



i&M Burbidge Capital



**MARKET
UPDATE BULLETIN**

covering **2nd June 2020** and the week ending **29th May 2020**



Foreword & Insight

Foreword

Facing an unprecedented public health crisis with the novel coronavirus (COVID – 19) outbreak, I&M Burbidge Capital has created a resource that gives insight to the impact of the pandemic across the regional markets and economies. We present a selection of the top stories making headlines in the private capital markets as well as market data and corporate developments.

Quote of the day

"In an era of transparency, you can have innovation without branding, but you cannot have branding without innovation."

- Sir Martin Sorrell

BUSINESS INSIGHT

The East African Transactions Landscape during COVID-19

Performance so far – A Resilient Market

Following confirmation of the first case of coronavirus infection in East Africa, the expectation has been a slow-down in deal making activity in the region. However, the market has remained resilient with the number of disclosed transactions in East Africa in 2020, thus far, maintaining pace with that of previous years. As at the end of April, the market had recorded 31 corporate transactions valued at c. USD 360 million straddling across private equity and trade player M&A. This in comparison with the 26 and 27 disclosed corporate transactions valued at c. USD 847 million and c. USD 137 million at the same time in 2019 and 2018 respectively. We attribute this to the fact that a large proportion of deals in the region tend to take more than 12 months from initiation to completion and crucially investor confidence in the long term superior returns available from investment in the region.

Current Market Situation

Anecdotal evidence from our market participation and relationships with all the major traditional & newer investors in the region, reveals maintained optimism for the region. This can be attributed to the significant potential available in many untapped investment themes driven by high long term economic growth expectations and a large underexploited market in many sectors. Significant interest from institutional investors has been witnessed as is demonstrated by the domination of private equity investments in the deal numbers, at 17 (13 as at April 2019), and deal values at c. USD 208 million (c. USD 295 million as at April 2019) with the rest largely being trade player M&A activity. Interest persists from strategic investors both in terms of acquisitions by local investors as well as interest from international trade players. We expect that as strategic investors seek to maintain cash balances and with the significant drop in global interest rates, we may see more financed M&A transactions as an innovation to East African deal making.

The Medium Term – Straights with a few Bumps

Going forward, we expect that for the rest of the year, we will still see strong market activity as transactions that were initiated before the pandemic broke out are completed and those that were begun during the pandemic begin to pick up steam with the reopening of regional economies. We do expect that there will be some slow-down in transaction announcements toward the end of the year and in the beginning of 2021, as we begin to see the impact of even longer transaction times occasioned by the restrictions to movement that have hampered the investment evaluation process. We none-the-less remain optimistic buoyed by the level of interest in the market, as we can attest from transactions in which we are lead advisors, and the range of innovative ideas which have been developed to overcome challenges raised by COVID-19 including the use of drones to conduct factory visits in some markets.

PART I : DEALS & CORPORATE DEVELOPMENTS

2nd June 2020

Kenya

Markets

Treasury stretches debt maturity to 5.7 years

The maturity profile of domestic debt has lengthened to 5.7 years from 4.1 years two years ago on the back of a sustained effort to issue longer-term securities, Central bank of Kenya (CBK) has announced. CBK governor Patrick Njoroge said during a virtual briefing following the Monetary Policy Committee (MPC) meeting last week that the option of having maturing Treasury bills rolled over using medium-term bond offerings is another option that the regulator is considering as a means of lengthening the maturity profile of local debt.

Source: *Business Daily*

Forex reserves fall KES 22 Billion on Eurobond payments

Foreign exchange reserves held at the Central Bank of Kenya have fallen by USD 201 million (KES 21.5 billion) in the past two weeks, partly on account of interest payments on the Eurobond floated in May 2019. Latest data from the CBK shows the reserves stood at USD 8.3 billion (KES 891.4 billion) on May 28, down from USD 8.5 billion (KES 912.9 billion) on May 14.

Source: *Business Daily*

Economy

EU unveils KES 8.4 Billion package for healthcare, cash transfer

The European Union (EU) has announced a KES 8.44 Billion financial package for Kenya's universal healthcare coverage (UHC) and cash transfer to vulnerable groups. The contribution is from the EU (KES 1.2 billion), France (KES 2.4 billion), the Netherlands (KES 1.7 billion), Denmark (KES 1.7 billion), Sweden (KES 1.3 billion), Germany (KES 238.2 million), and Slovakia (KES 13.9 million).

Source: *Business Daily*

Regional

Corporate

South African healthcare provider to list on Kigali bourse

South Africa's low-cost healthcare service provider firm RH Bophelo is set to cross-list on the Rwanda Stock Exchange in June, and leverage on IT to enter East Africa. RSE will be the first stock market outside the Johannesburg Stock Exchange (JSE) where the company will be listed.

Source: *The East African*

PART II: TREASURY UPDATE

For the week ending 29th May 2020

LOCAL MARKET

The Kenya Shilling traded range bound against the U.S Dollar during the week ending 29th May to close at 106.55/107.05. In the local equities market, the main NSE 20 share closed the week at 1948.08, 66.80 points lower while in the secondary market bonds worth KES13.70 Billion were transacted, higher than KES 10.3 Billion traded the previous week.

INTERNATIONAL MARKET OVERVIEW

The Dollar opened the week low as hopes for a Covid-19 vaccine re-ignited and as European economies started re-opening. U.S. biotech company Novavax announced that it had begun trials for a coronavirus vaccine in Australia as it awaits preliminary results from the Phase 1 clinical trial in July, and upon successful completion Phase 2 will be conducted in several countries, including the United States. On the trade front, US-China tensions grew as the two countries were at loggerheads. The United States is currently weighing options of sanctions, restrictions and tariffs on certain Chinese companies to put pressure on the Chinese government to backtrack on its stand. The Dollar edged lower at the close of the week on the back of negative data where Initial Jobless Claims grew by an extra 2.1 Million.

EUR was higher by 0.83% at week open as countries started easing the Covid-19 lockdown and on the back of positive data with the German Consumer Confidence higher at -18.9 from -23.1. The currency also gained on news that EU leaders were set to meet and deliberate on the Corona bond which was facing resistance from some countries on the matter of repayment and it's classification as a loan and not a grant. EUR continued to strengthen on news that an agreement by the European Union's executive was near for the EUR 750 billion plan to prop up the bloc's virus-hit economies. Negative data did little to affect the currency as the year-on-year and month-on-month German CPI dipped to 0.6% from 0.9% and -0.1% from 0.4% respectively.

GBP opened the week high as Prime Minister Boris Johnson set out plans on easing Britain's coronavirus lockdown, including restrictions on retail if government tests are met. The currency also gained on news that the EU had softened its stance on fisheries in the Brexit negotiations. GBP later dipped as market feared negative interest rates would be imposed to boost the economy. The currency also dropped when Brexit talks took a negative turn as David Frost, U.K Chief negotiator, told UK lawmakers that the current offer placed on the table by the EU in ongoing trade negotiations is not one that the UK can accept and that there is no chance of negotiations being extended, even if the EU requested more time. This could lead to a no-deal Brexit and hurt the GBP. The GBP closed the week higher mainly on the back of Dollar weakness. Market were waiting for further communication from BOE on the negative interest rates talk to boost the economy and Brexit talks that are currently frosty.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.333	8.8860	2.990	6.264
182 Day T-Bill	8.248	10.999	3.500	6.657
364 Day T-Bill	9.198	12.269	4.700	8.021
Inflation Data	5.50	3.20	3.30	8.00

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		105.90	107.30
GBP		132.30	134.60
EUR		117.80	120.10
CHF		110.00	112.00
JPY		0.9920	1.0020
ZAR		5.60	6.60
INR		-	1.4300
CNH		12.00	16.60
RWF		5.00	12.00

INDICATIVE DEPOSIT RATES

Fixed period	1M	3M	6M	1Yr
KES (50,000< 5 Million)	6.25	6.50	7.00	7.25
KES (Above 100 Million)	6.75	7.50	8.00	8.50
USD (Above 500,000)	1.75	2.25	2.75	3.00
EUR (Above 500,000)	0.75	1.25	1.50	1.50
GBP (Above 500,000)	0.25	0.50	0.50	0.50

COMMODITY PRICES

	Unit	Close
Aluminum	USD/MT	1537.00
Murban Crude Oil	USD/barrel	33.09
Coffee	US Cents/lb.	98.03
Wheat	US Cents/Bushel	516.75
Corn	US Cents/Bushel	323.75

PART III: EQUITIES AND BOND TRADING

For the week ending 29th May 2020

WEEKLY MARKET COMMENTARY

The NSE All Share Index gained 0.45% on Friday to close the week at 137.13 points whilst the NSE20 and NSE25 share indices were both down on the day by 0.83% and 0.34% to close at 1,948.08 points and 3,203.94 points, respectively. For the week, the NASI was down 1.10% whilst the NSE20 and the NSE25 shed 2.79% and 1.37%. Respectively, during the week. Turnover soared on Friday to KES 889 Million up from KES 392 million transacted in the previous trading session. Volumes were also up with 36.12 million shares changing hands, against the 14.23 million shares traded in the previous session. During the week 84.8 million shares valued at KES 2.37 billion were traded, a minimal change from the 80.9 million shares valued at KES 2.4 billion transacted during the previous week. Foreign investors maintained a net selling position on Friday and accounted for 37.23% of total market purchases and 64.44% of total market sales. Foreign investor activity during the week, was mostly witnessed on Safaricom Plc and Equity Group Plc.

Bond market turnover rose to KES 4.71 billion on Friday, up from the KES 3.07 billion recorded during Thursday's trading session. Week on week, the bond market had bonds worth KES 13.7 Billion traded as compared to the KES 10.3 billion transacted during the previous week. The Derivatives Market closed the week with a total of 3 contracts valued at KES 107,000. The KCB contract expiring on 18th June 2020 moved 2 contracts valued at KES 73, 000 .

INDEX MOVEMENTS

Index	Closing	% Change Daily	%Change Weekly	% YTD
NASI	137.13	0.45	-1.10	-17.60
NSE20	1,948.08	-0.83	-2.79	-26.61
NSE25	3,203.94	-0.34	-1.37	-21.87
FTSE NSE25	181.35	0.31	-0.74	-20.98

MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	2,095.9	2,086.4
Turnover (KES, millions)	899.24	392.18
Volume (millions)	36.12	14.23
Foreign Buys (%)	37.23	45.94
Foreign Sales (%)	64.44	86.18

GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD1/2019/5	11.3040	11.2500	1,500.00
FXD1/2019/5	11.3040	11.2250	889.90
IFB1/2016/16	12.5000	12.6000	968.60

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	8.06	226.38	28.25
Equity Group Holdings Plc	0.85	30.31	35.80
KCB Group Plc	0.72	25.88	36.20

Source: Faida Investment Bank



PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 29th May 2020

EAST AFRICA DEALS OF THE WEEK & FUNDRAISING ANNOUNCEMENTS

Target Company / Fund	Acquirer Company/Investor	Deal Type	Synopsis	Deal Value (USD Million)	Sector	Country/Region
Inclusivity Solutions	Goodwell	VC - Series A	Inclusivity Solutions, the company that designs, builds, operates and innovates digital insurance solutions, secured an additional USD 1.3 Million in a second tranche of its series A round, bringing the total series A round to USD 2.6 Million. Following on from its first tranche investment, the uMunthu fund, managed by Goodwell Investments, led the round with follow-on investment from UW Ventures (in partnership with Allan Gray).	1.3	Technology	East Africa
Pee Pee Tanzania	AgDevCo	Debt	AgDevCo has announced a long-term debt investment into Pee Pee Tanzania Limited (PPTL), a regional leader in the production of grain storage bags. The company distributes its products to farmers across Eastern and Southern Africa, helping reduce post-harvest losses and improve food security.	Undisclosed	Agriculture	Tanzania
Apollo Agriculture	Anthemis Ventures	VC - Series A	Apollo Agriculture, the financing and products platform empowering small-scale farmers to maximise their profits, raised USD 6 Million in Series A financing. The round was led by Anthemis Exponential Ventures, with participation from Leaps by Bayer, Flourish Ventures (a venture of The Omidyar Group), Sage Hill Capital, to Ventures Food, Breyer Labs, and existing investors Accion Venture Lab and Newid Capital, among others.	6	Agriculture	Kenya
Platcorp	Swedfund	Debt	Sweden's development finance institution Swedfund announced that it will lend EUR 5 Million to Platcorp, a financial institution providing credit to private individuals and small and medium-sized companies, in Kenya, Uganda and Tanzania.	5.5	Financial Services	Kenya
Cepheus Growth Capital		Fundraising	Cepheus Growth Capital Partners revealed it is finalising the fundraising for its first USD 100 Million fund. Cepheus is a private equity firm that invests in Ethiopia's most promising businesses and entrepreneurs. The fund will deploy capital to the manufacturing, agro-processing and services sectors.	100	Financial Services	Ethiopia
Pioneer Diagnostics Center	Zoscales Partners	Undisclosed	Zoscales Partners made an investment into Pioneer Diagnostics Center (PDC), a diagnostic imaging service provider in Ethiopia.	Undisclosed	Healthcare	Ethiopia



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Our Services

Originating and structuring Equity and Debt capital raising, IPOs, M&A transactions, Strategic Options advisory, PE advisory, Tax Advisory and other Corporate Finance Services.

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