ValU Direct Listing

Company Note

18 June 2025

Investment Summary

ValU is a leading Buy Now, Pay Later (BNPL) provider in Egypt and an EFG Holding subsidiary. It is set to attract heightened investor attention through its pioneering EGX direct listing. EFG Holding will distribute 20.5% of ValU's total equity (officially U for Consumer Finance) as an in-kind dividend, then list and enable trading of the stock during the last week of June 2025.

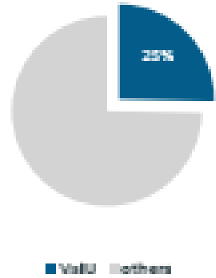
With a leading 25% consumer finance market share as of 1Q25, ValU has outpaced the overall market, achieving 70% growth in FY24 against the sector's 30%. It demonstrates robust operational and financial performance, marked by substantial growth in Gross Merchandise Value (GMV), outstanding portfolio, Net Revenue, and Net Income, all while maintaining a healthy Non-Performing Loan ratio in 1Q25. This performance is built on an extensive network, a prominent brand with strong awareness and high positive sentiment, and an advanced AI-powered risk management system enabling swift, inclusive approvals. With diversified funding sources, a rapidly adopted prepaid card, and strategic expansion into high demand sectors like auto financing, ValU is well-positioned for continued leadership in Egypt's expanding fintech landscape.

SIGMA Fair Value	IFA Fair Value
EGP 8.84	EGP 7.40

Important Details	
Issuer	U Consumer Finance/ValU
Ticker	VALU
Country / Currency	Egypt / EGP
Industry	Consumer Finance
Listing Exchange / Sector	EGX / NBFIs
Fiscal Year	Ends 31 Dec
Par Value	EGP 0.10/share
Shares Outstanding	2.11bn shares
Paid-in Capital	EGP211mn
IFA Equity Value	EGP15.6bn
BV / Share (FY24)	EGP0.78
BV / Share (1Q25)	EGP0.84
Primary Shareholder	EFG Holding
Dividend Distribution	1 EFG : 0.3005 ValU
1st Trading Date (Target)	Last week of June 2025

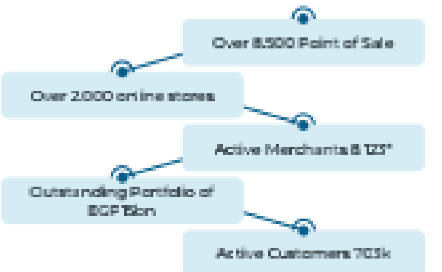
*Source: EFG

FIG.1a: ValU's Market Share as of 1Q25



*Source: EFG

FIG.1b: ValU's Network



*Excluding those transacting through the ValU card
*Source: EFG

Key Catalysts

- Rising Demand for Credit Solutions: Economic shifts and rising inflation continue to strain household purchasing power and limit traditional financing, driving consumers toward more flexible credit. ValU addresses this by leveraging its advanced technology to provide accessible and inclusive solutions.
- Market Leadership & Brand Recognition: ValU holds a leading 25% share in the consumer finance market with the most recognized and trusted consumer finance brand with high awareness and strong customer loyalty.
- Innovative Financial Solutions: ValU continually introduces creative and flexible financial solutions, bridging gaps in the market by effectively meeting evolving consumer demands.
- Technological Advancements Driving Growth: ValU is reshaping the credit landscape by leveraging tech-driven financing solutions that enhance accessibility, reduce costs, optimize risk management, and tailor credit to customer preferences.
- Diversified Funding Strength: By diversifying funding across banked and unbanked sources, ValU secures ample liquidity and optimizes funding costs.
- Growth Momentum in Consumer Finance: The Egyptian consumer finance market is expanding rapidly, supported by numerous government initiatives. ValU outperformed the market, achieving 70% growth in FY24 compared to the sector's 30%.

Key Risks

- Credit Risk: Rising customer defaults would negatively impact profitability, necessitating the constant evolution and adaptation of its strong, AI-powered risk management system.
- Tech-related Risks: ValU's tech-driven business model potentially exposes it to cybersecurity threats and system disruptions.

*Unless otherwise noted, report and chart sources are company reports and Sigma Research estimates

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- **Potential Competition:** In this competitive market, new and existing players could introduce more innovative products and market them effectively, capturing a part of ValU's market share.
- **Slower than Anticipated Interest Rate Cuts:** This would result in higher-than-expected cost of funds while simultaneously constraining credit demand.

Event Brief

EFG Holding Adopts Spin-off Stock Distribution

Paving the way to ValU's partial spinoff: EFG Holding is introducing the spinoff dividend distribution to the Egyptian market, marking a pioneering move by allowing its shareholders to receive ValU shares instead of cash dividends through a dividend in kind distribution. This approach supports the company's strategy to partially spinoff ValU as an independently traded entity, which will fuel investors appetite.

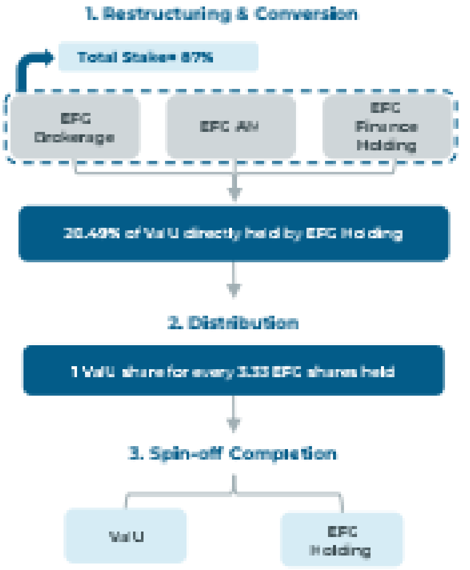
EFG Holding will restructure its ownership of ValU to enable the dividend in kind distribution and listing of ValU on the Egyptian Exchange (EGX), as outlined in the following steps:

1. Stake Restructure & Conversion: EFG Holding will restructure its ownership by upstreaming 20.5% from its total 87% indirect stake in ValU held through its subsidiaries. This portion will be converted into a direct stake. This will be executed by transferring all shares held by EFG Hermes Brokerage, EFG Hermes Asset Management, and a portion of the shares held by EFG Finance Holding directly to EFG Holding.
2. Dividends Distribution: These shares will then be distributed to EFG Holding's shareholders as a dividend in kind, instead of the traditional cash dividend. The distribution will be at a book value of EGP0.777 per share. Shareholders holding 3.33 shares of EFG Holding will be eligible to receive 1 share of ValU.
3. Spin-off Completion: ValU will trade as an independent entity on the EGX. As a result, EFG will retain at least 67% indirect stake through EFG's subsidiaries in ValU after the distribution.

Key Milestones:

- 18th March: FRA initial approval of restructuring and ValU's listing on EGX.
- 19th March: BoD decided to restructure ValU's stake.
- 21st May : EGX approved temporary listing for ValU shares, initiating the final regulatory steps toward the spinoff.
- 24th May: EFG's OGM approved dividend in kind distribution process.
- 12th June: Record Date, the anticipated cut-off date to determine shareholders eligible for EFG's dividend in kind. It is the last day shareholders must hold EFG stock to receive the dividend in kind distribution.
- End of June: ValU shares target to begin trading independently on the EGX, marking the completion of the spinoff and ValU's official debut as a standalone listed company.

FIG.2a: Stake Spin-off Mechanism

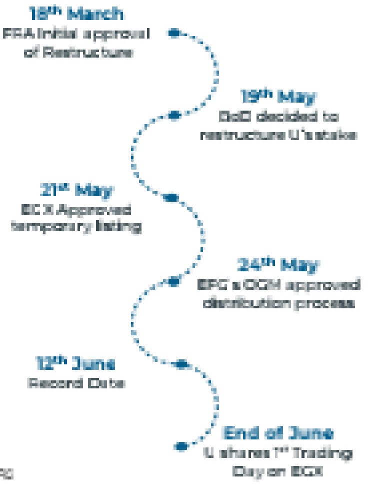


*Source: EFG

FIG.2b: EFG Indirect Stake in ValU

*Source: EFG

FIG.2c: ValU'S Spin-off Timeline



*Source: EFG

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The Evolution of NBFIs

How the NBFIs Emerged

Problem: A Post-Crisis Financial Shift. The expansion of non banking financial institutions (NBFIs) gained momentum in the aftermath of the global financial crisis as central banks worldwide implemented more stringent measures governing lending practices, and tightening risk management frameworks. These measures included higher reserve requirements, more rigorous client selection criteria, and stricter regulations on borrowing and lending capacities.

Solution: NBFIs Filling Market Need. While these safeguards strengthened financial resilience, they inadvertently constrained credit accessibility for certain segments of the economy, particularly retailers, microenterprises, and small businesses that failed to meet conventional lending criteria set by traditional banks. Recognizing these gaps, NBFIs emerged as alternative and innovative financial providers, diversifying funding sources beyond traditional banking institutions.

NBFIs Bridging Gaps in the Economy

NBFIs Reshaping the Global Financial Landscape: Through financing solutions tailored to niche markets, including consumer finance, microfinance, leasing, and factoring, NBFIs play a critical role in bridging funding gaps and expanding capital accessibility for underserved individuals and businesses. Their ability to customize financial products and operate with greater flexibility enables them to serve customers with unique funding needs. Additionally, NBFIs play a fundamental role in advancing the ecosystem by driving financial innovation, adopting practices that align with broader ecosystem goals, and contributing to its structural evolution in the coming years. Their contributions include:

Complementing Traditional Banking: Instead of competing directly with banks, NBFIs offer specialized services that address gaps in conventional banking models and designing customized financing solutions to meet the needs of non-bank target customers.

Accelerating Financial Inclusion: By offering alternative financing options for individuals and businesses that may not meet the lending criteria of traditional banks, NBFIs integrate underserved segments into the formal system, supporting broader financial participation.

Facilitating Data Collection & Analysis: Through the adoption of tech-driven financial services, NBFIs improve data collection and analysis, which in turn results in better credit risk assessments and product personalization.

Accelerating Digital Transformation: Through the integration of advanced technologies, NBFIs streamline funding processes, ensuring seamless, faster, and more inclusive access to capital. Their adoption of tech-driven financial tools reduces operational complexities and enhances customer experience, fostering a more agile and technology-driven financial ecosystem.

Enhancing Access to Capital: By directing financial resources to marginalized communities and inclusive lending practices, NBFIs help bridge economic disparities, foster entrepreneurship, and drive sustainable development, contributing to long-term wealth redistribution.

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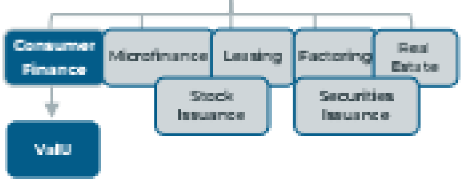
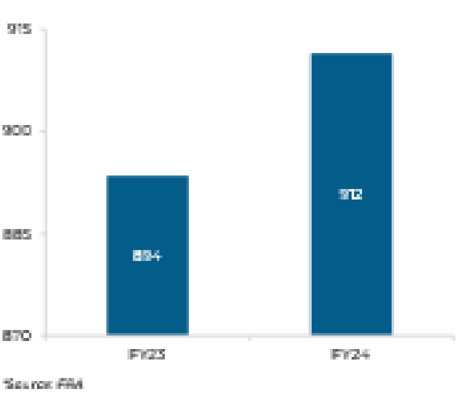
FIG.3a: NBFIs' Emergence

FIG.3b: NBFS Core Offerings



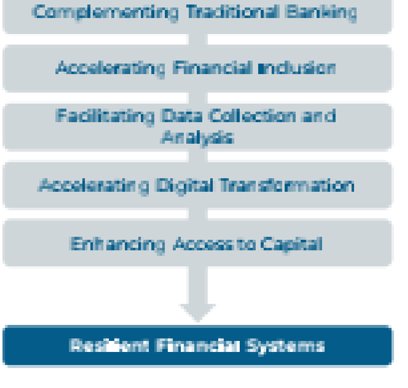
*Source: FRA

FIG.3c: NBFIs Expansion



*Source: FRA

FIG.3d: NBFIs Enhance the Financial Ecosystem



Consumer Finance Sector

Rapid Sector Expansion: The consumer finance sector, the latest addition to the Egyptian NBFS landscape, emerged in 2020 to facilitate credit accessibility, particularly for middle- and low-income groups, thereby supporting financial inclusion. Since its inception, the sector has experienced remarkable expansion. The number of customers grew from 0.3mn in FY20 to 4.2mn in FY24, reflecting a 4-year CAGR of 100%. Alongside this surge, the market size also expanded at a CAGR of 64% over the same period.

Broad & Evolving Offerings: This momentum highlights the industry's ability to scale rapidly and adapt to evolving consumer needs. Building on this momentum, consumer finance now covers more than 6 types of purchases. As of 1Q25, auto financing leads the sector, accounting for 19.8% of total financing. Electronics follow closely, contributing 17.3%, while home appliances represent 16.5% of the market.

Sector Growth Drivers: The sector's rapid expansion has been driven by several key factors, including structural reforms and market dynamics, which will continue to drive its growth in the years ahead, in our view.

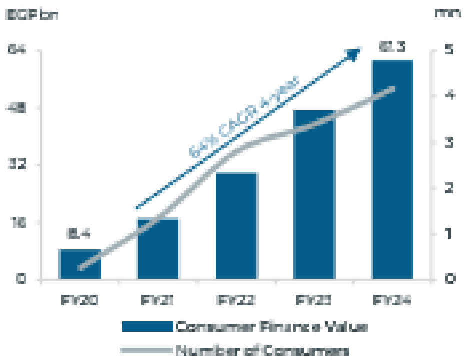
Regulatory Reforms: In recent years, the Egyptian government has steadily reinforced regulations and laws to support NBFS activities, including consumer finance. This commitment has fostered market stability, enhanced participants' confidence, and facilitated broader financial inclusion. Examples of government support include ongoing refinement of NBFS and fintech general rules and regulations, introducing regulatory measures to streamline the listing process for NBFIs, and facilitating access to legislation and laws that govern the sector. This ensures adaptability to evolving market conditions, simplifying access to finance, enhancing companies' capital accessibility, and strengthening transparency.

Rising Consumer Demand: The rapid expansion of Egypt's consumer finance sector has been fueled by economic shifts and changing consumer needs. High inflation and rising interest rates have limited traditional financing while straining household purchasing power, boosting demand for consumer finance as a flexible alternative. This trend has fueled a 4-year CAGR of 64% in sector growth, reflecting the sector's growing role in sustaining spending amid economic fluctuations.

Adoption of Tech-Driven Services: Tech-driven financial services enable broader market reach, more precise risk assessment, and an accelerated loan approval process. By enhancing accessibility for underserved consumers, these innovations have optimized operational efficiency, reduced costs, and improved customer experience, solidifying the sector's expansion and long-term sustainability.

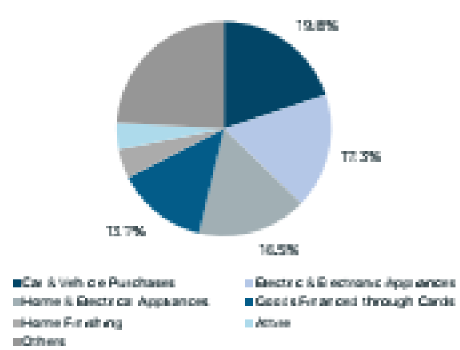
Diverse Financing Options: The expanding diversity of consumer finance options, including tailored financial products for specific goods and services, along with flexible payment plans designed to accommodate varying consumer needs and income levels, enhances accessibility and affordability. This diversification provides flexibility and empowers consumers to manage their cash flow more effectively.

FIG.3e: Consumer Finance Market Size



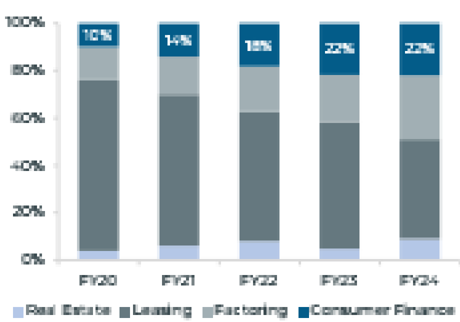
*Source: FRA

FIG.3f: Consumer Finance by Type as of 1Q25



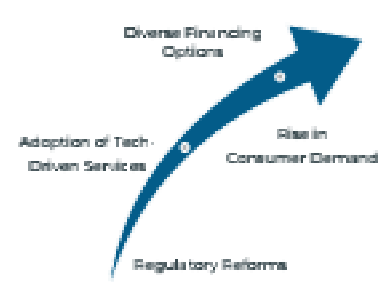
*Source: FRA

FIG.3g: Contribution of 4 Key Segments (%) from their Total



*Source: FRA

FIG.3h: Consumer Finance Growth Catalysts



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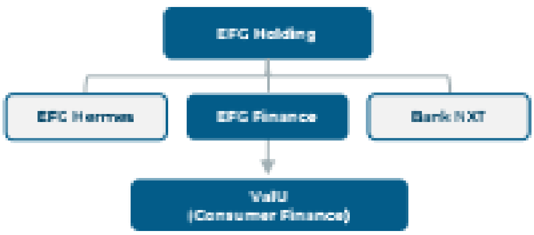
Company Analysis

Overview & Positioning

ValU Snapshot: ValU is a leading Buy Now, Pay Later (BNPL) company, established in 2017. It offers diversified financing solutions, targeting retailers and small businesses, through flexible installment plans of up to 60 months. ValU operates as a subsidiary of EFG Holding, under the EFG Finance segment, and contributed 52% of EFG Finance's net profit in FY24, making it the largest contributor.

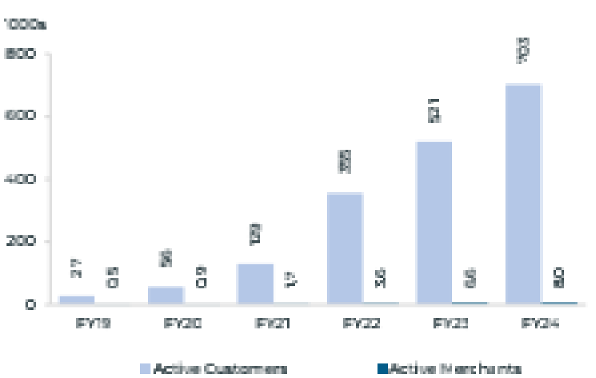
FIG.4a: HRHO's Core Segments



Growth Drivers

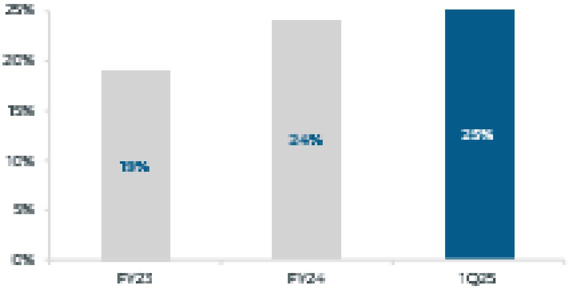
Reshaping Credit Through Technology: ValU introduced innovative technology that expands the capabilities of traditional banking through an Application Programming Interface (API), developed in collaboration with the Central Bank of Egypt (CBE). It is integrated with I-Score's daily updates, enabling the continuous updating of customer credit profiles. Since 2020, ValU has strategically shifted its target into a wider audience, not only the banked population but also the unbanked. This shift helped ValU gain rapid traction among active customers of 703k and active merchants of 7,963k in FY24, which in turn reduced customer acquisition costs. It also enabled the company to provide accessible credit solutions to a broader segment of the population.

FIG.4c: ValU's Network



Market Share Growth: ValU is a key player in Egypt's consumer finance sector, holding a 25% market share in 1Q25, up from 19% in FY23. During the quarter, the company contributed approximately EGP4.3bn to the total EGP17bn consumer finance market. While the overall consumer finance sector grew by 30% in FY24, ValU achieved a higher growth rate of 70%, highlighting its strong performance and expanding market presence.

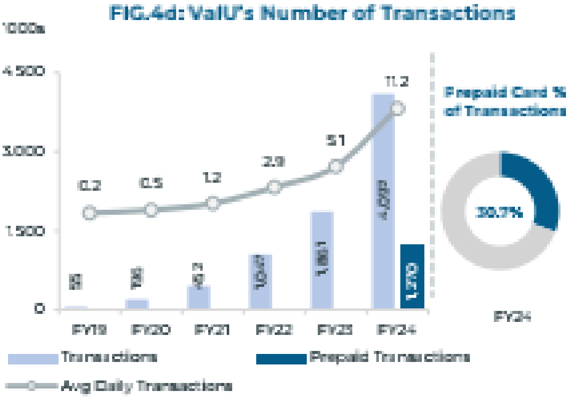
FIG.4b: ValU Market Share Progression



Successful Launch of Prepaid Card: Since its March 24 launch, ValU's prepaid card quickly gained traction, capturing 37.5% of the consumer finance prepaid card market and accounting for 30.7% of ValU's FY24 transactions, with 133,000 active cards issued by May 25. This rapid adoption highlights strong consumer trust and ValU's ability to scale innovative solutions efficiently.

Capturing Market Share in Auto Financing: ValU focused on flexible funding options for auto buyers through the "Shift" service. As a result, ValU's market share in auto financing rose significantly from 2.4% in 1Q24 to 15.2% in 1Q25, demonstrating the company's successful strategic focus on this higher ticket size segment. Given the relatively longer tenor of auto loans, ValU will be positioned to secure higher returns over a longer period when interest rates start to decline.

FIG.4d: ValU's Number of Transactions



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Strategic Expansion Plans:

Geographical Footprint: The company is focused on expanding its presence across the MENA region, with plans to enter Asian and broader North African markets as part of its long term growth strategy.

Affiliate Marketing: Adopted in 2025, ValU partnered with digital platforms, offering commissions for each successful customer referral. This initiative plays a pivotal role in expanding its customer base and diversifying its revenue streams moving forward.

ROE Progression: ValU's expansion into high demand credit products helped grow its network and drove a c.2.5x increase in Return on Equity (ROE) over 4 years.

FIG.4e: ValU's Prepaid Card Market Share as of 1Q25

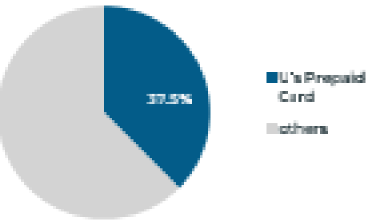
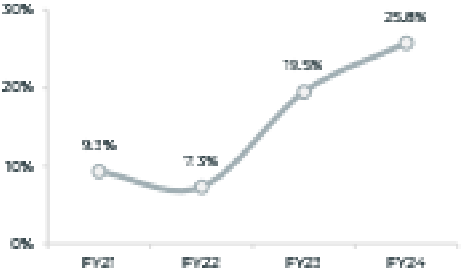


FIG.4f: ValU Core Products

FIG.4g: ROE Progression



Sources of Liquidity & Risk Management

Sources of Funding: ValU ensures liquidity through a diversified mix of funding channels from banks and financial institutions:

1. **Direct Finance from Banks:** providing a stable source of liquidity to fund installment plans and expand lending capacity.

2. **Securitization:** ValU packages its loan receivables and issues asset backed securities (ABS), transferring the credit exposure off its balance sheet. These bonds are typically subscribed to by institutional investors such as insurance companies, money market funds, banks, asset managers, and high net worth individuals, allowing ValU secure funding while maintaining a stable leverage ratio.

3. **Factoring and Offloading:** ValU enters into agreements with specific banks or financial institutions to offload or discount portions of its receivables. Through factoring, it receives immediate cash at a discounted rate in exchange for future payments, enhancing liquidity and reducing collection risk.

4. **Bonds:** ValU plans to list bonds, offering investors the opportunity to benefit from lower risk fixed income security.

FIG.4h: Non-Performing Loans (NPL) (x)

FIG.4i: ValU's Main Sources of Funding

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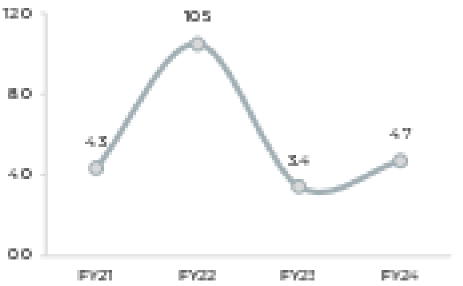
Financial Resilience and Borrowing Headroom: The company has room to increase its debt capacity, as it remains well below the regulatory leverage threshold of 9x. It aims to maintain a Debt to Equity (D/E) ratio between 4x - 5x, partially influenced by its ongoing securitization programs. Additionally, it keeps its Non-Performing Loans (NPL) ratio below 1%, reflecting a prudent risk profile that supports future growth.

FIG.4j: Debt to Equity (D/E) (x)



Key Strengths	Key Weaknesses
1. Expanding Network Presence: ValU grew its network, reaching 703K active customers and 8k active merchants.	**1. Churn Risk:** The highly competitive nature of the consumer finance sector makes it difficult to maintain customer loyalty.
2. Diverse Financing Sources: ValU strengthens its funding flexibility by diversifying its financing channels through: (Bilateral agreements with banks, Partnerships with factoring companies, Securitization transactions, Discounting, and offloading).	**2. High Credit Risk:** Serving customers with limited or no credit history, especially in high inflation and interest rate environments, potentially increases credit risk and make assessment more challenging.
3. Real-Time System Updates: ValU automatically updates its systems daily to reflect changes in customer creditworthiness, speed up credit approvals, and innovate products based on tracked customers preferences.	**3. Tech-related Risks:** Heavy reliance on digital infrastructure exposes to data breaches, or system disruptions.
4. Controlled Merchant Risk Exposure: Ensuring that the top 20% of merchants do not contribute more than 30% of the total Gross Merchandise Value (GMV), maintaining a balanced and diversified merchant base.	
5. Product Innovation: ValU maintains a competitive edge by consistently developing innovative financial products to address market gaps and meet evolving consumer demands.	

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Operational & Financial Performance

FIG.5a: Transactions & Average Daily Transactions

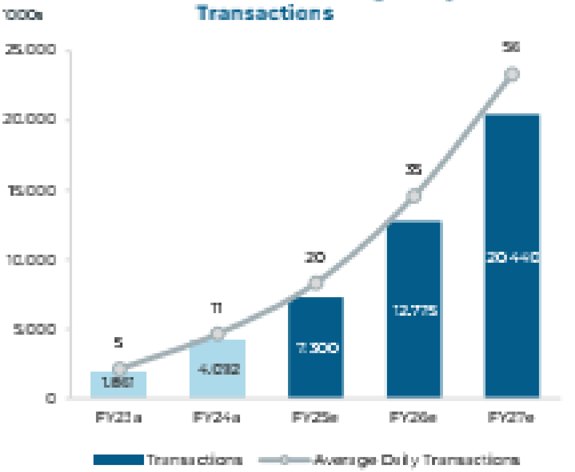


FIG.5b: GMV & Average Daily GMV

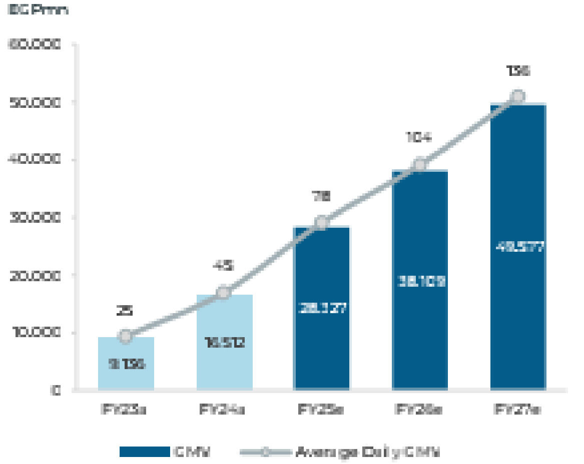


FIG.5c: Loan Issuance

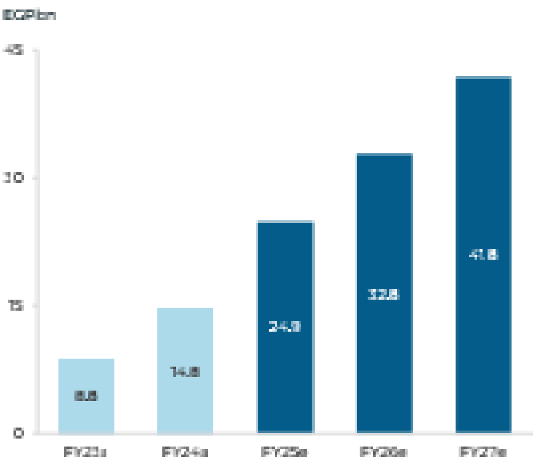
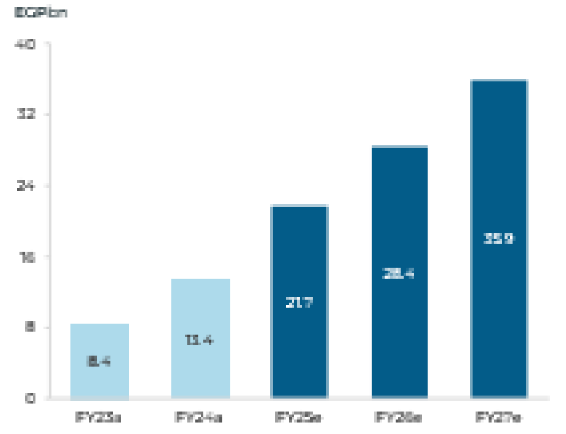


FIG.5d: Outstanding Portfolio*



*Includes securitized portfolio
*Source: EFG

FIG.5e: Consumer Finance Interest Income

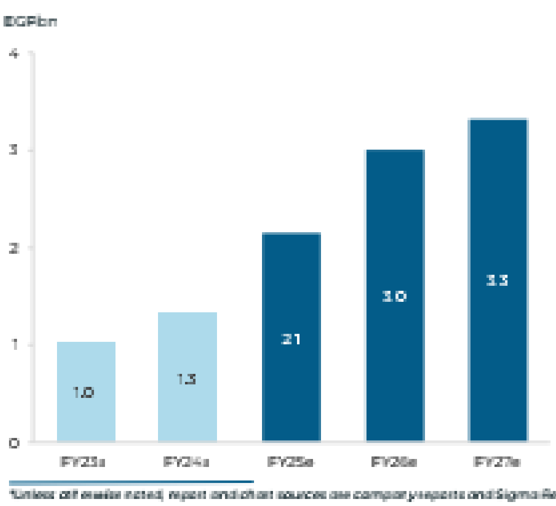
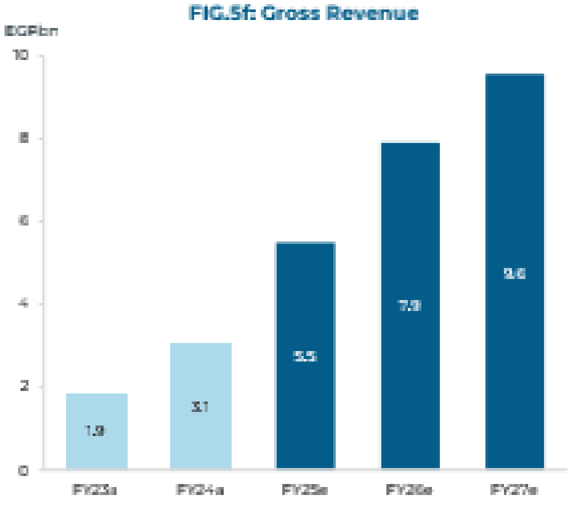


FIG.5f: Gross Revenue



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Operational & Financial Performance

FIG.5g: Net Revenue

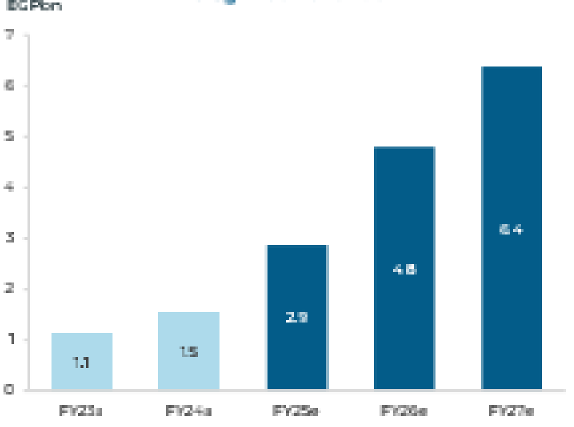


FIG.5h: Net Profit

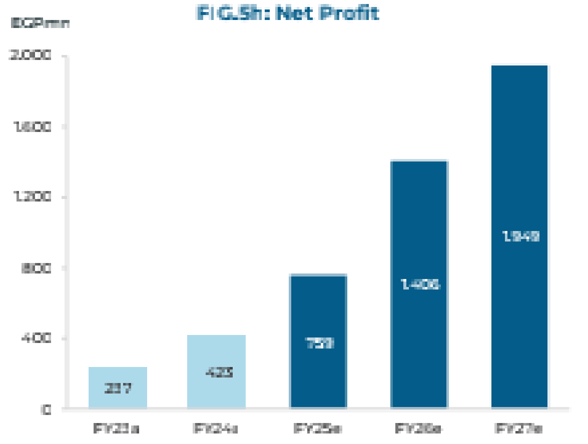
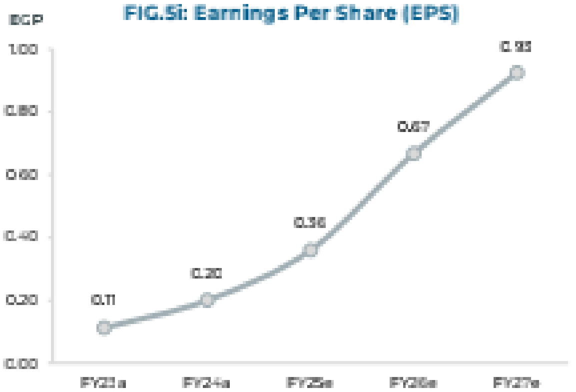


FIG.5i: Earnings Per Share (EPS)

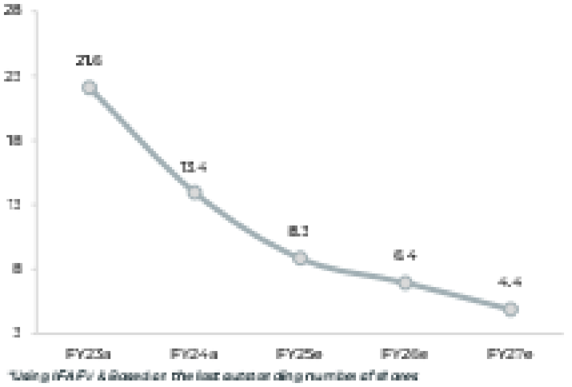


*Based on the last outstanding number of shares

FIG.5j: Price to Earnings (P/E) (x)

*Using IFRS FV & Based on the last outstanding number of shares

FIG.5k: Price / Tangible BV (x)



*Using IFRS FV & Based on the last outstanding number of shares

FIG.5L: Debt to Equity (D/E) (x)

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Valuation Section

Our Residual Income Model (RI) generates a fair value of EGP8.84 per VALU share, which implies an equity value of EGP18.6bn. We used a cost of equity (COE) that reflects a dynamic risk profile, starting from 30.6% in FY25e and gradually lowered throughout the forecast period to reach 16.6% by the terminal year. We expect a 5% terminal growth rate.

Residual Income Model (EGPmn)	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e
Net Income	759	1,406	1,949	2,736	3,580	4,225	4,550
BV of Tangible Equity (Beg. of Period)	1,159	1,869	2,418	3,565	4,290	6,148	6,833
Cost of Equity (%)	30.6%	23.9%	21.8%	18.3%	16.7%	16.6%	16.6%
Equity Charges	355	447	527	653	717	1,021	1,135
Residual Value	**404**	**960**	**1,422**	**2,083**	**2,863**	**3,204**	**3,416**
Terminal Value							**29,591**
PV of Residual Value & Terminal Value	**330**	**659**	**826**	**1,107**	**1,373**	**1,323**	**11,690**
BV of Tangible Equity (1Q25)	1,290						
Capital increase (May-25)	11						
Equity Value	**18,610**						
Total Outstanding Shares (mn)	2,106						
Fair Value (EGP/Share)	**8.84**						
IFA Fair Value (EGP/Share)*	7.40						
BV Per Share (FY24) (EGP/Share)	0.78						
BV Per Share (1Q25) (EGP/Share)	0.84						

*IFA Fair Value based on FY24 figures

Fair Value Sensitivity

Terminal Growth Rate

Terminal Cost of Equity	3.0%	4.0%	5.0%	6.0%	7.0%
14.6%	9.08	9.57	10.17	10.90	11.63
15.6%	8.55	8.96	9.44	10.02	10.74
16.6%	8.10	8.44	$\boxed{8.84}$	9.30	9.87
17.6%	7.72	8.00	8.33	8.71	9.17
18.6%	7.38	7.62	7.89	8.21	8.59

*Unless otherwise noted, report and chart sources are company reports and Sigma Research estimates

Financial Summary

Balance Sheet (EGPmn)	FY23a	FY24a	FY25e	FY26e	FY27e
Cash & Equivalents	425	752	850	1,522	1,934
Consumer Finance Clients	4,192	8,553	13,472	17,517	22,784
Others	1,389	1,549	2,053	3,341	4,181
Total Assets	6,006	10,853	16,375	22,381	28,899
Debt	4,164	7,744	11,685	16,406	21,653
Creditors	536	1,339	2,077	2,194	2,214
Total Liabilities	4,792	9,217	14,032	19,060	24,488
Shareholders' Equity	1,214	1,637	2,343	3,321	4,411

Income Statement (EGPmn)	FY23a	FY24a	FY25e	FY26e	FY27e
Gross Revenue	1,866	3,057	5,493	7,907	9,562
Net Revenue	1,107	1,529	2,869	4,803	6,384
Depreciation & Amortization	(39)	(89)	(145)	(239)	(472)
ECL & Provisions	(89)	(172)	(146)	(310)	(464)
EBT	309	528	979	1,815	2,514
Net Profit	237	423	759	1,406	1,949

Financial Ratios	FY23a	FY24a	FY25e	FY26e	FY27e
P/E (x)	65.8	36.9	20.5	11.1	8.0
P/Tangible BV (x)	21.6	13.4	8.3	6.4	4.4
D/E (x)	3.4	4.7	5.0	4.9	4.9
Current Ratio (x)	0.82	1.56	1.33	1.49	1.58
Gross Revenue Growth (%)	106%	64%	80%	44%	21%
Net Profit Growth (%)	983%	79%	79%	85%	39%
EPS (EGP)	0.11	0.20	0.36	0.67	0.93
ROE (%)	20%	26%	32%	42%	44%
ROA (%)	4%	4%	5%	6%	7%

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