



# Kenya Retail Sector Report 2018, & Cytonn Monthly – August 2018

## Private Equity

During the month of August, there were private equity activities in Fundraising, as well as in the Fintech and Financial Services sectors.

### Financial Services Sector

1. Mauritius based African Rainbow Capital, an investment holding company that invests in financial services businesses, agreed to acquire the remaining 90% stake in the Commonwealth Bank of South Africa Limited (CBSA), which trades as TymeDigital, from the Commonwealth Bank of Australia for an undisclosed amount. African Rainbow Capital currently holds a 10% stake in TymeDigital, with the Commonwealth Bank of Australia holding the remaining 90%. Commonwealth Bank of Australia bought Tyme (Take Your Money Everywhere), the South African FinTech business, in 2015. For more information, see our [Cytonn Weekly #30/2018](#)
2. Old Mutual, a UK based financial services group, is set to increase its stake in UAP-Old Mutual Holdings from 60.7% to 66.7%, in a deal to purchase a 6.0% stake in UAP-Old Mutual for GBP 24.0 mn (Kshs 3.1 bn). The transaction will involve the acquisition of 12.7 mn shares of UAP-Old Mutual Holdings' Chairman Joe Wanjui (9.8 mn shares) and Director James Muguviyi (2.9 mn shares) at a price of Kshs 245.6 per share. The current transaction at Kshs 245.6 per share represents a 36.7% premium on the 2015 buyout price of Kshs 180.0 per share. The transaction is valued at GBP 24.0 mn (Kshs 3.1 bn), which puts the value of UAP-Old Mutual Holdings at GBP 400.0 mn (Kshs 52.0 bn). The acquisition will be carried out at a P/B multiple of 2.7x, which is a 30.3% premium on the average insurance sector transaction P/B multiple of 2.1x over the last seven-years. For more information, see our [Cytonn Weekly #32/2018](#)

### Fundraising

1. Investors in the Abraaj Growth Markets Health Fund (AGHF), a subsidiary of Abraaj Group, a Dubai-based private equity firm with USD 13.6 bn in assets under management, have appointed AlixPartners, a US firm, to oversee the separation of the health fund from the Abraaj Group. The separation follows allegations of mismanagement of the USD 1.0 bn invested in the special purpose vehicle. AGHF, whose main investors are the Bill & Melinda Gates Foundation, World Bank's International Finance Corporation (IFC), Britain's CDC Group and Proparco Group of France, has invested heavily in Kenyan clinics and hospitals, namely Nairobi Women's Hospital, Avenue Hospital, Metropolitan Hospital, and Ladnan Hospital. For more information, see our [Cytonn Weekly #32/2018](#)

### Fintech

1. Jamii Africa, an InsurTech (Insurance Technology) company based in Tanzania, received an equity investment of USD 0.7 mn (Kshs 70.6 mn) for an undisclosed stake from US-based entrepreneur, Patrick Munis, as it closes in on its target of USD 2.0 mn (Kshs 201.7 mn) for expansion into

Kenya. In February 2018, the GSM Association, announced that it had granted Jamii (an undisclosed amount) as part of its start-up portfolio. In early 2017, Jamii closed a USD 0.75 mn (Kshs 75.6 mn) round of seed funding, split equally between grants and venture capital. This came on the back of a USD 0.25 mn (Kshs 25.2 mn) grant from the Bill and Melinda Gates Foundation. For more information, see our **Cytonn Weekly #31/2018**

2. Lendable, a FinTech platform based in Kenya and the US, has secured a Kshs 45.3 mn (USD 0.45 mn) convertible grant from the Dutch Government's MASSIF fund, managed by FMO, the Dutch Development Bank. This grant is expected to unlock an additional Kshs 452.7 mn (USD 4.5 mn) from commercial investors to fund alternative lenders. Alternative lenders are non-banking, asset backed finance providers, who operate Pay-as-you-go (PayGo) platforms and also offer microfinance loans. They provide under-banked consumers with access to credit and enable them to own productive assets. In October last year, the firm announced that it had raised Kshs 671.0 mn (USD 6.5 mn) in a Series A round of investment.

Lendable was founded in 2014 and it has analysed over 700,000 loans, signed up seven fast-growing alternative lenders, and has plans to move USD 40.0 mn in capital in 2018. The company helps lenders access multiple finance rounds valued from USD 0.25 mn to USD 10.0 mn, with terms of 6 to 18 months and annual percentage rates of 12% to 18%. Its 'Maestro' technology platform allows for direct data integration with these alternative lenders, as well as loan portfolio data analysis and cash flow predictions.

In April last year, the firm secured Kshs 56.6 mn (USD 0.55 mn) debt financing for Raj Ushanga House (RUH), the Kenya distributor for Azuri Technologies Ltd, a leading provider of Pay-as-you-go (PayGo) solar energy solutions. In the same year, it gave Watu Credit, a Mombasa-based lender that finances acquisition of motor cycle taxis on credit, Kshs 155.0 mn (USD 1.5 mn) debt to boost its expansion in Kenya. Lendable's partnership with FMO is expected to scale up the volume of capital reaching SMEs, as well as support the implementation of the Responsible Finance Guidelines, which they both signed in June 2018.

***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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