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**NOTICE TO ALL SHAREHOLDERS**  
**STRATEGY UPDATE**

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Letshego Holdings Limited ("LHL" | "the Group" | "Letshego"), incorporated in 1998, is headquartered in Gaborone and has been publicly listed on the Botswana Stock Exchange (BSE) since 2002. Letshego is an inclusive finance focused Group with microfinance banking and consumer lending subsidiaries across eleven countries in sub-Saharan Africa.

**RESILIENT PERFORMANCE**

Letshego's second half has shown sustained business resilience, reflecting an overall solid financial performance and significant strides in the Group's strategic agenda. Letshego's top line performance in H2 is projected, at a minimum, to mirror the first half, while profit-before-tax is expected to surpass H1. This is driven by steady growth in interest income and strong credit performance, against a backdrop of a growing funding base and significant investment in end-to-end system automation and digitalisation - in line with the Plan 2 phase of the Group's 6-2-5 execution roadmap.

The Group's top risks remain well-managed, with robust capital and cash positions. The quantum of the Group's funding base has grown, maintaining a diversified mix, following deliberate steps to expand funding buffers. Stability in incremental bottom line performance has been supported by continued credit focus, strengthened risk infrastructure and benefit from specific releases.

Cost of Credit risk has improved in the second half, and is projected to remain well below 1% for the full year. Progress in enhancing credit processes and frameworks within individual subsidiaries has been successful. Examples include addressing legacy credit portfolio challenges in Tanzania, and establishing regional standards in the automation of straight-through processing for government databases in Uganda. Portfolio indicators are holding strong on the back of enhanced credit risk management capabilities, strengthened credit risk governance and improving risk infrastructure.

In line with expectations, the increase in the Group's funding to support future growth and the incremental investments into our transformation agenda is projected to result in a higher cost-to-income ratio. The Group's enterprise discipline in strategic execution, operational efficiencies and risk management is however, expected to ensure consistency in shareholder value and return.

Momentum into 2022 is strong as the Group begins to reap the benefits from investments in derisking, diversification and digitalisation. The ongoing pandemic, with the highly contagious fourth wave caused by the Omicron variant, will remain a factor to watch in terms of future impact and business performance.

Moody's has affirmed Letshego Holdings Limited's rating at a corporate family rating of Ba2, issuer ratings at Ba3/NP and outlook stable. Against the backdrop of ongoing fluid economic conditions arising from the pandemic, this is a very positive result.

## **SIGNIFICANT STRIDES IN STRATEGIC TRANSFORMATION**

The Group continues to make dynamic and exciting progress in its transformation agenda, aligning with its 5 Strategic Conversations. Digitilisation remains key to our strategic aspirations and integral to our franchise.

Along with the digitalisation agenda, the Group is focused on fostering a broad range of strategic partnerships with fintechs etc to: enhance customer experience; increase customer acquisition; boost strategic value; extend system and operational capabilities and to bring innovation into new financial and non-financial products.

**Digitalisation - creating a future-fit business:** This year's launch of the LetsGo Digital Mall across ten markets marked a significant milestone in our digitilisation journey. The LetsGo Mall is expected to optimise customer experience given the ease of access and shortened processing times. The Group is on track to deliver its 10 minute loan solution in at least 3 markets by the end of Q1 2022.

Digitilisation is a key enabler for exponential growth in customer acquisition, which leads to enhanced franchise value. Enterprise Active Customers (EAC) on the LetsGo Mall is currently approaching 100,000, with new EAC registrations currently exceeding 10,000 per week. The Group is on course to achieve its targeted 1 million EAC by 2023.

The Digital Mall affords the opportunity to create a platform business facilitating a commercially viable ecosystem, boosting scale and reach for the benefit of our customers, and ultimately contributing to desired growth in enterprise value of the business. Additionally, it provides access to data and AI driven analytics and opportunities to enhance customer experience and marketing impact. The integration of new fintechs and other partners is a priority focus and core to maximising the LetsGo Digital Mall's potential.

**Product Diversification:** Letshego's Deduction-at-Source (DAS) product remains core to the business and strategy, and will continue to be enhanced. Additionally, the Group is broadening its product offering within the Group's five value streams: lending, payments, savings, insurance and 'beyond financial services'. Product diversification into non-lending offerings serve to derisk the portfolio and create opportunities to grow alternative revenue streams.

Lending: Non-government Deduction-at-Source (DAS) lending will benefit from automation and digitisation of credit decisioning in Botswana. Under our Programmatic Approach, the Affordable Housing proposition commenced in Namibia in partnership with the IFC, and is expected to extend to remaining markets with participation from other partners.

Payments: Payments and remittance capabilities have now passed final trials, Namibia being the first market to launch an end-to-end payments solution. Mozambique leads with Letshego's first cross-border remittance services. Our partnership with Remita in Nigeria opens up additional scope for growth in payment services.

Insurance: Strategic partnerships that offer personal and household insurance have launched in 3 markets, with digital and online access enabled in Kenya. The insurance sales offering will transition to the LetsGo Mall by end Q1 2022.

Savings: The Group continues to innovate with the launch of a crowd funding capability enabling family and friends to support and save together on the LetsGo Digital Mall. The first digital savings pilot will commence in Namibia and Ghana, with other markets to follow, subject to regulatory permissions.

Beyond Financial Service - a series of non-financial value-adding solutions that supports customer lifestyle needs. Digital Health is the first solution to pilot on the LetsGo Mall. This is an affordable health and wellbeing partnership with Syntro-P and is expected to launch in all markets in early 2022. This aligns with Letshego's purpose to leverage its strengths and experience to identify new and innovative ways to improve lives, across our community.

**Geographic Rebalancing**: East and West markets are set to achieve the Group's 5 year plan to increase income and profit contribution towards 50% of Group earnings. In 2021, Ghana and Uganda have maintained their positive growth trajectories, with Kenya likely to join the BWP100 million PBT club'. However, business momentum in Tanzania has remained challenged through 2021.

**Embedding an Agile and People-First Culture**: Enterprise Agility is the primary methodology the Group is adopting to improve its way of working, and support the delivery of our transformation strategy within stipulated deadlines.

This year, more than 500 employees have participated in next level agile training, with 40 members securing 'SAFe Scaled Agility' certification. By year end, more than 30 cross-functional and cross-geographical squads will be supporting income generating streams.

The following senior appointments were made in the second half of the year to align and support the Group's strategy: Group Compliance Consultant - Richard Smith; Group Tax Consultant – Josephine Banda; Head of Group Shared Services - Musu Ceesay; Head of Group Payments - Russell Akoum; Head of Group Programmatic Approach - Lucy Kiai; Technology Lead for Group New Ventures - Ato Okyir and Commercial Lead for Group New Ventures - Phaneni Silitshena.

Letshego's average Employee Engagement Score continues to rank higher than market average.

## **DELIVERING INCREMENTAL SHAREHOLDER VALUE**

A key strategic objective within the Group's 5 year strategy is to build a digital-first company, delivering Return on Equity (ROE) in excess of 20%. ROE for 2021 is expected to settle just below the mid teen range, just ahead of the H1 Result. The Group is on track to meet this aspiration by 2025, underpinned by platformification of the LetsGo Digital Mall, expanded customer access and product proposition, as well as enhanced operational efficiencies as the business drives towards near a 40% cost-to-income ratio.

To leverage opportunities in new ventures and progress the strategic momentum, Letshego has concluded its Capital Optimisation and Allocation Process to ensure that capital is deployed accretively across the Group.

The Group has strengthened its foundations in risk management to enable the execution and delivery of our strategy, safely and sustainably.

The launch of new products supported by fintech partnerships is set to create a much stronger customer value proposition, new business lines and revenue streams, leading to enhanced enterprise value for the Group. The franchise value of Letshego is projected to be increasing in tandem with the strategic transformation and evolution of the business.

## **OUTLOOK**

Letshego continues on its exciting journey, strengthening its foundations and becoming customer led to create a future-fit organisation. The Group is originating good quality business while maintaining a robust risk culture.

The Group remains alert to the challenges and risks that COVID-19 pandemic presents for its business, and is focused on promoting and facilitating the acquisition of vaccines to protect our employees, their families, our customers and broader communities where we operate.

Letshego is investing in its people and resources to drive our committed strategic transformation. The business has one more year to conclude its Plan 2 execution targets. The benefits of the Group's transformation journey are already evident, and expected to scale further by the end of 2022, maintaining the trajectory needed to meet 2025 strategic objectives.

## **CLOSED PERIOD**

Letshego Holdings Limited wishes to confirm that the Group will be entering a closed period from 1 January 2022, up until the announcement of full year results on or before 10 March 2022. Shareholders are advised to exercise caution during this period.

On behalf of the Board and Group Executive, Letshego would like to extend thanks and appreciation to our people, customers, partners, shareholders, investors as well as members of our communities for their ongoing support. We wish all our stakeholders a prosperous, safe and healthy 2022 and look forward to continuing to deliver sustainable value and enhancing our ability and purpose of improving lives.

On behalf of the Board,

**ENOS BANDA**  
Group Board Chairman  
30 December 2021

**ANDREW F OKAI**  
Group Chief Executive

**Sponsoring Broker :**

