

Cytonn Weekly #20/2018

Private Equity

Cellulant, a leading Pan-African digital payments service provider that prompts, collects, settles and reconciles payments in real time, has raised Kshs 4.8 bn (USD 47.5 mn) from a consortium of investors led by: Texas Pacific Group (TPG), through The Rise Fund, the impact fund run by the private equity group, Endeavour Catalyst, and Satya Capital, the private equity firm owned by Sudanese-British billionaire Mo Ibrahim. The USD 47.5 million represents the largest deal of its kind dedicated solely to Africa's FinTech and payments space. However, the stake acquired was not disclosed. Cellulant offers digital payments platforms and mobile banking services aimed at those who do not have a bank account. Initially founded in Nigeria and Kenya in 2004, it has since expanded to nine other African countries with its solutions available to 12% of Africa's mobile consumers. It partners with over 90 banks and several mobile payments platforms across the continent. The new investment would enable the company to expand into new markets and to also invest in its existing operations. Cellulant will also introduce consumer-focused products on which no further details were given. TPG Growth was established in 2007 as the global growth equity and middle market buyout platform of US based alternative asset firm TPG. It has more than USD 13.0 bn in assets and investments in key sectors for impact, including healthcare, financial services, industrials, and technology, as well as established networks in emerging and frontier markets throughout Africa, India, and Southeast Asia. The deal marks Rise Fund's first investment in Africa since raising USD 2.0 bn in October 2017. The investment in Cellulant is the latest endorsement of the key role African FinTech companies are playing in bridging the crucial payments and financial inclusion gaps on the continent. Over the past three-years, the sector has garnered momentum and has become the most attractive for investors on the continent. According to The African Tech Startups Funding Report 2017 by Disrupt Africa, Venture funding for African start-ups jumped by 51% to USD 195.0 mn in 2017 from USD 130.0 mn in 2016. A third of this funding was in the FinTech sector as investors bet on increasing demand for financial services in a region where just 17% of the population have banking accounts.

In its first investment in the education sector in Africa, One Thousand & One Voices (1K1V), a private family capital fund backed exclusively by families from around the globe, invested an undisclosed amount in Higher Ed Partners South Africa (HEPSA), a South African online education company. Based in Johannesburg, HEPSA is an integrated provider of online program management services to the leading tertiary educational institutions in South Africa. The Company assists universities in converting their on-campus degree programs into an online format, recruits qualified students for those programs, and supports enrolled students through graduation. It was founded by Best Associates, the company that founded and grew multiple leading online program management and higher education companies around the globe, including Academic Partnerships in the United States and Illumno in Latin America. It plans to use the funds to expand its operations. 1K1V is a private family capital fund that invests in companies headquartered in, or with significant operations in Sub-Saharan Africa's rising markets. Based in Cape Town, South Africa, it has offices in Johannesburg, South Africa, Ebene in Mauritius and Denver in Colorado, USA. This transaction represents 1K1V's fourth investment in Africa, adding to its existing portfolio companies: Redsun Dried Fruit & Nuts, a raisin processor located on the banks of the Orange River in the Kalahari

Desert, Beefmaster, South Africa's largest beef exporter, and SanLei, a specialist aquaculture business headquartered in the Kingdom of Lesotho.

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 macroeconomic environment will continue to boost deal flow into African markets.

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