



# Nyeri Real Estate Investment Opportunity 2019, & Cytonn Weekly #08/2019

## Private Equity

The African Management Initiative (AMI), a Pan-African company focused on skills development and workplace learning announced the close of a USD 1.8 mn (Kshs 180.2 mn) Series A funding round aimed at promoting in-person as well as on-the-job training for staff in African countries.

Investisseurs & Partenaires (I&P), a French impact investing group dedicated to Sub-Saharan Africa, invested USD 1.0 mn in the funding round. The remaining USD 0.8 mn was contributed by Adolf H. Lundin (AHL) Ventures Partners, an impact investment firm based in Lichtenstein focused on high-growth businesses in Africa, and the Argidius Foundation, an organization that provides business support for small and medium sized enterprises in developing markets. AMI has a physical presence in Nairobi, Johannesburg and Kigali. It has conducted skill development programmes for various companies such as the Mastercard Foundation, Shell Foundation, Equity Group and Kenya Commercial Bank (KCB). The firm focuses on professionals and entrepreneurs with the aim of building key business management skills and has so far developed more than 50 business modules and trained more than 25,000 people across South Africa and Kenya. The firm aims to use the funds to enhance its innovative mobile-based learning platform and widen its market coverage in Africa. As hirers seek to improve employee productivity and performance, as well as increase innovation in new strategies and products, we expect blended learning in the workplace involving a combination of online and classroom learning to be a target area for private equity investors seeking to obtain value in the education sector. In 2018, the total funding raised in the education sector of Sub-Saharan Africa stood at Kshs 4.9 bn compared to Kshs 34.7 bn raised across our key focus areas of Fintech, Financial Services, Education, Real Estate and Hospitality, equivalent to 14.1% of the total fundraising activity during the year. We expect fundraising activity in the Kenyan education sector to increase in 2019 bouyed by the demand for on-the-job training by professionals, the entry of international brands over the past years such as the Nova Academies, GEMS Cambridge, JSE listed ADvTech Limited and Bridge Schools, and the demand for quality education and a more comprehensive curriculum.

Inside Capital Partners, a Mauritian independent private equity manager announced a commitment to invest USD 7.5 mn in Latitude Hotels Group, an African lifestyle hospitality Group based in Zambia, for an undisclosed stake. Latitude Group currently runs 3 hotels in Zambia, Malawi and Uganda. The hospitality group will use the funds to develop three additional hotels in Kenya, Ethiopia and Mauritius by 2021. The investment in Latitude Hotels becomes the second transaction of Inside Capital Partners after acquisition of a minority stake in Kalulushi Clay Brick, Zambia's largest clay brick factory, following the close of its first fund, Inside Equity Fund, with a size of USD 34.0 mn, in December 2017. The fund was backed by Triple Jump, a development finance institution focused on financial sectors in developing countries, and a mix of family offices and other regional industrial players. The fund manager, who is currently proceeding with a second round of

fundraising targeted to raise USD 60.0 mn, is expected to make further investments in the hospitality sector targeting entities with an underlying strong net asset value, above market occupancy levels and a strong development pipeline. The Latitude Group offers world-class facilities that includes luxury rooms, spas, gyms, shared co-working space amongst others, to both public and private members. The Group currently owns and operates the Latitude 13° Hotel in Lilongwe, Malawi, that includes 20 long-stay apartments and 9 luxurious suites, and Latitude 15° Hotel in Lusaka, Zambia, that has 32 guest rooms, three 2-bedroom suites amongst other facilities. The Latitude Group is also in the process of commissioning its third hospitality investment, Latitude 0°, a flagship green development incorporating 49 luxurious suites located in Kampala, Uganda and overlooking Lake Victoria. The last decade has seen many global operators opening quality hotels in key markets in Sub-Saharan Africa like South Africa, Mauritius and Kenya with the supply of new hotels attributed to high occupancy rates. We expect the hospitality sector in Sub-Saharan Africa to continue performing well driven by;

- i. A growing population and expected strong economic growth where GDP is expected to grow by 2.7% in 2018, and 3.4% in 2019, from 2.6% in 2017,
- ii. Growth in both international and domestic travelers to the market,
- iii. An expected improvement in hotel standards as there is a shortage of quality hotels in Africa and as the middle class grows, there is higher demand for quality hotels, and,
- iv. Increase in intra-African travel as the continent experiences better connectivity, access to low-cost airlines, and more countries embracing visa-free travel within Sub-Saharan Africa.

In Kenya, we expect further growth in the hospitality sector as a result of (i) restoration of political calm following the reconciliation of the Country's two top political leaders last year, (ii) improved hotel standards as hotels rebrand while some embark on refurbishment and expansion, and (iii) improved flight operations and systems such as direct flights from the USA to Kenya, which commenced in October, 2018.

***We maintain a positive outlook on private equity investments in Africa as evidenced by the increasing investor interest, which is attributed to; (i) economic growth, which is projected to improve in Africa's most developed PE markets, (ii) attractive valuations in Sub Saharan Africa's private markets compared to its public markets, and (iii) attractive valuations in Sub Saharan Africa's markets compared to global markets. Going forward, the increasing investor interest, stable macro-economic and political environment will continue to boost deal flow into African markets.***