



Burbidge  
Capital

# EAST AFRICA FINANCIAL REVIEW

MARCH 2023

## IN THIS ISSUE

Editorial Note 2

Deal Statistics 3

Key Market Indicators 5

Selected Deals 6

# EAST AFRICA FINANCIAL REVIEW

## Editor's Note



### The Editorial Team

EDWARD BURBIDGE | KEVIN KURIA

March was another month of robust deal making in East African capital markets with 13 deals having been disclosed in the month which had a total disclosed deal value of c. USD 195 million (from 6 transactions that had disclosed deal values). The curtains drew on Q1 with a total deal count of 37 (+2.7% over Q1 2022) transactions and a total disclosed deal value of USD 451 million (-39.6% over Q1 2022). Venture capital was the most active capital class in the market with 4 deals; followed by private equity with 3 transactions; 2 DFI deals; 2 M&A deals; and notably the year's first 2 private equity exits. The energy sector was the most active sector with 3 transactions, whilst the financial services, healthcare and manufacturing sectors each recorded 2 deals. 4 other sectors contributed single entries to the total deal count. Kenya took the lion's share of deals with 9, whilst Uganda and Ethiopia recorded 2 transactions each.

Notable corporate and macroeconomic developments in March included the revised 2023 GDP growth projections for the region by the IMF coming out of the World Bank and IMF Spring Meetings. Kenya received an upward revision in growth expectations from 5.1% to 5.3% whilst Uganda and Rwanda received a 40bps and 50 bps downward revisions to 5.7% and 6.2%, respectively. Tanzania's growth projection remained unchanged at 5.2%. Whilst most of the region's economies received negative revisions, growth remains high compared to the rest of the world, in keeping with our view that the East African region presents a compelling investment destination over the medium to long term.

We maintain our expectations for robust deal making in the region with a focus on private capital transactions. Recently announced tax policies in Kenya such as the anticipated annulment of VAT on exported services; and a general business friendly stance across the region, we expect, will encourage both local and foreign investment. However, we note potential headwinds from the effects of high debt servicing and repayment burdens in the region's economies and their susceptibility to international shocks from global interest rate movements and commodity prices.

IMBC's deal of the month is the acquisition by BlackRock Alternatives' Climate Finance Partnership of a 31% stake in the Lake Turkana Wind Power project. The deal provided an exit to Finnfund, Vestas and the Investment Fund for Developing Countries. The attraction of the world's largest asset manager is a seminal development for the East African private capital markets and particularly demonstrative of the potential within the energy sector given the region's high use of renewable energy sources.

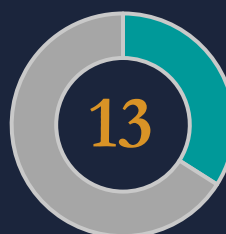
The Listed Equities Market recorded negative returns in March across the board, with the NSE 20, NSE 25 and NSE All Share Index posting 1.5%, 5.4% and 10.5%, in losses, respectively. Quarterly performance saw the NSE 20 lose 3.2% from the start of the year whilst the NSE 25 and NASI were both down 5.4% and 11.5%, respectively. Average daily turnover increased to USD 10.64 million, up from USD 1.81 million in February; which growth was in large part attributable to Diageo Kenya Limited's tender offer for additional shares in EABL. Top gainers during the month included Umeme and Express Kenya which were up by 18.9% and 17.7%, respectively. Kakuzi and Safaricom witnessed the biggest decline in the month with a fall in their share prices by 31.1% and 22.3%, respectively.

# KEY HIGHLIGHTS

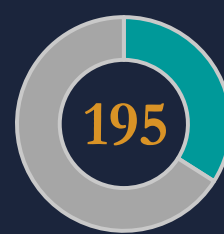
- Total number of disclosed deals in the YTD increases to 37.
- Total disclosed deal values in the YTD now c. USD 451 million.
- Venture Capital remains the most active investment class whilst private equity investment picks up pace.

## MARCH

### In Numbers



The number of disclosed deals in EA



Disclosed deal value in USD million



### IMBC Deal of the Month:

The acquisition by BlackRock Alternatives' CFP of a minority stake in Lake Turkana Wind Power providing an exit to at least 3 institutional investors.



### IMBC Team Announcement



Congratulations to Gauri Gupta, Executive Director in our Board, who is now certified as an International Mergers & Acquisitions Expert by the Institute for Mergers, Acquisitions & Alliances.

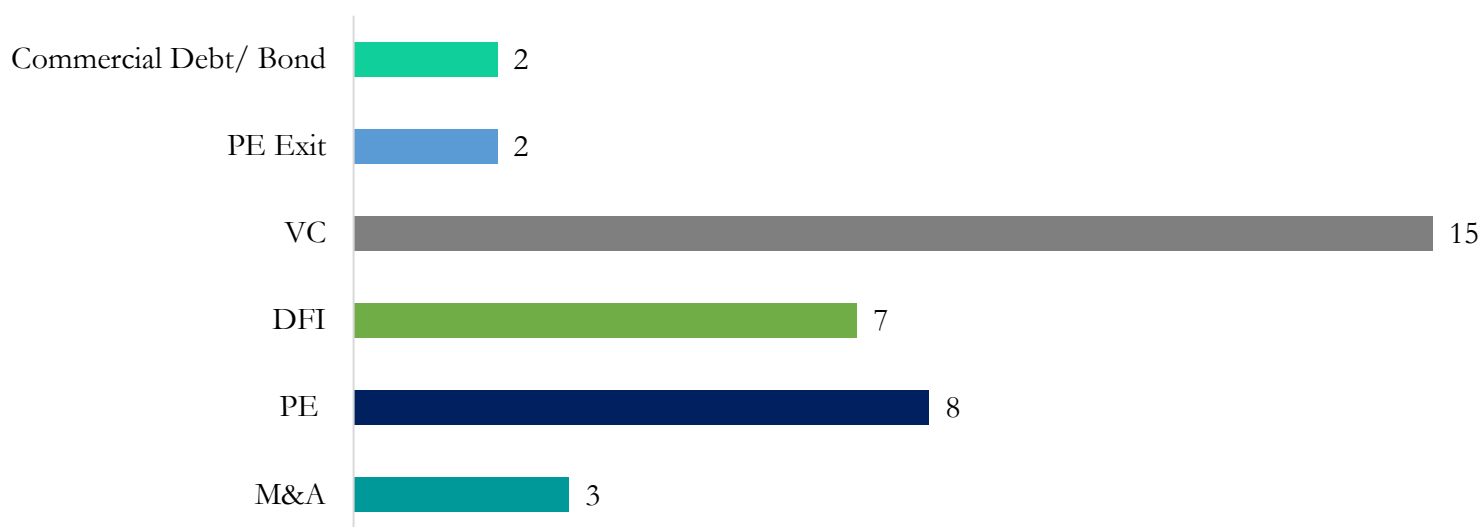
# PART I : DEAL STATISTICS

## Analysis by Sector

Sector	No. of Deals YTD	Disclosed Deal Value YTD (USD million)
 Financial Services	8	73.5
 ICT and Telecom	5	10.5
 Real Estate	3	59.5
 Healthcare	4	Undisclosed
 Agribusiness	2	3.6
 Automotive	2	2.3
 Energy	4	222.0
 Manufacturing	4	53.0
 Logistics	2	Undisclosed
 FMCG	1	21.0
 Water & Sanitation	1	3.0

## Analysis by Type of Transaction

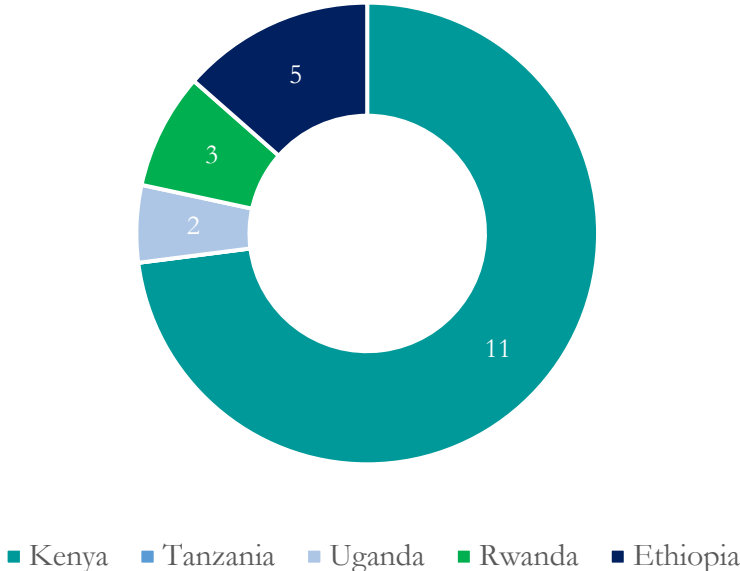
### TOTAL NUMBER OF DEALS IN EA – YTD 2023



# PART I : DEAL STATISTICS

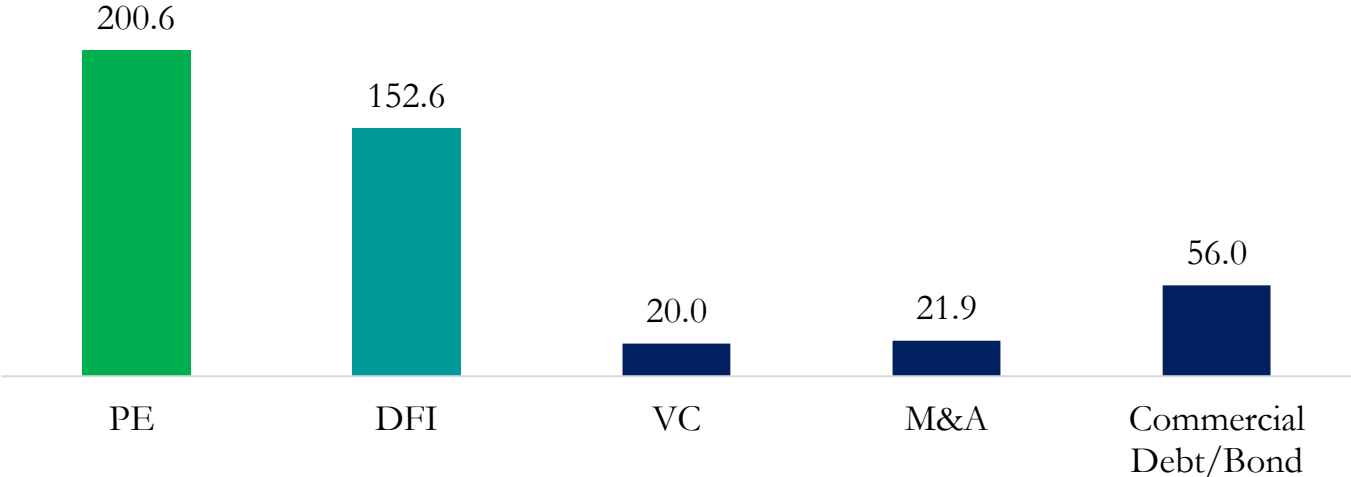
## Analysis by Country

### TOTAL NUMBER OF DEALS PER 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 may therefore be a mismatch between the “Sector Analysis” and “Analysis by Country” deal numbers.

### DEAL SIZE YTD 2023 IN USD M



## PART II : KEY MARKET INDICATORS

(As at 31<sup>st</sup> March 2023)

### Coupon Rate on Government Securities

Years	91-day	2 year	5 year	10 year
Kenya	9.74%	11.41%	13.57%	14.27%
Tanzania	4.00%	7.60%	8.60%	10.25%
Uganda	8.00%	11.50%	15.00%	15.59%

Source: Refinitive, respective Central Bank

### Inflation Rates

Years	Kenya	Tanzania	Uganda	Rwanda
2022 Actual Inflation	7.66%	4.35%	7.20%	17.70%
2023 Projected Inflation	6.64%	5.33%	6.40%	9.50%

Source: World Bank

### Central Bank Rates

Country/Region	Rate as at March 2023	Previous Rate
Central Bank of Kenya (Kenya)	9.50%	8.75%
Bank of Uganda (Uganda)	10.00%	10.00%
Bank of Tanzania (Tanzania)	5.00%	5.00%
National Bank of Rwanda (Rwanda)	7.00%	6.50%
South African Reserve Bank (RSA)	7.75%	7.25%
Central Bank of Nigeria (Nigeria)	18.00%	17.50%
Central Bank of Egypt (Egypt)	18.25%	16.25%
Bank of England (UK)	4.25%	4.00%
Federal Reserve Bank (USA)	4.75%	4.50%
European Central Bank (EU)	3.50%	3.00%

Source: CB Rates

## PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
4-Mar-23	Norfund	Hela Apparel	14	Manufacturing	DFI	Kenya	Norfund, the Norwegian government's investment fund signed a USD 14 million financing agreement with Hela Apparel Holdings PLC to bolster the development of its manufacturing operations in East Africa.
6-Mar-23	Velogic Logistics	Rongai Workshop & Transport Limited	Undisclosed	Logistics	M&A	Kenya	Mauritian conglomerate Rogers Group acquired Rongai Workshop & Transport Limited through one of its subsidiaries Velogic Logistics as part of its regional expansion strategy. The multinational did not disclose the value of the transaction which has seen the exit of the Vanessa Evans family which founded the logistics firm in Rongai in 1947.
7-Mar-23	Premier Bank Limited	First Community Bank	21.9	Financial Services	M&A	Ethiopia	A Mogadishu-based bank paid KES 2.8 billion for a controlling stake in the First Community Bank (FCB) in a deal designed to shore up the capital levels of the Kenyan lender that are in breach of regulation. Premier Bank Limited (Somalia), which has been in operation for under 10 years, was offered new 10.8 million shares in exchange for a 62.5% stake.
8-Mar-23	Local Globe, Foundational, Enza Capital, Seedstars International Ventures & others	Jumba	4.5	ICT	PE - VC	Kenya	Kenyan construction tech startup Jumba raised USD 4.5 million in seed funding led by LocalGlobe and featuring participation from Foundational, Enza Capital, Seedstars International Ventures, Logos Ventures, SpeedInvest, First Check Africa and Alumni Angel Network. The funds will be used to develop the company's technology and extend its growth in East Africa and beyond.
10-Mar-23	Zoscales Partners, Brook Fekadu	Pioneer Diagnostic Centre	Undisclosed	Healthcare	PE	Ethiopia	Private equity firm Zoscales Partners signed an agreement with Brook Fekadu, founder of Pioneer Diagnostic Center (PDC), to make a joint follow-on investment into the company to support its continued growth and expansion. The investment was intended to be used to buy additional machines and open new centres

## PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
17-Mar-23	BlackRock	FinnFund, Vestas, Investment Fund for Developing Countries	Undisclosed	Energy	PE Exit	Kenya	BlackRock Alternatives' public-private finance vehicle, Climate Finance Partnership (CFP), acquired a 31.25% stake in Lake Turkana Wind Power (LTWP), the largest wind farm in Africa. The stake was purchased from Vestas, Finnfund, and the Investment Fund for Developing Countries for an undisclosed sum.
22-Mar-23	Renew Capital Angels	Wazi Vision	Undisclosed	Manufacturing	PE - VC	Uganda	The Renew Capital Angels invested in Wazi Vision, a Ugandan company with a goal to change the eyewear industry in Africa. Founders Brenda Katwesigye Baganzi and Georgette Ochieng Ndabukiye launched Wazi in response to a gap in Uganda's eyewear market.
26-Mar-23	IBL Energy Holdings Ltd & STOA	Maris Ltd & Nvision Ltd (Equator Energy)	Undisclosed	Energy	PE Exit	Kenya	Maris Ltd and Nvision Ltd announced the sale of a majority stake in Equator Energy Ltd to IBL Energy Holdings Ltd, a fully owned subsidiary of the Mauritian conglomerate, IBL Group and STOA, an energy and infrastructure impact fund created by Caisse des Dépôts et Consignations (CDC) and Agence Française de Développement (AFD).
27-Mar-23	Grit Real Estate Income Group	Buffalo Mall	2	Real Estate	PE	Kenya	Mauritius-based, Grit Real Estate Income Group, acquired an additional 50.0% stake in Naivasha's Buffalo Mall that it did not already own in a deal valued at Sh262.5 million, the firm's new financial disclosures show. London Stock Exchange-listed Grit said in its financial report for the six months ended December 2022 that it had laid out a capital commitment of about USD2 million (Sh262.5 million) towards purchasing the additional stake from the mall's other investors.
27-Mar-23	DEG	WaterKiosk Ltd.	3	Water & Sanitation	DFI	Kenya	DEG, the German development finance institution, invested EUR 3 million in a project by Kenyan firm WaterKiosk Ltd and its Berlin-based sister company, Boreal Light GmbH, aimed at providing solar-powered water treatment facilities to hospitals in East Africa.

## PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
30-Mar-23	Renew Capital Angels	Xente	Undisclosed	Financial Services	PE - VC	Uganda	Renew Capital Angels invested in Ugandan digital payment platform, Xente, a business neobank that streamlines payments and financial management for companies on a single, user-friendly platform. By simplifying these processes, Xente aims to drive digital transformation in a region where the majority of payments are still conducted manually
30-Mar-23	CFAO	Tibu Health	Undisclosed	Healthcare	PE - VC	Kenya	Toyota Kenya's parent company, CFAO Group, increased its venture funding in the country with its financing of Tibu Health, a medical technology company which will use the new unspecified capital to find solutions to chronic illnesses. Health54, the healthcare-dedicated venture capital arm of CFAO Group did not disclose the funding amount but said the investment was expected to help Tibu continue its growth strategy.
31-Mar-23	Gemcorp Capital Management	Milele Energy	150	Energy	PE	Kenya	Milele Energy, a clean energy platform provider, raised a seed round of USD 150 million from Gemcorp Capital Management. This included the funding for the planned acquisition of a stake in the Lake Turkana Wind Power Project as well as focus on the development of clean energy assets across sub-Saharan Africa.



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I&M Burbidge Capital Limited is a corporate finance firm licensed by the Capital Markets Authority 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, Tax Advisory and other Corporate Finance Services.

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

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