



# Cytonn Monthly - April 2019

## Private Equity

During the month of April, there was private equity activity in Financial Services, FinTech, and the Education Sectors. We also saw fundraising activity and a private equity reports released:

### Financial Services Sector

1. Sanlam Group, a South African financial services firm, sold an undisclosed amount of its stake in Sanlam Investments East Africa (SIEA), an asset management firm based in Kenya, for ZAR 101.0 mn (Kshs 730.0 mn) to an undisclosed party. This move comes less than two-years after Sanlam bought a 75.0% stake in the former PineBridge Investments East Africa for an undisclosed amount, after which it rebranded to Sanlam Investments East Africa. Sanlam Investments East Africa currently manages an asset portfolio of over Kshs 200.0 bn, with a Money Market Fund size of Kshs 1.7 bn as at 31<sup>st</sup> December 2018, ranking it as the 5<sup>th</sup> largest asset manager in Kenya in terms of assets under management for Money Market Funds. For more information, see our [Cytonn Weekly #15/2019](#).
2. Britam Holdings Limited, a diversified financial services group with operations in Kenya, Tanzania, South Sudan, Uganda, Rwanda, Malawi, and Mozambique, announced its intention to acquire an undisclosed stake in Tiserin Capital, following approval from its board of directors. Nairobi-based Tiserin Capital is a private equity firm that manages the Tiserin Capital Fund, which invests in companies with enterprise values of less than Kshs 5.1 bn (USD 50.0 mn) in East Africa, Ethiopia, Mozambique, and South Africa taking up a controlling stake or a strong minority position. For more information, see our [Cytonn Weekly #14/2019](#).

### FinTech Sector

1. Branch International, a San Francisco-based mobile lender, with operations in Nigeria, Kenya, and Tanzania, raised USD 170.0 mn (Kshs 17.2 bn) in a 3<sup>rd</sup> round fundraising deal, led by Foundation Capital and Visa. The capital comprises USD 100.0 mn (Kshs 10.1 bn) debt financing and USD 70.0 mn (Kshs 7.1 bn) in equity for an undisclosed stake. The funds raised will be used for international expansion to South America and Asia. For more information, see our [Cytonn Weekly #15/2019](#).
2. Kudi, a Nigeria based Financial Technology (FinTech) company focused on digital payments and collections raised USD 5.0 mn (Kshs 503.6 mn) in Series A funding. The funding round was led by San Francisco based Partech Ventures, an investment firm that finances and supports technology and digital companies. The funding round was also joined by Michael Seibel, the CEO and a partner at Y Combinator, an American based seed accelerator. Existing investors Khosla Ventures and Y Combinator also participated in the funding round. Kudi has raised a total of USD 6.7 mn, having raised USD 1.7 mn in seed capital. For more information, see our [Cytonn Weekly #14/2019](#).

### Education Sector

The Competition Authority of Kenya (CAK) has approved the proposed acquisition of a 22.3% stake in Kenya based Riara Group of Schools by Actus Education Holdings AB, a private school chain based in

Sweden, for an undisclosed amount. Riara Group offers education services based on the 8.4.4 and British Curriculum. Riara operates six learning institutions based in Nairobi, five offering the 8.4.4 curriculum and one offering the British Curriculum. Riara seeks to use the partnership to expand across Kenya and East Africa and improve the skills of staff and the quality of service offered in its institutions. 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 on 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), and,
6. Dubai based GEMS Education, an international education company, is also set to acquire a 100% stake of Hillcrest International Schools from its current owners, Fanisi Capital and businessman Anthony Wahome, for Kshs 2.6 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, and
- 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.

## **Fundraising**

1. Nimai Capital, a Dubai-based financial institution that supports financial inclusion in South Asia and Africa, announced the launch of a USD 150.0 mn (Kshs 15.2 bn) Nimai Emerging Financial Services Fund (NESF) in partnership with Victoria Commercial Bank (VCB), a mid-sized Kenyan financial institution that serves premier corporate clientele. The fund aims to invest in financial services in African and South Asian countries such as Ghana, Tanzania, Kenya, Bangladesh, Sri Lanka, Nepal and India, and will be regulated by the Cayman Islands Monetary Authority. The partnership will leverage on VCB's business experience and deep knowledge of the Kenyan financial services market, and Nimai's deep operational capability in both African and Asian markets, as well as their resources. For more information, see our [Cytonn Weekly #17/2019](#).
2. Partech Ventures, a global investment platform for tech and digital firms released a report on capital raising activity for African Tech Start-ups in 2018. According to the report, funding raised by a total of 146 African tech-startups grew by 108.0% to USD 1.2 bn in 2018 from USD 560.0 mn in 2017 driven by an increased number of series A & B startups attracting funding and increased appetite of global private equity investors to invest in African tech start-ups. For more information, see our [Cytonn Weekly #17/2019](#).
3. The European Investment Bank announced a EUR 25.0 mn investment in the Amethis Fund II, the second pan-African investment vehicle of Amethis, an investment fund manager dedicated to long-

term responsible investments in Africa. Amethis Fund II follows the same investment strategy as Amethis Fund I by providing growth capital to African mid-cap champions, through investments with an average ticket size of EUR 10.0 mn-EUR 30.0 mn or more through co-investment. Other investors in the fund include the International Finance Corporation (IFC) and Proparco, and Bpifrance, the French public investment bank. In February 2019, Amethis announced an intermediary closing of its Fund II at EUR 305.0 mn. The additional funding brings the total raised amount to EUR 330.0 mn. For more information, see our [Cytonn Weekly #14/2019](#).

## Reports

AVCA released their Country Snapshot for Kenya, which highlights the various developments in the private equity sector in Kenya between 2013 and 2018. According to AVCA, there were 110 reported deals during this period, translating to 57.8% of the total 190 deals reported in the 7 Eastern African countries. This was way ahead of Uganda, which was the country with the second largest share of PE deals by volume, at 18.9%, and the third, Tanzania, at 8.9% of total deals. In terms of value, Kenya ranked first, with a total deal value of USD 1.3 bn (Kshs 131.7 bn), followed by Ethiopia and Uganda, which both had an estimated share of 11% of total deals by value, translating to roughly USD 242.3 mn (Kshs 24.5 bn) of value of PE deals within the 6-year period. For more information, see our [Cytonn Weekly #16/2019](#).

***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.***

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