What Real Estate Bubble?, & Cytonn Weekly #51/2017

Private Equity

Branch, a Facebook-linked mobile phone money-lending app, is set to receive an equity investment of Kshs 309.0 mn from the International Finance Corporation (IFC), the World Bank's private financing arm. The investment will be channeled towards growing the loan book and increasing the tenure of its loans. Currently, Branch lends out about Kshs 400.0 mn a month to its over 350,000 customers, with loans capped at Kshs 50,000, and repayable between 1 and 12 months, with interest rates ranging from 13.6% per month and can drop to 1.2% p.m. as a borrower builds a credit history. The investment by IFC is in line with World Bank's objective of achieving competitive low-cost lending from alternative sources in countries in Sub Saharan Africa where most financing is by commercial banks. In Kenya, bank funding accounts for 95% of business funding compared to 40% business funding by banks in developed markets. Branch, which was launched in Kenya in April 2015; has since then disbursed loans worth Kshs 4.0 bn via mobile money platform M-Pesa. It also has a presence in Tanzania and Nigeria.

Enko Capital Management, an Asset Management Company based in London and Johannesburg, announced its investment in French-speaking Africa from its private equity fund targeting Africa, Enko Africa Private Equity Fund. The Fund led a consortium that participated in the public offering of Ecobank Ivory Coast, (ECI) for a total amount of Euros 68.6 mn (Kshs 8.4 bn), on the Regional Securities Exchange (BRVM), however, the value of the shares acquired was not disclosed. Created in April 2014, Enko Africa Private Equity Fund (EAPEF) is a USD 64.0 mn (Kshs 7.1 bn) investment fund that aims to invest in growing African companies operating in a wide range of economic sectors. According to data available on the firm's website, Madison Finance, a leading financial company based in Zambia, is also in the fund's portfolio.

Private equity investments in Africa remains robust as evidenced by the 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, (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.