



The Kenya Mortgage Refinancing Company, & Cytonn Weekly #14/2018

Private Equity

France-based Proparco, the private sector financing arm of the French Development Agency (Agence Française de Développement), announced an equity investment of USD 3.0 mn in JUMO, an emerging market technology start-up that offers access to credit through their mobile application. JUMO currently operates in Africa (Tanzania, Kenya, Uganda, Zambia and Ghana) and recently launched its first activities in Asia (Pakistan). In 2017 alone, the start-up handled 12.2 mn loan transactions to customers. Similar deals in the past include the funding of Kenya's Musoni Microfinance Limited by Fonds Européen de Financement Solidaire (Fefisol), a Luxembourg-based private equity (PE) firm, which invested Kshs 100.0 mn in the deal for an undisclosed stake. The continued increase in investments and funding of microfinance institutions in Kenya is in a bid to grow the institutions loan books to achieve competitive low-cost lending in the country at a time where bank funding continues to be relatively expensive (with the cheapest banks having an average Annual Percentage Rate (APR) of 15.1% while the most expensive banks having an average APR of 18.7% as at January 2018) and as the private sector credit growth remains below the government target of 18.3%, having come in at 2.1% in February. Bank funding accounts for 95% of business funding in Kenya compared to 40% business funding by banks in developed markets, which highlights the need to diversify funding sources, and enable borrowers to tap into alternative avenues of funding that are more flexible and pocket-friendly.

Nigeria based Asoko Insight, an information services company, raised USD 3.6 mn in Series A funding, the first round of financing given to a new business after the initial capital used to start the business, from LC Partners, ZephyrAcorn, Outlierz Ventures, Spice Capital, North Base Media, Singularity Investments, Lateral Capital and CRE VC. The funding is to expedite their product roadmap. They expect to use these funds to (i) ramp up their company coverage from 11,000 to well over 100,000, (ii) introduce a wide set of new platform features, and (iii) scale-up their technology to enhance the analysis and delivery of data. The continued interest by foreign investors in Africa is driven by expected strong economic growth in Sub-Saharan Africa whose GDP is expected to grow by 3.3% in 2018, and 3.5% in 2019, from an expected 2.7% in 2017.

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.

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