



Newsletter

Horizon Africa Capital

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Economic Roundup:

Sub Saharan Africa

The strong growth trends in the region are expected to continue with the aggregated economy forecast to grow by approximately 5.0% in 2014, the same level as 2013 and accelerating to approximately 5.8% in 2015. Growth is expected to be underpinned by continued public investment in infrastructure, a buoyant service sector and strong agricultural production. In the low-income countries, growth is expected to be even more buoyant, estimated at between 6.75% - 7.0% in the 2014/15 fiscal year.

According to the IMF, the over-riding policy objective remains sustaining high growth to facilitate employment creation and inclusive growth while preserving macroeconomic stability.

(continued)



Kenya's GDP expanded by 5.6%, buoyed by the construction, manufacturing and service sectors

Economic Roundup:
(continued)

Kenya

KENYA

Economic Update

Kenya's economy expanded by 5.6% during Q2, 2014 compared to 4.1% growth recorded in Q1, 2014, according to the Kenya National Bureau of Statistics (KNBS). This was mainly attributed to positive momentum in the construction, manufacturing and financial services sectors. The growth in GDP comes in spite of a downturn in the tourism sector.

Exchange Rates

The Kenyan Shilling continued to decline over the quarter closing at an average of KES:US\$ 88.8 in September – the weakest rate in four years. The currency came under continued pressure due to poor performance in some key sectors. Lower tea prices and weaker tourism numbers meant lower foreign currency incomes. The Shilling however, is expected to be supported by foreign portfolio inflows as a result of the debut Eurobond. Foreign exchange reserves rose to a high of US\$ 7.4 billion in the quarter, according to the Central Bank of Kenya (CBK), representing 4.9 months of import cover, giving the Bank ample security to shore up the currency through open-market-operations (OMOs).

Inflation and Interest Rates

Inflation accelerated to 8.4% year on year in August as a result of a rise in food prices – the largest component of the Consumer Price Index (CPI). The Central Bank of Kenya (CBK) has kept its benchmark interest rate on hold at 8.5% despite inflation reaching a 26 month high and breaching its 2.5% - 7.5% target range. The next adjustment, in November, is likely to be upwards however, the scale is uncertain and depends largely on global monetary developments and domestic inflation trends.

Capital Markets

The Nairobi Securities Exchange continued its bullish run in Q3 gaining an annualised rate of 37%, closing at 5,249 points from 4,856 points recorded as at the end of Q2. In September, the index crossed the 5,400 mark, driven mainly by a price surge in financial services counters.



Economic Roundup: (continued)

Uganda

Tanzania

Uganda's government to focus spending on infrastructure, easing bottlenecks, in energy and transport

UGANDA

Economic Summary

In August, the Bank of Uganda maintained its benchmark policy rate at 11.0% stating that inflation was within its target range. Annual headline inflation continued to decline over the quarter - 4.3% in July, 2.8% in August and 1.4% year-on-year in September, the lowest levels since 2010. The decline was largely attributed to a slowdown in food price inflation. Good weather has boosted the domestic harvest and lower global energy prices have also subdued price pressures.

Public spending for the remainder of the year will be focused on tackling bottlenecks in transport and energy infrastructure. The government has outlined plans to build an oil refinery, an oil-distribution network and several hydroelectric power plants, increasing capacity by 3,500 MW in the next decade from the current 600 MW.

TANZANIA

Economic Update

Despite political uncertainty over the proposed constitution and the battle to become the Chama Cha Mapenduzi (CCM) presidential candidate, the Tanzanian economy is expected to fare well. Growth is likely to be underpinned by rising investment in the natural gas sector and strengthening private consumption.

Inflation

Inflation rate in Q3 came in at 6.6%, 6.7% and 6.6% in July, August and September, respectively. The key item driving inflation numbers is alcoholic beverages which are now subject to increased taxes. Core inflation, remained subdued at an average of 3.1% over the same period. Higher beverage prices, increased electricity tariffs and a weaker Tanzanian Shilling are expected to exert upward pressure on the inflation rate in the short term.

The World Bank revises growth forecast for Rwanda down to 5.7% for 2014 – outlook remains positive



RWANDA

Economic Summary

Strong growth in the services sector underpinned Rwanda's economic growth in Q1, 2014 which was recorded at 7.4% year-on-year. Growth, for the remainder of the year will likely be constrained due to lower than expected rainfall in the months of March and April that could stifle agricultural output. Additionally, slow disbursements of public funds and depressed export earnings may have put pressure on growth for the year. Production of coffee and tea has been below target due to adverse weather conditions. Further, global prices for the two have been on a general decline driven by excess supply.

The World Bank, in August, cut its 2014 economic growth forecast from 7.2% to 5.7% despite aid flows resuming, citing delayed spending on energy and transport as well as a slowdown of credit growth to the private sector. The delay in spending are reportedly brought about by onerous tendering and procurement procedures.

Despite short-term challenges, the outlook for the country is positive. The government plans to raise US\$ 1 billion targeted towards infrastructure projects is set to ease bottlenecks in the country and spur further economic growth for the foreseeable future.

Inflation

Inflation in Rwanda rose to 1.9% in July from 1.4% in June largely attributed to higher food and non-alcoholic drinks inflation. In August, the Central Bank of Uganda released its semi-annual financial stability statement stating that it expects inflation to remain low during the second half of 2014 due to sustained and well-coordinated monetary and fiscal policies and limited inflationary pressures from trading partners.

Economic Roundup:
(continued)

Rwanda



Worth Noting...

Rebasing pushes Kenya's GDP by 25%.

Kenya's GDP was estimated to be 25% larger after the base calculation year was moved from 2001 to 2009. GDP was measured at US\$ 55.2 billion up from US\$ 44.1 billion reported previously for 2014. The country is now among the top 10 economies on the continent, ahead of nations such as Ghana (2013 GDP of US\$ 48 billion) and Tunisia (2013 GDP of US\$ 47 billion). The rebasing takes into account growing industries such as mobile phone money transfers and the informal business sector. A higher GDP figure will lower the country's debt ratios improving the ability to borrow more to help finance plans to build new transport links and improve existing infrastructure.

Tanzania to Open Stock Market to Foreigners

A proposal by the Tanzania's Capital Markets and Security Authority to change the limits on foreign share ownership is awaiting approval from the Finance Ministry with the amendments expected to be implemented by the end of the year. Currently, the cap on foreign ownership of listed counters is set at 60%. The 11-member Tanzania Share Index is amongst the best performing exchanges in Africa this year. The country's US\$ 33 billion economy, the largest in East Africa after Kenya, will expand 7.2% this year according to the World Bank.

Capital Gains Tax Re-introduced in Kenya

Capital gains tax was re-introduced 36 years after it was abolished. The new law, will ensure companies and individuals pay taxes on the proceeds of property sold beginning January 2015. Kenya had initially repealed the capital gains tax law in a bid to attract investments into its stock market, real estate and other sectors. The tax rate was set at 5%, which is lower than the applicable rates in Uganda and Tanzania.

Rwanda plans Eurobond Issue in 2015

Rwanda is looking to raise US\$ 1 billion through the international capital markets following success of its maiden US\$ 400 million Eurobond that was heavily oversubscribed. Funds from the 2013 Eurobond issue were used to retire more expensive debt as well as the construction of the Kigali Convention Centre and the Nyabarongo Hydropower plant. The new funds to be sourced from the 2015 issue will go towards infrastructure projects, in particular the construction of a new airport and the development of geothermal and methane gas power plants intended to generate a total of 250 MW.

Tanzania to Expand Port

The World Bank, the Department for International Development ("DFID") and Trade Mark East Africa are partnering with the Tanzanian government in a US\$ 565 million deal that is set to expand the deep sea port at Dar es Salaam. This is part of Tanzania's Vision 2025 initiative to increase its port's capacity to 28 tonnes by 2020 from the current 14.6 tonnes.

Transaction Highlights in East Africa



Sector	Acquirer	Seller	Transaction Description
August 2014			
Meat Processing	Fanisi Capital	Ngare Narok Meat Industries	Fanisi Capital announced a US\$ 2.5 mn investment in the Kenyan based meat processor. The funds are aimed at capturing more of the value chain by the meat firm by increasing its product range and utilisation of abattoir by-products.
September 2014			
Utilities	XSML	Hydrotek SARL	XSML has invested in Lubumbashi based Hydrotek SARL which deals pipes, pumps and valves for water and other liquids. The company also provides installation and maintenance services with its main clients being the mining companies and local water company in Katanga, DRC. The funds will be used to invest in larger inventory as well building a centralised warehouse.
Healthcare	Kibo Fund	TBL Mirror Fund	TBL, the Dutch PE fund announced its exit from International Medical Group (IMG) through a strategic sale to Kibo Fund. IMG, founded in 1986, comprises of International Hospital Kampala (IHK), International Medical Centres (IMC) as well as International Air Ambulance (IAA) and is Uganda's largest healthcare provider.
FMCG	Catalyst Principal Partners	Mimosa Pharmacy Ltd	Catalyst and Africa Chemist & Beauty Care (ACBC), a Mauritius based pharmaceutical chain jointly invested in Mimosa Pharmacy. The PE firm indicated that the investment was a mix of debt and equity with the funds earmarked for expansion as well as upgrading the pharmacy's stores.
October 2014			
Telecoms	Helios	Wananchi Group	Helios has acquired a US\$ 40 mn stake in Wananchi Group, the owners of pay-TV provider Zuku as part of a US\$ 300 mn cash injection that included contribution from other shareholders of the group. The funds will be used primarily to expand the group's fibre network in Eastern and Southern Africa as well as investments in new technologies and services platform. Helios joins other investors such as Emerging Capital Partners (ECP), Altice SA, Liberty Global etc.
Financial Services	Swiss Re	Apollo Investments	Swiss Re, a subsidiary of Swiss Re Group, one of the world's largest reinsurers has entered the Kenyan market after buying a 26.9% stake in Apollo investments for an undisclosed amount. The sale was for the portion of Apollo held by LeapFrog which had purchased the stake in 2011 for a reported US\$ 13.8 mn.
Energy	Acumen, Novastar	SolarNow	Acumen and Novastar Ventures have invested in a Ugandan distributor of solar home equipment to rural markets. The company allows for the flexible payment of its equipments but providing financing for up to 18 months. SolarNow aims to use the funds to increase its product base as well as expand into Kenya and Tanzania.



News from Horizon

Horizon's Sector Expertise

Agriculture & Agro-processing

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 in 2014

Mergers & Acquisitions

- Raised US\$1.5 mn in equity capital for African media company
- Raised US\$ 2.3 mn in equity capital for an agro-processing company

Corporate and Transaction Advisory

- Buy-side due diligence on a financial services company
- Buy-side due diligence for an investment into an agro-processing company in DRC
- Financial due diligence on the minority purchase of a healthcare group

Capital Raising

- Debt raise of US\$ 18 mn for the set up of waste paper plant in East Africa
- Debt raise of US\$ 14 mn for an FMCG company
- Debt raise of \$18 mn for the development of a hotel in East Africa

Selected Ongoing Transactions: 2014

Mergers & Acquisitions

- Sell-side advisor for an FMCG distributor in East Africa
- Sell-side advisor for an oil and gas distributor in Mozambique
- Sell-side advisor for a minority stake and additional capital raising for a real estate company in sub Saharan Africa
- Sell-side advisor for a packaging company in East Africa
- Sell-side advisor for a financial services provider

Capital Raising

- Debt raise for a state of the art hospital in Kenya
- Debt raise for three commercial real estate properties in Kenya

News from Horizon:

Ongoing Transactions (continued)

Horizon's Sector Expertise

Agriculture & Agro-processing

Real Estate

Energy, Oil & Gas

Fast-Moving Consumer Goods

Financial Services

Hospitality

Heavy & Light Manufacturing

**Information and Communication
Technology**

Infrastructure

Telecommunications

Transport & Logistics

Corporate and Transaction Advisory

- Group restructuring and valuation advisory for an East African commodity trading company
- Advising on a feasibility for a heavy industry manufacturing plant in Ethiopia
- Valuation and advisory for an education provider in Kenya
- Valuation and advisory for a clean energy plant

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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