



Cytonn Q3'2019 Markets Review

Private Equity

Financial Services

Deals in the financial services sector in the quarter include;

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 revive 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 to 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, agro-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.**
5. Oiko Credit, a Netherland's based private equity firm, acquired a 22.8% stake in Credit Bank. The stake acquired was through a capital injection of Kshs 1.0 bn. **For more information, see our Cytonn Monthly - August 2019.**

Fundraising

1. Investment firm Centum, through its real estate arm Centum Real Estate, signed a refinancing deal with Nedbank Corporate and Investment Bank (CIB), which is Nedbank's 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, 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 OFood, a food delivery service application. For more information, see our **Cytonn Weekly #28**.

3. 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**.
4. Tala, a California-based FinTech company with operations in Kenya, 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 GGV Capital, 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. This funding round brings the total amounts raised by Tala to over Kshs 22.6 bn (USD 219.4 mn). For more information, please see our **Cytonn Weekly #34/2019**.
5. Accion, through its seed-stage investment arm, Accion Venture Lab, raised USD 23.0 mn (Kshs 2.4 bn), for a new FinTech start-up fund. The capital for the new fund was raised through contributions from various participants including Ford Foundation, Prudential Financial, Blue Haven Initiative, Visa Inc. and Proparco (the development finance institution of the French Government). The firm intends to allocate approximately 25% - 30% of the funds to Africa where their focus will be on start-ups that leverage technology to increase the reach, quality and affordability of financial services for the under-served. For more information, please see our **Cytonn Weekly #37/2019**.

Education

1. Investisseurs & Partenaires (I&P), a Sub-Saharan impact investing firm based in Paris, France, 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. For more information, see our **Cytonn Weekly #29**.
2. The Danish SDG (Sustainable Development Goals) Investment Fund invested Danish Krone (DKK) 0 mn (Kshs 692.5 mn) in Africa Education Holding, which offers affordable high-quality programmes in labour market relevant studies of medicine, business, IT, law and social sciences, for an undisclosed stake. This was done in collaboration with Proparco, the French development agency, who invested USD 7.0 mn (Kshs 726.9 mn) as well as Finnfund, the Finnish development agency which invested an undisclosed amount. For more information, please see our **Cytonn Weekly #38/2019**.

Hospitality

1. Amethis, an Africa-focused investment fund manager, acquired a stake in Veranda Leisure & Hospitality (VLH), a subsidiary of Rogers Group, a listed company on the Stock Exchange of Mauritius, with the funds intended to be directed towards projects under VLH through new leisure activities and accommodation offerings. For more information, please see our **Cytonn Weekly #37/2019**.

FinTech

1. 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. To date, the firm has been able to raise Kshs 16.5 bn from the private capital market. For more information, see our

Cytonn Monthly - July 2019.

2. Juhudi Kilimo, a Kenyan based microfinance institution, raised EUR 2.2 mn (Kshs 252.2 mn) in equity capital from Incofin CVSO, a fund managed by Belgian 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. For more information, please see our **Cytonn Weekly #33/2019**.
3. TechAdvance, a Nigerian based 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. For more information, please see our **Cytonn Weekly #33/2019**.
4. In the FinTech sector, FairMoney, a Paris-based FinTech startup focused on Nigeria, closed a Series A round of investment, raising USD 10.0 mn (Kshs 1.0 bn), led by Flourish, a venture of The Omidyar Group, a family-founded impact investment firm with operations in Asia, North America and Africa. The funding round was also boosted by existing seed investors; DST Global, a Hong Kong-based investment company that funds late-stage ventures in the global internet industry, Newfund, and Le Studio VC, French venture capital firms, and Speedinvest, an Austrian venture capital firm. For more information, please see our **Cytonn Weekly #38/2019**.
5. Development Partners International, a London-based Africa-focused private equity firm, in collaboration with Convergence Partners, a South-African impact investment company, announced an investment of USD 54.0 mn (Kshs 5.6 bn) in Channel VAS, a FinTech company with operations in Africa, Asia and the Middle East that advances micro-credit to individuals through mobile money transfer, for an undisclosed stake. For more information, please see our **Cytonn Weekly #39/2019**.

Reports

During the quarter, the following private equity reports were released;

1. KPMG East Africa and East Africa Venture Capital Association (EAVCA) released a joint report, Private Equity Sector Survey of East Africa, which looks into the private equity market over the period spanning 2017 and 2018, with a keen focus on the shift in trends in the private equity space since 2016. The report highlighted an improvement in deal activity in 2017 and 2018, with 33 and 51 deals disclosed, respectively, as well as the number of PE funds investing in East Africa increased to 97 up from 72 recorded in a similar study conducted between 2015 and 2016. For more information, please see our **Cytonn Weekly #32/2019**.
2. During the quarter, Emerging Markets Private Equity Association (EMPEA), a global industry association for private capital in emerging markets, released their **Mid-Year 2019 Statistics Report**, which gives a snapshot of the global private equity space, particularly on the fundraising space, highlighting a significant drop in funds raised towards private equity, to USD 165.0 bn (Kshs 17.1 tn) in H1'2019, less than 33.0% of the USD 505.6 bn (Kshs 52.4 tn) raised in FY'2018. For more information, please see our **Cytonn Weekly #39/2019**.

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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