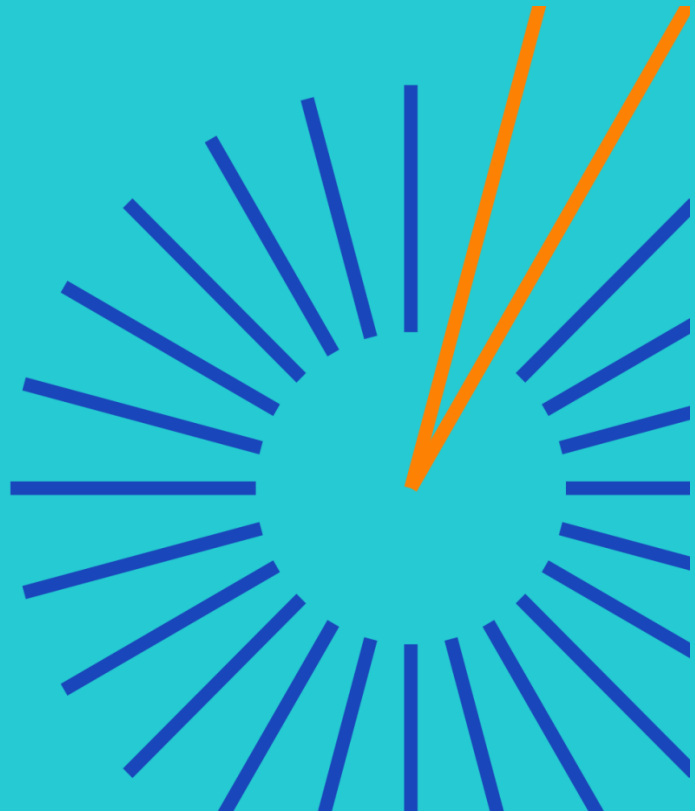




**i&M**BurbidgeCapital

# EAST AFRICA FINANCIAL REVIEW

NOVEMBER 2017





# November in Numbers



## IMBC Deal of the Month



Black Rock Mining's oversubscribed USD 4.2 million placement.

# 8

The number of disclosed deals in EA

The total value of all disclosed corporate deals in EA in USDm

# c. 191m



*The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and a behavioral discipline that are likely to get you where you want to go.*  
- Benjamin Graham



## In this Issue

- Key Market Indicators
- Deal Statistics
- Selected Deals Summary
- Key Press - East Africa
- Upcoming Events



# i&M Burbidge Capital

## MONTHLY COMMENTARY



Private sector deal making increased in November with 8 deals reported. The telecommunications and ICT sectors recorded the highest number of transactions accounting for 5 out of the 7 deals reported. The strong showing for the two related sectors brought the year to date performance to 10 deals, higher than the joint 8 deals reported in 2016.

We expect that as we head into the new year, there will be an uptick in corporate deal making. In early January, we will release our 2017 Annual East Africa Review which will look back over an interesting year and give our views on what 2018 may hold.

IMBC's Deal of the Month is Black Rock Mining's oversubscribed placement, in which it raised USD 4.2 million. As a result of the strong demand from institutional investors the company elected to increase the size of the Placement by an additional USD 1.2 million, placing the Company in a strong financial position to complete a Definitive Feasibility Study on it's 100%-owned Mahenge Graphite Project. The Mahenge project is estimated to contain one of the largest graphite deposits globally. The high level of subscription demonstrates resurgent investor interest in Tanzania's mining industry.

In the Oil and Gas sector, British oil explorer Tullow Oil announced it intends to ship out Kenya's first crude to the export market in 2018. Kenya, in July, delayed a plan to start small-scale crude oil production of about 2,000 barrels a day for transportation by road to Mombasa for export. Tullow noted that the oil will initially be stored until all work is completed and necessary consents and approvals are granted for the transfer by road. As part of EOPS extended production, water injection testing and a water-flood pilot test utilising the Ngamia-11 well are planned for the first half of 2018.

In the mining sector, mining and metals company AB Minerals announced that it is partnering with the African Minerals and Geoscience Centre (AMGC) in Dar es Salaam, Tanzania, to establish the first columbite-tantalite (coltan) smelter in Africa. Coltan is an ore from which tantalum, used in the manufacture of capacitors, is extracted. The new coltan smelter is expected to reduce the export of raw materials and lead to greater value retention by African coltan mining countries. Key beneficiaries of the project are artisanal & small-scale mining companies and cooperatives, who represent a significant number of the total miners in many African countries.

In the energy sector, the development of two multi-purpose projects in Aror and Kimwarer in Elgeyo-Marakwet County at a cost of USD 630 million is set to commence after a regional authority invited bids for land to resettle locals who will be displaced. The Aror hydro-electricity project will cost USD 350 million while the Kimwarer project will cost USD 280 million. Both are in Kerio Valley region and are meant to produce electricity and boost irrigated agriculture. The Aror hydro-electricity and irrigation project will be the second in Kerio Valley region after the Turkwel hydro-power plant.

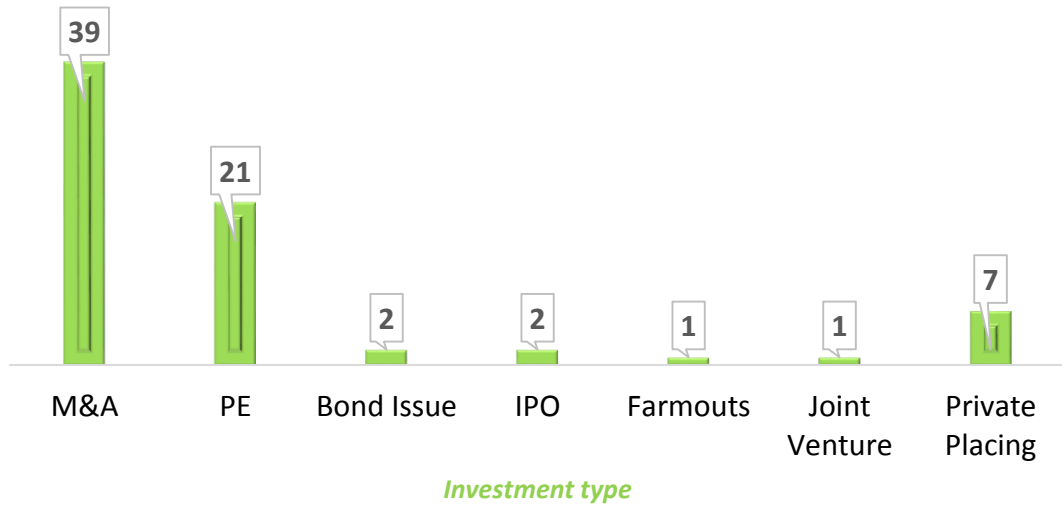
In the listed equities market, the NSE 20 Index gained 2.0% during the month of November to close at 3,804.69 points (YTD 19.0%). Foreign investors were net sellers with net outflows of USD 5.00 million during the month (Outflows of USD 114.94 Million YTD). High foreign investor demand was witnessed on the financial services counters - Equity bank (USD 4.02 Million, YTD 42.5%), KCB (USD 1.73 Million, YTD 43.5%), Centum (USD 0.59 Million, YTD 17.6%). Safaricom, KCB and Equity bank were the leading movers, jointly accounting for 63.9% of total revenue.

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### Yields on Government Securities

	91- Day T-bill	2- Year Bond	5- year Bond	10- year bond
Kenya	8.01%	11.35%	12.60%	13.30%
Tanzania	0.00%	11.76%	13.64%	15.89%
Uganda	8.46%	11.00%	14.20%	14.30%

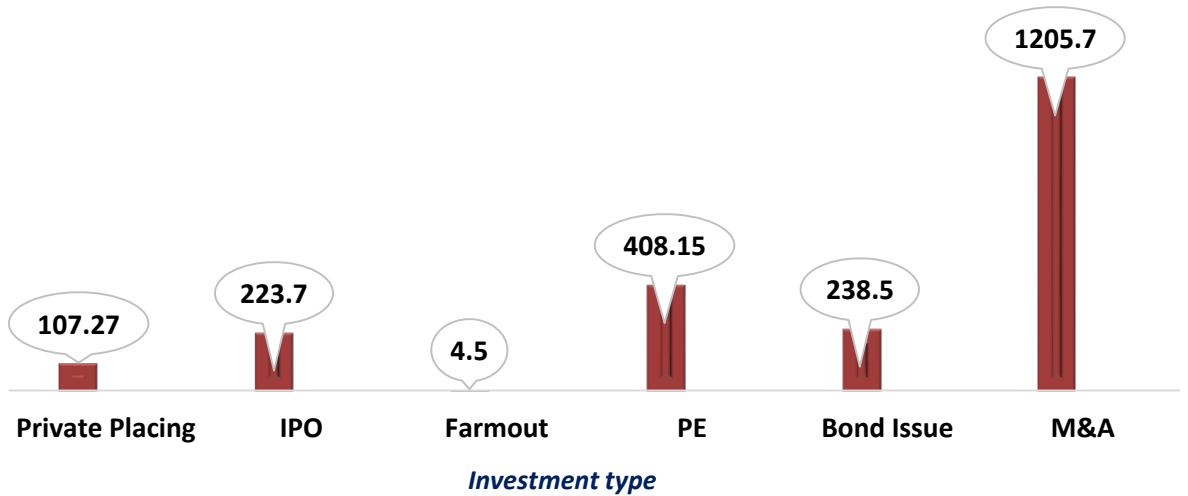
### Total No. of deals in East Africa - 2017 YTD



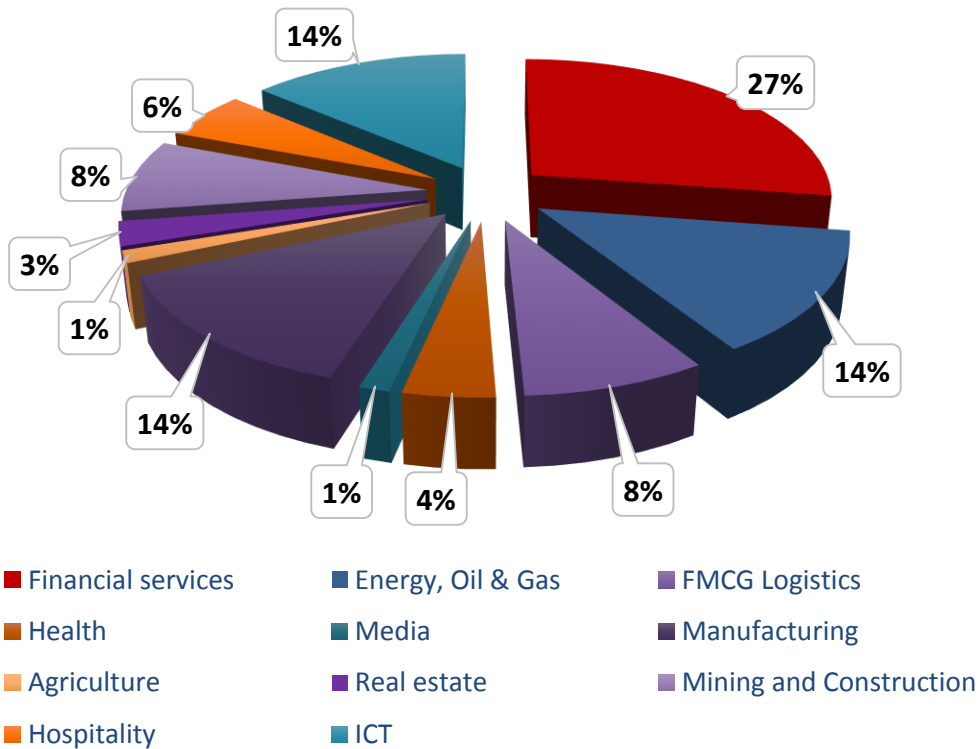
### Total number of deals per month in East Africa -2017 YTD



### Deal values (USD mn) in East Africa - 2017 YTD<sup>1</sup>



### No. of deals per sector - 2017 YTD<sup>2</sup>



<sup>1</sup>Based on deal values disclosed to the public or as estimated by I&M Burbidge Capital

<sup>2</sup>The top sectors which recorded the highest number of deals

Source: I&M Burbidge Capital Research

## Interest Rates

Country/Region	Current Base Rate	Previous Base Rate
Central Bank of Kenya (Kenya)	10.00%	10.00%
Bank of Uganda (Uganda)	10.00%	9.50%
Bank of Tanzania (Tanzania)	9.00%	9.00%
South African Reserve Bank (RSA)	6.75%	6.75%
Central Bank of Nigeria (Nigeria)	14.00%	14.00%
Central Bank of Egypt (Egypt)	18.75%	18.75%
Bank of England (UK)	0.25%	0.50%
Federal Reserve Bank (USA)	1.25%	1.25%
European Central Bank (EU)	0.00%	0.00%

## Projected Inflation and GDP Rates

		Kenya	Uganda	Tanzania	Nigeria	South Africa	Sub-Saharan Africa	UK	USA	Euro Area
Projected GDP Growth	2017	4.90%	5.53%	7.24%	0.65%	0.80%	2.85%	1.05%	2.20%	1.51%
	2018	6.47%	5.87%	6.79%	1.57%	1.60%	3.58%	1.65%	2.08%	1.59%
Projected Inflation (%)	2017	5.51%	5.05%	5.00%	17.00%	5.50%	10.00%	2.50%	2.56%	0.96%
	2018	5.02%	5.00%	5.00%	16.00%	5.50%	9.18%	2.60%	2.66%	1.23%

## PART III: SELECTED DEALS

Date	Buyer	Seller	Investment size in USD 'millions	Sector	Investment type	Country	Synopsis
02 November 2017	Apis Partners	Direct Pay Online	5.00	ICT	PE	Kenya	Direct Pay Online, an Internet payments processor, has received Sh519 million (\$5 million) funding from private equity firm Apis Partners. Apis focuses on firms in Africa and Asia. This is the second time that it is investing in Direct Pay Online (DPO) after injecting Sh1 billion (\$10 million) into the company last year. UK-based Apis focuses on providing growth equity for companies in financial services. It also operates in Kenya, India, South Africa, Nigeria, and the United Arab Emirates.
08 November 2017	Various	Black Rock Mining Limited	4.20	Mining	Private Placement	Tanzania	The Tanzanian graphite developer Black Rock Mining Limited successfully raised USD 4.2 million through an oversubscribed placement. As a result of the strong demand from institutional investors the Board elected to increase the size of the Placement by an additional USD 1.2 million, placing the Company in a strong financial position to complete a Definitive Feasibility Study (DFS) on the Company's 100%-owned Mahenge Graphite Project. In addition to the Placement, the Company's Directors and advisors will seek shareholder approval to subscribe to the issue of approximately 9 million shares, or approximately USD 540,000 on the same terms as the Placement.
10 November 2017	XSML	Telcare Ltd	Undisclosed	Telecommunications	PE	Uganda	XSML, the fund manager active in Central & East Africa, announced its fourth investment in Uganda in Telcare Ltd. Telcare, under its brand name Go-Phones, is an operator of mobile money kiosks in Uganda. Telcare has 39 kiosks and four shops located in Kampala through which it provides mobile money transfer services on the mobile platforms of both MTN Uganda and Airtel. In addition the company sells airtime for all mobile network operators as well as mobile phones and phone accessories.
13 November 2017	Convergence Partners	ESET East Africa	Undisclosed	ICT	M&A	Kenya	Pan-African ICT private equity firm Convergence Partners has bought a minority stake in ESET East Africa, a regional cybersecurity company. Convergence Partners signed the deal with ESRO Limited, ESET East Africa's parent company. The new deal gives Convergence Partners an opportunity for growth in the region. The deal also enables Eset East Africa to establish a pan-African presence, given their recent entry into the regional market. The Slovakia-based IT security firm Eset formally unveiled its Nairobi office last year. Locally the cybersecurity firm supplies Internet security software and anti-virus solutions for businesses in various sectors including finance and banking, healthcare, education as well as the public sector.
13 November 2017	CapitalWorks	AoN	Undisclosed	Insurance	M&A	Kenya	Private equity firm, CapitalWorks, has completed the process of acquiring Aon's shareholding across certain sub-Saharan operations and will now be operating as Minet Africa. The transaction spans across 10 countries and regulatory approvals have thus far been obtained in Kenya, Lesotho, Malawi, Namibia, Uganda and Zambia, with the approvals for the remaining countries expected in the first quarter of 2018. The new group will trade as Minet and will become Aon's largest Global Network Correspondent.
17 November 2017	Various	Liquid Telecom	180.00	Telecommunications	Bond	Kenya	Liquid Telecom has closed a fund raising round intended to help reduce the firm's debts and invest in infrastructure in Africa. In a statement, the company said it had raised an additional Sh18.7 billion (\$180 million) in a tap sale. The company, which has a presence in 13 African countries including Kenya, will repay a Sh14.9 billion (\$145 million) loan. The tap sale was on a July 2017 bond and term-loan issue in, which the company had raised Sh72.6 billion (\$700 million).
24 November 2017	XSML	Ecopharm Ltd	Undisclosed	Pharmaceuticals	PE	Uganda	XSML, the fund manager active in Central & East Africa, announced its fifth investment in Uganda in Ecopharm Ltd. Ecopharm has a network of eight pharmacies in Kampala, through which it provides branded pharmaceuticals, branded generic medicines as well as locally produced pharmaceuticals. In addition Ecopharm sells over-the-counter medicines and personal care products. The African Rivers Fund (ARF) targets growing, well-managed small and medium-sized enterprises (SMEs) in the Central & East African region covering Uganda, Democratic Republic of Congo (DRC) and Republic of Congo as well as - over time - Burundi. The African Rivers Fund continues CASF's strategy with investments in between US\$100,000 and US\$5mn.
27 November 2017	DOB Equity & CFAO Group	Sendy	2.00	ICT	M&A	Kenya	Sendy, an on-mobile logistics company has received Kshs 207.6 mn (USD 2.0 mn) in equity investment from Dutch impact fund DOB Equity and CFAO Group, a multinational firm that is a fully owned subsidiary of Toyota Tsusho Corporation, for an undisclosed equity stake. Sendy, which was founded in 2014, offers delivery services through a mobile application. The funding will be used to scale up the operations of the company, which already has presence in Nairobi, Thika, Mombasa and Kisumu, to other locations in the country.

### Ugandan private sector activity slumps

Growth in Uganda's private sector slowed for a third consecutive month in October, hurt by a weak industrial backdrop as political tensions in a key trading partner curbed new orders. The Markit Stanbic Bank Uganda Purchasing Managers' Index (PMI) slipped to 52.8 from 53.8 in September. A reading above 50 indicates activity is expanding, while below that shows contraction. According to the survey report, activity in the industry sub-sector declined due to a challenging political environment in key export destinations. Kenya, gripped by political tensions and sporadic violence since August, is Uganda's biggest trading partner and its gateway to the sea. Uganda's economy, which is gearing up to start producing crude oil in 2020, is projected by the central bank to expand 5 to 5.5 percent in the fiscal year 2017/18, a rate the bank says is below its potential. During October, business activity expanded in agriculture, services, construction, wholesale and retail.

#### I&MBC Analysis

*Political tensions in Kenya, a key trading partner of Uganda, negatively impacted the latter's private sector. This signifies Uganda's reliance on its key export destinations. The country's economy is expected to grow by 3.9 per cent in 2017, far below the previously projected 6.3 per cent. Whilst the Central Bank projects a growth from 5 to 5.5% in the fiscal year 2017/18, it also states that this rate is below its potential. However, a spur in growth is anticipated over the longer term period as revenues from crude oil exports start flowing into the country.*

(Source: Reuters, IMBC Research)

### Sukuk bonds to debut at the NSE after Nasdaq Dubai deal

The government could soon tap development funds from the local and foreign Muslim investors once the Shariah-compliant Sukuk system is launched at the bourse. Nairobi Securities Exchange (NSE) and Nasdaq Dubai have signed a Memorandum of Understanding to fast-track development of a Sukuk sector at the bourse. NSE chief executive Geoffrey Odundo, said the move will see the Kenyan government, government-related entities and the private sector source development funds via the products. Last year, President Uhuru Kenyatta assented to the amended Finance Act that recognised Sukuk products creating an avenue for the Muslim community to actively participate in bourse activities via products that are Sharia compliant. Nasdaq Dubai chief executive Hamed Ali said NSE's growing stature as a regional bourse could greatly benefit from the introduction of Sukuk products. It would also enable the Muslim community in the region enjoy benefits that accrue from investing at the bourse. Nasdaq Dubai is one of the largest exchanges in the world for Sukuk, with listings valued at USD 500 billion—mainly sourced from international and regional issuers including governments, multilateral institutions and private entities.

#### I&MBC Analysis

*The introduction of Sukuk bonds is expected to increase the number of securities on offer at the Nairobi bourse, thus widening the investment avenues available for investors. It is also expected to increase the level of foreign investor participation by presenting investment opportunities for investors from the Middle East and GCC. The move by the NSE is in line with its mandate to increase the level of domestic participation in the capital markets and increase the number of securities on offer. In addition to the Sharia compliant instruments, plans are underway to introduce derivative financial instruments.*

(Source: Business Daily, IMBC Research)

### Tanzania benefits from regional bank's USD 180m

Tanzania so far received loans of USD180 million from the Eastern and Southern African Trade and Development Bank. The regional lender has also shown interest to support Tanzania's industrialization plan. The loans were channeled to infrastructure projects like energy, transport and housing in the last three decades of the bank's operations. The bank, commonly known as PTA Bank, has changed its official brand name to Trade and Development Bank (TDB) in line with its growth and expansion strategy. In 2015, the bank announced the financial close of its second Tanzanian shillings denominated bond worth Sh32.6 billion with a five-year tenure to support Tanesco in its operations. National Housing Corporation also announced this year to have secured a USD 2 billion loan from the financial institution to construct a commercial centre and satellite city at Kawe in Dar es Salaam.

#### I&MBC Analysis

*Tanzania and other East African economies have significantly benefited from the Eastern and Southern African Trade and Development Bank's interest in supporting their development. Following the rebranding, the bank announced it will increase financing for priority sectors such as infrastructure, manufacturing, industry and agribusiness across the 21 member states it operates in, over the next five years. In the past, the bank has financed agribusiness projects throughout Eastern and Southern Africa, notably Malawi and Sudan, and provided important asset finance facilities to the air-transport sector in the region, with Rwanda Air, Kenya Airways and Ethiopian Airlines benefiting from the funds.*

(Source: The East African, IMBC Research)

## PART V: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
Africa 2017	07 - 09 December 2017	Sharm El Sheikh, Egypt	Africa 2017 is organised by the Ministry of Investment and International Cooperation of Egypt and COMESA Regional Investment Agency (RIA.) This year's forum will focus on strengthening intra-African ties to boost investment and private sector collaboration, bringing together some of the key actors in business and government.
SPACE	13-14 March 2018	Radisson Blu Hotel, Nairobi Kenya	SPACE, is a two day business conference for real estate professionals, and is committed to reaching real estate owners, investors and developers together with real estate professionals to do deals across the African continent.
Africa CEO Forum	26-27 March 2018	Abidjan, Côte d'Ivoire	The Africa CEO Forum has established itself as the foremost event devoted to promoting the African private sector. A unique platform with thought-provoking discussions and an excellent opportunity for business leaders to develop their businesses, shape strategy and enhance their companies' competitiveness.



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