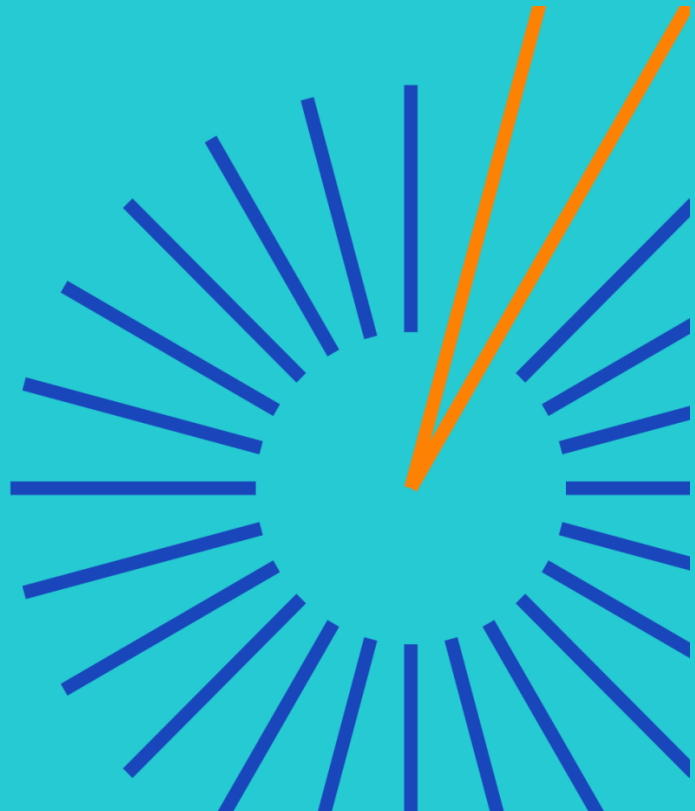




i&MBurbidgeCapital

EAST AFRICA FINANCIAL REVIEW

OCTOBER 2018



IMBC Deal of the Month:

PayPal's Strategic Investment in Tala

4 The number of disclosed deals in EA

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

c. 38.5



The four most dangerous words in investing are: 'this time it's different.'

~Sir John Templeton

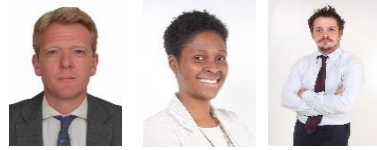
In this Issue

- 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

October kick started Q4 2018 with 6 disclosed corporate deals valued at USD 38.5 million. This figure is skewed by the lack of disclosed values this month. Of note is that Private Equity investments and exits compose the majority of deals recorded this month far with four PE deals and one PE exit. The remaining deal was an M&A Transaction. This only reinforces last month's indication of East Africa's profile as a key investment destination, particularly for private equity investors backed by foreign capital. There remains a stark divergence with foreign investor participation in the public capital markets.

IMBC's deal of the month is PayPal Inc. Holdings' strategic investment in Tala, a financial technology start-up that lends to underserved consumers in emerging markets, the companies said on Monday. The companies declined to disclose the amount of the investment, but Tala said it will use the funding to further develop its product and broaden its reach. The company has lent more than \$500 million. This represents an exciting foray into the East Africa technology sector by a household name.

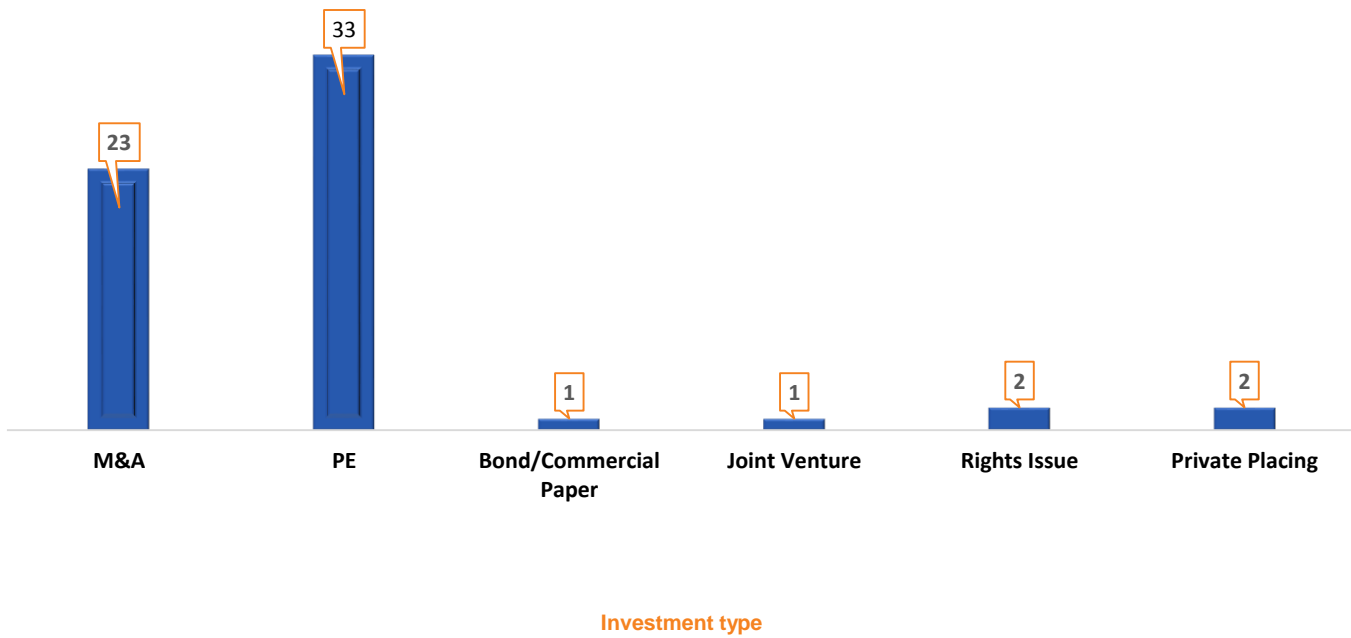
In the energy sector, the Finnish government announced its intention to invest 114 million Euros in loans to support wind energy projects in Africa. The funds will be managed through the IFC and will be distributed over a period of 4 years. Targeted projects include Lake Turkana Wind Farm in the northern Rift Valley of Kenya. The project is expected to cost more than USD 850 million and has already received funding from the African Development Bank (AfDB), Standard Bank of South Africa, Nedbank, Norfund and European Investment Bank (EIB). Also in Kenya, US energy company Cyrq Energy announced plans to invest \$300 million to develop a geothermal power plant in Suswa, Narok County. The plant will have a projected capacity of 330 MW and the company expects to start with a 75 MW development within two years upon award of required permits. The rest of the power will be phased in. In Rwanda, the government officially inaugurated Mount Kigali Substation whose upgraded begun in 2013 and was funded by the EU through a USD 24 million grant. The plant is part of the Rwandan Government's efforts to achieve universal electricity access by 2024.

In the oil and gas sector, East African governments have begun efforts to construct crude oil storage facilities in order to streamline the petroleum products supply chain. In Uganda, the government is seeking a strategic partner who will control 49 per cent of the USD 70 million multi-user storage terminal in Kampala. In Tanzania, the government is seeking private investors to construct storage facilities, specifically in Mtwara, after opening the port for handling petroleum products last month. The Kenya Pipeline Company (KPC) has invested \$52 million in four oil storage tanks in its Nairobi depot. It has also contracted China Communications Construction Company to build a new terminal at a cost of USD 393.6 million. Increasing the storage capacity will facilitate quick berthing of vessels, and save marketers about \$2 million per month.

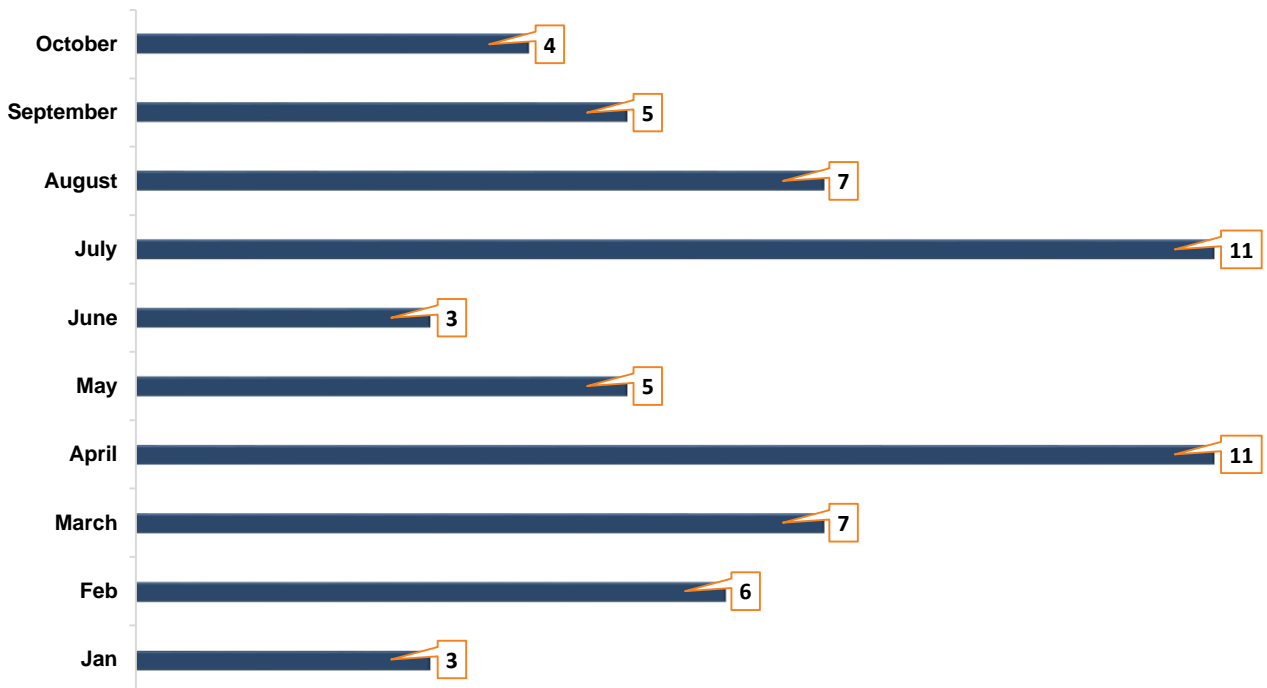
In the listed equities market, the NSE 20 index declined by 2.3% to close the month at 2810.32 compared to 2875.51 at the end of September 2018. Overall, the market continued to experience foreign investor outflows with investors withdrawing USD 42.25 million from the market. At the individual stock level, Bamburi Cement witnessed the highest foreign net inflows at USD 461.0k (YTD – decline of 20.6%) while Safaricom and KenolKobil experienced the highest foreign net outflows of USD 19,630.7k and 9,314.4 k (YTD – decline of 13.1% and increase of 32.1% respectively). Top gainers in the month of October included Eveready East Africa, which increased by 40.0% (YTD – decline of 41.7%) and Express Kenya which increased by 18.8% (YTD – increase of 34.7%). Uchumi experienced the highest decline of 38.9% (YTD – decline of 88.0%) to close the month at KES 0.55 per share. Safaricom ranked top amongst the top 20 by market capitalization with a market cap of USD 9,132.6m.

Edward Burbidge, CFA & IMBC EA Review Team

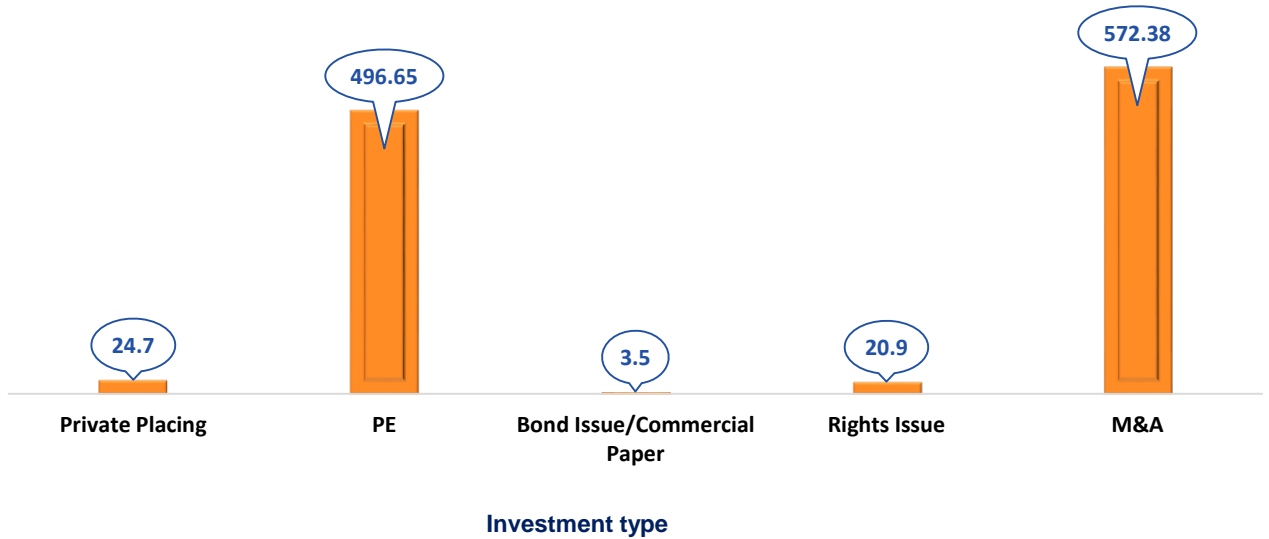
Total No.of deals in EastAfrica - 2018 YTD



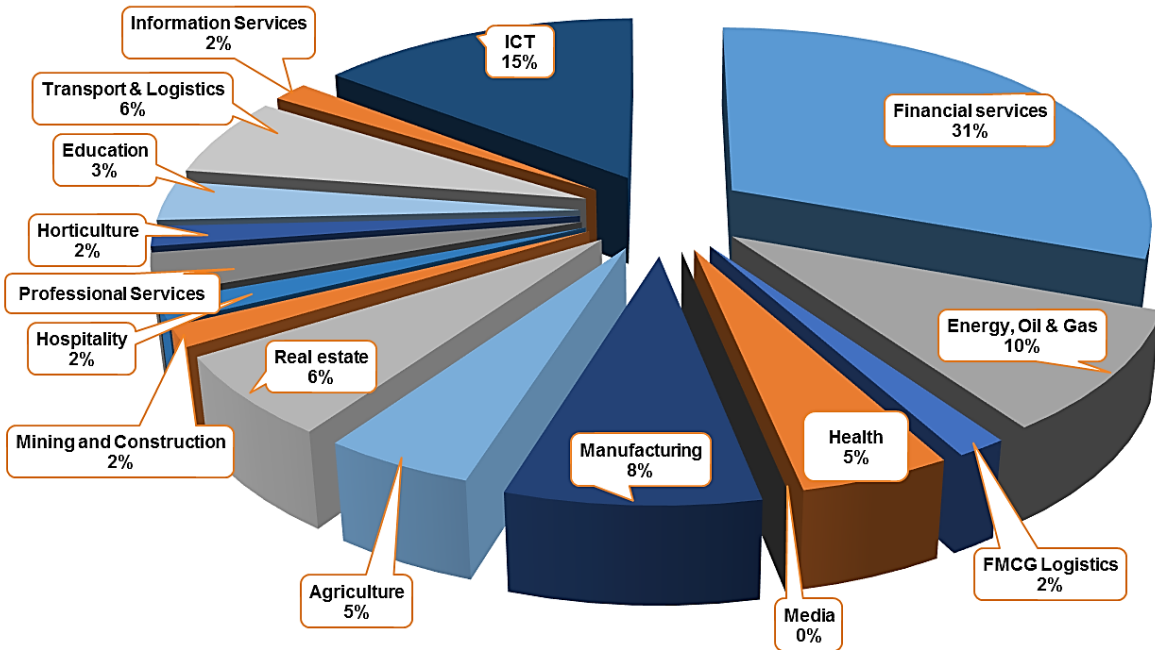
Total number of deals per month in East Africa - 2018 YTD



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%

Date	Buyer	Seller	Investment size in USD mn	Sector	Investment type	Country	Synopsis
21/10/18	Oikocredit	Fertiplant East Africa	5.00	Manufacturing	PE	Kenya	Netherlands-based social impact investor Oikocredit has injected Sh500 million into Fertiplant East Africa which will see the investor get equity stake in the company. Oikocredit's investment brings the total investment for establishment of the factory to KES1.5 billion following a Sh1 billion initial loan from the International Finance Corporation (IFC). All the monies received are directly targeted at getting the plant functional and producing for the 2020 season.
22/10/18	Taaleri	Cytonn		Real Estate	PE	Kenya	Finnish financial group Taaleri is set to acquire a 20 per cent stake of private equity investment firm Cytonn. The move is meant to provide the investment firm with a strong anchor investor ahead of its Initial Public Offering (IPO) scheduled for next year. The 20 per cent stake price will be determined at the IPO. This will be the fifth time the Finnish firm will be investing in Cytonn, having already committed over Sh5 billion towards projects and investments with Cytonn.
22/10/18	Energy Access Ventures	Solarise Africa		Energy	PE		Solarise Africa provides commercial and industrial (C&I) companies with customised financing solutions that enable them to take advantage of solar technologies with limited upfront investment and manageable periodical payments. Solarise Africa has commenced operations in Kenya, where it already has an extensive pipeline of clients, and will use the capital raised to principally fund its initial projects.
23/10/18	PayPal Inc Holdings Inc	Tala		Financial Services & ICT	PE	East Africa	PayPal Inc. Holdings has made a strategic investment in Tala, a financial technology start-up that lends to underserved consumers in emerging markets, the companies said on Monday. The companies declined to disclose the amount of the investment, but Tala said it will use the funding to further develop its product and broaden its reach. The company has lent more than \$500 million.

SOCIAL IMPACT INVESTING

Francois Lagrange

Corporate Finance Analyst, IMBC

Philanthropy and the Private sector are looking to the social impacting investing model as a new approach to promoting international development. Private equity is experimenting with innovative models that engage the non - profit and public sectors with markets investments that make both a profit and support a public good. This generates a promise of sustainability and represents an alternative to the traditional non – governmental organization model of programming where long term sustainability is brought into question.

Historically, global capital markets have encountered difficulty when trying to acquire fiscally secure assets. This has encouraged the world of finance to pursue new capital ventures with low to medium risk, whilst seeking to combine financial returns with social and environmental progress. This is a concept commonly referred to as impact investing. Investors in growing capital markets are turning their attention towards ethical funds, also known as socially responsible investments, which promote a social good alongside financial gains. These funds have the potential to change the face of philanthropy across the developing world. However the difference between Impact investing and philanthropy is that the former still concentrates on returning a profit. The philosophy of investing in companies that provide for the social good is: “Designed to serve a larger social purpose, providing under developed populations with the resources that they need in order to improve their lives. By delivering the products and services that empower the poor to lift themselves out of poverty, impact investing can scale solutions quicker than traditional philanthropy.” (Quote from “The case for Impact Investment in Africa in 2015” – JPMorgan Chase & Co)

Events	Date	Venue	Theme
FUNDFORUM Middle East & Emerging Markets	04- 05 November 2018	The Ritz-Carlton, DIFC, Dubai, UAE	Hear the latest thinking around investment strategy, regulatory developments and the latest distribution opportunities. Plus, gain insight into the future of the industry with the latest technological innovations, the rise of ESG and sustainable investment opportunities and more.
SuperReturn Africa	05 - 07 November 2018	The Westin Cape Town	Where the African private equity community comes together to be inspired and discover new opportunities.
AVCA Connect: AVCA and Norton Rose Fulbright Private Equity Cocktails 2018	06-November 2018	Shimmy Beach Club, 12 South Arm Road, V & A Waterfront, Cape Town, South Africa	The African Private Equity and Venture Capital Association (AVCA) and Norton Rose Fulbright cordially invite you to African Private Equity Cocktails in Cape Town on Tuesday, 6th November 2018 from 7:00pm onwards
Project, ECA & Structured Finance Middle East & Africa 2018	06 to 07 November 2018	Intercontinental Festival City, Dubai	Project, ECA & Structured Finance Middle East & Africa is the only event to connect GREs, corporates, project sponsors and developers with investors, bankers, lenders, ECAs and Structured Finance, Project Finance and Export Finance advisers.
Africa Investment Forum	07 - 09 November 2018	Sandton Convention Centre, Maude Street, Sandown, Sandton, South Africa	The African Development Bank is championing the inaugural Africa Investment Forum (AIF) a multi-stakeholder, multi-disciplinary collaborative platform for the economy and social development of the continent. The Africa Investment Forum is totally transactional marketplace dedicated to advancing projects to bankable stages, raising capital, and accelerating the financial closure of deals.

Events	Date	Venue	Theme
Africa Early Stage Investor Summit 2018	11 - 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. The speakers and guests represent angel networks, impact funds, leading accelerators, corporate venture arms, industry associations, and public sector agencies.</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	
Africa Renewable Energy Forum	14 -15 November 2018	Marrakech, Morocco	
Women in Private Equity Forum 2018	28 - 29 November 2018	The Waldorf Hilton	Over 300 of the industry's leading participants in the Women in Private Equity Forum will be discussing the latest issues facing the industry, as well as exchanging ideas, initiating deals and forge new relationships.
EAVCA Industry Awards & Gala Dinner	14 December 2018	TBD	

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