

Investment Options for Your Pension Upon Retirement, & Cytonn Weekly #34/2019

Private Equity

Tala, a California-based FinTech company with operations in Kenya, has raised Kshs 11.4 bn (USD 110.0 mn) in a Series D financing round (the fourth round of capital injection from external investors) led by RPS Ventures, a California-based venture capital firm. Other investors in the round include GGVCapital, and previous investors IVP (Institutional Venture Partners), Revolution Growth, Lowercase Capital, Data Collective VC, ThomVest Ventures and PayPal Ventures. The new investment builds on PayPal Ventures' strategic investment in Tala, announced in November 2018, for more information see our [Cytonn Monthly - November 2018](#). This funding round brings the total amounts raised by Tala to over Kshs 22.6 bn (USD 219.4 mn) as shown below;

All amounts in USD mn unless otherwise stated

Funding Round	Amount Raised	Lead Investor	Announcement Date
Series D	110.0	RPS Ventures	21-Aug-19
Corporate Round	Undisclosed	PayPal Ventures	22-Oct-18
Series C	50.0	Revolution Growth	17-Apr-18
Debt Financing	15.0		17-Apr-18
Series B	30.0	IVP (Institutional Venture Partners)	22-Feb-17
Convertible Note	3.0		1-Sep-16
Series A	10.0	Data Collective VC	3-Sep-15
Venture Round	Undisclosed		27-Jan-15
2nd Seed Round	1.2		29-Aug-13
1st Seed Round	0.2		21-Dec-12
Total	219.4		

Source: Crunchbase

Tala currently operates in Kenya, Tanzania, the Philippines, and Mexico, and successfully ran a pilot programme in India. Tala analyzes device and behavioral data to instantly underwrite consumers and create a personalized loan offer. Tala offers loan amounts between Kshs 1,000.0 and Kshs 50,000.0, at weekly and monthly interest rates of 11.0% and 15.0%, implying annualized rates of 572.0% and

180.0% respectively, to a mobile wallet or via a payment method of the customers' choice. The company has delivered more than Kshs 103.2 bn (USD 1.0 bn) in credit to more than four million customers, leveraging off their mobile technology, which allows their service to be accessed by anyone with an Android smartphone in markets where it operates. Tala will use the capital raised to expand operations in the markets it operates in and enter the Indian market after running a successful pilot programme.

The continued increase in investments and funding of mobile lending apps is an indicator of the positive investor sentiment in the FinTech sector. One of the biggest drivers in this sector is the provision of access to credit, which we expect to grow, fueled by the expected increase in demand for mobile loans, driven by:

- i. Rapid growth of smartphone adoption in the African market with Kenya having 51.0 mn mobile subscriptions as at March 2019,
- ii. Affinity for mobile money in Kenya with 32.1 mn active mobile money subscribers as at March 2019 with 60% of Kenyans have a mobile banking account and receiving 90% of remittances through a mobile device,
- iii. The convenience and accessibility to these loans that have fast processing time, no paperwork or collateral and no late or rollover fees, and
- iv. Kenyan banks hesitance to lend to smaller, untested businesses, due to the interest rate cap.

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 stable macro-economic environment will continue to boost deal flow into African markets.

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