

Understanding the Derivatives Market and Cytonn Weekly #27/2019

Private Equity

Earlier in the week, TLG Capital, a frontier markets investment company based in England, announced a USD 10.0 mn investment in Tanzania based Platcorp Holdings Limited, the holding company of Platinum Credit - a Kenyan micro-finance company, through its Credit Opportunities Fund (COF). Platcorp Holdings Limited focuses on investments in its microfinance and non-banking subsidiaries. Platcorp initially focused on providing microfinance services to civil servants across the East Africa Region but has diversified to providing services to individuals outside the governments' payroll with various products, asset-financing and traditional products such as group loans and SME lending. The debt-financing will enable Platcorp to increase its investment footprint in small and medium-sized companies across the East Africa Region.

Other notable institutional investors in PlatCorp Holdings limited include:

Year	Company	Country	Amount	Status
2019	Swedfund	Sweden	USD 10.0 mn	Active
2018	Suzerian Investment Holding	U.S	Undisclosed	Active
2013	Cassia Capital	Kenya	Undisclosed	Exited
2012	Centum Investments	Kenya	USD 8.0 mn	Exited

This investment will add on to TLG Capital's portfolio of investments in Sub-Saharan Africa, which is in line with the firm's investment strategy to target the sectors underpinned by the rise of the African consumer, namely financial services, consumer goods, real estate, and healthcare. Some of the notable investments the company has made through its COF fund in the financial services and real estate sectors including:

Year	Company	Country	Amount	Sector
2018	Union Bank	Nigeria	USD 10.0 mn	Financial Services
2018	Atlas-Mara	Pan-Africa	USD 10.0 mn	Financial Services
2015	MyBucks	Pan-Africa	USD 40.5 mn	Micro-finance
2009	Roselyn Heights	Kenya	Undisclosed	Real Estate

Source: TLG Capital website

TLG Capital has made several exits from the Sub-Saharan market, with some of the notable exits include:

Year	Company	Country	Amount	Sector
2016	GetBucks	Pan-Africa	USD 25.0 mn	Microfinance
2015	NMB Bank Limited	Zimbabwe	USD 10.0 mn	Financial Services
2014	Iroko Securities	Pan-Africa	Undisclosed	Financial Services
2014	Tres Vista Financial Services	Pan-Africa	Undisclosed	Financial Services

Source: TLG Capital website

In Fundraising, Lulalend, a South African digital lender, raised USD 6.5 mn in its Series A round funding, which was co-led by the International Finance Corporation (IFC) and Quona Capital. The startup, based in Cape Town, provides short-term loans to small and medium-sized businesses (SMEs) that are often unable to obtain working capital. The funds raised will be used to build its staff capacity and strengthen its balance sheet, in order to provide financing to more SMEs in South Africa by expanding its loan book to USD 100.0 mn.

Lulalend, established in 2014, had an earlier seed stage round of funding in October 2016 which raised an undisclosed amount of funds. The seed stage round of funding was led by Accion Venture Lab, the investment vehicle for financial inclusion leader Accion, based in the U.S with participation from Newid Capital, an impact investing firm focused on early-stage Financial Services companies in emerging markets, and Hallman Holding International Investment GmbH, an Austrian real estate and investment company.

In our view, the continued investments in FinTech by international organizations point to the growing need for financial services among the unbanked in Sub-Saharan Africa. We expect investments in the FinTech sector to continue as technology companies offer better cost efficiency and the customer experience in providing financial services.

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 Sahara 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.