

I&M BURBIDGE CAPITAL EAST AFRICA FINANCIAL REVIEW

JUNE 2019



IN THIS ISSUE

Deal Statistics 3

Key Market Indicators 5

H1 2019 PE Activity in Brief 6

Selected Deals 8

Industry Leader Interview 11

Upcoming Events 13

June in Numbers:

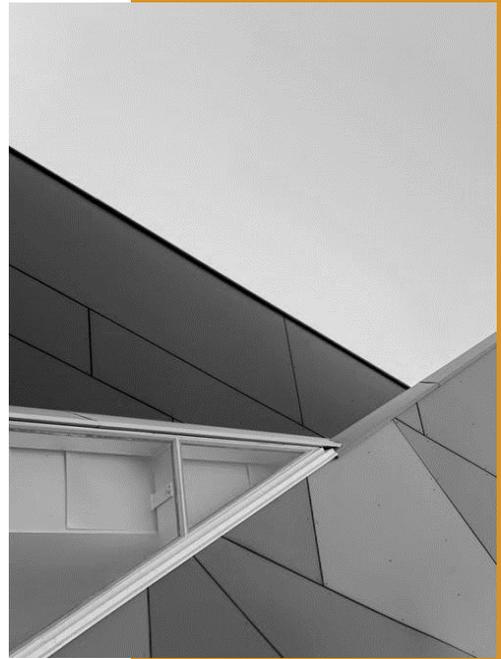
13 The number of disclosed deals in EA

342.9 Disclosed deal value in USD million



IMBC Deal of the Month:

Centum Investment's exit from Almasi Beverages Limited and Nairobi Bottlers Limited.



The Editorial Team

EDWARD BURBIDGE | LINDA OBWORA

June closed off the first half of 2019 with 13 disclosed deals valued at USD 342.9 million. This brings the total deal value and volume for the year to date to c. USD 1.1 billion and 49 respectively compared to c. 603 million and 34 deals during the first half of 2018. The highest volume of deals YTD has been recorded in the financial services sector – 11 out of the 49 disclosed deals. Other sectors that have seen significant deal activity are the Energy, Oil & Gas sector, ICT, Healthcare and FMCG sectors.

IMBC's deal of the month is Centum Investment's exit from Almasi Beverages Limited and Nairobi Bottlers Limited. The exit was achieved through a sale to Coca Cola Sabco East Africa Limited for a combined transaction value of c. USD 192.6 million. The transaction saw Coca Cola's stakes in Almasi Beverages Limited and Nairobi Bottlers Limited increase by 53.9% and 27.6% respectively.

Overall market performance for Q2 2019 recorded a decline compared to Q1 2019. The NASI, NSE 20 and NSE 25 declined by 5.1%, 7.5% and 8.9% respectively compared to gains of 12.3%, 0.4% and 10.8% respectively, recorded at the end of Q1 2019. Market turnover also recorded a decline with an average daily turnover of c. 5.3 million in Q2 2019 compared to c. USD 7.1 million in Q1 2019.

In other trading activity, top gainers during Q2 2019 included Sameer Africa which increased by 67.8% (YTD – increase of 65.9%) and Trans-Century which increased by 35.5% (YTD – increase of 37.3%). Mumias Sugar experienced the highest decline of 33.3% (YTD – decline of 41.4%).

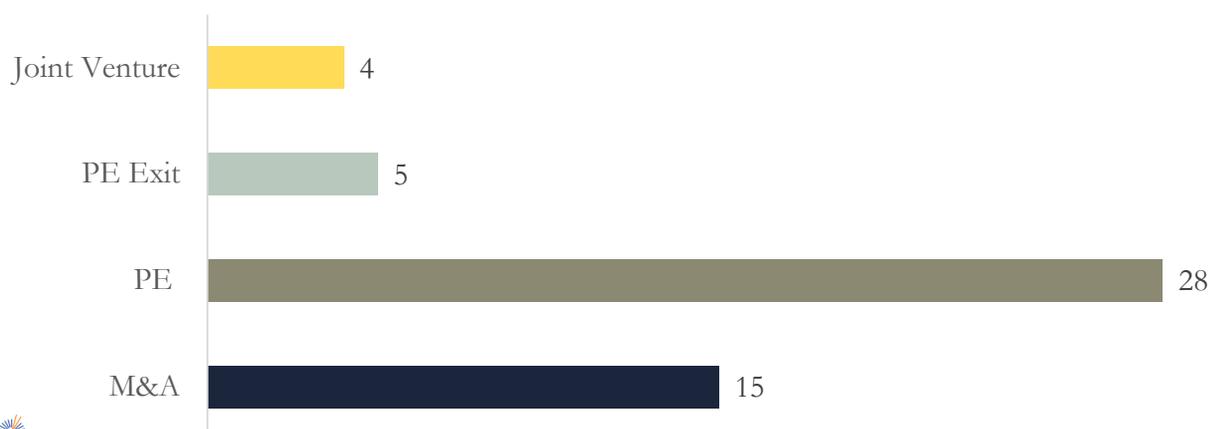
PART I : DEAL STATISTICS

Analysis by Sector

Sector	No. of Deals YTD	Deal Value YTD (USD million)
 Financial Services	11	87.58
 FMCG	5	111.0
 Manufacturing	4	193.0
 Agriculture	3	10.25
 Logistics	2	5.0
 Food & Beverage	3	Undisclosed
 Energy, Oil and Gas	6	664.20
 Healthcare	6	1.48
 Education	2	26.0
 ICT and Telecom	5	2.0
 Entertainment	1	Undisclosed
 Waste Management	1	Undisclosed

Analysis by Type of Transaction

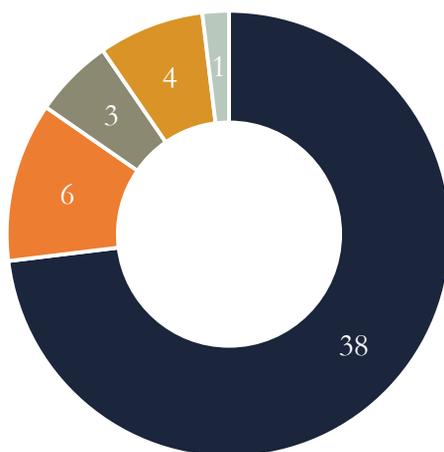
TOTAL NUMBER OF DEALS IN EA-2019 YTD



PART I : DEAL STATISTICS

Analysis by Country

NUMBER OF DEALS BY COUNTRY

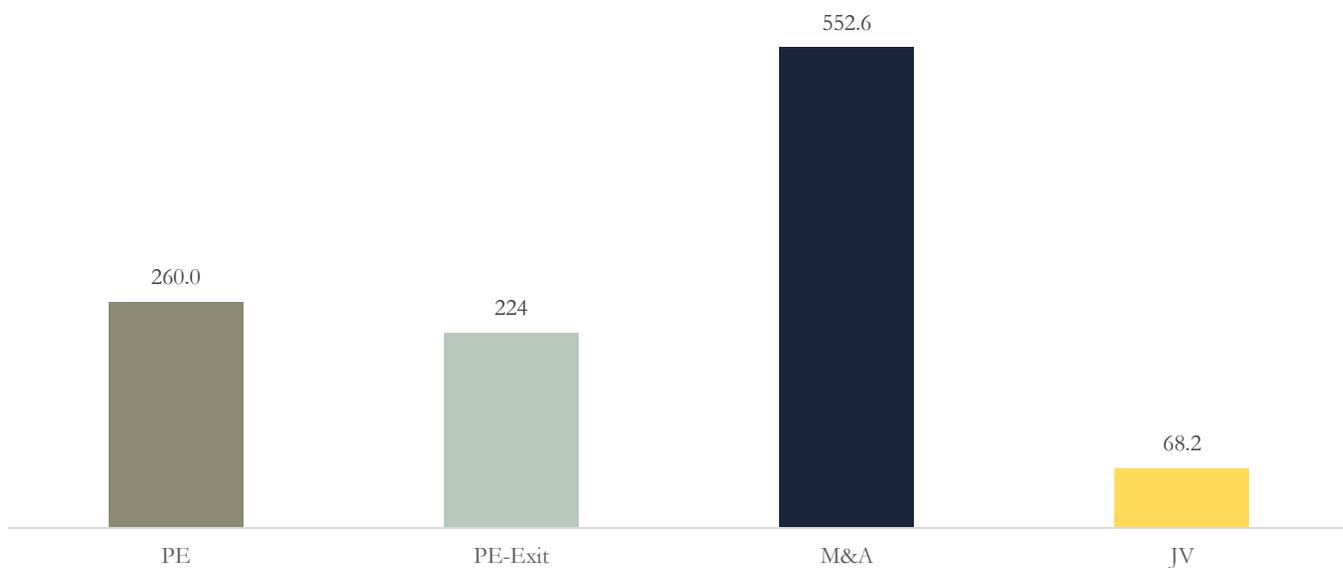


■ Kenya ■ Tanzania ■ Uganda ■ Rwanda ■ Ethiopia

*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.

DEAL SIZE YTD 2019 IN USD M

■ PE ■ PE-Exit ■ M&A ■ JV



PART II : KEY MARKET INDICATORS

Yields on Government Securities

Years	91-day	2 year	5 year	10 year
Kenya	7.2%	10.7%	10.9%	12.3%
Tanzania	4.2%	11.4%	9.2%	14.9%
Uganda	9.0%	14.0%	15.4%	15.8%

Inflation Rates

Years	Kenya	Tanzania	Uganda	Rwanda
2018 actual Inflation	4.5%	3.5%	3.2%	2.9%
2019 projected inflation	5.6%	5.2%	5.0%	5.0%

GDP Growth Rates

Years	Kenya	Tanzania	Uganda	Rwanda
2018 estimated GDP growth rate	5.9%	6.7%	5.3%	7.2%
2019 forecasted growth rate	6.0%	4.0%	5.5%	7.8%

Central Bank Rates

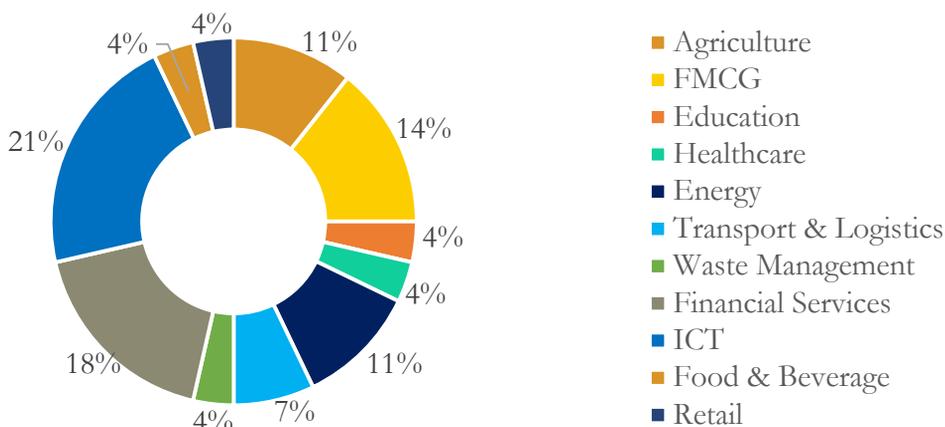
Country/Region	Previous rate	Prevailing rate
Central Bank of Kenya (Kenya)	10.00%	9.00%
Bank of Uganda (Uganda)	9.50%	10.00%
Bank of Tanzania (Tanzania)	9.00%	7.00%
South African Reserve Bank (RSA)	6.75%	6.50%
Central Bank of Nigeria (Nigeria)	14.00%	13.50%
Central Bank of Egypt (Egypt)	18.75%	16.75%
Bank of England (UK)	0.50%	0.75%
Federal Reserve Bank (USA)	1.50%	2.50%
European Central Bank (EU)	0.00%	0.00%

PART III : H1 2019 PE ACTIVITY IN BRIEF

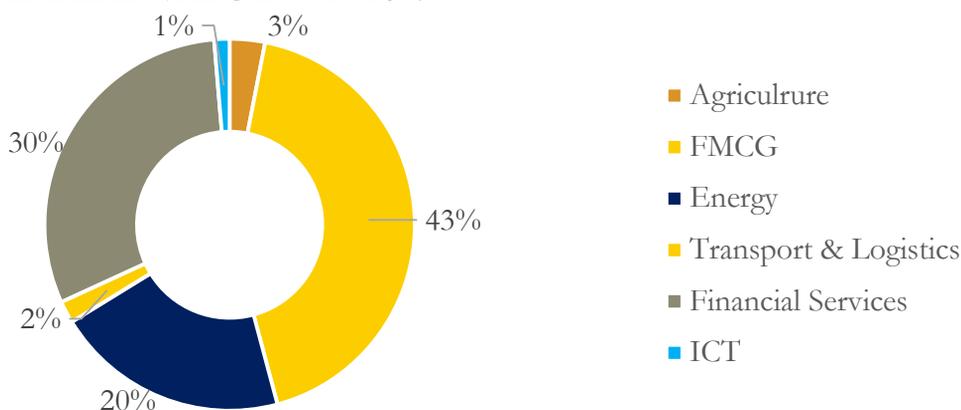
28 ^{Disclosed} Investments

Valued at c. USD 260 million

DISCLOSED PRIMARY PE DEAL FLOW - H1 2019



DISCLOSED PRIMARY PE DEAL VALUE - H1 2019



More details on these transactions are available in our Q2 monthly editions which you can access from our website [here](#).

5 ^{Disclosed} Exits

Valued at USD c. 224 million

Education	Fanisi Capital's exit from Hillcrest Schools
ICT	TBL Mirror Fund's partial exit from Software Technologies Limited
Healthcare	Fanisi Capital's exit from Halton's pharmacy

FMCG	Centum's exit from Almasi Beverages and Nairobi Bottlers Limited.
Logistics	Uqalo, Omidyar Networks, Blue Haven Ventures, Crescat Limited and Index Ventures' partial exit from Twiga Foods.

3 Fundraising

PE firms managing funds with mandates to invest in East Africa announced a financial close to their funds.

EXEO Capital announced the final close of its second food and agribusiness fund – Agri-Vie Fund II at USD 146 million – showing net growth of nearly 50% of the size of the first fund. The fund achieved its first close at USD 100 million in 2017 and has so far made five investments. Agri-Vie typically invests between USD 5 million and USD 15 million in high-growth potential companies across sub-Saharan Africa.

Amethis, which had earlier in Q1 2019 announced an intermediate closing of its second Pan-African fund, Amethis Fund II at EUR 305 million, announced the final close at EUR 375 million from c. 70 investors in Europe and Africa, exceeding its initial target of EUR 300 million. Limited partners include existing Fund I investors and new investors. Amethis Fund II will provide growth capital to African mid-cap companies, through investments with an average ticket size of EUR 10-30 million, or higher through co-investment.

In the renewable energy sector, **Cooperatief Climate Fund Managers (CFM)** announced the final close of the Climate Investor One's Development Fund at USD 50 million and the Cooperatief Construction Equity Fund at USD 800 million. The Development Fund is a blended finance facility mandated with delivering renewable energy infrastructure projects in emerging markets by contributing to the entire lifecycle of a project. The Construction Equity Fund seeks to provide all equity financing for the construction phase of a project through a 3-tiered equity structure.

PART IV : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
02-Jun-19	DTB Group	DTB Burundi	1.15	Financial Services	M&A	Kenya	DTB Group acquired an additional 16.34% stake in its Burundian subsidiary after buying out International Finance Corporation (IFC) for KES 152.2 million. The transaction raised the Nairobi Securities Exchange-listed firm's equity in Diamond Trust Bank Burundi to 83.67% from the previous 67.33%.
05-Jun-19	Marubeni Corporation	Azuri Technologies Limited	26	Energy	M&A	East Africa	Azuri Technologies, a provider of pay-as-you-go solar home solutions to off-grid households across Africa, announced a strategic investment of USD 26 million, led by Fortune Global 500 company Marubeni Corporation with additional participation from existing shareholders including FTSE 250 company IP Group Plc. The strategic investment will accelerate Azuri's market growth plans in both East and West Africa.
07-Jun-19	AgDevCo & Root Capital	Consortium of macadamia processors and exporters.	5	Agricultural Processing	PE	Kenya	In partnership with Root Capital, AgDevCo invested USD 5 million in a market-leading consortium of macadamia processors and exporters. The consortium consists of Sagana Nuts, The Village Nut, Jumbo Nut, and the largest processor of the group, Afrimac – all with processing facilities located in Kenya's prime macadamia producing central counties. AgDevCo's financing will enable the consortium to buy nuts from 21,000 smallholder farmers to be processed into shelled kernels for export.
12-Jun-19	Creadev	Twiga Foods	5	Agriculture/Logistics	PE	Kenya	Creadev invested USD 5 million (about Sh507 million) into Kenya's mobile-based food delivery firm Twiga Foods in a deal that will also see the Mulliez family which controls the private equity firm, acquire a stake in the company. The cash injection will go towards helping the firm upscale its support to small-scale farmers in the country.

PART IV : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
12-Jun-19	Coca Cola Sabco East Africa Ltd	Almasi Beverages Ltd	192.6*	FMCG	M&A	Kenya	Coca Cola Sabco East Africa Ltd of United Arab Emirates, a unit of Coca-Cola Beverages Africa Pty Ltd, acquired a 53.9% interest in Almasi Beverages Ltd, an Eldoret-based manufacturer of bottled water, from Centum Investment Co Ltd.
12-Jun-19	Coca Cola Sabco East Africa Ltd	Nairobi Bottlers Ltd	Undisclosed	FMCG	M&A	Kenya	Coca Cola Sabco East Africa Ltd raised its interest to 72.4%, from 44.8%, by acquiring a 27.6% stake in Nairobi Bottlers Ltd, an Embakasi-based manufacturer of bottled water, from Centum Investment Co Ltd, in a privately negotiated transaction. The two transactions were worth 192.6 million.
13-Jun-19	AfricInvest	Britam	2.73	Financial Services	PE	Kenya	Private Equity firm AfricInvest spent another KES 273 million to acquire an extra 32.5 million shares in insurance group Britam. The latest share purchases raised the PE firm's stake in the Nairobi Securities Exchange-listed firm to 17.55%.
17-Jun-19	Chandaria Capital	Savannah Brands	Undisclosed	Food and Beverage	PE	Kenya	Chandaria Capital, the professional investment arm of Chandaria Group, announced its investment in the seed funding round of Kenya-based Savannah Brands, a young African based food and beverage company. Savannah Brands produces snacks and drinks made from 100% real fruits, vegetables and teas.
19-Jun-19	HAVAÍC	Taz Technologies Inc	Undisclosed	ICT	PE	Kenya	Taz Technologies Inc (trading as MPOST), concluded a pre-Series A first round of funding for an undisclosed amount with Cape Town based VC, HAVAÍC. MPost is an innovative, simple and affordable solution that utilizes consumers' mobile phone numbers to create internationally accepted postal addresses, virtual Post Office (PO) boxes and generates real time cell phone notifications for its customers.

*192.6 million is the deal value for both the Almasi Beverages Limited and Nairobi Bottlers Limited exit.

PART IV : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
21-Jun-19	Vivo Energy	Kuku Foods East Africa Holdings	Undisclosed	Food & Beverage	JV	Kenya, Uganda, Rwanda	Oil marketer Vivo Energy is set to take a 50% stake in KFC in East Africa, in a deal with the owners of the fast food franchise Kuku Foods East Africa Holdings. The joint venture is expected to help the growth of KFC through the opening of new outlets at Vivo's properties in Kenya, Uganda and Rwanda.
22-Jun-19	Kibo Capital Partners	Dough Works Limited	Undisclosed	Food & Beverage	PE	Tanzania	Private Equity firm Kibo Capital Partners through its second fund, invested in Dough Works Limited, the franchise holder of Pizza Hut in Tanzania. Dough Works currently operates six Pizza Hut stores in Dar es Salaam and Arusha.
24-Jun-19		Vasari Beverages	100	FMCG - Alcoholic Beverages		Ethiopia	Alcoholic beverage investor Vasari Beverages completed a USD 100-million capital raise to fund the expansion of its existing beverage operations in Ethiopia, as well as to pursue new acquisitions and greenfield development opportunities across Africa and Asia. Vasari, majority owned by CEO Vivian Imerman and the Imerman family, with Investec as co-investor, has about 40 years' experience operating consumer goods companies across emerging and developed markets, including Scottish distiller Whyte & Mackay, global fruit-based drinks and products company Del Monte International and confectionary producer Nabisco SA.
28-Jun-19	TLG Capital	Platcorp Holdings Limited	10	Financial Services	PE	East Africa	TLG Capital announced a USD 10 million investment in Platcorp Holdings Limited through its Credit Opportunities Fund. Platcorp's core business is investment in microfinance and non-banking lending subsidiaries that initially focused on providing services primarily to civil servants across East Africa.



PART V : INTERVIEW WITH MR PAUL MASSDORP

Congratulations on the successful close of your fourth Pan-African fund (ECP AFIV) at a significant USD 640 million in December 2018. Which regions in Africa present the best growth and return generating opportunities in Africa?

At the moment, we are bullish on opportunities in Eastern, Southern and Francophone West Africa. We are finding a range of interesting opportunities in these geographies. South Africa continues to see slow growth, but the depreciated rand and adjusted price expectations of sellers is also throwing up interesting opportunities.

We continue to see Nigeria as an interesting market, however the dual exchange rate regime presents a range of challenges for foreign investors and so the bar is extremely high for us now on investments that don't have a tie to hard currency.

ECP AFIV will have a focus on four key areas: financial services, consumer goods businesses, telecommunications & ICT, and infrastructure & logistics. Which sectors will be a priority investment area specifically in the East African region?

In East Africa, we are prioritizing infrastructure & logistics, consumer and ICT. For example, in addition to our investment in Artcaffe, we recently announced an investment in logistics technology firm that has a footprint across Southern and Eastern Africa. The Company, Inter Africa Transport Forex (IATF), helps trucking companies manage their costs as they travel across borders.

In East Africa we are generally looking at non-banking financial service plays. We have a deep experience in banking and insurance investments in the rest of the continent, but they are sectors where we generally like to own a majority. The regulations in East Africa make this difficult if one is not a strategic investor.

For the first time in its history, ECP has a large representation of African Pension Funds and Insurance Companies in the new fund's LP capital base. In which ways does ECP anticipate this will influence its investment strategy over the next five years?

While ECP has had African LPs since the beginning of our business 20 years ago, their importance has grown over time. However, local pension fund investment still represents a small amount of our capital, and allocations from the local pension funds to the sector remains low.

Paul Maasdorp Partner Emerging Capital Partners

Paul Maasdorp is a Partner at Emerging Capital Partners (ECP). Mr. Maasdorp's focus includes deal sourcing, investment appraisal, transaction execution, and portfolio monitoring.

Prior to joining ECP in 2010, Mr. Maasdorp worked with Berkshire Partners LLC, a Boston-based private equity firm with aggregate capital commitments of over \$16 billion. At Berkshire, he worked on investments in various sectors including consumer/retail, business services, and transportation throughout the US and Europe. Mr. Maasdorp began his career with Bain & Company working in their private equity and general consulting practices.

Mr. Maasdorp holds an MBA from Harvard Business School. He also graduated cum laude from Harvard College with a bachelor's degree in economics. He is a citizen of Zimbabwe. Mr. Maasdorp has served on the boards of Artcaffé (Kenya), Tech Logistics (Southern Africa), IATF (Southern Africa), Java House (East Africa), Remitix Holdings (Pan Africa), IHS Holdings (Pan Africa), and Maarifa Education (East and Southern Africa).

Private equity in most parts of the world is funded primarily by local pension funds. Private equity is a sector that is a natural fit with pension funds: it is long term, provides access to different sectors than public markets and has an attractive return profile. At the moment, we estimate that local Kenyan pensions are allocating less than 2% of their capital to private equity. The majority of their exposure is to government bonds, real estate and public equities. Whereas the public market is concentrated around Safaricom and banking assets, private equity provides access to a different range of sectors providing pensions diversification. It is also a good long-term asset class that matches pension fund liabilities. There are encouraging signs though. In 2015, the Kenyan government allowed local pension funds to invest up to 10% of their assets in private equity and venture capital.

Certain private equity investors, like ECP, offer an interesting return profile to pensions funds. We believe that pension funds will, over time, allocate a greater portion of their capital to well-performing private equity firms.

ECP was recognised at the Inaugural EAVCA Industry Awards receiving the Exit Award for the Java exit. In your opinion, what do PE firms need to consider doing differently or doing more of so as to achieve successful exits in the region?

The difficulty in achieving exits is one of the issues that investors consistently point to as a reason not to invest in African private equity. The track record for the industry is not great for returning capital to investors.

ECP has a strong track record of exits having achieved 48 exits over our 19-year history. Planning exits begins before we even make an investment. It starts with identifying sectors and assets that other investors and strategic players will find interesting 3 to 7 years from now. Then we seek to

ensure we have the rights to enable us to drive exit processes, whatever the equity stake. We then start from day one to build best-in-class governance systems, ultimately facilitating access to a broader range of local and international buyers.

ESG best practices and economic inclusion are increasingly emphasized by investors into African businesses. What is the driving force behind this trend and have you seen an improvement in this regard over the years? What more do you think needs to be done?

Environmental, social and governance are indeed increasingly emphasized by investors and I only see this increasing. Development finance institutions have always had this focus, but more and more we are seeing private sector investors also focused not only on returns but on having a positive impact at the same time. We have two full-time staff focused on this topic and ESG is also a responsibility of all our deal teams, being fully integrating it into our deal and portfolio management processes. ECP is fully aligned with this mind-set of delivering investors good returns in a responsible and impactful manner.

In a similar vein, regulation and transparency are continuing to increase in the private equity sector. This is generally a good thing but requires significant investment and capabilities from private equity firms.

Both this and the ESG standards are important, but expensive requirements to meet, particularly for smaller firms. In my mind it does likely mean that the African private industry consolidates around fewer larger players.

Family owned businesses form the majority of businesses in the region. Studies have shown that growth in these businesses declines as subsequent generations after the founders

take over, yet there are those that thrive. What are the critical success factors that enable continued growth in these businesses and how does private equity investment and partnership enable this growth?

In our experience would say that family businesses are most successful when driven by merit. In these businesses, people are employed and rise to the top because of their ideas and actions rather than because of who they are. This can be achieved independently with the right focus and/or with outside board members.

We look to partner with families that have this mind-set. The founders (and subsequent generations) find that an objective, value-focused partner helps them achieve these goals and remain focused on building the best business.

In instances where the above cannot be achieved or there is not an interest from subsequent generations to drive the business, founders may be best placed to sell the family business. This enables founders to realize the value they have created and to reallocate that wealth to a less active and more diversified portfolio of assets.

It is traditional for us to finish by asking what is your favourite thing about living in Nairobi?

Nairobi is a cosmopolitan African city. We recently hosted a birthday party for our kids, and of the 16 families attending, only four had parents from the same country. For the remaining, the couples were from different countries: Kenya and Kyrgyzstan, US and Montserrat, Kenyan and Peruvian, Zimbabwean and Colombian, etc. We also love that our daughter's teacher this year was Muslim and last year was Christian. It is a remarkably diverse place for our children.

PART VI : UPCOMING EVENTS/CONFERENCES



17 Jul
2019

The Inaugural Islamic Finance Conference

Sarova Whitesands Hotel & Beach Spa, Mombasa Kenya

The theme of the Inaugural Islamic Finance will focus on key areas of the Islamic finance sector, including regulatory, strategic, FinTech, operational and risk transformation to ensure that the industry is able to build critical mass, expand its geographic reach & depth, and participate in large-scale deals seamlessly across jurisdictions – and, ultimately and most importantly, to successfully meet the needs of an ever-growing base of investors, customers and end-users.

31 Jul
2019

A Dialogue on Navigating the Courtship between Family Business and Private Equity

The Oyster Box Hotel, Umhlanga, South Africa

Hosted by SAVCA and Bowmans, the event is all about exploring the symbiotic relationship between private equity and family business. Private equity investments can serve as catalysts for growth and product development for family-business owners, boosting long-term viability of a business through strategic collaboration. Join the conversation and learn more about why private equity and family business make such a fruitful partnership.

17 Sep
2019

Bonds, Loans & Sukuk East Africa 2019

Villa Rosa Kempinski, Nairobi

Bonds, Loans & Sukuk East Africa is East Africa'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 East Africa's debt capital markets (bonds, loans and sukuk).

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.

About I&M Burbidge Capital

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.

Our Services

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

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 linda.obwora@imburbidgecapital.com.

Head Office

3rd Floor, Block A, Eldama Park
Eldama Ravine Road, Westlands
P.O Box 51525-00100
Nairobi, Kenya
Tel: +254 (0) 20 3221160

Kampala Office

5th Floor
Rwenzori Towers
Nakasero Road
Kampala, Uganda
Tel: +256 (0) 794 476 967

Editorial Team



EDWARD BURBIDGE, CEO



Edward.Burbidge@imburbidgecapital.com



LINDA OBWORA, Analyst



Linda.Obwora@imburbidgecapital.com