

Letshego Group

FY 2018 Results Presentation

Smit Crouse
Group Chief Executive
5 March 2019



CEO's Remarks



“In a world where change is exponential, evolution of one’s strategy and resultant business model are essential to deliver superior returns to shareholders, whilst creating value for all stakeholders including customers, staff and regulators. With so much unrealised potential, Letshego is now due for CHANGE.”

- Smit Crouse

Agenda for today:

A large yellow graphic on the left side of the slide, consisting of a vertical bar with four arrowheads pointing to the right, each corresponding to one of the agenda items.

Topics:

Highlights

Financial and Business Review

My first 100 days in office

Going Forward: Key Priorities and Strategic Thinking

Disrupting the way we do business:

1

Consolidation and rationalisation – Our Operations

2

Delivering shareholder returns - Our Strategy and Business Model

Highlights

Financial & Business Review

My first 100 Days in office

Going Forward: Key Priorities and Strategic Thinking

Financial highlights

| | FY 18 | FY 17 | % Change | |
|------------------------------|-------|-------|----------|---|
| Interest Income (BWP bn) | 2.7 | 2.3 | 21 | ▲ |
| Impairment Provision (BWPmn) | 361 | 237 | 52 | ▲ |
| Profit After Tax (BWPmn) | 510 | 681 | 25 | ▼ |
| Cost to Income Ratio | 42% | 40% | - | ▲ |
| Return on Equity | 12.2% | 16.7% | - | ▼ |
| Total Assets | 10.6 | 9.0 | 19 | ▲ |
| Capital Adequacy Ratio | 35.0 | 44.0% | - | ▼ |
| Earnings Per Share (thebe) | 20.7 | 29.8 | 31 | ▼ |

- Key points:**
- Loan loss ratio: 4.1% (2017; 3.1%)
 - Effective tax rate: 50% (2017; 32%)
 - RoE (Normalised): 13.6%

Operational highlights

Leading provider of payroll deduction lending solutions in the salaried formal sector in sub Saharan Africa

11 countries

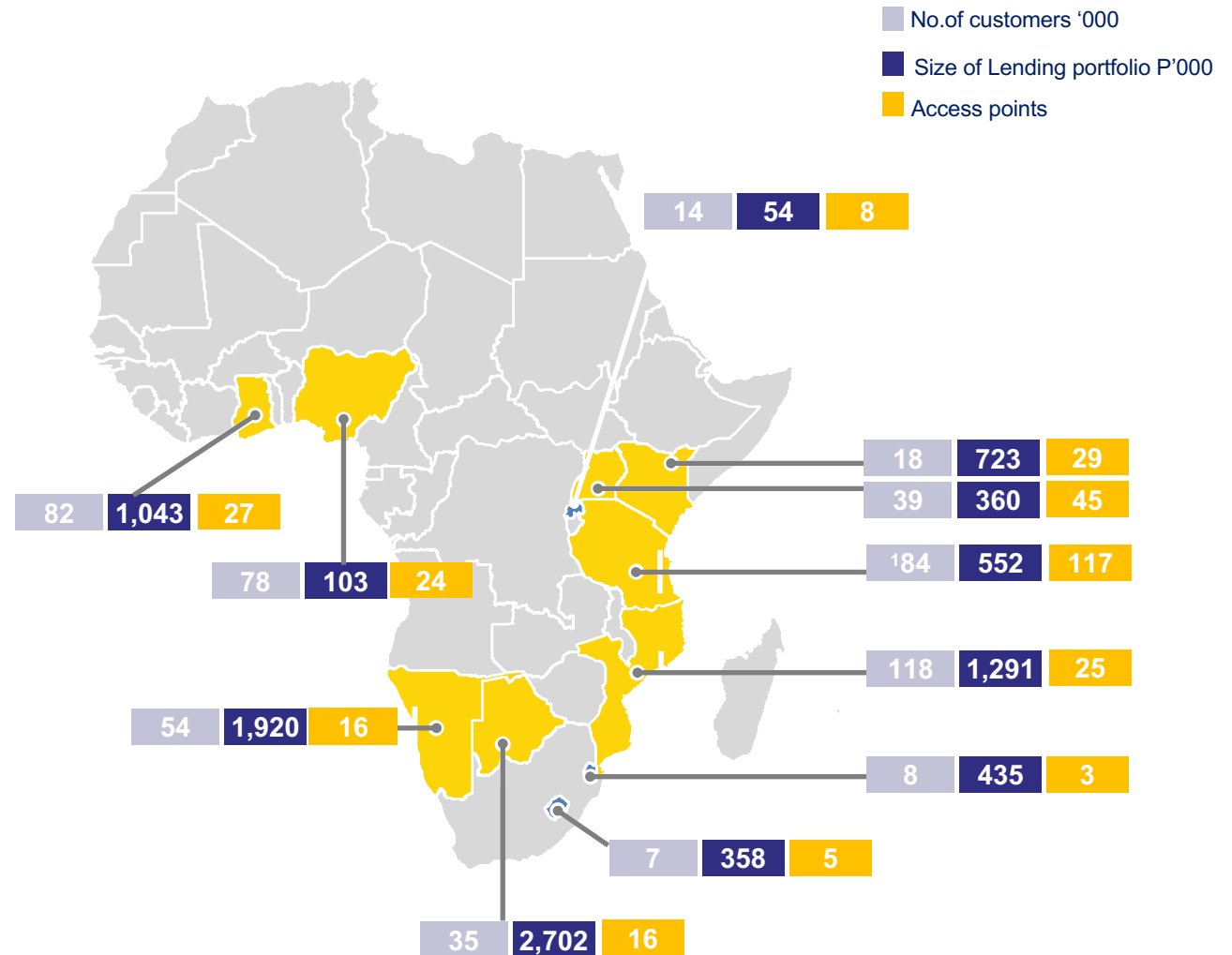
1,882 employees

315 customer access points

364k borrowers

173k savers

Newly formed Group ExCo



1 Tanzania includes LBT and Faidika

New senior leadership appointments



FRED MMELESI, *Group Chief of Staff*

- Over **20 years of finance experience** across Letshego business
- **CEO Letshego Botswana for 10 years** overseeing extensive growth
- Prior role Group Head Consumer Solutions



TAYO EMDEN, *Group Executive, Centre of Excellence*

- **Expert commercial strategist with 16 years** in CPG, Telco and Retail Banking
- **Standard Bank - Regional Head Marketing and Strategy, West Africa**
- McKinsey - Associate Partner and Senior Expert heading up the Africa Marketing and Sales Implementation Hub



TOM MARX, *Chief Risk Officer*

- **Served 18 years as Chief Risk Officer at HSBC Sub-Saharan Africa**
- Leadership and management experience includes acting as CEO and COO
- Drove the establishment of 6 Sigma (LEAN) capacity whilst at HSBC bank



JOSIAS DE KOCK, *Independent Non-Executive Director Chairman of the Group Investment Committee*

- **Josias appointed ACTING GROUP CFO at Letshego** having previously served as a Member of Letshego's Group Audit Committee, Group Risk Committee and the Group Nominations and Social Ethics Committee
- **Senior career roles include Chief Financial Officer, Chief Risk Officer and Executive Director**
- Experience gained from Sanlam Group, Premier Foods, PSG, Rand Merchant Bank and BOE Bank Prior role Group Head Consumer Solutions
- **Consulted to the South African Government's Ministry of Finance and the South African Reserve Bank ('SARB')**



EMMANUEL LAMPTEY, *Group Chief Operating Officer*

- **Over 18 years of finance experience within Africa**
- **Corporate Banking, Finance and Asset Management experience** in EcoBank, Standard Bank & Alexandre Forbes **across 30 countries**



IAN ABRAHAMS, *Group Head of Credit*

- **30 years Credit Risk and Credit Operations experience**
- Senior roles Renmoney MFB, Capitec Bank, Edcon Group and Standard Bank
- **Managed Renmoney to profitability after 4 years of losses**



KAMOGELO CHIUSIWA, *Group Head of Human Resources*

- **Former Botswana Power Corporation, General Manager Human Resources**
- **Led Botswana Post's People Strategy that achieved 2nd place** and won the Standard of Excellence Achievers Award

Highlights

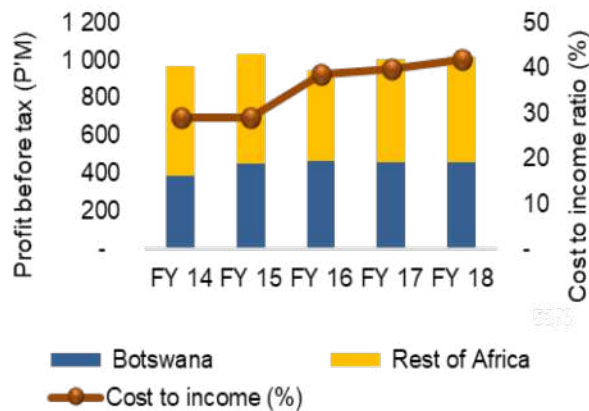
Financial & Business Review

My first 100 Days in office

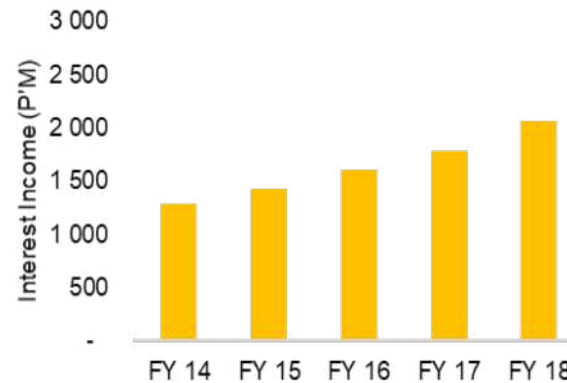
Going Forward: Key Priorities and Strategic Thinking

Key indicators:

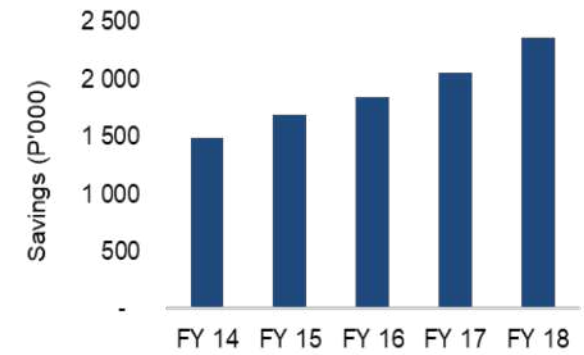
Geographic Diversification and PBT to Cost to Income ratio



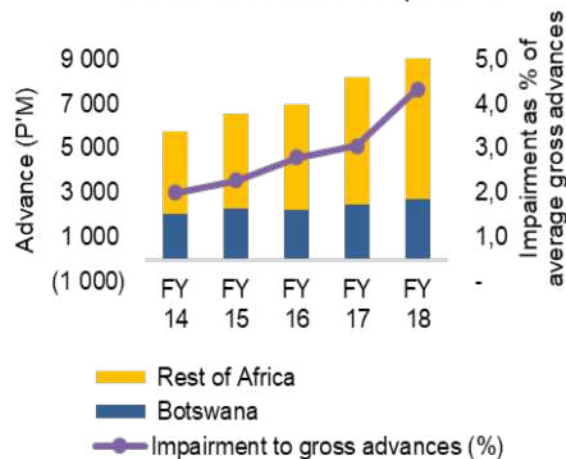
Net interest income



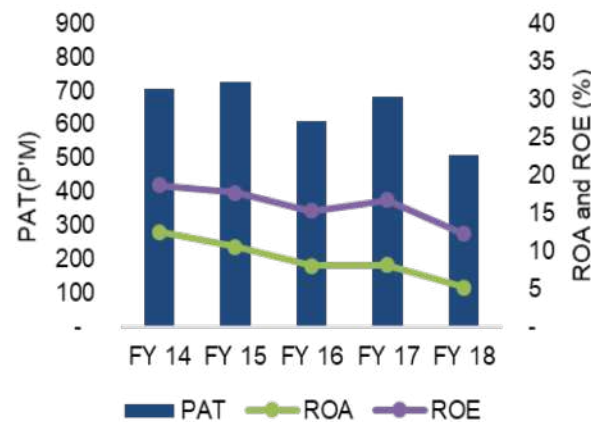
Operating Income



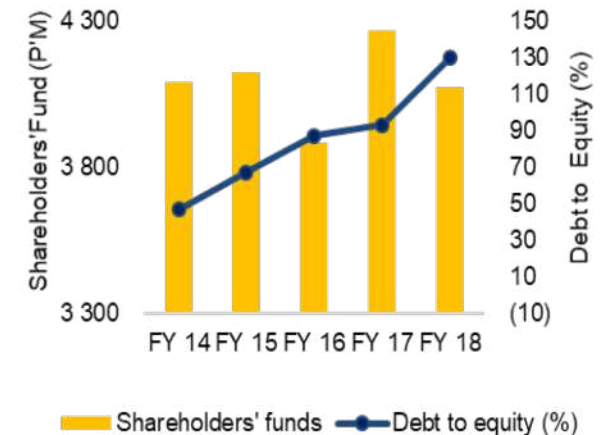
Gross Advances and Impairment



ROA vs ROE vs PAT

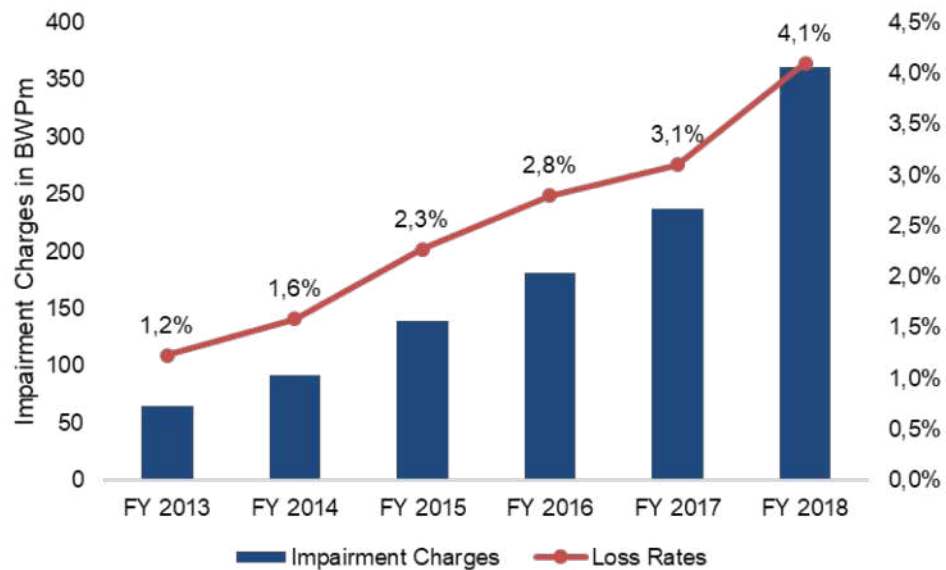


Shareholders' Fund: Debt to Equity

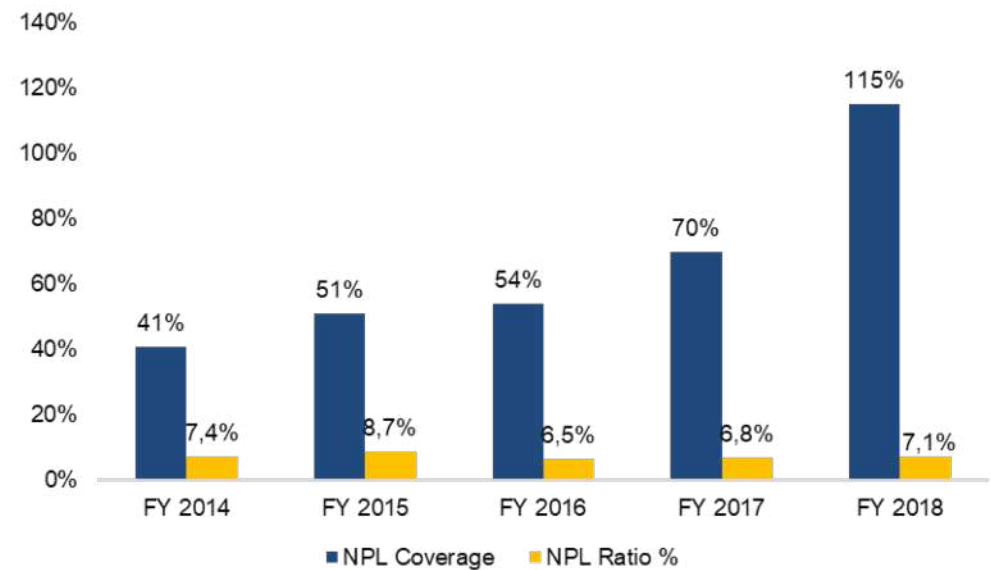


Portfolio quality:

Impairment Charges & Loss Rates



NPL Provision Adequacy



Capital management:

Funding

- Drew down P634mn **MIV/ DFI** funding

Share Buy Backs

- No share buyback has been exercised in this period

Credit Rating

- **Ba3 (stable) outlook** affirmed by Moody's Investor Services

Financial Covenants

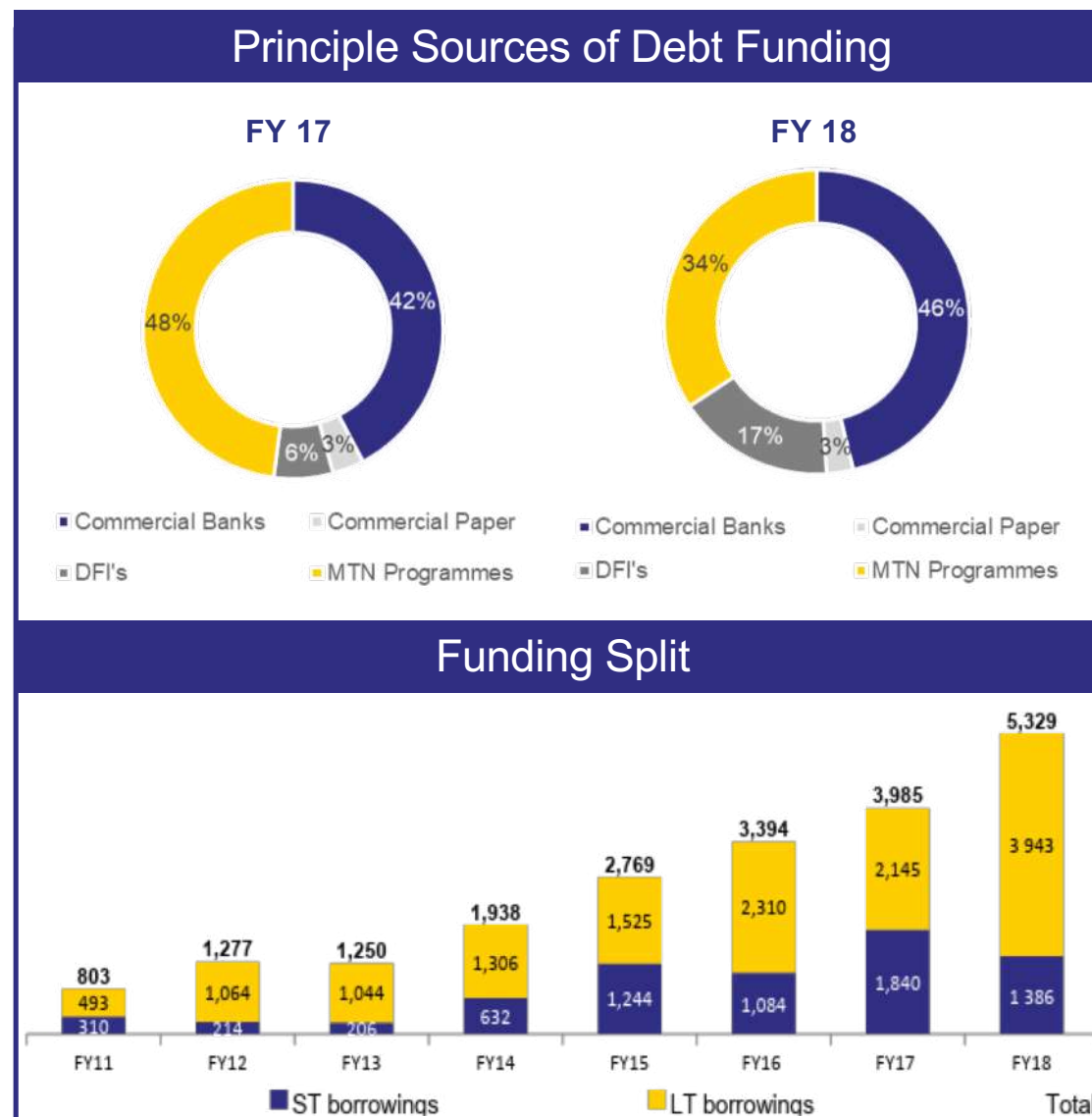
- Secured property ratio is < 67%

Capital Adequacy

- CAR 2018 (35%), 2017 (44%)

Dividends

- Dividend pay out ratio unchanged at 50% of PAT



DAS continues to deliver strong top line performance

| | FY' 18 | FY' 17 |
|---|--------|--------|
| Operating Income (BWPmn) | 2,017 | 1,809 |
| PBT (BWPmn) | 967 | 1,018 |
| Advances (BWPmn) | 8,238 | 7,279 |
| Loan Yield (%) | 32 | 33 |
| Loan Loss Rate (%) | 2.2 | 1.8 |
| NPL's Provision Coverage (%) | 95 | 65 |
| Net disbursements to customers (BWPmn) | 2,050 | 1,989 |

Key Points:

- **DAS profit constitutes 95% of total Group profit**
- Ghana and Uganda grew loan book by > 50% and 20% respectively
- Non-government contributes 13% to total loan book
- Awarded federal government deduction code in Nigeria, approximately 800K employees
- Collection rates above > 90% in most markets

Growth in MSE

| | FY' 18 | FY' 17 |
|--|--------|--------|
| Operating Income (BWPmn) | 345 | 246 |
| PBT (BWPmn) | 54 | (15) |
| Advances (BWPmn) | 920 | 892 |
| Loan Yield (%) | 37 | 37 |
| Loan Loss Rate (%) | 10.8 | 10.4 |
| NPL's Provision Coverage (%) | 128 | 101 |
| Net disbursements to customers (BWPmn) | 706 | 724 |

Key Points:

- Number of schools financed over 2 years across different markets - 956
- **Agri-solution grew by 66% since launch in Uganda, Kenya and Nigeria**
- Implemented Credit scoring tool for Tanzania and Nigeria
- Collaboration with First Access on Agri loan disbursements for Nigerian Incentive Based Sharing System for Agricultural Lending (NIRSAL) finalised

Lending analysis

| Country | Current Gross Loan book | Deduction at Source | MSE | % of Book | Loan growth from prior period in BWP | Loan growth from prior period in local currency |
|------------|-------------------------|---------------------|------------|-------------|--------------------------------------|---|
| | BWP mn | | | | | |
| Botswana | 2,702 | 99% | 1% | 27% | 10% | 10% |
| Kenya | 723 | 17% | 83% | 8% | 31% | 19% |
| Lesotho | 358 | 100% | – | 4% | (13%) | (7%) |
| Mozambique | 1,291 | 100% | – | 14% | 26% | 20% |
| Namibia | 1,920 | 100% | – | 19% | (1%) | 5% |
| Nigeria | 103 | 13% | 87% | 1% | 70% | 58% |
| Rwanda | 54 | 0% | 100% | 1% | (9%) | (12%) |
| Swaziland | 435 | 100% | – | 5% | 17% | 25% |
| Tanzania | 552 | 100% | – | 6% | (4%) | (9%) |
| Uganda | 360 | 56% | 44% | 4% | (6%) | (0.1%) |
| Ghana* | 1,043 | 57% | 1% | 11% | 179% | 91% |
| | 9,541 | 86% | 10% | 100% | 17% | 16% |

*Ghana other loans to the informal sector excluded from the table above

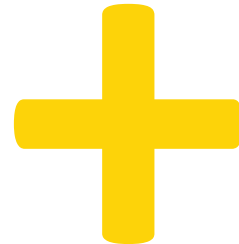
- Highlights
- Financial & Business Review

My First 100 Days In Office

- Going Forward: Key Priorities And Strategic Thinking

Group Chief Executive Mandate

Create an Equity Story



**Establish confidence in ability to
deliver on Equity Story**

Approach: Listen and Learn

During my first 100 Days I travelled across our footprint to **listen** to all stakeholders and **learn** about the business and operations







Facing the facts

*Sub optimally structured for success;
impacting performance and value
creation potential*

*Transformational steps
required to put Letshego
on a winning path*

My response:

| | | Detail | H2'18 | | H1'19 | | H2'19 | | | |
|--|--|---|---|--|-------|--|-------|--|--|--|
| Building a foundation for future growth | | | | | | | | | | |
| Learnings | Review Business Quality across footprint | Good progress made but more work to be done |  | | | | | | | |
| | People and Organisational Structure Review | Alignment of country business structures and roles. Ongoing review to ensure best talent in right roles |  | | | | | | | |
| | Operational Review | Strengthening key fundamental operational capabilities. Empower local operations |  | | | | | | | |
| | Strategy and Business Model | Deliver a uniquely scaleable value proposition |  | | | | | | | |

- Highlights
- Financial & Business Review
- My first 100 Days in office

Going Forward: Key Priorities and Strategic Thinking

Key Priorities

Our key priorities are:

1 Refocusing on our core Deduction at Source business:

- Moving from a position of strength
-

2 Rationalising operational structure

- *Refocus HoldCo's function* to enable operational excellence through an optimised reporting structure
 - *Invest in management depth* to strengthen key fundamental operational areas
 - *Address staff allocation and expenses* across the group, starting with HoldCo
-

3 Rationalising operational expenses

- *Targeting <40% Cost to Income Ratio* in 2019
-

4 Establishing fundamental capabilities:

- *Building the right capabilities to create a sound springboard for our future strategy*

Strategically...

...taking a disruptive approach to our business, anchored in financial objectives and strategic thinking



Conclusions

- First 100 days review has **identified clear actions** now prioritised
- New Group **leadership team appointed**
- Rationalisation of organizational structure and group expenses
 - **Cost to income** ratio target of **below 40%** FY 2019
- Investing in **building the right capabilities**
- Creating a **strategy to deliver shareholder value**

Thank You