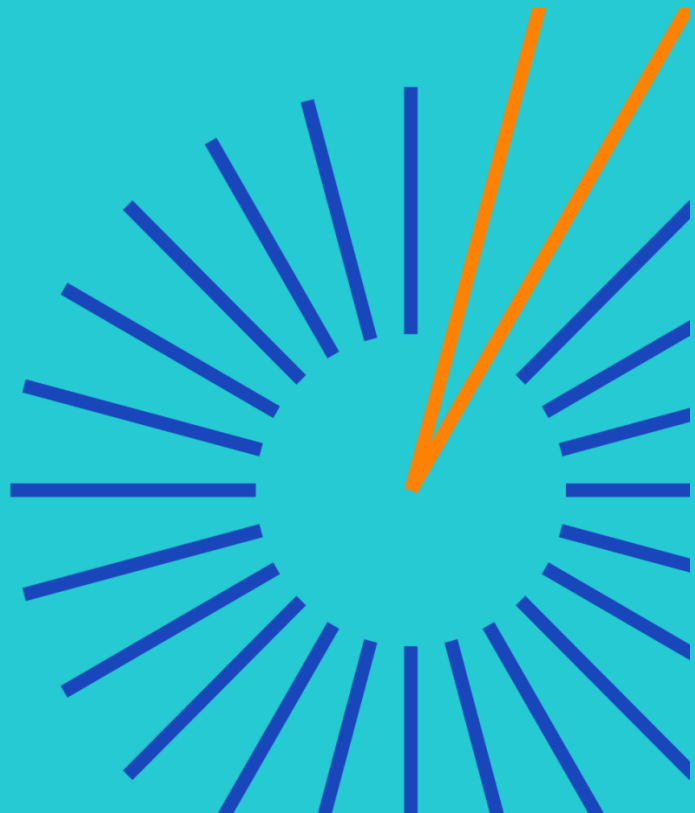


i&M Burbidge Capital

EAST AFRICA FINANCIAL REVIEW

AUGUST 2017





August in Numbers



IMBC Deal of the Month



Tokyo Stock Exchange Listed paints manufacturer Kansai Paints takes over Sadolin Group for USD 100 million.

8

The number of disclosed deals in EA

The total value of all disclosed corporate deals in EA in USDm

c.372

In most cases the favorable price performance will be accompanied by a well-defined improvement in the average earnings, in the dividend, and in the balance-sheet position. Thus in the long run the market test and the ordinary business test of a successful equity commitment tend to be largely identical
- Benjamin Graham



In this Issue

- Key Market Indicators
- Deal Statistics
- Selected Deals Summary
- Key Press - East Africa
- Upcoming Events



i&M Burbidge Capital

MONTHLY COMMENTARY



Despite uncertainty emanating from the polls in Kenya and Rwanda, the market recorded 7 deals valued at USD 372 million with Tanzania having its largest IPO since its founding. This data when considered with the positive performance of the Nairobi bourse prior to the elections and subsequent gains after the polls reinforces our belief that both local and foreign investors' are largely confident of the return potential in the region in the long term.

IMBC's deal of the month is Japan's Kansai Paints' takeover of Sadolin Group through its South African subsidiary Kansai Plascon. The acquisition includes the Rwanda, Tanzania and Uganda operations of the Kenyan paints manufacturer. The takeover is expected to increase the level of competition in the paints and coatings industry which is mainly dominated by Crown Paints with a leading market share, Solai Paints, Sadolin Group and Basco Paints. The industry has seen sustained growth over the last decade with a boom in construction of office and commercial real estate as well as a raft of infrastructure projects boosting demand for paints. According to the Kenya National Bureau of Statistics, the industry is expected to have a sustained growth of 5 to 10% in forthcoming years buoyed by sustained activity in the construction industry.

In the oil and gas sector, Total announced it will acquire Maersk Oil significant northern Kenya upstream assets as part of its acquisition of Maersk Oil's global operations in a deal valued at USD 7.45 billion.

In the Energy sector, the County Government of Tharaka Nithi signed a private-public partnership agreement with a private company - Midlands Solar Energy Limited – to construct a solar energy power plant that will generate up to 90MW in two phases. The plant is expected to cost circa USD 120 million.

In the mining sector, Bamburi Cement reported a 36% drop in net profits for the first half of the year. The drop was attributed to reduced construction activity due to poll uncertainty and lower private sector growth precipitated by the interest rate capping that has starved businesses of credit.

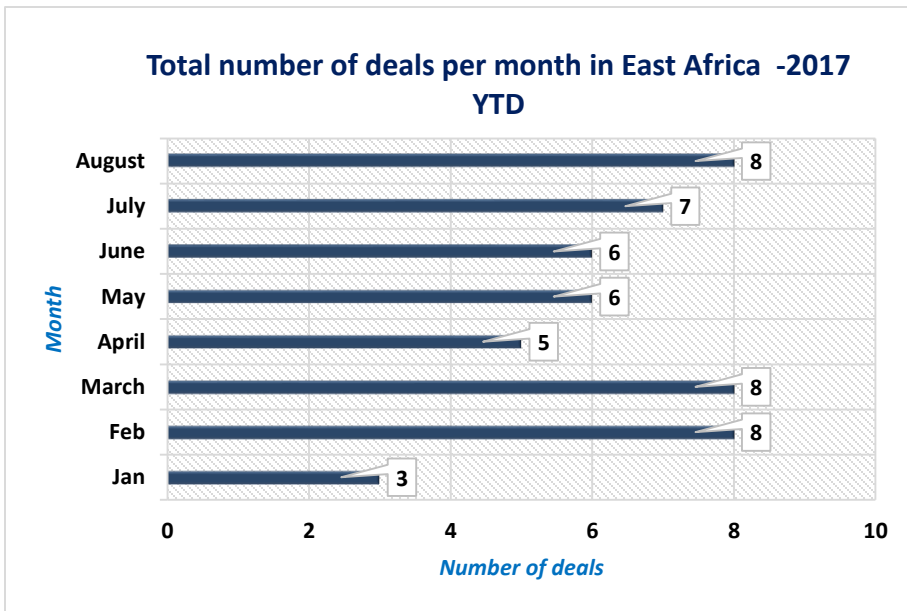
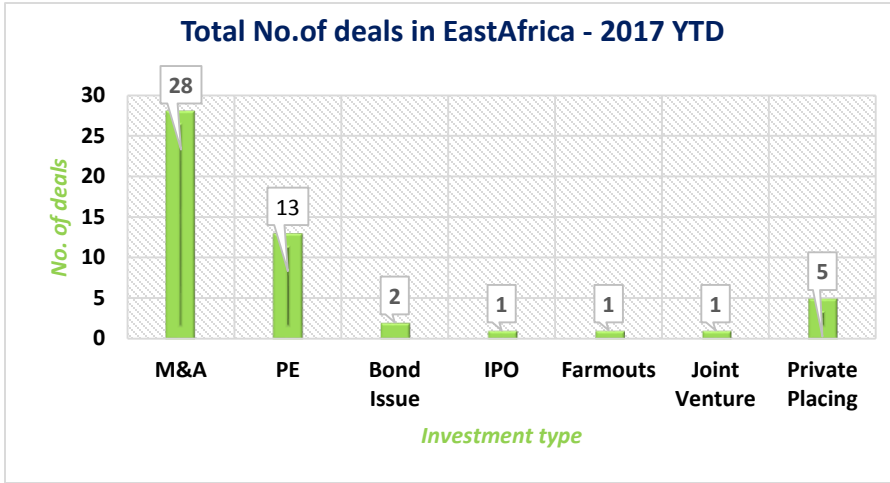
In the listed equities market, the month of July witnessed the benchmark NSE 20 gain 5.3% (+21.2% YTD) to close at 3,797.5 points led by gains on the top movers - Safaricom (+7.7% m/m, 27.9% YTD) and Banking counters. Equity turnover jumped 23.9% m/m to USD 205.1 m (USD 165.4 m in the previous month) and foreign investors were net sellers with net inflows dipping by USD 19.7 m (USD 21.6 million of outflows was reported in 2Q17). High foreign investor demand was witnessed on financial services counters - Centum (USD 1.5 m, 8.8% YTD) and Standard Chartered (USD 1.3 m, 16.9% YTD) while Safaricom (USD 4.4m, +27.9% YTD) and Co-op Bank (USD 3.9m, +18.6% YTD) were largely sold by foreign investors. Standard Chartered recorded a 35.1% y/y decline in EPS in 1H17 to KES 9.73.

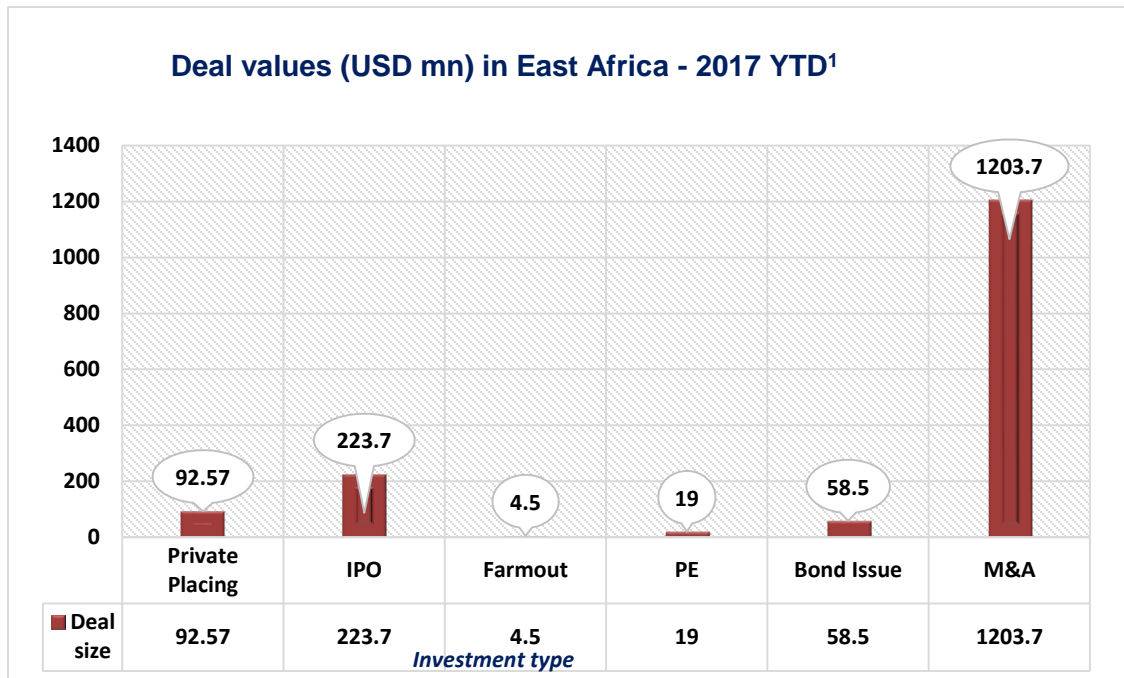
Edward Burbidge CFA & IMBC EA Review Team

Edward.burbidge@burbidgecapital.com

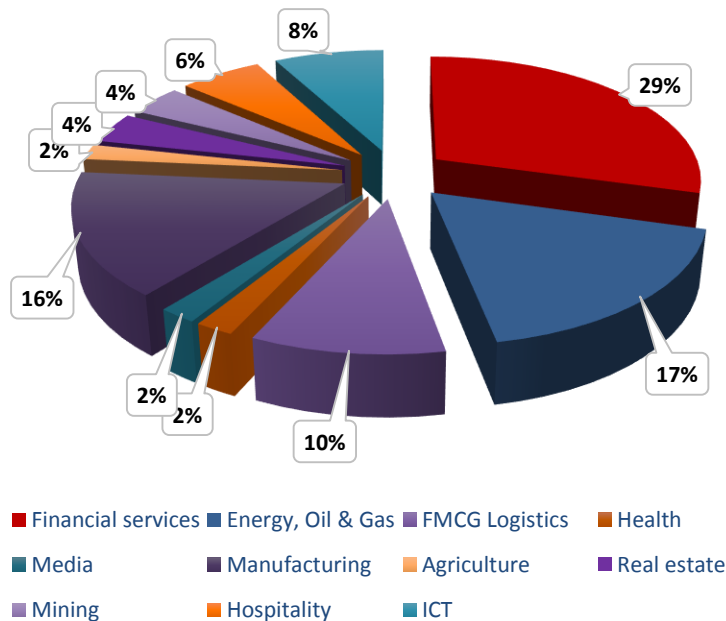
Yields on Government Securities

	91- Day T-bill	2- Year Bond	5- year Bond	10- year bond
Kenya	8.15%	11.50%	12.22%	12.82%
Tanzania	0.00%	12.45%	13.07%	14.76%
Uganda	9.89%	12.79%	14.15%	15.98%





No. of deals per sector - 2017 YTD



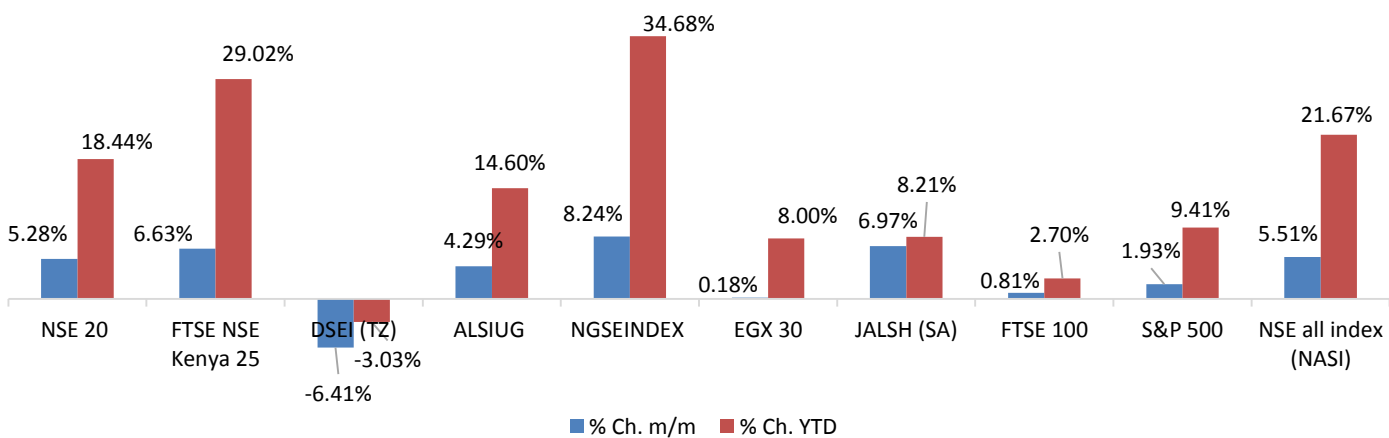
¹Based on deal values disclosed to the public or as estimated by I&M Burbidge Capital

²The top sectors which recorded the highest number of deals

Key Africa & Global Currency Performance

Currency	KES/USD	TZS/USD	UGX/USD	RWF/USD	ETB/USD	ZAR/USD	NGN/USD	EGP/USD	GBP/USD	EUR/USD
2-Jan-17	102.56	2176.87	3611.22	811.89	22.54	13.83	314.98	18.22	0.81	0.96
30-Jun-17	103.60	2,234.00	3,595.00	822.00	23.01	13.04	304.88	18.07	1.30	1.14
31-Jul-17	103.90	2,234.00	3,605.00	821.00	23.12	13.16	305.65	17.88	1.32	1.18

Key Africa & Global Index Performance



Interest Rates

Country/Region	Current Base Rate	Previous Base Rate
Central Bank of Kenya (Kenya)	10.00%	10.00%
Bank of Uganda (Uganda)	10.00%	10.00%
Bank of Tanzania (Tanzania)	9.00%	12.00%
South African Reserve Bank (RSA)	6.75%	6.75%
Central Bank of Nigeria (Nigeria)	14.00%	14.00%
Central Bank of Egypt (Egypt)	18.75%	19.75%
Bank of England (UK)	0.25%	0.25%
Federal Reserve Bank (USA)	1.25%	1.25%
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	2017	5.50%	5.53%	7.24%	0.65%	0.80%	2.85%	1.05%	2.20%	1.51%
	2018	6.47%	5.87%	6.79%	1.57%	1.60%	3.58%	1.65%	2.08%	1.59%
Projected Inflation (%)	2017	5.51%	5.05%	5.00%	17.00%	5.50%	10.00%	2.50%	2.56%	0.96%
	2018	5.02%	5.00%	5.00%	16.00%	5.50%	9.18%	2.60%	2.66%	1.23%

PART III: SELECTED DEALS

Date	Buyer	Seller	Investment size in USD 'millions	Sector	Investment type	Country	Synopsis
28 July 2017	Centum Investment Co Ltd	Deacons (East Africa) PLC		-FMCG	M&A	Kenya	Centum Investment Co Ltd agreed to acquire 5.53% stake in Deacons (East Africa) PLC, a Nairobi-based manufacturer of apparels, from Aureos East Africa Fund LLC, a unit of Aureos Capital Ltd, in a privately negotiated transaction. Terms were not disclosed.
1st August 2017	Wamda Capital, Omidyar Network, DOB Equity, Uqalo, 1776, Blue Haven Initiative, Alpha Mundi and AHL.	Twiga Foods	10.30	Transport and Logistics	M&A	Kenya	Twiga Foods, the Kenyan business-to-business food supplier, has raised \$10.3m (about Sh1 Bn) through debt and equity instruments. The funding round Series A was led by Wamda Capital and includes Omidyar Network, DOB Equity, Uqalo, 1776, Blue Haven Initiative, Alpha Mundi and AHL. The firm founded in 2014 said the investment will enable it to increase the number of vendors it serves daily in Nairobi, diversify its product portfolio and introduce advanced supplier services. The company uses technology to save urban retailers a trip to the market by delivering to their doorstep. Twiga then translates this collective purchasing power to farmers across the country allowing them to access stable markets at better prices, while minimising post-harvest losses through efficient logistics. Twiga says it is the largest distributor of several basic food staples in Kenya, having sold over 55 m bananas and delivering over 4,000 orders a week. Twiga has developed a unique solution to address the inherent inefficiencies in the delivery of fresh produce in East Africa with significant positive impact for both producers and consumers. In addition to the Series A round closing, Twiga closed some \$2 m (about Sh207 m) in grant funding from USAID, GSMA, and others to support bolt-on farmer services, financial inclusion, and first of their kind domestic food safety initiatives.
09 August 2017	Helios Towers Tanzania Ltd	Zanzibar Telecom Ltd-Unique Sites Of Tower Portfolio		-Telecommunications	M&A	Tanzania	Helios Towers Tanzania Ltd, a unit of Helios Towers Africa Ltd, planned to acquire unique sites of tower portfolio of Zanzibar Telecom Ltd, a Dar Es Salaam-based wired telecommunications carrier, jointly owned by Meeeco International Inc, Kintbury Investment and Emirates Telecommunications Group Co PJSC.
11th August 2017	Investors	Vodacom Tanzania	213.00	Telecommunications	IPO	Tanzania	Telecommunication Company Vodacom Tanzania has said that its initial public offering (IPO) has been fully subscribed. The South Africa's Vodacom unit said it has raised its targeted \$213 million (Tsh476m), with 60 percent of Tanzanians taking up the offer and foreign investors buying 40 per cent. The largest telco in Tanzania has since March this year struggled to sell all the 560 million shares on offer, forcing it to extend the deadline of the sale twice and open the IPO to foreign investors. Vodacom floated a total of 560,000,100 ordinary shares, a 25 per cent stake in the company, trading at Tsh850 (\$0.4) on March 9. Vodacom said it will list on the Dar es Salaam Stock Exchange on Tuesday August 15. The IPO is part of the government's laws that all telecoms operating in Tanzania sell 25 per cent of their shares to the locals. Two other major telecoms operators, Tigo and Airtel, have submitted their prospectuses to the capital markets regulator and are awaiting approval for their IPOs.
11th August 2017	International Investors	HFCK	30.00	Financial Services	Private Placement	Kenya	Housing Finance has raised more than Sh3 billion from international investors, with the company planning to use part of the debt to help repay its Sh7 billion corporate bond which matures on October 2. The bond is equivalent to nearly about 10 per cent of HF's total assets of Sh71.9 billion as of March. The company plans to combine the borrowed funds with normal cash flows and liquidation of government securities to redeem the bond. It held Sh4.1 billion of government paper as of March. The HF raised the Sh7 billion in two tranches in 2010 at cheaper rates when markets were more accommodative, with corporate bonds typically oversubscribed. The company raised Sh5.86 billion at an annual fixed interest rate of 8.5 per cent. The other 1.16 billion was issued at a variable rate of the coupon on the latest 182-day T-Bill plus a margin of three per cent, subject to a minimum of five per cent and a maximum of 9.5 per cent. Repayment of the bonds comes at a time when the company's earnings have dropped sharply on the back of reduced property sales and capping of interest rates that has narrowed margins from lending.
21st August 2017	Norfund, Nordic Development Fund	responsAbility Renewable Energy Holding	19.00	Energy	PE	Kenya	European development finance institutions Norfund and The Nordic Development Fund have announced a Sh1.9 billion equity investment in a Swiss energy fund that carries out small-scale power projects in East Africa. The two funds said they are taking up a 14 per cent stake in responsAbility Renewable Energy Holding (rAREH) — a unit of Swiss fund responsAbility— that is developing 14 small power projects in Kenya, Uganda, Tanzania and Rwanda. Another investor in rAREH is German KfW. The investment will come as a boost for the development of rAREH's small-scale community-backed hydropower projects, which include the 24.7MW Nyamindi Hydropower Cascade in Kirinyaga County and the 10MW Matiri Hydropower Project on the border of Embu and Thakara counties. The energy company was established in 2013, starting off with a seed capital of Sh2.6 billion (USD25.5 million).
23rd August 2017	Kansai Paints	Sadolin Paints	100.00	Manufacturing	M&A	Kenya	Listed Japanese paint and coating manufacturer Kansai Paints has acquired a 90 per cent stake in Sadolin Group for \$100 million (Sh10.3 billion). The regional acquisition leaves local shareholders holding the balance of shares. The Tokyo Stock Exchange-listed company's South African subsidiary, Kansai Plascon, on Tuesday said the acquisition includes Rwanda, Tanzania, Uganda and Kenya operations. The firms pay royalties to Sadolin Group, owned by Dutch multinational Akzo Nobel, to use the brand name. The Dutch earlier said the franchise expires February next year. The Osaka-based Kansai Paints has 14 manufacturing sites across Africa and with the new acquisition the number now rise to 18. In May, Kansai Paints 2016 fiscal year results briefing noted Sadolin Group recorded sales of \$85.5 million (Sh8.8 billion) in 2015, with an operating profit of \$13.7 million (Sh1.4 billion). The Osaka-based firm said Africa is one market that is expected to expand with respect to long-term demand for coating materials. Kenya's Competition Authority authorised the takeover last May.
23rd August 2017	Total	A.P. Moller Maersk	7,450.00	Oil and Gas	M&A	Kenya	French oil giant Total has announced the acquisition of Maersk Oil, a unit of Danish shipping giant A.P. Moller-Maersk, for US\$7.45 billion (€6.35 billion). The company said the deal would make Total the second-largest operator in the North Sea, with substantial operations in Britain, Norway and Denmark. It will pay for the company with US\$4.95 billion in Total shares, while taking on US\$2.5 billion of Maersk Oil's debt. The boards of both companies have approved the deal. Total said the acquisition would bolster its positions in the Gulf of Mexico, Algeria, Kenya and Kazakhstan. The deal is expected to be completed in the first quarter of 2018 and would generate some \$400 million in cost savings and other synergies each year, which would immediately help to increase the combined group's cash flow and earnings per share.

Local investors drive NSE to year-plus high

The Nairobi Securities Exchange (NSE) benchmark indices are at the highest level in more than a year as share prices continue to recover from a two-year slump, driven by local investor demand. The NSE 20 Share Index, in July, climbed past the 3,800 point mark for the first time since June 2016, while the all-share index reached a two-year high of 161 points. The gains have been spread across the various share segments of the market incorporating large, medium and small cap counters, hence the bigger jump in the all share index which is a market cap-weighted index consisting of all the securities on the NSE.

I&MBC Analysis

Despite the uncertain political climate surrounding the country in the months leading up to the General Elections, and the uncertainty thereafter, the Nairobi bourse remained resilient. The benchmark indices attained the highest level in more than a year days before the elections, signaling confidence in the market. Foreign investors turned out to be net sellers, jittery about the political situation, while local investors maintained a bullish outlook driving up the benchmark index.

(Source: Business Daily, IMBC Research)

Uganda picks General Electric & Italy's Saipem to build first oil refinery

Kenya has delayed plans to start crude oil production and exports until the government passes an amended law that includes setting out how revenues will be shared between national and county government and local communities. The law is expected to be in place by late September, when a new senate and national assembly convene after August election Uganda has picked a consortium including General Electric (GE) and Italian Saipem to build and operate the African country's first oil refinery. The 60,000-bpd facility will process crude from fields operated by Tullow Oil, CNOOC, and Total. Initially, Uganda negotiated the USD 4-billion project with Russian RT Global Resources and South Korean SK Engineering & Construction, but after these fell through, Kampala cast its net wider. The combined experience of Saipem and GE, now that GE has acquired Baker Hughes, tipped the scales in favour of the consortium, which also includes venture capital company Yaatra Ventures and Intra-continent Asset Holdings Ltd.

I&MBC Analysis

With a projected initial production capacity of 30,000 barrels per day (bpd) of petroleum products, the oil refinery is expected to generate significant revenues for the country. This production level is enough to satisfy Uganda's own petroleum products needs which are currently 27,000 bpd. The subsequent ramp up in production to 60,000 bpd will enable the country to earn significant export revenues from the East Africa region which currently has a daily consumption of 200,000 bpd and other regions. This is in addition to revenues from crude oil exports through the proposed oil pipeline running through Tanzania.

(Source: Kenyan Wallstreet, IMBC Research)

Kenya's Private Sector continues to deteriorate in July

According to Stanbic Bank's July's survey of the Kenyan private sector, firms indicated a further deterioration in business conditions, although at a slower and modest pace. The overall contraction of the private sector was driven by declining output, albeit a slower fall than in June. New orders and employment rose, but only marginally. Purchasing activity and inventories observed renewed gains. Despite facing higher cost burdens, firms offered discounts amid reports of intense competitive conditions.

I&MBC Analysis

Kenya's private sector signaled a deterioration months leading up to the General Elections as political uncertainty pre-empted a lower willingness to spend and a weakening demand. This coupled with the recent drought, rising inflation and high levels of unemployment, and a credit squeeze caused by interest rate capping, have manifested as a decline in economic growth, with GDP expanding by 4.7 per cent in Q1 2017 from 5.9 per cent Q1 2016. On the regional front, Tanzania's growth also slowed to 5.7 per cent in Q1 2017 following poor performance in agriculture, transport, construction and the financial services sectors compared to 6.8 per cent Q1 2016.

(Source: Stanbic Bank, I&MBC Research)

Vodacom Tanzania IPO fully subscribed

Telecommunication Company Vodacom Tanzania has said that its initial public offering (IPO) has been fully subscribed. The South Africa's Vodacom unit said it has raised its targeted USD213 million (Tsh476m), with 60 per cent of Tanzanians taking up the offer and foreign investors buying 40 per cent. The largest telco in Tanzania has since March 2017 struggled to sell all the 560 million shares on offer, forcing it to extend the deadline of the sale twice and open the IPO to foreign investors. The IPO is part of the government's laws that all telecoms operating in Tanzania sell 25 per cent of their shares to the locals. Two other major telecoms operators, Tigo and Airtel, have submitted their prospectuses to the capital markets regulator and are awaiting approval for their IPOs.

I&MBC Analysis

The move by Tanzania to have local telecom operators list at least 25 per cent of their shares on the Dar es Salaam bourse lead to the largest IPO in 19 years and the first Tanzanian company to go public over the last five years. The Vodacom IPO has set a precedent for future listings on the bourse – both in terms of the possibility of future IPOs and their success rate – and has opened up the telecommunications sector to both local and foreign investments. The IPO also draws investors to East Africa, heightened by increased investor confidence in the region.

(Source: The East African, IMBC Research)

Total to take over Maersk Kenya oil stake in global deal

French oil giant Total will acquire Maersk Oil significant northern Kenya upstream assets, solidifying its regional petroleum interests. The assets of Maersk Oil, a unit of the Danish shipping giant A.P. Moller-Maersk, will be sold for \$7.45 billion (about Sh768 billion) in a global deal. Total, which has a significant stake in Uganda oil, said the acquisition would bolster its position in Kenya. The deal is also expected to bolster Total's operations in Kazakhstan, the Gulf of Mexico and Algeria. Total will pay for the company with \$4.95 billion (about Sh510 billion) in Total shares, while taking on \$2.5 billion (about Sh257 billion) of Maersk Oil debt.

I&MBC Analysis

The Kenyan economy will see a great improvement in its upstream operations. Total's acquisition Maersk Oil will enable the company to generate USD 400 million (about KES 41.2 billion) in cost savings each year, which would help immediately increase the company's cash flow and EPS. According to a report done by PwC on Africa oil & gas review, some of the key investment drivers in the oil and gas industry are greater exploration and acquiring acreage.

(Source: Business Daily, I&MBC Research)

Chinese to build Shs1.8 trillion cement plant in Mbale District

A Chinese company agreed to build a USD 500m (Shs1.8 trillion) cement factory in Uganda. China National Materials Group or Sinoma, a global manufacturer and supplier of mechanical equipment that also deals in engineering and installation of cement production lines, will establish the cement factory in Mbale District. This same company is also linked to a planned multi-billion cement factory in Tanga, Tanzania.

I&MBC Analysis

This contract will grow the cement industry in Uganda as it will be the fifth cement plant in the Uganda after Hima, Tororo, Kampala and Simba. To facilitate operations in the cement plant, the Chinese company requires limestone to be readily supplied the plant. This will greatly boost limestone mining in the country. The plant is expected to create one million jobs by 2020 and reduce the cost of cement.

(Source: Daily Monitor, I&MBC Research)

PART V: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
4th Africa LPG Summit 2017	11-12 July 2017	Emperor's Palace, Johannesburg, South Africa	The 4th Africa LPG Summit will take place on 11th and 12th of July 2017 at the Emperor's Palace, Johannesburg, South Africa. This annual gathering of the top LPG executives in Africa aims to build a sustainable platform on which to promote LPG.
Africa Hotel Investment Forum	11th - 12th October	Radisson Blu and Kigali Convention Centre Rwanda	The Africa Hotel Investment Forum (AHIF) is an annual hotel investment conference that connects business leaders from the international and local markets. The event brings together the who's who of the hotel investment community that drive investment into tourism projects, infrastructure and hotel development across Africa. It is the annual conference that connects business leaders from international and local markets to do deals across the region.
Kenya Mining Forum	15th - 16th November 2017	Radisson Blu Hotel Nairobi Upper Hill, Nairobi, Kenya	Kenya Mining Forum is a premium annual mining investment event that showcases Kenya's 'open for business' potential. The forum will be a stakeholder-led gathering focused on a specific delegate profile with a distinct end goal – the search for credible investors in Kenya's mining industry, as well as associated support services. Supported by case studies and presentations, growth strategies and market data, the inaugural edition of Kenya Mining Forum will showcase the country as an emerging destination for mining.



i&M Burbidge Capital

CONTACT US:

HEAD OFFICE:

3rd Floor Block A, Eldama Park,
Eldama Ravine Road, Westlands,
P.O. Box 51525-00100,
Nairobi, Kenya.

Tel: +254 719 088 160, +254 732 100 160,
+254 (20) 322 1160
info@imburbidgecapital.com

UGANDA OFFICE:

Suite FC6
1st Floor, Crown House,
4a Kampala Road,
P.O. BOX 3331,
Kampala, Uganda.

Tel: + 256 (0) 794 476 967

CONTACTS OF THE EDITORIAL TEAM



Edward Burbidge, CFA
Chief Executive Officer
edward.burbidge@imburbidgecapital.com



James Njugunah
Associate
James.njugunah@imburbidgecapital.com



Lello Halake
Senior Analyst - Corporate Finance
lello.halake@imburbidgecapital.com

ADVISORY SERVICES:

Originating and structuring Equity and Debt capital raising, IPOs, M & A transactions, Strategic Options advisory, PE advisory and Independent Research services.

Disclaimer

THIS DOCUMENT HAS BEEN PREPARED ON THE BASIS OF INFORMATION AND FORECASTS IN THE PUBLIC DOMAIN. NONE OF THE INFORMATION ON WHICH THE DOCUMENT IS BASED HAS BEEN INDEPENDENTLY VERIFIED BY *I&M BURBIDGE CAPITAL LIMITED* NOR ITS AFFILIATE BODIES AND ASSOCIATES, WHO DO NOT TAKE RESPONSIBILITY FOR THE CONTENT THEREOF AND DO NOT ACCEPT ANY LIABILITY WITH RESPECT TO THE ACCURACY OR COMPLETENESS, OR IN RELATION TO THE USE BY ANY RECIPIENT OF THE INFORMATION, PROJECTIONS, OPINIONS CONTAINED IN THIS DOCUMENT.

THIS DOCUMENT IS PURELY FOR INFORMATION PURPOSES ONLY AND SHOULD NOT BE RELIED UPON TO MAKE ANY INVESTMENT DECISIONS OR ANY OTHER DECISIONS. ANY LIABILITY IS DISCLAIMED, INCLUDING INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING FROM ERROR OR OMISSION IN THIS DOCUMENT.