



MIDYEAR REVIEW OF THE NIGERIAN PRIVATE EQUITY SCENE JANUARY 2017 TO JUNE 2017

INTRODUCTION

We take a retrospective diagnostic review of the Nigerian Private equity market in the 1st half of 2017 (January-June) looking at deals that made the headlines, new funds created within the Nigeria of created outside but focused on Nigeria, exits and definitely the regulations that have helped shaped private equity in Nigeria within the period under review

DEALS:

- One of the biggest deals that made the headlines within the period under review was the investment of Fund for Agriculture Finance in Nigeria (an indigenous agric focused private equity fund managed by Sahel Capital) invested an undisclosed sum in Crest Agro Product Limited an indigenous integrated cassava processor based in Kogi State, North Central Nigeria. The deal according to industry sources would boost the Nigerian cassava industry. This is the 4th investment in the agricultural sector made by FAFIN since its establishment in 2014.
- One of Africa's foremost African focused private equity firm Helios Investment Partners has teamed up with GBFoods a Barcelona based multinational food company to form a joint venture known as GBFood Africa Holding Company comprised of assets from various African FMGC brands like Gino, Jumbo, Pomo and Jago, the new company is also expected to include the distribution rights of Bama mayonnaise product provider. Although details of the deals were not made public, industry speculations have it that GBFoods would own 51% of the venture.
- Synergy Private Equity Fund, a fund with a size in excess of \$100 Million has invested Northstar Finance Services, a platform company building a portfolio of financial services assets. The proceeds from the investment is expected to be used to promote Northstar's vision of become a leading retail financial services brand in West Africa. Northstar already has strategic interest in some Nigerian companies like Safetrust Nigeria, a large mortgage bank, Ping Express, a Money Transfer Operator which recently won its operating license from the Central Bank of Nigeria and Fast Credit, a Nigerian payroll lender. This

is the 9th investment made by the fund since its closing date of September, 2015

- Synergy Private Equity Fund made its 10th investment since the establishment of the fund when the fund invested Dimension Data Nigeria Limited and Dimension Data Ghana Limited with the acquisition of the Nigerian and Ghana subsidiaries. Dimension Data is one of the largest IT integration provider in West Africa. Following the acquisition, the acquired company would trade under the new name “*Cloud Exchange Limited*”. Despite the change of name, Dimension Data Group would continue to act as the technical partner of the new company.
- Silvertree Capital the investment arm of South African based Silvertree Internet Holdings acquired Nigerian Financial price check platform TopCheck. TopCheck is a platform that provides consumers with the opportunity to make free price comparisons for insurance, loan and broadband internet plans online. Although the price of the acquisition was not disclosed, TopCheck would form part of Silvertree Internet Holding’s subsidiary Compare Africa Group. As part of the deal, the founders of TopCheck Christian Wiesner, Jose Figueiredo and Thomas Pilar would step down as Managing Directors and become advisors to CAG
- Silver Gulf-River Consortium got the nod from the Nigerian Stock Exchange Commission, the Central Bank of Nigeria to acquire Keystone Bank from the Asset Management Corporation (AMCON) for N25 billion (approximately \$81.5 million). Keystone Bank was established by the Nigerian Deposit Insurance Corporation following the revocation of Bank BHB’s banking license by the Central Bank of Nigeria in 2011. AMCON, which was established in 2010 to house, restructure and dispose of the country’s non-performing banking assets, subsequently capitalized Keystone Bank and appointed a new board and management team pending the sale of the asset.

FUND RAISING

In the area of fundraising, the first half of the year but despite the lull, some new funds were established while some existing funds got additional investments.

- OPIC the US Government’s development finance institution supports Unreasonable Capital in the raise of its fund with the

sum of USD \$5 Million. The fund would be used to target early stage opportunities in profitable companies that looks to address social and environmental and help improve the lives of people living in emerging market (including Africa).

- Aavishkar an impact investor in January 2017 announced that it plans to raise USD \$150 Million targeted at low income consumers with a particular emphasis agricultural, fintech, education, energy and health care sectors of African countries like Nigeria, Kenya, Ghana, Ethiopia, Tanzania and Rwanda. The fund would commence fundraising in mid 2017.
- Rocket Internet raised USD\$1 Billion for its Global Internet Fund. The fund would focus on opportunities at certain key sectors of the internet including e-commerce.
- Sahel Capital fund managers of the Fund For Agricultural Finance in Nigeria (FFAFIN) close its debut fund at US\$65 Million with commitments from the African Development Bank, the CDC Group, KFW Bank and the Dutch Good Growth Fund.
- Old Mutual announced the launch of its \$300 Million African focused agricultural private equity fund. The new fund is targeting an IRR in excess of 15% over the course of a 10 year investment period.
- Fairfax Africa, an investment subsidiary of Fairfax Financial (the foremost Canadian Insurance company) has agreed to invest a minimum sum of \$130 Million in Atlas Mara. The Investment would see Fairfax Africa own 35% Atlas Mara. Atlas Mara is the African banking platform founded by former Barclays Bank CEO Bob Diamond and had interest in 7 countries. The investment would be used to support Atlas Mara's growth plans, which include, in the short-term, a transaction to increase its holding in Union Bank of Nigeria.

KEY REGULATIONS

- Executive Order on the Promotion of Transparency and Efficiency in the Business Environment: issued by the Federal Government and targeted at improving the ease of doing.

- The Voluntary assets and income declaration scheme (VAIDS): this is an executive order which is aimed at encouraging and providing an opportunity for eligible taxpayers to regularize their tax status for all the relevant years; pay all outstanding taxes; prevent and stop tax evasion; and ensure full tax compliance. The scheme introduces a 9 (nine) month grace period for eligible tax to regularize their tax stand with the government in exchange the eligible tax payer would get immunity from prosecution for tax offences; immunity from tax audit; waiver of interest; waiver of penalties; and option of spreading payment of outstanding liabilities over a maximum period of three years as may be agreed with the relevant tax authority.
- Collateral Registration Act 2017: the Secured Transaction in Movable Assets Act (popularly called the Collateral Registry Act), is an Act of the National Assembly that is aimed at providing a legal framework for the registration and enforcement of security interest in movable assets (such as automobiles, plants and machinery, account receivables, commodities, amongst others)
- The 2017 Appropriation Act: the 2017 Appropriation Act tagged *budget of recovery and growth*. The highlights of the budget includes a drive to self sufficiency for staple foods so that there would be less dependency on imported food, the cancellation of joint venture cash calls in the oil and gas sector; the use of Executive Orders to address bureaucratic processes that hinder the procurement process; address of critical infrastructure to mention but a few.

OUR VERDICT

The Nigerian private equity scene in the last 6 (Six) months have been quite active both in terms of deals and fund raising. The most active sector still remains the financial services sector while the agriculture sector and fast moving consumer goods sectors are second and third respectively. The reason for this is not farfetched as already observed, the 2017 appropriation Act of Nigeria has already laid plans to diversify the Nigerian economy with the agriculture sector received the highest allocation aside oil and gas.

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