

Cytonn Monthly - April 2018

Private Equity

During the month of April, we witnessed increased private equity activity through fundraising majorly in the FinTech sector and acquisition in the real estate sector.

Fundraising

In FinTech fundraising, 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 had recently launched its first activities in Asia (Pakistan). In 2017 alone, the start-up handled 12.2 mn loan transactions to customers. For more information, see our [Cytonn Weekly #14/2018](#)

Branch International, a mobile-based Microfinance Institution (MFI) operating in Kenya, Tanzania, Nigeria and California, raised USD 70.0 mn in Series B funding, which combined USD 50.0 mn in debt and USD 20.0 mn in equity of an undisclosed stake. The funds will enable the mobile loan app company to expand its services beyond credit access, to savings and payments, and to start operations in India. The funding was led by California-based Trinity Ventures, a venture capital firm specializing in growth capital investments. The Series B investment brings Branch's total funding to USD 80.0 mn in the three-years since it was founded. Similar investments in the past include debt financing led by Nabo Capital in 2017 of Kshs 200.0 mn (USD 2.0 mn), a Series A equity funding round for Branch International, the company's first significant round of venture capital financing, of USD 9.6 mn led by Andreessen Horowitz, US-based venture capital firm in 2016, which was used for expansion into Nigeria, and an undisclosed seed capital from US-based Formation 8 and Khosla Ventures. For more information, see our [Cytonn Weekly #15/2018](#)

Tala, a mobile-based lending firm headquartered in California raised Kshs 6.5 bn (USD 64.8 mn) in Series C funding (the third round of capital injection from external investors). Tala has operations in Kenya, Tanzania, USA and the Philippines. The funding is to be spent on product development and personnel development ahead of the planned product launch in Mexico and India later this year. Tala raised Kshs 1.0 bn (USD 10.0 mn) in Series A funding on Sep 3rd, 2015, Kshs 3.0 bn (USD 29.9 mn) in Series B funding on Feb 22nd, 2017, bringing the total amount raised since it began its operations to Kshs 10.5 bn (USD 104.7 mn). Tala's latest funding comprised of Kshs 5.0 bn (USD 49.9 mn) in equity funding and Kshs 1.5 bn (USD 15.0 mn) debt. For more information, see our [Cytonn Weekly #15/2018](#)

Digital Financial Services (DFS) Lab, a Fintech accelerator supported by The Bill and Melinda Gates Foundation, announced an investment of USD 200,000 (Kshs 20.0 mn) in four African start-ups, two of which are Kenyan: (i) Cherehani Africa, which relies on mobile-based tech to provide credit and distribute personalized financial literacy content to women and adolescent girls who own micro-enterprises, and (ii) another unnamed startup that focuses on digital lending. DFS Lab identifies promising entrepreneurs and invests in for-profit companies that focus on consumers in sub-Saharan

Africa and Asia. Products from the four companies have been found to simplify processes for accessing financial information and cash via mobile phone. Cherehani Africa provides access to finances to women and adolescent girls with basic level education, aged 17-45 years. For more information, see our **Cytonn Weekly #17/2018**

The continued increase in investments and funding of microfinance institutions in Kenya is in a bid to grow the institutions' loan books. Lack of access to finance is a major issue for entrepreneurs and small businesses across Africa as Interest rate capping in Kenya has compelled banks to increase their risk mitigation measures. Tightening of credit standards by banks has reduced credit facilities granted to individuals and SME's. Microfinance institutions aim to bridge this gap by offering convenient access to credit.

In the technology sector, technology investment fund Orange Digital Ventures, the strategic Corporate Venture Fund of the Orange Group invested Kshs 260.0 mn (USD 2.6 mn) in Kenya's mobile tech company Africa's Talking, alongside California-based venture capital firm Social Capital. Founded in 2010, Nairobi based Africa's Talking provides a platform for businesses and developers who want to integrate mobile communication and payment services to their applications. The new funding brings the total investment received by Africa's Talking to Kshs 860.0 mn (USD 8.6 mn), in addition to Kshs 600 mn (USD 6.0 mn) by International Finance Corporation (IFC) announced in 25th April 2018. The new capital injection is set to accelerate expansion strategies and scale up its operations on the continent. Beyond Kenya, the company has started working in Uganda, Rwanda, Tanzania, Malawi, Nigeria and Ethiopia. For more information, see our **Cytonn Weekly #17/2018**

Asoko Insight, a London-headquartered provider of corporate intelligence with research bases in Accra, Lagos, Nairobi, Addis Ababa and Abidjan completed a USD 3.6 mn Series A fundraising round, as it moves into the next stage of its Pan-African expansion plan. The round of funding was led by early shareholders, including North Base Media, CRE Venture Capital, Singularity Investments and Lateral Capital joined by new participants including LC Partners, Spice Fund, Outlierz Ventures, and Zephyr Acorn. The round was oversubscribed by 20%. For more information, see our **Cytonn Weekly #14/2018**

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.

Acquisition

South African-based Vantage Capital, Africa's largest mezzanine fund manager with funds in excess of Kshs 50.0 bn invested in projects across Africa, has acquired an undisclosed stake in the Rosslyn Riviera Shopping Mall for USD 8.0 mn (Kshs 800.0 mn). The Kshs 2.9 bn mall located along Limuru Road sits on a 4.5-acre piece of land and measures approximately 116,000 SQFT. For more information, see our **Cytonn Weekly #17/2018**

Exits

According to the 2018 survey by EY and AVCA, the number of annual PE exits in Africa have steadily increased from 30 in 2011 to peak at 50 in 2016. Despite challenging exit environments in key African markets in 2017 (with elevated political uncertainty and a weak economic environment in South Africa, the repeated Kenyan elections and continuing Nigerian currency challenges), PE activity remained resilient recording 49 exits, only slightly below the peak in 2016 (50 exits). Regionally, PE exit activity in North Africa increased in the last two years, while South Africa remained the market with the most PE exits. From 2016-2017, besides South Africa (45%) and Nigeria (6%), PE exit activity was high in the three large North African economies; Egypt (8%), Morocco (6%) and Tunisia (6%).

Exits to PE and other financial buyers continued to increase in 2017 (37%) compared to 34 % in 2016 and now represent the most common exit route. This is likely to be due to the large amount of capital raised by PE firms in 2014-2016 and PE firms needing to invest the capital raised. Looking forward, we expect to see investment in the Fintech, Education, Consumer Products and services and Energy sector.

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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