Investment Options in the Kenyan Market, & Cytonn Weekly #30/2019

Private Equity

During the week, Interswitch, a Nigeria-based payments firm that is owned 60.0% by Helios Investment Partners, announced that it has hired advisors, including JPMorgan Chase & Co., Citigroup Inc. and Standard Bank Group Ltd to resurrect plans for a stock-market listing in London and Lagos later this year. According to Reuters, the value of the financial technology company is speculated to be between USD 1.3 bn to USD 1.5 bn.

Interswitch had earlier plans to list in 2016, however this was thwarted after the price of crude oil fell drastically, causing a contraction in Nigeria's economy, which resulted in reduced payments between companies, and consequently reduced revenues for payment-services providers. Other African companies that have expressed interest in listing in foreign countries include; Bayport Management Limited, a Mauritius-based financial services group, which announced, in June 2019, it's also considering a share sale. We also have seen several listings by major African and Middle Eastern technology companies including;

i. Jumia Technologies AG, listed in New York earlier this year, in April, and,
ii. Dubai-based payments firm, Network International Holdings Plc went public in London also in April.

The dual listing in London and Nigeria echoes that of Airtel Africa Plc, the wireless carrier that spun off from Indian parent Bharti Airtel Limited in June 2019 which enabled them to raise USD 750.0 mn through its listing on the London bourse. Based on their initial plans for the delayed listing in 2016, Interswitch aimed to raise about USD 1.0 bn to facilitate potential exits by the company's private equity investors. Ultimately, the transaction will have numerous advantages for the company, among them: (i) it will give the company access to a larger pool of investors, (ii) it enables a company diversify its capital-raising activities and reduces reliance on its domestic market, and (iii) it improves a company's share liquidity since it is traded in more than one market.

During the week, Investment firm Centum, through its real estate arm Centum Real Estate, signed a refinancing deal with Nedbank Corporate and Investment Bank (CIB), the Nedbank property finance division. They managed to raise Kshs 6.5 bn from the South Africa-based firm. These funds will allow the firm to consolidate the debt facilities for the Two Rivers development which is the firm's biggest project. The development is currently in its second phase which will utilize the 102 acres the company owns on Limuru Road in Nairobi, near the affluent neighborhoods of Runda, Nyari, Gigiri and Muthaiga.

Centum Real Estate is currently the master developer in three projects. One in Entebbe, Uganda dubbed the Pearl Marina Development, which will be on 10,254-acres and two in Kenya, Vipingo Development, which covers 384-acres and Two Rivers Development. The firm intends to put up 3,000 residential units on all three sites with the first phase of 1,200 units already under construction. The company highlighted that it had experienced challenges in the sector due to limited access to credit occasioned by the capping of the interest rates.

Private equity investments in Africa remains robust as evidenced by the increasing investor interest, which is attributed to; (i) rapid urbanization, a resilient and adapting middle class and increased consumerism, (ii) the attractive valuations in Sub Saharan Africa's private markets compared to its public markets, (iii) the attractive valuations in Sub Saharan Africa's markets compared to global markets, and (iv) better economic projections in Sub Sahara Africa compared to global markets. We remain bullish on PE as an asset class in Sub-Sahara Africa. Going forward, the increasing investor interest and a stable macroeconomic environment will continue to boost deal flow into African markets.