



Cytonn Monthly - July 2019

Private Equity

During the month of July, there was private equity activity in the financial services sector, fundraising, and education sector:

Financial Services

1. Interswitch, a Nigeria-based payments firm that is owned 60.0% by Helios Investment Partners, announced that it has hired advisors, including JPMorgan Chase & Co., Citigroup Inc., and Standard Bank Group Ltd to resurrect plans for a stock-market listing in London and Lagos later this year. According to Reuters, the value of the financial technology company is speculated to be between USD 1.3 bn and USD 1.5 bn. **For more information, see our Cytonn Weekly #30**
2. Actis, a UK based private equity investor, took over the management rights of the Abraaj Private Equity Fund IV (APEF IV), a global buyout fund, and Abraaj Africa Fund III (AAF III), a Sub-Saharan investment fund. APEF IV has made investments worth USD 1.6 bn (Kshs 165.2 bn) in the Middle East and Africa while AAF III has a portfolio of investments in Africa. This transaction follows the collapse of Abraaj Group, a global private equity firm based in the United Arab Emirates (UAE), following the liquidation case the firm currently faces. For more information, see our **Cytonn Weekly #29**
3. Sterling Capital, a Kenyan-based investment bank acquired a 20.0% stake in Afvest, a Nairobi-based emerging markets private equity firm, for an undisclosed value. Afvest focuses on early-stage businesses in the financial services, energy, agri-processing, and technology sectors. This acquisition is in line with the two firms' strategy of investing in early-stage businesses and entrepreneurs with the potential to generate high returns. For more information, see our **Cytonn Weekly #28**
4. 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. For more information, see our **Cytonn Weekly #27**

Fundraising

1. Investment firm Centum, through its real estate arm Centum Real Estate, signed a refinancing deal with Nedbank Corporate and Investment Bank (CIB), the Nedbank property finance division. They managed to raise Kshs 6.5 bn from the South Africa-based firm. These funds will allow the firm to consolidate the debt facilities for the Two Rivers development, which is the firm's biggest project. The development is currently in its second phase, which will utilize the 102 acres the company owns on Limuru Road in Nairobi, near the affluent neighborhoods of Runda, Nyari, Gigiri, and Muthaiga. For more information, see our **Cytonn Weekly #30**
2. OPay, a Nigerian based mobile payment platform, has raised USD 50.0 mn (Kshs 5.1 bn) in its first round of funding. The startup, founded by Norwegian browser company Opera in 2018, aims to use the capital for expansion to other African Markets including Tanzania, Ghana and South Africa where Opera reaches 120 mn customers across the region and to support Opera's commercial

network in Nigeria which includes ORide, a motorcycle ride-hailing app, and food, a food delivery service application. For more information, see our [Cytonn Weekly #28](#)

3. Rent-to-Own (RTO), a Zambia based asset-financing company, secured a EUR 1.0 mn (Kshs 116.0 mn) investment from the seed capital and business development facility of the Dutch Good Growth Fund (DGGF), managed by Triple Jump B.V, a Netherlands-based impact investment manager. Rent-to-Own provides high-impact assets to small-scale entrepreneurs and smallholder farmers in rural Zambia. This follows last year's seed round funding of USD 1.1 mn (Kshs 113.2 mn), which was led by AAHL Venture Partners, an African impact investing venture capital firm, with participation from Small Foundation and Jordan Engineering, through its investment arm, Serenity Investments. For more information, see our [Cytonn Weekly #28](#)
4. 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. For more information, see our [Cytonn Weekly #27](#)

Education

1. In the education sector, Investisseurs & Partenaires (I&P), a Sub-Saharan impact investing firm based in Paris, France, has announced plans to invest EUR 70.0 mn (Kshs 8.1 bn) in Africa's education sector with the aim of addressing the challenges of access, equity, quality and adequacy of education in Africa. I&P currently has the following investments in the educational sector. For more information, see our [Cytonn Weekly #29](#)

During the week, the Capital Markets Authority (CMA) admitted three Fintech firms into the Regulatory Sandbox to test their innovative solutions. The Regulatory Sandbox is a tailored regulatory environment meant for conducting limited scale, live tests of innovative products, solutions, and services. This initiative by the CMA seeks to provide a conducive environment for the development of a variety of innovative emerging technologies and business models that have the potential of contributing towards the deepening and broadening of the capital markets in the country. Another objective of the initiative is to enable innovative products and services to be deployed and tested in a live environment before their release to the open markets. This allows the authority to understand emerging technologies and come up with regulations that promote investor empowerment and protection.

The firms admitted to the program are Innova Limited, who have come up with a cloud-based data analytics platform meant to serve investors, fund managers, custodian banks, actuaries, pension administrators and regulators, and Pezeshu, who have an internet-based crowd-funding platform for SMEs. The authority highlights its intentions to treat all non-public information received in connection with the regulatory Sandbox as confidential and proprietary to the concerned firms, hence, the third firm chose to remain anonymous. The admission of the three firms is solely based on meeting requirements published under the [Regulatory Sandbox Policy Guidance Note](#).

In our view, the CMA has taken a proactive approach in terms of regulation with the Regulatory Sandbox. This is positive for the Fintech sector since the regulations put in place are intended to promote investor protection and the growth of the sector, which has had a considerable amount of activity throughout the year.

During the week, mobile lender, Branch International, through Barium Capital, announced the issuance of its fourth commercial paper and full repayment of its previous issue worth Kshs 500.0 mn. Barium Capital, which is a wholly-owned subsidiary of Centum PLC, offers transaction advisory services specializing in capital raising and mergers and acquisition advisory services. As of 2018, the company's debt was 1.9 times the company's equity. To date, the firm has been able to raise Kshs

16.5 bn from the private capital market.

Since its launch in 2015, Branch has become one of the first technology companies that have been able to successfully raise debt in both the local market and international markets. In international markets, the company raised Kshs 17.0 bn earlier this year from investors such as the Foundation Capital, Visa, International Finance Corporation, Trinity Ventures, and Andreessen Horowitz. As for local markets; (i) in 2017, they issued commercial papers worth Kshs 200.0 mn, (ii) in 2018, they issued commercial papers worth Kshs 350.0 mn, and (iii) in May 2019, they issued commercial papers worth Kshs 500.0 mn. These funds will be used to expand their services in Kenya where they have disbursed more than Kshs 30.0 bn since its launch.

In our view, the Fintech sector in the country is positioned for growth aided by the CMA's intentions to spur growth in the sector and considering the recent performance of firms such as Branch International.

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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