

Nairobi Hospitality Report 2017, & Cytonn Monthly – November 2017

Private Equity

On Acquisitions:

Pan-African ICT private equity firm, Convergence Partners, through its second fund, Convergence Partners Communications Infrastructure Fund, has bought a significant minority stake in ESET East Africa, a subsidiary of ESET Global. ESET East Africa is a regional technology company focused on offering cybersecurity solutions. The acquisition gives Convergence Partners an opportunity for growth and expansion in the region. For ESET, the partnership will be advantageous as (i) it will support the firm's expansion strategy in the East African region, having just opened its first office in Kenya in 2016, and (ii) it gives the firm a chance to ride on Convergence Partners' distribution network across Africa. For more information, see our [Cytonn Weekly #46/2017](#)

Apis Partners, a London based private equity firm that focuses on financial services and growth market investment, has injected funding of USD 5.0 mn (Kshs 519.0 mn) into Direct Pay Online, a Kenyan Internet Payments Firm. This is the second investment into the firm after an initial injection of USD 10.0 mn (Kshs 1.0 bn) into the firm last year. DPO currently operates in 12 African countries, including Kenya, Tanzania, Uganda and South Africa and has acquired firms in Namibia and Botswana, with further plans to expand into countries such as Nigeria, Ghana, DRC and Mozambique. The continued interest by investors in technology-driven companies in Sub-Saharan Africa is catalyzed by the rising need for technology products as more businesses seek to enhance efficiency and reduce costs. For more information, see our [Cytonn Weekly #45/2017](#)

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.

CapitalWorks, a Johannesburg-based private equity firm, acquired the African operations of the UK-based multinational firm, Aon, for an undisclosed amount. The transaction will effectively see Aon Sub-Saharan Africa rebrand to Minet Group. Aon Africa was previously owned by Aon London and Minet Africa. The investment is part of CapitalWorks' strategy to diversify as they have previously invested largely, but not exclusively, in the construction, mining and manufacturing sectors. For more information, see our [Cytonn Weekly #45/2017](#)

On the Fundraising Front:

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. 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). For more information, see our [Cytonn Weekly #47/2017](#)

Amethis Finance, a Paris-based company focused on investing in debt and equity in the FMCG, financial services, healthcare and oil and gas sectors in Africa, is seeking to raise Kshs 36.0 bn, for its Amethis Fund II. The fund will be invested in mid-market companies in financial institutions, fast-moving consumer goods, healthcare, agribusiness, education, IT and telecommunications sectors in 11 African countries including Kenya. The World Bank's, International Finance Corporation (IFC), has made a proposition of Kshs 1.8 bn in equity investment to the fund. Amethis, through its first fund, the USD 324.4 mn Amethis Fund I, has invested in 12 equity deals including a USD 10.5 mn investment in Kenya's Chase Bank in 2013 and an undisclosed amount in Kenafric Industries in February this year. For more information, see our [Cytonn Weekly #46/2017](#).

Private equity investments in Africa remains robust as evidenced by the increased deal flow in a number of sectors that support growth in the Continent. 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, (iii) the attractive valuations in Sub Saharan Africa's markets compared to global markets, and (iv) better economic projections in Sub Sahara Africa compared to global markets. We remain bullish on PE as an asset class in Sub-Sahara Africa. Going forward, the increasing investor interest and stable macro-economic environment will continue to boost deal flow into African markets.

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