



SELECT

SELECT AFRICA

GROUP OVERVIEW

June 2024



Select at a Glance

SELECT'S FOOTPRINT

loan book operations in:

5 countries

17 branches & **4** call centres

47 satellite offices & c. **473** mobile sales agents

c. **188** full time employees

c. **62k** loans

Focus on incremental housing & education loans

Variable cost base driving scalability

Highly cash generative

2023 FINANCIAL HIGHLIGHTS

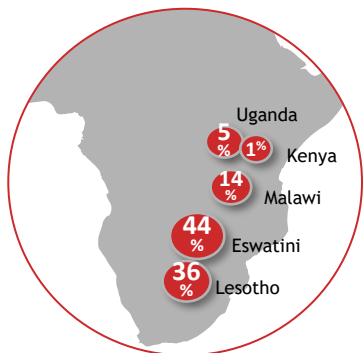
USD 96.2m gross loans

Gross loan growth of c. **165%** over 12 years

First stage collection rate > **95%**

Loan impairment provision of c. **3.2%** & loan write off < **1.3%**

31-Dec-23 gross loan book segmentation



PROVEN TRACK RECORD

Driven by experienced & committed management team with > **25** years operations

Digital paperless loan management system resulting in operational efficiency & enhanced control environment

3rd party loan administration, finance & operations reporting

Government licenses & payroll deduction codes

High standards of corporate governance and reporting

Eswatini's first mixed-use development, Malkerns Square, with 147 rental apartment units, a fully let retail shopping centre and 8 full title houses for sale or rent.

A RESPONSIBLE LENDER

Financial inclusion to under-banked market with built-in lending mechanisms to ensure customer affordability

Credit life insurance embedded in loan product to customers

"BB-" Social Rating for Lesotho and Malawi operations in 2020

Long term affiliations with leading DFI's and technical partners

Significant contribution to African capital market development

Select's operations are aligned to:



What Differentiates Select



SELECT'S LENDING MODEL: Select is a financial services group focused on the extension of retail unsecured "productive use" microfinance loans, including incremental housing, education, ranging from three to eighty-four months. Select commenced operations in August 1999, with its first branch in Mbabane, Eswatini. Today, the Group has operations in Eswatini, Lesotho, Malawi, Uganda and Kenya. The Group holding company is incorporated in Mauritius.



MICROFINANCE & SELECT'S CUSTOMER: Microfinance is the provision of small-scale financial loan products to lower-income individuals. Select's customer base tends strongly towards public sector employees, typically the largest and most stable formally employed in Africa, and quite resilient to economic cycles. Our customer is employed, yet unable to access credit through traditional banking channels due to the banks' aversion to perceived higher risk customers.



COLLECTIONS: Select's loan repayments are predominately made via payroll deductions, with government deduction agreements in place, allowing for consistently strong collection rates.



SELECT ADVISORS & AFRICAN ALLIANCE SUPPORT INFRASTRUCTURE: In country executive management are supported by Select Advisors, a senior operations and advisory team based in Johannesburg, South Africa. Select benefits from the infrastructure of its major shareholder, African Alliance, including a well-defined and robust corporate governance framework, centralised IT, statutory, regulatory, legal and HR functions. African Alliance is a premier investment banking and investment holding group operating across Sub-Saharan Africa.



PIVOT BACK OFFICE & FINANCE CONTROLS: Select's operations are strengthened by an administration hub, Pivot, located in Mauritius. Established in 2008, Pivot is responsible for loan book management, workflow administration, document management and accounting, providing an enhanced control environment through segregation of duties.



SELECT'S CREDIBILITY IN THE IMPACT INVESTMENT ARENA: Select has built long-term affiliations with leading DFI's, impact investors and technical partners in the incremental housing and microfinance arena.

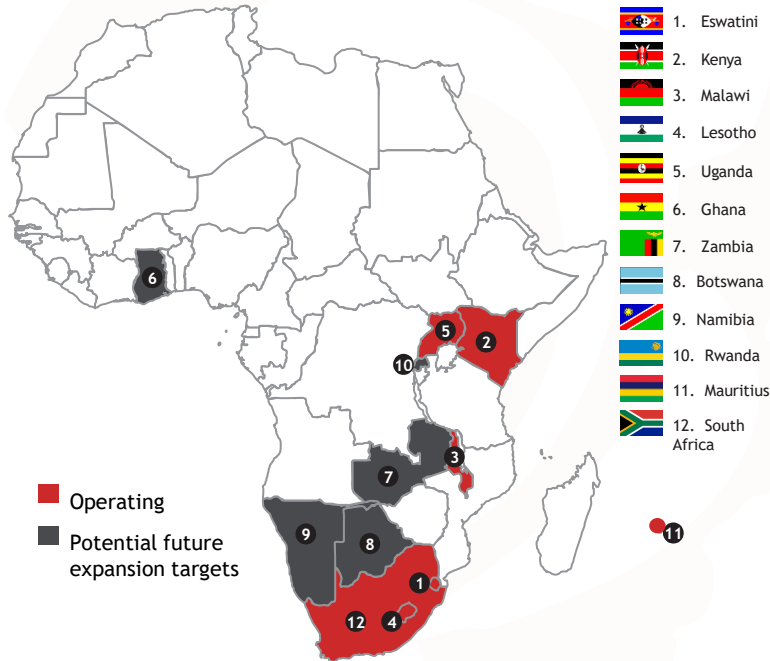
Select's African Footprint

Select's loan operations are in Eswatini, Lesotho, Malawi, Uganda and Kenya, with administration & advisory hubs in South Africa & Mauritius

Africa provides a compelling investment case. Compared to other world regions, Africa has:

- high population growth rates;
- rapid urbanisation;
- a young labour force;
- a large civil servant population;
- a large housing deficit; &
- rising GDP per capita (notwithstanding current economic pressures*).

* Including post Covid recovery, global economic pressure with high interest rates & inflation, political uncertainty with major election year in 2024



Select monitors the economic & political climate in our target geographies to ensure that we are well-placed to provide the right products, at the right time, for our target market.

Select's Key Financials

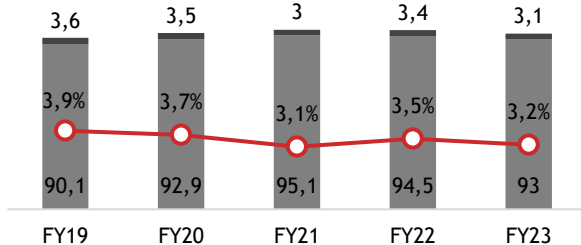
FY19:
Increased disbursements, lower impairment & positive USD conversion of local currency loans

FY20 & FY21:
Difficult global trading environment with Covid-19 & lock down restrictions, but stable loan book growth

FY19: High revenue from large loan book with increased disbursements in all jurisdictions, despite a weaker average USD exchange rate

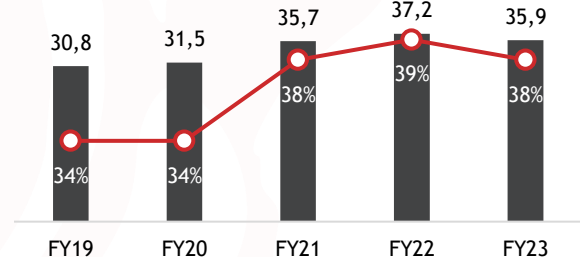
FY22: Revenue uptick from a larger loan book with increased disbursements in Lesotho & Malawi converted at a stronger average USD exchange rate, despite customer attrition in Kenya.

Loans and advances (USD 'm)



■ Provision ■ Net loan book —○— Provision as a % of loan book

Revenue (USD 'm)



■ Revenue —○— Average annual yield on loan book

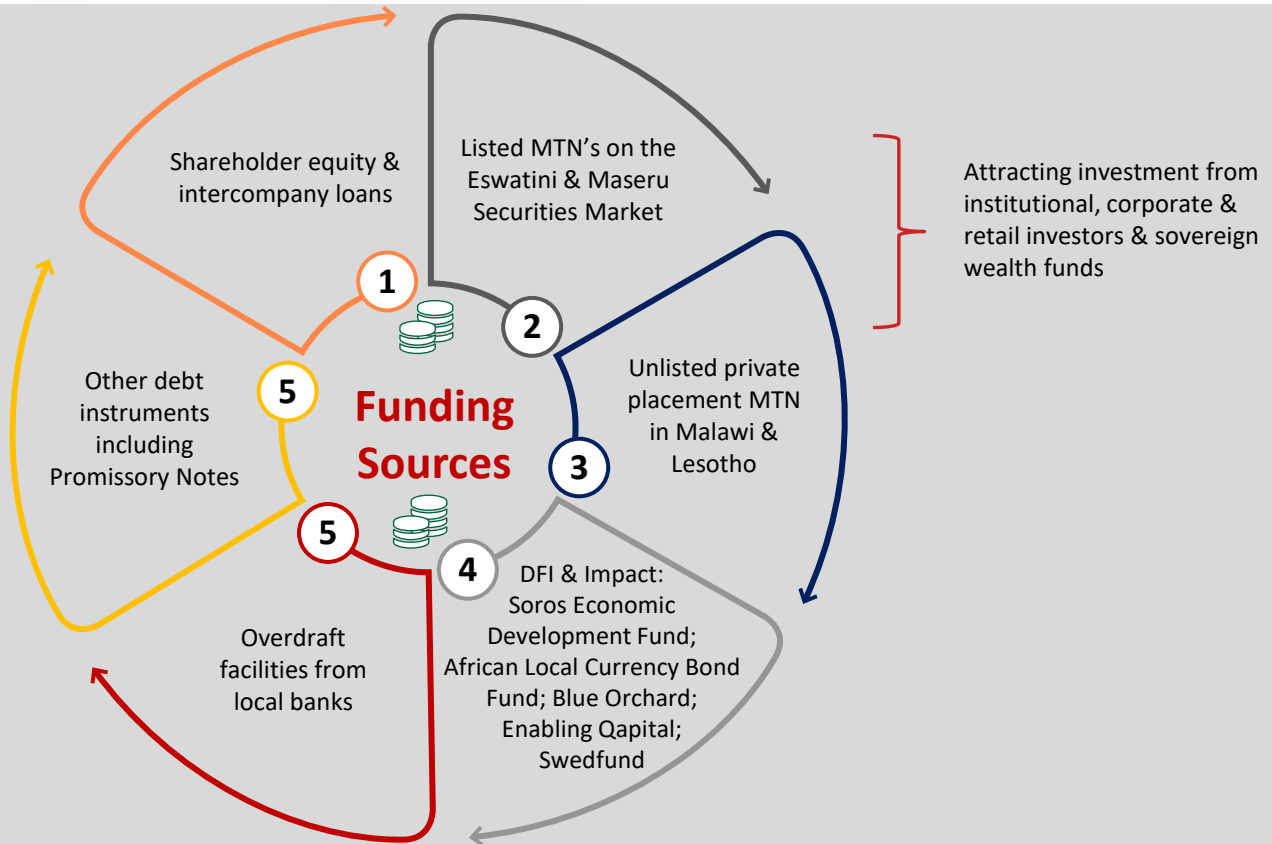
FY22 & FY23: Decline in loan book, despite increased disbursements & strong collections, due to the negative impact on USD conversion of local currency loans, especially with a 25% & 44% devaluation of Malawian Kwacha in May '22 & November '23. Coupled with low disbursements & competitor settlements from wind down of Kenya operations

FY20 & FY21: Despite a difficult global trading environment with Covid-lock down, stable but slight revenue growth, evidencing Select's relevance & resilient business model.








FY23: Revenue decline due to weaker average USD exchange rate & devaluation of Malawian Kwacha.

Funding

As a non-deposit-taking MFI, Select raises wholesale funding that it on-lends to customers. We raise capital at both a group and in-country level & our current funding structure is diverse, & includes:

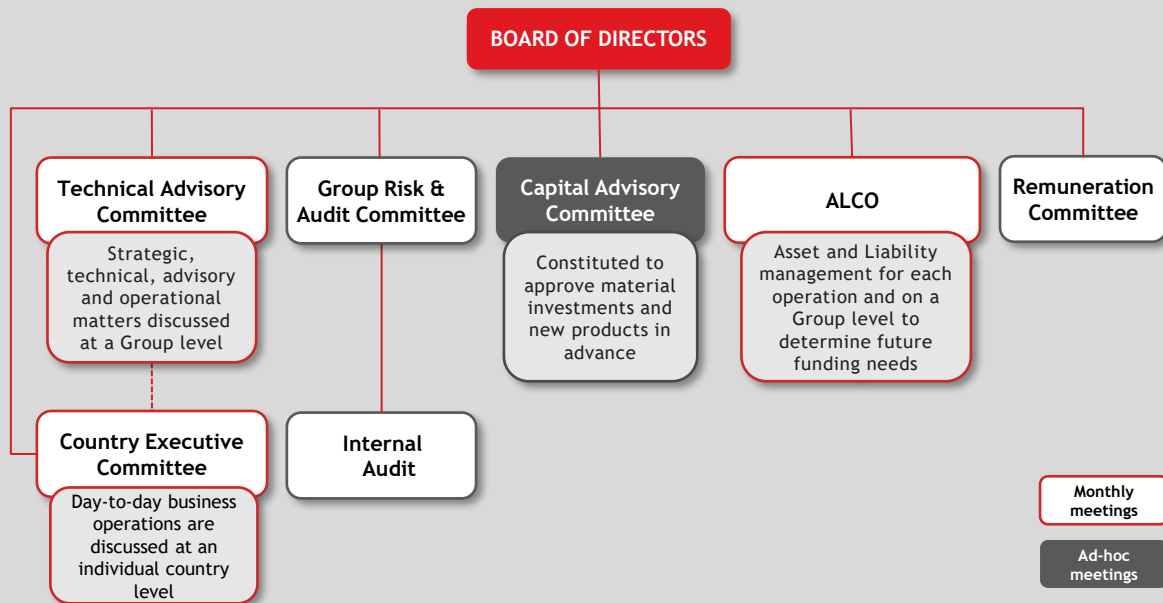


Our Partners

	<p>Established in 1997, Soros Economic Development Fund (“SEDF”) is a non-profit private foundation, founded by investor and philanthropist George Soros. SEDF promotes economic opportunities and access to affordable and essential goods and services for under-served populations in less developed countries, with a focus on financial inclusion. In January 2011 Select Malawi entered into a funding agreement with SEDF. Subsequently, SEDF extended further funding at a Group level for deployment into housing finance in other jurisdictions across the Group in September 2016. We repaid the final SEDF facility in 2023.</p>
	<p>The African Local Currency Bond (“ALCB”) Fund was initiated by KfW Development Bank and the German Federal Ministry for Economic Cooperation and Development (“BMZ”) in 2012, with additional investment from the International Finance Corporation (“IFC”), FSD Africa, and BMZ. In 2017, Select concluded investment from the ALCB Fund in our Malawi and Lesotho businesses, with further investment in 2019, 2021, 2022 and 2024.</p>
	<p>Blue Orchard (“BO”) was founded in 2001, initiated by the United Nations as the first commercial manager of microfinance investments in emerging and frontier markets. BO’s Regional Educational Fund for Africa (“REFFA”) initiated by KfW in 2012 is designed to increase equal access and enhance education quality across Africa. In December 2019, Select concluded investment from BO REFFA in our Eswatini business, with additional Blue Orchard Microfinance Fund (“BOMF”) investment in 2021, 2022 and 2023.</p>
	<p>Select’s fully automated, paperless loan origination and management system was developed by MIP. The system has substantially improved operational efficiency with quicker loan disbursement turn-around, improved customer experience, enhanced internal controls, and reduced operational costs.</p>
	<p>Microfinanza Srl is an independent rating organization with deep knowledge of the access to finance and financial inclusion challenges in Africa, Asia, Latam. MFR has carried out several assignments worldwide and has partnered with more than 100 organizations. MFR independently assessed Select Malawi and Lesana’s social performance management and client protection systems in 2020, resulting in an inaugural Social Rating of “BB-” satisfactory alignment.</p>
	<p>Select is a member of the African Union of Housing Finance (“AUHF”), which currently has 48 member institutions. AUHF is a member-based association of mortgage banks, building societies, housing corporations and other organisations involved in the mobilisation of funds for shelter and housing on the African continent.</p>
	<p>Excalibur is the leading software system servicing the debt collection industry for over 10 years, with over 11k active users and proven its stability to handle large volumes and multiple workflows.</p>

Corporate Governance

Select is committed to the principles of sound corporate governance to safeguard the interests of the group, shareholders, and investors. Management and the board believe that sound corporate governance principles and processes are fundamental to delivering sustainable growth. The Group complies, in all material respects, with best practice corporate governance principles set out in King III. SBC Limited is listed on the Eswatini Stock Exchange, and therefore complies with the listing requirements. Several committees have been established to assist the board of directors in overseeing various areas of governance.



Select's Prospects

Organic growth

- Growth in Select's loan book through innovative and competitive products, with customer service at the core and remaining agile in satisfying our customer requirements;
- Malkerns Square - an iconic, environmentally responsible, and resource-efficient lifestyle property development in Eswatini, with phase 2 development of an additional c.400 apartment units on a lease to own model and a retail shopping centre with gross lettable area of 6,995 sqm.
- Expansion of Select's country presence throughout the rest of the African continent, including current expansion targets in Botswana and Namibia.

Acquisitions

- Identify and take up investment opportunities in the retail financial services sector across the African continent, with the aim to grow these investments into sustainable businesses.

Brand identity

- Respected and renowned thought leaders in housing finance;
- Strong brand identity as Africa's premier housing micro-financier;
- Expansion of funding base through structured debt programmes and relationships with DFI's, impact investors and local institutional investors;
- Establish and maintain technical partner relationships.



Select has an established infrastructure platform, a proven track record coupled with experienced management, and a robust corporate governance structure. Select has a defined plan to apply this expertise to establish businesses in other sub-Saharan African countries, and to establish new product offerings. This expertise, coupled with the potential of the African continent, provide the impetus for Select to accomplish its growth objectives.

Contact us



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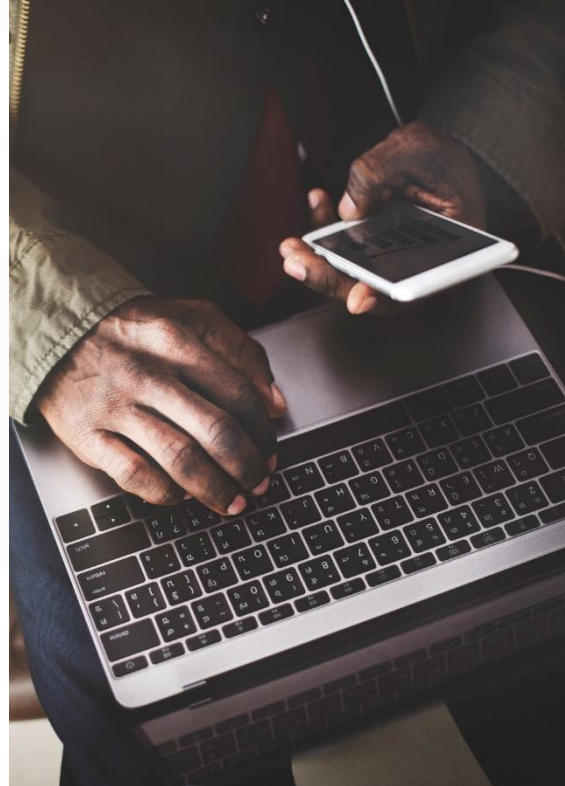
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