



Newsletter

Horizon Africa Capital

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Economic Roundup:

Sub Saharan Africa

Economic growth in sub-Saharan Africa is forecast to accelerate to 5.2% in 2014, driven by increasing investment to exploit the region's natural resources and develop infrastructure, according to the World Bank. Gross domestic product rose 4.7% in 2013, the Washington-based bank said, citing Africa Pulse, a twice-yearly study it publishes.

The region attracted foreign direct investment worth a "near-record" \$43 billion last year (2013), up 16% from a year earlier (2012), fueled by oil and gas discoveries in nations including Angola, Mozambique and Tanzania, the World Bank said.

Economic growth in 2013 was buoyed by Democratic Republic of Congo, Africa's biggest copper producer, and iron-ore producer Sierra Leone, as well as the "non-resource-rich" nations of Ethiopia and Rwanda, according to the report.

(continued)



Economic Roundup: (continued)

Kenya

Kenyan Monetary Policy Committee holds the central bank rate unchanged at 8.50% in Q1:2014

KENYA

Economic Output

Kenya, East Africa's largest economy, plans to rebase its gross domestic product data to better reflect growing industries, said the director general of the country's statistics bureau. Kenya's announcement follows Nigeria's recalculation of its economic output.

Kenya's GDP is expected to grow by 5.5% in 2014 to Ksh4.3 trillion (\$50 billion) from Ksh 3.6 trillion in 2013. Kenya's GDP was US\$40.7 billion in 2012, according to World Bank data.

Exchange Rates

Kenya's shilling weakened to its lowest level in more than six months in April 2014, as intervention by the East African nation's central bank failed to stem increased demand for dollars from gasoline and manufacturing companies.

The currency of the world's biggest black tea exporter lost as much as 0.3% to Ksh 87.02 per dollar on April 15 2014, in the capital, Nairobi, extending losses this year to 0.7%.

Inflation and Interest Rates

Kenyan annual inflation rate decelerated for the second consecutive month to 6.27%, from 6.86% recorded in February of 2014, as food, electricity and gas prices slowed. Kenyan Monetary Policy Committee decided to hold the central bank rate at 8.50% on March 4th 2014, as overall inflation continued to decline in February and remained within the target range, while exchange rate stability was maintained.

Capital Markets

A strong resurgence in April 2014 as placed the Kenya stock market second among its African peers in the past one year in terms of growth. A report by Africa Alliance shows that the NSE All Share index grew by 7% in the past year, second only to the Egypt stock exchange's EGX 100 index which gained 22%.

The gains are reflected in the increase of investor wealth at the bourse by Ksh 112 billion since the beginning of the year, with market capitalisation standing at Ksh 2.01 trillion on Thursday, March 27th 2014.

The gains by the Kenyan All share index, which stood at 144.5 points Thursday from 136 in January, place it ahead of the bourses of Nigeria, Morocco, Tunisia and Zimbabwe.



Economic Roundup: (continued)

Uganda

Rwanda

Uganda's Expenditure on energy will rise by 2% to US\$ 677 Million in 2014-15

UGANDA

Economic Summary

Uganda's economy is forecast to expand 6.8% in the next fiscal year as the government boosts investment in road, energy and farming projects to spur growth, according to a statement from the Finance Ministry.

Gross domestic product is projected to rise 6% in the year through June, "slightly lower" than previously projected. Drought in parts of the country that has cut food and livestock production and conflict in the neighboring trade partner of South Sudan have hurt Uganda's economy, according to the Kampala-based Finance Ministry.

"The focus of fiscal policy remains on sustaining efforts towards infrastructure development, especially roads and energy, and boosting agricultural production and productivity, which are vital to unlock the growth potential of the economy," according to the statement.

Expenditure on energy will rise by 2% to 1.7 trillion shillings (US\$ 677 Million) in 2014-15. The funding will partly go toward construction of the 600-megawatt Karuma and 183-megawatt Isimba hydroelectric plants, as well as the proposed 600-megawatt Ayago hydropower project, all on the Nile River, according to the Finance Ministry.

Rwanda

Economic Summary

Rwanda's economy may grow 6% in 2014 as the resumption of aid flows will ensure the government has funds for infrastructure projects, the Finance Ministry Permanent Secretary said in April 2014. Expansion slowed to 4.6% last year from 7.3% in 2012.

The agricultural industry in the coffee-producing nation is expected to have a strong performance this year, helping to boost the economy. The inflation rate is forecast to rise to 5% by the end of this year from about 3.6% last year amid currency losses.

The franc may decline 3% against the dollar on rising demand by importers for dollars. The currency has fallen 1.2% against the dollar so far this year, and was trading at 684.02 on 25th April 2014.

Ethiopia has registered an average 10.9% real GDP growth over the past 10 years



Ethiopia

Economic Summary

The Ethiopian government says the country's economy will grow by 11.3% in 2014. Ethiopia's economy grew by 9.7% during the 2012/13 financial year and missed the 11% target set by the government. The Prime Minister said the agriculture, manufacturing and service sectors would drive the economic growth.

According to the report presented by the Prime Minister in April 2014, agricultural production in the first three quarters of the 2013/14 fiscal year increased by 15%. During the same period last year the sector grew by 8.6%. The government said manufacturing and the service sectors had grown by 21.4% and 10%, respectively during the first quarter.

The Prime Minister also said that for the past 10 years, Ethiopia has registered an average 10.9% real GDP (Gross Domestic Product) growth rate. In contrast, other sub-Saharan African economies grew by an average of 5.4% during the same period.

The Government's prediction for the current Ethiopian fiscal year is for the country to register an 11.3% economic growth.

Economic Roundup:
(continued)

Ethiopia



Worth Noting...

Kenya signs tax deal with Qatar

Kenya has signed a double tax agreement with Qatar, clearing a major hurdle for investments in the energy sector worth billions of shillings. The pact will cushion investors from taxes on repatriated profits once they have paid similar levies in their country of investment. Qatar becomes the third Arab state after Iran and United Arab Emirates to have expressed interest in keeping a double tax agreement (DTA) with Kenya.

East Africa leads as Africa's private equity destination

Private equity activity in the East African region has kicked off on a high note this year, with several new commitments by funds, setting the bloc up for more financing inflows in the coming months. East Africa led the rest of sub-Saharan Africa last year in the number and value of deals by private equity funds, according to a survey done by Emerging Markets Private Equity Association (EMPEA). This highlights the shifting attention by private equity investors into the region.

Kenya registered the highest number of private equity deals concluded in 2013, ahead of South Africa and Nigeria. Most PE managers have said they will focus on food and beverage, agribusiness, retail, healthcare and pharmaceuticals and financial services sectors in East Africa.

Ethiopia, Uganda to join Comesa free trade area

Ethiopia and Uganda have pledged to join the Comesa free trade area (FTA) by December, raising hopes of higher trade volumes for Kenya and the region. Although the two neighbouring countries are members of the Common Market for Eastern and Southern Africa (Comesa), they have not ratified a special FTA arrangement.

New American and British investments in Kenya rise six-fold

The US and UK's new businesses in Kenya grew six-fold last year, pushing up total inflows in defiance of political jitters and terrorism threats. Some 22,136 new jobs were created through foreign investments. Inflows from the two giant economies accounted for almost half of the foreign direct investment (FDIs) into the local market last year with private firms cold-shouldering poor diplomatic relations between Kenya and home countries.

East Africa firms seek to raise US\$ 4 billion in borrowing spree before end of year

No less than 15 public and private companies in East Africa are planning to borrow over US\$ 4 billion before the year ends.. Data from the latest Debtwire, a lending monitor, shows that a large number of government agencies and private companies are seeking funds from international and local markets, with a majority of the companies keen on raising cash through the regional bond market. The firms are banking on bullish stock markets and stable interest rates to raise funds.

Kenya set for first free trade zone in Mombasa

The Kenyan Cabinet approved the establishment of a free trade zone in Mombasa in what is expected to establish Kenya as a regional trade power-house. It will be Kenya's first free port and is expected to promote and strengthen trade within the East, Central and Southern Africa by allowing trading of goods within the zone without paying duty. The project is expected to be ready by 2015.

Transaction Highlights in East Africa



Sector	Acquirer	Seller	Transaction Description
April 2014			
Financial Services	Old Mutual	Faulu Kenya	Old Mutual has bought a 67% controlling stake in Faulu Kenya, paving its quest to join Kenya's lending space and intensify financial competition. The deal involves immediate injection of Ksh2.8 billion of the Ksh3.6 billion agreed price, after successful fulfilment of all required regulatory approvals and closure of the transaction.
March 2014			
FMCG	Pearl Capital	Eldoville Dairy	Pearl Capital Partners, a private equity firm, has bought a minority stake in Eldoville Dairies Limited for Ksh200 million (US\$ 2.3 million). The fresh capital injection will be used to build a new dairy facility in Ol-Joro-Orok, Nyandarua County, where the dairy is based.
FMCG	Fusion Capital	GAL Baking Services	Fusion Capital, a private equity and fund management firm, has injected Ksh245 million (US\$ 2.8 million) into GAL Baking Services Limited for its branch network expansion. Fusion invested using both debt and equity for a 45% stake in the family-owned bakery.
February 2014			
Logistics	Catalyst Principal Partners	EFFCO	Catalysts Principal Partners has bought a stake in EFFCO (for an undisclosed amount), a Tanzanian logistics and heavy equipment renting company. EFFCO will use the funds to expand its operations which are primarily in transport and leasing of equipment like forklifts, excavators, graders, trucks, compactors, dozers and cranes to contractors especially those in construction, mining, oil and gas.
Insurance	Metropolitan International	Cannon Insurance	South African financial services group Metropolitan International (MMI) has acquired a majority stake in Kenyan Insurer Cannon for a reported Ksh2.4 billion (US\$ 2.7 million).
Logistics	Erik Prince	Kijipwa Aviation	A former US navy SEAL has acquired a 49% stake in a local aviation company Kijipwa Aviation, to provide logistics services to Kenya's nascent oil and gas industry, highlighting increased interest in the country's upstream petroleum sector fuelled by discovery of crude oil in Turkana.
Agriculture	Agri-Vie	Kariki Group	South African private equity fund Agri-Vie has bought a Ksh430 million (\$5 million) stake in Kenyan flower firm Kariki Group, giving the local flower industry a boost.
Automotive	Actis	AutoXpress	London-based private equity firm Actis has bought a minority stake in AutoXpress, a regional company which sells and services car tyres, wheels, batteries and suspension parts.
Hospitality	City Lodge Hotels	Fairview Hotel	Johannesburg-listed City Lodge Hotel Group is set to fully acquire Nairobi-based Fairview Hotel and Country Lodge as the chain expands its presence in Africa.
Healthcare	Acumen Fund	Miliki Afya	Acumen Fund has bought a minority stake for US\$ 600,000 in Miliki Afya Limited, a clinic chain that serves the poor. The funds will be used will finance the healthcare chain's five new branches in Nairobi.
January 2014			
Beauty	TBL Mirror Fund	Neo Amadiva	TBL Mirror Fund has acquired a minority stake in Neo Amadiva, which has salon outlets in Nairobi's Riverside and Hurlingham suburbs.



News from Horizon

Horizon's Sector Expertise

Agriculture & Agroprocessing

Construction

Energy, Oil & Gas

Fast-Moving Consumer Goods

Financial Services

Hospitality

Heavy & Light Manufacturing

**Information and Communication
Technology**

Infrastructure

Telecommunications

Transport & Logistics

Transaction Update: 2014

Selected Completed Transactions

Mergers & Acquisitions

- Raised \$2.3M in equity capital for Kenyan dairy processor
- Advised on the sale of minority stake in a regionally established agro-processing group

Corporate and Transaction Advisory

- Valuation of an agro-processing firm that is considering a sale to a foreign investor
- Provided East African specialty retailer with business planning and valuation advisory services

Selected Ongoing Transactions: 2014

Mergers & Acquisitions

- Advising shareholders on East African FMCG distribution company with respect to an inward equity injection
- Sell-side advisor for a F&B manufacturing business
- Sell-side advisor for an East African packaging business
- Advising Kenyan distributor on inward equity injection
- Advising the shareholders of a financial services company in East Africa with respect to an inward equity injection
- Sell-side advisor for a heavy manufacturing business
- Advising on the sale of 45% stake in a HFO power plant in Kenya
- Sell-side advisor for a mobile value added services business
- Advising on equity raise for an education opportunity in Tanzania
- Buy-side advisor to a fund focused on FMCG manufacturing businesses in East Africa
- Buy-side advisor to a fund looking at a bank in DRC
- Advising one of the largest cosmetics companies in East Africa in identifying acquisition targets

News from Horizon:

Ongoing Transactions (continued)

Horizon's Sector Expertise

Agriculture & Agroprocessing

Real Estate

Energy, Oil & Gas

Fast-Moving Consumer Goods

Financial Services

Hospitality

Heavy & Light Manufacturing

**Information and Communication
Technology**

Infrastructure

Telecommunications

Transport & Logistics

Capital Raising

- Debt Raise for the development of an agro-processing plant
- Debt raising for a mobile credit lender
- Debt raise of US\$ 18M for the development of a hotel in East Africa
- Raising US\$ 50M in working capital finance and growth capital for a regional oil and gas company
- Debt Raise of US\$ 13-15M for the establishment of waste paper plant for a leading East African carton manufacturer
- Debt raise for the development of a large real estate project in Tanzania

Corporate and Transaction Advisory

- Business plan modeling for an insurance brokerage firm
- Advising on the valuation of a one of Kenya's leading Ink Companies with respect to an equity injection to achieve its objectives and goals
- Advising on the valuation of a Kenyan distribution company looking to raise equity capital.
- Undertaking a feasibility and market analysis for a proposed mixed use development in Nairobi
- Advising on the business plan and valuation for a Kenyan healthcare company looking to expand on the number of their clinics
- Advising a large Tier 2 bank on establishing a collateral financing program
- Advising minority shareholders of a logistics company on the intended exit by majority shareholders

About Horizon Africa Capital

Horizon Africa Capital is a boutique mergers and acquisitions (M&A) advisory firm headquartered in Nairobi, Kenya.

Horizon's primary activities are M&A advisory, capital raising and corporate financial brokerage in Sub-Saharan Africa. Our approach is based on providing differentiated, integrated financial advisory services throughout the life of a transaction, from inception to execution. We have expertise in a number of sectors including Energy, Real Estate, Technology, Heavy and Light Manufacturing, Hospitality, Aviation and Agro-processing.

Our value proposition is enhanced by the strength and breadth of our relationships. Horizon has cultivated a strong global network of private equity firms, family investment offices, development finance institutions and commercial banks from which it routinely draws upon to identify investment opportunities and potential investors for transactions in Africa. Horizon is the first African Partner of the Global M&A network. Our network also includes the Africa Legal Network (ALN), an association of leading law firms across the region specializing in corporate and commercial legal work.

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