



Burbidge  
Capital

# EAST AFRICA FINANCIAL REVIEW

NOVEMBER 2023

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# EAST AFRICA FINANCIAL REVIEW

## Editor's Note



### The Editorial Team

EDWARD BURBIDGE | KEVIN KURIA | AAYUSH SHAH

Deal making marginally improved in November with the region recording 8 transactions (7 in October) with a total disclosed deal value of c. USD 147.7 million from 4 transactions that had disclosed deal values. M&A transactions alongside private equity transactions comprised the largest share of deal activity with 3 transactions each and 2 VC deals closing the month's deal table. The financial services, ICT, and agribusiness sectors were the most active with 2 deals each whilst there were singular entries from the Mining and Telecommunication sectors. Kenya contributed the largest share of deals in November with 4 whilst Tanzania and Uganda each recorded two transactions.

We expect that the December deal announcements will push the full year numbers to match the FY 2022 activity with a higher disclosed deal value, even with a discounting of the USD 1 billion Actis exit earlier in the year. FY 2023 can be described as a tale of two halves with the first half recording deals born out of the economic resurgence following the Covid-19 pandemic and the second half recording a slow-down in transactions as the capital markets adjusted risk & return objectives in response to higher global interest rates expected to likely persist until Q2 2024. This sets the scene for our ice and fire narrative on the market.

Whilst financial investors have for the last several years dominated private capital activity, we expect to see declining growth in the pace of primary capital investments in the medium term, principally influenced by the poor macroeconomic environment, particularly in Kenya and Ethiopia. These two themes - the sluggish growth in primary capital investments and the low growth expectations in Kenya and Ethiopia - comprise the *ice* segment of our thematic narrative for the region's capital markets in the medium term. The *fire* segment comprises the resurgence of interest in Tanzania as an investment destination, the resilience of the Ugandan economy and crucially, the increasing pace of local and continental party driven M&A activity. The Tanzanian picture speaks for itself with the current administration in that country entrenching an investor friendly stance in a largely untapped c. USD 75 billion economy, albeit a slow-moving market. The Ugandan economy has held up well despite the challenging global macros & geopolitical challenges. The UGX has lost just 2.87% against the greenback in the YTD compared with the 24.94% loss in value of the KES. With the country expecting significant growth in FDI on account of the construction of the oil pipeline, economic prospects are positive. An exciting picture is also unfolding in M&A with both local and continental buyers increasingly looking in-country and regionally for inorganic growth avenues. The investment activity witnessed from Mauritian conglomerates such as IBL and the Rogers Group is a good example of this trend further bolstered by the keen interest in the regional financial services sector from Nigerian banks. Regionally, we have noted interest from Kenyan corporates in Eastern DRC and Tanzania, primarily in the financial services sector, and now in Tanzania more broadly based on anecdotal evidence. The latter trend also presents an opportunity for financial investors to deploy capital to drive local & regional M&A activity, creating scale, diversifying country risk and presenting attractive return potential.

IMBC's deal of the month is the USD 20 million investment into Africa Healthcare Networks (AHN) in the form of debt and equity from AfricInvest, Africa50 and a strategic investor, Ohara Pharmaceutical, based in Tokyo, Japan. The transaction also provided a partial exit for Asia Africa Investment Consulting's (AAIC) first fund.

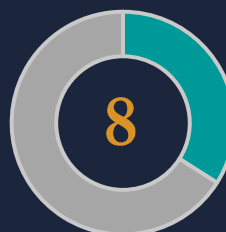
Kenyan listed equities turned positive in November, with the NSE 20, NSE 25 and NSE All Share Index recording gains of 2.4%, 0.4% and 3.8%, respectively. Average daily turnover decreased to USD 1.14 million from USD 1.40 million in October. Top gainers during the month included Bamburi Cement and Standard Group which were up by 53.1% and 25.4%, respectively. Flame Tree Group and WPP Scangroup posted the biggest losses ending the month down by 16.7% and 16.4%, respectively.

# KEY HIGHLIGHTS

- Total number of disclosed deals in the YTD increases to 121.
- Total disclosed deal values in the YTD now c. USD 3,635 million.
- VC investment activity accounts for 29% of YTD deal activity with PE, M&A and DFI activity comprising 27%, 20% and 14% of total corporate deals.

## November

### In Numbers



The number of disclosed deals in EA



Disclosed deal value in USD million



### IMBC Deal of the Month:

Africa Healthcare Network (AHN) raises USD 20 million in equity and debt funding from AfricInvest, Africa50 and Tokyo-based Ohara Pharmaceutical.



# INDUSTRY AWARDS 2023 WINNER

OUTSTANDING FINANCIAL ADVISOR



I&M BURBIDGE CAPITAL



# PART I : DEAL STATISTICS

## Analysis by Sector

| Sector   | No. of Deals YTD | Disclosed Deal Value YTD (USD million) |
|--|------------------|--|
|  Financial Services              | 27               | 436.5                                  |
|  Agriculture                     | 18               | 79.5                                   |
|  ICT and Telecom                 | 15               | 695.4                                  |
|  Healthcare                      | 14               | 83.7                                   |
|  Energy                          | 14               | 1358.0                                 |
|  Manufacturing                   | 10               | 689.0                                  |
|  Real Estate                     | 5                | 80.3                                   |
|  Automotive                      | 4                | 14.3                                   |
|  Logistics                      | 4                | 55.2                                   |
|  Hospitality, F&B              | 3                | 49.5                                   |
|  Professional & Other Services | 3                | 2.7                                    |
|  FMCG                          | 2                | 62.7                                   |
|  Mining                        | 2                | 25.0                                   |
|  Water & Sanitation            | 1                | 3.0                                    |

## Analysis by Type of Transaction

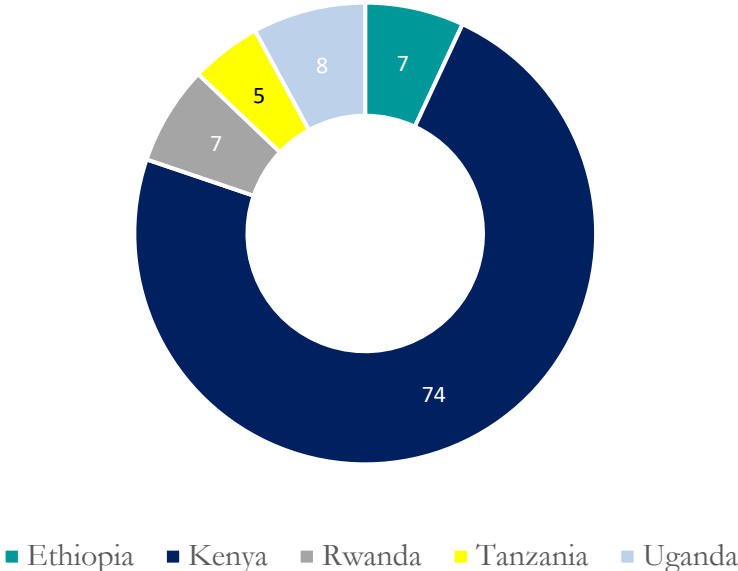
### TOTAL NUMBER OF DEALS IN EA – YTD 2023



# PART I : DEAL STATISTICS

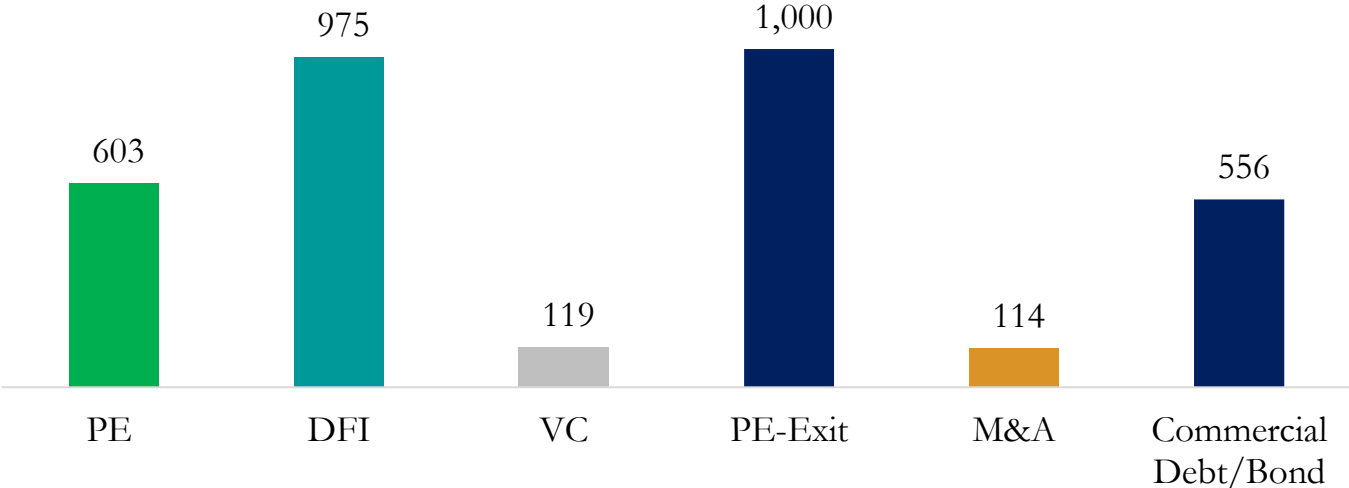
## Analysis by Country

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 30<sup>th</sup> November 2023)

### Coupon Rate on Government Securities

| Years    | 91-day | 2 year | 5 year | 10 year |
|----------|--------|--------|--------|---------|
| Kenya    | 15.53% | 15.64% | 18.06% | 17.63%  |
| Tanzania | 7.77%  | 7.60%  | 8.60%  | 10.25%  |
| Uganda   | 9.50%  | 13.65% | 14.25% | 15.5%   |

Source: Refinitive, respective Central Bank

### LTM Inflation Rates

| Years                    | Kenya | Tanzania | Uganda | Rwanda |
|--------------------------|-------|----------|--------|--------|
| 2022 Actual Inflation    | 9.59% | 4.90%    | 7.20%  | 5.60%  |
| 2023 Projected Inflation | 6.92% | 3.20%    | 2.40%  | 11.20% |

Source: World Bank

### Central Bank Rates

| Country/Region                    | Rate as at November 2023 | Rate as at October 2023 |
|-----------------------------------|--------------------------|-------------------------|
| Central Bank of Kenya (Kenya)     | 10.50%                   | 10.50%                  |
| Bank of Uganda (Uganda)           | 9.50%                    | 9.50%                   |
| Bank of Tanzania (Tanzania)       | 5.00%                    | 5.00%                   |
| National Bank of Rwanda (Rwanda)  | 7.50%                    | 7.50%                   |
| South African Reserve Bank (RSA)  | 8.25%                    | 8.25%                   |
| Central Bank of Nigeria (Nigeria) | 18.75%                   | 18.75%                  |
| Central Bank of Egypt (Egypt)     | 19.25%                   | 19.25%                  |
| Bank of England (UK)              | 5.25%                    | 5.25%                   |
| Federal Reserve Bank (USA)        | 5.33%                    | 5.33%                   |
| European Central Bank (EU)        | 4.50%                    | 4.50%                   |

Source: CB Rates

## PART III : SELECTED DEALS

| Date       | Buyer                           | Seller                                    | Deal size (M USD) | Sector             | Type | Country  | Synopsis  |
|------------|---------------------------------|---|-------------------|--------------------|------|----------|---|
| 02/11/2023 | E3 Capital and FSD Africa       | CAVEX (4R Digital)                        | 6                 | Financial Services | VC   | Kenya    | The Carbon Value Exchange (Cavex) secured Sh905.15 million (USD 6 million) in seed capital to scale its digital carbon financing platform. The transaction was led by E3 Capital, a Nairobi-based investor in early-stage businesses and FSD Africa Investment to help Cavex's existing and future portfolio companies access carbon markets.                                       |
| 08/11/2023 | AfricInvest                     | I&M Group                                 | Undisclosed       | Financial Services | PE   | Kenya    | UK development finance institution British International Investment (BII) sold its 10.13% stake in I&M Group to East Africa Growth Holding. The buyer of the stake was an investment vehicle established by Africinvest Fund IV LLC, Africinvest IV Netherlands C.V. and AfricInvest Financial Inclusion Vehicle LLC. P   |
| 14/11/2023 | Africa Capitalworks             | Cipla Quality Chemical Industries Limited | Undisclosed       | Healthcare         | PE   | Uganda   | Africa Capitalworks, an investment company that deploys permanent equity capital in strategically-selected sectors across sub-Saharan Africa acquired a majority stake in Cipla Quality Chemical Industries Limited (QCIL) from the Cipla Limited Group (Cipla). QCIL, which is listed on the Uganda Securities Exchange is the largest pharmaceutical manufacturer in East Africa. |
| 16/11/2023 | Sarrai Group and Rwimi Holdings | Hima Cement Limited                       | 120               | Manufacturing      | M&A  | Uganda   | The Sarrai Group, a local industrial conglomerate, and Rwimi Holdings, a regional investment firm, bought Hima Cement Ltd., a Ugandan subsidiary of Bamburi Cement Group, for USD 120 million. The deal will give the buyers 100% ownership of Hima Cement Ltd., which is one of the leading cement producers in Uganda.  |
| 20/11/2023 | Amsons Group                    | Mbeya Cement Limited                      | Undisclosed       | Manufacturing      | M&A  | Tanzania | Holcim signed an agreement to divest its business in Tanzania. Holcim agreed to sell its 65% participation in Mbeya Cement Company Ltd in Tanzania to Amsons Group for an undisclosed sum. Completion of the transaction is subject to obtaining the respective regulatory clearances.  |

## PART III : SELECTED DEALS

| Date       | Buyer  | Seller                          | Deal size (M USD) | Sector       | Type | Country  | Synopsis   |
|------------|--|---------------------------------|-------------------|--------------|------|----------|--|
| 22/11/2023 | AfricInvest, Africa50 and Ohara Pharmaceutical | Africa Healthcare Network (AHN) | 20                | Healthcare   | PE   | Tanzania | Africa Healthcare Network (AHN), a provider of dialysis services in Africa, secured USD 20 million in equity and debt funding from AfricInvest, Africa50 and Tokyo-based Ohara Pharmaceutical. The funding will enable AHN to accelerate its growth and address significant gaps in the availability of high quality, affordable renal care across Africa. |
| 23/11/2023 | Aqua-Spark, Acumen and Other Investors         | Aquarech                        | 1.7               | Agriculture  | VC   | Kenya    | Kenyan fish farming startup Aquarech raised USD 1.7 million in equity funding to help it improve outcomes for small-scale fish farmers in Kenya through its mobile app platform. The investment was led by Netherlands-based global aquaculture investment fund Aqua-Spark, with additional capital from Acumen, Katapult and Mercy Corps Ventures.        |
| 28/11/2023 | Creadev and Juven                              | Twiga Foods Limited             | Undisclosed       | Agribusiness | VC   | Kenya    | Twiga Foods Limited received an undisclosed amount from Creadev and Juven. The investment is aimed at repositioning and fine-tuning operating processes as well enabling further resource mobilization to ensure long-term resilience of the business.   |



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I&M Burbidge Capital Limited is a corporate finance advisory firm that provides financial capital solutions across the Sub-Saharan Africa region.

### 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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### Head Office

3rd Floor, 1 Park Avenue  
1st Parklands Avenue, Parklands  
P.O. Box 51525-00100  
Nairobi, Kenya  
Tel: 020 2100 102

### Kampala Office

Orient Plaza  
Kampala, Uganda  
Tel: +256 (0) 794 476 967

### Editorial Team

 **EDWARD BURBIDGE, CEO**  
 [Edward.Burbidge@imburbidgecapital.com](mailto:Edward.Burbidge@imburbidgecapital.com)

 **KEVIN KURIA, Senior VP**  
 [Kevin.Kuria@imburbidgecapital.com](mailto:Kevin.Kuria@imburbidgecapital.com)

 **AAYUSH SHAH, Analyst**  
 [Aayush.Shah@imburbidgecapital.com](mailto:Aayush.Shah@imburbidgecapital.com)