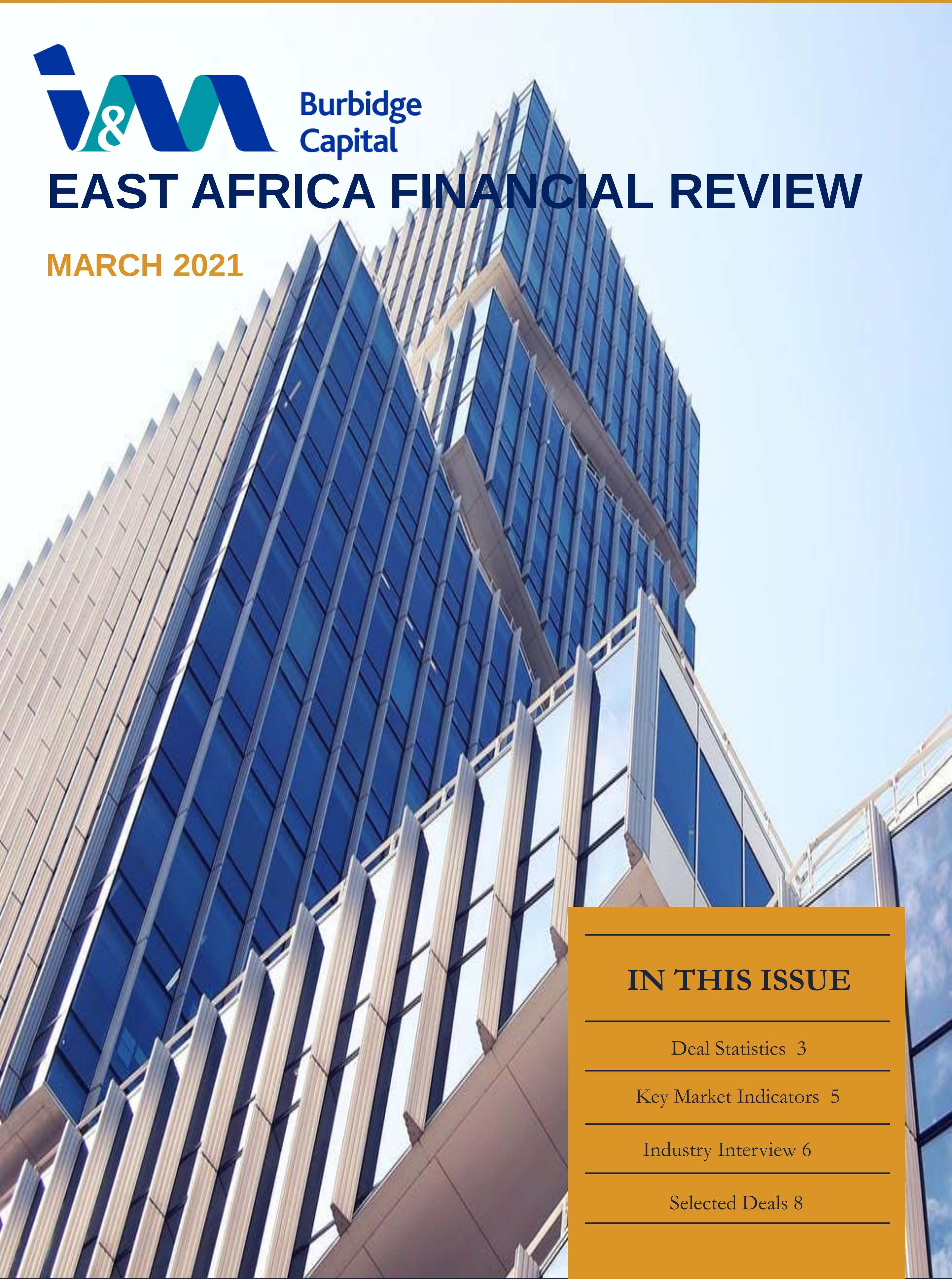


Burbidge Capital

EAST AFRICA FINANCIAL REVIEW

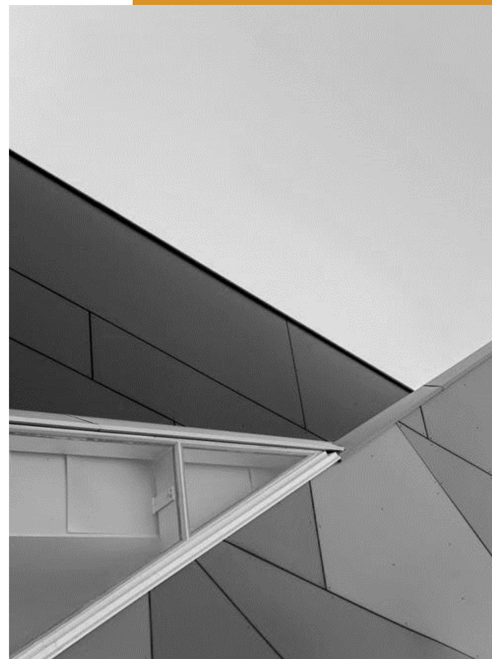
MARCH 2021

IN THIS ISSUE

February in Numbers:

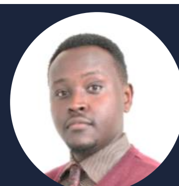
5 The number of disclosed deals in EA

15.6 Disclosed deal value in USD million



IMBC Deal of the Month:

InfraCo Africa's USD 10 million investment in Acorn's REIT .



The Editorial Team

EDWARD BURBIDGE | KEVIN KURIA

Corporate deal activity in East Africa slowed in March with 5 transactions having been recorded, down from 8 in February, but with a higher total disclosed deal value of c. USD 15.6 million from 3 transactions that had disclosed deal values. This is similar to the activity recorded in March 2020 which had 7 transactions. As has been the case over the last 12 months, a majority of transactions were VC deals which were complemented by 1 private equity debt investment transaction and a REIT investment by a DFI. The off grid energy sector recorded 2 transactions whilst the real estate, financial services and ICT sectors recorded 1 transaction each. We expect the VC space to remain the most active with low ticket deals being the most numerous in the coming months but expect an eventual rebound in pure play private equity activity once COVID restrictions are lifted and mobility is greatly expanded allowing for more rigorous due diligence typical of larger transactions.

IMBC's deal of the month is the USD 10 million investment by InfraCo Africa into Acorn's real estate investment trust (REIT). The investment, made through InfraCo Africa's dedicated investment vehicle, will enable Acorn to scale its business. The investment is an encouraging development given the challenges facing the real estate sector and the slow level of market adoption for the asset class.

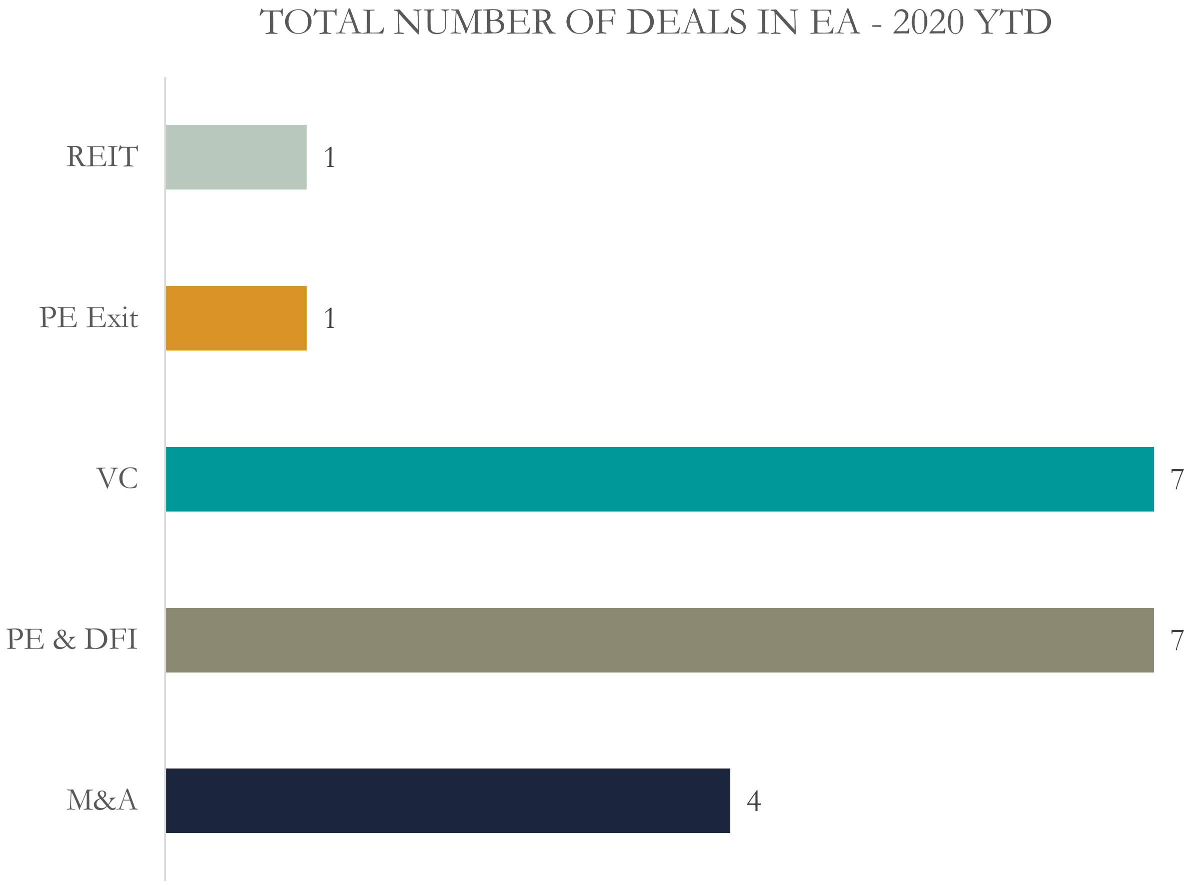
In the Listed Equities Market, the NSE 20 NSE 25 and NSE All Share Index all recorded losses closing the month down -3.6%, -2.6% and -4.1%, respectively. The market also recorded a decline in average daily turnover to USD 4.79 million in March, from USD 4.90 million in February. Top gainers during the month of March included Standard Group which was up by 16.7% and Olympia Capital which increased by 15.1%. Uchumi Supermarket and Bamburi Cement witnessed the highest decline in the month with a fall in their share price by 17.9% and 12.9% respectively.

PART I : DEAL STATISTICS

Analysis by Sector

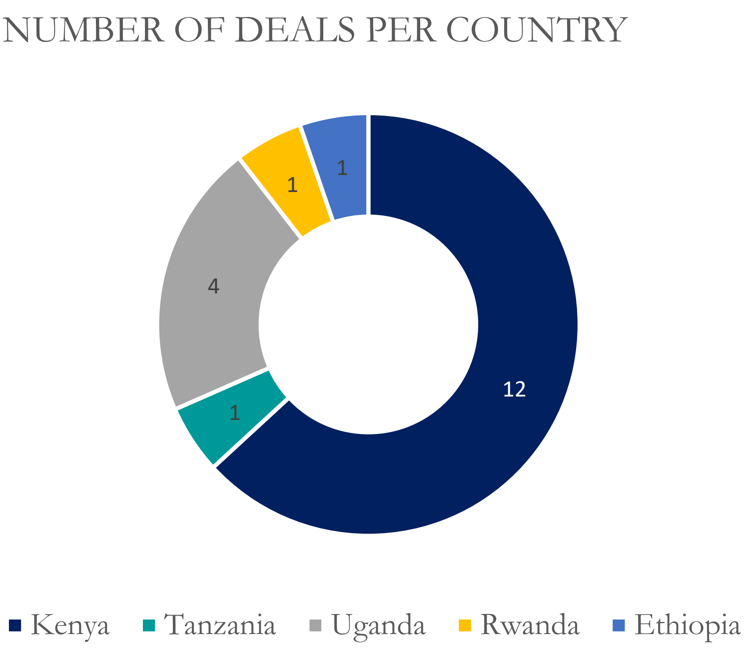
Sector	No. of Deals YTD	Disclosed Deal Value YTD (USD million)
Financial Services	5	Undisclosed
ICT and Telecom	4	94.6
Energy	4	129.0
Healthcare	3	Undisclosed
Water, Sanitation & Hygiene	1	Undisclosed
Logistics	1	Undisclosed
Real Estate	1	10

Analysis by Type of Transaction



PART I : DEAL STATISTICS

Analysis by 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.

PART II : KEY MARKET INDICATORS

(As at 1st April 2021)

Coupon Rate on Government Securities

Years	91-day	2 year	5 year	10 year
Kenya	7.09%	9.26%	11.18%	12.67%
Tanzania	2.50%	7.82%	9.18%	11.44%
Uganda	8.10%	13.46%	15.67%	16.69%

Source: Respective Central Bank

Inflation Rates

Years	Kenya	Tanzania	Uganda	Rwanda
2020 actual Inflation	5.62%	3.56%	4.18%	3.70%
2021 Projected Inflation	5.69%	3.66%	4.77%	1.65%

Source: World Bank

Central Bank Rates

Country/Region	Rate as at March 2021	Rate as at February 2021
Central Bank of Kenya (Kenya)	7.00%	7.00%
Bank of Uganda (Uganda)	7.00%	7.00%
Bank of Tanzania (Tanzania)	7.00%	7.00%
National Bank of Rwanda (Rwanda)	4.50%	4.50%
South African Reserve Bank (RSA)	3.50%	3.50%
Central Bank of Nigeria (Nigeria)	11.50%	11.50%
Central Bank of Egypt (Egypt)	8.25%	8.25%
Bank of England (UK)	0.10%	0.10%
Federal Reserve Bank (USA)	0.25%	0.25%
European Central Bank (EU)	0.00%	0.00%

Source: CB Rates

PART III : INDUSTRY INTERVIEW

David Owino, Managing Partner, Ascent Capital Advisors.

David Owino is a Founding Partner of Ascent Capital Advisory Services LLP (Ascent Capital) one of the exclusive advisors of Ascent Rift Valley Fund (Ascent), a USD 80 million growth equity fund with investments in Ethiopia, Uganda and Kenya and Fanisi Capital Fund II LLC a USD 28 million growth equity fund.

Prior to founding Ascent Capital, David spent more than 13 years at Centum where he rose the ranks to become Executive Director in charge of the Private Equity Division with assets worth over US$150Million under management.

David is the current chairman of East Africa Venture Capital Association (EAVCA). He holds a business degree from the USIU-A and an MBA from Strathmore Business School; he is also a proud alumnus of Lenana School.

2020 was a dramatically uncharacteristic year with significant impacts on businesses across the board and spill-over effects into 2021. None-the-less Ascent was very active with a number of deals having been announced in 2020. How did you approach valuation discussions with entrepreneurs and how have those conversations carried over into 2021 for continuing mandates and new mandates?

The approach we take at Ascent is that we first show our interest in the businesses we want to invest in and try and project a 4-6 year outlook. The businesses we looked at were actually growing even in 2020 despite the economic downturn occasioned by the pandemic. In a sense we had the opposite problem of determining sustainability of the growth rather than analysing a dip in revenues and performance. Having said that, the year 2020 was interesting and as expected the effects of it will most likely be here for another 18-24 months. Our approach to valuing entities took a leaning towards use of interesting structures such as positive or negative ratchets in cases where our partners thought that effects of the downturn were temporary. Ratchets allow for adjustment mechanisms over time. We also did see multiples take a downward trajectory to what I call reasonable levels especially in Kenya. The same conversations are being held today. In investing, we aim to strike a fair balance with our entrepreneur partners; it is a long term relationship and understanding each party's objectives and philosophy is vital before you sign any agreement.

Ascent is currently fundraising for its second fund and has had several key announcements of commitment from LPs in the last 4 months. How has the fundraising landscape changed in light of the current times?

The fundraising environment is quite tough at the moment. We started our processes in late 2018 and by the time the pandemic came we had gotten quite a bit of traction with a number of investors. They had come into our focus countries and concluded their on-the-ground diligence exercises and this proved to be crucial. What we have seen is also a dip in risk appetite from investors and also a keen review of geographical diversification/spread of investments given the many different currencies and their weaknesses against hard currencies. In 2020 as an example the devaluation of the Kenya Shilling to its current levels after years of stability has brought back the topic of hedging with many US dollar investors.

We have seen several DFIs, who are also the major investors into private equity funds in the region, increase their direct investment activity in the last two years and anecdotal evidence suggests that the trend is likely to continue. How has this affected Ascent's competitiveness and also, fundraising efforts?

They say the more the merrier! The increase of direct deals by DFI's has not affected Ascent at all as primarily they do focus on bigger tick sizes as compared to us. For an SME fund like Ascent they actually offer an additional exit route. We do believe that the networks we have and on the ground connections with the entrepreneurs differentiates us. The DFIs doing direct deals do not have teams as big as we do. What we have seen as Ascent is increased capacity for co-investments. We are now confident of doing bigger deals as we can bring in the DFIs to co-invest with us.

PART III : INDUSTRY INTERVIEW

David Owino, Managing Partner, Ascent Capital Advisors.

There have been significant political developments in Ethiopia in the last year that seem to have taken the steam out of the promising structural reforms that were underway as well as critical economic developments such as the devaluation of the currency. As a private investor in Ethiopia with three assets, how have these developments affected your appetite for further investment in the country and what is your long term view of investment opportunities in that economy?

Ethiopia is key to Ascent's strategy and will continue to be so even in our second fund. The interesting thing is that people know that structural reforms do take time in Ethiopia and why they expected things to be different this time round is a bit surprising. One must note that despite the internal issues the country may have in the north and despite the pandemic, this is one country that is expected to still register positive GDP growth in 2020. The investment opportunity is immense given the low level of development and little investment in almost all sectors of its economy. If you understand Ethiopia then recent happenings, even though concerning, will not likely persist in the medium term and if your investment horizon is 5-10 years then then the time to go in is perhaps now if not yesterday.

Exits are currently topical in the industry with a significant number of assets expected to mature in the short to medium term. Ascent has already exited one of its investments so far. What has been your approach to realising value from your investments within schedule and how has the pandemic affected exit ambitions for your assets?

I would say that if there is a part of our business model that has been negatively affected by the pandemic then exit is the one. Just as mentioned with getting investors, to achieve exits the prospective buyers need to diligence the companies in our portfolio and with limited travel arrangements the pace slowed down significantly. We are happy that despite this, the interest in the assets has not waned and we are in touch with the same group of interested parties and with the few windows of travel available, we have been able to progress discussions and processes positively. We tend to look at potential trade-sales/strategic acquirers with a long term outlook for investments where we hold controlling stakes and also financial investors where we have significant minority stakes.

What have been your go to weekend activities during this period of social distancing and limited personal interaction?

Tough question. I have used the time gained from lockdown/social distancing and limited personal interaction to spend with family more. It is amazingly refreshing to able to have 3 meals a day with the entire family. I have also taken to reading – trying to get used to reading e-books from the traditional paper. One never goes wrong in investing in family.

PART IV : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	**Sector**	Type	Country	Synopsis
01-Mar-21	Acron	InfraCo Africa	10	Real Estate	REIT	Kenya	InfraCo Africa, part of the Private Infrastructure Development Group (PIDG), subscribed to the Acorn real estate investment trust (REIT) committing to support the delivery of affordable student accommodation in Nairobi. The USD 10 million (Kenyan Shilling equivalent) investment, made through InfraCo Africa's dedicated investment vehicle, will enable Acorn to scale its business.
07-Mar-21	EDF Group & African Infrastructure Investment Managers (AIIM)	Bboxx	Undisclosed	Energy	PE - VC	Kenya	Off-grid solar business Bboxx landed additional investments from two existing partners for its Kenya unit, enabling it to ramp up the sales and installation of the company's solar home systems in the East African country.
08-Mar-21	SunFunder	Winch Energy	2	Energy	PE (Debt)	Uganda	SunFunder disbursed a new USD 2 million loan to Winch Energy for the construction of 25 mini-grids in northern Uganda. It is part of the UK-based mini-grid developer's new limited-recourse financing platform Winch Energy IPP Holdings, established with NEoT Offgrid Africa. The loan will finance part of the construction of the rural electrification projects in Uganda's northern Lamwo region, which borders South Sudan.
11-Mar-21	DEG, CDC and FMO	Equity Holdings	100	Financial Services	DFI (Debt)	Kenya	Equity Group Holdings signed a USD 100 million loan facility with Germany's DEG, the UK's CDC Group, and the Netherlands FMO .
30-Mar-21	HAVAIC, Zedcrest Capital, DFS Lab, Victor Asemota	Tanda	Undisclosed	Financial Services	PE - VC	Kenya	Kenyan agency banking startup Tanda announced that it had secured funding from a group of investors including HAVAIC, Zedcrest Capital and DFS Lab. Tanda has also secured key strategic partnerships wit Mastercard and Interswitch which will futher accelerate its growth.
31-Mar-21	Partech and Enza Capital	Tugende	3.6	ICT	PE - VC	Uganda	Tugende, a technology-enabled asset finance company in East Africa closed USD 3.6 million in additional equity financing.The round was led by Partech, with participation from Enza Capital and regionally based angel investors. The investment, which was agreed and structured in 2020, is an extension of Tugende's series A, for which the first close was announced in September 2020, and led by Toyota Tsusho's Mobility 54.

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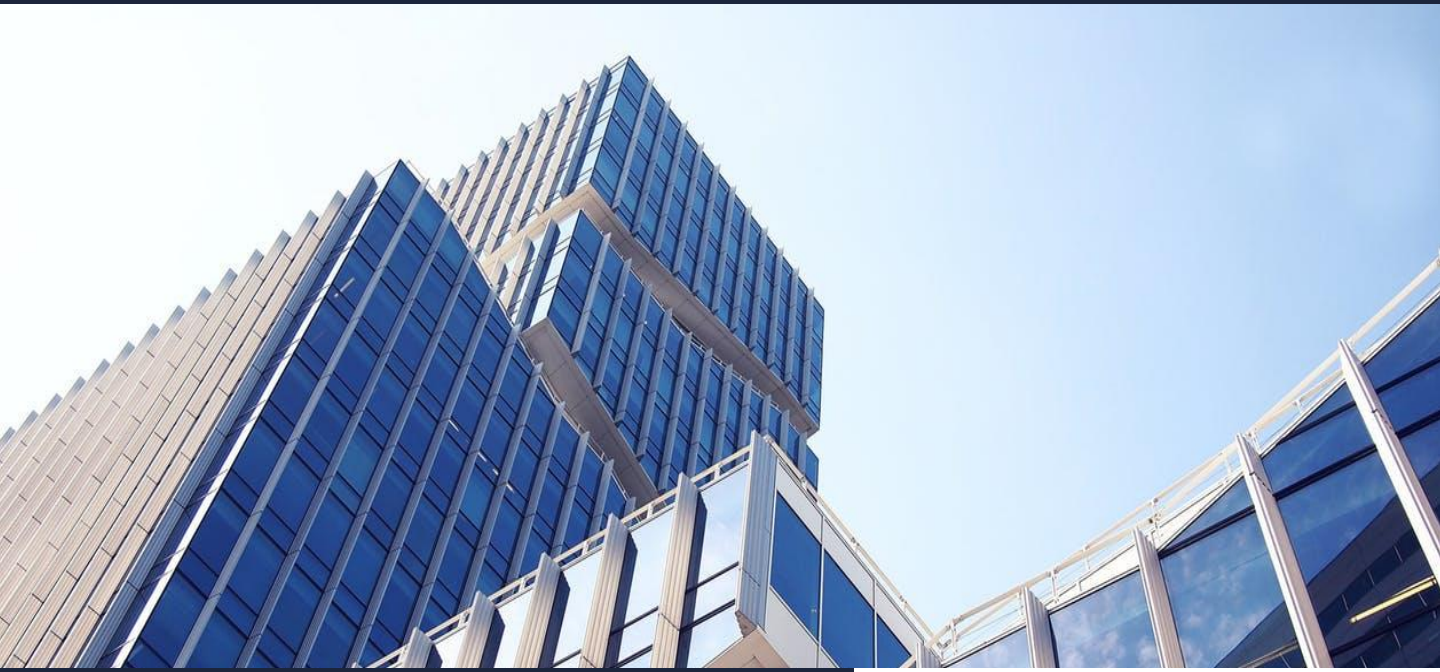

About I&M Burbidge Capital

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