

# Nairobi Luxury Apartments Market, & Cytonn Weekly #45/2017

## Private Equity

Apis Partners, a London based private equity firm that focuses on financial services and growth market investment, has injected funding of USD 5.0 mn (Kshs 519.0 mn) into Direct Pay Online, a Kenyan Internet Payments Firm, from the USD 287 bn fund. This is the second investment into the firm after an initial injection of USD 10.0 mn (Kshs 1.0 bn) into the firm last year. DPO currently operates in 12 African countries, including Kenya, Tanzania, Uganda and South Africa and has acquired firms in Namibia and Botswana, with further plans to expand into countries such as Nigeria, Ghana, DRC and Mozambique. Other investments made on behalf of the fund include (i) TransFast, a provider of multi-currency cross-border payments solutions to consumers and businesses in 120 countries across the Americas, Asia, Africa and Europe; (ii) EPS, a leading electronic payments system provider based in India; and (iii) Microcredi, a financial institution that targets the financially unbanked in 9 countries across Asia and Africa. The continued interest by investors in technology-driven companies in Sub-Saharan Africa is catalysed by the rising need for technology products as more businesses seek to enhance efficiency and reduce costs. The rising number of tech hubs in Africa, which support the growth of tech start-ups by providing mentorship has also provided a platform through which investors can easily identify opportunities to invest in. According to the World Bank, tech hubs in Africa have increased from 117 in 2015 to 173 in 2016, with South Africa and Kenya leading with 32 and 16 tech hubs, respectively.

Capitalworks, a Johannesburg-based private equity firm acquired the African operations of the UK-based multinational firm, Aon for an undisclosed amount. The transaction will effectively see Aon sub-Saharan Africa rebrand to Minet Group. Aon Africa was previously owned by Aon London and Minet Africa. Capitalworks manages more than USD515.0 mn (Kshs 53.4 bn) in assets, and other investments include IQ Business, a management consultancy in South Africa; and Obsidian, a health solutions provider in Africa headquartered in South Africa. The acquisition is part of a buyout spanning 10 Aon units in Africa including Kenya, Zambia, Swaziland, Namibia, Lesotho, Angola, Mozambique, Malawi, Tanzania and Uganda. The investment is part of Capitalworks' strategy to diversify as they have previously invested largely, but not exclusively, in the construction, mining and manufacturing sectors. The deal has been approved by the regulatory authorities in six of the ten countries, with the others expected to follow suit by the first quarter of 2018; and Aon Sub-Saharan Africa will hereafter trade under the name of Minet Group. The continued interest by foreign investors in Africa is driven by strong economic growth fundamentals in Sub-Saharan Africa.

***Private equity investments in the Sub-Saharan African Region remains robust as evidenced by the increased deal flow in a number of sectors that support growth. The increasing investor interest in private equity investment in Sub-Saharan Africa is attributed to (i) rapid urbanization, a resilient and adapting middle class and increased consumerism, (ii) the attractive valuations in the private markets compared to the public markets, (iii) the attractive valuations in Sub-Saharan Africa's markets compared to global markets, and (iv) better economic projections in Sub-Saharan Africa compared to global markets. We remain***

***bullish on PE as an asset class in Sub-Saharan Africa. Going forward, the increasing investor interest and stable macro-economic environment will continue to boost deal flow into the Sub-Saharan market.***

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Liaison House, StateHouse Avenue  
The Chancery, Valley Road  
[www.cytonn.com](http://www.cytonn.com)  
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