Accra, Ghana Real Estate Investment Opportunity, & Cytonn Weekly #47

Private Equity

Phatisa, a private equity firm focused on investments in Sub-Saharan Africa, has received USD 10.0 mn from the African Development Bank (AfDB) for its Phatisa Food Fund II (PFF2), representing 3.3% of the entire fund target. Following up on its predecessor, the African Agriculture Fund (AAF), which achieved a final close of USD 246.0 mn in mid-2013, and deployed this into 8 companies in Sub Saharan Africa, the fund aims to boost the agriculture sector across Africa by supporting capacity building for small and medium sized enterprises aiming to improve efficiency in the agricultural distribution chain, while also enhancing rural financing opportunities. PFF2 targets a close of USD 300.0 mn, 22.0% higher than the previous African Agriculture Fund (AAF), to still be deployed in the Sub-Saharan Africa region. The success of the previous fund was hinged on Phatisa's agriculture investment philosophy of investing in the entire value chain. Phatisa invests in (i) Primary Agriculture which involves arable land development and livestock farming, (ii) Secondary Agriculture which involves processing and packaging, and (iii) Tertiary Agriculture which involves logistics, storage and input financing, and as well have a real estate fund known as the Pan African Housing Fund (PAHF). Agriculture in Africa remains one of the most attractive sectors for private equity investors given (i) a high population growth of 2.0% annually, (ii) 600 mn hectares of uncultivated arable land, representing 60.0% of the global total, (iii) lack of efficient synergies within the entire agriculture value chain (production, processing and distribution), and (iv) the underutilization of mechanized farming in Africa.

Private equity investments in Africa remain robust as evidenced by the growing number of successful exits. The increasing investor interest is attributed to (i) rapid urbanization, a resilient and adapting middle class and increased consumerism, (ii) the attractive valuations in Sub Saharan Africa's private markets compared to its public markets, (iii) the attractive valuations in Sub Saharan Africa's markets compared to global markets, and (iv) better economic projections in Sub Saharan Africa compared to global markets. We remain bullish on PE as an asset class in Sub Saharan Africa. Going forward, the increasing investor interest and stable macro-economic environment will continue to boost deal flow into African markets.