

Kenya Listed Banks Q1'2019 Report, & Cytonn Weekly #24/2019

Private Equity

During the week, AfricInvest, an investment and financial services firm based in Tunisia, announced a further investment of Kshs 273.0 mn in insurance group Britam, acquiring an extra Kshs 32.5 mn shares at Kshs 8.4 per share, a stake of 3.3%. The firm has invested in 150 companies across 25 African countries in high growth sectors such as financial services, agribusiness, consumer/retail, education and healthcare. To date, AfricInvest's cumulative Assets Under Management total to USD 1.2 bn (Kshs 121.9 bn) which are managed across 18 funds and invested in sectors such as Fintech, logistics, artificial intelligence, agri-business, customer/retail, healthcare, financial services and education.

AfricInvest has been accumulating Britam's stocks since its initial investment of Kshs 5.7 bn, acquiring 360.8 mn shares, equivalent to a 14.3% stake in May 2018 at Kshs 15.9 per share. With this new acquisition, AfricInvest's cumulative investment in Britam now pools to over Kshs 6.4 bn, and a stake of 17.8%. This continued accumulation of Britam stocks by the firm is driven by the insurance company's compelling asset base, a solid regional presence, a strong distribution network and a diversified business strategy. Below is a pro-forma summary of Britam's ownership post this transaction:

Pro-Forma Britam Ownership Summary

No.	Names	Shares (mn)	% Ownership
1	AfricInvest III-SPV-1	442.8	17.8%
2	Equity Holdings Limited	405.0	16.3%
3	Standard Chartered Nominees Resd A/C KE003819	348.5	14.0%
4	Standard Chartered Nominees Non-Resd. A/C Ke11396	230.6	9.3%
5	IFC	224.2	9.0%
6	Mr. Jimnah M. Mbaru	194.8	7.8%
7	Dr. Benson I. Wairegi	101.0	4.1%
8	Dr. Peter K. Munga	75.0	3.0%
9	Dr. James N. Mwangi	75.0	3.0%
10	Co-op Bank Custody A/C 4012	60.0	2.4%

Earlier in the week, Emerging Capital Partners (ECP) a Pan-African US-based private equity firm announced the acquisition of a majority stake in Mauritius-based Inter Africa Transport Forex (IATF), a Fintech platform that enables transport companies, especially those operating across African

borders, to better procure, manage and track their costs, for an undisclosed amount through its ECP Africa Fund IV. Transport Forex, a multi-currency and multi-country system, is an online ordering and payment system that allows transport companies to make central electronic payments online instead of giving cash to drivers. This service is currently active in South Africa, Namibia, Botswana, Zimbabwe, Mozambique, Zambia, DRC and Tanzania. Partnering with ECP is expected to assist IATF deepen its presence in its existing markets and to expand its network across Burundi, Uganda, Kenya, Angola and other African countries.

To date ECP has raised over USD 3.2 bn (Kshs 325.0 bn) in growth capital through funds and co-investment vehicles and the firm has made over 60 investments, completed 40 exits across 44 African countries. In Africa, ECP has strategically positioned its offices in major hub economies such as Tunisia, Ivory Coast, Nigeria, Cameroon, Kenya and South Africa. In East Africa, ECP has investments in Kenya, Uganda, Tanzania, Rwanda and South Sudan.

Notable Investments in Kenya

Year	Companies	Status	Stake	Amount	Sector
2018	Artcaffe	Active	Majority stake	Kshs 3.5 bn (estimate)	Hospitality
2014	Maarifa Education	Active	100.0%	Undisclosed	Education
2012	Java House	Inactive	90.0%	Undisclosed	Hospitality
2009	Wananchi Group	Active	50.0%	Kshs 2.0 bn	Entertainment

Source: ECP Website

Exits made by the Group

Year	Company	Value	Sector
2017	Java House	Kshs 10.3 bn	Hospitality

Source: ECP Website

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.