



National Housing Development Fund (NHDF), & Cytonn Weekly #21/2019

Private Equity

Generation Investment Management, a Pan-African focused sustainable investment firm, based in San Francisco, USA, has announced the closing of a USD 1.0 bn (Kshs 101.3 bn) growth equity fund, Generation Sustainable Solutions Fund III. The fund will be the third raised by the firm, after Generation Climate Solutions Fund II, which raised USD 683.0 mn (Kshs 69.1 bn) in 2014 and Global Equity Strategy Fund, which raised USD 2.2 bn (Kshs 222.7 bn) in 2008, and seeks to target start-up companies with a focus on financial inclusion, healthcare and environmental solutions.

The fund, even before closure, made 2 investments, one in Andela, a Nigeria-based software development service provider, where it invested an undisclosed amount into the firm's Series D funding, whose target was to raise USD 100.0 mn (Kshs 10.1 bn), as well Sophia Genetics, a healthcare technology company based in Washington, USA, where it invested an undisclosed amount. The fund will make investments of between USD 50.0 mn (Kshs 5.1 bn) and USD 150.0 mn (Kshs 15.2 bn).

Kasada Capital Management, a Sub-Saharan hospitality investment platform, reached a close on its first fund, Kasada Hospitality Fund LP, having secured equity commitments of over USD 500.0 mn (Kshs 50.6 bn), with the commitments being raised from Katara Hospitality, a hotel developer based in Qatar, and Accor Group, a French-based hospitality operator, who invested USD 350.0 mn (Kshs 35.4 bn) and USD 150.0 mn (Kshs 15.2 bn), respectively. The funds will be targeting brownfield and greenfield projects within Sub-Saharan Africa, and is aimed at allowing international investors to tap into the high-growth hospitality sector in the region. Kasada is looking to partner with local partners, with the aim of supporting the entire value chain, from contractors and developers to suppliers in the industry, in order to expand local businesses and create jobs.

Kasada is looking to leverage this investment by Accor and Katara to boost efforts to raise additional capital, both from local banks as well as international financial institutions, given their strong brand presence as well as operational track record in investing in hospitality in the region. This comes less than a month after Accor announced its intentions to ramp up its operations in the region, with a keen focus on Kenya and Tanzania in East Africa, as evidenced by its expanding footprint in Nairobi, where it took over the operation of Ibis Styles Hotel, in addition to acquisition of 100% stake in Mövenpick Hotels & Resorts. The group intends to open 35 hotels in Africa by 2020, and has set a target of signing 15 to 20 projects each year between now and 2025.

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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