



# The IMF Precautionary Credit Facility 2018, & Cytonn Weekly #35/2018

## Private Equity

In the education sector, Fanisi Capital, a private equity and venture capital firm that focuses on healthcare, education, consumer goods, and agriculture, agreed to invest Kshs 400.0 mn in Kitengela International School (KISC), with an initial injection of Kshs 205.0 mn for an undisclosed stake. KISC opened its doors in January 2009, with an 8-4-4 curriculum, having both a mixed day and boarding primary school, and a girls' high school. The mixed day and boarding primary school, and the girls' boarding high school are located five kilometers from Kitengela town off Namanga road. It has since expanded to four schools, one offering a British curriculum located off Namanga road five kilometers from Kitengela town, and the other the 8-4-4 curriculum for primary school, which is located in Mlolongo, off Mombasa Road.

The school has an ambitious strategy to triple the number of students, which is currently 1,000 in its four institutions, and to open two more schools over the next five-years. The school has enough land on its premises to allow for expansion of the girls' high school, primary school, and the international school. The school will use the proceeds to expand their reach and capacity without affecting the quality of education offered. The school was founded and is currently managed by Paul Mwangangi.

In 2011, Fanisi Capital acquired a 55% stake in Hillcrest International School after settling the Kshs 620 mn debt the school owed to Barclays Bank of Kenya with a consortium of investors, making KISC their second investment in the education sector.

The investment is evidence of increasing investor interest in Kenya's education sector. Other investors who have invested in the education sector include;

1. Advtech Group, a private education provider, listed in the Johannesburg stock exchange, which opened a school under its Crawford Schools brand in Tatu City on 4<sup>th</sup> September 2018, offering pre-primary education focusing on the THRASS (Teaching, Handwriting, Reading and Spelling Skills) curriculum.
2. Nova Pioneer, a South African educator, has set up a primary school and a high school in Tatu city offering the 8-4-4 curriculum.
3. Centum Limited, an investment firm, in partnership with Sabis Education Network, has set up the Sabis International School in Runda.
4. Cytonn Investments, through its education affiliate Cytonn Education Services, will provide education at all levels. From Early Childhood Development Education (ECDE) to tertiary education, beginning with a technical college-branded Cytonn College of Innovation and Entrepreneurship.
5. Advtech Group, Schole (Mauritius) Limited, a London based education provider, and Caerus Capital, a leading international education consultancy group jointly acquired Makini Schools at an estimated value of ZAR 184.2 mn (Kshs 1.7 bn).

The investments are an indication of investors' interest in the education sector in Sub-Saharan Africa

which is motivated by;

- i. Increasing demand for quality and affordable education, according to The Business of Education in Africa report by Caerus Capital, the Gross Enrollment Ratio (GER) has doubled over the last ten years, from 4.5% in 2006 to 8.5% in 2016.
- ii. Support, such as ease of approvals, offered to investors in the education sector by governments looking to meet Sustainable Development Goals (SDGs) targets of universal access to education.

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

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