



Burbidge
Capital

EAST AFRICA FINANCIAL REVIEW

AUGUST 2023

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EAST AFRICA FINANCIAL REVIEW

Editor's Note



The Editorial Team

EDWARD BURBIDGE | KEVIN KURIA | AAYUSH SHAH

Deal making marginally slowed in August with the region recording 12 transactions (14 in July) with a total disclosed deal value of c. USD 156 million from 6 transactions that had disclosed deal values. M&A transactions comprised the largest share of deal activity with 5 entries which, were accompanied by 3 DFI deals and 2 entries each for private equity and venture capital. The financial services, energy, and agribusiness sectors were the most active with 4, 3 and 2 transactions whilst there were singular entries from the hospitality, logistics and professional services sectors. Kenya accounted for 66% of all transactions whilst Tanzania accounted for 17% and Uganda & Rwanda 8%, each.

The East African deal making market continues to surprise to the upside, though with a somewhat subdued August from a deal pipeline perspective. We attribute this to the European August holidays which tend to interrupt regional deal activity due to the predominantly Eurocentric nature of institutional private capital in the region. We expect that as we move into Q4 2023, corporate deal activity will be resurgent with the completion of transactions that started in the last 12 months and which were, in part, driven by post-covid recovery.

However, As we have noted before, the medium-term picture over the next 12 months remains uncertain with global economic performance and interest rates presenting both significant headwinds and tailwinds in an Ice and Fire narrative. The decisive and painful fiscal measures taken by the authorities in Kenya are likely to hamper performance for the next 12 months but at the same time are expected to shore up confidence in the country's ability to manage its debt obligations. The Tanzanian economy is also beleaguered by foreign exchange shortages amidst a resurgence in business and investment activity. These factors are likely to impact profitability, particularly for manufacturing and service sector businesses, and in turn valuations and deal activity given the tendency to rely on prior year performance and comparative valuation techniques. Still, tailwinds are expected in the form of higher rainfall from the El Nino weather phenomenon boosting agricultural produce and positive surprises in the performance of the global economy – with developed nations now expected to avoid recession and achieve soft landings. The latter is expected to promote export-oriented sectors such as horticulture and tourism. The increased focus on climate change financing is also expected to drive funding for renewable energy projects and climate change mitigation. We expect the Ice and Fire narrative to be sustained for the next 12 months following which we expect three of the region's principal growth drivers, including demographics, political stability and strong recent investment in infrastructure, to drive resilience and strength in the economy and corporate deals market.

IMBC's deal of the month is the acquisition by MGM Muthu Hotels of the Warwick Hotel in Nanyuki for an undisclosed amount. This marks the fifth hotel acquisition by MGM Muthu in Kenya following its acquisition of 4 properties under the Sun Africa Hotel brand back in February. The acquisition underscores the recovery of the tourism sector in the region that has, following Covid-19 seen a burgeoning local tourism market and resumption in international tourism since 2022.

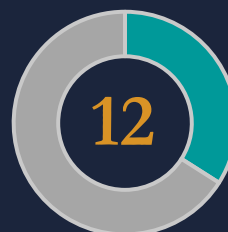
Kenyan listed equities suffered month on month losses in August, with the NSE 20, NSE 25 and NSE All Share Index recording losses of 2.4%, 5.5% and 5.9%, respectively. Average daily turnover decreased to USD 1.26 million from USD 2.55 million in July. Top gainers during the month included Car & General (K) Ltd and Longhorn Publishers Plc which were up by 38.6% and 38.1%, respectively. Olympia Capital Holdings Ltd and Uchumi Supermarket Plc posted the biggest losses ending the month down by 35.6% and 21.7%, respectively.

KEY HIGHLIGHTS

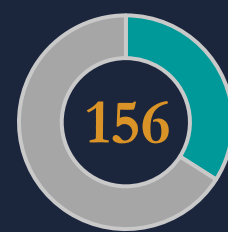
- Total number of disclosed deals in the YTD increases to 101.
- Total disclosed deal values in the YTD now c. USD 3,368 million.
- VC investment activity accounts for 30% of YTD deal activity with PE, M&A and DFI activity comprising 25%, 17% and 20% of total corporate deals.

AUGUST

In Numbers



The number of disclosed deals in EA



Disclosed deal value in USD million



IMBC Deal of the Month:

MGM Muthu's acquisition of the Warwick Hotel in Nanyuki.

PART I : DEAL STATISTICS

Analysis by Sector

Sector	No. of Deals YTD	Disclosed Deal Value YTD (USD million)
 Financial Services	21	427.1
 Energy	14	1358.0
 ICT and Telecom	12	647.9
 Healthcare	12	63.7
 Agriculture	12	64.6
 Manufacturing	8	569.0
 Real Estate	5	80.3
 Automotive	4	14.3
 Logistics	3	Undisclosed
 Hospitality, F&B	3	49.5
 Professional & Other Services	3	2.7
 FMCG	2	62.7
 Mining	1	25.0
 Water & Sanitation	1	3.0

Analysis by Type of Transaction

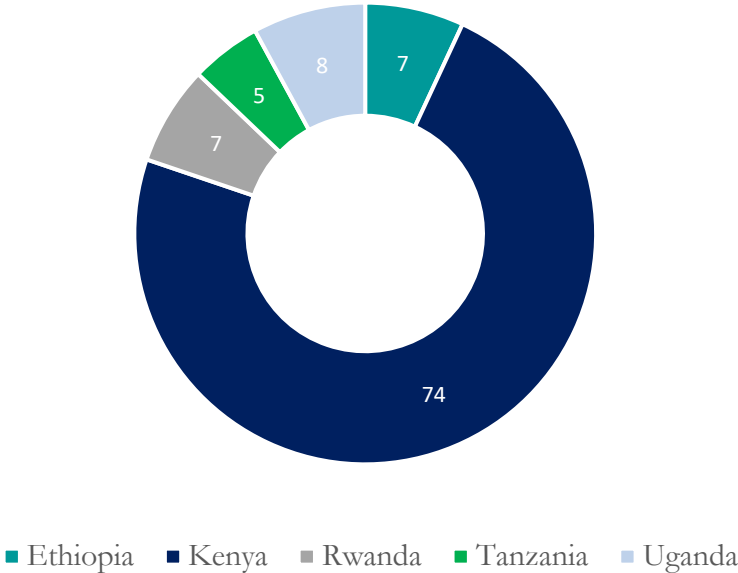
TOTAL NUMBER OF DEALS IN EA – YTD 2023



PART I : DEAL STATISTICS

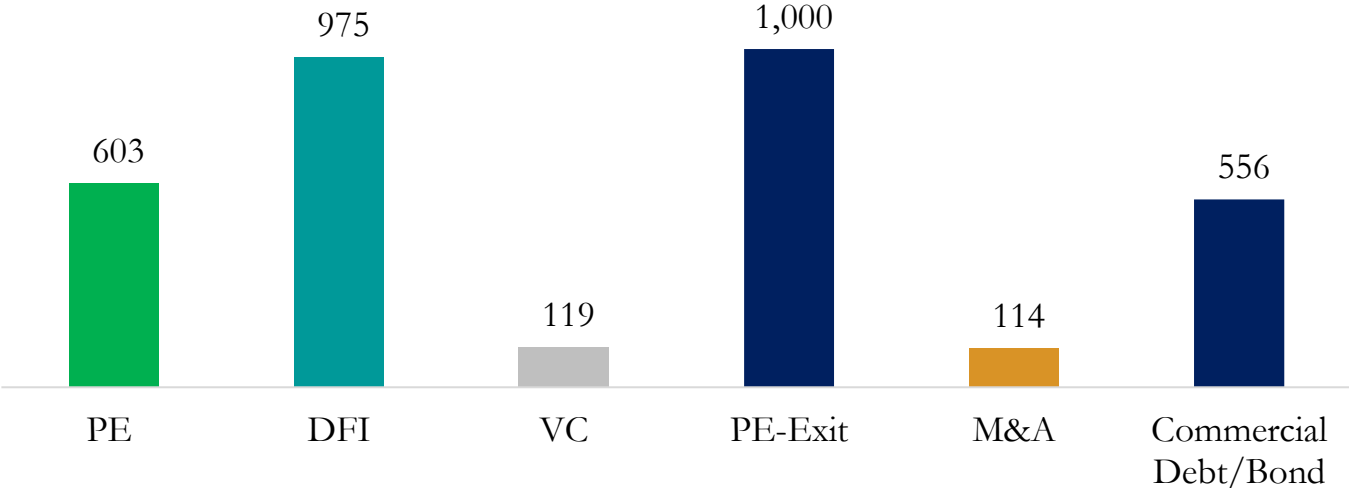
Analysis by Country

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 31st August 2023)

Coupon Rate on Government Securities

Years	91-day	2 year	5 year	10 year
Kenya	13.99%	12.86%	17.56%	15.91%
Tanzania	4.76%	7.60%	10.09%	11.51%
Uganda	8.00%	10.02%	14.40%	15.65%

Source: Refinitive, respective Central Bank

LTM Inflation Rates

Years	Kenya	Tanzania	Uganda	Rwanda
2022 Actual Inflation	8.53%	4.50%	9.00%	15.60%
2023 Projected Inflation	6.70%	3.30%	3.50%	11.90%

Source: World Bank

Central Bank Rates

Country/Region	Rate as at August 2023	Rate as at July 2023
Central Bank of Kenya (Kenya)	10.50%	10.50%
Bank of Uganda (Uganda)	9.50%	10.00%
Bank of Tanzania (Tanzania)	5.00%	5.00%
National Bank of Rwanda (Rwanda)	7.50%	7.00%
South African Reserve Bank (RSA)	8.25%	8.25%
Central Bank of Nigeria (Nigeria)	18.75%	18.50%
Central Bank of Egypt (Egypt)	19.25%	18.25%
Bank of England (UK)	5.25%	5.00%
Federal Reserve Bank (USA)	5.33%	5.33%
European Central Bank (EU)	4.50%	4.25%

Source: CB Rates

PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
1-Aug-23	888Africa	BetLion	Undisclosed	Media	M&A	Kenya	888Africa, jointly owned by 888 Holdings PLC and Digital Leadership LLC, acquired BetLion, an established casino operator. The acquisition is expected to allow 888Africa to further scale up the business, as well as introduce significant numbers of new customers to 888AFRICA.
3-Aug-23	Goodwill Investments	SOUK Farms	Undisclosed	Agriculture	PE	Rwanda	SOUK Farms, Rwanda's leading horticultural producer and exporter, raised an undisclosed amount from Goodwill Investments through its uMunthu II fund. The additional capital raised by SOUK Farms will be used for its expansion plans including sustainable agriculture efforts.
8-Aug-23	Undisclosed Acquiror	Sendy	Undisclosed	Logistics	M&A	Kenya	Sendy Ltd, a Nairobi-based internet service provider, divested the company to an undisclosed acquiror.
9-Aug-23	Adaverse Accelerator	Melanin Capital	Undisclosed	Financial services	VC	Kenya	Melanin Kapital, a Kenyan fintech startup which aims to provide affordable climate finance to SME's, raised an undisclosed amount in its pre-seed round. The funding was received from Adaverse Accelerator and the funding is intended to assist in the expansion plans for Melanin Kapital.
12-Aug-23	MGM Muthus Hotels Ltd	The Warwick Hotel Kenya	Undisclosed	Hospitality	M&A	Kenya	MGM Muthus Hotels Ltd of India, a unit of MGM Pvt Ltd, acquired The Warwick Hotel Kenya, a Nanyuki-based hotel operator. MGM Muthus intends to expand its footprint in Kenya making this the fifth acquisition in Kenya within the year.
14-Aug-23	TDB Group	d.light	30	Financial services	DFI	Tanzania	d.light, a provider of solar-powered products as well as affordable finance for low-income households, announced a USD 30 million securitisation facility from the Eastern and Southern African Trade and Development Bank Group (TDB Group). d.light will use the capital to increase its existing securitised financing facility in Tanzania and scale up its low-cost pay-go personal finance service in the country.

PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
14-Aug-23	AFC	Mahathi Infra Uganda Limited	95.25	Energy	DFI	East Africa	Africa Finance Corporation (AFC) today announced its investment in Mahathi Infra Uganda Limited, one of East Africa's largest oil and gas downstream players. AFC's USD 95.25 million investment was expected to finance the construction of two self-propelled barges for operation on Lake Victoria, providing a more efficient and less carbon intensive alternative to traditional trucking.
14-Aug-23	Kaishan Renewable Energy Development Pte Ltd	Orpower Twenty Two Ltd	3.3	Energy	M&A	Kenya	Kaishan Renewable Energy Development Pte Ltd of Singapore, a unit of Kaishan Group Co Ltd, acquired the entire share capital of Orpower Twenty Two Ltd, alternative energy sources establishment, from Symbion Power Holdings LLC, for a total KES 473.55 mil (USD 3.3 mil). Kaishan intends to inject additional capital into OrPower 22 after the acquisition and establish a geothermal plant as soon as possible.
22-Aug-23	Moniepoint Inc	Kopo Kopo Inc	Undisclosed	Financial services	M&A	Kenya	Moniepoint Inc of the UK acquired the entire share capital of Kopo Kopo Inc, a Nairobi-based provider of financial transactions services. Following the approval by Competition Authority of Kenya (CAK), Moniepoint (formerly TeamApt) expanded its services to Kenya continuing its growth plans across the continent.
23-Aug-23	DFC and Finnfund	Kentegra Biotechnology	15.0	Agribusiness	DFI	Kenya	Finnfund and the United States International Development Finance Corporation (DFC) committed USD 15 million in equity and debt funding to Kentegra Biotechnology, a pyrethrin producer in Kenya. Kentegra produces and sells pyrethrin extracted from dried pyrethrum flowers to global insecticide and pesticide manufacturers.

PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
23-Aug-23	Beyond Capital Ventures and Variant	Zanifu	11.2	Financial services	VC	Kenya	Zanifu, a B2B fintech lender headquartered in Kenya, specialising in providing inventory supply chain financing to MSMEs, secured USD 11.2 million in pre-series A financing. The funding round, a combination of debt and equity financing, was led by Beyond Capital Ventures and Variant Investments. This significant capital injection will empower Zanifu to broaden its inventory finance offerings, targeting retailers and distributors within the FMCG supply chain
28-Aug-23	Sahel Capital	Sourcing and Produce	1.0	Agriculture	PE	East Africa	Sahel Capital, a prominent investor in the food and agriculture sector in sub-Saharan Africa, announced a USD 1 million trade finance facility extended to Sourcing and Produce (S&P) from its Social Enterprise Fund for Agriculture in Africa (SEFAA) fund. S&P is a trading company specialising in procuring and distributing agricultural commodities sourced from Africa, particularly Nigeria and Tanzania, to customers globally.

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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

 **KEVIN KURIA, Senior VP**
 Kevin.Kuria@imburbidgecapital.com

 **AAYUSH SHAH, Analyst**
 Aayush.Shah@imburbidgecapital.com