



Burbidge  
Capital

# EAST AFRICA FINANCIAL REVIEW

OCTOBER 2023

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# EAST AFRICA FINANCIAL REVIEW

## Editor's Note



## The Editorial Team

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East African capital markets recorded sluggish MoM growth in October with 7 transactions having been announced (up from 6 in September) with a total disclosed deal value of c. USD 58.4 million from 5 transactions that had disclosed deal values. Private Equity was the most active segment of the market, recording 3 investments and the year's sixth exit. M&A activity followed with 2 deals, whilst there were singular entries to the deal tables in the form of DFI and VC activity. The ICT and Agribusiness sectors were the most active with 3 and 2 transactions respectively whilst there were singular entries from the Mining and Financial Services sectors. Geographically, deals were mostly split between Kenya and Uganda with 3 each, whilst Tanzania contributed a single entry.

Despite the slow deal making in September and October, we still continue to expect the full year numbers will reflect a strong year of deal making in East Africa with activity closing to match the impressive performance of 2022. Based on our own pipeline of deals, we expect to add a couple more completed transactions to the deal tables before the end of the year and are aware of other transactions that are now in the final stages of completion.

As we alluded to in our August edition, we maintain a mixed view of the corporate deals environment in 2024 and in the medium term. In particular, we expect a slowdown in primary capital investment activity in the region in 2024, especially in Kenya, and across both private equity and venture capital activity. We believe this will be driven by process, macro-economic, and structural factors. From a process perspective, deals in East Africa tend to take, on average, 12 to 16 months to complete (although historically shorter for VC transactions) which when combined with the hesitance in late 2022 and early 2023 from Kenyan business owners to raise capital for expansion due to macro-economic and political uncertainties, it would follow that the first half of 2024 may record a lower number of primary capital deals. Structurally, fundraising for investment funds is not only longer but also more challenging, favoring established GPs, and leading to below-target raises. This, combined with an expansion in scope to include secondary capital deals for many funds, heralds lower capital investment for growth from institutional funds.

The picture is slightly different, however, in corporate M&A where we are witnessing increased activity in local strategic player driven acquisitions, driven by large sector players and international players with local existing operations. Geographically, the picture is also brighter in Uganda where the currency has held remarkably well against hard currencies and there are still significant investment opportunities in agriculture and those linked to the growing investment in oil and gas. Tanzania also remains a highly sought after investment destination albeit with less mature capital markets and transaction processes. Finally, we continue to see significant interest from the rest of the continent with both trade and institutional investors seeking to capitalise on the attractive long term growth fundamentals in East Africa in the face of pale growth prospects in markets such as South Africa and structural challenges in West Africa. Additionally, in due course, we expect that businesses across the region will adjust to the higher volatility environment of this decade and refocus on growth investment.

IMBC's deal of the month is the USD 10 m investment by EXEO Capital's Agri Vie Fund II in Amos Dairies, a Ugandan dairy producer that has a focus on value added products. The Company appears well poised to reap the benefits of the AfCFTA protocol with seven of its nine products positioned for the export market. Around 90% of Amos Dairies' revenue is derived from exports to markets in Egypt, Kenya, India and America.

Kenyan listed equities suffered MoM losses in October, with the NSE 20, NSE 25 and NSE All Share Index recording losses of 3.2%, 4.2% and 7.0%, respectively. Average daily turnover decreased to USD 1.40 million from USD 1.65 million in September. Top gainers during the month included E.A. Portland Cement Co. Ltd and Williamson Tea Kenya which were up by 23.5% and 11.3%, respectively. Uchumi Supermarket and Unga Group posted the biggest losses of 19% and 17.1%, respectively.

# KEY HIGHLIGHTS

- Total number of disclosed deals in the YTD increases to 115.
- Total disclosed deal values in the YTD now c. USD 3,487 million.
- VC investment activity accounts for 29% of YTD deal activity with PE, M&A and DFI activity comprising 27%, 21% and 15% of total corporate deals.

## OCTOBER

### In Numbers



The number of disclosed deals in EA



Disclosed deal value in USD million



### IMBC Deal of the Month:

EXEO Capital's Agri Vie Fund II's USD 10 m investment in Amos Dairies.

# PART I : DEAL STATISTICS

## Analysis by Sector

Sector	No. of Deals YTD	Disclosed Deal Value YTD (USD million)
 Financial Services	25	430.5
 Agriculture	16	77.8
 ICT and Telecom	15	695.4
 Energy	14	1358.0
 Healthcare	12	63.7
 Manufacturing	8	569.0
 Real Estate	5	80.3
 Logistics	4	55.2
 Automotive	4	14.3
 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

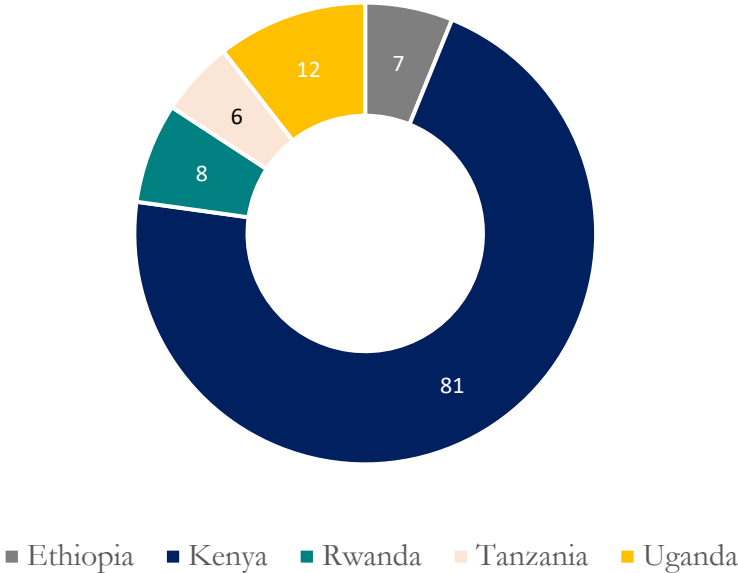
### TOTAL NUMBER OF DEALS IN EA – YTD 2023



# PART I : DEAL STATISTICS

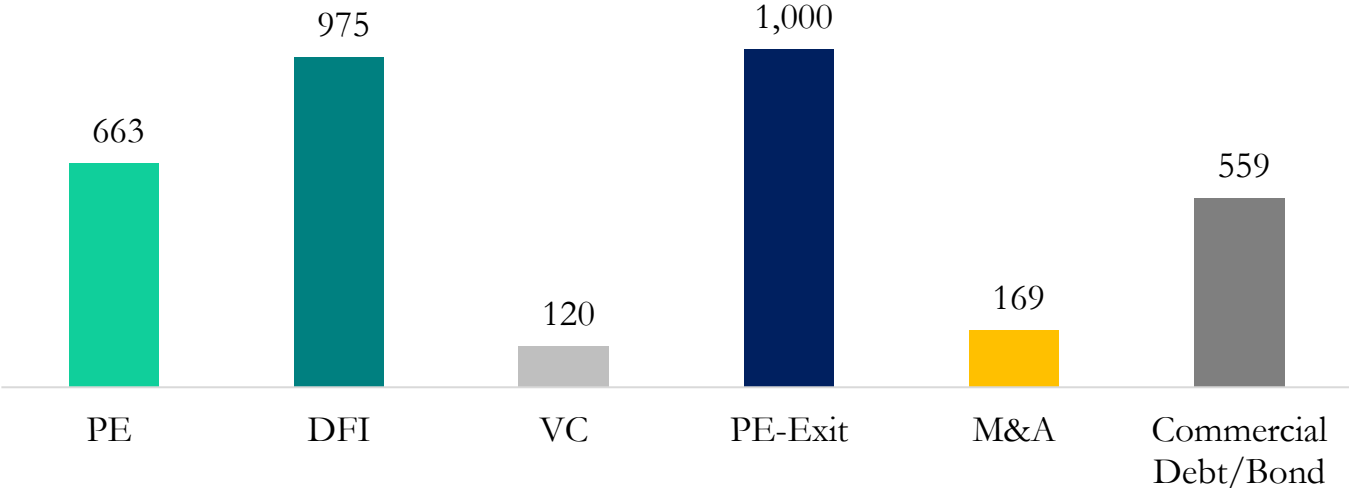
## Analysis by Country

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 31<sup>st</sup> October 2023)

### Coupon Rate on Government Securities

Years	91-day	2 year	5 year	10 year
Kenya	15.19%	13.25%	17.73%	16.13%
Tanzania	7.77%	7.88%	9.12%	11.31%
Uganda	9.50%	10.01%	13.60%	15.16%

Source: Refinitive, respective Central Bank

### LTM Inflation Rates

Years	Kenya	Tanzania	Uganda	Rwanda
2022 Actual Inflation	9.59%	4.50%	7.20%	17.69%
2023 Projected Inflation	6.92%	3.30%	3.50%	13.90%

Source: World Bank

### Central Bank Rates

Country/Region	Rate as at October 2023	Rate as at September 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
10/4/2023	Infrastructure Corp of Africa LLC	GoK	Undisclosed	Telecommunications	M&A	Kenya	Infrastructure Corp of Africa LLC (ICA) of South Africa acquired a 60% interest in Telkom Kenya Ltd, a Nairobi-based wired telecommunications carrier, from the Kenyan state-owned Government of Kenya. The offer by ICA included capital injection to fund Telkom's critical infrastructure and the overall upgrade of the company's capabilities, and also settle some of the outstanding liabilities of the company
10/6/2023	Pioneer General Insurance, Wizpro Enterprise and Afram Limited	Sidian Bank	Undisclosed	Financial Services	PE Exit	Kenya	Pioneer General Insurance, Wizpro enterprise and Agram Limited purchased 39% of the issued share capital of Sidian Bank. The alliance with the new shareholders is expected to create a significant synergy between the insurance sector and the banking sector in Kenya.
10/23/2023	Bamboo Capital Partners	JKCC General Supplies	0.8	Agriculture	PE	Uganda	The Agri-Business Capital Fund announced the investment of EUR 800,000 (c. USD 850,000) into JKCC General Supplies ("JKCC"), a Ugandan based coffee trader.
10/25/2023	CRE Ventures and Other Investors	Sukhiba Inc	1.5	ICT	VC	Kenya	Sukhiba Connect secured USD 1.5 million in seed funding, led by CRE Ventures and joined by notable investors such as Antler, EQ2 Ventures, Goodwater Capital, Chandaria Capital, and several angel investors. The primary intent behind this funding is to support the expansion of Sukhiba Connect beyond its native Kenya.
25/10/2023	Roha Group Inc and Meridiam	Raxio Data	46	ICT	PE	Uganda	Raxio Data centres, a leading provider of world class carrier-neutral data, Tiew III data centres in Africa, received USD 46 million from existing shareholders Roha and Meridiam, which was aimed at helping Raxio expand and consolidate its position as a provider with the widest geographic footprint.

## PART III : SELECTED DEALS

Date	Buyer	Seller	Deal size (M USD)	Sector	Type	Country	Synopsis
10/27/2023	Shenghe Resources (Singapore) Pte Ltd	Vital Metals/Kisaki Mining Ltd	Undisclosed	Mining	M&A	Tanzania	Shenghe acquired 50% of the issued share capital of Kisaki Mining Ltd, which is the applicant for the mining licence, thereby acquiring an indirect 50% interest in the Wigu Hill Project in Tanzania.
30/10/2023	EXEO Capital	Amos Dairies	10	Agriculture	PE	Uganda	EXEO Capital through its Agri-Vie Fund II, committed USD 10 million to a Ugandan dairy producer Amos dairies. The investment is directed towards its strategic growth step as it concretises its market capacity as one of the largest milk processors in Uganda and the only processor of casein in sub-Saharan Africa.

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### About I&M Burbidge Capital

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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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