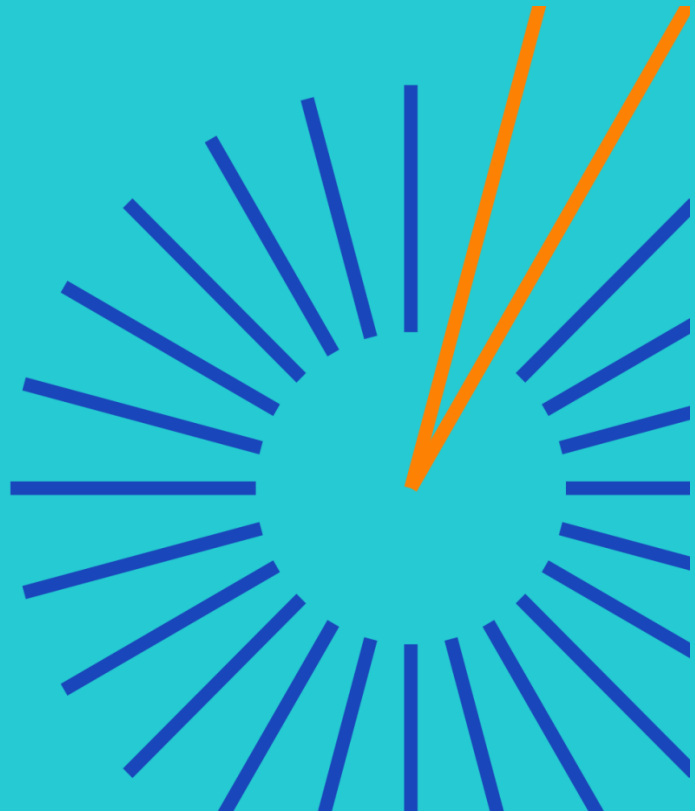




i&M Burbidge Capital

EAST AFRICA FINANCIAL REVIEW

MAY 2018





IMBC Deal of the Month



TPG Capital's USD 81 million investment into Cellulant.




The Editorial Team

5

The number of disclosed deals in EA

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

 **c. 329**



The big money is not in the buying the selling, but in the waiting.

- Charlie Munger.



In this Issue

- Key Market Indicators
- Deal Statistics
- Selected Deals Summary
- Upcoming Events

EDWARD BURBIDGE | LOREINE DOTTI | KEVIN KURIA

There were 5 disclosed deals in May, a sharp drop from the 11 deals disclosed in April. Disclosed deal values, however, were up, recording c. USD 329 million worth of deal flow compared to the c. USD 89 million total value of disclosed deals in April. This brought the total number of deals for the year to date to 32 deals valued at c. USD 466 million compared with 31 deals valued at c. USD 973 million as at the same time in 2017.

Whilst we continue to see investor optimism in the market, deal flow has been significantly affected by the credit and money supply crunches occasioned by delayed government payments to suppliers and challenges in clearing goods at the Port as officials increase the level of scrutiny and checks at entry points. As a result, business has been slow in the first half of the year. We expect that this will affect final investment decisions from investors as well as fulfillment of preset conditions for deals that are already underway.

IMBC's deal of the month is the USD 81 million investment by led by TPG Capital into Cellulant. The deal marks the first investment by TPG into Africa and the largest investment into a fintech company that only operates in Africa. Cellulant deals with mobile payments and e-commerce. It was established in 2004 with operations in Nigeria and Kenya and now runs in 11 countries with 94 banks and seven mobile money platforms onboard building a customer base of 130 million. The deal shines an even bigger spotlight on the African fintech space which has seen a rapid increase in deal flow in recent years.

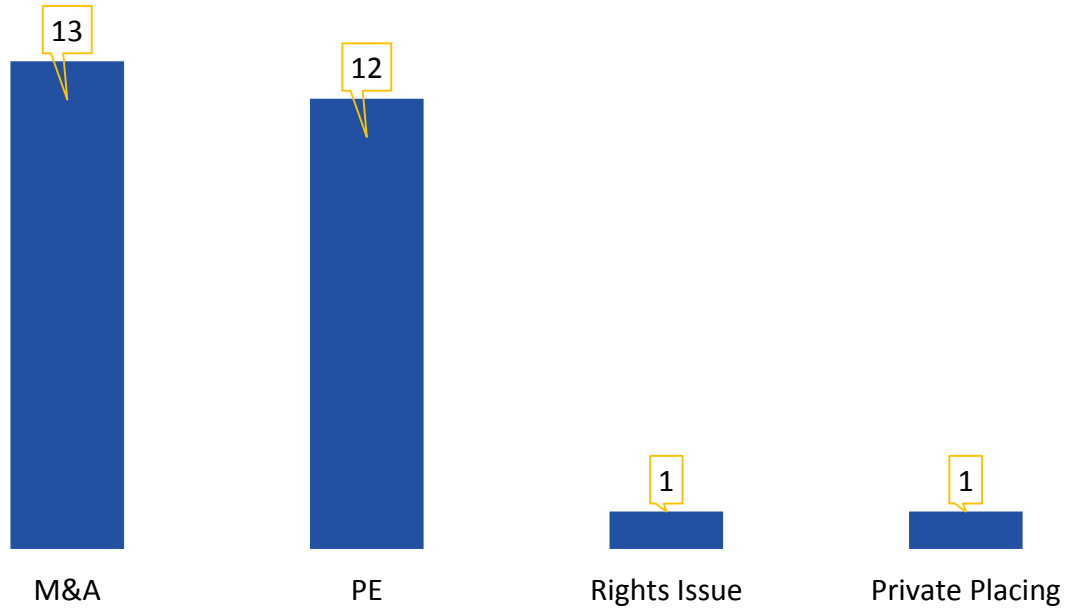
In the energy sector, the Government of Tanzania announced its plan to connect key industries in the commercial capital Dar-es-Salaam with natural gas as a source of energy, reducing dependence on erratic electricity. The project is being implemented by the government's petroleum watchdog--the Tanzania Petroleum Development Corporation (TPDC). Tanzania, with a population of approximately 54 million has just 1,500MW of installed grid capacity.

In the mining sector, Tanzanian graphite developer Black Rock Mining Limited (BKT) reported a world first pilot plant production of ultra-high graphite concentrate grade of over 99% using flotation methods only. The test was conducted as part of an upgrade program during recent pilot plant testing at SGS Lakefield in Canada for BKT's 100%-owned Mahenge Graphite Project in Tanzania. Mahenge Graphite Project is one of the largest JORC-compliant flake graphite Mineral Resource Estimates globally, with a Mineral Resource Estimate of 211.9m tonnes at 7.8% graphite (TGC) for 16.6m tonnes of contained graphite.

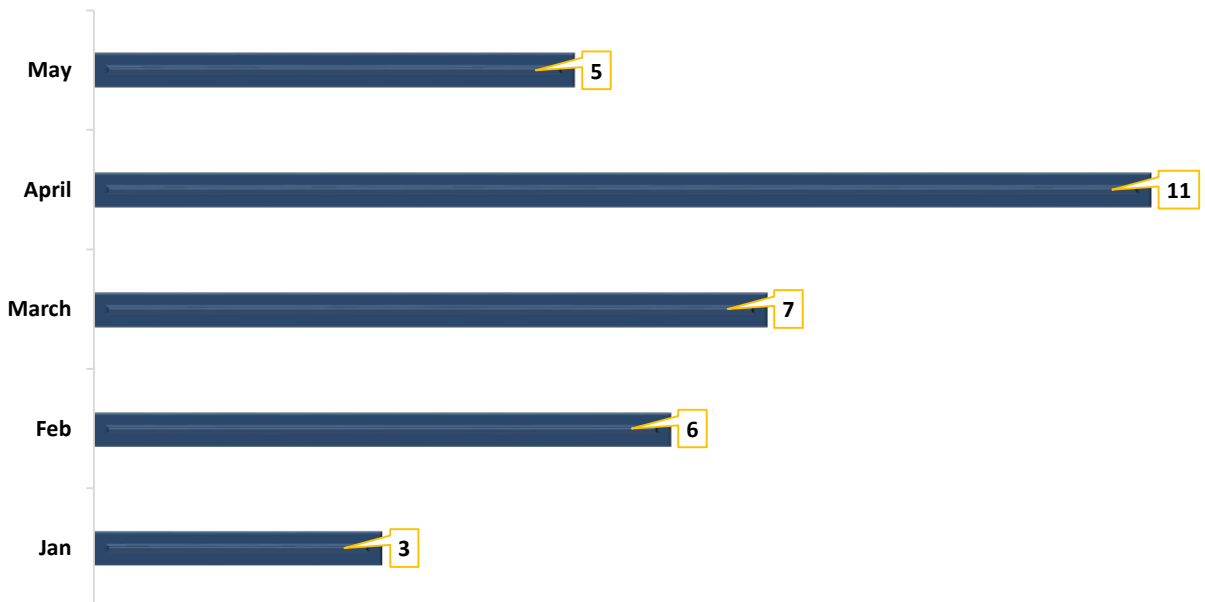
In the listed equities market, the NSE 20 Index declined by 2.9% closing at 3735.06 (YTD 0.7%) in the month of April. Foreign investors were net sellers with net outflows of USD 19.64 million during the month (YTD outflow of USD 94.73 million). High foreign investor demand was witnessed on banking counters including Equity Bank (USD 1.58 million, YTD 23.9%), Barclays Bank (USD 0.71 million, YTD 38%) and Co-op Bank (USD 0.49 million, YTD 15.9). Safaricom, Equity Bank and KCB were the top 3 movers during the month, jointly accounting for 72.0% of total turnover.

Edward Burbidge, CFA & IMBC EA Review Team

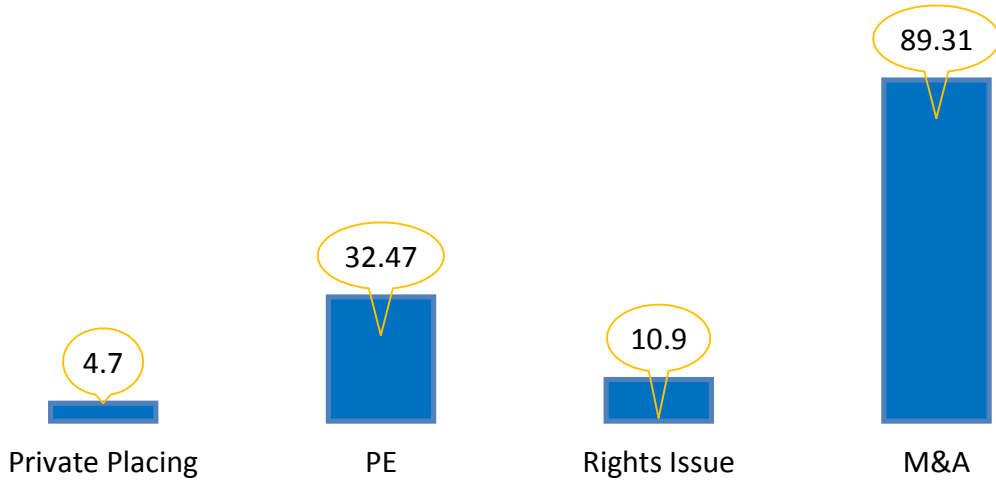
Total No.of deals in EastAfrica - 2018 YTD



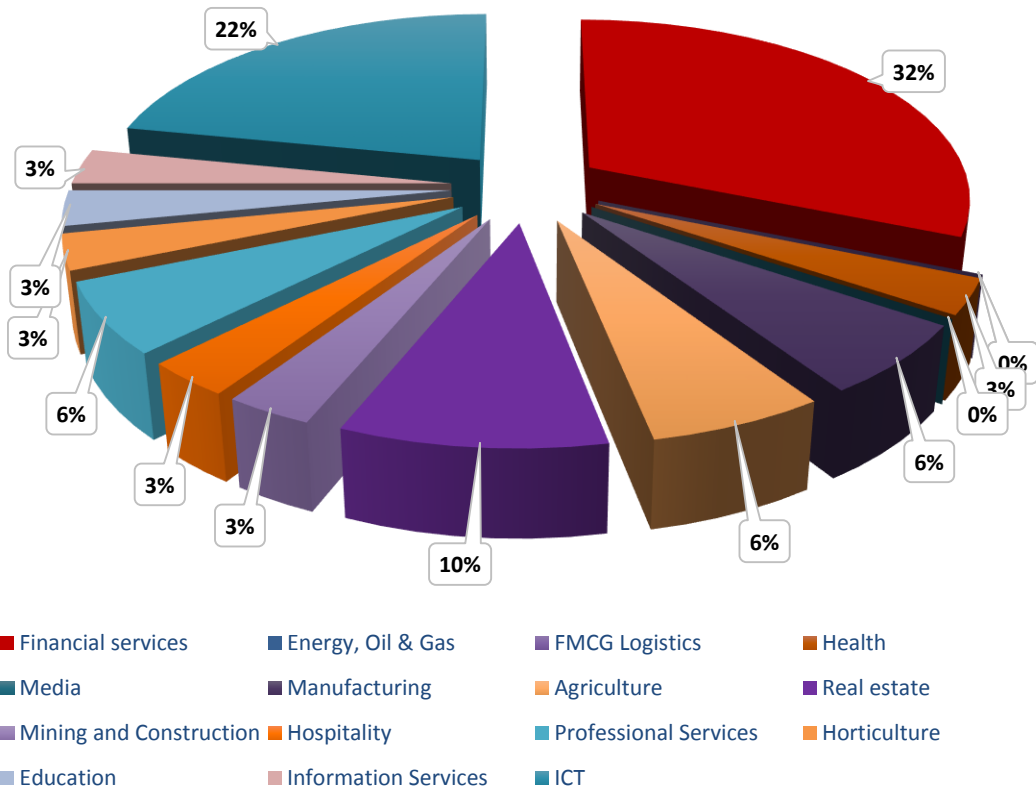
Total number of deals per month in East Africa -2018 YTD



Deal values (USD mn) in East Africa - 2018 YTD¹



No. of deals per sector - 2018 YTD²



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

Source: I&M Burbidge Capital Research

Yields on Government Securities

	91- Day T-bill	2- Year Bond	5- year Bond	10- year bond
Kenya	7.73%	11.35%	12.00%	12.65%
Tanzania	2.85%	8.52%	11.30%	13.94%
Uganda	10.52%	13.16%	14.65%	14.38%

Interest Rates

Country/Region	Current Base Rate	Previous Base Rate
Central Bank of Kenya (Kenya)	9.50%	10.00%
Bank of Uganda (Uganda)	9.00%	9.50%
Bank of Tanzania (Tanzania)	9.00%	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%	18.75%
Bank of England (UK)	0.50%	0.50%
Federal Reserve Bank (USA)	2.00%	1.50%
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									
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%

PART III: SELECTED DEALS

Date	Buyer	Seller	Investment size in Sector USD 'millions	Investment type	Country	Synopsis	
01/05/2018	Yield Uganda Investment Fund	Sesaco Ltd	0.40	Agriculture	PE	Uganda	The Yield Uganda Investment Fund, set up with financing from the European Union and National Social Security Fund Uganda (NSSF) and managed by Pearl Capital Partners (PCP), has made its maiden investment in Uganda, committing Ushs 1.6bn to Sesaco Ltd, a soy processing company. The investment aims at improving the company's production facilities while stabilising and preparing the business for a larger expansion and growth in the future. As part of Yield Fund package, Sesaco Ltd will enjoy benefits from Business Development Support to the technical and governance aspects of the business. Sesaco Ltd. is a family-owned company located in Kyengeru Town, near Kampala.
03/05/2018	AccorHotels	Mövenpick Hotels and Resorts	567.00	Hospitality	M&A	Global	French conglomerate AccorHotels acquired Mövenpick Hotels which opened its first property in Nairobi. The transaction implies a 14.9X 2019e EBITDA multiple before synergies (including transaction costs), and less than 10X pro forma 2019e EBITDA after run rate synergies and committed development pipeline. The transaction will have an accretive impact on Group earnings from the first year.
15/05/2018	Cytonn Asset Managers	Seriani Asset Managers	undisclosed	Financial Services	M&A	Kenya	Cytonn Asset Managers entered the unit trusts market following a 100 per cent acquisition of Seriani Asset Managers. In March 2018, Capital Markets Authority (CMA) granted a fund manager's licence that does not include unit trust management to Cytonn Asset Managers—a subsidiary of Cytonn Investments Management—after one-and-a-half year wait. Cytonn Investments chief executive Edwin Dande noted that the main reason for the acquisition was to fast-track entry into the Sh57 billion unit trust fund market, with intention of doing it within 30 days as opposed to 90 days.
14/05/2018	TPG Capital	Cellulant	47.50	Fintech	PE	Kenya	TPG Capital, a global private equity investment firm based in San Francisco, USA, has made its first investment in Africa through the Rise Fund, an impact fund operated by private equity group TPG Growth. Cellulant, a digital payments provider is the largest deal including a fintech company that operates in Africa only. Cellulant, which was established in 2004 with operations in Nigeria and Kenya, now runs in 11 countries with 94 banks and seven mobile money platforms onboard building a customer base of 130 million. The firm deals with mobile payments and e-commerce.
30/05/2018	Allianz Group	Africa Re	81.00	Financial Services	M&A	Kenya	Insurer Allianz Group signed an agreement to acquire 8% stake in Africa's reinsurer Africa Re for USD 81 million. Africa Re was founded in 1976 by the member states of the African Union and African Development Bank (ADB) and it has business in more than 60 countries with gross written premiums of USD 726.6 million and net income of USD 85.3 million in 2017. The company is dedicated to the African continent and open to selected markets in Asia and the Middle East. It also has a strong share of the reinsurance market across the African continent, notably in countries identified as key priorities for Allianz, such as Kenya and Nigeria. The investment is another step by Allianz to increase its presence in fast-growing African markets, following the acquisition of 98% of Nigerian insurer Ensure Insurance Plc in 2017. Allianz Group views Africa as one of the important future growth markets and is now present in 17 countries across the region.
17/05/2018	Consonance Kuramo Special Opportunities	Century Developments Limited	200.00	Real Estate	PE	Kenya	Consonance Kuramo Special Opportunities Fund I has concluded a strategic equity investment in Century Developments Limited (CDL), to pave way for the development of real estate assets in education, affordable housing, industrial warehousing and health care sectors in East Africa. Century Developments is a Nairobi based pan-African real estate development and investments company focusing on building affordable housing communities across East Africa and other selected markets in Africa. Consonance Kuramo Special Opportunities Fund I, a special opportunities fund seeded by leading investment firm Kuramo Capital, is a sector-agnostic, patient capital provider, investing in early stage and high growth enterprises in sub-Saharan Africa.

PART V: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
Africa Mini Grids Summit	21-22 Mar 2018	Hotel Intercontinental, Nairobi, Kenya	The Africa Mini Grids Summit will cover areas such as: Analysing the Different Approaches to Mini Grids Implementation and Partnerships; Mini Grid Policies and Regulation Updates in African Countries; Advancing the Use of Green Mini Grids in Africa; Attaining the Social License to Operate from Local Communities; Avoiding Stranded Assets and Managing Investor Risks when the Grid Arrives; Hybrid Technologies Integration plus the Growing Importance of Energy Storage in Mini Grids; Attracting Big-Time Investors and Commercial End-Users to Recharge the Mini Grids Ecosystem; Pricing Issues for Africa - Affordable Costs of Energy vs Investor/Business Profits; and Investor risk vs What is Acceptable Profit in the African Context.
Africa CEO Forum	26-27 March 2018	Abidjan, Côte d'Ivoire	The Africa CEO Forum brings together more than 1000 world-class CEOs, bankers and investors. It provides a unique platform for thought-provoking discussions. The Africa CEO Forum is an opportunity for business leaders to develop their business, shape their strategy and enhance their company's competitiveness.
15th annual AVCA Conference	22-26 April 2018	Marrakech, Morocco.	The annual AVCA Conference is the largest private equity gathering globally, attracting investors who collectively manage over US\$1.5trn in assets. Over the past 15 years, the AVCA conference has become the most important forum for promoting, developing, and stimulating private investment in Africa.
East Africa Property Investment Summit	25-26 Apr 2018	Radisson Blu Hotel Nairobi Upper Hill, Nairobi, Kenya	The East Africa Property Investment Summit will cover discussions on logistics property and business, retail and franchise property investments.
5th East Africa Oil and Gas Summit and Exhibition	14-15 June 2018	Intercontinental Hotel, Nairobi, Kenya	EAOGS annually provides a platform for East African ministries and the National Oil companies to engage with international and local investors to examine the vast opportunities across East Africa. EAOGS 2018 also incorporates an exhibition where companies can display their latest products, services to their key target audience of oil and gas decision makers from around the world.
Sub-Saharan Africa M&A Forum	June, 2018	Johannesburg	The definitive event for M&A in sub-Saharan Africa returns to Johannesburg for mergermarket's annual event. Attracting 120 attendees and 20 speakers, this event helps the corporate finance and investment banking communities to forge new relationships to get deals done.
Africa Oil & Power	12-14 September	Cape Town International Convention Centre, Cape Town, South Africa	Africa Oil & Power's theme for 2018 concentrates on the best way to drive Africa's energy sectors forward — through energy coalitions, from regional cooperation at the government level and private companies coordinating on development and financing deals to how the private and public sectors can collaborate together.
Bonds Loans and Sukuk Kenya Conference Nairobi	02 Oct 2018	Villa Rosa Kempinski, Nairobi, Kenya	Bonds, Loans & Sukuk Kenya is Kenya's only annual credit market event and brings together government officials, borrowers, issuers, regulators, bankers, investors and advisors to discuss and debate pertinent developments in Kenya's debt capital markets.

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.



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

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



Loreine Dotti
Analyst – Corporate Finance
Loreine.dotti@imburbidgecapital.com



Kevin Kuria
Analyst – Corporate Finance
kevin.kuria@imburbidgecapital.com

You are the best at what you do! Let us tell the market.

We have a targeted distribution to pension funds, private equity funds, financial services players, industry leaders, investment and wealth managers, regulators and administrators, as well as senior government officials. By advertising with us, you gain access to a premium class of potential business partners and clients. To advertise with us, send an email with the subject "i&M Burbidge Capital Financial Review" to either kevin.kuria@imburbidgecapital.com or loreine.dotti@imburbidgecapital.com.

I&M Burbidge Capital Limited is a corporate finance firm licensed by the Capital Markets Authority and a licensed Nominated Advisor by the Nairobi Securities Exchange creating long term advisory relationships & solutions across Eastern Africa.

ADVISORY SERVICES:

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

NAIROBI

KAMPALA

DAR –ES SALAAM

ADDISS ABABA

KIGALI