



The Fight Against Corruption in Kenya...Yet Another Chapter, & Cytonn Weekly #29/2018

Private Equity

Badoer Investments Limited, a Dubai-based investment firm, has bought a 15.6% stake in Sumac Microfinance Bank for Kshs 100.0 mn (USD 1.0 mn). Sumac Microfinance Bank is a Kenyan SME lender with a client base of 10,000 members and currently operates in Nairobi, Kiambu and Nakuru. The deal values Sumac Microfinance Bank at Kshs 641.03 mn (USD 6.41 mn). The Microfinance Institution (MFI) currently has a loan book worth Kshs 1.0 bn (USD 10.0 mn). The funding will be mainly used as capital as it looks to grow its loan book and for expansion with plans to open offices in Eldoret, Kisumu and Meru, as the MFI moves to tap into the agribusiness market in Kenya. This continues Sumac's recent funds mobilization, having raised Kshs 330.0 mn this year through debt (Kshs 153.0 mn financing from Mexican fund manager Triple Jump, Kshs 102.0 mn from the Regional MSME Investment Fund for sub-Saharan Africa, Kshs 45.0 mn from the Development Bank of Kenya and Kshs 30.0 mn from the Micro Enterprise Support Programme Trust).

In February 2018, Luxembourg-based private equity firm Fonds European de Financement Solidaire (Fefisol) invested Kshs 100.0 mn in Musoni Microfinance Limited for an undisclosed stake, highlighting global capital interest in micro lending in sub Saharan Africa. Increase in credit lending agencies in Kenya, especially the digital platforms have diversified the source of funds in the country, which has enabled borrowers to tap into alternative avenues of funding that are more flexible and pocket friendly. The interest rate cap has made it even more difficult for risky clients especially SMEs to acquire funding (the current private sector credit growth is at 2.8% against a 5-year average of 14.0%) thus driving more clients from commercial banks to Microfinance Institutions.

Private equity investments in Africa remains robust as evidenced by the increasing investor interest across various sectors, 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 a stable macroeconomic environment will continue to boost deal flow into African markets.

