



Burbidge
Capital

EAST AFRICA FINANCIAL REVIEW

MAY 2024

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EAST AFRICA FINANCIAL REVIEW

Editor's Note



The Editorial Team

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Deal making in East African capital markets picked up in May with 11 deals having been disclosed in the month (increasing from 7 in April) which had a total disclosed deal value of c. USD 479 million (from 5 transactions that had disclosed deal values). DFI investment activity outpaced all other investor classes with 4 transactions which were accompanied by 3 PE deals, 2 M&A and 2 VC transactions. The agribusiness sector was the most active with 5 transactions, whilst the manufacturing and ICT sectors followed with 2 transactions each and singular entries from the mining and real estate sectors. Geographically, deal activity was well spread with Kenya having recorded 6 deals, 2 entries each from Tanzania and Uganda, and a single entry from Rwanda.

The reversal in the declining trend of deal announcements in May is a welcome development and one which we hope leans into recent positive economic developments. Notably, a significant portion of transactions announced during the month were led by development finance institutions. Whilst only one observation, we ponder whether the still challenging overall macroeconomic conditions in the region paired with the developmental profile of a significant portion of capital in the region will translate into a deal profile dominated by climate and food security related investments, which are hugely topical, at least in the coming quarter. We think that this may well be the case and it is further reinforced by an increasing number of GPs raising climate focused funds, and the inclusion of food security mandates for a number of DFIs who previously had not focused on this theme.

As we suggested in the April edition, the regional macroeconomic picture remains mixed, with negative cyclical headwinds from high interest rates, concerns over debt distress, unfavourable fiscal policy, and currency volatility in Tanzania and Uganda pitted against positive cyclical and structural tailwinds including a favourable inflation trend, currency stability in Kenya, a large young and well-educated populace, sizeable renewable energy base, and continued infrastructure investments. This backdrop leads us to the conclusion that whilst we maintain our expectation for continued investor interest in the region, we expect higher diligence & return requirements and as a result longer transaction completion timelines.

IMBC's deal of the month is the significant minority equity investment by the Ascent Rift Valley Fund into Dune Packaging, a paper packaging manufacturer with products that serve the agriculture, FMCG and pharmaceutical industries. The investment is expected to support the expansion of production capacity through investments in new machinery and the exploration of opportunities in new markets. This investment marks the third investment by Ascent in sustainable packaging following investments in Universal Plastics in Ethiopia and Acme Plastics in Kenya, a deal in which IMBC was the transaction advisor.

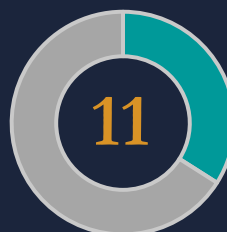
The listed equities market reversed its negative performance trend in May, with the NSE 20, NSE 25 and NSE All Share Index recording 1.9%, 3.9% and 6.0% in gains, respectively. Average daily turnover increased to USD 5.87 million, from USD 2.75 million in April 2024. Top gainers during the month included Kenya Re-Insurance and B.O.C which were up by 23.8% and 23.5%, respectively. TPS Serena and Trans-Century recorded the biggest losses ending the month down by 21.6% and 20.0%, respectively.

KEY HIGHLIGHTS

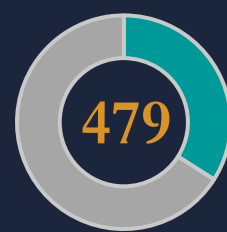
- Total number of disclosed deals in the YTD increases to 59.
- Total disclosed deal values in the YTD now c. USD 952 million.
- VC investment activity accounts for 42% of YTD deal activity with M&A, PE and DFI activity comprising 20%, 17% and 15% of total corporate deals.

MAY

In Numbers



The number of disclosed deals in EA



Disclosed deal value in USD million













IMBC Deal of the Month:

Ascent Capital Africa's significant minority equity investment in Dune Packaging.

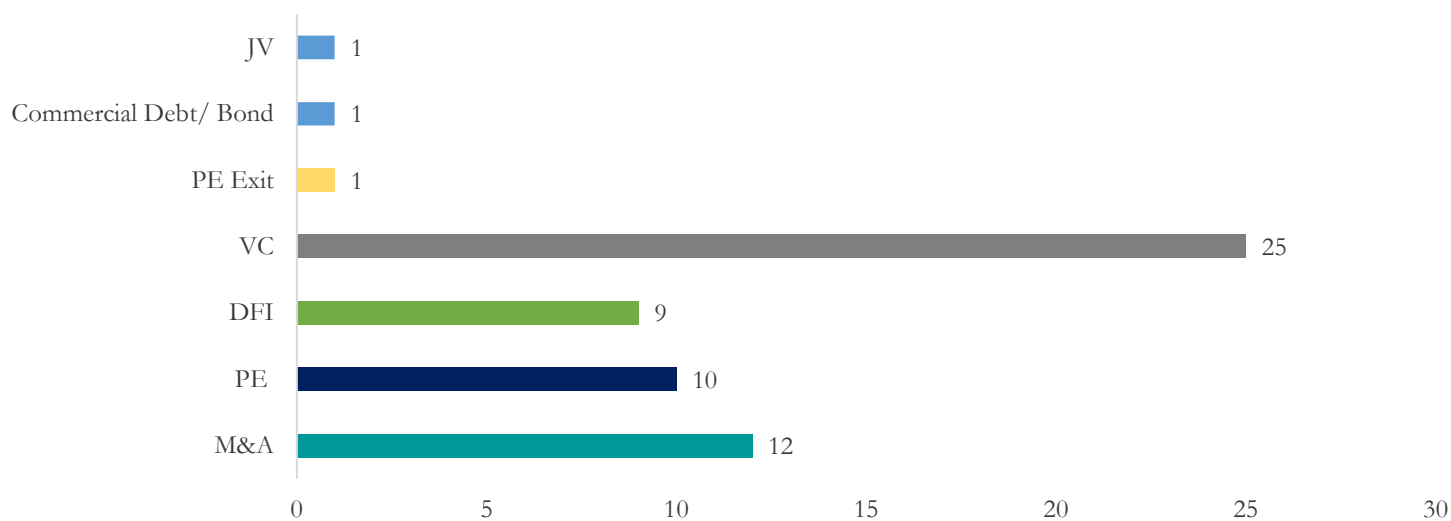
PART I : DEAL STATISTICS

Analysis by Sector

Sector	No. of Deals YTD	Disclosed Deal Value YTD (USD million)
 Agribusiness	13	238.4
 Manufacturing	9	229.2
 Energy	9	141
 ICT and Telecom	6	70.5
 Financial Services	6	37.75
 Automotive	6	31
 Healthcare	3	24.2
 Real Estate	2	180
 Professional & Other Services	2	Undisclosed
 Logistics	1	Undisclosed

Analysis by Type of Transaction

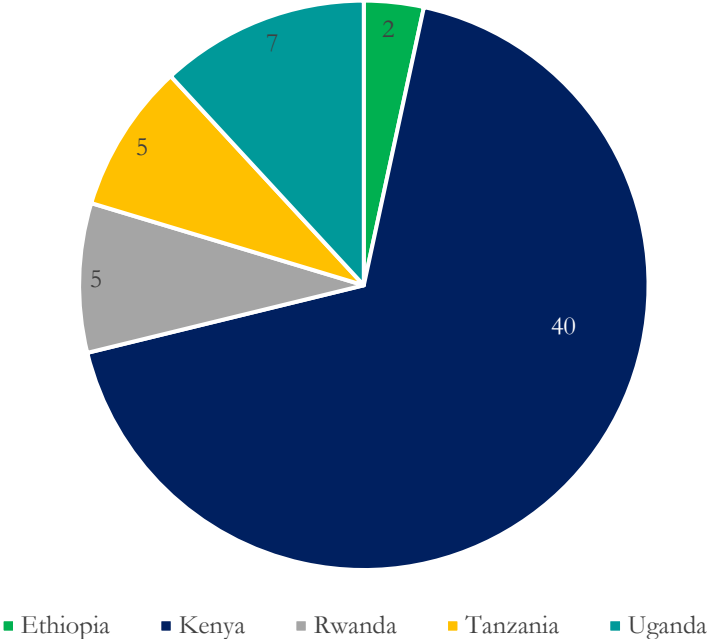
TOTAL NUMBER OF DEALS IN EA - YTD 2024



PART I : DEAL STATISTICS

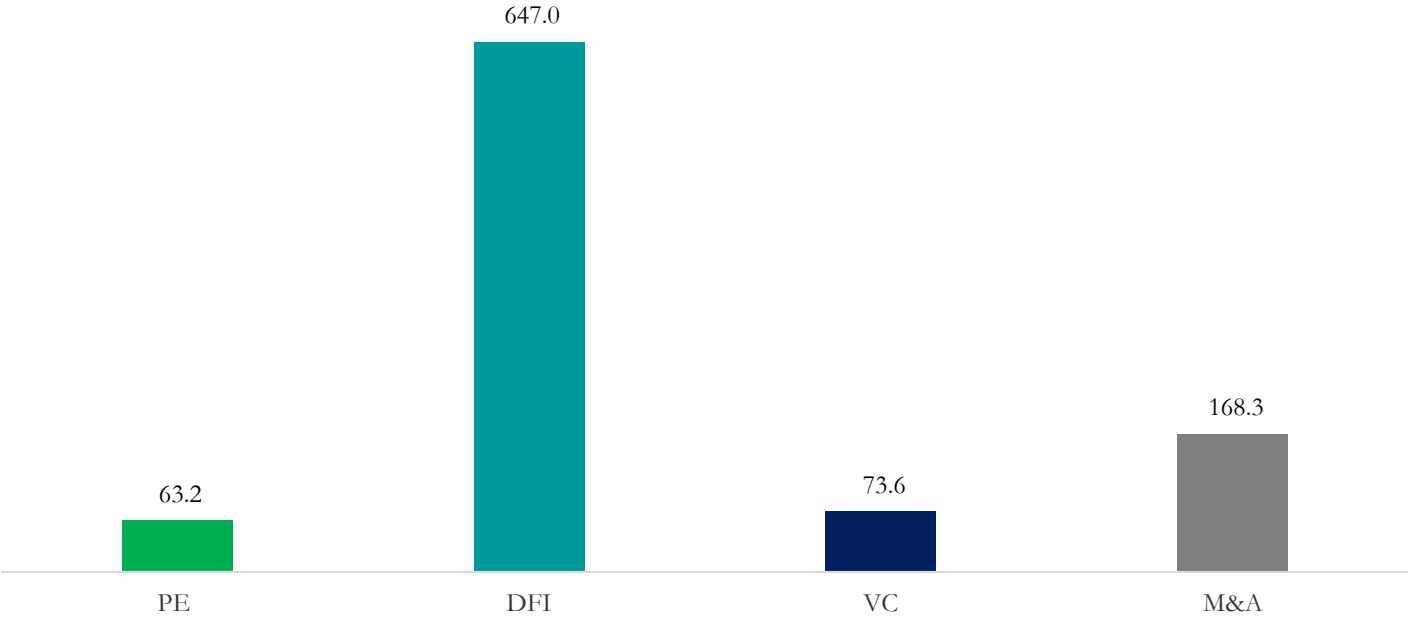
Analysis by Country

TOTAL NUMBER OF DEALS PER COUNTRY– YTD 2024



*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 2024 IN USD M



PART II : KEY MARKET INDICATORS

(As at 31st May 2024)

Coupon Rate on Government Securities

Years	91-day	2 year	5 year	10 year
Kenya	19.95%	17.09%	17.33%	17.22%
Tanzania	8.07%	7.60%	8.60%	11.44%
Uganda	9.68%	13.60%	15.02%	15.51%

Source: Refinitive, respective Central Bank

LTM Inflation Rates

Years	Kenya	Tanzania	Uganda	Rwanda
2023 Actual Inflation	8.03%	4.00%	6.20%	17.80%
2024 Projected Inflation	5.00%	3.10%	3.60%	4.20%

Source: World Bank

Central Bank Rates

Country/Region	Rate as at May 2024	Rate as at April 2024
Central Bank of Kenya (Kenya)	13.00%	13.00%
Bank of Uganda (Uganda)	10.25%	10.00%
Bank of Tanzania (Tanzania)	6.00%	6.00%
National Bank of Rwanda (Rwanda)	7.00%	7.50%
South African Reserve Bank (RSA)	8.25%	8.25%
Central Bank of Nigeria (Nigeria)	26.25%	24.75%
Central Bank of Egypt (Egypt)	27.25%	27.25%
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
01-May-24	AgDevCo	Agris	Undisclosed	Agribusiness	PE	Kenya	Specialist agriculture investor, AgDevCo made an equity investment, for a significant minority position, into the East African agribusiness platform Agris – the agriculture division of Maris Ltd. The investment will support the growth of Agris’ production and distribution of high-quality herbs, vegetables, and avocados from its farms in Kenya, serving domestic and international markets.
01-May-24	Inua Capital	Forna Health Foods	Undisclosed	Agribusiness	PE - VC	Uganda	Inua Capital, an impact fund investing in SMEs in Uganda, announced an investment in Fornia Health Foods (Aunt Porridge), as one of its first investments under the GLI impact fund. They invested equity and mezzanine financing into Fornia Health Foods to scale its reach nationwide and expand its ability to source farm produce from smallholder farmers across Uganda.
02-May-24	Saturn Resources Limited	Shanta Gold Limited	Undisclosed	Mining	M&A	Kenya	The Competition Authority of Kenya (CAK) approved the proposed acquisition of gold exploration company Shanta Gold Limited by ETC Group’s Saturn Resources Limited for an undisclosed sum. Shanta Gold Limited is in the gold exploration business and currently holds mining licences in the western Kenya region where it discovered three more gold fields in 2022.
03-May-24	Ascent Capital	Dune Packaging Limited	14	Manufacturing	PE	Kenya	Dune Packaging, a packaging solutions provider in Kenya, announced a significant minority equity investment in its business by the Ascent Rift Valley Fund II. Ascent Capital’s infusion of capital into Dune Packaging provided the company with the resources needed to enhance its operations and drive growth. This includes expanding production capacity through investments in new machinery and exploring opportunities in new markets.
08-May-24	Browns Investments	Lipton Teas and Fusion	Undisclosed	Agribusiness	M&A	Kenya	Lipton Teas and Infusion transferred its tea estates in Kenya, Rwanda, and Tanzania to Browns Investments with shares totaling 15% of the main Kenyan operating company offered to the communities of Kericho and Bomet.

PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
09-May-24	Admaius Capital	TRES Infrastructure Limited	Undisclosed	Telecommunications	PE	Rwanda	Admaius Capital Partners announced its majority equity investment into TRES Infrastructure Limited, the only local licensed tower owner, operator, and developer of shared telecommunications infrastructure in Rwanda. The investment will enable TRES Infrastructure to expand its tower portfolio locally coupled with the roll-out of 4G and 5G network across the country.
17-May-24	International Finance Corporation (IFC) and Italian Climate Fund	Eni Kenya	210	Agribusiness	PE - DFI	Kenya	IFC and the Italian Climate Fund are investing USD 210 million in Eni S.p.A.'s Kenyan subsidiary to boost advanced biofuel production and processing. This initiative will support the decarbonization of global transport and benefit up to 200,000 small-scale oilseed farmers in Kenya by enhancing biofuel feedstock production and building new processing plants.
20-May-24	British International Investment (BII)	TOA Tanzania	30	Telecommunications	PE - DFI	Tanzania	TowerCo of Africa Tanzania (TOA Tanzania) has secured USD 30 million in financing from British International Investment (BII). This investment will support TOA Tanzania's plan to construct around 200 new telecom sites, aiming to bridge the digital gap in Tanzania.
24-May-24	International Finance Corporation (IFC)	Kioo	45	Manufacturing	Debt - DFI	Tanzania	The International Finance Corporation (IFC) supported the expansion of Tanzanian glass manufacturer. Under the partnership, IFC will provide a loan of up to USD 45 million to help Kioo grow its manufacturing capacity and reduce its environmental impact. With IFC's support, Kioo will increase the amount of recycled glass that it uses in its production process, helping to reduce energy consumption.
27-May-24	US Development Finance Corporation (DFC)	Acorn Holdings Limited	180	Real Estate	Debt - DFI	Kenya	Acorn Holdings has secured USD 180 million from the US Development Finance Corporation (DFC) to build 35 affordable student housing units. This deal will help Acorn raise over USD 380 million in Kenyan Shillings and attract USD 315 million from capital markets, totaling USD 700 million over 18 years. Half of the loan will fund the Acorn Student Accommodation Development-Real Estate Investment Trust.

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