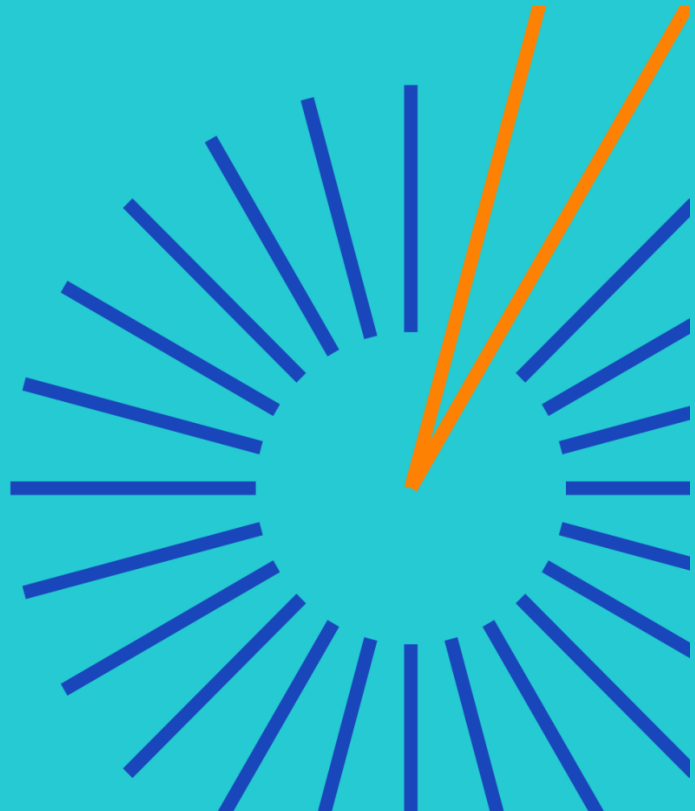




**i&M**BurbidgeCapital

# EAST AFRICA FINANCIAL REVIEW

NOVEMBER 2018



# November in Numbers

## > IMBC Deal of the Month:

 IFC, TLcom Capital and GAFSP's investment in Twiga Foods

**5** The number of disclosed deals in EA

The total value of all disclosed corporate deals in EA in USD m

 **c.49**



*'Prices fluctuate more than values—so therein lies opportunity.'*

~Unknown

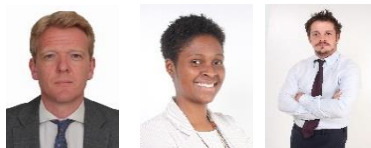
## > In this Issue

- Key Market Indicators
- Deal Statistics
- Selected Deals Summary
- Upcoming Events



# i&M Burbidge Capital

## MONTHLY COMMENTARY



*The Editorial Team*

EDWARD BURBIDGE | LINDA OBWORA | FRANCOIS LAGRANGE

In the month of November there were 5 disclosed deals with a value of USD 49 million, 10.5 million more than October. Whilst October reinforced the indication of East Africa's profile as a key investment destination for Private Equity, this month served to highlight the prevalence of Impact Investments. This can be seen through the selected deal of the month and the joint investment by Goldman Sachs in an online higher education platform.

IMBC's deal of the month is the USD 10 million joint investment by IFC, TLcom Capital, and the Global Agriculture and Food Security Program (GAFSP) in Twiga Foods. Twiga Foods is a Kenyan-based start-up connecting smallholder farmers in rural areas to informal retail vendors in cities. Previous investors such as Wanda Capital, DOB Equity, 1776 and Adolph H.Lundin also participated in the funding round.

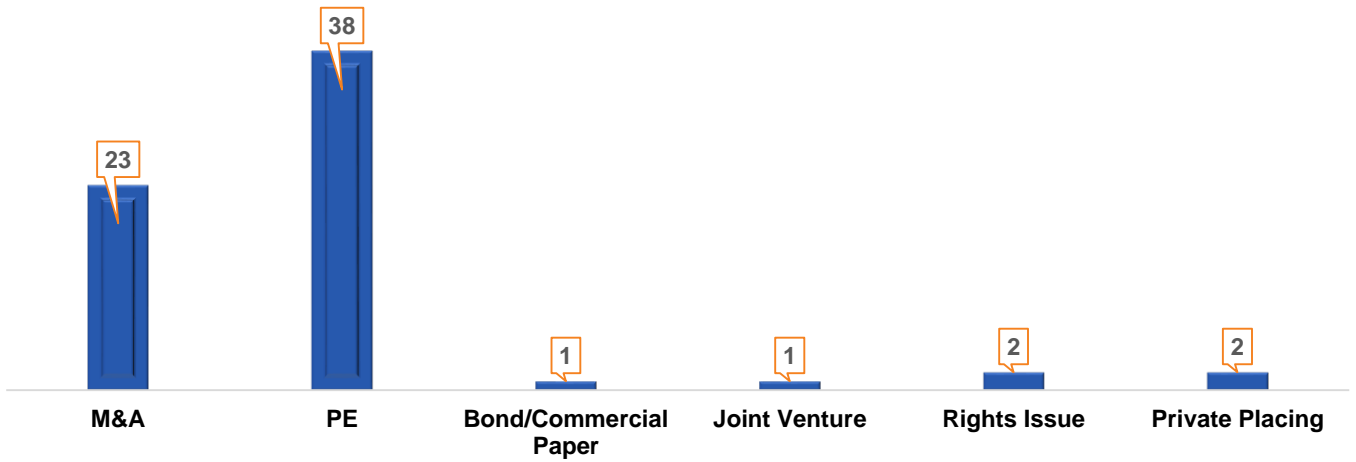
In the energy sector, Rwanda and the World Bank signed a USD 125 million Development Policy Operation (DPO) credit agreement to support a fiscally sustainable expansion of electricity services in the country. The new program will increase energy access in the country by 154,000 new connections in the 2018/2019 fiscal year. It will also address energy challenges, including lowering cost of energy, increased efficiency and revenues. In Tanzania, the Tanzania Atomic Energy Commission (TAEC) announced that the country's Atomic Energy laboratory received approval from the European Union (EU) following a site visit by the EU Nuclear Safety Project manager, Ms Genevieve Lizin. The Tanzanian government has contributed Sh2.3 billion for constructing the laboratory while the EU provided equipment worth Sh11.5 billion.

In the oil sector, UAE based Lukoil Company partnered with a local Kenyan firm, Fairdeal Energy, to launch its services in Kenya. Lukoil is one of the third largest vertically integrated and privately-owned global energy companies and the market leading lubricants brand in Russia and Europe. Also in Kenya, KenolKobil announced its plans to acquire 23 fuel stations in Uganda and 10 in Rwanda—from Delta Petroleum. The deal marks a return to expansion nearly three years since it scaled down its regional footprint by exiting Tanzania and the Democratic Republic of Congo markets.

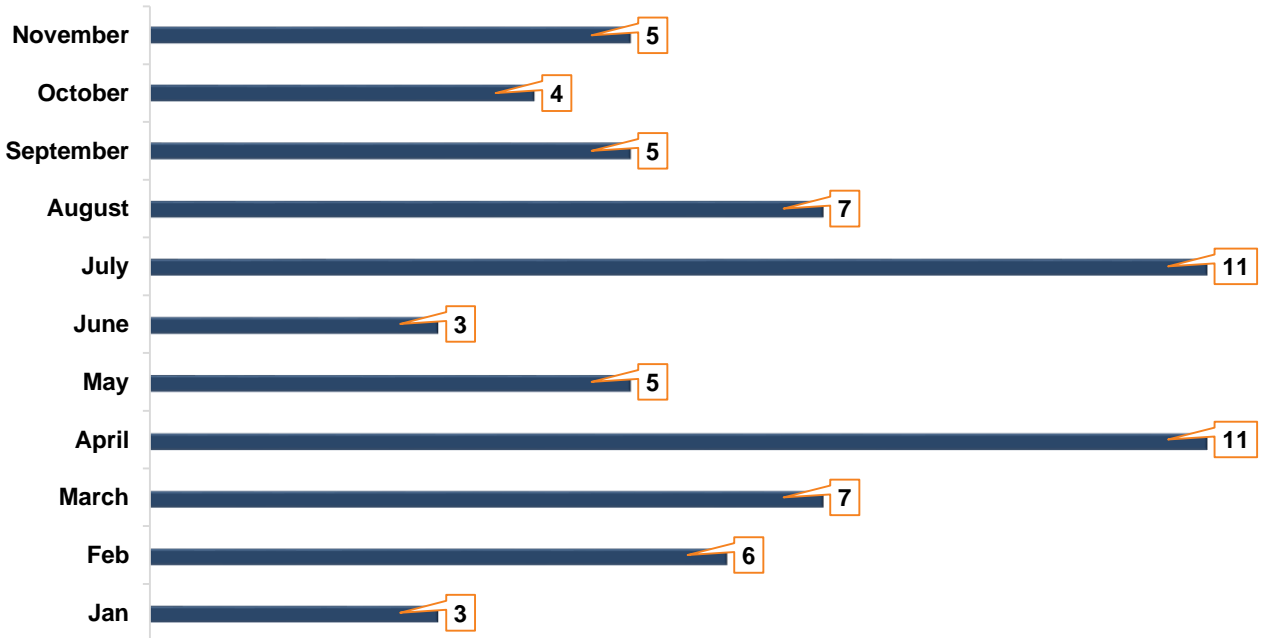
In the listed equities market, the NSE 20 index declined by 0.5% to close the month at 2797.44 compared to 2810.32 at the end of October 2018. Overall, the market continued to experience foreign investor outflows with investors withdrawing USD 5.82 million from the market. At the individual stock level, EABL witnessed the highest foreign net inflows at USD 2,364.3k (YTD – decline of 20.6%) while KCB and Safaricom experienced the highest foreign net outflows of USD 5,214.7k and 1,922.7 k (YTD – decline of 7.6% and 11.2% respectively). Top gainers in the month of November included Uchumi Supermarkets, which increased by 23.6% (YTD – decline of 85.2%) and East African Cables which increased by 21.7% (YTD – decline of 46.4%). East African Portland Cement experienced the highest decline of 27.9% (YTD – decline of 48.7%) to close the month at KES 13.85 per share. Safaricom ranked top amongst the top 20 by market capitalization with a market cap of USD 9,238.4 mn.

**Edward Burbidge, CFA & IMBC EA Review Team**

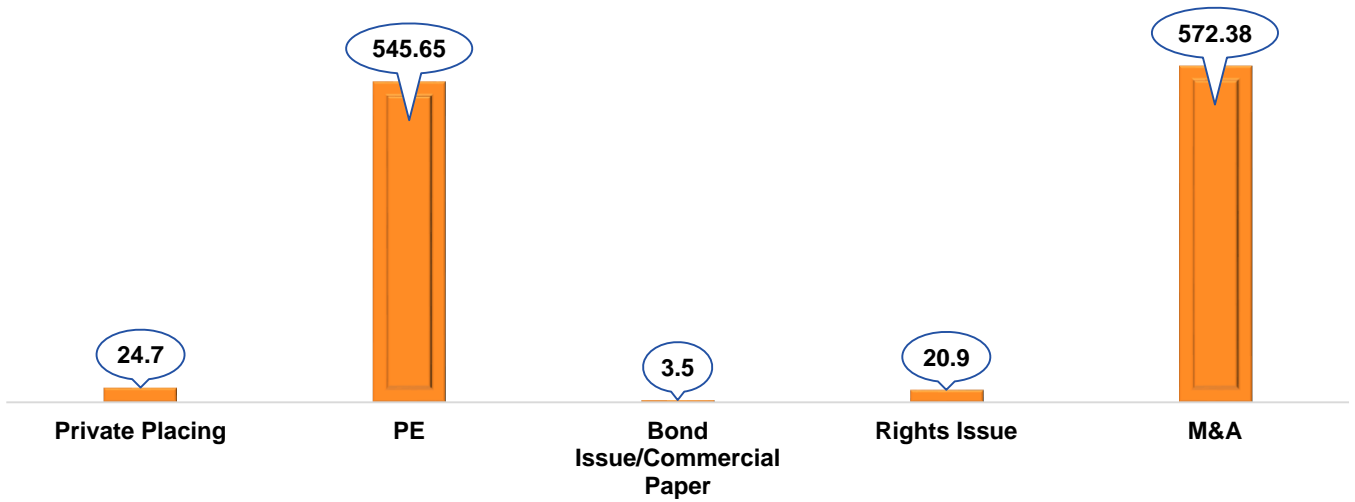
### Total No. of deals in East Africa - 2018 YTD



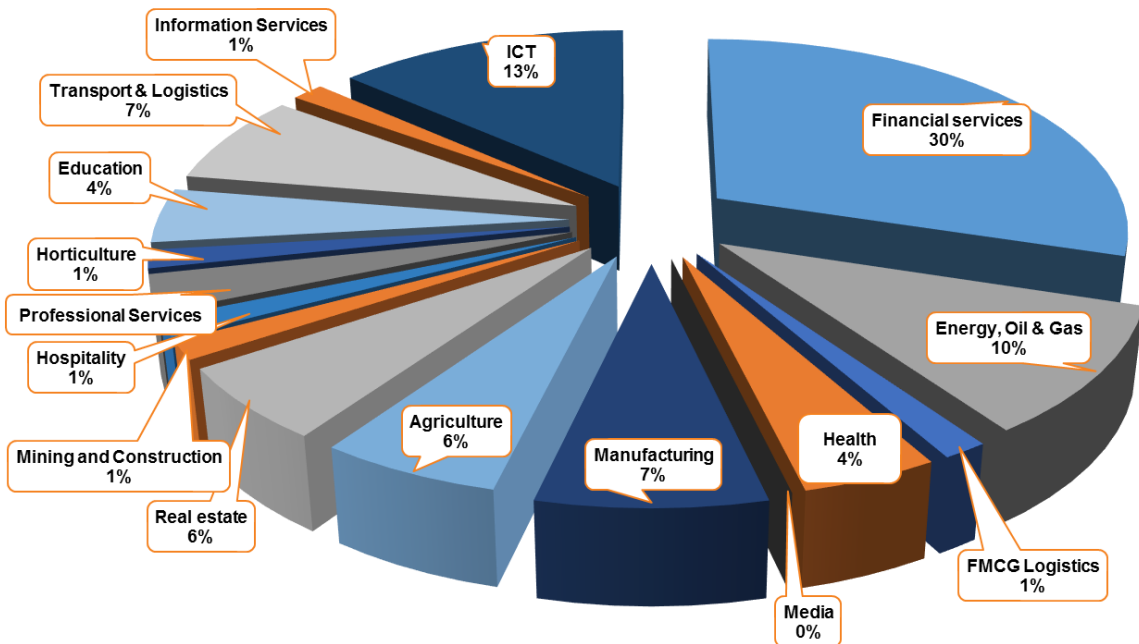
### Total number of deals per month in East Africa - 2018 YTD



## Deal values (USD mn) in East Africa - 2018 YTD



No. of deals per sector - 2018 YTD



Source: I&M Burbidge Capital Research

### Yields on Government Securities

	91- Day T-bill	2- Year Bond	5- year Bond	10- year bond
<b>Kenya</b>	7.67%	11.70%	12.10%	13.15%
<b>Tanzania</b>	2.99%	9.00%	11.30%	14.41%
<b>Uganda</b>	9.72%	13.45%	16.49%	17.30%

### Interest Rates

Country/Region	Current Base Rate	Previous Base Rate
<b>Central Bank of Kenya (Kenya)</b>	9.00%	9.50%
<b>Bank of Uganda (Uganda)</b>	10.00%	9.00%
<b>Bank of Tanzania (Tanzania)</b>	7.00%	9.00%
<b>South African Reserve Bank (RSA)</b>	6.50%	6.75%
<b>Central Bank of Nigeria (Nigeria)</b>	14.00%	14.00%
<b>Central Bank of Egypt (Egypt)</b>	16.75%	17.75%
<b>Bank of England (UK)</b>	0.75%	0.50%
<b>Federal Reserve Bank (USA)</b>	2.25%	2.00%
<b>European Central Bank (EU)</b>	0.00%	0.00%

### Projected Inflation and GDP Rates

		Kenya	Uganda	Tanzania	Nigeria	South Africa	Sub-Saharan Africa	UK	USA	Euro Area
<b>Projected GDP Growth</b>	<b>2018</b>	5.50%	5.10%	6.80%	2.50%	1.10%	3.20%	1.40%	2.50%	2.10%
	<b>2019</b>	5.90%	5.70%	6.90%	2.80%	1.70%	3.50%	1.60%	2.20%	1.70%
<b>Projected Inflation (%)</b>	<b>2018</b>	5.20%	5.60%	5.00%	14.80%	5.30%	9.90%	2.70%	2.10%	1.40%
	<b>2019</b>	5.00%	5.00%	5.00%	14.30%	5.50%	8.90%	2.30%	2.20%	1.70%

Date	Buyer	Seller	Investment size in USD mn	Sector	Investment type	Country	Synopsis
14/11/2018	Goldman Sachs, CDC Group, University Ventures, EDEX	UNICAF	28.00	Education	PE	Africa	UNICAF, the largest online higher education platform in Africa, announced a USD 28.0 mn Series B financing. The new investment round is led by Goldman Sachs, with other participants in the round being existing investors, including the CDC Group, University Ventures, and the Educational Excellence Corporation Ltd (EDEX).
15/11/2018	IFC, TLcom Capital, and the Global Agriculture and Food Security Program (GAFSP)	Twiga Foods	10.00	Logistics	PE	KE	IFC, TLcom Capital, and the Global Agriculture and Food Security Program (GAFSP) announced a KES 1 billion (\$10 million) investment in Twiga Foods, a Kenyan-based start-up connecting smallholder farmers in rural areas to informal retail vendors in cities. The investment was co-led by IFC and TLcom, a Pan-African venture capital firm, with participation from previous investors Wamda Capital, DOB Equity, 1776 and Adolph H.Lundin
22/11/2018	America's Overseas Private Investment Corporation (OPIC)	CrossBoundary Energy	6.00	Energy	PE	KE	OPIC injected KES 600 million into Nairobi-based CrossBoundary Energy, a firm that funds industrial and commercial solar installation ventures across East Africa. The fresh capital is a debt secured by expected earnings from upcoming projects as well as earnings from past projects such as the Garden City Mall (Nairobi) solar installation, among others.
23/11/2018	Sompo Holdings	BitPesa	5.00	Financial Services	PE	KE	BitPesa, a Kenyan digital currency exchange and payments company, secured USD 5.0 mn (Kshs 512.8 mn) in funding from Sompo Holdings, a Japanese insurance group that provides property and casualty insurance, life insurance, other financial services in Japan and internationally, in return for an undisclosed stake in the business. The deal is expected to revolutionize cross-border payments and insurance services globally.
26/11/2018	DOB Equity	Ten Senses Africa		Agriculture	PE	KE	DOB Equity bought a stake in Kenyan-based agro-processing company Ten Senses Africa to help it capitalise on the fast-growing demand for macadamia nuts. The investment will fund the company's expansion of its processing capacity and finance the launch of new products. Ten Senses buys nuts from farmers in Kenya's coastal region.

Events	Date	Venue	Theme
EAVCA 5th Anniversary Gala Dinner & Industry Awards	14 December 2018	Mövenpick Hotel, Nairobi	The EAVCA 5th Anniversary Gala Dinner will bring together the Private Equity and Venture Capital community at the end of 2018 for an evening of cocktails, networking and musical entertainment wrapped in a spirit of festivity. The Afro-Tie themed Gala Dinner will also host the EAVCA Industry Awards to recognize and celebrate the industry's successes in the region over the past 5 years.

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