

East Africa Key Findings: 2007 - 2014

158

Number of reported PE transactions

US\$1.5BN

Value of reported PE transactions

US\$5MN

Median transaction size

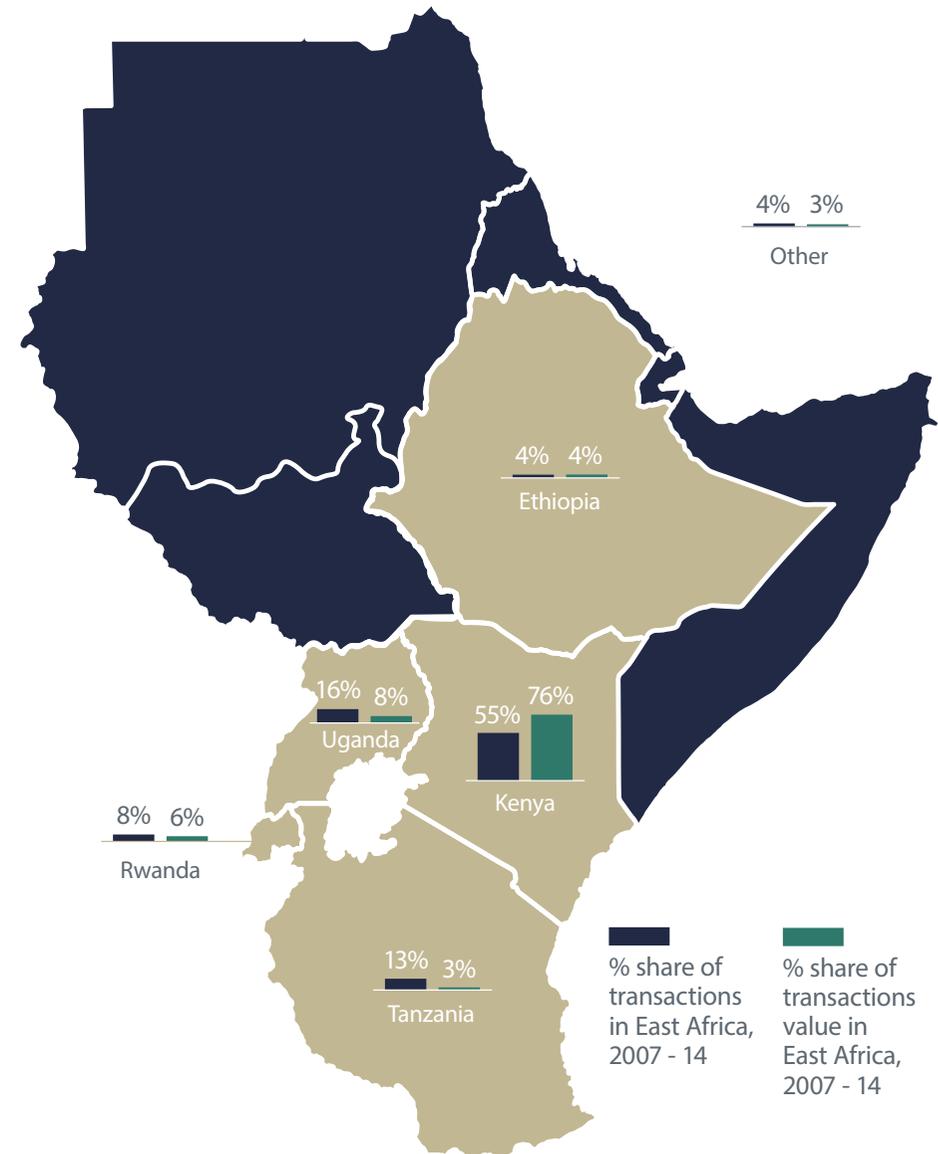
AVCA's Spotlight on East Africa Private Equity provides a summary of recent private equity ("PE") activity in the region.

Key findings:

- Between 2007 – 2014, there were 158 reported PE transactions in East Africa totaling US\$1.5bn
- East Africa's share of PE transactions in Africa is rising, albeit from low levels. The region accounted for 18% of the total number of PE transactions in Africa from 2011 - 2014, up from 13% in 2007 - 2010. Its share of the total value of African PE transactions was 4% in 2007 - 2010 and 6% in 2011 - 2014
- The PE market in East Africa is predominantly focused on investing in small and medium-sized enterprises, with a median PE transaction size of US\$5mn compared with US\$14mn for all African PE transactions
- Kenya has attracted the majority of PE transactions in East Africa, both by number and value. Uganda, Tanzania, Rwanda and Ethiopia, however, are all seeing increased interest from PE investors

Further information is available to AVCA members

Percentage share of the volume and value of PE transactions in East Africa, by country, 2007 - 2014



Selection of Africa private equity exits

Company: **Apollo Investments Limited**



Country: Kenya, with branches in Uganda and Tanzania

PE Investor: LeapFrog Investments

Sector: Financials

Entry Date: June 2011

Exit Date: September 2014

Returns: In excess of our targeted rate of return (upper quartile PE returns)

Key learnings from doing business in East Africa

- Reasonably advanced PE market compared to other African geographies and therefore somewhat easier to transact
- Although there is a degree of regulatory uncertainty around shareholding structures in insurance companies, the regulator is supportive
- Many insurance businesses are family owned making initial entry somewhat more difficult but with more upside potential
- Shortage of key skills in many insurance businesses – actuarial, IT and distribution – means private equity can add a lot of value through skills transfer to local employees

Company: **Equity Bank**



Country: Kenya, Rwanda, South Sudan, Tanzania, Uganda

PE Investor: Helios Investors, L.P. together with co-investors

Sector: Financials

Entry Date: December 2007

Exit Date: Partial exit: 50% of Helios' stake, estimated March 2015 (pending final regulatory approval)

Returns: Not disclosed

Key learnings from doing business in East Africa

- Generally favourable environment for investment, with supportive regulatory regimes
- Innovative market for financial services with quick adoption of new products, services, technologies and distribution channels
- Competitive market for financial services, with over 45 banks, and a convergence of the sector with telecom services
- Despite competitive intensity, the industry is quite profitable for financials services, manifested in high returns on both assets and equity

Company: **Umeme**



Country: Uganda

PE Investor: Actis

Sector: Utilities

Entry Date: November 2009

Exit Date: June 2014

Returns: Regulated returns on capital deployed on network investment of 20%

Key learnings from doing business in East Africa

- Cross-listing a Ugandan stock in Kenya required a lot of work to be done with the capital market authorities in both countries
- A growing interest in investing in East African stock markets from local and foreign institutional investors, as well as private investors, is facilitating IPOs
- The region has a relatively well-capitalised banking system, which means that the corporate lending market for quality companies is quite strong
- Overall, a stable financial and regulatory market, combined with macroeconomic growth, makes the region relatively attractive for investors

Methodology

Private equity (PE) is defined as both private equity and venture capital.

Transactions cover all deals made by private equity firms across all sectors, including infrastructure. It excludes PIPE transactions where the PE firm was unlikely to have any influence on company strategy.

Transaction dates are taken to be the date on which the deal is announced, unless otherwise specified.

Deal size includes equity, mezzanine, senior debt and co-investments (where available).

Sectors for transactions are based on Global Industry Classification Standard classifications.

Vintage year of fundraising is based on year of final close, where available. If a fund has achieved a final close but the year of final close is not known, year of first close is used instead.

Qualifying funds include funds that have a sole focus on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate. It excludes funds with a global investment remit that invest in Africa.

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