

Nyeri Real Estate Investment Opportunity, & Cytonn Weekly #03/2018

Private Equity

Atlas Mara Limited, a financial services holding company formed to undertake the acquisition of target banks in Africa, has increased its strategic stake in Union Bank Nigeria (UBN) through a Naira 26.3 bn (USD 75.0 mn) investment in UBN's rights issue. UBN completed a Naira 49.7 bn (USD 138.2 mn) rights offering on the Nigerian Stock Exchange at a price of Naira 4.1 per share and registered a 120.0% subscription rate. Atlas Mara's investment of USD 75.0 mn translates to around 6.4 bn shares. Atlas Mara previously owned 44.5% of UBN's issued share capital at the time, translating to 7.6 bn shares. With the acquisition, Atlas will have 10.3 bn shares in total, of the 29.1 bn shares issued translating to a 48.0% ownership in UBN, having fully subscribed to the rights related to its pre-existing 44.5% shareholding, and acquired shares representing a 3.5% shareholding through application for additional shares during the rights issue. As at H1'2017, Union Bank had a book value of N 276.7 bn, as such, the transaction was carried out at a price-to-book value (P/Bv) of 0.3x, which is a 84.2% discount to the average P/TBv multiple of 1.9x for select listed Banks in Nigeria, hence a relatively cheaper transaction valuation.

The table below indicates the current trading multiples of select Nigerian Banking Stocks:

Banks	Market Cap (USD mns)	No. of Shares(bns)	Current Price	P/TBv	P/E	Historical P/TBv
Access Bank	1,028.2	28.9	12.6	0.8x	4.0x	0.5x
FBN Holdings	1,407.5	35.9	13.9	0.8x	15.7x	0.5x
Union Bank Plc	664.1	29.1	8.1	0.9x	7.0x	0.5x
Ecobank Transnational	1,336.5	18.3	19.7	0.9x	4.6x	0.8x
UBA Bank	1,319.2	36.3	12.9	1.0x	3.9x	0.6x
Zenith Bank	2,922.7	31.4	33.0	1.4x	4.3x	1.0x
Stanbic IBTC Holdings	1,297.6	10.0	46.0	2.9x	10.1x	1.8x
Guaranty Trust Bank	4,542.1	29.4	54.7	3.1x	8.2x	1.8x
Average	1,979.1	27.2	27.5	1.9x	7.2x	1.2x
High	4,542.1	36.3	54.7	3.1x	15.7x	1.8x
Low	1,028.2	10.0	12.6	0.5x	3.9x	0.5x

UBN is Atlas's third investment into the financial services sector in SSA after Banque Populaire du Rwanda (BPR), which is the second largest bank in Rwanda, and BancABC a subsidiary of ABC Holdings Limited headquartered in Botswana. UBN will use 80.0% of the proceeds as working capital, 12.0% will be invested in technology and digitization, and 8.0% in advertisement and customer outreach. We expect that investors will continue to show interest in the listed and non-listed financial service space, motivated by attractive valuations with most listed banks in SSA trading below the sectors average P/TBv of 1.8x for countries in our universe of coverage, coupled with increased capital requirements across the sector.

Private equity investments in Africa remains 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 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.

Liason House, StateHouse Avenue
The Chancery, Valley Road
www.cytonn.com

Generated By Cytonn Report

A product of **Cytonn Technologies**