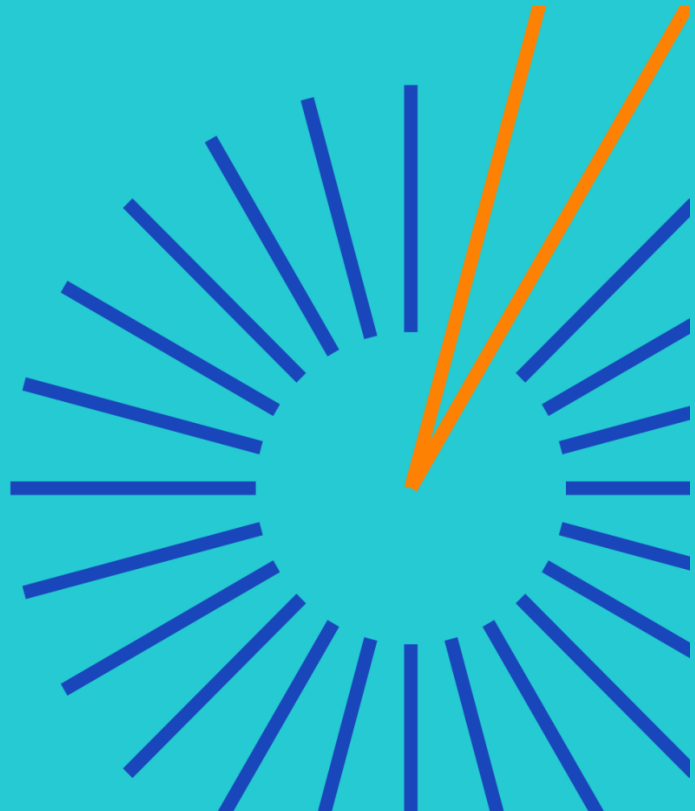




i&MBurbidgeCapital

EAST AFRICA FINANCIAL REVIEW

For the month of
SEPTEMBER 2018





September in Numbers



IMBC Deal of the Month:



Vivo Energy's acquisition of Engen's operation in eight African countries

5

The number of disclosed deals in EA

The total value of all disclosed corporate deals in EA in USD m

 **c. 213.4**



Don't confuse price with value.

- Phillip Fisher



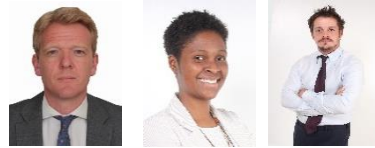
In this Issue

- Key Market Indicators
- Deal Statistics
- Selected Deals Summary
- Upcoming Events



I&M Burbidge Capital

MONTHLY COMMENTARY



The Editorial Team

EDWARD BURBIDGE | LINDA OBWORA | FRANCOIS LAGRANGE

September capped Q3 2018 with 5 disclosed corporate deals valued at USD 213.4 million. This brought the total deals for the quarter to 23 deals, marginally higher than the 22 deals recorded for the same period in 2017. Year to date performance stood at par as at the same period in 2017 with 58 deals recorded.

Of note is that Private Equity investments and exits compose the majority of deals recorded thus far with 29 deals valued at USD 491.65 million. M&A deals follow closely behind with 23 deals but at a higher value of USD 572.38 million. This is indicative of East Africa's profile as a key investment destination, particularly for private equity investors backed by foreign capital, a stark divergence with foreign investor participation in the public capital markets.

IMBC's deal of the month is Oil marketing firm Vivo Energy's acquisition of Engen's operations in eight African countries including Kenya for KES 20 billion (USD 200 million). The consideration comprises an issue by Vivo Energy of 63.2 million new shares valued at Vivo Energy's IPO Offer Price of 165 pence per share and USD 62.1 million (KES 6.2 billion) in cash, resulting in Engen holding a c. 5% stake in Vivo Energy.

In the energy sector, the Ugandan Government received a loan worth USD 212 million from China's Exim Bank to finance its sub-county power extension project that will see up to 547 sub-counties in the country gain access to power over the next 3 years. The focus will primarily be on connecting trade and health centres, schools and economic zones in the sub-counties to the national grid. With current electrification standing at 22%, the project is intended to help the government reach its target of 60% over the next 10 years.

In the oil and gas sector, the Ugandan Government announced that the country was ready to begin oil production. Uganda's oil reserves were declared commercially viable almost 12 years ago but delays have pushed the production date to 2020. According to World Bank estimates, Uganda would earn up to USD 2 billion per annum from oil revenues during its peak production period.

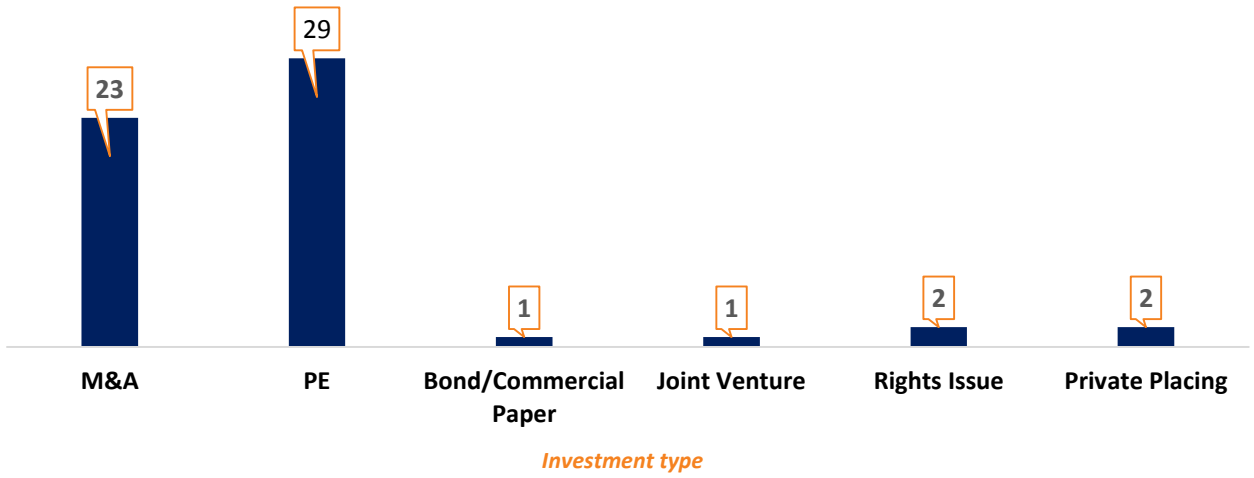
In the listed equities market, the NSE 20 index declined by 10.2% to close the month at 2,875.51 points compared with 3,203.40 points at the end of August 2018. Overall, the market continued to experience foreign investor outflows with investors withdrawing USD 29.98 million from the market. At the individual stock level, British American Tobacco (BAT) witnessed the highest foreign net inflows at USD 855.0k (YTD – decline of 23.7%) while KCB and Equity Bank experienced the highest foreign net outflows of USD 10,186.0k and 8,860.3 k (YTD – decline of 6.4% and increase of 0.6% respectively). Top gainers in the month of September included Longhorn Kenya, which increased by 10.0% (YTD – decline of 8.3%) and Sanlam Kenya which increased by 10.0% (YTD – decline of 20.7%). Kenya Orchards experienced the highest decline of 82.9% (YTD – decline of 85.6%) to close the month at KES 14 per share.

Edward Burbidge, CFA & IMBC EA Review Team

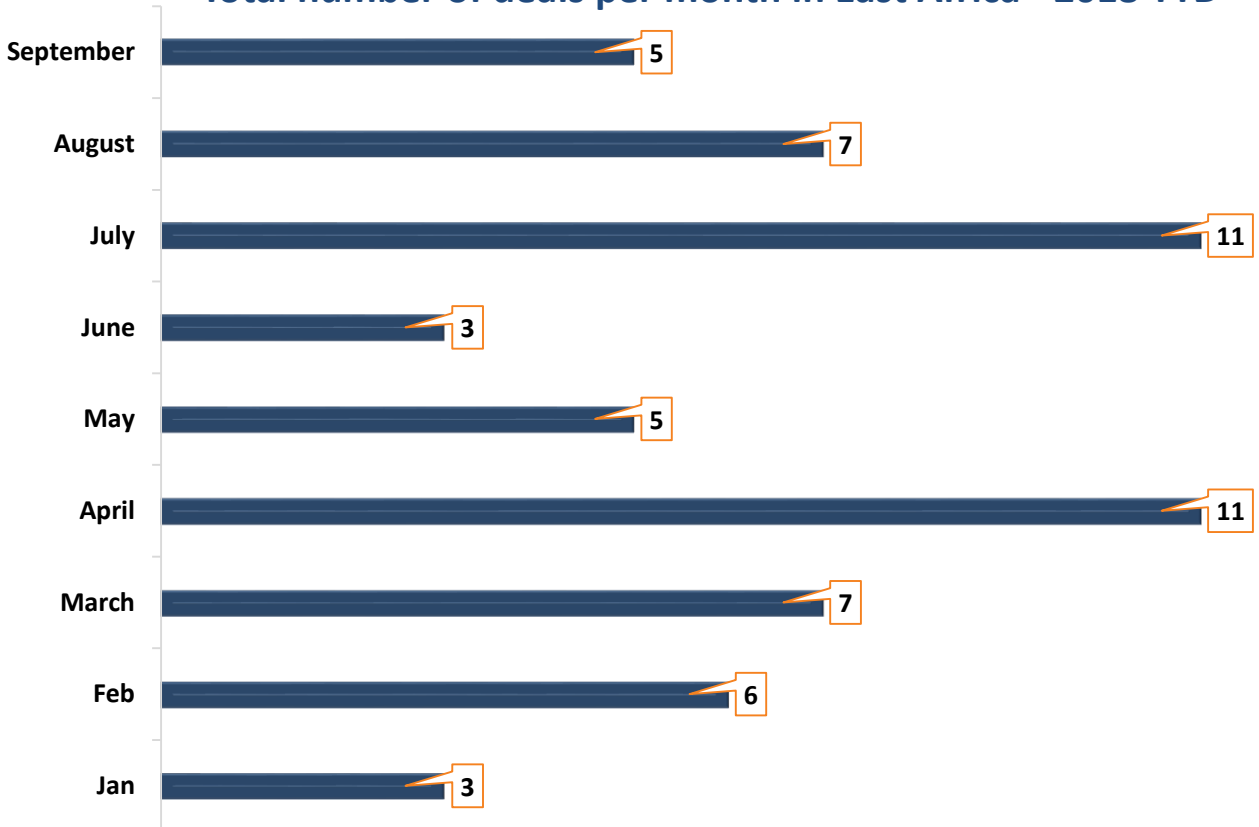
Scenes from our Customer Service Week



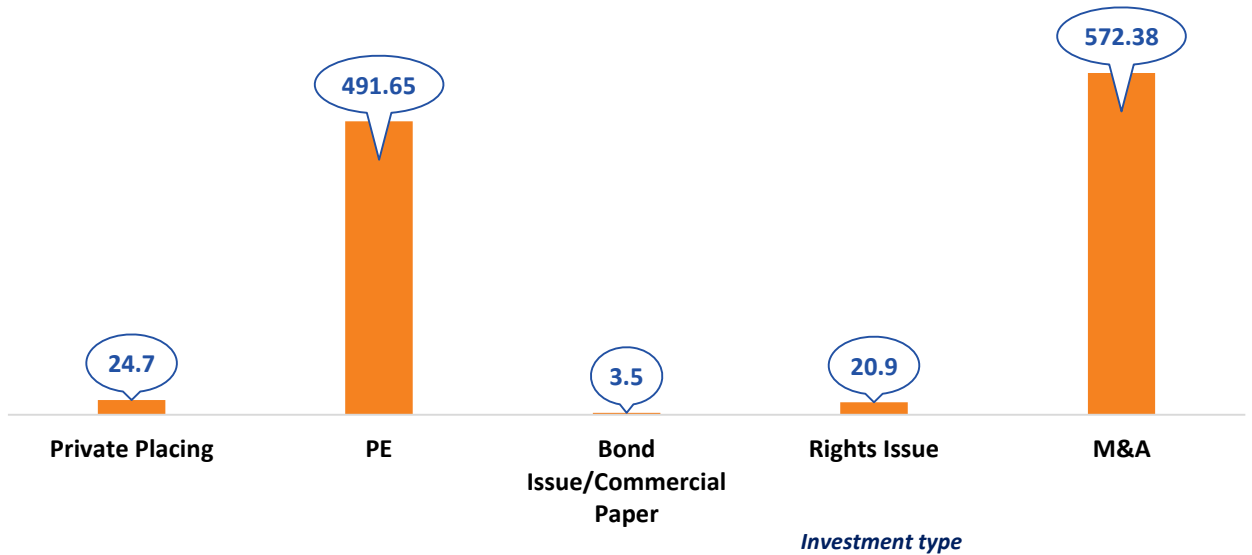
Total No.of deals in EastAfrica - 2018 YTD



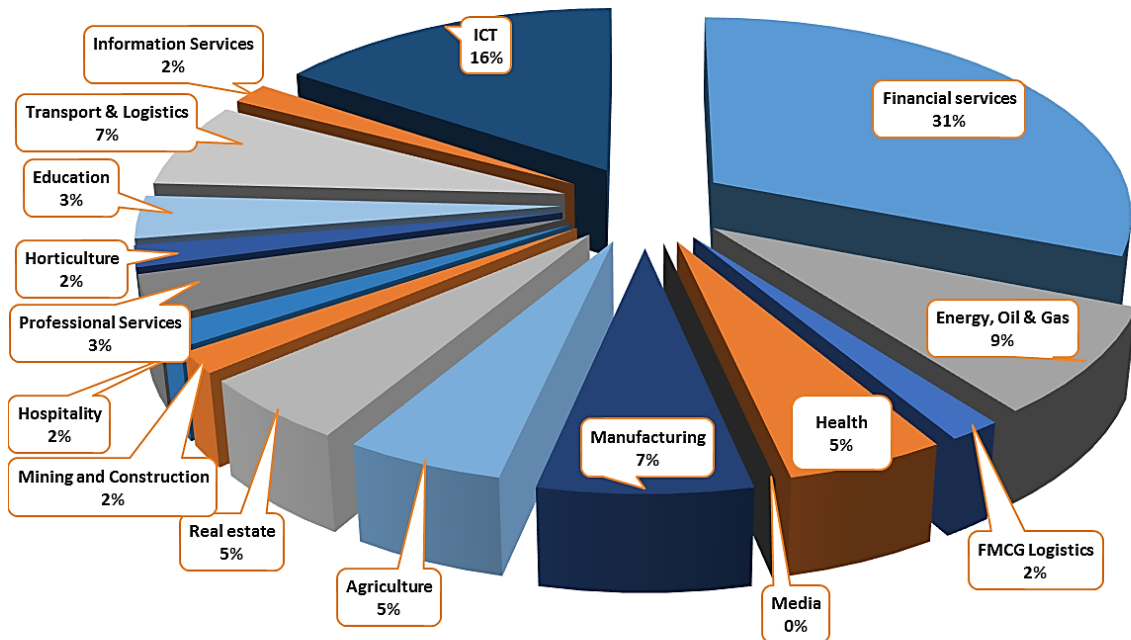
Total number of deals per month in East Africa - 2018 YTD



Deal values (USD mn) in East Africa - 2018 YTD



No. of deals per sector - 2018 YTD



Source: I&M Burbidge Capital Research

Yields on Government Securities

	91- Day T-bill	2- Year Bond	5- year Bond	10- year bond
Kenya	7.67%	11.70%	12.10%	13.15%
Tanzania	2.99%	9.00%	11.30%	14.41%
Uganda	9.72%	13.45%	16.49%	17.30%

Interest Rates

Country/Region	Current Base Rate	Previous Base Rate
Central Bank of Kenya (Kenya)	9.00%	9.50%
Bank of Uganda (Uganda)	10.00%	9.00%
Bank of Tanzania (Tanzania)	7.00%	9.00%
South African Reserve Bank (RSA)	6.50%	6.75%
Central Bank of Nigeria (Nigeria)	14.00%	14.00%
Central Bank of Egypt (Egypt)	16.75%	17.75%
Bank of England (UK)	0.75%	0.50%
Federal Reserve Bank (USA)	2.25%	2.00%
European Central Bank (EU)	0.00%	0.00%

Projected Inflation and GDP Rates

		Kenya	Uganda	Tanzania	Nigeria	South Africa	Sub-Saharan Africa	UK	USA	Euro Area
Projected GDP Growth	2018	5.50%	5.10%	6.80%	2.50%	1.10%	3.20%	1.40%	2.50%	2.10%
	2019	5.90%	5.70%	6.90%	2.80%	1.70%	3.50%	1.60%	2.20%	1.70%
Projected Inflation (%)	2018	5.20%	5.60%	5.00%	14.80%	5.30%	9.90%	2.70%	2.10%	1.40%
	2019	5.00%	5.00%	5.00%	14.30%	5.50%	8.90%	2.30%	2.20%	1.70%

PART III: SELECTED DEALS

Date	Buyer	Seller	Investment size in USD 'millions	Sector	Investment type	Country	Synopsis
01/09/2018	Kuramo Capital	GenAfrica Asset Managers	5.54	Financial Services	PE	Kenya	Kuramo Capital, a New York based investment management firm focused on alternative investments in frontier and emerging markets, acquired an additional 17.5% stake in GenAfrica Asset Managers Ltd from the management and staff of GenAfrica. The additional investment brought Kuramo's total shareholding in GenAfrica to 90.8%, after Kuramo completed the purchase of a 73.4% stake from Centum Investments in August, with the remaining 9.2% remaining in the hands of management and staff of GenAfrica.
13/09/2018	Fanisi Capital	Kitengela International School	4.00	Education	PE	Kenya	Fanisi Capital entered into an agreement to invest up to KES 400 million (USD 4 million) in Kitengela International School (KISC) with an initial KES 205 million (USD 2.05 million) investment. Kitengela International School first opened its doors on 5th January 2009, offering the 8-4-4 curriculum in mixed day and boarding primary school as well as a boarding only Girls High School. It has since expanded to four schools one of which offers the British Curriculum and the other an 8-4-4 curriculum primary school. This is the second group of schools Fanisi is investing in, having invested in Hillcrest International Schools in 2011.
13/09/2018	Carlyle Group	Abacus		Healthcare-Pharmaceutical	PE	East Africa	Global alternative asset manager, The Carlyle Group completed the acquisition of a majority stake in AK Life Sciences (Abacus), a pharmaceutical company in East Africa. Equity for the transaction came from Carlyle Sub-Saharan Africa Fund (CSSAF).
20/09/2018		AfricInvest		Healthcare-Pharmaceutical, FMCG, Insurance, Manufacturing	PE Exit		AfricInvest through its AfricInvest Fund II (AF II) exited from its investment in Kiboko Holdings Limited (KHL), a Mauritius-based company with diverse interests across the East African region in a variety of sectors including FMCG, pharmaceutical manufacturing and distribution, and insurance brokerage. AF II's exit took place following KHL's sale of a controlling stake in its pharmaceutical subsidiary, AK Life Sciences Ltd, to global private equity firm - Carlyle Group.
20/09/2018	Vivo Energy	Engen	203.90	Oil and Gas	M&A	Africa	Oil marketing firm Vivo Energy reached a deal to acquire Engen's operation in eight African countries including Kenya for KES 20 billion (USD 200 million). As per the agreement, the consideration comprises an issue by Vivo Energy of 63.2 million new shares valued at Vivo Energy's IPO Offer Price of 165 pence per share and USD 62.1 million (KES 6.2 billion) in cash, resulting in EHL holding a circa 5% shareholding in Vivo Energy. The cash element of the consideration will be funded by a draw down on Vivo Energy's multi-currency facility, established in May 2018.
26/09/2018	LeapFrog	Pyramid Group		Healthcare	PE	East Africa	LeapFrog Investments invested in Pyramid Group, a leading distributor of specialist medical equipment and products that deliver the latest standard of care, access and affordability to Africans. It is expected that LeapFrog will leverage its expertise in healthcare and networks within the African market to support Pyramid's growth ambitions. This will include the identification, targeting and origination of new customers utilising , navigation of the complex regulatory environment found in many of the countries in which Pyramid operates, and the optimisation of internal systems and processes.

Events	Date	Venue	Theme
Zimbabwe Infrastructure, Power & New Energy Investors Conference	10 to 11 October 2018	Meikles Hotel, Harare, Zimbabwe	This event is part of a large line of events hosted by Euro Convention Global on this subject over 25 countries worldwide. Following the Presidential elections, Zimbabwe is looking at improving its regional integration and opening its doors to new business development. The proposed program will address the further developments and private investments into Zimbabwe's infrastructure, power, and alternative energy fields. Partnerships, international cooperation, and funding of these sectors will be focused on during this 2-day event.
2nd Annual Private Equity in Tanzania Conference	11 October 2018	Coral Beach Hotel, Dar es Salaam, Tanzania	
The African Real Estate & Infrastructure Summit 2018	11 to 12 October 2018	The Sandton Convention Centre, Johannesburg South Africa	During the two day exhibition and interactive conference set to be attended by over 300 property professionals, developers, investors, city and municipal planners, attendees will have the opportunity to explore the future of urban development in African cities. Key themes and topics and topics of discussion will involve: Track 1: Residential Development Summit Track 2: Commercial, Industrial and Infrastructure Summit
AVCA & EMPEA Cocktail Reception	23 October 2018	No. 4 Hamilton Place Mayfair London W1J 7BQ United Kingdom	The African Private Equity and Venture Capital Association (AVCA) and EMPEA cordially invite you to an evening of networking over cocktails
AVCA Venture Capital in Africa Summit	24 October 2018	Sheraton Grand Park Lane Piccadilly London W1J 7BX United Kingdom	AVCA's inaugural Venture Capital (VC) in Africa Summit aims to convene founders, investors, and industry leaders to facilitate thought provoking dialogue. We'll focus on examining the potential for venture capital investment to act as a catalyst for growth and development of early stage enterprises across the continent.

Events	Date	Venue	Theme
EMPEA Private Equity Master class	25 October 2018	EBRD Headquarters One Exchange Square London EC2A 2JN United Kingdom	A candid, peer-to-peer forum for fund managers to gain practical insight from expert faculty and the industry's largest investors. Whether you have funds in the market, are preparing for your next fundraising cycle or looking to discuss the latest M&A and ESG considerations, this Masterclass is designed to provide industry best practices, legal strategies, lessons learned and real world perspectives. There is also a special opportunity to take part in the Perfect Pitch session for the chance to pitch your fund and receive instant feedback from a panel of LP faculty judges.
FUNDFORUM Middle East & Emerging Markets	4 to 5 November 2018	The Ritz-Carlton, DIFC, Dubai, UAE	Attendees will participate in the executive-level conversation with 100+ top speakers and receive 2 full days of exclusive content & best-practice strategies for navigating the global investment management landscape.
SuperReturn Africa	05 to 07 November 2018	The Westin Cape Town	Where the African private equity community comes together to be inspired and discover new opportunities
Africa Early Stage Investor Summit 2018	11 to 12 November 2018	Workshop 17, The Watershed, V&A Waterfront 17 Dock Road, Cape Town	<p>This exclusive investor-only event, hosted at Workshop17 in Cape Town, South Africa, unites key ecosystem stakeholders from across the continent and beyond, to exchange best practices, learn from peers and recent transactions, and do deals.</p> <p>The Summit will encompass VC4A Venture Showcase – Series A, featuring investor-vetted scale-ups from across the continent looking to raise between \$250K and \$5M.</p>
EAVCA Investor Delegation to Ethiopia	14 November 2018	Addis Ababa, Ethiopia	
EAVCA Industry Awards & Gala Dinner	14 December 2018	TBD	

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