

The Investor: Helios Investment Partners



Fund Manager: Helios Investment Partners LLP

Fund Name: Helios Investors III

Fund Size: USD1.1 billion

Total AUM: USD3.6 billion

Helios Investment Partners is an Africa-focused private investment firm with offices in London, Paris, Lagos, and Nairobi. Founded in 2004, the firm has raised three private equity funds and established a dedicated credit platform in 2015 which manages the TriLinc Global Impact Fund's Sub-Saharan African term loan portfolio. Helios received B Corp certification in 2019.

The Company: Fawry



Company: Fawry

Website: www.fawry.com

Industry / Sector: Electronic payments

Location: Egypt

Established in 2009, Fawry is an Egyptian e-payments company that enables banked and unbanked customers to pay a wide range of bills through multiple channels. The company offers its services across a network of 166,500 agents and 34 bank partnerships, serving close to 30 million customers. In the first half of 2020, Fawry offered over 850 services and processed 2.9 million average daily transactions across 300 Egyptian cities and suburbs.



Date of Investment:
September 2015

Amount:
USD40 million

Initial / Current Stake:
40.9% / 18.5%

Date of IPO:
August 2019

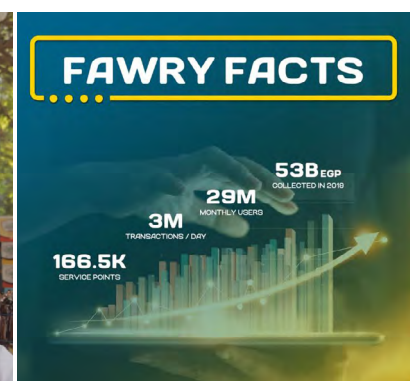
Opportunity

Fawry, founded by Ashraf Sabry, had become the largest provider of alternative digital payments in Egypt by 2015, providing a way for unbanked and underbanked customers to conveniently pay telecommunications bills in cash. The company offered 180 services to 13 million customers through a network of 50,000 brick-and-mortar agents across the country. Helios saw an opportunity for Fawry—with its brand, diversity of connections to service providers, and breadth of distribution—to diversify from a predominantly airtime and telecommunications bill payment business into a broad-based payments company that could service all Egyptians through a range of offline and online distribution channels.

In November 2015, Helios anchored an investment consortium to acquire 85% of Fawry for a collective enterprise value of approximately USD100 million. The consortium included the Egyptian American Enterprise Fund, the MENA Long Term Value Fund, IFC, and the Fawry management team.

“Fawry helps to solve the big problem of financial inclusion in Egypt on multiple fronts — for consumers, by driving card acceptance and online and mobile payments, and for merchants through payment functionality, point of sale devices, and working capital financing. Each business leverages off the others to create a defensive and self-reinforcing platform.

– Alykhan Nathoo
Partner, Helios Investment Partners



Execution

Helios has worked closely with Fawry's board and CEO in setting the strategic direction of the company and supporting its growth strategy in a way that would reinforce and strengthen the core alternative digital payments business. As a first step, the company expanded the number of payments services to give customers the ability to pay for a vast array of bills—including electricity, water, and gas bills, car license fees, traffic tickets, car insurance fees, university fees, syndicate membership fees, and donations—at a single agent location. As of October 2020, Fawry provides over 850 services—up from 180 services at the time of Helios' investment. The provision of a "one-stop shop" is highly valued by Egyptian consumers, especially in the context of life in large cities with heavy traffic and congestion.

Fawry has also expanded from a predominantly "agency-led" cash payments business to an "omni-channel" payments platform, enabling customers to pay through a multitude of offline and digital channels. Fawry's agent network has increased from 50,000 at the time of Helios' investment to over 165,000 as of October 2020, and services are now available through post offices, ATMs, third-party mobile wallets, and online devices. Fawry has also recently launched myFawry, its own branded mobile wallet app, which can be used to facilitate alternative payment services to its customers.

Leveraging its relationships, connectivity, and platform, Fawry has also moved into new business lines including supply chain payments, banking services, and microfinance. Supply chain payments allow SMEs to pay their suppliers either electronically or in cash using Fawry's cash centers, which lowers cash management costs and increases sales operation efficiency. On banking services, Fawry is adopting merchant acquiring, which enables small- and medium-size merchants to accept card and digital payments from consumers, as well as agent banking, which allows Fawry—in partnership with two of Egypt's largest banks—to provide a range of banking services as well as "cash-in" and "cash-out" for mobile wallets. Lastly, Fawry has rolled out a microfinance business that provides short-term working capital loans to SMEs in its network that it knows well and can credit score effectively.

Since Helios' investment, the expansion in Fawry's agent network and services has driven revenue growth by a factor of four. Of note, the contribution of Fawry's new business lines to total revenues has increased from 9% in 2016 to 25% in the first half of 2020. The new business lines have positioned Fawry to capture the growth opportunity arising from Egypt's cash-to-digital transition as the government pushes to reduce cash dependency.

Spotlight: Driving Digitization and Promoting Financial Inclusion

Cash continues to represent over 70% of consumer payment value in Egypt according to Euromonitor. By providing unbanked and underbanked Egyptian consumers with an easy way to securely make payments, Fawry is driving financial inclusion across its customer base. Consumers who had previously paid for goods and services in cash are increasingly using digital channels, either via third-party mobile wallets—most of which are powered by Fawry—or Fawry's own mobile wallet app. The take-up of these convenient and safe channels has been significant—a trend that has been accelerated by the COVID-19 pandemic. On the merchant side, Fawry is also playing a critical role in empowering SMEs through working capital loans and the rollout of its card-accepting point of sale systems.

As part of an effort to ensure financial access for women specifically, in 2019 Fawry launched Heya Fawry—the first female electronic payment network in Egypt—in collaboration with the Arab Women's Enterprise Fund, AXA, Unilever, and Baheya, a local organization focused on detecting and treating breast cancer. Through this initiative, women are provided with a Fawry POS terminal, given the necessary training to operate it and offered complementary microinsurance coverage. Unbanked women are encouraged to pay bills, initiate money transfers, manage microloan payments through female agents in their local community. As of June 2020, over 150 Heya Fawry agents had generated 30,000 financial transactions valued at over USD60,000.



Outcome

Helios has achieved three partial exits from Fawry as of October 2020. The first was through a stake sale to European impact investor and asset manager responsAbility in October 2017. This was followed by another partial sale in August 2019 in conjunction with Fawry's successful initial public offering on the Egyptian Stock Exchange. Helios played a key role in guiding Fawry through the IPO process, which comprised the secondary sale of 36% of Fawry's share capital by existing investors. Approximately 21% was sold to three cornerstone investors

(National Bank of Egypt, Banque Misr, and Actis) and 15% to a combination of institutional, high-net-worth, and retail investors. The retail offering was 30x oversubscribed, and the institutional offering—which attracted a wide range of international, regional, and Egyptian institutions—was more than 15x oversubscribed.

As a result of the company's performance, Fawry's share price re-rated. In July 2020, Helios sold an additional stake in Fawry as part of a USD50 million accelerated book-build, leaving

Helios with an 18.5% stake in the company. Helios remains the largest shareholder in Fawry, which had a market capitalization of over USD1.3 billion as of October 2020. Helios plans to continue supporting Fawry by focusing on growing the microfinance business, driving the adoption of myFawry and expanding the company's merchant acquiring efforts. To help accelerate these initiatives, Fawry's board has recently approved an approximate USD25 million rights issue.