CAB Payments Holdings PLC – FY24 Results Presentation Transcript

13.03.2025

Gaurav Patel, Head of Investor Relations, CAB Payments Holdings:

Good morning, everyone, and welcome to our 2024 annual results presentation. We're happy to have you in the room today and those dialled in via webcast. I'm joined here today by our CEO, Neeraj Kapoor. David B, our Chief commercial Officer, and Claire Goetz, our global head of Payments Narrows. We'll be covering a lot today, including key highlights and overview of our 2024 financial performance.

And then he will give a strategic update where we'll be joined by David and Claire. After the presentation, there will be an opportunity for Q&A. Firstly, from those in the audience today and then those dialling in remotely via the conference line. With that said, I'll hand over to Neeraj.

Neeraj Kapur, Group CEO, CAB Payments Holdings:

Thanks, Gaurav. And good morning, ladies and gentlemen. I'm very excited to talk to you today about our 2024 full year results in the context of our strategy for our future. I'm delighted to be joined by my two very capable colleagues, my very experienced people from my team, Chief Commercial Officer David B and Head of Payments Claire Gates, who we'll hear from later.

Before we get into the slides, I want to spend a few minutes giving you some context on our progress against our four Pillars strategy, which I introduced to you at the H1 results last year. This was about improving the network, being more client focussed, leveraging our platforms and investing in innovating our technology for growth. But how does that work in practice?

We use our technology backbone as our advantage to sell our solutions to our clients through our relationships in the markets we operated. Our business will increasingly become a geographically diverse financial powerhouse in our chosen markets. Our operations will no longer be defined as a single branch offering centrally controlled from London here, but rather as a truly global enterprise with strategic hubs in London, Amsterdam, New York and Abu Dhabi.

Quite simply, this means first and foremost, we remain an organisation that is driven by relationships. And it's not just about geography, it's about how we engage with our clients, regulators and partners across the world. So it is about relationships. It's also about using technology to deepen trust, improve efficiency and build a kind of business that thrives in today's complex and rapidly evolving financial landscape.

Historically, cap payments has operated with a centralised model serving all our clients from here. While this model serves as well and has become increasingly clear to us that to truly capture the opportunities in front of us, we need to be closer to our clients. It's all about those relationships and immersing ourselves in the markets that they operate in and also understanding their regulators and their governments.

So why are we establishing operational hubs in Amsterdam, New York and Abu Dhabi? Well, we're embedding ourselves in key financial centres where decisions are made, where relationships flourish, and where the future of cross-border payments is being shaped. This expansion is about proximity to opportunity. Regulatory alignment and deepening engagement with institutions that are integral to our business. So you might ask why have you chosen those locations?

Each of these locations has been selected with a clear purpose. London remains our core Operations and innovation hub. Amsterdam strengthens our European presence and gives us better access to EU financial institutions and regulatory frameworks post-Brexit. New York connects to the heart of global banking and expands our reach in the Americas. Abu Dhabi cements our role in the Middle East and provides a strategic gateway to North Africa and South Asia.

I mean, it's very much a long term vision designed to drive sustainable growth, mitigate concentration risk and enable cap payments to operate as a truly global business. We're also deepening relationships with central banks beyond our geographic expansion, strengthening our relationships with regulators and central banks has been a critical focus for me. These relationships aren't just about compliance. They're the foundation of trust that enables us to win and retain business in key markets.

They give us our license to operate. I recently had the privilege of meeting with customers and staff of the Central Bank of Nigeria, the Central Bank of Bahamas, the Central Bank of Guyana, and the Central Bank of Surinam. These visits were invaluable in helping me understand firsthand the depth of our relationships with these institutions and very much the unique role we play in their financial ecosystems in Nigeria.

The discussions underscored the critical role we play in facilitating cross-border transactions in one of Africa's most dynamic economies. In the Bahamas, we explored opportunities in digital payments and how our solutions align with the region's evolving financial landscape. In Guyana and Surinam, the engagements reaffirmed our ability to support their huge GDP growth driven by extractive industries. And what became abundantly clear to me during these meetings is that we're a lot more than an effects payments provider.

We have earned the right to win in these markets our reputation, regulatory compliance and track record of being trusted to do what we say we will do puts us in a unique position to deepen and expand our business. Our ambition is clear to be the most technologically advanced and relationship driven payments provider in our markets. And this isn't just a competitive advantage.

It's a necessity, a necessity for long term success. The identified opportunities are immense, as are the addressable markets. We are now firmly in the execution phase of delivering what we see in front of us. So moving to Slide three, I want to use this slide to make our business model clear to you. The left shows that previously the business thrived most of its revenues from some market volatility and dislocation in high margin, high margin emerging markets.

The business was highly siloed and missed the opportunity of incremental value to banking relationships and platform could act. The result is a business that was unpredictable and highly correlated to macro conditions, but also highly profitable. We are changing our approach to generate more predictable income and become more demand led in vast markets that specifically demand our products to deliver material growth.

As part of this drive, we are diversifying our clients and geographies. We are integrating our business and products better so they drive each other to provide multiples of volume growth in effect payments. As I mentioned earlier, we are now relationship driven, becoming more geographically diverse and using technology to drive our growth. The key thing to bring out on this slide is that our strategy is working.

This is evidenced by our operational and strategic KPIs moving in the right direction. We have a more diversified business with multiple income drivers that will allow us to grow sustainably. We saw increasing market share and a good growth in volumes. We grew our revenue generating client base and we significantly expanded the use of our balance sheet to generate increased client loyalty and feed our ethics and payments business.

We mentioned at the beginning of the year that we were taking actions to reshape our business and cost structure to better reflect our growth strategy. These are all well underway and delivering Slide five is a quick snapshot of 2024. I want to emphasise that our business model is fundamentally robust and resilient despite the macro economic headwinds in our market.

We delivered a cash generative and profitable financial performance and as I mentioned earlier, our strategic KPIs are purposefully in the right direction. Our total volumes grew 7% in an overall market that declined in 2024. We grew our client base all paying customers, by the way, by 7% and our network by 18%. This is great progress and my personal interaction with clients and liquidity partners around the world shows that they trust us and want to use us more than ever.

From a financial perspective, we generated £105 million of gross income and a respectable 29% adjusted EBITDA margin and importantly remain profitable, generating £16 million of adjusted profit after tax in the year. I'll go into the details of our financial performance shortly. As a bank, we have strong CET1 ratio of 19.2% and we are a deposit based bank with £1.6 billion of deposits.

We have plenty of liquidity and are uniquely placed to serve our clients with our banking platform in place. So looking through to our financial performance, as you see on Slide seven, it was evident there was a material reduction in revenue verses 2023. We have, however, made strong progress in diversifying our income profile, driven by a mixture of effects, payments, fees and net interest income.

Looking at revenue generation, we flagged at the end of last year that we were experiencing experiencing lower flows from Eidos and the stronger dollar. The latter has the effect of reducing average transaction values and hence reducing the income we earned as a result. Furthermore, unlike 2023, we did not benefit from any significant market dislocations. There were some, but not as material as the exceptional NYRA performance in 2023.

Total gross income fell 23% as a result, but was flat year on year when adjusting for the exceptional Nigerian Naira and also the central African franc and the West African franc XAF and XOF, our wholesale fixed payments business, fell 39%. But when adjusted for Naira, XAF and XOF it fell 7%. Fees from our same currency payments grew 3%, banking income increased 8% due to better asset allocation, mitigating a falling rate environment.

Costs were up 6%, largely driven by investment in enhancing our technology infrastructure and new office space in London, Amsterdam and New York. So on Slide eight, I wanted to show you our income stack over the last three years, both by product and by client type, by product type.

We view our business as having three primary revenue drivers effects, payment fees and interest income.

This illustrates a good proportion of our total income is fairly predictable banking payment fees and the developed market effects portion of income. In 2024, we certainly had a better balance of income which place the strength of our business model and the ability to underpin growth effects and payments in emerging markets remain our core business and defines our specialism.

But this is also the source of income volatility, which our new strategy aims to stabilise. If you compare 2022 and 2023 to 2024, you can see just how impactful the nearer and to lesser extent XAF and XOF were to our business. Revenues from these three corridors dropped 31 million year on year in 2024. Outside of this, our effects and payments performance notably in emerging markets, included other take rate and volume dynamics, which I will explain on the next slide.

By client type. Excluding the noise of the NOI result results, we can see there is relatively steady progress in all of our client types despite the falling market. This is showing that we are building a strong relationship, build business and remain highly relevant to the needs of our customers. Slide nine shows Our developed market volumes have been growing steadily year on year with this consistently stable take take rates demonstrating our ability to provide a valuable service to our developed market clients and successfully compete for business against large institutions.

To be clear, developed markets refers to G10, to G10 transactions. Are emerging market volumes declined versus 2023. This is a true attributable to two factors a stronger dollar lowering transaction values, as well as the pullback that we mentioned on our idea volumes. Firstly, gains we take rates. Emerging market rates have declined significantly versus last year from 55 basis points to 29 basis points.

However, taking out the Nigeria's Athens of currencies, this drop was materially less going from 38 to 30 basis points. This illustrates how material dislocated performance was to our take rates. So why did our underlying take rate fall? Well, this was a function of our lower demand for hard currency in certain key frontier jurisdictions and the actions of some competitors who can operate in different ways to us.

Further diversification will be key to growing both volumes and take rates with support from the banking business to build client loyalty. Turning to operating costs on Slide ten. Cost increased by 6% year on year. As I mentioned earlier. All of these were non staffed costs. These were largely related to investment in our premises and technology platforms with higher expenses reflecting the increasing capabilities of our organisational infrastructure as we prepare the group for future growth.

Our New London office and the additional cost of new offices in Amsterdam were not present obviously in the 2023 cost base. Staff costs were held flat year on year to 45.5 million. It is also worth noting that about 70% of our operating costs are fixed, which drove a negative operating leverage for 2024 due to the revenue position but will be a significant advantage as revenues grow.

So we are taking a series of actions to reshape our business costs to better fit the strategy that we are undertaking. The major initiative here is a reduction of circa 20% in our workforce, FTE, as well as upskilling in frontline areas to drive the growth that I talk about. The chart shows the impact of these actions on our anticipated staff costs, and it is important to note that the changes we are making affect staff costs across both our expense PNL and the costs that have been capitalised in terms of our capitalised fixed asset expenditure.

This organisational reshaping will deliver a £7 million saving in operating expenses and a further £5 million saving in capital expenditure together with moving a greater proportion of our headcount resources onto the front line for sales growth. The annual ization effect of the high as we made last year, as well as upskilling certain roles this year, are expected to result in broadly flat staff costs in 2025 compared to 2024 had a significantly reduced CapEx cost.

So despite the challenging financial performance in the year, it's important to stress that we remain a profitable business generating £15.5 million of operating free cash. This was materially down on the prior year due to the lower adjusted EBIDTA performance and higher CapEx spend that I spoke about earlier. Our core CapEx increased in the year to 12 and a half million versus 7 million a year earlier.

Our total CapEx in the year was 15 million and this reflecting a push to enhance our operational resilience and enhance our scalability. Cash conversion fell considerably as a result, linked mainly to our lower revenues and our higher CapEx. And going forward, we expect all these metrics to improve with increased revenue and a lower CapEx outlay of under 8 million.

So I've just mentioned our CapEx grew significantly in 2024 as a result of the completion of a number of major operational resilience programs which spilled over from 2023 and further investment in preparing our operational infrastructure for future growth. We expect CapEx to decrease in 2025 in line with our planned projects that which has allowed for a significant reduction in technology staff.

Our CapEx allocation for 2025 will focus on product related enhancements to drive more volume through our platforms and thereby support our growth ambitions. The banking part of our business remains well-capitalized with a strong CET1 ratio, as I mentioned, of 19.2%, significantly greater than the UK banking average. We have taken advantage of this healthy margin to allocate more capital to products our clients have increasing demand for in the emerging markets and that create more stickiness thus far, increase increasing trade finance, which generates strong returns in itself.

It also has had a circa six times incremental effect on fixed payments volumes as well. Our trade finance lending book grew to 180 million versus 59 million at the end of 2023. Deposit base grew healthily to 1.6 billion. As a reminder that deposits are purely our effects and payments clients, so it shows their loyalty to us as an institution and obviously creates stickiness at the end of the year.

We had £10 million of surplus capital available for growth, which is down from last year, reflecting increased allocation due to the calculation of our operational risk using the last three years of revenue, which were obviously increasing as well as the increase in trade finance. I've just talked about. So to summarise our financial performance for 2024, the business remained profitable, cash generative, despite lower income performance and we continue to have strong liquidity and we have completed some significant large scale investments to enhance our operational platforms and we have more targeted CapEx programs in 2025 focussed on product development to support our income growth.

Our income performance was challenging, but we have laid solid foundations with positive actions to start growing revenue in 2025. Our Income is becoming more diversified with multiple drivers and will become more stable as a result. We are undertaking cost actions to align our business to our strategy. These actions are delivering now. We will continue to manage cost closely and with 70% of our cost being fixed, we should demonstrate positive operational leverage as our business grows.

So now let's go to the strategic update. I outlined my team strategic vision for our business at the H1 presentation last year, as well as providing the description of the strategic KPIs that we would use to inform you of our progress. This slide evidences the strong progress we are making on executing our strategy. Our network is growing and our end is being increasingly utilised.

This allows us to deliver better pricing to our customers, reinforcing our connectivity to hard to reach markets. Our revenue generating client base is growing, which David will go into later and our coverage concentration is improving to more sensible levels. This is also creates a less volatile business. And finally, we are growing our business outside of our core sub-Saharan African market.

All in all, I am very happy with the way things are progressing. But it is very much early days and there are still plenty of things to do during 2025 and absolutely no time to be complacent. So let's look at tangible progress being made where we are, where we are in our journey. We've come a long way in a short time, making our business stronger, more diversified.

There is clearly a lot more work to do, but I'm sure you will agree this is a good start. Our leadership leadership team is complete. Most recently we hired James Hopkinson, who's here today. Hello, James, seasoned CFO with Emerging Markets Experience. And and he will be supporting me in our strategy delivery. He together with my CTO David, I'll cost you it as well as the head of banking.

Matt the global head of sales. Kirsty and global head of payments. Claire said today present us with a refreshed, highly focussed bench strength and experience to grow our business. We are very quickly moved to build an increasing proportion of our network outside of Africa, notably in MENA and LatAm. We are rationalising our client base to only have income generating clients and have enacted a minimum fee model for clients who are not using us as much as they should.

Our platform is more integrated. We are looking at tighter integration between our fixed payments and banking businesses, and this allows us to facilitate a one stop shop model for our clients to meet their needs throughout the payment cycle. And as I mentioned earlier in the financial section, we have closed key gaps in operational resilience. We are continuing to automate more of our business and this year we are focusing significantly more on driving product development.

I've said throughout that there are plenty of market opportunities for us to grow into. I've also said that the market size and target addressable market numbers are so large they become nearly irrelevant considering how small our portion of them is. Of the overall market. So there's a lot to go for is what that means. And what I'm focussed on is the sustainability of our future revenue streams.

And to do this, we are prioritising our activities. Firstly, the emerging market countries we are targeting are growing at GDPs greater than 4%. That demands will increase, the sophistication will increase and economies become increasingly open to global trade. West Africa is a great example of this, with key exports such as cocoa oil, precious metals and other commodities. As part of this journey, a key entry point is being able to build solid relationships with central banks, which I referred to earlier.

We are still a key partner to the International Development Organisation as they trust us because we have years of experience, ability to access special markets and because we are a UK regulated institution and that operates in line with local regulations as well. Our Ideas business will face some headwinds this year, which David will elaborate on, but some of those products that we are working on, such as guaranteed deposits, will drive more idea and flow onto our platform, especially those that cannot deal with non-investment grade institutions.

Our proposed Mean office in Abu Dhabi also offers huge opportunities. Not only are there flows originating from the UAE and the Middle East into Africa, but there is also a large development organisation, Opportunity within the Middle East itself.

So I suppose the real question is how long is all this going to take? Well, we are making strong progress towards building a steady growth business that is diversified and driven by an efficient organisation. I believe that this is a 12 to 18 month journey with key parts of our initiatives being relationship build and product delivery. Some of the exciting things that we are working on, which we will go into shortly, include structured payment solutions, guaranteed deposits, fixed derivatives and payments, value added services.

By the end of 2025, we will be in a much better position with most of our platforms delivering. So what I'll do now is hand over to David, be our chief commercial Officer. He will go into the real impact we are making on our clients and how we are defining our relationships with them. So over to you, David.

David Bee, Chief Commercial Officer, CAB Payments Holdings

Thank you. Thank you. And thank you, Neeraj. So good morning to everyone and our offices today. Good morning. And to those of you online, thank you for being with us. So with the backdrop of a strong update and growth plans that Niraj has just kindly shared, specifically on growth initiatives, our focus on senior relationship management with Key Central banks and key clients continuing to strengthen the breadth and depth of our network that is already over 120 currencies and 700 currency pairs switching on new segments and geographies, placing colleagues on the ground in our priority markets and supporting a previously margin driven effects business with a new focus on fees.

I'm now excited to share an update with you with regard to our clients. And I'm also proud to share with you that have been that we have been partnering with at least 25 of those clients over the last ten years. Our strongest relationship being with over 40 years. So we have a strong relationship and it's been trusted partners for several years.

Indeed, the team and I work with a governor of the central bank, Kody, last week, and we reminded each other that CAP has been supporting their country and its communities for 30 years. This year, one of five banks that we have a 30 plus year relationship with, and they'll be in London soon to help celebrate that milestone with us.

But it's just another reminder of our long history and many loyal clients that we have been fortunate enough to partner with over the years. And long may that continue. And whilst this morning we are sharing an update on 2024, many of our growth plans for the future. If you look at the revenue per client, on the right hand side of the slide, you will see great opportunities for us today with to immediate priorities.

One, as Dheeraj said earlier, we will be concentrating our efforts on senior relationship management of key clients, an initiative that will help us grow our most valued client segment. We will do this by placing the best of the business in front of clients. Generating more than £500,000 worth of annual revenue currently represents 10% of our overall business. And by InfoQ being focussed on this important segment, we look to optimise senior resources, improve client satisfaction and increase profitability.

The second priority in this space will be our team's focus on improving our offering to grow clients that are currently generating less than £100,000 worth of volume, currently 68% of our wallet. We will do this either through an increased use of our products or should they prefer via targeted service that will attract new fees. Again, we will view this as a big opportunity for growth, naturally supported by great relationships and great technology, and supported by our revised integrated offering as a result of our new simplified management structure.

In terms of our team structure, I'm pleased to share that. To drive these priorities, we have added two new managing directors to our already best in class financial markets leadership team. Kirsty Garrett, an industry expert and experienced banker, joins us from Standard Chartered in a new role as global head of financial market sales. And Claire Gates, an industry payments expert previously at MasterCard, also joins us as global head of our payments business.

And you'll be hearing from Claire very shortly. Finally on this slide, our plans to grow growth will naturally include a spotlight on adding new clients, building on the 546 that we are currently active with across the network. Again, the team and I consider this to be a significant opportunity for our business, and I'm pleased to share that this part of our strategy is already in play in terms of kind of offering more to our ethics and payments clients.

It is important to share that this aspect of our business is purely client led. Clients are asking more from us and wanting to do more with us. Client driven plans that will help to increase demand, find improved offering and enhance functionality of core services. This slide shows four of a number of plans that we are currently working on an enhanced payments functionality that Clare will add more colour to very shortly affects derivatives.

In this case affects forwards not only G10 but importantly emerging markets, currencies, currencies, ultimate and ultimately providing intra Africa solutions services that our clients need to help hedge against long term fluctuations. We've also seen also been working on guaranteed deposit offering that will provide an investment grade rating to augment our existing deposit products. Again, we are responding to significant client demand, for example, from central banks and priority clients looking to deposit line with their wider investment mandates.

Both guaranteed deposits and ethics Derivatives are being led by a new head of banking, Matt TALTY, who joined the executive committee in Q4 and in collaboration with our Treasury Markets team, will be launching both our forwards and deposit products to serve more clients in the coming months. In addition, Matt and our markets teams will also provide structured solutions for clients looking for liquidity in less liquid markets, again driven by client demand, a service that will also be delivered this year.

This is particularly appealing for larger corporates trading locally in high growth countries. And a new segment where we are seeing increased demand and opportunity. Once again, key to our success here is leveraging key clear relationships with central banks, allowing us to enter the local markets with full transparency, with their confidence and with their full support. This plus our ability to leverage the fact that we are a UK regulated bank is absolutely key and aspects of our that have many aspects of business that many of our direct competition are simply unable to compete against.

On this slide it's Niraj also reference. We reflect on our commitment to do more with our clients via the provision of our trade finance capabilities as part of our commitment to scale up. You will also be aware that trade finance plays a crucial role in facilitating international trade for emerging markets economies and in turn as a positive impacts on their economic performance.

And in addition, along with the need for a best in class emerging markets trade business comes the need for a best in class effects business. And it is our ability to integrate the two whilst also leveraging our banking license that differentiates us from our competitors. Our integrated offering simply makes us easier to do business with. Importantly, providing these services to local institutions gives us the ability to serve countries that would otherwise risk being left out of the financial system.

This again solidifies our position with central banks and local regulators and reflects our core values and unwavering commitment to building ethical business practices and sustainable operations. As a certified B Corp member, we are part of a global community of like minded businesses aiming to make a positive impact to help move money where it's needed, along with ethics. Loyalty between the bank and their clients plays a key part in trade finance.

And as Neeraj previously referenced, this was evidence in 2024 by generating £535 of gross trade finance volume and in turn the same trade finance clients also executed over 3.2 billion of volume through our ethics platform to further enhance this offering. I'm also very excited to share a key update, not only a first in our space, but an aspect that is now recognised by our industry.

That CAP is now able to provide our emerging markets clients with the ability to negotiate the repayment of trade finance facilities with the client's local currency and by association providing cap with an additional route to obtaining local liquidity to support even more foreign exchange clients no longer have to use their valuable hard currency to repay their loans. They now have optionality.

This aspect is a market first in our segment. It further reinforces the mutual dependency we have on our clients and strengthens our overall business model. None of our direct competition competitors has the experience or the ability to do this as effectively. So now understanding the importance of integrating our trade finance, offering to our future and payments business model, the team and I now plan to grow it.

In the past we've been limited by the size of our balance sheet and we are, after all, a relatively small and niche bank that was largely led by big emerging markets powerhouse, and we are keen to reinforce the effects and payments offering will remain core to our business, but as such, albeit important, the trade finance business support that we previously provided to our clients and inherent advantages this brought to our bit to our business was ultimately capped.

So under the leadership of Part Patrick PEREIRA, who recently joined Cav in the second half of last year, a leading industry expert who also lectures in trade finance, we have now embarked on an originate to distribute strategy which will not only see us exploring different channels and ways of originating trade finance, but reduces the impact to our sheet and switches the revenue dynamic from interest income to a capital light fee income.

And this will become a key tool in allowing us to scale up our offering. The great news is that we're already executing. We executed our first asset sale in February with more expected in the coming months. Finally, as this slide suggests, this is part of a journey, a journey that will allow us to scale our trade finance volumes by leveraging our partnerships and combining client capital with our own origination capabilities, resulting in a very powerful proposition.

We are demonstrating our capability and our client intent and with plenty of sizeable institutions that want exposure into African commodity trades but do not have the origination know how CAB can help bridge that gap with confidence. So thank you for the opportunity to share our progress. Exciting markets ahead for our clients and exciting times for our business. And as a team, we remain 100% committed to continuous improvement.

I will now hand over to Claire Gates, Global Head of Payments.

Claire Gates, Global Head of Payments, CAB Payments Holdings:

Thanks, David, and nice to be speaking to you all today. As you heard from me earlier, 25% of our gross income comes from payments. Typical payments would be the central bank debt repayments, government pension payments, corporate invoices and salaries on behalf of intermediaries. And what we've also seen and heard about pressure on your fixed rate flows, which have an effects and a payment component are stickier and command a take rate premium.

Also, over the last decade there's been a lot of innovation and investment focussed predominantly on the retail payment space. But today we are seeing it focussed on the B2B cross-border payments. This is really exciting. And cap payments is deeply paced with our existing customer base, extensive proprietary network and experience dealing and delivering payments in very challenging markets. So what are we actually doing to accelerate our payment business?

We're enhancing payments this year would make it even easier for our large customers to connect with us the way they need to do the heavy technical integration as our technology would enable them to switch on with minimal effort resulting in faster implementation time leading to faster revenue. So we'll be able to ramp up our payment business more quickly.

We're expanding our payout capabilities. Our partnership with Visa enables TAP to now cost effectively make smaller B2B transactions across 53 markets, 14 of which are net new to card. As I said earlier about payments such as salary payouts, B2B invoices also to address the growing gig economy also significantly adding value to our idea an NGO proposition where until now we were only able to offer an effective wholesale solution and other parties would do the payout to individuals.

Now CAP can address these payment needs, delivering a one stop solution in hard to reach markets. I'm pleased we went live with our first client last Friday. Also, for those clients who don't open bank accounts to service cross-border payments as we give them bank accounts that use often trapped cash resources to monitor, track and reconcile. We launched a countless clients transfer money into a current within a currency of their choice to the cap account.

Less we do the fixed conversion and make the payment. The solution reduces the lift and effort needed from the client side, and we're building out a value added services from real time payment capabilities to mobile wallet as well as smart payment routeing. This gives us full control to send payment traffic to the most efficient and cost effective payment channel.

Differentiating our service, allowing us to price accordingly. Move on to the next slide. So we're on a journey to be the leading B2B payment solution provider for Africa and emerging markets. We have a scalable, flexible platform and operationally ready to ramp up revenue and roll out new regions. We will continue to grow coverage through third parties and develop more value added services in order to protect our margin.

These features are capabilities with a depth of expertise and relationships. Puts us in an excellent position to deliver the 50 billion in transaction volume. So with that said, I hope you can see why we are enhancing our payment proposition is core to our future growth plans. I'll now hand you back to Neeraj.

Neeraj Kapur, Group CEO, CAB Payments Holdings

Thanks, Clare. Thanks, David. That's excellent, really insightful and I hope everybody enjoyed the updates from from both Face, both Clare and David. So you've heard about some of the really exciting projects we are working on to create a diversified and growing effects and payments business. Our strategy is working and there is tangible evidence of progress and we're excited about our growth.

We are clear in our vision what we need to achieve and how we're going to do it. So our business is one built on relationships to technology driven and three, truly global. So with that, let's move to Q&A and call.

We'll take questions from the room first.

Vivek Raja, Shore Capital:

It's morning. Thank you for the presentation. Very interesting. So you've obviously done a lot in terms of reassessing the revenue or the revenue trajectory and and the work on products. Sounds very interesting, too. I've got a few questions. The first one is about trade finance. I suppose how we should think about the impact on the P&L. And I suppose related.

You've touched on this, that the sort of capital intensity is growing that and how it connects into the rest of the business. What are you doing to address that? So who are the third party relationships I suppose you can lean into to, to grow that? The next question was, I suppose about kind of modelling this business from a high level.

I mean, essentially an effects and payments business still. Should we still think about it as a sort of take great times volume type business? Not the right way to model this? And then the last question I had was around payments and your comment about sort of effects payments flows together being stickier. How is it different to what you were doing in the past where you're going to?

I just want to understand that. And and what is it that you're doing that's going to make it more relevant to clients to sort of become more demand led, as you described earlier on your end.

Neeraj Kapur, Group CEO, CAB Payments Holdings:

Thanks for that. Really great questions. We'll start with the last one, actually, which I think Clare will be able to answer for you.

Claire Gates, Global Head of Payments, CAB Payments Holdings:

Historically, our payment infrastructure was built on the SWIFT Network, which was very good for high value transactions. What we've now done with our partnership with Visa is, as I said, enabled these 53 markets to be operating at more cost effective, meaning that we could do lower transactions. Also additionally, we're able to out to accounts for the NDO and ATO proposition.

We're also adding the mobile wallet side of things. So we're going deeper into the vertical.

Neeraj Kapur, Group CEO, CAB Payments Holdings:

So that that does create the stickiness and it will clearly allows, allows our customer to use for the whole of that transaction rather than just part of it, which is what we were doing earlier. So we're doing the wholesale part and someone else will then have to complete what we what is called the last mile. So now we have the capability to do all of it.

And that's what certainly a lot of our ideas are asking for. On your second question around the way to model, obviously we are in the payments organisation and clearly there is a take rate volume equation and that gives us a revenue. But what we're doing is we're enhancing that with fee driven activities that surround that effects payments model to give us additional income from the same customer base by doing some additional activities.

So David talked about being able to provide local currency solutions where previously it would just be about effects effects payments in one country to another. By doing that, we can add services which our clients absolutely value highly and probably more so than just the take rate itself. So that's the idea. And David, you want to add anything to that?

David Bee, Chief Commercial Officer, CAB Payments Holdings:

No, I think I mean, I think COVID, as, you know, certainly being able to use currencies and other markets and just what trying to do is to augment what we've already got and build and scale. So I think there are answered the question.

Neeraj Kapur, Group CEO, CAB Payments Holdings:

And your first question, which I have to remind me about myself.

Vivek Raja, Shore Capital:

About Trade finance

Neeraj Kapur, Group CEO, CAB Payments Holdings:

Finance. Yeah, yeah, yeah. So I'll give you the kind of mathematical better than David can give you that How do you actually do it? So the mathematical bit is really about saying that, look, it's clear to everybody that we do not have the capital to really be a large scale trade finance bank. Try that. That's not what we are.

There's no aspiration for us to do that. However, what we see from our clients is that they are very much in that business that, you know, we're talking about central banks, other banks in emerging market countries where the fact that that their gross product, if you like, is about selling commodities and these countries are doing extremely well. If you compare GDPs across those of continent of Africa, for example, and South America, some of these countries have got very, very strong GDP growth based on that.

So being part of that part of their ecosystem has a lot of value to us. And what we are seeing is large scale banks have moved away from supporting those territories for lots of good reasons of their own. What that has left is a clearly a vacuum for the local banks to try and fill, and ultimately what they have is a lack of liquidity.

So what we what we have is the origination channels and the understanding of trade finance in terms of how that works from a service perspective. And we also are increasingly improving our relationships with development banks and guarantee providers who are absolutely in the business of wanting to invest in that kind of trade finance business in those territories for very obvious reasons.

Now, the good thing about trade finance is it's very short maturity. So in terms of risk and return for development, banks is great and they have absolutely, as you will all know, billions to invest in those areas. What they don't have is the origination and the filtering of that origination for the best deals. And where all relationship builds on that is to basically put the two together and be the people who both originate and then service between development banks and guarantee providers and the emerging market demand.

David Bee, Chief Commercial Officer, CAB Payments Holdings:

Yeah, and I think just building on that, if we have the local market expertise in terms of our expertise with, with regard to emerging markets, we've got the product knowledge, we have the talent within the company and we are, as Neeraj just mentioned, you know, we're fundamentally in effects and payments house. But with that skill set that we have given clients, the option optionality in terms of repayment is also a massive competitive advantage and it's that there are very few, if any, actually certainly in our market segment, the way we business and compete that can actually provide that's that service and solution.

So as an integrated offering, it makes us easier to do business with. And then if you think at back to the payments business and the banking business that we're building as well, it becomes a just just makes this easier to do business. So the trade, the trade piece is augmenting what we already do. We've got the skill set and we've got experience.

Paul Bryant, Equity Development

Thanks. So to client segments. I'd like a bit more clarity on one thing which jumped out at me in the results. The MFI client segment that was robust, it was flat, and I suspect part of that is South-North North debt repayments. But there must be more to it than that. Can can you go into that in a bit more detail on why that was so robust and didn't fall off as much as others?

And then the second one, the other payments line, which the way I understand it is same currency payments are also fairly robust. Maybe you could explain what's your competitive advantage in that segment because it still is a fairly chunky revenue line and the outlook for that going forward.

Neeraj Kapur, Group CEO, CAB Payments Holdings:

David, do you want to take that one?

David Bee, Chief Commercial Officer, CAB Payments Holdings:

Yeah, I mean, the emphasis is is partly driven by it. It's actually partly driven by the fact that we have a fantastic history in terms of working with commercial banks. We've also got an amazing network which has been led by one of the leadership team here, Darren Gaffney. So it's a combination of fantastic history. We've got brilliant relationships on the ground.

We've also got fantastic relationships with central banks, which actually really counts when you're dealing with local commercial banks. And that's something Neeraj and I and the rest of the leadership team are really focusing on as well. So it's history, it's knowledge. It is you know, it's a local knowing the local authorities as well as absolutely key into this space.

And we're a trusted partner as well. And also the fact that we provide 120 currencies and 700 crosses, it makes us a major competitor. So we can provide solution, constant solutions and constant liquidity similar to payments management.

Neeraj Kapur, Group CEO, CAB Payments Holdings:

Yeah, it really adds and forces what you just spoke about. We have, you know, a very extensive proprietary network and we are trusted, we are regulated, and all of these things really resonate with the clients.

Paul Bryant, Equity Development

Thank you.

Gregoire Hermann, Barclays

Thank you. Good morning, everyone. This is Gregoire from Barclays. Um, just two questions, please. On my side, I think you mentioned a lot of product launches to come and you talked a bit about the the capital requirements, capital lights, uh, for the trade finance, but overall, with all the product that you are going to launch, can you, can you mention a bit to how you expect it to impact the capital requirements for next year?

And just overall on CapEx, I think you said that more than 50% of the CapEx would be on product launches. And what about the rest? Uh, basically and how much of that will be through, uh, capitalised cost is?

Neeraj Kapur, Group CEO, CAB Payments Holdings:

Right. Okay. So questions. Thank you, Gregoire. Well, I think the first part of your question in terms of capital utilisation is that our product set in itself is a capital like product set. The products we are talking about and this includes deposits and deposits are quite important because they do create sticky relationships with our customers.

Because when customers put large scale deposits into us, they're not putting them into us because where, you know, Citibank or HSBC, they're putting them into us because they then want to use those deposits for a purpose. Generally, payments and effects. So one of the problems that we have, as many small banks have is that we are not an investment grade bank and therefore the governance of the banks that we're dealing with abroad does not allow them to put large scale deposits with us because of that fee.

What we have done, Matt, is done a job in the in the banking space of actually creating a product that has a investment grade rating to allow those customers to place larger deposits with us and thereby allowing them to transact larger volumes on the payments side with us than with others. Because wherever the money is is where they generally they use it.

So that's that's one of the things. It's still very much a capital like situation. On the other kind of product developments, there are actually, I would say, more of our integrations that David mentioned about the fact that we're trying to build solutions, our customers that take our existing products and create something that when you bring them together, is a solution to whatever they're trying to do so that we can cool that product.

But you could call that a solution. Right now, this is again, fee driven, so there is no capital requirement that comes with that either. And I think the final piece which we talked about in a reasonable amount of detail is the way that we using our trade finance business to actually capture the development bank and guarantee capital to come in and allow us to generate fee income through origination fees and servicing fees as well as get the multiple that we get from the fixed and payments side by having those those those transactions routed through us in some way.

So as you can see, there is no development of our products that starts creating more strain on capital. I think the real thing is that as we grow one of the real drivers of capital utilisation in this bank is operational capital, which is just a percentage of our revenue, three year average revenue. So as revenues increase, we will the regulations have to hold more capital for the fact that we are getting more revenue.

And that's really the going to be the future driver of capital requirement. Okay. So your second question is CapEx. Yeah. So as as I as I mentioned, the previous CapEx was to make sure that we had the right level of resilience in our platforms. And and this is quite important and again, it does also feeds to the regulatory space as well.

The regulator does require us to have a level of resilience in our systems to be able to do what we do. And there is a lot of regulatory change that comes to all banks, regardless of what we do that we need to deal with. So there is a kind of level of capital expenditure that you see in every bank that you have to have to look at when we go forwards.

What we want to do is that we've done that kind of heavy lifting. We now want to be very focussed on income generating capital investment, right? And therefore the majority of what we invest in will be to help us grow our products and services for our customers. However, we can't get away from the regulatory burden that we have to have because it's a licence to operate and the part of that capital expenditure will for that as well.

In terms of the amount that is reducing from a total of £50 million of capital expenditure in 2024 to £8 million in 2025 and probably of that level going forwards. Give you an idea.

Portia Patel, Canaccord Genuity

Thank you. Portia from Canaccord. I've got two please. Firstly, on take rate excluding Naira, XAF and XOF, as you mentioned, volume impacts and competition operating in a different way as the reasons why that moderated year on year. So could you just elaborate on the latter point about competition operating in a different way?

Well, I think, you know, from our perspective, you know, we we have recently obtained an IMT licence from the Nigerian Central Bank. That means that we can operate in quite high volumes in Nigeria. And by doing high volumes in order, we can do some really interesting trades. I think that there are a lot of areas where people operate in lots of different currencies across Africa which aren't necessarily through those kind of channels and that's fine.

You can do those kind of things, but the volumes are much, much lower. But the margins are much, much better because you're having to go fish all these kind of places that you can find these currencies. So what we're doing is saying, no, what we want to do is focus on the larger scale and the larger opportunities with the larger counterparties, and we therefore will have to forego the opportunity of any kind of uplift in that kind of take rate kind of thing that we've said.

One of the focuses that we have is rather than the fact that we are highly focussed on just take rate which has, as you know, is a market driven phenomenon. So, you know, if it goes up or down, we have to take that. The point is that we are augmenting with the driven activities and the fee driven activities require us still to do effects payments, but they require us to do more than that and that higher volume.

And that's why we taking a different route. So that's what that is what we're trying to get at with that comment. Nothing more.

Portia Patel, Canaccord Genuity

Okay. Thank you. And secondly, could you just elaborate on the first off balance sheet asset sale that you referred to? Just a bit more detail about the parties involved, how it was originated in voltages of doing those sorts of transactions?

Well, obviously, we don't tell you about the parties involved, but we can tell you a little bit more about it and that. David, you talk about that.

David Bee, Chief Commercial Officer, CAB Payments Holdings:

Yeah, we've just we did our first trade in in February. It was with a relationship will be speaking to for a while. We have a you know the way that we work we do sort of a smaller check initially in terms of our first trades. But you know, it is been a commitment with regard to our expertise, the client's balance sheet and and our relationship.

So it's just brought the whole thing together. We expect to do, you know, many more trades over the coming months. But it was off our first trade as there are said you know we won't be sharing the name, but it was a relationship we've been speaking to for.

Gaurav Patel, Head of Investor Relations, CAB Payments Holdings:

Questions online, the question is going through. There was there's two questions. There's two questions for the webcast. Is there any guidance on the future of the large MMB banks that were an important part of the IPO story? First question. The second part is Visa provides services to many of the banks and payment companies that compete with cap payments. How does this partnership differentiate you from your competitors to play?

Neeraj Kapur, Group CEO, CAB Payments Holdings:

Claire, do you want to talk about why Visa is different for us versus how they might be used by others?

Claire Gates, Global Head of Payments, CAB Payments Holdings:

I can't really comment on how they use by is. All I can say is what this gives us is it augments what we've got today, what we've really renowned for our capabilities to be able to make payments in really hard to reach markets on. You know, we've done it really well at the higher ticket size. We now can do it in a more cost effective way because we can use this capability and add value added services that we may be build or augment with other third party partnerships or build in-house.

So it really is the ecosystem of a proposition we'll be delivering.

Neeraj Kapur, Group CEO, CAB Payments Holdings:

First thing the first one was the first question was about the major market. Banks was an important part of the IPO story where we are.

Well, it still is, absolutely. And we still are dealing with major market banks. And in fact, that we I mean, we can speak about this. We are looking at ways that we can do more with them. And a lot of the things we've talked about today, including the deposit guarantee product, including the fee within areas that we're getting into or help us do more with major market banks.

But to talk more about what we're doing, David could you elaborate?

David Bee, Chief Commercial Officer, CAB Payments Holdings:

Yeah, absolutely. That just remains on ongoing in terms of what we're doing, the partnerships that we have with the major market, banks continue to look at us primarily for foreign exchange and in part in markets where some of the major markets banks have pulled out of some countries. And so we're able to provide the liquidity in in different countries.

So that continues.

Gaurav Patel, Head of Investor Relations, CAB Payments Holdings:

And this is one more question, which is how is the closure of U.S. aid affected ideas flows today?

David Bee, Chief Commercial Officer, CAB Payments Holdings:

So, you know, it is it is definitely impact the industry. There's no question about that. And in fact we were in a prior to this meeting was on with aclient this morning they're looking for alternatives in terms of geographies they're looking at alternatives in terms of their model with regard to how they get fees and then starting to thinking about stuff and how they can work with the banks and looking at investing and get working with banks in terms of being able to put money to work.

So there's that actually with this, this has been two parts is obviously looking at alternatives, other markets and countries from investment perspective and also in terms of the overall model of how people take funds and where they can work with banks and other investors.

Gaurav Patel, Head of Investor Relations, CAB Payments Holdings:

Great. Thanks. No more questions on the phone line or over the Web.

Neeraj Kapur, Group CEO, CAB Payments Holdings:

So as we end this presentation, I want you to remember a few things from what we've said this morning. We thought quite a lot of things. We remain a highly profitable and cash generative business. Number one, my team and I are focussed on delivering material growth through really the four things that we talked about global expansion through the key hubs London, Amsterdam, New York, Abu Dhabi, the strengthening of our relationships, prioritising deep connections with clients, regulators and central banks to drive trust and business growth in our chosen markets.

And then clearly tech driven growth, investing in A.I. automation, real time payments to enhance efficiency, security and then scalability. And then it's about sustainable success, global reach, trusted partnerships, cutting edge tech. We're set to lead cross-border financial flows in emerging markets. Through all these things, we are building a company that's not just prepared for the future, it's defining it.