Kenya Listed Banks Q3’2017 Report, & Cytonn Weekly #49/2017

Private Equity

Barclays Plc, on 5th December 2017, sold 7.0% of its stake in Barclays Africa, a sale of 59.3 mn shares. At market price, of ZAR 161.5 per share (USD 11.8 per share), the estimated price of the shares is ZAR 9.6 bn (USD 0.7 bn). The sale is expected to be the last in a series of sales aimed at reducing Barclays Plc’s shareholding in Barclays Africa. The share sale began in May 2016, when Barclays Plc had 62.3% shareholding and it first sold 12.2% of its shares to bring down its stake in Barclays Africa to 50.1%. In May 2017, Barclays Plc sold another 26.7% of shares in Barclays Africa, further reducing their shareholding to 23.4%. Barclays Plc further contributed amounts equivalent to 1.5% of its share capital towards a broad-based black economic empowerment scheme by Barclays Africa. The latest share sale of 7.0% will see Barclays Plc’s stake in Barclays Africa stand at 14.8%, from where they will not be looking to divest further shareholding, according to the Chief Executive Officer, Jes Staley. Since the first sale in May 2016, Barclays Africa’s share price has gained by 18.7% to ZAR 156.9 from ZAR 131.6 per share. The table below summarises the series of transactions:

Sale Period	Share Price at Time (ZAR)	Percentage Shareholding	No. of Shares Sold	Value at Market Price (ZAR)
Initial Shareholding		**62.3%**	**528,148,673.0**	
May-16	131.6	12.2%	103,425,582.8	13,610,806,701.5
May-17	139.0	26.8%	227,197,181.9	31,580,408,294.1
Date Not Disclosed	-	1.5%	12,716,260.2	-
5-Dec-17	161.5	7.0%	59,342,547.5	9,583,821,426.1
Current Shareholding	**156.9**	**14.8%**	**125,467,100.5**	**19,685,788,067.1**

Direct Pay Online Group (DPO), a Kenyan internet payments firm, has acquired 100.0% stake of Setcom Ltd, a fintech company that operates instant electronic funds transfer (EFT) solutions in South Africa, for an undisclosed amount. The deal follows two other acquisitions by DPO this year, of Virtual Card Services and Pay thru South Africa, both providing online payment services. 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 deal affirms DPO’s strategy to be the leading online payment solution in Africa, and is supported by investment made into the firm by Apis Partners, a London based private equity firm. In November this year, Apis injected funding of USD 5.0 mn (Kshs 519.0 mn) into DPO, funds that the firm mentioned would be used for expansion of operations and upgrade of its online systems. The continued interest by investors in technology-driven companies in Sub-Sahara Africa is catalysed by the rising need for technology products as more businesses seek to enhance efficiency and reduce costs.

Vivo Energy Holding B.V. has entered into a share swap agreement with Engen Holdings Proprietary (Pty) Limited, a subsidiary of Engen Limited. The transaction will see Vivo Energy Holdings purchase shares in Engen Holdings in exchange of an undisclosed shareholding in Vivo Energy with a possible cash consideration. Consequently, Vivo Energy will include an additional 271 service stations across 9 new countries, and in Kenya, where Vivo Energy already operates. Both entities will maintain their brands. In Kenya, Vivo Energy will acquire 17 of Engen's service stations bringing their total service stations to 140, 36 stations short of the largest oil distributor, Total Kenya. In Kenya, Vivo has the second largest Kenyan market in both petroleum and lubricant sales, with 16% and 35% share, respectively, after Total, which has 18% and 40% share, respectively. Vivo Energy, which is jointly owned by Vitol and Helios Investments, each owning 60% and 40% stake, respectively, took over Shell stations in Africa earlier this year after Shell pulled out of Africa's oil retailing business. The transaction is strategic for both parties as (i) Vivo energy will grow its footprint into 9 new countries in Africa, and (ii) Engen will leverage on the partnership to grow its network of 26 countries in Africa.

Private equity investments in Africa have experienced increasing investor interest 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 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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