

The Investor



Development Partners International (DPI) is an investment firm focused on Africa that invests in companies benefiting from the fast-growing emerging middle class across the continent. Since its founding in 2007, the firm has invested in 22 portfolio companies across 29 African countries and 17 industries. DPI's portfolio companies employ over 60,000 people, with over 25,000 jobs created during the investment periods. DPI's team is 50% women, and its ADP III fund was the first vehicle to be selected as a 2X Flagship Fund in recognition of its commitment to investing with a gender lens.

FUND NAME

African Development Partners II & III

FUND SIZE

USD725m, USD900m

TOTAL AUM

USD3b (including co-investments)

The Company



MNT-Halan is an Egyptian fintech serving small businesses and individuals lacking access to traditional financial services. The company's suite of services includes buy-now-pay-later, microloans, SME lending, payroll lending, loan disbursement and collection, peer-to-peer transfers, remittances and bill payments. MNT-Halan has recently expanded into other verticals, including courier, delivery and ride-hailing services, with the goal of evolving into a super app for the financially underserved.

LOCATION

Egypt

SECTOR

Financial Services

WEBSITE

www.mnt-halan.com

DATE(S) OF INVESTMENT

AUG '20, SEPT '21

AMOUNT

USD83M

STAKE

MINORITY



After Egypt passed the Microfinance Law in 2014 allowing private companies to provide SME lending, DPI began to actively look for opportunities in the country's financial services sector. Only about 30% of Egyptians have access to a bank account, and DPI anticipated the pivotal role private lenders would play in financing small businesses and consumers.

The DPI team was introduced to Mounir Nakhla, a serial entrepreneur in the Egyptian microfinance space. After working for his family's microfinance consulting business, Nakhla founded three companies: Mashroey, a seller of utility vehicles to micro-entrepreneurs on credit; Tasaheel, a provider of SME loans; and Halan, a ridesharing, logistics and e-commerce platform. With a special focus on financial inclusion for women, Tasaheel was notably the first private company in Egypt to provide group lending to female entrepreneurs.

By 2018, mobile penetration rates in Egypt exceeded 90%, and Nakhla had ambitions to digitalize his businesses and expand into new financial service areas, creating a broad digital ecosystem serving the underbanked across Africa. Given its experience scaling businesses regionally through tech adoption, DPI represented the ideal partner to help execute his plan. The investor saw an opportunity to roll up Nakhla's businesses to create a single financial inclusion-focused platform.

The Deal

In August 2018, DPI invested USD45m to combine Mashroey and Tasaheel into a single holding company, MNT Investments. The investor later supported the roll-up of Halan into the MNT platform, joining Apis Partners, Lorax Capital Partners and others in the September 2021 USD120m round that established MNT-Halan. In the most recent acquisition, DPI helped the company purchase fast-moving consumer goods (FMCG) supplier Talabeyah in 2022.

Following its first investment, DPI helped the company develop its digital infrastructure by assisting with sourcing and hiring local tech talent to automate the credit approval process through machine learning. MNT's acquisition of Halan's proprietary technology later facilitated the launch of its core banking software and customer-facing app Neuron. This easy-to-integrate software has drawn interest from several Egyptian banks looking to digitalize their own services.

DPI's equity infusions, combined with the technology buildout, have helped MNT-Halan boost its market share in the SME lending space from 9% in 2018 to about 25% to date. Through Neuron, the company has also expanded its credit offerings to include buy-now-pay-later and payroll lending. To cope with a fast-growing loan book, which has now reached USD500m, DPI assisted MNT-Halan in closing a USD150m securitization program with Egypt's Commercial International Bank in June 2022.

DPI also helped the company secure the first electronic wallet license from the Central Bank of Egypt to disburse, collect and transfer money digitally, allowing it to develop services such as bill payments, remittances and peer-to-peer transfers. Through the recent Talabeyah acquisition, MNT-Halan has entered the B2B e-commerce space and now provides over 60,000 merchants with supply chain financing.

Inclusive & Sustainable Growth

Since DPI's initial investment in MNT-Halan, the company has grown from 5,000 to more than 16,000 full-time employees, including about 150 high-skilled software engineering and data analytics professionals. DPI has helped the company develop employee mentorship and training programs that build skills and provide promotion opportunities, with an emphasis on improving female representation in management and high-skilled positions.

Through MNT-Halan's main business line, the company provides critical funding to SMEs in Egypt that would not otherwise have access to capital. The company has served over 4m customers and disbursed over USD2b in loans, with an average loan size of just USD1k. From its roots as a women-focused microfinance company, MNT-Halan continues to prioritize lending to women entrepreneurs, which represent 53% of its customer base as of the end of 2021, thereby increasing their economic participation.

DPI has been instrumental in establishing MNT-Halan's fair lending terms. Prior to signing a lending agreement, the company confirms that prospective borrowers have revenue-generating businesses that can be used to pay back loans, minimizing the personal liability of MNT-Halan's clients. All borrowers are required to sign an easy-to-understand loan agreement laying out all loan terms and the



customer's legal rights, and the company avoids all hidden fees common amongst other lenders, such as origination fees.

To decrease the debt burden on its customers, the company works with borrowers to reschedule payments in the case of a default, as well as capping penalties charged on non-performing loans. MNT-Halan's leadership also helped draft a regulation that came into effect in August 2022, requiring a similar penalty cap for all lenders in the country. In the case of death, the company forgives any outstanding debt held by the deceased, eliminating the debt burden on the deceased person's estate or surviving relatives. As some fintechs globally have come under fire for predatory lending practices, MNT-Halan maintains strong principles centered around transparency and fair treatment of its customers.

Outcome/Outlook

MNT-Halan is executing its plan to provide a comprehensive digital ecosystem for the underbanked, rolling out services such as salary advances, fixed-income lending and physical credit cards. The company is also improving its tech capabilities through features like automatic loan increase approvals and renewals. Given DPI's pan-African footprint, the investor is helping the company evaluate greenfield and M&A expansion opportunities in other African markets, with the vision of promoting financial inclusion across the continent before targeting underbanked markets in Asia. ●