



ZapPay

A QR-Code Based Mobile Payments
Solution for Nigeria

Mobile Payments in Nigeria: Business Rationale



Largest and fastest growing economy in Africa



High number of potential users (183mm people)



Large number of tech savvy consumers



Government encouragement to improve financial infrastructure



Cash is primary financial instrument for payments



Increasing smartphone penetration



Customer Development

- **30** interviews
- **17%** expats (not considered initially)
- **97%** know about QR codes
- **90%** would use QR-based app

#	Consumer Type	Pain Points	Download QR?
1	Expat, 30s, female	• Making change when paying cash • Inconvenient to visit bank • Unreliable ATMs	• Yes
2	Local, 30s, male	• Concerns with non-functional POS	• Yes
3	Local, 40s, female	• Mugged at ATM	• Yes
4	Local, 35, male	• High bank transfer fees	• Yes
5	Local, 32, male	• Token maintenance	• Yes
6	Local, 40s female	• Fraud concerns	• No

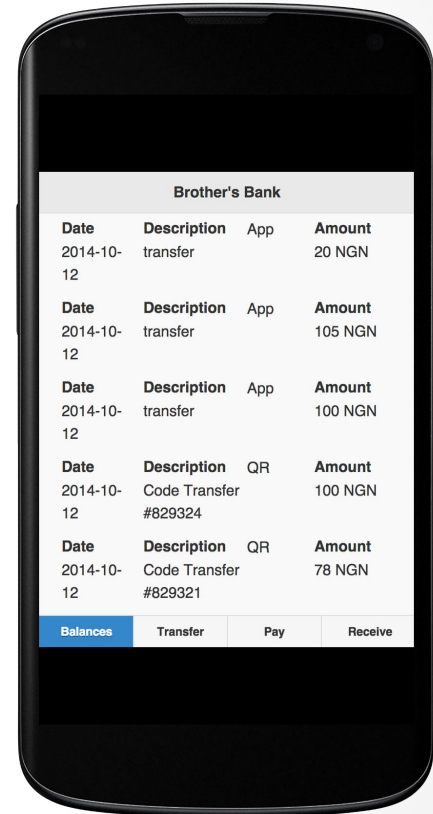
Payment Challenges in Nigeria



Solution: ZapPay

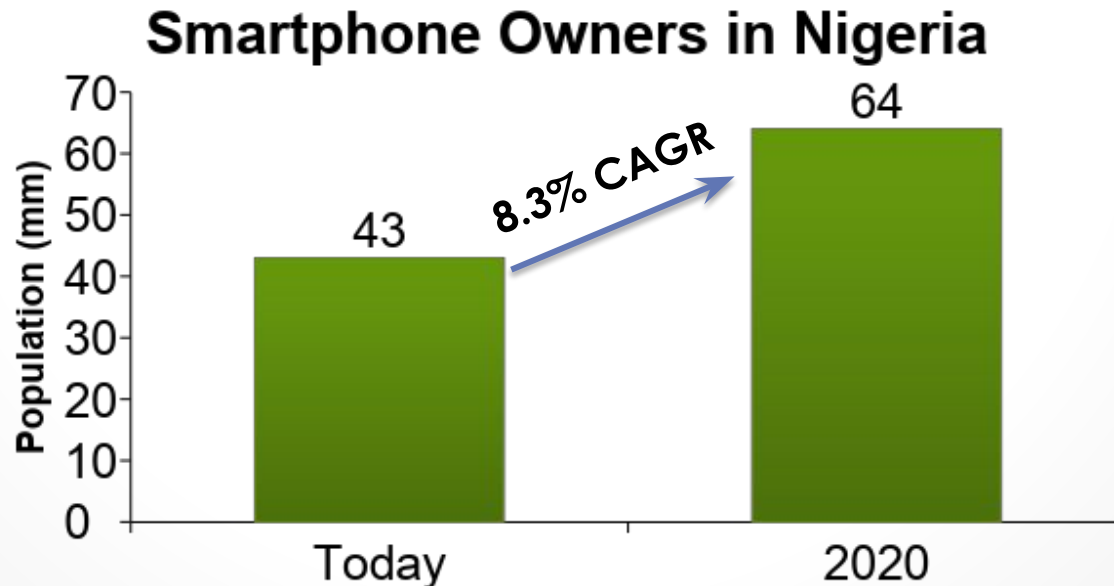
ZapPay is a **QR code-based** mobile banking app that allows users to *efficiently*, *securely* and *cheaply*:

- Pay for goods and services
- Transfer money
- Receive payments



Market Opportunity

- **Domestic transfer volume (2014):** \$65 billion
- **Mobile phone users (2014):** 87% (159mm people)
- **Smartphone users (2014):** 27% (43mm people)
- **Smartphone users (2020):** 40% (64mm people)



Competitive Landscape

Banks

- Siloed operations
- Limited to intra-bank transfer
- High inter-bank transfer fees
- Unsophisticated apps
- Security Concerns
- Bulky tokens

Global Players

- Expensive transaction fees
- Exchange rates are typically unfavorable to users
- Not suited for local-to-local transfer

Independent Players

- Mostly SMS credit transfers
- Facilitates utility bill payment
- Targets mostly unbanked / semi banked users



Value Proposition

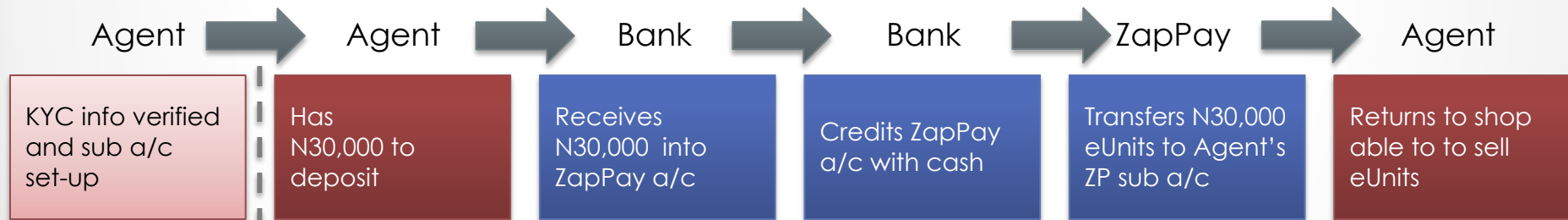
ZapPay is differentiated from the competition:

- Rides the wave of **increased smartphone adoption**
- Utilizes a **QR Code-based** payment system that is popular in other African countries
- Supports both **banked and unbanked** customers
- Enables seamless **payments across Nigeria** in real time

How ZapPay Works

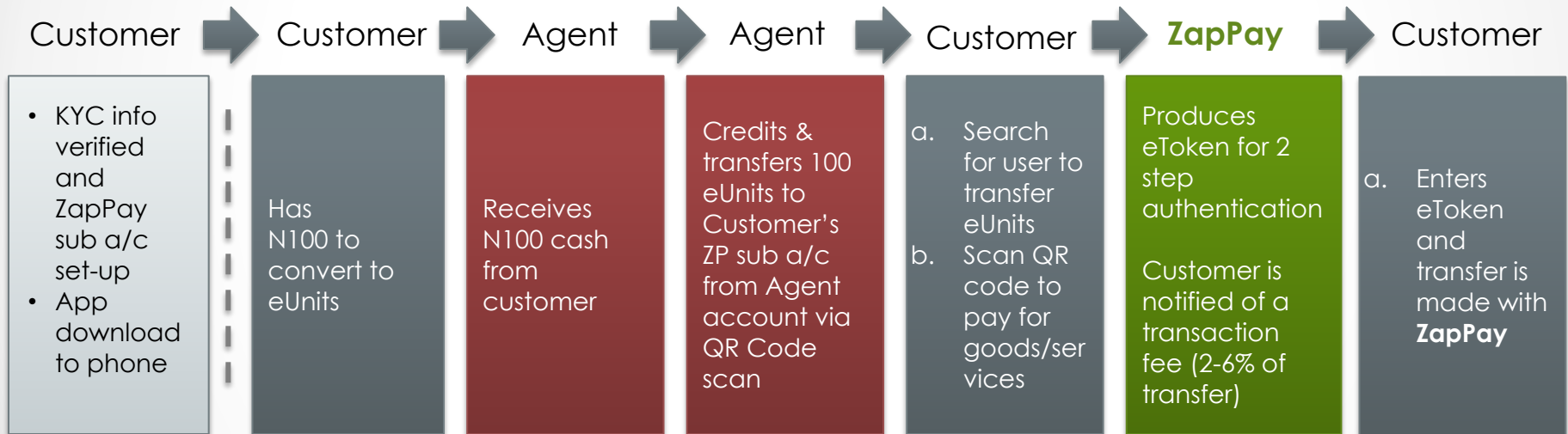
1. Agent to Bank eUnit Creation

- Agent:
 - KYC pre-approval
 - Minimum bank transactions of N30,000 (\$150 - \$200)



How ZapPay Works

2. Customer eUnit Credit Creation and Payment or Transfer



Security Features

Safety and Fraud Prevention is Key to Gain Trust

Against Fraud:

- Iris Scan Record & KYC prior to product activation
- Use MLA to identify suspicious transactions

Against Hacking:

- Public-Private Key Encryption for data transmission
- Database Encryption using RSA-Algorithm
- Store credentials using one-way salted hashes

Operational Risk Mitigation:

- On Site Live Replication x 5
- Daily Backup to AWS
- Fidelity Insurance Coverage
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Marketing Strategy



- Target audience via FB ~12mm people (\$20 daily for 24-62k)
- Incentive structure for:
 - Merchants
 - Agents
 - Customers
 - Agents / Complementors
- Minimize transaction costs and friction by utilizing QR Code

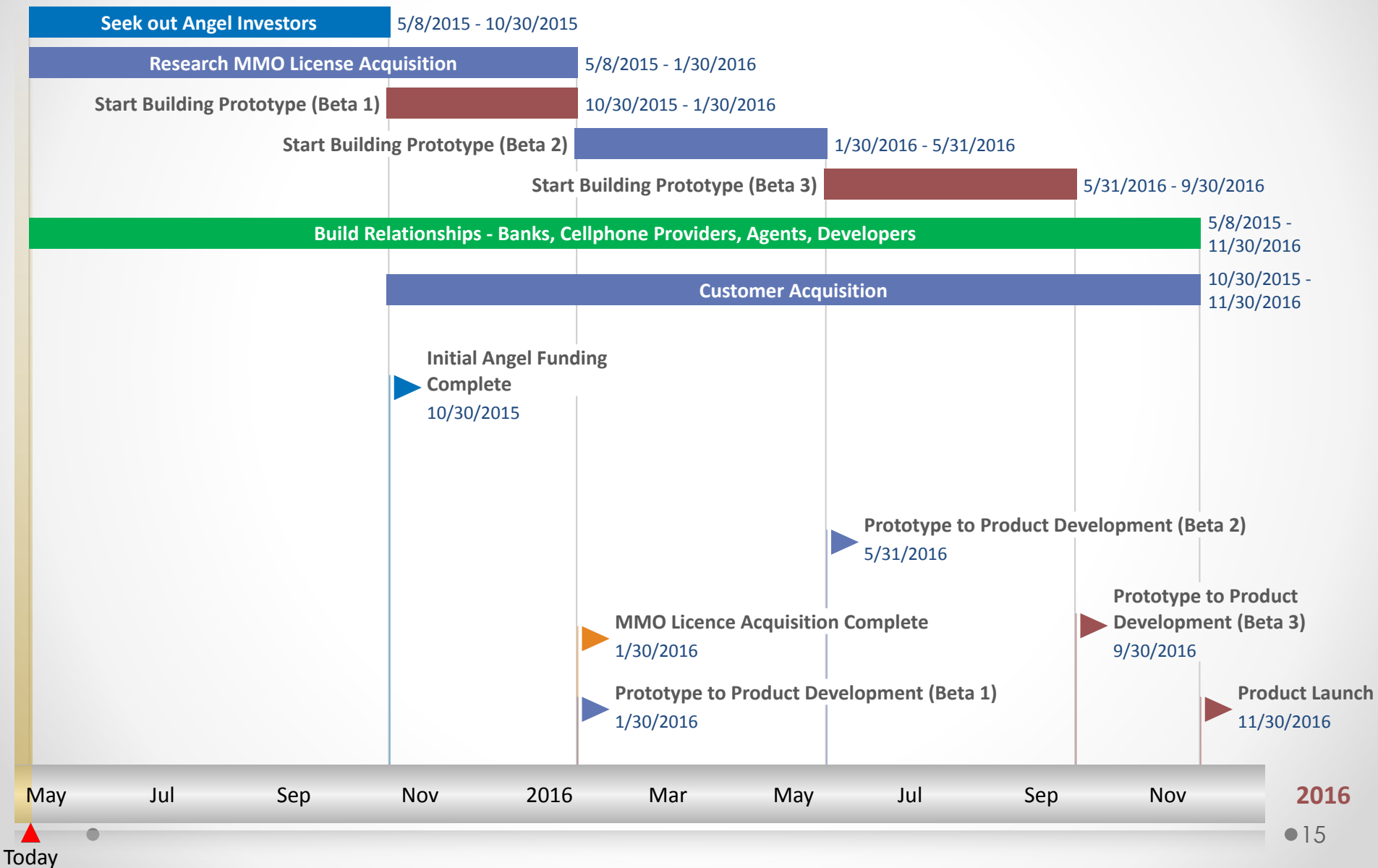
Business Model

ZapPay Payments and Transfers Model	
# Smartphone Users in Nigeria	50,000,000
3% Conversion Rate	1,500,000
Average Annual Volume/User	\$900
Average Transaction Fee	2%
Yearly Revenue/User	\$18.00
Annual Run Rate	\$27,000,000
Annual Costs	\$18,900,000
Gross Margin	30%
Gross Profit	\$8,100,000

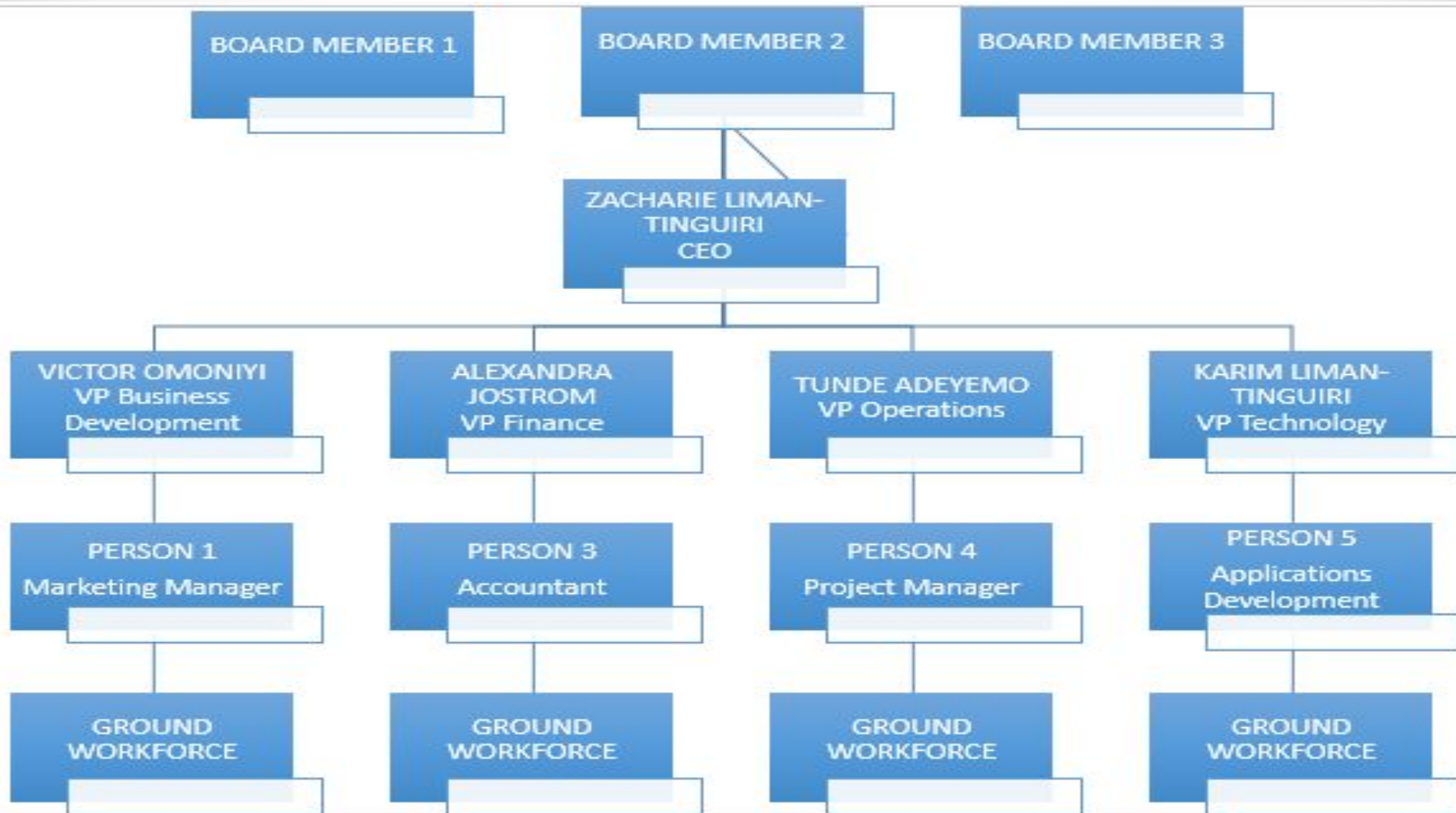
Unfair Advantage

- Using the QR code makes this a more convenient form of payment
 - Minimizes entry barriers to potential users
 - Makes transfers / payments easier for user
 - Reduces entry mistakes
- Separation from Bank account helps alleviate security concerns
 - All other options have been integrated to users' bank accounts
 - E-credit reduces cash transactions and allays security concerns
- Creating an Ecosystem
 - Switching costs are relatively cheap at the moment
 - The network effect created by the system makes switching costs really expensive

Milestones



Team



APPENDIX

Financials

PROJECTIONS:

Drivers	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Population	173,600,000	178,460,800	183,457,702	188,594,518	193,875,165	199,303,669
Cell-Phone Users (TAM)	154,504,000	158,830,112	163,277,355	167,849,121	172,548,896	177,380,266
Smart Phone Users (SAM)	41,716,080	49,316,750	50,697,619	52,117,152	53,576,432	55,076,572
Serviceable Obtainable Market (SOM)	0	1,479,502	2,959,005	5,030,308	7,545,463	10,186,375
Revenues	\$ -	\$26,631,045	\$53,262,090	\$90,545,553	\$135,818,329	\$ 183,354,744
Costs	\$2,375,000	\$18,641,731	\$37,283,463	\$63,381,887	\$95,072,830	\$ 128,348,321
EBITDA	(\$2,375,000)	\$7,989,313	\$15,978,627	\$27,163,666	\$40,745,499	\$ 55,006,423
Employees	12	82	113	136	143	170

ASSUMPTIONS:

Drivers	Rate	Source
Population Growth	2.80%	World Bank
Cell Phone Owners	89%	Pew Research Dec 2014
Smart Phone Users	27%	Pew Research Dec 2014
Smart Phone Growth Estimate	15%	www.eMarketer.com
SOM	3%	
Monthly Client Revenue	1.5	M-Pesa Data
Yearly Client Revenue	\$18.00	

KYC Requirements

BANKING STATUS	KYC/CDD LEVEL	VERIFICATION REQUIREMENT	MOBILE PAYMENT TRANSACTION LIMIT
Un-banked	Least KYC	Name and Phone Number	Maximum transaction limit of N3,000 and Daily limit of N30,000
Semi-banked	Partial KYC	Refer to CBN KYC Manual and Money Laundering (Prohibition) Act.	Maximum transaction limit of N10,000 and Daily limit of N100,000
Fully-banked	Full KYC	Refer to CBN KYC Manual and Money Laundering (Prohibition) Act.	Maximum transaction limit of N100,000 and Daily limit of N1,000,000.