



# Alternative Financing for Real Estate Development, & Cytonn Weekly #33/2019

## Private Equity

Juhudi Kilimo, a Kenyan microfinance institution, has raised EUR 2.2 mn (Kshs 252.2 mn) in equity capital from Incofin CVSO, a fund managed by Belgium-based Incofin Investment Management, for an undisclosed stake. This will be Incofin's first equity investment in the country, adding to its expansive portfolio, which includes over 325 investments in 65 countries, with a combined value of over USD 1.0 bn, focused on growing the financial services industry in developing countries.

The funds will be directed towards Juhudi Kilimo's expansion strategy, which is targeted at widening its geographical coverage, diversifying its product range as well as improving the welfare of its employees. Juhudi Kilimo currently serves over 45,000 farmers in rural Kenya, with 90% of the loans disbursed via mobile phone, in addition to the 34 physical branches, thus giving access to the unbanked population in the marginalized areas of the country. Since its inception in 2004, Juhudi Kilimo has deployed over (USD 22.0 mn) Kshs 2.5 bn in loans.

TechAdvance, a Nigerian payment application development company, raised USD 1.0 mn (Kshs 103.5) mn in equity funding from Lamar Holding, an energy investment company based in Bahrain.

TechAdvance will use this funding to support its expansion strategy, aimed at widening its coverage in Africa as well as reaching out to other markets globally, having gotten approval from the Central Bank of Bahrain to operate a payment solutions service business, in addition to a similar license from the Central Bank of Nigeria, indicating that the firm intends to leverage the partnership with Lamar Holdings to cross into the Middle Eastern market. The firm is also looking to shift from being a business process outsourcing provider, to being a key digital financial services provider, with one of its initial plans being the launch of a fully digital bank, to complement its subsidiaries, GPay Africa, PayElectricityBills, Advance BancCorp Digital Microfinance Bank, as well as reach the unbanked and last-mile users.

This investment is a notable investment for Lamar Holding, being one of their first investments within their new strategy to diversify their investments, both geographically and in terms of sector, given that they have only been investing in energy companies in the Middle East and China. It will also help the firm venture into technology, has also provided seed capital of an undisclosed amount to one of TechAdvance portfolio companies in 2011.

We expect the Fintech sector to continue to witness more investments, given the untapped potential in credit and credit-related industries in Africa, highlighted by the significant difference in credit extension activity in Africa compared to other world regions. Fintech lending addresses this by providing access to credit via convenient and already established channels.

***Private equity investments in Africa remain 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 macro-economic environment will continue to boost deal flow into African markets.***

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