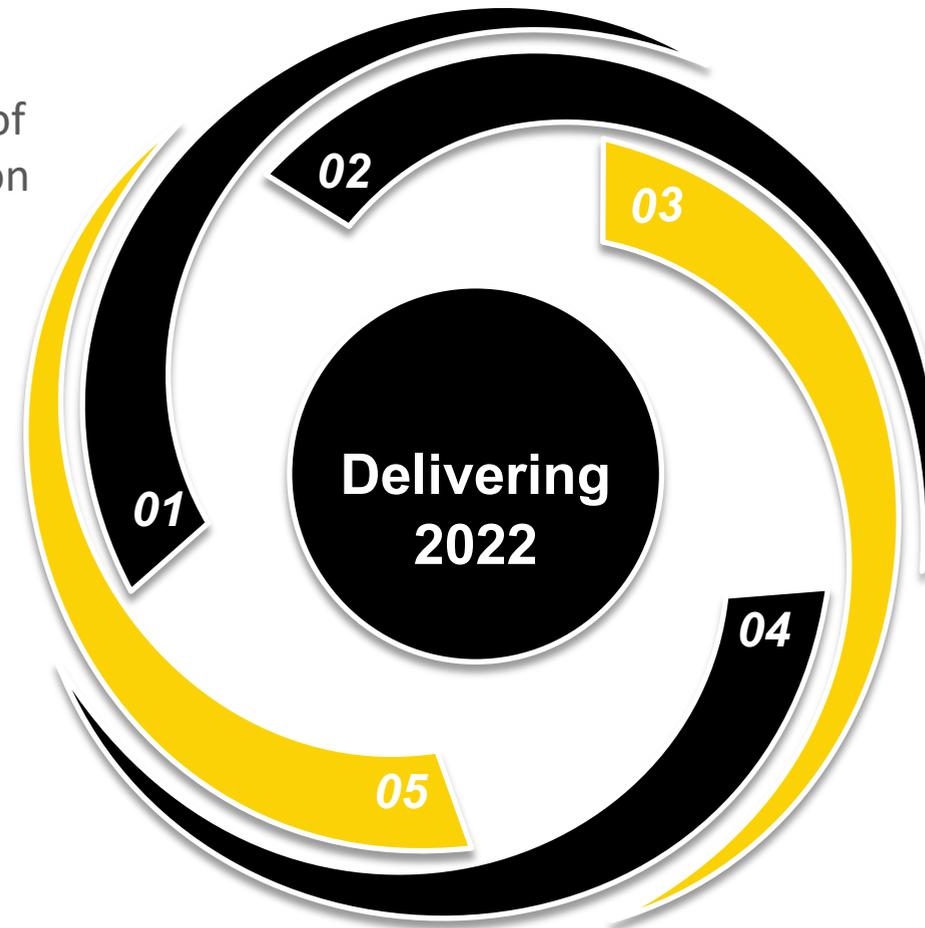
Promoting environment awareness through green initiatives

### **Reduce Cost of Funding**

Reduce Cost of fund through a focus of Treasury Management and Localisation of borrowings.

### **Continued focus on Sales momentum**

Increasing sales , through enhanced Sales management processes, data analytics and Digital customer engagement



### **Cost Management**

Cost controls and optimisations on major cost lines including processes, products, people and infrastructure

### **Grow Non Funded Income**

Product Diversification building on the 39% growth non funded income in the half under review driven by Insurance and payment products..

### **Continue our Digital transformation**

Enhance Digital platform for an end-to-end better customer experience, broader product offering and customer engagement.

**Thank you**