

EAST AFRICA FINANCIAL REVIEW

OCTOBER 2019



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October in Numbers:

7

The number of disclosed deals in EA

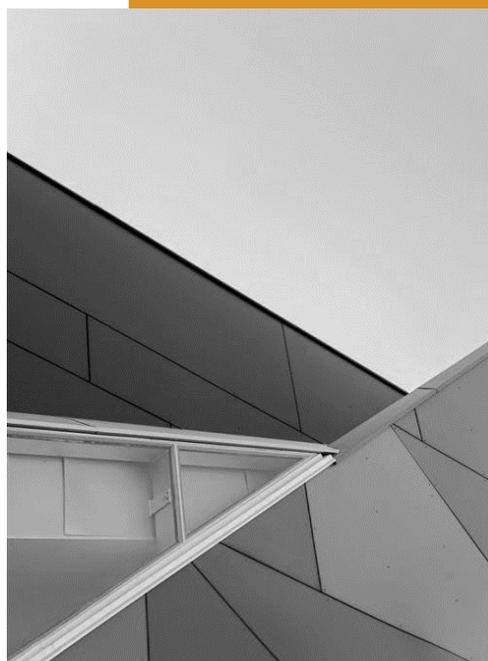
44.9

Disclosed deal value in USD million



IMBC Deal of the Month:

Goldman Sachs and other investors' equity investment of USD 23.75 million and debt of USD 6 million in Twiga Foods.



The Editorial Team

EDWARD BURBIDGE | LINDA OBWORA

During the month of October there were 7 disclosed deals valued at USD 44.9 million. This brings the total deal value and volume for the year to date to c. USD 1.6 billion and 91 respectively. The highest volume of deals YTD has been recorded in the financial services sector – 20 out of the 91 disclosed deals. Other sectors that have seen significant deal activity are the Agribusiness sector and the Energy, Oil & Gas sector.

IMBC's deal of the month is the Series B equity investment of USD 23.75 million in Twiga Foods by Goldman Sachs and Twiga's other existing investors including the IFC, TLcom Capital and Credev. An additional USD 6 million in debt was raised from OPIC and Alpha Mundi. The money raised will fund the continued development of Twiga's proprietary technology and logistics assets to support the roll-out of its distribution system and lay the foundations for expansion into other cities in the continent.

Overall market performance for October recorded an upward trend with the NASI, NSE 20 and NSE 25 up by 9.7%, 8.7% and 13.0%. The NSE 20 index closed the month at 2643.39 points compared to 2431.97 points at the end of September 2019. The market recorded net investor outflows of c. USD 12.45 million. The average daily turnover was c. USD 7.38 million in October compared to c. USD 4.84 million at the end of September.

In other trading activity, top gainers for the YTD 2019 include NCBA which increased by 40.8% YTD following the completion of the merger and KCB (YTD – increase of 38.2%). Kenya Airways experienced the highest monthly decline of 22.5% (YTD - decline of 22.5%) .

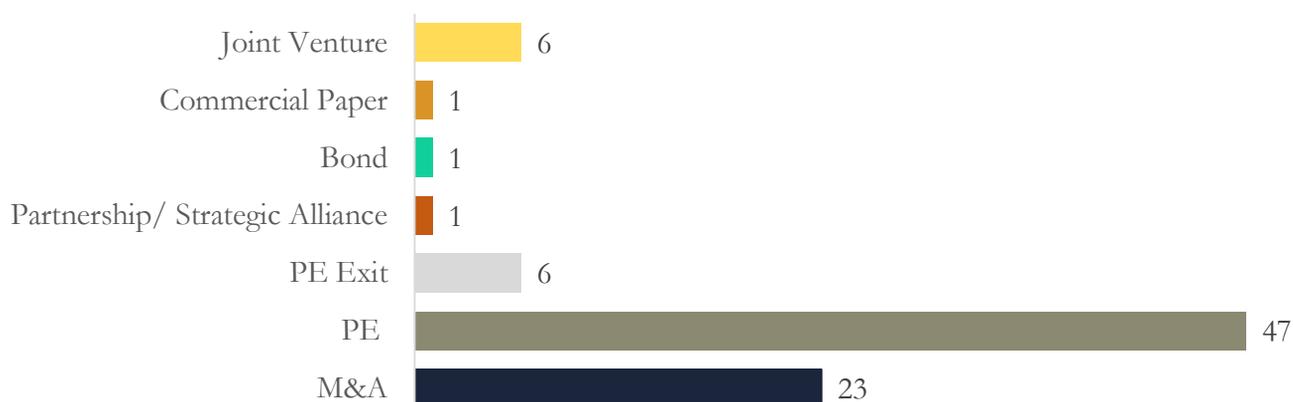
PART I : DEAL STATISTICS

Analysis by Sector

| Sector | No. of Deals YTD | Disclosed Deal Value YTD (USD million) |
|---|------------------|--|
|  Financial Services | 19 | 105.68 |
|  FMCG | 7 | 111.0 |
|  Manufacturing | 7 | 308.13 |
|  Agribusiness | 12 | 21.56 |
|  Logistics | 2 | 36.75 |
|  Food & Beverage | 3 | Undisclosed |
|  Energy, Oil and Gas | 10 | 797.5 |
|  Healthcare | 8 | 13.17 |
|  Education | 4 | 34.2 |
|  ICT and Telecom | 5 | 2.0 |
|  Professional and Other Services | 4 | Undisclosed |
|  Environment | 2 | Undisclosed |
|  Real Estate | 2 | 159.4 |

Analysis by Type of Transaction

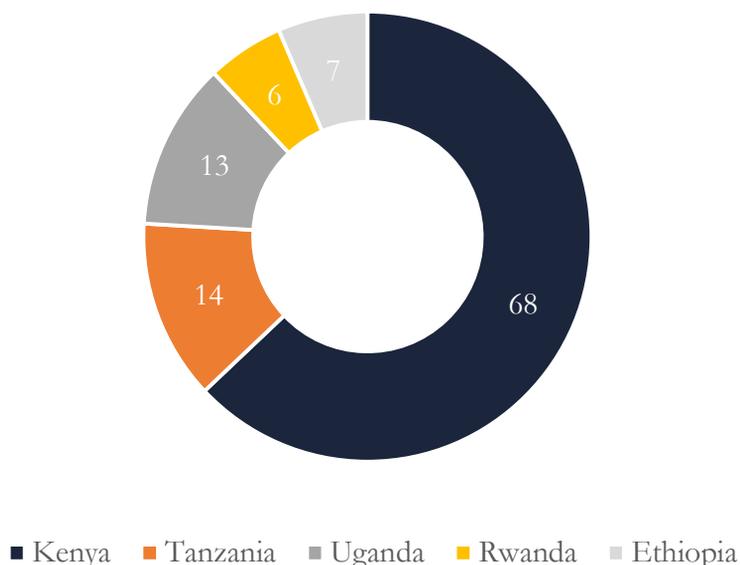
TOTAL NUMBER OF DEALS IN EA-2019 YTD



PART I : DEAL STATISTICS

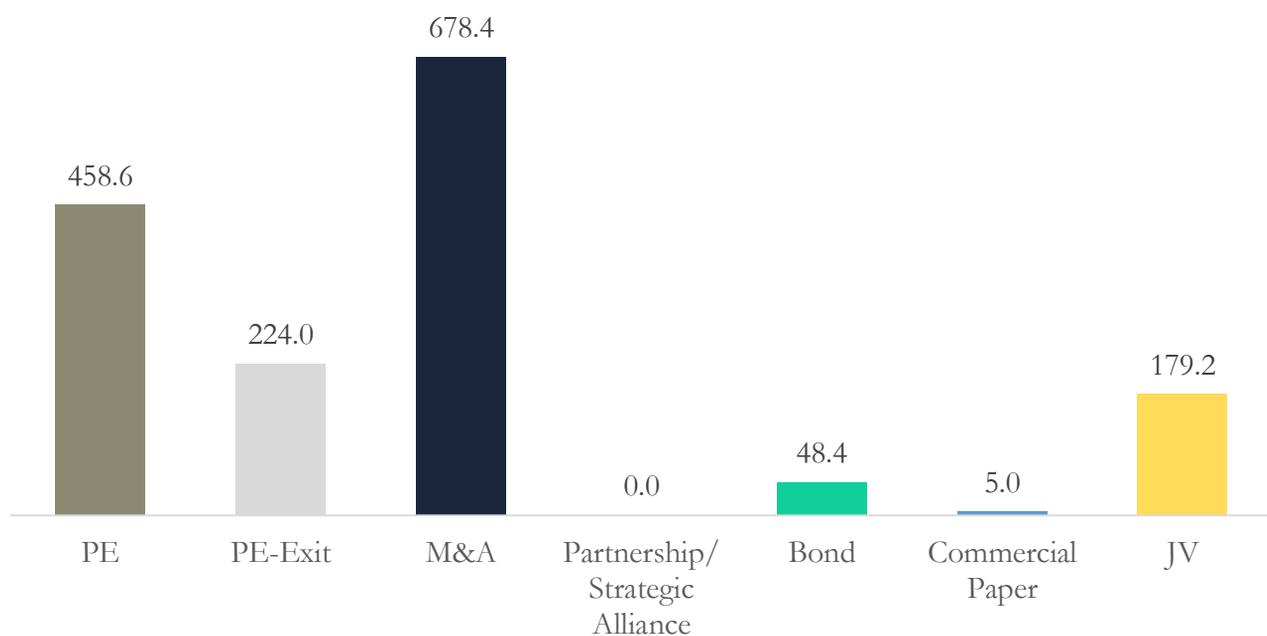
Analysis by Country

NUMBER OF DEALS PER COUNTRY



*Deals in the “Sector Analysis” table that have an impact on a company’s operations in more than one country have been treated as a single deal. In the “Analysis by Country” chart above, each country operation has been considered as a separate deal. There is therefore a mismatch between the “Sector Analysis” and “Analysis by Country” deal numbers. cccc

DEAL SIZE YTD 2019 IN USD M



PART II : KEY MARKET INDICATORS

Yields on Government Securities

| Years | 91-day | 2 year | 5 year | 10 year |
|----------|--------|--------|--------|---------|
| Kenya | 6.4% | 10.7% | 10.9% | 11.5% |
| Tanzania | 4.6% | 7.8% | 9.2% | 15.1% |
| Uganda | 8.56% | 13.0% | 15.1% | 14.28% |

Inflation Rates

| Years | Kenya | Tanzania | Uganda | Rwanda |
|------------------------------------|-------|----------|--------|--------|
| 2018 actual Inflation | 4.5% | 3.5% | 3.2% | 2.9% |
| 2019 average inflation at Sep 2019 | 5.24% | 3.6% | 1.9% | 2.8% |

GDP Growth Rates

| Years | Kenya | Tanzania | Uganda | Rwanda |
|--------------------------------|-------|----------|--------|--------|
| 2018 estimated GDP growth rate | 5.9% | 6.7% | 5.3% | 7.2% |
| 2019 forecasted growth rate | 6.0% | 4.0% | 5.5% | 7.8% |

Central Bank Rates

| Country/Region | Previous rate | Rate as at October 2019 |
|-----------------------------------|---------------|-------------------------|
| Central Bank of Kenya (Kenya) | 10.00% | 9.00% |
| Bank of Uganda (Uganda) | 9.50% | 10.00% |
| Bank of Tanzania (Tanzania) | 9.00% | 7.00% |
| South African Reserve Bank (RSA) | 6.75% | 6.50% |
| Central Bank of Nigeria (Nigeria) | 14.00% | 13.50% |
| Central Bank of Egypt (Egypt) | 18.75% | 16.75% |
| Bank of England (UK) | 0.50% | 0.75% |
| Federal Reserve Bank (USA) | 1.50% | 2.50% |
| European Central Bank (EU) | 0.00% | 0.00% |

PART III : SELECTED DEALS

| Date | Buyer | Seller | Deal size (M USD) | Sector | Type | Country | Synopsis |
|------------|--------------------------|--------------------------|-------------------|------------------------------|----------------------|----------|---|
| 01/10/2019 | Oikocredit International | Kayonza Tea Factory | 3.15 | Agribusiness | PE - Debt | Uganda | Solidaridad, an international civil society organisation founded in 1969, has facilitated USD 3.15mn of financing for Ugandan tea processor Kayonza Tea Factory in the form of a long-term loan from social impact investor Oikocredit. The investment will allow Kayonza to build a second factory to process the soaring tea yields for the benefit of the 7,500 smallholder farmers who own the tea processor. Kayonza is the first UNDP Equator Prize winner and the first project in Solidaridad's impact investment pipeline to win financing. |
| 11/10/2019 | Strategic Investor | Choice Microfinance Bank | 0.7 | Financial Services | M&A | Kenya | Diaspora-backed Choice MFB shareholders ceded a major stake to an unnamed strategic investor as the loss-making micro financier seeks fresh capital to finance expansion and boost lending capacity. A notice by the lender said the unnamed investor had received shareholders' nod at the firm's special general meeting. The entry of the undisclosed strategic investor is expected to cause changes in ownership and board membership. |
| 11/10/2019 | PROPARCO | Africure Pharmaceuticals | 10 | Healthcare - Pharmaceuticals | PE - Debt | Ethiopia | Pharmaceutical company Africure, received USD 10 million from PROPARCO. Africure is an Indian manufacturer and distributor of generic pharmaceutical products, operating in Sub-Saharan Africa. It initially exported generics manufactured from its Indian plant but the activity has since scaled up with the launch of distribution and processing units in Cameroon, Burkina Faso, Botswana and Namibia. Proparco's loan will allow Africure to increase its production capacity in Africa, by launching two new plants in Cote d'Ivoire and Ethiopia and to improve its supply options for raw materials. PROPARCO is combining this loan with a technical assistance project to support the company's efforts to comply with WHO Good Manufacturing and Distribution Practices. |
| 29/10/2019 | Goldman Sachs | Twiga Foods | 29.75 | Logistics | PE - Equity and Debt | Kenya | Twiga Foods, the Kenyan B2B food distribution company raised USD 23.75 million in a Series B equity round led by Goldman Sachs, with participation from existing investors including the IFC, TLcom Capital and Creadev. An additional USD 6 million in debt was raised from OPIC and Alpha Mundi. The Series B will fund the continued development of Twiga's proprietary technology and logistics assets to support the roll-out of its distribution system and lay the foundations for expansion into other cities in the continent. |

PART III : SELECTED DEALS

| Date | Buyer | Seller | Deal size (M USD) | Sector | Type | Country | Synopsis |
|------------|----------------------|----------------|-------------------|--------------|------|----------------|---|
| 30/10/2019 | DOB Equity | Moringa School | Undisclosed | Education | PE | Kenya | DOB Equity, a leading Dutch family-backed impact investor in East Africa, has invested in Moringa School (“Moringa”), the technology learning accelerator, to help it capitalize on the fast-growing demand for technical-skilled professionals. Moringa provides digital and professional training to students, increasing their employability and access to the labor market. |
| 30/10/2019 | Goodwell Investments | Sendy | 2 | Logistics | PE | Kenya | Goodwell investments agreed to invest USD 2 million in on-demand delivery platform - Sendy. The investment will move the company closer to achieving its mission of improving the access of lower income groups to good quality basic products and services, at much lower prices. Sendy's user focussed technology platform helps cut logistics costs by simply and transparently connecting individual businesses to third party delivery drivers across Africa. |
| 30/10/2019 | TPG Capital | Maziwa Ltd | Undisclosed | Agribusiness | PE | Kenya & Uganda | US-based TPG Capital has bought a 33.9 percent stake in dairy processor Maziwa Ltd. The deal approved by the Competition Authority of Kenya (CAK) will see TPG Capital's subsidiary Pledge Holdco Ltd take part in running the business that distributes milk and milk-related products across Kenya, Uganda and Zambia. In its disclosures, TPG Capital said it also has interests in Kenya's Dodla Dairy Ltd, thanks to a 2017 purchase of a KES 5 billion stake in India-based parent company, where it processes one million litres of fresh milk daily received from 250,000 farmers. Post-transaction, the merged entity will have a market share of 3.9 percent. |

PART IV : HIGHLIGHTS FROM THE CAPITAL RAISING SEMINAR

Challenges in raising capital and lack of access to affordable financing is one of the key issues SMEs and, specifically family businesses, cite as a hindrance to scaling their businesses. It is against this backdrop that ISBI Institute @ Strathmore and I&M Burbidge Capital (IMBC) organized a 2-day Capital Raising Seminar on the 31st of October and 1st of November at the Strathmore Business School. The Seminar was carefully curated to enlighten entrepreneurs on alternative sources of funding as well as matters critical to raising finance. The seminar presented key insights into the capital raising process from leading industry and academic experts to a class of family business owners and executives.

The seminar kicked off with a session by IMBC's CEO – Edward Burbidge on when, how and why to raise capital. He noted that entrepreneurs need to have insight and understanding of their business' cash flow requirements in the short to medium term as it is detrimental to use short-term funding for long-term projects. The session then delved into the types of financing available on the market – debt, mezzanine and equity capital.

This was followed by a session on valuation where attendees were exhorted to always develop an understanding of the worth of their business, especially before going to market. Whilst Valuation is an art, the audience was introduced to the standard valuation methodologies. Jharna Kamdar of IMBC noted that businesses with good corporate governance, strong company growth and steady financial performance will usually attract a higher valuation. This was further explored in a dedicated session on governance presented by Gauri Gupta, Director at IMBC and General Manager - Corporate Advisory at I&M Bank. In a complementary session, Paul Ouma of ISBI delved into the key considerations in succession planning.

Key to the capital raising process are legal and tax considerations. Sessions on these two key topics were presented by leading experts from Walker Kontos and PKF Eastern Africa. The session on legal considerations provided key insights into the nuances in legal due diligence and transaction documentation. Michael Kontos, Partner at Walker Kontos emphasized the importance of efficient structuring and governance. The tax session led by PKF partners Michael Mburugu and Darshan Shah explored the fiscal aspects of structuring a deal including discussions on emerging trends in taxation. It was emphasized that it is key to obtain excellent advice on tax and legal matters as they form the pillars that hold transactions and future relationships together.

Other sessions during the seminar included investor insights into private equity presented by Ascent Capital's Marieke Geurts and Mezzanine capital presented by DEG's Bella Musima. Arun Mathur, Director at IMBC, and former CEO of I&M Bank, presented a crucial session on bank financing and enlightened participants on how to create a long term beneficial relationship with their bankers.

Participants also engaged in a spirited and practical negotiation scenario that enabled them to apply the concepts imparted during the dedicated session on Negotiation conducted by Dr. Robert Mudida of ISBI.

The seminar concluded with a panel discussion with investors and investees. The common theme in the discussion was that like any other relationship, the investor – investee relationship is dependent on integrity and open communication. The event was crowned with a graduation ceremony followed by a sumptuous cocktail. Networking between the participants during the two intensive days formed just as invaluable and informative part of the event as the sessions themselves.



PART VI : UPCOMING EVENTS/CONFERENCES



13 - 15
Nov
2019

Africa Early Stage Investor Summit

Workshop17 at the V&A Waterfront in Cape Town, South Africa

VC4A and ABAN are pleased to announce the 6th edition of the Africa Early Stage Investor Summit (#AESIS2019). The Summit will take place from 13-15 November at Workshop17 at the V&A Waterfront in Cape Town, South Africa. The conference brings together leading investors from Africa and beyond to network, exchange insights, create partnerships and make deals. This event is designed 'for investors, by investors'.

19 Nov
2019

CFO Breakfast Forum

Crowne Plaza, Nairobi

The CFO Breakfast Forum offers C-Level executives an intimate environment for a focused discussion of the key new drivers shaping corporate priorities and finance strategies. The Forum is tailored for CEOs, CFOs, Finance Directors, COOs, CIO, Directors and equivalent levels from both public and private sectors.

29 Nov
2019

EAVCA Annual Gala Dinner & Industry Awards

Zen Garden, Nairobi

The East Africa Private Equity and Venture Capital Association (EAVCA) is delighted to host its annual EAVCA Private Equity & Venture Capital Industry Awards. Celebrating another year of excellence, the awards will recognize the contribution of private equity & venture capital to the growth of the local industry.

2 - 4
Dec
2019

SuperReturn Africa 2019

The Westin Cape Town, Cape Town

With 500+ attendees, SuperReturn Africa is the continent's largest private equity conference, offering unparalleled opportunity to meet the leading market players in the region. In addition, a programme of tailored LP-led sessions and networking allow investors to find out how their peers are getting access to the best performing funds, assessing and enforcing governance standards, and more.



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