



Burbidge  
Capital

# EAST AFRICA FINANCIAL REVIEW

MAY 2023

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# EAST AFRICA FINANCIAL REVIEW

## Editor's Note



### The Editorial Team

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Investor interest in East Africa remained robust as demonstrated by deal making activity with the market recording 14 disclosed deals in May, with a total disclosed deal value of c. USD 277 million (from 6 transactions that had disclosed deal values). Investment activity was concentrated in the venture capital space with the asset class recording 8 deals; whilst M&A activity contributed 3 deals, with 2 and 1 entries from PE and DFI investments, respectively. The financial services sector was the most active sector with 5 transactions, whilst the ICT/telecommunications and agribusiness sectors each recorded double entries. 5 other sectors contributed single entries to the total deal count. Kenya took the primary share of deals with 11, whilst Uganda, Rwanda and Ethiopia contributed single entries to the total tally.

In Kenya, the debate on the proposals in the Finance Bill 2023 continued to take shape. The bill proposes a raft of measures to increase revenue collection, which are envisaged to shore up the government's ability to settle upcoming debt obligations. Several key proposals, which if passed, are likely to have a notable impact on the business environment and the capital markets include the imposition of a 16% VAT rating on fuel (up from 8%), the introduction of a 16% VAT charge on the sale of businesses as going concerns; and the proposals to tax off-market transfers of local business interests.

Similar to other emerging markets susceptible to global macro shocks, the region will face significant headwinds in the short term which are likely to dampen growth oriented capital transactions. However, given the positive long term fundamentals, including demographics and base infrastructure assets, as well as emergent signs of cooling in developed economies (such as the technical recession in the eurozone), we maintain our belief that the EA region still presents an attractive investment destination not only for captive developmental capital but also for smart strategic capital. This is already evident from the level of interest demonstrated by Mauritian entities and Asian conglomerates. We expect that South & West African strategics will soon join this fray with Western developed market conglomerates to follow. A patient and nuanced approach to risk will be required to exploit the narrow windows of opportunity today. We would therefore expect the continued increase in local and regionally driven M&A opportunities in the short to medium term, as well as a higher laser focus on defensive sectors from financial investors.

IMBC's deal of the month is the USD 250 million debt and equity raise by Mkopa, with the aim of expanding its financial services offering to underbanked consumers across sub-Saharan Africa. This fundraising achievement represents one of the largest combined debt and equity raises in the African tech sector, and is notable for its completion in a challenging venture capital fundraising environment. The equity round of c. USD 55 million was led by the Sumitomo Corporation and brings the company's total disclosed equity amounts raised to c. USD 245 million since its inception in 2011.

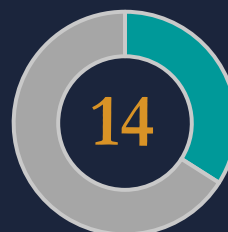
Kenyan listed equities continued to suffer month on month losses in May with the NSE 20, NSE 25 and NSE All Share Index posting 2.0%, 3.7% and 6.7%, in losses, respectively. Average daily turnover marginally increased to USD 2.0 million from USD 1.8 million in April. Top gainers during the month included Eveready East Africa and Nation Media Group which were up by 116.5% and 27.3%, respectively. Express Kenya and Nairobi Business Ventures posted the biggest losses ending the month down by 31.7% and 18.8%, respectively.

# KEY HIGHLIGHTS

- Total number of disclosed deals in the YTD increases to 63.
- Total disclosed deal values in the YTD now c. USD 1,468 million.
- VC investment activity accounts for 38% of YTD deal activity with PE, DFI and M&A activity comprising 25%, 19% and 11% 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:

Mkopa's USD 250 million debt and equity raise.

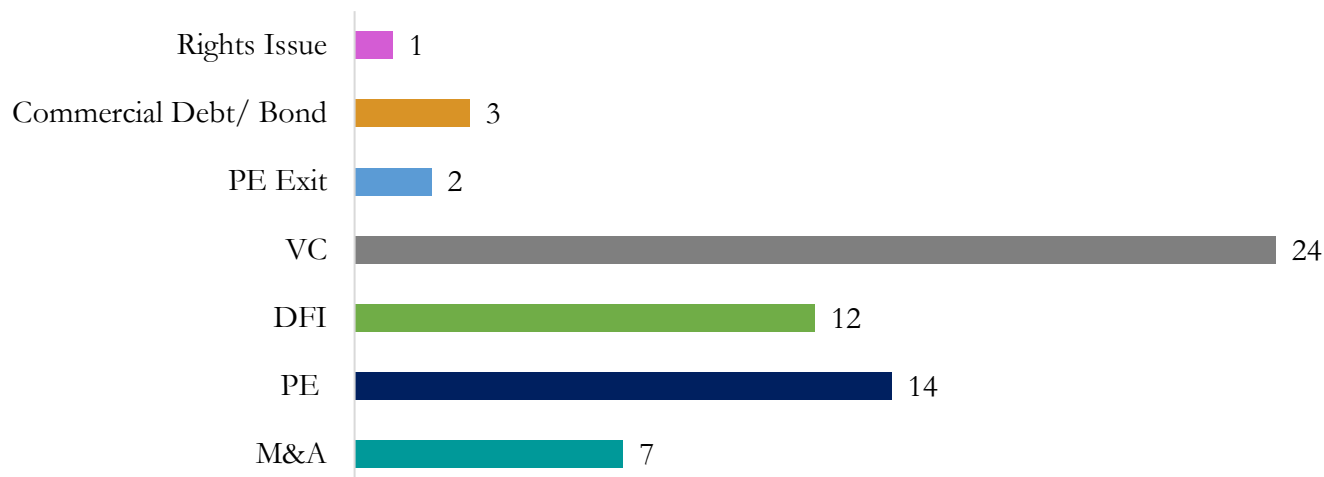
# PART I : DEAL STATISTICS

## Analysis by Sector

Sector	No. of Deals YTD	Disclosed Deal Value YTD (USD million)
 Financial Services	14	328.8
 ICT and Telecom	9	182.6
 Energy	8	225.4
 Healthcare	7	22.7
 Manufacturing	7	553.0
 Agriculture	6	48.6
 Real Estate	4	77.0
 Automotive	2	2.3
 Logistics	2	Undisclosed
 FMCG	1	21.0
 Water & Sanitation	1	3.0
Professional Services	2	2.7

## Analysis by Type of Transaction

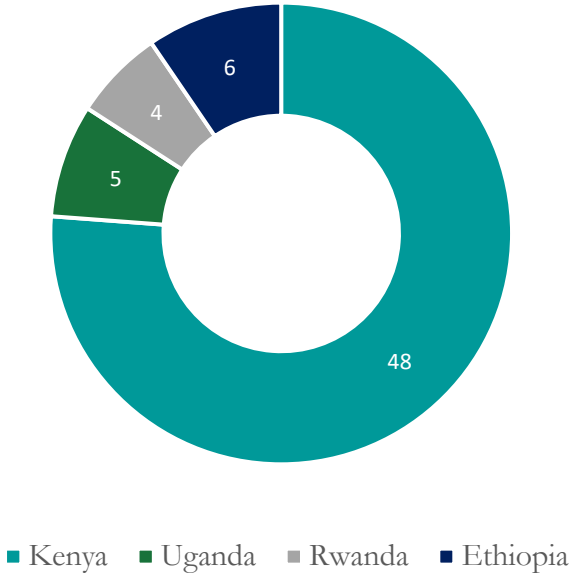
### TOTAL NUMBER OF DEALS IN EA – YTD 2023



# PART I : DEAL STATISTICS

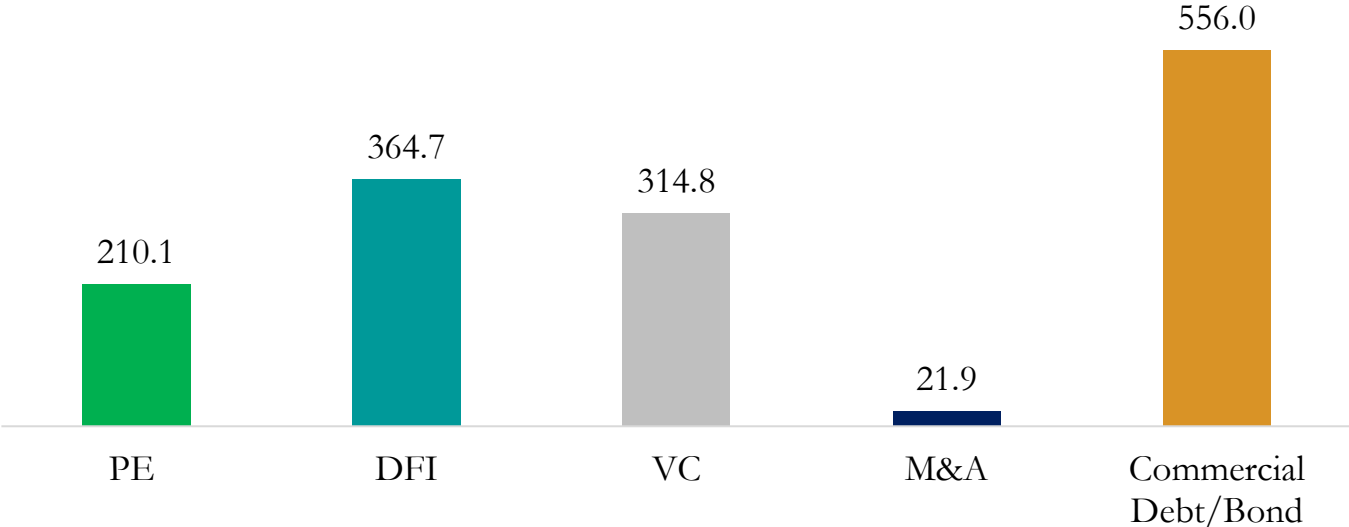
## Analysis by Country

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	10.83%	11.63%	14.10%	14.52%
Tanzania	3.96%	7.81%	9.04%	10.88%
Uganda	6.45%	10.33%	14.85%	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 May 2023	Rate as at April 2023
Central Bank of Kenya (Kenya)	9.50%	9.50%
Bank of Uganda (Uganda)	10.00%	10.00%
Bank of Tanzania (Tanzania)	5.00%	5.00%
National Bank of Rwanda (Rwanda)	7.00%	7.00%
South African Reserve Bank (RSA)	8.25%	7.75%
Central Bank of Nigeria (Nigeria)	18.50%	18.00%
Central Bank of Egypt (Egypt)	18.25%	18.25%
Bank of England (UK)	4.50%	4.50%
Federal Reserve Bank (USA)	5.25%	5.25%
European Central Bank (EU)	3.75%	3.75%

Source: CB Rates

## PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
4-May-23	Inflection Point Ventures, Grenfell Holdings, Venture Catalysts and Other Investors	Badili	2.1	Telecommunication	PE - VC	Kenya	Badili, an African ReComm startup that buys and sells used smartphones, raised a pre-seed round of USD 2.1 million from V&R Africa, Venture Catalysts, Inflection Point Ventures, Grenfell Holdings, Uncovered Fund Japan, SOSV, and a dozen other family offices from Kenya, Nigeria, South Africa, and India. The funds raised were expected to be utilized for the physical expansion of the company across several markets in Africa, as well as for working capital, marketing, operations, and the establishment of repairing labs and administrative functions.
5-May-23	Browns Investment Plc	James Finlay	Undisclosed	Agriculture	M&A	Kenya	An undisclosed stake in multinational tea firm James Finlay Kenya was purchased by Sri Lankan firm Browns Investment Plc in a deal that was expected to result in locals holding a 15% ownership through a co-operative. The Saosa tea extraction facility, which was expected to be used to source and process green leaves from outgrowers, was retained by Finlay, along with their farms in Kericho and Bomet counties.
5-May-23	Sun King	PayGo Energy	Undisclosed	Energy	M&A	Kenya	PayGo Energy, an innovator in pay-as-you-go technology for clean cooking, was acquired by Sun King, the largest off-grid energy company in Africa and Asia. Sun King was expected to focus on developing a range of cooking products powered by solar energy, liquified petroleum gas (LPG), electrical grids, and other energy sources. These products, along with consumer financing services, will enable African and Asian customers to pay for energy and equipment in small, affordable installments.
6-May-23	Shara Inc.	Maisha Microfinance Bank Limited	Undisclosed	Financial services	M&A	Kenya	Maisha Microfinance Bank Limited (Maisha MFB) in Kenya was acquired by Shara Inc., a Delaware-based fintech firm, resulting in Shara holding a controlling stake. The acquisition of 55.8% of Maisha MFB by Cactus Cantina Investments Limited, a Kenyan entity fully owned by Shara, was confirmed by the Central Bank of Kenya (CBK), with the transaction becoming effective from May 1, 2023.

## PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
15-May-23	The Case for Her	YeneHealth	Undisclosed	Healthcare	PE - VC	Ethiopia	YeneHealth, a FemTech startup based in Ethiopia, secured pre-seed investment from The Case for Her, a Swedish-based women's health investment fund. YeneHealth aims to advance sexual and reproductive health services and offers accessible, confidential, convenient, and personalized healthcare to women. The investment in YeneHealth was expected to expand its reach and improve its product offerings.
17-May-23	Standard Bank Group, Sumitomo Corporation, Blue Haven Initiative, Lightrock, Broadscale Group and Latitude	M-Kopa	250	Financial services	PE - VC	Kenya	M-KOPA, a fintech platform, raised over USD 250 million in new debt and equity funding with the aim of expanding its financial services offering to underbanked consumers across sub-Saharan Africa. This fundraising achievement represents one of the largest combined debt and equity raises in the African tech sector, granting M-KOPA the opportunity to sustain its rapid growth. Standard Bank Group, Africa's largest bank and a long-term strategic partner to M-KOPA, led and arranged over USD 200 million in sustainability-linked debt financing.
17-May-23	TCG Crypto, Saison Capital, Global Coin Research and Other Investors	Jia	4.3	Financial services	PE - VC	Kenya	Jia, a blockchain-based fintech company that provides loans to micro and small businesses in emerging markets, raised USD 4.3 million in seed funding. It also received an additional USD 1 million commitment for on-chain liquidity in a funding round led by early-stage backer TCG Crypto, with participation from funds such as BlockTower, Hashed Emergent, Saison Capital, and Global Coin Research. The funding received was expected to be utilized to strengthen its operations in Kenya and the Philippines, with the intention of expanding into new markets in West Africa, Latin America, and Asia.
18-May-23	Pale Blue Dot, RaliCap, W3i, Superorganism and Other Investors	Amini	2	Agribusiness	PE - VC	Kenya	Amini, a Nairobi-based climate tech startup that focuses on addressing Africa's environmental data gap using artificial intelligence and satellite technology, raised USD 2 million in pre-seed funding. The funding round was led by Pale Blue Dot and included participation from investors like RaliCap, W3i, and other angel investors.

## PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
19-May-23	From Here Ventures	ElevateHR Africa	Undisclosed	Professional and Other Services	PE - VC	Kenya	ElevateHR raised a seed round from From Here Ventures. ElevateHR is a cloud-based HR management platform that provides modules in payroll, salary advance, leave management, and performance management, among others.
23-May-23	Equator Capital - Shorcap Fund II	Credit Bank PLC	Undisclosed	Financial services	PE	Kenya	Mauritius private equity fund, Equator Capital through Shorecap Fund II, acquired a 20% stake in Credit Bank Plc (CBP), following approvals granted by the Central Bank of Kenya (CBK) effective June 15th, 2023.
23-May-23	InvestAfrica FZCO	Eveready E.A	Undisclosed	Manufacturing	PE	Kenya	East Africa Batteries Limited, owned by the family of the late businessman Naushad Merali, agreed to sell its 35% stake in Eveready East Africa to Dubai-based InvestAfrica FZCO.
23-May-23	DOB Equity, KUA Ventures and Other Investors	Zydii	Undisclosed	ICT	PE - VC	Kenya	Zydii, a Kenya-based digital training solutions provider, raised pre-seed funding from DOB Equity, Kua Ventures, Kaleo Ventures, and NaiBAN. The funds obtained will aid in supporting the growth of the company and expanding its range of upskilling solutions for the African business workforce.
24-May-23	IFC	Duval Group	17.5	Real Estate	PE - DFI	Rwanda	A USD 17.5 million investment was made by the International Finance Corporation (IFC) in the French real estate conglomerate, Duval Group, for the development of a mega mixed-use building complex situated opposite the Kigali Convention Centre in the Rwandan capital.
31-May-23	Advancly	Zofi Cash	1	Financial services	PE - VC	Uganda	Zofi Cash raised USD 1 million in pre-seed funding from Advancly, a business-to-business financing company operating in six African countries. This funding will allow Zofi Cash to expand its operations in Uganda.



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

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