



Update on Kigali Real Estate Investment Opportunity, & Cytonn Weekly #8/2018

Private Equity

Africa recorded a total of 149 private equity deals in 2017, valued at USD 3.8 bn, down from 150 deals recorded in 2016 valued at USD 3.9 bn, according to a report by the Africa Private Equity Venture Capital Association (AVCA). On fundraising, Africa recorded a total of USD 2.3 bn in funds raised for Private Equity down from USD 3.4 bn raised in 2016. The slowdown in PE activity was attributed to reduced deal activity in some countries such as Kenya, whose extended uncertainty during the election period resulted in investors adopting a “wait and see” approach to deals during the year. The Information Technology sector was the most active sector for PE deals in Africa in 2017 with its number of PE deals rising to 15.0% of total PE deals in 2017, from 8.0% in 2016 and the value of funds raised in the sector for venture capital totaling to USD 560.0 mn compared to USD 366.8 mn in 2016, a 53.0% growth. A total of 124 tech start-ups raised funds, with South Africa, Kenya and Nigeria taking up 76.0% of the funding. South Africa took up USD 168.0 mn of the funding (36.0% of the total), with 42 deals funded, Kenya took up USD 147.0 mn (26.3% of the total), funding 25 deals, while Nigeria took up USD 115.0 mn (20.0% of the total), funding 17 deals. In Kenya, some of the key funding deals in the tech space in 2017 included (i) Bamba Group, a company providing SMS based solutions and data collection software for companies, raised USD 1.1 mn, (ii) BitPesa, a Kenyan digital currency payment platform closed a USD 2.5 mn funding round, (iii) Mobile credit firm, Tala, raised more than USD 30.0 mn, and (iv) Kenya’s Twiga Foods Ltd, a mobile based food supply platform raised USD 12.8 mn. We remain optimistic about investment in technology and tech-backed businesses, as the Sub-Saharan African region continues to witness increased integration of technology in businesses as well as increased automation of business processes by SMEs.

Private equity investments in Africa remains robust as evidenced by the increasing investor interest, which 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.