



# Cytonn Monthly - May 2019

## Private Equity

During the month of May, there was private equity activity in the financial services sector. We also saw significant fundraising activity and a private equity report released:

### Financial Services Sector

1. Mauritius based Bank One, in which Kenyan banking group I&M Holdings has a 50.0% stake, is set to receive a USD 37.5 mn (Kshs 3.8 bn) loan from the International Finance Corporation (IFC), with an undisclosed tenor. The loan will be classified as senior debt, therefore ranking higher than other Bank One's obligations. The bank intends to use this loan to strengthen its long-term funding position and to expand its lending operations to SMEs in Mauritius that fit their lending criteria; that is, SMEs with 10 to 300 employees and annual sales of Kshs 10.0 mn to Kshs 1.5 bn. For more information, see our [Cytonn Weekly #20/2019](#).

### Fundraising

1. Generation Investment Management, a Pan-African focused sustainable investment firm, based in San Francisco, USA, 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). For more information, see our [Cytonn Weekly #21/2019](#).
2. 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. For more information, see our [Cytonn Weekly #21/2019](#).
3. Leapfrog Investments, an emerging markets-focused private equity firm, announced the close of its third Impact Fund (Fund III) at USD 700.0 mn (Kshs 70.0 bn), surpassing its USD 600.0 mn (Kshs 60.0 bn) target by 16.7%, with the funds being used to invest in healthcare and financial services companies in Asia and Africa. This close brings the total capital raised by the investment firm so far to USD 1.6 bn (Kshs 160.0 bn), with its first fund having closed at USD 135 mn (Kshs

13.5 bn) in 2010 and the second fund closing at USD 400 mn (Kshs 40.0 bn) in 2014. Fund III was led by US-based Prudential Financial and other institutional investors in participation including, pensions and asset managers, development financiers, foundations and family offices. For more information, see our [Cytonn Weekly #20/2019](#).

4. International Finance Corporation (IFC) announced plans to invest USD 50.0 mn (Kshs 5.1 bn) in private equity firm, Helios Investment Partners, through Helios's fourth fund, Helios Investors IV L.P., which is set to close in September 2019. The funds are to be directed towards Helios's investments across Africa. Each transaction is estimated to have a ticket size ranging between USD 30.0 mn (Kshs 3.0 bn) and USD 200.0 mn (Kshs 20.2 bn). This investment by IFC forms part of the USD 1.25 bn (Kshs 126.3 bn) that Helios is looking to raise in its fourth fund. For more information, see our [Cytonn Weekly #19/2019](#).

## Report

I&M Burbidge, the Corporate finance advisory of I&M Bank Limited, in their report, East Africa Financial Review, highlighted the deal activity in the East African region, for Q1'2019. According to the report, there were a total of 22 deals in this period, with 10 of these being private equity investments, 3 private equity exits, 2 joint ventures and 7 mergers and acquisitions. This was an improvement from a similar period in 2018, where there were only 16 deals reported. The major increase came on the private equity side, where there was a total of 13 reported deals in Q1'2019, compared to the 7 witnessed in Q1'2018. Of the reported private equity deals in Q1'2019, ICT led in terms of sector, with 4 deals in total, followed by financial services sector with 3 reported deals. The energy and retail sectors trailed, with 2 and 1 deals, respectively. For more information, see our [Cytonn Weekly #19/2019](#).

***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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